

Heber Public Utility District

MEETING DATE: June 18, 2020

FROM: Laura Fischer, General Manager

SUBJECT: Adopt Resolution Number 2020-12 to Adopt the Fiscal Year 2020-21 Budget.

ISSUE:

Shall the Heber Public Utility Board of Directors approve Resolution 2020-12 adopting a budget for Fiscal Year 2020-21 and rescinding all prior Resolutions related to the appropriation of funds?

GENERAL MANAGER RECOMMENDATION:

Approve Resolution Number 2020-12 as presented.

FISCAL IMPACT:

The proposed HPUD Operating Revenues for the Fiscal Year 2020-21 is \$3,537,800 and HPUD total Expenditures is \$3,390,900.

2020-2021 BUDGET	Parks & Rec	Water	Wastewater	Solid Waste	TOTAL Government Wide
Revenues	536,200	1,594,300	1,358,300	49,000	3,537,800
Total Revenues	\$ 536,200	\$ 1,594,300	\$ 1,358,300	\$ 49,000	\$ 3,537,800
Expenditures					
Operating	505,000	1,186,200	1,013,100	48,900	2,753,200
Capital Outlay	40,500	112,500	120,500	-	273,500
Funds Transfers/Reserves	(48,900)	(112,500)	(60,000)		(221,400)
Debt Service	-	325,700	259,900	-	585,600
Total Expenditures	496,600	1,511,900	1,333,500	48,900	3,390,900
To Fund Balance	\$ 39,600	\$ 82,400	\$ 24,800	\$ 100	146,900

BACKGROUND:

The District's annual budget represents a total financing plan for all District operations and must be analyzed by its component parts in order to make any meaningful assumptions. Although there is some financial interdependence between the funds, such as the shared allocation of labor costs, each fund represented in the budget must stand alone.

The budget serves as the financial planning tool of the District. It provides for the allocation of resources across the full range of the District's activities.

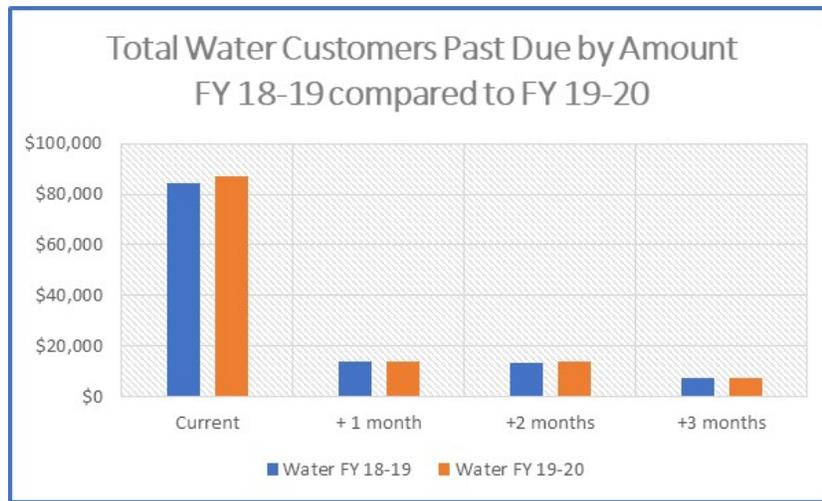
Staff presented the budget to the Board of Directors at the Regular Meeting on May 21,

2020; at a Special Meeting on June 11, 2020; and for adoption at the June 18, 2020 meeting.

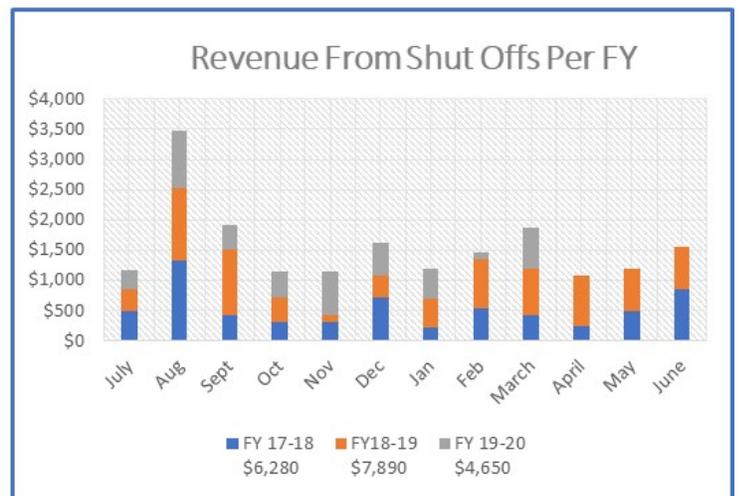
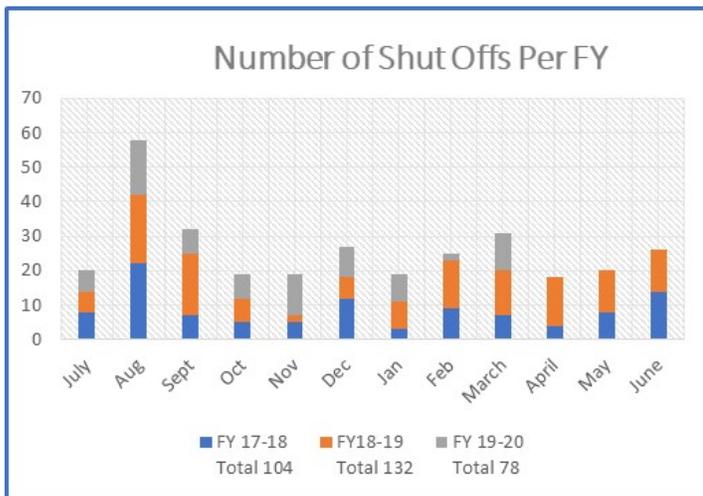
DISCUSSION:

Attached to this document is the HPUD Operating Budget Report prepared by the General Manager after receiving input from the Board of Directors during the Special Meeting held on June 11, 2020.

The Board held discussion about how COVID19 is impacting our customers since unemployment rates are so high. Currently the HPUD is not turning off any accounts that are past due, but we have seen very little increase in the amount of past due balances from prior year.



This chart presents the service shut offs in number of accounts shut off and the money received to reconnect the service. Data is color coded by Fiscal Year 2017-18; FY 2018-19; and FY 2019-20.



The Board gave direction to staff to prepare a budget that will lower expenditures as much as possible to our operating and maintenance budget and capital outlay expenditures. They further gave direction to staff prepare an analysis that showed the impact on the revenue budget, while still maintain our debt coverage ratio of 1.2%. Debt coverage ratio is established by our lenders when financing projects and it states that our revenues must exceed our operating expenditures by 1.2%. The Board is looking at the following scenarios.

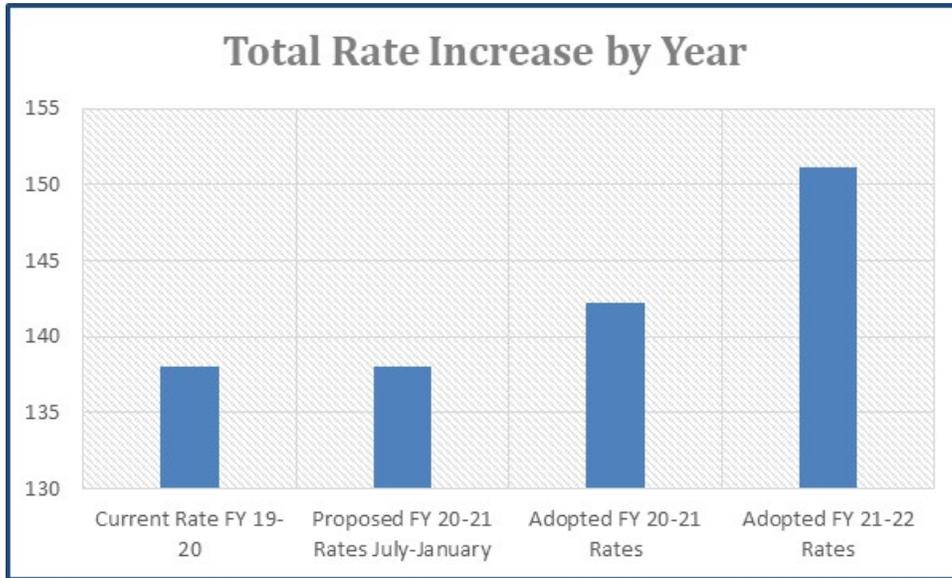
- 1) Postpone the approved rate increase for water, sewer and trash for six months until January 2021.
- 2) Determine a water, sewer and trash rate that is lower than the approved rates. This would help our customers with lower cost of utility services. We would implement the rate on July 1, 2020 to keep on the same schedule as our Fiscal Year.
- 3) No increase to water, sewer and trash rates in FY 2020-21.

This analysis is presented in three scenarios with all scenarios having the same expenses, capital outlay and debt amounts. The only change in these three scenarios is our revenue from water, sewer and trash rates. Keep in mind that CR&R is raising the trash rate for residential customers \$.46 per month and all customers will see a rate increase. HPUD may want to lower the approved water and sewer rate, but they will not be able to lower the trash rate. If HPUD wants eliminate any rate increase in FY 20-21 then the HPUD would have to pay CR&R for the rate increase amount from the Franchise Fee previously collected from CR&R.

Scenario 1: Postpone the approved rate increase for water, sewer and trash for six months until January 2021.

SCENARIO 1 - POSTPONE ALL RATE INCREASES FOR 6 MONTHS - START JAN. 1, 2021					
2020-2021 BUDGET	Parks & Rec	Water	Wastewater	Solid Waste	TOTAL Government Wide
Revenues	536,200	1,594,300	1,358,300	49,000	3,537,800
Total Revenues	\$ 536,200	\$ 1,594,300	\$ 1,358,300	\$ 49,000	\$ 3,537,800
Expenditures					
Operating	505,000	1,186,200	1,013,100	48,900	2,753,200
Capital Outlay	40,500	112,500	120,500	-	273,500
Funds Transfers/Reserves	(48,900)	(112,500)	(60,000)		(221,400)
Debt Service	-	325,700	259,900	-	585,600
Total Expenditures	496,600	1,511,900	1,333,500	48,900	3,390,900
To Fund Balance	\$ 39,600	\$ 82,400	\$ 24,800	\$ 100	146,900

Scenario 1) Postpone rate increase until January 2021. Note that in July 2021 customers will have another rate increase which is a total of \$8.87 from the adopted rate schedule.



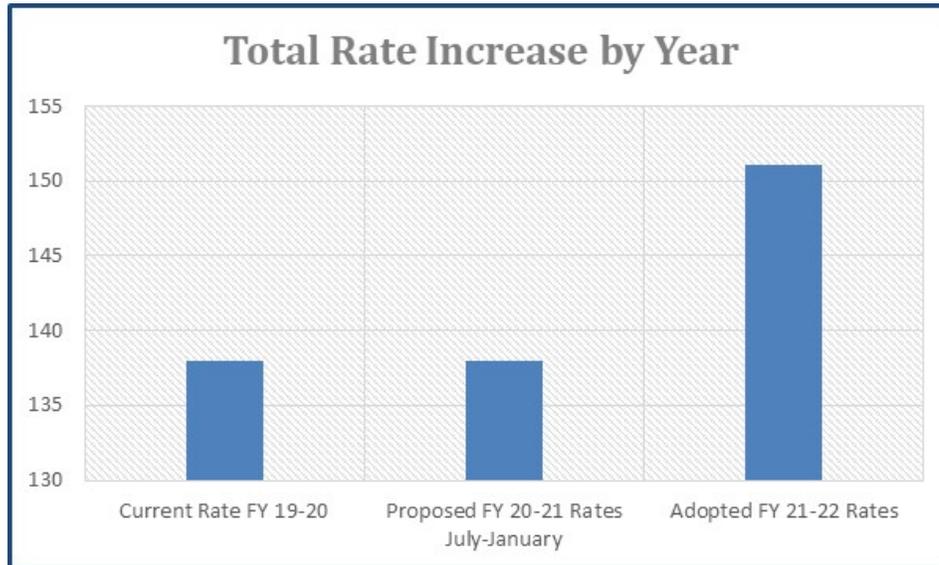
Scenario 2) Determine a water, sewer and trash rate that is lower than the approved rates. This would help our customers with lower cost of utility services. We would implement the rate on July 1, 2020 to keep on the same schedule as our Fiscal Year. The amount that the water, sewer, and trash rate will increase totals \$2.00 per month.

SCENARIO 2) WATER, SEWER AND TRASH RATE AT \$2.00 PER MONTH INCREASE					
2020-2021 BUDGET	Parks & Rec	Water	Wastewater	Solid Waste	TOTAL Government Wide
Revenues	536,200	1,594,300	1,358,300	49,000	3,537,800
Total Revenues	\$ 536,200	\$ 1,594,300	\$ 1,358,300	\$ 49,000	\$ 3,537,800
Expenditures					
Operating	505,000	1,186,200	1,013,100	48,900	2,753,200
Capital Outlay	40,500	112,500	120,500	-	273,500
Funds Transfers/Reserves	(48,900)	(112,500)	(60,000)		(221,400)
Debt Service	-	325,700	259,900	-	585,600
Total Expenditures	496,600	1,511,900	1,333,500	48,900	3,390,900
To Fund Balance	\$ 39,600	\$ 82,400	\$ 24,800	\$ 100	146,900

Scenario 2 has the same impact on our revenue budget as collecting the full rate for half the year. We reduced the rate increase from a planned and approved \$4.26 per month for residential customers to \$2.00 per month. This allows CR&R to collect their rate increase of \$.46 for a full year and HPUD to realize a \$.71 increase in water and a \$.83 increase in sewer for a full year. Raising rate in July 2020 will smooth out the cash flow

at HPUD and eliminate some concerns changing our record keeping procedures and audits.

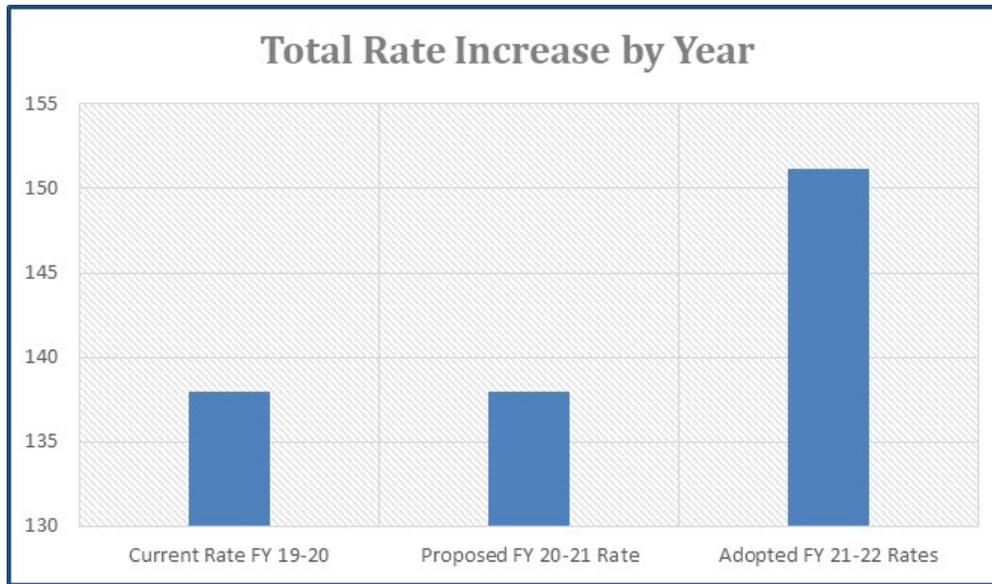
The impact to the customer's utility bill is charted below. As you can see there is a large increase from the modified FY 20-21 increase of \$2.00 per month to the \$11.12 increase from FY 20-21 modified rate to adopted rate in FY 21-22.



Scenario 3) No increase to water, sewer and trash rates in FY 2020-21

NO WATER, SEWER OR TRASH RATE INCREASE IN FY 2020-21					
2020-2021 BUDGET	Parks & Rec	Water	Wastewater	Solid Waste	TOTAL Government Wide
Revenues	536,200	1,574,000	1,335,700	43,352	3,489,252
Total Revenues	\$ 536,200	\$ 1,574,000	\$ 1,335,700	\$ 43,352	\$ 3,489,252
Expenditures					
Operating	505,000	1,180,700	1,013,100	48,900	2,747,700
Capital Outlay	40,500	112,500	120,500	-	273,500
Funds Transfers/Reserves	(48,900)	(112,500)	(60,000)		(221,400)
Debt Service	-	325,700	259,900	-	585,600
Total Expenditures	496,600	1,506,400	1,333,500	48,900	3,385,400
To Fund Balance	\$ 39,600	\$ 67,600	\$ 2,200	\$ (5,848)	103,852

You can see that the most change is to the Trash Fund where HPUD would have to pay CR&R from prior year Franchise Tax. The biggest concern would be the impact on the customers' utility bill jumping from rate in FY 2019-20 then to approved rate for FY 2021-22. Further analysis would need to be done to make any further changes to the adopted Rate Schedule.



Should the Board decided to select any of these options that either postpone implementing the adopted rates, lower the rates that are implemented on July 1, 2020, or eliminating the rate increase for FY 2020-21, staff will need to prepare a Resolution approving these changes. The resolution can be adopted in July ratifying your decision regarding the budget tonight.

Additionally, if the Board does not approve the Resolution presented, which applies to either Scenario 1 and Scenario 2 then the Board will need to schedule a meeting prior to July 1, 2020 to adopt a budget.

CONCLUSION:

Adoption of Resolution 2020-12 enables Heber Public Utility District to meet their anticipated operating and maintenance obligations to keep our parks, water and sewer systems in top condition. It also allows for the purchase of some necessary capital outlay and equipment. It will also assist our customers who may have difficulty paying their utility bill during the COVID pandemic. This budget will reduce the rate amount from \$4.26 increase to only \$2.00 increase. If that is implemented in July at \$2.00 or in January as the full \$4.26 the amounts in the budget would be the same. Adopting the Resolution as presented does not allow the HPUD to have a desired net revenue that would be put in the capital improvement fund for future projects. Staff will need to search for alternate funding and/or push projects out to future years. Adopting the budget at this meeting will meet the deadline to have a budget in place by the beginning of the Fiscal Year.

Respectfully Submitted,

Laura Fischer, General Manager

Attachments:

FY 2020-21 Operating Budget Report

Resolution 2020-12

RESOLUTION NO. 2020-12

**A RESOLUTION OF THE HEBER PUBLIC
UTILITY DISTRICT ADOPTING A BUDGET
FOR FISCAL YEAR 2020-21**

WHEREAS, the General Manager has submitted the 2020-2021 Budget to the Board of Directors for its review and consideration in accordance with budget policies and objectives established by the Board of Directors, and

WHEREAS, the 2020-21 Budget is effective on July 1, 2020 and is based upon public comment and direction of the Board of Directors received at scheduled public meetings on May 21, 2020, and June 11, 2020; and

WHEREAS, in said fiscal year beginning July 1, 2020, there is hereby appropriated out of the Treasury of the Heber Public Utility District for District purposes and for allowances to be used by the various departments and activities of said District for the fiscal year 2020-21, the sum of \$3,390,900 in the amounts, allowances and estimates more particularly set forth and described in said budget on file in the District office; and

WHEREAS, the following monies are hereby appropriated from each fund in the following amounts:

2020-2021 BUDGET	Parks & Rec	Water	Wastewater	Solid Waste	TOTAL Government Wide
Revenues	536,200	1,594,300	1,358,300	49,000	3,537,800
Total Revenues	\$ 536,200	\$ 1,594,300	\$ 1,358,300	\$ 49,000	\$ 3,537,800
Expenditures					
Operating	505,000	1,186,200	1,013,100	48,900	2,753,200
Capital Outlay	40,500	112,500	120,500	-	273,500
Funds Transfers/Reserves	(48,900)	(112,500)	(60,000)		(221,400)
Debt Service	-	325,700	259,900	-	585,600
Total Expenditures	496,600	1,511,900	1,333,500	48,900	3,390,900
To Fund Balance	\$ 39,600	\$ 82,400	\$ 24,800	\$ 100	146,900

WHEREAS, all previous appropriations are hereby cancelled and the balances remaining therein are applied to finance the new appropriations set forth in this budget; and

WHEREAS, according to adopted Policy 3040.2, Any commitment of District funds for a purchase or expense greater than \$15,000.00 shall first be submitted to the Board of Directors for approval, or shall be in conformance with prior Board action and/or authorizations; and

WHEREAS, according to adopted Policy 2040.2.1, The General Manager may authorize expenditures greater than \$15,000.00 in certain circumstances that require immediate action. The General Manager will immediately report any such expense to the Board of Directors; and

WHEREAS, all increases in the Fiscal Year 2020-21 Budget of funds, departments and/or activities shall be made by the Board of Directors except that the General Manager may, on her own initiative and without prior approval of the Board of Directors, transfer between budget accounts within a fund, activity, or capital improvement fund, or from a budget account or appropriation, to the said fund reserve, amounts determined to be in excess of actual requirements; as long as such changes are reported regularly to the Board of Directors; and

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE HEBER PUBLIC UTILITY DISTRICT, DOES HEREBY RESOLVE AS FOLLOWS:

1. That the foregoing is true, correct and adopted.
2. That the Board of Directors finds that the Fiscal Year 2020-21 Budget of \$3,390,900 is based upon reasonable estimates of revenues and expenditures resulting in a balanced budget.
3. That the Board of Directors of the Heber Public Utility District does hereby adopt this Resolution approving the Fiscal Year 2020-21 Budget as set forth.
4. That the President of the Board of Directors of the Heber Public Utility District is hereby authorized to sign said Resolution, a copy of which is on file at the District office.

PASSED AND ADOPTED at a regular meeting of the Board of Directors of the Heber Public Utility District held on the 18th day of June 2020.

Moises Cardenas, Board President

ATTEST:

Raquel Carrillo, Clerk of the Board

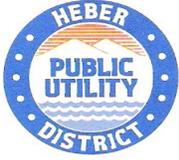
APPROVE AS TO FORM:

Steven M. Walker, General Counsel

STATE OF CALIFORNIA)
COUNTY OF IMPERIAL)
HEBER PUBLIC UTILITY)
DISTRICT)

I, Raquel Carrillo, Clerk of the Board of the Heber Public Utility District, County of Imperial, State of California, DO HEREBY CERTIFY that the foregoing resolution was dully passed, approved and adopted by the Board of Directors of the Heber Public Utility District at its regularly scheduled meeting held on the 18th day of June 2020.

By _____
Raquel Carrillo, Clerk of the Board



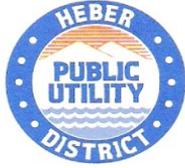
Heber Public Utility District

ADOPTED VIA RESOLUTION NO. 2020-12

Effective July 1, 2020

All Funds Summary FY 2020-21

2020-2021 BUDGET	Parks & Rec	Water	Wastewater	Solid Waste	TOTAL Government Wide
Revenues	536,200	1,594,300	1,358,300	49,000	3,537,800
Total Revenues	\$ 536,200	\$ 1,594,300	\$ 1,358,300	\$ 49,000	\$ 3,537,800
Expenditures					
Operating	505,000	1,186,200	1,013,100	48,900	2,753,200
Capital Outlay	40,500	112,500	120,500	-	273,500
Funds Transfers/Reserves	(48,900)	(112,500)	(60,000)		(221,400)
Debt Service	-	325,700	259,900	-	585,600
Total Expenditures	496,600	1,511,900	1,333,500	48,900	3,390,900
To Fund Balance	\$ 39,600	\$ 82,400	\$ 24,800	\$ 100	146,900

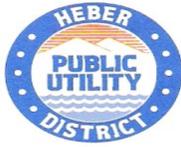


Adopted Via Resolution 2020-12
Effective July 1, 2020

FISCAL YEAR 2020-2021 ALL OPERATING FUNDS BUDGET

REVENUES

REVENUES	Parks	Water	Sewer	Trash	Total
Interest	-	1,500	1,500		3,000
Royalties (Geothermal)	4,000				4,000
Parks & Rec/Park Use	3,000				3,000
Other Revenues/Admin fees	1,200			1,600	2,800
Other Contributions (Donations)	2,000				
Property Taxes	440,000				440,000
Capacity Fees					-
Residential		1,200,300	1,093,600	361,300	2,655,200
Multi-Residential		89,900	170,400	59,000	319,300
Commercial		24,900	11,400	26,200	62,500
Industrial		82,600	18,200	43,000	143,800
Public Agencies		86,200	35,800	32,200	154,200
Fire Protection -		2,700	-	-	2,700
OSA Water		69,200			69,200
New Service Fee		3,000	2,500		5,500
Penalties - Late fees		15,000	15,000		30,000
Reconnection Charge		4,000			4,000
Miscellaneous -(Backflow & NSF)		6,000	900		6,900
Parks Maintenance - CFDS & LLD	86,000				86,000
Rent - American Tower (Verizon)	-	9,000	9,000		18,000
Developer Fees - 15%					-
C R & R INVOICES - TO NET FRANCHISE FEE				(474,300)	(474,300)
Total Revenues	536,200	1,594,300	1,358,300	49,000	3,535,800



FISCAL YEAR 2020/2021 ALL OPERATING FUNDS BUDGET

EXPENDITURES	Parks	Water	Sewer	Trash	Total
Salaries & Wages	131,000	384,800	331,400	16,900	\$864,100
Fringe Benefits	99,400	232,200	212,100	11,200	\$554,900
Uniforms & Safety Shoes	1,500	2,500	2,500	0	\$6,500
Training/Travel & Conferences	3,000	7,400	7,400	800	\$18,600
Safety Training	1,500	2,500	2,500	0	\$6,500
Mileage Reimb./Allowance	500	2,000	2,000	0	\$4,500
Sponsorship/Contributions	0	0	0	0	\$0
Recreation Activities	18,000	0	0	0	\$18,000
Movies Rental	1,900	0	0		\$1,900
Public Outreach	16,000	8,000	8,000	3,000	\$35,000
Raw Water Purchase	0	20,000	0	0	\$20,000
Wastewater Sludge Disposal	0	0	15,000	0	\$15,000
Chemical Purchases	0	80,000	10,000	0	\$90,000
Laboratory	0	15,000	20,000	0	\$35,000
Materials & Supplies - Regular Operation	27,500	20,000	20,000	0	\$67,500
Fire Hydrant Maintenance -	3,500	0	0		\$3,500
Office Services	10,000	30,000	30,000	2,000	\$72,000
Office Supplies	5,000	6,500	6,500	1,000	\$19,000
Postage	1,300	5,500	5,500	1,500	\$13,800
Miscellaneous	1,500	4,000	4,000	0	\$9,500
Maintenance & Repairs (Distribution)		80,000	0	0	\$80,000
Maintenance & Repairs (Collection)		0	30,000	0	\$30,000
Maintenance & Repairs (Parks)	30,000	0	0	0	\$30,000
Operation Maintenance & Repair - Treatment		40,000	70,000	0	\$110,000
Auto & Trucks Repair & Maintenance	4,000	6,000	3,500	0	\$13,500
Equipment Replacement (all other)	10,000	20,000	20,000	0	\$50,000
Plant, lab, Office Repairs (Buildings)	1,000	2,000	2,000	0	\$5,000
Equipment Rental	4,000	800	1,200	0	\$6,000
Diesel	600	5,000	5,000	0	\$10,600
Gasoline	5,000	2,000	2,000	0	\$9,000
UB Bad Debt		10,000	10,000	2,000	\$22,000
Accounting/Auditing	5,000	11,500	11,500	2,000	\$30,000
Engineering	5,000	3,000	3,000	0	\$11,000
Legal	2,500	4,000	4,000	1,500	\$12,000
Planning	8,000	5,000	5,000	0	\$18,000
Temporary Employment Services	5,000	5,000	5,000	2,000	\$17,000
Bank & Merchant fees	300	7,000	7,000	1,500	\$15,800
Lafco - Expenditures Share	0	0	0	0	\$0
Memberships/subscriptions	1,500	4,500	4,500	500	\$11,000
Licenses/Permits	0	10,000	27,000	0	\$37,000
Compliance & Pollution Tests	500	1,000	8,000	0	\$9,500
General Liability Insurance	16,500	43,500	38,500	3,000	\$101,500
Utilities	52,500	105,500	79,000	0	\$237,000
Street Lighting	32,000	0	0	0	\$32,000
TOTALS	\$505,000	\$1,186,200	\$1,013,100	\$48,900	\$2,753,200

NET OPERATING INCOME

NET INCOME	Parks	Water	Sewer	Trash	Total
TOTAL REVENUES	\$536,200	\$1,594,300	\$1,358,300	\$49,000	\$3,537,800
OPERATING EXPENSES	\$505,000	\$1,186,200	\$1,013,100	\$48,900	\$2,753,200
NET REVENUE (INCLUDING CAPACITY)	\$31,200	\$408,100	\$345,200	\$100	\$784,600

Capital Outlay					
Capital Outlay (Office)	5,000	21,000	13,000		\$39,000
Capital Outlay (Equipment)	35,500	91,500	107,500		\$234,500
NET AFTER CAPITAL OUTLAY EXPENSES	(\$9,300)	\$295,600	\$224,700	\$100	\$511,100

Other Sources & Uses					
Inter-Funds - Transfers (In) and Out					
Land transfer to Wastewater Dues Payment Resol. 2018-09	(48,900)		0		(\$48,900)
Use of Short Lived Assets and or Repair and Replace reserves		(112,500)	(60,000)		(\$172,500)
NET AFTER CAPITAL OUTLAY EXPENSES	\$39,600	\$408,100	\$284,700	\$100	\$732,500

Debt Service					
DEBT SERVICE-Principal		251,900	216,700		\$468,600
DEBT SERVICE-Interest - 5800		73,800	43,200		\$117,000
Debt Service Total ----->	\$0	325,700	259,900	\$0	\$585,600

Net Income After Capital & Debt Service ----->	\$39,600	\$82,400	\$24,800	\$100	\$146,900
--	-----------------	-----------------	-----------------	--------------	------------------