



May 2, 2022

TO: Finance Advisory Committee (FAC)

FROM: Ron Munds, General Manager

SUBJECT: Agenda Item 5 – 05/02/2022 FAC Meeting
Preliminary Budget Review for Fiscal Year 2022-2023.

DESCRIPTION

This report summarizes the preliminary budget for Fiscal Year 2022-2023. The final budget will be presented at the June 2nd Board meeting.

STAFF RECOMMENDATION

Staff recommends the following:

- 1. Review and comment (as needed) on the budget for each Fund.**
- 2. Provide a recommendation(s) to the Board of Directors regarding the budget document.**

DISCUSSION

Staff has developed the Fiscal Year (FY) 2022-23 preliminary budget based on the best information available as of March 31, 2021. There are some upcoming changes that have impacts on the various fund, mostly the new two-year SLOCEA Side-Letter agreement for wages and benefits being considered on the May 5th Board agenda. Property tax and other revenues for the various funds will be refined before final adoption of the budget by the Board, tentatively scheduled for the June 2nd Board meeting.

Zone A Property Tax Allocation

Zone A is a designated tax allocation derived from the property taxes collected community-wide. The allocation of these funds during the budget process are left to the discretion of the Board and typically based on the needs of the District's various services and programs. The Board will consider the allocation of these funds at their May meeting. Once decided the allocations were be included in the final budget.

Cost Allocation Plan

With the addition of solid waste services to the District responsibilities and a decrease in workload associated with Funds 200 (Bayridge) and 400 (Vista de Oro), staff is proposing a revised Cost Allocation Plan. The next table is the current plan with the associated cost to each fund.

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COST ALLOCATION PLAN								
FISCAL-YEAR 2021-2022								
TOTAL PROJECTED GENERAL FUND/ADMINISTRATION COSTS						\$661,110.53		
	FIRE	WATER	PARK & REC	DRAINAGE	BAYRIDGE	VISTA DE ORO	WASTE WATER	TOTALS
Allocation Per Cent	10.00%	85.50%	1.00%	2.00%	0.50%	0.50%	0.50%	100.00%
AMOUNT ALLOCATED	\$66,111.05	\$565,249.50	\$6,611.11	\$13,222.21	\$3,305.55	\$3,305.55	\$3,305.55	\$661,110.53

The following table shows the proposed Cost Allocation Plan with solid waste services including the proposed Fund 100 budget:

COST ALLOCATION PLAN									
FISCAL-YEAR 2022-2023									
TOTAL PROJECTED GENERAL FUND/ADMINISTRATION COSTS						\$712,957.50			
	FIRE	WATER	Solid Waste	PARK & REC	DRAINAGE	BAYRIDGE	VISTA DE ORO	WASTE WATER	TOTALS
Allocation Per Cent	10.00%	76.00%	10.00%	1.00%	2.00%	0.25%	0.25%	0.50%	100.00%
AMOUNT ALLOCATED	\$71,295.75	\$541,847.70	\$71,295.75	\$7,129.58	\$14,259.15	\$1,782.39	\$1,782.39	\$3,564.79	\$712,957.50

As shown, staff is recommending that Funds 200 and 400 allocations decrease from 0.5% to 0.25% to reflect the decrease workload and responsibilities dedicated to these funds. Staff is also recommending a decrease of 9.5% for the Fund 500 allocation with the other fund percentages remaining the same. It is recommended that Solid Waste contribute 10% to the cost allocation which equates to about \$71,300. This amount will cover the anticipated costs of labor for the ASM (25%), General Manager (15%) and Administrative Clerk (5%) positions, and its fair share of the office and utility expenses.

Fiscal Year 2020-2021 Preliminary Budget Summary

The following section of the report provides a summary of the preliminary 2022-2023 Fiscal Year budget by Fund. The more detailed line-item descriptions are provided as an attachment to the report. Revenue numbers could change slightly based on refinements to the property tax projections and allocation of Zone A revenue as previously discussed.

Fund 100 – Administration

Major Requests: Increase in personnel costs related to the change in salary scheduled for the Administrative Services Manager (ASM) approved by the Board in April 2022, transitional costs related to training for the new ASM and other adjustments to benefit costs. Additionally, costs associated with the Board election in November is included in this fiscal year’s budget.

Impact to Budget: Overall personnel costs increase by about \$33,700, an increase of roughly 9.1% over FY 2021-22. The Services and Supplies budget increases by approximately \$18,140 or about 6%, mostly driven by the November election costs estimated at \$15,000.

Fund 100 – Summary

The proposed Administration budget will see about a 7.8% increase in expenditures for FY 2022-23. The overall increase in Fund 100 is approximately \$51,850. With the addition of solid waste services responsibilities, the increase will be mostly offset by salary and operational cost allocation from the new Fund 650 as discussed in the Cost Allocation Plan section this report.

The following table summarizes the budget for Fund 100. More detailed information is available in the attached Preliminary Budget worksheets.

100 - ADMINISTRATION			
Fund 100 Budget Category	2021-2022 Budget	2022-2023 Budget	Increase/ (Decrease)
Revenue	\$661,110.53	\$712,957.50	\$51,846.97
Expenditures			
Personnel	\$368,865.50	\$402,572.50	\$33,707.00
Services & Supplies	\$292,245.03	\$310,385.00	\$18,139.97
TOTAL Expenditures	\$661,110.53	\$712,957.50	\$51,846.97
TOTAL Revenue	\$661,110.53	\$712,957.50	\$51,846.97

Fund 200 – Bayridge Estates

Major Requests: Reduction in the administrative cost allocation from 0.5% to 0.25%.

Impact to Budget: The reduction in recommended cost allocation is approximately \$1,520 annually.

Fund 200 – Summary

Basically, the District now manages Fund 200 as a lighting district which does not require as much oversight as in past years. If the revised administrative cost allocation is approved, there will be a corresponding decrease in the property tax assessment to the Bayridge property owners as indicated in the summary table below.

The following table summarizes the budget for Fund 200. More detailed information is available in the attached Preliminary Budget worksheets.

200 - Bayridge			
Fund 200 Budget Category	2021-2022 Budget	2022-2023 Budget	Increase/ (Decrease)
Revenue	\$12,400.00	\$10,000.00	-\$2,400.00
Expenditures			
Services & Supplies	\$7,319.16	\$7,399.16	\$80.00
Capital Outlay	\$0.00	\$0.00	\$0.00
Debt Service	\$0.00	\$0.00	\$0.00
Transfers	\$3,305.55	\$1,782.39	-\$1,523.16
TOTAL Expenditures	\$10,624.71	\$9,181.55	-\$1,443.16
TOTAL Revenue	\$12,400.00	\$10,000.00	-\$2,400.00

Fund 301 – Fire

Major Requests: Increase in Personnel costs related to overtime for the reserve firefighters and unfunded accrued liabilities for retirement costs for legacy employees.

Though there is an overall decrease in budget for Services and Supplies due to a reduction in the Cal Fire Schedule A charges, cost for several line items were increased in the following categories:

- “Insurance, Licenses and Regulatory Fees”
- “Other Expenses” for living space upgrades at the station
- “Repairs and Maintenance” which include repairs to the training tower
- “Rent and Utilities” for increased water and cable charges

Capital Outlay for this budget includes a structural assessment of Station 15 and the replacement of the Utility truck.

Impact to Budget: The increase in the Personnel costs is about \$16,100, there is a reduction in the Services and Supplies budget by approximately \$111,738 due to a \$141,220 reduction in the Cal Fire Schedule A charges in line item #7500. Minus the Cal Fire charges, there is a net increase in the Services and Supplies budget of about \$30,500. The Capital Outlay budget includes \$50,000 for the assessment of Station 15 and \$73,000 for the replacement of the Utility truck.

Fund 301 – Summary

Fund 301 receives revenues through multiple sources with the primary sources being Zone B and the Special Fire Tax property taxes. Additionally, the Fund has historically received a percentage contribution from the Zone A property tax assessment. For FY 2021-22 the contribution was 52.5% of Zone A revenue or \$142,797.90. The County has provided the District with the estimated property tax revenue for Zone B which is \$2,461,542.00 about a 6% increase over last year’s budget, staff has estimated the remainder of the revenue based on past projection methodologies and has left the Zone A contribution the same until a decision is made on the allocation.

On expenditures, the Cal Fire Schedule A contract amount (labor charges) is estimated to be \$2,324,013 for FY 2122-23, a decrease of \$141,221 from last fiscal year. As previously discussed, minus the Cal Fire charges, there is a net increase in the Services and Supplies budget of about \$30,500 mostly attributed to the repair of the training tower.

The Capital Outlay budget includes the rehabilitation and repair of the training tower estimated to be \$20,000 and the replacement of the Utility truck at a cost of \$73,000. Additionally, the overall contributions to reserves will increase slightly. Once the revenues and expenditures projections are solidified, staff will reevaluate the Fund 301 reserves for future recommendations for contributions.

The following table summarizes the revenue and expenditures for the Fund 301 budget. More detailed information is available in the attached Preliminary Budget worksheets.

301 - Fire			
Fund 301	2021-2022	2022-2023	Increase/
Budget Category	Budget	Budget	(Decrease)
Revenue	\$3,219,639.60	\$3,304,871.90	\$85,232.30
Expenditures			
Total Personnel	\$273,514.00	\$289,625.00	\$16,111.00
Services & Supplies	\$2,637,497.60	\$2,525,759.00	-\$111,738.60
Capital Outlay	\$80,363.04	\$123,180.00	\$42,816.96
Reserves	\$183,713.00	\$188,398.00	\$4,685.00
Transfers	\$66,111.05	\$71,295.75	\$5,184.70
Total Expenditure	\$3,241,198.69	\$3,198,257.75	-\$42,940.94
Total Revenue	\$3,219,639.60	\$3,304,871.90	\$85,232.30

Fund 400 – Vista de Oro

Major Requests: Decrease in annual assessment do to the paying off of the inter-fund loan. Decrease in the cost allocation from 0.5% to 0.25%.

Impact to Budget: Annual assessment decrease from \$15,780 to \$6,000 and decrease of approximately \$1,500 for the change in the cost allocation percentage from 0.5% to 0.25%.

Fund 400 – Mid-Year Budget Adjustment Summary

In the past, the main Fund 400 expenditure was its debt service payment from inter-fund loan to Fund 500. The loan will be paid off in June 2022. The overall property tax assessment will decrease to \$6,000 for the lighting district’s estimated costs and administrative overhead which is proposed to decrease by about \$1,500.

The following table summarizes the revenue and expenditures for the Fund 400 budget. More detailed information is available in the attached Preliminary Budget worksheets.

400 - VISTA DE ORO			
Fund 400	2021-2022	2022-2023	Increase/
Budget Category	Budget	Budget	(Decrease)
Revenue	\$15,768.00	\$6,000.00	-\$9,768.00
Expenditures			
Services & Supplies	\$3,342.20	\$3,360.00	\$17.80
Debt Service	\$6,711.49	\$0.00	-\$6,711.49
Transfers	\$3,305.55	\$1,782.39	-\$1,523.16
TOTAL Expenditures	\$13,359.24	\$5,142.39	-\$8,216.85
TOTAL Revenue	\$15,768.00	\$6,000.00	-\$9,768.00

Fund 500 – Water

Major Requests: Increase in Salaries and Wages per a new two-year SLOCEA Memorandum of Understanding (MOU) (percentage to be approved at the May 5th Board meeting) and an increase in Capital Outlay for Capital Improvement Projects (CIP).

Impact to Budget: Using the preliminary numbers from the negotiations with SLOCEA for the new two-year MOU, Salaries and Wages will increase by approximately 5.25% (+/-), with an increase in stand-by pay and unfunded accrued liabilities for retirement which will increase Personnel Costs by about 10% or \$76,000.

The Services and Supplies budget was decreased by over \$52,000, mainly from reductions in Legal and Professional Services and in Repairs and Maintenance line items.

Capital Improvement Expenditures (GL #9006) will increase by about \$345,000 based on the continuation of the Program C Well Project and other projects identified in the CIP table below including carryover amounts from this fiscal year.

Fund 500 – Summary

Revenue Projections

Staff has incorporated the projected revenue increase from the proposed water rate increase into the FY 2022-23 budget. The increase is estimated to be \$171,250 over FY 2021-22 revenues. Zone A revenue is set at \$50,000 per the recommendation in the Water Rate Study and by the Board. Projected grant revenues from the Small Community Drought Assistance grant have not been incorporated into the FY 2022-23 at this time since a funding agreement with the State has not been finalized.

Expenditures

Overall, the FY 2022-23 operating budget (minus capital projects) which includes the cost for Personnel, Services and Supplies and Debt Service is projected to increase by about \$13,140 from FY 2021-22.

As previously discussed, Personnel costs are estimated to increase by about \$76,000 with the Services and Supplies budget decreasing by about \$52,000. With the refinancing of the IBank loan, debt service costs will go down by approximately \$11,000. With the addition of Solid Waste to the District’s overall budget, the cost allocation to Fund 500 will decrease by roughly \$23,000.

Capital projects from the 2021-22 Financial Plan will be mostly completed by the end of the fiscal year with the exception of the Program C Well Project. A summary of this fiscal year’s projects and the proposed capital projects for the upcoming fiscal year are listed in the table below.

Capital Improvement Project Summary					
Budget Code	FY 2021-22 Projects	Budgeted (Estimated)	FY 21/22 Expenditures	Carryover Balance	Comments
500/9006	Program "C" Well Construction	\$750,000.00	\$20,000.00	\$730,000.00	
500/9006	16th St. Tank South Rehabilitation	\$487,078.00	\$487,078.00	\$0.00	Complete
500/9006	8th Street Well Construction	\$366,441.00	\$366,441.00	\$0.00	Complete (grant \$238,000)
500/9059	Replacement Utility Truck Unit H	\$50,000.00	\$33,706.00	\$0.00	Complete
		TOTAL	\$873,519.00	\$730,000.00	
	FY 22/23 Projects				
500/9006	Program "C" Well Construction	\$1,378,000.00		\$730,000.00	Est. includes carryover balance
500/9006	16th St. Tank North Rehabilitation	\$490,000.00			New
500/9006	Heavy Equipment Storage Structure	\$50,000.00			New
		TOTAL	\$1,918,000.00		

To keep with the adopted reserve policy, it is recommended to add \$57,000 to the General Contingency Reserve. With the recommended large capital expenditures looming for the next three fiscal years, increasing the Capital Outlay Reserve is not recommended at this time.

The following table summarizes the revenue and expenditures projections for the Fund 500 budget. More detailed information is available in the attached Preliminary Budget worksheets.

500 - Water			
Fund 500 Budget Category	2021-2022 Budget	2022-2023 Budget	Increase/ (Decrease)
Revenue	\$2,953,383.40	\$3,124,636.00	\$171,252.60
Expenditures			
Total Personnel	\$780,181.50	\$856,333.00	\$76,151.50
Services & Supplies	\$630,758.00	\$578,352.00	-\$52,406.00
Capital Outlay	\$1,607,225.00	\$1,918,000.00	\$310,775.00
Debt Service	\$275,556.50	\$264,949.19	-\$10,607.31
Reserves	\$57,000.00	\$57,000.00	\$0.00
Transfers	\$565,249.50	\$541,847.70	-\$23,401.80
TOTAL Expenditures	\$3,915,970.50	\$4,216,481.89	\$300,511.39
TOTAL Revenue	\$2,953,383.40	\$3,124,636.00	\$171,252.60

Fund 600 – Wastewater

Major Requests: Increase in the fee charged by NBS for property tax assessment and collection services decreased by \$814 due to the District not providing follow-up mailers and 10% increase, or \$165, in US Bank service charge.

Impact to Budget: NBS fee decreased by \$814 and US Bank fee increase by \$165.

Fund 600 – Summary

Budget estimates to provide property tax assessment and collection services have been provided by NBS and US Bank fees assessed for management of the bond fund.

The following table summarizes the budget for Fund 600. More detailed information is available in the attached Preliminary Budget worksheets.

600 - Wastewater			
Fund 600 Budget Category	2021-2022 Budget	2022-2023 Budget	Increase/ (Decrease)
Revenue	\$20,110.55	\$19,720.79	-\$389.76
Expenditures			
Services & Supplies	\$16,805.00	\$16,156.00	-\$649.00
Debt Service	\$0.00	\$0.00	\$0.00
Transfers	\$3,305.55	\$3,564.79	\$259.24
TOTAL Expenditures	\$20,110.55	\$19,720.79	-\$389.76
TOTAL Revenue	\$20,110.55	\$19,720.79	-\$389.76
Net Revenue/Expenses		\$0.00	

Fund 650 – Solid Waste

Major Requests: Fund 650 is a new budget with many assumptions and estimations built in. It is proposed that Personnel and Rent & Utilities costs be part of the transfer amount in the revised cost

allocation plan. Other budgetary items such as Legal and Professional Services and Office/Operations are general estimations that can be adjusted up or down during the mid-year budget adjustment process once staff has a better understanding of the budget expenditures.

Impact to Budget: The estimated overall budget for Fund 650 is \$211,295 which includes the \$120,000 annual payment to the County.

Fund 650 – Summary

The anticipated revenue from the franchise fee is \$245,000. This will likely go up after the upcoming solid waste rate increase is adopted. The requested budget including the payment to the County is \$211,295 which will leave an estimated positive balance between revenue and expenses of \$33,704.

The following table summarizes the budget for Fund 650. More detailed information is available in the attached Preliminary Budget worksheets.

650 - Solid Waste			
Fund 800	2021-2022	2022-2023	Increase/
Budget Category	Budget	Budget	(Decrease)
Revenue	\$0.00	\$245,000.00	\$245,000.00
Expenditures			
Total Personnel	\$0.00	\$0.00	\$0.00
Services & Supplies	\$0.00	\$20,000.00	\$20,000.00
Capital Outlay	\$0.00	\$0.00	\$0.00
Debt Services	\$0.00	\$120,000.00	\$120,000.00
Reserves	\$0.00	\$0.00	\$0.00
Transfers	\$0.00	\$71,295.75	\$71,295.75
TOTAL Expenditures	\$0.00	\$211,295.75	\$211,295.75
TOTAL Revenue	\$0.00	\$245,000.00	\$245,000.00

Fund 800 – Drainage

Major Requests: Proposed minor increases in Personnel Costs and Services and Supplies related to fuel costs.

Impact to Budget: Increase in Personnel costs of about \$2,000 and \$500 increase in Services and Supplies associated with increased fuel costs.

Fund 800 – Summary

Revenues for Fund 800 will increase based on estimations provided by the County for Zone D and F revenues. The increase in the Drainage Assessment fee is still to be determined but will increase as well.

The following table summarizes the budget for Fund 800. More detailed information is available in the attached Preliminary Budget worksheets.

800 - Drainage			
Fund 800	2021-2022	2022-2023	Increase/
Budget Category	Budget	Budget	(Decrease)
Revenue	\$133,539.00	\$135,154.00	\$1,615.00
Expenditures			
Total Personnel	\$9,200.00	\$11,200.00	\$2,000.00
Services & Supplies	\$29,934.24	\$30,450.00	\$515.76
Capital Outlay	\$15,000.00	\$15,000.00	\$0.00
Reserves	\$0.00	\$0.00	\$0.00
Transfers	\$13,299.37	\$14,259.15	\$959.78
TOTAL Expenditures	\$67,433.61	\$70,909.15	\$3,475.54
TOTAL Revenue	\$133,539.00	\$135,154.00	\$1,615.00

Fund 900 – Parks and Recreation

Major Requests: The Parks and Recreation Advisory Committee continues its work on the Dog Park Conceptual Plan. Funding to move forward from the concept phase to design will cost in the range of \$82,000 to \$85,000. The options for funding the design are to allocate Zone A revenues to Fund 900 by either choosing Option 1 or Option 2 discussed in the Zone A Property Tax Allocation section of the report. The Board could choose Option 3 if it is decided to delay the design phase of the project to a future date.

Impact to Budget: The three options discussed in the Zone A Property Tax Allocation section of the report provides three funding levels for Zone A revenues ranging from approximately \$21,000 to \$63,000.

Fund 900 – Summary

The FY 2022-23 Fund 900 budget presented is contingent upon the level of Zone A funding that is allocated. The revenue and Capital Outlay budgets will be updated once the Zone A funding is determined.

The following table summarizes the requested changes to the Fund 900 budget.

900 - Parks & Recreation			
Fund 900	2021-2022	2022-2023	Increase/
Budget Category	Budget	Budget	(Decrease)
Revenue	\$23,099.70	\$0.00	-\$23,099.70
Expenditures			
Services & Supplies	\$1,600.00	\$1,600.00	\$0.00
Capital Outlay	\$60,000.00	\$0.00	-\$60,000.00
Transfers	\$6,611.11	\$7,129.58	\$518.47
TOTAL Expenditures	\$68,211.11	\$8,729.58	-\$59,481.54
TOTAL Revenue	\$23,099.70	\$0.00	-\$23,099.70

Attachments

Fund Line Items Details