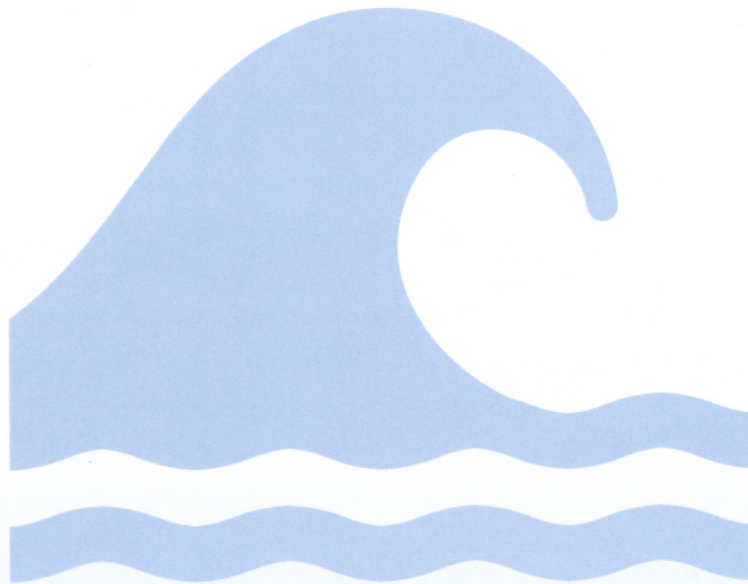




Orange County Water Control & Improvement District No. 1

OPERATING BUDGET

FISCAL YEAR 2021-2022



Dedicated to Providing a Plentiful Supply of Clean Water

&

The Efficient Disposal of Waste



Orange County Water Control & Improvement District No. 1

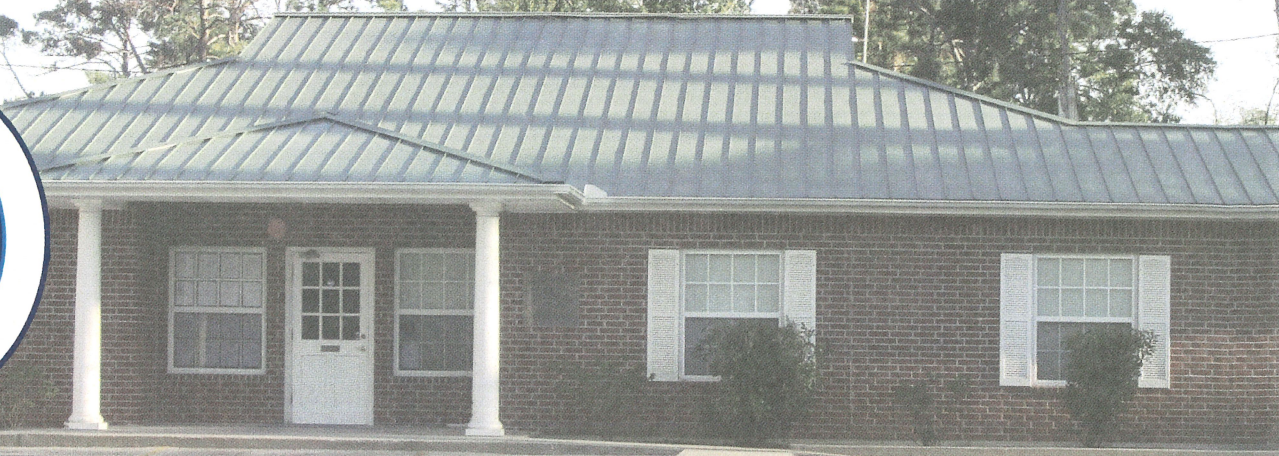
MISSION STATEMENT

IT IS THE MISSION OF
ORANGE COUNTY WATER CONTROL &
IMPROVEMENT DISTRICT NO. 1

TO:

- PROVIDE A PLENTIFUL SUPPLY OF CLEAN WATER
- PROVIDE EFFICIENT DISPOSAL OF WASTE
- EXPAND SERVICES AS RESOURCES WILL ALLOW
- EXCEED ENVIRONMENTAL STANDARDS
- STRENGTHEN COMMITMENT FROM EMPLOYEES BY ATTENDING TO THEIR NEEDS AS REGARDS TO COMPENSATION; TRAINING; AND OPERATING EQUIPMENT
- WE ALSO PLEDGE COOPERATION WITH PUBLIC AND PRIVATE ENTITIES WHOSE GOALS COMPLEMENT OUR OWN

BUDGET LETTER



May 10, 2021

Board of Directors
Orange County Water Control &
Improvement District No. 1
460 E Bolivar
Vidor, Texas 77662

Gentlemen:

Presented for your consideration are the **2020/2021 Budget Performance Analysis** and the **Proposed Fiscal Year 2021/2022 Annual Operating Budget** for Orange County Water Control & Improvement District No. 1.

Fiscal Year 2020/2021 Annual Budget Performance Analysis

The 2020/2021 Fiscal Year was one that presented the District Staff with extraordinary challenges. Not only did the Staff have to deal with the challenges that COVID-19 presented including shut downs, working from home, shifting the outside crew's schedules to accommodate social distancing and health safety measures, mother nature provided several challenges as well. Hurricane Laura, Hurricane Delta and the February Winter Ice Storm all presented extraordinary challenges unique to each given event. In the face of each of these extraordinary challenges, I have to say I am proud of how our organization responded. Staff throughout the organization stepped up and found innovative ways to continue providing essential services to our community.

But there were other challenges presented during the 2020/2021 Fiscal Year in addition to COVID-19 and weather-related events. In the midst of the extraordinary challenges, TTHM's in the water are still presenting issues, there was a breach in the Ground Storage Tank located at Well 5, a decreased specific capacity at Well 7 is presenting concerns, there were pump failures at multiple lift stations throughout the District, major equipment repairs were needed on the Hydro-Excavator, and the Staff continues its commitment to the Sanitary Sewer Overflow Initiative to reduce I&I (Inflow and Infiltration).

Budget projections for 2020/2021 Fiscal Year End show revenues totaling \$5,332,058.98 which include \$434,494.64 Transfers-in from other Funds, the bulk of which was transferred from the Contingency Fund. Expenses are projected to total \$5,432,160.98. Budget overrun projections for the 2020/2021 Fiscal Year totals (\$61,167.00).

On the upside, during the 2020/2021 Fiscal Year, the amount of customer accounts has increased to a level that is about 62 accounts lower than Pre-Harvey figures. You will recall the Post-Harvey figures saw a decrease in customer accounts by 209. The increase in customer base would account for the Billing Projections meeting and/or exceeding (by a small margin) the budget projections for 2020/2021.

On the expense side of the budget, the District experienced cost overruns in several of the line-item categories. Highlighted below are the top seven major factors affecting the overrun:

1. **Salaries and Wages – Overtime (Account #5102) and Payroll Expenses (Account #5104 and #5110)** account for \$54,506.50 of the expense overrun. These overruns can be contributed directly to the three weather-related events that occurred during this 2020/2021 Fiscal Year Budget.
2. **Legal Fees (Account #5116)** – Historically legal fees total approximately \$20,000 annually and the total projection of \$19,836.66 for FYE 2021 is in keeping with historical data. The \$15,000 budget for this line item in 20-21 FY way underestimated the cost of legal counsel.
3. **Vehicle/Equipment – Maintenance and Repair (Account #5128)** – Costs overrun to this line item is directly related to the repair of the Vermeer Hydro-Excavator in the amount of \$6,832.
4. **Wastewater Collection System – Upgrades/Maintenance (Account #5132-G)** – The majority of the cost overruns to this line item can be contributed to the maintenance/equipment replacement and the generator hook-ups at lift stations throughout the District. The generator hook-ups were costs directly related to the weather events experienced during the 2020/2021 Fiscal Year.
5. **Building/Shop Maintenance (Account #5141)** – Two unexpected events, the replacement of a 4-Ton A/C unit for the Field Office and leveling of the Storage Building behind the Administrative Offices contributed to the overrun of this line item.
6. **Insurance – Liability/Property (Account #5177)** – Insurance expense represents the greatest overrun in the expenditure category. The rising cost of insurance was caused mainly by the two Flood Events – Harvey and Imelda. It is hard to predict what the impact to insurance premiums will be when Hurricanes Laura and Delta are put into consideration.
7. **Office Equipment and Software (Account #5184)** – Cost overruns in this line items are due to the replacement of the computer and programming for the SCADA System. Total costs for the SCADA Computer and Programming were \$25,182.00.

In summation of the 2020/2021 Budget Performance Analysis, extraordinary challenges were definitely presented including COVID-19, Severe Weather, and unexpected expenses. But, with the help of Contingency Funds and Revenues meeting expectations, District staff did an extraordinary job in meeting the challenges head on.

Fiscal Year 2021/2022 Annual Operating Budget

Revenues and Expenditures are forecast each budget year based on historical data and trends from previous years. The proposed budget of \$4,812,700 is based on anticipated billings and revenue collection for the upcoming Fiscal Year. The budget presented is a balanced budget meaning anticipated expenditures are based on operational needs and are not expected to exceed anticipated revenues. The projected Revenues/Expenditures equate to \$323 per capita/per year based on the District's population of 14,901. The FY 21/22 proposed budget includes the following:

- In the FY 21/22, funding is scheduled for a 2% COLA increase for all employees and includes merit adjustments (if any) that may be requested by management.
- Increase in the Retirement Benefits as set out by TCDRS (Texas County and District Retirement System).
- An increase from \$45,000 to \$100,000 in Account #5132-G – Wastewater Collection System – Upgrades and Maintenance. This decision was made utilizing historical data for this account.

The Wastewater Collection System is aging and in need of upgrades and continuous maintenance.

- An increase from \$50,000 to \$90,000 in Account #5177 – Insurance – Liability/Property. The increase in cost for liability/property insurance is directly attributed to the two major flood events in 2017 and 2019.
- An increase from \$44,000 to \$194,067 in Account #5190 – Vehicles/Equipment – Purchase of. The increase in this line item is for the purpose of purchasing several pieces of equipment (including incidental costs) which are listed below:
 - Ditch Witch HX50 Vacuum Excavator \$45,888.17 (After Trade-In)
 - 25 Yard Liquid Tight Open Top w/Roll Tarp (2) \$15,740.00
 - Vactor Jet Machine \$59,596.00
 - 100K Gallon EST – Demolition \$57,000.00
- Transfers Out – Contingency Account (Account #6012). Budgeted in this account is \$31,500 and was created for the purpose of repayment of funds borrowed from the Contingency Account. Monthly transfers from the General Operating Account to the Contingency Account will be made until such time as the Contingency Account is fully funded back to its \$3,000,000 Fund Balance.
- Transfers Out – Well Maintenance (Account #6017) is a newly created account. This account will be included in the monthly transfers for the purpose of setting aside funds each month in preparation for Well maintenance and repairs. We do a monthly transfer into the Special Projects Account and a Water/Sewer Major Maintenance Account for the purpose of funding unbudgeted projects that inherently come up throughout the budget year. In this same manner, the purpose of the newly created "Well Maintenance" Account would allow for unexpected repairs/maintenance of the Wells.
- Fire Hydrants – Repairs (Account #6019) is another newly created account. It has been a long-time agreement between Orange County Water Control & Improvement District No. 1 (OCWC No. 1) and the Emergency Services District No. 1 (ESD No. 1) that the ESD No. 1 would purchase and maintain Fire Hydrants throughout the District and OCWC No. 1 would install the Hydrants and make repairs when necessary. This item has not been a budgeted item in the past but we feel there is a need to budget for repairs in this and future budgets.

Conclusion

Using historical data to predict the 2021/2022 Operating Budget, I believe this proposed budget accurately represents the best forecast of revenues and expenses. More importantly, I believe the 2021/2022 Proposed Budget demonstrates the commitment of District Staff to continue providing water and sewer services our community has grown to expect and also demonstrates the desire of District Staff to strengthen commitment from its employees by attending their needs regarding compensation, training, and providing safe operating equipment.

Sincerely,



Chris Serres
General Manager

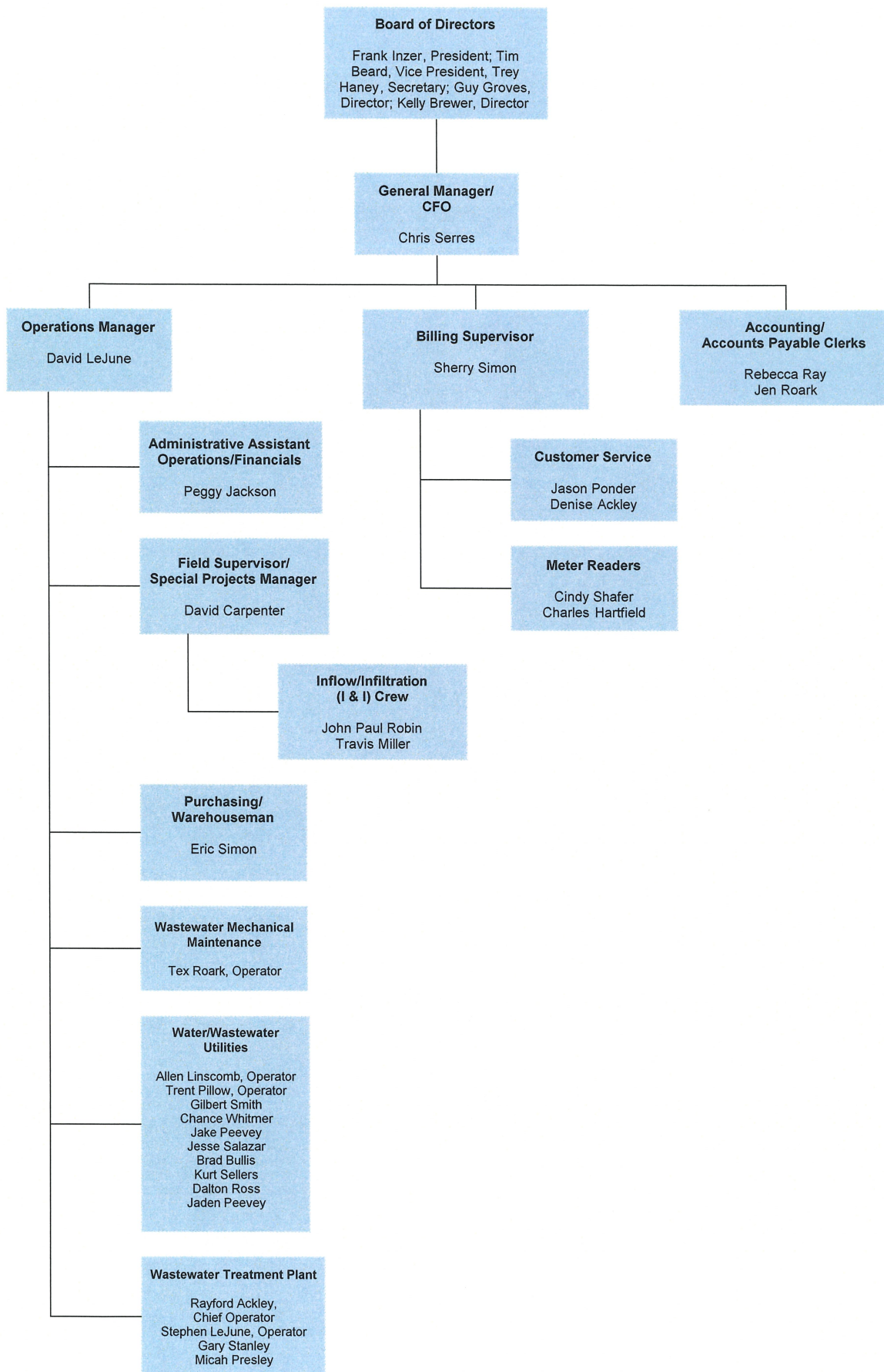
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Health

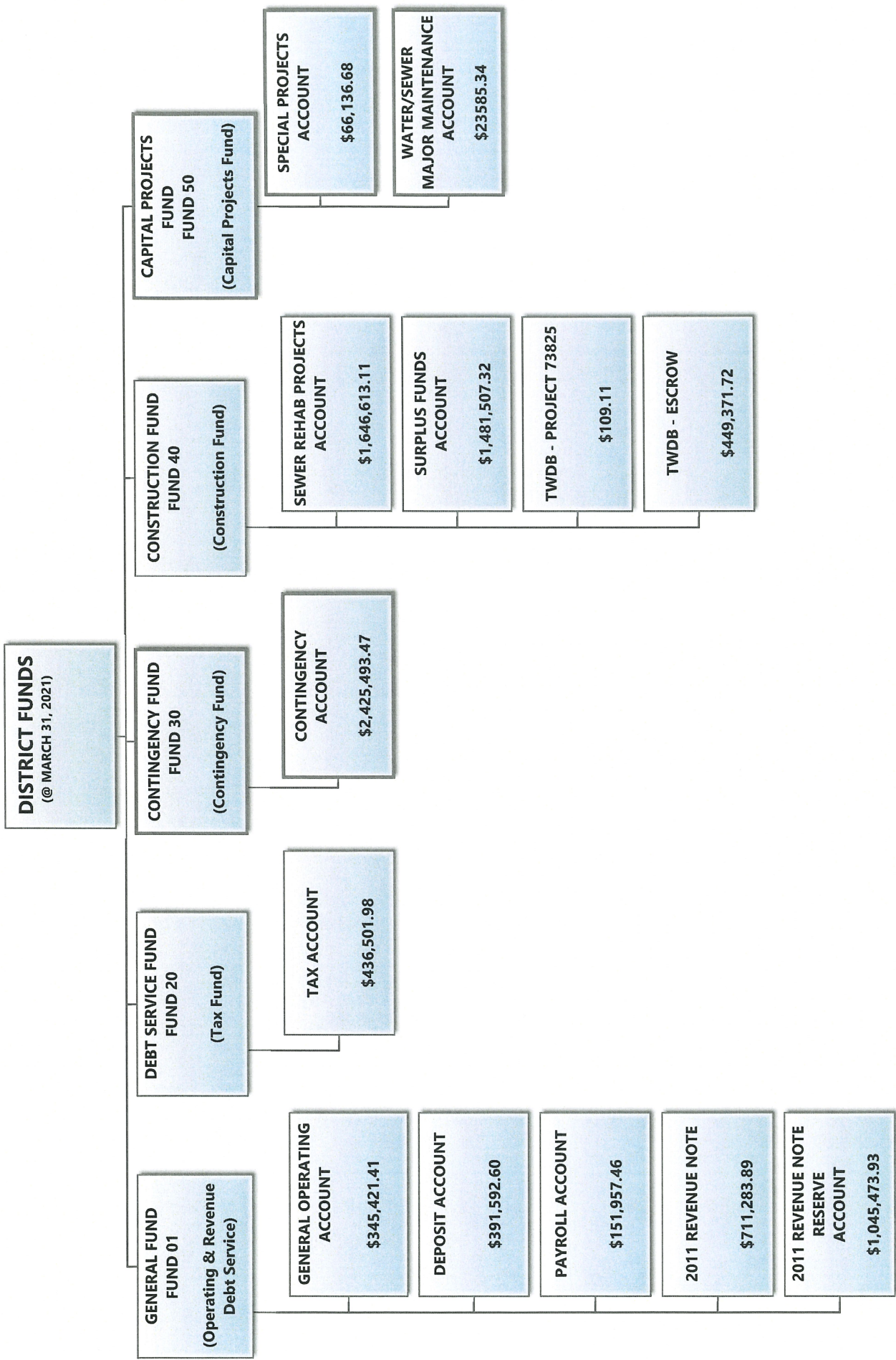
Programs

— 1998

ORGANIZATIONAL CHART



**DISTRICT
CHART OF FUNDS
WITH
ACCOUNT BALANCES**



REVENUE
&
EXPENDITURES

ANNUAL COMPARISONS FYE 2018 - FYE 2021 WITH 2021-2022 BUDGET PREDICTIONS

[illegible]

REVENUES AND EXPENSES

ANNUAL COMPARISONS FYE 2018 - FYE 2021 WITH 2021-2022 BUDGET PREDICTIONS

EXPENDITURES												
ACCT #	EXPENSES	2017-2018 ACTUAL	2017-2018 BUDGET	2018-2019 ACTUAL	2018-2019 BUDGET	2019-2020 BUDGET	2019-2020 BUDGET	2019-2020 BUDGET	2020-2021 @ 03/31/21	2020-2021 BUDGET	2021-2022 BUDGET	2021-2022 BUDGET
5101	SALARIES AND WAGES	\$ 1,295,446	\$ 1,260,000	\$ 1,544,079	\$ 1,470,120	\$ 1,696,912	\$ 1,631,000	\$ 1,631,000	\$ 1,097,191	\$ 1,645,000	\$ 1,515,500	\$ 1,515,500
5102	SALARIES AND WAGES - OVERTIME	\$ 167,761	\$ 85,000	\$ 117,450	\$ 80,000	\$ 91,143	\$ 115,000	\$ 115,000	\$ 97,374	\$ 115,000	\$ 135,000	\$ 135,000
5104	EMPLOYEE RETIREMENT EXPENSE	\$ 51,738	\$ 50,000	\$ 82,048	\$ 55,000	\$ 105,914	\$ 98,500	\$ 98,500	\$ 68,813	\$ 95,000	\$ 113,500	\$ 113,500
5105	HEALTH SAVINGS ACCOUNT (HAS)	\$ -	\$ -	\$ 8,865	\$ -	\$ 16,065	\$ 16,000	\$ 16,000	\$ 10,101	\$ 16,000	\$ 15,000	\$ 15,000
5107	HEALTH/LIFE INSURANCE	\$ 222,330	\$ 240,000	\$ 255,529	\$ 240,000	\$ 239,815	\$ 273,000	\$ 273,000	\$ 160,016	\$ 250,000	\$ 243,600	\$ 243,600
5110	PAYROLL TAXES EXPENSE	\$ 111,890	\$ 95,000	\$ 126,608	\$ 115,000	\$ 135,054	\$ 124,460	\$ 124,460	\$ 91,484	\$ 122,000	\$ 120,000	\$ 120,000
5113	TEXAS WORKFORCE COMM - UNEMPLOYMENT	\$ 4,055	\$ 3,000	\$ 1,764	\$ 5,000	\$ 4,961	\$ 5,600	\$ 5,600	\$ 397	\$ 5,000	\$ 5,000	\$ 5,000
5114	WORKERS COMP PREMIUMS	\$ 26,949	\$ 28,000	\$ 31,982	\$ 35,000	\$ 31,110	\$ 35,000	\$ 35,000	\$ 38,231	\$ 55,000	\$ 35,000	\$ 35,000
5116	LEGAL FEES	\$ 17,374	\$ 20,000	\$ 14,280	\$ 20,000	\$ 18,100	\$ 15,000	\$ 15,000	\$ 16,230	\$ 15,000	\$ 25,000	\$ 25,000
5119	BUILDING SECURITY	\$ 1,170	\$ 2,000	\$ 2,655	\$ 2,000	\$ 2,021	\$ 3,000	\$ 3,000	\$ 875	\$ 3,000	\$ 2,000	\$ 2,000
5120	LPSS REFUND ACCT	\$ -	\$ 4,000	\$ -	\$ 4,000	\$ 3,610	\$ 4,000	\$ 4,000	\$ -	\$ 4,000	\$ 4,000	\$ 4,000
5121	SEWER TAP REFUND	\$ -	\$ 900	\$ -	\$ 900	\$ -	\$ 900	\$ 900	\$ -	\$ 900	\$ 900	\$ 900
5122	ENGINEERING FEES	\$ 36,728	\$ 30,000	\$ 5,540	\$ 25,000	\$ 6,857	\$ 50,000	\$ 50,000	\$ 3,327	\$ 50,000	\$ 16,000	\$ 16,000
5123	WATER TAP REFUND	\$ 1,400	\$ 700	\$ 2,550	\$ 700	\$ -	\$ 700	\$ 700	\$ -	\$ 700	\$ 700	\$ 700
5125	AUDIT EXPENSE	\$ 16,500	\$ 16,500	\$ 16,500	\$ 16,500	\$ 16,500	\$ 16,500	\$ 16,500	\$ 16,500	\$ 16,500	\$ 21,500	\$ 21,500
5128	VEHICLE/EQUIPMENT - MAINT & REPAIR	\$ 24,237	\$ 25,000	\$ 37,479	\$ 20,000	\$ 31,625	\$ 30,000	\$ 30,000	\$ 27,372	\$ 30,000	\$ 46,400	\$ 46,400
5131-B	WELL #4	\$ 1,880	\$ 10,000	\$ 8,323	\$ 5,000	\$ 1,498	\$ 5,000	\$ 5,000	\$ 1,298	\$ 2,000	\$ 2,000	\$ 2,000
5131-C	WELL #5	\$ 6,409	\$ 10,000	\$ 6,759	\$ 5,000	\$ 5,430	\$ 5,000	\$ 5,000	\$ 9,001	\$ 7,000	\$ 10,000	\$ 10,000
5131-D	WELL #6	\$ -	\$ 1,000	\$ 315	\$ 1,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5131-E	WATER DISTRIBUTION SYSTEM - UPGRADES/M/I	\$ 27,306	\$ 25,000	\$ 39,637	\$ 25,000	\$ 29,225	\$ 35,000	\$ 35,000	\$ 15,587	\$ 25,000	\$ 20,000	\$ 20,000
5131-F	WELL #7	\$ 9,112	\$ 5,000	\$ 16,179	\$ 5,000	\$ 11,372	\$ 5,000	\$ 5,000	\$ 4,647	\$ 5,000	\$ 10,000	\$ 10,000
5132-A	OAKLANE WW TP	\$ 32,139	\$ 35,000	\$ 23,302	\$ 35,000	\$ 18,373	\$ 35,000	\$ 35,000	\$ 11,560	\$ 25,000	\$ 20,000	\$ 20,000
5132-B	TIGERLAKE WWTP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5132-C	OAKLANE/TIGER CREEK WWTP	\$ 1,878	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5132-D	CLOVERLEAF WWTP	\$ 900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5132-G	WASTEWATER COLLECTION SYSTEM - UPGRADES	\$ 74,376	\$ 40,000	\$ 49,881	\$ 40,000	\$ 75,649	\$ 45,000	\$ 45,000	\$ 81,381	\$ 45,000	\$ 100,000	\$ 100,000
5133	LPSS - NEW INSTALLATIONS/REPAIRS	\$ 76,067	\$ 70,000	\$ 162,938	\$ 70,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5133-A	LPSS - NEW INSTALLATIONS	\$ -	\$ -	\$ -	\$ -	\$ 62,513	\$ 60,000	\$ 60,000	\$ 40,919	\$ 60,000	\$ 60,000	\$ 60,000
5133-B	LPSS - MAINTENANCE/REPAIRS	\$ -	\$ -	\$ -	\$ -	\$ 49,645	\$ 75,000	\$ 75,000	\$ 40,995	\$ 50,000	\$ 50,000	\$ 50,000

REVENUES AND EXPENSES

ANNUAL COMPARISONS FYE 2018 - FYE 2021 WITH 2021-2022 BUDGET PREDICTIONS

ACCT #	EXPENSES	2017-2018		2018-2019		2019-2020		2020-2021		2021-2022	
		ACTUAL	BUDGET	ACTUAL	BUDGET	BUDGET	BUDGET	@ 03/31/21	BUDGET	BUDGET	BUDGET
5135	INFLOW AND INFILTRATION	\$ -	\$ -	\$ 21,025	\$ 30,000	\$ 25,744	\$ 30,000	\$ 15,116	\$ 30,000	\$ 20,000	\$ 20,000
5136	METERS - PURCHASE OF	\$ 62,368	\$ 60,000	\$ 52,633	\$ 60,000	\$ 57,861	\$ 60,000	\$ 27,348	\$ 60,000	\$ 50,000	\$ 50,000
5137	CONTRACTS - OFFICE MAINTENANCE	\$ 25,220	\$ 35,000	\$ 32,232	\$ 25,000	\$ 38,281	\$ 30,000	\$ 33,990	\$ 45,000	\$ 45,000	\$ 45,000
5140	FUELS & LUBRICANTS	\$ 39,825	\$ 35,000	\$ 56,428	\$ 35,000	\$ 48,191	\$ 50,000	\$ 32,960	\$ 55,000	\$ 45,000	\$ 45,000
5141	BUILDING/SHOP MAINTENANCE	\$ 24,274	\$ 41,000	\$ 44,009	\$ 20,000	\$ 21,092	\$ 20,000	\$ 25,782	\$ 22,000	\$ 30,000	\$ 30,000
5143	CHEMICALS - WATER	\$ 11,088	\$ 25,000	\$ 17,209	\$ 15,000	\$ 22,479	\$ 20,000	\$ 22,791	\$ 22,000	\$ 25,000	\$ 25,000
5144	CHEMICALS-SEWER	\$ 4,536	\$ 10,000	\$ 6,745	\$ 5,000	\$ 7,184	\$ 5,000	\$ 7,245	\$ 7,000	\$ 8,000	\$ 8,000
5149	LAB EXPENSE	\$ 44,673	\$ 40,000	\$ 33,149	\$ 35,000	\$ 38,564	\$ 40,000	\$ 26,124	\$ 40,000	\$ 40,000	\$ 40,000
5152	OFFICE EXPENSE - GENERAL	\$ 32,227	\$ 35,000	\$ 44,562	\$ 30,000	\$ 31,025	\$ 30,000	\$ 19,664	\$ 43,000	\$ 25,300	\$ 25,300
5153	BANK CHARGES AND ADJUSTMENTS	\$ 283	\$ 2,000	\$ 1,051	\$ 1,000	\$ 6,484	\$ 5,000	\$ 5,727	\$ 5,000	\$ 7,500	\$ 7,500
5155	POSTAGE	\$ 23,439	\$ 30,000	\$ 26,941	\$ 20,000	\$ 24,800	\$ 25,000	\$ 24,851	\$ 25,000	\$ 30,000	\$ 30,000
5158	PRINTING AND LEGAL NOTICES	\$ 9,374	\$ 6,000	\$ 8,928	\$ 6,000	\$ 11,879	\$ 6,500	\$ 6,712	\$ 15,000	\$ 12,000	\$ 12,000
5160	CREDIT BALANCE - CLEARING ACCOUNT	\$ 3,549	\$ 1,000	\$ -	\$ 1,000	\$ -	\$ 1,000	\$ -	\$ 1,000	\$ 1,000	\$ 1,000
5161	SURETY BONDS	\$ 800	\$ 1,000	\$ 1,063	\$ 1,000	\$ 850	\$ 1,000	\$ 621	\$ 1,000	\$ 1,000	\$ 1,000
5163	CASUAL LABOR	\$ 17,503	\$ 15,000	\$ 18,012	\$ 15,000	\$ 28,789	\$ 20,000	\$ 12,025	\$ 20,000	\$ 20,000	\$ 20,000
5164	TELEPHONE/COMMUNICATIONS	\$ 30,645	\$ 30,000	\$ 31,833	\$ 35,000	\$ 32,308	\$ 35,000	\$ 28,438	\$ 35,000	\$ 37,000	\$ 37,000
5165	TRAVEL/TRAINING	\$ 11,060	\$ 10,000	\$ 15,700	\$ 10,000	\$ 7,175	\$ 10,000	\$ 2,609	\$ 10,000	\$ 5,000	\$ 5,000
5166	DUES/SUBSCRIPTIONS	\$ 9,802	\$ 12,000	\$ 15,822	\$ 10,000	\$ 9,412	\$ 10,500	\$ 8,567	\$ 12,000	\$ 12,000	\$ 12,000
5167	UTILITIES	\$ 217,712	\$ 230,000	\$ 217,251	\$ 220,000	\$ 234,687	\$ 220,000	\$ 180,718	\$ 230,000	\$ 230,000	\$ 230,000
5170	ELECTION EXPENSE	\$ 207	\$ 5,000	\$ -	\$ -	\$ 293	\$ 5,000	\$ -	\$ -	\$ 5,000	\$ 5,000
5171	GARBAGE PICKUP	\$ 1,514	\$ 1,600	\$ 1,337	\$ 1,500	\$ 1,322	\$ 1,500	\$ 677	\$ 1,500	\$ 3,000	\$ 3,000
5172	TCEQ - PAYMENTS OTHER THAN PERMITS AND	\$ -	\$ 2,000	\$ 3,300	\$ 1,000	\$ -	\$ 3,500	\$ (428)	\$ 3,500	\$ 3,500	\$ 3,500
5173	BAD DEBT EXPENSE	\$ 33,411	\$ -	\$ 22,055	\$ -	\$ 3,874	\$ -	\$ (126)	\$ 20,000	\$ 33,000	\$ 33,000
5174	SLUDGE DISPOSAL FEE	\$ 35,245	\$ 30,000	\$ 52,281	\$ 35,000	\$ 31,876	\$ 40,000	\$ 27,525	\$ 25,000	\$ 30,000	\$ 30,000
5175	RAILROAD EASEMENTS	\$ 2,281	\$ 3,000	\$ 3,364	\$ 3,000	\$ 4,540	\$ 3,500	\$ 1,889	\$ 3,500	\$ 2,000	\$ 2,000
5176	EMPLOYEE UNIFORM EXPENSE	\$ 14,101	\$ 15,000	\$ 17,374	\$ 15,000	\$ 15,319	\$ 16,000	\$ 11,558	\$ 16,000	\$ 16,000	\$ 16,000
5177	INSURANCE - LIABILITY/PROPERTY	\$ 53,731	\$ 50,000	\$ 63,354	\$ 55,000	\$ 52,718	\$ 55,000	\$ 87,313	\$ 50,000	\$ 90,000	\$ 90,000
5179	CAPITAL OUTLAY	\$ -	\$ -	\$ 5,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5181	TOOLS (SMALL)/OTHER EQUIPMENT	\$ 19,694	\$ 15,000	\$ 33,554	\$ 15,000	\$ 25,043	\$ 19,000	\$ 18,337	\$ 25,000	\$ 25,000	\$ 25,000
5184	OFFICE EQUIPMENT & SOFTWARE	\$ 12,730	\$ 10,000	\$ 28,072	\$ 15,000	\$ 20,402	\$ 14,000	\$ 29,164	\$ 21,000	\$ 25,000	\$ 25,000
5186	FURNITURE AND FIXTURES	\$ 3,027	\$ 2,300	\$ 4,639	\$ 2,000	\$ -	\$ 3,000	\$ 4,750	\$ 3,000	\$ 5,000	\$ 5,000
5187	LAND & RIGHT OF WAY	\$ -	\$ 2,000	\$ -	\$ 2,000	\$ -	\$ 2,000	\$ -	\$ 2,000	\$ 2,000	\$ 2,000

REVENUES AND EXPENSES

[illegible]