

ADOPTED BUDGET



ASR WELL CONTROL FACILITY AND RESTROOMS

BOARD OF DIRECTORS

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December 2019

FOUNTAIN HILLS

Recycles Every Drop

HOW DO WE DO IT?



1 Acquire

Fountain Hills receives most of its drinking water from the Colorado River via the canals of the Central Arizona Project.

Photo credit: Central Arizona Project

2 Deliver & Use

Homes, businesses and schools use this water to drink, wash and create a thriving economy.

3 Collect & Treat

Used water, along with waste, is safely collected through a network of 215 miles of buried sewers for the protection of public health. The collected used water is treated at a local treatment facility to remove trash, organic material, bacteria and viruses.

4 Store

In the winter, when the supply of recycled water is greater than its demand, the excess water is stored underground by Aquifer Storage and Recovery (ASR) wells. The water is recovered in the summer, when irrigation demands far exceed the available supply of recycled water.

5 Reuse

The recycled water is delivered to golf courses and town-owned parks for irrigation, and to fill Fountain Lake. Using recycled water for irrigation needs takes the demand off of limited drinking water supplies.

WATER FACTS

- Water travels 222 miles to get to Fountain Hills.
- The average person uses 80 - 100 gallons of water per day.

- In 2019 the Fountain Hills population produced about 2 million gallons of used, or wastewater, a day.
- Fountain Hills makes 20% more wastewater during the winter due to its seasonal residents and visitors.

- The District's ASR wells can store over 730 million gallons of recycled water, more than 7 times the volume of Fountain Lake.
- Golf courses and parks combined can use up to 3 million gallons of water a day in the summer.



FOUNTAIN HILLS
SANITARY DISTRICT
Recycles Every Drop

Fountain Hills Sanitary District is proud of its commitment to protect water in the arid desert. The District has been successfully "Recycling Every Drop" since 1974. Imagine how much drinking water has been saved.

FISCAL YEAR 2020-2021

Fountain Hills Sanitary District
16941 E Pepperwood Circle
Fountain Hills, AZ 85268

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Introduction



BUDGET MESSAGE

The Board of Directors and District staff are dedicated to the health and well-being of those we serve and our global, national and local communities. Global effects from the COVID-19 pandemic at the time of this budget preparation have brought to the forefront potential economic and community challenges ahead. The District is committed to doing its part to care for the community while navigating this uncharted territory.

The Board of Directors of the Fountain Hills Sanitary District submits the following adopted budget for the fiscal year beginning July 1, 2020 and ending June 30, 2021 (FY 20-21). In cooperation with the District CPA, District Manager, and Department Managers, the Board has considered the District's needs and priorities for this and near future budget years carefully considering revenue strategies and the budget's overall impact on District customers and constituents.

The District's financial accounts are organized into funds. Each fund represents a separate set of self-balancing accounts designated for a particular District purpose. The Board submits the following FY 20-21 total adopted budget, including all funds, of \$14,727,370. Excluding an allowance for Non-Departmental Contingencies and Unforeseen Events, this adopted budget is 5.2% less than the FY 19-20 Adopted Budget.

A handwritten signature in black ink, appearing to read "H. Jerome Butler". The signature is fluid and cursive.

H. Jerome Butler
Board Chairman

A handwritten signature in black ink, appearing to read "Tori Myers". The signature is cursive and somewhat stylized.

Tori Myers
District CPA

A handwritten signature in black ink, appearing to read "Dana Trompke". The signature is cursive and clearly legible.

Dana Trompke
District Manager



DISTRICT PROFILE

History

Established in 1969 under Title 36 (now Title 48) of the Arizona Revised Statutes, the Fountain Hills Sanitary District collects, treats, and disposes of wastewater and its byproducts. The District serves 11,691 acres within its boundaries including most of the Town of Fountain Hills and a small portion of the City of Scottsdale. An elected five-member Board of Directors governs the District.

Bonds

In the early 1970's, the District requested and was authorized via elections to issue bonds to finance the construction and expansion of its pumping and treatment facilities. A total of \$20,910,000 in bonds were sold by 1995 and the resulting debt was repaid in full by 2005. Since 2005 the District has been, and remains, debt-free.

Collection System

More than 200 miles of sewer piping, over 5,000 manholes and 19 pump stations are the backbone of the District's infrastructure and convey raw sewage to the treatment plant. An intricate system of these components conveys an average of 1.94 million gallons per day (MGD) of sewage through the collection system. With the oldest of these components approaching 50 years of service, careful monitoring, proactive maintenance and significant resources must be dedicated to these valuable assets that keep the District flowing.

Treatment Plant

The original wastewater treatment plant (WWTP) was located on seven acres west of the confluence of the Ashbrook and Balboa washes. The first phase of the WWTP was completed in 1974 with an initial capacity of just 0.3 MGD. At that time, homes were served by individual or community septic tank and leach field systems until wastewater collection lines and pump stations were constructed to convey sewage from home and business sites to the WWTP.

The WWTP site did not originally extend all the way to Saguaro Boulevard as it does today. In 1980, the District acquired land adjacent to the existing site, extending the WWTP footprint to Saguaro Boulevard providing the space required to expand facilities as needed to serve Fountain Hills' growing population. The WWTP has been expanded and improved by various projects over the years. Today, the WWTP is rated to treat up to 2.9 MGD of raw wastewater, converting it to Class A+ recycled water, the State of Arizona's highest water quality rating for reuse water.





Water Recycling

The District has no permitted means to discharge water product resulting from the treatment of sewer inflows. This water product is typically referred to as effluent or reclaimed water. Discharge restrictions mean that all District produced reclaimed water must be beneficially reused, making “recycled water” a more appropriate description of District effluent. Recycled water produced by the District’s WWTP was originally used to fill Fountain Lake. By the 1980’s production exceeded the lake’s capacity and a plan for the appropriate distribution and disposal of recycled water became paramount.

It was decided that a system of aquifer storage and recovery wells was needed to manage seasonal fluctuations in supply and demand and to distribute to end users such as local parks and golf courses. In February 2001 the District began operating its Advanced Water Treatment Facility (AWTF) to further treat water before it is recharged into the District’s Aquifer Storage and Recovery (ASR) wells for storage. This additional treatment allows the District to safely store water below ground without negatively impacting the local groundwater aquifer. The District’s recycled water from the AWTF is still used to fill Fountain Lake but most of this water is now distributed to end users year around, stored in the ground during the winter when supply is high and demand is low, and recovered for distribution in the summer when demand exceeds supply.

The District currently operates a sophisticated system of ultrafiltration membranes, ultraviolet light (UV) disinfection and five ASR wells to successfully manage its recycled water production so that all District wastewater can be beneficially reused for internal processes and irrigation purposes. Priding itself on doing its part to protect the desert’s limited water resources, the District has been successfully **Recycling Every Drop** since 1974.





DEFINITIONS OF TERMS & ABBREVIATIONS

ADEQ: Arizona Department of Environmental Quality

AWTF: Advanced Water Treatment Facility where reclaimed water from the wastewater treatment plant is further treated before recharge or direct reuse.

ASR: Aquifer Storage and Recovery, referring to the process of storing and recovering treated reclaimed water via wells.

Capital Fund: Capital Fund resources are designated for the completion of construction projects and the purchase of assets which are necessitated by District growth (expansion or improvement of systems and facilities necessary to operate at build-out capacity and/or comply with new regulations).

Contingency Reserve Account: A designation of monies within the General Fund that protects against revenue shortfalls, addresses temporary cash flow shortages and covers extraordinary expenditures occurring in the event of an emergency.

CPI: Consumer Price Index

CS: Collection System, referring to District infrastructure constructed and maintained for the collection and transport of wastewater to the WWTP.

Debt Service Fund: The fund used to account for financing used for improvement projects that cannot be financed from current or accumulated fund balances. This fund is currently not active as the District has no debt financing currently.

FY: Fiscal Year, the District's fiscal year runs from July 1 to June 30.

Facilities and Equipment Replacement Reserve Account (FERR): A designation of monies within the General Fund which reserves resources needed for planned or unplanned expenditures specifically for replacement, high-cost repair, or refurbishment of existing facilities and equipment.

General Fund: The District's operational fund. This fund accounts for resources and expenditures used for the day-to-day activities of the District.

Funds Transfer: The transfer of monies between accounting funds or designations, such as from the Contingency Reserve Account to General Fund Operations, reducing the cash balance of one and increasing that of another.

Net Assessed Value (NAV): Property values set by Maricopa County Assessor's Office for the purpose of assessing property taxes.

Non-Departmental Contingencies & Unforeseen Events: an expenditure line necessary to allow the District access to Reserves during the fiscal year. By their nature, contingencies and unforeseen events are unplanned and not intended to be spent unless absolutely necessary. They are listed and approved as part of the overall budget in order to allow the District access to those resources in the unlikely event that a need arises and in order to present a balanced General Fund budget for the year.

RW: Reclaimed or Recycled Water, incorporating the processes, facilities and infrastructure needed to treat, distribute and dispose of recyclable water produced by the District's wastewater treatment processes.

SFI: System and Facility Improvements, expenditures that provide the District with long-term benefit such as major equipment purchases, vehicles, construction projects, and other fixed assets are designated as SFI. These expenditures may be funded with General, Capital or FERR resources as appropriate.

WWTP: Wastewater Treatment Plant.



STRATEGIES & CONSIDERATIONS

The District Manager and the District CPA work together to provide relevant financial data and guidance on financial matters to the Board of Directors. Financial matters of the District include but are not limited to the District's overall financial health, reporting performance compared to budget, and projections necessary for successful future planning.

The District's financial goals are as follows:

- To comply with Board approved District financial policies and to review those policies and recommend appropriate updates to the Board on a regular basis;
- To ensure financial stability and sufficient cash reserves to mitigate financial risks and to withstand local or national economic fluctuations, adjust to changes in the service needs of the community, and to respond successfully to unforeseen events;
- To stay within the constraints of the Board adopted annual budget;
- To secure adequate resources to provide safe operations for the protection of staff and public health;
- To provide continuous, quality service to District customers efficiently and affordably;
- To keep the District debt-free, while maintaining the highest possible bond rating in the unlikely event that bond issuance would be considered in the future;
- To promote good stewardship in the community and toward the environment and to contribute to protecting the desert's limited water resource;
- To consider all of the above while consistently operating with fiscal responsibility, integrity and an appropriate level of conservatism.

In light of the uncertain public health and national economic conditions at the time of this writing, the Adopted Budget for Fiscal Year 2020-2021 has been reduced to account for potential decreases in revenue. In addition, a previously planned sewer user fee rate increase has been delayed as the District is mindful of the financial impact on its rate payers. To address the anticipated decrease in revenue, some replacement or improvement projects have been deferred; however, the budget does include studies, designs and projects that will be necessary for the continuous and safe operations of District systems and facilities both in the immediate fiscal year and near-term years to come. Consistent with current District practices, and with special attention to potential revenue shortfalls, operational activities will continue to be prudently managed.

Financial & Budget Overview



BUDGET APPROACH

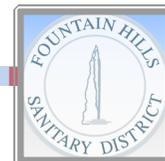
The District Manager and District CPA develop a proposed budget, in cooperation with Department Managers. Careful analysis of historical data, trends and/or anomalies in current fiscal year-to-date spending, operational priorities, plus a thorough assessment of staffing needs and availability are the core components of budget development.

As the largest aggregate operating expense of the District, labor costs are a focal point of the operations budget. Personnel-related expenses account for most of the increased funding requested from Fiscal Year (FY) 19-20 to FY 20-21. The District Manager and staff place emphasis on fiscal responsibility in conducting a detailed review of District operating expenditures and the District's needs related to systems, facilities, and equipment, both ongoing and upcoming.

System and Facility Improvements (SFI), sometimes referred to in governmental finance as a "Capital Outlay" or "Capital Improvement Plan", support the District's \$120 million-dollar investment in assets and infrastructure. As part of the budget process, staff prepares a Five-Year Systems and Facilities Improvements Plan. The result is a budget, proposed by staff, that presents a prudent plan to support the District's daily operations and its overall goals of safety, efficiency, and sustainability.

For FY 20-21, the adopted budget includes designated reserve funds as an allowance for Non-Departmental Contingencies and Unforeseen Events. By nature, expenditures of this type are unplanned, unpredictable and not expected to be necessary during the budget year. However, in the unlikely event that a contingency or unforeseen event does occur, the monies must be identified in the budget in order to be utilized for their intended purpose. Considering this change in presentation, year-to-year comparisons are limited to relevant illustrations only. Overall, this adopted budget before allowance for Non-Departmental Contingencies and Unforeseen Events is **5.2% less** than the FY 19-20 Adopted Budget and provides for District operations as illustrated on page 10.

Financial & Budget Overview



	FY 20-21	FY 19-20	% Change
Administrative Services & Billing			
Operations & Maintenance	\$ 1,619,340	\$ 1,478,940	9.5%
Facilities & Equipment Replacement	\$ 30,000	\$ 40,000	-25.0%
Administrative Services & Billing Subtotal	\$ 1,649,340	\$ 1,518,940	8.6%
Collections System			
Operations & Maintenance	\$ 1,699,980	\$ 1,670,980	1.7%
Facilities & Equipment Replacement	\$ 240,000	\$ 250,000	-4.0%
System and Facilities Improvements	\$ 365,000	\$ 310,000	17.7%
Collections System Subtotal	\$ 2,304,980	\$ 2,230,980	3.3%
Maintenance			
Operations & Maintenance	\$ 929,880	\$ 831,760	11.8%
System and Facilities Improvements	\$ 30,000	\$ -	
Maintenance Subtotal	\$ 959,880	\$ 831,760	15.4%
Reclaimed Water Distribution & Disposal			
Operations & Maintenance	\$ 1,447,390	\$ 1,472,160	-1.7%
Facilities & Equipment Replacement	\$ 105,000	\$ 117,000	-10.3%
System and Facilities Improvements	\$ 715,000	\$ 2,800,000	-74.5%
Reclaimed Water Distribution & Disposal Subtotal	\$ 2,267,390	\$ 4,389,160	-48.3%
Wastewater Treatment Plant			
Operations & Maintenance	\$ 1,885,780	\$ 1,949,180	-3.3%
Facilities & Equipment Replacement	\$ 135,000	\$ 110,000	22.7%
System and Facilities Improvements	\$ 1,725,000	\$ 500,000	245.0%
Wastewater Treatment Plant Subtotal	\$ 3,745,780	\$ 2,559,180	46.4%
Total Before Contingencies	\$ 10,927,370	\$ 11,530,020	-5.2%
Non-Departmental Contingencies & Unforeseen Events			
FERR & Contingency Reserve Accounts	\$ 3,800,000	\$ -	
Grand Total	\$ 14,727,370	\$ 11,530,020	



When formulating the budget, staff considers several factors in the assessment of District needs, economic conditions, and available resources. Following are some of the pertinent data points, plans and assumptions considered for the FY 20-21 budget.

Revenues

- Increased Net Assessed Value (NAV) allows the District to request a property tax assessment adequate to fund operations while decreasing the applicable tax rate per \$100 of assessed value.
- The slow pace of development activity in FY 19-20, prompted reduction of the FY 20-21 budget for Connection Fees revenue to 45 new residential connections, down from 75 budgeted in FY 19-20.
- Considering uncertain economic conditions at the time of this writing:
 - A \$1/month user fee increase (3.6%), necessary to keep pace with increasing O&M costs, is effective January 1, 2021.
 - Commercial user fees are not increased for FY 20-21 and overall commercial user fee revenue has been reduced by 10% from FY 19-20 to account for a potential loss of business customers.
 - The rate charged for recycled water remains \$380/acre-foot (\$1,167/million gallons). Unpredictable variances make estimating total recycled water sales difficult. FY 20-21 is estimated at the average of actual reclaimed water revenue for the three previous fiscal years plus an additional reduction in anticipation of reduced demand resulting from uncertain economic conditions in the budget year.
 - Charges for interest, late fees and other delinquency related fees set forth in the District's fee schedule are suspended through December 2020.
 - Interest earnings on cash balances are estimated assuming reduced rates of return in the near term.
 - The Board is designating \$558,600 of General Fund resources to FERR, enough to cover anticipated needs in FY 20-21 and a modest contribution to the steady accumulation of the \$3,000,000 desired minimum FERR balance established by District policy.

Expenditures

- The adopted budget for SFI and FERR expenditures is 18.9% less than FY 19-20.
- One new salaried employee position, a Project Manager [Engineer], is added to enhance project and construction management services District-wide.
- The District Manager completed an assessment of the District's employee benefits program and made changes necessary to bring District benefits in line with industry standards. These benefit revisions along with an increased worker's compensation rating, one new position and standard cost of living and merit wage increases result in a 5.5% increase in total budget for personnel in FY 20-21.



Beginning Fund Balances & Projections

- Beginning Fund Balances presented in this budget are estimated including FY 19-20 year-end transfers to be executed in the following order:
 1. Amounts encumbered but not spent at June 30, 2020,
 2. Funds transfers budgeted in FY 19-20, and
 3. Anticipated General Fund surpluses at year-end, if any.
- The Five-Year Budget Projection on page 18 assumes the following:
 - Total property tax revenues to remain stable
 - A \$1/month increase to residential Sewer User Fees in FY 22-23 and again in FY 24-25
 - Increasing reserves over the next five years will generate a small amount of additional interest income projected at an increase of 1% per year (applicable to interest income only)
 - A 3% increase in operating expenses in FY 21-22 and 1.5% increases per year in each of the following four years.
- The Five-Year SFI (page 43) plan calls for estimated spending of \$17,325,000 over the next five fiscal years.



FUND PERSPECTIVE

The financial accounts of the District are organized into three funds: General, Capital, and Debt Service. Each of these three funds is accounted for with a separate set of self-balancing accounts. Fund balance is the cumulative result of beginning fund equity that is increased by revenues and decreased by expenditures during the fiscal year.

General Fund: The General Fund is the District's operational fund. This fund accounts for revenues and expenditures used for the day-to-day operations of the District. The primary General Fund revenue sources are sewer user fees, property taxes, and recycled water sales. Disbursements from this fund include labor and other costs to operate and maintain the District's collection system, wastewater treatment plant, advanced water treatment facility, and recycled water distribution system. Administrative expenses are also disbursed from this fund.

The Contingency Reserve Account and the Facilities & Equipment Replacement Reserve Account (FERR) are designated reserves within the General Fund. The FERR account is intended to provide the financial stability required to promptly address planned and unplanned needs for the repair and/or replacement of aged District facilities and equipment. The Contingency Reserve Account protects against a reduction or interruption of services due to cash flow shortages, temporary revenue shortfalls, or a substantial yet unforeseen one-time event. Each fiscal year, the Board of Directors determines the amount of reserves to be set aside according to District policy and designates a line item for unanticipated expenditures which allows the District to access reserve funds if and only if needed to maintain the safe and continuous operation of District services. The Board approves planned repair and replacement activities during the budget process and must authorize or ratify any expenditures made from reserve funds due to unanticipated events during the fiscal year.

When preparing the General Fund budget, District staff must consider the expenditures needed to operate and maintain District operations for the year and ensure that the District has a sufficient amount of operating cash reserves. Based on these considerations, staff will request only the amount of revenue needed to meet appropriations.

Capital Fund: Unlike the General Fund, the Capital Fund does not balance to zero each year and does not include reserves. Capital Fund revenues are limited to Connection Fees and interest on cash accumulated within the fund. When setting Connection Fees in the past, staff assessed the District's future needs for construction projects or purchases that would be necessitated by District growth. The anticipated cost of those needs was then allocated to future connections to be made within the District. Because Connection Fees are determined by and dependent on District growth, the revenue from these fees are strictly assigned to addressing projects and purchases needed to accommodate that growth. Revenues often exceed expenditures in this fund and are accumulated to address growth driven projects and purchases when they arise, sometimes well into the future. Fund Balance in the Capital Fund is typically classified as either Committed or Assigned to growth driven projects as appropriate at the fiscal year-end.

Debt Service Fund: The District does not carry bonded indebtedness. As a result, the Debt Service Fund has zero activity, zero fund balance, and is not included in budget reporting.



BUDGET OVERVIEW

The District reports, plans, and operates on a fiscal year basis, July 1st to June 30th each year. In March, District staff prepares a "Proposed" Budget and presents it to the Board of Directors for consideration. Once adopted by the Board, the "Adopted" Budget establishes monetary boundaries for managing the District's day-to-day operations in the upcoming fiscal year and addresses the District's revenue requirements for future spending.

For budget purposes, revenues and expenditures are presented when expected to be assessed or incurred, respectively. When goods and services are incurred but not received at fiscal year-end, budgeted funds are encumbered and carried forward in Beginning Fund Balance to the new budget year. Consequently, this document presents the District's anticipated financial activities on a budgetary basis or cash plus encumbrances method. Alternatively, year-end financial statements are prepared on a modified accrual basis in accordance with U.S. Generally Accepted Accounting Principles. In order to provide meaningful comparisons, amounts presented in the budget are shown on a budgetary basis and therefore may not illustrate direct correlation to year-end financial statements for the same time period.

Also, of note, Governmental Accounting Standards applied to the District's annual financial statements indicate that fund balance should be identified as either Spendable or Nonspendable according, as applicable, to internal, external or legislative constraints placed on how District monies can be spent. Although these designations are made in the District's annual Financial Statements, *Governmental Funds Balance Sheet and Statement of Net Position*, they are not presented in this budget. For informational purposes, the designations are described in more detail in Supporting Schedules on page 49.

The District's FY 20-21 budget as adopted includes conservative revenue projections with the expectation that economic conditions will fluctuate and be somewhat uncertain due to COVID-19. Adjustments are made for known variables and observed trends.

Safety and continuity are of the utmost importance when preparing the budget for operating activities. For the sake of public health, uninterrupted sewer service is paramount and requires careful planning and consideration of a broad spectrum of potential operational challenges and outcomes. The District strives to establish a budget sufficient to overcome any such challenges and ensure continuous service to District customers within the parameters of the financial goals set forth on page 8.

This budget does not include revenues or expenditures related to providing service to the State Trust Land located adjacent to the District. Although the future development of this land will have a significant impact on the District, it is not currently within defined District boundaries. For the purpose of this budget, "growth" refers to expenditures driven by increased density or new sewer connections within the District's current boundaries. Growth expenditures are intended to expand or improve District facilities and unit processes to increase flow capacity or process redundancy, maintain compliance with new or increasing applicable government regulations, or implement new safety and technology standards.

The following two tables present the adopted budget for revenues and expenditures for FY 20-21 and the anticipated impact of these activities on budgetary fund balances.



Revenues & Expenditures All Funds

	General Fund			Capital Fund	2020-2021	2019-2020	% Change
	Operations	FERR	Contingency		Adopted Budget All Funds	Adopted Budget All Funds	
Revenues							
Property Taxes	5,079,560				5,079,560	4,960,290	2.4%
Sewer User Fees	5,082,690				5,082,690	5,042,390	0.8%
Connection Fees	18,000			480,600	498,600	879,000	-43.3%
Recycled Water	400,000				400,000	499,000	-19.8%
Other Income	148,220		23,000	51,750	222,970	162,010	37.6%
Reserves*	-	1,751,400	1,977,000	-	3,728,400	-	
Funds Transfer	(558,600)	558,600	-	-	-	-	
Total Revenues	\$10,169,870	\$2,310,000	\$ 2,000,000	\$ 532,350	\$15,012,220	\$11,542,690	
Expenditures							
Operating							
WWTP	1,885,780				1,885,780	1,949,180	-3.3%
RW	1,447,390				1,447,390	1,472,160	-1.7%
CS	1,699,980				1,699,980	1,670,980	1.7%
Maintenance	929,880				929,880	831,760	11.8%
Admin & Billing	1,619,340				1,619,340	1,478,940	9.5%
Subtotal Operating	7,582,370				7,582,370	7,403,020	2.4%
System & Facility							
Improvements	2,587,500	510,000		247,500	3,345,000	4,127,000	-18.9%
Non-Departmental							
Contingencies & Unforeseen Events**	-	1,800,000	2,000,000		3,800,000		
Total Expenditures	\$10,169,870	\$2,310,000	\$ 2,000,000	\$ 247,500	\$14,727,370	\$11,530,020	
Excess of revenues over expenditures	\$ -	\$ -	\$ -	\$ 284,850	\$ 284,850	\$ 12,670	

* "Reserves" consist of monies reserved for contingencies and unforeseen events. This is an existing District resource, listed in the revenue section for purposes of this table. Reserves are included in Beginning Fund Balances shown in the table on page 16.

** For a description of "Non-Departmental Contingencies & Unforeseen Events" please see Definition of Terms & Abbreviations on page 7.



Changes in Budgetary Fund Balance - Projected

	General Fund				Capital Fund	
	Operations		Reserve Accounts		2020-2021 Adopted Budget General Fund	2020-2021 Adopted Budget Capital Fund
	Operating Activities	System & Facility Improvements	FERR	Contingency		
Revenues						
Property Taxes	1,933,460	3,146,100			5,079,560	
Sewer User Fees	5,082,690				5,082,690	
Connection Fees	18,000				18,000	480,600
Recycled Water	400,000				400,000	
Other Income	148,220			23,000	171,220	51,750
Reserves*	-		1,751,400	1,977,000	3,728,400	-
Funds Transfer		(558,600)	558,600		-	
Total Revenues	\$7,582,370	\$ 2,587,500	\$ 2,310,000	\$ 2,000,000	\$ 14,479,870	\$ 532,350
Expenditures						
Operating						
Current Budget Year	7,582,370				7,582,370	
Prior Budget Year**	45,000				45,000	
Subtotal Operating	7,627,370				7,627,370	
System & Facility Improvements						
Current Budget Year		2,587,500	510,000		3,097,500	247,500
Prior Budget Year**		404,000	71,000		475,000	
Subtotal SFI		2,991,500	581,000		3,572,500	
Non-Departmental Contingencies & Unforeseen Events*			1,800,000	2,000,000	3,800,000	-
Total Expenditures	\$7,627,370	\$ 2,991,500	\$ 2,381,000	\$ 2,000,000	\$ 14,999,870	\$ 247,500
Excess of revenues over expenditures	\$ (45,000)	\$ (404,000)	\$ (71,000)	\$ -	\$ (520,000)	\$ 284,850
Budgetary Fund Balance						
Beginning of FY	45,000	404,000	2,240,000	2,120,000	4,809,000	4,512,000
End of FY***	\$ -	\$ -	\$ 2,217,600	\$ 2,143,000	4,360,600	\$ 4,796,850

*See notations on page 15

**Estimated portion of FY 19-20 budget expected to be encumbered, but not yet spent, at fiscal year-end (as of June 30, 2020)

***Assumes zero net spending for Non-Departmental Contingencies and Unforeseen Events

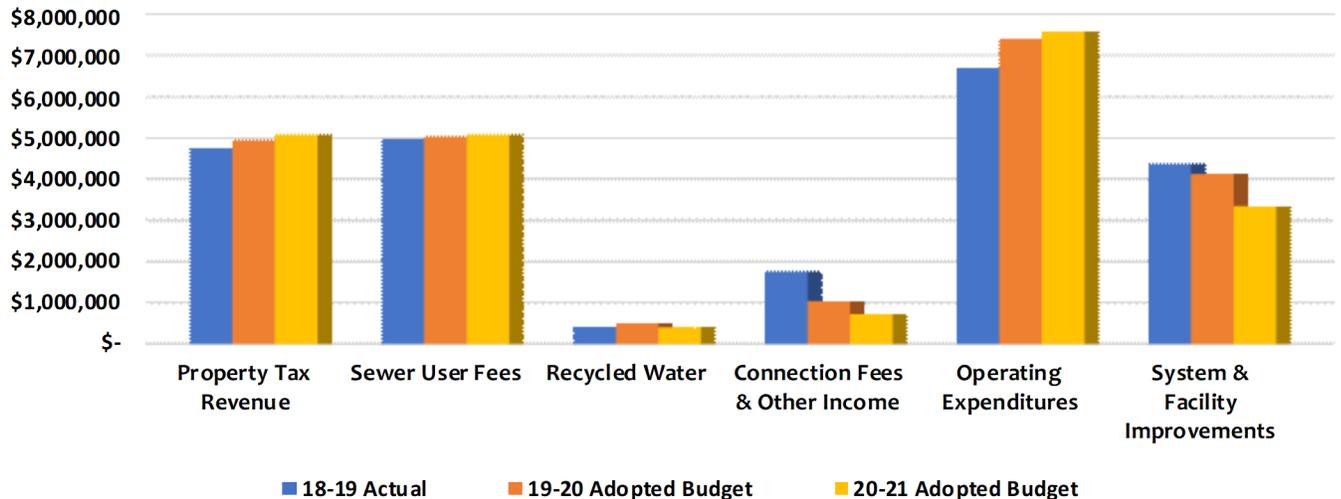


HISTORICAL COMPARISON

Historical Revenues & Expenditures - All Funds

	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Adopted Budget	FY 20-21 Adopted Budget
Revenues				
Property taxes	4,499,630	4,744,920	4,960,290	5,079,560
Charges for services	4,788,850	4,975,280	5,042,390	5,082,690
Recycled water sales	520,660	409,650	499,000	400,000
Availability charges	98,370	89,080	86,000	80,970
Connection fees	653,920	1,463,720	879,000	498,600
Interest & other income	160,700	210,850	76,010	142,000
Total Revenues	\$10,722,130	\$11,893,500	\$11,542,690	\$11,283,820
Expenses				
Sewage collection, treatment and disposal services				
Administrative	1,225,890	1,274,650	1,350,490	1,501,840
Operations and maintenance	5,398,400	5,304,750	5,881,030	5,923,030
Professional service fees	114,580	129,690	171,500	157,500
Capital outlay (SFI)	5,504,940	4,372,880	4,127,000	3,345,000
Total Expenditures	\$12,243,810	\$11,081,970	\$11,530,020	\$10,927,370

**Three-Year Comparison
Revenues & Expenditures
All Funds**





FIVE-YEAR BUDGET PROJECTION

Five-Year Budget Projection All Funds

	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
Revenues					
Property Taxes	5,079,560	5,079,560	5,079,560	5,079,560	5,079,560
User Fees	5,082,690	5,082,690	5,257,940	5,257,940	5,433,130
Connection Fees	498,600	498,600	448,740	403,870	403,870
Recycled Water	400,000	450,000	450,000	450,000	450,000
Interest & Other	222,970	223,490	224,020	224,550	225,090
Total Revenues	11,283,820	11,334,340	11,460,260	11,415,920	11,591,650
Expenditures*					
Operating Expenditures	7,627,370	7,856,191	7,974,030	8,093,640	8,215,040
System & Facility Improvements	3,239,000	3,600,000	3,675,000	2,700,000	2,250,000
FERR	581,000	470,000	425,000	420,000	440,000
Total Expenditures	11,447,370	11,926,190	12,074,030	11,213,640	10,905,040
Budgetary Fund Balance					
Beginning	\$ 9,321,000	\$ 9,157,450	\$ 8,565,600	\$ 7,951,830	\$ 8,154,110
Ending	\$ 9,157,450	\$ 8,565,600	\$ 7,951,830	\$ 8,154,110	\$ 8,840,720

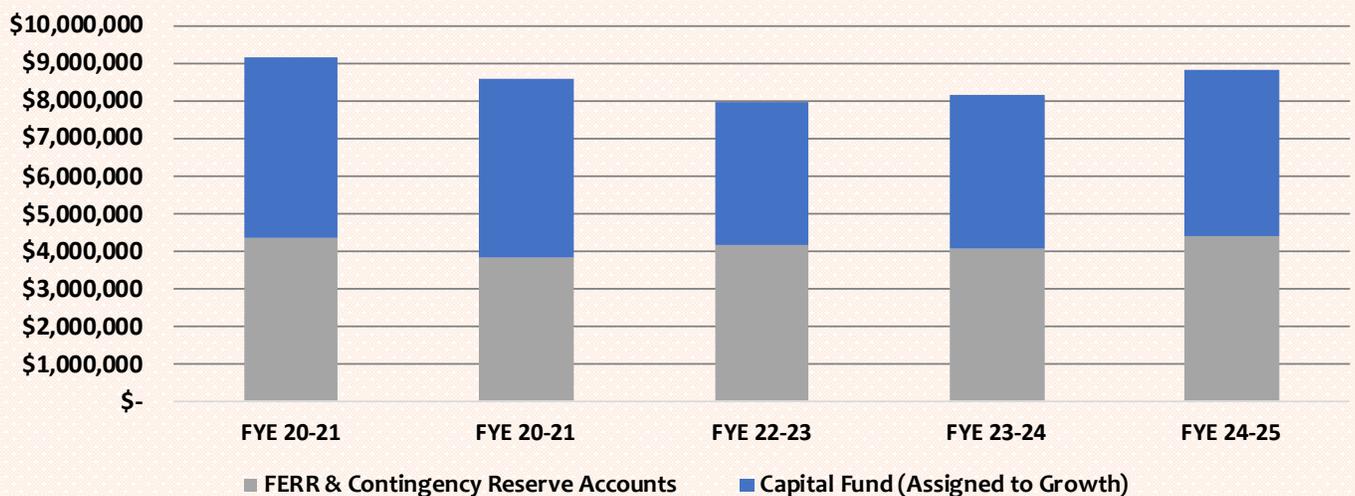
Allocation of Ending Budgetary Fund Balance

FERR & Contingency Reserve Accounts	\$ 4,360,600	\$ 3,813,150	\$ 4,166,840	\$ 4,079,830	\$ 4,377,150
Capital Fund (Assigned to Growth)	\$ 4,796,850	\$ 4,752,450	\$ 3,784,990	\$ 4,074,280	\$ 4,463,570

FYE 20-21 FYE 20-21 FYE 22-23 FYE 23-24 FYE 24-25

*Includes Prior Year Budget encumbered amounts from Page 16

Fiscal Year-End Budgetary Fund Balances





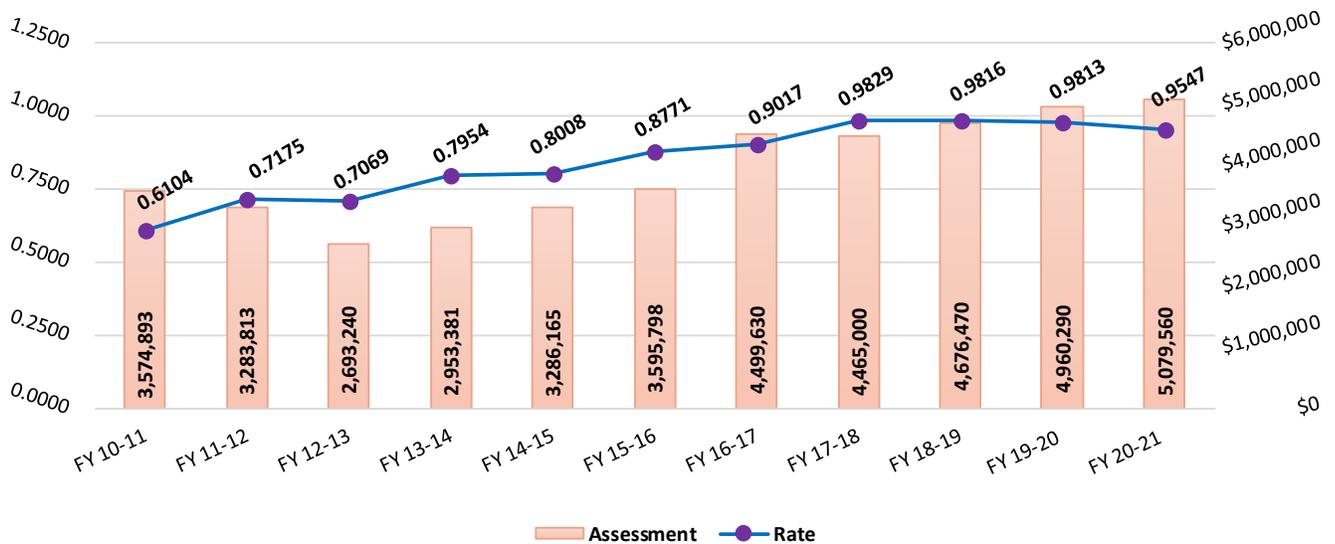
TAXES & FEES OVERVIEW

Property Tax

Title 48 of the Arizona Revised Statutes authorizes the Fountain Hills Sanitary District to certify to the Board of Supervisors “the amount required for payment of principal and interest on bonds... the amount necessary to maintain, operate, extend and repair the sewerage system...and the treatment plants of the district during the ensuing year”. Upon certification, the Board of Supervisors levies and causes to be collected a tax on real property and mobile homes within the District. Taxes are levied on the assessed valuation of property as determined by the Maricopa County Assessor's Office (MCAO).

There are two types of assessed valuation, primary and secondary. By statute, primary valuation can only be increased by a specified amount each year, while secondary valuation can be raised according to market conditions. Although the District's property tax rate is considered a secondary tax, the "full-cash value" or secondary value does not have a direct correlation to the calculation of District property tax assessments. The District's assessment is calculated on the limited primary NAV, a derivative of the Limited Property Value (LPV) established by the MCAO. Although increases to LPV cannot exceed 5% per year, NAV may increase more or less than this amount based on parcel additions, reclassifications, or MCAO adjustments. For the 2020 tax year, total limited primary NAV of property within the District is expected to increase 5.3% over the 2019 tax year.

Property Tax Rates (per \$100 of NAV) & Property Tax Assessments 2010-2020

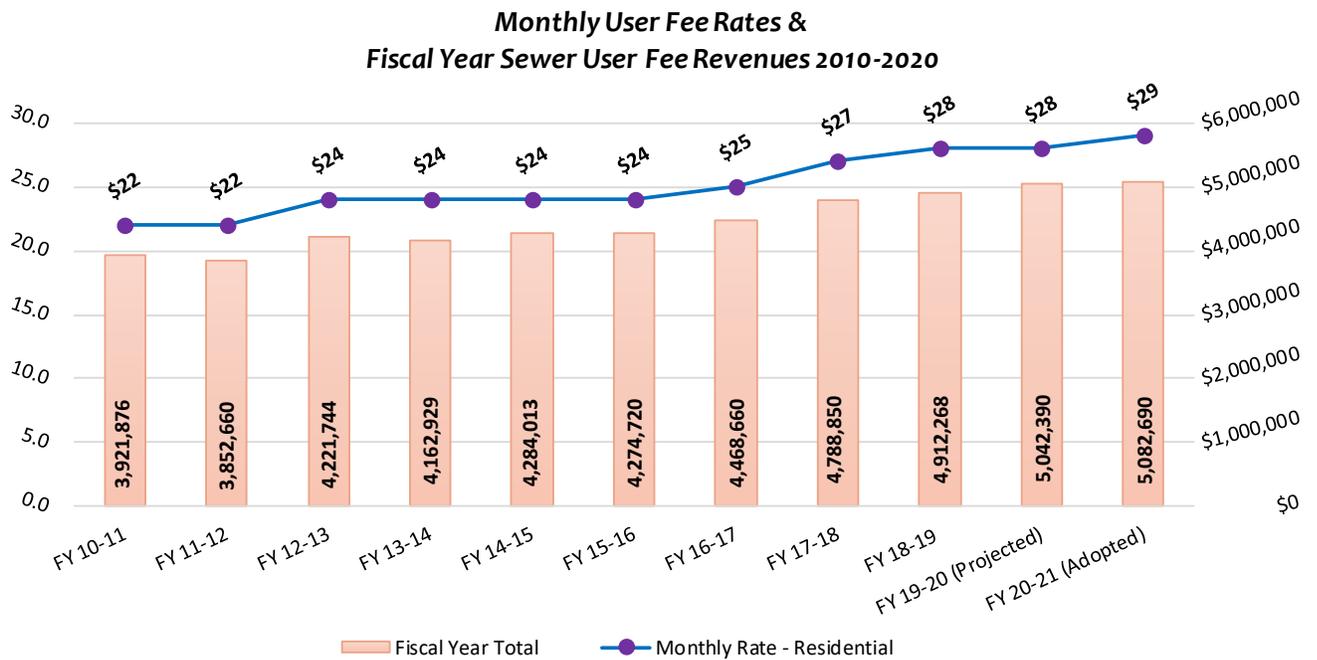




User Fees

Sewer User Fees are the primary source for funding the District's day-to-day operations. Sewer User Fees must keep pace with rising costs of operations over time. To that end, this budget includes a user fee increase of \$1/month for the 2020-2021 fiscal year, a 3.6% increase. However, due to economic decline and uncertainties related to COVID-19 the effective date of the increase is postponed to January 1, 2021. Future increases intended to keep pace with operating expenses are tentatively planned for budget years 2022-2023 and 2024-2025 as presented on page 18.

The District offers a low-income assistance program designed to assist qualified customers with a reduced sewer user fee. Information and instructions for participating in this program can be found on the District's website at az-fhsd.gov.



Connection Fees

The District charges Connection Fees to new users upon connection to the existing sewer infrastructure. A small portion of these fees is designated to cover the administrative costs of adding a user. The remainder of Connections Fees is assigned as funds set aside in the District's Capital Fund and intended for use in funding the development of additional infrastructure and systems, expansion of existing facilities and treatment processes, and other necessary improvements needed to accommodate growth, new development, and/or increasing regulatory and safety requirements.



Recycled Water Sales

Sales of recycled water at a rate of \$380/acre foot are used to offset a portion of the cost associated with reclaimed water treatment, distribution, and disposal. Budgeted amounts must also consider the impact of the District's Sodium Remediation Program. This program allows local golf courses, the primary reclaimed water users, to claim a credit of up to \$45,000 each (\$135,000 annual maximum) for defraying the costs to mitigate the effects that sodium rich reclaimed water has on their grass.

Other Income

Interest Income, Availability Fees, and Other Income also contribute to annual operating revenues.

The Revenue Process

Each year, District staff must determine the amount of revenues that will be required to operate District functions and serve District customers in keeping with the financial goals presented in the Introduction on page 8. To prepare and balance the budget for the upcoming fiscal year, staff must calculate anticipated expenditures to set a total budget for the fiscal year. Then, revenue sources are evaluated and assessed as needed to provide for those expenditures. Revenues are adopted based on the following process:

Step 1: Establish Sewer User Fees that:

- ❖ Provide enough resources to fund the majority of day-to-day operating expenses;
- ❖ Keep pace with anticipated future increases to operating expenses;
- ❖ Consider user fees as a proportionate share of operating expenses and acknowledge inflation rates to determine and project how often increases may be needed;
- ❖ Set fees at the minimum amount needed keeping the economic impact on users in mind to maintain increases at a fairly steady pace over time.

Step 2: Determine the contribution expected from other revenue sources:

- ❖ Assign accumulated Connection Fees to growth projects to be completed in the fiscal year, leaving excess revenues in the Capital Fund for future expenditures determined by growth.
- ❖ Adjust the expected amount to be collected from other revenue sources (Recycled Water Fees, Availability Fees, Interest, etc.) according to economic climate and known variables as applicable.

Step 3: Request tax levy sufficient to balance General Fund budget:

- ❖ Ensure that available property tax revenue as determined by LPV set by MCAO will be enough to provide for expenditures not covered by the other revenue sources.
- ❖ Maintain or reduce tax rate as appropriate to balance budget.
- ❖ Maintain or reduce total amount of levy if appropriate to balance the current year while aiming to maintain appropriate reserves and consistency in property tax revenues long-term.



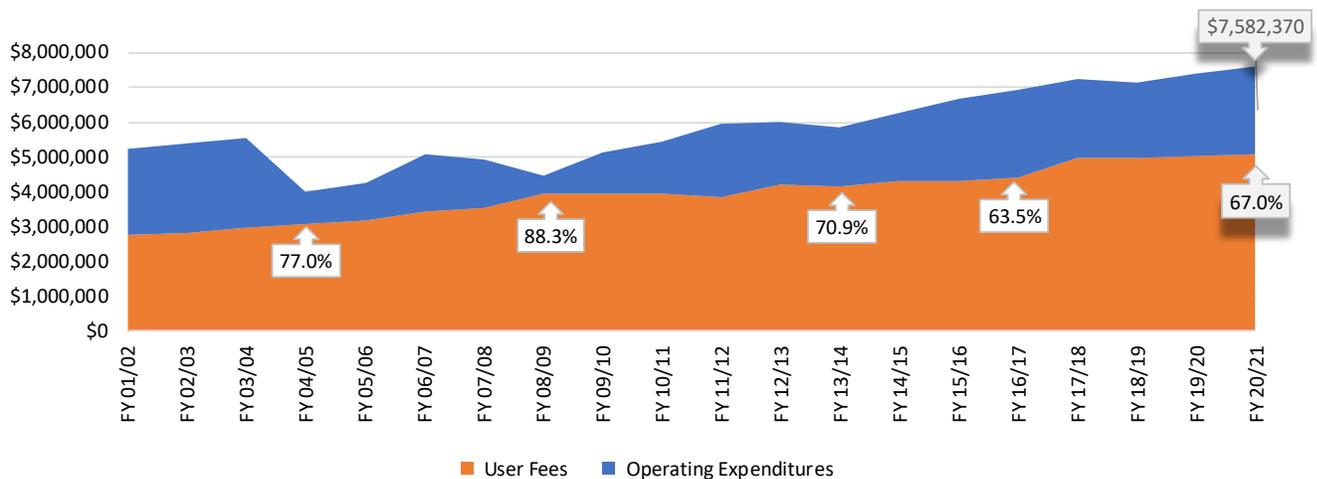
ADOPTED TAXES & FEES

Adopted for FY 20-21

User Fees: The Board has adopted a \$1/month increase to residential User Fees beginning January 1, 2021. No increase is adopted for commercial User Fees. This increase is consistent with planning and projections approved by the Board in prior fiscal years. Periodic increases over the next few years will be needed to keep User Fees on pace with increasing costs of operations. The average rate of inflation for the past ten years has been 1.8%, yet District operating expenses have increased an average of 2.9% per year in that same timeframe. Regional and industrial economic factors, increasing personnel costs, heightened safety requirements, and the age of equipment and facilities contribute significantly to the District’s operating expenses outpacing the rate of inflation.

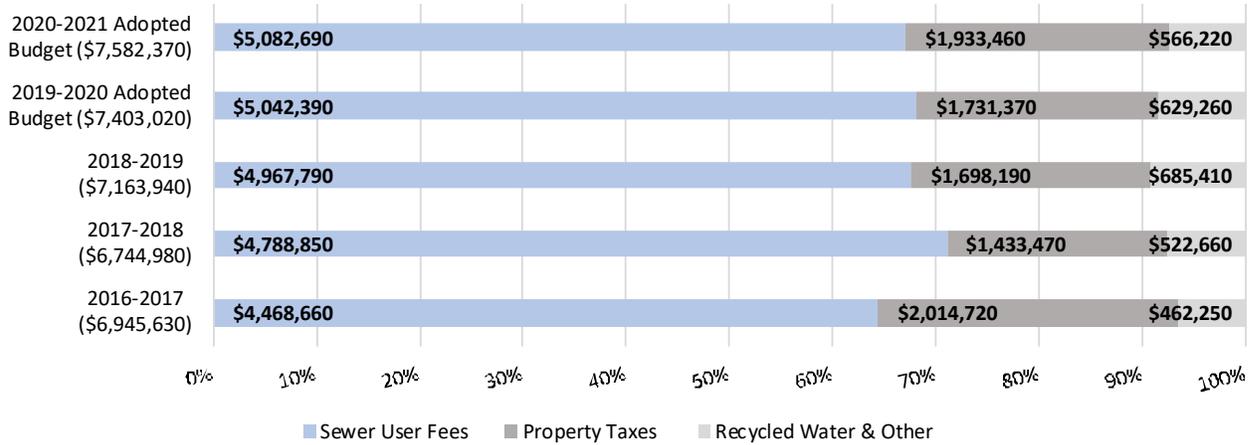
The District has historically relied on User Fees to cover a majority (65-90%) of operating expenses. A noticeable incline in operating expenses from FY 12-13 to FY 15-16 while User Fees remained flat dropped the User Fees’ portion of operating expenses to 63.5% in the following fiscal year, FY 16-17. When User Fees as a percentage of operating expenses declines, the District becomes more reliant on property taxes to cover day-to-day operations, thereby exposing the District to greater risk in the event of an economic downturn and restricting the District’s ability to address operational SFI and FERR needs in an organized and timely manner. Incremental increases in User Fees for the past five years (a total of just \$5/mth in that span) have brought User Fees back to providing for a larger share of operating expenses, allowing property taxes to provide the primary source for SFI and FERR expenditures and for property tax rates to remain stable in recent years. Regular increases in User Fees occur in order to keep pace with the ever-increasing costs of doing business including personnel, utilities, chemicals, and construction materials.

User Fees as a % of Operating Activities





Operating Activities by Revenue Source



The above illustration displays the District's three major sources of operating revenue over five years. The size of each section shows the relative contribution of each revenue source to operating expenses each year.

Revenue Sources



Property Taxes: For FY 20-21 the District requires a tax levy generating \$5,079,560 to "maintain, operate, extend and repair the sewerage system... and treatment plants" per state statute for the 2020 tax year. The tax rate is determined by dividing the requested tax levy of \$5,079,560 by 1% of the NAV provided by the MCAO. The NAV for the 2020 tax year is \$532,058,506. This amount is subject to change prior to the Assessor's completion of the 2020 tax levy. The District's requested levy results in a tax rate of 0.9547 per \$100 of assessed value. This is 0.0266 (2.7%) less than the 2019 tax year.

Connections Fees: Connection Fees are somewhat challenging to predict from year-to-year but can be estimated based on current economic conditions and knowledge of current development within the District. This revenue source has been consistently budgeted conservatively; however, increased construction activities in the District and multiple requests for zoning to accommodate higher volume occupancies led the District to increase its forecast of Connections Fees in FY 19-20. Although actual totals for the year could meet or exceed budget, at budget time FY 19-20 Connection Fee revenues were falling short of those projections. As a result, projections have been reduced in FY 20-21 to a more conservative figure, 43.3% less than the FY 19-20 budget.

Recycled Water Sales: This revenue source is estimated based on three-year averages. Fluctuations in weather can cause actual revenues to vary considerably from budget amounts. Income from Recycled Water is estimated conservatively and takes the existing Sodium Remediation Program into account. Utilization of recycled water by end users is currently under Board review and the results of that discussion may impact associated revenues in future budgets.

Operating Activities

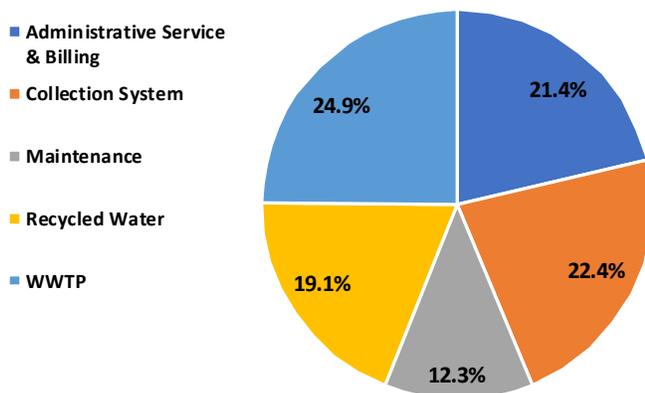


SUMMARY OF OPERATING ACTIVITIES

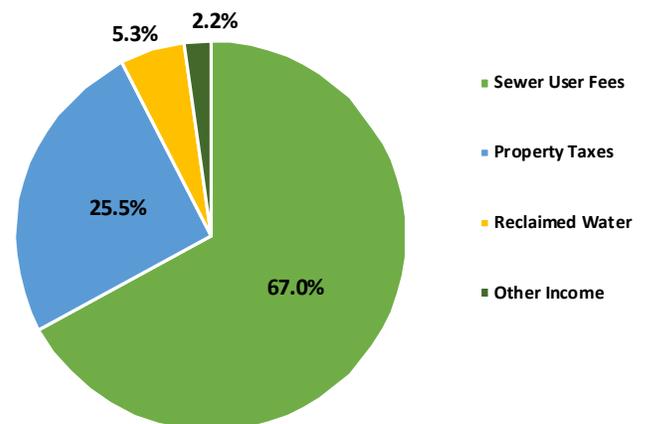
Operating Activities are expenses necessary to carry out the day-to-day operations of the District. Operating Activities are differentiated from the District’s total cost of Operations (See page 15) by their short-term and consumable nature. These expenses do not provide the District with long-term benefit like System and Facility Improvements and from a financial standpoint, this type of spending is considered an expense as opposed to an asset or an investment in infrastructure. District Operations as a whole, which includes both Operating Activities and operational (not growth driven) SFI are accounted for in the General Fund and presented as a “balanced” budget where the budget for excess of operational revenues over expenditures comes to zero each year. The following table shows the Operating Activities portion of the District total Operations budget with details and additional illustrations of these activities presented in the remainder of this section.

Previously, administrative services were considered "Shared Expenditures" for budgeting purposes. These Shared Expenditures were not shown separately. Instead, they were allocated and imbedded in the total expenditures of other District departments based on department size, number of employees, and demand on administrative resources. After reassignment of some District personnel and operating expenditures to a dedicated Maintenance department in FY 19-20, District staff has revised the presentation method for the FY 20-21 budget. The Administrative Services and Maintenance departments are now presented separately. Reclaimed (recycled) water expenditures continue to be managed by both the Collection System (CS) and Wastewater Treatment Plant (WWTP) departments, but as one of the District’s core functions, the expenditures associated with this activity are illustrated separately.

Operating Activities



Operating Revenues by Source





Revenues & Expenditures General Fund - Operating Activities

	2020-2021 Adopted Budget	2019-2020 Adopted Budget	% Change	Increase (Decrease) from 2019-2020 Adopted Budget
Revenues				
Property Taxes	1,933,460	1,731,370	11.7%	202,090
Sewer User Fees	5,082,690	5,042,390	0.8%	40,300
Connection Fees	18,000	30,000	-40.0%	(12,000)
Recycled Water	400,000	499,000	-19.8%	(99,000)
Other Income	148,220	100,260	47.8%	47,960
Total Revenues	\$ 7,582,370	7,403,020	2.4%	179,350
Operating Expenses				
Administrative & Billing	1,619,340	1,478,940	9.5%	140,400
CS	1,699,980	1,664,980	2.1%	35,000
Maintenance	929,880	900,010	3.3%	29,870
RW	1,447,390	1,442,160	0.4%	5,230
WWTP	1,885,780	1,916,930	-1.6%	(31,150)
Total Expenses	\$ 7,582,370	\$ 7,403,020	2.4%	179,350
Excess of revenues over expenses	\$ -	-	-	-

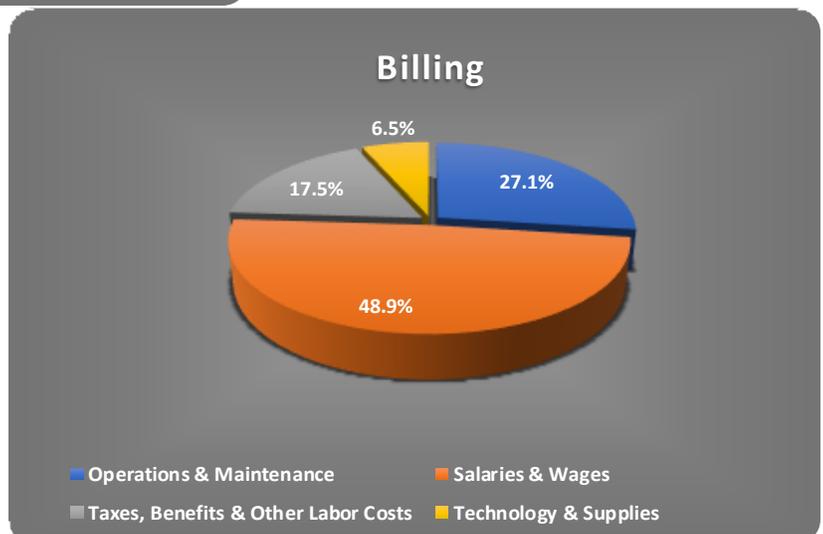
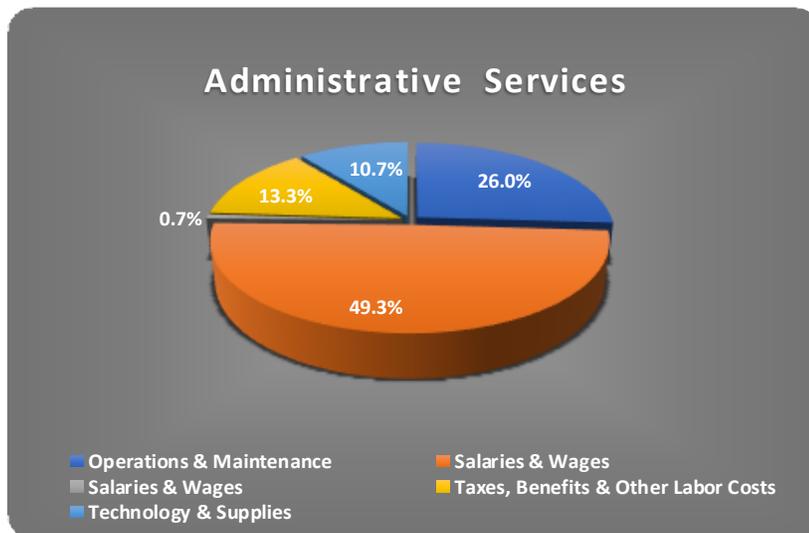


ADMINISTRATIVE SERVICES & BILLING

The District’s Administrative Services Department provides administrative support to the Board of Directors and other District Departments. Overall management of the District is carried out by this department. Core functions include general administration, billing, accounts receivable, accounts payable, financial reporting, budgeting, human resources, information technology, public information, engineering, development and permit reviews, and project management.

Notable items to consider in the FY 20-21 adopted budget for Administrative Services & Billing are:

- ❖ Overall billing costs have been significantly reduced over the past two years by outsourcing the printing and mailing of quarterly bills, allowing for reductions in supply costs (paper and envelopes) and equipment costs as the copier and postage machine have been recently downsized.
- ❖ FY 20-21 is a non-election year for the District, saving \$38,000 in election costs compared to FY 19-20.
- ❖ The addition of a Project Manager [Engineer] is the biggest contributor to the overall increase to the adopted budget for Administrative Services and Billing.





Administrative Services & Billing

	2020-2021 Adopted Budget	2019-2020 Adopted Budget	% Change	Increase (Decrease) from 2019-2020 Adopted Budget
Administrative Services				
Operations & Maintenance	319,000	353,900	-9.9%	(34,900)
Personnel				
Salaries & Wages	605,550	476,740	27.0%	128,810
Board of Directors	9,000	9,000	0.0%	-
Taxes, Benefits & Other				
Labor Costs	163,080	131,760	23.8%	31,320
Technology & Supplies	131,200	125,000	5.0%	6,200
Billing				
Operations & Maintenance	106,100	96,500	9.9%	9,600
Personnel				
Salaries & Wages	191,490	183,700	4.2%	7,790
Taxes, Benefits & Other				
Labor Costs	68,520	65,440	4.7%	3,080
Technology & Supplies	25,400	36,900	-31.2%	(11,500)
Total Expenses	\$ 1,619,340	\$ 1,478,940	9.5%	140,400



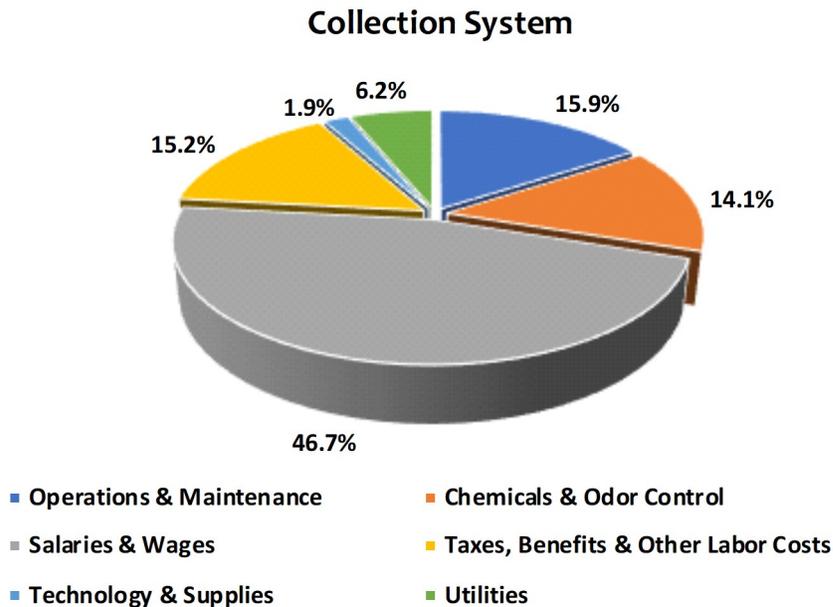
COLLECTION SYSTEM

The sewer collection system consists of over 200 miles of gravity sewer pipes and more than over 5,000 manholes. The mountainous terrain of Fountain Hills necessitates the use of 19 wastewater pump stations. Sewage is collected and pumped up and over hills, sometimes multiple times, before ultimately ending up at the wastewater treatment plant.

In order to maintain the integrity of the District’s collection system, inspections are performed on the system’s components. The District performs periodic TV inspection of all the District’s gravity sewer lines. From this inspection, measures can be taken by the District to prevent main sewer line blockages or failures.

Notable items impacting the FY 20-21 adopted budget for the District’s Collections System are:

- ❖ The majority of this department’s budget increase year-to-year is attributable to changes in personnel related expenses.
- ❖ Maintenance and rehabilitation of the District’s manhole inventory is vital to the success of Collection System operations. 20 manholes have currently been identified as in immediate need of repair and the addition of one manhole is also being considered.
- ❖ Improvements to pump stations continue with new pumps, erosion control measures, paving improvements and electrical equipment upgrades.





Collection System

	2020-2021	2019-2020		Increase (Decrease) from 2019-2020
	Adopted Budget	Adopted Budget	% Change	Adopted Budget
Operations & Maintenance	270,400	252,500	7.1%	17,900
Chemicals & Odor Control	240,000	230,000	4.3%	10,000
Personnel				
Salaries & Wages	793,240	772,860	2.6%	20,380
Taxes, Benefits & Other				
Labor Costs	259,090	236,220	9.7%	22,870
Technology & Supplies	31,750	62,900	-49.5%	(31,150)
Utilities	105,500	110,500	-4.5%	(5,000)
Total Expenses	\$ 1,699,980	\$ 1,664,980	2.1%	\$ 35,000

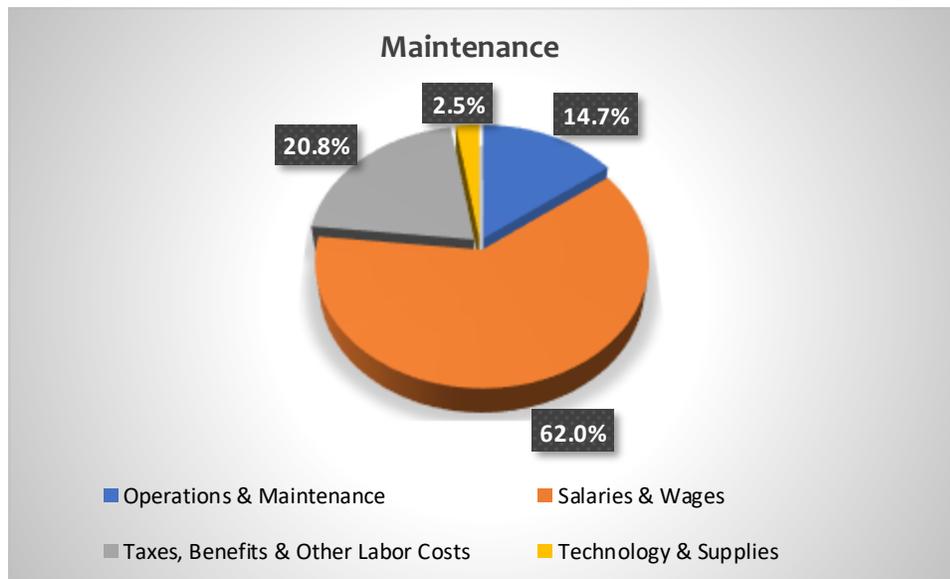


MAINTENANCE

In FY 19-20, the District added a separate Maintenance department to manage this essential function of District operating activities. Maintenance is responsible for regular maintenance of District vehicles, equipment, buildings and unit process components. Using Computerized Maintenance Management System (CMMS) software and their collective expertise, Maintenance employees are tasked with keeping the District running. This function is key to operating the District efficiently and effectively, tracking and executing maintenance plans designed to get the most out of the District’s assets, facilitating timely replacement plans which can help to avoid costly emergencies, and the overall health of the District’s significant investment in operational assets.

Notable items in Maintenance for the FY 20-21 adopted budget are:

- ❖ As a relatively new department, further refinements in Maintenance have been made to standard operating expenses (referred to as “Operations & Maintenance”) reflecting FY 19-20 actual activity and efficiencies realized from the creation of a dedicated maintenance department.
- ❖ Maintenance staff assists other District departments and operations with the repair and replacement of pumps and motors and ASR well vault control valves and pumps as well as scheduled oil changes on over 54 pumps at all District lift stations.
- ❖ By far, the largest expense of Maintenance, as with most District operations, is personnel expenses.
- ❖ Maintenance is tasked with implementation of the District’s new CMMS which will provide invaluable data and planning tools for the overall operations and maintenance of the District’s more than \$120 million-dollar investment in assets and infrastructure.





Maintenance

	2020-2021	2019-2020		Increase (Decrease) from 2019-2020
	Adopted Budget	Adopted Budget	% Change	Adopted Budget
Operations & Maintenance	136,500	163,250	-16.4%	(26,750)
Personnel				
Salaries & Wages	576,740	543,950	6.0%	32,790
Taxes, Benefits & Other				
Labor Costs	193,440	162,810	18.8%	30,630
Technology & Supplies	23,200	30,000	-22.7%	(6,800)
Total Expenses	\$ 929,880	\$ 900,010	3.3%	29,870



RECYCLED WATER

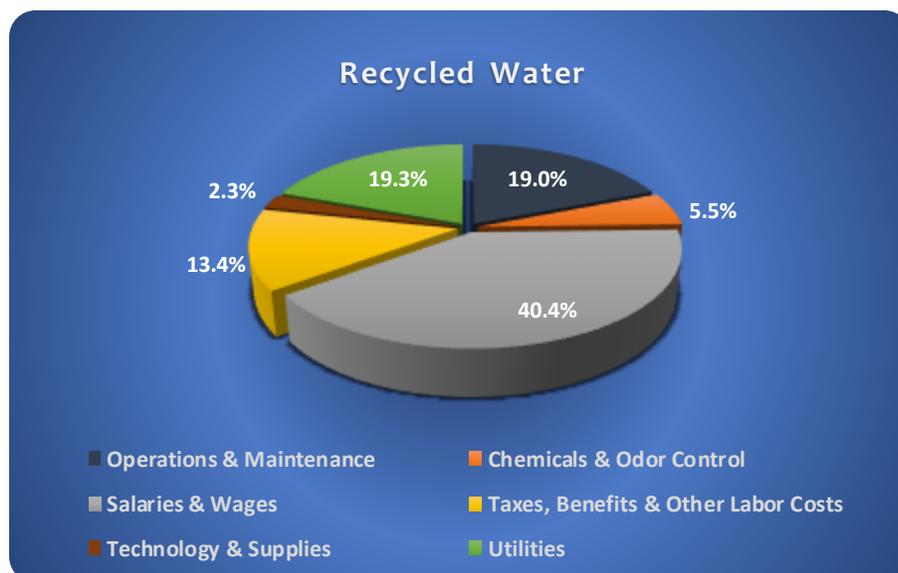
Recycled, sometimes referred to as reclaimed, water management is historically one of the District’s most demanding and challenging operations. For efficiency purposes, the treatment and distribution of recycled water is incorporated in the responsibilities of the CS and WWTP departments, but as a core function of the District, the costs associated with this function are presented separately in the budget.

The Advanced Water Treatment Facility (AWTF) began operation in February of 2001. This facility includes ultra-filtration membranes and ultraviolet (UV) light disinfection. These facilities along with five aquifer storage and recovery (ASR) wells allow the District to successfully manage the seasonal difference in supply and demand of recycled water.

Every drop of wastewater generated in the District’s service area is recycled and beneficially reused for internal processes and irrigation purposes. Recycled water is distributed for irrigation at three local golf courses, as well as three Town parks (Fountain Park including Fountain Lake, Golden Eagle Park, and Desert Vista Park). The recycled water supplied can come from any one of the following sources; wastewater treatment plant, advanced water treatment facility, or aquifer storage and recovery wells. All recycled water exceeds water quality standards set by the Arizona Department of Environmental Quality (ADEQ).

Notable items in operations for the treatment, distribution and disposal of Recycled Water are:

- ❖ A renewed effort to systematically maintain or replace the 54 air release valves (ARVs) in the recycled water distribution system will require an additional \$35,000 over the FY 19-20 budget, an increase of over 200%. O&M expenses in WWTP and CS departments have been shored up to facilitate the allocation of budget to these efforts.
- ❖ O&M costs directly attributable to the District’s UV treatment system indicate a decrease from the prior year, FY 19-20 budget, which included allowances for major refurbishments.
- ❖ Many of the notable items pertaining to the WWTP will also impact RW operations as the two processes are managed collectively and are extremely integrated.





Recycled Water

	2020-2021	2019-2020		Increase (Decrease) from 2019-2020
	Adopted Budget	Adopted Budget	% Change	Adopted Budget
Operations & Maintenance	275,670	260,850	5.7%	14,820
Chemicals & Odor Control	80,000	75,000	6.7%	5,000
Personnel				
Salaries & Wages	584,440	604,970	-3.4%	(20,530)
Taxes, Benefits & Other				
Labor Costs	193,810	186,740	3.8%	7,070
Technology & Supplies	33,470	34,600	-3.3%	(1,130)
Utilities	280,000	280,000	0.0%	-
Total Expenses	\$ 1,447,390	\$ 1,442,160	0.4%	\$ 5,230

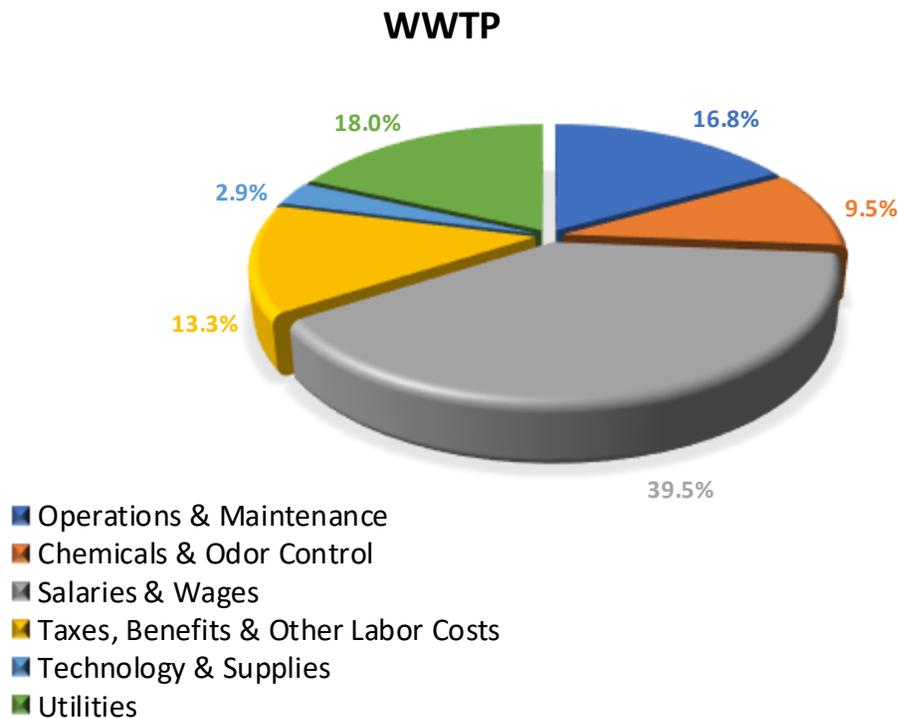


WASTEWATER TREATMENT PLANT

First constructed in 1974, the Wastewater Treatment Plant has undergone many expansions and improvements to its treatment process over the years. Today, the facility provides tertiary treatment (three levels of treatment) of the incoming wastewater. Its finished product (Class A+ recycled water) meets or exceeds all ADEQ standards for reuse.

Notable items in the WWTP FY 20-21 adopted budget are:

- ❖ Historically, a significant portion of WWTP O&M spending was dedicated to the replacement of equipment, such as large-scale pumps. These expenditures are now being funded with FERR resources. This allows for closer monitoring and control of purely operating expenses within this department.
- ❖ Despite increases to employee benefit costs (see District Personnel section to follow) WWTP personnel expense for currently staffed positions is down due to the retirement or reclassification of some senior staff members in recent years.
- ❖ Utility costs in the plant are expected to remain stable or slightly decrease as savings and efficiencies continue to be realized from the Solids Handling Project completed in FY 19-20 and the Aeration Basin Improvement Project scheduled to begin in FY 20-21.
- ❖ WWTP operating expenses overall have been scrutinized and tightened up with the savings being utilized to help offset increases in administrative spending.





WWTP

	2020-2021	2019-2020		Increase (Decrease) from 2019-2020
	Adopted Budget	Adopted Budget	% Change	Adopted Budget
Operations & Maintenance	316,380	320,650	-1.3%	(4,270)
Chemicals & Odor Control	179,500	170,000	5.6%	9,500
Personnel				
Salaries & Wages	744,440	778,640	-4.4%	(34,200)
Taxes, Benefits & Other				
Labor Costs	250,180	244,640	2.3%	5,540
Technology & Supplies	55,080	56,000	-1.6%	(920)
Utilities	340,200	347,000	-2.0%	(6,800)
Total Expenses	\$ 1,885,780	\$ 1,916,930	-1.6%	(31,150)



DISTRICT PERSONNEL SUMMARY

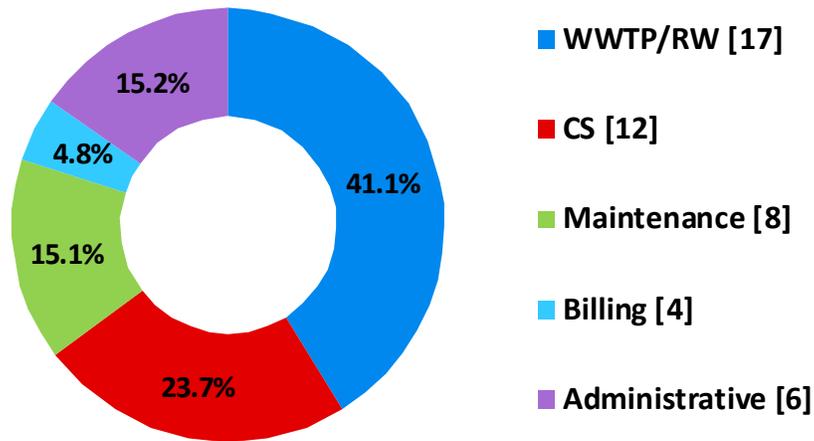
The District considers health and wellness benefits an important part of overall compensation offered to attract and retain talent in a competitive job market. Upon review of the employee benefit package, the District Manager has implemented changes to absorb a greater portion of the medical plan premium costs to cover families, providing a greater value to staff while the District continues to offer competitive plans.

This change, combined with an increased Workers Compensation rating, one additional staff position and application of a 2% cost of living increase to the District wage schedules (compared to an increase of 2.1% to the national consumer price index in 2019) are the factors contributing to the 5.5% increase in overall personnel costs for FY 20-21.

Other Personnel Costs shown in the illustrations include Uniforms, Training & Travel, Physicals & Tests and other nominal employee related expenses.

The FY 20-21 wage schedule and schedule of positions are provided in the “Supplemental Schedules” section on pages 54 and 55.

Wages by Department
[# of employees]



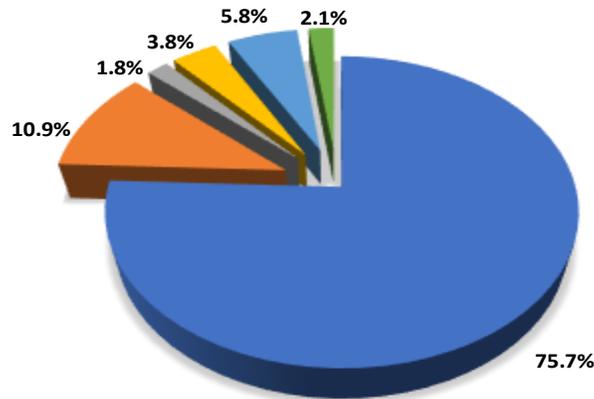


All District Personnel

	2020-2021 Adopted Budget	2019-2020 Adopted Budget	% Change	Increase (Decrease) from 2019-2020 Adopted Budget
Salaries & Wages	3,496,000	3,360,870	4.0%	135,130
Benefits				
Health, Disability & Life Insurance	502,830	413,000	21.8%	89,830
Worker's Compensation Insurance	82,700	77,600	6.6%	5,100
Retirement	174,800	169,610		
Employer Taxes	267,440	259,510	3.1%	7,930
Other Personnel Expenses				
Physicals & Tests	7,800	7,650		
Training & Travel	42,050	54,450		
Uniforms	31,100	30,800		
Other Payroll Expenses	15,400	9,300	1.0%	300
Total Personnel Expenses	\$ 4,620,120	\$ 4,382,790	5.5%*	103,160

*Increase includes the addition of a professional staff position, Project Manager [Engineer]

All District Personnel



- Salaries & Wages
- Health, Disability & Life
- Worker's Compensation
- Retirement
- Employer Taxes
- Other Personnel Expenses

System & Facility Improvements



PERSPECTIVE

System & Facility Improvements (SFI) are the District's capital outlay activities and are essential to the continued operation of District systems from year-to-year. Expenditures that provide the District with long-term benefit such as major equipment purchases, vehicles, construction projects, and other fixed assets are designated as SFI. Most improvements to buildings, sewer infrastructure, and other core components of the sewer system designed to last more than one year are considered SFI. Construction projects, for new facilities or rehabilitation of existing facilities typically generate expenditures over many months and often over multiple fiscal years. These projects are generally expensive and require substantial planning well in advance of their execution.

District staff carefully considers the long-term implications and the probability of significant variables when constructing an SFI plan. Each SFI expenditure is evaluated to determine what, if any, portion of the project is designed to facilitate District growth. The growth component of each expenditure can serve to expand or improve District unit processes in relation to increasing District flows, critical redundancies with District systems or compliance with government regulations and advancements in safety and technology. Many of these expenditures are multi-purpose in nature and the expenditures are prorated as such. The purpose of each project is important to determine the proper revenue source to fund the expenditure.

Property Taxes, a General Fund revenue source, are the primary resource for funding SFI required to repair, replace, or extend unit processes for ongoing operations. Revenue from Connection Fees, which are primarily a Capital Fund revenue source, are utilized to finance growth driven SFI. District staff evaluates the purpose of each project and allocates expenditures to the General or Capital Fund in accordance with applicable Board designations and assignments.

Multimillion-dollar projects may require large cash reserves accumulated over many fiscal years. In addition, certain revenue sources, Connection Fees especially, may fluctuate significantly from one year to the next. Consequently, the Capital Fund budget is not "balanced" to zero but instead is designed to either accumulate or expend cash year-to-year based on actual revenues versus expenditures for growth driven SFI. Variations in project timing, completion periods extended over multiple fiscal years and revenue fluctuations are often reflected in large variances when making year-to-year comparisons.

As mentioned above, equipment, vehicles, and other fixed asset purchases are also considered a part of SFI planning and are generally funded by FERR. Maintenance of the FERR Account is essential to the District's ability to provide uninterrupted service to its customers. The FERR designation allows General Fund monies to accumulate in reserve, for the specific purpose of funding both planned and unplanned expenditures for the current and future replacement or refurbishment of existing facilities and equipment.

The District's Five-Year System & Facility Improvements (SFI) Plan is revised annually as part of the budget process. Staff considers multiple factors, including but not limited to need, cost, timing, and scheduling conflicts in order to develop this plan. Careful consideration of the age and working condition of District facilities, equipment and infrastructure is paramount when prioritizing needed SFI and FERR expenditures. Staff continually strives to plan and implement efficient and cost-effective solutions to update aging unit processes.



HIGHLIGHTS

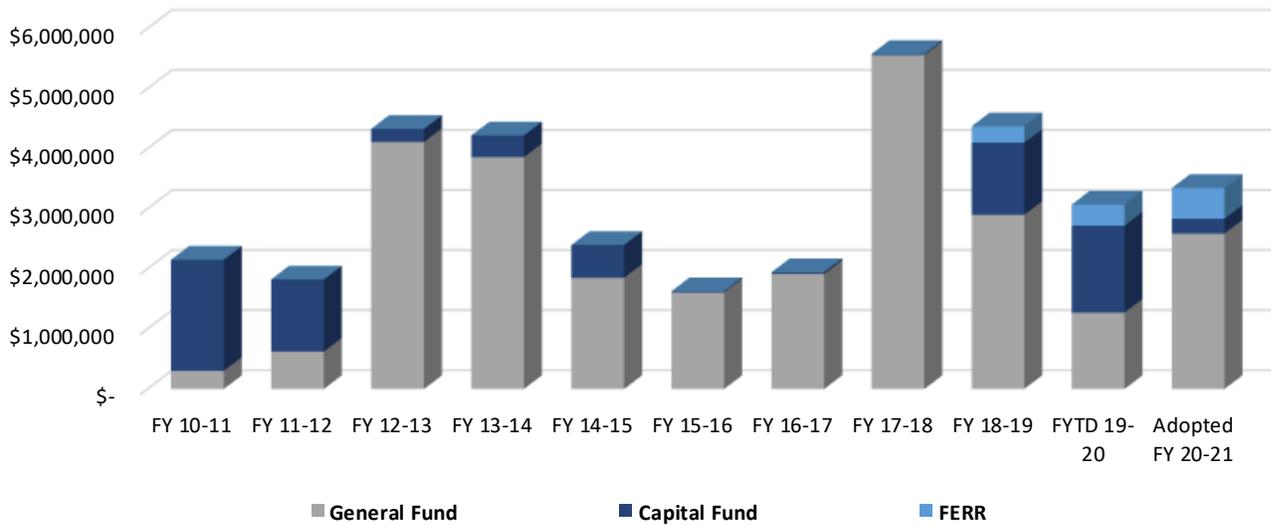
District staff exercises its best judgement and collective experience in assessing the District's SFI needs. A conservative approach is taken to requesting funds for these typically "big-ticket" items with thoughtful deliberation in establishing priorities of the larger projects. The most significant of needed improvements identified in the FY 20-21 plan are described below.

- The Secondary Treatment System Improvement project was initiated in FY 19-20 and will continue with construction into FY 20-21. This multi-year project will improve control systems, replace aging control equipment, improve treatment performance, and reduce electrical demands. The last major improvement of the "heart" of the biological treatment system was nearly 20-years ago.
- Several projects will be initiated as a result of recommendations made in the District's updated Master Plan report. The first project will be the immediate design and installation of an additional effluent pump at the WWTP to distribute flows to the AWTF and/or to the reclaimed water distribution system. An additional project will include a feasibility study for the construction of an emergency outfall to the City of Scottsdale's sewer collection system.
- Over the last few years, a focus has been placed on the slip-lining of pipes in need of rehabilitation in the Collection and RW Systems. Having tackled the most critical ones, the focus will now shift to addressing deferred maintenance on manholes and the reclaimed water distribution systems' Air Release Valves (ARVs).
- The Sewer Atlas is the District's paper-based map book of the collection system. In FY 19-20, the District developed a complete and functioning Geographic Information System (GIS) as a digital geographic-based database for the information on the sewer system's construction and components. In FY 20-21 the District will build on that initiative and fully integrate the District's Sewer Atlas and the sewer camera inspection reports onto the GIS platform. The GIS system allows for the tracking, mapping, and planning of routine sewer cleaning and inspection reports to be tied to the data of the sewer system components.
- The District will continue utilizing and contributing to the FERR account for the scheduled replacement of items that make up the District's \$120 million dollar investment in assets. Active management of these assets is required for the safe and continuous operation of the District's collection and treatment systems. A slow and steady funding of these reserves will accommodate necessary spending without a dramatic temporary or permanent increase to District revenue sources.

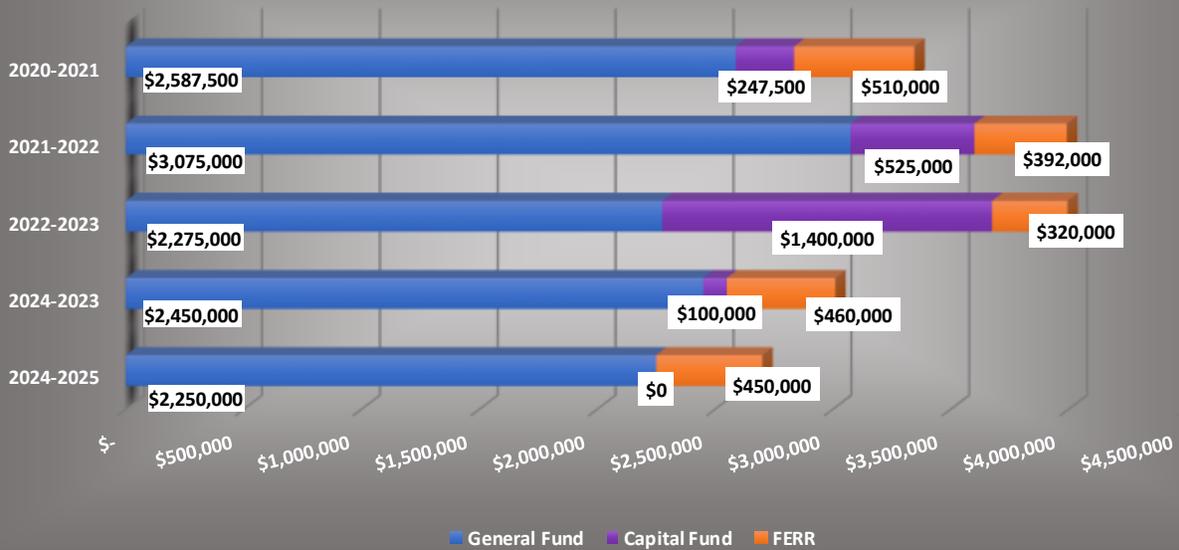


HISTORICAL & PROJECTED SFI

**Historical SFI Spending by Fund
(Actual Totals - Past 10 Years)**



**Projected SFI Spending by Fiscal Year
(General Fund, Capital Fund, FERR)**





ADOPTED SFI BUDGET

SFI Revenues & Expenditures All Funds

	General Fund		Capital Fund	2020-2021	2019-2020	% Change
	Operations	FERR		Adopted Budget All Funds	Adopted Budget All Funds	
Revenues						
Property Taxes	3,146,100	-	-	3,146,100	3,228,920	-2.6%
Connection Fees	-	-	480,600	480,600	849,000	-43.4%
Other Income	-	-	51,750	51,750	42,750	21.1%
Reserves*	-	1,751,400	-	1,751,400	-	0.0%
Funds Transfer	(558,600)	558,600	-	-	(25,920)	--
Total Revenues	\$ 2,587,500	\$ 2,310,000	\$ 532,350	\$ 5,429,850	\$ 4,094,750	-10.2%
Expenditures						
System & Facility Improvements						
WWTP	1,660,000	135,000	65,000	1,860,000	610,000	204.9%
RW	665,000	105,000	50,000	820,000	2,917,000	-71.9%
CS	232,500	240,000	132,500	605,000	560,000	8.0%
Maintenance	30,000	-	-	30,000	40,000	-25.0%
Admin & Billing	-	30,000	-	30,000	-	--
Non-Departmental Contingencies & Unforeseen Events*		1,800,000	-	1,800,000	-	--
Total Expenditures	\$ 2,587,500	\$ 2,310,000	\$ 247,500	\$ 5,145,000	\$ 4,127,000	24.7%
Excess of revenues over expenditures	\$ -	\$ -	\$ 284,850	\$ 284,850	\$ (32,250)	

*See notations on page 15



ADOPTED SFI FIVE-YEAR PLAN

Updated Five-Year Plan by Category All Funds - SFI (Includes Planned FERR)

PROJECT DESCRIPTION	2020-2021	2021-2022	2022-2023	2023-2024	2024-2025
WWTP					
Plant Control Bldg & Lab Modifications (Design)	\$ 130,000				
Parking Improvements & EV Charging Station (D&C)	\$ 75,000				
Arch Flash Study and MCC Inspections (Study)	\$ 120,000				
Effluent Pump #4 (Design & Construction)	\$ 500,000				
Sec. Treatment System Improvements cont'd (Const)	\$ 900,000	\$ 850,000			
Plant Control & Lab Bldg Mods (Construction)		\$ 850,000			
Digester Aeration System Replacement (Design)		\$ 250,000			
Clarifier #3 Rehab		\$ 150,000			
Digester Aeration System Replacement (Construction)			\$ 850,000	\$ 150,000	
Grit System Improvements (Design)				\$ 100,000	
Grit System Improvements (Construction)					\$ 750,000
WWTP Refurbish Effluent Pump Station					\$ 500,000
FERR - Planned	\$ 135,000	\$ 130,000	\$ 100,000	\$ 100,000	\$ 135,000
RW					
RW ARV Replacement Project - Phase 1 (D&C)	\$ 100,000				
Scottsdale Interconnect Feasibility Study	\$ 50,000				
Replace AWTF Pre-Membrane Strainers (D&C)	\$ 300,000				
Bulk SBS Storage Tank and Modifications (D&C)	\$ 65,000				
ASR Well 1 Vault Replacement (Design)	\$ 200,000				
ARV Replacement Project - Phase 2		\$ 100,000			
ASR Well #6 (Study & Design)		\$ 150,000			
ASR Well 1 Vault Replacement (Construction)		\$ 500,000	\$ 500,000		
ARV Replacement Project - Phase 3			\$ 100,000		
ASR Well #6 (Construction)			\$ 650,000		
Scottsdale Interconnect (Construction)			\$ 750,000		
UV System Replacement			\$ 750,000		
ASR Well #6 (Construction)				\$ 1,000,000	
AWTF - Replace Membranes and Other Improvements				\$ 850,000	\$ 150,000
FERR - Planned	\$ 105,000	\$ 100,000	\$ 100,000	\$ 135,000	\$ 100,000
CS					
Update Sewer Atlas & Integrate GIS	\$ 100,000				
Manhole Rehabilitation (Construction)	\$ 100,000				
PS 10 Improvements (Design)	\$ 75,000				
PS Improvements	\$ 90,000				
PS 10 Improvements (Construction)		\$ 750,000			
PS 3 Improvement Project (Design)			\$ 75,000		
PS 3 Improvement Project (Construction)				\$ 500,000	
PS Refurbishment (Design)				\$ 100,000	
PS Refurbishment (Design)					\$ 100,000
PS Refurbishment (Construction)					\$ 750,000
FERR - Planned	\$ 240,000	\$ 175,000	\$ 185,000	\$ 185,000	\$ 185,000
OTHER					
Vehicle Lift for Fleet Repair Shop (Purchase)	\$ 30,000				
FERR - Planned	\$ 30,000	\$ 65,000	\$ 40,000	\$ -	\$ 20,000
Total System & Facilities Improvements	\$ 3,345,000	\$ 4,070,000	\$ 4,100,000	\$ 3,120,000	\$ 2,690,000
Note: Capital Fund (Growth) Portion of above	\$ 247,500	\$ 525,000	\$ 1,400,000	\$ 100,000	\$ -

Facilities & Equipment Replacement Reserve



FACILITIES & EQUIPMENT

The Facilities and Equipment Replacement Reserve (FERR) Account was established in FY 2018-2019 as a segregation of General Funds to provide for the planned or unplanned expenditures for the replacement, high-cost repair, or refurbishment of existing facilities and equipment.

The District has more than \$120 million of assets, (\$58 million net of depreciation) each with a finite life of 5 to 50 years. Most of the necessary equipment required for the safe and effective collection and treatment of wastewater has a useful service life of 5 to 20 years. Therefore, the eventual replacement of such assets is best done when appropriately planned and funded by stable revenue sources.

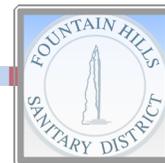
The objectives of FERR are as follows:

- a. To provide adequate resources for the planned and systematic replacement of District equipment and facilities.
- b. To have sufficient reserves to cover the unplanned replacement of District equipment and facilities necessitated by early equipment failure.
- c. To accumulate reserves for large and expensive facility replacement projects that require more funds than can be generated in one or two fiscal years.

By planning for a slow and steady accumulation of reserves needed for large and expensive facility replacement projects, the District can avoid significant changes in the tax levy from year to year, thereby stabilizing tax rates for its constituents.

FERR DETAIL

PROJECT DESCRIPTION	2020-2021
WWTP	
Restoration/Replacement of WWTP Effluent Pump (1 of 5)	\$ 30,000
Replace Lab Building Roof Underlayment	\$ 25,000
Replace One Plant Service Vehicle	\$ 30,000
Unscheduled Replacements	\$ 50,000
RW	
Replace AWT Valves - Installation	\$ 35,000
Restoration/Replacement of 1 Mem. Feed Pump (1 of 4)	\$ 25,000
Restoration/Replacement of 1 Mem. Product Pump (1 of 6)	\$ 20,000
Restore/Replace One FireRock Pump Station Pump (1 of 6)	\$ 25,000
CS	
Pump Station Pumps - Replacements	\$ 50,000
PS 4 Pump Replacement	\$ 125,000
Replace Service Tap Utility Truck	\$ 65,000
OTHER	
Replace Administration Vehicle	\$ 30,000
Total FERR	\$ 510,000



VEHICLE REPLACEMENT PROGRAM

The purpose of the Vehicle Replacement Program is to provide a reasonable decision-making process for the evaluation, selection, and multi-year scheduling of vehicle replacements based on the vehicle’s age, mileage, engine hours, repair costs, and criticality to the continuous maintenance and operation of the sewer collection and treatment systems. The objectives of the program are to:

- a. Ensure the timely purchase and replacement of the District’s vehicles;
- b. Plan for and minimize expensive long-term repair costs;
- c. Plan for and stabilize long-term cash flow expenditures for replacement of costly vehicles and specialty equipment; and
- d. Exercise efficient and effective vehicle acquisition and replacement.

A vehicle is defined as a piece of rolling stock with a final cost of at least \$10,000 and a useful life of 7 years. The table below identifies the general guidelines for the classification and replacement of the District’s vehicles.

Classification	Descriptions	Cost Effective Useful Life
Light Duty Trucks	General Work Trucks (1-ton work trucks), 0 – 7,000 GVWR	10 years/100,000 miles
Medium Duty Trucks	Field and Maint. Work Trucks (2 and 3-ton work trucks), 7,001 – 11,000 GVWR	12 years/100,000 miles
Heavy Duty Trucks	11,001 and higher GVWR	15 years/100,000 miles
Passenger Vehicles		10 years/100,000 miles
Specialty Sewer Inspection Vehicles (Camera)	Truck and Camera Operation Station	15 years/100,000 miles
Specialty Sewer Equipment and Construction Vehicles	Dump Trucks, Water Trucks, Sewer Vacuum and Cleaner Trucks, Cranes	20 years/100,000 miles
Backhoes		20 years/15,000 engine hours
Trailers		10 years
Gator or Golf Cart		10 years/15,000 engine hours

When making recommendations for the replacement of a vehicle, Department Managers and/or District Manager shall review the utilization, maintenance records, overall condition of the vehicle, age, availability and expense of replacement parts, and the criticality of its function in the continuous maintenance and operation of the sewer collection and treatment systems.

SOURCE OF FUNDS: Vehicle Replacement shall be scheduled and funded within the Facilities & Equipment Replacement Reserve (FERR) Account. The Vehicle Replacement Schedule is included in the “Supplemental Schedules” section of this document.

Debt Service Fund



DEBT SERVICE

The Debt Service Fund is a fund designed to account strictly for financing secured by a District bond issue and the ensuring repayment of those bonds. When in use, the Debt Service Fund provides the accounting for any public financing secured by the District. Funds generated by public financing such as a bond issue are typically used to fund improvement projects that are too large to be financed from current or accumulated fund balances.

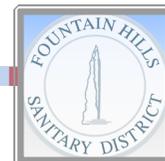
Revenue sources available through District Debt Service include a line of credit, a Water Infrastructure Finance Authority (WIFA) loan or the sale of voter approved bonds. Expenditures accounted for in the Debt Service Fund are debt repayments, interest and fees on debt and potentially expenditures by the bond or loan purpose.

The District originally utilized the Debt Service Fund to account for the bonds requested and authorized by voter election to finance the construction and expansion of its pumping and treatment facilities in the early 1970's. By 1995 a total of \$20,910,000 in bonds were sold and the resulting debt was repaid in full by 2005. Since 2005 the District has been, and remains, debt-free and therefore, does not currently utilize the Debt Service Fund.



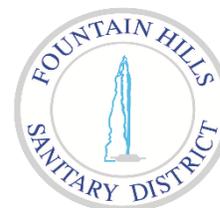
SCHEDULE OF BUDGET ACTIVITIES

<u>Date</u>	<u>Day</u>	<u>Event</u>
2/19/20	Wednesday, 5:30pm	Regular Board Meeting; State of the budget presentation with preliminary information and estimates.
3/06/20	Friday	Preliminary budget and Fee Schedule delivered to Directors.
3/18/20	Wednesday, 5:00pm	Budget & Fee Schedule Workshop; Regular Meeting.
4/15/20	Wednesday, 4:00pm	Regular Meeting; Present the Proposed Budget with Accounting report on substantive changes since workshop along with items for publication. Board to finalize proposed Fee Schedule and tax rate for Public Hearing.
4/16/20	Thursday	Proposed Budget, Fee Schedule and Public Meeting Notice to Times for publication.
4/22/20 & 4/29/20	Wednesday	Proposed Budget, Fee Schedule, and Public Meeting Notice published in Times; Send .pdf copy of Budget to Times staff upon request.
5/20/20	Wednesday, 5:00pm	Regular Meeting; Public Hearing for Fee Schedule; Public Meeting for Budget.
6/17/20	Wednesday, 5:30pm	Regular Meeting; Approve Budget and Fee Schedule.
6/25/20	Thursday	Budget Submitted to County.



BOARD OF DIRECTORS

**FOUNTAIN HILLS SANITARY DISTRICT
BOARD OF DIRECTORS**



Bob Hendrix	January 1, 1969-December 31, 1973
Carol Hendrix	January 1, 1969-December 31, 1973
Mary Louise Price	January 1, 1969-December 31, 1975
Bob Williams	January 1, 1974-December 31, 1981
Raymond Reed	January 1, 1974-December 31, 1977
Doyle Bauserman	January 1, 1976-December 31, 1979
Sy Seidner	January 1, 1978-December 31, 1981
Don Martin	January 1, 1980-October 31, 1980
Margaret Jeffrey	November 1, 1980-December 31, 1983
Leo Cunningham	January 1, 1982-March 31,1984
Clint Foreman	April 1, 1984-December 31, 1985
Cy Blasing	January 1, 1982-December 31, 1985
Dr. Robinson	January 1, 1984-December 31, 1987
Cliff Auble	January 1, 1986-May 31, 1987
Harry Thrasher	June 1, 1987-December 31, 1989
Greg Phillips	January 1, 1986-December 31, 1989
Jim Tocnacci	January 1, 1988-December 31, 1991
M. Shawn Fleming	January 1, 1990-December 31, 1997
Bruce Hansen	January 1, 1990-December 31, 1993
Dennis Regeski	January 1, 1992-December 31, 1995
Bert Putterman	January 1, 1994-December 31, 2006
Walter Franklin	January 1, 1996-December 31, 1999
Dennis Regeski	January 1, 1998-December 31,2001
Bruce Hansen	January 1, 1998-December 31, 2001
Wallace Nichols	January 1, 2000-December 31,2003
Jim Garvin	March 9, 2002-December 31, 2006
Bruce Hansen	January 1, 2004-August 11, 2016
Michael Howard	January 1, 2007-December 31, 2011
Glenn Panaro	January 1, 2007-September 30, 2014
Thomas Besett	January 1, 2012-April 18, 2017
Robert Thomson	August 9, 1999-PRESENT
Tom Reski	March 9, 2002- PRESENT
Gregg Dudash	March 1, 2015-PRESENT
Jerry Butler	October 18, 2016-PRESENT
Michael Maroon	July 18, 2017-PRESENT

Current Terms of Office

January 1, 2018-December 31, 2021
Tom Reski (elected)
Gregg Dudash (elected)

January 1, 2020-December 31, 2023
Robert Thomson (elected)
Jerry Butler (elected)
Michael Maroon (elected)



FUND BALANCE DESIGNATIONS

As discussed in the Financial & Budget Overview section on Page 14, annual financial statements prepared by the District are presented on a modified accrual basis in accordance with U.S. Generally Accepted Accounting Principles. Consequently, amounts presented in the budget which are shown on a budgetary basis may not be a direct correlation to year-end financial statements for the same time period. Governmental Accounting Standards applied to the District's annual financial statements also indicate that fund balance should be identified as either Spendable or Nonspendable, with Spendable funds further classified as Restricted, Committed, Assigned, or Unassigned according, as applicable, to internal, external or legislative constraints placed on how District monies can be spent. These designations made in the District's annual Financial Statements, *Governmental Funds Balance Sheet and Statement of Net Position* are not presented in this budget but are described in more detail below for informational purposes.

Nonspendable: Nonspendable refers to the portion of fund balance which is not in spendable form or is legally or contractually required to remain intact (i.e. Inventory or other nonliquid assets).

Spendable: Spendable refers to the portion of fund balance which is in spendable form and is further categorized as follows:

Restricted indicates those funds with restrictions imposed externally by creditors or by legislation.

Committed funds can only be used for a specific purpose imposed by action of the District's Board of Directors (i.e. amounts committed under executed contracts). These funds cannot be used for any other purpose unless a formal action of the Board removes or changes the specified use.

Assigned refers to the amount of fund balance constrained only by the District's intent that it be used for a specific purpose, not by form or legislative, legal, or Board action.

Unassigned the fund balance amount remaining after the previous classifications have been applied.



TAXES & FEES: FIVE-YEAR HISTORY

		2016-2017	2017-2018	2018-2019	2019-2020	2020-2021 Proposed	% Change	
Sewer User Fees	Quarterly Fees:							
	Residential	\$75.00	\$81.00	\$81/\$84	\$84.00	\$84/\$87	3.6%	
	Hotel/Motel per unit	\$33.00	\$33.75	\$33.75	\$33.75	\$33.75	0.0%	
	Assisted Living per occupant	\$33.00	\$33.75	\$33.75	\$33.75	\$33.75	0.0%	
	Commercial Minimum	\$99.00	\$105.00	\$105.00	\$105.00	\$105.00	0.0%	
	Commercial (by water usage)	varies	varies	varies	varies	varies		
Connection Fees	Schools	\$270	\$270	\$270	\$270	\$270	0.0%	
	One-Time Fees:							
	Hook-up Fee	\$400	\$400	\$400	\$400	\$400	0.0%	
	Lateral Fee	\$3,000	\$4,500	\$4,500	\$4,500	\$4,500	0.0%	
	Residential Capacity Fee (Single Family)	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	0.0%	
	Residential Capacity Fee (Multi-Family, per unit)	\$5,200	\$5,200	\$5,200	\$5,200	\$5,200	0.0%	
	Hotel/Motel Capacity Fee (per unit)	varies	\$4,145	\$4,145	\$4,145	\$4,145	0.0%	
	Assisted Living Capacity Fee (per occupant)	\$3,500	\$3,500	\$3,500	\$3,500	\$3,500	0.0%	
	Commercial Capacity Fee (per unit)	varies	varies	varies	varies	varies		
	Shea Corridor Surcharge (Non-residential varies)	\$1,260	\$1,260	\$1,260	\$1,260	\$1,260	0.0%	
	Shea Corridor Surcharge Hotel/Motel (per unit)	\$450	\$450	\$450	\$450	\$450	0.0%	
	Other Charges	Annual Fees:						
Availability Fee		\$84	\$84	\$84	\$84	\$84	0.0%	
Property Taxes (per \$100 in AV)		\$0.902	\$0.984	\$0.982	\$0.981	\$0.955	-2.7%	
Fees Per Occurrence:								
Project Review/Inspection Fee (Per Lineal Foot)		\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	0.0%	
plus (per pump station)		\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	0.0%	
RV Dump Fee - Nonresident		--	\$5.00	\$5.00	\$5.00	\$5.00	0.0%	
RV Dump Fee - Commercial		--	\$25.00	\$25.00	\$25.00	\$25.00	0.0%	
Reclaimed Water (per acre foot)		\$380	\$380	\$380	\$380	\$380	0.0%	
Encroach/Abandonments		\$25/\$75	\$25/\$75	\$25/\$75	\$25/\$75	\$25/\$75		
Sewer User Establishment Fee		\$30	\$30	\$30	\$30	\$30	0.0%	
Public Records (Copies/Postage)		varies	varies	varies	varies	varies		
Penalties and Interest		Interest on late payments	10%	10%	10%	10%	10%	0.0%
		Sewer User Fee Late charge	\$25	\$25	\$25	\$25	\$25	0.0%
	Non-sufficient funds fee	\$30	\$30	\$30	\$30	\$30	0.0%	
	Failure to obtain Service Agr.	\$750	\$750	\$750	\$750	\$750	0.0%	
	Lien Fee	\$150	\$150	\$150	\$150	\$150	0.0%	
	User Service Discontinue Fee	actual costs	actual costs	actual costs	actual costs	actual costs		
	User Fee Deposit	\$150	\$162	\$162	\$162	\$174	7.4%	
	Consumer Price Index Change**	0.70%	2.10%	2.10%	1.90%	2.30%		

**From U.S. Department of Labor, Bureau of Labor Statistics (<http://www.bls.gov>, "12-month % change, CPI, U.S. all items)



TAXES & FEES SUMMARY SCHEDULE

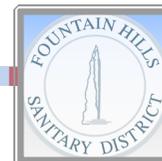
Establishing Fee Schedule for the period July 1, 2020 to June 30, 2021

Residential	Monthly User Fees
Residential (single family homes, duplexes, condominiums, townhouses, apartment buildings, or other multi-family housing units).	\$28.00 per month (7/1/20 – 12/31/20) for each living unit of housing – billed quarterly. Increased to \$29.00 per month (effective 1/1/21)
Hotel, motel units, and bed and breakfast units.	\$11.25 per unit per month – billed quarterly
Assisted living units, independent living units, or other similar multi-unit facilities.	\$11.25 per occupant per month – billed quarterly

Non-Residential *	
Schools	\$90.00 per month – billed quarterly
Restaurants, Bars, Bakeries or Supermarkets	\$ 3.24 (Rate per 1,000 gallons)
Food Preparation (Non-Restaurant), Dry Cleaners, Laundries or Mortuaries	\$ 2.35 (Rate per 1,000 gallons)
Nursing Facilities, Hospitals, Clinics, Laboratories, Salons, Daycare Facilities or Automobile/Equipment Repair Facilities	\$ 2.03 (Rate per 1,000 gallons)
Carwashes, Offices, Retail Stores or Other	\$ 1.90 (Rate per 1,000 gallons)

*The average monthly water usage is determined by meter readings provided by EPCOR-Chaparral District for the prior calendar year. In no event shall the fees for non-residential users be less than **\$35.00** per month or **\$105.00** per quarter. If a building with multiple businesses is serviced by only one water meter, the owner will be billed at the rate for the business with the highest user classification.

Other Fees and Charges	
Availability Fee	\$84.00 billed annually (\$7.00 per month)
Establishment Fee	\$30.00 charged to set up an account
Late Fee	\$25.00 for accounts delinquent for more than 15 days
Interest Charges	10% (.0833% per month) applied to delinquent balances on the 20 th of each month
Lien Fee	\$150.00 lien fee filed against the property after the account is 90 days delinquent
Deposit	An amount equal to two quarters of User Fees charged after the account has been late two consecutive quarters
Returned Payment Fee	\$30.00 for all payments returned unpaid by any financial institution in addition to the amount of the check



Project Review Fee	\$2.00 per lineal foot plus the sum of \$2,000.00 for each pump station to be constructed. Additional fees may be charged on a time and material basis.
Encroachment or Abandonment Permit Fee	\$75.00 if a physical site visit is required, or \$25.00 if no site visit is required.
Fees for Reproduction and Delivery of Requested Public Records	Copy Fee - \$0.18 per 8.5"x11" standard, \$0.20 per 8.5"x14" legal, \$0.23 per 11"x17" page
Disposal Fees (Use of RV Dump Station)	RV disposal by District resident – No Charge RV disposal by non-resident - \$5.00 Commercial waterborne waste disposal - \$25.00
Recycled Water Fee	\$380.00 per acre-foot

New Sewer Connection Fees	
Hook-up Fee	\$400.00 per connection
Lateral Fee, if required	\$4,500.00 per connection
Capacity Fees - Residential	
Capacity Fees – Residential (single family homes)	\$10,000.00 per unit
Capacity Fees – Residential (Duplexes, condominiums, townhouses, apartment buildings, or other multi-family housing units)	\$5,200.00 per unit
Shea Corridor Capacity Fee Surcharge – Residential (single family homes, duplexes, condominiums, townhouses, apartment buildings, or other multi-family housing units), if required	\$1,260.00 per unit
Capacity Fees – Non-residential	
Water Meter Size – 1" or less	\$ 10,000.00
Water Meter Size – 1-1/2"	\$ 14,883.00
Water Meter Size – 2"	\$ 29,757.00
Water Meter Size – 2-1/2"	\$ 47,634.00
Water Meter Size – 3"	\$ 68,500.00
Water Meter Size – 4"	\$ 89,372.00
Water Meter Size – 6"	\$148,884.00
Capacity Fees – Hotel and motel units and bed and breakfast units	\$4,145.00 per unit
Capacity Fees – Assisted living units, independent living units, or other similar multi-unit facilities	\$3,500 per occupant
Shea Corridor Capacity Fee Surcharge - Water Meter Size – 1" or less	\$ 1,260.00 per meter
Shea Corridor Capacity Fee Surcharge - Water Meter Size – 1-1/2"	\$ 1,875.00 per meter
Shea Corridor Capacity Fee Surcharge - Water Meter Size – 2"	\$ 3,750.00 per meter
Shea Corridor Capacity Fee Surcharge - Water Meter Size – 2-1/2"	\$ 6,002.00 per meter
Shea Corridor Capacity Fee Surcharge - Water Meter Size – 3"	\$ 8,631.00 per meter
Shea Corridor Capacity Fee Surcharge - Water Meter Size – 4"	\$11,261.00 per meter
Shea Corridor Capacity Fee Surcharge - Water Meter Size – 6"	\$18,760.00 per meter
Shea Corridor Capacity Fee Surcharge – Hotel and motel units, bed and breakfast units, assisted living units, independent living units, or other similar multi-unit facilities, if required	\$ 450.00 per unit or per occupant



WAGE SCHEDULE

PROPOSED EFFECTIVE JULY 1, 2020 *

Exempt Positions (Salaried)	Minimum	Maximum
District Manager	\$ 126,480.00	\$ 169,200.00
Administrative Services Manager	\$ 82,620.00	\$ 117,912.00
Collection System Manager	\$ 82,620.00	\$ 117,912.00
WW Treatment Plant Manager	\$ 82,620.00	\$ 117,912.00
Maintenance Manager	\$ 82,620.00	\$ 117,912.00
Asst. District Engineer	\$ 72,420.00	\$ 106,080.00
Project Manager [Engineer]	\$ 79,000.00	\$ 105,000.00
Asst. Administrative Services Manager	\$ 66,300.00	\$ 96,492.00
Asst. Collection System Manager	\$ 66,300.00	\$ 96,492.00
Asst. WW Treatment Plant Manager	\$ 66,300.00	\$ 96,492.00
Laboratory Supervisor	\$ 66,300.00	\$ 96,492.00
SCADA Specialist	\$ 62,832.00	\$ 92,412.00
Laboratory Analyst	\$ 54,060.00	\$ 77,112.00
Customer Service Supervisor	\$ 54,060.00	\$ 77,112.00
Safety Coordinator	\$ 54,060.00	\$ 77,112.00
Construction Superintendent	\$ 60,000.00	\$ 102,000.00

Non-Exempt Positions (Hourly)	Minimum	Maximum
Executive Administrative Assistant & Purchasing	\$ 25.00	\$ 36.20
Administrative Assistant	\$ 21.55	\$ 31.22
Customer Service Representative	\$ 18.57	\$ 26.92
Collection System Lead Operator	\$ 28.28	\$ 40.96
Collection System Operator IV	\$ 26.92	\$ 38.98
Collection System Operator III	\$ 25.00	\$ 36.20
Collection System Operator II	\$ 22.09	\$ 32.01
Collection System Operator I	\$ 18.57	\$ 26.92
Equipment Operator/Foreman	\$ 25.00	\$ 36.20
Maintenance Mechanic - Senior	\$ 25.00	\$ 36.20
Maintenance Mechanic	\$ 22.09	\$ 32.01
Maintenance Technician	\$ 18.57	\$ 26.92
WWTP Lead Operator	\$ 28.28	\$ 40.96
WWTP Operator IV	\$ 26.92	\$ 38.98
WWTP Operator III	\$ 25.00	\$ 36.20
WWTP Operator II	\$ 22.09	\$ 32.01
WWTP Operator I	\$ 18.57	\$ 26.92

* Cost of Living Adjustment of 2.0% above FY 2019-2020

Note: Not all positions listed above will be filled for budget year



SCHEDULE OF POSITIONS

Dept.	Position	FY 18-19	FY 19-20	FY 20-21
	FTE = Full Time Equivalents	FTE	FTE	FTE
<u>MANAGEMENT/ENGINEERING</u>				
	District Manager	1	1	1
	Asst. District Engineer	1	1	1
	Safety Coordinator	-	-	-
	Project Manager [Engineer]	-	-	1
	Total Dept. Positions	2	2	3
<u>ADMINISTRATION</u>				
	Administration Services Manager	1	1	1
	Asst. Administration Services Manager	1	1	1
	Executive Admin. Assistant & Purchasing	1	1	1
	Customer Service Representatives (CSR)	3	3	3
	CSR Supervisor	1	1	1
	Total Dept. Positions	7	7	7
<u>COLLECTIONS SYSTEMS</u>				
	Manager	1	1	1
	Asst. Manager	1	-	-
	Operators (I - IV)	10	11	10
	Fleet Mechanics	2	-	-
	Construction Superintendent	-	-	1
	Total Dept. Positions	14	12	12
<u>PLANT OPERATIONS</u>				
	Manager	1	1	1
	Asst. Manager	1	1	1
	SCADA Specialist	-	-	1
	Operators (I - IV)	13	13	12
	Lab Staff	2	2	2
	Plant Mechanics/Operators	4	-	-
	Total Dept. Positions	21	17	17
<u>MAINTENANCE</u>				
	Manager	-	1	1
	Fleet Mechanics	-	2	2
	Equipment & Facilities Mechanics	-	4	4
	Maintenance Technician	-	1	1
	Total Dept. Positions	0	8	8
TOTAL STAFF		44	46	47



VEHICLE REPLACEMENT SCHEDULE

FY	DEPARTMENT	VEHICLE	YEAR	MAKE	DESCRIPTION	FUNCTION	REPLACEMENT BUDGET*
FY20-21							
2020	Treatment	S-26	2002	Chevy	1500 Pickup	WWTP/AWTF	\$ 30,000
2020	Admin	S-1	2010	Ford	Escape (Replace w/ hybrid or elec)	Admin	\$ 30,000
2021	Collections	S-8	2008	Ford	F-450 Utility Truck	Sewer Tap Crew	\$ 65,000
FY21-22							
2021	Maintenance	S-6	2002	Chevrolet	3500 HD Utility Truck	Maint. Work Crew	\$ 65,000
2022	Treatment	S-2	2003	Ford	Econoline E-150 Van	SCADA & Instrumentation	\$ 32,000
Future Years							
2022	Collections	S-16	2003	Ford	F-250 Pickup	Field Crew	\$ 35,000
2023	Shared	S-11	2003	Ford	F-350 Stakebed Truck	Hauling Equipment	\$ 40,000
2023	Treatment	S-18	2008	Ford	F-250 Pickup	Plant/Wells	\$ 35,000
2024	Treatment	S-3	2009	Ford	F-150 Pickup	Plant/Sampling	\$ 35,000
2029	Collections	S-5	2014	Ford	F-150 Pickup	Blue Stakes/Inspections	\$ 35,000
2029	Collections	S-25	2014	Ford	F-150 Pickup	FOG/Permits	\$ 35,000
2029	Maintenance	S-12	2014	RAM	5500 Utility Truck	Maint. Work Crew	\$ 60,000
2030	Shared	S-15	2015	Ford	F150 Supercrew Pickup	Managers	\$ 35,000
2032	Collections	S-20	2017	Ford	F-350 Utility Truck	Pump Stations	\$ 75,000
2032	Maintenance	S-21	2017	Ford	F-350 Utility Truck	Maint. Work Crew	\$ 75,000
2034	Collections	S-14	2019	Ford	F-250 Utility Truck	Field Crew	\$ 75,000
2034	Collections	S-10	2019	Ford	F-450 Water Truck	Construction	\$ 90,000
SPECIALTY TRUCKS							
2026	Collections	S-7	2006	Ford	F-750 Dump Truck	Construction/Dump Truck	\$ 100,000
2025	Shared	S-28	2005	Freightliner	w/BT3470 Crane	Shared	\$ 200,000
2026	Collections	S-4	2006	International	7400 Pumper Truck	Sewer Pumper	\$ 200,000
2030	Collections	S-27	2010	International	7300 SFA Rodder Truck	Sewer Rodder	\$ 250,000
2034	Collections	S-9	2014	Freightliner	Vac-Con Combo Sewer Cleaner	Sewer Combo Pump/Clean	\$ 250,000
2029	Collections	S-24	2014	Isuzu	NPR HD Camera Truck	Sewer Camera	\$ 250,000
<i>* Budget Costs escalated over time to account for inflation</i>							