



FY 2024-25



# FY 2024-25 Budget Memorandum



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June 4, 2024

## 1 BUDGET OVERVIEW

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### 1.1 PURPOSE

We are pleased to present to the Board of Directors the final draft 2024/2025 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 \$5,000 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 3,275 connections from Big Oak Flat through Groveland and Pine Mountain Lake. The district 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 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 1,567 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 personal protective equipment, fire fuel reduction work and inspections; but not to cover permanent staffing or operating expenses such as insurance, maintenance and 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 the State's expense. 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 and is expected to be renewed in 2024.

#### 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 and legal mandate 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 budget cuts that could cause customer water quality to suffer.

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. The housing price in the District is higher than in surrounding communities and the valley, and there are virtually no rentals available; making employee attraction challenging.

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 it 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 2024/25, 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 the California Class pool, 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 \$5,000 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 2023/24 BUDGET PERFORMANCE AND ACCOMPLISHMENTS –

The projected fiscal year end for 2023/24 total operating revenue and operating expenses for each fund is summarized below:

| WATER                         | AMOUNT      | SEWER                         | AMOUNT      |
|-------------------------------|-------------|-------------------------------|-------------|
| Revenue                       | \$2,974,434 | Revenue                       | \$2,546,153 |
| Expenses                      | \$3,127,471 | Expenses                      | \$2,431,018 |
| Revenue Over (Under) Expenses | \$(153,037) | Revenue Over (Under) Expenses | \$115,134   |

| FIRE                          | AMOUNT      | PARK                          | AMOUNT     |
|-------------------------------|-------------|-------------------------------|------------|
| Revenue                       | \$1,351,165 | Revenue                       | \$202,645  |
| Expenses                      | \$1,399,189 | Expenses                      | \$228,229  |
| Revenue Over (Under) Expenses | \$(48,024)  | Revenue Over (Under) Expenses | \$(25,584) |

### Investing in Capital Assets – July 1, 2023 – June 30, 2024

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 **\$4,517,662** 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 2023/24 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 was completed in 2023/24 fiscal year. The Big Creek and Second Garrotte Clearwell Rehabilitation Project consisted of removing failed interior tank coatings, repairs to corrosion damage and replacement of failed structural steel and providing interior and exterior coating on tanks. The project also included the complete renovation of the Butler Way Booster Pump Station, including a sound enclosure.

**FY Total - \$427,698**

##### **Groveland Asset Rehabilitation and Beautification Project**

The District completed the planning and design work associated with the development of construction plans for this project, and went out to bid in May 2024. This also includes partial expenses for the fabrication of the new restroom that will replace the old restroom located in Mary Laveroni Park. This project is funded at 75% grant through the state’s Clean California Local Grant Program.

**FY Total-\$288,050**

**Big Creek 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. Both units were purchased and received in FY2024, Big Creek was installed and Second Garrotte WTP will be installed in FY2025 due to Big Creek WTP being down.

**FY Total - \$79,426**

**GCSO Infrastructure Fuel Reduction Project**

This project created approximately 155 acres of shaded fuel break by hand cutting and masticating surface and ladder fuels in the understory of the District properties. The fuel reduction will allow firefighting forces the ability to protect critical water and sewage infrastructure as well as our administrative office, park facilities and fire station. The project spanned two fiscal years at a total grant amount of \$405,000.

**FY Total - \$79,809**

**Equipment**

**Big Creek Turbine Pump Repair**

This pump pulls water from the Mountain Tunnel and fills the Big Creek Treatment Plant Clearwell. The repair consisted of pulling 565 feet of 10" well casing, disassembling/inspection and replacing bearings, seals, bowls and impellers.

**FY Total - \$73,914**

**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.

**FY Total - \$43,598**

**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. Insurance proceeds covered the majority of the cost of the replacement truck.

**FY Total - \$75,516**

## **Technology Improvements**

### **WTP Chlorine Analyzers**

We are starting to see a decline in the older Hach (brand) 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.

**FY Total - \$36,331**

### **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.

**FY Total - \$110,000**

## **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 2024/25.

**FY Total-\$219,236**

### **Headworks Phase 2 Project**

Awarded to SMCI Inc. and starting construction June 5, 2024.

**FY Total-\$2,552**

## 1.8 BOARD DIRECTION RELATED TO BUDGET 2024/25 DEVELOPMENT

The staffing plans, employee development strategies, projects, major purchases, technology, studies and management actions planned for 2024/2025 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 2024/25 Operating BUDGET HIGHLIGHTS:

This section of the Budget Memorandum is intended to provide the reader an overview, or "bottom

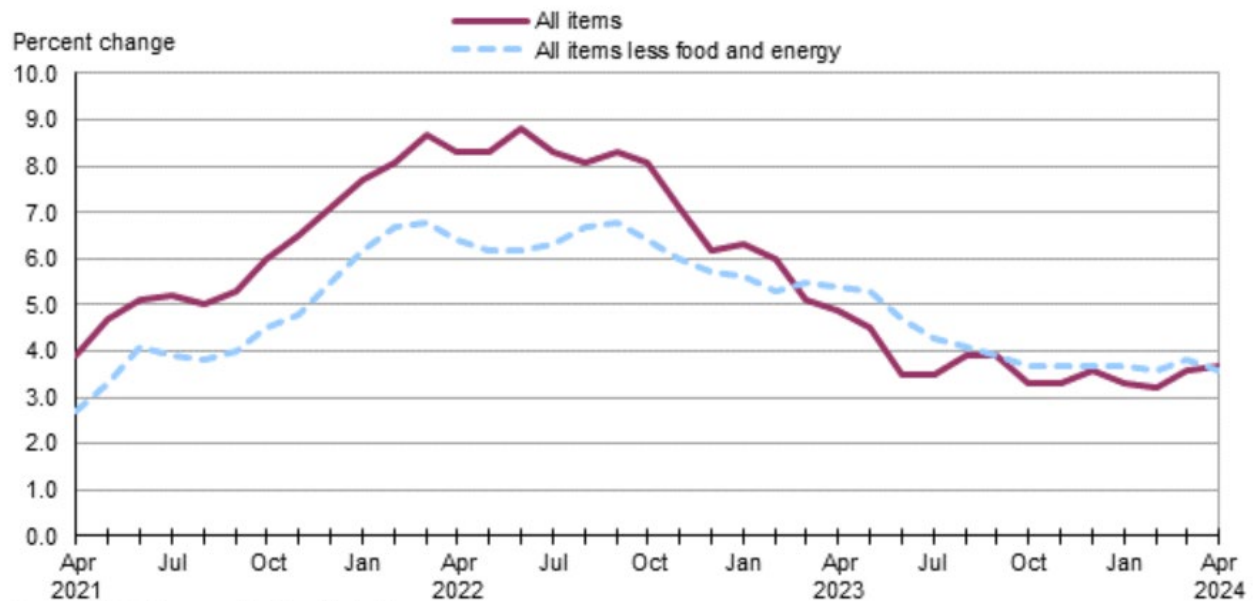
line” of what has changed from prior years, and where to focus in the budget for major projects or purchases. Additional detail is provided later in the report supporting the budget highlights, which include:

1.9.1 Administration

- Administrative expenses of \$2,212,738 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%
  
- 3.6% 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.

### Consumer Price Index, West Region — April 2024

**Chart 1. Over-the-year percent change in CPI-U, West region, April 2021–April 2024**



- 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 the previous fiscal year, however workload did not allow this to be accomplished. An RFP will be presented to the Board for a total compensation and benefit study at the June 11<sup>th</sup>, 2024 meeting

#### 1.9.2 Water Fund

- Water fund revenue **falls short** of covering the projected operating expenses by \$732,426. The lack of a water rate increase for the last two years has resulted in an unbalanced budget, and fund balance/reserve funds were used to balance. 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 were carried over to the FY 2023/24 budget and the vendor has completed this study which is currently under review by management

#### 1.9.3 Sewer Fund

- Sewer fund revenue **falls short** of covering operating expenses by \$299,910
- NBS Consulting was awarded a contract to conduct a Sewer Rate Study at the end of FY 2022/23 at \$40,000. These funds were carried over to the FY 2023/24 budget and the vendor has completed this study which is currently under review by management

#### 1.9.4 Fire Fund

- Fire fund service property tax revenue **shortfall** of \$533,421 if Schedule A contract is billed at the CAL FIRE estimated budget. The above operating revenue shortfall does not include funds for necessary equipment replacement or for increases in staffing.

#### 1.9.5 Park Fund

- Park fund revenue narrowly covers operating expenses which contributed to the anticipated increase in earned interest and a 3% revenue increase from cell tower rentals this fiscal year. The Park property tax revenue is not adequate to cover long term facility and equipment major maintenance, replacement or improvements.

## 2 2024/25 BUDGET DISCUSSION

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### 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 the 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

The 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 Services

- 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 2024 with a more experienced, highly trained, certified and licensed staff using appropriate software and equipment
- System repair and maintenance capital improvements will continue at 2024 pace
- Staffing, equipment and maintenance plans will take into consideration that the sewer collection project will extend through the summer 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 Park Services

- 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 Services

- 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, and that

reduced staffing or equipment reliability puts the public and our firefighters at risk. In FY25, the County will no longer fund two full time, non-fire season (typically November-April) staffing at the Merrell Road CAL-FIRE station reducing mutual aid response personnel

- A Fire Tax Measure will be proposed to voters and conducted by a special election in 2025 aiming to ensure adequate funding for essential fire protection and emergency response in our community

#### 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 costs”
- 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 provide privacy for work focus and clean work areas

### 2.3 REVENUE ASSUMPTIONS

#### 2.3.1 Administration / General

- Grant/loan revenue is budgeted to offset project costs where funding contracts are in place as of June 2024
- Interest earnings are expected to increase with the District’s investment of funds in CA Class and Mechanics Bank Money Market Accounts.

#### 2.3.2 Water Fund

- [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.

#### 2.3.3 Sewer Fund

- [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.

#### 2.3.4 Fire Fund

- In 2023 the District and Tuolumne County entered into a cost sharing agreement for a 50/50 split of the cost of utilities and general maintenance for the Groveland Firehouse, which is reviewed and billed quarterly. As of the date of this memo, the recovered costs for the first three quarters of FY24 are \$10,173. This agreement will continue and is considered into the FY24/2025 budget
- Property Tax (normally allocated to Park and Fire Services) is estimated to increase by 4% which is the normal Proposition 13 allowed inflation increase levied by the county. Ninety Two percent (\$1,345,393) of the property tax will be allocated to the Fire fund

#### 2.3.5 Park Fund

- Property Tax (normally allocated to Park and Fire Services) is estimated to increase by 4% which is the normal Proposition 13 allowed inflation increase levied by the county. Eight percent (\$117,667) of the property tax will be allocated to the Park fund

### 2.4 EXPENSE ASSUMPTIONS

#### 2.4.1 Administration & General

- Salary and salary related benefit expenses applied to all services are increased by the 3.6% cost of Living(COLA), and merit salary increases are budgeted for highly performing employees
- Health insurance rates are expected to increase for the second half of FY24 and a 5% estimated increase has been allocated across all service areas
- The Special District Risk Management Authority estimates the property/liability contribution to increase approximately 15% (+\$37,654) due to increased value of scheduled buildings and contents as well as estimates from reinsurance brokers, and a 27% (+\$27,241) increase to the Workers' Compensation contribution based on estimated payroll and other modification rate factors
- CalPERS has increased the employer contribution rate by .07% (+\$482) for Classic employees, and .19% (\$2,402) for PEPRAs employees, and ongoing yearly increases are expected to continue
- Expenses for materials and supplies are expected to increase slightly due to current inflation trends
- Utility expenses and fuel are budgeted to take into consideration current and projected trends
- Hire a consultant for total compensation and benefit study
- Consultant contract for public outreach and social media management will be necessary and continue this fiscal year
- Staffing levels in Operations are down by three positions as of today's memo
- Employee housing expenses have been estimated to include property taxes, dues, and insurances

#### 2.4.2 Water Fund

- Allocations for public outreach materials related to the Water Rate Study
- The addition of pump repairs and replacement line item previously recorded as Capital expenditures as the pumps are expected to be under the capitalization expense limit
- Roll forward of funds from prior year to continue GIS, Map and Easement updates
- Reoccurring repair & maintenance costs

#### 2.4.3 Sewer Fund

- Allocations for public outreach materials related to the Sewer Rate Study
- Reoccurring repair & maintenance costs
- Roll forward of funds from prior year to continue GIS, Map and Easement updates
- Expenses for materials and supplies are expected to increase slightly due to current inflation trends

#### 2.4.4 Fire Fund

- CAL FIRE costs will be budgeted in accordance with the 2023 contract and adjusted based on the estimated State budget which includes a proposed paydown in State post-

retirement liability. It is assumed that the actual amount billed to the District will steadily increase by at least 5% in future years

- A Fire Tax Rate Study will be conducted inhouse with the engagement of outside services for public outreach, education and legal services
- CalPERS estimates a 130% (+\$54,937) increase in Unfunded Accrued Liability (UAL) for Safety, which is expected to increase each year going forward in an effort to pay down the liability. This liability accrued for employees prior to 2012, not the CalFire contract employees
- Reoccurring repair & maintenance costs

#### 2.4.5 Parks Fund

- In FY2022/23 a loan of \$350,000 was secured to fund the 25% local match cost of the Groveland Asset Rehabilitation and Beautification Project. The annual loan payments will total \$43,000 for 10 years.
- The Groveland Asset Rehabilitation and Beautification Project will be completed by December 31<sup>st</sup>, 2024, as per the Clean CA grant requirements, and all associated grant funding will be fully utilized
- Reoccurring repair & maintenance costs
- An Active Transportation Program Grant was awarded for \$5.2 million for the Hetch Hetchy Railroad Trails Project and \$185,000 is being allocated for preliminary engineering which will begin in July

### 3 CAPITAL IMPROVEMENT PROJECTS/PURCHASES

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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 \$905,875 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 3,000 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 3,000 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.

**Employee Housing Purchase**

The need for Employee Housing has been an area of concern for management over the last five years and has become very prevalent with the sudden vacancy of three positions. The District has historically had a difficult time recruiting qualified, experienced, and certified staff due to its isolated location and management is concerned at the District's ability to fill any of the vacant positions given the fact that affordable housing is currently non-existent for potential candidates. It is expected that the loan payments will be covered mostly, if not completely by employee rent payments.

**FY 2024/25 Estimated Total - \$700,000**

**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.

**FY 2024/25 Estimated Total -\$1,359,170**

**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.

**FY 2024/25 Estimated Total- \$1,730,273**

**Drought Resiliency Project (8.4M Grant)**

In early October 2021, the California Department of Water Resources (DWR) is preparing to release \$200 million in funding for Drought Relief Projects. The intent of the Drought Relief Grant Program is to provide immediate and near-term financial and technical support to help Urban Water Suppliers survive this and future droughts. The program aims to implement needed resiliency measures and infrastructure improvements for water suppliers. The application is not competitive and is approved on a first come, first serve basis to water providers with projects meeting specified requirements.

Staff worked with our District Engineer to identify water system/water supply threats in an extended drought, and has identified the following priority projects that address multiple needs and benefits:

- At PML:
  - New Water Intake (Pumping Facilities) at Dunn Ct. to be able to safely and reliably reach water of acceptable quantity and quality when levels in the lake are low, and
  - New permanent location for the AWS water treatment plant to be more reliable and less costly to operate, as well as able to operate year round in a safe and efficient manner to produce water from PML during Hetch Hetchy Tunnel supply interruptions.
- In Big Oak Flat and Tank 5 Service Area:
  - New Groundwater Well to supply drought and emergency backup water supply to those sections in the Big Oak Flat area
  - New water storage tank to receive the groundwater from the new well and allow for isolation of the system while maintaining water supply for domestic and firefighting use
  - New Water Main (1-mile) to connect Tank 5 to the Big Oak Flat water system; resolving long-standing water quality issues in Tank 5 by increasing demand on the tank while providing water supply redundancy and fire flow capabilities in the service area.
  - New Pressure Reducing Station to control pressure from the new tank

The improvements in the Water System Resiliency Project will allow the District to supply water to its customers during extreme drought conditions and emergency conditions that take the Mountain Tunnel out of service. The location of the new well would be determined during the hydrogeological investigation task. These improvements will allow GCSD to supply water if a tunnel outage occurs due to a drought condition. Enclosed is a draft preliminary project budget for consideration. This is a 100% grant program however the state will run short on funding and when they do, certain project allocations may be offered at a reduced level.

**FY 2024/25 Estimated Total \$6,129,398**



### **Water fill station**

The Tuolumne Stanislaus Integrated Regional Water Management Authority was recently awarded grant funds from the Sierra Institute for the Tuolumne Stanislaus DAC Drinking Water Reliability Project. The purpose of the project is to ensure that a reliable source of drinking water is available to those who may not otherwise have access to it in disadvantaged communities. The Tuolumne Stanislaus Integrated Regional Water Management Authority recently offered to the district the opportunity to tap into this larger water reliability project and install a drinking water filling station in the Groveland area. The Groveland Water Fill Station Project includes the design and installation of an automated water station capable of automatically dispensing prepaid amounts of water to fill bottles, jugs, tanks and trucks. The unit includes a reader for prepaid and debit/credit cards. Income qualified persons can receive free water with the cost of the water dispensed reimbursed by OES and other grant sources.

**FY 2024/25 Estimated Total \$67,000**

### **CDBG Water System Project**

The Groveland Community Services District (GCSD) Water System Improvement Project proposes to replace water mains and appurtenances in Groveland and Big-Oak Flat. Most of the water distribution mains that supply water to the communities of Groveland and Big Oak Flat are 4" in diameter or smaller and are almost 70 years old. Frequent main breaks occur in these areas causing large amounts of water to be lost, property damage, and back siphon conditions to occur. Backflow and back siphonage of contaminated water caused by water main breaks are a significant risk to the health and safety of the community. Constant water loss is also occurring through small unidentified leaks in the distribution system due to its deteriorated condition. The Groveland and Big Oak Flat systems are currently in a condition where an increase in catastrophic water main failure is occurring, resulting in more frequent, longer water outages

Funding applications for the project were submitted to the state in 2016, however the project has not been funded due to it being a low state priority and the new income survey conducted by the state that resulted in a higher than expected median household income, prohibiting the District from receiving some state grant funds. We submitted a funding request to the county in 2019, and now expect a Community Development Block Grant (CDBG) in the amount of \$3.2 million, with work starting in the fall 2024. The work consists of installing 8,377 LF of 8-inch mains to replace portions of the existing water system. System appurtenances include thirty (30) fire hydrants and forty (40) residential water services (public portion only). All the proposed water mains and appurtenances are located within the public right of way. The total estimated cost of the improvements is \$3,267,500.00 and 100% of this cost is covered by CDBG. The project will benefit a total of 915 people across two block groups, of which 685 are low/moderate income (75%) according to census data. GCSD will implement the project under an executed subrecipient agreement with Tuolumne County.

**FY 2024/25 Estimated Total \$ 3,250,754**

### **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. 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. The water treatment plants cannot produce potable water without the addition of chlorine; therefore failure of these units could result in water shortages or outages. In the 2023/24 fiscal year, this project replaced two on-site chlorine generators: both at the Water Treatment Plants. This fiscal year's budget completes this project started last FY. Both units were purchased and received in FY2024, Big Creek was installed and Second Garrotte WTP will be installed in FY2025 due to Big Creek WTP being down.

**FY 2024/25 Estimated Total - \$7,943**

**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, resulting in violation of our state permit and water quality regulations, as well as potential SSO.

**FY 2024/25 Estimated Total - \$145,000**

**Lift Station 2 and 14 Rehab project**

This project will recoat Lift Station 2 and 14 wet wells preserving the aging concrete and reducing infiltration. It will also add a second pump to Lift Station 2 and a new guide rail system. This work will increase access and eliminate the need to go down inside the wet well making routine work safer for employees.

**FY 2024/25 Estimated Total - \$270,583**

**Versa Tube Building**

This building will cover some of our heavy equipment protecting it from harsh elements (rain, snow, sun etc.). The Vac-Con will be the primary piece of equipment stored under this protecting it's pump from freezing and damaging internal parts.

**FY 2024/25 Estimated Total - \$30,000**

**Sludge Drying Bed Rehab**

This project will be a complete rehab of the sand drying bed that is used to store sludge during the winter months. The current system has failed, not allowing sludge to drain and then dry during the summer months. The sludge not draining and drying correctly, which adds additional cost when time to haul off.

**FY 2024/25 Estimated Total \$ 40,000**

**Tank 4 Drainage Project**

This project will correct drainage around Tank 4 site and add a culvert to divert overflow water from private property below Tank 4.

**FY 2024/25 Estimated Total -\$150,000**

### **Airport Water Line Relocation.**

This project will relocate the District 6" water main that was placed outside the granted easement and is interfering with development of the current lot it runs through.

**FY 2024/25 Estimated Total -\$ 38,500**

### **Firehouse Flooring**

This project will replace approximately 1000sf of flooring throughout the Firehouse. The flooring has started to fail from normal day to day use.

**FY 2024/25 Estimated Total \$20,000**

## **Equipment**

### **Truck 3 Replacement**

This truck is a 20-year-old truck that has lived past its life expectancy. This truck is a half-ton service body truck used by the Water and Sewer Treatment Department.

**FY 2024/25 Estimated Total - \$49,085**

### **Truck 17 Replacement**

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.

**FY 2024/25 Estimated Total -\$95,478**

### **Bob Cat Skid Steer**

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

**FY 2024/25 Estimated Total --\$121,000**

### **AWS Standby Generator Repair**

This repair will consist of the replacement of the Generator main stator that has failed. The main stator is what generates power to run equipment during power outages.

**FY 2024/25 Estimated Total -\$62,000**

## **Technology Improvements**

### **New Programable Logic Controllers for 2G 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.

**FY 2024/25 Estimated Total - \$121,000**

**HACH Spectrophotometer**

This purchase will replace an older unit that is having electronic screen problems. This unit is used for water quality tests during daily labs.

**FY 2024/25 Estimated Total - \$11,500**

## 4 BUDGET IMPLICATIONS AND RELATED ACTIONS

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. We are not adequately staffed to complete preventative maintenance to the level required to maximize the life of our equipment and infrastructure, and we are currently unable to fill three vacant, critical positions.
  - b. Staffing evaluations have concluded that our water and wastewater operations needs to add one certified position, and the maintenance staff needs to be increased by two full-time positions. Management will be evaluating the cost of this staffing, which is needed due to constant vacancies, illnesses, employees being unable to take vacation, and having to be on-call 24x7 too frequently, disrupting work-life balance and causing employees to leave our employment. Adding these three staff would allow for industry-standard preventative maintenance to be performed
  - c. Management is evaluating the development of a construction crew, which is expected to save significant costs in replacement of infrastructure such as fire hydrants, street valves, service lines and sewer laterals, building repairs and major maintenance. The cost of public works construction has increased 30% to 50% in the past few years, and there appears to be no end in sight.
  - d. Due to drastically increasing expenses and flat water revenue, our operating revenue and expenses do not balance and we will be spending \$732,426 of our water fund balance cash to operate and complete the planned improvements. This level of necessary expenditure is not sustainable in the future without additional customers or rate increases.
  - e. Due to drastically increasing expenses and flat sewer revenue, our operating revenue and expenses do not balance and we will be spending \$299,910 of our sewer fund balance cash to operate and complete the planned improvements. This level of necessary expenditure is not sustainable in the future without additional customers or rate increases.
  - f. Constraints on time and funding presents challenges prioritizing annual fire hydrant and water distribution valve inspections which is crucial for ensuring proper working condition and to help mitigate risks to infrastructure.
  - g. 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 improved systems are operating well and reliability has increased significantly.

- h. Our water and sewer master plans were completed in 2023, which identified 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 2024.
2. Are we spending to simply stay afloat and keep the water and sewer 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. However, our adopted Capital Improvement Plan (CIP) details the need for annual expenditures averaging \$7.5 million in Water and \$2.5 million in Sewer; and the revenue projected for this budget falls far short of the amount needing to be invested in infrastructure. In addition, it is estimated that by 2030, we will need upwards of \$30 million for the upgrade of our wastewater treatment plant. This upgrade will be required by the state to meet state mandated water quality standards and will not necessarily improve efficiency or reduce operating costs. This huge future financial investment is not contained in our proposed budget or current sewer rates. Unfortunately, it is unknown when the state will update our 1984 wastewater permit, which will result in the plant upgrade mandate.
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 a Community Facilities Districts (CFD) for future large commercial and residential developments to fund the cost of increased staffing and operating costs for fire and park services in the future. We have also established 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. The CFD will be implemented when a project comes forward, and the Impact Fees will be considered by this Board by August 2024.