

This brief is being provided to inform the Board, staff and public of the details of an agenda item that requires action from the Board. The President of the Board will provide board members, staff, and the public the opportunity to ask questions about this topic when this agenda item is announced.

**Date:** July 14, 2022

**Originator:** General Manager

**Purpose:** Present the Draft FY 2021-2022 EOY Financials

**Desired Action by the Board:**

Approve and accept the Draft FY 2021-2022 EOY Financials

**Attachments:**

F.5-1 2021-22 Summary Data

F.5-2 2021-22 W&S P&L vs Budget

F.5-3 2021-22 W&S Balance Sheet

F.5-4 2021-22 W&S Delinquency/Aging Report (Redacted)

F.5-5 2021-22 Fire Fund P&L vs Budget

F.5-6 2021-22 Fire Fund Balance Sheet

As expected, FY 2021-22 presented considerable challenges as we maintained operations, completed repairs, and planned for the future on a very tight and restricted budget. In both the Water & Sewer and Fire Funds we encountered a number of significant challenges, changes in plans, and completely unforeseen surprises.

**Water and Sewer (See F.5-1, page 1)**

In the W&S Fund we completed the Prop 218 rates study which turned out to be 30-40% more expensive than originally planned. Mid-year we underwent a major reorganization resulting in outsourcing our bookkeeping and billing services, which resulted in lower personnel cost but higher accounting costs. Recognizing the budget challenge, we had planned to offset field labor to the generator grant program and to fire operations. Neither of those offsets took place as planned due to high equipment/contractor costs on the grant, and greatly expanded hazardous fuel treatment cost in the fire program. Finally, we saw significant increased septic pumping and disposal costs due to increasingly stringent regulations. We overcame these increased costs by tightly managing water management and general maintenance costs and pushing off capital improvement engineering and planning costs into next year. We covered the cost of the rate study through transferring reserves designated for that purpose, as well as \$15k from general operational reserves.

In the W&S Capitol fund we received an unexpected \$84k COVID Relief grant from the state. According to grant provisions one of the allowed uses for these dollars is needed improvements to W&S infrastructure. As a result we were able to get an early start to the critically needed leachfield expansion project which is now scheduled for completion in the early portion of FY 2022-23. Finally, while we were not able to offset labor to the Generator Grant, we did complete

the project slightly under budget and well before the designated deadline. We now have seven new propane emergency generators online with full 500 gallon tanks to protect our water system against regional power failures.

We have encountered increase W&S delinquencies, partially due to the increased turnover of properties, as well as a lapse in basic collection practices during the transition of billing services. While the over \$28k in delinquencies is uncharacteristically high, four account represent 44% of that total. Working with Cline and Associates we are aggressively pursuing delinquent owner with a plan to recover delinquent dollars.

Attachments F.5-2, 3, & 4 provide backup to W&S summary data.

### **Fire Fund (See F.5-1, page 2)**

In the Fire Fund, what started as a fairly typical annual HFT program, quickly ballooned into our largest community funded HFT program on record. With very competitive quotes from our HFT contractor, willingness of the Nakoma Community Association to increase fund matching, agreements with the Nakoma Resort to join the program and complete treatment to many of their properties, and requests by adjacent owners to join the program, we were able to treat over 100 acres of high and critical property in and adjoining the community. This resulted in significant increased HFT costs and Forester costs but returned substantial dividends in making the community more fire resilient. We covered the majority of those increased costs through disbursement from our Fire Reserve fund. As with W&S, we received unexpected addition funds in the form of \$15k in Dixie fire PG&E settlement distributions from the County, earmarked for equipment and training purposes.

Attachments F.5-5 & 6 provide backup to Fire Fund summary data.