

Santa Lucia Community Services District

General Manager's Report

Budget Performance FY 2022-2023

Note: All figures are based on 11 months of actuals and one month (June) of preliminary projections.

Total Revenues ~ YE 2023 are forecasted to be lower than budgeted figures by (\$63K). This is due primarily to a decrease in both residential water sales and residential property mowing.

Operating Expenses (exclusive of Considerations) ~ forecast to exceed budgeted amounts by approximately (\$44K). Inflation had a significant impact on operating expenses. Specific items (over plan) influencing this forecasted result:

- Repairs and Maintenance – (\$98K)
- Fuel Expense – (\$43K)

Considerations (non-Capital) ~ budgeted and approved at (\$592K). Forecasts anticipate a final expense of (\$396K) or \$196K less than budget. Brush and Fire Infrastructure considerations are accounted for separately with (\$56K) expensed against a budgeted expense of (\$100K). A summary has been provided detailing the items as approved.

Specific items influencing this forecasted result:

- Lower Road Repairs (Patch and Slurry) ~ Budgeted at \$380K vs. \$283K spent. Lower by \$97K (\$90K included in FY 2023-24 Budget for Pavement Management Survey)
- Hold on Booster 2 B retaining wall repair and pump replacement ~ Budgeted at \$36K vs. \$0 spent. Lower by \$36K (planned for 2023 and included in FY 2023-24 Budget)
- Hold on Sewer System Management Plan ~ Budgeted at \$30K vs. \$10K spent. Lower by \$20K (planned for early 2024 and included in FY 2023-24 Budget)
- Lower tree removal expenses than budgeted ~ Budgeted at \$40K vs. \$21K spent. Lower by \$19K.
- Lower expenses than planned in CERT and Emergency Operation Plan update ~ Budgeted at \$15K vs. \$1K spent. Lower by \$14K
- The Trail (or Fire Break) Master Plan is underway and approximately 50% complete. The additional monies are budgeted for in the FY 2023-24 budget plan.

Capital Expenses ~ approved at \$1.87M. Forecasts anticipate a final expense of \$1.24M. A summary has been provided detailing the items accomplished within this line item including those that were not completed and will be included in the FY 2023-24 Budget plan.

Specific items influencing this forecasted result:

- Approximately \$367K less than budgeted for New Potrero Water Treatment Plant. Budgeted at \$777K vs. \$411K spent. Lower by As a Work in Progress (WIP), anticipated completion costs of (\$667) are included in the FY 2023-24 Budget.
- Approximately \$205K less than budgeted for two new wells on Cantera Run. As a Work in Progress (WIP), anticipated costs for PG&E construction/design plans of \$80K are included in the FY 2023-24 Budget. Installation costs for power will likely be included in the 2024-25 Budget plan.
- Approximately \$151K less than planned for the installation of utilities for lots 66/67. The majority of the work was completed in-house, producing significant savings. Estimated expenses for completion (\$80K) included in 2023-24 Budget.
- The Wild Turkey Wastewater Transfer Station came as a surprise development requirement due to the construction start at 3 Vista Cielo (Lot 69). The Wastewater Transfer Station was included in design plans for the Preserve, however, never installed. Expenses of (\$114K) have been realized in 2022-23. Estimates of an additional (\$36K) have been included in 2023-24 Budget planning to complete this “in-house” project.

Budget FY 2023-2024

Note: All figures are based on 11 months of actuals and one month (June) of preliminary projections.

Revenues ~ the proposed draft budget 2023-24 includes a 4% increase in Property Related Fees (PRF) on the tax roll. Overall, revenues are planned increased 2.7% or approximately \$212K over the prior year. Due to a change in budget formatting, a decrease of \$112K identified as “Ops Gross Up” has been removed from the Road and Drainage department revenue line. Had “Ops Gross Up” remained, total revenues would have increased by \$315K or 3.9%.

The Brush Management and Fire Infrastructure department is in its second year of operation. Revenues for this department are fixed each year at \$446K for five years. In early 2026, the District will re-approach the community to solicit approval for an additional five years in regard to this very important initiative.

The addition of Trash Service to the District’s responsibilities includes approximately \$277K in revenues in the FY 2023-24 Budget plan. Expenses are set appropriately to manage this enterprise on a “break-even” basis.

Operating Expenses ~ the proposed draft FY 2023-24 includes a 8.3% increase or (\$591K) in comparison to forecasted figures FYE 2023. In an effort to provide more comprehensive quarterly reports, ALL non-Capital expenses are reported on the top line in the newly formatted FY 2023-24 budget plan. This includes (\$475K) in slurry and paving expenses, and (\$60K) in departmental anomalies, both traditionally budgeted for as” Considerations” and reported below the operating line. The reformatting will align more clearly with the final audit results and improve quarterly reporting.

Note: by performing this change in format, the “Considerations” expense of (\$535K) increases the operating expenses YOY by 7.5%. If these expenses were below the operating line as in the past, operating expenses would increase by (\$56K) or 0.8% YOY.

Specific items of note:

- Total Payroll expenses of \$4.18M (all departments) is increasing by (\$22K) or .01%. This includes a COLA projection of 4% which was based on the CPI, All Urban Consumer Index, San Francisco, Oakland, Heyward (May over May). Offsets in this category are the result of not including a onetime compensation adjustment of 7% and 5% COLA increase in the prior fiscal year.

- Administrative Cost Reimbursement decreased by \$182K in relation to YOY forecasts. This is a result of the allocation study findings which go into effect July 1st, 2023.
- Brush and Fire Expenses are increasing YOY by (\$85K). Rationale is explained below in the departmental analysis.
- Due to a change in budget formatting, a decrease of \$112K identified as “Ops gross up” has been removed from Road and Drainage, Water and Wastewater departments expense line. The reformatting will align more clearly with the final audit results. Had “Ops Gross Up” remained, total expenses would have increased by (\$703K) or 9.8%.

Each year, the CSD management team begins the budget process by analyzing actuals in the current year and forecasting to year end. Based on that information, they build their individual departmental budget line item by line item. Those are submitted to the General manager for review and discussion. Below is an excerpt from the water department budget worksheet detailing GL Code 6231 ~ Dues and Subscriptions. This is just one example of the hundreds of GL codes spread throughout the District’s eight (8) operating departments.

10	6231		Prior Year Budget	8,970	680	1,080	680	680	2,055	1,180	680	2,700	680	830	8,180	28,395
			<i>Prior Year Actual + monthly CPI%</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
			Wonderware Support (E&M)	7,600									1,100			7,600
			Mueller EZ Reader Maint											7,800		1,100
			SAMS Regulatory Compliance												7,800	7,800
			PubWorks (Task Tracking)	100	100	100	100	100	100	100	100	100	100	100	100	1,200
			GIS Mapping (GID)	600	600	600	600	600	600	600	600	600	600	600	600	7,200
			Allen Bradley Support (Buckles)									1,300				1,300
			CalAm Hydrant	40	40	40	40	40	40	40	40	40	40	40	40	480
			ESRI Annual Maintenance Fee			400										400
			Juniper Firewall Maint (Vology)										755			755
			Ready Refresh (Arrowhead)	90	90	90	90	90	90	90	90	90	90	90	90	1,080
			AWWA Annual Dues						500							500
			WIN-911 Software Subscription		800											800
			CRWA Annual Dues					500								500
			Underground Services Alert (811)									320				320
			CASA					950								950
NO			<i>CPI %</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-
				8,430	1,630	1,230	830	830	2,280	1,330	830	2,450	2,685	8,630	830	31,985
			<i>Prior Year Actual / Forecast</i>	729	7,389	863	282	1,254	2,200	-	2,331	1,074	3,406	1,028	8,659	29,115
			<i>CY Budget vs. PY Actual</i>	7,701	(5,759)	367	548	(424)	80	1,330	(1,501)	1,376	(721)	7,602	(7,729)	2,870
																-9.9%
																3,590

This year, the budget presentation includes each department’s operating expense, line by line. These figures are a result of the time and effort each departmental manager injects line item by line item.

Here are budget highlights on a department-by-department basis:

- **Water (10)**

Operating expenses in the water department are planned to increase over the prior year by \$33K. Notable items impacting this result are:

Payroll Expense – due to the removal of the compensation stipend from the prior year and considerations for labor performed on capital projects, payroll expense remains relatively flat from the prior year (\$5K) or .5%. As in all departments, the budget contemplates a 4% COLA increase. Benefits increase YOY by (\$19K). This is primarily due to an anticipated increase in health insurance premiums and enrollment changes within the department.

Repairs and maintenance – Increase year over year by (\$17K). This is primarily the result of adding booster station repairs (non-capital) carried forward from the prior year (\$36K).

Utilities Electric – increase YOY by (\$15K). This is primarily due to a inflation expectation of 10% YOY.

Fuel and Oil – YOY expense is budgeted to decrease by \$31K. This is due to the expectation of lower needs for pumping wells (Cantera wells on generator) in this budget year vs. the drought year 2022. It also contemplates a 25% reduction in gas and diesel price YOY.

Equipment maintenance – Two very large equipment repairs (Backhoe and Tractor) were removed from this year’s budget plan as these are one-time occurrences. YOY variance is to the positive by \$31K. “Gross up” charges of (\$9K) were also removed from this year’s budget plan.

- **Wastewater (20)**

The wastewater department is planned to increase in total expense YOY by (\$35K). This is due to:

Payroll Expense – due to the removal of the compensation stipend from the prior year, payroll expense remains relatively flat from the prior year (\$2K) or 3.2%. As in all departments, the budget contemplates a 4% COLA increase.

Operating Expense – this line item includes a new project labeled “SSMP” update. “SSMP” is the Sewer System Management Plan which will be updated by a third-party consultant at the cost of (\$24K).

Contract labor - this line item includes (\$14K) to utilize a third party to start our sewer line televising program.

Repairs and maintenance – increase year over year of (\$16K). This is primarily due to needed repairs to the influent wet well and StormBlox backwash pump (\$15K) for these two items.

Equipment maintenance – “Gross up” charges of (\$1K) were also removed from this year’s budget plan.

- **Roads & Drainage (30)**

The roads department is planned to increase in total expense YOY by (\$368K), (net of mechanic labor reimbursements of \$14,654). Increases are due to:

Payroll Expense – due to the removal of the compensation stipend from the prior year and attrition from cross utilization in the waste collection department, payroll expense has been reduced YOY by \$22K or 2.4%. As in all departments, the budget contemplates a 4% COLA increase.

Road maintenance – (\$385K) in slurry and paving (cut-outs) were strategically moved from below the operating line into this GL code. This change in formatting will align more clearly with the final audit results while also providing for improved quarterly reporting.

Contract labor – (\$90K) is included in this line item for the completion of the Pavement Management Survey approved in last years budget. (\$34K) was spent towards this contract in FY 2022-23.

- **Security (40)**

The Security department is planned to increase in total expense YOY by (\$17K). This is primarily due to:

Payroll Expense – due to the removal of the compensation stipend from the prior year, payroll expense remains relatively flat from the prior year \$3K or .5%. As in all departments, the budget contemplates a 4% COLA increase.

Gate Operating Expenses – variance YOY of (\$6K) is due to the purchase of a new pedestal as back-up in case a gate pedestal fails.

Operating Expense – includes maintenance allocation (\$5K) for repairs to wood fences and wooden gates.

Radios and Pagers - includes (\$2K) increase YOY for radio upgrades.

Utilities - includes (\$2K) increase YOY for electrical increase of 10%.

- **Gatehouse Operations (45)**

The gatehouse operations department is planned to increase in total expense YOY by (\$11K). This is primarily due to:

Payroll Expense – due to the removal of the compensation stipend from the prior year, payroll expense remains flat from the prior year (\$1K) or .3%. As in all departments, the budget contemplates a 4% COLA increase.

Outside Services – includes increase YOY of (\$8K) for upgrades related to License Plate Recognition modules (Dwelling Live)

Repairs and Maintenance Gates – includes (\$5K) increase YOY for replacement parts gates as back-up.

Dry Cleaning Expense – up (\$5K) YOY due to move towards a uniform service for gatehouse staff.

Contract labor – reduced YOY expenses \$12K by moving to in-house landscaping.

- **Fire and Brush Management (50)**

The Fire and Brush Mgmt. department is planned to increase (net of reimbursements) in total expense YOY by (\$86K) or 23%. This is primarily due to:

Payroll Expense – planned to increase YOY by (\$20K) or 6.9%. This is primarily due to an addition in staffing of a Part-time fire/safety officer. As in all departments, the budget contemplates a 4% COLA increase.

Contract Labor – includes a new contract for GIS/Database professional services. This annual contract (\$44K) will benefit all CSD departments, however, primarily fire mapping capabilities.

Ranch Club Reimbursements – annual amount of \$73K is accounted for in the budget plan in consideration of trail maintenance.

- **Waste Collection (60)**

The Waste Collection department is planned to increase in total expense YOY by (\$47K) or 20.5%. However, with anticipated increases in fees and the elimination of vacation holds, the budget is planned to run at break even.

Payroll Expense – planned to increase YOY by (\$48K) or 37.6%. This is primarily due to adding 50% of an allocated FTE for health and safety reasons. As in all departments, the budget contemplates a 4% COLA increase.

Contract Labor – this line-item increased YOY by (\$8K) due to anticipated increases in Waste Management haul-off charges.

▪ **General and Administrative (90)**

The G&A department is planned to decrease in total expense YOY by \$3K. This is primarily due to:

Payroll Expense – planned to increase YOY by (\$56K) or 11.8%. This is primarily due to the 4% COLA increase (\$18K) and an increase in benefits of (\$12K). The remaining is a result of a lower experience YOY by \$35K.

Repairs and maintenance - increased (\$52K) over the prior year. This includes (\$42K) to re-paint the Penon Fire Tower and \$10K for CERT and Emergency Operation Plan training and updates.

Insurance D&O/Liability – increased premium of (\$23K) YOY

Employee meals - FY 2022-23, the Board approved an increase to the food stipend for all District staff. The impacts for a full year are included in the proposal at a net increase YOY of (\$20K).

Audit & Tax Prep – increase YOY in audit preparation and presentation is (\$6K) or an 11% increase YOY.

Due to the new allocation study results, the Districts allocation for Preserve Co., or Admin Cost Reimbursement, is lower by \$181K, YOY. Attached is the Projected CSD Allocation of SLPC Expenses FY 2023-24.

Capital Expense ~ Twelve important items have been identified in the attached schedule as “Capital” needs. In total, these expenses result in \$1.24M for Board consideration. Several are Construction in Progress (CIP) projects that were delayed in the FYE 2023 budget period by a very wet winter and/or permitting issues.

Items of note:

Potrero Treatment Plan – the five-year plan contemplated (\$1M) for this project in the first two years of the plan. Weather and permitting delays have caused for a slower completion date than anticipated. (\$777K) was budgeted in FY 2022-23 for “Phase 1” Budget expectations of (\$667K) are included in FY 2023-24 and if estimates for completion are correct, the total for the project will be at (\$1.02M). The water department continues to complete as many tasks related to this project “in-house” as feasible.

New Wells – Years two, three and four of the five-year plan contemplated (\$525K) for the drilling and connection of three (3) new wells. Due to drought, (\$495K) was expedited in FY 2022-23 on two new wells located on Cantera Run Trail. The

budget as proposed for FY 2023-24, (\$80K) is budgeted for PG&E design work to bring underground power to these new wells. The actual cost to perform the physical electrical installation is unknown at this time. Development costs for new wells have essentially doubled in the last three years.

Lot 66/67, 83/84 Utilities – Upon the completion of the civil drawings for lot 83 in 2017, it was discovered that water and sewer lines were not installed for lots 66,67,83,84. Approximately (\$200K) for utility installation for lots 83/84 was approved and completed in 2017. To control expenses, the installation for lots 66/67 was put on hold until one or both of the lots began design/development. Lots 67 is currently under construction and capital expenses of (\$365K) was included in the FY 2022-23 budget. Thus far, (\$86K) has been spent and (\$80K) has been included in capital expenses for FY 2023-24. The total expenses of (\$186K) vs. budget of (\$365K) is due to performing this project almost entirely in-house (labor primarily).

Lot 119/120 - similar to lots 66,67,83,84; it has been discovered that water utilities were not installed for these two lots. Estimates to install water utilities only, in-house, is (\$65K).

Wild Turkey Lift Station – upon the start of construction for lot 69; it was discovered a lift station was required in order for the sewer connection to reach the Wastewater Treatment Plant. This item was identified in the 2006 Willdan Report as an unfinished developer responsibility. In FY 2022-23, (\$71K) of unplanned expense was realized. In order to complete the project, FY 2023-24 includes (\$36) of expense. Total expected cost for installation is (\$107K).

Note: the utility installation/expenses for these 5 lots was unknown at the time of development of the five-year plan. Total impacts (\$358K).

Unrestricted Net Position ~ beginning position (unaudited) is forecast to be at \$2.74M. If approved as presented, ending position FYE 2024 is projected to be \$1.83M. At FYE 2024, the District's five year plan contemplated an ending position of \$2.81M for FYE 2024.

The shortfall of \$980KM is directly attributable to:

1. Expedited well drilling + higher development costs than planned (\$525K)
2. Unknown/unplanned developer responsibilities as stated above – (\$358K)
3. The five-year plan contemplated an annual escalator for operating expenses at a fixed 3.5% each year. Based on the 2022 audit and FYE 2023 projections, inflation was approximately 4% and 8% respectfully for the first two fiscal years of the plan. As proposed, operating expenses are planned at 8.3% FYE 2024.

COMMUNITY SERVICES DISTRICT
CONSOLIDATED STATEMENT OF OPERATIONS
2022-23 Operating Budget
(All OP EX above the line)

	<u>Budget</u> <u>22-23</u>	<u>Forecasted</u> <u>22-23</u>	<u>Budget</u> <u>23-24</u>	<u>% Rev</u>	<u>Variance \$</u> <u>YOY</u>	<u>Variance %</u> <u>YOY</u>
REVENUES (by Source):						
Property Related Fees - Roads, Water & Security	6,151,674	6,175,356	6,397,722	78.1%	222,366	3.6%
Property Related Fees - Wastewater (Sewer & Septic)	417,981	417,981	435,477	5.3%	17,496	4.2%
Water Meter Charges	531,553	452,874	502,183	6.1%	49,309	10.9%
Security & Gatehouse Operations	19,101	17,757	19,773	0.2%	2,016	11.4%
Road & Drainage Maintenance	212,272	187,752	91,892	1.1%	(95,860)	-51.1%
Housing Management Fee	7,200	7,200	7,200	0.1%	0	0.0%
Waste Collection	252,252	270,278	277,200	3.4%	6,922	2.6%
Brush Management & Fire Infrastructure	445,872	445,872	445,872	5.4%	0	0.0%
Miscellaneous Income	6,000	6,000	15,744	0.2%	9,744	162.4%
TOTAL REVENUES	8,043,905	7,981,070	8,193,063	100.0%	211,993	2.7%
EXPENSES (by Department):						
Water Service	1,789,356	1,820,327	1,853,509	22.6%	(33,182)	-1.8%
Wastewater Collection & Treatment	180,318	242,824	277,327	3.4%	(34,503)	-14.2%
Road & Drainage Maintenance	1,096,294	1,139,608	1,508,032	18.4%	(368,424)	-32.3%
Security & Gatehouse Operations	1,404,850	1,438,455	1,463,859	17.9%	(25,405)	-1.8%
General and Administrative	1,895,342	1,899,539	1,896,110	23.1%	3,429	0.2%
Trash Service	288,984	230,595	277,933	3.4%	(47,338)	-20.5%
Brush Management & Fire Infrastructure	446,070	373,581	459,468	5.6%	(85,888)	-23.0%
TOTAL EXPENSES	7,101,215	7,144,928	7,736,238	94.4%	(591,310)	-8.3%
OPERATING SURPLUS (DEFICIENCY) - Before Loan Pmts	942,690	836,142	456,825	5.6%	(379,317)	-45.4%
Loan Payments (Prin + Int)	159,804	159,804	159,804	2.0%	0	0.0%
OPERATING SURPLUS (DEFICIENCY)	782,886	676,338	297,021	3.6%	(379,317)	-56.1%
OTHER CASH FLOW (USE)						
`	9,000	(25,090)	9,000	0.1%	34,090	-135.9%
Gain (Loss) on Sale of Fixed Assets	17,000	17,111	17,000	0.2%	(111)	-0.6%
Fiber Deployment	0	0	0	0.0%	0	0.0%
Considerations	(2,462,626)	(1,671,066)	(1,238,000)	-15.1%	433,066	-25.9%
TOTAL OTHER CASH FLOW (USE)	(2,436,626)	(1,679,045)	(1,212,000)	-14.8%	467,045	-27.8%
TOTAL SURPLUS (DEFICIENCY)	(1,653,740)	(1,002,707)	(914,979)	-11.2%	87,728	8.7%
NET POSITION						
Beginning Unrestricted Net Position	3,540,204	3,745,135	2,742,428			
Total Surplus (Deficiency)	(1,653,741)	(1,002,707)	(914,979)			
Ending Unrestricted Net Position	1,886,463	2,742,428	1,827,449			
TOTAL COMBINED UNRESTRICTED NET POSITION	1,886,463	2,742,428	1,827,449			

COMMUNITY SERVICES DISTRICT
Capital Expenses
2023-24 Operating Budget

#	Project Description	Dept	Capital	Monthly Spend												Carryover		
				Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun		Total	
1	Potrero Treatment Plant	Water	1917	30,000	310,000	82,000	185,000	20,000	40,000								667,000	
2	PGE Deposit ~ two new wells (Cantera)	Water	1902		80,000												80,000	
3	Lot 66/67, 83/84 Utilities	Water	1912	50,000	30,000												80,000	
4	Vaulted Flow Meter Vasquez	Water	1900		7,000												7,000	
5	Lot 119 & Lot 120 Water Service	Water	1912				65,000										65,000	
6	Wild Turkey Lift Station	Water	1918	6,000		30,000											36,000	
7	Moore's Lake Solar (for Aeration)	Water	1910		15,000												15,000	
8	Booster 2B Retaining Wall	Water	1916				15,000										15,000	
9	Replace Vehicle	Water	1900		85,000												85,000	
10	Generator (Penon)	Water	1900				70,000										70,000	
1	Replace Vehicle	Rds/Maint	1900		85,000												85,000	
1	New Dozer, Truck and Trailer (Rent to Own)	Fire	1900	33,000													33,000	
Total 2023-2024				119,000	612,000	112,000	335,000	20,000	40,000	0	0	0	0	0	0	0	1,238,000	

Water
1,120,000

Roads
85,000

Fire
33,000

1,238,000