

AGENDA

EAST ORANGE COUNTY WATER DISTRICT ADMINISTRATION & FINANCE COMMITTEE AGENDA

Friday, February 17, 2023 9:00 A.M.

Call meeting to order - Chair Sears

Public Communications to the Committee

Additional items arising after posting of agenda

Monthly Financial Reports
 Recommendation: Informational.

2. Monthly Disbursements

Recommendation: Receive and File.

3. Annual Audit

Recommendation: Receive and File.

4. Rate Adoption

Recommendation: Informational.

Adjournment

NOTE: On March 4, 2020, California Governor Newsom declared a State of Emergency in California as a result of the COVID-19 Pandemic, for which State and Orange County Public Health Officials have continued to recommend measures to promote social distancing. Pursuant to Government Code Section 54953, and corresponding findings of the Board that currently remain in effect (1) members of the Board of Directors and public may elect to attend this Regular Meeting by telephone or video conference due to concerns relative to COVID-10 Coronavirus and avoidance of public gatherings, and (2) **THERE WILL BE NO PUBLIC LOCATION TO ATTEND THIS MEETING IN PERSON**. The public may attend either telephonically by calling into, or by videoconference by logging into, the meeting at:

To Access the Meeting by Computer/Device:

https://us02web.zoom.us/j/89236820457?pwd=MTQvUmJoNnh0SmpDcmgxMEMralhkUT09 or short link https://bit.ly/3HOCFMI

To Access the meeting by Phone:

Dial: (669) 900-6833

Meeting ID: 892 3682 0457 Passcode: 666487

Members of the public shall be permitted to speak live at the meeting as to both agendized and non-agendized items, as reflected in the agenda, utilizing the above-referenced internet or telephone options. Those wishing to speak may either submit a speaker request via the on-line chat feature before an item is heard, or by verbally indicating their desire to comment at the time the item is called. Additionally, members of the public may, but are not required to, e-mail comments to Sylvia Prado at sprado@eocwd.com up to 30 minutes before the Committee meeting, and such comments shall be provided to the Committee. Members of the public wishing to attend the meeting that require other reasonable modifications or accommodation to facilitate such attendance should contact Ms. Prado at (714) 538-5815 or the e-mail provided as soon as feasible before the meeting to make such request.

Availability of agenda materials: Agenda exhibits and other writings that are disclosable public records distributed to all or a majority of the members of the East Orange County Water District Administrative & Finance Committee in connection with a matter subject to discussion or consideration at an open meeting of the Administrative & Finance Committee are available for public inspection in the District's office, 185 McPherson Road, Orange, California ("District Office"). If such writings are distributed to members of the Committee less than 72 hours prior to the meeting, they will be available via phone or email request to Ms. Sylvia Prado at (714) 538-5815 or sprado@eocwd.com.



MEMO

TO: ADMINISTRATION AND FINANCE COMMITTEE

FROM: GENERAL MANAGER

SUBJECT: MONTHLY FINANCIAL STATEMENTS AND TRESURERS REPORT FOR

DECEMBER

DATE FEBRUARY 17, 2023

Background

December Monthly Financial Statements and Treasurer's Report.

Recommendation

Informational.

Attachment(s): Financial Statements for December

Treasurer's Report for December



Revenue & Expense Summary Wholesale (Unaudited)

Period Ending December 31, 2022

		A		В		C	D = B/C	
		DEC 2022 YTD ACTUAL ACTUAL		2022/23 Annual Budget		YTD BUDGET 50%		
1	REVENUES						5575	
2	Operating Revenues	\$	595,610	\$ 5,635,971	\$	9,540,800	59%	
3	Non-Operating Revenues/ (Expense)		373,260	600,367		1,217,200	49%	
4	TOTAL REVENUES		968,869	6,236,338		10,758,000	58%	
5	EXPENSES							
6	Source of Supply		552,318	5,337,136		9,011,200	59%	
7	Salaries & Benefits		27,102	168,904		509,100	33%	
8	Operations & Maintenance		37,620	144,713		410,100	35%	
9	General & Administrative		14,924	161,655		329,300	49%	
10	TOTAL EXPENSES		631,963	5,812,408		10,259,700	57%	
11	NET INCOME / (LOSS) BEFORE CAPITAL & 115 CONTRIBUTIONS		336,906	423,930		498,300	85%	
12	Capital Expenses (Reserve-Funded)		(138,938)	(449,895)		(3,562,300)	13%	
13	Section 115 Pension Trust Contributions		-	-		(50,000)	0%	
14	NET INCREASE / (DECREASE) TO RESERVES	\$	197,967	\$ (25,965)	\$	(3,114,000)	1%	





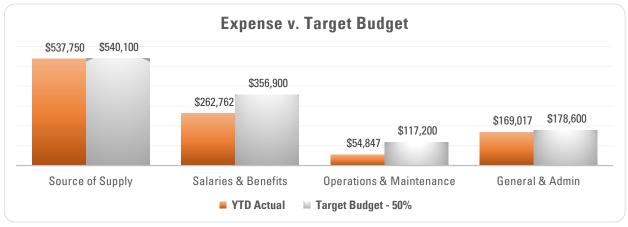


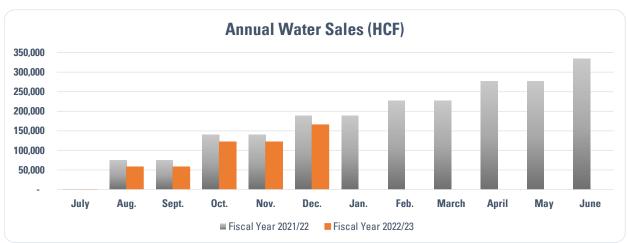
Revenue & Expense Summary

Retail (Unaudited)

Period Ending December 31, 2022

		A B		C	D = B/C	
		DEC 2022 YTD ACTUAL ACTUAL		2022/23 ANNUAL BUDGET	YTD BUDGET 50%	
1	REVENUES					
2	Operating Revenues	\$	402,685	\$ 1,418,485	\$ 2,725,900	52%
3	Non-Operating Revenues		162,703	292,903	520,200	56%
4	TOTAL REVENUES		565,389	1,711,388	3,246,100	53%
5	EXPENSES					
6	Source of Supply		65,081	537,750	1,080,100	50%
7	Salaries & Benefits		41,549	262,762	713,700	37%
8	Operations & Maintenance		19,547	54,847	234,300	23%
9	General & Administrative		19,498	169,017	357,100	47%
10	TOTAL EXPENSES		145,676	1,024,377	2,385,200	43%
11	NET INCOME / (LOSS) BEFORE DEBT, CAPITAL, & OTHER		419,713	687,011	860,900	80%
12	Debt Service		-	(43,498)	(259,000)	17%
13	Capital Expenses (Reserve-Funded)		(28,713)	(272,511)	(5,664,200)	5%
14	Section 115 Pension Trust Contributions		-	-	(50,000)	0%
15	Prior Year Revenue		-	215,187	-	0%
16	NET INCREASE / (DECREASE) TO RESERVES	\$	391,000	\$ 586,190	\$ (5,112,300)	N/A





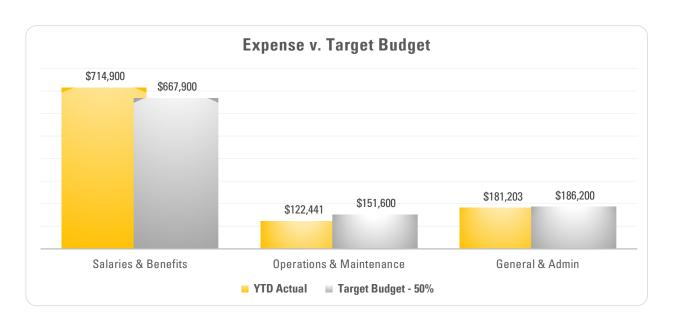


Revenue & Expense Summary

Sewer (Unaudited)

Period Ending December 31, 2022

		A B		C	D = B/C	
		DEC 2022 ACTUAL		YTD ACTUAL	2022/23 ANNUAL BUDGET	YTD BUDGET 50%
REVENUES						
Operating Revenues	\$	1,033,168	\$	1,689,978 \$	3,229,500	52%
Non-Operating Revenues/(Expense)		112,750		(150,213)	690,900	N/A
TOTAL REVENUES		1,145,918		1,539,766	3,920,400	39%
EXPENSES						
Salaries & Benefits		116,486		714,900	1,335,700	54%
Operations & Maintenance		15,589		122,441	303,100	40%
General & Administrative		20,293		181,203	372,300	49%
TOTAL EXPENSES		152,369		1,018,543	2,011,100	51%
NET INCOME / (LOSS) BEFORE DEBT, CAPITAL, & OTHER		993,549		521,222	1,909,300	27%
Debt Service		-		(173,990)	(1,036,000)	17%
Capital Expenses (Reserve-Funded)		(78,150)		(352,427)	(3,627,600)	10%
Section 115 Pension Trust Contribution		-		-	(50,000)	0%
Prior Year Expense		(412)		(5,209)	-	0%
NET INCREASE / (DECREASE) TO RESERVES	\$	914,987	\$	(10,404) \$	(2,804,300)	0%
	Operating Revenues Non-Operating Revenues/(Expense) TOTAL REVENUES EXPENSES Salaries & Benefits Operations & Maintenance General & Administrative TOTAL EXPENSES NET INCOME / (LOSS) BEFORE DEBT, CAPITAL, & OTHER Debt Service Capital Expenses (Reserve-Funded) Section 115 Pension Trust Contribution Prior Year Expense	Operating Revenues Non-Operating Revenues/(Expense) TOTAL REVENUES EXPENSES Salaries & Benefits Operations & Maintenance General & Administrative TOTAL EXPENSES NET INCOME / (LOSS) BEFORE DEBT, CAPITAL, & OTHER Debt Service Capital Expenses (Reserve-Funded) Section 115 Pension Trust Contribution Prior Year Expense	REVENUES \$ 1,033,168 Operating Revenues \$ 1,033,168 Non-Operating Revenues/(Expense) 112,750 TOTAL REVENUES 1,145,918 EXPENSES \$ 116,486 Operations & Maintenance 15,589 General & Administrative 20,293 TOTAL EXPENSES 152,369 NET INCOME / (LOSS) BEFORE DEBT, CAPITAL, & OTHER 993,549 Debt Service - Capital Expenses (Reserve-Funded) (78,150) Section 115 Pension Trust Contribution - Prior Year Expense (412)	DEC 2022 ACTUAL	DEC 2022 YTD ACTUAL	DEC 2022





Cash & Investments (Unaudited) December 31, 2022

	Туре	Cost	Market	% Total
District Cash & Investments				
Unrestricted				
Local Agency Investment Fund (LAIF) *	Investment	\$ 9,337,077	\$ 9,163,307	13.1%
U.S. Bank - Sewer	Investment	2,492,324	2,344,528	3.3%
Raymond James Brokerage	Investment	7,244,330	7,113,178	10.2%
Citizens Business Bank	Checking	7,609,964	7,609,964	10.9%
Citizens Business Bank	Money Market	577,131	577,131	0.8%
Total Unrestricted		 27,260,827	26,808,109	38.3%
Restricted				
U.S. Bank - Sewer Capital	Investment	36,665,294	34,491,028	49.3%
U.S. Bank - Debt Proceeds	Investment	8,596,301	8,596,301	12.3%
PARS Post-Employment Benefits	Trust	150,000	131,265	0.2%
Total Restricted		45,411,596	43,218,595	61.7%
Total District Cash & Investments		\$ 72,672,423	\$ 70,026,704	100.0%

^{*} The LAIF Market Value factor is updated quarterly in September, December, March, and June.

Treasurer Certification

I certify that (1) all investment actions executed since the last report have been made in full compliance with the District's Investment Policy and, (2) the District will meet its expenditure obligations for the next six months as required by California.

Cindy Byerrum, Treasurer

Cindy Byerrum



East Orange County Water District

Period Ending December 31, 2022

CHANDLER ASSET MANAGEMENT, INC. | 800.317.4747 | www.chandlerasset.com



SECTION 2 Consolidated Information

SECTION 3 Account Profile

SECTION 4 Portfolio Holdings

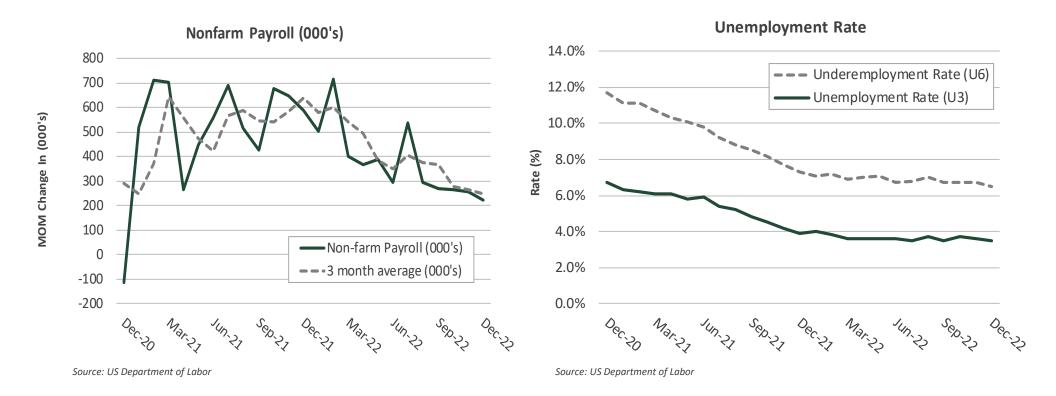
SECTION 5 Transactions



Economic Update

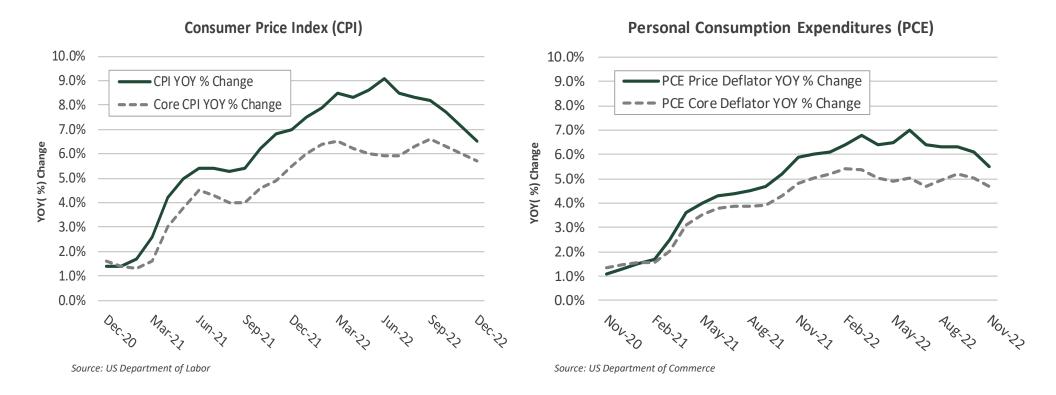
- Market volatility has intensified as investors weigh the probabilities of a hard or soft economic landing. Although the pace of job growth is moderating, a historically strong labor market has sustained economic expansion. Inflation metrics are trending downward but remain significantly higher than the Federal Reserve's target. Financial conditions have eased, and credit spreads have narrowed over the last quarter. Geopolitical risks remain as the Russia/Ukraine war persists and China reopens, while domestically the debt ceiling risk has emerged. As uncertainty has grown, the consensus market view has diverged from the Federal Reserve's projected rate path. While evidence of slower economic conditions has begun to mount, we believe the Federal Reserve will continue to tighten monetary policy at a slower pace and remain restrictive for some time, and uncertainty will continue to fuel market volatility.
- As expected at the December 14th meeting, the Federal Open Market Committee (FOMC) raised the fed funds target rate by 50 basis points to a range of 4.25 4.50%, in a downshift from four consecutive 75 basis point hikes. The decision was unanimous, and there was no change to the November statement. The sentiment was hawkish, indicating that "ongoing increases" in the fed funds rate are likely appropriate and citing continued labor market imbalances. FOMC members forecasted a higher fed funds rate, slower GDP growth, higher inflation, and higher unemployment in 2023 than in the September projections. We believe the FOMC will continue to implement tighter monetary policy at a slower pace and hold rates at restrictive levels for some time until inflationary pressures subside and remain in the Fed's target range.
- In December, yields rose, and the curve became less inverted. The 2-year Treasury yield increased 12 basis points to 4.43%, the 5-year Treasury yield rose 27 basis points to 4.01%, and the 10-year Treasury yield climbed 27 basis points to 3.88%. The inversion between the 2-year Treasury yield and 10-year Treasury yield narrowed to -55 basis points at December monthend versus -71 basis points at November month-end. The spread was a positive 78 basis points one year ago. The inversion between 3-month and 10-year treasuries narrowed to -50 basis points in December from -74 basis points in November. The year 2022 saw a dramatic shift in the Federal Reserve's policy from highly accommodative to aggressive tightening, resulting in significantly higher rates and an inverted yield curve. The shape of the yield curve indicates that the probability of recession is increasing.

Employment



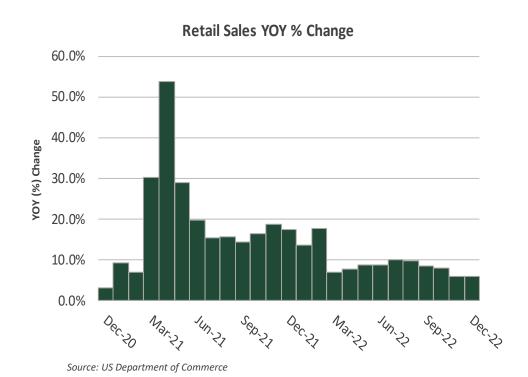
The U.S. economy added 223,000 jobs in December, slightly higher than market expectations of 205,000, but a decline from November's revised increase of 256,000. Trends in employment remain healthy, with the three-month moving average payrolls at 247,000 and the six-month moving average at 307,000. Jobs in the goods producing sector were surprisingly strong, and leisure and hospitality employment growth remained solid. The unemployment rate dipped to 3.5%, returning to its pre-pandemic level. The labor participation rate increased only slightly to 62.3% in December from 62.1% in November, indicating the supply of labor remains challenging for employers. The U-6 underemployment rate, which includes those who are marginally attached to the labor force and employed part time for economic reasons declined to 6.5% from the prior month at 6.7%. Average hourly earnings rose 4.6% year-over-year in December, down from a revised 4.8% increase in November. Overall, the December employment report demonstrates a strong demand for labor and supports the case for the Fed to continue raising the federal funds rate, but perhaps at a slower pace.

Inflation



The Consumer Price Index (CPI) increased 6.5% year-over-year in December, down from a 7.1% year-over-year increase in November. The Core CPI, which excludes volatile food and energy components, rose 5.7% year-over-year in December, down from 6.0% in November. Gasoline prices decelerated materially, while shelter prices continued to rise. A shift in spending from goods to services continues to dampen merchandise prices. The Personal Consumption Expenditures (PCE) index rose 5.5% year-over-year in November, versus an upwardly revised 6.1% year-over-year gain in October. Core PCE increased 4.7% year-over-year in November versus a 5.0% year-over-year gain in October. Declining inflationary trends should provide the Federal Reserve room to reduce the pace and magnitude of future federal funds rate hikes.

Consumer

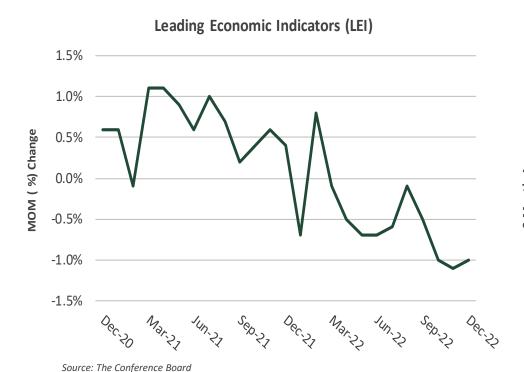


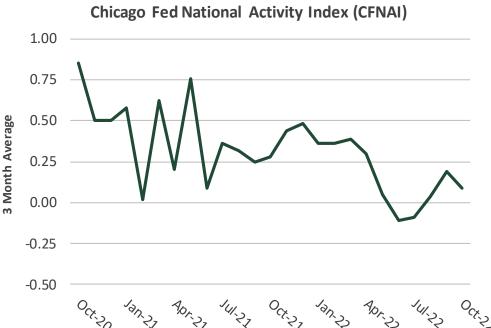


Source: The Conference Board

Advance Retail Sales dropped 1.1% in December after a downward revision to a 1% decline in November, reflecting a loss of momentum in consumer demand for goods amid high inflation and shifting preferences toward services. Retail sales rose 6% year-over-year in December, unchanged from November's year-over-year gain. Weakness was widespread among sectors. The Conference Board's Consumer Confidence Index jumped more than expected to 108.3 in December from an upwardly revised 101.4 in November. Views of current conditions and the future outlook for the economy both improved as inflation expectations declined.

Economic Activity

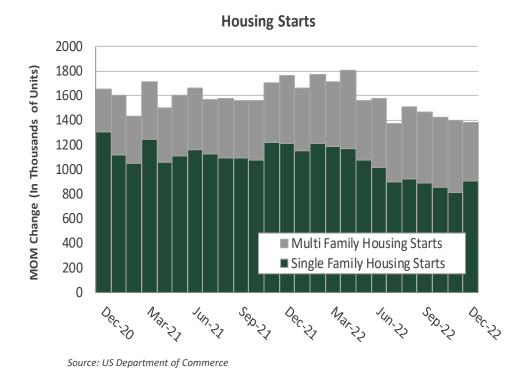




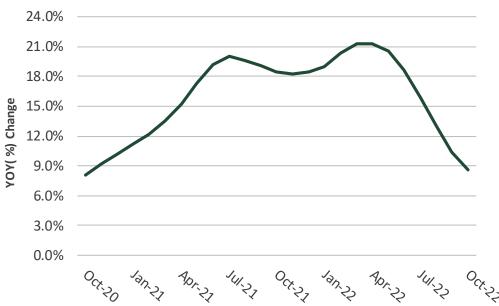
Source: Federal Reserve Bank of Chicago

The Conference Board's Leading Economic Index (LEI) remained in negative territory for the tenth consecutive month at a worse than expected -1.0% in December, following a downwardly revised -1.1% in November. The LEI was down 7.4% year-over-over in December versus down 6.1% in November. The Conference Board cited widespread deterioration in the components of the index. The Chicago Fed National Activity Index (CFNAI) decreased to -0.05 in October from +0.17 in September indicating below trend growth over the month. On a 3-month moving average basis, the CFNAI moved down to +0.09 in October from an upwardly revised +0.19 in September.

Housing



S&P/Case-Shiller 20 City Composite Home Price Index



Source: S&P

Total housing starts fell 1.4% month-over-month in December to 1,382,000 units and were down 21.8% compared to December 2021. The dip was entirely due to a 19% decline in starts of multi-unit homes but was somewhat offset by an increase in starts of single-family homes as mortgage rates eased. The 30-year fixed rate mortgage has dropped to an average of 5.95% according to Freddie Mac, down from a peak of over 7% in November. According to the Case-Shiller 20-City Home Price Index, the year-over-year increase continued its declining rate of gain to +8.6% in October from +10.4% in September, clearly displaying the impact of higher mortgage rates year-over-year, which have reduced demand for homebuying as affordability has declined.

Manufacturing

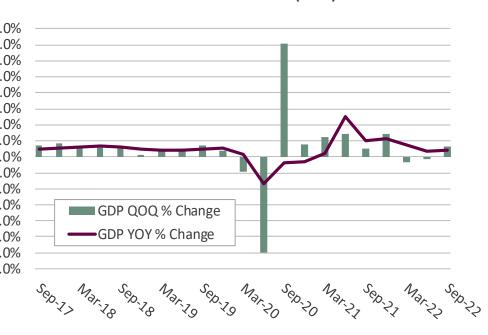


The Institute for Supply Management (ISM) manufacturing index declined to 48.4 in December from 49.0 in November. This is the second consecutive month of readings below 50.0, which is indicative of contraction in the manufacturing sector. The declining trend reflects sluggish demand amid economic uncertainty and easing price pressures in the goods sector. Industrial production fell 0.7% in December after a downward revision to -0.6% in November. The decrease was due to declines in production for manufacturing and mining, while utilities output rose sharply due to cold weather. This equates to a 1.65% increase from the prior year. Capacity utilization dropped to 78.8% in December from 79.4% in November and has fallen below the 1972-2021 average of 79.6%.

Gross Domestic Product (GDP)

Components of GDP	12/21	3/22	6/22	9/22	40.0
Personal Consumption Expenditures	2.1%	0.9%	1.4%	1.5%	30.0 25.0 20.0
Gross Private Domestic Investment	5.1%	1.0%	-2.8%	-1.8%	15.0 10.0 5.0
Net Exports and Imports	-0.2%	-3.1%	1.2%	2.9%	0.0 -5.0
Federal Government Expenditures	0.0%	-0.4%	-0.2%	0.2%	-15.0 -20.0
State and Local (Consumption and Gross Investment)	-0.2%	0.0%	-0.1%	0.4%	-25.0 -30.0 -35.0
Total	7.0%	-1.6%	-0.6%	3.2%	

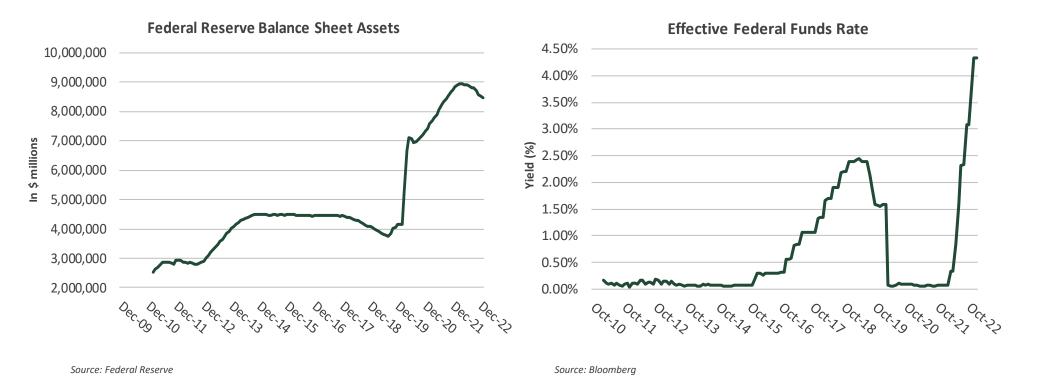
Gross Domestic Product (GDP)



Source: US Department of Commerce Source: US Department of Commerce

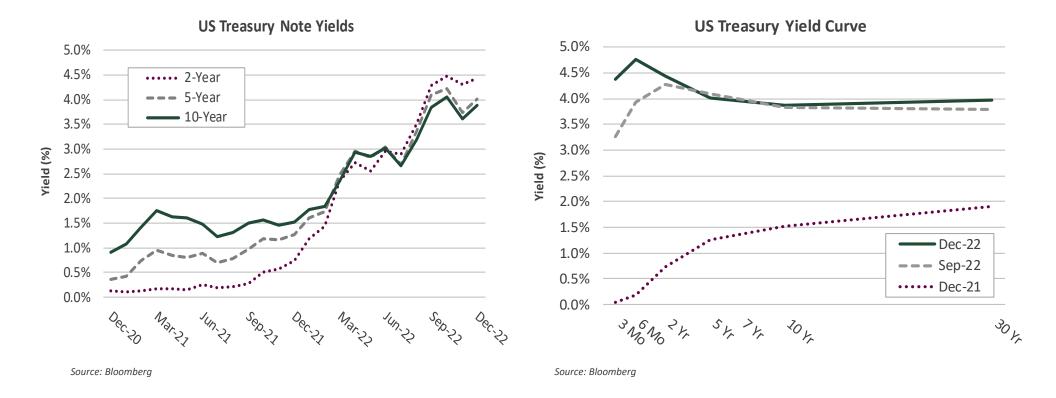
According to the third estimate, GDP increased at an annualized rate of 3.2% in the third quarter, revised up from 2.9%. The upward revision reflects stronger personal consumption expenditures which rose 2.3% in the third quarter, up from 1.7% in the previous estimate, primarily due to continued strength in services spending. Business investment, state and local government spending, and net exports also contributed to the upward revision. The consensus estimate calls for 2.0% growth in the fourth quarter, 2.0% growth for the full year 2022, and 0.1% growth in the first quarter of 2023.

Federal Reserve



As expected at the December 14th meeting, the Federal Open Market Committee (FOMC) raised the fed funds target rate by 50 basis points to a range of 4.25 – 4.50%, in a downshift from four consecutive 75 basis point hikes. The decision was unanimous, and there was no change to the November statement. The sentiment was hawkish, indicating that "ongoing increases" in the fed funds rate are likely appropriate and citing continued labor market imbalances. The Summary of Economic Projections indicated a peak median forecast of 5.1% in 2023 and no rate cuts until 2024; however, the market consensus diverged, implying rate cuts in the second half of 2023. FOMC members forecasted a higher fed funds rate, slower GDP growth, higher inflation, and higher unemployment in 2023 than in the September projections. We believe the FOMC will continue to implement tighter monetary policy at a slower pace and hold rates at restrictive levels for some time until inflationary pressures subside and remain in the Fed's target range.

Bond Yields



At the end of December, the 2-year Treasury yield was 370 basis points higher, and the 10-Year Treasury yield was about 237 basis points higher, year-over-year. The inversion between the 2-year Treasury yield and 10-year Treasury yield narrowed to -55 basis points at December month-end versus -71 basis points at November month-end. The average historical spread (since 2003) is about +130 basis points. The inversion between 3-month and 10-year treasuries narrowed to -50 basis points in December from -74 basis points in November. The shape of the yield curve indicates that the probability of recession is increasing.

Periodic Table of Asset Class Returns

	Annual Returns for Key Indices Ranked in Order of Performance												
2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022			
International Real Estate 38.0%	US Small Cap Stocks 39.1%	US Real Estate 30.4%	US Real Estate 2.5%	US Small Cap Stocks 20.4%	Emerging Market Stocks 37.3%	International Bonds 3.2%	US Large Cap Stocks 31.5%	US Mid Cap Stocks 19.8%	US Real Estate 43.1%	Diversified Commodities 26.0%			
Emerging Market Stocks 18.2%	US Mid Cap Stocks 36.3%	US Large Cap Stocks 13.7%	US Large Cap Stocks 1.4%	US High Yield Bonds 17.5%	International Stocks 25.0%	US Core Bonds 0.0%	US Mid Cap Stocks 30.6%	US Small Cap Stocks 19.2%	Diversified Commodities 40.4%	US High Yield Bonds -11.2%			
US Small Cap Stocks 18.2%	US Large Cap Stocks 32.4%	US Mid Cap Stocks 13.4%	International Bonds 1.3%	US Mid Cap Stocks 12.6%	US Large Cap Stocks 21.8%	US High Yield Bonds -2.3%	US Small Cap Stocks 25.9%	US Large Cap Stocks 18.4%	US Large Cap Stocks 28.7%	International Bonds -12.7%			
US Real Estate 17.8%	International Stocks 22.8%	International Bonds 9.1%	US Core Bonds 0.6%	US Large Cap Stocks 12.0%	US Mid Cap Stocks 20.3%	US Large Cap Stocks -4.4%	US Real Estate 25.8%	Emerging Market Stocks 18.3%	US Mid Cap Stocks 24.0%	US Core Bonds -13.3%			
International Stocks 17.3%	US High Yield Bonds 7.4%	US Core Bonds 6.4%	US Mid Cap Stocks -0.6%	Diversified Commodities 11.4%	International Real Estate 20.0%	US Real Estate -4.6%	International Stocks 22.0%	International Stocks 7.8%	US Small Cap Stocks 21.1%	International Stocks -14.5%			
US Mid Cap Stocks 16.0%	International Real Estate 5.8%	US Small Cap Stocks 6.1%	International Stocks -0.8%	Emerging Market Stocks 11.2%	US Small Cap Stocks 15.2%	International Real Estate -6.4%	International Real Estate 21.0%	US Core Bonds 7.6%	International Stocks 11.3%	US Mid Cap Stocks -16.9%			
US Large Cap Stocks 16.0%	US Real Estate 2.5%	International Real Estate 2.8%	International Real Estate -3.8%	US Real Estate 8.6%	US High Yield Bonds 7.5%	US Mid Cap Stocks -8.1%	Emerging Market Stocks 18.4%	US High Yield Bonds 6.2%	International Real Estate 8.1%	US Small Cap Stocks -17.8%			
US High Yield Bonds 15.6%	International Bonds 1.8%	US High Yield Bonds 2.5%	US Small Cap Stocks -4.1%	International Bonds 4.9%	Diversified Commodities 5.8%	US Small Cap Stocks -11.0%	Diversified Commodities 17.6%	International Bonds 4.7%	US High Yield Bonds 5.4%	US Large Cap Stocks -18.1%			
International Bonds 8.0%	Diversified Commodities -1.2%	Emerging Market Stocks -2.2%	High Yield Bonds -4.6%	US Core Bonds 2.6%	US Real Estate 5.1%	International Stocks -13.8%	US High Yield Bonds 14.4%	International Real Estate -7.1%	US Core Bonds -1.6%	Emerging Market Stocks -20.1%			
US Core Bonds 4.4%	US Core Bonds -2.3%	International Stocks -4.9%	Emerging Market Stocks -14.9%	International Real Estate 1.3%	US Core Bonds 3.6%	Diversified Commodities -13.8%	US Core Bonds 9.0%	US Real Estate -7.6%	International Bonds -2.1%	International Real Estate -24.3%			
Diversified Commodities 0.1%	Emerging Market Stocks -2.6%	Diversified Commodities -33.1%	Diversified Commodities -32.9%	International Stocks 1.0%	International Bonds 2.6%	Emerging Market Stocks -14.6%	International Bonds 8.1%	Diversified Commodities -23.7%	Emerging Market Stocks -2.5%	US Real Estate -24.5%			

Index returns as of 12/31/2022. Past performance is not indicative of future results. Index returns assume reinvestment of all distributions and do not reflect fees or expenses. It is not possible to invest directly in an index. This information is not intended to constitute an offer, solicitation, recommendation, or advice regarding securities or investment strategy. Please see attached Asset Class Disclosure.



Investment Objectives

The investment objectives for East Orange County Water District, in order of priority, are to provide safety to ensure the preservation of capital in the overall portfolio, provide sufficient liquidity for cash needs, and a market rate of return consistent with the investment program.

Chandler Asset Management Performance Objective

The performance objective for the portfolio is to earn a total rate of return through a market cycle that is equal to or above the return on the benchmark index.

Strategy

In order to achieve this objective, the portfolio invests in high-quality fixed income securities that comply with the investment policy and all regulations governing the funds.

Compliance

East Orange County Water District Consolidated Portfolio

This portfolio is a consolidation of assets managed by Chandler Asset Management and assets managed internally by the Client. Chandler relies on Client to provide accurate information for reporting assets and producing this compliance statement.

Category	Standard	Comment
U.S. Treasuries	No limitations; Faith and credit of the U.S. are pledged for the payment of principal and interest	Complies
Federal Agencies	40% max per Agency/GSE issuer; Federal agency or U.S. government-sponsored enterprises	Complies
Municipal Securities	"A" rating category or higher by a NRSRO; 30% maximum; 15% max per issuer; Include obligations issued or entities controlled by the East Orange County Water District, State of California and any local agency within the State of California; Registered treasury notes or bonds of any of the other 49 states, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 states in addition to California; Obligations of the East Orange County Water District are exempt from restrictions listed.	Complies
Medium Term Note Corporate Bonds	"AA" rating category or higher by a NRSRO; 30% maximum; 5% max per issuer; Issued by corporations organized and operating within the U.S. or by depository institutions licensed by the U.S. or any state and operating within the U.S.	Complies*
Negotiable Certificates of Deposit (NCDs)	No rating required if amount of the NCD is covered by FDIC insured limit; If above FDIC insured limit, requires "A-1" short-term rated or "A" long-term rated issuer or better by a NRSRO; 30% maximum (combined with CDARS); 5% max per issuer; Issued by a nationally or state-chartered bank, a savings association or a federal association, as state or federal credit union, or by a federally-licensed or state-licensed branch of a foreign bank.	Complies
Certificates of Deposit (CDs)/	20% maximum (combined FDIC and collateralized); If issued in excess of the FDIC insurance limit, must be fully collateralized	Complies
Time Deposits (TDs)	with securities in accordance with California law.	Complies
Banker's Acceptances	"A-1" short-term rating or "A" long-term rating or better by a NRSO; 40% maximum; 5% per issuer; 180 days max maturity	Complies
Commercial Paper	"A-1" short-term rated or higher by a NRSRO; "A" long-term rated issuer or higher by a NRSRO; 25% maximum; 5% max per issuer; The District may purchase no more than 10% of the outstanding commercial paper of a single issuer; 270 days max maturity; Issuer is a corporation organized and operating in the U.S. with assets > \$500 million.	Complies
Money Market Mutual Funds	"AAA" rated or highest rating by two NRSROs; 20% maximum (combined with Mutual Funds); 20% max per Money Market Mutual Fund; Retained an investment adviser registered or exempt from SEC registration with > 5 years experience managing MMMF with AUM >\$500 million	Complies
Mutual Funds	"AAA" rated or highest rating by two NRSROs; 20% maximum (combined with Money Market Mutual Funds); 10% max per Mutual Fund; Retained an investment adviser registered or exempt from SEC registration with > 5 years experience managing MMMF with AUM >\$500 million	Complies
Local Agency Investment Fund (LAIF)	Maximum amount permitted by LAIF; Not used by Investment Adviser	Complies
Local Government Investment Pools (LGIP)/ County Pooled Investment Funds/ Joint Powers Authority	Other LGIPS, JPAPs permitted by the District; Not used by Investment Adviser	Complies
Prohibited	Inverse floaters; Ranges notes, Interest-only strips from mortgaged pools; Zero interest accrual securities; Reverse repurchase agreements; Securities Lending; Foreign currency denominated securities; Futures/Options; Purchase/Selling securities on margin	Complies
Prohibited (per Client Directive)	Supranationals, Mortgage Backed Securities, Collateralized Mortgage Obligations, Securities issued or guaranteed by Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Mortgage Corporation (Freddie Mac)	Complies
Maximum Maturity	5 years	Complies

^{*}Corporate bond ratings complied at time of purchase; John Deere (24422ETG4) rated A2/A/A

Portfolio Characteristics

East Orange County Water District Consolidated

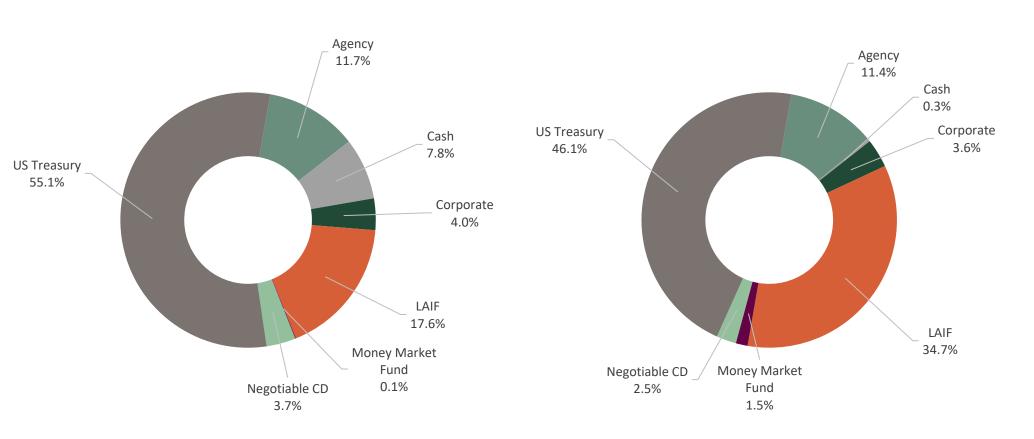
	12/31/22 Portfolio	09/30/22 Portfolio
Average Maturity (yrs)	1.78	1.61
Modified Duration	1.69	1.54
Average Purchase Yield	1.65%	1.57%
Average Market Yield	3.66%	3.27%
Average Quality*	AA+/Aaa	AA+/Aaa
Total Market Value	53,579,040	58,657,351

^{*} Portfolio is S&P and Moody's respectively.

Sector Distribution

East Orange County Water District Consolidated





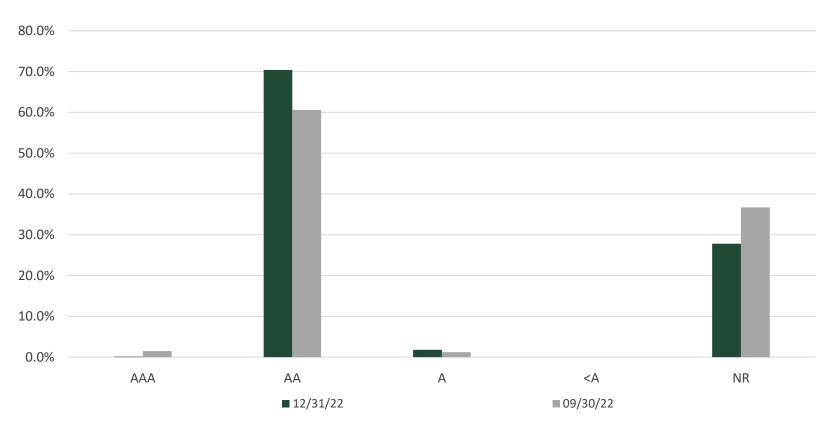
Issuers

East Orange County Water District Consolidated – Account #10491

Issue Name	Investment Type	% Portfolio
Government of United States	US Treasury	55.15%
Local Agency Investment Fund	LAIF	17.57%
Bank Cash Account	Cash	7.81%
Federal National Mortgage Association	Agency	3.67%
Federal Home Loan Bank	Agency	3.40%
Federal Home Loan Mortgage Corp	Agency	2.75%
Federal Farm Credit Bank	Agency	1.93%
Apple Inc	Corporate	1.25%
Berkshire Hathaway	Corporate	0.75%
US Bancorp	Corporate	0.62%
JP Morgan Chase & Co	Negotiable CD	0.47%
Amazon.com Inc	Corporate	0.46%
Nicolet National Bank	Negotiable CD	0.46%
Morgan Stanley	Negotiable CD	0.45%
Sallie Mae Bank	Negotiable CD	0.44%
Goldman Sachs Inc.	Negotiable CD	0.44%
Toyota Financial Sgs Bk	Negotiable CD	0.42%
Wal-Mart Stores	Corporate	0.42%
Synchrony Financial	Negotiable CD	0.41%
American Express Credit	Negotiable CD	0.34%
Deere & Company	Corporate	0.26%
JP Morgan Chase & Co	Corporate	0.24%
First National Bank of America	Negotiable CD	0.18%
Capital One	Negotiable CD	0.07%
First American Govt Oblig Fund	Money Market Fund	0.05%
TOTAL		100.00%

Quality Distribution

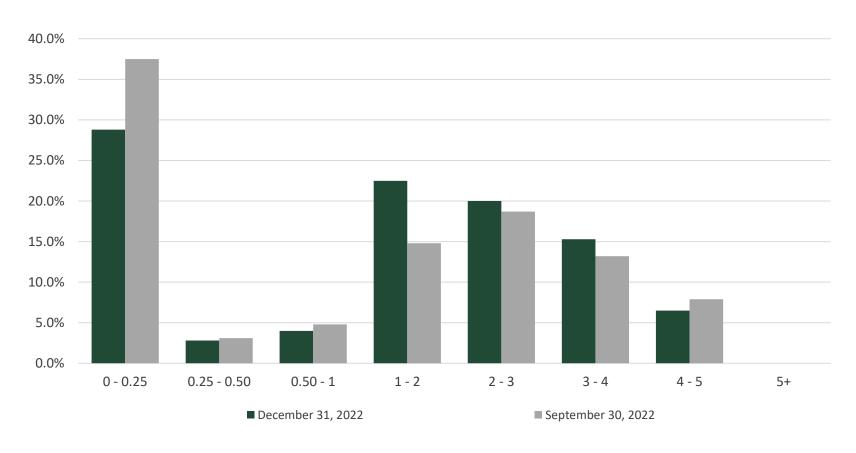
East Orange County Water District Consolidated December 31, 2022 vs. September 30, 2022



	AAA	AA	А	<a< th=""><th>NR</th></a<>	NR
12/31/22	0.1%	70.4%	1.8%	0.0%	27.8%
09/30/22	1.5%	60.6%	1.2%	0.0%	36.7%

Source: S&P Ratings

East Orange County Water District Consolidated December 31, 2022 vs. September 30, 2022



	0 - 0.25	0.25 - 0.50	0.50 - 1	1 - 2	2 - 3	3 - 4	4 - 5	5+
12/31/22	28.8%	2.8%	4.0%	22.5%	20.0%	15.3%	6.5%	0.0%
09/30/22	37.5%	3.1%	4.8%	14.8%	18.7%	13.2%	7.9%	0.0%



Section 3 | Account Profile

Portfolio Characteristics

East Orange County Water District Short Term Bond

	12/31,	09/30/22	
	Benchmark*	Portfolio	Portfolio
Average Maturity (yrs)	2.61	2.39	2.43
Average Modified Duration	2.48	2.27	2.33
Average Purchase Yield	n/a	1.58%	1.52%
Average Market Yield	4.35%	4.37%	4.17%
Average Quality**	AAA	AA+/Aaa	AA+/Aaa
Total Market Value		37,035,405	36,706,076

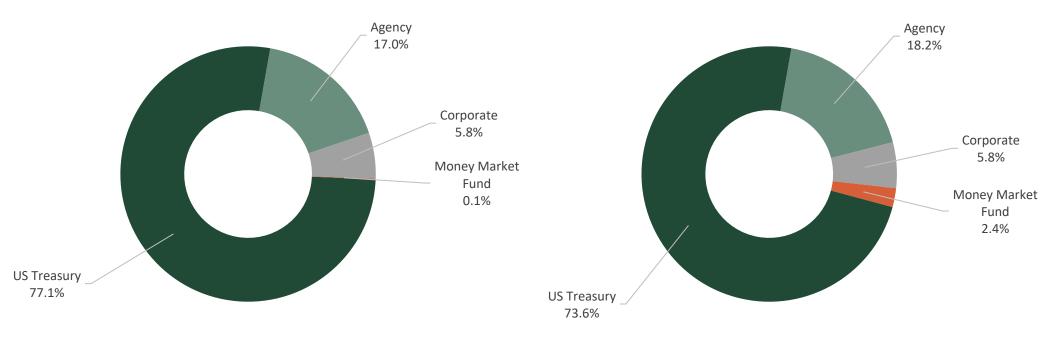
^{*}ICE BofA 1-5 Yr US Treasury & Agency Index

^{**}Benchmark is a blended rating of S&P, Moody's, and Fitch. Portfolio is S&P and Moody's respectively.

Sector Distribution

East Orange County Water District Short Term Bond





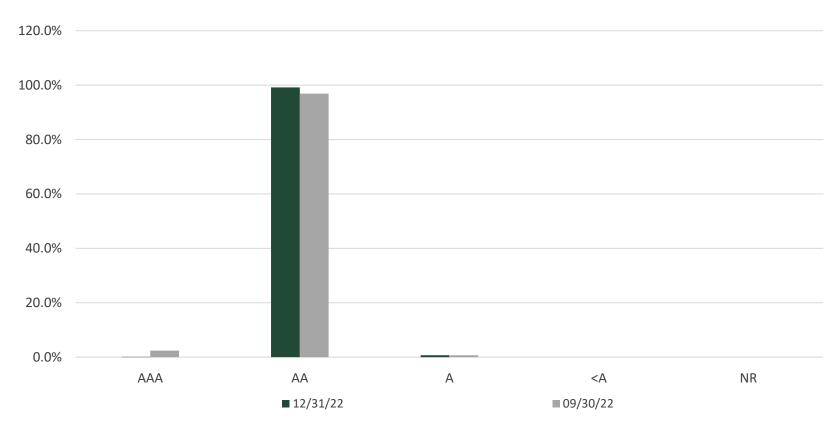
Issuers

East Orange County Water District Short Term Bond – Account #10490

Issue Name	Investment Type	% Portfolio
Government of United States	US Treasury	77.15%
Federal National Mortgage Association	Agency	5.31%
Federal Home Loan Bank	Agency	4.92%
Federal Home Loan Mortgage Corp	Agency	3.97%
Federal Farm Credit Bank	Agency	2.79%
Apple Inc	Corporate	1.80%
Berkshire Hathaway	Corporate	1.08%
US Bancorp	Corporate	0.90%
Amazon.com Inc	Corporate	0.67%
Wal-Mart Stores	Corporate	0.60%
Deere & Company	Corporate	0.38%
JP Morgan Chase & Co	Corporate	0.34%
First American Govt Oblig Fund	Money Market Fund	0.07%
TOTAL		100.00%

Quality Distribution

East Orange County Water District Short Term Bond December 31, 2022 vs. September 30, 2022

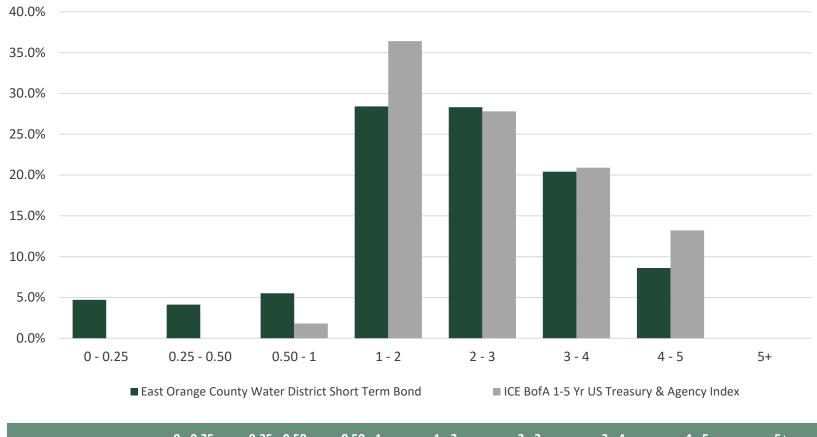


	AAA	AA	Α	<a< th=""><th>NR</th></a<>	NR
12/31/22	0.1%	99.2%	0.7%	0.0%	0.0%
09/30/22	2.4%	96.9%	0.7%	0.0%	0.0%

Source: S&P Ratings

East Orange County Water District Short Term Bond





	0 - 0.25	0.25 - 0.50	0.50 - 1	1 - 2	2 - 3	3 - 4	4 - 5	5+
Portfolio	4.7%	4.1%	5.5%	28.4%	28.3%	20.4%	8.6%	0.0%
Benchmark*	0.0%	0.0%	1.8%	36.4%	27.8%	20.9%	13.2%	0.0%

^{*}ICE BofA 1-5 Yr US Treasury & Agency Index

East Orange County Water District Short Term Bond Total Rate of Return Annualized Since Inception October 31, 2016



Total rate of return: A measure of a portfolio's performance over time. It is the internal rate of return, which equates the beginning value of the portfolio with the ending value; it includes interest earnings, realized and unrealized gains and losses in the portfolio.

Portfolio Characteristics

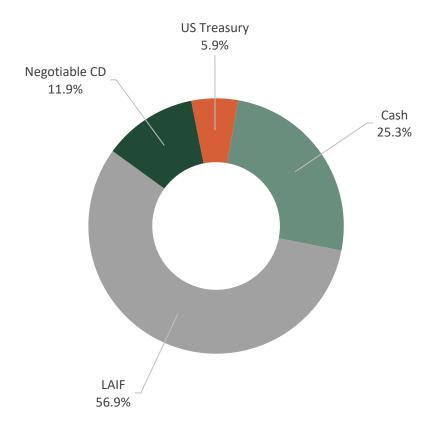
East Orange County Water District Reporting

	12/31/22 Portfolio	09/30/22 Portfolio
Average Maturity (yrs)	0.42	0.23
Modified Duration	0.40	0.22
Average Purchase Yield	1.82%	1.67%
Average Market Yield	2.08%	1.76%
Average Quality*	AA/Aa2	A/A1
Total Market Value	16,543,635	21,951,274

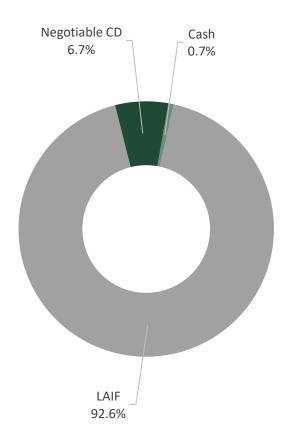
^{*}Portfolio is S&P and Moody's, respectively.

East Orange County Water District Reporting

December 31, 2022



September 30, 2022





Section 4 | Portfolio Holdings

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
Agency									
3133EJBP3	FFCB Note 2.500% Due 02/02/2023	325,000.00	02/26/2018 2.66%	322,536.50 324,956.23	99.83 4.43%	324,450.47 3,362.85	0.61% (505.76)	Aaa / AA+ AAA	0.09 0.09
3133EJSD2	FFCB Note 2.890% Due 06/19/2023	200,000.00	07/05/2018 2.82%	200,606.00 200,056.61	99.18 4.68%	198,358.99 192.67	0.37% (1,697.62)	Aaa / AA+ AAA	0.47 0.46
3133EJUS6	FFCB Note 2.875% Due 07/17/2023	280,000.00	09/06/2018 2.85%	280,266.00 280,029.54	99.04 4.68%	277,317.57 3,667.22	0.52% (2,711.97)	Aaa / AA+ AAA	0.54 0.53
3133EJYL7	FFCB Note 2.800% Due 09/05/2023	225,000.00	09/20/2018 3.07%	222,266.25 224,626.94	98.72 4.74%	222,111.73 2,030.00	0.42% (2,515.21)	Aaa / AA+ AAA	0.68 0.66
3137EAEY1	FHLMC Note 0.125% Due 10/16/2023	375,000.00	10/22/2020 0.26%	373,443.75 374,588.05	96.45 4.75%	361,682.82 97.66	0.68% (12,905.23)	Aaa / AA+ AAA	0.79 0.77
3130A0F70	FHLB Note 3.375% Due 12/08/2023	245,000.00	01/17/2019 2.73%	252,163.80 246,368.55	98.57 4.96%	241,490.38 528.28	0.45% (4,878.17)	Aaa / AA+ AAA	0.94 0.91
3130AFW94	FHLB Note 2.500% Due 02/13/2024	345,000.00	03/04/2019 2.62%	343,102.50 344,571.33	97.57 4.76%	336,624.54 3,306.25	0.63%	Aaa / AA+ AAA	1.12 1.07
3130A1XJ2	FHLB Note 2.875% Due 06/14/2024	515,000.00	Various 1.92%	538,241.25 521,779.30	97.72 4.51%	503,256.66 699.18	0.94% (18,522.64)	Aaa / AA+ NR	1.45 1.40
3130A2UW4	FHLB Note 2.875% Due 09/13/2024	400,000.00	09/25/2019 1.69%	422,504.00 407,703.96	97.12 4.65%	388,485.15 3,450.00	0.73% (19,218.81)	Aaa / AA+ AAA	1.70 1.62
3135G0W66	FNMA Note 1.625% Due 10/15/2024	400,000.00	Various 1.71%	398,349.00 399,401.66	95.05 4.54%	380,187.51 1,372.22	0.71% (19,214.15)	Aaa / AA+ AAA	1.79 1.72
3135G0X24	FNMA Note 1.625% Due 01/07/2025	510,000.00	01/08/2020	508,373.10 509,342.64	94.54 4.48%	482,174.31 4,005.63	0.91% (27,168.33)	Aaa / AA+ AAA	2.02 1.93
3137EAEP0	FHLMC Note 1.500% Due 02/12/2025	470,000.00	02/13/2020	469,638.10 469,846.71	94.29 4.35%	443,180.97 2,722.08	0.83%	Aaa / AA+ AAA	2.12
3135G03U5	FNMA Note 0.625% Due 04/22/2025	125,000.00	04/22/2020 0.67%	124,742.50 124,881.13	91.94 4.33%	114,931.17 149.74	0.21% (9,949.96)	Aaa / AA+ AAA	2.31 2.24
3130AJKW8	FHLB Note 0.500% Due 06/13/2025	375,000.00	06/24/2020 0.52%	374,707.50 374,855.85	91.30 4.28%	342,376.25 93.75	0.64%	Aaa / AA+ AAA	2.45 2.39
3135G04Z3	FNMA Note 0.500% Due 06/17/2025	210,000.00	07/13/2020 0.48%	210,218.40 210,109.02	91.07 4.37%	191,236.78 40.83	0.36% (18,872.24)	Aaa / AA+ AAA	2.46 2.40
3137EAEU9	FHLMC Note 0.375% Due 07/21/2025	285,000.00	07/21/2020 0.48%	283,580.70 284,274.79	90.57 4.31%	258,130.45 475.00	0.48% (26,144.34)	Aaa / AA+ AAA	2.56 2.49
3135G05X7	FNMA Note 0.375% Due 08/25/2025	395,000.00	08/25/2020 0.47%	393,151.40 394,019.96	90.27 4.30%	356,559.45 518.44	0.67% (37,460.51)	Aaa / AA+ AAA	2.65 2.58

CUSIP	Security Description	Par Value/Units	Purchase Date	Cost Value	Mkt Price	Market Value		Moody/S&P	Maturity
20311	Security Description	r ar varacy ornes	Book Yield	Book Value	Mkt YTM	Accrued Int.	Gain/Loss	Fitch	Duration
3137EAEX3	FHLMC Note	450,000.00	09/23/2020	448,645.50	90.07	405,314.88	0.76%	Aaa / AA+	2.73
	0.375% Due 09/23/2025		0.44%	449,260.37	4.27%	459.38	(43,945.49)	AAA	2.66
3135G06G3	FNMA Note	485,000.00	11/09/2020	483,263.70	90.01	436,551.90	0.82%	Aaa / AA+	2.85
	0.500% Due 11/07/2025		0.57%	484,007.42	4.26%	363.75	(47,455.52)	AAA	2.77
				6,649,799.95		6,264,421.98	11.74%	Aaa / AA+	1.73
TOTAL Agend	су	6,615,000.00	1.47%	6,624,680.06	4.50%	27,534.93	(360,258.08)	AAA	1.67
Cash									
90CASH\$00	Cash Custodial Cash Account	4,182,687.17	Various	4,182,687.17	1.00	4,182,687.17	7.81%	NR / NR	0.00
300, 10. 1400	cash castodial cash / toocant	1,202,007.127	0.00%	4,182,687.17	0.00%	0.00	0.00	NR	0.00
				4,182,687.17		4,182,687.17	7.81%	NR / NR	0.00
TOTAL Cash		4,182,687.17	0.00%	4,182,687.17	0.00%	0.00	0.00	NR	0.00
		.,,		.,	0.0070				
Corporate									
46625HJH4	JP Morgan Chase Note	125,000.00	11/13/2018	122,545.00	99.92	124,903.68	0.24%	A1 / A-	0.07
	3.200% Due 01/25/2023		3.71%	124,961.54	4.30%	1,733.33	(57.86)	AA-	0.07
24422ETG4	John Deere Capital Corp Note	140,000.00	12/13/2018	135,941.40	99.65	139,505.57	0.26%	A2 / A	0.18
	2.800% Due 03/06/2023		3.55%	139,831.33	4.73%	1,252.22	(325.76)	Α	0.18
084670BR8	Berkshire Hathaway Callable Note Cont 1/15/2023	400,000.00	Various	411,428.40	99.57	398,287.27	0.75%	Aa2 / AA	0.20
	2.750% Due 03/15/2023		1.92%	400,640.22	4.81%	3,238.89	(2,352.95)	A+	0.20
931142EK5	Wal-Mart Stores Callable Note Cont 5/26/2023	125,000.00	07/02/2018	125,922.50	99.33	124,164.46	0.23%	Aa2 / AA	0.48
	3.400% Due 06/26/2023		3.24%	125,089.36	4.80%	59.03	(924.90)	AA	0.48
90331HPL1	US Bank NA Callable Note Cont 12/21/2024	350,000.00	01/16/2020	349,254.50	94.76	331,663.24	0.62%	A1/AA-	2.06
	2.050% Due 01/21/2025		2.10%	349,693.56	4.75%	3,188.89	(18,030.32)	AA-	1.96
931142EW9	Wal-Mart Stores Note	100,000.00	09/06/2022	99,930.00	98.48	98,481.74	0.19%	Aa2 / AA	2.69
	3.900% Due 09/09/2025		3.92%	99,937.28	4.50%	1,213.33	(1,455.54)	AA	2.49
037833EB2	Apple Inc Callable Note Cont 1/8/2026	750,000.00	01/13/2022	726,330.00	88.85	666,383.84	1.25%	Aaa / AA+	3.11
	0.700% Due 02/08/2026		1.51%	731,888.14	4.60%	2,085.42	(65,504.30)	NR	2.99
023135CF1	Amazon.com Inc Callable Note Cont 3/13/2027	260,000.00	04/11/2022	259,464.40	95.04	247,114.90	0.46%	A1/AA	4.28
	3.300% Due 04/13/2027		3.35%	259,541.54	4.59%	1,859.00	(12,426.64)	AA-	3.90
				2,230,816.20		2,130,504.70	4.00%	Aa3 / AA	1.99
TOTAL Corpo	rate	2,250,000.00	2.34%	2,231,582.97	4.66%	14,630.11	(101,078.27)	AA-	1.89

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
LAIF									
90LAIF\$00	Local Agency Investment Fund State Pool	9,337,076.73	Various 2.23%	9,337,076.73 9,337,076.73	1.00 2.23%	9,337,076.73 77,626.21	17.57% 0.00	NR / NR NR	0.00 0.00
TOTAL LAIF		9,337,076.73	2.23%	9,337,076.73 9,337,076.73	2.23%	9,337,076.73 77,626.21	17.57% 0.00	NR / NR NR	0.00 0.00
Money Mark	set Fund								
31846V203	First American Govt Obligation Fund Class Y	26,991.37	Various 3.79%	26,991.37 26,991.37	1.00 3.79%	26,991.37 0.00	0.05% 0.00	Aaa / AAA AAA	0.00 0.00
TOTAL Mone	ey Market Fund	26,991.37	3.79%	26,991.37 26,991.37	3.79%	26,991.37 0.00	0.05% 0.00	Aaa / AAA AAA	0.00
Negotiable C	CD								
795450K53	Sallie Mae Bank Negotiable CD 2.650% Due 02/08/2023	110,000.00	02/08/2018 2.65%	110,000.00 110,000.00	99.84 4.08%	109,827.52 1,166.00	0.21% (172.48)	NR / NR NR	0.11 0.11
38148PW86	Goldman Sachs Negotiable CD 3.350% Due 09/19/2023	110,000.00	09/19/2018 3.35%	110,000.00 110,000.00	100.00 3.35%	110,000.00 1,049.97	0.21% 0.00	NR / NR NR	0.72 0.70
14042TBQ9	Capital One Bank USA NA Negotiable CD 2.250% Due 08/07/2024	35,000.00	08/07/2019 2.25%	35,000.00 35,000.00	100.00 2.25%	35,000.00 317.16	0.07% 0.00	NR / NR NR	1.60 1.55
46593LQF9	JP Morgan Chase Bank Callable NCD Cont 3/30/2023 4.300% Due 09/30/2024	250,000.00	09/30/2022 4.30%	250,000.00 250,000.00	99.48 4.60%	248,702.75 2,739.04	0.47% (1,297.25)	Aa2 / A+ AA	1.75 1.65
654062LD8	Nicolet National Bank Callable NCD 3/30/2023 4.150% Due 09/30/2024	250,000.00	09/30/2022 4.15%	250,000.00 250,000.00	99.23 4.61%	248,070.75 56.85	0.46% (1,929.25)	NR / NR NR	1.75 1.68
89235MLJ8	Toyota Financial Sgs Bk Negotiable CD 0.700% Due 08/26/2025	250,000.00	08/24/2021 0.70%	250,000.00 250,000.00	90.37 4.59%	225,932.75 613.70	0.42% (24,067.25)	NR / NR NR	2.65 2.57
795451AF0	Sallie Mae Bank Negotiable CD 1.000% Due 07/28/2026	140,000.00	07/26/2021 1.00%	140,000.00 140,000.00	88.29 4.59%	123,611.18 602.19	0.23% (16,388.82)	NR / NR NR	3.58 3.42
38149MZJ5	Goldman Sachs Bank USA Negotiable CD 1.050% Due 09/08/2026	140,000.00	09/08/2021 1.05%	140,000.00 140,000.00	88.13 4.58%	123,383.82 463.15	0.23% (16,616.18)	NR / NR NR	3.69 3.53
87164YD35	Synchrony Bank Negotiable CD 1.000% Due 10/08/2026	250,000.00	10/08/2021 1.00%	250,000.00 250,000.00	87.70 4.58%	219,256.50 582.19	0.41% (30,743.50)	NR / NR NR	3.77 3.62
02589ABW1	American Express Credit Negotiable CD 2.200% Due 03/23/2027	200,000.00	03/23/2022 2.20%	200,000.00 200,000.00	90.90 4.59%	181,802.60 1,205.48	0.34% (18,197.40)	A3 / A- A	4.23 3.94

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
32110YWS0	First National Bank of America Callable NCD Mthly 5/17/2023 3.100% Due 05/17/2027	100,000.00	05/17/2022 3.10%	100,000.00 100,000.00	94.10 4.59%	94,104.10 127.40	0.18% (5,895.90)	NR / NR NR	4.38 4.07
61768U4Z7	Morgan Stanley Private Bank NA Callable NCD S/A 6/30/2023 3.750% Due 06/30/2027	250,000.00	06/30/2022 3.75%	250,000.00 250,000.00	96.57 4.60%	241,422.00 51.37	0.45% (8,578.00)	Aa3 / A+ NR	4.50 4.08
TOTAL Negotiable CD		2,085,000.00	2.52%	2,085,000.00 2,085,000.00	4.45%	1,961,113.97 8,974.50	3.68% (123,886.03)	A1 / A AA-	2.86 2.69
US Treasury									
9128283U2	US Treasury Note 2.375% Due 01/31/2023	465,000.00	04/16/2018 2.69%	458,370.11 464,886.34	99.87 3.93%	464,378.30 4,621.57	0.88% (508.04)	Aaa / AA+ AAA	0.08 0.08
9128284D9	US Treasury Note 2.500% Due 03/31/2023	250,000.00	11/18/2019 1.60%	257,324.22 250,530.83	99.53 4.39%	248,827.50 1,596.84	0.47% (1,703.33)	Aaa / AA+ AAA	0.25 0.24
9128284L1	US Treasury Note 2.750% Due 04/30/2023	190,000.00	Various 2.85%	189,167.58 189,940.52	99.44 4.44%	188,938.66 894.89	0.35% (1,001.86)	Aaa / AA+ AAA	0.33 0.33
912828VB3	US Treasury Note 1.750% Due 05/15/2023	1,000,000.00	01/25/2022 0.76%	1,012,851.56 1,003,633.14	98.95 4.60%	989,531.00 2,272.10	1.85% (14,102.14)	Aaa / AA+ AAA	0.37 0.37
912828Y61	US Treasury Note 2.750% Due 07/31/2023	700,000.00	Various 1.52%	711,493.36 704,962.40	98.91 4.65%	692,398.70 8,055.71	1.31% (12,563.70)	Aaa / AA+ AAA	0.58 0.56
9128285K2	US Treasury Note 2.875% Due 10/31/2023	225,000.00	11/29/2018 2.86%	225,158.20 225,026.69	98.50 4.73%	221,633.78 1,107.91	0.42% (3,392.91)	Aaa / AA+ AAA	0.83 0.81
91282CDV0	US Treasury Note 0.875% Due 01/31/2024	1,000,000.00	01/25/2022 1.01%	997,421.88 998,604.99	95.96 4.74%	959,648.00 3,661.68	1.80% (38,956.99)	Aaa / AA+ AAA	1.08 1.05
912828W48	US Treasury Note 2.125% Due 02/29/2024	650,000.00	Various 0.75%	672,322.26 660,282.61	97.11 4.70%	631,236.45 4,693.20	1.19% (29,046.16)	Aaa / AA+ AAA	1.16 1.12
912828W71	US Treasury Note 2.125% Due 03/31/2024	700,000.00	Various 1.30%	717,274.41 706,999.12	96.91 4.71%	678,343.40 3,800.48	1.27% (28,655.72)	Aaa / AA+ AAA	1.25 1.20
91282CEK3	US Treasury Note 2.500% Due 04/30/2024	1,000,000.00	12/12/2022 4.25%	976,643.28 977,568.30	97.19 4.70%	971,875.00 4,281.77	1.82% (5,693.30)	Aaa / AA+ AAA	1.33 1.28
912828XT2	US Treasury Note 2.000% Due 05/31/2024	1,000,000.00	Various 1.20%	1,023,992.19 1,010,989.57	96.38 4.67%	963,828.00 1,758.25	1.80% (47,161.57)	Aaa / AA+ AAA	1.42 1.37
9128282N9	US Treasury Note 2.125% Due 07/31/2024	700,000.00	01/25/2022 1.12%	717,363.28 710,925.42	96.22 4.63%	673,531.60 6,224.86	1.27% (37,393.82)	Aaa / AA+ AAA	1.58 1.52
91282CCT6	US Treasury Note 0.375% Due 08/15/2024	1,000,000.00	Various 0.70%	991,580.08 994,797.27	93.46 4.60%	934,570.00 1,416.44	1.75% (60,227.27)	Aaa / AA+ AAA	1.62 1.58

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
9128282U3	US Treasury Note	400,000.00	09/09/2019	406,953.13	95.70	382,796.80	0.72%	Aaa / AA+	1.67
	1.875% Due 08/31/2024		1.51%	402,327.92	4.59%	2,548.34	(19,531.12)	AAA	1.60
912828YH7	US Treasury Note 1.500% Due 09/30/2024	1,000,000.00	Various 1.17%	1,008,632.82 1,005,576.40	95.01 4.50%	950,078.00 3,832.42	1.78% (55,498.40)	Aaa / AA+ AAA	1.75 1.69
912828YV6	US Treasury Note	1,000,000.00	Various	998,203.13	94.68	946,797.00	1.77%	Aaa / AA+	1.92
312020170	1.500% Due 11/30/2024	1,000,000.00	1.48%	1,000,325.99	4.43%	1,318.68	(53,528.99)	AAA	1.85
91282CDN8	US Treasury Note	1,000,000.00	01/04/2022	999,414.06	93.65	936,523.00	1.75%	Aaa / AA+	1.96
	1.000% Due 12/15/2024		1.02%	999,610.83	4.42%	467.03	(63,087.83)	AAA	1.90
912828Z52	US Treasury Note	1,000,000.00	Various	1,007,035.16	94.04	940,352.00	1.77%	Aaa / AA+	2.09
	1.375% Due 01/31/2025		1.15%	1,004,589.23	4.40%	5,754.07	(64,237.23)	AAA	2.00
912828ZC7	US Treasury Note	550,000.00	03/24/2020	566,564.45	93.42	513,799.00	0.96%	Aaa / AA+	2.16
	1.125% Due 02/28/2025		0.51%	557,256.72	4.35%	2,102.38	(43,457.72)	AAA	2.09
912828ZF0	US Treasury Note	1,000,000.00	01/12/2022	976,914.06	91.91	919,141.00	1.72%	Aaa / AA+	2.25
	0.500% Due 03/31/2025		1.24%	983,861.49	4.31%	1,277.47	(64,720.49)	AAA	2.19
912828XB1	US Treasury Note	1,000,000.00	Various	1,012,690.43	95.10	950,977.01	1.78%	Aaa / AA+	2.37
	2.125% Due 05/15/2025		1.73%	1,009,006.42	4.32%	2,758.98	(58,029.41)	AAA	2.27
912828ZT0	US Treasury Note	500,000.00	06/04/2020	496,269.53	90.86	454,277.50	0.85%	Aaa / AA+	2.42
	0.250% Due 05/31/2025		0.40%	498,195.20	4.28%	109.89	(43,917.70)	AAA	2.36
9128284Z0	US Treasury Note	615,000.00	Various	668,673.24	96.20	591,649.07	1.11%	Aaa / AA+	2.67
	2.750% Due 08/31/2025		0.63%	649,285.61	4.27%	5,746.51	(57,636.54)	AAA	2.51
91282CAM3	US Treasury Note	1,000,000.00	01/04/2022	965,820.31	89.88	898,789.00	1.68%	Aaa / AA+	2.75
	0.250% Due 09/30/2025		1.19%	974,866.40	4.19%	638.74	(76,077.40)	AAA	2.68
9128285C0	US Treasury Note	625,000.00	01/26/2022	660,473.63	96.74	604,638.75	1.14%	Aaa / AA+	2.75
	3.000% Due 09/30/2025		1.41%	651,512.71	4.27%	4,790.52	(46,873.96)	AAA	2.58
91282CAZ4	US Treasury Note	1,120,000.00	Various	1,087,345.32	89.54	1,002,794.24	1.87%	Aaa / AA+	2.92
	0.375% Due 11/30/2025		1.17%	1,094,649.84	4.23%	369.23	(91,855.60)	AAA	2.84
91282CBC4	US Treasury Note	310,000.00	01/28/2021	309,430.86	89.46	277,328.79	0.52%	Aaa / AA+	3.00
	0.375% Due 12/31/2025		0.41%	309,653.20	4.15%	3.21	(32,324.41)	AAA	2.92
91282CBH3	US Treasury Note	500,000.00	02/16/2021	495,605.47	89.06	445,293.00	0.83%	Aaa / AA+	3.09
	0.375% Due 01/31/2026		0.56%	497,263.14	4.19%	784.65	(51,970.14)	AAA	3.00
91282CBQ3	US Treasury Note	500,000.00	03/24/2021	492,246.09	89.21	446,054.50	0.83%	Aaa / AA+	3.16
	0.500% Due 02/28/2026		0.82%	495,031.64	4.18%	849.45	(48,977.14)	AAA	3.07
91282CBT7	US Treasury Note	650,000.00	Various	646,183.59	89.73	583,273.60	1.09%	Aaa / AA+	3.25
	0.750% Due 03/31/2026		0.88%	647,383.92	4.16%	1,245.54	(64,110.32)	AAA	3.14
91282CBW0	US Treasury Note	650,000.00	06/17/2021	646,216.80	89.50	581,750.00	1.09%	Aaa / AA+	3.33
	0.750% Due 04/30/2026		0.87%	647,413.29	4.16%	834.94	(65,663.29)	AAA	3.22

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
91282CCF6	US Treasury Note	650,000.00	06/17/2021	645,582.03	89.29	580,404.50	1.08%	Aaa / AA+	3.42
	0.750% Due 05/31/2026		0.89%	646,955.31	4.14%	428.57	(66,550.81)	AAA	3.30
91282CCP4	US Treasury Note	650,000.00	08/25/2021	643,830.08	88.47	575,047.20	1.08%	Aaa / AA+	3.58
	0.625% Due 07/31/2026		0.82%	645,519.95	4.12%	1,700.07	(70,472.75)	AAA	3.47
9128282A7	US Treasury Note	650,000.00	Various	669,545.51	91.26	593,175.70	1.11%	Aaa / AA+	3.62
	1.500% Due 08/15/2026		0.87%	664,440.88	4.12%	3,682.74	(71,265.18)	AAA	3.44
91282CDG3	US Treasury Note	300,000.00	11/18/2021	298,652.34	89.56	268,687.50	0.50%	Aaa / AA+	3.84
	1.125% Due 10/31/2026		1.22%	298,956.63	4.10%	578.04	(30,269.13)	AAA	3.67
91282CDK4	US Treasury Note	1,000,000.00	Various	978,367.19	89.86	898,555.00	1.68%	Aaa / AA+	3.92
	1.250% Due 11/30/2026		1.73%	981,836.36	4.08%	1,098.90	(83,281.36)	AAA	3.75
912828Z78	US Treasury Note	900,000.00	06/21/2022	827,015.63	90.41	813,691.80	1.53%	Aaa / AA+	4.09
	1.500% Due 01/31/2027		3.42%	835,380.23	4.07%	5,649.46	(21,688.43)	AAA	3.86
912828V98	US Treasury Note	800,000.00	03/29/2022	789,750.00	93.19	745,531.20	1.40%	Aaa / AA+	4.13
	2.250% Due 02/15/2027		2.53%	791,342.40	4.06%	6,798.91	(45,811.20)	AAA	3.84
91282CEF4	US Treasury Note	800,000.00	05/25/2022	791,562.50	93.98	751,844.00	1.41%	Aaa / AA+	4.25
	2.500% Due 03/31/2027		2.73%	792,611.23	4.06%	5,109.89	(40,767.23)	AAA	3.94
91282CET4	US Treasury Note	850,000.00	06/21/2022	820,847.66	94.41	802,452.70	1.50%	Aaa / AA+	4.42
	2.625% Due 05/31/2027		3.38%	823,966.51	4.02%	1,961.54	(21,513.81)	AAA	4.10
91282CFB2	US Treasury Note	800,000.00	08/30/2022	780,312.50	94.76	758,093.60	1.43%	Aaa / AA+	4.58
	2.750% Due 07/31/2027		3.30%	781,661.56	4.01%	9,206.52	(23,567.96)	AAA	4.19
91282CFH9	US Treasury Note	875,000.00	10/05/2022	841,503.91	96.34	842,939.13	1.59%	Aaa / AA+	4.67
	3.125% Due 08/31/2027		3.99%	843,131.93	3.99%	9,290.83	(192.80)	AAA	4.24
91282CFM8	US Treasury Note	735,000.00	Various	744,631.84	100.54	738,933.72	1.39%	Aaa / AA+	4.75
	4.125% Due 09/30/2027		3.82%	744,491.40	4.00%	7,746.27	(5,557.68)	AAA	4.23
				31,227,235.68		29,414,408.70	55.15%	Aaa / AA+	2.53
TOTAL US Tr	easury	31,310,000.00	1.63%	31,177,251.54	4.33%	133,069.49	(1,762,842.84)	AAA	2.40
				55,739,607.10		53,317,204.62	100.00%	Aaa / AA+	1.78
TOTAL PORT	FOLIO	55,806,755.27	1.65%	55,665,269.84	3.66%		(2,348,065.22)	AAA	1.69
TOTAL MAR	KET VALUE PLUS ACCRUALS					53,579,039.86			



Transaction Ledger

East Orange County Water District Consolidated - Account #10491

September 30, 2022 through December 31, 2022

Transaction Type	Settlement Date	CUSIP	Quantity	Security Description	Price	Acq/Disp Yield	Amount	Interest Pur/Sold	Total Amount	Gain/Loss
ACQUISITION	S									
Purchase	10/06/2022	91282CFH9	875,000.00	US Treasury Note 3.125% Due: 08/31/2027	96.172	3.99%	841,503.91	2,719.27	844,223.18	0.00
Purchase	10/15/2022	90LAIF\$00	70,622.51	Local Agency Investment Fund State Pool	1.000	1.60%	70,622.51	0.00	70,622.51	0.00
Purchase	11/22/2022	91282CFM8	280,000.00	US Treasury Note 4.125% Due: 09/30/2027	100.539	4.00%	281,509.38	1,681.73	283,191.11	0.00
Purchase	12/09/2022	91282CFM8	455,000.00	US Treasury Note 4.125% Due: 09/30/2027	101.785	3.72%	463,122.46	3,609.38	466,731.84	0.00
Purchase	12/12/2022	91282CEK3	1,000,000.00	US Treasury Note 2.5% Due: 04/30/2024	97.664	4.25%	976,643.28	2,900.55	979,543.83	0.00
Subtotal			2,680,622.51				2,633,401.54	10,910.93	2,644,312.47	0.00
TOTAL ACQUI	SITIONS		2,680,622.51				2,633,401.54	10,910.93	2,644,312.47	0.00
DISPOSITIONS	5									
Maturity	10/31/2022	9128283C2	220,000.00	US Treasury Note 2% Due: 10/31/2022	100.000		220,000.00	0.00	220,000.00	0.00
Maturity	12/09/2022	3130A3KM5	420,000.00	FHLB Note 2.5% Due: 12/09/2022	100.000		420,000.00	0.00	420,000.00	0.00
Subtotal			640,000.00				640,000.00	0.00	640,000.00	0.00
Security Withdrawal	10/19/2022	90LAIF\$00	1,000,000.00	Local Agency Investment Fund State Pool	1.000		1,000,000.00	0.00	1,000,000.00	0.00
Security Withdrawal	11/29/2022	90LAIF\$00	10,000,000.00	Local Agency Investment Fund State Pool	1.000		10,000,000.00	0.00	10,000,000.00	0.00
Subtotal			11,000,000.00				11,000,000.00	0.00	11,000,000.00	0.00
TOTAL DISPO	SITIONS		11,640,000.00				11,640,000.00	0.00	11,640,000.00	0.00

Important Disclosures

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Information contained herein is confidential. Prices are provided by ICE Data Services Inc ("IDS"), an independent pricing source. In the event IDS does not provide a price or if the price provided is not reflective of fair market value, Chandler will obtain pricing from an alternative approved third party pricing source in accordance with our written valuation policy and procedures. Our valuation procedures are also disclosed in Item 5 of our Form ADV Part 2A.

Performance results are presented gross-of-advisory fees and represent the client's Total Return. The deduction of advisory fees lowers performance results. These results include the reinvestment of dividends and other earnings. Past performance may not be indicative of future results. Therefore, clients should not assume that future performance of any specific investment or investment strategy will be profitable or equal to past performance levels. All investment strategies have the potential for profit or loss. Economic factors, market conditions or changes in investment strategies, contributions or withdrawals may materially alter the performance and results of your portfolio.

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Fixed income investments are subject to interest, credit and market risk. Interest rate risk: the value of fixed income investments will decline as interest rates rise. Credit risk: the possibility that the borrower may not be able to repay interest and principal. Low rated bonds generally have to pay higher interest rates to attract investors willing to take on greater risk. Market risk: the bond market in general could decline due to economic conditions, especially during periods of rising interest rates.

Ratings information have been provided by Moody's, S&P and Fitch through data feeds we believe to be reliable as of the date of this statement, however we cannot guarantee its accuracy.

Security level ratings for U.S. Agency issued mortgage-backed securities ("MBS") reflect the issuer rating because the securities themselves are not rated. The issuing U.S. Agency guarantees the full and timely payment of both principal and interest and carries a AA+/Aaa/AAA by S&P, Moody's and Fitch respectively.

Asset Class 10-Year Snapshot Disclosure

- US Small Cap Stocks Morgan Stanley Capital International (MSCI) Small Cap 1750 The MSCI Small Cap 1750 is a market capitalization weighted index that measures the performance of small capitalization U.S. stocks.
- US Mid Cap Stocks Morgan Stanley Capital International (MSCI) Mid Cap 450 The MSCI Mid Cap 450 is a market capitalization weighted index that measures the performance of mid-capitalization U.S. stocks.
- US Large Cap Stocks Standard & Poor's 500 The S&P 500 is a market value weighted index of 500 large capitalization stocks. The 500 companies included in the index capture approximately 80% of available U.S. market capitalization.
- International Stocks Morgan Stanley Capital International (MSCI) EAFE The MSCI EAFE International Equity Index is a market capitalization weighted index that captures international equity performance of large and mid-cap stocks in the developed stock markets of Europe, Australasia, and the Far East.
- Emerging Market Stocks Morgan Stanley Capital International (MSCI) Emerging Markets The MSCI Emerging Markets Index is a market capitalization weighted index that captures equity performance of large and mid-cap stocks across emerging market countries.
- U.S. Real Estate Morgan Stanley Capital International (MSCI) REIT The MSCI US REIT Index is a free float-adjusted market capitalization index that is comprised of equity REITs. It represents about 99% of the US REIT universe and securities are classified in the REIT sector according to the Global Industry Classification Standard (GICS*). It excludes Mortgage REITs and selected Specialized REITs.
- International Real Estate S&P Developed Ex-US Property The S&P Developed Ex-US Property Index is a market capitalization weighted index that captures the performance of a universe of publicly traded property companies based in developing countries outside of the US. The companies included are engaged in real estate related activities, such as property ownership, management, development, rental and investment.
- US Core Bonds ICE BofA US Corporate, Government, Mortgage The ICE BofA US Corporate, Government, Mortgage index is a broad measure of US investment grade bond performance, including US Treasuries, agencies, investment-grade corporates and mortgage securities.
- US High Yield Bonds ICE BofA US High Yield The ICE BofA High Yield Bond Index measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds.
- International Bonds Bloomberg Barclays Global Aggregate ex-USD Total Return Index Value Unhedged USD Index from 2/1/2013 current. This index measures the performance of global investment grade debt from 24 local currency markets. This multi- currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. S&P Citigroup International Govt Bond Index from 1/1/2009 1/31/2013. This index measures the performance of sovereign bonds of non-U.S. developed countries.

Diversified Commodities – S&P GSCI Commodity Index – The S&P GSCI Commodity Index is a
world production-weighted measure of general commodity price movements and inflation in
the world economy. It consists of a basket of physical commodity futures contracts.

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All investments contain risk and may lose value. Fixed income investments are subject to interest rate, credit, and market risk. Interest rate risk: the value of fixed income investments will decline as interest rates rise. Credit risk: the possibility that the borrower may not be able to repay interest and principal. Low rated bonds generally have to pay higher interest rates to attract investors willing to take on greater risk. Market risk: the bond market in general could decline due to economic conditions, especially during periods of rising interest rates. International: Non-US markets may be more volatile due to a variety of factors including less liquidity, transparency and oversight of companies and assets. Values of non-US investments may fluctuate due to changes in currency exchange rates. Non-US companies are also subject to risks that come with political and economic stability that may affect their respective countries. These risks may be greater in emerging market countries. Equities: Investments on equities are subject to risks from stock market fluctuations that occur in response to economic and business developments.

Benchmark Disclosures

ICE BofA 1-5 Yr US Treasury & Agency Index

The ICE BofA 1-5 Year US Treasury & Agency Index tracks the performance of US dollar denominated US Treasury and nonsubordinated US agency debt issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch). Qualifying securities must have at least one year remaining term to final maturity and less than five years remaining term to final maturity, at least 18 months to maturity at time of issuance, a fixed coupon schedule, and a minimum amount outstanding of \$1 billion for sovereigns and \$250 million for agencies.

ICE BofA 1-3 Yr US Treasury & Agency Index

The ICE BofA 1-3 Year US Treasury & Agency Index tracks the performance of US dollar denominated US Treasury and nonsubordinated US agency debt issued in the US domestic market. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch). Qualifying securities must have at least one year remaining term to final maturity and less than three years remaining term to final maturity, at least 18 months to maturity at time of issuance, a fixed coupon schedule, and a minimum amount outstanding of \$1 billion for sovereigns and \$250 million for agencies.



MEMO

TO: ADMINISTRATION & FINANCE COMMITTEE

FROM: GENERAL MANAGER

SUBJECT: MONTHLY DISBURSEMENTS

DATE FEBRUARY 17, 2023

Background

Monthly disbursements

Recommendation

Approval of disbursements as submitted.

Attachment(s): Monthly disbursements report

DISBURSEMENT SUMMARY as of February 13, 2023 2/16/2023

EFT Wire Transfers: \$0 DIRECTOR'S PAYROLL \$1,545	DISBURSEMENT TOTAL	\$400,400.38
EFT Wire Transfers: \$0 DIRECTOR'S PAYROLL \$1,545		
EFT Wire Transfers:	EMPLOYEE'S PAYROLL	\$173,171.69
EFT Wire Transfers:	DIRECTOR'S PAYROLL	\$1,545.97
*,·	EFT Wire Transfers:	\$0.00
WHOLESALE AND RETAIL BILLS \$225.682	WHOLESALE AND RETAIL BILLS	\$225,682.72

TRANSFER SUMMARY

TRANSFERS		\$ -	ı
TRANSFER TOTAL	- -	\$0.	.00

NOTE: THE EXPLANATION OF FUNDS TRANSFERRED IS SHOWN ON THE FUNDS TRANSFERRED SHEET ATTACHED.

8:19 AM 02/13/23 Accrual Basis

East Orange County Water District Bills For Consideration

As of January 31, 2023

Date	Num	Name	Memo	Credit
01/19/2023	7221	AT&T	SCADA SYSTEM 12/01/22-12/31/22	390.68
01/19/2023	7222	AT&T	FAX 12/01/22-12/31/22	40.64
01/19/2023	7223	AT&T	PHONES 12/01/22-12/31/22	70.79
01/19/2023	7224	AT&T	SCADA FAX 12/01/22-12/31/22	40.64
01/19/2023	7225	AT&T	SCADA ALARM 12/01/22-12/31/22	40.89
01/19/2023	7226	AT&T LONG DISTANCE	Long Distance Calls 11/28/22-12/21/22	17.08
01/19/2023	7227	CINTAS CORPORATION NO. 3	Uniforms - January 2023	201.78
01/19/2023	7228	COMMUNICATIONS LAB	Professional Services - December 2022	5,000.00
01/19/2023	7229	CR&R INC.	Waste Disposal Service 01/01/23-01/31/23	223.21
01/19/2023	7230	Darrick Garcia	RZ Customer Deposit Refund	301.16
01/19/2023	7231	MATRIX COMPUTER SERVICE	IT Support 11/19/22-12/16/22	2,375.00
01/19/2023	7232	Orange County Sanitation District	November 2022 Sewer Permits	1,085.85
01/19/2023	7233	PARĂDISE DŔINKING WATERS	Bottled Water (Office/Field)	107.40
01/19/2023	7234	SOUTHERN CALIFORNIA EDISON	Electricity - Various Location - 12/12/22 - 01/09/23	2,358.32
01/19/2023	7235	TARGET SOLUTIONS LEARNING, LLC	Safety Program	355.16
01/19/2023	7236	ULINE	Office Supplies	126.07
01/19/2023	7237	UMPQUA BANK	Credit Card Activity 12/01/22-12/31/22	10,268.43
01/26/2023	7238	AKEL ENGINEERING, INC	Fire Flow Analysis	720.00
01/26/2023	7239	AKM CONSULTING ENGINEERS	2021 SSMP Audit	13,424.00
01/26/2023	7240	ALS GROUP USA, CORP	Laboratory Analysis (water quality) January 2023	2,292.50
01/26/2023	7241	ARDURRA GROUP, INC.	EOCWD Administration Building	2,242.50
01/26/2023	7242	AT&T	Matt's SCADA 01/05/23-02/04/23	8.24
01/26/2023	7243	AT&T	Jerry's SCADA 12/07/22-02/07/23	73.79
01/26/2023	7244	ATKINSON, ANDELSON, LOYA, RUUD &	December 2022 Legal Fees	5,886.00
01/26/2023	7245	BEST BEST & KRIEGER LLP	Legal Services through 12/31/22	4,452.07
01/26/2023	7246	BLACK & VEATCH CORPORATION	Walnut Project - Valve Vault Relocation	2,037.50
01/26/2023	7247	C WELLS PIPELINE MATERIALS INC	Water Quality	603.40
01/26/2023	7248	Chien-Wen Liu	RZ Customer Deposit Refund	170.43
01/26/2023	7249	CINTAS CORPORATION NO. 3	Uniforms - January 2023	104.80
01/26/2023	7250	COUNTY OF ORANGE	Encroachment Permits	32.29
01/26/2023	7251	GRAINGER	Vehicle Maintenance	150.33
01/26/2023	7252	HACH COMPANY	Water Quality Testing Materials	557.15
01/26/2023	7253	HARPER & ASSOCIATES ENGINEERING	Engineering Consulting for Newport Reservoir	17,967.50
01/26/2023	7254	HILL BROTHERS CHEMICAL CO	Chemicals for WZ Reservoir	1,172.50
01/26/2023	7255	INSTANT LUBE, INC.	Vehicle Maintenance	59.99
01/26/2023	7256	O'REILLY AUTO ENTERPRISES, LLC	Vehicle Maintenance	167.59
01/26/2023	7257	PERFORMANCE PIPELINE TECHNOLOG	CIPP - Install Sectional	8,500.00
01/26/2023	7258	RAFTELIS FINANCIAL CONSULTANTS	Professional Services 11/01/22 -12/31/22	2,711.25
01/26/2023	7259	SOUTHERN CALIFORNIA WATER COALI	SCWC Membership 01/01/23 - 12/31/23	1,000.00
01/26/2023	7260	SPECIALTY TESTING SERVICES, INC	CIPP Samples 1/18/23	940.00
01/26/2023	7261	SPECTRUM BUSINESS	Office Internet 01/08/23-02/07/23	287.95
01/26/2023	7262	STEVEN ANDREWS ENGINEERING	Engineering Services 11/01/22-11/30/22	1,840.00
01/26/2023	7263	TOTAL EXTERMINATING INC	Rodent Control - Peter's Canyon Res December 2022	550.00
01/26/2023	7264	WATERLINE TECHNOLOGIES INC.	Water Quality	1,929.32
01/26/2023	7265	XEROX CORPORATION	Copier - Monthly Maintenance December 2022	136.18
01/26/2023	7266	YO FIRE	Service Relocation & Meters	3,426.08
TOTAL				96,446.46

East Orange County Water District Bills For Consideration

As of February 8, 2023

Date	Num	Name	Memo	Credit
02/08/2023	7267	AKEL ENGINEERING, INC	Update Hydraulic Model & Fire Flow Analysis	15.066.50
02/08/2023	7268	ALLCOM BUILDING SERVICES, LLC	February 2023 Janitorial	710.00
02/08/2023	7269	ALS GROUP USA, CORP	Laboratory Analysis (water quality) January 2023	130.00
02/08/2023	7270	Aric Toll	RZ Customer Deposit Refund	654.67
02/08/2023	7271	AT&T LONG DISTANCE	Long Distance Calls12/29/22-01/23/23	10.43
02/08/2023	7272	B & J TREE SERVICE	Tree Service Jamboree Reservoir	2,000.00
02/08/2023	7273	Brea Village Shopping Center LLC	Refund for OCSAN's Regional Sewer Capacity Charge	2,171.52
02/08/2023	7274	California Water Environment Association	CWEA Membership Employee Renewal	100.00
02/08/2023	7275	Chris Edwards TR Living TR	Refund for OCSAN's Regional Sewer Capacity Charge	1,355.51
02/08/2023	7276	CINTAS CORPORATION NO. 3	Uniforms - February 2023	209.60
02/08/2023	7277	CITY OF TUSTIN	Construction Meter 11/20/2022 - 01/27/2023 (to clean sewer system)	887.32
02/08/2023	7278	COUNTY OF ORANGE	Encroachment Permits	302.99
02/08/2023	7279	Custos Terrae (501C Corporation)	RZ Customer Deposit Refund	810.17
02/08/2023	7280	EAST ORANGE COUNTY WATER DIST.	Payment to WZ for Imported Water	66.647.84
02/08/2023	7281	EEC ENVIRONMENTAL	FOG Program 12/01/22-12/31/22	1,953.75
02/08/2023	7282	ENGEO INCORPORATED	Hydrogeo Services for Well Destruction	268.00
02/08/2023	7283	FOOTHILL SENTRY, INC	Water Conservation Ad	525.17
02/08/2023	7284	GENERATOR SERVICES CO, INC	Generator Rental 01/01/23-01/31/23	2,699.52
02/08/2023	7285	HILL BROTHERS CHEMICAL CO	Chemicals for WZ Reservoir	562.50
02/08/2023	7286	Isaias Garcia Prado	Refund for OCSAN's Regional Sewer Capacity Charge	835.20
02/08/2023	7287	LEWIS CONSULTING GROUP	Consulting Services - January 2023	2,500.00
02/08/2023	7288	MATRIX COMPUTER SERVICE	IT Support 12/17/22-1/20/23	4,940.00
02/08/2023	7289	ORANGE CHAMBER OF COMMERCE	Annual Affiliate Investment	495.00
02/08/2023	7290	PETTY CASH	Petty Cash Reimbursement	217.85
02/08/2023	7291	PJKCPA	Preparation of 2022 Annual State Controllers Report	1,000.00
02/08/2023	7292	Santoso Djohari	RZ Customer Deposit Refund	554.90
02/08/2023	7293	SOCALGAS	Gas - 185 N McPherson - 12/27/22 to 01/25/23	41.87
02/08/2023	7294	SOUTHERN CALIFORNIA EDISON	Electricity - 6mg Reservoir - 2/28/22-01/26/22	89.36
02/08/2023	7295	STANDARD INSURANCE COMPANY	Life Insurance Premium 02/01/23-02/28/23	772.03
02/08/2023	7296	Steven Prado	Customer Deposit Refund - Account 1411016	556.47
02/08/2023	7297	SWRCB FEES	Water Treatment Operator Certification Renewal	60.00
02/08/2023	7298	TETRA TECH, INC.	Conceptual Design- Consulting Services	11,617.50
02/08/2023	7299	TOWNSEND PUBLIC AFFAIRS, INC.	State/Fed Gov Relations February 2023	3,000.00
02/08/2023	7300	ULINE	Office Supplies	96.95
02/08/2023	7301	UNDERGROUND SERVICE ALERT	USA Location - January 2023	350.53
02/08/2023	7302	VERIZON WIRELESS	Wireless - 12/26/22-01/25/23	740.15
02/08/2023	7303	VULCAN MATERIALS COMPANY	Main Lines Maintenance	544.46
02/08/2023	7304	WATERLINE TECHNOLOGIES INC.	Water Quality	1,395.56
02/08/2023	7305	YO FIRE	Vault Maintenance & VP Reservoir	2,362.94
\L				129,236.26

EAST ORANGE COUNTY WATER DISTRICT CITIZENS BUSINESS BANK Prior Month's Checks To Ratify DIRECTORS' PAYROLL* 2/16/2023

PAYMENT FOR BOARD AND COMMITTEE MEETINGS IN THE MONTH OF DECEMBER 2022

DATE	CHECK NO	A۱	MOUNT	PAYABLE TO
1/19/2023 1/19/2023 1/19/2023 1/19/2023	388 375 376 377	\$ \$ \$ \$	471.36 160.03 323.22 320.07	BOARD DIRECTOR BOARD DIRECTOR BOARD DIRECTOR BOARD DIRECTOR TOTAL PAYROLL CHECKS
			PAY	ROLL TAXES, ADP CHARGE EFT
			\$271.29 \$271.29	ADP TAXES TOTAL CHARGES & TRANSFER
			\$1,545.97	

*** NOTE: DOUG DAVERT DECLINES PAYMENT FOR ALL MEETINGS

*Note: Payroll is processed by ADP (Automatic Data Processing)

EAST ORANGE COUNTY WATER DISTRICT CITIZENS BUSINESS BANK Prior Month's Checks To Ratify EMPLOYEES' PAYROLL* Month of JAN 2023

	CHECK DATE	CHECK AMOUNT	PAYABLE TO		
AUTO DEPOSIT	1/11/2023 1/11/2023 1/11/2023 1/11/2023 1/11/2023 1/11/2023 1/11/2023 1/11/2023 1/11/2023 1/11/2023 1/11/2023 1/11/2023 1/11/2023 1/11/2023	\$ 7,773.16 \$ 5,604.21 \$ 6,094.68 \$ 4,326.26 \$ 3,318.28 \$ 2,512.15 \$ 3,449.29 \$ 2,076.75 \$ 2,831.53 \$ 1,790.97 \$ 590.84 \$ 2,433.66 \$ 2,315.88 \$ 2,403.04 \$ 1,583.84 \$ 49,104.54	GENERAL MANAGER ENGINEERING MANAGER OPERATIONS MANAGER WASTEWATER SUPERVISOR WATER DISTRIBUTION OPERATOR III WASTEWATER COLLECTION OPERATOR II WASTEWATER COLLECTION OPERATOR II WASTEWATER COLLECTION OPERATOR II WASTEWATER COLLECTION OPERATOR II WASTEWATER COLLECTION OPERATOR I INTERN OFFICE MANAGER MANAGEMENT ANALYST ADMINISTRATIVE ASSISTANT SUB TOTAL		
AUTO DEPOSIT	1/25/2023 1/25/2023 1/25/2023 1/25/2023 1/25/2023 1/25/2023 1/25/2023 1/25/2023 1/25/2023 1/25/2023 1/25/2023 1/25/2023 1/25/2023 1/25/2023	\$ 6,973.15 \$ 5,604.22 \$ 5,008.25 \$ 1,959.53 \$ 4,011.00 \$ 2,654.14 \$ 2,852.12 \$ 2,736.26 \$ 2,076.75 \$ 2,215.57 \$ 1,790.96 \$ 1,430.17 \$ 2,608.43 \$ 2,315.86 \$ 2,220.56 \$ 1,583.84 \$ 48,040.81	GENERAL MANAGER ENGINEERING MANAGER OPERATIONS MANAGER GIS MANAGER WASTEWATER SUPERVISOR WATER DISTRIBUTION OPERATOR III WATER DISTRIBUTION OPERATOR I WASTEWATER COLLECTION OPERATOR II WASTEWATER COLLECTION OPERATOR II WASTEWATER COLLECTIONS OPERATOR II WASTEWATER COLLECTION OPERATOR I INTERN OFFICE MANAGER MANAGEMENT ANALYST ADMINISTRATIVE ASSISTANT I PART TIME ADMINISTRATIVE ASSISTANT SUB TOTAL		
	1/11/2023	\$27,746.94	ADP TAXES	PAYROLL	PAYROLL
	1/11/2023	\$2,888.21	EMPLOYEE PERS ELECTRONIC FUNDS TRANSFER	1/11/2023	1/25/2023
	1/11/2023	\$3,560.75 \$1,646.49 \$1,822.13	EMPLOYER PERS ELECTRONIC FUNDS TRANSFER EMPLOYEE PERS PEPRA TRANSFER EMPLOYER PERS PEPRA MEMBER TRANSFER	\$49,104.54	\$48,040.81
	1/11/2023 1/11/2023	\$1,701.71	CAL PERS 457 - ING BANK	\$39,366.23	\$36,660.11
		\$39,366.23	TOTAL TRANSFERS	\$88,470.77	\$84,700.92
	1/25/2023 1/25/2023 1/25/2023 1/25/2023 1/25/2023 1/25/2023	\$24,887.88 \$2,871.86 \$3,540.60 \$1,815.05 \$2,008.65 \$1,536.07 \$36,660.11	ADP TAXES EMPLOYEE PERS ELECTRONIC FUNDS TRANSFER EMPLOYER PERS ELECTRONIC FUNDS TRANSFER EMPLOYEE PERS PEPRA TRANSFER EMPLOYER PERS PEPRA MEMBER TRANSFER CAL PERS 457 - ING BANK TOTAL TRANSFERS		

*Note: Payroll is processed by ADP (Automatic Data Processing)

\$173,171.69 GRAND TOTAL PAYROLL



MEMO

TO: ADMINISTRATION & FINANCE COMMITTEE

FROM: GENERAL MANAGER

SUBJECT: ANNUAL AUDIT FOR FY 2021-22

DATE FEBRUARY 17, 2023

Background

Attached to this memo is a copy of the final Audited Financial Statements for the period ending June 30, 2022. As noted in the audited financials, the District received a "clean opinion."

Jonathan Foster, Partner, Davis Farr, LLP, oversaw the audit will be available for any questions.

The District finished the year with revenues exceeding expenses for the Retail Zone and the Wholesale Zone by \$2.4 million. The ID1 sewer zone had expenses higher than revenue at \$900,000. Overall, the District's net position increased by approximately \$1.5 million. For comparative purposes, the table below shows the net position at the end of fiscal years 2022 and 2021.

Indicator		2022			2021		
Indicator	WZ	RZ	ID1	WZ	RZ	ID1	
Net Position	\$15,432,205	\$13,716,950	\$51,734,650	\$14,702,337	\$12,002,809	\$52,622,304	

The audit team reviewed our internal procedures and then tested them to see how well we follow our own procedures. The Auditor's Management Letter that reports on internal controls overall and the audit is attached. As noted in the letter, no issues were encountered in conducting the audit.

Recommendation

The committee recommends that the Board receive and file the fiscal year 2021/2022 audited financial statement.

Attachment(s): FY 2021/2022 Audited Financial Statement

Financial Statements

Year ended June 30, 2022

Our Mission Statement

"To provide the most cost effective, reliable, and highest quality water services for the present as well as the future by operating in the most cost efficient manner possible, keeping the cost of water to our customers affordable, providing a safe working environment for our employees, serving the community in an open manner and, at all times, communicating and deliberating in public meetings where open discussions are promoted."

Board of Directors as of June 30, 2022

Name	Title	Elected / Appointed	Current Term
Douglass S. Davert	President	Elected	12/20 - 12/24
George A. Murdoch	Vice President	Elected	12/18 - 12/22
Richard Bell	Director	Elected	12/18 - 12/22
Marilyn T. Thoms	Director	Elected	05/22 - 12/22
John L. Sears	Director	Elected	12/20 - 12/24

David Youngblood, General Manager East Orange County Water District

185 North McPherson Road Orange, California 92869 (714) 538-5815

www.eocwd.com • dyoungblood@eocwd.com



Financial Statements

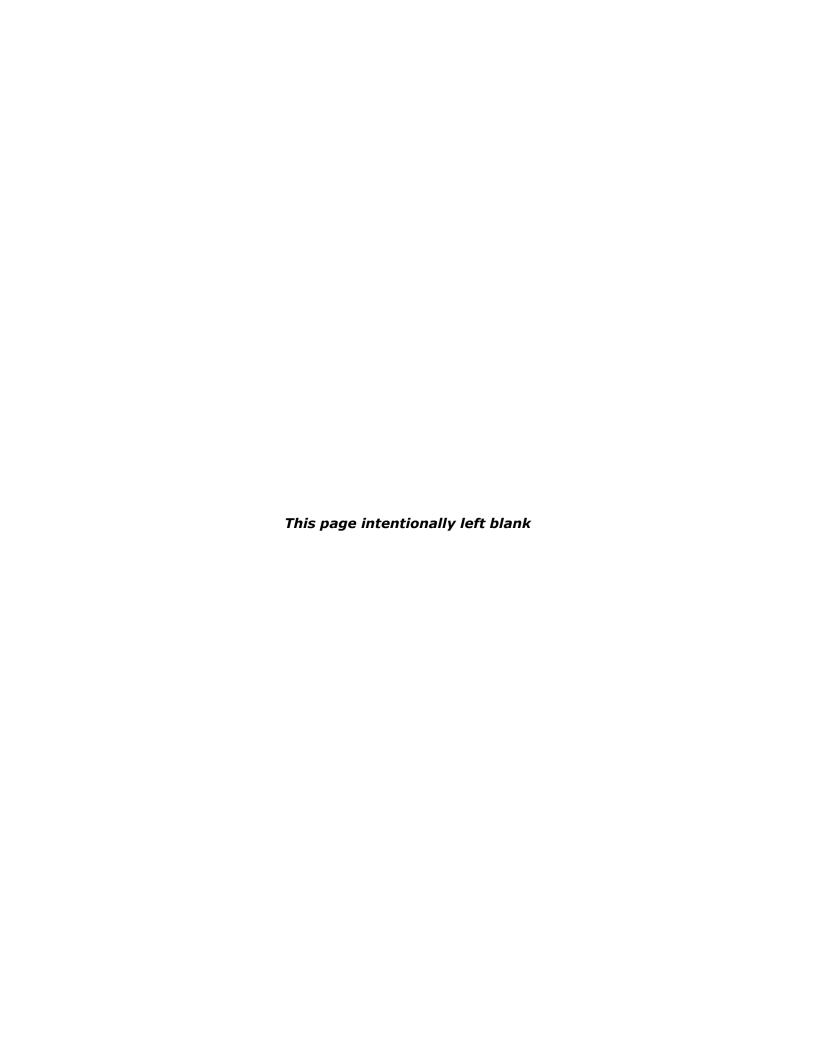
Year ended June 30, 2022

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Independent Auditor's Report

To the Board of Directors of the East Orange County Water District Orange, California

Report on the Financial Statements

We have audited the financial statements of the East Orange County Water District (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the aggregate remaining fund information of the District as of June 30, 2022, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

The financial statements for the year ended June 30, 2022 reflect certain prior period adjustments as described further in note 11 to the financial statements. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the District's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 23, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, the Schedule of the District's Proportionate Share of the Plan's Net Pension Liability, and the Schedule of the District's Contributions to the Pension Plan,* be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The *Combining Schedules of Net Position and Combining Schedules of Revenues, Expenses, and Change in Net Position* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Schedules of Net Position and Combining Schedules of Revenues, Expenses, and Change in Net Position are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Schedules of Net Position and Combining Schedules of Revenues, Expenses, and Change in Net Position are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Irvine, California February 8, 2023

ais Fam LLP

Management's Discussion and Analysis

Year ended June 30, 2022

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the East Orange County Water District (District) introduces the financial statements of the District for the year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the basic financial statements and related notes, which follow this section.

Financial Highlights

- In 2022, the District's net position increased \$2,274,877 of which \$1,556,355 is primarily due to an increase in total revenues offset by a slight increase in overall expenses from fiscal year 2021. The District's net position was also positively affected by an adjustment of \$718,522 to reverse prior year depreciation of capacity rights.
- In 2022, operating revenues increased by \$2,746,473 due primarily to an increase in wholesale water demand and water rate increases.
- In 2022, operating expenses increased by \$1,917,921 due primarily to an increase in source of supply, pumping, and salaries and benefits.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The financial statements are comprised of two components: 1) financial statements and 2) notes to the financial statements. This report also contains other supplementary information in addition to the financial statements themselves.

The financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets, deferred outflow of resources, liabilities, and deferred inflow of resources with the difference between the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of revenues, expenses and changes in net position presents information showing how net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

The statement of cash flows presents information showing the sources and uses of cash related to operating activities, non-capital financing activities, capital and related financing activities and investing activities. In addition, the statement provides information about significant non-cash investing, capital and financing activities.

Management's Discussion and Analysis

Year ended June 30, 2022

Notes to the Basic Financial Statements

The notes to the financial statements provide a description of the accounting policies used to prepare the financial statements and present material disclosures required by generally accepted accounting principles that are not otherwise present in the financial statements.

Financial Analysis of the District

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

These two statements report the District's *net position* and changes in them. One can think of the District's net position – the difference between assets and liabilities – as a way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position are one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, natural disasters, zoning and new or changed government legislation, such as changes in Federal and State water quality standards.

Condensed Statement of Net Position

	Jı	ıne 30, 2022	June 30, 2021	Change
Assets:				
Current assets	\$	77,006,194	83,497,147	(6,490,953)
Capital assets, net		26,782,242	16,729,948	10,052,294
Total assets		103,788,436	100,227,095	3,561,341
Deferred outflows of resources		1,106,477	803,776	302,701
Total assets and deferred				
outflows of resources	\$	104,894,913	101,030,871	3,864,042
Liabilities:				
Current liabilities	\$	5,086,601	2,945,454	2,141,147
Noncurrent liabilities		18,052,000	19,181,333	(1,129,333)
Total liabilities		23,138,601	22,126,787	1,011,814
Deferred inflows of resources		872,507	295,156	577,351
Net position:				
Investment in capital assets		18,990,434	16,729,948	2,260,486
Restricted		41,924,822	46,465,539	(4,540,717)
Unrestricted		19,968,549	15,413,441	4,555,108
Total net position		80,883,805	78,608,928	2,274,877
Total liabilities, deferred inflows				
and net position	\$	104,894,913	101,030,871	3,864,042

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the exceeded liabilities and deferred inflows of resources by \$80,883,805 as of June 30, 2022.

Management's Discussion and Analysis

Year ended June 30, 2022

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources of the exceeded liabilities and deferred inflows of resources by \$80,883,805 as of June 30, 2022.

The District's investment in capital assets over net position of 23% at June 30, 2022 reflects its investment in capital assets net of accumulated depreciation. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

The District's restricted net position of \$41,924,822 as of June 30, 2022 is restricted for future sewer system capital replacement and maintenance costs.

At the end of fiscal year 2022, the District shows a positive balance in its unrestricted net position of \$19,968,549 that may be utilized in future years. The Board of Directors has taken action to reserve aspects of the unrestricted net position for specified purposes such as asset replacement, rate stabilization, growth accommodation and emergency reserves. The District has committed to the following internal funds and objectives:

- 1. Operating Fund Funds are maintained to capture all operating and maintenance revenues and expenditures separately for the Wholesale and Retail Zone operations. Excess revenues over expenditures are routinely transferred to the Replacement and Capital Improvements funds.
- 2. Replacement and Capital Improvement Funds Separate replacement and capital improvement funds are maintained for the Wholesale District and Retail Zone.
- 3. Emergency Reserve Fund This fund is earmarked by the Board of Directors for unforeseen Wholesale District emergencies or contingency expenditures.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	June 30, 2022	June 30, 2021	Change
Revenues:			
Operating Revenues Non-operating revenues	\$ 15,376,016 582,960	12,629,543 2,037,048	2,746,473 (1,454,088)
Total revenues	15,958,976	14,666,591	1,292,385
Expenses:			
Operating expenses Depreciation Non-operating revenues (expenses)	12,780,482 1,067,048 637,085	10,862,561 1,096,590 1,664,535	1,917,921 (29,542) (1,027,450)
Total expenses	14,484,615	13,623,686	860,929
Change in net position before capital contributions	1,474,361	1,042,905	431,456
Capital Contributions	81,994	262,457	(180,463)
Change in net position	1,556,355	1,305,362	250,993
Net position: Beginning of year (as restated) (Note 11) End of year	79,327,450 \$ 80,883,805	77,303,566 78,608,928	2,023,884 2,274,877

Management's Discussion and Analysis

Year ended June 30, 2022

The Statement of Revenues, Expenses, and Changes in Net Position show how the District's net position changes during the fiscal year. In the case of the District, net position increased by \$1,556,355 as of June 30, 2022.

Revenues

Operating Revenues:	June 30, 2022	June 30, 2021	Change	
Water use sales:				
Wholesale	\$ 8,558,584	5,874,598	2,683,986	
Retail	1,644,013	2,013,200	(369,187)	
Fixed water service charges	1,994,631	637,245	1,357,386	
Capacity and connection fees	-	815,122	(815,122)	
Sewer use fees	3,093,772	3,101,177	(7,405)	
Connection fees	33,405	148,526	(115,121)	
Other service charges	51,611	39,675	11,936	
Total operating revenue	15,376,016	12,629,543	2,746,473	
Non-operating revenues:				
Property taxes	1,905,287	1,832,792	72,495	
Rental income - cellular antennas	173,090	131,492	41,598	
Investment earnings (loss)	(1,793,085)	27,206	(1,820,291)	
Other Revenues	299,432	42,132	257,300	
Gain (loss) on sale of asset	(1,764)	3,426	(5,190)	
Total non-operating revenues	582,960	2,037,048	(1,454,088)	
Total revenue	\$ 15,958,976	14,666,591	1,292,385	

In 2022, operating revenues increased by \$2,746,473 due primarily to an increase in wholesale water sales and fixed water service charges. Due to reporting a loss on investments in 2022, non-operating revenues decreased by \$1,454,088.

Expenses

Operating Expenses:	June 30, 2022	June 30, 2021	Change	
Source of Supply	\$ 10,054,006	7,300,958	2,753,048	
Pumping	25,447	23,327	2,120	
Transmission and distribution	466,081	1,610,839	(1,144,758)	
Sewer system maintenance	201,442	264,243	(62,801)	
Salaries and Benefits	1,061,144	-	1,061,144	
General and administrative	972,362	1,663,194	(690,832)	
Total operating expenses	12,780,482	10,862,561	1,917,921	
Depreciation	1,067,048	1,096,590	(29,542)	
Non-operating expenses:				
Other expenses	184,299	1,424,151	(1,239,852)	
Interest expense	452,786	240,384	212,402	
Total expenses	\$ 14,484,615	13,623,686	860,929	

In 2022 operating expenses increased by \$1,917,921 primarily due to increases in source of supply, pumping costs, and salaries and benefits. During fiscal year 2021/22 the District split out financial groupings for salaries and benefits which was previously grouped within general and administrative and transmission and distribution categories.

Management's Discussion and Analysis

Year ended June 30, 2022

Capital Asset Administration

Capital assets as of June 30th are as follows:

<u>Description</u>		<u>June 30, 2022</u>		June 30, 2021	
Non-depreciable assets	\$	12,240,716		4,417,763	
Depreciable assets		28,532,842		27,172,937	
Accumulated depreciation *		(15,102,408)		(14,142,230)	
Total capital assets, net	\$	25,671,150	\$	17,448,470	

^{*} Restated June 30, 2021 accumulated depreciation as capacity right assets are considered non-depreciable assets as discussed in note 11. Capacity rights were also recategorized from depreciable assets to non-depreciable assets in the table above.

The capital asset activities of the District are summarized above and in Note 4 to the basic financial statements.

Economic and Other Factors Effecting Next Year's Operations and Budget

The District has adopted its Fiscal Year 2022-2023 Budget with expected revenues of \$17,924,500 over expected expenses of \$14,656,000.

Contacting the District's Financial Management Team

This financial report is designed to provide the District's funding sources, customers, stakeholders and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's General Manager, David Youngblood, at (714) 538-5815.

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BASIC FINANCIAL STATEMENTS

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Statement of Net Position June 30, 2022

(with comparative information as of June 30, 2021)

<u>ASSETS</u>		2022	2021
Current assets:			
Cash and investments (Note 2)	\$	30,486,217	61,264,705
Restricted cash and investments (Note 2)		41,924,822	19,150,212
Accrued interest receivable		201,423	127,635
Accounts receivable – services, net (Note 3)		4,121,634	2,764,327
Deposit receivable		-	20,980
Property taxes receivable		53,420	51,790
Lease receivable (Note 10)		125,871	- 70 721
Prepaid expenses Water-in-storage inventory		41,555 51,252	70,721 46,777
Total current assets		77,006,194	83,497,147
		77,000,194	03,497,147
Noncurrent assets:		422.707	
Lease receivable (Note 10)		432,707 678,385	-
Net pension asset (Note 6) Capital assets – not being depreciated (Note 4)		12,240,716	- 3,474,443
Capital assets – being depreciated (Note 4) Capital assets – being depreciated, net (Note 4)		13,430,434	13,255,505
Total noncurrent assets		26,782,242	16,729,948
Total assets		103,788,436	100,227,095
DEFERRED OUTFLOWS OF RESOURCES		2007:007:00	
Pension related (Note 6)		1,106,477	803,776
Total deferred outflows of resources		1,106,477	803,776
<u>LIABILITIES</u>		<u> </u>	
Current liabilities:			
Accounts payable and other accrued liabilities	\$	3,794,135	1,720,596
Accrued interest payable		34,465	35,998
Accrued salaries and benefits		34,994	22,351
Due to other governments		7,824	-
Compensated absences (Note 5)		121,162	98,044
Deposits and unearned revenue		234,021	227,465
Long-term liabilities - due within one year (Note 5)		860,000	841,000
Total current liabilities		5,086,601	2,945,454
Noncurrent liabilities:			
Net pension liability (Note 6)		-	269,333
Long-term liabilities - due in more than one year (Note 5)		18,052,000	18,912,000
Total noncurrent liabilities		18,052,000	19,181,333
Total liabilities		23,138,601	22,126,787
DEFERRED INFLOWS OF RESOURCES			
Lease related (Note 10)		542,686	-
Pension related (Note 6)		329,821	295,156
Total deferred inflows of resources		872,507	295,156
NET POSITION			
Net investment in capital assets		18,990,434	16,729,948
Restricted		41,924,822	46,465,539
Unrestricted		19,968,549	15,413,441
Total net position	\$	80,883,805	78,608,928
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See accompanying Notes to the Basic Financial Statements.

Statement of Revenues, Expenses and Changes in Net Position Year ended June 30, 2022

(with comparative information for the year ended June 30, 2021)

		2022	2021
Operating revenues: Water use sales Fixed water service charges Capacity and connection fees Sewer use fees Connection fees Other service charges	\$	10,202,597 1,994,631 - 3,093,772 33,405 51,611	7,887,798 637,245 815,122 3,101,177 148,526 39,675
Total operating revenues		15,376,016	12,629,543
Operating expenses: Source of supply Pumping Transmission and distribution Sewer system maintenance Salaries and benefits General and administrative		10,054,006 25,447 466,081 201,442 1,061,144 972,362	7,300,958 23,327 1,610,839 264,243 - 1,663,194
Total operating expenses		12,780,482	10,862,561
Operating income (loss) before depreciation Depreciation expense		2,595,534 (1,067,048)	1,766,982 (1,096,590)
Operating income (loss)		1,528,486	670,392
Non-operating revenues (expenses): Property taxes Lease income Investment earnings (loss) Other revenues Other expenses Gain (loss) on sale of asset Interest Expense		1,905,287 173,090 (1,793,085) 299,432 (184,299) (1,764) (452,786)	1,832,792 131,492 27,206 42,132 (1,424,151) 3,426 (240,384)
Total non-operating revenues, net		(54,125)	372,513
Change in net position before capital contributions		1,474,361	1,042,905
Capital contributions: Capital contributions from developers Total capital contributions		81,994 81,994	262,457 262,457
Change in net position		1,556,355	1,305,362
Net position: Beginning of year (as restated) (Note 11) End of year		79,327,450 80,883,805	77,303,566 78,608,928
Life of year	φ	30,003,003	70,000,320

Statement of Cash Flows

Year ended June 30, 2022

(with comparative data for the year ended June 30, 2021)

	2022	2021
Cash flows from operating activities: Cash receipts from customers for sales and services Cash paid to employees for salaries and benefits Cash paid to vendors and suppliers for materials and services	\$ 14,018,709 (1,836,009) (9,877,276)	11,328,713 (1,635,103) (10,867,032)
Net cash provided by operating activities	2,305,424	(1,173,422)
Cash flows from non-capital financing activities: Proceeds from property taxes	1,903,657	1,824,585
Net cash provided by non-capital financing activities	1,903,657	1,824,585
Cash flows from capital and related financing activities: Payments from lease receivable Proceeds from disposal of capital assets Acquisition and construction of capital assets Principal paid on capital debt Interest paid on long-term debt Proceeds from loan agreement	157,198 4,280 (9,213,780) (841,000) (452,786)	3,886 (1,735,070) (367,000) (240,384) 20,120,000
Net cash provided by (used in) capital and related financing activities	(10,346,088)	17,781,432
Cash flows from investing activities: Interest on investments Proceeds from sale of investments Purchase of investments	518,955 19,318,198 (21,385,909)	315,891 7,148,327 (7,312,878)
Net cash used in by investing activities	(1,548,756)	151,340
Net increase (decrease) in cash and investments	(7,685,763)	18,583,935
Cash and cash equivalents: Beginning of year End of year	20,577,606 \$ 12,891,843	1,993,671 20,577,606
Reconciliation of cash and cash equivalents to amounts reported on the Statement of Net Position: Cash and investments Less long-term investments Cash and cash equivalents at end of year	72,411,039 59,519,196 \$ 12,891,843	80,414,917 59,837,311 \$20,577,606

Statement of Cash Flows (Continued)

Year ended June 30, 2022

(with comparative data for the year ended June 30, 2021)

	2022	2021
Reconciliation of operating income to net cash provided by operating		
activities:		
Operating income	<u>\$ 1,528,486</u>	670,392
Adjustments to reconcile operating income to net cash provided by		
operating activities:		
Depreciation expense	1,067,048	1,096,590
Other revenues	299,432	42,132
Rental income	-	131,492
Other expenses	(184,299)	(1,424,151)
Changes in assets – (increase) decrease:		
Accounts receivable – services, net	(1,357,307)	(1,300,830)
Accounts receivable – other	20,980	(16,085)
Prepaid expenses	29,166	21,156
Water-in-storage inventory	(4,475)	(16,734)
Change in deferred outflows of resources – (increase) decrease:	. , ,	. , ,
Pension related deferred outflows of resources	(302,701)	(101,791)
Changes in liabilities – increase (decrease):		
Accounts payable and other accrued liabilities	2,073,539	(118,890)
Accrued interest payable	(1,533)	35,998
Accrued salaries and benefits	12,643	6,767
Compensated absences	23,118	(38,568)
Deposits and unearned revenue	6,556	510
Due to other governments	7,824	(830)
Net pension liability	(947,718)	(389,157)
Change in deferred inflows of resources – increase (decrease):		
Pension related deferred inflows of resources	34,665	228,577
Total adjustments	776,938	(1,843,814)
Net cash provided by operating activities	\$ 2,305,424	(1,173,422)
Noncash investing, capital and financing activities:		
Unrealized gain (loss) from investments	\$ (2,385,828)	586,824
Capital contributions	81,994	262,457

Custodial Funds Statement of Fiduciary Net Position June 30, 2022

ASSETS

Current assets: Investments (Note 2): Money Market Mutua	Funds	\$	31,263
Total assets			31,263
	<u>LIABILITIES</u>		
Current liabilities: Accounts payable			
Total liabilities			
	NET POSITION		
Restricted			31,263
Total net position		\$	31,263

Custodial Funds Statement of Changes in Fiduciary Net Position Year ended June 30, 2022

	Custodial Fund 2022
Additions: Parcel assessments	\$ 45,242
Total additions	45,242
Deductions: Administrative fees Interest expenses Total deductions	12,452 40,071 52,523
Change in net position	(7,281)
Net position: Beginning of year	38,544
End of year	\$ 31,263

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(1) Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

The East Orange County Water District (the District) was formed in 1961, in order to furnish imported potable water to an area encompassing the eastern half of the City of Orange. The District provides wholesale potable water to five sub-agencies in the region through its pipeline transmission and distribution system. The five sub-agencies consist of the East Orange County Water District Retail Zone, Golden State Water Company, City of Tustin, Irvine Ranch Water District, and the City of Orange. The District provides potable water service through the East Orange County Water District Retail Zone to 1,179 customers within its service area.

In 2013, the Orange County Sanitation District (OCSD) proposed a transfer of ownership and operation of the local sewer system (Sewer Area 7) to the District. On May 11, 2016, after an extensive review and approval process, the Orange County Local Agency Formation Commission approved the transfer of sewers to the District effective August 1, 2016. The sewer system was transferred to the District as Improvement District No. 1 (ID No.1). It is comprised of 175 miles of primarily vitrified clay pipe sewers and approximately 3,700 manholes, both of which were largely installed in the 1960s.

The District is governed by a Board of Directors, which consists of five directors, each of whom is elected at-large for a four-year term by the citizens living within the District's service area.

Financial Reporting

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to enterprise funds. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District solely operates as a special-purpose government which means it is only engaged in business-type activities; accordingly, activities are reported in the District's enterprise fund.

Basis of Accounting and Measurement Focus

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its customers on a continuing basis be financed or recovered, primarily through user charges (water sales and services) or similar funding. The District segregates its Wholesale and Retail Zone accounting internally as separate entities. Revenues and expenses are recognized on the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(1) Reporting Entity and Summary of Significant Accounting Policies (Continued)

The District also reports the following Fiduciary Fund types:

A Custodial Fund is used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations and other governments.

The custodial funds are used to account for taxes received for special assessments debt for which the District is not obligated.

Operating revenues and expenses are generated and incurred through the water sales activities to the District's customers. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

In accordance with U.S. GAAP, the Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net assets) that apply to future periods and that, therefore, will not be recognized as an expense until that time. The District has one item that qualifies for reporting in this category, outflows related to pensions.

<u>Deferred Inflows of Resources</u> represent inflows of resources (acquisition of net assets) that apply to future periods and that, therefore, will not be recognized as revenue until that time. The District has two items that qualifies for reporting in this category, inflows related to pensions and leases.

Use of Estimates

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results most likely will differ from those estimates.

Comparative Financial Statements and Reclassifications

The information included in the accompanying financial statements for the prior year has been presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Certain amounts presented in the prior year financial statements have been reclassified in order to be consistent with the current year's presentation.

Cash and Cash Equivalents

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less to be cash equivalents.

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(1) Reporting Entity and Summary of Significant Accounting Policies (Continued)

Investments

Investments are reported at fair value. Changes in fair value that occur during a fiscal year are recognized as unrealized gains or losses and reported for that fiscal year. Investment income comprises interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

U.S. GAAP defines fair value and establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the balance sheet, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date.

Accounts Receivable

The District has uncollectible accounts receivable at year-end. Accordingly, an allowance for doubtful accounts has been recorded.

Property Taxes

Property taxes receivable at year-end are related to property taxes collected by the County of Orange, which have not been credited to the District as of June 30. The property tax calendar is as follows:

Lien date January 1 Levy date July 1

Due dates November 1 and February 1
Collection dates December 10 and April 10

The County of Orange Assessor's Office assesses all real and personal property within the County each year. The County of Orange Auditor-Controller's Office bills and collects the District's share of property taxes and assessments. The County of Orange Treasurer's Office remits current and delinquent property tax collections to the District throughout the year. Property tax in California is levied in accordance with Article XIIIA of the State Constitution at one percent (1%) of countywide assessed valuations.

Prepaid Expenses

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid expenses in the basic financial statements.

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(1) Reporting Entity and Summary of Significant Accounting Policies (Continued)

Water-In-Storage Inventory

Annually, a controlled quantity of water is purchased by the District and, if not used in the current year, is stored for use in the following year. Purchased stored water is subject to loss through meter error or leakage. The losses are not covered by insurance nor has a loss reserve been recorded.

Capital Assets

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$5,000. Donated assets are recorded at estimated acquisition value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances and any gains or losses are recognized. (See Note 4 for further details) Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Transmission and distribution systems 5 to 100 years Structures and improvements 3 to 50 years Water treatment plant 10 to 100 years Equipment 5 to 50 years

Construction-in-Process

The costs associated with developmental stage projects are accumulated in an inprogress account until the project is fully developed. Once the project is complete and in use, the entire cost of the project is transferred to a capital asset account and depreciated over its estimated useful life.

Compensated Absences

The District's policy allows full-time employees to accumulate a maximum of 160 hours of vacation time. No compensation in lieu of time off is allowed except for termination or disability. Employees may accumulate up to 80 hours of sick time. As of December 31 each year, one-half of the excess over 80 hours may be credited to additional vacation or may be paid to the employee. The remaining one-half is forfeited. The District has recorded the liability for accrued vacation and sick pay in the accompanying financial statements as a current liability.

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions and pension expense, information about the fiduciary net pension of the District's pension plans and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(1) Reporting Entity and Summary of Significant Accounting Policies (Continued)

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. The following timeframes are used for pension reporting:

Valuation date June 30, 2020 Measurement date June 30, 2021

Measurement period July 1, 2020 to June 30, 2021

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive and retirees) as of the beginning of the measurement period.

Net Position

The financial statements utilize a net position presentation. Net position is categorized as follows:

Net Investment in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – This component of net position consists of external constraints placed on net position imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation. The net position of Improvement District No. 1 is considered restricted.

<u>Unrestricted</u> – This component of net position is the amount of the assets, deferred outflows or resources, liabilities, and deferred inflows of resources that are not included in the determination of net investments in capital assets or the restricted component of net position.

Water Use Sales - Wholesale and Retail

Wholesale water sales are billed on a monthly basis and retail water sales are billed on a bi-monthly cyclical basis. Estimated unbilled retail water sales revenue through June 30 has been accrued at year-end.

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(1) Reporting Entity and Summary of Significant Accounting Policies (Continued)

Capital Contributions

Capital contributions represent cash and capital asset additions contributed to the District by property owners, granting agencies, governmental agencies or real estate developers desiring services that require capital expenditures or capacity commitment.

(2) Cash and Investments

Financial Statement Classification:

Current:	
Cash and cash equivalents	\$ 660,560
Investments	59,387,460
Subtotal current	60,048,020
Restricted:	_
Cash and cash equivalents	12,231,283
Investments	131,736
Subtotal restricted	12,363,019
Fiduciary Funds:	
Investments	31,263
Total Cash and Investments	\$ 72,442,302

Cash and investments as of June 30, 2022, consisted of the following:

Cash on hand	\$ 250
Demand deposits held with financial institutions	12,891,593
Investments	59,550,459
Total cash and investments	\$ 72,442,302

Demand Deposits

At June 30, 2022, the carrying amount of the District's demand deposits were \$12,891,593, and the financial institution balance was \$13,977,333. The respective net difference represents outstanding checks, deposits-in-transit and/or other reconciling items.

The California Government Code requires California banks and savings and loan associations to secure an entity's deposits by pledging government securities with a value of 110% of an entity's deposits. California law also allows financial institutions to secure entity deposits by pledging first trust deed mortgage notes having a value of 150% of an entity's total deposits. The entity's Treasurer may waive the collateral requirement for deposits which are fully insured up to \$250,000 by the FDIC.

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(2) Cash and Investments (Continued)

The collateral for deposits in federal and state-chartered banks is held in safekeeping by an authorized agent of depository recognized by the State of California Department of Banking. The collateral for deposits with savings and loan associations is generally held in safekeeping by the Federal Home Loan Bank in San Francisco, California as an agent of depository. These securities are physically held in an undivided pool for all California public agency depositors. Under Government Code Section 53655, the placement of securities by a bank or savings and loan association with an agent of depositor has the effect of perfecting the security interest in the name of the local governmental agency. Accordingly, all collateral held by California agents of depository are considered to be held for, and in the name of, the local government.

Custodial Credit Risk

The custodial credit risk for *deposits* is the risk that in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's investment policy requires that collateral be held by an independent third party with whom the District has a current custodial agreement.

The custodial credit risk for *investments* is the risk that in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's investment policy requires that all security transactions are conducted on a delivery-versus-payment (DVP) method and that all securities are held by a qualified, third-party custodian, as evidenced by safekeeping receipts. The trust department of the District's bank may act as third-party custodian, provided that the custodian agreement is separate from the banking agreement. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

Investments

The District's investments as of June 30, 2022 were as follows:

					Maturity	
Investments	Measurement Input	Credit Rating	Fair Value	12 Months or Less	13 to 24 Months	25 to 60 Months
Local Agency Investment Fund (LAIF) PARS Pooled Trust	Uncategorized Uncategorized	Not Rated Not Rated	\$ 20,458,690 131,734	20,458,690 131,734	-	-
U.S. Treasury notes	Level 2	AAA	27,968,408	3,224,305	12,964,890	11,779,213
Governmental agency securities Corporate bonds	Level 2 Level 2	AAA A to A+	7,232,680 2,064,604	1,390,306 790,471	4,358,639 336,227	1,483,735 937,906
Money Market Negotiable certificates-of-deposit	Uncategorized Level 2	AAA N/A	26,445 1,636,635	26,445 240,408	- 144,758	1 251 460
Negotiable certificates-of-deposit	Level 2	N/A	1,636,633	240,406	144,/36	1,251,469
Total investments			\$ 59,519,196	26,262,359	17,804,514	15,452,323

Maturity

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(2) Cash and Investments (Continued)

The District's investments in Fiduciary Fund as of June 30, 2022 were as follows:

					Maturity		
Investments	Measurement Input	Credit Rating	Fa	air Value	12 Months or Less	13 to 24 Months	25 to 60 Months
Money Market	Uncategorized	AAA	\$	31,263	31,263	_	
Total investments			\$	31,263	31,263	-	-

Authorized Investments and Investment Policy

The District has adopted an investment policy allowing authorized investments to be made in the following areas:

- California Local Agency Investment Fund (LAIF)
- PARS Pooled Trust
- U.S. Treasury notes
- Governmental agency securities
- Corporate bonds
- Money market funds
- Negotiable certificates-of-deposit

Investment in State Investment Pool

The District is a voluntary participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. The District's investments with LAIF at June 30, 2022 included a portion of the pool funds invested in structured notes and asset-backed securities.

Investment in Public Agency Retirement Fund

The District established a trust account with Public Agency Retirement Services (PARS) to hold assets that are legally restricted for use in administering the District's pension plan. Investments with PARS are reported at fair value.

Structured Notes: debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

The District had \$20,458,690 invested in LAIF. The LAIF fair value factor of .987125414 was used to calculate the fair value of the investments in LAIF as of June 30, 2022.

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(2) Cash and Investments (Continued)

Fair Value Measurement Input

The District categorizes its fair value measurement inputs within the fair value hierarchy established by generally accepted accounting principles. The District has presented its measurement inputs as noted in the table on previous page.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2022, the District's investment in the LAIF was not rated as noted in the table on previous page.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with longer maturities have greater sensitivity to changes in market interest rates. The District's investment policy follows the Code as it relates to limits on investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. The District has elected to use the segmented time distribution method of disclosure for the maturities of its investments as related to interest rate risk as noted in the table on previous page.

Concentration of Credit Risk

The District's investment policy contains no limitations on the amount that can be invested in any one governmental agency or non-governmental issuer beyond that stipulated by the California Government Code. There were no investments in any one governmental or non-governmental issuer that represent 5% or more of the District's total cash and investment portfolio except for those investments in U.S. Treasury securities, mutual funds, and external investment pools.

(3) Accounts Receivable - Services, Net

Accounts receivable consisted of the following at June 30, 2022:

Description	•	
Accounts receivable – services Allowance for doubtful accounts	\$	4,130,638 (24,298)
Accounts receivable – services, net	\$	4,106,340

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(4) Capital Assets

Changes in capital assets for the year ended June 30, 2022, were as follows:

		Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Non-depreciable assets: Land and easements Capacity rights Construction-in-process	\$	579,284 943,320 2,895,159	- - 9,504,207	- - (1,681,254)	579,284 943,320 10,718,112
Total non-depreciable assets		4,417,763	9,504,207	(1,681,254)	12,240,716
Depreciable assets: Transmission and distribution system Structures and improvements Equipment		16,758,764 8,628,869 1,785,304	767,080 318,543 387,196	(78,405) (3,206) (31,303)	17,447,439 8,944,206 2,141,197
Total depreciable assets		27,172,937	1,472,819	(112,914)	28,532,842
Accumulated Depreciation: Transmission and distribution system Structures and improvements Equipment		9,808,791 3,658,147 675,292	598,964 231,501 236,583	(72,361) (3,206) (31,303)	10,335,394 3,886,442 880,572
Accumulated depreciation	*	14,142,230	1,067,048	(106,870)	15,102,408
Total depreciable assets, net		13,030,707	405,771	(6,044)	13,430,434
Total capital assets, net	\$	17,448,470	9,909,978	(1,687,298)	25,671,150

^{* -} Restated beginning balance of accumulated depreciation as the capacity right assets are considered non-depreciable assets.

(5) Long-term Liabilities

	Balance July 1, 2021		Additions	Deletions	Balance June 30, 2022	Due in One Year
Long-term liabilities: Compensated absences	\$	98,044	133,535	(110,417)	121,162	_
2020 Installment purchase agreement		19,753,000		(841,000)	18,912,000	860,000
Total long-term liabilities	\$	19,851,044	133,535	(951,417)	19,033,162	860,000

Installment Purchase Agreement

On December 1, 2020, the District entered into an Installment Purchase Agreement in the amount of \$20,120,000 with Sterling National Bank with interest at 2.30% used to finance the "2020 Project" which involves three capital improvement projects to comply with California Environmental Quality Act. The three capital improvement projects being financed are Vista Panorama Reservoir Replacement, VanderWerff Well Replacement, and Capacity Reliability Augmentation Project. Annual principal payments plus interest are due through June 2040. Future long-term maturities as of June 30, 2022, are as follows:

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(5) Long-term Liabilities (Continued)

Year ending			
June 30,	Principal	Interest	Totals
2023	\$ 860,000	434,976	1,294,976
2024	880,000	415,196	1,295,196
2025	900,000	394,956	1,294,956
2026	921,000	374,256	1,295,256
2027	942,000	353,073	1,295,073
2028 - 2032	5,044,000	1,430,301	6,474,301
2033 - 2037	5,652,000	822,871	6,474,871
2038 - 2040	 3,713,000	172,086	3,885,086
	\$ 18,912,000	4,397,715	23,309,715

(6) Net Pension Liability (Asset) and Defined Benefit Pension Plan

The Plans Description Schedule

The District has engaged with CalPERS to administer the following pension plans for its employees (members):

	Miscellane	eous Plans
	Classic	PEPRA
	Tier 1	Tier 2
Hire date	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.0% @ 60	2.0% @ 62
Benefit vesting schedule	5-years or service	5-years or service
Benefits payments	monthly for life	monthly for life
Retirement age	50 - 67 & up	52 - 67 & up
Monthly benefits, as a % of eligible compensation	2.00%	2.00%
Required member contribution rates	7.000%	6.750%
Required employer contribution rates – FY 2021	8.650%	7.590%

Plan Description

The District contributes to the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. A full description of the pension plan, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the June 30, 2019 Annual Actuarial Valuation Reports. This report and CalPERS' audited financial statements are publicly available reports that can be obtained at CalPERS' website under Forms and Publications.

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(6) Net Pension Liability (Asset) and Defined Benefit Pension Plan (continued)

Members Covered by Benefit Terms

At June 30, 2021 (Measurement Date), the following members were covered by the benefit terms:

	Miscellaneous Plans			
	Classic	PEPRA		
Plan Members	Tier 1	Tier 2	Total	
Active members	6	7	13	
Transferred and terminated members	8	4	12	
Retired members and beneficiaries	7	1	8	
Total plan members	21	12	33	

Benefits Provided

CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. A Classic CalPERS Miscellaneous member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. Public Employees' Pension Reform Act (PEPRA) Miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay. Retirement benefits for Classic Miscellaneous and Safety members are calculated as a percentage of their plan based on the average final 36 months compensation. Retirement benefits for PEPRA Miscellaneous members are calculated as a percentage of their plan based on the average final 36 months compensation.

Participant members are eligible for non-industrial disability retirement if they become disabled and have at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 2.5% of final compensation, multiplied by service. Industrial disability benefits are not offered to miscellaneous employees.

A member's beneficiary may receive the basic death benefit if the member dies while actively employed. The member must be actively employed with the District to be eligible for this benefit. A member's survivor who is eligible for any other preretirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the members' accumulated contributions, where interest is currently credited at 7.15 percent per year, plus a lump sum in the amount of one month's salary for each completed year of current service, up to a maximum of six months' salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death. Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate. Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance.

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(6) Net Pension Liability (Asset) and Defined Benefit Pension Plan (continued)

Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 3%.

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers will be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended. Payments made by the employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contributions.

Contributions for the year ended June 30, 2022 were as follows:

Contribution Type	Total		
Contributions – employer Contributions – members	\$	127,579 141,806	
Total contributions	\$	269,385	

Actuarial Methods and Assumptions Used to Determine the Total Pension Liability (Asset)

For the measurement period ending June 30, 2021 (Measurement Date), the total pension liability was determined by rolling forward the June 30, 2020 pension liability (asset).

The June 30, 2021 total pension liability (asset) was based on the following actuarial methods and assumptions:

Actuarial Cost Method Entry Age Normal in accordance with the Actuarial Assumptions:

Discount Rate 7.15%

Inflation 2.50%
Salary Increases Varies by Entry Age and Service

Mortality Rate Table Derived using CalPERS' Membership Data for all The lesser of contract COLA or 2.50% until

Purchasing Power Protection Allowance floor on Purchasing Power applies, 2.50% thereafter

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(6) Net Pension Liability (Asset) and Defined Benefit Pension Plan (continued)

Discount Rate

The discount rate used to measure the total pension liability (asset) for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that the contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Asset Class ¹	New Strategic Allocation	Real Return Years 1 - 10 ²	Real Return Years 11+ ³
Public Equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation Assets	0.00%	0.77%	1.81%
Private Equity	8.00%	6.30%	7.23%
Real Assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
	100.00%		

¹ In the System's ACFR, Fixed Income is included in Public Equity; Liquidity is included in Short-term investments; Inflation Assets are included in both Equity Securities and Global Debt Securities.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability of the Plan as of the measurement date, calculated using the discount rate of 7.15%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15%) or 1 percentage-point higher (8.15%) than the current rate for the June 30, 2020 Valuation Date as follows:

		Plan's	s Net Pension Liability/(<i>F</i>	Asset)	
	Disco	ınt Rate - 1%	Current Discount	Discount Rate + 1%	
Plan Type		6.15%	Rate 7.15%	8.15%	
CalPERS – Miscellaneous Plan	\$	(95,314)	(678,385)	(1,160,401)	

² An expected inflation of 2.00% used for this period.

³ An expected inflation of 2.92% used for this period.

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(6) Net Pension Liability (Asset) and Defined Benefit Pension Plan (continued)

Pension Plan Fiduciary Net Position

Detailed information about the plan's fiduciary net position is available in the separately issued CalPERS financial report and can be obtained from CalPERS' website under Forms and Publications.

Proportionate Share of Net Pension Liability (Asset) and Pension Expense

The following table shows the plan's proportionate share of the risk pool collective net pension liability over the measurement period for the Miscellaneous Plan for the fiscal year ended June 30, 2022:

Plan Type and Balance Descriptions	Plan Total Pension Liability		Plan Fiduciary Net Position	Net Pension Liability (Asset)
CalPERS - Miscellaneous Plan:				
Balance as of June 30, 2020 (Measurement Date)		3,958,156	3,688,823	269,333
Balance as of June 30, 2021 (Measurement Date)		4,416,168	5,094,553	(678,385)
Change in Plan Net Pension Liability (Asset)	\$	458,012	1,405,730	(947,718)

The District's proportionate share of the net pension liability (asset) for the June 30, 2021 measurement date was as follows:

	Percentage Sh		
	Fiscal Year	Fiscal Year	Change
	Ending	Ending	Increase/
	June 30, 2022	June 30, 2021	(Decrease)
Measurement Date	June 30, 2021	June 30, 2020	
Percentage of Risk Pool Net Pension Liability (Asset)	-0.012540%	0.002480%	-0.015020%

For the year ended June 30, 2022, the District recognized pension expense/(credit) in the amounts of (\$1,088,176) for the CalPERS Miscellaneous Plan.

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(6) Net Pension Liability (Asset) and Defined Benefit Pension Plan (continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Account Description		erred Outflows f Resources	Deferred Inflows of Resources
Pension contributions made after the measurement date	\$	127,579	-
Difference between actual and proportionate share of employer contributions		379,731	5,360
Adjustment due to differences in proportions		6,973	248,387
Differences between expected and actual experience		-	76,074
Differences between projected and actual earnings on pension plan investments		592,194	-
Changes in assumptions			
Total Deferred Outflows/(Inflows) of Resources	\$	1,106,477	329,821

The District will recognize \$127,579 reported as deferred outflows of resources related to pensions resulting from the District's contributions subsequent to the measurement date as a reduction of the net pension liability in the fiscal year ended June 30, 2023, as noted above.

Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources

Other remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized to pension expense in future periods as follows:

Fiscal Year Ended June 30	Outflo	Deferred bws/(Inflows) Resources
2023 2024 2025 2026	\$	160,746 165,128 159,551 163,652
Total	\$	649,077

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(7) <u>Deferred Compensation Savings Plan</u>

For the benefit of its employees, the District participates in the California Public Employees Retirement System (CalPERS) Section 457 Deferred Compensation Program (Program). The purpose of this Program is to provide deferred compensation for California public employees that elect to participate in the Program. This Program is established pursuant to sections 21670 through 21685 of the Government Code of the State of California and is intended to constitute an "eligible deferred compensation plan" within the meaning of Section 457 of the Federal Internal Revenue Code. Generally, eligible employees may defer receipt of a portion of their salary until termination, retirement, death or unforeseeable emergency. Until the funds are paid or otherwise made available to the employee, the employee is not obligated to report the deferred salary for income tax purposes.

The Program was created under the administrative and investment control of the CalPERS Board, which requires the Board to act in the interest of Program participants. Also, Federal law requires deferred compensation assets to be held in trust for the exclusive benefit of participants. Accordingly, the District is in compliance with legislation, which requires Section 457 plan assets to be held in trust for employees. This means that employee assets held in Section 457 plans are no longer viewed as the legal property of the District and are no longer subject to claims of the District's general creditors and are not presented in the accompanying financial statements.

(8) Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, injuries to employees and natural disasters. The District is a member of the Association of California Water Agencies/Joint Powers Insurance Authority (ACWA/JPIA), an intergovernmental risk sharing joint powers authority created to provide self-insurance programs for California water agencies. The purpose of the ACWA/JPIA is to arrange and administer programs of self-insured losses and to purchase excess insurance coverage. At June 30, 2022, the District participated in the liability and property programs of the ACWA/JPIA as follows:

- General and auto liability, public officials and employees' errors and omissions: Total risk financing self-insurance limits of \$1,000,000, combined single limit at \$1,000,000 per occurrence. The AWCA JPIA purchased additional excess coverage layers: \$50 million for general, auto and public officials liability, which increases the limits on the insurance coverage noted above.
- Fidelity coverage up to \$300,000 per loss includes public employee dishonesty, forgery or alteration, computer fraud and ERISA coverage's, subject to a \$100,000 pooled self –insurance limit with a deductible of \$1,000 per claim.
- Property loss is paid at the replacement cost for property on file, if replaced within two years after the loss, otherwise paid on an actual cash value basis to a combined total of \$50 million per occurrence, subject to a \$50,000 pooled self –insurance limit. Boiler and machinery coverage for the replacement cost up to \$50 million per occurrence, subject to various deductibles depending on the type of equipment.
- Workers' compensation insurance up to California statutory limits for all work-related injuries/illnesses covered by California law.

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(8) Risk Management (continued)

There have been no losses or claims in any of the last three fiscal years and there were no reductions in the District's insurance coverage during the years ending June 30, 2022, 2021 and 2020. Liabilities are recorded when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated net of the respective insurance coverage. Liabilities include an amount for claims that have been incurred but not reported (IBNR). No claims payable is recorded as of June 30, 2022.

(9) Commitments and Contingencies

Construction Contracts

The District has a variety of agreements with private parties relating to the installation, improvement or modification of water facilities and distribution systems within its service area. The financing of such construction contracts is being provided primarily from the District's replacement reserves and advances for construction.

Litigation

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes that there are no legal matters that will materially affect its financial condition.

(10) Lease Receivables

The District is a lessor in 2 noncancellable leases for use of District property for cellular antennas. The current terms of both leases are periods of five years with options to extend beyond the 5-year period. The leases are required to make fixed monthly escalating payments starting at \$1,00 per month to \$6,439 per year. The District recognized \$141,309 in lease revenue and \$16,436 in interest revenue during the current fiscal year related to these agreements. As of June 30, 2022, the lease receivable is \$558,578 and deferred inflows of resources is \$542,686.

(11) Prior period adjustment

There was a prior period adjustment in the amount of \$718,522 to re-capture depreciation for Capacity Rights purchased in 1964 that should have been classified as a non-depreciable asset.

REQUIRED SUPPLEMENTARY INFORMATION

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Required Supplementary Information (Unaudited) Schedule of the District's Proportionate Share of the Plan's Net Pension Liability Last Ten Fiscal Years

Measurement Date:	Ju	ne 30, 2021	Ju	ne 30, 2020	Jui	ne 30, 2019	June 30, 2018
District's Proportion of the Net Pension Liability		0.002480%		0.002480%		0.019830%	0.019150%
District's Proportionate Share of the Net Pension Liability (Asset)	\$	(678,385)	\$	269,333	\$	658,490	582,611
District's Covered Payroll	\$	1,322,992	\$	1,101,431	\$	886,564	703,788
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll		-51.28%		24.45%		74.27%	82.78%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability		93.20%		93.20%		81.54%	81.99%

 $^{^{\}mathrm{1}}$ Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

Summary of Changes of Benefits or Assumptions:

Benefit Changes: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting two Years Additional Service Credit to members retiring during a specified time period (a.k.a Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statements as CalPERS considers such amounts to be separate financed employer-specific liabilities.

Changes in Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance with CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15 percent.

Required Supplementary Information (Unaudited) (Continued) Schedule of the District's Proportionate Share of the Plan's Net Pension Liability Last Ten Fiscal Years

Measurement Date:	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
District's Proportion of the Net Pension Liability	0.017840%	0.005772%	0.004970%	0.006416%
District's Proportionate Share of the Net Pension Liability	600,628	\$ 499,435	341,116	399,219
District's Covered Payroll	570,254	\$ 439,988	446,749	424,397
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	105.33%	113.51%	76.36%	94.07%
Plan's Fiduciary Net Position as a Percentage of the Plan's Total Pension Liability	78.98%	74.06%	78.40%	83.03%

 $^{^{1}}$ Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

Summary of Changes of Benefits or Assumptions:

Benefit Changes: There were no changes to benefit terms that applied to all members of the Public Agency Pool. However, individual employers in the Plan may have provided a benefit improvement to their employees by granting two Years Additional Service Credit to members retiring during a specified time period (a.k.a Golden Handshakes). Employers that have done so may need to report this information as a separate liability in their financial statements as CalPERS considers such amounts to be separate financed employer-specific liabilities.

Changes in Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance with CalPERS Experience Study and Review of Actuarial Assumptions December 2017. In 2017, the accounting discount rate was reduced from

Required Supplementary Information (Unaudited) Schedule of the District's Contributions to the Pension Plan Last Ten Fiscal Years

Fiscal Year:	2021-22	2020-21	2019-20	2018-19
Actuarially Determined Contribution Contribution in Relation to the Actuarially Determined	\$ 127,579	\$ 451,154	\$ 580,137	96,026
Contribution	(127,579)	(451,154)	(580,137)	(96,026)
Contribution Deficiency (Excess)	\$ -			
District's Covered Payroll	\$ 1,531,885	\$ 1,322,992	\$ 1,101,431	886,564
Contributions as a Percentage of Covered Payroll	8.33%	34.10%	52.67%	10.83%

¹ Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

Notes to schedule:

Fiscal Year End: 6/30/2022 Valuation Date: 6/30/2020

Methods and assumptions used to determine contributions rates:

Actuarial Cost Method Amortization Method Asset Valuation Method Discount Rate Project Salary Increase

Project Salary Increase Varies by entry age and service Inflation 2.50%
Payroll Growth 2.75%

The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Entry Age

7.15%

Market Value

Level Percent of Payroll

Changes in Assumptions: At its December 2016 meeting, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the June 30, 2016 actuarial valuations. The minimum employer contributions for Fiscal Year 2019-20 determined in this valuation were calculated using a discount rate of 7.25 percent.

On December 19, 2017, the CalPERS Board of Administration adopted new actuarial assumptions based on the recommendations in the December 2017 CalPERS Experience Study and Review of Actuarial Assumptions. This study reviewed the retirement rates, termination rates, mortality rates, rates of salary increases and inflation assumption for Public Agencies. In addition, the Board adopted a new asset portfolio as part of its Asset Liability Management. The new asset mix supports a 7.00 percent discount rate. The reduction of the inflation assumption will be implemented in two steps in conjunction with the decreases in the discount rate. For the June 30, 2017 valuation an inflation rate of 2.625 percent will be used and a rate of 2.50 percent in the following valuation.

Required Supplementary Information (Unaudited) (Continued) Schedule of the District's Contributions to the Pension Plan Last Ten Fiscal Years

2017-18	2016-17	2015-16	2014-15
69,318	56,240	\$ 40,547	33,913
(69,318)	(56,240)	(40,547)	(33,913)
-	<u> </u>		
703,788	570,254	\$ 439,988	446,749
9.85%	9.86%	9.22%	7.59%
	69,318 (69,318) - 703,788	69,318 56,240 (69,318) (56,240) - \$ - 703,788 570,254	69,318 56,240 \$ 40,547 (69,318) (56,240) (40,547) - \$ 703,788 570,254 \$ 439,988

¹ Historical information is presented only for measurement periods for which GASB No. 68 is applicable.

Notes to schedule:

Fiscal Year End: 6/30/2022 Valuation Date: 6/30/2020

Methods and assumptions used to determine contributions rates:

Actuarial Cost Method Amortization Method Asset Valuation Method

Discount Rate

Project Salary Increase

Inflation
Payroll Growth

7.15% Varies by entry age and service 2.50%

Entry Age

2.75%

Market Value

Level Percent of Payroll

The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017

Changes in Assumptions: At its December 2016 meeting, the CalPERS Board of Administration lowered the discount rate from 7.50 percent to 7.00 percent using a three-year phase-in beginning with the June 30, 2016 actuarial valuations. The minimum employer contributions for Fiscal Year 2019-20 determined in this valuation were calculated using a discount rate of 7.25 percent.

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SUPPLEMENTARY INFORMATION

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EAST ORANGE COUNTY WATER DISTRICT Combining Schedule of Net Position June 30, 2022

<u>ASSETS</u>	Wholesale	Retail	ID No. 1	Internal Balances	Total
Current assets:					
Cash and investments	\$ 8,477,461	6,181,501	15,827,255	-	30,486,217
Restricted cash and investments	52,694	2,515,185	39,356,943		41,924,822
Accrued interest receivable Accounts receivable – services, net	25,809 3,431,289	1,080 758,263	174,534 29,343	- (97,261)	201,423 4,121,634
Property taxes receivable	3,431,269 13,574	736,263 7,620	29,343 32,226	(97,201)	4,121,634 53,420
Lease receivable	125,871	-	-	_	125,871
Prepaid expenses	12,647	13,466	15,442	-	41,555
Water-in-storage inventory	48,509	2,743			51,252
Total current assets	12,187,854	9,479,858	55,435,743	(97,261)	77,006,194
Non-current assets:					
Lease receivable	432,707	-	-	-	432,707
Net pension asset	320,605	320,605	37,175	-	678,385
Capital assets – not being depreciated	1,481,832	2,976,730	7,782,154	-	12,240,716
Capital assets – being depreciated, net	3,947,644	5,067,701	4,415,089		13,430,434
Total non-current assets	6,182,788	8,365,036	12,234,418		26,782,242
Total assets	18,370,642	17,844,894	67,670,161	(97,261)	103,788,436
DEFERRED OUTFLOWS OF RESOURCES					
Pension related	522,921	522,921	60,635		1,106,477
Total deferred outflows of resources	522,921	522,921	60,635		1,106,477
<u>LIABILITIES</u>					
Current liabilities:					
Accounts payable and other accrued liabilities	\$ 2,735,455	454,719	701,222	(97,261)	3,794,135
Accrued interest payable	-	6,893	27,572	-	34,465
Accrued salaries and benefits	7,074	7,565	20,355	-	34,994
Due to other governments Compensated absences	20,220	- 25,246	7,824 75,696	-	7,824 121,162
Deposits and unearned revenue	50	218,169	15,802	_	234,021
Long-term liabilities - due within one year	-	172,000	688,000	-	860,000
Total current liabilities	2,762,799	884,592	1,536,471	(97,261)	5,086,601
Non-current liabilities:					
Long-term liabilities - due in more than one year	-	3,610,400	14,441,600	-	18,052,000
Total non-current liabilities		3,610,400	14,441,600		18,052,000
Total liabilities	2,762,799	4,494,992	15,978,071	(97,261)	23,138,601
DEFERRED INFLOWS OF RESOURCES					
Lease related	542,686	-	-	-	542,686
Pension related	155,873	155,873	18,075		329,821
Total deferred inflows of resources	698,559	155,873	18,075		872,507
Total liabilities and deferred inflows of resources	3,461,358	4,650,865	15,996,146	(97,261)	24,011,108
NET POSITION			,-50,2.0	(/2-02)	
Net Investment in capital assets	5,429,476	6,750,869	6,810,089	-	18,990,434
Restricted	52,694	2,515,185	39,356,943	-	41,924,822
Unrestricted	9,950,035	4,450,896	5,567,618		19,968,549
Total net position	<u>\$ 15,432,205</u>	13,716,950	51,734,650		80,883,805

EAST ORANGE COUNTY WATER DISTRICT Combining Schedule of Revenues, Expenses, and Change in Net Position Year ended June 30, 2022

	Wholesale	Retail	ID No. 1	Internal Balances	Total
Operating revenues:					
Water use sales	\$ 9,572,245	1,644,013	-	(1,013,661)	10,202,597
Fixed water service charges	994,548	1,075,075	-	(74,992)	1,994,631
Sewer use fees	-	-	3,093,772	-	3,093,772
Connection fees	20,548	12,857	42 702	-	33,405
Other service charges		8,829	42,782		51,611
Total operating revenues	10,587,341	2,740,774	3,136,554	(1,088,653)	15,376,016
Operating expenses: Source of supply:					
Water purchases	9,567,833	1,013,661	-	(1,088,653)	9,492,841
Standby service charges	80,007	18,501	-	-	98,508
Capacity and connection fees Replenishment assessment	398,115	56,491 8,051	-	-	454,606 8,051
Total source of supply	10,045,955	1,096,704		(1,088,653)	10,054,006
,	10,043,333			(1,000,033)	
Pumping Transmission and distribution	- 345,733	25,447 120,348	-	-	25,447 466,081
Sewer system maintenance	343,733	120,546	201,442	_	201,442
Salaries and benefits	(242,524)	(58,757)	1,362,425	_	1,061,144
General and administrative	286,846	316,340	369,176	-	972,362
Total operating expenses	10,436,010	1,500,082	1,933,043	(1,088,653)	12,780,482
Operating income(loss) before depreciation	151,331	1,240,692	1,203,511	-	2,595,534
Depreciation	(410,967)	(241,927)	(414,154)		(1,067,048)
Operating income(loss)	(259,636)	998,765	789,357		1,528,486
Non-operating revenues(expenses):					
Property taxes	991,692	511,960	401,635	-	1,905,287
Lease income	173,090	-	-	-	173,090
Investment earnings	(170,468)	26,757	(1,649,374)	-	(1,793,085)
Other revenues Other expenses	31,837 (33,132)	240,819 (10,896)	26,776 (140,271)	-	299,432 (184,299)
Gain (loss) on sale of asset	(3,904)	2,140	(140,271)	- -	(1,764)
Interest Expense	-	(90,557)	(362,229)	-	(452,786)
Total non-operating revenues, net	989,115	680,223	(1,723,463)		(54,125)
Capital contributions:					
Capital contributions from developers	389	35,153	46,452		81,994
Total capital contributions	389	35,153	46,452		81,994
Change in net position	729,868	1,714,141	(887,654)	-	1,556,355
Net position:					
Beginning of year, as restated	14,702,337	12,002,809	52,622,304		79,327,450
End of year	\$ 15,432,205	13,716,950	51,734,650		80,883,805



MEMO

TO: ADMINISTRATION & FINANCE COMMITTEE

FROM: GENERAL MANAGER

SUBJECT: RATE ADOPTION SCHEDULE

DATE FEBRUARY 17, 2023

Background

The District has spent the last year and a half developing new rates for the next five years. Through several iterations that study has been completed and a draft rate study has been prepared by Raftelis. A copy of the draft report is attached to this report.

Overall, the report includes a 7% increase to the wholesale, a 7.5% increase to the retail zone, and a 12% increase to the sewer zone are needed for each of the next five years based on the financial plan.

Several changes have been made along with these new rates. In particular, we are moving to collect the fixed capital charge fees on the property tax rolls. Capital charges are fixed and support long term capital projects. As shown in the report, this will decrease monthly bills for the water user while assessing fixed capital charges on the property owner. We propose to index this charge to the size of the connection rather than the previous flat rate for all accounts.

Another change is that the meter charge on the wholesale zone will also be indexed based on the size of the meter rather than a flat fee for all meters. We believe this more fairly distributes to the costs to those connections with greater capacity.

Since both our sewer fees and our retail capital charge will be collected by the tax roll, these changes cannot go into effect until the end of the physical year. We proposed that if these fee changes are adopted, all changes will go into effect June 30, 2023.

In order to adopt new rates, we must hold a public hearing that is publicly noticed 45 days prior to the hearing. We plan to hold the hearing during our regularly scheduled Board meeting on April 27, 2023. In order to hold that date, the public notices will need to go out the first week of March. The notice will be brought to the Board for approval March 23, 2023 and they will be sent out as soon as possible after that approval. Attached to this memo is a draft of the public notice to satisfy the requirements of Proposition 218.

Recommendation

Informational.

Attachment(s): Draft Rate Study Report

Draft Public Notice (Prop. 218)



EAST ORANGE COUNTY WATER DISTRICT

Retail Zone, Wholesale Zone, and Sewer Rate, and Capacity Fee Study

DRAFT REPORT / JANUARY 31, 2023







January 31, 2023

Mr. David Youngblood General Manager East Orange County Water District 185 N McPherson Road Orange, CA 92869-3720

Subject: Retail Zone, Wholesale Zone, and Sewer Rate and Capacity Fee Study - Draft

Dear Mr. Youngblood:

Raftelis Financial Consultants, Inc. (Raftelis) is pleased to provide this Retail Zone, Wholesale Zone, and Sewer Rate and Capacity Fee Study report for the East Orange County Water District (District or EOCWD). This report explains the methodologies and rationale used to develop the financial plan and rates for water and sewer service within the District's service areas that align with the requirements of Proposition 218.

The major study objectives include the following:

- Develop a financial plan for the Retail Zone, Wholesale Zone, and Sewer Enterprises to ensure financial sufficiency, meet operational and maintenance (O&M) costs, and maintain sufficient funding for capital refurbishment and replacement (R&R) needs;
- Conduct a cost-of-service analysis for water and sewer services;
- Develop fair, and equitable, water and sewer rates over a five-year period; and
- Conduct a customer impact analysis for the proposed water and sewer rates; and
- Update the connection fees to reflect the current state of the water and sewer systems.

It has been a pleasure working with you, and we thank you and the District staff for the support provided during the course of this study.

Sincerely,

Steve Gagnon, PE (AZ)

Steve Lagar

Vice President

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Glossary

Terms	Descriptions
AF	Acre foot / Acre feet, 1 AF = 435.6 CCF
AWWA	American Water Works Association
BPP	Basin Pumping Percentage (percentage of water demand to be met by
	Groundwater)
CCF	Hundred cubic feet or 100 cubic feet, 1 CCF = 748 gallons
CPI	Consumer Price Index/Indices
ENR CCI	Engineering News Records Construction Cost Indices
FY	Fiscal Year (July 1 – June 30)
M1 Manual	"Principles of Water Rates, Fees, and Charges: Manual of Water Supply Practices
	M1" published by AWWA
MWD or	Metropolitan Water District of Southern California
MET	
MWDOC	Municipal Water District of Orange County
O&M	Operations and Maintenance
OCWD	Orange County Water District
PAYGO Pay-As-You-Go	
R&R	Refurbishment and Replacement
Raftelis	Raftelis Financial Consultants, Inc.
RCLD	Replacement Cost Less Depreciation

East Orange County Water District / Retail Zone, Wholesale Zone, and Sewer Rate and Capacity Fee Study

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1. Executive Summary

1.1. Background

In 2021, the East Orange County Water District (EOCWD or District) engaged Raftelis to conduct a Water and Wastewater Financial Plan and Capacity Fee study to update rates and charges for wholesale and retail water, sewer, and capacity fees for the period FY 2024 – FY 2028 that align with Proposition 218.

The major study objectives include the following:

- Develop a financial plan for the Retail Zone, Wholesale Zone, and Sewer Enterprises to ensure financial sufficiency, meet operational and maintenance (O&M) costs, and maintain sufficient funding for capital refurbishment and replacement (R&R) needs;
- Conduct a cost-of-service analysis for water and sewer services;
- Develop fair and equitable water and sewer rates over a five-year period;
- Conduct a customer impact analysis for the proposed water and sewer rates; and
- Update the capacity fees to reflect the current state of the water and sewer systems.

1.2. Process and Approach

The study is informed by the District's policy objectives, the current wholesale & retail water system rates and the current sewer system rates, as well as the legal requirements in California (namely, Proposition 218). The resulting cost-of-service analysis and rate design process considers all these factors and follows four key steps, outlined below, to derive proposed rates that fulfill the District's policy objectives, meet industry standards, and align with Proposition 218.

1.2.1. Step 1: Revenue Requirement Calculation

The rate-making process begins by determining the revenue requirement for the base year, also known as the test year or rate-setting year. The base year for this study is FY 2024 (July 1, 2023 to June 30, 2024). The revenue requirement should sufficiently fund the utility's operation and maintenance (O&M) costs, annual debt service, capital project expenses, and reserve funding as projected in the District's budgets.

1.2.2. Step 2: Cost-of-Service Analysis

The annual cost of providing the utility service, or the revenue requirement, is then distributed among customer classes commensurate with their use and burden on the system. A cost-of-service analysis involves the following steps:

- Functionalize costs the O&M expense budget is categorized into functions such as supply, treatment, pumping, transmission and distribution (T&D), etc.
- Allocate to cost components the functionalized costs are then allocated to system cost components such as supply, delivery, peaking, conservation, etc.
- Develop unit costs unit costs for each cost component are determined using appropriate units-ofservice for each.
- Distribute cost components the cost components are allocated to each customer class using the unit costs in proportion to their demand and burden on the system.

A cost-of-service analysis considers both the average water demand and peak demand. Peaking costs¹ are incurred during maximum consumption periods, most often coinciding with summertime irrigation use. Additional capacity-related costs are associated with designing, constructing, operating, maintaining, replacing, and refurbishing facilities to meet peak demand. These peaking costs must be allocated to the customer classes whose water demand patterns generate additional costs for the utility, proportionate to their burden on the peaking-related facilities.

Since the District's sewer enterprise is collection only, rates are derived from the financial plan's revenue adjustments. Treatment is provided by the Orange County Sanitation District. Flow data is not available for sewer customers.

1.2.3. Step 3: Rate Design and Calculation

After allocating the revenue requirement for each system and to its corresponding customer classes, the rate design and calculation process can begin. Rates do more than simply recover costs; within the legal framework and industry standards, properly designed rates should support the District's policy objectives while adhering to cost-of-service principles. Rates are not only a financial instrument but act as a public information tool in communicating policy objectives to customers. The rate design process also includes a rate impact analysis for all customer classes and a sample customer bill impact analysis.

1.2.4. Step 4: Report Preparation and Rate Adoption

The final step in a cost-of-service and rate study is to develop the report in preparation for the rate adoption process. The report documents the rate study results and presents the methodologies, rationale, justifications, and calculations utilized to derive the proposed rates. A thorough and methodical report serves two important functions: fully deriving the rates and showing the nexus to costs and communicating the rate adoption process to customers and other important stakeholders.

1.3. Retail Water Summary

1.3.1. Financial Plan, Retail

Table 1-1 displays the proposed retail water revenue adjustments over the study period. The current financial plan shows that revenue adjustments are required to adequately fund all operating expenses, debt coverage requirements, and achieve reserve policy targets.

Table 1-1: Proposed Retail Water Revenue Adjustments²

•	•
	Proposed
Effective	Revenue

		Proposea
	Effective	Revenue
Fiscal Year	Month	Adjustment
2024	Jul	7.5%
2025	Jul	7.5%
2026	Jul	7.5%
2027	Jul	7.5%
2028	Jul	7.5%

¹ Collectively, maximum day and maximum hour costs are known as peaking costs.

² The adjustments beyond FY 2023 are for planning purposes only.

Figure 1-1 illustrates the retail water operating financial plan for FY 2023 – FY 2030. Revenues from proposed rates are sufficient to recover O&M costs (including water supply) and debt service while sufficiently funding reserves that will be drawn by the District to fund future capital improvement needs.

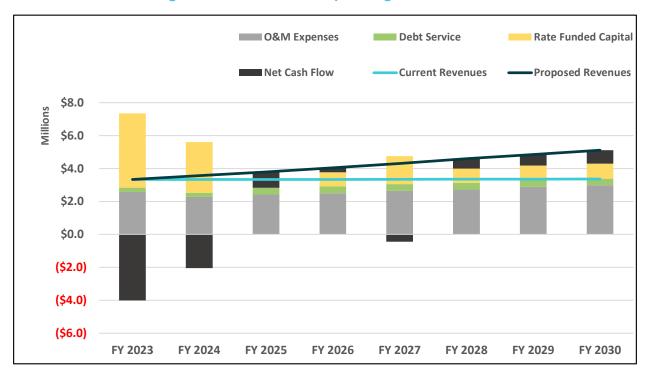


Figure 1-1: Retail Water Operating Financial Plan

Figure 1-2 illustrates the ending reserve balances and targeted balances for FY 2023- - FY 2030. Ending reserve balances show a planned draw upon reserves to accomplish planned capital improvements with a gradual return to the target capital and operating reserve balance just outside the rate-setting period. The operating reserve shown in the graph reflects a potential change to 6 months of operating expenses from 10 months.

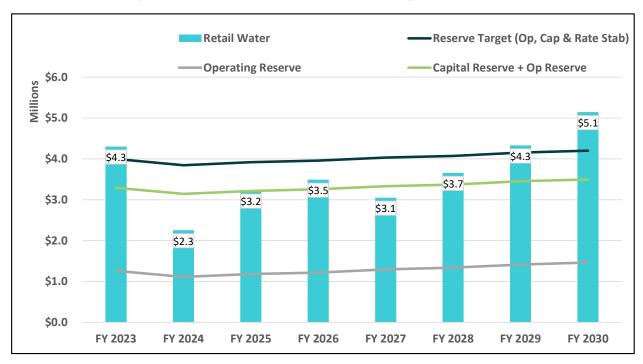


Figure 1-2: Estimated Retail Water Ending Fund Balances

Figure 1-3 illustrates the Retail Water Enterprise's scheduled capital improvement project expenses and funding sources. The District anticipates funding capital projects in the study period with a combination of remaining bond proceeds and rate-based revenues. A portion of FY 2023 capital projects is funded with existing debt proceeds.

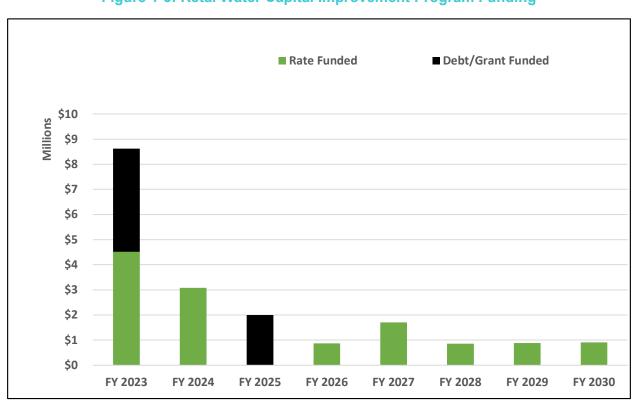


Figure 1-3: Retal Water Capital Improvement Program Funding

1.3.2. Proposed Retail Water Rates

Table 1-2 shows the current and proposed monthly service charge, commodity rate, and monthly capital charge. The rates shown in FY 2024 are set using a cost-of-service analysis and overall, recover 7.5% more revenue than the prior year. Future years are escalated by the revenue adjustments shown.

Table 1-2: Current and Proposed Retail Water Rates and Charges

Proposed Rates	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Effective Date	Current Rate	Jul 2023	Jul 2024	Jul 2025	Jul 2026	Jul 2027
Revenue Adjustment		COS	7.5%	7.5%	7.5%	7.5%
Meter Size Fixed Charge						
5/8"	\$22.50	\$32.78	\$35.24	\$37.88	\$40.72	\$43.77
3/4"	\$33.75	\$32.78	\$35.24	\$37.88	\$40.72	\$43.77
1"	\$56.24	\$48.68	\$52.33	\$56.26	\$60.48	\$65.01
1.5"	\$112.46	\$88.43	\$95.07	\$102.20	\$109.86	\$118.10
2"	\$179.92	\$136.14	\$146.35	\$157.33	\$169.13	\$181.81
3"	\$393.56	\$287.21	\$308.75	\$331.90	\$356.80	\$383.56
Commodity Rate (\$/ccf)	\$5.07	\$4.45	\$4.78	\$5.14	\$5.52	\$5.94
Capital Charge						
All Accounts	\$32.52					
5/8"		\$51.59	\$55.46	\$59.62	\$64.09	\$68.89
3/4"		\$51.59	\$55.46	\$59.62	\$64.09	\$68.89
1"		\$85.98	\$92.43	\$99.36	\$106.81	\$114.82
1.5"		\$171.96	\$184.86	\$198.72	\$213.63	\$229.65
2"		\$275.14	\$295.77	\$317.96	\$341.80	\$367.44
3"		\$601.86	\$647.00	\$695.53	\$747.69	\$803.77

1.4. Wholesale Water Summary

1.4.1. Financial Plan, Wholesale

Table 1-3 displays the proposed revenue adjustments for the wholesale water enterprise over the study period. The current financial plan shows that revenue adjustments are required to adequately fund all operating expenses, debt coverage requirements, and achieve reserve policy targets.

Table 1-3: Proposed Wholesale Water Revenue Adjustments³

		Proposed
	Effective	Revenue
Fiscal Year	Month	Adjustment
2024	Jul	7.0%
2024	Jul	7.0%
2025	Jul	7.0%
2026	Jul	7.0%
2027	Jul	7.0%

Figure 1-4 illustrates the wholesale water operating financial plan. Revenues from proposed rates are sufficient to recover O&M costs (including water supply) and debt service while sufficiently funding reserves that will be drawn by the District to fund future capital improvement project needs as shown by the black bars below the x-axis.

O&M Expenses (including pension, CalPERS) Debt Service **Rate Funded Capital** ■ Net Cash Flow **Current Revenues** Water Supply Charges **Proposed Revenues** \$12 Millions \$10 \$8 \$6 \$4 \$2 \$0 (\$2) (\$4) FY 2023 FY 2024 FY 2025 FY 2026 FY 2027 FY 2028 FY 2029 FY 2030

Figure 1-4: Wholesale Water Operating Financial Plan

Figure 1-5 illustrates the ending reserve balances and targeted balances for FY 2023 – FY 2030. Reserve balances are used in conjunction with revenue adjustments to meet revenue requirements. The FY 2028 ending balance is projected to be above the total reserve target; however capital projects in years beyond the study are expecting to lower reserves.

³ The adjustments beyond FY 2023 are for planning purposes only.

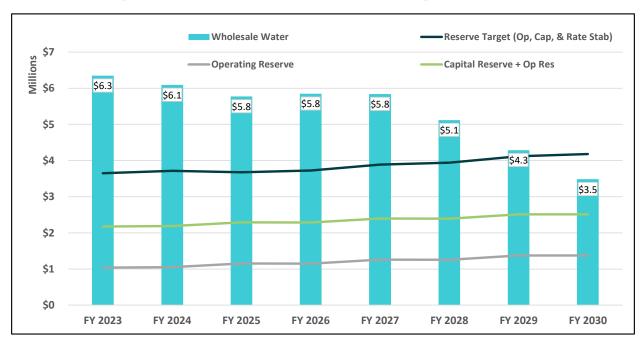


Figure 1-5: Estimated Wholesale Water Ending Fund Balances

Figure 1-6 illustrates the Wholesale Water Enterprise's scheduled capital improvement project expenses and funding sources. The District anticipates funding capital improvement projects in the study period with a combination of grants, reserves, and rate-based revenues.

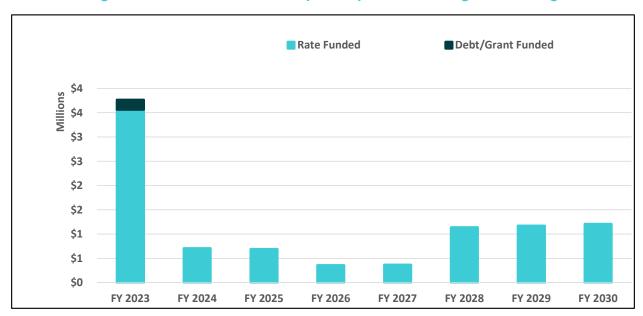


Figure 1-6: Wholesale Water Capital Improvement Program Funding

1.4.2. Proposed Wholesale Water Rates

Table 1-4 shows the current and proposed monthly readiness-to-serve charge and replacement reserve fund charge. The rates shown in the FY 2024 column are derived using a cost-of-service analysis and recover 7% more revenue than the prior year. Future years are escalated by the revenue adjustments.

FY 2023 FY 2024 FY 2025 **FY 2026** FY 2027 FY 2028 **Proposed Rates Effective Date Current Rate** Jul 2023 Jul 2024 Jul 2025 Jul 2026 Jul 2027 Revenue Adjustment COS 7.0% 7.0% 7.0% 7.0% Readiness to Serve Charge Replacement Reserve Fund Charge COS 7.0% 7.0% 7.0% 7.0% **Readiness to Serve Charge** Annual Charge, \$/meter \$8.50 \$10.82 \$11.58 \$12.39 \$13.25 \$14.18 **Replacement Reserve Fund Charge Meter Size** \$10.37 \$11.09 5/8-Inch \$16.00 \$9.69 \$11.87 \$12.70 3/4-Inch \$16.00 \$9.69 \$10.37 \$11.09 \$12.70 \$11.87 \$16.00 \$16.15 \$17.28 \$18.49 \$19.78 \$21.17 1-Inch 1-1/2-Inch \$16.00 \$32.29 \$34.55 \$36.97 \$39.56 \$42.33 \$16.00 \$51.67 \$55.29 \$59.16 \$63.30 \$67.73 2-Inch 3-Inch \$16.00 \$113.03 \$120.94 \$129.41 \$138.47 \$148.16 4-Inch \$16.00 \$203.45 \$217.69 \$232.93 \$249.24 \$266.68 \$552.87 6-Inch \$16.00 \$516.70 \$591.57 \$632.98 \$677.29 8-Inch \$16.00 \$904.23 \$967.53 \$1,035.26 \$1,107.72 \$1,185.26

Table 1-4: Current and Proposed Wholesale Water Rates and Charges

1.5. Sewer Summary

1.5.1. Financial Plan, Sewer

Table 1-5 displays the proposed sewer enterprise revenue adjustments over the study period. The current financial plan shows that revenue adjustments are required to adequately fund all operating expenses, debt coverage requirements, and achieve reserve policy targets. Rates for the sewer enterprise have not been adjusted since 2016, when the rates were cut in half.

Fiscal Year	Effective Month	Proposed Revenue Adjustment
2024	Jul	12.0%
2024	Jul	12.0%
2025	Jul	12.0%
2026	Jul	12.0%
2027	Jul	12.0%

Table 1-5: Proposed Sewer Revenue Adjustments⁴

Figure 1-7 illustrates the sewer operating financial plan. Revenues from proposed rates are sufficient to recover O&M costs and debt service while sufficiently funding reserves that will be drawn upon by the District to fund future capital project needs as shown by the black bars below the x-axis.

⁴ The adjustments beyond FY 2023 are for planning purposes only.

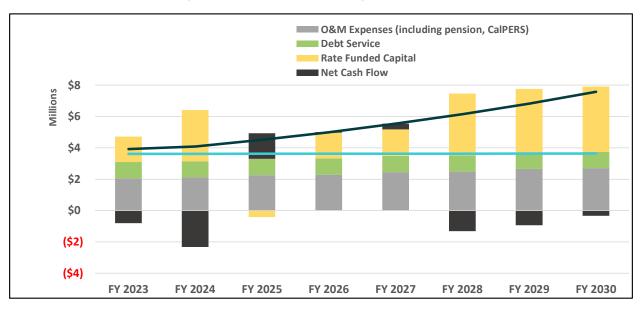


Figure 1-7: Sewer Operating Financial Plan

Figure 1-8 illustrates the ending reserve balances and targeted balances for FY 2023 – FY 2030. Reserve balances are used in conjunction with revenue adjustments to meet revenue requirements. The FY 2028 ending balance is projected to be above the total reserve target.

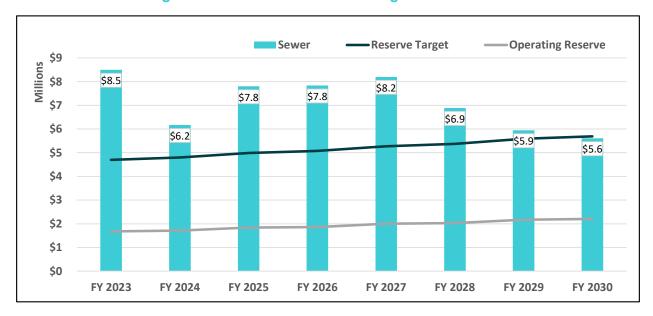


Figure 1-8: Estimated Sewer Ending Fund Balances

Figure 1-9 illustrates the Sewer Enterprise's scheduled capital improvement project expenses and funding sources. A portion of FY 2023 capital projects is funded with existing debt proceeds.

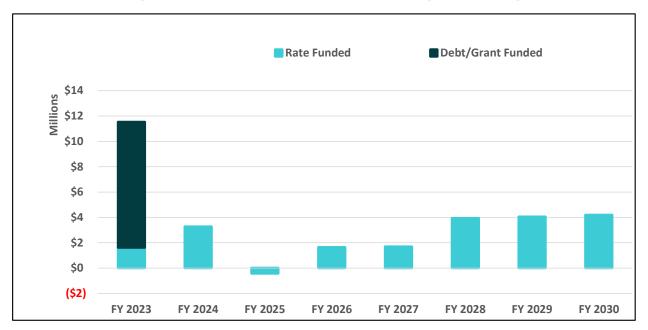


Figure 1-9: Sewer Capital Improvement Program Funding

1.5.2. Proposed Sewer Rates

Table 1-6 shows the current and proposed annual charge for residential customers. Non-residential customers are charged based on the single-family rate times a property use classification factor (as shown in Appendix A) and the square footage or number of units.

Proposed Rates	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Effective Date	Current Rate	Jul 2023	Jul 2024	Jul 2025	Jul 2026	Jul 2027
Adjustment (%)	0.0%	12.0%	12.0%	12.0%	12.0%	12.0%
Single-Family	\$108.00	\$120.96	\$135.48	\$151.73	\$169.94	\$190.33
Multi-Family	\$75.60	\$84.67	\$94.83	\$106.21	\$118.96	\$133.23

Table 1-6: Current and Proposed Sewer Charges, Annual

1.6. Capacity Fees

Given the District has available retail, wholesale and sewer system capacity, Raftelis used the equity buy-in method to calculate updated capacity fees. The asset value as replacement cost new less deprecation was determined for each enterprise and divided by the existing equivalent meters (water) or equivalent dwelling units (sewer) to determine the updated fees. Table 1-7 through Table 1-9 present the projected capacity fees for retail, wholesale, and sewer, respectively.

Table 1-7: Proposed and Existing Retail Water Capacity Fees

		EM	Proposed	Existing	Percent
Line No.	By Meter Size	Capacity Ratio	Fees	Fees	Difference
1	5/8"	1.0	\$8,011	\$6,103	31.3%
2	3/4"	1.0	\$8,011	\$6,103	31.3%
3	1"	1.7	\$13,352	\$10,171	31.3%
4	1 1/2"	3.3	\$26,703	\$20,342	31.3%
5	2"	5.3	\$42,725	\$32,547	31.3%
6	3"	11.7	\$93,462	\$71,196	31.3%

Table 1-8: Proposed and Existing Wholesale Water Capacity Fees

Line No.	By Meter Size	EM Capacity Ratio	Proposed Fees	Existing Fees	Percent Difference
LITTE INU.		Capacity Natio			Difference
1	5/8"	1.0	\$1,079	\$952	13.3%
2	3/4"	1.0	\$1,079	\$952	13.3%
3	1"	1.7	\$1,798	\$1,586	13.4%
4	1 1/2"	3.3	\$3,597	\$3,173	13.4%
5	2"	5.3	\$5,755	\$5,076	13.4%
6	3"	11.7	\$12,588	\$11,103	13.4%
7	4"	21.0	\$22,659	\$19,986	13.4%
8	6"	53.3	\$57,547	\$50,856	13.2%
9	8"	93.3	\$100,707	\$88,828	13.4%
10	10"	140.0	\$151,060	\$133,243	13.4%

Table 1-9: Proposed Sewer Capacity Fee

Line No.	Proposed and Existing Sewer Capacity Fee	
1	Proposed Sewer Capacity Fee (per EDU)	\$10,598
2	Old 2020 Sewer Capacity Fee (per EDU)	\$2,469
3	% Difference	329%

2. Legal Requirements and Rate Setting Methodology

2.1. Legal Requirements⁵

2.1.1. California Constitution – Article XIII D, Section 6 (Proposition 218)

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

- 1. A property-related charge (such as water rates) imposed by a public agency on a parcel shall not exceed the costs required to provide the property-related service.
- 1. Revenues derived by the charge shall not be used for any purpose other than that for which the charge was imposed.
- 2. The amount of the charge imposed upon any parcel shall not exceed the proportional cost of service attributable to the parcel.
- 3. No charge may be imposed for a service unless that service is actually used or immediately available to the owner of the property.
- 4. A written notice of the proposed charge shall be mailed to both the customer of record and owner of record of each parcel at least 45 days prior to the public hearing, when the agency considers all written protests against the charge.

As stated in the American Water Works Association's (AWWA) *Principles of Water Rates, Fees, and Charges: Manual of Water Supply Practices - M1 Seventh Edition* (Manual M1), "water rates and charges should be recovered from classes of customers in proportion to the cost of serving those customers." Raftelis follows industry-standard rate-setting methodologies set forth by the AWWA Manual M1 to ensure this study meets Proposition 218 requirements and establishes rates that do not exceed the proportionate cost of providing water services on a parcel basis. The methodology in the Manual M1 is a nationally recognized industry ratemaking standard that courts have recognized as consistent with Proposition 218.

2.1.2. California Constitution Article X, Section 2

California Constitution Article X, Section 2 mandates that water resources be put to beneficial use and that the waste or unreasonable use of water be prevented through conservation. Section 106 of the Water Code declares that the highest priority use of water is for domestic purposes, with irrigation secondary. Thus, the management of water resources is part of the property-related service provided by public water suppliers to ensure the resource is available over time.

⁵ Raftelis does not practice law nor does it provide legal advice. The above discussion means to provide a general review of apparent state institutional constraints and is labeled "legal framework" for literary convenience only. The District should consult with its counsel for clarification and/or specific review of any of the above or other matters.

Two Constitutional provisions govern and impact water rates — Article X, Section 2 ("Article X) and Article XIII D, Section 6 ("Article XIII D"). Article X was added to the California Constitution in 1928 as former Article XIV, Section 3, and amended in 1976. Article X provides that:

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

In November 1996, California voters approved Proposition 218, which amended the California Constitution by adding Article XIII C and Article XIII D. Article XIII D placed substantive limitations on the use of the revenue collected from property-related fees and on the amount of the fee that may be imposed on each parcel. Additionally, it established procedural requirements for imposing new, or increasing existing, property-related fees. Water service fees are property-related fees.

In accordance with these provisions, a property-related fee must meet all of the following requirements: (1) revenues derived from the fee must not exceed the funds required to provide the property-related service; (2) revenues from the fee must not be used for any purpose other than that for which the fee is imposed; (3) the amount of a fee imposed upon any parcel or person as an incident of property ownership must not exceed the proportional cost of the service attributable to the parcel; (4) the fee may not be imposed for a service, unless the service is actually used by, or immediately available to, the owner of the property subject to the fee. A fee based on potential or future use of a service is not permitted, and stand-by charges must be classified as assessments subject to the ballot protest and proportionality requirements for assessments; (5) no fee may be imposed for general governmental services, such as police, fire, ambulance, or libraries, where the service is available to the public in substantially the same manner as it is to property owners. The five substantive requirements in Article XIII D are structured to place limitations on (1) the use of the revenue collected from property-related fees and (2) the allocation of costs recovered by such fees to ensure that they are proportionate to the cost of providing the service attributable to each parcel.

2.2. Rate Setting Methodology

This study was conducted using industry-standard principles outlined by the AWWA Manual M1. The process and approach Raftelis utilized in the study to determine water and sewer rates is informed by the District's policy objectives, the current water and sewer system and rates, and the legal requirements in California (namely, Proposition 218). The resulting financial plan, cost-of-service analyses, and rate design processes follows five key steps, outlined below, to determine proposed rates that fulfill the District's objectives, meet industry standards, and comply with relevant regulations.

- 1. **Financial Plan:** The first study step is to develop a multi-year financial plan that projects the City's revenues, expenses, capital project financing, annual debt service, and reserve funding. The financial plan is used to determine the revenue adjustment, which allows the City to recover adequate revenues to fund expenses and reserves.
- 2. **Revenue Requirement Determination:** After completing the financial plan, the rate-making process begins by determining the revenue requirement for the test year, also known as the rate-setting year. The test year for this study is FY 2024. The revenue requirement should sufficiently fund the District's operating costs,

annual debt service (including coverage requirements), capital expenditures, and reserve funding as projected based on the annual budget estimates.

- 3. **Cost-of-Service Analysis:** The annual cost of providing water service, or the revenue requirement, is then distributed to customer classes and tiers commensurate with their use of and burden on the water or sewer system. A cost-of-service analysis involves the following steps:
 - » Functionalize costs the different components of the revenue requirement are categorized into functions such as supply, transmission, storage, customer service, etc.
 - » Allocate to cost causation components the functionalized costs are then allocated to cost causation components such as supply, base delivery, peaking, etc.
 - » Develop unit costs unit costs for each cost causation component are determined using units of service, such as total use, peaking units, equivalent meters, number of customers, etc., for each component.
 - » Distribute cost components the cost components are allocated to each customer class and tier using the unit costs in proportion to their demand and burden on the system.

A water cost-of-service analysis considers both the average water demand and peak demand. Peaking costs are incurred during periods of peak consumption, most often coinciding with summer water use. Additional capacity-related costs are incurred associated with designing, constructing, operating, maintaining, and replacing facilities to meet peak demand. Patterns of use impose additional costs on a water utility and are used to determine the cost burden on peaking-related facilities.

- 4. **Rate Design**: After allocating the revenue requirement to each customer class, the project team designs and calculates rates. Rates do more than simply recover costs; within the legal framework and industry standards, properly designed rates should support and optimize the District's policy objectives. Rates also act as a public information tool in communicating these policy objectives to customers. This process also includes a rate impact analysis and sample customer bill impacts.
- 5. Administrative Record Preparation and Rate Adoption: The final step in a rate study is to develop the administrative record in conjunction with the rate adoption process. This report serves as the administrative record for this study. The administrative record documents the study results and presents the methodologies, rationale, justifications, and calculations used to determine the proposed rates. A thorough and methodological administrative record serves two important functions: maintaining defensibility in a stringent legal environment and communicating the rationale for revenue adjustments and proposed rates to customers and key stakeholders.

2.3. Capacity Fees Economic and Legal Framework

The philosophy that utility services should be paid for by those that receive the service is often referred to as "growth-should-pay-for-growth." The principal is summarized in the American Water Works Association (AWWA) Manual M26: Water Rates and Related Charges:

"The purpose of designing customer-contributed-capital system charges is to prevent or reduce the inequity to existing customers that results when these customers must pay the increase in water rates that are needed to pay for added plant costs for new customers. Contributed capital reduces the need for new outside sources of capital, which ordinarily has been serviced from the revenue stream. Under a system of contributed capital, many water utilities are able to finance required facilities by use of a 'growth-pays-for-growth' policy."

This principle, in general, applies to water, wastewater, and storm drainage systems. In the excerpt above, customer-contributed-capital system charges are equivalent to capacity fees.

2.4. Capacity Fees Legal Framework and California Requirements

In establishing capacity fees, it is important to understand and comply with local laws and regulations governing the establishment, calculation, and implementation of capacity fees. The following sections summarize the regulations applicable to the development of capacity fees for the City.

Capacity fees must be established based on a reasonable relationship to the needs and benefits brought about by the development or expansion. Courts have long used a standard of reasonableness to evaluate the legality of development charges. The basic statutory standards governing capacity fees are embodied by California Government Code Sections 66013, 66016, 66022 and 66023. Government Code Section 66013 contains requirements specific to determining utility development charges:

"Notwithstanding any other provision of law, when a local agency imposes fees for water connections or sewer connections, or imposes capacity charges, those fees or charges shall not exceed the estimated reasonable cost of providing the service for which the fee or charge is imposed, unless a question regarding the amount the fee or charge in excess of the estimated reasonable cost of providing the services or materials is submitted to, and approved by, a popular vote of two-thirds of those electors voting on the issue."

Section 66013 also includes the following general requirements:

- Local agencies must follow a process set forth in the law, making certain determinations regarding the purpose and use of the charge; they must establish a nexus or relationship between a development project and the public improvement being financed with the charge.
- The capacity charge revenue must be segregated from the General Fund in order to avoid commingling of capacity fees and the General Fund.

2.5. Capacity Fees Methodology

Capacity fees are also commonly known as developer fees, development impact fees, connection fees, tap fees, and system development charges, among others. All are one-time capital charges, assessed against a new development, to recover the proportional share of capacity investment, previously constructed by a utility (or will be constructed), to accommodate growth. Capacity fees are codified in the California Government Code Sections 66000-60025. Capacity fees must reflect the link between the fee imposed on, and the benefit received by, a new connection to the system. The fee charged may not exceed the reasonable share of costs associated with providing the service.

Three different methodologies to calculate capacity fees exist: **Buy-In, Incremental, and Hybrid**; with variations of each dictated by local community and system characteristics, as well as policy objectives. Utilities have broad latitude in the method and approach used to calculate fees provided the fees reflect the benefit of, and do not exceed the costs for, providing service to the connection. These fees are designed to be proportional to the burden placed on the system by new connections. The project team, which includes Raftelis and EOCWD staff, decided to use the buy-in approach given the system still has capacity to meet infill demand.

The "Buy-In Method" is based on the premise that new customers are entitled to service at the same price as existing customers. Under this approach, new customers pay only an amount equal to the current system value, either using the original cost, replacement cost, original cost less depreciation, or replacement cost less depreciation as the valuation basis. This net investment, or value of the system, is then divided by the current capacity of the system to determine the Buy-In cost per unit.

For example, if the existing system has 100 units of average use and the new connector uses an equivalent unit, then the new customer would pay 1/100 of the total value of the existing system. By contributing this capacity fee, the new connector has bought into the existing system. The user has effectively acquired a financial position on par with existing customers and will face future capital re-investment on equal financial footing with those customers. This approach is suitable when: (1) agencies have built most of their facilities and only a small portion of future facilities are needed for build-out, (2) agencies do not have a detailed adopted long-term capital improvement plan, or (3) the "build-out" date is so far out in the future that it is difficult to accurately project growth and required facilities with precision.

2.6. Capacity Fees Valuation Methodology

To estimate the asset value of existing facilities, Raftelis recommends the replacement cost less depreciation (RCLD) method. The current value of water facilities is materially affected by the effects of age. All assets have estimated useful lives, which vary by type. For example, pumps may have a 20-year life, buildings 50 years, and pipelines 80 years. Each year an asset is devalued by the fraction of its useful life to original cost. This is referred to as straight line or linear depreciation. At the end of an asset's useful life, it is worth zero dollars on paper, though it may still be in service. Depreciation accounts for estimated devaluation in system assets caused by wear and tear, decay, inadequacy, and obsolescence. To provide appropriate recognition of the effects of depreciation on existing water and sewer systems, the original cost valuation can be inflated to today's dollars rather than the value of the dollar when the asset was placed in service. Original cost and depreciation are inflated using historical indices to reflect today's dollars. Replacement cost depreciation is then subtracted from the replacement cost of the asset to yield replacement cost less depreciation. RCLD allows for an accounting of system assets in present value while also accounting for proportional devaluation via depreciation.

3. Financial Plan Assumptions

3.1. Key Financial Information

During the course of the study, Raftelis and District staff completed a detailed review of projected revenues, operating expenses, and capital expenditures over the study period. The Financial Plan Model is a comprehensive spreadsheet model of the District's revenues, operating and maintenance expenses, capital expenditures, and reserves for the study period (FY 2024 to FY 2028).

This study utilized the following financial documents:

- Operating Budget for Fiscal Year (FY) 2022 and FY 2023
- Reserve Policy provided by District Staff
- Capital Improvement Plan for the study period provided by the District
- Financial Information (e.g., outstanding debt, reserve levels, etc.) as of June 30, 2022 provided by the District

3.2. Inflation

The study period is from Fiscal Year (FY) 2024 to 2028. Various types of assumptions and inputs are incorporated into this study based on discussions and direction from District staff. These include the projected number of accounts and annual growth rates in water consumption for different customer classes, inflation factors, and other assumptions that are incorporated into the Financial Plan. The inflation factor assumptions used for cost escalation are presented in Table 3-1.

Key Factors	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
General	5.0%	5.0%	5.0%	5.0%	5.0%
Salary & Benefits	4.0%	4.0%	4.0%	4.0%	4.0%
Utilities	3.5%	3.5%	3.5%	3.5%	3.5%
Water Supply Costs					
MWD Volumetric Rate Inflation	4.0%	4.0%	4.0%	4.0%	4.0%
MWD Capacity Charge	3.7%	3.7%	3.7%	3.7%	3.7%
MWD RTS Charge	9.9%	9.9%	9.9%	9.9%	9.9%
MWD Volumetric Rate Inflation	4.0%	4.0%	4.0%	4.0%	4.0%
OCWD Groundwater Rate(1)	4.8%	6.9%	7.3%	5.7%	5.9%
Non-Escalation	0.0%	0.0%	0.0%	0.0%	0.0%
Capital	3.0%	3.0%	3.0%	3.0%	3.0%

Table 3-1: Assumed Cost Escalation Factors

The salary and benefit inflation rate are based on District staff estimates and include increasing health insurance costs. The utilities inflation rate is based on historical average retail electricity price data from the Energy Information Administration for the State of California. The water supply cost inflators are for purchasing water from OCWD and MWDOC and are based on District staff estimates and historical changes. The groundwater rate inflator for OCWD is based on rates provided by OCWD. The Capital

⁽¹⁾ Based on \$/AF unit rates provided through FY 2027.

inflation rate is based on the Engineering News Record Construction Cost Index 20-year average for Los Angeles. The escalation factors for **revenue** escalation are presented in Table 3-2.

Table 3-2: Assumed Revenue Escalation Factors

Key Factors	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Other Rev	1.5%	1.5%	1.5%	1.5%	1.5%
Non-Escalation	0.0%	0.0%	0.0%	0.0%	0.0%
Property Tax	1.0%	1.0%	1.0%	1.0%	1.0%
Interest Rates	0.5%	0.5%	0.5%	0.5%	0.5%

A conservative interest rate is used in the study to project interest earnings on reserve funds. The escalation rate for other revenues is applied to Penalty & Other Charges Revenue, Uncollectible Accounts, Rental Revenue, and Miscellaneous Income.

3.3. Projected Growth

The District assumes that there is little-to-no account or usage growth for the study period. Table 3-3 shows the number of Retail Zone connections used in the analysis. Table 3-4 shows the number of Wholesale Zone connections used in the analysis. Table 3-5 shows the number of estimated equivalent dwelling units in the sewer system.

Table 3-3: Number of Retail Zone Connections

Meter Size	Connections
5/8"	9
3/4"	869
1"	290
1.5"	29
2"	6
3"	3
Total	1,206

Table 3-4: Number of Wholesale Zone Connections

Number of Certified Meters	Connections
TUSTIN	14,108
IRWD	436
GSWC	2,622
ORANGE	2,451
EOCWD	1,208
Total	20,825

Table 3-5: Number of Sewer Equivalent Connections

Estimated Equivalent
Dwelling Units
28,491

3.4. Reserve Policy

The District currently has an adopted reserve policy for its Wholesale Zone, Retail Zone, and Sewer enterprises (see Appendix B). The operating reserve is currently set to a minimum of 10 months of budgeted operating expenses and a maximum of 12 months of operating expenses. During the course of this study, the District and Raftelis discussed changing the retail operating reserve minimum to 6 months to tie in to the bimonthly billing period. The model uses a 6-month operating reserve target for retail water financial planning purposes. The capital reserve minimum target is equal to one year's capital spending. The maximum level is 2 times the accumulated depreciation balance. The District also has a rate stabilization reserve equal to 25 percent of commodity or rate revenue for water and \$1,000,000 for sewer.

4. Retail Zone Financial Plan

4.1. Water Revenue Requirements

This section discusses projected revenues, O&M expenses, and revenue adjustments to ensure the fiscal sustainability and solvency of the Retail Zone Enterprise.

4.1.1. Revenues

The District's current Retail Zone rates were last updated in August 2021. The rates consist of three distinct components: a monthly capital project fee, a monthly service charge that varies by meter size, and a uniform commodity rate applied to all usage⁶. Table 4-1 shows the District's current water rates for Retail Zone customers.

Table 4-1: Current Retail Zone Water Rates

	Current (FY 2023)
Effective Date	8/16/2021
Monthly Capital Project Fee (\$/meter)	\$32.52
Effective Monthly Fixed Meter Charge	
5/8"	\$22.50
3/4"	\$33.75
1"	\$56.24
1.5"	\$112.46
2"	\$179.92
3"	\$393.56
Commodity Rate (\$/ccf)	\$5.07

The revenues recovered from the Capital Project Fee are calculated by multiplying the monthly Capital Project Fee by the total amount of connections (shown in Table 3-3) for each month of the bi-monthly billing period. The Monthly Service Charge revenue for each meter is calculated by multiplying the service charge for a meter size with the number of connections for that meter size for each month of the bi-monthly billing period. The commodity rate revenue is calculated by multiplying total use by the commodity rate. The projected and calculated revenues are shown in Table 4-2.

⁶ The commodity rate is shown on a \$/ccf basis. 1 ccf = 100 cubic feet = 748 gallons of water

FY 2023 FY 2024 FY 2025 FY 2026 FY 2027 FY 2028 **Number of Connections (meters)** 9 9 9 9 9 9 5/8" 3/4" 869 869 869 869 869 869 1" 290 290 290 290 290 290 1.5" 29 29 29 29 29 29 2" 6 6 6 6 6 6 3" 3 3 3 3 3 3 **Total** 1,206 1,206 1,206 1,206 1,206 1,206 **Projected Normal Water Sales (ccf)** 339,614 339,614 339,614 339,614 339,614 339,614 **Calculated Annual Revenues from Current Retail Water Rates** Fixed Charges (Capital Projects and Service Charges) \$616,349 \$616,349 \$616,349 \$616,349 \$616,349 \$616,349 Volumetric Charges (Commodity Rates) \$1,721,843 \$1,721,843 \$1,721,843 \$1,721,843 \$1,721,843 \$1,721,843 Total \$2,338,192 \$2,338,192 \$2,338,192 \$2,338,192 \$2,338,192 \$2,338,192

Table 4-2: Projected Revenue from Current EOCWD Charges

In addition to revenues produced by water rates, the Retail Zone receives other revenues from different sources such as interest income, taxes, and rent income. Table 4-3 outlines the other miscellaneous revenues for the District's Retail Zone over the study period.

FY 2023 FY 2024 FY 2025 FY 2026 FY 2027 FY 2028 **Other Operating Revenues** Penalty & Other Charges \$9.800 \$9,947 \$10,096 \$10,248 \$10,401 \$10,557 **Uncollectible Accounts** (\$6,801)(\$7,006)(\$6,700) (\$6,903)(\$7,111)(\$7,218) \$3,100 \$3,340 **Total Other Operating Revenues** \$3,147 \$3,194 \$3,242 \$3,290 **Non-Operating Revenues Property Taxes** \$515,700 \$520,857 \$526,066 \$531,326 \$536,639 \$542,006 \$3,500 \$16.772 Interest Income \$16,397 \$13,700 \$16,791 \$16,357 Miscellaneous Income \$1,000 \$1,015 \$1,030 \$1,046 \$1,061 \$1,077 \$520,200 **Total Non-Operating Revenues** \$538,269 \$540,796 \$549,163 \$554,058 \$559,855

Table 4-3: Projected Other Revenue

4.1.2. O&M Expenses

4.1.2.1. Water Supply Costs

The District has two sources of water supply – (1) local groundwater and (2) treated import water. The groundwater supply is managed and sold by the Orange County Water District (OCWD). The imported supply is managed by the Municipal Water District of Orange County (MWDOC) via the distribution system operated by East Orange County Water District's Wholesale Zone (WZ) enterprise. As managers of the groundwater basin, OCWD sets the limits for the amount of water that can be pumped from the local groundwater basin. This is referred to as the Basin Pumping Percentage (BPP). As a member agency of OCWD, the District has access to this water supply at the limits set by OCWD.

The District is reliant on imported water from MWDOC (who purchases water from the Metropolitan Water District (MWD)) to meet the remaining demand beyond the BPP limit. The District incurs three separate base fees (readiness to serve, capacity charge, and retail charge) from MWDOC as well as the EOCWD Reserve Fund and Readiness-to-Serve Charges assessed by the EOCWD Wholesale Zone.

Based on projections from District staff, the per unit price of water, and expected purchase quantities, Table 4-4 shows the project water purchase costs. The water purchases from OCWD were provided by the District. The water purchases from MWDOC are the total remaining demand after groundwater pumping. Table 4-4 shows the volumetric OCWD and MWDOC water purchase costs.

Table 4-4: Water Supply Cost Projections

Water Sales	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Retail Water Usage (AF)	780	780	780	780	780	780
Water Loss	7%	7%	7%	7%	7%	7%
Total Water Needed (AF)	838	838	838	838	838	838
Water Supply						
OCWD Replenishment Rate Groundwat	er Producti	on				
Groundwater Use (AF)	0	700	700	700	700	700
Cost \$/AF	\$540	\$566	\$605	\$649	\$686	\$726
PFAS Costs	\$127,000	\$131,445	\$136,046	\$140,807	\$145,735	\$150,836
Groundwater Costs (PFAS)	\$127,000	\$527,645	\$559,546	\$595,107	\$625,935	\$659,368
Purchased Water Costs						
MWD/MWDOC Wholesale Purchased V	Vater					
Water Purchased (AF)	838	138	138	138	138	138
MWDOC Purchased Water (\$/AF)	\$1,162	\$1,208	\$1,256	\$1,307	\$1,359	\$1,413
Subtotal - Purchased Water Cost	\$973,744	\$167,101	\$173,785	\$180,736	\$187,966	\$195,484
MWDOC Retail Charge						
EOCWD Meters	1,206	1,206	1,206	1,206	1,206	1,206
MWDOC Retail Meter Charge per Mete	\$13.75	\$14.30	\$14.87	\$15.47	\$16.09	\$16.73
T . I D . 1104				4		
Total Retail Meter Charge	\$16,583	\$17,246	\$17,936	\$18,653	\$19,399	\$20,175

Table 4-5 adds the remaining fixed charges from MWDOC and MWD.

Table 4-5: Projected Water Supply Costs

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Operating Expenses	Budgeted	Projected	Projected	Projected	Projected	Projected
Source of Supply						
Water Purchases	\$973,744	\$167,101	\$173,785	\$180,736	\$187,966	\$195,484
MWDOC Retail Service Connection	\$16,583	\$17,246	\$17,936	\$18,653	\$19,399	\$20,175
Fixed MET-MWDOC Capacity Fees	\$26,000	\$26,962	\$27,960	\$28,994	\$30,067	\$31,179
Fixed MET-MWDOC Readiness to Serve	\$12,000	\$13,188	\$14,494	\$15,928	\$17,505	\$19,238
Fixed EOCWD Reserve Fund Charge (Capital)	\$16,600	\$17,762	\$19,005	\$20,336	\$21,759	\$23,282
Fixed EOCWD Readiness to Serve	\$10,700	\$11,449	\$12,250	\$13,108	\$14,026	\$15,007
Groundwater (incl. PFAS Costs)	\$127,000	\$527,645	\$559,546	\$595,107	\$625,935	\$659,368
Replenishment Assessment	\$8,100	\$8,505	\$8,930	\$9,377	\$9,846	\$10,338
Pumping Electricity	\$26,000	\$84,623	\$87,584	\$90,650	\$93,823	\$97,106
Source of Supply Subtotal	\$1,216,726	\$874.480	\$921,489	\$972.889	\$1,020,325	\$1,071,179

4.1.2.2. Water O&M Expenses

The inflation factors from Table 3-1 were used to inflate the District's FY 2023 budget to project future O&M costs for the Retail Zone. Raftelis worked closely with District staff to identify any non-recurring costs and other anticipated expenses for the study period. Table 4-6 summarizes the budgeted and projected O&M expenses for the District's Retail Zone during the study period.

FY 2023 FY 2024 FY 2025 FY 2026 FY 2027 FY 2028 Source of Supply Subtotal \$874,480 \$921,489 \$972,889 \$1,020,325 \$1,071,179 \$1,216,726 Salaries and Benefits Subtotal \$725,000 \$755,369 \$786,992 \$819,124 \$851,520 \$885,201 \$234,300 Operations & Maintenance Subtotal \$245,738 \$257,737 \$270,327 \$283,535 \$297,394 General & Administrative Subtotal \$345,800 \$345,666 \$399,488 \$380,883 \$436,797 \$419,695 **Total Operating Expenses** \$2,521,826 \$2,221,253 \$2,365,706 \$2,443,223 \$2,592,178 \$2,673,469 Other Non-Operating Expenses Section 115 Pension Trust Contribution \$50,000 \$50,000 \$50,000 \$50,000 \$50,000 \$50,000 **Total Non-Operating Expenses** \$50,000 \$50,000 \$50,000 \$50,000 \$50,000 \$50,000

Table 4-6: Budgeted and Projected O&M Expenses

4.1.3. Projected Capital Improvement Projects

Figure 4-1 shows the District's retail zone capital projects. (A full list of projects and costs can be found in the Appendix C). The capital project costs for future years are determined by using the programmed/budgeted costs and inflating the value by the capital cost inflation factor shown in Table 3-1. A portion of FY 2023 capital improvement projects will be covered by the remaining proceeds from previously issued debt service. The District plans to fund 100 percent of the remaining planned capital projects by Pay-as-you-go (PAYGO) from rates and reserves.

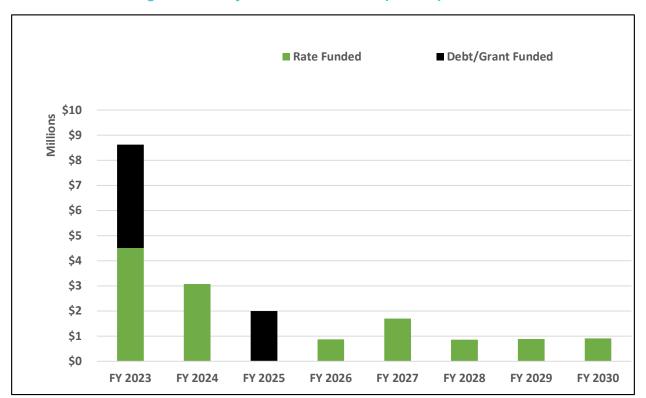


Figure 4-1: Projected Retail Zone Capital Expenditures

4.2. Retail Zone Financial Plan

4.2.1. Status Quo Financial Plan

Figure 4-2 displays the projected ending balances of the District's Retail Zone under current rates over the study period. All projections are based upon the District's current rate structure and do not include rate adjustments. The figure incorporates the data shown in Table 4-2 through Table 4-6 and Figure 4-1. Under the "status-quo" scenario, revenues generated from current rates and other miscellaneous revenues are inadequate to sufficiently recover operating and capital expenses of the utility, as shown by decreasing fund balances. Additionally, the ending balance drops below the total reserve target and the capital and operating reserve targets in FY 2024. By FY 2027, the ending balance is projected to be below the operating reserve target. In short, the District is unable to maintain fiscal sustainability under the current rates.



Figure 4-2: Status Quo Retail Zone Ending Balances (No Revenue Adjustments)

4.2.2. Proposed Financial Plan

Table 4-7 shows the proposed revenue adjustments to meet the target reserve requirement and maintain financial sufficiency.

		Proposed
	Effective	Revenue
Fiscal Year	Month	Adjustments
2024	Jul	7.5%
2025	Jul	7.5%
2026	Jul	7.5%
2027	Jul	7.5%
2028	Jul	7.5%

Table 4-7: Proposed Retail Zone Revenue Adjustments

Table 4-8 shows the Retail Zone Financial Plan with the proposed revenue adjustments shown above. The District's reserves are projected to remain above the operating reserve target and begin approaching meeting all targets by the end of the study period.

Table 4-8: Proposed Retail Zone Financial Plan

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues						
Operating Revenues	\$2,808,821	\$2,808,821	\$2,808,821	\$2,808,821	\$2,808,821	\$2,808,821
Revenue Adjustments	\$0	\$210,662	\$437,123	\$680,569	\$942,273	\$1,223,605
Penalties and Uncollectible Account Fees	\$3,100	\$3,147	\$3,194	\$3,242	\$3,290	\$3,340
Interest Income	\$3,500	\$16,397	\$13,700	\$16,791	\$16,357	\$16,772
Non-Operating Revenues (excluding interest)	\$516,700	\$521,872	\$527,096	\$532,372	\$537,701	\$543,083
Total Revenues	\$3,332,121	\$3,560,898	\$3,789,933	\$4,041,794	\$4,308,442	\$4,595,620
Expenses						
Source of Supply	\$1,216,726	\$874,480	\$921,489	\$972,889	\$1,020,325	\$1,071,179
Salaries & Benefits	\$725,000	\$755,369	\$786,992	\$819,124	\$851,520	\$885,201
Operations & Maintenance	\$234,300	\$245,738	\$257,737	\$270,327	\$283,535	\$297,394
General & Administrative	\$345,800	\$345,666	\$399,488	\$380,883	\$436,797	\$419,695
Total Expenses	\$2,521,826	\$2,221,253	\$2,365,706	\$2,443,223	\$2,592,178	\$2,673,469
Net Income before Debt, ADP, and CIP	\$810,295	\$1,339,646	\$1,424,227	\$1,598,571	\$1,716,264	\$1,922,152
Less: Debt Service	\$258,995	\$259,039	\$406,155	\$406,215	\$406,178	\$406,045
Less: Section 115 Pension Trust Contribution	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Less: PAYGO (Cash Funded Capital)	\$4,511,735	\$3,077,652	\$0	\$874,114	\$1,701,769	\$858,628
Net Increase / Decrease to Reserves	(\$4,010,435)	(\$2,047,046)	\$968,073	\$268,243	(\$441,683)	\$607,479
Reserves						
Beginning Balance	\$8,313,421	\$4,302,986	\$2,255,940	\$3,224,013	\$3,492,255	\$3,050,573
Ending Balance (with Interest)	\$4,302,986	\$2,255,940	\$3,224,013	\$3,492,255	\$3,050,573	\$3,658,051
Operating Reserve Target	\$1,260,913	\$1,110,626	\$1,182,853	\$1,221,611	\$1,296,089	\$1,336,734
Capital Reserve Target	\$2,033,054	\$2,033,054	\$2,033,054	\$2,033,054	\$2,033,054	\$2,033,054
Rate Stabilization Target	\$702,205	\$702,205	\$702,205	\$702,205	\$702,205	\$702,205
Total Reserve Target	\$3,996,172	\$3,845,886	\$3,918,112	\$3,956,871	\$4,031,348	\$4,071,994

Figure 4-3 and Figure 4-4 show the District's financial plan and reserve balances is graphical format. The additional years beyond the study period are shown to demonstrate a plan to return to reserve levels that meet or exceed targets.

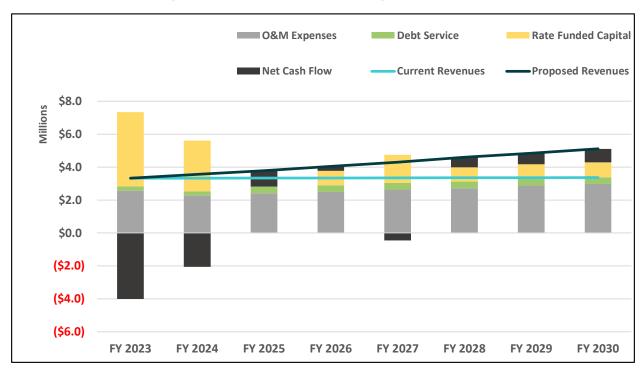
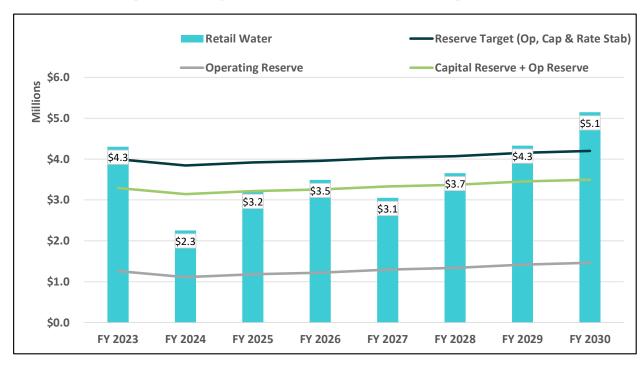


Figure 4-3: Retail Zone Operating Financial Plan





5. Retail Zone Cost-of-Service and Proposed Water Rates

5.1. Process and Approach

This section describes the methodology of allocating costs equitably to customers. This is intended to ensure that customers pay their fair share, proportional to the cost of serving them.

As stated in the American Water Works Association (AWWA) M1 Manual, "the costs of water rates and charges should be recovered from classes of customers in proportion to the cost of serving those customers." To develop utility rates that comply with Proposition 218 and industry standards while meeting other emerging goals and objectives of the utility, we follow the cost-of-service methodology discussed below.

5.1.1. Calculate Revenue Requirement

The rate-making process starts by determining the revenue requirement. In this study the "test year" is FY 2024. The revenue requirement should sufficiently fund the utility's O&M, debt service, capital expenses, and reserve requirements.

5.1.2. Cost-of-Service Analysis

After determining a utility's revenue requirements, the next step in a cost-of-service analysis is to distribute the annual cost of providing water service among customer classes commensurate with their service requirements. A cost-of-service analysis involves the following:

- Cost functionalization O&M expenses and capital expenses are categorized by their function in the system. Functions include supply, storage, distribution, customer service, etc.
- Cost component allocation the functionalized costs are then allocated to cost causation components (water system cost components) based on their burden on the system. The cost components include supply, delivery, extra-capacity, meter, customer, etc. The revenue requirement is allocated accordingly to the cost components and results in the total revenue requirement for each cost component.
- Unit cost development the revenue requirement for each cost component is divided by the appropriate units-of-service such as total water demand, peak water demands, equivalent meters, number of customers, etc. for each customer class.
- Revenue requirement distribution the unit costs are utilized to distribute the revenue requirement for each cost component to customer classes and tiers based on their individual service units.

The cost components used in this analysis are:

- **Imported Supply** the cost of importing water
- **Groundwater Pumping & Treatment** the cost of pumping and treating water
- **Treatment** the cost of treating imported water
- Transmission & Distribution the cost associated with pipes, pumps, mains, etc.
- **Distribution storage** represents the cost associated with storing treated water
- **Customer Service** represents the costs associated with meter reading, billing and customer and meter service

- Meter Maintenance represents the costs associated with meter maintenance
- General & Administrative general and administrative costs incurred by the District
- **Public Fire** costs associated with public fire hydrants

Capital costs are all captured within a separate capital cost category to develop the Monthly Fee for Existing Water System Capital Projects.

The functionalization of costs allows us to better allocate the functionalized costs to the cost causation components. The cost causation components include:

- Imported Supply variable costs associated with importing water supply for all customers
- Base Delivery fixed costs associated with providing service under average conditions
- **Peaking** (maximum day and maximum hour) costs associated with meeting demand in excess of average use
- **Customer Service and Meter Reading** costs incurred to provide meter reading, billing, and customer service
- Meter Maintenance costs associated with maintenance of meters and capacity costs
- General & Admin costs that cannot be allocated directly to any one cost causation component
- Fire costs associated with providing fire protection capacity

Peaking costs are divided into maximum day and maximum hour demand. The maximum day demand is the maximum amount of water used in a single day in a year. The maximum hour demand is the maximum use in an hour on the maximum use day. Different facilities, such as distribution and storage facilities (and the O&M costs associated with those facilities), are designed to meet the peaking demands of customers. Therefore, extra capacity⁷ costs include the O&M and capital costs associated with meeting peak customer demand. This method is consistent with the AWWA M1 Manual and is widely used in the water industry to perform cost-of-service analyses.

5.1.3. Rate Design and Calculations

Rates do more than simply recover costs. Within the legal framework and industry standards, properly designed rates should support and optimize a blend of various utility objectives, such as conservation, affordability for essential needs and revenue stability among other objectives. Rates may also act as a public information tool in communicating these objectives to customers.

5.1.4. Rate Adoption

Rate adoption is the last step of the rate-making process. Raftelis documented the rate study results in this report to help educate the public about the proposed changes, the rationale and justifications behind the changes and their anticipated financial impacts in lay terms.

⁷ The terms extra capacity, peaking and capacity costs are used interchangeably.

(D)

\$245,738

\$345,666

\$259,039

\$3,077,652

\$5,557,944

\$520,857

\$16,397

\$1,015

\$3,147

(\$50,000)

\$491,416

\$1

\$0

\$0

\$1

\$0

\$0

\$0

\$259,039

\$3,077,652

\$3,336,691

\$329,182

\$16,397

\$345,579

5.2. Cost-of-Service Calculations

Operations & Maintenance Subtotal

Debt Service (Existing and Proposed)

Penalties and Uncollectible Accounts

Section 115 Pension Trust Contribution

Less: Other Operating Revenue / (Expenses)

General & Administrative Subtotal

Total - Revenue Requirement

Rate Funded Capital

Property Taxes

Interest Income

Miscellaneous Income

Total - Revenue Offsets

5.2.1. Revenue Requirement Determination

Table 5-1 shows the revenue required from rates for FY 2024 in line 19. The total revenue requirement shown in Line 8 is equal to the O&M expense, debt service and capital expenses and come from Table 4-6 and Table 4-8. The revenue offsets in lines 10 through 14 come from Table 4-3 and Table 4-8 and reduce the total revenue required from rates. The adjustment for cash is subtracted to account for the withdrawal from reserves to help cover revenue requirements. The revenue required from rates is equal to the revenue requirements (Line 8) less revenue offsets (Line 15) and adjustments (Line 18). The revenue requirement is divided into Operating and Capital components and is allocated to the cost components based on the functionalization of the O&M expenses and capital assets, respectively.

No. (A) (B) (C) 1 **Revenue Requirement** 2 \$874,480 \$0 \$874,480 Source of Supply Subtotal 3 Salaries and Benefits Subtotal \$755,369 \$0 \$755,369

Table 5-1: Annualized Revenue Requirements for FY 2024, Retail Zone

\$245,738

\$345,666

\$2,221,253

\$191,675

\$1,015

\$3,147

(\$50,000)

\$145,837

\$0

\$0

\$0

\$0

16 Less: Adjustments 17 Adjustment for Cash Balance \$0 \$2,047,046 \$2,047,046 18 **Total - Adjustments** \$2,047,046 \$2,047,046 \$2,075,416 19 **Revenue Required from Rates** \$944,067 \$3,019,483

5.2.2. Peaking factors

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Peaking factors are used to allocate peaking costs, also known as Max Day and Max Hour costs, to customer classes.

Table 5-2 shows the system-wide peaking factors used to derive the cost component allocation bases for Base, Max Day, and Max Hour costs. Base costs represent average daily demand during the year, which is normalized to a factor of 1.00 (Column B, Line 1). The District's 2019 Water Master plan provided Max Day and Max Hour peaking factors. The system-wide Max Day peaking factor (Column B, Line 3), as provided to Raftelis, is 2.0 times greater than the average daily demand. The Max Hour peaking factor (Column B, Line 4) is 3.4 times greater than the average demand. The allocation bases (Columns C through E) are calculated using the equations outlined in this section. Columns are represented in these equations as letters and rows are represented as numbers. For example, Column C, Line 2 is shown as C2.

Table 5-2: Water System Peaking Factors

Line No.	Cost Component Allocation Bases	System Wide Peaking Factor	Base	Max Day	Max Hour	Total
	(A)	(B)	(C)	(D)	(E)	(F)
1	Base	1.00	100%			100%
2	System Wide Max Month	1.25				
3	Max Day	2.00	50%	50%		100%
4	Max Hour	3.40	29%	29%	41%	100%

The Max Day allocations are calculated as follows:

- Base Delivery: B1 / B3 x 100% = C3
- Max Day: $(B3 B1) / B3 \times 100\% = D3$

The Max Hour allocations are calculated as follows:

- Base Delivery: B1 / B4 x 100% = C4
- Max Day: $(B3 B1) / B4 \times 100\% = D4$
- Max Hour: $(B4 B3) / B4 \times 100\% = E4$

The system wide max month peaking factor is used to translate bi-monthly-to-average month peaking factors for each customer class into a max day factor for each customer class, as shown in Table 5-3. The bi-monthly peaking factor (Column D) is multiplied by the ratio of the max day factor to the max month factor (2.0/1.25 = 1.60) from Table 5-2 to determine the Max Day Capacity Factor (Column E).

Table 5-3: Max Day Capacity Factor

Line No.	Customer Class	Average Bi- Monthly Use	Max Bi- Monthly Use	Bi-monthly Peaking Factor	Max Day Capacity Factor
	(A)	(B)	(C)	(D)	(E)
1 S	Single Family Residential	52,602	62,655	1.19	1.90
2 (Commercial	159	204	1.29	2.05
3 N	Multifamily (duplex)	1,202	1,680	1.40	2.23
4 lı	nstitutional	435	703	1.62	2.58
5 li	rrigation	152	152 193		2.03
6 L	andscape	2,054	2,905	1.41	2.26

5.2.3. Operating and capital allocation

The next step in the cost-of-service analysis is to allocate the functionalized costs to the cost components.

Table 5-4 (on the following page) shows the system functions, the rationale for allocating each function to the various cost components, and the percentage allocation to each component Most functions have a one-to-one relationship with a cost component.

Table 5-5 (on the following page) shows the detailed operating costs by cost component based on the corresponding functional allocations by cost component (Table 5-4). O&M expenses are used in the cost-of-service analysis to allocate the operating revenue requirement (Table 5-1, Column B) to the relative share of costs in each water system cost component.

Table 5-4: Allocation of Functions to Cost Components

Line No.	Functions	Allocation Basis	Imported Supply	Base	Max Day	Max Hour	Customer Billing, Service and Meter Reading	Meter Mainten ance	Gen & Admin	Public Fire	Sub - Total
1	Imported Supply	Base	100.0%								100.0%
2	Groundwater Pumping & Treatment	Base		100.0%							100.0%
3	Treatment	Max Day		50.0%	50.0%	0.0%					100.0%
4	Trans & Distribution	Max Day		50.0%	50.0%	0.0%					100.0%
5	Distribution Storage	Max Hour		29.4%	29.4%	41.2%					100.0%
6	Customer Billing, Service and Meter Reading	Customer Billing					100.0%				100.0%
7	Meter Maintenance	Meter Service						100.0%			100.0%
8	Gen & Admin	General							100.0%		100.0%
9	Public Fire	Fire								100.0%	100.0%

Table 5-5: Allocation of Operating Expenses to Cost Components

Line No.	Functions	Test Year	Imported Supply	Base	Max Day	Max Hour	Customer Billing, Service and Meter Reading	Meter Maintenance	Gen & Admin	Public Fire	Sub - Total
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(l)	(J)	(K)
1	Imported Supply	\$224,496	100.0%								100.0%
2	Groundwater Pumping & Treatment	\$701,560		100.0%							100.0%
3	Treatment	\$54,546		50.0%	50.0%	0.0%					100.0%
4	Trans & Distribution	\$467,355		50.0%	50.0%	0.0%					100.0%
5	Distribution Storage	\$85,302		29.4%	29.4%	41.2%					100.0%
6	Customer Billing, Service and Meter Reading	\$108,927					100.0%				100.0%
7	Meter Maintenance	\$81,741						100.0%			100.0%
8	Gen & Admin	\$471,076							100.0%		100.0%
9	Public Fire	\$26,250								100.0%	100.0%
10	Total	\$2,221,253	\$224,496	\$987,599	\$286,039	\$35,124	\$108,927	\$81,741	\$471,076	\$26,250	\$2,221,253
11	O&M Expense Allocation		10%	44%	13%	2%	5%	4%	21%	1%	100%

Table 5-6 summarizes the operating and capital cost allocation percentages for each component. The operating allocation percentages are later applied to the operating revenue requirement. Capital-related costs are all allocated to the capital component.

Line Operating Capital **Cost Component** No. Allocation Allocation (B) (C) (A) 1 Imported Supply 10% 2 Base 44% 3 Max Day 13% 4 Max Hour 2% Customer Billing, Service, and 5% Meter Reading Meter Maintenance 4% 7 Gen & Admin 21% 8 **Public Fire** 1% 9 Capital 100.0% 10 Total 100% 100%

Table 5-6: Operating and Capital Cost Allocation

5.2.4. Equivalent Meters

Equivalent meter units (EMUs) are used to allocate meter-related costs. Larger meters can impose greater demands on the system and are more expensive to install, maintain, and replace than smaller meters. This study uses a hydraulic capacity (capacity) ratio to calculate equivalent meters. The capacity ratio is based on meter hydraulic capacity and is calculated to represent the potential demand on the water system compared to the base meter size. A ratio of hydraulic capacity is calculated by dividing the capacity of a meter at a given size by the base meter capacity using the maximum safe operating flow rates in gallons per minute (gpm). The base meter used in the study is the 3/4" meter, which is the most common meter size in the District's water system.

Table 5-7 shows the meter capacity and capacity ratio for each meter size. The capacity in gpm is based on the safe operating flow rates provided in the AWWA M1 Manual with confirmation by District staff. The capacity ratios (Column C) are calculated by dividing the capacity in gpm (Column B) for each meter size (Column A) by the capacity in gpm for the 3/4" meter (Column B, Line 2). Column E shows the estimated equivalent meters based on the capacity ratio. Meter counts (Column D) at each size are multiplied by the capacity ratio (Column C) to arrive at the total number of equivalent meters.

Line Meter Size - All Capacity AWWA **Number of** Equivalent **Customer Classes** Ratio Meters No. (gpm) **Meters** (A) (B) (C) (D) (E) 5/8" 20 1.0 9 1 9 2 3/4" 30 1.0 869 869 3 1" 50 1.7 290 483 4 1.5" 100 29 97 3.3 5 2" 160 5.3 6 32 6 3" 350 11.7 3 35 **Total** 1,206 1,525

Table 5-7: Equivalent Meter Units, Retail Zone

5.2.5. Unit Costs of Service

The end goal of a cost-of-service analysis is to distribute the revenue requirement to each customer class. Raftelis calculated unit costs for each cost component by assessing the total water demand, meter count (number of accounts/bills), or equivalent service units. Table 5-8 shows the units of service for each customer class. Average Daily Use (Column C) is the Annual Use (Column B) divided by 365 days per year. The Max Day Capacity Factor (Column D) is the capacity factors derived in Table 5-3. The Max Day Total Capacity (Column E) is the Average Daily Use (Column C) multiplied by the Max Day Capacity Factor (Column D). The Max Hour Capacity Factor (Column G) is the Max Day Capacity Factor (Column D) multiplied by the ratio of the System Peak Hour to the System Max Day from Table 5-2. The Max Day Extra Capacity (Column H) is the difference between the Max Day Total Capacity (Column E) and the Average Daily Use (Column C). The Max Hour Extra Capacity (Column I) is the difference between the Max Hour Total Capacity (Column H) and the Max Day Total Capacity (Column E).

Table 5-8: Units-of-Service

				Maximu	Maximum Day Requirements Maximum Hour Requirements				uirements			
Line No.	Customer Class	Annual Use	Average Daily Use	Capacity Factor	Total Capacity	Extra Capacity	Capacity Factor	Total Capacity	Extra Capacity	Number of Equivalent Meters	Number of Accounts	Percent of Total Usage
		(hcf)	(hcf)		(hcf/day)	(hcf/day)		(hcf/day)	(hcf/day)			
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
1	Single Family Residential	315,610	865	1.90	1,646	781	3.24	2,798	1,152	1,411	1,163	93%
2	Commercial	952	3	2.05	5	3	3.49	9	4	4	2	0%
3	Multifamily (duplex)	7,213	20	2.23	44	24	3.80	75	31	44	27	2%
4	Institutional	2,608	7	2.58	18	11	4.39	31	13	12	1	1%
5	Irrigation	910	2	2.03	5	3	3.46	9	4	3	2	0%
6	Public Fire				2,005	2,005		16,364	14,358			
7	Landscape	12,321	34	2.26	76	43	3.84	130	53	51	11	4%
8	Total	339,614	930	1.93	3,801	2,870		19,416	15,615	1,525	1,206	7%

Table 5-9 shows the operating and capital revenue requirements allocated to the cost components and the unit cost derivation in line 10. The operating expenses are allocated based on the O&M expense allocation (Table 5-5) and is equal to the net operating revenue requirement (Table 5-1, Column B). Capital Expenses (Table 5-1, Column C) are allocated all to capital. Gen and Admin expenses are reallocated to the other cost components in Columns C-H and Column J based on the percentages shown in Line 4.

Line 6 shows the adjusted cost-of-service. Line 8 shows the units-of-service for each cost component, which are pulled from Table 5-8. Line 10 shows the Unit Rate, calculated by dividing the Adjusted Cost-of-Service (Line 7) by units-of-service (Line 8). Customer (Column G) and Meter (Column H) unit costs are also presented on a per bi-monthly and per monthly basis.

 Table 5-9: Revenue Requirement Allocation and Unit Cost Derivation

Line No.	Cost-of-Service Allocation	Allocation Basis	Imported Supply	Base	Max Day	Max Hour	Customer Billing, Service and Meter Reading	Meter Maintenance	Gen & Admin	Public Fire	Capital Charge	Sub - Total
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)
1	Operating Expenses	O&M	\$209,757	\$922,758	\$267,259	\$32,818	\$101,775	\$76,374	\$440,148	\$24,527		\$2,075,416
2	Capital Expenses	Capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$944,067	\$944,067
3	Total Cost-of-Service		\$209,757	\$922,758	\$267,259	\$32,818	\$101,775	\$76,374	\$440,148	\$24,527	\$944,067	\$3,019,483
4	% excluding Gen and Admin.		12.8%	56.4%	16.3%	2.0%	6.2%	4.7%		1.5%		
5	Reallocation of Gen & Admin		\$56,458	\$248,369	\$71,935	\$8,833	\$27,394	\$20,557	(\$440,148)	\$6,602		\$0
6	Total Adjusted Cost-of-Service		\$266,215	\$1,171,126	\$339,194	\$41,652	\$129,169	\$96,931	\$0	\$31,128	\$944,067	\$3,019,483
7	Allocation of Revenue Requirements		8.8%	38.8%	11.2%	1.4%	4.3%	3.2%	0.0%	1.0%	31.3%	
8	Units-of-Service		339,614	339,614	2,870	15,615	1,206	1,525		1,525	1,525	
								equivalent		equivalent	equivalent	
9			hcf	hcf	hcf/day	hcf/day	Bills/Yr	meters/yr		meters	meters	
10	Unit Cost-of-Service		\$0.78	\$3.45	\$118.17	\$2.67	\$107.11	\$63.56		\$20.41	\$619.06	
11						_	Per Bi-Month	per Bi-Month		per Bi-Month	per Bi-Month	
12							\$17.85	\$10.59		\$3.40	\$103.18	
13							Per Month	Per Month		Per Month	Per Month	
14						_	\$8.93	\$5.30		\$1.70	\$51.59	

5.3. Proposed Retail Zone Rates and Charges

From the calculations in Table 5-9, the proposed fixed charges are determined for each meter size. Table 5-10 shows the derivation of the monthly Service Charge. The Billing component (Column B) is equal to the unit rate in Column G, Line 14 of Table 5-9. As the cost of issuing a bill does not vary by meter size, it remains constant for all meter sizes. The Meter Capacity component (Column C) is the sum of the Meter Maintenance and Public Fire unit rates shown in Line 14 of Table 5-9. For meters larger than 3/4", this unit rate is multiplied by the meter ratio (Table 5-7, Column C) to derive the meter capacity cost associated with those larger meter sizes. The Monthly Capacity Charge (Column D) includes assignment of 81 percent of the Max Day and Max Hour costs (Table 5-9, Line 6, Columns E and F) to the fixed charge component then divides that amount by the number of equivalent meters (Table 5-8) and by 12 to put on a monthly basis. This unit rate is then multiplied by the meter capacity ratios (Table 5-7, Column C) to determine the monthly charge at each meter size. The Proposed Monthly Service Charge (Column E) is the sum of Columns B, C, and D. The Current Charge is shown in Column F for comparison.

Line Meter Meter **Monthly Capacity Proposed Monthly** Current **Billing** No. Size Maint. Charge Service Charge Charge \$/bill \$/mtr \$/mtr \$/bill \$/bill (A) (B) (C) (D) (E) (F) 1 5/8" \$8.93 \$7.00 \$16.85 \$32.78 \$22.50 2 3/4" \$8.93 \$7.00 \$32.78 \$33.75 \$16.85 1" 3 \$8.93 \$11.66 \$28.09 \$48.68 \$56.24 4 1.5" \$8.93 \$23.33 \$56.18 \$88.43 \$112.46 5 2" \$8.93 \$89.89 \$136.14 \$179.92 \$37.32 6 3" \$8.93 \$393.56 \$81.64 \$196.64 \$287.21

Table 5-10: Monthly Service Charge Derivation

The Capital Charge for an equivalent 3/4" meter on an annual basis is shown in Table 5-9, Line 14. This unit rate is then multiplied by the meter capacity ratios (Table 5-7, Column C) to determine the monthly capital charge at each meter size. Table 5-11 presents the proposed monthly Capital Charge.

Table 5-11: Pro	posed Retail Z	one Capital Charge
------------------------	----------------	--------------------

Proposed	Current
\$51.59	\$32.52
\$51.59	\$32.52
\$85.98	\$32.52
\$171.96	\$32.52
\$275.14	\$32.52
\$601.86	\$32.52

The Uniform Commodity Rate incorporates a base component, an imported supply component and the balance of the peaking costs not captured in the monthly Service Charge, as shown in Table 5-12. The Base and Imported Supply costs match the costs shown in Line 6 of Table 5-9 (Columns D and C, respectively). The Peaking cost (Column C) is 19 percent of the allocated cost shown in Table 5-9, Line 6, Columns E + F. The units for each component are shown in Table 5-12. The sum of Columns E, F and G result in the

proposed total unit rate in Column H. The proposed rate is lower than the current commodity rate due to moving more cost recovery into the fixed charge. This unit rate includes all water purchase costs.

Table 5-12: Proposed Retail Zone Commodity Rate

Base	Imported Supply	Peaking (Max Day and Hour)	Annual Usage (hcf)	Base (\$/ccf)	Peaking (\$/ccf)	Imported Supply (\$/ccf)	Proposed Total (\$/ccf)	Current Commodity Rate
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
\$1,171,126	\$266,215	\$72,400	339,614	\$3.45	\$0.21	\$0.78	\$4.45	\$5.07

The proposed five-year Retail Zone water rates are shown in Table 5-13. The rates for FY 2024 are derived from the cost-of-service analysis and the proposed revenue adjustments from Table 4-7 are used to determine the proposed Retail Zone water rates and charges for FY 2025 to FY 2028 by escalating the rates shown in FY 2024. The District plans to collect the capital charge via the property tax roll starting in FY 2024.

Table 5-13: Proposed 5-Year Retail Zone Water Rates and Charges

Proposed Rates	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Effective Date	Current Rate	Jul 2023	Jul 2024	Jul 2025	Jul 2026	Jul 2027
Revenue Adjustment		COS	7.5%	7.5%	7.5%	7.5%
Meter Size Fixed Charge						
5/8"	\$22.50	\$32.78	\$35.24	\$37.88	\$40.72	\$43.77
3/4"	\$33.75	\$32.78	\$35.24	\$37.88	\$40.72	\$43.77
1"	\$56.24	\$48.68	\$52.33	\$56.26	\$60.48	\$65.01
1.5"	\$112.46	\$88.43	\$95.07	\$102.20	\$109.86	\$118.10
2"	\$179.92	\$136.14	\$146.35	\$157.33	\$169.13	\$181.81
3"	\$393.56	\$287.21	\$308.75	\$331.90	\$356.80	\$383.56
Commodity Rate (\$/ccf)	\$5.07	\$4.45	\$4.78	\$5.14	\$5.52	\$5.94
Capital Charge						
All Accounts	\$32.52					
5/8"		\$51.59	\$55.46	\$59.62	\$64.09	\$68.89
3/4"		\$51.59	\$55.46	\$59.62	\$64.09	\$68.89
1"		\$85.98	\$92.43	\$99.36	\$106.81	\$114.82
1.5"		\$171.96	\$184.86	\$198.72	\$213.63	\$229.65
2"		\$275.14	\$295.77	\$317.96	\$341.80	\$367.44
3"		\$601.86	\$647.00	\$695.53	\$747.69	\$803.77

6. Wholesale Zone Financial Plan

6.1. Water Revenue Requirement

Like the Retail Zone, the Wholesale Zone's Financial Plan involves an analysis of annual operating revenues under the status quo, operation and maintenance (O&M) expenses, and reserve requirements. This report section discusses the financial plan required to ensure the fiscal sustainability of the Wholesale Zone enterprise.

6.1.1. Wholesale Zone Revenues

The District's current Wholesale Zone rates were last updated in January 2021. The rates consist of two components: a yearly readiness to serve meter fee of \$8.50 per meter per year and a yearly capital improvement charge meter fee of \$16.00. The projected and calculated revenues under these existing rates are shown in Table 6-1.

Number of Certified Meters FY 2023 FY 2024 FY 2025 FY 2026 FY 2027 FY 2028 **TUSTIN** 14,108 14,108 14,108 14,108 14,108 14,108 **IRWD** 436 436 436 436 436 436 **GSWC** 2,622 2,622 2,622 2,622 2,622 2,622 **ORANGE** 2,451 2,451 2,451 2,451 2,451 2,451 **EOCWD** 1,208 1,208 1,208 1,208 1,208 1,208 Total 20,825 20,825 20,825 20,825 20,825 20,825 **Calculated Annual Revenues from Wholesale Zone Sales** Readiness to Serve \$177,013 \$177,013 \$177,013 \$177,013 \$177,013 \$177,013 Capital Improvement Charge \$333,200 \$333,200 \$333,200 \$333,200 \$333,200 \$333,200 Total \$510,213 \$510,213 \$510,213 \$510,213 \$510,213 \$510,213

Table 6-1: Projected Revenues from Current EOCWD Charges

In addition to revenues produced by water rates, the Wholesale Zone receives other revenues from different sources such as interest income, taxes, and rental income. Table 6-2 outlines the other non-operating revenues for the District's Wholesale Zone over the study period.

Table 6-2: Projected Other Revenue, Wholesale Zone

Non-Operating Revenue Categories	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Property Taxes	\$1,004,100	\$1,014,141	\$1,024,282	\$1,034,525	\$1,044,870	\$1,055,319
Rental Revenue	\$156,000	\$158,340	\$160,715	\$163,126	\$165,573	\$168,056
Interest Income	\$47,100	\$31,096	\$29,667	\$29,063	\$29,218	\$27,396
Miscellaneous Income	\$10,000	\$10,150	\$10,302	\$10,457	\$10,614	\$10,773
Total Non-Operating Revenues	\$1,217,200	\$1,213,727	\$1,224,966	\$1,237,171	\$1,250,275	\$1,261,544

6.1.2. Wholesale Zone O&M Expenses

6.1.2.1. Water Supply Costs

The District purchases water from the Municipal Water District of Orange County (MWDOC). This water is distributed via the system operated by East Orange County Water District's Wholesale Zone (WZ) enterprise.

The District incurs fixed charges (including a retail meter charge) and a volumetric charge that are passed onto its wholesale agency customers from MWDOC as shown in Table 6-3. This table also shows an estimated decrease in the amount of groundwater pumping starting in FY 2025.

Table 6-3: Passthrough MWDOC Water Supply Cost Projections

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Water Sales						
OC-43	170	170	274	274	274	274
OC-48	433	433	514	514	514	514
OC-70	3,545	3,545	2,712	2,712	2,712	2,712
MWDOC Effective Rate, \$/AF	\$1,162	\$1,208	\$1,256	\$1,307	\$1,359	\$1,413
Passthrough Water Costs						
OC-43	\$197,576	\$205,479	\$344,714	\$358,502	\$372,842	\$387,756
OC-48	\$503,407	\$523,543	\$645,526	\$671,347	\$698,201	\$726,129
OC-70	\$4,118,084	\$4,282,807	\$3,406,843	\$3,543,117	\$3,684,841	\$3,832,235
Total Volumetric Charges	\$4,819,066	\$5,011,829	\$4,397,083	\$4,572,966	\$4,755,885	\$4,946,120
MWDOC Retail Meter Charge, \$/mtr/yr	\$13.75	\$14.30	\$14.87	\$15.47	\$16.09	\$16.73
Meters	20,825	20,825	20,825	20,825	20,825	20,825
MWDOC Retail Meter Charge	\$286,344	\$297,798	\$309,709	\$322,098	\$334,982	\$348,381
Fixed MWDOC Charges						
MET-MWDOC readiness to serve charges	\$125,300	\$137,705	\$151,337	\$166,320	\$182,786	\$200,881
MET-MWDOC capacity charges	\$153,900	\$159,594	\$165,499	\$171,623	\$177,973	\$184,558
MWDOC Choice	\$2,400	\$2,489	\$2,581	\$2,676	\$2,775	\$2,878
MWDOC retail meter charge	\$286,344	\$297,798	\$309,709	\$322,098	\$334,982	\$348,381
Total Fixed MWDOC Charges	\$567,944	\$597,585	\$629,127	\$662,717	\$698,515	\$736,698
Total MWDOC Charges	\$5,387,010	\$5,609,414	\$5,026,210	\$5,235,683	\$5,454,400	\$5,682,818

6.1.2.2. Wholesale Zone Water O&M Expenses

The inflation factors from Table 3-1 were assigned to each line item of the District's FY 2023 budget to determine future O&M costs for the Wholesale Zone. Raftelis worked closely with District staff to identify any non-recurring costs and other anticipated expenses for the study period. The District will continue to pass through wholesale water purchase costs to its retail customers to recover the increases in water supply costs. Table 6-4 summarizes the budgeted and projected O&M expenses for the District's Wholesale Zone during the study period.

FY 2023 Line Items FY 2024 FY 2025 FY 2026 FY 2027 FY 2028 **Operating Expenses** Budgeted Projected Projected Projected Projected Projected Source of Supply Source of Supply (Passthrough) Subtotal \$5,387,010 \$5,609,414 \$5,026,210 \$5,235,683 \$5,454,400 \$5,682,818 Salaries and Benefits Subtotal \$588,076 \$635,301 \$519,600 \$541,753 \$564,831 \$611,231 Operations & Maintenance Subtotal \$410,100 \$429,986 \$450,844 \$472,722 \$495,671 \$519,744 **General & Administrative Subtotal** \$318,800 \$290,543 \$369,723 \$320,113 \$403,986 \$352,699 **Total Operating Expenses** \$6,635,510 \$6,871,695 \$6,411,608 \$6,616,594 \$7,190,562 \$6,965,288 Non - Passthrough Expenses Subtotal \$1,248,500 \$1,262,281 \$1,385,398 \$1,380,911 \$1,510,887 \$1,507,744 Other Non-Operating Expenses Section 115 Pension Trust Contribution \$50,000 \$50,000 \$50,000 \$50,000 \$50,000 \$50,000 **Total Non-Operating Expenses** \$50,000 \$50,000 \$50,000 \$50,000 \$50,000 \$50,000

Table 6-4: Budgeted and Projected O&M Costs, Wholesale Zone

6.1.3. Projected Capital Improvement Projects

Total Operating & Non-Operating Expenses

Figure 6-1 shows the annual capital expenditures for FY 2023 – FY 2030 that the District has either budgeted for or projected for the Wholesale Zone. (A full list of projects and costs can be found in the Appendix D). The capital costs for future years is determined by using the programmed/budgeted costs and inflating the value by the capital cost inflation factor shown in Table 3-1. The District plans to use a mix of debt and cash to fund its planned capital improvement program as shown in Figure 6-1.

\$6,685,510 \$6,921,695 \$6,461,608 \$6,666,594 \$7,015,288 \$7,240,562

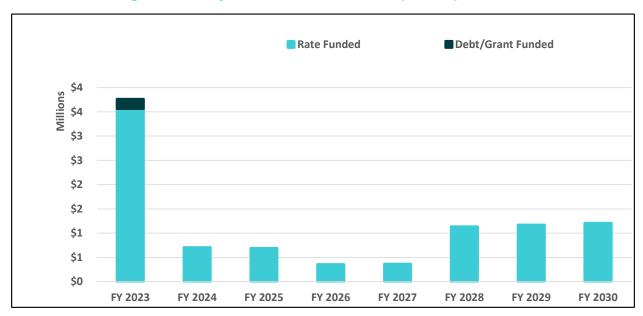


Figure 6-1: Projected Wholesale Zone Capital Expenditures

6.2. Wholesale Zone Financial Plan

6.2.1. Status Quo Wholesale Zone Financial Plan

Figure 6-2 displays the projected ending balances of the District's Wholesale Zone under current rates over the study period. All projections shown in the figure are based upon the District's current rate structure and do not include rate adjustments. The figure incorporates the data shown in Table 6-1 through Table 6-4 and Figure 6-1. Under the "status-quo" scenario, revenues generated from current rates and other miscellaneous revenues are inadequate to sufficiently recover operating and capital expenses of the utility beyond the current rate-setting period. If rates are not adjusted now, future rate adjustments may need to be in the double-digits to bring the ending balance back to targeted reserve levels.

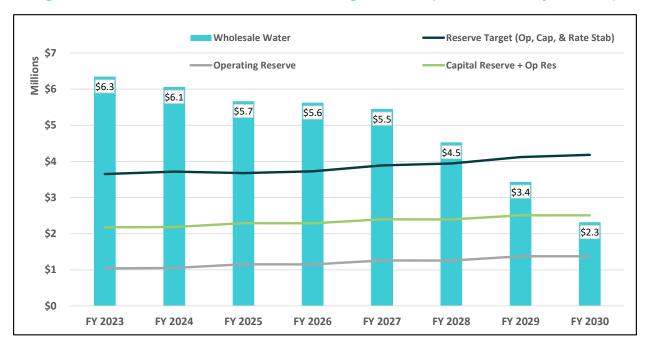


Figure 6-2: Status Quo Wholesale Zone Ending Balances (No Revenue Adjustments)

6.2.2. Proposed Wholesale Zone Financial Plan

The District passes through wholesale water purchase costs from MWDOC and the MWD. The District imposes two charges; a Ready to Serve Charge and a Capital Charge. The revenue adjustments for the Wholesale Zone apply to these two charges and are shown in Table 6-5. The revenue adjustments are to meet the target reserve requirement and maintain financial sufficiency for its expenses and other funding obligations.

Table 6-5: Proposed Wholesale Zone Revenue Adjustments

Fiscal	Effective	Proposed Revenue
Year	Month	Adjustments
2024	Jul	7.0%
2025	Jul	7.0%
2026	Jul	7.0%
2027	Jul	7.0%
2028	Jul	7.0%

Table 6-6 shows the Financial Plan for the Wholesale Zone with the proposed revenue adjustments shown above, as well as the pass-through water supply costs shown in the Source of Supply line. By implementing the proposed revenue adjustments, the District will draw less from its reserves and still be above its reserve target by the end of FY 2028.

Table 6-6: Wholesale Zone Proposed Financial Plan

	FV 2022	FV 2024	FV 2025	EV 2026	FV 2027	FV 2020
Revenues	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
	¢510.212	¢510.212	¢510.212	ĆE10 212	¢510 212	¢510 212
Operating Revenues	\$510,213	\$510,213	\$510,213	\$510,213	\$510,213	\$510,213
Source of Supply (Passthrough Charges)	\$5,387,010	\$5,609,414	\$5,026,210	\$5,235,683	\$5,454,400	\$5,682,818
Revenue Adjustments	\$0	\$35,715	\$73,930	\$114,820	\$158,572	\$205,387
Interest Income	\$47,100	\$31,096	\$29,667	\$29,063	\$29,218	\$27,396
Non-Operating Revenues (excluding interest)	\$1,170,100	\$1,182,631	\$1,195,300	\$1,208,108	\$1,221,057	\$1,234,148
Total Revenues	\$7,114,422	\$7,369,068	\$6,835,319	\$7,097,886	\$7,373,459	\$7,659,962
Expenses						
Source of Supply	\$5,387,010	\$5,609,414	\$5,026,210	\$5,235,683	\$5,454,400	\$5,682,818
Salaries & Benefits	\$519,600	\$541,753	\$564,831	\$588,076	\$611,231	\$635,301
Operations & Maintenance	\$410,100	\$429,986	\$450,844	\$472,722	\$495,671	\$519,744
General & Administrative	\$318,800	\$290,543	\$369,723	\$320,113	\$403,986	\$352,699
Total Expenses	\$6,635,510	\$6,871,695	\$6,411,608	\$6,616,594	\$6,965,288	\$7,190,562
Net Income before Debt, ADP, and CIP	\$478,913	\$497,373	\$423,711	\$481,292	\$408,172	\$469,400
Less: Debt Service	\$0	\$0	\$0	\$0	\$0	\$0
Less: Section 115 Pension Trust Contribution	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Less: CalPERS Additional Discretionary Payments	\$0	\$0	\$0	\$0	\$0	\$0
Less: PAYGO (Cash Funded Capital)	\$3,565,173	\$704,698	\$688,065	\$358,414	\$369,167	\$1,137,104
Net Increase / Decrease to Reserves	(\$3,136,261)	(\$257,326)	(\$314,354)	\$72,877	(\$10,995)	(\$717,703)
Reserves						
Beginning Balance	\$9,484,100	\$6,347,839	\$6,090,514	\$5,776,160	\$5,849,037	\$5,838,042
5 5	. , ,	. , ,	. , ,		. , ,	
Ending Balance (with Interest)	\$6,347,839	\$6,090,514	\$5,776,160	\$5,849,037	\$5,838,042	\$5,120,338
Operating Reserve Target	\$1,040,417	\$1,051,901	\$1,154,498	\$1,150,759	\$1,259,073	\$1,256,453
Capital Reserve Target	\$1,137,104	\$1,137,104	\$1,137,104	\$1,137,104	\$1,137,104	\$1,137,104
Rate Stabilization Target	\$1,474,306	\$1,529,907	\$1,384,106	\$1,436,474	\$1,491,153	\$1,548,258
Total Reserve Target	\$3,651,826	\$3,718,911	\$3,675,707	\$3,724,337	\$3,887,330	\$3,941,814

The operating financial plan, which incorporates both the District's current and proposed revenues, is shown graphically in for Figure 6-3 FY 2023 to FY 2030.

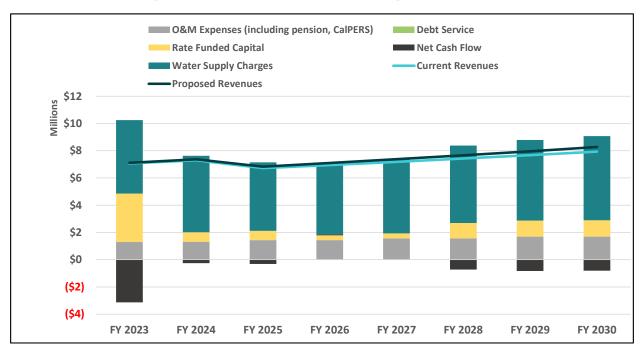


Figure 6-3: Wholesale Zone Operating Financial Plan

Figure 6-4 graphically depicts the District's reserve ending balances with the proposed revenue adjustments as well as the pass-through water supply costs after funding projected operational and capital expenditures for FY 2023 to FY 2030.

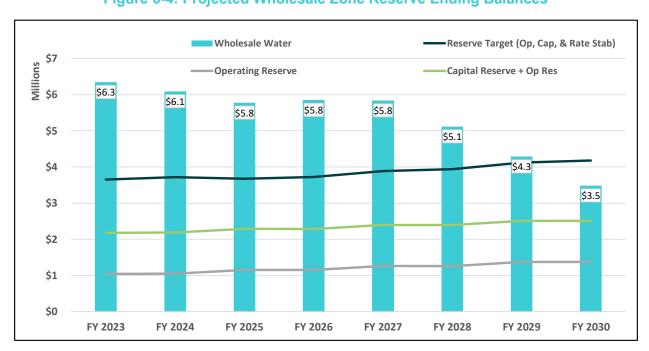


Figure 6-4: Projected Wholesale Zone Reserve Ending Balances

7. Wholesale Zone Cost-of-Service and Proposed Rates

Similar to the Retail Zone, the Wholesale Zone's rate-making process starts by determining the revenue requirement with a "test year" of FY 2024. The revenue requirement should sufficiently fund the utility's O&M, debt service, capital expenses, and reserve requirements. The annual cost of providing water service is then distributed among EOCWD's five service areas based on a per meter and a per equivalent meter basis.

7.1. Cost-of-Service Calculations

7.1.1. Revenue Requirement Determination

Table 7-1 shows the annual revenue requirement from rates in line 20 for FY 2024. The revenue requirements shown in Line 7 are equal to the O&M expense, debt service and capital expenses and come from Table 6-4 and Table 6-6. The other operating revenue comes from Table 6-2 and Table 6-48 and reduces the total revenue required from rates. The adjustment for cash is subtracted to account for the withdrawal from reserves to help cover revenue requirements. The revenue required from rates is equal to the revenue requirements (Line 7) less revenue offsets (Line 160) and adjustments (Line 19). The revenue requirement is divided between Operating, which is recovered through the Readiness to Serve charge and Capital, which is recovered through the Replacement Reserve charge.

⁸ The sum of Line 18 and Line 19 total the Source of Supply (Passthrough Charges) of Table 6-4.

Table 7-1: Annualized Revenue Requirements for FY 2024, Wholesale Zone

Line No.	Wholesale Zone Revenue Requirements (A)	Operating (B)	Capital (C)	Total (D)
1	Revenue Requirement	(6)	(0)	(D)
2	Source of Supply	5,609,414	0	5,609,414
3	Source of Supply (Passthrough) Subtotal	541,753	0	541,753
4	Salaries and Benefits Subtotal	429,986	0	429,986
5	Operations & Maintenance Subtotal	290,543	0	290,543
6	Rate Funded Capital	0	704,698	704,698
7	Total - Revenue Requirement	6,871,695	704,698	7,576,394
		1	0	1
8	Less: Other Operating Revenue / (Expense)			
9	Property Taxes	887,373	126,768	1,014,141
10	Rental Revenue	158,340	0	158,340
11	Interest Income	31,096	0	31,096
12	Miscellaneous Income	10,150	0	10,150
13	Volumetric Passthrough Expense	5,011,829	0	5,011,829
14	Fixed Charge Passthrough Expense	597,585	0	597,585
15	Section 115 Pension Trust Contribution	(50,000)	0	(50,000)
16	Total - Revenue Offsets	6,646,373	126,768	6,773,141
17	Less: Adjustments			
18	Adjustment for Cash Balance	0	257,326	257,326
19	Total - Adjustments	0	257,326	257,326
20	Revenue Required from Rates	225,322	320,605	545,927

7.1.2. Equivalent Meters

As with the Retail Zone, equivalent meters are used to equitably allocate costs. Larger meters can impose greater demands on the system and are more expensive to install, maintain, and replace than smaller meters. This study uses a hydraulic capacity (capacity) ratio to calculate units-of-service. The capacity ratio is based on meter hydraulic capacity and is calculated to represent the potential demand on the water system compared to the base meter size. A ratio of hydraulic capacity is calculated by dividing the capacity of a meter at a given size by the base meter capacity based on the maximum safe operating flow rates in gallons per minute (gpm). The base meter used in the study is the 3/4" meter.

Table 7-2 shows the meter capacity (Column I) and capacity ratio (Column J) for each meter size. The Total Meters (Column H) are multiplied by the ratios to determine the Equivalent Meters (Column K) at each size. Line 10 shows the total number of meters and the total equivalent meters.

Line AWWA Meter Total Capacity Equivalent **TUSTIN IRWD GSWC** ORANGE **EOCWD** No. Size **Meters** (gpm) Ratio Meters (C) (E) (K) (A) (B) (F) (H) **(I)** (J) 5/8" 9 10,255 10,255 1 10,019 68 159 20 1.0 2 3/4" 2,335 30 2,335 0 6 44 1,418 867 1.0 3 1" 3,181 234 2,162 870 295 6,742 50 1.7 11,237 4 1.5" 372 122 94 29 677 2,257 60 100 3.3 5 2" 409 5 655 132 103 6 160 5.3 3,493 3" 6 41 0 30 0 2 73 350 11.7 852 7 4" 62 1 0 0 1 64 630 21.0 1,344 8 6" 0 0 0 0 23 23 1,600 53.3 1,227 8" 0 9 1 0 0 0 2,800 93 93.3 10 **Total** 14,108 436 2,622 2,451 1,208 20,825 33,092

Table 7-2: Equivalent Meter Units, Wholesale Zone

7.1.3. Unit Cost Derivation

The units-of-service for the Wholesale Zone rates are the number of meters and equivalent meters shown in Table 7-2. These values are applied to the revenue requirements to determine the unit costs-of-service. Table 7-3 shows the derivation of the unit costs-of-service for the Readiness to Serve charge and the Replacement Reserve charge. The Readiness to Service charge shown in Line 11, Column B is the Operating Revenue Requirement in Line 8, Column B divided by the number of meters (Line 6, Column B). The Replacement Reserve charge shown in Line 11, Column C is the Capital Revenue Requirement in Line 8, Column C divided by the number of equivalent meters (Line 6, Column C). Raftelis has proposed that the Replacement Reserve charge be changed to an equivalent meter basis since capital costs and water system design is proportional to flow, and meter size is proportional to potential flow.

Table 7-3: Units-of-Service and Unit Costs-of-Service

1 2	TUSTIN	(B) 14,108	(C)
_			21,842
2	IRWD	436	918
3	GSWC	2,622	5,195
4	ORANGE	2,451	3,617
5	EOCWD	1,208	1,520
6	Total	20,825	33,092
7		Operating	Capital
8	Total Revenue Required	\$225,322	\$320,605
9		Ready to Serve	Replacement
9		Charge	Reserve
10		\$/meter	\$/equivalent
10		Ş/IIIetei	meter
	Line 8 / Line 6	\$10.82	\$9.69
11		\$8.50	\$16.00
10	Line 8 / Line 6	\$/meter \$10.82	\$/equivalen meter \$9.69

7.2. Proposed Wholesale Zone Charges

From the calculations in Table 7-3, the proposed charges are determined for the study period and shown in Table 7-4. The rates for FY 2024 are set by the cost-of-service analysis. Subsequent year (FY 2025 to FY 2028) rates are calculated by increasing the FY 2024 rates by the proposed revenue adjustments from Table 6-5 as shown in Table 7-4.

Table 7-4: Proposed 5-Year Wholesale Zone Water Rates and Charges

Proposed Rates	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Effective Date	Current Rate	Jul 2023	Jul 2024	Jul 2025	Jul 2026	Jul 2027
Revenue Adjustment						
Readiness to Serve Charge		COS	7.0%	7.0%	7.0%	7.0%
Replacement Reserve Fund Charge		COS	7.0%	7.0%	7.0%	7.0%
Readiness to Serve Charge						
Annual Charge, \$/meter	\$8.50	\$10.82	\$11.58	\$12.39	\$13.25	\$14.18
Replacement Reserve Fund Charge						
Meter Size						
5/8-Inch	\$16.00	\$9.69	\$10.37	\$11.09	\$11.87	\$12.70
3/4-Inch	\$16.00	\$9.69	\$10.37	\$11.09	\$11.87	\$12.70
1-Inch	\$16.00	\$16.15	\$17.28	\$18.49	\$19.78	\$21.17
1-1/2-Inch	\$16.00	\$32.29	\$34.55	\$36.97	\$39.56	\$42.33
2-Inch	\$16.00	\$51.67	\$55.29	\$59.16	\$63.30	\$67.73
3-Inch	\$16.00	\$113.03	\$120.94	\$129.41	\$138.47	\$148.16
4-Inch	\$16.00	\$203.45	\$217.69	\$232.93	\$249.24	\$266.68
6-Inch	\$16.00	\$516.70	\$552.87	\$591.57	\$632.98	\$677.29
8-Inch	\$16.00	\$904.23	\$967.53	\$1,035.26	\$1,107.72	\$1,185.26

8. Sewer Enterprise Financial Plan

8.1. Sewer Revenue Requirement

This section of the report provides a discussion of the financial plan required to ensure the fiscal sustainability and solvency of the Sewer enterprise.

8.1.1. Sewer Zone Revenues

The District's current Sewer rates were last updated in August 1, 2016. The residential rates consist of a single flat, annual charge per residential customer. The single-family rate also represents the minimum charge any customer will be billed. Non-residential customers are charged based on a property use classification factor applied to the single-family charge, which determines a unit cost per 1,000 square feet (sq. ft.) or unit. This schedule is shown in Appendix A.

Table 8-1: Current Sewer Rates

Customer	Annual Charge
Single Family	\$108.00
Multi Family	\$75.60/Dwelling unit

The projected and calculated revenues under these existing rates are shown in Table 8-2, and as with the Retail and Wholesale Zones, no dwelling unit growth is presumed to occur during the study period. Also shown are other revenues from different sources such as interest income and taxes.

Table 8-2: Projected Revenues from Current EOCWD Sewer Charges and Other Revenues

Revenue Categories	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Rate Revenue Under Existing Rates	\$3,181,900	\$3,181,900	\$3,181,900	\$3,181,900	\$3,181,900	\$3,181,900
Other Revenue						
Sewer Permits & FOG Renewals	\$47,600	\$48,314	\$49,039	\$49,774	\$50,521	\$51,279
Interest Income(1)	\$264,200	\$36,659	\$34,914	\$39,082	\$40,085	\$37,714
Property Taxes	\$405,700	\$409,757	\$413,855	\$417,993	\$422,173	\$426,395
Miscellaneous Income	\$21,000	\$21,315	\$21,635	\$21,959	\$22,289	\$22,623
Total Revenues	\$3,920,400	\$3,697,945	\$3,701,342	\$3,710,708	\$3,716,968	\$3,719,910

⁽¹⁾ Based on including revenue adjustments.

8.1.2. Sewer O&M Expenses

The inflation factors from Table 3-1 were assigned to each line item of the District's FY 2023 budget to determine future O&M costs for the Sewer enterprise. Raftelis worked closely with District staff to identify any non-recurring costs and other anticipated expenses for the study period. Table 8-3 summarizes the budgeted and projected O&M expenses for the District's Sewer enterprise during the study period.

FY 2023 FY 2027 FY 2028 Line Items FY 2024 FY 2025 FY 2026 **Operating Expenses** Budgeted Projected Projected Projected Projected Projected Salaries and Benefits Subtotal \$1,346,700 \$1,401,937 \$1,459,422 \$1,518,451 \$1,578,821 \$1,641,594 Operations & Maintenance Subtotal \$307,200 \$322,301 \$338,147 \$354,776 \$372,227 \$390,541 General & Administrative Subtotal \$357,200 \$330,938 \$412,216 \$364,810 \$451,001 \$402,151 **Total Operating Expenses** \$2,011,100 \$2,055,175 \$2,209,785 \$2,238,038 \$2,402,049 \$2,434,286 Other Non-Operating Expenses \$50,000 Section 115 Pension Trust Contribution \$50,000 \$50,000 \$50,000 \$50,000 \$50,000 \$50,000 \$50,000 **Total Non-Operating Expenses** \$50,000 \$50,000 \$50,000 \$50,000 **Total Operating & Non-Operating Expenses** \$2,061,100 \$2,105,175 \$2,259,785 \$2,288,038 \$2,452,049 \$2,484,286

Table 8-3: Budgeted and Projected O&M Costs, Sewer

8.1.3. Projected Capital Improvements, Sewer

Figure 8-1 shows the annual budgeted and projected capital expenditures for FY 2023 – FY 2030 for the Sewer enterprise. (A full list of projects and costs can be found in the Appendix E). The capital costs for future years are determined by using the programmed/budgeted costs and inflating by the capital cost inflation factor shown in Table 3-1. The District plans to use cash and reserves to fund its planned capital improvement program.

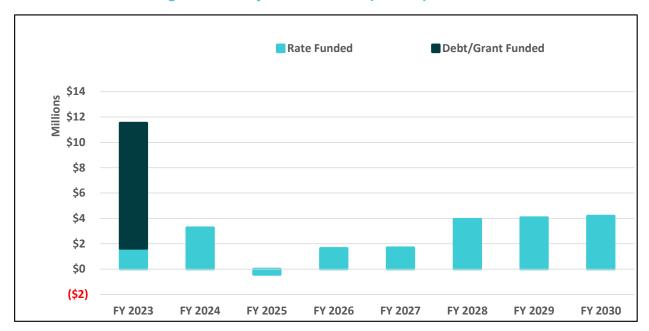


Figure 8-1: Projected Sewer Capital Expenditures

8.2. Sewer Financial Plans

8.2.1. Status Quo Sewer Financial Plan

Figure 8-2 displays the Sewer enterprise's projected ending fund balances under current rates over the rate-setting period. All projections are based upon the District's current rate structure and do not include any rate adjustments. The table incorporates the data shown in Table 8-1 through Table 8-3 and Figure 8-1.

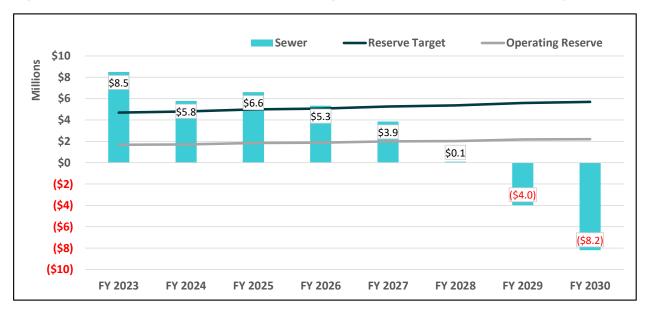


Figure 8-2: Status Quo Wholesale Zone Ending Fund Balances (No Revenue Adjustments)

Under the "status-quo" scenario, revenues generated from current rates and other miscellaneous revenues are inadequate to sufficiently recover operating and capital expenses of the utility as shown by the erosion of the fund balance. Additionally, the fund is almost run to \$0 in FY 2028.

8.2.2. Proposed Sewer Financial Plan

The Sewer enterprise needs additional revenue adjustments, as shown in Table 8-4, to meet the target reserve requirements and maintain financial sufficiency for its expenses and other funding obligations. Sewer rates have not been adjusted since 2016, when they were reduced by half from then current levels.

Fiscal Year	Effective Month	Proposed Revenue Adjustments
2024	Jul	12.0%
2025	Jul	12.0%
2026	Jul	12.0%
2027	Jul	12.0%
2028	Jul	12.0%

Table 8-4: Proposed Sewer Revenue Adjustments

Table 8-5 shows the Financial Plan for the Sewer enterprise with the proposed revenue adjustments shown above. By implementing the proposed revenue adjustments, the District will still need to draw upon its reserves, but will be able to meet target reserve levels in all years.

Table 8-5: Wholesale Zone Proposed Financial Plan

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Revenues						
Operating Revenues	\$3,181,900	\$3,181,900	\$3,181,900	\$3,181,900	\$3,181,900	\$3,181,900
Revenue Adjustments	\$0	\$381,828	\$809,475	\$1,288,440	\$1,824,881	\$2,425,695
Sewer Permits & FOG Renewals	\$47,600	\$48,314	\$49,039	\$49,774	\$50,521	\$51,279
Interest Income	\$264,200	\$36,659	\$34,914	\$39,082	\$40,085	\$37,714
Non-Operating Revenues (excluding interest)	\$426,700	\$431,072	\$435,489	\$439,952	\$444,462	\$449,018
Total Revenues	\$3,920,400	\$4,079,773	\$4,510,817	\$4,999,149	\$5,541,849	\$6,145,605
Expenses						
Salaries & Benefits	\$1,346,700	\$1,401,937	\$1,459,422	\$1,518,451	\$1,578,821	\$1,641,594
Operations & Maintenance	\$307,200	\$322,301	\$338,147	\$354,776	\$372,227	\$390,541
General & Administrative	\$357,200	\$330,938	\$412,216	\$364,810	\$451,001	\$402,151
Total Expenses	\$2,011,100	\$2,055,175	\$2,209,785	\$2,238,038	\$2,402,049	\$2,434,286
Net Income before Debt, ADP, and CIP	\$1,909,300	\$2,024,597	\$2,301,032	\$2,761,111	\$3,139,800	\$3,711,319
Less: Debt Service	\$1,035,981	\$1,036,157	\$1,035,965	\$1,036,205	\$1,036,058	\$1,035,526
Less: Section 115 Pension Trust Contribution	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Less: PAYGO (Cash Funded Capital)	\$1,627,508	\$3,267,999	(\$416,432)	\$1,639,091	\$1,688,263	\$3,939,847
Net Increase / Decrease to Reserves	(\$804,189)	(\$2,329,559)	\$1,631,499	\$35,816	\$365,478	(\$1,314,054)
Reserves						
Beginning Balance	\$9,300,700	\$8,496,511	\$6,166,952	\$7,798,451	\$7,834,267	\$8,199,745
Ending Balance (with Interest)	\$8,496,511	\$6,166,952	\$7,798,451	\$7,834,267	\$8,199,745	\$6,885,691
Operating Reserve Target	\$1,675,917	\$1,712,646	\$1,841,487	\$1,865,032	\$2,001,707	\$2,028,572
Capital Reserve Target	\$2,020,124	\$2,080,728	\$2,143,150	\$2,207,445	\$2,273,668	\$2,341,878
Rate Stabilization Target	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
Total Reserve Target	\$4,696,041	\$4,793,374	\$4,984,638	\$5,072,476	\$5,275,375	\$5,370,450

The operating financial plan, which incorporates both the District's current and proposed revenues, is shown graphically in Figure 8-3 for FY 2023 to FY 2030.

O&M Expenses (including pension, CalPERS) Debt Service **Rate Funded Capital** Net Cash Flow \$8 \$6 \$4 \$2 \$0 (\$2) (\$4) FY 2023 FY 2024 FY 2025 FY 2026 FY 2027 FY 2028 FY 2029 FY 2030

Figure 8-3: Sewer Operating Financial Plan

Figure 8-4 graphically depicts the District's reserve ending balances with the proposed revenue adjustments after funding projected operational and capital expenditures for FY 2023 to FY 2030.



Figure 8-4: Projected Sewer Reserve Ending Balances

8.3. Proposed Sewer Rates

This study maintains the prior rate structure, which is based on the flow estimates from each customer class. Therefore, the charges shown in Table 8-6 for FY 2024 are the current rates multiplied by the annual revenue adjustment. The charges for FY 2025 through FY 2028 are the prior year's charges multiplied by the annual revenue adjustment. The property use classification class multipliers would stay the same as shown in Appendix A.

FY 2028 **Proposed Rates** FY 2023 FY 2024 FY 2025 FY 2027 FY 2026 **Effective Date Current Rate** Jul 2023 Jul 2024 Jul 2025 Jul 2026 Jul 2027 Adjustment (%) 0.0% 12.0% 12.0% 12.0% 12.0% 12.0% Single-Family \$108.00 \$120.96 \$135.48 \$151.73 \$169.94 \$190.33 \$75.60 **Multi-Family** \$84.67 \$94.83 \$106.21 \$118.96 \$133.23

Table 8-6: Current and Proposed Sewer Rates

9. Customer Impact Analysis

The proposed revenue adjustments are different from customer bill impacts.

9.1. Retail Water Bill Impacts

15

Double Median

72

Table 9-1 depicts the monetary impact to a typical single-family residential retail water customer with a 3/4-inch meter and for a 1" meter and for a non-residential retail water customer with a 3/4" meter under the proposed rate structure shown in Table 5-13 (for FY 2024 rates). Since the District issues bi-monthly bills, the impact is shown on a bi-monthly basis.

Table 9-1: Sample Bi-Monthly Retail Water Bills Comparison, FY 2024

Line No.	Single Family Residential 3/4"	Usage (ccf)	Current Bi-Mo Bill	Proposed Bi-Mo Bill	Annual Impact	Bi-Monthly Bill Impact (%)	Bi-Monthly Bill Impact (\$)	% Bills At or Below
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
1	Low Volume	8	173.10	\$204.30	\$187.18	18.0%	\$31.20	13%
2		20	233.94	\$257.64	\$142.21	10.1%	\$23.70	31%
3	Median Bi-Mon	32	294.78	\$310.99	\$97.25	5.5%	\$16.21	49%
4		36	315.06	\$328.77	\$82.26	4.4%	\$13.71	55%
5	Double Median	64	457.02	\$453.24	-\$22.66	-0.8%	(\$3.78)	82%
Line No.	Single Family Residential 1"	Usage (ccf)	Current Bi-Mo Bill	Proposed Bi-Mo Bill	Annual Impact	Bi-Monthly Bill Impact (%)	Bi-Monthly Bill Impact (\$)	% Bills At or Below
	(A)	(B)	(C)	(D)	(H)	(E)	(F)	(G)
6	Low Volume	8	218.08	\$204.30	-\$82.70	-6.3%	(\$13.78)	10%
7		20	278.92	\$257.64	-\$127.67	-7.6%	(\$21.28)	23%
8	Median Bi-Mon	45	405.67	\$368.78	-\$221.35	-9.1%	(\$36.89)	58%
0								
9		36	360.04	\$328.77	-\$187.62	-8.7%	(\$31.27)	46%
9 10	Double Median	36 64	360.04 502	\$328.77 \$453.24	-\$187.62 -\$292.54	-8.7% -9.7%	(\$31.27) (\$48.76)	46% 73%
_	Double Median			•	•	-9.7%	(\$48.76)	
_	Double Median Non-SFR 3/4"			•	•		(\$48.76) Bi-Monthly Bill Impact	
10		64 Usage	502 Current	\$453.24 Proposed	-\$292.54 Annual	-9.7% Bi-Monthly Bill Impact	(\$48.76)	73% % Bills At
10	Non-SFR 3/4"	Usage (ccf)	502 Current Bi-Mo Bill	\$453.24 Proposed Bi-Mo Bill	-\$292.54 Annual Impact	-9.7% Bi-Monthly Bill Impact (%)	(\$48.76) Bi-Monthly Bill Impact (\$)	73% % Bills At or Below
10 Line No.	Non-SFR 3/4" (A)	Usage (ccf)	502 Current Bi-Mo Bill (C)	\$453.24 Proposed Bi-Mo Bill (D)	-\$292.54 Annual Impact (H)	-9.7% Bi-Monthly Bill Impact (%) (E)	(\$48.76) Bi-Monthly Bill Impact (\$) (F)	73% % Bills At or Below (G)
Line No.	Non-SFR 3/4" (A)	64 Usage (ccf) (B) 12	Current Bi-Mo Bill (C) 193.38	\$453.24 Proposed Bi-Mo Bill (D) \$222.08	-\$292.54 Annual Impact (H) \$172.19	-9.7% Bi-Monthly Bill Impact (%) (E) 14.8%	(\$48.76) Bi-Monthly Bill Impact (\$) (F) \$28.70	73% % Bills At or Below (G) 9%

Figure 9-1 shows a graphical comparison of FY 2024 single family retail bills based on a ³/₄" meter for different bi-monthly usage.

\$488.81

-\$52.64

-1.8%

(\$8.77)

91%

497.58

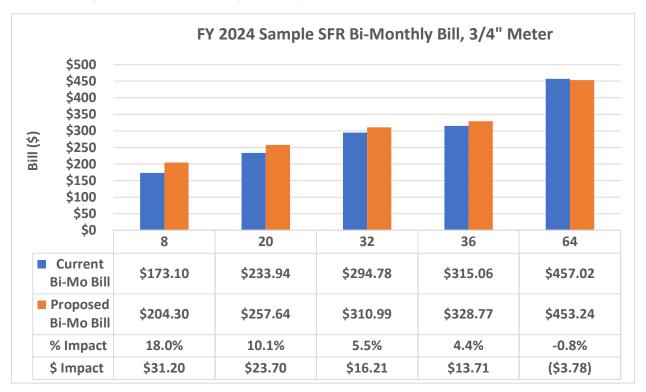


Figure 9-1: Sample Single Family Residential Bill Comparison, FY 2024

9.2. Wholesale Bill Impacts

The proposed wholesale water bills include a change from the annual capital improvement charge from being a flat per meter charge to a meter-size based charge. Figure 9-2 presents a comparison of FY 2024 total bills based on proposed rates compared to current rates.

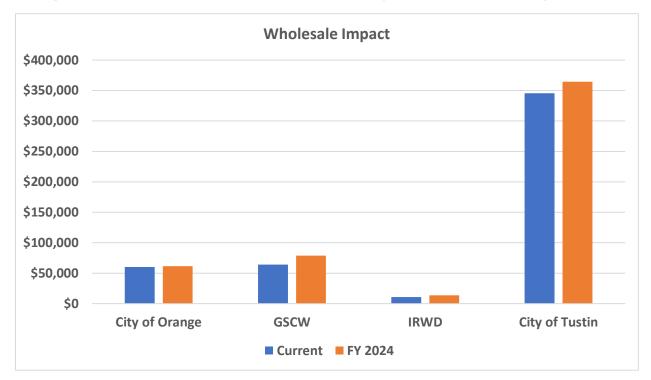


Figure 9-2: Sample Wholesale Water Bill Impact by Wholesale Community, FY 2024

9.3. Sewer Customer Bill Impacts

Table 9-2 presents a comparison of sample annual sewer bills for residential customers between the current rates and proposed rates.

Use Code	Land Use Type	Number of Units	Current	FY2024	Annual Impact	Annual Impact
2	One Residence	1	\$108.00	\$120.96	\$12.96	12%
12	4 units only	4	\$302.40	\$338.69	\$36.29	12%
15	26-40 units	32	\$2,419.20	\$2,709.50	\$290.30	12%

Table 9-2: Sample Residential Sewer Bills Comparison, FY 2023

Table 9-3 shows bill impacts for a variety of common non-residential properties give an average square footage for the property type based on billing records.

Table 9-3: Sample Non-Residential Sewer Bills Comparison, FY 2024

					Annual	Annual
Use Code	Land Use Type	Avg. Sqft.	Current	FY2024	Impact	Impact
50	Single Medical bldgs to 3 stories	4,120	\$525,053	\$588,059	\$63,006	12%
65	Single Office bldgs to 3 stories	9,882	\$426,902	\$478,131	\$51,228	12%
90	High Demand Center	18,009	\$2,898,008	\$3,245,769	\$347,761	12%
107	Light Industiral - Single Tenant	37,865	\$1,226,826	\$1,374,045	\$147,219	12%
110	Warehouse-Single Tenant	26,439	\$314,095	\$351,787	\$37,691	12%
111	Warehouse-Mult Tenant	7,043	\$83,671	\$93,711	\$10,041	12%
118	Govt use	257	\$21,927	\$24,559	\$2,631	12%

10. Capacity Fees

This section discusses the review and development of updated water and sewer capacity fees for the District.

10.1. Methodology

In California, the basic statutory standards governing water and sewer connection, or capacity, fees are embodied in Government Code Sections 66013 et seq. (The Mitigation Fee Act). An important requirement in designing connection fees is enumerated in Government Code 66013, which requires that connection fees must be based on an estimate of the reasonable cost of providing capacity. Thus, the primary objectives of establishing full cost recovery connection fees are to achieve equity in distributing costs and to provide a mechanism by which new users can pay for the cost of the facilities required to serve them, without burdening existing users. In short, the goal of full cost recovery connection fees is to ensure that growth pays its own way.

Several methods exist to calculate development impact fees. Three main computational approaches are discussed below.

10.1.1. Equity Buy-in Method

The buy-in concept is based on the premise that new users buy into the system and achieve a financial position that is on par with other existing users of the system. In publicly owned systems, most of the assets used to provide service are paid for by users through a system of rates, charges and taxes. In service areas that experience growth in customers and in quantity of service provided, it is generally true that facilities used by previous customers now serve existing customers. Thus, it is the existing customers who have made the "upfront" investment in the existing system capacity including the unused or "surplus" capacity that is available to serve newly connecting customers.

To foster equity between existing and new users, the new users pay for the cost or value associated with equity of the existing user. If the existing system has 100 units of use and the new user requires one unit of use, then the new user would pay for 1/100 of the value of the existing system. This approach is termed the "equity buy-in" method because by paying for the required capacity, the new user buys into the existing system and thereby achieves financial parity with other existing users. Together, the new and existing users will face future capital challenges on equal footing since equivalent investments have been made. This method is applicable in situations where the existing system has adequate surplus capacity and does not require major upgrades or improvements.

10.1.2. Incremental Cost Method

The incremental method is based on the premise that new development (new users) should pay for the additional capacity and expansions necessary to serve the new development. This method is typically used where there is little or no capacity available to accommodate growth and expansion is needed to service the new development. Under the incremental method, growth-related capital improvements are allocated to new development based on their estimated usage or capacity requirements, irrespective of the value of past investments made by existing customers.

For instance, if it costs X dollars (\$X) to provide 100 additional EDUs of capacity for average usage and a new connector uses one of those equivalent units, then the new user would pay \$X/100 to connect to the system. In other words, new customers pay the incremental cost of capacity. As with the equity buy-in approach, new connectors will effectively acquire a financial position that is on par with existing customers. Use of this method is generally considered to be most appropriate when a significant portion of the capacity required to serve new customers must be provided by the construction of new facilities.

10.1.3. Hybrid

The hybrid approach is typically used where some capacity is available to serve new growth but additional expansion is still necessary to accommodate new development. Under the hybrid approach the capacity fee is based on the summation of the existing capacity and any necessary expansions. In utilizing this methodology, it is important that system capacity costs are not double counted when combining costs of the existing system with future costs from the capital improvement program. Capital costs associated with repair and replacement of the existing system should not be included in the calculation, unless specific existing facilities that will be replaced through the capital improvement program can be isolated and removed from the existing asset inventory and cost basis. In this case, the rehabilitative costs of the capital projects essentially replace the cost of the relevant existing assets in the existing cost basis. Capital improvements that expand system capacity to serve future customers may be included proportionally to the percentage of the cost specifically required for expansion of the system.

10.1.4. Proposed Approach

The approach used in determining capacity fees needs to reflect the system characteristics in addition to meeting regulatory requirements and policy considerations. In determining the District's capacity fees, we recommend the equity buy-in method for the retail water, wholesale water, and sewer systems.

For the equity buy-in approach, we used the replacement cost less depreciation (RCLD) method to determine the value of the system. This method considers the cost to build new facilities but recognizes that capacity available in existing facilities is not new and is adjusted for depreciation.

10.2. Water

10.2.1. Retail Capacity Fee

To determine the retail water system capacity cost (fee), Raftelis calculated the replacement cost (RC) of the backbone system as of December 2021 by inflating historical costs using the annual average ENR 20-City Construction Cost Index (CCI) for Los Angeles. To recognize that the system is not new, Raftelis subtracted the accumulated depreciation of those assets from the replacement cost to determine the value of the system, the RCLD. The RCLD of the system for the mid-point of FY 2022 is shown in Line 2 of Table 10-1.

When new users join the system, they will benefit from the District's cash reserves and be responsible for debt payments. We therefore add cash reserves (Line 4) and subtract the principal (Line 3) still owed on the District's outstanding bonds and loans.

Once the value of the system is determined (Line 5), we divide by the number of existing equivalent retail meters (Line 6) to determine the capacity fee. The resultant fee for an equivalent 3/4-inch meter is shown in Table 10-1, Line 7. For comparison, the current rate is shown in Line 8.

Table 10-2 presents the existing and proposed capacity fees for new retail water customers. The same equivalent meter capacity ratios used in Table 5-7 are used for this calculation.

Table 10-1: Retail Water Capacity Fee Calculation

Line No.	Line Item	Equity Buy-In
1		RCLD-Total
2	Total Backbone System Value	\$7,938,878
3	Less Outstanding Debt Principal	\$4,035,600
4	Cash on Hand	\$8,313,421
5	FY 2022 System Value	\$12,216,699
6	Number of Equivalent Meters (EM)	1,525
7	Capacity Fee for 5/8" Meter (1 EM)	\$8,011
8	Current Fee	\$6,103

Table 10-2: Proposed and Existing Retail Water Capacity Fees

		EM	Proposed	Existing	Percent
Line No.	By Meter Size	Capacity Ratio	Fees	Fees Fees	
1	5/8"	1.0	\$8,011	\$6,103	31.3%
2	3/4"	1.0	\$8,011	\$6,103	31.3%
3	1"	1.7	\$13,352	\$10,171	31.3%
4	1 1/2"	3.3	\$26,703	\$20,342	31.3%
5	2"	5.3	\$42,725	\$32,547	31.3%
6	3"	11.7	\$93,462	\$71,196	31.3%

10.2.2. Wholesale Capacity Fee

The wholesale backbone system capacity cost was calculated in the same manner as the retail water backbone cost. The wholesale backbone system RCLD for the mid-point of FY 2022 is shown in Line 2 of Table 10-3.

When new users join the system, they will benefit from the District's cash reserves and be responsible for debt payments. We therefore add cash reserves (Line 4) and subtract the principal (Line 3) still owed on the District's outstanding bonds and loans.

Once the value of the system is determined (Line 5), we divide by the number of existing equivalent retail meters (Line 6) to determine the capacity fee. The resulting fee for an equivalent 3/4-inch meter is shown in Table 10-3, Line 7. For comparison, the current rate is shown in Line 8.

Table 10-4 presents the existing and proposed capacity fees for new wholesale water customers. The same equivalent meter capacity ratios used in Table 5-7 are used for this calculation.

Table 10-3: Wholesale Water Capacity Fee Calculation

Line No.	Line Item	Equity Buy-in
1		RCLD-Total
2	Total Backbone System Value	\$26,222,202
3	Less Outstanding Debt Principal	\$0
4	Add Cash on Hand	\$9,484,100
5	FY 2022 System Value	\$35,706,302
6	Number of Equivalent Meters (EM)	33,092
7	5/8" Meter Capacity Fee (line 5 / line 6)	\$1,079
8	Current Fee	\$952

Table 10-4: Proposed and Existing Wholesale Water Capacity Fees

		EM	M Proposed		Percent
Line No.	By Meter Size	Capacity Ratio	Fees	Fees	Difference
1	5/8"	1.0	\$1,079	\$952	13.3%
2	3/4"	1.0	\$1,079	\$952	13.3%
3	1"	1.7	\$1,798	\$1,586	13.4%
4	1 1/2"	3.3	\$3,597	\$3,173	13.4%
5	2"	5.3	\$5,755	\$5,076	13.4%
6	3"	11.7	\$12,588	\$11,103	13.4%
7	4"	21.0	\$22,659	\$19,986	13.4%
8	6"	53.3	\$57,547	\$50,856	13.2%
9	8"	93.3	\$100,707	\$88,828	13.4%
10	10"	140.0	\$151,060	\$133,243	13.4%

10.3. Sewer

The sewer backbone system capacity cost was calculated in the same manner as the retail water backbone cost. The sewer backbone system RCLD for the mid-point of FY 2022 is shown in Line 2 of Table 10-5.

When new users join the system, they will benefit from the District's cash reserves and be responsible for debt payments. We therefore add cash reserves (Line 4) and subtract the principal (Line 3) still owed on the District's outstanding bonds and loans.

Once the value of the system is determined (Line 5), we divide by the number of existing equivalent dwelling units (Line 6), as provided by the District, to determine the capacity fee. The result fee for an equivalent dwelling unit is shown in Table 10-5, Line 7.

Table 10-6 presents the existing and proposed capacity fees for new sewer customers. The District has added or upgrade a significant amount of assets since the last capacity fee study was conducted.

Table 10-5: Sewer Capacity Fee Calculation

Line No.	Line Items	Equity Buy-In
1		RCLD-Total
2	Total Backbone System Value	\$308,790,469
3	Less Outstanding Debt Principal	\$16,142,400
4	Cash on Hand	\$9,300,700
5	FY 2022 System Value	\$301,948,769
6	Total Estimated Equivalent EDUs	28,491
7	Buy-in Unit Charge per EDU	\$10,598

Table 10-6: Proposed and Existing Sewer Capacity Fees

Line No.	Proposed and Existing Sewer Capacity Fee	
1	Proposed Sewer Capacity Fee (per EDU)	\$10,598
2	Old 2020 Sewer Capacity Fee (per EDU)	\$2,469
3	% Difference	329%

APPENDIX A:

Non-Residential Sewer Rates

Table A-1: Non-Residential Property Type Multiplier and Unit Rates

Accessor Use Code	Customer Type	Multiplier	per 1,000 sqft or Unit
1	Vacant Land Parcel	0%	\$0.00
2	One Residence	100%	\$108.00
3	Two or More SFR	70%	\$75.60
4	Misc. Improvement	71%	\$76.68
5	Common Area Parcel	0%	\$0.00
6	"Hold" parcel	0%	\$0.00
7	Mobile Home	50%	\$54.00
8	Equiv to Vacant	0%	\$0.00
10	Duplex Only	70%	\$75.60
11	Triplex Only	70%	\$75.60
12	4 units only	70%	\$75.60
13	5 to 6 units	70%	\$75.60
14	17 to 25 units	70%	\$75.60
15	26-40 units	70%	\$75.60
16	41-99 units	70%	\$75.60
17	100+ units	70%	\$75.60
18	A Mix of Forms	70%	\$75.60
19	SFR with 1 or 2 Rentals	71%	\$76.68
20	Amusement Parks	138%	\$149.04
21	Auto Dealership	39%	\$42.12
22	Auto Repair Shop	39%	\$42.12
23	Auto Service	39%	\$42.12
24	Used Car Lot	39%	\$42.12
26	Airport and Related	56%	\$60.48
28	Bowling Alleys	71%	\$76.68
29	Conventional Car Wash	1425%	\$1,539.00
30	Coin Operated Car Wash	252%	\$272.16
32	Cemetery & Related	56%	\$60.48
33	Church Buildings	20%	\$21.60
34	Dormitory	99%	\$106.92
35	Entertainment Center	138%	\$149.04
36	Financial Buildings	39%	\$42.12
37	Fraternal bldgs	49%	\$52.92
38	Funeral Home	56%	\$60.48
39	Golf Course	39%	\$42.12
40	Health Club	33%	\$35.64
42	Hospital	100%	\$108.00
43	Hoteumotel	109%	\$117.72
44	Lumber/Const. Material Yard	18%	\$19.44

Accessor Use Code	Customer Type	Multiplier	per 1,000 sqft or Unit
45	Marinas	56%	\$60.48
47	Supermarket	84%	\$90.72
48	Convenience Market	44%	\$47.52
50	Single Medical bldgs to 3 stories	118%	\$127.44
51	Small Medical Center	118%	\$127.44
52	Medical Center Complex	118%	\$127.44
53	High Rise Medical	118%	\$127.44
54	Converted Residence to Medical	118%	\$127.44
55	Mobile Home Park	52%	\$56.16
56	Hoteumotel	109%	\$117.72
57	Motorcycle/Small Vehile bldg	39%	\$42.12
58	Nurseries (plants)	9%	\$9.72
60	Nursing Home	103%	\$111.24
61	Convalescent Hospital	99%	\$106.92
62	Converted Res. used as Nursing	103%	\$111.24
63	Ligh Rice Retirement bldg	108%	\$116.64
64 65	High Rise Retirement bld	108%	\$116.64
65 66	Single Office bldgs to 3 stories Small Office Center	40% 40%	\$43.20 \$43.20
67	Office Complex	40%	\$43.20 \$43.20
68	High Rise Office	39%	\$43.20
69	Converted Res. to Office	40%	\$43.20
71	Parking Garage	18%	\$19.44
72	Paved Parking Lot	18%	\$19.44
73	Recreation	138%	\$149.04
74	Recreation Vehicle Park	23%	\$24.84
76	Restaurant - Low Demand	212%	\$228.96
77	Restaurant - Coffee Shop	424%	\$457.92
78	Restaurant - Dinner House	424%	\$457.92
79	Restaurant - Conversion from SFR	424%	\$457.92
81	Pre-schools, Nursery, or Care	80%	\$86.40
82	Private Schools	80%	\$86.40
83	Auto Service Station	39%	\$42.12
84	Marine Service Station	39%	\$42.12
85	Combined: Serv stn/Restaurant	42%	\$45.36
86	Comb: Servie st/Convenience mkt	39%	\$42.12
88	Low Demand Center	36%	\$38.88
89	Avg Demand Center	92%	\$99.36
90	High Demand Center	149%	\$160.92
92	Skating Rinks	71%	\$76.68
94	Department Store	22%	\$23.76
95	Discount Store	22%	\$23.76
96	Unattached Single Store	22%	\$23.76
97	Strip Store	22%	\$23.76

Accessor Use Code	Customer Type	Multiplier	per 1,000 sqft or Unit
98	Store with Offices or Living Qrts.	80%	\$86.40
99	Store w/Office Upstairs	80%	\$86.40
100	Drive-in Theater	9%	\$9.72
101	Unattached Theatre	49%	\$52.92
103	Chemical Tank and Bulk Storage	100%	\$108.00
104	Food Processing Plant	100%	\$108.00
105	Cold Storage Plant	100%	\$108.00
106	Factory	100%	\$108.00
107	Light Industiral - Single Tenant	30%	\$32.40
108	Light Industrial - Multi Tenant	30%	\$32.40
109	Research and Dev.	30%	\$32.40
110	Warehouse-Single Tenant	11%	\$11.88
111	Warehouse-Mult Tenant	11%	\$11.88
112	Steel Building	5%	\$5.40
113	Mini-Warehouse	5%	\$5.40
114	Industrial Park	30%	\$32.40
115	Recreation Vehical Storage	11%	\$11.88
116	Truck Terminal	11%	\$11.88
118	Govt use	79%	\$85.32
119	Public Utility	100%	\$108.00
120	Water Mutual or Company	100%	\$108.00
121	Parcel of Minimal or No Value	0%	\$0.00
122	Subsurface Parcels	0%	\$0.00
124	OIU Mineral Rights	0%	\$0.00
125	Mineral Rights eq.	0%	\$0.00
126	Vacant Common Area-Imp Alloc	0%	\$0.00
201	Home Owners Exmeption Addition	0%	\$0.00
223	Laundromat	1563%	\$1,688.04
224	Nightclub	146%	\$157.68
225	USPO	28%	\$30.24
666	Unassigned Vacant	0%	\$0.00
777	Septic Tank Property	0%	\$0.00
888	Conversion-Composite Prop	100%	\$108.00

APPENDIX B:

Current Adopted Reserve Policy

RESOLUTION NO. 732

RESOLUTION OF THE BOARD OF DIRECTORS OF THE EAST ORANGE COUNTY WATER DISTRICT APPROVING RESERVE FUNDS POLICY

WHEREAS, key elements of prudent financial planning and fiscal responsibility are to ensure that sufficient funding is available for current operating, capital and debt service cost needs and to anticipate and prepare for future funding requirements as well as for unforeseen disasters and other unforeseen events; and

WHEREAS, the East Orange County Water District desires to set forth a policy for maintaining reserve funds within each of the District's separate enterprise funds (including the Wholesale System and Retail Zone operating funds and replacements and capital improvements funds and the wholesale emergency/contingency/reserve fund maintained within such enterprise funds) and within such other enterprise funds as the District may establish and maintain from time to time;

NOW, THEREFORE, the Board of Directors of the East Orange County Water District DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

<u>Section 1</u>. The Reserve Funds Policy of the East Orange County Water District is hereby approved in the form presented to the Board of Directors by the Treasurer. This policy shall remain in effect until it is amended or superseded by a subsequently adopted policy.

<u>Section 2</u>. The District's Accountant and other staff of the District are hereby authorized and directed to take steps to implement the directives as set forth in the Policy and make reports to the Board of Directors as described therein.

ADOPTED, SIGNED AND APPROVED this 27th day of February, 2014.

President

EAST ORANGE COUNTY WATER DISTRICT

and of the Board of Directors

Tran (D

thereof

Secretary

EAST ORANGE COUNTY WATER DISTRICT

and of the Board of Directors

thereof

STATE OF CALIFORNIA)
) ss
COUNTY OF ORANGE)

I, JOAN C. ARNESON, Secretary of the Board of Directors of the EAST ORANGE COUNTY WATER DISTRICT, do hereby certify that the foregoing Resolution No. 732 was duly adopted by the Board of Directors of said District at an adjourned Regular Meeting of said District held on February 27, 2014, and that it was so adopted by the following vote:

AYES:

BELL, DAVERT, DULEBOHN, EVERETT, VANDERWERFF

NOES:

NONE

ABSENT:

NONE

ABSTAIN:

NONE

EAST ORANGE COUNTY WATER DISTRICT and of the Board of Directors

thereof

East Orange County Water District Reserve Funds Policy

PURPOSE

A key element of prudent financial planning is to ensure that sufficient funding is available for current operating, capital and debt service cost needs. An additional critical element of fiscal responsibility is to anticipate and prepare for future funding requirements as well as for unforeseen disasters and other unforeseen events. The East Orange County Water District (District) will at all times strive to have sufficient funding available to meet its operating, capital, and debt service cost obligations. Reserve funds will be accumulated and maintained in a manner, which allows the District to fund costs consistent with long range financial and capital planning, avoiding significant rate fluctuations due to changes in cash flow requirements. Reserve funds will also include an emergency reserve position that may be utilized to fund unexpected disasters or unanticipated major failures. The Board of Directors will annually review the level of reserve funds maintained, including as provided in Resolution No. 595 (restating policy concerning maintenance and use of emergency/contingency/reserve ("ECR") fund and establishing replacements and capital improvements ("RCI") fund – wholesale system) and Resolution No. 596 (designating capital projects fund as replacements and capital improvements ("RCI") fund – retail zone, and restating policy concerning maintenance and use thereof) (the "Reserve Fund Resolutions").

The District shall maintain reserve funds within each of the separate enterprise funds (including the Wholesale System and Retail Zone operating funds and RCI funds and the Wholesale ECR Fund maintained within such enterprise funds) and within such other enterprise funds as the District may establish and maintain from time to time (ref. Resolution No. 669). This policy establishes the level of reserves necessary for maintaining the District's credit worthiness and for adequately providing for:

- Funding infrastructure replacement.
- Economic uncertainties and other financial hardships.
- Loss of significant revenue sources such as property tax receipts or connection fees.
- Local disasters or catastrophic events.
- Future debt or capital obligations.
- · Cash flow requirements.
- Unfunded mandates including costly regulatory requirements.
- Projects or programs, including litigation, that the Board has determined to be of significant benefit
 to the majority of the customers of the District.

DEFINITIONS:

Restricted Reserves: Restrictions on their use are imposed by an outside source such as creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Reserves: Have no externally imposed use restriction. The use of Unrestricted Reserve funds is at the discretion of the Board of Directors. There are two categories of Unrestricted Reserves - Designated and Undesignated. At the District, all Unrestricted Reserves are Designated Reserves.

Designated Reserves: Set-aside for a specific purpose, which is, determined by the Board of Directors. The Board of Directors also has the authority to redirect the use of these reserve funds as needs of the District change. These reserves have various names (e.g., Operating Reserve, Capital Reserve, etc.) to indicate the subgroup use for the specific reserve fund.

Capital Reserve Fund Charge (Wholesale): a fee or charge, which may from time to time be levied by the Board of Directors relative to wholesale water sales, connections, or otherwise in the wholesale system pursuant to Resolution No. 595, to provide funds necessary to contribute such amounts to the wholesale RCI, ECR or reserves within the wholesale enterprise funds as the Board may deem reasonable and proper.

Capital Projects Fee (Retail): The monthly fee, referred to in the schedule of rates as the "Monthly Fee for Existing Water System Capital Projects" or similar term, levied for the cost of repairing, rehabilitating, replacing and/or improving capital facilities in the Retail Zone water system.

POLICY

Operating Reserves

Operating reserves are used to fund ongoing cash flow needs of the agency. Due to the large variability in the month-to-month cash flow needs due to the seasonal demand for water, the minimum amount of operating reserves will equal ten (10) months of budgeted operating expenses. The maximum amount of operating reserves will equal twelve (12) months of operating expenses.

Capital Reserves

Capital reserves will be accumulated to fund infrastructure projects and will be an integral part of the District's capital plan documented in its Five-Year Capital Improvement Program, Ten-Year Forecast and Reserve Fund Resolutions. A key objective for accumulating capital reserves is to minimize external borrowing and interest expense. The minimum amount of capital reserves will equal one year's capital spending. The maximum amount of capital reserves will equal two times the accumulated depreciation balance.

It is the practice of the District, in regards to capital expenditures, to follow a "pay as you go (PAYGO)" philosophy. That is, capital expenditures are funded out of the current year collections of the Capital Reserve Fund Charge and/or Capital Projects Fee for all funds. To the extent that the current year's Capital Replacement/Reserve Fees plus capital reserves in a fund are insufficient to cover the District's Five-Year Capital Improvement Program, then the District will investigate alternative funding or rate adjustments.

The appropriate Capital Reserve Fund balances will be determined as follows:

- 1. Funds available from Capital Replacement Fees will be projected for five- and ten-year periods.
- 2. Capital expenditures will be projected for five- and ten-year periods.
- 3. The Capital Reserve will be the difference between the funds available (Item 1) and the funds required (Item 2), but no less than two times the accumulated depreciation balance.

Advances from any enterprise funds Capital Reserves may be made to meet expenses in another enterprise funds upon the determination of the Board of Directors of the need for the advance and satisfactory assurance of repayment, and upon such terms for repayment as the Board shall establish.

Self-Insurance and Litigation Reserves

The District is self-insured up to \$25,000 for each claim and maintains pooled property and liability insurance through the Association of California Water Agencies for claims up to \$2,000,000. Additionally, periodically the District may have extraordinary litigation expenses that exceed annual operating budget expenses. The minimum self-insurance and litigation reserve will equal \$500,000; the maximum self-insurance and litigation reserve will total \$5,000,000.

PROCEDURE FOR USING RESERVE FUNDS

Operating and Self-Insurance and Litigation Reserves

Operating and self-insurance reserves can be used at any time to meet cash flow requirements of District operations. Authority to use the funds will be consistent with the District's Purchasing Policy.

Capital Reserves

The Board of Directors will authorize use of capital reserves during the budget process. Capital reserves are also available for unplanned (unbudgeted) capital replacement. Authorization for the use of capital reserves for unplanned capital replacement will be consistent with the District's Purchasing Policy.

PROCEDURE FOR MONITORING RESERVE LEVELS

The Accountant shall perform a reserve analysis to be submitted to the Board of Directors upon the occurrence of the following events:

- · Board of Directors' deliberation of the annual budget;
- Board of Directors' deliberation of a service charge rate increase;
- Upon renewal of the self-insurance excess insurance coverage; or,
- When a major change in conditions threatens the reserve levels established within this
 policy.

If the analysis indicates projected or actual reserve levels falling 10% below or above the levels outlined in this policy, at least one of the following actions shall be included with the analysis:

- An explanation of why the reserve levels are not at the targeted level, and/ or
- An identified course of action to bring reserve levels within the minimum and maximum levels prescribed.

APPENDIX C:

Detailed Retail Zone Capital Improvement Projects

Proj. No.	•	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
21-01	VP Reservoir Replacement		\$1,000,000	\$0	\$0	\$0	\$0	\$0	\$0
21-02	RZ Valve Replacements	\$100,000	\$80,000	\$80,000	\$80,000	\$80,000	\$0	\$0	\$0
21-03	System Relocations / Pipeline Replacement	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$0	\$0	\$0
21-04	Barrett Reservoir Booster Pump Station Replacement	\$1,500,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-05	PFAS Treatment Facility	\$30,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-06	VanderWerff Well	\$3,860,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-08	Via Aventura 4" Replacement			\$100,000	\$0	\$0	\$0	\$0	\$0
21-09	Springwood Drive Pipeline Improvement	\$0	\$100,000	\$400,000	\$0	\$0	\$0	\$0	\$0
21-11	Brae Glen Pipeline Rehabilitation and Valve Replacement	\$350,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-12	Crawford Canyon Rd. 8" and 6" pipe replacement	\$0	\$0		\$200,000	\$550,000	\$0	\$0	\$0
21-28	Sedaru Upgrades	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-29	AWIA Project	\$33,333	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-30	UWMP Update	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-31	Retail Water Loss Control Program						\$0	\$0	\$0
21-45	SCADA System Improvements	\$264,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-49	Trailer Mounted Transfer Pump	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-01	Financial Software and Implementation	\$37,333	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-18	Orange Knoll PRV Station	\$130,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-20	Truck mounted vacuum	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-22	Abandon Pipe from El Roy Dr to Willis Lane	\$0	\$0	\$0	\$0	\$100,000	\$0	\$0	\$0
22-23	Skid Steer Tractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-25	RZ Master Plan Update	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-27	Connection to Los Timbres	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-28	East Well Pump and Motor	\$150,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-29	East Well Electrical	\$100,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-30	View Ridge New Valve	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-31	Barrett and Hinton Service Relocations	\$30,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-33	District Headquarters	\$326,012	\$326,012	\$170,768	\$0	\$0	\$0	\$0	\$0
22-35	Transfer Water Services to 12" Main, Abandon 4" Main - Fowler / Hewes	\$0	\$0	\$0	\$0	\$100,000	\$0	\$0	\$0
22-36	Replace 4" Pipe on Hewes Ave.	\$0	\$0	\$0	\$750,000	\$0	\$0	\$0	\$0
22-39	Barrett Lane CMLMC Steel Pipe Replacement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-40	Circula Panorama Pipeline Replacement / Conversion	\$1,000,000	\$1,000,000	\$0	\$0	\$0	\$0	\$0	\$0
22-41	Deleted	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-42	Replace 600' of 4" pipe on Kiersey Place	\$0	\$0	\$100,000	\$250,000		\$0	\$0	\$0
22-43	Replace 500' of 4" CMLMC pipe and install PRV Station to Zone III	\$50,000	\$250,000	\$0			\$0	\$0	\$0
22-44	Replace 500' of 4" CMLMC Steel Pipe along Smiley Dr.	\$0	\$0	\$0	\$200,000	\$550,000	\$0	\$0	\$0
22-45	Hydrant Replacements	\$60,000	\$32,000	\$32,000	\$32,000	\$32,000	\$0	\$0	\$0
22-48	Service Lateral Replacement	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$0	\$0	\$0
22-50	Emergency Connection Modifications	\$0	\$50,000	\$0	\$0	\$0	\$0	\$0	\$0
23-01	Dump truck for field ops	\$33,333	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23-01	RZ Update Water Specifications	\$50,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23-02	RZ Abandon West Well	\$150,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23-06	WZ RZ SCADA Phase 3	\$0	\$0	\$66,000	\$0	\$0	\$0	\$0	\$0
23-08	Skid Steer Trailer	\$15,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23-09	RZ Update Water Atlas	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23-10	RZ Barrett Reservoir Exterior Coating	\$30,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	RZ Daniger Pump Station upgrades	\$0	\$50,000	\$0	\$0	\$0	\$0	\$0	\$0
	Future Projects	\$0	\$0	\$0	\$0	\$0	\$740,660	\$740,660	\$740,660
	Total Retail - Uninflated		\$2,988,012				\$740,660	, ,	
	Total Retail - Inflated		\$3,077,652			. , ,	\$858,628	\$884,387	\$910,918
		/ /	. ,- ,	. , ,	. , . ,	. , . ,	,	,	

APPENDIX D:

Detailed Wholesale Zone Capital Improvement Projects

Proj. No.	Project	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
21-02	WZ Valve Replacements	\$75,000	\$50,000	\$50,000	\$50,000	\$50,000	\$0	\$0	\$0
21-03	System Relocations / Pipeline Replacement	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$0	\$0	\$0
21-28	Sedaru Upgrades	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-29	AWIA Project	\$33,333	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-30	UWMP Update	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-38	Newport Reservoir Roof Repair and Recoating	\$700,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-43	Walnut Vault Replacement	\$700,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-45	SCADA System Improvements	\$536,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-46	Hazard Mitigation Plan	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-50	SAC Pipeline Repairs	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-51	6MG Reservoir Geotechnical Evaluation		\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-01	Financial Software and Implementation	\$37,333	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-02	Fire Hydrant(s) on Handy Creek Road	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-12	Asphalt Repair at 6 MG Reservoir site	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-13	Asphalt Repair and seal at Andres Reservoir	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-14	Asphalt repair and seal at Newport Reservoir	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-15	Wharf head replacement - Rocking Horse Ridge	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-16	Pedestal Replacement at Chandler Ranch Turnout	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-17	Hydrant relocation at Jamboree	\$100,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-20	Truck mounted vacuum	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-21	OC70 Spare Pump	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-23	Skid Steer Tractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-24	WZ Master Plan Update	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-33	District Headquarters	\$356,173	\$356,173	\$186,567	\$0	\$0	\$0	\$0	\$0
22-34	6MG Reservoir Replacement	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$0	\$0	\$0
22-45	Hydrant Replacements	\$15,000	\$8,000	\$8,000	\$8,000	\$8,000	\$0	\$0	\$0
22-46	Easement Clearing Newport Reservoir	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$0	\$0	\$0
22-48	Service Lateral Replacement	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$0	\$0	\$0
22-49	Newport Reservoir Pumpstation Hydraulic Modeling	\$40,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-51	Wholesale Reservoir Backup Generators	\$50,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23-01	Dump truck for field ops	\$33,333	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23-03	WZ Cathodic Protection Improvements	\$190,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23-05	WZ Demo Treatment Plant and new storage at 6M site	\$300,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23-06	WZ RZ SCADA Phase 3	\$0	\$0	\$134,000	\$0	\$0	\$0	\$0	\$0
23-07	WZ 6M Reservoir - Pipeline and Vault Improvements	\$300,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23-08	Skid Steer Trailer	\$9,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Future Projects	\$0	\$0	\$0	\$0	\$0	\$980,876	\$980,876	\$980,876
	Total - Uninflated	\$3,765,173	\$684,173	\$648,567	\$328,000	\$328,000	\$980,876	\$980,876	\$980,876
	Total - Inflated	\$3,765,173	\$704,698	\$688,065	\$358,414	\$369,167	\$1,137,104	\$1,171,217	\$1,206,353

APPENDIX E:

Detailed Sewer Capital Improvement Projects

Proj. No.	Project	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
21-03	System Relocations / Pipeline Replacement	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000	\$0	\$0	\$0
21-13	CIPP	\$300,000	\$200,000	\$200,000	\$200,000	\$200,000	\$0	\$0	\$0
21-14	Sewer Replacement	\$150,000	\$100,000	\$100,000	\$100,000	\$100,000	\$0	\$0	\$0
21-17	Manhole Rehabilitation/Replacement	\$125,000	\$100,000	\$100,000	\$100,000	\$100,000	\$0	\$0	\$0
21-18	Manhole Additions, Raising, Frames & Covers	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$0	\$0	\$0
21-19	Septic System Conversions	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-20	Browning Rehabilitation	\$9,000,000	\$1,000,000	\$0	\$0	\$0	\$0	\$0	\$0
21-21	Backwater Valve Program	\$20,000	\$15,000	\$10,000	\$10,000	\$10,000	\$0	\$0	\$0
21-24	Forklift	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-25	Arrow Board	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-26	Smart Covers	\$12,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-28	Sedaru Upgrades	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-29	AWIA Project	\$33,333	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-30	UWMP Update	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-34	Truck for Field Ops	\$35,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-45	SCADA System Improvements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-01	Financial Software and Implementation	\$37,333	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-05	CCTV Truck	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-07	Confined Space Equipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-08	Bypass Pump	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-20	Truck mounted vacuum	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-23	Skid Steer Tractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-26	Update Sewer Standards	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-33	District Headquarters	\$1,417,815	\$1,417,815	\$742,665	\$0	\$0	\$0	\$0	\$0
22-38	Sewer Push Camera	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-45	Hydrant Replacements	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-48	Service Lateral Replacement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-52	Rate Study	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23-01	Dump truck for field ops	\$33,333	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23-06	WZ RZ SCADA Phase 3	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23-08	Skid Steer Trailer	\$6,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	Sewer CIP Placeholder	\$0	\$0	\$0	\$750,000	\$750,000	\$0	\$0	\$0
	Future Projects	\$0	\$0	\$0	\$0	\$0	\$3,398,547	\$3,398,547	\$3,398,547
	Total - Uninflated	\$11,520,315	\$3,172,815	\$1,492,665	\$1,500,000	\$1,500,000	\$3,398,547	\$3,398,547	\$3,398,547
	Total - Inflated	\$11,520,315	\$3,267,999	\$1,583,568	\$1,639,091	\$1,688,263	\$3,939,847	\$4,058,043	\$4,179,784

WHY HAVE I RECEIVED THIS NOTICE?

You have received this notice to inform you that EOCWD's Board of Directors is considering changes to and increases in its water rates. The District is providing this information to ensure the public is aware of this issue and the opportunities that exist for them to raise questions, share concerns, seek clarification, and provide input that can help the Board of Directors as it deliberates and determines the appropriate course of action.

EOCWD is committed to providing safe, reliable, and affordable drinking water to the community. The rates charged for water service are developed to treat all customers fairly, reflect the true cost to provide that service and to protect EOCWD's financial stability and its ability to provide the same level of service in the future.

THIS NOTICE IS TO:

- Inform you about potential changes in your water rate
- Explain the reasons for the proposed rate changes
- Share how you can participate in the process
- Invite you to attend informational the public hearing at which time the proposed rate changes will be considered.

ABOUT THE DISTRICT

EOCWD was founded in 1961 under the principles of local community service and fiscal discipline, which it maintains to this day. EOCWD prides itself on providing high-quality, reliable wholesale and retail water to you and your neighbors at a fair price.

The rates that are charged reflects the true cost of providing water service to the community and ensuring the District's long-term financial stability and maintaining the same level of reliable service that our customers have received for the past 62 years.

HOW ARE WATER BUDGETS CALCULATED?

Each customer is allocated a reasonable amount of water based on that customer's particular needs. This allocation is referred to as a "water budget." EOCWD's residential water budgets are comprised of a fixed indoor and outdoor budget. The indoor budget ensures enough water to meet the indoor needs of four people (55 gallons per person, per day). If more than four people reside at a home, the indoor water budget can be easily increased by up to four additional people.

Outdoor water budgets are calculated based on the landscape irrigation area and weather data (evapotranspiration).

WHY IS EOCWD PROPOSING RATE INCREASES?

EOCWD is a public agency whose rate setting is regulated by state law. The District may only charge its customers for the costs associated with providing water service. It cannot charge rates that result in a profit. EOCWD considers the following factors when determining its water rates:









We invite you to review this information and contact us at 714-538-5815 or admin@eocwd.com with questions, comments or concerns.



WATER DISTRICT

185 North McPherson Road

Notice of Public Hearing, April 27, 2023 at 5:00 pm

Orange, CA 92869-3720



NOTICE OF PUBLIC HEARING

AND PROTEST PROCEEDINGS

IMPORTANT INFORMATION ABOUT YOUR RATES

The East Orange County Water District (EOCWD) Board of Directors will conduct a public hearing to consider a proposed schedule of increases and changes to the rates and charges for domestic water service provided to residential and commercial customers. If approved by the EOCWD Board of Directors, the increase would take effect on July 1, 2023, with subsequent increases proposed annually over the next four years.

The public hearing will be conducted at the time, date and location specified above. All members of the public are invited to attend the public hearing.

This notice is being sent to all record owners of property upon which the proposed charges will be imposed and any tenants who are directly liable for the payment of such charges (i.e. customers of record who are not property owners).

If you have additional questions or want more information about the proposed rate increase, please contact 714-538-5815 during regular business hours, or email us at admin@eocwd.com



INDICIA

DATE April 27, 2023

TIME 5:00 p.m.

LOCATION

East Orange County Water
District Board Room
185 N McPherson Rd,
Orange, CA 92869

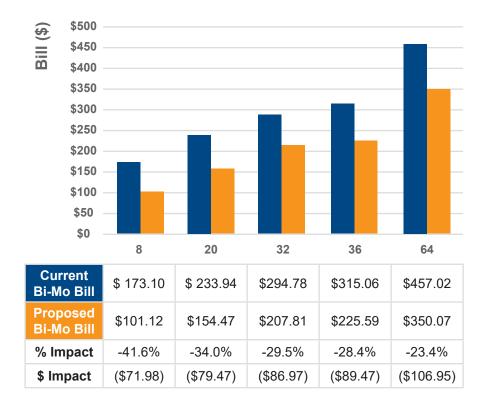
UNDERSTANDING THE RATE INCREASE

HOW WILL THIS IMPACT ME?

The chart below provides an example of how a typical single-family residence (SFR) water bill might look like.

FY 2024 Sample SFR Bi-Monthly Bill (Typical 3/4" Meter)

Excluding capital charge in proposed bill because it will be collected via property taxes



HOW IS MY MONEY SPENT?

EOCWD is a fiscally conservative steward of its customers' ratepayer dollars and believes its customers should not only understand how their money is already being invested but also why the proposed rate increases are necessary and what the new revenue will fund moving forward. The graphic below shows how each dollar generated by the proposed rate increase would address rising costs of providing you with safe, clean and reliable water.



HOW CAN I PARTICIPATE?

East Orange County Water District welcomes your input as its Board of Directors considers the changes explained in this notice. If you have questions or comments, you can:

Visit, call, or online – Rate Study information related to the proposed rate increases are available for review at the EOCWD Office located at 185 N. McPherson Road, Orange, CA 92869-3720. You may also obtain information by calling the District at (714) 538-5815 or online at **www.eocwd.com/ratechange**.

Write – Any record owners of a parcel upon which the proposed charges will be imposed and tenants directly liable for the payment of the proposed charges have the right to submit a formal written protest to the proposed rates, but only one protest may be counted per parcel. Written protests may be mailed or hand delivered to:

East Orange County Water District, Attention: General Manager, 185 N. McPherson Road, Orange, CA 92869-3720

Written protests may also be submitted at the public hearing being held at 185 N. McPherson Road, Orange, CA 92869-3720 on Thursday, April 27, 2023 at 5:00 p.m. Written protests must be received prior to the conclusion of the public input portion of the public hearing. Protests to the proposed rates must include your name, signature, street address, parcel number and/or account number. **Protests submitted by email or other electronic means DO NOT count as formal written protests.**

Attend a public meeting/hearing – The public hearing will take place on Thursday, April 27, 2023 beginning at 5:00 p.m at East Orange County Water District (185 N McPherson Road, Orange, CA 92869-3720). At the conclusion of the public hearing, the Board of Directors will make a recommendation for the adoption of the proposed rate increases. At the public hearing, all members of the public will have an opportunity to speak, but verbal comments alone do not qualify as a formal protest.

Your water bill is comprised of two types of rates (charges) – fixed and volumetric. The fixed rate service charge does not vary from month to month. The volumetric commodity rate reflects the amount of water you use in a billing period.

FIXED RATE:

Capital Fee & Capital Replacement Fee

WHAT IT PAYS FOR:

Operation & Maintenance Costs: A portion of the costs to operate and maintain the domestic water system are allocated to the fixed rate as well as all overhead costs.

Capital Replacement Fee: These fees pay for improvement and/or replacement of capital facilities; they are fixed because they do not vary depending upon the amount of water used.

VOLUMETRIC RATE (variable):

Water Charge

WHAT IT PAYS FOR:

These charges pay for the water and electricity used to deliver the water; they also pay for a portion of the cost to operate and maintain the domestic water system.

Operation & Maintenance Costs: The remainder of the costs to operate and maintain the domestic water system used to deliver water to your home or business are allocated to the volumetric rate.

PROPOSED FIXED AND VOLUMETRIC COMMODITY RATES INCREASE BREAKDOWN

5-year Schedule	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028			
Effective Month	Current	Jul 2023	Jul 2024	Jul 2025	Jul 2026	Jul 2027			
Proposed Revenue Adjustments			7.5%	7.5%	7.5%	7.5%			
Monthly Service Fees (Fixed)									
5/8"	\$22.50	\$32.78	\$35.24	\$37.88	\$40.72	\$43.77			
3/4"	\$33.75	\$32.78	\$35.24	\$37.88	\$40.72	\$43.77			
1"	\$56.24	\$48.68	\$52.33	\$56.26	\$60.48	\$65.01			
1-1/12"	\$112.46	\$88.43	\$95.07	\$102.20	\$109.86	\$118.10			
2"	\$179.92	\$136.14	\$146.35	\$157.33	\$169.13	\$181.81			
3"	\$393.56	\$287.21	\$308.75	\$331.90	\$356.80	\$383.56			
Commodity Rates									
Commodity Rates (\$/ccf)	\$5.07	\$4.45	\$4.78	\$5.14	\$5.52	\$5.94			

5-year Schedule	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028		
Effective Month	Current	Jul 2023	Jul 2024	Jul 2025	Jul 2026	Jul 2027		
Proposed Revenue Adjustments			7.5%	7.5%	7.5%	7.5%		
Monthly Capital Fees will be collected via the property tax roll								
5/8"	\$32.52	\$51.59	\$55.46	\$59.62	\$64.09	\$68.89		
3/4"	\$32.52	\$51.59	\$55.46	\$59.62	\$64.09	\$68.89		
1"	\$32.52	\$85.98	\$92.43	\$99.36	\$106.81	\$114.82		
1-1/12"	\$32.52	\$171.96	\$184.86	\$198.72	\$213.63	\$229.65		
2"	\$32.52	\$275.14	\$295.77	\$317.96	\$341.80	\$367.44		
3"	\$32.52	\$601.86	\$647.00	\$695.53	\$747.69	\$803.77		

PUBLIC HEARING PROCESS

At the time of the public hearing, the Board of Directors will hear and consider all written protests and public comments. After the hearing, if a majority of the property owners of the impacted parcels or tenants directly liable for the payment of the charges submit written protests in opposition to the proposed rate increases, the increases will not be imposed. If a majority protest is not received, the EOCWD Board of Directors may adopt the proposed changes, though they are not obligated to. If adopted, the proposed rates will become effective July 16, 2023, and subsequent increases would be proposed for 2024, 2025, 2026 and 2027.

WHY HAVE I RECEIVED THIS NOTICE?

You have received this notice because East Orange County Water District (EOCWD) provides local sewer service to your property.

EOCWD is proposing a rate increase in order to pay projected costs of inspection, repair, operation and maintenance. As a property owner within EOCWD's service area, your local sewer service fee will pay for these services.

At the end of the proposed rate program, EOCWD rates are expected to remain below the projected average.

THIS NOTICE WAS DEVELOPED TO:

- Inform you about the proposed rate increase in your local sewer rate
- Share how you can participate in the process
- Invite you to attend the public hearing at which time the proposed rate will be considered.

We invite you to review this information and contact us with questions, comments or concerns at admin@eocwd.com

ABOUT THE DISTRICT

EOCWD was founded in 1961 under the principles of local community service and fiscal discipline, which it maintains to this day. In 2016, EOCWD took over Sewer Area 7 and lowered your sewer rate by 50%. Since then, EOCWD has not implemented a rate increase. EOCWD prides itself on providing high-quality, reliable local sewer service to you and your neighbors at a fair price.

The rates that are charged reflects the true cost of providing water service to the community and ensuring the District's long-term financial stability and maintaining the same level of reliable service that our customers have received for the past 55 years.

WHY ARE NEW RATES BEING CONSIDERED?

EOCWD is a public agency whose rate setting is regulated by state law. The District may only charge its customers for the costs associated with providing local sewer service. It cannot charge rates that result in a profit. EOCWD considers the following factors when determining its water rates:







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185 North McPherson Road Orange, CA 92869-3720

Notice of Public Hearing, April 27, 2023 at 5:00 pm

NOTICE OF PUBLIC HEARING AND PROTEST PROCEEDINGS

IMPORTANT INFORMATION ABOUT YOUR SEWER RATES

The East Orange County Water District (EOCWD) Board of Directors will conduct a public hearing to consider a proposed rate increase for sewer service provided to residential and commercial customers. If approved by the EOCWD Board of Directors, the increase would take effect on July 1, 2023, with subsequent increases proposed annually over the next four years.

The public hearing will be conducted at the time, date and location specified above. All members of the public are invited to attend the public hearing.

This notice is being sent to all record owners of property upon which the proposed charges will be imposed.

EOCWD is dedicated to keeping its customers informed throughout the process. Additional information about water rates and charges is included in this document and online at www.eocwd.com/ratechange.

POSTAGE





DATE April 27, 2023





East Orange County Water District Board Room 185 N McPherson Rd. Orange, CA 92869

UNDERSTANDING THE RATE INCREASE



CURRENT AND PROPOSED ANNUAL SEWER SERVICE CHARGES

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028		
Effective Month	Current	Jul 2023	Jul 2024	Jul 2025	Jul 2026	Jul 2027		
Proposed Revenue Adjustments		12.0%	12.0%	12.0%	12.0%	12.0%		
ANNUAL FEES								
Single-Family Residential	\$108.00	\$120.96	\$135.48	\$151.73	\$169.94	\$190.33		
Multi-Family Residential per dwelling unit	\$75.60	\$84.67	\$94.83	\$106.21	\$118.96	\$133.23		

Non-residential customers pay a rate per 1,000 square feet of building area based on a property use classification factor.

HOW CAN I PARTICIPATE?

East Orange County Water District welcomes your input as its Board of Directors considers the changes explained in this notice. If you have questions or comments, you can:



Visit, call, or online – Rate Study information related to the proposed rate increases are available for review at the EOCWD Office located at 185 N. McPherson Road, Orange, CA 92869-3720. You may also obtain information by calling the District at (714) 538-5815 or online at **www.eocwd.com/ratechange**.



Write – Any record owners of a parcel within the sewer service area upon which the proposed charges will be imposed directly liable for the payment of the proposed charges have the right to submit a formal written protest to the proposed rates, but only one protest may be counted per parcel. Written protests may be mailed or hand delivered to:

East Orange County Water District, Attention: General Manager,

185 N. McPherson Road, Orange, CA 92869-3720

Written protests may also be submitted at the public hearing being held at 185 N. McPherson Road, Orange, CA 92869-3720 on Thursday, April 27, 2023 at 5:00 p.m. Written protests must be received prior to the conclusion of the public input portion of the public hearing. Protests to the proposed rates must include your name, signature, street address, parcel number and/or account number. **Protests submitted by email or other electronic means DO NOT count as formal written protests.**



Attend a public meeting/hearing – The public hearing will take place on Thursday, April 27, 2023 beginning at 5:00 p.m at East Orange County Water District (185 N McPherson Road, Orange, CA 92869-3720). At the conclusion of the public hearing, the Board of Directors will make a recommendation for the adoption of the proposed rate increases. At the public hearing, all members of the public will have an opportunity to speak, but verbal comments alone do not qualify as a formal protest.

PUBLIC HEARING PROCESS

At the time of the public hearing, the Board of Directors will hear and consider all written protests and public comments. After the hearing, if a majority of the property owners of the impacted parcels or tenants directly liable for the payment of the charges submit written protests in opposition to the proposed rate increases, the increases will not be imposed. If a majority protest is not received, the EOCWD Board of Directors may adopt the proposed changes, though they are not obligated to. If adopted, the proposed rates will become effective July 1, 2023, and subsequent increases would be proposed for 2024, 2025, 2026 and 2027.