

McKINLEYVILLE



COMMUNITY SERVICES DISTRICT



BUDGET

For the Fiscal Year Ending June 30, 2012

Adoption Date: May 18, 2011

MCSD BOARD OF DIRECTORS

Helen Edwards, President
Dennis Mayo, Vice President
John Corbett, Director
David Couch, Director
Bill Wennerholm, Director

**McKINLEYVILLE COMMUNITY SERVICES DISTRICT
1656 Sutter Road
McKinleyville, California 95519
Capital and Operating Budget**

For the Fiscal Year Ending June 30, 2012

INTRODUCTION AND BUDGET GUIDE

This budget is intended to serve as a management tool for operation of the McKinleyville Community Services District (MCSD) during fiscal year July 1, 2011 through June 30, 2012. The Budget sets forth goals and priorities for staff to accomplish during the year in the four district operating departments. This budget is dynamic in that it can be amended as the Board adds goals and changes priorities.

- Page 2 includes information about McKinleyville and the District.
- The Board of Directors has adopted a mission statement, goals and action plan, and organization chart for the fiscal year, which is included beginning at Page 4.
- Budget summaries for the Governmental Funds & the Enterprise Funds are shown beginning at Page 10.
- Detailed line item budgets by department/fund, line-item budget summaries and capital improvement project summary for the fiscal year begin at Page 13.
- Historical Data is presented beginning at Page 17.
- MCSD's Capital Improvement Program Narrative is included at Page 21.
- The 10-year Capital Improvement Plan is detailed beginning at Page 29.

DESCRIPTION OF THE COMMUNITY

McKinleyville is an unincorporated community of Humboldt County in the north coastal region of California 300 miles north of San Francisco. McKinleyville has an approximate population of 14,500. McKinleyville borders the Pacific Ocean and has a mild climate year round with frequent fog and moderate to heavy precipitation mainly between October and April. Because of the combination of coastal, mountain and valley areas, residents have the opportunity for a wide range of recreational activities. Just minutes from McKinleyville, you can surf, fish for salmon and steelhead, hike underneath the world's tallest trees and bike the Pacific Coast Trail.

The original settlers of McKinleyville were the Wiyot Indians who occupied the area for hundreds of years before the first white settlers arrived. Historian Edie Neilson estimates that there were three thousand Wiyots in the vicinity when the first white settlers arrived in the 1850s; by 1900, there were only 150 Wiyots left. Joseph Dow built his cabin in 1862 on the high prairie area near the future site of the Humboldt County Airport. For many years the area from the Mad River to the Little River was known as Dow's Prairie.

Dow's Prairie was isolated from the rest of the north coast communities by the bridgeless rivers to the north and south and the dense forest to the east. When passable, fording the Mad River to get supplies in Arcata was a two-day trip. In 1897, Arcata businessman Isaac Minor built a general store with a post office, a hotel and a creamery here. The general store quickly became the social center for the community and the people decided to call their town Minor in his honor. When President William McKinley was assassinated in 1901, Isaac Minor and the townspeople agreed to change the name of the community to McKinleyville.

The McKinleyville Union School District was founded in 1948 and includes Dow's Prairie School, McKinleyville Middle School and Morris School. MUSD is McKinleyville's largest employer with a payroll of over \$4 million. Graduates of MUSD attend McKinleyville High School, which was opened for the fall 1961 school year. Mack High is one of two high schools in the Northern Humboldt Union High School District.

Opportunities for higher education are nearby. Arcata's Humboldt State University, a four-year college with a full spectrum of curriculum and graduate programs, is a 10-minute drive from McKinleyville. Eureka, located 20 minutes south of McKinleyville, is the largest city and county seat of Humboldt County. The main branch of College of the Redwoods, a community college system offering comprehensive programs in many academic and technical fields, is located in Eureka.

DESCRIPTION OF THE DISTRICT

McKinleyville Community Services District (MCSD) was created on April 14, 1970 when McKinleyville's residents voted 592 "yes" against 154 "no" to form the District. Initially, the District had authority to serve water and treat sewer wastes. In 1972 the voters added street lighting powers. In 1985 the voters added recreational powers and in 1995 the voters authorized construction of the McKinleyville Library. The District boundaries encompass 12,140 acres ranging from North Bank Road on the south to Patrick Creek on the north. MCSD is an independent governmental unit organized under the Community Services District Law, pursuant to Title 6 Division 3 of the Government Code Section 61000, et seq. A five member Board of Directors elected to four-year rotating terms in odd-numbered years governs the District. The Directors meet on the third Wednesday of each month at Azalea Hall, 1620 Pickett Road to set policy, consider projects and settle disputes. The District office is located at 1656 Sutter Road just east of Central Avenue.

MCSD's principal activities include water, sewer, parks, recreation, street lighting and open space maintenance services. In recent years, the District has dramatically expanded its recreational services by developing approximately 44 acres of community parks (Hiller Park Playground and Picnic Area, Hiller Park Loop Trails, Hiller Sports Complex, Pierson Park and Larissa Park. In addition, the District has constructed three state-of-the-art buildings to provide an indoor sports and recreation facility (McKinleyville Activity Center), a community activities center (Azalea Hall) and a library (a branch of the Humboldt County Library). In 1999, the Mad River Rotary Club completed the fund-raising and construction of a Law Enforcement Facility on District land adjacent to the Library and Azalea Hall. The facility was then donated to the District and is leased to the Humboldt County Sheriff's Department.

MCSD purchases its wholesale water supply from the Humboldt Bay Municipal Water District, which diverts water from its million-gallon tank on Essex Hill under the Mad River to MCSD's Grant A. Ramey Pump Station at North Bank and Azalea Roads. Water is then pumped to storage tanks at McCluski Hill, Cochran Road and Norton Road; MCSD's six storage tanks have a combined capacity of 5.25 million gallons, approximately a 36 hour supply for our 6,705 customers.

All sewage for MCSD's 6,100 customers is treated at the Wastewater Management Facility at Hiller Park. The District recently completed a \$770,000 wetland construction project at Hiller Park to enhance the wastewater treatment process and to prevent stormwater pollution to the Mad River estuary. MCSD maintains approximately 65 miles of sewer mains. MCSD recycles treated wastewater for agricultural irrigation at the Fischer Irrigation Site and at Hiller Park. MCSD is committed to maintaining its sewage collection, treatment and disposal systems as a model for other communities.

Additional information and photographs of MCSD facilities are available on MCSD's website (www.mckinleyvillecsd.com). District staff and Directors can be reached by e-mail at mcsd@mckinleyvillecsd.com.

MISSION STATEMENT

Provide McKinleyville with safe, adequate and reliable utility, lighting, open space, parks and recreation, and library services in an environmentally and fiscally responsible manner.

SUMMARY:

The following goals and objectives are intended to be a short term planning tool (3 years) that focuses efforts and acknowledges the current Board priorities. These are in addition to the common day-to-day activities that are currently being addressed.

GOAL 1:

Increase ability to serve MCSD growing population with water, sewer street lights parks recreation, and library.

OBJECTIVES:

1. Research trends and current needs of the community.
 - a. Complete an independent survey that evaluates desired recreational activities within the community related to Measure B renewal.
 - b. Update Parks Master Plan for Board approval.
 - c. Determine the feasibility of establishing a pilot solar project for the Parks and Recreation Department or Corporation yard.
2. Increase water storage capacity through design and construction of new water storage at Murray Road.
 - a. Complete preliminary conceptual design in order to be able to apply for grant funding.
3. Encourage state, county and other regional agencies to work cooperatively with the District in planning and development to utilize existing infrastructure in an efficient and realistic manner.
 - a. Establish a calendar to meet on a regular basis with County staff.
 - b. Become active in the California Special District, Board of Directors, and/or a CSDA committee. Participate in CSDA meetings.
 - c. Become active and participate in the Integrated Regional Water Management (IRWM) process.
 - d. Meet with Federal, State and County Legislative staff to provide information on our District and discuss issues and concerns.

- e. Determine if the current MCSD contract with Humboldt Bay Municipal Water District can be reopened for negotiations related to the inclusion of pipeline under the Mad River or revisions to cost share that MCSD is assessed to maintain other pipelines.
4. Conduct analysis of alternative options for emergency backup services and future requirements.
 - a. Water supply – Determine if groundwater would be a viable option as an emergency backup to our water supply system near our existing water tanks.
 - b. Generators – Consider feasibility of upgrading or replacing generators at the sewer lift stations by completing technical evaluation memorandum.
 - c. Install generator and automatic transfer switch at District Office.
 5. Ensure adherence to present and future regulatory requirements for Waste Water Management Facility and collection system.
 - a. Identify treatment alternatives to carry forward in the 20-year Facilities Plan.
 - b. Implement the findings from the 20 year Facilities Plan.
 - c. Develop sewer pre-treatment program and modification of local limits in the rules and regulations.

GOAL 2:

Insure appropriate funding is available to meet service objectives.

OBJECTIVES:

1. Ensure that the reserve methodology is sufficient to fund service objectives
 - a. Determine needed reserve categories.
 - b. Determine what portion of our water and sewer rates should be set aside into each reserve category.
 - c. Upon retirement of debt for purchase of streetlights reevaluate rate structure to ensure appropriate reserves for capital replacement program.
 - d. Identify long term medical reserve amounts and propose a plan to fund those amounts.
2. Determine appropriate reserve strategy for accumulation of reserves and adjust sewer, water and streetlight connection fees rates to accommodate.
 - a. Establish and complete revised connection and capacity fee structure for all new services.

- b. Evaluate park and facility fees.

GOAL 3:

Develop succession and staffing plan.

OBJECTIVES:

1. Determine long term staffing needs.
 - a. Create a 5-year staff development plan.
 - b. Develop district office facility expansion plan.
2. Increase youth recruitment
 - a. Establish a calendar to meet on a regular basis with students.

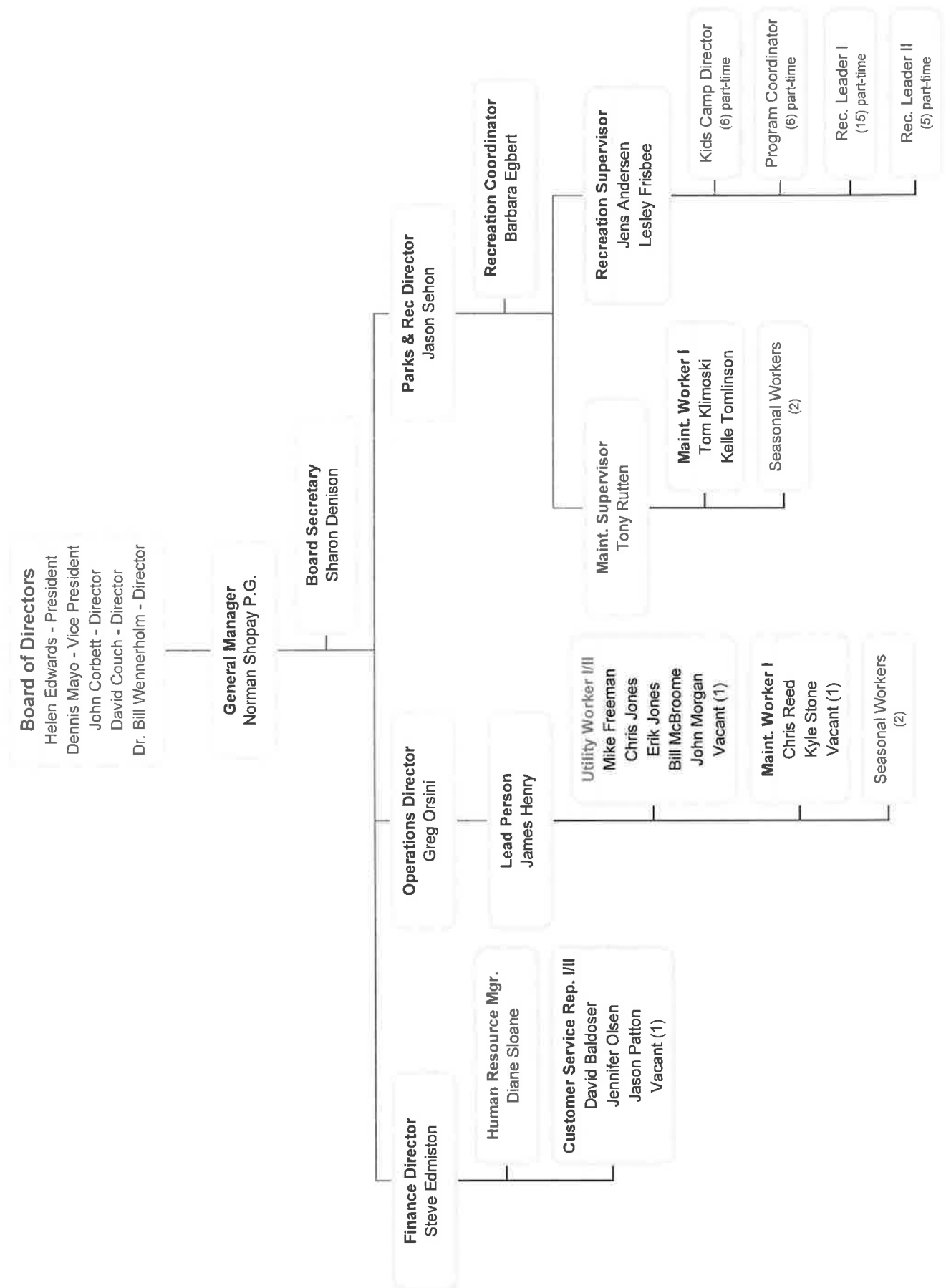
GOAL 4:

Prepare for major disasters.

OBJECTIVES:

1. Update and implement the Emergency Response Plan.
 - a. Meet annually to ensure Emergency Response Plan is current with staff.
 - b. Annually Verify Mutual Aid Agreements are accurate and plan meets local state and federal requirements.
2. Work with staff and other agencies to prepare and train for major disasters.
 - a. Participate in a minimum of one (1) table-top exercise annually.

McKinleyville Community Services District Organizational Chart (Fiscal Year 2011/2012)



McKinleyville Community Services District
Full-Time Equivalents
for the fiscal year ending June 30, 2012

	Full-Time Benefitted	Part-Time & Seasonal	Total FTEs
General Manager	1		1
Support Services	7		7
Operations	11	2	12
Parks & Recreation	7	34	15.5
Total	26	36	35.5

McKinleyville Community Services District

Exhibits of Financial Information

Budget for the year ending June 30, 2012

Table of Contents

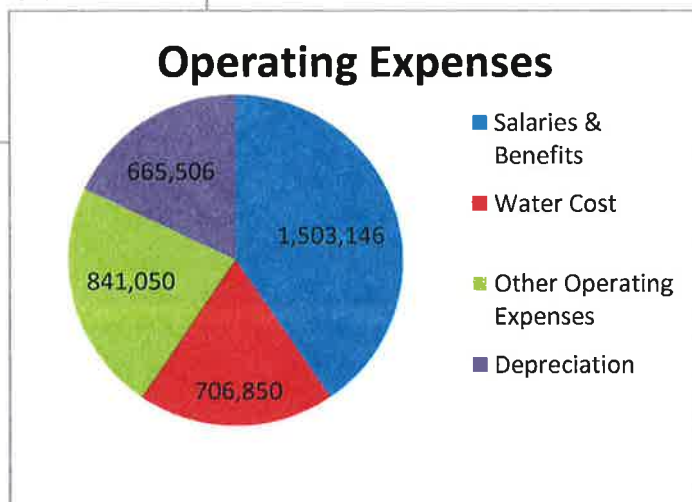
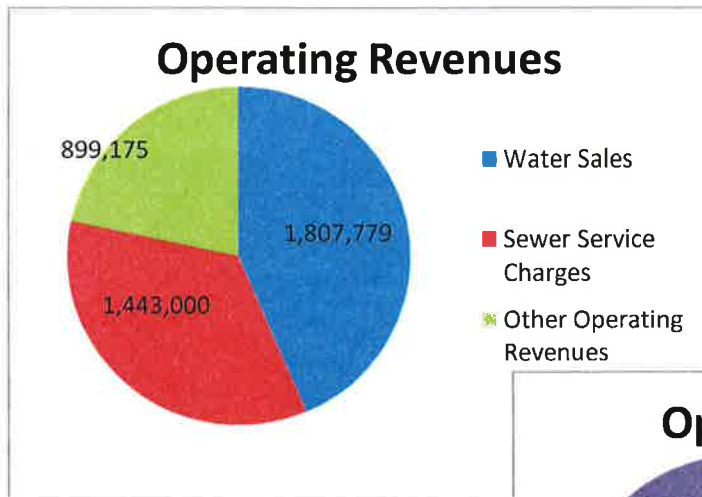
Page 10	Exhibit 1 – Fund Budget Summary and Projected Fund Balance
Page 11	Exhibit 2 – Summary Budget
Page 13	Exhibit 3 – Line-Item Budget
Page 17	Exhibit 4 – Historical Data
Page 29	Exhibit 5 – Capital Expenditures

McKinleyville Community Services District
Fund Budget Summary and Projected Fund Balance
for the fiscal year ending June 30, 2012

Description	Water Fund	Sewer Fund	Parks & General Funds	Total (Memorandum Only)
Revenues				
Water Sales	1,807,779	-	-	1,807,779
Sewer Service Charges	-	1,443,000	-	1,443,000
Streetlight Charges	-	-	65,700	65,700
Property Tax Assessments	-	-	530,000	530,000
Measure B Assessment	-	-	210,000	210,000
Program Fees	-	-	310,400	310,400
Facility Rentals	-	-	54,450	54,450
State Bonds & Grants	-	-	-	-
Other Revenue	304,920	594,255	301,936	1,201,111
Interest Revenue	35,000	45,000	18,000	98,000
Total Revenues	2,147,699	2,082,255	1,490,486	5,720,440
Expenditures				
Salaries & Benefits	751,573	751,573	877,254	2,380,400
Water Cost	706,850	-	-	706,850
Other Expenses & Expenditures	354,275	486,775	220,671	1,061,721
Depreciation	250,000	415,506	-	665,506
Interest Expense	88,726	59,286	-	148,012
Debt Service Transfer to Long Term Debt Group	-	-	-	-
Capital Expenditures	-	-	367,000	367,000
Total Expenses & Expenditures	2,151,424	1,713,140	1,464,925	5,329,489
Excess (deficit) of revenues over expenditures	(3,725)	369,115	25,561	390,951
Fund Balance - July 1, 2010	5,235,565	13,722,499	1,085,325	20,043,389
Projected Excess (Deficit) for FY-11	(120,000)	100,000	(158,970)	(178,970)
Debt Principal for FY-11 (Enterprise only)	(89,204)	(151,534)	-	(240,738)
New Borrowings for FY-11 (Enterprise only)	148,590	-	-	148,590
Capital Expenditures for FY-10 (Enterprise only)	(1,402,216)	(213,654)	-	(1,615,870)
Projected Fund Balance - June 30, 2011	3,772,735	13,457,311	926,355	18,156,401
Budgeted Excess (Deficit) - FY-12	(3,725)	369,115	25,561	390,951
Anticipated Borrowings for FY-12	1,025,000	525,000	-	1,550,000
Debt Principal for FY-12 (Enterprise only)	(109,946)	(178,482)	-	(288,428)
Capital Expenditures for FY-12 (Enterprise only)	(850,000)	(961,000)	-	(1,811,000)
Projected Fund Balance - June 30, 2012	3,834,064	13,211,944	951,916	17,997,924

McKinleyville Community Services District
Enterprise Funds Summary Budget
for the fiscal year ending June 30, 2012

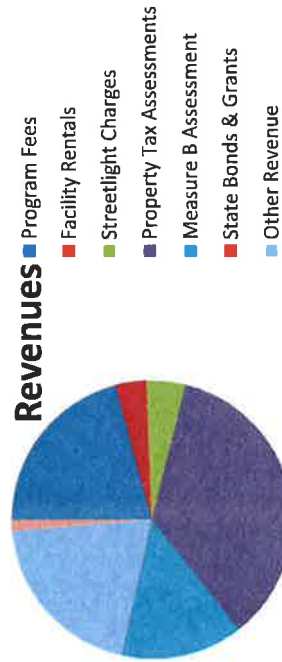
Description	Water Fund		Sewer Fund		Enterprise Funds Total	
Operating Revenues						
Water Sales	1,807,779	86%	-	-	1,807,779	44%
Sewer Service Charges	-	-	1,443,000	71%	1,443,000	35%
Other Operating Revenues	304,920	14%	594,255	29%	899,175	22%
Total Operating Revenue	2,112,699	100%	2,037,255	100%	4,149,954	100%
Operating Expenses						
Salaries & Benefits	751,573	36%	751,573	45%	1,503,146	40%
Water Cost	706,850	34%	-	-	706,850	19%
Other Operating Expenses	354,275	17%	486,775	29%	841,050	23%
Depreciation	250,000	12%	415,506	25%	665,506	18%
Total Operating Expenses	2,062,698	100%	1,653,854	100%	3,716,552	100%
Net Operating Income	50,001		383,401		433,402	
Interest Income	35,000		45,000		80,000	
Interest Expense	(88,726)		(59,286)		(148,012)	
Net Income	(3,725)		369,115		365,390	



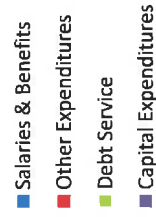
McKinleyville Community Services District
Governmental Funds Summary Budget
for the fiscal year ending June 30, 2012

Description	Parks & General		Parks and Recreation		Facility Rental		Measure B Assessment SRF		Streetsighting Fund		Open Space Maintenance SRF		Governmental Funds Total	
	Fund		Programs Fund		Fund		Assessment SRF		Fund		Maintenance SRF		Funds Total	
Revenues														
Program Fees	3,000	0%	307,400	99%	-	-	-	-	-	-	-	-	310,400	21%
Facility Rentals	-	-	-	-	54,450	96%	-	-	-	-	-	-	54,450	4%
Streetsight Charges	-	-	-	-	-	-	-	-	65,700	80%	-	-	65,700	4%
Property Tax Assessments	530,000	70%	-	-	-	-	-	-	-	-	-	-	530,000	36%
Measure B Assessment	-	-	-	-	-	-	210,000	100%	-	-	-	-	210,000	14%
State Bonds & Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Revenue	207,900	27%	3,400	1%	2,076	4%	-	-	16,300	20%	72,260	100%	301,936	20%
Interest Revenue	18,000	2%	-	-	-	-	-	-	-	-	-	-	18,000	1%
Total Revenues	758,900	100%	310,800	100%	56,526	100%	210,000	100%	82,000	100%	72,260	100%	1,490,486	100%
Expenditures														
Salaries & Benefits	432,531	51%	117,355	83%	107,800	94%	139,000	66%	38,568	37%	42,000	85%	877,254	60%
Other Expenditures	132,011	16%	24,685	17%	6,345	6%	11,000	5%	39,330	38%	7,300	15%	220,671	15%
Debt Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Expenditures	282,000	33%	-	-	-	-	60,000	29%	25,000	24%	-	-	367,000	25%
Total Expenditures	846,542	100%	142,040	100%	114,145	100%	210,000	100%	102,898	100%	49,300	100%	1,464,925	100%
Excess (Deficit)	(87,642)		168,760		(57,619)		-		(20,898)		22,960		25,561	

Revenues



Expenditures



McKinleyville Community Services District

Enterprise Funds Line-Item Budget for the fiscal year ending June 30, 2012

A/C#	Description	Water Fund	Sewer Fund	Total
Revenues				
40000	WATER BASE CHARGE	672,000	-	672,000
40001	METERED WATER SALES	1,135,779	-	1,135,779
40002	SEWER SERVICE CHARGES	-	1,443,000	1,443,000
40010	STORM WATER FEE	-	300	300
41001	NEW SERVICE FEES	14,000	30,000	44,000
41020	PLAN CHECK FEES	3,000	5,050	8,050
41040	SEWER CONSTRUCTION PERMIT FEES	-	9,000	9,000
42001	INSPECTION FEES	3,000	-	3,000
42010	CONNECTION FEES	175,000	500,000	675,000
42020	PROCESSING FEES	17,000	-	17,000
42030	BAD CHECK FEES	360	280	640
42040	RECONNECTION FEES	15,345	-	15,345
42050	DCV INSPECTION FEE	20,615	-	20,615
43190	CELL TOWER LEASE REVENUE	14,200	14,200	28,400
43195	OTHER OPERATING REVENUE	22,000	3,500	25,500
43197	RENT AND LEASE REVENUE	3,600	18,125	21,725
43198	PAVING FEES	2,600	-	2,600
43199	SERVICE UPGRADES	600	-	600
46000	AFTER HOURS SERVICE CHARGE	600	-	600
50001	INTEREST REVENUE	35,000	45,000	80,000
50005	LATE CHARGES	13,000	13,800	26,800
Total Revenues		2,147,699	2,082,255	4,229,954

Expenditures

61999	PAYROLL AND RELATED EXPENDITURES	751,573	751,573	1,503,146
62001	WATER PURCHASED	706,850	-	706,850
62005	REPAIRS AND MAINTENANCE	38,000	56,000	94,000
62010	EQUIPMENT MAINTENANCE	11,000	9,000	20,000
62015	GAS AND ELECTRIC	56,125	88,000	144,125
62016	TRASH SERVICE	2,040	2,500	4,540
62017	GENERATOR FUEL	2,460	6,500	8,960
62020	TELEPHONE	3,000	2,922	5,922
62025	TELEMETRY	2,800	2,753	5,553
62030	LAB TESTS	5,600	70,000	75,600
62035	FUEL/OIL/LUBE	13,500	15,000	28,500
62037	VEHICLE REPAIRS	4,500	4,000	8,500
62038	HEAVY EQUIPMENT REPAIRS	4,000	4,000	8,000
62040	SMALL TOOL PURCHASES	2,500	2,500	5,000
62044	EMERGENCY RESPONSE TRAINING	1,500	1,500	3,000
62045	TAXES AND ASSESSMENTS	8,000	18,500	26,500
62050	OFFICE SUPPLIES	12,000	12,500	24,500
62051	ADVERTISING AND MARKETING	250	250	500
62052	PRINTING	750	750	1,500
62055	PAPER SUPPLIES	-	500	500
62057	UNIFORMS	600	600	1,200
62059	OFFICE EQUIPMENT LEASE	3,500	3,500	7,000
62060	POSTAGE	9,000	11,000	20,000
62061	PUBLIC RECORDS ACT COST	5,000	5,000	10,000
62065	GENERAL INSURANCE	25,000	25,000	50,000

MCSD Budget FY-12

Exhibit 3

McKinleyville Community Services District

Enterprise Funds Line-Item Budget for the fiscal year ending June 30, 2012

A/C#	Description	Water Fund	Sewer Fund	Total
62070	AUDIT	8,500	8,500	17,000
62075	ENGINEERING	15,000	15,000	30,000
62080	LEGAL	9,500	11,200	20,700
62090	TRAVEL/MEALS/MEETINGS	4,500	5,800	10,300
62095	PROFESSIONAL DUES AND SUBSCRIPTIONS	10,850	7,200	18,050
62100	SAFETY TRAINING AND SUPPLIES	5,000	4,500	9,500
62115	BAD DEBTS	4,500	-	4,500
62120	WATER CUSTOMER ADJUSTMENTS	12,500	-	12,500
62125	FINES AND PENALTIES	-	30,000	30,000
62126	RESPONSE TO REGULATORY AGENCIES	2,000	2,000	4,000
62130	DEPRECIATION	250,000	408,000	658,000
62131	AMORTIZATION OF LOAN ISSUANCE COSTS	-	7,506	7,506
62135	DIRECTOR FEES	2,800	2,800	5,600
62140	PAGING/ALARMS	-	1,800	1,800
62141	RENT EXPENSE	1,400	-	1,400
62149	FEE ANALYSIS COST	20,000	15,000	35,000
62150	OTHER PROFESSIONAL FEES	30,000	20,000	50,000
62155	TRAINING AND CERTIFICATION	4,500	4,300	8,800
62160	NONPROFESSIONAL FEES AND STIPENDS	1,600	4,400	6,000
62165	ELECTIONS	8,000	8,000	16,000
63043	ADDITIONAL POWERS COSTS	2,500	4,000	6,500
64001	INTEREST EXPENSE	88,726	59,286	148,012
Total Expenditures		2,151,424	1,713,140	3,864,564
Excess (deficit) of revenues over expenditures		(3,725)	369,115	365,390

McKinleyville Community Services District

Governmental Funds Line-Item Budget
for the fiscal year ending June 30, 2012

A/C#	Description	Parks & General	Parks and Recreation Programs Fund	Facility Rental Fund	Measure B Assessment SRF	Streetslighting Fund	Open Space Maintenance SRF	Governmental Funds Total
Revenues								
41050	ADMINISTRATIVE FEE	8,000	-	-	-	12,900	-	20,900
42020	PROCESSING FEES	2,500	-	-	-	3,400	-	5,900
42030	BAD CHECK FEES	200	-	-	-	-	-	200
43197	RENT AND LEASE REVENUE	-	-	2,076	-	-	-	2,076
44000	OPEN SPACE MAINTENANCE ZONE FEES	-	-	-	-	-	64,760	64,760
45000	COUNTY OPEN SPACE MAINTENANCE ZONE FEES	-	-	-	-	-	7,500	7,500
47001	STREET LIGHT CHARGES	-	-	-	-	65,700	-	65,700
47999	EVENT RENTALS	-	-	17,950	-	-	-	17,950
48001	VENDOR CONTRACTS	-	-	32,000	-	-	-	32,000
48002	EVENT SERVICES	-	-	4,500	-	-	-	4,500
48010	INSURANCE FEES	1,000	-	-	-	-	-	1,000
48020	ADVERTISING INCOME	1,200	-	-	-	-	-	1,200
48050	RECREATION PROGRAM FEES	-	306,200	-	-	-	-	306,200
48051	FEE REDUCTION FUND DISCOUNT	-	(6,000)	-	-	-	-	(6,000)
48055	PROGRAM GRANTS	3,000	7,200	-	-	-	-	10,200
50001	INTEREST REVENUE	18,000	-	-	-	-	-	18,000
51001	SECURED TAXES	530,000	-	-	-	-	-	530,000
51060	MEASURE B ASSESSMENT	-	-	-	210,000	-	-	210,000
53001	CONTRIBUTIONS	-	3,400	-	-	-	-	3,400
53002	QUIMBY FEES	195,000	-	-	-	-	-	195,000
	Total Revenues	758,900	310,800	56,526	210,000	82,000	72,260	1,490,486
Expenditures								
61999	PAYROLL AND RELATED EXPENDITURES	432,531	117,355	107,800	139,000	38,568	42,000	877,254
61020	MILEAGE REIMBURSEMENT	250	-	-	-	-	-	250
62004	ACTIVITY SUPPLIES	1,000	19,725	-	-	-	-	20,725
62005	REPAIRS AND MAINTENANCE	19,750	150	-	11,000	2,500	3,500	36,900
62007	OPEN SPACE MAINTENANCE	-	-	-	-	-	3,800	3,800
62015	GAS AND ELECTRIC	25,900	-	-	-	25,300	-	51,200
62016	TRASH SERVICE	-	-	6,000	-	200	-	6,200
62020	TELEPHONE	3,200	-	-	-	300	-	3,500
62035	FUEL/OIL/LUBE	4,000	-	-	-	50	-	4,050
62037	VEHICLE REPAIRS	1,600	-	-	-	50	-	1,650
62038	HEAVY EQUIPMENT REPAIRS	100	-	-	-	-	-	100
62040	SMALL TOOL PURCHASES	3,000	-	-	-	-	-	3,000
62044	EMERGENCY RESPONSE TRAINING	1,600	-	-	-	-	-	1,600
62045	TAXES AND ASSESSMENTS	1,973	-	-	-	-	-	1,973
62050	OFFICE SUPPLIES	7,000	150	-	-	880	-	8,030
62051	ADVERTISING AND MARKETING	1,000	-	-	-	-	-	1,000
62052	PRINTING	400	-	-	-	-	-	400
62056	OFFICE EQUIPMENT MAINTENANCE	200	-	-	-	-	-	200
62057	UNIFORMS	1,000	-	-	-	-	-	1,000
62059	OFFICE EQUIPMENT LEASE	1,823	-	-	-	350	-	2,173
62060	POSTAGE	3,000	600	-	-	1,100	-	4,700
62061	PUBLIC RECORDS ACT COST	5,000	-	-	-	500	-	5,500
62065	GENERAL INSURANCE	10,000	-	-	-	2,500	-	12,500
62066	SPECIAL EVENT INSURANCE	500	-	-	-	-	-	500
62070	AUDIT	3,000	-	-	-	1,500	-	4,500
62075	ENGINEERING	100	-	-	-	-	-	100
62080	LEGAL	6,180	-	-	-	1,500	-	7,680
62090	TRAVEL/MEALS/MEETINGS	1,920	-	-	-	120	-	2,040
62095	PROFESSIONAL DUES AND SUBSCRIPTIONS	2,880	-	-	-	550	-	3,430
62100	SAFETY TRAINING AND SUPPLIES	3,000	-	-	-	250	-	3,250
62105	CASH OVER/SHORT	35	-	-	-	-	-	35
62135	DIRECTOR FEES	1,200	-	-	-	200	-	1,400
62140	PAGING/ALARMS	1,345	-	-	-	30	-	1,375
62141	RENT EXPENSE	6,855	-	345	-	-	-	7,200
62150	OTHER PROFESSIONAL FEES	5,000	-	-	-	500	-	5,500
62151	FINGERPRINTING FEES	200	310	-	-	-	-	510
62155	TRAINING AND CERTIFICATION	2,000	-	-	-	50	-	2,050

McKinleyville Community Services District

Governmental Funds Line-Item Budget

for the fiscal year ending June 30, 2012

A/C#	Description	Parks & General	Parks and Recreation Programs Fund	Facility Rental Fund	Measure B Assessment SRF	Streetslighting Fund	Open Space Maintenance SRF	Governmental Funds Total
62160	NONPROFESSIONAL FEES AND STIPENDS	1,000	3,750	-	-	100	-	4,850
62165	ELECTIONS	-	-	-	-	800	-	800
62295	OTHER EXPENDITURES	5,000	-	-	-	-	-	5,000
64000	CAPITAL EXPENDITURES	282,000	-	-	60,000	25,000	-	367,000
	Total Expenditures	846,542	142,040	114,145	210,000	102,898	49,300	1,464,925
	Excess (deficit) of revenues over expenditures	(87,642)	168,760	(57,619)	-	(20,898)	22,960	25,561

McKinleyville Community Services District
Water Enterprise Fund
Historical Analysis
Fiscal Years Ended (Ending) June 30, 1995-2012

		Fiscal Year Ended (Ending) June 30,																	
		1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
		Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Budget	Budget
Operating Revenues																			
Water Sales	695,258	704,263	758,863	734,942	794,032	897,094	898,161	924,184	1,085,000	1,121,436	1,152,396	1,224,279	1,305,455	1,337,042	1,360,169	1,566,024	1,987,900	1,807,779	
Other Water Revenues	127,787	110,559	129,784	193,238	94,679	91,351	94,710	104,592	229,237	184,979	132,184	115,568	135,596	139,331	111,300	280,648	138,686	304,920	
Total Operating Revenue	823,045	814,822	888,646	928,180	888,711	988,445	992,871	1,028,775	1,314,236	1,306,414	1,284,590	1,339,847	1,441,051	1,476,373	1,471,469	1,846,672	2,126,586	2,112,699	
Operating Expenses																			
Salaries & Benefits	277,399	414,470	361,766	375,348	395,770	392,206	383,619	392,061	472,929	459,541	499,303	529,427	560,844	594,924	661,031	729,285	712,535	751,573	
Water Cost	74,897	84,374	86,526	96,007	84,431	74,880	93,698	147,114	151,583	269,049	250,212	387,780	352,935	356,842	318,159	533,961	629,880	706,850	
Other Expenses	196,665	279,167	237,038	214,583	215,178	220,947	206,006	208,710	260,953	229,621	235,081	243,424	222,740	282,010	243,853	235,842	318,693	354,275	
Depreciation	179,585	182,498	171,337	172,000	3,975	198,813	204,560	190,917	207,140	215,714	214,546	220,709	219,925	220,727	221,484	224,099	228,000	250,000	
Total Operating Expenses	728,546	960,509	856,667	857,938	699,354	886,846	887,883	938,802	1,092,605	1,173,925	1,199,143	1,381,340	1,356,444	1,454,502	1,444,527	1,723,187	1,889,108	2,062,698	
Net Operating Income (Loss)	94,499	(145,687)	31,979	70,242	189,357	101,599	104,988	89,974	221,631	132,489	85,447	(41,492)	84,607	21,870	26,942	123,485	237,478	50,001	
Interest Income	46,842	6,585	72,477	52,671	63,042	75,077	84,361	79,066	67,786	42,801	46,501	63,422	97,279	114,973	76,662	39,897	49,000	35,000	
Interest Expense	(80,309)	(87,045)	(72,418)	(72,531)	(71,251)	(66,464)	(63,625)	(75,463)	(65,739)	(64,364)	(62,690)	(61,241)	(59,666)	(58,130)	(56,318)	(54,701)	(87,078)	(88,726)	
Net Income (Loss)	61,032	(226,147)	32,037	60,382	181,148	110,212	125,724	93,576	223,678	110,926	69,258	(39,311)	122,220	78,713	47,286	108,681	199,400	(3,725)	



McKinleyville Community Services District

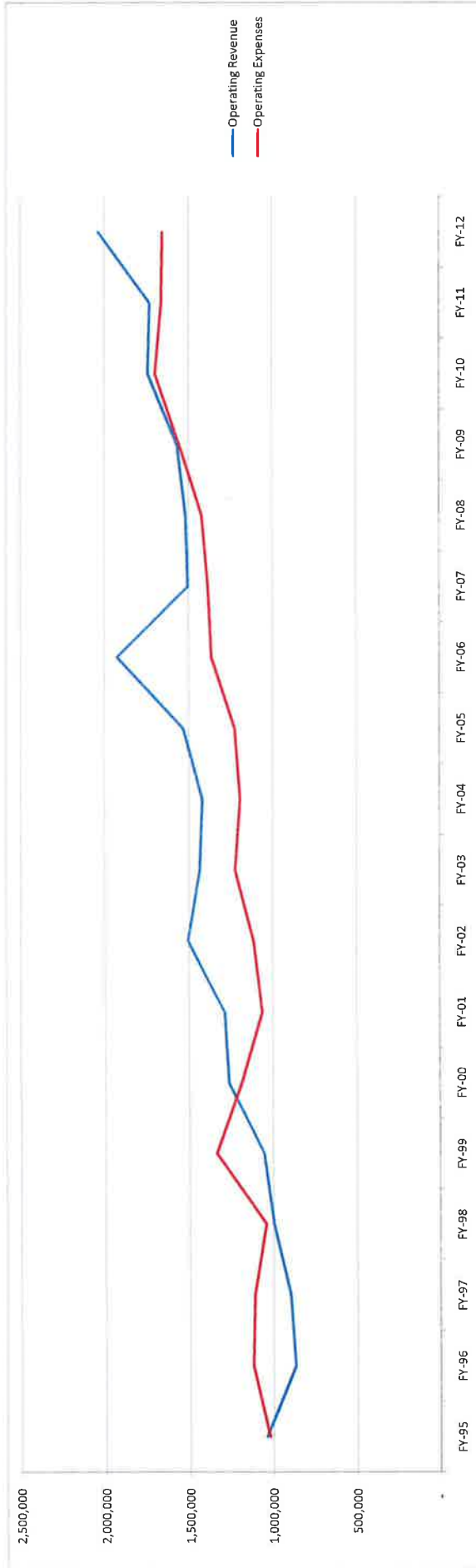
Sewer Enterprise Fund

Historical Analysis

Fiscal Years Ended (Ending) June 30, 1995-2012

Fiscal Year Ended (Ending) June 30,

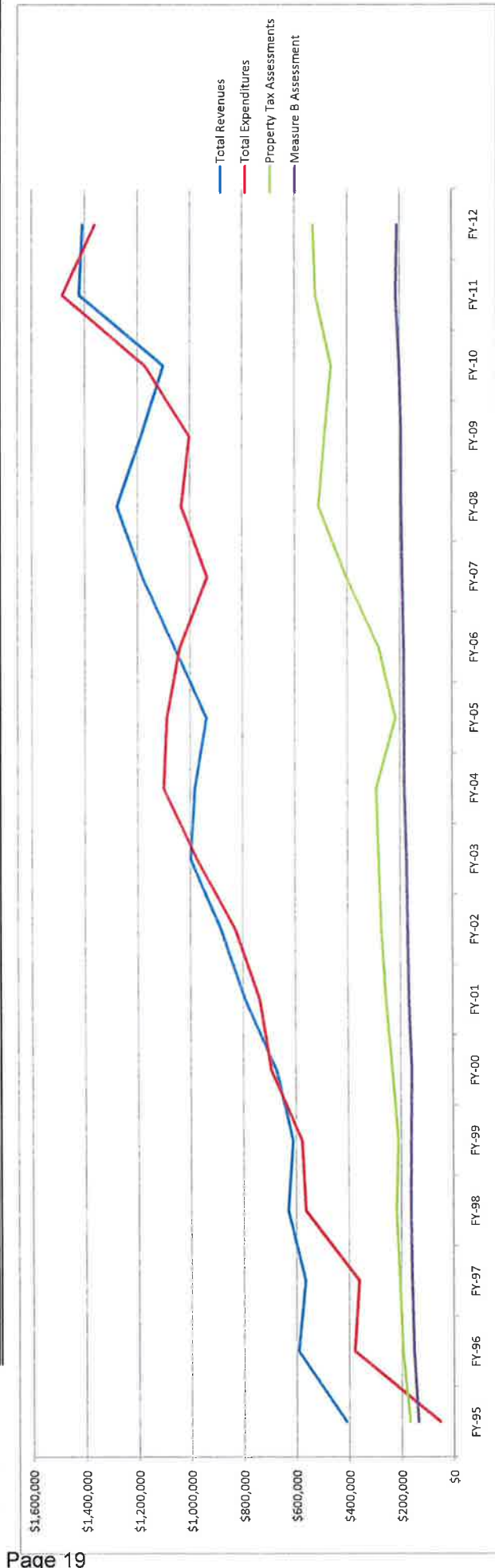
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Operating Revenues																		
Sewer Service Charges	628,705	733,459	767,373	788,770	862,154	980,402	994,682	1,015,604	1,038,351	1,053,676	1,074,665	1,134,167	1,161,794	1,216,130	1,298,515	1,404,897	1,437,944	1,443,000
Other Sewer Revenues	410,920	136,511	131,320	206,790	192,264	283,146	293,277	490,711	397,360	365,082	458,496	791,360	343,314	301,106	267,940	336,252	292,645	594,255
Total Operating Revenue	1,039,625	869,971	898,693	995,560	1,054,418	1,263,548	1,287,959	1,506,314	1,435,732	1,418,758	1,533,161	1,925,527	1,505,108	1,517,235	1,566,455	1,741,149	1,730,589	2,037,255
Operating Expenses																		
Salaries & Benefits	321,600	400,140	390,174	363,843	387,420	382,080	376,081	416,737	471,740	456,552	505,750	565,167	605,798	628,773	702,632	755,611	712,535	751,573
Other Expenses	418,589	433,166	433,281	381,658	436,961	471,297	347,390	361,180	391,751	368,226	351,055	397,018	376,114	390,676	441,707	529,281	532,668	486,775
Depreciation	281,100	287,810	288,887	295,000	511,513	332,163	339,240	335,976	359,592	367,808	367,795	399,033	401,102	400,055	407,597	412,230	415,506	415,506
Total Operating Expenses	1,021,289	1,121,115	1,112,341	1,040,501	1,335,894	1,185,540	1,062,711	1,113,893	1,223,083	1,192,586	1,224,600	1,361,218	1,383,014	1,419,504	1,551,936	1,697,122	1,660,709	1,653,854
Net Operating Income (Loss)	18,336	(251,144)	(213,648)	(44,941)	(281,476)	78,008	225,248	392,421	212,649	226,171	308,561	564,309	122,093	97,732	14,519	44,027	69,880	383,401
Interest Income	72,041	75,114	32,346	28,208	28,921	21,956	36,253	44,270	42,050	32,903	55,004	58,701	112,998	138,349	89,781	46,165	55,000	45,000
Interest Expense	(114,034)	(89,628)	(56)	(46,666)	(56,154)	(46,368)	(46,419)	(46,367)	(46,221)	(46,682)	(46,855)	(46,855)	(46,855)	(56,232)	(49,915)	-	(64,526)	(59,266)
Net Income (Loss)	(23,657)	(265,658)	(181,358)	(63,399)	(308,709)	53,596	217,082	390,325	208,478	212,392	316,709	576,154	188,236	179,848	54,386	90,192	60,354	369,115



McKinleyville Community Services District
Parks & General Fund
Historical Analysis

Fiscal Years Ended (Ending) June 30, 1995-2012

Fiscal Year Ended (Ending) June 30,																		
1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Budget	Budget	Budget	Budget
Revenues																		
Programs	-	46,282	63,800	72,687	84,689	145,826	176,695	213,377	241,011	234,189	244,304	267,216	266,947	301,191	283,861	265,596	329,306	310,400
Rentals	-	57,695	44,415	51,650	53,186	46,795	54,205	51,344	53,694	59,710	64,572	68,961	76,128	68,175	57,921	56,953	62,400	56,650
Property Tax Assessments	166,976	195,096	206,091	218,550	210,364	231,868	256,052	272,089	281,973	291,306	217,475	281,141	403,353	508,445	486,297	460,625	520,000	530,000
Measure B Assessment	135,157	152,096	158,931	162,083	160,341	157,661	167,040	171,707	175,350	182,969	183,832	185,245	190,263	194,044	193,724	201,114	214,000	210,000
State Bonds & Grants	83,424	238	108	5	4,405	-	-	104,477	131,265	55,312	154,722	126,913	67,983	47,097	-	-	-	-
Other Revenue	13,970	69,604	59,381	116,301	79,951	68,101	102,642	145,516	120,879	72,416	158,510	88,180	97,129	103,849	87,824	98,611	276,176	283,436
Interest Revenue	9,747	70,790	33,036	8,806	19,176	23,552	34,074	29,611	21,330	10,351	13,184	13,617	21,698	34,943	30,308	18,992	20,000	18,000
Total Revenues	409,274	591,800	565,762	630,082	612,112	673,803	790,708	883,644	998,714	982,206	937,189	1,059,083	1,182,430	1,278,630	1,187,032	1,101,891	1,421,882	1,408,486
Expenditures																		
Salaries & Benefits	2,275	118,280	169,540	165,129	173,251	225,227	286,679	326,365	380,587	463,148	492,992	481,106	510,737	554,654	624,909	612,125	800,787	838,686
Other Expenditures	45,304	181,116	172,647	152,522	136,675	188,044	171,833	177,970	164,285	168,953	127,539	126,480	148,624	187,830	165,891	180,202	219,141	181,341
Debt Service	458	78,620	-	232,454	251,314	222,603	222,752	222,599	222,172	210,213	210,992	210,992	210,992	210,992	191,609	191,609	213,128	-
Capital Expenditures	3,768	-	18,666	12,227	14,650	56,163	53,528	100,452	206,460	257,755	256,000	219,503	62,614	79,115	19,138	186,355	250,000	342,000
Total Expenditures	51,806	378,016	360,853	562,332	575,890	692,037	734,792	827,387	973,504	1,100,070	1,087,524	1,038,082	932,968	1,032,591	1,001,547	1,170,291	1,483,056	1,362,027
Excess (Deficit)	357,468	213,784	204,909	67,750	36,222	(18,234)	55,916	56,258	25,210	(117,864)	(150,336)	21,001	249,462	246,039	185,485	(68,400)	(61,174)	46,459



Fiscal Years Ended (Ending) June 30, 1995-2012

The chart displays the financial trends of the Department of Health and Human Services from 1990 to 2000. The Y-axis represents the amount in dollars, ranging from 20,000 to 160,000. The X-axis represents the years. Revenue (blue line) shows a steady upward trend, starting at approximately 40,000 in 1990 and reaching about 150,000 by 2000. Expenditures (red line) start at approximately 50,000 in 1990, peak at about 145,000 in 1995, and then decline to approximately 45,000 by 2000.

Year	Revenue	Expenditures
1990	40,000	50,000
1991	45,000	55,000
1992	50,000	60,000
1993	55,000	65,000
1994	60,000	70,000
1995	65,000	145,000
1996	70,000	130,000
1997	75,000	110,000
1998	80,000	90,000
1999	85,000	70,000
2000	150,000	45,000

Description and Goals of the Capital Improvement Program

MCSD's Capital Improvement Program (CIP) is a multi-year plan that identifies capital equipment to be purchased and projects to be funded during a 10-year planning period. The Program identifies each capital project proposed for funding, the year in which the project is anticipated to be started or acquired and the amount of funds expected to be spent each year on the project.

The CIP is updated annually with the first year representing the capital budget for the next fiscal year. A primary goal of the Program is to provide MCSD with an orderly process for planning and budgeting for capital needs.

Another primary consideration in developing the CIP is to prioritize current and future needs to fit within the anticipated level of financial resources. In this way, the program will also assist MCSD in reviewing and evaluating capacity fees, water and sewer rates so MCSD can maintain cash reserves and debt capacity to insure the long-term preservation of District assets. For FY10/11 it was necessary to defer some of the previously prioritized CIP projects to a future year. This is the result of the increased water rates from Humboldt Bay Municipal Water District (HBMWD) that has resulted in overall decreased water revenue since MCSD water rates have not been fully adjusted to offset this increased cost to MCSD.

During the FY99/00 budget process, the Board designated unrestricted investment funds held by the Humboldt County Auditor as CIP Reserves and set goals for Reserve fund growth (average 3.8% per year for Water Fund Reserves and 2.5% per year for Sewer Fund Reserves) and minimum fund levels (\$350,000 for General Fund Reserves at each fiscal year-end).

General Fund Reserves and capital projects are significantly dependent upon property tax revenues and assessments. The Measure-B Assessment District expires in FY12/13 and, as Proposition 1A (in FY04/05, FY05/06, and FY09/10) made clear, the State's ability to redirect property tax revenues make that annual revenue source less secure and predictable than previously thought. The State is again in a deficit position and is looking for more local revenues to balance the State's budget. Local property tax remains one of the few only revenue sources left along with redevelopment funds and higher fees.

Capital Improvement Program Project Discussion

1. HEAVY EQUIPMENT

MCSD owns several pieces of heavy equipment used for maintenance of the MCSD facilities. Equipment in this category includes a sewer hydrocleaner, a dump truck, two backhoe/loaders, a tractor and a van with closed circuit TV.

The hydrocleaner/hydrovacuum was replaced in 2002; the unit is expected to be in service through the planning period. A new backhoe/loader was purchased in fall 2003 and is scheduled to be in service through the planning period.

The dump truck is a 1988 model and the tractor is a 1985 model. Although both pieces of equipment are used intermittently, they were scheduled to be replaced during FY 11/12. The replacement of the dump truck has been deferred until FY12/13 with the tractor still scheduled for replacement in FY11/12. They both have diesel engines and will require replacement in the near future due to emission standards. The van with closed circuit TV, used to check the sewer collection system for inflow, infiltration and to inspect the quality of installation for new sewer main installations but has been used relatively little since acquisition and should last through the planning period, though its use will increase to meet current regulations. The closed circuit TV camera unit was upgraded in FY07/08.

2. UTILITY VEHICLES

In 1998, the Board adopted a Fleet Replacement Plan to insure that MCSD's aging fleet of service vehicles would be replaced in an approximately ten-year cycle. At present, MCSD owns 18 utility vehicles including the Manager's car, the Parks and Recreation car, 4 of which are more than ten years old. The District has for the last several years begun to exchange some of the heavier utility vehicles with light compact trucks for savings in capital and operating costs.

3. WATER SYSTEM

The water distribution system was originally constructed in 1972. The minimum average expected useful life of such infrastructure is 50 years. Additions to the distribution system are generally donated to the District by property developers. However, expansion of the customer base has created the need for expansion of portions of the system and occasional upgrades. Pump stations and some operating equipment have a much shorter useful life (e.g. 30 years) than pipes that can last up to 70 years or more. The Ramey Pump Upgrade Project is scheduled for completion in July, 2011 ensuring adequate water supply for the planned District build-out and operational life expectancy of 20 years.

Meter Technology: Currently, majority of water meters are read manually and recorded on an electronic recording unit (meter reader) that then interfaces with the accounting system. A new radio-capable meter reader was purchased in 2007. Some meters in dangerous or hard-to-reach locations are currently equipped with radio transmission capability. Water meter technology has now advanced to the point where they can be read reliably using radio technology, and the conversion to radio technology is now cost-effective. As they age, water meters become increasingly inaccurate, generally under-reading water consumption due to aging of mechanical components. MCSD replaces older meters over time so that no residential meter will be older than 18 years. In FY10/11 MCSD replaced the heads on all newer meters with radio read heads. Starting in FY13/14 MCSD will be replacing all older meters with radio read meters. This project is projected to pay for its self in less than 5 years by allowing one

Maintenance Person to read the entire district in 3 days thereby reducing the man hours required to read meters from 96 man hours per month presently to approximately 24 man hours per month. In addition, in water rationing or emergency situation radio read meters will be more effective in monitoring water flow and usage rates.

Water Storage Tanks: The District's current storage capacity for potable water is 5.25 million gallons in six storage tanks located on McCluski Hill (100,000 & 150,000 gal.), Cochran Road (1 million & 1.5 million gallons) and Norton Road (1 million & 1.5 million gallons). This can leave a 24 hour backup water supply for McKinleyville water customers at peak flow. The Cochran 1-million gallon tank was recoated and retrofitted with a seismic valve in FY02/03 at a cost of \$150,000. In FY03/04, the tank was equipped with a seismic valve actuator to prevent major water losses in case of an earthquake. The Norton Road Tank was recoated and retrofitted with a seismic valve in FY03/04. Additional recoating projects are scheduled for FY11/12, FY13/14 and FY16/17. Two new 3-million gallon tanks are also planned for construction on the District's Murray Road site. Design for the site will proceed in FY 11/12 and construction of the first tank should proceed in FY 12/13 with the second tank following in roughly 10 years, FY 21/22. Staff is in the process of determining the viability of the Murray Tank Site due to seismic considerations. A cost analysis will be conducted to determine the feasibility of design at that site opposed to purchase of a location in a less sensitive location. New tanks would increase the District's storage capacity, enhance fire flows during peak summer usage and provide additional system capacity for new growth. Staff has determined it would be more advantageous to initiate phased construction of two tanks at this location to spread the cost over a longer period of time and to enhance the operational flexibility of the system by having two tanks to allow for maintenance and redundancy. Current estimates for the project include preliminary design costs of \$500,000 for both tanks and construction costs of approximately \$3,200,000 per tank. The project would be paid for by some combination of developer fees, CIP reserve funds, commercial debt and the acquisition of some form of State assistance. Ultimately the project would double the District's storage capacity and should fulfill the District's requirements for water to full build-out.

Ramey (North Bank) Pump Station: MCSD purchases all of its water from Humboldt Bay Municipal Water District. Water is pumped from HBMWD's facility on the Mad River to the Ramey Pump Station. Water is then pumped to MCSD's six storage tanks where it is gravity-fed to MCSD's customers. A pre-engineering analysis was completed in fall of 2008 that recommends complete motor-pump, electrical service and emergency generator replacement. Design was completed in December of 2009. Total project costs are estimated at \$1,400,000. A low interest 1% loan for \$165,000 through American Reinvestment and Recovery Act funding and another \$5,000 grant through PG&E for energy efficiency have been secured. An additional \$1 million in project financing has been secured from the California Infrastructure Bank.

Emergency Water Supply: The underground supply line from HBMWD's facility on the Mad River to the Ramey Pump Station may be vulnerable to failure in a major earthquake. If such an event were to occur during the winter, it could be several months before the supply line under the river and freeway could be repaired, restoring water supply to the Ramey Pump Station. A 12" emergency water main will be placed

in the north bound span of the Highway 101 Mad River crossing. This will provide a viable alternative due to the ability to intertie Arcata and McKinleyville's water system in the event of a catastrophe. Design was completed and an RFP was advertised and the contract has been awarded. Construction will be ready to start by the time the budget is accepted, with a construction cost of \$248,000.00 and completion in summer of 2011. The interties, valves and piping to complete the project will take place in FY12/13. Grant funding for this project will be pursued.

The District owns Fire Hydrants in McKinleyville. Fire hydrants are generally required with new subdivisions by contractors and dedicated to the District upon testing inspection and acceptance. An upgrade of older hydrants in commercial areas to 4" steamer nozzles to enhance fire protection is an ongoing project. Hydrants are replaced as they are identified and funds are available. Arcata Fire Protection District and the District have initiated a project to install fire hydrants in commercial areas along Central Avenue. Thirteen areas have been determined to be deficient in fire hydrant coverage. Two hydrants per year will be installed. In FY 10/11 one hydrant was installed with two scheduled for FY 11/12.

Digital Control: All key water and sewer facilities are monitored constantly by computer from the MCSD field office. Upgrading to radio telemetry was completed in FY 08/09. The Remote Terminal Units (RTU) automates the function of all facilities but existing RTUs have been in service since 1990 and are scheduled to be replaced over the next three years with a completion in FY 14/15.

4. SEWER SYSTEM

The Sewer Collection System: Staff has placed an operational priority on investigating and monitoring infiltration and inflow of groundwater and storm runoff into the collection system. Smoke testing of the collection system was completed to test for leaks and misconnections. Projected growth in central McKinleyville also raises questions about the adequacy of the collection system. Engineering investigation of collection system upgrades were done in FY 02/03 and FY 03/04, but additional questions about the necessary scope as well as time frame for the project remain. Another potential problem exists in the County's planned densities for the area. The District will use sewer modeling software to verify capacity in the collection system as new developments are proposed. Pipe replacement has been placed on hold pending further engineering analysis and the growth patterns within the system are better identified. The highway under-crossing at Thiel Road and the parallel collection system piping back to McKinleyville Avenue have been identified as potential areas of concern.

The Fischer Irrigation Site construction work was completed in FY 97/98. A project constructing five additional disposal paddocks at the Site was completed in FY 00/01 to allow for more rotation in the use of the disposal paddocks. This will extend the life of the existing paddocks and increase the total disposal capacity of the Site. The August 2008 WDO mandated a Reclamation Study to evaluate the District's ability to discharge treated effluent at a rate that does not exceed the agronomic rate of the pasture lands. The initial conclusion is that with intensified management and improved crop selection

the District will be able to meet the standards of the RWQCB. These studies will be completed by 2012.

The McKinleyville Waste Water Management Facility (WWMF)

Frequent violations of our discharge standards due to biological oxygen demand (BOD), non-filterable residue (NFR) and algae growth in the treatment process prompted staff to propose the installation of marsh habitat at the WWMF. This project included the conversion of one of the five existing treatment ponds to a wetland and the addition of a sixth wetland treatment pond. State grants were obtained that paid for about 85% of the total project cost of \$770,000. The project was classified as a compliance project to enable MCSD to avoid State-imposed mandatory fines for past discharge violations. The Compliance Period ended in February of 2009.

The wetland project has substantially improved the waste treatment process and the District is back in compliance in the majority of the District discharge requirement. BOD has been reduced by approximately 40% and NFR by 70%. Fish bioassay are at 100% success and our biological capacity was raised from 1.13 MGD to 1.61 MGD in the current permit. The District recognizes it must still address ammonia in the effluent and is taking interim steps to reduce the concentrations of ammonia and this issue will be a major concern addressed in the 20 Year Facility Plan which will be brought to the MCSD Board early in FY 11/12.

Waste Discharge Permit (NPDES): The District was issued a new waste discharge permit from the NCRWQCB in August of 2008. This permit has resulted in substantial costs in monitoring, performance; mandates numerous studies regarding disposal, groundwater analysis, source control for priority pollutants, treatment and irrigation methods. Six separate studies are mandated under the new permit in order to meet new groundwater regulations and changing disposal practices. In May, 2010 the interim limitations for constituents of concern ended and much more stringent limitations took effect. The new copper limits would have been impossible for MCSD to meet so a Water Effects Ratio Study (WER) was conducted to disprove the assumed toxicity of copper in the effluent to aquatic life. The WER was successful and the copper limitations have been increased from 3 to 27 mg/L. The District has requested modification to the NPDES Permit to reflect the changes. The District was in negotiations with the Regional Board Staff to modify our monitoring requirements so they determined it would be prudent with all the changes to issue a renewal of the permit instead of a modification. The new permit was approved in April, 2011 resulting in no limits for Copper, Lead, or Dioxin. Our monitoring location and frequency have been reduced significantly lowering the cost and reducing the potential for fines. The Waste Treatment Plant will need substantial modification in the future resulting from County growth projections and new regulations. The District is in the process of conducting studies to provide recommendations for process control, treatment plant modifications, discharge alternatives, and produce a twenty-year facilities plan to accommodate expected growth in the McKinleyville area.

5. BUILDING PROJECTS

The **Pierson Park buildings** (Azalea Hall, Law Enforcement Facility, Library, and Activity Center) were built between 1995 and 2000. During FY 07/08, staff conducted energy audits of the buildings. New fluorescent lights were installed in 07/08 for more energy-efficient units and alternative energy sources will continue to be investigated.

With the successful passing of Measure B Maintenance Assessment District -- Renewal for Parks, Open Space, and Recreational Facilities, staff will begin the design for construction of a **Teen/Family center** attached to the McKinleyville Activity Center. The facility will include a large space that can be sectioned off, storage, offices, restrooms, and a commercial kitchen.

The parking lots at all Pierson Park buildings will be resurfaced in FY 11/12. A picnic area with outdoor BBQ is being proposed at the bocce ball courts.

The Friends of the McKinleyville Library secured funding for the expansion of the McKinleyville Library, adding a 720 square foot WiFi Conference Room. Construction of the project was completed in 2010.

The **McKinleyville Activity Center** bleachers and floor were replaced in FY 06/07 at a cost of \$82,000. Funds for that project came from State per capita grants. As recreation programs have grown, there has been increasing competition with other users (contract vendors) of the facility for storage space. Staff is investigating ways of providing additional storage space for program needs as well as vendor use.

Now that the Hiller Sports Complex is complete, staff is investigating ways to increase storage for mowing equipment and landscape materials and supplies. The Parks Department currently stores mowers, fertilizer and irrigation supplies in a connex box storage unit located at the southwestern corner of the property. Other supplies are kept in a storage bay at the District Office.

During FY02/03 full-time Parks & Recreation staff was relocated to the MCSD Office to facilitate communication and operation of the recreation programs. In FY 04/05, the conference room at the MCSD Office was renovated and converted to a Recreation Department office with a separate customer entrance. This has reduced congestion at the main customer reception desk and enhanced customer service for recreation participants

The **District office building** has completed the expansion for additional offices and a meeting/conference room. The 1,200 square foot addition on the back of the building was completed in 2009. The District is in the planning stage to expand the office replacing the aging field office with and attached addition to the existing office this project is scheduled for FY 13/14.

6. PARKS AND TRAILS PROJECTS

The implementation of Proposition 1A reduced the General Fund property tax receipts by \$270,000 for FY 04/05 and FY 05/06. This seriously limited the viability of future capital projects. Since that period the District has been able to build the reserves for matching funds for available parks grants.

The playground construction at Hiller and Pierson Parks are now complete. The District will continue to improve the facilities at Hiller Park with trails and other amenities as grants and funds are made available. Quimby funds are a local source of funds for these types of improvements.

Staff has constructed two handicap accessible bocce ball courts and built a small trail from Gwin Road to Pierson Park. The skate park committee continues to search for funding for the 20,000 square foot proposed skate park at the Pierson Park or other designated site.

Staff proposes to install swing sets at Pierson and Hiller Parks. Staff also proposes to complete playground inspections and consider replacing any playgrounds that are necessary.

Staff continues to pursue grant funding for new projects. These projects are in the budget, but are contingent upon successfully receiving grants.

Hiller Park and Hiller Sports Complex development began in FY 00/01 and was substantially completed in FY 04/05. A playground was constructed in 2007 and the entire playground area fenced for safety. The tot lot playground for 2-5 year olds was replaced in FY09/10. The soccer field construction was started in 2007 with a large equipment donation from Pacific Earthscape (Ford Logging) and completed with District funds in 2008. Further projects will include trails and paths as the funds become available through grants.

7. COMPUTERS AND SOFTWARE

Water and sewer system modeling software, base mapping software and hardware, and SCADA system hardware upgrades have been ongoing since FY 01/02. Routine ongoing replacement of existing Operations Department, office and Parks & Recreation Department computers are budgeted throughout the planning period in order to keep the MCSD system current.

The MOMS billing and accounting system was upgraded in the office in spring of 2008. Several office computers were upgraded to take advantage of the new features in the accounting system upgrade. Upgrade of the accounting software is planned for the future.

The District began using SEMS software, in 2010 with full implementation in 2011. SEMS is a compliance resource and asset management tool for water and waste water

agencies. The program also allows staff to prepare and manage work orders to identify and track jobs.

The District has historically recognized the importance of mapping all facilities and has complete paper system maps for the water and sewer systems. With advent of new technologies the District began the satellite location Facility Information System (FIS) of all facilities in 1999 and has incrementally added existing and new facilities to a digital master map. This project is ongoing and is carried out using staff and outside consultants. The software to view and manipulate these master files was purchased in FY 09/10. Development of our FIS will require the ongoing use of global positioning system (GPS) survey equipment to keep digitized maps of District facilities current; GPS equipment was purchased in FY03/04 when it was determined less expensive to buy the equipment and collect the points using District staff. This equipment like all electronic equipment has a planned obsolescence and is planned for replacement in FY11/12.

8. SMALL EQUIPMENT, CONTINGENCY AND OTHER

The main MCSD photocopier was replaced in February, 2009 with a leased model with scanning and color printing capabilities. The Risograph duplicator should last through the planning period. Smaller and less expensive (more than \$500 but less than \$2,000) new equipment and emergency replacement of existing equipment cannot generally be anticipated. Annual expenditures of from \$10,000 to \$14,000 should be budgeted to account for such items in the enterprise funds.

Appendices to Capital Improvement Program

Attached beginning at Page 27 are preliminary summaries of the Capital Improvement Program's planned capital expenditures (in thousands: 10 = \$10,000). The planning period for the Program is 10 years. This planning period provides additional perspective in the formulation of the Comprehensive Action Plan, which has a planning period of five years.

It should be noted that all estimated replacement costs are in current year dollars, since future inflation is unknown. Since the CIP is a dynamic plan that is updated annually, future costs will be regularly reevaluated. Capital expenditures are defined as expenditures that add value to the existing investment of the District.

**McKinleyville Community Services District
Enterprise Fund Capital Improvement Projects
For the Fiscal Years Ending June 30, 2012 - 2021**

	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
1. Heavy Equipment										
Totals:	55	80	0	10	0	300	60	0	20	50
2. Utility Vehicles										
Totals:	30	60	50	30	53	62	53	32	54	32
3. Water System										
Totals:	765	5,434	808	236	13	431	267	29	1,000	0
4. Sewer System										
Totals:	867	1,707	10,265	218	333	80	78	62	598	303
5. Office, Corperation Yard and Shops										
Totals:	12	227	172	20	10	20	10	10	20	0
7. Computers, Software and Equipment										
Totals:	32	24	148	25	25	25	25	25	27	0
8. Fischer Ranch										
Totals:	6	5	5	0	3	5	0	0	5	0
9. Small Equipment & Other										
Totals:	44	23	19	18	18	18	38	18	40	0
Total Planned Expenditures	1,811	7,560	11,467	557	455	941	531	176	1,764	385
Departmental Allocations:										
Water Fund	850	5,641	1,003	288	66	494	360	72	1,081	41
Sewer Fund	961	1,919	10,465	270	389	448	171	105	684	344
Total	1,811	7,560	11,467	557	455	941	531	176	1,764	385

McKinleyville Community Services District
General Fund (Parks) Capital Improvement Projects
For the Fiscal Years Ending June 30, 2012 - 2021

		Fiscal Year Ending (in thousands - \$000,)									
		June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
1.	Hiller Park & Sports Complex										
	Totals:	6	4	4	9	5	7	5	7	6	8
2.	Pierson Park Upgrades										
	Totals:	2	2	2	3	3	3	3	3	3	3
3.	Azalea Hall Upgrades										
	Totals:	25	27	10	3	9	3	4	4	4	4
4.	McKinleyville Activity Center Upgrades										
	Totals:	33	6	8	8	8	10	8	18	13	10
5.	Other Parks Projects & Equipment										
	Totals:	15	11	38	150	11	12	40	132	40	32
6.	Law Enforcement Facility Improvements										
	Totals:	6	2	0	0	0	0	0	3	0	0
7.	McKinleyville Library Improvements										
	Totals:	0	2	5	8	0	0	0	0	0	0
8.	Projects funded with Measure B renewal										
	Totals:	60	1,200	25	0	0	0	0	0	0	0
9.	Projects funded by Quimby/Other Funds										
	Totals:	195	0	0	0	0	0	0	0	0	0
Total Planned Capital Expenditures		342	1,254	92	181	36	35	60	167	66	57

**McKinleyville Community Services Distric
Streetlight Fund Capital Improvement Projects
For the Fiscal Years Ending June 30, 2012 - 2021**

Fiscal Year Ending (in thousands - \$000,)

	June 30, 2012	June 30, 2013	June 30, 2014	June 30, 2015	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	June 30, 2020	June 30, 2021
1. Heavy Equipment										
Lift				60						
2. Poles										
Inspection										40
Replacement	25	15	15	7	7	7	7	7	7	7
Total Planned Expenditures	25	15	15	67	7	7	7	7	7	47