

Heber Public Utility District

MEETING DATE: May 26, 2022

FROM: Laura Fischer, General Manager

SUBJECT: Information Only – FY 2022-23 Budget.

INFORMATION ONLY:

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.

ASSUMPTIONS:

The draft budget is based on several assumptions, which must be reviewed prior to developing a complete fund budget. Staff is recommending the following budget assumptions for FY 2022-23.

Revenues:

- Property Tax Revenue will increase only 1% from projected actuals.
- Water and Sewer Revenues will remain the same as projected actuals for FY 21-22 as there is no rate increase proposed or approved for FY 2022-23.
- No Capacity Fees are projected for FY 2022-23 as we received Heber Wood capacity fees in FY 2019-20 for all 28 homes. All other developments will most likely pay capacity fees within the next two years.
- One Time COVID-19 Revenues. In FY 2021-22 the District received \$437,000 in COVID Relief funds. These funds were not intended to pay past due customer accounts (different grant was used to pay off customer's accounts) but was intended to help off set increased costs such as:
 - Staff is recommending that ½ of the funds be allocated to off set cost in FY 2021-22, and the other ½ be allocated to FY 2022-23.
 - Parks – FY 2021-22 = \$17,150; FY 2022-23 = \$17,150
 - Water – FY 2021-22 = \$102,812; FY 2022-23 = \$102,812
 - Sewer – FY 2021-22 = \$103,731; FY 2022-23 = \$103,731
- Rate Adjustment for Trash is 4.7% this Fiscal Year. This is an action item on the agenda in May.
- Aging Accounts should be back to normal this year as we have started charging late fees and shut off. There will be an increase in office supplies and postage as we now must send out additional notices

Expenditures:

- Once again, we are allocating overhead cost based on a percentage to each fund. Parks = 16%; Water = 40%; Sewer = 40%; and Trash = 4%.

- Overall our expenditures were increased by 5% except for some items which were higher due to supply chain and inflation.
 - Chemicals & Lab Testing increased 30%
 - Electrical Cost increased 20-25% Liability Insurance with SDRMA went up \$17,000, which is 12%.
- Public Outreach funds out calendar of events including our Fall Fiesta. The total amount budgeted \$35,000. Our cost for movie nights has gone down as we have been holding some of them in the recreation center, which doesn't require overtime.
- Bank Fees were up by 90% in FY 2021-22 due to the high volume of customers paying by credit card over the phone. COVID relief funds were transferred into each fund to offset the increase cost for bank fees in FY 2021-22 and for the first half of 2022-23. As our office is now open and people are coming in to pay we anticipate these fees to be lower. Additionally, staff will be presenting a fee schedule to charge a flat fee for paying with a credit card over the phone.
- We anticipate that our audit for FY 2022-23 will need to include a single audit due to receipt of State/Federal grant funds. We added additional expenditures to meet this expectation.

Salary and Benefits:

- Salary Increase of 3% is approved by the Board.
- Changes to our medical insurance cost will be reflected in this year's budget for the full year.
- Staff is requesting to add an additional temp part-time parks employee to this year's budget. Last year we had one temp part-time employee for parks, but we found that we needed additional hours to complete the parks maintenance for the Fiscal Year. This budget has 1.5 temp part-time employees in parks which is 1,440 hours = \$42,720.
- The budget also has a temp part-time employee in Recreation as our coordinator for 960 hours = \$24,000; and a temporary part-time workers in water and sewer with limited hours = \$6,400.
- CalPERS unfunded Liability for FY 2022-23 is \$83,540.

Equipment Outlay:

- In the water department we anticipate purchasing 128 meters and 1,065 stealth readers, and various pumps. These items will be funded through our short-lived assets. Some of the items needed will be included in our reserve resolution and capital improvement project list.
- In the sewer department we are developing a large improvement project for next Fiscal Year, however we continue to include some small projects in our FY 2022-23 budget. These are items that are replaced periodically and may be required prior to the completion of the larger project. They are funded through the Repair and Replacement of Equipment Fund and through our reserve and capital improvement projects.
- In Parks, we continue to fund through our reserve resolution a new truck. You may recall that we ordered the truck with El Centro Motors and they told us that one would not be available until December 2022. We also have planned some minor

repairs to the snack bar roof and purchase or repair of a couple of retention basin pumps.

PARKS & RECREATION BUDGET OVERVIEW:

2021-22 Prior Year Budget Analysis

In FY 2021-22 the HPUD Board adopted a budget that projected Net Revenue Over All Expenditures including Capital Outlay at \$26,228. Staff projects that at the end of FY 2021-22, HPUD should realize a Net Revenue over all Expenditures including Capital Outlay of \$64,650, which is an increase of \$38,422 that will increase our Parks Fund balance. This increase in net revenue was a result in several expense line items not being used and only half of our capital equipment was spent. Some of these lower than anticipated expenditures are due to COVID as HPUD had limited staff working in our parks to help stop the spread of COVID.

FY 2022-23 Proposed Budget

The Parks Fund budget for FY 2022-23 proposes a total revenue of \$612,478 and total expenditures of \$565,300. The total Net Revenue Over Expenditures is proposed at \$41,178. The Parks Fund receives a transfer in from the Wastewater Fund in the amount of \$48,828 for payment to purchase the property where the wastewater treatment plant is located. Additionally for FY 2022-23 the Parks Funds shows a revenue in Other Revenues for COVID Relief funds in the amount of \$17,150. The Park Fund does not have any debt, but we are proposing a total of \$16,000 for capital outlay expenditures in FY 2022-23.

Parks & Recreation Budget Attached.

WATER FUND BUDGET OVERVIEW:

2021-22 Prior Year Budget Analysis

The Water Fund budget for FY 2021-22 projected Net Revenue Over All Expenditures including Capital Outlay at \$158,868. Staff projects that at the end of FY 2021-22, HPUD should realize a Net Revenue over all Expenditures including Capital Outlay of \$299,784, which is an increase of \$140,916. The Water Fund is projected to have a debt coverage ratio of 1.71. HPUD needs to have at the end of the Fiscal Year a 1.2 debt coverage ratio.

FY 2022-23 Proposed Budget

The Water Fund budget for FY 2022-23 proposes a total revenue of \$1,885,692, which includes a transfer in from Short Lived Asset Reserves in the amount of \$65,480 and COVID Relief funds in the amount of \$102,812. The Water Fund Projected FY 2022-23 budget projects a Net Revenue Over All Expenditures Including Debt and Capital Outlay in the amount of \$181,912. The Water Fund projected debt coverage ratio for FY 2022-23 is 1.29, which exceeds the required 1.2.

The Water Fund Budget is Attached.

WASTEWATER FUND BUDGET OVERVIEW:FY 2021-22 Prior Year Budget Analysis

The Sewer Fund budget for FY 2021-22 projected Net Revenue Over All Expenditures including Capital Outlay at \$78,000, however the sewer fund is projected to realize (\$-20,100) in Net Revenue. This is due to several increases in expenditures that were mentioned in the Assumptions. The Sewer Fund is projected to have a debt coverage ratio of 1.22, which exceeds the needed 1.2.

FY 2022-23 Proposed budget

The Sewer Fund budget for FY 2022-23 proposes a total revenue of \$1,595,531 which is only \$14,311 higher than last year's revenues. The Sewer Fund Projected FY 2022-23 budget projects a Net Revenue Over All Expenditures Including Debt and Capital Outlay in the amount of \$147,631.

The Sewer Fund Budget is Attached.

TRASH FUND BUDGET OVERVIEW:

There is very little change in the Trash Fund budget. HPUD receives 10% Franchise Fee which amounts to a Projected \$49,700 in FY 2022-23. HPUD appropriates 4% of overhead to the Trash Fund, thus the Trash Fund is projected to have a \$210.00 Net Revenue Over Expenditure for FY 2022-23.

BACKGROUND:

This is the second review of the HPUD FY 2022-23 Budget Assumptions, Parks and Recreation Fund Budget, Salaries and Benefits and Equipment Outlay. This is the first review of our Water, Sewer and Trash Fund budgets. Additionally, staff has prepared the Draft Budget Summary pages that will be included with the Resolution adopting the FY 2022-23 Budget. These summary pages are attached for your consideration.

The Heber Public Utility District is required to have an adopted budget by July 1st each year. HPUD staff is ready to present the full budget for your consideration at the July 2nd Special Meeting, and we will schedule another Special Meeting for Wednesday, July 8th if needed.

At the HPUD Regularly Scheduled Board meeting on June 16th staff will present the budget with any changes the Board recommends.

Respectfully Submitted,

Laura Fischer, General Manager

Attachments:

- Assumptions
- Parks & Recreation Fund
- Water Fund

- Wastewater Fund
- Trash Fund
- Salaries & Benefits
- Capital Outlay
- All Funds Operating Budget