

FY 2020/2021

Adopted Budget



Garrett Goldman, P.E.

Northern Gila County Sanitary District

FY 2020/2021





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DEFINITIONS OF TERMS & ABBREVIATIONS

Board Designated Fund: A fund that is restricted to Board of Directors approved expenditures for specific, designated categories.

CPI: Consumer Price Index

Collection System Capacity Improvement Fund: A Board Designated Fund used to fund required upgrades to the Collection System to be able to convey the projected sewage flows for the build-out of the District boundaries, per the Master Plan.

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

ERU: Equivalent Residential Unit, one (1) Equivalent Residential Unit is equivalent to 175 gallons per day average flow.

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

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

GCAO: Gila County Assessor's Office

LGIP: Local Government Investment Pool

Master Plan: An engineering study considering the NGCSD boundary, development within the boundary, and evaluation of capacity of the NGCSD Collection System for both the existing and build-out condition.

MGD: Million Gallons Per Day

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

NGCSD: Northern Gila County Sanitary District

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

Operating Contingency Fund: An unrestricted fund that protects against revenue shortfalls, addresses temporary cashflow shortages, and covers extraordinary expenditures occurring in the event of an emergency. All expenditures greater than \$5,000.00 from the Operating Contingency Fund must be Board approved.



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

WRF: Wastewater Reclamation Facility (wastewater treatment plant)

WRF Capacity Improvement Fund: A Board Designated Fund used to fund required upgrades to the Water Reclamation Facility to be able to treat the projected sewage flows for the build-out of the District boundaries, per the Master Plan.



INTRODUCTION

District Profile

History

The Northern Gila County Sanitary District (NGCSD), established in 1965 under Title 36 (now Title 48) of the Arizona Revised Statutes, collects, treats, and disposes of wastewater and its byproducts for those parcels within the District boundaries. The District serves 8,513 accounts within its boundary, including most of the Town of Payson and the entire Mesa Del Caballo subdivision. An elected five-member Board of Directors governs the District.

The NGCSD is an “Enterprise Fund”. Enterprise Funds, as defined in the NGCSD’s fiscal year 2018/2019 audited financial statements are operations “...which are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges...” Essentially, the NGCSD operates as a private business, without a profit motive. The accounting policies of the NGCSD conform to accounting principles generally accepted in the United States of America (GAAP).

Core Values

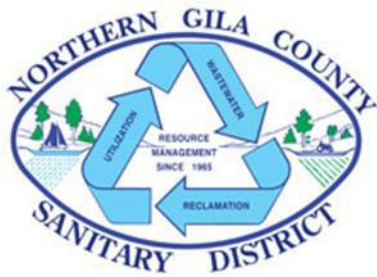
The District Staff’s daily operations are governed by the following “Core Values” statement:

We Strive to provide Prompt, Responsible, Professional, Environmentally Conscious service for our valued customers.

*Non-stop
Great
Customer
Service
Daily*

Board of Directors

The NGCSD is governed by an elected five-member Board of Directors. Board members serve a four-year term, with elections occurring in even years during the General Election in November. Table 1 presents the NGCSD Board of Directors at the beginning Fiscal Year 2020/2021 (July 1, 2020).



Name	Title	Term
Patrick Underwood (Pat)	Chairman	January 2017 – December 2020
William Easton (Bill)	Vice-Chairman	January 2019 – December 2022
Sheila DeSchaaf	Secretary	January 2017 – December 2020
Shirley Dye	Member	January 2017 – December 2020
James Muhr (Jim)	Member	January 2019 – December 2022

Table 1. NGCSD Board Member Information

Collection System

Approximately 129 miles of gravity sewer line, twenty-four (24) miles of low pressure sewer line, ten (10) miles of sewer force main, 3,343 manholes, and fourteen (14) lift stations comprise the District’s sanitary sewer collection system (Collection System). The Collection System is an intricate system of these components that conveys an average of 1.2 million gallons per day (MGD) of sewage from customers to the American Gulch Water Reclamation Facility. The District Collection System accounts for approximately \$30M of the over \$64M in gross fixed assets of the District. With the oldest of these assets approaching fifty (50) years of service, careful monitoring, proactive maintenance, and significant resources must be dedicated to these valuable assets to ensure they are capable of conveying wastewater for generations to come.

Water Reclamation Facility

The original American Gulch Water Reclamation Facility (WRF), or wastewater treatment plant, was constructed and began operation in 1972 on the existing WRF site. Rapid growth in the 1970’s soon began to overtax the WRF. After receiving overwhelming support from the community, the District began construction on a unique biological nutrient removal process and facility expansion, which was fully operational in mid-1984. The WRF has been upgraded several times to present. Today, the WRF is rated to treat up to 3.5 MGD of raw wastewater, the projected buildout wastewater flows within the District Boundaries. The WRF converts wastewater to Class A+ reclaimed water, the State of Arizona’s highest water quality rating for reclaimed water. The District’s WRF accounts for approximately \$34M of the over \$64M in gross fixed assets of the District.



Reclaimed Water

The District has two permitted means to discharge the WRF effluent (Reclaimed Water) resulting from the treatment of sewer inflows: an Arizona Pollutant Discharge Elimination System Individual Permit (AZPDES), and an Aquifer Protection Permit (APP). The AZPDES permit allows the District to directly discharge its reclaimed water to American Gulch, which runs adjacent to the WRF. This water travels down American Gulch to the East Verde River and ultimately to the Verde River, providing no beneficial value to the District customers. The APP permits the District to discharge its reclaimed water to Green Valley Lakes. Green Valley Lakes, a joint partnership between the District and Town of Payson, not only provides a community amenity to the region but is a water conservation and groundwater recharge project. The District conveys as much of its reclaimed water as possible to Green Valley Lakes, rather than discharging down American Gulch. From Green Valley Lakes, the District distributes its reclaimed water to five (5) reclaimed water customers. The Payson High School, three (3) area golf courses, Woodland Meadows Subdivision, and Pioneer Cemetery comprise the District's reclaimed water customers. The District operates and maintains three (3) booster stations and approximately nine (9) miles of reclaimed water lines to facilitate discharge of the District's WRF reclaimed water the Green Valley Lakes and its reclaimed water customers.

Strategies & Considerations

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

The District's financial goals are as follows:

- To ensure financial stability and sufficient cash reserves to mitigate financial risks and to withstand local or national economic fluctuations, adjust to changes in the service needs of the community, and to respond successfully to unforeseen events;
- To safeguard District assets against loss from unauthorized use or fraud;
- To operate within the constraints of the Board adopted annual budget;
- To secure adequate resources to provide safe operations for the protection of staff and public health;



- To provide continuous, quality service to District customers efficiently and affordably;
- To keep the District debt-free, while maintaining the highest possible bond rating in the unlikely event that bond issuance would be considered in the future;
- To promote good stewardship in the community and toward the environment and to contribute to protecting the Rim Country's limited water resource;
- To consider all of the above, while consistently operating with fiscal responsibility, integrity, and an appropriate level of conservatism.



BUDGET OVERVIEW

Budget Approach

The District reports, plans, and operates on a fiscal year basis, July 1st through June 30th of each year. In April, the District Manager and Administrative Services Manager develop the “Proposed” annual budget, in cooperation with Department Managers. Careful analysis of historical data, trends and/or anomalies in current fiscal year-to-date spending, operational priorities, plus a thorough assessment of staffing needs and availability are the core components of budget development. The District Manager presents the “Proposed Budget” to the Board of Directors in May at the Regular Board of Directors meeting. Once adopted by the Board, the “Adopted Budget” establishes monetary boundaries for managing the District’s day-to-day operations for the upcoming fiscal year and addresses the District’s revenue requirements for future spending.

Budgeting Strategy

The Board has adopted a budgeting strategy through the last two budget cycles. This budgeting strategy provides specific revenue sources to cover each expenditure account. By following this strategy, the District rates and fees are easily calculated and traceable, thus providing for greater transparency. The District budgeting strategy is graphically shown in Figure 1.

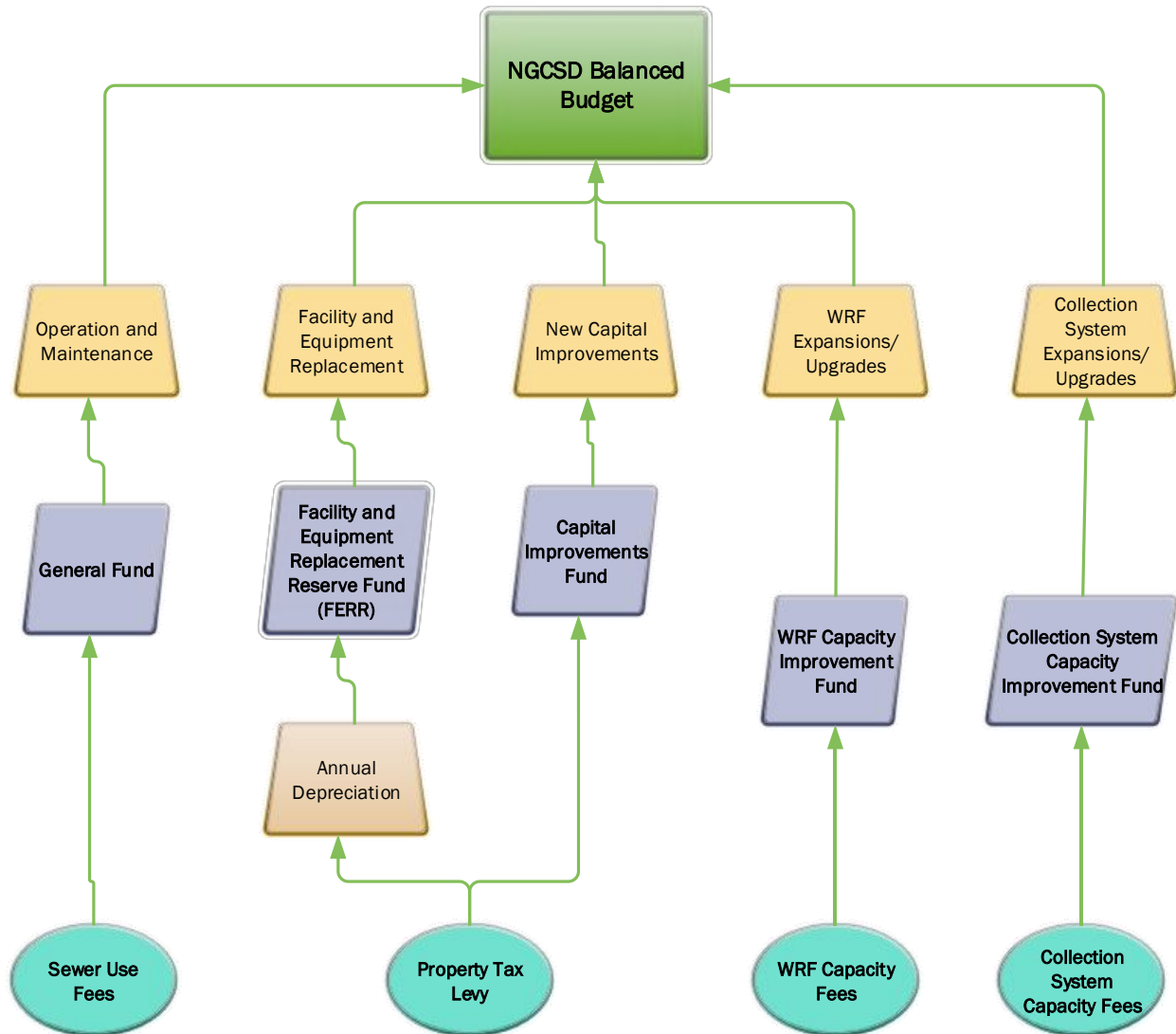
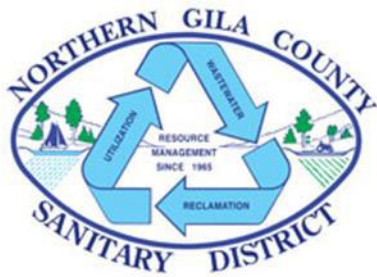


Figure 1. NGCSD Budgeting Strategy.

At the top level, the NGCSD operates under a balanced budget. The next level down, shown in yellow, are the expenditure accounts within the NGCSD. Below that, shown in blue, are the individual funds maintained by the NGCSD. One anomaly in the budgeting strategy is the Annual Depreciation, shown in light brown, which defines the amount contributed to the FERR. Finally, the revenue sources for each account are shown on the bottom, in teal. A description of each component in the budgeting strategy follows.



Expenditures

The District maintains five (5) basic expenditure accounts in its accounting system. These expenditure accounts are described below.

Operation & Maintenance

The District's Operation and Maintenance expenditure account contains all expenditures required for the day-to-day operations of the District. These include, but are not limited to labor, utilities, supplies, and preventative maintenance costs.

Facilities and Equipment Replacement

The District utilizes its Facilities and Equipment Replacement account for expenditures involving the replacement existing facilities and equipment (assets) that have reached their design lifespan. Additionally, this account is used for major maintenance that results in the increased lifespan of an asset.

New Capital Improvements

As permit requirements change and technology advances, the District continually looks for methods to increase its efficiencies. These advances often require the purchase of new fixed assets. The District maintains a New Capital Improvements account to cover the cost of the new equipment and facilities.

Facility Expansion/Upgrades (2 Accounts)

The District facilities and equipment have been sized and installed systematically over the years. However, as times, growth patterns, and the District Boundary have changed, the original assumptions used in sizing the District facilities and equipment have provided for undersized facilities and equipment in some locations. Upgrades to the District facilities and equipment are required to adequately serve future connections to the District Sewer Collection System while maintaining compliance with State Statutes, rules, and permits. The Facility Expansion/Upgrades expenditures are divided into two funds: WRF Capacity Improvement Fund and Collection System Capacity Improvement Fund.

Fund Perspective

General Fund

The General Fund is the District's operational fund. This fund accounts for the revenues and expenditures used for the day-to-day operations and maintenance of the District. Disbursements from this fund include labor and other costs to operate and maintain the District's Collection System, WRF, Reclaimed Water Distribution System, and administrative expenses.



Facilities and Equipment Replacement Reserve (FERR) Fund

The District owns and maintains approximately \$64M in gross fixed assets. These fixed assets include the Collection System, the WRF, the Reclaimed Water Distribution System, and all ancillary buildings and equipment. Of this \$64M in gross fixed assets, the District has realized almost \$33M in accumulated depreciation. Approximately \$10M of these assets are currently fully depreciated, meaning they have reached their projected useful lifespan.

The District maintains a Facilities and Equipment Replacement Reserve (FERR) fund to replace these existing facilities and equipment, or perform major maintenance to increase their projected lifespan. The District's audited financial statements are required by the Governmental Accounting Standards Board (GASB) to include depreciation as an expense. The FERR is funded on a yearly basis for the amount of depreciation experienced in that year. The FERR is a Board designated fund that requires all expenditures from it to be approved by the Board. The FERR is projected at the end of the 2019/2020 fiscal year to have a balance of \$7,207,750.

WRF Capacity Improvement Fund

As stated above in the Facility Expansion/Upgrades expenditure discussion, the District WRF required upgrades to be able to treat the projected sewage flows for the build-out of the District boundaries. The WRF Capacity Improvement Fund is utilized for these upgrades and is a Board designated fund that requires all expenditures from it to be approved by the Board. The District completed a project in 2015 to expand the WRF rated capacity to 3.5 MGD, the projected sewage flows from the build-out of the District boundaries. The need for this project was dictated by the Arizona Department of Environmental Quality because the District's committed flows exceeded 80% of the existing plant's rated capacity. This expansion project was paid for with cash, without the need to borrow money. However, the WRF Capacity Improvement Fund did not contain the \$15M required to complete the project. Interfund transfers from the FERR to fund the project were authorized by Board. Therefore, this fund must be reimbursed through its funding source, as described below. Additionally, future projects to increase the efficiency and ancillary treatment processes capacities of the WRF are needed and are in the planning phases. The WRF Capacity Improvement Fund is projected to have a balance of \$1,751,515 at the end of the 2019/2020 fiscal year.

Collection System Capacity Improvement Fund

Similar to the WRF Capacity Improvement Fund discussion above, the District Collection System requires upgrades to be able to convey the projected sewage flows for build-out condition of the District boundaries. The Collection System Capacity Improvement Fund is utilized for these upgrades and is a Board Designated fund that requires all



expenditures from it to be approved by the Board. The Collection System Capacity Improvement Fund is projected to have a balance of \$1,274,549 at the end of FY 2019/2020.

Operating Contingency Fund

The District maintains an Operating Contingency Fund, per GASB Statement 54, to ensure safe and continuous operation of District Services. The District's target fund balance is between six (6) and nine (9) months of operating expenses. This account provides financial stability to protect against a reduction or interruption of services due to temporary cash flow shortages or revenue shortfalls and covers extraordinary expenditures occurring in the event of an emergency. The Operating Contingency Fund has a balance of \$1,754,786 at time of this budget preparation.

Revenues

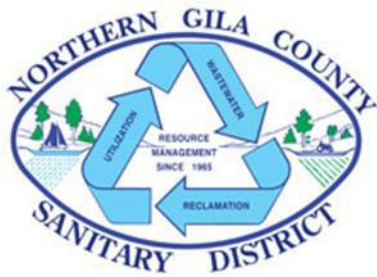
The District utilizes four (4) revenue sources to cover its expenses. These revenue sources are described below.

Sewer Use/Ancillary Fees

The District's Sewer Use Fees are the monthly fees proportionally charged to its customers for the Operation and Maintenance expenditures of the District. Sewer Use Fees are based on an Equivalent Residential Unit. Single-family residential structures are charged for one (1) ERU, while commercial enterprises are charged for the number of ERU's actually produced.

Title 48 of the Arizona Revised Statutes authorizes the District to charge ancillary fees for services performed by the District. These fees include connection fees and reclaimed water fees. The District also recognizes revenues as "Other Income". Other Income includes interest earned on monies in the Local Government Investment Pool (LGIP), returned check fees, recording fees, inspection fees, plan review fees, and miscellaneous revenue. Revenue from all ancillary fees are used to offset the Operation and Maintenance expenditures, thus reducing the Sewer Use Fee.

The District calculates the fiscal year Sewer Use Fee by dividing the projected Operation and Maintenance expenditures, minus the ancillary fee revenue, by the number of ERU's within the District. The Sewer Use Fee is evaluated each budget year to make sure it is appropriate for the Operation and Maintenance requirements of the District operations.



Property Tax Levy

Title 48 of the Arizona Revised Statutes authorizes the NGCSD to certify to the Gila County 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 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 limited property value, as determined by the Gila Country Assessor’s Office (GCAO). The District’s property tax rate is considered a secondary tax.

The NGCSD uses the property tax levy to fund depreciation, which directly funds the FERR, and new capital improvements. The property tax levy is set each year by the Board based on the projected depreciation for the previous year and required new capital improvements for that year. The FERR, in conjunction with new capital improvements ensure that the NGCSD facilities and equipment will be operational for generations to come. The fiscal year 2019/2020 District property tax levy was \$1.13 per \$100 of assessed limited property value.

WRF Capacity Fees

Title 48 of the Arizona Revised Statutes authorizes the NGCSD to charge “a capacity fee based on the cost of developing sewage collection, treatment, and effluent disposal facilities required to treat the flow of sewage which enters the sewage system from a particular sewer connection.” The District maintains the WRF Capacity Improvement fund to cover the costs associated with expanding or upgrading the WRF to treat flows from new connections. The WRF Capacity Improvement Fund is funded by charging each new parcel connecting to the Collection System a Capacity Fee. This is a one-time charge and payment of the Capacity Fee carries with the property, regardless of whether or not a structure is constructed on the property.

The WRF Capacity Fee is derived from engineering studies in support of the District Master Plan. As a part of the Master Plan, development of all lands within the District Boundary are considered based on current Town of Payson zoning for those undeveloped lands. The study estimates the total build-out wastewater flow produced within the District, considering both the existing development and future development within the District boundaries. Additionally, the study estimates the cost of expansion to the WRF to be able to accept and treat this build-out flow. The WRF Capacity Fee is calculated by dividing the estimated WRF expansion costs by the future flows produced by new connections to the Collection System, resulting in a cost per gallon. The current WRF Capacity Fee is \$18.80 per gallon of peak flow. This equates to \$4,700.00 per ERU.

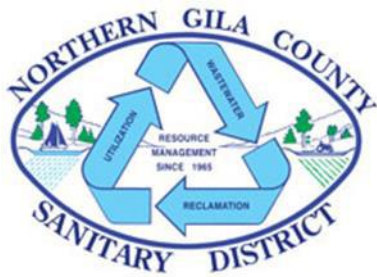


Collection System Capacity Fees

Similar to the WRF Capacity Improvement Fund, the District maintains a Collection System Capacity Improvement Fund to cover the costs associated with expanding or upgrading the Collection System to convey flows from new connections. The Collection System Capacity Improvement Fund is funded by charging each new parcel connecting to the Collection System a Capacity Fee. This is a one-time charge and payment of the Capacity Fee carries with the property, regardless of whether or not a structure is constructed on the property.

The Collection System Capacity Improvement Fund is based on engineering studies in support of the District Master Plan. As a part of the Master Plan, development of all lands within the District Boundary are considered based on current Town of Payson zoning for those undeveloped lands. The study estimates the build-out flows within the Collection System, considering both the existing development and future development within the District boundaries. The Master Plan hydraulic model identifies pipes within the Collection System that have inadequate capacity to convey the build-out flows and identifies the required pipe size to convey these flows. The study estimates the cost of increasing the size of these pipes. The Collection System Capacity Fee is calculated by dividing the estimated cost to increase the size of the identified pipes by the future flows produced by new connections to the Collection System, resulting in a cost per gallon.

The District is geographically divided into two basins: West Side and East Side. The West Side basin generally flows by gravity to the WRF. The East Side basin naturally flows to the East and requires a series of lift stations to convey the sewage flows to the West Side basin, where it can gravity flow to the WRF. Because of this natural geographical division and the fact that the East Side basin requires the use of lift stations and force mains to provide service, two (2) Collection System Capacity Fees are used by the District. The West Side Collection System Capacity Fee is \$1.80 per gallon of peak flow, or \$450.00 per ERU. The East Side Collection System Capacity Fee is \$4.50 per gallon of peak flow, or \$1,125 per ERU.



FY 2020/2021 ADOPTED BUDGET

Organizational Structure

At the core of the NGCSD's successful operations is its staff, comprised of twenty-two (22) highly qualified people. The NGCSD is not proposing to add any new personnel in FY 2020/2021. Per the NGCSD Employee Handbook, the District Manager completes compensation studies at regular intervals to ascertain wage and salary levels of other agencies whose service and staffing requirements are similar to those of the District. These results are used to ensure equity and consistency within the community and job market for District Employees.

Operations & Maintenance Expenses

The NGCSD is organized into six (6) departments: Administrative Services, WRF Operations, Laboratory, Maintenance/Safety, Collection Systems, and GIS. The role of each department, along with its adopted Fiscal Year 2020/2021 budget is described in the following sections.

Administrative Services Department

The District's Administrative Services Department provides administrative support to the Board of Directors and other District Departments. Overall management of the District is carried out by this department. Its core functions include general administration, billing, accounts receivable, accounts payable, accounting, financial reporting, budgeting, human resources, information technology, public information, engineering, development and permit reviews, and project management. For accounting purposes, the Board of Directors and District Manager are considered a part of this department.

The Department is comprised of five (5) administrative staff. Each Administrative Services staff member performs individual functions defined in the District's Administrative Internal Controls. The Administrative Internal Controls are policies and procedures set in place to provide segregation of duties, thus eliminating the possibility of fraud and increasing transparency.

Water Reclamation Facility (WRF) Operations Department

The first District WRF was constructed in 1972 on the current WRF site. In 1983 and 1984, the WRF was upgraded to a biological nutrient removal facility using a unique process. The WRF has undergone many expansions and improvements over the years. Currently, the WRF is a state-of-the-art facility producing Class A+ Reclaimed Water that



meets or exceeds all Arizona Department Environmental Quality (ADEQ) standards for reclaimed water. The WRF Operations Department operates the WRF to maintain compliance with the District's ADEQ Permits and providing Reclaimed Water to the District's reclaimed water customers.

The WRF Operations Department is comprised of three (3) staff. Each WRF Operations Department staff member holds a minimum of an ADEQ operator certification in wastewater treatment plant operations, along a CDL with a tanker endorsement.

Laboratory Department

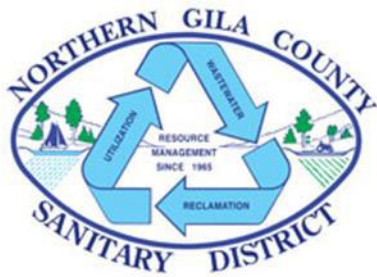
The District operates an Arizona Department of Health Services certified laboratory to provide both compliance and process control testing in support of the District operations. The District uses the compliance test results in completing its ADEQ permit monthly, quarterly, semi-annual, and annual reporting. The WRF Operations Department uses the process control test results to monitor the WRF and make operations decisions. The Laboratory Department is comprised of two (2) staff. This staff performs an average of 1,200 tests per month.

Maintenance/Safety Department

The District's Maintenance/Safety Department provides maintenance services for the District's assets. These services include maintaining and repairing all mechanical and electro-mechanical equipment used in the District operations, along with District buildings. The Maintenance/Safety Department performs regular preventative maintenance on District assets to maintain and extend their project lifespan. The Maintenance/Safety Department also administers the District's Health and Safety Program. The Maintenance Department is comprised of three (3) staff. Each Maintenance Department staff member holds a minimum of one (1) ADEQ operator certification in either wastewater treatment plant operations or wastewater collection system operations.

Collection System Department

The sewer Collection System consists of 129 miles of gravity sewer lines, 3,343 manholes, 24 miles of low pressure sewer lines, 10 miles of force mains, and fourteen (14) lift stations. The Collection Systems Department operates and maintains the gravity sewer lines, manholes, low pressure sewer lines, force mains, and all appurtenances. They perform routine cleaning of the Collection System, inspections of the Collection System using a Close Circuit Television (CCTV) camera, repair deficiencies in the Collection System lines, install new service connections, and address customer concerns. Many of the sewer lines and manholes in the District Collection System were installed in the early 1970's and are approaching fifty (50) years old. These assets in particular



require monitoring and maintenance to ensure they will continue to operate for generations to come.

The Collection Systems Department is comprised of five (5) staff. Each Collection System Department staff member holds the minimum of an ADEQ operator certification in wastewater collection system operations. Additionally, each Collection System Department staff member is required to hold a CDL with a tanker endorsement.

Geographical Informational Systems (GIS) Department

The NGCSD implemented Geographical Information Systems (GIS) into its operations during the 2018/2019 fiscal year. The GIS Department manages the GIS system and is responsible for integration of GIS functions into the NGCSD workflows. GIS is the basis of the NGCSD asset management program. Essentially, GIS is a geographical based database in which information regarding assets is accessible through a geographic map showing the assets in their real-world location. Information regarding assets can include, but is not limited to, physical characteristics of the assets, pictures, videos, inspection records, etc. The GIS Department is currently coordinating with the Collection System Department to GPS locate all manholes and to CCTV inspect and catalog all gravity sewer lines within the Collection System. This effort is providing NGCSD staff with the required information to make informed decisions on repair and maintenance of the Collection System. The NGCSD GIS system is quickly becoming the cornerstone of NGCSD operations, with application to each department within the NGCSD. The GIS Department is comprised of two (2) staff members.



Operation and Maintenance Expense Summary

Table 2 presents a summary of the adopted FY 2020/2021 Operating and Maintenance Expenses, along with a comparison to the approved FY 2019/2020 Operating and Maintenance Expenses.

FY 2020/2021 Operation and Maintenance Expense Summary			
Operating Department	Approved FY 2019/2020 Budget	Approved FY 2020/2021 Budget	Percent Change
WRF Operations	\$770,100	\$810,100	5.2%
Laboratory	\$243,250	\$254,800	4.7%
Maintenance	\$641,400	\$659,500	2.8%
Collection System	\$551,500	\$581,250	5.4%
Administration	\$1,082,500	\$1,215,000	12.2%
GIS	\$262,500	\$270,000	2.9%
Total	\$3,551,250	\$3,790,650	6.7%

Table 2. FY 2020/2021 Operation and Maintenance Expense Summary.



Facilities and Equipment Replacement Expenses

Because the NGCSD must operate perpetually within its ADEQ permits, the District must maintain its assets in good working order. This means that existing facilities and equipment must be either replaced or upgraded when their design lifespan is reached to ensure they will keep operating at full capacity in the future. The NGCSD has scheduled \$3,069,850 of facility and equipment replacement and repairs for Fiscal Year 2020/2021.

New Capital Outlay Expenses

The NGCSD is committed to incorporating new technologies and processes into its operations. Advances in technologies and processes provide opportunities to lower utility costs, maintain a low staffing level, and increase process efficiencies. This commitment ensures its customers are receiving a high-quality service at the lowest rates possible. To achieve this commitment, the NGCSD invests in new capital improvements each year. The NGCSD has scheduled \$186,500 in new capital improvements for Fiscal Year 2020/2021.

Facilities Expansion/Upgrades Expenses

The NGCSD is not planning any new Facilities Expansion or Upgrades from either the WRF Capacity Improvement Fund or the Collections System Capacity Improvement Fund. Several expansion/upgrade projects have been identified in the Master Plan. However, the trigger points for these expansions/upgrades have not been realized at the time of preparation of the FY 2020/2021 budget.



Ancillary Fees

Connection Fees

The NGCSD charges Connection Fees to cover the administrative costs associated with transferring accounts to new owners, new connections, installing new sewer service connections, and disconnecting/reconnecting services. The District bases these projected fees for FY 2020/2021 on historical trends. Due to uncertainties in the overall economy at the time of budget preparation, the District has downgraded the FY 2019/2020 historical trends for the FY 2020/2021 budget. As of March 31, 2020, the District has realized \$27,960 in Connection Fees for FY 2019/2020 and estimates these fees to increase to \$37,280 by the end of the fiscal year. The District is estimating Connection Fees of \$21,000 for FY 2020/2021.

Reclaimed Water Fees

The District charges \$1.50 per 1,000 gallons delivered for its reclaimed water. This fee includes the electrical costs associated with delivering reclaimed water to its users. To contrast this fee, the Town of Payson charges \$2.06 per 1,000 gallons delivered for its raw water from the CC Cragin Water Treatment Plant. As of March 31, 2020, the District has realized \$165,476 in Reclaimed Water Fees for FY 2019/2020 and projects these fees to increase to \$220,635 by the end of the fiscal year. The District estimates Reclaimed Water Fees to be \$225,000 for FY 2020/2021.

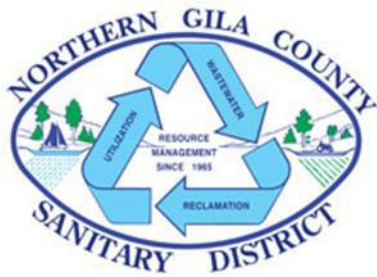
Other Income

The District realizes other sources of income that are classified as Other Income in the budget. This income includes interest earned on the funds maintained in the LGIP, returned check fees, recording fees, inspection fees, plan review fees, and miscellaneous income. For the past two years, LGIP interest income has been averaging approximately \$15,000 per month. The District is downgrading this income for FY 2020/2021 due to the uncertain economic environment at the time of budget preparation. The other components of the Other Income category are based on historical trends for these fees. The District estimates Other Income to be \$165,000 for FY 2020/2021.

Sewer Use Fees

FY 2019/2020 Estimated Retained Earnings

The NGCSD adopted a \$2.80/month (12.8%) Sewer Use Fee increase in FY 2019/2020 of for a monthly Sewer Use Fee of \$24.60. This rate increase was based on the same methodology described in this document, with assumptions relevant for FY 2019/2020.



The estimated Operating Revenues contained in the FY 2019/2020 budget were understated. This is due to three main contributors, as follows:

- Revenue generated from Sewer Use Fees is estimated to be \$3,248,144, versus \$3,180,850 contained in the FY 2019/2020 budget. This is due to significantly more new connections being added to the system (56 new permits through April 30, 2020) than the assumed 40 new connections in the budget.
- Connection Fees are estimated to be \$37,280, versus \$19,750 contained in the FY 2019/2020 budget. This increase in revenue is primarily due the increased number of account transfers 637 from the assumed 480 transfers in the budget.
- Other Income is estimated to be \$215,893 in FY 2019/2020, versus the \$125,650 contained in the FY 2019/2020 budget. LGIP interest revenue significantly outperformed the estimates in the budget, thus increasing the overall Other Income realized by the District.

Ultimately, the high performance of the above revenue categories results in an additional \$170,702 of revenue realized by the District. The District was also diligent in administering its expense budget for each department. This results in estimated retained earnings of \$200,000 for FY 2019/2020. These retained earnings are automatically placed in the Operating Contingency Fund at the end of the fiscal year.

FY 2020/2021 Sewer Use Fee

The NGCSD calculates its Sewer Use Fees by dividing the projected yearly Operation and Maintenance expenses, minus total projected ancillary revenues, by the projected number of ERU's being served by the District. For FY 2020/2021, the NGCSD estimates it will serve 11,000 ERU's. This includes a total of forty (40) new ERU's being connected to the Collection System in FY 2020/2021 to account for new accounts. Table 3 presents a summary of the FY 2020/2021 ERU distribution used in the Sewer Use Fee calculation.

FY 2020/2021 ERU Summary			
Category	Existing	Estimated	FY 2020/2021 ERU's
	ERU's Served	New ERU's Served	
Residential	9260	40	9300
Commercial	1700.00	0	1700
Total			11000

Table 3. FY 2020/2021 ERU Summary



The NGCSD has the goal to not increase the Sewer Use Fee for FY 2020/2021, even though the Consumer Price Index rose 2.3% for year ending in February 2020. Projected Operating and Maintenance expenses for FY 2020/2021 are \$3,790,650. Projected revenue for FY 2020/2021, using a Sewer Use Rate of \$24.60/month and the ancillary revenues described above, results in a yearly revenue of \$3,674,400. This scenario produces a deficit of \$116,250 for FY 2020/2021. However, the District will utilize \$116,250 from the estimated retained earnings from FY 2019/2020, described above, to balance the FY 2020/2021 budget. These monies will be transferred from the Operating Contingency Fund to the General Fund for FY 2020/2021. The result is taking advantage of the increased revenues in FY 2019/2020, along with diligent administration of the expense budgets, and applying these benefits to the existing customers in FY 2020/2021.

Property Tax Levy

The NGCSD uses the property tax levy to fund both depreciation and new capital outlay. Projected depreciation for FY 2019/2020 is \$1,865,500. Approved new capital outlay for FY 2020/2021 is \$186,500. The combination of these two expenses is \$2,052,000. Per the GCAO, on February 10, 2020, the 2020 Net Assessed Value of all properties within the NGCSD boundaries is \$206,244,667. The required FY 2020/2021 NGCSD tax levy to fund the above expenses is \$1.00 (per \$100 of Net Assessed Value). This results in a property tax levy revenue of \$2,062,447.

The adopted property tax levy of \$1.00 is less than the \$1.13 property tax levy for FY 2019/2020. The reason for this reduction is twofold: The 2020 Net Assessed Value of properties within the District boundaries is \$206,244,667 versus the 2019 Net Assessed Value of \$184,410,955; and the approved FY 2020/2021 New Capital Outlay is \$59,200 less than New Capital Outlay in FY 2019/2020.



BUDGET SUMMARY

The NGCSD Adopted FY 2020/2021 Operations and Maintenance Budget is summarized below in Table 4.

FY 2020/2021 Operation and Maintenance Adopted Budget Summary			
Operating Revenue	Approved FY 2019/2020 Budget	Approved FY 2020/2021 Budget	Percent Change
Sewer User Fees	\$3,180,850	\$3,263,400	2.6%
Connection Fees	\$19,750	\$21,000	6.3%
Reclaimed Water	\$225,000	\$225,000	0.0%
Other Income	\$125,650	\$165,000	31.3%
Contingency Interfund Transfer	\$0	\$116,250	
Total	\$3,551,250	\$3,790,650	6.7%
Operating Expense			
WRF Operations	\$770,100	\$810,100	5.2%
Laboratory	\$243,250	\$254,800	4.7%
Maintenance	\$641,400	\$659,500	2.8%
Collection System	\$551,500	\$581,250	5.4%
Administration	\$1,082,500	\$1,215,000	12.2%
GIS	\$262,500	\$270,000	2.9%
Total	\$3,551,250	\$3,790,650	6.7%
Summary			
TOTAL REVENUE	\$3,551,250	\$3,790,650	6.7%
TOTAL EXPENSE	\$3,551,250	\$3,790,650	6.7%

Table 4. Adopted FY 2020/2021 Operations and Maintenance Budget Summary



Table 5 presents a summary of the Board Designated Funds for FY 2020/2021.

FY 2020/2021 Board Designated Fund Summary				
Board Designated Fund	Balance 07/1/2020	Revenue FY 2020/2021	Expense FY 2020/2021	Balance 06/30/2021
WRF Capacity Improvement Fund	\$1,751,515	\$133,000	\$0	\$1,884,515
Collection System Capacity Improvement Fund	\$1,274,549	\$18,000	\$0	\$1,292,549
(FERR) Facility & Equipment Replacement Reserve Fund	\$7,207,750	\$1,865,500	\$3,069,850	\$6,003,400
New Capital Outlay	\$0	\$186,500	\$186,500	\$0
Subtotal	\$10,233,814	\$2,203,000	\$3,256,350	\$9,180,464
Operating Contingency Fund	1,754,786	0	116,250	1,638,536
Total	\$11,988,600	\$2,203,000	\$3,372,600	\$10,819,000

Table 5. FY 2020/2021 Board Designated Fund Summary



Figure 2 presents the Adopted FY 2020/2021 Fee Schedule

FY 2020/2021 Proposed Fee Schedule		
FEE TYPE	FEE DESCRIPTION/UNITS	RATE
ANNEXATION/CAPACITY/CONSTRUCTION FEES		
ANNEXATION	Residential Acre	\$900.00
	Commercial Acre	\$1,800.00
CAPACITY, PLANT	Gallon Per Day Peak Reserve (Refer to Generation Rate Schedule)	\$18.80
	Example A: Min. General Business:	100 gpd x \$18.80 = \$1880.00
	Example B: Residential Unit:	250 gpd x \$18.80 = \$4700.00
	Example C: 33 Seat Restaurant:	33 seats x 25 gpd/seat x \$18.80 = \$15500.00
CAPACITY, COLLECTION SYS	West Side - Gallon Per Day Peak Reserve (Refer to Generation Rate Schedule)	\$1.80
	East Side - Gallon Per Day Peak Reserve (Refer to Generation Rate Schedule)	\$4.50
PERMIT / INSPECTION	Residential (Covers up to 2 inspections)	\$100.00
	Commercial (Covers up to 2 inspections)	\$200.00
	Permit Extension (1 Year ONLY)	\$75.00
	Recreational Dump (Annual Permit)	\$100.00
LATERAL/TAP	Gravity, residential zoned 4"	\$250.00
	Low Pressure, Residential or Commercial	\$750.00
INSPECTION-MAINS	Televising - lineal foot	\$1.75
	Construction Inspection - lineal foot	\$0.90
PLAN REVIEW	Per Sheet (Covers up to 2 reviews)	\$35.00
PLAN REVIEW	Minimum Charge (Non-Civil/Non-Subdivision Plans)	\$50.00
ADMINISTRATION	Dev. Agreement Handling Fee - Per Unit or Equivalent	\$50.00
COMPUTER MODEL	Direct Cost -Base Minimum (MLD/Lot Splits/SFR \$71/unit)	\$1,065.00
SEWER USE RATES		
RESIDENTIAL	Flat Rate Per ERU Average Daily Flow Per Month (1 ERU Average Daily Flow = 175 gpd)	\$24.60
COMMERCIAL / CHURCH & NONPROFIT	Minimum General - Flat Rate (Average Daily Flow ≤ 100 gpd)	\$18.45
	Large/Others - Flat Rate Per ERU of Actual Average Daily Flow	\$24.60
PUBLIC SCHOOL	Students Per Semester - Average Daily Attendance	\$4.28
RECREATIONAL DUMP STN	Permitted Only (Minimum 1 ERU) - Flat Rate Per ERU of Actual Average Daily Flow	\$24.60
RECLAIMED WATER (BULK METERED)	Per 1,000 Gallons Delivered	\$1.50
ADMINISTRATIVE FEES & CHARGES		
ACCOUNT ESTABLISHMENT FEE	Flat Rate Per Transaction	\$25.00
RETURN CHECK	Flat Rate Per Transaction	\$29.00
LATE FEE	Unpaid Balance Greater Than 35 days - Applicable To All Delinquent Accounts	10.00%
CCARD FEES	Per Transaction - Applicable To All Transactions (The Greater of \$2.95 Or 3%)	
ECHECK FEES	Per Echeck - Applicable To All Echecks	\$2.95
DOCUMENT RECORDING	Minimum Per document	\$40.00
REPRODUCTION, PUBLIC RECORDS	Minimum \$0.20 Per Page	\$0.20
FIELD VISIT	Minimum	\$75.00
DISCONNECT OR RECONNECT	Minimum Charge For Physical Disconnect Or Reconnect (Includes Recording Fee)	\$200.00
DISCONNECT OR RECONNECT	Minimum Charge To Terminate Or Reactivate Water Service (Only For Non-Payment Of	\$100.00
PROPERTY TAX LEVY RATE	Per \$100 Of The Primary Assessed Value (Limited Property Value)	\$1.00

Figure 2. FY 2020/2021 Adopted Fee Schedule