

June 23, 2020

1 BUDGET OVERVIEW

1.1 PURPOSE

We are pleased to present to the Board of Directors the third draft 2020/2021 fiscal year budget, which will be described in detail in a budget memorandum. The intent of this document is to describe, in narrative terms, how the budget is planned to support accomplishment of Board goals and management objectives. We provide background on how management is approaching budget preparation, to describe what the budget will and will not contain, changes to be made or expected in operations and administration, infrastructure improvements and other capital investments proposed. After Board review and direction today, a final version of this memo will become the budget narrative that supports and explains the final budget for the benefit of the Board and public. The Budget Memorandum also serves as a foundation for financial continuity and stability through changes in Boards and management into the future.

The final budget memorandum for 2020/2021 will be completed with hyperlinks to the individual fund budget sheets for presentation at the budget public hearing planned for June 23, 2020.

1.2 TRANSPARENCY

The development of the small public agency budget is as much an exercise in public outreach and education as it is in finance and fiscal accountability. Effective special district budgets tie directly to management goals and objectives, are simply presented and easily understood by the average District service customer. Budgets containing every line item to be purchased are not realistic or necessary in our public service environment, where our revenue is very predictable but our expenses can vary widely due to weather, regulations, natural disasters, critical equipment failure or pandemic. Therefore, this budget is presented with individual line items summarized into functional categories in each service, including:

- Salaries, benefits and pension liabilities
- Operating expenses such as equipment, vehicles, system/building maintenance and repair
- Outside (contractual) services
- Other expenses such as utilities, training, certification
- Leases and debt service (loan) payments
- Capital outlay (projects and equipment with a value of over \$5000 and useful life of greater than three years)

These expense categories are easily understood by the layperson, and prepared for the Board and public to understand how much we spend on employees and the cost change from year to year; the amounts invested in infrastructure and equipment replacement, the cost of loans, contracted services and maintenance.

To provide a basis of budget understanding, the assumptions, criteria and procedures of budget development are articulated in this memorandum to offer the reader with the background necessary to comprehend the methodology used and performance to budget within the year currently coming to a close; as well as the ability to transition into the upcoming budget year with the information necessary to identify trends, financial red flags, budget influences and other factors. The budgeting exercise is therefore used as a vehicle to increase financial transparency and accountability.

1.3 ACCOUNTABILITY

Budgeting is also a management tool used to continuously refine financial accounting methods to evaluate the impact of delivering various levels of public services. For example, we need to be able to not only quickly recognize when we have underestimated cost for materials and supplies; we should also have the ability to know whether it was maintenance, state permits or salaries that produced the cost overrun. This provides the Board with the ability to uphold their fiscal responsibilities; seeking clarification, considering budget amendments and/or evaluating options to increase revenue or reduce expense. The budget also lays out the annual expenditure plan that directly ties to and supports the service rates charged. Performance within the budget, accomplishing the District's goals, setting aside reserves for infrastructure and operations provides a measurement of financial success.

1.4 SERVICES PROVIDED

In accordance with [California Government Code Section 61100](#), The District is authorized by the Local Agency Formation Commission (LAFCO) to provide the following services (active powers):

- Water
- Sewer
- Fire
- Park/recreation including Community Centers

1.4.1 Water Service

The district provides potable water treatment and distribution service to approximately 3300 connections from Big Oak Flat through Groveland and Pine Mountain Lake. The also provides fire hydrants and stored water for firefighting purposes. The cost of delivering water services is funded 100% by water system user charges and fees. Some infrastructure improvements are funded by state and federal grants, and the district expends much effort to maximize available grants. Grants are very competitive and can take one to five years to complete the application and receive a funding contract. All water system infrastructure grants pay on a reimbursement basis; in other words we must have the cash to pay the contractor, then request reimbursement from the state, which can take two months for payment. In funding all of our services, grants are NOT available to pay the cost of staff, chemicals, power, fuel or any other normal operating cost; or to waive or reduce fees or charges for low income, seniors, etc.

1.4.2 Sewer Service

The district provides wastewater collection, treatment and recycling services to approximately 1550 connections from Big Oak Flat through Groveland and Pine Mountain Lake. As with water service, the cost of delivering wastewater services is funded 100% by sewer system user charges and fees, and some infrastructure improvements are funded by state and federal grants.

1.4.3 Fire Services

The district fire department provides fire suppression and protection, emergency response, emergency medical, rescue and hazardous materials response services within the district boundaries and surrounding areas under mutual aid agreements. The fire department is funded entirely with ad-valorem property tax dollars received by the District (not a special tax or assessment). The District typically allocates 92% of the total property tax received to fund the fire department. Prior to 2012 when it expired, the District also had a property assessment in place that generated approximately \$250,000 annually. A special tax measure on the 2012 ballot failed, and the department has only property taxes remaining, coupled with small amounts of reimbursements for equipment used on state fires. Grants are available for some projects and programs, such as new fire safety and inspections.

The GCSD fire department has no direct employees and is staffed under contract with CALFIRE. Two CALFIRE firefighters are on duty at the District station 24x7 and the fire engines and all equipment in the station are owned and maintained by GCSD. During the fire season, the CALFIRE station on Merrell Road is also staffed with a minimum of two full time firefighters at state expense. During non-fire season (typically November – April), the District funds the cost for these two full time staff to remain at the CALFIRE station to respond to District emergency calls. District maintenance and administrative staff are responsible for fire department equipment and buildings, finances, planning, communication, contracts and other management matters. Please see the recently updated Fire Department Master Plan which outlines concerns with the low level of staffing and funding available to support the fire department.

1.4.4 Park Services

The District owns and operates Mary Laveroni Park and all of its amenities, as well as the dog park and Leon Rose Ballfield. The District also provides limited recreational programs run by volunteers such as Movies in the Park. The park operation is funded by the remaining 8% of the ad-valorem property taxes and a small amount of facility rental fee revenue. Competitive grants are occasionally available to build new amenities and replace infrastructure, buildings and related equipment. As with the Fire Department, the park services also share maintenance and administrative staffing with all other services. With increasing maintenance costs at the park and very small increases in property tax revenue, amenities such as Leon Rose Ballfield can only be opened to the public if operated and maintained by volunteers.

1.5 SERVICE LEVELS

Special districts are truly the most responsive vehicle in which to respond to a community's service provision needs. In some cases, a district is formed to provide a single public service such as water or wastewater, and in others such as GCSD, a district is formed to provide multiple public services, tailored at a level specific to the needs of the community. Considering these differences, it is important to understand the fact that some of our service levels are fixed by law or state/federal regulations and we must comply with these regardless of the impacts on the budget. Other service levels are at the discretion of the district through its Board of Directors; and considering public input as further described below.

1.5.1 Mandatory Service Level Example

The Local Agency Formation Commission (LAFCO) Resolution that formed GCSD assigns to us the responsibility to provide water and sewer services; which must be delivered in a manner that protects public health and safety, and in strict compliance with State and Federal Permits, regulations and laws.

We have an obligation to provide our community with safe drinking water. We are mandated to comply with Safe Drinking Water laws and requirements, and if we do not, the state **will** levy steep fines, penalties and expensive/unplanned improvement requirements. Pleading that the District or its customers cannot comply with OSHA laws, Safe Drinking Water or Clean Water Act requirements because we do not have enough money, have high unemployment and low household income in the community; will not relieve the District of the fines or enforcement plus the requirement to be in compliance with laws. Also, as community members responsible for healthy drinking water, our staff and management will not allow customer water quality to suffer due to budget cuts.

The District Board and management have NO flexibility when it comes to providing service in compliance with these requirements, no matter how costly. Therefore, management will budget for compliance including ensuring an adequate staff of state certified operators, mandated training, chemicals, reliable pumps, controls, monitoring equipment, reliable vehicles and equipment and safety equipment. Qualified, certified staff do not come cheaply as they are in high demand in the region, state and country and the employment market is very competitive with high paying agencies such as the valley irrigation districts and City/County of San Francisco at its Hetch Hetchy facilities. We also budget for consultation with qualified engineers to ensure we are operating in accordance with current industry practices and in the most cost effective manner possible.

1.5.2 Discretionary Service Level Example

Fire and Park services are examples where we have the discretion to set service levels. With regard to parks, if we own and operate them, certain less onerous mandatory requirements apply, including:

- To reduce liability, we must maintain for public safety. We can, and will be sued for a dangerous or defective condition of public property
- We must comply with all handicapped accessibility requirements for facilities and buildings
- Playgrounds must be constructed and maintained in compliance with the Handbook for Public Playground Safety
- We must comply with public contracting requirements such as payment of prevailing wage; CEQA and non-discrimination requirements

However, if we have no money available to operate a baseball field, replace a leaky roof, replace a broken refrigerator, irrigate or mow the lawn, stripe the parking lot, or keep the skate park open when the concrete fails; there is no requirement in law to provide for these. Therefore, as unpopular as it may be, if there is no money, the District can budget \$0 for water and \$0 for power, close and lock buildings and stop mowing the lawn.

In the example above, the District does have the ability to propose the adoption of a funding measure, such as a property assessment or special tax, that if approved by the voters can be used to maintain services at a current level or improve them to the level desired by the community. Once a funding measure is approved, law requires that those funds can only be spent on the services and improvements for which they were approved by the voters.

In a very high fire hazard zone like the GCSO service area, one would assume that having a local fire department would be mandatory; however this is not the case. If the district budget and revenue will not support the cost of operating a fire department, the Board can choose to petition the Local Agency Formation Commission (LAFCO) to stop providing the service. The District could choose to terminate its Schedule A contract with Calfire and have only a volunteer department, when and if personnel were available. While providing fire services whether volunteer or through Calfire, strict state mandated

procedural, training, safety and documentation requirements exist and must be followed. Obviously having no fire department or a volunteer only department would have a negative effect on property insurance and safety throughout the district and region. Providing mutual aid and responding to emergencies outside the district boundaries is also at the discretion of the GCSD Board.

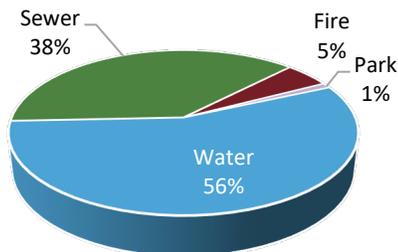
1.6 GENERAL BUDGET DEFINITIONS

1.6.1 Administrative Expenses

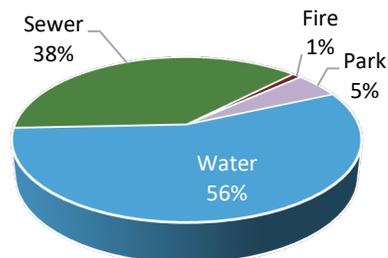
All administrative, or overhead expenses are presented in their own category on page 5 of the [District-Wide Budget](#) for transparency and evaluation purposes. The salary and benefits of office staff, management, office expense, insurance, board expenses and other basic, foundational costs incurred to administer the affairs of the District, regardless of the services provided, are accounted for in the administrative expense. As a standard accounting practice in local government, administrative expense is either funded by allocation of property tax dollars, or distributed to the various services provided, at an allocation percentage based on the level of administrative effort that goes into delivering the respective service.

Continuing in 2020/21, it is recommended that GCSD allocate the administrative expenses to each of its service funds based on an appropriate percentage of benefit derived; as shown in the charts below. The administrative overhead is allocated to water and sewer services proportionally based on the numbers of customers served. The proportional share of administrative expenses paid by park and fire services are based on the estimated level of administrative effort to manage the respective services and meet the goals of the Board. Due to the large management effort in updating the fire department master plan in 2019/20 and implementing that plan in 2020-2021, it is anticipated and budgeted that the effort and associated cost of administration of the fire department will increase from to 5% in the upcoming 2020/21 fiscal year (up from 1% in 2019/20).

2020/21 Administrative Expenses, % to Services



2019/20 Administrative Expenses, % to Services



1.6.2 Revenue

1.6.2.1 Taxes and Assessments

- **Property Taxes – Current Secured:** A portion of the ad valorem (value based) property taxes that are levied, collected and appropriated by the County to the District for all secured property within the Groveland Community Services District service area. This tax is secured by a lien on real property and are subject to 1% of market value limitations of Proposition 13. The Board of Directors has the discretion to allocate ad valorem property taxes to any and all legitimate

expenses of the District. Historically, the District has allocated all ad valorem taxes received to the Fire and Park services.

- **Property Taxes – Current Unsecured:** A portion of the ad valorem (value based) property taxes that are levied, collected and appropriated by the County to the District for all unsecured property with the District’s service area. The term “unsecured” simply refers to property that is not secured real estate such as a house or parcel of land which is currently owned. In general, unsecured property tax is either for business personal property (office equipment, owned or leased), boats, berths, or possessory interest for use of a space.
- **Assessments** (In our case also referred to as Bonds): A levy or charge upon real property by an agency for a special benefit conferred upon the real property that is subject to Proposition 218.

1.6.2.2 Service Charges

Property related charges imposed for a property related service. Article XIII D of the California constitution determined that water and wastewater are property related services subject to the ratemaking procedures of Proposition 218 (1996).

- **Water Service Charge:** Fees collected to recover the cost of providing water service and potable water to District customers. The fixed charge or “base rate” is levied on a monthly basis to keep the water system in a “ready to serve” condition.
- **Wastewater Service Charge:** Fees collected to recover the cost of wastewater collection, treatment and disposal services to District customers. The fixed charge or “base rate” is levied on a monthly basis to keep the wastewater system in a “ready to serve” condition.
- **Variable Rates:** the dollar amount charged per unit of water consumed and/or sewage discharged based on meter readings

1.6.2.3 Fees

Miscellaneous set fees such as late fees, door notice fees, hydrant meter rental, hookup fees, reconnection fees, property transfer fees and returned check fees. All fees are charged related to actions or non-actions specific to a customer’s water or wastewater account, for facility rentals and other administrative processes. Government Code § 61115(a)(1) provides that the District Board of Directors can, by ordinance or resolution, establish fees for the services and facilities that the District provides. All such fees must be reasonably related to the service provided. The fees cannot be used as a source of “general revenue” for the District. The District has adopted a Miscellaneous Fee Schedule which contains the various charges for extra services provided by the District.

1.6.2.4 Grants & Donations

Various grants or donations received for specific purposes or areas. Grants are only included in the budgeted revenue if a grant agreement is in place and the receipt of the grant revenue can be certainly expected within the fiscal year. Grant revenue may be listed as contingent if there is a reasonable expectation that the money will be received to offset a particular expense.

1.6.2.5 Other Revenue

- **Strike Team Revenue:** Income received from the State of California and Federal Government to reimburse the District for expenses related to responding to a request for mutual aid to fight wildfire (Strike Team). This is applicable to the fire fund only.
- **Lease Revenue:** Income received from the rental of District property, equipment or buildings.
- **Cell Tower Rental:** Income received from the rental of District property to telecommunications companies for the location of cellular and data transmission facilities.

- **Sale of Assets:** Monies received from the sale of buildings, vehicles, land or equipment owned by the District.
- **Interest Revenue:** Interest earned on investment of District funds, such as Money Market accounts or LAIF.

1.6.3 General Expenses

- **Salaries:** Costs associated with compensation paid to employees and interns of the District including regular pay, overtime, standby, vacation, sick, strike team, cell phone stipend, uniform allowance, and intern stipends.
- **Benefits:** Costs associated with all fringe benefits and payroll related expenses for District employees. Costs include payroll taxes, retirement contributions, health/vision/dental insurance premiums, and workers compensation insurance premiums.
- **OPEB/Pension Liability:** Other Post Employment Benefits (OPEB) reflects the cost of pre-funding medical benefit costs which will be provided to current vested employees (hired prior to 2013) upon retirement. Employees hired after 2016 do not receive District payment of medical insurance in retirement. Those hired between 2013 and 2016 receive retiree medical insurance based on a vesting schedule (years of service). This annual payment, which is calculated based on an actuarial valuation, is deposited into a specific (interest earning) trust fund intended to reduce and control future retiree medical insurance costs. Pension liability is the amount of estimated payments to fund the deficit in the District's retirement account with CalPERS.
- **Retiree Medical:** The direct cost of medical insurance premiums for existing retired employees that receive this benefit in which they are vested
- **Equip, Auto, Maint, & Repairs:** This category of costs includes maintenance and repair of equipment, facilities, and vehicles; fuel; safety supplies and equipment; new equipment purchases with a purchase price of less than \$5,000 per item; personal protective equipment; landscaping and janitorial services.
- **Outside Services:** Costs from professional outside consultants/service providers including public outreach, human resources, auditing, legal, engineering, medical, janitorial, lab services, and IT service providers.
- **Other:** Other costs consist of state permits, utilities, phone and communication expenses, property and liability insurance, training, conferences, travel, certifications, public education materials, software licenses and maintenance.
- **Cost of Water** - In the water fund, the purchase of water from SFPUC and tunnel outage related costs.
- **Debt Service:** The amount of (loan) principal and interest due during the fiscal year on debt incurred for previous capital improvement purchases/projects.
- **Capital Outlay:** Assets or improvements with a cost of \$5000 or more and a useful life that is longer than three years. The cost of materials, supplies, permits and construction contracting is included with the cost of each project.

1.6.4 Reserves

Fund balances/net assets set aside to meet known and estimated future obligations and to ensure available cash for normal operations. Reserves are typically established based on improvements identified in adopted capital improvement plans and master plans. Reserves are shown as both an

expense (where a certain amount of cash is set aside) and a revenue (Transfer in) to fund a project or purpose for which they are set aside.

1.7 2019/20 BUDGET PERFORMANCE AND ACCOMPLISHMENTS

The 2019/20 total revenue and expenses through approximately 11 months of the year for each fund is summarized below:

WATER	AMOUNT	SEWER	AMOUNT
Revenue	\$3,060,341	Revenue	\$2,514,786
Expenses	\$2,183,374	Expenses	\$1,962,140
Revenue Over (Under) Expenses	\$876,967	Revenue Over (Under) Expenses	\$552,646

FIRE	AMOUNT	PARK	AMOUNT
Revenue	\$1,145,077	Revenue	\$153,057
Expenses	\$1,189,220	Expenses	\$146,629
Revenue Over (Under) Expenses	(\$44,143)	Revenue Over (Under) Expenses	\$6,428

- Total employee benefits are projected to be under budget by \$25,163 as a result of the District changing the employee health plan structure. This only represents a six (6) month cost savings as the health plans are by calendar year. Total realized cost savings to the District should be significant in the upcoming fiscal year pending no major employee claims.
- It is projected that the District will have received approximately \$71,000 in LAIF interest revenue due to the District’s efforts to maintain and enhance District investments. The District has also been cautious in budgeting this number for the upcoming fiscal year due to the potential negative impacts of COVID-19.
- Fully funded the District’s OPEB expense and liability through the California Employers’ Retiree Benefit Trust (CERBT) Fund established in FY 2103/14.
- Fire Master Plan completed.
- Engaged SCI Consulting to conduct analysis and development of Fire revenue measure. (Progress stalled due to COVID-19)
- Significant progress in development of Water and Sewer Master Plan development.

For the second consecutive year, the District has completed hundreds of thousands of dollars of building, facilities and infrastructure improvement and restoration projects; funded with dollars generated from customer rates, state grants and reserves. The capital projects completed are listed below and financial detail included in the [Capital Outlay Budget](#) sheet attached to this memo:

1. Building Renovation Projects including:
 - a. Roof Replacements
 - i. Operations Building
 - ii. Big Creek Storage and Generator Building
 - b. Major Building Renovation (to be completed by early July 2020):

- i. Operations – siding repairs, window replacement, glass door replacement, and new paint
 - ii. Admin - back deck replacement and new paint
 - iii. Firehouse - siding repairs, gutter repairs, new paint
 - iv. Maintenance - New gutter and window replacement
 - v. Park – Amphitheater Stage fascia board replaced and painted
- 2. Technology Improvements including:
 - a. Purchased GIS equipment, completed training and started field verification of district assets and map updates
 - b. Installed new Mitel Phone System
 - c. Office 365 and Microsoft Teams implementation on all platforms
 - d. New laptops for home and office use for administrative staff
 - e. Implemented home office docking stations and monitors for efficiency during work-at-home
 - f. Secondary server backup strategy implemented for offsite data storage
- 3. New and replacement equipment purchased:
 - a. Purchased a new water wagon (trailer mounted tank) for underground construction, dust control compliance and system maintenance
 - b. Installed new washer and dryer for District employee uniforms
 - c. Purchase of new crane body mechanics truck to replace truck #17
 - d. SCBA filling station completed and implemented
 - e. Used Fire Truck purchased
 - f. Winch set up for Truck 18
- 4. Infrastructure Replacements and Upgrades:
 - a. Flume restoration completed
 - b. Lift Station #16 Sewer line improvement/replacement (project start date 6/22/2020)
 - c. LS #11 storm damage project completed
 - Replaced power pole
 - Generator housing repair
 - d. Tank #4 VFD repair
 - e. Big Creek Turbine VFD repair
 - f. LS 14 generator fuel injection pump replacement
 - g. STP Chlorine injection pump replacement
 - h. Second Garotte Lime injection pump
 - i. Ras pump refurbishment
 - j. LS 10 MCC cabinet repair
 - k. STP influent flow meter replacement
 - l. Elder Ln water break damage claim, driveway, and erosion damage
 - m. LS 11 power pole/radio and generator repair (storm damage)
 - n. LS 13 Force main inspection
 - o. Tank 2, 4, 2G CCT, and BC CCT cleaning
 - p. Field service inspection with Pall corporation at AWS

- q. LS 7 Load phase replacement for main power panel
 - r. Apparatus bay lighting upgrade
 - s. Flume culvert headwall
 - t. 6" booster pump control valve for Second Garotte
 - u. Big Creek UV analyzer
5. Engineering and Planning Studies (preparing for shovel ready)
 - a. Completed water and sewer plant evaluations for the Water and Sewer master plan, which is over 50% complete
 - b. WWTP Road maintenance -engineering completed
 - i. Around reservoirs
 - ii. Around irrigation fields
 - c. Administration parking lot restoration-engineering completed
 - d. Concrete/Grading by screw press – engineering completed
 - e. Sewer improvements -engineering completed and funding applications prepared
 1. Headworks
 2. LS #2
 3. irrigation system
 6. Started Jones Hill fuel break- around District property

1.8 BOARD DIRECTION RELATED TO BUDGET 2020/2021 DEVELOPMENT

The Board of Directors reviewed a preliminary draft budget proposal at its May 12, 2020 Regular Meeting and held a budget workshop on May 26, 2020 to receive public comment and provide direction to staff on development of the final budget. Staff presented Board Goals and budget objectives which has served as the guiding principles in this final draft budget. The staffing plans, employee development strategies, projects, major purchases, technology, studies and management actions planned for 2020/21 are each intended to support accomplishment of the following adopted Board Goals:

1. **Support an Excellent, Efficient and Qualified Staff**
2. **Adopt/Update Solid Policies and Ordinances**
3. **Support Facilities and Operations to Stabilize Long Term Cost by Planning for the Future and Reduce the Rate of Cost Increase**
4. **Support Excellent Customer Service, Customer Relations and Outreach**
5. **Ensure the Financial Stability of the District by Planning Long Term Versus Crisis**
6. **Provide the structure, process and staffing for competent, transparent and accountable governance and administration of all District services**

1.9 2020/2021 BUDGET HIGHLIGHTS:

This section of the Budget Memorandum is intended to provide the reader an overview, or “bottom line” of what has changed from prior years, and where to focus in the budget for major projects or purchases. Additional detail is provided later in the report supporting the budget highlights, which include:

- Administrative expenses of \$1,549,112 which reflects the baseline cost of staffing the office, General Manager, office equipment, Board of Directors training and stipends, operating and maintaining the District office and related facilities. The current proposed budget allocates the

majority of administrative expenses based on customer count in water and sewer, and based on the estimated amount of administrative staff effort for fire and park, as follows:

- Water – 56%
- Sewer – 38%
- Fire – 5%
- Park – 1%
- 3% COLA increase to all positions in the salary schedule based on Western Region CPI
- Annual employee merit salary step increases for employees meeting performance expectations
- Springbrook (accounting/utility billing) version upgrade
- Revise and update job descriptions, develop employee salary advancement path and incentive pay development study
- Water fund revenue covers operating expense by \$66,340
- [Water capital improvements](#) of \$633,400 funded by current rates and fund balance (reserve,) in addition to \$3,400,000 in grant funded capital for the Second Garrotte and Big Creek Clearwells Rehabilitation Project
- Water Rate Study budgeted for 2021 at \$25,000
- Sewer revenue covers operating expenses by \$405,274
- [Sewer capital improvements](#) and equipment purchases in the amount of up to \$443,750
- Sewer reserve deposit of \$100,000
- Fire service funding shortfall of \$487,975 if Schedule A and Amador contracts billed at CAL FIRE estimated budget
- Park fund covers operating expense by \$36,765

2 2020/21 BUDGET DISCUSSION

2.1 BUDGET DEVELOPMENT PROCESS

The District's budget is developed for the ensuing fiscal year, initially by office and operations management staff under the direction of the General Manager. Expenses and revenue through the first six to eight months of the year are closely analyzed and then projected through the end of the year. To understand financial trends and identify potential budgeting inaccuracies, the expenses and revenue are then compared to previous years' budgets and actual fiscal year-end figures. These identified trends, as well as areas where we had in previous years budgeted too high or low, are taken into consideration in development of the next fiscal year's budget. Further, budget criteria are identified, and assumptions made about known changes in expenses and revenue for the next year; which are then forecasted to further guide budget development.

The District budget proposal is very simply constructed and presented, due to the relatively stable and very limiting nature of our funding and limited expense fluctuations; therefore, this narrative is very important in understanding the financial condition of the District. Following are some basic assumptions and criteria used in our budget development:

2.2 SERVICES CRITERIA

Driven by the Board 2020 adopted/amended Management Objectives, detailed in the following section are specific management directives issued to staff to guide their overall approach to budget development, and setting certain minimum and maximum goals:

2.2.1 Water/Sewer

- Customer Service levels will be maintained
- Preventative maintenance of the sewer system will continue in compliance with the adopted SSMP and at industry standards
- Preventative maintenance of the water system will increase over 2019 with the full implementation of the asset management software
- System repair and capital improvements will continue at 2019 pace
- Water and wastewater quality will be maintained at all times
- Efforts and expenditures will continue to be invested in optimizing water and wastewater treatment processes
- Public Outreach regarding operations will continue to increase
- SCADA technology will be optimized, and digital asset management (GPS) implemented
- Compliance is mandatory with state permits and other regulatory and legal requirements
- Employee and public safety is of utmost importance
- Equipment is to be safe, reliable and operable for the intended purpose

2.2.2 Mary Laveroni Park

- Improvements to park infrastructure will be planned and implemented to stabilize and reduce operating costs without reducing services
- Public safety and park condition is a top priority

2.2.3 Fire

- Continue the Cal Fire Schedule A and Amador Contracts and to provide the highest level of services possible
- Maintain equipment and facilities in a safe, reliable manner
- Develop an understanding of the benefits to the county and region of providing mutual aid emergency response services
- Develop a fire funding measure

2.2.4 Administration

- Technology will be safe, maintained and improved
- Public outreach on District management and administration will be increased
- Financial practices will be solid, safe and audits clean
- The Board of Directors will continue to function as a knowledgeable, functional governance team
- Implementing an efficient and technology-based records management system is a priority
- Employee and customer safety will be considered in staffing arrangements in the office and in office modifications to maintain social distance and clean work areas

2.3 REVENUE ASSUMPTIONS

- Grant revenue is budgeted to offset project costs where grant contracts are in place as of June 2020
- Water Service Charge base rate revenue will increase by 7% (\$101,526), due to the step rate increase approved in June 2020 and higher than expected year end actuals. Water consumption charge revenue is down 2%, \$14,524
- Interest earnings are expected to increase by \$30,000 due to a better rate of return on LAIF investments. Connection fee and miscellaneous revenue are also budgeted to increase slightly.
- Wastewater (Sewer) revenue will increase by \$249,040 (17%) over 2019/20 as a result of the step rate increase approved in June 2020. The variable rate revenue is expected to generate an increase of \$63,545 (14%). Connection fee revenue is budgeted to decrease by \$10,000 from 2019/20 based on current trends.
- Property tax revenue (normally allocated to Park and Fire Services) is estimated to increase by \$23,625 (2%) which is the normal 2% inflation increase levied by the county. Ninety Two percent (\$1,108,503) of the property tax will be allocated to Fire, and 8% (\$96,390) to Park services.
- Lease revenue is expected to increase by \$1,200 for the year due to inflation built into the contracts; allocated 100% to Park

2.4 EXPENSE ASSUMPTIONS

- Staffing level will remain the same for 2020/21, with continued consideration to the addition of an IT/SCADA Administrator position to save costs in the future
- Salary and related benefit expenses applied to all services are increased by the 3% cost of Living (COLA) formula per the Union MOU, and merit salary increases are budgeted for highly performing employees
- Hire consultant for completion of the classification descriptions and employee performance/advancement plan
- Hire consultant for public outreach and social media management
- Continue contract with Fire special tax consultant
- Calfire costs will be budgeted in accordance with the 2020 contract, and the actual amount billed to the District will steadily increase to the amount budgeted
- Expenses for materials and supplies are expected to increase slightly due to basic inflation
- Utility expenses and fuel budgeted consistent with last fiscal year, no major increases expected
- Technology expenses for hardware, software and IT services will remain consistent with 2019/20
- Water and Wastewater Master Plan development budgeted with 50% of work remaining, \$100,000 total

3 CAPITAL IMPROVEMENT PROJECTS

Below is a list of the significant capital projects and equipment purchase for the year.

CIP Project Description

- **Bobcat Purchase**
 - Capital Budget \$40,000
 - New Bobcat will be utilized strictly for sludge handling on the STP plant, which will eliminate sludge from being tracked to non-approved areas.
- **Fuel Tank Project**
 - Capital Budget \$90,000
 - The Fuel Tank Project will give the District additional Diesel storage for future PSPS events, give notification on low fuel levels, Management will also be able to pull reports to monitor/track fuel usage and cost.
- **Road Maintenance**
 - Capital Budget \$100,000
 - Road Maintenance Project will correct all drainage, replace all damaged, failed/undersized culverts, and resurface all roadways around the corporation yard, dam, and reservoirs roads. Current system has failed causing damage from loss of materials due to erosion.
- **Administration Building Parking Lot Project**
 - Capital Budget: \$175,000
 - This project will remove extremely damaged pavement and treating longitudinal cracks with a rubberized crack filler and then sealcoating complete area.
- **Tank 2 Project**
 - Budget \$95,000
 - The Tank 2 Project will eliminate one standby generator which is currently having mechanical issue and set the other to automatically run this site during any power failure. The asphalt will be repaired, and the current erosion problem will be eliminated.
- **Truck #6 and #8 Replacement**
 - Capital Budget \$70,000
 - Truck #6 and #8 have gone past their life expectancy and have had mechanical issue in past year.
- **WTP AC Unit Installation**
 - Capital Budget \$11,000
 - The District has Started to replace all mag starters with VFD at both Second Garotte and Big Creek Water Treatment plants, with the new VFD installation the MCC rooms have been experiencing above normal temperatures due to the heat that VFD generate, this has resulted in some overheating issues and a premature failure to the Big Creek Turbine VFD. Industrial Electric recommended to add AC units to both MCC rooms to protect all electrical equipment.
- **Tank 4 Generator**
 - Capital Budget: \$105,000
 - Replaces the oldest backup power generator that operates the water pump station at the airport, and provides pressure to Unit 12. Tuolumne County is funding \$18,000 of the cost, and the state budget may have funding for additional reimbursements related to PSPS

- **Big Creek and Second Garrotte Clearwell Rehabilitation**
 - Approved budget of \$3,400,000, funded by state grant
 - Removes failed interior tank coatings, repairs corrosion damage and provides exterior coating on tanks. The project also includes the renovation of the Butler Way Booster pump needed to operate during tank recoating.
- **Water Tank Mixers**
 - Capital Budget: \$113,000
 - The District will install submersible active mixing system in Tank 2, 4 and 5, this will rapidly eliminate thermal stratification, and maintain uniform chemical and temperature conditions. Under some conditions, the mixing action can also reduce the rate of residual disinfection loss and lower volatile disinfection byproducts levels inside the Tanks.
- **Concrete/Grading around Screw press**
 - Capital Budget \$120,000
 - The Concrete and Grading project will correct all drainage around existing Drying Bed system and eliminate runoff from saturating stored sludge, keep sludge contained on a washable surface and give operators a smooth safe working area.
- **Sewer Treatment Plant Improvement Project**
 - Capital Budget: \$1,470,000

Project includes:

Influent Pump Station Upgrade

- Influent Pump Station Upgrade Project will allow Operator's to remotely operate the bypass pump system, reduce the number of pumps needed during bypass pumping operations, and make access for cleaning and maintenance safer.

Screw Press Pump System and Enclosure

- The Screw Press Pump System and Enclosure Project will give the Operator's the ability to operate the Press in auto, this will increase employee safety, eliminate multiple equipment starts/stops and protect it from weather elements; The press currently has to be shut down every 15 min by staff to dump the loaded sludge bin. The new system will operate a pump system allowing the Press to run continuously to a selected Drying Bed, eliminating the need to stop the press to dump the Sludge bin. The new enclosure will add needed protected from all-weather elements, rain, snow, and extreme temperatures, which will increase the life expectancy of the equipment.

Lift Station 2 Upgrade

- This project will add an additional submersible pump, recoat existing dry/wet well, add lighting for safety and make access for cleaning and maintenance more safe.

Sewer Treatment Plant Irrigation/Pump System Upgrade

- This will replace all existing irrigation valves, increases the number of pumps allowing staff to send water to the spray field and PML at the same time. Includes the installation of a new MCC cabinet for safer operations and better protection for controls, and a new

wet well will be installed for all effluent off the Screw Press eliminating the current bypass pumping method.

Headworks Upgrade

- This project will replace the current roto drum/screens which have lived past their life expectancy, new screens/compactors will be installed with an internal fill design eliminating some of the odors coming from the Sewer Treatment Plant. New electrical, sludge bin, building refurbishment and concrete work will also be completed.