

Heber Public Utility District

MEETING DATE: June 15, 2023

FROM: Madeline Dessert, General Manager

SUBJECT: Adopt Resolution Number 2023-04 to Adopt the Fiscal Year 2023-2024 Budget.

ISSUE:

Shall the Heber Public Utility Board of Directors approve Resolution 2023-04 adopting a budget for Fiscal Year 2023-2024 and rescinding all prior Resolutions related to the appropriation of funds?

GENERAL MANAGER RECOMMENDATION:

Approve Resolution Number 2023-04, rescinding all prior Resolutions related to the appropriation of funds.

FISCAL IMPACT:

The proposed HPUD Operating Revenues for the Fiscal Year 2023-24 are \$4,100,441 and HPUD total Expenditures are \$3,827,892.

2023-2024 BUDGET	Parks & Rec	Water	Wastewater	Solid Waste	TOTAL Government Wide
Revenues	574,100	1,745,200	1,724,841	56,300	4,100,441
Total Revenues	\$ 574,100	\$ 1,745,200	\$ 1,724,841	\$ 56,300	\$ 4,100,441
Expenditures					
Operating	592,600	1,305,700	1,120,400	49,100	3,067,800
Capital Outlay	41,200	207,042	180,800	-	429,042
Funds Transfers/Reserves	(48,900)	(161,450)	(37,100)		(247,450)
Debt Service	-	318,600	259,900	-	578,500
Total Expenditures	584,900	1,669,892	1,524,000	49,100	3,827,892
To Fund Balance	\$ (10,800)	\$ 75,308	\$ 200,841	\$ 7,200	272,549

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 18, 2023; at a Special Meeting on May 30 and on June 5, 2023; and for adoption at the June 15, 2023, 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 5, 2023.

CONCLUSION:

Adoption of Resolution 2023-04 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. 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. Adopting the budget at this meeting will meet the deadline to have a budget in place by the beginning of the Fiscal Year.

Staff recommends adopting Resolution 2023-04 as presented.

ALTERNATIVES:

- 1) Do not adopt Resolution 2023-04 as presented and give direction to staff to make modifications. This will require a Special Meeting prior to the end of June 2023 to adopt the budget. Without adoption, the Board would need to adopt a continuing Resolution to allow the District to process accounts payable until a budget is passed and adopted.

- 2) Provide alternate direction to staff.

Respectfully Submitted,

Madeline Dessert, General Manager

Attachments:

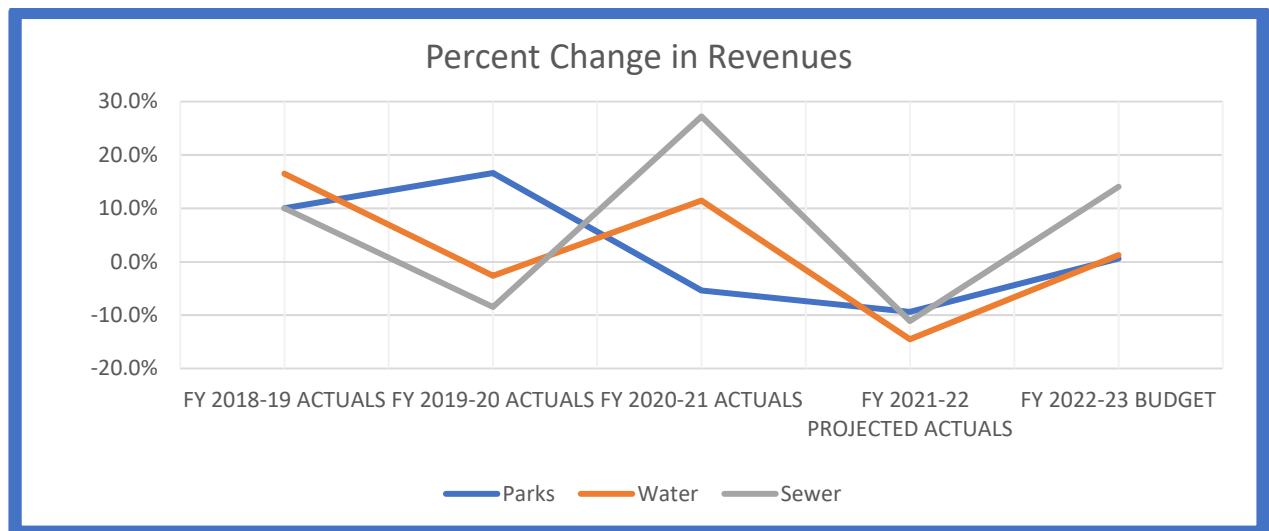
FY 2023-24 Operating Budget;
Resolution 2023-04;
General Manager Budget Report

The Heber Public Utility District (HPUD) expects operating revenues of \$4,100,441 with \$3,067,800 of operating expenses. Planned capital outlay expenditures are \$429,042 and a financial obligation for payment of principal and interest on debt of \$578,500. This information and details are provided in Resolution 2203-04.

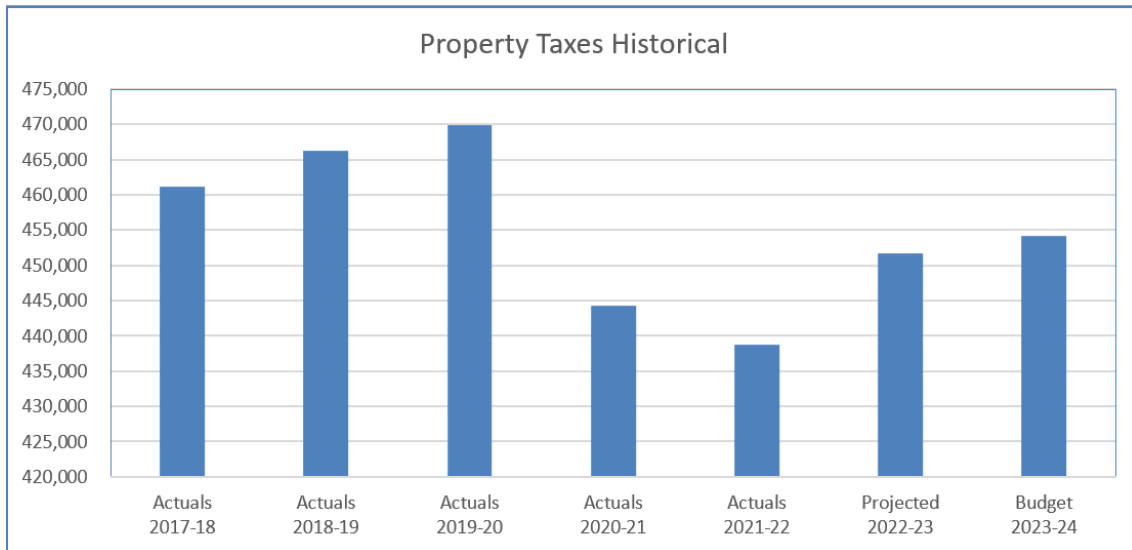
Revenues

FY 2023-24 Revenue Analysis

District-wide revenues including all Funds are projected to increase by 6.2% in FY 2023-24.

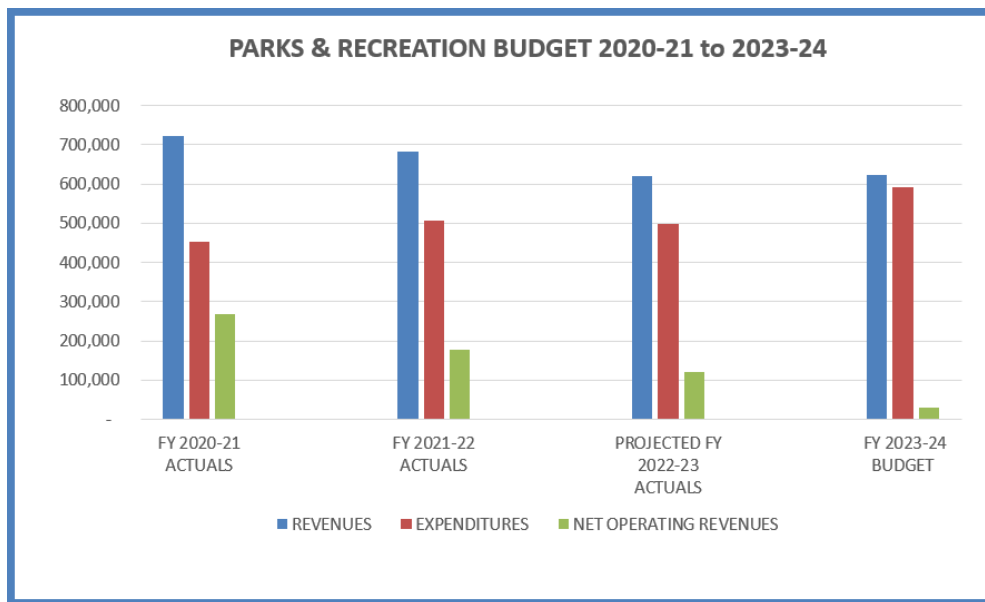


The Proposed FY 2023-24 Revenues are projected to remain stable in the Parks and Recreation Fund with a small increase of 0.6% from projected actuals for FY 2022-23 budget. The Water Fund will see and 1.2% decrease. The Sewer Fund will see the greatest increase with 14.1% projected increase revenue. These revenues include estimated LAIF interest earned of \$120,000.00 dividend in Parks, Water and Sewer Funds and USDA Equipment Grant of \$213,941.00 for Sewer Fund. Franchise Fees from the Solid Waster contract are a very low amount and any fluctuation in accounts receivables track at a high percentage.



Parks & Recreation Revenues.

Our property tax revenue has been very stable with little growth over the past several years, averaging \$455,000 per year. Property taxes are received from the County of Imperial in December, April and a small portion in May

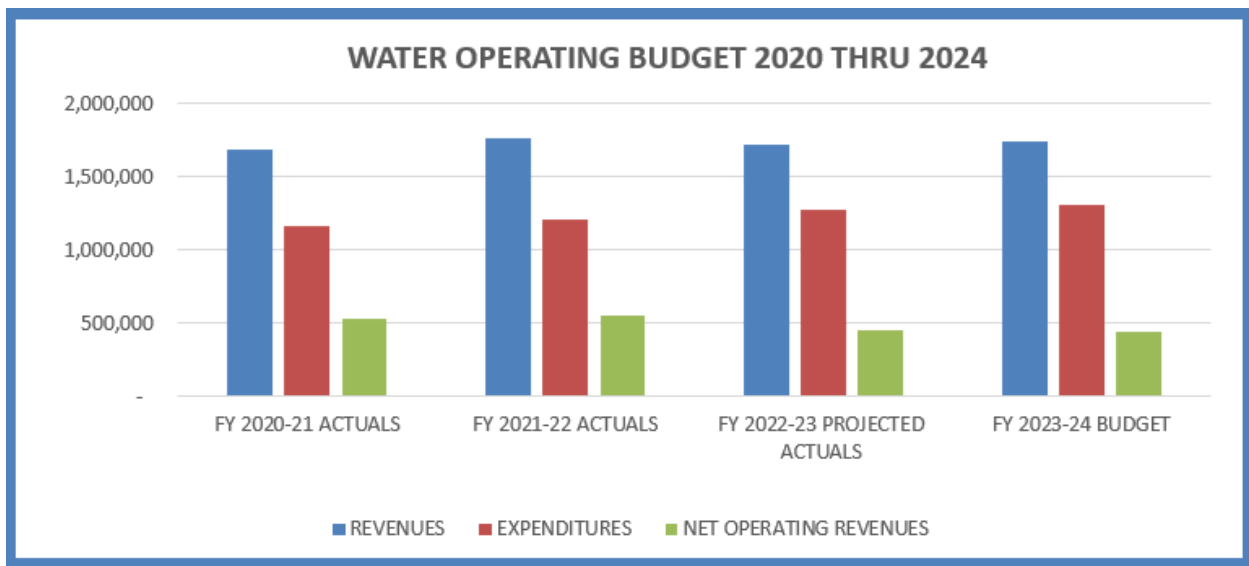


Parks and Recreation Operating Budget FY 2020-21 through FY 2023-24. This chart illustrates how our net revenue is decreasing due an additional full-time position and the Fall Fiesta, that will be funded 100% from Parks & Recreation Fund

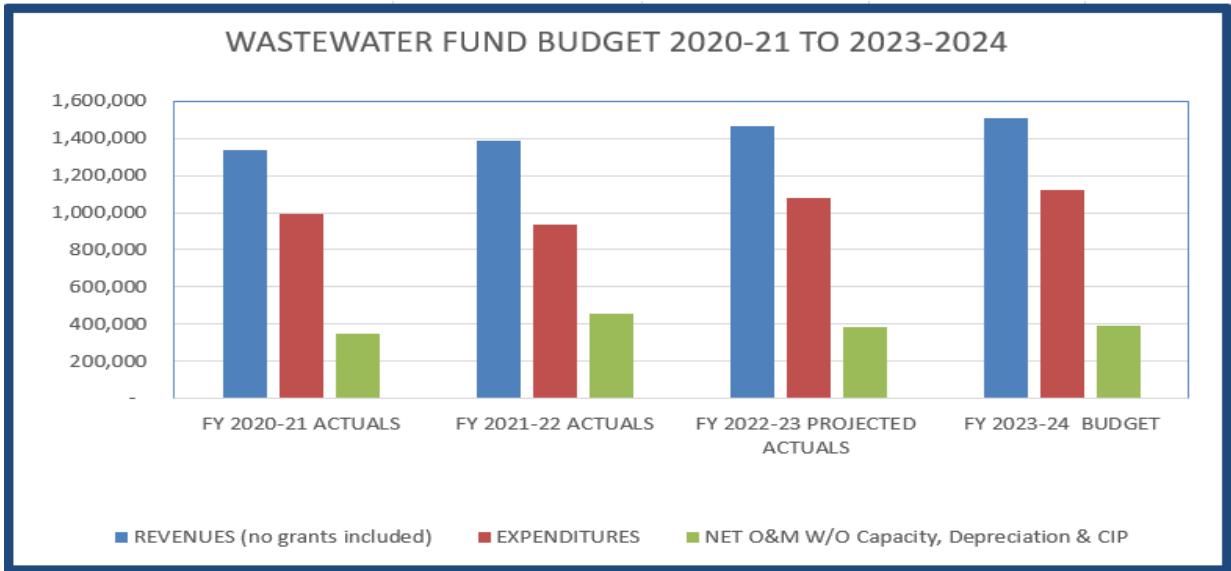
Water, Sewer and Trash Revenues.

The District’s five-year rate adjustment schedule expired in FY 2021-22 and no rate adjustments are included in the FY 2023-24 budget for water and sewer. In order to ensure we continue to meet the increasing cost to provide water and sewer services to our customers, the HPUD Board needs to prepare a rate study and implement a rate increase by the end of Fiscal Year 2023-24. The purpose of the rate study is to ensure the HPUD recovers, through fair and appropriate rates, the necessary funds to cover the cost of providing excellent services to the community.

On April 20, 2017, the HPUD Board adopted Ordinance 2017-3 and 2017-4 establishing water and sewer rates for five years. However, due to the public comments and protests to the rate adjustments, the HPUD Board decided to implement a lower rate for FY 2017-18 than what was approved for residential customer classification for both water and sewer rates. The following years’ budgets were based on the adopted rates as established by Ordinances 2017-3 and 2017-4. However, in FY 2021-22 the Board adopted a water and sewer rate that was lower than the rate established by Ordinances 2017-3 and 2017-4. This resulted in lower revenues generated by water sales and sewer service connections.



Water Fund Operating Budget FY 2020-21 through FY 2023-24. This chart illustrates how our net revenue is decreasing due to Fall Fiesta being funded 100% from parks fund and additional full-time position

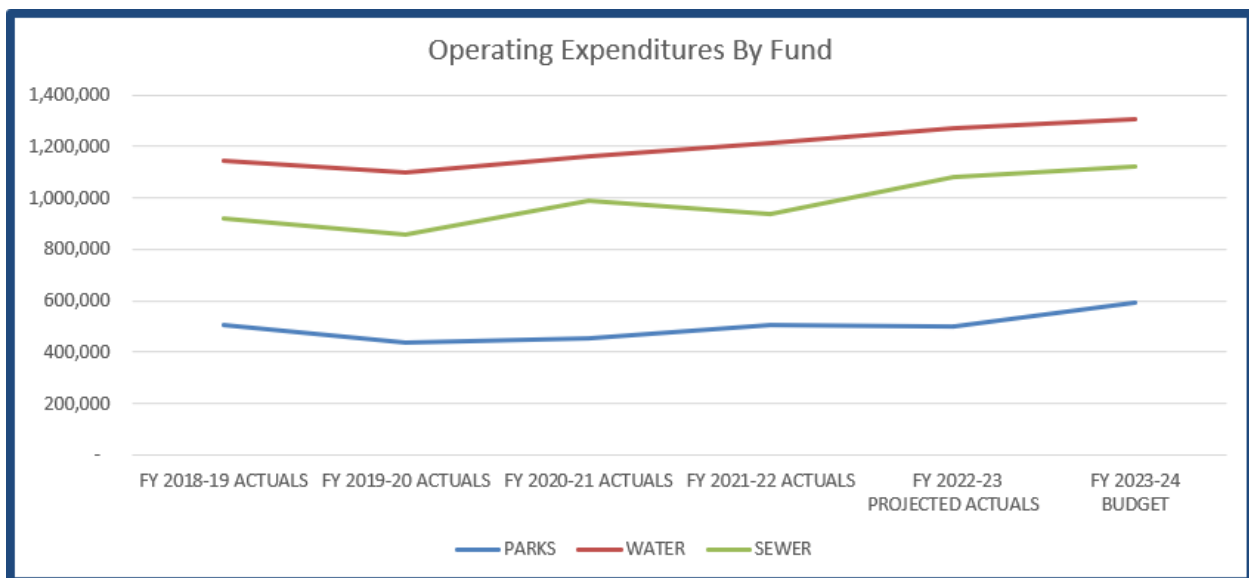


The same analysis is true for our Wastewater Fund Budget FY 2016-17 through FY 2023-24.

Expenditures

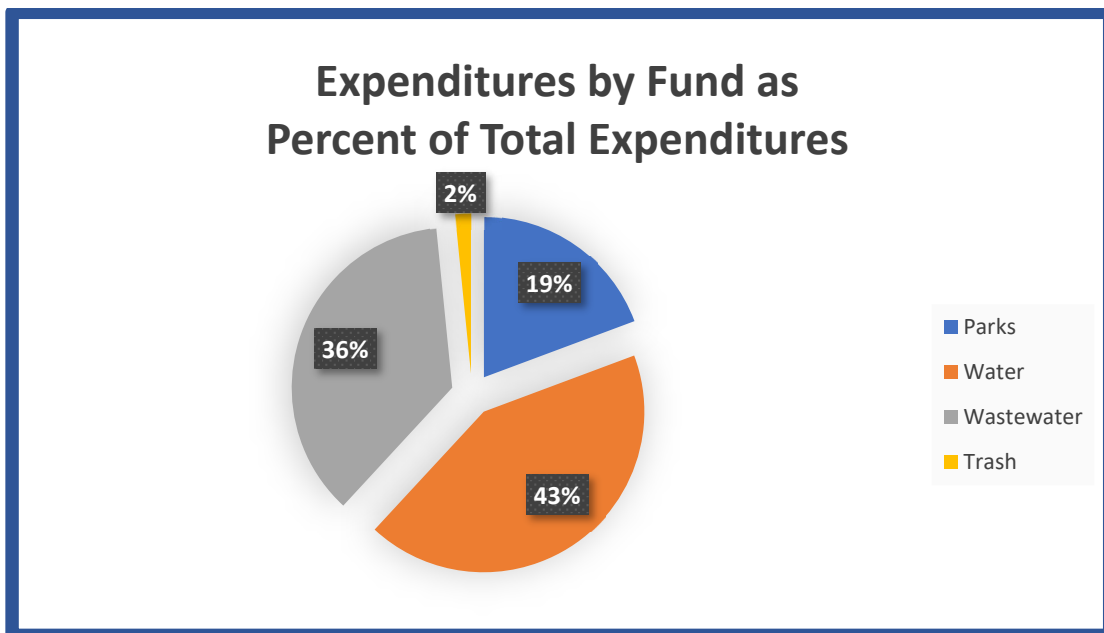
FY 2023-24 Expenditure Analysis.

HPUD allocates overhead cost based on a percentage to each fund. Overhead cost for administrative positions for salary, benefits, travel, training; overhead office expenses such as office supplies, office services & maintenance fee, postage; other costs such as vehicle maintenance, professional services for accounting, engineering and legal.



Overall Operating Expenditures have increased District wide by 5.9 % from the Projected FY 2022-23 actuals. This is due in part to a proposed 2% salary increase for HPUD employees and the recent addition of the Office Manager position and a full-time position in Parks and Recreation Fund. We are also projecting a 7% increase in operating and maintenance expenses District wide.

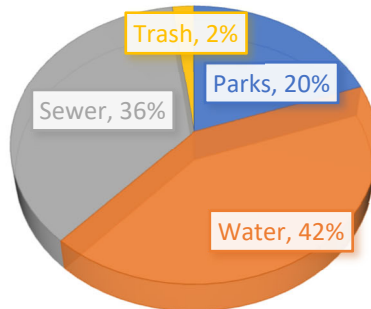
The percent of operating expenditures by Fund is presented in the chart below. As expected, the Water Fund has the highest percent of expenditures at 43% followed by the Sewer Fund at 36% then the Parks and Recreation Department is at 19%. The Trash expenditures are only 2% of total expenditures for the Heber Public Utility District.



Staffing Levels.

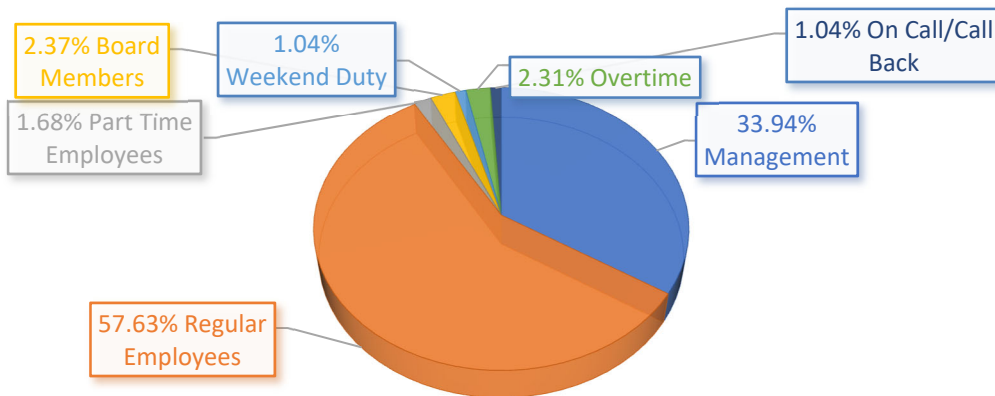
In the fiscal year 2021-22, the Board authorized a new position of Office Manager and two temporary part-time employees for Parks and Recreation. In the Fiscal Year 2022-23, the Board authorized additional full-time position in Parks and Recreation. Our current number of employees is 14 full time employees and 1 part-time. The chart below shows the percentage of salaries and benefits that are allocated to each fund. As you can see the water fund is responsible for 42%, sewer for 36%, Parks for 20% and trash for 2%.

PERCENT OF SALARY AND BENEFITS BY FUND



The percent of salaries by work classification is represented in the chart below. As you can see our water and wastewater operators, parks maintenance, accounts payable and water clerk account for 58% of the total salary and benefit; management accounts for 34%; and all other labor cost account for 8%. The break down for each is in the chart below.

PERCENT OF SALARY AND CLASSIFICATION



Conclusion

The District's vision to excel at providing services and leadership to the community of Heber has been a main focus of the District Board of Directors. Our District continues to thrive as an organization. The budget demonstrates how the District is focusing on providing quality services, excellent customer service and improve the community of Heber. The Heber Public Utility District Board of Directors has conducted a comprehensive review of the budget submitted by the General Manager, and has determined that the budget accurately reflects the revenues and expenditures; that the FY 2023-24 budget is balanced.

Respectfully Submitted,
Madeline Dessert,
General Manager

RESOLUTION NO. 2023-04

**A RESOLUTION OF THE HEBER PUBLIC
UTILITY DISTRICT ADOPTING A BUDGET
FOR FISCAL YEAR 2023-2024**

WHEREAS, the General Manager has submitted the 2023-2024 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 2023-2024 Budget is effective on July 1, 2023 and is based upon public comment and direction of the Board of Directors received at scheduled public meetings on May 8, 2023, May 30, 2023 and June 5, 2023; and

WHEREAS, in said fiscal year beginning July 1, 2023, 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 2023-2024, the sum of \$3,827,892 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:

2023-2024 BUDGET	Parks & Rec	Water	Wastewater	Solid Waste	TOTAL Government Wide
Revenues	574,100	1,745,200	1,724,841	56,300	4,100,441
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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 2023-24 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 2023-24 Budget of \$3,827,892 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 2023-2024 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 15th day of June 2023.

Tony Sandoval, Board President

ATTEST:

Moises Cardenas, Clerk of the Board

APPROVE AS TO FORM:

Steven M. Walker, General Counsel

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

I, Moises Cardenas, 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 15th day of June 2023.

By _____
Moises Cardenas, Clerk of the Board