



ANNUAL BUDGET 2022-2023

For the Period from
July 1, 2022 - June, 30, 2023



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Principal Officials
On the Budget Approval Date of May 24, 2021

PRESIDENT

Kathryn Freshley

VICE-PRESIDENT

Kay Havens

BOARD OF DIRECTORS

Jose F. Vergara

Mark Monin

Michael Gaskins

GENERAL MANAGER

Dennis Cafferty

MANAGEMENT TEAM

Judy Cimorell

Jason Hayden

Scott Hopkins

Mike Miazga

Hannah Ford

Human Resources Manager

Chief Financial Officer

Operations Superintendent

Information Technology Manager

Principal Engineer

The mission of the El Toro Water District is to provide its customers with safe, reliable, and high quality water, wastewater treatment, and recycled water services in an environmentally and economically responsible manner. The District intends to accomplish this mission by efficiently and effectively managing its operations and maintenance activities and prudently and effectively investing in its capital assets.

May 24, 2022

Presented for your review and consideration is the Budget document for the El Toro Water District for the Fiscal Year that begins on July 1, 2022 and ends on June 30, 2023. The District's budget provides a framework for achieving the strategic objectives established by the District Board and details how the resources entrusted to the District by its customers will be utilized to provide effective and efficient water, wastewater, and recycled water services. The core purposes of the District's annual budget include estimating the financial resources that will be available to the District during the budget period and authorizing a spending plan that utilizes those financial resources to support the District's services, programs, and projects. The Budget is developed and modified through an extensive review process that involves the Board of Directors and District Staff and reflects a continual commitment by the District to deliver safe, reliable, and high quality services to customers.

The financial resources generated when customers pay their utility bills are utilized to offset the cost of providing the programs and services. Every year the District commissions a Cost of Service Study that provides a nexus between the revenue generated from the established rates and the cost of providing the services. The District is committed to utilizing these resources to provide efficient, effective, and high-quality services that meet the needs of customers. The Budget is one of the foundations of the District's service provision efforts and illustrates how resources will be used to continue providing existing services as well as make improvements to those services if appropriate and achievable. The process of developing the annual budget includes a thorough assessment of the external environment so the District can respond to challenges that may occur in a particular budget period.

Review of Accomplishments in the 2021-2022 Budget Period

During the 2021-2022 budget period, many of the objectives and projects included in the original budget were accomplished, including:

Significant Achievements & Projects

- The District continued to provide reliable and high-quality water, wastewater, and recycled water services while maintaining COVID-19 operational and safety protocols.
- The District implemented an annual budget that incorporated Water System Fixed Meter Rates that were sufficient to offset the cost of providing the service.
- The District's continued its commitment to excellent financial management practices as demonstrated by the receipt of the Certificate of Achievement for Excellence in Financial Reporting for the FY 2020 Comprehensive Annual Financial Report, a national recognition of the District's financial reporting by the Government Finance Officers Association (GFOA) of the United States.
- The District issued \$49.7 million in Revenue Bonds, with a par amount of \$41.1 million and a premium amount of \$8.8 million. The bond proceeds were used to repay outstanding State Revolving Fund (SRF) Loans (\$24 million) and will provide funding for Capital Improvement Projects in 2022, 2023, 2024, and 2025.

Infrastructure Improvements

- The Phase II Recycled Water Project was completed so the recycled water delivery system was expanded to additional areas in the District's service area.
- The District also completed the reconstruction of the Oso Lift Station, replacing the existing sewage station built in the early 1970s. The Oso Lift Station conveys raw wastewater from the southwest portion of the service area to the gravity collection system, ultimately terminating at the Water Recycling Plant. The pumps and motors reached the end of their useful life and a newer technology was implemented to improve the safety, reliability, and serviceability of the station.

Goals and Objectives for the 2022-2023 Budget

The 2022-2023 budget includes the following goals and objectives:

- Continue setting rates for Operations & Maintenance activities that will generate revenues that are sufficient to fund operating expenses and thereby offset the cost of providing services;
- Begin the process of increasing Capital Rates to increase Capital Facility Revenues to provide funding for the additional debt service expenses that will be incurred from the issuance of the 2022 Revenue Bonds and to provide additional capacity to invest in the infrastructure of the systems to maintain the District's capacity to provide services;
- Establish a reliable, stable and predictable rate adjustment strategy that minimizes impact to customers;
- Maintain a minimum reserve level sufficient to fund legally restricted reserves, board mandated reserves and working capital requirements;
- Employ cost containment and reduction strategies and practices as appropriate to cost effectively maintain reliable service levels.

Assumptions Integrated into the 2022-2023 Budget

The following budgetary assumptions were utilized in the development of the budget:

Revenues

- POTABLE WATER SALES are based on the purchase of 7,000 acre-feet (AF) of water and delivery of 6,700 AF to customers;
- The POTABLE WATER USAGE CHARGE which funds the purchase of water from the Metropolitan Water District through the Municipal Water District of Orange County and from the Baker Water Treatment Plant will be increased effective August 1, 2022 and is supported by an independently prepared Cost of Service Study Report;
- The POTABLE WATER SERVICE CHARGE (Water System Operations & Maintenance "O&M") will increase effective August 1, 2022 and is supported by an independently prepared Cost of Service Study and Report;
- The WASTEWATER USAGE AND FIXED RATE (Wastewater System Operations & Maintenance) will increase effective August 1, 2022 and is supported by an independently prepared Cost of Service Study and Report;
- The RECYCLED WATER SERVICE CHARGE (Recycled Water System Operations & Maintenance "O&M") will increase effective August 1, 2022 and is supported by an independently prepared Cost of Service Study Report;
- The RECYCLED WATER USAGE CHARGE will be increased effective August 1, 2022 and is supported by an independently prepared Cost of Service Study Report;
- NON-RATE REVENUE reflects shared maintenance of joint facilities with neighboring agencies, communication site leases and other miscellaneous revenues;
- PROPERTY TAX REVENUE represents the District's share of the 1% general property taxes paid to the State;
- INTEREST INCOME is projected to increase due to the interest rate increases that have occurred in 2022;
- CAPITAL FACILITY WATER, WASTEWATER, & RECYCLED WATER CHARGES are designed to assist in covering the cost of the water, wastewater and recycled water capital improvement program during the fiscal year and will increase effective August 1, 2022 to support the debt service costs of the 2022 Revenue Bonds. These increases are supported by an independently prepared Cost of Service Study Report;
- Rate increases comply with all applicable state constitutional and statutory mandates.

Expenses

- PURCHASED WATER costs are affected by the increased rates charged by Metropolitan Water District of Southern California and Municipal Water District of Orange County and the increased operations and maintenance costs associated with the District's capacity in the Baker Water Treatment Plant;
- ENERGY (electrical power) costs have increased based on expected system operations, capital improvements and analysis of actual Southern California Edison rates and charges. Energy costs are also increasing due to the surge in costs for gasoline and diesel fuels;
- SOCWA OPERATIONS costs for regional bio-solids and effluent treatment and disposal are projected to decrease slightly based on the anticipated SOCWA 2022/23 budget;

- LABOR/BENEFITS COST are projected to increase as the District adjusts its compensation plan to offset the current surge in inflation, and increases in medical premiums and the District's contributions to the employees 401(k) Retirement Savings Plan are expected;
- OPERATING COSTS exclusive of purchased water, interest, labor and depreciation have increased by approximately 7.04% compared to 2021/22.

Capital Replacement & Refurbishment Program

- Staff continues to evaluate and update the on-going five-year Water, Wastewater and Recycled Capital Improvement Program (CIP) to preserve water and sewer infrastructure investments, meet regulatory requirements, and ensure a continuous high level of service. Water and Sewer CIP expenses for fiscal year 2022/23 total \$2.4 million. The 2022/23 CIP costs will be funded by revenue generated by the Capital Facilities charge.
- Revenue generated from the Recycled Water Capital Facilities charge amounts to \$160,600 and will be used to offset the cost of the Recycled Water program debt service.

Reserves

- The District maintains three categories of reserves: (1) those legally required to be held as the result of contractual agreement or legal requirement; (2) Board Mandated reserves; and (3) Board Restricted reserves.
- Board Mandated reserves include (1) Capital reserves, (2) rate stabilization reserves, (3) operating reserves and (4) working capital. The current minimum reserve level for Board Mandated reserves, established by Board policy, is \$8.5 million.
- In an effort to mitigate the magnitude of the necessary rate increase, the District's fiscal year 2022-23 Budget includes a provision to utilize a portion of the Rate Stabilization Reserve to fund a portion of the operating expenses.

Conclusion

The 2022-2023 Budget is the result of considerable discussion and careful deliberation by the District's Board of Directors and Staff. The preparation, review and deliberation of the budget require a significant time commitment from the organization. The level of commitment demonstrated throughout this process by the Board of Directors and Staff is greatly appreciated by the General Manager and Chief Financial Officer and ensures the successful completion of the budget process. The Budget is optimistic about the future but conservative in its revenue estimates. Most of all, this Budget is the result of a process in which the opportunities and challenges facing the District have been carefully assessed, documented, and addressed to facilitate the accomplishment of the strategic objectives of the Board of Directors.

Dennis Cafferty

Dennis Cafferty
General Manager

2022-2023 Budget Summary

This section of the budget document provides a summary of the District's financial operations, assuming the estimated revenues and expenses incorporated into the 2022-2023 Budget occur as budgeted. This section also summarizes the number of authorized positions included in the 2022-2023 compensation plan. The charts and graphs in this section provide an overview of total revenues, expenses, and the projected ending financial position for the District.

Summary of 2022-2023 Budgeted Financial Information

The 2022-2023 Budget includes \$29,923,000 in estimated revenues and \$32,009,691 in budgeted expenses, resulting in a projected Change in Net Position of negative \$2,086,691 for the 2022-2023 Budget Year. The Net Position of the District is forecast to equal \$58,299,343 at the end of the 2022-2023 fiscal year.

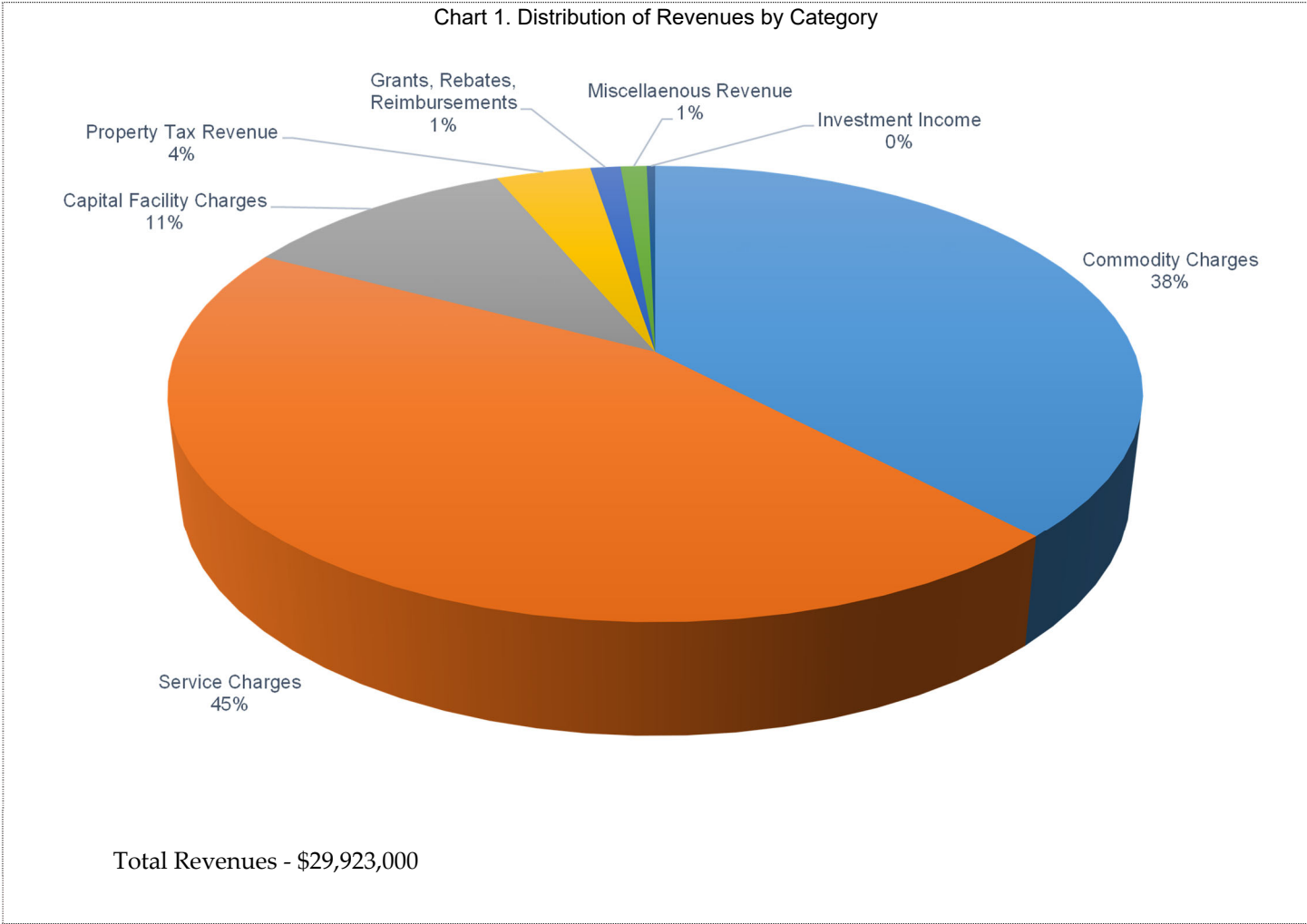
Table 1. Summary of Financial Operations									
	FY 2018/19	FY 2019/20	FY 2020/21		FY 2021/22			FY 2020/21	
	Actual	Actual	Budget	Actual	Approved Budget	Projected Actual	Budget % Change	Proposed Budget	Budget % Change
Revenues									
Operating Revenues	25,486,390	25,225,301	25,995,387	26,709,980	27,449,745	26,986,668	5.59%	28,448,000	3.64%
Non-operating Revenues	1,804,942	1,716,578	1,658,500	1,398,278	1,432,100	1,290,688	-13.65%	1,475,000	3.00%
Capital Contributions	1,985,903	2,894	-	8,708	-	-	-	-	-
Total Revenues	29,277,235	26,944,773	27,653,887	28,116,966	28,881,845	28,277,356	4.44%	29,923,000	3.60%
Expenses									
Operating Expenses	26,928,837	27,981,030	27,203,921	29,244,283	28,480,917	27,694,251	4.69%	29,947,391	5.15%
Non-operating Expenses	753,794	777,511	756,900	758,339	711,700	1,050,695	-5.97%	2,062,300	189.77%
Total Expenses	27,682,631	28,758,541	27,960,821	30,002,622	29,192,617	28,744,946	4.41%	32,009,691	9.65%
Change in Net Position	1,594,604	(1,813,768)	(306,934)	(1,885,656)	(310,772)	(467,590)		(2,086,691)	
Beginning Net Position (July 1)	62,958,444	64,553,048	62,739,280	62,739,280	60,853,624	60,853,624		60,386,034	
Ending Net Position (June 30)	64,553,048	62,739,280	62,432,346	60,853,624	60,542,852	60,386,034		58,299,343	
Net Position (as of June 30)									
Net Investment in Capital Assets	56,355,138	55,476,580		56,108,404					
Restricted - Capital Projects	64,514	2,895		2,895					
Restricted - Debt Service	2,270,150	2,270,150		2,270,150					
Unrestricted	5,863,246	4,989,655		2,472,175					
Total Net Position	64,553,048	62,739,280		60,853,624					

Analysis of District Revenues

Total revenues in FY 2022-2023 are budgeted at \$29,923,000, an increase of \$1,645,644 (5.82%) compared to 2021-2022 Budgeted Revenues of \$28,881,845. The largest sources of revenue for the District in 2022-2023 include Commodity Usage Charges at \$11,306,200 (37.8% of the total), Service Charges (or Readiness to Serve) at \$13,346,700 (44.6% of the total) and Capital Facility Charges at \$3,262,600 (10.9% of the total). Amongst the three enterprise operations of the District, the Water Enterprise receives 46.6% of total revenues (projected at \$13,963,700 in 2022-2023), the Wastewater Enterprise receives 30.6% of total revenues (\$9,160,800), and the Recycled Water Enterprise receives 9% (\$2,709,000) of total revenues.

	FY 2018/19 Actual	FY 2019/20 Actual	FY 2020/21		FY 2021/22			FY 2022/23	
			Budget	Actual	Approved Budget	Projected Actual	Budget % Change	Proposed Budget	Budget % Change
Operating Revenues									
Usage Charges									
Water Commodity Charges	8,474,791	8,705,985	8,904,396	9,571,562	9,243,364	8,673,269	3.81%	9,456,200	9.03%
Recycled Water Commodity Charges	1,309,055	1,355,119	1,663,847	1,898,113	1,811,221	1,784,038	8.86%	1,850,000	3.70%
Service Charges (Readiness to Serve)									
Water System	3,339,050	3,695,636	3,824,187	3,805,648	4,229,130	4,185,217	10.59%	4,449,000	6.30%
Wastewater System	7,698,021	7,705,618	7,775,000	7,549,752	8,237,537	8,038,784	5.95%	8,495,200	5.68%
Recycled Water System	226,645	258,409	336,207	308,199	387,900	367,404	15.38%	402,500	9.55%
Capital Facility Charges									
Water System	1,284,018	1,281,975	1,254,000	1,264,678	1,259,968	1,253,537	0.48%	1,366,200	8.99%
Wastewater System	1,605,319	1,606,851	1,614,000	1,605,820	1,614,000	1,606,276	0.00%	1,735,800	8.06%
Recycled Water System	116,197	118,345	147,000	134,773	151,500	146,951	3.06%	160,600	9.29%
Charges for Services	151,661	100,185	124,500	120,050	122,500	121,000	-1.61%	123,000	1.65%
Miscellaneous Operating Revenues	177,157	43,914	55,000	115,173	55,000	31,956	0.00%	52,800	65.23%
Grants, Rebates, Reimbursements	1,104,476	353,264	297,250	336,212	337,625	778,236	13.58%	356,700	-54.17%
Total Operating Revenues	25,486,390	25,225,301	25,995,387	26,709,980	27,449,745	26,986,668	5.59%	28,448,000	5.42%
Non-operating Revenues									
Property Taxes	1,012,823	1,037,398	1,053,500	1,097,589	1,079,100	1,120,393	2.43%	1,120,000	-0.04%
Investment Income	500,786	424,110	350,000	21,511	98,000	(72,913)	-72.00%	100,000	-237.15%
Miscellaneous Non-operating Income	291,333	255,070	255,000	279,178	255,000	243,208	0.00%	255,000	4.85%
Total Operating Revenues	1,804,942	1,716,578	1,658,500	1,398,278	1,432,100	1,290,688	-13.65%	1,475,000	14.28%
Capital Contributions	1,985,903	2,894	-	8,708	-	-	-	-	-
Total Revenue	29,277,235	26,944,773	27,653,887	28,116,966	28,881,845	28,277,356	4.44%	29,923,000	5.82%
Allocation of Revenues									
Water System	12,441,265	12,838,704	13,108,362	13,593,145	13,543,060	12,902,346	3.32%	13,963,700	8.23%
Wastewater System	9,322,698	8,487,457	8,515,220	8,186,150	8,866,737	8,948,409	4.13%	9,160,800	2.37%
Recycled Water System	3,867,069	1,967,369	2,411,184	2,584,850	2,620,646	2,624,814		2,709,000	
Restricted Reserve	640,669	644,072	604,121	747,550	825,934	795,023		826,900	
Capital Improvement Program	3,005,534	3,007,171	3,015,000	3,005,271	3,025,468	3,006,764	0.35%	3,262,600	8.51%
Total Revenue	29,277,235	26,944,773	27,653,887	28,116,966	28,881,845	28,277,356	4.44%	29,923,000	5.82%

Presented in Chart 1 below is a visual depiction of the distribution of the major revenue sources for the District. The four largest categories of revenue comprise 98% of the District’s total revenues.



Analysis of District Expenses

Total budgeted Operating and Non-operating expenses for the 2022-2023 Budget year equal \$32,009,691, an increase of \$3,264,745 (9.7%) from 2021-2022 budgeted expenses of \$29,192,617. Operating expenses are budgeted at \$29,947,391, comprise 93.6% of total expenses, and increase by \$1,466,474 (5.2%) from 2021-2022 budgeted expenses. Non-operating expenses are budgeted at \$2,062,300, or 6.4% of total expenses, and increase \$1,350,600 (189.8%) from 2020-2021 budgeted expenses of \$711,700.

	FY 2018/19	FY 2019/20	FY 2020/21		FY 2021/22			FY 2022/23	
	Actual	Actual	Budget	Actual	Approved Budget	Projected Actual	Budget % Change	Proposed Budget	Budget % Change
Operating Expenses									
General & Administrative									
Administration	3,391,368	3,055,412	1,707,870	2,877,826	4,115,500	3,705,876	140.97%	1,231,000	-70.09%
Finance & Risk Management	-	-	-	-	-	-	-	1,267,100	-
Human Resources	-	-	-	-	-	-	-	460,900	-
Technology Services	-	-	-	-	-	-	-	717,400	-
Public Relations & Conservation	-	-	-	-	-	-	-	566,200	-
Customer Service	720,714	603,473	-	533,039	242,000	684,495	-	844,500	248.97%
Operations & Maintenance									
Engineering & Compliance	-	-	-	-	-	-	-	523,900	-
Operations Support	1,347,014	1,982,333	334,913	2,256,249	1,492,100	1,935,918	345.52%	915,600	-38.64%
Fleet Services	403,377	398,886	8,875,072	402,950	368,500	381,596	-95.85%	466,600	26.62%
Water Supply & Treatment	7,702,210	8,144,524	8,059,332	8,811,688	8,397,767	8,205,098	4.20%	9,016,500	7.37%
Pumping Operations	1,479,148	1,359,125	569,458	1,417,205	2,171,800	1,520,775	281.38%	1,542,900	-28.96%
Transmission & Distribution	2,003,409	2,146,755	571,547	2,051,621	2,123,500	986,498	271.54%	1,784,900	-15.95%
Wastewater Collections	807,325	647,859	187,975	747,308	702,000	661,032	273.45%	1,058,500	50.78%
Wastewater Treatment	3,335,895	3,333,371	1,874,459	3,524,734	3,163,600	4,668,650	68.77%	3,314,200	4.76%
Tertiary Treatment	358,693	375,210	285,500	379,063	558,600	397,564	95.66%	879,100	57.38%
Operating Capital Expenses	-	-	-	-	-	-	-	840,091	-
Other Operating Expenses	913,252	1,450,477	294,645	1,897,043	325,000	273,760	10.30%	322,500	-0.77%
Depreciation & Amortization	4,466,432	4,483,605	4,443,150	4,345,557	4,820,550	4,272,989	8.49%	4,195,500	-12.97%
Total Operating Expenses	26,928,837	27,981,030	27,203,921	29,244,283	28,480,917	27,694,251	4.69%	29,947,391	5.15%
Non-operating Expenses									
Interest Expense	753,794	777,511	756,900	758,339	711,700	1,050,695	-5.97%	2,062,300	189.77%
Total Non-operating Expenses	753,794	777,511	756,900	758,339	711,700	1,050,695	-5.97%	2,062,300	189.77%
Total Expenses	27,682,631	28,758,541	27,960,821	30,002,622	29,192,617	28,744,946	4.41%	32,009,691	9.65%
Allocation of Expenses									
Water System	12,926,143	13,496,115	13,255,644	14,077,094	13,570,707	12,605,329	2.38%	13,963,000	2.89%
Wastewater System	7,792,162	7,692,416	8,045,554	8,044,543	8,637,212	9,601,468	7.35%	8,943,800	3.55%
Recycled Water System	830,848	858,417	1,164,928	880,046	1,127,448	940,705	-3.22%	1,682,500	49.23%
Operating Capital Expenses	-	-	-	-	-	-	-	840,091	-
Other Operating Expenses	913,252	1,450,477	294,645	1,897,043	325,000	273,760	10.30%	322,500	-0.77%
Depreciation & Amortization	4,466,432	4,483,605	4,443,150	4,345,557	4,820,550	4,272,989	8.49%	4,195,500	-12.97%
Interest Expense	753,794	777,511	756,900	758,339	711,700	1,050,695	-5.97%	2,062,300	189.77%
Total Expenses	27,682,631	28,758,541	27,960,821	30,002,622	29,192,617	28,744,946	4.41%	32,009,691	9.65%

The majority of expenses (43.6%) are incurred by the Water System, primarily because the purchase of potable water for sale is a part of the Water System's operations. The Wastewater System incurs the second highest level of expenses (28%) followed by Depreciation & Amortization (13.1%) and the Recycled Water System (5.3%). The 2022-2023 Budget establishes two new categories of expenses (not included in prior year budgets), Operating Capital Expenses and Other Operating Expenses. The expenses in these categories were included in Administration in prior year budgets. Operating Capital Expenses represent the portion of capital expenses that are supported by Capital Facilities Charges but are not capitalized. Other Operating Expenses include expenses that are District wide and are not directly attributable to one of the budget units; examples include Retiree Health Insurance, OPEB Charges, and bond administration expenses.

Presented below in Table 4 are significant types of expenses for the District (expense types that are greater than \$250,000). The largest General & Administrative and Operations & Maintenance expenses for the District include Personnel, the purchase of the water which is sold to the District's customers, Electrical Power, and Contractors. Combined, these four expenses equal \$21,133,600 and comprise 86% of General & Administrative and Operations & Maintenance expenses.

Table 4. General & Administrative and Operations & Maintenance Expenses by Type of Expense

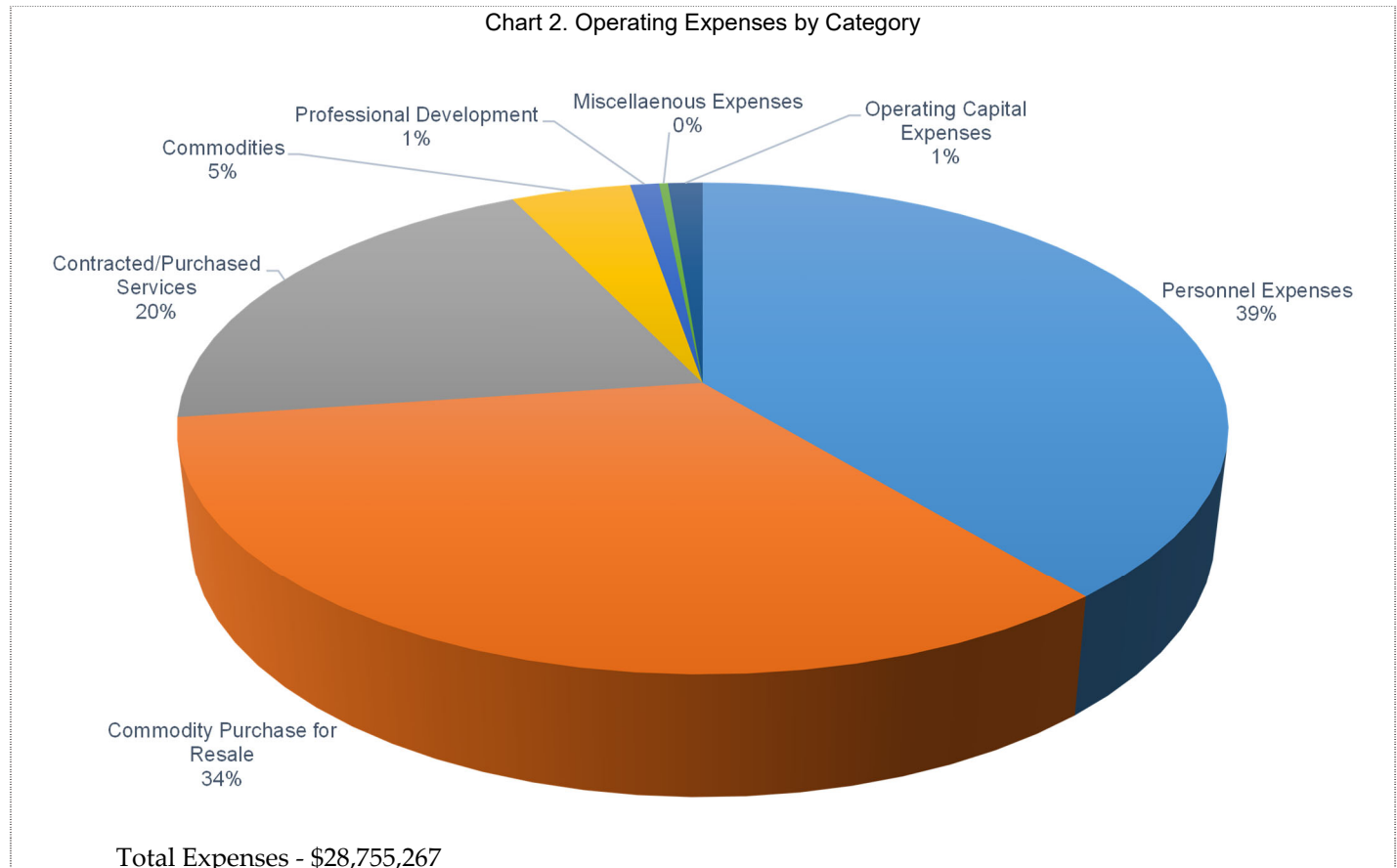
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	FY 2018/19	FY 2019/20	----- FY 2020/21 -----		Approved	Projected	Budget	Proposed	Budget
	Actual	Actual	Budget	Actual	Budget	Actual	% Change	Budget	% Change
Expenses by Category									
Personnel Expenses (Salaries & Benefits)	8,398,637	8,471,840	8,713,497	8,584,958	9,163,700	9,146,000	5.17%	9,890,900	7.94%
Commodity Purchased for Sale	7,446,376	7,868,488	7,878,746	8,559,820	8,131,517	7,981,437	3.21%	8,540,000	5.02%
Electrical Power	1,059,981	1,116,173	1,123,400	1,179,590	1,250,600	1,460,780	11.32%	1,508,500	20.62%
Contractors	1,234,871	1,196,414	1,175,966	1,262,277	1,218,300	1,212,371	3.60%	1,194,200	-1.98%
Repair Parts & Materials	361,292	290,351	405,375	323,761	411,700	426,954	1.56%	389,500	-5.39%
Insurance	506,766	435,395	311,773	335,462	331,300	326,943	6.26%	344,000	3.83%
Retiree Health Insurance	-	108,574	294,645	280,577	325,000	273,510	10.30%	320,000	-1.54%
Professional Development	190,626	185,889	205,840	116,572	177,200	162,954	-13.91%	270,000	52.37%
Software Licenses & Maintenance	183,152	137,295	161,000	185,485	185,000	206,595	14.91%	217,900	17.78%
Chemicals	203,516	203,767	218,700	217,457	231,000	224,412	5.62%	259,200	12.21%
All Other Operating Expenses ⁽¹⁾	1,963,936	2,032,762	1,977,184	1,955,724	1,910,050	1,725,546	-3.40%	1,655,100	-13.35%
Total	21,549,153	22,046,948	22,466,126	23,001,683	23,335,367	23,147,502	3.87%	24,589,300	5.37%

Notes

(1) This includes all General & Administrative and Operations & Maintenance expenses not included in one of the listed categories.

Presented in Chart 2 below are the District's operating expenses by major category of expense. Personnel expenses are the largest category, followed by Commodity Purchased for Resale, Contracted/Purchases, and Commodities.

Chart 2. Operating Expenses by Category



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

Portrayed in Table 5 is the projected Statement of Revenues, Expenses, and Changes in Net Position for the District assuming the 2022-2023 budget occurs as planned. The chart also includes Statements from prior years to serve as a comparison for the proposed 2021-2022 Budget.

	FY 2018/19 Actual	FY 2019/20 Actual	---- FY 2020/21 ----		----- FY 2021/22 -----			---- FY 2022/23 ----	
			Budget	Actual	Approved Budget	Projected Actual	Budget % Change	Proposed Budget	Budget % Change
Operating Revenues									
Commodity Supply Charges	\$ 9,783,846	\$ 10,061,104	\$ 10,568,243	\$ 11,469,675	\$ 11,054,585	\$ 10,457,307	4.60%	\$ 11,306,200	2.28%
Service Provision Charges	11,263,716	11,659,663	11,935,394	11,663,599	12,854,567	12,591,405	7.70%	13,346,700	3.83%
Capital Facilities Charge	3,005,534	3,007,171	3,015,000	3,005,271	3,025,468	3,006,764	0.35%	3,262,600	7.84%
Charges for Services	151,661	100,185	124,500	120,050	122,500	121,000	-1.61%	123,000	0.41%
Miscellaneous Operating Income	177,157	43,914	55,000	115,173	55,000	31,956	0.00%	52,800	-4.00%
Grants, Rebates, Reimbursements	1,104,476	353,264	297,250	336,212	337,625	778,236	13.58%	356,700	5.65%
Total Operating Revenues	25,486,390	25,225,301	25,995,387	26,709,980	27,449,745	26,986,668	5.59%	28,448,000	3.64%
Operating Expenses									
General & Administrative	4,112,082	3,658,885	1,707,870	3,410,865	4,357,500	4,390,371	155.14%	5,087,100	16.74%
Operations & Maintenance	17,437,071	18,388,063	20,758,256	19,590,818	18,977,867	18,757,131	-8.58%	19,502,200	2.76%
Operating Capital Expenses	-	-	-	-	-	-	-	840,091	-
Other Operating Expenses	913,252	1,450,477	294,645	1,897,043	325,000	273,760	10.30%	322,500	-0.77%
Depreciation & Amortization	4,466,432	4,483,605	4,443,150	4,345,557	4,820,550	4,272,989	8.49%	4,195,500	-12.97%
Total Operating Expenses	26,928,837	27,981,030	27,203,921	29,244,283	28,480,917	27,694,251	4.69%	29,947,391	5.15%
Operating Income/(Loss)	(1,442,447)	(2,755,729)	(1,208,534)	(2,534,303)	(1,031,172)	(707,583)	-14.68%	(1,499,391)	45.41%
Non-operating Revenues									
Property Taxes	1,012,823	1,037,398	1,053,500	1,097,589	1,079,100	1,120,393	2.43%	1,120,000	3.79%
Investment Earnings	500,786	424,110	350,000	21,511	98,000	(72,913)	-72.00%	100,000	2.04%
Miscellaneous Revenue	291,333	255,070	255,000	279,178	255,000	243,208	0.00%	255,000	0.00%
Interest Expense	(753,794)	(777,511)	(756,900)	(758,339)	(711,700)	(1,050,695)	-5.97%	(2,062,300)	189.77%
Net Non-Operating Revenues	1,051,148	939,067	901,600	639,939	720,400	239,993	-20.10%	(587,300)	-181.52%
Income/(Loss) before Contributions	(391,299)	(1,816,662)	(306,934)	(1,894,364)	(310,772)	(467,590)		(2,086,691)	
Capital Contributions									
Donations & Contributions	1,985,903	2,894	-	8,708	-	-	-	-	-
Total Capital Contributions	1,985,903	2,894	-	8,708	-	-		-	
Change in Net Position	1,594,604	(1,813,768)	(306,934)	(1,885,656)	(310,772)	(467,590)		(2,086,691)	
Beginning Net Position	62,958,444	64,553,048	62,739,280	62,739,280	60,853,624	60,853,624		60,386,034	
Ending Net Position	\$ 64,553,048	\$ 62,739,280	\$ 62,432,346	\$ 60,853,624	\$ 60,542,852	\$ 60,386,034		\$ 58,299,343	
Net Results from Operations⁽¹⁾									
Income/(Loss) before Contributions	(391,299)	(1,816,662)	(306,934)	(1,894,364)	(310,772)	(467,590)	1.25%	(2,086,691)	571.45%
Remove: Capital Facilities Charges	(3,005,534)	(3,007,171)	(3,015,000)	(3,005,271)	(3,025,468)	(3,006,764)	0.35%	(3,262,600)	7.84%
Remove: Depreciation Expense	4,466,432	4,483,605	4,443,150	4,345,557	4,820,550	4,272,989	8.49%	4,195,500	-12.97%
Remove: Interest Expense	753,794	777,511	756,900	758,339	711,700	1,050,695	-5.97%	2,062,300	189.77%
Net Result from Operations	1,823,393	437,283	1,878,116	204,261	2,196,010	1,849,330		908,509	
Capital Facilities Charges - Depreciation⁽²⁾	(1,460,898)	(1,476,434)	(1,428,150)	(1,340,286)	(1,795,082)	(1,266,225)		(932,900)	

(1) This calculation is intended to portray the results of operations by removing capital replacement activities and thereby illustrate the amount of net revenue generated by operational activities that can be used to support capital replacement activities.

(2) This calculation illustrates that Capital Facilities Charges are insufficient to replace the District's capital facilities over time.

Operating expenses of \$29,947,391 will exceed operating revenues of \$28,448,000 by \$1,499,391. This Operating Loss is primarily caused by the significant Depreciation expense the District incurs as a result of the capital infrastructure and equipment that are needed to effectively provide service to customers. Non-operating expense will exceed Non-operating revenues by \$587,300, due to a significant increase in Interest expenses that

will occur in 2022-2023 as a result of the issuance of the 2022 Revenue Bonds. As a result of the Loss before Contributions that will occur, the District's Change in Net Position for 2022-2023 is projected to be negative \$2,086,691, resulting in an ending Net Position of \$58,299,343.

The Net Results from Operations calculation at the bottom of Table 5 is intended to provide an analysis of the financial result of operations if all capital investment related activities were removed from the Statement of Revenues, Expenses, and Changes in Net Position.

Debt Service Coverage

Presented in Table 6 below are the debt service coverage calculations by fiscal year based on the District's actual (18/19, 19/20, and 20/21 fiscal years) and budgeted financial results (fiscal years 21/22 and 22/23). Debt service coverage will reach its lowest point in 2022-2023 when the interest costs associated with the 2022 Revenue Bonds is highest. However, the District's Ten Year financial projection shows that debt service coverage will improve every year after 2022-2023 and will return to coverage levels from 2019-2020 and 2020-2021 by the latter half of the 2020s.

	FY 2018/19	FY 2019/20	---- FY 2020/21 ----		----- FY 2021/22 -----			---- FY 2022/23 ----	
	Actual	Actual	Budget	Actual	Approved Budget	Projected Actual	Budget % Change	Proposed Budget	Budget % Change
Sources of Cash									
Commodity Supply Charges	\$ 9,783,846	\$ 10,061,104	\$ 10,568,243	\$ 11,469,675	\$ 11,054,585	\$ 10,457,307	4.60%	\$ 11,306,200	2.28%
Service Provision Charges	11,263,716	11,659,663	11,935,394	11,663,599	12,854,567	12,591,405	7.70%	13,346,700	3.83%
Capital Facilities Charge	3,005,534	3,007,171	3,015,000	3,005,271	3,025,468	3,006,764	0.35%	3,262,600	7.84%
Charges for Services	151,661	100,185	124,500	120,050	122,500	121,000	-1.61%	123,000	0.41%
Miscellaneous Operating Income	177,157	43,914	55,000	115,173	55,000	31,956	0.00%	52,800	-4.00%
Grants, Rebates, Reimbursements	1,104,476	353,264	297,250	336,212	337,625	778,236	13.58%	356,700	5.65%
Property Taxes	1,012,823	1,037,398	1,053,500	1,097,589	1,079,100	1,120,393	2.43%	1,120,000	3.79%
Investment Earnings	500,786	424,110	350,000	21,511	98,000	(72,913)	-72.00%	100,000	2.04%
Miscellaneous Revenue	291,333	255,070	255,000	279,178	255,000	243,208	0.00%	255,000	0.00%
Total Sources of Cash	27,291,332	26,941,879	27,653,887	28,108,258	28,881,845	28,277,356	4.44%	29,923,000	3.60%
Uses of Cash									
General & Administrative	4,112,082	3,658,885	1,707,870	3,410,865	4,357,500	4,390,371	155.14%	5,087,100	16.74%
Operations & Maintenance	17,437,071	18,388,063	20,758,256	19,590,818	18,977,867	18,757,131	-8.58%	19,502,200	2.76%
Other Operating Expenses	-	108,574	294,645	280,577	325,000	273,760	10.30%	322,500	-0.77%
Total Uses of Cash	21,549,153	22,155,522	22,760,771	23,282,260	23,660,367	23,421,262	3.95%	24,911,800	5.29%
Net Cash Available for Debt Service	5,742,179	4,786,357	4,893,116	4,825,998	5,221,478	4,856,094	6.71%	5,011,200	-4.03%
Debt Service Expenses									
Northline SRF Loan	256,618	257,878	258,300	258,145	258,200	258,136	-0.04%	-	-100.00%
Recycled Phase I SRF Loan	1,595,020	1,597,045	1,603,100	1,604,649	1,603,000	1,602,958	-0.01%	-	-100.00%
Baker WTP Loan	678,461	680,495	684,400	684,262	684,400	684,263	0.00%	684,200	-0.03%
Recycled Phase II SRF Loan	-	409,046	409,200	409,046	409,100	409,047	-0.02%	-	-100.00%
2022 Revenue Bonds	-	-	-	-	-	-	-	3,268,599	-
Total Debt Service Expenses	2,530,099	2,944,464	2,955,000	2,956,102	2,954,700	2,954,404	-0.01%	3,952,799	33.78%
Debt Service Coverage Ratio	2.27	1.63	1.66	1.63	1.77	1.64		1.27	

2022-2023 Personnel Summary

The 2021-2022 budget authorizes 61 Full-Time Equivalent (FTE) employees; the total number of authorized positions has not changed since the 2018-2019 Budget. Table 7 below illustrates the number of authorized FTE employees by Department. Although the total number of employees has not changed in 2022-2023, a new position was authorized by the Board (a Water Use Efficiency Analyst) in exchange for a unfilled position in Transmission & Distribution.

Table 7. Summary of Authorized Positions by Budget Unit

	FY 2018/19 Actual	FY 2019/20 Actual	FY 2020/21		FY 2021/22			FY 2022/23	
			Budget	Actual	Approved Budget	Projected Actual	Budget % Change	Proposed Budget	Budget % Change
Employees by Budget Unit									
Administration	2.0	2.0	2.0	2.0	2.0	2.0	0.00%	2.0	0.00%
Finance & Risk Management	5.0	5.0	5.0	5.0	5.0	5.0	0.00%	5.0	0.00%
Human Resources	1.0	1.0	1.0	1.0	1.0	1.0	0.00%	1.0	0.00%
Technology Services	1.0	1.0	1.0	1.0	1.0	1.0	0.00%	1.0	0.00%
Public Relations & Conservation	1.0	1.0	1.0	1.0	1.0	1.0	0.00%	2.0	100.00%
Customer Service	7.0	7.0	7.0	7.0	7.0	7.0	0.00%	7.0	0.00%
Engineering & Compliance	5.0	5.0	5.0	5.0	5.0	5.0	0.00%	5.0	0.00%
Operations Support	4.0	4.0	4.0	4.0	4.0	4.0	0.00%	4.0	0.00%
Fleet Services	1.0	1.0	1.0	1.0	1.0	1.0	0.00%	1.0	0.00%
Water Supply & Treatment	1.0	1.0	1.0	1.0	1.0	1.0	0.00%	1.0	0.00%
Pumping Operations	8.0	8.0	8.0	8.0	8.0	8.0	0.00%	8.0	0.00%
Transmission & Distribution	9.0	9.0	9.0	9.0	9.0	9.0	0.00%	8.0	-11.11%
Wastewater Collections	6.0	6.0	6.0	6.0	6.0	6.0	0.00%	6.0	0.00%
Wastewater Treatment	8.0	8.0	8.0	8.0	8.0	8.0	0.00%	8.0	0.00%
Tertiary Treatment	2.0	2.0	2.0	2.0	2.0	2.0	0.00%	2.0	0.00%
Total Authorized Employees	61.0	61.0	61.0	61.0	61.0	61.0	0.00%	61.0	0.00%

PROFILE OF THE EL TORO WATER DISTRICT

History of the El Toro Water District

The Founding of El Toro Water District

On August 12, 1959, a group of local landowners gathered around the kitchen table of Raymond Prothero, Sr., at 23572 South Prothero Drive in the community of El Toro (known today as Cornelius Drive in the city of Lake Forest) to discuss their concerns about the water supply. Water for both agricultural and domestic use was pumped from wells, and landowners feared that the existing supply would not support an increased population or an expanded agricultural area. They wanted to find a more reliable, predictable source of water.

One year later, in September 1960, the El Toro Water District (ETWD) was formed as a special district under the laws applicable to California water districts (Sections 34000 Et Seq of the Water Code of the State of California). Governed by a seven-member Board of Directors elected by landowners, the District's charge was to develop and implement policies that would meet the short and long range economic, water resource and environmental goals of the community. While the immediate need was to provide for its customers, ETWD had the wisdom and foresight to consider the greater Orange County area in their planning as well.

At the time of its inception, the total population of the District was only 125 people, and it encompassed 4,750 acres. Of that, 750 acres were devoted to citrus groves and other agricultural uses.

Expansion Includes Aqueduct, Water Recycling Plant and El Toro Reservoir

Shortly after formation, District leadership began to prepare for the anticipated growth of south Orange County. Given the lack of sustainable groundwater, ETWD knew they would have to maintain a critical dependence on imported water that originated hundreds of miles away. ETWD became a constituent agency of the Municipal Water District of Orange County (MWDOC), which entitled the district to receive imported water from the Colorado River and Northern California.

In addition, ETWD joined with a neighboring water district to form the Santiago Aqueduct Commission in order to secure imported water from the Colorado River. The commission obtained permission from the water supplier, Metropolitan Water District of Southern California, to build an aqueduct. The aqueduct would carry water from a pipeline adjacent to Irvine Park to the El Toro community. In 1961, exercising tremendous foresight and good planning, ETWD authorized a bond issue of \$1.9 million to finance its share of the construction costs for the aqueduct, a water filtration plant, a 232 mg reservoir, and expansion of the distribution system within the District.

ETWD established itself as a water-recycling pioneer in 1963 with the completion of the Water Recycling Treatment Plant in Laguna Woods. The plant was designed to treat approximately 1.5 million gallons of domestic wastewater each day. A small laboratory was situated inside the plant to analyze wastewater operations.

Leisure World

In 1963, Ross Cortese, president of the Rossmoor Corporation, identified about 3,500 acres of the Moulton Ranch to fulfill his vision to build a retirement community and call it Leisure World. Except for scattered dwellings and barns, the ranch was devoted largely to dry farming and cattle grazing. Those who lived in the homes on the ranch relied on water from deep wells and cesspools for sanitation. If Leisure World was to become a reality, Cortese knew he had to meet the requirements for water and sanitation.

Initially, the ETWD Directors, who were also ranchers, didn't share Cortese's vision for a large residential development. However, by January 1963 the Directors changed their minds when they learned that bond programs to bring MWD water into the area had boosted property tax bills to about \$18 for each \$100 assessed valuation – far higher than citrus growers or cattle ranchers could afford to pay.

ETWD and Rossmoor agreed that the District would continue to serve the ranchers by providing irrigation service for agriculture. Since ETWD was not interested in providing domestic water service, the Rossmoor Water Company was formed to serve domestic customers.

El Toro Reservoir

In 1967 the construction of the 233-million gallon El Toro Reservoir was completed. The reservoir served many important needs, including meeting high water demand during hot summer days and wildfires, and emergency backup in the event of a pipeline break or other interruptions in water supplies. ETWD established a policy to maintain a 14-day emergency storage reserve to meet customer demands and fire flow requirements.

Constructing a Regional Sewer System

By 1970 the need for a regional sewer system to dispose of treated effluent to the ocean was becoming increasingly evident. Around the same time, the California Clean Water Program was enacted which allowed certain public agencies to be eligible for joint federal-state construction grants.

Laguna Hills Sanitation, Inc., had been disposing of its treated effluent by irrigating the Leisure World golf course and by spraying vacant land. This latter option was becoming increasingly difficult as the amount of vacant land decreased. Unfortunately since Laguna Hills Sanitation, Inc. was a private corporation, it was ineligible for federal-state grants to provide other methods of effluent disposal. In 1972, the District joined five other public water districts and the City of Laguna Beach to form the Aliso Water Management Agency (AWMA). ETWD believed that it was in the best interest of the community to form a partnership to build a sewage sludge treatment and disposal facility.

Approximately three years later ETWD sold \$6.14 million of wastewater bonds to finance the District's share of the AWMA Regional Treatment Plant and an ocean outfall system. The AWMA Regional Treatment Plant is located near the Laguna Niguel Regional Park (currently known as the South Orange County Wastewater Authority, SOCWA). The Aliso Creek Ocean Outfall is located in Laguna Beach. The construction of the plant was complete in 1982.

The Transition from Wholesale to Retail

The Laguna Hills Utility Company, the parent company of the operating utilities, Laguna Hills Water Company (LHWC) and Laguna Hills Sanitation, Inc. (LHSI) approached the ETWD Board of Directors in August 1982 with a proposal that ETWD acquire the utility operations of LHWC and LHSI. If approved, this acquisition would transform ETWD from a water wholesaler to a retail water company. The Board of Directors carefully considered the proposal. They concluded that the residents of the District would benefit from this transition, providing that the assets of the utilities could be acquired at a fair price.

On September 12, 1983, ETWD signed the agreement to purchase both Laguna Hills Water Company and Laguna Hills Sanitation, Inc. for a sum of \$10.5 million. The amount would be paid with interest, in installments over a 30-year period. After approximately 24 years, ETWD had become a fully integrated water, sewer and recycled water retail operation.

Water Recycling Pioneer

After three decades of service, and multiple expansion projects, portions of the Water Recycling Plant had reached the end of its useful life. ETWD embarked on a reconstruction and replacement project. The new plant was completed in 1998 at a cost of nearly \$14,000,000. The reconstruction project renewed the useful life of the plant for another 30 years and brought ETWD into compliance with applicable regulatory and environmental requirements. A new expanded laboratory was now equipped to perform sophisticated analysis of wastewater and drinking water, and the overall capacity of the plant increased to 6 million gallons per day. In 1999 the Water Recycling Plant was recognized by the industry as “Plant of the Year.”

Expansion Continues at El Toro Reservoir

In an effort to expand emergency storage in south Orange County and reduce operating cost for ETWD, the District entered into an agreement in 2002 with neighboring water districts for joint use of the El Toro Reservoir. ETWD began a four phase project to expand the El Toro Reservoir capacity to 275 million gallons and enhance the ability of ETWD and neighboring agencies to meet their emergency storage requirements. By increasing the capacity by 52 million gallons, the enlarged reservoir would provide 124.5 million gallons to ETWD, 137.5 million gallons to Santa Margarita Water District and 13 million gallons to Moulton Niguel Water District. The expanded reservoir would serve more than 300,000 customers in the cities of Laguna Woods, Laguna Hills, Lake Forest, Mission Viejo, Aliso Viejo, Laguna Niguel, Dana Point, Rancho Santa Margarita, Ladera Ranch, Las Flores, San Juan Capistrano and San Clemente. The total water surface area expanded to approximately 20 acres.

In addition to laying 4,500 feet of pipeline to allow increased water use by the three partner agencies at once, the reservoir was enlarged to increase supply for regional use. The final phase of the project was to add a new floating cover and liner to the reservoir. The cover continues to assist ETWD in preserving the quality of the imported supply.

Recycled Water Expansion Project

In 2012, the District began a comprehensive multi-phase Recycled Water Expansion Project that significantly increased the amount of recycled water produced for local irrigation. The project was completed in 2016 and greatly expanded the District’s ability to produce recycled water. By undertaking this project, the District saves precious imported drinking water (potable) for household consumption and sanitary uses.

The project constructed tertiary treatment facilities at the existing Water Recycling Plant to increase the treatment and delivery of recycled water for irrigation to approximately 1,400 acre feet per year. That’s the equivalent of covering the entire footprint of Laguna Woods Village with five inches of water or filling Angel Stadium nineteen times. Simultaneously, the District built a new recycled water distribution system for irrigation. Approximately 100,000 feet or 19 miles of recycled water pipeline was constructed beneath the roadways in portions of Laguna Woods and the northwest corner of Laguna Hills. This new distribution system is completely separate from the drinking water distribution system and used for irrigation only. In 2018 the District completed construction of the Phase II Recycled Water Distribution System Expansion Project which added another 5 miles of recycled water pipeline to serve additional users in the community of Laguna Woods.

The recycled water projects improve the environment by reserving drinking water resources for use inside homes and businesses, and provides environmentally responsible recycled water for outdoor use. The tertiary treatment facilities at the Water Recycling Plant produce a higher quality of treated water, diminish the amount of treated water discharged into the ocean and help to reduce the greenhouse gases that results from pumping imported water into the region.

Location and Service Area Information

The El Toro Water District is located in Southern Orange County, approximately 45 miles south of downtown Los Angeles. The District encompasses the entirety of the City of Laguna Woods, and portions of the Cities of Aliso Viejo, Laguna Hills, Lake Forest, and Mission Viejo. The total service area of the District is approximately 5,430 acres or the equivalent of 8.5 square miles. Interstate 5 bisects the District with approximately half of the District's service area on each side of the Interstate.

Population Information

The District's population has increased slightly since 2010, with a total increase from 2010 to 2020 of approximately 104 residents, or 0.22%, to a total of 47,911 residents.

Table 8. Population Data					
	1990	2000	2010	2020	% Change 2010 - 2020
El Toro Water District	43,786	49,796	47,807	47,911	0.22%
Orange County	2,410,556	2,846,289	3,010,232	3,175,692	5.21%
State of California	29,760,021	33,871,648	37,253,956	39,512,223	5.72%
Source: U.S. Census Bureau; California State Department of Finance; Center for Demographic Research, CSUF					

According to the 2015 – 2019 American Community Survey five year estimate, the largest portion of the District's population included Caucasians who were not of Hispanic or Latino ethnicity (66.97%). The next largest racial group in the community were Asian-Americans who comprised 19.49% of the total population followed by persons who were multi-racial at 11.37% of the population. Overall, there were more females than males residing in the District's service area. The median age of the population within the District's service area was 52.4 years, with a large component of the population over the age of 65 due to the presence of Laguna Woods Village, a senior living community, in the District service area.

Table 9. Population Characteristics					
	Number	Percent		Number	Percent
Gender			Household Information		
Male	21,881	45.67%	Family Households	13,177	53.57%
Female	26,030	54.33%	Non-Family Households	11,423	46.43%
Total	47,911		Total Households	24,600	
Racial Composition			Age Groups		
White	32,086	66.97%	0 to 19	7,733	16.14%
African-American	656	1.37%	20 to 34	7,603	15.87%
American Indian/Alaska Native	216	0.45%	35 to 59	12,447	25.98%
Asian or Pacific Islander	9,338	19.49%	60 to 74	10,387	21.68%
Other/More than One Race	5,615	11.73%	75+	9,740	20.34%
Total Population	47,911		Total Population	47,911	
Hispanic/Latino Origin	9,285	19.38%	Median Age*	52.4	
Source: U.S. Census Bureau American Community Survey 2015-2019 5-Year estimates, Tables B01001, B11001, B03002					
*Interpolated value					

The economic statistics for District residents tend to be lower than similar data for the general population of Orange County or the State of California. This is primarily the result of the inclusion of Laguna Woods within the service area of the District, since most residents in Laguna Woods are retired and do not have salary income. The District's Median Housing Value, Per Capita Income, and Median Household Income are all less than the values for Orange County or the State of California. Only the Median Gross Rent is more than the values for the County or State. The District's economic indicators have improved in each of the last four American Community Survey periods, as indicated by the "Comparison of Economic Characteristics" table below which includes data from the 2012-2016 American Community Survey (ACS) to the 2015-2019 ACS.

Table 10. Comparison of Economic Characteristics of District Residents				
	Median Gross Rent*	Median Housing Value*	Per Capita Income*	Median Household Income*
El Toro Water District	\$2,060	\$430,793	\$36,549	\$67,605
Orange County	1,929	725,100	\$41,514	\$90,234
State of California	1,614	523,000	\$36,955	\$75,235
Change in Economic Characteristics				
ACS Years 2012-2016	\$1,753	\$321,335	\$32,539	\$57,156
ACS Years 2013-2017	\$1,856	\$355,093	\$33,513	\$60,390
ACS Years 2014-2018	\$1,959	\$410,421	\$34,849	\$63,762
ACS Years 2015-2019	\$2,060	\$430,793	\$36,549	\$67,605
Source: U.S. Census Bureau American Community Survey 2015-2019 5-Year estimates, Tables B19001, B25063, B25075				
*Interpolated value				

Educational, Employment, and Income Information

The 2015 – 2019 American Community Survey reported that approximately 46% of District residents age 25 or older have attained a bachelors or graduate degree, including approximately 17% who have a graduate or professional degree. This is much higher than California or national averages (34% and 32.2%, respectively). Another 30% of residents who are age 25 or older have attended some college or attained an Associate's degree. An estimated 92% of District residents age 25 or older have their high school diploma (or equivalent); this is also much higher than the State or National average (83.4% and 88.1% respectively).

Table 11. Education for Residents Age 25 or Older				
	El Toro Water District	Orange County	State of California	United States
Less than 9th grade	3.63%	7.90%	9.20%	5.10%
9 th to 12 th grade, no diploma	4.52%	6.60%	7.50%	6.90%
High school graduate (includes equivalency)	16.07%	17.20%	20.50%	27.00%
Some college, no degree	20.86%	19.90%	21.10%	20.40%
Associate's degree	9.12%	7.70%	7.80%	8.50%
Bachelor's degree	28.82%	26.00%	21.20%	19.80%
Graduate or professional degree	16.97%	14.50%	12.80%	12.40%
Percent high school graduate or higher	91.84%	85.30%	83.40%	88.10%
Percent bachelor's degree or higher	45.79%	40.50%	34.00%	32.20%

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

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

Table 12. Occupations				
	El Toro Water District	Orange County	State of California	United States
Agriculture, forestry, fishing and hunting and mining	0.62%	0.75%	2.14%	1.80%
Construction	3.37%	6.61%	6.75%	6.60%
Manufacturing	9.88%	11.19%	8.71%	10.10%
Wholesale Trade	3.07%	3.41%	2.71%	2.60%
Retail Trade	12.62%	10.21%	10.16%	11.20%
Transportation and warehousing, and utilities	3.12%	3.83%	5.71%	5.40%
Information	2.28%	1.85%	2.84%	2.00%
Finance & insurance, real estate, rental & leasing	11.20%	8.49%	5.83%	6.60%
Professional, scientific, management, administrative	15.50%	14.15%	14.15%	11.60%
Educational services, health care, social assistance	20.93%	20.56%	21.16%	23.10%
Arts, entertainment, recreation, accommodation, food services	9.64%	10.65%	10.31%	9.70%
Other Services, except public administration	5.31%	5.28%	5.04%	4.90%
Public administration	2.46%	3.00%	4.49%	4.60%

Source: U.S. Census Bureau American Community Survey 2015-2019 5-Year estimates, Table C24030

Due to the composition of the population within the District's service area, the workforce participation tends to be much lower than the averages for the County, State, or Nation. This is to be expected since Laguna Woods comprises approximately 40% of the population in the District's service area and almost all of the residents of that community are retired. For the portion of the population in the District's service area who do participate in the workforce, the unemployment rate has averaged slightly higher than the averages for Orange County or the United States but slightly lower than the average for California.

Table 13. Unemployment & Workforce Participation Rate Comparison					
	2015 5-Year ACS	2016 5-Year ACS	2017 5-Year ACS	2018 5-Year ACS	2019 5-Year ACS
Unemployment Rate					
El Toro Water District	6.0%	5.1%	4.6%	4.2%	4.0%
Orange County	5.0%	4.4%	3.8%	3.3%	3.0%
State of California	6.2%	5.5%	4.8%	4.2%	3.8%
United States	5.2%	4.7%	4.1%	3.7%	3.4%
Workforce Participation Rate					
El Toro Water District	52.0%	52.2%	52.4%	52.8%	53.1%
Orange County	66.0%	65.9%	65.7%	65.6%	65.6%
State of California	63.6%	63.4%	63.5%	63.5%	63.7%
United States	63.3%	63.5%	63.4%	62.9%	63.4%
Source: U.S. Census Bureau, 5-Year American Community Survey Estimates, Table B23025					

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

Table 14. Household Income				
	El Toro Water District*	Orange County	State of California	United States
Under \$10,000	6.43%	4.20%	4.80%	6.00%
\$10,000 to \$14,999	3.73%	2.70%	4.10%	4.30%
\$15,000 to \$24,999	9.14%	5.60%	7.50%	8.90%
\$25,000 to \$34,999	7.32%	6.00%	7.50%	8.90%
\$35,000 to \$49,999	11.82%	8.80%	10.50%	1.30%
\$50,000 to \$74,999	16.42%	14.60%	15.50%	17.20%
\$75,000 to \$99,999	11.71%	12.80%	12.40%	12.70%
\$100,000 to \$149,999	14.83%	18.60%	16.60%	15.10%
\$150,000 to \$199,999	8.33%	11.10%	8.90%	6.80%
\$200,000 or more	10.27%	15.50%	12.20%	7.70%
Median Household Income*	\$67,605	\$90,234	\$75,235	\$62,843
Mean Household Income*	\$84,000	\$122,488	\$106,916	\$88,607
Per Capita Income*	\$36,549	\$41,514	\$36,955	\$34,103
Source: U.S. Census Bureau American Community Survey 2015-2019 5-Year estimates, Table B19001				
*Interpolated value				

Summary of the District

The District supplies residents with potable water, recycled water for irrigation purposes, and provides wastewater collection and treatment services. Information about District and its services can be found below.

General Information	
Date of Original Incorporation	September, 1960
Date of Integration into Retail Utility Operation	September 12, 1983
Form of Government	California Special District

Location and Size Information	
Geographic Location	45 Miles South of Downtown Los Angeles
Total Area of Incorporation	8.5 square miles

Facility Information	
Main Office and Warehouse Complex	1
Wastewater Treatment Plants	1
Water Reservoirs	6
Water Pump Stations	8
Wastewater Lift Stations	11

Enterprise Statistics	
Water System	
Miles of Water Main	170
Service Connections	9,965
Annual Potable Water Imports (MG*)	2,371
Sewer System	
Miles of Wastewater Collection Main	114
Service Connections	9,965
Annual Treated Sewage (MG*)	1,332
Recycled Water System	
Miles of Recycled Water Main	26
Service Connections	275
Annual Recycled Water Production (MG*)	463.89
*Millions of Gallons	

WATER SYSTEM

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

Budget Analysis

As depicted in Table 15 below, expenses in the 2022-2023 Budget equal \$14,259,600, an increase of \$558,893 or 4.1% from the \$13,700,707 in expenses included in the 2021-2022 Budget. Revenues attributed to the Water System are projected to equal \$14,163,700, an increase of \$420,640 or 3.1% when compared to the \$13,743,060 included in the 2021-2022 Budget. As a result of the revenues and expenses included in the 2022-2023 Budget, the Water System is projected to utilize \$95,900 of the Board Mandated Cash Reserves to balance the negative Net Change in Cash in 2022-2023. The Reserve Utilization is the result of a change in the Performance Based Merit Compensation Pool procedure in the 2022-2023 Budget. The Board of Directors approved moving the compensation increase date from January 1 to July 1 and this resulted in a one-time cost increase. The District plans to utilize the Rate Stabilization portion of the Board Mandated Cash Reserves to offset this cost increase and mitigate the impact on customers.

Table 15. Water System - Operations & Maintenance Sources & Uses of Cash									
	FY 2018/19	FY 2019/20	FY 2020/21		FY 2021/22			FY 2022/23	
	Actual	Actual	Budget	Actual	Approved Budget	Projected Actual	Budget % Change	Proposed Budget	Budget % Change
Sources of Cash									
Operating Revenues									
Commodity Supply Charge (Unrestricted)	7,834,122	8,061,913	8,300,275	8,824,012	8,417,430	7,878,246	1.41%	8,629,300	2.52%
Service Provision Charge	3,339,050	3,695,636	3,824,187	3,805,648	4,229,130	4,185,217	10.59%	4,449,000	5.20%
Charges for Services	151,661	100,185	124,500	120,050	122,500	121,000	-1.61%	123,000	0.41%
Miscellaneous Operating Income	177,157	43,914	55,000	115,173	55,000	31,956	0.00%	31,000	-43.64%
Grant, Rebates, Reimbursements	19,659	38,841	-	22,016	-	31,698	-	400	-
Non-operating Revenues									
Property Taxes	466,291	479,696	421,400	439,036	436,000	448,517	3.46%	448,000	2.75%
Investment Income	200,314	169,644	140,000	8,604	40,000	(33,108)	-71.43%	40,000	0.00%
Miscellaneous Non-operating Income	239,029	247,340	243,000	253,480	243,000	238,820	0.00%	243,000	0.00%
Restricted Reserve Funding	100,000	100,000	100,000	100,000	200,000	200,000	100.00%	200,000	0.00%
Total Sources of Cash	12,527,283	12,937,169	13,208,362	13,688,019	13,743,060	13,102,346	4.05%	14,163,700	3.06%
Uses of Cash									
Operating Expenses									
General & Administrative	1,644,833	1,463,555	683,148	1,364,345	1,743,000	1,756,147	155.14%	2,034,900	16.75%
Operations & Maintenance	11,281,310	12,032,560	12,572,496	12,712,749	11,827,707	10,849,182	-5.92%	12,095,700	2.27%
Other Operating Expenses	-	43,430	117,858	112,231	130,000	109,384	10.30%	129,000	-0.77%
Total Uses of Cash	12,926,143	13,539,545	13,373,502	14,189,325	13,700,707	12,714,713	2.45%	14,259,600	4.08%
Net Change In Cash	(398,860)	(602,376)	(165,140)	(501,306)	42,353	387,633		(95,900)	

WASTEWATER SYSTEM

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

Budget Analysis

As depicted in Table 16 below, expenses in the 2022-2023 Budget equal \$9,329,400, an increase of \$523,188 or 5.9% from the \$8,806,212 included in the 2021-2022 Budget. Revenues for the Wastewater System are projected to equal \$9,160,800 in the 2022-2023 Budget, an increase of \$294,063 or 3.3% from the \$8,866,737 in revenues included in the 2021-2022 Budget. As a result of the revenues and expenses included in the 2022-2023 Budget, the Wastewater System is projected to utilize \$168,600 of the Board Mandated Cash Reserves to balance the negative Net Change in Cash in 2022-2023. The Reserve Utilization is the result of a change in the Performance Based Merit Compensation Pool procedure in the 2022-2023 Budget. The Board of Directors approved moving the compensation increase date from January 1 to July 1 and this resulted in a one-time cost increase. The District plans to utilize the Rate Stabilization portion of the Board Mandated Cash Reserves to offset this cost increase and mitigate the impact on customers.

Table 16. Wastewater System - Operations & Maintenance Sources & Uses of Cash									
	FY 2018/19	FY 2019/20	FY 2020/21		FY 2021/22			FY 2022/23	
	Actual	Actual	Budget	Actual	Approved Budget	Projected Actual	Budget % Change	Proposed Budget	Budget % Change
Sources of Cash									
Operating Revenues									
Service Provision Charge	7,698,021	7,705,618	7,775,000	7,549,752	8,237,537	8,038,784	5.95%	8,495,200	3.13%
Miscellaneous Operating Income	-	-	-	-	-	-	-	20,800	-
Grant, Rebates, Reimbursements	848,735	78,529	-	28,618	-	356,601	-	-	-
Non-operating Revenues									
Property Taxes	465,526	474,715	547,820	570,746	566,800	581,972	3.46%	582,400	2.75%
Investment Income	260,409	220,537	182,000	11,185	52,000	(32,084)	-71.43%	52,000	0.00%
Miscellaneous Non-operating Income	45,329	6,699	10,400	22,267	10,400	3,136	0.00%	10,400	0.00%
Total Sources of Cash	9,318,020	8,486,098	8,515,220	8,182,568	8,866,737	8,948,409	4.13%	9,160,800	3.32%
Uses of Cash									
Operating Expenses									
General & Administrative	2,138,283	1,902,620	888,093	1,773,652	2,265,900	2,282,996	155.14%	2,645,000	16.73%
Operations & Maintenance	5,653,879	5,789,796	7,157,461	6,270,891	6,371,312	7,318,472	-10.98%	6,516,700	2.28%
Other Operating Expenses	-	56,458	153,215	145,900	169,000	142,439	10.30%	167,700	-0.77%
Total Uses of Cash	7,792,162	7,748,874	8,198,769	8,190,443	8,806,212	9,743,907	7.41%	9,329,400	5.94%
Net Change In Cash	1,525,858	737,224	316,451	(7,875)	60,525	(795,498)		(168,600)	

RECYCLED WATER SYSTEM

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

Budget Analysis

As illustrated in Table 17 below, expenses in the 2022-2023 Budget equals \$1,708,300, an increase of \$554,852 or 48.1% from the \$1,153,448 in expenses included in the 2021-2022 Budget. Revenues attributed to the Recycled Water System are projected to equal \$2,709,000 in the 2022-2023 Budget, an increase of \$88,354 or 3.4% from the \$2,620,646 in revenues included in the 2021-2022 Budget. As a result of the revenues and expenses included in the 2022-2023 Budget, the Net Change in Cash for the Recycled Water System is projected to equal \$1,000,700. This positive change in the cash position of the Recycled Water System will be utilized to pay the cost of the debt associated with the Recycled Capital Projects that created the infrastructure needed to establish the recycled water services.

Table 17. Water System - Operations & Maintenance Sources & Uses of Cash									
	FY 2018/19	FY 2019/20	FY 2020/21		FY 2021/22			FY 2022/23	
	Actual	Actual	Budget	Actual	Approved Budget	Projected Actual	Budget % Change	Proposed Budget	Budget % Change
Sources of Cash									
Operating Revenues									
Commodity Supply Charge (Unrestricted)	1,309,055	1,355,119	1,663,847	1,898,113	1,811,221	1,784,038	8.86%	1,850,000	2.14%
Service Provision Charge	226,645	258,409	336,207	308,199	387,900	367,404	15.38%	402,500	3.76%
Miscellaneous Operating Income	-	-	-	-	-	-	-	1,000	-
Grant, Rebates, Reimbursements	236,082	235,894	297,250	285,578	337,625	389,937	13.58%	356,300	5.53%
Non-operating Revenues									
Property Taxes	81,006	82,987	84,280	87,807	76,300	89,904	-9.47%	89,600	17.43%
Investment Income	40,063	33,929	28,000	1,722	6,000	(7,721)	-78.57%	8,000	33.33%
Miscellaneous Non-operating Income	6,975	1,031	1,600	3,431	1,600	1,252	0.00%	1,600	0.00%
Total Sources of Cash	1,899,826	1,967,369	2,411,184	2,584,850	2,620,646	2,624,814	8.69%	2,709,000	3.37%
Uses of Cash									
Operating Expenses									
General & Administrative	328,966	292,710	136,629	272,868	348,600	351,228	155.14%	407,200	16.81%
Operations & Maintenance	501,882	565,707	1,028,299	607,178	778,848	589,477	-24.26%	1,275,300	63.74%
Other Operating Expenses	-	8,686	23,572	22,446	26,000	21,937	10.30%	25,800	-0.77%
Total Uses of Cash	830,848	867,103	1,188,500	902,492	1,153,448	962,642	-2.95%	1,708,300	48.10%
Net Change In Cash	1,068,978	1,100,266	1,222,684	1,682,358	1,467,198	1,662,172		1,000,700	

Personnel Analysis

The mission of the District is to provide high quality services to its customers and one of the cornerstones needed to achieve this mission is sufficient numbers of high quality staff. This section includes an analysis of the District's personnel costs which is a critical component to understanding the District's fiscal operations because these costs comprise the largest expense category of the District.

Number of Employees

Personnel costs are attributable to the actual number of employees employed by the District. The District converts the number of full-time and part-time employees to full-time equivalency to accurately reflect the number of employees on the payroll. Full-time equivalency is equal to 2,080 hours for all employees.

The 2022-2023 Compensation Plan authorizes a total of 61 full-time positions and 5 elected officials, an increase of one full time position compared to the 2021-2022 Plan. The 2022-2023 proposed budget also includes three temporary Intern positions to assist operations with summer programs.

The total budgeted cost for the District's workforce in 2022-2023 is \$9,759,588 with salaries of \$7,178,389 comprising 73.5% of total costs and benefits of \$2,581,198 comprising the remaining 26.4% of total personnel costs. Fringe benefit costs have been increasing faster than salary costs and are projected to comprise a greater portion of total personnel costs in the future.

Presented below are the total personnel expenses for the 2022-2023 Fiscal Year

Table 18. Personnel Expense Summary					
	2021 - 2022	2022 - 2023			% of Total
	Budget	Budget	Delta	% Change	Personnel Costs
Salaries					
Regular Salaries	6,034,454	6,606,279	571,825	9.48%	67.69%
Overtime and On-Call Salaries	282,800	302,800	20,000	7.07%	3.10%
One-time Salary Payments ⁽¹⁾	169,700	189,238	19,538	11.51%	1.94%
Stipends & Allowances ⁽²⁾	54,000	80,072	26,072	48.28%	0.82%
Total Salaries	6,540,954	7,178,389	637,435	9.75%	73.55%
Benefits					
Health Insurance ⁽³⁾	1,193,261	1,210,300	17,039	1.43%	12.40%
Other Insurance ⁽⁴⁾	297,907	320,500	22,593	7.58%	3.28%
Retirement Benefits ⁽⁵⁾	1,000,059	1,050,398	50,339	5.03%	10.76%
Total Benefits	2,491,227	2,581,198	89,971	3.61%	26.45%
Total Personnel Expenses	9,032,181	9,759,588	727,407	8.05%	
Notes					
(1) Includes Vacation Time Payouts and Top of Range one-time payments					
(2) Includes Automobile Allowances, Cell Phone Stipends, and Wellness Stipends					
(3) Includes employer paid Health, Dental, and Vision Insurance Premiums as well as Health Savings Account contributions					
(4) Includes employer paid Life Insurance, Long-term Care and Disability Insurance, and Workers Compensation					
(5) Includes employer contributions to the 401k plan, employer matches to the 401k/457b Plans, and Medicare					

The table presented below provides further analysis of the change in Regular Salary Costs. The base salary for 2022-2023 is \$6,034,454 which comprises 62% of total personnel costs. The merit salary increases for employees (\$106,308 from the 2022 merit increase and \$186,423 for the 2023 merit increase), combined with the addition of new positions for 2022-2023 and some minor salary adjustments add \$323,919 to budgeted salaries in 2022-2023. The change in the date of salary increases from January 1, 2023 to July 1, 2022 adds a one-time cost of \$186,423 to the 2022-2023 Budget. Changing the measurement date for the CPI component of the merit increase from December, 2021 to February, 2022 increases the CPI increase from 4.3% to 5.3% and adds \$61,483 to the budget for salaries. The total cost for regular salaries would be \$6,606,279.

	2021 - 2022 Budget	2022 - 2023 Budget	Delta	% Change	% of Total Personnel Costs
Analysis of Changes in Personnel Costs					
Regular Salary Changes					
Base Salary <i>(prior year ending salaries)</i>	5,927,421	6,034,454	107,033	1.81%	61.83%
Prior Year Merit Increase ⁽¹⁾	107,033	106,308	(725)	-0.68%	1.09%
Additional Salary Adjustments	-	6,400	6,400	N/A	0.07%
Additional Positions ⁽²⁾	-	127,360	127,360	N/A	1.30%
Net Changes from Original Budget ⁽³⁾	-	(102,572)	(102,572)	N/A	-1.05%
Current Year Merit Increase ⁽⁴⁾	-	186,423	186,423	N/A	1.91%
Change Merit Increase Date (Jan 1 to Jul 1) ⁽⁵⁾	-	186,423	186,423	N/A	1.91%
Change in CPI Number (4.3% to 5.3%) ⁽⁶⁾	-	61,483	61,483	N/A	0.63%
Regular Salaries Total	6,034,454	6,606,279	571,825	9.48%	67.69%
Notes					
(1) Salary increases occur on January 1 so the base salary has increased but only 1/2 of the increase affects a fiscal year. For example, an employee making \$50,000 who receives a 5% increase would have a new salary of \$52,500 but the cost in the current fiscal year would be \$51,250 with the full cost of \$52,500 occurring in the next fiscal year.					
(2) the District Board authorized the hiring of a Water Use Efficiency Analyst during the 2021-2022 fiscal year, also included in the 2022-2023 is the hiring of 3 intern positions, 1 each in Engineering, Transmissions & Distributions, and Wastewater Collections					
(3) this reflects changes in 2021 and 2022 that differ from the original budget, including promotions and changes in positions and incumbent employees					
(4) Similar to (1), this is half the cost of the full merit increase, the other half will occur in the second half of 2023 which is a different fiscal year.					
(5) The proposed budget includes changing the Merit Increase date from Jan 1 to Jul 1 so the full cost would occur in 2022-2023					
(6) The proposed budget includes changing the Merit increase amount to 5.3% due to CPI increases					

The table below summarizes the changes in additional salary related payments that are budgeted for 2022-2023 and the changes in benefits that are budgeted for 2022-2023.

	2021 - 2022 Budget	2022 - 2023 Budget	Delta	% Change	% of Total Personnel Costs
Other Salary Changes					
Overtime Expenses	210,000	230,000	20,000	9.52%	2.36%
On-Call Expenses	72,800	72,800	-	0.00%	0.75%
Top of Range Payouts	64,600	75,674	11,074	17.14%	0.78%
Vacation Payouts	105,100	113,564	8,464	8.05%	1.16%
Car Allowance	43,200	43,200	-	0.00%	0.44%
Cell Phone Allowances	10,800	12,672	1,872	17.33%	0.13%
Health Stipends ⁽¹⁾	-	19,200	19,200	N/A	0.20%
Employee Service Awards ⁽¹⁾	-	5,000	5,000	N/A	0.05%
Other Salary Changes	506,500	572,110	65,610	12.95%	5.86%
Benefit Changes					
Health Insurance	1,123,254	1,131,500	8,246	0.73%	11.59%
HSA Contributions	-	4,500	4,500	N/A	0.05%
Dental Insurance	57,283	61,000	3,717	6.49%	0.63%
Vision Insurance	12,724	13,300	576	4.53%	0.14%
Life Insurance	32,025	36,600	4,575	14.29%	0.38%
Long Term Care Insurance	10,380	11,600	1,220	11.75%	0.12%
Disability Insurance	39,391	39,800	409	1.04%	0.41%
Workers Compensation	125,050	128,900	3,850	3.08%	1.32%
State Unemployment Insurance	-	3,000	3,000	N/A	0.03%
401k/457b Contributions	1,000,059	1,050,398	50,339	5.03%	10.76%
Medicare Contributions	89,779	100,600	10,821	12.05%	1.03%
Other Salary Changes	2,491,227	2,581,198	91,253	3.66%	26.45%
(1) In prior years, these costs were included in the non-personnel budget, they have been moved in the 2022-2023 Budget to reflect that they are actually paid to employees through payroll.					

Presented below are the authorized positions for the District organized into the Departments in which they are assigned.

Table 21. Organization Chart			
Department	Positions	Department	Positions
Administration		Operations	
General Manager	1	Operations Superintendent	1
Executive Assistant to Board & General Manager	1	Compliance Program Coordinator	1
Total	2	Total	2
Finance & Risk Management		Pumping Operations	
Chief Financial Officer	1	Foreman	1
Accounting Supervisor	1	Crew Chief	2
Senior Accountant	1	Maintenance Worker III	2
Accountant	1	Maintenance Worker II	1
Purchasing Agent	1	Maintenance Worker I	2
Total	5	Total	8
Technology Services		Fleet Operations	
Information Technology Manager	1	Senior Mechanic	1
Total	1	Total	1
Human Resources		Transmission & Distribution Crew	
Human Resources Manager	1	Foreman	1
Office Assistant	1	Crew Chief	2
		Maintenance Worker III	1
		Maintenance Worker II	2
		Maintenance Worker I	2
Total	2	Total	8
Community Relations & Conservation		Electrical	
Community Relations Administrator	1	Electrical Systems/SCADA Supervisor	1
Water Use Efficiency Analyst	1	Electrical Systems / SCADA Technician III	1
Total	2	Total	2
Customer Service		Treatment Plant	
Customer Service / Billing Supervisor	1	Chief Plant Operator	1
Customer Service Office Representative I	2	Truck Driver	2
Billing Clerk II	1	Waste Water Operator III	4
Crew Chief	1	Waste Water Operator II	1
Customer Service Field Representative II	1	Waste Water Operator I	-
Customer Service Field Representative I	1	Lab Supervisor	1
		Lab Technician I	1
Total	7	Total	10
Engineering		Collections & Distribution Crew	
Principal Engineer	1	Industrial Waste Inspector	1
Project Engineer	1	Crew Chief	1
Engineer Associate	1	Collections Maintenance Worker III	1
Inspector	1	Collections Maintenance Worker II	-
Cross Connection Control Program Supervisor	1	Collections Maintenance Worker I	3
Total	5	Total	6
Total Positions	61		

The District's Compensation Plan includes a salary grade schedule for both non-exempt and exempt employees. Presented below and on the following pages is the Compensation Plan for non-exempt employees for the 2022-2023 Budget. Salary grades that do not have any positions assigned to them are not displayed.

Compensation Plan - Salary Range Schedule - Non-Exempt					
Effective Fiscal Year 2022/2023					
	FY 2021/2022		FY 2022/2023		Percent of Increase
	Minimum	Maximum	Minimum	Maximum	
Salary Grade 1					
Intern	\$2,732	\$3,707	\$2,849	\$3,867	4.3%
Salary Grade 2	\$3,313	\$4,507	\$3,456	\$4,701	4.3%
Salary Grade 3	\$3,713	\$5,050	\$3,873	\$5,267	4.3%
Salary Grade 4	\$3,822	\$5,200	\$3,987	\$5,424	4.3%
Salary Grade 5	\$3,940	\$5,356	\$4,109	\$5,586	4.3%
Office Assistant					
Customer Service Office Representative I					
Billing Clerk I					
Salary Grade 6	\$4,059	\$5,518	\$4,233	\$5,755	4.3%
Customer Service Field Representative I					
Salary Grade 7	\$4,176	\$5,682	\$4,355	\$5,926	4.3%
Salary Grade 8	\$4,304	\$5,854	\$4,489	\$6,105	4.3%
Customer Service Office Representative II					
Administrative Assistant					
Billing Clerk II					
Salary Grade 9	\$4,431	\$6,029	\$4,622	\$6,289	4.3%
Customer Service Office Representative Senior					
Billing Clerk Senior					
Salary Grade 10	\$4,581	\$6,209	\$4,778	\$6,476	4.3%
Customer Service Field Representative II					
Collection Maintenance Worker I					
Maintenance Worker I					
Operator in Training					
Salary Grade 11	\$4,704	\$6,396	\$4,907	\$6,671	4.3%
Billing Specialist					
Salary Grade 12	\$4,845	\$6,589	\$5,053	\$6,873	4.3%
Laboratory Technician I					
Salary Grade 13	\$4,989	\$6,784	\$5,204	\$7,076	4.3%
Mechanic					
Wastewater Plant Operator I					
Salary Grade 14	\$5,140	\$6,991	\$5,361	\$7,292	4.3%
Administrative Assistant Senior					
Accountant / Insurance Administrator					
Salary Grade 15	\$5,294	\$7,200	\$5,521	\$7,510	4.3%
Collections Worker II					
Maintenance Worker II					
Salary Grade 16	\$5,452	\$7,415	\$5,686	\$7,733	4.3%
Customer Service Field Representative III					
Compliance Regulatory Coordinator I					
Salary Grade 17	\$5,616	\$7,637	\$5,857	\$7,965	4.3%
Laboratory Technician II					

Compensation Plan - Salary Range Schedule - Non-Exempt Effective Fiscal Year 2022/2023					
	FY 2021/2022		FY 2022/2023		Percent of Increase
	Minimum	Maximum	Minimum	Maximum	
Salary Grade 18	\$5,783	\$7,867	\$6,032	\$8,206	4.3%
Senior Accountant / Payroll					
Tractor - Trailer - Tanker Driver					
Waste Water Plant Operator II					
Salary Grade 19	\$5,965	\$8,111	\$6,221	\$8,460	4.3%
Inspector					
Engineering Associate					
Maintenance Worker III					
Collection Maintenance Worker III					
Salary Grade 20	\$6,142	\$8,353	\$6,407	\$8,712	4.3%
Compliance Regulatory Coordinator II					
Salary Grade 21	\$6,326	\$8,603	\$6,598	\$8,973	4.3%
Executive Assistant to General Manager & Board					
Senior Mechanic					
Salary Grade 22	\$6,517	\$8,862	\$6,797	\$9,244	4.3%
Accounting Supervisor					
Supervisor Billing/Office Customer Service					
Recycled Water Coordinator					
Electrical Systems / SCADA Technician III					
Purchasing Agent / Inventory Control					
Salary Grade 23	\$6,714	\$9,130	\$7,003	\$9,522	4.3%
Laboratory Technician III					
Wastewater Plant Operator III					
Water Use Efficiency Analyst					
Salary Grade 24	\$6,915	\$9,403	\$7,212	\$9,807	4.3%
Cross Connection Control Program Supervisor					
Salary Grade 25	\$7,093	\$9,684	\$7,398	\$10,100	4.3%
Crew Chief					
Public Relations Supervisor					
Salary Grade 26	\$7,337	\$9,977	\$7,652	\$10,406	4.3%
Accounting Manager / Auditor					
Industrial Waste Inspector					
Compliance Regulatory Coordinator III					
Salary Grade 27	\$7,555	\$10,273	\$7,880	\$10,715	4.3%
Laboratory Supervisor					
Salary Grade 28	\$7,779	\$10,580	\$8,114	\$11,034	4.3%
Foreman					
Salary Grade 29	\$8,013	\$10,898	\$8,358	\$11,366	4.3%
Salary Grade 30	\$8,245	\$11,214	\$8,600	\$11,696	4.3%
SCADA Supervisor					
Salary Grade 31	\$8,493	\$11,551	\$8,858	\$12,048	4.3%
Salary Grade 32	\$8,747	\$11,897	\$9,123	\$12,408	4.3%
Salary Grade 33	\$9,010	\$12,253	\$9,397	\$12,779	4.3%
Salary Grade 34	\$9,280	\$12,620	\$9,679	\$13,163	4.3%
Waste Water Chief Plant Operator					

Presented below is the Compensation Plan for Exempt employees.

Compensation Plan - Salary Range Schedule - Exempt Effective Fiscal Year 2022/2023					
	FY 2021/2022 Monthly Salary		FY 2022/2023 Monthly Salary		Percent of Increase
	Minimum	Maximum	Minimum	Maximum	
Salary Grade 40E	\$7,121	\$9,684	\$7,427	\$10,101	4.3%
Salary Grade 41E Customer Service Manager	\$7,777	\$10,889	\$8,112	\$11,357	4.3%
Salary Grade 42E	\$8,244	\$11,542	\$8,598	\$12,038	4.3%
Salary Grade 43E Project Engineer Information Technology Manager	\$8,738	\$12,235	\$9,113	\$12,761	4.3%
Salary Grade 44E	\$9,262	\$12,969	\$9,661	\$13,527	4.3%
Salary Grade 45E Operations Superintendent	\$9,818	\$13,747	\$10,241	\$14,338	4.3%
Salary Grade 46E Principal Engineer	\$10,407	\$14,572	\$10,855	\$15,199	4.3%
Salary Grade 47E Manager Human Resources Manager of Engineering	\$11,032	\$15,447	\$11,506	\$16,111	4.3%
Salary Grade 48E	\$11,694	\$16,373	\$12,197	\$17,077	4.3%
Salary Grade 49E Chief Financial Officer	\$12,395	\$17,356	\$12,928	\$18,102	4.3%
Salary Grade 50E	\$13,139	\$18,397	\$13,704	\$19,188	4.3%
Salary Grade 51E	\$13,927	\$19,501	\$14,526	\$20,339	4.3%
Salary Grade 52E Assistant General Manager / Staff Engineer	\$14,762	\$20,671	\$15,397	\$21,560	4.3%
Salary Grade 53E	\$15,648	\$21,912	\$16,321	\$22,854	4.3%

CAPITAL REPLACEMENT & REFURBISHMENT PROGRAM

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

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

Overview

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

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

The 2022-2023 Budget includes several significant equipment purchases for the Water System – Pumping Projects and the purchase of a new Boom Truck which will be split with the Wastewater System. In addition, the District will be incurring significant expenses for the replacement of the R-6 lining and cover throughout 2022-2023; this project is supported by the 2022 Revenue Bond proceeds but it is a significant capital expense for the District.

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

The 2022-2023 budget includes several significant projects, including the retrofit of the Headworks Bar Screen for \$515,000, the rehabilitation of the Fine Screen Facility for \$230,000, and the rehabilitation of the Secondary Clarifier and WAC (\$200,000) the DAF Unit #2 (\$203,000).

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

There are no projects included in the 2022-2023 Budget as the recycled water system is a newly constructed system and the revenue generated from the capital rate charges is being used to pay the debt service costs.

**Table 22. Five Year Capital Improvement Program
F.Y. 2022/23 - 2026/27**

ITEM #	DESCRIPTION	2022/23	2023/24	2024/25	2025/26	2026/27	TOTAL	WATER	SEWER
<u>Source of Supply / Storage Projects</u>									
1	JRWSS Capital Budget	12,389	4,854	29,091	4,393	1,131	51,858	51,858	
2	Baker WTP Replacement Fund	56,200	56,200	56,200	56,200	56,200	281,000	281,000	
3	R-6 Chlorine & Ammonia Chemical Feed Pump Replacement		175,000				175,000	175,000	
<i>Total Source of Supply / Storage Projects</i>		68,589	236,054	85,291	60,593	57,331	507,858	507,858	0
<u>Pumping (Water) Projects</u>									
1	Water Stations PLC Upgrade to Control Logix	25,000	25,000	25,000	25,000	25,000	125,000	125,000	
1	Water Stations PLC Upgrade to Control Logix (Carryover)	(25,000)	(25,000)	(25,000)	(1,533)		(76,533)	(76,533)	
2	Direct Potable Reuse Feasibility Study			350,000			350,000	350,000	
<i>Total Pumping (Water) Projects</i>		0	0	350,000	23,467	25,000	398,467	398,467	0
<u>Pumping (Water) Equipment</u>									
1	Cherry Booster Station Pump Replacement			108,000			108,000	108,000	
2	Shenandoah Booster Station Pump Replacement			108,000			108,000	108,000	
3	P-4 Pump Replacement	59,000					59,000	59,000	
4	R-6 Security Cameras and Fence Alarm Replacement		118,000				118,000	118,000	
5	R-5 Fence Alarm Replacement	27,000					27,000	27,000	
6	P-1 Fence Alarm Replacement	42,000					42,000	42,000	
7	Spartan Pump Rehabilitation	32,000					32,000	32,000	
8	Reservoir Mixer Improvements	77,000			87,000	96,000	260,000	260,000	
9	P-1 Pump Rehabilitation		119,000				119,000	119,000	
<i>Total Pumping (Water) Equipment</i>		237,000	237,000	216,000	87,000	96,000	873,000	873,000	0
<u>Pumping (Sanitation) Projects</u>									
1	Sewer Stations PLC Upgrade to Control Logix	25,000	25,000	25,000	25,000	25,000	125,000		125,000
2	Sewer Stations PLC Upgrade to Control Logix (Carryover)	(25,000)	(25,000)	(25,000)	(25,000)	(18,294)	(118,294)		(118,294)
3	Northline Odor Control Project					67,000	67,000		67,000
4	4920 Siphon	170,000	100,000				270,000		270,000
5	4920 Siphon (Carryover)	(170,000)					(170,000)		(170,000)
6	La Paz Abandonment	100,000					100,000		100,000
6	La Paz Abandonment (Carryover)	(154,490)					(154,490)		(154,490)
<i>Total Pumping (Sanitation) Projects</i>		(54,490)	100,000	0	0	73,706	119,216	0	119,216

**Table 22. Five Year Capital Improvement Program
F.Y. 2022/23 - 2026/27**

ITEM #	DESCRIPTION	2022/23	2023/24	2024/25	2025/26	2026/27	TOTAL	WATER	SEWER
<u><i>Pumping (Sanitation) Equipment</i></u>									
1	Aliso Creek Disconnect Switch Replacement	24,000					24,000		24,000
2	Aliso Creek Generator Replacement	616,000					616,000		616,000
2	Aliso Creek Generator Replacement (Carryover)	(275,000)					(275,000)		(275,000)
3	Aliso Creek Pump Rehabilitation					97,000	97,000		97,000
<i>Total Pumping (Sanitation) Equipment</i>		365,000	0	0	0	97,000	462,000	0	462,000
<u><i>Treatment (Sanitation) Projects</i></u>									
1	Secondary Clarifier and WAC Rehabilitation	200,000	1,473,000	725,000		559,000	2,957,000		2,957,000
1	Secondary Clarifier Rehabilitation (Carryover)			(80,000)			(80,000)		(80,000)
2	DAF Unit #2 Rehabilitation	203,000					203,000		203,000
2	DAF Unit #2 Rehabilitation (Carryover)	(75,000)					(75,000)		(75,000)
3	Holding Pond West Side Drainage			124,000	345,000		469,000		469,000
3	Holding Pond West Side Drainage (Carryover)			(68,250)			(68,250)		(68,250)
4	Headworks Bar Screen Retrofit	515,000					515,000		515,000
5	Standby Blower Replacement					1,055,000	1,055,000		1,055,000
6	Fine Screen Facility Rehabilitation	230,000					230,000		230,000
<i>Total Treatment (Sanitation) Projects</i>		1,073,000	1,473,000	700,750	345,000	1,614,000	5,205,750	0	5,205,750
<u><i>Treatment (Sanitation) Equipment</i></u>									
1	Aeration Basin Diffusers			279,000	283,000		562,000		562,000
2	WRP Security Cameras					91,000	91,000		91,000
3	WRP SCADA Upgrade					290,000	290,000		290,000
3	WRP SCADA Upgrade (Carryover)					(32,500)	(32,500)		(32,500)
4	Headworks Barscreen PLC Panel Replacement	60,000					60,000		60,000
4	Headworks Barscreen PLC Panel Replacement (Carryover)	(20,000)					(20,000)		(20,000)
<i>Total Treatment (Sanitation) Equipment</i>		40,000	0	279,000	283,000	348,500	950,500	0	950,500
<u><i>Laboratory Equipment</i></u>									
1	Benchtop Deionized Water Generator	21,000					21,000	10,500	10,500
2	Composite Sampler	12,000					12,000		12,000
<i>Total Laboratory Equipment</i>		33,000	0	0	0	0	33,000	10,500	22,500
<u><i>Outside Treatment (SOCWA)</i></u>									
1	SOCWA Capital Budget	501,753	694,349	1,106,927	1,609,922	3,050,587	6,963,538		6,963,538
1	Reserve / Bond Funding	(501,753)	(694,349)	(1,106,927)	(1,609,922)	(3,050,587)	(6,963,538)		(6,963,538)
<i>Total Treatment (SOCWA)</i>		0	0	0	0	0	0	0	0

Table 22. Five Year Capital Improvement Program
F.Y. 2022/23 - 2026/27

ITEM #	DESCRIPTION	2022/23	2023/24	2024/25	2025/26	2026/27	TOTAL	WATER	SEWER
<u>Collection Equipment</u>									
1	P332 Flexiprobe (Push Camera) Inspection System - PearPoint	9,000					9,000		9,000
	<i>Total Collection Equipment</i>	9,000	0	0	0	0	9,000	0	9,000
<u>Vehicles/Vehicle Equipment</u>									
1	Vehicle Replacement		76,000				76,000	38,000	38,000
1	Vehicle Replacement (Carryover)		(25,000)				(25,000)	(12,500)	(12,500)
2	Hydro Excavator				644,000		644,000	644,000	
3	F-550 w/ Valve Maintenance Skid			192,000			192,000	192,000	
4	Boom Truck (Diesel - Regulatory Compliance)	315,000					315,000	157,500	157,500
5	Electrical Vehicle Charger		14,000				14,000	7,000	7,000
6	Petroleum Equipment	11,000					11,000	5,500	5,500
7	Trailer	49,000					49,000	24,500	24,500
	<i>Total Vehicles/Vehicle Equipment</i>	375,000	65,000	192,000	644,000	0	1,276,000	1,056,000	220,000
<u>General Building Projects</u>									
1	Additional Diesel Storage Facility				628,000		628,000	314,000	314,000
2	Administration Building Rehabilitation			441,000			441,000	220,500	220,500
	<i>Total General Building Projects</i>	0	0	441,000	628,000	0	1,069,000	534,500	534,500
<u>IT and EI&C</u>									
1	Core Switch Replacement		68,000				68,000	34,000	34,000
2	Network Segmentation		53,000				53,000	26,500	26,500
3	IT Master Plan	80,000					80,000	40,000	40,000
4	Remote Station SCADA Evaluation	10,000					10,000	5,000	5,000
5	Water Distribution and Sewer Collection System SCADA Upgrade				290,000		290,000	145,000	145,000
5	Water Distribution and Sewer Collection System SCADA Upgrade (Carryover)				(39,000)		(39,000)	(19,500)	(19,500)
6	Mathis, Westline, Warehouse, P-1 ATS Replacement	30,000					30,000	15,000	15,000
7	P-4, Freeway, and Main Yard ATS Replacement		42,000				42,000	21,000	21,000
	<i>Total IT and EI&C</i>	120,000	163,000	0	251,000	0	534,000	267,000	267,000
<u>Other Studies</u>									
1	Asset Management	100,000	90,000	90,000	0	0	280,000	140,000	140,000
	<i>Total Other Studies</i>	100,000	90,000	90,000	0	0	280,000	140,000	140,000
<u>Contingency</u>									
1	Contingency	7,901	9,946	19,959	51,940	62,463	152,209	76,105	76,105
	<i>Total Contingency</i>	7,901	9,946	19,959	51,940	62,463	152,209	76,105	76,105

**Table 22. Five Year Capital Improvement Program
F.Y. 2022/23 - 2026/27**

ITEM #	DESCRIPTION	2022/23	2023/24	2024/25	2025/26	2026/27	TOTAL	WATER	SEWER
	<u>Total Capital Budget</u>	2,374,000	2,374,000	2,374,000	2,374,000	2,374,000	11,870,000	3,863,430	8,006,571
	<u>Total Capital Projects</u>	1,281,050	1,904,027	1,677,021	1,083,030	1,801,269	7,746,396	1,663,877	6,082,518
	WATER	165,564	283,541	705,781	411,045	97,947	1,663,877		
	SEWER	1,115,485	1,620,487	971,240	671,985	1,703,322	6,082,518		
	<u>Total Capital Equipment</u>	1,092,951	469,973	696,980	1,290,970	572,732	4,123,605	2,199,552	1,924,052
	WATER	451,975	353,487	412,990	869,485	111,616	2,199,552		
	SEWER	640,975	116,487	283,990	421,485	461,116	1,924,052		
	<u>Total Capital Budget</u>	2,374,000	2,374,000	2,374,000	2,374,000	2,374,000	11,870,000	3,863,430	8,006,571
	WATER	617,540	637,027	1,118,771	1,280,530	209,563	3,863,430		
	SEWER	1,756,461	1,736,973	1,255,230	1,093,470	2,164,438	8,006,571		