



FY 2022-23 Budget Memorandum



June 14, 2022

1 BUDGET OVERVIEW

1.1 PURPOSE

We are pleased to present to the Board of Directors the final draft 2022/2023 fiscal year budget, which will be described in detail in this 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.

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

In accordance with permits issued by the State Department of Public Health, 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 to six 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. Some Covid-19 related funding is now available through the state budget to pay the cost of water bill arrearage for low income customers.

1.4.2 Sewer Service

In accordance with permits issued by the State Regional Water Quality Control Board, 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 and 2021 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; but not to cover permanent staffing or operating expenses such as fuel.

The GCSD fire department has no direct employees and is staffed under contract with CAL FIRE. Two CAL FIRE 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 CAL FIRE 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), Tuolumne County funds the cost for these two full time staff to remain at the CAL FIRE station to respond to District emergency calls under mutual aid. District maintenance and administrative staff are responsible for fire department equipment and buildings, finances, planning, communication, contracts and other management matters. Please see the [2020 Fire Department Master Plan](#) which outlines concerns with the low level of staffing and funding available to support the fire department.

In response to the fire department financial deficiencies identified by the District and in the fire master plan, the District and Tuolumne County initiated the formation up the Tuolumne County Fire Authority (TCFA) in early 2021, for the purpose of providing a means to place a special tax on the ballot on June 8th 2021 to fund fire services in most of the county. Unfortunately, the tax measure known as “Measure V” failed. In May of 2022, the county approached the District with a proposal to bring additional resources and enhanced service to the Groveland area via a partnership and co-location at the District Fire Station 78. District management is currently in the process of working with county staff on an agreement in the form of an MOU for this arrangement.

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. The District has a goal of increasing partnerships and revenue-generating amenities at its parks.

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. All water and sewer utility and treatment facility construction must meet strict state standards, and District contractors must by state law be paid Prevailing Wage, which typically adds up to 30% to a project cost over what a private citizen pays for the same construction work.

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. The District is currently actively seeking grant funds to increase the park amenities that can be reserved and rented by the public; thereby increasing revenue for the parks department.

In a very high fire hazard zone like the GCSD 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 CAL FIRE and have only a volunteer department, when and if personnel were available. While providing fire services whether volunteer or through CAL FIRE, 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 and receiving 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 2022/23, it is recommended that GCSD allocate the administrative expenses to each of its service funds based on an appropriate percentage of benefit derived. 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.

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 within 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 and Equipment Rental 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 engineering, 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 2021/22 BUDGET PERFORMANCE AND ACCOMPLISHMENTS

The projected fiscal year end for 2021/22 total operating revenue and operating expenses for each fund is summarized below:

WATER	AMOUNT	SEWER	AMOUNT
Revenue	\$2,773,838	Revenue	\$2,303,520
Expenses	\$2,548,983	Expenses	\$1,802,961
Revenue Over (Under) Expenses	\$224,855	Revenue Over (Under) Expenses	\$500,559

FIRE	AMOUNT	PARK	AMOUNT
Revenue	\$1,136,027	Revenue	\$160,449
Expenses	\$1,196,283	Expenses	\$132,925
Revenue Over (Under) Expenses	\$60,256	Revenue Over (Under) Expenses	\$27,524

Investing in Capital Assets – July 1, 2021 – June 30, 2022

As has been the trend the last several years, the District continues to make significant progress towards capital improvements and is projected to complete approximately \$3,940,334 in infrastructure improvement projects and equipment purchases by fiscal year end funded with dollars generated from customer rates, state grants and reserves. The capital projects completed in FY 2021/22 are listed below and financial detail included in the [Capital Outlay Budget](#) sheet attached to this memo:

Building and Infrastructure

STP Blower & Generator Room Rehab Project

This project will start May 2022 and consist of painting the exterior of the Chemical shed, Admin/STP Generator room, STP Blower Room and the installation of new AC unit to the Blower room. The replacement of the existing Blower room door is behind schedule and might be pushed into 2022/23 fiscal year.

Highlands Booster Pump Rebuild

This pump allows us to move water from Tank #1 to Tank #5; the repair of this pump consisted of disassemble & inspection, housing; shaft; wear ring repair, dipped, baked winding, test & paint.

Totaling: \$3,995.65

Big Creek/2G Clearwell, Butler Way Rehabilitation Project

This project has spanned over two fiscal years and is expected to be completed in 2022/23 fiscal year.

Totaling \$1,290,906.62

Ballfield Water Line Project

This project replaced approximately 300 Ft of 6" water main that had multiple failures/repairs over the past few years. The new water line was installed to the District's current standards, which will provide adequate water with minimal interruptions for the next 20+ years.

Totaling \$12,735.15

New Trimble R2

The new Trimble R2 unit helps streamline the process of capturing GIS data, increased workflow abilities and allowed the district to complete more of its GIS database in a shorter amount of time.

Totaling: \$13,475.36

37 Acre Parcel Purchase

The District acquired a 37 acre parcel off of Deer Flat Road for the purpose of enhancing recreational opportunities, allowing for the reduction of fire fuels close to downtown and providing a second means of vehicle egress paralleling Hwy 120, connecting to Deer Flat Road. The expense of this purchase will be refunded by a state grant per its Per Capita Grant program.

Totaling: \$176,931.89

6" Tigermag Flow Meter:

This replaced the failed influent flow meter that monitors the untreated wastewater flow into Sewer Treatment Plant.

Totaling: \$4,357.66

Lift Station # 9 Pump Replacement

The District operates each Lift Station with 2 submersible pumps for redundancy purposes, and keeps one stored for backup in the event we lose a pump. This purchase replaced Lift Station 9 backup submersible pump.

Totaling: \$7,757.01

Lift Station # 5 Pump Replacement

The District operates each of its sixteen (16) Lift Stations with 2 submersible pumps each for redundancy purposes, and keeps one stored for backup in the event we lose a pump. This purchase replaced Lift Station 5 backup submersible pump.

Totaling: \$12,469.41

Lift Station # 7 Pump Repair

The District operates each Lift Station with 2 submersible pumps for redundancy purposes, and keeps one stored for backup in the event we lose a pump. This purchase repaired Lift Station 7 backup submersible pump.

The repair consisted of disassemble/inspection, seal journal, impeller seal journal repair, dynamically balance rotor, steam, bake, test, and paint.

Totaling: \$18,755.88

Road Maintenance

The Road Maintenance Project corrected all drainage failures, replaced all failed/undersized culverts, and resurfaced all roadways with aggregate road base around the corporation yard, wastewater holding reservoir and dam, and reservoir roads.

This project was completed during 2021/22 **Totaling: \$180,897**

Hach Lab Turbidimeter

This equipment documents daily turbidity for the Wastewater Treatment Plant and can be used to reference and check Water Treatment Plant analyzers.

Totaling \$5,583.02

Equipment

Ops Manager and IT/Instrumentation Trucks

This was the purchase of 2 new trucks, one for the newly created Instrumentation and IT position, and the other was to replace the Operations Manager truck that was moved to the Collection and Distribution (C&D) Department for the newly created Operations Supervisor position.

Totaling: \$67,676.30

Equipment Trailer

This was the replacement of our current 1971 equipment trailer which has lived well beyond its life expectancy and did not have standard operator safety features. The new trailer is compliant with all DOT standards and road regulations.

Totaling: \$33,544.59

Generators

The District was awarded grant funding to purchase 9 new generators. We have received the 5 below and are waiting on the remaining 4.

These generators will replace older units that were becoming unreliable and harder to maintain due to the availability of parts and support. The new units will provide backup power generation for the next 15 to 20 years.

- Big Creek Generator: \$109,130.18
- 2G Generator: \$104,311.35
- Admin/STP Generator: \$90,392.98
- Lift Station #8: \$21,584.06
- Lift Station #9: \$21,584.06

Lift Station # 5 Generator Repair

This repair was a high priority due to LS 5 being one of the District main hub Lift Stations that receives high flow volume from PML. The repair to LS 5 generator consisted of the replacement of the fuel transfer pump, fuel injection pump, fuel regulating solenoid and auxiliary fault board.

Totaling: \$12,789.43

Lift Station #6 Generator Repair

This repair was a high priority for due to LS 6 being one of the District main hub Lift Stations that receives high flow volume from PML. The repair to LS 6 generator consisted of the replacement of the fuel injection pump.

Totaling: \$6,154.04

Technology Improvements

SCADA Improvements

This project consisted of adding an Historian Software optimizing our current Supervisory Control and Data Acquisition (SCADA) system efficiency and functionality, giving staff the ability to provide better water and sewer system management, troubleshooting, repair, increase predictability and reliability, and create more detailed reports (trends, flow, levels etc.)

Totaling: \$37,936.54

Weather Stations/Micro server

The purchase of this new weather station will give the District the ability to better monitor and the Inflow and Infiltration (I&I) of stormwater entering into the collections system.

Totaling: \$6,132.60

Planning

Hetch Hetchy RR Trail Planning

This was the planning, design and grant application efforts performed by District consultant WRT for the proposed development of a trail on the Hetch Hetchy Railroad grade.

Totaling \$22,516.38

Mary Laveroni Park Improvement Project

This was the planning, design, writing and submission of a grant application performed by WRT for the Rural Recreation and Tourism Grant for improvements to Mary Laveroni Park.

Totaling \$45,595.59

Engineering

Below is the planning and design work expense performed by the District engineers for the respective project; getting them ready for funding and construction. These projects are now planned to be put out to bid and construction completed/and or commenced in FY 2022/23. The Admin Parking Lot project, Sewer Rehab Project, and Reservoir 1 lining Project have already been out to bid and were awarded to Moyle Excavation.

Admin Parking Lot Project:

Awarded to Moyle excavation

Engineering cost - \$7,806.75

Fuel Tank Project

Will go out to bid 2022/23 fiscal year:

Engineering cost - \$17,123.03

Generator Installations Project

Will go out to bid 2022/23 fiscal year, funded by state and federal grants

Engineering cost- \$12,792

Downtown Groveland BOF Sewer Rehab Project

Awarded to Moyle Excavation, funded by a state grant and loan

Engineering cost - \$73,715.95

Headworks Phase 2 Project

Will go out to bid 2022/23 fiscal year

Engineering cost - \$66,791.65

Wastewater Treatment Plant Reservoir 1 Liner Project:

Awarded to Moyle Excavation

Engineering cost \$10,835.75

1.8 BOARD DIRECTION RELATED TO BUDGET 2022/2023 DEVELOPMENT

The staffing plans, employee development strategies, projects, major purchases, technology, studies and management actions planned for 2022/23 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 2022/2023 Operating BUDGET HIGHLIGHTS:

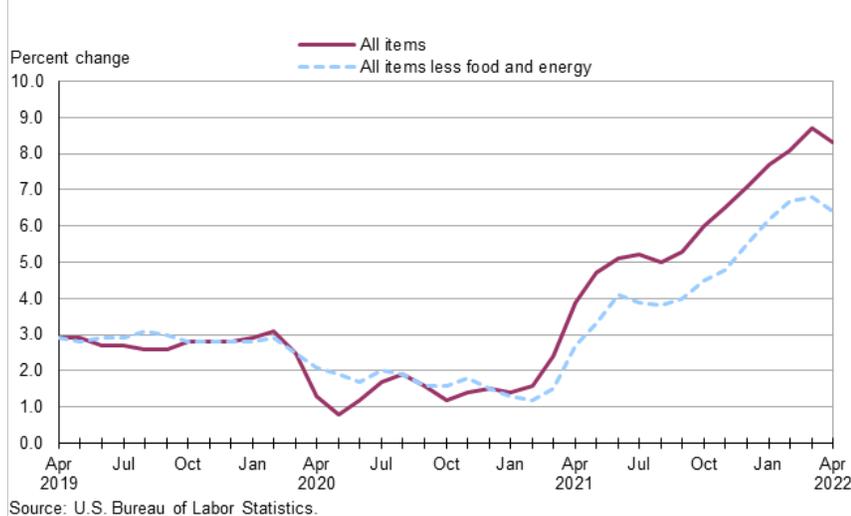
This section of the Budget Memorandum is intended to provide the reader an overview, or “bottom line” of what has changed from prior years, and where to focus in the budget for major projects or purchases. Additional detail is provided later in the report supporting the budget highlights, which include:

- Administrative expenses of \$ 1,835,933 which reflects the baseline cost of staffing the office, business equipment, office supplies, 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%
- 8.7% COLA increase to all positions in the salary schedule based on Western Region CPI. **PLEASE NOTE:** The MOU allows for a max COLA of 3% which was reflected in the previously presented budget, however, at the Board’s budget workshop on May 31, 2022, the Board directed staff to adjust the COLA to the actual figure reflected in the 12-month CPI as of March 2022. The Board’s direction was based off of concern that the District would be falling behind too quickly in maintaining industry competitive wages and that if the District were to wait until a full salary survey was completed, the increase could potentially be much more drastic.

Chart 1. Over-the-year percent change in CPI-U, West region, April 2019–April 2022



- Employee merit salary step increases for employees meeting and exceeding performance expectations
- Consulting services to optimize employee job duty efficiency and improve employee attraction and retention capabilities, which include performing an organizational staffing evaluation including a benchmark comparison of our services, positions and staffing against other similar districts; revising and updating job descriptions, developing employee responsibility/salary advancement path and incentive pay program for those exceeding performance expectations. This was budgeted for in previous fiscal year, however workload did not allow this to be accomplished
- Water fund revenue **falls short** of covering the projected operating expenses by \$546,946. The lack of a water rate increase for the last two years has resulted in an unbalanced budget. A 2% water rate increase each year would have balanced the budget without the use of fund balance (reserves)
- Water Rate Study/consulting services budgeted for early 2023 at \$40,000
- Sewer revenue **falls short** of covering operating expenses by \$72,721
- Fire service property tax revenue shortfall of \$419,911 if Schedule A contract is billed at CAL FIRE estimated budget. Please note that the Schedule A contract was budgeted at \$943,467 last FY and the projected FY end expense is \$942,055, just \$1,412 under budget. The above operating revenue shortfall does not include the necessary +\$250,000 in equipment replacement funds or funds for increases in staffing.
- Park fund revenue covers operating expenses by \$16,452 due to the allocation of cell tower lease

revenue to the Park services. The Park property tax revenue is not adequate to cover long term facility and equipment major maintenance, replacement or improvements.

2 2022/23 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.

2.2 SERVICES CRITERIA

Following are some basic assumptions and criteria used in our budget development, which are driven by the Board 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 or improved
- Preventative maintenance of the sewer system will continue in compliance with the adopted SSMP and at industry standards; completed with a more experienced, highly trained, certified and licensed staff using appropriate software and equipment
- Sewer Collection system odors from lift stations are to be reduced through increased, thorough removal of accumulated solids and installation of odor filtering systems
- Preventative maintenance of the water system will increase over 2022 with a more experienced, highly trained, certified and licensed staff using appropriate software and equipment
- System repair and maintenance capital improvements will continue at 2022 pace
- Staffing, equipment and maintenance plans will take into consideration that the sewer collection project will start in summer and extend for a year with potential disruptions in service and emergency situations
- 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 and improvements will continue to increase
- SCADA technology will be optimized, and digital asset management (GPS) implemented and

- maintained
 - 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; while designing overall improvements to increase revenue generation
 - Public safety, public health and park condition is a top priority
- 2.2.3 Fire
- Continue the Cal Fire Schedule A Contract and to provide the highest level of services possible
 - Maintain equipment and facilities in a safe, reliable manner and replace critical equipment that has failed or reached its useful life
 - Develop an understanding of the benefits to the county and region of providing mutual aid emergency response services
 - Understand that fire revenue does not cover the cost of operating the fire department, but that reduced staffing or equipment reliability puts the public and our firefighters at risk
- 2.2.4 Administration and General Directives
- Capital investments will be made in improvements that will reduce long term costs, rather than to “save (short term) cost at all cost”
 - 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
 - Maintaining a forward thinking, 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, provide privacy for work focus and clean work areas
- 2.3 REVENUE ASSUMPTIONS
- Grant/loan revenue is budgeted to offset project costs where funding contracts are in place as of June 2022
 - [Water Service Charge](#) base rate revenue will not increase this year as the District implemented the final approved increase in fiscal year 2020/21. A revenue shortfall may result as expenses are predicted to increase.
 - Interest earnings are expected to continue to decrease as a result of the negative impact of COVID-19 on investment interest rates paid
 - [Wastewater \(Sewer\) revenue](#) will increase by 3% over 2021/22 as a result of the step rate increase approved in the 2018 rate increase schedule and as ratified in June 2022. This is the last rate increase until the District goes through and adopts another sewer rate study.
 - [Property tax revenue](#) (normally allocated to Park and Fire Services) is estimated to increase by

2% which is the normal Proposition 13 allowed inflation increase levied by the county. Ninety Two percent (\$1,170,246) of the property tax will be allocated to Fire, and 8% (\$101,759) to Park services.

2.4 EXPENSE ASSUMPTIONS

- Staffing level remains the same, although a new position was created and a lateral movement was made by the previous C&D Supervisor into the position. A member of C&D staff was promoted to the C&D Supervisor position.
- Salary and salary related benefit expenses applied to all services are increased by the 8.7% cost of Living(COLA) per Board direction at the May 31, 2022 workshop, and merit salary increases are budgeted for highly performing employees
- Hire consultant for completion of the organizational evaluation and classification descriptions and employee performance/advancement plan
- Consultant contract for public outreach and social media management will be necessary and continue this fiscal year
- CAL FIRE costs will be budgeted in accordance with the 2021 contract as adjusted based on estimated fiscal year end 2021/22 amounts billed, and it is assumed that the actual amount billed to the District will steadily increase to the amount budgeted in future years
- A Fire Tax Rate Study was added to the budget per Board direction at the budget workshop
- A loan of \$350,000 will be secured in the Park fund expenses to pay the 25% local match cost of the Groveland Asset Rehabilitation and Beautification Project. The annual loan payments will total \$43,000 for 10 years.
- Expenses for materials and supplies are expected to increase significantly due to continued inflation as well as the impacts of COVID-19
- Utility expenses and fuel are budgeted to take into consideration current and projected trends which have been negatively impacted by COVID-19 and other overall cost increases
- Technology expenses will increase slightly as a result of District efforts to have newly purchased software systems fully integrated and functional with the use of outside services. It has become obvious that existing staff does not have the time or capabilities of getting these systems up and running on their own.
- A Water and Sewer Rate Study has been budgeted for the upcoming fiscal year. The water operating fund is projected to be in the negative this fiscal year, due to the lack of a gradual rate increase since 2020, in addition to the drastic inflation currently occurring. The sewer operating fund is also slightly negative.

3 CAPITAL IMPROVEMENT PROJECTS/PURCHASES

Each fiscal year the District budgets for the replacement of vehicles and equipment based on criteria including age, maintenance history and impending breakdowns, criticality of the item and its need/planned use for the year, safety and reliability. Heavy equipment and diesel trucks are required by the California Air Resources Board to be upgraded to current emission standards, or an equipment replacement program implemented; and the most cost effective for the District is to replace the vehicles over time as their upgrade would not be cost effective. In addition, new vehicles are added to the fleet when new positions are created such as the IT Manager.

The district also identifies necessary infrastructure replacements and improvements based on maintenance history, life expectancy, changes in state regulations, to extend the life of existing facilities and to improve facilities to increase efficiency, safety, and stabilize or reduce long term cost. Construction capital improvements are typically designed by the district engineer with construction contracts awarded through a competitive bidding process.

These projects have been broken down into three categories, Building and Infrastructure, Equipment, and Technology.

Building and Infrastructure

Park Improvements

The District was awarded grant funds for 75% of the cost of the Groveland Asset Rehabilitation and Beautification Project which is located on Mary Laveroni Park and the adjacent 37 acre parcel recently purchased by the District. The project includes expenditures of approximately \$1,027,145 this FY:

Waste reduction project infrastructure components:

- Replacement of an undersized, non-functional public restroom with a new restroom in Mary Laveroni Park, sized appropriately to handle peak usage rates of 300 persons per hour, including site lighting, ADA drinking fountains and heating for winter use.
- Installing eight (8) new, animal resistant trash and recycling receptacles in the park and twelve (12) along the adjacent downtown Main Street.
- Removing approximately 50-80 cubic yards of debris and trash from a GCSO property adjacent to the park allowing this new 37 acres amenity to be opened to the public
- Removing approximately 3000 square feet of irrigated turf grass reducing potable water consumption by 50,000 gallons per month and saving \$757 per month in water costs

Pedestrian and mobility improvements include:

- Complete environmental planning and design of the three (3) mile Hetch Hetchy Railroad trail along the historic railroad grade, planned to be constructed as soon as possible with available funding to connect the new future expanded Sports Complex, Groveland Community Resilience Center, Pine Mountain Lake residential community, Big Oak Flat and downtown Groveland.
- Removing 50 to 80 cubic yards of refuse, downed trees, overgrown brush and moving boulders to allow opening of the new 37-acre fantastic natural area to hiking, biking and future camping. The one-mile Jefferson Mine Loop Trail on existing roads will be cleared of vegetation and made safely walkable, linking to the Hetch Hetchy Trail segment and Park as shown in the Project Map.
- Construct new walkways and paths connecting and providing handicapped access to the new restrooms, bus shelter, picnic area and benches to the existing benches and playground area.
- Installation of an information kiosk with wayfinding signage in Mary Laveroni Park, directing pedestrians to the existing and new park recreation amenities and trails, to local downtown connections and the future pedestrian bridge planned to connect the downtown core with the future Hetch Hetchy trail in the natural area adjacent to the park. Installation of interpretive and educational signage regarding the Hetch Hetchy Railroad and Jefferson Mine.
- Constructing a new covered transit shelter and bike facilities in Mary Laveroni Park.

Park and Community improvements and beautification include:

- Remove 3000 square feet of high water using turf and replace with 2000 square feet of drought tolerant California native plantings along walkways and paths, adjacent to the new picnic area, bus shelter and restrooms.

- In partnership with the Yosemite Hwy 120 Chamber of Commerce; Install new planters and benches along Main Street to improve the visitor experience. All furnishing improvements will be on local, publicly controlled property, or with agreements with private property owners. Each receptacle installed on Main Street will be painted by local artists; the purpose of which is to display the mining, California water and railroad history, as well as to depict the Yosemite National Park, National Forest and Sierra Nevada Gateway identity of Groveland. The Chamber will fund the 25% local match portion of these improvements.

Sewer Treatment Plant Upgrades

The Sewer Treatment Plant Upgrade Project is comprised of multiple projects and are listed below at an estimated cost of \$1,375,556. This project is funded by the \$1.5 million loan secured in 2019; made possible by the sewer rate increases which started in 2018.

- **Headworks Replacement**

The District purchased and received the replacement headworks screen and roto drums in 2020/21.

The Headworks Replacement project includes the installation of the new screens/roto drums, replacement of electrical panels/controls, building renovations, and concrete work.

- **Screw Press Enclosure and Pumping System**

The Screw Press Pump System and Enclosure Project will give District operators the ability to operate the screw press in auto; this will increase employee safety, eliminate multiple equipment starts/stops and protect it from weather elements. The screw press currently has to be shut down every 15 minutes by an operator to dump the loaded sludge bin. The new system will operate a pump system allowing the screw press to run continuously to a selected drying bed, eliminating the need to stop the screw press to dump the sludge bin every 15 minutes. The new enclosure will add needed protection from all-weather elements which will increase the life expectancy of all equipment.

- **Influent Pump Station Upgrade**

The Influent Pump Station Upgrade Project will allow operators to remotely operate the bypass pump system which is used during high flow and off spec events, reduce the number of pumps needed during bypass pumping operations, and make access for cleaning and maintenance safer.

- **Screw Press Concrete/Grading Work**

The Screw Press 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. This project was started in 2021/22, and is set to be completed in FY 2022/23.

- **Irrigation System Upgrade**

The Irrigation System Upgrade Project will replace multiple valves, add an additional pump, update current electrical panels/controls with newer supported equipment and replace the older undersized wet well.

This project will give staff the ability to pump to both PML and the District's spray fields simultaneously, replace older valves, replace the current control/electrical cabinets to protect

equipment from outside elements helping maintain the life expectancy of all equipment and replace the undersized wet-well used to take the screw press effluent with a larger wet-well allowing staff to run the screw press at a higher rate.

- **Road Maintenance**

The Road Maintenance Project will correct all drainage, replace all damaged, failed/undersized culverts, and resurface all roadways with aggregate road base around the corporation yard, dam, and reservoir roads. Current system has failed causing damage from loss of materials due to erosion. This project was completed during 2021/22 totaling \$180,897.

- **Lift Station #2 Upgrade**

The Lift Station #2 Upgrade Project will complete the mechanical portion of the station upgrade, it will replace older valves, add access to the force main for maintenance/cleaning, make station cleaning easier and safer for staff and coat/seal the wet-well and mechanical well extending the life of the current concrete and steel.

Totaling- \$1,175,556

Fuel Tank Project

The Fuel Tank Project will provide the District additional diesel storage for future power outages and PSPS events, increase efficiency and accountability by providing notification on low fuel levels, generation of fuel usage reports by vehicle and person, as well as cost tracking and increased safety.

Totaling- \$250,000

Generator Installations

This Generator Installations Project will cover the installations and any modifications needed (concrete, electrical, temporary power, etc.) to install nine (9) new generators purchased with grant funding.

Totaling- \$150,000

Big Creek and Second Garrotte Clearwell Rehabilitation

The Big Creek and Second Garrotte Clearwell Rehabilitation Project consist of removing 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 Station. This project is 90% complete in fiscal year 2021/22, total amount spent so far is \$ 3,234,716.

Totaling- \$500,000

Downtown Groveland/BOF Sewer Collection System Rehabilitation Project

The Sewer Project will consist of sewer line replacement/repair, manhole rehabilitation, and Lift Station wet well upgrades. This project will help reduce odor production, improve operating efficiency and cleaning capabilities, and reduce the potential of SSO. This project will be starting in 2022/23 fiscal year.

Totaling- \$4,294,176

Big Creek WTP Asphalt Replacement

The Big Creek WTP Asphalt Rehabilitation Project will replace all failed asphalt, grade for proper drainage, and recompact roadways. This project was not a part of last year's asphalt rehabilitation project due to the Big Creek Clearwell Project.

Totaling- \$120,000

Sewer Treatment Plant Polymer Pump System

Polymer is used to help collect any solids/turbidity in our final effluent helping us stay in compliance with our State Regulations during high flows or upset in the Sewer Treatment Process. Currently, operators mix polymer multiple times daily to get a continuous flow throughout their shift. If the Sewer Treatment Plant has any kind of upset in the treatment process, operators have to come in after hours and mix additional polymer. The new pump will reduce the need of operators handling polymer, reduce staff time, and allow for 24hrs of regulated continuous flow.

Totaling- \$20,000

Odor Control Dosing Pump System

The Odor Dosing Pump System Project will allow odor control chemicals to be administered in the recommended volumes automatically for 24hrs a day in our main hub stations. Currently, staff adds odor control two times a week and as needed depending on received odor complaints.

Totaling- \$10,000

On-Site Chlorine Generators

Three of the four Treatment Plants use these units to generate chlorine for disinfection. These units take the combination of electricity and salt to make chlorine. This project will replace three on-site chlorine generators; two at the Water Treatment Plants and one at the Sewer Treatment Plant. All three of these units have lived well past their life expectancy and have had multiple failures recently. In addition, parts and support for these units have become a problem in the past few years, and the loss of either one of these units results in a treatment plant being shut down.

Totaling- \$110,000

Water Treatment Plant Flowmeters

The Water Treatment Plant Flowmeter Project will replace/update our current outdated flowmeters (influent/raw water-effluent/finished water) at both Water Treatment Plants. These flowmeters will have better support (parts, tech. support), higher accuracy and more functionality to work with our new historian software.

Totaling- \$32,500

WTP Chloramine Analyzers (8)

We are starting to see a decline in the availability of Hach instruments and more importantly, the chemicals each analyzer uses. Switching to the Rosemount would save in chemical cost since these do not use any reagents to operate, and we could remove the Hach service contract we have on our current analyzer.

Totaling- \$50,000

Equipment

New Dump Truck and Trailer

This will replace the current 1986 dump truck and 1971 equipment trailer which both have gone past their life expectancy, do not have standard driver and operator safety features, and have high down time and repair costs.

This truck was ordered in FY 2021/22 but with availability issues it was delayed and moved to 2022/23.

Totaling- \$200,000

New Vac-Con Truck

The Maintenance Department needs a Vac-Con Truck as our current vacuum and flushing trucks do not meet our needs in maintaining our wastewater collection system. Our current vacuum truck does not have the capability of cleaning four of our lift stations and has a difficult time cleaning several others. Our flush truck has a hard time pushing the linear footage needed to efficiently clean our sewer mains. The District relies heavily on Presidio Systems, Inc. (PSI) to fill the gap in our equipment short fall capabilities, which poses several problems. PSI is the only company we can find to perform this work and they are based out of Livermore. Getting them scheduled and up here can often take anywhere from two weeks to a month. It also comes with a heavy expense, not just because of the work we have them perform, but because it takes them a total of six to eight hours of round-trip travel time.

The specifications of the Vac-Con surpass the specifications of our current equipment, which would afford us more independence in maintaining our system and efficiency in responding to emergencies. While the Vac-Con would primarily be used for the wastewater collection system, it would also help with other maintenance and operational tasks. A Vac-Con is an excellent tool for excavation, which would help when responding to water breaks in our distribution system. It would also help with the cleanup of water breaks, cleanup of sewer spills, and Sewer Treatment Plant maintenance efforts. This new piece of equipment will give staff the ability to clean all main hub lift stations more frequently, which will help with odor reduction of these stations. This also brings new technology and will make routine collection system maintenance easier, safer and expand productivity due to the fact this truck will have the function of two trucks, which currently is how the district operates now.

This truck was ordered in FY 2021/22 but due to availability issues it was delayed and moved to fiscal year 2022/23.

Totaling- \$533,075

Flow Monitoring Equipment

This equipment will help monitor I&I in the collection system, staff is currently looking into products that will fit the District needs for years to come.

Totaling- \$35,000

Tire and Balancing Machine

This is new piece of equipment will allow staff to change/repair tires on-site with minimal truck and shop down time.

Totaling- \$16,500

Skip Loader Tractor

Currently, staff does not have a way to maintain District dirt/gravel roads/ditches and has to rely on outside contractors to perform this work. This new piece of equipment will give staff the ability to maintain all gravel and dirt surfaces, correct drainages, and clean ditches on a routine basis.

Totaling- \$100,000

Heavy Equipment and Truck Lift

Currently, staff does not have a lift with the capacity to lift any of our Heavy equipment/trucks (backhoe, Dump Truck, Fire Engines, etc.). When these pieces of equipment need to be worked on, district mechanics must perform work from ground positions, which carries a higher risk of a workplace injuries. This new lift will give staff the ability to work on heavy equipment in a safer position.

Totaling- \$50,000

Shop Parts Washer

This piece of equipment will replace our current rented parts washer with a new, bigger, more efficient unit that we will own and maintain. The District currently spends around \$2,500 annually on the rented equipment.

Totaling- \$8,500

C&D Truck

The C&D Department is in need of an additional work truck to maintain workflow when other service trucks are down for repairs, service, etc. We have experienced more frequent and extensive repairs with our older trucks in the C&D Department creating an impact and disruption to operations.

Totaling- \$50,000

Truck 15 Replacement

This truck will replace Truck 15 which is an 18-year-old truck and has been out of service frequently more recently, and has had multiple and extensive maintenance work performed. This truck is a one ton service body truck, with a bumper mounted crane which is used for water and sewer infrastructure repairs.

Totaling- \$140,000

Truck 3, 6 & 8 Replacements

These 3 trucks were supposed to be replaced last year FY, but due to availability and pricing/ordering problems, they had to be moved to the 2022/23 fiscal year.

Totaling- \$135,104

Unmanned Aerial Vehicle (drone) with SAR and Infrared Capabilities

To be used to inspect easements, locate water leaks and inspect manholes in remote areas, CERT use to assists in search and rescue and spot fire location.

Totaling- \$30,000

Technology Improvements

SCADA Improvements

This will optimize our current SCADA system efficiency and functionality, giving staff the ability to create more detailed reports (trends, fuel levels, runtimes, amperage etc.)

Totaling- \$30,000

Electronic Sign Board

This project and piece of equipment will give the District the ability to display notifications. (events, water outage, emergency, etc.) It will replace the current banner sign location by the Fire Department. This sign could also generate revenue as it could also be used to display community group event notifications.

Totaling- \$35,000

Sensaphone Sentinel

The Sensaphone Sentinel Project will replace our current 3G Verizon based auto dialer system which is no longer supported. This new system will provide more functionality and can be set up as a backup to our current SCADA system.

The current system is run by a Verizon 3G based phone connection (Potswap-Janus) and works as a redundant alarm to SCADA for high level events ran by floats. If the high float is triggered by extremely high flow or pump failure, it will call each staff member logged in the auto dialer and this system works even if our SCADA system is down.

Totaling- \$30,000

4 BUDGET IMPLICATIONS

The budget document provides information about the revenue we expect to collect and what expenditures are planned and why, and what they will cost. Many times when we plan a balanced budget, all appears to be in order financially. What the budget assumptions, criteria and figures may not reveal is the answer to questions such as:

1. With the revenue available, are we able to maintain our water and sewer system to industry standards; and if not, what are the short and long term implications in terms of cost, regulatory compliance and service reliability?
 - a. Barring any unforeseen major system malfunctions, this budget as proposed provides adequate funding in terms of personnel and supplies for regulatory compliance in water and wastewater services.
 - b. Due to drastically increasing expenses and flat water revenue, our operating revenue and expenses do not balance and we will be spending approximately \$1.6 million of our water

- fund balance cash to operate and complete the planned improvements. This level of capital expenditures is not sustainable in the future without additional customers or rate increases.
- c. Prior to 2018, the District had been operating for over a decade with cost control as a primary goal and in a reactive rather than proactive mode. This mode of operation and without revenue (rate) increases caused our systems to be financially and operationally unstable. Much of our infrastructure and equipment had been operated well beyond its useful life, resulting in unpredictable costs and reliability. Since 2018 and after rate increases in both water and sewer funds the District has invested millions annually in infrastructure, equipment and technology upgrades and replacements. The systems are operating well and reliability has increased significantly.
 - d. Our water and sewer master plans will be completed in 2022, which will identify the necessary future investments in infrastructure. In early 2023, we have budgeted to complete a financial analysis to determine the water and sewer rates necessary to fund operations and capital improvements into the future.
2. Are we spending to simply stay afloat and keep the rates as reasonable as we can today, or are we investing toward long term goals and efficiency?
 - a. This budget year, we are continuing our recent trend of investing in long-term improvements and replacements and operating in a more maintenance proactive manner.
 3. Are we planning in our budgeting for the long-term needs and financial health of the Park and Fire services?
 - a. This year, we have secured significant grant funds to improve Mary Laveroni Park, including replacement of the restroom and improvements to reduce water consumption and related cost. The improvements will reduce costs which in turn will free up revenue for maintenance and improvements. We are also completing planning and design for the Hetch Hetchy Railroad Trail and are actively developing partnerships which will assist with providing maintenance, increase revenue and improve recreation services. We are planning future park improvements intended to significantly increase revenue, including event facilities and potential RV Park/campground.
 - b. The Fire operating cost exceeds revenue, and we have nearly zero equipment replacement funds. With the failure of Measure V, we are now budgeting to conduct public engagement and evaluate a potential special fire tax to cover the operating deficit and fund equipment replacement.
 - c. We have developed a policy to implement Community Facilities Districts (CFD) for future large commercial and residential developments to fund the cost of expanding fire and park services in the future. We have also adopted development impact fees for park and fire services which will fund the capital cost of new/expanded equipment and facilities in the future with growth. We will work with the County for implementation of the impact fees in 2022.