

PEBBLE BEACH COMMUNITY SERVICES DISTRICT



LONG-TERM FINANCIAL PLAN AND RESERVES POLICY

MARCH 2026



**PEBBLE BEACH COMMUNITY SERVICES DISTRICT
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March 27, 2026**

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 fund ongoing operations and maintenance (O&M).
Capital Outlay Acquisition	Designated to fund 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 fund 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 fund discretionary 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. These designations also ensure that sufficient resources are set aside as reserves to support future needs and maintain the long-term 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 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.

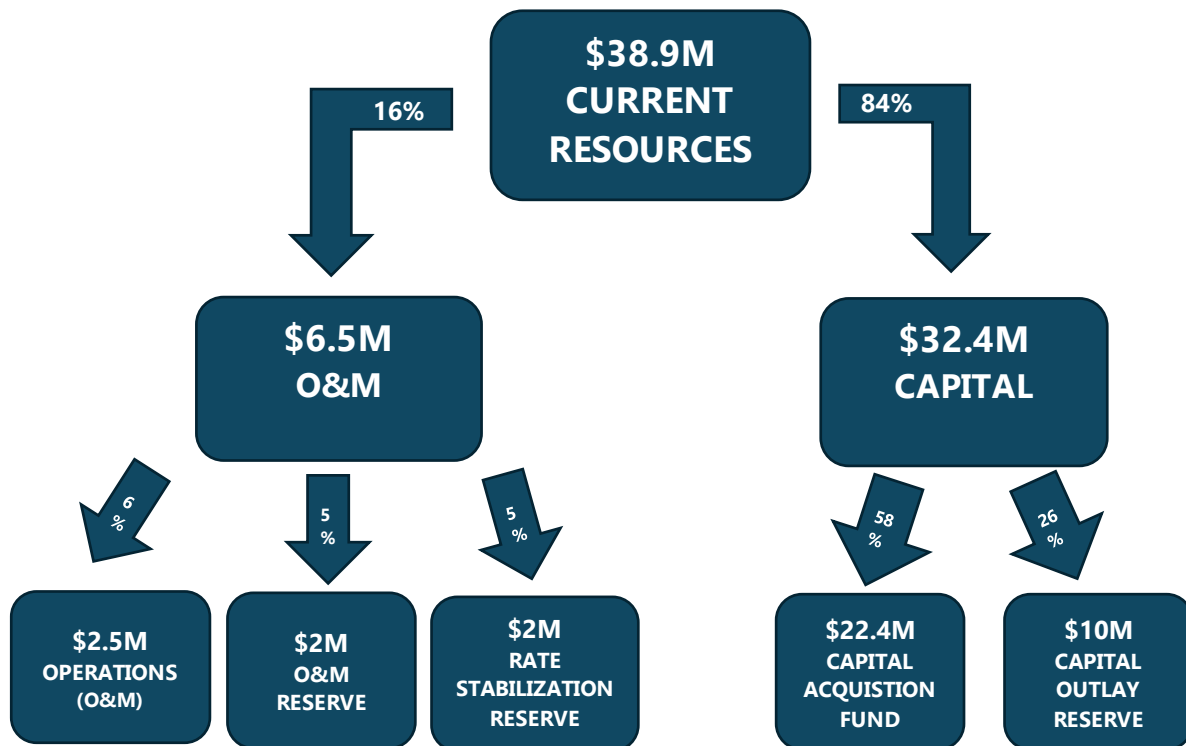
Assumptions and Concepts

- 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, 2026, the District has approximately **\$38.9 million** in cash and investments. This amount is proposed to be designated as presented in the following chart:



Operations (O&M)

An allocation of **\$2.5 million** is designated for operations 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 intended to fund operations from March through December 2026.

An O&M short-term cash flow projection is provided in **Appendix A**.

Capital Acquisition Fund

Capital outlays and construction projects expected to be completed in the remainder of the current fiscal year (on or before June 30, 2026) or carried over into fiscal year 2026–27 will be funded with the **\$22.4 million** allocated to the **Capital Acquisition Fund**.

This includes:

- **\$12.5 million** for undergrounding projects;
- **\$7.4 million** for sewer pump station rehabilitations, sewer line replacements, and other equipment;
- **\$1.4 million** for the PBCSD 1/3 share of Carmel Area Wastewater District (CAWD) Treatment Plant capital improvements;
- **\$0.9 million** for facility improvements, parking lot pavement restoration, network equipment, and office equipment and furniture;
- **\$0.2 million** for fire safe garden improvements and fire department vehicles and equipment.

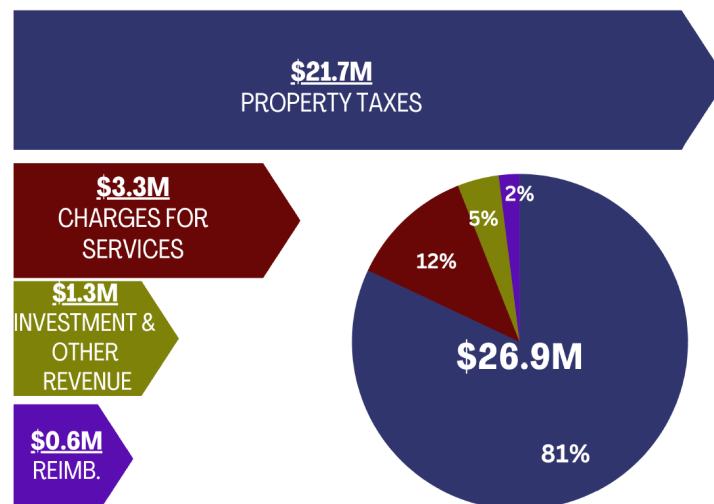
Reserves

In accordance with District policy, the **Operating (O&M) Reserve** is set at **\$2 million**, representing **10%** of the current O&M Budget. The **Rate Stabilization Reserve** is also set at **\$2 million**, representing **50%** of the wastewater operating budget.

The **required Capital Outlay Reserve** is **\$15 million**, calculated using a methodology based on the estimated cost and useful life of capital assets, excluding undergrounding projects. This methodology is described further in the “Financing Method for Capital Outlays” section of this report. Due to the Undergrounding Phase 4 project currently underway, the **actual Capital Outlay Reserve** balance is **\$10 million**, resulting in a \$5 million funding gap.

ESTIMATED FUTURE REVENUE AND DESIGNATIONS

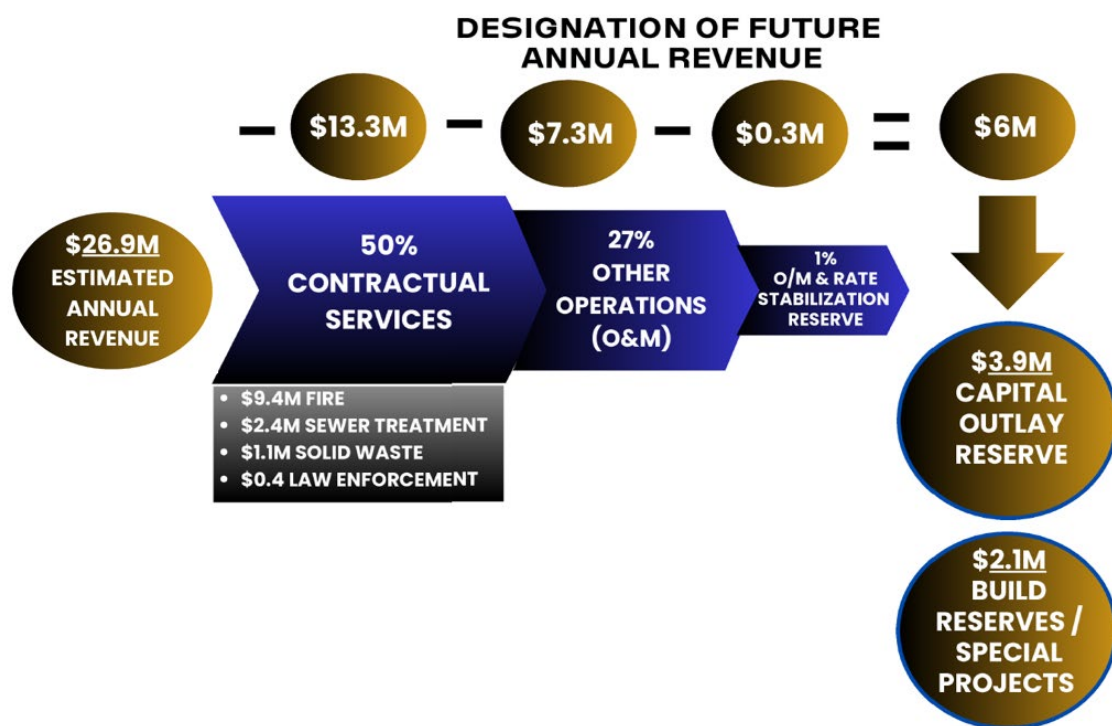
The following chart displays the District’s estimated **\$26.9 million** annual revenue by source.



The District’s annual revenues of **\$26.9 million** exceed annual O&M expenses, **\$20.6 million** (excluding depreciation) by **\$6.3 million**. This surplus reflects the District’s ability to generate revenues in excess of operating costs, providing resources to support reserves, capital needs, and future financial stability.

Of this surplus, **\$0.3 million** is allocated to maintain the O&M and Rate Stabilization Reserves at Board policy levels. A portion, **\$3.9 million**, will be needed to maintain the reserves and fund capital outlays. The remaining **\$2.1 million** will be available to build reserves and fund discretionary projects, such as undergrounding of overhead utilities and future fire fuel reduction work.

The proposed allocation of the **\$26.9 million** in future annual revenue is presented in the chart below.



The District’s annual revenue is sufficient to fund contractual services (*\$13.3 million*) and other O&M expenses (*\$7.3 million*) over the next 15 years. Revenue in excess of O&M expenses will be allocated as described in the following “Reserves” section.

Reserves

The plan includes an annual allocation of **\$200,000** 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 **\$3.9 million** to the **Capital Outlay Reserve** is calculated based on the cost and useful life of each item included in the Long-Term Capital Outlay Plan (COP). This methodology is further described in the “Financing Method for Capital Outlays” section in this report.

Building Reserves/ Special Projects: It is estimated that **\$2.1 million** in annual revenue will be available to build reserves and fund future discretionary projects. The Long-Term COP includes \$15.5 million of Phase 4 and 5 identified mainline undergrounding utilities projects, expected to be completed within the next five years. Beginning in fiscal year 2031-32, an annual allocation of \$1 million has been assigned for future undergrounding projects that could be implemented at the discretion of the Board.

The following table displays the District reserve requirements calculated based on the proposed 2026 Long-Term COP.

Table 1: 15-year Reserve Requirements

Fiscal Year Ending	Estimated Annual Revenue (\$26.6M - \$20.6M)	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				
2025-26	+	-	\$10.0	\$15.0
2026-27	\$6.0	\$6.7	\$9.3	\$15.2
2027-28	\$6.0	\$9.0	\$6.3	\$13.1
2028-29	\$6.0	\$3.3	\$9.0	\$14.2
2029-30	\$6.0	\$9.0	\$6.0	\$15.0
2030-31	\$6.0	\$5.5	\$6.5	\$12.9
2031-32	\$6.0	\$3.3	\$9.2	\$13.9
2032-33	\$6.0	\$3.2	\$11.9	\$15.1
2033-34	\$6.0	\$3.0	\$14.9	\$16.5
2034-35	\$6.0	\$5.3	\$15.6	\$15.6
2035-36	\$6.0	\$2.9	\$18.7	\$17.0
2036-37	\$6.0	\$2.6	\$22.1	\$18.8
2037-38	\$6.0	\$3.1	\$25.0	\$20.0
2038-39	\$6.0	\$3.0	\$28.0	\$21.4
2039-40	\$6.0	\$2.9	\$31.1	\$22.9
2040-41	\$6.0	\$3.8	\$33.3	\$23.5

*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 2031-32 estimated \$1 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 Table 1: 15-year Reserve Requirements.

FINANCING METHOD FOR CAPITAL OUTLAYS

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

The required **Capital Outlay Reserve** of **\$15 million** is determined using the following methodology:

- The *annual allocation* for each Long-Term COP asset is calculated based on its estimated cost and useful life (current replacement cost divided by useful life).

Annual Capital Reserves Allocation	
\$ In Millions	
Administration / Engineering	\$0.1
Fire Protection / Emergency Medical	\$0.8
Wastewater Collection and Treatment	\$2.5
CAWD Treatment Plant	\$0.5
Total	\$3.9

- A *required initial allocation* is calculated by multiplying the annual allocation determined above by the age of each asset. This ensures that sufficient funds for all prior-year allocations have been saved for each asset on the Long-Term COP.

Required Initial Capital Reserves Allocation	
\$ In Millions	
Administration / Engineering	\$0.6
Fire Protection / Emergency Medical	\$3.6
Wastewater Collection and Treatment	\$6.5
CAWD Treatment Plant	\$4.3
Total	\$15

This table reflects the required initial Capital Outlay Reserve allocation of \$15 million. The actual Capital Outlay Reserve balance on March 1, 2026 is \$10 million, indicating a \$5.0 million funding gap attributable to the Undergrounding Phase 4 project.

This methodology is based on financing capital outlays on a “pay-as-you-go” basis. As future annual contributions are added to the initial allocation, sufficient funds will be available when each asset reaches its replacement year.

The following example illustrates this concept:

In fiscal year 2027–28 the Long-Term COP includes the replacement of Fire Medic Engine 22, with an estimated cost of \$1.5 million and a useful life of 15 years. This results in a recommended annual allocation of \$100,000 ($\$1.5 \text{ million} \div 15 \text{ years}$). Because the current engine is 14 years old, an initial allocation of \$1.4 million ($\$100,000 \times 14 \text{ years}$) is placed in the Capital Outlay Reserve for this item. With continued annual contributions of \$100,000, the full replacement amount will be available in fiscal year 2027–28. Similar calculations have been applied for all assets listed in the Long-term COP.

Pebble Beach Medic Engine 22
(1) Annual Required Savings = Total Cost / Replacement Cycle
$\$1.5\text{M} / 15 \text{ years} = \$100\text{K Annual Required Savings}$
(2) Required Capital Reserve = Required Annual Savings x Years*
$\$100\text{K Annual Savings} \times 14 \text{ years}^* = \$1.4\text{M Required Capital Reserve}$
<i>*15 years (Replacement Cycle) – 1 year (Until Replacement) = 14 years</i>

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 3/1/2026	Proprietary Funds	Governmental Funds	GASB 54 Reporting
\$ In Millions				
Operations	\$2.5	\$1.2	\$1.3	Unassigned
O&M Reserves	\$2.0	\$0.5	\$1.5	Committed
Rate Stabilization Reserves	\$2.0	\$2.0	\$0.0	N/A
Capital Outlay Acquisition	\$22.4	\$8.8	\$13.6	Committed
Capital Outlay Reserves*	\$10.0	\$7.2	\$2.8	Committed
Total	\$38.9	\$19.7	\$19.2	

*\$10 million represents actual Capital Outlay Reserves not required Capital Outlay Reserves (\$15 million).

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 District’s primary revenue source, accounting for approximately **81%** of total current revenues. Property tax revenues have shown consistent growth in recent years, increasing by 4.6% in fiscal year 2024–25 and 4.3% in fiscal year 2025–26. Recent information from the Monterey County Assessor’s Office estimates property tax growth of approximately 5% for fiscal year 2026–27.

2) Legislative Risk

On two occasions, the State shifted property tax revenues from enterprise special districts to address its fiscal challenges. 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. A subsequent shift occurred during fiscal years 2004–05 and 2005–06, resulting in an additional loss of approximately \$1.7 million over that period. These actions concluded with the implementation of constitutional protections for local agencies under Proposition 1A (November 2004), which limited the State’s ability to reallocate local property tax revenues, although certain exceptions may still apply under specific conditions. Since then, the State Legislative Analyst’s Office has, at times, considered proposals that would have redirected a portion of property tax revenues from enterprise districts to counties to support responsibilities shifted from the State. While such proposals were not enacted, they demonstrate that potential changes in law could affect property tax allocations in the future.

3) Economic Sensitivity

In addition to potential legislative actions, property tax revenues are influenced by economic conditions and real estate market trends. In fiscal year 2010–11, the District’s property tax revenues declined by 3.6% following reductions in assessed property values during the economic downturn. In subsequent years, property values have recovered, contributing to revenue growth. However, future economic conditions, changes in housing markets, and policy decisions at the federal level may affect assessed values and, consequently, property tax revenues. These factors should be monitored and considered in future financial planning and decision-making.

4) The Rate of Change in Expenses

Contractual services represent a substantial portion of the District’s operating expenditures, totaling approximately \$13.3 million. Of this amount, the largest share, about \$9.4 million, is attributable to fire protection services provided through the District’s contract with CAL FIRE. Additional significant contracts include approximately \$2.4 million for the District’s one-third share of operations of the CAWD Treatment Plant, and \$1.1 million for solid waste and recycling services with GreenWaste Recovery. The District also incurs approximately \$400,000 annually for supplemental law enforcement services provided by the California Highway Patrol.

In recent years, CAL FIRE costs have increased at higher rates due to changes in labor laws, overtime structures, and rising pension benefit costs. Because this contract makes up a large portion of the District’s operating expenses, any increase in service costs could directly impact the District’s ability to maintain a strong surplus of revenues over operating expenses.

Other operating expenses have fluctuated over the last five years, reflecting periods of both increases and decreases due to program expansion and changes in District staffing levels. Overall, operating expenses show a modest upward trend in recent years, which is expected to continue.

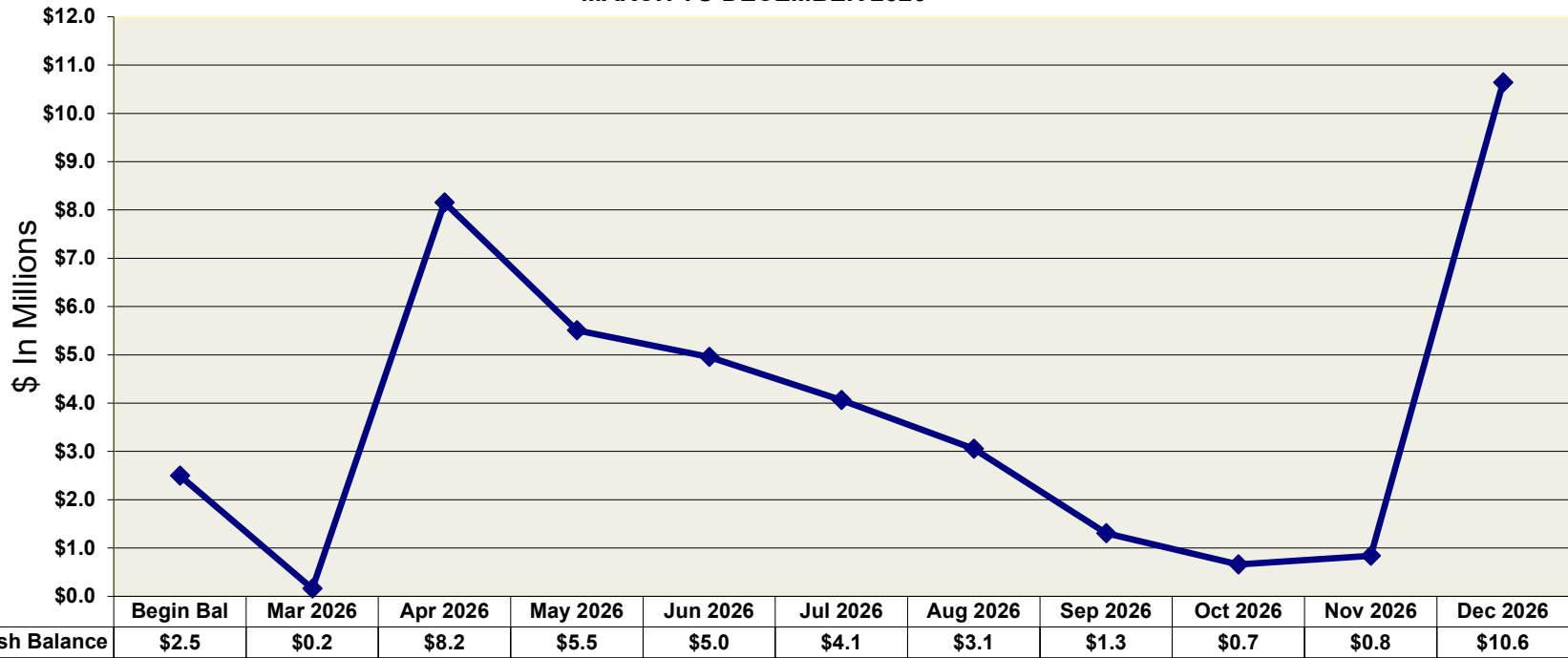
Growth in property tax revenues, the District's primary funding source, have supported the growth in contract expenses and other operating expenses. Any decline in property tax revenues could have an impact on the District's funding capabilities.

CONCLUSION

The District is expected to maintain financial stability while continuing its expanded undergrounding program. The short-term funding gap between the required Capital Outlay Reserve and the current Capital Outlay Reserve balance, due to the ongoing undergrounding project, is not expected to create material financial risk to the District's overall financial position over the next 15 years.

Due to various economic factors, underlying assumptions, and the length of the planning horizon, it is recommended that the District continue its practice of updating its Long-Term Capital Outlay Program and Financial Plan annually.

Appendix A
PBCSD LONG-TERM FINANCIAL PLAN
O&M SHORT-TERM CASH FLOW PROJECTION
MARCH TO DECEMBER 2026



	Mar 2026	Apr 2026	May 2026	Jun 2026	Jul 2026	Aug 2026	Sep 2026	Oct 2026	Nov 2026	Dec 2026
O&M										
Beginning Balance	\$ 2,500,000	\$ 160,000	\$8,154,000	\$ 5,506,000	\$ 4,954,000	\$ 4,063,000	\$ 3,056,000	\$ 1,308,000	\$ 661,000	\$ 841,000
Revenue	615,000	8,703,000	74,000	422,000	406,000	68,000	279,000	206,000	927,000	13,027,000
Expenditures	2,955,000	709,000	2,722,000	974,000	1,297,000	1,075,000	2,027,000	853,000	747,000	3,231,000
O&M										
Ending Balance	\$ 160,000	\$ 8,154,000	\$ 5,506,000	\$ 4,954,000	\$ 4,063,000	\$ 3,056,000	\$ 1,308,000	\$ 661,000	\$ 841,000	\$ 10,637,000

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

	FISCAL YEAR							
	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33
CAPITAL RESERVE & SPECIAL PROJECTS RESERVE BEGINNING BALANCE:		\$ 10,000,000	\$ 9,321,000	\$ 6,348,000	\$ 9,017,000	\$ 5,979,000	\$ 6,482,000	\$ 9,153,000
REVENUES:								
Annual Revenue Allocation								
Capital Outlays & Special Projects		6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
TOTAL REVENUES		6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
CAPITAL EXPENDITURES:								
Long-Term Capital Outlay								
Plan Items (*)		3,679,000	5,973,000	2,831,000	3,038,000	2,497,000	2,329,000	2,224,000
Undergrounding Projects		3,000,000	3,000,000	500,000	6,000,000	3,000,000	1,000,000	1,000,000
TOTAL EXPENDITURES		6,679,000	8,973,000	3,331,000	9,038,000	5,497,000	3,329,000	3,224,000
REVENUES OVER EXPENDITURES		(679,000)	(2,973,000)	2,669,000	(3,038,000)	503,000	2,671,000	2,776,000
CAPITAL RESERVE & SPECIAL PROJECTS RESERVE ENDING BALANCE:	\$ 10,000,000	\$ 9,321,000	\$ 6,348,000	\$ 9,017,000	\$ 5,979,000	\$ 6,482,000	\$ 9,153,000	\$ 11,929,000
LTCOP Required Capital Outlay Reserve	\$ 15,000,000	\$ 15,192,000	\$ 13,101,000	\$ 14,152,000	\$ 14,996,000	\$ 12,897,000	\$ 13,940,000	\$ 15,088,000

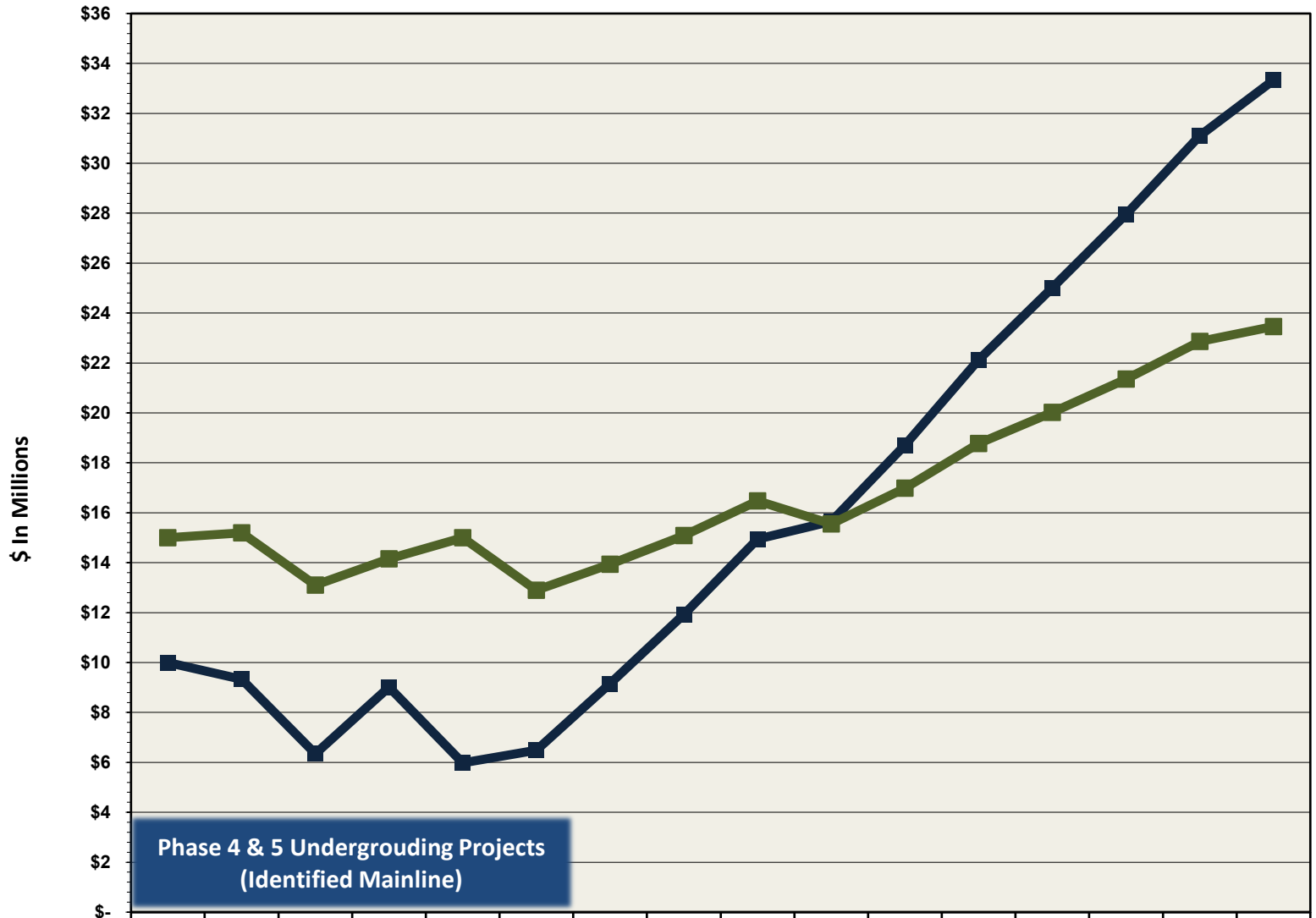
(*): Recycled Water Distribution System Assets are financed through Reclamation Project reimbursements and are not included.

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

	FISCAL YEAR							
	2033-34	2034-35	2035-36	2036-37	2037-38	2038-39	2039-40	2040-41
CAPITAL RESERVE & SPECIAL PROJECTS RESERVE BEGINNING BALANCE:	\$ 11,929,000	\$ 14,942,000	\$ 15,648,000	\$ 18,711,000	\$ 22,129,000	\$ 25,005,000	\$ 27,963,000	\$ 31,106,000
REVENUES:								
Annual Revenue Allocation								
Capital Outlays & Special Projects	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
TOTAL REVENUES	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
CAPITAL EXPENDITURES:								
Long-Term Capital Outlay								
Plan Items (*)	1,987,000	4,294,000	1,937,000	1,582,000	2,124,000	2,042,000	1,857,000	2,779,000
Undergrounding Projects	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
TOTAL EXPENDITURES	2,987,000	5,294,000	2,937,000	2,582,000	3,124,000	3,042,000	2,857,000	3,779,000
REVENUES OVER EXPENDITURES	3,013,000	706,000	3,063,000	3,418,000	2,876,000	2,958,000	3,143,000	2,221,000
CAPITAL RESERVE & SPECIAL PROJECTS RESERVE ENDING BALANCE:	\$ 14,942,000	\$ 15,648,000	\$ 18,711,000	\$ 22,129,000	\$ 25,005,000	\$ 27,963,000	\$ 31,106,000	\$ 33,327,000
LTCOP Required Capital Outlay Reserve	\$ 16,473,000	\$ 15,551,000	\$ 16,986,000	\$ 18,776,000	\$ 20,024,000	\$ 21,354,000	\$ 22,869,000	\$ 23,462,000

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

Appendix C
District Reserve Balances



	2025 -26	2026 -27	2027 -28	2028 -29	2029 -30	2030 -31	2031 -32	2032 -33	2033 -34	2034 -35	2035 -36	2036 -37	2037 -38	2038 -39	2039 -40	2040 -41
Estimated Capital Reserve Ending Balance	\$10.0	\$9.3	\$6.3	\$9.0	\$6.0	\$6.5	\$9.2	\$11.9	\$14.9	\$15.6	\$18.7	\$22.1	\$25.0	\$28.0	\$31.1	\$33.3
LTCOP Required Capital Outlay Reserve	\$15.0	\$15.2	\$13.1	\$14.2	\$15.0	\$12.9	\$13.9	\$15.1	\$16.5	\$15.6	\$17.0	\$18.8	\$20.0	\$21.4	\$22.9	\$23.5