

Fiscal Year 2019-2020

Budget

(APPROVED)



Adopted June 18, 2019

Board of Directors:

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Table of Contents

Introduction	4
Revenue and Expense Trends and Forecast	3
Operating Budgets	11
Capital Projects	17
Debt Service	18
Projects	20
Summary Descriptions	21
Significant Changes	23
Capital Additions (Unfunded)	25
Debt	26
Closing Thoughts	28

Introduction

The Hidden Valley Lake Community Services District (District) is an independent special district serving the Hidden Valley Lake Community in southern Lake County, California. The District, which consists of 12 full-time employees that provide municipal water to approximately 2,475 homes and 35 businesses, and sewer services to approximately 1,485 within its three-square mile service area.

Mission Statement

"The mission of the Hidden Valley Lake Community Services District is to provide, maintain and protect our community's water."

History

The Stonehouse Mutual Water Company was established in 1968 and supplied water to the Hidden Valley Lake subdivision. The Hidden Valley Lake Community Service District was established in 1984. A sewer system controversy led to a lawsuit between the two agencies in 1988; the suit was dismissed in the spring of 1989.

Stonehouse Mutual Water Company's problems led to discussions of a merge with Hidden Valley Lake Community Services District. It was evident that combining the two stand-alone providers into one utility company would result in a tremendous cost savings for the agencies and rate payers. The merge also provided additional protection to the community via State oversight as well as access to grants and low-cost loans. With the passage of AB 1504, the merger of the two utilities was accomplished on January 1, 1993 at 12:01 am.

Board of Directors

The Board of Directors of the Hidden Valley Lake CSD consists of five elected officials who are tasked with representing the general interest of those in the Hidden Valley Lake community. Directors must live within the boundaries of the water, sewer and recycled water district, ensuring that they fully understand the intricacies of the community and are enlisted in services provided. Each member serves a four-year term. Elections are held in November of even numbered years, and Director terms are staggered to mitigate disruption.

The Board of Directors sets goals and creates policies that guide District operations. The Board appoints a General Manager to handle the day to day operations of the District and to carry out the policies established by the Board. It is the General Manager's responsibility to ensure that District procedures are in line with the District's mission and Board policies. Beyond the General Manager, the Board also appoints legal counsel and financial auditors.

The HVLCSD Board of Directors is committed to transparency. Board meetings are held in accordance to the Brown Act and are noticed as such. Regular board meetings are held on the third Tuesday of the month at 7:00 p.m. at the Districts business office, 19400 Hartmann Rd., Hidden Valley Lake. The board also assigns standing and ad hoc committees that meet throughout the year to assist in the development of policy. Committee meetings are also held at the District's business office; times and dates vary by committee and can be found on the district website, www.hvllcsd.org. Each meeting ends with a call for public comment, and community members are encouraged to attend and voice concerns.

It is projected that the 2018/19 budget year will close within the approved budgeted amounts. The 2019/20 budget provides a greater level of transparency and follows the 2017/18 audit with no reportable action for the first time in recent district history. District short falls have been brought to light and financial programs put in place to provide the District with a means to address them, but only with the implementation of a water and sewer rate increase as indicated in the NBS Rate Study dated April 2019. It is the desire of the District to continue down the path of financial health as we enter into the 2019/20 fiscal year. The new fiscal year has the means to provide the District with resources to improve infrastructure that is decaying due to deferred maintenance should the public approve a rate increase through the 218 process and the Board give staff the approval to proceed with the many grants and funding opportunities to save District constituents a portion of the financial outlay.

The 2019/20 Fiscal Budget is based on historical data from the previous three fiscal years. This provides the District with a more fact-based analysis of actual funds spent and less of a projection which can be skewed.

Revenue and Expense Trends and Forecast

Water Fund

With the last remaining rate increase of the 2014 Rate Study scheduled to be implemented July 1, 2019, the Water Fund is expected to experience minor improvement in the 2019/20 FY. However, the majority of the increase will be eaten away by the ever-increasing costs of doing business. The rate increases in recent years helped but did not completely restore the operating revenue stream nor were they designed to address regulatory requirements such as the Hexavalent Chrome or meter moratorium issues. Recent increases were not designed to address the need for an operational reserve, capital improvements or an emergency operating fund for the District, however, the District managed to establish small reserve accounts for each in the 2018/19 fiscal year. A similar percentage is expected to be placed in reserves this year. Replacement of aging infrastructure such as the wooden water tanks, water mains, hydrant replacement and emergency generators to provide domestic water and fire flow during PG&E outages were not included in previous rate increases. The 2017/18 fiscal year was the first time HVLCSD established an Operational Reserve Fund for water putting 7% of the monthly revenues into this account. This account is required to be funded should the District need to request a loan such as the State Revolving Fund (SRF) loan or to match with a state/federal grant such as Prop. 1 to replace the five (5) wooden water tanks that are over 51 years old or the aging water meters that are not accounting for well over 30% of the water loss. This is lost revenue the District should be recovering. In the 2019/20 fiscal budget year, funding has been designated for the Water Operational Reserve Fund (5.0%) and CIP Fund (7.0%). Unfortunately, these funds fall short of what is needed to replace aging infrastructure, address the meter moratorium, prepare for future regulations such as Chrome 6 and address the need for emergency generators during prolonged power outages, however, now that funding is being continued this budget year, along with a means to guarantee a percentage is deposited into these funds annually. The District continues on the path to a healthy financial future. Future rate increases must include substantial increases to the current annual percentages designated for each Water fund.

This past year, saw continued stabilization in water usage since the Governor lifted the drought mandate in 2017. Prior to the economic recession and drought, total District water use was approximately 25 percent higher than today. Water usage, particularly outdoor use, plummeted

as homes fell into foreclosure and landscaping was left to wither. The change to zero landscape, drought tolerant plants and lo flow appliances has also stabilized. Although the number of residential water connections has rebounded and exceeded pre-recession numbers (approximately 2477 connections), the amount of water used by each connection is still below that of pre-recession/pre-drought usage while the cost of providing utility services continues to increase. This year we noted continued increases from PG&E, increased fuel costs based on the Governor's increased tax on gasoline and diesel fuel which also effects the cost of all commodities used to operate a utility district in such a rural area. This also impacts district staff as they drive to work as this District does not provide an annual cost of living increase for its employees. Not only has the cost to transport items such as chlorine greatly increased but the District noted an increase in chemicals in general as well as most other goods and services from our vendors. In summary, the Water Fund revenue stream has stabilized as the reduction in water use has stabilized but an increase to the cost of doing business greatly affects the District's ability to provide services at the same level while cutting costs to work within the existing budget. Again, this year, the increase in operating costs and need to replace aging infrastructure will not be offset by the coinciding rate increases we will see July 1, 2019.

Over the previous nine years, annual Water Fund operating expenses have increased by an average of 17 percent while revenue has increased only 15 percent. Additionally, there is considerable "expense wobble" between years. The wobble is partially attributable to weather, which impacts the amount of water that must be treated and delivered in any given year. Also, to be considered are the "one-time" expenses such as the Water Rights Petition Project, the meter moratorium and the Hexavalent Chromium (Cr6) issue – all of which were mandated by regulatory agencies and require substantial resources in the form of time and monies.

In summary, it is anticipated that Water Fund operating expenses will continue to steadily increase due to utility costs, infrastructure replacement needs and pending failures, the ever-increasing cost of regulatory oversight and increasing costs associated with keeping qualified individuals on staff. These expenses exceed the current and projected revenue streams thus replacement projects continue to be put on hold.

Sewer Fund

Despite the fiscal hardship the Sewer Fund continues to experience, last year, the District established Operational Reserve Fund (313) and CIP Fund (314). The 2019/20 Budget increases the reserve amount for both funds by 1.5% providing an over-all 3% of the monthly revenues going into each account (3.0% is an estimated \$45K per year.) This \$45K per year into each account will in no way allow the District to apply for grants and/or loans on their own, however, it continues the clear path to financial health should the Board of Directors and administrative staff choose to follow it now and, in the years, to come. The 2019/20 Budget also continues to express the Solar Debt Reserve (2.0% Sewer Rev) in line item 319-4580. As you may recall, the District received incentive pay from PG&E for the installation of the solar array at the RWRP. That incentive was in the form of money put into fund 219 and used to pay for the annual loan debt. Fund 219-4115 established in the 2018/19 Budget provides funds to pay the debt service throughout the life of the loan. The annual debt service is just under \$33K per year. The new Solar Debt Reserve of 2.0% is expected to provide approx. \$32K per year with the remaining \$1K coming from the remaining \$80K in Fund 219, initially from the PG&E incentive. Future budget years will need to see a minor increase to this reserve to avoid a balloon payment at the end of the loan.

The early payoff of a bond in 2009 and state loan in 2016 stabilized the Sewer Fund temporarily, however, this year the District again found it considerably more difficult to present a balance sewer budget. Sewer Fund revenues were blunted by the 2008 recession and with the reduction in water usage due to the drought, sewer revenue has dropped. Similar to Water Fund revenues, which are determined by the number of water connections and quantity of water delivered to each connection, sewer revenues are based on the number of connections and the individuals water usage from the previous December through March when outdoor usage is at its lowest. Accordingly, a homeowner can reduce water and sewer use and their associated costs through proper utility management. The self-managing of utilities by District constituents is in part based on the Governor's powerful message to make "...water conservation a way of life," thus reducing the revenue previously seen in the sewer fund.

From 2008 to 2016, annual Sewer Fund operating expenses increased by an average of 38 percent while revenue increased 53 percent. Unlike the Water Fund, the Sewer Fund kept up

with operating expenses until last fiscal year. As stated in the 2017/18 Budget Narrative, “...with the recent changes in how sewer bills are calculated, going from a flat rate to usage-based billing, the Sewer Fund will succumb to the same fate as the Water Fund over time should rates not be increased.” That time is currently before us. During the last three years, the operational costs have exceeded the annual revenue requiring reductions that are needed for capital repair projects. This is reflected in the \$3K reduction in the Repair & Replace (5150) (which falls on the heels of a \$10K reduction in 2018/19 Budget) and the minimal investment into Funds 313 and 314 which are required to replace aging infrastructure such as the sewer lines that allow rain water to enter the collection system during and following a rain event, and year-round due to ground water, accounting for 50% of the water HVLCSO treats at its RWRF. Additionally, like the Water Fund, the Sewer Fund expenses tend to “wobble” between years. This year-to-year variation is becoming increasingly apparent with the increase in historic rain events and aging of the sewer system. Infiltration and inflow (I&I) of rain and ground water hydraulically overload the collection system causing Sanitary Sewer Overflows (SSO’s), increase pumping and treatment costs, lead to disposal complications, greater regulatory oversight and costly mandated repairs and modifications. Due to these issues, the Sewer Fund now suffers from the same fate as the Water Fund and similarly, without a rate increase, maintenance, repair and capital items associated with operating expenses and replacement of aging facilities cannot be funded.

Lastly, Recycled Water is a valuable resource in the fight against droughts while providing a means for our local golf course to irrigate while not depleting our ground water through the pumping and consumption of raw water. Noting that the last Recycled Water rate increase was in 2012. Recycled water rates were recently evaluated in the NBS rate study of 2019 and are recommended for a small increase in the most recent rate study.

Final Thoughts:

Again, this year, the District acknowledges that a rate increase is inevitable for a healthy and financially responsible utility provider, however, methodical replacement of infrastructure can be achieved with intelligent increases, sound financial planning, strategic partnering of grants with low interest loans and a financially stable and responsible District. To this end, the District has

presented a balanced budget for the 2019/20 fiscal year with recommendation to implement any future water rate increase approved by the votes through the Prop. 218 process and the governing body of this district on or as close to January 1st as possible of each consecutive year and sewer rate increase on or as close to July 1st as possible of each consecutive year.

The intent of this implementation strategy is to implement any water rate increase during the winter months when water usage is at its lowest due to cooler and rainy weather. This strategy allows the District's constituents to self-manage water usage as temperatures gradually increase in the summer months rather than having a spike in their bill July first when water usage is much higher. Additionally, the District bases its sewer rates on constituent's water usage December through March. With this, a sewer rate increase would need to be put in place July of each year based on the previous review period. This strategy empowers the District's constituents to self-manage their water and sewer utility costs without a sudden increase during high usage months.

Capital expenses far exceed the current and projected revenue streams thus repair/replacement projects such as the: Wooden water tank replacement; repairs to reduce I&I in the sewer system; water meters replacement (AMI); SCADA system repairs; and emergency generators for the water continue to be put on hold.

In short, the District continues to be on "Life Support." The new path the District has taken over the last two years, along with intelligent rate increases, is expected to revive the District over time and usher in a financially responsible and health utility district.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
2019-2020 BUDGET

SEWER ENTERPRISE FUND

REVENUE	
120-1051 A/R Retiree Health	11,420
120-4020 PERMIT & INSPECTION FEES	500
120-4036 DEVELOPER SEWER FEES	15,200
120-4040 LIEN RECORDING FEES	-
120-4045 AVAILABILITY FEES	5,000
120-4050 SALES OF RECLAIMED WATER	118,000
120-4060 CC TRANSACTION FEE	18,000
120-4111 COMMERCIAL SEWER USE	36,959
120-4112 GOVERNMENT SEWER USE	855
120-4116 SEWER USE CHARGES	1,167,934
120-4210 LATE FEE 10%	20,000
120 4300 MISC INCOME	1,500
120-4310 OTHER INCOME	200
120-4320 FEMA/CalOES Grants	135,000
120-4550 INTEREST INCOME	1,500
120-4580 TRANSFER IN	54,821
	-
TOTAL REVENUE	1,586,889

EXPENSES	
120-5-10-5010 ADMIN SALARY & WAGES	281,602
120-5-30-5010 FIELD SALARY & WAGES	215,150
120-5-40-5010 DIRECTORS SALARY & WAGES	3,000
120-5-10-5020 ADMIN EMPLOYEE BENEFITS	93,979
120-5-30-5020 FIELD EMPLOYEE BENEFITS	68,254
120-5-40-5020 DIRECTOR BENEFITS	90
120-5-10-5021 ADMIN RETIREMENT BENEFITS	57,507
120-5-30-5021 FIELD RETIREMENT BENEFITS	46,724
120-5-30-5022 FIELD CLOTHING ALLOWANCE	1,800
120-5-00-5024 WORKERS' COMP INSURANCE	11,770
120-5-00-5025 RETIREE HEALTH BENEFITS	22,840
120-5-00-5026 COBRA	-
120-5-40-5030 DIRECTOR HEALTH BENEFITS	41,340
120-5-00-5040 ELECTION EXPENSE	-
120-5-00-5060 GASOLINE, OIL & FUEL	12,000
120-5-00-5061 VEHICLE MAINT	15,000
120-5-00-5062 TAXES & LICENSE	800
120-5-10-5063 ADMIN CERTIFICATIONS	500
120-5-30-5063 FIELD CERTIFICATIONS	1,500
120-5-00-5074 INSURANCE	27,000
120-5-00-5075 BANK FEES	21,000
120-5-00-5080 MEMBERSHIP & SUBSCRIPTIONS	7,500
120-5-10-5090 ADMIN OFFICE SUPPLIES	4,000
120-5-30-5090 FIELD OFFICE SUPPLIES	1,000
120-5-00-5092 POSTAGE & SHIPPING	7,000
120-5-00-5110 CONTRACTUAL SERVICES	-
120-5-00-5121 LEGAL SERVICES	5,000
120-5-00-5122 ENGINEERING SERVICES	27,000
120-5-00-5123 OTHER PROFESSIONAL SERVICE	30,000
120-5-00-5126 AUDIT SERVICES	4,000
120-5-00-5130 PRINTING & PUBLICATION	5,000
120-5-00-5135 NEWSLETTER	500
120-5-00-5145 EQUIPMENT RENTAL	5,000
120-5-00-5148 OPERATING SUPPLIES	40,000
120-5-00-5150 REPAIR & REPLACE	142,000
120-5-00-5155 MAINT BLDG & GROUNDS	5,500
120-5-00-5156 CUSTODIAL SERVICES	16,500
120-5-00-5157 SECURITY	5,000

120-5-00-5160 SLUDGE DISPOSAL	45,000
120-5-10-5170 ADMIN TRAVEL MILEAGE	1,200
120-5-30-5170 FIELD TRAVEL MILEAGE	500
120-5-40-5170 DIRECTORS TRAVEL MILEAGE	200
120-5-10-5175 ADMIN EDUCATION/SEMINARS	4,000
120-5-30-5175 FIELD EDUCATION/SEMINARS	4,000
120-5-40-5175 DIRECTORS EDUCATION/SEMINARS	1,500
120-5-40-5176 DIRECTOR TRAINING	3,600
120-5-10-5179 ADM MISC EXPENSE	350
120-5-00-5191 TELEPHONE	9,500
120-5-00-5192 ELECTRICITY	60,000
120-5-00-5193 OTHER UTILITIES	2,600
120-5-00-5194 IT SERVICES	45,000
120-5-00-5195 ENV/MONITORING	32,000
120-5-00-5196 RISK MANAGEMENT	-
120-5-00-5198 ANNUAL OPERATING FEES	2,000
120-5-00-5310 EQUIPMENT - FIELD	1,500
120-5-00-5311 EQUIPMENT - OFFICE	1,300
120-5-00-5312 TOOLS - FIELD	1,500
120-5-00-5315 SAFETY EQUIPMENT	3,500
120-5-00-5545 RECORDING FEES	250
120-5-00-5580 TRANSFER OUT	-
120-5-00-5590 NON-OPERATING OTHER	-
120-5-00-5591 EXPENSES APPLICABLE TO PY	-
120-5-00-5600 CONTINGENCY	5,000
120-5-60-6006 PLKVF83	-
120-5-60-6007 STORMS 2019	-
120-OPEB OBLIGATION	12,500
140-5-00-5192 ELECTRICITY - FLOOD CONTROL	1,000
319-4580 SOLAR DEBT RESERVE (2% SEWER REV)	31,739
313-WASTEWATER OP RESERVE (3%)	45,147
314-WASTEWATER CIP (3%)	45,147
TOTAL EXPENDITURES	1,586.889

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
2019-2020 BUDGET

WATER ENTERPRISE FUND

REVENUE	
130-1051 A/R RETIREE HEALTH	11,420
130-4035 RECONNECT FEES	12,000
130-4038 COMM WATER CONNECTIONS	-
130-4039 WATER METER INSTALLATION	1,000
130-4040 RECORDING FEE INCOME	500
130-4045 AVAILABILITY FEES	25,000
130-4060 CC TRANSACTION FEE	18,000
130-4110 COMMERCIAL WATER USE	104,000
130-4112 GOVERNMENT WATER USE	6,000
130-4115 WATER USE CHARGES	1,940,435
130-4210 LATE FEE 10%	25,000
130 4215 RETURNED CHECK FEES	1,000
130-4300 MISC INCOME	2,000
130-4310 OTHER INCOME	100
130-4550 INTEREST INCOME	2,000
130-4580 TRANSFER IN	-
TOTAL REVENUE	2,148,455

EXPENSES	
130-5-10-5010 ADMIN SALARY & WAGES	281,602
130-5-30-5010 FIELD SALARY & WAGES	215,150
130-5-40-5010 DIRECTORS SALARY & WAGES	3,000
130-5-10-5020 ADMIN EMPLOYEE BENEFITS	93,979
130-5-30-5020 FIELD EMPLOYEE BENEFITS	68,254
130-5-40-5020 DIRECTOR BENEFITS	90
130-5-10-5021 ADMIN RETIREMENT BENEFITS	57,507
130-5-30-5021 FIELD RETIREMENT BENEFITS	46,724
130-5-30-5022 FIELD CLOTHING ALLOWANCE	1,800
130-5-00-5024 WORKERS' COMP INSURANCE	11,770
130-5-00-5025 RETIREE HEALTH BENEFITS	22,840
130-5-40-5030 DIRECTOR HEALTH BENEFITS	41,340
130-5-00-5040 ELECTION EXPENSE	-
130-5-00-5060 GASOLINE, OIL & FUEL	11,000
130-5-00-5061 VEHICLE MAINT	24,292
130-5-00-5062 TAXES & LICENSE	1,200
130-5-10-5063 ADMIN CERTIFICATIONS	-
130-5-30-5063 FIELD CERTIFICATIONS	600
130-5-00-5074 INSURANCE	27,000
130-5-00-5075 BANK FEES	21,000
130-5-00-5080 MEMBERSHIP & SUBSCRIPTIONS	24,000
130-5-10-5090 ADMIN OFFICE SUPPLIES	4,000
130-5-30-5090 FIELD OFFICE SUPPLIES	1,000
130-5-00-5092 POSTAGE & SHIPPING	6,000
130-5-00-5110 CONTRACTUAL SERVICES	-
130-5-00-5121 LEGAL SERVICES	10,000
130-5-00-5122 ENGINEERING SERVICES	60,000
130-5-00-5123 OTHER PROFESSIONAL SRV	40,000
130-5-00-5124 WATER RIGHTS	70,000
130-5-00-5126 AUDIT SERVICES	4,000
130-5-00-5130 PRINTING & PUBLICATION	7,500
130-5-00-5135 NEWSLETTER	500
130-5-00-5140 RENT & LEASES	-
130-5-00-5145 EQUIPMENT RENTAL	35,000
130-5-00-5148 OPERATING SUPPLIES	5,000
130-5-00-5150 REPAIR & REPLACE	185,000
130-5-00-5155 MAINT BLDG & GROUNDS	12,000
130-5-00-5156 CUSTODIAL SERVICES	4,200

130-5-00-5157 SECURITY	5,000
130-5-10-5170 ADMIN TRAVEL MILEAGE	2,000
130-5-30-5170 FIELD TRAVEL MILEAGE	2,000
130-5-40-5170 DIRECTORS TRAVEL MILEAGE	200
130-5-10-5175 ADMIN ED/SEMINARS	4,000
130-5-30-5175 FIELD EDUCATION/SEMINARS	4,000
130-5-40-5175 DIRECTORS ED/SEMINARS	1,500
130-5-40-5176 DIRECTOR TRAINING	8,400
130-5-10-5179 ADM MISC EXPENSE	350
130-5-00-5191 TELEPHONE	9,500
130-5-00-5192 ELECTRICITY	150,000
130-5-00-5193 OTHER UTILITIES	2,200
130-5-00-5194 IT SERVICES	40,000
130-5-00-5195 ENV/MONITORING	20,000
130-5-00-5196 RISK MANAGEMENT	-
130-5-00-5198 ANNUAL OPERATING FEES	30,000
130-5-00-5310 EQUIPMENT - FIELD	1,000
130-5-00-5311 EQUIPMENT - OFFICE	1,000
130-5-00-5312 TOOLS - FIELD	1,000
130-5-00-5315 SAFETY EQUIPMENT	2,500
130-5-00-5505 WATER CONSERVATION	9,000
130-5-00-5545 RECORDING FEES	100
130-5-00-5580 TRANSFER OUT	-
130-5-00-5600 CONTINGENCY	20,000
130-OPEB OBLIGATION	12,500
218-5522 INTEREST LONG TERM DEBT	59,567
218-5595 CIEDB LOAN ANNUAL FEE	5,135
218-5599 PRINCIPAL PMT	106,363
320-4115 Water Capital Fund (7%)	148,243
325-4115 Water Operating Reserve (5%)	105,548
TOTAL EXPENDITURES	2,148,455



HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

CAPITAL EXPENDITURES

APPROVED 2019 - 2020

SEWER CIP EXPENSES	FUND	Budget
I & I Study (Intern/Fellowship)	313	60,000
IT Upgrades	313	5,000
Vac Truck (60%)	712	201,000
I & I Repair	314	100,000
Chlorine tank auto shutoff	314	32,000
SCADA	712	30,000
Chlorine Disinfection Facility	314	45,000
Aquatic Harvesting	314	35,000
Total		\$ 508,000

SEWER CIP REVENUE	FUND	Revenue
Sewer Op Reserve (3%)	313	45,147
FEMA/CalOES	313	
Sewer CIP (3%)	314	45,147
FEMA/CalOES	314	
Total		\$ 90,294

WATER CIP EXPENSES	FUND	Budget
Unit 9 Tank Replacement 1,850,000 (*1)	320/325/130	220,000
AMI	320/325/130	100,000
Vac Truck (40%)	320	134,000
Repair Water Main Line	320	200,000
IT Upgrades	320	5,000
Total		\$ 659,000

WATER CIP/OP RESERVE	FUND	Revenue
Water CIP (7%)	320	148,243
Water OP Reserve Fund (5%)	325	105,548
Total		\$ 253,791

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

APPROVED 2019 - 2020 BUDGET

	DEBT SERVICE REVENUE	FUND	AMOUNT
1)	1995-2 BOND - TAX ASSESSMENT	215	\$ 298,541
2)	CIEDB LOAN - FUND 130	218	171,064
3)	USDA RUS LOAN (SOLAR) - FUND 120	219	32,258
	TOTAL REVENUE		\$ 501,862
	DEBT SERVICE EXPENDITURE		
1)	1995-2 BOND REDEMPTION (PRINCIPAL)	215	\$ 179,000
	1995-2 BOND REDEMPTION (INTEREST)	215	105,272
	BOND ADMINISTRATION (ANNUAL FEE)	215	6,585
	COUNTY COLLECTION FEES	215	3,414
	CSD ADMIN COSTS	215	4,270
			\$ 298,541
2)	CIEDB (PRINCIPAL)	218	106,363
	CIEDB (INTEREST)	218	59,566
	CIEDB (ANNUAL FEE)	218	5,135
			171,064
3)	USDA RUS LOAN (PRINCIPAL)	219	\$ 16,500
	USDA RUS LOAN (INTEREST)	219	15,758
			\$ 32,258
	TOTAL DEBT SERVICE		501,862

Projects

Replacement of the 8” water main in Mountain Meadow N. Between Hartmann & Donkey Hill \$200K.

Planning, design and land acquisition for the replacement of the Unit 9 water tank will continue during this budget year. The total project is estimated to cost \$1,850,00.

Upon Board approval, a 218 vote will be implemented requesting a water, sewer and recycled water rate increase.

I & I repair continues. The District has identified the need to invest \$100,000 in the 2019/20 fiscal year.

In accordance with the District’s Risk Management Plan, the District is required to install a chlorine tank auto shutoff. Staff has identified \$32,000 to make this improvement. Additionally, the District will conduct a chlorine disinfection facility feasibility study to determine future alternatives.

Aquatic Harvesting. The District has identified 35,000 to ensure this effort is undertaken in the 2019/20 budget year. Alternatives are being looked at to provide cost saving measure.

The District has identified \$335,000 for the purchase of a Combo (Vac) Truck which will reduce rental costs for collection system line and wet well maintenance as well as enhance the District’s ability to make water/sewer line repairs safer/more efficient and clean valve cans so staff can establish a valve exercising program.

The District has identified weaknesses in the aging SCADA system and is working to upgrade to a cloud-based SCADA system over the next few years. \$30,000 has been identified for the 2019/20 budget year.

The District has identified \$100,000 in the 2019/20 budget to start the multi-year meter replacement program. The District is evaluating several funding options and the practicality of going to a fully automated AMI system or starting with an AMR system and transitioning to an AMI system when funding is available.

Summary Descriptions

Revenue

Permits and Inspections: New connections

Charges for Services: Water and sewer services, water overage, reclaimed water sales.

Miscellaneous: Availability (providing access to water and wastewater), lease income, interest, miscellaneous.

Expenditures

Salaries and Benefits: Salaries, wages, payroll taxes, retirement, employee medical and dental, director medical.

Insurance: Liability insurance.

Office Expenses: Office supplies, printing and publication, newsletter, administrative miscellaneous, recording fees.

Contractual Services: Software, cleaning service, internet, postage meter, web hosting.

Dues and Subscriptions: Membership fees and subscriptions.

Postage: Postage.

Repairs and Maintenance: Vehicle maintenance, repair and replace, maintenance building and grounds.

Gas, Fuel, and Oil: Gasoline, fuel & oil.

Supplies: General supplies.

Professional Services: Water rights consultants, aquatic ecologist, auditor, website design.

Travel: Mileage reimbursements, lodging (not related to education or seminars).

Telephone: Landline and mobile telephone service.

Power: Electricity.

Other Operating: Debt service payments, operating revenue set aside for capital improvements.

Office and Safety Equipment: Telephones, computers, printers, AED, medical supplies and hazmat equipment.

Environmental Monitoring: Lab samples.

Water Conservation: District education program, low flow toilet rebates, high efficiency washing machine rebates.

Annual Operating Fees: Permits, water rights, Unites States Geological Services fees.

Significant Changes

Salaries and Benefits

Fiscal year 2019/20 shows an increase in salary for the General Manager based on the 2017 salary survey completed by CPS HR Consulting and approved by the Board to be implemented July 1, 2018 for all staff members except the General Manager. This was at the recommendation of the General Manager as the 2018/19 Budget could only support an increase for staff other than the General Manager. The 2019/20 Budget can now support all recommended increase from 2017 salary survey. Additionally, benefits such as insurance and CalPERS continue to rise. A small cause for increase is due to the District's medical insurance provider, Special Districts Risk Management Authority (SDRMA,) with a 1.29% increase in health benefits beginning January 1, 2020.

Insurance (Property/Liability)

The 2019/20 insurance premium reflects a minor increase based on industry standards but no major increase is noted in this area.

Contractual Services

No changes are expected in contractual services for the 2019/20 fiscal year; however, the District may go out for bid for custodial services at the Admin. facility as well as at the RWRP.

Repairs and Maintenance

The 2019/20 Sewer Operating budget includes a \$3,000 decrease in the Repair and Replace line item in order to maintain a balanced budget and provide for an increase to on-call pay.

Professional Services

As noted under projects, the District intends to continue to work with Wagner & Bonsignore to address the meter moratorium.

Other Operating Expenses

For both the sewer and the water funds, the majority of costs in the Other Operating Expenses line item are related to the payment of debt [the solar loan to USDA for sewer (\$33,000 per year), and the CIEDB loan for water (\$172,767 per year)].

Office and Safety Equipment

The 2019/2020 budget will mirror the 2018/19 budget for Office and Safety Equipment line item that will cover improved security at the Administrative facility and several field facilities.

Capital Additions

(Unfunded)

Sewer

Rebuild the entrance road outside the gate to the existing 4” asphalt at the Reclamation Plant.

This fund is expected to continue each year until the road to Grange Rd. is completely paved, once funds are identified.

Water

All capital additions for water that have been identified are noted in the projects or are funded in the 2019/20 operational budget.

Stormwater

(Funds are currently not available for Capital additions in this area.)

Debt

Sewer Expansion and Wastewater Treatment Plant

In 1994, the District expanded the sewer system and relocated wastewater treatment to the new Grange Road plant. Prior to the expansion, there were many vacant lots remaining in the Hidden Valley Lake subdivision that were not considered buildable. The composition of the soil would not allow proper drainage that would make septic systems a feasible option to potential builders. The expansion of the system allowed 1460 properties within the Hidden Valley Lake Association to be viable for construction.

The project was funded by four bonds and a low interest loan. Of the four bonds, three were paid off early in order to minimize interest payments. The remaining bond, the 1995-2 series bond was issued by the USDA on August 16, 1995 for \$5,500,000. The bond carried a 5.5% interest rate. This Bond was refinanced in March of 2016. At that time, the balance was 3,650,000 and currently has an interest rate of 3.25%. The remaining principal balance of the loan on June 30, 2018 was \$2,711,932.00 (Interest is not included.) The principal and interest related to the 1995-2 bond is collected annually on the property tax roll.

Water Infrastructure Project

In 2002 the District upgraded the existing water infrastructure to meet increasing demands and ensure continuity of services. The Water Infrastructure Project included the addition of two 500,000-gallon storage tanks and the replacement of two pump stations. Additionally, pressure reducing valves were replaced throughout the District to ensure adequate water pressure was provided to all customers. The District's supervisory control and data acquisition (SCADA) system was also upgraded to allow for remote control of the water and wastewater systems.

The Water Infrastructure project was funded by the California Infrastructure and Economic Development Bank (CIEDB) via a low interest loan. The District borrowed \$3,000,000 on June 24, 2002 at 3.48%. The loan is set to mature in 2032, and the remaining balance is \$1,913,810. Loan payments were intended to be funded by new connections to the water system, but with the economic downturn, meter moratorium, and subsequent decline in new construction, annual loan payments are now made from the operating budget.

Solar Project

In an effort to mitigate anticipated increases in the cost of energy, the District installed a photovoltaic (PV) project at the Wastewater Treatment Plant. The PV went online in December 2011. The array was designed to meet the full demands of the Treatment facility, and the savings to the District have exceeded original estimates. The District has also extended this cost savings to the domestic well field on Grange Rd. as it is on contiguous properties with the PV.

The project was funded by the United States Department of Agriculture (USDA) via an \$885,000 grant and a \$640,000 low interest loan. Additionally, the District received \$200,000 in PG&E rebates for the project (to be paid over a five-year period). The USDA loan was signed on October 1, 2011 in the amount of \$640,000 at 3% interest. The outstanding balance of the loan is \$476,341 and the loan will mature in 2041. Annual loan payments of \$32,245 were said to be made from the operating budget from surplus funds remaining after electricity is paid. Historical review of past budgets suggest that loan payments have been paid out of the initial \$200,000 PG&E rebate provided the District. Currently that fund has a balance of approx. \$80,000. A new line item (219-4115) was added to the 2018/19 budget where \$25,000 of the budget is used to pay for most of the annual loan payment. The remaining \$7,245 will continue to be paid for out of the PG&E rebate the district holds in Fund 219. As the District becomes more financially sound and this loan approaches maturity, additional funds may need to be budgeted into 219-4115.

Closing Thoughts:

The goal is to manage the District's assets in a fiscally responsible manner while planning for the repair and replacement of aging infrastructure and equipment. Old equipment should be depreciated annually, while Capital Reserve funds are used to repair and replace distressed infrastructure and equipment.

A minimum of six (6) months Operational Reserve funds should be in place to allow the District to continue to operate and rebuild in the event of a catastrophic event such as wildfire or earthquake.

The 2017/18 budget year was the first-year funds were put into the new Water CIP (320) fund and the 2018/19 Budget Year ushered in three additional accounts: Water Operational Reserve (325), Wastewater Operational Reserve (313) and Wastewater CIP (314). Each see a relatively small deposit over the fiscal year; however, it sets precedence which the District is strongly encouraged to follow and increase whenever possible.

These funds pave the way for the District to obtain grants and loans as the District will improve its financial posture when viewed by grant administrators and lenders.

The final escalation of the five-year rate increase, which is currently in place, is scheduled for July 1, 2019 for the fiscal budget year 2019/20. This rate increase considered operational costs such as increases in insurance and projected costs to do business. It did not consider the fuel tax (\$0.30 per gallon for diesel) which affects all deliverables (chlorine, fuel, chemicals, dry goods etc.) that the District requires to operate. Additionally, replacement costs for the five wooden water tanks (which turned 51 years old in 2019), transitioning water meters to AMR/AMI and the financial software upgrades that are required, replacement of failing water and sewer mains (I&I), replacement of aging vehicles and equipment and an aging SCADA system were not factored into previous rate studies. Due to these factors, the current rate study does not meet the operational and financial obligations of the District. The District contracted with NBS to complete a new rate study which takes many of these factors into consideration. This study has been completed and is currently under review by the Board of Directors.

HVLCSD intends to provide greater transparency of its financial obligations and position using the new Website (www.hvlcscd.org) and Facebook page. Communicating the District's financial short comings and successes related to infrastructure and equipment, repair/replacement so the public may better choose the direction of their water, wastewater and recycled water utility now and in the future through the Prop. 218 process.