

TUOLUMNE CITY SANITARY DISTRICT

TCS
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REGULAR MEETING STAFF REPORT MAY 3, 2023

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Agenda Item No. IV

To: Board of Directors
From: Dave Andres, General Manager
Subject: Fiscal Year (FY) 2023-24 Draft Budget
Date: April 25, 2023

Background: Each fiscal year (July 1st through June 30th) the Board adopts a budget for the District. The Budget is a financial plan that provides estimates of the anticipated revenues and expenditures for the coming fiscal year. The Draft Budget was prepared by staff for review by your Board. At this meeting I would like to review the highlights of the Budget for the coming fiscal year. Staff will review the comments from the Board and public and make appropriate revisions to the Draft Budget. A Public Hearing will be advertised for your next meeting on June 7, 2023 for adoption of the final fiscal year Budget. I can review the highlights of the proposed budget and your Board can take input from individual Board members and the public. It is recommended that after taking input you provide direction to staff on any of the issues raised.

Discussion: Attached for your review is the “*Draft FY 2023-24 Budget Summary.*” The Budget is structured into four distinct categories: Operating Revenues, Operating Expenses, Non-Operating Revenues and Non-Operating Expenses. The Budget document itself is structured to provide an overview of all revenues and expenses on the first two pages of the document. The succeeding pages will provide more detailed information that makes up the summary, as well as, supporting documentation and information. This detailed information will be made part of the final budget package that will be available at your next meeting.

The District is an *Enterprise Organization* meaning that the revenue it receives is based on a fee-for-services in respect to the sewer services provided to the community. As a result, the District’s financial statements are treated similarly to a private enterprise. *Operating Revenues* are based on service charges to our customers and *Operating Expenses* are those costs directly involved in providing sewer services. For the coming fiscal year estimated expenses are proposed at \$1,533,539, excluding capital construction grant funding of \$1,451,896 for the completion of the wastewater collection system (WWCS) project. *Non-Operating Revenues* and *Non-Operating Expenses* involve activities not directly related to the District’s core purpose of providing sewer services. Examples include capital project revenues and expenses, property taxes and connection fees.

The largest portion of the proposed budget is dedicated to Capital Construction. The District will be completing the Wastewater Collection System (WWCS) construction project this fall. In

total this project involves \$5,756,896 in state grant funds. In respect to revenues the District continues to anticipate flat funding from the Black Oak Casino and the school districts as compared to pre-pandemic levels. The Casino is down approximately \$200,000 annually from peak revenues and the schools are down approximately \$2500. In addition, *Interest Revenue* is down approximately \$25,000 due to the long delays in receiving reimbursement for the State Revolving Fund (SRF) construction projects. All other revenues appear to be on target for the coming year. Staff has received interim financing through a line-of-credit for the WWCS construction project to avoid having to commit District funds while waiting for reimbursement. However, due to the pace of payment requests from the contractor, we have yet to find a need to utilize the line of credit.

In respect to the *Operating Budget* costs reflect what we anticipate spending for the year based on this fiscal year's costs with increases in areas of volatility such as fuel, electrical costs and other services and supplies. No changes are proposed for staffing, but a 5% Cost of Living Adjustment (COLA) is proposed effective January 1, 2024. This proposed increase is based on the April Consumer Price Index (CPI) and trying to remain competitive with wages paid by the Tuolumne Utilities District (TUD). Proposed *Capital Outlay* and *Fixed Assets* include Computer replacements (\$1500) and a replacement for the Ranger ATV (\$32,000).

Please review these materials and let me know if you have any questions.

Fiscal Impact: Estimated Fiscal Year Total Expenses: \$2,985,435

Attachment(s): Draft Fiscal Year 2023/24 Budget Summary.

Recommendation: Review and comment on the 2023/24 Fiscal Year Budget Summary.

Recommended Motion: I move to hold a public hearing on June 7, 2023 to consider adoption of the 2023-2024 Fiscal Year Budget.

BOARD ACTION:

<input type="checkbox"/> Resolution No _____	Moved by: _____	Second by: _____
_____ AYES	_____ NOES	_____ ABSTAINED
_____ ABSENT	<input type="checkbox"/> No Action Taken	