

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

33129 Cole Grade Road
Pauma Valley, CA 92061
PHONE: (760) 742-1909 FAX: (760) 742-1588

NOTICE OF SPECIAL MEETING

DATE: Monday, August 7th, 2023
TIME: 2:00 PM – **Open Session**
VENUE: Business Center and Library, Pauma Valley Country Club
15835 Pauma Valley Drive, Pauma Valley, CA 92061

Pauma Valley Community Services District Mission

“The mission of the Pauma Valley Community Services District is to protect the public health and environment of its community by providing effective wastewater management and stormwater drainage control, life safety assistance, security services, and exceptional customer care.”

AGENDA

1. **Call to Order**
2. **Pledge of Allegiance**
3. **Roll Call**
4. **Public Comment Period**

Any person may address the Board at this time upon any subject not identified on this Agenda, but within the jurisdiction of the district; however, State law precludes the Board from taking action on or engaging in extended deliberations concerning items of business which are not on the agenda. Any matter not on the agenda that requires action will be referred to staff for a report and action at a subsequent Board meeting. As to matters on the agenda, an opportunity will be given to address the Board when the matter is considered. Please note, **individuals have a limit of three (3) minutes to make comments** and will have the opportunity when called upon by the presiding officer.

-- ACTION ITEMS --

5. **Mid-Year Patrol and Gates Rate Increase**

The Board of Directors will be presented with the Long-Term Financial Plan progress and will consider approving mid-year rate increases for the Patrol and Gates Division.

Staff Recommendation:

1. Receive and file the Long-Term Financial Plan.
2. Consider the proposed rate increase for the Security Division.
3. Authorize staff to schedule a public hearing and distribute notice via Valley Center newspaper.
4. Discuss and take other action as appropriate.

6. Authorize the Formation of an Ad-Hoc Subcommittee Regarding Roadway Issues

The Board of Directors will consider forming an ad-hoc subcommittee to address the complex issues between the PVCSD and Pauma Valley Roadway Association.

Staff Recommendation:

1. Consider the formation of an Ad-Hoc Subcommittee.
2. Appoint two Board of Directors to the Ad-Hoc Subcommittee.
3. Discuss and take other action as appropriate.

-- DISCUSSION ITEMS --

7. Vehicle Replacement for Patrol, Administration and Utility

-- CLOSED SESSION --

8. The Board of Directors Will Meet in a Closed Session to Discuss

A. CONFERENCE WITH LEGAL COUNSEL

Potential/Threatened/Anticipated Litigation
Significant Exposure to Litigation
Pursuant to Government Code Section 54956.9(b)
(Three (3) Matters)

B. CONFERENCE WITH REAL PROPERTY NEGOTIATORS

Pursuant to Government Code Section 54956.8
Property: 33129 Cole Grade Road, Pauma Valley, CA 92061 (former CHP Office)
Agency Negotiators: President, Jodie Lawston and Secretary Betty Potalivo.
Negotiating Parties: Rancho Pauma Mutual Water Company
Under Negotiation: Price, terms of payment and/or conditions

C. Public Employee Employment

Title: General Manager
Authority: Government Code Section 54957
Conference with Labor Negotiator
District Representative: President Jodie Lawston
Employee: General Manager
Authority: Government Code Section 54957.6

9. Open Session

- A. Reportable Actions

10. Adjournment

In accordance with the requirements of California Government Code Section 54954.2, this agenda has been posted on the District's website as well as the main lobby of the District's Administrative Office no less than 72 hours prior to the meeting date and time listed above. All public records relating to each agenda item, including any public records distributed less than 72 hours, will be made available at the office of the District Secretary, 33129 Cole Grade Road, Pauma Valley, California.

To request a disability-related modification or accommodation regarding agendas or attendance, contact Marissa Fehling, at Marissa.Fehling@paumavalleycsd.ca.gov at least 48 hours before the meeting.

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

BOARD OF DIRECTORS

Item: 5

Date: August 7th, 2023

From: General Manager, Eric Steinlicht

Issue: Mid-Year Patrol and Gates Rate Increase

STAFF RECOMMENDS THE BOARD OF DIRECTORS:

1. Receive and file the Long-Term Financial Plan.
2. Consider a rate increase for the Security Division.
3. Authorize staff to schedule a public hearing and distribute notice via Valley Center newspaper.
4. Discuss and take other action as appropriate.

BACKGROUND

The District's Patrol subdivision has not raised rates over a four-year period: from 2018 to 2021. In 2022 the rate was raised by two dollars. The District's Gate subdivision experienced no rate increase for the years 2017 and 2018, then increased by five dollars for the years 2019 and 2020. In the year 2021 the Gate subdivision had another five-dollar increase, then in 2022 there was a six-dollar increase.

DISCUSSION

Mr. Jeff Armstrong will present to the Board of Directors the Long-Term Financial Plan, which includes rate increases for both the immediate and long-term future. The plan aims to achieve financial stability by addressing irregular and reactive rate adjustments, as well as the current financial position of the Security Division. It proposes a reactive approach to address the Security Division's operating deficit to ensure service sustainability, followed by a proactive approach to rebuild District reserves and achieve strategic goals over the next decade.

If the Board of Directors authorizes staff to move forward with the rate increases for the Security Patrol and Gates subdivisions, a public hearing for the proposed rate increases will be scheduled and published in the Valley Center newspaper, following the guidelines of Prop 26.

FISCAL IMPACT

This fiscal impact will be illustrated by Mr. Jeff Armstrong's in his report and presentation on the Long-Term Financial Plan.

THEREFORE, STAFF RECOMMENDS THE BOARD OF DIRECTORS:

1. Receive and file the Long-Term Financial Plan.
2. Consider a rate increase for the Security Division.
3. Authorize staff to schedule a public hearing and distribute notice via Valley Center newspaper.
4. Discuss and take other action as appropriate.

Attachments

1. Long-Term Financial Plan

BACKGROUND AND PURPOSE

Background

Community Services Districts were initially authorized by the State of California in 1955 as a form of independent local government to provide a variety of services in unincorporated areas of a county. When residents and property owners in an unincorporated area desire public services, which would promote the public safety, health, and welfare of the community, they can form a special district.

The Pauma Valley Community Services District (PVCSD/District) was created in 1961, through California government Code §61000, to specifically provide for the collection, treatment, and disposal of locally generated wastewater. In 1996, PVCSD was authorized by the San Diego County Local Agency Formation Commission ("LAFCO") to provide security services as a latent power. Activation of the latent power was subsequently confirmed by a vote of the PVCSD constituents.

The Pauma Valley Community Services District currently provides the following services:

- Security and Patrol Services
- Gate Access Services for Pauma Valley Country Club Estates
- Sewer and Wastewater Services

Under its enabling act, Pauma Valley Community Services District can provide many other municipal services when requested by its residents, property owners, and businesses and when authorized by its Board of Directors and approved by the LAFCO.

Ten-Year Financial Plan

The 2023 Long Range Financial Plan (LRFP) represents the District's first LRFP. This report incorporates projected results of operations, anticipated capital improvements as well as reserve funding requirements over the next ten years. The purpose of the LRFP is to ensure sound fiscal planning so that District's financial requirements are achieved.

The results of the financial plan indicate the annual increases in service charges that are projected to fund the District's operation, capital expenditure, and reserves requirements.

Report Format

The District has three distinct service Divisions, which include sanitation, patrol, and gate services. Each of these Divisions has its own operating, capital, reserve, and rate requirements. This report is organized with sections to address each Divisions LRFP and recommendations individually. There is also a consolidated rate recommendation & overall monthly bill impact summary included after the Divisional sections.

Revenue Requirement

The LRFP model was developed to derive revenue requirements for a ten-year planning period, FY 2024-25 through FY 2033-34. The revenue requirements represent the costs that must be covered by revenue from rates and other sources. The District’s budget for FY 2023-24 served as the starting point for projecting the District’s expenses and revenues. PVCSD provided the assumptions for projecting all future revenues and expenses used in the model. These assumptions were used for each Division and the factors are summarized in the table below:

Key Model Assumptions:	<u>24-25</u>	<u>25-26</u>	<u>26-27</u>	<u>27-28</u>	<u>28-29</u>	<u>29-30</u>	<u>30-31</u>	<u>31-32</u>	<u>32-33</u>	<u>33-34</u>
Inflation Rate	6.0%	5.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Salary Growth	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Benefits Rate	6.0%	5.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
PERS Rate	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
Contract Operator	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Utilities	6.0%	5.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Depreciation	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Property Tax	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Interest Earnings	3.5%	3.5%	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Capital Expenditures	Per Plan	Per Plan	Per Plan	Per Plan	Per Plan	Per Plan	Per Plan	Per Plan	Per Plan	Per Plan

Sanitation Division

The Sanitation (Sewage and Wastewater) services program of the Pauma Valley Community Services District (PVCSD) was authorized in 1969. The authorization provided for the installation and use of several miles of sewer lines and for the operation and maintenance of facilities for the collection, treatment, and disposal of sewage and waste.

Operations & Maintenance Cost of Service

The Sewage and Wastewater Services program has over 400 service connections, 144 manholes, and 3 economically efficient wastewater pumping stations, which move wastewater from one elevation to another. Vital components of the program include regular video inspections of underground pipelines, back-up generators for power stations in the event of electrical outages, enhanced wastewater treatment plant facilities, and an active sewer system management program.

The District plans and budgets to provide this service in the most efficient manner possible while ensuring the highest level of customer satisfaction and continuity of service. Operations & Maintenance comprise the most significant component of the cost of service. The LRFP utilizing the method describe above under Revenue Requirements, projects the various Operations & Maintenance cost elements over the next ten years.

Expenses:	2023-2024	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Depreciation	97,547	99,498	101,488	103,518	105,588	107,700	109,854	112,051	114,292	116,578	118,910
Dwelling Live	-	-	-	-	-	-	-	-	-	-	-
Utilities	44,136	45,680	47,279	48,934	50,402	51,914	53,471	55,075	56,728	58,430	60,182
Equipment Rentals	250	265	280	294	308	324	340	357	375	393	413
Group Health Insurance	13,227	13,756	14,307	14,879	15,474	16,093	16,737	17,406	18,102	18,826	19,579
Liability Insurance	21,804	23,113	24,384	25,603	26,883	28,227	29,639	31,121	32,677	34,311	36,026
Miscellaneous Expense	4,533	4,805	5,069	5,323	5,589	5,869	6,162	6,470	6,794	7,133	7,490
Office Expense	9,782	10,369	10,940	11,487	12,061	12,664	13,297	13,962	14,660	15,393	16,163
Operator Contract Services	72,800	75,712	78,740	81,890	85,166	88,572	92,115	95,800	99,632	103,617	107,762
Payroll Taxes	10,580	11,004	11,444	11,902	12,378	12,873	13,388	13,923	14,480	15,059	15,662
PERS Retirement	8,681	9,028	9,389	9,765	10,155	10,562	10,984	11,423	11,880	12,355	12,850
Repairs & Maintenance	93,419	99,024	104,470	109,694	115,179	120,938	126,985	133,334	140,000	147,000	154,350
Salaries	119,018	123,779	128,730	133,880	139,235	144,804	150,596	156,620	162,885	169,400	176,176
Security Expense	-	-	-	-	-	-	-	-	-	-	-
Uniforms	1,124	1,191	1,257	1,320	1,386	1,455	1,528	1,604	1,684	1,769	1,857
Vehicles	8,810	9,339	9,852	10,345	10,862	11,405	11,975	12,574	13,203	13,863	14,556
Workers Compensation Insurance	1,444	1,502	1,562	1,624	1,689	1,757	1,827	1,900	1,976	2,055	2,137
Drainage	10,000	10,600	11,183	11,742	12,329	12,946	13,593	14,273	14,986	15,736	16,522
State Maint. Fee	28,421	30,126	31,783	33,372	35,041	36,793	38,633	40,564	42,593	44,722	46,958
Water Tests & Analysis	11,694	12,396	13,077	13,731	14,418	15,139	15,896	16,690	17,525	18,401	19,321
Fees	8,900	9,434	9,953	10,451	10,973	11,522	12,098	12,703	13,338	14,005	14,705
Engineering	25,000	26,500	27,958	29,355	30,823	32,364	33,983	35,682	37,466	39,339	41,306
Schools & Meetings	3,358	3,559	3,755	3,943	4,140	4,347	4,564	4,792	5,032	5,284	5,548
Accounting	16,252	17,228	18,175	19,084	20,038	21,040	22,092	23,197	24,356	25,574	26,853
Legal	17,242	18,276	19,281	20,245	21,258	22,320	23,437	24,608	25,839	27,131	28,487
Guard House/Roadway Lease	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	628,024	656,185	684,357	712,379	741,375	771,627	803,192	836,130	870,503	906,375	943,815

Capital Expenditure Cost of Service

The District has made significant capital investments in the collection system, lift stations, and treatment facilities to provide the community with this service. The District is largely built out so future capital facility requirements are primarily for repair, replacement, and betterment of existing facilities. The District is embarking on a condition assessment program, which will better forecast capital expenditure in the future. The District funds these capital needs on a PAYGo

basis and are therefore recovered through monthly rates. The current capital expenditure forecast below was used to determine the revenue requirement for this element of the rate.

Pauma Valley CSD Capital Expenditure Plan	FISCAL YEAR									
	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Treatment Plant Related	\$20,000	\$20,000	\$25,000	\$25,000	\$30,000	\$30,000	\$35,000	\$35,000	\$35,000	\$40,000
Security Vehicle Unit 1 (Inc graphics, equipment)	\$0	\$70,000	\$0	\$0	\$0	\$0	\$80,000	\$0	\$0	\$0
Security Vehicle Unit 2 (Inc graphics, equipment)	\$0	\$0	\$0	\$70,000	\$0	\$0	\$0	\$0	\$0	\$80,000
Office, IT, Computers & Facility Improvements	\$20,000	\$20,000	\$20,000	\$25,000	\$25,000	\$25,000	\$25,000	\$30,000	\$30,000	\$30,000
Total	\$40,000	\$110,000	\$45,000	\$120,000	\$55,000	\$55,000	\$140,000	\$65,000	\$65,000	\$150,000
Allocation to Divisions	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Sanitation	\$26,200	\$26,200	\$31,200	\$32,750	\$37,750	\$37,750	\$42,750	\$44,300	\$44,300	\$49,300
Patrol	\$7,400	\$77,400	\$7,400	\$79,250	\$9,250	\$9,250	\$89,250	\$11,100	\$11,100	\$91,100
Gate	\$6,400	\$6,400	\$6,400	\$8,000	\$8,000	\$8,000	\$8,000	\$9,600	\$9,600	\$9,600
Total	\$40,000	\$110,000	\$45,000	\$120,000	\$55,000	\$55,000	\$140,000	\$65,000	\$65,000	\$150,000

Reserve Funds

In addition to covering annual operating expenses and PAYGo Capital expenditures, rates need to generate revenue to maintain adequate operations and capital reserves. The District’s reserve policy defines six categories of reserves each with minimum funding targets. Currently, reserve levels do not meet minimum target levels. To begin reaching the target reserve amounts this study will focus on the Operating Reserve Fund and a Capital Reserve Fund (Asset Replacement & Capital Improvement). The other reserve categories (Contingency, Loss Liability, Debt Service) will be addressed in future studies.

Operating Reserve Fund

The Operating Reserve Fund provides working capital for monthly O&M expenses. The District has an established Reserve Policy that expresses the goals to: ensure the viability of the organization and effectively manage cash flows, reduce impacts of unplanned and adverse financial events, and to invest in the future by considering opportunities of strategic importance. To achieve this, the District has set a minimum target level for this fund equal to 3 months of annual budgeted O&M expenses and a maximum target level equal to 6 months of annual budgeted O&M expenses. Maintaining the minimum balance for the Operations Reserve is recommended as a highest priority for the District’s reserve accounts.

Capital Reserve Fund

The Capital Reserve Fund (Asset Replacement & Capital Improvement) provides liquidity to fund Capital Expenditures that are funded on a PAYGo basis. For this study a joint reserve is being used as the District is not in a position yet to address each fund individually. The District does not currently issue debt for capital purposes; therefore, adequate capital reserves are essential to achieve the goals of the District’s Reserve Policy. The District has set a reserve target for this fund at an amount equal to Accumulated Depreciation plus 25% (Asset Replacement) and an amount equal to the next five years CIP (Capital Improvement). For this study the minimum

target level for this reserve will be equal to the Asset Replacement target. Achieving the target balance for the Capital Reserve Fund is recommended as a priority in conjunction with achieving minimum balance for the Operations Reserve Fund. The Capital Improvement Reserve will be addressed after reaching the Asset Replacement Reserve target.

Other Reserve Funds

Once the reserve levels are achieved for the Operating Reserve Fund and the Capital Reserve Fund then future studies will address the remaining funds identified in the District’s policy (Contingency, Loss Liability, Debt Service).

SANITATION - Reserve Fund Target Funding Levels										
Operating Reserve Fund	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Minimum Target	139,172	145,717	152,215	158,947	165,982	173,334	181,020	189,053	197,449	206,226
Maximum Target	278,343	291,434	304,431	317,893	331,963	346,669	362,039	378,105	394,899	412,453
Capital Reserve Fund	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Minimum Target	2,041,778	2,163,710	2,271,896	2,385,490	2,504,765	2,630,003	2,761,503	2,899,578	3,044,557	3,196,785

Results and Recommendations

Projected Rate Increases During Ten-Year Planning Period

The LRPD determines the annual rate increases projected for the ten-year planning period beginning with FY 2024-25. Utilizing a ten-year planning horizon provides insights and identifies trends that inform near term decisions. However, recommendations for rate changes are only for the next three years. The LRPD and rate study should be updated at least every three years to reflect actual results and refine future assumptions. The rate increases indicated below reflect the rate requirement data from above including Key Model Assumptions, Operations & Maintenance Expenses, Capital Expenditures, and Reserve Funding.

The following table shows the resulting rate projections for the ten-year planning period.

	2023-2024	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Operating Rate Requirement	628,024	656,185	684,357	712,379	741,375	771,627	803,192	836,130	870,503	906,375	943,815
Less: Misc Revenues	(129,914)	(146,454)	(158,926)	(171,609)	(184,811)	(198,842)	(212,210)	(226,424)	(241,495)	(257,433)	(274,249)
Less: Depreciation	(97,547)	(99,498)	(101,488)	(103,518)	(105,588)	(107,700)	(109,854)	(112,051)	(114,292)	(116,578)	(118,910)
Add: Working Capital Reserve	45,000	35,000	35,000	30,000	30,000	15,000	15,000	15,000	15,000	15,000	15,000
Add: Paygo Capital	42,900	26,400	26,400	31,400	33,000	58,000	58,000	58,000	59,600	59,600	59,600
Add: Repair & Replacement Reserve	53,350	85,000	85,000	95,000	105,000	105,000	115,000	125,000	135,000	145,000	155,000
Total Rate Requirement	541,812	556,633	570,343	593,652	618,975	643,085	669,128	695,655	724,315	751,964	780,257
Vacant Lot/Sewer Availability - EDU's	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00	33.00
Current/Project Rate per EDU per Month	\$ 12.00	\$ 12.72	\$ 13.48	\$ 14.29	\$ 15.15	\$ 16.06	\$ 17.02	\$ 18.04	\$ 19.13	\$ 20.27	\$ 21.49
Vacant Lot/Sewer Availability Revenue	4,752.00	5,037.12	5,339.35	5,659.71	5,999.29	6,359.25	6,740.80	7,145.25	7,573.97	8,028.40	8,510.11
Net Rate Requirement											
Net Total Rate Requirement	537,060	551,596	565,004	587,993	612,976	636,725	662,387	688,510	716,741	743,936	771,747
EDU's	439.35	439.35	439.35	439.35	439.35	439.35	439.35	439.35	439.35	439.35	439.35
Monthly Rate Requirement per EDU	\$ 101.87	\$ 104.62	\$ 107.17	\$ 111.53	\$ 116.27	\$ 120.77	\$ 125.64	\$ 130.59	\$ 135.95	\$ 141.11	\$ 146.38
Rate Components											
Operating	\$ 83.61	\$ 83.49	\$ 86.04	\$ 87.55	\$ 90.09	\$ 89.85	\$ 92.82	\$ 95.88	\$ 99.04	\$ 102.30	\$ 105.68
Repair & Replacement	\$ 18.26	\$ 21.13	\$ 21.13	\$ 23.97	\$ 26.18	\$ 30.92	\$ 32.81	\$ 34.71	\$ 36.91	\$ 38.81	\$ 40.70
Total	\$ 101.87	\$ 104.62	\$ 107.17	\$ 111.53	\$ 116.27	\$ 120.77	\$ 125.64	\$ 130.59	\$ 135.95	\$ 141.11	\$ 146.38
		2.7%	2.4%	4.1%	4.2%	3.9%	4.0%	3.9%	4.1%	3.8%	3.7%

Rate Recommendation

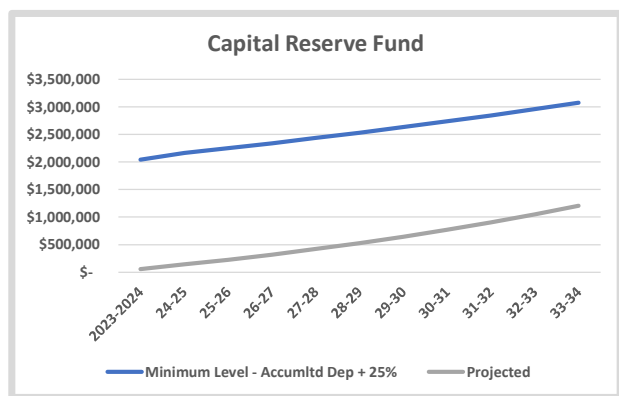
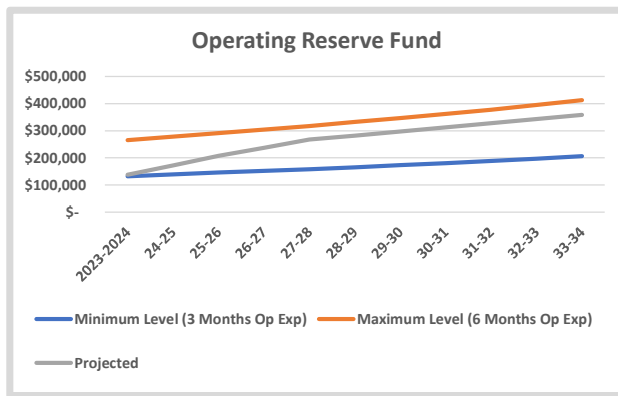
Rate recommendations, as discussed above, are only being made for the next three-year period. These recommendations are set to recover operating, capital and reserve requirements. The table below details the recommended rates for sewer services.

SEWER CHARGES											
Customer Classification	EDU's	FY 23-24	Proposed FY 24-25			Proposed FY 25-26			Proposed FY 26-27		
		Rate	Rate	Increase	% Inc	Rate	Increase	% Inc	Rate	Increase	% Inc
Single Family Residence	1.00	\$ 101.87	\$ 104.62	\$ 2.76	2.7%	\$ 107.17	\$ 2.54	2.4%	\$ 111.53	\$ 4.36	4.1%
Apartment house and duplex:											
(1) A 1 bedroom unit	1.00	\$ 101.87	\$ 104.62	\$ 2.76	2.7%	\$ 107.17	\$ 2.54	2.4%	\$ 111.53	\$ 4.36	4.1%
(2) A 2 bedroom unit	1.00	\$ 101.87	\$ 104.62	\$ 2.76	2.7%	\$ 107.17	\$ 2.54	2.4%	\$ 111.53	\$ 4.36	4.1%
(3) A 3 bedroom unit	1.00	\$ 101.87	\$ 104.62	\$ 2.76	2.7%	\$ 107.17	\$ 2.54	2.4%	\$ 111.53	\$ 4.36	4.1%
(4) Thereafter each additional bedroom unit shall equal an additional .25 EDU per additional bedroom plus added to the base 1 EDU.	0.25	\$ 25.47	\$ 26.16	\$ 0.69	2.7%	\$ 26.79	\$ 0.64	2.4%	\$ 27.88	\$ 1.09	4.1%
Condominiums:											
Each individual unit	1.00	\$ 101.87	\$ 104.62	\$ 2.76	2.7%	\$ 107.17	\$ 2.54	2.4%	\$ 111.53	\$ 4.36	4.1%
Hotels, motels, auto courts:											
(1) Per living unit without kitchen	0.50	\$ 50.93	\$ 52.31	\$ 1.38	2.7%	\$ 53.58	\$ 1.27	2.4%	\$ 55.76	\$ 2.18	4.1%
(3) Per living unit with kitchen	1.00	\$ 101.87	\$ 104.62	\$ 2.76	2.7%	\$ 107.17	\$ 2.54	2.4%	\$ 111.53	\$ 4.36	4.1%
Churches, theaters and auditoriums											
Per each unit of seating capacity (a unit being 150 persons or any fraction thereof)	1.50	\$ 152.80	\$ 156.94	\$ 4.14	2.7%	\$ 160.75	\$ 3.81	2.4%	\$ 167.29	\$ 6.54	4.1%
Restaurants											
(1) No seating	2.50	\$ 254.67	\$ 261.56	\$ 6.89	2.7%	\$ 267.92	\$ 6.36	2.4%	\$ 278.82	\$ 10.90	4.1%
(2) Less than 80 seats per each unit of 7 Seats or fraction thereof	1.00	\$ 101.87	\$ 104.62	\$ 2.76	2.7%	\$ 107.17	\$ 2.54	2.4%	\$ 111.53	\$ 4.36	4.1%
(3) More than 80 seats per each unit of 7 Seats or fraction thereof	1.00	\$ 101.87	\$ 104.62	\$ 2.76	2.7%	\$ 107.17	\$ 2.54	2.4%	\$ 111.53	\$ 4.36	4.1%
Automobile service stations											
(1) Not more than 4 gasoline pumps	2.00	\$ 203.73	\$ 209.25	\$ 5.51	2.7%	\$ 214.33	\$ 5.09	2.4%	\$ 223.05	\$ 8.72	4.1%
(2) More than 4 gasoline pumps	3.00	\$ 305.60	\$ 313.87	\$ 8.27	2.7%	\$ 321.50	\$ 7.63	2.4%	\$ 334.58	\$ 13.08	4.1%
Self service laundries											
Per each washer	0.75	\$ 76.40	\$ 78.47	\$ 2.07	2.7%	\$ 80.37	\$ 1.91	2.4%	\$ 83.65	\$ 3.27	4.1%
Mobile home and trailer parks											
Per each trailer space:											
Mobile home	1.00	\$ 101.87	\$ 104.62	\$ 2.76	2.7%	\$ 107.17	\$ 2.54	2.4%	\$ 111.53	\$ 4.36	4.1%
Trailer court	0.75	\$ 76.40	\$ 78.47	\$ 2.07	2.7%	\$ 80.37	\$ 1.91	2.4%	\$ 83.65	\$ 3.27	4.1%
Recreational vehicle park:											
Per each space, occupied or not	0.75	\$ 76.40	\$ 78.47	\$ 2.07	2.7%	\$ 80.37	\$ 1.91	2.4%	\$ 83.65	\$ 3.27	4.1%
Vacant lots within subdivision containing a developed system of sewer mains	0.50	\$ 50.93	\$ 52.31	\$ 1.38	2.7%	\$ 53.58	\$ 1.27	2.4%	\$ 55.76	\$ 2.18	4.1%
Stores, offices, small industrial and business establishments not listed above											
First unit	1.00	\$ 101.87	\$ 104.62	\$ 2.76	2.7%	\$ 107.17	\$ 2.54	2.4%	\$ 111.53	\$ 4.36	4.1%
Each additional unit	0.75	\$ 76.40	\$ 78.47	\$ 2.07	2.7%	\$ 80.37	\$ 1.91	2.4%	\$ 83.65	\$ 3.27	4.1%
Schools											
Elementary Schools	1.00	\$ 101.87	\$ 104.62	\$ 2.76	2.7%	\$ 107.17	\$ 2.54	2.4%	\$ 111.53	\$ 4.36	4.1%
For each 60 pupils or fraction thereof											
Junior High Schools	1.00	\$ 101.87	\$ 104.62	\$ 2.76	2.7%	\$ 107.17	\$ 2.54	2.4%	\$ 111.53	\$ 4.36	4.1%
For each 50 pupils of fractin thereof											
High Schools	1.00	\$ 101.87	\$ 104.62	\$ 2.76	2.7%	\$ 107.17	\$ 2.54	2.4%	\$ 111.53	\$ 4.36	4.1%
For each 30 pupils or fraction thereof											

Fund Balance

Incorporating Reserve Fund needs per District policy into the rate recommendation results in reserve levels growing over the ten-year planning period. The tables and graphs below demonstrate the projected fund balances compared to policy target levels.

Operating Reserve Fund	2023-2024	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Minimum Level (3 Months Op Exp)	\$ 132,619	\$ 139,172	\$ 145,717	\$ 152,215	\$ 158,947	\$ 165,982	\$ 173,334	\$ 181,020	\$ 189,053	\$ 197,449	\$ 206,226
Maximum Level (6 Months Op Exp)	\$ 265,238	\$ 278,343	\$ 291,434	\$ 304,431	\$ 317,893	\$ 331,963	\$ 346,669	\$ 362,039	\$ 378,105	\$ 394,899	\$ 412,453
Projected	\$ 137,819	\$ 172,819	\$ 207,819	\$ 237,819	\$ 267,819	\$ 282,819	\$ 297,819	\$ 312,819	\$ 327,819	\$ 342,819	\$ 357,819
Capital Reserve	2023-2024	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Minimum Level - Accumltd Dep + 25%	\$ 2,041,778	\$ 2,163,710	\$ 2,250,258	\$ 2,340,269	\$ 2,433,879	\$ 2,531,235	\$ 2,632,484	\$ 2,737,783	\$ 2,847,295	\$ 2,961,187	\$ 3,079,634
Projected	\$ 53,350	\$ 138,350	\$ 223,350	\$ 318,350	\$ 423,350	\$ 528,350	\$ 643,350	\$ 768,350	\$ 903,350	\$ 1,048,350	\$ 1,203,350



Patrol Division

The Security and Patrol Services program of the Pauma Valley Community Services District (PVCSD) is comprised of officers trained as first responders in basic first aid, Cardiopulmonary Resuscitation (CPR), Automated External Defibrillation (AED), Infant CPR, Lift-Assist and Oxygen Administration.

Operations & Maintenance Cost of Service

The Security and Patrol Services program is available to District residents, business owners and visitors 24-hours a day and 7 days a week. PVCSD officers respond to all calls in a prompt, courteous, and highly professional manner and are committed to the protection of life and property throughout the District.

The District plans and budgets to provide this service in the most efficient manner possible while ensuring the highest level of customer satisfaction and continuity of service. Security personnel comprise the most significant component of the cost of service for this Division amounting to approximately 78% its expenses. The LRFPS utilizing the method describe above under Revenue Requirements, projects the various Operations & Maintenance cost elements over the next ten years.

Expenses:	2023-2024	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Depreciation	22,460	22,909	23,368	23,835	24,312	24,798	25,294	25,800	26,316	26,842	27,379
Dwelling Live	4,186	4,437	4,681	4,915	5,161	5,419	5,690	5,975	6,273	6,587	6,916
Utilities	3,251	3,365	3,482	3,604	3,712	3,824	3,938	4,057	4,178	4,304	4,433
Equipment Rentals	-	-	-	-	-	-	-	-	-	-	-
Group Health Insurance	43,263	44,993	46,793	48,665	50,611	52,636	54,741	56,931	59,208	61,576	64,039
Liability Insurance	24,940	26,437	27,891	29,285	30,750	32,287	33,902	35,597	37,376	39,245	41,207
Miscellaneous Expense	4,670	4,950	5,222	5,483	5,758	6,045	6,348	6,665	6,998	7,348	7,716
Office Expense	11,311	11,990	12,649	13,281	13,945	14,643	15,375	16,144	16,951	17,798	18,688
Operator Contract Services	-	-	-	-	-	-	-	-	-	-	-
Payroll Taxes	32,706	34,015	35,375	36,790	38,262	39,792	41,384	43,039	44,761	46,551	48,413
PERS Retirement	30,465	31,684	32,951	34,269	35,640	37,066	38,548	40,090	41,694	43,362	45,096
Repairs & Maintenance	5,365	5,687	6,000	6,300	6,615	6,945	7,293	7,657	8,040	8,442	8,864
Salaries	363,047	377,569	392,672	408,378	424,714	441,702	459,370	477,745	496,855	516,729	537,398
Security Expense	5,199	5,511	5,814	6,105	6,410	6,730	7,067	7,420	7,791	8,181	8,590
Uniforms	1,310	1,389	1,465	1,538	1,615	1,696	1,781	1,870	1,963	2,061	2,164
Vehicles	13,340	14,140	14,918	15,664	16,447	17,270	18,133	19,040	19,992	20,991	22,041
Workers Compensation Insurance	9,602	9,986	10,385	10,800	11,232	11,682	12,149	12,635	13,140	13,666	14,213
Drainage	-	-	-	-	-	-	-	-	-	-	-
State Maint. Fee	-	-	-	-	-	-	-	-	-	-	-
Water Tests & Analysis	-	-	-	-	-	-	-	-	-	-	-
Fees	-	-	-	-	-	-	-	-	-	-	-
Engineering	-	-	-	-	-	-	-	-	-	-	-
Schools & Meetings	3,882	4,115	4,342	4,559	4,787	5,026	5,277	5,541	5,818	6,109	6,415
Accounting	18,792	19,919	21,015	22,066	23,169	24,328	25,544	26,821	28,162	29,570	31,049
Legal	19,936	21,132	22,294	23,409	24,579	25,808	27,098	28,453	29,876	31,370	32,938
Guard House/Roadway Lease	-	-	-	-	-	-	-	-	-	-	-
Total Expenses	617,725	644,227	671,317	698,948	727,719	757,697	788,932	821,479	855,394	890,734	927,560

Capital Expenditure Cost of Service

This Division has capital investments primarily in patrol vehicles, headquarters, and technology systems to provide the community with this 24/7 level of service. The future capital investment requirements are primarily for repair, replacement, and betterment of these assets. The District is embarking on a condition assessment program, which will better forecast capital expenditure in the future. The District funds these capital needs on a PAYGo basis and are therefore

recovered through monthly rates. The current capital expenditure forecast below was used to determine the revenue requirement for this element of the rate.

Pauma Valley CSD Capital Expenditure Plan	FISCAL YEAR									
	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Treatment Plant Related	\$20,000	\$20,000	\$25,000	\$25,000	\$30,000	\$30,000	\$35,000	\$35,000	\$35,000	\$40,000
Security Vehicle Unit 1 (Inc graphics, equipment)	\$0	\$70,000	\$0	\$0	\$0	\$0	\$80,000	\$0	\$0	\$0
Security Vehicle Unit 2 (Inc graphics, equipment)	\$0	\$0	\$0	\$70,000	\$0	\$0	\$0	\$0	\$0	\$80,000
Office, IT, Computers & Facility Improvements	\$20,000	\$20,000	\$20,000	\$25,000	\$25,000	\$25,000	\$25,000	\$30,000	\$30,000	\$30,000
Total	\$40,000	\$110,000	\$45,000	\$120,000	\$55,000	\$55,000	\$140,000	\$65,000	\$65,000	\$150,000
Allocation to Divisions	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Sanitation	\$26,200	\$26,200	\$31,200	\$32,750	\$37,750	\$37,750	\$42,750	\$44,300	\$44,300	\$49,300
Patrol	\$7,400	\$77,400	\$7,400	\$79,250	\$9,250	\$9,250	\$89,250	\$11,100	\$11,100	\$91,100
Gate	\$6,400	\$6,400	\$6,400	\$8,000	\$8,000	\$8,000	\$8,000	\$9,600	\$9,600	\$9,600
Total	\$40,000	\$110,000	\$45,000	\$120,000	\$55,000	\$55,000	\$140,000	\$65,000	\$65,000	\$150,000

Reserve Funds

In addition to covering annual operating expenses and PAYGo Capital expenditures, rates need to generate revenue to maintain adequate operations and capital reserves. The District’s reserve policy defines six categories of reserves each with minimum funding targets. Currently, reserve levels do not meet minimum target levels. To begin reaching the target reserve amounts, this study will focus on the Operating Reserve Fund and a Capital Reserve Fund (Asset Replacement & Capital Improvement). The other reserve categories (Contingency, Loss Liability, Debt Service) will be addressed in future studies.

Operating Reserve Fund

The Operating Reserve Fund provides working capital for monthly O&M expenses. The District has an established Reserve Policy that expresses the goals to: ensure the viability of the organization and effectively manage cash flows, reduce impacts of unplanned and adverse financial events, and to invest in the future by considering opportunities of strategic importance. To achieve this, the District has set a minimum target level for this fund equal to 3 months of annual budgeted O&M expenses and a maximum target level equal to 6 months of annual budgeted O&M expenses. Maintaining the minimum balance for the Operations Reserve is recommended as a highest priority for the District’s reserve accounts.

Capital Reserve Fund

The Capital Reserve Fund (Asset Replacement & Capital Improvement) provides liquidity to fund Capital Expenditures that are funded on a PAYGo basis. For this study, a joint reserve is being used as the District is not in a position yet to address each fund individually. The District does not currently issue debt for capital purposes; therefore, adequate capital reserves are essential to achieve the goals of the District’s Reserve Policy. The District has set a reserve target for this fund at an amount equal to Accumulated Depreciation plus 25% (Asset Replacement) and an amount equal to the next five years CIP (Capital Improvement). For this study the minimum

target level for this reserve will be equal to the Asset Replacement target. Achieving the target balance for the Capital Reserve Fund is recommended as a priority in conjunction with achieving minimum balance for the Operations Reserve Fund. The Capital Improvement Reserve will be addressed after reaching the Asset Replacement Reserve target.

Other Reserve Funds

Once the reserve levels are achieved for the Operating Reserve Fund and the Capital Reserve Fund then future studies will address the remaining funds identified in the District’s policy (Contingency, Loss Liability, Debt Service).

PATROL - Reserve Fund Target Funding Levels										
Operating Reserve Fund	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Minimum Target	155,329	161,987	168,778	175,852	183,225	190,910	198,920	207,269	215,973	225,045
Maximum Target	310,659	323,975	337,556	351,704	366,449	381,819	397,840	414,539	431,946	450,091
Capital Reserve Fund	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Minimum Target	162,094	168,578	175,321	182,333	189,627	197,212	205,100	213,304	221,836	230,710

Results and Recommendations

Projected Rate Increases During Ten-Year Planning Period

The LRPD determines the annual rate increases projected for the ten-year planning period beginning with FY 2024-25. Utilizing a ten-year planning horizon provides insights and identifies trends that inform near term decisions. However, recommendations for rate changes are only for the next three years. The LRPD and rate study should be updated at least every three years to reflect actual results and refine future assumptions. The rate increases indicated below reflect the rate requirement data from above, including Key Model Assumptions, Operations & Maintenance Expenses, Capital Expenditures, and Reserve Funding.

The following table shows the resulting rate projections for the ten-year planning period.

	2023-2024	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Operating Rate Requirement	617,725	644,227	671,317	698,948	727,719	757,697	788,932	821,479	855,394	890,734	927,560
Less: Misc Revenues	(3,674)	(5,241)	(5,841)	(7,041)	(9,141)	(11,241)	(13,641)	(16,341)	(19,041)	(21,741)	(24,741)
Less: Depreciation	(22,460)	(22,909)	(23,368)	(23,835)	(24,312)	(24,798)	(25,294)	(25,800)	(26,316)	(26,842)	(27,379)
Add: Working Capital Reserve	(55,551)	5,000	15,000	20,000	20,000	25,000	35,000	35,000	35,000	40,000	45,000
Add: Paygo Capital	48,100	10,000	10,000	10,000	15,000	15,000	15,000	15,000	20,000	20,000	20,000
Add: Repair & Replacement Reserve	(25,640)	5,000	5,000	15,000	15,000	15,000	10,000	10,000	10,000	10,000	10,000
Total Rate Requirement	558,500	636,077	672,109	713,072	744,267	776,658	809,998	839,339	875,037	912,151	950,441
Net Rate Requirement											
Net Total Rate Requirement	558,500	636,077	672,109	713,072	744,267	776,658	809,998	839,339	875,037	912,151	950,441
EDU's	408.26	408.26	408.26	408.26	408.26	408.26	408.26	408.26	408.26	408.26	408.26
Rate Requirement	\$ 114.00	\$ 129.83	\$ 137.19	\$ 145.55	\$ 151.92	\$ 158.53	\$ 165.34	\$ 171.32	\$ 178.61	\$ 186.19	\$ 194.00
Rate Components											
Operating	\$ 109.42	\$ 126.77	\$ 134.13	\$ 140.45	\$ 145.79	\$ 152.41	\$ 160.23	\$ 166.22	\$ 172.49	\$ 180.06	\$ 187.88
Repair & Replacement	\$ 4.58	\$ 3.06	\$ 3.06	\$ 5.10	\$ 6.12	\$ 6.12	\$ 5.10	\$ 5.10	\$ 6.12	\$ 6.12	\$ 6.12
Total	\$ 114.00	\$ 129.83	\$ 137.19	\$ 145.55	\$ 151.92	\$ 158.53	\$ 165.34	\$ 171.32	\$ 178.61	\$ 186.19	\$ 194.00
		13.9%	5.7%	6.1%	4.4%	4.4%	4.3%	3.6%	4.3%	4.2%	4.2%

Rate Recommendation

Rate recommendations, as discussed above, are only being made for the next three-year period. These recommendations are set to recover operating, capital, and reserve requirements. There are two alternatives presented. The first, “Study Results,” is the resulting rate recommendation

from the LRFP. The second, "Alternative #1," is an alternative that contemplates a mid-year rate adjustment in FY 23-24. Alternative #1 is being presented to reduce the budget deficit anticipated in FY 23-24 and to reduce the spike in the FY 24-25 rate increase.

Study Results										
FY 23-24	Proposed FY 24-25			Proposed FY 25-26			Proposed FY 26-27			
	Rate	Rate	Increase	% Inc	Rate	Increase	% Inc	Rate	Increase	% Inc
Patrol	\$114.00	\$129.83	\$ 15.83	13.9%	\$137.19	\$ 7.35	5.7%	\$145.55	\$ 8.36	6.1%

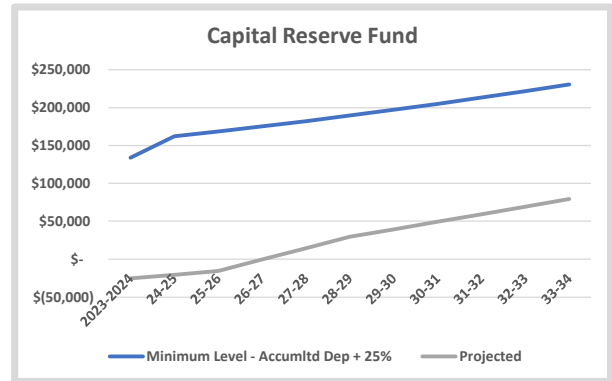
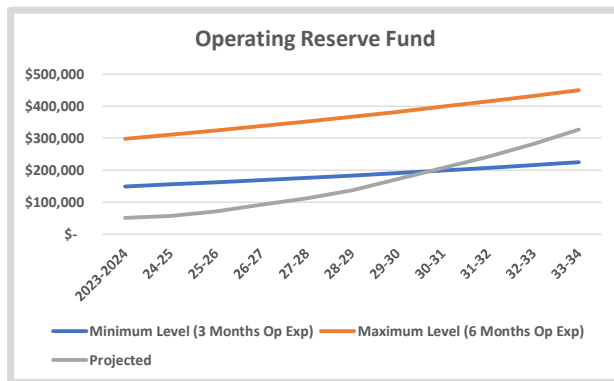
Alternative #1													
FY 23-24	Mid-Year FY 23-24			Proposed FY 24-25			Proposed FY 25-26			Proposed FY 26-27			
	Rate	Rate	Increase	% Inc	Rate	Increase	% Inc	Rate	Increase	% Inc	Rate	Increase	% Inc
Patrol	\$114.00	\$122.00	\$ 8.00	7.0%	\$129.83	\$ 7.83	6.4%	\$137.19	\$ 7.35	5.7%	\$145.55	\$ 8.36	6.1%

Fund Balance

Incorporating Reserve Fund needs, per District policy, into the rate recommendation results in reserve levels growing over the ten-year planning period. The tables and graphs below demonstrate the projected fund balances compared to policy target levels.

Operating Reserve Fund	2023-2024	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Minimum Level (3 Months Op Exp)	\$ 148,816	\$ 155,329	\$ 161,987	\$ 168,778	\$ 175,852	\$ 183,225	\$ 190,910	\$ 198,920	\$ 207,269	\$ 215,973	\$ 225,045
Maximum Level (6 Months Op Exp)	\$ 297,632	\$ 310,659	\$ 323,975	\$ 337,556	\$ 351,704	\$ 366,449	\$ 381,819	\$ 397,840	\$ 414,539	\$ 431,946	\$ 450,091
Projected	\$ 51,749	\$ 56,749	\$ 71,749	\$ 91,749	\$ 111,749	\$ 136,749	\$ 171,749	\$ 206,749	\$ 241,749	\$ 281,749	\$ 326,749

Capital Reserve	2023-2024	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Minimum Level - Accumltd Dep + 25%	\$ 134,020	\$ 162,094	\$ 168,578	\$ 175,321	\$ 182,333	\$ 189,627	\$ 197,212	\$ 205,100	\$ 213,304	\$ 221,836	\$ 230,710
Projected	\$ (25,640)	\$ (20,640)	\$ (15,640)	\$ (640)	\$ 14,360	\$ 29,360	\$ 39,360	\$ 49,360	\$ 59,360	\$ 69,360	\$ 79,360



Gate Division

The Gate Access Services program of the Pauma Valley Community Services District (PVCSD) is a highly controlled, monitored, and photographed egress and ingress system for the Pauma Valley Country Club Estates development. Three access gates are monitored while the main gate is manned 24 hours per day, 7 days per week.

Operations & Maintenance Cost of Service

Radio Frequency Identification (RFID) tags are used to access each gate and can be purchased at the District office with proof of a valid driver’s license, proof of vehicle insurance, and vehicle registration. The Gate Division provides the community with security services through access control to the community.

The District plans and budgets to provide gate services in the most efficient manner possible, while ensuring the highest level of customer satisfaction and continuity of service. Gate personnel comprise the most significant component of the operations & maintenance cost for this Division, amounting to approximately 74% of its expenses. This Division also operates three entry access facilities to the community of which only one is currently maned. The LRFP utilizing the method describe above under Revenue Requirements, projects the various Operations & Maintenance cost elements over the next ten years.

Expenses:	2023-2024	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Depreciation	15,967	16,287	16,612	16,945	17,283	17,629	17,982	18,341	18,708	19,082	19,464
Dwelling Live	4,186	4,437	4,681	4,915	5,161	5,419	5,690	5,975	6,273	6,587	6,916
Utilities	10,178	10,534	10,903	11,284	11,623	11,971	12,330	12,700	13,081	13,474	13,878
Equipment Rentals	-	-	-	-	-	-	-	-	-	-	-
Group Health Insurance	38,650	40,196	41,804	43,476	45,215	47,024	48,905	50,861	52,895	55,011	57,212
Liability Insurance	8,065	8,549	9,019	9,470	9,944	10,441	10,963	11,511	12,087	12,691	13,326
Miscellaneous Expense	4,650	4,929	5,200	5,460	5,733	6,020	6,321	6,637	6,969	7,317	7,683
Office Expense	9,477	10,045	10,598	11,128	11,684	12,268	12,882	13,526	14,202	14,912	15,658
Operator Contract Services	-	-	-	-	-	-	-	-	-	-	-
Payroll Taxes	25,113	26,118	27,162	28,249	29,379	30,554	31,776	33,047	34,369	35,744	37,174
PERS Retirement	19,394	20,170	20,976	21,815	22,688	23,596	24,539	25,521	26,542	27,604	28,708
Repairs & Maintenance	39,945	42,342	44,670	46,904	49,249	51,712	54,297	57,012	59,863	62,856	65,999
Salaries	274,335	285,308	296,720	308,589	320,933	333,770	347,121	361,006	375,446	390,464	406,082
Security Expense	2,183	2,314	2,441	2,563	2,691	2,826	2,967	3,116	3,272	3,435	3,607
Uniforms	954	1,011	1,067	1,120	1,176	1,235	1,297	1,362	1,430	1,501	1,576
Vehicles	-	-	-	-	-	-	-	-	-	-	-
Workers Compensation Insurance	11,245	11,694	12,162	12,649	13,154	13,681	14,228	14,797	15,389	16,004	16,645
Drainage	-	-	-	-	-	-	-	-	-	-	-
State Maint. Fee	-	-	-	-	-	-	-	-	-	-	-
Water Tests & Analysis	-	-	-	-	-	-	-	-	-	-	-
Fees	-	-	-	-	-	-	-	-	-	-	-
Engineering	-	-	-	-	-	-	-	-	-	-	-
Schools & Meetings	3,253	3,448	3,638	3,820	4,010	4,211	4,422	4,643	4,875	5,119	5,374
Accountinig	15,745	16,689	17,607	18,488	19,412	20,383	21,402	22,472	23,595	24,775	26,014
Legal	16,703	17,705	18,679	19,613	20,593	21,623	22,704	23,839	25,031	26,283	27,597
Guard House/Roadway Lease	2	2	2	2	2	3	3	3	3	3	3
Total Expenses	500,043	521,778	543,943	566,490	589,933	614,365	639,828	666,368	694,030	722,862	752,915

Capital Expenditure Cost of Service

This Division has capital investments primarily in community access facilities and technology systems to provide the community with this 24/7 level of service. The future capital investment requirements are primarily for repair, replacement, and betterment of these assets. The District funds these capital needs on a PAYGo basis and are therefore recovered through monthly rates.

The current capital expenditure forecast below was used to determine the revenue requirement for this element of the rate.

Pauma Valley CSD Capital Expenditure Plan	FISCAL YEAR									
	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Treatment Plant Related	\$20,000	\$20,000	\$25,000	\$25,000	\$30,000	\$30,000	\$35,000	\$35,000	\$35,000	\$40,000
Security Vehicle Unit 1 (Inc graphics, equipment)	\$0	\$70,000	\$0	\$0	\$0	\$0	\$80,000	\$0	\$0	\$0
Security Vehicle Unit 2 (Inc graphics, equipment)	\$0	\$0	\$0	\$70,000	\$0	\$0	\$0	\$0	\$0	\$80,000
Office, IT, Computers & Facility Improvements	\$20,000	\$20,000	\$20,000	\$25,000	\$25,000	\$25,000	\$25,000	\$30,000	\$30,000	\$30,000
Total	\$40,000	\$110,000	\$45,000	\$120,000	\$55,000	\$55,000	\$140,000	\$65,000	\$65,000	\$150,000
Allocation to Divisions	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Sanitation	\$26,200	\$26,200	\$31,200	\$32,750	\$37,750	\$37,750	\$42,750	\$44,300	\$44,300	\$49,300
Patrol	\$7,400	\$77,400	\$7,400	\$79,250	\$9,250	\$9,250	\$89,250	\$11,100	\$11,100	\$91,100
Gate	\$6,400	\$6,400	\$6,400	\$8,000	\$8,000	\$8,000	\$8,000	\$9,600	\$9,600	\$9,600
Total	\$40,000	\$110,000	\$45,000	\$120,000	\$55,000	\$55,000	\$140,000	\$65,000	\$65,000	\$150,000

Reserve Funds

In addition to covering annual operating expenses and PAYGo Capital expenditures, rates need to generate revenue to maintain adequate operations and capital reserves. The District’s reserve policy defines six categories of reserves, each with minimum funding targets. Currently reserve levels do not meet minimum target levels. To begin reaching the target reserve amounts, this study will focus on the Operating Reserve Fund and a Capital Reserve Fund (Asset Replacement & Capital Improvement). The other reserve categories (Contingency, Loss Liability, Debt Service) will be addressed in future studies.

Operating Reserve Fund

The Operating Reserve Fund provides working capital for monthly O&M expenses. The District has an established Reserve Policy that expresses the goals to: ensure the viability of the organization and effectively manage cash flows, reduce impacts of unplanned and adverse financial events, and to invest in the future by considering opportunities of strategic importance. To achieve this, the District has set a minimum target level for this fund equal to 3 months of annual budgeted O&M expenses and a maximum target level equal to 6 months of annual budgeted O&M expenses. Maintaining the minimum balance for the Operations Reserve is recommended as a highest priority for the District’s reserve accounts.

Capital Reserve Fund

The Capital Reserve Fund (Asset Replacement & Capital Improvement) provides liquidity to fund Capital Expenditures that are funded on a PAYGo basis. For this study, a joint reserve is being used as the District is not in a position yet to address each fund individually. The District does not currently issue debt for capital purposes; therefore, adequate capital reserves are essential to achieve the goals of the District’s Reserve Policy. The District has set a reserve target for this fund at an amount equal to Accumulated Depreciation plus 25% (Asset Replacement) and an amount equal to the next five years CIP (Capital Improvement). For this study the minimum

target level for this reserve will be equal to the Asset Replacement target. Achieving the target balance for the Capital Reserve Fund is recommended as a priority in conjunction with achieving a minimum balance for the Operations Reserve Fund. The Capital Improvement Reserve will be addressed after reaching the Asset Replacement Reserve target.

Other Reserve Funds

Once the reserve levels are achieved for the Operating Reserve Fund and the Capital Reserve Fund then future studies will address the remaining funds identified in the District’s policy (Contingency, Loss Liability, Debt Service).

PATROL - Reserve Fund Target Funding Levels										
Operating Reserve Fund	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Minimum Target	126,373	131,833	137,386	143,162	149,184	155,462	162,007	168,830	175,945	183,363
Maximum Target	379,119	395,498	412,159	429,487	447,552	466,385	486,020	506,491	527,835	550,088
Capital Reserve Fund	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Minimum Target	226,920	246,879	256,754	267,024	277,705	288,813	300,366	312,380	324,876	337,871

Results and Recommendations

Projected Rate Increases During Ten-Year Planning Period

The LRP determines the annual rate increases projected for the ten-year planning period beginning with FY 2024-25. Utilizing a ten-year planning horizon provides insights and identifies trends that inform near term decisions. However, recommendations for rate changes are only for the next three years. The LRP and rate study should be updated at least every three years to reflect actual results and refine future assumptions. The rate increases indicated below reflect the rate requirement data from above including Key Model Assumptions, Operations & Maintenance Expenses, Capital Expenditures, and Reserve Funding.

The following table shows the resulting rate projections for the ten-year planning period.

	2023-2024	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Operating Rate Requirement	500,043	521,778	543,943	566,490	589,933	614,365	639,828	666,368	694,030	722,862	752,915
Less: Misc Revenues	(7,278)	(9,690)	(10,590)	(12,090)	(13,590)	(15,390)	(17,190)	(18,990)	(20,790)	(22,590)	(24,090)
Less: Depreciation	(15,967)	(16,287)	(16,612)	(16,945)	(17,283)	(17,629)	(17,982)	(18,341)	(18,708)	(19,082)	(19,464)
Add: Working Capital Reserve	(42,765)	10,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
Add: Paygo Capital	40,300	5,000	5,000	10,000	10,000	10,000	15,000	15,000	20,000	20,000	20,000
Add: Repair & Replacement Reserve	(24,333)	5,000	5,000	5,000	10,000	10,000	10,000	10,000	10,000	5,000	5,000
Total Rate Requirement	450,000	515,801	546,740	572,455	599,059	621,345	649,656	674,036	704,531	726,189	754,361
Net Rate Requirement											
Net Total Rate Requirement	450,000	515,801	546,740	572,455	599,059	621,345	649,656	674,036	704,531	726,189	754,361
EDU's	375.00	375.00	375.00	375.00	375.00	375.00	375.00	375.00	375.00	375.00	375.00
Rate Requirement	\$ 100.00	\$ 114.62	\$ 121.50	\$ 127.21	\$ 133.12	\$ 138.08	\$ 144.37	\$ 149.79	\$ 156.56	\$ 161.38	\$ 167.64
Rate Components											
Operating	\$ 108.00	\$ 112.40	\$ 119.28	\$ 123.88	\$ 128.68	\$ 133.63	\$ 138.81	\$ 144.23	\$ 149.90	\$ 155.82	\$ 162.08
Repair & Replacement	\$ 3.55	\$ 2.22	\$ 2.22	\$ 3.33	\$ 4.44	\$ 4.44	\$ 5.56	\$ 5.56	\$ 6.67	\$ 5.56	\$ 5.56
Total	\$ 111.55	\$ 114.62	\$ 121.50	\$ 127.21	\$ 133.12	\$ 138.08	\$ 144.37	\$ 149.79	\$ 156.56	\$ 161.38	\$ 167.64
		2.8%	6.0%	4.7%	4.6%	3.7%	4.6%	3.8%	4.5%	3.1%	3.9%

Rate Recommendation

Rate recommendations, as discussed above, are only being made for the next three-year period. These recommendations are set to recover operating, capital and reserve requirements. There are two alternatives presented. The first, “Study Results”, is the resulting rate recommendation

from the LRRF. The second, "Alternative #1", is an alternative that contemplates a mid-year rate adjustment for FY 23-24. Alternative #1 is being presented to reduce the budget deficit anticipated in FY 23-24 and to reduce the spike in the FY 24-25 rate increase.

Study Results										
FY 23-24	Proposed FY 24-25				Proposed FY 25-26			Proposed FY 26-27		
	Rate	Rate	Increase	% Inc	Rate	Increase	% Inc	Rate	Increase	% Inc
Gate	\$100.00	\$114.62	\$ 14.62	14.6%	\$121.50	\$ 6.88	6.0%	\$127.21	\$ 5.71	4.7%

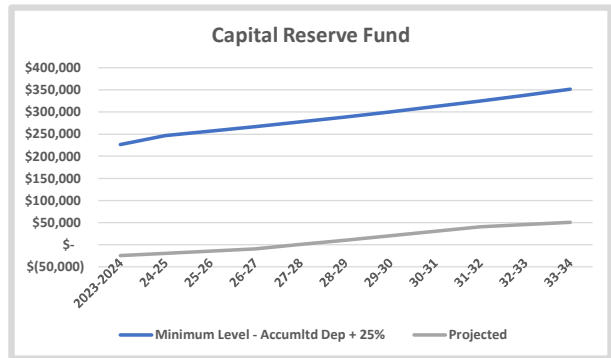
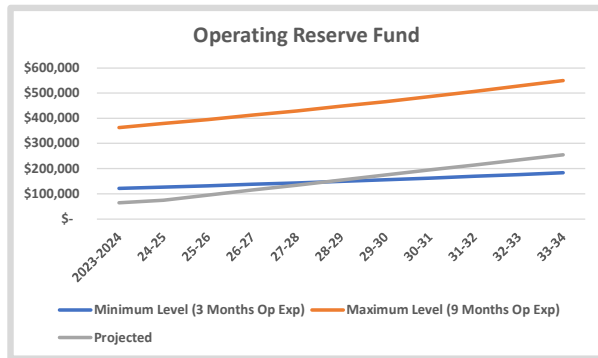
Alternative #1													
FY 23-24	Mid-Year FY 23-24				Proposed FY 24-25			Proposed FY 25-26			Proposed FY 26-27		
	Rate	Rate	Increase	% Inc	Rate	Increase	% Inc	Rate	Increase	% Inc	Rate	Increase	% Inc
Gate	\$100.00	\$107.00	\$ 7.00	7.0%	\$114.62	\$ 7.62	7.1%	\$121.50	\$ 6.88	6.0%	\$127.21	\$ 5.71	4.7%

Fund Balance

Incorporating Reserve Fund needs per District policy into the rate recommendation results in reserve levels growing over the ten-year planning period. The tables and graphs below demonstrate the projected fund balances compared to policy target levels.

Operating Reserve Fund	2023-2024	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Minimum Level (3 Months Op Exp)	\$ 121,019	\$ 126,373	\$ 131,833	\$ 137,386	\$ 143,162	\$ 149,184	\$ 155,462	\$ 162,007	\$ 168,830	\$ 175,945	\$ 183,363
Maximum Level (9 Months Op Exp)	\$ 363,057	\$ 379,119	\$ 395,498	\$ 412,159	\$ 429,487	\$ 447,552	\$ 466,385	\$ 486,020	\$ 506,491	\$ 527,835	\$ 550,088
Projected	\$ 64,535	\$ 74,535	\$ 94,535	\$ 114,535	\$ 134,535	\$ 154,535	\$ 174,535	\$ 194,535	\$ 214,535	\$ 234,535	\$ 254,535

Capital Reserve	2023-2024	24-25	25-26	26-27	27-28	28-29	29-30	30-31	31-32	32-33	33-34
Minimum Level - Accumltd Dep + 25%	\$ 226,920	\$ 246,879	\$ 256,754	\$ 267,024	\$ 277,705	\$ 288,813	\$ 300,366	\$ 312,380	\$ 324,876	\$ 337,871	\$ 351,385
Projected	\$ (24,333)	\$ (19,333)	\$ (14,333)	\$ (9,333)	\$ 667	\$ 10,667	\$ 20,667	\$ 30,667	\$ 40,667	\$ 45,667	\$ 50,667



RECOMMENDED RATE ACTIONS

Summary of Recommended Rates & Overall Monthly Bill Impact

The LRFP incorporates projected results of operations, anticipated capital improvements, as well as reserve funding requirements over the next ten years. The purpose of the LRFP is to ensure sound fiscal planning so that District financial requirements are met. While the plan projects monthly service rates over this period, we understand that actual results will vary. The further out in the plans years we expect the actual results to vary greater than in the first few years of the plan. Therefore, our recommendations for monthly service rates are only for the next three years. This plan should be updated periodically, and service rates adjusted from future LRFP reports.

Below are the recommended rates for the next three fiscal years as well as the overall bill impact. Two options are being presented. The first option, "Study Results," is the result of this study assuming rate adjustments will occur only at the beginning of each fiscal year. The second option, "Alternative #1," provides a mid-year rate adjustment in FY 23-24 to reduce the budgeted operating loss for the Patrol and Gate Divisions. Neither of these Divisions had a rate adjustment at the beginning of FY 23-24. Alternative #1 does not impact the other fiscal year rate recommendation from the study.

Study Results

Study Results										
	FY 23-24	Proposed FY 24-25			Proposed FY 25-26			Proposed FY 26-27		
	Rate	Rate	Increase	% Inc	Rate	Increase	% Inc	Rate	Increase	% Inc
Sanitation	\$101.87	\$104.62	\$ 2.76	2.7%	\$107.17	\$ 2.54	2.4%	\$111.53	\$ 4.36	4.1%
Patrol	\$114.00	\$129.83	\$ 15.83	13.9%	\$137.19	\$ 7.35	5.7%	\$145.55	\$ 8.36	6.1%
Gate	\$100.00	\$114.62	\$ 14.62	14.6%	\$121.50	\$ 6.88	6.0%	\$127.21	\$ 5.71	4.7%
Total	\$315.87	\$349.08	\$ 33.21	10.5%	\$365.85	\$ 16.77	4.8%	\$384.29	\$ 18.44	5.0%

Alternative #1

Alternative #1													
	FY 23-24	Mid-Year FY 23-24			Proposed FY 24-25			Proposed FY 25-26			Proposed FY 26-27		
	Rate	Rate	Increase	% Inc	Rate	Increase	% Inc	Rate	Increase	% Inc	Rate	Increase	% Inc
Sanitation	\$101.87	\$101.87	\$ -	0.0%	\$104.62	\$ 2.76	2.7%	\$107.17	\$ 2.54	2.4%	\$111.53	\$ 4.36	4.1%
Patrol	\$114.00	\$122.00	\$ 8.00	7.0%	\$129.83	\$ 7.83	6.4%	\$137.19	\$ 7.35	5.7%	\$145.55	\$ 8.36	6.1%
Gate	\$100.00	\$107.00	\$ 7.00	7.0%	\$114.62	\$ 7.62	7.1%	\$121.50	\$ 6.88	6.0%	\$127.21	\$ 5.71	4.7%
Total	\$315.87	\$330.87	\$ 15.00	4.7%	\$349.08	\$ 18.21	5.5%	\$365.85	\$ 16.77	4.8%	\$384.29	\$ 18.44	5.0%

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

BOARD OF DIRECTORS

Item: 6

Date: August 7th, 2023

From: General Manager, Eric Steinlicht

Issue: Authorize the Formation of an Ad-Hoc Subcommittee Regarding Roadway Issues

STAFF RECOMMENDS THE BOARD OF DIRECTORS:

1. Consider the formation of an Ad-Hoc Subcommittee.
2. Appoint two Board of Directors to the Ad-Hoc Subcommittee.
3. Discuss and take other action as appropriate.

BACKGROUND

The District's Patrol subdivision has a historical practice of enforcing the "Rules of the Road" incorporated into the Pauma Valley Community Services District (PVCSD) policy known as "Gate Access and Road Usage Policies and Procedures" found in Ordinance 55. This enforcement includes the issuance of warning letters, citations, and fees by Patrol Officers for violations of the PVCSD policy.

DISCUSSION

To address recent issues surrounding the legality of the District enforcing "Rules of the Road" incorporated into the PVCSD policy, an ad-hoc subcommittee comprised of members from both the PVCSD and Pauma Valley Roadway Association (PVRA) is recommended. This subcommittee will work together to resolve these concerns and can later provide potential solutions to the Board of Directors.

FISCAL IMPACT

There is no fiscal impact associated with this item.

THEREFORE, STAFF RECOMMENDS THE BOARD OF DIRECTORS:

1. Consider the formation of an Ad-Hoc Subcommittee.
2. Appoint two Board of Directors to the Ad-Hoc Subcommittee.
3. Discuss and take other action as appropriate.

Attachments

1. N/A