

## **ITEM #8.A**

*Review of Draft 2022/2023 Annual Budget.*

**DEL PASO MANOR WATER DISTRICT**  
**SPECIAL MEETING OF THE BOARD OF DIRECTORS**

**DATE: June 22, 2022**

**AGENDA ITEM NO. 8.A**

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**SUBJECT: Review of Draft 2022/2023 Annual Budget.**

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**STAFF CONTACT:**

General Manager

The O&M budget balances based on current annual pre 218 revenues, with over a \$200,000 contingency.

The Capital budget balances based on the money ratepayers have paid to the District over the years that was saved and not spent. It includes both the Capital (CIP) money and O&M money. NOTE O&M money can be spent on Capital projects, but Capital money cannot be spent on O&M projects without approval in a 218 proceeding.

The combined budget will still leave a \$1,000,000 reserve fund in the bank.

Please keep in mind that the last few budgets year end numbers were lower because of less staff and little work done.

**NOTEWORTHY CHANGES:**

You will find an increase in payroll over recent years. There are two main reasons. First, the District was not fully staffed since 2019 and allocated funding was not spent. For 2022-2023 the District will be fully staffed, including two additional field staff at midrange, thus the increase in payroll. Second, for over five years the District did not perform normal maintenance, some of the day-to-day work, or spend collected monies for capital projects. Attached please see the literally huge amount of work accomplished since October 2021 with current staff, including staying within a very poorly constructed 2021-2022 budget.

You cannot have staff competent to deliver this level of service and satisfy the Grand Jury, LAFCO, state regulators, and maintain the opportunity to stay independent without adequate compensation for the complexity and amount of work accomplished. Again, please review the huge amount of work accomplished since last October.

Many of the items accomplished had not been done for over five years. For example:

1. 16 commercial meters, which record water used and should be paid for, were broken, some for over five years, meaning revenues were not collected;
2. The District has not had adequate fire flow since at least 2018, with no effort to cure it. The schools and all commercial businesses were put on fire watch by the Fire Marshall. Current staff reached an agreement to solve the issue by the end of this year by partnering with Sacramento Suburban for only about \$300,000; and,
3. All District deeds and easements for its properties and Well sites were missing. The title companies wanted \$25,000 to \$30,000 and 2-3 months to obtain replacement copies. Our current Office Manager obtained them all in a week and at no cost, saving the proposed charges.

Additionally, the \$325,000 interest expense and principal on the current loan has not previously been included in the budget and has been paid below the line.

You will find an increase in legal fees by \$85,000 of the last actual. The amount recognizes having counsel present at all public meetings, which now include a second regular meeting a month. It also includes continuing projects, the 218, construction and other contracts, project implementation, plus regulatory work.

You will find power costs increased by \$25,000, repair and maintenance by \$30,000, and insurance has doubled adding \$30,000 due in part by the number of employees cycling through the District. Office expenses are up by \$15,000 to upgrade necessary equipment and software. Healthcare is up by \$16,000 due to two additional policies for the full staff of five employees. The total will fluctuate depending on the size of the employees' families. PERS retirement is up by about \$20,000 due to the filling in of staff. Professional dues are up \$10,000. Professional administrative fees, like air quality permits, are up by \$10,000.

**RECOMMENDATION:**

Discuss 2022/2023 Draft Budget before 6/30/2022

**Attachments:**

1. *Staff Report*
2. *List of Accomplishments Since October 2021*
2. *2022/2023 Draft Budget*

**DRAFT - Del Paso Manor Water District O&M Budget Worksheet**

Summary Code	Sub-Code	2022/2023 O & M Budget Worksheet	17/18	19/20	20/21	20/21	21/22	21/22	21/22	22/23
									Updated June 10	
			Actual	Actual	To Date	Proposed	Proposed	Actual	Increase	Proposed
		<b>Income</b>								
4101.00		<b>Water Revenue</b>		\$ 1,076,902.90		\$ 1,076,902.90	\$ 1,076,902.90	\$ 1,077,040.30		\$ 1,077,040.30
4151.00		<b>Usage</b>		\$ 312,661.64		\$ 312,661.64	\$ 312,661.64	\$ 281,807.32		\$ 281,807.32
4111.00		<b>CIP</b>		\$ 595,035.04		\$ 595,035.04	\$ 595,035.04	\$ 589,895.85		\$ 589,895.85
		<b>Total O &amp; M</b>			\$ -	\$ 1,389,564.54	\$ 1,389,564.54	\$ 1,358,847.62		\$ 1,358,847.62
		<b>Total CIP</b>			\$ -	\$ 595,035.04	\$ 595,035.04	\$ 589,895.85		\$ 589,895.85
Summary Code	Sub-Code	Expenses	18/19	19/20	20/21	20/21	21/22	21/22	Percent Increase	22/23
					Updated March			Updated May 31		
			Actual	Actual	Actual	Proposed	Proposed	Actual	Increase	Proposed
5102.00		<b>Payroll and Payroll Taxes</b>	\$ 394,055.30	\$ 369,862.50	\$ 230,695.78	\$ 355,625.00	\$ 361,474.92	\$ 319,977.26	-11.48%	\$ 516,000.00
	5102.05	Directors Fees	\$ 17,500.00	\$ 20,000.00	\$ 10,500.00	\$ 20,000.00	\$ 20,000.00	\$ 15,600.00	-22.00%	\$ 30,000.00
	5102.10	Management Salaries	\$ 133,447.00	\$ 120,000.00	\$ 80,666.53	\$ 120,000.00	\$ 120,000.00	\$ 92,779.90	-22.68%	\$ 165,000.00
	5102.15	Field Wages	\$ 217,000.00	\$ 150,000.00	\$ 80,039.47	\$ 132,625.00	\$ 135,611.20	\$ 129,213.42	-4.72%	\$ 203,000.00
	5102.20	Office Manager Wages	\$ -	\$ 55,000.00	\$ 43,095.70	\$ 57,000.00	\$ 60,176.00	\$ 59,645.12	-0.88%	\$ 80,000.00
	5102.25	Office Assistant wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
	5102.30	Payroll Soc. Sec.	\$ 21,026.82	\$ 20,150.00	\$ 13,286.71	\$ 21,000.00	\$ 20,818.81	\$ 18,428.85	-11.48%	\$ 29,000.00
	5102.35	Payroll Medicare	\$ 5,081.48	\$ 4,712.50	\$ 3,107.37	\$ 5,000.00	\$ 4,868.91	\$ 4,309.97	-11.48%	\$ 9,000.00
5121.00		<b>Conservation</b>	\$ 3,341.00		\$ -	\$ -	\$ -	\$ -		\$ -
	5121.05	Conservation Patrol			\$ -	\$ -	\$ -	\$ -		\$ -
	5121.10	RWA Efficiency Dues			\$ -	\$ -	\$ -	\$ -		\$ -
	5121.15	Customer Water Audits			\$ -	\$ -	\$ -	\$ -		\$ -
5151.00		<b>Power</b>	\$ 100,000.00	\$ 81,151.57	\$ 69,497.32	\$ 82,400.00	\$ 82,400.00	\$ 98,171.70	19.14%	\$ 123,000.00
	5151.05	PG & E			\$ 170.39	\$ 2,400.00	\$ 2,400.00	\$ 308.71	-87.14%	\$ 3,000.00
	5151.10	SMUD			\$ 69,326.93	\$ 80,000.00	\$ 80,000.00	\$ 97,862.99	22.33%	\$ 120,000.00
5201.00		<b>R &amp; M</b>	\$ 135,500.00	\$ 152,889.18	\$ 121,706.14	\$ 114,600.00	\$ 125,100.00	\$ 147,863.33	18.20%	\$ 178,000.00
	5201.05	Leak Repairs		\$ 78,412.94	\$ 45,978.83	\$ 90,000.00	\$ 60,000.00	\$ 73,236.25	22.06%	\$ 104,000.00
	5201.10	Field Equipment		\$ 8,650.14	\$ 428.33	\$ 800.00	\$ 800.00	\$ 1,282.00	60.25%	\$ 2,000.00
	5201.15	Field Supplies		\$ 2,774.51	\$ 12,007.61	\$ 500.00	\$ 500.00	\$ 23,812.73	4662.55%	\$ 35,000.00
	5201.20	Fuel For Vehicles		\$ 2,012.34	\$ 2,015.99	\$ 3,200.00	\$ 3,200.00	\$ 4,687.82	46.49%	\$ 9,000.00
	5201.25	Vehicles Repair and Maintenance		\$ 107.81	\$ 3,812.85	\$ 6,000.00	\$ 3,000.00	\$ 577.00	-80.77%	\$ 3,000.00
	5201.30	Temp Help		\$ 15,487.92		\$ 2,000.00	\$ 2,000.00	\$ -		
	5201.35	Chlorine		\$ 4,546.86	\$ 4,284.30	\$ 5,000.00	\$ 6,500.00	\$ 7,649.53	17.69%	\$ 11,000.00
	5201.40	Lubrication Oil					\$ -			
	5201.45	Well Repair and Maintenance		\$ 37,635.90	\$ 39,587.69		\$ 35,000.00	\$ 30,773.00	-12.08%	
	5201.50	Well Rehabilitation					\$ -			
	5201.55	Field Staff Cellular		\$ 3,260.76	\$ 2,528.86	\$ 3,300.00	\$ 3,300.00	\$ 4,445.00	34.70%	\$ 6,000.00
	5201.60	Tesco Services Contract (Well #8)			\$ 3,166.67	\$ 3,800.00	\$ 3,800.00		-100.00%	
	5201.65	Aqua Sierra Service Contract			\$ 7,895.01		\$ 7,000.00	\$ -	-100.00%	\$ 8,000.00
	5201.00	R & M - other					\$ -	\$ 1,400.00		
5211.00		<b>Cross Connection</b>								\$ -
5221.00		<b>Water Treatment Chemical</b>								\$ -
5251.00		<b>Insurance</b>	\$ 14,500.00	\$ 18,000.00	\$ 18,532.28	\$ 18,850.00	\$ 18,850.00	\$ 39,101.41	107.43%	\$ 47,000.00
	5251.05	Liability			\$ 12,318.00	\$ 13,000.00	\$ 13,000.00	\$ 25,978.40	99.83%	\$ 28,500.00
	5251.10	Property			\$ 2,594.04	\$ 2,350.00	\$ 2,350.00	\$ 3,046.80	29.65%	\$ 3,500.00
	5251.15	Workers Compensation			\$ 3,620.24	\$ 3,500.00	\$ 3,500.00	\$ 10,076.21	187.89%	\$ 15,000.00
5301.00		<b>Lab Testing</b>	\$ 11,300.00	\$ 13,870.00	\$ 3,659.50	\$ 18,000.00	\$ 18,000.00	\$ 3,624.75	-79.86%	\$ 6,000.00
5351.00		<b>Engineering</b>	\$ 16,200.00				\$ -	\$ 28,304.00		\$ 80,000.00
		<i>Most cost included in project estimates</i>								
		<i>Includes regular on-call and \$30K for new model in 218</i>								
5401.00		<b>Replacements</b>					\$ -			\$ -
5451.00		<b>City Water</b>	\$ 5,739.00	\$ 5,700.00	\$ 3,027.31	\$ 5,900.00	\$ 5,900.00	\$ 3,140.00	-46.78%	\$ 6,000.00
5452.00		<b>Backflow Program</b>			\$ 671.00		\$ -	\$ 1,414.79		\$ 2,000.00
6151.00		<b>Office Expense</b>	\$ 75,000.00	\$ 86,366.69	\$ 49,237.71	\$ 82,020.00	\$ 65,320.00	\$ 67,983.70	-100.00%	\$ 84,300.00
	6151.05	District Office Lease		\$ 26,000.00	\$ 21,050.00	\$ 26,000.00	\$ 26,000.00	\$ 27,675.00	161.48%	\$ 33,000.00
	6151.10	Phone Service		\$ 4,257.09	\$ 3,190.58	\$ 4,300.00	\$ 4,300.00	\$ 3,591.00	-16.49%	\$ 4,300.00
	6151.15	Internet Provider			\$ 3,607.01	\$ 2,600.00	\$ 2,600.00	\$ 4,199.00	61.50%	\$ 5,500.00
	6151.20	Sewer & Garbage (lusk)		\$ 16,292.24		\$ 16,000.00	\$ 1,000.00	\$ 967.00	-3.30%	\$ 1,500.00
	6151.21	<b>Miscellaneous (office other)</b>						\$ 4,374.00		
	6151.25	Postage		\$ 8,987.26	\$ 6,086.55	\$ 9,000.00	\$ 9,000.00	\$ 8,809.00	-2.12%	\$ 12,000.00
	6151.30	Printing		\$ 2,437.23	\$ 1,080.96	\$ 2,500.00	\$ 2,500.00	\$ 255.00	-89.80%	\$ 1,000.00
	6151.35	Computers and Supplies		\$ 14,036.77	\$ 303.84	\$ 3,200.00	\$ 1,500.00	\$ 5,673.00	278.20%	\$ 3,500.00
	6151.40	Office Supplies		\$ 3,124.15	\$ 5,473.25	\$ 4,000.00	\$ 4,000.00	\$ 5,747.00	43.68%	\$ 7,500.00
	6151.45	Answering Service		\$ 5,811.95	\$ 4,359.50	\$ 7,000.00	\$ 7,000.00	\$ 4,933.70	-29.52%	\$ 5,500.00
	6151.50	Office Furniture								\$ 2,000.00
	6151.55	Payroll Preparation	\$ 1,500.00	\$ 1,500.00	\$ 1,261.02	\$ 1,500.00	\$ 1,500.00		-100.00%	\$ 2,000.00
	6151.60	GASB 75 Valuations		\$ 2,000.00	\$ 1,260.00	\$ 4,000.00	\$ 4,000.00		-100.00%	\$ 2,000.00
	6151.65	Office Temporary Services								
	6151.70	Janitorial		\$ 1,920.00	\$ 1,565.00	\$ 1,920.00	\$ 1,920.00	\$ 1,760.00	-8.33%	\$ 2,500.00
	6152.00	Building Maintenance					\$ -	\$ 2,624.00		\$ 2,000.00
6171.00		<b>Bank Fees</b>			\$ 1,535.30	\$ 300.00	\$ 1,908.00			\$ 2,000.00
6251.00		<b>Audit</b>	\$ 9,250.00	\$ 11,490.00	\$ 10,670.00	\$ 44,012.00	\$ 11,500.00	\$ 10,802.50	-6.07%	\$ 12,000.00

			Actual	Actual	To Date	Proposed	Proposed	Actual	Increase	Proposed
6255.00		Election Related			\$ 1,887.00		\$ -			\$ 3,000.00
6301.00		Legal	\$ 40,000.00	\$ 127,263.89	\$ 26,192.80	\$ 40,000.00	\$ 40,000.00	\$ 115,218.47	188.05%	\$ 200,000.00
6615.00		Litigation Settlement					\$ -	\$ 20,000.00		
6401.00		Misc.	\$ 60.00	\$ 1,728.62	\$ 1,219.88	\$ 1,000.00	\$ 1,000.00	\$ 2,894.00		\$ 5,000.00
6402.00		Relocation					\$ -	\$ 11,235.00		
6431.00		Pension Expense GASB 68								
6441.00		OPEB	\$ 25,000.00	\$ 35,000.00		\$ 45,000.00	\$ 45,000.00			\$ 50,000.00
6451.00		Pers Retirement	\$ 69,000.00	\$ 47,143.63	\$ 70,210.69	\$ 80,000.00	\$ 80,000.00	\$ 79,737.85	-0.33%	\$ 100,500.00
6461.00		Vacation Benefit					\$ -			
6501.00		Employee Healthcare ( JPIA & CalPERS)	\$ 65,200.00	\$ 70,897.91	\$ 68,300.87	\$ 94,632.00	\$ 94,632.00	\$ 63,942.00	-32.43%	\$ 80,000.00
6502.00		Retiree Health Benefits ( CalPERS)	\$ 63,000.00	\$ 63,000.00	\$ 51,191.19	\$ 63,000.00	\$ 63,000.00	\$ 67,060.38	6.45%	\$ 70,000.00
6551.00		Professional Meetings	\$ 10,000.00	\$ 10,000.00	\$ -	\$ 10,000.00	\$ 1,000.00			\$ 10,000.00
	6551.05	Conference Fees					\$ -			
	6551.10	Travel Expenses					\$ -			
	6551.15	Lodging					\$ -			
	6551.20	Parking					\$ -			
	6551.25	Mileage					\$ -			
6561.00		Professional Dues	\$ 37,975.00	\$ 42,000.00	\$ 45,177.81	\$ 41,950.00	\$ 41,950.00	\$ 47,007.00		\$ 57,600.00
	6561.05	ACWA			\$ 8,860.00	\$ 7,200.00	\$ 7,200.00	\$ 9,735.00	35.21%	\$ 11,000.00
	6561.10	AWWA			\$ 681.50	\$ 450.00	\$ 450.00	\$ 520.00	15.56%	\$ 700.00
	6561.15	CSDA			\$ 6,268.00	\$ 6,100.00	\$ 6,100.00	\$ 7,640.00	25.25%	\$ 8,000.00
	6561.20	CRWA			\$ 680.00	\$ 800.00	\$ 800.00	\$ 857.00	7.13%	\$ 1,000.00
	6561.25	RWA			\$ 9,727.00	\$ 9,700.00	\$ 9,700.00	\$ 7,408.00	-23.63%	\$ 9,700.00
	6561.30	SGA			\$ 18,265.00	\$ 17,200.00	\$ 17,200.00	\$ 20,847.00	21.20%	\$ 25,000.00
	6561.35	SAWWA			\$ 560.31	\$ 500.00	\$ 500.00	\$ -	-100.00%	\$ 1,000.00
	6561.00	Professional Dues - other						\$ 1,071.00		\$ 1,200.00
6601.00		Professional Admin Fees	\$ 15,000.00	\$ 28,000.00	\$ 50,239.52	\$ 32,200.00	\$ 32,200.00	\$ 47,517.52		\$ 66,700.00
	6601.05	SWRCB Annual Fees				\$ 9,700.00	\$ 9,700.00	\$ 12,979.52	33.81%	\$ 16,000.00
	6601.10	NDPES Permit				\$ 1,500.00	\$ 1,500.00			\$ 1,500.00
	6601.15	Cal Pers Actuarial Reports				\$ 700.00	\$ 700.00			\$ 700.00
	6601.20	LAFCO Fees					\$ -			
	6601.25	Air Quality Permits				\$ 2,300.00	\$ 2,300.00	\$ 2,264.00		\$ 5,000.00
	6601.30	Encroachment Permits					\$ -			\$ 500.00
	6601.35	CPA Fees		\$ 17,895.00		\$ 18,000.00	\$ 18,000.00	\$ 13,770.00	-23.50%	\$ 18,000.00
	6601.40	General Manager Consultant Fees					\$ -	\$ 18,121.00		
	6601.45	Regulatory Costs					\$ -	\$ 383.00		
	6601.00	Professional Admin Fees - other					\$ -	\$ 31,150.00		\$ 25,000.00
6610.00		Certification/ Continue Education	\$ 900.00	\$ 2,240.00		\$ 2,000.00	\$ 2,000.00	\$ 505.00		\$ 6,000.00
6651.00		Depreciation					\$ -			\$ -
6711.00		Loss on Disposition of Assets					\$ -			\$ -
4501.00		Interest Income					\$ -			\$ -
4502.00		Miscellaneous Income					\$ -			\$ -
6752.00		Interest Expense + Principal			\$ 89,222.76		\$ -			
6753.00		Amortization Expense					\$ -			\$ -
		<b>Total not included payment of bond</b>	\$ 1,091,020.30	\$ 1,166,603.99	\$ 821,094.10	\$ 1,131,489.00	\$ 1,091,234.92	\$ 1,114,546.87		\$ 1,705,100.00

**DRAFT - Del Paso Manor Water District CIP Budget Worksheet**

Summary Code	Sub-Code	2022/2023 CIP Budget Worksheet	Actual	Proposed	Proposed	22/23 218	
		<b>Income</b>		2020/2021	2022/2023		
4101.00		<b>Water Revenue</b>	\$ 1,076,902.90	\$ 1,076,902.90	\$ 1,076,902.90		
4151.00		<b>Usage</b>	\$ 312,661.64	\$ 312,661.64	\$ 312,661.64		
4111.00		<b>CIP</b>	\$ 595,035.04	\$ 595,035.04	\$ 595,035.04		
		<b>Total O &amp; M</b>	\$ 1,389,564.54	\$ 1,389,564.54	\$ 1,389,564.54		
		<b>Total CIP</b>	\$ 595,035.04	\$ 595,035.04	\$ 595,035.04		
Summary Code	Sub-Code	Expenses	Proposed	Proposed	Proposed	22/23 218	
		<b>Pipes</b>	2020/2021	2021/2022	2022/2023		
	6760.05	Miscellaneous	\$ 10,000.00		\$ 50,000.00		
	6760.30	Interties			\$ 300,000.00		
		<b>Wells</b>					
		<b>#2</b>					
	6770.05	New Well/ Well Additions/ Generators	\$ 40,000.00	\$ 80,000.00	\$ 1,000,000.00		
<b>6770.00</b>		<i>Hydroscience Estimate, high - amount for 218 still under consideration</i>					
		<i>HS Engineering was \$151K including site work electric, survey, etc.</i>					
		<i>Staff suggests acual total will be less but remaining physical costs do not have hard estimates yet</i>					
		<b>#3</b>					
	6770.05	New Well/ Well Additions/ Generators	\$ 40,000.00	\$ 80,000.00		\$ -	
		<i>Will again explore litigation, potential and grant funding</i>					
		<b>#4</b>					
	6770.05	New Well/ Well Additions/ Generators	\$ 40,000.00	\$ 80,000.00		\$ -	
		<i>Funds for rehab will be included in the 218</i>					
		<i>218 # TBD</i>					
		<b>#5</b>					
	6770.05	New Well/ Well Additions/ Generators	\$ 40,000.00	\$ 80,000.00	\$ -	\$ -	
		<i>218 # TBD</i>					
		<b>#6B</b>					
	6770.05	New Well/ Well Additions/ Generators	\$ 40,000.00	\$ 80,000.00			
		<i>Placeholder anticipate potential for work done by end of f/y 22/23</i>					
		<i>Will finish corrections carry forward \$50K out of the \$80K</i>					
		<b>#7</b>					
	6770.05	New Well/ Well Additions/ Generators	\$ 40,000.00	\$ 80,000.00			
		<i>Well Rehabilitation est. by HS at \$2.4M of which \$327K is engineering</i>					
		<i>Will use available funds in 22/23 to begin engineering with full request in 218</i>					
		<b>#8</b>					
	6770.05	New Well/ Well Additions/ Generators	\$ 40,000.00	\$ 80,000.00	\$ -	\$ -	
		<i>Grant funding for core test and possible reclamation</i>					
		<b>#9</b>					
	6770.05	New Well/ Well Additions/ Generators	\$ 40,000.00	\$ 80,000.00	\$ 300,000.00		
		<i>HS est. for new generator at \$450K staff estimate \$300K including engineering</i>					
		<i>Not previously shown in prior budgets</i>					
		<b>Buildings</b>			\$ -		
		<b>Interest Expense + Principal</b>	\$ 335,300.00	\$ 335,300.00	\$ 325,000.00		
		<i>Not previously shown in prior budgets</i>					
		<i>From capital and O&amp;M accounts</i>					
		<b>Total</b>	\$ 700,300.00	\$ 975,300.00	\$ 1,975,000.00		

As of 05/31/2022

Bank of the West (Revenue Acct) \$1,142,750

Loan Payment made on 6/16/2022 \$250,515

Bank of the West rough net \$892,235

LAIF Account \$2,252,931

## List of Accomplishments Since 10-25-21

### Also Included is a List of Continuing and New Projects

UPDATED JUNE 17, 2022

#### FIELD

1. Determined with loss of Well 8 since October 2019, the District had inadequate fire flow in different areas, making increased fire flow a critical first need.
2. Determined stabilizing and securing supply was a companion need, especially to maintain District independence.
3. Determined to update existing Wells to increase supply and fire flow rather than build new Well at cost of \$3.5-6 million per RWA/SGA/SSWD. All updates will cost much less than new Well.
4. Replacing the pipes.
  - a. Since we will be moving almost all the pipes being replaced from back yards to front streets, we will need to include replacing all the service lines at District cost as Suburban did under similar circumstances. The reasons include any home with galvanized pipes requiring use of the same backyard connection location to the home or the reverse flow from the front of the house can erode the pipes, e.g., like running your hand from a fish's tail to its head. This concern was reconfirmed by Forsgren.
  - b. Confirmed replacement of 2.9 miles of steel pipe required, but no current funding, and costs up from \$1.1 million a mile in 2017 to about \$3.5 million a mile as of *March 2022* or \$10.6 million in current dollars.
  - c. Confirmed replacement of 11.8 miles of 4" and 6" AC pipe required at a current cost of about \$3.5 million a mile or \$41,300,000 in March 2022 dollars.
  - d. Confirmed potential replacement of 3.3 miles of 10"-12" AC around and near Country Club Plaza. Since it will not restrict fire flow and

seems to be in good condition it can be the last potential pipe project at a current cost of about \$11,550,000.

- e. Confirmed replacement of all AC pipe could cost a minimum of about \$52,850,000 million in current dollars before continuing rapid inflation and materials shortages and the normal delays and time it takes for each phase of this effort. Explored a modified approach of improving fire flow through the District by replacing all 3" and 4" pipes first, but Forsgren advised it would be too disjointed in approach, especially with moving pipes from back to front street.
  - f. Confirmed total pipe replacement in March 2022 dollars would be \$63,450,000, with the clear caveat that materials, labor, and general inflation should significantly impact that total over time. (Note that the cost per mile was SSWD's cost in March 2022, and RWA, SGA and Forsgren opined that was a reasonable amount to use as a current average. **NOTE FURTHER THAT SUPPLY DELAYS ARE LIKELY TO CAUSE A MINIMUM OF A 20% INCREASE AS ESTIMATED BY HOLMAN CAPITAL. )**
5. Continued Field Manager's initiative to control the prior considerable number of leaks by running lower pressures in both halves of the District. This *does not* eliminate the risk of significant blowouts of the old pipes, especially the steel ones, during fire emergencies' shutdown process. This blowout risk will continue unmoderated until all Wells have variable speed drives controlled by SCADA and/or there are automatic pressure-controlled inerties installed. *If there is a blowout of even a block of pipe, residents will be on exterior portable sanitation stations, with water trucks and bottled water for consumption, until the damage pipe can be replaced. This can take up to a year or more, especially if funding must first be obtained.*
  6. Wells 2, 7 and 4 updates in process, with Well 2's work proceeding, Well 7 planning in process with necessary site survey completed. Well 4 to follow 2, 7 and adding the Well 9 generator.
  7. Well 9 generator project has been restarted and is in process. Note that prior information and work were not accurate in cost, detail and time needed. When this is completed then Wells 6B and 9 will have permanent generators. The portable generator can no longer be

permitted and should be replaced to ensure that in blackouts the District has full drinking water and sanitation. Without a generator on *all* active Wells, we will not have fire flow during a blackout, although once the automatic interties are active that will definitely help.

8. Resolved consistent break-ins to Well 8 site and building during winter by homeless for shelter by installing a new site security fence with razor wire top.
9. All deeds and titles missing and needed for site work. Located and obtained new copies of all missing deeds/titles to all Well sites at no cost instead of First American bid of \$25,000 to \$30,000 and 6-10 weeks. Victoria's personal contact performed the search in less than a week at no cost to the District.
10. Well 6B's transfer switch and SCADA being updated to current standard and to allow remote, rather than manual operation.
11. Negotiated with SSWD GM in December and implementing SSWD/DPMWD automatic interties for emergency use. The current manual interties can take 1-3 hours to open and do not allow setting different pressure levels. The automatic interties will be controlled by pressure drops or increases and restore full fire flow to the northwest corner of the District, will improve fire flow to the high school, and generally reinforce the entire District, including potential low-pressure areas during a fire emergency and mitigate high pressure blowouts on shutdown from a fire. The agreement has been executed and the interties are expected to be in service before the end of the year.
12. SCADA software was not updated or maintained for over 10 years. It will be fully updated by end of June for about \$8,000. With the update the District can now also use Google Chrome expanding ease of control.
13. Determined that 16 commercial meters did not have registers or were not recording usage, and a number of commercial spaces had no meter at all, causing revenue loss. Broken commercial meters are being replaced after being unable to track usage for, in some cases, over 5 years, e.g., four of the units in a strip mall. As additional examples, also not accessible or working for a shorter time are the meters for the large apartment next to Well 8 and a Veterinarian's office.

14. Now conducting a full audit of commercial spaces and customers to determine how many are unmetered, broken and need to be installed or replaced. Clearly this revenue loss has been going on for years. Will have determined what needs to be done and will include it in the 218 since some of the installations or replacements will be costly and we do not know whether nearby valves will work or cause a greater amount of work.
15. Well 3 123 TCP contamination limiting Well 3 to a maximum of 15 days a year per SWRCB DDW. Contacted specialized counsel in San Francisco. Determined no point source was required to file claim against manufacturer. Cleanup would be two activated carbon filters and site changes. Would allow fulltime use rather than 15 days per year current State Board limitation. Prior Board relied on misinformation from then counsel and allowed statute of limitations to run without filing for compensation that could run from \$500,000 up to the \$3.5-5 million cost of new Well if the site was too small for necessary remediation equipment. Exploring potential funding for mitigation from other sources to regain full use, e.g., Hazard Mitigation Study and FEMA funding for up to 75% of costs.
16. **WELL 3 UPDATE-** SSWD has filed against MMM for contamination of its service area. Since the contamination includes the type impacting Well 3, I am exploring whether there is any way to get around the failure of the District to file in 2020. There will be no cost to this review.
17. Determined, with Field Manager, that Well 8 would not be used even in an emergency due to PCE contamination 12x the MCL and *no* public evidence that even short-term use would not harm residents, especially with a large apartment complex first in line to receive water directly from the Well. Note that the point source of the contamination is upgradient about a mile away and was measured at 3500 times the MCL. The movement of the plume is slow since the contamination occurred, we have been advised, over 30 years ago.
18. **WELL 8 UPDATE.** We have determined that there was a commercial incinerator next to the Well site. We will explore the possibility that the

contamination is from that as a point source. If that proves to be true, then a limited cleanup and recovery of the Well can be possible. Grant funding should be available for such a project.

19. SSWD Safety report performed at the request of the old Board listed a sizable number of necessary outside plant corrections. Field Manager had been resolving the issues. Cleared any remaining obstacles and obtained necessary parts and equipment for Field Manager to cure 100% of issues found by SSWD in time for JPIA on site insurance review. JPIA report had no negative findings and only two minor suggestions.
20. Discussed fire flow to High School issue with County Asst Fire Marshall. Determined that when HS upgraded pipe from 4" to 6" about a decade ago, in exchange for waiving the \$80,000 fee the HS waived the requirement to provide fire flow. Currently HS recently added covered walkways that changed the fire demand from 4400 to 6500 gpm because under the County Building Code it meant the separate buildings were now considered 1 unit. HS never asked Fire Marshall or DPMWD. Requested Fire Marshall inspect the site to see if it indeed did need 6500 gpm. I also sent Mike out. He thought the walkways were not flammable. If FM decides fire flow has to increase to 6500 gpm, she said her office would support the school district funding an additional well on site to meet the demand since there was no will serve letter or prior notice to DPMWD or FM.
21. Also discussed with Deputy Fire Marshall how we are working with SSWD to reinforce fire flow substantially and quickly, except where it is restrained by pipe size. The deficit, known by the last Board that took no action from 2018 till they left in August 2021, resulted in the FM placing most businesses in the District on fire watch until the interties are upgraded to automatic and activated.
22. **INTERTIE UPDATE**- On June 17, 2022, SSWD signed the new supplemental agreement to the 1-11-2011 Mutual Aid Agreement automating the interties, that our Board had approved on June 14, 2022. All 3 interties have engineering drawings, and parts and scheduling will go forward. Subject to parts availability, all three should be finished before the end of the year. All parties understand this is an ASAP project.
23. Field Manager managed the physical cleanup of all Well sites and the old office building and garage.

24. Planning for projects necessary O&M and capital for the coming 218 proceeding in process.

- a. Prepared draft 2022-2023 budget. Preparing subsidiary budget for use if 218 generates new revenue.
- b. Budget money for full LAFCO review which began on June 14, 2022.
- c. Cleanup all issues with commercial meters to have 100% installed and correctly billed. Estimate for new budget O&M.
- d. Finish rehab of Wells 2,7,4,9 and potentially 3 and 5.
- e. Complete transition to automatic interties.
- f. Once interties fully active, rehab of the above Wells is completed and we have full fire flow and maximum day demand without considering Well 8 as a standby, consider decommissioning Well 8, especially if we can't get mitigation money to replace it.
- g. Begin replacement of steel pipe.
  - i. Identify order of steel replacements.
  - ii. Preliminary drawings by Forsgren.
  - iii. Then current bid estimates.
  - iv. Funding from new commercial loan/State Revolving Fund/FEMA.
    1. Hazard Mitigation part loan part grant, state and federal.
    2. State principal forgiveness loan, especially for Well 3.
    3. New \$1B in hazard mitigation program funding found by Mona.
- h. Concurrent Hazard Mitigation Study as basis for FEMA potential 75% funding.
  - i. Hire person or firm that regularly performs this work.
- i. Application to FEMA to cure hazards, with up to 75% subsidy per approved project.
  - i. District has hired a firm that searches for and drafts grant applications.
- j. Further update to Master Plan confirming which pipe and timing thereof for replacing for the next 218 rate proceeding.
- k. New utility truck for 3rd field staff, full set of tools and upgrades to equipment, and all office items, phone, computer, iPad etc. Use this truck for internal projects since determined both current trucks

cannot be reasonably modified with utility beds to safely carry all tools and equipment.

- l. Re-fence or fully security fence all Wells.
- m. Staff salaries and benefits, annual COLA.
- n. Create Administrative Services Manager position and fund it, moving VH into it and leaving OM position vacant.
- o. Continue to satisfy LAFCO, including its required full review this summer, now in process, and maintain either their active support or forbearance while we proceed.
- p. Develop or confirm support witnesses for 218 from LAFCO, Bd of Supervisors, RWA, SGA, SWRCB's Regional DDW, as well as staff witnesses, CPA, and residents.

## **AGENCIES**

- 25. Communicated with elected officials—County, City of Sacramento, SWRCB, and DDW. Both meet and greets and discussions about the Grand Jury and District needs.
- 26. Communicated with ED of RWA and several staff, participated in Water Forum and had accepted proposed suggestions on process and procedure for the WF.
- 27. Discussions with RWA ED and staff and SGA staff about potential funding for District including Well 3 mitigation and return to full use. No current funding available through their assistance.
- 28. Discussions with State Board area Engineer on new Board and GM's plans and activities. He provided comments and assistance on several issues including clearing up an issue and inspector's mistake from the July 2021 State Board inspection.
- 29. Discussions with the Sacramento Air Quality Management District continuing re generator requirements and limitations. Determined we are not restricted to just Aqua Sierra's suggested generator brand at Well 9. As of 4-22-22 we can use any natural gas or propane generator that meets emission standards. Please note that we will not use propane near or on school grounds due to storage concerns.
- 30. In process of exploring possibility of State Revolving Fund principal forgiveness loans.

31. Explored whether any other State programs could financially assist the District. Advised by SGA programs out of currently available funds or residents' average income is too high.
32. Explored whether the District could qualify for any of the 15 earmarks for federal funding our Congressman received. Informed only for shovel ready projects and organizations with a current relationship.
33. Believe the District could qualify for FEMA hazard grants for the pipes and maybe Wells 3 and 8, but it takes a year to go through the necessary process and prepare the application. It can take up to another year to get grants, if made, for up to 75% of a project.
34. **GRANT UPDATE**-A grant writing firm has been hired and is looking for potential grants.
35. LAFCO told me FEMA was too long for them to support. If we can find other money through the 218 and expand our loan for working capital, that would satisfy LAFCO's timeline. Then backing that with a Hazard Study is a real potential avenue for significant funding that LAFCO could support.
36. **LAFCO UPDATE**—The MSR started on June 14, 2022. They support the tentative 218 plan of replacing the steel and finishing the update to existing Wells. They will be further reviewing this as part of the MSR.

## **GRAND JURY**

37. The new Board and GM have restored normal special district governance and procedures, some of which are detailed in this section and the section on OFFICE. Please note that following correct procedure and governance, as opposed to having ad hoc committees make some of the decisions, extends the time for any action requiring Board authorization.
38. Managed from the outset the District's response to the GJ inquiry and implementation of GJ recommendations with team of Ryan, Bob, Debbie, Victoria, Mike, and Mona's office. Successfully retaining Debbie as a consultant resulted in a complete history of actions with citations to District Board minutes that will also be useful in the 218. Response completed and filed on time.

39. Resolved issues with HydroScience Tech Memo. They updated their Tech Memo to be consistent with the new District team's recognition of District needs. Forsgren provided HydroScience with two sets of additional materials and is managing the update. We expect to receive it on May 25, 2022.
40. **HYDROSCIENCE UPDATE**-The final report was received on June 12, 2022, and was included in the second Grand Jury response.
41. Note the GJ requested the HydroScience update be completed, the R 1 roadmap be completed and publicized to residents, and we understood both to serve as the basis for the 218. This has been the basis of all work with both companies and our staff. We will include a new line item in the new 218 for an additional planning project to further update these documents for the next 218, which will need to be about 3 years out.
42. Almost all GJ recommendations are completed. GJ Recommendation 1 was on time. However, the new April 14, 2022, GJ updated requests may require modifications to the R1 response and timing.
43. **UPDATE TO RECOMMENDATION 1-** Counsel has advised the GJ that the HydroScience Final Report satisfies this request. Further, Staff has a working draft of the roadmap and 218 projects.
44. **The new GJ request was answered on June 17, 2022.**
45. Communicated with LAFCO, established talking relationship, convinced them not to recommend consolidation and to delay their review of the District to allow new Board and GM to demonstrate the direction and changes they will make.
46. Achieved LAFCO Chair's agreement to attend our 218 and advise residents that the upgrades have to be done, the residents will be paying for them, and the issue will be which group will be in charge: this District's team; another special district which will hold DPMWD as a separate zone until improvements are made and there is rough parity with the acquiring District; or a private company which will view the opportunity as a guaranteed short-term investment, doing all the upgrades quickly and recovering their costs with a guaranteed return, causing the highest near term rates.

47. Communicated with several members of the County leadership and after discussing our responses and new direction achieved their comfort with our new direction and neutral response to GJ.
48. Over time achieved Supervisor Desmond's agreement to attend 218 hearing and tell residents "the facts" and need to pay for the necessary upgrades.
49. Communicated with Fire Marshal, established talking relationship with Deputy Fire Marshal as noted above and achieved comfort with our new direction and an essentially neutral response to the GJ simply noting some prior deficiencies.
50. Communicated with District Attorney's Office and discussed new Board, new GM, and District's response to GJ and current and future compliance with the Brown Act and applicable rules and regulations. Mona finished this discussion prior to filing the District's GJ response.
51. Already discussed with General Counsel potential response to the new GJ document due in 60 days. She has a draft outline to frame the response with which I concur. Note, the GJ did not even wait until the time limits the GJ had originally established had expired before issuing the new document. The document also ignored the timing needed when employing proper governance, the timing to underpin a 218 proceeding, and gave suggestions for funding we have already explored. The primary response team will be Ryan, Mona, and me. As noted above, response filed June 17, 2022.
52. LAFCO received their copy of the new GJ document on Monday April 18, 2022. Their ED stated he considered it excessive and unfair, especially since the GJ didn't even wait to actually see what we did with the time they set for a full response to their recommendations. He indicated he agreed with the plan we have previously discussed with him, the Chair and Supervisor Desmond to start a 218 as soon as possible by using the corrected HydroScience Memo, Forsgren's work and the response to R1. He stated at this point we knew what was necessary for the near term. He understood we could estimate total costs over time using current cost with the notation for future supply and inflation. He agreed that the positive result of the 218 could then be used as a bridge for a Hazard Mitigation Study and application for

those funds, or State Principal Forgiveness Loans. He indicated he would not be in favor of a plan that extended the time before we could file a 218.

## **CONSULTANTS/OFFICE**

53. **UPDATE AUDIT** – Achieved the first unqualified audit report in four years.
54. Gained lessor's confidence after his concerns about the GJ report and achieved new Maryal Office 5 yr. Lease at favorable terms.
55. We understood there were some ventilation issues after the first lease but thought the addition of room air cleaners that could trap even viruses would be sufficient. They weren't. Three of four employees experienced C-19. OSHA and the Department of Public Health have newer guidelines stating that adequate ventilation is a key factor in preventing illness and transmission, especially C-19. We put together a proposal for tasteful security screens that will allow flowthrough air passage. Before proceeding we had the verbal ok of the two resident owners and was told the third was not active in building management. After first agreeing our front door neighbor decided to call for an HOA meeting. We provided our landlord with the information and article on the need for improved ventilation justifying the security screens. Our proposed solution is by far the least cost response. Lessor advised on 4-18-22 he expects approval. On 4-19-22 Lessor approved the installation and screens were ordered.
56. Managed through three staff of four having Covid.
57. Conducted search, interviews (with Gwynne), and successfully recommended new general counsel.
58. Conducted RFP search, interviews and successfully recommended for hire new district engineer for 5-year contract.
59. Increased District's purchasing power and improved timing for securing materials or favorable bids by establishing accounts with vendors.
60. Proposed changing banks. Much better and reliable daily service available. Substantially lower deposit requirement to avoid regular charges. In process.
61. Reinstated COLA, absent since 2018, and updated salary bands.

62. **UPDATE STANDBY COMPENSATION**-Board agreed to update of standby compensation and provision of annual boots and pants (consistent with other districts). Standby duty has been a key negative factor for potential hires and the reason given for our recent field staff resignation. The update is a real sweetener for that duty.
63. Finalized K. Ingle lawsuit.
64. Assisted with Leo Havener's lawsuit.
65. Reinstated staff attending continuing education and outreach to other Districts for comparisons on procedures and processes.
66. Updated policy on banking sick and vacation time, recognizing difficulty of small staff taking time and the pandemic.
67. Opened safe in old office to determine if any key papers inside. Only items were the combination and \$.11. Disabled door so it can't be closed again.
68. Hired RGS for zoom meetings and board clerk, with recordings added to District's website.
69. District cell for GM & office manager to further Brown Act access and preservation of materials.
70. As a result of Alex's resignation, I activated the January 11, 2011, Mutual Aid Agreement with SSWD, with Dan York's active assistance and cooperation. He will send two T2 D2 staff for on call and overtime work so that Mike will only have one week out of three until we have new field staff members.
71. I also found that the 2011 Agreement provided the framework for the automatic interties since it included the full process for the current manual ones. Dan York has agreed to the language amending the original Agreement.
72. From 10/25 through February put in an average of 70 hours a week, 55-60 since then.

## **BOARD MEETINGS**

73. Consistent Board packets & agendas compliant with Brown Act.
74. Reinstated staff to attend board meetings.
75. Reinstated field reports for regular meetings.
76. Increased discussion and transparency in staff and other reports.

77. Added budget to actuals review each month.
78. Modified presentation of warrants and payment of housekeeping bills to avoid penalties.
79. Updated emergency notification plan.
80. State Water Resources Control Board Report issues resolved or in process.
81. Brown Act compliance in place and regularly practiced.
82. Annual EAR (electronic annual report) filed.
83. Assisted with 20/21 audit, satisfactorily responded, or resolved auditor's questions.
84. Began CCR prep. and retained the same firm to process the report.
85. State reports filed timely.
86. Assisted Board members outside of meeting in learning or understanding various issues, rules, and regulations.
87. GM position authorization increased twice, better management, lower meeting costs.
88. Simplified budget presentations for ease of use and comparisons.