

Pebble Beach Community Services District



LONG-TERM FINANCIAL PLAN

MARCH 2025

**PEBBLE BEACH COMMUNITY SERVICES DISTRICT
LONG-TERM FINANCIAL PLAN
March 28, 2025**

PBCSD FUND STRUCTURE

Fund accounting is used by local governments to maintain and report resources separately for different types of activities. The District’s annual financial statements are reported in two main categories, Governmental Funds and Proprietary Funds, as required by the State Controller’s Office and the Governmental Accounting Standards Board (GASB).

Fund Structure	
Governmental Funds	Proprietary Funds
Used to account for and report the activities which are mainly financed through property taxes.	Used to account for and report the business-type activities which are financed, in whole or part, by fees paid by those who directly benefit from the services.
Administration / Engineering	Wastewater Collection and Treatment
Fire Protection / Emergency Medical	Solid Waste Collection
Supplemental Law Enforcement	Recycled Water Distribution

PBCSD DISCRETIONARY INTERNAL FUND DESIGNATIONS

Additionally, the cash and investments of each fund are kept and accounted for separately in certain categories (sub-funds). These categories are established based on restrictions imposed by external sources (i.e. law, debt covenants, creditors, contributors, etc.) and designations made internally by the Board. Currently, there are no external restrictions imposed on District resources. Internally, the District’s cash and investments are kept and accounted for in *six separate categories designated by the Board* pursuant to District reserve policies.

PBCSD Board Designations	
Operations	Resources designated to finance ongoing operations and maintenance (O&M).
Capital Outlay Acquisition	Designated to finance the construction projects and capital equipment included in the current fiscal year’s budget.
O&M Reserve	10% of the current fiscal year’s O&M budget to be used in the case of a natural disaster, catastrophic, or other unforeseen events.
Rate Stabilization Reserve	50% of the wastewater operations budget to help offset the impact of increases in wastewater service fees which may result from revenue fluctuations.
Capital Outlay Reserve	Established to finance future capital outlays identified in 15-year Long-term Capital Outlay Plan (LTCOP) with the exception of (1) Reclamation assets - financed by contributed capital and (2) special projects.
Special Projects Reserve	Designated for resources available to finance special capital projects (such as undergrounding of overhead utilities) or addition / expansion of services.

The purpose of the internal designations is to identify necessary financial resources to meet current operational and capital outlay needs and to set aside necessary resources for future needs (reserves) for the continued economic stability of the District. The District's internal policies apply to both governmental and proprietary funds. To provide clarity in understanding the District's overall financial position, the funds are combined in the Long-Term Financial Plan.

In a later section of this report, the monies designated for the governmental and proprietary fund reserves are reported separately to provide guidance for the implementation of Governmental Accounting Standards Board (GASB) Statement 54.

OBJECTIVES AND ASSUMPTIONS

The Long-Term Financial Plan of the Pebble Beach Community Services District (PBCSD) has been prepared with the following objectives and assumptions:

Objectives

- 1 Identify the District's current and estimated future resources to finance operations (O&M) and capital outlays.
- 2 Provide a funding method for the District's 15-year Capital Outlay Program (COP) on a pay-as-you-go basis (no debt financing).
- 3 Set criteria and target levels for reserves designated for various purposes.
- 4 Provide a projection of the District's long-term financial position.

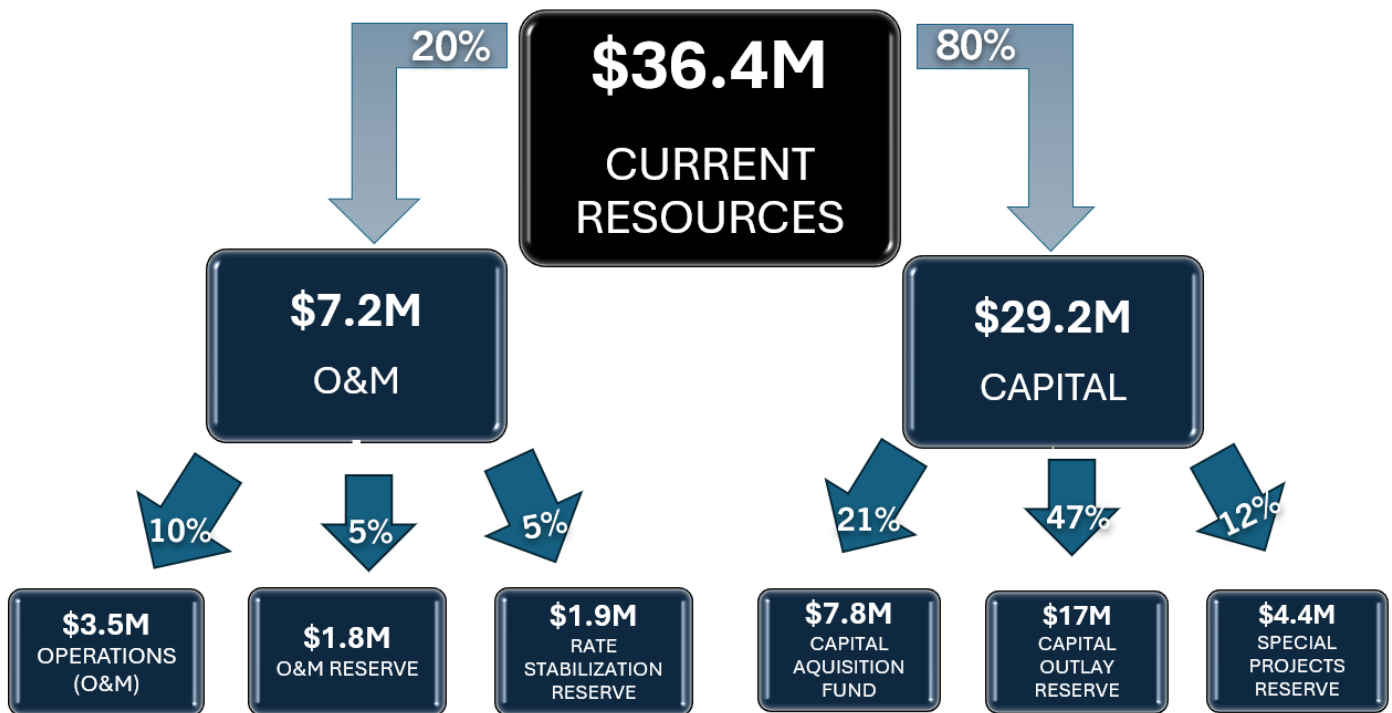
Assumptions and Concepts

- 1 All capital outlays will be financed with the District's own resources on a pay-as-you-go basis (no debt financing).
- 2 Reclamation assets (Distribution System and Forest Lake Reservoir) will be fully financed by the Reclamation Project.
- 3 At the end of the 15 years, the District will continue to be in existence and adequate reserves will be available for future periods.
- 4 The costs included in the Long-Term COP are based on estimated current costs and the revenues and expenditures projected in the Long-Term Financial Plan have not been increased over time. If the District revenues increase at the same rate as its O&M expenditures, the amount available for the required capital outlays, undergrounding, and other discretionary projects will also increase at the same rate.

SUMMARY

CURRENT RESOURCES AND DESIGNATIONS

As of March 1, 2025, the District has approximately **\$36.4 million** in cash and investments. This amount is proposed to be designated as presented in the following chart:



Operations (O&M)

The **\$3.5 million** designated for operations is based on the cyclical revenue flow and O&M expenses. The revenue inflow to the District does not evenly match the monthly O&M expenses. The District receives most of its annual revenue twice a year, in December and April. The recommended amount is expected to finance the operations for March through December 2025.

A short-term cash flow projection is provided in **Appendix A**.

Capital Acquisition Fund

The capital outlays and other construction projects that are planned to be completed in the remaining part of the current fiscal year (on or before June 30, 2025) or rolled over to the next

fiscal year (FY 2025-26) will be financed with the **\$7.8 million** allocated to the **Capital Acquisition Fund**. This amount includes:

- **\$4.6 million** for sewer pump station rehabilitations, sewer line replacements, and other equipment;
- **\$1.2 million** for facility improvement project and parking lot pavement;
- **\$1 million** for fire department vehicles and equipment;
- **\$0.7 million** for undergrounding projects;
- **\$0.3 million** for the PBCSD 1/3 share of Carmel Area Wastewater District (CAWD) Treatment Plant capital improvements.

Reserves

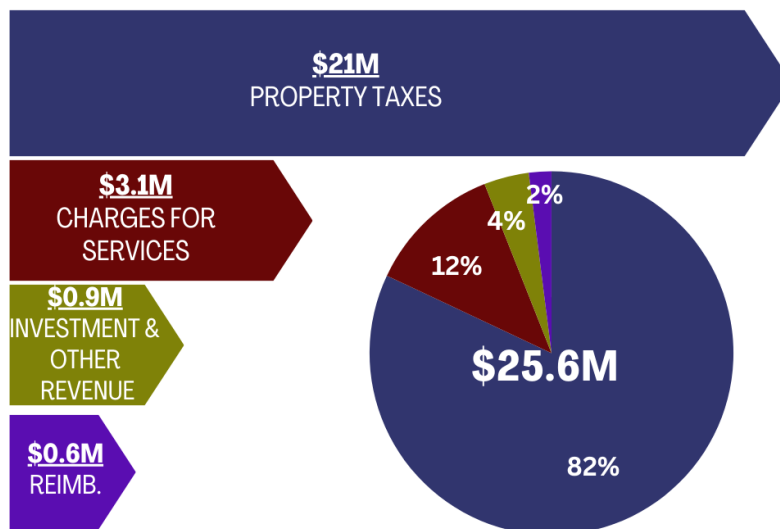
According to District policies, the **Operating (O&M) Reserve** is set at **\$1.8 million**, which is **10%** of the current O&M Budget. The **Rate Stabilization Reserve** is set at **\$1.9 million**, which is **50%** of the amount budgeted for wastewater operations.

The **\$17 million Capital Outlay Reserve** has been determined by a methodology using estimated cost and useful life of the capital outlays, with the exception of undergrounding projects. The methodology used is further explained in the “Financing Method for Capital Outlays” section in this report.

The **\$4.4 million** balance remaining after allocations to other reserve funds is recommended to be allocated to the **Special Projects Reserve Fund** to finance special projects.

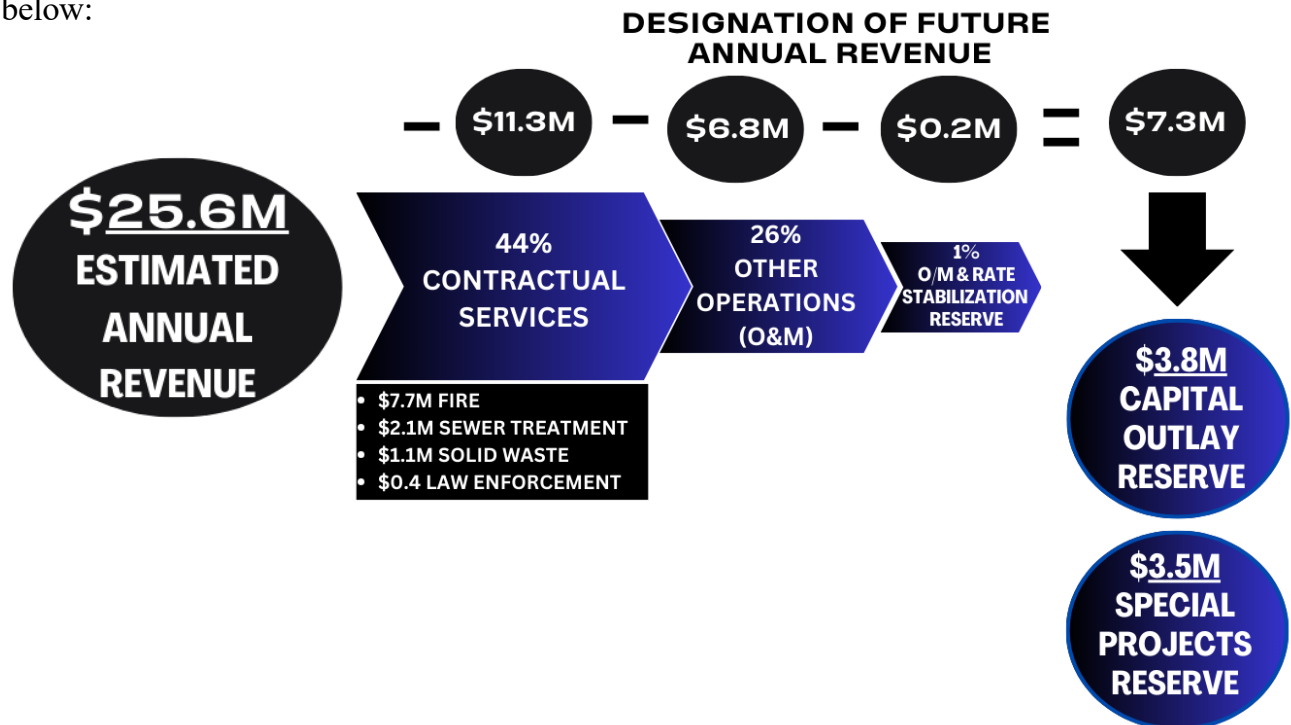
ESTIMATED FUTURE REVENUE AND DESIGNATIONS

The following chart displays the District’s estimated **\$25.6 million** annual revenue by source.



Currently, the District’s annual revenues, **\$25.6 million**, exceed its annual O&M expenses, **\$18.1 million** (excluding depreciation) by **\$7.5 million**. A small portion, **\$0.2 million**, will be allocated to the O&M and Rate Stabilization Reserves to maintain Board policy levels. A portion, **\$3.8 million**, will be needed to maintain the reserves and to pay for the required capital outlays. The remaining **\$3.5 million** is expected to be available to finance special projects such as undergrounding of overhead utilities.

The proposed allocation of **\$25.6 million** future annual revenue is presented in the chart below:



Operations (O&M)

The District’s annual revenue is sufficient to finance its contractual services (*\$11.3 million*) and other O&M expenses (*\$6.8 million*) over the next 15 years. The revenue in excess of the O&M expenses can be allocated as described in the following “Reserves” section.

Reserves

The plan includes an annual allocation of **\$100,000** to the **O&M Reserve** to maintain it at 10% of the O&M budget and an annual allocation of **\$100,000** to the **Rate Stabilization Reserve** to maintain it at 50% of the wastewater operating budget.

An annual allocation of **\$3.8 million** is calculated for the **Capital Outlay Reserve** using the cost and useful life of each item included in the Long-Term COP. The methodology used is

further explained in the “Financing Method for Capital Outlays” section in this report.

Special Projects/Building Reserves: It is estimated that **\$3.5 million** in annual revenue will be available to fund future special projects and build reserves. The Long-Term COP includes \$28 million for Phase 4 and 5 mainline undergrounding utilities projects, expected to be completed by fiscal year 2029-30. Starting fiscal year 2030-31, an estimated annual \$2.4 million has been allocated for the remaining \$24 million of additional undergrounding utilities projects to be prioritized by the Board. The following table displays the District reserve requirements calculated based on the proposed 2025 Long-Term Capital Outlay Plan.

Fiscal Year Ending	Estimated Annual Revenue (\$25.6M - \$18.3M)	Annual Cost of Items in Long-Term Capital Outlay Plan	Estimated Capital Reserve & Special Projects Balance	*LTCOP Required Capital Reserve (Admin / Fire / Wastewater / CAWD)
\$ In Millions				
2024-25	+	-	\$21.4	\$17.0
2025-26	\$7.3	\$18.4	\$10.4	\$14.4
2026-27	\$7.3	\$9.2	\$8.5	\$15.0
2027-28	\$7.3	\$6.2	\$9.6	\$13.6
2028-29	\$7.3	\$9.0	\$7.9	\$14.4
2029-30	\$7.3	\$5.4	\$9.8	\$11.7
2030-31	\$7.3	\$4.6	\$12.5	\$13.0
2031-32	\$7.3	\$4.7	\$15.1	\$14.2
2032-33	\$7.3	\$4.7	\$17.7	\$15.5
2033-34	\$7.3	\$4.4	\$20.6	\$17.0
2034-35	\$7.3	\$6.8	\$21.1	\$16.0
2035-36	\$7.3	\$4.3	\$24.1	\$17.7
2036-37	\$7.3	\$3.9	\$27.5	\$19.3
2037-38	\$7.3	\$4.2	\$30.6	\$20.7
2038-39	\$7.3	\$4.3	\$33.6	\$21.9
2039-40	\$7.3	\$4.6	\$36.3	\$22.9

*Required Capital Reserve based on pay-as-you-go financing of capital outlays provided in the Long-Term COP. See "Financing Method for Capital Outlays" for explanation and example of how cost allocations for the required capital reserve are calculated.

Starting FY 2030-31 estimated \$2.4 million included in the annual cost for future Undergrounding projects.

Appendix B provides the estimated revenues, capital expenditures, and balances for the District reserves over the term of the proposed Long-Term Financial Plan.

Appendix C is a visual representation of the table above.

FINANCING METHOD FOR CAPITAL OUTLAYS

The long-term plan is based on financing the capital outlays with a combination of current cash resources and future annual revenue.

The following method has been used in determining the **\$17 million Capital Outlay Reserve**:

- An *annual allocation* for each Long-Term COP item has been determined using the estimated cost and useful life of each item (current replacement cost divided by useful life).

Annual Reserves Allocation	
\$ In Millions	
Administration / Engineering	\$0.1
Fire Protection / Emergency Medical	\$0.8
Wastewater Collection and Treatment	\$2.5
CAWD Treatment Plant	\$0.4
Total	\$3.8

- An *initial deposit* has been calculated by multiplying the annual allocation determined above by the age of each item. The intent is to ensure that monies for all the prior year allocations have been set aside for each COP item.

Initial Reserves Deposit	
\$ In Millions	
Administration / Engineering	\$0.9
Fire Protection / Emergency Medical	\$3.0
Wastewater Collection and Treatment	\$9.1
CAWD Treatment Plant	\$4.0
Total	\$17.0

This methodology is based on financing the capital outlays on a “pay-as-you-go” basis. When future annual contributions are added to the initial deposit, monies needed for each item will be ready in the scheduled acquisition year. The following example illustrates this concept:

The Long-Term COP fiscal year 2027-28 includes replacement of Fire Medic Engine 22. The cost of the engine is \$1.5 million and the useful life is 15 years. Therefore, the recommended annual savings is \$100,000 (\$1.5 million/15 years). Since the current truck is thirteen years old, an initial allocation of \$1.3 million (\$100,000 x 13 years) is placed in Capital Outlay Reserve for this item. When the \$100,000 annual contribution

is added over the next two years, the full replacement amount will be available in fiscal year 2027-28. Thereafter, annual contributions will continue to finance future replacements. Similar calculations have been made for all items listed in the COP.

Pebble Beach Medic Engine 22
(1) Annual Required Savings = Total Cost / Replacement Cycle
\$1.5M / 15 years = \$100K Annual Required Savings
(2) Required Capital Reserve = Required Annual Savings x Years*
\$100K Annual Savings x 13 years* = \$1.3M Required Capital Reserve
*15 years (Replacement Cycle) – 2 years (Until Replacement) = 13 years

GASB 54 REPORTING IMPLEMENTATION

The Governmental Accounting Standards Board (GASB) Statement 54 requires the District to report the fund balance (the difference between assets and liabilities) of the *governmental funds* in the following categories on its annual financial statements.

- 1) **Non-spendable Fund Balance:** Amounts that cannot be spent due to form; for example, inventories and prepaid amounts.
- 2) **Restricted Fund Balance:** Amounts with external restrictions imposed by creditors, grantors, contributors, laws, regulations, or enabling legislation which requires the resources to be used only for a specific purpose.
- 3) **Committed Fund Balance:** Amounts which can only be used for the identified specific purposes pursuant to constraints imposed by a formal action (motion) of the District Board. Those amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of formal action it employed to previously commit those amounts.
- 4) **Assigned Fund Balance:** Amounts constrained by the government’s intent to use funds for a specific purpose that are not otherwise non-spendable, restricted or committed. The decision to assign amounts can be made by a governing board or a body or official that has been delegated authority. Actions to remove or modify assignments therefore are not as strict.
- 5) **Unassigned Fund Balance:** The remaining amounts that have not been restricted, committed or assigned.

Since GASB 54 applies only to the Financial Statements of the Governmental Funds, the amounts have been separately presented for the governmental and proprietary funds in the following table.

The adoption of the plan will include the reporting of governmental funds in the categories below in the District’s annual financial statements.

Board Designation	Amount on 3/1/2025	Proprietary Funds	Governmental Funds	GASB 54 Reporting
\$ In Millions				
Operations	\$3.5	\$1.2	\$2.3	Unassigned
O&M Reserves	\$1.8	\$0.5	\$1.3	Committed
Rate Stabilization Reserves	\$1.9	\$1.9	\$0.0	N/A
Capital Outlay Acquisition	\$7.8	\$4.9	\$2.9	Committed
Capital Outlay Reserves	\$17.0	\$13.1	\$3.9	Committed
Special Project Reserves	\$4.4	\$0.0	\$4.4	Committed
Total	\$36.4	\$21.5	\$14.8	

VARIABLES TO MONITOR

The resources that will be available for undergrounding of overhead utilities and other discretionary projects may be impacted depending on changes in priorities and the following factors:

- 1) Availability of property taxes
 Property taxes are the main revenue source of the District and make up approximately **82%** of the total current revenue. On two different occasions, the State shifted property tax revenue from enterprise special districts to help with its financial problems. In fiscal year 1993-94, the first shift resulted in the permanent loss of over \$1 million in annual property tax revenue for the District. Another shift resulted in a loss of an additional \$1.7 million over a two-year period (fiscal years 2004-05 and 2005-06) and ended in the beginning of fiscal year 2006-07 with constitutional protection for special districts thereafter. Since then, the State Legislative Analyst’s Office had one unsuccessful proposal to authorize the counties to receive a portion of the water and wastewater district property taxes to finance certain responsibilities transferred to the counties from the State. Such a shift would have been allowed under the current law. Although lessened, there may always be the risk of property tax revenue loss for the District.

In addition to the State takeaways, the economy and changes in the real estate market can impact the District’s property tax revenue significantly. In fiscal year 2010-11, property tax revenue decreased due to the decline in the market and adjustments made in property valuations. Property tax revenues have increased continually due

to national expansionary monetary and fiscal policies. Future policies of the Federal Government and the Federal Reserve, as well as other economic conditions, may impact assessed values and resulting property tax revenue which needs to be monitored and considered in future decision making.

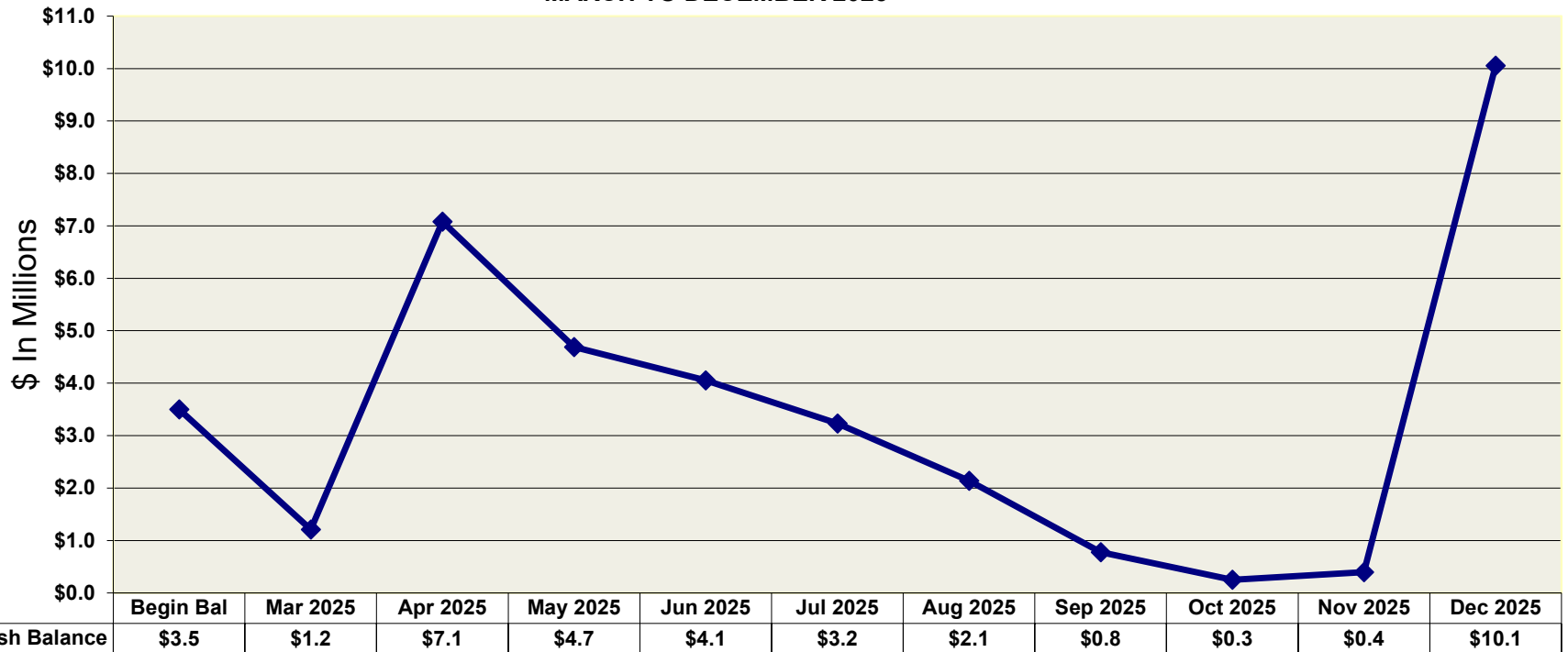
2) The rate of change in other revenues and expenses

Expenditure have increased due to expansion and addition of services. The District's newer programs include: addition of a fourth firefighter on a fire truck (requires three personnel positions), 24/7 paramedic service from both fire stations, water rescue program, a drone program, increased fire command personnel, additional fire ladder truck, increased commitment for open space clearance for fire protection, one additional maintenance department position, a traffic enforcement program, SCADA and other technology investments, community service events (i.e. annual household hazardous waste collection and emergency preparedness events), and undergrounding of utilities. The cost of fire service continues to be impacted due to changes in labor laws, which prescribe the overtime rules and regular work hours for firefighting personnel and increases in pension and other retirement benefit costs. Increases in property tax revenues, the main funding source of the District, funded the above-mentioned expansions in services.

CONCLUSION

The District is expected to maintain financial stability while continuing with its increased undergrounding program without material risk over the next 15 years. Due to various economic factors, assumptions used, and the length of the time period, it is recommended the District continue with its practice of updating its Long-Term Capital Outlay Program and Financial Plan annually and make adjustments as needed.

Appendix A
PBCSD LONG-TERM FINANCIAL PLAN
SHORT-TERM CASH FLOW PROJECTION
MARCH TO DECEMBER 2025



	Mar 2025	Apr 2025	May 2025	Jun 2025	Jul 2025	Aug 2025	Sep 2025	Oct 2025	Nov 2025	Dec 2025
O&M										
Beginning Balance	\$ 3,500,000	\$ 1,209,000	\$ 7,082,000	\$ 4,689,000	\$ 4,056,000	\$ 3,232,000	\$ 2,139,000	\$ 779,000	\$ 250,000	\$ 396,000
Revenue	604,000	8,247,000	82,000	487,000	258,000	64,000	114,000	81,000	903,000	12,550,000
Expenditures	2,895,000	2,374,000	2,475,000	1,120,000	1,082,000	1,157,000	1,474,000	610,000	757,000	2,889,000
O&M										
Ending Balance	\$ 1,209,000	\$ 7,082,000	\$ 4,689,000	\$ 4,056,000	\$ 3,232,000	\$ 2,139,000	\$ 779,000	\$ 250,000	\$ 396,000	\$ 10,057,000

**APPENDIX B
ANNUAL REVENUES, CAPITAL EXPENDITURES, AND RESERVE BALANCES**

	FISCAL YEAR							
	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32
CAPITAL RESERVE & SPECIAL PROJECTS RESERVE BEGINNING BALANCE:		\$ 21,400,000	\$ 10,341,000	\$ 8,459,000	\$ 9,607,000	\$ 7,934,000	\$ 9,812,000	\$ 12,520,000
REVENUES:								
Annual Revenue Allocation								
Capital Outlays & Special Projects		7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000
TOTAL REVENUES		7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000
CAPITAL EXPENDITURES:								
Long-Term Capital Outlay								
Plan Items (*)		6,359,000	3,182,000	5,152,000	2,973,000	2,422,000	2,192,000	2,334,000
Undergrounding Projects		12,000,000	6,000,000	1,000,000	6,000,000	3,000,000	2,400,000	2,400,000
TOTAL EXPENDITURES		18,359,000	9,182,000	6,152,000	8,973,000	5,422,000	4,592,000	4,734,000
REVENUES OVER EXPENDITURES		(11,059,000)	(1,882,000)	1,148,000	(1,673,000)	1,878,000	2,708,000	2,566,000
CAPITAL RESERVE & SPECIAL PROJECTS RESERVE ENDING BALANCE:	\$ 21,400,000	\$ 10,341,000	\$ 8,459,000	\$ 9,607,000	\$ 7,934,000	\$ 9,812,000	\$ 12,520,000	\$ 15,086,000
LTCOP Required Capital Outlay Reserve	\$ 17,000,000	\$ 14,391,000	\$ 14,984,000	\$ 13,607,000	\$ 14,409,000	\$ 11,730,000	\$ 13,047,000	\$ 14,222,000

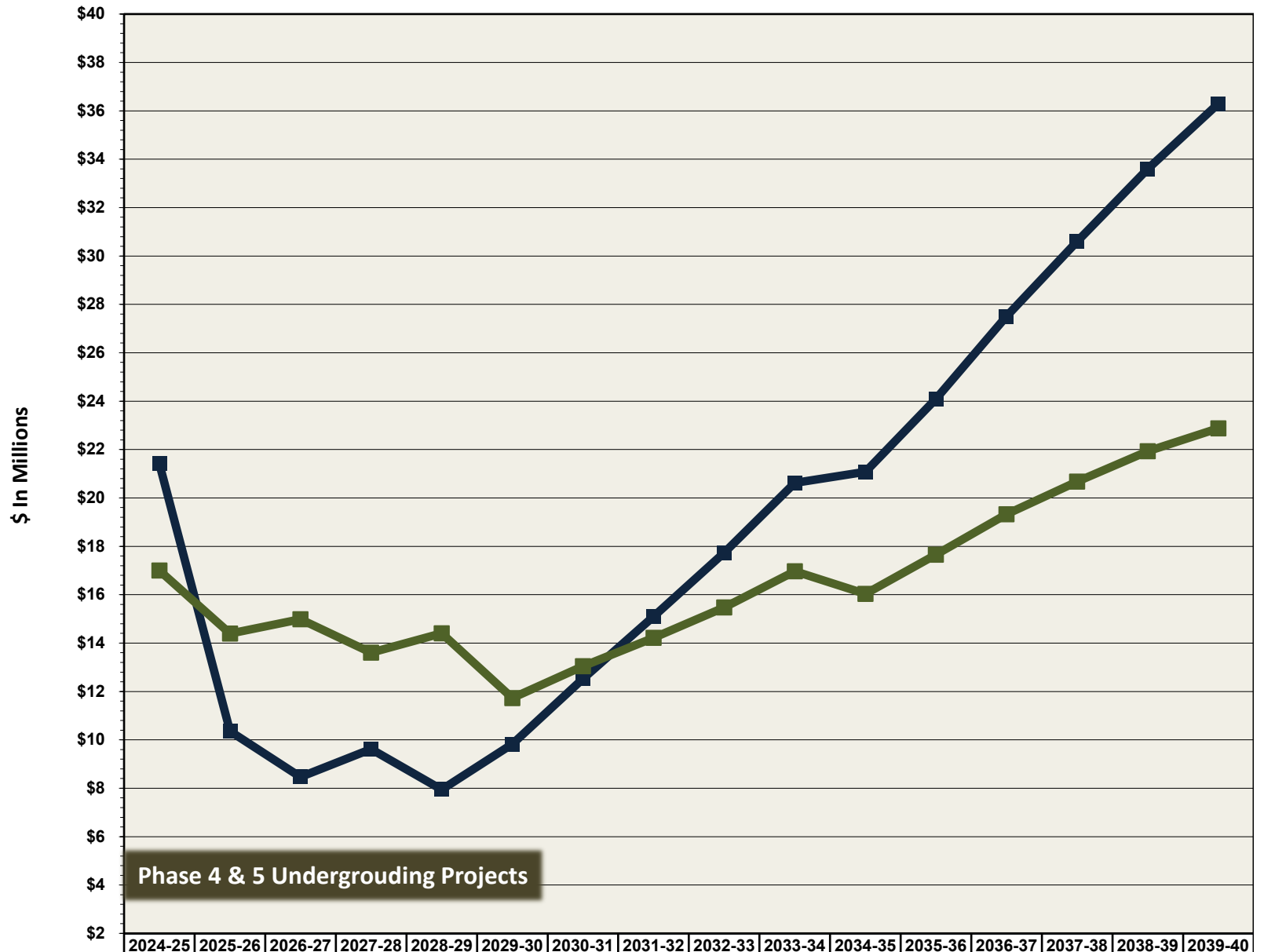
(*): Recycled Water Distribution System Assets are financed through Reclamation Project reimbursements and are not included.

**APPENDIX B
ANNUAL REVENUES, CAPITAL EXPENDITURES, AND RESERVE BALANCES**

	FISCAL YEAR							
	2032-33	2033-34	2034-35	2035-36	2036-37	2037-38	2038-39	2039-40
CAPITAL RESERVE & SPECIAL PROJECTS RESERVE BEGINNING BALANCE:	\$ 15,086,000	\$ 17,727,000	\$ 20,610,000	\$ 21,071,000	\$ 24,079,000	\$ 27,494,000	\$ 30,592,000	\$ 33,592,000
REVENUES:								
Annual Revenue Allocation								
Capital Outlays & Special Projects	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000
TOTAL REVENUES	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000	7,300,000
CAPITAL EXPENDITURES:								
Long-Term Capital Outlay								
Plan Items (*)	2,259,000	2,017,000	4,439,000	1,892,000	1,485,000	1,802,000	1,900,000	2,205,000
Undergrounding Projects	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000	2,400,000
TOTAL EXPENDITURES	4,659,000	4,417,000	6,839,000	4,292,000	3,885,000	4,202,000	4,300,000	4,605,000
REVENUES OVER EXPENDITURES	2,641,000	2,883,000	461,000	3,008,000	3,415,000	3,098,000	3,000,000	2,695,000
CAPITAL RESERVE & SPECIAL PROJECTS RESERVE ENDING BALANCE:	\$ 17,727,000	\$ 20,610,000	\$ 21,071,000	\$ 24,079,000	\$ 27,494,000	\$ 30,592,000	\$ 33,592,000	\$ 36,287,000
LTCOP Required Capital Outlay Reserve	\$ 15,472,000	\$ 16,964,000	\$ 16,034,000	\$ 17,651,000	\$ 19,321,000	\$ 20,674,000	\$ 21,929,000	\$ 22,879,000

(*): Recycled Water Distribution System Assets are financed through Reclamation Project reimbursements and are not included.

Appendix C
District Reserve Balances



Estimated Capital Reserve Ending Balance	\$21.4	\$10.4	\$8.5	\$9.6	\$7.9	\$9.8	\$12.5	\$15.1	\$17.7	\$20.6	\$21.1	\$24.1	\$27.5	\$30.6	\$33.6	\$36.3
LTCOP Required Capital Outlay Reserve	\$17.0	\$14.4	\$15.0	\$13.6	\$14.4	\$11.7	\$13.0	\$14.2	\$15.5	\$17.0	\$16.0	\$17.7	\$19.3	\$20.7	\$21.9	\$22.9