

Proposed Budget

FISCAL YEAR 2024-2025



Table of Contents

Introduction

Budget Message	3
District Profile	4
Definition of Terms & Abbreviations	6
Strategies & Considerations	9

Financial & Budget Overview

Budget Approach	11
Fund Perspectives	16
Budget Overview	18
Historical Comparison	21
Five-Year Budget Projection	22

Revenue Sources

Taxes & Fees Overview	23
Proposed Taxes & Fees	28

Operating Activities

Summary of Operating Activities	31
Administrative Services & Billing	35
Collection System	37
Maintenance	39
Recycled Water	40
Wastewater Treatment Plant	41
District Personnel	43

System & Facility Improvements (SFI)

SFI Perspective	45
SFI Highlights	46
Historical & Projected SFI	47
Proposed SFI Budget	48
Proposed SFI Five-Year Plan	49

Facilities & Equipment Replacement Reserve (FERR)

Facilities & Equipment	50
Vehicle Replacement Program	52

Debt Service

Debt Service	54
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Supplemental Schedules

Schedule of Budget Activities	55
Board of Directors	56
Fund Balance Designations	57
Taxes & Fees: 5-Year History	58
Taxes & Fees Summary Schedule	59
Organization Chart	62
Wage Schedule	63
Schedule of Positions	64
Vehicle Replacement Schedule	65

Introduction

Budget Message

The Fountain Hills Sanitary District Board of Directors and staff are committed to the community's health and well-being, while upholding their responsibility with diligence and prudence, especially under challenging economic conditions. Substantial price increases over the past two year and supply chain delays that have strained District resources and led to higher costs and longer project timelines. Despite these challenges, the District has managed to operate within its budget, ensuring uninterrupted services and functions.

Together, the District Manager, CPA, department managers, and the Board have evaluated the District's needs and priorities for the current and future budgets, considering the impact on customers, partners, and employees. This Proposed Budget emphasizes revenue stabilization, value in long-term spending, and the prioritization of crucial projects.

For the fiscal year 2024-25 (FY '24-'25), the Board proposes budget outlays totaling \$13,182,900 for all District funds, a 16.6% decrease from the previous year. This reduction stems from judicious operational and infrastructure spending assessments. The budget reflects our commitment to service quality and an understanding of our customers' economic challenges.

The budget spans from July 1, 2024, to June 30, 2025 (FY 2024-25), with financial accounts organized into designated funds for specific purposes. It will serve as our spending guide for the year.

Tammy Bell
Chairperson
Fountain Hills Sanitary District Board of Directors



Introduction

District Profile

HISTORY

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

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 205 miles of sewer piping, over 5,400 manholes and 19 pump stations are the backbone of the District's infrastructure conveying raw sewage to the treatment plant at an average of 2.0 million gallons per day (MGD). The oldest of these components has been in service for over 50 years. Accordingly, careful monitoring, proactive maintenance and significant resources must be dedicated to this critical infrastructure to maintain uninterrupted service under safe and sanitary conditions for the protection of public health.

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 providing an initial capacity to treat just 0.3 MGD of sewage. At that time, homes were served by individual or community septic tanks and leach field systems until wastewater collection lines and pump stations were constructed to transport sewage from home and business sites to the WWTP.

In 1980, the District acquired land adjacent to the existing site, extending the WWTP footprint to Saguaro Boulevard and providing the space required to expand facilities to serve Fountain Hills' growing population. The WWTP has been expanded and improved by various projects over the years. The WWTP is currently rated to treat up to 2.9 MGD of raw wastewater to Class A+ recycled water standards. Maintaining the State of Arizona's highest water quality rating for recycled water is a core value of the District.



Introduction

WATER RECYCLING

The District has no permitted means to discharge product water which is water produced from the treatment of sewer inflows. This “product water” has historically been referred to as effluent or reclaimed water. Discharge restrictions necessitate that all reclaimed water produced by the District be beneficially reused, making “recycled water” a more appropriate classification for District effluent. Water produced by the District’s WWTP was originally used to fill Fountain Lake. By the 1980’s, production exceeded the lake’s capacity which made it paramount to develop a plan for distributing recycled water to end-users, including local parks and golf courses.

A storage system, in the form of Aquifer Storage and Recovery (ASR) wells, was needed to manage seasonal fluctuations in supply and demand and facilitate timely distribution of recycled water to these end-users. In February 2001, the District began operating its Advanced Water Treatment Facility (AWTF) to further treat water before its recharge into the ASR wells. This additional treatment allows the District to safely store water below ground without negatively impacting the local groundwater aquifer. Recycled water from the AWTF still keeps Fountain Lake full, but most of this water is now distributed to end-users year-around. It is 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. The District strives to successfully manage production of recycled water so that all wastewater can be beneficially reused for internal processes, irrigation purposes, or to maintain levels in Fountain Lake. Priding itself on doing its part to protect the desert’s limited water resources, the District has been successfully *Recycling Every Drop* since 1974.



Introduction

Definitions of Terms & Abbreviations

ADEQ: Arizona Department of Environmental Quality

AWTF: Advanced Water Treatment Facility, the primary site of recycled water processing, where product water from the wastewater treatment plant is further treated before recharge or direct reuse.

ASB: Administrative Services & Billing

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

ASRS: Arizona State Retirement System

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

Contingencies & Unforeseen Events: An expenditure line within the budget necessary to allow the District to utilize designated reserves for unanticipated cash outlays or revenue shortfalls. By their nature, contingencies and other unforeseen events are unplanned. Monies are reserved and identified for "as-needed" expenditures as part of a balanced General Fund budget, allowing the District access to those resources only when absolutely necessary.

CR: Contingency Reserve, is a designation of monies to an account within the General Fund that protects against revenue shortfalls, address temporary cash flow shortages, and can be appropriated to cover extraordinary expenditures occurring in the event of an emergency.

CPA: Certified Public Accountant

CPI: Consumer Price Index, the instrument used to measure inflation is a composite measurement of trends in the prices of products, at constant quality. For purposes of this document CPI refers to the U.S. Bureau of Labor Statistics, West Region.

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



Introduction

Debt Service Fund: A self-balancing fund used to account for financing improvement projects that cannot be financed from current or accumulated resources. The District has no debt financing currently. The Debt Service Fund has been inactive since 2005.

FERR: Facilities and Equipment Replacement Reserve, a designation of monies to an account within the General Fund which reserves resources needed for both planned and unanticipated expenditures necessary to replace, restore, repair, or refurbish existing facilities and equipment.

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

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

General Fund: A self-balancing fund dedicated to District operations. This fund is used to account for resources and expenditures occurring in the course of the District's day-to-day operating activities.

LPV: Limited Property Value, a valuation method used by Maricopa County to restrict property taxes. Arizona law establishes that LPV increases cannot exceed 5% annually.

MCAO: Maricopa County Assessor's Office

NAV: Net Assessed Values, property values set by Maricopa County Assessor's Office for the purpose of assessing property taxes.

Product Water: water produced by District processing of sewer inflows.

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

Self-Balancing Accounts: a method of accounting causing one transaction to trigger the creation of an appropriate transaction that offsets the first transaction.

Self-Balancing Fund: a separate set of self-balancing accounts used to report financial transactions designated for specific or general use.



Introduction

SFI: System and Facility Improvements, expenditures of \$15,000 or more that provide the District with long-term benefit such as major equipment purchases, vehicles, construction projects, and other fixed assets. These expenditures may be funded with General Fund, Capital Fund or FERR account resources as appropriate.

WWTP: Wastewater Treatment Plant.



Introduction

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 of actual revenues and expenditures compared to budget, and projections necessary for successful future planning.

The District's financial objectives are:

- To comply with Board approved District financial policies and to recommend appropriate policy updates to the Board periodically;
- To ensure financial stability and sufficient cash reserves to manage economic variants, adapt to changes in community needs, and respond successfully to unforeseen events;
- To stay within the spending constraints of the Board's 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 event that bond issuance might 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 resources;
- To consider all of the above while consistently operating with fiscal responsibility, integrity, and prudent financial planning.

The budget proposed for FY '24-'25 is prepared with the expectation that local, national and global economic factors will continue to challenge certain aspects of District operations. Managing change, mitigating risk, and planning for the future remain the primary focus of this budget. Risk factors identified by staff include:

- historically high prices resulting from the highest average inflation rates in decades impacting costs in nearly every aspect of District spending, especially personnel costs, energy, fuel and chemicals;
- supply chain delays causing significantly longer delivery periods and potential cost fluctuations to essential District needs;
- the possibility of reductions to Net Assessed Values (NAV) in the future which would impact the District's ability to generate property tax revenues at current rates.



Introduction

The Facilities & Equipment Replacement Reserve (FERR) and Contingency Reserve (CR) accounts are in place to provide for proactive maintenance and timely replacement of District assets and infrastructure. Most importantly, reserve accounts allow the District to avoid dramatic spikes in fees and/or taxes assessed to customers when unusually large or unanticipated cash outflows may affect a current or future budget period. District staff strives to mitigate risk with a commitment to funding reserve accounts in accordance with District's Reserve Funds Policy.

Financial & Budget Overview

Budget Approach

The District Manager and CPA collaborate with department managers annually to craft the proposed budget. This process involves analyzing past data, current spending trends, and evaluating staffing needs.

Labor costs, being the District's primary expense, are highlighted in the budget with a proposed 4.0% Cost of Living Adjustment for FY '24-'25 to remain competitive. The District also focuses on offering competitive benefits, including health insurance plans and participation in the Arizona State Retirement System (ASRS).

A thorough examination of operating expenses and District needs for systems, facilities, and equipment is conducted to ensure fiscal responsibility. This includes a proposed System and Facility Improvements (SFI) Five-Year Plan, part of the District's investment in assets and infrastructure totaling over \$134 million.

For FY '24-'25, reserve funds are earmarked for contingencies, detailed in the Budgetary Fund Balances on page 20. These funds are for unplanned events and are separate from the main budget shown in the table on page 19.

The total budget for FY '24-'25 is 16.6% lower than the previous year, mainly due to a decrease in operating expenses and a strategic reduction in spending on System and Facility Improvements (SFI) and Facility and Equipment Replacement Reserve (FERR). With the ASR Well 1 project completed in FY '23-'24, the focus shifts to high-priority, manageable projects, with FERR spending also reduced from the previous year's budget.

Financial & Budget Overview



Budget Outlay [Expenditures]	FY 2024-2025 Proposed	FY 2023-2024 Adopted	% Change
<u>Administrative Services & Billing</u>			
Operations & Maintenance	\$ 1,924,790	\$ 1,986,580	-3.1%
Facilities & Equipment Replacement	\$ 15,000 ⁽¹⁾	\$ -	-
System and Facilities Improvements	\$ 80,000 ⁽²⁾	\$ -	-
Administrative Services & Billing Subtotal	\$ 2,019,790	\$ 1,986,580	1.7%
<u>Collections System</u>			
Operations & Maintenance	\$ 1,941,080	\$ 1,889,260	2.7%
Facilities & Equipment Replacement	\$ 470,000 ⁽¹⁾	\$ 925,000	-49.2%
System and Facilities Improvements	\$ 650,000 ⁽²⁾	\$ 650,000	0.0%
Collections System Subtotal	\$ 3,061,080	\$ 3,464,260	-11.6%
<u>Maintenance</u>			
Operations & Maintenance	\$ 1,352,420	\$ 1,290,630	4.8%
Facilities & Equipment Replacement	\$ 50,000 ⁽¹⁾	\$ 165,000	-69.7%
System and Facilities Improvements	\$ -	\$ -	-
Maintenance Subtotal	\$ 1,402,420	\$ 1,455,630	-3.7%
<u>Recycled Water Distribution & Disposal</u>			
Operations & Maintenance	\$ 1,559,140	\$ 1,649,800	-5.5%
Facilities & Equipment Replacement	\$ 285,000 ⁽¹⁾	\$ 132,000	115.9%
System and Facilities Improvements	\$ 1,000,000 ⁽²⁾	\$ 3,500,000	-71.4%
Recycled Water Subtotal	\$ 2,844,140	\$ 5,281,800	-46.2%
<u>Wastewater Treatment Plant</u>			
Operations & Maintenance	\$ 2,190,470	\$ 2,270,880	-3.5%
Facilities & Equipment Replacement	\$ 265,000 ⁽¹⁾	\$ 278,000	-4.7%
System and Facilities Improvements	\$ 1,400,000 ⁽²⁾	\$ 1,075,000	30.2%
Wastewater Treatment Plant Subtotal	\$ 3,855,470	\$ 3,623,880	6.4%
Total Budget Outlay	\$ 13,182,900	\$ 15,812,150	-16.6%

(1) Refer to page 51 for a detailed list of FERR expenditures

(2) Refer to page 48 for a list of SFI Projects



Financial & Budget Overview

When formulating the budget, staff considers several factors in the assessment of District needs, economic conditions, and available resources. Following are some pertinent data points, plans and assumptions considered for the FY '24-'25 proposed budget.

EXPENDITURES

- ❖ Total Operating Expenses (page 33) decrease 1.3% from the FY '23-'24 Adopted Budget.
- ❖ Personnel costs, the largest component of District Operating Expenses, are proposed to decrease 0.9% from FY '23-'24.
- ❖ A 4.0% Cost of Living Adjustment is proposed, comparable to the 3.6% increase in western region Consumer Price Index (CPI) in the 2023 calendar year.
- ❖ SFI and FERR expenditures include \$587,900 of FY '23-'24 budget funds related to projects deferred from the prior fiscal year. For FY '24-'25, Proposed SFI and FERR expenditures decrease 37.3% compared to the FY '23-'24 Adopted Budget.

REVENUES

- ❖ The calculated 2024 property tax rate is unchanged from the prior year budget, remaining at 0.9028 per \$100 of NAV. Increased Net Assessed Value (NAV) allows the District to request a property tax assessment adequate to fund and FERR spending, and to build reserve accounts in accordance with the District's Reserve Funds Policy.
- ❖ No increase to Sewer User Fees is proposed for residential users, with corresponding commercial rates to remain level in FY '24-'25. New connections completed in recent years will help to keep User Fee revenues in-line with operating expenditures.
- ❖ The potential development of newly zoned and proposed multi-unit facilities will allow the District to increase the proposed budget for Connection Fees revenue. It is difficult to forecast the timing of these developments coming to fruition within a specific budget year and multi-unit connection fees are set at approximately 50% of single-family connections. Consequently, District staff is proposing a conservative increase, bringing proposed Connection Fees revenue to an amount correlated to 80 new single-family residential connections, up from 65 budgeted in FY '23-'24.



Financial & Budget Overview

- ❖ The base rate charged to end-users for recycled water remains \$380/acre-foot (\$1,167/million gallons). A tiered rate schedule was implemented beginning in FY '22-'23. This schedule encourages end users to be mindful of the recycled water supply which can be depleted by unpredictable influences, such as hot temperatures and drought conditions. The volume of recycled water available for delivery at the base rate of \$380/acre-foot rate is down from 163 to 160 MG (500.0 to 491.0 acre feet) per user in FY '24-'25. This amount has minimal impact on the proposed budget for recycled water sales.
- ❖ Interest earnings on cash balances are estimated to increase as federal interest rates continued to trend up during the 2023 calendar year.
- ❖ The Board is designating \$2,939,100 of General Fund resources to the FERR and CR accounts (Table II, page 20). These resources are designated for identified needs to be addressed in FY '24-'25 and for contribution to the steady accumulation of the desired reserve account balances established by the Reserve Funds Policy.
- ❖ The construction portion of the ASR Well 1 Vault Replacement project begins in the spring of 2024 and will continue for a good portion of the budget year, FY '24-'25. Despite significant cost escalation from original estimates dating back to FY '21-'22, this project has been fully funded in FY '23-'24 with funds originally budgeted for SFI projects deferred to a future budget year. Funds remaining from these deferred projects is included as revenue helping to stabilize other revenue sources and maintain District reserves.



Financial & Budget Overview

BEGINNING FUND BALANCE & PROJECTIONS

- Beginning Fund Balance is made up of four components accumulated from the prior fiscal year in the following order:
 - Amounts expected to be encumbered but not spent as of June 30, 2024,
 - Execution of Funds Transfers budgeted in FY '23- '24, and
 - Anticipated General Fund surpluses at year-end, if any.

- The Five-Year Budget Projection on page 22 assumes the following:
 - Revenue from Property Taxes may be reduced as much as 3% from FY '24-'25 in future years assuming that an expected market correction of home values may occur in the near future.
 - A \$1/month increase to residential user fees is tentatively projected in future years, subject to annual review. This increase is included in the projection for each fiscal year ending 2026 through 2029.
 - Increased interest rates and higher reserve balances, at times, will generate additional interest income. Projections reflect a 1% increase to interest income per year.
 - A steady rate of increase of 2% per year to Operating Expenses is applied each year for the next five years.
 - The Proposed SFI and FERR Five-Year Plan (page 49) calls for estimated spending of \$25,615,000 over the next five fiscal years.



Financial & Budget Overview

Fund Perspectives

The financial accounts of the District are organized into three accounting funds: General, Capital, and Debt Service. Each of these three funds is accounted for with a separate set of self-balancing accounts. The Budgetary Fund Balance for each fund (shown on Table II) 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 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 (CR) and the Facilities & Equipment Replacement Reserve (FERR) are reserve accounts designated within the General Fund. The FERR account is intended to provide the financial stability required to promptly address both planned and unplanned needs for the replacement and/or restorative repair of aged District facilities and equipment. The CR 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 Reserve Funds 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 unplanned 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 processes for the year and ensure that the District has enough operating cash reserves. Based on these considerations, staff requests only the amount of revenue needed to meet appropriations.



Financial & Budget Overview

Capital Fund: Unlike the General Fund, the Capital Fund does not balance to zero each year as revenues are not limited to or required to meet budgeted expenditures for the year. Capital Fund revenues are confined to Connection Fees and interest on cash accumulated within the fund. Connection Fees have been set based on staff assessment of the District's future needs for construction projects or purchases necessitated by District growth. The anticipated cost of those needs was allocated to future connections to be made within the District to set fees. Because Connection Fees are determined by and dependent on District growth, the revenues from these fees are restricted, assigned to addressing projects and purchases needed to accommodate that growth, facility and/or process expansions, new processes and equipment needed to meet increasing safety and environmental standards and regulations. 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. When such a need does arise, this type of project is often very costly resulting in the occasional budget year where Capital Fund expenditures dramatically exceed that year's Capital Fund revenue. Fund balance in the Capital Fund accumulates in preparation for this purpose and is typically classified as either Committed (for growth driven projects actively under contract) or Assigned (for future growth driven projects) as appropriate at 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.



Financial & Budget Overview

Budget Overview

The District operates on a fiscal year from July 1st to June 30th. Every March, staff presents a “Proposed” Budget to the Board, which becomes the “Adopted” Budget, once approved. This budget outlines revenue projections based on trends and sets spending limits for the upcoming year's operations.

A key focus of the budget, detailed on page 31, is ensuring the safety and continuity of sewer services. The budget aims to anticipate operational challenges and ensure uninterrupted service while adhering to the financial goals presented on page 9.

The budget figures are on a “budgetary basis,” which accounts for expected revenues and expenditures, differing from year-end financial statements that use a “modified accrual basis” as per U.S. GAAP. Additionally, fund balances are classified as Spendable or Non-spendable in the annual financial statements but are not reflected in this budget. These classifications are further explained in the Supporting Schedules on page 57.

This budget excludes transactions involving State Trust Land outside the District's boundaries. “Growth” within the budget refers to increases in sewage flows from population density and new connections within existing boundaries. Growth-related expenditures are aimed at expanding or improving facilities to accommodate these increases, maintain regulatory compliance, and implement safety and technology upgrades.

Financial & Budget Overview



The following two tables present the proposed budget for revenues and expenditures for FY '24-'25 and the anticipated impact of these activities on Budgetary Fund balances.

Table I:
FY '24-'25 Proposed Revenues & Expenditures - All Funds

	General Fund			Capital Fund	2024-2025	2023-2024	% Change
	Operations	FERR	CR		Proposed Budget	Adopted Budget	
					All Funds	All Funds	
Revenues							
Property Taxes	6,139,530				6,139,530	6,026,420	1.9%
Sewer User Fees	6,178,750				6,178,750	6,062,100	1.9%
Connection Fees	32,000			863,820	895,820	737,300	21.5%
Recycled Water	525,400				525,400	524,260	0.2%
Other Income	279,950		42,000	160,000	481,950	274,130	75.8%
Deferred SFI	-						
Expenditures from Prior Fiscal Year*	6,370			581,530	587,900	2,368,020	-75.2%
Fund Transfers	(2,939,100)	2,303,660	635,440	-	-	-	
Total Revenues	\$ 10,222,900	\$ 2,303,660	\$ 677,440	\$ 1,605,350	\$ 14,809,350	\$ 15,992,230	-7.4%
Expenditures							
<i>Operating</i>							
Admin & Billing	1,924,790				1,924,790	1,986,580	-3.1%
CS	1,941,080				1,941,080	1,889,260	2.7%
Maintenance	1,352,420				1,352,420	1,290,630	4.8%
RW	1,559,140				1,559,140	1,649,800	-5.5%
WWTP	2,190,470				2,190,470	2,270,880	-3.5%
<i>Subtotal Operating System & Facility</i>	8,967,900			-	8,967,900	9,087,150	-1.3%
<i>Improvements (SFI)</i>							
Projects in Progress	1,025,000			875,000	1,900,000	6,725,000	-37.3%
Projects Starting in FY '24-'25	230,000	1,085,000		1,000,000	2,315,000		
<i>Subtotal SFI</i>	1,255,000	1,085,000	-	1,875,000	4,215,000	6,725,000	-37.3%
Total Expenditures	\$ 10,222,900	\$ 1,085,000	\$ -	\$ 1,875,000	\$ 13,182,900	\$ 15,812,150	-16.6%
Excess of revenues over expenditures	\$ -	\$ 1,218,660	\$ 677,440	\$ (269,650)	\$ 1,626,450	\$ 180,080	

*Deferred SFI consists of funds remaining from projects that did not commence as originally planned in FY '23-'24. These amounts are considered FY '24-'25 revenue, reducing the amount of calculated revenue needed to meet budget year expenditures.

Financial & Budget Overview



Table II: Schedule of Changes in Budgetary Fund Balances - Projected

	General Fund				Capital Fund	
	Operations		Reserve Accounts		2024-2025 Proposed Budget General Fund	2024-2025 Proposed Budget Capital Fund
	Operating Activities	System & Facility Improvements	FERR	CR		
Beginning Fund Balance*	50,000	625,000	3,089,240	2,695,140	6,459,380	9,957,920
Inflows (Revenues)						
Property Taxes	1,951,800	4,187,730			6,139,530	
Sewer User Fees	6,178,750				6,178,750	
Connection Fees	32,000				32,000	863,820
Recycled Water	525,400				525,400	
Other Income	279,950			42,000	321,950	160,000
Deferred SFI Expenditures from Prior Fiscal Year	-	6,370			6,370	581,530
Fund Transfers		(2,939,100)	2,303,660	635,440	-	
Total Revenues	\$ 8,967,900	\$ 1,255,000	\$ 2,303,660	\$ 677,440	\$ 13,204,000	\$ 1,605,350
Outflows (Expenditures)						
<i>Operating</i>						
Current Budget Year	8,967,900				8,967,900	
Encumbered Prior FY	50,000				50,000	
<i>Subtotal Operating</i>	9,017,900				9,017,900	
<i>System & Facility Improvements (SFI)</i>						
Current Budget Year		1,255,000	1,085,000		2,340,000	1,875,000
Encumbered Prior FY		625,000	657,900		1,282,900	1,300,000
<i>Subtotal SFI</i>		1,880,000	1,742,900		3,622,900	3,175,000
Total Expenditures	\$ 9,017,900	\$ 1,880,000	\$ 1,742,900	\$ -	\$ 12,640,800	\$ 3,175,000
Excess of revenues over expenditures	\$ -	\$ -	\$ 3,650,000	\$ 3,372,580	\$ 7,022,580	\$ 8,388,270
Budget for Contingencies and Unforeseen Events**			\$ 3,650,000	\$ 3,372,580	\$ 7,022,580	
Ending Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,388,270

*Beginning Fund Balance is made up of the projected cash balance in each fund and reserve account designation, plus estimated encumbrances from Prior FY (i.e. FY '23-'24) to be paid in FY '24-'25.

**For additional information pertaining to Contingencies and Unforeseen Events please refer to Definitions of Terms and Abbreviations on page 6 and the Budget Approach narrative contained on page 11.

Financial & Budget Overview



Historical Comparison

Historical Revenues & Expenditures - All Funds

	2024-2025 Proposed Budget	2023-2024 Adopted Budget	2022-2023 Actual	2021-2022 Actual
Revenues				
Property Taxes	6,139,530	6,026,420	5,633,090	5,392,700
Sewer User Fees	6,178,750	6,062,100	5,522,610	5,291,540
Recycled Water	525,400	524,260	500,570	554,490
Connection Fees & Other Income	1,965,670	2,642,150	1,220,410	2,091,340
Total Revenues	\$ 14,809,350	\$ 15,254,930	\$ 12,876,680	\$ 13,330,070
Expenditures				
Operating Expenditures	8,967,900	9,087,150	7,910,130	7,569,930
SFI & FERR (Capital outlay)	4,215,000	6,725,000	2,513,390	2,637,170
Total Expenditures	\$ 13,182,900	\$ 15,812,150	\$ 10,423,520	\$ 10,207,100

Financial & Budget Overview



Five-Year Budget Projection

Five-Year Budget Projection All Funds

	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Revenues					
Property Taxes	6,139,530	5,955,340	5,955,340	5,955,340	5,955,340
Sewer User Fees	6,178,750	6,353,750	6,528,750	6,703,750	6,878,750
Connection Fees	895,820	895,820	806,240	725,620	653,060
Recycled Water	525,400	525,400	525,400	525,400	525,400
Interest & Other*	481,950	486,770	491,640	496,560	501,530
Total Revenues	\$ 14,221,450	\$ 14,217,080	\$ 14,307,370	\$ 14,406,670	\$ 14,514,080
Expenditures**					
Operating Expenses	9,017,900	9,198,260	9,382,230	9,569,870	9,761,270
System & Facility Improvements	3,130,000	3,325,000	4,100,000	4,475,000	4,550,000
FERR	1,085,000	1,100,000	1,250,000	1,250,000	1,350,000
Total Expenditures	\$ 13,232,900	\$ 13,623,260	\$ 14,732,230	\$ 15,294,870	\$ 15,661,270
Budgetary Fund Balances					
Beginning	\$ 16,417,300	\$ 15,410,850	\$ 16,004,670	\$ 15,579,810	\$ 14,691,610
Ending	\$ 15,410,850	\$ 16,004,670	\$ 15,579,810	\$ 14,691,610	\$ 13,544,420

	Allocation of Ending Budgetary Fund Balances				
FERR & CR Accounts	\$ 7,022,580	\$ 7,810,080	\$ 7,988,680	\$ 9,430,064	\$ 10,488,294
Capital Fund	\$ 8,388,270	\$ 8,194,590	\$ 7,591,130	\$ 5,261,546	\$ 3,056,126

*Does not include Deferred SFI Expenditures from Prior FY

**Includes Prior Year Budget encumbered amounts from Page 20

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. NAV may also decline based on MCAO adjustments arising from market corrections reducing overall property values within the District. For the 2023 tax year, total limited primary NAV of property within the District is expected to increase 1.9% over the 2022 tax year.

During the budget process, MCAO issues a preliminary report of valuations within the District. Based on this report, District staff proposes a tax rate that will generate sufficient revenue to meet District needs for the budget year. The final report of valuations is issued in August each year, after the District's budget process is complete. This August report typically varies a small amount from the preliminary report that the District's budget is based on, so that the actual rate will vary slightly from calculated budget rate depending on the county's final valuations.

SEWER USER FEES

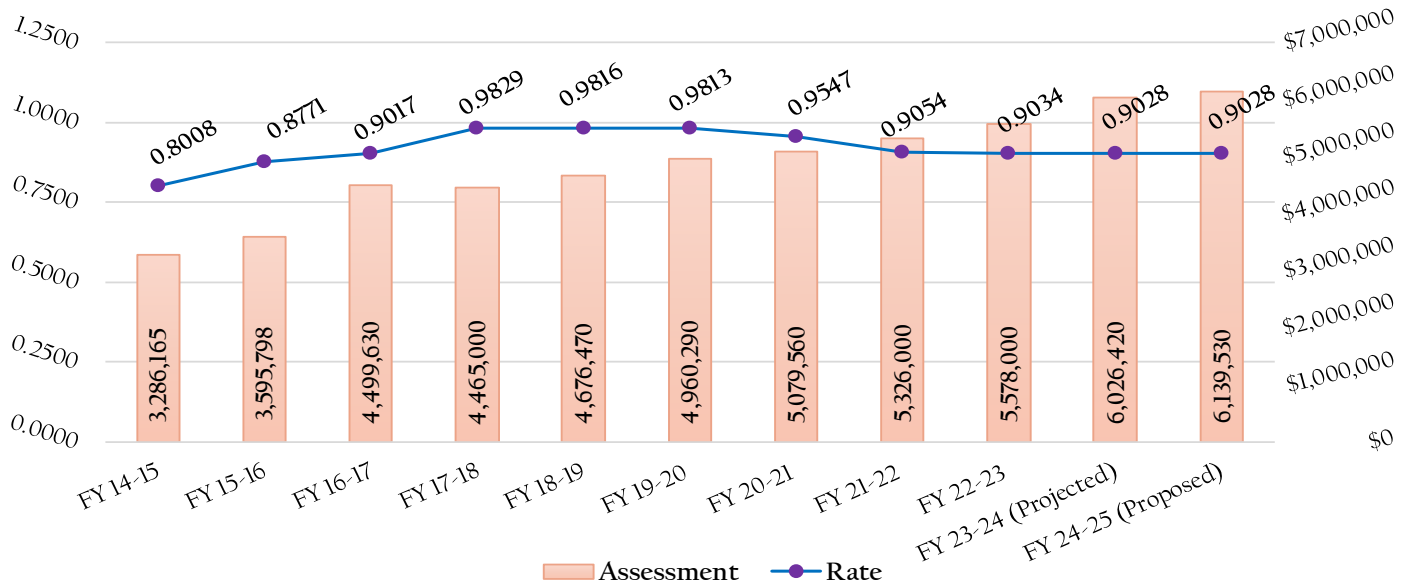
The FY '24-'25 proposed budget maintains residential and commercial user fees at FY '23-'24 rates. Sewer User Fees are the primary source for funding the District's day-to-day operations and must keep pace with rising costs of operations over time. To that end, this budget includes a user fee increase of \$1/month tentatively projected to occur in July of each calendar year 2025 through 2028 as presented on page 22.

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.

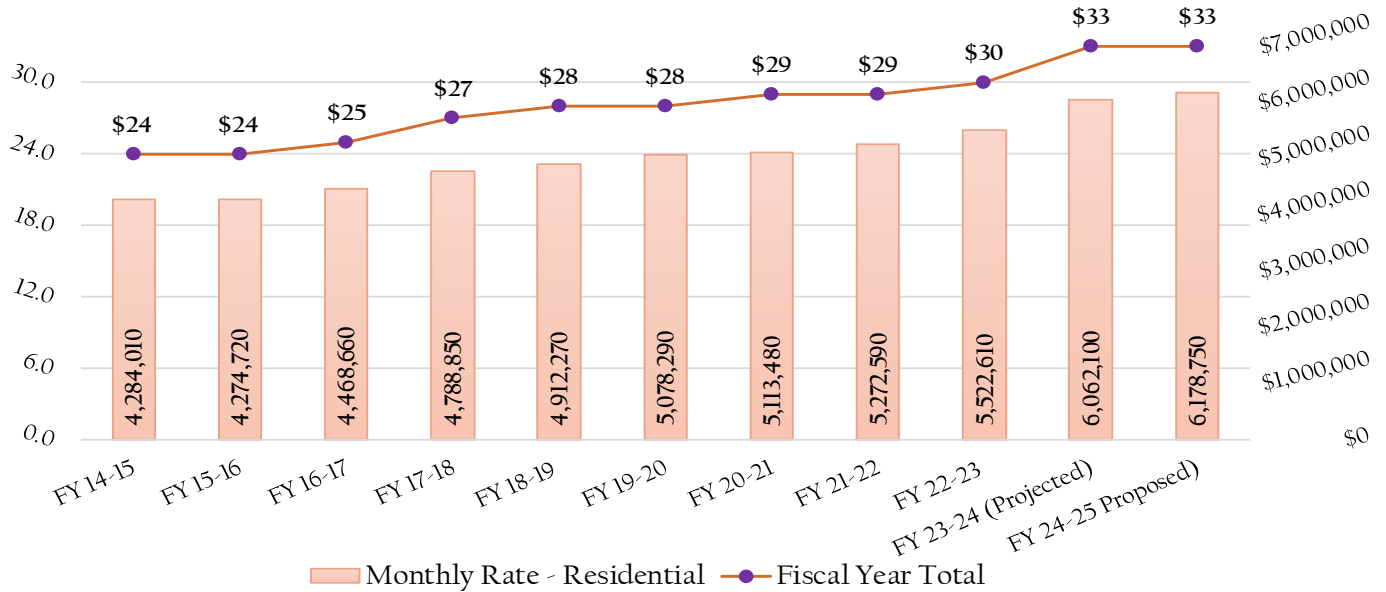


Revenue Sources

Property Tax Rates (per \$100 of NAV) & Property Tax Assessments 2014-2024



Monthly Residential User Fee Rates & Fiscal Year Total User Fee Revenues 2014-2024





Revenue Sources

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 the primary revenue source in the District's Capital Fund and contributes to fund balance intended to provide for the following:

- development of additional infrastructure and systems,
- expansion of existing facilities and treatment processes,
- other necessary improvements arising when needed to accommodate increased flow capacity due to growth or new development and/or to comply with increased regulatory, safety and technological standards.

A conservative approach is taken when estimating revenues from connection fees. The District does not budget for speculative developments. The scope and timing of which specific fiscal year any given project will occur is beyond District control or forecasting abilities.

RECYCLED WATER

The District's recycled water is sold to offset a portion of the cost associated with its treatment and distribution. In recent years, the District's Board has taken action intended to conscientiously apply the District's core values of sustainability and sound water management by managing its recycled water practices without the benefit of supplemental water rights from outside sources.

Because of this action and to stay in compliance with permitting requirements, the District must proactively manage the real possibility that stored water may be depleted in a future year if demand from local end users continues to exceed supply. To encourage end users to be mindful of their usage in the context of projected supply, the District has implemented a tiered rate schedule for the sale of recycled water. According to this schedule, the first 500-acre feet of recycled water delivered to each end-user will be charged at the current rate of \$380/acre foot. Additional acre feet delivered over 491 per end-user within the fiscal year will be charged at a rate of \$1,433/acre foot (the rate equivalent to agricultural water rate charged by EPCOR). The tier break point water volume and second tier rate will be established annually weighing both available recycled water supplies and economic conditions.



Revenue Sources

OTHER INCOME

Other sources of revenue presented collectively on page 19 as “Other Income” include:

- Interest income, generated by the amount of District cash on deposit with Maricopa County each fiscal quarter;
- Availability fees, fees paid at a rate of \$7 per month by real property parcel owners whose property is situated in the District, lying adjacent to sewer lines, and benefitting from the District’s ability to accommodate the development of that parcel;
- Utility company payments in lieu of property taxes;
- Other Income such as fees for project review and inspection, encroachment and abandonment permits, public records reproduction, and disposal (use of the District’s on-site RV dump station), and other miscellaneous items collected in accordance with the District fee schedule.

In total, Other Income contributes 3.3% of the District’s total revenue budget.

THE REVENUE PROCESS

Each year, District staff must determine the amount of revenues that will be required to operate the District and serve District customers in keeping with the financial goals presented on page 9. To prepare and balance the budget for the upcoming fiscal year, staff must calculate anticipated expenditures to set a total budget, then evaluate revenue sources and make assessments as needed to provide for those expenditures. Revenues are adopted based on the following process:

Step 1: Establish Sewer User Fees that:

- Provide sufficient resources to fund the majority of day-to-day Operating Expenses;
- Keep pace with anticipated future increases to Operating Expenses and acknowledge inflation rates to determine and anticipate how often increases may be needed;
- Maintain increases at a reasonably steady pace over time keeping the economic impact on users in mind.



Revenue Sources

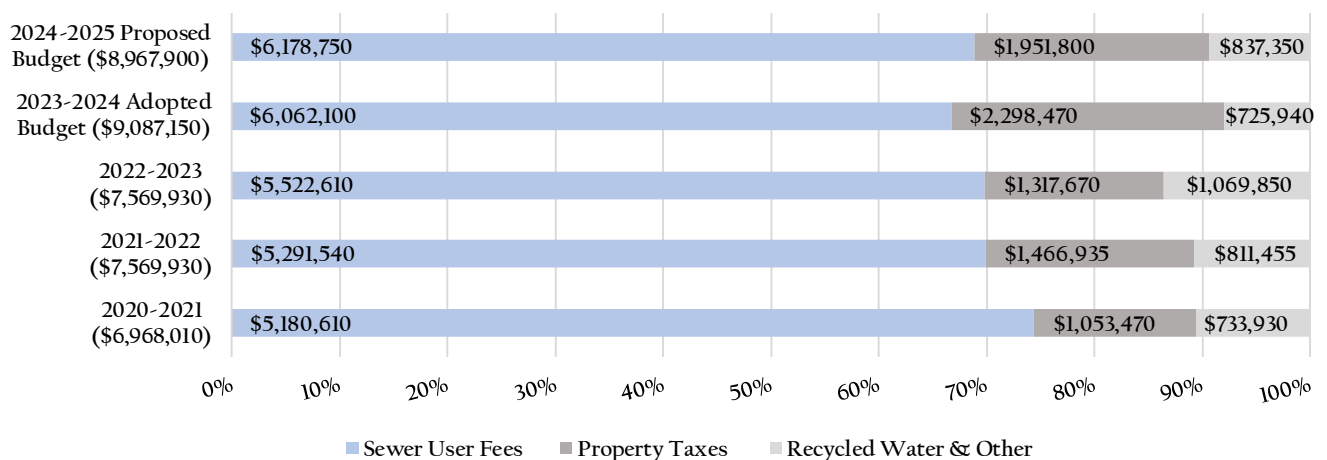
Step 2: Determine the contribution expected from other revenue sources:

- Assign accumulated Connection Fees to growth projects to be completed in the fiscal year, leaving excess revenues in the Capital Fund for future expenditures necessitated by growth;
- Adjust the expected amount to be collected from other revenue sources (Recycled Water sales, Availability Fees, Hook Up Fees, Interest, etc.) according to the current economic climate and known variables as applicable;
- Identify and include in total revenue specific items of budget surplus expected to result from activities in the fiscal year prior to the budget year. Deferred SFI projects may result in a budget surplus to be carried forward.

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 budgeted expenditures not covered by the other revenue sources.
- Establish the tax rate needed to balance the 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 revenue assessments over the long-term.

Operating Activities by Revenue Source





Revenue Sources

Proposed Taxes & Fees

PROPOSED FOR FY '24-'25

Sewer User Fees: Despite local inflation rates in excess of 3%, prudent management and innovative perspectives from District staff have allowed for a slight reduction in budgeted Operating Expenses year-over-year. As a result, District Staff proposes to maintain FY '23-'24 rates for residential and commercial user fees.

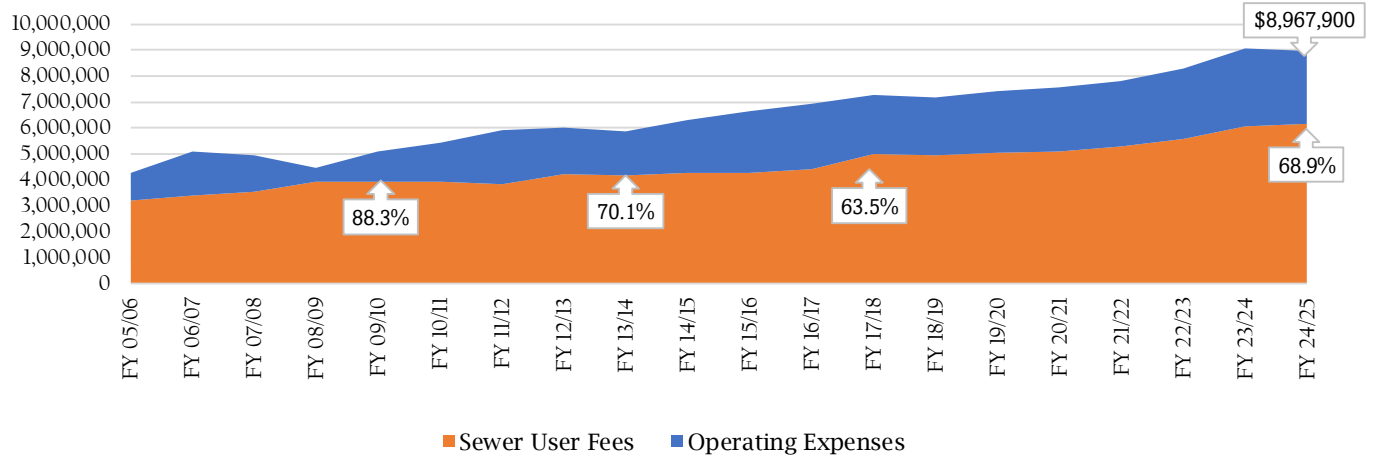
The District acknowledges specific issues when estimating its budget for Operating Expenses for this and future fiscal years. (1) Over the past decade, the District's Operating Expenses have outpaced the rate of inflation due to factors including an increased number of users, regional and industrial economic factors, increasing personnel costs, heightened safety requirements, and the age of District equipment and facilities. (2) National CPI grew at a rate of 3.6% in 2023, a slower rate than the previous two calendar years, but a relatively high rate nonetheless.

The District has historically relied on user fees to cover a majority (65-90%) of Operating Expenses. A noticeable increase in Operating Expenses from FY '12-'13 to FY '15-'16, while user fees remained flat, dropped the Sewer User Fees portion of Operating Activities to 63.5% in FY '16-'17. When Sewer 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 \$9/month in that span) have brought Sewer User Fees back to providing for a larger percentage 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. Regular increases to user fees as reflected in the Five-Year Plan are necessary to keep pace with the District's consistently increasing costs of doing business including personnel, utilities, chemicals, and construction materials.



Revenue Sources

Sewer User Fees as a % of Operating Activities



Property Taxes: For FY '24-'25, the District proposes a tax levy generating \$6,139,530 to "maintain, operate, extend and repair the sewerage system...and treatment plants" per state statute for the 2024 tax year. The tax rate is determined by dividing the requested tax levy of \$6,139,530 by 1% of the District's NAV provided by the MCAO. The NAV for the 2024 tax year is \$680,053,946. This amount is subject to change prior to the Assessor's completion of the 2024 tax levy. The District's requested levy maintains the FY '23-'24 tax rate of 0.9028 per \$100 of assessed value resulting in \$113,110 increase in property tax revenue for FY '24-'25.

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. In FY '23-'24 Connection Fee revenues are projected to vary only slightly from budget projections. Zoning within District boundaries and some recent projects proposed by developers indicate that more multi-family units may be coming online over the next few years. This trend has led District staff to propose a increased budget for Connections Fees for FY '24-'25. The overall proposed budget for Connection Fee revenue is proposed to increase 21.5% from the FY '23-'24 Adopted Budget. Although the percentage of increase is substantial, the estimated number of connections remains conservative, translating to just 15 additional new connections over prior year budget. Though just one moderately sized multi-family development could result in many more than 15 new connections, it is too difficult to predict the specific timing of service agreement requests unless preliminary development actions are well underway before the beginning of the new fiscal year. At the time of this proposed budget, development activities only support fairly conservative estimates for increased sewer service agreement activities.



Revenue Sources

Recycled Water: This revenue source is estimated based on three-year averages. Fluctuations in weather and unknown variables in end-user operations can cause actual revenues to vary considerably from budget amounts. Income from Recycled Water distribution is estimated conservatively. Recent Board actions are designed to impact awareness by end users of their recycled water utilization as it compares to District supply. The full impact of these actions on future recycled water revenues is yet to be determined.

Operating Activities

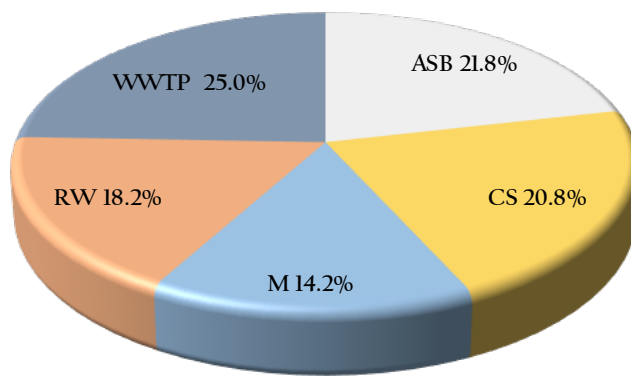
Summary of Operating Activities

Expenses incurred by the District as necessary to carry out everyday operations are considered Operating Expenses. Operating Expenses are a component of the District's Total Expenditures (See page 19). These expenses are differentiated from System and Facility Improvements (SFI) and FERR expenditures by their short-term and consumable nature. From a financial standpoint, this type of day-to-day spending is considered an *expense* as opposed to an *expenditure* for the purchase of a fixed asset or investment in infrastructure. District Operations incorporates both Operating Activities and operational (not growth driven) SFI. Operational revenues and expenditures are accounted for in the General Fund and presented as a "balanced" budget in which operating revenues equal operating expenditures and the bottom line, "Excess of revenues over expenditures", comes to zero each year. The table on page 33 shows the Operating Activities portion of the District's total General Fund budget with details and additional illustrations of Operating Expenses presented in the remainder of this section.

Operating Expenses are organized into five departments or categories as follows:

- Administrative Services and Billing (ASB)
- Collection System (CS)
- Maintenance (M)
- Recycled Water (RW)
- Wastewater Treatment Plant (WWTP)

*FY 2024-2025
Operating Activities
by Department*





Operating Activities

Operations attributable to the treatment, distribution and disposal of recycled water are managed by both the Collection System (CS) and Wastewater Treatment Plant (WWTP) departments. As one of the District's core functions, the expenses of recycled water processes are shown separately.

Certain trends, economic conditions, and operational shifts have an impact on the District's budget for Operating Expenses. Following are some notable factors that are considered in the development of this adopted budget for Operating Expenses:

- The rate of inflation dropped in the 2023 calendar year but remained higher than the average of the last ten years.
- Supply chain delays in the current economy create a high demand, low supply environment in which prices become over inflated and lead time on delivery of essential items can increase dramatically threatening the efficiency and effectiveness of core functions.
- Construction and mechanical supplies, the necessities of the CS and Maintenance departments, respectively, are high on the list of products impacted by the current economic climate. Prices for these products are adversely affected by both supply chain challenges and rising fuel costs.
- A reduction in total District positions as well as shift differential and overtime costs result from a change in staffing policies which previously required staff to be on site 24 hours, seven days per week.
- As a non-election year, election costs estimated at \$45,000 are not budgeted for FY '24- '25.
- The District continues its commitment to the safety, well-being, and satisfaction of personnel. Ongoing investments in retaining existing employees and attracting potential candidates are evidenced by:
 - ♦ A 4.0% proposed Cost of Living Adjustment (COLA);
 - ♦ Increased budget for the safety training and professional development of staff as the District continues to encourage professional advancement and require various certifications;
 - ♦ Participation in ASRS.

Operating Activities



Revenues & Expenditures *General Fund - Operating Activities*

	2024-2025 Proposed Budget	2023-2024 Adopted Budget	% Change	Increase (Decrease) from 2023-2024 Adopted Budget
Revenues				
Property Taxes	1,951,800	2,298,470	-15.1%	(346,670)
Sewer User Fees	6,178,750	6,062,100	1.9%	116,650
Connection Fees	32,000	26,000	23.1%	6,000
Recycled Water	525,400	524,260	0.2%	1,140
Other Income	279,950	176,320	58.8%	103,630
Total Revenues	\$ 8,967,900	9,087,150	-1.3%	(119,250)
Operating Expenses				
Administrative & Billing	1,924,790	1,986,580	-3.1%	(61,790)
CS	1,941,080	1,889,260	2.7%	51,820
Maintenance	1,352,420	1,290,630	4.8%	61,790
RW	1,559,140	1,649,800	-5.5%	(90,660)
WWTP	2,190,470	2,270,880	-3.5%	(80,410)
Total Expenses	\$ 8,967,900	\$ 9,087,150	-1.3%	(119,250)
Excess of revenues over expenses	-	-	-	-

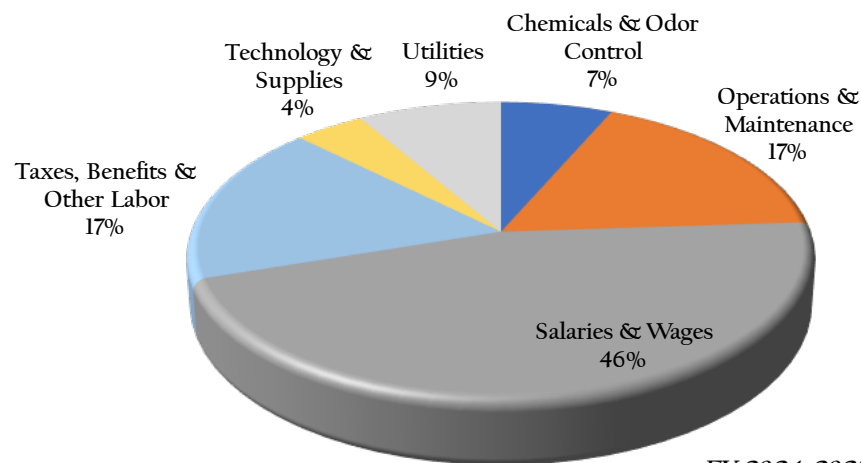


Operating Activities

The following pages present the adopted Operating Expenses of each of the five departments mentioned on page 31. Individual operating expense transactions are classified into one of 168 accounts indicating the department, type and/or specific purpose of the expense. These 168 accounts are summarized into categories for comparative and illustrative purposes. Generally, these summary categories consist of:

- Chemicals & Odor Control
- Operations and Maintenance
- Personnel Costs separated between:
 - ♦ Salaries and Wages
 - ♦ Taxes, Benefits, and Other Labor Costs (paid by the District)
- Technology & Supplies
- Utilities

“Operations and Maintenance” is a broad grouping, commonly used to refer to general, every- day type, expenses including but not limited to operational supplies and services utilized by each department as well as bank fees, postage, building supplies and maintenance costs, incidental utilities, communications, subscriptions, general liability insurance, and permit fees. “Professional Fees” primarily include outside services such as legal, accounting, outside engineering and other consulting services. “Technology & Supplies” consists of software, Information Technology tools and services, and supplies in general such as office supplies, safety supplies and small tools.



*FY 2024-2025
Operating Activities
by Category*



Operating Activities

Administrative Services & Billing

The District's Administrative Services Department, which includes billing activities essential to the District's revenue collection efforts, provides administrative support to the Board of Directors and other District departments. In addition to overall management of the District carried out by this department, essential functions include:

- general administration
- billing
- accounts receivable and payable
- financial reporting
- budgeting
- payroll, human resources, and benefits administration
- drug and alcohol programs
- information technology
- public information
- development and permit reviews
- project management
- safety training administration
- customer relations

Noteworthy observations when considering the FY '24-'25 proposed budget for Administrative Services & Billing (ASB) include:

- \$45,000 in election costs included in the FY '23-'24 Adopted Budget for administrative expenses are not included in the FY '24-'25 proposed budget. Elections are scheduled every other year for the District and must only be included in the corresponding fiscal year budget.
- Overall, ASB expenses decreased from FY '23-'24 Adopted Budget by 3.1%.
- The decrease in expenses is mainly due to reduction of ASRS transition costs as the transition plan is winding down early in FY '24-'25.

Operating Activities



Administrative Services & Billing

	2024-2025 Proposed Budget	2023-2024 Adopted Budget	% Change	Increase (Decrease) from 2023-2024 Adopted Budget
Administrative Services				
Professional Fees	129,250	134,000	-3.5%	(4,750)
Operations & Maintenance	231,220	272,150	-15.0%	(40,930)
Personnel				
Salaries & Wages	677,550	638,120	6.2%	39,430
Board of Directors	9,000	9,000	0.0%	-
Taxes, Benefits, Other				
Labor Costs	227,220	277,570	-18.1%	(50,350)
Technology & Supplies	151,800	148,000	2.6%	3,800
Sub-Total Administrative	\$ 1,426,040	\$ 1,478,840	-3.6%	(52,800)
Billing				
Operations & Maintenance	100,120	110,500	-9.4%	(10,380)
Personnel				
Salaries & Wages	260,820	268,940	-3.0%	(8,120)
Taxes, Benefits, Other				
Labor Costs	101,910	86,900	17.3%	15,010
Technology & Supplies	35,900	41,400	-13.3%	(5,500)
Sub-Total Billing	\$ 498,750	\$ 507,740	-1.8%	\$ (8,990)
Combined Total	\$ 1,924,790	\$ 1,986,580	-3.1%	\$ (61,790)



Operating Activities

Collection System

The sewer collection system consists of over 200 miles of gravity sewer pipes and more than 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.

The District built and utilizes Geographical Information Systems (GIS) data and sewer capacity modeling software. This software allows the District to plan and track maintenance efforts in the extensive collection system and to analyze the impact of proposed development on localized sewers as well as the entire system. With GIS data, inspections are performed regularly on system components. Inspections include periodic TV inspection of the District's gravity sewer lines. From inspection results, measurements and appropriate actions can be taken by the District to prevent main sewer line blockages or failures. Pump stations must also be carefully monitored and maintained to ensure their uninterrupted safe and efficient operation.

The District's collection system also includes construction services for service lateral repairs when aged connections to the main infrastructure are identified as inadequate or out of compliance with District standards. Expenses of the Collection System shown below include the cost of new service lateral construction, odor control throughout the collection system and manhole maintenance.

Despite economic factors previously mentioned, the FY '24-'25 proposed budget for the District's Collections System is up just 2.7% overall compared to the FY '23-'24 Adopted Budget. Personnel costs are the primary contributor to this increase.

Operating Activities



Collection System

	2024-2025 Proposed Budget	2023-2024 Adopted Budget	% Change	Increase (Decrease) from 2023-2024 Adopted Budget
Operations & Maintenance	292,010	288,490	1.2%	3,520
Chemicals & Odor Control	265,000	265,000	0.0%	-
Personnel				
Salaries & Wages	871,030	843,930	3.2%	27,100
Taxes, Benefits, Other Labor Costs	366,690	344,540	6.4%	22,150
Technology & Supplies	37,200	36,750	1.2%	450
Utilities	109,150	110,550	-1.3%	(1,400)
Total Expenses	\$ 1,941,080	\$ 1,889,260	2.7%	\$ 51,820

Operating Activities



Maintenance

The District’s Maintenance department is responsible for both routine and unscheduled maintenance and repair of District vehicles, equipment, buildings, and unit process components. Using a Computerized Maintenance Management System (CMMS) software and their collective expertise, Maintenance employees are tasked with keeping the District running. CMMS is used to track maintenance efforts on over 2,000 pieces of equipment, facilitating the District’s ability to perform preventive maintenance, often extending the life of District assets. CMMS is key to operating the District efficiently and effectively. Properly tracking and executing maintenance plans is vital to the overall health of District assets, allowing District staff to plan for the replacement of assets to avoid costly emergencies whenever possible.

Maintenance staff assists other District departments with the repair and replacement of pumps, motors, valves, vehicles, structural and other facilities, and basically all-things mechanical. Maintenance is also tasked with the continuing implementation of the District’s CMMS providing invaluable data and planning tools for the District’s collective operations and maintenance and the protection of its more than \$134 million-dollar investment in assets and infrastructure.

The Maintenance Department budget is proposed to increase by 4.8%, mostly due to COLA and related personnel costs.

Maintenance

	2024-2025 Proposed Budget	2023-2024 Adopted Budget	% Change	Increase (Decrease) from 2023-2024 Adopted Budget
Operations & Maintenance	230,990	235,500	-1.9%	(4,510)
Personnel				
Salaries & Wages	778,850	738,370	5.5%	40,480
Taxes, Benefits, Other Labor Costs	306,580	280,760	9.2%	25,820
Technology & Supplies	36,000	36,000	0.0%	-
Total Expenses	\$ 1,352,420	\$ 1,290,630	4.8%	61,790



Operating Activities

Recycled Water

Recycled water management is historically one of the District’s most demanding and challenging operations, yet every drop of wastewater generated in the District’s service area is recycled and beneficially reused. Recycled water provides irrigation at three local golf courses, and three Town parks (Fountain Park and Lake, Golden Eagle Park, and Desert Vista Park). Recycled water can come from: the wastewater treatment plant, advanced water treatment facility, or aquifer storage and recovery wells. All recycled water from the District exceeds water quality standards set by the Arizona Department of Environmental Quality (ADEQ).

For efficiency purposes, the treatment and distribution of recycled water is incorporated in the responsibilities of the Collection System and WWTP departments, but as a core function of the District, the costs associated with this function are presented separately in the budget as Recycled Water (RW).

The Advanced Water Treatment Facility (AWTF) is a principal component of the District’s recycled water processes. The AWTF began operation in February of 2001 housing ultra-filtration membranes and ultraviolet (UV) light disinfection processes. The AWTF and five aquifer storage and recovery (ASR) wells allow the District to successfully manage seasonal fluctuations in the supply and demand of recycled water.

Recycled Water

	2024-2025 Proposed Budget	2023-2024 Adopted Budget	% Change	Increase (Decrease) from 2023-2024 Adopted Budget
Operations & Maintenance	195,300	216,850	-9.9%	(21,550)
Chemicals & Odor Control	100,000	115,000	-13.0%	(15,000)
Personnel				
Salaries & Wages	668,110	715,360	-6.6%	(47,250)
Taxes, Benefits, Other Labor Costs	256,730	268,840	-4.5%	(12,110)
Technology & Supplies	42,500	41,250	3.0%	1,250
Utilities	296,500	292,500	1.4%	4,000
Total Expenses	\$ 1,559,140	\$ 1,649,800	-5.5%	\$ (90,660)



Operating Activities

Wastewater Treatment Plant

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

WWTP has the highest payroll and the most employees of all the District departments. Consequently, increased salaries and associated taxes, benefits, retirement and other labor costs, have the most significant impact on WWTP Total Expenses.

The WWTP Department will eliminate 2 staff positions for FY '24-'25. A change in department manager following the incumbent's retirement has brought some new perspective to WWTP operations. Many standard operating practices and procedures have been critically analyzed and refreshed. With proper use of the District's available automation, the WWTP is no longer required to be staffed overnight, thus relieving a large labor requirement.

The WWTP Department budget is decreased by 3.5%, due mostly to staffing reductions mentioned above.

Operating Activities



WWTP

	2024-2025 Proposed Budget	2023-2024 Adopted Budget	% Change	Increase (Decrease) from 2023-2024 Adopted Budget
Operations & Maintenance	379,800	355,900	6.7%	23,900
Chemicals & Odor Control	225,000	210,000	7.1%	15,000
Personnel				
Salaries & Wages	857,000	932,390	-8.1%	(75,390)
Taxes, Benefits, Other Labor Costs	302,370	348,090	-13.1%	(45,720)
Technology & Supplies	71,300	69,500	2.6%	1,800
Utilities	355,000	355,000	0.0%	-
Total Expenses	\$ 2,190,470	\$ 2,270,880	-3.5%	(80,410)



Operating Activities

District Personnel

The District considers its overall employee benefit package to be an important part of total compensation offered to attract and retain talent in a competitive job market.

Like many employers, the District has experienced some staffing shortages over the past 12 to 18 months. Although the average tenure of District staff is much longer than most local employers, vacancies in certain management positions, replacement of retiring employees and some entry level positions were particularly challenging to fill during the past few fiscal years. Detailed analysis revealed that the District's total benefit package including the wage schedule and long-time retirement plan needed a significant upgrade.

After thoughtful consideration of the lagging retirement benefit and its impact on employee retirement security, the Board of Directors resolved to participate in the state retirement system beginning October 1, 2021. With mandatory employee and employer contributions of more than 12% of compensation each, employees are now more secure in their retirement with a defined benefit, or pension plan in place and access to retiree medical benefits. Participation in the plan also significantly increases the District's pool of applicants as certified operators currently working for other government entities could now consider employment with the District without losing accumulated time and investment in the state retirement system. Increases to the overall wage schedule will also allow the District to better attract applicants in a competitive labor market.

A 4.0% cost of living increase to the District wage schedule is proposed with the aforementioned increases to District retirement contributions and base wages, these factors bring the total proposed FY '24- '25 personnel expenses to \$5,702,880, a decrease of 0.9% compared to the prior year's budget, after accounting for the reduction of two operator positions.

Long-term, the District expects that steps currently being taken to stay competitive in the labor market will pay dividends in the form of reduced turnover, shorter duration of vacancies, ability to fill highly skilled and certified positions with better quality candidates, timely exit strategies for employees approaching retirement, and a healthier general working environment.

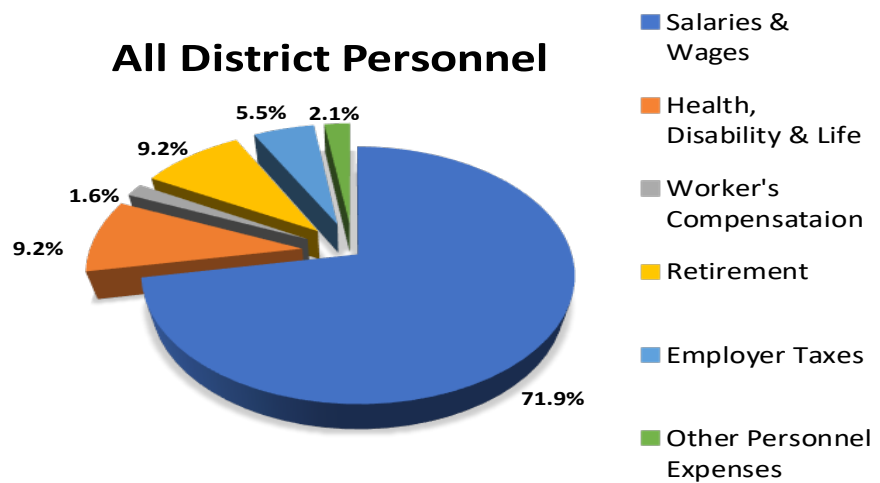
The FY '24- '25 Wage Schedule and Schedule of Positions are provided in the "Supplemental Schedules" section on pages 61 to 62.

Operating Activities



All District Personnel

	2024-2025 Proposed Budget	2023-2024 Adopted Budget	% Change	Increase (Decrease) from 2023-2024 Adopted Budget
Salaries & Wages	4,113,360	4,137,110	-0.6%	(23,750)
Benefits				
Health, Disability & Life Insurance	526,440	526,410	0.0%	30
Worker's Compensation	93,630	88,750	5.5%	4,880
Retirement	523,030	575,310	-9.1%	(52,280)
Employer Taxes	314,670	308,440	2.0%	6,230
Other Personnel Expenses				
Physicals & Tests	4,950	3,200	54.7%	1,750
Training and Professional Development	63,400	57,200	10.8%	6,200
Uniforms	34,250	34,400	-0.4%	(150)
Other Payroll Expenses	29,070	23,000	26.4%	6,070
Total Personnel Expenses	\$ 5,702,800	\$ 5,753,820	-0.9%	(51,020)



System & Facility Improvements

SFI Perspective

System & Facility Improvements (SFI) are the District's capital outlay activities and are essential to the continued operation of District systems 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. This includes most improvements to buildings, sewer infrastructure, and other core components of the sewer system designed to last more than one year. Costly construction projects, for new facilities or rehabilitation of existing facilities, typically generate expenditures over many months and often over multiple fiscal years, requiring 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.

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. Each SFI expenditure is evaluated to determine what, if any, portion of the project is designed to accommodate District growth. Many SFI expenditures are multi-purpose in nature and are prorated to the applicable revenue source or sources accordingly.

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 required to match revenues and expenditures so that the bottom line "Excess of revenues over expenditures" is equal to zero each year. Instead, the fund is designed to either accumulate or expend cash based on growth-driven revenues versus expenditures year-to-year. 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 of Capital Fund activity.

As mentioned above, equipment, vehicles, and other fixed asset purchases are also considered a part of SFI planning and are generally funded by the FERR account. The FERR Account is an essential tool facilitating 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.



System & Facility Improvements

SFI Highlights

The District's adopted System & Facility Improvements (SFI) Five-Year Plan includes spending designated for the FERR account and is revised annually as part of the budget process. Staff considers multiple factors such as priority, cost, timing, staff availability, and scheduling when developing this plan. Careful consideration of the age and working condition of District facilities, equipment and infrastructure is imperative to prioritizing needed SFI and FERR expenditures. Staff continually strives to plan and implement efficient and cost-effective solutions to update aging unit processes.

District staff exercises its best judgment and collective experience in assessing the District's SFI needs. A conservative approach to requesting funds for these typically "big-ticket" items is used, with thoughtful deliberation in prioritizing larger projects. The most significant needed improvements proposed for FY '24-'25 are described below.

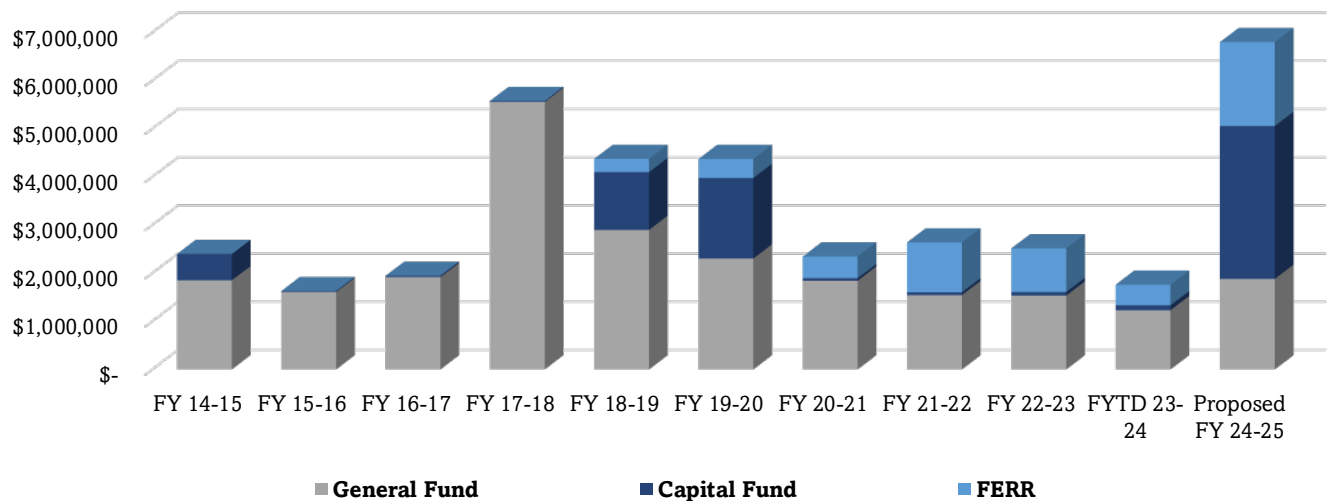
- ❖ After several years of deferment, the **ASR Well No. 1 Vault Replacement** is finally underway. Although significant inflation costs and labor shortages in recent years have more than doubled the cost of this project, the project has been fully funded in FY '23-'24 by deferring other SFI activities into future years. There will be no FY '24-'25 budget funds assigned to the ASR Well No. 1 project, but completion of the project will demand significant staff and management effort and time during the fiscal year. As a result, additional projects are limited to the most manageable and highest of priorities under the circumstances.
- ❖ The **Plant Lab Control Building Improvements** have been rolled over from FY '23-'24 with just the design process started to date. Due to inflation, the project budget requires an increase over the initial estimate to ensure adequate completion. This project is necessary to provide sufficient locker room space for the number of staff who have outgrown the facilities of this 1974 building. In addition, women's locker and restroom facilities are currently lacking, but will be added as part of the project.
- ❖ The design of a replacement **Digester Aeration System** is necessary as the current diffusers are no longer produced by the manufacturer.
- ❖ An interconnect with the City of Scottsdale for an emergency outfall of reclaimed water has been designed. The construction of such an emergency outfall is a necessary safeguard for times when the AWTF or ASR wells are out of service, and the District lacks a legal discharge point for recycled water.
- ❖ **Pump Station 10** needs improvements. The originally planned design exceeded the available budget. Design of a scaled-down version to meet the District's needs is in process and will continue into FY '24-'25 to advance the project.



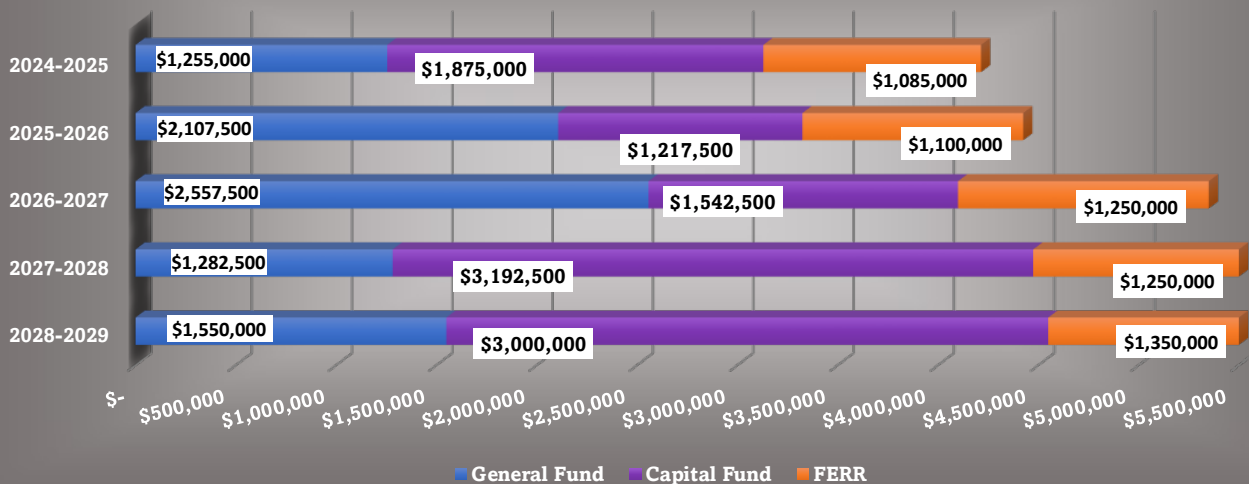
System & Facility Improvements

Historical and Projected SFI

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



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





System & Facility Improvements

Proposed SFI Budget

SFI Revenues & Expenditures All Funds

	General Fund		Capital Fund	2024-2025 Proposed Budget	2023-2024 Adopted Budget	% Change
	Operations	FERR		All Funds	All Funds	
Revenues						
Property Taxes	4,187,730			4,187,730	3,727,950	12.3%
Connection Fees			863,820	863,820	711,300	21.4%
Other Income			160,000	160,000	72,450	120.8%
Funds Transfer	(2,939,100)	2,303,660		(635,440)	-	-
<i>From Prior Fiscal Year</i>						
Deferred SFI Expnditures from Prior Fiscal Year	6,370		581,530	587,900	1,000,000	-41.2%
Total Revenues	\$ 1,255,000	\$ 2,303,660	\$ 1,605,350	\$ 5,164,010	\$ 5,511,700	-6.3%
Expenditures						
System & Facility Improvements						
WWTP	775,000	265,000	625,000	1,665,000	1,353,000	23.1%
RW	-	285,000	1,000,000	1,285,000	3,632,000	-64.6%
CS	400,000	470,000	250,000	1,120,000	1,575,000	-28.9%
Maintenance		50,000		50,000	165,000	-
Admin & Billing	80,000	15,000		95,000	-	-
Total Expenditures	\$ 1,255,000	\$ 1,085,000	\$ 1,875,000	\$ 4,215,000	\$ 6,725,000	-37.3%
Excess of revenues over expenditures	\$ -	\$ 1,218,660	\$ (269,650)	\$ 949,010	\$ (1,213,300)	



System & Facility Improvements

Proposed SFI Five-Year Plan

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

PROJECT DESCRIPTION	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
WWTP					
Plant Control Bldg & Lab Mods	\$ 1,250,000				
Digester Aeration System Replacement	\$ 150,000	\$ 800,000	\$ 800,000		
Clarifier Rehabilitation		\$ 400,000			\$ 400,000
Grit Removal System Upgrades			\$ 150,000	\$ 750,000	
WWTP Refurbish Eff Pump Station					\$ 200,000
Planned Equipment Replacements	\$ 265,000	\$ 350,000	\$ 775,000	\$ 270,000	\$ 650,000
RW					
Scottsdale Interconnect - Construction*	\$ 1,000,000	\$ 800,000			
Wells 3 & 5 Vault Replacement		\$ 250,000	\$ 1,500,000	\$ 1,500,000	
New ASR Well Analysis, Design, Construction			\$ 500,000	\$ 2,000,000	\$ 3,000,000
AWIF Pump Station Refurbishment			\$ 500,000		
FireRock Pump Station Refurbishment			\$ 500,000		
Planned Equipment Replacements	\$ 285,000	\$ 520,000	\$ 200,000	\$ 320,000	\$ 325,000
CS					
Upgrade PS 10*	\$ 500,000	\$ 500,000			
Manhole & Wetwell Rehabilitation	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000
PS Refurbishment		\$ 250,000		\$ 75,000	\$ 500,000
Sewer Slip Lining					\$ 300,000
Planned Equipment Replacements	\$ 470,000	\$ 180,000	\$ 200,000	\$ 560,000	\$ 225,000
OTHER					
Sewer Model Update and Software	\$ 80,000	\$ -			
District wide Arch Flash Renewal (5 Yr)		\$ 175,000			
Planned Equipment Replacements - Maintenance	\$ 65,000	\$ 50,000	\$ 75,000	\$ 100,000	\$ 150,000
Total System & Facilities Improvements	\$ 4,215,000	\$ 4,425,000	\$ 5,350,000	\$ 5,725,000	\$ 5,900,000
General Fund Portion of above	\$ 1,255,000	\$ 2,107,500	\$ 2,557,500	\$ 1,282,500	\$ 1,550,000
FERR Portion of above	\$ 1,085,000	\$ 1,100,000	\$ 1,250,000	\$ 1,250,000	\$ 1,350,000
Capital Fund (Growth) Portion of above	\$ 1,875,000	\$ 1,217,500	\$ 1,542,500	\$ 3,192,500	\$ 3,000,000

*Includes project funds deferred from FY '23-'24

Facilities & Equipment

The Facilities and Equipment Replacement Reserve (FERR) Account was established in FY '18-'19 as a designation of General Fund monies to provide for the planned or unplanned expenditures for the replacement, restorative repair, or refurbishment of existing facilities and equipment.

The District has more than \$134 million of assets, (\$53 million net of depreciation) each with a finite life of 5 to 50 years. Most of the necessary equipment required for the safe, effective, and continuous collection and treatment of wastewater has a useful service life of 5 to 20 years. The eventual replacement of such assets is best done when appropriately planned and funded by stable revenue sources. Likewise, aged tools and machinery should be promptly replaced if their operation compromises employee safety.

The objectives of FERR are as follows:

- To provide adequate resources for the planned and systematic replacement of District equipment and facilities.
- To have sufficient reserves to cover the unplanned replacement of District equipment and facilities necessitated by early equipment failure or safety concerns.
- To accumulate reserves for large and expensive facility replacement projects that require more funds than can be generated from property tax and user fee revenues 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

PLANNED EQUIPMENT REPLACEMENTS

PROJECT DESCRIPTION	2024-2025
WWTP	\$ 265,000
Replace FEB Flowmeter	\$ 25,000
Replace Blower Room Evaporative Coolers	\$ 100,000
Replace Plant Light-duty Service Truck	\$ 40,000
Unscheduled Equipment Replacements	\$ 100,000
RW	\$ 285,000
Replace VFDs at AWTF	\$ 65,000
Replace AWT Chlorine Dosing Valve	\$ 20,000
ASR Well Chemical and/or Mechanical Rehabilitation	\$ 150,000
Unscheduled Equipment Replacements	\$ 50,000
CS	\$ 470,000
Replace CSO Light-duty Service Truck	\$ 40,000
Pump Station Pump Replacements	\$ 100,000
Replace Pump Station Generators	\$ 175,000
Replace Check Valves at 3 Stations	\$ 45,000
Replace Flowmeters at 6 Stations	\$ 60,000
Unscheduled Equipment Replacements	\$ 50,000
MAINTENANCE	\$ 65,000
Replace Computer Network Switches	\$ 15,000
Unscheduled large equipment refurb/replace	\$ 50,000
ADMINISTRATION & BILLING	
Total FERR	\$ 1,085,000



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:

- Ensure the timely purchase and replacement of the District's vehicles;
- Plan for and minimize expensive long-term repair costs;
- Plan for and stabilize long-term cash flow expenditures for replacement of costly vehicles and specialty equipment; and
- 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 \$15,000 and a useful life of at least 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	8-10 years/100,000 miles
Medium Duty Trucks	Field and Maintenance Work Trucks (2 and 3-ton work trucks), 7,001 - 11,000 GVWR	10-12 years/100,000 miles
Heavy Duty Trucks	11,001 and higher GVWR	10-15 years/100,000 miles
Passenger Vehicles		10-15 years/100,000 miles
Specialty Sewer Inspection Vehicles (Camera)	Truck and Camera Operation Station	8-10 years/10,000 operating hours
Specialty Sewer Equipment and Construction Vehicles	Dump Trucks, Water Trucks, Sewer Vacuum and Cleaner Trucks, Cranes	10-12 years/10,000 operating hours
Backhoes		12-15 years/10,000-12,000 engine hours
Trailers		10 years
Gator or Golf Cart		10 years/15,000 engine hours



FERR

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

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 potential 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.

Supplemental Schedules

Schedule of Budget Activities

<u>Date</u>	<u>Day</u>	<u>Event</u>
02/21/24	Wednesday, 4:30pm	Regular Board Meeting: State of the budget presentation with preliminary information and estimates.
03/20/24	Wednesday	Preliminary budget and Fee Schedule delivered to Directors.
03/28/24	Thursday, 4:30pm	<i>Budget & Fee Schedule Workshop; Regular Meeting.</i>
04/17/24	Wednesday, 4:30pm	Regular Meeting: Present 2 nd DRAFT of 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.
04/24/24	Wednesday	Proposed Budget, Fee Schedule and Public Meeting Notice to Times for publication.
05/01/24 & 05/08/24	Wednesday	Proposed Budget, Fee Schedule, and Public Meeting Notice published in Times; Send .pdf copy of Budget to Times staff upon request.
05/22/24	Wednesday, 4:30pm	<i>Regular Meeting; Public Hearing for Fee Schedule; Public Hearing for Budget.</i>
06/19/24	Wednesday, 4:30pm	Regular Meeting; Approve Budget and Fee Schedule.
06/21/24	Friday	Budget Submitted to County.



Supplemental Schedules

Board of Directors

Bob Hendrix	Jan 1, 1969-Dec 31, 1973	Dennis Regeski	Jan 1, 1998-Dec 31,2001
Carol Hendrix	Jan 1, 1969-Dec 31, 1973	Bruce Hansen	Jan 1, 1998-Dec 31, 2001
Mary Louise Price	Jan 1, 1969-Dec 31, 1975	Wallace Nichols	Jan 1, 2000-Dec 31,2003
Bob Williams	Jan 1, 1974-Dec 31, 1981	Jim Garvin	March 9, 2002-Dec 31, 2006
Raymond Reed	Jan 1, 1974-Dec 31, 1977	Bruce Hansen	Jan 1, 2004-August 11, 2016
Doyle Bauserman	Jan 1, 1976-Dec 31, 1979	Michael Howard	Jan 1, 2007-Dec 31, 2011
Sy Seidner	Jan 1, 1978-Dec 31, 1981	Glenn Panaro	Jan 1, 2007-Sep 30, 2014
Don Martin	Jan 1, 1980-October 31, 1980	Thomas Besett	Jan 1, 2012-April 18, 2017
Margaret Jeffrey	Nov 1, 1980-Dec 31, 1983	Tom Reski	March 9, 2002- Dec 31, 2020
Leo Cunningham	Jan 1, 1982-March 31,1984	Jerry Butler	Oct 18, 2016-Dec 31, 2022
Clint Foreman	April 1, 1984-Dec 31, 1985	Robert Thomson	August 9, 1999-Jan 31, 2023
Cy Blasing	Jan 1, 1982-Dec 31, 1985	Gregg Dudash	March 1, 2015-PRESENT
Dr. Robinson	Jan 1, 1984-Dec 31, 1987	Michael Maroon	July 18, 2017-PRESENT
Cliff Auble	Jan 1, 1986-May 31, 1987	Tammy Bell	Jan 1, 2021-PRESENT
Harry Thrasher	June 1, 1987-Dec 31, 1989	Robert Thomson	Jan 1, 2024-PRESENT
Greg Phillips	Jan 1, 1986-Dec 31, 1989	Clayton Corey	Jan 1, 2023-PRESENT
Jim Tognacci	Jan 1, 1988-Dec 31, 1991		
M. Shawn Fleming	Jan 1, 1990-Dec 31, 1997		
Bruce Hansen	Jan 1, 1990-Dec 31, 1993		
Dennis Regeski	Jan 1, 1992-Dec 31, 1995		
Bert Putterman	Jan 1, 1994-Dec 31, 2006		
Walter Franklin	Jan 1, 1996-Dec 31, 1999		

Current Terms of Office

January 1, 2023 - December 31, 2026
Michael Maroon
Robert Thomson
Clayton Corey

January 1, 2022 - December 31, 2025
Gregg Dudash
Tammy Bell



Supplemental Schedules

Fund Balance Designations

As discussed in the Financial & Budget Overview section on page 15, annual financial statements prepared by the District are presented on a modified accrual basis in accordance with U.S. Generally Accepted Accounting Principles. Amounts presented in the budget are shown on a budgetary basis and may not present a direct correlation to year-end financial statements for the same 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. These classifications are made according 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.



Supplemental Schedules

Taxes & Fees: Five Year History

		2020-2021	2021-2022	2022-2023	2023-2024	2023-2024 Proposed	% Change	
Sewer User Fees	Quarterly Fees:							
	Residential	\$84/\$87	\$87.00	\$90.00	\$99.00	\$99.00	0.0%	
	Hotel/Motel per unit	\$33.75	\$33.75	\$35.25	\$38.25	\$38.25	0.0%	
	Assisted Living per occupant	\$33.75	\$33.75	\$35.25	\$38.25	\$38.25	0.0%	
	Commercial Minimum	\$105.00	\$105.00	\$108.00	\$117.00	\$117.00	0.0%	
	Commercial (by water usage)	varies	varies	varies	varies	varies		
	Schools	\$270	\$270	\$270	\$270	\$270	0.0%	
Connection Fees	One-Time Fees:							
	Hook-up Fee	\$400	\$400	\$400	\$400	\$400	0.0%	
	Lateral Fee	\$4,500	\$4,500	\$4,500	\$5,500	\$5,500	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)	\$4,145	\$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)	\$0.955	\$0.905	\$0.903	\$0.903	\$0.903	0.0%
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	\$5.00	0.0%	
RV Dump Fee - Commercial		\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	0.0%	
Recycled Water - Tier I (per acre foot)		\$380	\$380	\$380	\$380	\$380	0.0%	
Recycled Water - Tier II (per acre foot)		\$380	\$380	\$1,505	\$1,505	\$1,433	-4.8%	
Encroach/Abandonments		\$25/\$75	\$25/\$75	\$25/\$75	\$25/\$75	\$25/\$75		
Sewer User Establishment Fee		\$30	\$30	\$30	\$30	\$30	0.0%	
Penalties and Interest		Public Records (Copies/Postage)	varies	varies	varies	varies	varies	
	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	\$174	\$174	\$180	\$180	\$180	0.0%	
	Consumer Price Index Change**	2.30%	1.40%	7.00%	6.50%	3.60%		

**From U.S. Department of Labor, Bureau of Labor Statistics



Supplemental Schedules

Taxes & Fees: Summary Schedule

FOUNTAIN HILLS SANITARY DISTRICT

Fee schedule for the period July 1, 2024 to June 30, 2025

Residential ⁽¹⁾	Monthly User Fees
Residential (single family homes, duplexes, condominiums, townhouses, apartment buildings, or other multi-family housing units).	\$33.00 per month for each living unit of housing – billed quarterly.
Hotel, motel units, and bed and breakfast units.	\$12.75 per unit per month – billed quarterly.
Assisted living units, independent living units, or other similar multi-unit facilities.	\$12.75 per occupant per month – billed quarterly.

Non-Residential ⁽¹⁾⁽²⁾	
Schools	\$90.00 per month – billed quarterly
Restaurants, Bars, Bakeries or Supermarkets	\$ 3.69 (Rate per 1,000 gallons)
Food Preparation (Non-Restaurant), Dry Cleaners, Laundries or Mortuaries	\$ 2.67 (Rate per 1,000 gallons)
Nursing Facilities, Hospitals, Clinics, Laboratories, Salons, Daycare Facilities or Automobile/Equipment Repair Facilities	\$ 2.31 (Rate per 1,000 gallons)
Carwashes, Offices, Retail Stores or Other	\$ 2.17 (Rate per 1,000 gallons)

(1) user fees apply separately to each use category for mixed-use properties

(2) 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 **\$39.00** per month or **\$117.00** 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.



Supplemental Schedules

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	Tier I: \$380.00 per acre-foot up to 500.0 acre feet delivered; Tier II: \$1,433.00 per acre foot for delivery in excess of 491 acre feet per fiscal year.



Supplemental Schedules

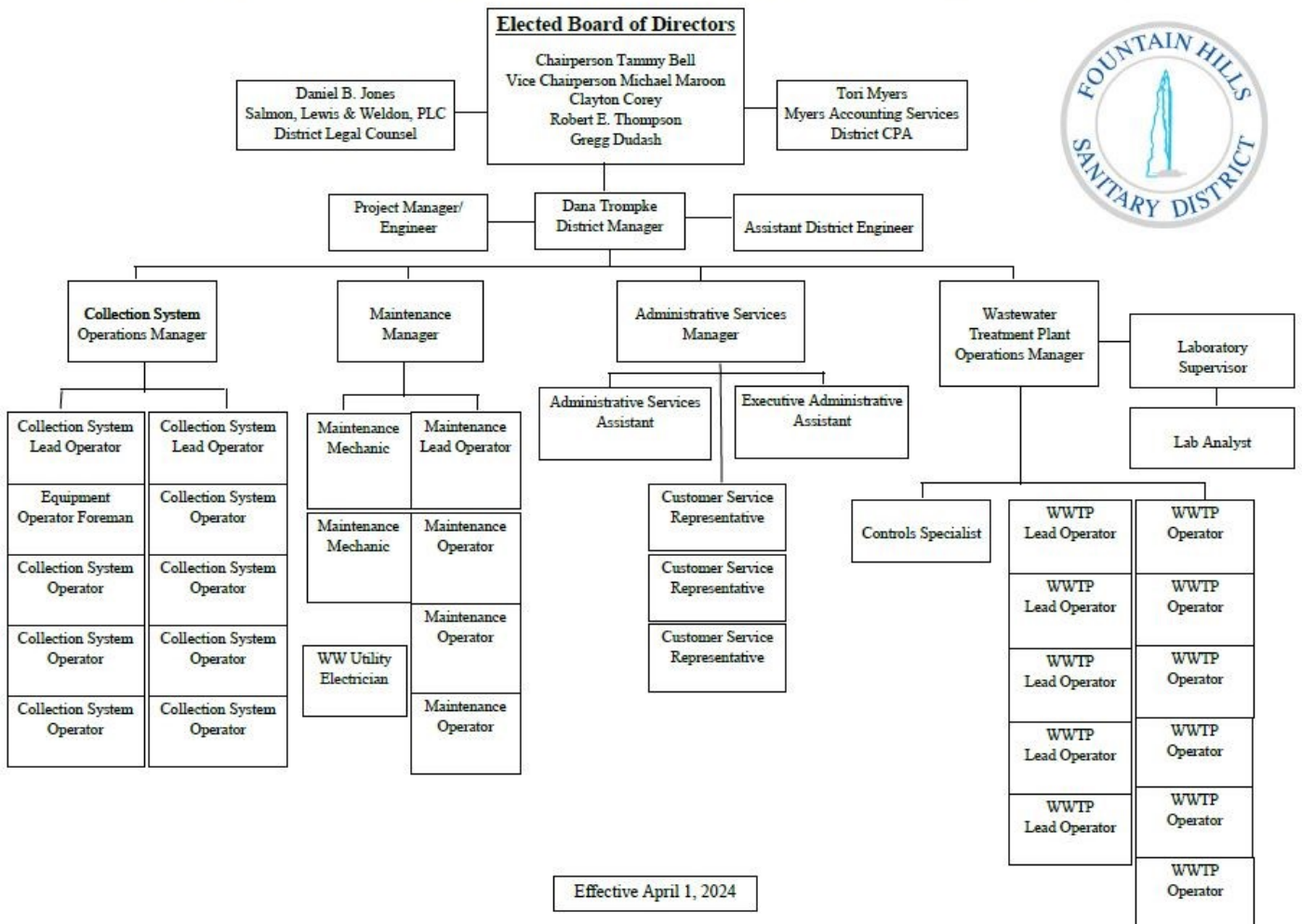
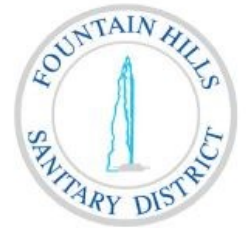
New Sewer Connection Fees	
Hook-up Fee	\$400.00 per connection
Lateral Fee, if required	\$5,500.00 per connection
Capacity Fees - Residential	
Capacity Fees – Residential (single family homes)	\$10,000.00 per unit
Capacity Fees – Residential (Duplexes, condominiums, townhouses, apartment buildings, or 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



Supplemental Schedules

Organization Chart

FOUNTAIN HILLS SANITARY DISTRICT ORGANIZATIONAL CHART





Supplemental Schedules

Wage Schedule

WAGE SCHEDULE - EFFECTIVE JULY 1, 2024 *

<u>Exempt Positions (Salaried)</u>	<u>Minimum</u>	<u>Maximum</u>
District Manager	\$ 150,000.00	\$ 213,000.00
Administrative Services Manager	\$ 100,300.00	\$ 141,000.00
Collection System Manager	\$ 100,300.00	\$ 141,000.00
WW Treatment Plant Manager	\$ 100,300.00	\$ 141,000.00
Maintenance Manager	\$ 100,300.00	\$ 141,000.00
Asst. District Engineer	\$ 87,700.00	\$ 126,900.00
Project Manager/ Engineer	\$ 87,700.00	\$ 126,900.00
Asst. Administrative Services Manager	\$ 87,700.00	\$ 126,900.00
Asst. Collection System Manager	\$ 81,400.00	\$ 116,400.00
Asst. WW Treatment Plant Manager	\$ 81,400.00	\$ 116,400.00
Laboratory Supervisor	\$ 81,400.00	\$ 116,400.00
SCADA Specialist, Lead	\$ 77,400.00	\$ 111,500.00
Administrative Services Assistant	\$ 69,100.00	\$ 96,300.00
Laboratory Analyst	\$ 67,500.00	\$ 94,000.00
Customer Service Supervisor	\$ 67,500.00	\$ 94,000.00
Construction Superintendent	\$ 67,500.00	\$ 94,000.00
Safety Coordinator	\$ 67,500.00	\$ 94,000.00
<u>Non-Exempt Positions (Hourly)</u>	<u>Minimum</u>	<u>Maximum</u>
Executive Administrative Assistant & Purchasing	\$ 31.36	\$ 44.25
Administrative Assistant	\$ 28.02	\$ 39.43
Customer Service Representative	\$ 23.96	\$ 33.57
Collection System Lead Operator	\$ 35.14	\$ 49.75
Collection System Operator IV	\$ 33.57	\$ 47.46
Collection System Operator III	\$ 31.36	\$ 44.25
Collection System Operator II	\$ 28.02	\$ 39.43
Collection System Operator I	\$ 23.96	\$ 33.57
Equipment Operator/Foreman	\$ 31.36	\$ 44.25
Maintenance Mechanic IV	\$ 33.57	\$ 47.46
Maintenance Mechanic III	\$ 31.36	\$ 44.25
Maintenance Mechanic III	\$ 28.02	\$ 39.43
Maintenance Technician I	\$ 23.96	\$ 33.57
WW Utility Electrician	\$ 30.16	\$ 42.55
WWTP Lead Operator	\$ 35.14	\$ 49.75
WWTP Operator IV	\$ 33.57	\$ 47.46
WWTP Operator III	\$ 31.36	\$ 44.25
WWTP Operator II	\$ 28.02	\$ 39.43
WWTP Operator I	\$ 23.96	\$ 33.57

* Cost of Living Adjustment of 4.0% above FY 2023-2024

* Note, not all positions are filled each year



Supplemental Schedules

Schedule of Positions

SCHEDULE OF POSITIONS

Dept.	Position	FY 22-23	FY 23-24	FY 24-25
	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	1	1
	Total Dept. Positions	3	3	3
<u>ADMINISTRATION</u>				
	Administration Services Manager	1	1	1
	Asst. Administration Services Manager	1	1	-
	Administrative Services Assistant	-	-	1
	Executive Admin. Assistant & Purchasing	1	1	1
	Customer Service Representatives (CSR)	3	3	3
	Total Dept. Positions	6	6	6
<u>COLLECTIONS SYSTEMS</u>				
	Manager	1	1	1
	Operators (I - IV)	11	10	10
	Total Dept. Positions	12	11	11
<u>PLANT OPERATIONS</u>				
	Manager	1	1	1
	Asst. Manager	1	1	-
	SCADA & Controls Specialist	1	1	1
	Operators (I - IV)	12	12	11
	Laboratory Staff	2	2	2
	Total Dept. Positions	17	17	15
<u>MAINTENANCE</u>				
	Manager	1	1	1
	Fleet Mechanics	2	2	2
	Equipment & Facilities Mechanics	4	4	4
	WW Utility Electrician	-	1	1
	Maint. Technician (In-Training)	1	-	-
	Total Dept. Positions	8	8	8
TOTAL STAFF		46	45	43



Supplemental Schedules

Vehicle Replacement Schedule

FY	DEPARTMENT	VEHICLE	YEAR	MAKE	DESCRIPTION	FUNCTION	REPLACEMENT BUDGET*
FY 24-25							
24-25	Collections	S-5	2014	Ford	F-150 Pickup	Blue Stakes/Inspections	\$ 40,000
24-25	Treatment	S-3	2009	Ford	F-150 Pickup	Plant/Sampling	\$ 40,000
Future Years							
25-26	Collections	S-4	2006	International	7400 Pumper Truck/Small Combo Truck	Sewer Pumper	\$ 400,000
25-26	Collections	S-25	2014	Ford	F-150 Pickup	FOG/Permits	\$ 40,000
26-27	Shared	S-11	2003	Ford	F-350 Stakebed Truck	Hauling Equipment	\$ 50,000
26-27	Collections	S-7	2006	Ford	F-750 Dump Truck	Construction/Dump Truck	\$ 130,000
27-28	Maintenance	S-6	2002	Chevrolet	3500 HD Utility Truck	Maint. Shop Truck	\$ 60,000
27-28	Shared	S-15	2015	Ford	F150 Supercrew Pickup	Managers	\$ 45,000
27-28	Collections	E-001	2006	John Deere	710G Backhoe	Construction	\$ 100,000
29-30	Collections	S-24	2014	Isuzu	NPR HD Camera Truck	Sewer Camera	\$ 450,000
29-30	Collections	S-20	2017	Ford	F-350 Utility Truck	Pump Stations	\$ 100,000
29-30	Maintenance	S-21	2017	Ford	F-350 Utility Truck	Maint. Work Crew	\$ 100,000
30-31	Administration	A-1	2021	Ford	Hybrid Escape	Admin	\$ 40,000
30-31	Treatment	S-23	2021	Ford	F-150 Pickup	Plant/Sampling	\$ 45,000
31-32	Collections	S-14	2019	Ford	F-250 Utility Truck	Field Crew	\$ 85,000
31-32	Collections	S-19	2019	Ford	F-450 Water Truck	Construction	\$ 125,000
32-33	Collections	S-17	2021	Ford	F-350 Utility Truck	Sewer Tap/Pump Station Crews	\$ 125,000
32-33	Maintenance	S-30	2022	Ford	F-550 Utility Body Truck w/ 6k crane	Maintenance	\$ 220,000
33-34	Maintenance	S-16	2022	Ford	F-350 Utility Truck	Maint. Work Crew	\$ 125,000
33-34	Collections	S-29	2022	Ford	F-550 Utility Body Truck	Construction Crew	\$ 175,000
35-36	Collections	S-33	2024	Freightliner	Sewer Specialites	Sewer Combo Pump/Clean	\$ 750,000
35-36	Treatment	E553	2019	Case	586D Forklift	Plant Operations	\$ 85,000
41-42	Collections	E-005	2022	John Deere	410L Backhoe	Construction	\$ 220,000
SPECIALTY TRUCKS							

* Budget Costs escalated over time to account for inflation