

FY 2021-22 Budget Update Revenue Detail

Revenue Summary (in millions)

Category	2020-21 Adopted	2021-22 Adopted
Revenues:		
Service Fees	298.1	302.8
Permit User Fees	12.8	13.0
Capital Facility Capacity Charge	20.1	20.7
Property Taxes	99.9	102.0
Interest	13.2	13.1
Other Revenue	40.7	42.8
Debt Proceeds	0.0	0.0
Total Revenue	\$484.8	\$494.4

OC San has a variety of revenue sources available for operating and capital expenses.

The major revenue sources are as follows:

- General Sewer Service Fees
- Industrial Waste Permit User Fees
- Capital Facilities Capacity Charges (CFCC)
- Property Taxes
- Interest Earnings
- Other Miscellaneous Revenue
- Debt Proceeds

	<u>2020-21</u>	<u>2021-22</u>
<p>General Service Fees – User fees are ongoing fees for service paid by customers connected to the sewer system. A property owner, or user, does not pay user fees until connected to the sewer system and receiving services. Once connected, a user is responsible for his share of the system’s costs, both fixed and variable, in proportion to his demand on the system. These fees are for both Single Family Residences (SFR) and Multiple Family Residences (MFR).</p> <p>FY 2021-22 is the fourth year of the most recent five-year sewer service fee rate schedule approved by the Board. The SFR rate (the underlying basis for all sewer rates) was held flat in FY 2020-21 and will increase by 1.2 percent (\$4) to \$343 in FY 2021-22. These rates are still well below the average annual sewer rate currently being charged throughout the state.</p>	\$298.1M	\$302.8M

2020-21

2021-22

<p>Industrial Waste Permit User Fees – Fees paid by large industrial and commercial properties owners connected to the sewer system. These fees are for the owner’s share of the system’s costs, both fixed and variable, in proportion to his demand on the system.</p> <p>Since the inception of the Permit User Fee program in 1970, users of the District’s system that discharge high volumes or high strength wastewater are required to obtain a discharge permit and pay for the full cost of service.</p>	<p>\$12.8M</p>	<p>\$13.0M</p>
<p>Capital Facilities Capacity Charges (CFCC) – Capital Facilities Capacity Charge is a one-time, non-discriminatory charge imposed at the time a building or structure is newly connected to the District’s system, directly or indirectly, or an existing structure or category of use is expanded or increased. This charge pays for District facilities in existence at the time the charge is imposed, or to pay for new facilities to be constructed in the future, that are of benefit to the property being charged.</p>	<p>\$20.1M</p>	<p>\$20.7M</p>
<p>Property Taxes – The County is permitted by State law (Proposition 13) to levy taxes at 1% of full market value (at time of purchase) and can increase the assessed value no more than 2% per year. The District receives a share of the basic levy proportionate to what was received in the 1976 to 1978 period less \$3.5 million, the amount that represents the State’s permanent annual diversion from special districts to school districts that began in 1992-93. The District’s share of this revenue is dedicated for the payment of debt service.</p>	<p>\$99.9M</p>	<p>\$102.0M</p>
<p>Interest Earnings – Interest earnings are generated from the investment of accumulated reserves consisting of a cash flow/contingency, a capital improvement, a renewal/replacement, and a self-insurance reserve.</p>	<p>\$13.2M</p>	<p>\$13.1M</p>
<p>Other Revenue – Other revenue includes solids handling and capital assessments from the Irvine Ranch Water District (IRWD); and O&M sewer services provided to IRWD, the Santa Ana Watershed Protection Authority (SAWPA), and the Sunset Beach Sanitary District.</p>	<p>\$40.7M</p>	<p>\$42.8M</p>

2020-21 **2021-22**

Debt Proceeds – Certificates of Participation (COPs) are the District’s primary mechanism for financing capital projects. COPs are repayment obligations based on a lease or installment sale agreement. COPs are viewed by the State of California as a share in an installment arrangement where the District serves as the purchaser. No new debt issuances are projected in the near-term.	\$0.0M	\$0.0M
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Financing

If it is necessary that OC San utilize debt financing to meet its total obligations and to meet projected construction schedules, OC San uses long-term borrowing (Certificates of Participation (COP)) for capital improvements that cannot be financed from current revenue. Before any new debt is issued, the impact of debt service payments on total annual fixed costs is analyzed. No new debt issuance is currently being planned.

OC San Maintains its AAA Rating

OC San maintains ratings of “AAA” from Standards and Poor, Moody’s and Fitch. A triple A rating is the highest obtainable for any governmental agency. In order to maintain this rating, OC San adheres to its Debt Policy and coverage ratios requirements. This Board-adopted policy serves as the agency’s guide in the management of existing debt and in the issuance of future debt.

OC San Has Contractual Covenants

OC San has contractual covenants within the existing COP agreements which require minimum coverage ratios of 1.25. The minimum coverage ratio is the ratio of net annual revenues available for debt service requirements to total annual debt service requirements for all senior lien COP debt. The coverage ratio for senior lien COP debt was approved at 3.99 for FY 2020-21.