
MEMORANDUM



DATE: April 28, 2022
TO: Budget Committee Members
FROM: Jennifer Crayne, Financial Manager
Dana Shigley, Management Aide
SUBJECT: Discussion and Review of FY 22/23 Budget

Overview

The proposed budget for Fiscal Year 2022/23 incorporates valuable input from staff. Revenue trends, fund balances, legacy benefits, capital replacement schedules and anticipated expenditures were carefully considered while preparing this budget. It should be noted that this is the first budget to be generated in the new financial management system (Black Mountain Software) and the appearance of the documentation differs from the prior Excel setup.

General Fund Revenues

Ad Valorem taxes represent approximately 57% of the District's total revenues. For the 22/23 fiscal year, we have assumed an increase of 4.75% over our estimated revenues for the current year. In the last four years, these revenues have increased an average of 5% per year. Although mortgage rates have increased, which tends to depress sales, demand continue to be strong and supply limited, forcing up prices. Both Sonoma and Marin Counties are desirable areas, and we anticipate that property values will continue to increase.

Special Assessment revenues represent an additional 40% of revenue. Assessment District #1 revenues remain relatively constant year to year, as the rate per parcel is capped at \$12. Based on the CPI escalator, District #2 revenues could be increased from \$28.82 to \$30.05 per parcel for zone A and from \$27.56 to \$28.73 for zone B. This would result in an increase of approximately 8% in District 2 revenues from our current year estimates. These projections were provided by SCI, the District's assessment engineers and are not yet final. The Board may want to consider holding assessments at the current year rate for fiscal year 22/23. If it did so, the accumulated CPI rise could be taken in future if the Board determined that it was appropriate to raise the assessment. When SCI has completed their calculations after the committee meets, we will provide revenue projections.

Interest rates are currently approximately 0.13%, and, for the current year, interest revenues will be well below the budget amount. For FY 22/23, we are projecting only a modest increase in interest earnings, as rates start to increase due to inflation. Interest earnings of \$29,377 are projected for next year, up from less than \$10,000 this year.

The revenues received by the District for charges for services rendered increase modestly each year, as they based on actual expenses (see Cost Control Billing Sheet). We are forecasting an increase of 5% for next year, to \$190,050.

Attachment A

Finally, the District receives several other minor revenues, primarily from state aid and insurance and other reimbursements. These vary year to year, and we have anticipated a total of \$116,400 for all these other revenues. The District received approximately \$173,000 from the State of California as reimbursement for COVID-19 related expenses in the current year. This is not expected to recur in the 22/23 fiscal year.

We currently project General Fund revenues to total \$10,821,245.

Capital Fund Revenues

The Capital Fund has only two revenue sources: Transfers in from the General Fund and interest earnings. For 22/23, the total transfer from the General Fund equals \$540,017. This includes the typical annual transfer of \$337,200 required to fund the capital replacement plan, plus an additional \$202,817 to purchase equipment (described later in this report) that is not included in the replacement plan. Interest earnings are expected to be modest, at \$800. We project total revenues in the Capital Fund to be \$540,017.

General Fund Expenditures

Salaries and benefits: Represented employees will enter year three of a four-year Memorandum of Understanding with the District. In accordance with the negotiated terms of this contract, the final proposed budget incorporates a 2.75% cost of living increase for the third year of the agreement, effective July 1, 2022. Staff assumed a 5.0% increase to medical premiums. The proposed budget supports filling the following positions:

- Environmental Biologist- planned hire date September 2022
- Environmental Programs Manager- planned hire date January 2023

For FY 2022/23, employer rates for MCERA contributions will decrease to 30.52% for the Classic Tier and 23.66% for the PEPRA Tier. All employees will continue to contribute 1.75% of the normal employer cost. This budget does not include a contribution to the CERBT trust account as according to the most recent valuation, it is now fully funded. The committee and Board will consider the addition of a pension prefunding trust account for pension obligations. More discussion on this item will follow on the agenda. The administration budget will also include expenses related to COVID-19 and will allocate a total of \$20,000 in that category. Total expenditures for the Administration Department are projected to be \$4,945,140, representing an increase of \$667,886 over the prior fiscal year budget.

The budget for the Laboratory remains steady as compared to prior fiscal year with a total of \$492,160 in planned expenditures, or just \$10,411 over prior year budget.

The proposed budget for Operations totals \$3,971,636 or \$253,525 more than what was budgeted prior year. Staff took careful inventory of equipment and supplies and planned accordingly. A new category was added to plan for expenditures related to the UAS drone.

The total budget for Shop and Facilities comes to \$662,765 or just \$30,600 over the prior year budget. The budget includes the purchase of new trailers for the amphibious ARGO vehicles, and re-sealing portions of the asphalt pavement to extend its useful life.

Attachment A

Due to the constraints imposed by COVID-19 during FY 2021/22, the budget for Community Outreach and Education was scaled down during the mid-year budget adjustment. The Education Specialist should be hired in May of 2022 and be working in full capacity in early July. The proposed budget includes expenditures related to the education program as well as items for community outreach. With schools open again for in-person learning and community events planned, staff proposed a budget of \$468,895 or \$83,948 more than the budget for FY 21/22.

The total budget for Information Technology is \$173,730 and covers the replacement of laptops, desktop computers, a new cybersecurity service as recommended by the District insurance carrier, annual fees for the new FMIS, and other necessary software.

Capital Fund Expenditures

The proposed budget for the Capital Fund includes items that are due for replacement as well as new items. Enclosed in the packet is a detailed list of these items and the corresponding costs.

Total for replacement assets:	\$160,828
Total for new assets:	\$202,817
Total for facilities need and site assessment:	\$250,000

Grand Total Capital Fund Expenditures: \$613,645