



POPULAR ANNUAL FINANCIAL REPORT

For The Year Ended June 30, 2023



INTRODUCTION LETTER



We are proud to present Orange County Sanitation District's (OC San) first Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2023. The PAFR provides an easily accessible overview of the financial details contained in our 100-page Annual Comprehensive Financial Report (ACFR).

The PAFR draws its content directly from the ACFR, which provides a more detailed breakdown of our financial data and undergoes a rigorous audit process conducted by Davis Farr LLP. The ACFR is prepared in conformity with generally accepted accounting principles. You can find the complete 2023 ACFR available for review on OC San's official website at www.ocsan.gov.

This report, along with the ACFR, could not have been accomplished without the dedicated services of the Financial Management Division staff who assisted in its preparation. I would also like to thank OC San's Board of Directors and General Manager for their interest and support in overseeing the financial operations of OC San in a responsible and progressive manner.

I hope this new report will continue to demonstrate OC San's commitment to transparency and fiduciary responsibility as we continue to provide wastewater collection, treatment, and disposal services for approximately 2.5 million people in central and northwest Orange County. Please do not hesitate to contact OC San if you have any questions, comments, or feedback at 714.962.2411 or via e-mail at ForInformation@ocsan.gov.

A handwritten signature in black ink, appearing to read "R. Zintzun".

Ruth Zintzun

Finance & Procurement Manager



BOARD OF DIRECTORS



CITY

Anaheim
Brea
Buena Park
Cypress
Fountain Valley
Fullerton
Garden Grove
Huntington Beach
Irvine
La Habra
La Palma
Los Alamitos
Newport Beach
Orange
Placentia
Santa Ana
Seal Beach
Stanton
Tustin
Villa Park

AGENCIES

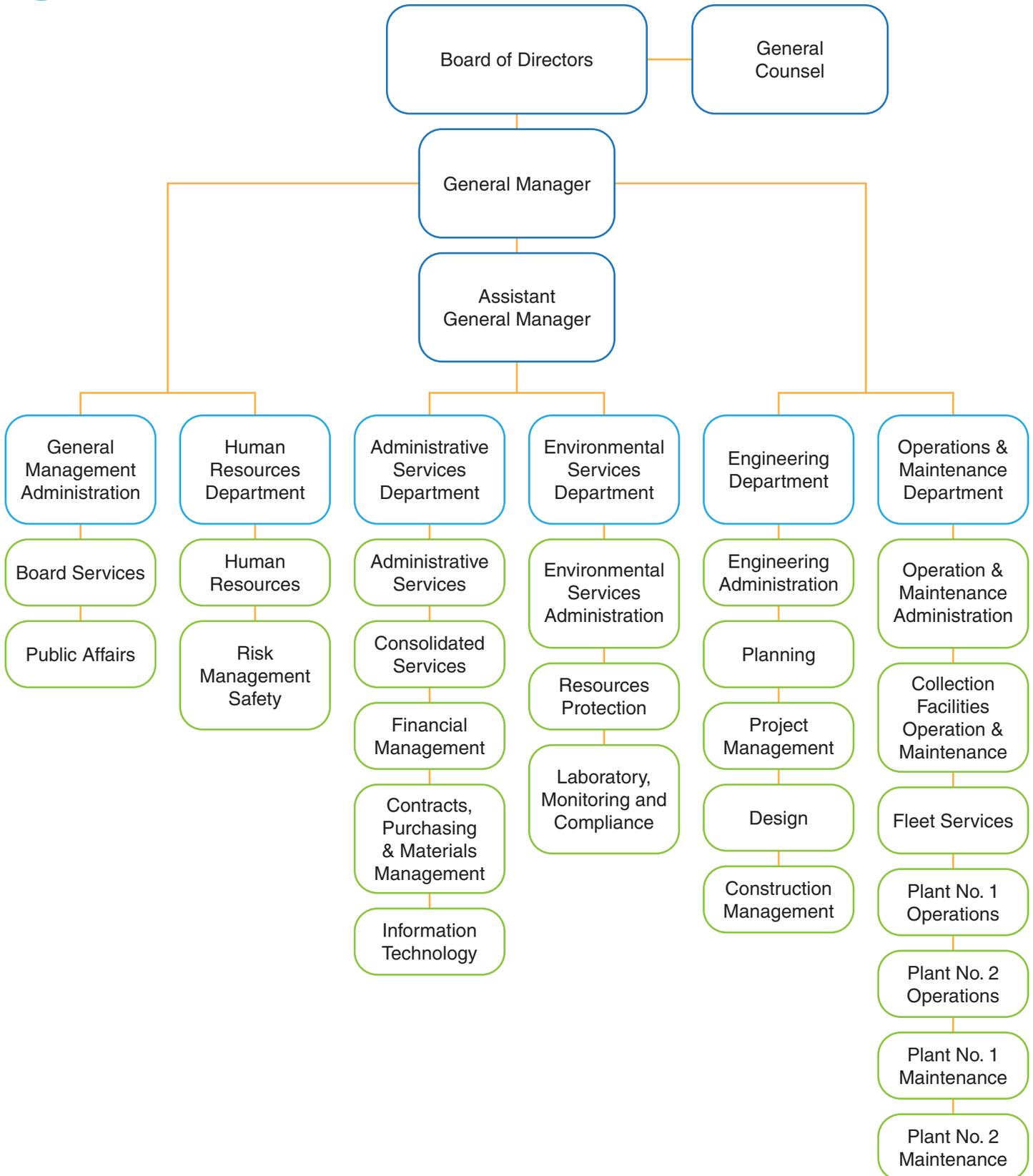
Costa Mesa Sanitary District
Midway City Sanitary District
Irvine Ranch Water District
Yorba Linda Water District
Member of the Board of Supervisors

ACTIVE DIRECTOR

Stephen Faessel
Christine Marick
Susan Sonne
Scott Minikus
Glenn Grandis
Bruce Whitaker
Stephanie Klopfenstein
Pat Burns
Farrah N. Khan
Rose Espinoza
Marshall Goodman
Jordan Nefulda
Brad Avery
Jon Dumitru
Chad Wanke (Chairman)
Johnathan Ryan Hernandez
Schelly Sustarsic
David Shawver
Ryan Gallagher (Vice-Chairman)
Robbie Pitts

Robert Ooten
Andrew Nguyen
John Withers
Phil Hawkins
Doug Chaffee

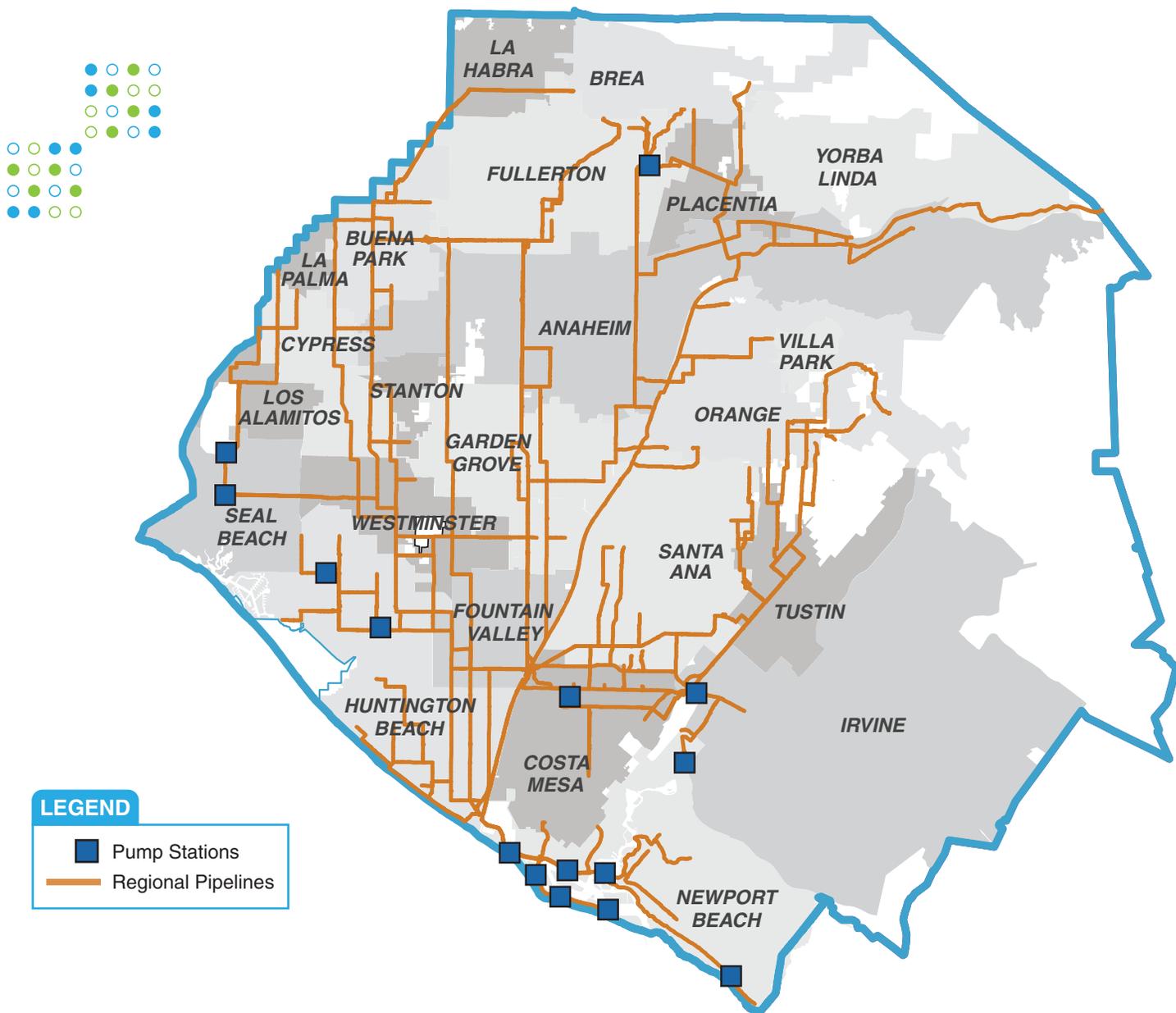
ORGANIZATIONAL CHART



OC SAN BY THE NUMBERS



- + 479 Total Service Area in Square Miles
- + 2.5 Million People Served
- + 100% of Reclaimable Flow Recycled
- + 388 Miles of Regional Sewers
- + 2 Treatment & Reclamation Plants
- + 186 Million Gallons Per Day Processed





STRATEGIC PLAN

Preparing and planning for the future of OC San and the community we serve is the essence of who we are. As part of the planning process, OC San has created a guiding document – the OC San Strategic Plan.

Strategic planning is the first step in defining OC San's ability to have people and assets in the right place at the right time to meet its agreed upon mission and levels of service.

Key policies are focused on four broad categories: Business Principles, Environmental Stewardship, Wastewater Management, and Workplace Environment.



BUSINESS PRINCIPLES

ENVIRONMENTAL STEWARDSHIP



WASTEWATER MANAGEMENT

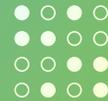
WORKPLACE ENVIRONMENT



CORE VALUES



The Core Values support our Mission and Vision statements by expressing the values, beliefs, and philosophy that guides our daily actions. They help form the framework of our organization and reinforce our professional work ethic.



INTEGRITY, INCLUSION, HONESTY, AND RESPECT

We aspire to the highest degree of integrity, inclusion, honesty, and respect in our interaction with each other, our suppliers, our customers, and our community. We strive to demonstrate these values in our actions, commitments, and service.

LEADERSHIP, TEAMWORK, AND PROBLEM SOLVING

We lead by example, acknowledging the value of our resources and using them wisely to achieve our mission. We strive to reach OC San goals through cooperative efforts and collaboration with each other and our constituencies. We work to solve problems in a creative, cost-effective, and safe manner, and we acknowledge team and individual efforts.



CUSTOMER SERVICE, TRANSPARENCY, AND ACCOUNTABILITY

We are committed to acting in a timely, accurate, accessible, and transparent manner through excellent customer service. We are committed to act in the best interest of our internal and external stakeholders.

RESILIENCY, INNOVATION, AND LEARNING

We continuously develop ourselves, enhancing our talents, skills, and abilities. We recognize that only through personal growth and development will we progress as an agency and as individuals.

SAFETY

We are committed to providing a safe work environment. We will demonstrate leadership, promote individual accountability, and participate actively in the advancement of our health and safety practices.

CONSTRUCTION PROGRAM

OC San's Asset Management Plan drives our 20-year Capital Improvement Program (CIP) and determines the proper timing of our projects to maximize the life of our assets. The Asset Management team works continuously with our Operations and Maintenance Department to properly define the timing of large CIP projects and the execution of many small projects essential to the day-to-day operations of the collections and plants to maintain reliable and resilient facilities.

Some project highlights from the fiscal year ended on June 30, 2023 include:



SEAL BEACH AND WESTMINSTER

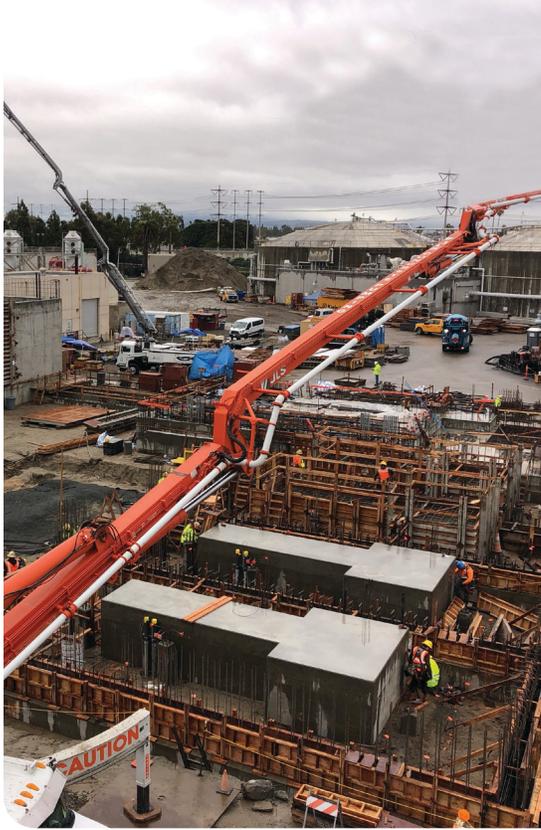
Westminster Boulevard Force Main Replacement (Project No. 3-62)

🕒 Construction
2020-2023

💰 Construction Budget
\$30.7 million

Construction was completed on the force mains that run along nearly three miles of street. Open cut excavation and slip-lining methods were used. The force main system consists of two parallel pipes, and one pipe remained operational and transporting wastewater flows while work occurred on the second pipe. This required affecting certain areas two separate times for each force main during the duration of construction.

CONSTRUCTION PROGRAM - CONTINUED



Headworks Rehabilitation at Plant No. 1 (Project No. P1-105)

🕒 Construction
2021-2028

💰 Construction Budget
\$223.6 million

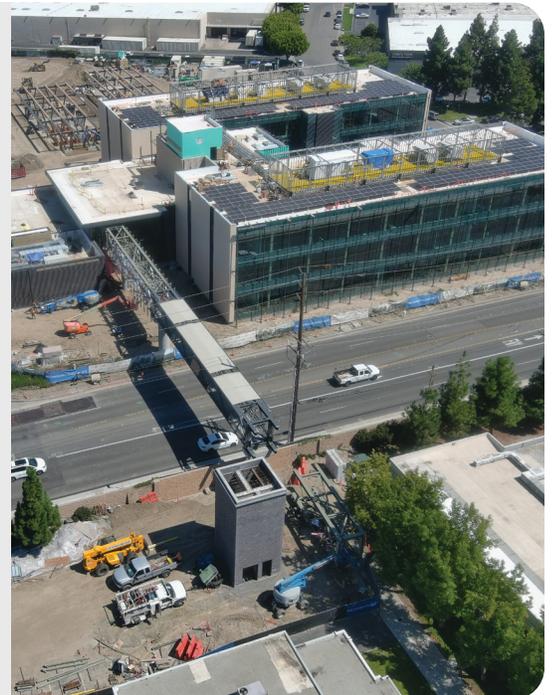
As the first point of entry for wastewater, the headworks facility receives untreated wastewater from six major trunk sewers. During a two-year span of a seven-year long project, obsolete structures have been demolished and the construction of new electrical buildings, odor control facility, and grit handling buildings are ongoing. Work has also occurred on the pumps, metering and diversion structure, and primary splitter boxes for flows coming into the plant. There is challenging rehabilitation work requiring extensive coordination with plant operations and shutdowns, confined space entries, and handling live sewer flows.

Headquarters Complex at Plant No. 1 (Project No. P1-128A)

🕒 Construction
2021-2023

💰 Construction Budget
\$104.4 million

This project will bring together staff of various functions currently dispersed in several aging buildings and trailers into one main headquarters building. It will be located across the street from Plant No. 1 and connected by a pedestrian skybridge over a busy arterial street, the first open air pedestrian bridge in the City of Fountain Valley. The new OC San headquarters will serve as the home to more than 300 staff by early 2024.



CONSTRUCTION PROGRAM - CONTINUED



A-Side Primary Clarifiers Replacement at Plant 2 (Project No. P2-98A)



🕒 Construction
2021-2027

💰 Construction Budget
\$112.3 million

The oldest set of primary clarifiers, constructed in the 1960s, are the initial stage of the water treatment process for removing suspended solids, oil, and grease. They will be replaced with the construction of four new primary clarifiers equipped with odor control treatment. Construction will also include two primary sludge pump stations, odor treatment complex, electrical distribution center, and process controls. 7 foot diameter reinforced concrete pipe has arrived which will be used to transfer flows to and from the new primary clarifiers when construction is completed.

Headworks Modifications at Plant No. 2 for GWRS Final Expansion (Project No. P2-122)

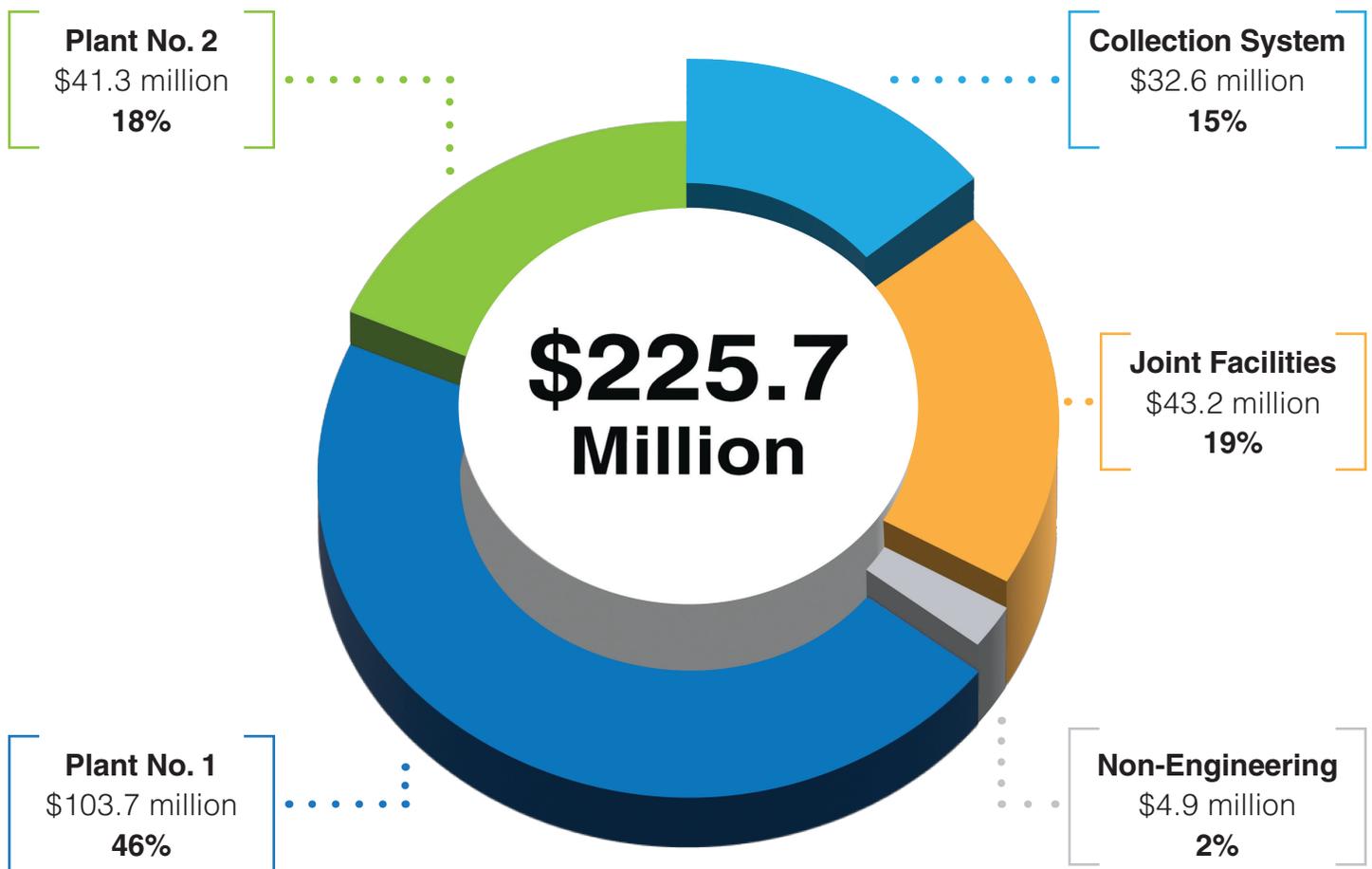
🕒 Construction
2020-2023

💰 Construction Budget
\$15.2 million

In support of the Groundwater Replenishment System Final Expansion, this project allows the headworks facility to handle reclaimable and non-reclaimable flows separately. The successful completion of this project allows OC San to provide 100 percent reclaimable flow for water reuse.

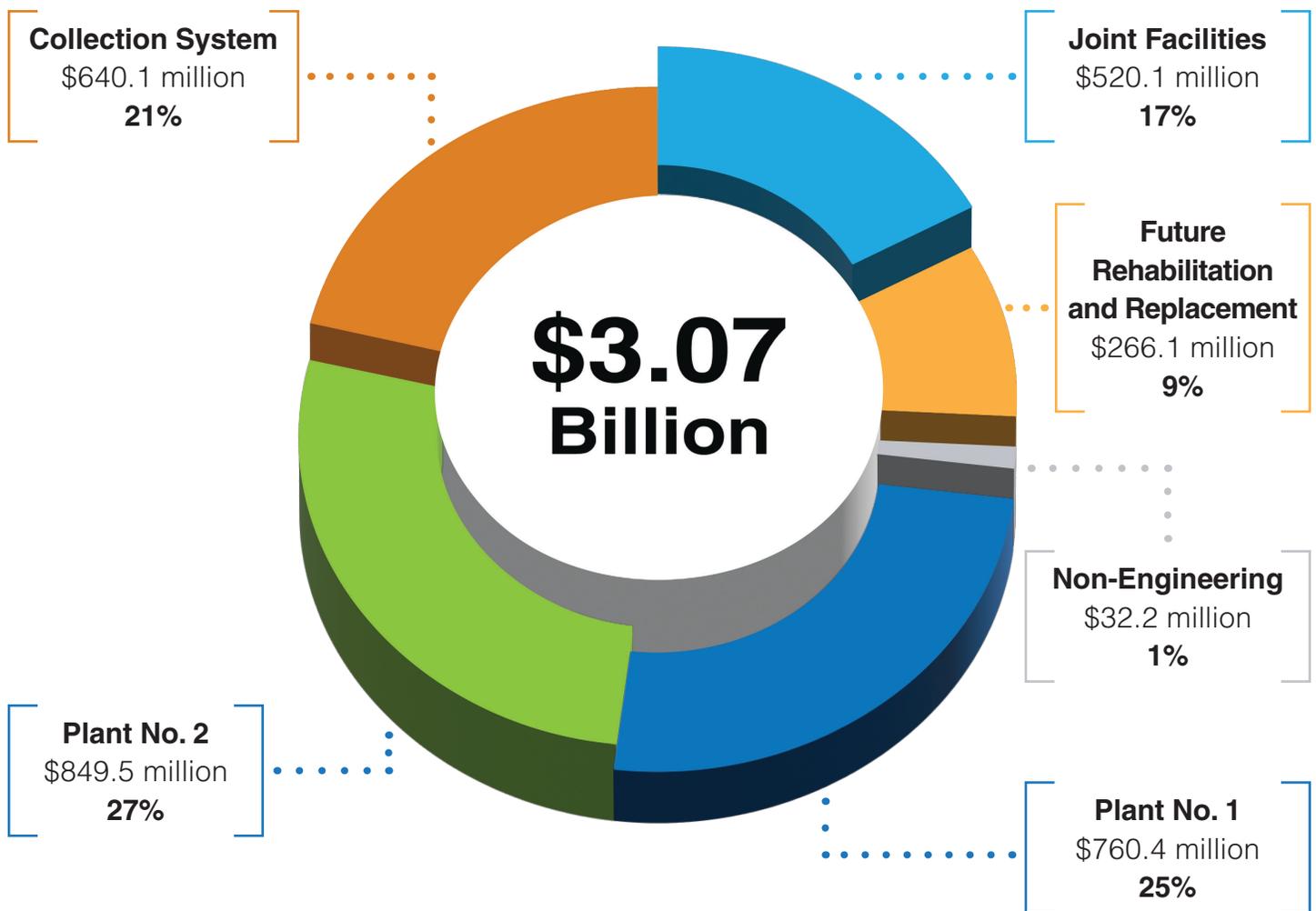


FISCAL YEAR 2022/23 CIP EXPENDITURES



10-YEAR NET CIP OUTLAY

Fiscal Year 2023/24 Through 2032/33

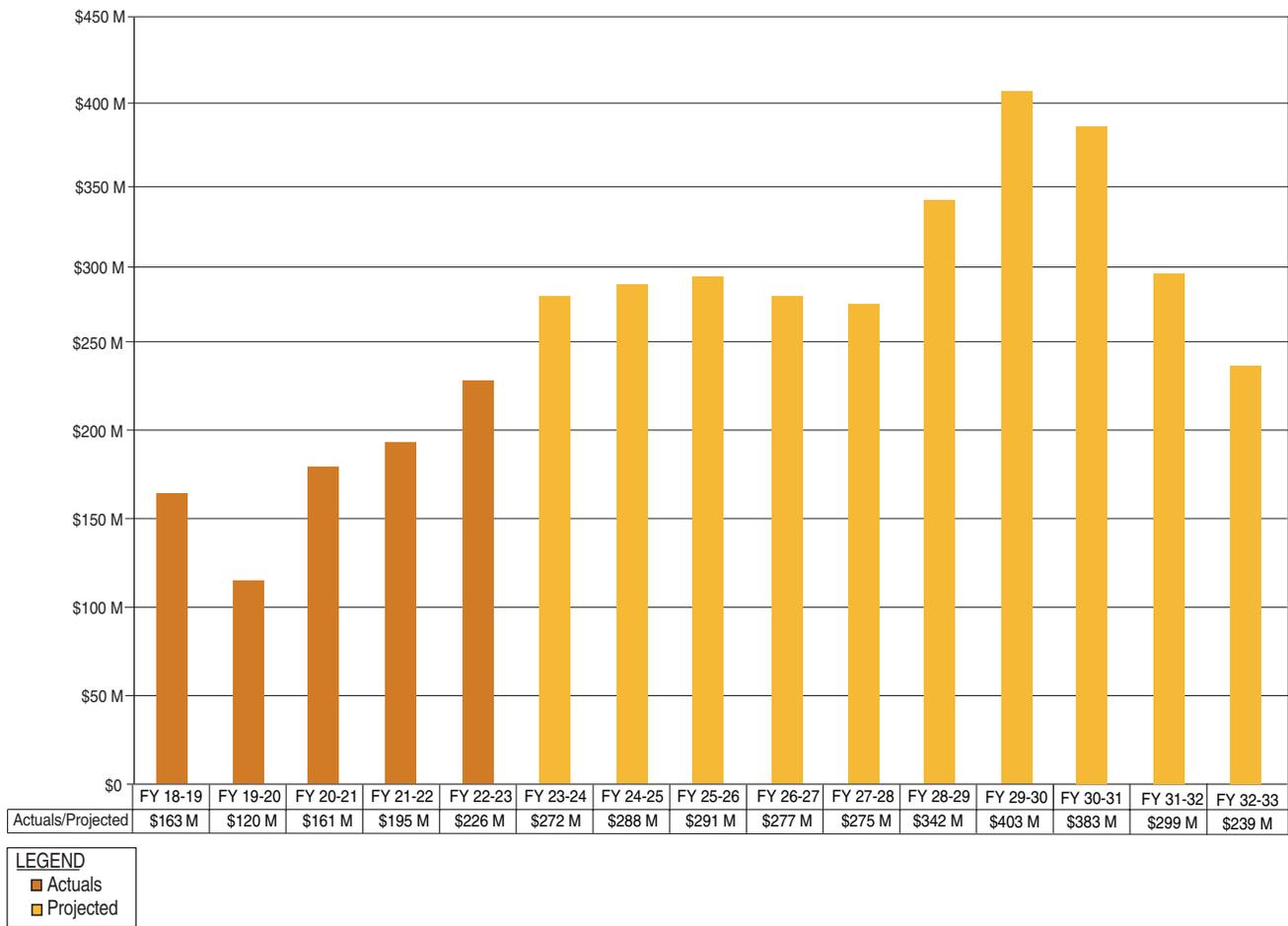


PROGRAM CASH FLOW

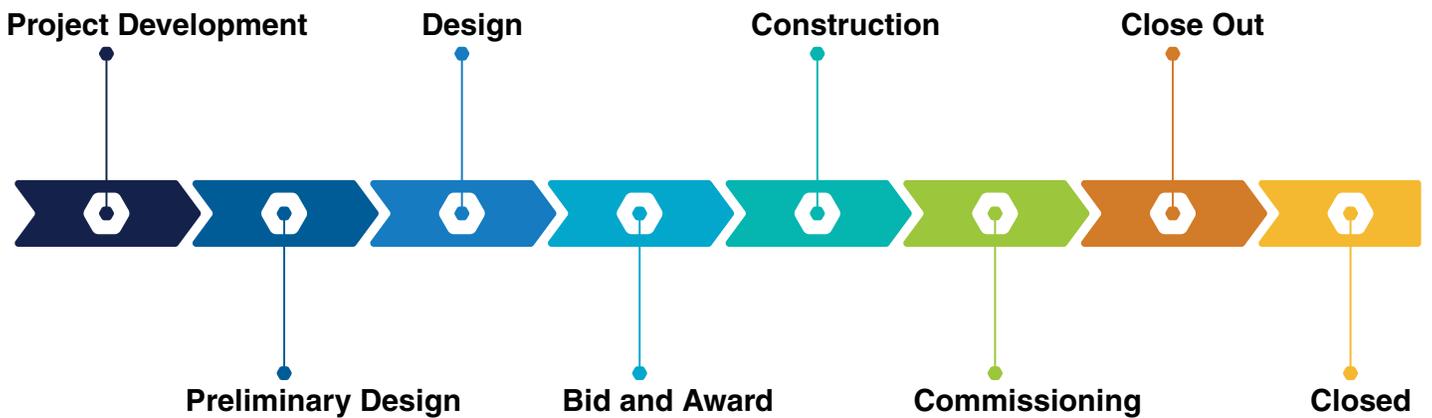


The CIP is validated as part of the budget process each year. The CIP projected net outlay, or spending forecast, is refined as project budgets are reevaluated, looking at active and future CIP projects and ensuring the project scope, schedule, and cost estimates are up to date. The Annual Net CIP Outlay chart shows the historical expenditures over the past five years and the projected CIP spending for the next ten years. The rise in spending is contributed to the increase of projects that will be transitioning in construction.

ANNUAL NET CIP OUTLAY



The project life cycle consists of various phases that make up the path a project takes from start to finish.



The active studies and projects during the FY 2022-23 reporting period are from various phases of the project. The project budget includes costs for construction services, design costs, and administrative costs throughout the life cycle of the project.

147

ACTIVE CIP PROJECTS

28

PROJECTS IN PRELIMINARY DESIGN OR DESIGN

LARGEST PROJECT BUDGET

\$555,000,000

SMALLEST PROJECT BUDGET

\$230,000

27

PROJECTS IN CONSTRUCTION

FINANCIAL REPORTING

OC San operates as a utility enterprise and the financial information is presented accordingly. All financial information and data are based on OC San's Annual Comprehensive Financial Report for the year ended June 30, 2023.

Report can be found at www.ocsan.gov.



SOURCES OF REVENUE

User Fees
\$332,781,185

Taxes Levied
\$125,467,329

Interest Income
\$12,027,355

Other
\$20,670,479

\$490,946,348
TOTAL

EXPENSES

Collection System
\$33,082,968

Treatment and Disposal
\$174,129,332

Depreciation and Amortization
\$123,610,784

Interest Expense
\$25,893,010

Other
\$1,988,573

TOTAL
\$358,704,667



LONG TERM DEBT

OC San strives to maintain financial stability while keeping our sewer rates affordable. OC San consistently has its AAA rating affirmed on all obligations by Fitch Ratings, Standard & Poor's, and Moody's Investors Service Incorporated.

These ratings are based on our management practices and financial strength. The AAA rating is the highest possible credit rating an agency can receive, which means that we have access to low interest rates on financing our infrastructure improvements, resulting in cost savings for our customers. OC San is the only California utility with a AAA rating from all three major rating agencies.

2010A	2010C	2014A	2015A
Wastewater Revenue Obligations	Wastewater Revenue Obligations	Wastewater Refunding Revenue Obligations	Wastewater Refunding Revenue Obligations
\$80,000,000	\$157,000,000	\$39,180,000	\$127,510,000
2016A	2017A	2021A	2022A
Wastewater Refunding Revenue Obligations	Wastewater Refunding Revenue Obligations	Wastewater Refunding Revenue Obligations	Wastewater Refunding Revenue Obligations
\$126,855,000	\$65,815,000	\$111,770,000	\$81,620,000
Total Certificates of Participation / Revenue Obligations			\$789,750,000

FitchRatings

STANDARD
& POOR'S

MOODY'S
INVESTORS SERVICE

AAA
RATING

NET POSITION



Assets:

a resource with economic value that OC San owns or controls with the expectation that it will provide a future benefit.

\$3,908,727,651



Liabilities:

debts or obligations that arise during business operations

\$1,018,892,853



Deferred Outflow/Inflow of Resources:

consumption or acquisition of assets that are applicable to a future reporting period.

\$89,857,682



TOTAL

Net Position:

\$2,979,692,480



Orange County Sanitation District
Financial Management Division

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