



May 1, 2023

TO: LOCSD Board of Directors

FROM: Ron Munds, General Manager

SUBJECT: **Agenda Item 4 – 05/01/2023 FAC Meeting**
Preliminary Budget Review for Fiscal Year 2023-2024.

President
Charles L. Cesena

Vice President
Marshall E. Ochylski

Directors
Matthew D. Fourcroy
Troy C. Gatchell
Christine M. Womack

General Manager
Ron Munds

District Accountant
Robert Stilts, CPA

Unit Chief
John Owens

Battalion Chief
Paul Provence

Mailing Address:
P.O. Box 6064
Los Osos, CA 93412

Offices:
2122 9th Street, Suite 102
Los Osos, CA 93402

Phone: 805/528-9370
FAX: 805/528-9377

www.losososcsl.org

DESCRIPTION

This report summarizes the preliminary budget for Fiscal Year 2023-2024. The final budget will be presented at the June 1st 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) 2023-24 preliminary budget based on the best information available as of March 31, 2023. There are some upcoming changes that have impacts on the various funds, mostly 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 1st 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

There will be a slight overall increase in the costs allocated to the various budgets based on the proposed increase in the Fund 100 budget; about \$2,200.00. Staff is recommending that the cost allocation to Fund 900 be decreased from 1% to 0.5% based on the decrease in activities associated with managing this program. With the additional work planned for Fund 301 in the upcoming fiscal year, staff is recommending that the cost allocation for Fund 301 be increased by 0.5%. This would result in about a \$3,800.00 increase to the fund. The following table shows the proposed cost allocation for all the budgets.

COST ALLOCATION PLAN									
FISCAL-YEAR 2023-2024									
TOTAL PROJECTED GENERAL FUND/ADMINISTRATION COSTS							\$715,136.00		
	FIRE	WATER	Solid Waste	PARK & REC	DRAINAGE	BAYRIDGE	VISTA DE ORO	WASTE WATER	TOTALS
Allocation Per Cent	10.50%	76.00%	10.00%	0.50%	2.00%	0.25%	0.25%	0.50%	100.00%
AMOUNT ALLOCATED	\$75,089.28	\$543,503.36	\$71,513.60	\$3,575.68	\$14,302.72	\$1,787.84	\$1,787.84	\$3,575.68	\$715,136.00

Fiscal Year 2023-2024 Preliminary Budget Summary

The following section of the report provides a summary of the preliminary 2023-2024 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 cost-of-living increase (COLA) for the Administrative Clerk, Administrative Services Manager (ASM) and General Manager (GM).

Impact to Budget: Overall personnel costs increase by about \$7,630.00, an increase of roughly 4% over FY 2022-23. The Services and Supplies budget decreases by approximately \$5,450. The overall budget impact net increase of \$2,178.00 which is about 0.31% over FY 2022-23.

Fund 100 – Summary

The proposed Administration budget will see about a 0.31% increase in expenditures for FY 2023-24. The overall increase in Fund 100 is approximately \$2,178.00. The Personnel cost increase is associated with recommended COLA increases for the Administrative Clerk of 5.25% (SLOCEA contract), ASM of 4% and General Manager of 3%.

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	2022-2023 Budget	2023-2024 Budget	Increase/ (Decrease)
Revenue	\$712,957.50	\$715,136.00	\$2,178.50
Expenditures			
Personnel	\$405,172.50	\$412,803.50	\$7,631.00
Services & Supplies	\$307,785.00	\$302,332.50	-\$5,452.50
TOTAL Expenditures	\$712,957.50	\$715,136.00	\$2,178.50
TOTAL Revenue	\$712,957.50	\$715,136.00	\$2,178.50

Fund 200 – Bayridge Estates

Major Requests: No major request.

Impact to Budget: Minor increase in recommended cost allocation of \$5.45.

Fund 200 – Summary

Basically, there are no changes in the Fund 200 budget except the minor increase in the cost allocation amount charged to the fund.

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	2022-2023 Budget	2023-2024 Budget	Increase/ (Decrease)
Revenue	\$10,000.00	\$10,000.00	\$0.00
Expenditures			
Services & Supplies	\$7,399.16	\$7,399.16	\$0.00
Capital Outlay	\$0.00	\$0.00	\$0.00
Debt Service	\$0.00	\$0.00	\$0.00
Transfers	\$1,782.39	\$1,787.84	\$5.45
TOTAL Expenditures	\$9,181.55	\$9,187.00	\$5.45
TOTAL Revenue	\$10,000.00	\$10,000.00	\$0.00

Fund 301 – Fire

Major Requests: Increase in Personnel costs related to an increase in Workers Compensation Insurance and estimated increases in shift coverage by the reserve fire fighters, increase in Services and Supplies related to expenditures for Equipment and Tools, vehicle insurance increases and various small incremental increases in other areas.

The cost for Schedule A charges by Cal Fire have not been updated for the preliminary budget. Staff and Cal Fire are still working on updating the cost for service based on the recent labor negotiations and approval by the State for Cal Fire workers. It is anticipated that the contract amount will increase; this number will be finalized before the final budget is presented to the Board in June.

Capital Outlay for this budget decreases since there is not a major vehicle replacement, just the cost of outfitting of the command vehicle purchased FY 2022-23. The infrastructure CIP line item remains the same as last fiscal year. This a place holder for future capital improvements to the fire station.

Impact to Budget: The increase in the Personnel costs is about \$9,540 due mainly to salaries increases, there is an increase in the Services and Supplies budget by approximately \$39,540.00 mostly attributed to vehicle insurance costs and increases in the Equipment and Tools line items.

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 2022-23 the contribution was 38.5% of Zone A revenue

or \$108,734. The County has provided the District with the estimated property tax revenue for Zone B which is \$2,647,416.00 about a 7% 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) has not been finalized but is anticipated to increase. As previously discussed, increases in insurance costs and the need to purchase additional equipment is driving the increases in Services and Supplies.

The Infrastructure CIP budget remains the same as last fiscal year. This a place holder for future capital improvements to the fire station. As previously stated, the vehicle purchase budget is \$40,000 to cover the cost of outfitting the command vehicle. Additionally, the overall contributions to reserves will remain the same as FY 2022-23. 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 Budget Category	2022-2023 Budget	2023-2024 Budget	Increase/ (Decrease)
Revenue	\$3,270,808.78	\$3,489,574.78	\$218,766.00
Expenditures			
Total Personnel	\$289,625.00	\$299,165.00	\$9,540.00
Services & Supplies	\$2,395,487.00	\$2,434,541.00	\$39,054.00
Capital Outlay	\$155,747.00	\$122,567.00	-\$33,180.00
Reserves	\$188,398.00	\$188,398.00	\$0.00
Transfers	\$71,295.75	\$75,089.28	\$3,793.53
Total Expenditure	\$3,100,552.75	\$3,119,760.28	\$19,207.53
Total Revenue	\$3,270,808.78	\$3,489,574.78	\$218,766.00

Fund 400 – Vista de Oro

Major Requests: No major requests.

Impact to Budget: Minor increase in cost allocation of \$5.45.

Fund 400 – Mid-Year Budget Adjustment Summary

Basically, there are no changes in the Fund 400 budget except the minor increase in the cost allocation amount charged to the fund.

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	2022-2023	2023-2024	Increase/
Budget Category	Budget	Budget	(Decrease)
Revenue	\$6,000.00	\$6,000.00	\$0.00
Expenditures			
Services & Supplies	\$3,360.00	\$3,360.00	\$0.00
Debt Service	\$0.00	\$0.00	\$0.00
Transfers	\$1,782.39	\$1,787.84	\$5.45
TOTAL Expenditures	\$5,142.39	\$5,147.84	\$5.45
TOTAL Revenue	\$6,000.00	\$6,000.00	\$0.00

Fund 500 – Water

Major Requests: Increase in Salaries/Wages and Payroll Taxes/Benefits per second year of the two-year SLOCEA Memorandum of Understanding (MOU), increases in Services and Supplies and the re-prioritization of the Capital Improvement Projects (CIP).

Impact to Budget: Using the preliminary estimated numbers, Total Employment Services will increase by approximately \$97,147.00. Services and Supplies budget will increase by \$17,065 and the Capital Outlay budget will decrease by an estimated \$528,700.00.

The Services and Supplies budget was increased by about \$17,065, mainly from an increase in insurance costs of \$23,900.00. Reductions in other line items minimized the overall increase in Services and Supplies.

The Capital Improvement Project Plan has been re-prioritized based on the timing of taking the 16th Street north tank out of service for rehabilitation. The result of the project reordering and estimating the timing of the completion of the water transmission and well equipping phases of the Program C Well Project is a decrease in the Capital Outlay budget when compared to FY 2022-23 and other projects as identified in the CIP table below.

Fund 500 – Summary

Revenue Projections

Staff has incorporated the projected revenue increase from the water rate increase approved in June 2022. The increase, minus the Zone A allocation approved in the last fiscal year budget, is estimated to be about \$85,000 over the estimated FY 2022-23 water sales 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 2023-24 at this time. As the fiscal year closes, staff will be evaluating the actual revenues received to determine if the District is on track per the projections in the 2022 rate study.

Expenditures

Overall, the FY 2023-24 operating budget (minus capital projects) which includes the cost for Personnel, Services and Supplies and Debt Service is projected to increase by about \$118,738 from FY 2022-23.

As previously discussed, Personnel costs are estimated to increase by about \$97,147.00 with the Services and Supplies budget increasing by about \$21,650. Cost allocation transfers to Fund 100 will increase by about \$1,655.66.

The capital projects from the 2022-23 Financial Plan have been re-prioritized with the 16th Street North Tank Project being implemented in FY 2023-24. This was determined to be the best course since the tank needs to be in service through the summer months. It is difficult to estimate the timing of the completion of the final two phases of the Program C Well Project so the information provided is based on the best estimates staff could provide at this time. 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 2022-23 Projects	Budgeted (Estimated)	FY 22/23 Expenditures	Carryover Balance	Comments
500/9006	Program "C" Well Construction	\$1,378,000.00	\$1,920,000.00	-\$542,000.00	Assumes transmission main complete
500/9006	16th St. Tank North Rehabilitation	\$485,000.00	\$0.00	\$0.00	Deferred
500/9006	Heavy Equipment Storage Structure	\$50,000.00	\$0.00	\$0.00	Deferred
500/9059	10th St. Transfer Pump	\$40,500.00	\$0.00	\$0.00	Underway
	TOTAL		\$1,920,000.00	-\$542,000.00	
FY 23/24 Projects					
500/9006	Program "C" Well Construction	\$580,000.00	\$1,920,000.00	-\$542,000.00	Timing of completion may change estimate
500/9006	16th St. Tank North Rehabilitation	\$700,000.00			Revised estimate
500/9006	Heavy Equipment Storage Structure	\$100,000.00			Revised estimate
	TOTAL	\$1,380,000.00			

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	2022-2023 Budget	2023-2024 Budget	Increase/ (Decrease)
Revenue	\$3,205,965.02	\$3,212,424.10	\$6,459.08
Expenditures			
Total Personnel	\$858,833.00	\$955,980.00	\$97,147.00
Services & Supplies	\$615,067.00	\$636,717.00	\$21,650.00
Capital Outlay	\$1,908,715.00	\$1,380,000.00	-\$528,715.00
Debt Service	\$264,949.19	\$264,890.53	-\$58.66
Reserves	\$57,000.00	\$57,000.00	\$0.00
Transfers	\$541,847.70	\$543,503.36	\$1,655.66
TOTAL Expenditures	\$4,246,411.89	\$3,838,090.89	-\$408,321.00
TOTAL Revenue	\$3,205,965.02	\$3,212,424.10	\$6,459.08

Fund 600 – Wastewater

Major Requests: No major requests.

Impact to Budget: Minor Increase in Administration Costs to NBS of \$1406.18 and minor increase in cost allocation of \$10.89.

Fund 600 – Summary

Basically, there are minor changes in the Fund 600 budget with a slight increase in Administration Costs paid to NBS and the minor increase in the cost allocation amount charged to the 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	2022-2023 Budget	2023-2024 Budget	Increase/ (Decrease)
Revenue	\$19,720.79	\$20,832.86	\$1,112.07
Expenditures			
Services & Supplies	\$16,156.00	\$17,562.18	\$1,406.18
Debt Service	\$0.00	\$0.00	\$0.00
Transfers	\$3,564.79	\$3,575.68	\$10.89
TOTAL Expenditures	\$19,720.79	\$21,137.86	\$1,417.07
TOTAL Revenue	\$19,720.79	\$20,832.86	\$1,112.07

Fund 650 – Solid Waste

Major Requests: Fund 650 is still a relatively new budget with many assumptions and estimations built in. Staff included funds for a Low-income Assistance Program. 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 proposed overall budget for Fund 650 includes \$15,000 to fund the Low-income Assistance Program. The funding is reflected by reducing franchise fee revenues.

Fund 650 – Summary

The anticipated revenue from the franchise fee is \$350,000.00 which is a \$105,000.00 increase from the previous fiscal year. The revenue has been reduced by \$15,000 to reflect the funding for the Low-income Assistance Program. This revised estimate is based on the solid waste rate increase recently adopted.

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 Budget Category	2022-2023 Budget	2023-2024 Budget	Increase/ (Decrease)
Revenue	\$245,000.00	\$335,000.00	\$90,000.00
Expenditures			
Total Personnel	\$0.00	\$0.00	\$0.00
Services & Supplies	\$20,000.00	\$17,000.00	-\$3,000.00
Capital Outlay	\$0.00	\$0.00	\$0.00
Debt Services	\$120,000.00	\$120,000.00	\$0.00
Reserves	\$0.00	\$0.00	\$0.00
Transfers	\$71,295.75	\$71,513.60	\$217.85
TOTAL Expenditures	\$211,295.75	\$208,513.60	-\$2,782.15
TOTAL Revenue	\$245,000.00	\$335,000.00	\$90,000.00

Fund 800 – Drainage

Major Requests: Proposed minor increases in Personnel Costs and major expenditure for the interfund loan approved by the Board for the Cabrillo Basin repairs.

Impact to Budget: Increase in Personnel costs of about \$1,000 and \$63,890.00 increase for debt service.

Fund 800 – Summary

Revenues for Fund 800 will increase based on estimations provided by the County for Zone D and F revenues by about \$2,400.00. The Drainage Assessment fee is still to be determined but should remain about the same.

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

800 - Drainage			
Fund 800 Budget Category	2022-2023 Budget	2023-2024 Budget	Increase/ (Decrease)
Revenue	\$135,138.00	\$137,527.00	\$2,389.00
Expenditures			
Total Personnel	\$11,200.00	\$12,200.00	\$1,000.00
Services & Supplies	\$34,123.00	\$33,950.00	-\$173.00
Capital Outlay	\$18,000.00	\$18,000.00	\$0.00
Reserves	\$0.00	\$0.00	\$0.00
Transfers	\$14,259.15	\$14,302.72	\$43.57
Debt Service	\$0.00	\$63,890.50	\$63,890.50
TOTAL Expenditures	\$77,582.15	\$142,343.22	\$64,761.07
TOTAL Revenue	\$135,138.00	\$137,527.00	\$2,389.00

Fund 900 – Parks and Recreation

Major Requests: Decrease the cost allocation from 1% to 0.5%. No other budget requests.

Impact to Budget: Reducing the cost allocation will decrease the amount by \$3,553.90.

Fund 900 – Summary

The FY 2023-24 Fund 900 budget presented is contingent upon the level of Zone A funding that is allocated.

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

900 - Parks & Recreation			
Fund 900 Budget Category	2022-2023 Budget	2023-2024 Budget	Increase/ (Decrease)
Revenue	\$43,064.20	\$43,064.20	\$0.00
Expenditures			
Services & Supplies	\$1,600.00	\$1,600.00	\$0.00
Capital Outlay	\$42,000.00	\$42,000.00	\$0.00
Transfers	\$7,129.58	\$3,575.68	-\$3,553.90
TOTAL Expenditures	\$50,729.58	\$47,175.68	-\$3,553.90
TOTAL Revenue	\$43,064.20	\$43,064.20	\$0.00

Attachments

Fund Line Items Details and Reserve information