

**GOLD MOUNTAIN COMMUNITY SERVICES DISTRICT
PROPOSED BUDGET PACKAGE 2022-2023 FISCAL YEAR**

Adoption of the Cost of Service recommended rates will represent fundamental changes in the way the District assesses and collects fees for service. It also provides the District a way forward to accomplish long overdue upgrades to its existing infrastructure and path towards completing major capital projects necessary to support future community growth. Outsourcing our bookkeeping and accounting provides assurance of accurate AR and AP account management and financials, but District management must keep revenues and expenditure in a healthy equilibrium allowing us to seize the opportunity to make positive changes in the District.

Prior to our recent transition, our financial systems and practices were overdue for a major overhaul. Collaborating with Joleen and the Finance Committee, we have identified problem areas and solutions to move the District forward. The Board has made it clear that they want to stay better informed to understand the financial state of the District. Changes will not happen overnight, but it is imperative that the 2022-2023 FY budget is up to the task to set the foundation for changes to come.

Goals and Objectives:

1. Bring the budget construct up to date, eliminating abandoned budget and out of order budget lines, providing a logical presentation of income and expenses.
2. Maintain the historical threads within QuickBooks for audit continuity
3. Establish clear accounting for operational and capital costs, and establish procedures to move funds between operational, capital, and reserve accounts
4. Allocate resources to ensure the best use of funds based on current and long term requirements
5. Develop a set of key performance indicators easily displayed in a dashboard format to measure the financial health of the District

Budget Presentation

The following presentation includes four sections:

1. **Reserve History.** The proposed budget ties together the operating budget, the capital budget, and District reserves. Reserves represent the majority of District funds and have a fundamental relationship to both operating and capital income and expenses. Since 2019 our Reserve structure has changed and will morph again with implementation of our new rate structure. Understanding the reserve structure is critical to understanding the entire budget.
2. **Cash Balance by Fund.** Adapted from the HEC rate structure, the “Cash Balance by Fund” depicts the relationship between Operational Checking, Operating Reserves, and the Capital Fund including both Capital Reserves and Capital Checking. Going forward, the plan proposes that all Capital projects be executed and tracked within the Capital fund, clearly delineating them from normal operational costs. The plan allows capital dollars to reside in the interest bearing Fidelity account until designated for a capital project, then moved to Capital checking for execution.
3. **Operating Budget.** The Operating Budget follows a revamped and cleaner format, clearly identifying related costs at the individual and roll up levels. I have presented the budget in two columns, the left hand column represents the budget with our existing rates, the right hand column represents the budget with the new rates. Note that water and sewer income under the new rates is depicted simply as a roll up at this point based on the rate study report and will eventually be broken out by category.

Based on Finance Committee discussions, the operational expenses in both columns are relatively close considering that basic operational costs should not be much different regardless of revenues. Skyler and I did a deep dive to identify minimal costs necessary in each category to determine the actual minimum costs necessary to operate the district. The existing rates column represents a very skeletal budget but demonstrates that if we do not execute any upgrades and do not have any significant failures, we can operate the district for at least the next year with current staff and funding. Challenging but achievable, providing we encounter zero system failures.

The second column represents a healthier budget where we built in contingencies for each category, and we marginally increased those categories where we felt it was necessary to provide an operational margin of safety. The new rates budget also includes overdue cost of living increases for staff and an allowance for the capital plan update due next FY. The major changes are at the bottom of the budget where the new rates allow us budget funds to build reserves, apply to capital improvements, and potentially service debt to build the water reclamation facility. In the event we pursue such a construction loan it is unlikely that we would see funding until late in the fiscal year and as a result we only budgeted for debt service for the last three months of the FY.

4. **Reserves and Capital.** The Reserves and Capital budget presents the detail of funds flowing down through Operational and Capital Reserves to Capital Checking for execution of capital improvements and infrastructure projects. Within Capital Reserves, the Capacity Fund represents a new entity to account for the Capacity Fees paid to buy into the system as part of our Will Serve process (currently referred to as System Development Charges.) We currently combine these restricted fees with designated reserve funds which as pointed out in the rate study need to be accounted for separately. Future capacity fees will go directly into the Capacity Fund until required for major capacity improvement projects.

The Capital Checking portion of the report shows capital projects budgeted for the 2022-2023, as well as the total requirements identified in the rate study as well as staff input. Accomplishing all required upgrades and improvements will be a multiyear contract, this budget facilitates the tracking of these requirements.

This is an executable budget around which we will build our new management processes. To date we have established smoothly running invoice and reporting procedures linking the District office to our Financial Services and will continue to improve these processes. We will talk more during the board meeting, and I will entertain any questions or concerns. I look forward to moving ahead with this process.

GMCSO WATER AND SEWER RESERVE HISTORY

As of 12/31/2019		Accrued Since 2006
Total Reserves (single W&S account)	\$ 675,103.00	Note 1:
Contributions	\$ 649,804.34	
Earned Interest	\$ 25,298.66	Note 2:
Effective Interest Rate	3.89%	

Reserve Sources to Date	Balance	Interest	Total	Note 3:
System Devel. Charges (Capacity fees)	\$ 267,496.30	\$ 10,414.36	\$ 277,910.66	41%
Consumption Charges	\$ 70,104.59	\$ 2,729.36	\$ 72,833.95	11%
Operational Reserve Contributions	\$ 312,203.45	\$ 12,154.94	\$ 324,358.39	48%
Total Reserves	\$ 649,804.34	\$ 25,298.66	\$ 675,103.00	100%

Reserve Depletion to Date	Balance	
12/31/2019	\$ 675,103.00	Total Reserves Note 4:
	\$ (188,294.00)	Transfer to capital checking for well development
	\$ (40,000.00)	Transfer to operational checking for lot 348 purchase
	\$ (30,000.00)	Transfer to operational checking for system repairs
7/31/2021	\$ 416,809.00	

Current Reserve Status and Breakout of Funds		
As of 7/31/2021	Balances	Note 5:
Capital Restricted Reserves		
SDC (Capacity) Charges to date	\$ 171,582.21	41%
Consumption Charges to date	\$ 44,967.73	11%
	\$ 216,549.94	
Operational Reserves		
Operational Reserve Contributions	\$ 200,259.06	48%
Total Reserves	\$ 416,809.00	100%

Transition of Reserves to New Reserve Fund Breakout		
As of 3/31/2022	Balances	Note 6
Capital Reserves		
Capacity Fund	\$ 171,710.95	
Designated Reserve Fund	\$ -	
	\$ 171,710.95	
Operational Reserves		
Consumption Charges to date	\$ 44,967.73	
Operational Reserve Fund	\$ 200,259.06	
Total Operational Reserve	\$ 245,226.79	
Projected 7/1/2022	Balances	
Capital Reserves		
Capacity Fund	\$ 89,616.66	Note 7
Designated Fund	\$ 82,094.29	Note 8
	\$ 171,710.95	
Operational Reserves		
Consumption Charges to date	\$ 44,967.73	
Operational Reserve Fund	\$ 200,259.06	
Total Operational Reserve	\$ 245,226.79	

RESERVE NOTES:

Note 1: Reserve balance on 12/31/2019. Prior to 2020, the District maintained one combined reserve account.

Note 2: As of 12/31/2019, we knew the fund balance including contribution levels and accrued interest, primarily operational surplus contributions from 2011.

Note 3: Financial records provided breakout of accrued reserves by source since 2011.

Note 4: Reserve disbursements between 12/31/19 and 7/31/21; \$258,294 for various projects, primarily well development.

Note 5: During the 2020/2021 audit debrief, the auditor instructed us to separate reserves into Capital Restricted Reserves, and Operational Reserves to prevent commingling of dollars. The auditor explained that restricted reserves consists of those funds contributed from System Development charges and Consumption charges.

Note 6: During the recent rate study, we found that Consumption Charges should actually be assigned to operational income, we have therefore moved consumption charges from Capital Reserves to Operational Reserves.

Note 7: Setting up two funds within Capital Reserves as a baseline going forward. Capacity fund = (Original Capacity Fund) - (Well Development) Capacity fund used to build cash for major capacity projects such as the Water Reclamation Plan and High Elevation Water Tank/BS 8.

Note 8: Designated Reserve Fund = Balance of current Capital Reserves. Budget will include quarterly contributions to the Designated Reserve Fund

Gold Mountain CSD

Cash Balances by Fund 2022/23

Operational Checking (Plumas Bank)

6000 · Beginning Balance	\$ 10,000.00
6100 · Operating Revenue	\$ 681,543.00
7100 · Operations Expenses	\$ (599,594.32)
7200 · Debt Service	\$ (9,000.00)
7300 · Transfer to Operational Reserves	\$ (20,000.00)
7400 · Transfer to Capital Fund	\$ (50,000.00)
7000 · Ending Balance	<u>\$ 12,948.68</u>

Operating Reserves (Fidelity Operating Reserves)

8001 · Beginning Balance	\$ 245,226.79
8002 · Transfers from Operations	\$ 20,000.00
8003 · Emerging Operational Requirements	\$ -
8004 · Transfers to Capital Fund	\$ -
8000 · Projected Ending Balance	<u>\$ 265,226.79</u>

Capital Fund

9100 Capital Reserves

9110 · Capacity Fund (Fidelity Capital Reserve)

9110-1 · Beginning Balance	\$ 89,616.66
9110-2 · Interest Income	\$ 896.17
9110-3 · Capacity Fees	\$ 28,468.00
9110-4 · Transfer to Capital Checking	\$0.00
9110-5 · Project Capacity Fund Ending Balance	<u>\$ 118,980.83</u>

9120 · Capital Designated Fund (Fidelity)

9120-1 · Beginning Balance	\$82,094.29
9120-2 · Interest Income	\$820.94
9120-3 · Transfer from Operating Fund	\$0.00
9120-4 · Transfer to Capital Checking	\$0.00
9120-5 · Project Designated Fund Ending Balance	<u>\$82,915.23</u>

9100 · Capital Reserves (Fidelity) - Projected Ending Balance	<u>\$ 201,896.06</u>
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9200 · Capital Checking (Plumas Bank)

9210 Income

9210-1 Beginning Balance	\$20,409.00
9210-2 · Transfer from Operating Fund	\$50,000.00
9210-3 · Transfer from Capacity Fund	\$0.00
9210-4 · Transfer from Capital Designated Fund	\$0.00
9210 · Capital Checking - Projected Total Income	<u>\$70,409.00</u>

9220 Expenses

9220-1 · Water Capital Projects	\$48,500.00
9220-2 · Sewer Capital Projects	\$10,000.00
9220 · Capital Checking - Projected Total Expenses	<u>\$58,500.00</u>

9200 · Capital Checking (Plumas Bank) - Projected Ending Balance	\$11,909.00
Total Enterprise Funds Begining	\$ 447,346.74
Total Enterprise Funds Ending	\$ 491,980.52

Gold Mountain CSD

Water & Sewer Operating Budget 2022 / 2023 - Projections

		2022/23 Draft Budgets	
		CURRENT RATES	NEW RATES
		Jul '22 - Jun 23	Jul '22 - Jun 23
6000 · OPERATIONS INCOME			
6100 · Water & Sewer Service Fees			
	6100-1 · Water & Sewer - Connected	176,000.00	315,641.00
	6100-2 · Water & Sewer - Standby	227,000.00	323,269.00
	6100-3 · W&S- Commercial-Connected	51,000.00	
	6100-4 · W&S- Commerical Standby	1,416.00	
	6100-5 · W&S- Consumption Charges	14,500.00	
	6100 · W&S Service Fees - Total	469,916.00	638,910.00
	6201 · Interest & Late Charges	3,500.00	3,500.00
	6202 · Admin Fee - Fire	21,284.00	16,500.00
	6203 · Fire Labor Reimbursement	15,120.00	16,633.00
	6204 · Grant Fund Reimbursement		
	6205 · Misc Services Charges	3,000.00	3,000.00
	6207 · Miscellaneous Income	3,000.00	3,000.00
	Total 6000 · INCOME Total	515,820.00	681,543.00

Quarterly Incomes	128,955.00	170,385.75
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7000 · OPERATING EXPENSES			
7100 - OPERATIONS			
7110 - PERSONNEL			
	7111 · Salaries		
	7111-1 · General Manager/Treasurer	20,800.00	22,880.00
	7111-2 · Office Administrator	21,840.00	24,024.00
	7111-3 · Asst. General Mgr/ Lead OPT	66,680.04	73,348.04
	7111-4 · Operator 1A	37,120.00	40,832.00
	7111-5 · Operator 1B	36,154.88	39,770.37
	7111-6 · Fire Coordinator	13,438.88	14,782.77
	7111-7 · GPS Mapping Intern	0.00	4,760.00
	7111 · Salaries Total	196,033.80	220,397.18
	7112 · Compensation - Other		
	7112-1 · Payroll Expenses Dir Dep Fee	150.00	150.00
	7112-2 · Overtime Contingency (10%)	13,995.49	15,395.04
	7112-3 · Payroll Taxes	17,293.12	19,442.34
	7112-4 · Workers Compensation Insur.	7,841.35	8,815.89
	7112-5 · Performance Incentives	4,000.00	6,000.00
	7112-6 · Flexible Compensation	34,751.90	39,091.88
	7112-7 · Employee Insurance	8,650.00	8,650.00
	7112-8 · Vacation & Holiday Pay	11,983.44	13,182.00
	7112-9 · Training	3,000.00	5,000.00
	7112-10 · Travel and Accomidations	1,000.00	2,500.00

	7112 · Compensation-Other Total	102,665.31	118,227.14
7110 · PERSONNEL Total		298,699.11	338,624.32

7120 · SERVICES and SUPPLIES

	7120-1 · Water Licenses/Fees	1,500.00	1,500.00
	7120-2 · Sewer Licenses/Fees	6,800.00	6,800.00
	7120-3 · Insurance	18,000.00	18,000.00
	7120-4 · Rent	11,980.00	11,980.00
	7120-5 · Utilities	2,000.00	2,000.00
	7120-6 · Communications	7,650.00	7,650.00
	7120-7 · Miscellaneous	3,000.00	3,000.00
	7120-8 · Publications	250.00	250.00
	7120-9 · Memberships	2,700.00	2,700.00
	7120-10 · Bank charges	250.00	250.00
	7120-11 · Office Furniture & Equipment	150.00	1,500.00
	7120-12 · Office Expense & Supplies	3,000.00	5,000.00
	7120-14 · Maintenance Building Expense	500.00	1,500.00
	7120-15 · HOA/CSD Fees	17,040.00	17,040.00
		74,820.00	79,170.00
	7120-16 Professional Services		
	7120-16.1 · Accounting	27,000.00	27,000.00
	7120-16.2 · Legal	4,000.00	9,000.00
	7120-16.3 · Audit	7,200.00	7,200.00
	7120-16.4 · Rate Study	1,500.00	3,000.00
	7120-16.5 · IT Services	1,800.00	2,500.00
	7120-16.6 · Professional Services Other	1,800.00	1,800.00
	7120-16.7 · Equipment Rental	0.00	500.00
	7120-16 · Professional Services Total	43,300.00	51,000.00
7120 · SERVICES and SUPPLIES Total		118,120.00	130,170.00

7130 · WATER OPERATIONS AND MAINTENANCE

7131 · WATER PRODUCTION			
	7131-1 · Wells	400.00	800.00
	7131-2 · Electric	12,000.00	12,000.00
	7131-3 · Testing	3,500.00	3,500.00
	7131 WATER PRODUCTION - Total	15,900.00	16,300.00
7132 · WATER DISTRIBUTION			
	7132-1 · Distribution - Pipes	1,500.00	2,500.00
	7132-2 · Booster Stations	1,400.00	2,400.00
	7132-3 · Electric	11,000.00	11,000.00
	7132-4 · Meter Maintenance	1,200.00	1,200.00
	7132-5 · Storage Tanks	1,000.00	1,500.00
	7132 · WATER DISTRIBUTION Total	16,100.00	18,600.00
7133 · Water Contingency		1,455.00	2,000.00
7130 · WATER O&M - Total		33,455.00	36,900.00

7140 · SEWER OPERATIONS and MAINTENANCE

	7140-1 · Transmission -PIPES	1,400.00	3,000.00
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	7140-2 · Disposal/Treatment	6,000.00	6,000.00
	7140-3 · Testing - sewer	7,000.00	7,000.00
	7140-4 · Septic tank maintenance	1,500.00	1,500.00
	7140-5 · Septic Pumping	24,000.00	24,000.00
	7140-6 · Leachfield Electric	1,500.00	1,500.00
	7140-7 · Sewer Contingency	2,000.00	2,000.00
7140 · SEWER SYSTEM Total		43,400.00	45,000.00
7150 · GENERAL MAINTENANCE			
	7150-1 · Maintenance-Structure & Grounds	1,000.00	5,000.00
	7150-2 · Equipment & Tools	1,400.00	1,400.00
	7150-3 · Auto Fuel & Maintenance	7,500.00	7,500.00
	7150-4 · Maintenance Supplies	500.00	1,000.00
	7150-5 · Maintenance Contingency	800.00	1,000.00
7150 · GENERAL MAINTENANCE - Total		11,200.00	15,900.00
7160 · ENGINEERING STUDIES			
	7160-1 · General Engineering	1,500.00	5,000.00
	7160-2 · System Mapping	1,000.00	2,500.00
	7160-3 · Master Plan	0.00	18,000.00
	7160-4 · Leachfield Studies	3,500.00	3,500.00
	7160-5 · Groundwater Management	500.00	2,000.00
	7160-6 · Engineering Contingency	1,000.00	2,000.00
7160 · ENGINEERING STUDIES Total		7,500.00	33,000.00
7100 · Operating Expenses Total		512,374.11	599,594.32
	Quaterly Expenses	128,093.53	149,898.58
7200 · Debt Service			9,000.00
7300 · Transfer to Operational Reserves			20,000.00
7400 · Transfer to Capital Fund			50,000.00
7000 · OPERATIONAL FUND TOTAL		512,374.11	678,594.32
Income Over Expenses		3,445.89	2,948.68

Gold Mountain CSD

Operational Reserves 2022/23

	Budget	Performance
8000 · Operational Reserves		
8001 · Beginning Balance	\$ 245,226.79	\$ -
8002 · Transfers from Operations	\$ 20,000.00	\$ -
8003 · Emerging Operational Requirements	\$ -	\$ -
8004 · Transfers to Capital Fund	\$ -	\$ -
8000 · Operational Reserves - Projected Ending Balance	\$ 265,226.79	\$ -
Goal: Two Quarters Operating Expenses	\$ 299,797.16	

	Budget	Performance
9000 · Capital Fund		
9100 · Capital Reserves (Fidelity)		
9110 · Capacity Fund		
9110-1 · Beginning Balance	\$ 89,616.66	
9110-2 · Interest Income	\$896.17	
9110-3 · Capacity Fees	\$28,468.00	
9110-4 · Transfer to Capital Checking	\$0.00	
9110-5 · Project Capacity Fund Ending Balance	\$118,980.83	
9120 · Capital Designated Fund		
9120-1 · Beginning Balance	\$82,094.29	
9120-2 · Interest Income	\$820.94	
9120-3 · Transfer from Operating Fund	\$0.00	
9120-4 · Transfer to Capital Checking	\$0.00	
9120-5 · Project Designated Fund Ending Balance	\$82,915.23	
9100 · Capital Reserves - Projected Ending Balance	\$201,896.06	
9200 · Capital Checking (Plumas Bank)		
9210 · Income		
9210-1 Beginning Balance	\$20,409.00	
9210-2 · Transfer from Operating Fund	\$50,000.00	
9210-3 · Transfer from Capacity Fund	\$0.00	
9210-4 · Transfer from Capital Designated Fund	\$0.00	
9210-4 · Capital Checking Fund - Projected Total	\$70,409.00	
9220 - Expenses		
9220-1 · Water Capital Projects		
9220-1.1 Booster Station Upgrades (BS1)	\$15,000.00	
9220-1.2 Storage Tank Maintenance	\$8,500.00	
9220-1.3 Meter Upgrades	\$0.00	
9220-1.4 System Upgrades	\$5,000.00	
9220-1.5 SCADA -Water	\$10,000.00	
9220-1.6 Well 29 Improvements	\$0.00	
9220-1.7 Well 36 Connection	\$10,000.00	
9220-1.8 High Elevation Water Tank	\$0.00	
9220-1.9 Booster Station 8	\$0.00	
9220-1.10 New Office Building	\$0.00	
9220-1 · Water Capital Projects - Total	\$48,500.00	
9220-2 · Sewer Capital Projects		
9220-2.1 Leachfield Expansion Phase 2/3	\$0.00	

Identified Capital Requirements

\$42,500.00
\$27,000.00
\$23,000.00
\$25,000.00
\$81,000.00
\$135,000.00
\$84,000.00
\$802,000.00
\$120,000.00
\$156,000.00
\$1,495,500.00
\$40,000.00

		9220-2.2	Septic Pumping Trailer	\$0.00		\$52,000.00
		9220-2.3	SCADA	\$10,000.00		\$100,000.00
		9220-2.4	Transition Pipes	\$0.00		\$5,000.00
		9220-2.5	Water Reclamation Plant	\$0.00		\$650,000.00
		9220-2.6	New Office Building	\$0.00		\$156,000.00
		9042-2 · Sewer Capital Projects-Total		\$10,000.00		\$1,003,000.00
		9220 · Capital Projects-Total		\$58,500.00		\$2,498,500.00
		9200 ·Capital Checking - Projected Ending Balance		\$11,909.00		