



FY 2023-24 Budget Memorandum



August 14, 2023

1 BUDGET OVERVIEW

1.1 PURPOSE

We are pleased to present to the Board of Directors the final draft 2023/2024 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 3263 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.

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 1565 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 of 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. The District entered into a License and Cost Reimbursement Agreement with the county on August 1, 2023 for the placement of a county engine and staff at Station 78. The initial term of the agreement was one (1) year.

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 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 2023/24, 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 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 2022/23 BUDGET PERFORMANCE AND ACCOMPLISHMENTS

The projected fiscal year end for 2022/23 total operating revenue and operating expenses for each fund is summarized below:

WATER	AMOUNT	SEWER	AMOUNT
Revenue	\$2,766,652	Revenue	\$2,458,600
Expenses	\$2,805,965	Expenses	\$2,148,681
Revenue Over (Under) Expenses	\$(39,313)	Revenue Over (Under) Expenses	\$309,919

FIRE	AMOUNT	PARK	AMOUNT
Revenue	\$1,347,041	Revenue	\$190,228
Expenses	\$1,373,103	Expenses	\$140,103
Revenue Over (Under) Expenses	\$(26,062)	Revenue Over (Under) Expenses	\$50,125

Investing in Capital Assets – July 1, 2022 – June 30, 2023

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 \$5,524,422 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 2022/23 are listed below and financial detail included in the [Capital Outlay Budget](#) sheet attached to this memo:

Building and Infrastructure

Big Creek/2G Clearwell, Butler Way Rehabilitation Project

This project has spanned over three fiscal years and is expected to be completed in 2023/24 fiscal year.
FY Total \$282,783

Big Creek WTP Asphalt Replacement

The Big Creek WTP Asphalt Rehabilitation Project replaced all failed asphalt, graded 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.

FY Total- \$85,577

Wastewater Treatment Plant Reservoir 1 Liner Project

This project replaced the existing damaged liner, changed the inlet location, and added safety protective measures by fencing the reservoir.

Reservoir 1 adds additional storage during high flow events and or upsets in the treatment process.

FY Total-\$371,719

Groveland Asset Rehabilitation and Beautification Project

The District completed much of the planning and design work associated with the development of construction plans for this project, which is projected to go out to bid in September 2023. This also includes partial expenses for the construction of the new restroom that will replace the old restroom located in Mary Laveroni Park, in addition to the expense of clearing the trash from the recently acquired 37 acre property. This project is funded at 75% through the state's Clean California Local Grant Program.

FY Total-\$337,884

Equipment

New Dump Truck

This piece of equipment replaced the existing 1986 dump truck that has gone past its life expectancy and does not have current standard driver and operator safety features.

This truck was ordered in FY 2021/22, but with availability issues experienced as a result of the COVID-19 pandemic was delayed until FY 2022/23.

FY Total- \$177,892

New Vac-Con Truck

The Maintenance Department needed a Vac-Con Truck as our current vacuum and flushing trucks did not meet operating needs in maintaining our wastewater collection system. Our current vacuum truck did not have the capability to clean four of our lift stations and has a difficult time cleaning several others. The existing flush truck has a hard time pushing the linear footage needed to efficiently clean the district's sewer mains. The District relied 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 to Groveland 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 afford us more independence in maintaining our system and efficiency in responding to emergencies. While the Vac-Con Truck is primarily used for maintenance of the wastewater collection system, it also helps with other District maintenance and operational tasks. The Vac-Con Truck is an excellent tool for excavation, which helps when responding to water breaks in our distribution system. It also helps with the cleanup of water breaks, cleanup of sewer spills, and Sewer Treatment Plant maintenance efforts. This new piece of equipment gives staff the ability to clean all main hub lift stations more frequently, which will help with odor reduction at these stations. Its new and upgraded technology will make routine collection system maintenance easier, safer and expand productivity due to the fact this truck will have the function of two trucks.

This truck was ordered in FY 2021/22, but with availability issues experienced as a result of the COVID-19 pandemic was delayed until FY 2022/23.

FY Total- \$548,30

C&D Truck

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

FY Total- \$73,617

Truck 15 Replacement

This truck replaced Truck 15, which is an 18-year-old truck and has been out of service frequently requiring extensive maintenance work to be performed. This truck is a one-ton service body truck with a bumper mounted crane which is used for water and sewer infrastructure repairs.

FY Total- \$103,745

Truck 6 & 8 Replacements

These two (2) trucks were supposed to be replaced last year fiscal year, but due to availability, pricing, and ordering problems as a result of the COVID-19 pandemic, they had to be moved to the 2022/23 fiscal year.

FY Total-\$91,749

Lift Stations 9 & 10 Pump Repair

The District operates each Lift Station with two (2) submersible pumps for redundancy purposes, and keeps one stored for backup in the event we lose a pump. This purchase repaired Lift Station 9 and 10 submersible pump and stored for backup.

FY Total-\$24,800

2G Booster Pump Repair

This pump transfers water from the Second Garrote Water Treatment Plant to Tank #1.

The repair consisted of disassembling/inspection, bearings, seals, sleeves, collars, bushing and shaft repair. Steam, bake, test, and paint.

FY Total \$14,066.35

Flow Monitoring Equipment

This equipment will help monitor I&I in the collection system.

FY Total- \$45,643

Tire and Balancing Machine

This is a new piece of equipment that allows maintenance staff to change/repair tires on-site with minimal truck and shop down time.

FY Total- \$8,315

Skip Loader Tractor

Prior to this purchase, staff did not have a way to maintain District dirt/gravel roads, ditches and had to rely on outside contractors to perform this work. This new piece of equipment gives staff the ability to

maintain all gravel and dirt surfaces, correct drainages, and clean ditches on a routine basis.

FY Total- \$115,624

Shop Parts Washer

This piece of equipment replaced our current rented parts washer with a larger and more efficient unit that we own and maintain. Prior to the purchase of this piece of equipment, the District would spend around \$2,500 annually on rented equipment.

FY Total- \$8,757

Generator Installations

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

FY Total- \$619,098

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 State Regulations during high flows or upsets in the Sewer Treatment Process. Prior to this purchase, operators had to mix polymer multiple times daily to get a continuous flow throughout their shift. If the Sewer Treatment Plant had any kind of upset in the treatment process, operators had to come in after hours and mix additional polymer. The new pump reduces the need for operators to handle polymer, and allows for 24hrs of regulated continuous flow.

FY Total- \$17,765

Water Treatment Plant Flowmeters

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

FY Total- \$28,778

Technology Improvements

SCADA Improvements

This project consisted of adding Historian Software optimizing our current Supervisory Control and Data Acquisition (SCADA) system's 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.).

FY Total: \$72,704

Weather Stations/Micro server

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

FY Total: \$6,133

Engineering

Below is the planning and design work expense performed by the District’s engineers for the respective project; getting them ready for funding and construction.

Drought Resiliency Project (8.4M Grant)

Projected to go out to bid in FY 2023/24.

FY Total-\$125,381

Headworks Phase 2 Project

Awarded to SMCI Inc.

FY Total-\$20,299

1.8 BOARD DIRECTION RELATED TO BUDGET 2023/2024 DEVELOPMENT

The staffing plans, employee development strategies, projects, major purchases, technology, studies and management actions planned for 2023/24 are each intended to support accomplishment of the following adopted Board Goals:

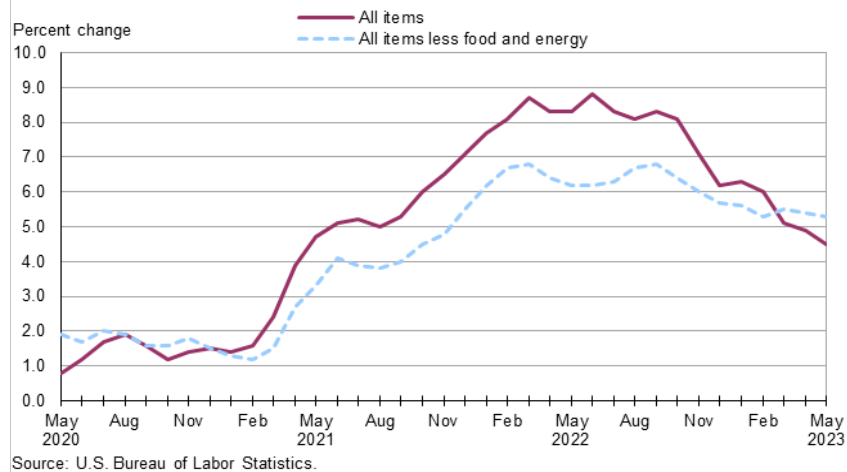
1. Support an Excellent, Efficient and Qualified Staff
2. Adopt/Update Solid Policies and Ordinances
3. Support Facilities and Operations to Stabilize Long Term Cost by Planning for the Future and Reduce the Rate of Cost Increase
4. Support Excellent Customer Service, Customer Relations and Outreach
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 2023/2024 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 \$ 2,133,582 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%
- 5.1% 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%; last FY the Board directed staff to adjust the COLA to the actual figure reflected in the 12-month CPI as of March due to historic inflation rates and a concern that the District would fall behind in maintaining industry competitive wages. Management prepared the budget to reflect the direction received by the Board from the previous fiscal year.

Chart 1. Over-the-year percent change in CPI-U, West region, May 2020–May 2023



- 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 \$705,299. 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)
- NBS Consulting was awarded a contract to conduct a Water Rate Study at the end of FY 2022/23 at \$40,000. These funds have been carried over to the FY 2023/24 budget
- Sewer revenue **falls short** of covering operating expenses by \$301,828
- NBS Consulting was awarded a contract to conduct a Sewer Rate Study at the end of FY 2022/23 at \$40,000. These funds have been carried over to the FY 2023/24 budget
- Fire service property tax revenue **shortfall** of \$338,162 if Schedule A contract is billed at the CAL FIRE estimated 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 **falls short** of covering operating expenses by \$13,423. The Park property tax revenue is not adequate to cover long term facility and equipment major maintenance, replacement or improvements.

2 2023/24 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 2023
- [Water Service Charge](#) base and variable rate increases are not reflected in the budget. If the rate increases that are presented in the cost of service study are approved, a later budget adjustment to revenue will be made.
- Interest earnings are expected to increase with the District’s investment of funds in CA Class and Mechanics Bank Money Market Accounts.
- [Wastewater \(Sewer\) revenue](#) base and variable rate increases are not reflected in the budget. If the rate increases that are presented in the cost of service study are approved, a later budget adjustment to revenue will be made.
- Property Tax (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 (\$1,280,616) of the property tax will be allocated to Fire, and 8% (\$111,359) to Park services.

2.4 EXPENSE ASSUMPTIONS

- Staffing level remains the same, although a new position was created, that will have overlap with an existing position for a few months, until cross training can be completed.
- Salary and salary related benefit expenses applied to all services are increased by the 5.1% cost of Living(COLA), 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 2022/23 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 held in the previous FY. This amount has been carried over to the 2023/24 FY budget as this was not accomplished in the previous FY.
- A loan of \$350,000 was 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 slightly as the impacts of COVID-19 have begun to level out.
- Utility expenses and fuel are budgeted to take into consideration current and projected trends.
- A Water and Sewer Rate Study has been budgeted for the upcoming fiscal year as a contract to conduct a cost of service study wasn't awarded until the end of the previous FY.

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.

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 \$689,261 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 GCSD 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:

- Construct new walkways and paths connecting and providing handicapped access to the lower park, 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.

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.

Totaling-\$1,297,000

Big Creek and Second Garrotte Clearwell Rehabilitation

The Big Creek and Second Garrotte Clearwell Rehabilitation Project consists 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 will be completed this fiscal year.

Totaling- \$466,998

Downtown Groveland/BOF Sewer Collection System Rehabilitation Project

The Sewer Project commenced in FY 2022/23 and consists 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.

Totaling- \$4,179,089

2G WTP Chlorine Analyzers

We are starting to see a decline in the older Hach instruments. Switching to newer, more reliable and available units will save the District in chemical cost since these do not use any reagents to operate, and will be fully supported for years to come.

Totaling- \$50,000

Big Creek and 2G WTP On-Site Chlorine Generators (OSG)

Both 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 two on-site chlorine generators: both at the Water Treatment Plants. All 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- \$132,000

Equipment

Truck 8 Replacement

This truck was supposed to be replaced last year FY, but due to availability and pricing/ordering problems, it had to be moved to the 2023/24 fiscal year.

Totaling- \$45,875

Truck 7 Replacement

This truck will replace Truck 7 which was involved in an accident in February 2023 and was declared a total loss by insurance. This truck was a 15-year-old truck and had been out of service frequently with extensive maintenance work performed. This truck is a one-ton service body truck used for water and sewer infrastructure repairs.

Totaling-\$80,950

Technology Improvements

New Programmable Logic Controllers for Big Creek WTP

This project will replace 2 outdated PLCs that have failed multiple times in the last month. These PLCs are no longer available new, and harder to acquire. The new units will bring reliability, security, and availability for years to come.

Totaling- \$110,000

Items Removed from this Year's Budget

Fuel Tank Project

The Fuel Tank Project will provide the District increased 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- \$44,000

Truck 17 Replacement

This truck will replace Truck 17 which is a 15-year-old truck which 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 mounted crane which is used for water and sewer infrastructure repairs.

Totaling- \$114,150

Truck 3 Replacement

Truck 3 was supposed to be replaced FY 2021/2022 year, but due to availability, pricing, and ordering problems because of the COVID-19 pandemic it had to be moved to FY 2022/23. In FY 2022/2023 truck 3 was cut from Dealers order from factory and is scheduled to be received 2023/24 FY.

Totaling- \$48,500

Bob Cat Skid Steer

This will replace the existing open cab unit with a fully enclosed cab providing additional safety features for employee operations.

Totaling-\$112,000

Sewer WWTP On-Site Chlorine Generators (OSG)

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 the on-site chlorine generator at the Wastewater Treatment Plant. This unit has lived well past its life expectancy and has had multiple failures recently. In addition, parts and support for this unit has become a problem in the past few years, and the loss in this unit will result in the treatment plant being shut down.

Totaling- \$1,000

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- \$40,000

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 \$978,526 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. Due to drastically increasing expenses and flat sewer revenue, our operating revenue and expenses do not balance and we will be spending \$620,785 of our sewer fund balance cash to operate and complete the planned improvements. Approximately \$385,675 in needed sewer capital expense was removed from this fiscal year in order to balance the budget. This level of capital expenditures is not sustainable in the future without additional customers or rate increases.
 - d. 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.
 - e. Our water and sewer master plans will be completed in 2023, which will identify the necessary future investments in infrastructure. 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. This analysis is underway and should be completed by the end of 2023.
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. Last fiscal year, the District 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. The District was also awarded \$4.3 million in grant funding from the Caltrans Active Transportation Program and \$1.1 million from the Congestion Mitigation and Air Quality Improvement Program through the Tuolumne County Transportation Council for the Hetch Hetchy Trail Project. 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.