



AGENDA

EAST ORANGE COUNTY WATER DISTRICT
(EOCWD)

Thursday, February 23, 2023
185 N. McPherson Road, Orange, California

5:00 p.m.

NOTE: On March 4, 2020, California Governor Gavin Newsom declared a State of Emergency in California as a result of the COVID-19 Pandemic, for which Orange County Public Health Officials have continued to recommend measures to promote social distancing. Pursuant to Government Code Section 54953, and corresponding findings of the Board that currently remain in effect, (1) members of the Board of Directors and public may elect to attend this Regular Meeting by telephone or video conference due to concerns relative to COVID-19 Coronavirus and avoidance of public gatherings, and (2) **a public location to attend this meeting will now be provided in tandem with the telephone and video options.** The public may attend either in-person, telephonically, or by videoconference, with the latter accessible at:

To Access the Meeting by Computer/Device

<https://us02web.zoom.us/j/86926709565?pwd=dTRZQmxreGJUQktaYWUyMnFoZGpMdz09>
or via shortlink: <https://bit.ly/3ElrKsT>

To Access the meeting by Phone:

Dial: (669) 444-9171

Meeting ID: 869 2670 9565 Passcode: 846377

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

1. Call Meeting to Order; Pledge of Allegiance – Director Sears

2. State of Emergency Virtual Meeting Findings – Government Code § 54953(e)(3)

For the duration of the COVID-19 emergency, slated to after February 28, 2023, to support the continued use of virtual meetings, the Board shall as appropriate and justified find, by majority vote, determined whether (1) the State of Emergency declared by California Governor Newsom on March 4, 2020, relative to the COVID-19 Emergency, remains in effect; and (2) State or Local Health Officials continue to recommend or impose measures to promote social distancing in connection with such Emergency, and/or due to existing rate of community transmission and the small meeting space available to the District for in-person attendance, the provision of a physical location for the District’s meetings would present imminent risks to the health and safety of attendees. Such a finding will remain in effect for the next 30 days or the expiration of the State of Emergency on or after February 28, 2023, whichever occurs first.

Recommendation: That the Board renew its prior Government Code section 54953(e) findings, authorizing the continued use of emergency teleconferencing procedures modified to permit a hybrid of in-person and teleconferenced attendance for both the Board and public, as (1) the State of Emergency declared by Governor Newsom on March 4, 2020, relative to the Covid-19 emergency, remains in effect; and (2) Orange County public health officials continue to recommend measures to promote social distancing in connection with such emergency, and the Board finds while circumstances can be relaxed to allow for in-person attendance, such in-person attendance shall remain optional for members of the Board and public and tele- and videoconferencing options shall remain in effect for an additional 30 days or through the end of the COVID-19 State of Emergency, whichever occurs first.

3. Addition of Items Arising After Posting of Agenda Requiring Immediate Action

(Requires 2/3 vote or unanimous vote if less than 2/3 of members are present)

Recommendation: Adopt resolution determining need to take immediate action on item(s) and that the need for action came to the District’s attention after posting of the Agenda and that such item(s) be added to the Agenda.

4. Public Communications to the Board: Opportunity for members of the public to comment on agendized and non-agendized items. Each speaker and comment is limited to three minutes. During this time, e-mailed comments timely submitted to Ms. Prado shall be provided to the Board. Interested speakers who either verbally indicate their desire to speak during this item or submit a chat request at the beginning of the meeting shall be afforded an opportunity to address the Board. At the discretion of the Board President, comments on a particular agendized item may be deferred until that item is heard.



CONSENT CALENDAR (Items 5-10) All matters on the Consent Calendar are to be approved by one motion, without separate discussion on these items, unless a Board member or District staff request that specific items be removed from the Consent Calendar for separate consideration.

5. Minutes of Regular Board Meeting Held January 19, 2023
Recommendation: Approve minutes as presented.
6. Schedule of Disbursements
Recommendation: Approval of disbursements as submitted.
7. General Manager's Report
Recommendation: Receive and File.
8. Financial Statements
Recommendation: Informational.
9. Wholesale and Retail Water Usage Report
Recommendation: Informational.
10. 6MG Reservoir Pipeline and Vault Improvements
Recommendation: Award purchase order to J&R Concrete Products.

MATTER FOR CONSIDERATION

11. Capital Projects In Progress
Recommendation: Informational.
12. Fiscal Year 2021-22 Annual Audit
Recommendation: Receive and File.
13. Schedule for Potential Water and Sewer Rate Increase Adoption
Recommendation: Informational.
14. Proposition 218 Notice and Protest Procedures
Recommendation: Adopt Resolution No. 928 Approving Guidelines for the Submission and Tabulation of Protests in Connection with Proposition 218 rate hearings.

MISCELLANEOUS ITEMS

15. Conference and Meeting Requests
Recommendation: Board to authorize attendance as desired.

16. Directors' reports on meetings attended at District expense (Government Code Section 53232.3) and Directors' comments. Directors or staff may ask questions for clarification, make brief announcements, and make brief reports on their own activities. Directors may provide a reference to staff or other resources for factual information, request staff to report back at a subsequent meeting concerning a matter, or direct staff to place a matter on a future agenda (Government Code § 54954.2)
17. Monthly Legislative & Outreach Report
Recommendation: Receive and File.

ADJOURNMENT

Adjourning to the next Regular Meeting scheduled for **March 23, 2023**, at 5:00 p.m., subject to Board action under item 12, in the offices of the East Orange County Water District, 185 N. McPherson Road, Orange, California or on-line as noticed pursuant to findings of the Board.

Availability of agenda materials: Agenda exhibits and other writings that are disclosable public records distributed to all or a majority of the members of the East Orange County Water District Board of Directors in connection with a matter subject to discussion or consideration at an open meeting of the Board are available for public inspection in the District's office, 185 N. McPherson Road, Orange, California ("District Office"). If such writings are distributed to members of the Board less than 72 hours prior to the meeting, they will be available at the reception desk of the District Office during business hours at the same time as they are distributed to the Board members, except that if such writings are distributed less than one hour prior to, or during, the meeting, they will be available in the meeting room of the District Office.

Disability-related accommodations: The East Orange County Water District Board of Directors meeting room is wheelchair accessible. If you require any special disability-related accommodations (e.g., access to an amplified sound system, etc.) please contact Sylvia Prado in the District Office at (714) 538-5815 during business hours at least seventy-two (72) hours prior to the scheduled meeting. This agenda can be obtained in alternative format upon written request to Sylvia Prado in the District Office, at least seventy-two (72) hours prior to the scheduled meeting.



MINUTES OF THE
REGULAR MEETING OF THE BOARD OF DIRECTORS
OF THE EAST ORANGE COUNTY WATER DISTRICT (EOCWD)

January 19, 2023

Call to Order. A Regular Meeting of the Board of Directors of the East Orange County Water District was called to order by President DOUGLASS DAVERT at 5:00 p.m. on Thursday, January 19, 2023, with Director JOHN NIELSEN leading the Pledge of Allegiance. Pursuant to Government Code Section 54953(e), and related findings of the Board of Directors, public attendance was facilitated via video and teleconference, with public permitted to attend in-person or remotely. JEFFREY HOSKINSON, Secretary, recorded the minutes of the meeting.

The following Directors attended the meeting: DOUGLASS DAVERT, GEORGE MURDOCH, JOHN NIELSEN, JOHN SEARS, and MARILYN THOMS.

Also present were:

DAVID YOUNGBLOOD	General Manager
JEFF SMYTH	Engineering Manager
JERRY MENDZER	Operations Manager
SYLVIA PRADO	Office Manager
JULIAN DE LA O SOLIS	District Staff
RAMON GALLEGOS	GIS Manager
JEFF HOSKINSON	District Secretary and Legal Counsel
FRED BOCKMILLER*	Mesa Water District Director/ACWA-JPIA Board
STACY TAYLOR*	Mesa Water District
JOHN LEWIS	Lewis Consulting
JOHN GUNTHER*	Snyder Langston

(*) attended via videoconference and/or teleconference

Other staff and members of the public may have attended via video- or teleconference that are not listed above.

State of Emergency Virtual Meeting Findings.

ACTION TAKEN: The Board, on motion from SEARS, seconded by THOMS, by unanimous roll-call vote, renewed for an additional 30 days its prior Government Code section 54953(e) findings, authorizing the continued use of emergency teleconferencing procedures for all District meetings as (1) the State of Emergency declared by Governor Newsom on March 4, 2020, relative to the COVID-19 emergency, remains in effect; and (2) Orange County public health officials continue to recommend measures to promote social distancing in connection with such emergency, such that the Board found that while circumstances can be relaxed to allow for in-person attendance, such in-person attendance shall remain optional for members of the Board and public and tele- and videoconferencing options shall remain in effect for an additional 30 days.

Addition of Items Arising After Posting of Agenda Requiring Immediate Action.
(Requires 2/3 vote or unanimous vote if less than 2/3 of members are present).

ACTION TAKEN: None

Public Communications to the Board. None provided.

**** ITEM NO. 13 HEARD OUT OF ORDER**

13. Fred Bockmiller for ACWA/JPIA Executive Committee. Fred Bockmiller, Director from Mesa Water District and Executive Committee Member with the Association of California Water Agencies Joint Powers Insurance Agency ("ACWA-JPIA"), spoke to the Board relative to his re-nomination to the Committee.

ACTION TAKEN: The Board, on motion by SEARS, seconded by THOMS, approved by unanimous roll-call vote Resolution No. 927, as presented, concurring in the nomination by Mesa Water District of Fred Bockmiller to the ACWA-JPIA Executive Committee.

**** THE BOARD RETURNED TO THE BALANCE OF THE AGENDA IN ORDER**

Consent Calendar. At the request of Director NIELSEN, the Board pulled Item No. 7 for separate consideration. Relative to the balance of the Consent Calendar, the Board, on motion from NIELSEN, seconded by MURDOCH, approved the Consent Calendar items by unanimous roll-call vote from those members present, as follows:

5. **Minutes:** THE MINUTES OF THE DECEMBER 15, 2022 REGULAR MEETING OF THE BOARD WERE APPROVED AS SUBMITTED;
6. **Schedules of Disbursements:** THE BOARD APPROVED THE SCHEDULES OF DISBURSEMENTS AS SUBMITTED;
8. **Financial Statements:** THE BOARD RECEIVED AND FILED THE FINANCIAL STATEMENTS;
9. **Wholesale and Retail Water Usage Report:** THE BOARD RECEIVED AND FILED THE WHOLESALE AND RETAIL WATER USAGE REPORT;
10. **Circula Panorama Design Amendment:** THE BOARD AUTHORIZED AMENDMENT TO CONTRACT FOR DESIGN OF THE CIRCULA PANORAMA PIPELINE IN AN AMOUNT OF \$20,203 FOR A TOTAL CONTRACT AMOUNT OF \$272,417 FOR DESIGN;
11. **Treatment Plant Demolition Contract Award:** THE BOARD APPROVED A CONTRACT FOR DEMOLITION OF THE 6MG RESERVOIR TREATMENT PLANT WITH BECKCO IN AN AMOUNT OF \$289,658 AND AUTHORIZED A CONTINGENCY BUDGE OF \$28,965.80 TO ADDRESS UNANTICIPATED ITEMS; and

12. **Supervisory Control and Data Acquisition (“SCADA”) Electrical Contract Award:** THE BOARD AWARDED A CONTRACT TO BIG BEAR ELECTRIC IN AN AMOUNT OF \$181,037 FOR ELECTRICAL CONSTRUCTION FOR THE SCADA SYSTEM IMPROVEMENTS PROJECT.

Following its vote on the Consent Calendar, the Board separately considered:

7. **General Manager’s Report.** Director NIELSEN inquired as to community outreach on the Capacity, Reliability, and Augmentation (“CRA”) Project No. 1 on Browning Avenue, to which staff responded that notices were going out in the next couple of weeks. General Manager Youngblood also highlighted that the Vista Panorama Reservoir has been demolished.

ACTION TAKEN: The Board, on motion by NIELSEN, seconded by SEARS, by unanimous roll-call vote received and filed the General Manager’s Report.

Matters for Consideration.

14. **Urban Water Institute.** General Manager Youngblood briefly introduced the item, and discussed potential appointment of former Director Richard Bell as a volunteer consultant to attend Urban Water Institute (“UWI”) and continue to serve on the UWI Board of Directors. Board discussion focused on the position being volunteer, with reimbursement for travel and lodging, without authority to speak on behalf of the EOCWD Board, with such volunteer position to continue on a year-to-year basis.

ACTION TAKEN: The Board, on motion by MURDOCH, seconded by SEARS, by unanimous roll-call vote, delegated authority to the General Manager and General Counsel to prepare a volunteer service agreement for Richard Bell to attend the UWI Conference.

**** THE BOARD HEARD ITEM NO. 19 OUT OF ORDER**

19. **Monthly Legislative & Outreach Report.** Hon. John Lewis provided an overview of his written report, including updates relating to the County Board of Supervisors, weather and drought, and State reservoir status, with brief questioning from the Board.

ACTION TAKEN: The Board, on motion by SEARS, seconded by MURDOCH, by unanimous roll-call vote, received and filed the report.

**** THE BOARD RETURNED TO THE BALANCE OF THE AGENDA**

15. **Board Meeting Schedule.** The Board discussed potential modifications to the Regular Board Meeting schedule, with discussion on potential alternative dates. After discussion, the Board settled on a recommendation for meetings to be held on the Fourth Thursday of each month.

ACTION TAKEN: The Board, on motion by NIELSEN, seconded by SEARS, by unanimous roll-call vote, approved modifying the Board schedule for Regular Meetings to be held on the Fourth Thursday of each month, effective the next Board meeting date of February 23, 2023.

16. Committee Assignments. President DAVERT provided an overview of his committee assignments, per authority delegated to the Board President.

ACTION TAKEN: The Board, on motion by SEARS, seconded by NIELSEN, by unanimous roll-call vote received and filed the Committee Assignments.

17. Headquarters Building Project. General Manager Youngblood introduced the item and turned the presentation over to Engineering Manager Jeff Smyth, who summarized the proposal received relative to the project. Mr. Smyth summarized the proposal received from Snyder Langston, a respected construction firm. Director THOMS inquired as to whether the Board or Committee can be kept apprised of any aesthetic modifications to the proposed building that may occur during design to develop a project within budget.

ACTION TAKEN: The Board, on motion by MURDOCH, seconded by THOMS, by unanimous roll-call vote approved (1) a \$7.5 million budget for the Project; (2) the form of contract with Snyder Langston, as presented, with authorization to the General Manager to negotiate non-substantial changes and execute contract with the approved Design-Builder with a \$6 million budget.

Miscellaneous Items.

18. Directors' reports on meetings attended at District expense (Government Code Section 53232.3) and Directors' comments. The Directors reported attendance as set forth in the agenda, as follows:

President Davert

12/14 OC LAFCO Commission Meeting
12/15 EOCWD Regular Board Meeting

Vice President Murdoch

12/8 EOCWD Engineering & Operations Committee
12/15 EOCWD Regular Board Meeting
12/19 ACWA Region 10 Special Board Meeting

Director Sears

12/9 Water Advisory Committee of Orange County (WACO) Meeting
12/15 EOCWD Regular Board Meeting

Director Thoms

12/8 EOCWD Engineering & Operations Committee
12/9 Water Advisory Committee of Orange County (WACO) Meeting
12/15 EOCWD Regular Board Meeting

Director Nielsen

12/15 EOCWD Regular Board Meeting



Directors SEARS and THOMS provided updated on the monthly Water Advisory Committee of Orange County (“WACO”) meeting. President DAVERT provided an Orange County Water District (“OCWD”) update, including updates on basin pumping, with substantial price increases pending.

Adjournment.

The Board adjourned the meeting at or around 5:46 p.m. to the next Regular Meeting of the Board of Directors on **Thursday, February 23, 2023**, at 5:00 p.m., to be held in the offices of the East Orange County Water District, 185 N. McPherson Road, Orange, California and online pursuant to Government Code Section 54953(e).

Respectfully submitted,

Jeffrey A. Hoskinson

DRAFT



MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: MONTHLY DISBURSEMENTS
DATE FEBRUARY 23, 2023

Background

Monthly disbursements

Recommendation

Approval of disbursements as submitted.

Attachment(s): Monthly disbursements report

EAST ORANGE COUNTY WATER DISTRICT

DISBURSEMENT SUMMARY

2/23/2023

WHOLESALE AND RETAIL BILLS	\$225,682.72
EFT Wire Transfers:	\$0.00
DIRECTOR'S PAYROLL	\$1,545.97
EMPLOYEE'S PAYROLL	\$173,171.69
DISBURSEMENT TOTAL	<u><u>\$400,400.38</u></u>

TRANSFER SUMMARY

TRANSFERS	\$ -
TRANSFER TOTAL	<u><u>\$0.00</u></u>

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

8:19 AM

East Orange County Water District

Bills For Consideration

02/13/23

Accrual Basis

As of January 31, 2023

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

East Orange County Water District

Bills For Consideration

As of February 8, 2023

Date	Num	Name	Memo	Credit
02/08/2023	7267	AKEL ENGINEERING, INC	Update Hydraulic Model & Fire Flow Analysis	15,066.50
02/08/2023	7268	ALLCOM BUILDING SERVICES, LLC	February 2023 Janitorial	710.00
02/08/2023	7269	ALS GROUP USA, CORP	Laboratory Analysis (water quality) January 2023	130.00
02/08/2023	7270	Aric Toll	RZ Customer Deposit Refund	654.67
02/08/2023	7271	AT&T LONG DISTANCE	Long Distance Calls 12/29/22-01/23/23	10.43
02/08/2023	7272	B & J TREE SERVICE	Tree Service Jamboree Reservoir	2,000.00
02/08/2023	7273	Brea Village Shopping Center LLC	Refund for OCSAN's Regional Sewer Capacity Charge	2,171.52
02/08/2023	7274	California Water Environment Association	CWEA Membership Employee Renewal	100.00
02/08/2023	7275	Chris Edwards TR Living TR	Refund for OCSAN's Regional Sewer Capacity Charge	1,355.51
02/08/2023	7276	CINTAS CORPORATION NO. 3	Uniforms - February 2023	209.60
02/08/2023	7277	CITY OF TUSTIN	Construction Meter 11/20/2022 - 01/27/2023 (to clean sewer system)	887.32
02/08/2023	7278	COUNTY OF ORANGE	Encroachment Permits	302.99
02/08/2023	7279	Custos Terrae (501C Corporation)	RZ Customer Deposit Refund	810.17
02/08/2023	7280	EAST ORANGE COUNTY WATER DIST.	Payment to WZ for Imported Water	66,647.84
02/08/2023	7281	EEC ENVIRONMENTAL	FOG Program 12/01/22-12/31/22	1,953.75
02/08/2023	7282	ENGEO INCORPORATED	Hydrogeo Services for Well Destruction	268.00
02/08/2023	7283	FOOTHILL SENTRY, INC	Water Conservation Ad	525.17
02/08/2023	7284	GENERATOR SERVICES CO, INC	Generator Rental 01/01/23-01/31/23	2,699.52
02/08/2023	7285	HILL BROTHERS CHEMICAL CO	Chemicals for WZ Reservoir	562.50
02/08/2023	7286	Isaia Garcia Prado	Refund for OCSAN's Regional Sewer Capacity Charge	835.20
02/08/2023	7287	LEWIS CONSULTING GROUP	Consulting Services - January 2023	2,500.00
02/08/2023	7288	MATRIX COMPUTER SERVICE	IT Support 12/17/22-1/20/23	4,940.00
02/08/2023	7289	ORANGE CHAMBER OF COMMERCE	Annual Affiliate Investment	495.00
02/08/2023	7290	PETTY CASH	Petty Cash Reimbursement	217.85
02/08/2023	7291	PJKCPA	Preparation of 2022 Annual State Controllers Report	1,000.00
02/08/2023	7292	Santoso Djohari	RZ Customer Deposit Refund	554.90
02/08/2023	7293	SOCALGAS	Gas - 185 N McPherson - 12/27/22 to 01/25/23	41.87
02/08/2023	7294	SOUTHERN CALIFORNIA EDISON	Electricity - 6mg Reservoir - 2/28/22-01/26/22	89.36
02/08/2023	7295	STANDARD INSURANCE COMPANY	Life Insurance Premium 02/01/23-02/28/23	772.03
02/08/2023	7296	Steven Prado	Customer Deposit Refund - Account 1411016	556.47
02/08/2023	7297	SWRCB FEES	Water Treatment Operator Certification Renewal	60.00
02/08/2023	7298	TETRA TECH, INC.	Conceptual Design- Consulting Services	11,617.50
02/08/2023	7299	TOWNSEND PUBLIC AFFAIRS, INC.	State/Fed Gov Relations February 2023	3,000.00
02/08/2023	7300	ULINE	Office Supplies	96.95
02/08/2023	7301	UNDERGROUND SERVICE ALERT	USA Location - January 2023	350.53
02/08/2023	7302	VERIZON WIRELESS	Wireless - 12/26/22-01/25/23	740.15
02/08/2023	7303	VULCAN MATERIALS COMPANY	Main Lines Maintenance	544.46
02/08/2023	7304	WATERLINE TECHNOLOGIES INC.	Water Quality	1,395.56
02/08/2023	7305	YO FIRE	Vault Maintenance & VP Reservoir	2,362.94
TOTAL				129,236.26

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

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

DATE	CHECK NO	AMOUNT	PAYABLE TO
1/19/2023	388	\$ 471.36	BOARD DIRECTOR
1/19/2023	375	\$ 160.03	BOARD DIRECTOR
1/19/2023	376	\$ 323.22	BOARD DIRECTOR
1/19/2023	377	\$ 320.07	BOARD DIRECTOR
		\$ 1,274.68	TOTAL PAYROLL CHECKS
PAYROLL TAXES, ADP CHARGE EFT			
		\$271.29	ADP TAXES
		\$271.29	TOTAL CHARGES & TRANSFER
		\$1,545.97	

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

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

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

	CHECK DATE	CHECK AMOUNT	PAYABLE TO
AUTO DEPOSIT	1/11/2023	\$ 7,773.16	GENERAL MANAGER
AUTO DEPOSIT	1/11/2023	\$ 5,604.21	ENGINEERING MANAGER
AUTO DEPOSIT	1/11/2023	\$ 6,094.68	OPERATIONS MANAGER
AUTO DEPOSIT	1/11/2023	\$ 4,326.26	WASTEWATER SUPERVISOR
AUTO DEPOSIT	1/11/2023	\$ 3,318.28	WATER DISTRIBUTION OPERATOR III
AUTO DEPOSIT	1/11/2023	\$ 2,512.15	WATER DISTRIBUTION OPERATOR I
AUTO DEPOSIT	1/11/2023	\$ 3,449.29	WASTEWATER COLLECTION OPERATOR II
AUTO DEPOSIT	1/11/2023	\$ 2,076.75	WASTEWATER COLLECTION OPERATOR II
AUTO DEPOSIT	1/11/2023	\$ 2,831.53	WASTEWATER COLLECTIONS OPERATOR II
AUTO DEPOSIT	1/11/2023	\$ 1,790.97	WASTEWATER COLLECTION OPERATOR I
AUTO DEPOSIT	1/11/2023	\$ 590.84	INTERN
AUTO DEPOSIT	1/11/2023	\$ 2,433.66	OFFICE MANAGER
AUTO DEPOSIT	1/11/2023	\$ 2,315.88	MANAGEMENT ANALYST
AUTO DEPOSIT	1/11/2023	\$ 2,403.04	ADMINISTRATIVE ASSISTANT I
AUTO DEPOSIT	1/11/2023	\$ 1,583.84	PART TIME ADMINISTRATIVE ASSISTANT
		<u>\$ 49,104.54</u>	SUB TOTAL
AUTO DEPOSIT	1/25/2023	\$ 6,973.15	GENERAL MANAGER
AUTO DEPOSIT	1/25/2023	\$ 5,604.22	ENGINEERING MANAGER
AUTO DEPOSIT	1/25/2023	\$ 5,008.25	OPERATIONS MANAGER
AUTO DEPOSIT	1/25/2023	\$ 1,959.53	GIS MANAGER
AUTO DEPOSIT	1/25/2023	\$ 4,011.00	WASTEWATER SUPERVISOR
AUTO DEPOSIT	1/25/2023	\$ 2,654.14	WATER DISTRIBUTION OPERATOR III
AUTO DEPOSIT	1/25/2023	\$ 2,852.12	WATER DISTRIBUTION OPERATOR I
AUTO DEPOSIT	1/25/2023	\$ 2,736.26	WASTEWATER COLLECTION OPERATOR II
AUTO DEPOSIT	1/25/2023	\$ 2,076.75	WASTEWATER COLLECTION OPERATOR II
AUTO DEPOSIT	1/25/2023	\$ 2,215.57	WASTEWATER COLLECTIONS OPERATOR II
AUTO DEPOSIT	1/25/2023	\$ 1,790.96	WASTEWATER COLLECTION OPERATOR I
AUTO DEPOSIT	1/25/2023	\$ 1,430.17	INTERN
AUTO DEPOSIT	1/25/2023	\$ 2,608.43	OFFICE MANAGER
AUTO DEPOSIT	1/25/2023	\$ 2,315.86	MANAGEMENT ANALYST
AUTO DEPOSIT	1/25/2023	\$ 2,220.56	ADMINISTRATIVE ASSISTANT I
AUTO DEPOSIT	1/25/2023	\$ 1,583.84	PART TIME ADMINISTRATIVE ASSISTANT
		<u>\$ 48,040.81</u>	SUB TOTAL
	1/11/2023	\$27,746.94	ADP TAXES
	1/11/2023	\$2,888.21	EMPLOYEE PERS ELECTRONIC FUNDS TRANSFER
	1/11/2023	\$3,560.75	EMPLOYER PERS ELECTRONIC FUNDS TRANSFER
	1/11/2023	\$1,646.49	EMPLOYEE PERS PEPRA TRANSFER
	1/11/2023	\$1,822.13	EMPLOYER PERS PEPRA MEMBER TRANSFER
	1/11/2023	\$1,701.71	CAL PERS 457 - ING BANK
		<u>\$39,366.23</u>	TOTAL TRANSFERS
	1/25/2023	\$24,887.88	ADP TAXES
	1/25/2023	\$2,871.86	EMPLOYEE PERS ELECTRONIC FUNDS TRANSFER
	1/25/2023	\$3,540.60	EMPLOYER PERS ELECTRONIC FUNDS TRANSFER
	1/25/2023	\$1,815.05	EMPLOYEE PERS PEPRA TRANSFER
	1/25/2023	\$2,008.65	EMPLOYER PERS PEPRA MEMBER TRANSFER
	1/25/2023	\$1,536.07	CAL PERS 457 - ING BANK
		<u>\$36,660.11</u>	TOTAL TRANSFERS
		<u>\$173,171.69</u>	GRAND TOTAL PAYROLL

PAYROLL	
1/11/2023	1/25/2023
\$49,104.54	\$48,040.81
\$39,366.23	\$36,660.11
<u>\$88,470.77</u>	<u>\$84,700.92</u>

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



MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: GENERAL MANAGER'S REPORT
DATE FEBRUARY 23, 2023

Background

Monthly report from the General Manager on District activities

Recommendation

Receive and File.

Attachment(s): General Manager's Report

EAST ORANGE COUNTY WATER DISTRICT GENERAL MANAGER'S REPORT

FEBRUARY 2023

The following report is a summary of the District's activities over the past month.

SEWER

1) ID1 Update

Activities & Accomplishments for January include:

Activities

- Completed Group 1 cleaning (see attached report).
- Reviewed applications for sewer permits.
- Completed monthly siphon cleaning.
- Completed monthly hot spot cleaning.
- Completed CCTV inspections.
- Completed Dig Alert tickets.
- Ordered misc. sewer supplies and tools.
- Provided training to water staff on use of combo trucks.

Sewer Spills

Update: No spills to report for January 2023.

Permits:

Update: Eleven (11) permits were issued in January; seven (7) ADUs. Five (5) of those in the unincorporated area, one (1) in the City of Tustin, and one (1) in the City of Orange; three (3) permits for SFR remodels, all three (3) in the unincorporated area; and one (1) sewer permit was issued for a multifamily residence in the City of Tustin.

2) ID1 Capacity, Reliability, and Augmentation Project #1

Update: The casing has been installed under the 5 Fwy and the contractor is installing pipe within the casing and manholes on either end. Approximately 530 feet of sewer has been replaced on Browning north of Mitchell. The project is expected to be complete in June.

3) Rockhurst Ave. to Greenbrier Rd. Sewer Pipe Liner Removal Project

In September 2022, Staff discovered an issue with one segment of 6" sewer pipe traversing through an easement from Rockhurst Ave. to Greenbrier Rd. Initially it appeared that the liner which had been installed roughly 20 years ago was defective. Upon closer evaluation, it was determined that the liner was failing due to root intrusion. Staff determined that the most likely path to successfully addressing the issue was to remove the liner. Removal involved re-heating the liner using steam to soften it and then pulling the liner out through a manhole using a winch. Ayala Engineering was hired to perform this work and was able to remove 200 feet of the liner with 75 feet left inside the pipe. Another contractor is being used to remove the remaining liner and roots using a remotely operated robot equipped with a cutting tool. This work is expected to be completed by the end of January 2023.

Update: The work to remove the remaining liner is taking longer than expected due to excessive roots and mechanical issues with the cutting tool. The contractor has also had limited availability

to perform the work. The contractor has been able to cut out and remove almost 40 feet of root and liner with another 35 feet remaining. The rest of the liner will be removed by the end of this month.

WHOLESALE ZONE

1) WZ Water Demands

See attachment.

2) Water Quality Update

No Update.

3) OC-43/Walnut Takeout Vault Rehabilitation/Replacement Update

Update: The contractor has been issued the Notice to Proceed. Construction is expected to start in March with completion in June.

4) WZ Connection Permits

Update: Eleven (11) wholesale permits were issued in January; eight (8) in the unincorporated area; two (2) in the City of Tustin; and one (1) in the City of Orange.

RETAIL ZONE

1) Water Demand – see attachment

2) East Orange DroughtReach™ Program

Update: RZ Demand was 29.1 % lower in January 2023 than January 2022. Water efficiency messaging continues through social media and print media (Foothill Sentry).

3) Well / Booster Station Operations

No Update.

Well Levels – Update: Groundwater levels have leveled off over the last month as shown on the attached graph.

The pumping water level for the East Well is currently at 241.3 feet BGS (below ground surface). (Note that pumping water levels have been as low as 297 feet BGS back in July 2014).

4) Vista Panorama Reservoir

Update: The reservoir demolition is complete. Staff expects to meet with the residents to review the site plan in February.

5) New Well/PFAS Treatment

Update: As has occurred on other projects, delays of electrical equipment are impacting the project. The completion is now expected in June.

6) **System Leaks**

The District contracted with MWDOC to utilize their leak detection service which they offer at a very competitive rate. MWDOC staff found 13 leaks in the retail zone with all but one being small. The one significant leak was on the customer side of the meter and was addressed immediately. District staff has repaired all but 2 out of the 13 as they will require a scheduled outage to replace leaking angle meter stops.

7) **Water Availability Request/Connection Permits**

One permit was issued for an ADU in the unincorporated area.

8) **Monthly WZ & RZ Operations Activities – November**

- Completed RZ meter reading.
- Completed 84 service lateral inspections.
- Completed 4 meter changeouts.
- Investigated 6 high bills.
- Investigated 4 customer leaks.
- Performed 1 conservation work order.
- Installed temporary high line at Vista Panorama reservoir site.
- Relocated high line after demolition of Vista Panorama reservoir and replaced gate valves and check valves on discharge side of pumps.
- Hired tree trimming contractor to trim and remove trees and bushes at 6 MG reservoir site.
- Cleaned and painted vault piping for outlet meter at 6 MG reservoir site.
- Replaced 1 broken meter box.
- Exercised 7 water valves.
- Attended meetings for Barrett Booster Station, ID1, SCADA, Admin Building, Vista Panorama reservoir, Newport reservoir projects and Water Standards Update, Zone 2 to Zone 3 project.
- Ordered misc. tools, parts, and materials for water and sewer departments.
- Completed 31 Dig Alerts.
- Monitored daily operations of reservoir chlorination system at Andres reservoir (Ops. Manager).
- Attended Groundwater Producer Meetings (Eng. Manager).
- Submitted monthly, quarterly, and annual reports to SWRCB.
- Reviewed weekly water quality data.
- Ordered water quality supplies.
- Attend weekly maintenance and operations meeting with GM (Engineering and Ops Managers).

JOINT SYSTEM ACTIVITIES

A. **Pandemic Response (COVID-19) Plan**

No Update.

B. **Public Safety Power Shutoff (PSPS)**

No Update.

C. **SEDARU**

Please see the attached SEDARU water work and sewer work reports which provide

information on work staff is performing and the types of customer interactions that staff are having.

D. America's Water Infrastructure Act (AWIA) Cybersecurity Improvements

No Update

E. Safety

Update: Staff completed electrical safety training during January.

F. Engineering & Operations Committee

The February 16 meeting minutes are attached.

G. Administrative & Finance Committee

The February 17 meeting minutes are attached.



Monthly Water Asset Report

January 2023

Customer Work			
Broken Meter Box	1	Check Backflow	
Hi/Lo Pressure		Conservation	1
Meter Changeout	4	Customer Leak	3
Meter Connect		Door Tag	4
Meter Disconnect		Get Backflow Info	
Meter Edit	6	High Water Bill	6
Meter Read	12	Misc Customer Task	2
Meter Re-read	3	Water Qual. Compl.	
Grand Total	26	Grand Total	16

Facilities Work	
Andres Reservoir Site	5
Barret Reservoir Site	1
Facility Edit	
Maintenance	12
Newport Reservoir Site	
Peters Canyon Reservoir Site	5
Vista Panorama Reservoir Site	5
Grand Total	28

Sample Work	
In-House WQ Data	79

DigTicket Work	
Water	31

Pump Work	
Pump and Motor Maintenance	2

Water Distribution Line Work			
Main Leak Report		Service Lateral Leak	3
Pipe Edit	1		
Grand Total	1		

Valve Work	
Valve Edit	2
Valve Exercise	7
Grand Total	9

Hydrant Work	
Hydrant Edit	
Hydrant Flushing	
Hydrant Maintenance	
Hydrant Meter Install	
Hydrant Meter Removal	
Grand Total	

Gallons Used	

Production Meter Work	
Production Meter Maintenance	1
Production Meter Test	
Grand Total	1

Air Vac Work	
Air Vac Maintenance	

Pressure Reducing Station Work	
Pressure Reducing Station Maintenance	



Monthly Sewer Asset Report

January 2023

Sewer Gravity Main Work

Line Cleaning Segments	337	Pipes CCTVd	41
Managers Form	23	Feet of Main CCTVd	10,336
Pipe Edit	37		
Grand Total	397		
Feet of Main Root Foamed		Feet of Main Cleaned	86,992

Easement Work

Easement Inspection	
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DigTicket Work

811 Locate	130
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FOG Work

BMP Inspection	
FOG Form	76
FOG Permitting	10
FSE Edit	25
Initial Inspection	3
Grand Total	114

Manhole Work

Manhole Edit	
Manhole Inspection	158
Manhole Rehab	
Roach Spray	
Grand Total	158

Water Hydrants

Hydrant Meter Read	15
Water Used in CCF	80.30
Water Used in Gallons	60,225

Customer Work

Const. Inspection	
Customer Investigation	
Parcel Edit	
Pre construction	

**Minutes of the
Engineering & Operations Committee
February 16, 2023**

1. The meeting was called to order at 4:30 p.m. by Director Murdoch.

The following Directors attended the meeting: Director Murdoch and Director Thoms. Also present at the meeting were: David Youngblood – General Manager (attended remotely), Jeff Smyth – Engineering Manager, Jerry Mendzer – Operations Manager, and Sylvia Prado – Office Manager.

2. No public comments were received.
3. No additional items were added to the agenda.

Informational Items

4. District Headquarters Building Project Update – Staff provided an update to the Committee on the status of the project.
5. Capital Improvement – Staff presented a status update of the Capital Improvement Projects. Director Murdoch commented to add the capital projects to the website.
6. RZ Well Levels, System Status, and Water Use – Staff provided information regarding the annual leak detection survey results and repairs consisting mostly of angle meter stops, lead and copper rule reporting (the District does not have any lead pipes), and a temporary water line to facilitate the Vista Panorama Reservoir demolition.
7. WZ System Status and Water Use – Staff informed the Committee regarding tree trimming and utilization of goats for vegetation reduction at the 6MG reservoir. Staff also commented about reservoir treatment at the Newport Reservoir.
8. Sewer System Status and Development Permits – No sewer spills in December or January. Staff informed the Committee about a broken sewer pipe on Chapman Avenue, an asphalt repair on Redhill Avenue, and the status of the liner removal on Rockhurst.
9. Adjournment at 5:50 p.m.

**Minutes of the
Administration & Finance Committee
February 16, 2023**

Present: Chair John Sears, Director John Nielsen, David Youngblood, Sylvia Prado,

The meeting was called to order at 9:00 a.m.

No public comments were received.

No additional items were added to the agenda.

1. Monthly Financial Reports December 2022 - Staff reported monthly financials for December 2022. Staff informed the Committee that an update was presented to the E&O Committee on Capital Improvement Projects.
2. Monthly Disbursements - Staff reported monthly disbursements.
3. Annual Audit – Staff reported that the District received a “clean opinion”.
4. Rate Adoption – Staff reported an update on the public hearing notice process that will satisfy the requirements of Proposition 218.

Adjourned at 9:50 a.m.



MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: MONTHLY FINANCIALS & TREASURER'S REPORT
DATE FEBRUARY 23, 2023

Background

Monthly Financial Summary for Wholesale Zone, Retail Zone, and ID1 (wastewater).

Recommendation

Informational.

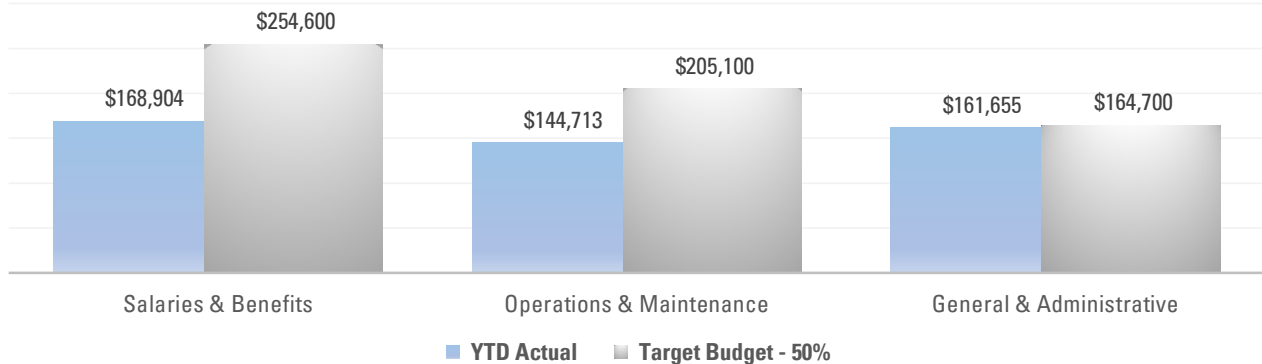
Attachment(s): WZ, RZ, and ID1 Financial Summary for December 2022
Treasurer's Report for December 2022



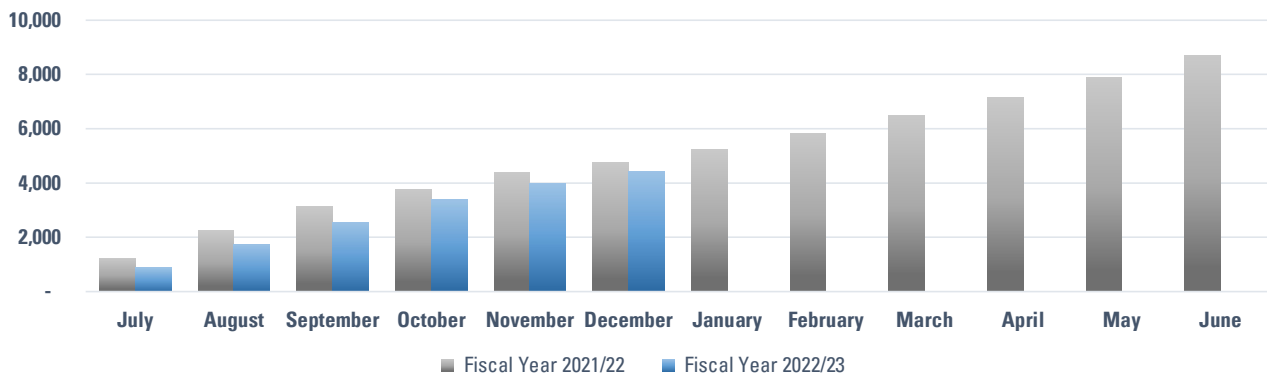
Revenue & Expense Summary Wholesale (Unaudited) Period Ending December 31, 2022

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

Expense v. Target Budget



Annual Water Sales (AF)



No assurance provided on these financial statements. The financial statements do not include a statement of cash flows. Substantially all disclosures required by accounting principles generally accepted in the U.S. not included.

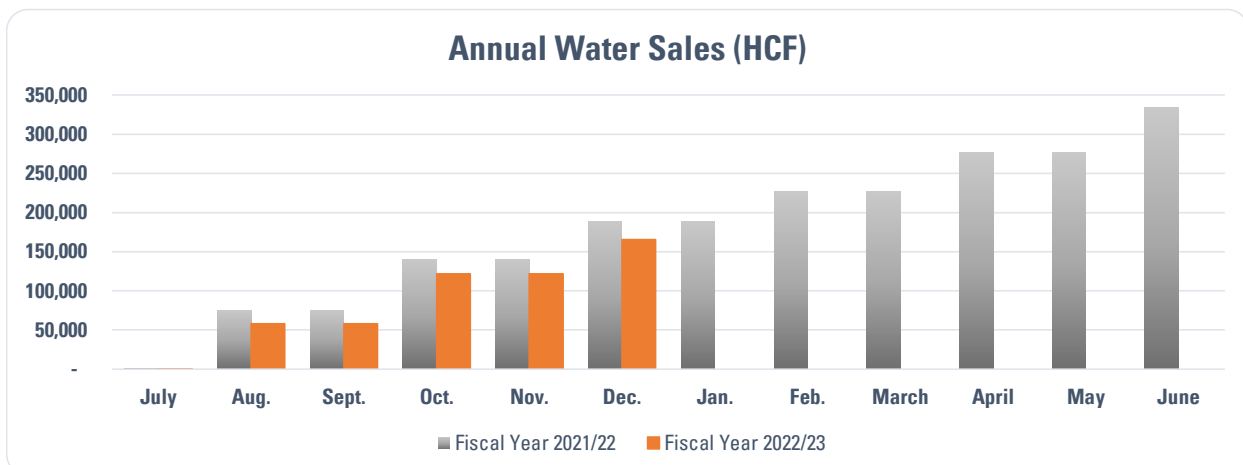
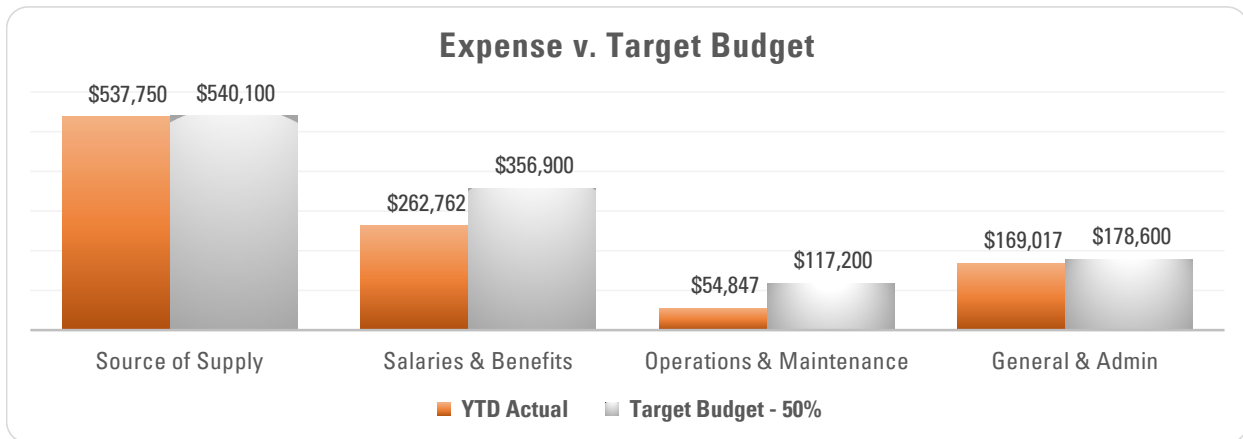


Revenue & Expense Summary

Retail (Unaudited)

Period Ending
December 31, 2022

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

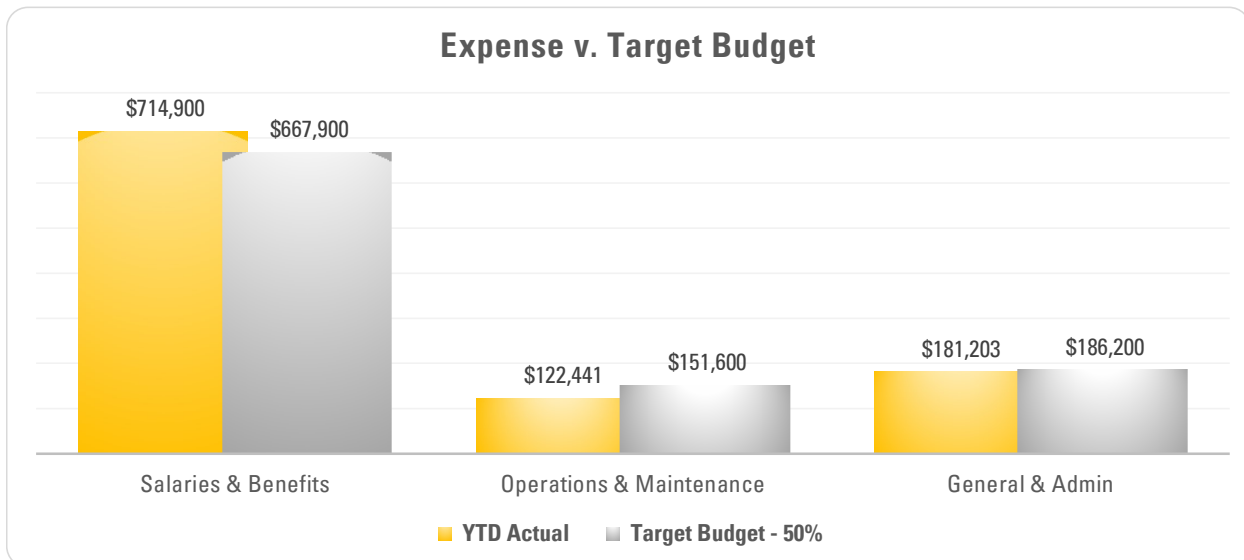


No assurance provided on these financial statements. The financial statements do not include a statement of cash flows. Substantially all disclosures required by accounting principles generally accepted in the U.S. not included.



Revenue & Expense Summary Sewer (Unaudited) Period Ending December 31, 2022

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





Cash & Investments

(Unaudited)

December 31, 2022

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

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

Treasurer Certification

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

Cindy Byerrum

Cindy Byerrum, Treasurer

East Orange County Water District

Period Ending December 31, 2022

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



SECTION 1	Economic Update
SECTION 2	Consolidated Information
SECTION 3	Account Profile
SECTION 4	Portfolio Holdings
SECTION 5	Transactions

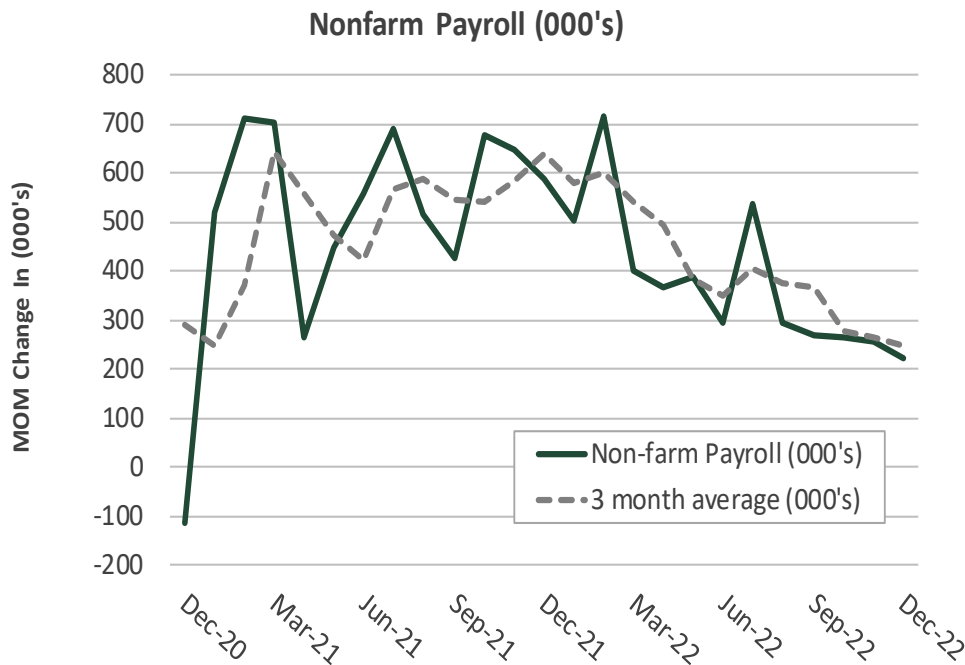


Section 1 | Economic Update

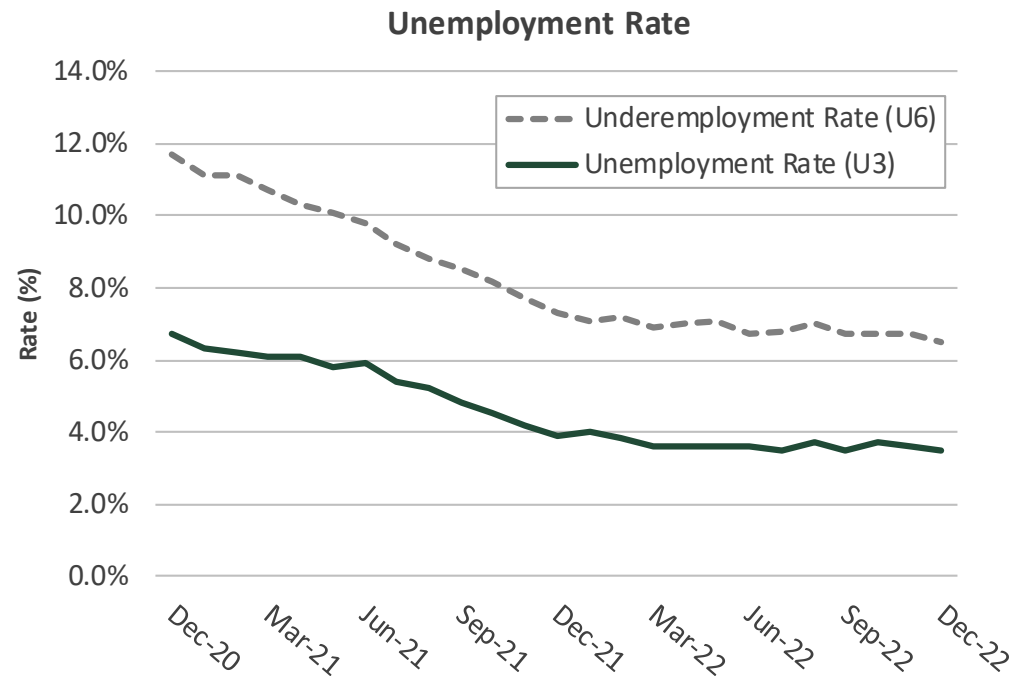
Economic Update

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

Employment



Source: US Department of Labor

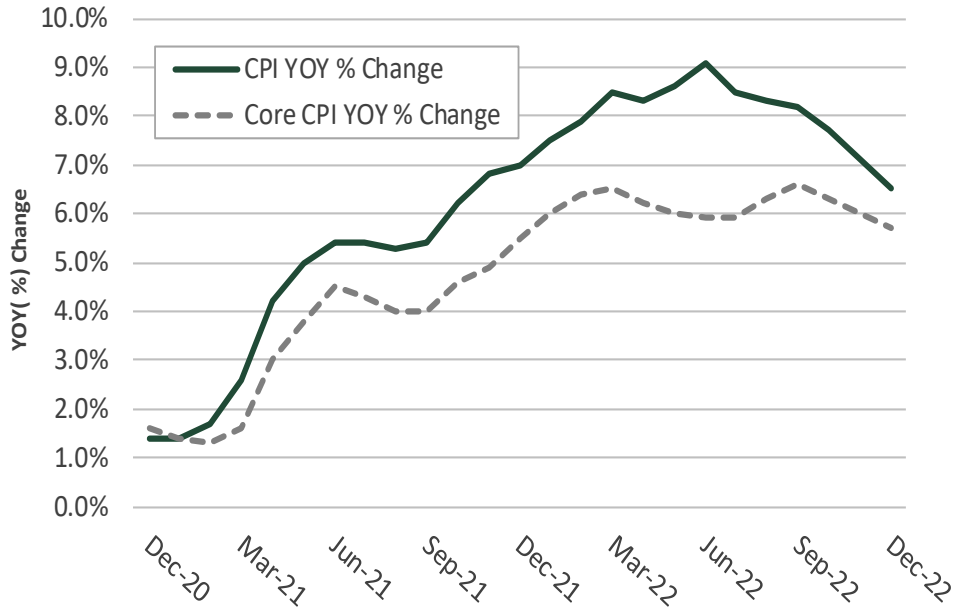


Source: US Department of Labor

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

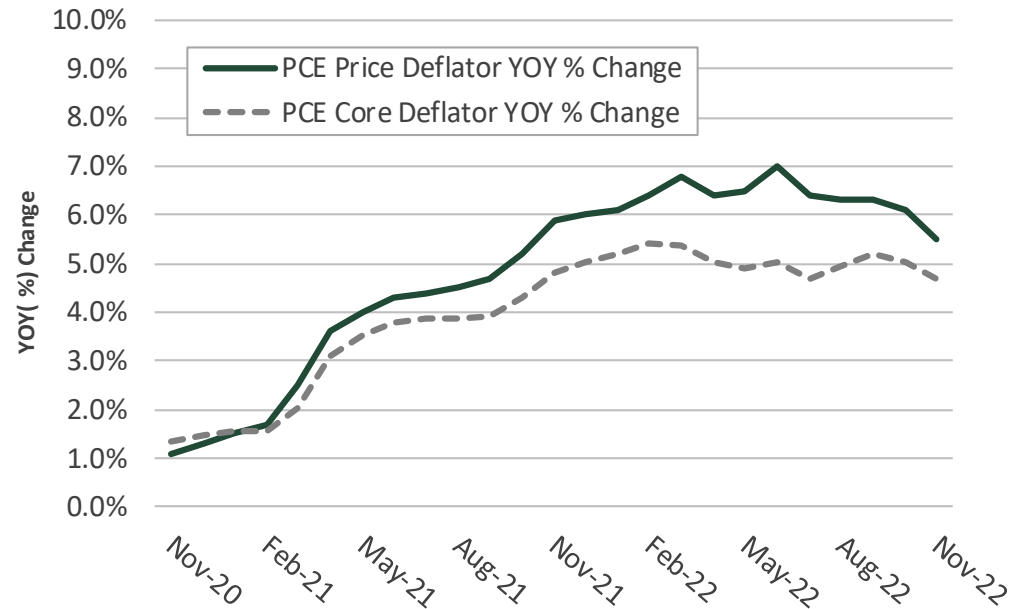
Inflation

Consumer Price Index (CPI)



Source: US Department of Labor

Personal Consumption Expenditures (PCE)

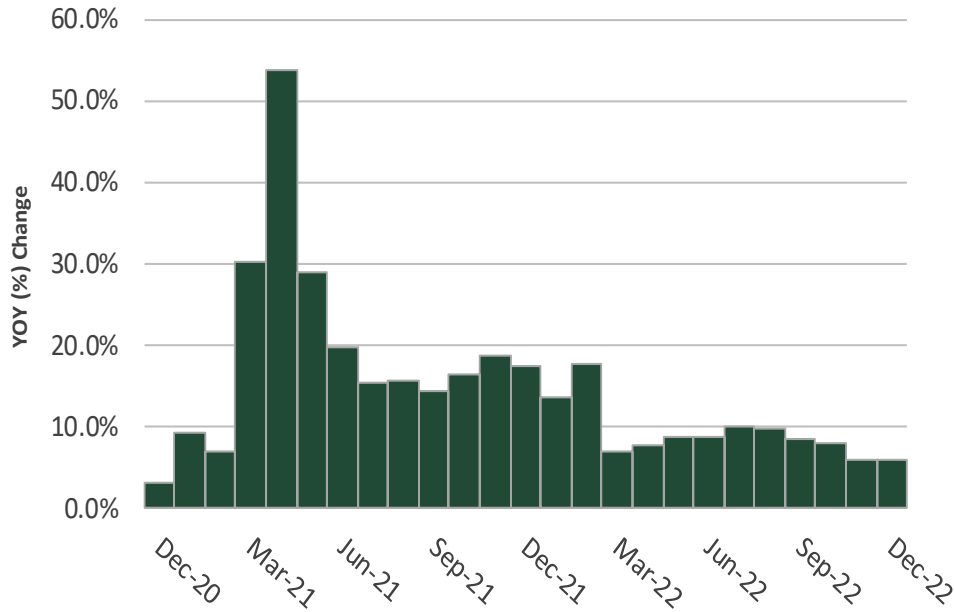


Source: US Department of Commerce

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

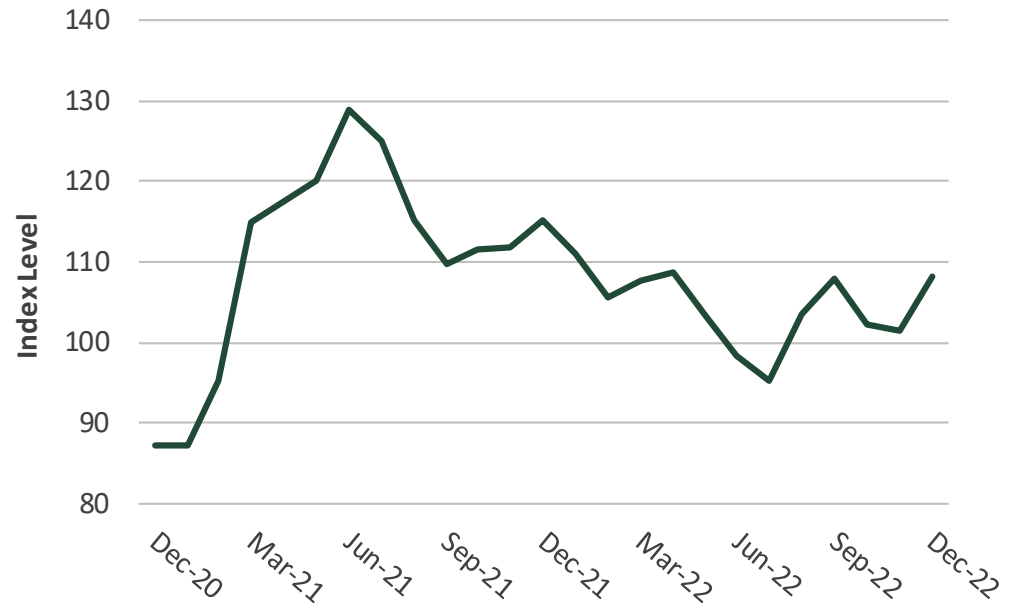
Consumer

Retail Sales YOY % Change



Source: US Department of Commerce

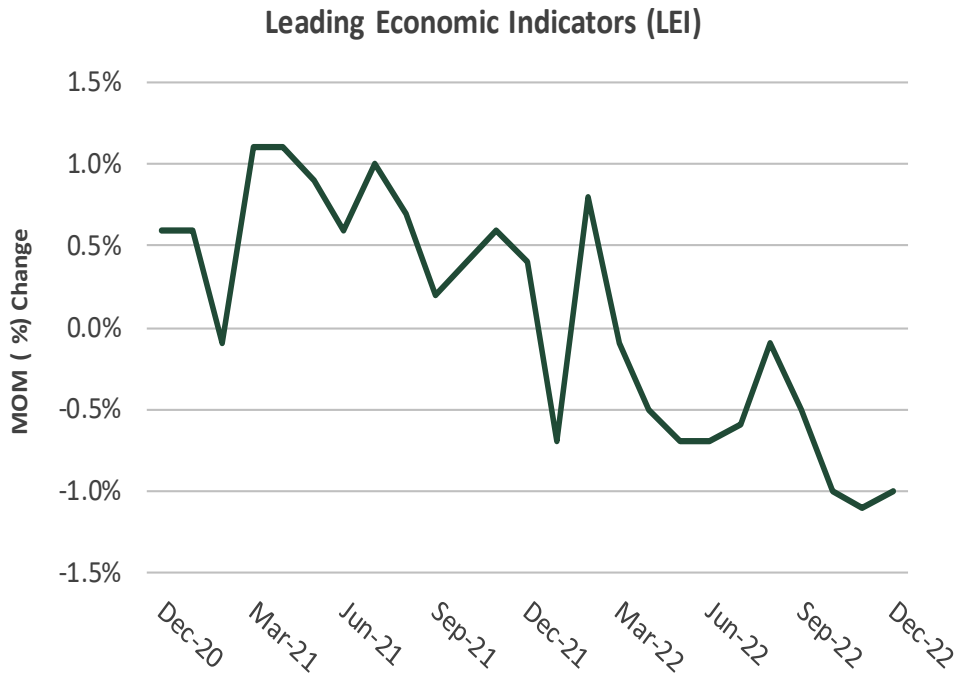
Consumer Confidence



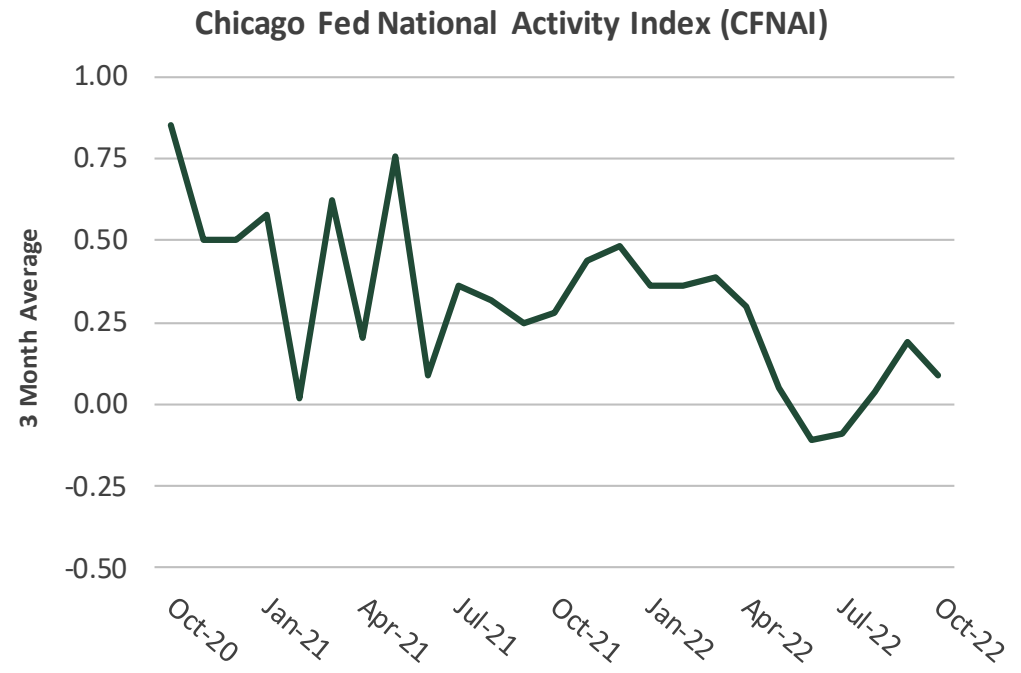
Source: The Conference Board

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

Economic Activity



Source: The Conference Board

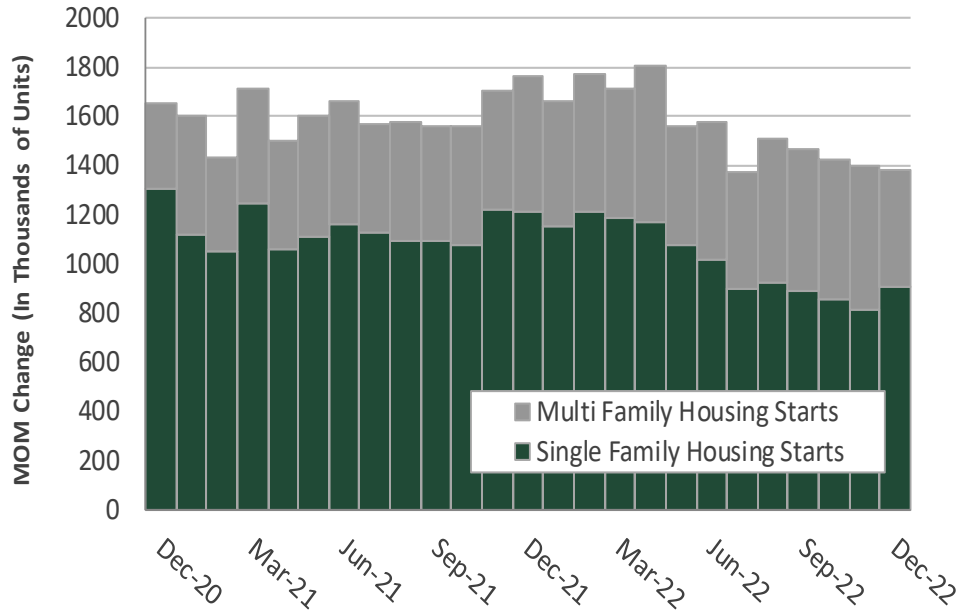


Source: Federal Reserve Bank of Chicago

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

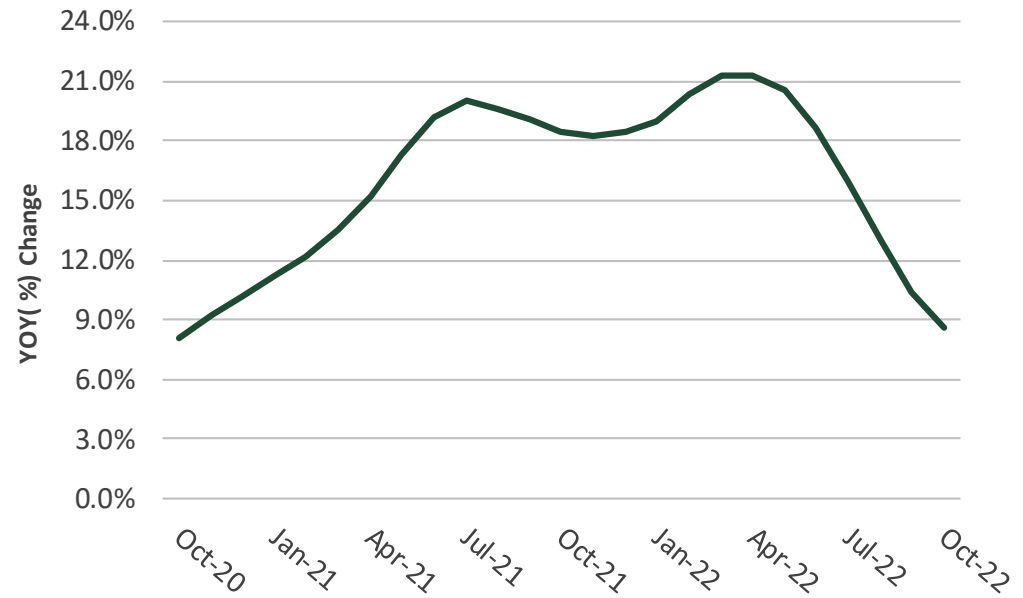
Housing

Housing Starts



Source: US Department of Commerce

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



Source: S&P

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

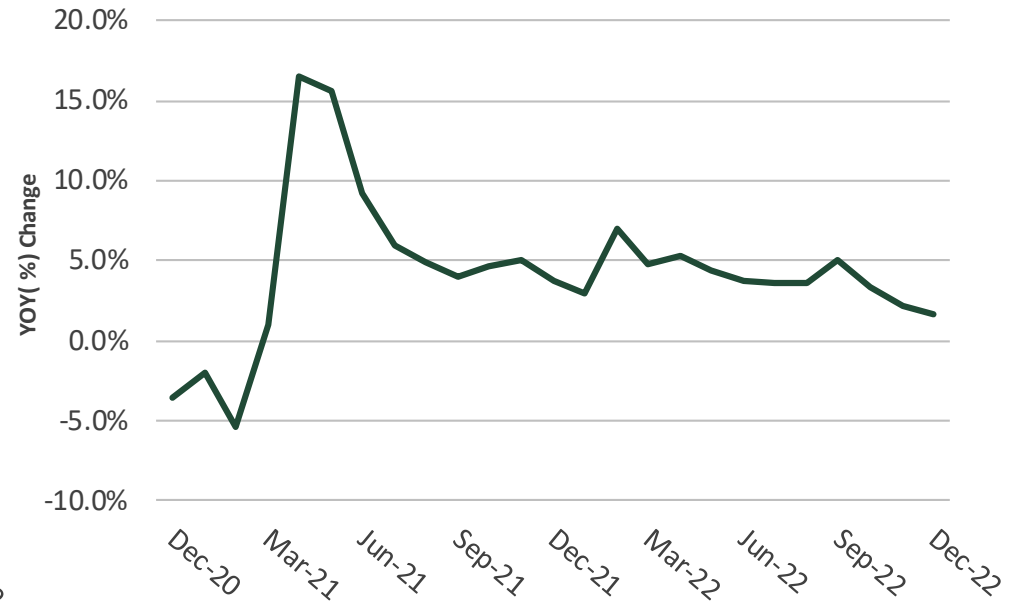
Manufacturing

Institute of Supply Management Purchasing Manager Index



Source: Institute for Supply Management

Industrial Production



Source: Federal Reserve

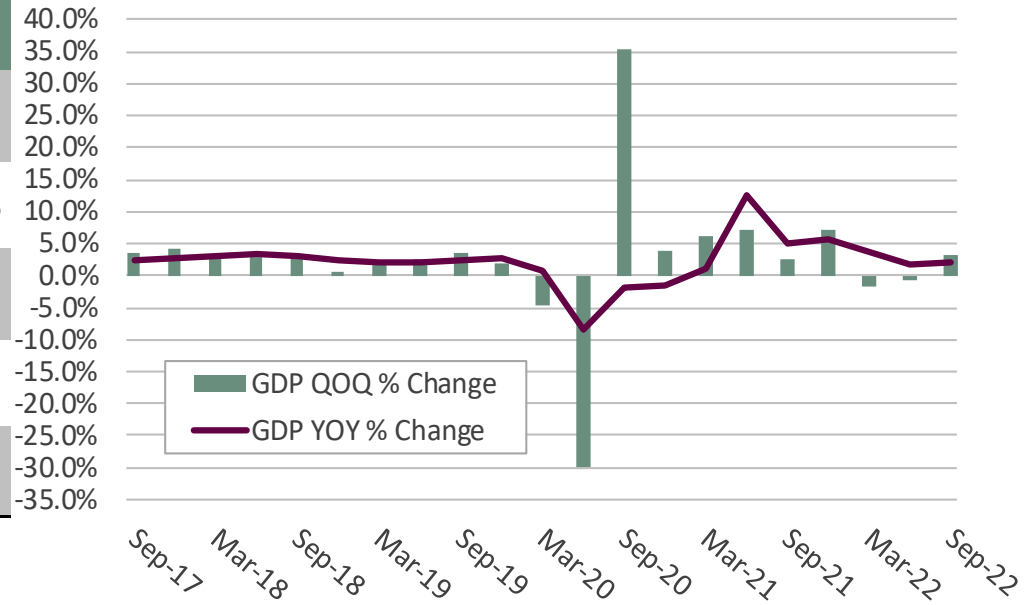
The Institute for Supply Management (ISM) manufacturing index declined to 48.4 in December from 49.0 in November. This is the second consecutive month of readings below 50.0, which is indicative of contraction in the manufacturing sector. The declining trend reflects sluggish demand amid economic uncertainty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

Gross Domestic Product (GDP)

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

Source: US Department of Commerce

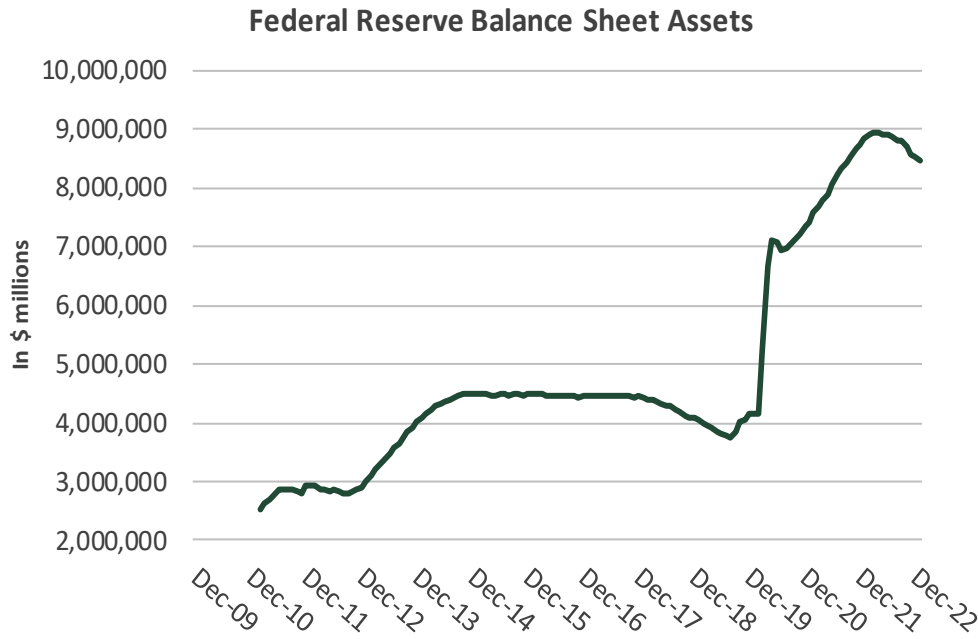
Gross Domestic Product (GDP)



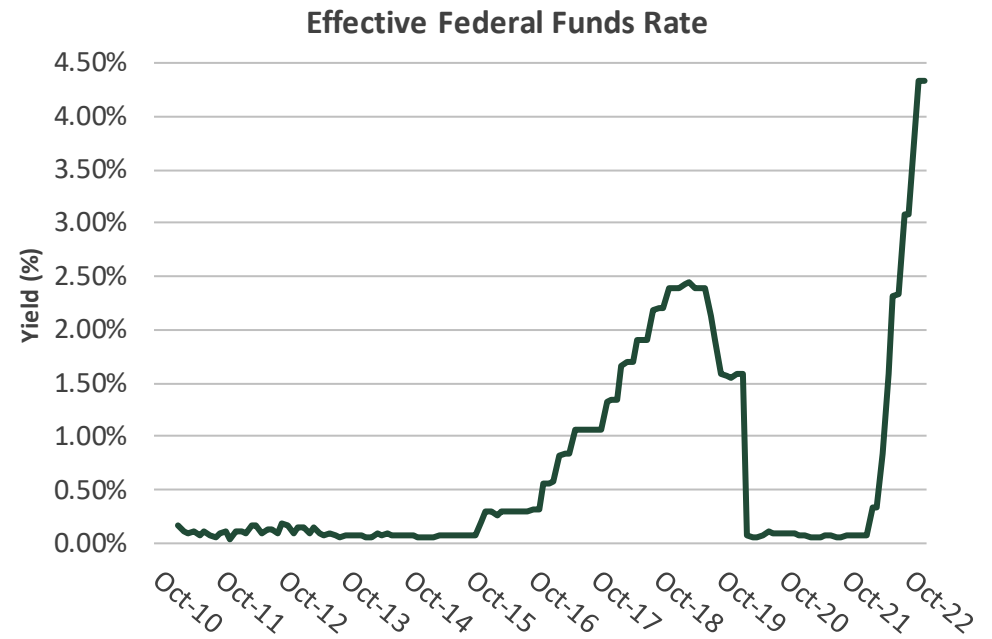
Source: US Department of Commerce

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

Federal Reserve



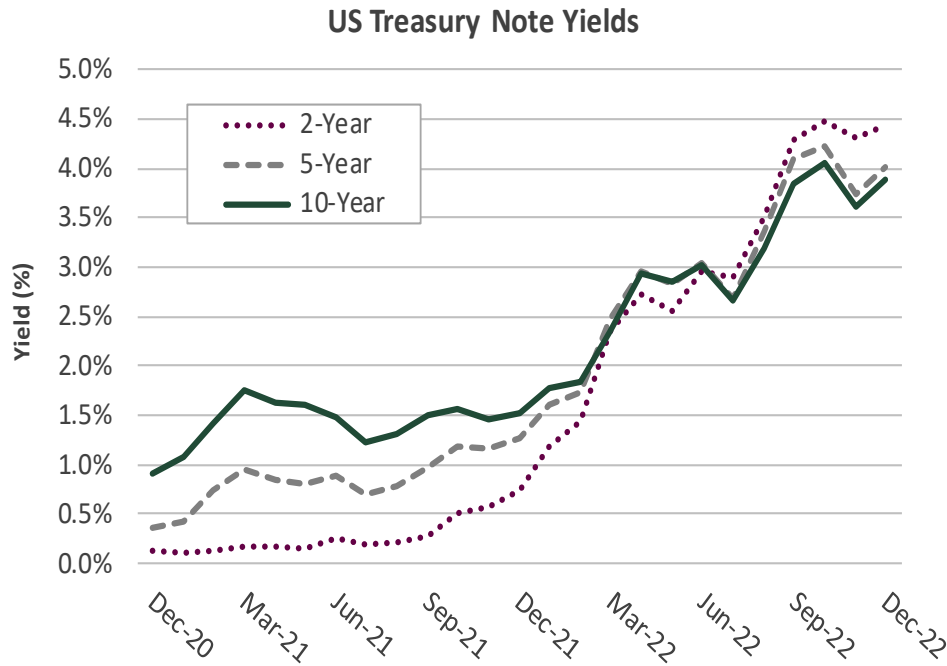
Source: Federal Reserve



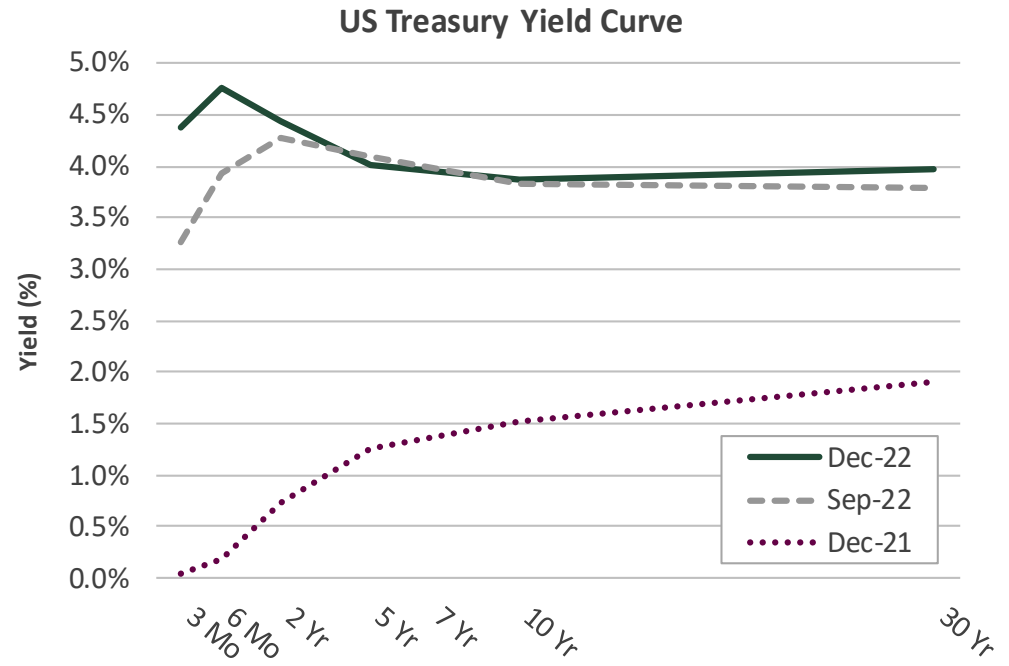
Source: Bloomberg

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

Bond Yields



Source: Bloomberg



Source: Bloomberg

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

Periodic Table of Asset Class Returns

As of December 31, 2022

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

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



Section 2 | Consolidated Information

Investment Objectives

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

Chandler Asset Management Performance Objective

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

Strategy

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

East Orange County Water District Consolidated Portfolio

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

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

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

Portfolio Characteristics

As of December 31, 2022

East Orange County Water District Consolidated

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

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

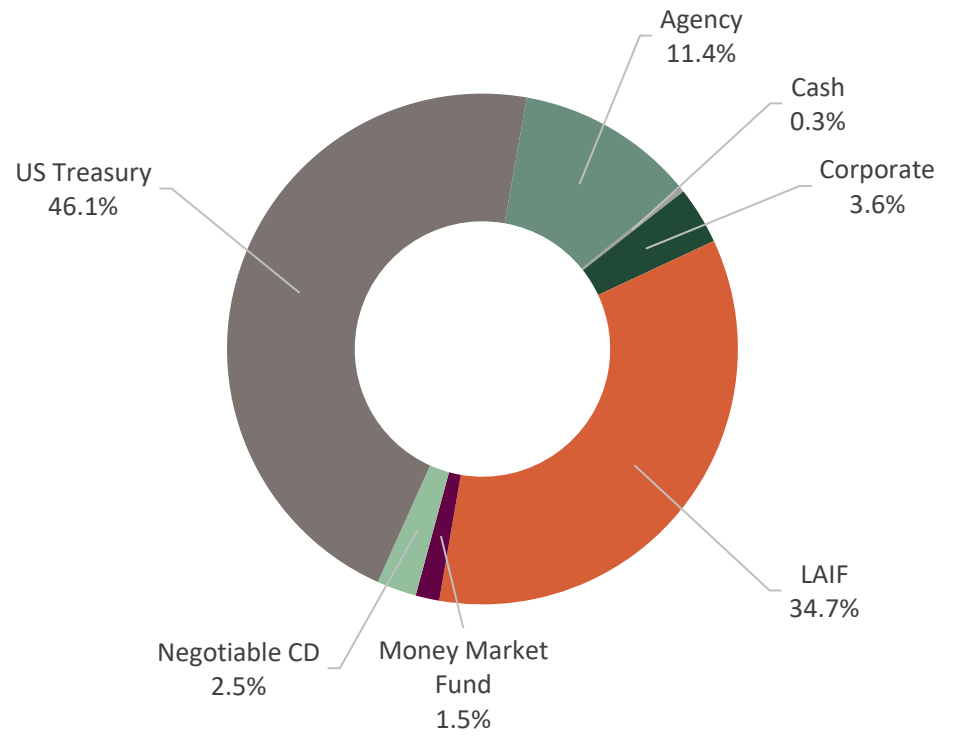
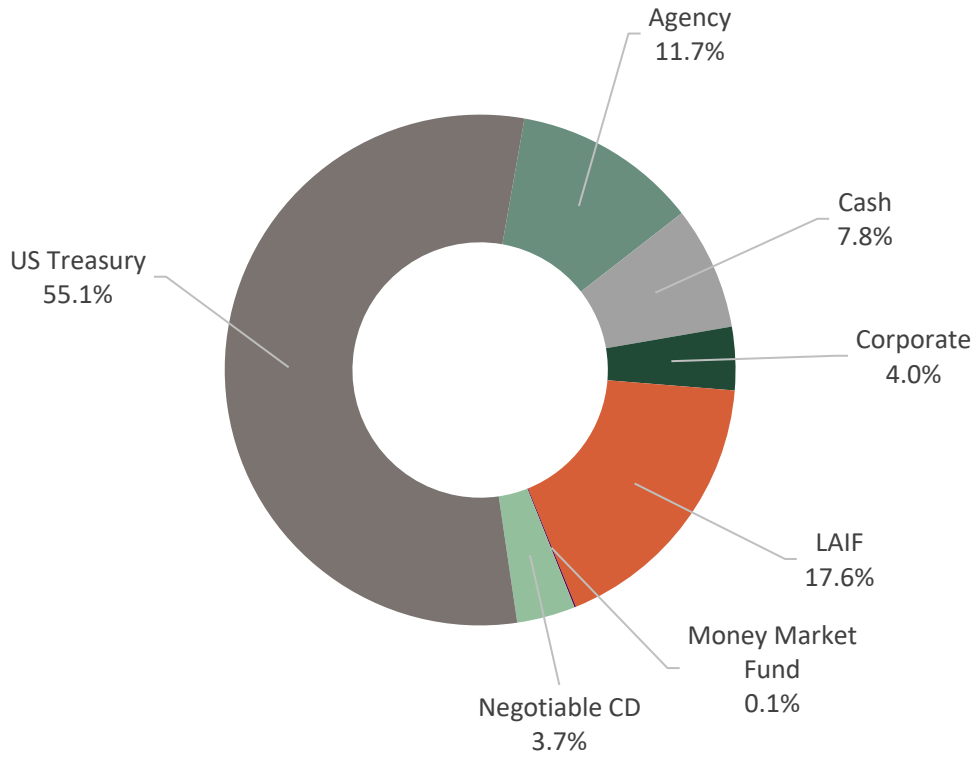
Sector Distribution

As of December 31, 2022

East Orange County Water District Consolidated

December 31, 2022

September 30, 2022



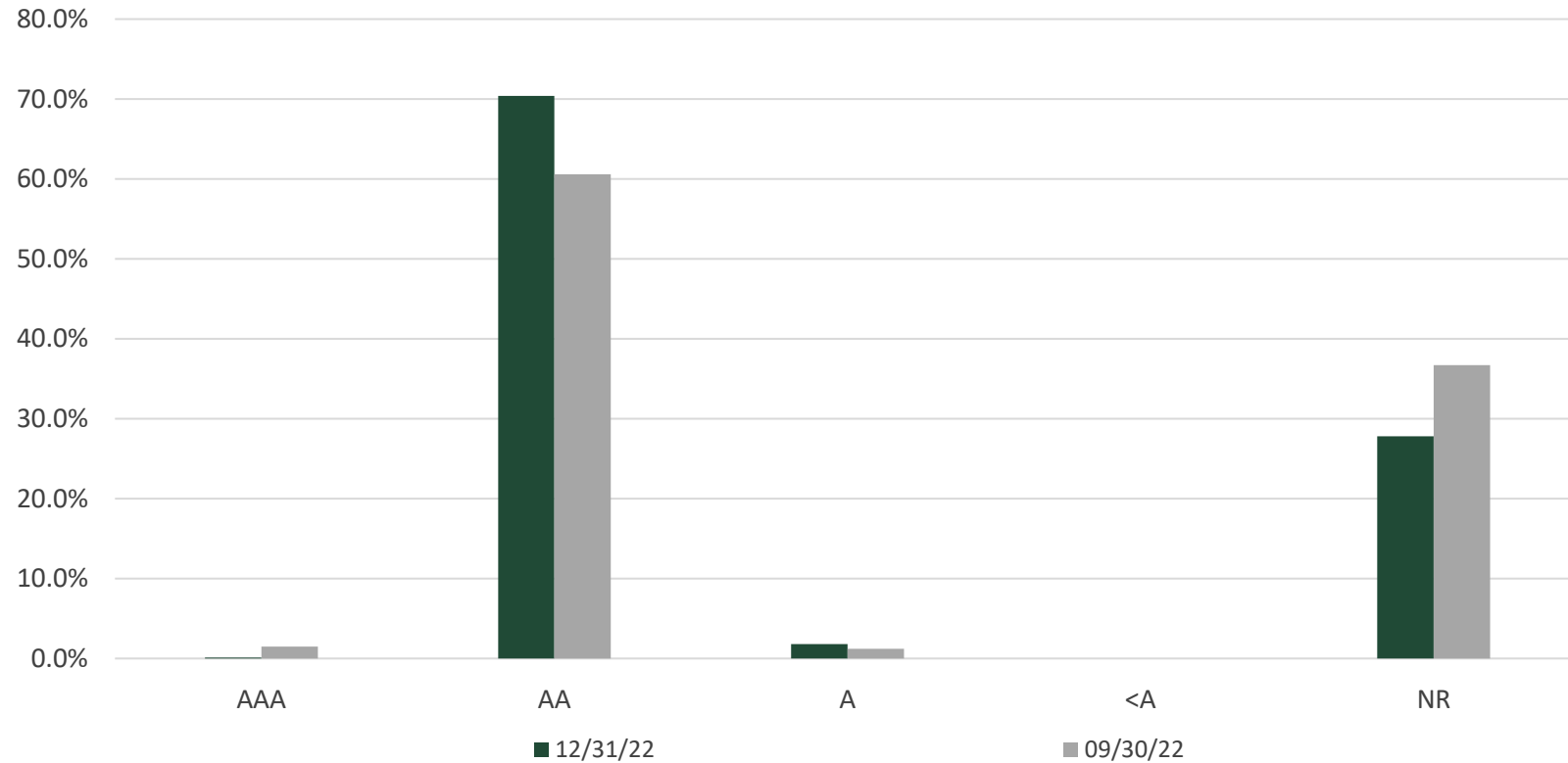
East Orange County Water District Consolidated – Account #10491

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

Quality Distribution

As of December 31, 2022

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



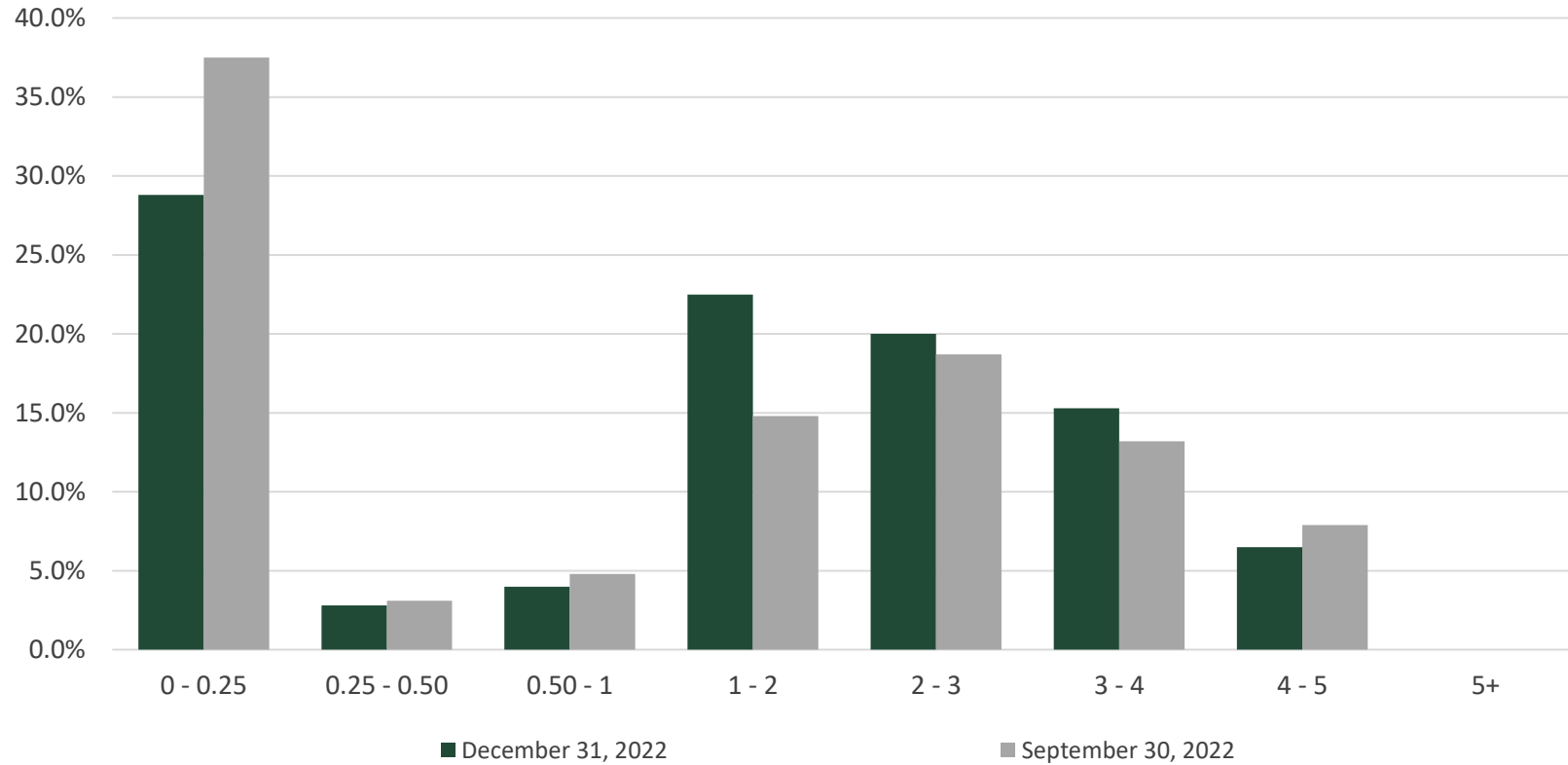
	AAA	AA	A	<A	NR
12/31/22	0.1%	70.4%	1.8%	0.0%	27.8%
09/30/22	1.5%	60.6%	1.2%	0.0%	36.7%

Source: S&P Ratings

Duration Distribution

As of December 31, 2022

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



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



Section 3 | Account Profile

Portfolio Characteristics

As of December 31, 2022

East Orange County Water District Short Term Bond

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

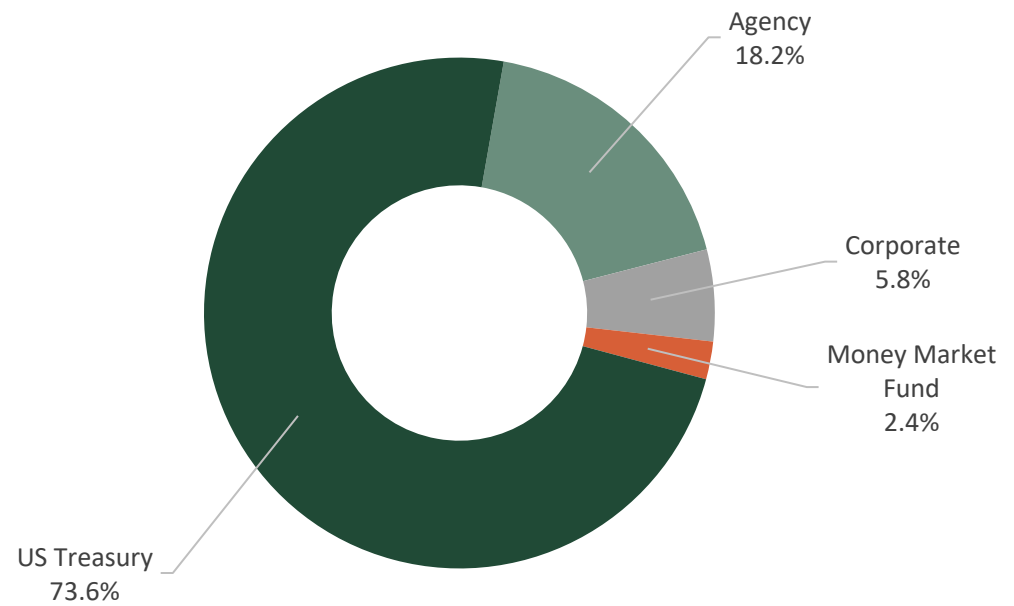
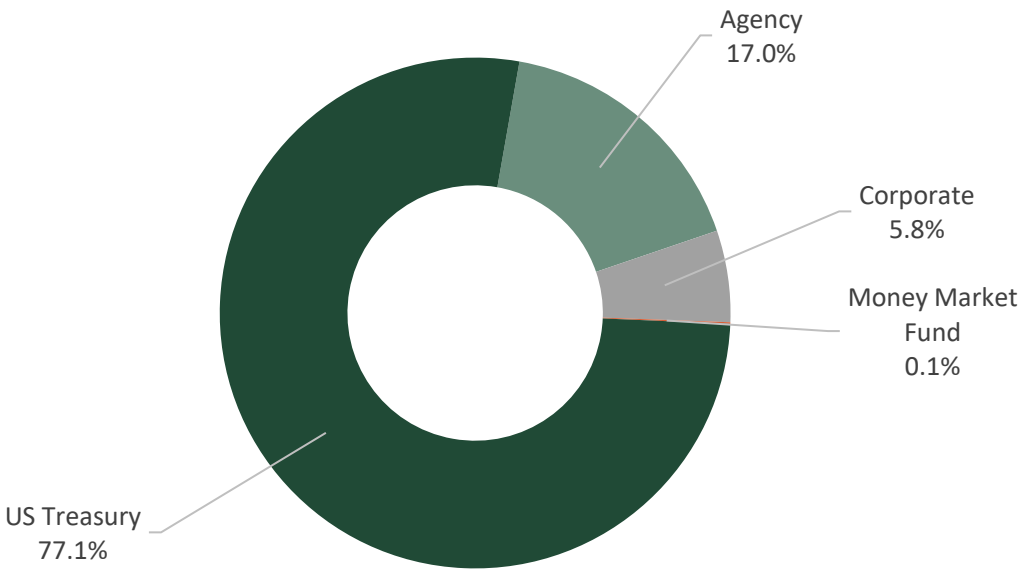
*ICE BofA 1-5 Yr US Treasury & Agency Index

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

East Orange County Water District Short Term Bond

December 31, 2022

September 30, 2022



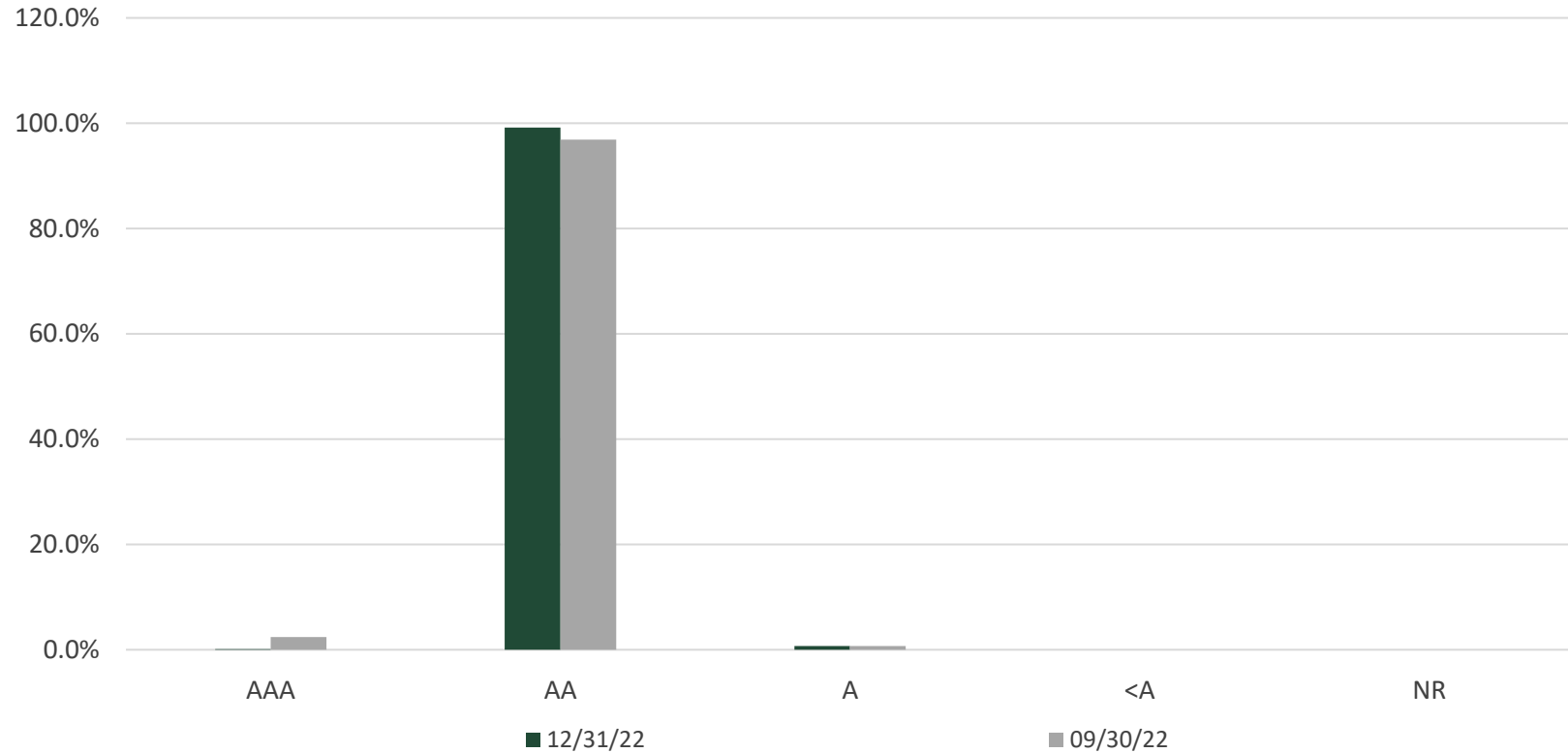
East Orange County Water District Short Term Bond – Account #10490

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

Quality Distribution

As of December 31, 2022

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



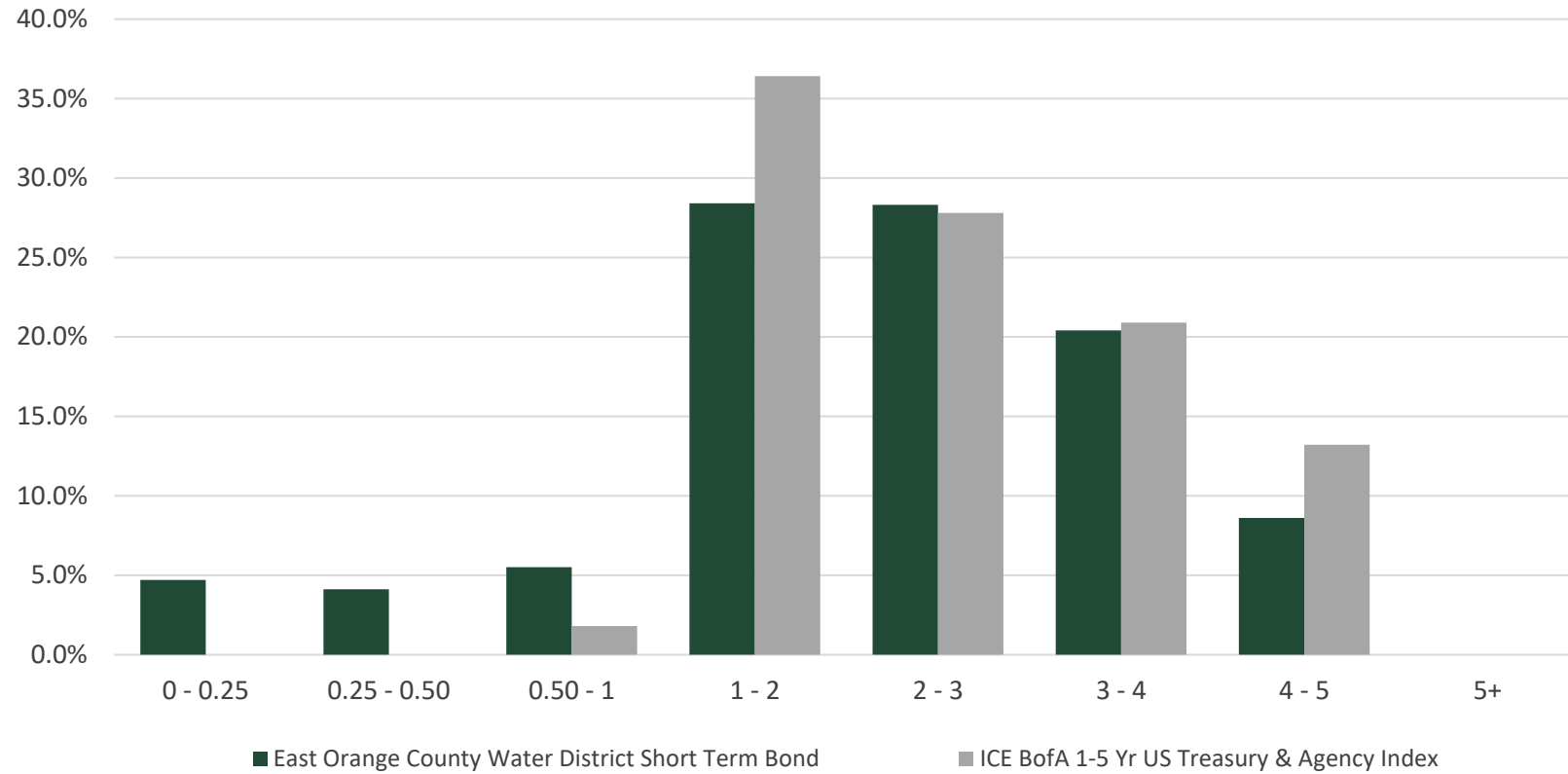
	AAA	AA	A	<A	NR
12/31/22	0.1%	99.2%	0.7%	0.0%	0.0%
09/30/22	2.4%	96.9%	0.7%	0.0%	0.0%

Source: S&P Ratings

Duration Distribution

As of December 31, 2022

**East Orange County Water District Short Term Bond
Portfolio Compared to the Benchmark**



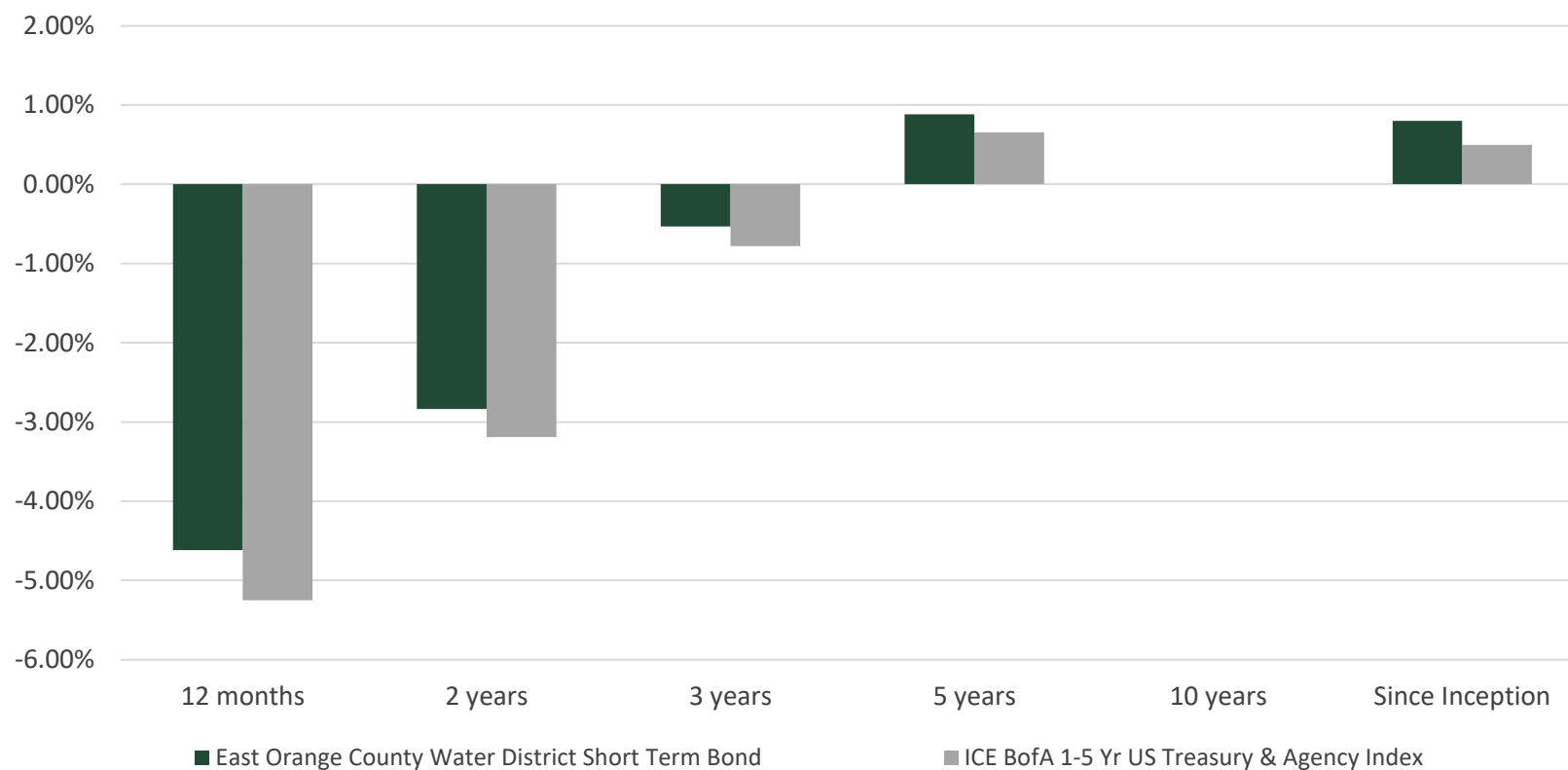
	0 - 0.25	0.25 - 0.50	0.50 - 1	1 - 2	2 - 3	3 - 4	4 - 5	5+
Portfolio	4.7%	4.1%	5.5%	28.4%	28.3%	20.4%	8.6%	0.0%
Benchmark*	0.0%	0.0%	1.8%	36.4%	27.8%	20.9%	13.2%	0.0%

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

Investment Performance

As of December 31, 2022

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



TOTAL RATE OF RETURN	Annualized						
	3 months	12 months	2 years	3 years	5 years	10 years	Since Inception
East Orange County Water District Short Term Bond	0.92%	-4.62%	-2.84%	-0.53%	0.88%	N/A	0.80%
ICE BofA 1-5 Yr US Treasury & Agency Index	0.94%	-5.25%	-3.19%	-0.78%	0.66%	N/A	0.50%

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

East Orange County Water District Reporting

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

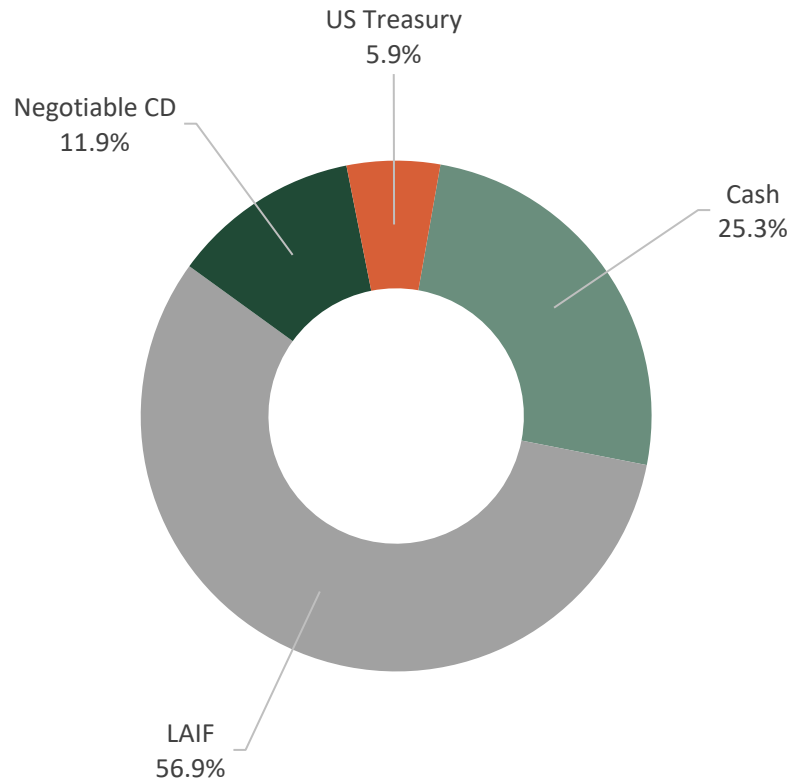
**Portfolio is S&P and Moody's, respectively.*

Sector Distribution

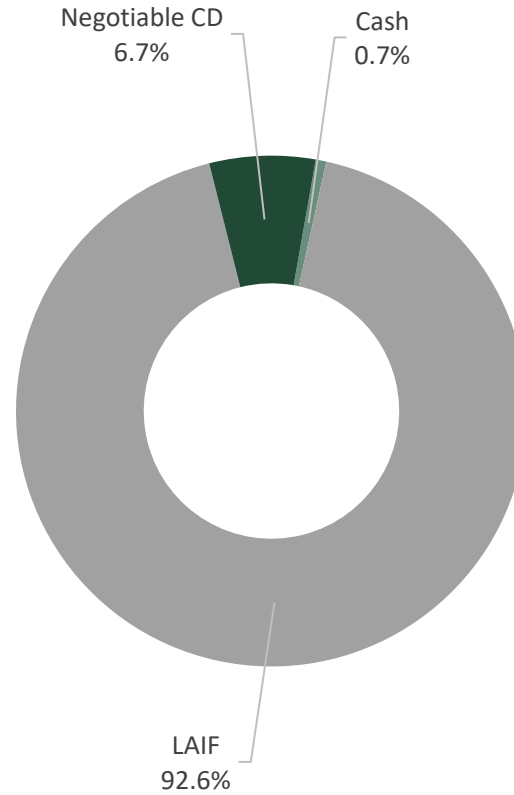
As of December 31, 2022

East Orange County Water District Reporting

December 31, 2022



September 30, 2022





Section 4 | Portfolio Holdings

Holdings Report

As of December 31, 2022

East Orange County Water District Consolidated - Account #10491

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
Agency									
3133EJBP3	FFCB Note 2.500% Due 02/02/2023	325,000.00	02/26/2018 2.66%	322,536.50 324,956.23	99.83 4.43%	324,450.47 3,362.85	0.61% (505.76)	Aaa / AA+ AAA	0.09 0.09
3133EJSD2	FFCB Note 2.890% Due 06/19/2023	200,000.00	07/05/2018 2.82%	200,606.00 200,056.61	99.18 4.68%	198,358.99 192.67	0.37% (1,697.62)	Aaa / AA+ AAA	0.47 0.46
3133EJUS6	FFCB Note 2.875% Due 07/17/2023	280,000.00	09/06/2018 2.85%	280,266.00 280,029.54	99.04 4.68%	277,317.57 3,667.22	0.52% (2,711.97)	Aaa / AA+ AAA	0.54 0.53
3133EJYL7	FFCB Note 2.800% Due 09/05/2023	225,000.00	09/20/2018 3.07%	222,266.25 224,626.94	98.72 4.74%	222,111.73 2,030.00	0.42% (2,515.21)	Aaa / AA+ AAA	0.68 0.66
3137EAEY1	FHLMC Note 0.125% Due 10/16/2023	375,000.00	10/22/2020 0.26%	373,443.75 374,588.05	96.45 4.75%	361,682.82 97.66	0.68% (12,905.23)	Aaa / AA+ AAA	0.79 0.77
3130A0F70	FHLB Note 3.375% Due 12/08/2023	245,000.00	01/17/2019 2.73%	252,163.80 246,368.55	98.57 4.96%	241,490.38 528.28	0.45% (4,878.17)	Aaa / AA+ AAA	0.94 0.91
3130AFW94	FHLB Note 2.500% Due 02/13/2024	345,000.00	03/04/2019 2.62%	343,102.50 344,571.33	97.57 4.76%	336,624.54 3,306.25	0.63% (7,946.79)	Aaa / AA+ AAA	1.12 1.07
3130A1XJ2	FHLB Note 2.875% Due 06/14/2024	515,000.00	Various 1.92%	538,241.25 521,779.30	97.72 4.51%	503,256.66 699.18	0.94% (18,522.64)	Aaa / AA+ NR	1.45 1.40
3130A2UW4	FHLB Note 2.875% Due 09/13/2024	400,000.00	09/25/2019 1.69%	422,504.00 407,703.96	97.12 4.65%	388,485.15 3,450.00	0.73% (19,218.81)	Aaa / AA+ AAA	1.70 1.62
3135G0W66	FNMA Note 1.625% Due 10/15/2024	400,000.00	Various 1.71%	398,349.00 399,401.66	95.05 4.54%	380,187.51 1,372.22	0.71% (19,214.15)	Aaa / AA+ AAA	1.79 1.72
3135G0X24	FNMA Note 1.625% Due 01/07/2025	510,000.00	01/08/2020 1.69%	508,373.10 509,342.64	94.54 4.48%	482,174.31 4,005.63	0.91% (27,168.33)	Aaa / AA+ AAA	2.02 1.93
3137EAEPO	FHLMC Note 1.500% Due 02/12/2025	470,000.00	02/13/2020 1.52%	469,638.10 469,846.71	94.29 4.35%	443,180.97 2,722.08	0.83% (26,665.74)	Aaa / AA+ AAA	2.12 2.03
3135G03U5	FNMA Note 0.625% Due 04/22/2025	125,000.00	04/22/2020 0.67%	124,742.50 124,881.13	91.94 4.33%	114,931.17 149.74	0.21% (9,949.96)	Aaa / AA+ AAA	2.31 2.24
3130AJKW8	FHLB Note 0.500% Due 06/13/2025	375,000.00	06/24/2020 0.52%	374,707.50 374,855.85	91.30 4.28%	342,376.25 93.75	0.64% (32,479.60)	Aaa / AA+ AAA	2.45 2.39
3135G04Z3	FNMA Note 0.500% Due 06/17/2025	210,000.00	07/13/2020 0.48%	210,218.40 210,109.02	91.07 4.37%	191,236.78 40.83	0.36% (18,872.24)	Aaa / AA+ AAA	2.46 2.40
3137EAEU9	FHLMC Note 0.375% Due 07/21/2025	285,000.00	07/21/2020 0.48%	283,580.70 284,274.79	90.57 4.31%	258,130.45 475.00	0.48% (26,144.34)	Aaa / AA+ AAA	2.56 2.49
3135G05X7	FNMA Note 0.375% Due 08/25/2025	395,000.00	08/25/2020 0.47%	393,151.40 394,019.96	90.27 4.30%	356,559.45 518.44	0.67% (37,460.51)	Aaa / AA+ AAA	2.65 2.58

Holdings Report

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

Holdings Report

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CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
LAIF									
90LAIF00	Local Agency Investment Fund State Pool	9,337,076.73	Various 2.23%	9,337,076.73 9,337,076.73	1.00 2.23%	9,337,076.73 77,626.21	17.57% 0.00	NR / NR NR	0.00 0.00
TOTAL LAIF		9,337,076.73	2.23%	9,337,076.73	2.23%	9,337,076.73 77,626.21	17.57% 0.00	NR / NR NR	0.00 0.00
Money Market Fund									
31846V203	First American Govt Obligation Fund Class Y	26,991.37	Various 3.79%	26,991.37 26,991.37	1.00 3.79%	26,991.37 0.00	0.05% 0.00	Aaa / AAA AAA	0.00 0.00
TOTAL Money Market Fund		26,991.37	3.79%	26,991.37	3.79%	26,991.37 0.00	0.05% 0.00	Aaa / AAA AAA	0.00 0.00
Negotiable CD									
795450K53	Sallie Mae Bank Negotiable CD 2.650% Due 02/08/2023	110,000.00	02/08/2018 2.65%	110,000.00 110,000.00	99.84 4.08%	109,827.52 1,166.00	0.21% (172.48)	NR / NR NR	0.11 0.11
38148PW86	Goldman Sachs Negotiable CD 3.350% Due 09/19/2023	110,000.00	09/19/2018 3.35%	110,000.00 110,000.00	100.00 3.35%	110,000.00 1,049.97	0.21% 0.00	NR / NR NR	0.72 0.70
14042TBQ9	Capital One Bank USA NA Negotiable CD 2.250% Due 08/07/2024	35,000.00	08/07/2019 2.25%	35,000.00 35,000.00	100.00 2.25%	35,000.00 317.16	0.07% 0.00	NR / NR NR	1.60 1.55
46593LQF9	JP Morgan Chase Bank Callable NCD Cont 3/30/2023 4.300% Due 09/30/2024	250,000.00	09/30/2022 4.30%	250,000.00 250,000.00	99.48 4.60%	248,702.75 2,739.04	0.47% (1,297.25)	Aa2 / A+ AA	1.75 1.65
654062LD8	Nicolet National Bank Callable NCD 3/30/2023 4.150% Due 09/30/2024	250,000.00	09/30/2022 4.15%	250,000.00 250,000.00	99.23 4.61%	248,070.75 56.85	0.46% (1,929.25)	NR / NR NR	1.75 1.68
89235MLJ8	Toyota Financial Sgs Bk Negotiable CD 0.700% Due 08/26/2025	250,000.00	08/24/2021 0.70%	250,000.00 250,000.00	90.37 4.59%	225,932.75 613.70	0.42% (24,067.25)	NR / NR NR	2.65 2.57
795451AF0	Sallie Mae Bank Negotiable CD 1.000% Due 07/28/2026	140,000.00	07/26/2021 1.00%	140,000.00 140,000.00	88.29 4.59%	123,611.18 602.19	0.23% (16,388.82)	NR / NR NR	3.58 3.42
38149MZJ5	Goldman Sachs Bank USA Negotiable CD 1.050% Due 09/08/2026	140,000.00	09/08/2021 1.05%	140,000.00 140,000.00	88.13 4.58%	123,383.82 463.15	0.23% (16,616.18)	NR / NR NR	3.69 3.53
87164YD35	Synchrony Bank Negotiable CD 1.000% Due 10/08/2026	250,000.00	10/08/2021 1.00%	250,000.00 250,000.00	87.70 4.58%	219,256.50 582.19	0.41% (30,743.50)	NR / NR NR	3.77 3.62
02589ABW1	American Express Credit Negotiable CD 2.200% Due 03/23/2027	200,000.00	03/23/2022 2.20%	200,000.00 200,000.00	90.90 4.59%	181,802.60 1,205.48	0.34% (18,197.40)	A3 / A- A	4.23 3.94

Holdings Report

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East Orange County Water District Consolidated - Account #10491

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

Holdings Report

As of December 31, 2022

East Orange County Water District Consolidated - Account #10491

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

Holdings Report

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East Orange County Water District Consolidated - Account #10491

CUSIP	Security Description	Par Value/Units	Purchase Date Book Yield	Cost Value Book Value	Mkt Price Mkt YTM	Market Value Accrued Int.	% of Port. Gain/Loss	Moody/S&P Fitch	Maturity Duration
91282CCF6	US Treasury Note 0.750% Due 05/31/2026	650,000.00	06/17/2021 0.89%	645,582.03 646,955.31	89.29 4.14%	580,404.50 428.57	1.08% (66,550.81)	Aaa / AA+ AAA	3.42 3.30
91282CCP4	US Treasury Note 0.625% Due 07/31/2026	650,000.00	08/25/2021 0.82%	643,830.08 645,519.95	88.47 4.12%	575,047.20 1,700.07	1.08% (70,472.75)	Aaa / AA+ AAA	3.58 3.47
9128282A7	US Treasury Note 1.500% Due 08/15/2026	650,000.00	Various 0.87%	669,545.51 664,440.88	91.26 4.12%	593,175.70 3,682.74	1.11% (71,265.18)	Aaa / AA+ AAA	3.62 3.44
91282CDG3	US Treasury Note 1.125% Due 10/31/2026	300,000.00	11/18/2021 1.22%	298,652.34 298,956.63	89.56 4.10%	268,687.50 578.04	0.50% (30,269.13)	Aaa / AA+ AAA	3.84 3.67
91282CDK4	US Treasury Note 1.250% Due 11/30/2026	1,000,000.00	Various 1.73%	978,367.19 981,836.36	89.86 4.08%	898,555.00 1,098.90	1.68% (83,281.36)	Aaa / AA+ AAA	3.92 3.75
912828Z78	US Treasury Note 1.500% Due 01/31/2027	900,000.00	06/21/2022 3.42%	827,015.63 835,380.23	90.41 4.07%	813,691.80 5,649.46	1.53% (21,688.43)	Aaa / AA+ AAA	4.09 3.86
912828V98	US Treasury Note 2.250% Due 02/15/2027	800,000.00	03/29/2022 2.53%	789,750.00 791,342.40	93.19 4.06%	745,531.20 6,798.91	1.40% (45,811.20)	Aaa / AA+ AAA	4.13 3.84
91282CEF4	US Treasury Note 2.500% Due 03/31/2027	800,000.00	05/25/2022 2.73%	791,562.50 792,611.23	93.98 4.06%	751,844.00 5,109.89	1.41% (40,767.23)	Aaa / AA+ AAA	4.25 3.94
91282CET4	US Treasury Note 2.625% Due 05/31/2027	850,000.00	06/21/2022 3.38%	820,847.66 823,966.51	94.41 4.02%	802,452.70 1,961.54	1.50% (21,513.81)	Aaa / AA+ AAA	4.42 4.10
91282CFB2	US Treasury Note 2.750% Due 07/31/2027	800,000.00	08/30/2022 3.30%	780,312.50 781,661.56	94.76 4.01%	758,093.60 9,206.52	1.43% (23,567.96)	Aaa / AA+ AAA	4.58 4.19
91282CFH9	US Treasury Note 3.125% Due 08/31/2027	875,000.00	10/05/2022 3.99%	841,503.91 843,131.93	96.34 3.99%	842,939.13 9,290.83	1.59% (192.80)	Aaa / AA+ AAA	4.67 4.24
91282CFM8	US Treasury Note 4.125% Due 09/30/2027	735,000.00	Various 3.82%	744,631.84 744,491.40	100.54 4.00%	738,933.72 7,746.27	1.39% (5,557.68)	Aaa / AA+ AAA	4.75 4.23
TOTAL US Treasury		31,310,000.00	1.63%	31,227,235.68 31,177,251.54	4.33%	29,414,408.70 133,069.49	55.15% (1,762,842.84)	Aaa / AA+ AAA	2.53 2.40
TOTAL PORTFOLIO		55,806,755.27	1.65%	55,739,607.10 55,665,269.84	3.66%	53,317,204.62 261,835.24	100.00% (2,348,065.22)	Aaa / AA+ AAA	1.78 1.69
TOTAL MARKET VALUE PLUS ACCRUALS						53,579,039.86			



Section 5 | Transactions

Transaction Ledger

As of December 31, 2022

East Orange County Water District Consolidated - Account #10491

September 30, 2022 through December 31, 2022

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

Important Disclosures

As of December 31, 2022

2022 Chandler Asset Management, Inc, An Independent Registered Investment Adviser.

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

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

Index returns assume reinvestment of all distributions. Historical performance results for investment indexes generally do not reflect the deduction of transaction and/or custodial charges or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing historical performance results. It is not possible to invest directly in an index.

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

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

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

Asset Class 10-Year Snapshot Disclosure

As of December 31, 2022

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

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

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Disclosure: This report is provided for informational purposes only and should not be construed as specific investment or legal advice. The information contained herein was obtained from sources believed to be reliable as of the date of publication, but may become outdated or superseded at any time without notice. Past performance is not indicative of future results. This report is not intended to constitute an offer, solicitation, recommendation or advice regarding any securities or investment strategy and should not be regarded by recipients as a substitute for the exercise of their own judgement.

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

ICE BofA 1-5 Yr US Treasury & Agency Index

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

ICE BofA 1-3 Yr US Treasury & Agency Index

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



MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: WHOLESALE AND RETAIL WATER USAGE REPORT
DATE FEBRUARY 23, 2023

Background

Monthly report on wholesale and retail water usage for the month of January 2023.

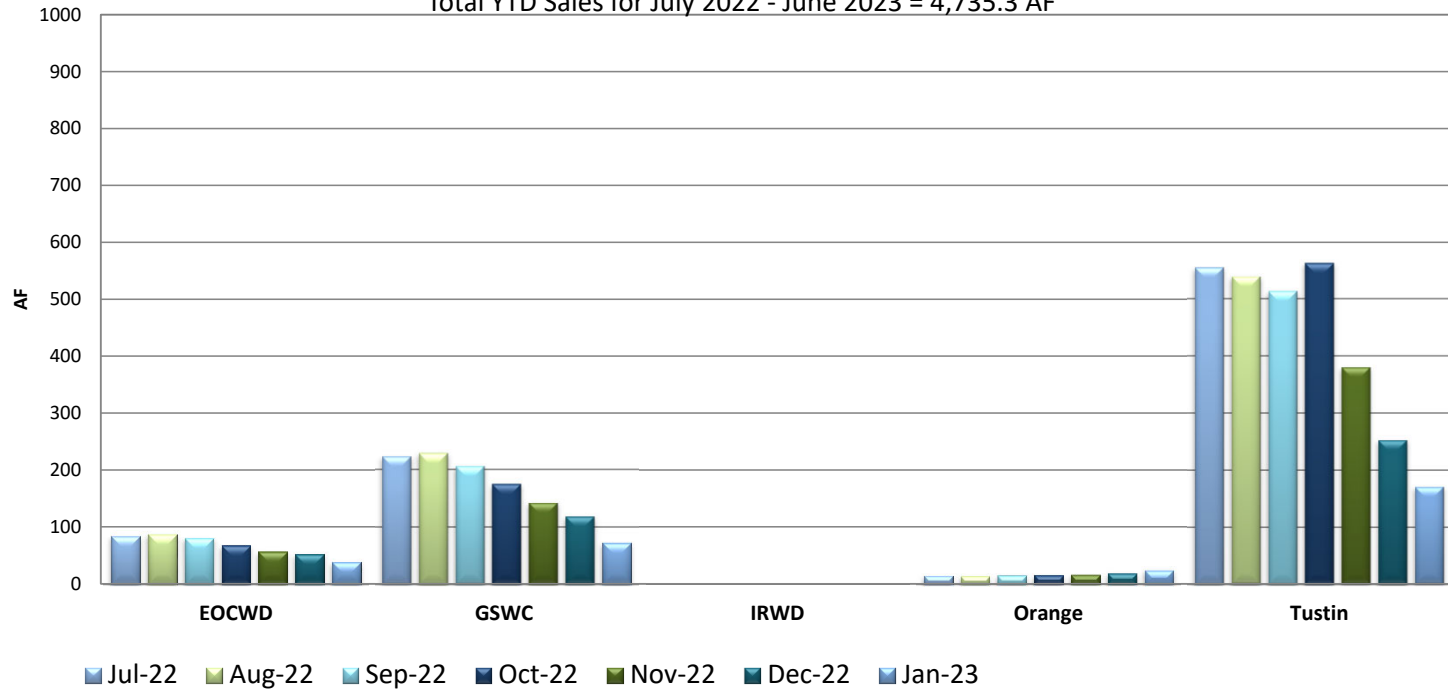
Recommendation

Informational.

Attachment(s): Wholesale and Retail Usage Reports

Wholesale Zone Water Demand

Total Monthly Sales for January 2023 = 308.0 AF
 Total YTD Sales for July 2022 - June 2023 = 4,735.3 AF



EOCWD IMPORTED WATER DELIVERY BALANCE - FY22/23

(Acre-feet)

	OC-43	OC-48			OC-70						TOTAL DELIVERIES BY AGENCY					
	MWD Tustin	Retail Zone	Golden State	Tustin	MWD Total	IRWD Jamboree	Orange	Retail Zone	Golden State	Tustin	MWD Total	IRWD OPA	Orange	Retail Zone	Golden State	Tustin
JUL	320.9	0.0	19.0	221.8	240.8	0.0	15.1	84.0	204.3	12.6	316.0	0.0	15.1	84.0	223.3	555.3
AUG	287.0	0.0	17.8	218.0	235.8	0.0	14.7	87.4	210.9	34.5	347.5	0.0	14.7	87.4	228.7	539.5
SEP	311.8	0.0	16.8	179.8	196.6	0.0	15.4	80.8	189.5	22.2	307.9	0.0	15.4	80.8	206.3	513.8
OCT	340.8	0.0	52.7	208.1	260.8	0.0	16.0	68.0	122.3	14.0	220.3	0.0	16.0	68.0	175.0	562.9
NOV	231.0	0.0	39.8	142.9	182.7	0.0	16.8	57.4	102.7	6.7	183.6	0.0	16.8	57.4	142.5	380.6
DEC	126.9	0.0	10.1	123.8	133.9	0.0	19.4	52.8	108.4	2.4	183.0	0.0	19.4	52.8	118.5	253.1
JAN	86.8	0.0	6.3	81.0	87.3	0.0	24.5	39.4	66.6	3.4	133.9	0.0	24.5	39.4	72.9	171.2
FEB												0.0	0.0	0.0	0.0	0.0
MAR												0.0	0.0	0.0	0.0	0.0
APR												0.0	0.0	0.0	0.0	0.0
MAY												0.0	0.0	0.0	0.0	0.0
JUN												0.0	0.0	0.0	0.0	0.0
Total	1705.2	0.0	162.5	1175.4	1337.9	0.0	121.9	469.8	1004.7	95.8	1692.2	0.0	121.9	469.8	1167.2	2976.4

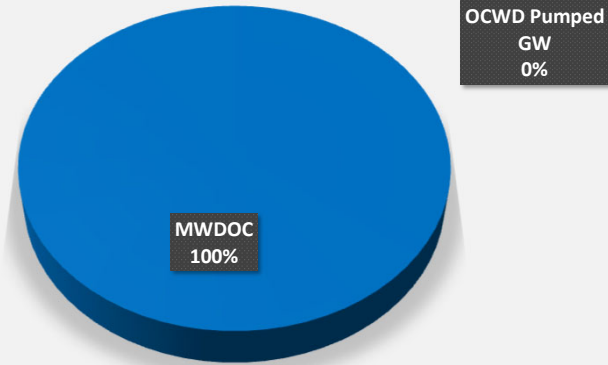
East Orange County Retail Zone Water Usage Report

East Orange County Retail Zone Overview of Usage FY 2022-23 Monthly Water Use

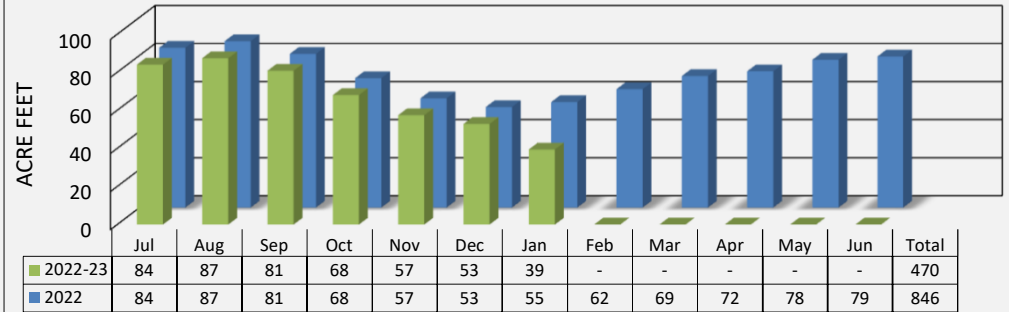
Type of Supply	July	August	September	October	November	December	January	February	March	April	May	June	Total
MWDOC	84	87	81	68	57	53	39	-	-	-	-	-	470
OCWD Pumped GW	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	84	87	81	68	57	53	39	-	-	-	-	-	470

2022 MWDOC Usage	84	87	81	68	57	53	55	62	69	72	78	79	846
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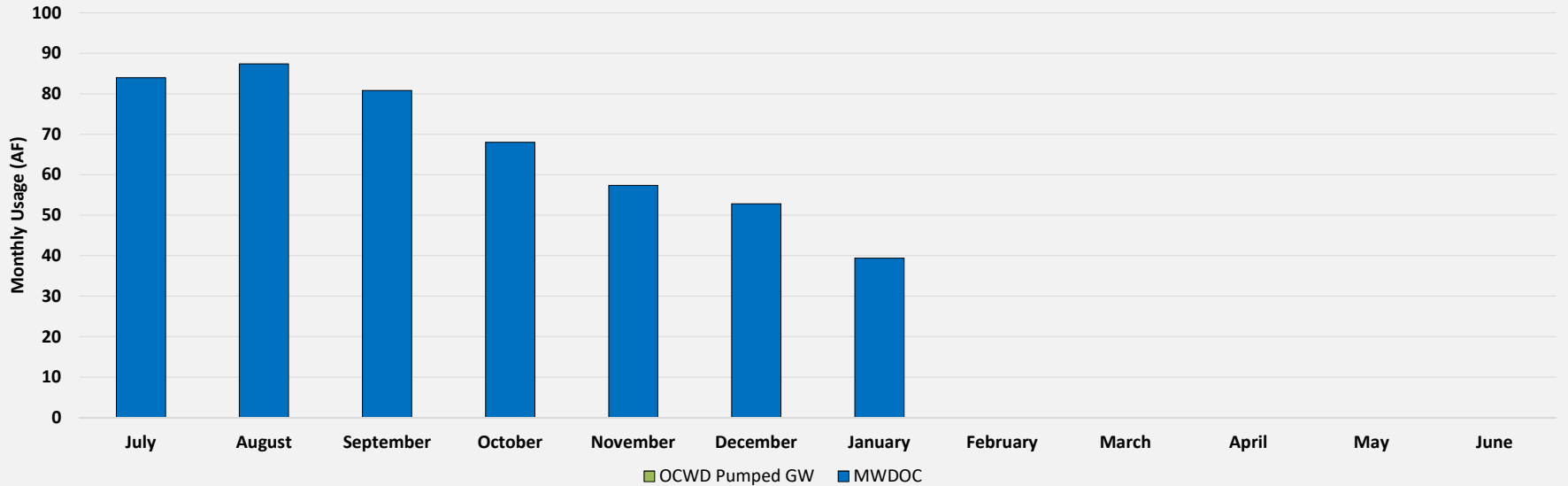
2022-23 Sources of Water



MWDOC Calendar Year and Fiscal Year Purchases



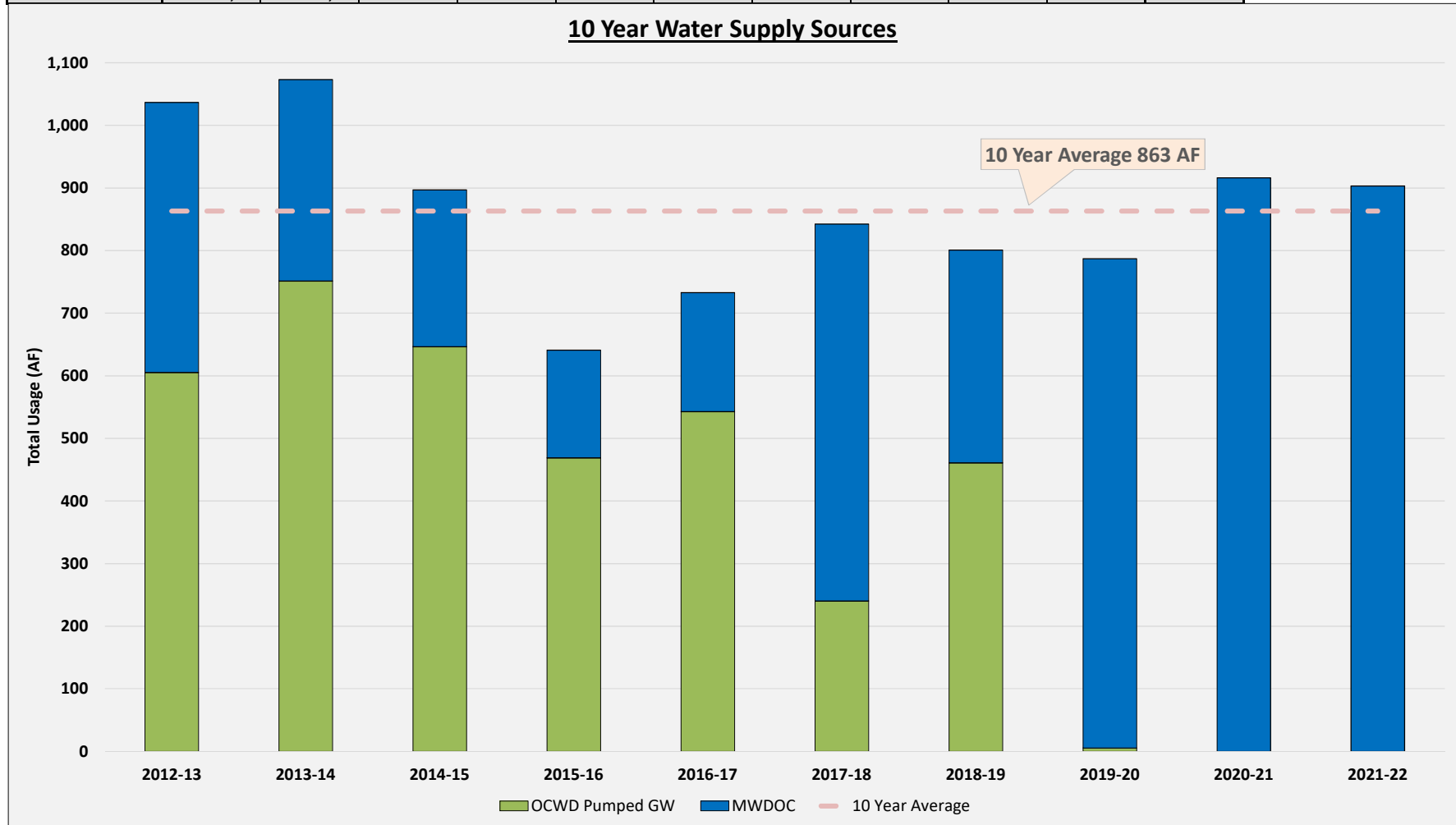
2022-23 Monthly Water Supply Sources



East Orange County Retail Zone Water Usage Report

Annual Water Usage

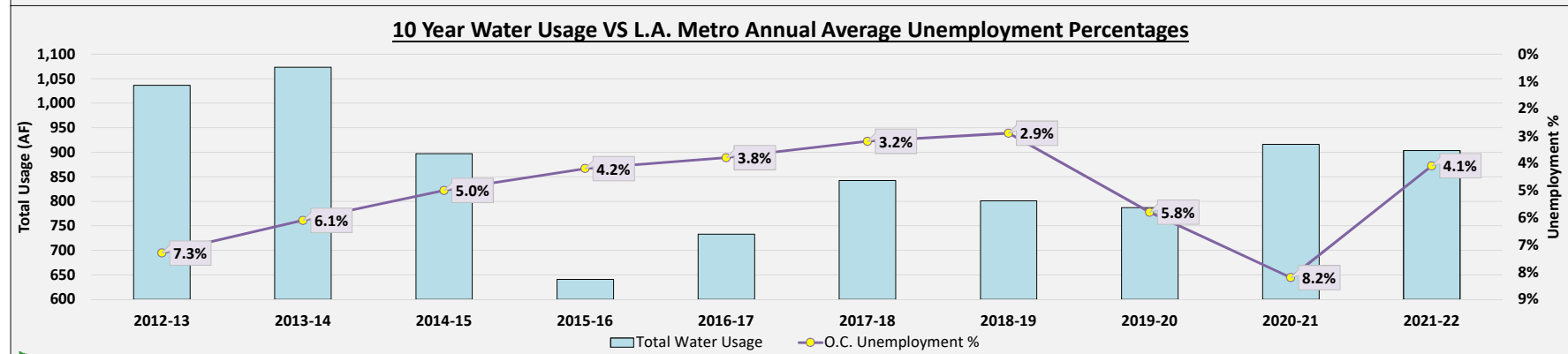
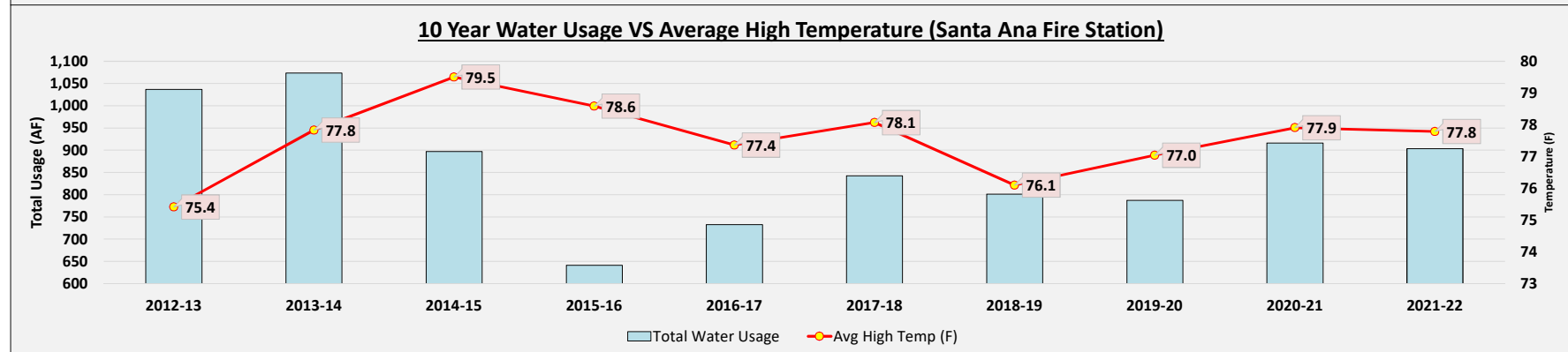
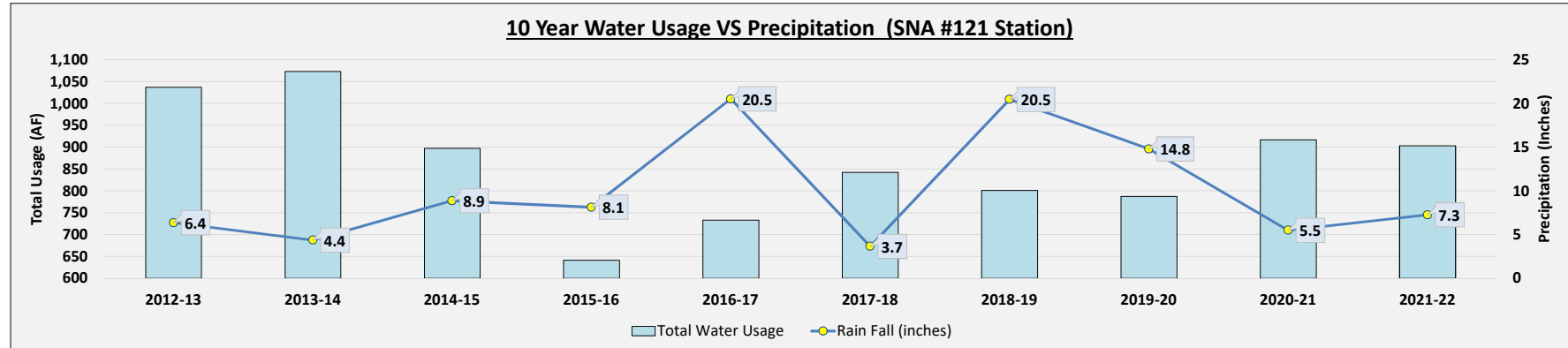
Type of Supply	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	Average
MWDOC	431.3	322.0	250.7	172.1	190.2	602.1	340.0	781.8	916.4	903.3	491.0
OCWD Pumped GW	605.2	751.3	646.3	468.9	542.7	240.2	461.0	5.2	0.0	0.0	372.1
Total	1,037	1,073	897	641	733	842	801	787	916	903	863



East Orange County Retail Zone Water Usage Report

Water Usage Variables

Type of Supply	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	Average
Rain Fall (inches)	6.4	4.4	8.9	8.1	20.5	3.7	20.5	14.8	5.5	7.3	10.0
Avg High Temp (F)	75.4	77.8	79.5	78.6	77.4	78.1	76.1	77.0	77.9	77.8	77.6
O.C. Unemployment %	7.3%	6.1%	5.0%	4.2%	3.8%	3.2%	2.9%	5.8%	8.2%	4.1%	5.1%
Total Water Usage	1,037	1,073	897	641	733	842	801	787	916	903	863



East Orange County Retail Zone Water Usage Report

East Orange County Retail Zone Detailed Usage

Historical Monthly Potable Usage (Fiscal Year, July-June)

Fiscal Year	July	August	September	October	November	December	January	February	March	April	May	June	Total
2016-17 Usage	82	87	70	68	58	44	37	32	43	70	70	79	738
2017-18 Usage	87	98	77	81	60	70	53	49	45	67	71	84	842
2018-19 Usage	107	99	85	73	62	40	47	29	43	61	59	77	781
2019-20 Usage	82	87	86	83	68	46	47	56	38	52	67	76	787
2020-21 Usage	90	99	93	90	74	68	62	54	43	64	84	95	916
2021-22 Usage	100	102	89	76	73	48	55	62	69	72	78	79	903
Average of Last 6 FYs	91	95	83	79	66	53	50	47	47	64	72	82	828
Monthly Usage Percentage	11%	12%	10%	9%	8%	6%	6%	6%	6%	8%	9%	10%	100%

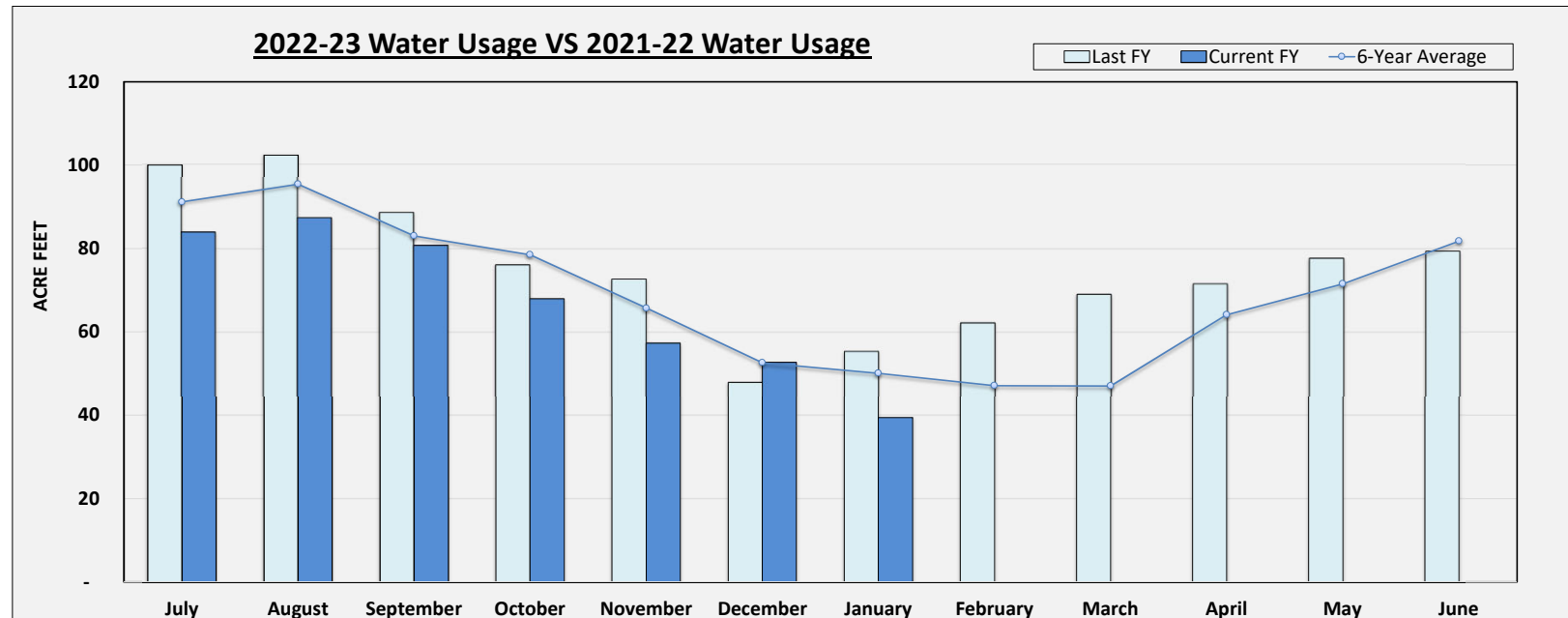
Water Usage By Source

Imported	July	August	September	October	November	December	January	February	March	April	May	June	Total
MWD via EO Wholesale	84.0	87.4	80.8	68.0	57.4	52.8	39.4						469.8
Water from IRWD during OC-70 shutdown	-	-	-	-	-	-	-						-
CPTP	-	-	-	-	-	-	-						-
MWD In-Lieu*	-	-	-	-	-	-	-						-
Imported Total	84	87	81	68	57	53	39	-	-	-	-	-	469.8

*In-lieu totals are subtracted from imported totals

Local	July	August	September	October	November	December	January	February	March	April	May	June	Total
OCWD Pumped GW	-	-	-	-	-	-	-						-
Less Fill up Reservoir	-	-	-	-	-	-	-						-
Less CPTP	-	-	-	-	-	-	-						-
Local Total (minus reservoir)	-	-	-	-	-	-	-	-	-	-	-	-	-

Total Usage 2022-23	July	August	September	October	November	December	January	February	March	April	May	June	Total
Total Usage 2022-23	84	87	81	68	57	53	39	-	-	-	-	-	470
FY 21-22 versus FY 22-23	-16%	-15%	-9%	-11%	-21%	+10%	-29%						

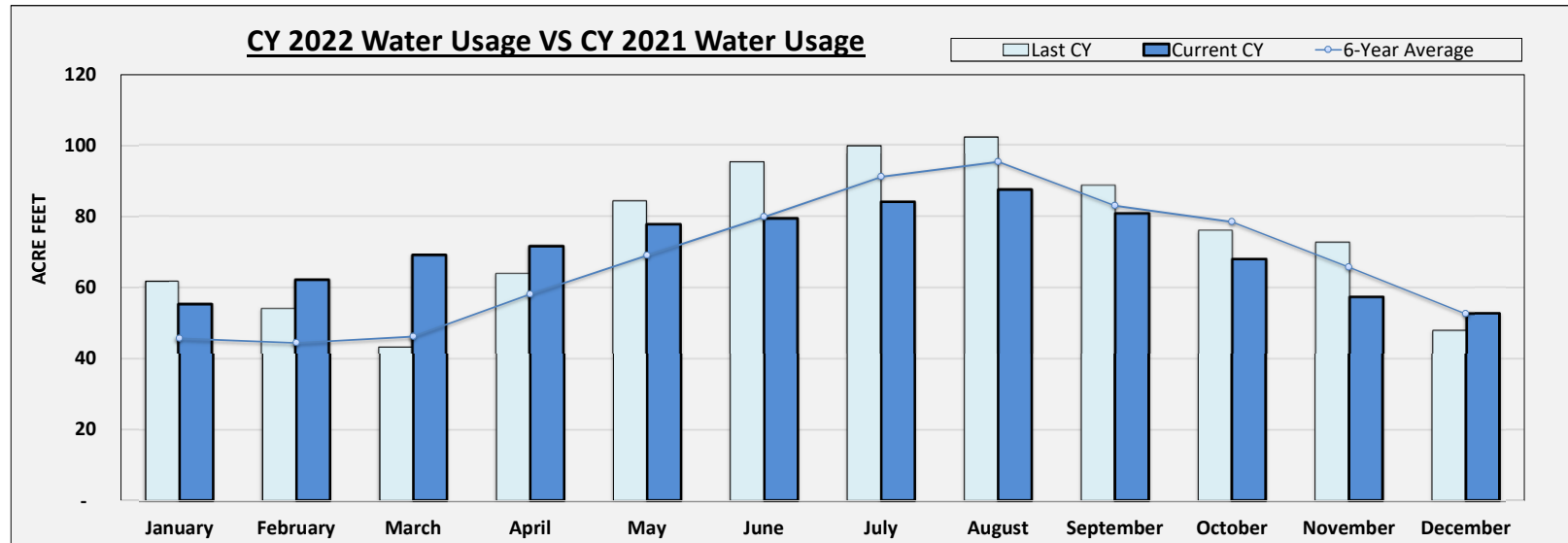


East Orange County Retail Zone Water Usage Report

Historical Monthly Potable Usage (Calendar Year)

Calendar Year	January	February	March	April	May	June	July	August	September	October	November	December	Total
2016	29	46	64	35	63	69	82	87	70	68	58	44	714
2017	37	32	43	70	70	79	87	98	77	81	60	70	803
2018	53	49	45	67	71	84	107	99	85	73	62	40	835
2019	47	29	43	61	59	77	82	87	86	83	68	46	767
2020	47	56	38	52	67	76	90	99	93	90	74	68	849
2021	62	54	43	64	84	95	100	102	89	76	73	48	891
6 year Average	46	44	46	58	69	80	91	95	83	79	66	53	810

Total Water Usage 2022	55	62	69	72	78	79	84	87	81	68	57	53	846
2022 VS 2021 Usage	-10%	+15%	+59%	+12%	-8%	-17%	-16%	-15%	-9%	-11%	-21%	+10%	



	Population	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2021 Usage (AF)		62	54	43	64	84	95	100	102	89	76	73	48	891
2021 GPCD	3,222	202	196	142	216	275	321	326	334	299	248	245	157	247
2022 Usage (AF)		55	62	69	72	78	79	84	87	81	68	57	53	846
2022 GPCD	3,230	180	224	225	241	253	267	273	284	272	221	193	172	234
CY over CY change in GPCD		-21	+28	+83	+25	-22	-54	-53	-50	-27	-27	-52	+15	-13

	Population	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
2021-22 Usage (AF)		100	102	89	76	73	48	55	62	69	72	78	79	903
2021-22 GPCD	3,222	326	334	299	248	245	157	181	225	225	241	254	268	250
2022-23 Usage (AF)		84	87	81	68	57	53	39	-	-	-	-	-	470
2022-23 GPCD	3,230	273	284	272	221	193	172	128	-	-	-	-	-	224
FY over FY change in GPCD		-53	-50	-27	-27	-52	+15	-53						-27

*Cumulative through the end of the last month shown

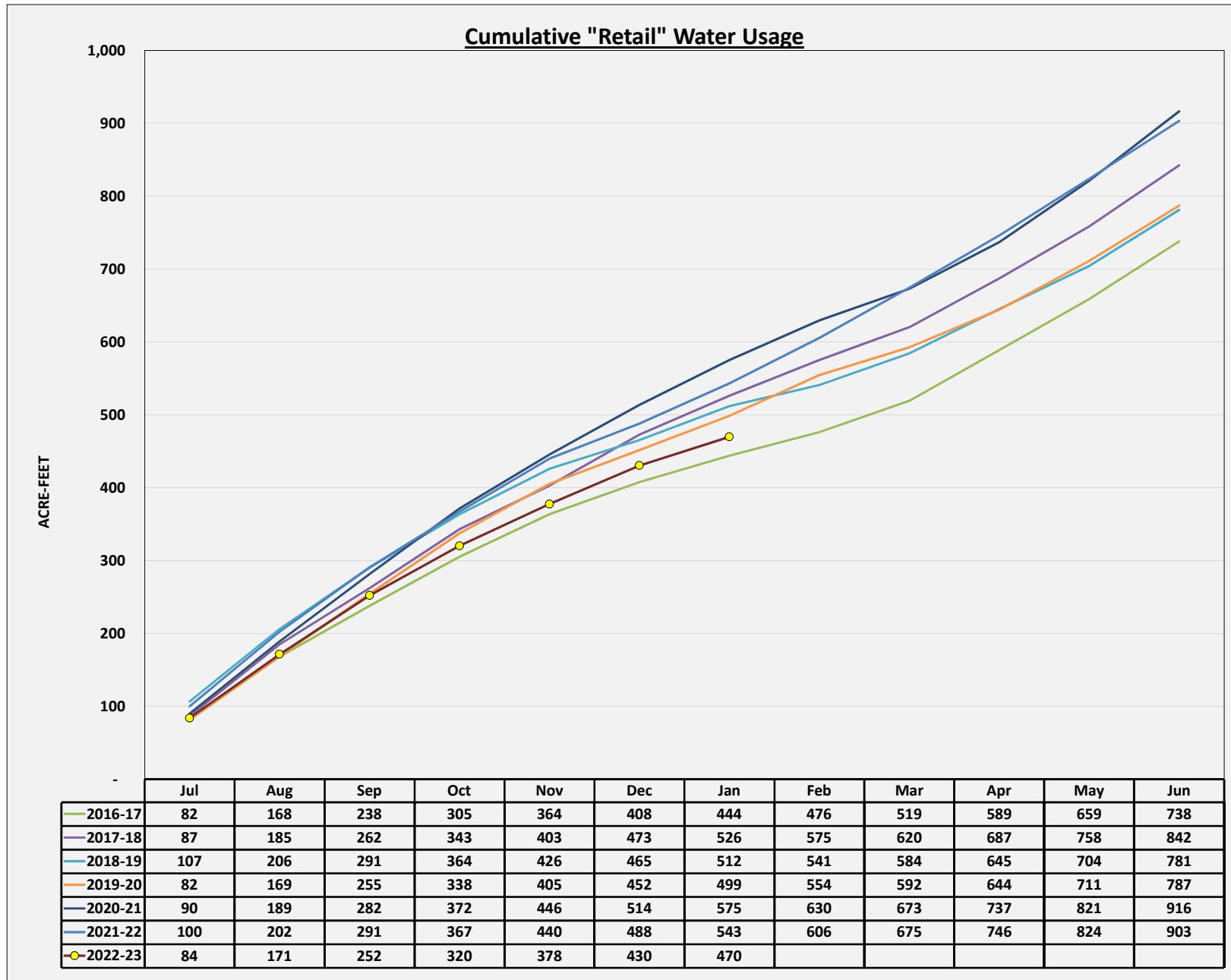
*GPCD = (Total Monthly Production - Fill up Reservoir) / Population/days in the month

*For the months of July 2022 through September 2022, groundwater usage was not delivered to customers and is not counted towards GPCD



East Orange County Retail Zone Water Usage Report

Cumulative Water Usage by Fiscal Year



MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: 6MG RESERVOIR PIPELINE AND VAULT IMPROVEMENTS
DATE: FEBRUARY 23, 2023

Background

The 6MG Reservoir Pipeline and Vault Improvements Project will remove and replace the existing meter vault and make modifications to the existing pipeline. To complete the project, a new precast meter vault and lid need to be purchased. Staff recommends awarding a purchase order to J&R Concrete Products in the amount of \$81,351.25.

Recommendation

Approve a Purchase Order with J&R Concrete Products in the amount of \$81,351.25 for the meter vault and lid.

Attachment(s): None

MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: CAPITAL PROJECTS UPDATE
DATE: FEBRUARY 23, 2023

Background

Staff will present to the Board the current status of the District's current Capital Improvement Projects in process for information.

Recommendation

Information Only

Attachment(s): Presentation
Capital Project Summary

CAPITAL IMPROVEMENT PROJECTS STATUS REPORT



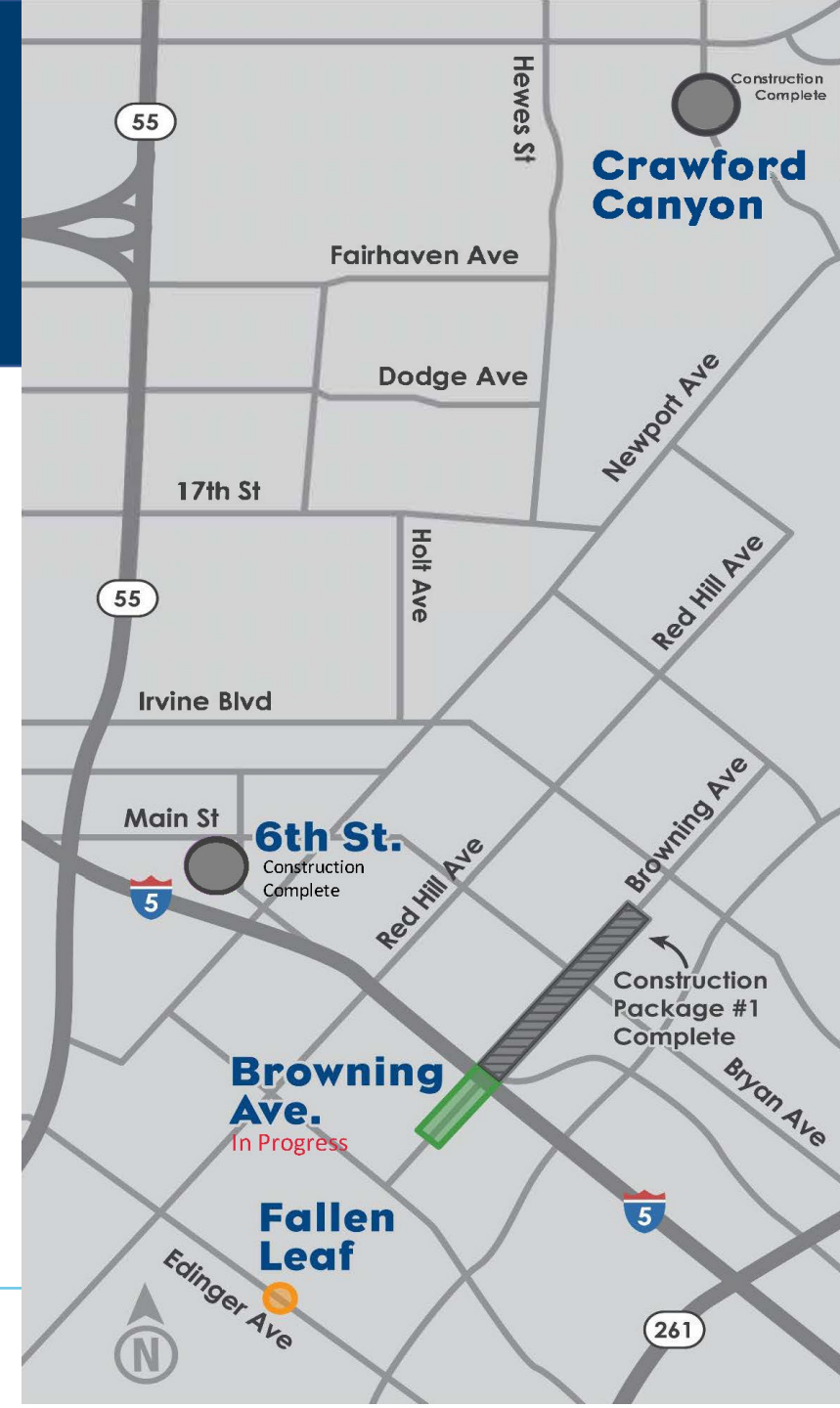
DISTRICT HEADQUARTERS BUILDING PROJECT

- This project replaces the existing structures with a new headquarters building.
- Current Status
 - Project awarded to Snyder Langston
 - Initial design has begun
- Next Steps
 - Relocate employees from the Field Office
 - Demolish the Field Office
- Project Schedule
 - Final Design July 2023
 - Est. Construction Completion Spring 2024



ID1 CRA PROJECT

- This project replaces and upsizes sewer mains at multiple locations.
- Current Status
 - Complete: Crawford Canyon, 6th Street, Browning North of FWY
 - In Progress: Browning South of FWY, FWY Crossing (Casing complete)
- Next Steps
 - Fallen Leaf Segment
- Project Schedule
 - Browning South and FW Crossing: March 2023 Completion
 - Fallen Leaf: Est. June 2023 Completion
- Impacts
 - Unknown Utilities
 - Weather



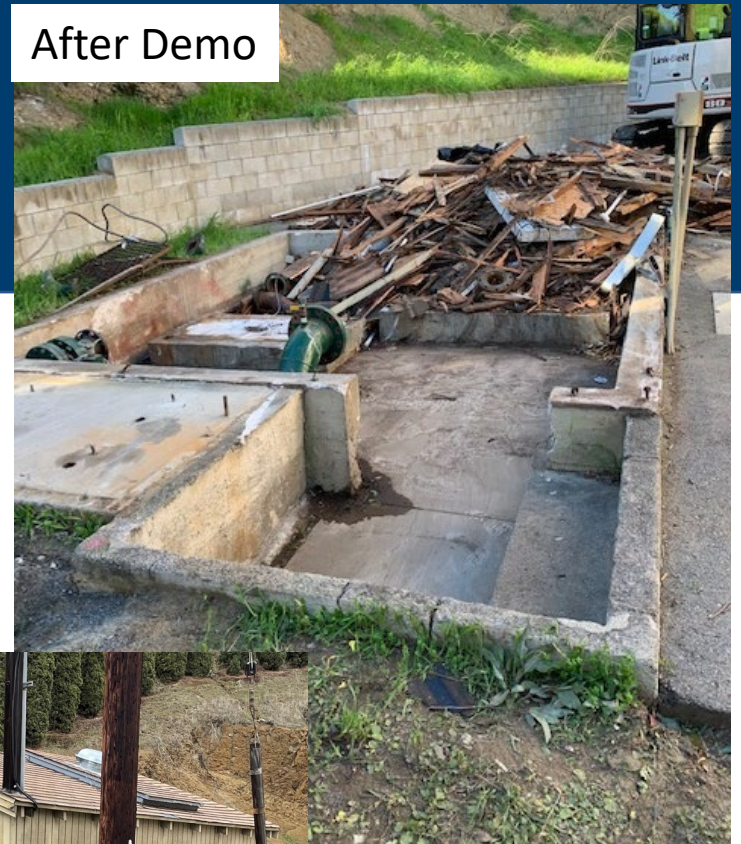
PFAS TREATMENT PLANT (OCWD) AND VANDERWERFF WELL

- This project constructs the VanderWerff Well and PFAS Treatment plant.
- Current Status
 - All of the major treatment plant equipment has been installed.
 - Well has been drilled and developed. The wellhead piping has been installed.
- Next Steps
 - Install the influent/effluent piping, electrical conduits, and City of Orange interconnect in McPherson St.
- Project Schedule
 - Est. in service June 2023
- Impacts
 - Material delays



BARRETT PUMP STATION REPLACEMENT

- This project replaces the existing Barrett Pump Station.
- Current Status
 - Pump station demolition is complete.
 - Underground piping is in progress.
- Next Steps
 - Electrical conduits
 - Building pad
- Project Schedule
 - May 2023 Completion
- Impacts
 - SoCal Edison
 - Material delays



Before Demo



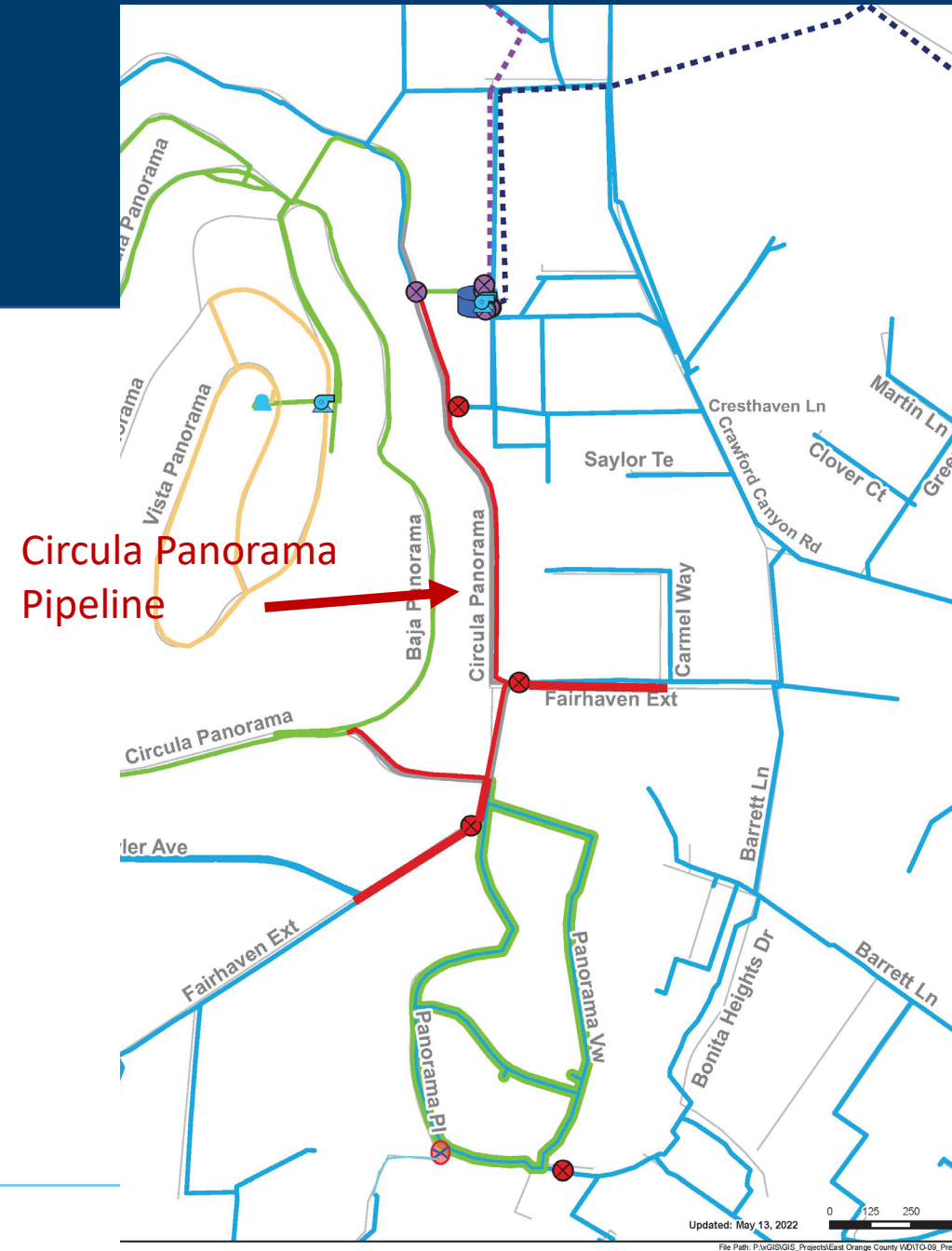
VISTA PANORAMA SITE

- This project demolishes the existing reservoir and constructs site improvements.
- Current Status
 - Reservoir Demo Complete
- Next Steps
 - Meet with Residents to review site layout
- Project Schedule
 - Est. Fall 2023 Completion
- Impacts
 - Cost estimates exceeded budget



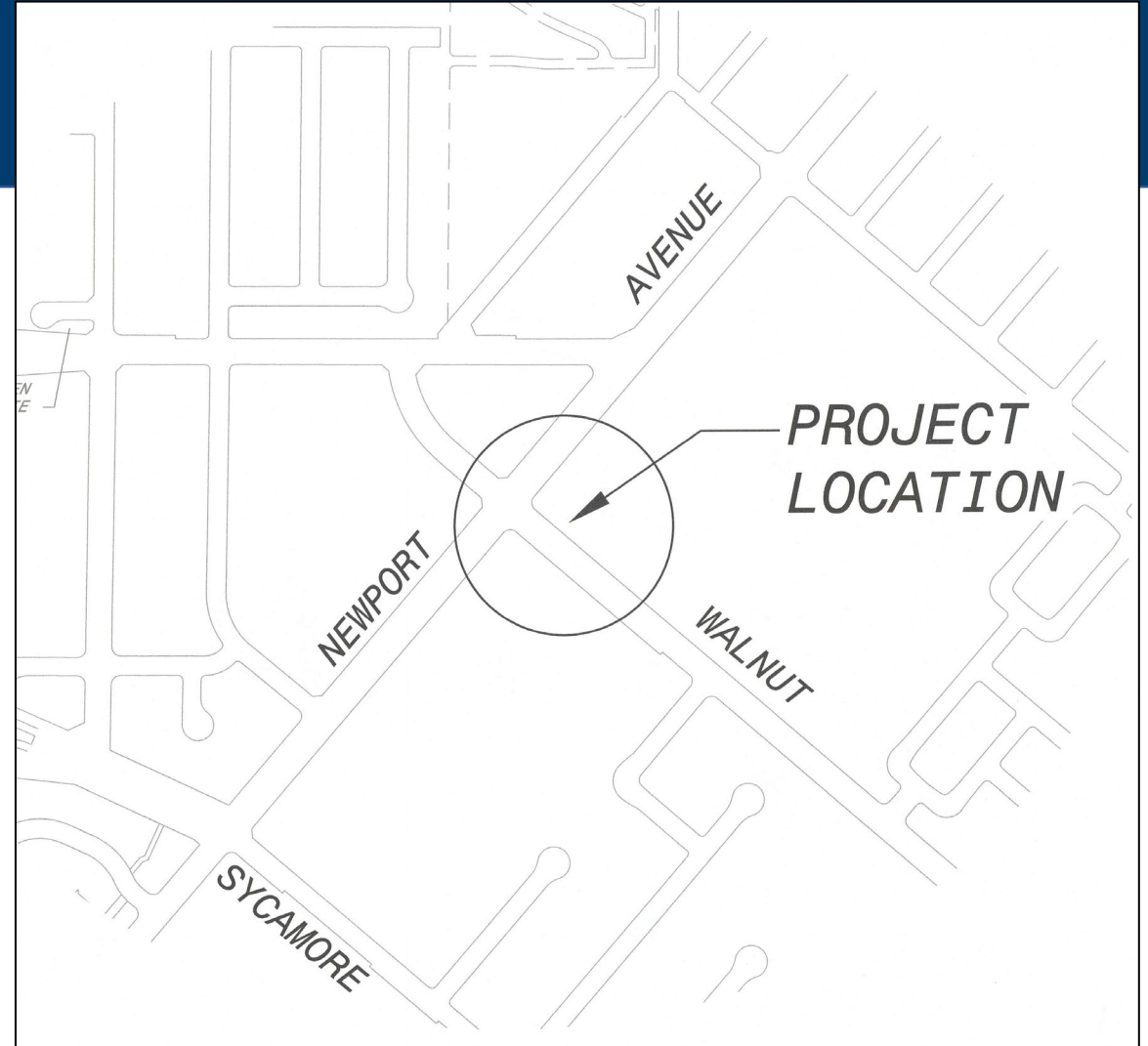
CIRCULA PANORAMA PIPELINE REPLACEMENT

- This project replaces and upsizes an existing Zone 3 water pipe and converts it to Zone 2.
- Current Status
 - 60% Design
- Next Steps
 - Complete Design
 - Advertise Bid
- Project Schedule
 - Design March 2023
 - Construction Award May 2023
 - Complete est. Nov. 2023
- Impacts
 - Potholing



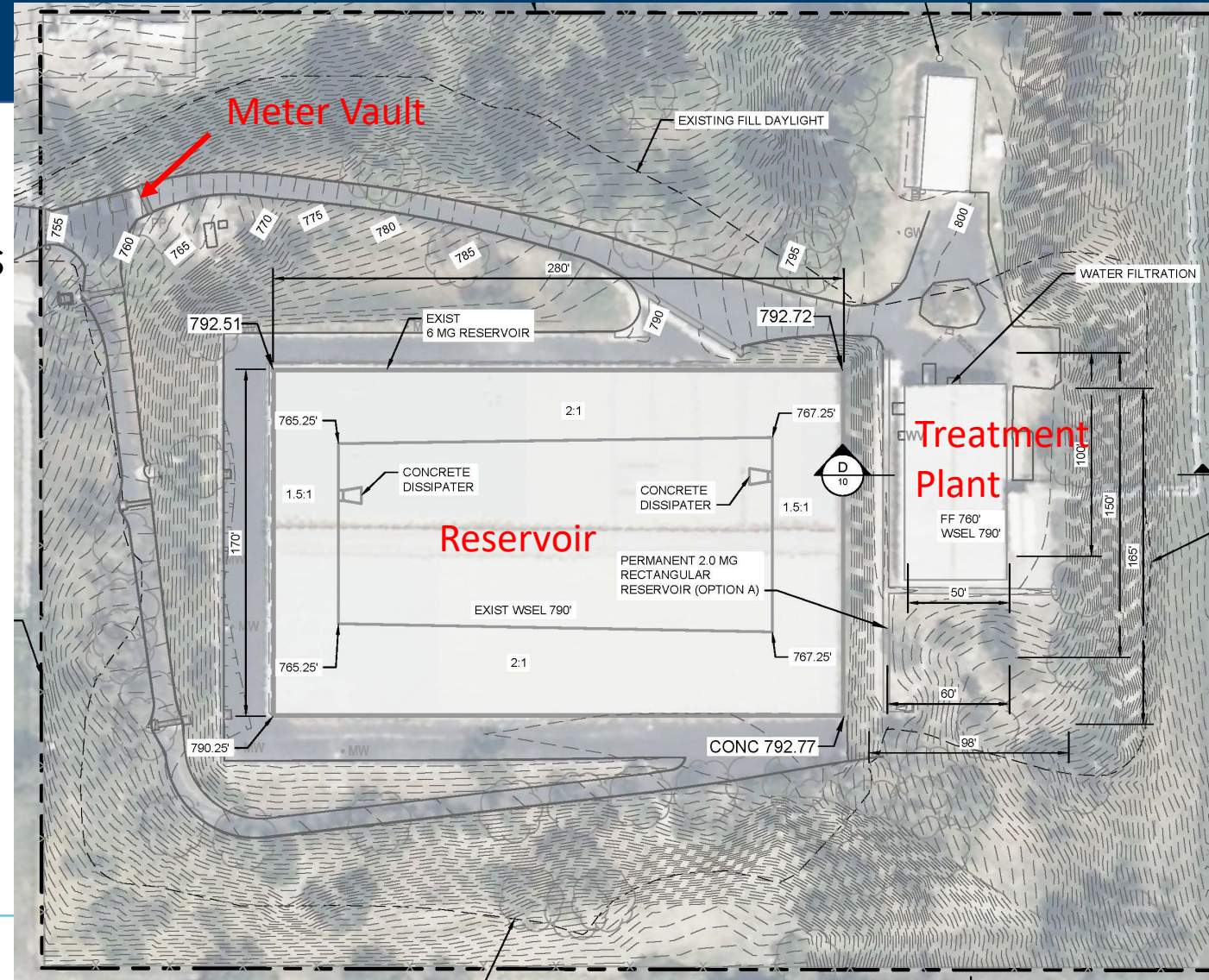
OC43 WALNUT VAULT

- This project replaces the existing vault and pipe.
- Current Status
 - Project awarded to T.E. Roberts
 - Procurement complete
- Next Steps
 - Public Outreach
 - Construction scheduled for April
- Project Schedule
 - Est. June 2023 Completion
- Impacts
 - Lead times



6MG RESERVOIR SITE

- This project develops concepts for the reservoir replacement, demolishes the existing treatment plant, and constructs meter vault improvements.
- Current Status
 - Preliminary Design in progress
 - Awarded Treatment Plant demo
 - Meter vault on order
- Next Steps
 - Demo Treatment Plant
 - Meter vault replacement
- Project Schedule
 - Est. demo and vault complete June 2023



1MG NEWPORT RES RECOATING

- This project repairs and recoats the interior and exterior of the reservoir.
- Current Status
 - Interior Recoated
 - Exterior Recoated
- Next Steps
 - Exterior Touchup
 - Washdown
 - Hookup Treatment Trailer
- Project Schedule
 - Est. March 2023 Completion
- Impacts
 - None





CAPITAL PROJECT STATUS

System	Project Title	Status	Expected Completion
ID1	ID1 CRA Project	Construction	Jun-23
RZ	VanderWerff Well Equipping	Construction	May-23
ALL	District Office Replacement	Design/Build	Apr-24
RZ	Barrett Reservoir Pump Station Replacement	Construction	May-23
RZ	Vista Panorama	Design/Build	Fall 23
RZ	Circula Panorama Pipeline Replacement/Conversion	Design	Dec-23
WZ	OC43 Walnut Vault Replacement	Construction	Jun-23
RZ/WZ	SCADA Replacement	Construction	Aug-23
WZ	1MG Newport Reservoir Roof Repair and Recoating	Construction	Mar-23
WZ	6MG Treatment Plant Demolition	Construction	Apr-23
WZ	6MG Pipeline and Vault Improvements	Construction	Jun-23
WZ	6MG Reservoir Replacement	Preliminary Design	N/A
ID1	Manhole Additions, Raising, Frames and Covers	In Process	Ongoing
RZ	Brae Glen Pipeline	Design	Aug-23
ID1	CIPP	Construction	Ongoing
WZ	Cathodic Protection Improvements	Design	Jun-23
RZ/WZ	Valve Replacements	In process	Ongoing
RZ	West Well Abandonment	Design	May-23
RZ	East Well Pump and Motor	On Hold	-
RZ	Orange Knoll PRV Station	Design	Jun-23
ID1	Manhole Rehab/Replacement	In Process	Ongoing
RZ/WZ	Pipeline Replacements	In Process	Ongoing
RZ	East Well Electrical	On Hold	-
ALL	AWIA Cyber Security	In Process	May-23
RZ/WZ	Hydrant Replacements	In Process	Ongoing
RZ/WZ	Update Water System Specifications	In Process	Jun-23
RZ/WZ	Service Lateral Replacement	Ongoing	-
WZ	Wholesale Reservoir Backup Generators	Preliminary Design	Jan-24
WZ	Evaluation of Newport Reservoir Pump Station	In Process	-
RZ/WZ	Update Water Specifications	In Process	Apr-23
RZ	Barrett Reservoir Ext. Recoating	Bid	Jun-23
RZ/WZ	Update Water Atlas	In Process	Mar-23
WZ	Pedestal Replacement at Chandler Ranch	Construction	Mar-23



MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: ANNUAL AUDIT FOR FY 2021-22
DATE FEBRUARY 23, 2023

Background

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

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

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

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

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

Recommendation

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

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

EAST ORANGE COUNTY WATER DISTRICT

Financial Statements

Year ended June 30, 2022

Our Mission Statement

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

Board of Directors as of June 30, 2022

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

**David Youngblood, General Manager
East Orange County Water District**

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

www.eocwd.com ♦ dyoungblood@eocwd.com

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EAST ORANGE COUNTY WATER DISTRICT

Financial Statements

Year ended June 30, 2022

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FINANCIAL SECTION

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Independent Auditor's Report

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

Report on the Financial Statements

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

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

Basis for Opinions

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

Emphasis of Matter

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

Report on Summarized Comparative Information

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

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

Davis Farr LLP

Irvine, California
February 8, 2023

EAST ORANGE COUNTY WATER DISTRICT

Management's Discussion and Analysis

Year ended June 30, 2022

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

Financial Highlights

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

Overview of the Financial Statements

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

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

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

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

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

EAST ORANGE COUNTY WATER DISTRICT

Management's Discussion and Analysis

Year ended June 30, 2022

Notes to the Basic Financial Statements

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

Financial Analysis of the District

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

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

Condensed Statement of Net Position

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

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

EAST ORANGE COUNTY WATER DISTRICT

Management's Discussion and Analysis

Year ended June 30, 2022

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

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

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

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

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

Condensed Statements of Revenues, Expenses and Changes in Net Position

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

EAST ORANGE COUNTY WATER DISTRICT

Management's Discussion and Analysis

Year ended June 30, 2022

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

Revenues

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

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

Expenses

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

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

EAST ORANGE COUNTY WATER DISTRICT

Management's Discussion and Analysis

Year ended June 30, 2022

Capital Asset Administration

Capital assets as of June 30th are as follows:

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

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

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

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

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

Contacting the District's Financial Management Team

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

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BASIC FINANCIAL STATEMENTS

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EAST ORANGE COUNTY WATER DISTRICT
Statement of Net Position
June 30, 2022
(with comparative information as of June 30, 2021)

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

See accompanying Notes to the Basic Financial Statements.

EAST ORANGE COUNTY WATER DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
Year ended June 30, 2022
(with comparative information for the year ended June 30, 2021)

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

See accompanying Notes to the Basic Financial Statements.

EAST ORANGE COUNTY WATER DISTRICT
Statement of Cash Flows
Year ended June 30, 2022
(with comparative data for the year ended June 30, 2021)

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

See accompanying Notes to the Basic Financial Statements.

EAST ORANGE COUNTY WATER DISTRICT
Statement of Cash Flows (Continued)
Year ended June 30, 2022
(with comparative data for the year ended June 30, 2021)

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

See accompanying Notes to the Basic Financial Statements.

EAST ORANGE COUNTY WATER DISTRICT
Custodial Funds
Statement of Fiduciary Net Position
June 30, 2022

ASSETS

Current assets:

Investments (Note 2):

Money Market Mutual Funds	\$ 31,263
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Total assets	31,263
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LIABILITIES

Current liabilities:

Accounts payable	-
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Total liabilities	-
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NET POSITION

Restricted	31,263
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Total net position	\$ 31,263
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See accompanying Notes to the Basic Financial Statements.

EAST ORANGE COUNTY WATER DISTRICT
Custodial Funds
Statement of Changes in Fiduciary Net Position
Year ended June 30, 2022

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

See accompanying Notes to the Basic Financial Statements.

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(1) Reporting Entity and Summary of Significant Accounting Policies

Organization and Operations of the Reporting Entity

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

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

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

Financial Reporting

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

Basis of Accounting and Measurement Focus

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

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

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

The District also reports the following Fiduciary Fund types:

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

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

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

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

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

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

Use of Estimates

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

Comparative Financial Statements and Reclassifications

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

Cash and Cash Equivalents

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

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

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

Investments

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

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

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

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

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

Accounts Receivable

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

Property Taxes

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

Lien date	January 1
Levy date	July 1
Due dates	November 1 and February 1
Collection dates	December 10 and April 10

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

Prepaid Expenses

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

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

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

Water-In-Storage Inventory

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

Capital Assets

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

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

Construction-in-Process

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

Compensated Absences

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

Pensions

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

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

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

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

Valuation date	June 30, 2020
Measurement date	June 30, 2021
Measurement period	July 1, 2020 to June 30, 2021

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

Net Position

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

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

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

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

Water Use Sales – Wholesale and Retail

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

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

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

Capital Contributions

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

(2) Cash and Investments

Financial Statement Classification:

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

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

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

Demand Deposits

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

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

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(2) Cash and Investments (Continued)

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

Custodial Credit Risk

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

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

Investments

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

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

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(2) Cash and Investments (Continued)

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

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

Authorized Investments and Investment Policy

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

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

Investment in State Investment Pool

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

Investment in Public Agency Retirement Fund

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

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

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

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(2) Cash and Investments (Continued)

Fair Value Measurement Input

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

Credit Risk

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

Interest Rate Risk

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

Concentration of Credit Risk

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

(3) Accounts Receivable – Services, Net

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

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

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(4) Capital Assets

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

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

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

(5) Long-term Liabilities

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

Installment Purchase Agreement

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

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(5) Long-term Liabilities (Continued)

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

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

The Plans Description Schedule

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

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

Plan Description

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

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

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

Members Covered by Benefit Terms

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

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

Benefits Provided

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

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

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

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

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

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

Contributions

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

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

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

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

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

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

Actuarial Cost Method	Entry Age Normal in accordance with the
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table	Derived using CalPERS' Membership Data for all
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance floor on Purchasing Power applies, 2.50% thereafter

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

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

Discount Rate

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

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

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

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

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

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

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

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

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

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

Pension Plan Fiduciary Net Position

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

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

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

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

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

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

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

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

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

Amortization of Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(7) Deferred Compensation Savings Plan

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

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

(8) Risk Management

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

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

EAST ORANGE COUNTY WATER DISTRICT

Notes to the Basic Financial Statements

Year ended June 30, 2022

(Continued)

(8) Risk Management (continued)

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

(9) Commitments and Contingencies

Construction Contracts

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

Litigation

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

(10) Lease Receivables

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

(11) Prior period adjustment

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

REQUIRED SUPPLEMENTARY INFORMATION

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

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

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

Summary of Changes of Benefits or Assumptions:

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

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

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

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

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

Summary of Changes of Benefits or Assumptions:

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

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

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

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

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

Notes to schedule:

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

Methods and assumptions used to determine contributions rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Discount Rate	7.15%
Project Salary Increase	Varies by entry age and service
Inflation	2.50%
Payroll Growth	2.75%

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

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

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

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

Fiscal Year:	2017-18	2016-17	2015-16	2014-15
Actuarially Determined Contribution	69,318	56,240	\$ 40,547	33,913
Contribution in Relation to the Actuarially Determined Contribution	(69,318)	(56,240)	(40,547)	(33,913)
Contribution Deficiency (Excess)	-	\$ -	-	-
District's Covered Payroll	703,788	570,254	\$ 439,988	446,749
Contributions as a Percentage of Covered Payroll	9.85%	9.86%	9.22%	7.59%

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

Notes to schedule:

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

Methods and assumptions used to determine contributions rates:

Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Asset Valuation Method	Market Value
Discount Rate	7.15%
Project Salary Increase	Varies by entry age and service
Inflation	2.50%
Payroll Growth	2.75%

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

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

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

SUPPLEMENTARY INFORMATION

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

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

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

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



MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: RATE ADOPTION SCHEDULE
DATE FEBRUARY 23, 2023

Background

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

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

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

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

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

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

Recommendation

Informational.

Attachment(s): Draft Rate Study Report
 Draft Public Notices (Sewer and Retail)



EAST ORANGE COUNTY WATER DISTRICT

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

DRAFT REPORT / JANUARY 31, 2023



January 31, 2023

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

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

Dear Mr. Youngblood:

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

The major study objectives include the following:

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

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

Sincerely,



Steve Gagnon, PE (AZ)
Vice President

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Glossary

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

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1. Executive Summary

1.1. Background

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

The major study objectives include the following:

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

1.2. Process and Approach

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

1.2.1. Step 1: Revenue Requirement Calculation

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

1.2.2. Step 2: Cost-of-Service Analysis

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

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

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

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

1.2.3. Step 3: Rate Design and Calculation

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

1.2.4. Step 4: Report Preparation and Rate Adoption

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

1.3. Retail Water Summary

1.3.1. Financial Plan, Retail

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

Table 1-1: Proposed Retail Water Revenue Adjustments²

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

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

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

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

Figure 1-1: Retail Water Operating Financial Plan

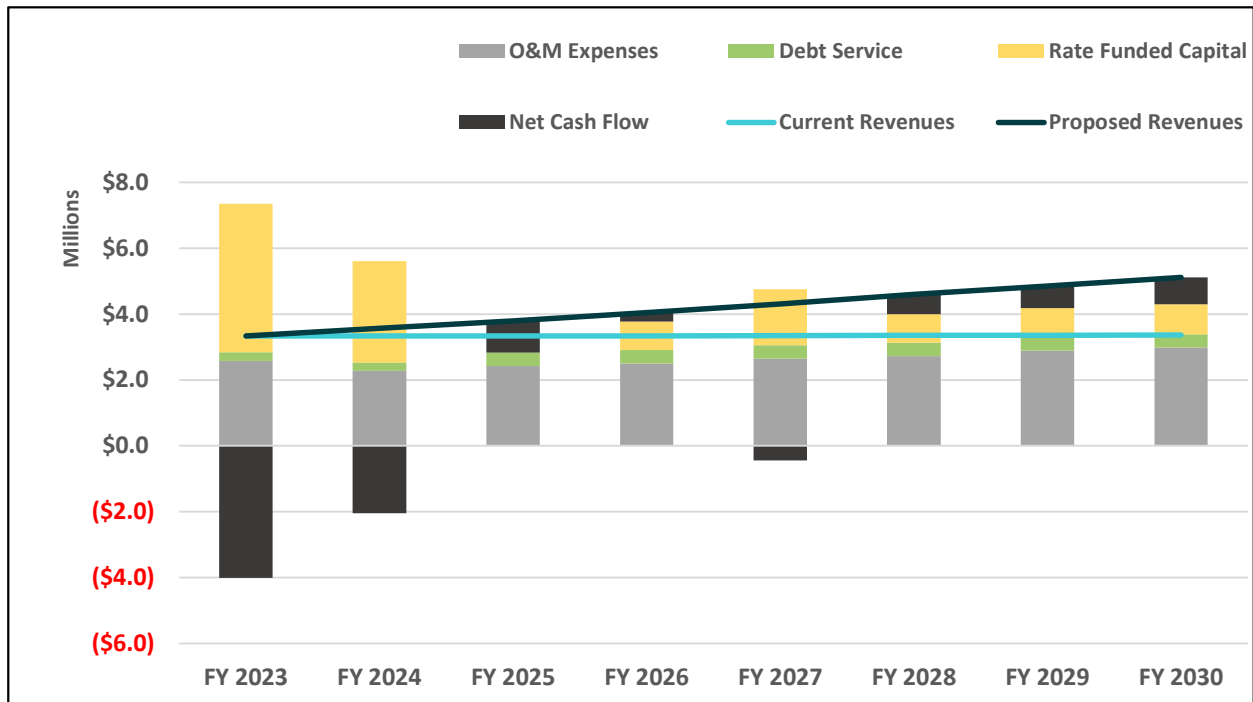


Figure 1-2 illustrates the ending reserve balances and targeted balances for FY 2023- - FY 2030. Ending reserve balances show a planned draw upon reserves to accomplish planned capital improvements with a gradual return to the target capital and operating reserve balance just outside the rate-setting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

Figure 1-2: Estimated Retail Water Ending Fund Balances

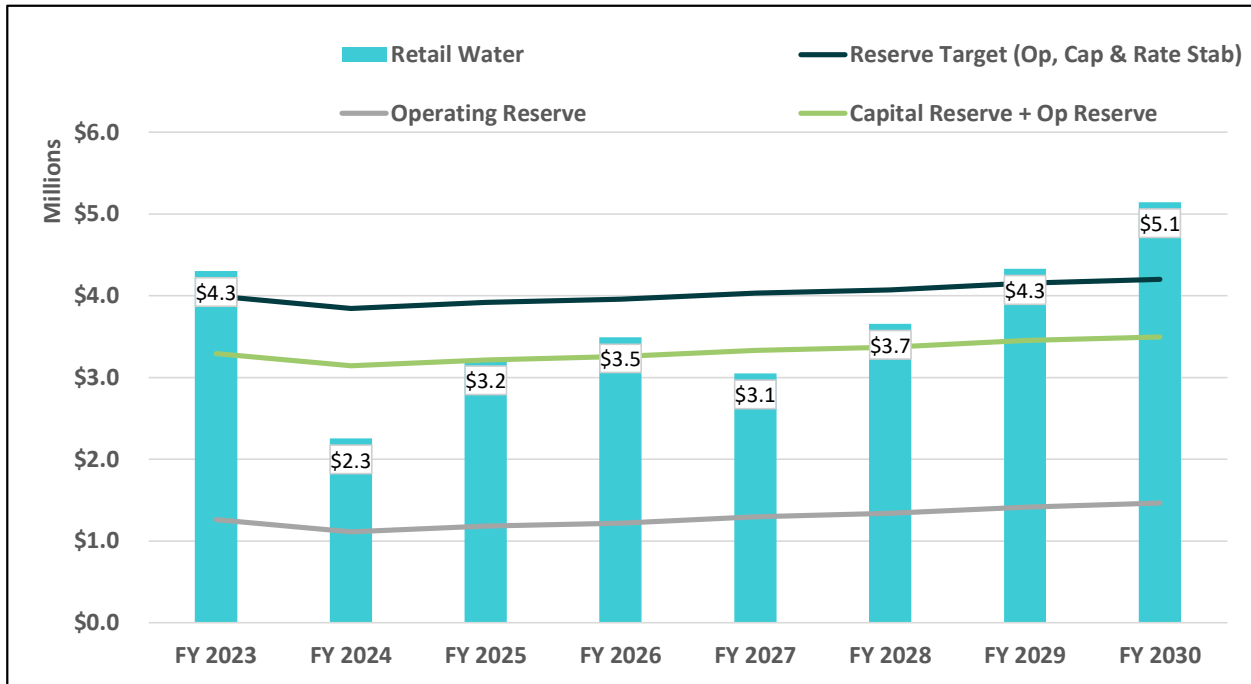
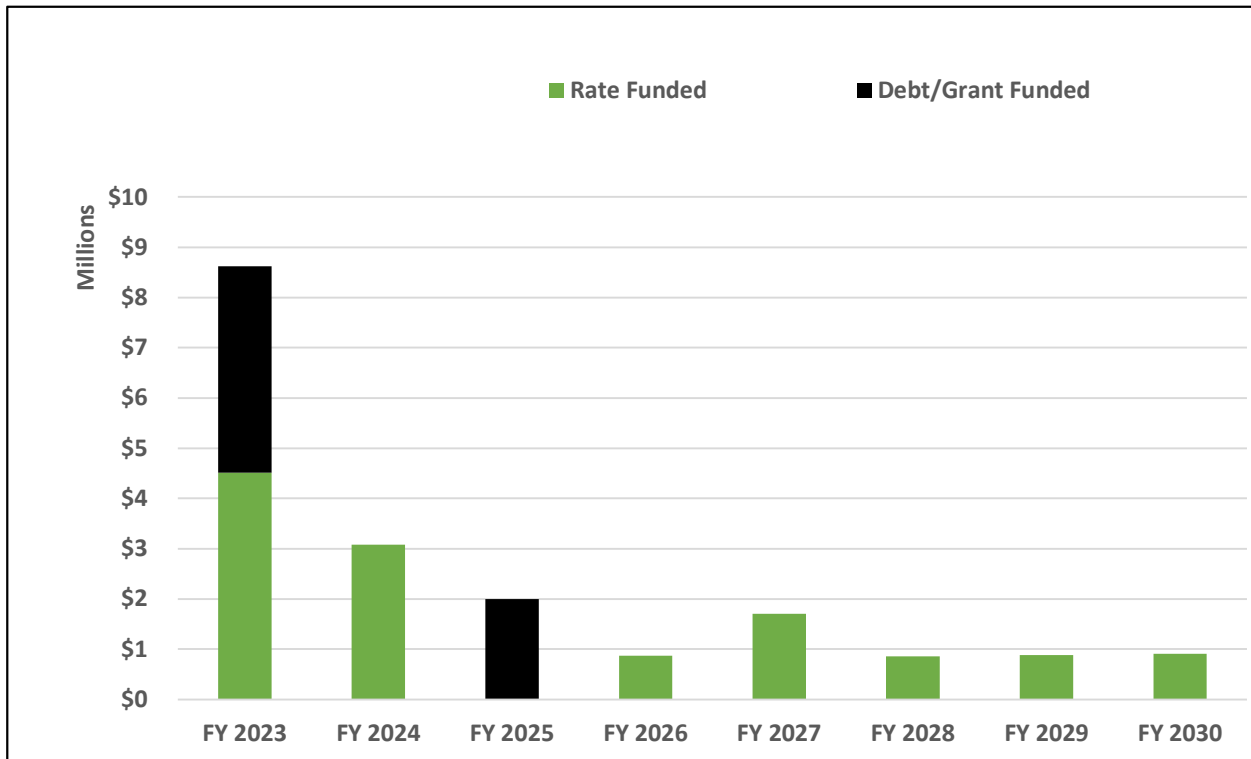


Figure 1-3 illustrates the Retail Water Enterprise’s scheduled capital improvement project expenses and funding sources. The District anticipates funding capital projects in the study period with a combination of remaining bond proceeds and rate-based revenues. A portion of FY 2023 capital projects is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

Figure 1-3: Retail Water Capital Improvement Program Funding



1.3.2. Proposed Retail Water Rates

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

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

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

1.4. Wholesale Water Summary

1.4.1. Financial Plan, Wholesale

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

Table 1-3: Proposed Wholesale Water Revenue Adjustments³

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

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

Figure 1-4: Wholesale Water Operating Financial Plan

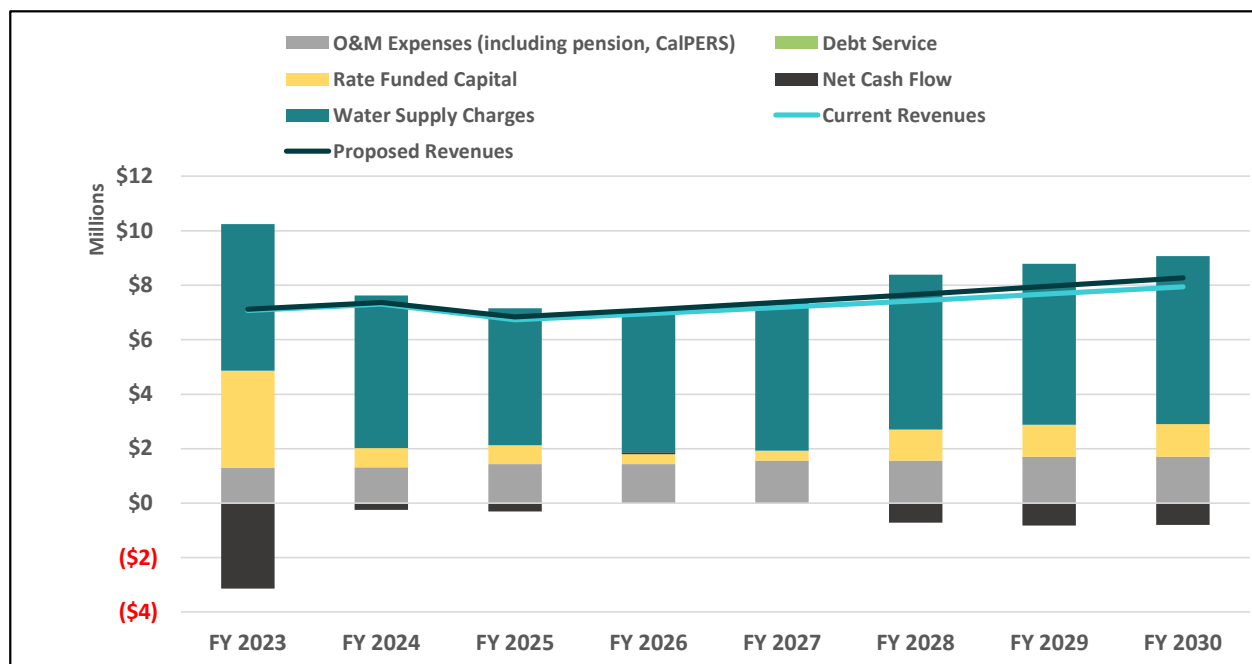


Figure 1-5 illustrates the ending reserve balances and targeted balances for FY 2023 – FY 2030. Reserve balances are used in conjunction with revenue adjustments to meet revenue requirements. The FY 2028 ending balance is projected to be above the total reserve target; however capital projects in years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

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

Figure 1-5: Estimated Wholesale Water Ending Fund Balances

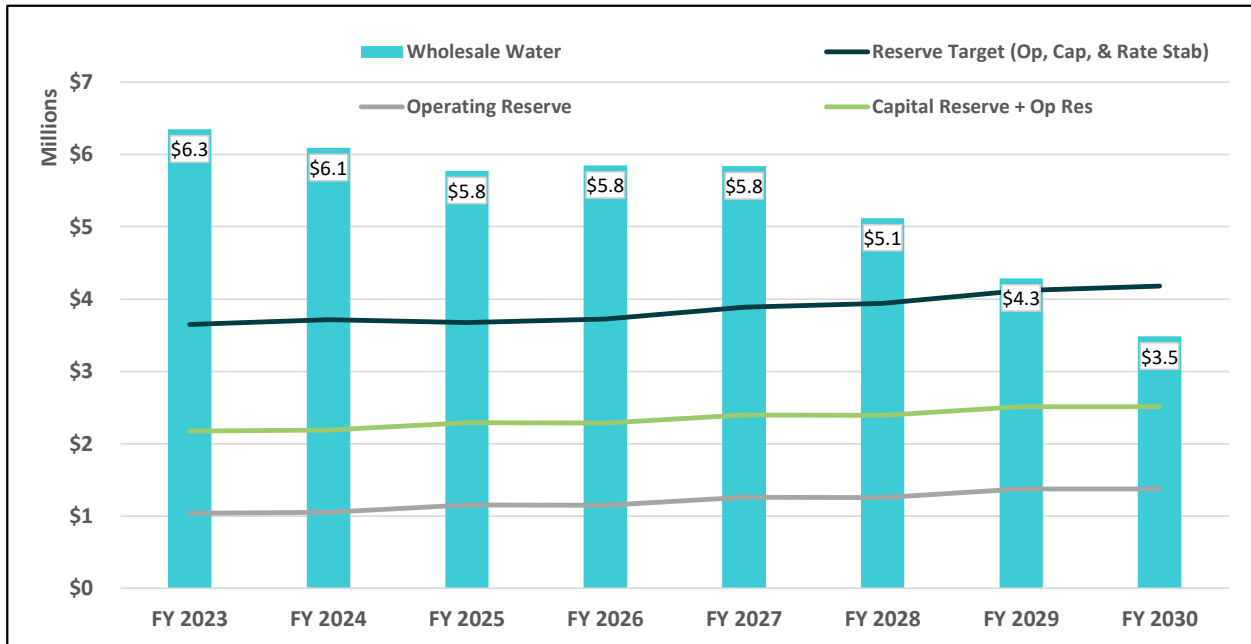
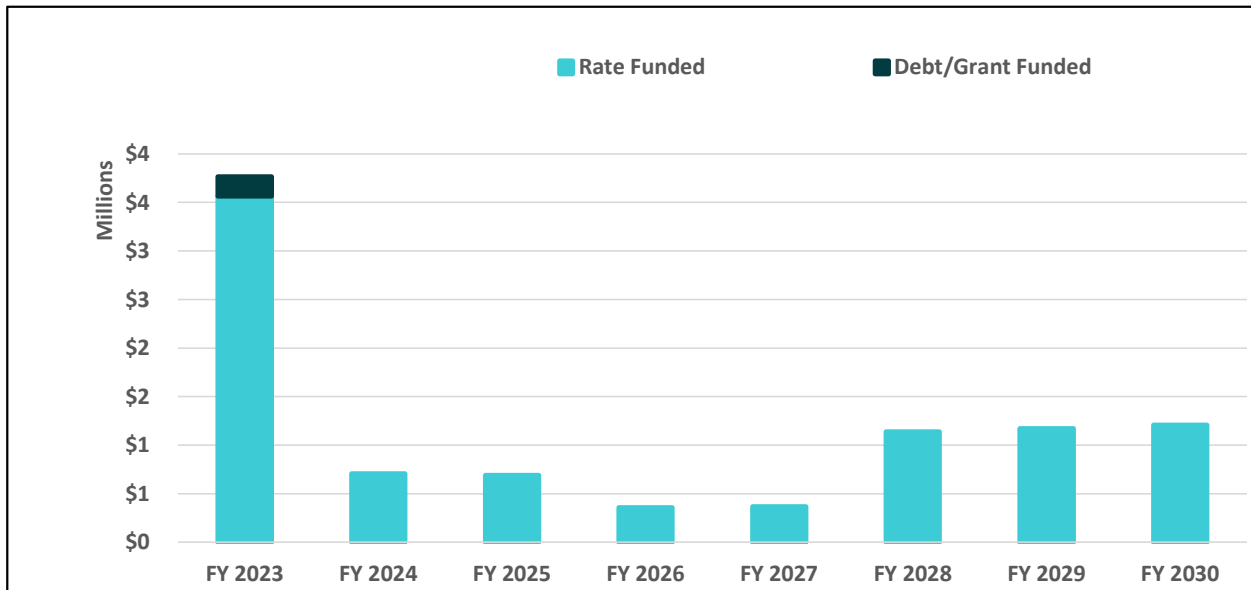


Figure 1-6 illustrates the Wholesale Water Enterprise’s scheduled capital improvement project expenses and funding sources. The District anticipates funding capital improvement projects in the study period with a combination of grants, reserves, and rate-based revenues.

Figure 1-6: Wholesale Water Capital Improvement Program Funding



1.4.2. Proposed Wholesale Water Rates

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

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

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

1.5. Sewer Summary

1.5.1. Financial Plan, Sewer

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

Table 1-5: Proposed Sewer Revenue Adjustments⁴

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

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

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

Figure 1-7: Sewer Operating Financial Plan

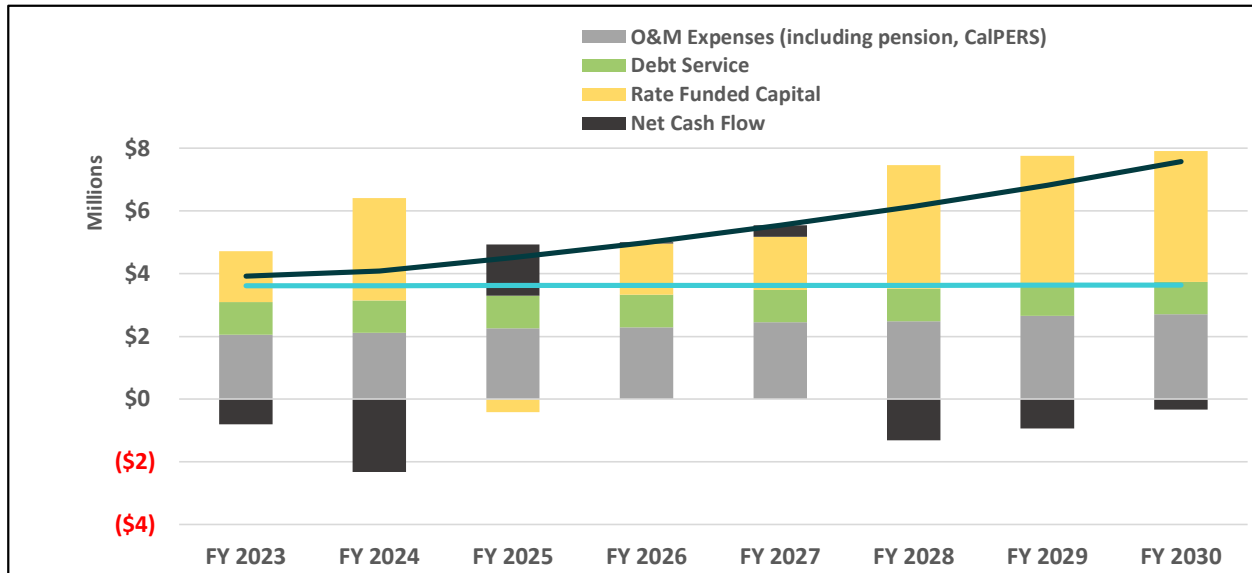


Figure 1-8 illustrates the ending reserve balances and targeted balances for FY 2023 – FY 2030. Reserve balances are used in conjunction with revenue adjustments to meet revenue requirements. The FY 2028 ending balance is projected to be above the total reserve target.

Figure 1-8: Estimated Sewer Ending Fund Balances

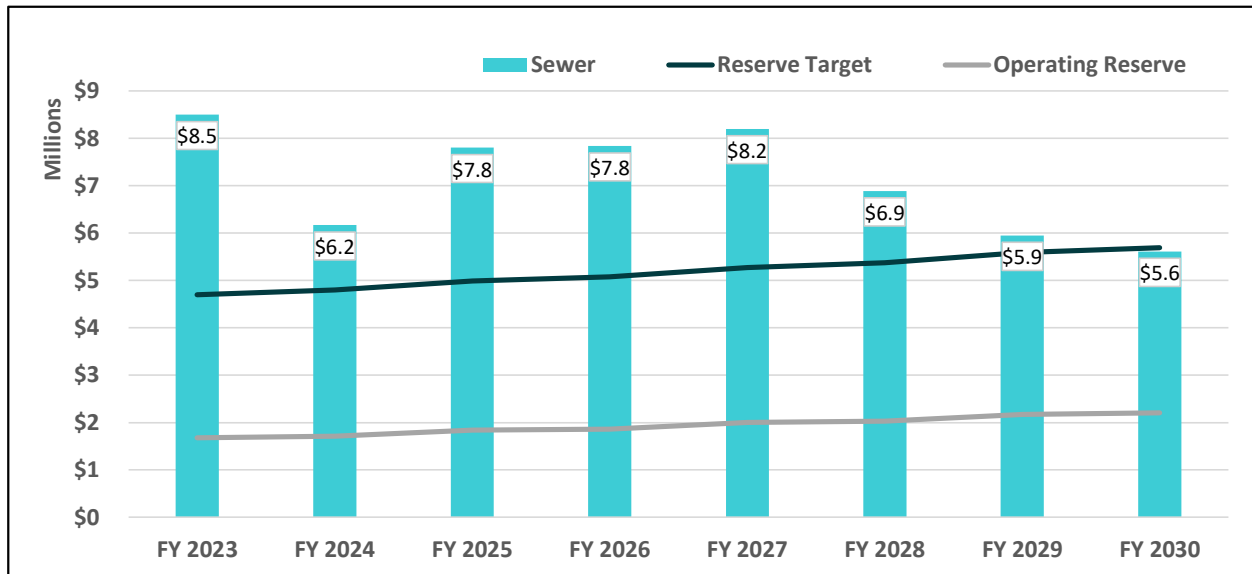
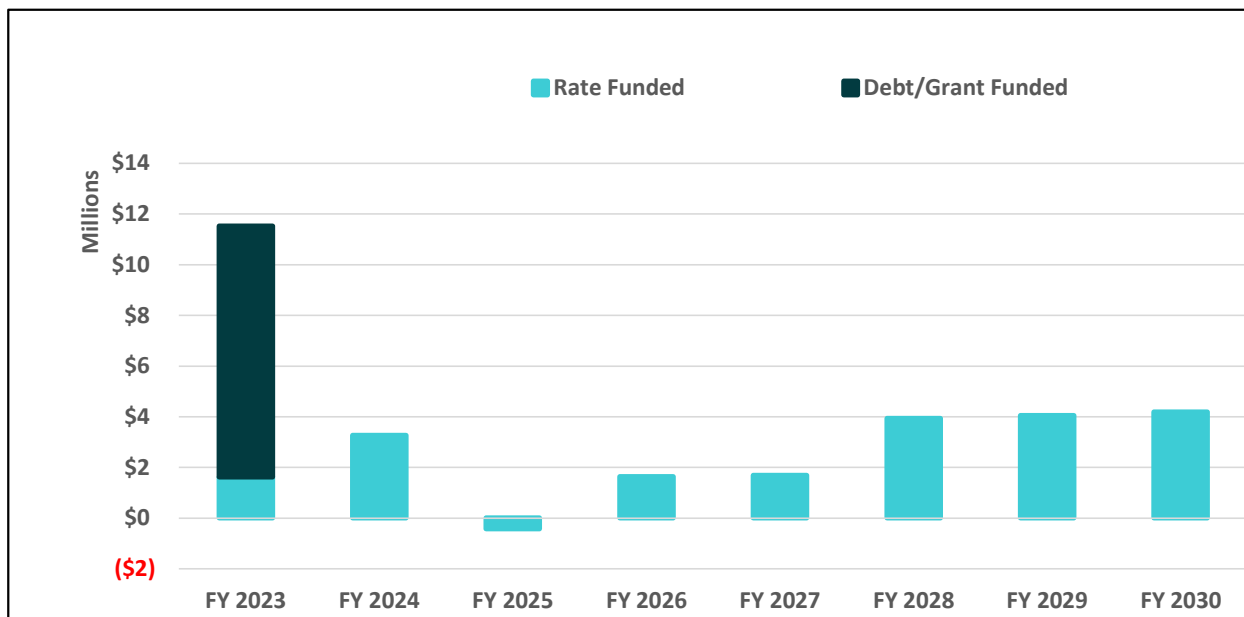


Figure 1-9 illustrates the Sewer Enterprise’s scheduled capital improvement project expenses and funding sources. A portion of FY 2023 capital projects is funded with existing debt proceeds.

Figure 1-9: Sewer Capital Improvement Program Funding



1.5.2. Proposed Sewer Rates

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

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

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

1.6. Capacity Fees

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

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

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

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

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

Table 1-9: Proposed Sewer Capacity Fee

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

2. Legal Requirements and Rate Setting Methodology

2.1. Legal Requirements⁵

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

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

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

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

2.1.2. California Constitution Article X, Section 2

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

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

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

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

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

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

2.2. Rate Setting Methodology

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

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

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

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

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

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

2.3. Capacity Fees Economic and Legal Framework

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

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

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

2.4. Capacity Fees Legal Framework and California Requirements

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

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

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

Section 66013 also includes the following general requirements:

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

2.5. Capacity Fees Methodology

Capacity fees are also commonly known as developer fees, development impact fees, connection fees, tap fees, and system development charges, among others. All are one-time capital charges, assessed against a new development, to recover the proportional share of capacity investment, previously constructed by a utility (or will be constructed), to accommodate growth. Capacity fees are codified in the California Government Code Sections 66000-66025. Capacity fees must reflect the link between the fee imposed on, and the benefit received by, a new connection to the system. The fee charged may not exceed the reasonable share of costs associated with providing the service.

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

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

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

2.6. Capacity Fees Valuation Methodology

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

3. Financial Plan Assumptions

3.1. Key Financial Information

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

This study utilized the following financial documents:

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

3.2. Inflation

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

Table 3-1: Assumed Cost Escalation Factors

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

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

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

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

Table 3-2: Assumed Revenue Escalation Factors

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

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

3.3. Projected Growth

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

Table 3-3: Number of Retail Zone Connections

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

Table 3-4: Number of Wholesale Zone Connections

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

Table 3-5: Number of Sewer Equivalent Connections

Estimated Equivalent Dwelling Units
28,491

3.4. Reserve Policy

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

4. Retail Zone Financial Plan

4.1. Water Revenue Requirements

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

4.1.1. Revenues

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

Table 4-1: Current Retail Zone Water Rates

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

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

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

Table 4-2: Projected Revenue from Current EOCWD Charges

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

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

Table 4-3: Projected Other Revenue

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Other Operating Revenues						
Penalty & Other Charges	\$9,800	\$9,947	\$10,096	\$10,248	\$10,401	\$10,557
Uncollectible Accounts	(\$6,700)	(\$6,801)	(\$6,903)	(\$7,006)	(\$7,111)	(\$7,218)
Total Other Operating Revenues	\$3,100	\$3,147	\$3,194	\$3,242	\$3,290	\$3,340
Non-Operating Revenues						
Property Taxes	\$515,700	\$520,857	\$526,066	\$531,326	\$536,639	\$542,006
Interest Income	\$3,500	\$16,397	\$13,700	\$16,791	\$16,357	\$16,772
Miscellaneous Income	\$1,000	\$1,015	\$1,030	\$1,046	\$1,061	\$1,077
Total Non-Operating Revenues	\$520,200	\$538,269	\$540,796	\$549,163	\$554,058	\$559,855

4.1.2. O&M Expenses

4.1.2.1. Water Supply Costs

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

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

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

Table 4-4: Water Supply Cost Projections

Water Sales	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Retail Water Usage (AF)	780	780	780	780	780	780
Water Loss	7%	7%	7%	7%	7%	7%
Total Water Needed (AF)	838	838	838	838	838	838
Water Supply						
OCWD Replenishment Rate Groundwater Production						
Groundwater Use (AF)	0	700	700	700	700	700
Cost \$/AF	\$540	\$566	\$605	\$649	\$686	\$726
PFAS Costs	\$127,000	\$131,445	\$136,046	\$140,807	\$145,735	\$150,836
Groundwater Costs (PFAS)	\$127,000	\$527,645	\$559,546	\$595,107	\$625,935	\$659,368
Purchased Water Costs						
MWD/MWDOC Wholesale Purchased Water						
Water Purchased (AF)	838	138	138	138	138	138
MWDOC Purchased Water (\$/AF)	\$1,162	\$1,208	\$1,256	\$1,307	\$1,359	\$1,413
Subtotal - Purchased Water Cost	\$973,744	\$167,101	\$173,785	\$180,736	\$187,966	\$195,484
MWDOC Retail Charge						
EOCWD Meters	1,206	1,206	1,206	1,206	1,206	1,206
MWDOC Retail Meter Charge per Meter	\$13.75	\$14.30	\$14.87	\$15.47	\$16.09	\$16.73
Total Retail Meter Charge	\$16,583	\$17,246	\$17,936	\$18,653	\$19,399	\$20,175
Total Water Purchased Costs	\$990,326	\$184,346	\$191,720	\$199,389	\$207,365	\$215,659

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

Table 4-5: Projected Water Supply Costs

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<i>Operating Expenses</i>	<i>Budgeted</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
Source of Supply						
Water Purchases	\$973,744	\$167,101	\$173,785	\$180,736	\$187,966	\$195,484
MWDOC Retail Service Connection	\$16,583	\$17,246	\$17,936	\$18,653	\$19,399	\$20,175
Fixed MET-MWDOC Capacity Fees	\$26,000	\$26,962	\$27,960	\$28,994	\$30,067	\$31,179
Fixed MET-MWDOC Readiness to Serve	\$12,000	\$13,188	\$14,494	\$15,928	\$17,505	\$19,238
Fixed EOCWD Reserve Fund Charge (Capital)	\$16,600	\$17,762	\$19,005	\$20,336	\$21,759	\$23,282
Fixed EOCWD Readiness to Serve	\$10,700	\$11,449	\$12,250	\$13,108	\$14,026	\$15,007
Groundwater (incl. PFAS Costs)	\$127,000	\$527,645	\$559,546	\$595,107	\$625,935	\$659,368
Replenishment Assessment	\$8,100	\$8,505	\$8,930	\$9,377	\$9,846	\$10,338
Pumping Electricity	\$26,000	\$84,623	\$87,584	\$90,650	\$93,823	\$97,106
Source of Supply Subtotal	\$1,216,726	\$874,480	\$921,489	\$972,889	\$1,020,325	\$1,071,179

4.1.2.2. Water O&M Expenses

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

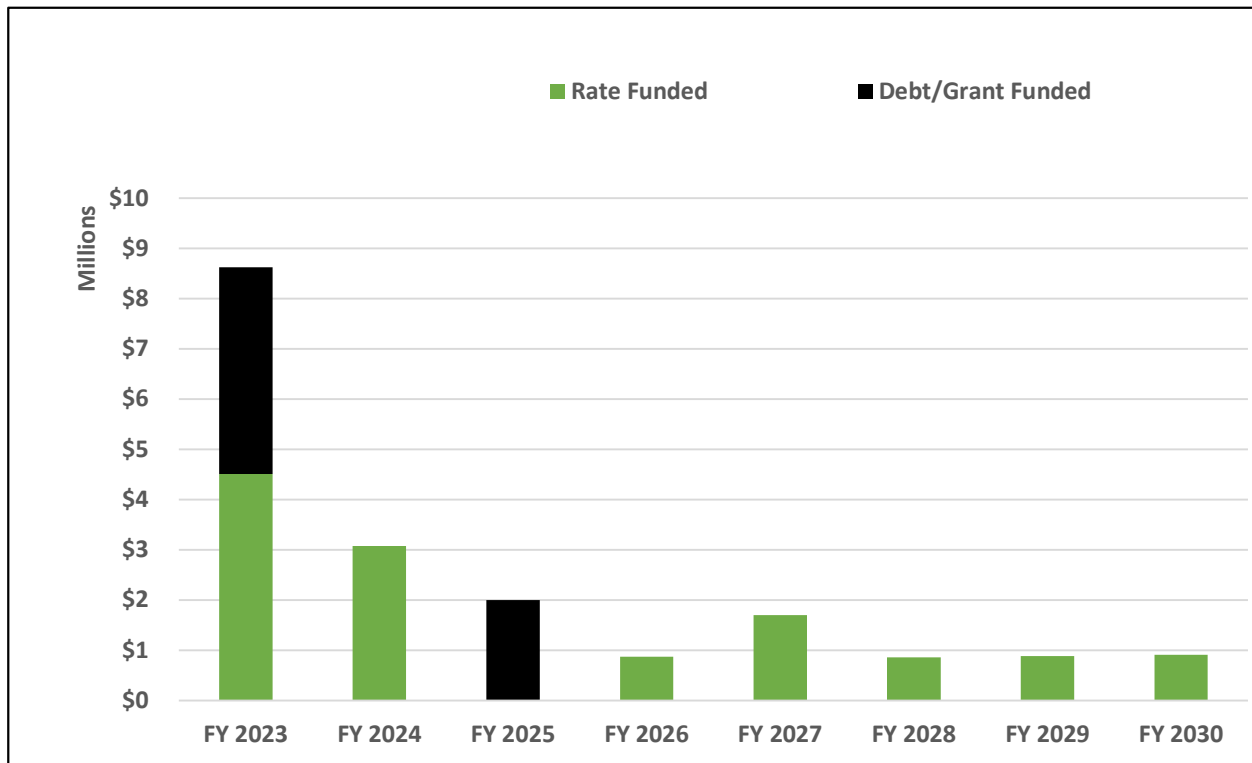
Table 4-6: Budgeted and Projected O&M Expenses

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

4.1.3. Projected Capital Improvement Projects

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

Figure 4-1: Projected Retail Zone Capital Expenditures

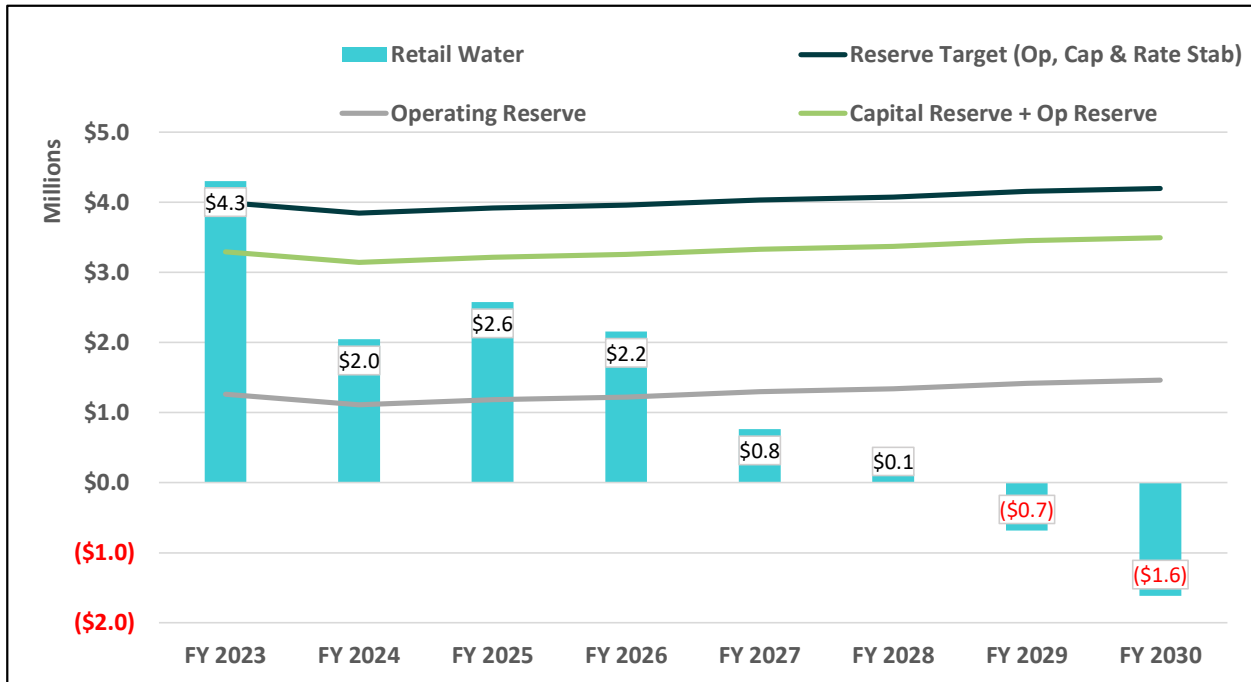


4.2. Retail Zone Financial Plan

4.2.1. Status Quo Financial Plan

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

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



4.2.2. Proposed Financial Plan

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

Table 4-7: Proposed Retail Zone Revenue Adjustments

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

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

Table 4-8: Proposed Retail Zone Financial Plan

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

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

Figure 4-3: Retail Zone Operating Financial Plan

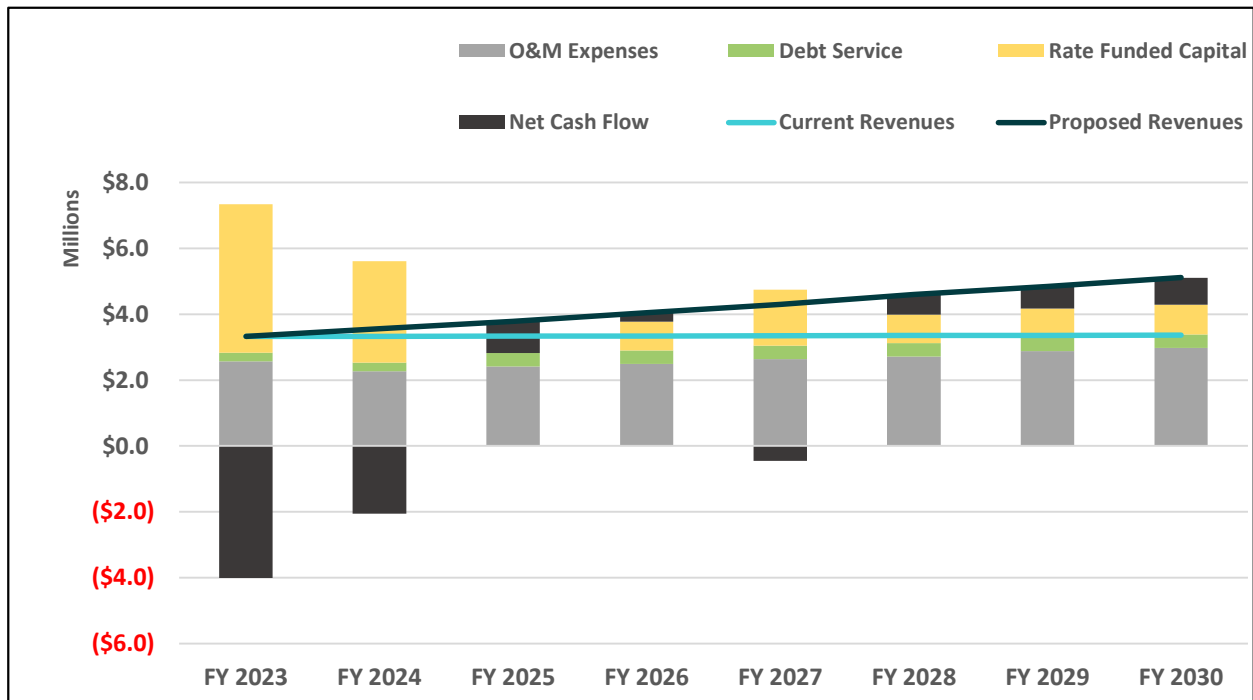
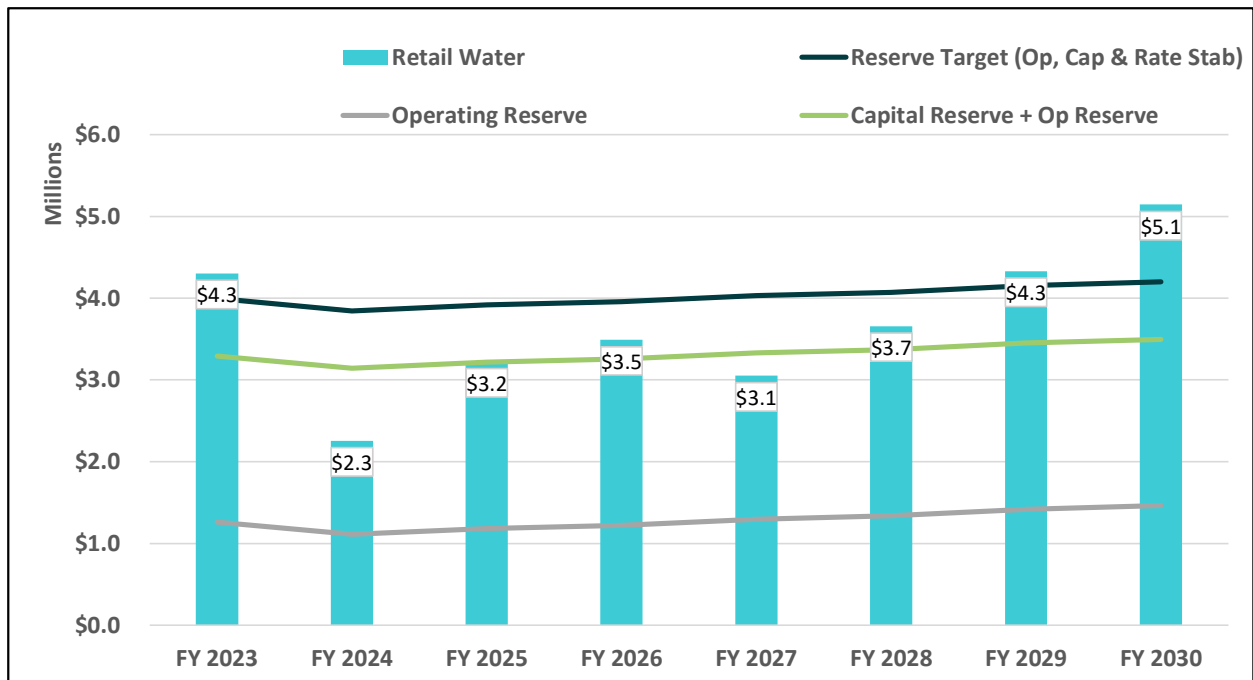


Figure 4-4: Projected Retail Zone Reserve Ending Balances



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

5.1. Process and Approach

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

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

5.1.1. Calculate Revenue Requirement

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

5.1.2. Cost-of-Service Analysis

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

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

The cost components used in this analysis are:

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

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

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

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

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

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

5.1.3. Rate Design and Calculations

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

5.1.4. Rate Adoption

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

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

5.2. Cost-of-Service Calculations

5.2.1. Revenue Requirement Determination

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

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

No.	(A)	(B)	(C)	(D)
1	Revenue Requirement			
2	Source of Supply Subtotal	\$874,480	\$0	\$874,480
3	Salaries and Benefits Subtotal	\$755,369	\$0	\$755,369
4	Operations & Maintenance Subtotal	\$245,738	\$0	\$245,738
5	General & Administrative Subtotal	\$345,666	\$0	\$345,666
6	Debt Service (Existing and Proposed)	\$0	\$259,039	\$259,039
7	Rate Funded Capital	\$0	\$3,077,652	\$3,077,652
8	Total - Revenue Requirement	\$2,221,253	\$3,336,691	\$5,557,944
		\$0	\$1	\$1
9	Less: Other Operating Revenue / (Expenses)			
10	Property Taxes	\$191,675	\$329,182	\$520,857
11	Interest Income	\$0	\$16,397	\$16,397
12	Miscellaneous Income	\$1,015	\$0	\$1,015
13	Penalties and Uncollectible Accounts	\$3,147	\$0	\$3,147
14	Section 115 Pension Trust Contribution	(\$50,000)	\$0	(\$50,000)
15	Total - Revenue Offsets	\$145,837	\$345,579	\$491,416
16	Less: Adjustments			
17	Adjustment for Cash Balance	\$0	\$2,047,046	\$2,047,046
18	Total - Adjustments	\$0	\$2,047,046	\$2,047,046
19	Revenue Required from Rates	\$2,075,416	\$944,067	\$3,019,483

5.2.2. Peaking factors

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

Table 5-2 shows the system-wide peaking factors used to derive the cost component allocation bases for Base, Max Day, and Max Hour costs. Base costs represent average daily demand during the year, which is normalized to a factor of 1.00 (Column B, Line 1). The District’s 2019 Water Master plan provided Max Day and Max Hour peaking factors. The system-wide Max Day peaking factor (Column B, Line 3), as provided to

Raftelis, is 2.0 times greater than the average daily demand. The Max Hour peaking factor (Column B, Line 4) is 3.4 times greater than the average demand. The allocation bases (Columns C through E) are calculated using the equations outlined in this section. Columns are represented in these equations as letters and rows are represented as numbers. For example, Column C, Line 2 is shown as C2.

Table 5-2: Water System Peaking Factors

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

The Max Day allocations are calculated as follows:

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

The Max Hour allocations are calculated as follows:

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

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

Table 5-3: Max Day Capacity Factor

Line No.	Customer Class (A)	Average Bi-Monthly Use (B)	Max Bi-Monthly Use (C)	Bi-monthly Peaking Factor (D)	Max Day Capacity Factor (E)
1	Single Family Residential	52,602	62,655	1.19	1.90
2	Commercial	159	204	1.29	2.05
3	Multifamily (duplex)	1,202	1,680	1.40	2.23
4	Institutional	435	703	1.62	2.58
5	Irrigation	152	193	1.27	2.03
6	Landscape	2,054	2,905	1.41	2.26

5.2.3. Operating and capital allocation

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

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

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

Table 5-4: Allocation of Functions to Cost Components

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

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

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

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

Table 5-6: Operating and Capital Cost Allocation

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

5.2.4. Equivalent Meters

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

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

Table 5-7: Equivalent Meter Units, Retail Zone

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

5.2.5. Unit Costs of Service

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

Table 5-8: Units-of-Service

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

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

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

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

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

5.3. Proposed Retail Zone Rates and Charges

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

Table 5-10: Monthly Service Charge Derivation

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

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

Table 5-11: Proposed Retail Zone Capital Charge

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

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

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

Table 5-12: Proposed Retail Zone Commodity Rate

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

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

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

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

6. Wholesale Zone Financial Plan

6.1. Water Revenue Requirement

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

6.1.1. Wholesale Zone Revenues

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

Table 6-1: Projected Revenues from Current EOCWD Charges

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

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

Table 6-2: Projected Other Revenue, Wholesale Zone

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

6.1.2. Wholesale Zone O&M Expenses

6.1.2.1. Water Supply Costs

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

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

Table 6-3: Passthrough MWDOC Water Supply Cost Projections

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

6.1.2.2. Wholesale Zone Water O&M Expenses

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

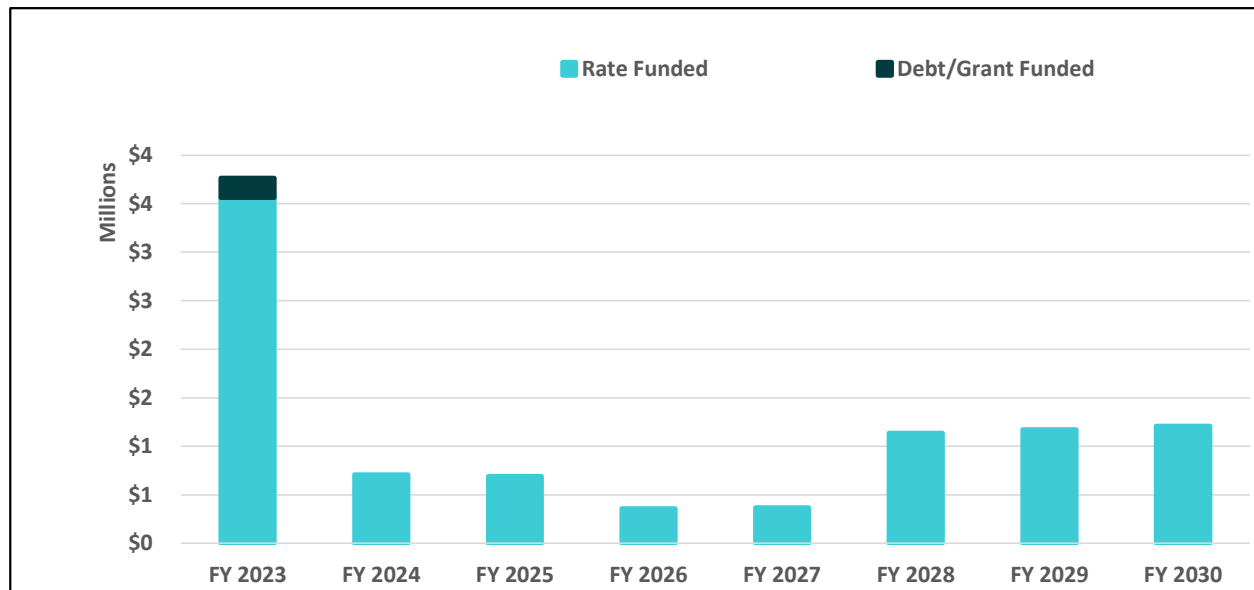
Table 6-4: Budgeted and Projected O&M Costs, Wholesale Zone

Line Items	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
<i>Operating Expenses</i>	<i>Budgeted</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>	<i>Projected</i>
Source of Supply						
Source of Supply (Passthrough) Subtotal	\$5,387,010	\$5,609,414	\$5,026,210	\$5,235,683	\$5,454,400	\$5,682,818
Salaries and Benefits Subtotal	\$519,600	\$541,753	\$564,831	\$588,076	\$611,231	\$635,301
Operations & Maintenance Subtotal	\$410,100	\$429,986	\$450,844	\$472,722	\$495,671	\$519,744
General & Administrative Subtotal	\$318,800	\$290,543	\$369,723	\$320,113	\$403,986	\$352,699
Total Operating Expenses	\$6,635,510	\$6,871,695	\$6,411,608	\$6,616,594	\$6,965,288	\$7,190,562
Non - Passthrough Expenses Subtotal	\$1,248,500	\$1,262,281	\$1,385,398	\$1,380,911	\$1,510,887	\$1,507,744
<i>Other Non-Operating Expenses</i>						
Section 115 Pension Trust Contribution	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Total Non-Operating Expenses	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Total Operating & Non-Operating Expenses	\$6,685,510	\$6,921,695	\$6,461,608	\$6,666,594	\$7,015,288	\$7,240,562

6.1.3. Projected Capital Improvement Projects

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

Figure 6-1: Projected Wholesale Zone Capital Expenditures

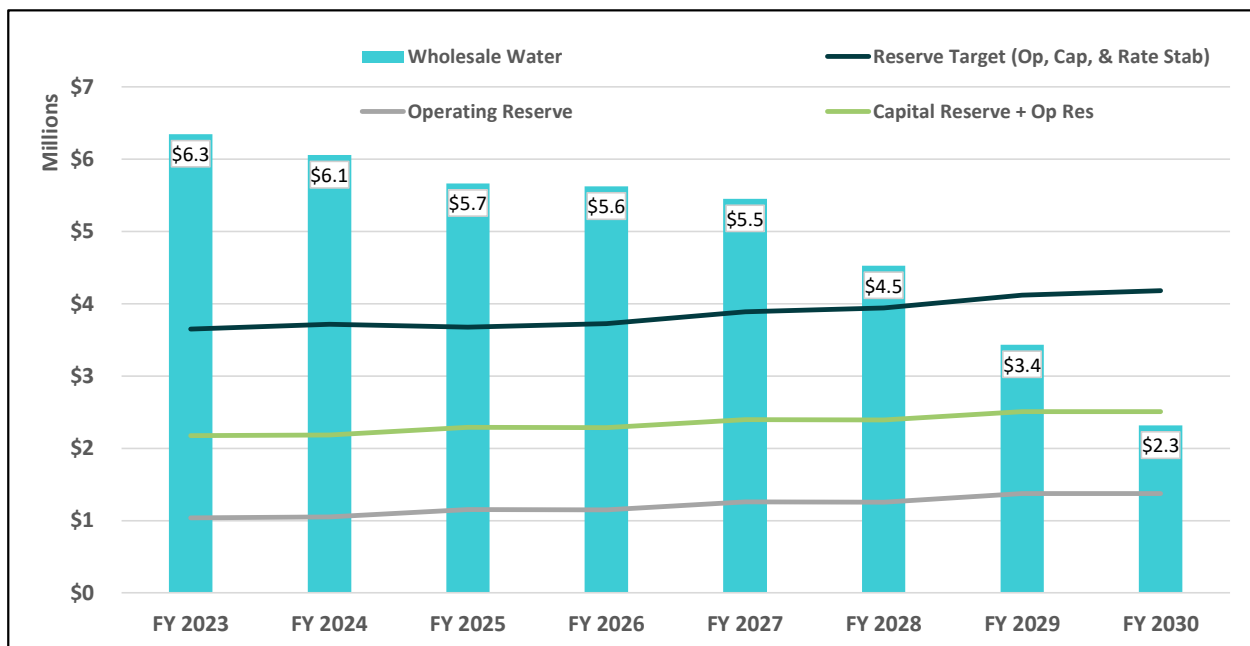


6.2. Wholesale Zone Financial Plan

6.2.1. Status Quo Wholesale Zone Financial Plan

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

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



6.2.2. Proposed Wholesale Zone Financial Plan

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

Table 6-5: Proposed Wholesale Zone Revenue Adjustments

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

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

Table 6-6: Wholesale Zone Proposed Financial Plan

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

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

Figure 6-3: Wholesale Zone Operating Financial Plan

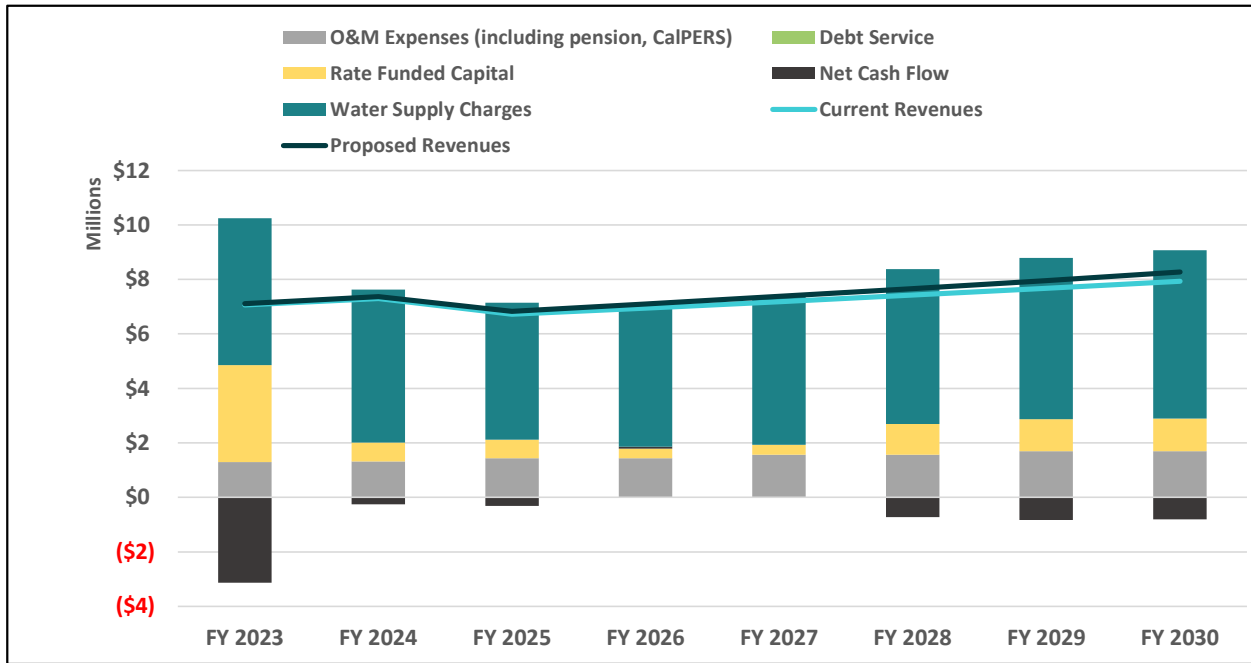
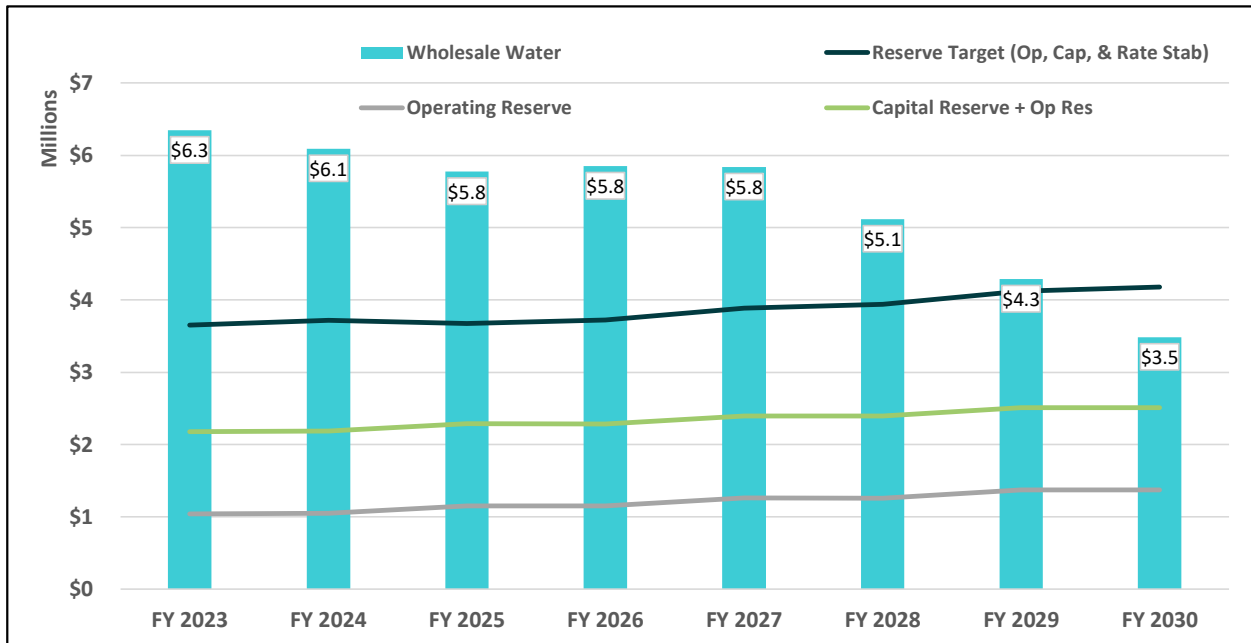


Figure 6-4 graphically depicts the District’s reserve ending balances with the proposed revenue adjustments as well as the pass-through water supply costs after funding projected operational and capital expenditures for FY 2023 to FY 2030.

Figure 6-4: Projected Wholesale Zone Reserve Ending Balances



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

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

7.1. Cost-of-Service Calculations

7.1.1. Revenue Requirement Determination

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

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

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

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

7.1.2. Equivalent Meters

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

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

Table 7-2: Equivalent Meter Units, Wholesale Zone

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

7.1.3. Unit Cost Derivation

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

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

Line No.	Service Area (A)	Meters (B)	Equivalent Meters (C)
1	TUSTIN	14,108	21,842
2	IRWD	436	918
3	GSWC	2,622	5,195
4	ORANGE	2,451	3,617
5	EOCWD	1,208	1,520
6	Total	20,825	33,092
7		Operating	Capital
8	Total Revenue Required	\$225,322	\$320,605
9		Ready to Serve Charge	Replacement Reserve
10		<i>\$/meter</i>	<i>\$/equivalent meter</i>
11	Line 8 / Line 6	\$10.82	\$9.69
12	Current Charge	\$8.50	\$16.00

7.2. Proposed Wholesale Zone Charges

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

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

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

8. Sewer Enterprise Financial Plan

8.1. Sewer Revenue Requirement

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

8.1.1. Sewer Zone Revenues

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

Table 8-1: Current Sewer Rates

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

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

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

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

(1) Based on including revenue adjustments.

8.1.2. Sewer O&M Expenses

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

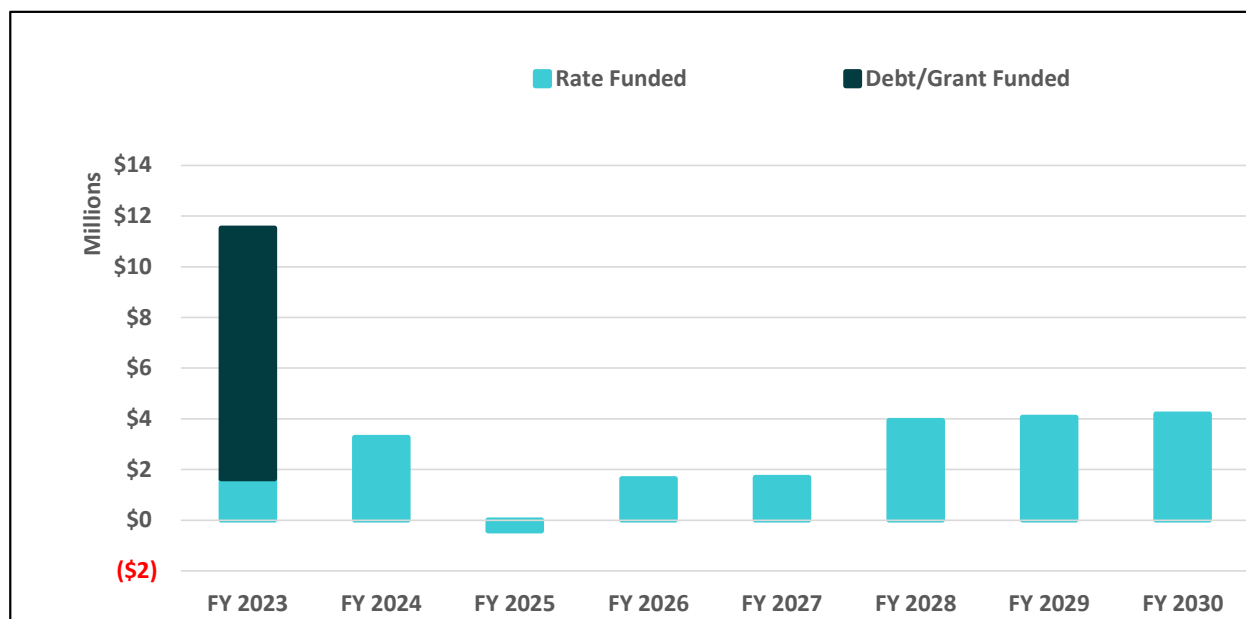
Table 8-3: Budgeted and Projected O&M Costs, Sewer

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

8.1.3. Projected Capital Improvements, Sewer

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

Figure 8-1: Projected Sewer Capital Expenditures

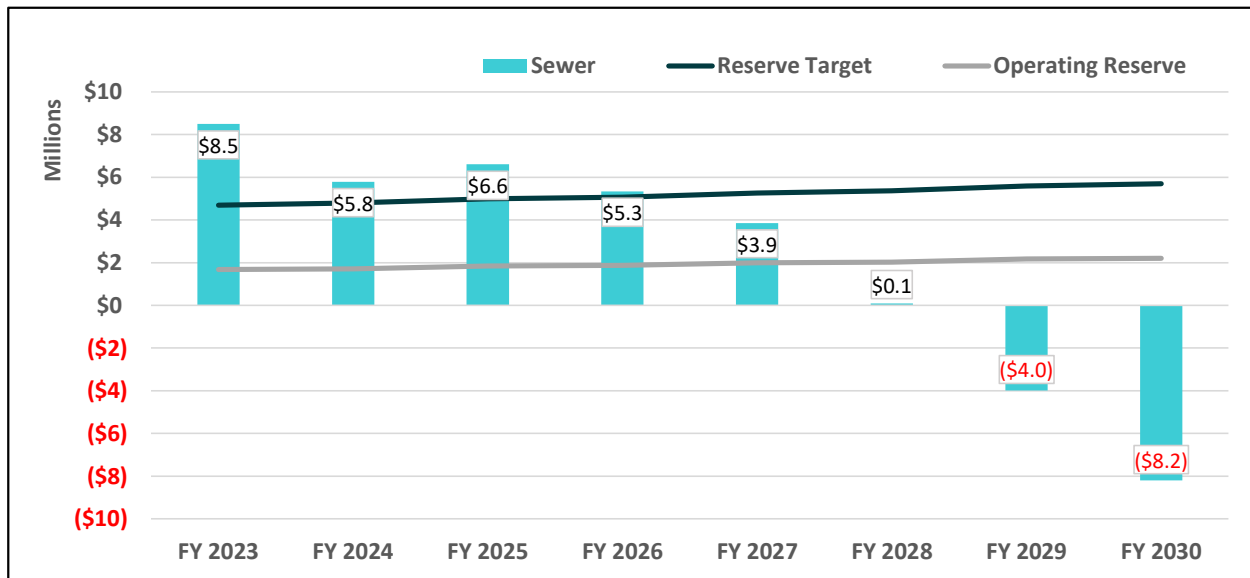


8.2. Sewer Financial Plans

8.2.1. Status Quo Sewer Financial Plan

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

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



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

8.2.2. Proposed Sewer Financial Plan

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

Table 8-4: Proposed Sewer Revenue Adjustments

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

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

Table 8-5: Wholesale Zone Proposed Financial Plan

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

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

Figure 8-3: Sewer Operating Financial Plan

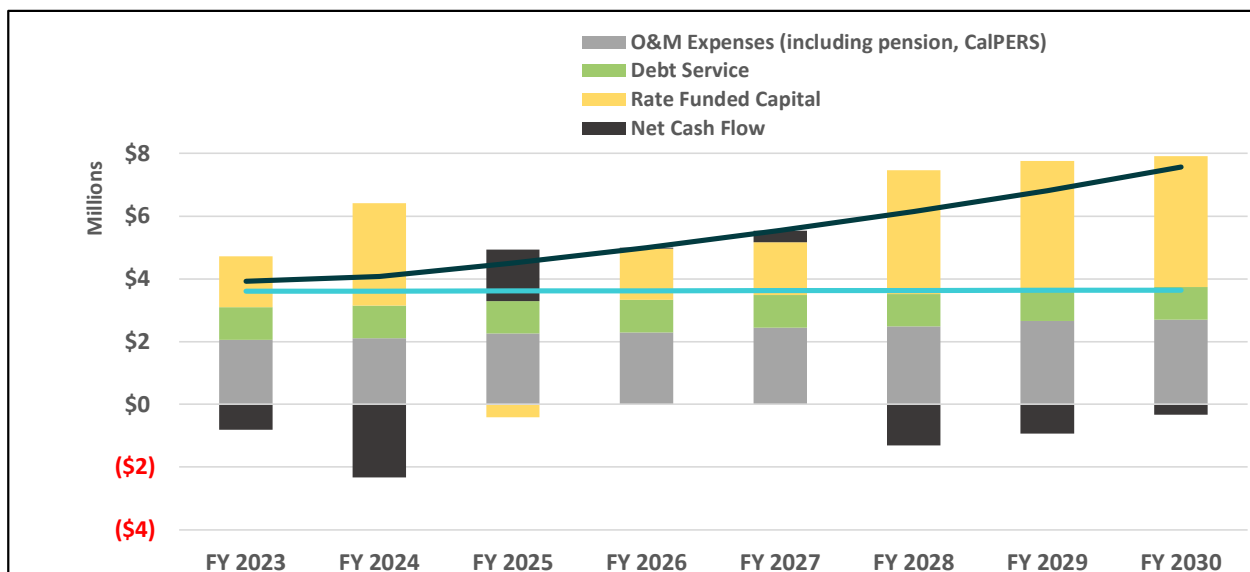
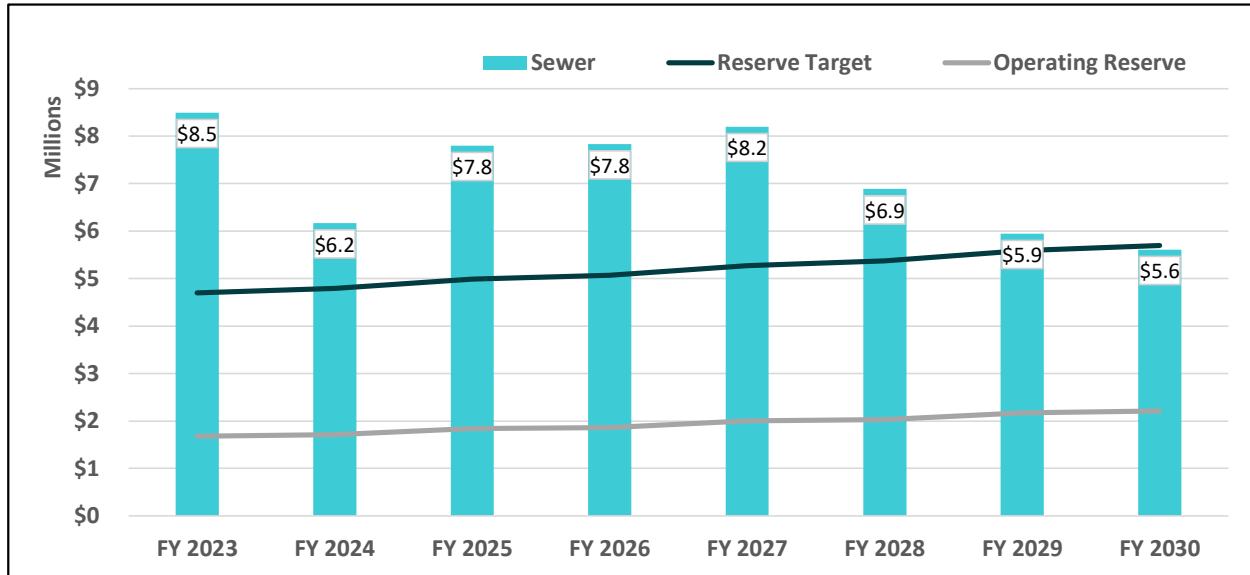


Figure 8-4 graphically depicts the District’s reserve ending balances with the proposed revenue adjustments after funding projected operational and capital expenditures for FY 2023 to FY 2030.

Figure 8-4: Projected Sewer Reserve Ending Balances



8.3. Proposed Sewer Rates

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

Table 8-6: Current and Proposed Sewer Rates

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

9. Customer Impact Analysis

The proposed revenue adjustments are different from customer bill impacts.

9.1. Retail Water Bill Impacts

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

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

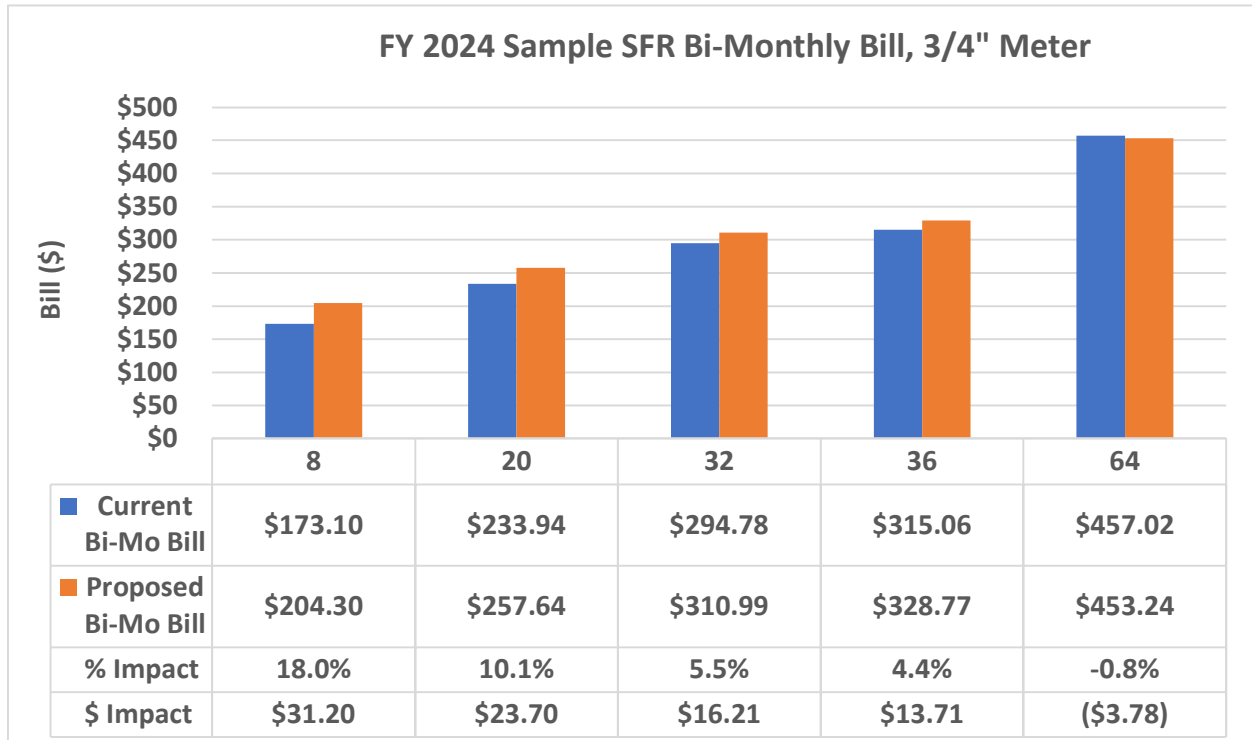
Line No.	Single Family Residential 3/4"	Usage (ccf)	Current Bi-Mo Bill	Proposed Bi-Mo Bill	Annual Impact	Bi-Monthly Bill Impact (%)	Bi-Monthly Bill Impact (\$)	% Bills At or Below
	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)
1	<i>Low Volume</i>	8	173.10	\$204.30	\$187.18	18.0%	\$31.20	13%
2		20	233.94	\$257.64	\$142.21	10.1%	\$23.70	31%
3	<i>Median Bi-Mon</i>	32	294.78	\$310.99	\$97.25	5.5%	\$16.21	49%
4		36	315.06	\$328.77	\$82.26	4.4%	\$13.71	55%
5	<i>Double Median</i>	64	457.02	\$453.24	-\$22.66	-0.8%	(\$3.78)	82%

Line No.	Single Family Residential 1"	Usage (ccf)	Current Bi-Mo Bill	Proposed Bi-Mo Bill	Annual Impact	Bi-Monthly Bill Impact (%)	Bi-Monthly Bill Impact (\$)	% Bills At or Below
	(A)	(B)	(C)	(D)	(H)	(E)	(F)	(G)
6	<i>Low Volume</i>	8	218.08	\$204.30	-\$82.70	-6.3%	(\$13.78)	10%
7		20	278.92	\$257.64	-\$127.67	-7.6%	(\$21.28)	23%
8	<i>Median Bi-Mon</i>	45	405.67	\$368.78	-\$221.35	-9.1%	(\$36.89)	58%
9		36	360.04	\$328.77	-\$187.62	-8.7%	(\$31.27)	46%
10	<i>Double Median</i>	64	502	\$453.24	-\$292.54	-9.7%	(\$48.76)	73%

Line No.	Non-SFR 3/4"	Usage (ccf)	Current Bi-Mo Bill	Proposed Bi-Mo Bill	Annual Impact	Bi-Monthly Bill Impact (%)	Bi-Monthly Bill Impact (\$)	% Bills At or Below
	(A)	(B)	(C)	(D)	(H)	(E)	(F)	(G)
11	<i>Low Volume</i>	12	193.38	\$222.08	\$172.19	14.8%	\$28.70	9%
12		24	254.22	\$275.42	\$127.23	8.3%	\$21.20	18%
13	<i>Median Bi-Mon</i>	36	315.06	\$328.77	\$82.26	4.4%	\$13.71	49%
14		60	436.74	\$435.46	-\$7.67	-0.3%	(\$1.28)	84%
15	<i>Double Median</i>	72	497.58	\$488.81	-\$52.64	-1.8%	(\$8.77)	91%

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

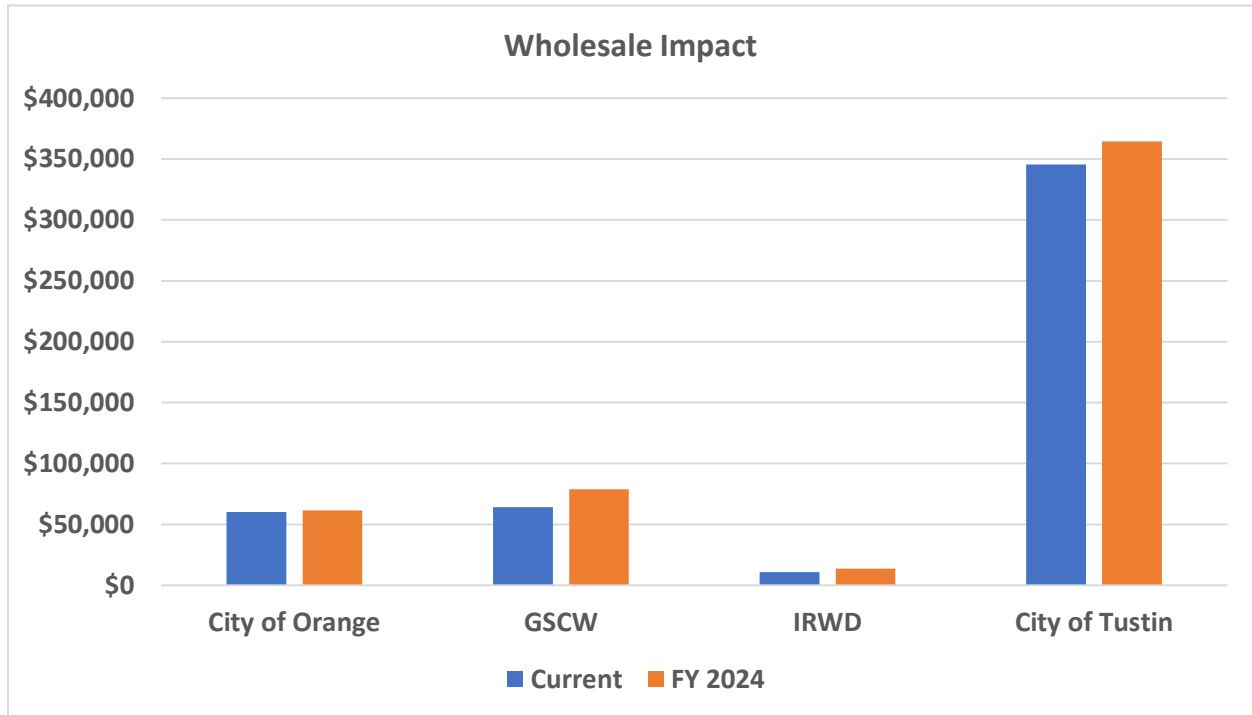
Figure 9-1: Sample Single Family Residential Bill Comparison, FY 2024



9.2. Wholesale Bill Impacts

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

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



9.3. Sewer Customer Bill Impacts

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

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

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

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

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

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

10. Capacity Fees

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

10.1. Methodology

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

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

10.1.1. Equity Buy-in Method

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

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

10.1.2. Incremental Cost Method

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

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

10.1.3. Hybrid

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

10.1.4. Proposed Approach

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

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

10.2. Water

10.2.1. Retail Capacity Fee

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

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

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

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

Table 10-1: Retail Water Capacity Fee Calculation

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

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

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

10.2.2. Wholesale Capacity Fee

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

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

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

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

Table 10-3: Wholesale Water Capacity Fee Calculation

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

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

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

10.3. Sewer

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

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

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

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

Table 10-5: Sewer Capacity Fee Calculation

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

Table 10-6: Proposed and Existing Sewer Capacity Fees

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

APPENDIX A:

Non-Residential Sewer Rates



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

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

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

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

APPENDIX B:

Current Adopted Reserve Policy



RESOLUTION NO. 732

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

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

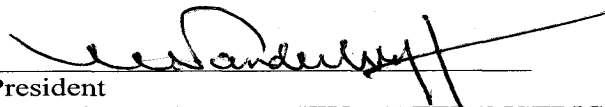
WHEREAS, the East Orange County Water District desires to set forth a policy for maintaining reserve funds within each of the District's separate enterprise funds (including the Wholesale System and Retail Zone operating funds and replacements and capital improvements funds and the wholesale emergency/contingency/reserve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

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

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

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

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



President
EAST ORANGE COUNTY WATER DISTRICT
and of the Board of Directors
thereof



Secretary
EAST ORANGE COUNTY WATER DISTRICT
and of the Board of Directors
thereof

East Orange County Water District Reserve Funds Policy

PURPOSE

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

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

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

DEFINITIONS:

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

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

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

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

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

POLICY

Operating Reserves

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

Capital Reserves

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

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

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

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

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

Self-Insurance and Litigation Reserves

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

PROCEDURE FOR USING RESERVE FUNDS

Operating and Self-Insurance and Litigation Reserves

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

Capital Reserves

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

PROCEDURE FOR MONITORING RESERVE LEVELS

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

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

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

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

APPENDIX C:

**Detailed Retail Zone Capital
Improvement Projects**



Proj. No.	Project	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
21-01	VP Reservoir Replacement	\$200,000	\$1,000,000	\$0	\$0	\$0	\$0	\$0	\$0
21-02	RZ Valve Replacements	\$100,000	\$80,000	\$80,000	\$80,000	\$80,000	\$0	\$0	\$0
21-03	System Relocations / Pipeline Replacement	\$60,000	\$60,000	\$60,000	\$60,000	\$60,000	\$0	\$0	\$0
21-04	Barrett Reservoir Booster Pump Station Replacement	\$1,500,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-05	PFAS Treatment Facility	\$30,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-06	VanderWerff Well	\$3,860,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-08	Via Aventura 4" Replacement			\$100,000	\$0	\$0	\$0	\$0	\$0
21-09	Springwood Drive Pipeline Improvement	\$0	\$100,000	\$400,000	\$0	\$0	\$0	\$0	\$0
21-11	Brae Glen Pipeline Rehabilitation and Valve Replacement	\$350,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-12	Crawford Canyon Rd. 8" and 6" pipe replacement	\$0	\$0		\$200,000	\$550,000	\$0	\$0	\$0
21-28	Sedaru Upgrades	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-29	AWIA Project	\$33,333	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-30	UWMP Update	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-31	Retail Water Loss Control Program						\$0	\$0	\$0
21-45	SCADA System Improvements	\$264,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21-49	Trailer Mounted Transfer Pump	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-01	Financial Software and Implementation	\$37,333	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-18	Orange Knoll PRV Station	\$130,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-20	Truck mounted vacuum	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-22	Abandon Pipe from El Roy Dr to Willis Lane	\$0	\$0	\$0	\$0	\$100,000	\$0	\$0	\$0
22-23	Skid Steer Tractor	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-25	RZ Master Plan Update	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-27	Connection to Los Timbres	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-28	East Well Pump and Motor	\$150,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-29	East Well Electrical	\$100,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-30	View Ridge New Valve	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-31	Barrett and Hinton Service Relocations	\$30,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-33	District Headquarters	\$326,012	\$326,012	\$170,768	\$0	\$0	\$0	\$0	\$0
22-35	Transfer Water Services to 12" Main, Abandon 4" Main - Fowler / Hewes	\$0	\$0	\$0	\$0	\$100,000	\$0	\$0	\$0
22-36	Replace 4" Pipe on Hewes Ave.	\$0	\$0	\$0	\$750,000	\$0	\$0	\$0	\$0
22-39	Barrett Lane CMLMC Steel Pipe Replacement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-40	Circula Panorama Pipeline Replacement / Conversion	\$1,000,000	\$1,000,000	\$0	\$0	\$0	\$0	\$0	\$0
22-41	Deleted	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
22-42	Replace 600' of 4" pipe on Kiersey Place	\$0	\$0	\$100,000	\$250,000		\$0	\$0	\$0
22-43	Replace 500' of 4" CMLMC pipe and install PRV Station to Zone III	\$50,000	\$250,000	\$0			\$0	\$0	\$0
22-44	Replace 500' of 4" CMLMC Steel Pipe along Smiley Dr.	\$0	\$0	\$0	\$200,000	\$550,000	\$0	\$0	\$0
22-45	Hydrant Replacements	\$60,000	\$32,000	\$32,000	\$32,000	\$32,000	\$0	\$0	\$0
22-48	Service Lateral Replacement	\$40,000	\$40,000	\$40,000	\$40,000	\$40,000	\$0	\$0	\$0
22-50	Emergency Connection Modifications	\$0	\$50,000	\$0	\$0	\$0	\$0	\$0	\$0
23-01	Dump truck for field ops	\$33,333	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23-01	RZ Update Water Specifications	\$50,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23-02	RZ Abandon West Well	\$150,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23-06	WZ RZ SCADA Phase 3	\$0	\$0	\$66,000	\$0	\$0	\$0	\$0	\$0
23-08	Skid Steer Trailer	\$15,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23-09	RZ Update Water Atlas	\$10,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
23-10	RZ Barrett Reservoir Exterior Coating	\$30,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0
	RZ Daniger Pump Station upgrades	\$0	\$50,000	\$0	\$0	\$0	\$0	\$0	\$0
	Future Projects	\$0	\$0	\$0	\$0	\$0	\$740,660	\$740,660	\$740,660
	Total Retail - Uninflated	\$8,619,012	\$2,988,012	\$1,048,768	\$1,612,000	\$1,512,000	\$740,660		
	Total Retail - Inflated	\$8,619,012	\$3,077,652	\$1,112,638	\$1,761,476	\$1,701,769	\$858,628	\$884,387	\$910,918

APPENDIX D:

**Detailed Wholesale Zone
Capital Improvement Projects**



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

APPENDIX E:

**Detailed Sewer Capital
Improvement Projects**



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

WHY HAVE I RECEIVED THIS NOTICE?

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

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

THIS NOTICE IS TO:

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

ABOUT THE DISTRICT

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

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

HOW ARE WATER BUDGETS CALCULATED?

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

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

WHY IS EOCWD PROPOSING RATE INCREASES?

EOCWD proposes rate adjustments in order to fund the increased costs associated with continuing to provide the current high level of water service our customers expect, including costs associated with operating, maintaining, and replacing aging infrastructure.

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



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



185 North McPherson Road
Orange, CA 92869-3720

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

INDICIA



NOTICE OF PUBLIC HEARING AND PROTEST PROCEEDINGS

IMPORTANT INFORMATION ABOUT YOUR RATES

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

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

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

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

DATE

April 27, 2023

TIME

5:00 p.m.

LOCATION

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

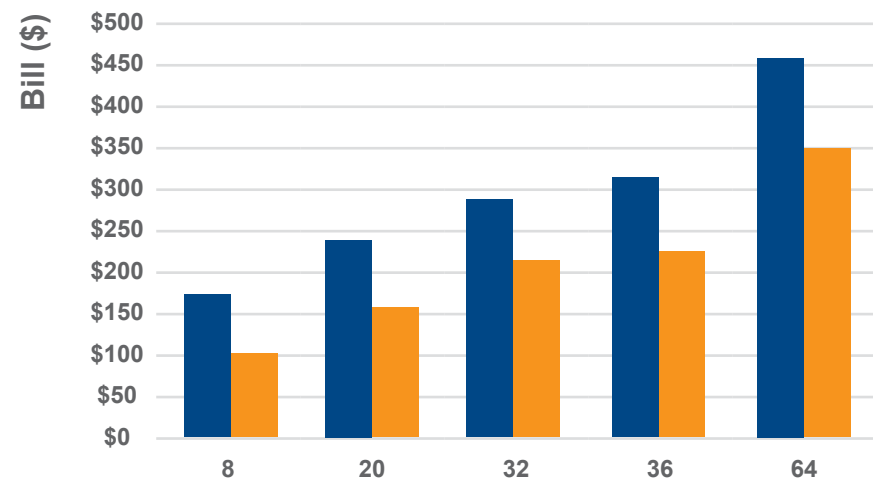
UNDERSTANDING THE RATE INCREASE

HOW WILL THIS IMPACT ME?

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

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

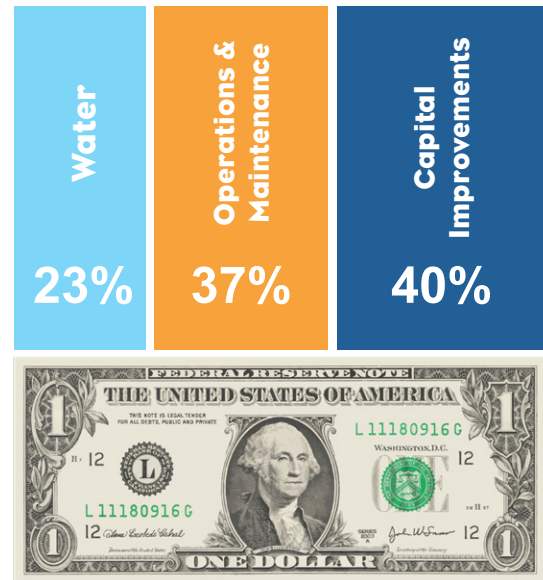
Excluding capital charge in proposed bill because it will be collected via property taxes



Current Bi-Mo Bill	\$ 173.10	\$ 233.94	\$294.78	\$315.06	\$457.02
Proposed Bi-Mo Bill	\$101.12	\$154.47	\$207.81	\$225.59	\$350.07
% Impact	-41.6%	-34.0%	-29.5%	-28.4%	-23.4%
\$ Impact	(\$71.98)	(\$79.47)	(\$86.97)	(\$89.47)	(\$106.95)

HOW IS MY MONEY SPENT?

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



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

FIXED RATE:

Capital Fee & Capital Replacement Fee

WHAT IT PAYS FOR:

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

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

VOLUMETRIC RATE (variable):

Water Charge

WHAT IT PAYS FOR:

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

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

PROPOSED FIXED AND VOLUMETRIC COMMODITY RATES INCREASE BREAKDOWN

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

HOW CAN I PARTICIPATE?

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

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

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

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

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

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

5-year Schedule	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Effective Month	Current	Jul 2023	Jul 2024	Jul 2025	Jul 2026	Jul 2027
Proposed Revenue Adjustments			7.5%	7.5%	7.5%	7.5%
Monthly Capital Fees will be collected via the property tax roll						
5/8"	\$32.52	\$51.59	\$55.46	\$59.62	\$64.09	\$68.89
3/4"	\$32.52	\$51.59	\$55.46	\$59.62	\$64.09	\$68.89
1"	\$32.52	\$85.98	\$92.43	\$99.36	\$106.81	\$114.82
1-1/12"	\$32.52	\$171.96	\$184.86	\$198.72	\$213.63	\$229.65
2"	\$32.52	\$275.14	\$295.77	\$317.96	\$341.80	\$367.44
3"	\$32.52	\$393.56	\$647.00	\$695.53	\$747.69	\$803.77

PUBLIC HEARING PROCESS

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

WHY HAVE I RECEIVED THIS NOTICE?

You have received this notice because East Orange County Water District (EOCWD) provides local sewer service to a property within EOCWD's service area.

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

THIS NOTICE WAS DEVELOPED TO:

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

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

ABOUT THE DISTRICT

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

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

WHY ARE NEW RATES BEING CONSIDERED?

EOCWD is proposing a rate increase in order to fund projected costs of inspection, repair, operation and maintenance. As a property owner within EOCWD's service area, your local sewer service fee will pay for these services. It cannot charge rates that result in a profit. EOCWD considers the following factors when determining its water rates:



Fair treatment of all customers



Reflecting the true cost of service



Protecting the District's financial stability and its ability to provide high-level service



185 North McPherson Road
Orange, CA 92869-3720

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

POSTAGE

NOTICE OF PUBLIC HEARING AND PROTEST PROCEEDINGS

IMPORTANT INFORMATION ABOUT YOUR SEWER RATES

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

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

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

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



DATE April 27, 2023

TIME 5:00 p.m.

LOCATION

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

UNDERSTANDING THE RATE INCREASE



CURRENT AND PROPOSED ANNUAL SEWER SERVICE CHARGES

ANNUAL FEES WILL BE COLLECTED VIA THE PROPERTY TAX

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

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

HOW CAN I PARTICIPATE?

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



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



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

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

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



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

PUBLIC HEARING PROCESS

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



MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: PROPOSITION 218 GUIDELINE FOR PROTESTS
DATE FEBRUARY 23, 2023

Background

As the Board is aware, East Orange County Water District ("EOCWD") is preparing to notice its Proposition 218 rate hearings for potential increases in both its water and sewer fees. In preparation for such hearings, the Board is considering a resolution to establish the guidelines for the submission and tabulation of protests. Such guidelines include the criteria for noticing the hearings, submitting and withdrawing written protests, limitations on the number of protests per parcel, validating protests, and tabulating and reporting a majority protests.

Recommendation

That the Board approve Resolution No. 928, entitled, "Resolution of the Board of Directors of the East Orange County Water District Approving Guidelines for the Submission and Tabulation of Protests in Connection with Rate Hearings Conducted Pursuant to Article XIID, Section 6 of the California Constitution."

Attachment(s): Resolution No. 928

RESOLUTION NO. 928

RESOLUTION OF THE BOARD OF DIRECTORS OF THE EAST ORANGE COUNTY WATER DISTRICT APPROVING GUIDELINES FOR THE SUBMISSION AND TABULATION OF PROTESTS IN CONNECTION WITH RATE HEARINGS CONDUCTED PURSUANT TO ARTICLE XIID, SECTION 6 OF THE CALIFORNIA CONSTITUTION

WHEREAS, East Orange County Water District (“EOCWD”) is a county water district organized and operating pursuant to California Water Code section 30000 *et seq.*; and

WHEREAS, EOCWD has authority to set and collect rates, fees, and charges for water and water service, and sewer and sewer service, it provides pursuant to the provisions of California Water Code (“Water Code”) sections 31000, 31001, 31007, 31024, 31025, and 31101; and

WHEREAS, the provisions of Section 6 of Article XIID of the California Constitution (“Proposition 218”) are currently applicable to water and sewer rates and charges of public agencies and entities, including, but not limited to, water and water service and sewer and sewer service rates of public water districts operating within the State under current State law; and

WHEREAS, Proposition 218 requires the EOCWD Board of Directors (“Board”) to consider written protests to certain proposed increases to utility charges, including water and sewer charges; and

WHEREAS, Proposition 218 does not offer specific guidance as to who may submit protests, how written protests are to be submitted, or how the District is to tabulate protests; and

WHEREAS, upon adoption of this Resolution, any and all resolutions, or rules or regulations of EOCWD in conflict with it, shall be repealed and shall have no further force or effect. This Resolution supersedes all prior resolutions of EOCWD to the extent that such resolutions established guidelines for the submission and tabulation of protests in connection with rate hearings conducted by the District pursuant to Article XIID, Section 6 of the California Constitution.

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE EAST ORANGE COUNTY WATER DISTRICT DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. Applicability of Procedures. When notice of a public hearing with respect to the adoption or increase of water (“Water”) and/or sewer (“Sewer”) charges has been given by EOCWD pursuant to Article XIID, Section 6(a) of the California Constitution, the provisions of this Resolution shall apply.

Section 2. Definitions. Unless the context plainly indicates another meaning was intended, the following definitions shall apply in construction of these guidelines:

- A. “Parcel” means a County Assessor’s parcel the owner or occupant of which is subject to the proposed charge that is the subject of the hearing;
- B. “Record customer” and “customer of record” mean the person or persons whose name or names appear on the District records as the person who has contracted for, or is obligated to pay for, utility services to a particular utility account;
- C. “Record owner” or “parcel owner” means the person or persons whose name or names appear on the County Assessor’s latest equalized assessment roll as the owner of a parcel; and
- D. A “fee protest proceeding” is not an election, but the District will maintain the confidentiality of protests as provided below and will maintain the security and integrity of protests at all times.

Section 3. Notice. Notice of proposed rates and public hearing shall be as follows:

- A. The District shall give notice of proposed charges via U.S. mail to all record owners and customers of record served by the District; and
- B. The District will post the notice of proposed charges and public hearing at its official posting sites.

Section 4. Protest Submittal.

- A. Any record owner or customer of record who is subject to the proposed utility charge that is the subject of the hearing may submit a written protest to the District, by:
 - (i) Delivery to the District ‘s Office at 185 N. McPherson Road, Orange, CA 92869, during published business hours
 - (ii) Mail to District at 185 N. McPherson Road, Orange, CA 92869, or
 - (iii) Personally submitting the written protest at the public hearing.
- B. Protests must be physically received by the end of the public hearing, including those mailed to the District. No postmarks will be accepted; therefore, any protest not physically received by the close of the hearing, whether or not mailed prior to the hearing, shall not be counted.

- C. Because an original signature is required, emailed, faxed and photocopied protests shall not be counted.
- D. Although oral comments at the public hearing will not qualify as a formal protest, unless accompanied by a written protest, the Board welcomes input from the community during the public hearing on the proposed charges.

Section 5. Protest Requirements.

- A. A written protest must include:
 - (i) A statement that it is a protest against the proposed charge that is the subject of the hearing;
 - (ii) Name of the record owner or customer of record who is submitting the protest;
 - (iii) Identification of assessor's parcel number, street address, or utility account number of the parcel with respect to which the protest is made; and
 - (iv) Original signature and legibly printed name of the record owner or customer of record who is submitting the protest.
- B. Protests shall not be counted if any of the required elements in Section 5(A)(i)-(iv) are omitted.

Section 6. Protest Withdrawal. Any person who submits a protest may withdraw it by submitting to the District a written and signed request that the protest be withdrawn. The withdrawal of a protest shall contain sufficient information to identify the affected parcel and the name of the record owner or customer of record who submitted both the protest and the request that it be withdrawn.

Section 7. Multiple Record Owners or Customers of Record.

- A. Each record owner or customer of record of a parcel served by the District may submit a protest. This includes instances where:
 - (i) A parcel is owned by more than one record owner or more than one name appears on the District's records as the customer of record for a parcel;
 - (ii) A customer of record is not the record owner;

- (iii) A parcel includes more than one record customer; or
- (iv) Multiple parcels are served via a single utility account, as master-metered multiple family residential units.

B. Only one protest will be counted per parcel as provided by Government Code section 53755(b).

Section 8. Transparency and Accountability. To ensure transparency and accountability in the fee protest tabulation while protecting the privacy rights of record owners and customers of record, protests will be maintained in confidence until tabulation begins following the public hearing. Once a protest is counted, it shall become a disclosable public record as required by state law and will be maintained in District files for two years.

Section 9. Invalid Protests. The District shall not accept as valid any protest if it determines that any of the following is true:

- A. The protest does not state its opposition to the proposed charges;
- B. The protest does not name the record owner or record customer of the parcel identified in the protest as of the date of the public hearing;
- C. The protest does not identify a parcel served by the District that is subject to the proposed charge;
- D. The protest does not bear an original signature of the named record owner of, or record customer with respect to, the parcel identified on the protest. Whether a signature is valid shall be entrusted to the reasonable judgment of the District, who may consult signatures on file with the County Elections Official;
- E. The protest was altered in a way that raises a fair question as to whether the protest actually expresses the intent of a record owner or a customer of record to protest the charges;
- F. The protest was not received by the District before the close of the public hearing on the proposed charges; and
- G. A request to withdraw the protest was received prior to the close of the public hearing on the proposed charges.

The District's decision that a protest is not valid shall constitute a final action of the District

and shall not be subject to any internal appeal.

Section 10. Majority Protest. A majority protest exists if written protests are timely submitted and not withdrawn by the record owners of, or customers of record with respect to, a majority (50% plus one) of the parcels subject to the proposed charge. The determination as to the number of parcels used to calculate the majority protest shall be based on the number of parcels with active customer accounts served by the District on the date of the hearing.

Section 11. Tabulation of Protests. After the close of the public hearing, the District shall tabulate all protests received, including those received during the public hearing, and shall report the result to the Board. If the number of protests received is insufficient to constitute a majority protest, the District may determine the absence of a majority protest without validating the protests received, but may instead deem them all valid without further examination. If the number of protests received is substantially fewer than the number required to constitute a majority protest, the District may also determine absence of a majority protest without opening the envelopes in which protests are returned.

Section 12. Report of Tabulation. If at the conclusion of the public hearing, the District determines that it will require additional time to tabulate the protests, the General Manager, or the General Manager's designee, shall so advise the Board, which may adjourn the meeting and/or continue the consideration of any considered rates following the close of the public hearing so as to allow the tabulation to be completed on another day or days. If so, the Board shall declare the time and place of tabulation, which shall be conducted in a place where interested members of the public may observe the tabulation, and the Board shall declare the time at which the matter shall be resumed to receive and act on the tabulation report of the District.

Section 13. This resolution will become effective immediately upon adoption.

APPROVED, ADOPTED, AND SIGNED this 23rd day of February, 2023.

Douglass S. Davert, President
EAST ORANGE COUNTY WATER DISTRICT
and of the Board of Directors thereof

Jeffrey A. Hoskinson, Secretary
EAST ORANGE COUNTY WATER DISTRICT
and of the Board of Directors thereof



MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: CONFERENCE & MEETING REQUESTS
DATE FEBRUARY 23, 2023

Background

District policy requires prior approval for Board Member attendance at conferences and meetings. The ACWA 2023 Spring Conference will be held in Monterey on May 9th through May 11th, 2023.

Recommendation

Board to authorize attendance as desired.

Attachment(s): Preliminary Conference Agenda

★ Agenda items marked with this symbol will be recorded and available for on-demand access after the live event.

Note: Tuesday Committee meetings will not be recorded or available on-demand.

ACWA JPIA - MONDAY, MAY 8

8:30 - 10:00 AM

- ACWA JPIA Program

10:15 - 11:15 AM

- ACWA JPIA Executive Committee

11:30 - 12:30 PM

- ACWA JPIA Pre-Board Meeting Lunch

1:00 - 5:00 PM

- ACWA JPIA Board of Directors / Town Hall

TUESDAY, MAY 9

7:00 AM - 6:00 PM

- Registration

8:00 AM - 9:45 AM

- Agriculture Committee

8:30 AM - Noon

- ACWA JPIA Seminars

10:00 - 11:45 AM

- Groundwater Committee
- Energy Committee

11:00 AM - Noon

- Outreach Task Force

Noon - 2:00 PM

- Committee Lunch Break

1:00 - 2:45 PM

- Legal Affairs Committee
- Finance Committee
- Water Management Committee
- Water Quality Committee

1:00 - 3:00 PM

- ACWA JPIA: Sexual Harassment Prevention for Board Members & Managers (AB 1825)

3:00 - 4:45 PM

- Communications Committee
- Federal Affairs Committee
- Local Government Committee
- Membership Committee

5:00 - 6:30 PM

- Welcome Reception in the Exhibit Hall

WEDNESDAY, MAY 10

7:30 AM - 5 PM

- Registration

8:00 - 9:45 AM

- Opening Breakfast (*Ticket Required*) ★

8:30 AM - 6:00 PM

- Connect in the Exhibit Hall

10:15 - 11:30 AM

- Attorneys Program ★
- Finance Program ★
- Region Forum ★
- Statewide Forum ★
- Water Industry Trends Program ★
- Roundtable Talk

11:30 AM - 1:30 PM

- Connect in the Exhibit Hall
- Networking Lunch (*Ticket Required*)

1:45 - 3:00 PM

- Attorney Program ★
- Communications Committee Program ★
- Finance Program ★
- Federal Forum ★
- Statewide Forum ★
- Roundtable Talk

3:15 - 4:45 PM

- Regions 1-10 Membership Meetings

5:00 - 6:00 PM

- ACWA Reception in the Exhibit Hall

6:00 - 7:00 PM

- CalDesal Hosted Mixer
- Jacobs Hosted Mixer

6:00 - 7:15 PM

- Women in Water Hosted Reception

THURSDAY, MAY 11

7:30 AM - Noon

- Registration

8:00 AM - 9:30 AM

- Exhibitor Demonstrations
- Networking Continental Breakfast in the Exhibit Hall (*Ticket Required*)

8:30 - 9:30 AM

- Communications Media Training

8:30 - 10:45 AM

- Ethics Training (AB 1234) - *Limited Seating*

9:30 AM - 10:00 AM

- Prize Drawings in the Exhibit Hall

10:15 - 11:30 AM

- Attorney Program ★
- Finance Program ★
- Region Forum ★
- Statewide Forum ★
- Water Industry Trends Program ★
- Roundtable Talk

Noon - 1:45 PM

- General Luncheon (*Ticket Required*) ★

2:00 - 3:30 PM

- Innovation Forum ★
- Region Forum ★
- Water Industry Trends Program 1 ★
- Water Industry Trends Program 2 ★

3:30 - 4:30 PM

- Closing Reception

Last modified: February 14, 2023

Registration required to attend any part of ACWA's Spring Conference & Expo, including Tuesday, May 9 complimentary committee meetings. See www.acwa.com for health & safety attendance requirements.



MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: DIRECTOR'S REPORTS
DATE: FEBRUARY 23, 2023

Background

Board members represented the District at the following meetings in January 2023:

President Davert

1/11 OC LAFCO Commission Meeting
 1/19 EOCWD Regular Board Meeting

Vice President Murdoch

1/5 ACWA Region 10 Midterm Board Meeting
 1/18 ACWA Region 10 State Legislative Committee Prep Meeting
 1/19 EOCWD Regular Board Meeting
 1/30 ACWA Business Development Subcommittee Meeting

Director Sears

1/6 Water Advisory Committee of Orange County (WACO) Meeting
 1/19 EOCWD Regular Board Meeting
 1/26 ISDOC Quarterly Luncheon
 1/31 Meet Adan Ortega Reception

Director Thoms

1/6 Water Advisory Committee of Orange County (WACO) Meeting
 1/19 EOCWD Regular Board Meeting

Director Nielsen

1/19 EOCWD Regular Board Meeting

Recommendation

Informational.

MEMO

TO: BOARD OF DIRECTORS
FROM: GENERAL MANAGER
SUBJECT: LEGISLATIVE AND OUTREACH REPORT
DATE: FEBRUARY 23, 2023

Background

Attached is most recent monthly report from Lewis & Consulting Group and Townsend & Associates regarding local, regional and state issues and legislation of interest to the District. Additionally, copies of our monthly print and social media outreach are also attached.

Recommendation

Receive and File.

Attachment(s): Townsend Legislative Report – No report for December
Lewis Consulting – County of Orange Report
Foothills Sentry Outreach Ad
Communications Lab Social Media Report

M E M O R A N D U M

To: East Orange County Water District
From: Townsend Public Affairs
Date: February 5, 2023
Subject: Monthly State and Federal Legislative Update

State Legislative Update

The month of January included renewed action on the state budget and legislative fronts after months of adjournment from the previous session. This included the release of the Governor's January Budget framework, the beginning of the Legislative Session and bill introductions, and other action items relating to severe storms and new wildfire maps. Below is an overview of pertinent legislative actions taken during the month of January.

State Legislature

January 4 marked the formal start of the 2023-24 Legislative Session. Throughout the month, new and incumbent lawmakers gathered in their respective chambers for brief floor sessions with little policy consideration. That is expected to change as the Legislature nears its bill introduction deadline and each house reviews and refers legislation to the appropriate policy committees.

As of January 31, the Legislature has introduced close to 700 bill vehicles – with roughly half split between the Assembly and the Senate. Nearly one third of the total bills introduced are vehicles designated to each house's budget committee to ensure there are enough bills for any and all budget and budget trailer bills. In addition, there is a significant number of "intent" and "spot" bills, which lack substantive implementing language, pending future amendments. Legislative trends point to public safety initiatives to curb controlled substance and fentanyl use, transportation planning and funding bills, and several bills geared toward increasing affordable housing production and providing support to the State's homeless population.

The deadline for bill introductions is February 17. While that will serve as a filter for the introduction of new bill vehicles, it does not prohibit the use of "gut and amend" tactics, which amend the previous scope of a bill in favor of an entirely new one. The Legislature typically introduces 2,000 or more bills each legislative session, which is roughly capped by a 50-bill introduction limit over the course of the current legislative cycle spanning two years. Introductions will continue to emerge as the Legislature nears the February 17 deadline, with most introduced in the final week. Notable bills include the following:

- [AB 62 \(Mathis\)](#) would establish a statewide goal to increase above and below ground water storage capacity by a total of 3,700,000 acre-feet by the year 2030 and a total of 4,000,000 acre-feet by the year 2040. The bill would require the State Water Resources Control Board, in consultation with the Department of Water Resources, to design and implement measures to increase statewide water storage to achieve the statewide goal.
- [AB 66 \(Mathis\)](#) would require the Natural Resources Agency, and each department, board, conservancy, and commission within the Agency, to approve the necessary permits for specified projects within 180 days from receiving a permit application, and would deem those permits approved if approval does not occur within this time period.
- [AB 246 \(Papan\)](#) would state the intent of the Legislature to enact legislation to eliminate PFAS from menstrual products.
- [ACA 1 \(Aguiar-Curry\)](#) lowers the necessary voter threshold from a two-thirds supermajority to 55 percent to approve local general obligation (GO) bonds and special taxes for affordable housing and public infrastructure projects.
- [SB 23 \(Caballero\)](#) would express the intent of the Legislature to enact subsequent legislation to expedite the regulatory permitting process for water supply and flood risk reduction projects.

Key Takeaways from the Governor’s Proposed Budget Framework

On January 10, Governor Newsom released his budget proposal for the 2023-2024 fiscal year. Overall spending trends in the proposed budget reflect a more conservative and disciplined budget framework rooted in “strong fiscal planning” on account of projected shortfalls, compared to the 2022-23 Budget which held record surpluses. The 2023-2024 January Budget Proposal anticipates a \$22.5 billion budget shortfall, which aligns with previous projections from the Legislative Analyst’s Office. Notably, the Governor proposes refraining from using reserve funds to backfill revenue losses, and instead favors strategic spending cuts. Some key takeaways from the proposed budget include:

- ***Deferrals and Reductions in Spending:*** Despite a \$22.5 billion budget shortfall, the Governor’s Budget largely maintains spending levels across the board through addressing the shortfalls by using deferrals, special fund loans, and fund shifts. The Governor specifically announced the deliberate steps that the State was going to take in order to address the budget shortfall, including proposed funding deferrals, reductions, and trigger reductions, which means that funds will “trigger” back to previous levels if the state’s fiscal outlook improves.
- ***Local Government Accountability Emphasis:*** The Governor proposed adding contingencies to the receipt of funds related to housing and homelessness. Specifically, the legislature will look toward conditioning eligibility for any future homeless-related grants and competitive programs through the Business, Consumer Services and Housing Agency and the Health and Human Services Agency, on compliance with state housing law.

- **Maximizing Spending Impact:** As typical with constricted budget capabilities, the Governor and the Legislature will look to maximize the impact of funding within various spending programs and direct allocations. This will include a keen focus on regional impacts, rather than hyper-targeted spending practices.

While the budget proposal includes various spending reductions and deferrals, it is important to note that the budget situation will continue to evolve over the next few months before its enactment. The Governor's proposal will be updated in May to reflect changes to tax returns, inflationary pressures, and federal monetary policy that could result in additional spending cuts or the restoration of spending programs.

Below is a high-level overview of proposed expenditures, organized by issue area:

Budget Reserves

- Total Budget Reserves: \$35.6 Billion
- Rainy Day Fund: \$22.4 Billion
- Public-School Rainy-Day Fund: \$8.5 Billion:
- Special Fund for Economic Uncertainties: \$3.8 Billion
- Safety Net Reserve: \$900 Million

Retirement Liabilities

- \$9.7 Billion: Paid Down within the Past four years (2019-2022)
- \$7.1 Billion: Allocated for the next Four Years
- \$1.9 Billion: proposed spending in upcoming Budget Year

Cannabis

- \$83.9 million in cannabis local assistance grants to support public safety efforts associated with cannabis sales
- \$10 million to California Department of Tax and Fee Administration (CDTFA) to support its cannabis tax enforcement program
- \$1.9 million to establish a permanent Department of Cannabis Control Enforcement District Office in Fresno to further the enforcement activities of the department in the Central Valley

Homelessness

- Maintains prior budget commitments of \$3.4 billion and \$1 billion for HHAP Round 5
 - Proposed statutory reconfiguration of HHAP program to reduce direct flexibility and instead fund programs such as the encampment resolution grant program, CARE Act, Homekey, etc.
- Maintains CARE Act funding for county start up programs totaling \$88.3 million
- Delays \$250 million of behavioral health care infrastructure capacity grants.
- Conditions receipt of homelessness related grants on housing element compliance

Housing

- Funding stabilized for accountability and streamlining like the Housing Accountability Unit and CEQA reform.
- New statewide housing production goal jumped from 2.2 million to 2.5 million units, with at least 1 million units in qualified affordable housing
- \$350 million proposed spending cut to programs related to new home buying programs
 - Dream for All first time Homebuyers program reduced from \$500 to \$300 million

- CalHome Program for local assistance for first time homebuyers program removed (\$100 million)
- Accessory Dwelling Unit production program removed (\$50 million)

Environmental Sustainability

- Maintains 89% of \$54 billion dedicated to climate resiliency over 5 years.
- Includes budget forecast improvement triggers to restore funding to previous levels
- Wildfires: Maintains all wildfire prevention funding with a \$10 million reduction for defensible space and monitoring funding.
- Water and Energy bill relief: Winds down program for arrearage support by shifting \$400 million from the program back into the General Fund
- Waste Management: Maintains \$180 million dedicated to local implementation support of SB 1383 regulations
- \$202 million in new investments
 - \$136 Million: Urban flood risk reduction
 - \$41 Million: Delta levees
 - \$25 Million: Central valley flood protection

Public Safety

- Maintains funding for existing crime prevention and law enforcement support programs
- Emphasis on fatal drug overdose prevention:
 - \$79 million for statewide distribution of Narcan products to first responders and community organizations
 - \$10 million in fentanyl education and prevention grants
 - \$3.5 million for statewide distribution of Narcan products to middle and high schools
 - \$4 million for innovative approaches to fentanyl test strip technology

Transportation

- \$17.7 billion in overall proposed transportation spending (\$9.7 billion from the Highway User Tax)
- \$2 billion reduction in Transit Intercity Rail Capital Program over 3 years
- \$200 million reduction in funding for the Active Transportation Program (ATP)
- Reductions in general fund spending on zero emissions vehicle programs partially offset by shifts from the Greenhouse Gas Reduction Fund totaling \$1.1 billion.

Ban on Outdated Diesel Vehicles Takes Effect

On January 1, a set of clean air regulations implemented by the California Air Resources Board (CARB) in 2008, and later signed into law as SB 1 (Beall, Statutes of 2017), went into effect. The regulations ban any diesel vehicles weighing over 14,000 pounds and built before 2010 from operating on California road as of the beginning of this year.

CARB estimates that around 200,000 vehicles, including 70,000 big rig trucks, do not comply with the rule and will be prohibited from operating in the state. Exceptions to the rule will be made for vehicles that have replaced their engine with one manufactured after 2010, and vehicles that travel less than 1,000 miles a year. The law will be enforced by DMV denying registrations to non-compliant trucks and buses, and CARB's enforcement unit will conduct audits of commercial fleets that may result in citations.

The implementation of these regulations marks the first of numerous ambitious targets the agency is seeking to codify into law. An even more ambitious plan was recently proposed by CARB to remove all gas and diesel truck fleets from the state's roads by 2045 and replace them with zero-emission vehicles, including city fleets of public works and waste hauling vehicles. While this plan is still in the workshop process, it underscores the Agency's desire to decrease emissions through phasing out gas-powered vehicles.

Federal Legislative Update

The month of January featured various federal departments releasing funding schedules and proposed regulations, important federal appropriations process updates, and the finalization of post-election Congressional leadership changes. Below is an overview of critical actions taken during the month of January.

New Information on the FY 2024 Federal Appropriations Process

Throughout the month of January, Townsend Public Affairs Federal Advocates met with Congressional staff to discuss the upcoming Fiscal Year 2024 appropriations process. Staff indicated that they anticipate an earmark submission process to play out similar to the past two years. Currently, there is a lot of uncertainty around how House Republican dynamics will impact the process, however, at minimum, the Senate will accept earmark requests and move their process forward along a timeline similar to the past two years. Submission deadlines are expected to be in early April.

Determining Projects: For those interested in submitting Appropriations requests, now is the time to start brainstorming project ideas to submit to legislators. With projects in mind, it is recommended that entities and advocates begin to brief staff so that they can vet the project. Senator Feinstein's office has requested that this vetting process start with state representatives. This is recommended to start prior to the release of official guidelines.

Predicted Timeline: While there is no official word on when the appropriations solicitations will open, the timeline is likely to be tight, further emphasizing the importance of getting all project components ready before the official date. Congress customarily waits until the President releases his budget to begin their process. This is usually timed to drop in conjunction with the State of the Union Address, scheduled for February 7. However, Hill staff have indicated that the President's budget is set to be released on March 9, pushing back the predicted timeline by about a month.

This means that similarly to the past two years, there will likely be a quick turnaround time with the process in Congress opening around March 9 with solicitations to be due a few weeks later to meet the mid-April deadlines.

Fifteen Rounds of Voting for House Speakership

After four days of voting, on January 7, Representative Kevin McCarthy secured the votes required to confirm the House Speakership. In order to be elected the House Speaker, a candidate has to receive a majority of voters from present and voting members. Representative McCarthy was able to finally achieve the necessary amount of support on January 6 when 14 of his 20 critics decided to vote for him following several concessions. The total number of voters was 216 votes

for Speaker McCarthy and 212 Voters for Representative Jeffries, the Democratic minority leader. Following his election, the House of Representatives can now finally take on the legislative agenda for the 118th Congress.

House Republicans Announce Appropriations Committee Leadership

As House Republicans continue to organize their new majority, House Committee on Appropriations Chairwoman Kay Granger announced the approval of her slate of subcommittee chairs. The twelve appropriations subcommittee chairs are often referred to as “cardinals” owing to the gravity of their role shaping their portion of annual federal spending. The subcommittee chairs and their staffs are the main point of contacts for funding issues within their subcommittee of jurisdiction. During the 118th Congress, with Republicans in control of the House and Democrats in control of the Senate, the appropriations process will be one of the main legislative focuses of 2023, making the subcommittee chairs a key focus point of congressional power for the next two years.

House Appropriations Subcommittee Chairs:

- Agriculture, Rural Development, Food and Drug Administration – Rep. Andy Harris (MD)
- Commerce, Justice, Science – Rep. Hal Rogers (KY)
- Defense – Rep. Ken Calvert (CA)
- Energy and Water Development – Rep. Chuck Fleischmann (TN)
- Financial Services and General Government – Rep. Steve Womack (AR)
- Homeland Security – Rep. Dave Joyce (OH)
- Interior and Environment – Rep. Mike Simpson (ID)
- Labor, Health and Human Services, Education – Rep. Robert Aderholt (AL)
- Legislative Branch – Rep. Mark Amodei (NV)
- Military Construction and Veterans Affairs – Rep. John Carter (TX)
- State Department, Foreign Operations – Rep. Mario Diaz-Balart (FL)
- Transportation, Housing and Urban Development – Rep. Tom Cole (OK)

The County of Orange Report

Prepared for the East Orange County Water District

February 16, 2023
by Lewis Consulting Group



Although the February meeting of LAFCO was cancelled, we can be confident there will be a busy workload through the rest of the year.

In response to the OCWD application to conduct a MSR and Sphere of Influence update on itself and an assessment of potential consolidation with MWDOC. LAFCO on January 9th released an RFP for firms to conduct such study. Submittals were due February 14, 2023 and its anticipated it will take between six months to one year to complete work.

Also, in addition to the OCWD review, there are currently three other project applications currently under review. On tap this year are reviews in 13 cities and 13 special districts.

On February 9th, the City Selection Committee deadlocked 15-15 between Fullerton City Councilmember Bruce Whitaker and Irvine Vice Mayor Tammy Kim for the vacant City MWDOC member. Another election will be held in May. However, the vacancy for the Alternate position was filled by the election of Laguna Woods Councilmember Carol Moore.



COUNTY TIDBITS

- ◆ Longtime MWDOC staff member and now board member Karl Seckel was recently appointed and sworn in as Orange County's newest Representative at MET. Seckel replaces Sat Tamarabuchi who surprisingly lost his MWDOC re-election bid.

- ◆ The blueing of Orange County continues. Republican voter registration in the County slipped another 1% in the last year compared to Democrat registration gaining a point. The new countywide figures are:

Democrat	37.5%
Republican	33.1%
Independent	23.5%
Other	5.9%

- ◆ Chairman of the County Board of Supervisors Don Wagner announced his two appointments to OC-LAFCO, himself and Supervisor Andrew Do. Also appointed as the alternate was Supervisor Katrina Foley.
- ◆ The County Board of Supervisors approved an inflation adjustment to the maximum campaign contribution a Supervisor may receive. The new limit has been increased from \$2,200 to \$2,500.



O.C. Board of Supervisors

Neither the January 24th or February 7th meetings contained substantial issues worth reporting on. The highlights of both meetings were the extensive public comments ranging from demanding an end to the relaxed voting procedure now in effect, complaints regarding animal treatment at the County shelter and raising compensation for those working in the IHSS home care system.

MET Discusses Colorado River Impasse

Recently Metropolitan Water discussed the current dispute over Colorado River entitlements. Population growth coupled with Western drought have led to extremely low water in Lake Powell, Lake Mead and the river itself. Unless action is taken, both reservoirs could be facing a worst case “dead pool status”. Against this backdrop, the Biden Administration asked the seven Western River states to come up with a consensus plan that would cut about one-third of the river’s total usage.

After failing to reach agreement between the seven states, two competing plans were submitted, one by the State of California and one by the six other states — Arizona, Colorado, Nevada, New Mexico, Utah and Wyoming. The six states proposed cuts are largely justified by their theory that 1.5 million acre feet is lost to evaporation. Then calculations on who should shoulder cutbacks comes largely from proposing those with the “most straws” and largest canals, i.e. California.

California has submitted a proposal which forfeits 400,000 acre feet a year going forward. This is on top of the 350,000 acre feet a year cutback when needed which started in 2019. Against this backdrop, the Federal Government will ultimately decide how water usage cuts are apportioned. In its submission letter, California reiterated its long standing senior water rights status and argued that for the time being, the lack of consensus between the states should result in a default to the Law of the River.

Since nearly 80% of California water usage supports California agriculture. If the Golden State suffers severe cutbacks, agriculture will surely be a loser. Where would agriculture water cuts be?

AGRICULTURAL VALUE

- > Dairy Products, Milk — \$7.57 billion
- > Grapes — \$5.23 billion
- > Almonds — \$5.03 billion
- > Cattle and Calves — \$3.11 billion
- > Strawberries — \$3.02 billion

- > Pistachios — \$2.91 billion
- > Lettuce — \$2.03 billion
- > Tomatoes — \$1.18 billion
- > Walnuts — \$1.02 billion
- > Rice — \$1.00 billion

WATER USAGE

1. Pasture (clover, rye, bermuda and other grasses), 4.92 acre feet per acre
2. Almonds and pistachios, 4.49 acre feet per acre
3. Alfalfa, 4.48 acre feet per acre
4. Citrus and subtropical fruits (grapefruit, lemons, oranges, dates, avocados, olives, jojoba), 4.23 acre feet per acre
5. Sugar beets, 3.89 acre feet per acre
6. Other deciduous fruits (apples, apricots, walnuts, cherries, peaches, nectarines, pears, plums, prunes, figs, kiwis), 3.7 acre feet per acre
7. Cotton, 3.67 acre feet per acre
8. Onions and garlic, 2.96 acre feet per acre
9. Potatoes, 2.9 acre feet per acre
10. Vineyards (table, raisin and wine grapes), 2.85 acre feet per acre

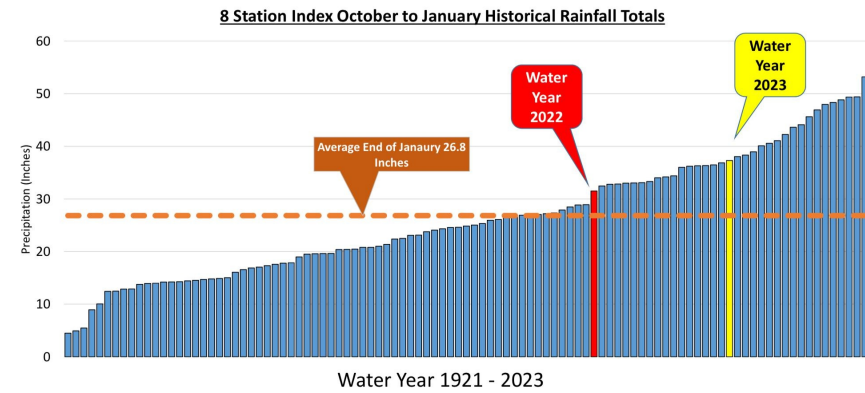
I would personally vote sugar beets off the island.

MWDOC/OCWD January 25 Joint Meeting

A joint meeting between the two agencies was held on January 25th. There was discussion regarding a future retreat to more informally discuss merger options.

However, the preponderance of time was spent on the two different presentations — the first on the Bay Delta and the second a water supply report. Both of these can be accessed on MWDOC's past meetings on their website.

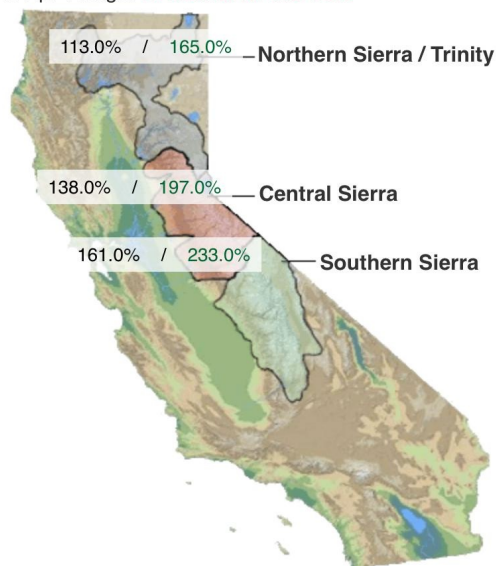
Below are two charts from the water supply presentation.



Provided by the California Cooperative Snow Surveys

Data For: 10-Feb-2023

% Apr 1 Avg. / % Normal for this Date

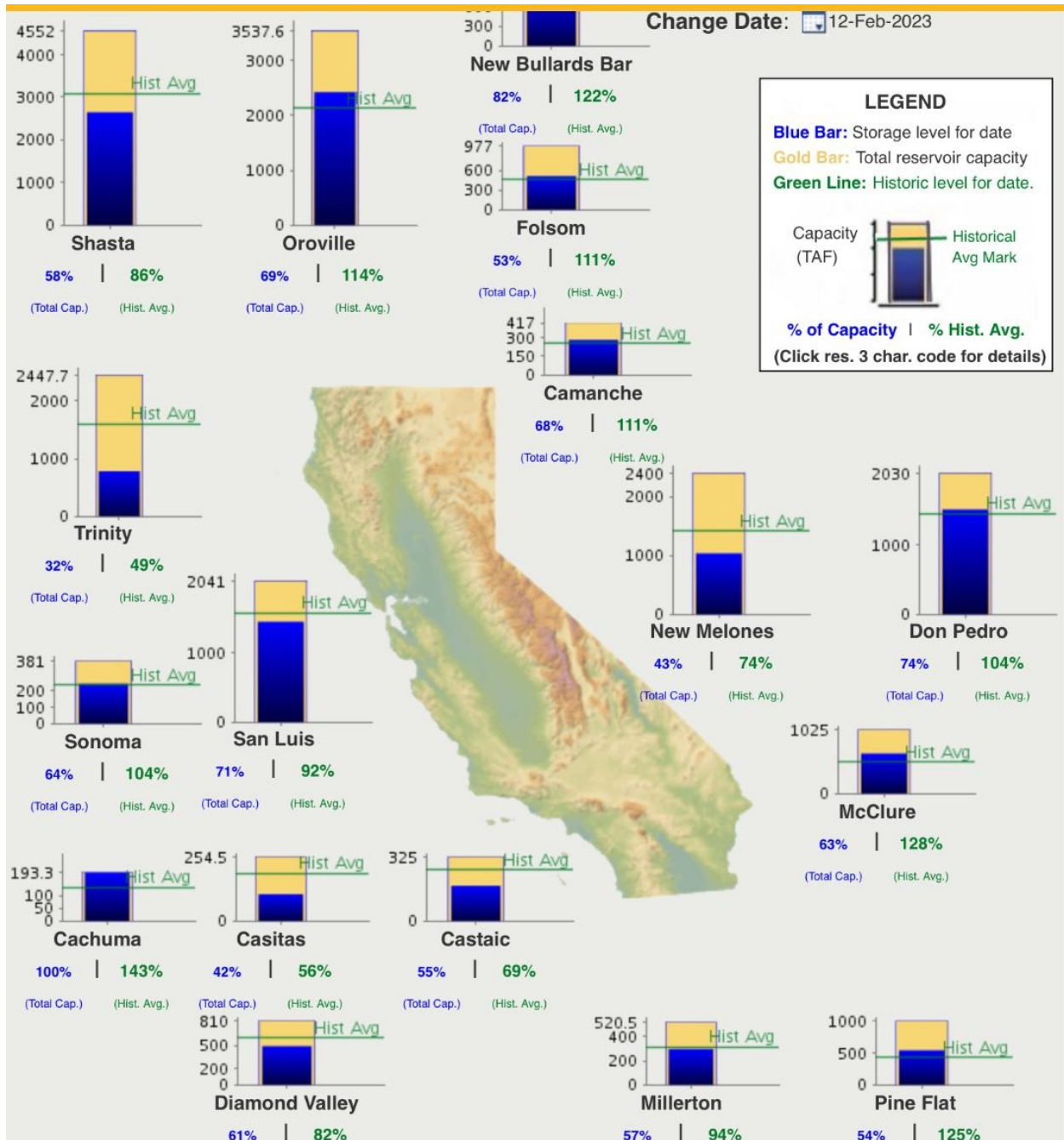


Change Date :



10-Feb-2023

California Reservoirs



In the last month there has been consistent improvement in reservoir storage levels. Oroville, which was 93% of this dates historical average is now at 114%. Shasta has improved from 74% to 86%.

Skip every other week this winter

water less



To learn more about conservation, visit www.eocwd.com



SOCIAL MEDIA REPORT

To: David Youngblood, General Manager, EOCWD

From: Kailey Gaffikin, Account Executive, *Communications LAB*

Date: February 17, 2023

Re: Social Media Report // January 2023

SUMMARY REPORT

FACEBOOK

CURRENT PAGE FOLLOWERS

2,270

NEW PAGE LIKES

2 +100%

PAGE VISITS

39 +77.3%

PAGE REACH

201 +164.5%

INSTAGRAM

NEW FOLLOWERS

2 +100%

TOTAL FOLLOWERS

522

PAGE REACH

48 -15.8%

PROFILE VISITS

6 +100%

TWITTER

TWEETS

6

IMPRESSIONS

1

RETWEETS

0

FOLLOWERS

303

LIKES

1

TOP SOCIAL MEDIA POSTS

TOP FACEBOOK POST



**Use Small Containers:
Plant Herbs In Your
Kitchen**

Engagements: 1

Link Clicks: 0

Reach: 165

TOP INSTAGRAM POST

**Save With High Efficiency
Clothes Washers**

Reach: 28

Engagement: 2



TOP TWEET

**Change Watering Times
With Weather Changes**

Impressions: 37

Retweets: 0

Engagement: 1

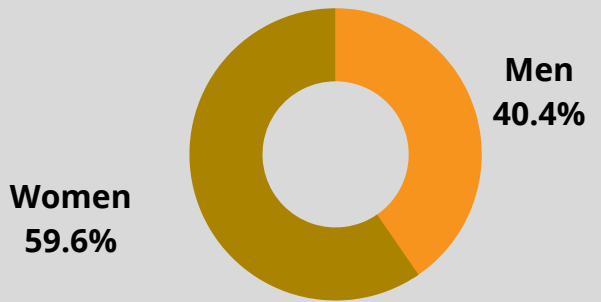


DEMOGRAPHIC | TARGET MARKET

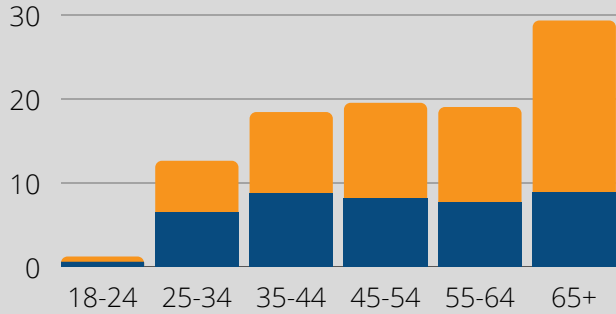
PAGE LIKES & FOLLOWERS (AGE & GENDER)

FACEBOOK PAGE FOLLOWERS

2,270



■ Men ■ Women



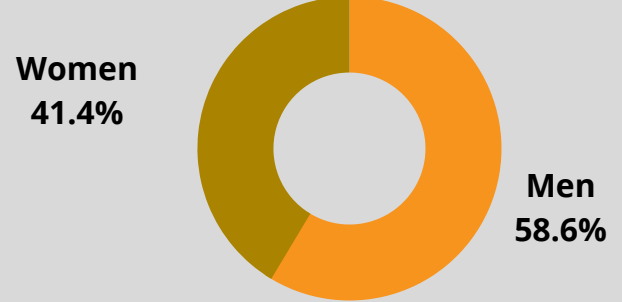
TOP DEMOGRAPHIC:

AGES 65+

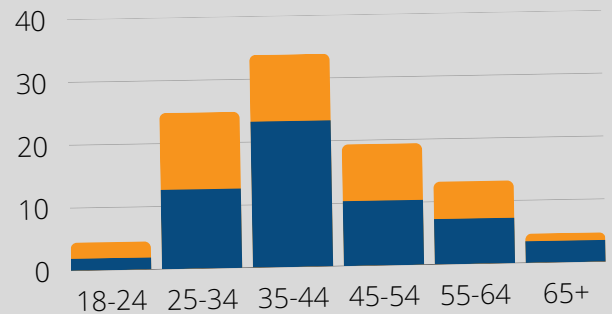
WOMEN (20.4%) MEN (8.9%)

INSTAGRAM PAGE FOLLOWERS

522



■ Men ■ Women



TOP DEMOGRAPHIC:

AGES 35-44

WOMEN (10.6%) MEN (23.2%)

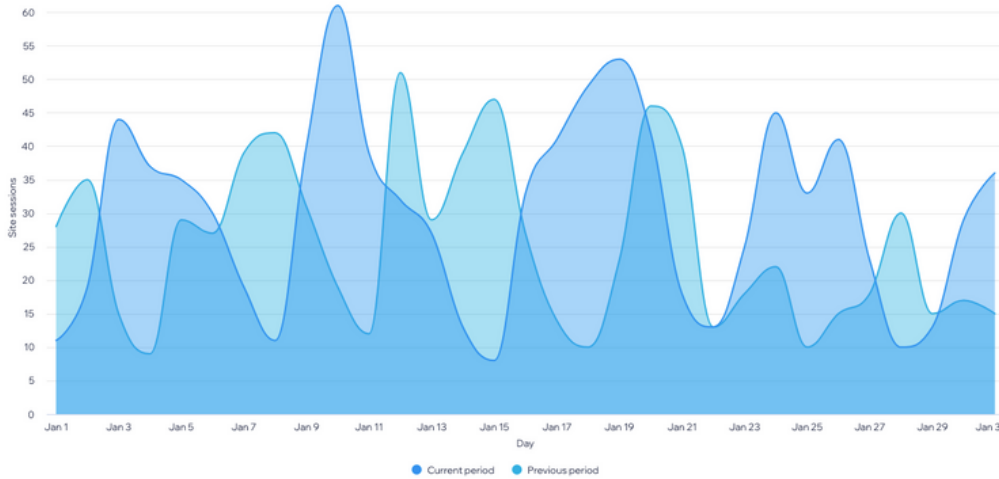
TOP CITIES (FACEBOOK)

- Los Angeles, CA 11.6%
- Santa Ana, CA 6.6%
- Orange, CA 5.4%
- Anaheim, CA 5.3%
- Long Beach, CA 3.1%

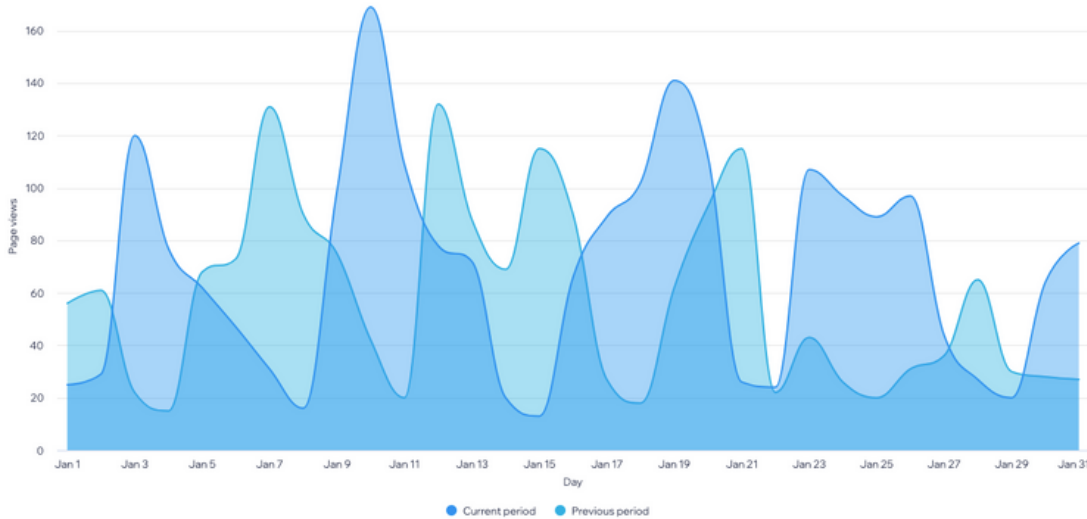
TOP CITIES (INSTAGRAM)

- San Diego, CA 2.5%
- Los Angeles, CA 2.3%
- Anaheim, CA 1.9%
- Santa Ana, CA 1.5%

TRAFFIC OVERTIME *1/1/23-1/31/23 v. 12/1/22-12/31/22*



PAGE VIEWS *1/1/23-1/31/23 v. 12/1/22-12/31/22*



TRAFFIC BY TIME OF DAY

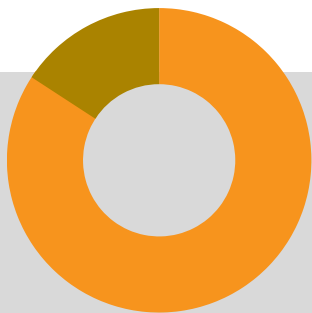
Best time of day to schedule: Thursday (9am-11am)

Day >	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
00 am	1	0	1	2	1	1	3
01 am	1	0	1	1	1	0	1
02 am	0	1	1	1	0	0	1
03 am	0	0	1	1	3	0	1
04 am	1	0	1	1	2	0	2
05 am	0	1	1	1	1	0	1
06 am	1	2	1	1	1	1	1
07 am	1	1	2	1	1	1	1
08 am	1	2	3	2	1	2	1
09 am	1	1	3	2	5	4	1
10 am	1	3	3	2	4	3	2
11 am	1	3	3	3	2	3	1
12 pm	1	2	3	4	1	2	1
01 pm	1	2	3	3	3	2	1
02 pm	1	2	5	3	3	2	2
03 pm	1	2	3	3	2	1	1
04 pm	1	3	3	2	5	1	1
05 pm	0	2	1	2	2	2	5
06 pm	1	1	2	2	1	1	2
07 pm	1	1	1	1	1	1	2
08 pm	1	1	2	1	2	1	2
09 pm	1	1	1	2	2	1	1
10 pm	1	1	1	1	1	1	0
11 pm	2	1	2	2	0	1	1

TOP TRAFFIC SOURCES BY SESSIONS



Returning
108



New
575

NEW VS. RETURNING VISITORS

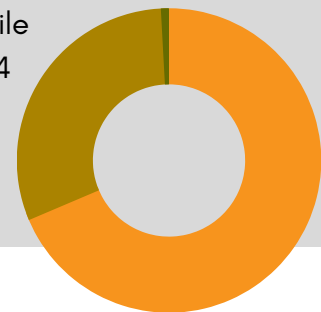
683

UNIQUE
VISITORS

930

SITE
SESSIONS

Mobile
284



Tablet
8

Desktop
638

SESSIONS BY DEVICE

OVERVIEW

SITE SESSIONS

930

+18%

UNIQUE VISITORS

683

+9%

AVG. SESSION
DURATION

3 M 35 S

-4%