

TO: BOARD OF DIRECTORS

REVIEWED: MARIO IGLESIAS  
GENERAL MANAGER



FROM: LISA BOGNUDA  
FINANCE DIRECTOR

DATE: MAY 20, 2022



## DRAFT BUDGET FOR FISCAL YEAR 2022-2023

### ITEM

Draft budget for fiscal year 2022-2023 [RECOMMEND CONSIDER DRAFT BUDGET AND SCHEDULE FOR ADOPTION ON JUNE 8, 2022]

### BUDGET BACKGROUND

Attached is the draft of the fiscal year 2022-2023 budget.

The Finance and Audit Committee met on March 15, 2022, for a Kick Off meeting for the FY 2022-2023 Budget preparation. The Committee met again on May 12, 2022 to review the first draft and make recommendations. The committee's recommendations and comments have been incorporated into the draft budget.

The draft of the budget is projecting a net surplus of \$1,326,901 (Pages 16-17). Each Fund has its own impact on the net surplus – whether positive or negative, and therefore, each Fund must be looked at individually.

### OPERATIONS AND MAINTENANCE FUNDS

#### Fund #125 – Water (Pages 40 & 41)

This Fund is budgeted to have a net operating surplus of \$490,117. The budget includes the purchase of 700.02-acre feet (666.68 per contract plus 33.34 operational buffer) of supplemental water from the City of Santa Maria at a budgeted cost of \$1,627,399.

The budget includes the rate increase of 8.9% per the 2020 Water Rate Study. On January 1, 2022 the District went from billing its customers bi-monthly to monthly. This implementation increased costs for postage, bill printing, and meter reading. Water usage revenues are forecasted to increase due to increased consumption based off actuals from the last two years.

#### Fund #128 – Water Rate Stabilization Fund (Pages 42 & 43)

This Fund is budgeted to have an overall surplus of \$2,165. The purpose is to serve as a buffer to water rates during any period where there are unexpected increases in operating costs and/or decreases in revenues. Based on projections, the Water Rate Stabilization Fund will continue to achieve its Cash Reserve Goal pursuant to the Cash Reserve Policy.

Fund #130 – Town Sewer (Pages 44 & 45)

This Fund is budgeted to have a net operating surplus of \$419,493 and an overall deficit of (\$235,523) due to budgeted fixed asset purchases of \$70,400, debt service payments of \$587,776, and cost increases for operating items. The last rate increase went into effect on August 1, 2021. Based on projections, the Sewer Fund will be below its Cash Reserve Goal pursuant to the Cash Reserve Policy. However, the financial plan included in the proposed 2021 Rate Study brings the Cash Reserves back to the policy's desired level at the end of the Rate Study Financial Plan.

Fund #135 – Town Sewer Rate Stabilization Fund (Pages 46 & 47)

This Fund is budgeted to have an overall surplus of \$1,625. The purpose is to serve as a buffer to sewer rates during any period where there are unexpected increases in operating costs and/or decreases in revenues. Based on projections, the Sewer Rate Stabilization Fund will continue to achieve its Cash Reserve Goal pursuant to the Cash Reserve Policy.

Fund #150 – Blacklake Sewer (Pages 48 & 49)

This Fund is budgeted to have an overall surplus of \$227,924. This includes a transfer of \$188,000 to Funded Replacement and the budgeted purchase of \$38,400 in fixed assets. The fourth of a five year rate increase went into effect April 1, 2022. Based on projections, the Blacklake Sewer Fund will meet its Cash Reserve Goal pursuant to the Cash Reserve Policy.

In May 2020, the Blacklake residents approved Blacklake Assessment District 2020-1, to consolidate the Blacklake sewer system with the Town sewer system. The design is underway and construction is anticipated to begin in FY 23-24. See Page 35 for the Blacklake Assessment 2020-1 Capital Financing Plan.

Fund #155 – Blacklake Sewer Rate Stabilization Fund (Pages 50 & 51)

This Fund is budgeted to have an overall surplus of \$270. The purpose is to serve as a buffer to sewer rates during any period where there are unexpected increases in operating costs and/or decreases in revenues. Based on projections, the Blacklake Sewer Rate Stabilization Fund will continue to achieve its Cash Reserve Goal pursuant to the Cash Reserve Policy.

Fund #200 – Blacklake Street Lighting (Pages 52 & 53)

This Fund is budgeted to have a net overall deficit of (\$1,317). The current assessment is \$50.00 per parcel on 557 parcels. In 2022, a rate study was completed and a Prop 218 is currently in process. The budget anticipates a successful Assessment District vote on June 8, 2022 where the assessment would be \$85.00 per parcel in FY 22-23. The Rate Study also included funds for capital reserve fund for the eventual painting of the Assessment District owned street light poles and conversion to LED light bulbs.

Fund #250 – Street Landscape Maintenance District (Pages 54 & 55)

This Fund is budgeted to have a net overall surplus of \$880. According to the District Engineer's annual Report the proposed annual assessment will be \$500 per parcel. Based on projections, the Street Landscape Maintenance District will be below its Cash Reserve Goal pursuant to the Cash Reserve Policy.

Fund #300 – Solid Waste (pages 56 & 57)

This Fund is budgeted to have a net overall deficit of (\$61,545) The Board adopted Resolution 2018-1492, November 14, 2018, "Policy governing the use of franchise fees" which will guide the use of these funds. The Budget includes expenses for the Nipomo Clean Streets Program and the temporary delayed implementation rate increase for Nipomo CSD customers. Based on projections, the Solid Waste Fund will continue to achieve its Cash Reserve Goal pursuant to the Cash Reserve Policy.

Fund #400 – Drainage (Pages 58 & 59)

This Fund is budgeted to have a net overall surplus of \$22,675. The current ad valorem tax covers all of the budgeted costs. The budget includes a transfer of the excess funds over the Cash Reserve Goal of \$50,000 to Fund #600 – Property Taxes. Based on projections, the Drainage Fund will achieve its Cash Reserve Goal pursuant to the Cash Reserve Policy.

Fund #805 – Funded Replacement Water (Pages 60 & 61)

This Fund is budgeted to have a net surplus of \$676,000. The revenue is a transfer in from Fund #125 – Water and interest income. Cash reserves will be used for Funded Replacement projects totaling \$2,965,000. The project descriptions can be found on page 25 of the draft budget.

Fund #810 – Funded Replacement Town Sewer (Pages 62 & 63)

This Fund is budgeted to have a net surplus of \$216,500. It includes is a transfer in from Fund #130 – Town Sewer and interest income. Cash reserves will be used for Funded Replacement projects totaling \$665,000. The project descriptions can be found on page 25 of the draft budget.

Fund #830 – Funded Replacement Blacklake Sewer (Pages 64 & 65)

This Fund is budgeted to have a net surplus of \$189,265. The revenue is a transfer in from Fund #150 and interest income. Cash reserves will be used to fund replacement of aging infrastructure in coordination with the Blacklake Assessment District 2020-1 consolidation.

NON-OPERATING BUDGETS

Fund #500 – Supplemental Water Fund (Page 31)

This Fund includes budgeted expenditures of \$1,000,000 for the construction of the interconnections.

Fund #600 – Property Taxes (Page 32)

In 2013, the District refinanced \$2.8 million dollars in Revenue Bonds. In addition, in 2013, the District issued \$9.6 million dollars in Certificates of Participation (COP) to fund a portion of the Supplemental Water Project. The District pledged the ad valorem taxes to pay all of the 2013 Refunding and the remaining balance of the ad valorem taxes was pledged to pay a portion of the 2013 COPs.

This Fund includes budgeted expenditures of \$162,000 for office and operations building projects. The funds available for these projects were available prior to the 2013 pledge.

Fund #700 – Town Water Capacity (Page 33)

This Fund includes budgeted expenditures of \$240,000 for the third connection to the Blacklake pressure zone and the Foothill tank site.

Fund #710 – Town Sewer Capacity (Page 34)

No projects are planned for this fiscal year.

**RECOMMENDATION**

It is recommended your Honorable Board provide direction to Staff and set Wednesday, June 8, 2022, 9:00 a.m. as the date and time for a Public Hearing to consider adoption of the Fiscal Year 2022-2023 Budget.

**ATTACHMENTS**

- A. Draft Fiscal Year 2022-2023 Budget