

Fiscal Year

2021-2022

Budget



Approved June 15, 2021

Board of Directors:

Jim Freeman, President

Gary Graves, Vice President

Jim Lieberman

Claude Brown

Sean Millerick

General Manager:

Dennis White

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Introduction

The Hidden Valley Lake Community Services District (District) is an independent special district serving the Hidden Valley Lake Community in southern Lake County, California. The District, which consists of 15 full-time employees, and 1 part-time employee, provides municipal water to approximately 2,500 homes and 5 distinct businesses, and sewer services to approximately 1,500 within its three square mile service area.

Mission Statement

“The mission of the Hidden Valley Lake Community Services District is to provide, maintain and protect our community’s water.”

History

The Stonehouse Mutual Water Company was established in 1968 and supplied water to the Hidden Valley Lake subdivision. The Hidden Valley Lake Community Service District was established in 1984. In the early 1990’s discussions of a merger between Stonehouse Mutual Water Company, and Hidden Valley Lake Community Services District began. It was evident that combining the two stand-alone providers into one utility company would result in a tremendous cost savings. The merge also provided additional protection to the community via State oversight as well as access to grants and low cost loans. With the passage of AB 1504, the merger of the two utilities was accomplished on January 1, 1993 at 12:01 am.

Board of Directors

The Board of Directors of the Hidden Valley Lake CSD consists of five elected officials who are tasked with representing the general interest of those in the Hidden Valley Lake community. Directors must live within the boundaries of the water or sewer district, ensuring that they fully understand the intricacies of the community and are enlisted in services provided. Each member serves a four year term. Elections are held in November of odd numbered years, and Director terms are staggered to mitigate disruption.

The Board of Directors sets goals and creates policies that guide District operations. The Board appoints a General Manager to handle the day-to-day operations of the District and to carry out the goals and policies. It is the General Manager's responsibility to ensure that District procedures are in line with the District's mission. Beyond the General Manager, the Board also appoints legal counsel and financial auditors.

The HVLCSD Board of Directors is committed to transparency. Board meetings are held in accordance with the Brown Act and are noticed as such. Regular board meetings are held on the third Tuesday of the month at 7:00 p.m. at the District's business office, 19400 Hartmann Rd., Hidden Valley Lake. The board also assigns standing and ad hoc committees that meet throughout the year to assist in the development of policy. Committee meetings are also held at the District's business office; times and dates vary by committee and can be found on the District website, www.hvlcsd.org. Each meeting ends with a call for public comment, and community members are encouraged to attend and voice concerns.

Revenue and Expense Trends and Forecast

Water & Sewer Overview

Both the Water & Sewer Funds have had incremental improvements. Only six (6) months into the new 4.5 year rate structure, the District is experiencing water and sewer use revenues that are helping begin the recovery process from the fiscal shortfalls of years past. The previous 5 year rate structure (2015 – 2020) was designed to meet the rising cost of business in operational expenses, but also placed a priority on building reserves for operations and capital improvements. Extraordinarily damaging weather events during the previous rate structure eroded the reserves that the rates were designed to enhance. By simply surviving the natural disasters from 2015 – 2020, capital improvement projects were deferred, and the District's net worth suffered. The efforts to turn this around that took place in 2020/2021 are now coming to fruition. We can now begin to look at refreshing our infrastructure and mitigating against disaster. Some major milestones contributing to this recovery are 1) Hiring a full-time General Manager, and promoting from within, 2) Directors and staff re-doubling their efforts to establish a rate structure that is equitable considering net revenue requirements, 3) The adoption of the Local Hazard Mitigation Plan, positioning the District for significant funding opportunities, and 4) Bringing employment at the District to a fully staffed level, yet still keeping operational expenses at an even keel.

Water Fund

Water demand has reached levels comparable to the ten year high, of 2013. To fully appreciate the current net revenue position, a look to the past may offer some perspective. Over the last 10 years, the community's water consumption has been volatile, but in close correlation to extreme weather events. Before emergency drought declarations, the District saw its highest consumption year 2013, at 15% above average. Water use dropped in subsequent years to nearly 15% below average. The conservation actions of the community during the "drought years" is to be commended but can also be considered a challenge for water purveyors. The cost of regulatory compliance and day-to-day operations continue despite a lesser water demand. Consumption patterns gradually recovered, with 2020 consumption approaching 2013 levels at 12% above average.

The community is growing at a rate that can also be considered volatile, but closely related to extreme weather and epidemiological events. The 6 year water meter moratorium that was imposed on 2/3s of our community from 2014 – 2020 slowed growth down to less than 1%. Only recently overturned, the recovery effects have yet to be fully realized. Quickly on the heels of the moratorium revocation, however, the District received another fiscal setback. The COVID-19 pandemic caused an emergency revocation of water shut-offs, and Accounts Receivable arrearages consequently reached historic levels.

Nonetheless, optimism prevails. Looking in the rear-view mirror can only underscore how far we've come. With a wary eye on drought conditions and contingency planning, the District is in a better position to weather the challenges it faces. The aforementioned milestones in the Water & Sewer Overview have positioned the District to maintain, sustain, and cultivate the tenets of its mission statement.

Sewer Fund

The sewer collection and treatment processes are no stranger to extraordinarily damaging weather events. The depletion of reserve funding to assist in the repair of flooding events in 2017 and 2019 has placed a stronger dependence on sewer use fees in the near term, yet the experience of repairing or replacing equipment vital to sewer treatment and collection has made the infrastructure stronger. The discovery process of a new rate structure (2018 – 2020) resulted in rate changes that are more closely tied to effluent load factors. This, in addition to the new capacity fee calculations puts the District in a stronger position to meet its net revenue requirements. This approach enables the District to place a focus back on preventative maintenance and mitigation, rather than reactive measures. Initial revenue calculations show a 6% increase in sewer use fees over rate study estimations.

New and existing maintenance activities are part of the turnaround from reaction to prevention. Weekly F.O.G. activities are exponentially improved with the acquisition of the VacTruck. I & I mitigation activities are becoming mainstream with a total of 40 manholes already replaced. Aquatic Harvesting in our reclamation pond is now an annual maintenance item. The District is now also in a position to replace sewer lines and has acquired the necessary video equipment to conduct preliminary assessment activities in-house. As the District moves away from outside contracted services, internal employees are trained in keeping their own infrastructure finely

tuned. Work pride, and employee morale round out the benefits of the aforementioned milestones mentioned in the Water & Sewer Overview of the past year.

Final Thoughts:

The District has presented a balanced budget for the 2021/2022 fiscal year. Projected revenues, operational expenses, and capital improvement needs are a reflection of the 2020 NBS Rate Study and has been fully vetted by District staff. Potential drought conditions have been accounted for in the tiered rate structure presented by staff and NBS and adopted on 1/1/21. Directors and District staff have made great strides in planning for an unknown future based on past experiences. The rear-view mirror has an important role for planning for the future, but now it is time to keep our eyes on the road.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
2021-2022 BUDGET
SEWER ENTERPRISE FUND**

REVENUE	
120-4020 PERMIT & INSPECTION FEES	500
120-4036 DEVELOPER SEWER FEES	-
120-4045 AVAILABILITY FEES	5,500
120-4050 SALES OF RECLAIMED WATER	138,000
120-4111 COMMERCIAL SEWER USE	61,985
120-4112 GOVERNMENT SEWER USE	1,200
120-4116 SEWER USE CHARGES	1,634,882
120-4210 LATE FEE 10%	22,000
120 4300 MISC INCOME	2,500
120-4310 OTHER INCOME	2,600
120-4550 INTEREST INCOME	2,000
TOTAL REVENUE	1,871,167

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
2021-2022 BUDGET
SEWER ENTERPRISE FUND**

OPERATING EXPENDITURES

120-5010 SALARY & WAGES	539,665
120-5020 EMPLOYEE BENEFITS	213,827
120-5021 RETIREMENT BENEFITS	107,346
120-5022 CLOTHING ALLOWANCE	2,000
120-5024 WORKERS COMP INSURANCE	10,100
120-5025 RETIREE HEALTH BENEFITS	8,189
120-5030 DIRECTOR HEALTH BENEFITS	24,178
120-5060 GASOLINE, OIL & FUEL	20,000
120-5061 VEHICLE MAINT	18,000
120-5062 TAXES & LICENSE	800
120-5063 CERTIFICATIONS	2,000
120-5074 PROPERTY/LIABILITY INSURANCE	71,000
120-5075 BANK FEES	21,000
120-5080 MEMBERSHIP & SUBSCRIPTIONS	11,000
120-5090 OFFICE SUPPLIES	5,000
120-5092 POSTAGE & SHIPPING	7,000
120-5121 LEGAL SERVICES	12,000
120-5122 ENGINEERING SERVICES	50,000

120-5123 OTHER PROFFESIONAL SERVICES	20,000
120-5126 AUDIT SERVICES	7,500
120-5130 PRINTING & PUBLICATION	5,000
120-5135 NEWSLETTER	500
120-5145 EQUIPMENT RENTAL	5,000
120-5148 OPERATING SUPPLIES	48,000
120-5150 REPAIR & REPLACE	149,900
120-5155 MAINT BLDG & GROUNDS	8,000
120-5156 CUSTODIAL SERVICES	16,500
120-5157 SECURITY	600
120-5160 SLUDGE DISPOSAL	45,000
120-5165 TERTIARY POND MAINT	50,000
120-5170 TRAVEL & MEETINGS	3,200
120-5175 EDUCATION/SEMINARS	9,500
120-5176 DIRECTOR TRAINING	3,600
120-5179 ADM MISC EXPENSE	350
120-5191 TELEPHONE	12,000
120-5192 ELECTRICITY	95,000
120-5193 OTHER UTILITIES	2,500
120-5194 IT SERVICES	38,000
120-5195 ENV/MONITORING	35,000
120-5198 ANNUAL OPERATING FEES	5,000

120-5310 EQUIPMENT - FIELD	1,200
120-5311 EQUIPMENT - OFFICE	3,000
120-5312 TOOLS - FIELD	1,500
120-5315 SAFETY EQUIPMENT	3,500
120-5545 RECORDING FEES	250
120-5580 TRANSFER OUT	146,225
219 USDA SOLAR PRINCIPAL/INTEREST	32,238

TOTAL OPERATING EXPENDITURES	1,871,167
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**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
2021-2022 BUDGET
WATER ENTERPRISE FUND**

REVENUE	
130-4035 RECONNECT FEES	5,000
130-4038 COMM WATER METER CONNECTIONS	-
130-4039 WATER CONNECTION FEE (METER)	57,576
130-4040 LIEN RECORDING FEES	1,200
130-4045 AVAILABILITY FEES	22,000
130-4110 COMMERCIAL WATER USE	126,948
130-4112 GOVERNMENT WATER USE	6,200
130-4115 WATER USE CHARGES	2,462,899
130-4210 LATE FEE 10%	32,000
130-4215 RETURNED CHECK FEE	200
130-4300 MISC INCOME	1,500
130-4310 OTHER INCOME	1,500
130-4550 INTEREST INCOME	4,052
TOTAL REVENUE	2,721,075

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
2021-2022 BUDGET
WATER ENTERPRISE FUND**

OPERATING EXPENDITURES

130-5010 SALARY & WAGES	539,665
130-5020 EMPLOYEE BENEFITS	213,827
130-5021 RETIREMENT BENEFITS	107,346
130-5022 CLOTHING ALLOWANCE	2,000
130-5024 WORKERS' COMP INSURANCE	10,100
130-5025 RETIREE HEALTH BENEFITS	8,189
130-5030 DIRECTOR HEALTH BENEFITS	24,178
130-5060 GASOLINE, OIL & FUEL	20,000
130-5061 VEHICLE MAINT	12,500
130-5062 TAXES & LICENSE	1,200
130-5063 CERTIFICATIONS	800
130-5074 PROPERTY/LIABILITY INSURANCE	71,000
130-5075 BANK FEES	21,000
130-5080 MEMBERSHIP & SUBSCRIPTIONS	28,000
130-5090 OFFICE SUPPLIES	5,000
130-5092 POSTAGE & SHIPPING	7,000
130-5121 LEGAL SERVICES	65,000

130-5122 ENGINEERING SERVICES	65,000
130-5123 OTHER PROFESSIONAL SERVICES	45,000
130-5126 AUDIT SERVICES	7,500
130-5130 PRINTING & PUBLICATION	7,500
130-5135 NEWSLETTER	500
130-5145 EQUIPMENT RENTAL	10,000
130-5148 OPERATING SUPPLIES	5,000
130-5150 REPAIR & REPLACE	168,900
130-5155 MAINT BLDG & GROUNDS	12,000
130-5156 CUSTODIAL SERVICES	5,000
130-5157 SECURITY	5,000
130-5170 TRAVEL & MEETINGS	4,200
130-5175 EDUCATION/SEMINARS	9,500
130-5176 DIRECTOR TRAINING	5,000
130-5179 ADM MISC EXPENSE	350
130-5191 TELEPHONE	11,000
130-5192 ELECTRICITY	178,000
130-5193 OTHER UTILITIES	2,500
130-5194 IT SERVICES	40,000
130-5195 ENV/MONITORING	17,000
130-5198 ANNUAL OPERATING FEES	33,000
130-5310 EQUIPMENT - FIELD	1,000

130-5311 EQUIPMENT - OFFICE	1,000
130-5312 TOOLS - FIELD	1,500
130-5315 SAFETY EQUIPMENT	3,000
130-5505 WATER CONSERVATION	5,000
130-5545 RECORDING FEES	250
130-5580 TRANSFER OUT	770,153
218-CIEDB PRINCIPAL/INTEREST/ADMIN	170,417

TOTAL OPERATING EXPENDITURES	2,721,075
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Significant Changes

Salaries and Benefits

Both the Deloach Salary Survey and the NBS Rate Study of 2020 provided the framework for salaries and benefit budget for 21/22. After interviews and industry corroboration, several job descriptions were updated to more accurately reflect the level of work and responsibility staff had been doing all along. New job descriptions prompted new salaries, and the new salaries were incorporated into the rate study of 2020. Salaries and benefits played an integral role in the development of net revenue requirements of the rate study.

Insurance

This budget item continues to increase, as the insurance industry reacts to the extreme climactic events of the recent past, in our location.

Water Rights

This item has been removed from the Water budget. After the State Water Resources Control Board's Department of Water Rights accepted the Districts revocation of water rights, the meter moratorium was lifted. No significant engineering costs associated with water rights are anticipated in fiscal year 21/22.

Legal Services

This item has changed significantly. Instead of an equal split between Water and Sewer Funds, the sewer budget has decreased, and the water budget has increased. A large portion of legal counsel needs in fiscal year 20/21 was focused on personnel policy, whose cost is split across water/sewer. This effort is drawing to a close, while future water projects will require additional legal counsel from a financial perspective. The reduction in the water rights budget helped form the legal services budget in the Water Fund.

Repair/Replace

The Water and Sewer repair/replace budget will remain the same as fiscal year 20/21 despite overages in both funds. The new rate structure has allowed for infrastructure project funding that will replace aging equipment on a large scale. Budgeted project funds will encompass many

expenditures previously allocated to this operational budget (ie cellular water meters, manhole lids).

Other Professional Services

“One-off” professional services agreements were plentiful in fiscal year 20/21 as well as in prior years. This budget will be reduced in the Sewer Fund to reflect a transition to infrastructure project funding instead of operational budgets. Also, recruitment, hiring, and rate study costs will be greatly reduced if not eliminated in the upcoming fiscal year. The Water Fund budget will remain essentially the same to account for project discovery costs.

Office and Safety Equipment

This budget will remain the same despite significant overages in fiscal year 20/21. An unanticipated 6 month partnership with the California Department of Industrial Relations incurred unanticipated expenses. The Notice of No Violation After Inspection delivered in November of 2020 marked this end of this partnership.

Electricity

Energy rates continue to increase, and the increases in this budget line item are reflective of the industry trend. The District’s electricity provider, PG&E has begun to implement Time of Use changes, and legacy solar pricing changes to occur in the upcoming fiscal year. Staff will remain vigilant on maintaining the best possible rate amidst the complexity.

Capital

Pursuant to the 5 year Capital Improvement Plan (CIP) adopted on 12/15/2020, the following capital projects meet the NBS Rate Study of 2020 forecasts in the aggregate. The total costs will remain the same as the rate study forecast from year to year, but changes in expenditures may appear in individual projects. These changes will be a reflection of project impacts that were unknown at the time of the 5 year Plan adoption.

Capital Additions

Water

Wildfire Resilience/Reliable Water Supply/Replace Wooden Tanks (\$170,000) – Also known as the Unit 9 Tank project, this effort involves replacing the wooden 150,000 gallon water tank with two, 250,000 gallon steel-welded tanks. At an elevation of 1600’ and serving three pressure zones, this is a priority project to resilience and reliability as the project name suggests. This project is recognized across all 5 years of the CIP. A funding application has been submitted to the HMGP program.

Disaster Mitigation/SCADA Upgrade (30,000) – In conjunction with the Sewer CIP, this project is designed to completely refresh the District’s SCADA infrastructure with a contemporary solution. The District is looking for a design that will insulate SCADA operations from extreme weather events.

Reliable Water Supply/Advanced Metering Infrastructure (AMI) (\$661,000) – District legacy meter-reading hardware/software will no longer be supported in the near future. This project will replace all meters with the latest automated hardware/software. Efficiencies and Cost savings are anticipated as soon as Q3 2021.

Wildfire Resilience/Reliable Water Supply/PSPS Backup Power Supply (\$6,500) – While wildfire resilience and water reliability can be achieved in other CIP project, the PSPS project remains a priority for the District. The cost of pursuing and development funding applications can be met with this expenditure allocation.

Sewer

Regulatory Compliance/I&I Mitigation (\$100,000) – Measures to reduce I & I continue, and this expenditure allocation is recognized across all 5 years of the CIP. This project is composed of video, design, and sewer line replacement as needed across the entire sewer collection system.

Disaster Mitigation/SCADA Upgrade (\$30,000) - In conjunction with the Water CIP, this project is designed to completely refresh the District's SCADA infrastructure with a contemporary solution. The District is looking for a design that will insulate SCADA operations from extreme weather events.

Mini-Excavator (\$25,000) – A smaller replacement to the non op tractor, this equipment is better suited to community dig ups and sludge bed maintenance.

Risk Management Plan/Chlorine Tank Auto Shut-Off (\$45,000) – A improvement opportunity identified in the Chlorine Risk Management Plan, this project will involve the addition of an auto shut-off capability in the chlorine tank room.

Regulatory Compliance/Dump Truck (\$37,500) – Staff has identified changes in emissions regulations that may impact the ability to operate the existing dump truck. This expenditure allocation representing funding toward the purchase of a emissions compliant dump truck.

Stormwater Master Planning/Mitigation (\$10,000) – The public committee involved in the development of the District's Local Hazard Mitigation Plan identified the need for an updated Stormwater Master Plan. This funding will help facilitate the collaborative effort needed by multiple agencies to build a plan.

Regulatory Compliance/Manhole Rehab (\$50,000) – Regional Waterboards have accepted the District's plan to reduce/eliminate Sewer System Overflows (SSOs) by replacing manhole lids with airtight, composite lids.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

**2021-2022 BUDGET
CAPITAL PROJECTS**

WASTEWATER PROJECT DESCRIPTION	
Regulatory Compliance/I&I Mitigation	\$ 100,000
Disaster Mitigation/SCADA Upgrade	\$ 30,000
Mini-Excavator	\$ 25,000
Risk Management Plan/Chlorine Tank Auto Shut-Off	\$ 45,000
Regulatory Compliance/Dump Truck	\$ 37,500
Stormwater Master Planning/Mitigation	\$ 10,000
Regulatory Compliance/Manhole Rehab	\$ 50,000
TOTAL CAPITAL WASTEWATER EXPENDITURES	\$ 297,500
WATER PROJECT DESCRIPTION	
Wildfire Resilience/Reliable Water Supply/Replace Wooden Tanks	\$ 170,000
Disaster Mitigation/SCADA Upgrade	\$ 30,000
Reliable Water Supply/Advanced Metering Infrastructure (AMI)	\$ 661,000
Wildfire Resilience/Reliable Water Supply/PSPS Backup Power Supply	\$ 6,500
TOTAL CAPITAL WATER EXPENDITURES	\$ 867,500

Debt

1) Sewer Expansion and Wastewater Treatment Plant

Sewer System Reassessment District No. 1 Limited Obligation Refunding Improvements Bonds Series 2016, issued March 9, 2016 in the amount of \$3,650,000, payable in annual installments with an interest rate of 3.25-3.50% and maturity of September 2, 2032. The bonds were used to finance improvements to the sewer system. The bonds are secured by a pledge of reassessment of revenues.

2) Water Infrastructure Project

California Infrastructure and Economic Development Bank direct borrowing Loan, issued June 24, 2002 in the amount of \$3,000,000, payable in annual installments with an interest rate of 3.48% and maturity on February 1, 2032. The loan was used to finance the expansion and upgrade of the water system. Net system revenues and all amounts in the enterprise fund are pledged as collateral for the debt.

3) Solar Project

2012 Series direct borrowing Certificate of Participation Water Reclamation Plant Energy Sustainability Project issued October 1, 2012, in the amount of \$640,000, payable in annual installments with an interest rate of 3.0% and maturity on August 1, 2041. The certificates of participation were used to finance the sewer system solar project. Net revenues are pledged as collateral for debt.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
2021-2022 BUDGET
DEBT**

DEBT REVENUE SOURCE		FUND	AMOUNT
1)	BOND SERIES 2016 - TAX ASSESSMENT	215	\$ 293,494
2)	CIEDB LOAN - WATER INFRASTRUCTURE	130	170,746
3)	USDA LOAN - SOLAR PROJECT WWTP	120	32,255
TOTAL DEBT SERVICE REVENUE			\$ 496,495

DEBT SERVICE EXPENSE		FUND	AMOUNT
1)	BOND SERIES 2016 (PRINCIPAL)	215	\$ 185,000
	BOND SERIES 2016 (INTEREST)	215	99,994
	BOND ADMINISTRATION (ANNUAL FEE)	215	8,500
			\$ 293,494
2)	CIEDB (PRINCIPAL)	218	\$ 110,065
	CIEDB (INTEREST)	218	55,865
	CIEDB (ANNUAL FEE)	218	4,816
			\$ 170,746
3)	USDA SOLAR LOAN (PRINCIPAL)	219	\$ 17,000
	USDA SOLAR LOAN (INTEREST)	219	15,255
			\$ 32,255
TOTAL ANNUAL DEBT SERVICE EXPENSE			\$ 496,495