

ERNIE WIPF
CHAIR

CANDACE HORSLEY
VICE-CHAIR

THERESA MCNERLIN
DIRECTOR

DARWIN DICK
DIRECTOR

BRADLEY BEST
DIRECTOR

UKIAH VALLEY SANITATION DISTRICT SPECIAL MEETING
WEDNESDAY June 28, 2023 AT 6:00PM

LOCATION:

DISTRICT'S MEETING ROOM - 151 LAWS AVE., UKIAH, CA 95482

AND

THE PUBLIC MAY ALSO VIEW VIA ZOOM

Call in number: 1-669-900-6833

Meeting ID: 870-4519-4431

Zoom Link: <https://us02web.zoom.us/j/87045194431>

*The Board welcomes participation in the Board meetings. If you are joining the meeting via Zoom and wish to make a comment on an item, press the "raise a hand" button. If you are joining the meeting by phone, press *9 to indicate a desire to make a comment. The chair will call you by name or phone number when it is your turn to comment. Speakers will be limited to 3 minutes. If you choose not to observe the meeting via Zoom and wish to make a comment on a specific agenda item, please submit your comment via email to the Board Secretary at aa@uvsd.org at least one hour before the meeting. All public comments submitted to the Board Secretary will be read verbatim for up to 3 minutes.*

In compliance with the Americans with Disabilities Act, if you are a disabled person and you need disability-related modifications or accommodation to participate in this meeting, then please contact the Board Secretary at 707-462-4429. Requests must be made as early as possible, and at least one-full business day before the start of the meeting. The times indicated for agenda items are estimated and the Board reserves the right to address items either earlier or later than scheduled.

1. CALL TO ORDER

2. NEW BUSINESS

- A. DISCUSSION AND POSSIBLE ACTION RE: Proposed Engagement Letter from Van Lant & Fankhanel, LLP, for Auditing Services for Fiscal Year Ending June 30, 2023

Recommended Action: Approve Engagement Letter from Van Lant & Fankhanel, LLP

ERNIE WIPF
CHAIR

CANDACE HORSLEY
VICE-CHAIR

THERESA MCNERLIN
DIRECTOR

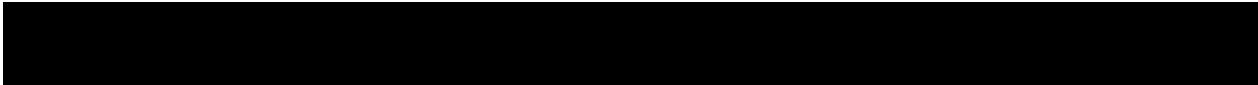
DARWIN DICK
DIRECTOR

BRADLEY BEST
DIRECTOR

- B. DISCUSSION AND POSSIBLE ACTION RE: Fiscal Year 2023-2024 Budget and Substantially Final Form Budget Approval Agreement between City of Ukiah and Ukiah Valley Sanitation District

Recommended Action: Approve Fiscal Year 2023-2024 Budget, Approve Budget Approval Agreement in Substantially Final Form, and Authorize Board Chair and General Counsel to Finalize and Execute Budget Approval Agreement

3. ADJOURNMENT



Ukiah Valley Sanitation District
151 Laws Avenue
Ukiah, CA 95482

STAFF REPORT
June 28, 2023

To: Board of Directors
From: Wing-See Fox
Meeting Date: June 28, 2023

Item #2A: Proposed Engagement Letter from Van Lant & Fankhanel, LLP, for Auditing Services for Fiscal Year Ending June 30, 2023

Background:

District Policy 7010, Accounting and Financial Reporting, requires the District to produce an annual audit prepared by a qualified external certified public accountant in accordance with Generally Accepted Accounting Principles (GAAP) to meet statutory reporting requirements and applicable covenants with the District's lender for the 2020 Wastewater Revenue Refunding Bonds.

Discussion:

The District has engaged the accounting firm of Van Lant & Fankhanel, LLP to provide these auditing services in past years. The engagement letter to have Van Lant & Fankhanel, LLP provide these audits services for Fiscal Year Ending June 30, 2023 has been submitted for Board review and possible action. The firm's fee proposal of \$13,800 is slightly higher than the prior year's fee of \$13,100.

Recommendation:

Approve Engagement Letter from Van Lant & Fankhanel, LLP.

Respectfully submitted,



WING-SEE FOX
Interim District Manager

Attachment:

1. Engagement Letter from Van Lant & Fankhanel, LLP



May 9, 2023

Board of Directors and Management
Ukiah Valley Sanitation District
151 Laws Avenue
Ukiah, California 95482

We are pleased to confirm our understanding of the services we are to provide Ukiah Valley Sanitation District (District) for the year ending June 30, 2023.

Audit Scope and Objectives

We will audit the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements of the District as of and for the year ending June 30, 2023. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management’s discussion and analysis (MD&A), to supplement District’s basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the District’s RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- 1) Management’s Discussion and Analysis.

The objectives of our audit are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; issue an auditor’s report that includes our opinion about whether your financial statements are fairly presented, in all material respects, in conformity with GAAP; and report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the financial statements.

Auditor’s Responsibilities for the Audit of the Financial Statements

We will conduct our audit in accordance with GAAS and will include tests of your accounting records of the District and other procedures we consider necessary to enable us to express such opinions. As part of an audit in accordance with GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit.

Van Lant & Fankhanel, LLP

29970 Technology Drive, Suite 105 A
Murrieta, CA 92563
909.856.6879

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the financial statements, including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the government's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement.

We may, from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

Our audit of financial statements does not relieve you of your responsibilities.

Audit Procedures—Internal Control

We will obtain an understanding of the government and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. Accordingly, we will express no such opinion. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards.

Audit Procedures—Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of District's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion.

Responsibilities of Management for the Financial Statements

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, including monitoring ongoing activities; for the selection and application of accounting principles; and for the preparation and fair presentation of the financial statements in conformity with accounting principles generally accepted in the United States of America with the oversight of those charged with governance.

Management is responsible for making drafts of financial statements, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements of each opinion unit taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws and regulations.

You are responsible for the preparation of the supplementary information in conformity with accounting principles generally accepted in the United States of America (GAAP). You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to [include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon]. Your responsibilities include acknowledging to us in the representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

The audit documentation for this engagement is the property of Van Lant & Fankhanel, LLP and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the State of California or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Van Lant & Fankhanel, LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

We expect to begin our audit in September 2023 and to issue our reports no later than November 2023. Brett Van Lant is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

The audit documentation for this engagement will be retained for a minimum of seven years after the report release date or for any additional period requested by the regulators. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Our fee for these services will be \$13,800. These fees are based on the current audit scope, and the assumption a single audit will not be required. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended through the date of termination.

Reporting

We will issue a written report upon completion of our audit of the District's financial statements. Our report will be addressed to the Board of Directors of the District. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinions, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinions are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or withdraw from this engagement.

We appreciate the opportunity to be of service to the District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Very truly yours,

VAN LANT & FANKHANEL LLP

A handwritten signature in cursive script that reads "Van Lant & Fankhanel, LLP".

Brett Van Lant
Certified Public Accountant

RESPONSE:

This letter correctly sets forth the understanding of Ukiah Valley Sanitation District.

Management signature:

Title:

Date:

Ukiah Valley Sanitation District
151 Laws Avenue
Ukiah, CA 95482

STAFF REPORT
June 28, 2023

To: Board of Directors
From: Wing-See Fox
Meeting Date: June 28, 2023

Item #2B: Fiscal Year 2023-2024 Budget

Background:

The District's annual budget components include Operating and Nonoperating Revenues, Operating and Nonoperating Expenses, and a Capital Budget. Operating Expenses are comprised of District-Only Operating Expenses, the District's Allocation of Shared Expenses of the Sewer System with the City of Ukiah, and Depreciation/Amortization. A draft Fiscal Year 2023-24 Budget was reviewed and discussed by the Budget Ad Hoc Committee members on June 23, 2023; and the Committee recommended presenting the attached budget for discussion and approval by the Board.

Additionally, the District-City Shared Expenses and Capital Budget are documented in the final form Budget Approval Agreement between the District and the City.

Discussion:

Adjustments of note from last year's budget are set forth below:

- 1) Operating Revenues—overall reduction
 - a. Charges for Services reduced by 3% from projected FY23 Actuals due to anticipated lower water usage for January, February, and March 2023 winter months
 - b. Connection fees reduced to \$100,000 due to uncertainty around new development
- 2) District Only Expenses—overall reduction
 - a. Projected decrease for Willow contract given shift in bookkeeping and accounts payable duties (Note: The District has yet to negotiate with Willow on a renewed contract; and there is no guarantee that the contract will be reduced)
 - b. Increase for CLA contract for additional scope of work as discussed and approved by the Board
 - c. Decrease in budget for Financial and Managerial Support
 - d. Decrease in Other Professional & Special Services due to no anticipated rate study in FY24 and no fees related to Elections
 - e. Reduction in Legal Fees
- 3) Operating Expense Allocation—City of Ukiah
 - a. Overall increase of 3.6% from last year's budget
- 4) Nonoperation Revenue (Expenses)
 - a. Increase in Interest Income projected due to moving investments to CAMP

- 5) Capital Budget
 - a. Screw Press/SAF Replacement includes 10% contingency and an estimated indirect amount
 - b. No anticipated District-only capital projects
 - c. Note that the Capital Budget prepared for UVSD is different than the Capital Budget prepared for the City (attached as Exhibit A to the Budget Approval Agreement). This is due to the City including encumbrances from prior budgets that UVSD budgets on a cash basis each budget year
- 6) The Budget Approval Agreement will be finalized once the allocation of expenses between City and District and true up payment (if any) are calculated
- 7) City has approved its FY24 Budget

Recommendation:

Approve Fiscal Year 2023-24 Budget, approve Budget Approval Agreement in substantially final form, and authorize Board Chair and General Counsel to finalize and execute Budget Approval Agreement.

Respectfully submitted,



WING-SEE FOX
Interim District Manager

Attachment:

1. Fiscal Year 2023-2024 Budget
2. Budget Approval Agreement

**Ukiah Valley Sanitation District
Draft Budget for Fiscal Year Ending June 30, 2024**

| | Approved Budget for Fiscal Year Ended June 30, 2023 | Proposed Budget for Fiscal Year Ended June 30, 2024 |
|--|--|--|
| Operating Revenues | | |
| Charge for Services | \$ 5,424,827 | \$ 5,118,843 |
| Connection Fees | 186,896 | 100,000 |
| Total Operating Revenue | <u>\$ 5,611,723</u> | <u>\$ 5,218,843</u> |
| Operating Expenses | | |
| District Service and Supplies | \$ 471,707 | \$ 436,575 |
| Operating Expense Allocation-City of Ukiah | 2,560,814 | 2,653,660 |
| Legal Expenses | 100,000 | 60,000 |
| Depreciation and Amortization Expense | 787,428 | 822,000 |
| Total Operating Expenses | <u>\$ 3,919,948</u> | <u>\$ 3,972,235</u> |
| Operating Income (Loss) | <u>\$ 1,691,775</u> | <u>\$ 1,246,608</u> |
| Nonoperation Revenue (Expenses) | | |
| Taxes and Assessments | \$ 56,349 | \$ 57,918 |
| Interest Income | 38,197 | 366,196 |
| Other | 360 | 500 |
| Interest Expense Bond | (528,250) | (492,543) |
| Total Nonoperation Revenue (Expenses) | <u>\$ (433,343)</u> | <u>\$ (67,929)</u> |
| Change in Net Position | <u>\$ 1,258,432</u> | <u>\$ 1,178,679</u> |
| Capital Budget | <u>\$ 1,779,429</u> | <u>\$ 1,912,024</u> |

Ukiah Valley Sanitation District
 Draft Budget for Fiscal Year Ending June 30, 2024

Budget For District-Only Expenses

| 2022/2023 | 2022/2023 | 2023/2024 |
|-----------|-----------|-----------|
| Approved | YTD April | Draft |
| Budget | Actual | Budget |

| | | | |
|---|------------------|------------------|------------------|
| Contract Management and Administration | \$221,628 | \$176,611 | \$204,156 |
| Management- UFI | \$75,000 | \$57,875 | \$75,000 |
| Administration & Clerical-Willow | \$146,628 | \$118,736 | \$129,156 |
| Office Expense | \$35,779 | \$31,541 | \$38,645 |
| Telephone & DSL | \$2,000 | \$1,272 | \$1,800 |
| Dues & Subscriptions | \$500 | \$261 | \$500 |
| Office Rent | \$5,679 | \$4,630 | \$5,645 |
| Office Utilities | \$1,600 | \$2,356 | \$1,500 |
| Postage | \$13,000 | \$11,879 | \$11,100 |
| Supplies | \$500 | \$116 | \$300 |
| Reproduction (prints & copies) | \$4,000 | \$5,479 | \$4,300 |
| Information Technology -All | \$6,000 | \$3,681 | \$7,500 |
| iCloud Services- Billing and Collections | \$2,500 | \$1,867 | \$6,000 |
| Auditing & Fiscal Services | \$100,000 | \$79,060 | \$101,674 |
| Audit Services-FS Preparation- Audit Only 23/24 | \$20,000 | \$18,100 | \$13,800 |
| Banking Services | \$500 | \$130 | \$300 |
| State Controllers Report-CLA | \$1,000 | | \$0 |
| Bond Compliance Support- | \$1,500 | | \$750 |
| Financial and Managerial Support | \$30,000 | \$11,768 | \$20,000 |
| Liability and Property Insurance | \$6,000 | \$4,762 | \$5,324 |
| Financial Review/Monthly Reports/Year End Work/All Accounting | \$36,000 | \$43,000 | \$60,000 |
| Bond Refinancing - Fiscal - Billing and Collection | \$5,000 | \$1,300 | \$1,500 |
| Other Prof & Special Services | \$69,900 | \$27,618 | \$40,700 |
| Engineer Services | \$8,000 | \$3,696 | \$8,000 |
| Parcel Quest | \$2,400 | \$3,599 | \$1,200 |
| LAFCO Dues | \$18,000 | \$19,423 | \$21,000 |
| County Auditor (property tax admin) | \$2,500 | | \$1,500 |
| PR and Newsletter | \$1,000 | | \$1,000 |
| Rate Study/Financial Modeling Consolidation | \$15,000 | | \$0 |
| Board Stipend | \$3,000 | \$600 | \$3,000 |
| Elections Fees | \$15,000 | \$300 | \$0 |
| Third Party True Up Expense -District Portion | \$5,000 | | \$5,000 |
| Publication & Legal Notices | \$1,200 | \$239 | \$1,200 |
| Legal Fees | \$100,000 | \$17,406 | \$60,000 |
| Budget/Contract Dispute Resolution & Arbitration | | | |
| General Counsel | \$50,000 | \$17,406 | \$30,000 |
| Special Counsel | \$50,000 | | \$30,000 |
| Training/Transportation/Travel | \$9,000 | \$0 | \$9,000 |
| Travel to Seminars (Board) | \$4,000 | | \$4,000 |
| Travel for District Manager | \$1,500 | | \$1,500 |
| Seminars/Conferences | \$3,500 | | \$3,500 |
| JPA Dues | \$1,200 | \$1,200 | \$1,200 |
| Sewer Lateral Replacement Grant Program | \$20,000 | | \$20,000 |
| Other | \$13,000 | \$12,609 | \$20,000 |
| TOTAL EXPENSES | \$571,707 | \$346,284 | \$496,575 |

Ukiah Valley Sanitation District
 Draft Budget for Fiscal Year Ending June 30, 2024

Shared Costs Between City and District for the Combined City/District Sewer System
 Operating Expenses and Indirect Allocation

| | Budget FY 23/24 | Percent Split | |
|---|--------------------|--------------------|---------------|
| | | Amount to be Split | |
| | | District | City |
| | | 50.16% | 49.84% |
| Total Personnel | \$ 2,499,717 | \$ 1,253,858 | \$ 1,245,859 |
| Total Operations | 2,132,850 | 1,069,838 | 1,063,012 |
| | \$ 4,632,567 | \$ 2,323,696 | \$ 2,308,871 |
| Indirect Rate (14.2%) of Personnel and Operations | 14.20% \$ 657,825 | \$ 329,965 | \$ 327,860 |
| Grand Total | \$ 5,290,392 | \$ 2,653,660 | \$ 2,636,731 |

Ukiah Valley Sanitation District
 Draft Budget for Fiscal Year Ending June 30, 2024
 Capital Projects

Note: Capital projects over \$200,000 require Board approval and negotiation of indirect rate

| Project | FY 23/24 | | | Percent Split | |
|--------------------------------|---------------------|------------------|---------------------|---------------------|---------------------|
| | Capital Amount | Indirect Amount | To be Shared | District 50.16% | City 49.84% |
| Screw Press/SAF Replacement | \$ 3,300,000 | \$ 16,500 | \$ 3,316,500 | \$ 1,663,556 | \$ 1,652,944 |
| Recondition Yardney Filters | 60,000 | 5,400 | 65,400 | 32,805 | 32,595 |
| Vibration Monitoring Equipment | 30,000 | 2,700 | 32,700 | 16,402 | 16,298 |
| Upgrade PLCs | 256,000 | 5,000 | 261,000 | 130,918 | 130,082 |
| Loader Replacement | 110,000 | 9,900 | 119,900 | 60,142 | 59,758 |
| Machinery Storage Cover | 15,000 | 1,350 | 16,350 | 8,201 | 8,149 |
| Total | \$ 3,771,000 | \$ 40,850 | \$ 3,811,850 | \$ 1,912,024 | \$ 1,899,826 |
| | | | | \$ 1,912,024 | \$ 1,899,826 |

Main Replacement (District only) \$ -

\$ 1,912,024

BUDGET APPROVAL AGREEMENT

This Agreement is entered on July 1, 2023, in Ukiah, California, between the City of Ukiah ("City"), a general law municipal corporation, and the Ukiah Valley Sanitation District ("District"), a county sanitation district.

1. The City and the District agree to approve as shared costs of the Combined CITY/DISTRICT Sewer System ("Combined System") for fiscal year 2023-24 the City budget for direct expenditures of personnel, operations, and capital outlay, and the indirect expenditures of internal service use of the Wastewater Enterprise, as set forth in the attached Exhibit A. Total *direct* operating budgeted costs, defined as costs of Personnel and Operations in Exhibit A of \$[4,632,567] as well as an Operating Indirect Rate ("OIR") on such costs of 14.20% ([672,225]) for a total budgeted estimate of \$[5,304,792] will be shared []% District and []% City. This share is for 2023-24 fiscal year and will be effective July 1, 2023.

Total *direct* costs of \$[160,000] for Capital Outlay in Exhibit A will be funded by both the City and District at []% District and []% City, as well as an Indirect Rate on such costs incurred not to exceed 9.0%, which is the five-year average of Indirect Costs incurred and budgeted by the Combined System related to purchasing, insurance, and other applicable indirect costs, excluding administrative and overhead. This rate will be referred to as the Capital Indirect Rate ("CIR"). The City and District will use the CIR on all Capital Outlay with costs less than \$200,000 unless either party desires to negotiate the rate for any individual project. The indirect rate will be negotiated for projects over \$200,000 based on an estimate of required indirect costs to complete the capital project. The City Engineer or City's Water Resources Director will communicate verbally or in writing to the District Manager when such expenditures are expected to accrue. The District will pay to the City the District's share of the cost for an approved capital expense within fifteen (15) days of the date of an invoice given to the District for that expense. On and after the effective date of this Agreement, any portion of capital projects paid by the District will be capitalized on its books as intangible assets and depreciated.

The shared costs presented in Exhibit A exclude District and City administrative and other overhead costs allocated directly to the wastewater activities of the City and District. The City and District shall incur 100% of each agency's own administrative and other costs not shown on Exhibit A.

2. For any costs incurred for District-only activities or projects (e.g. a main line replacement of a District asset), that the City is required to perform or contracted to perform on the District's behalf, the City may include in total project costs an amount to cover the City's indirect administrative and overhead costs. Before the City is required to perform the work, the parties shall negotiate and agree on the amount thereof to include in the project costs to be paid by the District. In the event of an emergency or urgent need to commence work before the parties can negotiate and agree on the total project costs, including indirect administrative and overhead costs, the City and the District shall negotiate and agree on those costs before a

final cost settlement is made.

3. The District shall pay to the City by the 1st of every month starting July 1, 2023, 1/12th of the District’s share of the agreed operating budget (Personnel, Operations, and Operating Indirect Rate) shown in Exhibit A (i.e., \$425,524 x 0.5009 = \$213,144.97). City is not required to generate an invoice for these payments which are fixed monthly payments to the City by the District. As provided in Section II.D.4.a of the Operating Agreement, the City and District will review every quarter the actual costs incurred. The City and District will reconcile differences between actual costs incurred, budget costs, and over/under payments made by either agency no later than 90 days after the end of the fiscal year (June 30) or after any quarterly review as agreed upon by both parties

Per Section 6 of the Refinancing Agreement between the City and District, the true up process results in a true up payment of the City to the District of \$[] (see Exhibit B). The parties agree the City will remit this payment to the District after the third quarter reconciliation, no later than April 15, 2024.

4. Payments under Sections 1, 2, and 3 above shall be subject to interest as provided in Section II.D.4.b of the Operating Agreement.

The parties have entered this agreement on the date first written above.

UKIAH VALLEY SANITATION DISTRICT

CITY OF UKIAH

By: _____
Ernie Wipf, Chairperson

Sage Sangiacomo, City Manager

ATTEST:

ATTEST:

By: _____

Kristine Lawler, City Clerk

APPROVED AS TO FORM

APPROVED AS TO FORM

Joanna Gin, General Counsel

David J. Rapport, City Attorney

Exhibit A

Shared Costs Between City and District for the Combined City/District Sewer System
Fiscal Year 2023-24

Budget by Activity (Collection and Treatment)

| ACCOUNTS FOR: | 2022 | 2023 | 2023 | 2023 | 2023 | 2024 | PCT |
|-----------------------------|--------------|--------------|---------------|--------------|--------------|--------------|--------|
| CITY SEWER OPERATIONS FUN | ACTUAL | ORIG BUD | REVISED BUD | ACTUAL | PROJECTION | CITY MGR | CHANGE |
| WASTEWATER GENERAL | 543,877.15 | 634,808.00 | 634,808.00 | 437,636.50 | 1,488,869.00 | 672,260.00 | 5.9% |
| WASTEWATER COLLECTION | 756,125.29 | 1,121,803.00 | 1,617,021.35 | 1,204,032.60 | 1,305,766.49 | 1,034,033.00 | -36.1% |
| WASTEWATER TREATMENT | 3,191,914.46 | 5,308,679.00 | 8,856,383.37 | 4,708,727.24 | 4,403,998.31 | 3,758,499.00 | -57.6% |
| TOTAL CITY SEWER OPERATIONS | 4,491,916.90 | 7,065,290.00 | 11,108,212.72 | 6,350,396.34 | 7,198,633.80 | 5,464,792.00 | -50.8% |
| TOTAL REVENUE | .00 | .00 | .00 | .00 | .00 | .00 | .0% |
| TOTAL EXPENSE | 4,491,916.90 | 7,065,290.00 | 11,108,212.72 | 6,350,396.34 | 7,198,633.80 | 5,464,792.00 | -50.8% |
| GRAND TOTAL | 4,491,916.90 | 7,065,290.00 | 11,108,212.72 | 6,350,396.34 | 7,198,633.80 | 5,464,792.00 | -50.8% |

Budget by Character (Major Cost Category)

| ACCOUNTS FOR: | 2022 | 2023 | 2023 | 2023 | 2023 | 2024 | PCT |
|-------------------------------|--------------|--------------|---------------|--------------|--------------|--------------|--------|
| 840 CITY SEWER OPERATIONS FUN | ACTUAL | ORIG BUD | REVISED BUD | ACTUAL | PROJECTION | CITY MGR | CHANGE |
| 51 PERSONNEL | 1,952,770.76 | 2,427,084.00 | 2,427,084.00 | 2,028,335.73 | 2,443,339.00 | 2,499,717.00 | 3.0% |
| 52 OTHER OPERATING | 1,629,558.04 | 2,043,398.00 | 2,365,979.52 | 2,057,010.37 | 1,895,012.49 | 2,132,850.00 | -9.9% |
| 63 APPLIED INDIRECT | 543,963.52 | 634,808.00 | 634,808.00 | 437,415.19 | 1,488,648.00 | 672,225.00 | 5.9% |
| 80 CAPITAL OUTLAY | 365,624.58 | 1,960,000.00 | 5,680,341.20 | 1,827,635.05 | 1,371,634.31 | 160,000.00 | -97.2% |
| TOTAL 840 CITY SEWER OPERATI | 4,491,916.90 | 7,065,290.00 | 11,108,212.72 | 6,350,396.34 | 7,198,633.80 | 5,464,792.00 | -50.8% |
| TOTAL REVENUE | .00 | .00 | .00 | .00 | .00 | .00 | .0% |
| TOTAL EXPENSE | 4,491,916.90 | 7,065,290.00 | 11,108,212.72 | 6,350,396.34 | 7,198,633.80 | 5,464,792.00 | -50.8% |
| GRAND TOTAL | 4,491,916.90 | 7,065,290.00 | 11,108,212.72 | 6,350,396.34 | 7,198,633.80 | 5,464,792.00 | -50.8% |

Exhibit A (cont)

Shared Costs Between City and District for the Combined City/District Sewer System
Fiscal Year 2023-24

Budget by Object

| ACCOUNTS FOR: | 2022 ACTUAL | 2023 ORIG BUD | 2023 REVISED BUD | 2023 ACTUAL | 2023 PROJECTION | 2024 CITY MGR | PCT CHANGE |
|--------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------|
| 640 CITY SEWER OPERATIONS FUN | | | | | | | |
| 51 PERSONNEL | | | | | | | |
| 51110 REGULAR SALARIES | 1,288,480.71 | 1,420,221.00 | 1,420,221.00 | 1,344,770.72 | 1,425,487.00 | 1,476,679.00 | 4.0% |
| 51120 NON-REGULAR SALA | .00 | .00 | .00 | .00 | .00 | .00 | .0% |
| 51130 OVERTIME SALARIE | 53,390.90 | 50,000.00 | 50,000.00 | 89,154.24 | 89,251.00 | 88,930.00 | 77.9% |
| 51140 STAND-BY SALARIE | 35,379.08 | 32,000.00 | 32,000.00 | 35,838.78 | 38,449.00 | 38,449.00 | 20.2% |
| 51150 COMPENSATED ABSE | .00 | .00 | .00 | .00 | .00 | .00 | .0% |
| 51210 RETIREMENT (PERS) | 152,070.51 | 168,498.00 | 168,498.00 | 153,386.24 | 166,120.00 | 185,649.00 | 10.2% |
| 51211 PERS UNFUNDED LI | 46,034.28 | 338,045.00 | 338,045.00 | 50,408.00 | 338,045.00 | 292,949.00 | -13.3% |
| 51220 INSURANCE | 266,589.58 | 293,654.00 | 293,654.00 | 237,523.05 | 260,776.00 | 289,625.00 | -1.4% |
| 51230 WORKERS COMP | 90,379.23 | 100,381.00 | 100,381.00 | 92,065.88 | 98,517.00 | 102,583.00 | 2.2% |
| 51240 MEDICARE | 13,930.12 | 19,967.00 | 19,967.00 | 20,792.36 | 21,952.00 | 20,739.00 | 3.9% |
| 51250 UNEMPLOYMENT | 2,166.14 | .00 | .00 | 504.63 | 505.00 | .00 | .0% |
| 51260 FICA | .00 | .00 | .00 | .00 | .00 | .00 | .0% |
| 51280 OVERTIME/CALLOUT | .00 | .00 | .00 | .00 | .00 | .00 | .0% |
| 51290 CELL PHONE STIPE | 4,350.21 | 4,318.00 | 4,318.00 | 3,891.83 | 4,237.00 | 4,114.00 | -4.7% |
| 51 PERSONNEL | 1,952,770.76 | 2,427,084.00 | 2,427,084.00 | 2,028,335.73 | 2,443,339.00 | 2,499,717.00 | 3.0% |
| 52 OTHER OPERATING | | | | | | | |
| 52100 CONTRACTUAL SERV | 258,423.07 | 381,000.00 | 597,918.98 | 505,217.70 | 382,000.00 | 398,000.00 | -33.4% |
| 52113 PLANNING STUDIES | .00 | 15,000.00 | 15,000.00 | .00 | .00 | .00 | -100.0% |
| 52114 COMPLIANCE STUDI | 939.96 | 25,000.00 | 25,000.00 | 2,472.64 | .00 | 2,000.00 | -92.0% |
| 52120 LABOR CHARGES FR | .00 | .00 | .00 | .00 | .00 | .00 | .0% |
| 52150 LEGAL SERVICES/E | .00 | 10,000.00 | 10,000.00 | .00 | .00 | 5,000.00 | -50.0% |
| 52180 SECURITY SERVICE | 1,111.08 | 1,300.00 | 1,300.00 | 1,353.60 | 1,300.00 | 1,300.00 | .0% |
| 52601 DATA STORAGE & C | .00 | .00 | .00 | .00 | .00 | .00 | .0% |
| 53000 LAWSUIT SETTLEME | .00 | .00 | .00 | .00 | .00 | .00 | .0% |
| 54100 SUPPLIES | 130,919.36 | 135,000.00 | 121,646.74 | 103,833.72 | 130,000.00 | 130,000.00 | 6.9% |
| 54101 POSTAGE | 428.54 | 550.00 | 550.00 | 419.63 | 260.00 | 400.00 | -27.3% |
| 54102 SMALL TOOLS | 19,810.32 | 30,000.00 | 32,002.21 | 26,900.52 | 27,000.00 | 32,000.00 | .0% |
| 54103 LAB SUPPLIES | 19,178.16 | 15,000.00 | 18,000.00 | 18,615.39 | 22,000.00 | 22,500.00 | 25.0% |
| 54161 BACKGROUND & PHY | 855.30 | 2,500.00 | 2,500.00 | 620.00 | 1,000.00 | 2,500.00 | .0% |
| 54320 SOFTWARE | 14,652.50 | 15,250.00 | 15,250.00 | 12,905.00 | 12,905.00 | 15,250.00 | .0% |
| 54330 COMPUTER AND TEC | 5,328.03 | 12,000.00 | 17,405.90 | 11,243.81 | 12,350.00 | 18,500.00 | 6.3% |
| 54700 FINES & PENALTIE | .00 | 50,000.00 | 50,000.00 | .00 | .00 | 50,000.00 | .0% |
| 55100 TELEPHONE | 9,529.05 | 8,700.00 | 8,700.00 | 8,146.50 | 9,200.00 | 9,200.00 | 5.7% |
| 55200 PG&E | 54,280.09 | 45,000.00 | 45,000.00 | 58,489.60 | 70,000.00 | 70,000.00 | 55.6% |
| 55210 UTILITIES | 265,440.99 | 286,598.00 | 286,598.00 | 256,980.10 | 267,273.00 | 302,500.00 | 5.5% |
| 55220 WASTEWATER DISPO | .00 | .00 | .00 | .00 | .00 | .00 | .0% |
| 56110 CITY GARAGE - PA | .00 | .00 | .00 | .00 | .00 | .00 | .0% |
| 56120 EQUIPMENT MAINTNE | 330,377.43 | 415,000.00 | 471,010.21 | 462,606.26 | 399,083.00 | 415,000.00 | -11.9% |
| 56125 LAB EQUIP-REPAIR | 12,300.05 | 15,000.00 | 15,000.00 | 12,999.43 | 8,000.00 | 15,000.00 | .0% |
| 56130 EXTERNAL SERVICE | 50,698.51 | 50,000.00 | 50,000.00 | 36,980.93 | 39,000.00 | 35,000.00 | -30.0% |
| 56210 FUEL & FLUIDS | 39,759.66 | 60,000.00 | 66,927.31 | 43,063.38 | 50,000.00 | 60,000.00 | -10.4% |
| 56300 BUILDING MAINT. | 24,178.67 | 52,000.00 | 82,000.00 | 74,187.60 | 80,500.00 | 71,000.00 | -13.4% |
| 56410 EQUIPMENT RENTAL | 3,188.81 | 16,000.00 | 20,031.70 | 3,985.06 | 6,000.00 | 9,000.00 | -55.1% |

Exhibit A (cont)

Shared Costs Between City and District for the Combined City/District Sewer System
Fiscal Year 2023-24

| ACCOUNTS FOR: | | 2022 | 2023 | 2023 | 2023 | 2023 | 2024 | PCT |
|-------------------------------|--|--------------|--------------|---------------|--------------|--------------|--------------|---------|
| 840 CITY SEWER OPERATIONS FUN | | ACTUAL | ORIG BUD | REVISED BUD | ACTUAL | PROJECTION | CITY MGR | CHANGE |
| 56504 FACILITY MAINTEN | | 16,985.28 | 20,000.00 | 30,000.00 | 24,777.97 | 22,578.00 | 25,000.00 | -16.7% |
| 57100 LEARNING AND DEV | | 40,289.92 | 32,000.00 | 33,638.47 | 32,614.57 | 20,030.00 | 42,000.00 | 24.9% |
| 57300 MEMBERSHIPS & SU | | 1,268.81 | 3,000.00 | 3,000.00 | 888.00 | 1,200.00 | 3,000.00 | .0% |
| 58201 WATER PURCHASES | | .00 | .00 | .00 | .00 | .00 | 1,000.00 | .0% |
| 58202 CHEMICALS | | 282,041.46 | 280,000.00 | 280,000.00 | 306,583.48 | 280,000.00 | 338,200.00 | 20.8% |
| 58410 GARAGE LUBRICANT | | 2,230.24 | 8,000.00 | 8,000.00 | 3,780.56 | 5,000.00 | 6,000.00 | -25.0% |
| 58510 REIMBURSABLE JOB | | .00 | .00 | .00 | .00 | .00 | .00 | .0% |
| 59100 PROPERTY TAXES P | | 7,139.10 | 14,000.00 | 14,000.00 | 7,615.89 | 7,616.00 | 8,000.00 | -42.9% |
| 59101 FEES | | 38,203.65 | 45,500.00 | 45,500.00 | 39,729.03 | 40,717.49 | 45,500.00 | .0% |
| 59400 OTHER EXPENSES | | .00 | .00 | .00 | .00 | .00 | .00 | .0% |
| 94700 FINES & PENALTIE | | .00 | .00 | .00 | .00 | .00 | .00 | .0% |
| 52 OTHER OPERATING | | 1,629,558.04 | 2,043,398.00 | 2,365,979.52 | 2,057,010.37 | 1,895,012.49 | 2,132,850.00 | -9.9% |
| 63 APPLIED INDIRECT | | | | | | | | |
| 62105 OPERATING INDIRE | | 543,963.52 | 634,808.00 | 634,808.00 | 424,141.08 | 1,365,732.00 | 657,825.00 | 3.6% |
| 62106 CAPITAL INDIRECT | | .00 | .00 | .00 | 13,274.11 | 122,916.00 | 14,400.00 | .0% |
| 63 APPLIED INDIRECT | | 543,963.52 | 634,808.00 | 634,808.00 | 437,415.19 | 1,488,648.00 | 672,225.00 | 5.9% |
| 80 CAPITAL OUTLAY | | | | | | | | |
| 80100 MACHINERY & EQUI | | 365,624.58 | 1,900,000.00 | 5,620,341.20 | 1,827,635.05 | 1,371,634.31 | 160,000.00 | -97.2% |
| 80220 BUILDING IMPROVE | | .00 | .00 | .00 | .00 | .00 | .00 | .0% |
| 80230 INFRASTRUCTURE | | .00 | 60,000.00 | 60,000.00 | .00 | .00 | .00 | -100.0% |
| 80 CAPITAL OUTLAY | | 365,624.58 | 1,960,000.00 | 5,680,341.20 | 1,827,635.05 | 1,371,634.31 | 160,000.00 | -97.2% |
| TOTAL 840 CITY SEWER OPERATI | | 4,491,916.90 | 7,065,290.00 | 11,108,212.72 | 6,350,396.34 | 7,198,633.80 | 5,464,792.00 | -50.8% |

Exhibit B

Cost Split Between City and District
Fiscal Year 2023-24

Exhibit B (cont)

Cost Split Between City and District
Fiscal Year 2023-24