

Spalding Community Services District Draft Budget



SPALDING

COMMUNITY SERVICES DISTRICT

2024-2025 FY

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The Spalding Community
Since 1985

As your Interim General Manager, I am happy to present to your Board the Spalding CSD Draft Budget for Fiscal Year 2024/2025. The budget year for the the District runs from July 1, 2024 through June 30, 2025. California Government Code requires Special Districts prepare and approve a detailed fiscal year budget before September 1st each year. The budget is a useful tool which helps the District remain focused to meet it's mandated objectives. The 24-25 fiscal year budget illustrates to the community in realistic terms the challenges decision makers must face in meeting the communities needs with financial clarity to provide Spalding with State mandated essential services.

Challenges Ahead

2023-2024 saw the District facing many significant challenges. A highly contested sewer fee rate increase was passed early in the year. However, much needed revenue increases were not initiated until January of 2024 due to procedural errors by staff, resulting in a shortfall of expected sewer use fees well below the planned budget for the fiscal year. The Recreation Department continues to struggle for existence due to the continued low level of the lake, and the inability of lake user groups to launch boats. In an effort to mitigate the situation, the District attempts to revitalize its recreation area through facilitating special events which contribute desperately needed revenue. The Fire Department continues to enjoy stability, with dependable state of the art equipment acquired through grants, and an all volunteer emergency response team, local tax assessments, donations from the public, and revenue collections from activities such as Pancake Breakfasts keep the Department in good financial condition. The Volunteer Fire Department continues to provide the community of Spalding and surrounding areas with quality first responder services.

Also in 23-24, the District withdrew its treasury from Lassen County, citing a working relationship with the County that was cumbersome and restrictive to the Districts administrative staff. The transfer of funds was contentious and abrupt with District staff complaining about no audit from the County to facilitate a reconciliation of accountings. Shortly after the treasury was withdrawn, and before it was successfully reassembled within a private bank, administrative staff resigned and left office with short notice. As well, two board members resigned simultaneously. Much of the institutional and operational knowledge was lost along with the resignations due to poor record keeping practices over the last several years. In short, moving forward, the District faces many challenges, including recruiting a General Manager as is required by law, and an almost complete re-organization of administrative staffing.

During the 23-24 fiscal year, continuing complaints by some District residents about services provided by the District brought forth a Municipal Service Review by LAFCO. In its findings, LAFCO suggested many changes needed to be made in the Districts operating procedures including:

- Ensure District leadership follow applicable Government Codes.
- Improve District record keeping procedures.
- Encourage the District to pursue Leadership Foundations Transparency Certification.
- Provide open meeting law training to District Leadership.
- Initiate a Strategic Planning program and adopt a strategic plan.
- Improving the Districts Website to better interact with community inquiries.

By the time of LAFCO's adoption of the MSR, many of the recommended changes were already in motion. Specifically, the District has already provided training to leadership and made great strides in following applicable Government Codes in its day to day operations. Also, a 5 year strategic plan is close to final development and adoption, which included public meetings to gather information and develop strategies to best meet the publics needs. The District does

need to update its policy manual and develop a set of standard operating procedures for its staff. This additional administrative activity costs the District manhours of labor it cannot currently fund. Offsetting or outside funding is needed to fill this gap.

Many other recommendations suggested by LAFCO would be nice, but the District needs to proficiently provide its “mandated by code” services before spending revenues collected for essential services on activities and programs NOT required by code.

Additionally, the District’s budget is organized through the utilization of funds, with each fund representing a different service component of the District. Every fund is considered its own separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that are comprised of assets, liabilities, revenues, and expenditures or expenses, as appropriate. Financial activities are allocated to and accounted for in the individual funds based upon the purposes for which they are to be spent. The District currently utilizes three funds titled: Sewer, Fire, and Recreation. Each Department is charged to administer its operations and costs on funding generated solely by the fees and revenues allocated to that specific Department. I propose a better way to facilitate the funding needed to administer the Districts activities is through creating an ADMIN fund allocation methodology, based on the proportionality of each departments share of the Districts total revenue. The District has used this method successfully in the past. Each Department within the District is administered by the same limited, part time staff district wide. Each department does not have individual administrative staff. A propotionally shared administrative fund would reduce the burden of tracking staff time by the minute to tasks, department by department, bill by bill with this pre-allocated dispersement.

Changes Fiscal Year 24-25

Despite the economic relief provided by the Prop 218 sewer rate increase, the results of a decade of operating the system without funding a planned preventative maintenance program and without accumulating realistic revenues to fund a capital improvement project program and building a capital reserve for the department remain. The Sewer Department will continue to be required to practice restraint in its expenditures toward the sewer system and it’s components and operational procedures.

Final repair and replacement of mechanical and structural failures at two sewer lift stations remain uncompleted, and unplanned. An Engineers inspection and recommendations for repairs is scheduled for July. The “Needs Assessment” promised for completion last year never came to fruition, and the Sewer System Management Plan, which was prepared, was never finalized and never approved by the Board. This needs to be finalized and adopted. A “Needs Assessment “ will now likely come forward from RWQCB in the near future, as a result of a “complaint driven inspection” conducted by Lahontan in April. The District needs to complete its Needs Assessment and Engineers inspection, and utilize the information collected to vigorously pursue Disadvantaged Community Grants, made available by RWQCB. Alternative funding without obtaing grants woud be in the form of Government backed loans.

The Recreation Department will be funded again this year through the efforts of special events to augment meager fees collected from parking activities at the Marina . There will need to be some decisions on what the District has the ability to do with the Marina, as there is no funding in the budget for any type of operations and very limited funding for any type of maintenance activities.

Kari Graton, Interim General Manager

Spalding Community Services District Goals for Fiscal Year 2024/2025

1. Maintain and improve the District's infrastructure

- a. Create a thorough Sewer System Preventative Maintenance Plan – which would incorporate deferred maintenance - utilizing completed and approved Sewer System Master Plan and Sewer System Needs Assessment.
- b. Start the creation of a Capital Improvement Plan for each Department.
- c. Start to set aside Capital Reserves for each Department.

2. Improve the District's fiscal status

- a. Return the accounting/bookkeeping back to Lassen County and save private banking fees and the revenues required to fund an additional position of District Treasurer, as required by law.
- b. Grow the budget by seeking out and applying for grants to fund the District's projects within the Sewer and Recreational components of the District.
- c. Complete and adopt a Strategic Plan for the CSD department by department.
- d. Develop a standard operating procedure for each District staff position, allowing for continued institutional knowledge as staffing changes.
- e. Appoint standing committees to assist administrative management staff in departmental planning efforts.

3. Bring the community closer together and make Spalding a safe and desirable place to live, visit, and recreate by:

- a. Recommend and seek Board approval to update and revise the District Policies, particularly those of record keeping practices.
- b. Make the community a more desirable place for community members to participate in local government.
- c. Utilize member services for CSDA and CRWA to better educate staff and leadership.
- d. Utilize member services of Special District associated organizations to acquire more inexpensive insurance for District Facilities and Workmans Compensation.

Spalding Community Services District History

District History

June 11, 1985: The Lassen County Board of Supervisors adopted Resolution 84/85-86 ordering the formation of the Eagle Lake Community Services District (CSD) without the election and designated the initial Board of Directors.

May 10, 1991: The Regional Water Quality Control Board, Lahontan Region, adopted approximately 600 cease and desist orders, for residents of the Spalding Tract, and required property owners to dispose of their sewage other than the use of a septic system. Therefore, one of the functions of the District was to create and maintain a Wastewater System for the residents of Spalding.

September 1, 1992: The Districts Board changed the name of the District from Eagle Lake Community Services District to Spalding Community Services District (SCSD).

January 3, 2006: At the District's regular board meeting, the Board accepted the Community Hall deed, from the Eagle Lake Community Association, with the condition that the hall would be called the Eagle Lake Community Center and it would be open to the public for a reasonable fee.

Service Area

The District is comprised of approximately 360 acres and serves a permanent population of approximately 150 residents and a seasonal population of approximately 1000 summer residents and visitors.

District Departments

There are three distinct functional areas (hereafter referred to as "departments") managed by the District Board, including wastewater, fire protection, and recreation.

Sewer Department

Funding for the sewer system is collected through a user fee. The Sewer system also consists of approximately 720 users, four pumping stations, and 20 acres of ponds (3 ponds total). The system is rated to handle 25.8 million gallons of wastewater annually. Our average annual inflow since 2010 is 3.98 million gallons annually.

Fire Department

Funding for the Fire Department comes from the voter-approved Fire Suppression Assessment Fee, Lassen County Board of Supervisors approved Development Impact Fees (Fire Capital Impact Fee), and donations from the community. The Fire Department is an all-volunteer fire department and consists of 8 to 14 active volunteer firefighters that respond to approximately 50 requests for service each year. The Fire Department staffs 1 water tender, three fire engines, and a rescue vehicle. The Spalding Community is designated as a Fire Wise Community.

Recreation Department

Funding for recreation comes from the fees charged for parking and day use at the Spalding boat launch facility. The boat launch facility was replaced in 2001 with the help of a Boating and Waterways grant. The facility provides two launch ramps, plenty of parking, restrooms, picnic tables, a fish cleaning station, and docks for your boat. An amendment to District Ordinances now allows for special events to enhance revenues collected as user fees for parking.

Employees

The District currently employs 4 part-time employees consisting of an Administrative Assistant, a Receptionist/Clerk, a Sewer/Operations Technician, and a General Maintenance Worker. The District also utilizes contract personnel for bookkeeping/accounting, legal services and auditing/CPA services.

Board of Directors

The District has a five-person Board with the Board electing a chairperson each calendar year. Each Board member serves a four-year term with no term limit. Board Members must be a registered voter of Lassen County and live in the area served by the District (Government Code 25041 & 61040 (b)).

District Funding

The majority of the District's funding comes from taxes and fees for services. The District must collect the fees to maintain operations within the District. Currently, there are still substantial dollars of uncollected revenue in the Sewer Operating and Maintenance fees, as well as unpaid taxes for the Sewer Bond. New revenue sources must be explored so the District can upgrade, maintain and/or purchase equipment, or provide new programs within the District. Grants are a priority.

Spalding Community Services District Funds Summary

The Spalding Community Services District maintains three (3) budgetary funds and six (6) agency funds. The budgetary funds are the operating funds of the District. Four (4) of the agency funds (often referred to as trust accounts) are for management of the Districts Limited Obligation Improvement Bonds secured for the construction of the wastewater treatment facility. Management of all funds is the responsibility of the District.

Budgetary funds require the adoption of an annual budget. Oversight is the responsibility of the District Board and is delegated to the General Manager. Expenditures of the District are paid directly by the District, only after review and approval by the General Manager and the Board of Directors in accordance with District policy.

Fire Department - Fund 225

Funding for the fire department is generated in three ways.

Fire Suppression Assessment Fee – The Fire Suppression Assessment Fee is collected by the Lassen County Tax Collector when residents pay their property taxes. The Fire Suppression Assessment Fee is considered restricted use funds for obtaining furnishing, operating, and maintaining fire suppression equipment or apparatus, or for paying the salaries and benefits of firefighting personnel, or both. The fee was approved by Spalding residents in February 1998 and the specific uses for the funds are covered in Government Code Section 50078 through 50078.20.

Fire Capital Impact Fee - The Fire Capital Impact Fee is collected by the Lassen County Building Department when residents pay for building construction or improvement permits within the Spalding District. The Fire Capital Impact Fee is considered restricted use funds for the acquisition of land, easements for fire facilities, design and construction of fire facilities, and/or fire capital expenditures identified in the Districts Fire Capital Facilities Improvement Plan. The Fire Capital Impact Fee was approved by the Lassen County Board of Supervisors by resolution #09-005, on February 24, 2009, and the specific uses for the funds are covered in Lassen County Code Chapter 12.60, Fire Capital Impact Fees. An agency fund (306-0061-7603383 Spalding CSD Fire Improvement Fee Trust) was established to capture these funds.

General Purpose Revenue Funds – The Miscellaneous Funds account is considered unrestricted use funds and consists of community donations, funds raised at pancake breakfast, boot campaigns, BBQs, quilt raffle, bingo, and other community organized activities that promote donations to the fire department. We occasionally get revenue generated by the rental of the fire department's fire apparatus to the state or federal government for use on wildland fires. The Miscellaneous Funds are used to purchase equipment, apparatus, and pay for miscellaneous items the above-restricted funds can't be used for.

Sewer Department – Fund 227

This fund was created for the Spalding Sewer Project. It was created sometime before 1995 and at one time received revenue from a parcel assessment designated to assist in the creation of the wastewater facility.

All construction of the sewer project was managed through this fund. Program names were assigned during project construction to assist in tracking activity by revenue source.

Now that construction is complete, this fund is used for the operations and maintenance of the wastewater treatment operations. The District has had one 3% increase in sewer fees since the system was installed while maintaining a system designed for build-out.

Recreation Department - Fund 231

This fund is used exclusively for recreation facility operations. Its revenue primarily comes from parking and Special Event Fees. An agency fund (306-0061-07603302 Spalding CSD Recreation Trust) was established in 1997 to assist in tracking the District's recreational activities. It has more recently been used as a capital improvement fund for the marina construction. We have a 20-year contract (2008 through 2028) with State Boating and Waterways (#01-101-303) that requires us to place 25% of the total annual parking or day-use fees into this fund to be used for major maintenance and capital improvement.

Agency Funds have been created for the administration of the Districts Limited Obligation Improvement Bonds. A better description of the fund's allowable uses can be found in the bond documents. The three Sewer agency funds are:

307-0071-7603374 Spalding Bond Redemption Fund

The Redemption Fund is used primarily to achieve a proper matching of revenues and debt service within each Bond Year. The source of revenue is an annual parcel assessment collected on the secured property tax roll.

306-0071-7603405 Spalding Sewer Capital Replacement Fund

(Formerly the Spalding Bond Improvement Fund) – This fund was initially used to receive amounts deposited from the original money portion of the bonds that were used to pay the costs of the project and a portion of the costs of issuance of the bonds. The purpose of the money in this account is for paying the cost of renewal and replacement of sewer capital assets, equipment, and improvements, including payment of the incidental expenses associated with the operation of the sewer system sewer.

In the 2015-2016 FY, the Admin Fund (222) began paying back the Bond Improvement Fund for the purchase of the Solar System that began operation on January 12, 2015, at \$4,800 per year until the 2023-2024 FY. That loan payment is complete, and no longer budgeted.

In December 2015, the USDA approved these funds to be used for physical repairs and upgrades to the Spalding Wastewater System. The remaining lift stations on individual parcels will be paid for by the District. The funds now contain the reserves for future sewer repairs and replacements.

249138005 Bond Renew and Replace Fund

This assessment, although combined with all other sewer bond assessments on your Property Tax Statement, is a separate assessment of \$49.00 per EDU, per year. It is to fund the renewal and necessary replacement of sewer system components. The amount and frequency of this

assessment were developed in the Engineers Report and Reassessment Report dated July 2017. It is the responsibility of the District to maintain the sewer system in its original condition.

307-0071-7603376 Spalding Bond Debt Service Reserve

This fund will be used to hold the amount equal to one annual bond debt service payment, as required by bond documents.

In summary, the District maintains nine funds within the Treasury now held in US Bank. It is the District's responsibility to maintain and manage appropriate accounting records and to be good stewards of the taxpayer's dollar.

Budget Line-Item Definitions

Revenue (Balances & Income)

0100000 Cash Balance

(Excess funds leftover in the account from the previous fiscal year)

2011200 Rental Income (Chairs, Tables, Building)

(Income generated from the rental of the Districts community center kitchen and assembly area, tables and chairs)

2011200 Rental Income (Directory Sign)

(Income generated from the rental of advertising space on the Districts community directory sign)

2011200 Miscellaneous Income (Donations & Excess District Property Sales, Other)

(Income generated from community donations, the liquidation of the District excess property, and the funds generated from the other miscellaneous fees area of the adopted fee schedule which include photocopying and faxing services and fire hydrant water)

2012400 Administrative Transfers

(A specific departments contribution towards the direct labor hours of management, accounting, and maintenance staff to process tasks for the specific department)

2000903 Fire Parcel Assessment Funds

(The fire department Fire Suppression Assessment Fee is collected by the Lassen County Tax Collector when residents pay their property taxes and were approved by Spalding residents in February 1998 for the fire department to provide fire suppression and emergency medical services)

2000903 Fire Parcel Assessment Funds Prior Year

(Same as above however, the funds were collected after the previous fiscal year has ended)

2003000 Interest

(Interest earned on revenue deposited into the various accounts)

2006200 State Grants

(State funds that are pursued from various grant sources each year, but not budgeted unless funds will be secured in the applicable Fiscal Year)

2007200 Federal Grants

(Federal funds that are pursued from various grant sources each year, but not budgeted unless funds will be secured in the applicable Fiscal Year)

2012200 Capital Improvement (Development Impact Fees)

(The fire department Fire Capital Impact Fee is collected by the Lassen County Building Department when residents pay for building construction or improvement permits within the Spalding District. The Fire Capital Impact Fee was approved by the Lassen County Board of Supervisors by resolution #09-005, on February 24, 2009)

2012200 Trust Account Transfers

(Funds transferred to the fiscal year budget from one of the five trust fund accounts, 306-0061-7603383 *Spalding CSD Fire Improvement Fee Trust*, 306-0061-07603302 *Spalding CSD Recreation Trust*, 307-0071-7603374 *Spalding Bond Redemption Fund*, 306-0071-7603405 *Spalding Sewer Capital Replacement Fund*, 307-0071-7603376 *Spalding Bond Debt Service Reserve and 249138005 Bond Renewal and Replacement Fund*).

2008106 Sewer Service Fees

(Funds generated from the sewer fees for the service area of the adopted fee schedule which include sewer connection & disconnect and wastewater assistance)

2010600 Sewer Operations & Maintenance Assessments – O/M Fees

(Funds generated from the sewer fees for the service area of the adopted fee schedule which include annual and quarterly sewer operations and maintenance fees)

2001300 Parking Permits

(Funds generated from the recreation fees area of the adopted fee schedule which includes annual and daily parking and boat launch permits, dock applications, and boat dock slips)

2012200 Operating Transfers In

(Funds transferred into the fiscal year's budget from one of the three budgetary funds 225 Fire Department, 227 Sewer Department, 231 Recreation Department)

Expenses (Salary and Benefits)

3000100 Salaries and Wages

(Elected officials, permanent employees, extra help, overtime, vacation/sick pay)

3000100 Volunteer Firefighter Stipend

(Reimbursement for personal costs to attend training and respond to emergency incidents)

3000211 Special District Benefits
(Retirement, medicare, social security, insurance)

Expenses (Services and Supplies)

3001100 Clothing and Personal
(Badges, belts, buttons, facial tissue, gloves, helmets, raincoats, rubber boots, safety clothing, sewing supplies, shoes, uniforms, and uniform allowance)

3001200 Communications
(Telephone, radio, messenger services, fax machines, pagers, cell phone) Do not include radio repair/supplies, maintenance of equipment, rental of communications equipment rental, and lease of equipment.

3001300 Food
(Candy, cereal, cocoa, coffee, eggs, poultry, fish, meat, feed for animals, milk, butter, soft drinks, tea, vegetables) Includes nutrients and beverages for human consumption or kitchen processing.

3001400 Household Expenses
(Kitchen and dining services, dishes, cutlery, glasses, napkins, tablecloth, bedding, laundry, brooms, mops, wax, cleaners, clothes lockers, curtains and rugs, disinfectants, drinking water, trash disposal, towels, toilet tissue)

3001500 Insurance
(Fire, burglary, collision, public liability, property damage, workers compensation)

3001700 Maintenance - Equipment
(Communications and radio repairs and supplies, repair parts, service contracted for maintenance) Include expenditures for keeping equipment in efficient operating condition.

3001701 Maintenance - Vehicles
(Automotive supplies, contractual repairs/overhauls, fuels) Including expenditures for keeping the mobile equipment fleet in efficient operating condition.

3001800 Maintenance – Building and Improvements
(Awnings, electrical and plumbing supplies and services, gardening expenses, heating and cooling system repairs, minor alterations, fire extinguisher services, painting supplies and services, replacement of parts that do not result in an improvement, gardening expenses, weed, and pest control) Include expenditures for maintaining the useful life of buildings and improvements. Do not include lawnmowers, edger's, ladders, small and minor equipment, water, electric or gas utility bills, road contractual services, or road supplies.

3001900 Lab Equipment
(Includes all types of lab equipment for sewer testing)

3002000 Memberships

(Includes all types of memberships into clubs, organizations, etc.)

3002200 Office Expenses

(Includes expenses for office type supplies and services)

3002005 Grant Expenditures

(Expenditures from received state and federal grants)

3002300 Professional and Specialized Services

(Includes most professional and skilled services)

3002400 Publications and Legal Notices

(Includes expenses for the publication of legally required notices and reports)

3002500 Rents and Leased Equipment

(self-explanatory)

3002700 Small Tools and Minor Equipment

(Carpentry, machine, general-purpose tools, drafting, engineering, surveying tools, gardening tools, fire equipment) Include minor equipment regardless of life or value to require classification as a capital asset and replacement parts of such tools and instruments.

3002900 Transportation and Travel

(Transportation and per diem of persons and things, fuel and mileage reimbursement, rental vehicle, meals, lodging, bus, train, airfares, other travel expenses.

3002901 Conferences and Training

(includes registration, fees, and tuition)

3003000 Utilities

(Power, propane, water, etc.)

3006100 Buildings and Improvements

(self-explanatory)