

Heber Public Utility District

MEETING DATE: June 16, 2022

FROM: Laura Fischer, General Manager

SUBJECT: Adopt Resolution Number 2022-04 to Adopt the Fiscal Year 2022-2023 Budget.

ISSUE:

Shall the Heber Public Utility Board of Directors approve Resolution 2022-04 adopting a budget for Fiscal Year 2022-2023 and rescinding all prior Resolutions related to the appropriation of funds?

GENERAL MANAGER RECOMMENDATION:

Approve Resolution Number 2022-04 rescinding all prior Resolutions related to the appropriation of funds.

FISCAL IMPACT:

The proposed HPUD Operating Revenue for the Fiscal Year 2022-2023 is \$3,965,093 and HPUD total Expenditure is \$3,604,100.

2022-2023 BUDGET	Parks & Rec	Water	Wastewater	Solid Waste	TOTAL Government Wide
Revenues	563,650	1,820,212	1,531,531	49,700	3,965,093
Total Revenues	\$ 563,650	\$ 1,820,212	\$ 1,531,531	\$ 49,700	\$ 3,965,093
Expenditures					
Operating	565,300	1,299,000	1,110,000	49,500	3,023,800
Capital Outlay	16,000	81,480	78,000	-	175,480
Funds Transfers/Reserves	(48,900)	(65,480)	(64,000)		(178,380)
Debt Service	-	323,300	259,900	-	583,200
Total Expenditures	532,400	1,638,300	1,383,900	49,500	3,604,100
To Fund Balance	\$ 31,250	\$ 181,912	\$ 147,631	\$ 200	360,993

BACKGROUND:

The District's annual budget represents a total financing plan for all District operations and must be analyzed by its component parts in order to make any meaningful assumptions. Although there is some financial interdependence between the funds, such as the shared allocation of labor costs, each fund represented in the budget must stand alone.

The budget serves as the financial planning tool of the District. It provides for the allocation of resources across the full range of the District's activities. Staff presented the budget to the Board of Directors at the Regular Meeting on May 19, 2022; at a Special Meeting on June 2, 2022; and for adoption at the June 16, 2022 meeting.

DISCUSSION:

Attached to this document is the HPUD Operating Budget Report prepared by the General Manager after receiving input from the Board of Directors during the Special Meeting held on June 2, 2022.

CONCLUSION:

Adoption of Resolution 2022-04 enables Heber Public Utility District to meet their anticipated operating and maintenance obligations to keep our parks, water and sewer systems in good condition. It also allows for the purchase of some necessary capital outlay and equipment. Adopting the Resolution as presented does not allow the HPUD to have a desired net revenue that would be put in the capital improvement fund for future projects. Adopting the budget at this meeting will meet the deadline to have a budget in place by the beginning of the Fiscal Year.

Staff recommend adopting Resolution 2022-04 as presented.

ALTERNATIVES:

- 1) Do not adopt Resolution 2022-04 as presented and give direction to staff to make modifications. This will require a Special Meeting prior to the end of June 2022 to adopt the budget. Without adoption, the Board would need to adopt a continuing Resolution to allow the District to process accounts payable until a budget is passed and adopted.
- 2) Provide alternate direction to staff.

Respectfully Submitted,

Laura Fischer, General Manager

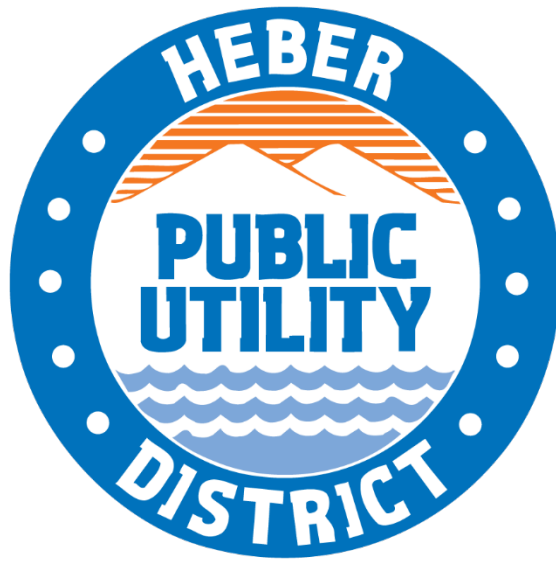
Attachments:

FY 2022-03 Operating Budget
Resolution 2022-04
General Manager Budget Letter



Operating Budget Fiscal Year 2022-23

Heber Public Utility District
Heber, California



Proposed Budget

Fiscal Year 2022-23

Providing the highest quality utility and park services with a focus on customer service and community.

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On behalf of the Heber Public Utility District management staff, I am pleased to present the Fiscal Year 2022-23 budget to the Board of Directors for approval. This budget meets the Board of Directors' finance goals and adopted Fiscal Reserve Policy. At the July 2022 meeting, the staff will present updated Resolution for Fiscal Reserves for your consideration and approval.

I would like to express my appreciation to the members of the Board of Directors for your confidence in HPUD's management team as well as your review, suggestions, and policy direction during the past year. I also want to thank the dedicated staff for their contributions and participation in the development of the FY 2022-23 budget.

The Heber Public Utility District (HPUD) expects operating revenues of \$3,965,093 with \$3,604,100 of operating expenses. Planned capital outlay expenditures are \$175,480, and financial obligations for payment of principal and interest on debt are \$583,200. This information and details are provided in Resolution 2022-05.

Water Treatment and Distribution.

Our drinking water meets and exceeds all State and Federal Drinking Water Standards. We continue to meet the stringent requirement of trihalomethane levels that are generated locally due to the extreme heat. We report all contaminants found in both treated water and surface water in our Annual Consumer Confidence Report, which is mailed to our customers in June 2022.

Wastewater Treatment and Collection. The HPUD wastewater treatment plant continues to operate within the compliance standards of the State Regional Water Quality Control Board National Pollutant Discharge Elimination System (NPDES) Permit and Waste Discharge Requirements. In FY 2021-22, the HPUD continued to make improvements to the STM aerator system

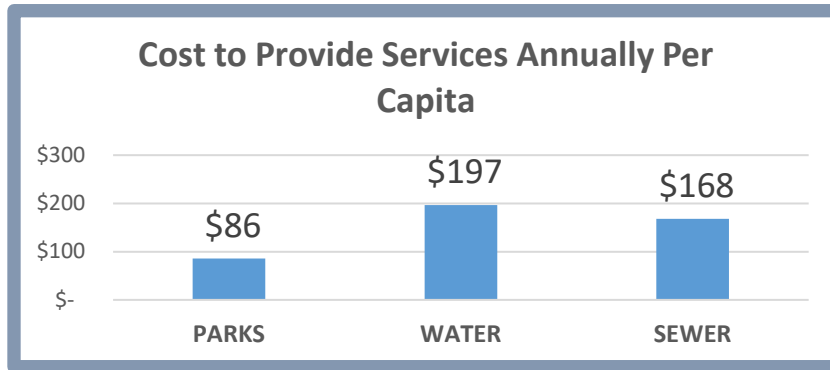
Organizational Priorities

HPUD's Mission is *"To provide the highest quality utility and park services with a focus on customer service and community"* and our District has done just that!

Services Provided.

The Heber Public Utility District provides four major services to our customers. We provide potable water, sanitary sewer, parks and recreation, and solid waste services to approximately 6,600 Heberians. The per capita expenditure for each service is well below industry range as shown in the chart below.

Heber Public Utility District
Fiscal Year 2022-2023 Budget



The HPUD focuses on community. We just completed the construction of our new Recreation Center and hired a part-time recreation coordinator to run programs. We continue to hold our Fall Fiesta, which is getting bigger and better every year thanks to our excellent staff who work so hard to put on the event, and our wonderful community that comes out in support. The budget includes funding for our Fall Fiesta again this next year.

COVID Impacts.

In March 2020, Governor Newsom declared a State of Emergency due to the Corona Virus pandemic that was present throughout the state and country. The COVID pandemic caused a negative impact on the HPUD revenues and caused us to have greater expenses.

The District was mindful of our employees' health and safety and adopted several policies, procedures, and Resolutions to ensure that our employees, customers, and Board members were not exposed to COVID due to working for the District. Some of the action taken by the District was to stagger employees work schedule so that only half of the HPUD employees were working together as a "Pod" for a two-week period, then the next group "Pod" of employees would work. This staggered schedule ensured that we had operational coverage at our plants and office. We adopted a telecommunication Resolution that allows the public and the Board to attend District meeting telephonically while still meeting Brown Act requirements. Additionally, we closed our office to the public and offered additional drop boxes, online and pay over the phone services.

The District staff kept good and accurate records of all revenues lost and expenses that increased, which was used to apply for COVID relief funds. Through a state COVID relief for utilities the County was awarded funding, which they allocated to HPUD. We received \$50,000 to apply to qualifying customers' accounts that were past due. The requirements were very detailed, and our water clerk did a fantastic job connecting with our customers, qualifying them to receive funds, and applying the funding to their past due bills. We were able to apply \$44,600 of the funds toward our customers' past due accounts.

Additional funding was made available to Districts, which could identify with backup documentation, how COVID negatively impacted their District. Our Finance Department put together an application that was quickly approved. The District received \$447,385 in COVID relief funds in FY 2021-2022. During the budget approval process the Board authorized half of these funds to be allocated in FY 2021-22 and the rest in FY 2022-23. See table below.

Heber Public Utility District

Fiscal Year 2022-2023 Budget

COVID RELIEF FUNDS				
FISCAL YEAR	PARKS	WATER	SEWER	TOTAL
2021-22	17,150	102812	102812	222,774
2022-23	17,150	103731	103731	224,612
				447,386

The District experienced loss of revenue as we stopped charging late fees, disconnection or reconnection fees, and did not make any reservations for our parks facilities. The District did not turn off water due to non-payment for any customer even if not COVID related. Some of these costs were recovered through the State grant funneled through the County of Imperial. Additionally, we experienced higher than normal bank fees as many of our customers who were sheltering at home, and who were paying their utility bill, did so over the phone. We received a great many credit card payments over the phone and the bank fees to process were higher than anticipated. We also experience the effects of rising inflation and some of our supply costs increased. We also lost productivity as our field and office employees that were on the staggered “Pod” work schedule were unable to work from home. Some projects were completed at home or independently when possible, and our office staff answered phones transferred to their cell phone while isolated at home. The employees at HPUD are amazing during the quarantine and isolation period. They are now working to catch up on deferred maintenance projects both in the field and office.

COVID in FY 2022-23.

We expect COVID to continue to cause some operational issues whether due to our employees getting sick or additional safety protocol and isolation orders from local, state or Federal government. All of our employees have received the vaccine, and most are boosted.

The budget for FY 2022-23 has some higher-than-normal expenditures due to COVID, we experienced higher cost for parts and supplies and longer delivery times, and our construction costs for capital improvement projects have had bids come back twice as high as our engineer’s probable cost estimates.

HPUD Policy Regulations.

The presentation of this budget at the Special Meeting on May 16, 2022; the Special Meeting on June 2, 2022; and the subsequent final review and adoption at the Regular Meeting on June 16, 2022, will meet HPUD policy regulation. Policy Number 3030 relates to the Fixed Asset Accounting Control, which was established to ensure proper accounting control resulting in the maintaining of accurate financial reports and fixed assets. The Fixed Asset report has been certified as complete as of June 2021 and is included in this presentation for your review and consideration.

Heber Public Utility District
Fiscal Year 2022-2023 Budget

DISTRICT WIDE FIXED ASSETS	Parks and Recreation	WATER FIXED ASSETS	SEWER FIXED ASSETS	T O T A L
	June 30, 2021	June 30, 2021	June 30, 2021	June 30, 2021
Capital Assets, Not Depreciated:				
Land -1402	-	-	512,276	512,276
Construction in Progress	443,124	-	-	443,124
	443,124	-	512,276	955,400
Capital Assets, being depreciated				
Buildings	93,718	53,988	62346.2	210,053
Structures & Improvements (AMR)		469,906	-	469,906
Machinery & Equipment	-	320,420	363,786	684,206
Infrastructure	-	26,408,993	21,764,963	48,173,955
Computer Equipment	-	44,972	35,556	80,528
Furniture & Fixtures	-	7,591	7,592	15,183
	93,718.10	27,305,870	22,171,896	49,633,830
Less Accumulated Depreciation:				
Buildings & Infrastructure	-	(44,323)	(56,274)	(100,597)
Structures & Improvements (AMR)	-	(193,750)		(193,750)
Machinery & Equipment	-	(171,553)	(238,303)	(409,856)
Infrastructure	-	(6,758,857)	(8,652,689)	(15,411,546)
Computer Equipment	-	(36,987)	(25,237)	(62,224)
Furniture & Fixtures	(34,843)	(5,405)	(5,947)	(46,195)
	(34,843)	(7,210,875)	(8,978,450)	(16,224,168)
Net Capital Assets:	501,999.24	20,094,994.90	13,705,722	34,365,062

In 2016, the HPUD Board also adopted Policy Number 3035 Investment of District Funds to help ensure prudent and responsible management of the District's funds. The ability of the Heber Public Utility District to maintain reserve funds is a critical factor in providing reliable service, mitigating rate increases, and ensuring overall financial strength. Adequate reserves directly affect the District's bond rating and ultimately the ability to access debt at favorable interest rates. According to the policy Number 3035.2.7, the HPUD Board should approve the appropriate levels and uses for reserve funds based upon the needs of the District during the budget adoption process. The reserve resolution will be presented to the Board at the June meeting along with the Five-Year Capital Improvement Project Plan for consideration and adoption.

The District reserves in fund balance are detailed in the table below. The reserves include cash in the bank and current accounts receivable. The fund balances do not include fixed assets or equity. They are a 'snapshot' of our liquid cash reserves. Although there are several legally restricted reserves, the HPUD reserve funds are categorized into the following: Capital Reserve Funds, Debt Service Reserve Funds, Operating and Maintenance Reserve Fund, Capital Replacement Reserve Fund (Short Lived Assets), and Unrestricted Reserves. The Reserve Resolution will be brought before the Board at the July 2022 meeting.

Heber Public Utility District
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The Districts current and approved Reserve Resolution are detailed in the table below. The reserves include cash in the bank and current accounts receivable. The fund balances do not include fixed assets or equity. They are a ‘snapshot’ of our liquid cash reserves. Although there are several legally restricted reserves, the HPUD reserve funds are categorized into the following: Capital Reserve Funds, Debt Service Reserve Funds, Operating and Maintenance Reserve Fund, Capital Replacement Reserve Fund (Short Lived Assets), and Unrestricted Reserves.

Heber Public Utility District Reserve Resolution Backup FY 2021-22					
* Unchanged Capital assets for Projections purposes only					
Proposed Reserve Funds Established via Resolution Number 2021-04					
PROJECTED CASH BROUGHT FORWARD AS OF JUNE 30, 2020	Parks & Rec	Water	Sewer	Trash	Totals
	757,835	2,380,926	1,526,397	118,762	4,783,920
Other Sources of Revenues:					
<i>Per-Capita State Park Grant Prop. 68</i>	187,000				
Total Funds:	944,835	2,380,926	1,526,397	118,762	4,970,920
Committed Funds:					
Capacity Fees					
Capital Reserve Funds (Future Projects)					-
Manhole Replacement			20,000		20,000
STM Aerotor Improvement Project			20,000		20,000
Water Distribution Lines Improvements at Courts		200,880			200,880
Water Line Replacement north of 86 between Pitzer and Rockwood		10,000			10,000
Recreation Room at Littlefield - Parking and Patio - GRANT FUNDS - MATCH OF 25% INCLUDED IN CAPITAL OUTLAY BUDGET \$127,171					-
Estancia Park Replace Sprinkler System	113,200				
Correll Basin				80,000	
Lnadscape Over Dogwood Canal between Highway 86 and Correll Road	5,000				
Children's Park - New Playground Equip, sidewalk repairs, shade - USE PER CAPITA FUNDS \$187,000	75,000				75,000
Vehicle Replace Fund					
New Vehicle Purchase Fund	10,000	30,000	30,000		70,000
Parks Truck	50,000				50,000
Backhoe all funds	28,000	56,000	56,000		140,000
Repairs to Clarifier #1 approved 1/27/22		181,480			
MATCH FOR AB617 URBAN GREENING GRANTS - on Agenda 4/21/22	19,017	34,162	12,999		
Restricted Funds:					
Wastewater debt to Parks (Debt	(48,828)		48,828		-
USDA 2009 COPS Loan - Water		161,400			161,400
SWRCBA Water Loan - Debt Reserve		161,802			161,802
SWRCBA Wastewater Loan - Debt Reserve			210,998		210,998
2021-22 Short Lived Assets Reserve Annual		87,418	63,000		150,418
FY 2021-22 Withdrawal for Equipment Replacement (-) in FY 2021-22		(109,000)	(100,500)		(209,500)
Assigned or Designated Fund Balance:					
Operating and Maintenance Reserve Funds 180 days Operating and Maintenance Costs.	250,077	574,619	498,477	20,910	1,344,082
TOTAL RESERVES FOR FY 20-21	501,466	1,388,761	859,802	100,910	2,405,080
PROJECTED UN-ASSIGNED BALANCE:	443,370	992,165	666,595	17,852	2,565,840

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In FY 2021-22 the HPUD adopted Ordinance 2022-01, which was a requirement of SB 1383, the Short-lived Climate Pollutant Reduction Act of 2016. SB 1383 requires CalRecycle to develop regulations to reduce organics in landfills as a source of methane. The regulations place requirements on multiple entities including HPUD, cities, residential households, Commercial Businesses and business owners, Commercial Edible Food Generators, haulers, SelfHaulers, Food Recovery Organizations, and Food Recovery Services to support achievement of statewide Organic Waste disposal reduction targets. HPUD will be working closely with our waste hauler in 2022 to amend our Franchise Agreement to ensure we meet the requirements of SB 1383.

Financial Analysis

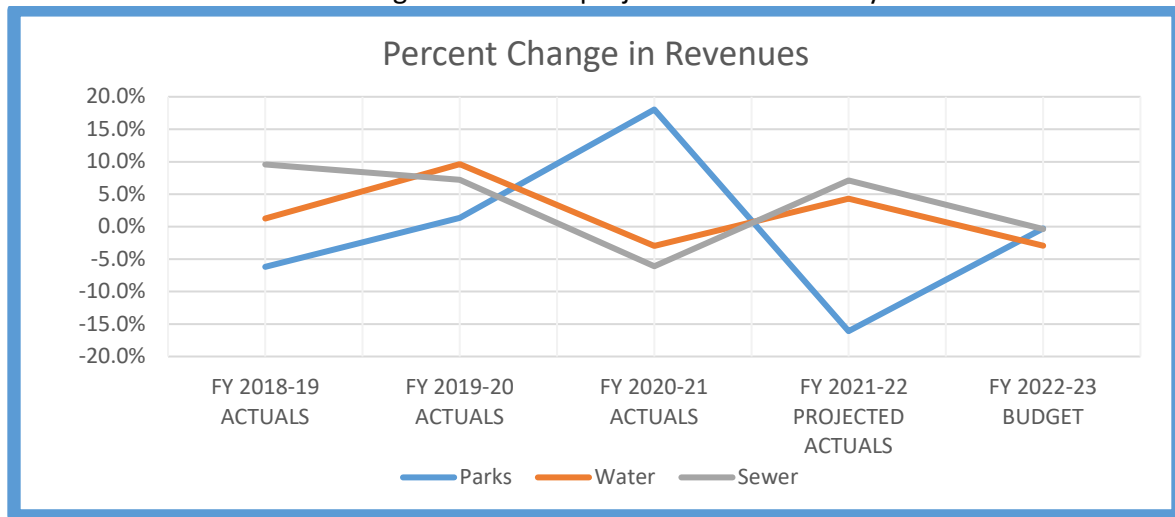
One industry wide reserve guideline is the Days Cash Ratio, which is defined as total cash available divided by Operating Expenses per day and is a measurement of an agency’s ability to meet known and unanticipated expenses. Many utilities will establish a Days Cash Ratio goal of 365 days or more to ensure cash flow stability. Currently the FY 2021-22 District wide (All Funds) Budget has a Days Cash Ratio of 664 days and the Cash on Hand at the beginning of FY 2021-22 is \$4,970,920 District wide for all Funds.

DAYS CASH RATIO ANALYSIS	Parks & Recreation	Water	Sewer	Trash	Totals
Cash Required Per Day for Operating Expenses	1,414	3,192	2,769	116	7,492
Number of Days Unassigned Cash on Hand	314	311	241	154	342

Revenues

FY 2022-23 Revenue Analysis.

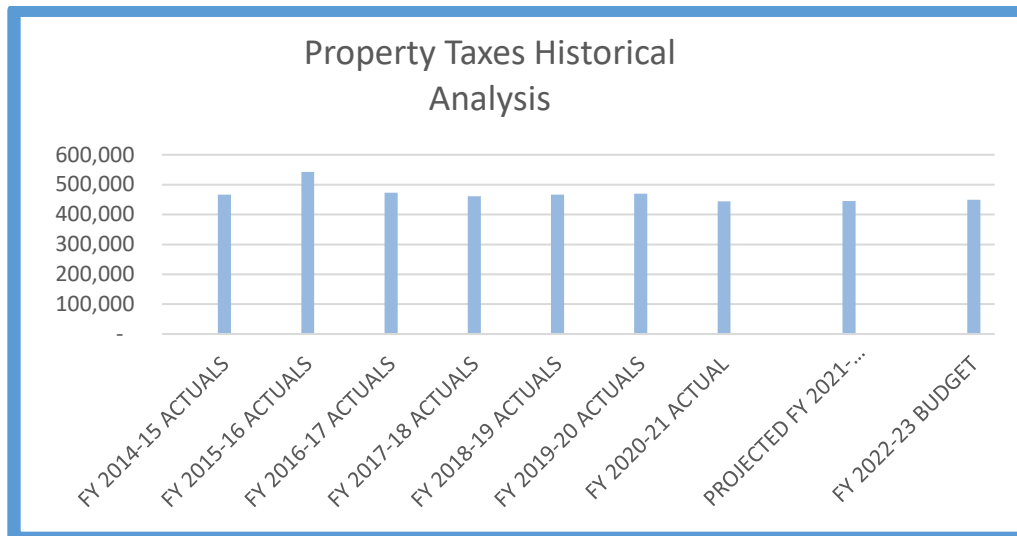
District wide revenues including all Funds are projected to increase by .37% in FY 2022-23.



The Proposed FY 2022-23 Revenues are projected to remain fairly stable in the Parks and Recreation Fund with a small decrease of -.25% from projected actuals to the FY 2022-23 budget. The Sewer Fund will see the greatest increase with 3.09% projected increase revenue. The Water Fund will see an -1.58% percent decrease. Franchise Fees from the Solid Waste Hauling contract are a very low amount

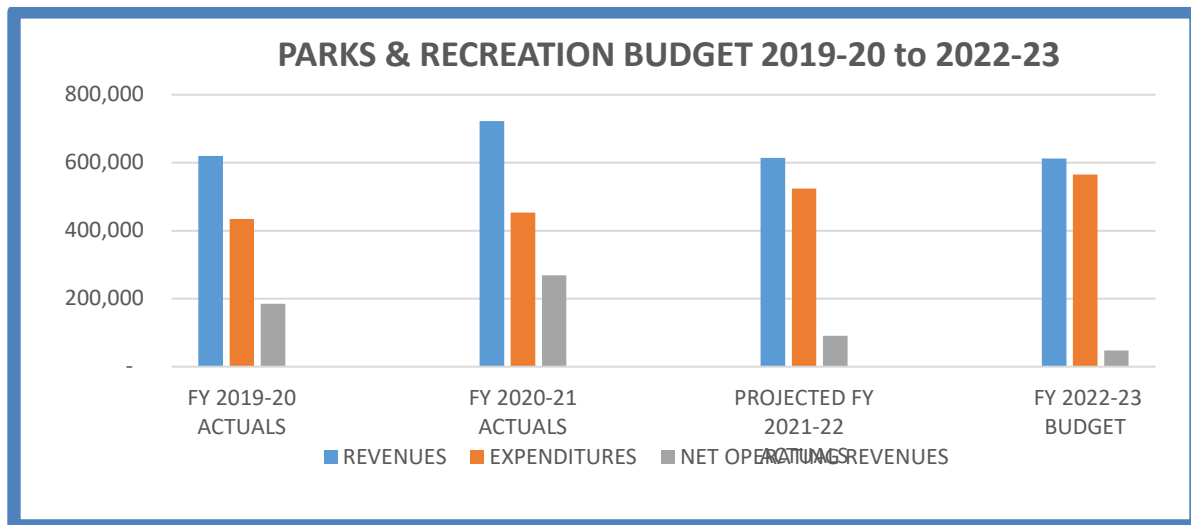
Heber Public Utility District
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and any fluctuation in accounts receivable track at a high percentage. The actual dollar amount variance is \$182.00 but translates to a negative .36%.



Parks & Recreation Revenues.

Our property tax revenue has been very stable with little growth over the past several years averaging \$475,000 per year. Property taxes are received from the County of Imperial in December, April and a small portion in May.



Some items of note for the upcoming Fiscal Year that could affect Parks and Recreation Funds. LAFCO and the seven cities in the County have hired a consultant to prepare a property tax share agreement between the County and the Cities. The study may be ready for the first review by the end of this Fiscal Year. As you know, the HPUD has a property tax share agreement with the County of Imperial that was adopted in 2012. This Agreement outlines what share of property tax the District will receive based on Tax Rate Areas. The Agreement also outlines several services that the District must provide. The Agreement can be found on our website in the Finance Department page. What is not included in the Agreement is how HPUD and the county share property taxes for property that is annexed into our Service Area that is not in one of the Tax Rate Areas that we serve.

The other possible revenue source for our community that should be tracked and if possible secured for Heber, are the mitigation fees that the County collects for impacts from geothermal and mineral extraction. The County received millions of dollars from geothermal, and possibly lithium extraction, which is supposed to be put back into the communities that are experiencing the negative impacts. This includes Heber, but our community doesn't receive mitigation impact fees. Our customers do, however, pay a special fee on their property taxes for landfill costs that are not ours to pay as we have a franchise agreement for waste hauling services and our contracted service provider has their own private landfill.

The District has two Community Facilities Districts in our Service Area. One of them is managed by the County of Imperial and covers the area known as McCabe Ranch and includes Estancia Park. The District maintains Estancia Park and receives payment from the County. The CFD does not provide funds to make any improvements to the park and the sprinkler system is failing. The HPUD submitted two grants for improvements to this park that were funded. In the future the District may want to petition the County for an increase in funds to maintain Estancia Park. Detailed labor cost will be needed to back up the request.

The other CFD is Heber Meadows 2005-1, which is maintained by the Heber Public Utility District. This CFD includes minimal service fees for park maintenance and the District only receives about \$13,000 annually for maintaining Jiggs Johns Park, which is located in Heber Meadows. In FY 2021-22 the District was approached by a Developer in the Heber Meadows subdivision who wanted to subdivide "Lot D" of the Heber Meadows CFD into 5 lots in an effort to construct multi-family apartments. According to the CFD, Lot D does not pay any money into the CFD as it is undeveloped and there was no tentative map approved during the establishment of the CFD.

The District and the Developer are working to establish a Nexus between the development of the multifamily apartments and the impact on services and infrastructure provided through the CFD. The Holt Group is currently working with staff to complete the Nexus Study and it should be before the Board in July. It is the District's desire to ensure that all of the properties in the Heber Meadows subdivision be constructed and that they pay their fair share of the infrastructure and service costs.

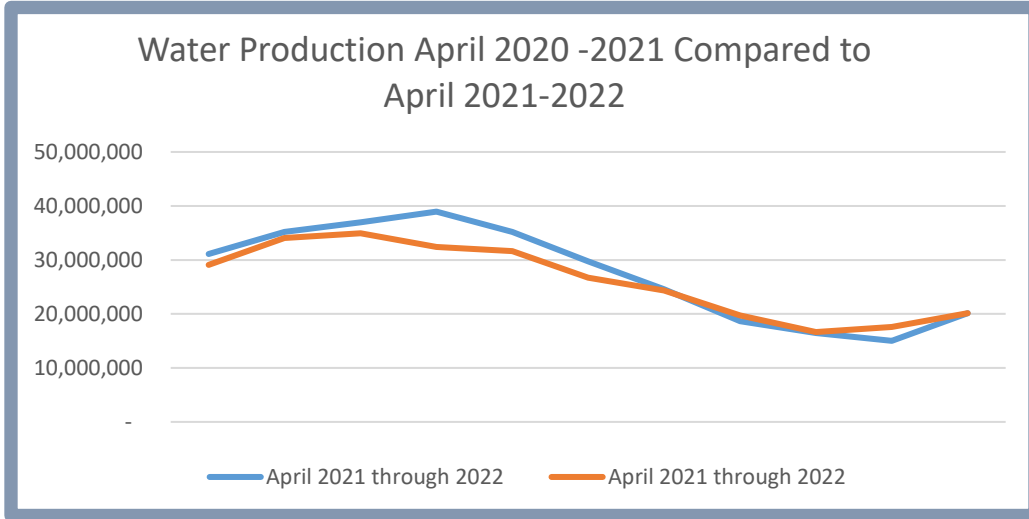
Water, Sewer and Trash Revenues.

The District's five-year rate adjustment schedule expired in FY 2021-22 and no rate adjustments are included in the FY 2022-23 budget for water and sewer. In order to ensure we continue to meet the increasing cost to provide water and sewer services to our customers, the HPUD Board needs to prepare a rate study and implement a rate increase by the end of Fiscal Year 2022-23. The purpose of the rate study is to ensure the HPUD recovers, through fair and appropriate rates, the necessary funds to cover the cost of providing excellent services to the community.

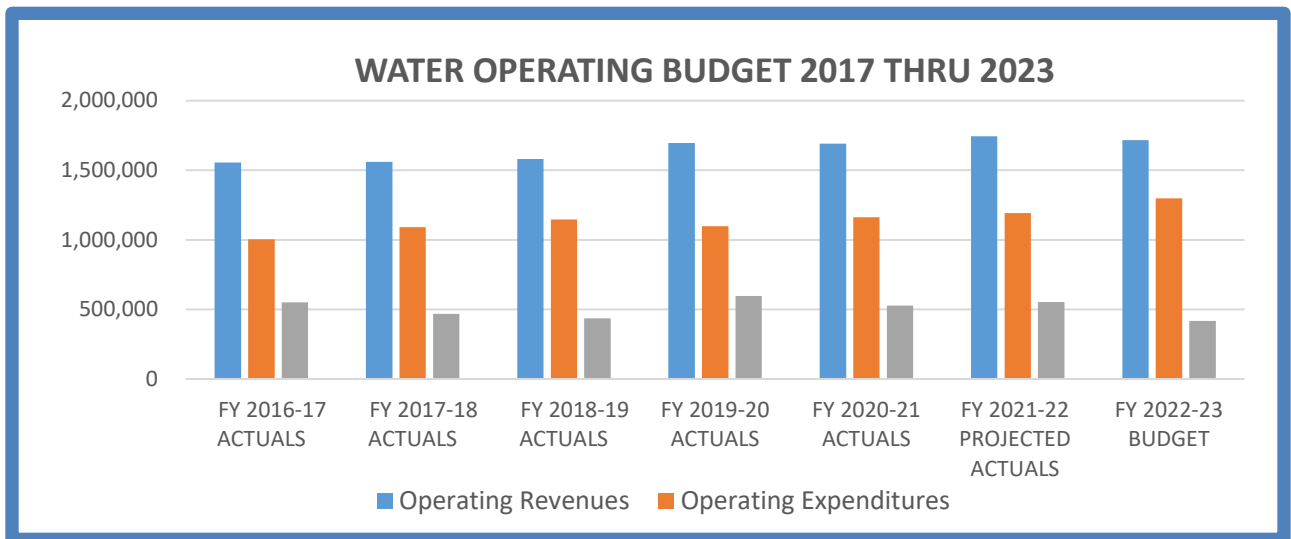
On April 20, 2017, the HPUD Board adopted Ordinance 2017-3 and 2017-4 establishing water and sewer rates for five years. However, due to the public comments and protests to the rate adjustments, the HPUD Board decided to implement a lower rate for FY 2017-18 than what was approved for residential customer classification for both water and sewer rates. The following years' budgets were based on the adopted rates as established by Ordinances 2017-3 and 2017-4. However, in FY 2021-22 the Board adopted a water and sewer rate that was lower than the rate established by Ordinances 2017-3 and 2017-4. This resulted in lower revenues generated by water sales and sewer service connects.

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The chart below shows how the HPUD Water Treatment Plant production numbers have changed from 2021-22 to 2022-23. The overall production of water is cyclical depending on the weather. The actual overall water production was higher in the summer, but the overall totals are show very little change.

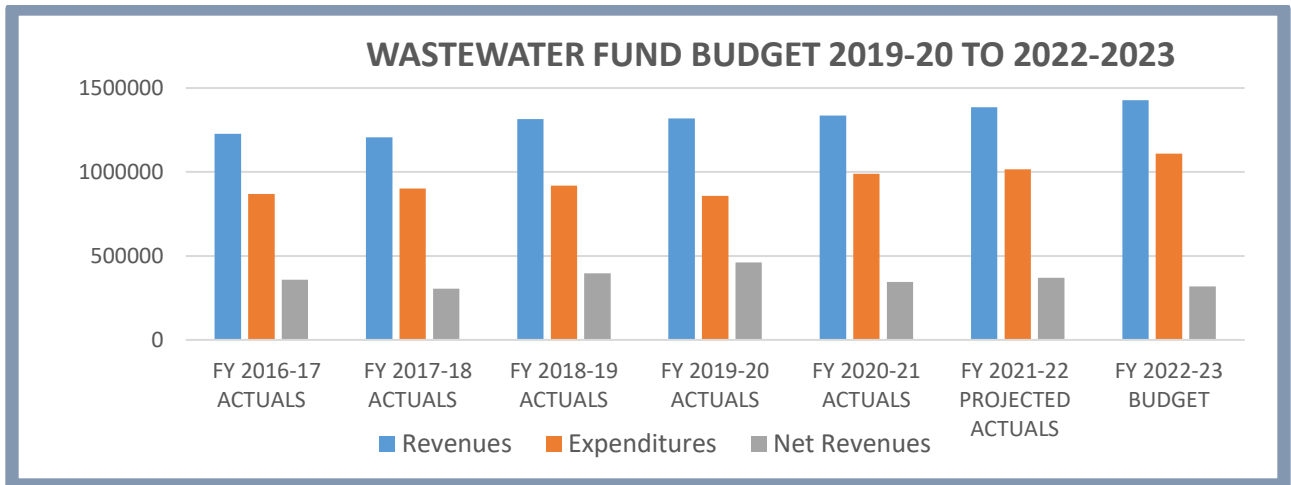


Water Fund Operating Budget FY 2016-17 through FY 2022-23. This chart illustrates how our net revenue is decreasing. Net Revenue is used each year to fund capital outlay items such as the purchase of vehicles, pumps, and large purchase items with a live expectancy over 5 – 7 years. It is also used to fund capital improvement projects for water treatment and distribution.



The same analysis is true for our Wastewater Fund Budget FY 2016-17 through FY 2022-23.

Heber Public Utility District
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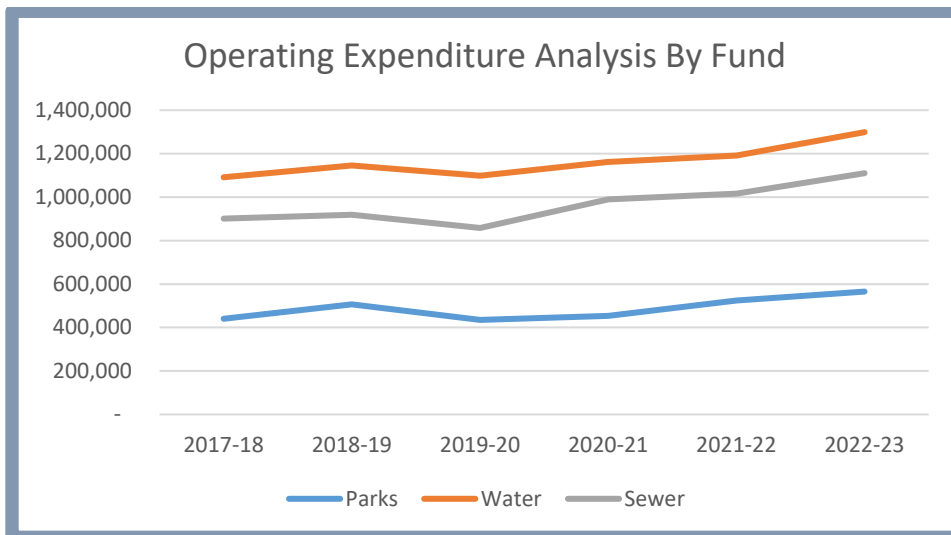


Due to COVID CR&R, our waste hauling franchise provider, experienced service delays and HPUD customers complained. CR&R has taken many steps to improve their service including hiring more drivers, purchasing equipment and reaching out to our customers. Due to the District’s concerns with quality services, and customer complaints, CR&R has postponed their proposed rate increase of 4.7% until second quarter of the Fiscal Year 2022-23. The District receives a 10% Franchise fee, which is used to cover our trash related expenses such as staff time to bill, postage and other billing / receivable expenditures.

Expenditures

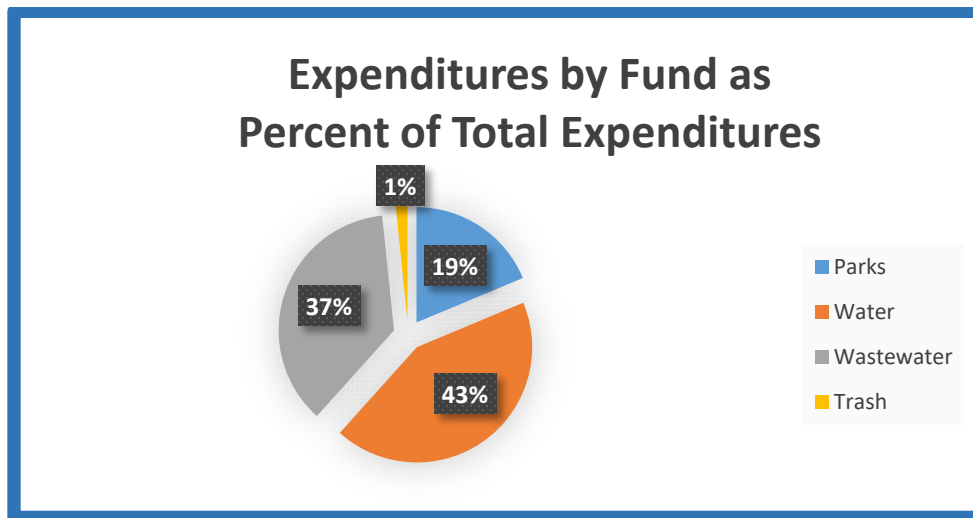
Expenditure Analysis.

HPUD allocates overhead cost based on a percentage to each fund. Overhead cost for administrative positions for salary, benefits, travel, training; overhead office expenses such as office supplies, office services & maintenance fee, postage; other costs such as vehicle maintenance, professional services for accounting, engineering and legal.

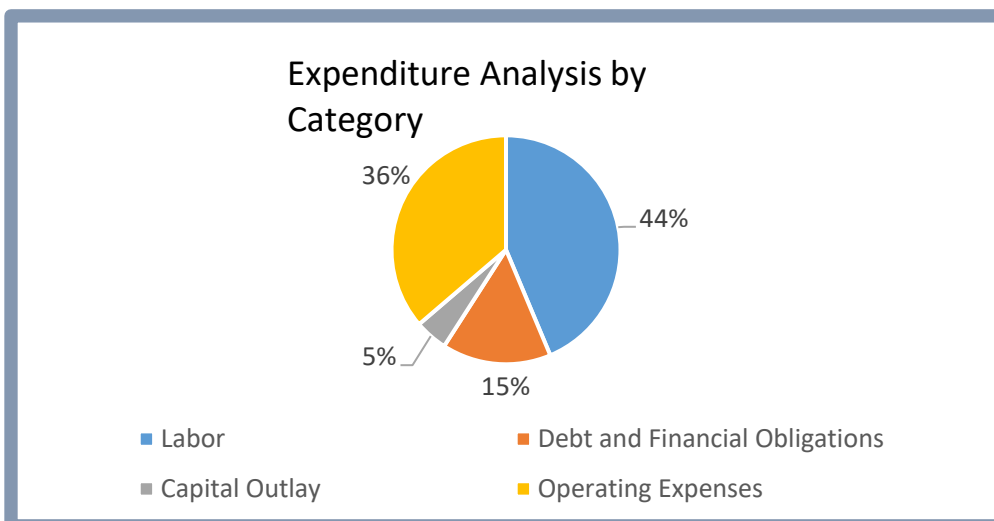


Overall Operating Expenditures have increased District wide by 8.92 % from the Projected FY 2021-22 actuals. This is due in part to a proposed 3% salary increase for HPUD employees and the recent addition of the Office Manager position and an extra part-time employee in Parks. We are also projecting a 5% increase in operating and maintenance expenses District wide.

The percent of operating expenditures by Fund is presented in the chart below. As expected, the Water Fund has the highest percent of expenditures at 43% followed by the Sewer Fund at 37% then the Parks and Recreation Department is at 19%. The Trash expenditures are only 1% of total expenditures for the Heber Public Utility District.

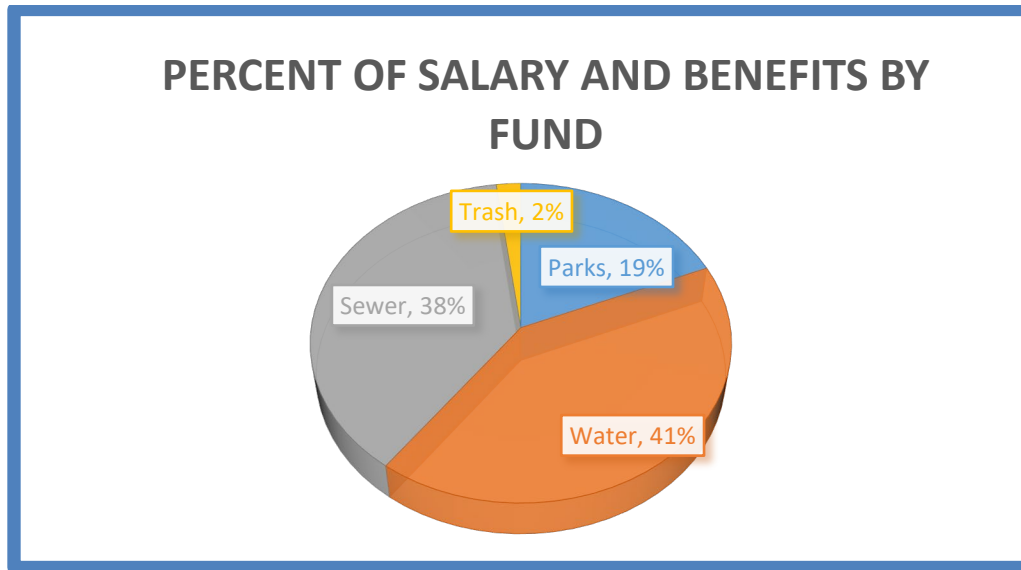


One analysis that should be conducted in any enterprise agency is to determine the percent of total expenditures committed to specific cost categories such as labor, debt and financial obligations, capital outlay and operating expenditures. In the chart below you can see that District wide we expend 44% of our total budget on all labor costs including part-time and labor services. Our Debt is 15% but only our water and wastewater funds carry this debt. In FY 2022-23 we are expending 5% of total for Capital Outlay and 36% for other operating expenditures.

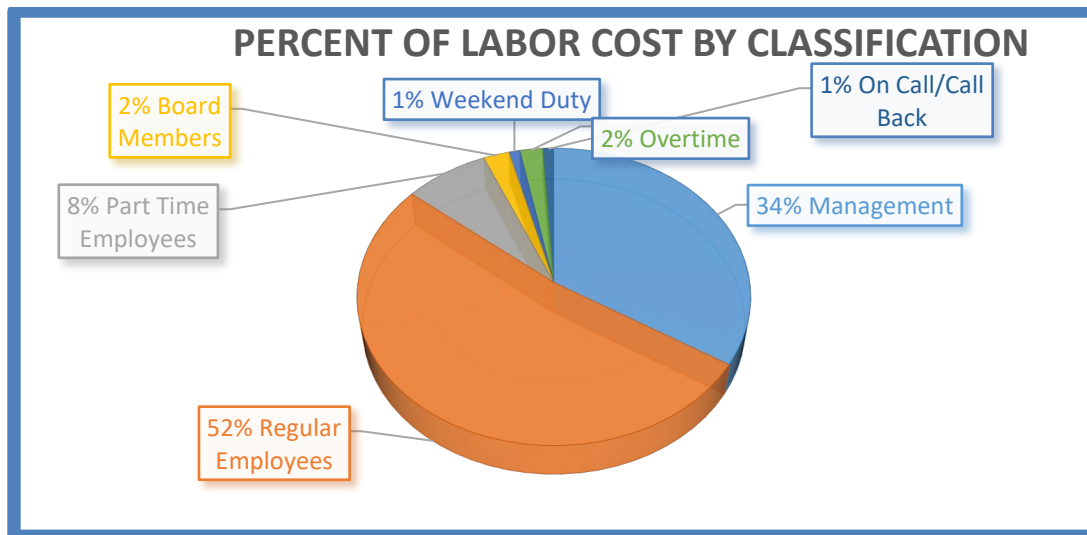


Staffing Levels.

In the prior fiscal year, the Board authorized a new position of Office Manager and two temporary part-time employees for Parks and Recreation. In the Fiscal Year 2022-23, the Board authorized additional hours for the temporary part-time positions in Parks and Recreation. Our current number of employees is 13 full time employees. The chart below shows the percentage of salaries and benefits that are allocated to each fund. As you can see the water fund is responsible for 41%, sewer for 38%, Parks for 19% and trash for 2%.



The percent of salaries by work classification is represented in the chart below. As you can see our water and wastewater operators, parks maintenance, accounts payable and water clerk account for 52% of the total salary and benefit; management accounts for 34%; and all other labor cost account for 14%. The break down for each is in the chart below.



Capital Improvements

Over the past years, the HPUD has made several improvements to our services. After completion of the water treatment plant upgrade, we have been in compliance with Stage 2 Disinfection By-Product Rule established by Federal and State drinking water standards. The water treatment plant improvement project has improved our water quality and delivery. We are now positioned to welcome new homes and businesses to the Heber community as we have excess capacity in our wastewater plant and water plant. We have the capacity to provide an additional 2,000 water and sewer connections that would double Heber's current population.

Both the water and sewer capital outlay budget expenditures for equipment that is included in the 'short lived asset replacement fund'. This fund is a set aside of water and sewer net revenues for the sole purpose of replacing capital outlay assets when their useful life has expired. Funding for these items is included in the Water Fund budget as Use of Short Lived Assets, and in the Wastewater Fund as Repair and Replacement Reserves. The HPUD budgets funding of these two assets accounts each year as part of our debt covenant requirements established by our bond holders.

The District Board of Directors continues to invest in Heber's future and the sustainability of our District services. We continue to replace old water meters and upgrade our meter reading technology as well as make improvements to our water distribution system infrastructure.

The District has continued to fund the manhole rehabilitation project the next phase will begin in July 2022. To date we have made a significant investment in our sewer collection system and have invested in manhole rehabilitation and repairs to our Influent Pump Stations.

Over the past couple of years, the District has been awarded several grants. Our parks department has received two major grant awards from the Statewide Park Project funds. One to upgrade Children's Park to include new play equipment and a splash pad, restrooms, and landscape. This project was submitted for bids; however they came back double the engineer's probable cost estimate. Staff is currently seeking additional funds. The second is to construct a new park at the Correll basin. This project was awarded \$1,579,566 and is in the design phase. We also received grants from USDA to make some improvements to our Recreation Center that include rehabilitation of the asphalt parking lot, construction of a patio with shade, and the purchase of equipment for the center. We also were awarded funding from the Urban Greening grant through the County APCD to plant trees at Tito Park, Estancia Park, Children's Park and both the water and wastewater treatment plants, and from DWR to install a new sprinkler system at Estancia Park.

We also received funding awards from the Department of Water Resources Urban and Multi-benefit Drought Relief Grant Program to make install a water line from the water plant to Heffernan Ave.

We also receive some funds to help off set the cost to implement SB 1383, which requires customers to dispose of organic waste in special bags in the green trash can. We are working closely with CR&R and Cal Recycle to implement the requirements of SB 1383.

Conclusion

The District's vision to excel at providing services and leadership to the community of Heber has been a main focus of the District Board of Directors. Our District continues to thrive as an organization. The budget demonstrates how the District is focusing on providing quality services, excellent customer service and improve the community of Heber. The Heber Public Utility District Board of Directors has conducted a comprehensive review of the budget submitted by the General Manager, and has determined that the budget accurately reflects the revenues and expenditures; that the FY 2022-23 budget is balanced, and projects an increase in net revenues.

Respectfully Submitted,

Laura Fischer,
General Manager

RESOLUTION NO. 2022-04

**A RESOLUTION OF THE HEBER PUBLIC
UTILITY DISTRICT ADOPTING A BUDGET
FOR FISCAL YEAR 2022-2023**

WHEREAS, the General Manager has submitted the 2022-2023 Budget to the Board of Directors for its review and consideration in accordance with budget policies and objectives established by the Board of Directors, and

WHEREAS, the 2022-2023 Budget is effective on July 1, 2022 and is based upon public comment and direction of the Board of Directors received at scheduled public meetings on May 19, 2022 and June 2, 2022; and

WHEREAS, in said fiscal year beginning July 1, 2022, there is hereby appropriated out of the Treasury of the Heber Public Utility District for District purposes and for allowances to be used by the various departments and activities of said District for the fiscal year 2022-2023, the sum of \$3,604,100 in the amounts, allowances and estimates more particularly set forth and described in said budget on file in the District office; and

WHEREAS, the following monies are hereby appropriated from each fund in the following amounts:

2022-2023 BUDGET	Parks & Rec	Water	Wastewater	Solid Waste	TOTAL Government Wide
Revenues	563,650	1,820,212	1,531,531	49,700	3,965,093
Total Revenues	\$ 563,650	\$ 1,820,212	\$ 1,531,531	\$ 49,700	\$ 3,965,093
Expenditures					
Operating	565,300	1,299,000	1,110,000	49,500	3,023,800
Capital Outlay	16,000	81,480	78,000	-	175,480
Funds Transfers/Reserves	(48,900)	(65,480)	(64,000)		(178,380)
Debt Service	-	323,300	259,900	-	583,200
Total Expenditures	532,400	1,638,300	1,383,900	49,500	3,604,100

WHEREAS, all previous appropriations are hereby cancelled and the balances remaining therein are applied to finance the new appropriations set forth in this budget; and

WHEREAS, according to adopted Policy 3040.2, Any commitment of District funds for a purchase or expense greater than \$15,000.00 shall first be submitted to the Board of Directors for approval, or shall be in conformance with prior Board action and/or authorizations; and

WHEREAS, according to adopted Policy 2040.2.1, The General Manager may authorize expenditures greater than \$15,000.00 in certain circumstances that require immediate action. The General Manager will immediately report any such expense to the Board of Directors; and

WHEREAS, all increases in the Fiscal Year 2022-23 Budget of funds, departments and/or activities shall be made by the Board of Directors except that the General Manager may, on her own initiative and without prior approval of the Board of Directors, transfer between budget accounts within a fund, activity, or capital improvement fund, or from a budget account or appropriation, to the said fund reserve, amounts determined to be in excess of actual requirements; as long as such changes are reported regularly to the Board of Directors; and

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE HEBER PUBLIC UTILITY DISTRICT, DOES HEREBY RESOLVE AS FOLLOWS:

1. That the foregoing is true, correct and adopted.
2. That the Board of Directors finds that the Fiscal Year 2022-23 Budget of \$3,604,100 is based upon reasonable estimates of revenues and expenditures resulting in a balanced budget.
3. That the Board of Directors of the Heber Public Utility District does hereby adopt this Resolution approving the Fiscal Year 2022-2023 Budget as set forth.
4. That the President of the Board of Directors of the Heber Public Utility District is hereby authorized to sign said Resolution, a copy of which is on file at the District office.

PASSED AND ADOPTED at a regular meeting of the Board of Directors of the Heber Public Utility District held on the 16th day of June 2022.

Kaine Garcia, Board President

ATTEST:

Moises Cardenas, Clerk of the Board

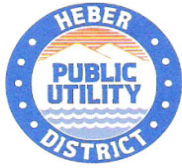
APPROVE AS TO FORM:

Steven M. Walker, General Counsel

STATE OF CALIFORNIA)
COUNTY OF IMPERIAL)
HEBER PUBLIC UTILITY)
DISTRICT)

I, Moises Cardenas, Clerk of the Board of the Heber Public Utility District, County of Imperial, State of California, DO HEREBY CERTIFY that the foregoing resolution was dully passed, approved and adopted by the Board of Directors of the Heber Public Utility District at its regularly scheduled meeting held on the 16th day of June 2022.

By _____
Moises Cardenas, Clerk of the Board

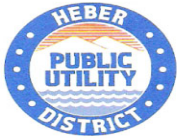


Adopted Via Resolution 2022-XX
Effective July 1, 2022

FISCAL YEAR 2022-2023 ALL OPERATING FUNDS BUDGET

REVENUES

REVENUES	Parks	Water	Sewer	Trash	Total
Interest					-
Royalties (Geothermal)	3,600				3,600
Parks & Rec/Park Use	2,700				2,700
Other Revenues/Admin fees					-
Other Revenues / Grant	20,650	102,812	103,731		227,193
Other Contributions (Donations)					-
Property Taxes	449,700				449,700
Capacity Fees		-	-		-
Residential		1,251,700	1,136,900	367,800	2,756,400
Multi-Residential		99,200	175,100	62,900	337,200
Commercial		27,500	13,700	31,900	73,100
Industrial		73,300	19,100	45,000	137,400
Public Agencies		103,600	39,800	40,100	183,500
Fire Protection -		10,800			10,800
OSA Water		91,500			91,500
New Service Fee		3,000	2,500		5,500
Penalties - Late fees		36,000	30,000		66,000
Reconnection Charge		5,000			5,000
Miscellaneous -(Backflow & NSF)		6,000	900		6,900
Parks Maintenance - CFDS & LLD	87,000				87,000
Rent - American Tower (Verizon)		9,800	9,800		19,600
Developer Fees - 15%					-
C R & R INVOICES - TO NET FRANCHISE FEE				(498,000)	(498,000)
Total Revenues	563,650	1,820,212	1,531,531	49,700	3,965,093



FISCAL YEAR 2022-2023 ALL OPERATING FUNDS BUDGET

EXPENDITURES	Parks	Water	Sewer	Trash	Total
Salaries & Wages	198,200	437,200	385,300	20,500	\$1,041,200
Fringe Benefits	106,600	241,900	233,800	13,400	\$595,700
Uniforms & Safety Shoes	1,200	2,900	2,900	300	\$7,300
Training/Travel & Conferences	3,300	8,100	8,100	800	\$20,300
Safety Training	1,600	4,000	4,000	400	\$10,000
Mileage Reimb./Allowance	800	1,800	1,800	180	\$4,580
Sponsorship/Contributions	0	0	0	0	\$0
Recreation Activities	16,000	0	0	0	\$16,000
Movies Rental	1,600	0	0	0	\$1,600
Public Outreach	5,600	14,000	14,000	1,400	\$35,000
Raw Water Purchase	0	16,800	0	0	\$16,800
Wastewater Sludge Disposal	0	0	10,000	0	\$10,000
Chemical Purchases	0	98,000	6,400	0	\$104,400
Laboratory	0	14,000	16,000	0	\$30,000
Materials & Supplies - Regular Operation	20,000	20,000	28,000	0	\$68,000
Fire Hydrant Maintenance -	3,500	0	0	0	\$3,500
Office Services	13,400	33,600	33,600	2,360	\$82,960
Office Supplies	3,100	7,600	7,600	760	\$19,060
Postage	2,300	5,600	5,600	560	\$14,060
Miscellaneous	2,100	5,200	5,200	520	\$13,020
Maintenance & Repairs (Distribution)	0	76,500	0	0	\$76,500
Maintenance & Repairs (Collection)	0	0	20,000	0	\$20,000
Maintenance & Repairs (Parks)	20,000	0	0	0	\$20,000
Operation Maintenance & Repair - Treatment	0	21,300	56,300	0	\$77,600
Auto & Trucks Repair & Maintenance	2,200	3,800	3,800	0	\$9,800
Equipment Replacement (all other)	10,000	18,400	18,400	0	\$46,800
Plant, lab, Office Repairs (Buildings)	1,200	3,000	2,000	0	\$6,200
Equipment Rental	3,500	600	600	0	\$4,700
Diesel	800	6,700	4,700	0	\$12,200
Gasoline	7,000	1,500	1,700	0	\$10,200
UB Bad Debt	0	3,000	3,000	0	\$6,000
Accounting/Auditing	4,600	11,500	11,500	900	\$28,500
Engineering	10,000	9,000	9,000	0	\$28,000
Legal	3,000	7,500	7,500	750	\$18,750
Planning	4,400	5,000	5,000	0	\$14,400
Temporary Employment Services	0	7,500	7,500	0	\$15,000
Bank & Merchant fees	0	11,200	11,200	900	\$23,300
Lafoo - Expenditures Share	0	0	0	0	\$0
Memberships/subscriptions	2,100	5,200	5,200	520	\$13,020
Licenses/Permits	0	7,800	28,000	0	\$35,800
Compliance & Pollution Tests	500	1,000	8,000	0	\$9,500
General Liability Insurance	21,000	52,400	52,400	5,240	\$131,040
Utilities	62,700	135,400	91,900	0	\$290,000
Street Lighting	33,000	0	0	0	\$33,000
TOTALS	\$565,300	\$1,299,000	\$1,110,000	\$49,500	\$3,023,800

NET OPERATING INCOME

NET INCOME	Parks	Water	Sewer	Trash	Total
TOTAL REVENUES	\$563,650	\$1,820,212	\$1,531,531	\$49,700	\$3,965,093
OPERATING EXPENSES	\$565,300	\$1,299,000	\$1,110,000	\$49,500	\$3,023,800
NET REVENUE (INCLUDING CAPACITY)	(\$1,650)	\$521,212	\$421,531	\$200	\$941,293

Capital Outlay					
Capital Outlay (Office)	0	0	0		\$0
Capital Outlay (Equipment)	16,000	81,480	78,000		\$175,480
NET AFTER CAPITAL OUTLAY EXPENSES	(\$17,650)	\$439,732	\$343,531	\$200	\$765,813

Other Sources & Uses					
Inter-Funds - Transfers (In) and Out					
Land transfer to Wastewater Dues Payment Resol. 2018-09	(48,900)		0		(\$48,900)
Use of Short Lived Assets and or Repair and Replace reserves		(65,480)	(64,000)		(\$129,480)
NET AFTER CAPITAL OUTLAY EXPENSES	\$31,250	\$505,212	\$407,531	\$200	\$944,193

Debt Service					
DEBT SERVICE-Principal		251,900	220,100		\$472,000
DEBT SERVICE-Interest - 5800		71,400	39,800		\$111,200
Debt Service Total ----->	\$0	323,300	259,900	\$0	\$583,200

Net Income After Capital & Debt Service ----->	\$31,250	\$181,912	\$147,631	\$200	\$360,993
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