



FY 2021-22 Budget Memorandum



June 8, 2021

1 BUDGET OVERVIEW

1.1 PURPOSE

We are pleased to present to the Board of Directors the final draft 2021/2022 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

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; 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. The tax revenue is to be allocated to each member department of the TCFA based on the number of parcels served by each. If this measure is successful, approximately \$522,000 will be allocated to the Groveland Fire Department which will fund the equipment replacement program and provide funding toward additional staffing or an EMS paramedic rescue crew in the near future. This budget will be amended if the tax funding measure, “Measure V” is approved by the voters.

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 GCSO, 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 GCSO 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 be paid Prevailing Wage, which typically adds up to 30% to a project cost over what a private citizen pays.

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 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 2021/22, 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 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 2020/21 BUDGET PERFORMANCE AND ACCOMPLISHMENTS

The 2020/21 total revenue and expenses through approximately 11 months of the year for each fund is summarized below:

WATER	AMOUNT	SEWER	AMOUNT
Revenue	\$2,670,591	Revenue	\$2,618,505
Expenses	\$2,249,132	Expenses	\$1,509,609
Revenue Over (Under) Expenses	\$421,459	Revenue Over (Under) Expenses	\$1,108,896

FIRE	AMOUNT	PARK	AMOUNT
Revenue	\$1,360,658	Revenue	\$153,985
Expenses	\$1,270,016	Expenses	\$99,699
Revenue Over (Under) Expenses	\$90,642	Revenue Over (Under) Expenses	\$54,286

- It is projected that the District will have received approximately \$31,153 in LAIF interest revenue due to the District’s efforts to maintain and enhance District investments. This is approximately \$39,847 less than the previous fiscal year and is a result of the negative impacts of COVID-19.

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. Major Building Renovation:
 - i. Firehouse - siding repairs, gutter repairs, new paint
2. Technology Improvements including:
 - a. Completed GIS field verification of all District Hydrants and Hydrants Valve and updated District GIS data base
 - b. New laptops for home and office use for administrative staff
 - c. Implemented home office docking stations and monitors for efficiency during work-at-home
 - d. Secondary server backup strategy implemented for offsite data storage
 - e. Upgraded District server operating system
 - f. District camera system hardware purchased
 - g. Purchased new Pro Link Scanner
 - h. SCADA system upgrade-completed
3. New and replacement equipment purchased:
 - a. Purchased new crane body mechanics truck to replace truck #17
 - b. Purchased bobcat Skid Steer
 - c. Purchased new Honda UTV
 - d. Purchased new ice machine for field staff
4. Infrastructure Replacements and Upgrades:
 - a. LS 14 generator fuel injection pump replacement
 - b. STP chlorine injection pump replacement
 - c. Second Garotte lime injection pump

- d. AC upgrades
 - i. Tank 2
 - ii. Big Creek WTP
 - iii. 2G WTP
 - e. Big Creek transmission line-surge valve replacement
 - f. Big Creek Treatment Plant-pump control valve purchased
 - g. Administration parking lot restoration
 - i. Phase 1 completed
 - h. Tank 2 asphalt project completed
 - i. Tank 2 generator consolidation project completed
 - j. Tank 4 generator upgrade completed
 - k. Jones Hill fuel break around District property completed
 - l. Tank mixer purchased and installed
 - i. Tank 2
 - ii. Tank 4
 - iii. Tank 5
 - m. Big Creek, 2G Clear Well and Butler Way Project started
 - n. Park Manhole repair/replacement completed
 - o. Purchased/installed new polymer tank mixer
 - p. Smart Covers purchased/installed
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 90% complete
 - b. Groveland BOF Sewer Project – In bidding phase
 - c. Sewer Treatment Plant improvements -engineering completed, reviewing draft plans
 - 1. Headworks
 - 2. LS #2
 - 3. Irrigation system
 - 4. Concrete/Grading by screw press
 - 5. Screw Press building/pump system
 - 6. WWTP Road maintenance
 - Around reservoirs
 - Around Irrigation fields

1.8 BOARD DIRECTION RELATED TO BUDGET 2021/2022 DEVELOPMENT

The Board of Directors reviewed a preliminary draft budget proposal at its May 11, 2021 Regular Meeting. 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 2021/22 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 2021/2022 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 \$1,546,519 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 proposed budget is \$26,542 less than the 2020/21 budgeted amount. 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%
- 2.4% COLA increase to all positions in the salary schedule based on Western Region CPI as approved in the Union MOU and as required to maintain base salaries with the same buying power as last year. Please note that although the COLA was published at 2.4% in March 2021, it appears that the cost of goods and services is currently increasing much faster now than the prior 12 months
- 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
- Water fund revenue **falls short** of covering the operating expenses by \$52,947. A 2% water rate increase this year would have balanced the budget without the use of fund balance (reserves)
- [Water capital improvements](#) and equipment/vehicle purchases of \$655,131 funded by current rates and fund balance (reserve,) in addition to \$954,200 in grant funded capital for the completion of the Second Garrotte and Big Creek Clearwells Rehabilitation Project
- Water Rate Study/consulting services budgeted for 2021 at \$40,000
- Sewer revenue covers operating expenses by \$360,782 due to rate increases and controlled expenses
- [Sewer capital improvements](#) and equipment/vehicle purchases in the amount of \$7,000,562 which includes an estimated 75% completion of the Sewer Collection System Rehabilitation Project, the cost of which is funded by a state loan and grant in the amount of \$4,149,176 (75% grant, 25% loan). A \$1.7 million wastewater treatment plant improvement project to increase efficiency, safety and reduce odor production is funded with a \$1.5 million low interest loan closed last year.

- Sewer reserve deposit of \$100,000
- Fire service property tax revenue shortfall of **\$160,736** if Schedule A contract is billed at CAL FIRE estimated budget. Please note that the Schedule A contract was budgeted at \$1,056,071 last FY and the projected FY end expense is \$817,624 due to reduced Cal FIRE staff billing costs. The above operating revenue shortfall does not include the necessary +\$250,000 in equipment replacement funds or funds for increases in staffing.
- Fire and emergency response equipment replacement in the amount of \$69,500 to replace outdated 12-year-old equipment and technology. Replacement of the fire station employee parking area asphalt is also planned, as it was allowed to deteriorate to the point of failure at an expense of \$56,000. This equipment and property improvements are funded from the remaining cash in the fire fund.
- Park fund revenue covers operating expenses by \$13,265, 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.
- Park capital improvements in the amount of \$321,452 including complete renovation or replacement of the upper park restrooms, replacement and major maintenance on the parking lot to avoid failure and control maintenance costs, as well as preliminary planning and design (architecture and engineering) of the proposed park improvement project, titled Adventure Park Improvements (until a formal title is assigned). \$175,952 of the Park improvements (restroom) is funded by a state grant, and the remainder funded by the Park fund balance (cash).

2 2021/22 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
- Preventative maintenance of the water system will increase over 2020 with a more experienced, highly trained, certified and licensed staff using appropriate software and equipment
- System repair and maintenance capital improvements will continue at 2020 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 2021
- Water Service Charge base rate revenue will not increase this year as the District implemented the final approved increase in the previous fiscal year. A revenue shortfall may result as expenses are predicted to increase.
- Interest earnings are expected 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 2020/21 as a result of the step rate increase approved in the 2018 rate increase schedule and as ratified in June 2021.
- 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 (\$1,130,673) of the property tax will be allocated to Fire, and 8% (\$98,318) to Parks services.

2.4 EXPENSE ASSUMPTIONS

- Staffing level has increased from the previous fiscal year with the addition of the Information/Instrumentation Systems Manager as well as the added Collections and Distribution Systems Operator positions. The increased staff is in place to achieve the budget criteria and Board objectives.
- Salary and salary related benefit expenses applied to all services are increased by the 2.4% 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
- 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 2020 contract as adjusted based on estimated fiscal year end 2020/21 amounts billed, and it is assumed that the actual amount billed to the District will steadily increase to the amount budgeted in future years
- Expenses for materials and supplies are expected to increase due to 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 for hardware and software purchases will increase slightly as a result of the District acquiring several new software programs last fiscal year. Technology implementation and maintenance costs will decrease as the new IT staff position is fully integrated and completes the past crisis management
- Water and Wastewater Master Plan development will be completely billed in fiscal year end 2021

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.

Below is a partial list of the capital projects and equipment purchases for the year.

Project Descriptions

- **Fuel Tank Project - \$150,000**
The Fuel Tank Project will provide the District additional Diesel storage for future power outages and PSPS events. The tank system will 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.
- **Sewer Treatment Plant upgrades:**
 - a) **Headworks Replacement**
We purchased and received the replacement headworks screen in 2020/21, and this project includes the installation of the screen as well as replacement of electrical and controls, modification to the headworks influent system and solids handling processes.
 - b) **Lift Station #2 and Recycled Water Irrigation System Improvements**
This portion up the project includes upgrade two the irrigation system pumps and controls as well as the lift station pumps, controls, and pump mounting system.
 - c) **Concrete/Grading around Screw press**
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.
 - d) **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.
 - e) **Road Maintenance**
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.
 - f) **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.

- **Truck #6 and #8 Replacement (Carryover from 2020/21 budget)**
 - a. Dealership did not order before cut off for purchase of 2021 vehicles; will honor 2021 price for 2022 model
 - b. Proposed Budget \$52,656 for standard class work pickups
 - c. Truck #6 (2006) and #8 (2007) are both very light duty models and have gone past their life expectancy for the type of truck and work we perform, as well as having mechanical issues in past year
- **Truck 3 Replacement**
 - a. Proposed Budget \$30,000 for 2022 model standard class work truck
 - b. Truck 3 (2004) has lived past its life expectancy and has had higher repair cost
- **New IT and Operations Manager Truck**
 - a. Operations Manager Truck (2018) was moved to C&D for new Ops Supervisor Position, leaving the Operations Manager with only the Equinox SUV
 - b. No working vehicle is available for the new IT position, so vehicle sharing has been occurring as well as personal vehicle use
 - c. Proposed budget \$70,000 for two 2022 model work trucks
- **New Dump Truck and Trailer**
 - a. 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, have high down time and repair costs
 - b. The trailer is used for transporting the backhoe to worksites
 - c. The dump truck is used/required on all underground projects
 - d. Proposed Budget \$200,000
- **New Vac-Con Truck**
 - a. Proposed Budget \$534,000
 - b. The Maintenance Department needs a Vac-Con Truck. 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. We heavily rely on Presidio Systems, Inc. (PSI) to fill the gap in our equipment capabilities, which poses problems. They are the only company we can find to fill this gap, 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 truck will give staff the ability to clean all main hub Lift station more frequently, which will help with odor reduction of these station. 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.

- **Generator Installations**
 - a. Proposed budget \$200,000
 - b. This will cover the installation and make any needed modification for 9 new generators purchased with grants funds.
- **SCADA improvements/assessment**
 - a. Proposed Budget \$60,000
 - b. This will optimize our current SCADA system efficiency and functionality, giving staff the ability to create more detailed reports (trends, flow, levels Etc.)
- **STP Blower & Generator room rehab Project**
 - a. Proposed Budget \$45,000
 - b. This project will consist of painting the exterior of the STP generator room, chemical storage shed and blower room, minor siding repairs will be completed as needed on all buildings, New AC unit will be installed on the blower room to keep the sewer treatment plant blowers cool during summer months, which will protect the blowers from premature failure, a new door for better access and protection for the blowers from outside elements.
- **Big Creek and Second Garrotte Clearwell Rehabilitation**
 - a. This project is expected to be up to 75% complete in the 2020/21 fiscal year, with the remaining \$954,200 budgeted for 2021/22, funded by state grant
 - b. 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.