REPORT TO THE BOARD OF DIRECTORS
Board Meeting of June 6, 2024
Agenda Item No. 8. A.

AGENDA SECTION:	**ACTION ITEMS**
SUBJECT:	**Consider Adoption of Fiscal Year 2024-25 Operating Budget, Capital Improvement Plan (CIP) and Gann Limit**
PREPARED BY:	Jessica Buckle, Office/Finance Manager
Approved By:	Nicholas Schneider, General Manager

BACKGROUND

The District began the Budget review and approval process on February 22, 2024, with a first review and discussion during a regular meeting of the Finance Committee. A draft of the proposed budget was then reviewed, revised, and presented in the Regular Board Meeting on March 7th, 2024. Staff sent a revised draft budget to the Finance Committee on March 28th. During the Regular Board Meeting on April 4, 2024 staff received additional feedback from the Board of Directors. The current budget proposal is being submitted for approval consideration.

DISCUSSION

Through these initial stages of the process established by the Board for the review and adoption of the budget, the working draft evolved into this proposed FY 24-25 Operating Budget for final adoption and the FY 24-25 Capital Improvement Plan.

This draft budget includes a total estimated revenue of $6,473,234 when including the supplemental charge. This compares to the projected total revenue of $6,045,272 for FY 23-24. Total operating expenses for FY 24-25 are estimated to be $6,331,582, which is approximately a 12% increase from FY 23-24 projected to be $5,658,322.

FISCAL IMPACT

The proposed Operating Budget for FY 2024-25 will have a fiscal impact of approximately a 12% increase from the FY 2023-24 projected Operating Budget.

CEQA ASSESSMENT

This is not a CEQA project.

RECOMMENDED ACTION

Staff recommends the Board of Directors of the Georgetown Divide Public Utility District (GDPUD) adopt the attached resolutions Approving the proposed Fiscal Year 2024-2025 Operating Budget and Capital Improvements Plan (CIP).

ATTACHMENTS

1. Exhibit A to Staff Report Budget Amendment
2. Budget Adjustments Listing for Amended FY 2023-24 Budget
3. Resolution 2024-XX Approving the Operating Budget for FY 2024-25 and Gann Limit
4. Exhibit A Fiscal Year 24-25 Budget Report including Proposed Capital Improvement Projects for FY 24-25
5. Fiscal Year 2024-25 Budget Presentation
6. Resolution 2024-XX Approving the FY 2024-25 CIP

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
Resolution 2024-XX
Budget Change Request Form
Fiscal Year 2023-24

Date: 01/04/24

To: Board of Directors

From: Nicholas Schneider, General Manager

Source of Funds or Transfer from:

Account Description	Account Number		Current Budget	Amount Budget Change	Amended Budget
PERS UAL	100-5100-50401	$	10,377	44,423	54,800
Software/Licenses	100-5100-51104	$	88	183	271
Utilities	100-5100-52102	$	10,450	(200)	10,250
PERS UAL	100-5200-50401	$	202,347	(122,638)	79,709
Software/Licenses	100-5200-51104	$	-	542	542
Utilities	100-5200-52102	$	3,250	(500)	2,750
PERS UAL	100-5300-50401	$	51,884	7,897	59,781
Software/Licenses	100-5300-51104	$	-	271	271
Utilities	100-5300-52102	$	222,700	(200)	222,500
PERS UAL	100-5400-50401	$	36,319	73,280	109,599
Software/Licenses	100-5400-51104	$	-	542	542
Utilities	100-5400-52102	$	12,000	(500)	11,500
Salaries	100-5600-50100	$	641,909	7,621	649,530
PERS Retirement Expense	100-5600-50400	$	45,215	15,000	60,215
PERS UAL	100-5600-50401	$	203,862	(44,445)	159,417
Materials & Supplies	100-5600-51100	$	9,350	6,000	15,350
Durables/Rentals/Leases	100-5600-51101	$	1,250	7,275	8,525
Office Supplies	100-5600-51102	$	30,900	(9,500)	21,400
Software/Licenses	100-5600-51104	$	22,860	25,370	47,330
Professional Services	100-5600-51300	$	363,341	(27,641)	335,700
Utilities	100-5600-52102	$	65,950	(3,775)	62,175
Govt. Regulation Fees	100-5600-52105	$	6,050	2,905	8,955
** Recruitment**	100-5600-52110	$	-	2,500	2,500
PERS UAL	200-6100-50401	$	15,565	19,308	34,873
Software/Licenses	200-6100-51104	$	-	1,651	1,651
Professional Services	200-6100-51300	$	100,000	(1,000)	99,000
Utilities	200-6100-52102	$	13,050	(800)	12,250
Loan Expense	211-6100-71400		-	10,000	10,000
RES 2006-03 - Septic Replacement Loan Program					
Low-Income Assistance Program	100-0000-40101		-	(35,000)	(35,000)
Low-Income Assistance Program	100-5600-52109			35,000	35,000
RES 2018-04 - LIRA program from Property Tax Revenue					
Supplemental Fees	112-0000-40104	$	-	(653,000)	(653,000)
Supplemental Fees	113-0000-40104	$	(653,000)	653,000	-
SMUD Revenue	102-0000-40106	$	(110,000)	(24,041)	(134,041)
		Total:		(10,472)	

Reason for change:
Correcting original budget account information. Total budget change equals a credit of $10, 472.

Requested by: Jessica Buckle, Office/Finance Manager Date: 4-Jan-24

General Manager: ______________________ Date: ______________________
Nicholas Schneider, General Manager

Recommended: Yes: x No:

Board Resolution: 2024-XX Approved: Yes: No:

Account	Name	Amount	Post Date	Description
100-0000-40101	Low-Income Rate Assistance (LIRA) Program	-$35,000	01/04/2024	Low-Income Rate Assistance program LIRA
100-5100-50401	PERS UAL	$44,423	01/04/2024	PERS UAL
100-5100-51104	Software/Licenses	$183	01/04/2024	Software/Licenses
100-5200-50401	PERS UAL	-$122,638	01/04/2024	PERS UAL
100-5100-52102	Utilities	-$200	01/04/2024	Utilities
100-5200-51104	Software/Licenses	$542	01/04/2024	Software/Licenses
100-5200-52102	Utilities	-$500	01/04/2024	Utilities
100-5300-50401	PERS UAL	$7,897	01/04/2024	PERS UAL
100-5300-52102	Utilities	-$200	01/04/2024	Utilities
100-5300-51104	Software/Licenses	$271	01/04/2024	Software/Licenses
100-5400-51104	Software/Licenses	$542	01/04/2024	Software/Licenses
100-5400-50401	PERS UAL	$73,280	01/04/2024	PERS UAL
100-5600-50100	Salaries	$7,621	01/04/2024	Salaries
100-5400-52102	Utilities	-$500	01/04/2024	Utilities
100-5600-50400	PERS Retirement Expense	$15,000	01/04/2024	PERS Retirement Expense
100-5600-50401	PERS UAL	-$44,445	01/04/2024	PERS UAL
100-5600-51100	Materials & Supplies	$6,000	01/04/2024	Materials & Supplies
100-5600-51101	Durables/Rentals/Leases	$7,275	01/04/2024	Durables/Rentals/Leases
100-5600-51102	Office Supplies	-$9,500	01/04/2024	Office Supplies
100-5600-51104	Software/Licenses	$25,370	01/04/2024	Software/Licenses
100-5600-51300	Professional Services	-$27,641	01/04/2024	Professional Services
100-5600-52102	Utilities	-$3,775	01/04/2024	Utilities
100-5600-52109	Low Income Rate Assistance Program	$35,000	01/04/2024	Low-Income Rate Assistance program LIRA
100-5600-52105	Government Regulation Fees	$2,905	01/04/2024	Govt. Regulation Fees
102-0000-40106	SMUD Revenue	-$24,041	01/04/2024	SMUD Revenue
100-5600-52110	Recruitment	$2,500	01/04/2024	Recruitment
112-0000-40104	Supplemental Charge	-$653,000	01/04/2024	Supplemental Fees
113-0000-40104	Surcharge	$653,000	01/04/2024	Supplemental Fees
200-6100-50401	PERS UAL	$19,308	01/04/2024	PERS UAL
200-6100-51104	Software/Licenses	$1,651	01/04/2024	Software/Licenses
200-6100-52102	Utilities	-$800	01/04/2024	Utilities
200-6100-51300	Professional Services	-$1,000	01/04/2024	Professional Services
211-6100-71400	Loan Expense	$10,000	01/04/2024	Loan Expense
		-10,472.00		

RESOLUTION NO. 2024-XX

OF THE BOARD OF DIRECTORS OF THE GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT APPROVING THE OPERATING BUDGET FOR FISCAL YEAR 2024-2025

WHEREAS, the Board of Directors established a three-month budget review process to provide ample opportunities to receive input from the Finance Committee, and the public; and

WHEREAS, on February 22, 2024, the draft FY 2024-2025 Operating Budget was presented to the Finance Committee and additional direction was provided; and,

WHEREAS, on March 7th, 2024 a draft of the proposed budget was then presented in a Regular Board Meeting; and,

WHEREAS, the Finance Committee continued its review of the Operating Budget at its March 28th meeting; and,

WHEREAS, during the Regular Board Meeting on April 4, 2024 staff received additional feedback from the Board of Directors; and,

WHEREAS, on June 4th the Finance Committee received the Operating Budget for review during a Joint Budget Workshop with the Board and provided a recommendation for adoption for referral to the Board of Directors; and

WHEREAS, the Board of Directors has received the proposed FY 2024-2025 Operating Budget for final adoption at the regular Board meeting of June 6, 2024.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT THAT:

1. Revenue estimates and appropriations by fund and department are shown in "Exhibit A", a copy of which is attached and hereby made part of this Resolution is hereby adopted.
2. Any remaining capital fund projects and encumbrances will be rolled into the next fiscal year.
3. The Georgetown Divide Public Utility District appropriations limit for the 2024-25 Fiscal Year, as described in Article XIII B of the State Constitution and implemented by Chapter 1205, Statutes of 1980, is the sum of $3,607,604 computed as follows:

$3,472,857	x 1.0388 =	$3,607,604
(2023-24 Appropriation Limit)		(2024-25 Appropriation Limit)

4. The General Manager may authorize the transfer of appropriations within and between departments so long as total appropriations are not increased within a fund.

5. The Board of Directors has the overriding authority to control the use of revenues and the appropriations of funds and therefore may modify at any time. The total appropriations in any fund may not be increased except by the Board of Directors.
6. All changes in appropriations will be authorized on a budget adjustment form. Any increase in appropriations will be authorized by the Board.

BE IT FURTHER RESOLVED THAT THE FY 2024-2025 OPERATING BUDGET IS APPROVED.

PASSED AND ADOPTED by the Board of Directors of the Georgetown Divide Public Utility District at a meeting of said Board held on the 6th day of June 2024, by the following vote:

AYES:

NOES:

ABSENT/ABSTAIN:

____
Mitch MacDonald, President, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Attest:

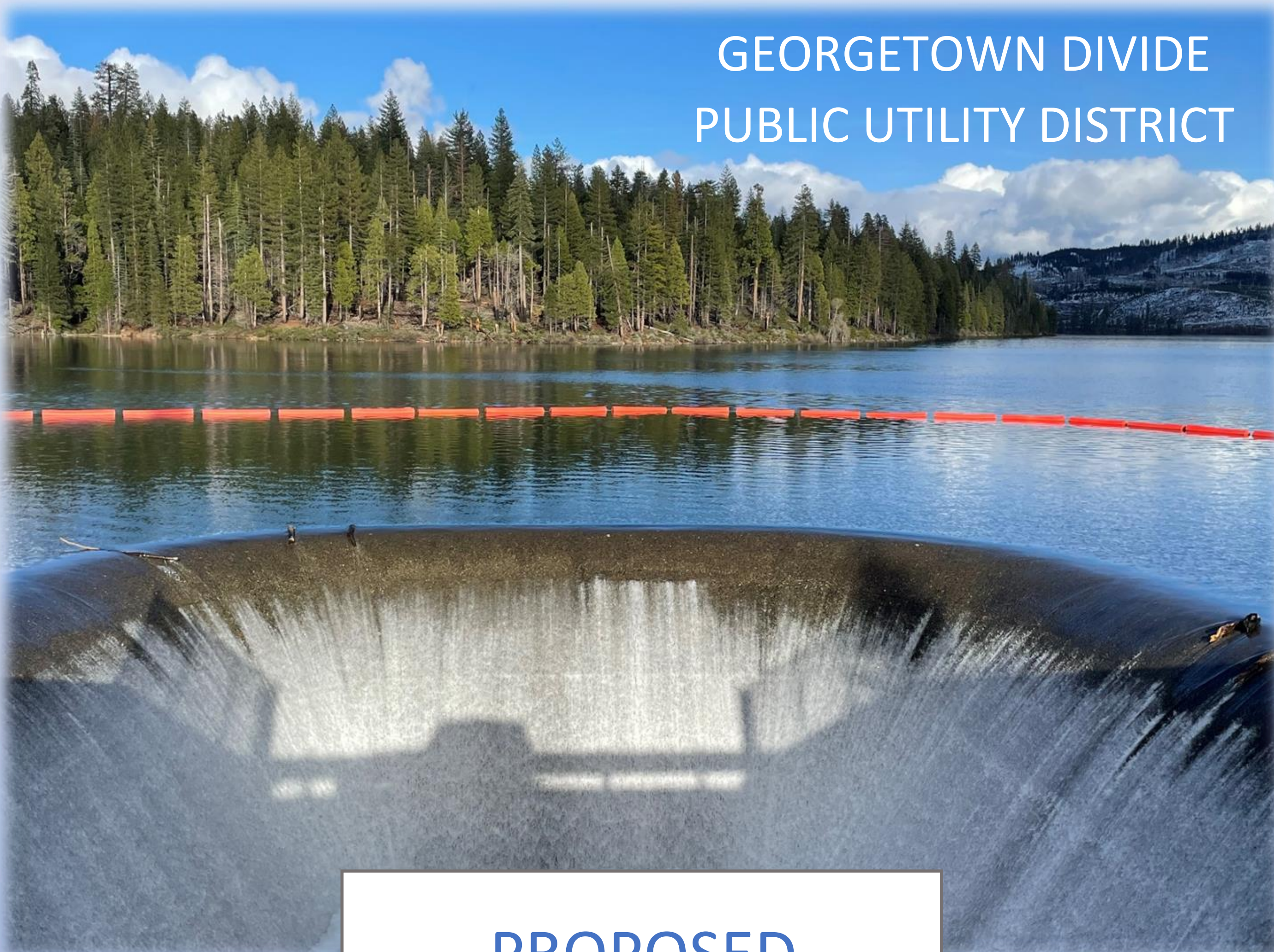
____
Nicholas Schneider, Clerk, and Ex officio
Secretary, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

CERTIFICATION

I hereby certify that the foregoing is a full, true, and correct copy of Resolution 2024-XX duly and regularly adopted by the Board of Directors of the Georgetown Divide Public Utility District, County of El Dorado, State of California, on this 6th day of June 2024.

____
Nicholas Schneider, Clerk, and Ex officio
Secretary, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Exhibit A



PROPOSED FISCAL YEAR 2024-2025 OPERATING BUDGET

Presented to the
Board of Directors
June 6, 2024

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Georgetown Divide Public Utility District 6425 Main Street, Georgetown, CA 95634
(530) 333-4356 www.gd-pud.org

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June 6, 2024

Board of Directors, Finance Committee and Customers,

The Board established the process for reviewing and adopting the Fiscal Year (FY) 2024-25 Operating Budget. On February 22, 2024, the Finance Committee reviewed and provided feedback on the working draft of the budget. The Board reviewed the draft budget at the March 7, 2024, regular Board meeting and provided feedback and staff direction. The Board reviewed an updated proposed budget on April 4, 2024, and again provided staff with suggestions. An updated proposed budget was brought to the Board of Directors, with final adoption scheduled for the Board meeting of June 6, 2024.

The FY 2024-2025 budget review process took into consideration the following changes, planning tools, and improvements:

- Investment revenue has been increasing due to California CLASS activity as well as on-going utilization of long-term investment tools.
- A 5% increase in property taxes has been included in revenues.
- The District continues to surplus equipment which has exceeded its work life, and the proceeds have been used to update and replace existing assets.
- Increased utility costs have been affecting various department budgets.
- Increased labor cost has been taken into account for this fiscal year.

This budget includes a total estimated revenue of $6,473,234 when including the supplemental charge. This compares to a projected total revenue of $6,045,272 for the fiscal year 2023-2024. The District is still experiencing some overages due to the Mosquito Fire and the clean-up. This is less than last fiscal year but is still being taken into consideration.

An update to the Five-year Capital Improvement Plan (CIP) is adopted each year by the Board separately from the operating budget. The draft CIP is also presented to the ratepayers for review. The total cost of CIP projects proposed for FY 2024-25 is $582,850. Some of the projects the District is looking to complete include coating the distribution tanks, lining canals, tunnel inspection and lining, ZONE upgrades, replace air release valves, and office infrastructure upgrades. The District is anticipating grant funding to complete some of the projects. At the moment, there are applications submitted seeking $22,570,000 in grant funding for much-needed infrastructure to serve the community.

I appreciate the collaboration with my dedicated staff and input from the Finance Committee and Board. I look forward to the input provided by the ratepayers.

Sincerely,

Nicholas Schneider, General Manager

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GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT (GDPUD)

Proposed Fiscal Year 2024-2025 Budget

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GDPUD Overview

The Georgetown Divide Public Utility District (District) serves communities in western El Dorado County among the foothills of the Sierra Nevada Mountain Range, in the heart of the Mother Lode. The Georgetown Divide is located between the Middle and South Forks of the American River, nestled in the heart of the Sierra Nevada Foothills and Northern California's Gold Country. Access is through Highway 50 and Interstate 80, giving it proximity to either metropolitan cities or the recreational activities of Lake Tahoe. The cornerstone of the District's water supply system is the Stumpy Meadows Reservoir with a storage capacity of 21,206 acre-feet.

- Location — 72,000 acres (112.5 square miles) serving unincorporated areas of western El Dorado County.
- Services — Raw and treated water supplies, on-site wastewater disposal.
- Population of area served — With 3,800 connections we serve a population of approximately 10,000.
- Formation Date — June 11, 1946.
- Type of District (Act) — California Public Utility District Act.
- Source of Water — Pilot Creek and other tributary water rights.
- Amount of Water Served — Approximately 12,000 acre-feet per year.
- Predecessor Agencies — A series of private water companies dating back to 1852 and the El Dorado, Pilot, and Rock Creek Canal Companies. In 1872, The California Water Company purchased the Pilot Creek Ditch Company and changed names in 1890 to the Loon Lake Water and Power Company.

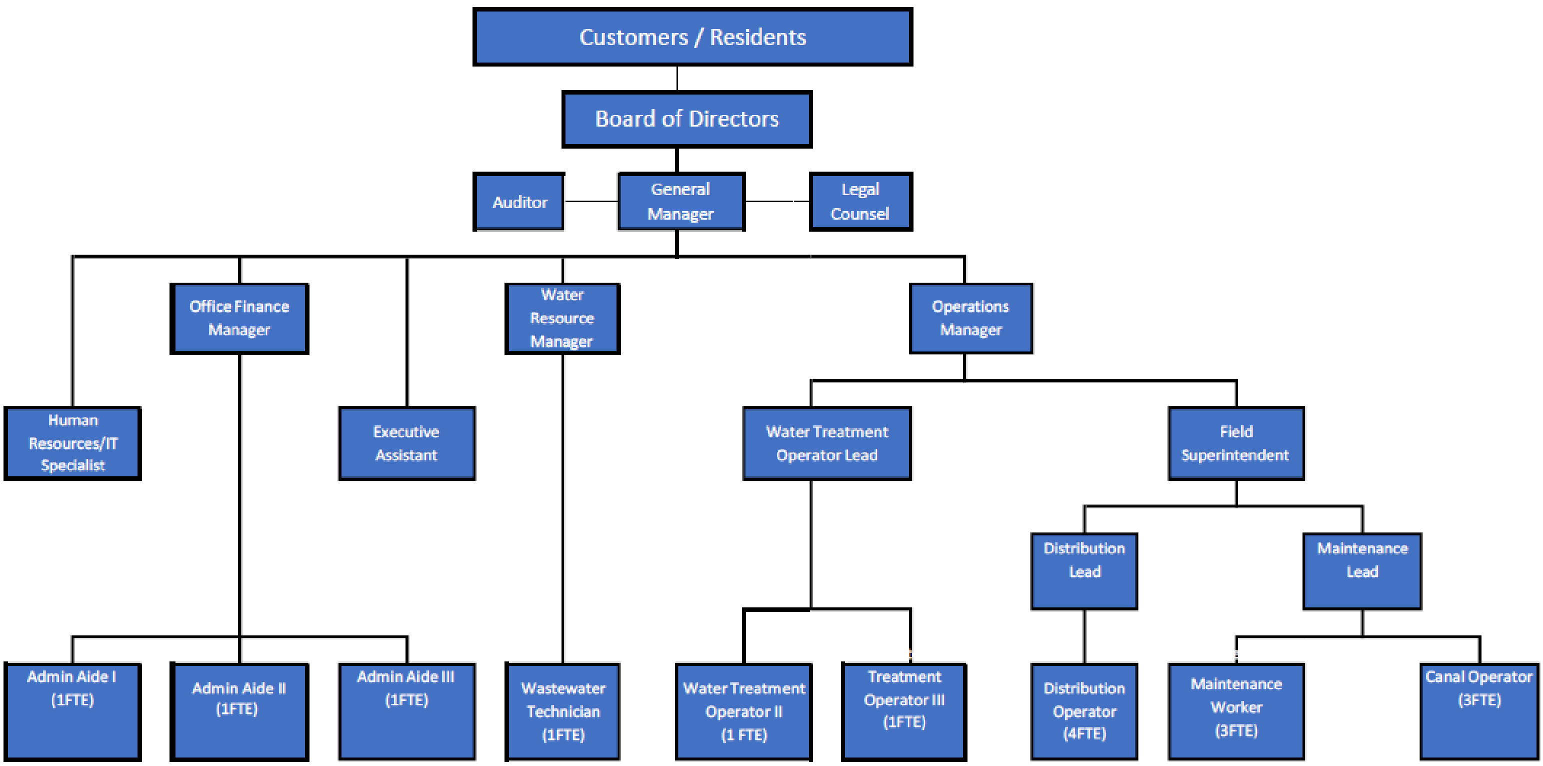
GDPUD History

The origins of District facilities can be directly traced back to 1852 and the El Dorado, Pilot, and Rock Creek Canal Companies, one of the first established water purveyors in the State of California; resulting from James Marshall's discovery of gold in nearby Coloma. Following the decline in gold production, agriculture, and lumbering became the staple industries on the Divide for many years.

The focus of the District water supply system is the Stumpy Meadows Reservoir, a 21,206-acre-foot impoundment on Pilot Creek, at the eastern edge of the District. Water from this source of supply traverses through approximately 75 miles of canals and pipelines to provide both raw water for customers and raw water supplies to the District's water treatment plants.

GDPUD Organizational Chart

The current organizational chart is depicted below, approved by the Board of Directors at the Regular Meeting of 8/8/2023.



Projected FY25 Employee Salaries

Employee Job Descriptions	PERS Plan Category	FYE 23-24 Hourly Pay Rate	FY 23-24 Salary	FY 24-25 Hourly Pay Rate	FY 24-25 Salary
Administrative Aide II	PEPRA	$ 27.37	$ 56,929.60	$ 29.66	$ 61,692.80
Administrative Aide II	PEPRA	$ 23.66	$ 49,212.80	$ 25.62	$ 53,289.60
Administrative Aide III	PEPRA	$ 30.91	$ 64,292.80	$ 33.48	$ 69,638.40
Canal Operator I	PEPRA	$ 24.01	$ 49,940.80	$ 25.67	$ 53,393.60
Canal Operator II	PEPRA	$ 31.39	$ 65,291.20	$ 33.57	$ 69,825.60
Canal Operator II	Tier II	$ 34.63	$ 72,030.40	$ 37.02	$ 77,001.60
Distribution Lead	PEPRA	$ 37.92	$ 78,873.60	$ 39.36	$ 81,868.80
Distribution Operator I	PEPRA	$ 26.50	$ 55,120.00	$ 27.50	$ 57,200.00
Distribution Operator I (VACANT)	PEPRA	$ 25.23	$ 52,478.40	$ 26.19	$ 54,475.20
Distribution Operator II	PEPRA	$ 35.83	$ 74,526.40	$ 37.19	$ 77,355.20
Distribution Operator II	Tier II	$ 39.53	$ 82,222.40	$ 41.03	$ 85,342.40
Executive Assistant	PEPRA	$ 31.72	$ 65,977.60	$ 35.63	$ 74,110.40
Field Superintendant	Tier II	$ 53.35	$ 110,968.00	$ 57.96	$ 120,556.80
General Manager	PEPRA	$ 91.35	$ 190,000.00	$ 95.91	$ 199,500.00
HR/Payroll/IT Specialist	Tier II	$ 42.46	$ 88,316.80	$ 44.59	$ 92,747.20
Maintenance Lead	PEPRA	$ 33.75	$ 70,200.00	$ 36.55	$ 76,024.00
Maintenance Worker I	PEPRA	$ 25.25	$ 52,520.00	$ 27.33	$ 56,846.40
Maintenance Worker II	PEPRA	$ 27.79	$ 57,803.20	$ 30.14	$ 62,691.20
Maintenance Worker I (VACANT)	PEPRA	$ 21.80	$ 45,344.00	$ 23.61	$ 49,108.80
Office Finance Manager	PEPRA	$ 51.11	$ 106,308.80	$ 54.53	$ 113,422.40
Operations Manager	PEPRA	$ 65.48	$ 136,198.40	$ 71.63	$ 148,990.40
Wastewater Technician II	PEPRA	$ 32.19	$ 66,955.20	$ 35.09	$ 72,987.20
Water Resources Manager	PEPRA	$ 47.87	$ 99,569.60	$ 52.10	$ 108,368.00
Water Treatment Plant Operator II	PEPRA	$ 30.95	$ 64,376.00	$ 32.29	$ 67,163.20
Water Treatment Plant Operator III	Tier II	$ 44.24	$ 92,019.20	$ 46.15	$ 95,992.00
Water Treatment Plant Operator Lead	Tier II	$ 48.66	$ 101,212.80	$ 50.76	$ 105,580.80
TOTAL		**$ 984.95**	**$ 2,048,688.00**	**$ 1,050.56**	**$ 2,185,172.00**

Revenue Sources

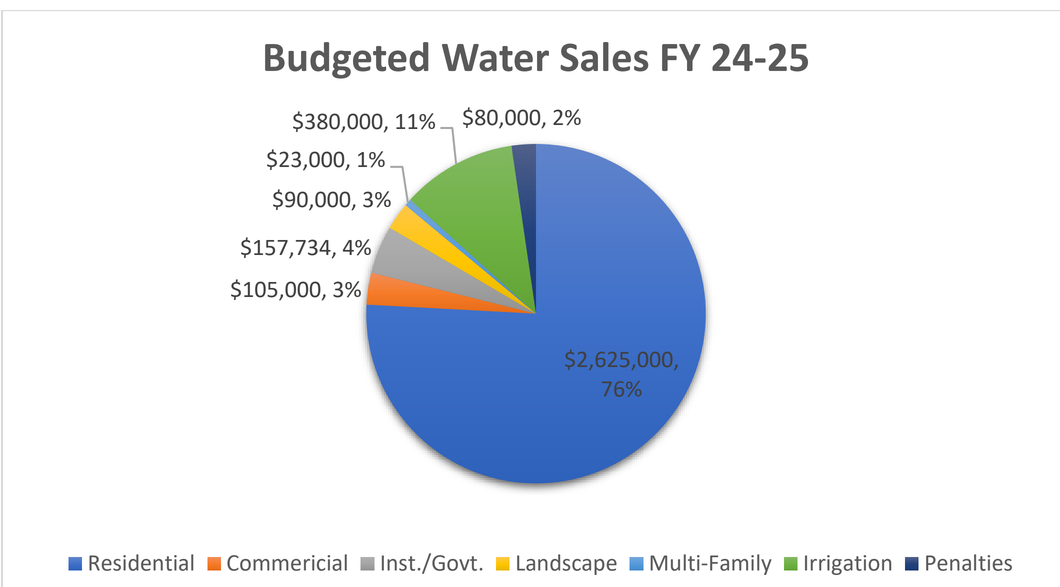
District revenues are divided into three broad categories: Water Operating Revenue, Wastewater Operating Revenue, and Non-Operating Revenue.

A. Operating Revenue

<u>Water Sales</u>

Water Operating Revenue includes all revenue generated by the sale of water and associated penalties. The District sells both treated water and untreated water. The largest source of operating revenue is the sale of treated water. In FY 23-24, treated water sales are estimated to total $3,000,734, which is approximately 85% of water operating revenues and approximately 51% of total revenue. Water sales are expected to increase in FY 24-25 due to the outcome of the cost-of-service analysis and expected rate increases. Residential water sales are projected to be substantially like the FY 23-24 estimates, with a projected total of $3,000,000 representing 86% of water operating revenue and 54% of total revenue. For FY 24-25, the supplementary charge will continue to be separated for greater transparency and better tracking.

Untreated (irrigation) water sales are estimated to total approximately $436,772 for FY 23-24, which is 12% of water operating revenues and 7% of total revenue. ***The FY 23-24 irrigation revenues are presenting higher due to the 2023 water season shift which totaled 5.5 months of revenue during that fiscal year.*** Since the population of the District has not grown, water sales are not increasing, and there are fewer irrigation customers. The projected revenue from irrigation water sales in FY 24-25 is anticipated at a total of $380,000, representing 11% of water operating revenue and 6% of total revenue.



B. Non-Operating Revenue

Non-operating revenues include grant revenue, interest income, restricted benefit charges, hydroelectric payments, lease payments, and general property tax revenues. Non-operating revenues are projected to total $2,330,000 in FY 23-24 and with a proposed revenue of $2,787,500 for FY 24-25. Grant revenues for this upcoming budget year are anticipated at approximately $3 million. This will be adjusted as staff receives notification from granting agencies. This grant revenue will be used to offset costs incurred within the Capital Improvement Plan budget.

Property Tax

The largest non-operating revenue source is property tax revenue. The District receives a portion of the ad valorem property tax from El Dorado County based on the assessed value of the properties within the District. The actual amount varies based on the tax rate that was established when each individual property was annexed into the District. On average, the District receives about $0.12 per $100 of assessed property value within the District. Property tax revenue for FY 23-24 is estimated to be $1,928,807 which is 83% of non-operating revenues, and 32% of total revenue. It is anticipated that property tax revenue will increase for FY 24-25 to $2,100,000.

Sacramento Municipal Utility District (SMUD)

The District receives payments each year from SMUD in accordance with the 2005 cooperation agreement between El Dorado Water and Power Authority and SMUD. That agreement was reached as a requirement of SMUD's relicensing of the Upper American River Project through the Federal Energy Regulatory Commission (FERC). The estimated payment to the District for FY 23-24 was $133,294, which was roughly 6% of non-operating revenues, and 2% of total revenue. The FY 24-25 estimated payment is expected to be $135,000.

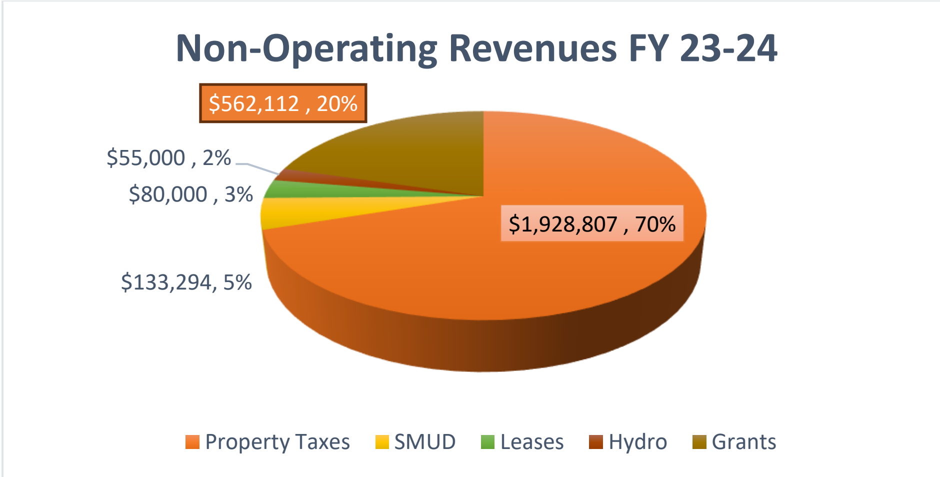
Interest, Leases, Hydroelectric

Interest income is earned on all general, restricted, and designated funds. Interest income will be increased this year due to interest rates being much higher than in previous years. Additionally, the District has partnered with an investment advisor to maximize the amount of money the District can obtain.

The District has leases with several companies that pay to place their communications equipment on district facilities. Lease revenue is estimated to be $80,000 for FY 23-24, which is roughly 3% of non-operating revenues and 1% of total revenue.

The District also receives hydroelectric royalty payments for the Buckeye and Tunnel Hill facilities. During FY 23-24, the hydroelectric royalty payments are estimated to be $55,000, which is approximately 2% of non-operating revenues and less than 1% of total revenue.

The following charts summarize non-operating revenues.



<u>Grant Revenue</u>

The District has engaged in an attempt to receive grant funding to assist with its Capital Improvement Plan (CIP) projects. The District is currently pursuing grants from Cal FIRE, FEMA, State Appropriation, and Federal Appropriation. The District is hopeful it will be able to receive up to $3-8 million in additional CIP funding through these grants.

C. Supplemental Charge

In 2015 the District conducted Proposition 218 proceedings and adopted a supplemental monthly charge in the amount of $15.08 per month on treated water accounts. This amount will be reduced on year ten July 1, 2025. The Supplemental Charge is for the specific purpose of paying off a loan from the State Revolving Fund that is being used to finance the construction of a new water treatment plant to replace the aging plant located in Cool, CA. The District Board of Directors adopted a resolution stating that the Supplemental Charge "*will be held in a separate, restricted account, used solely for servicing SWRCB (State Water Resources Control Board) low-interest loan and reserve account."* For this reason, the charge is listed separately in the budget and cannot be used to fund operating expenses. The Supplemental Charge was approved in September 2015 and first began appearing on customers' bills in February 2017. For FY 23-24, the revenue is estimated to be $653,000, which is roughly 11% of total revenue.

D. <u>Wastewater Charges/Fees</u>

Revenue collected and used for oversight of the Auburn Lake Trails On-Site Wastewater Zone is projected to total $185,000 for FY 23-24, which is roughly 3% of the total revenues. This revenue is expected to increase 4% for FY 24-25 and the projected revenue is $192,000. This restricted revenue represents homeowners' bi-monthly fees collected separate from residential water costs for the State mandated oversight of wastewater activities in the Auburn Lake Trails subdivision. The amount also includes a minor amount for additional fees related to homeowner-requested activities. Wastewater operating revenues for FY 23-24 and the last five years are summarized below. Due to a District-led process to update these fees and charges by updating our Waste Discharge Requirements (WDR), these budget numbers could change within the next Fiscal Year.

Revenue Budget

GDPUD REVENUE BUDGET								
Description	FY 19-20 Actual	FY 20-21 Actual	FY 21-22 Actual	FYE 22-23 Actual	FY 23-24 Amended Budget	FY 23-24 Actual As of 4/30/24	FY 24-25 Proposed Budget	% Change
WATER OPERATING REVENUE								
WATER SALES								
Residential Sales	$ 2,411,551	$ 3,139,700	$ 2,873,804	$ 3,003,257	$ 3,000,000	$ 2,401,013	$2,625,000	-13%
Irrigation Sales - Raw water	$ 416,369	$ 395,020	$ 388,465	$ 326,333	$ 436,772	$ 466,971	$380,000	-13%
Commercial Sales (4)	$ *315,497*	$ *100,018*	$ *94,169*	$ *103,662*	$ -	$ *68,614*	*$105,000*	1%
Institution/Government (4)	$ *132,655*	$ *162,075*	$ *170,158*	$ *168,065*	$ -	$ *105,156*	*$157,734*	-6%
Landscape (treated water used as irrigation) (4)	$ *70,553*	$ *93,572*	$ *82,070*	$ *69,269*	$ -	$ *74,138*	*$90,000*	30%
Multi-Family Residential (4)	$ *21,632*	$ *24,423*	$ *20,867*	$ *22,607*	$ -	$ *15,932*	*$23,000*	2%
Penalties	$ 50,625	$ 600	$ 200	$ 63,511	$ 68,000	$ 64,243	*$80,000*	18%
Capital Facility Charges (Fund 400 - Restricted)	$ 2,300	$ 20,700	$ 76,084	$ 19,826	$ -			
Sub-Total	***$ 3,196,342***	***$ 3,556,020***	***$ 3,338,553***	***$ 3,412,927***	***$ 3,504,772***	***$2,932,227***	***$3,460,734***	***-1%***
NON OPERATING REVENUE								
Property Taxes	$ 1,657,978	$ 1,769,095	$ 1,867,047	$ 2,010,456	$ 2,000,000	$ 1,103,553	$2,100,000	5%
Leases	$ 108,770	$ 101,929	$ 101,177	$ 107,437	$ 80,000	$ 64,706	$100,000	25%
Interest Income	$ 75,443	$ 92,402	$ 10,379	$ 13,899	$ 250,000	$ 122,130	$350,000	40%
New Meter Materials & Labor Charges		$ 1,320	$ 6,478	$ 13,433	$ -	$ 1,854	$5,000	
Construction Meter Rental				$ 37,328	$ -	$ 168	$2,500	
Installation Fee	$ *4,172*	$ *9,697*	$ *13,559*	$ *45,381*	$ -	$ 14,758	$20,000	
Grants (2)					$ -	$ 1,000	$0	
Sale of Assets	$ 1,605	$ 3,500	$ -	$ 43,264	$ -	$ 40,191	$20,000	
SMUD	$ 108,515	$ 116,443	$ -	$ 241,297	$ 110,000	$ 133,294	$135,000	23%
Hydro	$ 60,000		$ 55,574	$ 36,486	$ 55,000	$ 38,395	$55,000	0%
Sub-total Non-Operating	***$ 2,012,311***	***$ 2,084,689***	***$ 2,040,655***	***$ 2,503,600***	***$ 2,495,000***	***$ 1,520,049***	***$2,787,500***	***12%***
TOTAL WATER REVENUE	***$ 5,208,653***	***$ 5,640,709***	***$ 5,379,208***	***$ 5,916,527***	***$ 5,999,772***	**$ 4,452,276**	**$6,248,234**	4%
WASTEWATER OPERATING REVENUE								
Zone Charges	$ 313,372	$ 196,169	$ 185,883	$ 208,708	$ 185,000	$ 172,918	*$192,000*	4%
Escrow Fees	$ 28,000	$ 24,020	$ 22,100	$ 14,079	$ 12,000	$ 11,516	*$12,000*	0%
Septic Design Fees	$ 3,000	$ 5,940	$ 3,280	$ 3,280	$ 3,500	$ 820	*$3,000*	-14%
Interest Income	$ 16,894	$ 4,366	$ 2,234	$ 18,511	$ 10,000	$ 3,691	*$10,000*	0%
Other		$ 4,100	$ 3,000	$ -	$ -			
Total Wastewater Revenue	***$ 361,266***	***$ 234,595***	***$ 216,497***	***$ 244,578***	***$ 210,500***	***$ 188,945***	***$217,000***	***3%***
TOTAL REVENUE	***$ 6,181,452***	***$ 6,120,851***	***$ 6,453,923***	***$ 6,161,105***	***$ 6,210,272***	***$ 4,641,221***	***$6,465,234***	***4%***
Supplemental Charge (restricted) (1)	$ 660,026	$ 662,210	$ 663,592	$ 665,137	$ 653,000	$ 551,766	$665,000	2%
Grants (3)	$ -	$ 119,514	$ 119,514	$ 567,607	$ 3,200,000	$ *562,112*	*$3,000,000*	-6%
Total with Grants & Supplemental Charge	$ 660,026	$ 781,724	$ 783,106	$ 1,232,744	$ 3,853,000	$ 1,113,878	$ 3,665,000	-5%

(1) - Supplemental Charge revenue can only be used to fund State Revolving Fund Loan

(2) - Grants (fund 100)

(3) - Grants (Restricted to CIP projects fund 111)

(4) - All treated water sales previously included in Residential Sales, broken out by type of use (submitted quarterly to the Dept. of Water Resources)

Expenses

Operating

Operating expenses are divided into seven departments:
5100 – Source of Supply
5200 – Transmission & Distribution of Raw Water
5300 – Water Treatment
5400 – Transmission & Distribution of Treated Water
5600 – General Administration & Customer Service
6100 – Wastewater (Zone).

5100 – Source of Supply

Activities related to the maintenance and operation of the upper canal system from Stumpy Meadows Reservoir to Tunnel Hill. In addition to the physical maintenance of the reservoir and canal system, this also includes water rights monitoring and reporting, dam surveying and monitoring, and dam safety compliance.

SOURCE OF SUPPLY DEPARMTENT 5100 FY25 BUDGET										
Accounts	EXPENSES:	FY 21-22 Budget	FY 21-22 Actual	FY22-23 Budget	FY 22-23 Actual	FY 23-24 Amended Budget	FY 23-24 Actual As of 4/30/24	% of Budget Remaining	FY 24-25 Proposed	% change
100-5100-50100	Salaries	$ 163,354	$ 109,580	$ 157,169	$ 154,589	$ 213,320	$ 141,959	33%	$ 251,403	18%
100-5100-50102	Overtime	$ 13,642	$ 10,359	$ 13,642	$ 24,072	$ 14,000	$ 14,658	-5%	$ 14,000	0%
100-5100-50103	Standby Pay	$ 11,867	$ 7,530	$ 11,867	$ 14,820	$ 13,150	$ 5,623	57%	$ 17,625	34%
100-5100-50200	Payroll Taxes	$ 14,865	$ 9,629	$ 14,302	$ 14,622	$ 20,265	$ 11,917	41%	$ 23,883	18%
100-5100-50300	Health Insurance	$ 51,860	$ 25,538	$ 51,860	$ 44,651	$ 52,966	$ 46,181	13%	$ 58,034	10%
100-5100-50302	Insurance - Workers Comp.	$ 6,857	$ 7,044	$ 6,857	$ 8,573	$ 6,336	$ 6,080	4%	$ 7,563	19%
100-5100-50400	PERS Retirement Expense	$ 14,223	$ 11,473	$ 13,469	$ 16,067	$ 16,808	$ 14,868	12%	$ 24,620	46%
100-5100-50401	PERS UAL	$ 11,926	$ 9,756	$ 10,683	$ 10,351	$ 54,800	$ 54,800	0%	$ 71,528	31%
	TOTAL WAGES & BENEFITS	**$ 288,594**	**$ 190,909**	**$ 279,849**	**$ 287,745**	**$ 391,646**	**$ 296,087**	**24%**	**$ 468,656**	**20%**
100-5100-51100	Materials & Supplies	$ 10,765	$ 13,412	$ 11,410	$ 54,906	$ 17,100	$ 4,594	73%	$ *21,600*	26%
100-5100-51101	Durables/Rentals/Leases	$ 344	$ 1,300	$ 3,200	$ 114,068	$ 7,400	$ 442	94%	$ 5,900	-20%
100-5100-51103	Safety/PPE Supplies	$ -	$ -	$ -	$ -	$ 6,600	$ 2,354	64%	$ 6,800	3%
100-5100-51104	Software Licenses	$ -	$ -	$ -	$ -	$ 271	$ 271	0%	$ -	-100%
100-5100-51200	Vehicle Maintenance	$ 4,632	$ 4,929	$ 5,589	$ 4,253	$ 4,850	$ 7,199	-48%	$ 9,200	90%
100-5100-51201	Vehicle Operating - Fuel	$ 5,683	$ 9,555	$ 8,380	$ 9,724	$ 9,150	$ 6,643	27%	$ 13,700	50%
100-5100-51300	Professional Services	$ 37,359	$ 107,758	$ 84,236	$ 161,614	$ 91,800	$ 65,609	29%	$ 75,500	-18%
100-5100-52100	Staff Development/Certifications	$ -	$ 59	$ 750	$ 40	$ 1,250	$ 298	76%	$ 1,000	-20%
100-5100-52102	Utilities	$ 10,715	$ 10,034	$ 19,267	$ 10,424	$ 10,250	$ 10,369	-1%	$ 10,950	7%
100-5100-52105	Government Regulation Fees	$ 60,000	$ 148,355	$ 80,000	$ 83,223	$ 118,000	$ 91,821	22%	$ 112,000	-5%
100-5100-52108	Membership/Subscriptions	$ 391	$ -	$ 415	$ -	$ 150	$ 50	67%	$ 150	0%
	NON-LABOR EXP	**$ 129,889**	**$ 295,401**	**$ 213,247**	**$ 438,252**	**$ 266,821**	**$ 189,650**	**29%**	$ 256,800	-4%
updated 6/5/24	**TOTAL DEPARTMENT EXPENSES**	**$ 418,483**	**$ 486,310**	**$ 493,096**	**$ 725,997**	**$ 658,467**	**$ 485,737**	**26%**	$ 725,456	10%

5200 - Transmission & Distribution of Raw Water

Activities related to the conveyance of untreated water, including the transmission of untreated water to the water treatment plants.

RAW WATER DEPARMTENT 5200 FY25 BUDGET											
Accounts	EXPENSES:	FY 21-22 Budget	FY 21-22 Actual	FY22-23 Budget	FY 22-23 Actual	FY 23-24 Amended Budget	FY 23-24 Actual As of 4/30/24	% of Budget Remaining	FY 24-25 Proposed	% Change
100-5200-50100	Salaries	$ 322,851	$ 229,602	$ 308,538	$ 237,624	$ 323,240	$ 196,747	39%	$ 319,292	-1%
100-5200-50101	Part-time/Temp Wages	$ 1,065		$ 976	$ 13,527	$ 5,000	$ 15,301	-206%	$ 5,000	0%
100-5200-50102	Overtime	$ 20,648	$ 27,891	$ 20,252	$ 22,884	$ 24,800	$ 17,112	31%	$ 24,800	0%
100-5200-50103	Standby Pay	$ 13,260	$ 14,800	$ 13,260	$ 18,680	$ 21,550	$ 12,364	43%	$ 28,125	31%
100-5200-50200	Payroll Taxes	$ 29,379	$ 24,172	$ 28,077	$ 21,144	$ 30,708	$ 16,837	45%	$ 30,333	-1%
100-5200-50300	Health Insurance	$ 115,737	$ 61,392	$ 115,737	$ 62,688	$ 77,835	$ 62,031	20%	$ 84,069	8%
100-5200-50302	Insurance - Workers Comp.	$ 15,689	$ 9,035	$ 15,285	$ 9,869	$ 7,250	$ 7,800	-8%	$ 10,604	46%
100-5200-50400	PERS Retirement Expense	$ 30,867	$ 24,579	$ 29,450	$ 23,165	$ 38,412	$ 20,485	47%	$ 33,039	-14%
100-5200-50401	PERS UAL	$ 214,481	$ 190,251	$ 208,325	$ 201,844	$ 79,709	$ 79,709	0%	$ 104,041	31%
	TOTAL WAGES & BENEFITS	**$ 763,977**	**$ 581,724**	**$ 739,900**	**$ 611,425**	**$ 608,504**	**$ 428,387**	**30%**	**$ 639,303**	**5%**
100-5200-51100	Materials & Supplies	$ 18,000	$ 20,405	$ 25,000	$ 18,288	$ 14,500	$ 10,982	24%	$ 17,250	19%
100-5200-51101	Durables/Rentals/Leases	$ 2,000	$ 4,710	$ 2,000	$ 2,655	$ 1,450	$ 195	87%	$ -	-100%
100-5200-51103	Safety/PPE Supplies	$ -	$ -	$ -	$ -	$ 3,250	$ 3,224	1%	$ 8,950	175%
100-5200-51104	Software Licenses	$ -	$ -	$ -	$ -	$ 542	$ 542		$ 150	-72%
100-5200-51200	Vehicle Maintenance	$ 6,152	$ 9,412	$ 10,213	$ 12,366	$ 8,900	$ 12,467	-40%	$ 11,275	27%
100-5200-51201	Vehicle Operating - Fuel	$ 12,070	$ 20,805	$ 18,210	$ 28,347	$ 21,000	$ 19,036	9%	$ 29,300	40%
100-5200-51300	Professional Services	$ 2,354	$ 5,482	$ 5,984	$ 2,152	$ 5,000	$ 12,045	-141%	$ 10,000	100%
100-5200-52100	Staff Development/Training	$ 147	$ 147	$ 750	$ 655	$ 750	$ 90	88%	$ 1,000	33%
100-5200-52102	Utilities	$ 1,337	$ 1,862	$ 1,420	$ 3,525	$ 2,750	$ 3,768	-37%	$ 3,500	27%
100-5200-52108	Membership/Subscriptions	$ 391	$ -	$ 358	$ -	$ 150	$ 50	67%	$ 150	0%
	NON-LABOR EXP	**$ 42,451**	**$ 62,822**	**$ 63,935**	**$ 67,988**	**$ 58,292**	**$ 62,399**	-7%	$ 81,575	40%
updated 6/5/24	**TOTAL DEPARTMENT EXPENSES**	**$ 806,428**	**$ 644,546**	**$ 803,835**	**$ 679,413**	**$ 666,796**	**$ 490,786**	**26%**	**$ 720,878**	**8%**

5300 – Water Treatment

Activities related to the treatment plants and treating water for domestic use. This includes water quality monitoring and compliance with State regulations related to water treatment plant operation.

WATER TREATMENT DEPARMTENT 5300 FY25 BUDGET										
Accounts	EXPENSES:	FY 21-22 Budget	FY 21-22 Actual	FY22-23 Budget	FY 22-23 Actual	FY 23-24 Amended Budget	FY 23-24 Actual As of 4/30/24	% of Budget Remaining	FY 24-25 Proposed	% Change
100-5300-50100	Salaries	$ 250,264	$ 196,493	$ 244,058	$ 190,326	$ 229,802	$ 189,856	17%	$ 252,584	10%
100-5300-50102	Overtime	$ 25,118	$ 25,815	$ 25,097	$ 29,282	$ 34,496	$ 23,884	31%	$ 28,000	-19%
100-5300-50103	Standby Pay	$ 9,688	$ 15,760	$ 9,688	$ 15,710	$ 15,720	$ 13,282	16%	$ 21,050	34%
100-5300-50200	Payroll Taxes	$ 22,774	$ 20,127	$ 22,209	$ 17,809	$ 21,831	$ 16,864	23%	$ 23,995	10%
100-5300-50300	Health Insurance	$ 64,914	$ 51,683	$ 64,914	$ 53,961	$ 63,996	$ 57,728	10%	$ 58,405	-9%
100-5300-50302	Insurance - Workers Comp.	$ 9,488	$ 5,331	$ 9,426	$ 5,579	$ 4,722	$ 4,659	1%	$ 5,426	15%
100-5300-50400	PERS Retirement Expense	$ 32,592	$ 21,156	$ 31,790	$ 19,572	$ 31,777	$ 21,868	31%	$ 32,302	2%
100-5300-50401	PERS UAL	$ 20,466	$ 48,782	$ 20,466	$ 51,755	$ 59,781	$ 59,781	0%	$ 78,030	31%
	TOTAL WAGES & BENEFITS	**$ 435,304**	**$ 385,147**	**$ 427,648**	**$ 383,994**	**$ 462,126**	**$ 387,922**	**16%**	**$ 499,792**	**8%**
100-5300-51100	Materials & Supplies	$ 72,000	$ 71,382	$ 85,426	$ 94,044	$ 82,500	$ 81,019	2%	$ 85,500	4%
100-5300-51101	Durables/Rentals/Leases	$ 1,245	$ 691	$ 13,300	$ 599	$ 250	$ 1,917	-667%	$ -	-100%
100-5300-51103	Safety/PPE Supplies	$ -	$ -	$ -	$ -	$ 2,750	$ 2,294	17%	$ 3,850	40%
100-5300-51104	Software Licenses	$ -	$ -	$ -	$ -	$ 271	$ 570	-110%	$ 750	177%
100-5300-51200	Vehicle Maintenance	$ 6,284	$ 2,454	$ 17,134	$ 2,812	$ 6,500	$ 4,695	28%	$ 4,450	-32%
100-5300-51201	Vehicle Operating - Fuel	$ 8,484	$ 6,090	$ 8,993	$ 6,546	$ 7,750	$ 5,480	29%	$ 8,750	13%
100-5300-51202	Building Maintenance	$ -	$ 14,641	$ 289	$ 4,072	$ 7,500	$ 91	99%	$ 5,000	-33%
100-5300-51300	Professional Services	$ 8,617	$ 3,629	$ 24,135	$ 24,338	$ 32,250	$ 32,774	-2%	$ 28,000	-13%
100-5300-52100	Staff Development/Training	$ 2,441	$ 307	$ 2,587	$ 253	$ 1,250	$ 200	84%	$ 1,250	0%
100-5300-52102	Utilities	$ 214,327	$ 226,066	$ 227,186	$ 233,857	$ 222,500	$ 190,565	14%	$ 302,700	36%
100-5300-52105	Government Regulation Fees	$ 26,311	$ 32,021	$ 26,311	$ 3,257	$ 6,500	$ 2,209	66%	$ 8,250	27%
100-5300-52108	Membership/Subscriptions	$ 391	$ (40)	$ 391	$ 611	$ -	$ 50		$ -	
	NON-LABOR EXP	**$ 340,100**	**$ 357,241**	**$ 405,752**	**$ 370,389**	**$ 370,021**	**$ 321,864**	13%	$ 448,500	21%
updated 6/5/24	**TOTAL DEPARTMENT EXPENSES**	**$ 775,404**	**$ 742,388**	**$ 833,400**	**$ 754,383**	**$ 832,147**	**$ 709,786**	**15%**	**$ 948,292**	**14%**

5400 – Transmission & Distribution of Treated Water

Activities related to the operation and maintenance of treated water pipelines and associated facilities. This also includes activities such as a backflow testing compliance program, laboratory testing, and water quality sampling and reporting.

TRANSMISSION & DISTRIBUTION OF TREATED WATER
DEPARMTENT 5400
FY25 BUDGET

Accounts	EXPENSES:	FY 21-22 Budget	FY 21-22 Actual	FY22-23 Budget	FY 22-23 Actual	FY 23-24 Amended Budget	FY 23-24 Actual As of 4/30/24	% of Budget Remaining	FY 24-25 Proposed	% Change
100-5400-50100	Salaries	$ 416,998	$ 422,003	$ 417,609	$ 430,996	$ 440,075	$ 398,863	9%	$ 463,074	5%
100-5400-50102	Overtime	$ 39,846	$ 37,125	$ 40,329	$ 42,738	$ 46,800	$ 30,601	35%	$ 32,000	-32%
100-5400-50103	Standby Pay	$ 20,030	$ 15,710	$ 20,030	$ 15,710	$ 15,720	$ 13,732	13%	$ 21,050	34%
100-5400-50200	Payroll Taxes	$ 37,947	$ 36,946	$ 38,002	$ 37,845	$ 41,807	$ 32,712	22%	$ 43,992	5%
100-5400-50300	Health Insurance	$ 101,964	$ 99,070	$ 101,964	$ 120,998	$ 109,881	$ 117,478	-7%	$ 123,531	12%
100-5400-50302	Insurance - Workers Comp.	$ 17,157	$ 9,165	$ 6,405	$ 9,677	$ 5,207	$ 7,593	-46%	$ 10,623	104%
100-5400-50400	PERS Retirement Expense	$ 47,899	$ 43,347	$ 48,008	$ 41,620	$ 52,768	$ 38,702	27%	$ 50,186	-5%
100-5400-50401	PERS UAL	$ 90,000	$ 34,148	$ 90,000	$ 36,641	$ 109,599	$ 109,599	0%	$ 143,056	31%
	TOTAL WAGES & BENEFITS	**$ 771,841**	**$ 697,515**	**$ 762,347**	**$ 736,225**	**$ 821,857**	**$ 749,280**	**9%**	**$ 887,511**	**8%**
100-5400-51100	Materials & Supplies	$ 75,000	$ 153,910	$ 135,000	$ 186,988	$ 158,500	$ 78,998	50%	$ 144,500	-9%
100-5400-51101	Durables/Rentals/Leases	$ 2,000	$ 1,084	$ 2,171	$ 12,480	$ 12,250	$ 7,968	35%	$ -	-100%
100-5400-51103	Safety/PPE Supplies		$ -	$ -	$ -	$ 8,500	$ 6,741	21%	$ 9,000	6%
100-5400-51104	Software Licenses	$ -	$ -	$ -	$ -	$ 542	$ 542	0%	$ -	-100%
100-5400-51200	Vehicle Maintenance	$ 13,233	$ 19,753	$ 23,500	$ 47,962	$ 31,750	$ 24,427	23%	$ 22,250	-30%
100-5400-51201	Vehicle Operating - Fuel	$ 19,535	$ 30,964	$ 28,517	$ 32,934	$ 31,250	$ 23,870	24%	$ 42,250	35%
100-5400-51202	Building Maintenance		$ -	$ -	$ -	$ 1,250	$ -	100%	$ 1,250	0%
100-5400-51300	Professional Services	$ 5,000	$ 12,146	$ 7,529	$ 5,001	$ 10,000	$ 6,895	31%	$ 11,000	10%
100-5400-52100	Staff Development/Training	$ 191	$ 263	$ 750	$ 3,162	$ 3,250	$ 380	88%	$ 3,250	0%
100-5400-52102	Utilities	$ 17,267	$ 13,826	$ 19,495	$ 15,038	$ 11,500	$ 15,081	-31%	$ 16,600	44%
100-5400-52105	Government Regulation Fees	$ 31,802	$ 8,685	$ 17,120	$ 37,968	$ 42,350	$ 44,470	-5%	$ 46,500	10%
100-5400-52108	Membership/Subscriptions		$ -	$ -	$ -	$ 100	$ 50	50%	$ 100	0%
	NON-LABOR EXP	**$ 164,028**	**$ 240,630**	**$ 234,082**	**$ 341,533**	**$ 311,242**	**$ 209,422**	33%	$ 296,700	-5%
updated 6/5/24	**TOTAL DEPARTMENT EXPENSES**	**$ 935,869**	**$ 938,145**	**$ 996,429**	**$ 1,077,758**	**$1,133,099**	**$ 958,702**	**15%**	**$ 1,184,211**	**5%**

5600 – General Administration & Customer Service

Expenditures that are not directly attributed to any one other department, but supporting all District activities, except wastewater. Examples include financial planning and management, accounting, information technology, records management, website hosting and management, Board of Directors support, payroll, and human resources. Activities related to assisting customers, reading meters, and preparing and processing water billing.

ADMINISTRATION & CUSTOMER SERVICE
DEPARMTENT 5600
FY25 BUDGET

Accounts	EXPENSES:	FY 21-22 Budget	FY 21-22 Actual	FY22-23 Budget	FY 22-23 Actual	FY 23-24 Amended Budget	FY 23-24 Actual As of 4/30/24	% of Budget Remaining	FY 24-25 Proposed	% Change
100-5600-50100	Salaries	$ 487,026	$ 549,256	$ 547,774	$ 542,165	$ 649,530	$ 576,807	11%	$ 727,176	12%
100-5600-50101	Part-time/Temp Wages	$ 22,682	$ 63,082	$ 19,948	$ 66,837	$ 15,000	$ 6,295	58%	$ 15,000	0%
100-5600-50102	Overtime	$ 2,624	$ 834	$ 2,734	$ 43	$ -	$ 31		$ 100	
100-5600-50103	Automobile Allowance	$ -	$ -	$ 2,000	$ 5,000	$ 7,600	$ 5,161	32%	$ 7,600	0%
100-5600-50104	Retiree Benefit	$ 22,827	$ 15,575	$ 9,973	$ 13,860	$ 26,000	$ 44,332	-71%	$ 52,608	102%
100-5600-50105	Director Compensation	$ 21,993	$ 23,200	$ 24,360	$ 24,000	$ 24,000	$ 20,000	17%	$ 24,000	0%
100-5600-50106	Moving Expenses	$ -	$ -	$ -	$ 10,000					
100-5600-50200	Payroll Taxes	$ 44,320	$ 46,515	$ 49,847	$ 42,968	$ 60,981	$ 45,748	25%	$ 69,082	13%
100-5600-50300	Health Insurance	$ 112,128	$ 93,867	$ 69,772	$ 81,745	$ 96,397	$ 104,622	-9%	$ 129,238	34%
100-5600-50302	Insurance - Workers Comp.	$ 6,268	$ 3,140	$ 6,383	$ 2,312	$ 3,021	$ 3,151	-4%	$ 3,657	21%
100-5600-50400	PERS Retirement	$ 45,900	$ 68,710	$ 47,256	$ 47,223	$ 60,215	$ 55,238	8%	$ 62,863	4%
100-5600-50401	PERS UAL	$ 175,151	$ 191,051	$ 207,229	$ 191,493	$ 159,417	$ 159,417	0%	$ 208,081	31%
100-5600-50403	Def. Comp Ret. Exp.	$ 2,200	$ -	$ 2,350	$ -	$ 9,450	$ 5,810	39%	$ 10,250	8%
updated 6/5/24	**TOTAL WAGES & BENEFITS**	**$ 943,119**	**$ 1,055,230**	**$ 989,626**	**$ 1,027,646**	**$ 1,111,611**	**$ 1,026,612**	**8%**	**$ 1,309,655**	**18%**
100-5600-51100	Materials & Supplies	$ 27,691	$ 10,153	$ 41,467	$ 12,094	$ 15,350	$ 8,295	46%	$ 13,275	-14%
100-5600-51101	Durable/Rentals/Leases	$ 8,569	$ 8,777	$ 15,486	$ 1,705	$ 8,525	$ 6,718	21%	$ 6,800	-20%
100-5600-51102	Office Supplies	$ 37,815	$ 62,546	$ 68,832	$ 28,540	$ 21,400	$ 17,889	16%	$ 23,600	10%
100-5600-51103	Safety/PPE Supplies	$ -	$ -	$ -	$ -	$ 1,000	$ 387	61%	$ 1,000	0%
100-5600-51104	Software Licenses	$ -	$ -	$ -	$ -	$ 48,230	$ 55,605	-15%	$ 68,750	43%
100-5600-51200	Vehicle Maintenance	$ 256	$ 18	$ -	$ 803	$ 3,250	$ 147	95%	$ 3,250	0%
100-5600-51201	Vehicle Operating - Fuel	$ -	$ -	$ -	$ -	$ 3,250	$ 1,823	44%	$ 3,250	0%
100-5600-51202	Building Maintenance	$ -	$ 8,531	$ -	$ 2,243	$ 10,000	$ 10,817	-8%	$ -	-100%
100-5600-51300	Professional Services	$ 135,000	$ 218,750	$ 227,000	$ 317,496	$ 335,700	$ 345,249	-3%	$ 130,350	-61%
100-5600-51301	Insurance - General Liability	$ 96,684	$ 80,520	$ 84,546	$ 93,830	$ 100,000	$ 89,754	10%	$ 93,300	-7%
100-5600-51302	Legal	$ 96,467	$ 69,975	$ 96,476	$ 40,328	$ 80,000	$ 78,383	2%	$ 85,000	6%
100-5600-51303	Audit	$ 14,444	$ 18,410	$ 21,968	$ 16,160	$ 22,200	$ 25,526	-15%	$ 20,000	-10%
100-5600-51304	Board Training/Travel	$ -	$ 4,300	$ -	$ -	$ 17,500	$ 9,653	45%	$ 17,500	0%
100-5600-51305	Accounting (NEW)	$ -	$ -	$ -	$ -	$ 80,000	$ -	0%	$ 160,000	100%
100-5600-52100	Staff Development/Travel	$ 2,733	$ 9,931	$ 6,204	$ 19,484	$ 24,200	$ 20,993	13%	$ 29,600	22%
100-5600-52102	Utilities	$ 41,096	$ 65,295	$ 45,654	$ 27,558	$ 62,175	$ 37,192	40%	$ 68,960	11%
100-5600-52103	Bank Charges	$ 344	$ 1,617	$ 425	$ 375	$ 500	$ 1,888	-278%	$ 1,800	260%
100-5600-52104	Payroll Processing	$ 22,827	$ 25,068	$ 25,871	$ 24,725	$ 26,400	$ 23,575	11%	$ 30,000	14%
100-5600-52105	Government Regulation Fees	$ 5,919	$ 5,910	$ -	$ 8,301	$ 8,955	$ 9,415	-5%	$ 11,250	26%
100-5600-52106	Elections	$ 10,253	$ -	$ 9,399	$ 7,418				$ 9,500	28%
100-5600-52107	Other Miscellaneous Expense	$ -	$ 8,480	$ -	$ 6,441	$ 1,500	$ 1,817	-21%	$ 1,500	0%
100-5600-52108	Membership/Subscriptions	$ 33,972	$ 40,112	$ 57,941	$ 49,737	$ 43,320	$ 39,526	9%	$ 45,120	4%
100-5600-52109	Low-Income Rate Assistance Program	$ -	$ -	$ -	$ -	$ 35,000	$ 11,796	66%	$ 35,000	0%
100-5600-52110	Recruitment (NEW)	$ -	$ -	$ -	$ -	$ 2,500	$ 3,331	-33%	$ 3,000	20%
	NON-LABOR EXP	**$ 534,070**	**$ 638,395**	**$ 701,269**	**$ 657,238**	**$ 950,955**	**$ 799,779**	**16%**	**$ 861,805**	**-9%**
updated 6/5/24	**TOTAL DEPARTMENT EXPENSES**	**$ 1,477,189**	**$ 1,693,625**	**$ 1,690,895**	**$ 1,684,884**	**$ 2,062,566**	**$ 1,826,391**	**11%**	**$ 2,171,460**	**5%**

6100 – Wastewater (Zone)

Activities related to overseeing wastewater collection and disposal. This includes compliance with State regulations including the waste discharge requirements adopted by the Water Quality Control Board.

Community Disposal System

The CDS refers to 137 properties connected to a community wastewater collection system and community leach field. These properties each have their own septic tank for removal and treatment of solids. Following individual property septic tank treatment, their wastewater is collected in sanitary sewer conveyance piping, then pumped by a central pump station to a community leach field for subsurface disposal.

Non-Community Disposal System

Non-CDS refers to approximately 1,019 properties that utilize individual property wastewater disposal systems. These properties each have their own individual septic tank and on-site disposal of wastewater.

ALT WASTEWATER ZONE
DEPARMTENT 6100
FY25 BUDGET

Accounts	EXPENSES:	FY 21-22 Budget	FY 21-22 Actual	FY22-23 Budget	FY 22-23 Actual	FY 23-24 Amended Budget	FY 23-24 Actual As of 4/30/24	% of Budget Remaining	FY 24-25 Proposed	% Change
200-6100-50100	Salaries	$103,049	$ 94,610	$ 80,789	$ 143,385	$ 132,360	$123,950	6%	$ 168,209	27%
200-6100-50102	Overtime	$ 913	$ 241	$ 1,047	$ 1,019	$ 1,272	$ 437	66%	$ 400	-69%
200-6100-50200	Payroll Taxes	$ 9,377	$ 7,251	$ 6,326	$ 10,843	$ 12,574	$ 9,229	27%	$ 15,980	27%
200-6100-50300	Health Insurance	$ 31,570	$ 20,124	$ 20,981	$ 32,498	$ 38,850	$ 33,281	14%	$ 39,795	2%
200-6100-50302	Insurance - Workers Comp.	$ 2,697	$ 1,553	$ 1,088	$ 1,614	$ 1,360	$ 1,324	3%	$ 2,435	79%
200-6100-50400	PERS Retirement Expense	$ 8,129	$ 8,478	$ 7,944	$ 11,936	$ 9,884	$ 11,371	-15%	$ 13,289	34%
200-6100-50401	PERS UAL	$ 13,565	$ 14,635	$ 14,634	$ 15,526	$ 34,873	$ 34,873	0%	$ 45,518	31%
	TOTAL WAGES & BENEFITS	**$169,300**	**$146,893**	**$132,809**	**$ 216,821**	**$231,173**	**$214,465**	7%	**$ 285,626**	24%
200-6100-51100	Materials & Supplies	$ 7,632	$ 8,231	$ 5,497	$ 4,357	$ 5,800	$ 4,136	29%	$ 5,800	0%
200-6100-51101	Durables/Rentals/Leases	$ 2,932	$ 580	$ 3,107	$ 578	$ 1,600	$ 162	90%	$ 1,200	-25%
200-6100-51103	Safety/PPE Supplies	$ -	$ -	$ -	$ -	$ 3,500	$ 1,650	53%	$ 2,900	-17%
200-6100-51104	Software/Licenses	$ -	$ -	$ -	$ -	$ 1,651	$ 725	56%	$ 715	-57%
200-6100-51200	Vehicle Maintenance	$ 2,220	$ 2,529	$ 4,788	$ 1,831	$ 1,550	$ 4,187	-170%	$ 3,900	152%
200-6100-51201	Vehicle Operating - Fuel	$ 6,387	$ 4,888	$ 6,770	$ 4,772	$ 5,000	$ 3,652	27%	$ 7,000	40%
200-6100-51300	Professional Services	$ 11,012	$ 24,525	$150,000	$ 70,496	$ 99,000	$ 22,880	77%	$ 73,500	-26%
200-6100-51301	Insurance - General Liability	$ 5,441	$ 4,374	$ -	$ 4,826	$ 5,309	$ 5,174	3%	$ 5,177	-2%
200-6100-52100	Staff Development/Training	$ 315	$ 59	$ 333	$ 1,948	$ 2,000	$ 472	76%	$ 2,669	33%
200-6100-52101	Travel	$ -	$ -	$ -	$ 106	$ -	$ 79		$ -	-100%
200-6100-52102	Utilities	$ 14,000	$ 14,196	$ 16,492	$ 19,491	$ 12,250	$ 13,307	-9%	$ 11,500	-6%
200-6100-52105	Government Regulation Fees	$ 36,831	$ 41,049	$ 34,221	$ 47,754	$ 56,250	$ 48,239	14%	$ 65,700	17%
	NON-LABOR EXP	**$ 86,770**	**$100,431**	**$221,208**	**$ 156,159**	**$193,910**	**$104,663**	46%	**$ 180,061**	-7%
updated 6/5/24	**TOTAL DEPARTMENT EXPENSES**	**$256,070**	**$247,324**	**$354,017**	**$ 372,980**	**$425,083**	**$319,128**	25%	**$ 465,686**	10%

Consolidated Expenses

In some departments, the amounts appear much higher than in previous years. On the consolidated expense sheet, the bottom line is only a 10% difference from the FY 23-24 budget. This is in part due to increased expenses related to inflation. This also represents a more accurate budget given my familiarity with the accounts. This year the accounts added are Accounting and Recruitment in 5600.

Table 1: Broken out by Account Number

CONSOLIDATED EXPENSES								
5100-6100 Accounts	EXPENSES:	FY 21-22 Actual	FY 22-23 Budget	FY 22-23 FYE Actual	AMENDED FY 23-24 Budget	Total Expenses 4/30/24	Proposed FY 24-25 Budget	% increase
50100	Salaries	$1,601,545	$ 1,755,937	$ 1,699,085	$ 1,988,327	$ 1,628,182	$2,181,738	10%
50101	Part-time (not on payroll)	$ 63,082	$ 20,924	$ 80,364	$ 20,000	$ 15,738	$ 20,000	0%
50102	Overtime	$ 102,265	$ 103,101	$ 120,038	$ 121,368	$ 86,724	$ 99,300	-18%
50103	Standby Pay	$ 53,800	$ 54,845	$ 64,920	$ 66,140	$ 45,001	$ 87,850	33%
50103	Automobile Allowance	$ -	$ -	$ 5,089	$ 7,600	$ 5,161	$ 7,600	0%
50104	Retiree Benefit	$ 15,575	$ 9,973	$ 13,860	$ 26,000	$ 44,332	$ 52,608	102%
50105	Director Stipend	$ 23,200	$ 24,360	$ 24,000	$ 24,000	$ 20,000	$ 24,000	0%
50200	Payroll Taxes	$ 144,639	$ 158,763	$ 145,231	$ 188,167	$ 133,307	$ 207,265	10%
50300	Health Insurance	$ 257,808	$ 425,228	$ 396,541	$ 439,925	$ 421,321	$ 493,070	12%
50302	Insurance - Workers Comp.	$ 35,269	$ 45,444	$ 37,624	$ 27,896	$ 30,608	$ 40,307	44%
50400	PERS Retirement Expense	$ 177,743	$ 177,917	$ 159,583	$ 209,865	$ 162,532	$ 216,299	3%
50401	PERS UAL	$ 488,624	$ 551,337	$ 507,610	$ 498,179	$ 498,179	$ 650,254	31%
50403	Def Comp Retirement Expense	$ -	$ -	$ -	$ 9,450	$ 5,810	$ 10,250	8%
	TOTAL WAGES & BENEFITS	**$2,963,550**	**$ 3,327,829**	**$ 3,253,945**	**$ 3,626,917**	**$ 3,096,895**	**$4,090,542**	**13%**
51100	Materials & Supplies	$ 277,493	$ 303,800	$ 370,677	$ 293,750	$ 188,024	$ 287,925	-2%
51101	Durable Goods/ Rentals	$ 17,142	$ 39,264	$ 132,085	$ 31,475	$ 17,402	$ 13,900	-56%
51102	Office Supplies	$ 62,546	$ 68,832	$ 28,540	$ 21,400	$ 17,889	$ 23,600	10%
51103	PPE /Safety Equipment	$ -	$ -	$ -	$ 25,600	$ 16,650	$ 32,500	27%
51104	Software/ Licenses	$ -	$ -	$ -	$ 48,230	$ 58,255	$ 70,365	46%
51200	Vehicle Maintenance	$ 39,094	$ 61,224	$ 70,027	$ 56,800	$ 53,122	$ 54,325	-4%
51201	Vehicle Operating - Fuel	$ 36,450	$ 70,870	$ 101,139	$ 46,150	$ 60,504	$ 104,250	126%
51202	Building Maintenance	$ 23,172	$ 289	$ 6,315	$ 18,750	$ 10,908	$ 6,250	-67%
51300	Professional Services	$ 372,290	$ 498,884	$ 581,097	$ 573,750	$ 485,452	$ 328,350	-43%
51301	Insurance - General Liability	$ 84,894	$ 84,546	$ 98,656	$ 100,000	$ 89,754	$ 98,477	-2%
51302	Legal	$ 69,975	$ 96,476	$ 156,159	$ 80,000	$ 78,383	$ 85,000	6%
51303	Audit	$ 18,410	$ 21,968	$ 16,160	$ 22,200	$ 25,526	$ 20,000	-10%
51304	Board Training/Travel				$ 17,500	$ 9,653	$ 17,500	0%
51305	Accounting (NEW)				$ -	$ -	$ 160,000	100%
52100	Staff Development/Training/Travel	$ 10,765	$ 11,374	$ 25,542	$ 32,700	$ 22,433	$ 38,769	19%
~~52101~~	~~Travel~~					~~$ 79~~	~~$~~	~~100%~~
52102	Utilities	$ 331,278	$ 329,514	$ 309,893	$ 321,425	$ 270,282	$ 414,210	29%
52103	Bank Charges	$ 1,617	$ 425	$ 375	$ 500	$ 1,888	$ 1,800	260%
52104	Payroll Processing Fees	$ 25,068	$ 25,871	$ 24,725	$ 26,400	$ 23,575	$ 30,000	14%
52105	Government Regulation Fees	$ 236,021	$ 157,652	$ 180,503	$ 232,055	$ 196,154	$ 243,700	5%
52106	Elections	$ -	$ 9,399	$ 7,418	$ -	$ -	$ 9,500	35%
52107	Other Misc. Expenses	$ 8,480	$ -	$ 6,441	$ 1,500	$ 1,817	$ 1,500	0%
52108	Membership/Subscriptions	$ 40,072	$ 59,105	$ 50,348	$ 43,720	$ 39,726	$ 45,520	4%
52109	Low-Income Rate Assistance Prog.	$ 15,702	$ 35,000	$ 15,208	$ 35,000	$ 11,796	$ 35,000	0%
52110	Recruitment (NEW)				$ 2,500	$ 3,331	$ 3,000	20%
	NON-LABOR EXP	**$1,670,470**	**$ 1,874,493**	**$ 2,181,308**	**$ 2,031,405**	**$ 1,682,603**	**$2,125,441**	**5%**
updated 6/5/24	**TOTAL DEPARTMENT EXPENSES**	**$4,634,020**	**$ 5,202,322**	**$ 5,435,253**	**$ 5,658,322**	**$ 4,779,498**	**$6,215,982**	**10%**

Table 2: Broken out by Department.

Description	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Actual	FY 20-21 Actual	FY 21-22 Actual	FY 22-23 Actual	FY 23-24 Amended	FY 23-24 Actual As of 4/30/24	FY 24-25 Proposed Budget	% Change
DRAFT FISCAL YEAR 2024-2025 BUDGET										
OPERATING EXPENSES WATER										
Source of Supply (5100)	$ 479,341	$ 352,468	$ 296,866	$ 377,070	$ 419,520	$ 725,997	$ 658,467	$ 485,737	$725,456	10%
Trans & Dist Raw Water (5200)	$ 694,531	$ 689,151	$ 734,568	$ 766,903	$ 808,007	$ 679,413	$ 666,796	$ 490,786	$720,878	8%
Water Treatment (5300)	$ 603,755	$ 672,713	$ 787,821	$ 723,918	$ 776,534	$ 754,383	$ 832,147	$ 709,786	$948,292	14%
Trans & Dist Treated Water (5400)	$ 703,764	$ 827,030	$ 770,081	$ 953,445	$ 937,803	$ 1,077,758	$ 1,133,099	$ 958,702	$1,184,211	5%
Customer Service (5500) inactive for FY24	$ 217,877	$ 215,433	$ 214,409	$ 236,720	$ 302,298	$ 204,818	$ -	$ -	$ -	
Admin & Customer Service (5600)	$ 1,087,332	$ 1,519,128	$ 1,452,342	$ 1,375,671	$ 1,143,324	$ 1,684,884	$ 2,062,566	$ 1,826,391	$2,171,460	5%
Total Operating Expenses (WATER)	**$ 3,786,600**	**$ 4,275,923**	**$ 4,256,087**	**$ 4,433,727**	**$ 4,387,486**	**$ 5,127,253**	**$ 5,353,075**	**$ 4,471,402**	**$5,750,296**	7%
OPERATING EXPENSES ZONE										
On-Site Wastewater Disposal Zone (6100)	$ 306,930	$ 268,009	$ 202,919	$ 221,666	$ 265,116	$ 372,980	$ 425,083	$ 319,128	$465,686	10%
Total Operating Expenses	**$ 4,093,530**	**$ 4,543,932**	**$ 4,459,006**	**$ 4,655,393**	**$ 4,652,602**	**$ 5,500,233**	**$ 5,778,158**	**$ 4,790,530**	**$6,215,982**	8%
CAPITAL IMPROVEMENT PLAN (CIP)	$ 11,682,810	$ 7,816,272	$ 3,084,123	$ 3,190,400	$ 1,151,000	$ 758,540	$ 1,313,000	$ 519,059	$697,350	
NON-OPERATING EXPENSES										
SWRCB loan pymt (Fund 112)	$ 15,770	$ 106,728	$ 555,899	$ 587,357	$ 587,357	$ 587,357		$ 587,357	$587,357	
GASB 68 pension expense (50402) (1)	$ -	$ -	$ -	$ -	$ 1,925,358	$ 1,834,498				
GASB 75 OPEB Liability (2)	$ -	$ -	$ -	$ 1,440,554	$ 1,594,921	$ 1,334,027				

(1) GASB 68 requires that pension expense be reported using a new method that presents service (normal) cost and other basic expenses (for example the cost of administering the pension plan), as well as amounts recognized each year for deferred inflows of resources (which reduce the pension expense) and deferred outflows of resources (which increase the pension expense).

(2) Government Accounting Standards Board Statement No. 75 (GASB 75) is an accounting and financial reporting requirement for employers to measure and report the cost and liabilities associated with other postemployment benefits (OPEB), which do not include pensions. This statement replaces GASB 45.

Capital Improvement Projects

The five-year capital improvement plan (CIP) is adopted each year by the Board separately from the budget. The expenditures in the CIP for the current fiscal year are incorporated into this budget and shown as expenses within the Fund Summary. The second table are potential grant funded projects.

Table 1: CIP projects

CIP Project (Water)	FY 23-24 BUDGET Adopted 6/13/23	FY23-24 Amended CIP Adopted 10/10/23	4/30/24 YTD EXPENDITURES	FY 24-25	FY 25-26	FY 26-27	FY 27-28	Total FY 25-28
Priority 1								
Tunnel Inspection and Lining	$ 65,000	$ 65,000	$ 4,200	$ 65,000				$ 65,000
Infrstructure Replacement/HQ Building	$ 200,000	$ 200,000	$ 19,481	$ 19,000	$ 200,000			$ 219,000
Distribution Tank Coating	$ 275,000	$ 275,000		$ 175,000	$ 175,000			$ 350,000
Paving	$ 75,000	$ 50,000	$ -	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 160,000
Vehicle Replacements	$ 250,000	$ 175,000	$ 174,406					$ -
- Dump Truck Less than $75,000								$ -
- Utility Truck for 5400 F-450 $75,000								$ -
- 1/2 Ton Trucks (3) $100,000								$ -
Tracked Barrow (5100-5200)				$ 3,000				$ 3,000
Snow Survey Equipment (5100)				$ 2,500				$ 2,500
Water Quality Sensors (5300)				$ 10,000				$ 10,000
Vibratory Plate (5400)				$ 2,650				$ 2,650
Flushing Equipment (5400)				$ 3,000				$ 3,000
Hydraulic Jack Hammer (5400)				$ 3,200				$ 3,200
eCorp (CEQA Compliance) (5600)				$ 7,500				$ 7,500
Bennett (Engineering Consultant) (5600)				$ 30,000				$ 30,000
Vectis (Federal Advocacy) (5600)				$ 48,000				$ 48,000
Zanjero (Grant Writing) (5600)				$ 20,000				$ 20,000
Mosquito Fire Mitigation								$ -
Road Bank Repair	$ -	$ 15,000	$ 13,932					$ -
Erosion Mitigation	$ -	$ 15,500	$ 4,800					$ -
Levee Road	$ -	$ 161,000	$ 180,840					$ -
Pipe Mitigation	$ -	$ 36,500	$ 21,412					$ -
Master Meters	$ 80,000	$ -	$ 87,982					$ -
Priority 2								
Pump Station Retrofit	$ 12,000	$ 12,000	$ -	$ 12,000	$ 12,000	$ 12,000		$ 36,000
Repair Safety Walkways	$ 35,000	$ 2,500	$ 848	$ 5,000	$ 5,000	$ 5,000		$ 15,000
Treated Water line Replacement	$ 65,000	$ 65,000	$ 492	$ 65,000	$ 70,000	$ 75,000		$ 210,000
Vehicle Replacements				$ 100,000	$ 100,000	$ 250,000	$ 250,000	$ 700,000
Pressure Regulating Valves	$ 50,000	$ 20,000	$ -	$ 25,000	$ 25,000	$ 25,000		$ 75,000
Priority 3								
Annual Canal Lining/Canal Improvements	$ -	$ 8,000	$ -		$ 100,000	$ 100,000	$ 100,000	$ 300,000
Replace Air Release Valves	$ 10,000	$ 2,500	$ 10,667	$ 10,000	$ 10,000	$ 10,000		$ 30,000
VFD Replacement Sweetwater Treatment Plant						$ 100,000		$ 100,000
SCADA Upgrades	$ -	$ -	$ -	$ -	$ 100,000	$ 225,000		$ 325,000
Sub Total	**$ 1,117,000**	**$ 1,103,000**	**$ 519,059**	**$ 645,850**	**$ 837,000**	**$ 842,000**	**$ 390,000**	**$ 2,714,850**
CIP Project (ZONE)								
Lift Station Upgrade (CDS Reserve)	$ 150,000	$ 150,000	$ -					$ -
Solar at Lift Station 16	$ 50,000	$ 50,000	$ -					$ -
Installation of a Water Line to CDS Field	$ 10,000	$ 10,000	$ -					$ -
CDS Carport				$ 13,000				$ 13,000
Geopump				$ 7,500				$ 7,500
Water Trailer				$ 11,000				$ 11,000
Backhoe Attachment or Used Mini Excavator				$ 20,000				$ 20,000
Sub Total	**$ 210,000**	**$ 210,000**	**$ -**	**$ 51,500**	**$ -**	**$ -**	**$ -**	**$ 51,500**
TOTAL	**$ 1,327,000**	**$ 1,313,000**	**$ 519,059**	**$ 697,350**	**$ 837,000**	**$ 842,000**	**$ 390,000**	**$ 2,766,350**

Table 2: Grant Funded projects.

Potential Grant Funded Capital Projects	FY 23/24 BUDGET Adopted 6/13/23	FY23-24 Amended CIP Adopted 10/10/23	4/30/24 YTD EXPENDITURES	FY 24/25	FY 25/26	FY 26/27	FY 27/28	Total 22-28
Hydrant Buddy (Valve Exercising) (5300-5400)				$ 13,000.00				$ 13,000.00
GRANT - JPIA Risk grant				$ (13,000.00)				$ (13,000.00)
Annual Canal Lining/Canal Improvements	$ 120,000	$ 120,000	$ 33,952	$ 120,000	$ -	$ -	$ -	$ 120,000
GRANT - USBR (AWARDED)	$ (40,000)	$ (40,000)	$ -	$ (40,000)	$ -	$ -	$ -	$ (40,000)
Dredging of Holding Reservoirs and Erosion	$ 285,000	$ 285,000	$ 7,632	$ -	$ 5,600,000	$ -	$ -	$ 5,600,000
GRANT - FEMA Emergency Funds (AWARDED)	$ (285,000)	$ (285,000)	$ -	$ -	$ (1,500,000)	$ -	$ -	$ (1,500,000)
AMI Meter Infrastructure	$ 125,000	$ 50,000	$ 13,496	$ 111,000	$ -	$ -	$ -	$ 111,000
GRANT - California State Appropriation	$ (125,000)	$ (50,000)	$ (111,000)	$ (111,000)	$ -	$ -	$ -	$ (111,000)
Infrasturcture Generators	$ 100,000	$ 200,000	$ -	$ -	$ -	$ -	$ -	$ -
GRANT - California State Appropriation	$ (100,000)	$ (200,000)	$ (139,000)	$ -	$ -	$ -	$ -	$ -
Skid Steer w/Masicator	$ 162,500	$ 162,500	$ 155,618	$ -	$ -	$ -	$ -	$ -
GRANT - CalFire	$ (162,500)	$ (162,500)	$ (149,027)	$ -	$ -	$ -	$ -	$ -
Excavator w/Masicator	$ 162,500	$ 162,500	$ 157,261	$ -	$ -	$ -	$ -	$ -
GRANT - CalFire	$ (162,500)	$ (162,500)	$ (149,027)	$ -	$ -	$ -	$ -	$ -
Clearing Contract	$ -	$ -	$ -	$ 920,000	$ -	$ -	$ -	$ 920,000
GRANT - CalFire	$ -	$ -	$ -	$ (920,000)	$ -	$ -	$ -	$ (920,000)
Sweetwater Water Treatment 2MG Water Tank	$ -	$ -	$ -	$ 1,750,000	$ -	$ -	$ -	$ 1,750,000
GRANT - Federal Appropriation	$ -	$ -	$ -	$ (1,250,000)	$ -	$ -	$ -	$ (1,250,000)
Upper Canal Pipline project	$ -	$ -	$ -	$ 8,900,000	$ -	$ -	$ -	$ 8,900,000
USDA Rural Development Grant	$ -	$ -	$ -	$ (8,900,000)	$ -	$ -	$ -	$ (8,900,000)
Canal Pipeline Improvements	$ 1,333,333	$ 1,333,333	$ 12,243	$ 1,300,000	$ 1,300,000	$ 1,300,000	$ -	$ 3,900,000
GRANT - CalOES HMPG	$ (1,000,000)	$ (1,000,000)	$ -	$ (1,000,000)	$ (1,000,000)	$ (1,000,000)	$ -	$ (3,000,000)
Develop Alternative Water Sources (Onion Creek)	$ -	$ -	$ -	$ 1,000,000	$ -	$ -	$ -	$ 1,000,000
Alternative Water Sources State Appropriation	$ -	$ -	$ -	$ (500,000)	$ -	$ -	$ -	$ (500,000)
Hydroelectric at Stumpy Meadows Reservoir	$ -	$ -	$ -	$ 5,000,000	$ -	$ -	$ -	$ 5,000,000
Hydroelectric Federal Appropriation	$ -	$ -	$ -	$ (5,000,000)	$ -	$ -	$ -	$ (5,000,000)
Solar on Walton and Sweetwater (Solar)	$ -	$ -	$ -	$ 2,000,000	$ -	$ -	$ -	$ 2,000,000
Solar on Walton and Sweetwater (Batteries)	$ -	$ -	$ -	$ 2,000,000	$ -	$ -	$ -	$ 2,000,000
Community Grant for Energy	$ -	$ -	$ -	$ (2,670,000)	$ -	$ -	$ -	$ (2,670,000)
PPP Loan	$ -	$ -	$ -	$ (1,333,000)				$ (1,333,000)
Develop Alternative Water Sources (Otter Creek)	$ 85,000	$ 85,000	$ -	$ 100,000	$ -	$ -	$ -	$ 100,000
Sub Total	**$ 2,373,333**	**$ 2,398,333**	**$ 380,202**	**$ 23,214,000**	**$ 6,900,000**	**$ 1,300,000**	**$ -**	**$ 30,068,000**
CIP Project (GRANT FUNDED ZONE)								
CDS Lift Station Upgrade				$ 833,000				$ 833,000
GRANT - Prop 50				$ (833,000)				$ (833,000)
Wastewater Treatment Plant							$ 750,000	$ 750,000
ZONE Sub Total	$ -	$ -	$ -	**$ 833,000**	$ -	$ -	**$ 750,000**	**$ 1,583,000**
Grant Total	$ (1,875,000)	$ (1,900,000)	$ (548,054)	$ (22,570,000)	$ (2,500,000)	$ (1,000,000)	$ -	$ (24,724,000)
Total	**$ 498,333**	**$ 498,333**	**$ (167,852)**	**$ 1,477,000**	**$ 4,400,000**	**$ 300,000**	**$ 750,000**	**$ 6,927,000**

Table 3: Future projects

CIP Project (Water)	FY 23-24 BUDGET Adopted 6/13/23	FY23-24 Amended CIP Adopted 10/10/23	4/30/24 YTD EXPENDITURES	FY 24-25	FY 25-26	FY 26-27	FY 27-28	Total FY 25-28
Future Projects (2029-2034)								
North Fork American River Pumping Plant								$ 35,000,000
Secondary Reservoir								$ 75,000,000
Line Extensions (Expanding the District)								$ 5,000,000
							TOTAL	**$ 115,000,000**

Proposition 4: El Dorado County Appropriation limits

In November 1979, the voters of the State of California approved Proposition 4, commonly known as the (Paul) Gann Initiative. The Proposition limits the amount of tax revenue that can be spent by all entities of government. The District is a local government and, therefore, must comply with the Proposition. The Proposition became effective for the 1980-81 Fiscal Year. Since that time, the District has annually been setting a public hearing to establish its appropriation limit, which is derived from information received from the State Department of Finance during May.

	County of El Dorado OFFICE OF AUDITOR-CONTROLLER 360 FAIR LANE PLACERVILLE, CALIFORNIA 95667 Phone: (530) 621-5487 FAX: (530) 295-2535	**JOE HARN** Auditor-Controller **TSUNG-KUEI HSU** **Assistant Auditor-Controller**

May 2, 2024

To: **All Special Districts**

From: **Andreja Saich, Principal Financial Analyst**

Subject : **2024-2025 Proposition 4 - Appropriations Limitation**

Your district needs to calculate and adopt the new tax spending limit for FY 2024-25 in accordance with the provisions of the spending limitation legislation implementing Proposition 4 (the 1979 Gann Spending Limit Initiative). Government Code Section 7910 requires that: ". . . the governing body of each local jurisdiction to establish appropriation limits by resolution for the following fiscal year at a regular or special meeting."

The district's new limit for the 2024-2025 year will be calculated on the basis of the prior year's limit increased by a growth factor. The growth factor results from combining the change in Per Capita Personal Income and the change in population for your district (as certified by the State's Department of Finance) or the change reported for "unincorporated areas" for our County.

The change in the "cost of living" factor (Per Capita Personal Income) has been reported to be 3.62% and reported change in population in the County's unincorporated areas to be an increase of .25%. Therefore, the ratio of change to be applied to last year's limit is:

1.0362 (X) 1.0025 = 1.0388

Attached is a sample format for the required "NOTICE OF PUBLIC HEARING" and a sample resolution (which includes the calculation formula).

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT THAT the appropriations Limit for Fiscal Year 2024-2025 as described in Article XIII B of the State Constitution and implemented by Chapter 1205, Statutes of 1980 is the sum of computed as follows,

$ 3,472,857.28 (x) 1.0388 = $ 3,607,604.14

(2022-24 Approp. Limit) (2024-25 Approp. Limit)

GDPUD

BOARD OF DIRECTORS MEETING

FY 23-24 BUDGET & CIP AND FY 24-25 PROPOSED BUDGET

JUNE 6, 2024

NICHOLAS SCHNEIDER/JESSICA BUCKLE

SOURCE OF SUPPLY DEPARMTENT 5100 FY25 BUDGET										
Accounts	EXPENSES:	FY 21-22 Budget	FY 21-22 Actual	FY22-23 Budget	FY 22-23 Actual	FY 23-24 Amended Budget	FY 23-24 Actual As of 4/30/24	% of Budget Remaining	FY 24-25 Proposed	% change
100-5100-50100	Salaries	$ 163,354	$ 109,580	$ 157,169	$ 154,589	$ 213,320	$ 141,959	33%	$ 251,403	18%
100-5100-50102	Overtime	$ 13,642	$ 10,359	$ 13,642	$ 24,072	$ 14,000	$ 14,658	-5%	$ 14,000	0%
100-5100-50103	Standby Pay	$ 11,867	$ 7,530	$ 11,867	$ 14,820	$ 13,150	$ 5,623	57%	$ 17,625	34%
100-5100-50200	Payroll Taxes	$ 14,865	$ 9,629	$ 14,302	$ 14,622	$ 20,265	$ 11,917	41%	$ 23,883	18%
100-5100-50300	Health Insurance	$ 51,860	$ 25,538	$ 51,860	$ 44,651	$ 52,966	$ 46,181	13%	$ 58,034	10%
100-5100-50302	Insurance - Workers Comp.	$ 6,857	$ 7,044	$ 6,857	$ 8,573	$ 6,336	$ 6,080	4%	$ 7,563	19%
100-5100-50400	PERS Retirement Expense	$ 14,223	$ 11,473	$ 13,469	$ 16,067	$ 16,808	$ 14,868	12%	$ 24,620	46%
100-5100-50401	PERS UAL	$ 11,926	$ 9,756	$ 10,683	$ 10,351	$ 54,800	$ 54,800	0%	$ 71,528	31%
	TOTAL WAGES & BENEFITS	$ 288,594	$ 190,909	$ 279,849	$ 287,745	$ 391,646	$ 296,087	24%	$ 468,656	20%
100-5100-51100	Materials & Supplies	$ 10,765	$ 13,412	$ 11,410	$ 54,906	$ 17,100	$ 4,594	73%	$ 21,600	26%
100-5100-51101	Durables/Rentals/Leases	$ 344	$ 1,300	$ 3,200	$ 114,068	$ 7,400	$ 442	94%	$ 5,900	-20%
100-5100-51103	Safety/PPE Supplies	$ -	$ -	$ -	$ -	$ 6,600	$ 2,354	64%	$ 6,800	3%
100-5100-51104	Software Licenses	$ -	$ -	$ -	$ -	$ 271	$ 271	0%	$ -	-100%
100-5100-51200	Vehicle Maintenance	$ 4,632	$ 4,929	$ 5,589	$ 4,253	$ 4,850	$ 7,199	-48%	$ 9,200	90%
100-5100-51201	Vehicle Operating - Fuel	$ 5,683	$ 9,555	$ 8,380	$ 9,724	$ 9,150	$ 6,643	27%	$ 13,700	50%
100-5100-51300	Professional Services	$ 37,359	$ 107,758	$ 84,236	$ 161,614	$ 91,800	$ 65,609	29%	$ 75,500	-18%
100-5100-52100	Staff Development/Certifications	$ -	$ 59	$ 750	$ 40	$ 1,250	$ 298	76%	$ 1,000	-20%
100-5100-52102	Utilities	$ 10,715	$ 10,034	$ 19,267	$ 10,424	$ 10,250	$ 10,369	-1%	$ 10,950	7%
100-5100-52105	Government Regulation Fees	$ 60,000	$ 148,355	$ 80,000	$ 83,223	$ 118,000	$ 91,821	22%	$ 112,000	-5%
100-5100-52108	Membership/Subscriptions	$ 391	$ -	$ 415	$ -	$ 150	$ 50	67%	$ 150	0%
	NON-LABOR EXP	$ 129,889	$ 295,401	$ 213,247	$ 438,252	$ 266,821	$ 189,650	29%	$ 256,800	-4%
updated 6/5/24	TOTAL DEPARTMENT EXPENSES	$ 418,483	$ 486,310	$ 493,096	$ 725,997	$ 658,467	$ 485,737	26%	$ 725,456	10%

5100 – Source of Supply

5100 – Source of Supply

Durable Goods/Rentals		Costs
Emergency Equipment Rental	$	5,000
Misc Rental Equipment	$	750
Welding Tank Rentals	$	150
Total	**$**	**5,900**

Staff Development		Costs
Misc Training	$	1,000
Total	**$**	**1,000**

Materials & Supplies		Costs
Emergency Pipe (Ferguson)	$	1,000
Misc Daily Supplies or parts	$	2,500
Gravel	$	5,000
Erosion Control	$	7,500
Misc Pipe and Fittings	$	500
Disposable Goods - Oil/Chains	$	500
Maintenance on Spillway	$	1,250
Blade Sharpening	$	250
Disposable Welding Goods	$	350
Lumber (Wastegate/Crossing)	$	500
Steel	$	2,250
Total	**$**	**21,600**

Vehicle Maintenance		Costs
All Cycles	$	1,500
Divide Auto	$	500
Placerville Polaris	$	750
Misc Repair	$	500
Equipment Maintenance/Service	$	5,000
Tire Hub	$	950
Total	**$**	**9,200**

Utilities		Costs
Picovale (Gage Monitoring)	$	8,750
Verizon	$	2,000
Arcgis (ESRI)	$	200
Total	**$**	**10,950**

Safety PPE/Essentials		Costs
Sierra Safety	$	500
Waders	$	2,000
Misc.	$	500
Winter Gear	$	750
Uniforms	$	2,250
Employee Allowances	$	800
Total	**$**	**6,800**

Vehicle Operating Fuel		Costs
Wex (Unit #2)	$	7,000
Wex (Polaris)	$	450
Wex (Equipment)	$	6,250
Total	**$**	**13,700**

Government Reg. Fees		Costs
Dam Permit Fees	$	79,000
Water Rights	$	33,000
Total	**$**	**112,000**

Professional Services		Costs
Western (Gage Maint./WR Rep.)	$	55,000
Western (Gage Repair)	$	8,000
Bennett (Stamp Dam Reporting)	$	5,000
Cal Fire (Growlersburg)	$	5,000
Infinity Tech (GIS)	$	2,500
Total	**$**	**75,500**

Memberships/Subscriptions		Costs
Misc Membership	$	150
Total	**$**	**150**

5100 Updates

1. Local 1: MOU negotiations of salary increases included (affects salaries, payroll taxes, Work Comp and PERS retirement exp)
2. Added $750 to Misc. Materials & Supplies
3. Removed GASB 68 Pension Expense from operating costs
4. Removed Capital Expenses account;
   a) Removed trimmer and pole saw from Capital Expenses (will purchase in FY24)
   b) Moved Tracked Barrow ($1,500) to CIP priority 1 (was split between 5100/5200)
   c) Snow Survey Equipment moved to CIP priority 1 ($2,500)

RAW WATER DEPARMTENT 5200 FY25 BUDGET										
Accounts	EXPENSES:	FY 21-22 Budget	FY 21-22 Actual	FY22-23 Budget	FY 22-23 Actual	FY 23-24 Amended Budget	FY 23-24 Actual As of 4/30/24	% of Budget Remaining	FY 24-25 Proposed	% Change
100-5200-50100	Salaries	$ 322,851	$ 229,602	$ 308,538	$ 237,624	$ 323,240	$ 196,747	39%	$ 319,292	-1%
100-5200-50101	Part-time/Temp Wages	$ 1,065		$ 976	$ 13,527	$ 5,000	$ 15,301	-206%	$ 5,000	0%
100-5200-50102	Overtime	$ 20,648	$ 27,891	$ 20,252	$ 22,884	$ 24,800	$ 17,112	31%	$ 24,800	0%
100-5200-50103	Standby Pay	$ 13,260	$ 14,800	$ 13,260	$ 18,680	$ 21,550	$ 12,364	43%	$ 28,125	31%
100-5200-50200	Payroll Taxes	$ 29,379	$ 24,172	$ 28,077	$ 21,144	$ 30,708	$ 16,837	45%	$ 30,333	-1%
100-5200-50300	Health Insurance	$ 115,737	$ 61,392	$ 115,737	$ 62,688	$ 77,835	$ 62,031	20%	$ 84,069	8%
100-5200-50302	Insurance - Workers Comp.	$ 15,689	$ 9,035	$ 15,285	$ 9,869	$ 7,250	$ 7,800	-8%	$ 10,604	46%
100-5200-50400	PERS Retirement Expense	$ 30,867	$ 24,579	$ 29,450	$ 23,165	$ 38,412	$ 20,485	47%	$ 33,039	-14%
100-5200-50401	PERS UAL	$ 214,481	$ 190,251	$ 208,325	$ 201,844	$ 79,709	$ 79,709	0%	$ 104,041	31%
	TOTAL WAGES & BENEFITS	**$ 763,977**	**$ 581,724**	**$ 739,900**	**$ 611,425**	**$ 608,504**	**$ 428,387**	**30%**	**$ 639,303**	**5%**
100-5200-51100	Materials & Supplies	$ 18,000	$ 20,405	$ 25,000	$ 18,288	$ 14,500	$ 10,982	24%	$ 17,250	19%
100-5200-51101	Durables/Rentals/Leases	$ 2,000	$ 4,710	$ 2,000	$ 2,655	$ 1,450	$ 195	87%	$ -	-100%
100-5200-51103	Safety/PPE Supplies	$ -	$ -	$ -	$ -	$ 3,250	$ 3,224	1%	$ 8,950	175%
100-5200-51104	Software Licenses	$ -	$ -	$ -	$ -	$ 542	$ 542		$ 150	-72%
100-5200-51200	Vehicle Maintenance	$ 6,152	$ 9,412	$ 10,213	$ 12,366	$ 8,900	$ 12,467	-40%	$ 11,275	27%
100-5200-51201	Vehicle Operating - Fuel	$ 12,070	$ 20,805	$ 18,210	$ 28,347	$ 21,000	$ 19,036	9%	$ 29,300	40%
100-5200-51300	Professional Services	$ 2,354	$ 5,482	$ 5,984	$ 2,152	$ 5,000	$ 12,045	-141%	$ 10,000	100%
100-5200-52100	Staff Development/Training	$ 147	$ 147	$ 750	$ 655	$ 750	$ 90	88%	$ 1,000	33%
100-5200-52102	Utilities	$ 1,337	$ 1,862	$ 1,420	$ 3,525	$ 2,750	$ 3,768	-37%	$ 3,500	27%
100-5200-52108	Membership/Subscriptions	$ 391	$ -	$ 358	$ -	$ 150	$ 50	67%	$ 150	0%
	NON-LABOR EXP	**$ 42,451**	**$ 62,822**	**$ 63,935**	**$ 67,988**	**$ 58,292**	**$ 62,399**	-7%	$ 81,575	40%
updated 6/5/24	**TOTAL DEPARTMENT EXPENSES**	**$ 806,428**	**$ 644,546**	**$ 803,835**	**$ 679,413**	**$ 666,796**	**$ 490,786**	**26%**	**$ 720,878**	**8%**

5200 – Transmission and Distribution of Raw Water

5200 – Transmission and Distribution of Raw Water

Durable Goods/Rentals	Costs
Welding Tank Rental	$ 150
Misc Rental Equipment	$ 750
Total	**$ 900**

Staff Development	Costs
Misc Training	$ 1,000
Total	**$ 1,000**

Materials & Supplies	Costs
Misc Daily Supplies	$ 6,750
Pipe/Fittings	$ 1,250
Gravel/Rock	$ 2,500
Disposable Goods - Oil/Chains	$ 2,250
USA Blue Book (Misc)	$ 250
Disposable Welding Goods	$ 750
Blade Sharpening	$ 250
Lumber - Flume Repair/Wastegate	$ 1,000
Grizzly Maintenance	$ 2,250
Total	**$ 17,250**

Vehicle Maintenance	Costs
All Cycles	$ 3,375
Divide Auto	$ 750
Misc. Repair	$ 2,400
Equipment Maintence/Se	$ 2,500
Tire Hub	$ 2,250
Total	**$ 11,275**

Utilities	Costs
Arcgis (ESRI)	$ 500
Verizon	$ 3,000
Total	**$ 3,500**

Memberships/Subscripti	Costs
Misc Membership	$ 150
Total	**$ 150**

Software/Licenses	Costs
Safety Training/Misc.	$ 150
Total	**$ 150**

Vehicle Operating -Fuel	Costs
Wex (4.5 Units)	$ 24,300
Wex (Equipment)	$ 5,000
Total	**$ 29,300**

Professional Services	Costs
Cal Fire (Growlersburg)	$ 7,500
Infinity Tech (GIS)	$ 2,500
Total	**$ 10,000**

Safety PPE/Essentials	Costs
Sierra Safety	$ 1,200
Capital Rubber (Waders)	$ 1,250
Winter Gear	$ 1,250
Uniforms	$ 3,000
Misc.	$ 250
Employee Allowances	$ 2,000
Total	**$ 8,950**

5200 Updates

1. Local 39: Distribution Operator I vacancy – salary lowered to step A for FY24-25 (@5%)
2. Local 1: MOU negotiations of salary increases included (affects salaries, payroll taxes, Work Comp and PERS retirement exp)
3. Software/Licenses formula was broken from table, not showing $150 (corrected)
4. Increased Material & Supplies misc. exp. By $750
5. Removed GASB 68 Pension Expense from operating costs
6. Removed Capital Expenses account;
   a) Removed trimmer and pole saw from Capital Expenses (will purchase in FY24)
   b) Moved Tracked Barrow ($1,500) to CIP priority 1 (was split between 5100/5200)

WATER TREATMENT DEPARMTENT 5300 FY25 BUDGET										
Accounts	EXPENSES:	FY 21-22 Budget	FY 21-22 Actual	FY22-23 Budget	FY 22-23 Actual	FY 23-24 Amended Budget	FY 23-24 Actual As of 4/30/24	% of Budget Remaining	FY 24-25 Proposed	% Change
100-5300-50100	Salaries	$ 250,264	$ 196,493	$ 244,058	$ 190,326	$ 229,802	$ 189,856	17%	$ 252,584	10%
100-5300-50102	Overtime	$ 25,118	$ 25,815	$ 25,097	$ 29,282	$ 34,496	$ 23,884	31%	$ 28,000	-19%
100-5300-50103	Standby Pay	$ 9,688	$ 15,760	$ 9,688	$ 15,710	$ 15,720	$ 13,282	16%	$ 21,050	34%
100-5300-50200	Payroll Taxes	$ 22,774	$ 20,127	$ 22,209	$ 17,809	$ 21,831	$ 16,864	23%	$ 23,995	10%
100-5300-50300	Health Insurance	$ 64,914	$ 51,683	$ 64,914	$ 53,961	$ 63,996	$ 57,728	10%	$ 58,405	-9%
100-5300-50302	Insurance - Workers Comp.	$ 9,488	$ 5,331	$ 9,426	$ 5,579	$ 4,722	$ 4,659	1%	$ 5,426	15%
100-5300-50400	PERS Retirement Expense	$ 32,592	$ 21,156	$ 31,790	$ 19,572	$ 31,777	$ 21,868	31%	$ 32,302	2%
100-5300-50401	PERS UAL	$ 20,466	$ 48,782	$ 20,466	$ 51,755	$ 59,781	$ 59,781	0%	$ 78,030	31%
	TOTAL WAGES & BENEFITS	$ 435,304	$ 385,147	$ 427,648	$ 383,994	$ 462,126	$ 387,922	16%	$ 499,792	8%
100-5300-51100	Materials & Supplies	$ 72,000	$ 71,382	$ 85,426	$ 94,044	$ 82,500	$ 81,019	2%	$ 85,500	4%
100-5300-51101	Durables/Rentals/Leases	$ 1,245	$ 691	$ 13,300	$ 599	$ 250	$ 1,917	-667%	$ -	-100%
100-5300-51103	Safety/PPE Supplies	$ -	$ -	$ -	$ -	$ 2,750	$ 2,294	17%	$ 3,850	40%
100-5300-51104	Software Licenses	$ -	$ -	$ -	$ -	$ 271	$ 570	-110%	$ 750	177%
100-5300-51200	Vehicle Maintenance	$ 6,284	$ 2,454	$ 17,134	$ 2,812	$ 6,500	$ 4,695	28%	$ 4,450	-32%
100-5300-51201	Vehicle Operating - Fuel	$ 8,484	$ 6,090	$ 8,993	$ 6,546	$ 7,750	$ 5,480	29%	$ 8,750	13%
100-5300-51202	Building Maintenance	$ -	$ 14,641	$ 289	$ 4,072	$ 7,500	$ 91	99%	$ 5,000	-33%
100-5300-51300	Professional Services	$ 8,617	$ 3,629	$ 24,135	$ 24,338	$ 32,250	$ 32,774	-2%	$ 28,000	-13%
100-5300-52100	Staff Development/Training	$ 2,441	$ 307	$ 2,587	$ 253	$ 1,250	$ 200	84%	$ 1,250	0%
100-5300-52102	Utilities	$ 214,327	$ 226,066	$ 227,186	$ 233,857	$ 222,500	$ 190,565	14%	$ 302,700	36%
100-5300-52105	Government Regulation Fees	$ 26,311	$ 32,021	$ 26,311	$ 3,257	$ 6,500	$ 2,209	66%	$ 8,250	27%
100-5300-52108	Membership/Subscriptions	$ 391	$ (40)	$ 391	$ 611	$ -	$ 50		$ -	
	NON-LABOR EXP	$ 340,100	$ 357,241	$ 405,752	$ 370,389	$ 370,021	$ 321,864	13%	$ 448,500	21%
updated 6/5/24	TOTAL DEPARTMENT EXPENSES	$ 775,404	$ 742,388	$ 833,400	$ 754,383	$ 832,147	$ 709,786	15%	$ 948,292	14%

5300 – Water Treatment

5300 – Water Treatment

Durable Goods/Rentals	Costs
Welding Tank Rental	$ 250
Total	**$ 250**

Staff Development	Costs
Misc Training	$ 1,250
Total	**$ 1,250**

Materials & Supplies	Costs
Chem Trac	$ 1,750
Polymer	$ 25,000
Misc Plumbing Supplies	$ 4,500
Disinfection Chemicals	$ 45,000
Misc Tool/Hardware Supplies	$ 1,250
Calibration Solution - Repair Parts	$ 5,500
Electronics/Tech	$ 2,500
Total	**$ 85,500**

Building Maintenance	Costs
General Maint./Upgrades	$ 5,000
Total	**$ 5,000**

Vehicle Maintenance	Costs
All Cycles	$ 1,500
Divide Auto	$ 750
Misc Repair	$ 1,250
Tire Hub	$ 950
Total	**$ 4,450**

Utilities	Costs
Signal Services	$ 1,250
Verizon	$ 3,000
Ferrell Gas	$ 14,500
Generator Fuel	$ 6,250
PGE	$ 272,000
ADT	$ 2,750
El Dorado Disposal	$ 2,750
Arcgis (ESRI)	$ 200
Total	**$ 302,700**

Safety PPE/Essentials	Costs
Sierra Safety	$ 750
Uniforms	$ 1,500
Employee Allowances	$ 1,200
Misc	$ 400
Total	**$ 3,850**

Vehicle Operating -Fuel	Costs
Wex (2 Units)	$ 8,750
Total	**$ 8,750**

Government Reg. Fees	Costs
Laboratory Fees	$ 4,000
Water Audit	$ 2,750
AQMD	$ 1,500
Total	**$ 8,250**

Professional Services	Costs
A-Teem (Electrical Engineer)	$ 8,000
Cal Fire (Growlersburg)	$ 3,500
Holt (Generator Service)	$ 13,250
Infinity Tech (GIS)	$ 3,250
Total	**$ 28,000**

Software/Licenses	Costs
Teamviewer	$ 300
GIS annual Renewal	$ 450
Total	**$ 750**

5300 Updates

1. Removed Capital Expenses account;
   a) Moved Hydrant Buddy to CIP under grant funded projects (-$13,000)
   b) Moved Water Quality Sensors to CIP and lowered to $10,000
2. Removed GASB 68 Pension Expense from operating costs
3. Local 1: MOU negotiations of salary increases included (affects salaries, payroll taxes, Work Comp and PERS retirement exp)

TRANSMISSION & DISTRIBUTION OF TREATED WATER
DEPARMTENT 5400
FY25 BUDGET

Accounts	EXPENSES:	FY 21-22 Budget	FY 21-22 Actual	FY22-23 Budget	FY 22-23 Actual	FY 23-24 Amended Budget	FY 23-24 Actual As of 4/30/24	% of Budget Remaining	FY 24-25 Proposed	% Change
100-5400-50100	Salaries	$ 416,998	$ 422,003	$ 417,609	$ 430,996	$ 440,075	$ 398,863	9%	$ 463,074	5%
100-5400-50102	Overtime	$ 39,846	$ 37,125	$ 40,329	$ 42,738	$ 46,800	$ 30,601	35%	$ 32,000	-32%
100-5400-50103	Standby Pay	$ 20,030	$ 15,710	$ 20,030	$ 15,710	$ 15,720	$ 13,732	13%	$ 21,050	34%
100-5400-50200	Payroll Taxes	$ 37,947	$ 36,946	$ 38,002	$ 37,845	$ 41,807	$ 32,712	22%	$ 43,992	5%
100-5400-50300	Health Insurance	$ 101,964	$ 99,070	$ 101,964	$ 120,998	$ 109,881	$ 117,478	-7%	$ 123,531	12%
100-5400-50302	Insurance - Workers Comp.	$ 17,157	$ 9,165	$ 6,405	$ 9,677	$ 5,207	$ 7,593	-46%	$ 10,623	104%
100-5400-50400	PERS Retirement Expense	$ 47,899	$ 43,347	$ 48,008	$ 41,620	$ 52,768	$ 38,702	27%	$ 50,186	-5%
100-5400-50401	PERS UAL	$ 90,000	$ 34,148	$ 90,000	$ 36,641	$ 109,599	$ 109,599	0%	$ 143,056	31%
	TOTAL WAGES & BENEFITS	$ 771,841	$ 697,515	$ 762,347	$ 736,225	$ 821,857	$ 749,280	9%	$ 887,511	8%
100-5400-51100	Materials & Supplies	$ 75,000	$ 153,910	$ 135,000	$ 186,988	$ 158,500	$ 78,998	50%	$ 144,500	-9%
100-5400-51101	Durables/Rentals/Leases	$ 2,000	$ 1,084	$ 2,171	$ 12,480	$ 12,250	$ 7,968	35%	$ -	-100%
100-5400-51103	Safety/PPE Supplies		$ -	$ -	$ -	$ 8,500	$ 6,741	21%	$ 9,000	6%
100-5400-51104	Software Licenses	$ -	$ -	$ -	$ -	$ 542	$ 542	0%	$ -	-100%
100-5400-51200	Vehicle Maintenance	$ 13,233	$ 19,753	$ 23,500	$ 47,962	$ 31,750	$ 24,427	23%	$ 22,250	-30%
100-5400-51201	Vehicle Operating - Fuel	$ 19,535	$ 30,964	$ 28,517	$ 32,934	$ 31,250	$ 23,870	24%	$ 42,250	35%
100-5400-51202	Building Maintenance		$ -	$ -	$ -	$ 1,250	$ -	100%	$ 1,250	0%
100-5400-51300	Professional Services	$ 5,000	$ 12,146	$ 7,529	$ 5,001	$ 10,000	$ 6,895	31%	$ 11,000	10%
100-5400-52100	Staff Development/Training	$ 191	$ 263	$ 750	$ 3,162	$ 3,250	$ 380	88%	$ 3,250	0%
100-5400-52102	Utilities	$ 17,267	$ 13,826	$ 19,495	$ 15,038	$ 11,500	$ 15,081	-31%	$ 16,600	44%
100-5400-52105	Government Regulation Fees	$ 31,802	$ 8,685	$ 17,120	$ 37,968	$ 42,350	$ 44,470	-5%	$ 46,500	10%
100-5400-52108	Membership/Subscriptions		$ -	$ -	$ -	$ 100	$ 50	50%	$ 100	0%
	NON-LABOR EXP	$ 164,028	$ 240,630	$ 234,082	$ 341,533	$ 311,242	$ 209,422	33%	$ 296,700	-5%
updated 6/5/24	TOTAL DEPARTMENT EXPENSES	$ 935,869	$ 938,145	$ 996,429	$ 1,077,758	$1,133,099	$ 958,702	15%	$ 1,184,211	5%

5400 – Transmission and Distribution of Treated Water

5400 – Transmission and Distribution of Treated Water

Durable Goods/Rentals	Costs
Welding Tank Rental	$ 250
Emergency Rental (Vac Trailer)	$ 5,000
Total	**$ 5,250**

Staff Development	Costs
Misc Training	$ 3,250
Total	**$ 3,250**

Materials & Supplies	Costs
Distribution Main/Lateral/Meter Supplies	$ 100,000
Meters	$ 12,000
Misc Daily Supplies	$ 3,000
Backfill Material	$ 12,000
Misc Pipe Material	$ 750
Cold Patch/Cut Back	$ 6,500
Disposable Welding Supplies	$ 750
Tank Batteries	$ 1,250
Signage, Replacement Equipment	$ 5,000
Tools	$ 1,500
Steel	$ 1,750
Total	**$ 144,500**

Vehicle Maintenance	Costs
All Cycles	$ 2,750
Divide Auto	$ 1,250
Truck Repair	$ 5,000
Equip Ser/Main	$ 9,000
Tire Hub	$ 4,250
Total	**$ 22,250**

Utilities	Costs
Picovale (Tank Level Monitoring)	$ 3,500
Verizon	$ 4,000
PGE	$ 8,600
Arcgis (ESRI)	$ 500
Total	**$ 16,600**

Safety PPE/Essentials	Costs
Sierra Safety	$ 2,500
Uniforms	$ 3,750
Employee Allowances	$ 2,000
Misc	$ 750
Total	**$ 9,000**

Vehicle Operating -Fuel	Costs
Wex (4.5 Units)	$ 40,000
Wex Equipment	$ 2,250
Total	**$ 42,250**

Government Reg. Fees	Costs
Laboratory Fees	$ 12,750
SWRCB Fees	$ 28,250
County Road Inspection	$ 1,250
USA Service Alert	$ 4,250
Total	**$ 46,500**

Memberships/Subscriptions	Costs
Misc	$ 100
Total	**$ 100**

Building Maintenance	Costs
Pump Station Maintenance	$ 1,250
Total	**$ 1,250**

Professional Services	Costs
Cal Fire (Growlersburg)	$ 3,500
Infinity Tech (GIS)	$ 7,500
Total	**$ 11,000**

5400 Updates

1. Local 39: Distribution Operator I vacancy – salary lowered to step A for FY24-25 (@95%)
2. Lowered OT to $14,800
3. Local 1: MOU negotiations of salary increases included (affects salaries, payroll taxes, Work Comp and PERS retirement exp)
4. Removed GASB 68 Pension Expense from operating costs
5. Removed Capital Expenses account;
   a) Moved recently added Vibratory Plate ($2,650) to CIP Priority 1
   b) Moved Flushing Equipment ($3,000) to CIP Priority 1
   c) Moved Hydraulic Jack Hammer ($3,200) to CIP Priority 1
   d) Removed asbestos pipe cutter – will purchase in FY24

ADMINISTRATION & CUSTOMER SERVICE
DEPARMTENT 5600
FY25 BUDGET

Accounts	EXPENSES:	FY 21-22 Budget	FY 21-22 Actual	FY22-23 Budget	FY 22-23 Actual	FY 23-24 Amended Budget	FY 23-24 Actual As of 4/30/24	% of Budget Remaining	FY 24-25 Proposed	% Change
100-5600-50100	Salaries	$ 487,026	$ 549,256	$ 547,774	$ 542,165	$ 649,530	$ 576,807	11%	$ 727,176	12%
100-5600-50101	Part-time/Temp Wages	$ 22,682	$ 63,082	$ 19,948	$ 66,837	$ 15,000	$ 6,295	58%	$ 15,000	0%
100-5600-50102	Overtime	$ 2,624	$ 834	$ 2,734	$ 43	$ -	$ 31		$ 100	
100-5600-50103	Automobile Allowance	$ -	$ -	$ 2,000	$ 5,000	$ 7,600	$ 5,161	32%	$ 7,600	0%
100-5600-50104	Retiree Benefit	$ 22,827	$ 15,575	$ 9,973	$ 13,860	$ 26,000	$ 44,332	-71%	$ 52,608	102%
100-5600-50105	Director Compensation	$ 21,993	$ 23,200	$ 24,360	$ 24,000	$ 24,000	$ 20,000	17%	$ 24,000	0%
100-5600-50106	Moving Expenses	$ -	$ -	$ -	$ 10,000					
100-5600-50200	Payroll Taxes	$ 44,320	$ 46,515	$ 49,847	$ 42,968	$ 60,981	$ 45,748	25%	$ 69,082	13%
100-5600-50300	Health Insurance	$ 112,128	$ 93,867	$ 69,772	$ 81,745	$ 96,397	$ 104,622	-9%	$ 129,238	34%
100-5600-50302	Insurance - Workers Comp.	$ 6,268	$ 3,140	$ 6,383	$ 2,312	$ 3,021	$ 3,151	-4%	$ 3,657	21%
100-5600-50400	PERS Retirement	$ 45,900	$ 68,710	$ 47,256	$ 47,223	$ 60,215	$ 55,238	8%	$ 62,863	4%
100-5600-50401	PERS UAL	$ 175,151	$ 191,051	$ 207,229	$ 191,493	$ 159,417	$ 159,417	0%	$ 208,081	31%
100-5600-50403	Def. Comp Ret. Exp.	$ 2,200	$ -	$ 2,350	$ -	$ 9,450	$ 5,810	39%	$ 10,250	8%
updated 6/5/24	**TOTAL WAGES & BENEFITS**	**$ 943,119**	**$ 1,055,230**	**$ 989,626**	**$ 1,027,646**	**$ 1,111,611**	**$ 1,026,612**	**8%**	**$ 1,309,655**	**18%**
100-5600-51100	Materials & Supplies	$ 27,691	$ 10,153	$ 41,467	$ 12,094	$ 15,350	$ 8,295	46%	$ 13,275	-14%
100-5600-51101	Durable/Rentals/Leases	$ 8,569	$ 8,777	$ 15,486	$ 1,705	$ 8,525	$ 6,718	21%	$ 6,800	-20%
100-5600-51102	Office Supplies	$ 37,815	$ 62,546	$ 68,832	$ 28,540	$ 21,400	$ 17,889	16%	$ 23,600	10%
100-5600-51103	Safety/PPE Supplies	$ -	$ -	$ -	$ -	$ 1,000	$ 387	61%	$ 1,000	0%
100-5600-51104	Software Licenses	$ -	$ -	$ -	$ -	$ 48,230	$ 55,605	-15%	$ 68,750	43%
100-5600-51200	Vehicle Maintenance	$ 256	$ 18	$ -	$ 803	$ 3,250	$ 147	95%	$ 3,250	0%
100-5600-51201	Vehicle Operating - Fuel	$ -	$ -	$ -	$ -	$ 3,250	$ 1,823	44%	$ 3,250	0%
100-5600-51202	Building Maintenance	$ -	$ 8,531	$ -	$ 2,243	$ 10,000	$ 10,817	-8%	$ -	-100%
100-5600-51300	Professional Services	$ 135,000	$ 218,750	$ 227,000	$ 317,496	$ 335,700	$ 345,249	-3%	$ 130,350	-61%
100-5600-51301	Insurance - General Liability	$ 96,684	$ 80,520	$ 84,546	$ 93,830	$ 100,000	$ 89,754	10%	$ 93,300	-7%
100-5600-51302	Legal	$ 96,467	$ 69,975	$ 96,476	$ 40,328	$ 80,000	$ 78,383	2%	$ 85,000	6%
100-5600-51303	Audit	$ 14,444	$ 18,410	$ 21,968	$ 16,160	$ 22,200	$ 25,526	-15%	$ 20,000	-10%
100-5600-51304	Board Training/Travel	$ -	$ 4,300	$ -	$ -	$ 17,500	$ 9,653	45%	$ 17,500	0%
100-5600-51305	Accounting (NEW)	$ -	$ -	$ -	$ -	$ 80,000	$ -	0%	$ 160,000	100%
100-5600-52100	Staff Development/Travel	$ 2,733	$ 9,931	$ 6,204	$ 19,484	$ 24,200	$ 20,993	13%	$ 29,600	22%
100-5600-52102	Utilities	$ 41,096	$ 65,295	$ 45,654	$ 27,558	$ 62,175	$ 37,192	40%	$ 68,960	11%
100-5600-52103	Bank Charges	$ 344	$ 1,617	$ 425	$ 375	$ 500	$ 1,888	-278%	$ 1,800	260%
100-5600-52104	Payroll Processing	$ 22,827	$ 25,068	$ 25,871	$ 24,725	$ 26,400	$ 23,575	11%	$ 30,000	14%
100-5600-52105	Government Regulation Fees	$ 5,919	$ 5,910	$ -	$ 8,301	$ 8,955	$ 9,415	-5%	$ 11,250	26%
100-5600-52106	Elections	$ 10,253	$ -	$ 9,399	$ 7,418				$ 9,500	28%
100-5600-52107	Other Miscellaneous Expense	$ -	$ 8,480	$ -	$ 6,441	$ 1,500	$ 1,817	-21%	$ 1,500	0%
100-5600-52108	Membership/Subscriptions	$ 33,972	$ 40,112	$ 57,941	$ 49,737	$ 43,320	$ 39,526	9%	$ 45,120	4%
100-5600-52109	Low-Income Rate Assistance Program	$ -	$ -	$ -	$ -	$ 35,000	$ 11,796	66%	$ 35,000	0%
100-5600-52110	Recruitment (NEW)	$ -	$ -	$ -	$ -	$ 2,500	$ 3,331	-33%	$ 3,000	20%
	NON-LABOR EXP	**$ 534,070**	**$ 638,395**	**$ 701,269**	**$ 657,238**	**$ 950,955**	**$ 799,779**	**16%**	**$ 861,805**	**-9%**
updated 6/5/24	**TOTAL DEPARTMENT EXPENSES**	**$ 1,477,189**	**$ 1,693,625**	**$ 1,690,895**	**$ 1,684,884**	**$ 2,062,566**	**$ 1,826,391**	**11%**	**$ 2,171,460**	**5%**

5600 – Administration and Customer Service

5600 – Administration

Govt Reg Fee (100-5600-52105)	Costs	
LAFCO	$ 7,200	
Class A Licensing	$ 550	
Georgetown Fire Assesment Dist. Tax	$ 3,000	*NEW
EDC Environ MGMT (June)	$ 350	
EDC Transportation (June)	$ 150	
TOTAL	**$ 11,250**	

Materials & Supplies (100-5600-51100)	Costs	
Board Meeting Supplies	$ 500	
Booth cost & supplies for community events	$ 300	
Electronics/Technology	$ 4,000	moved from office supplies
Furniture	$ 700	moved from office supplies
Promotional Materials	$ 5,000	
Restroom Maint (both buildings)	$ 2,500	
General Supplies (non-consumable)	$ 275	moved from office supplies
TOTAL	**$ 13,275**	

Staff Development/Travel (100-5600-52100)	Costs
ACWA Conference/Travel	$ 13,000
Board Clerk Conference (annual)	$ 1,500
CALPERLA Conference	$ 2,000
CalPERS Meetings	$ 400
CSDA	$ 5,000
Education Reimbursements	$ 3,000
Govt Tax Seminar (annual)	$ 1,100
HR Training (annual)	$ 500
Misc	$ 2,600
Tyler Tech	$ 500
TOTAL	**$ 29,600**

Office Supplies (100-5600-51102)	Costs
AP Check Stock/1099 Forms	$ 600
Utility Billing paper/envelopes/postage	$ 8,000
Copier Overhead	$ 5,000
Misc. Office supplies	$ 4,500
Postage	$ 5,500
TOTAL	**$ 23,600**

Professional Services (100-5600-51300)	Costs	
Document Destruction	$ 500	
Financial Advisors (Optimized IP)	$ 12,000	
IT services	$ 4,500	
Office Cleaning Services	$ 5,500	
Pest Control	$ 2,000	
Pre-employment screening	$ 100	
Cost of Service Analysis (WRE)	$ 50,000	
Tyler eCheck UB fees	$ 1,250	
Tyler Tech Acct. Software Maintenance	$ 25,000	
Utility Billing (Infosend)	$ 14,500	
Water Transfer (Zanjero PSA)	$ 15,000	Moved from FY23-24
TOTAL	**$ 130,350**	

Accounting Services (100-5600-51305)	Costs
Lance, Soll & Lunghard, LLP	$ 160,000
TOTAL	**$ 160,000**

Bank Charges (100-5600-52103)	Costs
NSF Fees	$ 300
Misc. Fees	$ 1,500
TOTAL	**$ 1,800**

Other Misc. Expense (100-5600-52107)	Costs
Misc expenses (public notices/meeting prep)	$ 1,500
TOTAL	**$ 1,500**

make account for public notices?

Durable Goods/Rentals/Leases (100-5600-51101)	Costs
Port. Bathroom Rental	$ 3,800
Copier Lease	$ 3,000
TOTAL	**$ 6,800**

Recruitment (100-5600-52110)	Costs
Recruitment Advertising/Processing	$ 3,000
TOTAL	**$ 3,000**

Software/Licenses (100-5600-51104)	Costs
Adobe Products	$ 2,900
Arcgis (ESRI)	$ 950
Cartegraph software	$ 19,000
Microsoft	$ 4,200
MOM software	$ 7,300
Neptune 360 (Ferguson)	$ 5,200
Streamline webhosting	$ 4,500
Tyler Tech annual fee	$ 9,700
WaterSMART Customer Portal	$ 12,000
Misc	$ 3,000
TOTAL	**$ 68,750**

5600 – Administration (cont.)

Board Training (100-5600-51304)	Costs
Misc Training ($2500 x 5)	$ 12,500
Travel/Mileage ($1000 x 5)	$ 5,000
TOTAL	$ 17,500

mberships/Subscriptions (100-5600-521	Costs
ACWA	$ 18,600
Amazon	$ 130
AWWA	$ 500
CALPERLA	$ 380
CSDA	$ 8,800
Divide Chamber of Commerce	$ 60
ENR Annual Memb.	$ 100
Garmin	$ 150
iDrive annual sub (cloud server)	$ 120
MCRWA	$ 5,400
Mt. Democrat	$ 240
RWA	$ 7,600
Stamps.com	$ 250
Postmaster (P.O. Box)	$ 340
Wienhoff & Assoc. (Class A Lic.)	$ 450
Misc	$ 2,000
TOTAL	$ 45,120

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n cost index

Utilities (100-5600-52102)	Costs
ADT Security	$ 5,800
AT&T Fiber Internet	$ 15,000
Verizon Office Phones	$ 19,200
Garbage	$ 1,810
PG&E	$ 15,000
Powernet Global Communications	$ 850
Ferrell Gas	$ 4,000
Verizon Mobile	$ 7,300
TOTAL	$ 68,960

Vehicle Maint. (100-5600-51200)	Costs
Unit 1	$ 3,250
TOTAL	$ 3,250

Vehicle Fuel (100-5600-51201)	Costs
Unit 1	$ 3,250
TOTAL	$ 3,250

Director Compensation (100-5600-50105)	Costs
Board Meeting @ $400 per mtg	$ 24,000
TOTAL	$ 24,000

5600 Updates

1. Local 1: MOU negotiations of salary increases included (affects salaries, payroll taxes, Work Comp and PERS retirement exp)
2. Building Maintenance lowered by -$1,000
3. Corrected Retiree Expense account allocations (Fund 100 vs. 101)
4. Increased Deferred Comp by $275
5. Researched General Liability insurances and added description box
6. Recalculated Worker's Comp calculations with adjusted FY25 payroll amounts
7. Removed GASB 68 Pension Expense from operating costs
8. Staff Development/Travel;
   a) Increased ACWA conference/travel by $3K
   b) Reduced Board Clerk Conference by $1.1K
   c) Added Education Reimbursement (MOU) $3,000
9. Membership/Subscriptions;
   a) Removed CRWA membership (-$1,500)
10. Professional Services;
    a) Moved COSA study budget from FY24 to FY25 ($50,000)

FY25 Retiree Allotments/Expenses

2025 Retiree Health Expense Allotments	101-5600-50104 Monthly Invoice Amt	100-5600-50104 District Expense	101-5600-50104 Retiree Expense
Anthem Blue Cross ($177)	$1,150.30	$531.00	$619.30
Blue Shield of California (100%)	$350.00	$350.00	$0.00
Kaiser Permanente ($177)	$119.00	$119.00	$0.00
United Healthcare Insurance ($177)	$557.40	$177.00	$327.70
United Healthcare Insurance ($177)	$225.00	$177.00	$26.50
ACWA/JPIA Health ($435)	$3,413.88	$3,045.00	$368.88
	July-Dec 2024	$26,214.00	
	Jan-Jun 2024	$26,394.00	
	Total	**$52,608.00**	

Historically, Retiree allotment expenses had been incorrectly split between funds 100 and 101. This was caught and corrected this fiscal year, 2023-2024.

1. Monthly healthcare premiums (Anthem, Blue Shield, KP, United Health and ACWA/JPIA) are paid in full each month out of account 101-0000-10999
2. The amount the retiree reimburses the District is allocated to account 101-0000-10999
3. Individual allotment amounts are the expense to the District and allocated to account 100-5600-50104

ALT WASTEWATER ZONE DEPARMTENT 6100 FY25 BUDGET										
Accounts	EXPENSES:	FY 21-22 Budget	FY 21-22 Actual	FY22-23 Budget	FY 22-23 Actual	FY 23-24 Amended Budget	FY 23-24 Actual As of 4/30/24	% of Budget Remaining	FY 24-25 Proposed	% Change
200-6100-50100	Salaries	$103,049	$ 94,610	$ 80,789	$ 143,385	$ 132,360	$123,950	6%	$ 168,209	27%
200-6100-50102	Overtime	$ 913	$ 241	$ 1,047	$ 1,019	$ 1,272	$ 437	66%	$ 400	-69%
200-6100-50200	Payroll Taxes	$ 9,377	$ 7,251	$ 6,326	$ 10,843	$ 12,574	$ 9,229	27%	$ 15,980	27%
200-6100-50300	Health Insurance	$ 31,570	$ 20,124	$ 20,981	$ 32,498	$ 38,850	$ 33,281	14%	$ 39,795	2%
200-6100-50302	Insurance - Workers Comp.	$ 2,697	$ 1,553	$ 1,088	$ 1,614	$ 1,360	$ 1,324	3%	$ 2,435	79%
200-6100-50400	PERS Retirement Expense	$ 8,129	$ 8,478	$ 7,944	$ 11,936	$ 9,884	$ 11,371	-15%	$ 13,289	34%
200-6100-50401	PERS UAL	$ 13,565	$ 14,635	$ 14,634	$ 15,526	$ 34,873	$ 34,873	0%	$ 45,518	31%
	TOTAL WAGES & BENEFITS	$169,300	$146,893	$132,809	$ 216,821	$231,173	$214,465	7%	$ 285,626	24%
200-6100-51100	Materials & Supplies	$ 7,632	$ 8,231	$ 5,497	$ 4,357	$ 5,800	$ 4,136	29%	$ 5,800	0%
200-6100-51101	Durables/Rentals/Leases	$ 2,932	$ 580	$ 3,107	$ 578	$ 1,600	$ 162	90%	$ 1,200	-25%
200-6100-51103	Safety/PPE Supplies	$ -	$ -	$ -	$ -	$ 3,500	$ 1,650	53%	$ 2,900	-17%
200-6100-51104	Software/Licenses	$ -	$ -	$ -	$ -	$ 1,651	$ 725	56%	$ 715	-57%
200-6100-51200	Vehicle Maintenance	$ 2,220	$ 2,529	$ 4,788	$ 1,831	$ 1,550	$ 4,187	-170%	$ 3,900	152%
200-6100-51201	Vehicle Operating - Fuel	$ 6,387	$ 4,888	$ 6,770	$ 4,772	$ 5,000	$ 3,652	27%	$ 7,000	40%
200-6100-51300	Professional Services	$ 11,012	$ 24,525	$150,000	$ 70,496	$ 99,000	$ 22,880	77%	$ 73,500	-26%
200-6100-51301	Insurance - General Liability	$ 5,441	$ 4,374	$ -	$ 4,826	$ 5,309	$ 5,174	3%	$ 5,177	-2%
200-6100-52100	Staff Development/Training	$ 315	$ 59	$ 333	$ 1,948	$ 2,000	$ 472	76%	$ 2,669	33%
200-6100-52101	Travel	$ -	$ -	$ -	$ 106	$ -	$ 79		$ -	-100%
200-6100-52102	Utilities	$ 14,000	$ 14,196	$ 16,492	$ 19,491	$ 12,250	$ 13,307	-9%	$ 11,500	-6%
200-6100-52105	Government Regulation Fees	$ 36,831	$ 41,049	$ 34,221	$ 47,754	$ 56,250	$ 48,239	14%	$ 65,700	17%
	NON-LABOR EXP	$ 86,770	$100,431	$221,208	$ 156,159	$193,910	$104,663	46%	$ 180,061	-7%
updated 6/5/24	TOTAL DEPARTMENT EXPENSES	$256,070	$247,324	$354,017	$ 372,980	$425,083	$319,128	25%	$ 465,686	10%

6100 – Zone

6100 – Zone

Durables/Rentals/Leases	Costs
Other /misc	$ 1,200
Total	**$ 1,200**

Staff Development/Certifications	Costs
ACWA	$ 250
NAWT Certs	$ 200
AWWA	$ 50
CWEA	$ 269
Misc Training	$ 1,800
Travel	$ 100
Total	**$ 2,669**

moved from travel account

Professional Services	Costs
GW Monitoring - West Shore (NT)	$ 12,000
CDS Emergency	$ 5,500
CDS Maintenance	$ 6,500
Holt generator Service	$ 2,000
Cal Fire (Growlersburg)	$ 2,500
Rate Study	$ 45,000
Total	**$ 73,500**

Vehicle Maintenance	Costs
Tires	$ 800
Oil	$ 300
Parts/Replacments	$ 800
Tractor	$ 2,000
Total	**$ 3,900**

Utilities	Costs
AT&T	$ 3,000
PG&E	$ 7,000
Verizon Services	$ 1,500
Total	**$ 11,500**

Safety/PPE Supplies	Costs
Uniforms	$ 750
Septic Supplies	$ 550
Employee Allowances	$ 400
Envirotech	$ 1,200
Total	**$ 2,900**

Software/Licenses	Costs
Carmody (CSI)	$ 715
Total	**$ 715**

Vehicle Operating -Fuel	Costs
Gas	$ 7,000
Total	**$ 7,000**

Government Reg. Fees	Costs
CLS Labs	$ 25,000
SWRCB WDR Annual Fee	$ 28,000
AQMD Fee	$ 800
Studies/ Survey's	$ 750
Other/ New	$ 10,000
Station 16 Spill	$ 700
MISC	$ 450
Total	**$ 65,700**

Materials & Supplies	Costs
Outdoor Equipment	$ 1,000
Divide Supply	$ 2,300
Home Depot	$ 2,000
Georgetown Ace	$ 500
Total	**$ 5,800**

6100 Updates

1. Local 1: MOU negotiations of salary increases included (affects salaries, payroll taxes, Work Comp and PERS retirement exp)
2. General Liability expense was not included in Consolidated Expenses table ($5,177)
3. Staff Development/Training;
   a) Included budgeted amount for travel ($100) *will inactivate travel account*
4. Removed GASB 68 Pension Expense from operating costs
5. Removed Capital Expenses account;
   a) Water Trailer moved to Zone CIP priority 1 (-$11,000)
6. Durables/Rentals/Leases;
   a) Geopump moved to Zone CIP priority 1 (-$7,500)

Consolidated Expenses (by account)

CONSOLIDATED EXPENSES								
5100-6100 Accounts	EXPENSES:	FY 21-22 Actual	FY 22-23 Budget	FY 22-23 FYE Actual	AMENDED FY 23-24 Budget	Total Expenses 4/30/24	Proposed FY 24-25 Budget	% increase
50100	Salaries	$1,601,545	$ 1,755,937	$ 1,699,085	$ 1,988,327	$ 1,628,182	$2,181,738	10%
50101	Part-time (not on payroll)	$ 63,082	$ 20,924	$ 80,364	$ 20,000	$ 15,738	$ 20,000	0%
50102	Overtime	$ 102,265	$ 103,101	$ 120,038	$ 121,368	$ 86,724	$ 99,300	-18%
50103	Standby Pay	$ 53,800	$ 54,845	$ 64,920	$ 66,140	$ 45,001	$ 87,850	33%
50103	Automobile Allowance	$ -	$ -	$ 5,089	$ 7,600	$ 5,161	$ 7,600	0%
50104	Retiree Benefit	$ 15,575	$ 9,973	$ 13,860	$ 26,000	$ 44,332	$ 52,608	102%
50105	Director Stipend	$ 23,200	$ 24,360	$ 24,000	$ 24,000	$ 20,000	$ 24,000	0%
50200	Payroll Taxes	$ 144,639	$ 158,763	$ 145,231	$ 188,167	$ 133,307	$ 207,265	10%
50300	Health Insurance	$ 257,808	$ 425,228	$ 396,541	$ 439,925	$ 421,321	$ 493,070	12%
50302	Insurance - Workers Comp.	$ 35,269	$ 45,444	$ 37,624	$ 27,896	$ 30,608	$ 40,307	44%
50400	PERS Retirement Expense	$ 177,743	$ 177,917	$ 159,583	$ 209,865	$ 162,532	$ 216,299	3%
50401	PERS UAL	$ 488,624	$ 551,337	$ 507,610	$ 498,179	$ 498,179	$ 650,254	31%
50403	Def Comp Retirement Expense	$ -	$ -	$ -	$ 9,450	$ 5,810	$ 10,250	8%
	TOTAL WAGES & BENEFITS	$2,963,550	$ 3,327,829	$ 3,253,945	$ 3,626,917	$ 3,096,895	$4,090,542	13%
51100	Materials & Supplies	$ 277,493	$ 303,800	$ 370,677	$ 293,750	$ 188,024	$ 287,925	-2%
51101	Durable Goods/Rentals	$ 17,142	$ 39,264	$ 132,085	$ 31,475	$ 17,402	$ 13,900	-56%
51102	Office Supplies	$ 62,546	$ 68,832	$ 28,540	$ 21,400	$ 17,889	$ 23,600	10%
51103	PPE/Safety Equipment	$ -	$ -	$ -	$ 25,600	$ 16,650	$ 32,500	27%
51104	Software/Licenses	$ -	$ -	$ -	$ 48,230	$ 58,255	$ 70,365	46%
51200	Vehicle Maintenance	$ 39,094	$ 61,224	$ 70,027	$ 56,800	$ 53,122	$ 54,325	-4%
51201	Vehicle Operating - Fuel	$ 36,450	$ 70,870	$ 101,139	$ 46,150	$ 60,504	$ 104,250	126%
51202	Building Maintenance	$ 23,172	$ 289	$ 6,315	$ 18,750	$ 10,908	$ 6,250	-67%
51300	Professional Services	$ 372,290	$ 498,884	$ 581,097	$ 573,750	$ 485,452	$ 328,350	-43%
51301	Insurance - General Liability	$ 84,894	$ 84,546	$ 98,656	$ 100,000	$ 89,754	$ 98,477	-2%
51302	Legal	$ 69,975	$ 96,476	$ 156,159	$ 80,000	$ 78,383	$ 85,000	6%
51303	Audit	$ 18,410	$ 21,968	$ 16,160	$ 22,200	$ 25,526	$ 20,000	-10%
51304	Board Training/Travel				$ 17,500	$ 9,653	$ 17,500	0%
51305	Accounting (NEW)				$ -	$ -	$ 160,000	100%
52100	Staff Development/Training/Travel	$ 10,765	$ 11,374	$ 25,542	$ 32,700	$ 22,433	$ 38,769	19%
~~52101~~	~~Travel~~					~~$ 79~~	~~$ -~~	~~100%~~
52102	Utilities	$ 331,278	$ 329,514	$ 309,893	$ 321,425	$ 270,282	$ 414,210	29%
52103	Bank Charges	$ 1,617	$ 425	$ 375	$ 500	$ 1,888	$ 1,800	260%
52104	Payroll Processing Fees	$ 25,068	$ 25,871	$ 24,725	$ 26,400	$ 23,575	$ 30,000	14%
52105	Government Regulation Fees	$ 236,021	$ 157,652	$ 180,503	$ 232,055	$ 196,154	$ 243,700	5%
52106	Elections	$ -	$ 9,399	$ 7,418	$ -	$ -	$ 9,500	35%
52107	Other Misc. Expenses	$ 8,480	$ -	$ 6,441	$ 1,500	$ 1,817	$ 1,500	0%
52108	Membership/Subscriptions	$ 40,072	$ 59,105	$ 50,348	$ 43,720	$ 39,726	$ 45,520	4%
52109	Low-Income Rate Assistance Prog.	$ 15,702	$ 35,000	$ 15,208	$ 35,000	$ 11,796	$ 35,000	0%
52110	Recruitment (NEW)				$ 2,500	$ 3,331	$ 3,000	20%
	NON-LABOR EXP	$1,670,470	$ 1,874,493	$ 2,181,308	$ 2,031,405	$ 1,682,603	$2,125,441	5%
updated 6/5/24	TOTAL DEPARTMENT EXPENSES	$4,634,020	$ 5,202,322	$ 5,435,253	$ 5,658,322	$ 4,779,498	$6,215,982	10%

Consolidated Expenses (by Dept.)

DRAFT FISCAL YEAR 2024-2025 BUDGET										
Description	FY 17-18 Actual	FY 18-19 Actual	FY 19-20 Actual	FY 20-21 Actual	FY 21-22 Actual	FY 22-23 Actual	FY 23-24 Amended	FY 23-24 Actual As of 4/30/24	FY 24-25 Proposed Budget	% Change
OPERATING EXPENSES WATER										
Source of Supply (5100)	$ 479,341	$ 352,468	$ 296,866	$ 377,070	$ 419,520	$ 725,997	$ 658,467	$ 485,737	$725,456	10%
Trans & Dist Raw Water (5200)	$ 694,531	$ 689,151	$ 734,568	$ 766,903	$ 808,007	$ 679,413	$ 666,796	$ 490,786	$720,878	8%
Water Treatment (5300)	$ 603,755	$ 672,713	$ 787,821	$ 723,918	$ 776,534	$ 754,383	$ 832,147	$ 709,786	$948,292	14%
Trans & Dist Treated Water (5400)	$ 703,764	$ 827,030	$ 770,081	$ 953,445	$ 937,803	$ 1,077,758	$ 1,133,099	$ 958,702	$1,184,211	5%
Customer Service (5500) inactive for FY24	$ 217,877	$ 215,433	$ 214,409	$ 236,720	$ 302,298	$ 204,818	$ -	$ -	$ -	
Admin & Customer Service (5600)	$ 1,087,332	$ 1,519,128	$ 1,452,342	$ 1,375,671	$ 1,143,324	$ 1,684,884	$ 2,062,566	$ 1,826,391	$2,171,460	5%
Total Operating Expenses (WATER)	**$ 3,786,600**	**$ 4,275,923**	**$ 4,256,087**	**$ 4,433,727**	**$ 4,387,486**	**$ 5,127,253**	**$ 5,353,075**	**$ 4,471,402**	**$5,750,296**	**7%**
OPERATING EXPENSES ZONE										
On-Site Wastewater Disposal Zone (6100)	$ 306,930	$ 268,009	$ 202,919	$ 221,666	$ 265,116	$ 372,980	$ 425,083	$ 319,128	$465,686	10%
Total Operating Expenses	**$ 4,093,530**	**$ 4,543,932**	**$ 4,459,006**	**$ 4,655,393**	**$ 4,652,602**	**$ 5,500,233**	**$ 5,778,158**	**$ 4,790,530**	**$6,215,982**	**8%**
CAPITAL IMPROVEMENT PLAN (CIP)	$ 11,682,810	$ 7,816,272	$ 3,084,123	$ 3,190,400	$ 1,151,000	$ 758,540	$ 1,313,000	$ 519,059	$697,350	
NON-OPERATING EXPENSES										
SWRCB loan pymt (Fund 112)	$ 15,770	$ 106,728	$ 555,899	$ 587,357	$ 587,357	$ 587,357		$ 587,357	$587,357	
GASB 68 pension expense (50402) (1)	$ -	$ -	$ -	$ -	$ 1,925,358	$ 1,834,498				
GASB 75 OPEB Liability (2)	$ -	$ -	$ -	$ 1,440,554	$ 1,594,921	$ 1,334,027				

(1) GASB 68 requires that pension expense be reported using a new method that presents service (normal) cost and other basic expenses (for example the cost of administering the pension plan), as well as amounts recognized each year for deferred inflows of resources (which reduce the pension expense) and deferred outflows of resources (which increase the pension expense).

(2) Government Accounting Standards Board Statement No. 75 (GASB 75) is an accounting and financial reporting requirement for employers to measure and report the cost and liabilities associated with other postemployment benefits (OPEB), which do not include pensions. This statement replaces GASB 45.

Revenues

GDPUD REVENUE BUDGET								
Description	FY 19-20 Actual	FY 20-21 Actual	FY 21-22 Actual	FYE 22-23 Actual	FY 23-24 Amended Budget	FY 23-24 Actual As of 4/30/24	FY 24-25 Proposed Budget	% Change
WATER OPERATING REVENUE								
WATER SALES								
Residential Sales	$ 2,411,551	$ 3,139,700	$ 2,873,804	$ 3,003,257	$ 3,000,000	$ 2,401,013	$2,625,000	-13%
Irrigation Sales - Raw water	$ 416,369	$ 395,020	$ 388,465	$ 326,333	$ 436,772	$ 466,971	$380,000	-13%
Commercial Sales (4)	$ 315,497	$ 100,018	$ 94,169	$ 103,662	$ -	$ 68,614	$105,000	1%
Institution/Government (4)	$ 132,655	$ 162,075	$ 170,158	$ 168,065	$ -	$ 105,156	$157,734	-6%
Landscape (treated water used as irrigation) (4)	$ 70,553	$ 93,572	$ 82,070	$ 69,269	$ -	$ 74,138	$90,000	30%
Multi-Family Residential (4)	$ 21,632	$ 24,423	$ 20,867	$ 22,607	$ -	$ 15,932	$23,000	2%
Penalties	$ 50,625	$ 600	$ 200	$ 63,511	$ 68,000	$ 64,243	$80,000	18%
Capital Facility Charges (Fund 400 - Restricted)	$ 2,300	$ 20,700	$ 76,084	$ 19,826	$ -			
Sub-Total	*$ 3,196,342*	*$ 3,556,020*	*$ 3,338,553*	*$ 3,412,927*	*$ 3,504,772*	*$2,932,227*	*$3,460,734*	*-1%*
NON OPERATING REVENUE								
Property Taxes	$ 1,657,978	$ 1,769,095	$ 1,867,047	$ 2,010,456	$ 2,000,000	$ 1,103,553	$2,100,000	5%
Leases	$ 108,770	$ 101,929	$ 101,177	$ 107,437	$ 80,000	$ 64,706	$100,000	25%
Interest Income	$ 75,443	$ 92,402	$ 10,379	$ 13,899	$ 250,000	$ 122,130	$350,000	40%
New Meter Materials & Labor Charges		$ 1,320	$ 6,478	$ 13,433	$ -	$ 1,854	$5,000	
Construction Meter Rental				$ 37,328	$ -	$ 168	$2,500	
Installation Fee	$ 4,172	$ 9,697	$ 13,559	$ 45,381	$ -	$ 14,758	$20,000	
Grants (2)					$ -	$ 1,000	$0	
Sale of Assets	$ 1,605	$ 3,500	$ -	$ 43,264	$ -	$ 40,191	$20,000	
SMUD	$ 108,515	$ 116,443	$ -	$ 241,297	$ 110,000	$ 133,294	$135,000	23%
Hydro	$ 60,000		$ 55,574	$ 36,486	$ 55,000	$ 38,395	$55,000	0%
Sub-total Non-Operating	*$ 2,012,311*	*$ 2,084,689*	*$ 2,040,655*	*$ 2,503,600*	*$ 2,495,000*	*$ 1,520,049*	*$2,787,500*	*12%*
TOTAL WATER REVENUE	$ 5,208,653	$ 5,640,709	$ 5,379,208	$ 5,916,527	$ 5,999,772	$ 4,452,276	$6,248,234	4%
WASTEWATER OPERATING REVENUE								
Zone Charges	$ 313,372	$ 196,169	$ 185,883	$ 208,708	$ 185,000	$ 172,918	$192,000	4%
Escrow Fees	$ 28,000	$ 24,020	$ 22,100	$ 14,079	$ 12,000	$ 11,516	$12,000	0%
Septic Design Fees	$ 3,000	$ 5,940	$ 3,280	$ 3,280	$ 3,500	$ 820	$3,000	-14%
Interest Income	$ 16,894	$ 4,366	$ 2,234	$ 18,511	$ 10,000	$ 3,691	$10,000	0%
Other		$ 4,100	$ 3,000	$ -	$ -			
Total Wastewater Revenue	*$ 361,266*	*$ 234,595*	*$ 216,497*	*$ 244,578*	*$ 210,500*	*$ 188,945*	*$217,000*	*3%*
TOTAL REVENUE	*$ 6,181,452*	*$ 6,120,851*	*$ 6,453,923*	*$ 6,161,105*	*$ 6,210,272*	*$ 4,641,221*	*$6,465,234*	*4%*
Supplemental Charge (restricted) (1)	$ 660,026	$ 662,210	$ 663,592	$ 665,137	$ 653,000	$ 551,766	$665,000	2%
Grants (3)	$ -	$ 119,514	$ 119,514	$ 567,607	$ 3,200,000	$ 562,112	$3,000,000	-6%
Total with Grants & Supplemental Charge	$ 660,026	$ 781,724	$ 783,106	$ 1,232,744	$ 3,853,000	$ 1,113,878	$ 3,665,000	-5%

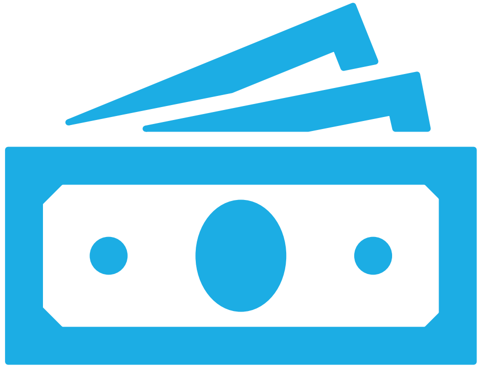
(1) - Supplemental Charge revenue can only be used to fund State Revolving Fund Loan

(2) - Grants (fund 100)

(3) - Grants (Restricted to CIP projects fund 111)

(4) - All treated water sales previously included in Residential Sales, broken out by type of use (submitted quarterly to the Dept. of Water Resources)

Capital Improvement Plan Budget



CIP Project (Water)	FY 23-24 BUDGET Adopted 6/13/23	FY23-24 Amended CIP Adopted 10/10/23	4/30/24 YTD EXPENDITURES	FY 24-25	FY 25-26	FY 26-27	FY 27-28	Total FY 25-28
Priority 1								
Tunnel Inspection and Lining	$ 65,000	$ 65,000	$ 4,200	$ 65,000				$ 65,000
Infrstructure Replacement/HQ Building	$ 200,000	$ 200,000	$ 19,481	$ 19,000	$ 200,000			$ 219,000
Distribution Tank Coating	$ 275,000	$ 275,000		$ 175,000	$ 175,000			$ 350,000
Paving	$ 75,000	$ 50,000	$ -	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 160,000
Vehicle Replacements	$ 250,000	$ 175,000	$ 174,406					$ -
- Dump Truck Less than $75,000								$ -
- Utility Truck for 5400 F-450 $75,000								$ -
- 1/2 Ton Trucks (3) $100,000								$ -
Tracked Barrow (5100-5200)				$ 3,000				$ 3,000
Snow Survey Equipment (5100)				$ 2,500				$ 2,500
Water Quality Sensors (5300)				$ 10,000				$ 10,000
Vibratory Plate (5400)				$ 2,650				$ 2,650
Flushing Equipment (5400)				$ 3,000				$ 3,000
Hydraulic Jack Hammer (5400)				$ 3,200				$ 3,200
eCorp (CEQA Compliance) (5600)				$ 7,500				$ 7,500
Bennett (Engineering Consultant) (5600)				$ 30,000				$ 30,000
Vectis (Federal Advocacy) (5600)				$ 48,000				$ 48,000
Zanjero (Grant Writing) (5600)				$ 20,000				$ 20,000
Mosquito Fire Mitigation								$ -
Road Bank Repair	$ -	$ 15,000	$ 13,932					$ -
Erosion Mitigation	$ -	$ 15,500	$ 4,800					$ -
Levee Road	$ -	$ 161,000	$ 180,840					$ -
Pipe Mitigation	$ -	$ 36,500	$ 21,412					$ -
Master Meters	$ 80,000	$ -	$ 87,982					$ -
Priority 2								
Pump Station Retrofit	$ 12,000	$ 12,000	$ -	$ 12,000	$ 12,000	$ 12,000		$ 36,000
Repair Safety Walkways	$ 35,000	$ 2,500	$ 848	$ 5,000	$ 5,000	$ 5,000		$ 15,000
Treated Water line Replacement	$ 65,000	$ 65,000	$ 492	$ 65,000	$ 70,000	$ 75,000		$ 210,000
Vehicle Replacements				$ 100,000	$ 100,000	$ 250,000	$ 250,000	$ 700,000
Pressure Regulating Valves	$ 50,000	$ 20,000	$ -	$ 25,000	$ 25,000	$ 25,000		$ 75,000
Priority 3								
Annual Canal Lining/Canal Improvements	$ -	$ 8,000	$ -		$ 100,000	$ 100,000	$ 100,000	$ 300,000
Replace Air Release Valves	$ 10,000	$ 2,500	$ 10,667	$ 10,000	$ 10,000	$ 10,000		$ 30,000
VFD Replacement Sweetwater Treatment Plant						$ 100,000		$ 100,000
SCADA Upgrades	$ -	$ -	$ -	$ -	$ 100,000	$ 225,000		$ 325,000
Sub Total	$ 1,117,000	$ 1,103,000	$ 519,059	$ 645,850	$ 837,000	$ 842,000	$ 390,000	$ 2,714,850
CIP Project (ZONE)								
Lift Station Upgrade (CDS Reserve)	$ 150,000	$ 150,000	$ -					$ -
Solar at Lift Station 16	$ 50,000	$ 50,000	$ -					$ -
Installation of a Water Line to CDS Field	$ 10,000	$ 10,000	$ -					$ -
CDS Carport				$ 13,000				$ 13,000
Geo pump				$ 7,500				$ 7,500
Water Trailer				$ 11,000				$ 11,000
Backhoe Attachment or Used Mini Excavator				$ 20,000				$ 20,000
Sub Total	$ 210,000	$ 210,000	$ -	$ 51,500	$ -	$ -	$ -	$ 51,500
TOTAL	$ 1,327,000	$ 1,313,000	$ 519,059	$ 697,350	$ 837,000	$ 842,000	$ 390,000	$ 2,766,350

Capital Improvement Plan Budget (grant funded)

Potential Grant Funded Capital Projects	FY 23/24 BUDGET Adopted 6/13/23	FY23-24 Amended CIP Adopted 10/10/23	4/30/24 YTD EXPENDITURES	FY 24/25	FY 25/26	FY 26/27	FY 27/28	Total 22-28
Hydrant Buddy (Valve Exercising) (5300-5400)				$ 13,000.00				$ 13,000.00
GRANT - JPIA Risk grant				$ (13,000.00)				$ (13,000.00)
Annual Canal Lining/Canal Improvements	$ 120,000	$ 120,000	$ 33,952	$ 120,000	$ -	$ -	$ -	$ 120,000
GRANT - USBR (AWARDED)	$ (40,000)	$ (40,000)	$ -	$ (40,000)	$ -	$ -	$ -	$ (40,000)
Dredging of Holding Reservoirs and Erosion	$ 285,000	$ 285,000	$ 7,632	$ -	$ 5,600,000	$ -	$ -	$ 5,600,000
GRANT - FEMA Emergency Funds (AWARDED)	$ (285,000)	$ (285,000)	$ -	$ -	$ (1,500,000)	$ -	$ -	$ (1,500,000)
AMI Meter Infrastructure	$ 125,000	$ 50,000	$ 13,496	$ 111,000	$ -	$ -	$ -	$ 111,000
GRANT - California State Appropriation	$ (125,000)	$ (50,000)	$ (111,000)	$ (111,000)	$ -	$ -	$ -	$ (111,000)
Infrasturcture Generators	$ 100,000	$ 200,000	$ -	$ -	$ -	$ -	$ -	$ -
GRANT - California State Appropriation	$ (100,000)	$ (200,000)	$ (139,000)	$ -	$ -	$ -	$ -	$ -
Skid Steer w/Masicator	$ 162,500	$ 162,500	$ 155,618	$ -	$ -	$ -	$ -	$ -
GRANT - CalFire	$ (162,500)	$ (162,500)	$ (149,027)	$ -	$ -	$ -	$ -	$ -
Excavator w/Masicator	$ 162,500	$ 162,500	$ 157,261	$ -	$ -	$ -	$ -	$ -
GRANT - CalFire	$ (162,500)	$ (162,500)	$ (149,027)	$ -	$ -	$ -	$ -	$ -
Clearing Contract	$ -	$ -	$ -	$ 920,000	$ -	$ -	$ -	$ 920,000
GRANT - CalFire	$ -	$ -	$ -	$ (920,000)	$ -	$ -	$ -	$ (920,000)
Sweetwater Water Treatment 2MG Water Tank	$ -	$ -	$ -	$ 1,750,000	$ -	$ -	$ -	$ 1,750,000
GRANT - Federal Appropriation	$ -	$ -	$ -	$ (1,250,000)	$ -	$ -	$ -	$ (1,250,000)
Upper Canal Pipline project	$ -	$ -	$ -	$ 8,900,000	$ -	$ -	$ -	$ 8,900,000
USDA Rural Development Grant	$ -	$ -	$ -	$ (8,900,000)	$ -	$ -	$ -	$ (8,900,000)
Canal Pipeline Improvements	$ 1,333,333	$ 1,333,333	$ 12,243	$ 1,300,000	$ 1,300,000	$ 1,300,000	$ -	$ 3,900,000
GRANT - CalOES HMPG	$ (1,000,000)	$ (1,000,000)	$ -	$ (1,000,000)	$ (1,000,000)	$ (1,000,000)	$ -	$ (3,000,000)
Develop Alternative Water Sources (Onion Creek)	$ -	$ -	$ -	$ 1,000,000	$ -	$ -	$ -	$ 1,000,000
Alternative Water Sources State Appropriation	$ -	$ -	$ -	$ (500,000)	$ -	$ -	$ -	$ (500,000)
Hydroelectric at Stumpy Meadows Reservoir	$ -	$ -	$ -	$ 5,000,000	$ -	$ -	$ -	$ 5,000,000
Hydroelectric Federal Appropriation	$ -	$ -	$ -	$ (5,000,000)	$ -	$ -	$ -	$ (5,000,000)
Solar on Walton and Sweetwater (Solar)	$ -	$ -	$ -	$ 2,000,000	$ -	$ -	$ -	$ 2,000,000
Solar on Walton and Sweetwater (Batteries)	$ -	$ -	$ -	$ 2,000,000	$ -	$ -	$ -	$ 2,000,000
Community Grant for Energy	$ -	$ -	$ -	$ (2,670,000)	$ -	$ -	$ -	$ (2,670,000)
PPP Loan	$ -	$ -	$ -	$ (1,333,000)				$ (1,333,000)
Develop Alternative Water Sources (Otter Creek)	$ 85,000	$ 85,000	$ -	$ 100,000	$ -	$ -	$ -	$ 100,000
Sub Total	**$ 2,373,333**	**$ 2,398,333**	**$ 380,202**	**$ 23,214,000**	**$ 6,900,000**	**$ 1,300,000**	**$ -**	**$ 30,068,000**
CIP Project (GRANT FUNDED ZONE)								
CDS Lift Station Upgrade				$ 833,000				$ 833,000
GRANT - Prop 50				$ (833,000)				$ (833,000)
Wastewater Treatment Plant							$ 750,000	$ 750,000
ZONE Sub Total	$ -	$ -	$ -	$ 833,000	$ -	$ -	$ 750,000	$ 1,583,000
Grant Total	$ (1,875,000)	$ (1,900,000)	$ (548,054)	$ (22,570,000)	$ (2,500,000)	$ (1,000,000)	$ -	$ (24,724,000)
Total	**$ 498,333**	**$ 498,333**	**$ (167,852)**	**$ 1,477,000**	**$ 4,400,000**	**$ 300,000**	**$ 750,000**	**$ 6,927,000**

Future Capital Improvement Plan Projects

- North Fork American River Pumping Plant
- Secondary Reservoir
- Line Extensions (Expanding the District)

CIP Project (Water)	FY 23-24 BUDGET Adopted 6/13/23	FY23-24 Amended CIP Adopted 10/10/23	4/30/24 YTD EXPENDITURES	FY 24-25	FY 25-26	FY 26-27	FY 27-28	Total FY 25-28
Future Projects (2029-2034)								
North Fork American River Pumping Plant								$ 35,000,000
Secondary Reservoir								$ 75,000,000
Line Extensions (Expanding the District)								$ 5,000,000
							TOTAL	$ 115,000,000

Questions

RESOLUTION NO. 2024-XX

OF THE BOARD OF DIRECTORS OF THE GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT APPROVING THE UPDATED FISCAL YEAR 2024/2025 CAPITAL IMPROVEMENT PLAN

WHEREAS, the District facilities require regular maintenance, rehabilitation, and/or upgrades to existing facilities, and District operations require the periodic addition of new facilities/infrastructure to meet operational objectives; and,

WHEREAS, District staff have reassessed and reprioritized projects for this fiscal year based on operational needs, engineering analysis, District priorities, projected revenues, applicable Reserve Funds balances, and projected project costs; and,

WHEREAS, the Capital Improvements are necessary to allow the District to meet its operational goals and responsibilities to ratepayers while staying in compliance with local, State, and Federal regulations; and,

WHEREAS, the District is recommending funding the updated Capital Improvement Projects proposed for FY 2024/2025,

WHEREAS, the District has completed an analysis of reserve accounts to fund FY 2024/25 Capital Improvement Projects.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT THAT:

1. Capital Improvement Projects for FY 2024-25 are shown in "Exhibit A", a copy of which is attached and hereby made part of this Resolution is hereby adopted.

BE IT FURTHER RESOLVED THAT THE PROPOSED CAPITAL IMPROVEMENT PROJECTS FOR FY 2024-2025 ARE APPROVED.

PASSED AND ADOPTED by the Board of Directors of the Georgetown Divide Public Utility District at a meeting of said Board held on the 6th day of June 2024, by the following vote:

AYES:

NOES:

ABSENT/ABSTAIN:

____

Mitch MacDonald, President, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Attest:

____

Nicholas Schneider, Clerk, and Ex officio
Secretary, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

CERTIFICATION

I hereby certify that the foregoing is a full, true, and correct copy of Resolution 2024-XX duly and regularly adopted by the Board of Directors of the Georgetown Divide Public Utility District, County of El Dorado, State of California, on this 6th day of June 2024.

____

Nicholas Schneider, Clerk, and Ex officio
Secretary, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Capital Improvement Projects

The five-year capital improvement plan (CIP) is adopted each year by the Board separately from the budget. The expenditures in the CIP for the current fiscal year are incorporated into this budget and shown as expenses within the Fund Summary. The second table are potential grant funded projects.

Table 1: CIP projects

CIP Project (Water)	FY 23-24 BUDGET Adopted 6/13/23	FY23-24 Amended CIP Adopted 10/10/23	4/30/24 YTD EXPENDITURES	FY 24-25	FY 25-26	FY 26-27	FY 27-28	Total FY 25-28
Priority 1								
Tunnel Inspection and Lining	$ 65,000	$ 65,000	$ 4,200	$ 65,000				$ 65,000
Infrstructure Replacement/HQ Building	$ 200,000	$ 200,000	$ 19,481	$ 19,000	$ 200,000			$ 219,000
Distribution Tank Coating	$ 275,000	$ 275,000		$ 175,000	$ 175,000			$ 350,000
Paving	$ 75,000	$ 50,000	$ -	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 160,000
Vehicle Replacements	$ 250,000	$ 175,000	$ 174,406					$ -
- Dump Truck Less than $75,000								$ -
- Utility Truck for 5400 F-450 $75,000								$ -
- 1/2 Ton Trucks (3) $100,000								$ -
Tracked Barrow (5100-5200)				$ 3,000				$ 3,000
Snow Survey Equipment (5100)				$ 2,500				$ 2,500
Water Quality Sensors (5300)				$ 10,000				$ 10,000
Vibratory Plate (5400)				$ 2,650				$ 2,650
Flushing Equipment (5400)				$ 3,000				$ 3,000
Hydraulic Jack Hammer (5400)				$ 3,200				$ 3,200
eCorp (CEQA Compliance) (5600)				$ 7,500				$ 7,500
Bennett (Engineering Consultant) (5600)				$ 30,000				$ 30,000
Vectis (Federal Advocacy) (5600)				$ 48,000				$ 48,000
Zanjero (Grant Writing) (5600)				$ 20,000				$ 20,000
Mosquito Fire Mitigation								$ -
Road Bank Repair	$ -	$ 15,000	$ 13,932					$ -
Erosion Mitigation	$ -	$ 15,500	$ 4,800					$ -
Levee Road	$ -	$ 161,000	$ 180,840					$ -
Pipe Mitigation	$ -	$ 36,500	$ 21,412					$ -
Master Meters	$ 80,000	$ -	$ 87,982					$ -
Priority 2								
Pump Station Retrofit	$ 12,000	$ 12,000	$ -	$ 12,000	$ 12,000	$ 12,000		$ 36,000
Repair Safety Walkways	$ 35,000	$ 2,500	$ 848	$ 5,000	$ 5,000	$ 5,000		$ 15,000
Treated Water line Replacement	$ 65,000	$ 65,000	$ 492	$ 65,000	$ 70,000	$ 75,000		$ 210,000
Vehicle Replacements				$ 100,000	$ 100,000	$ 250,000	$ 250,000	$ 700,000
Pressure Regulating Valves	$ 50,000	$ 20,000	$ -	$ 25,000	$ 25,000	$ 25,000		$ 75,000
Priority 3								
Annual Canal Lining/Canal Improvements	$ -	$ 8,000	$ -		$ 100,000	$ 100,000	$ 100,000	$ 300,000
Replace Air Release Valves	$ 10,000	$ 2,500	$ 10,667	$ 10,000	$ 10,000	$ 10,000		$ 30,000
VFD Replacement Sweetwater Treatment Plant						$ 100,000		$ 100,000
SCADA Upgrades	$ -	$ -	$ -	$ -	$ 100,000	$ 225,000		$ 325,000
Sub Total	**$ 1,117,000**	**$ 1,103,000**	**$ 519,059**	**$ 645,850**	**$ 837,000**	**$ 842,000**	**$ 390,000**	**$ 2,714,850**
CIP Project (ZONE)								
Lift Station Upgrade (CDS Reserve)	$ 150,000	$ 150,000	$ -					$ -
Solar at Lift Station 16	$ 50,000	$ 50,000	$ -					$ -
Installation of a Water Line to CDS Field	$ 10,000	$ 10,000	$ -					$ -
CDS Carport				$ 13,000				$ 13,000
Geopump				$ 7,500				$ 7,500
Water Trailer				$ 11,000				$ 11,000
Backhoe Attachment or Used Mini Excavator				$ 20,000				$ 20,000
Sub Total	**$ 210,000**	**$ 210,000**	**$ -**	**$ 51,500**	**$ -**	**$ -**	**$ -**	**$ 51,500**
TOTAL	**$ 1,327,000**	**$ 1,313,000**	**$ 519,059**	**$ 697,350**	**$ 837,000**	**$ 842,000**	**$ 390,000**	**$ 2,766,350**

Table 2: Grant Funded projects.

Potential Grant Funded Capital Projects	FY 23/24 BUDGET Adopted 6/13/23	FY23-24 Amended CIP Adopted 10/10/23	4/30/24 YTD EXPENDITURES	FY 24/25	FY 25/26	FY 26/27	FY 27/28	Total 22-28
Hydrant Buddy (Valve Exercising) (5300-5400)				$ 13,000.00				$ 13,000.00
GRANT - JPIA Risk grant				$ (13,000.00)				$ (13,000.00)
Annual Canal Lining/Canal Improvements	$ 120,000	$ 120,000	$ 33,952	$ 120,000	$ -	$ -	$ -	$ 120,000
GRANT - USBR (AWARDED)	$ (40,000)	$ (40,000)	$ -	$ (40,000)	$ -	$ -	$ -	$ (40,000)
Dredging of Holding Reserviors and Erosion	$ 285,000	$ 285,000	$ 7,632	$ -	$ 5,600,000	$ -	$ -	$ 5,600,000
GRANT - FEMA Emergency Funds (AWARDED)	$ (285,000)	$ (285,000)	$ -	$ -	$ (1,500,000)	$ -	$ -	$ (1,500,000)
AMI Meter Infrastructure	$ 125,000	$ 50,000	$ 13,496	$ 111,000	$ -	$ -	$ -	$ 111,000
GRANT - California State Appropriation	$ (125,000)	$ (50,000)	$ (111,000)	$ (111,000)	$ -	$ -	$ -	$ (111,000)
Infrasturcture Generators	$ 100,000	$ 200,000	$ -	$ -	$ -	$ -	$ -	$ -
GRANT - California State Appropriation	$ (100,000)	$ (200,000)	$ (139,000)	$ -	$ -	$ -	$ -	$ -
Skid Steer w/Masicator	$ 162,500	$ 162,500	$ 155,618	$ -	$ -	$ -	$ -	$ -
GRANT - CalFire	$ (162,500)	$ (162,500)	$ (149,027)	$ -	$ -	$ -	$ -	$ -
Excavator w/Masicator	$ 162,500	$ 162,500	$ 157,261	$ -	$ -	$ -	$ -	$ -
GRANT - CalFire	$ (162,500)	$ (162,500)	$ (149,027)	$ -	$ -	$ -	$ -	$ -
Clearing Contract	$ -	$ -	$ -	$ 920,000	$ -	$ -	$ -	$ 920,000
GRANT - CalFire	$ -	$ -	$ -	$ (920,000)	$ -	$ -	$ -	$ (920,000)
Sweetwater Water Treatment 2MG Water Tank	$ -	$ -	$ -	$ 1,750,000	$ -	$ -	$ -	$ 1,750,000
GRANT - Federal Appropriation	$ -	$ -	$ -	$ (1,250,000)	$ -	$ -	$ -	$ (1,250,000)
Upper Canal Pipline project	$ -	$ -	$ -	$ 8,900,000	$ -	$ -	$ -	$ 8,900,000
USDA Rural Development Grant	$ -	$ -	$ -	$ (8,900,000)	$ -	$ -	$ -	$ (8,900,000)
Canal Pipeline Improvements	$ 1,333,333	$ 1,333,333	$ 12,243	$ 1,300,000	$ 1,300,000	$ 1,300,000	$ -	$ 3,900,000
GRANT - CalOES HMPG	$ (1,000,000)	$ (1,000,000)	$ -	$ (1,000,000)	$ (1,000,000)	$ (1,000,000)	$ -	$ (3,000,000)
Develop Alternative Water Sources (Onion Creek)	$ -	$ -	$ -	$ 1,000,000	$ -	$ -	$ -	$ 1,000,000
Alternative Water Sources State Appropriation	$ -	$ -	$ -	$ (500,000)	$ -	$ -	$ -	$ (500,000)
Hydroelectric at Stumpy Meadows Reservoir	$ -	$ -	$ -	$ 5,000,000	$ -	$ -	$ -	$ 5,000,000
Hydroelectric Federal Appropriation	$ -	$ -	$ -	$ (5,000,000)	$ -	$ -	$ -	$ (5,000,000)
Solar on Walton and Sweetwater (Solar)	$ -	$ -	$ -	$ 2,000,000	$ -	$ -	$ -	$ 2,000,000
Solar on Walton and Sweetwater (Batteries)	$ -	$ -	$ -	$ 2,000,000	$ -	$ -	$ -	$ 2,000,000
Comnunity Grant for Energy	$ -	$ -	$ -	$ (2,670,000)	$ -	$ -	$ -	$ (2,670,000)
PPP Loan	$ -	$ -	$ -	$ (1,333,000)				$ (1,333,000)
Develop Alternative Water Sources (Otter Creek)	$ 85,000	$ 85,000	$ -	$ 100,000	$ -	$ -	$ -	$ 100,000
Sub Total	**$ 2,373,333**	**$ 2,398,333**	**$ 380,202**	**$ 23,214,000**	**$ 6,900,000**	**$ 1,300,000**	**$ -**	**$ 30,068,000**
CIP Project (GRANT FUNDED ZONE)								
CDS Lift Station Upgrade				$ 833,000				$ 833,000
GRANT - Prop 50				$ (833,000)				$ (833,000)
Wastewater Treatment Plant							$ 750,000	$ 750,000
ZONE Sub Total	$ -	$ -	$ -	**$ 833,000**	$ -	$ -	**$ 750,000**	**$ 1,583,000**
Grant Total	$ (1,875,000)	$ (1,900,000)	$ (548,054)	$ (22,570,000)	$ (2,500,000)	$ (1,000,000)	$ -	$ (24,724,000)
Total	**$ 498,333**	**$ 498,333**	**$ (167,852)**	**$ 1,477,000**	**$ 4,400,000**	**$ 300,000**	**$ 750,000**	**$ 6,927,000**

Table 3: Future projects

CIP Project (Water)	FY 23-24 BUDGET Adopted 6/13/23	FY23-24 Amended CIP Adopted 10/10/23	4/30/24 YTD EXPENDITURES	FY 24-25	FY 25-26	FY 26-27	FY 27-28	Total FY 25-28
Future Projects (2029-2034)								
North Fork American River Pumping Plant								$ 35,000,000
Secondary Reservoir								$ 75,000,000
Line Extensions (Expanding the District)								$ 5,000,000
							TOTAL	**$ 115,000,000**

REPORT TO THE BOARD OF DIRECTORS
Board Meeting of June 6, 2024
Agenda Item No. 8. B.

GDPUD

AGENDA SECTION: **ACTION ITEMS**

SUBJECT: **Review, Receive, and File the Annual Financial Report for Fiscal Year 2022-2023**

PREPARED BY: Jessica Buckle

Approved By: Nicholas Schneider, General Manager

BACKGROUND

Georgetown Divide Public Utility District ("District") prepares annual financial statements in accordance with Generally Accepted Accounting Principles (GAAP). These principles provide guidance for financial reporting and state that financial information should be timely, complete, accurate, reliable, and presented fairly in all material respects. Pursuant to the California Code of Regulations, title 2, section 1131, an independent audit of the financial statements is a requirement of the Comptroller of the United States of America in accordance with the Governmental Auditing Standards. Furthermore, according to California Government Code section 26909, an audit report should be filed within twelve (12) months of the fiscal year(s) end; whereas the District has the authority to elect an annual audit, biennial audit, five (5)-year audit, or an audit conducted at specific intervals covering at least a five (5)-year period.

Historically, the District has conducted audits and reported financial statements annually. To maintain compliance with the District's financial reporting goals and the above-mentioned statutory requirements, the District has contracted with MAZE and Associates to administer an annual audit and provide their opinion.

DISCUSSION

The District's financial goals for providing timely, complete, accurate, and reliable financial statements that are presented fairly in all material respects include an annual audit with issued financial statements no later than 180 days after the close of the fiscal year.

For the fiscal year ending June 30, 2023, MAZE and Associates conducted their year-end audit between September and December of 2023 and provided a final audit, Annual Financial Statements for the Year Ended June 30, 2023, as of May 8, 2024.

FISCAL IMPACT

The Professional Services Agreement contract annual amount is $21,486. This amount includes the optional task of a single audit in the amount of $3,700 per year.

CEQA ASSESSMENT

This is not a CEQA project.

RECOMMENDED ACTION

Staff recommends the Board of Directors of the Georgetown Divide Public Utility District (GDPUD) adopt the attached Resolution 2024-XX approving the FY 2022-2023 Audit.

ALTERNATIVES

The Board may request (a) Request substantive changes to the Resolution for staff to implement; (b) Reject the Resolution.

ATTACHMENTS

1. Audit FY 2022-23
2. Maze and Associates Independent Auditor Presentation
3. Resolution 2024-XX

Annual Financial Report

for the Year ended June 30, 2023

PREPARED FOR

GDPUD

Georgetown Divide Public Utilities District At
6425 Main Street
Georgetown, CA 95634

3478 Buskirk Ave, Ste 217
Pleasant Hill, CA 94523

MAZE & ASSOCIATES

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GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2023

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MAZE & ASSOCIATES

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Georgetown Divide Public Utility District
Georgetown, California

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of each major enterprise fund, and the fiduciary fund of the Georgetown Divide Public Utility District (District), California, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, respective financial position of each major enterprise fund, and the fiduciary fund of the District as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Accountancy Corporation
3478 Buskirk Avenue, Suite 217
Pleasant Hill, CA 94523

T 925.228.2800
E maze@mazeassociates.com
W mazeassociates.com

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. 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, misrepresentations, or the override of internal control. Misstatements are considered material if there isa substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Change in Accounting Principles

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 87 – *Leases*, which became effective during the year ended June 30, 2022. See Note 5 to the financial statements. The emphasis of this matter does not constitute a modification to our opinions.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 do 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.

Report on Summarized Comparative Information

We have previously audited the District's June 30, 2022 financial statements, and we expressed an unmodified audit opinions on those audited financial statements in our report dated August 16, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 16, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Maze + Associates

Pleasant Hill, California
April 16, 2024

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GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Management's Discussion and Analysis
June 30, 2023

As management of the Georgetown Divide Public Utility District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the audited financial statements and accompanying notes that follow this section.

Financial Highlights

Total revenue for the fiscal year ending June 30, 2023 was $7,624,953, an increase of $1,281,420 or 20.20% from the previous fiscal year. Total expenses were $4,321,703, a decrease of $3,766,273 or 46.57% from the previous fiscal year. The increase in net position was $3,303,250 for the fiscal year.

Operating revenue totaled $3,677,974 for the fiscal year ended June 30, 2023, an increase of $162,772 or 4.63% from the previous fiscal year. Operating expenses totaled $4,157,339 a decrease of $3,682,860 or 46.97% from the previous fiscal year.

Non-operating revenue was $3,946,979, an increase of $1,118,648 or 39.55%. Non-operating expenses were $164,364, a decrease of $83,413 or 33.66%. The remaining non-operating revenue supplements operating revenue to cover operating expenses and capital improvements.

Other significant financial activities were:

- Auburn Lake Trails Waste Discharge Requirement
- Distribution System Master Meters
- Sweetwater Treatment Plant Pump Control Valves
- Chimney Flat Treated Water Line Replacement
- Water Systems Conditions Assessment and Water System Reliability Study Update
- Asset Management System
- Annual Canal Lining
- Automated Meter Replace Project

Overview of the Financial Statements

This annual report consists of four parts: Management's Discussion and Analysis, the Basic Financial Statements, and Required Supplementary Information.

The required financial statements are the Statement of Net Position at June 30, 2023; the Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds for the fiscal year ended June 30, 2023; and the Statement of Cash Flows – Proprietary Funds for the fiscal year ended June 30, 2023 at the fund level. The final required financial statement is the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. The financial statements also include comprehensive notes which summarize the official accounting policies of the District.

The financial statements, except for the cash flow statement, are prepared using the accrual basis of accounting, which means that revenues are recorded when earned and expenses are recorded when incurred regardless of the timing of cash receipts or payments. The cash flow statement is an exception because that statement shows the receipt and payment of cash for operating activities, non-capital financing activities, capital and related financing activities, and investing activities.

Required Financial Statements

The financial statements of the District report information about the District using accounting methods similar to those used by companies in the private sector. These statements offer short and long-term financial information about its activities. The *Statement of Net Position* includes all the District's assets and liabilities. The statement also provides information about the nature and amounts of investments in assets and obligations to District creditors as liabilities. The statement also provides the basis for computing rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District.

All of the current fiscal year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Position.* This statement measures the District's operations over the past fiscal year and can be used to determine whether the District has successfully recovered all of its costs through its rates, fees, and other charges. The District's net position and credit worthiness can also be determined from this statement.

The primary purpose of the *Statement of Cash Flows* is to provide information about the District's cash receipts and cash payments during the reporting period. This statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. It explains where cash came from, cash usage, and the change in the cash balance during the reporting period.

Fiduciary funds are used to account for resources held for the benefit of parties outside and within the District. Since the resources of these funds are not available to support the District's own programs, they are not reflected in the government wide financial statements. *The Statement of Fiduciary Net Position* is found on pages 16-17.

Financial Analysis of the District

Has the financial condition of the District improved or deteriorated as a result of this year's operations? The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position attempts to answer this question. Net position may be a useful indicator over time as to the District's financial position. But there may be other non-economic factors that could cause a change in the District's financial situation.

Statement of Net Position

The Statement of Net Position is a snapshot in time that shows assets, liabilities, and net assets as of June 30, 2023. Net Position increased by $3,303,250 to $22,017,474 in fiscal year 2023. Total assets and deferred outflows increased by $2,314,730 or 5.92%. This increase is attributable to an increase in capital assets, net of accumulated depreciation due to construction projects. Liabilities and deferred inflows decreased by $988,520 to $19,424,284. The majority of the decrease in liabilities is due to the implementation of the new GASB for leases in FY 2021-2022. GASB 68 & OPEB contributions for pension expenses totaled $1,925,358.17 in FY 2021-2022 and now total $1,834,498 in FY 2022-2023. A summary of the District's Statement of Net Position is presented in Table A-1.

Table A-1
Condensed Statement of Net Position

	Fiscal Year 2023	Fiscal Year 2022	Dollar Change	Percent Change
Current Assets	$ 8,912,380	$ 9,043,990	$ (131,610)	-1.46%
Restricted Assets	2,588,477	2,439,038	149,439	6.13%
Capital Assets, Net of Accumulated Depreciation	27,173,875	26,313,397	860,478	3.27%
Total Assets	38,674,732	37,796,425	878,307	2.32%
Deferred Outflows of Resources	2,767,026	1,330,603	1,436,423	107.95%
Total Assets and Deferred Outflows of Resources	41,441,758	39,127,028	2,314,730	5.92%
Current Liabilities	801,272	1,524,148	(722,876)	-47.43%
Long-term Liabilities	16,881,704	14,162,190	2,719,514	19.20%
Total Liabilities	17,682,976	15,686,338	1,996,638	12.73%
Deferred Inflows of Resources	1,741,308	4,726,466	(2,985,158)	-63.16%
Total Liabilities and Deferred Inflows of Resources	19,424,284	20,412,804	(988,520)	-4.84%
Invested in Capital Assets, Net of Related Debt	17,558,422	17,489,692	68,730	0.39%
Restricted Net Position for Facilities	2,585,936	2,542,679	43,257	1.70%
Unrestricted Net Position	1,873,116	(1,318,147)	3,191,263	-242.10%
Total Net Position	$ 22,017,474	$ 18,714,224	$ 3,303,250	17.65%

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position provides information on the nature and source of assets represented on the Statement of Net Position. It also shows that the revenue exceeds expenses by $3,303,250. Ending net position totaled $22,017,474. Total revenues increased by $1,281,420 in 2023 totaling $7,624,953. This increase is attributable to a decrease in operating expenses, current liabilities, and pension related expenses. The Statement of Revenues, Expenses, and Changes in Net Position lists the operating revenues and the non-operating revenues together and compares them to operating and non-operating expenses. Table A-2 depicts total revenues and total expenses and the resulting changes in net position.

Table A-2
Condensed Statement of Revenues, Expenses, and Changes in Net Position

	Fiscal Year 2023	Fiscal Year 2022	Dollar Change	Percent Change
Operating Revenues	$ 3,677,974	$ 3,515,202	$ 162,772	4.63%
Non-operating Revenues and Contributions	3,946,979	2,828,331	1,118,648	39.55%
Total Revenues	7,624,953	6,343,533	1,281,420	20.20%
Operating Expenses	4,157,339	7,840,199	(3,682,860)	-46.97%
Non-operating Expenses	164,364	247,777	(83,413)	-33.66%
Total Expenses	4,321,703	8,087,976	(3,766,273)	-46.57%
Net Income (Loss)	3,303,250	(1,744,443)	5,047,693	-289.36%
Beginning Net Position	18,714,224	20,458,667	(1,744,443)	-8.53%
Restatements				
Ending Net Position	$ 22,017,474	$ 18,714,224	$ 3,303,250	17.65%

Operating Revenues

In a purely business environment, operating revenues are meant to cover operating expenses. The District's operating revenues are significantly less than operating expenses. Therefore, the District operates on an operating loss and requires non-operating revenue to operate. The District is unique in that it receives a significant amount of non-operating revenue in the form of property taxes. This non-operating revenue is used to offset this operating loss. Operating revenues increased by 4.63 % even though rates have not increased since 2019. Operating revenues are depicted in Table A-3.

Table A-3
Condensed Operating Revenues

	Fiscal Year 2023	Fiscal Year 2022	Dollar Change	Percent Change
Water Sales - Residential (Treated Water)	$3,003,257	$2,873,804	$129,453	4.50%
Water Sales - Commercial	-	-	-	0.00%
Water Sales - Irrigation	326,333.00	388,464	(62,131)	-15.99%
Water Disposal Fees and Charges	226,067	211,263	14,804	7.01%
Penalties	76,936	28,112	48,824	173.68%
Connections	45,381	13,559	31,822	234.69%
Total Operating Revenues	$3,677,974	$3,515,202	$162,772	4.63%

Operating Expenses by Department

Total operating expenses decreased $3,682,860 or 446.97% to $4,157,339. The hydroelectric activities and claims expenses are combined with the administrative activities as they are not material enough to present separately. Operating expenses are depicted in Table A-4.

Table A-4
Operating Expenses by Department

	Fiscal Year 2023	Fiscal Year 2022	Dollar Change	Percent Change
Source of Supply	$ 742,397	$ 428,880	$ 313,517	73.10%
Transmission and Distribution – Raw Water	682,024	642,832	39,192	6.10%
Water Treatment	772,201	765,229	6,972	0.91%
Transmission and Distribution – Treated Water	1,085,621	938,177	147,444	15.72%
Customer Service	226,167	293,999	(67,832)	-23.07%
Administrative, Claims Expense, and Hydroelectric	(628,284)	3,586,049	(4,214,333)	-117.52%
Depreciation and Amortization	901,413	932,036	(30,623)	-3.29%
On-site Wastewater Disposal Zone	375,800	252,997	122,803	48.54%
Total Operating Expenses	$ 4,157,339	$ 7,840,199	$ (3,682,860)	-46.97%

Operating Revenues vs. Operating Expenses

The District's operating loss decreased by $3,791,654 or 87.7% from the prior year. Table A-5 compares operating revenues to operating expenses and depicts the District's reliance on other revenue for operations.

Table A-5
Operating Revenues vs Operating Expenses

	Fiscal Year 2023	Fiscal Year 2022	Dollar Change	Percent Change
Operating Revenues	$ 3,677,974	$ 3,515,202	$ 162,772	4.63%
Operating Expenses	4,157,339	7,840,199	(3,682,860)	-46.97%
Operating Loss	$ (479,365)	$ (4,324,997)	$ 3,845,632	-88.92%

Non-operating Revenues and Expenses

The District's non-operating income is vital to covering operations. Interest income increased this year due to market fluctuations. Property tax revenue increased modestly, Capital Facility Payments and Lease Revenue decreased significantly. There were capital contributions related to grant reimbursements which the District did not receive in 2022. The 2021-2022 SMUD payment was received late in FY 2022-2023 almost doubling the normal payment. Sale of Assets revenue increased from prior years due to surplusage of old outlived equipment. Table A-6 compares non-operating revenues and expenses.

Table A-6
Non-Operating Revenues and Expenses

	Fiscal Year 2023	Fiscal Year 2022	Dollar Change	Percent Change
Property Taxes – General	$ 2,010,456	$ 1,867,047	$ 143,409	7.68%
Surcharge	665,137	663,592	1,545	0
Grant Revenue	567,607	-	567,607	1
Interest Income	176,443	30,679	145,764	5
Lease Revenue	121,062	136,621	(15,559)	(0)
SMUD Payment	241,297	-	241,297	1
Hydroelectric Royalty Payments	36,486	53,074	(16,588)	(0)
Capital Facility Payments	19,864	76,084	(56,220)	(1)
Gain on sale of asset	108,282	-	108,282	1
Other	345	1,234	(889)	(1)
Total Non-Operating Revenues	3,946,979	2,828,331	1,118,648	0
Capital contributions	-	-	-	1
Total Non-operating Expenses	(164,364)	(247,777)	83,413	(0)
Non-operating Income less Non-operating Expense	$ 3,782,615	$ 2,580,554	$1,202,061	46.58%

Capital Assets

The District's investment in capital assets for the fiscal year was $1,774,942, which includes $1,586,049 of capital improvements. The most significant investments in capital assets are:

- Auburn Lake Trails Waste Discharge Requirement - $24,658
- Distribution System Master Meters - $74,751
- Sweetwater Treatment Plant Pump Control Valves - $114,599
- Chimney Flat Treated Water Line Replacement - $57,753
- Water Systems Conditions Assessment and Water System Reliability Study Update - $154,962
- Asset Management System - $23,999
- Annual Canal Lining - $42,828
- Automated Meter Replace Project - $892,406

Additional information about District capital assets can be obtained in Note 4 of the notes to the financial statements.

Long-term Debt and Debt Administration

At June 30, 2023, the District had $17,455,323 in long-term debt, including compensated absences, net pension liability and other postemployment benefits obligations, and loan and capital leases, which is $2,786,168 more than the prior fiscal year. The District continues to perform debt administration functions previously performed by the County on the District's behalf for certain 1915 Act bonds. Additional information about District long-term debt can be obtained in Note 6 of the notes to the financial statements.

CalPERS Pension Plan

Assembly Bill 340 was recently passed by the California Legislature in an effort to reduce CalPERS pension costs in the long run. The District has participated in a CalPERS Pension Plan since February of 1972. There have been amendments to the contract with CalPERS over the years. CalPERS requires the District to be part of a small employer pool and the 2006 contract change which require payments to reduce a side fund. The contribution requirements of the plan members are established by state statute and the employer contribution rate is established and may be amended by CalPERS. The *Governmental Accounting Standards Board Statement No. 68 – Accounting and Financial Reporting by Employers for Pensions* established new accounting rules for reporting pension obligations effective years ending after June 15, 2013. Prior to this pension obligations were not accounted for on the balance sheet. Actuarial valuations are provided by CalPERS that support the calculation of the Net Pension Liability and related Deferred Outflows and Inflows of Resources. Net Pension liability is determined by accounting for the proportionate share of the actuarially determined total pension liability less the proportionate share of the actuarially determined fiduciary net position of the cost-sharing plan. Year over year changes to the actuarial assumptions are amortized over a fixed period and accounted for in Deferred Outflows and Inflows of Resources in order to smooth the otherwise large swings in changes. The net of all annual changes to Net Pension Liability and Deferred Inflows and Outflows of Resources are recognized in Pension Expense. At June 30, 2023, the District reported $6,437,282 in Net Pension liability, an increase of $2,252,744 from the prior year balance of $4,184,538. Deferred Outflows of Resources were $2,767,026, up $1,436,423 from the prior year balance of $1,330,603. Deferred Inflows of Resources were $1,741,308, down $2,985,158 from the prior year balance of $4,726,466. Pension expenses were $1,435,831, a decrease of $756,364 from the prior year's amount of $2,651,272. Additional information about Pensions can be obtained in Note 13 of the notes to the financial statements.

Postemployment Benefits Other Than Pensions

The District has been endeavoring to fund these benefit commitments for many years. On April 11, 2006, the District adopted Ordinance 2006-01 regarding retiree health benefits implementing caps on the amount the District would pay towards these types of benefits. In Fiscal Year 2009-10 the District implemented *Governmental Accounting Standards Board Statement No. 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* which required the calculation and reporting of the current obligation. Effective fiscal years ending after June 15, 2017 *Government Accounting Standards Board Statement No. 75 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* require municipalities to report a Net OPEB Liability similar to that of Net Pension Liability. A calculation of the future liability for these benefits has been prepared utilizing the alternative measurement method allowed by the statement for small employers with less than 100 participants. The estimated actuarial liability at June 30, 2023 is $1,334,027, a decrease of $260,894 from the prior year balance of $1,594,921. The District has set aside $344,401 for this obligation. As the District administers this plan without a trust, the designated assets set aside for these benefits are not recognized in the notes to the financial statements. Additional information about postemployment benefits other than pensions can be obtained in Note 15 of the notes to the financial statements.

Economic Factors and Rates

The District's customer base continues to grow at a slow rate. The District completed a Water Financial Analysis in October 2017. The last water rate study performed by the District was in 2008, and the last water rate increase was in 2011. The purpose of the Analysis was to ensure the financial strength of the District, expose the need to set reserves aside for future replacement of failing components, allocate shared costs between treated water and irrigation water customers, and identify any other financial deficiencies of the District. This Analysis recommended a new rate structure and higher rates which were adopted by the Board of Directors and went into effect in January 2018. That rate structure included five years of increases that were planned to continue until 2022.

In January 2019, the Board decided to not implement the approved 2019 treated and raw water rates and held rates at the 2018 rate level. This resulted in forgoing the respective 5% and 10% increases in treated and raw water rates that were recommended by the 2017 Water Financial Analysis and adopted by the Board in 2017. Likewise, in 2020 and in 2021, the Board decided to uphold the water rate freeze and did not raise rates. Therefore, District revenues between 2019 and 2022 will never reach the level recommended by the 2017 Water Financial Analysis. Best practice is to review and update rates every three to five years, so the District should have begun reviewing rates again in early 2021.

Requests for Information

This financial report is designed to provide a general overview of the finances of the Georgetown Divide Public Utility District. After the financial report is approved by the Board of Directors, it can be found under the financial section on the District's website (gd-pud.org). Copies of the report are also provided to the El Dorado County libraries in Placerville and Georgetown. A copy will be available for review at the District office, located at 6425 Main St, Georgetown, California 95634. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the General Manager of the District, Georgetown Divide Public Utility District, P.O. Box 4240, Georgetown, California 95634-4240.

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS - ENTERPRISE
AS OF JUNE 30, 2023
WITH SUMMARIZED TOTALS AS OF JUNE 30, 2022

ASSETS	Water	Wastewater Disposal	Totals 2023	Totals 2022
Assets:				
Current:				
Cash and investments	$7,333,802	$730,646	$8,064,448	$8,092,409
Receivables:				
Accounts	694,791	35,206	729,997	808,463
Assessments receivable				15,575
Accrued interest	53,285	5,769	59,054	13,862
Prepaid expenses	56,061	2,820	58,881	113,681
Total Current Assets	8,137,939	774,441	8,912,380	9,043,990
Noncurrent:				
Restricted:				
Cash and investments	1,774,554	209,026	1,983,580	1,800,709
Assessments receivable				
Lease receivable	604,897		604,897	638,329
Capital assets - net of accumulated depreciation	27,046,452	127,423	27,173,875	26,313,397
Total Noncurrent Assets	29,425,903	336,449	29,762,352	28,752,435
Total Assets	37,563,842	1,110,890	38,674,732	37,796,425
DEFERRED OUTFLOWS OF RESOURCES				
Pension related	2,623,588	143,438	2,767,026	1,330,603
Total Deferred Outflows of Resources	2,623,588	143,438	2,767,026	1,330,603
Total Assets and Deferred Outflows of Resources	40,187,430	1,254,328	41,441,758	39,127,028

(Continued)

See accompanying notes to financial statements

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS - ENTERPRISE
AS OF JUNE 30, 2023
WITH SUMMARIZED TOTALS AS OF JUNE 30, 2022

		Wastewater	Totals	
LIABILITIES	Water	Disposal	2023	2022
Current Liabilities:				
Accounts payable	182,722	17,072	199,794	994,716
Accrued liabilities	23,991	2,201	26,192	19,168
Accrued interest	667		667	2,299
Unearned revenues				
Deposits payable	1,000		1,000	1,000
Accrued compensated absences	4,926	449	5,375	6,756
Loans and capital leases	568,244		568,244	500,209
Total Current Liabilities	781,550	19,722	801,272	1,524,148
Noncurrent Liabilities:				
Accrued compensated absences	57,912	5,274	63,186	59,235
Total OPEB liability	1,334,027		1,334,027	1,594,921
Net pension liability	6,130,521	306,761	6,437,282	4,184,538
Loans and capital leases	9,047,209		9,047,209	8,323,496
Total Noncurrent Liabilities	16,569,669	312,035	16,881,704	14,162,190
Total Liabilities	17,351,219	331,757	17,682,976	15,686,338
DEFERRED INFLOWS OF RESOURCES				
Pension related	1,247,764	(82,572)	1,165,192	4,103,407
Lease related	576,116		576,116	623,059
Total Deferred Inflows of Resources	1,823,880	(82,572)	1,741,308	4,726,466
Total Liabilities and Deferred Inflows of Resources	19,175,099	249,185	19,424,284	20,412,804
NET POSITION (Note 1D)				
Net investment in capital assets	17,430,999	127,423	17,558,422	17,489,692
Restricted for new facilities	2,371,901	214,035	2,585,936	2,542,679
Unrestricted	1,209,431	663,685	1,873,116	(1,318,147)
Total Net Position	$21,012,331	$1,005,143	$22,017,474	$18,714,224

See accompanying notes to financial statements

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023
WITH SUMMARIZED TOTALS FOR YEAR ENDED JUNE 30, 2022

	Water	Wastewater Disposal	Totals 2023	Totals 2022
OPERATING REVENUES:				
Water Sales:				
Residential	$3,003,257		$3,003,257	$2,873,804
Irrigation	326,333		326,333	388,464
Installations and connections	45,381		45,381	13,559
Waste disposal:				
Zone charges		$208,708	208,708	185,883
Design fees		3,280	3,280	3,280
Escrow Fees		14,079	14,079	22,100
Penalties	76,936		76,936	28,112
Total Operating Revenues	3,451,907	226,067	3,677,974	3,515,202
OPERATING EXPENSES:				
Source of supply	742,397		742,397	428,880
Transmission and distribution - raw water	682,024		682,024	642,832
Water treatment	772,201		772,201	765,229
Transmission and distribution - treated water	1,085,621		1,085,621	938,177
Customer service	226,167		226,167	293,999
Administrative and hydroelectric	1,493,610		1,493,610	1,498,527
On-site wastewater disposal zone		375,800	375,800	252,997
Pension and OPEB Expense	(1,993,924)	(127,970)	(2,121,894)	2,087,522
Depreciation expense	876,814	24,599	901,413	932,036
Total Operating Expenses	3,884,910	272,429	4,157,339	7,840,199
NET OPERATING INCOME (LOSS)	(433,003)	(46,362)	(479,365)	(4,324,997)
NONOPERATING REVENUE (EXPENSE):				
Tax revenue - general	2,010,456		2,010,456	1,867,047
Surcharge	665,137		665,137	663,592
Grant revenue	567,607		567,607	
Interest revenue	153,037	23,406	176,443	30,679
Lease revenue	121,062		121,062	136,621
SMUD payment	241,297		241,297	
Hydroelectric royalty payments	36,486		36,486	53,074
Capital facility charge	19,864		19,864	76,084
Gain (loss) on disposal of capital assets	108,282		108,282	
Other revenue	345		345	1,234
Interest expense	(143,721)		(143,721)	(154,749)
Other expense	(20,643)		(20,643)	(93,028)
Nonoperating Revenue (Expenses), net	3,759,209	23,406	3,782,615	2,580,554
CHANGES IN NET POSITION	3,326,206	(22,956)	3,303,250	(1,744,443)
NET POSITION, BEGINNING OF YEAR	17,686,125	1,028,099	18,714,224	20,458,667
NET POSITION, END OF YEAR	$21,012,331	$1,005,143	$22,017,474	$18,714,224

See accompanying notes to financial statements

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - ENTERPRISE
FOR THE YEAR ENDED JUNE 30, 2023
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2022

	Water	Wastewater Disposal	Totals 2023	Totals 2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers and users	$3,473,481	$223,889	$3,697,370	$3,692,598
Cash paid to suppliers for goods and services	(2,494,117)	(162,054)	(2,656,171)	(1,827,532)
Cash paid to employees for services	(3,515,723)	(196,676)	(3,712,399)	(2,039,710)
Cash Flows from Operating Activities	(2,536,359)	(134,841)	(2,671,200)	(174,644)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Property taxes received	2,010,456		2,010,456	1,867,047
Surcharge	665,137		665,137	663,592
Grant revenue	567,607		567,607	
Assessment receivable payments				15,575
Receipts from capacity charges	19,864		19,864	76,084
SMUD receipts	241,297		241,297	
Hydroelectric royalty receipts	36,486		36,486	53,074
Other revenue	48,737		48,737	1,234
Other expenses	(40,714)		(40,714)	(163,798)
Receipts from cellular antenna rentals	121,062		121,062	136,621
Net Cash Flows from Noncapital Financing Activities	3,669,932		3,669,932	2,649,429
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Additions to utility plant and equipment	(1,773,109)	(1,833)	(1,774,942)	(1,553,036)
Principal payments on long-term debt	(500,208)		(500,208)	(497,683)
Interest paid on long-term debt	(145,353)		(145,353)	(153,783)
Net proceeds from debt issues	1,291,956		1,291,956	
Proceeds from sale of capital assets	108,282		108,282	
Cash Flows from Capital and Related Financing Activities	(1,018,432)	(1,833)	(1,020,265)	(2,204,502)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	153,037	23,406	176,443	30,679
NET CASH FLOWS	268,178	(113,268)	154,910	300,962
Cash and cash equivalents at beginning of year	8,840,178	1,052,940	9,893,118	9,592,156
Cash and cash equivalents at end of year	$9,108,356	$939,672	$10,048,028	$9,893,118

(Continued)

See accompanying notes to financial statements

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - ENTERPRISE
FOR THE YEAR ENDED JUNE 30, 2023
WITH SUMMARIZED TOTALS FOR THE YEAR ENDED JUNE 30, 2022

	Water	Wastewater Disposal	Totals 2023	Totals 2022
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	($433,003)	($46,362)	($479,365)	($4,324,997)
Adjustments to reconcile operating income (loss) to cash flows from operating activities:				
Depreciation	876,814	24,599	901,413	932,036
(Increase) decrease in accounts receivable	50,355	(2,178)	48,177	156,241
(Increase) decrease in lease receivable	(604,897)		(604,897)	(638,329)
(Increase) decrease in deposits and prepaid expense	55,472		55,472	40,733
(Increase) decrease in deferred outflow - pension	(1,332,903)	(103,520)	(1,436,423)	50,596
Increase (decrease) in accounts payable	(809,563)	14,641	(794,922)	892,511
Increase (decrease) in accrued liabilities	6,426	598	7,024	4,808
Increase (decrease) in compensated absences	740	1,830	2,570	4,330
Increase (decrease) in post-employment benefits	(260,894)		(260,894)	154,367
Increase (decrease) in deferred inflow - pension	(2,732,541)	(205,674)	(2,938,215)	3,749,889
Increase (decrease) in deferred inflow - lease	576,116		576,116	623,059
Increase (decrease) in net pension liability	2,071,519	181,225	2,252,744	(1,815,580)
Increase (decrease) in unearned revenue				(4,308)
Cash Flows from Operating Activities	($2,536,359)	($134,841)	($2,671,200)	($174,644)
SCHEDULE OF NON CASH ACTIVITIES				
Adjustment to CIP				

See accompanying notes to financial statements

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2023

	Custodial Fund
ASSETS	
Cash and investments	$59,456
Prepaid expense	408
Receivables:	
Assessments	56,055
Accrued interest	280
Total Assets	116,199
LIABILITIES	
Accounts payable	78
Accrued interest	407
Unearned revenues	9,843
Long-term liabilities:	
Due in one year	7,306
Due in more than one year	138,840
Total Liabilities	156,474
NET POSITION (DEFICIT)	
Held in trust for other purposes	(40,275)
Total Net Position	($40,275)

See accompanying notes to basic financial statements

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	Custodial Fund
ADDITIONS	
Interest and change in fair value of investments	$1,033
Total Additions	1,033
DEDUCTIONS	
Interest expense	6,755
Other Miscellaneous Expense	78
Total Deductions	6,833
Change in net position	(5,800)
NET POSITION	
Beginning of year	(34,475)
End of year	($40,275)

See accompanying notes to basic financial statements

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NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Entity

The reporting entity, the Georgetown Divide Public Utility District (District), was created by the electorate, June 4, 1946, under the California Public Utility District Act of 1921. The District operates under a governing five-member Board of Directors (Board) elected at-large for four-year overlapping terms. The District's management is under the direction of the General Manager, who also serves as Clerk, and ex-officio Secretary of the Board, who is appointed by and serves at the pleasure of the Board.

B. Reporting Entity

The District's basic financial statements include the operations of all organizations for which the District's Board of Directors exercises oversight responsibility. Oversight responsibility is demonstrated by financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Based upon the aforementioned oversight criteria, there are no component units in this report which met the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, as amended by GASB Statements Nos. 39 and 61.

The basic financial statements include the accounts of two enterprise activities provided by the District: (1) raw and treated water services, and (2) wastewater disposal services in the Auburn Lake Trails (A.L.T.) subdivision.

C. Basis of Presentation

The District's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States of America.

The Fund Financial Statements provide information about the District’s funds, including the fiduciary fund. Separate statements for each fund category – proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major individual funds, each of which is displayed in a separate column.

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses, and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating revenues in the proprietary funds are those revenues that are generated from the primary operation of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The District maintains one fiduciary fund. The "economic resources" measurement focus and the accrual basis of accounting is used for custodial funds.

D. Major Funds and Fiduciary Fund

GASB Statement No. 34 defines major funds and requires that the District's major proprietary funds are identified and presented separately in the fund financial statements.

Major funds are defined as funds that have assets, liabilities, revenues, or expenses equal to or greater than ten percent of their fund-type total and five percent of all fund-type totals. The District may also select other funds that it believes should be presented as major funds. The District reports all its proprietary funds as major funds.

The District reported the following major proprietary funds:

<u>Water</u>

This fund accounts for the activities of providing raw and treated water services to the customers. Raw water service is also known as irrigation water.

<u>Wastewater Disposal</u>

This fund accounts for the activities of monitoring wastewater disposal of the residents of the Auburn Lake Trails subdivision. The area is also known as the On-Site Wastewater Disposal Zone. The On-Site Wastewater Disposal Zone is comprised of all the lots in the Auburn Lake Trails Subdivision, including the lots connected to the Community Disposal System.

Additionally, the District reports a fiduciary fund to account for the debt service activities for the Stewart Mine Assessment District. The District's administration of this debt is a purely custodial function.

E. Basis of Accounting

The financial statements are reported using the "economic resources' measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budget and Budgeting

Budget integration is employed as a management control device. Budgets are formally adopted by the Board of Directors and take effect the following July 1. The budgets are used as a management tool and are not a legal requirement.

G. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments (including restricted assets) with a maturity of twelve months or less when purchased to be cash equivalents.

H. Restricted Assets

These assets consist of certificates of deposit, short-term investments, and receivables which are restricted for debt service and other legal obligations.

I. Capital Assets

Purchased capital assets are recorded at cost. Donated capital assets are recorded at fair value at the date of donation. The District capitalizes capital assets valued over $1,000 and having a useful life of at least three years. Depreciation is recorded using the straight-line method over the estimated useful lives of the capital assets, which range from 30 to 100 years for the plant and pipelines and 3 to 15 years for other equipment.

J. Compensated Absences

Compensated absences including accumulated unpaid vacation, sick pay, and other employee benefits are accounted for as expenses in the year earned.

K. Property Taxes

The District receives property taxes from El Dorado County (County), which has been assigned the responsibility for assessment, collection, and apportionment of property taxes for all taxing jurisdictions within the County. The District's property taxes are levied each July 1, on the assessed values as of the prior January 1 for all real and personal property located in the District. Property sold after the assessment date (January 1) is reassessed and the amount of the supplemental property tax levied is prorated. Secured property taxes are due in two installments on November 1 and February 1 and are delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the January 1 lien date and become delinquent if unpaid by August 31.

The District participates in the County "Teeter Plan" method of property tax distribution and thus receives 100% of the District's apportionment each fiscal year, eliminating the need for an allowance for uncollectibles. The County, in return, receives all penalties and interest on the related delinquent taxes. Under the Teeter Plan, the County remits property taxes to the District based on assessments, not on collections, according to the following schedule: 55 percent in December, 40 percent in April, and 5 percent at the end of the fiscal year.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, as prescribed by the GASB and the American Institute of Certified Public Accountants (AICPA), requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

M. Comparative Prior Year Financial Information

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in accordance with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2022, from which the summarized information was derived.

N. Net Position

GASB Statement No. 63 requires that the difference between assets added to the deferred outflows of resources and liabilities added to the deferred inflows of resources be reported as net position. Net position is classified as either net investment in capital assets, restricted, or unrestricted.

Net position that is net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding principal of related debt. Restricted net position is the portion of net position that has external constraints placed on it by creditors, grantors, contributors, laws, or regulations of other governments, or through constitutional provisions or enabling legislation. Unrestricted net position consists of net position that does not meet the definition of net investment in capital assets or restricted net position.

O. Deferred Outflows/Inflows of Resources

Deferred outflows of resources are a consumption of net position that is applicable to a future reporting period and deferred inflows of resources are an acquisition of net position that is applicable to a future reporting period. A deferred outflow of resources has a positive effect on net position, similar to assets, and a deferred inflow of resources has a negative effect on net position, similar to liabilities. The District has certain items, which qualify for reporting as deferred outflows of resources and deferred inflows of resources.

P. Pension Plan

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pension, and pension expense, information about the fiduciary net position of the Local Government of District's California Public Employees' Retirement System (CalPERS) plans (Plans) and additions to /deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Other Post-Employment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense have been determined using the alternative measurement valuation method accepted by GASB Statement No. 75 for plans with fewer than 100 participants (active and inactive). For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023

R. New Accounting Pronouncements

The following Governmental Accounting Standards Board (GASB) pronouncements were effective in fiscal year 2022-23:

GASB Statement No. 96 – In May 2020, GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs) was issued. GASB Statement No. 96 (GASB 96) establishes uniform accounting and financial reporting requirements for SBITAs; improves the comparability of government's financial statements; and enhances the understandability, reliability, relevance, and consistency of information about SBITAs. GASB 96 applies to government agencies who are currently using information technology (IT) software such as Office 365, Adobe, Zoom, and others as specified in their contracts. GASB 96 applies to all contracts meeting the definition of a SBITA, unless specifically excluded. As defined in GASB Statement No. 96, paragraph 6, a SBITA is a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (with underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

NOTE 2 – CASH AND INVESTMENTS

The cash and investments are classified in the financial statements as shown below, based on whether or not their use is restricted under the terms of District debt instruments or District agreements:

Unrestricted cash and investments	$8,064,448
Restricted cash and investments	1,983,580
Cash and Investments, Statement of Net Position	10,048,028
Cash and investments, Statement of Fiduciary Net Position	59,456
Total Cash and Investments	$10,107,484

Cash and investments as of June 30, 2022, consist of the following:

Cash on hand	$450
Deposits with financial institutions	474
Investments	10,106,560
Total Cash and Investments	$10,107,484

A. *Investments Authorized by the California Government Code and the District's Investment Policy*

The table below identifies the investment types that are authorized for the District by the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the District, rather than the general provisions of the California Government Code or the District's investment policy.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency InvestmentFund (LAIF)	N/A	None	$65 million
Money Market Funds (must be Comprised of eligible securities permitted under this policy)	N/A	None	None

NOTE 2 – CASH AND INVESTMENTS (Continued)

B. Investments Authorized by Debt Agreements

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the District's investment policy. The table below identifies the investment types that are authorized for investments held by bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Money Market Funds	N/A	None	None

Fair Value Hierarchy

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Deposits and withdrawals in governmental investment pools, such as the State of California Local Agency Investment Fund (LAIF), are made on the basis of one dollar and not fair value. Accordingly, the fair value of the District's proportionate share in this type of investment is an uncategorized input not defined as a Level 1, Level 2, or Level 3 input. Money Market Accounts are nonparticipating interest-bearing savings accounts. They are measured using a cost-based measure, not fair value, and therefore, not subject to fair value hierarchy.

C. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	12 Months or less	Total
Local Agency Investment Fund	$7,557,245	$7,557,245
Money Market Mutual Fund	2,496,699	2,496,699
Held by Bond Trustee:		
Money Market Mutual Fund	52,616	52,616
Total Investments	$10,106,560	$10,106,560

NOTE 2 – CASH AND INVESTMENTS (Continued)

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the District's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Minimum Legal Rating	Total	Not Rated
Local Agency Investment Fund	N/A	$7,557,245	$7,557,245
Money Market Mutual Fund		2,496,699	2,496,699
Held by Bond Trustee			
Money Market Mutual Fund	N/A	52,616	52,616
Total Investments		$10,106,560	$10,106,560

D. Concentration of Credit Risk

The investment policy of the District contains limitations on the amount that can be invested in any one issuer. Only investments with LAIF and the Money Market Funds exceed 5% or more of total District investments. The Money Market Funds are collateralized for the amount over the Federal Deposit Insurance Corporation amount or backed by United States obligations.

E. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure District deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

As of June 30, 2023, $2,246,699 of the District's deposits and investments with financial institutions in excess of federal depository insurance limits were held in collateralized accounts.

NOTE 2 – CASH AND INVESTMENTS (Continued)

F. Investment in State Investment Pool

The District is a voluntary participant in LAIF that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

Restricted cash and investments are identified by use as follows at June 30, 2023:

	Water	Waste Disposal	Total
Debt Service:			
Kelsey North	$105,104		$105,104
Total Debt Service Cash and investments	105,104		105,104
New Facilties:			
Capital Facility Charges:	529,439		529,439
Water Development	421,057		421,057
Auburn Lake Trails Retrofit Project	718,954		718,954
Replacement and Expansion		$209,026	209,026
Total New Facilities Cash and Investments	1,669,450	209,026	1,878,476
Total Restricted Cash Investments	$1,774,554	$209,026	$1,983,580

NOTE 3 – ASSESSMENTS RECEIVABLE

Assessments receivable to the District are construction obligations of the benefited property owners of the Kelsey North and Stewart Mine Water Assessment Districts. El Dorado County collects the special assessments semi-annually in order to pay the related projects' Department of Water Resources or United States Department of Agriculture construction debts as they mature. The assessments receivable balances at June 30, 2023, were as follows:

Water Restricted Assessments Receivable	
Fiduciary Assessments Receivable	$56,055
Total Receivables	$56,055

NOTE 4 – CAPITAL ASSETS

Purchased capital assets are recorded at cost when purchased. Donated capital assets are recorded at fair value at the date of donation. Capital assets are depreciated overestimated useful lives ranging from one hundred years (Stumpy Meadows Dam) to three years (small office equipment) using the straight-line method. Capital assets at June 30, 2023, consisted of the following:

	Balance at June 30, 2022	Additions	Deletions	Transfers	Balance at June 30, 2023
Nondepreciable Capital Assets:					
Land and land right	$770,975				$770,975
Construction in progress	2,938,784	$1,586,049		($3,118,444)	1,406,389
Total nondepreciable assets	3,709,759	1,586,049		(3,118,444)	2,177,364
Capital assets, being depreciated:					
General plant equipment and facilities	1,474,311	16,891	($139,440)	452,274	1,804,036
Water treatment	20,315,368	5,131		114,599	20,435,098
Transmission and distribution	14,357,139	117,015		2,313,000	16,787,154
Auburn Lake Trails septic facilities	894,203	1,832			896,035
Source of supply	7,051,463	48,024	(2,500)	238,571	7,335,558
Total capital assets being depreciated	44,092,484	188,893	(141,940)	3,118,444	47,257,881
Less Accumulated Depreciation	(21,488,846)	(901,413)	128,889		(22,261,370)
Net capital assets being depreciated	22,603,638	(712,520)	(13,051)	3,118,444	24,996,511
Total capital assets, net	$26,313,397	$873,529	($13,051)		$27,173,875

Depreciation Allocations

Depreciation expense was charged to each fund based on their usage of the related assets. The amounts allocated to each fund was as follows:

Water	$876,814
Wastewater Disposal	24,599
Total Depreciation Expense	$901,413

NOTE 5 – LEASE RECEIVABLE

The District is a lessor for a noncancellable lease of four cell phone communications site locations. The District recognizes a lease receivable and a deferred inflow of resources.

At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. The District recognized a $33,432 in lease revenue.

NOTE 5 – LEASE RECEIVABLE (Continued)

Key estimates and judgments include how the District determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts as follows:

- The District uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The District monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

A summary of lease activities for the fiscal year ended June 30, 2023, are as follows:

Lessee	Orginal Lease Date	Expiration Date Including Options	Monthly revenue as June 30, 2023	Lease Receivable balance at June 30, 2023	Deferred Inflow of Resources at June 30, 2023
AT&T	8/9/2018	9/1/2042	$1,755	$438,270	$416,173
Cal.net	9/7/2016	9/30/2026	250	9,548	9,457
Comcast	12/1/2010	12/1/2029	7,379	129,700	124,196
PG&E	4/11/2018	7/1/2026	3,006	27,379	26,290
		Total	$12,390	$604,897	$576,116

Changes in the District's lease receivable during the year consists of the following.

	Balance July 01, 2022	Retirements	Balance June 30, 2023
Leases Receivable			
Cell Site Leases	$638,329	$33,432	$604,897
Total leases receivable	$638,329	$33,432	$604,897

NOTE 6 – LONG-TERM DEBT

Long-term liability activity for the fiscal year ended June 30, 2023, was as follows:

	Balance June 30, 2022	Additions	Retirements	Balance June 30, 2023	Due within one year
Long-term debt:					
1989 Kelsey North Water AD 1989-1 Assessments	$153,421		($25,839)	$127,582	$26,709
2007 Walton Water Treatment Plant Filter Replacement	182,269	$1,291,956	(21,015)	1,453,210	80,898
2020 Auburn Lake Trails Upgrade	8,488,015		(453,354)	8,034,661	460,637
Total long-term debt	$8,823,705	$1,291,956	($500,208)	$9,615,453	$568,244

A. Direct Borrowing Loans Payable

California State Water Resources Control Board (SWRCB) - Three long-term contracts have been entered into with the SWRCB to finance the construction of various water projects:

The Kelsey North Water Assessment District 1989-1 contract of $630,000 is to be repaid by semi-annual payments of $15,398. These payments, due April 1 and October 1, beginning April of 1993 and ending October 1, 2027, include interest on the outstanding note balance at 3.3712%. Payments are made from assessments collected from the Assessment District. The balance of the loan as of June 30, 2023 is $127,582.

The Walton Lake Water Treatment Plant Filter Replacement contract of $400,511 is to be repaid by semi-annual payments of $12,529. These payments, due April 1 and October 1, beginning October 2010 and ending April 1, 2030, include interest on the outstanding note balance at 2.2836%. During the fiscal year ended June 30, 2023, the District drew down on this State Water Resources Control Board Drinking Water State Revolving Fund in the amount of $1,291,956 at an interest rate of 1.2%. These payments are due September 1, beginning September 2023 and ending September 1, 2042. The balance of these loans as of June 30, 2023 is $1,453,210.

The Auburn Lake Trails (ALT) construction loan for the Water Treatment Plant Upgrade was approved for a total contract of up to $10,000,000 is to be repaid by semi-annual payments ranging between $200,000 - $300,000. These payments, due January 1 and July 1, beginning July 2020 and ending January 1, 2039, include interest on the outstanding note balance at 1.6%. The balance of the loan as of June 30, 2023 is $8,034,661.

NOTE 6 – LONG-TERM DEBT (Continued)

Future Minimum debt service requirements for aggregate notes payable are as follows:

Fiscal Year	Principal	Interest	Total
2024	$568,244	$148,116	$716,360
2025	575,803	140,341	716,144
2026	585,458	130,687	716,147
2027	595,291	120,853	716,144
2028	589,902	110,844	700,746
2029-2033	2,936,702	412,870	3,349,572
2034-2038	3,120,809	180,646	3,075,363
2039-2043	643,244	15,100	1,198,641
Total	$9,615,453	$1,259,457	$11,189,117

NOTE 7 – COMPENSATED ABSENCES

District employees accumulate earned but unused vacation benefits which can be converted to cash at termination of employment. It is estimated that up to two weeks per employee might be liquidated with expendable, currently available financial resources in the next year.

Compensated absences activity for the fiscal year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30,	Due Within One year
Water Fund	$62,098	$49,457	($48,717)	$62,838	$4,926
Wastewater Fund	3,893	6,268	(4,438)	5,723	449
Ending Balance	$65,991	$55,725	($53,155)	$68,561	$5,375

NOTE 8 – CUSTODIAL FUND: SPECIAL ASSESSMENT DEBT

The District acts as a custodian for the Stewart Mine Road Water Assessment District 98-1 Bonds, issued on August 24, 1999. This debt was not included in the District's accounting records because the District had no obligation for the payment of these bonds other than in a fiduciary capacity. The principal amount outstanding at June 30, 2023, and June 30, 2022, was $146,146 and $153,160, respectively.

NOTE 9 – ON-SITE WASTEWATER DISPOSAL ZONE (O.S.W.D.Z.)

During the early part of 1984, it became apparent that a proposed sewer assessment district was not going to be approved and that the assimilation alternative of combining certain lots in the Auburn Lake Trails (A.L.T.) subdivision was a possibility. By letter dated April 24, 1984, Trans America Development Corporation (TADCO) and A.L.T. property owners jointly requested the formation of an on-site wastewater disposal zone which would be monitored by the District. The O.S.W.D.Z. was formed pursuant to the authority granted under Sections 6950 et seq. of the Health and Safety Code of the State of California and became operative by board resolution on March 19, 1985. The effective date for accounting for revenues and expenses was April 1, 1985.

The purpose of the O.S.W.D.Z. is to protect the ground and surface water within the Disposal Zone boundaries in compliance with Regional Water Quality Control Board requirements. The District's responsibility is to design and inspect new on-site disposal systems and to monitor the surface and ground water quality and system performance of existing systems.

The O.S.W.D.Z. assessment revenues charged will be restricted to pay the operating costs of the O.S.W.D.Z. No unrestricted District funds can be used to pay expenses of the O.S.W.D.Z. Effective for the fiscal year ended June 30, 1998, the O.S.W.D.Z. Capital Expenditure Reserve was established. The O.S.W.D.Z. Capital Expenditure Reserve fund has had little activity over the years. The fund was inactivated May 13, 2008.

In addition to the O.S.W.D.Z., the District, by contract, has taken over operation of the Community Disposal System (C.D.S.) of 139 lots within the A.L.T. subdivision. These property owners pay additional assessments for operation and maintenance of the C.D.S. The C.D.S. Expansion Benefit Reserve was established July 1, 2000, and currently receives annual transfers in an effort to achieve the reserve level approved by the District in May 2005.

NOTE 10 – RESTRICTED BENEFIT CHARGES

This non-operating revenue is comprised of various benefit charges and interest earned on the corresponding deposits. The implementation of the Capital Facility Charges beginning on July 1, 2008, replaced the previous treatment plant, pipeline, and storage benefit charges. Pursuant to District ordinance, this revenue is restricted in special accounts which are to be used exclusively as follows:

> <u>Water development charge funds</u>: To develop alternate sources of raw water to meet long-term District requirements.
>
> <u>Capital Facility Charge Fund</u>: For maintenance and/or improvements of the treatment plants, pipeline facilities, and storage facilities.
>
> <u>O.S.W.D.Z./C.D.S. replacement and expansion benefit charge funds</u>: For maintenance, improvement, and/or expansion of the community disposal system, as well as facilitating improvements in the O.S.W.D.Z.

NOTE 11 – NET POSITION

Net Position is the excess of all the District's assets over all its liabilities, regardless of fund. Net position is divided into three captions under GASB Statement No. 63. These captions apply only to net position, which are determined only at the government-wide level, proprietary funds, and fiduciary funds (trust funds only), and are described below.

Net Investment in Capital Assets

Investment in capital assets describes the portion of net position which is represented by the current net book value of the District's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted Net Position

Restricted net position consists of constraints placed on net position use through external creditors (such as through debt covenants), grants, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. Net position restricted for new facilities represent the net assets accumulated from restricted benefit charges imposed by District ordinances for the maintenance and expansion of facilities. Net position restricted for debt service is required by the debt agreements.

Unrestricted Net Position

The term "unrestricted" describes the portion of net position which is not restricted as to use.

The Board has designated portions of the unrestricted net position for specific operating purposes in an effort to provide for the prudent operations of the District.

Stumpy Meadows Emergency Reserve: Requirement of the contract entered into with the Department of Reclamation related to the dam at Stumpy Meadows.

Short-lived Asset Replacement: Requirement of the USDA loan for the Auburn Lake Trails Retrofit for the estimate of funds needed to be on hand to replace the existing assets with replacement lies of less than 15 years.

Capital Reserve: To provide for future estimated costs related to the replacement costs of current assets.

EPA: Environmental Protection Agency grant for Auburn Lake Trails Water Treatment Plant Retrofit.

Retiree Health: To provide for the estimated future health insurance benefits of existing retirees and current employees.

Garden Valley: For use in activities specific to the designated area.

Hydroelectric: To provide for the future estimated costs related to activities specific to the hydroelectric plant.

NOTE 11 – NET POSITION (Continued)

Restricted and unrestricted net position is identified by use as follows as of June 30, 2023:

	Water	Water Disposal	Total
Restricted Net Position:			
New Facilities:			
Water Development	$442,559		$442,559
Capital Facility Charges	1,929,342		1,929,342
C.D.S. Replacement		$41,982	41,982
C.D.S. Expansion		172,053	172,053
Total Restricted Net Position	$2,371,901	$214,035	$2,585,936
Unrestricted Net Position:			
Unrestricted Designated Net Position:			
Stumpy Meadows Emergency Reserve	$1,102,250		$1,102,250
Short-lived Asset Replacement	1,191,948		1,191,948
Capital Reserve	4,278,603		4,278,603
EPA	1,118,428		1,118,428
Retiree Health	(984,555)		(984,555)
Garden Health	111,330		111,330
Hydroelectric	952,802		952,802
Total Unrestricted Designated Net Position	7,770,806		2,055,052
Unrestricted undesignated Net Position	(6,561,375)	$663,685	(2,055,052)
Total Unrestricted Net Position	$1,209,431	$663,685	$1,873,116

NOTE 12 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Association of California Water Agencies Joint Powers Insurance Authority (Authority), a public entity risk pool currently operating as a common risk carrier management and insurance program for member agencies. The purpose of the Authority is to spread the adverse effect of losses among the members and to purchase excess insurance as a group, thereby reducing its expenses. The District pays annual premiums to the Authority for its general liability, automobile, property, fidelity coverage, and workers' compensation. The agreement for formation of the Authority provides that the Authority will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $50,000 (property), $100,000 (fidelity), and $5,000,000 (general, automobile and public official's liability) for each insured event, except for workers compensation which will reinsure for claims in excess of $2,000,000. The deductibles for the Authority is in the range from $1,000 to $2,500. Total premiums paid for fiscal year 2023 were $137,950.

The District continues to carry commercial insurance for employee health and life insurance. The District also carries commercial insurance for dental and optical insurance for the employees represented by Stationary Engineers, Local 39, and all new employees hired after July 11, 2006.

NOTE 13 – DEFINED BENEFIT PENSION PLAN

A. General Information About the Pension Plans

Plan Description

All qualified permanent and probationary employees are eligible to participate in the Local Government's Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provision under the Plans are established by State statue and Local Government resolution. Cal PERS issues publicly available reports that include a full description of the pension plans regarding benefit provision, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: The Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost- of-living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

The Plans' provisions and benefits in effect at the measurement date, are summarized as follows:

	Miscellaneous Tier I
Hire date	Prior to January 1, 2012
Benefit formula	2.7% @ 55
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50 - 67
Monthly benefits, as a % of eligible compensation	2.00% to 2.7%
Required employee contribution rates	8.00%
Required employer contribution rates	15.03%

	Miscellaneous Tier II
Hire date	Between January 1, 2012 through December 31, 2012
Benefit formula	2.7% @ 55
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	50 - 67
Monthly benefits, as a % of eligible compensation	2.00% to 2.7%
Required employee contribution rates	8.00%
Required employer contribution rates	13.35%

	Miscellaneous Tier III
Hire date	On or after January 1, 2013
Benefit formula	2% @ 62
Benefit vesting schedule	5 years service
Benefit payments	monthly for life
Retirement age	52 - 67
Monthly benefits, as a % of eligible compensation	1.0% to 2.5%
Required employee contribution rates	6.75%
Required employer contribution rates	7.47%

Contribution Description

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through the CalPERS' annual actuarial valuation process. For public agency cost-sharing plans covered by either the Miscellaneous or Safety risk pools, the Plan's actuarially determined rate is based on the estimated amount necessary to pay the Plan's allocated share of the risk pool's costs of benefits earned by employees during the year, and any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

For the year ended June 30, 2023, the employer contributions recognized as a reduction to the net pension liability for the Plan was $666,368.

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

B. Pension Liabilities, Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

As of June 30, 2023, the District reported net pension liabilities for its proportionate shares of the net pension liability of the rate Plan of $6,437,282.

The District's net pension liability for the Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Plan is measured as of June 30, 2022, and the total pension liability for the Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022, rolled forward to June 30, 2022, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The District's proportionate share of the net pension liability for the rate Plan as of June 30, 2021, and 2022, was as follows:

	Miscellaneous
Proportion - June 30, 2021	0.07737%
Proportion - June 30, 2022	0.05573%
Change - Increase (Decrease)	-0.02164%

For the year ended June 30, 2023, the District recognized a total pension expense of $1,435,831 for the plan. At June 30, 2023, the District reported deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$686,064	
Changes of assumption	659,634	
Differences between expected and actual experience	129,273	($86,582)
Adjustment due to differences in proportions		(1,078,610)
Difference in actual to proportionate share contribution	112,917	
Net differences between projected and actual earnings on plan investments	1,179,138	
Total	$2,767,026	($1,165,192)

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

The $686,064 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows or deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2024	$98,546
2025	63,115
2026	32,909
2027	721,200
Total	$915,770

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2022, the total pension liability was determined by rolling forward the June 30, 2020, total pension liability. The June 30, 2021, and the June 30, 2022, total pension liabilities were based on the following actuarial methods and assumptions:

	Miscellaneous Tier I, II, and III
Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal in accordance with the requirements of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table[1]	Derived using CalPERS' Membership Data for all Funds
Post Retirement Benefit Increase	Contract COLA up to 2.3% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.3% thereafter

(1) The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

Change of Assumptions

No changes in assumptions.

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, staff took into account both short-term and long-term market return expectations as well as the expected pension fund (PERF C) cash flows. Taking into account historical returns of all the Public Employees Retirement Funds' asset classes (which includes the agent plan and two cost-sharing plans or PERF A, B, and C funds), expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each PERF C fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

Asset Class (1)	Assumed Asset Allocation	Real Return (1) (2)
Global Equity - Cap-weighted	30.0%	4.54%
Global Equity - Non-Cap-weighted	12.0%	3.84%
Private Equity	13.0%	7.28%
Treasury	5.0%	0.27%
Mortgage-backed Securities	5.0%	0.50%
Investment Grade Corporates	10.0%	1.56%
High Yield	5.0%	2.27%
Emerging Market Debt	5.0%	2.48%
Private Debt	5.0%	3.57%
Real Assets	15.0%	321.00%
Leverage	-5%	-0.59%
Total	100%	

(1) An expected inflation of 2.30% used for this period.

(2) Figures are based on the 2021-22 Asset Liability Management Study

NOTE 13 – DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for the Plan, calculated using the discount rate for the Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% point lower or 1% point higher than the current rate:

	Discount Rate -1% 5.90%	Current Discount Rate 6.90%	Discount Rate +1% 7.90%
Risk Pool's Net Pension Liability	$8,943,449	$6,437,282	$4,375,328

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued CalPERS financial reports. See CalPERS website for additional information.

NOTE 14 – DESCRIPTION OF DEFERRED COMPENSATION PENSION PLANS

The District has two deferred compensation plans. All amounts of compensation deferred under the plans, all property and rights purchased with these amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the employees and their beneficiaries. No part of the corpus or income of the trust shall revert to employer or be used for or diverted for purposes other than for the exclusive benefit of participants and their beneficiaries.

Only employee contributions were made to the Internal Revenue Code Section 457 deferred compensation plan or the Internal Revenue Code Section 401(a) defined contribution money purchase plan for the fiscal year ended June 30, 2023. The District does not make contributions on behalf of the employees.

The District is the administrator of the plans. The International City Management Association (ICMA) Retirement Corporation holds the funds in a trust and also advises as to legality, files appropriate plan documentation, and reports the quarterly activities to each plan participant.

NOTE 15 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Plan Description

The District provides certain health insurance benefits to retired employees in accordance with a memorandum of understanding with International Union of Operating Engineers, Stationary Engineers, Local No. 39 (Union) and Ordinance 2006-01.

For employees who retire from the District after at least twenty (20) years of service with the District and who continue health insurance through a District-sponsored health insurance plan until the age of 65, the District will contribute up to $435 per month of the health insurance premium for the retiree and/or the retiree's spouse. At the age of 65, the retiree is required to enroll in Medicare and the District will continue to contribute up to $435 per month to a Medicare supplemental plan of the retiree's or retiree spouse's choice.

NOTE 15 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Effective February 7, 2006, the District extended the benefit described above to all new employees, as well as the employees who are part of the Union. However, the District administers a wide variety of other retirement benefits based on the plans in place when various long-term employees retired and in conjunction with Ordinance 2006-01. The benefits for the few unrepresented and management employees as of April 11, 2006, are dictated by Ordinance 2006-01 as well. None of the previous arrangements are being extended to any new employees of the District.

Employees Covered

As of the June 30, 2023, alternative measurement method valuation, the following current and former employees were covered by the benefit terms under the Plan:

Active employees	22
Inactive employees or beneficiaries currently receiving benefit payments	15
Total	37

Contributions

The plan and its contribution requirements are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the District and the bargaining units. The annual contribution is based on the actuarially determined contribution. For the measurement date ended June 30, 2023, the District's cash contributions were $260,894, which were recognized as a reduction to the OPEB Liability.

Total OPEB Liability

The District's Total OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the total OPEB liability was determined by an alternate measurement method valuation dated June 30, 2022, that was used to determine the June 30, 2023, total OPEB liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Contribution Policy	No pre-funding
Discount Rate	6.80%
Inflation	2.30%
Overall payroll growth	2.80%
Wage inflation	2.80%
Healthcare Trend	5.10%

Notes:
(1) Pre-retirement mortality information was derived from data collected during 1997 to 2015 CalPERS Experience Study dated December 2017 and post-retirement mortality information was derived from the 2007 to 2011 CalPERS Experience Study. The Experience Study Reports may be accessed on the CalPERS website ***www.calpers.ca.gov*** under Forms and Publications.

(2) The pre-retirement turnover information was developed based on CalPERS' specific data. For more details, please refer to the 2007 to 2011 Experience Study Report. The Experience Study Report may be accessed on the CalPERS website ***www.calpers.ca.gov*** under Forms and Publications.

NOTE 15 – POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability was 6.80 percent. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. The District does not participate in a trust fiduciary fund.

Changes in the OPEB Liability

The changes in the Total OPEB liability for the plan are as follows:

	Increase (Decrease) Total OPEB Liability
Balance at 6/30/2022	$1,594,921
Changes Recognized for the Measurement Period:	
Service cost	18,722
Interest on the total OPEB liability	(220,257)
Benefit payments	(59,359)
Net changes	(260,894)
Balance at 6/30/2023	$1,334,027

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the District if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate, for measurement period ended June 30, 2023:

Net OPEB Liability/(Asset)		
Discount Rate -1% (5.80%)	Current Discount Rate (6.80%)	Discount Rate +1% (7.80%)
$1,506,532	$1,334,027	$1,190,788

Expense Related to OPEB

For the fiscal year ended June 30, 2023, the District recognized OPEB expense of $260,894.

NOTE 16 – REVENUE LIMITATION IMPOSED BY CALIFORNIA PROPOSITION 218

Proposition 218, which was approved by the voters in November 1996, regulates the District's ability to impose, increase, and extend taxes and assessments. Any new, increase, or extended taxes and assessments subject to the provisions of Proposition 218 requires the voters' approval before they can be implemented. Additionally, Proposition 218 provides that these taxes and assessments are subject to voter initiative process and may be rescinded in the future years by the voters.

The proposition also provides for a customer protest process when fees for services benefiting a property are proposed to be increased. The District follows this process when changes are contemplated for water sales and waste disposal zone charges.

NOTE 17 – COMMITMENTS AND CONTINGENCIES

A. Construction Commitments

The District is contingently liable in connection with claims and contracts arising in the normal course of its activities. District management is of the opinion that the ultimate outcome of such matters will not have a significant effect on the financial position of the District.

B. Contingencies

The District has received State and Federal funds for specific purposes that are subject to review and audit by the grantor Agencies. Although such audits could generate expenditure disallowances under the term of the grants, it is believed that any required reimbursements will be immaterial.

In 2010, the District was sued over its' rights to replace a key piece of infrastructure serving the public. Both Trial and Appellate Courts have ruled in the District's favor in this lawsuit; and the California Supreme Court rejected the plaintiff's petition to hear the case. The decision upholds the District's right and obligation to maintain public infrastructure.

Compliance Order #01-09-04CO-002 was issued by the CA Dept. of Public Health on February 23, 2004, which required the District to provide surface water treatment that effectively reduces giardia cysts and viruses by 3 and 4 logs respectively, through filtration and disinfection at its Auburn Lake Trails Water Treatment Plant. Since then, regulations have added the requirement for the ALTWTP to effectively reduce cryptosporidium cysts by 2 logs. This later requirement is considered achieved when treatment requirements for giardia and viruses are being met. As of the date of these financial statements, the District is not in compliance with the Compliance Order. The ramifications of this non-compliance have not been determined but may include possible fines and penalties.

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GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
Miscellaneous Plan - Cost Sharing Multiple Employer Defined Pension Plan
Last 10 Years*

Measurement Date	2014	2015	2016 (1)	2017
Proportion of the Net Pension Liability	0.16244%	0.06977%	0.06244%	0.05959%
Proportionate Share of the Net Pension Liability	\$4,014,865	\$4,788,730	\$5,403,038	\$5,909,716
Covered Payroll	\$870,074	\$896,800	\$1,057,557	\$1,190,555
Proportionate Share of the net pension liability as a percentage of covered payroll	461.44%	533.98%	510.90%	496.38%
Plan's Proportionate Share of Fiduciary Net Position as a Percentage of the Total Pension Liability	74.48%	78.40%	74.06%	73.31%

Measurement Date	2018 (2)	2019	2020	2021
Proportion of the Net Pension Liability	0.05929%	0.05736%	0.12229%	0.07737%
Proportionate Share of the Net Pension Liability	\$5,712,996	\$5,877,722	\$6,000,118	\$4,184,538
Covered Payroll	\$1,281,439	\$1,501,528	\$1,488,996	\$1,506,934
Proportionate Share of the net pension liability as a percentage of covered payroll	445.83%	391.45%	402.96%	277.69%
Plan's Proportionate Share of Fiduciary Net Position as a Percentage of the Total Pension Liability	75.26%	75.26%	75.10%	90.49%

Measurement Date	2022
Proportion of the Net Pension Liability	0.05573%
Proportionate Share of the Net Pension Liability	\$6,437,282
Covered Payroll	\$1,680,239
Proportionate Share of the net pension liability as a percentage of covered payroll	383.12%
Plan's Proportionate Share of Fiduciary Net Position as a Percentage of the Total Pension Liability	78.19%

(1) Discount rate changed from 7.5 percent to 7.65 percent.
(2) Discount rate changed from 7.65 percent to 7.15 percent.

Note: Historical information is required only for measurement periods for which GASB 68 is applicable.
Future years' information will be displayed up to 10 years as information becomes available.

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
SCHEDULE OF CONTRIBUTIONS
Miscellaneous Plan - Cost Sharing Multiple Employer Defined Pension Plan
Last 10 Years*

Fiscal Year Ended June 30	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actuarially determined contribution	$316,796	$484,729	$532,748	$574,408	$645,301	$690,964	$618,175	$666,368	$686,064
Contributions in relation to the actuarially determined contributions	(316,796)	(484,729)	(532,748)	(574,408)	(645,301)	(690,964)	(618,175)	(666,368)	(686,064)
Contribution deficiency (excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0
Covered payroll	$896,800	$1,057,557	$1,190,555	$1,281,439	$1,501,528	$1,488,996	$1,420,519	$1,379,643	$1,573,019
Contributions as a percentage of covered payroll	35.33%	45.83%	44.75%	44.83%	42.98%	46.40%	43.52%	48.30%	43.61%
Notes to Schedule:									
Valuation date:	6/30/2013	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	15 years
Asset valuation method	5-year smoothed market
Inflation	2.30%
Salary increases	Varies by Entry Age and Service
Investment rate of return	6.90%
Mortality	Derived using CalPERS Membership Data
Post Retirement Benefit Increase	Contract COLA up to 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies.

* Fiscal year 2015 was the 1st year of implementation.

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
Schedule of Changes in the District's Net OPEB Liability and Related Ratios
For the measurement year ending June 30
Last 10 fiscal years*

Measurement Date - June 30,	**2018**	**2019**	**2020**	**2021**	**2022**
Total OPEB Liability					
Service Cost	$19,623	$20,960	$16,297	$21,653	$22,500
Interest on total OPEB liability	33,857	139,866	103,453	112,086	344,401
Benefit payments	(76,948)	(102,248)	(86,643)	(87,181)	(212,534)
Net change in total OPEB liability	(23,468)	58,578	33,107	46,558	154,367
Total OPEB liability - beginning	1,325,779	1,302,311	1,360,889	1,393,996	1,440,554
Total OPEB liability - ending	$1,302,311	$1,360,889	$1,393,996	$1,440,554	$1,594,921
Total OPEB liability	$1,302,311	$1,360,889	$1,393,996	$1,440,554	$1,594,921
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%	0.0%	0.0%	0.0%	0.0%
Covered-employee payroll	$1,390,335	$1,468,293	$1,364,272	$1,474,325	$1,928,410
Total OPEB liability as a percentage of covered-employee payroll	93.67%	92.69%	102.18%	97.71%	82.71%

Measurement Date - June 30,	**2023**
Total OPEB Liability	
Interest on total OPEB liability	($220,257)
Benefit payments	(59,359)
Net change in total OPEB liability	(260,894)
Total OPEB liability - beginning	1,594,921
Total OPEB liability - ending	$1,334,027
Total OPEB liability	$1,334,027
Plan fiduciary net position as a percentage of the total OPEB liability	0.0%
Covered-employee payroll	$1,834,498
Total OPEB liability as a percentage of covered-employee payroll	72.72%

Note to Schedule: * Fiscal year 2018 was the first year of implementation.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of the
Georgetown Divide Public Utility District
Georgetown, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of Georgetown Divide Public Utility District (District), California, as of and for the year ended April 16, 2024, and have issued our report thereon dated April 16, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control that we consider to be material weaknesses as listed on the Schedule of Material Weaknesses included as part of our separately issued Memorandum on Internal Control dated April 16, 2024, which is an integral part of our audit and should be read in conjunction with this report.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.*

Accountancy Corporation
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We have also issued a separate Memorandum on Internal Control dated April 16, 2024, which is an integral part of our audit and should be read in conjunction with this report.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maze + Associates

Pleasant Hill, California
April 16, 2024

Independent Auditor Presentation

For fiscal year ended June 30, 2023

Georgetown Divide Public Utility District

David M. Alvey, CPA
Partner

Annual Audit (pg. 1 to 3)

- Background:
  - Independent of the District
  - Conducted according to auditing standards generally accepted in the USA
  - Government Auditing Standards
- Result:
  - **Unmodified (i.e.. Clean) Opinion**

MAZE & ASSOCIATES

Financial Highlights (pg. 13 to 14)

- Statement of Net Position
  - $23m Net Position at June 30, 2023
  - $3.3m increase from prior year
  - Pension Related
    - Net Pension Liability increased $2.3 m
    - Deferred Inflows related to Pension decreased by $2.9 m

MAZE & ASSOCIATES

Financial Highlights (pg. 15)

- Statement of Revenues, Expenses and Change in Net Position
  - Expenses ($4.3m) exceeded Revenue ($7.3m) by $3.3m increase in Net Position
  - Operating Revenue increased $163k or 4.6%
  - Operating Expenses decreased by $3.7 million or $47% (mostly GASB related)
  - Non-Operating income increased by $1.2m or 46.6%

MAZE & ASSOCIATES

Memorandum on Internal Control and Required Communication

- Material Weakness: None
- Significant Deficiency: One item related to Journal Entries
- Other Matters: Upcoming GASB Pronouncements
- Required Communication:
  - No disagreements with management
  - No issues with accounting estimate and assumptions
  - No reason to believe the scope was limited
  - No second opinion

MAZE & ASSOCIATES

QUESTIONS?

MAZE & ASSOCIATES

"We are in the business to help our clients succeed"

RESOLUTION 2024-XX

A RESOLUTION OF THE BOARD OF DIRECTORS OF GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT ACCEPTING BASIC FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDING JUNE 30, 2023

WHEREAS, pursuant to Government Code Section 26909 the financial statements of the District must be audited annually; and,

WHEREAS, the required audit has been performed by Maze and Associates, an independent accounting firm, in accordance with Governmental Accounting Standards Board (GASB) prescriptions; and,

WHEREAS, the results of the audit have been reported to the Board of Directors and the Finance Committee; and,

WHEREAS, the auditor has issued an “unmodified” report; and,

THEREFORE BE IT RESOLVED that the Board of Directors of Georgetown Divide Public Utility District hereby accepts and files the audited Basic Financial Statements for Fiscal Year ending June 30, 2023 copies of which are on file with the District available for public review; and,

PASSED AND ADOPTED at a regular meeting of the Board of Directors of the GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT on the 6th day of June 2024, by the following vote:

AYES:

NOES:

ABSENT/ ABSTAIN:

____
Mitch MacDonald President, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

ATTEST:

____
Nicholas Schneider, Clerk, and Ex Officio
Secretary, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

CERTIFICATE

I hereby certify that the foregoing is a full, true, and correct copy of Resolution No. 2024-XX duly and regularly adopted by the Board of Directors of the Georgetown Divide Public Utility District, El Dorado County, State of California, on this 6th day of June 2024.

____
Nicholas Schneider, Clerk and Ex Officio
Secretary, Board of Directors
GEORGETOWN DIVIDE PUBLIC
UTILITY DISTRICT

REPORT TO THE BOARD OF DIRECTORS
Board Meeting of June 6, 2024
Agenda Item No. 8. C.

AGENDA SECTION: **CONSENT CALENDAR**

SUBJECT: **Discuss and Consider Amendments to the Investment Policy**

PREPARED BY: Elizabeth Olson, Executive Assistant

Approved By: Nicholas Schneider, General Manager

BACKGROUND

The Georgetown Divide Public Utility District Board of Directors adopted the Investment Policy in February of 2023. During the April 4, 2024, Regular Meeting of the Board of Directors, the policy was updated. During the discussion, the Board requested a review of additional provisions within the policy providing direction that the policy return for further examination and potential amendments following the solicited additional research.

DISCUSSION

The proposed amendments to the policy following research and review are as follows;

Section 5 **"Delegation of Authority"** provides the following provision, **"**The Municipal Code of the Georgetown Divide Public Utility District and the authority granted by the District Board assign the responsibility of investing unexpended cash to the District's General Manager."

After review, it was determined that strictly speaking, the statutes require this to be a financial officer such as Treasurer/CFO/Finance Director, should the Board choose to delegate its responsibilities. The proposed amendment shifts the responsibility from being under the General Manager to the Office Finance Manager.

Section 12 **"Safekeeping and Custody"** of the Policy provides that, "Securities will be held by a third-party custodian designated by the Treasurer and evidenced by safekeeping receipts."

The Board requested that this language be examined for potential amendments. The fiduciary responsibilities of the Treasurer and applicable laws were reviewed. It was determined that this responsibility may be held by either the Treasurer or the Board of Directors and is purely a policy decision for the Board's determination with no other limiting factors present. The proposed amendment is to assign this as responsibility for the entire Board of Directors, not solely held by the Treasurer.

Section 17 **"Reporting"** stipulated that quarterly investment reports be delivered to the Board of Directors. Legally monthly investment reports are required. The proposed amendment changes quarterly to monthly in the first sentence of the section.

FISCAL IMPACT
There is no fiscal impact associated with this action.

CEQA ASSESSMENT
This is not a CEQA project.

RECOMMENDED ACTION
Staff recommends the Board of Directors of the Georgetown Divide Public Utility District (GDPUD) adopt the attached Resolution 2024-XX adopting the amended Investment Policy.

ALTERNATIVES
The Board may (a) Request substantive changes to the Resolution for staff to implement; (b) Reject the Resolution.

ATTACHMENTS

1. Redlined Investment Policy
2. Resolution 2024-XX Adopting Amended Investment Policy
3. Exhibit A to the Resolution 2024-XX Amended Investment Policy

Board Meeting of June 6, 2024
AGENDA ITEM 8 C
Attachment 1

Georgetown Divide Public Utility District

INVESTMENT POLICY

Georgetown Divide Public Utility District

Table of Contents

1. Policy

The Georgetown Divide Public Utility District shall invest public funds in such a manner as to comply with state and local laws; ensure prudent money management; provide for daily cash flow requirements; and meet the objectives of the Policy, in priority order of Safety, Liquidity and Return on investment. In accordance with the Municipal Code of the Georgetown Divide Public Utility District and under authority granted by the District Board, the General Manager is responsible for investing the unexpended cash in the District Treasury.

2. Scope

The investment policy applies to all investment activities and financial assets of the Georgetown Divide Public Utility District as accounted for in the Annual Comprehensive Financial Report (ACFR). This policy is applicable, but not limited to, all funds listed below:

- General Fund
- Capital Funds
- Other Special Revenue Funds, Debt Service Funds, Internal Service Funds
- Any new fund created by the District Board unless specifically exempted.

3. Prudence

The standard of prudence to be used by the designated representative shall be the "prudent investor" standard and shall be applied in the context of managing the overall portfolio. Persons authorized to make investment decisions on behalf of local agencies investing public funds are trustees and therefore fiduciaries subject to the prudent investor standard which states, "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency".

The General Manager and other individuals assigned to manage the investment portfolio, acting within the intent and scope of the investment policy and other written procedures and exercising due diligence, shall be relieved of personal responsibility and liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

4. Objectives

The District's primary investment objectives, in order of priority, shall be:

1. Safety: Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The District shall seek to preserve principal by mitigating the two types of risk: credit risk and market risk.

    a. Credit risk, defined as the risk of loss due to failure of the issuer of a security, shall be mitigated by investing in issuers that carry the direct or implied backing of the U.S. Government (including, but not limited to, the U.S. Treasury, U.S. Government Agencies, and federally insured banks). The portfolio will be diversified so that the failure of any one issuer does not unduly harm the District's capital base and cash flow.

    b. Market risk, (aka "interest rate risk") defined as market value fluctuations due to overall changes in the general level of interest rates shall be mitigated by limiting the maximum maturity of any one security to five years, structuring the portfolio based on historic and current cash flow analysis eliminating the need to sell securities prior to maturity and avoiding the purchase of long-term securities for the sole purpose of short-term speculation. Moreover, it is the District's full intent, at the time of purchase, to hold all investments until maturity to ensure the return of all invested principal dollars. Limited exceptions will be granted for security swaps that would improve the portfolio's yield and/or credit quality.

2. Liquidity: The District's investment portfolio will remain sufficiently liquid to enable the Georgetown Divide Public Utility District to meet all operating requirements which might be reasonably anticipated.

3. Return on Investments: The District's investment portfolio shall have the objective of attaining a comparative performance measurement or an acceptable rate of return throughout budgetary and economic cycles. These measurements should be commensurate with the District's investment risk constraints identified in this Investment Policy and the cash flow characteristics of the portfolio.

5. Delegation of Authority

The Municipal Code of the Georgetown Divide Public Utility District and the authority granted by the District Board assign the responsibility of investing unexpended cash to the District's Office Finance Manager~~General Manager.~~ Daily management responsibility of the investment program may be delegated to the Accountant, who shall establish procedures for the operation consistent with this investment policy.

6. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that conflicts with proper execution of the investment program or impairs their ability to make impartial investment decisions. Additionally, the General Manager and the Accountant are required to annually file applicable financial disclosures as required by the Fair Political Practices Commission (FPPC). Furthermore, Investment officials must refrain from undertaking personal investment transactions with the same individual(s) employed by the financial institution with whom business is conducted on behalf of the District.

7. Authorized Dealers and Institutions

The General Manager will maintain a list of approved financial institutions authorized to provide investment services to the public agency in the State of California. These may include “primary” dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule). Best practices include the following: 1) A determination that all approved broker/dealer firms, and individuals covering the public agency, are reputable and trustworthy; 2) the broker/dealer firms should have the ability to meet all their financial obligations in dealing with the Public Agency; 3) the firms, and individuals covering the agency, should be knowledgeable and experienced in Public Agency investing and the investment products involved; 4) no public deposit shall be made except in a qualified public depository as established by the established state laws; 4) all financial institutions and broker/dealers who desire to conduct investment transactions with the public agency may supply the General Manager with audited financial statements, proof of FINRA certification, trading resolution, proof of State of California registration, a completed broker/dealer questionnaire, certification of having read the Public Agency’s investment policy and depository contracts.

The General Manager shall conduct an annual review of the financial condition and registrations of qualified dealers & institutions.

8. Authorized and Suitable Investments

Investment of District funds is governed by the California Government Code Sections 53600 et seq. Within the context of the limitations, the following investments are authorized, as further limited herein:

1. United States Treasury Bills, Bonds, and Notes or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no percentage limitation of the portfolio that can be invested in this category, although a five-year maturity limitation is applicable.

2. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed

as to principal and interest by federal agencies or United States government-sponsored enterprises.

3. Local Agency Investment Fund (LAIF), which is a State of California managed investment pool, and El Dorado County Investment pool, may be used up to the maximum permitted by California State Law. A review of the pool/fund is required when part of the list of authorized investments, with the knowledge that the pool/fund may include some investments allowed by statute but not explicitly identified in this investment policy.
   Additionally, shares of beneficial interest issued by a joint powers authority organized pursuant to CA Code (Section 6509.7) that invests in the securities and obligations in compliance with CA Code 53601 (subsection ‘a’ to ‘r’, inclusive) are also authorized. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

   - The adviser is registered or exempt from registration with the Securities and Exchange Commission.
   - The adviser has not less than five years of experience investing in the securities and obligations authorized in CA Code (subsection ‘a’ to ‘r’, inclusive).
   - The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

4. Negotiable Certificates of Deposit issued by nationally or state-chartered banks (FDIC insured institutions) or state or federal savings institutions. Purchases of negotiable certificates of deposit may not exceed 30% of total portfolio. Principal and accrued interest on these investments must not exceed the $250,000 FDIC insurance limit. A maturity limitation of five years is applicable.

5. Time deposits or placement service deposits, non-negotiable and collateralized in accordance with the California Government Code, may be purchased through banks or savings and loan associations. Since time deposits are not liquid, no more than 50% of the investment portfolio may be invested in this investment type. A maturity limitation of five years is applicable. Effective January 1, 2020, no more than 50 percent of the agency’s money may be invested in deposits, including certificates of deposit, through a placement service as authorized under 53601.8 (excludes negotiable certificates of deposit authorized under Section 53601(i)). On January 1, 2026, the maximum percentage of the portfolio reverts back to 30

percent. Investments made pursuant to 53635.8 remain subject to a maximum of 30 percent of the portfolio.

6. Various daily money market funds administered for or by trustees, paying agents and custodian banks contracted by the Georgetown Divide Public Utility District may be purchased as allowed under the State of California Government Code. Only funds holding U.S. Treasury or Government agency obligations can be used.

The following summary of maximum percentage limits, by instrument, are established for the District's investment portfolio:

Authorized Investment Type	Government Code	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment in One Issuer
Treasury Obligations (bills, notes, & bonds)	53601(b)	5 Years	N/A	100%	N/A
US Government Agency and Federal Agency Securities	53601(f)	5 Years	N/A	100%	N/A
Local Agency Investment Fund (LAIF)	16429.1	Upon Demand	N/A	As permitted by LAIF (currently $65 million per account)	N/A
El Dorado County Investment Pool	53684	Upon Demand	N/A	As permitted by County Treasurer (currently no limit)	N/A
Joint Powers Authority Pool	53601(p)	N/A	See § 8.3 (above)	None	N/A
Negotiable Certificates of Deposit	53601(i)	5 Years	N/A	30%	N/A
Placement Service Deposits – Deposits or	53601.8 and 53635.8	5 Years	N/A	50%	N/A

9. Review of Investment Portfolio

The securities held by the Georgetown Divide Public Utility District must be in compliance with Section 8.0 "Authorized and Suitable Investments" at the time of purchase. The General Manager should review the portfolio (at least annually) to identify those securities that do not comply.

The General Manager should establish procedures to report any major and critical incidences of noncompliance identified through the review of the portfolio.

10. Investment Pools / Money Market Funds

A thorough investigation of the investment pool/money market fund is required prior to investing, and on a continual basis. Best efforts will be made to acquire the following information:

1. A description of eligible investment securities, and a written statement of investment policy and objectives.

2. A description of interest calculations and how it is distributed, and how gains and losses are treated.

3. A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
4. A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.

5. A schedule for receiving statements and portfolio listings.

6. Are reserves, retained earnings, etc. utilized by the pool/fund?

7. A fee schedule, and when and how is it assessed.

8. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

11. Collateralization

Collateralization will be required on two types of investments: non-negotiable certificates of deposit and repurchase (and reverse repurchase) agreements. To anticipate market changes and provide a level of security for all funds, the collateralization level will be 110% of market value for non-negotiable certificate of deposit and 102% for reverse repurchase agreements of principal and accrued interest.

Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained.

The District may waive the collateralization requirements for any portion of the deposit that is covered by Federal Deposit Insurance.

12. Safekeeping and Custody

All security transactions shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third-party custodian designated by the Board of Directors~~Treasurer~~ and evidenced by safekeeping receipts.

13. Diversification

The District shall diversify the investments within the portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions, or maturities. To promote diversification, no more than 5% of the portfolio may be invested in the securities of any one issuer, regardless of security type, excluding U.S. Treasuries, federal agencies, and pooled investments such as LAIF, money market funds, or local government investment pools.

14. Maximum Maturities

To the extent possible, the Georgetown Divide Public Utility District will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the District will not directly invest in securities maturing more than 5 years from the date of purchase. Any investment longer than 5 years must be authorized in advance by the District Board of Directors.

15. Internal Controls

The General Manager is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Georgetown Divide Public Utility District are protected from loss, theft, fraud or misuse.

Separation of functions between the District's General Manager or Accountant is designed to provide an ongoing internal review to prevent the potential for converting assets or concealing transactions.

Investment decisions are made by the General Manager, executed by the General Manager or Assistant General Manager, and confirmed by the Senior Accountant. All wire transfers initiated by the Accountant must be reconfirmed by the appropriate financial institution to the General Manager. Proper documentation obtained from confirmation and cash disbursement wire transfers is required for each investment transaction. Timely bank reconciliation is conducted to ensure proper handling of all transactions.

The investment portfolio and all related transactions are reviewed and balanced to appropriate general ledger accounts by the Senior Accountant on a monthly basis. An independent analysis by an external auditor shall be conducted annually to review and perform procedure testing on the District's cash and investments that have a material impact on the financial statements. The General Manager shall review and assure compliance with investment process and procedures.

16. Performance Standards

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

The District intends to spread its investments relatively evenly between 0 and 5 years and hold those investments to maturity. The District is limiting its authorized investments to the safest end of the investment spectrum—debt issued by the U.S. Treasury, U.S. Government Agencies, and debt that is federally insured (see section 8.0 Authorized and Suitable Investments, above, for a complete list of authorized investments).

Therefore, an appropriate performance benchmark will be a Constant Treasury Maturity Rate consistent with the weighted average maturity of the portfolio. The District recognizes that benchmarks may change over time based on changes in market conditions or cash flow requirements.

17. Reporting

The General Manager shall review and render monthly ~~quarterly r~~reports to the District Board that include the following information:

- Investment type (e.g. U.S. Treasury Note, U.S. Government Agency Bond)
- Name of the issuer (e.g. Federal Farm Credit Bank, Federal Home Loan Bank)
- Maturity date
- Yield to maturity
- Current market value and source of market value
- Par and dollar amount for each security the District has invested in
- Par and dollar amount on any money held by the District (e.g. LAIF balance, Cash Balance).

The report shall also include a description of any of the District's funds, investments, or programs that are under the management of contracted parties, including lending programs.

The quarterly report shall state compliance of the portfolio to the investment policy, or manner in which the portfolio is not in compliance.

The quarterly report shall include a statement denoting the ability of the District to meet its expenditure requirements for the next six months or provide an explanation as to why sufficient money shall (or may not) be available.

The quarterly reports shall be placed on the District Board meeting agenda for its review and approval no later than 45 days after the quarter ends. If there are no Board meetings within the 45 day period, the quarterly report shall be presented to the Board at the soonest possible meeting thereafter.

18. Investment Policy Adoption

The Georgetown Divide Public Utility District investment policy shall be adopted by resolution of the District Board. The policy shall be reviewed annually by the District Board and any modifications made thereto must be approved by the District Board.

The General Manager shall establish written investment policy procedures for the operation of the investment program consistent with this policy. The procedures should include reference to: safekeeping, master repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Georgetown Divide Public Utility District.

19. Glossary of Terms in this Policy

Accrued Interest: Interest earned but not yet received.

Annual Comprehensive Financial Report (ACFR): The official annual financial report for the District. It includes five combined statements and basic financial statements for each individual fund and account group prepared in conformity with Generally Accepted Accounting Principles (GAAP).

Bond: A financial obligation for which the issuer promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

Bond Swap: Selling one bond issue and buying another at the same time in order to create an advantage for the investor. Some benefits of swapping may include tax-deductible losses, increased yields, and an improved quality portfolio.

Broker: In securities, the intermediary between a buyer and a seller of securities. The broker, who usually charges a commission, must be registered with the exchange in which he or she is trading, accounting for the name registered representative.

Certificate of Deposit: A deposit insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC) at a set rate for a specified period of time.

Collateral: Securities, evidence of deposit or pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposit of public moneys.

Constant Maturity Treasury (CMT): An average yield of a specific Treasury maturity sector for a specific time frame. This is a market index for reference of past direction of interest rates for the given Treasury maturity range.

Custody: A banking service that provides safekeeping for the individual securities in a customer's investment portfolio under a written agreement that also calls for the bank to collect and pay out income, to buy, sell, receive and deliver securities when ordered to do so by the principal.

Delivery vs. Payment (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

Diversification: Dividing investment funds among a variety of securities offering independent returns and risk profiles.

Federal Deposit Insurance Corporation (FDIC): Insurance provided to customers of a subscribing bank that guarantees deposits to a set limit (currently $250,000) per account.

Interest Rate: The annual yield earned on an investment, expressed as a percentage.

Liquidity: Refers to the ability to rapidly convert an investment into cash.

Market Value: The price at which a security is trading and could presumably be purchased or sold.

Maturity: The date upon which the principal or stated value of an investment becomes due and payable.

Portfolio: Collection of securities held by an investor.

Primary Dealer: A group of government securities dealers that submit daily reports of market activity and security positions held to the Federal Reserve Bank of New York and are subject to its informal oversight.

Purchase Date: The date in which a security is purchased for settlement on that or a later date.

Rate of Return: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

Risk: Degree of uncertainty of return on an asset. Safekeeping: See Custody.

Settlement Date: The date on which a trade is cleared by delivery of securities against funds.

Time Deposit: A deposit in an interest-paying account that requires the money to remain on account for a specific length of time. While withdrawals can generally be made from a passbook account at any time, other time deposits, such as certificates of deposit, are penalized for early withdrawal.

Treasury Obligations: Debt obligations of the U.S. Government that are sold by the Treasury Department in the forms of bills, notes, and bonds. Bills are short-term obligations that mature in one year or less. Notes are obligations that mature between one year and ten years. Bonds are long-term obligations that generally mature in ten years or more.

U.S. Government Agencies: Instruments issued by various US Government Agencies most of which are secured only by the credit worthiness of the particular agency.

Yield: The rate of annual income return on an investment, expressed as a percentage. It is obtained by dividing the current dollar income by the current market price of the security.

Yield to Maturity: The rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

20. Glossary of General Investment Terms

Active Deposits: Funds that are immediately required for disbursement.
Amortization: An accounting practice of gradually decreasing (increasing) an asset's book value by spreading its depreciation (accretion) over a period of time.

Asked Price: The price a broker dealer offers to sell securities. Basis Point: One basis point is one hundredth of one percent (.01). Bid Price: The price a broker / dealer offers to purchase securities.

Book Entry Securities: Securities, such stocks held in “street name,” that are recorded in a customer’s account, but are not accompanied by a certificate. The trend is toward a certificate-free society to cut down on paperwork and to diminish investors’ concerns about the certificates themselves. All the large New York District banks, including those that handle the bulk of the transactions of the major government securities dealers, now clear most of their transactions with each other and with the Federal Reserve through the use of automated telecommunications and the “book-entry” custody system maintained by the Federal Reserve Bank of New York. These banks have deposited with the Federal Reserve Bank a major portion of their government and agency securities holdings, including securities held for the accounts of their customers or in a fiduciary capaDistrict for the District. Virtually all transfers for the account of the banks, as well as for the government securities dealers who are their clients, are now effected solely by bookkeeping entries. The system reduces the costs and risks of physical handling and speeds the completion of transactions.

Book Value: The value at which a debt security is shown on the holder's balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

Bullet Bond: *See “Non-callable Bond.”*

Callable Bond: A debit obligation where the bond issuer (i.e. borrower) has the option to *call the bond* or pay it off early (before the scheduled maturity date). For instance, a 5-year bond might be “callable quarterly”—meaning that, although the bond has a scheduled end date 5 years from now, it could end in 3 months (and every 3 months after that, until the scheduled maturity date).

Coupon: The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value.

Credit Analysis: A critical review and appraisal of the economic and financial conditions or of the ability to meet debt obligations.

Current Yield: The interest paid on an investment expressed as a percentage of the current price of the security.

Discount: The difference between the cost of a security and its value at maturity when quoted at lower than face value.

Duration: The weighted average maturity of a bond's cash flow stream, where the present value of the cash flows serve as the weights; the future point in time at which on average, an investor has received exactly half of the original investment, in present value terms; a bond's zero-coupon equivalent; the fulcrum of a bond's present value cash flow time line.

Fannie Mae: Trade name for the Federal National Mortgage Association (FNMA), a U.S. sponsored corporation.

Federal Reserve System: The central bank of the U.S. that consists of a seven member Board of Governors, 12 regional banks and approximately 8,000 commercial banks that are members.

Fed Wire: A wire transmission service established by the Federal Reserve Bank to facilitate the transfer of funds through debits and credits of funds between participants within the Fed system.

Freddie Mac: Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a U.S. sponsored corporation.

Investment Agreements: An agreement with a financial institution to borrow public funds subject to certain negotiated terms and conditions concerning collateral, liquidity and interest rates.

Nationally Recognized Statistical Rating Organizations (NRSRO): A U.S. Securities & Exchange Commission registered agency that assesses the creditworthiness of an entity or specific security. NRSRO typically refers to Standard and Poor’s Ratings Services, Fitch Ratings, Inc. or Moody’s Investors Services.

New Issue: Term used when a security is originally "brought" to market.

Non-callable Bond: Also known as, *"Bullet Bond."* A non-callable bond is a debt obligation where the bond issuer does not have the option to "call the bond" i.e.-end the bond before the scheduled maturity date.

Perfected Delivery: Refers to an investment where the actual security or collateral is held by an independent third party representing the purchasing entity.

Repurchase Agreement (REPO): A transaction where the seller (bank) agrees to buy back from the buyer (District) the securities at an agreed upon price after a stated period of time.

Reverse Repurchase Agreement (REVERSE REPO): A transaction where the seller (District) agrees to buy back from the buyer (bank) the securities at an agreed upon price after a stated period of time.

Secondary Market: A market made for the purchase and sale of outstanding issues following the initial distribution.

Yield Curve: The yield on bonds, notes or bills of the same type and credit risk at a specific date for maturities up to thirty years.

Certification

I hereby certify that the foregoing is a full, true, and correct copy of the Georgetown Divide Public Utility District's Investment Policy adopted by the Board of Directors of the Georgetown Divide Public Utility District on April 4, 2024.

____

Nicholas Schneider, Clerk, and Ex-Officio
Secretary, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

RESOLUTION NO. 2024-XX

OF THE BOARD OF DIRECTORS OF THE GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT ADOPTING UPDATED INVESTMENT POLICY

WHEREAS, the Board of Directors (Board) of the Georgetown Divide Public Utility District (District) adopted the Investment Policy on the 14th of February 2023 and amended it on the 4th of April 2024; and,

WHEREAS, additional review was requested by the Board of Directors and the consequent proposed amendments were evaluated and approved by the Ad Hoc Policy Committee for submission to the Board of Directors for approval; and,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT THAT the amended Investment Policy be adopted, and the General Manager authorized to certify the policy.

PASSED AND ADOPTED by the Board of Directors of the Georgetown Divide Public Utility District at a meeting of said Board held on the 6th day of June 2024, by the following vote:

AYES:

NOES:

ABSENT/ABSTAIN:

____
Mitch MacDonald, President, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Attest:

____
Nicholas Schneider, Clerk, and Ex officio Secretary, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

CERTIFICATION

I hereby certify that the foregoing is a full, true, and correct copy of Resolution 2024-XX duly and regularly adopted by the Board of Directors of the Georgetown Divide Public Utility District, County of El Dorado, State of California, on this 6th day of June 2024.

____
Nicholas Schneider, Clerk, and Ex officio
Secretary, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Board Meeting of June 6, 2024
AGENDA ITEM 8 C

Attachment 3

Georgetown Divide Public Utility District

INVESTMENT POLICY

GDPUD

Georgetown Divide Public Utility District

INVESTMENT POLICY

Georgetown Divide Public Utility District

Table of Contents

1. Policy

The Georgetown Divide Public Utility District shall invest public funds in such a manner as to comply with state and local laws; ensure prudent money management; provide for daily cash flow requirements; and meet the objectives of the Policy, in priority order of Safety, Liquidity and Return on investment. In accordance with the Municipal Code of the Georgetown Divide Public Utility District and under authority granted by the District Board, the General Manager is responsible for investing the unexpended cash in the District Treasury.

2. Scope

The investment policy applies to all investment activities and financial assets of the Georgetown Divide Public Utility District as accounted for in the Annual Comprehensive Financial Report (ACFR). This policy is applicable, but not limited to, all funds listed below:

- General Fund
- Capital Funds
- Other Special Revenue Funds, Debt Service Funds, Internal Service Funds
- Any new fund created by the District Board unless specifically exempted.

3. Prudence

The standard of prudence to be used by the designated representative shall be the "prudent investor" standard and shall be applied in the context of managing the overall portfolio. Persons authorized to make investment decisions on behalf of local agencies investing public funds are trustees and therefore fiduciaries subject to the prudent investor standard which states, "When investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee shall act with care, skill, prudence, and diligence under the circumstances then prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the agency".

The General Manager and other individuals assigned to manage the investment portfolio, acting within the intent and scope of the investment policy and other written procedures and exercising due diligence, shall be relieved of personal responsibility and liability for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

4. Objectives

The District's primary investment objectives, in order of priority, shall be:

1. Safety: Safety of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The District shall seek to preserve principal by mitigating the two types of risk: credit risk and market risk.

   a. Credit risk, defined as the risk of loss due to failure of the issuer of a security, shall be mitigated by investing in issuers that carry the direct or implied backing of the U.S. Government (including, but not limited to, the U.S. Treasury, U.S. Government Agencies, and federally insured banks). The portfolio will be diversified so that the failure of any one issuer does not unduly harm the District's capital base and cash flow.

   b. Market risk, (aka "interest rate risk") defined as market value fluctuations due to overall changes in the general level of interest rates shall be mitigated by limiting the maximum maturity of any one security to five years, structuring the portfolio based on historic and current cash flow analysis eliminating the need to sell securities prior to maturity and avoiding the purchase of long-term securities for the sole purpose of short-term speculation. Moreover, it is the District's full intent, at the time of purchase, to hold all investments until maturity to ensure the return of all invested principal dollars. Limited exceptions will be granted for security swaps that would improve the portfolio's yield and/or credit quality.

2. Liquidity: The District's investment portfolio will remain sufficiently liquid to enable the Georgetown Divide Public Utility District to meet all operating requirements which might be reasonably anticipated.

3. Return on Investments: The District's investment portfolio shall have the objective of attaining a comparative performance measurement or an acceptable rate of return throughout budgetary and economic cycles. These measurements should be commensurate with the District's investment risk constraints identified in this Investment Policy and the cash flow characteristics of the portfolio.

5. Delegation of Authority

The Municipal Code of the Georgetown Divide Public Utility District and the authority granted by the District Board assign the responsibility of investing unexpended cash to the District's Office Finance Manager. Daily management responsibility of the investment program may be delegated to the Accountant, who shall establish procedures for the operation consistent with this investment policy.

6. Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that conflicts with proper execution of the investment program or impairs their ability to make impartial investment decisions. Additionally, the General Manager and the Accountant are required to annually file applicable financial disclosures as required by the Fair Political Practices Commission (FPPC). Furthermore, Investment officials must refrain from undertaking personal investment transactions with the same individual(s) employed by the financial institution with whom business is conducted on behalf of the District.

7. Authorized Dealers and Institutions

The General Manager will maintain a list of approved financial institutions authorized to provide investment services to the public agency in the State of California. These may include “primary” dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C3-1 (uniform net capital rule). Best practices include the following: 1) A determination that all approved broker/dealer firms, and individuals covering the public agency, are reputable and trustworthy; 2) the broker/dealer firms should have the ability to meet all their financial obligations in dealing with the Public Agency; 3) the firms, and individuals covering the agency, should be knowledgeable and experienced in Public Agency investing and the investment products involved; 4) no public deposit shall be made except in a qualified public depository as established by the established state laws; 4) all financial institutions and broker/dealers who desire to conduct investment transactions with the public agency may supply the General Manager with audited financial statements, proof of FINRA certification, trading resolution, proof of State of California registration, a completed broker/dealer questionnaire, certification of having read the Public Agency’s investment policy and depository contracts.

The General Manager shall conduct an annual review of the financial condition and registrations of qualified dealers & institutions.

8. Authorized and Suitable Investments

Investment of District funds is governed by the California Government Code Sections 53600 et seq. Within the context of the limitations, the following investments are authorized, as further limited herein:

1. United States Treasury Bills, Bonds, and Notes or those for which the full faith and credit of the United States are pledged for payment of principal and interest. There is no percentage limitation of the portfolio that can be invested in this category, although a five-year maturity limitation is applicable.

2. Federal agency or United States government-sponsored enterprise obligations, participations, or other instruments, including those issued by or fully guaranteed

as to principal and interest by federal agencies or United States government-sponsored enterprises.

3. Local Agency Investment Fund (LAIF), which is a State of California managed investment pool, and El Dorado County Investment pool, may be used up to the maximum permitted by California State Law. A review of the pool/fund is required when part of the list of authorized investments, with the knowledge that the pool/fund may include some investments allowed by statute but not explicitly identified in this investment policy.
   Additionally, shares of beneficial interest issued by a joint powers authority organized pursuant to CA Code (Section 6509.7) that invests in the securities and obligations in compliance with CA Code 53601 (subsection 'a' to 'r', inclusive) are also authorized. Each share shall represent an equal proportional interest in the underlying pool of securities owned by the joint powers authority. To be eligible under this section, the joint powers authority issuing the shares shall have retained an investment adviser that meets all of the following criteria:

   - The adviser is registered or exempt from registration with the Securities and Exchange Commission.
   - The adviser has not less than five years of experience investing in the securities and obligations authorized in CA Code (subsection 'a' to 'r', inclusive).
   - The adviser has assets under management in excess of five hundred million dollars ($500,000,000).

4. Negotiable Certificates of Deposit issued by nationally or state-chartered banks (FDIC insured institutions) or state or federal savings institutions. Purchases of negotiable certificates of deposit may not exceed 30% of total portfolio. Principal and accrued interest on these investments must not exceed the $250,000 FDIC insurance limit. A maturity limitation of five years is applicable.

5. Time deposits or placement service deposits, non-negotiable and collateralized in accordance with the California Government Code, may be purchased through banks or savings and loan associations. Since time deposits are not liquid, no more than 50% of the investment portfolio may be invested in this investment type. A maturity limitation of five years is applicable. Effective January 1, 2020, no more than 50 percent of the agency's money may be invested in deposits, including certificates of deposit, through a placement service as authorized under 53601.8 (excludes negotiable certificates of deposit authorized under Section 53601(i)). On January 1, 2026, the maximum percentage of the portfolio reverts back to 30

percent. Investments made pursuant to 53635.8 remain subject to a maximum of 30 percent of the portfolio.

6. Various daily money market funds administered for or by trustees, paying agents and custodian banks contracted by the Georgetown Divide Public Utility District may be purchased as allowed under the State of California Government Code. Only funds holding U.S. Treasury or Government agency obligations can be used.

The following summary of maximum percentage limits, by instrument, are established for the District's investment portfolio:

Authorized Investment Type	Government Code	Maximum Maturity	Minimum Credit Quality	Maximum in Portfolio	Maximum Investment in One Issuer
Treasury Obligations (bills, notes, & bonds)	53601(b)	5 Years	N/A	100%	N/A
US Government Agency and Federal Agency Securities	53601(f)	5 Years	N/A	100%	N/A
Local Agency Investment Fund (LAIF)	16429.1	Upon Demand	N/A	As permitted by LAIF (currently $65 million per account)	N/A
El Dorado County Investment Pool	53684	Upon Demand	N/A	As permitted by County Treasurer (currently no limit)	N/A
Joint Powers Authority Pool	53601(p)	N/A	See § 8.3 (above)	None	N/A
Negotiable Certificates of Deposit	53601(i)	5 Years	N/A	30%	N/A
Placement Service Deposits – Deposits or	53601.8 and 53635.8	5 Years	N/A	50%	N/A

9. Review of Investment Portfolio

The securities held by the Georgetown Divide Public Utility District must be in compliance with Section 8.0 "Authorized and Suitable Investments" at the time of purchase. The General Manager should review the portfolio (at least annually) to identify those securities that do not comply.

The General Manager should establish procedures to report any major and critical incidences of noncompliance identified through the review of the portfolio.

10. Investment Pools / Money Market Funds

A thorough investigation of the investment pool/money market fund is required prior to investing, and on a continual basis. Best efforts will be made to acquire the following information:

1. A description of eligible investment securities, and a written statement of investment policy and objectives.

2. A description of interest calculations and how it is distributed, and how gains and losses are treated.

3. A description of how the securities are safeguarded (including the settlement processes), and how often the securities are priced and the program audited.
4. A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.

5. A schedule for receiving statements and portfolio listings.

6. Are reserves, retained earnings, etc. utilized by the pool/fund?

7. A fee schedule, and when and how is it assessed.

8. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

11. Collateralization

Collateralization will be required on two types of investments: non-negotiable certificates of deposit and repurchase (and reverse repurchase) agreements. To anticipate market changes and provide a level of security for all funds, the collateralization level will be 110% of market value for non-negotiable certificate of deposit and 102% for reverse repurchase agreements of principal and accrued interest.

Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained.

The District may waive the collateralization requirements for any portion of the deposit that is covered by Federal Deposit Insurance.

12. Safekeeping and Custody

All security transactions shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held by a third-party custodian designated by the Board of Directors and evidenced by safekeeping receipts.

13. Diversification

The District shall diversify the investments within the portfolio to avoid incurring unreasonable risks inherent in over-investing in specific instruments, individual financial institutions, or maturities. To promote diversification, no more than 5% of the portfolio may be invested in the securities of any one issuer, regardless of security type, excluding U.S. Treasuries, federal agencies, and pooled investments such as LAIF, money market funds, or local government investment pools.

14. Maximum Maturities

To the extent possible, the Georgetown Divide Public Utility District will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the District will not directly invest in securities maturing more than 5 years from the date of purchase. Any investment longer than 5 years must be authorized in advance by the District Board of Directors.

15. Internal Controls

The General Manager is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the Georgetown Divide Public Utility District are protected from loss, theft, fraud or misuse.

Separation of functions between the District's General Manager or Accountant is designed to provide an ongoing internal review to prevent the potential for converting assets or concealing transactions.

Investment decisions are made by the General Manager, executed by the General Manager or Assistant General Manager, and confirmed by the Senior Accountant. All wire transfers initiated by the Accountant must be reconfirmed by the appropriate financial institution to the General Manager. Proper documentation obtained from confirmation and cash disbursement wire transfers is required for each investment transaction. Timely bank reconciliation is conducted to ensure proper handling of all transactions.

The investment portfolio and all related transactions are reviewed and balanced to appropriate general ledger accounts by the Senior Accountant on a monthly basis. An independent analysis by an external auditor shall be conducted annually to review and perform procedure testing on the District's cash and investments that have a material impact on the financial statements. The General Manager shall review and assure compliance with investment process and procedures.

16. Performance Standards

The investment portfolio shall be designed with the objective of obtaining a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and the cash flow needs.

The District intends to spread its investments relatively evenly between 0 and 5 years and hold those investments to maturity. The District is limiting its authorized investments to the safest end of the investment spectrum—debt issued by the U.S. Treasury, U.S. Government Agencies, and debt that is federally insured (see section 8.0 Authorized and Suitable Investments, above, for a complete list of authorized investments).

Therefore, an appropriate performance benchmark will be a Constant Treasury Maturity Rate consistent with the weighted average maturity of the portfolio. The District recognizes that benchmarks may change over time based on changes in market conditions or cash flow requirements.

17. Reporting

The General Manager shall review and render monthly reportsto the District Board that include the following information:

- Investment type (e.g. U.S. Treasury Note, U.S. Government Agency Bond)
- Name of the issuer (e.g. Federal Farm Credit Bank, Federal Home Loan Bank)
- Maturity date
- Yield to maturity
- Current market value and source of market value
- Par and dollar amount for each security the District has invested in
- Par and dollar amount on any money held by the District (e.g. LAIF balance, Cash Balance).

The report shall also include a description of any of the District's funds, investments, or programs that are under the management of contracted parties, including lending programs.

The quarterly report shall state compliance of the portfolio to the investment policy, or manner in which the portfolio is not in compliance.

The quarterly report shall include a statement denoting the ability of the District to meet its expenditure requirements for the next six months or provide an explanation as to why sufficient money shall (or may not) be available.

The quarterly reports shall be placed on the District Board meeting agenda for its review and approval no later than 45 days after the quarter ends. If there are no Board meetings within the 45-day period, the quarterly report shall be presented to the Board at the soonest possible meeting thereafter.

18. Investment Policy Adoption

The Georgetown Divide Public Utility District investment policy shall be adopted by resolution of the District Board. The policy shall be reviewed annually by the District Board and any modifications made thereto must be approved by the District Board.

The General Manager shall establish written investment policy procedures for the operation of the investment program consistent with this policy. The procedures should include reference to: safekeeping, master repurchase agreements, wire transfer agreements, banking service contracts and collateral/depository agreements. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Georgetown Divide Public Utility District.

19. Glossary of Terms in this Policy

Accrued Interest: Interest earned but not yet received.

Annual Comprehensive Financial Report (ACFR): The official annual financial report for the District. It includes five combined statements and basic financial statements for each individual fund and account group prepared in conformity with Generally Accepted Accounting Principles (GAAP).

Bond: A financial obligation for which the issuer promises to pay the bondholder a specified stream of future cash flows, including periodic interest payments and a principal repayment.

Bond Swap: Selling one bond issue and buying another at the same time in order to create an advantage for the investor. Some benefits of swapping may include tax-deductible losses, increased yields, and an improved quality portfolio.

Broker: In securities, the intermediary between a buyer and a seller of securities. The broker, who usually charges a commission, must be registered with the exchange in which he or she is trading, accounting for the name registered representative.

Certificate of Deposit: A deposit insured up to $250,000 by the Federal Deposit Insurance Corporation (FDIC) at a set rate for a specified period of time.

Collateral: Securities, evidence of deposit or pledges to secure repayment of a loan. Also refers to securities pledged by a bank to secure deposit of public moneys.

Constant Maturity Treasury (CMT): An average yield of a specific Treasury maturity sector for a specific time frame. This is a market index for reference of past direction of interest rates for the given Treasury maturity range.

Custody: A banking service that provides safekeeping for the individual securities in a customer's investment portfolio under a written agreement that also calls for the bank to collect and pay out income, to buy, sell, receive and deliver securities when ordered to do so by the principal.

Delivery vs. Payment (DVP): Delivery of securities with a simultaneous exchange of money for the securities.

Diversification: Dividing investment funds among a variety of securities offering independent returns and risk profiles.

Federal Deposit Insurance Corporation (FDIC): Insurance provided to customers of a subscribing bank that guarantees deposits to a set limit (currently $250,000) per account.

Interest Rate: The annual yield earned on an investment, expressed as a percentage.

Liquidity: Refers to the ability to rapidly convert an investment into cash.

Market Value: The price at which a security is trading and could presumably be purchased or sold.

Maturity: The date upon which the principal or stated value of an investment becomes due and payable.

Portfolio: Collection of securities held by an investor.

Primary Dealer: A group of government securities dealers that submit daily reports of market activity and security positions held to the Federal Reserve Bank of New York and are subject to its informal oversight.

Purchase Date: The date in which a security is purchased for settlement on that or a later date.

Rate of Return: The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

Risk: Degree of uncertainty of return on an asset. Safekeeping: See Custody.

Settlement Date: The date on which a trade is cleared by delivery of securities against funds.

Time Deposit: A deposit in an interest-paying account that requires the money to remain on account for a specific length of time. While withdrawals can generally be made from a passbook account at any time, other time deposits, such as certificates of deposit, are penalized for early withdrawal.

Treasury Obligations: Debt obligations of the U.S. Government that are sold by the Treasury Department in the forms of bills, notes, and bonds. Bills are short-term obligations that mature in one year or less. Notes are obligations that mature between one year and ten years. Bonds are long-term obligations that generally mature in ten years or more.

U.S. Government Agencies: Instruments issued by various US Government Agencies most of which are secured only by the credit worthiness of the particular agency.

Yield: The rate of annual income return on an investment, expressed as a percentage. It is obtained by dividing the current dollar income by the current market price of the security.

Yield to Maturity: The rate of income return on an investment, minus any premium or plus any discount, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond, expressed as a percentage.

20. Glossary of General Investment Terms

Active Deposits: Funds that are immediately required for disbursement.
Amortization: An accounting practice of gradually decreasing (increasing) an asset's book value by spreading its depreciation (accretion) over a period of time.

Asked Price: The price a broker dealer offers to sell securities. Basis Point: One basis point is one hundredth of one percent (.01). Bid Price: The price a broker / dealer offers to purchase securities.

Book Entry Securities: Securities, such stocks held in "street name," that are recorded in a customer's account, but are not accompanied by a certificate. The trend is toward a certificate-free society to cut down on paperwork and to diminish investors' concerns about the certificates themselves. All the large New York District banks, including those that handle the bulk of the transactions of the major government securities dealers, now clear most of their transactions with each other and with the Federal Reserve through the use of automated telecommunications and the "book-entry" custody system maintained by the Federal Reserve Bank of New York. These banks have deposited with the Federal Reserve Bank a major portion of their government and agency securities holdings, including securities held for the accounts of their customers or in a fiduciary capaDistrict for the District. Virtually all transfers for the account of the banks, as well as for the government securities dealers who are their clients, are now effected solely by bookkeeping entries. The system reduces the costs and risks of physical handling and speeds the completion of transactions.

Book Value: The value at which a debt security is shown on the holder's balance sheet. Book value is acquisition cost less amortization of premium or accretion of discount.

Bullet Bond: *See "Non-callable Bond."*

Callable Bond: A debit obligation where the bond issuer (i.e. borrower) has the option to *call the bond* or pay it off early (before the scheduled maturity date). For instance, a 5-year bond might be "callable quarterly"—meaning that, although the bond has a scheduled end date 5 years from now, it could end in 3 months (and every 3 months after that, until the scheduled maturity date).

Coupon: The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value.

Credit Analysis: A critical review and appraisal of the economic and financial conditions or of the ability to meet debt obligations.

Current Yield: The interest paid on an investment expressed as a percentage of the current price of the security.

Discount: The difference between the cost of a security and its value at maturity when quoted at lower than face value.

Duration: The weighted average maturity of a bond's cash flow stream, where the present value of the cash flows serve as the weights; the future point in time at which on average, an investor has received exactly half of the original investment, in present value terms; a bond's zero-coupon equivalent; the fulcrum of a bond's present value cash flow time line.

Fannie Mae: Trade name for the Federal National Mortgage Association (FNMA), a U.S. sponsored corporation.

Federal Reserve System: The central bank of the U.S. that consists of a seven member Board of Governors, 12 regional banks and approximately 8,000 commercial banks that are members.

Fed Wire: A wire transmission service established by the Federal Reserve Bank to facilitate the transfer of funds through debits and credits of funds between participants within the Fed system.

Freddie Mac: Trade name for the Federal Home Loan Mortgage Corporation (FHLMC), a U.S. sponsored corporation.

Investment Agreements: An agreement with a financial institution to borrow public funds subject to certain negotiated terms and conditions concerning collateral, liquidity and interest rates.

Nationally Recognized Statistical Rating Organizations (NRSRO): A U.S. Securities & Exchange Commission registered agency that assesses the creditworthiness of an entity or specific security. NRSRO typically refers to Standard and Poor’s Ratings Services, Fitch Ratings, Inc. or Moody’s Investors Services.

New Issue: Term used when a security is originally "brought" to market.

Non-callable Bond: Also known as, *"Bullet Bond."* A non-callable bond is a debt obligation where the bond issuer does not have the option to "call the bond" i.e.-end the bond before the scheduled maturity date.

Perfected Delivery: Refers to an investment where the actual security or collateral is held by an independent third party representing the purchasing entity.

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Yield Curve: The yield on bonds, notes or bills of the same type and credit risk at a specific date for maturities up to thirty years.

Certification

I hereby certify that the foregoing is a full, true, and correct copy of the Georgetown Divide Public Utility District's Investment Policy adopted by the Board of Directors of the Georgetown Divide Public Utility District on June 4, 2024.

____

Nicholas Schneider, Clerk, and Ex-Officio
Secretary, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

REPORT TO THE BOARD OF DIRECTORS
BOARD MEETING OF June 6, 2024
AGENDA ITEM NO. 8. D.

AGENDA SECTION: **ACTION ITEMS**

SUBJECT: **APPROVAL OF SECOND AMENDMENT TO EMPLOYMENT AGREEMENT FOR THE GENERAL MANAGER**

PREPARED BY: Frank Splendorio, General Counsel

BACKGROUND
The District entered into an Employment Agreement with Nicholas Schneider to serve as the District's General Manager on August 17, 2022 (**Attachment 1**) and a First Amendment to the Agreement on October 10, 2023 (**Attachment 2**).

DISCUSSION
Under Section 3.10 of the Employment Agreement, the District must provide the General Manager with a cell phone for business use. The General Manager uses his personal cell phone for business purposes because it is more efficient. The General Manager returned the District-issued cell phone, which will be reassigned to another District employee. The General Manager is requesting an amendment to his Employment Agreement to receive a cell phone stipend in lieu of a District-issued cell phone.

The proposed draft Second Amendment to the Employment Agreement **(Attachment 3)** provides the General Manager the option of receiving a District-issued cell phone or a monthly $60 cell phone stipend to contribute towards the costs of a cell phone used for business purposes. The Second Amendment makes no changes with respect to computer equipment.

FISCAL IMPACT
The cost to the District to provide a District-issued cell phone is $ 54. The annual cost to the District to provide a $60 monthly cell phone stipend is $720 each year. The difference to the District is $6 monthly.

CEQA ASSESSMENT
This is not a CEQA Project.

RECOMMENDED ACTION
It is recommended that the Board of Directors adopt Resolution 2024-XX Approving the Second Amendment to the Employment Agreement between the Georgetown Divide Public Utility District and Nicholas Schneider (**Attachment 4**).

ALTERNATIVES

The Board may choose to request other substantive changes to the Second Amendment or reject the Second Amendment.

ATTACHMENTS

1. Original General Manager Employment Agreement
2. First Amendment to General Manager Employment Agreement
3. Proposed Second Amendment to General Manager Employment Agreement
4. Resolution 2024-XX

EMPLOYMENT AGREEMENT
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT GENERAL MANAGER

THIS EMPLOYMENT AGREEMENT ("Agreement") is made and entered into this __17__th day of August 2022 ("Effective Date"), by and between the Georgetown Divide Public Utility District, a California public utilities district (the "District") and Nicholas Schneider ("Employee"), an individual. The District and Employee may individually be referred to herein as "Party" or collectively as "Parties". There are no other parties to this Agreement.

RECITALS

A. The District has created the position of District Manager ("General Manager"), pursuant to Public Utilities Code section 16111, subdivision (d), to be the administrative head of the District government under the direction and control of the District's Board of Directors ("Board").

B. The District has been actively recruiting for the position of General Manager and has interviewed numerous qualified applicants.

C. The Board has evaluated Employee's knowledge, experience, administrative skills, and abilities, as evidenced in his professional background, and has determined that Employee is the best candidate within the District's General Manager salary range and is qualified to fill the position of General Manager; and

D. The Parties desire to execute this Agreement pursuant to the authority of and subject to the provisions of Government Code section 53260 et seq. to appoint Employee as the General Manager for the District.

NOW, THEREFORE, in consideration of the mutual covenants entered into between the Parties and in consideration of the benefits that accrue to each, it is agreed as follows:

Section 1. Recitals. The recitals set forth above ("Recitals") are true and correct and are hereby incorporated into and made part of this Agreement by this reference. In the event of any inconsistency between the Recitals and Sections 1 through 19 of this Agreement, Sections 1 through 19 shall prevail.

Section 2. Appointment of General Manager, Duties and Term.

Section 2.1 Appointment of General Manager. The Board hereby appoints Employee to the position of General Manager, in and for the District, to perform the function and duties of the General Manager as specified in this Agreement, and Employee accepts such appointment and employment pursuant to the terms of this Agreement. Employee's starting date with the District is September 26, 2022.

Section 2.2 Term. The term of this Agreement shall commence on the Effective Date and shall continue until terminated by one or both of the Parties ("Term"), as outlined in Section 15 of this Agreement.

Section 2.3. General Manager Duties. For the Term, Employee shall perform the functions of the General Manager position in accordance with Public Utilities Code section 16114, the terms of this Agreement, and the District's General Manager job description, last ratified as of May 2020, which is attached hereto as **Exhibit A.** Employee's duties, responsibilities, and limitations as General Manager include, but are not limited to:

A. Under administrative direction of the Board, Employee shall be in charge of the administrative public relations, personnel, and general affairs of the District. Employee shall represent the Board's policies and programs with other employees, community organizations and the general public. Employee shall report to the Board as needed, including at regular and special meetings, work with other employees of the District, including preparation of contracts, review of budget requests and to make those recommendations reasonably necessary to run the District.

B. Employee does not have authority to enter into any contract in excess of Forty-Five Thousand Dollars ($45,000.00) without the express consent of the Board. Employee has authority to enter into any contract up to Forty-Five Thousand Dollars ($45,000.00), which expenditure is set forth in the approved annual budget, consistent with District Ordinance 2012-18 or any modification thereto, which sets forth the General Manager's contracting authority

C. Employee shall conduct the business of the District and report to the District at general or other meetings noticed by the District. Employee shall otherwise have the responsibility and authority for operation of all works of the District, including its infrastructure, reservoirs, tanks, water treatment plants, water conveyance, water pipelines, and any and all other equipment and property. Employee shall be responsible for supervising and directing personnel at the District, including personnel actions. However, Employee shall not have the authority to alter the job position or compensation of any employee without express permission and consent of the Board.

D. Employee shall become fully aware and knowledgeable of the requirements of the applicable job duties of the General Manager. Employee acknowledges receipt of a copy of the job description for General Manager for the Georgetown Divide Public Utility District, last ratified as of May 2020. Employee represents to have the time, skill and background in order to properly effectuate those job duties.

Section 2.4 No Secondary Employment. Employee agrees to devote all of his productive time, ability and attention to the District's business. During the Term of this Agreement, Employee shall not hold secondary employment and shall be employed exclusively by the District, subject to any exceptions approved in writing by the Board. Provided, however, that Employee has the right to volunteer for such nonprofit organizations as he may see fit; and further provided that such volunteer services shall not interfere with his duties as General Manager.

Notwithstanding the above, the District acknowledges Employee's current outside employment as an adjunct professor at Mount Jacinto College where he teaches an online class in Horticulture. It is understood and agreed that this outside employment will not interfere with

Employee's duties to the District. If at any time it is determined by the Board of Directors that this or other outside employment is in any way inconsistent with the interests or objectives of the District, Employee will be notified of such and required to cease such outside employment.

Section 2.5 Exempt Position. The position of General Manager is an exempt position for purposes of the Fair Labor Standards Act of 1938 (29 U.S.C. § 201 et seq.). The general business hours for District employees are Monday through Friday, 7:45 a.m. to 4:30 p.m. This full-time employment will typically average forty (40) hours of work per week. Employee's typical working hours will be during regular business hours, plus evening hours as needed to attend Board meetings and other District business. However, it is recognized by the Parties that Employee's hours may exceed forty (40) hours of work per week. As such, Employee shall not receive overtime or extra compensation for hours worked outside of general business hours which are necessary to fulfill the duties of the General Manager position.

Section 2.6 At-Will Employment. Employee is an "at will" employee serving at the pleasure of the Board, as provided in Public Utilities Code section 16112. Accordingly, the Board may terminate Employee's employment at any time, with or without cause, by a three-fifths (3/5) vote of the Board.

Section 2.7 No Property Right in Employment. Employee understands and agrees that the terms of his employment are governed only by this Agreement, and that no right of employment for any specific term is created by this Agreement. Employee further understands that based on his "at will" employment status, he acquires no property interest in his employment by virtue of this Agreement, and that he is not entitled to an administrative hearing or other due process for any disciplinary actions, including termination, by the District.

Section 2.8 No Membership in Bargaining Unit. Employee understands that he is not a member of any bargaining unit and is not covered by the terms of any Memorandum of Understanding with any represented or unrepresented group of District employees

Section 3. Compensation.

Section 3.1 Base Salary. Employee shall be paid at a rate of One Hundred Sixty-Nine Thousand Dollars ($169,000.00) ("Base Salary") per year. Payments will be made on regularly scheduled payroll dates and shall be subject to all applicable payroll withholdings. Such compensation shall be the only compensation the District pays, and the Employee receives, for Employee's services under this Agreement.

Section 3.2 Health, Dental, and Vision Insurance Benefits. During the Term of this Agreement, the District agrees to contribute to basic medical insurance premiums, excluding dental and vision, in the following manner: (A) for the Employee only plan, the District will pay one hundred percent (100%) of the premium for the lowest plan available; (B) for the Employee plus one dependent plan or the Employee plus two or more dependents, the District shall pay the premium at the previous year maximum contribution rate and shall adjust up to ninety-three percent (93%) of the costs of the current year premium for the lowest plan available, as shown in **Exhibit B,** which is attached hereto. Notwithstanding the above, the District shall not pay for a premium increase that exceeds twelve percent (12%) of the previous year's premium. For dental and vision insurance, the District shall pay the premium for the Employee only, but coverage may be extended to Employee's dependents at the option and expense of Employee.

Section 3.3 Life Insurance. The District shall pay for term life and accidental death and dismemberment insurance coverage for Employee with a death benefit equal to Employee's Base Salary, as provided in Section 3.1 of this Agreement.

Section 3.4 Retirement Benefits. Employee shall be enrolled in the PERS 2% at 62 Plan (PEPRA). Pursuant to the Public Employees' Pension Reform Act, Employee shall contribute 6.75% of District's cost rate of as contribution to PERS plan as required contribution. District's contribution on behalf of Employee is 7.47% for FY 2022-23. Employee's plan shall be integrated with Social Security.

Section 3.5 Deferred Compensation. Employee has been enrolled in the ICMA Deferred Compensation Plan. The District will contribute a matching amount of up to five percent (5%) of Base Salary on an annual basis either throughout the year or annually, as determined by the District, to the ICMA Deferred Compensation Plan in addition to Employee's Base Salary.

Section 3.6 Vacation Leave. Employee shall accrue vacation leave at a rate of 4.615 hours per biweekly pay period or up to a maximum of one hundred twenty (120) hours per year. The Employee may accrue up to a total of two hundred forty (240) hours of vacation leave. Once Employee accrues the maximum two hundred forty (240) hours of vacation leave, no additional accrual will occur until Employee's bank of vacation leave is reduced below two hundred forty (240) hours. Employee will have forty (40) hours of vacation credited upon date of hire and available for use immediately as needed. Upon separation, Employee is entitled to receive payment at their current base pay for all vacation time earned but not taken as of the effective date of separation.

Section 3.7 Sick Leave. Employee shall accrue sick leave at a rate of 3.69 hours for every biweekly pay period, up to a maximum of ninety-six (96) hours or twelve (12) work days per year. Employee shall begin accruing sick leave on the first day of his employment with the District. Employee will have forty (40) hours of sick leave credited upon date of hire and available for use immediately as needed.

Section 3.8. Administrative Leave. In recognition of the extra hours required outside of a typical workday or work week, Employee shall earn forty (40) hours of Administrative Leave every July 1. This leave shall be used in the same manner as vacation leave. All Administrative Leave received by Employee pursuant to this Agreement must be used prior to July 1 of each year and any unused Administrative Leave time shall automatically expire.

Section 3.9 Cellular Phone and Computer Equipment. The District shall provide Employee with a cellular phone for the Term of the Agreement, which shall be used for business calls. The District shall not be responsible for charges or fees incurred by Employee's use of the cellular phone for personal purposes. The District will also purchase a computer tablet for Employee to be used at office or at home.

Section 3.10 Holidays. Employee shall be entitled to observe, with pay, the twelve (12) observed holidays as outlined in the District's Personnel Rules.

Section 3.11 District-Related Business Travel Reimbursement. Employee's duties require that he have continuously available transportation for District business or other related purposes. Employee may elect to utilize personal vehicle for District-related business. The District shall reimburse Employee for any District-related business travel at the Internal Revenue Service ("IRS") mileage rate, which may change from time to time. Any incurred expenses authorized by the District during the transition time prior to start date of September 26, 2022, for Employee will also be directly reimbursed by the District.

Section 3.12 Automobile Allowance. Employee shall receive a monthly vehicle allowance in the amount of five hundred dollars ($500.00) during his employment so that he may procure or use a vehicle he owns while engaged in District business, such as conferences, meetings and travel to and from his private residence. Employee shall be responsible for paying the cost of liability, property damage, and comprehensive insurance, and for the purchase of, operation, maintenance, repairs and replacement of said automobile.

Section 3.13 Use of District Vehicle. Employee may have the use of a District vehicle during work hours that will be housed at District Office for use during workday as needed. Vehicle is not to be driven to or stored at Employee's home except during a documented or authorized emergency situation.

Section 3.14 Moving Expenses. The District will reimburse Employee or pay directly to the Moving Company upon submittal of receipts, the lowest of three (3) bids not-to-exceed $10,000 (Ten Thousand Dollars) for moving household expenses on behalf of Employee. It is anticipated that there may be a delay of up to six (6) months and not more than nine (9) months required for incurring this expenditure without further discussion and approval by the Board. Should Employee leave the District Employee prior to completion of one (1) year will require 100% reimbursement by Employee. If Employee leaves before the end of second year, Employee will be required to reimburse 50%.

Section 4. Performance Evaluation. For the first year of this Agreement, performance evaluations shall be conducted following the end of the sixth (6th) and twelfth (12th) month following the Effective Date of this Agreement. After the first year of this Agreement, performance evaluations shall be conducted annually in September of each year. The process, at a minimum, shall include the opportunity for both parties to: (A) prepare a written evaluation, (B) meet and discuss the evaluation, and (C) present a written summary of the evaluation results.

Section 4.1 Merit-Based Salary Increase. The Board of Directors will consider a request by Employee for a salary increase upon Employee's receipt of a performance evaluation with an overall rating of satisfactory or better performance at the end of Employee's 12th month of service, and on a once-yearly basis thereafter when Employee receives an overall rating of satisfactory or better on an annual performance evaluation.

Section 5. Termination of Employment and Severance.

Section 5.1. Voluntary Resignation. Employee may resign at any time and agrees to give the District at least sixty (60) days advance written notice of the effective date of Employee's resignation, unless the Parties otherwise agree in writing. If Employee retires from full-time public service with the District, Employee shall provide at least three (3) months' advance written notice. Employee's actual retirement date will be mutually established between the Parties. During the notice period, all rights and obligations of the Parties under this Agreement shall remain in full force and effect. Promptly after the effective date of resignation, the District shall pay to Employee all salary and benefit amounts both accrued and owing under this Agreement. In the event of voluntary resignation, Employee shall not be entitled to Severance as set forth in Section 15.3 of this Agreement.

Section 5.2. Termination by the Board. The Board may terminate this Agreement and remove Employee from his position as the General Manager at any time, with or without cause, by a three-fifths (3/5) vote of the entire Board. Employee shall not be removed from office during or within a period of ninety (90) days following any general or special municipal election held at which a member of the Board is elected. Upon termination, for any reason, the District shall compensate Employee for all accrued vacation leave. This compensation shall be based upon Employee's salary as of the date of employment termination.

Section 5.3. Termination without Good Cause. In the event the District terminates this Agreement without cause, the District may elect to pay Employee up to a sum equal to three (3) months Base Salary ("Severance"). This potential Severance is subject to the restrictions of Government Code section 53260, which sets out the maximum amount of Severance pay that Employee may receive. Any cash settlement related to the termination of this Agreement received by Employee from the District shall be fully reimbursed to the District if Employee is convicted of a crime involving an abuse of his office or position while employed with the District pursuant to Government Code section 53243.2. This Severance shall be paid in the same manner as other employees, unless otherwise agreed to by the District and Employee. In the event the District terminates this Agreement, Employee shall be entitled to continued medical and dental benefits at his cost pursuant to the provisions of the federal Consolidated Omnibus Budget Reconciliation Act.

Section 5.4. Termination for Good Cause. The District may at any time immediately terminate this Agreement for good cause as defined in this Section 15.4. If Employee is terminated for good cause, the District shall not be required to pay any Severance under this Agreement, and the District shall have no obligation to Employee beyond those benefits accrued as of Employee's last day of employment and those the District is obligated to provide under federal or state law.

"Good Cause" for purposes of this Agreement, means a fair and honest cause or reason for termination. These reasons include, but are not limited to:

1. Conviction of any felony or a misdemeanor crime of moral turpitude;
2. Disclosing confidential information of the District;
3. Unjustifiable and willful neglect of the duties described in this Agreement;

4. Any conduct which violates the District's Personnel Rules and for which a District employee may be terminated;

5. Repeated and protracted unexcused absences from General Manager's office and duties;

6. Willful destruction or misuse of District property;

7. Conduct that in any way has a direct, substantial, and adverse effect on the District's reputation;

8. Willful violation of federal, state or District discrimination laws;

9. Continued substance abuse which adversely affects performance of Employee's duties as General Manager;

10. Refusal to take or subscribe any oath or affirmation which is required by law;

11. Permanent disability of Employee, or Employee becoming otherwise unable to perform the duties of General Manager with or without reasonable accommodation, which places an undue burden on the District; or

12. Dishonesty.

Notwithstanding any provision in this Agreement to the contrary, the Board may suspend Employee with full pay and benefits at any time during the Term of this Agreement.

Section 6. Indemnification. The District shall defend, hold harmless and indemnify Employee against any tort, personnel, civil rights or professional liability claim or demand or other legal action, whether groundless or otherwise, arising out of an alleged act or omission occurring in the performance of Employee's duties as General Manager in accordance with California's Tort Claims Act (Gov. Code, § 825 et seq.), and shall provide a defense to Employee in accordance with Government Code sections 995-996.5. The District may decline to defend or indemnify Employee only as permitted by the Government Code. The District may compromise and settle any such claim or suit and pay the amount of any resulting settlement or judgment. Provided, however, that the District's duty to defend and indemnify shall be contingent upon Employee's good faith cooperation with such defense. In the event the District provides funds for legal criminal defense pursuant to this Section, Employee shall reimburse the District for such legal criminal defense funds if Employee is convicted of a crime involving an abuse of office or position, as provided by Government Code sections 53243-53243.4.

Section 7. Notices. Any notice or communication required hereunder between the District and Employee must be in writing and may be given either personally, by facsimile (with original forwarded by regular U.S. Mail), by registered or certified mail (return receipt requested), or by Federal Express, UPS or other similar couriers providing overnight delivery. If personally delivered, a notice or communication shall be deemed to have been given when delivered to the Party to whom it is addressed. If given by facsimile transmission, a notice or communication shall be deemed to have been given and received upon actual physical receipt of the entire document by the receiving Party's facsimile machine. Notices transmitted by facsimile after 5:00 p.m. on a normal business day or on a Saturday, Sunday or holiday, shall be deemed to have been given and received on the next normal business day. If given by registered or certified mail, such notice or communication shall be deemed to have been given and received on the first to occur of (i) actual receipt by any of the addressees designated below as the party to whom notices are to be sent, or (ii) five (5) days after a registered or certified letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail. If given by Federal Express or similar courier, a notice or communication shall be deemed to have been given and received on the date delivered as shown on a receipt issued by the courier. Any Party hereto may at any time, by giving ten (10) days written notice to the other Party hereto, designate any other address in substitution of the address to which such notice or communication shall be given. Such notices or communications shall be given to the Parties at their addresses set forth below:

If to the District	Georgetown Divide Public Utility District 6425 Main Street Georgetown, CA 95634 Tel: (530) 333-4356 Fax: (530) 333-9442
With a courtesy copy to:	White Brenner LLP 1414 K Street, Third Floor Sacramento, California 95814 Attention: Barbara A. Brenner, Esq. Tel: (916) 468-0950 Fax: (916) 468-0951
If to Employee:	Nicholas Schneider c/o Address on file with District

Section 8. Exhibits. All "Exhibits" referred to below or attached to herein are, by this reference, incorporated into this Agreement:

Exhibit Designation	Exhibit Title
Exhibit A	Job Description
Exhibit B	Health Insurance Benefits
Exhibit C	Personnel Policy

Section 9. General Provisions.

Section 9.1 Modification. No alteration, amendment, modification, or termination of this Agreement shall be valid unless made in writing and executed by all Parties to this Agreement.

Section 9.2 Waiver. No covenant, term, or condition, or the breach thereof, shall be deemed waived, except by written consent of the Party against whom the waiver is claimed, and any waiver of the breach of any covenant, term, or condition shall not be deemed to be a waiver of any preceding or succeeding breach of the same or any other covenant, term, or condition.

Section 9.3 Assignment. No Party to this Agreement shall assign, transfer, or otherwise dispose of this Agreement in whole or in part to any individual, firm, or corporation without the prior written consent of the other Party. Subject to the forgoing provisions, this Agreement shall be binding upon, and inure to the benefit of, the respective successors and assigns of the Parties hereto.

Section 9.4 Authority. All Parties to this Agreement warrant and represent that they have the power and authority to enter into this Agreement and the names, titles, and capacities herein stated on behalf of any entities, persons, states, or firms represented or purported to be represented by such entities, persons, states or firms and that all former requirements necessary or required by the state or federal law in order to enter into the Agreement have been fully complied with. Further, by entering into this Agreement, neither Party hereto shall have breached the terms, or conditions of any other contract or agreement to which such Party is obligated, which such breach would have a material effect hereon.

Section 9.5 Drafting and Ambiguities. Each Party acknowledges that it has reviewed this Agreement with its own legal counsel and, based upon the advice of that counsel, freely entered into this Agreement. Each Party has participated fully in the review and revision of this Agreement. Any rule of construction that ambiguities are to be resolved against, the drafting party does not apply in interpreting this Agreement.

Section 9.6 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 9.7 Venue. Venue for all legal proceedings shall be in the Superior Court of California for El Dorado County.

Section 9.8 Severability. If this Agreement in its entirety is determined by a court to be invalid or unenforceable, this Agreement shall automatically terminate as of the date of final entry of judgment. If any provision of this Agreement shall be determined by a court to be invalid and unenforceable, or if any provision of this Agreement is rendered invalid or unenforceable according to the terms of any federal or state statute, which becomes effective after the Effective Date of this Agreement, the remaining provisions shall continue in full force and effect and shall be construed to give effect to the intent of this Agreement.

Section 9.9 Counterparts. This Agreement may be executed simultaneously and in several counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

Section 9.10 Entire Agreement. This Agreement, together with its specific references, attachments and exhibits, constitutes the entire agreement of the Parties with respect to the subject matters hereof and supersedes any and all prior negotiations, understanding and agreements with respect hereto, whether oral or written.

Section 9.11 Supersedes Prior Agreements. It is the intention of the Parties hereto that this Agreement shall supersede any prior agreements, discussions, commitments, or representations whether, written, electronic or oral, between the Parties with respect to the subject matter of this Agreement.

Section 9.12 Mandatory and Permissive. "Shall" and "will" and "agrees" are mandatory. "May" and "can" are permissive.

Section 9.13 Successors and Assigns. All representations, covenants, and warranties specifically set forth in this Agreement by or on behalf of, or for the benefit of, any or all of the Parties hereto, shall be binding upon, and inure to the benefit of, such Party, its successors and assigns.

Section 9.14 Headings. The headings in this Agreement are included for convenience only and neither affect the construction or interpretation of any section in this Agreement, nor affect any of the rights or obligations of the Parties to this Agreement.

Section 9.15 Attorney's Fees and Costs. If any action at law or in equity, including action for declaratory relief, is brought to enforce or interpret provisions of this Agreement, the prevailing Party shall be entitled to reasonable attorney's fees and costs, which may be set by the court in the same action or in a separate action brought for that purpose, in addition to any other relief to which such Party may be entitled.

Section 9.16 Necessary Acts and Further Assurances. The Parties shall, at their own cost and expense, execute and deliver such further documents and instruments and shall take such other actions as may be reasonably required or appropriate to evidence or carry out the intent and purposes of this Agreement.

Section 9.17 Time is of the Essence. Time is of the essence in this Agreement for each covenant and term of a condition herein.

SIGNATURE PAGE DIRECTLY FOLLOWS

IN WITNESS WHEREOF, this Agreement has been entered into by and between EMPLOYEE and the DISTRICT as of the date of the Agreement set forth above.

DISTRICT:

Georgetown Divide Public Utility District, a California public utility district

By: ______________________
Michael Saunders, President

Date Signed: 9/6/2022

Approved as to Form and Content:

By: ______________________
Barbara A. Brenner, District General Counsel

EMPLOYEE:

By: ______________________
Nicholas Schneider, an individual

Date Signed: 8-18-22

FIRST AMENDMENT TO EMPLOYMENT AGREEMENT
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
GENERAL MANAGER

THIS FIRST AMENDMENT TO EMPLOYMENT AGREEMENT ("First Amendment" or "Amendment") is made and entered into this 10th day of October 2023, by and between the Georgetown Divide Public Utility District, a California public utilities district (the "District") and Nicholas Schneider ("Employee"), an individual. The District and Employee may individually be referred to herein as "Party" or collectively as "Parties". There are no other parties to this Agreement.

RECITALS

A. The District entered into that certain Employment Agreement with Employee, which was made effective August 17, 2022 ("Original Agreement" or "Agreement"), for Employee to serve as General Manager for District.

B. The Parties desire to execute this Amendment upon a successful evaluation of Employee's performance to date, and in order to ensure the terms and conditions of employment remain at parity with the market and/or updated personnel-related terms and conditions generally applicable to other District personnel.

NOW, THEREFORE, in consideration of the mutual covenants entered into between the Parties and in consideration of the benefits that accrue to each, it is agreed as follows:

TERMS

1. Subsection B. of Section 2.3., "General Manager Duties" is hereby deleted in its entirety and the remaining subsections of Section 2.3. are re-numbered accordingly.

2. Section 2.4., "Secondary Employment" of the Agreement is hereby amended in its entirety to read as follows:

> "**Section 2.4. Limited Secondary Employment.** Employee agrees to devote all of his productive time, ability, and attention to the District's business during normal business hours and, as necessary, outside the normal business hours. During the Term of this Agreement, Employee shall inform and obtain approval from the District of any secondary employment by Employee and shall have no actual or apparent conflict of interest with the District, and any employment may only be performed outside of regular District business hours, and at all other times, must not interfere with, distract from, or otherwise deprioritize any District business. It is understood that Employee, as an FLSA exempt General Manager of the District must regularly perform work for the District outside of "normal office hours" and Employee agrees that no secondary employment shall interfere with such duties. Notwithstanding the foregoing, Employee has the right to volunteer for such nonprofit organizations as he may see fit; and further provided that

such volunteer services shall not interfere with his duties as General Manager."

3. Section 2.6., "At-Will Employment" of the Agreement is hereby amended in its entirety to read as follows:

> **"Section 2.6. At-Will Employment.** Employee is an "at will" employee serving at the pleasure of the Board, as provided in Public Utilities Code section 16112, without right of appeal. Accordingly, the Board may terminate Employee's employment at any time, with or without cause, by a three-fifths (3/5) vote of the Board, subject to the provisions set forth in Section 5."

4. Section 3.1., "Base Salary" of the Agreement is hereby amended in its entirety to read as follows:

> **"Section 3.1. Base Salary.** Employee shall be paid at a rate of One Hundred and Ninety Thousand Dollars ($190,00.00) ("Base Salary") per year. Payments will be made on regularly scheduled payroll dates and shall be subject to all applicable payroll withholdings. Such compensation shall be the only compensation the District pays, and the Employee receives, for Employee's services under this Agreement."

5. A new Section 3.2., "Contract Term" is hereby added to read as follows (the prior Section 3.2 in the Agreement, and following subsections of Section 3, shall be re-numbered accordingly):

> **"Section 3.2. Contract Term.** The term of this Agreement will be five (5) years. For the term of this Agreement, the base salary shall be adjusted annually upon the anniversary of the Effective Date of this Agreement equivalent to the average of the prior year's Consumer Price Index ("CPI") as published by the United States Department of Labor for the San Francisco-Oakland-Hayward area; provided, however, that no such salary increase shall be less than 1%, or more than 5%, in any given year."

6. Section 3.5., "Deferred Compensation" is hereby amended in its entirety to read as follows (including the re-numbering):

> **"Section 3.6 Deferred Compensation.** Employee has been enrolled in the ICMA Deferred Compensation Plan. To the maximum extent permissible under the Plan, the District will contribute five percent (5%) of Base Salary on an annual basis either throughout the year or annually, as determined by the District, to the ICMA Deferred Compensation Plan."

7. Section 3.6., "Vacation Leave" is hereby amended in its entirety to read as follows (including the re-numbering):

> **"Section 3.7. Vacation Leave.** Employee shall accrue vacation leave at a rate of 4.615 hours per biweekly pay period or up to a maximum of one hundred twenty (120) hours per year. The Employee may accrue up to a total of three hundred twenty (320) hours of vacation leave. Once Employee accrues the maximum three hundred twenty (320) hours of vacation leave, no additional accrual will occur until Employee's bank of vacation leave is reduced below three hundred twenty (320) hours. Upon separation, Employee is entitled to receive payment at their current base pay for all vacation time earned but not taken as of the effective date of separation."

8. A new Section 3.9., "Bereavement Leave" is hereby added to read as follows (the prior Section 3.9. in the Agreement and following subsections of Section 3., shall be re-numbered accordingly):

> **"Section 3.9. Bereavement Leave**. Employee is eligible to take bereavement leave as provided in the District's Personnel Manual."

9. Section 4.1., "Merit-Based Salary Increase" is hereby amended in its entirety to read as follows:

> **"Section 4.1. Merit-Based Salary Increase**. The Board of Directors will consider a request by Employee for a salary increase upon Employee's receipt of a performance evaluation with an overall rating of satisfactory or better performance at the end of Employee's 12th month of service, and on a once-yearly basis thereafter when Employee receives an overall rating of satisfactory or better on an annual performance evaluation. The increase, if awarded, will be a maximum of five percent (5%) of additional salary increase, which shall be in addition to any mandatory increases set forth in Section 3.2."

10. Section 5.2., "Termination by the Board" is hereby amended in its entirety to read as follows:

> "**Section 5.2. Termination by the Board.** The Board may terminate this Agreement and remove Employee from his position as the General Manager at any time, with or without cause, by a three-fifths (3/5) vote of the entire Board. Employee shall not be removed from office during or within a period of one hundred twenty (120) days following any general or special municipal election held at which a member of the Board is elected. Upon termination, for any reason, the District shall compensate Employee for all accrued vacation leave. This compensation shall be based upon Employee's salary as of the date of employment termination."

11. Section 5.3., "Termination without Good Cause" is hereby amended in its entirety to read as follows:

"**Section 5.3. Termination without Good Cause.** In the event the District terminates this Agreement without cause, the District may elect to pay Employee up to a sum equal to six (6) months Base Salary ("Severance"). This potential Severance is subject to the restrictions of Government Code section 53260, which sets out the maximum amount of Severance pay that Employee may receive. Any cash settlement related to the termination of this Agreement received by Employee from the District shall be fully reimbursed to the District if Employee is convicted of a crime involving an abuse of his office or position while employed with the District pursuant to Government Code section 53243.2. This Severance shall be paid in the same manner as other employees, unless otherwise agreed to by the District and Employee. In the event the District terminates this Agreement without cause, District shall pay the Employee's continued medical, vision and dental benefits under the federal Consolidated Omnibus Budget Reconciliation Act for the same duration of time for which Employee's Base Salary is continued (subject to the limits of Government Code section 53260). Employee's receipt of Severance benefits authorized by this section is conditioned on Employee's execution of a general waiver and release of claims against the District and related entities and covenant not to sue."

12. Section 7., "Notices" is hereby amended in its entirety to read as follows:

"**Section 7. Notices.** Any notice or communication required hereunder between the District and Employee must be in writing and may be given either personally, by facsimile (with original forwarded by regular U.S. Mail), by registered or certified mail (return receipt requested), or by Federal Express, UPS or other similar couriers providing overnight delivery. If personally delivered, a notice or communication shall be deemed to have been given when delivered to the Party to whom it is addressed. If given by facsimile transmission, a notice or communication shall be deemed to have been given and received upon actual physical receipt of the entire document by the receiving Party's facsimile machine. Notices transmitted by facsimile after 5:00 p.m. on a normal business day or on a Saturday, Sunday or holiday, shall be deemed to have been given and received on the next normal business day. If given by registered or certified mail, such notice or communication shall be deemed to have been given and received on the first to occur of (i) actual receipt by any of the addressees designated below as the party to whom notices are to be sent, or (ii) five (5) days after a registered or certified letter containing such notice, properly addressed, with postage prepaid, is deposited in the United States mail. If given by Federal Express or similar courier, a notice or communication shall be deemed to have been given and received on the date delivered as shown on a receipt issued by the courier. Any Party hereto may at any time, by giving ten (10) days written notice to the other Party hereto, designate any other address in substitution of the address to which such notice or communication shall be given. Such notices or communications shall be given to the Parties at their addresses set forth below:

If to the District:	Georgetown Divide Public Utility District 6425 Main Street Georgetown, CA 95634 Tel: (530) 333-4356 Fax: (530) 333-9442
If to Employee:	Nicholas Schneider c/o Address on file with District

13. Except as otherwise amended, modified, or otherwise changed by this First Amendment which shall go into effect upon Board approval, the Original Agreement shall remain in full force and effect.

SIGNATURE PAGE DIRECTLY FOLLOWS

IN **WITNESS WHEREOF,** this Agreement has been entered into by and between EMPLOYEE and the DISTRICT as of the date of the Agreement set forth above.

DISTRICT:

Georgetown Divide Public Utility District, a California public utility district

By: Mitch MacDonald
Mitch MacDonald, President

Approved as to Form:

Frank Splendorio, General Counsel

EMPLOYEE:

Nicholas Schneider, an individual

SECOND AMENDMENT TO EMPLOYMENT AGREEMENT GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT GENERAL MANAGER

THIS SECOND AMENDMENT TO EMPLOYMENT AGREEMENT ("Second Amendment") is made and entered into this ___ day of ______ 2024 ("Effective Date"), by and between the Georgetown Divide Public Utility District, a California public utility district (the "District") and Nicholas Schneider, an individual ("Employee"). The District and Employee may individually be referred to herein as a "Party" or collectively as "Parties."

RECITALS

A. The District entered into that certain Employment Agreement with Employee, which was made effective August 17, 2022 ("Original Agreement" or "Agreement"), for Employee to serve as General Manager for District.

B. The Parties entered into the First Amendment to the Agreement on October 10, 2023, to modify various terms of the Agreement.

C. The Parties desire to amend the Agreement to include a cell phone stipend in lieu of the District providing a District-issued cell phone.

NOW, THEREFORE, in consideration of the mutual covenants entered into between the Parties and in consideration of the benefits that accrue to each, it is agreed as follows:

TERMS

1. Section 3.10, "Cellular Phone and Computer Equipment" of the Agreement is hereby amended in its entirety to read as follows:

"Section 3.10 Cellular Phone and Computer Equipment. The District shall provide Employee, at Employee's option, with a cellular phone to be used for business purposes or a Sixty Dollar ($60) monthly stipend to Employee to offset the cost of a personal cellular phone used for business purposes. The District shall also purchase a computer tablet for Employee to use at the office or remotely."

2. Except as otherwise amended, modified, or otherwise changed by this Second Amendment, the Agreement, as previously amended, shall remain in full force and effect.

SIGNATURE PAGE DIRECTLY FOLLOWS

IN **WITNESS WHEREOF,** this Second Amendment has been entered into by and between EMPLOYEE and the DISTRICT as of the date of the Second Amendment set forth above.

DISTRICT:

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT, a California Public Utility District

By: ________________________________
Mitch MacDonald, President

Date: ________________________________

Approved as to Form:

____
Frank Splendorio, General Counsel

EMPLOYEE:

By: ________________________________
Nicholas Schneider, an individual

Date: __________________________

RESOLUTION NO. 2024-XX

OF THE BOARD OF DIRECTORS OF THE GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT APPROVING THE SECOND AMENDMENT TO EMPLOYMENT AGREEMENT WITH NICHOLAS SCHNEIDER

WHEREAS, the Board of Directors (Board) of the Georgetown Divide Public Utility District (District) entered into an agreement with Nicholas Schneider to serve as General Manager on August 17, 2022; and

WHEREAS, the Parties entered into a First Amendment on October 10, 2023; and

WHEREAS, the General Manager is requesting an amendment to the contract to most efficiently meet the need for a cell phone for District business communications within his practices; and

WHEREAS, the proposed second amendment to the Employment Agreement provides the option of receiving a District-issued cell phone or a monthly $60 cell phone stipend to contribute towards the costs of a cell phone used for business purposes.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT THAT the Second Amendment to Employment Agreement **(Exhibit A)** between the District and Nicholas Schneider is hereby approved, and the President of the Board is authorized to sign on the District's behalf.

PASSED AND ADOPTED by the Board of Directors of the Georgetown Divide Public Utility District at a meeting of said Board held on the 6th day of June 2024, by the following vote:

AYES:
NOES:
ABSENT/ABSTAIN:

____
Mitch MacDonald, President, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Attest:

____
Nicholas Schneider, Clerk, and Ex officio
Secretary, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

CERTIFICATION

I hereby certify that the foregoing is a full, true, and correct copy of Resolution 2024-XX duly and regularly adopted by the Board of Directors of the Georgetown Divide Public Utility District, County of El Dorado, State of California, on this 6th day of June 2024.

____

Nicholas Schneider, Clerk, and Ex officio
Secretary, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

REPORT TO THE BOARD OF DIRECTORS
Board Meeting of June 6,2024
Agenda Item No. 8. E.

GDPUD

AGENDA SECTION:	**ACTION ITEMS**
SUBJECT:	**Discussion of Board Reconsideration of Items with Amendments to Policy 4125 Rules of Order for Conducting Board and Committee Meetings**
PREPARED BY:	Elizabeth Olson, Executive Assistant
Approved By:	Nicholas Schneider, General Manager

BACKGROUND

Review potential changes to Board policies to address reconsideration of items at future Board meetings and provide direction.

DISCUSSION

Two policies have been identified as pertinent to the discussion and examination, 1) Policy 4125 Rules of Order for Conducting Board and Committee Meetings, and 2) Policy 4205 Board Meeting Agenda.

Since the issue at hand is really about whether, or to what extent, the Board can reconsider previously decided matters at ***future*** Board meetings (for items previously acted on by the Board) it is recommended by staff that only Policy 4205 be amended when such an item is requested to be placed on a future Board meeting. However, should the Board decide to also amend Policy 4125, that is also an option and we have attached that policy for the Board's consideration. The proposed amendments are just a recommendation from staff to begin the Board discussion and direction to staff.

Section 4205.02 currently sets forth this process for placing agenda items on future Board meetings. The suggested amendment would clarify that, requests for future agenda items to reconsider or reverse previous Board's decisions/actions, cannot be made within 90 days of such decision/action, unless the requesting Director was in the prevailing majority at the time.

A. Any Director may contact the General Manager and request any item be placed on the Board agenda. With the approval of the Board President, the item shall be placed on a meeting agenda within three (3) upcoming Regular Board meetings, unless the Director withdraws the request. If there are any delays to this timeframe, the Board President shall provide the Director with an explanation. The Board Member requesting the item shall provide a brief written description of the requested item to be included in the Board packet. Notwithstanding the foregoing, if a future agenda item request is made to reconsider or reverse a Board decision or action that occurred at a meeting within the previous 90 days of such request, such requesting Director must have been a Director in the prevailing majority at the time of such previous decision or action. This reconsideration restriction shall apply unless there is a new or different Director on the Board at the time of the request.

B. A Director may request verbally during Board Member Requests for Additions to Future Meeting Agendas that an item be considered on a future agenda. Upon agreement by a majority of the Board, the item will be placed on a future agenda for Board discussion on whether the item should be scheduled for further consideration and Board action on an upcoming meeting agenda. The Board Member requesting the item shall provide a brief description of the subject to be printed for the agenda packet. Notwithstanding the foregoing, except when there is a new or different Director on the Board, if a future agenda item request is made to reconsider or reverse a Board decision or action that occurred at a prior Board meeting within the previous 90 days of such request, such requesting Director must have been a Director in the prevailing majority at the time of such previous decision or action. This reconsideration restriction shall apply unless there is a new or different Director on the Board at the time of the request.

FISCAL IMPACT

There is no fiscal impact associated with this item.

CEQA ASSESSMENT

This is not a CEQA project.

RECOMMENDED ACTION

Staff recommends the Board of Directors of the Georgetown Divide Public Utility District (GDPUD) provide staff with direction regarding proposed policy amendments.

ALTERNATIVES

The Board may (a) Request substantive changes to the policy for staff to implement for possible amendment; (b) Reject the proposed policy amendments; (c) request additional research or policy actions.

ATTACHMENTS

1. Existing Policy 4205 Board Meeting Agenda
2. Existing Policy 4125 Rules of Order for Conducting Board and Committee Meetings

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
Policy and Procedures Manual

POLICY TITLE: Board Meeting Agenda

POLICY NUMBER: 4205 Adopted: 08/13/2019 Amended: 03/09/2021 Amended: 03/04/2024
Former Number: 5020-02
REFERENCES: (Gov. Code § 54950 et seq.)

Section 4205.01 Purpose

The General Manager, in cooperation with the Board President, shall prepare an agenda for each Regular and Special Meeting of the Board of Directors in accordance with the Ralph M. Brown Act (California Government Code Section 54950 et seq.).

Section 4205.02 Board Member Requests for Additions to Future Meeting Agendas

- **A.** Any Director may contact the General Manager and request any item be placed on the Board agenda. With the approval of the Board President, the item shall be placed on a meeting agenda within three (3) upcoming Regular Board meetings, unless the Director withdraws the request. If there are any delays to this timeframe, the Board President shall provide the Director with an explanation. The Board Member requesting the item shall provide a brief written description of the requested item to be included in the Board packet.
- **B.** A Director may request verbally during Board Member Requests for Additions to Future Meeting Agendas that an item be considered on a future agenda. Upon agreement by a majority of the Board, the item will be placed on a future agenda for Board discussion on whether the item should be scheduled for further consideration and Board action on an upcoming meeting agenda. The Board Member requesting the item shall provide a brief description of the subject to be printed for the agenda packet.

Section 4205.03 Public Requests for Additions to Future Meeting Agendas

Any member of the public may request that a matter directly related to District business be placed on the agenda of a regularly scheduled meeting of the Board of Directors, subject to the following conditions:

- **A.** The request must be in writing and be submitted to the General Manager together with supporting documents and information, if any, at least seven (7) business days prior to the date of the meeting;
- **B.** The General Manager shall confer with the Board President on whether the public request is or is not a "matter directly related to District business." If the matter is determined by both, not to be a matter directly related to District business it will not be placed on the agenda. The public member requesting the agenda item may appeal the decision at the next regular meeting of the Board of Directors.
- **C.** The Board of Directors may place limitations on the total time to be devoted to a public request issue at any meeting and may limit the time allowed for any one person to speak on the issue at the meeting.

Section 4205.04 **Public Comment on Non-Agendized Items**

This policy does not prevent the Board from taking public comment at regular and special meetings of the Board on matters which are not on the agenda which a member of the public may wish to bring before the Board. However, the Board shall not discuss or take action on such matters at that meeting.

Section 4205.05 **Posting Requirements**

At least 72 hours prior to the time of all Regular meetings, an agenda, which includes but is not limited to all matters on which there may be discussion and/or action by the Board, shall be posted in a place that is freely accessible to members of the public (California Government Code 54954.2) and emailed to those who have requested to receive the agenda via email. The agenda shall be posted on the website for public information at the same time. All information made available to the Board of Directors (except confidential information allowed by State law per legal counsel) shall be available for public review prior to the Board meeting.

A. The agenda for a Special Meeting shall be posted at least 24 hours before the meeting in the same location as for Regular Meeting agendas (California Government Code Section 54956).

Section 4205.06 **Agenda Format**

The District Agenda for Regular Meetings shall generally follow the following format. The General Manager, in cooperation with the Board President, may reorganize the template on a case-by-case basis if a variation in the normal order of business is appropriate. Director names and titles shall be included on the agenda. Agendas must contain a brief description of every item to be discussed, including closed-session items. Descriptions must be clear enough to be understood by members of the public.

CALL TO ORDER, ROLL CALL, AND PLEDGE OF ALLEGIANCE

APPROVAL OF AGENDA

PUBLIC FORUM

Members of the public wishing to address the Board on a matter that is not on the agenda and within the jurisdictional authority of the District may do so during the Public Forum. The Board is not permitted to take action on items addressed in the Public Forum.

CONSENT CALENDAR

The Consent Calendar consists of those items which are routine and non-controversial. Should any member of the Board or the Public wish to discuss any item appearing thereon, the Board member should request that the item be removed from the Consent Calendar. At the direction of the President, the item will be removed and discussed immediately after the approval of the Consent Calendar, or as soon thereafter as practicable.

OFFICE/FINANCE MANAGER'S REPORT

INFORMATIONAL ITEMS

A. **Board Reports**
   Directors shall be allowed five (5) minutes each to provide brief reports on meetings, conferences, and seminars attended by the Directors of interest to the District and the public. Directors may also use this time period to report on community comments and activities of interest. Additional time may be extended by the Board President, or Board Officer who is presiding over the meeting.
B. **Legislative Liaison Report**

C. **Operation Manager's Report**

The Operations Manager will provide a report on maintenance activities occurring during the previous month.

D. **Water Resources Manager's Report**

E. **General Manager's Report**

COMMITTEES

ACTION ITEMS

CLOSED SESSION

BOARD MEMBER REQUESTS FOR ADDITIONS TO FUTURE MEETING AGENDAS

A. Opportunity for Board members to discuss and provide input for future meetings. Individual Board members may request items be added to an agenda and may request information or research for Staff to respond at a future time.

NEXT MEETING DATE AND ADJOURNMENT

Each specific item as well as the order of items are subject to change at every meeting or with the agenda.

Section 4205.07

The Board shall adjourn to the noted date and time of the next meeting.

Certification

I hereby certify that the foregoing is a full, true, and correct copy of Policy 4205 adopted by the Board of Directors of the Georgetown Divide Public Utility District on March 7th, 2024.

Nicholas Schneider, Clerk, and Ex-Officio
Secretary, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

DISTRIBUTION:

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
Policy and Procedures Manual

POLICY TITLE: Rules of Order for Conducting Board and Committee Meetings

POLICY NUMBER: 4215 Adopted: 09/10/2019 Amended: 10/10/2023

REFERENCES:

Section 4215.01 Purpose
The purpose of this policy is to establish the procedures governing the meetings of the Board of Directors and Committees of the Georgetown Divide Public Utility District.

Section 4215.02 General

4215.3.1 Action items shall be brought before and considered by the Board by motion in accordance with this policy. These rules of order are intended to be informal and applied flexibly. The Board prefers a flexible form of meeting and, therefore, does not conduct its meetings under formalized rules - Robert's Rules of Order.

4215.2.1.1 If a Director believes order is not being maintained or procedures are not adequate, then he/she should raise a point of order - not requiring a second - to the President. If the ruling of the President is not satisfactory to the Director, then it may be appealed to the Board. A majority of the Board will govern and determine the point of order.

Section 4215.03 Obtaining the Floor

5040.2.1 Any Director desiring to speak should address the President and, upon recognition by the President, may address the subject under discussion.

Section 4215.04 Motions

4215.5.1 Any Director, excluding the President, may make or second a motion. A motion shall be brought and considered as follows:

4215.4.1.1 The Board President opens discussion of the matter, the matter is then discussed and debated by the Board, the public is provided an opportunity to comment, then a Director makes a motion; another Director seconds the motion; and the President states the motion.

4215.4.2 Once the motion has been stated by the President, it is open to further clarification by the Board members, the President will then call for the vote.

4215.4.2.1 If the public in attendance has had an opportunity to comment on the proposed action, any Director may move to immediately bring the question being debated to a vote, suspending any further debate. The motion must be made, seconded, and approved by a majority vote of the Board.

Section 4215.5 **Secondary Motions**
Ordinarily, only one motion can be considered at a time and a motion must be disposed of before any other motions or business are considered. There are a few exceptions to this general rule, though, where a secondary motion concerning the main motion may be made and considered before voting on the main motion.

4215.5.1 Motion to Amend:
A main motion may be amended before it is voted on, either by the consent of the Directors who moved and seconded or by a new motion and second.

4215.5.2 Motion to Table:
A main motion may be indefinitely tabled before it is voted on by motion made to table, which is then seconded and approved by a majority vote of the Board.

4215.5.3 Motion to Postpone:
A main motion may be postponed to a certain time by a motion to postpone, which is then seconded and approved by a majority vote of the Board.

4215.5.4 Motion to Refer to Committee:
A main motion may be referred to a Board committee for further study and recommendation by a motion to refer to committee, which is then seconded and approved by a majority vote of the Board.

4215.5.5 Motion to Close Debate and Vote Immediately:
As provided above, any Director may move to close debate and immediately vote on a main motion, which move to close is then seconded and approved by a majority vote of the Board.

4215.5.6 Motion to Adjourn:
A meeting may be adjourned by motion made, seconded, and approved by a majority vote of the Board before voting on a main motion.

Section 4215.6 **Decorum**

4215.6.1
The President shall take whatever actions are necessary and appropriate to preserve order and decorum during Board meetings, including public hearings. The President may eject any person or persons disrupting the meeting or hearing as referenced in Policy 4210 Standards of Conduct During Board Meetings Section 4210.07.

4215.6.2
The President may also declare a short recess during any meeting.

Section 4215.7 **Amendment of Rules of Order**

4215.7.1 By motion made, seconded, and approved by 4/5ths, the Board may, at its discretion and at any meeting: a) temporarily suspend these rules in whole or in part; b) amend these rules in whole or in part; or, c) both.

Certification

I hereby certify that the foregoing is a full, true, and correct copy of Policy 4215 amended by the Board of Directors of the Georgetown Divide Public Utility District on October 10, 2023

Nicholas Schneider, Clerk, and Ex-Officio
Secretary, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

REPORT TO THE BOARD OF DIRECTORS
Board Meeting of June 6, 2024
Agenda Item No. 8. F.

AGENDA SECTION: **ACTION ITEMS**

SUBJECT: **Discussion of Policy 4030 Board Compensation and Expense Reimbursements and Travel Allowance**

PREPARED BY: Elizabeth Olson, Executive Assistant

Approved By: Nicholas Schneider, General Manager

BACKGROUND

Policy 4030 Board Compensation, Expense Reimbursements, and Travel Allowance was first adopted in June of 2013. The Ad Hoc Policy Committee reviewed and amended the policy during their meeting on May 13, 2024, which was adopted by the Board of Directors.

DISCUSSION

The purpose of Policy 4030 is to establish the procedures governing the payment of monthly compensation and expense reimbursement for members of the Board of Directors. The policy established metrics for compensation pursuant to Public Utilities Code Section 16002(a), Ordinance 2011-01, Revising the Board of Directors Compensation Rates and utilizing IRS Publication 463 as well as the California GSA per Diem Rate Table, referencing compensation amounts and industry standardized best practices.

The Ad Hoc Policy Committee convened and discussed the travel provisions, as they relate to lodging expense reimbursement, within this policy. Lodging needs are defined within the parameters of the policy and reference material in terms of scheduling and necessity when away from the residence to conduct business. Currently, the policy provides for reimbursement when travel occurs outside of the county.

Given the size and shape of the county, reimbursement based on mileage from the elected official's residence is a fairer and more consistent metric. The Committee evaluated and discussed the travel stipulations and is recommending an amendment to the Policy which would prescribe a 40-mile distance requirement for reimbursable lodging expenses by the District for business travel purposes. The proposed amendment is as follows:

Section 4030.04.02 Lodging, Travel by Public Transportation

Expenses for lodging, travel by public transportation, and incidental expenses incurred for attendance at meetings or conferences are eligible for reimbursement if they are least 40 miles from the primary residence of the subject Board Member,~~outside of the county~~ and have received prior approval by the Board of Directors.

FISCAL IMPACT

There is no immediate fiscal impact associated with this discussion.

CEQA ASSESSMENT

This is not a CEQA-associated project.

RECOMMENDED ACTION

Staff recommends the Board of Directors of the Georgetown Divide Public Utility District adopt Resolution 2024-XX Amending Policy 4030 Board Compensation and Expense Reimbursements and Travel Allowance.

ALTERNATIVES

The Board may (a) Request substantive changes to the policy for staff to implement; (b) Reject the policy amendment process.

ATTACHMENTS

1. Redlined Policy 4030 Board Compensation and Expense Reimbursements and Travel Allowance
2. Appendix A California GSA per Diem Rate Table
3. IRS Publication 463
4. Resolution 2024-XX Adopting Amended Policy 4030
5. Exhibit A Policy 4030 Board Compensation and Expense Reimbursements and Travel Allowance

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
Policy and Procedures Manual

POLICY TITLE: **Board Compensation, Expense Reimbursements and Travel Allowance**

POLICY NUMBER: **4030** **Adopted: 06/25/2013** **Amended: 06/13/2023**

SECTION 4030.01 PURPOSE

The purpose of this policy is to establish the procedures governing the payment of monthly compensation and expense reimbursement for members of the Board of Directors of the Georgetown Divide Public Utility District pursuant to Public Utilities Code Section 16002(a) and Ordinance 2011-01.

SECTION 4030.02 DEFINITIONS AND REFERENCES

For the purposes of this policy, unless otherwise apparent from the context, certain words and phrases used in this policy are defined as follows:

Internal Revenue Service Publication 463 shall reference the explanation contained in this IRS tax document that explains what records are needed to prove expenses incurred.

Internal Revenue Service Publication 535 shall reference the mileage rate that is provided in this IRS tax document.

SECTION 4030.03 DIRECTOR'S COMPENSATION

Members of the Board of Directors shall receive monthly compensation, the amount of which shall be established annually by the Board at its regular meeting in July and be consistent with applicable state law and GDPUD Ordinance 2011-01.

Section 4030.03.01 Ordinance 2011-01

Ordinance 2011-0, adopted by the Board of Directors on February 8, 2011, sets forth the compensation and benefits to be provided to the District's Board of Directors.

Section 2 of this Ordinance establishes a monthly stipend of Four Hundred Dollars ($400.00) for an annual amount not to exceed Four Thousand Eight Hundred Dollars ($4,800.00), pursuant to Public Utility Code Section 16002(a). A Director must attend the regular meeting of the Board to receive the monthly stipend.

Section 4030.03.02 Public Utilities Code Section 16002

A compensation for Directors is established pursuant to Public Utilities Code § 16002, which states: Each member of the Board may receive the compensation that the Board by Ordinance provides, not exceeding four thousand eight hundred dollars ($4,800) a year.

SECTION 4030.04 ANNUAL ALLOWANCE FOR DISTRICT-RELATED TRAVEL EXPENSES

The Board of Directors shall include an annual travel allowance for each Director, based on the approved District budget, while on official District business as described in Public Utilities Code § 16002(b)(2), which states: Representation of the District at a public event, if that representation has been previously approved at a meeting of the Board and the member delivers a written report regarding the member's representation to the Board at the Board meeting immediately following the public event.

Official District business shall include federal, state, regional, and local meetings, and training sessions, conferences, and events. The annual allowance shall cover the following travel expenses which are subject to the requirements of Government Code §§ 53232.2 and 53232.3, as well as the requirements of Ordinance 2011-01.

The District shall calculate the reimbursement amount according to the following provisions:

Section 4030.04.01 Mileage

Mileage incurred by Directors in their own vehicle shall be set at the rate of reimbursement allowed under Publication 535 of the Internal Revenue Service. Mileage shall not be reimbursed for attendance at regular or special board meetings held at the District office or other similar locations within the District.

Section 4030.04.02 Lodging, Travel by Public Transportation

Expenses for lodging, travel by public transportation, and incidental expenses incurred for attendance at meetings or conferences are eligible for reimbursement if they are least 40-miles from the primary residence of the subject Board Member, ~~outside of the County are subject to~~ and have received prior approval by the Board of Directors. However, the Board in its discretion may approve reimbursement after a Director has attended the meeting or conference in circumstances where the meeting schedule of the Board did not permit prior approval of the request.

A. The State per diem rate, based on per diem rates established annually by the Administration of General Services, will be used for expense limitations. This rate chart is included with this policy as Appendix A.

B. **Internal Revenue Rates** – IRS Publication 463 shall be followed and the use of California per diem rates shall be used as stated in this publication for travel, lodging, and other actual and necessary expenses.

C. Meals and Incidentals – Expenses for meals and incidentals shall be based on the California State per diem rate.

SECTION 4030.05 CONFERENCE AND TRAINING REGISTRATION FEES, AND TRAVEL EXPENSES

Upon Board approval of a Director's attendance of meetings, conferences, and training sessions, the District shall make registration payments for lodging, and travel expenses. The District shall make efforts to obtain reduced rates through early registration or other opportunities for rate reductions.

<u>Certification</u>

I hereby certify that the foregoing is a full, true, and correct copy of Policy 4030 amended by the Board of Directors of the Georgetown Divide Public Utility District on June 13, 2023.

Nicholas Schneider Clerk, and Ex-Officio
Secretary, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Policy 4030 – Board Compensation, Expense Reimbursement, and Annual Travel Allowance

APPENDIX A

CALIFORNIA GSA* PER DIEM RATE TABLE			
County	**Major Cities**	**Meals & Incidentals Rate**	**Lodging Rate**
Alameda	Alameda Cg ISC, NAS, Camp Parks RFTA, Camp Parks (27 total)	$74.00	$189.00
Alpine	Woodfords, Alpine County, Markleeville (3 total)	59.00	98.00
Amador	Jackson, Sutter Creek, Ione (6 total)	59.00	98.00
Butte	Feather Falls, Paradise, Forest Ranch (15 total)	59.00	98.00
Calaveras	Angels Camp, Valley Springs, Calaveras County (9 total)	59.00	98.00
Colusa	Princeton, Williams, Maxwell (10 total)	59.00	98.00
Contra Costa	Concord Naval Weapons Station, Walnut Creek, Orinda (40 total)	74.00	165.00
Del Norte	Requa, Klamath, Del Norte County (6 total)	59.00	98.00
El Dorado	Kyburz, Meeks Bay, Placerville (12 total)	74.00	121.00
Fresno	Laton, Lanare, Rolinda (42 total)	69.00	113.00
Glenn	Hamilton City, Orland, Glenn (8 total)	59.00	98.00
Humboldt	Alderpoint, Blue Lake, Arcata (31 total)	69.00	118.00
Imperial	El Centro NAF, Brawley, El Centro (17 total)	59.00	98.00
Inyo	China Lake NAWS, Bishop (18 total)	69.00	130.00
Kern	China Lake NAWS, Bakersfield Naval & Mc Res Ctr, McFarland (43 total)	64.00	123.00
Kings	Lemoore NAS, NOSC Lemoore, Hanford (10 total)	59.00	98.00
Lake	Clearlake Oaks, Lake County, Lakeport (11 total)	59.00	98.00
Lassen	Sierra Army Depot, Wendel, Susanville (13 total)	59.00	98.00
Los Angeles	San Pedro Cg Spt Ctr, NOSC Los Angeles, Edwards AFB (107 total)	74.00	182.00
Madera	Berenda, Coarsegold, Oneals (9 total)	69.00	111.00
Marin	Terra Linda, Fairfax, Ignacio (26 total)	74.00	166.00
Mariposa	Mariposa, Coulterville, Mariposa County (9 total)	79.00	141.00
Mendocino	Laytonville, Hopland, Gualala (26 total)	79.00	133.00
Merced	Snelling, Merced County, Merced (16 total)	59.00	98.00
Modoc	Hackamore, Fort Bidwell, Cedarville (14 total)	59.00	98.00
Mono	USMC MWTC Bridgeport, Mono County, Benton (8 total)	79.00	156.00
Monterey	Naval Postgraduate School, NSA Monterey, Presidio of Monterey (26 total)	74.00	166.00
Napa	Saint Helena, Calistoga, Pope Valley (7 total)	79.00	189.00
Nevada	Soda Springs, Nevada City, Washington (6 total)	79.00	154.00
Orange	Seal Beach NWS, Tustin MCAS, El Toro MCAS (47 total)	74.00	182.00
Placer	Lincoln, Newcastle, Blue Canyon (15 total)	74.00	124.00
Plumas	Vinton, Plumas County, Keddie (12 total)	59.00	98.00
Riverside	Riverside Naval & Mc Res Ctr, March Arb, Corona NWAC (58 total)	69.00	165.00
Sacramento	McClellan AFB, NOSC Sacramento, Bt Collins USAR Center (19 total)	69.00	145.00
San Benito	Idria, San Juan Bautista, Paicines (8 total)	59.00	98.00
San Bernardino	Twentynine Palms, Ft. Irwin, San Bernardino (93 total)	64.00	120.00
San Diego	Coronado, NOSC North Island, Naval Base Coronado North Island (83 total)	74.00	181.00

*This table developed by the General Services Administration will serve as a guide for reviewing travel expenses and calculating the cost of meals, incidentals, and lodging. The District is committed to adhering to these guidelines but recognizes there may be special circumstances in which a higher rate is necessary.

San Francisco	Treasure Island NAS, San Francisco County, San Francisco (3 total)	$79.00	$333.00
San Joaquin	Defense Depot San Joaquin Ca, Stockton NAVCOMM Station, Manteca (17 total)	$74.00	$140.00
San Luis Obispo	Camp San Luis Obispo, Camp Roberts, Templeton (21 total)	$74.00	$149.00
San Mateo	San Bruno Naval & Mc Res Ctr, San Mateo, Redwood City (36 total)	$74.00	$222.00
Santa Barbara	Vandenberg AFB, Las Cruces, Honda (24 total)	$74.00	$214.00
Santa Clara	Moffett Field Facilities AGS, NOSC San Jose, Onizuka AS (23 total)	$74.00	$245.00
Santa Cruz	Santa Cruz County, Santa Cruz, Aptos (10 total)	$69.00	$128.00
Santa Monica (city)	Santa Monica, Santa Monica City (2 total)	$79.00	$239.00
Shasta	Fall River Mills, Ingot, Igo (21 total)	$59.00	$98.00
Sierra	Sierra County, Sierra City, Alleghany (7 total)	$59.00	$98.00
Siskiyou	Dunsmuir, Hilt, Hamburg (27 total)	$59.00	$98.00
Solano	Travis AFB, Mare Island Naval Complex, Rio Vista (10 total)	$59.00	$98.00
Sonoma	Petaluma Cg Trng Ctr, Petaluma, Sonoma County (18 total)	$74.00	$157.00
Stanislaus	Stanislaus County, Salida, Patterson (15 total)	$59.00	$98.00
Sutter	Nicolaus, Sutter, Sutter County (7 total)	$59.00	$98.00
Tehama	Los Molinos, Gerber, Tehama (11 total)	$59.00	$98.00
Trinity	Zenia, Hyampom, Island Mountain (12 total)	$59.00	$98.00
Tulare	Terra Bella, Farmersville, Tulare County (36 total)	$69.00	$125.00
Tuolumne	Tuolumne County, Moccasin, Jamestown (9 total)	$59.00	$98.00
Ventura	Pt Mugu NAWS, Port Hueneme Facilities, Nolf San Nicolas Island (27 total)	$74.00	$182.00
Yolo	Clarksburg, Dunnigan, Esparto (11 total)	$69.00	$133.00
Yuba	Beale AFB, Wheatland, Dobbins (9 total)	$59.00	$98.00

Attachment 3

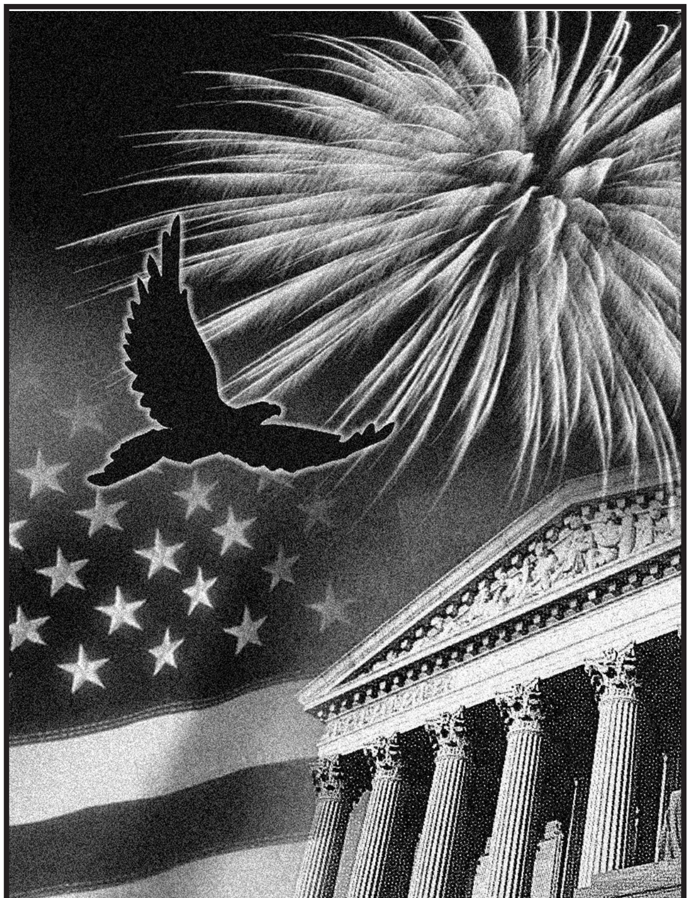
Department of the Treasury
Internal Revenue Service

Publication 463
Cat. No. 11081L

Travel, Gift, and Car Expenses

For use in preparing

2023 Returns



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Jan 29, 2024

Contents

Future Developments

For the latest information about developments related to Pub. 463, such as legislation enacted after it was published, go to *IRS.gov/Pub463*.

What's New

Standard mileage rate. For 2023, the standard mileage rate for the cost of operating your car for business use is 65.5 cents ($0.655) per mile. Car expenses and use of the standard mileage rate are explained in chapter 4.

Depreciation limits on cars, trucks, and vans. The first-year limit on the depreciation deduction, special depreciation allowance, and section 179 deduction for vehicles acquired before September 28, 2017, and placed in service during 2023, is $12,200. The first-year limit on depreciation, special depreciation allowance, and section 179 deduction for vehicles acquired after September 27, 2017, and placed in service during 2023 increases to $20,200. If you elect not to claim a special depreciation allowance for a vehicle placed in service in 2023, the amount increases to $12,200. Depreciation limits are explained in chapter 4.

Section 179 deduction. The maximum amount you can elect to deduct for section 179 property (including cars, trucks, and vans) you placed in service in tax years beginning in 2023 is $1,160,000. This limit is reduced by the amount by which the cost of section 179 property placed in service during the tax year exceeds $2,890,000. Section 179 deduction is explained in chapter 4.

Also, the maximum section 179 expense deduction for sport utility vehicles placed in service in tax years beginning in 2023 is $28,900.

Temporary deduction of 100% business meals. The 100% deduction on certain business meals expenses as amended under the Taxpayer Certainty and Disaster Tax Relief Act of 2020, and enacted by the Consolidated Appropriations Act, 2021, has expired. Generally, the cost of business meals remains deductible, subject to the 50% limitation. See *50% Limit* in chapter 2 for more information.

Reminder

Photographs of missing children. The IRS is a proud partner with the *National Center for Missing & Exploited Children® (NCMEC)*. Photographs of missing children selected by the Center may appear in this publication on pages that would otherwise be blank. You can help bring these children home by looking at the photographs and calling 800-THE-LOST (800-843-5678) if you recognize a child.

Per diem rates. Current and prior per diem rates may be found on the U.S. General Services Administration (GSA) website at *GSA.gov/travel/plan-book/per-diem-rates*.

Introduction

You may be able to deduct the ordinary and necessary business-related expenses you have for:

- Travel,
- Non-entertainment-related meals,
- Gifts, or
- Transportation.

An ordinary expense is one that is common and accepted in your trade or business. A necessary expense is one that is helpful and appropriate for your business. An expense doesn't have to be required to be considered necessary.

This publication explains:

- What expenses are deductible,
- How to report them on your return,
- What records you need to prove your expenses, and
- How to treat any expense reimbursements you may receive.

Who should use this publication. You should read this publication if you are an employee or a sole proprietor who has business-related travel, non-entertainment-related meals, gift, or transportation expenses.

Users of employer-provided vehicles. If an employer-provided vehicle was available for your use, you received a fringe benefit. Generally, your employer must include the value of the use or availability of the vehicle in your income. However, there are exceptions if the use of the vehicle qualifies as a working condition fringe benefit (such as the use of a qualified nonpersonal use vehicle).

A working condition fringe benefit is any property or service provided to you by your employer, the cost of which would be allowable as an employee business expense deduction if you had paid for it.

A qualified nonpersonal use vehicle is one that isn't likely to be used more than minimally for personal purposes because of its design. See *Qualified nonpersonal use vehicles* under *Actual Car Expenses* in chapter 4.

For information on how to report your car expenses that your employer didn't provide or reimburse you for (such as when you pay for gas and maintenance for a car your employer provides), see *Vehicle Provided by Your Employer* in chapter 6.

Who doesn't need to use this publication. Partnerships, corporations, trusts, and employers who reimburse their employees for business expenses should refer to the instructions for their required tax forms, for information on deducting travel, meals, and entertainment expenses.

If you are an employee, you won't need to read this publication if all of the following are true.

- You fully accounted to your employer for your work-related expenses.
- You received full reimbursement for your expenses.
- Your employer required you to return any excess reimbursement and you did so.
- There is no amount shown with a code L in box 12 of your Form W-2, Wage and Tax Statement.

If you meet all of these conditions, there is no need to show the expenses or the reimbursements on your return. If you would like more information on reimbursements and accounting to your employer, see chapter 6.

TIP *If you meet these conditions and your employer included reimbursements on your Form W-2 in error, ask your employer for a corrected Form W-2.*

Volunteers. If you perform services as a volunteer worker for a qualified charity, you may be able to deduct some of your costs as a charitable contribution. See *Out-of-Pocket Expenses in Giving Services* in Pub. 526, Charitable Contributions, for information on the expenses you can deduct.

Comments and suggestions. We welcome your comments about this publication and suggestions for future editions.

You can send us comments through *IRS.gov/FormComments*. Or, you can write to the Internal Revenue Service, Tax Forms and Publications, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224.

Although we can't respond individually to each comment received, we do appreciate your feedback and will consider your comments and suggestions as we revise our tax forms, instructions, and publications. **Don't** send tax questions, tax returns, or payments to the above address.

Getting answers to your tax questions. If you have a tax question not answered by this publication or the *How To Get Tax Help* section at the end of this publication, go to the IRS Interactive Tax Assistant page at *IRS.gov/Help/ITA* where you can find topics by using the search feature or viewing the categories listed.

Getting tax forms, instructions, and publications. Go to *IRS.gov/Forms* to download current and prior-year forms, instructions, and publications.

Ordering tax forms, instructions, and publications. Go to *IRS.gov/OrderForms* to order current forms, instructions, and publications; call 800-829-3676 to order prior-year forms and instructions. The IRS will process your order for forms and publications as soon as possible. **Don't** resubmit requests you've already sent us. You can get forms and publications faster online.

Useful Items

You may want to see:

Publication

- ❏ **946** How To Depreciate Property

Form (and Instructions)

- ❏ **Schedule A (Form 1040)** Itemized Deductions
- ❏ **Schedule C (Form 1040)** Profit or Loss From Business (Sole Proprietorship)
- ❏ **Schedule F (Form 1040)** Profit or Loss From Farming
- ❏ **2106** Employee Business Expenses
- ❏ **4562** Depreciation and Amortization (Including Information on Listed Property)

See *How To Get Tax Help* for information about getting these publications and forms.

1.

Travel

If you temporarily travel away from your tax home, you can use this chapter to determine if you have deductible travel expenses.

This chapter discusses:

- Traveling away from home,
- Temporary assignment or job, and
- What travel expenses are deductible.

It also discusses the standard meal allowance, rules for travel inside and outside the United States, luxury water travel, and deductible convention expenses.

Travel expenses defined. For tax purposes, travel expenses are the ordinary and necessary expenses of traveling away from home for your business, profession, or job.

An ordinary expense is one that is common and accepted in your trade or business. A necessary expense is one that is helpful and appropriate for your business. An expense doesn't have to be required to be considered necessary.

You will find examples of deductible travel expenses in Table 1-1 .

Traveling Away From Home

You are traveling away from home if:

- Your duties require you to be away from the general area of your tax home (defined later) substantially longer than an ordinary day's work, and
- You need to sleep or rest to meet the demands of your work while away from home.

This rest requirement isn't satisfied by merely napping in your car. You don't have to be away from your tax home for a whole day or from dusk to dawn as long as your relief from duty is long enough to get necessary sleep or rest.

Example 1. You are a railroad conductor. You leave your home terminal on a regularly scheduled round-trip run between two cities and return home 16 hours later. During the run, you have 6 hours off at your turnaround point where you eat two meals and rent a hotel room to get necessary sleep before starting the return trip. You are considered to be away from home.

Example 2. You are a truck driver. You leave your terminal and return to it later the same day. You get an hour off at your turnaround point to eat. Because you aren't off to get necessary sleep and the brief time off isn't an adequate rest period, you aren't traveling away from home.

Members of the Armed Forces. If you are a member of the U.S. Armed Forces on a permanent duty assignment overseas, you aren't traveling away from home. You can't deduct your expenses for meals and lodging. You can't deduct these expenses even if you have to maintain a home in the United States for your family members who aren't allowed to accompany you overseas. If you are transferred from one permanent duty station to another, you may have deductible moving expenses, which are explained in Pub. 3, Armed Forces' Tax Guide.

A naval officer assigned to permanent duty aboard a ship that has regular eating and living facilities has a tax home (explained next) aboard the ship for travel expense purposes.

Tax Home

To determine whether you are traveling away from home, you must first determine the location of your tax home.

Generally, your tax home is your regular place of business or post of duty, regardless of where you maintain your family home. It includes the entire city or general area in which your business or work is located.

If you have more than one regular place of business, your tax home is your main place of business. See *Main place of business or work*, later.

If you don't have a regular or a main place of business because of the nature of your work, then your tax home may be the place where you regularly live. See *No main place of business or work*, later.

If you don't have a regular or main place of business or post of duty and there is no place where you regularly live, you are considered an itinerant (a transient) and your tax home is wherever you work. As an itinerant, you can't claim a travel expense deduction because you are never considered to be traveling away from home.

Main place of business or work. If you have more than one place of work, consider the following when determining which one is your main place of business or work.

- The total time you ordinarily spend in each place.
- The level of your business activity in each place.
- Whether your income from each place is significant or insignificant.

Example. You live in Cincinnati where you have a seasonal job for 8 months each year and earn $40,000. You work the other 4 months in Miami, also at a seasonal job, and earn $15,000. Cincinnati is your main place of work because you spend most of your time there and earn most of your income there.

No main place of business or work. You may have a tax home even if you don't have a regular or main place of work. Your tax home may be the home where you regularly live.

Factors used to determine tax home. If you don't have a regular or main place of business or work, use the following three factors to determine where your tax home is.

1. You perform part of your business in the area of your main home and use that home for lodging while doing business in the area.
2. You have living expenses at your main home that you duplicate because your business requires you to be away from that home.
3. You haven't abandoned the area in which both your historical place of lodging and your claimed main home are located; you have a member or members of your family living at your main home; or you often use that home for lodging.

If you satisfy all three factors, your tax home is the home where you regularly live. If you satisfy only two factors, you may have a tax home depending on all the facts and circumstances. If you satisfy only one factor, you are an itinerant; your tax home is wherever you work and you can't deduct travel expenses.

Example 1. You are single and live in Boston in an apartment you rent. You have worked for your employer in Boston for a number of years. Your employer enrolls you in a 12-month executive training program. You don't expect to return to work in Boston after you complete your training.

During your training, you don't do any work in Boston. Instead, you receive classroom and on-the-job training throughout the United States. You keep your apartment in Boston and return to it frequently. You use your apartment to conduct your personal business. You also keep up your community contacts in Boston. When you complete your training, you are transferred to Los Angeles.

You don't satisfy factor (1) because you didn't work in Boston. You satisfy factor (2) because you had duplicate living expenses. You also satisfy factor (3) because you didn't abandon your apartment in Boston as your main home, you kept your community contacts, and you frequently returned to live in your apartment. Therefore, you have a tax home in Boston.

Example 2. You are an outside salesperson with a sales territory covering several states. Your employer's main office is in Newark, but you don't conduct any business there. Your work assignments are temporary, and you have no way of knowing where your future assignments will be located. You have a room in your married sister's house in Dayton. You stay there for one or two weekends a year, but you do no work in the area. You don't pay your sister for the use of the room.

You don't satisfy any of the three factors listed earlier. You are an itinerant and have no tax home.

Tax Home Different From Family Home

If you (and your family) don't live at your tax home (defined earlier), you can't deduct the cost of traveling between your tax home and your family home. You also can't deduct the cost of meals and lodging while at your tax home. See *Example 1*, later.

If you are working temporarily in the same city where you and your family live, you may be considered as traveling away from home. See *Example 2*, later.

Example 1. You are a truck driver and you and your family live in Tucson. You are employed by a trucking firm that has its terminal in Phoenix. At the end of your long runs, you return to your home terminal in Phoenix and spend one night there before returning home. You can't deduct any expenses you have for meals and lodging in Phoenix or the cost of traveling from Phoenix to Tucson. This is because Phoenix is your tax home.

Example 2. Your family home is in Pittsburgh, where you work 12 weeks a year. The rest of the year you work for the same employer in Baltimore. In Baltimore, you eat in restaurants and sleep in a rooming house. Your salary is the same whether you are in Pittsburgh or Baltimore.

Because you spend most of your working time and earn most of your salary in Baltimore, that city is your tax home. You can't deduct any expenses you have for meals and lodging there. However, when you return to work in Pittsburgh, you are away from your tax home even though you stay at your family home. You can deduct the cost of your round trip between Baltimore and Pittsburgh. You can also deduct your part of your family's living expenses for non-entertainment-related meals and lodging while you are living and working in Pittsburgh.

Temporary Assignment or Job

You may regularly work at your tax home and also work at another location. It may not be practical to return to your tax home from this other location at the end of each workday.

Temporary assignment vs. indefinite assignment. If your assignment or job away from your main place of work is temporary, your tax home doesn't change. You are considered to be away from home for the whole period you are away from your main place of work. You can deduct your travel expenses if they otherwise qualify for deduction. Generally, a temporary assignment in a single location is one that is realistically expected to last (and does in fact last) for 1 year or less.

However, if your assignment or job is indefinite, the location of the assignment or job becomes your new tax home and you can't deduct your travel expenses while there. An assignment or job in a single location is considered indefinite if it is realistically expected to last for more than 1 year, whether or not it actually lasts for more than 1 year.

If your assignment is indefinite, you must include in your income any amounts you receive from your employer for living expenses, even if they are called “travel allowances” and you account to your employer for them. You may be able to deduct the cost of relocating to your new tax home as a moving expense. See Pub. 3 for more information.

CAUTION *For tax years beginning after December 2017 and before January 2026, the deduction of certain moving expenses is suspended for nonmilitary taxpayers. In order to deduct certain moving expenses, you must be an active member of the military and moving due to a permanent change of duty station.*

Exception for federal crime investigations or prosecutions. If you are a federal employee participating in a federal crime investigation or prosecution, you aren't subject to the 1-year rule. This means you may be able to deduct travel expenses even if you are away from your tax home for more than 1 year provided you meet the other requirements for deductibility.

For you to qualify, the Attorney General (or their designee) must certify that you are traveling:

- For the federal government;
- In a temporary duty status; and
- To investigate, prosecute, or provide support services for the investigation or prosecution of a federal crime.

Determining temporary or indefinite. You must determine whether your assignment is temporary or indefinite when you start work. If you expect an assignment or job to last for 1 year or less, it is temporary unless there are facts and circumstances that indicate otherwise. An assignment or job that is initially temporary may become indefinite due to changed circumstances. A series of assignments to the same location, all for short periods but that together cover a long period, may be considered an indefinite assignment.

The following examples illustrate whether an assignment or job is temporary or indefinite.

Example 1. You are a construction worker. You live and regularly work in Los Angeles. You are a member of a trade union in Los Angeles that helps you get work in the Los Angeles area. Your tax home is Los Angeles. Because of a shortage of work, you took a job on a construction project in Fresno. Your job was scheduled to end in 8 months. The job actually lasted 10 months.

You realistically expected the job in Fresno to last 8 months. The job actually did last less than 1 year. The job is temporary and your tax home is still in Los Angeles.

Example 2. The facts are the same as in *Example 1*, except that you realistically expected the work in Fresno to last 18 months. The job was actually completed in 10 months.

Your job in Fresno is indefinite because you realistically expected the work to last longer than 1 year, even though it actually lasted less than 1 year. You can't deduct any travel expenses you had in Fresno because Fresno became your tax home.

Example 3. The facts are the same as in *Example 1*, except that you realistically expected the work in Fresno to last 9 months. After 8 months, however, you were asked to remain for 7 more months (for a total actual stay of 15 months).

Initially, you realistically expected the job in Fresno to last for only 9 months. However, due to changed circumstances occurring after 8 months, it was no longer realistic for you to expect that the job in Fresno would last for 1 year or less. You can deduct only your travel expenses for the first 8 months. You can't deduct any travel expenses you had after that time because Fresno became your tax home when the job became indefinite.

Going home on days off. If you go back to your tax home from a temporary assignment on your days off, you aren't considered away from home while you are in your hometown. You can't deduct the cost of your meals and lodging there. However, you can deduct your travel expenses, including meals and lodging, while traveling between your temporary place of work and your tax home. You can claim these expenses up to the amount it would have cost you to stay at your temporary place of work.

If you keep your hotel room during your visit home, you can deduct the cost of your hotel room. In addition, you can deduct your expenses of returning home up to the amount you would have spent for meals had you stayed at your temporary place of work.

Probationary work period. If you take a job that requires you to move, with the understanding that you will keep the job if your work is satisfactory during a probationary period, the job is indefinite. You can't deduct any of your expenses for meals and lodging during the probationary period.

What Travel Expenses Are Deductible?

Once you have determined that you are traveling away from your tax home, you can determine what travel expenses are deductible.

You can deduct ordinary and necessary expenses you have when you travel away from home on business. The type of expense you can deduct depends on the facts and your circumstances.

Table 1-1 summarizes travel expenses you may be able to deduct. You may have other deductible travel expenses that aren't covered there, depending on the facts and your circumstances.

RECORDS When you travel away from home on business, you must keep records of all the expenses you have and any advances you receive from your employer. You can use a log, diary, notebook, or any other written record to keep track of your expenses. The types of expenses you need to record, along with supporting documentation, are described in Table 5-1 (see chapter 5).

Separating costs. If you have one expense that includes the costs of non-entertainment-related meals, entertainment, and other services (such as lodging or transportation), you must allocate that expense between the cost of non-entertainment-related meals, and entertainment and the cost of other services. You must have a reasonable basis for making this allocation. For example, you must allocate your expenses if a hotel includes one or more meals in its room charge.

Travel expenses for another individual. If a spouse, dependent, or other individual goes with you (or your employee) on a business trip or to a business convention, you generally can't deduct their travel expenses.

Employee. You can deduct the travel expenses of someone who goes with you if that person:

1. Is your employee,
2. Has a bona fide business purpose for the travel, and
3. Would otherwise be allowed to deduct the travel expenses.

Business associate. If a business associate travels with you and meets the conditions in (2) and (3) above, you can deduct the travel expenses you have for that person. A business associate is someone with whom you could reasonably expect to actively conduct business. A business associate can be a current or prospective (likely to become) customer, client, supplier, employee, agent, partner, or professional advisor.

Table 1-1. **Travel Expenses You Can Deduct**

This chart summarizes expenses you can deduct when you travel away from home for business purposes

IF you have expenses for...	THEN you can deduct the cost of...
transportation	travel by airplane, train, bus, or car between your home and your business destination. If you were provided with a free ticket or you are riding free as a result of a frequent traveler or similar program, your cost is zero. If you travel by ship, see *Luxury Water Travel* and *Cruise Ships* under *Conventions*, later, for additional rules and limits.
taxi, commuter bus, and airport limousine	fares for these and other types of transportation that take you between: • The airport or station and your hotel; and • The hotel and the work location of your customers or clients, your business meeting place, or your temporary work location.
baggage and shipping	sending baggage and sample or display material between your regular and temporary work locations.
car	operating and maintaining your car when traveling away from home on business. You can deduct actual expenses or the standard mileage rate, as well as business-related tolls and parking. If you rent a car while away from home on business, you can deduct only the business-use portion of the expenses.
lodging and meals	your lodging and non-entertainment-related meals if your business trip is overnight or long enough that you need to stop for sleep or rest to properly perform your duties. Meals include amounts spent for food, beverages, taxes, and related tips. See *Meals*, later, for additional rules and limits.
cleaning	dry cleaning and laundry.
telephone	business calls while on your business trip. This includes business communication by fax machine or other communication devices.
tips	tips you pay for any expenses in this chart.
other	other similar ordinary and necessary expenses related to your business travel. These expenses might include transportation to or from a business meal, public stenographer's fees, computer rental fees, and operating and maintaining a house trailer.

Bona fide business purpose. A bona fide business purpose exists if you can prove a real business purpose for the individual's presence. Incidental services, such as typing notes or assisting in entertaining customers, aren't enough to make the expenses deductible.

Example. You drive to Chicago on business and take your spouse with you. Your spouse isn't your employee. Your spouse occasionally types notes, performs similar services, and accompanies you to luncheons and dinners. The performance of these services doesn't establish that your spouse's presence on the trip is necessary to the conduct of your business. Your spouse's expenses aren't deductible.

You pay $199 a day for a double room. A single room costs $149 a day. You can deduct the total cost of driving your car to and from Chicago, but only $149 a day for your hotel room. If both you and your spouse use public transportation, you can only deduct your fare.

Meals

You can deduct a portion of the cost of meals if it is necessary for you to stop for substantial sleep or rest to properly perform your duties while traveling away from home on business. Meal and entertainment expenses are discussed in chapter 2.

Lavish or extravagant. You can't deduct expenses for meals that are lavish or extravagant. An expense isn't considered lavish or extravagant if it is reasonable based on the facts and circumstances. Meal expenses won't be disallowed merely because they are more than a fixed dollar amount or because the meals take place at deluxe restaurants, hotels, or resorts.

50% limit on meals. You can figure your meal expenses using either of the following methods.

- Actual cost.
- The standard meal allowance.

Both of these methods are explained below. But, regardless of the method you use, you can generally deduct only 50% of the unreimbursed cost of your meals.

If you are reimbursed for the cost of your meals, how you apply the 50% limit depends on whether your employer's reimbursement plan was accountable or nonaccountable. If you aren't reimbursed, the 50% limit applies even if the unreimbursed meal expense is for business travel. Chapter 2 discusses the *50% Limit* in more detail, and chapter 6 discusses accountable and nonaccountable plans.

Actual Cost

You can use the actual cost of your meals to figure the amount of your expense before reimbursement and application of the 50% deduction limit. If you use this method, you must keep records of your actual cost.

Standard Meal Allowance

Generally, you can use the "standard meal allowance" method as an alternative to the actual cost method. It allows you to use a set amount for your daily meals and incidental expenses (M&IE), instead of keeping records of your actual costs. The set amount varies depending on where and when you travel. In this publication, “standard meal allowance” refers to the federal rate for M&IE, discussed later under *Amount of standard meal allowance*. If you use the standard meal allowance, you must still keep records to prove the time, place, and business purpose of your travel. See the recordkeeping rules for travel in chapter 5.

Incidental expenses. The term “incidental expenses” means fees and tips given to porters, baggage carriers, hotel staff, and staff on ships.

Incidental expenses don’t include expenses for laundry, cleaning and pressing of clothing, lodging taxes, costs of telegrams or telephone calls, transportation between places of lodging or business and places where meals are taken, or the mailing cost of filing travel vouchers and paying employer-sponsored charge card billings.

Incidental-expenses-only method. You can use an optional method (instead of actual cost) for deducting incidental expenses only. The amount of the deduction is $5 a day. You can use this method only if you didn’t pay or incur any meal expenses. You can’t use this method on any day that you use the standard meal allowance. This method is subject to the proration rules for partial days. See *Travel for days you depart and return*, later, in this chapter.

Note. The incidental-expenses-only method isn’t subject to the 50% limit discussed below.

CAUTION *Federal employees should refer to the Federal Travel Regulations (*FTR*) at* eCFR.gov *for changes affecting claims for reimbursement.*

50% limit may apply. If you use the standard meal allowance method for non-entertainment-related meal expenses and you aren’t reimbursed or you are reimbursed under a nonaccountable plan, you can generally deduct only 50% of the standard meal allowance. If you are reimbursed under an accountable plan and you are deducting amounts that are more than your reimbursements, you can deduct only 50% of the excess amount. The *50% Limit* is discussed in more detail in chapter 2, and accountable and nonaccountable plans are discussed in chapter 6.

CAUTION *There is no optional standard lodging amount similar to the standard meal allowance. Your allowable lodging expense deduction is your actual cost.*

Who can use the standard meal allowance. You can use the standard meal allowance whether you are an employee or self-employed, and whether or not you are reimbursed for your traveling expenses.

Use of the standard meal allowance for other travel. You can use the standard meal allowance to figure your meal expenses when you travel in connection with investment and other income-producing property. You can also use it to figure your meal expenses when you travel for qualifying educational purposes. You can’t use the standard meal allowance to figure the cost of your meals when you travel for medical or charitable purposes.

Amount of standard meal allowance. The standard meal allowance is the federal M&IE rate. For travel in 2023, the rate for most small localities in the United States is $59 per day.

Most major cities and many other localities in the United States are designated as high-cost areas, qualifying for higher standard meal allowances.

You can find this information (organized by state) at *GSA.gov/travel/plan-book/per-diem-rates*. Enter a zip code or select a city and state for the per diem rates for the current fiscal year. Per diem rates for prior fiscal years are available by using the drop-down menu.

If you travel to more than one location in one day, use the rate in effect for the area where you stop for sleep or rest. If you work in the transportation industry, however, see *Special rate for transportation workers*, later.

Federal government's fiscal year. Per diem rates are listed by the federal government's fiscal year, which runs from October 1 to September 30. You can choose to use the rates from the 2022 fiscal year per diem tables or the rates from the 2023 fiscal year tables, but you must consistently use the same tables for all travel you are reporting on your income tax return for the year. See *Transition Rules*, later.

Standard meal allowance for areas outside the continental United States. The standard meal allowance rates above don’t apply to travel in Alaska, Hawaii, or any other location outside the continental United States. The Department of Defense establishes per diem rates for Alaska, Hawaii, Puerto Rico, American Samoa, Guam, Midway, the Northern Mariana Islands, the U.S. Virgin Islands, Wake Island, and other non-foreign areas outside the continental United States. The Department of State establishes per diem rates for all other foreign areas.

You can access per diem rates for non-foreign areas outside the continental United States at *Travel.dod.mil/Travel-Transportation-Rates/Per-Diem/Per-Diem-Rate-Lookup/*. You can access all other foreign per diem rates at *aoprals.state.gov/web920/per_diem.asp*.

Special rate for transportation workers. You can use a special standard meal allowance if you work in the transportation industry. You are in the transportation industry if your work:

- Directly involves moving people or goods by airplane, barge, bus, ship, train, or truck; and
- Regularly requires you to travel away from home and, during any single trip, usually involves travel to areas eligible for different standard meal allowance rates.

If this applies, you can claim a standard meal allowance of $69 a day ($74 for travel outside the continental United States) for travel in 2023.

Using the special rate for transportation workers eliminates the need for you to determine the standard meal allowance for every area where you stop for sleep or rest. If you choose to use the special rate for any trip, you must use the special rate (and not use the regular standard meal allowance rates) for all trips you take that year.

Travel for days you depart and return. For both the day you depart for and the day you return from a business trip, you must prorate the standard meal allowance (figure a reduced amount for each day). You can do so by one of two methods.

- Method 1: You can claim 3/4 of the standard meal allowance.
- Method 2: You can prorate using any method that you consistently apply and that is in accordance with reasonable business practice.

Example. You are employed in New Orleans as a convention planner. In March, your employer sent you on a 3-day trip to Washington, DC, to attend a planning seminar. You left your home in New Orleans at 10 a.m. on Wednesday and arrived in Washington, DC, at 5:30 p.m. After spending 2 nights there, you flew back to New Orleans on Friday and arrived back home at 8 p.m. Your employer gave you a flat amount to cover your expenses and included it with your wages.

Under *Method 1*, you can claim 2 1/2 days of the standard meal allowance for Washington, DC: 3/4 of the daily rate for Wednesday and Friday (the days you departed and returned), and the full daily rate for Thursday.

Under *Method 2*, you could also use any method that you apply consistently and that is in accordance with reasonable business practice. For example, you could claim 3 days of the standard meal allowance even though a federal employee would have to use *Method 1* and be limited to only 2 1/2 days.

Travel in the United States

The following discussion applies to travel in the United States. For this purpose, the United States includes the 50 states and the District of Columbia. The treatment of your travel expenses depends on how much of your trip was business related and on how much of your trip occurred within the United States. See *Part of Trip Outside the United States*, later.

Trip Primarily for Business

You can deduct all of your travel expenses if your trip was entirely business related. If your trip was primarily for business and, while at your business destination, you extended your stay for a vacation, made a personal side trip, or had other personal activities, you can deduct only your business-related travel expenses. These expenses include the travel costs of getting to and from your business destination and any business-related expenses at your business destination.

Example. You work in Atlanta and take a business trip to New Orleans in May. Your business travel totals 900 miles round trip. On your way home, you stop in Mobile to visit your parents. You spend $2,165 for the 9 days you are away from home for travel, non-entertainment-related meals, lodging, and other travel expenses. If you hadn't stopped in Mobile, you would have been gone only 6 days, and your total cost would have been $1,633.50. You can deduct $1,633.50 for your trip, including the cost of round-trip transportation to and from New Orleans. The deduction for your non-entertainment-related meals is subject to the 50% limit on meals mentioned earlier.

Trip Primarily for Personal Reasons

If your trip was primarily for personal reasons, such as a vacation, the entire cost of the trip is a nondeductible personal expense. However, you can deduct any expenses you have while at your destination that are directly related to your business.

A trip to a resort or on a cruise ship may be a vacation even if the promoter advertises that it is primarily for business. The scheduling of incidental business activities during a trip, such as viewing videotapes or attending lectures dealing with general subjects, won't change what is really a vacation into a business trip.

Part of Trip Outside the United States

If part of your trip is outside the United States, use the rules described later in this chapter under *Travel Outside the United States* for that part of the trip. For the part of your trip that is inside the United States, use the rules for travel in the United States. Travel outside the United States doesn't include travel from one point in the United States to another point in the United States. The following discussion can help you determine whether your trip was entirely within the United States.

Public transportation. If you travel by public transportation, any place in the United States where that vehicle makes a scheduled stop is a point in the United States. Once the vehicle leaves the last scheduled stop in the United States on its way to a point outside the United States, you apply the rules under *Travel Outside the United States*, later.

Example. You fly from New York to Puerto Rico with a scheduled stop in Miami. Puerto Rico isn't considered part of the United States for purposes of travel. You return to New York nonstop. The flight from New York to Miami is in the United States, so only the flight from Miami to Puerto Rico is outside the United States. Because there are no scheduled stops between Puerto Rico and New York, all of the return trip is outside the United States.

Private car. Travel by private car in the United States is travel between points in the United States, even though you are on your way to a destination outside the United States.

Example. You travel by car from Denver to Mexico City and return. Your travel from Denver to the border and from the border back to Denver is travel in the United States, and the rules in this section apply. The rules below under *Travel Outside the United States* apply to your trip from the border to Mexico City and back to the border.

Travel Outside the United States

If any part of your business travel is outside the United States, some of your deductions for the cost of getting to and from your destination may be limited. For this purpose, the United States includes the 50 states and the District of Columbia.

How much of your travel expenses you can deduct depends in part upon how much of your trip outside the United States was business related.

Travel Entirely for Business or Considered Entirely for Business

You can deduct all your travel expenses of getting to and from your business destination if your trip is entirely for business or considered entirely for business.

Travel entirely for business. If you travel outside the United States and you spend the entire time on business activities, you can deduct all of your travel expenses.

Travel considered entirely for business. Even if you didn't spend your entire time on business activities, your trip is considered entirely for business if you meet at least one of the following four exceptions.

Exception 1—No substantial control. Your trip is considered entirely for business if you didn't have substantial control over arranging the trip. The fact that you control the timing of your trip doesn't, by itself, mean that you have substantial control over arranging your trip.

You don't have substantial control over your trip if you:

- Are an employee who was reimbursed or paid a travel expense allowance, and
- Aren't related to your employer, or
- Aren't a managing executive.

"Related to your employer" is defined later in chapter 6 under *Per Diem and Car Allowances*.

A "managing executive" is an employee who has the authority and responsibility, without being subject to the veto of another, to decide on the need for the business travel.

A self-employed person generally has substantial control over arranging business trips.

Exception 2—Outside United States no more than a week. Your trip is considered entirely for business if you were outside the United States for a week or less, combining business and nonbusiness activities. One week means 7 consecutive days. In counting the days, don't count the day you leave the United States, but do count the day you return to the United States.

Example. You traveled to Brussels primarily for business. You left Denver on Tuesday and flew to New York. On Wednesday, you flew from New York to Brussels, arriving the next morning. On Thursday and Friday, you had business discussions, and from Saturday until Tuesday, you were sightseeing. You flew back to New York, arriving Wednesday afternoon. On Thursday, you flew back to Denver.

Although you were away from your home in Denver for more than a week, you weren't outside the United States for more than a week. This is because the day you depart doesn't count as a day outside the United States.

You can deduct your cost of the round-trip flight between Denver and Brussels. You can also deduct the cost of your stay in Brussels for Thursday and Friday while you conducted business. However, you can't deduct the cost of your stay in Brussels from Saturday through Tuesday because those days were spent on nonbusiness activities.

Exception 3—Less than 25% of time on personal activities. Your trip is considered entirely for business if:

- You were outside the United States for more than a week, and
- You spent less than 25% of the total time you were outside the United States on nonbusiness activities.

For this purpose, count both the day your trip began and the day it ended.

Example. You flew from Seattle to Tokyo, where you spent 14 days on business and 5 days on personal matters. You then flew back to Seattle. You spent 1 day flying in each direction.

Because only $5/21$ (less than 25%) of your total time abroad was for nonbusiness activities, you can deduct as travel expenses what it would have cost you to make the trip if you hadn't engaged in any nonbusiness activity. The amount you can deduct is the cost of the round-trip plane fare and 16 days of non-entertainment-related meals (subject to the *50% Limit*), lodging, and other related expenses.

Exception 4—Vacation not a major consideration. Your trip is considered entirely for business if you can establish that a personal vacation wasn't a major consideration, even if you have substantial control over arranging the trip.

Travel Primarily for Business

If you travel outside the United States primarily for business but spend some of your time on other activities, you generally can't deduct all of your travel expenses. You can only deduct the business portion of your cost of getting to and from your destination. You must allocate the costs between your business and other activities to determine your deductible amount. See *Travel allocation rules*, later.

TIP *You don't have to allocate your travel expenses if you meet one of the four exceptions listed earlier under Travel considered entirely for business. In those cases, you can deduct the total cost of getting to and from your destination.*

Travel allocation rules. If your trip outside the United States was primarily for business, you must allocate your travel time on a day-to-day basis between business days and nonbusiness days. The days you depart from and return to the United States are both counted as days outside the United States.

To figure the deductible amount of your round-trip travel expenses, use the following fraction. The numerator (top number) is the total number of business days outside the United States. The denominator (bottom number) is the total number of business and nonbusiness days of travel.

Counting business days. Your business days include transportation days, days your presence was required, days you spent on business, and certain weekends and holidays.

Transportation day. Count as a business day any day you spend traveling to or from a business destination. However, if because of a nonbusiness activity you don't travel by a direct route, your business days are the days it would take you to travel a reasonably direct route to your business destination. Extra days for side trips or nonbusiness activities can't be counted as business days.

Presence required. Count as a business day any day your presence is required at a particular place for a specific business purpose. Count it as a business day even if you spend most of the day on nonbusiness activities.

Day spent on business. If your principal activity during working hours is the pursuit of your trade or business, count the day as a business day. Also, count as a business day any day you are prevented from working because of circumstances beyond your control.

Certain weekends and holidays. Count weekends, holidays, and other necessary standby days as business days if they fall between business days. But if they follow your business meetings or activity and you remain at your business destination for nonbusiness or personal reasons, don't count them as business days.

Example 1. Your tax home is New York City. You travel to Quebec, where you have a business meeting on Friday. You have another meeting on the following Monday. Because your presence was required on both Friday and Monday, they are business days. Because the weekend is between business days, Saturday and Sunday are counted as business days. This is true even though you use the weekend for sightseeing, visiting friends, or other nonbusiness activity.

Example 2. If, in *Example 1*, you had no business in Quebec after Friday, but stayed until Monday before starting home, Saturday and Sunday would be nonbusiness days.

Nonbusiness activity on the way to or from your business destination. If you stopped for a vacation or other nonbusiness activity either on the way from the United States to your business destination, or on the way back to the United States from your business destination, you must allocate part of your travel expenses to the nonbusiness activity.

The part you must allocate is the amount it would have cost you to travel between the point where travel outside the United States begins and your nonbusiness destination and a return to the point where travel outside the United States ends.

You determine the nonbusiness portion of that expense by multiplying it by a fraction. The numerator (top number) of the fraction is the number of nonbusiness days during your travel outside the United States, and the denominator (bottom number) is the total number of days you spend outside the United States.

Example. You live in New York. On May 4, you flew to Paris to attend a business conference that began on May 5. The conference ended at noon on May 14. That evening, you flew to Dublin where you visited with friends until the afternoon of May 21, when you flew directly home to New York. The primary purpose for the trip was to attend the conference.

If you hadn't stopped in Dublin, you would have arrived home the evening of May 14. You don't meet any of the exceptions that would allow you to consider your travel entirely for business. May 4 through May 14 (11 days) are business days and May 15 through May 21 (7 days) are nonbusiness days.

You can deduct the cost of your non-entertainment-related meals (subject to the *50% Limit*), lodging, and other business-related travel expenses while in Paris.

You can't deduct your expenses while in Dublin. You also can't deduct $^7/_{18}$ of what it would have cost you to travel round trip between New York and Dublin.

You paid $750 to fly from New York to Paris, $400 to fly from Paris to Dublin, and $700 to fly from Dublin back to New York. Round-trip airfare from New York to Dublin would have been $1,250.

You figure the deductible part of your air travel expenses by subtracting $^7/_{18}$ of the round-trip airfare and other expenses you would have had in traveling directly between New York and Dublin ($1,250 × $^7/_{18}$ = $486) from your total expenses in traveling from New York to Paris to Dublin and back to New York ($750 + $400 + $700 = $1,850).

Your deductible air travel expense is $1,364 ($1,850 − $486).

Nonbusiness activity at, near, or beyond business destination. If you had a vacation or other nonbusiness activity at, near, or beyond your business destination, you must allocate part of your travel expenses to the nonbusiness activity.

The part you must allocate is the amount it would have cost you to travel between the point where travel outside the United States begins and your business destination and a return to the point where travel outside the United States ends.

You determine the nonbusiness portion of that expense by multiplying it by a fraction. The numerator (top number) of the fraction is the number of nonbusiness days during your travel outside the United States, and the denominator (bottom number) is the total number of days you spend outside the United States.

None of your travel expenses for nonbusiness activities at, near, or beyond your business destination are deductible.

Example. Assume that the dates are the same as in the previous example but that instead of going to Dublin for your vacation, you fly to Venice, Italy, for a vacation.

You can't deduct any part of the cost of your trip from Paris to Venice and return to Paris. In addition, you can't deduct $^{7}/_{18}$ of the airfare and other expenses from New York to Paris and back to New York.

You can deduct $^{11}/_{18}$ of the round-trip plane fare and other travel expenses from New York to Paris, plus your non-entertainment-related meals (subject to the *50% Limit*), lodging, and any other business expenses you had in Paris. (Assume these expenses total $4,939.) If the round-trip plane fare and other travel-related expenses (such as food during the trip) are $1,750, you can deduct travel costs of $1,069 ($^{11}/_{18}$ × $1,750), plus the full $4,939 for the expenses you had in Paris.

Other methods. You can use another method of counting business days if you establish that it more clearly reflects the time spent on other than business activities outside the United States.

Travel Primarily for Personal Reasons

If you travel outside the United States primarily for vacation or for investment purposes, the entire cost of the trip is a nondeductible personal expense. However, if you spend some time attending brief professional seminars or a continuing education program, you can deduct your registration fees and other expenses you have that are directly related to your business.

Example. The university from which you graduated has a continuing education program for members of its alumni association. This program consists of trips to various foreign countries where academic exercises and conferences are set up to acquaint individuals in most occupations with selected facilities in several regions of the world. However, none of the conferences are directed toward specific occupations or professions. It is up to each participant to seek out specialists and organizational settings appropriate to their occupational interests.

Three-hour sessions are held each day over a 5-day period at each of the selected overseas facilities where participants can meet with individual practitioners. These sessions are composed of a variety of activities including workshops, mini-lectures, roleplaying, skill development, and exercises. Professional conference directors schedule and conduct the sessions. Participants can choose those sessions they wish to attend.

You can participate in this program because you are a member of the alumni association. You and your family take one of the trips. You spend about 2 hours at each of the planned sessions. The rest of the time you go touring and sightseeing with your family. The trip lasts less than 1 week.

Your travel expenses for the trip aren't deductible since the trip was primarily a vacation. However, registration fees and any other incidental expenses you have for the five planned sessions you attended that are directly related and beneficial to your business are deductible business expenses. These expenses should be specifically stated in your records to ensure proper allocation of your deductible business expenses.

Luxury Water Travel

If you travel by ocean liner, cruise ship, or other form of luxury water transportation for business purposes, there is a daily limit on the amount you can deduct. The limit is twice the highest federal per diem rate allowable at the time of your travel. (Generally, the federal per diem is the amount paid to federal government employees for daily living expenses when they travel away from home within the United States for business purposes.)

Daily limit on luxury water travel. The highest federal per diem rate allowed and the daily limit for luxury water travel in 2023 are shown in the following table.

2023 Dates	Highest Federal Per Diem	Daily Limit on Luxury Water Travel
January 1 – March 31	$564	$1,128
April 1 – April 30	498	996
May 1– May 31	398	796
June 1 – September 30	538	1,076
October 1 – October 31	401	802
November 1 – November 30	394	788
December 1 – December 31	564	1,128

Example. You are a travel agent and traveled by ocean liner from New York to London, England, on business in May. Your expense for the 6-day cruise was $6,200. Your deduction for the cruise can't exceed $4,776 (6 days × $796 daily limit).

Meals and entertainment. If your expenses for luxury water travel include separately stated amounts for meals or entertainment, those amounts are subject to the 50% limit on non-entertainment-related meals and entertainment before you apply the daily limit. For a discussion of the *50% Limit*, see chapter 2.

Example. In the previous example, your luxury water travel had a total cost of $6,200. Of that amount, $3,700 was separately stated as non-entertainment-related meals and $1,000 was separately stated as entertainment. Considering that you are self-employed, you aren't reimbursed for any of your travel expenses. You figure your deductible travel expenses as follows.

Entertainment	$1,000	
0% limit	x 0.00	
Allowable entertainment		$0.00
Non-entertainment-related meals	$3,700	
50% limit	× 0.50	
Allowable non-entertainment meals & entertainment	$1,850	
Other travel expenses	+ 1,500	
Allowable cost before the daily limit		$3,350
Daily limit for May 2023	$ 796	
Times number of days	× 6	
Maximum luxury water travel deduction		$4,776
Amount of allowable deduction		**$3,350**

Your deduction for your cruise is limited to $3,350, even though the limit on luxury water travel is higher.

Not separately stated. If your meal or entertainment charges aren't separately stated or aren't clearly identifiable, you don't have to allocate any portion of the total charge to meals or entertainment.

Exceptions

The daily limit on luxury water travel (discussed earlier) doesn't apply to expenses you have to attend a convention, seminar, or meeting on board a cruise ship. See *Cruise Ships*, later, under *Conventions.*

Conventions

You can deduct your travel expenses when you attend a convention if you can show that your attendance benefits your trade or business. You can't deduct the travel expenses for your family.

If the convention is for investment, political, social, or other purposes unrelated to your trade or business, you can't deduct the expenses.

CAUTION *Your appointment or election as a delegate doesn't, in itself, determine whether you can deduct travel expenses. You can deduct your travel expenses only if your attendance is connected to your own trade or business.*

Convention agenda. The convention agenda or program generally shows the purpose of the convention. You can show your attendance at the convention benefits your trade or business by comparing the agenda with the official duties and responsibilities of your position. The agenda doesn't have to deal specifically with your official duties and responsibilities; it will be enough if the agenda is so related to your position that it shows your attendance was for business purposes.

Conventions Held Outside the North American Area

You can't deduct expenses for attending a convention, seminar, or similar meeting held outside the North American area unless:

- The meeting is directly related to the active conduct of your trade or business, and
- It is as reasonable to hold the meeting outside the North American area as within the North American area. See *Reasonableness test*, later.

If the meeting meets these requirements, you must also satisfy the rules for deducting expenses for business trips in general, discussed earlier under *Travel Outside the United States*.

North American area. The North American area includes the following locations.

American Samoa
Antigua and Barbuda
Aruba
Bahamas
Baker Island
Barbados
Bermuda
Canada
Costa Rica
Curaçao
Dominica
Dominican Republic
Grenada
Guam
Guyana
Honduras
Howland Island
Jamaica
Jarvis Island
Johnston Island
Kingman Reef
Marshall Islands
Mexico
Micronesia
Midway Islands
Northern Mariana Islands
Palau
Palmyra Atoll
Panama
Puerto Rico
Saint Lucia
Trinidad and Tobago
USA
U.S. Virgin Islands
Wake Island

The North American area also includes U.S. islands, cays, and reefs that are territories of the United States and not part of the 50 states or the District of Columbia. See Revenue Ruling 2016-16, available at *IRS.gov/irb/2016-26_IRB#RR-2016-16*, for more information.

Reasonableness test. The following factors are taken into account to determine if it was as reasonable to hold the meeting outside the North American area as within the North American area.

- The purpose of the meeting and the activities taking place at the meeting.
- The purposes and activities of the sponsoring organizations or groups.
- The homes of the active members of the sponsoring organizations and the places at which other meetings of the sponsoring organizations or groups have been or will be held.
- Other relevant factors you may present.

Cruise Ships

You can deduct up to $2,000 per year of your expenses of attending conventions, seminars, or similar meetings held on cruise ships. All ships that sail are considered cruise ships.

You can deduct these expenses only if all of the following requirements are met.

1. The convention, seminar, or meeting is directly related to the active conduct of your trade or business.
2. The cruise ship is a vessel registered in the United States.
3. All of the cruise ship's ports of call are in the United States or in territories of the United States.
4. You attach to your return a written statement signed by you that includes information about:
   a. The total days of the trip (not including the days of transportation to and from the cruise ship port),
   b. The number of hours each day that you devoted to scheduled business activities, and
   c. A program of the scheduled business activities of the meeting.
5. You attach to your return a written statement signed by an officer of the organization or group sponsoring the meeting that includes:
   a. A schedule of the business activities of each day of the meeting, and
   b. The number of hours you attended the scheduled business activities.

2.

Meals and Entertainment

You can no longer take a deduction for any expense related to activities generally considered entertainment, amusement, or recreation. You can continue to deduct 50% of the cost of business meals if you (or your employee) are present and the food or beverages aren't considered lavish or extravagant.

TIP *If food or beverages are provided during or at an entertainment event, and the food and beverages were purchased separately from the entertainment or the cost of the food and beverages was stated separately from the cost of the entertainment on one or more bills, invoices, or receipts, you may be able to deduct the separately stated costs as a meal expense. For more information, see Regulations section 1.274-11(d)(2), Example 2.*

Entertainment

Entertainment—Defined

Entertainment includes any activity generally considered to provide entertainment, amusement, or recreation. Examples include entertaining guests at nightclubs; at social, athletic, and sporting clubs; at theaters; at sporting events; on yachts; or on hunting, fishing, vacation, and similar trips. Entertainment may also include meeting personal, living, or family needs of individuals, such as providing meals, a hotel suite, or a car to customers or their families.

Deduction may depend on your type of business. Your kind of business may determine if a particular activity is considered entertainment. For example, if you are a dress designer and have a fashion show to introduce your new designs to store buyers, the show generally isn’t considered entertainment. This is because fashion shows are typical in your business. But, if you are an appliance distributor and hold a fashion show for the spouses of your retailers, the show is generally considered entertainment.

Separating costs. If you have one expense that includes the costs of entertainment and other services (such as lodging or transportation), you must allocate that expense between the cost of entertainment and the cost of other services. You must have a reasonable basis for making this allocation. For example, you must allocate your expenses if a hotel includes entertainment in its lounge on the same bill with your room charge.

Exceptions to the Rules

In general, entertainment expenses are nondeductible. However, there are a few exceptions to the general rule, including:

- Entertainment treated as compensation on your originally filed tax returns (and treated as wages to your employees);
- Recreational expenses for employees such as a holiday party or a summer picnic;
- Expenses related to attending business meetings or conventions of certain exempt organizations such as business leagues, chambers of commerce, professional associations, etc.; and
- Entertainment sold to customers. For example, if you run a nightclub, your expenses for the entertainment you furnish to your customers, such as a floor show, aren’t subject to the nondeductible rules.

Examples of Nondeductible Entertainment

Entertainment events. Generally, you can't deduct any expense for an entertainment event. This includes expenses for entertaining guests at nightclubs; at social, athletic, and sporting clubs; at theaters; at sporting events; on yachts; or on hunting, fishing, vacation, and similar trips.

Entertainment facilities. Generally, you can’t deduct any expense for the use of an entertainment facility. This includes expenses for depreciation and operating costs such as rent, utilities, maintenance, and protection.

An entertainment facility is any property you own, rent, or use for entertainment. Examples include a yacht, hunting lodge, fishing camp, swimming pool, tennis court, bowling alley, car, airplane, apartment, hotel suite, or home in a vacation resort.

Club dues and membership fees. You can’t deduct dues (including initiation fees) for membership in any club organized for business, pleasure, recreation, or other social purposes.

This rule applies to any membership organization if one of its principal purposes is either:

- To conduct entertainment activities for members or their guests; or
- To provide members or their guests with access to entertainment facilities, discussed later.

The purposes and activities of a club, not its name, will determine whether or not you can deduct the dues. You can’t deduct dues paid to:

- Country clubs,
- Golf and athletic clubs,
- Airline clubs,
- Hotel clubs, and
- Clubs operated to provide meals under circumstances generally considered to be conducive to business discussions.

Gift or entertainment. Any item that might be considered either a gift or entertainment will generally be considered entertainment. However, if you give a customer packaged food or beverages that you intend the customer to use at a later date, treat it as a gift.

Meals

As discussed above, entertainment expenses are generally nondeductible. However, you may continue to deduct 50% of the cost of business meals if you (or an employee) is present and the food or beverages are not considered lavish or extravagant. The meals may be provided to a current or potential business customer, client, consultant, or similar business contact.

Food and beverages that are provided during entertainment events are not considered entertainment if purchased separately from the entertainment, or if the cost of the food and beverages is stated separately from the cost of the entertainment on one or more bills, invoices, or receipts. However, the entertainment disallowance rule may not be circumvented through inflating the amount charged for food and beverages.

Other rules for meals and entertainment expenses. Any allowed expense must be ordinary and necessary. An ordinary expense is one that is common and accepted in your trade or business. A necessary expense is one that is helpful and appropriate for your business. An expense doesn't have to be required to be considered necessary. Expenses must not be lavish or extravagant. An expense isn't considered lavish or extravagant if it is reasonable based on the facts and circumstances.

Examples. For each example, assume that the food and beverage expenses are ordinary and necessary expenses under section 162(a) paid or incurred during the tax year in carrying on a trade or business and are not lavish or extravagant under the circumstances. Also assume that the taxpayer and the business contact are not engaged in a trade or business that has any relation to the entertainment activity.

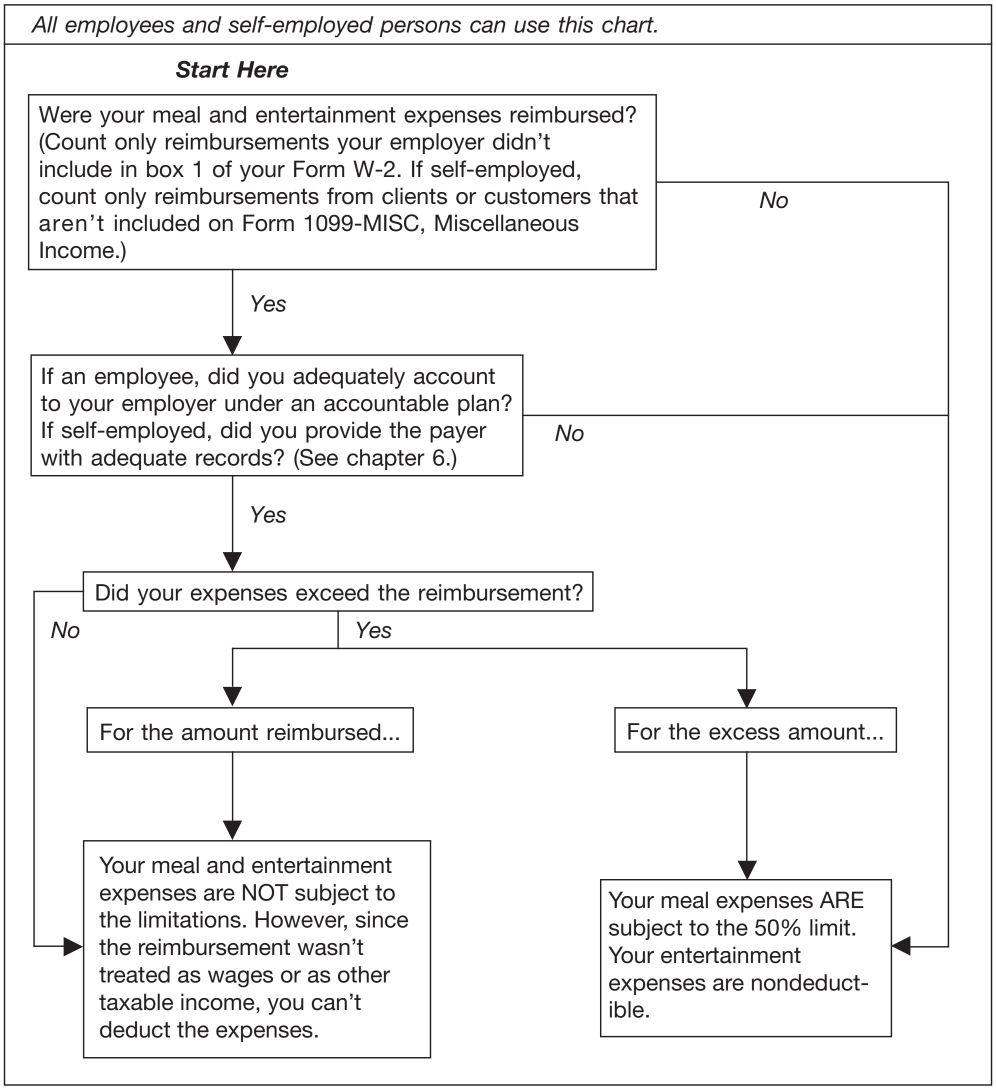
Example 1. Taxpayer A invites B, a business contact, to a baseball game. A purchases tickets for A and B to attend the game. While at the game, A buys hot dogs and drinks for A and B. The baseball game is entertainment as defined in Regulations section 1.274-11(b)(1)(i) and, thus, the cost of the game tickets is an entertainment expense and is not deductible by A. The cost of the hot dogs and drinks, which are purchased separately from the game tickets, is not an entertainment expense and is not subject to the section 274(a)(1) disallowance. Therefore, A may deduct 50% of the expenses associated with the hot dogs and drinks purchased at the game.

Example 2. Taxpayer C invites D, a business contact, to a basketball game. C purchases tickets for C and D to attend the game in a suite, where they have access to food and beverages. The cost of the basketball game tickets, as stated on the invoice, includes the food and beverages. The basketball game is entertainment as defined in Regulations section 1.274-11(b)(1)(i) and, thus, the cost of the game tickets is an entertainment expense and is not deductible by C. The cost of the food and beverages, which are not purchased separately from the game tickets, is not stated separately on the invoice. Thus, the cost of the food and beverages is also an entertainment expense that is subject to the section 274(a)(1) disallowance. Therefore, C may not deduct any of the expenses associated with the basketball game.

Example 3. Assume the same facts as in *Example 2*, except that the invoice for the basketball game tickets separately states the cost of the food and beverages. As in *Example 2*, the basketball game is entertainment as defined in Regulations section 1.274-2(b)(1)(i) and, thus, the cost of the game tickets, other than the cost of the food and beverages, is an entertainment expense and is not deductible by C. However, the cost of the food and beverages, which is stated separately on the invoice for the game tickets, is not an entertainment expense and is not subject to the section 274(a)(1) disallowance. Therefore, C may deduct 50% of the expenses associated with the food and beverages provided at the game.

Figure A. Does the 50% Limit Apply to Your Expenses?

There are exceptions to these rules. See *Exceptions to the 50% Limit for Meals*, later.



50% Limit

In general, you can deduct only 50% of your business-related meal expenses, unless an exception applies. (If you are subject to the Department of Transportation's "hours of service" limits, you can deduct 80% of your business-related meal expenses. See *Individuals subject to "hours of service" limits*, later.)

The 50% limit applies to employees or their employers, and to self-employed persons (including independent contractors) or their clients, depending on whether the expenses are reimbursed.

Examples of meals might include:

- Meals while traveling away from home (whether eating alone or with others) on business, or
- Meal at a business convention or business league meeting.

Costs to include or exclude. Taxes and tips relating to a business meal are included as a cost of the meal and are subject to the 50% limit. However, the cost of transportation to and from the meal is not treated as part of the cost and would not be subject to the limit.

Application of 50% limit. The 50% limit on meal expenses applies if the expense is otherwise deductible and isn't covered by one of the exceptions discussed later. Figure A can help you determine if the 50% limit applies to you.

The 50% limit also applies to certain meal expenses that aren't business related. It applies to meal expenses you have for the production of income, including rental or royalty income. It also applies to the cost of meals included in deductible educational expenses.

When to apply the 50% limit. The 50% limit will apply after determining the amount that would otherwise qualify for a deduction. You first have to determine the amount of meal expenses that would be deductible under the other rules discussed in this publication.

Taking turns paying for meals. If a group of business acquaintances takes turns picking up each others' meal checks primarily for personal reasons, without regard to whether any business purposes are served, no member of the group can deduct any part of the expense.

Example 1. You spend $200 (including tax and tip) for a business meal. If $110 of that amount isn't allowable because it is lavish and extravagant, the remaining $90 is subject to the 50% limit. Your deduction can't be more than $45 (50% (0.50) × $90).

Example 2. You purchase two tickets to a concert for $200 for you and your client. Your deduction is zero because no deduction is allowed for entertainment expenses.

Exception to the 50% Limit for Meals

Your meal expense isn't subject to the 50% limit if the expense meets one of the following exceptions.

1—Expenses treated as compensation. In general, expenses for goods, services, and facilities, to the extent the expenses are treated by the taxpayer, with respect to entertainment, amusement, or recreation, as compensation to an employee and as wages to the employee for tax purposes.

2—Employee's reimbursed expenses. If you are an employee, you aren't subject to the 50% limit on expenses for which your employer reimburses you under an accountable plan. Accountable plans are discussed in chapter 6.

3—Self-employed reimbursed expenses. If you are self-employed, your deductible meal expenses aren't subject to the 50% limit if all of the following requirements are met.

- You have these expenses as an independent contractor.
- Your customer or client reimburses you or gives you an allowance for these expenses in connection with services you perform.
- You provide adequate records of these expenses to your customer or client. (See chapter 5.)

In this case, your client or customer is subject to the 50% limit on the expenses.

Example. You are a self-employed attorney who adequately accounts for meal expenses to a client who reimburses you for these expenses. You aren't subject to the limitation on meal expenses. If the client can deduct the expenses, the client is subject to the 50% limit.

If you (as an independent contractor) have expenses for meals related to providing services for a client but don't adequately account for and seek reimbursement from the client for those expenses, you are subject to the 50% limit on non-entertainment-related meals and the entertainment-related meal expenses are nondeductible to you.

4—Recreational expenses for employees. You aren't subject to the 50% limit for expenses for recreational, social, or similar activities (including facilities) such as a holiday party or a summer picnic.

5—Advertising expenses. You aren't subject to the 50% limit if you provide meals to the general public as a means of advertising or promoting goodwill in the community. For example, neither the expense of sponsoring a television or radio show nor the expense of distributing free food and beverages to the general public is subject to the 50% limit.

6—Sale of meals. You aren't subject to the 50% limit if you actually sell meals to the public. For example, if you run a restaurant, your expense for the food you furnish to your customers isn't subject to the 50% limit.

Individuals subject to "hours of service" limits. You can deduct a higher percentage of your meal expenses while traveling away from your tax home if the meals take place during or incident to any period subject to the Department of Transportation's "hours of service" limits. The percentage is 80%.

Individuals subject to the Department of Transportation's "hours of service" limits include the following persons.

- Certain air transportation workers (such as pilots, crew, dispatchers, mechanics, and control tower operators) who are under Federal Aviation Administration regulations.
- Interstate truck operators and bus drivers who are under Department of Transportation regulations.
- Certain railroad employees (such as engineers, conductors, train crews, dispatchers, and control operations personnel) who are under Federal Railroad Administration regulations.
- Certain merchant mariners who are under Coast Guard regulations.

CAUTION

The temporary 100-percent deduction for expenses that were paid or incurred after December 31, 2020, and before January 1, 2023, for food or beverages provided by a restaurant has expired. Generally, the 50% deduction continues to apply. See 50% Limit, earlier.

3.

Gifts

If you give gifts in the course of your trade or business, you may be able to deduct all or part of the cost. This chapter explains the limits and rules for deducting the costs of gifts.

$25 limit. You can deduct no more than $25 for business gifts you give directly or indirectly to each person during your tax year. A gift to a company that is intended for the eventual personal use or benefit of a particular person or a limited class of people will be considered an indirect gift to that particular person or to the individuals within that class of people who receive the gift.

If you give a gift to a member of a customer's family, the gift is generally considered to be an indirect gift to the customer. This rule doesn't apply if you have a bona fide, independent business connection with that family member and the gift isn't intended for the customer's eventual use.

If you and your spouse both give gifts, both of you are treated as one taxpayer. It doesn't matter whether you have separate businesses, are separately employed, or whether each of you has an independent connection with the recipient. If a partnership gives gifts, the partnership and the partners are treated as one taxpayer.

Example. You sell products to a local company. You and your spouse gave the local company three gourmet gift baskets to thank them for their business. You and your spouse paid $80 for each gift basket, or $240 total. Three of the local company's executives took the gift baskets home for their families' use. You and your spouse have no independent business relationship with any of the executives' other family members. You and your spouse can deduct a total of $75 ($25 limit × 3) for the gift baskets.

Incidental costs. Incidental costs, such as engraving on jewelry, or packaging, insuring, and mailing, are generally not included in determining the cost of a gift for purposes of the $25 limit.

A cost is incidental only if it doesn't add substantial value to the gift. For example, the cost of gift wrapping is an incidental cost. However, the purchase of an ornamental basket for packaging fruit isn't an incidental cost if the value of the basket is substantial compared to the value of the fruit.

Exceptions. The following items aren't considered gifts for purposes of the $25 limit.

1. An item that costs $4 or less and:
   a. Has your name clearly and permanently imprinted on the gift, and
   b. Is one of a number of identical items you widely distribute. Examples include pens, desk sets, and plastic bags and cases.
2. Signs, display racks, or other promotional material to be used on the business premises of the recipient.

Gift or entertainment. Any item that might be considered either a gift or entertainment will generally be considered entertainment. However, if you give a customer packaged food or beverages you intend the customer to use at a later date, treat it as a gift.

CAUTION *If you are entitled to a reimbursement from your employer but you don't claim it, you can't claim a deduction for the expenses to which that unclaimed reimbursement applies. This type of deduction is considered a miscellaneous deduction that is no longer allowable due to the suspension of miscellaneous itemized deductions subject to the 2% floor under section 67(a).*

4.

Transportation

This chapter discusses expenses you can deduct for business transportation when you aren't traveling away from home, as defined in chapter 1. These expenses include the cost of transportation by air, rail, bus, taxi, etc., and the cost of driving and maintaining your car.

Transportation expenses include the ordinary and necessary costs of all of the following.

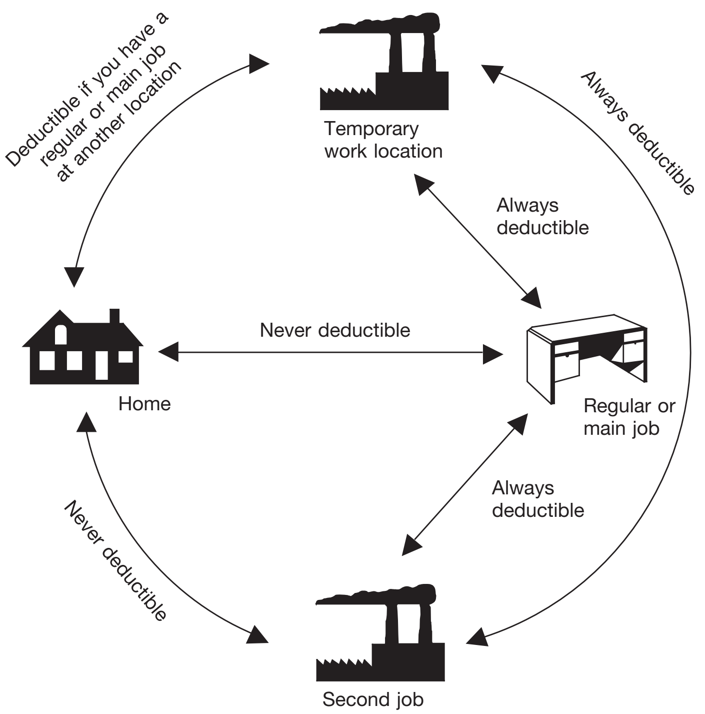
- Getting from one workplace to another in the course of your business or profession when you are traveling within the city or general area that is your tax home. Tax home is defined in chapter 1.
- Visiting clients or customers.
- Going to a business meeting away from your regular workplace.
- Getting from your home to a temporary workplace when you have one or more regular places of work. These temporary workplaces can be either within the area of your tax home or outside that area.

Transportation expenses don't include expenses you have while traveling away from home overnight. Those expenses are travel expenses discussed in chapter 1. However, if you use your car while traveling away from home overnight, use the rules in this chapter to figure your car expense deduction. See *Car Expenses*, later.

Daily transportation expenses you incur while traveling from home to one or more regular places of business are generally nondeductible commuting expenses. However, there may be exceptions to this general rule. You can deduct daily transportation expenses incurred going between your residence and a temporary work station outside the metropolitan area where you live. Also, daily transportation expenses can be deducted if (1) you have one or more regular work locations away from your residence; or (2) your residence is your principal place of business and you incur expenses going between the residence and another work location in the same trade or business, regardless of whether the work is temporary or permanent and regardless of the distance.

Figure B. When Are Transportation Expenses Deductible?

Most employees and self-employed persons can use this chart. (Don't use this chart if your home is your principal place of business. See *Office in the home*, later.)



Home: The place where you reside. Transportation expenses between your home and your main or regular place of work are personal commuting expenses.

Regular or main job: Your principal place of business. If you have more than one job, you must determine which one is your regular or main job. Consider the time you spend at each, the activity you have at each, and the income you earn at each.

Temporary work location: A place where your work assignment is realistically expected to last (and does in fact last) one year or less. Unless you have a regular place of business, you can only deduct your transportation expenses to a temporary work location outside your metropolitan area.

Second job: If you regularly work at two or more places in one day, whether or not for the same employer, you can deduct your transportation expenses of getting from one workplace to another. If you don't go directly from your first job to your second job, you can only deduct the transportation expenses of going directly from your first job to your second job. You can't deduct your transportation expenses between your home and a second job on a day off from your main job.

CAUTION *If you are entitled to a reimbursement from your employer but you don't claim it, you can't claim a deduction for the expenses to which that unclaimed reimbursement applies. This type of deduction is considered a miscellaneous deduction that is no longer allowable due to the suspension of miscellaneous itemized deductions subject to the 2% floor under section 67(a).*

Illustration of transportation expenses. Figure B above illustrates the rules that apply for deducting transportation expenses when you have a regular or main job away from your home. You may want to refer to it when deciding whether you can deduct your transportation expenses.

Temporary work location. If you have one or more regular work locations away from your home and you commute to a temporary work location in the same trade or business, you can deduct the expenses of the daily round-trip transportation between your home and the temporary location, regardless of distance.

If your employment at a work location is realistically expected to last (and does in fact last) for 1 year or less, the employment is temporary unless there are facts and circumstances that would indicate otherwise.

If your employment at a work location is realistically expected to last for more than 1 year or if there is no realistic expectation that the employment will last for 1 year or less, the employment isn't temporary, regardless of whether it actually lasts for more than 1 year.

If employment at a work location initially is realistically expected to last for 1 year or less, but at some later date the employment is realistically expected to last more than

1 year, that employment will be treated as temporary (unless there are facts and circumstances that would indicate otherwise) until your expectation changes. It won't be treated as temporary after the date you determine it will last more than 1 year.

If the temporary work location is beyond the general area of your regular place of work and you stay overnight, you are traveling away from home. You may have deductible travel expenses, as discussed in chapter 1.

No regular place of work. If you have no regular place of work but ordinarily work in the metropolitan area where you live, you can deduct daily transportation costs between home and a temporary work site outside that metropolitan area.

Generally, a metropolitan area includes the area within the city limits and the suburbs that are considered part of that metropolitan area.

You can't deduct daily transportation costs between your home and temporary work sites within your metropolitan area. These are nondeductible commuting expenses.

Two places of work. If you work at two places in 1 day, whether or not for the same employer, you can deduct the expense of getting from one workplace to the other. However, if for some personal reason you don't go directly from one location to the other, you can't deduct more than the amount it would have cost you to go directly from the first location to the second.

Transportation expenses you have in going between home and a part-time job on a day off from your main job are commuting expenses. You can't deduct them.

Armed Forces reservists. A meeting of an Armed Forces reserve unit is a second place of business if the meeting is held on a day on which you work at your regular job. You can deduct the expense of getting from one workplace to the other as just discussed under *Two places of work*.

You usually can't deduct the expense if the reserve meeting is held on a day on which you don't work at your regular job. In this case, your transportation is generally a nondeductible commuting expense. However, you can deduct your transportation expenses if the location of the meeting is temporary and you have one or more regular places of work.

If you ordinarily work in a particular metropolitan area but not at any specific location and the reserve meeting is held at a temporary location outside that metropolitan area, you can deduct your transportation expenses.

If you travel away from home overnight to attend a guard or reserve meeting, you can deduct your travel expenses. These expenses are discussed in chapter 1.

If you travel more than 100 miles away from home in connection with your performance of services as a member of the reserves, you may be able to deduct some of your reserve-related travel costs as an adjustment to gross income rather than as an itemized deduction. For more information, see *Armed Forces Reservists Traveling More Than 100 Miles From Home* under *Special Rules* in chapter 6.

Commuting expenses. You can't deduct the costs of taking a bus, trolley, subway, or taxi, or of driving a car between your home and your main or regular place of work. These costs are personal commuting expenses. You can't deduct commuting expenses no matter how far your home is from your regular place of work. You can't deduct commuting expenses even if you work during the commuting trip.

Example. You sometimes use your cell phone to make business calls while commuting to and from work. Sometimes business associates ride with you to and from work, and you have a business discussion in the car. These activities don't change the trip from personal to business. You can't deduct your commuting expenses.

Parking fees. Fees you pay to park your car at your place of business are nondeductible commuting expenses. You can, however, deduct business-related parking fees when visiting a customer or client.

Advertising display on car. Putting display material that advertises your business on your car doesn't change the use of your car from personal use to business use. If you use this car for commuting or other personal uses, you still can't deduct your expenses for those uses.

Car pools. You can't deduct the cost of using your car in a nonprofit car pool. Don't include payments you receive from the passengers in your income. These payments are considered reimbursements of your expenses. However, if you operate a car pool for a profit, you must include payments from passengers in your income. You can then deduct your car expenses (using the rules in this publication).

Hauling tools or instruments. Hauling tools or instruments in your car while commuting to and from work doesn't make your car expenses deductible. However, you can deduct any additional costs you have for hauling tools or instruments (such as for renting a trailer you tow with your car).

Union members' trips from a union hall. If you get your work assignments at a union hall and then go to your place of work, the costs of getting from the union hall to your place of work are nondeductible commuting expenses. Although you need the union to get your work assignments, you are employed where you work, not where the union hall is located.

Office in the home. If you have an office in your home that qualifies as a principal place of business, you can deduct your daily transportation costs between your home and another work location in the same trade or business. (See Pub. 587, Business Use of Your Home, for information on determining if your home office qualifies as a principal place of business.)

Examples of deductible transportation. The following examples show when you can deduct transportation expenses based on the location of your work and your home.

Example 1. You regularly work in an office in the city where you live. Your employer sends you to a 1-week training session at a different office in the same city. You travel directly from your home to the training location and return each day. You can deduct the cost of your daily round-trip transportation between your home and the training location.

Example 2. Your principal place of business is in your home. You can deduct the cost of round-trip transportation between your qualifying home office and your client's or customer's place of business.

Example 3. You have no regular office, and you don't have an office in your home. In this case, the location of your first business contact inside the metropolitan area is considered your office. Transportation expenses between your home and this first contact are nondeductible commuting expenses. Transportation expenses between your last business contact and your home are also nondeductible commuting expenses. While you can't deduct the costs of these trips, you can deduct the costs of going from one client or customer to another.

Car Expenses

If you use your car for business purposes, you may be able to deduct car expenses. You can generally use one of the two following methods to figure your deductible expenses.

- Standard mileage rate.
- Actual car expenses.

TIP *If you qualify to use both methods, you may want to figure your deduction both ways to see which gives you a larger deduction.*

The cost of using your car as an employee, whether measured using actual expenses or the standard mileage rate, will no longer be allowed to be claimed as an unreimbursed employee travel expense as a miscellaneous itemized deduction due to the suspension of miscellaneous itemized deductions that are subject to the 2% floor under section 67(a). The suspension applies to tax years beginning after December 2017 and before January 2026. Deductions for expenses that are deductible in determining adjusted gross income are not suspended. For example, Armed Forces reservists, qualified performing artists, and fee-basis state or local government officials are allowed to deduct unreimbursed employee travel expenses as an adjustment to total income on Schedule 1 (Form 1040), line 12.

If you use actual expenses to figure your deduction for a car you lease, there are rules that affect the amount of your lease payments you can deduct. See *Leasing a Car*, later.

In this publication, "car" includes a van, pickup, or panel truck. For the definition of "car" for depreciation purposes, see *Car defined* under *Actual Car Expenses*, later.

Standard Mileage Rate

For 2023, the standard mileage rate for the cost of operating your car for business use is 65.5 cents ($0.655) per mile.

CAUTION *If you use the standard mileage rate for a year, you can't deduct your actual car expenses for that year. You can't deduct depreciation, lease payments, maintenance and repairs, gasoline (including gasoline taxes), oil, insurance, or vehicle registration fees. See Choosing the standard mileage rate and Standard mileage rate not allowed, later.*

You can generally use the standard mileage rate whether or not you are reimbursed and whether or not any reimbursement is more or less than the amount figured using the standard mileage rate. See chapter 6 for more information on reimbursements.

Choosing the standard mileage rate. If you want to use the standard mileage rate for a car you own, you must choose to use it in the first year the car is available for use in your business. Then, in later years, you can choose to use either the standard mileage rate or actual expenses.

If you want to use the standard mileage rate for a car you lease, you must use it for the entire lease period. For leases that began on or before December 31, 1997, the standard mileage rate must be used for the entire portion of the lease period (including renewals) that is after 1997.

You must make the choice to use the standard mileage rate by the due date (including extensions) of your return. You can't revoke the choice. However, in later years, you can switch from the standard mileage rate to the actual expenses method. If you change to the actual expenses method in a later year, but before your car is fully depreciated, you have to estimate the remaining useful life of the car and use straight line depreciation for the car's remaining estimated useful life, subject to depreciation limits (discussed later).

For more information about depreciation included in the standard mileage rate, see *Exception* under *Methods of depreciation*, later.

Standard mileage rate not allowed. You can't use the standard mileage rate if you:

- Use five or more cars at the same time (such as in fleet operations);
- Claimed a depreciation deduction for the car using any method other than straight line for the car's estimated useful life;
- Used the Modified Accelerated Cost Recovery System (MACRS) (as discussed later under *Depreciation Deduction*);
- Claimed a section 179 deduction (discussed later) on the car;
- Claimed the special depreciation allowance on the car; or
- Claimed actual car expenses after 1997 for a car you leased.

Note. You can elect to use the standard mileage rate if you used a car for hire (such as a taxi) unless the standard mileage rate is otherwise not allowed, as discussed above.

Five or more cars. If you own or lease five or more cars that are used for business at the same time, you can't use the standard mileage rate for the business use of any car. However, you may be able to deduct your actual expenses for operating each of the cars in your business. See *Actual Car Expenses*, later, for information on how to figure your deduction.

You aren't using five or more cars for business at the same time if you alternate using (use at different times) the cars for business.

The following examples illustrate the rules for when you can and can't use the standard mileage rate for five or more cars.

Example 1. A salesperson owns three cars and two vans that they alternate using for calling on their customers. The salesperson can use the standard mileage rate for the business mileage of the three cars and the two vans because they don't use them at the same time.

Example 2. You and your employees use your four pickup trucks in your landscaping business. During the year, you traded in two of your old trucks for two newer ones. You can use the standard mileage rate for the business mileage of all six of the trucks you owned during the year.

Example 3. You own a repair shop and an insurance business. You and your employees use your two pickup trucks and van for the repair shop. You alternate using your two cars for the insurance business. No one else uses the cars for business purposes. You can use the standard mileage rate for the business use of the pickup trucks, the van, and the cars because you never have more than four vehicles used for business at the same time.

Example 4. You own a car and four vans that are used in your housecleaning business. Your employees use the vans, and you use the car to travel to various customers. You can't use the standard mileage rate for the car or the vans. This is because all five vehicles are used in your business at the same time. You must use actual expenses for all vehicles.

Interest. If you are an employee, you can't deduct any interest paid on a car loan. This applies even if you use the car 100% for business as an employee.

However, if you are self-employed and use your car in your business, you can deduct that part of the interest expense that represents your business use of the car. For example, if you use your car 60% for business, you can deduct 60% of the interest on Schedule C (Form 1040). You can't deduct the part of the interest expense that represents your personal use of the car.

TIP *If you use a home equity loan to purchase your car, you may be able to deduct the interest. See Pub. 936, Home Mortgage Interest Deduction, for more information.*

Personal property taxes. If you itemize your deductions on Schedule A (Form 1040), you can deduct on line 5c state and local personal property taxes on motor vehicles. You can take this deduction even if you use the standard mileage rate or if you don't use the car for business.

If you are self-employed and use your car in your business, you can deduct the business part of state and local personal property taxes on motor vehicles on Schedule C (Form 1040), or Schedule F (Form 1040). If you itemize your deductions, you can include the remainder of your state and local personal property taxes on the car on Schedule A (Form 1040).

Parking fees and tolls. In addition to using the standard mileage rate, you can deduct any business-related parking fees and tolls. (Parking fees you pay to park your car at your place of work are nondeductible commuting expenses.)

Sale, trade-in, or other disposition. If you sell, trade in, or otherwise dispose of your car, you may have a gain or loss on the transaction or an adjustment to the basis of your new car. See *Disposition of a Car*, later.

Actual Car Expenses

If you don't use the standard mileage rate, you may be able to deduct your actual car expenses.

Actual car expenses include:

Depreciation	Lease payments	Registration fees
Licenses	Insurance	Repairs
Gas	Garage rent	Tires
Oil	Parking fees	
Tolls		

If you have fully depreciated a car that you still use in your business, you can continue to claim your other actual car expenses. Continue to keep records, as explained later in chapter 5.

Business and personal use. If you use your car for both business and personal purposes, you must divide your expenses between business and personal use. You can divide your expense based on the miles driven for each purpose.

Example. You are a contractor and drive your car 20,000 miles during the year: 12,000 miles for business use and 8,000 miles for personal use. You can claim only 60% (12,000 ÷ 20,000) of the cost of operating your car as a business expense.

Employer-provided vehicle. If you use a vehicle provided by your employer for business purposes, you can deduct your actual unreimbursed car expenses. You can't use the standard mileage rate. See *Vehicle Provided by Your Employer* in chapter 6.

Interest on car loans. If you are an employee, you can't deduct any interest paid on a car loan. This interest is treated as personal interest and isn't deductible. If you are self-employed and use your car in that business, see *Interest*, earlier, under *Standard Mileage Rate.*

Taxes paid on your car. If you are an employee, you can deduct personal property taxes paid on your car if you itemize deductions. Enter the amount paid on Schedule A (Form 1040), line 5c.

Sales taxes. Generally, sales taxes on your car are part of your car's basis and are recovered through depreciation, discussed later.

Fines and collateral. You can't deduct fines you pay or collateral you forfeit for traffic violations.

Casualty and theft losses. If your car is damaged, destroyed, or stolen, you may be able to deduct part of the loss not covered by insurance. See Pub. 547, Casualties, Disasters, and Thefts, for information on deducting a loss on your car.

Depreciation and section 179 deductions. Generally, the cost of a car, plus sales tax and improvements, is a capital expense. Because the benefits last longer than 1 year, you generally can't deduct a capital expense. However, you can recover this cost through the section 179 deduction (the deduction allowed by section 179 of the Internal Revenue Code), special depreciation allowance, and depreciation deductions. Depreciation allows you to recover the cost over more than 1 year by deducting part of it each year. The section 179 deduction, special depreciation allowance, and depreciation deductions are discussed later.

Generally, there are limits on these deductions. Special rules apply if you use your car 50% or less in your work or business.

You can claim a section 179 deduction and use a depreciation method other than straight line only if you don't use the standard mileage rate to figure your business-related car expenses in the year you first place a car in service.

If, in the year you first place a car in service, you claim either a section 179 deduction or use a depreciation method other than straight line for its estimated useful life, you can't use the standard mileage rate on that car in any future year.

Car defined. For depreciation purposes, a car is any four-wheeled vehicle (including a truck or van) made primarily for use on public streets, roads, and highways. Its unloaded gross vehicle weight (for trucks and vans, gross vehicle weight) must not be more than 6,000 pounds. A car includes any part, component, or other item physically attached to it or usually included in the purchase price.

A car doesn't include:

- An ambulance, hearse, or combination ambulance-hearse used directly in a business;
- A vehicle used directly in the business of transporting persons or property for pay or hire; or
- A truck or van that is a qualified nonpersonal use vehicle.

Qualified nonpersonal use vehicles. These are vehicles that by their nature aren't likely to be used more than a minimal amount for personal purposes. They include trucks and vans that have been specially modified so that they aren't likely to be used more than a minimal amount for personal purposes, such as by installation of permanent shelving and painting the vehicle to display advertising or the company's name. Delivery trucks with seating only for the driver, or only for the driver plus a folding jump seat, are qualified nonpersonal use vehicles.

More information. See *Depreciation Deduction*, later, for more information on how to depreciate your vehicle.

Section 179 Deduction

You can elect to recover all or part of the cost of a car that is qualifying section 179 property, up to a limit, by deducting it in the year you place the property in service. This is the section 179 deduction. If you elect the section 179 deduction, you must reduce your depreciable basis in the car by the amount of the section 179 deduction.

TIP *There is a limit on the total section 179 deduction, special depreciation allowance, and depreciation deduction for cars, trucks, and vans that may reduce or eliminate any benefit from claiming the section 179 deduction. See* Depreciation Limits*, later.*

You can claim the section 179 deduction only in the year you place the car in service. For this purpose, a car is placed in service when it is ready and available for a specifically assigned use in a trade or business. Even if you aren't using the property, it is in service when it is ready and available for its specifically assigned use.

A car first used for personal purposes can't qualify for the deduction in a later year when its use changes to business.

Example. In 2022, you bought a new car and used it for personal purposes. In 2023, you began to use it for business. Changing its use to business use doesn't qualify the cost of your car for a section 179 deduction in 2023. However, you can claim a depreciation deduction for the business use of the car starting in 2023. See *Depreciation Deduction*, later.

More than 50% business use requirement. You must use the property more than 50% for business to claim any section 179 deduction. If you used the property more than 50% for business, multiply the cost of the property by the percentage of business use. The result is the cost of the property that can qualify for the section 179 deduction.

Example. You purchased a new car in April 2023 for $24,500 and used it 60% for business. Based on your business usage, the total cost of your car that qualifies for the section 179 deduction is $14,700 ($24,500 cost × 60% (0.60) business use). But see *Limit on total section*

179, special depreciation allowance, and depreciation deduction, discussed later.

Limits. There are limits on:

- The amount of the section 179 deduction;
- The section 179 deduction for sport utility and certain other vehicles; and
- The total amount of the section 179 deduction, special depreciation allowance, and depreciation deduction (discussed later) you can claim for a qualified property.

Limit on the amount of the section 179 deduction. For tax years beginning in 2023, the total amount you can elect to deduct under section 179 can't be more than $1,160,000.

If the cost of your section 179 property placed in service in tax years beginning in 2023 is over $2,890,000, you must reduce the $1,160,000 dollar limit (but not below zero) by the amount of cost over $2,890,000. If the cost of your section 179 property placed in service during tax years beginning in 2023 is $4,050,000 or more, you can't take a section 179 deduction.

The total amount you can deduct under section 179 each year after you apply the limits listed above cannot be more than the taxable income from the active conduct of any trade or business during the year.

If you are married and file a joint return, you and your spouse are treated as one taxpayer in determining any reduction to the dollar limit, regardless of which of you purchased the property or placed it in service.

If you and your spouse file separate returns, you are treated as one taxpayer for the dollar limit. You must allocate the dollar limit (after any reduction) between you.

For more information on the above section 179 deduction limits, see Pub. 946, How To Depreciate Property.

Limit for sport utility and certain other vehicles. You cannot elect to deduct more than $28,900 of the cost of any heavy sport utility vehicle (SUV) and certain other vehicles placed in service during the tax years beginning in 2023. This rule applies to any four-wheeled vehicle primarily designed or used to carry passengers over public streets, roads, or highways that isn't subject to any of the passenger automobile limits explained under *Depreciation Limits*, later, and that is rated at more than 6,000 pounds gross vehicle weight and not more than 14,000 pounds gross vehicle weight. However, the $28,900 limit doesn't apply to any vehicle:

- Designed to have a seating capacity of more than nine persons behind the driver's seat;
- Equipped with a cargo area of at least 6 feet in interior length that is an open area or is designed for use as an open area but is enclosed by a cap and isn't readily accessible directly from the passenger compartment; or
- That has an integral enclosure, fully enclosing the driver compartment and load carrying device, doesn't have seating rearward of the driver's seat, and has no body section protruding more than 30 inches ahead of the leading edge of the windshield.

Limit on total section 179 deduction, special depreciation allowance, and depreciation deduction. The first-year limit on the depreciation deduction, special depreciation allowance, and section 179 deduction for vehicles acquired before September 28, 2017, and placed in service during 2023, is $12,200. The first-year limit on depreciation, special depreciation allowance, and section 179 deduction for vehicles acquired after September 27, 2017, and placed in service during 2023 increases to $20,200. If you elect not to claim a special depreciation allowance for a vehicle placed in service in 2023, the amount increases to $12,200. The limit is reduced if your business use of the vehicle is less than 100%. See *Depreciation Limits*, later, for more information.

Example. In the earlier example under *More than 50% business use requirement*, you had a car with a cost (for purposes of the section 179 deduction) of $14,700. However, based on your business usage of the car, the total of your section 179 deduction, special depreciation allowance, and depreciation deductions is limited to $12,120 ($20,200 limit x 60% (0.60) business use) because the car was acquired after September 27, 2017, and placed in service during 2023.

Cost of car. For purposes of the section 179 deduction, the cost of the car doesn't include any amount figured by reference to any other property held by you at any time. For example, if you buy a car as a replacement for a car that was stolen or that was destroyed in a casualty loss, and you use section 1033 to determine the basis in your replacement vehicle, your cost for purposes of the section 179 deduction doesn't include your adjusted basis in the relinquished car. In that case, your cost includes only the cash you paid.

Basis of car for depreciation. The amount of the section 179 deduction reduces your basis in your car. If you choose the section 179 deduction, you must subtract the amount of the deduction from the cost of your car. The resulting amount is the basis in your car you use to figure your depreciation deduction.

When to elect. If you want to take the section 179 deduction, you must make the election in the tax year you place the car in service for business or work.

How to elect. Employees use Form 2106, Employee Business Expenses, to make the election and report the section 179 deduction. All others use Form 4562, Depreciation and Amortization, to make an election.

CAUTION *Form 2106 is only used by Armed Forces reservists, qualified performing artists, fee-basis state or local government officials, and employees with impairment-related work expenses. Due to the suspension of miscellaneous itemized deductions subject to the 2% floor under section 67(a), employees who do not fit into one of the listed categories may not use Form 2106.*

File the appropriate form with either of the following.

- Your original tax return filed for the year the property was placed in service (whether or not you file it timely).
- An amended return filed within the time prescribed by law. An election made on an amended return must specify the item of section 179 property to which the election applies and the part of the cost of each such item to be taken into account. The amended return must also include any resulting adjustments to taxable income.

CAUTION *You must keep records that show the specific identification of each piece of qualifying section 179 property. These records must show how you acquired the property, the person you acquired it from, and when you placed it in service.*

Revoking an election. An election (or any specification made in the election) to take a section 179 deduction for 2023 can only be revoked with the Commissioner's approval.

Recapture of section 179 deduction. To be eligible to claim the section 179 deduction, you must use your car more than 50% for business or work in the year you acquired it. If your business use of the car is 50% or less in a later tax year during the recovery period, you have to recapture (include in income) in that later year any excess depreciation. Any section 179 deduction claimed on the car is included in figuring the excess depreciation. For information on this calculation, see *Excess depreciation*, later in this chapter under *Car Used 50% or Less for Business.* For more information on recapture of a section 179 deduction, see Pub. 946.

Dispositions. If you dispose of a car on which you had claimed the section 179 deduction, the amount of that deduction is treated as a depreciation deduction for recapture purposes. You treat any gain on the disposition of the property as ordinary income up to the amount of the section 179 deduction and any allowable depreciation (unless you establish the amount actually allowed). For information on the disposition of a car, see *Disposition of a Car*, later. For more information on recapture of a section 179 deduction, see Pub. 946.

Special Depreciation Allowance

You may be able to claim the special depreciation allowance for your car, truck, or van if it is qualified property and was placed in service in 2023. The allowance for 2023 is an additional depreciation deduction for 100% of the car's depreciable basis (after any section 179 deduction, but before figuring your regular depreciation deduction under MACRS) if the vehicle was acquired after September 27, 2017, and placed in service during 2023. Further, while it applies to a new vehicle, it also applies to a used vehicle only if the vehicle meets the used property requirements. For more information on the used property requirements, see section 168(k)(2)(E)(ii). To qualify for the allowance, more than 50% of the use of the car must be in a qualified business use (as defined under *Depreciation Deduction*, later).

Combined depreciation. The first-year limit on the depreciation deduction, special depreciation allowance, and section 179 deduction for vehicles acquired before September 28, 2017, and placed in service during 2023, is $12,200. Your combined section 179 depreciation, special depreciation allowance, and regular MACRS depreciation deduction is limited to the maximum allowable depreciation deduction for vehicles acquired after September 27, 2017, and placed in service during 2023 is $20,200. If you elect not to claim a special depreciation allowance for a vehicle placed in service in 2023, the amount is $12,200. See *Depreciation Limits*, later in this chapter.

Qualified car. To be qualified property, the car (including the truck or van) must meet all of the following tests.

- You acquired the car after September 27, 2017, but only if no written binding contract to acquire the car existed before September 28, 2017.
- You acquired the car new or used.
- You placed the car in service in your trade or business before January 1, 2027.
- You used the car more than 50% in a qualified business use during the tax year.

Election not to claim the special depreciation allowance. You can elect not to claim the special depreciation allowance for your car, truck, or van that is qualified property. If you make this election, it applies to all 5-year property placed in service during the year.

To make this election, attach a statement to your timely filed return (including extensions) indicating the class of property (5-year for cars) for which you are making the election and that you are electing not to claim the special depreciation allowance for qualified property in that class of property.

CAUTION *Unless you elect not to claim the special depreciation allowance, you must reduce the car's adjusted basis by the amount of the allowance, even if the allowance wasn't claimed.*

Depreciation Deduction

If you use actual car expenses to figure your deduction for a car you own and use in your business, you can claim a depreciation deduction. This means you can deduct a certain amount each year as a recovery of your cost or other basis in your car.

You generally need to know the following things about the car you intend to depreciate.

- Your basis in the car.
- The date you place the car in service.
- The method of depreciation and recovery period you will use.

Basis. Your basis in a car for figuring depreciation is generally its cost. This includes any amount you borrow or pay in cash, other property, or services.

Generally, you figure depreciation on your car, truck, or van using your unadjusted basis (see *Unadjusted basis*, later). However, in some situations, you will use your adjusted basis (your basis reduced by depreciation allowed or allowable in earlier years). For one of these situations, see *Exception* under *Methods of depreciation*, later.

If you change the use of a car from personal to business, your basis for depreciation is the lesser of the fair market value or your adjusted basis in the car on the date of conversion. Additional rules concerning basis are discussed later in this chapter under *Unadjusted basis*.

Placed in service. You generally place a car in service when it is available for use in your work or business, in an income-producing activity, or in a personal activity. Depreciation begins when the car is placed in service for use in your work or business or for the production of income.

For purposes of figuring depreciation, if you first start using the car only for personal use and later convert it to business use, you place the car in service on the date of conversion.

Car placed in service and disposed of in the same year. If you place a car in service and dispose of it in the same tax year, you can't claim any depreciation deduction for that car.

Methods of depreciation. Generally, you figure depreciation on cars using the Modified Accelerated Cost Recovery (MACRS) discussed later in this chapter.

Exception. If you used the standard mileage rate in the first year of business use and change to the actual expenses method in a later year, you can't depreciate your car under the MACRS rules. You must use straight line depreciation over the estimated remaining useful life of the car. The amount you depreciate can't be more than the depreciation limit that applies for that year. See *Depreciation Limits*, later.

To figure depreciation under the straight line method, you must reduce your basis in the car (but not below zero) by a set rate per mile for all miles for which you used the standard mileage rate. The rate per mile varies depending on the year(s) you used the standard mileage rate. For the rate(s) to use, see *Depreciation adjustment when you used the standard mileage rate* under *Disposition of a Car*, later.

This reduction of basis is in addition to those basis adjustments described later under *Unadjusted basis*. You must use your adjusted basis in your car to figure your depreciation deduction. For additional information on the straight line method of depreciation, see Pub. 946.

More-than-50%-use test. Generally, you must use your car more than 50% for qualified business use (defined next) during the year to use MACRS. You must meet this more-than-50%-use test each year of the recovery period (6 years under MACRS) for your car.

If your business use is 50% or less, you must use the straight line method to depreciate your car. This is explained later under *Car Used 50% or Less for Business*.

Qualified business use. A qualified business use is any use in your trade or business. It doesn't include use for the production of income (investment use), or use provided under lease to, or as compensation to, a 5% owner or related person. However, you do combine your business and investment use to figure your depreciation deduction for the tax year.

Use of your car by another person. Don't treat any use of your car by another person as use in your trade or business unless that use meets one of the following conditions.

- It is directly connected with your business.
- It is properly reported by you as income to the other person (and, if you have to, you withhold tax on the income).
- It results in a payment of fair market rent. This includes any payment to you for the use of your car.

Business use changes. If you used your car more than 50% in qualified business use in the year you placed it in service, but 50% or less in a later year (including the year of disposition), you have to change to the straight line method of depreciation. See *Qualified business use 50% or less in a later year* under *Car Used 50% or Less for Business*, later.

TIP *Property doesn't cease to be used more than 50% in qualified business use by reason of a transfer at death.*

Use for more than one purpose. If you use your car for more than one purpose during the tax year, you must allocate the use to the various purposes. You do this on the basis of mileage. Figure the percentage of qualified business use by dividing the number of miles you drive your car for business purposes during the year by the total number of miles you drive the car during the year for any purpose.

Change from personal to business use. If you change the use of a car from 100% personal use to business use during the tax year, you may not have mileage records for the time before the change to business use. In this case, you figure the percentage of business use for the year as follows.

1. Determine the percentage of business use for the period following the change. Do this by dividing business miles by total miles driven during that period.
2. Multiply the percentage in (1) by a fraction. The numerator (top number) is the number of months the car is used for business, and the denominator (bottom number) is 12.

Example. You use a car only for personal purposes during the first 6 months of the year. During the last 6 months of the year, you drive the car a total of 15,000 miles of which 12,000 miles are for business. This gives you a business use percentage of 80% (12,000 ÷ 15,000) for that period. Your business use for the year is 40% (80% (0.80) × 6/12).

Limits. The amount you can claim for section 179, special depreciation allowance, and depreciation deductions may be limited. The maximum amount you can claim depends on the year in which you placed your car in service. You have to reduce the maximum amount if you did not use the car exclusively for business. See Depreciation Limits, later.

Unadjusted basis. You use your unadjusted basis (often referred to as your basis or your basis for depreciation) to figure your depreciation using the MACRS depreciation chart, explained later under Modified Accelerated Cost Recovery System (MACRS). Your unadjusted basis for figuring depreciation is your original basis increased or decreased by certain amounts.

To figure your unadjusted basis, begin with your car's original basis, which is generally its cost. Cost includes sales taxes (see Sales taxes, earlier), destination charges, and dealer preparation. Increase your basis by any substantial improvements you make to your car, such as adding air conditioning or a new engine. Decrease your basis by any section 179 deduction, special depreciation allowance, gas guzzler tax, and vehicle credits claimed. See Pub. 551, Basis of Assets, for further details.

CAUTION *If your business use later falls to 50% or less, you may have to recapture (include in your income) any excess depreciation. See Car Used 50% or Less for Business, later, for more information.*

If you acquired the car by gift or inheritance, see Pub. 551, Basis of Assets, for information on your basis in the car.

Improvements. A major improvement to a car is treated as a new item of 5-year recovery property. It is treated as placed in service in the year the improvement is made. It doesn't matter how old the car is when the improvement is added. Follow the same steps for depreciating the improvement as you would for depreciating the original cost of the car. However, you must treat the improvement and the car as a whole when applying the limits on the depreciation deductions. Your car's depreciation deduction for the year (plus any section 179 deduction, special depreciation allowance, and depreciation on any improvements) can't be more than the depreciation limit that applies for that year. See Depreciation Limits, later.

Car trade-in. If you traded one car (the "old car") for another car (the "new car") in 2023, you must treat the transaction as a disposition of the old car and the purchase of the new car. You must treat the old car as disposed of at the time of the trade-in. The depreciable basis of the new car is the adjusted basis of the old car (figured as if 100% of the car's use had been for business purposes) plus any additional amount you paid for the new car. You then figure your depreciation deduction for the new car beginning with the date you placed it in service. You must also complete Form 2106, Part II, Section D. This method is explained later, beginning at Effect of trade-in on basis.

CAUTION *Form 2106 is only used by Armed Forces reservists, qualified performing artists, fee-basis state or local government officials, and employees with impairment-related work expenses. Due to the suspension of miscellaneous itemized deductions subject to the 2% floor under section 67(a), employees who do not fit into one of the listed categories may not use Form 2106.*

Effect of trade-in on basis. The discussion that follows applies to trade-ins of cars in 2023, where the election was made to treat the transaction as a disposition of the old car and the purchase of the new car. For information on how to figure depreciation for cars involved in a like-kind exchange (trade-in) in 2023, for which the election wasn't made, see Pub. 946 and Regulations section 1.168(i)-6(d)(3).

Note. Like-kind exchanges completed after December 31, 2017, are generally limited to exchanges of real property not held primarily for sale. Regulations section 1.168(i)-6 doesn't reflect this change in law.

Traded car used only for business. If you trade in a car you used only in your business for another car that will be used only in your business, your original basis in the new car is your adjusted basis in the old car, plus any additional amount you pay for the new car.

Example. You trade in a car that has an adjusted basis of $5,000 for a new car. In addition, you pay cash of $20,000 for the new car. Your original basis of the new car is $25,000 (your $5,000 adjusted basis in the old car plus the $20,000 cash paid). Your unadjusted basis is $25,000 unless you claim the section 179 deduction, special depreciation allowance, or have other increases or decreases to your original basis, discussed under Unadjusted basis, earlier.

Traded car used partly in business. If you trade in a car you used partly in your business for a new car you will use in your business, you must make a "trade-in" adjustment for the personal use of the old car. This adjustment has the effect of reducing your basis in your old car, but not below zero, for purposes of figuring your depreciation deduction for the new car. (This adjustment isn't used, however, when you determine the gain or loss on the later disposition of the new car. See Pub. 544, Sales and Other Dispositions of Assets, for information on how to report the disposition of your car.)

To figure the unadjusted basis of your new car for depreciation, first add to your adjusted basis in the old car any additional amount you pay for the new car. Then subtract from that total the excess, if any, of:

1. The total of the amounts that would have been allowable as depreciation during the tax years before the trade if 100% of the use of the car had been business and investment use, over
2. The total of the amounts actually allowed as depreciation during those years.

For information about figuring depreciation, see *Modified Accelerated Cost Recovery System (MACRS)* next.

Modified Accelerated Cost Recovery System (MACRS). MACRS is the name given to the tax rules for getting back (recovering) through depreciation deductions the cost of property used in a trade or business or to produce income.

The maximum amount you can deduct is limited, depending on the year you placed your car in service. See *Depreciation Limits*, later.

Recovery period. Under MACRS, cars are classified as 5-year property. You actually depreciate the cost of a car, truck, or van over a period of 6 calendar years. This is because your car is generally treated as placed in service in the middle of the year, and you claim depreciation for one-half of both the first year and the sixth year.

For more information on the qualifications for this shorter recovery period and the percentages to use in figuring the depreciation deduction, see chapter 4 of Pub. 946.

Depreciation methods. You can use one of the following methods to depreciate your car.

- The 200% declining balance method (200% DB) over a 5-year recovery period that switches to the straight line method when that method provides an equal or greater deduction.
- The 150% declining balance method (150% DB) over a 5-year recovery period that switches to the straight line method when that method provides an equal or greater deduction.
- The straight line method (SL) over a 5-year recovery period.

TIP *If you use Table 4-1 (discussed later) to determine your depreciation rate for 2023, you don't need to determine in what year using the straight line method provides an equal or greater deduction. This is because the chart has the switch to the straight line method built into its rates.*

Before choosing a method, you may wish to consider the following facts.

- Using the straight line method provides equal yearly deductions throughout the recovery period.
- Using the declining balance methods provides greater deductions during the earlier recovery years with the deductions generally getting smaller each year.

MACRS depreciation chart. A 2023 MACRS Depreciation Chart and instructions are included in this chapter as Table 4-1. Using this table will make it easy for you to figure the 2023 depreciation deduction for your car. A similar chart appears in the Instructions for Form 2106.

CAUTION *You may have to use the tables in Pub. 946 instead of using this MACRS Depreciation Chart.*

You must use the Depreciation Tables in Pub. 946 rather than the 2023 MACRS Depreciation Chart in this publication if any one of the following three conditions applies to you.

1. You file your return on a fiscal year basis.
2. You file your return for a short tax year (less than 12 months).
3. During the year, all of the following conditions apply.
   a. You placed some property in service from January through September.
   b. You placed some property in service from October through December.
   c. Your basis in the property you placed in service from October through December (excluding nonresidential real property, residential rental property, and property placed in service and disposed of in the same year) was more than 40% of your total bases in all property you placed in service during the year.

Depreciation in future years. If you use the percentages from the chart, you generally must continue to use them for the entire recovery period of your car. However, you can't continue to use the chart if your basis in your car is adjusted because of a casualty. In that case, for the year of the adjustment and the remaining recovery period, figure the depreciation without the chart using your adjusted basis in the car at the end of the year of the adjustment and over the remaining recovery period. See *Figuring the Deduction Without Using the Tables* in chapter 4 of Pub. 946.

TIP *In future years, don't use the chart in this edition of the publication. Instead, use the chart in the publication or the form instructions for those future years.*

Disposition of car during recovery period. If you dispose of the car before the last year of the recovery period, you are generally allowed a half-year of depreciation in the year of disposition. This rule applies unless the mid-quarter convention applies to the vehicle being disposed of. See *Depreciation deduction for the year of disposition* under *Disposition of a Car*, later, for information on how to figure the depreciation allowed in the year of disposition.

How to use the 2023 chart. To figure your depreciation deduction for 2023, find the percentage in the column of Table 4-1 based on the date that you first placed the car in service and the depreciation method that you are using. Multiply the unadjusted basis of your car (defined earlier) by that percentage to determine the amount of your depreciation deduction. If you prefer to figure your depreciation deduction without the help of the chart, see Pub. 946.

CAUTION *Your deduction can't be more than the maximum depreciation limit for cars. See Depreciation Limits, later.*

Example. You bought a used truck in February 2022 to use exclusively in your landscape business. You paid $9,200 for the truck with no trade-in. You didn't claim any section 179 deduction, the truck didn't qualify for the special depreciation allowance, and you chose to use the 200% DB method to get the largest depreciation deduction in the early years.

You used the MACRS Depreciation Chart in 2022 to find your percentage. The unadjusted basis of the truck equals its cost because you used it exclusively for business. You multiplied the unadjusted basis of the truck, $9,200, by the percentage that applied, 20%, to figure your 2022 depreciation deduction of $1,840.

In 2023, you used the truck for personal purposes when you repaired your parent's cabin. Your records show that the business use of the truck was 90% in 2023. You used Table 4-1 to find your percentage. Reading down the first column for the date placed in service and across to the 200% DB column, you locate your percentage, 32%. You multiply the unadjusted basis of the truck, $8,280 ($9,200 cost × 90% (0.90) business use), by 32% (0.32) to figure your 2023 depreciation deduction of $2,650.

Depreciation Limits

There are limits on the amount you can deduct for depreciation of your car, truck, or van. The section 179 deduction and special depreciation allowance are treated as depreciation for purposes of the limits. The maximum amount you can deduct each year depends on the date you acquired the passenger automobile and the year you place the passenger automobile in service. These limits are shown in the following tables for 2023.

Maximum Depreciation Deduction for Passenger Automobiles (Including Trucks and Vans) Acquired Before September 28, 2017, and Placed in Service During 2018–2023

Date Placed in Service	1st Year	2nd Year	3rd Year	4th & Later Years
2023	$12,200	$19,500	$11,700	$6,960
2022	11,200	18,000	10,800	6,460
2021	10,200	16,400	9,800	5,860
2020	10,100	16,100	9,700	5,760
2019	14,900[1]	16,100	9,700	5,760
2018	16,400[2]	16,000	9,600	5,760

[1] $10,100 if the passenger automobile isn't qualified property or if you elect not to claim the special depreciation allowance.

[2] $10,000 if the passenger automobile isn't qualified property or if you elect not to claim the special depreciation allowance.

Maximum Depreciation Deduction for Passenger Automobiles (Including Trucks and Vans) Acquired After September 27, 2017, and Placed in Service During 2018 or Later

Date Placed in Service	1st Year	2nd Year	3rd Year	4th & Later Years
2023	$20,200[1]	$19,500	$11,700	$6,960
2022	19,200[2]	18,000	10,800	6,460
2021	18,200[3]	16,400	9,800	5,860
2019–2020	18,100[4]	16,100	9,700	5,760
2018	18,000[5]	16,000	9,600	5,760

[1] $12,200 if the passenger automobile isn't qualified property or if you elect not to claim the special depreciation allowance.

[2] $11,200 if the passenger automobile isn't qualified property or if you elect not to claim the special depreciation allowance.

[3] $10,200 if the passenger automobile isn't qualified property or if you elect not to claim the special depreciation allowance.

[4] $10,100 if the passenger automobile isn't qualified property or if you elect not to claim the special depreciation allowance.

[5] $10,000 if the passenger automobile isn't qualified property or if you elect not to claim the special depreciation allowance.

The maximum amount you can deduct each year depends on the year you place the car in service. These limits are shown in the following tables for prior years.

Maximum Depreciation Deduction for Cars Placed in Service Prior to 2018

Date Placed in Service	1st Year	2nd Year	3rd Year	4th & Later Years
2012–2017	$11,160[1]	$5,100	$3,050	$1,875
2010–2011	11,060[2]	4,900	2,950	1,775
2008–2009	10,960[3]	4,800	2,850	1,775
2007	3,060	4,900	2,850	1,775
2006	2,960	4,800	2,850	1,775
2005	2,960	4,700	2,850	1,675
2004	10,610[3]	4,800	2,850	1,675
5/06/2003–12/31/2003	10,710[4]	4,900	2,950	1,775
1/01/2003–5/05/2003	7,660[5]	4,900	2,950	1,775

[1] $3,160 if the car isn't qualified property or if you elect not to claim the special depreciation allowance.

[2] $3,060 if the car isn't qualified property or if you elect not to claim the special depreciation allowance.

[3] $2,960 if the car isn't qualified property or if you elect not to claim the special depreciation allowance.

[4] $7,660 if you acquired the car before 5/06/2003. $3,060 if the car isn't qualified property or if you elect not to claim any special depreciation allowance.

[5] $3,060 if you acquired the car before 9/11/2001, the car isn't qualified property, or you elect not to claim the special depreciation allowance.

Trucks and vans. For tax years prior to 2018, the maximum depreciation deductions for trucks and vans are generally higher than those for cars. A truck or van is a passenger automobile that is classified by the manufacturer as a truck or van and rated at 6,000 pounds gross vehicle weight or less.

Maximum Depreciation Deduction for Trucks and Vans Placed in Service Prior to 2018

Maximum Depreciation Deduction for Trucks and Vans Placed in Service Prior to 2018

Date Placed in Service	1st Year	2nd Year	3rd Year	4th & Later Years
2017	$11,560[1]	$5,700	$3,450	$2,075
2016	11,560[1]	5,700	3,350	2,075
2015	11,460[1]	5,600	3,350	1,975
2014	11,460[1]	5,500	3,350	1,975
2013	11,360[1]	5,400	3,250	1,975
2012	11,360[1]	5,300	3,150	1,875
2011	11,260[1]	5,200	3,150	1,875
2010	11,160[1]	5,100	3,050	1,875
2009	11,060[1]	4,900	2,950	1,775
2008	11,160[1]	5,100	3,050	1,875
2007	3,260	5,200	3,050	1,875
2005–2006	3,260	5,200	3,150	1,875
2004	10,910[1]	5,300	3,150	1,875
2003	11,010[1, 2]	5,400	3,250	1,975

[1] If the special depreciation allowance doesn't apply or you make the election not to claim the special depreciation allowance, the first-year limit is $3,560 for 2017 and 2016, $3,460 for 2015 and 2014, $3,360 for 2013 and 2012, $3,260 for 2011, $3,160 for 2010, $3,060 for 2009, $3,160 for 2008, $3,260 for 2004, and $3,360 for 2003.

[2] If the truck or van was acquired before 5/06/2003, the truck or van is qualified property, and you claim the special depreciation allowance for the truck or van, the maximum deduction is $7,960.

Car used less than full year. The depreciation limits aren't reduced if you use a car for less than a full year. This means that you don't reduce the limit when you either place a car in service or dispose of a car during the year. However, the depreciation limits are reduced if you don't use the car exclusively for business and investment purposes. See *Reduction for personal use* next.

Reduction for personal use. The depreciation limits are reduced based on your percentage of personal use. If you use a car less than 100% in your business or work, you must determine the depreciation deduction limit by multiplying the limit amount by the percentage of business and investment use during the tax year.

Section 179 deduction. The section 179 deduction is treated as a depreciation deduction. If you acquired a passenger automobile (including trucks and vans) after September 27, 2017, and placed it in service in 2023, use it only for business, and choose the section 179 deduction, the special depreciation allowance and depreciation deduction for that vehicle for 2023 is limited to $20,200.

Example. On September 4, 2023, you bought and placed in service a used car for $15,000. You used it 80% for your business, and you choose to take a section 179 deduction for the car. The car isn't qualified property for purposes of the special depreciation allowance.

Before applying the limit, you figure your maximum section 179 deduction to be $12,000. This is the cost of your qualifying property (up to the maximum $1,160,000 amount) multiplied by your business use ($15,000 × 80% (0.80)).

You then figure that your section 179 deduction for 2023 is limited to $9,760 (80% of $12,200). You then figure your unadjusted basis of $2,440 (($15,000 × 80% (0.80)) − $9,760) for determining your depreciation deduction. You have reached your maximum depreciation deduction for 2023. For 2024, you will use your unadjusted basis of $2,440 to figure your depreciation deduction.

Deductions in years after the recovery period. If the depreciation deductions for your car are reduced under the passenger automobile limits (discussed earlier), you will have unrecovered basis in your car at the end of the recovery period. If you continue to use your car for business, you can deduct that unrecovered basis (subject to depreciation limits) after the recovery period ends.

Unrecovered basis. This is your cost or other basis in the car reduced by any clean-fuel vehicle deduction (for vehicles placed in service before January 1, 2006), alternative motor vehicle credit, electric vehicle credit, gas guzzler tax, and depreciation (including any special depreciation allowance, discussed earlier, unless you elect not to claim it) and section 179 deductions that would have been allowable if you had used the car 100% for business and investment use.

The recovery period. For 5-year property, your recovery period is 6 calendar years. A part year's depreciation is allowed in the first calendar year, a full year's depreciation is allowed in each of the next 4 calendar years, and a part year's depreciation is allowed in the 6th calendar year.

Under MACRS, your recovery period is the same whether you use declining balance or straight line depreciation. You determine your unrecovered basis in the 7th year after you placed the car in service.

How to treat unrecovered basis. If you continue to use your car for business after the recovery period, you can claim a depreciation deduction in each succeeding tax year until you recover your basis in the car. The maximum amount you can deduct each year is determined by the date you placed the car in service and your business-use percentage. For example, no deduction is allowed for a year you use your car 100% for personal purposes.

Example. In April 2017, you bought and placed in service a car you used exclusively in your business. The car cost $31,500. You didn't claim a section 179 deduction or the special depreciation allowance for the car. You continued to use the car 100% in your business throughout the recovery period (2017 through 2022). For those years, you used the MACRS Depreciation Chart (200% DB method), the Maximum Depreciation Deduction for Cars Placed in Service Prior to 2018 table and Maximum Depreciation Deduction for Passenger Automobiles (Including Trucks and Vans) Acquired Before September 28, 2017, and Placed in Service During 2018–2023 table, earlier, for the applicable tax year to figure your depreciation deductions during the recovery period. Your depreciation deductions were subject to the depreciation limits, so you will have unrecovered basis at the end of the recovery period as shown in the following table.

Year	MACRS %	Amount	Limit	Deprec. Allowed
2017	20.00	$6,300	$3,160	$3,160
2018	32.00	10,080	5,100	5,100
2019	19.20	6,048	3,050	3,050
2020	11.52	3,629	1,875	1,875
2021	11.52	3,629	1,875	1,875
2022	5.76	1,814	1,875	1,814
Total		**$31,500**		**$16,874**

For the correct limit, see the Maximum Depreciation Deduction for Cars Placed in Service Prior to 2018 table and the Maximum Depreciation Deduction for Passenger Automobiles (Including Trucks and Vans) Acquired Before September 28, 2017, and Placed in Service During 2018–2023 table under *Depreciation Limits*, earlier, for the maximum amount of depreciation allowed each year.

At the end of 2022, you had an unrecovered basis in the car of $14,626 ($31,500 – $16,874). If you continued to use the car 100% for business in 2023 and later years, you can claim a depreciation deduction equal to the lesser of $1,875 or your remaining unrecovered basis.

If your business use of the car was less than 100% during any year, your depreciation deduction would be less than the maximum amount allowable for that year. However, in determining your unrecovered basis in the car, you would still reduce your original basis by the maximum amount allowable as if the business use had been 100%. For example, if you had used your car 60% for business instead of 100%, your allowable depreciation deductions would have been $10,124 ($16,874 × 60% (0.60)), but you still would have to reduce your basis by $16,874 to determine your unrecovered basis.

Car Used 50% or Less for Business

If you use your car 50% or less for qualified business use (defined earlier under *Depreciation Deduction*) either in the year the car is placed in service or in a later year, special rules apply. The rules that apply in these two situations are explained in the following paragraphs. (For this purpose, "car" was defined earlier under *Actual Car Expenses* and includes certain trucks and vans.)

Qualified business use 50% or less in year placed in service. If you use your car 50% or less for qualified business use, the following rules apply.

- You can't take the section 179 deduction.
- You can't take the special depreciation allowance.
- You must figure depreciation using the straight line method over a 5-year recovery period. You must continue to use the straight line method even if your percentage of business use increases to more than 50% in a later year.

Instead of making the computation yourself, you can use column (c) of Table 4-1 to find the percentage to use.

Example. In May 2023, you bought and placed in service a car for $17,500. You used it 40% for your consulting business. Because you didn't use the car more than 50% for business, you can't take any section 179 deduction or special depreciation allowance, and you must use the straight line method over a 5-year recovery period to recover the cost of your car.

You deduct $700 in 2023. This is the lesser of:

1. $700 (($17,500 cost × 40% (0.40) business use) × 10% (0.10) recovery percentage (from column (c) of Table 4-1)), or
2. $4,880 ($12,200 maximum limit × 40% (0.40) business use).

Qualified business use 50% or less in a later year. If you use your car more than 50% in qualified business use in the tax year it is placed in service but the business use drops to 50% or less in a later year, you can no longer use an accelerated depreciation method for that car.

For the year the business use drops to 50% or less and all later years in the recovery period, you must use the straight line depreciation method over a 5-year recovery period. In addition, for the year your business use drops to 50% or less, you must recapture (include in your gross income) any excess depreciation (discussed later). You also increase the adjusted basis of your car by the same amount.

Example. In June 2020, you purchased a car for exclusive use in your business. You met the more-than-50%-use test for the first 3 years of the recovery period (2020 through 2022) but failed to meet it in the fourth year (2023). You determine your depreciation for 2023 using 20% (from column (c) of Table 4-1). You will also have to determine and include in your gross income any excess depreciation, discussed next.

Excess depreciation. You must include any excess depreciation in your gross income and add it to your car's adjusted basis for the first tax year in which you don't use the car more than 50% in qualified business use. Use Form 4797, Sales of Business Property, to figure and report the excess depreciation in your gross income.

Excess depreciation is:

1. The amount of the depreciation deductions allowable for the car (including any section 179 deduction

Table 4-1. **2023 MACRS Depreciation Chart (Use To Figure Depreciation for 2023)**

If you claim actual expenses for your car, use the chart below to find the depreciation method and percentage to use for your 2023 return for cars placed in service in 2023.

First, using the left column, find the date you first placed the car in service in 2023. Then select the depreciation method and percentage from column (a), (b), or (c) following the rules explained in this chapter.

For cars placed in service before 2023, you must use the same method you used on last year's return unless a decline in your business use requires you to change to the straight line method. Refer back to the MACRS Depreciation Chart for the year you placed the car in service. (See *Car Used 50% or Less for Business*, earlier.)

Multiply the unadjusted basis of your car by your business-use percentage. Multiply the result by the percentage you found in the chart to find the amount of your depreciation deduction for 2023. (Also see *Depreciation Limits*, earlier.)

CAUTION

If you placed your car in service after September of any year and you placed other business property in service during the same year, you may have to use the Jan. 1–Sept. 30 percentage instead of the Oct. 1–Dec. 31 percentage for your car. To find out if this applies to you, determine: 1) the basis of all business property (including other cars) you placed in service after September of that year, and 2) the basis of all business property you placed in service during that entire year. If the basis of the property placed in service after September isn't more than 40% of the basis of all property (certain property is excluded) placed in service for the entire year, use the percentage for Jan. 1–Sept. 30 for figuring depreciation for your car. See Which Convention Applies? in chapter 4 of Pub. 946 for more details.

Example. You buy machinery (basis of $32,000) in May 2023 and a new van (basis of $20,000) in October 2023, both used 100% in your business. You use the percentage for Jan. 1–Sept. 30, 2023, to figure the depreciation for your van. This is because the $20,000 basis of the property (van) placed in service after September isn't more than 40% of the basis of all property placed in service during the year (40% (0.40) × ($32,000 + 20,000) = $20,800).

	(a)	(b)	(c)
Date Placed in Service	**200% Declining Balance (200% DB)[1]**	**150% Declining Balance (150% DB)[1]**	**Straight Line (SL)**
Oct. 1–Dec. 31, 2023	200 DB 5.0%	150 DB 3.75%	SL 2.5%
Jan. 1–Sept. 30, 2023	200 DB 20.0	150 DB 15.0	SL 10.0
Oct. 1–Dec. 31, 2022	200 DB 38.0	150 DB 28.88	SL 20.0
Jan. 1–Sept. 30, 2022	200 DB 32.0	150 DB 25.5	SL 20.0
Oct. 1–Dec. 31, 2021	200 DB 22.8	150 DB 20.21	SL 20.0
Jan. 1–Sept. 30, 2021	200 DB 19.2	150 DB 17.85	SL 20.0
Oct. 1–Dec. 31, 2020	200 DB 13.68	150 DB 16.4	SL 20.0
Jan. 1–Sept. 30, 2020	200 DB 11.52	150 DB 16.66	SL 20.0
Oct. 1–Dec. 31, 2019	200 DB 10.94	150 DB 16.41	SL 20.0
Jan. 1–Sept. 30, 2019	200 DB 11.52	150 DB 16.66	SL 20.0
Oct. 1–Dec. 31, 2018	200 DB 9.58	150 DB 14.35	SL 17.5
Jan. 1–Sept. 30, 2018	200 DB 5.76	150 DB 8.33	SL 10.0
Prior to 2018[2]			

[1] You can use this column only if the business use of your car is more than 50%.

[2] If your car was subject to the maximum limits for depreciation and you have unrecovered basis in the car, you can continue to claim depreciation. See *Deductions in years after the recovery period* under *Depreciation Limits*, earlier.

claimed and any special depreciation allowance claimed) for tax years in which you used the car more than 50% in qualified business use, minus

2. The amount of the depreciation deductions that would have been allowable for those years if you hadn't used the car more than 50% in qualified business use for the year you placed it in service. This means the amount of depreciation figured using the straight line method.

Example. In September 2019, you bought a car for $20,500 and placed it in service. You didn't claim the section 179 deduction or the special depreciation allowance. You used the car exclusively in qualified business use for 2019, 2020, 2021, and 2022. For those years, you used the appropriate MACRS Depreciation Chart to figure depreciation deductions totaling $13,185 ($3,160 for 2019, $5,100 for 2020, $3,050 for 2021, and $1,875 for 2022) under the 200% DB method.

During 2023, you used the car 30% for business and 70% for personal purposes. Since you didn't meet the more-than-50%-use test, you must switch from the 200% DB depreciation method to the straight line depreciation method for 2023, and include in gross income for 2023 your excess depreciation determined as follows.

Total depreciation claimed:		
(MACRS 200% DB method)		$13,185
Minus total depreciation allowable:		
(Straight line method)		
2019—10% of $20,500 (Limit: $3,160)	$2,050	
2020—20% of $20,500 (Limit: $5,100)	4,100	
2021—20% of $20,500 (Limit: $3,050)	3,050	
2022—20% of $20,500 (Limit: $1,875)	1,875	−11,075
Excess depreciation		**$2,110**

For the correct limit, see the Maximum Depreciation Deduction for Cars Placed in Service Prior to 2018 table and the Maximum Depreciation Deduction for Passenger Automobiles (Including Trucks and Vans) Acquired Before September 28, 2017, and Placed in Service During 2018-2023 table under *Depreciation Limits*, earlier, for the maximum amount of depreciation allowed each year.

In 2023, using Form 4797, you figure and report the $2,110 excess depreciation you must include in your gross income. Your adjusted basis in the car is also increased by $2,110. Your 2023 depreciation is $1,230 ($20,500 (unadjusted basis) × 30% (0.30) (business-use percentage) × 20% (0.20) (from column (c) of Table 4-1 on the line for Jan. 1–Sept. 30, 2019)). However, your depreciation deduction is limited to $563 ($1,875 x 30% (0.30) business use).

Leasing a Car

If you lease a car, truck, or van that you use in your business, you can use the standard mileage rate or actual expenses to figure your deductible expense. This section explains how to figure actual expenses for a leased car, truck, or van.

Deductible payments. If you choose to use actual expenses, you can deduct the part of each lease payment that is for the use of the vehicle in your business. You can't deduct any part of a lease payment that is for personal use of the vehicle, such as commuting.

You must spread any advance payments over the entire lease period. You can't deduct any payments you make to buy a car, truck, or van even if the payments are called "lease payments."

If you lease a car, truck, or van for 30 days or more, you may have to reduce your lease payment deduction by an "inclusion amount," explained next.

Inclusion Amounts

If you lease a car, truck, or van that you use in your business for a lease term of 30 days or more, you may have to include an inclusion amount in your income for each tax year you lease the vehicle. To do this, you don't add an amount to income. Instead, you reduce your deduction for your lease payment. (This reduction has an effect similar to the limit on the depreciation deduction you would have on the vehicle if you owned it.)

The inclusion amount is a percentage of part of the fair market value of the leased vehicle multiplied by the percentage of business and investment use of the vehicle for the tax year. It is prorated for the number of days of the lease term in the tax year.

The inclusion amount applies to each tax year that you lease the vehicle if the fair market value (defined next) when the lease began was more than the amounts shown in the following tables.

All vehicles are subject to a single inclusion amount threshold for passenger automobiles leased and put into service in 2023. You may have an inclusion amount for a passenger automobile if:

Passenger Automobiles (Including Trucks and Vans)

Year Lease Began	Fair Market Value
2023	$60,000
2022	56,000
2021	51,000
2018*–2020	50,000

*If the lease term began before 2018, see tables below to find out if you have an inclusion amount.

For years prior to 2018, see the inclusion tables below. You may have an inclusion amount for a passenger automobile if:

Cars (Except for Trucks and Vans)

Year Lease Began	Fair Market Value
2013–2017	$19,000
2010–2012	18,500

Trucks and Vans

Year Lease Began	Fair Market Value
2014–2017	$19,500
2010–2013	19,000

Fair market value. Fair market value is the price at which the property would change hands between a willing buyer and seller, neither having to buy or sell, and both having reasonable knowledge of all the necessary facts. Sales of similar property around the same date may be helpful in figuring the fair market value of the property.

Figure the fair market value on the first day of the lease term. If the capitalized cost of a car is specified in the lease agreement, use that amount as the fair market value.

Figuring the inclusion amount. Inclusion amounts for tax years 2018–2023 are listed in *Appendices A-1 through A-6* for passenger vehicles (including trucks and vans). If the fair market value of the vehicle is $100,000 or less, use the appropriate appendix (depending on the year you first placed the vehicle in service) to determine the inclusion amount. If the fair market value is more than $100,000, see the revenue procedure(s) identified in the footnote of that year's appendix for the inclusion amount.

For each tax year during which you lease the car for business, determine your inclusion amount by following these three steps.

1. Locate the appendix that applies to you. To find the inclusion amount, do the following.
   a. Find the line that includes the fair market value of the car on the first day of the lease term.
   b. Go across the line to the column for the tax year in which the car is used under the lease to find the dollar amount. For the last tax year of the lease, use the dollar amount for the preceding year.
2. Prorate the dollar amount from (1b) for the number of days of the lease term included in the tax year.
3. Multiply the prorated amount from (2) by the percentage of business and investment use for the tax year. This is your inclusion amount.

Example. On January 17, 2023, you leased a car for 3 years and placed it in service for use in your business. The car had a fair market value of $62,500 on the first day of the lease term. You use the car 75% for business and 25% for personal purposes during each year of the lease. Assuming you continue to use the car 75% for business, you use *Appendix A-6* to arrive at the following inclusion amounts for each year of the lease. For the last tax year of the lease, 2026, you use the amount for the preceding year.

Tax year	Dollar amount	Proration	Business use	Inclusion amount
2023	$13	348/365	75%	$9
2024	29	366/366	75%	22
2025	43	365/365	75%	32
2026	43	16/365	75%	1

Note. 2024 is a leap year and includes an extra calendar day, February 29, 2024.

For each year of the lease that you deduct lease payments, you must reduce your deduction by the inclusion amount figured for that year.

Leased car changed from business to personal use. If you lease a car for business use and, in a later year, change it to personal use, follow the rules explained earlier under *Figuring the inclusion amount*. For the tax year in which you stop using the car for business, use the dollar amount for the previous tax year. Prorate the dollar amount for the number of days in the lease term that fall within the tax year.

Example. On August 16, 2022, you leased a car with a fair market value of $64,500 for 3 years. You used the car exclusively in your data processing business. On November 6, 2023, you closed your business and went to work for a company where you aren't required to use a car for business. Using *Appendix A-5*, you figured your inclusion amount for 2022 and 2023 as shown in the following table and reduced your deductions for lease payments by those amounts.

Tax year	Dollar amount	Proration	Business use	Inclusion amount
2022	$11	137/365	100%	$4
2023	11	309/365	100%	9

Leased car changed from personal to business use. If you lease a car for personal use and, in a later year, change it to business use, you must determine the car's fair market value on the date of conversion. Then figure the inclusion amount using the rules explained earlier under *Figuring the inclusion amount*. Use the fair market value on the date of conversion.

Example. In March 2021, you leased a truck for 4 years for personal use. On June 1, 2023, you started working as a self-employed advertising consultant and started using the leased truck for business purposes. Your records show that your business use for June 1 through December 31 was 60%. To figure your inclusion amount for 2023, you obtained an appraisal from an independent car leasing company that showed the fair market value of your 2021 truck on June 1, 2023, was $62,650. Using *Appendix A-6*, you figured your inclusion amount for 2023 as shown in the following table.

Tax year	Dollar amount	Proration	Business use	Inclusion amount
2023	$13	214/365	60%	$5

Reporting inclusion amounts. For information on reporting inclusion amounts, employees should see *Car rentals* under *Completing Forms 2106* in chapter 6. Sole proprietors should see the Instructions for Schedule C (Form 1040), and farmers should see the Instructions for Schedule F (Form 1040).

Disposition of a Car

If you dispose of your car, you may have a taxable gain or a deductible loss. The portion of any gain that is due to depreciation (including any section 179 deduction, clean-fuel vehicle deduction (for vehicles placed in service before January 1, 2006), and special depreciation allowance) that you claimed on the car will be treated as ordinary income. However, you may not have to recognize a gain or loss if you dispose of the car because of a casualty or theft.

This section gives some general information about dispositions of cars. For information on how to report the disposition of your car, see Pub. 544.

Note. Like-kind exchanges completed after December 31, 2017, are generally limited to exchanges of real property not held primarily for sale.

Casualty or theft. For a casualty or theft, a gain results when you receive insurance or other reimbursement that is more than your adjusted basis in your car. If you then spend all of the proceeds to acquire replacement property (a new car or repairs to the old car) within a specified period of time, you don't recognize any gain. Your basis in the replacement property is its cost minus any gain that isn't recognized. See Pub. 547 for more information.

Trade-in. When you trade in an old car for a new one, the transaction is considered a like-kind exchange. Generally, no gain or loss is recognized. (For exceptions, see chapter 1 of Pub. 544.) In a trade-in situation, your basis in the new property is generally your adjusted basis in the old property plus any additional amount you pay. (See *Unadjusted basis*, earlier.)

Depreciation adjustment when you used the standard mileage rate. If you used the standard mileage rate for the business use of your car, depreciation was included in that rate. The rate of depreciation that was allowed in the standard mileage rate is shown in the Rate of Depreciation Allowed in Standard Mileage Rate table, later. You must reduce your basis in your car (but not below zero) by the amount of this depreciation.

If your basis is reduced to zero (but not below zero) through the use of the standard mileage rate, and you continue to use your car for business, no adjustment (reduction) to the standard mileage rate is necessary. Use the full standard mileage rate (65.5 cents ($0.655) per mile from January 1–December 31 for 2023) for business miles driven.

TIP *These rates don't apply for any year in which the actual expenses method was used.*

Rate of Depreciation Allowed in Standard Mileage Rate

Year(s)	Depreciation Rate per Mile
2023	0.28
2021–2022	0.26
2020	0.27
2019	0.26
2017–2018	0.25
2015–2016	0.24
2014	0.22
2012–2013	0.23
2011	0.22
2010	0.23
2008–2009	0.21
2007	0.19
2005–2006	0.17
2003–2004	0.16
2001–2002	0.15
2000	0.14

Example. In 2018, you bought and placed in service a car for exclusive use in your business. The car cost $25,500. From 2018 through 2023, you used the standard mileage rate to figure your car expense deduction. You drove your car 14,100 miles in 2018, 16,300 miles in 2019, 15,600 miles in 2020, 16,700 miles in 2021, 15,100 miles in 2022, and 14,900 miles in 2023. The depreciation portion of your car expense deduction is figured as follows.

Year	Miles x Rate	Depreciation
2018	14,100 × $0.25	$3,525
2019	16,300 × 0.26	4,238
2020	15,600 × 0.27	4,212
2021	16,700 × 0.26	4,342
2022	15,100 × 0.26	3,926
2023	14,900 × 0.28	4,172
Total depreciation		**$24,415**

At the end of 2023, your adjusted basis in the car is $1,085 ($25,500 – $24,415).

Depreciation deduction for the year of disposition. If you deduct actual car expenses and you dispose of your car before the end of the recovery period (years 2 through 5), you are allowed a reduced depreciation deduction in the year of disposition.

Use the depreciation tables in Pub. 946 to figure the reduced depreciation deduction for a car disposed of in 2023.

The depreciation amounts computed using the depreciation tables in Pub. 946 for years 2 through 5 that you own your car are for a full year's depreciation. Years 1 and 6 apply the half-year or mid-quarter convention to the computation for you. If you dispose of the vehicle in years 2 through 5 and the half-year convention applies, then the full year's depreciation amount must be divided by 2. If the mid-quarter convention applies, multiply the full year's depreciation by the percentage from the following table for the quarter that you disposed of the car.

Quarter	Percentage
First	12.5%
Second	37.5
Third	62.5
Fourth	87.5

If the car is subject to the *Depreciation Limits*, discussed earlier, reduce (but do not increase) the computed depreciation to this amount. See *Sale or Other Disposition Before the Recovery Period Ends* in chapter 4 of Pub. 946 for more information.

5.

Recordkeeping

If you deduct travel, gift, or transportation expenses, you must be able to prove (substantiate) certain elements of expense. This chapter discusses the records you need to keep to prove these expenses.

If you keep timely and accurate records, you will have support to show the IRS if your tax return is ever examined. You will also have proof of expenses that your employer may require if you are reimbursed under an accountable plan. These plans are discussed in chapter 6 under *Reimbursements*.

How To Prove Expenses

Table 5-1 is a summary of records you need to prove each expense discussed in this publication. You must be able to prove the elements listed across the top portion of the chart. You prove them by having the information and receipts (where needed) for the expenses listed in the first column.

You can't deduct amounts that you approximate or estimate.

You should keep adequate records to prove your expenses or have sufficient evidence that will support your own statement. You must generally prepare a written record for it to be considered adequate. This is because written evidence is more reliable than oral evidence alone. However, if you prepare a record on a computer, it is considered an adequate record.

What Are Adequate Records?

You should keep the proof you need in an account book, diary, log, statement of expense, trip sheets, or similar record. You should also keep documentary evidence that, together with your record, will support each element of an expense.

Documentary evidence. You must generally have documentary evidence such as receipts, canceled checks, or bills, to support your expenses.

Exception. Documentary evidence isn't needed if any of the following conditions apply.

- You have meals or lodging expenses while traveling away from home for which you account to your employer under an accountable plan, and you use a per diem allowance method that includes meals and/or lodging. (Accountable plans and per diem allowances are discussed in chapter 6.)
- Your expense, other than lodging, is less than $75.
- You have a transportation expense for which a receipt isn't readily available.

Adequate evidence. Documentary evidence will ordinarily be considered adequate if it shows the amount, date, place, and essential character of the expense.

For example, a hotel receipt is enough to support expenses for business travel if it has all of the following information.

- The name and location of the hotel.
- The dates you stayed there.
- Separate amounts for charges such as lodging, meals, and telephone calls.

A restaurant receipt is enough to prove an expense for a business meal if it has all of the following information.

- The name and location of the restaurant.
- The number of people served.
- The date and amount of the expense.

If a charge is made for items other than food and beverages, the receipt must show that this is the case.

Canceled check. A canceled check, together with a bill from the payee, ordinarily establishes the cost. However, a canceled check by itself doesn't prove a business expense without other evidence to show that it was for a business purpose.

Duplicate information. You don't have to record information in your account book or other record that duplicates information shown on a receipt as long as your records and receipts complement each other in an orderly manner.

You don't have to record amounts your employer pays directly for any ticket or other travel item. However, if you charge these items to your employer, through a credit card or otherwise, you must keep a record of the amounts you spend.

Timely kept records. You should record the elements of an expense or of a business use at or near the time of the expense or use and support it with sufficient documentary evidence. A timely kept record has more value than a statement prepared later when there is generally a lack of accurate recall.

You don't need to write down the elements of every expense on the day of the expense. If you maintain a log on a weekly basis that accounts for use during the week, the log is considered a timely kept record.

If you give your employer, client, or customer an expense account statement, it can also be considered a timely kept record. This is true if you copy it from your account book, diary, log, statement of expense, trip sheets, or similar record.

Proving business purpose. You must generally provide a written statement of the business purpose of an expense. However, the degree of proof varies according to the circumstances in each case. If the business purpose of an expense is clear from the surrounding circumstances, then you don't need to give a written explanation.

Example. If you are a sales representative who calls on customers on an established sales route, you don't have to give a written explanation of the business purpose for traveling that route. You can satisfy the requirements by recording the length of the delivery route once, the date of each trip at or near the time of the trips, and the total miles you drove the car during the tax year. You could also establish the date of each trip with a receipt, record of delivery, or other documentary evidence.

Table 5-1. **How To Prove Certain Business Expenses**

IF you have expenses for . . .	THEN you must keep records that show details of the following elements . . .			
	Amount	**Time**	**Place or Description**	**Business Purpose Business Relationship**
Travel	Cost of each separate expense for travel, lodging, and meals. Incidental expenses may be totaled in reasonable categories such as taxis, fees and tips, etc.	Dates you left and returned for each trip and number of days spent on business.	Destination or area of your travel (name of city, town, or other designation).	Purpose: Business purpose for the expense or the business benefit gained or expected to be gained. Relationship: N/A
Gifts	Cost of the gift.	Date of the gift.	Description of the gift.	
Transportation	Cost of each separate expense. For car expenses, the cost of the car and any improvements, the date you started using it for business, the mileage for each business use, and the total miles for the year.	Date of the expense. For car expenses, the date of the use of the car.	Your business destination.	Purpose: Business purpose for the expense. Relationship: N/A

Confidential information. You don't need to put confidential information relating to an element of a deductible expense (such as the place, business purpose, or business relationship) in your account book, diary, or other record. However, you do have to record the information elsewhere at or near the time of the expense and have it available to fully prove that element of the expense.

What if I Have Incomplete Records?

If you don't have complete records to prove an element of an expense, then you must prove the element with:

- Your own written or oral statement containing specific information about the element, and
- Other supporting evidence that is sufficient to establish the element.

If the element is the description of a gift, or the cost, time, place, or date of an expense, the supporting evidence must be either direct evidence or documentary evidence. Direct evidence can be written statements or the oral testimony of your guests or other witnesses setting forth detailed information about the element. Documentary evidence can be receipts, paid bills, or similar evidence.

If the element is either the business relationship of your guests or the business purpose of the amount spent, the supporting evidence can be circumstantial rather than direct. For example, the nature of your work, such as making deliveries, provides circumstantial evidence of the use of your car for business purposes. Invoices of deliveries establish when you used the car for business.

Sampling. You can keep an adequate record for parts of a tax year and use that record to prove the amount of business or investment use for the entire year. You must demonstrate by other evidence that the periods for which an adequate record is kept are representative of the use throughout the tax year.

Example. You use your car to visit the offices of clients, meet with suppliers and other subcontractors, and pick up and deliver items to clients. There is no other business use of the car, but you and your family use the car for personal purposes. You keep adequate records during the first week of each month that show that 75% of the use of the car is for business. Invoices and bills show that your business use continues at the same rate during the later weeks of each month. Your weekly records are representative of the use of the car each month and are sufficient evidence to support the percentage of business use for the year.

Exceptional circumstances. You can satisfy the substantiation requirements with other evidence if, because of the nature of the situation in which an expense is made, you can't get a receipt. This applies if all the following are true.

- You were unable to obtain evidence for an element of the expense or use that completely satisfies the requirements explained earlier under *What Are Adequate Records*.
- You are unable to obtain evidence for an element that completely satisfies the two rules listed earlier under *What if I Have Incomplete Records*.

- You have presented other evidence for the element that is the best proof possible under the circumstances.

Destroyed records. If you can't produce a receipt because of reasons beyond your control, you can prove a deduction by reconstructing your records or expenses. Reasons beyond your control include fire, flood, and other casualties.

Separating and Combining Expenses

This section explains when expenses must be kept separate and when expenses can be combined.

Separating expenses. Each separate payment is generally considered a separate expense. For example, if you entertain a customer or client at dinner and then go to the theater, the dinner expense and the cost of the theater tickets are two separate expenses. You must record them separately in your records.

Combining items. You can make one daily entry in your record for reasonable categories of expenses. Examples are taxi fares, telephone calls, or other incidental travel costs. Nonentertainment meals should be in a separate category. You can include tips for meal-related services with the costs of the meals.

Expenses of a similar nature occurring during the course of a single event are considered a single expense.

Car expenses. You can account for several uses of your car that can be considered part of a single use, such as a round trip or uninterrupted business use, with a single record. Minimal personal use, such as a stop for lunch on the way between two business stops, isn't an interruption of business use.

Example. You make deliveries at several different locations on a route that begins and ends at your employer's business premises and that includes a stop at the business premises between two deliveries. You can account for these using a single record of miles driven.

Gift expenses. You don't always have to record the name of each recipient of a gift. A general listing will be enough if it is evident that you aren't trying to avoid the $25 annual limit on the amount you can deduct for gifts to any one person. For example, if you buy a large number of tickets to local high school basketball games and give one or two tickets to each of many customers, it is usually enough to record a general description of the recipients.

Allocating total cost. If you can prove the total cost of travel or entertainment but you can't prove how much it costs for each person who participated in the event, you may have to allocate the total cost among you and your guests on a pro rata basis. To do so, you must establish the number of persons who participated in the event.

If your return is examined. If your return is examined, you may have to provide additional information to the IRS. This information could be needed to clarify or to establish the accuracy or reliability of information contained in your records, statements, testimony, or documentary evidence before a deduction is allowed.

How Long To Keep Records and Receipts

You must keep records as long as they may be needed for the administration of any provision of the Internal Revenue Code. Generally, this means you must keep records that support your deduction (or an item of income) for 3 years from the date you file the income tax return on which the deduction is claimed. A return filed early is considered filed on the due date. For a more complete explanation of how long to keep records, see Pub. 583, Starting a Business and Keeping Records.

You must keep records of the business use of your car for each year of the recovery period. See *More-than-50%-use test* in chapter 4 under *Depreciation Deduction.*

Reimbursed for expenses. Employees who give their records and documentation to their employers and are reimbursed for their expenses generally don't have to keep copies of this information. However, you may have to prove your expenses if any of the following conditions apply.

- You claim deductions for expenses that are more than reimbursements.
- Your expenses are reimbursed under a nonaccountable plan.
- Your employer doesn't use adequate accounting procedures to verify expense accounts.
- You are related to your employer as defined under *Per Diem and Car Allowances* in chapter 6.

Reimbursements, adequate accounting, and nonaccountable plans are discussed in chapter 6.

Examples of Records

Table 5-2 and Table 5-3 are examples of worksheets that can be used for tracking business expenses.

Table 5-2. **Daily Business Mileage and Expense Log**

Name:

			Odometer Readings			Expenses	
Date	Destination (City, Town, or Area)	Business Purpose	Start	Stop	Miles this trip	Type (Gas, oil, tolls, etc.)	Amount
	Weekly Total						
Total Year-to-Date							

THIS IS NOT AN OFFICIAL INTERNAL REVENUE FORM

Table 5-3. **Weekly Traveling Expense Record**

From: **To:** **Name:**

Expenses	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total
1. Travel Expenses: Airlines								
Excess Baggage								
Bus – Train								
Cab and Limousine								
Tips								
Porter								
2. Non-Entertainment-Related Meals and Lodging: Breakfast								
Lunch								
Dinner								
Hotel and Motel (Detail in Schedule B)								
3. Other Expenses: Postage								
Telephone & Telegraph								
Stationery & Printing								
Stenographer								
Sample Room								
Advertising								
Assistant(s)								
Trade Shows								
4. Car Expenses: (List all car expenses—the division between business and personal expenses may be made at the end of the year.) (Detail mileage in Schedule A (if applicable).)								
Gas, oil, lube, wash								
Repairs, parts								
Tires, supplies								
Parking fees, tolls								
5. Other (Identify)								
Total								
Note: Attach receipted bills for (1) ALL lodging and (2) any other expenses of $75.00 or more.								
Schedule A—Car								
Mileage: End								
Start								
Total								
Business Mileage								
Schedule B—Lodging								
Hotel or Motel — Name								
Hotel or Motel — City								

WEEKLY REIMBURSEMENTS:

Travel and transportation expenses. . . . . . . ________________

Other reimbursements . . . . ________________

TOTAL . . . . ________________

6.

How To Report

This chapter explains where and how to report the expenses discussed in this publication. It discusses reimbursements and how to treat them under accountable and nonaccountable plans. It also explains rules for independent contractors and clients, fee-basis officials, certain performing artists, Armed Forces reservists, and certain disabled employees. The chapter ends with illustrations of how to report travel, gift, and car expenses on Forms 2106.

Where To Report

This section provides general information on where to report the expenses discussed in this publication.

Self-employed. You must report your income and expenses on Schedule C (Form 1040) if you are a sole proprietor, or on Schedule F (Form 1040) if you are a farmer. You don't use Form 2106.

If you claim car or truck expenses, you must provide certain information on the use of your vehicle. You provide this information on Schedule C (Form 1040) or Form 4562.

If you file Schedule C (Form 1040):

- Report your travel expenses, except meals, on line 24a;
- Report your deductible non-entertainment-related meals (actual cost or standard meal allowance) on line 24b;
- Report your gift expenses and transportation expenses, other than car expenses, on line 27a; and
- Report your car expenses on line 9. Complete Part IV of the form unless you have to file Form 4562 for depreciation or amortization.

If you file Schedule F (Form 1040), do the following.

- Report your car expenses on line 10. Attach Form 4562 and provide information on the use of your car in Part V of Form 4562.
- Report all other business expenses discussed in this publication on line 32. You can only include 50% of your non-entertainment-related meals on that line.

See your form instructions for more information on how to complete your tax return.

Both self-employed and an employee. If you are both self-employed and an employee, you must keep separate records for each business activity. Report your business expenses for self-employment on Schedule C (Form 1040), or Schedule F (Form 1040), as discussed earlier. Report your business expenses for your work as an employee on Form 2106, as discussed next.

CAUTION *Form 2106 is only used by Armed Forces reservists, qualified performing artists, fee-basis state or local government officials, and employees with impairment-related work expenses. Due to the suspension of miscellaneous itemized deductions subject to the 2% floor under section 67(a), employees who do not fit into one of the listed categories may not use Form 2106.*

Employees. If you are an employee, you must generally complete Form 2106 to deduct your travel and transportation expenses.

- You are an employee deducting expenses attributable to your job.
- You weren't reimbursed by your employer for your expenses (amounts included in box 1 of your Form W-2 aren't considered reimbursements).
- If you claim car expenses, you use the standard mileage rate.

For more information on how to report your expenses on Form 2106, see Completing Form 2106, later.

Gifts. If you didn't receive any reimbursements (or the reimbursements were all included in box 1 of your Form W-2), the only business expense you are claiming is for gifts, and the special rules discussed later don't apply to you, don't complete Form 2106.

Statutory employees. If you received a Form W-2 and the "Statutory employee" box in box 13 was checked, report your income and expenses related to that income on Schedule C (Form 1040). Don't complete Form 2106.

Statutory employees include full-time life insurance salespersons, certain agent or commission drivers, traveling salespersons, and certain homeworkers.

CAUTION *If you are entitled to a reimbursement from your employer but you don't claim it, you can't claim a deduction for the expenses to which that unclaimed reimbursement applies.*

Reimbursement for personal expenses. If your employer reimburses you for nondeductible personal expenses, such as for vacation trips, your employer must report the reimbursement as wage income in box 1 of your Form W-2. You can't deduct personal expenses.

Income-producing property. If you have travel or transportation expenses related to income-producing property, report your deductible expenses on the form appropriate for that activity.

For example, if you have rental real estate income and expenses, report your expenses on Schedule E (Form 1040), Supplemental Income and Loss. See Pub. 527, Residential Rental Property, for more information on the rental of real estate.

Vehicle Provided by Your Employer

If your employer provides you with a car, you may be able to deduct the actual expenses of operating that car for business purposes. The amount you can deduct depends on the amount that your employer included in your income and the business and personal miles you drove during the year. You can't use the standard mileage rate.

CAUTION *Form 2106 is only used by Armed Forces reservists, qualified performing artists, fee-basis state or local government officials, and employees with impairment-related work expenses. Due to the suspension of miscellaneous itemized deductions subject to the 2% floor under section 67(a), employees who do not fit into one of the listed categories may not use Form 2106.*

Value reported on Form W-2. Your employer can figure and report either the actual value of your personal use of the car or the value of the car as if you used it only for personal purposes (100% income inclusion). Your employer must separately state the amount if 100% of the annual lease value was included in your income. If you are unsure of the amount included on your Form W-2, ask your employer.

Full value included in your income. You may be able to deduct the value of the business use of an employer-provided car if your employer reported 100% of the value of the car in your income. On your 2023 Form W-2, the amount of the value will be included in box 1, Wages, tips, other compensation; and box 14, Other.

To claim your expenses, complete Form 2106, Part II, Sections A and C. Enter your actual expenses on line 23 of Section C and include the entire value of the employer-provided car on line 25. Complete the rest of the form.

Less than full value included in your income. If less than the full annual lease value of the car was included on your Form W-2, this means that your Form W-2 only includes the value of your personal use of the car. Don't enter this value on your Form 2106 because it isn't deductible.

If you paid any actual costs (that your employer didn't provide or reimburse you for) to operate the car, you can deduct the business portion of those costs. Examples of costs that you may have are gas, oil, and repairs. Complete Form 2106, Part II, Sections A and C. Enter your actual costs on line 23 of Section C and leave line 25 blank. Complete the rest of the form.

Reimbursements

This section explains what to do when you receive an advance or are reimbursed for any of the employee business expenses discussed in this publication.

If you received an advance, allowance, or reimbursement for your expenses, how you report this amount and your expenses depends on whether your employer reimbursed you under an accountable plan or a nonaccountable plan.

This section explains the two types of plans, how per diem and car allowances simplify proving the amount of your expenses, and the tax treatment of your reimbursements and expenses. It also covers rules for independent contractors.

No reimbursement. You aren't reimbursed or given an allowance for your expenses if you are paid a salary or commission with the understanding that you will pay your own expenses. In this situation, you have no reimbursement or allowance arrangement, and you don't have to read this section on reimbursements. Instead, see *Completing Form 2106*, later, for information on completing your tax return.

CAUTION *Form 2106 is only used by Armed Forces reservists, qualified performing artists, fee-basis state or local government officials, and employees with impairment-related work expenses. Due to the suspension of miscellaneous itemized deductions subject to the 2% floor under section 67(a), employees who do not fit into one of the listed categories may not use Form 2106.*

Reimbursement, allowance, or advance. A reimbursement or other expense allowance arrangement is a system or plan that an employer uses to pay, substantiate, and recover the expenses, advances, reimbursements, and amounts charged to the employer for employee business expenses. Arrangements include per diem and car allowances.

A per diem allowance is a fixed amount of daily reimbursement your employer gives you for your lodging and M&IE when you are away from home on business. (The term "incidental expenses" is defined in chapter 1 under *Standard Meal Allowance.*) A car allowance is an amount your employer gives you for the business use of your car.

Your employer should tell you what method of reimbursement is used and what records you must provide.

Employers. If you are an employer and you reimburse employee business expenses, how you treat this reimbursement on your employee's Form W-2 depends in part on whether you have an accountable plan. Reimbursements treated as paid under an accountable plan, as explained next, aren't reported as pay. Reimbursements treated as paid under nonaccountable plans, as explained later, are reported as pay. See Pub. 15 (Circular E), Employer's Tax Guide, for information on employee pay.

Accountable Plans

To be an accountable plan, your employer's reimbursement or allowance arrangement must include all of the following rules.

1. Your expenses must have a business connection—that is, you must have paid or incurred deductible expenses while performing services as an employee of your employer.

2. You must adequately account to your employer for these expenses within a reasonable period of time.
3. You must return any excess reimbursement or allowance within a reasonable period of time.

Adequate accounting and returning excess reimbursements are discussed later.

An excess reimbursement or allowance is any amount you are paid that is more than the business-related expenses that you adequately accounted for to your employer.

Reasonable period of time. The definition of reasonable period of time depends on the facts and circumstances of your situation. However, regardless of the facts and circumstances of your situation, actions that take place within the times specified in the following list will be treated as taking place within a reasonable period of time.

- You receive an advance within 30 days of the time you have an expense.
- You adequately account for your expenses within 60 days after they were paid or incurred.
- You return any excess reimbursement within 120 days after the expense was paid or incurred.
- You are given a periodic statement (at least quarterly) that asks you to either return or adequately account for outstanding advances and you comply within 120 days of the statement.

Employee meets accountable plan rules. If you meet the three rules for accountable plans, your employer shouldn't include any reimbursements in your income in box 1 of your Form W-2. If your expenses equal your reimbursements, you don't complete Form 2106. You have no deduction since your expenses and reimbursements are equal.

TIP *If your employer included reimbursements in box 1 of your Form W-2 and you meet all the rules for accountable plans, ask your employer for a corrected Form W-2.*

Accountable plan rules not met. Even though you are reimbursed under an accountable plan, some of your expenses may not meet all three rules. All reimbursements that fail to meet all three rules for accountable plans are generally treated as having been reimbursed under a nonaccountable plan (discussed later).

Failure to return excess reimbursements. If you are reimbursed under an accountable plan, but you fail to return, within a reasonable time, any amounts in excess of the substantiated amounts, the amounts paid in excess of the substantiated expenses are treated as paid under a nonaccountable plan. See *Reasonable period of time*, earlier, and *Returning Excess Reimbursements*, later.

Reimbursement of nondeductible expenses. You may be reimbursed under your employer's accountable plan for expenses related to that employer's business, some of which would be allowable as employee business expense deductions and some of which would not. The reimbursements you receive for the nondeductible expenses don't meet rule (1) for accountable plans, and they are treated as paid under a nonaccountable plan.

Example. Your employer's plan reimburses you for travel expenses while away from home on business and also for meals when you work late at the office, even though you aren't away from home. The part of the arrangement that reimburses you for the nondeductible meals when you work late at the office is treated as paid under a nonaccountable plan.

TIP *The employer makes the decision whether to reimburse employees under an accountable plan or a nonaccountable plan. If you are an employee who receives payments under a nonaccountable plan, you can't convert these amounts to payments under an accountable plan by voluntarily accounting to your employer for the expenses and voluntarily returning excess reimbursements to the employer.*

Adequate Accounting

One of the rules for an accountable plan is that you must adequately account to your employer for your expenses. You adequately account by giving your employer a statement of expense, an account book, a diary, or a similar record in which you entered each expense at or near the time you had it, along with documentary evidence (such as receipts) of your travel, mileage, and other employee business expenses. (See Table 5-1 in chapter 5 for details you need to enter in your record and documents you need to prove certain expenses.) A per diem or car allowance satisfies the adequate accounting requirement under certain conditions. See *Per Diem and Car Allowances*, later.

You must account for all amounts you received from your employer during the year as advances, reimbursements, or allowances. This includes amounts you charged to your employer by credit card or other method. You must give your employer the same type of records and supporting information that you would have to give to the IRS if the IRS questioned a deduction on your return. You must pay back the amount of any reimbursement or other expense allowance for which you don't adequately account or that is more than the amount for which you accounted.

Per Diem and Car Allowances

If your employer reimburses you for your expenses using a per diem or a car allowance, you can generally use the allowance as proof for the amount of your expenses. A per diem or car allowance satisfies the adequate accounting requirements for the amount of your expenses only if all the following conditions apply.

- Your employer reasonably limits payments of your expenses to those that are ordinary and necessary in the conduct of the trade or business.
- The allowance is similar in form to and not more than the federal rate (defined later).

- You prove the time (dates), place, and business purpose of your expenses to your employer (as explained in Table 5-1) within a reasonable period of time.
- You aren't related to your employer (as defined next). If you are related to your employer, you must be able to prove your expenses to the IRS even if you have already adequately accounted to your employer and returned any excess reimbursement.

If the IRS finds that an employer's travel allowance practices are not based on reasonably accurate estimates of travel costs (including recognition of cost differences in different areas for per diem amounts), you won't be considered to have accounted to your employer. In this case, you must be able to prove your expenses to the IRS.

Related to employer. You are related to your employer if:

1. Your employer is your brother or sister, half brother or half sister, spouse, ancestor, or lineal descendant;
2. Your employer is a corporation in which you own, directly or indirectly, more than 10% in value of the outstanding stock; or
3. Certain relationships (such as grantor, fiduciary, or beneficiary) exist between you, a trust, and your employer.

You may be considered to indirectly own stock for purposes of (2) if you have an interest in a corporation, partnership, estate, or trust that owns the stock or if a member of your family or your partner owns the stock.

The federal rate. The federal rate can be figured using any one of the following methods.

1. For per diem amounts:
   a. The regular federal per diem rate.
   b. The standard meal allowance.
   c. The high-low rate.
2. For car expenses:
   a. The standard mileage rate.
   b. A fixed and variable rate (FAVR).

TIP *For per diem amounts, use the rate in effect for the locality where you stop for sleep or rest.*

Regular federal per diem rate. The regular federal per diem rate is the highest amount that the federal government will pay to its employees for lodging and M&IE (or M&IE only) while they are traveling away from home in a particular area. The rates are different for different localities. Your employer should have these rates available. You can also find federal per diem rates at *GSA.gov/travel/plan-book/per-diem-rates*.

The standard meal allowance. The standard meal allowance is the federal M&IE rate. For travel in 2023, the rate for most small localities in the United States is $59 per day. Most major cities and many other localities qualify for higher rates. You can find this information at *GSA.gov/travel/plan-book/per-diem-rates*.

You receive an allowance only for M&IE when your employer does one of the following.

- Provides you with lodging (furnishes it in kind).
- Reimburses you, based on your receipts, for the actual cost of your lodging.
- Pays the hotel, motel, etc., directly for your lodging.
- Doesn't have a reasonable belief that you had (or will have) lodging expenses, such as when you stay with friends or relatives or sleep in the cab of your truck.
- Figures the allowance on a basis similar to that used in figuring your compensation, such as number of hours worked or miles traveled.

High-low rate. This is a simplified method of figuring the federal per diem rate for travel within the continental United States. It eliminates the need to keep a current list of the per diem rates for each city.

Under the high-low method, the per diem amount for travel during January through September of 2023 is $297 (which includes $74 for M&IE) for certain high-cost locations. All other areas have a per diem amount of $204 (which includes $64 for M&IE). For more information, see Notice 2022-44, which can be found at *IRS.gov/irb/2022-41_IRB#NOT-2022-44*.

Effective October 1, 2023, the per diem rate for certain high-cost locations increased to $309 (which includes $74 for M&IE). The rate for all other locations increased to $214 (which includes $64 for M&IE). For more information, see Notice 2023-68, which can be found at *IRS.gov/irb/2023-41_IRB#NOT-2023-68*, and Revenue Procedure 2019-48 at *IRS.gov/irb/2019-51_IRB#REV-PROC-2019-48*.

CAUTION *Employers who didn't use the high-low method during the first 9 months of 2023 can't begin to use it before 2024.*

Prorating the standard meal allowance on partial days of travel. The standard meal allowance is for a full 24-hour day of travel. If you travel for part of a day, such as on the days you depart and return, you must prorate the full-day M&IE rate. This rule also applies if your employer uses the regular federal per diem rate or the high-low rate.

You can use either of the following methods to figure the federal M&IE for that day.

1. *Method 1:*
   a. For the day you depart, add 3/4 of the standard meal allowance amount for that day.
   b. For the day you return, add 3/4 of the standard meal allowance amount for the preceding day.
2. *Method 2:* Prorate the standard meal allowance using any method you consistently apply in accordance with reasonable business practice. For example, an employer can treat 2 full days of per diem (that includes M&IE) paid for travel away from home from 9 a.m. of one day to 5 p.m. of the next day as being no more

than the federal rate. This is true even though a federal employee would be limited to a reimbursement of M&IE for only 1 1/2 days of the federal M&IE rate.

The standard mileage rate. This is a set rate per mile that you can use to figure your deductible car expenses. For 2023, the standard mileage rate for the cost of operating your car for business use is 65.5 cents ($0.655) per mile.

Fixed and variable rate (FAVR). This is an allowance your employer may use to reimburse your car expenses. Under this method, your employer pays an allowance that includes a combination of payments covering fixed and variable costs, such as a cents-per-mile rate to cover your variable operating costs (such as gas, oil, etc.) plus a flat amount to cover your fixed costs (such as depreciation (or lease payments), insurance, etc.). If your employer chooses to use this method, your employer will request the necessary records from you.

Reporting your expenses with a per diem or car allowance. If your reimbursement is in the form of an allowance received under an accountable plan, the following facts affect your reporting.

- The federal rate.
- Whether the allowance or your actual expenses were more than the federal rate.

The following discussions explain where to report your expenses depending upon how the amount of your allowance compares to the federal rate.

Allowance less than or equal to the federal rate. If your allowance is less than or equal to the federal rate, the allowance won't be included in box 1 of your Form W-2. You don't need to report the related expenses or the allowance on your return if your expenses are equal to or less than the allowance.

However, if your actual expenses are more than your allowance, you can complete Form 2106. If you are using actual expenses, you must be able to prove to the IRS the total amount of your expenses and reimbursements for the entire year. If you are using the standard meal allowance or the standard mileage rate, you don't have to prove that amount.

CAUTION *Form 2106 is only used by Armed Forces reservists, qualified performing artists, fee-basis state or local government officials, and employees with impairment-related work expenses. Due to the suspension of miscellaneous itemized deductions subject to the 2% floor under section 67(a), employees who do not fit into one of the listed categories may not use Form 2106.*

Example 1. In April, a member of a reserve component of the Armed Forces takes a 2-day business trip to Denver. The federal rate for Denver is $278 ($199 lodging + $79 M&IE) per day. As required by their employer's accountable plan, they account for the time (dates), place, and business purpose of the trip. Their employer reimburses them $278 a day ($556 total) for living expenses. Their living expenses in Denver aren't more than $278 a day.

Their employer doesn't include any of the reimbursement on their Form W-2 and they don't deduct the expenses on their return.

Example 2. In June, a fee-basis local government official takes a 2-day business trip to Boston. Their employer uses the high-low method to reimburse employees. Because Boston is a high-cost area, they are given an advance of $297 (which includes $74 for M&IE) a day ($594 total) for their lodging and M&IE. Their actual expenses totaled $700.

Since their $700 of expenses are more than their $594 advance, they include the excess expenses when they itemize their deductions. They complete Form 2106 (showing all of their expenses and reimbursements). They must also allocate their reimbursement between their meals and other expenses as discussed later under Completing Form 2106.

Example 3. A fee-basis state government official drives 10,000 miles during 2023 for business. Under their employer's accountable plan, they account for the time (dates), place, and business purpose of each trip. Their employer pays them a mileage allowance of 40 cents ($0.40) a mile.

Because their $6,550 expense figured under the standard mileage rate (10,000 miles x 65.5 cents ($0.655) per mile) is more than their $4,000 reimbursement (10,000 miles × 40 cents ($0.40)), they itemize their deductions to claim the excess expense. They complete Form 2106 (showing all their expenses and reimbursements) and enter $2,550 ($6,550 – $4,000) as an itemized deduction.

Allowance more than the federal rate. If your allowance is more than the federal rate, your employer must include the allowance amount up to the federal rate under code L in box 12 of your Form W-2. This amount isn't taxable. However, the excess allowance will be included in box 1 of your Form W-2. You must report this part of your allowance as if it were wage income.

If your actual expenses are less than or equal to the federal rate, you don't complete Form 2106 or claim any of your expenses on your return.

However, if your actual expenses are more than the federal rate, you can complete Form 2106 and deduct those excess expenses. You must report on Form 2106 your reimbursements up to the federal rate (as shown under code L in box 12 of your Form W-2) and all your expenses. You should be able to prove these amounts to the IRS.

CAUTION *Form 2106 is only used by Armed Forces reservists, qualified performing artists, fee-basis state or local government officials, and employees with impairment-related work expenses. Due to the suspension of miscellaneous itemized deductions subject to the 2% floor under section 67(a), employees who do not fit into one of the listed categories may not use Form 2106.*

Example 1. Sasha, a performing artist, lives and works in Austin. In July, the employer sent Sasha to Albuquerque for 4 days on business. The employer paid the hotel directly for Sasha's lodging and reimbursed $80 a day ($320 total) for M&IE. Sasha's actual meal expenses weren't more than the federal rate for Albuquerque, which is $69 per day.

The employer included the $44 that was more than the federal rate (($80 − $69) × 4) in box 1 of Sasha's Form W-2. The employer shows $276 ($69 a day × 4) under code L in box 12 of Form W-2. This amount isn't included in income. Sasha doesn't have to complete Form 2106; however, Sasha must include the $44 in gross income as wages (by reporting the total amount shown in box 1 of their Form W-2).

Example 2. Another performing artist, Ari, also lives in Austin and works for the same employer as in *Example 1*. In May, the employer sent Ari to San Diego for 4 days and paid the hotel directly for the hotel bill. The employer reimbursed Ari $75 a day for M&IE. The federal rate for San Diego is $74 a day.

Ari can prove that actual non-entertainment-related meal expenses totaled $380. The employer's accountable plan won't pay more than $75 a day for travel to San Diego, so Ari doesn't give the employer the records that prove that the amount actually spent was $380. However, Ari does account for the time (dates), place, and business purpose of the trip. This is Ari's only business trip this year.

Ari was reimbursed $300 ($75 × 4 days), which is $4 more than the federal rate of $296 ($74 × 4 days). The employer includes the $4 as income on the employee's Form W-2 in box 1. The employer also enters $296 under code L in box 12 of the employee's Form W-2.

Ari completes Form 2106 to figure deductible expenses and enters the total of actual expenses for the year ($380) on Form 2106. Ari also enters the reimbursements that weren't included in income ($296). Ari's total deductible meals and beverages expense, before the 50% limit, is $96. Ari will include $48 as an itemized deduction.

Example 3. Palmer, a fee-basis state government official, drives 10,000 miles during 2023 for business. Under the employer's accountable plan, Palmer gets reimbursed 70 cents ($0.70) a mile, which is more than the standard mileage rate. The total reimbursement is $7,000.

The employer must include the reimbursement amount up to the standard mileage rate, $6,550 (10,000 miles x 65.5 cents ($0.655) per mile), under code L in box 12 of the employee's Form W-2. That amount isn't taxable. The employer must also include $450 ($7,000 − $6,550) in box 1 of the employee's Form W-2. This is the reimbursement that is more than the standard mileage rate.

If the expenses are equal to or less than the standard mileage rate, Palmer wouldn't complete Form 2106. If the expenses are more than the standard mileage rate, Palmer would complete Form 2106 and report total expenses and reimbursement (shown under code L in box 12 of their Form W-2). Palmer would then claim the excess expenses as an itemized deduction.

Returning Excess Reimbursements

Under an accountable plan, you are required to return any excess reimbursement or other expense allowances for your business expenses to the person paying the reimbursement or allowance. Excess reimbursement means any amount for which you didn't adequately account within a reasonable period of time. For example, if you received a travel advance and you didn't spend all the money on business-related expenses or you don't have proof of all your expenses, you have an excess reimbursement.

Adequate accounting and reasonable period of time were discussed earlier in this chapter.

Travel advance. You receive a travel advance if your employer provides you with an expense allowance before you actually have the expense, and the allowance is reasonably expected to be no more than your expense. Under an accountable plan, you are required to adequately account to your employer for this advance and to return any excess within a reasonable period of time.

If you don't adequately account for or don't return any excess advance within a reasonable period of time, the amount you don't account for or return will be treated as having been paid under a nonaccountable plan (discussed later).

Unproven amounts. If you don't prove that you actually traveled on each day for which you received a per diem or car allowance (proving the elements described in Table 5-1), you must return this unproven amount of the travel advance within a reasonable period of time. If you don't do this, the unproven amount will be considered paid under a nonaccountable plan (discussed later).

Per diem allowance more than federal rate. If your employer's accountable plan pays you an allowance that is higher than the federal rate, you don't have to return the difference between the two rates for the period you can prove business-related travel expenses. However, the difference will be reported as wages on your Form W-2. This excess amount is considered paid under a nonaccountable plan (discussed later).

Example. Your employer sends you on a 5-day business trip to Phoenix in March 2023 and gives you a $400 ($80 × 5 days) advance to cover your M&IE. The federal per diem for M&IE for Phoenix is $69. Your trip lasts only 3 days. Under your employer's accountable plan, you must return the $160 ($80 × 2 days) advance for the 2 days you didn't travel. For the 3 days you did travel, you don't have to return the $33 difference between the allowance you received and the federal rate for Phoenix (($80 − $69) × 3 days). However, the $33 will be reported on your Form W-2 as wages.

Nonaccountable Plans

A nonaccountable plan is a reimbursement or expense allowance arrangement that doesn't meet one or more of the three rules listed earlier under *Accountable Plans*.

In addition, even if your employer has an accountable plan, the following payments will be treated as being paid under a nonaccountable plan.

- Excess reimbursements you fail to return to your employer.
- Reimbursement of nondeductible expenses related to your employer's business. See *Reimbursement of nondeductible expenses*, earlier, under *Accountable Plans.*

An arrangement that repays you for business expenses by reducing the amount reported as your wages, salary, or other pay will be treated as a nonaccountable plan. This is because you are entitled to receive the full amount of your pay whether or not you have any business expenses.

If you aren't sure if the reimbursement or expense allowance arrangement is an accountable or nonaccountable plan, ask your employer.

Reporting your expenses under a nonaccountable plan. Your employer will combine the amount of any reimbursement or other expense allowance paid to you under a nonaccountable plan with your wages, salary, or other pay. Your employer will report the total in box 1 of your Form W-2.

You must complete Form 2106 and itemize your deductions to deduct your expenses for travel, transportation, or non-entertainment-related meals. Your meal and entertainment expenses will be subject to the *50% Limit* discussed in chapter 2.

CAUTION

Form 2106 is only used by Armed Forces reservists, qualified performing artists, fee-basis state or local government officials, and employees with impairment-related work expenses. Due to the suspension of miscellaneous itemized deductions subject to the 2% floor under section 67(a), employees who do not fit into one of the listed categories may not use Form 2106.

Example 1. Your employer gives you $1,000 a month ($12,000 total for the year) for your business expenses. You don't have to provide any proof of your expenses to your employer, and you can keep any funds that you don't spend.

You are a performing artist and are being reimbursed under a nonaccountable plan. Your employer will include the $12,000 on your Form W-2 as if it were wages. If you want to deduct your business expenses, you must complete Form 2106 and itemize your deductions.

Example 2. You are paid $2,000 a month by your employer. On days that you travel away from home on business, your employer designates $50 a day of your salary as paid to reimburse your travel expenses. Because your employer would pay your monthly salary whether or not you were traveling away from home, the arrangement is a nonaccountable plan. No part of the $50 a day designated by your employer is treated as paid under an accountable plan.

Rules for Independent Contractors and Clients

This section provides rules for independent contractors who incur expenses on behalf of a client or customer. The rules cover the reporting and substantiation of certain expenses discussed in this publication, and they affect both independent contractors and their clients or customers.

You are considered an independent contractor if you are self-employed and you perform services for a customer or client.

Accounting to Your Client

If you received a reimbursement or an allowance for travel, or gift expenses that you incurred on behalf of a client, you should provide an adequate accounting of these expenses to your client. If you don't account to your client for these expenses, you must include any reimbursements or allowances in income. You must keep adequate records of these expenses whether or not you account to your client for these expenses.

If you don't separately account for and seek reimbursement for meal and entertainment expenses in connection with providing services for a client, you are subject to the 50% limit on those expenses. See *50% Limit* in chapter 2.

Adequate accounting. As a self-employed person, you adequately account by reporting your actual expenses. You should follow the recordkeeping rules in chapter 5.

How to report. For information on how to report expenses on your tax return, see *Self-employed* at the beginning of this chapter.

Required Records for Clients or Customers

If you are a client or customer, you generally don't have to keep records to prove the reimbursements or allowances you give, in the course of your business, to an independent contractor for travel or gift expenses incurred on your behalf. However, you must keep records if:

- You reimburse the contractor for entertainment expenses incurred on your behalf, and
- The contractor adequately accounts to you for these expenses.

Contractor adequately accounts. If the contractor adequately accounts to you for non-entertainment-related meal expenses, you (the client or customer) must keep records documenting each element of the expense, as explained in chapter 5. Use your records as proof for a deduction on your tax return. If non-entertainment-related meal expenses are accounted for separately, you are subject to the 50% limit on meals. If the contractor adequately accounts to you for reimbursed amounts, you don't have to report the amounts on an information return.

Contractor doesn't adequately account. If the contractor doesn't adequately account to you for allowances or reimbursements of non-entertainment-related meal expenses, you don't have to keep records of these items. You aren't subject to the 50% limit on meals in this case. You can deduct the reimbursements or allowances as payment for services if they are ordinary and necessary business expenses. However, you must file Form 1099-MISC to report amounts paid to the independent contractor if the total of the reimbursements and any other fees is $600 or more during the calendar year.

How To Use Per Diem Rate Tables

This section contains information about the per diem rate substantiation methods available and the choice of rates you must make for the last 3 months of the year.

The Two Substantiation Methods

High-low method. IRS Notices list the localities that are treated under the high-low substantiation method as high-cost localities for all or part of the year. Notice 2022-44, available at IRS.gov/irb/2022-41_IRB#NOT-2022-44, lists the high-cost localities that are eligible for $297 (which includes $74 for meals and incidental expenses (M&IE)) per diem, effective October 1, 2022. For travel on or after October 1, 2022, all other localities within the continental United States (CONUS) are eligible for $204 (which includes $64 for M&IE) per diem under the high-low method.

Notice 2023-68, available at IRS.gov/irb/2023-41_IRB#NOT-2023-68, lists the high-cost localities that are eligible for $309 (which includes $74 for M&IE) per diem, effective October 1, 2023. For travel on or after October 1, 2023, the per diem for all other localities increased to $214 (which includes $64 for M&IE).

Regular federal per diem rate method. Regular federal per diem rates are published by the General Services Administration (GSA). Both tables include the separate rate for M&IE for each locality. The rates listed for FY2023 at GSA.gov/travel/plan-book/per-diem-rates are effective October 1, 2022, and those listed for FY2024 are effective October 1, 2023. The standard rate for all locations within CONUS not specifically listed for FY2023 is $157 ($98 for lodging and $59 for M&IE). For FY2024, this rate increases to $166 ($107 for lodging and $59 for M&IE).

Transition Rules

The transition period covers the last 3 months of the calendar year, from the time that new rates are effective (generally, October 1) through December 31. During this period, you may generally change to the new rates or finish out the year with the rates you had been using.

High-low method. If you use the high-low substantiation method, when new rates become effective (generally, October 1), you can either continue with the rates you used for the first part of the year or change to the new rates. However, you must continue using the high-low method for the rest of the calendar year (through December 31). If you are an employer, you must use the same rates for all employees reimbursed under the high-low method during that calendar year.

The new rates and localities for the high-low method are included each year in a notice that is generally published in mid to late September. You can find the notice in the weekly Internal Revenue Bulletin (IRB) at IRS.gov/IRB, or visit IRS.gov and enter "Special Per Diem Rates" in the search box.

Federal per diem rate method. New CONUS per diem rates become effective on October 1 of each year and remain in effect through September 30 of the following year. Employees being reimbursed under the per diem rate method during the first 9 months of a year (January 1–September 30) must continue under the same method through the end of that calendar year (December 31). However, for travel by these employees from October 1 through December 31, you can choose to continue using the same per diem rates or use the new rates.

The new federal CONUS per diem rates are published each year, generally early in September. Go to GSA.gov/travel/plan-book/per-diem-rates.

CAUTION *Per diem rates for localities listed for FY2024 may change at any time. To be sure you have the most current rate, check GSA.gov/travel/plan-book/per-diem-rates.*

Completing Form 2106

For tax years beginning after 2017, the Form 2106 will be used by Armed Forces reservists, qualified performing artists, fee-basis state or local government officials, and employees with impairment-related work expenses. Due to the suspension of miscellaneous itemized deductions subject to the 2% floor under section 67(a), employees who do not fit into one of the listed categories may not use Form 2106.

This section briefly describes how employees complete Forms 2106. Table 6-1 explains what the employer reports on Form W-2 and what the employee reports on Form 2106. The instructions for the forms have more information on completing them.

CAUTION *If you are self-employed, don't file Form 2106. Report your expenses on Schedule C (Form 1040) or Schedule F (Form 1040). See the instructions for the form that you must file.*

Table 6-1. **Reporting Travel, Nonentertainment Meal, Gift, and Car Expenses and Reimbursements**

IF the type of reimbursement (or other expense allowance) arrangement is under:	THEN the employer reports on Form W-2:	AND the employee reports on Form 2106:
An accountable plan with:		
Actual expense reimbursement: Adequate accounting made and excess returned.	No amount.	No amount.
Actual expense reimbursement: Adequate accounting and return of excess both required but excess not returned.	The excess amount as wages in box 1.	No amount.
Per diem or mileage allowance up to the federal rate: Adequate accounting made and excess returned.	No amount.	All expenses and reimbursements only if excess expenses are claimed. Otherwise, form is not filed.
Per diem or mileage allowance up to the federal rate: Adequate accounting and return of excess both required but excess not returned.	The excess amount as wages in box 1. The amount up to the federal rate is reported only under code L in box 12 of Form W-2—it isn't reported in box 1.	No amount.
Per diem or mileage allowance exceeds the federal rate: Adequate accounting up to the federal rate only and excess not returned.	The excess amount as wages in box 1. The amount up to the federal rate is reported only under code L in box 12 of Form W-2—it isn't reported in box 1.	All expenses (and reimbursements reported under code L in box 12 of Form W-2) only if expenses in excess of the federal rate are claimed. Otherwise, form isn't filed.
A nonaccountable plan with:		
Either adequate accounting or return of excess, or both, not required by plan.	The entire amount as wages in box 1.	All expenses.
No reimbursement plan:	The entire amount as wages in box 1.	All expenses.

Car expenses. If you used a car to perform your job as an employee, you may be able to deduct certain car expenses. These are generally figured on Form 2106, Part II, and then claimed on Form 2106, Part I, line 1, column A.

Information on use of cars. If you claim any deduction for the business use of a car, you must answer certain questions and provide information about the use of the car. The information relates to the following items.

- Date placed in service.
- Mileage (total, business, commuting, and other personal mileage).
- Percentage of business use.
- After-work use.
- Use of other vehicles.
- Whether you have evidence to support the deduction.
- Whether or not the evidence is written.

Employees must complete Form 2106, Part II, Section A, to provide this information.

Standard mileage rate. If you claim a deduction based on the standard mileage rate instead of your actual expenses, you must complete Form 2106, Part II, Section B. The amount on line 22 (Section B) is carried to Form 2106, Part I, line 1. In addition, on Part I, line 2, you can deduct parking fees and tolls that apply to the business use of the car. See *Standard Mileage Rate* in chapter 4 for information on using this rate.

Actual expenses. If you claim a deduction based on actual car expenses, you must complete Form 2106, Part II, Section C. In addition, unless you lease your car, you must complete Section D to show your depreciation deduction and any section 179 deduction you claim.

If you are still using a car that is fully depreciated, continue to complete Section C. Since you have no depreciation deduction, enter zero on line 28. In this case, don't complete Section D.

Car rentals. If you claim car rental expenses on Form 2106, line 24a, you may have to reduce that expense by an inclusion amount, as described in chapter 4. If so, you can show your car expenses and any inclusion amount as follows.

1. Figure the inclusion amount without taking into account your business-use percentage for the tax year.
2. Report the inclusion amount from (1) on Form 2106, Part II, line 24b.
3. Report on line 24c the net amount of car rental expenses (total car rental expenses minus the inclusion amount figured in (1)).

The net amount of car rental expenses will be adjusted on Form 2106, Part II, line 27, to reflect the percentage of business use for the tax year.

Transportation expenses. Show your transportation expenses that didn't involve overnight travel on Form 2106, line 2, column A. Also include on this line business expenses you have for parking fees and tolls. Don't include expenses of operating your car or expenses of commuting between your home and work.

Employee business expenses other than nonentertainment meals. Show your other employee business expenses on Form 2106, lines 3 and 4, column A. Don't include expenses for nonentertainment meals on those lines. Line 4 is for expenses such as gifts, educational expenses (tuition and books), office-in-the-home expenses, and trade and professional publications.

TIP *If line 4 expenses are the only ones you are claiming, you received no reimbursements (or the reimbursements were all included in box 1 of your Form W-2), and the special rules discussed later don't apply to you, don't complete Form 2106.*

Non-entertainment-related meal expenses. Show the full amount of your expenses for nonentertainment business-related meals on Form 2106, line 5, column B. Include meals while away from your tax home overnight and other business meals. Enter 50% of the line 8, column B, meal expenses on line 9, column B.

"Hours of service" limits. If you are subject to the Department of Transportation's "hours of service" limits (as explained earlier under *Individuals subject to "hours of service" limits* in chapter 2), use 80% instead of 50% for meals while away from your tax home.

Reimbursements. Enter on Form 2106, line 7, the amounts your employer (or third party) reimbursed you that weren't reported to you in box 1 of your Form W-2. This includes any amount reported under code L in box 12 of Form W-2.

Allocating your reimbursement. If you were reimbursed under an accountable plan and want to deduct excess expenses that weren't reimbursed, you may have to allocate your reimbursement. This is necessary when your employer pays your reimbursement in the following manner.

- Pays you a single amount that covers non-entertainment-related meals and/or entertainment, as well as other business expenses.
- Doesn't clearly identify how much is for deductible non-entertainment-related meals.

You must allocate that single payment so that you know how much to enter on Form 2106, line 7, column A and column B.

Example. Your employer paid you an expense allowance of $12,000 this year under an accountable plan. The $12,000 payment consisted of $5,000 for airfare and $7,000 for non-entertainment-related meals, and car expenses. Your employer didn't clearly show how much of the $7,000 was for the cost of deductible non-entertainment-related meals. You actually spent $14,000 during the year ($5,500 for airfare, $4,500 for non-entertainment-related meals, and $4,000 for car expenses).

Since the airfare allowance was clearly identified, you know that $5,000 of the payment goes in column A, line 7, of Form 2106. To allocate the remaining $7,000, you use the worksheet from the Instructions for Form 2106. Your completed worksheet follows.

Reimbursement Allocation Worksheet
(Keep for your records.)

1.	Enter the total amount of reimbursements your employer gave you that weren't reported to you in box 1 of Form W-2	$7,000
2.	Enter the total amount of your expenses for the periods covered by this reimbursement	8,500
3.	Enter the part of the amount on line 2 that was your total expense for non-entertainment-related meals	4,500
4.	Divide line 3 by line 2. Enter the result as a decimal (rounded to at least three places)	0.529
5.	Multiply line 1 by line 4. Enter the result here and in column B, line 7	3,703
6.	Subtract line 5 from line 1. Enter the result here and in column A, line 7	$3,297

On line 7 of Form 2106, you enter $8,297 ($5,000 airfare and $3,297 of the $7,000) in column A and $3,703 (of the $7,000) in column B.

After you complete the form. If you are a government official paid on a fee basis, a performing artist, an Armed Forces reservist, or a disabled employee with impairment-related work expenses, see *Special Rules*, later.

Limits on employee business expenses. Your employee business expenses may be subject to either of the limits described next. They are figured in the following order on the specified form.

1. Limit on meals and entertainment. Certain non-entertainment-related meal expenses are subject to a 50% limit. Generally, entertainment expenses are nondeductible if paid or incurred after December 2017. If you are an employee, you figure this limit on line 9 of Form 2106. (See *50% Limit* in chapter 2.)

2. Limit on total itemized deductions. Limitations on itemized deductions are suspended for tax years beginning after 2017 and before tax year January 2026, per section 68(g).

Special Rules

This section discusses special rules that apply only to Armed Forces reservists, government officials who are paid on a fee basis, performing artists, and disabled employees with impairment-related work expenses. For tax years beginning after 2017, they are the only taxpayers who can use Form 2106.

Armed Forces Reservists Traveling More Than 100 Miles From Home

If you are a member of a reserve component of the Armed Forces of the United States and you travel more than 100 miles away from home in connection with your performance of services as a member of the reserves, you can deduct your travel expenses as an adjustment to gross income rather than as a miscellaneous itemized deduction. The amount of expenses you can deduct as an adjustment to gross income is limited to the regular federal per diem rate (for lodging and M&IE) and the standard mileage rate (for car expenses) plus any parking fees, ferry fees, and tolls. See Per Diem and Car Allowances, earlier, for more information.

Member of a reserve component. You are a member of a reserve component of the Armed Forces of the United States if you are in the Army, Navy, Marine Corps, Air Force, or Coast Guard Reserve; the Army National Guard of the United States; the Air National Guard of the United States; or the Reserve Corps of the Public Health Service.

How to report. If you have reserve-related travel that takes you more than 100 miles from home, you should first complete Form 2106. Then include your expenses for reserve travel over 100 miles from home, up to the federal rate, from Form 2106, line 10, in the total on Schedule 1 (Form 1040), line 12.

You can't deduct expenses of travel that doesn't take you more than 100 miles from home as an adjustment to gross income.

Officials Paid on a Fee Basis

Certain fee-basis officials can claim their employee business expenses on Form 2106.

Fee-basis officials are persons who are employed by a state or local government and who are paid in whole or in part on a fee basis. They can deduct their business expenses in performing services in that job as an adjustment to gross income rather than as a miscellaneous itemized deduction.

If you are a fee-basis official, include your employee business expenses from Form 2106, line 10, in the total on Schedule 1 (Form 1040), line 12.

Expenses of Certain Performing Artists

If you are a performing artist, you may qualify to deduct your employee business expenses as an adjustment to gross income. To qualify, you must meet all of the following requirements.

1. During the tax year, you perform services in the performing arts as an employee for at least two employers.
2. You receive at least $200 each from any two of these employers.
3. Your related performing-arts business expenses are more than 10% of your gross income from the performance of those services.
4. Your adjusted gross income isn't more than $16,000 before deducting these business expenses.

Special rules for married persons. If you are married, you must file a joint return unless you lived apart from your spouse at all times during the tax year. If you file a joint return, you must figure requirements (1), (2), and (3) separately for both you and your spouse. However, requirement (4) applies to your and your spouse's combined adjusted gross income.

Where to report. If you meet all of the above requirements, you should first complete Form 2106. Then you include your performing-arts-related expenses from Form 2106, line 10, in the total on Schedule 1 (Form 1040), line 12.

If you don't meet all of the above requirements, you don't qualify to deduct your expenses as an adjustment to gross income.

Impairment-Related Work Expenses of Disabled Employees

If you are an employee with a physical or mental disability, your impairment-related work expenses aren't subject to the 2%-of-adjusted-gross-income limit that applies to most other employee business expenses. After you complete Form 2106, enter your impairment-related work expenses from Form 2106, line 10, on Schedule A (Form 1040), line 16, and identify the type and amount of this expense on the line next to line 16.

Impairment-related work expenses are your allowable expenses for attendant care at your workplace and other expenses in connection with your workplace that are necessary for you to be able to work.

You are disabled if you have:

- A physical or mental disability (for example, blindness or deafness) that functionally limits your being employed; or
- A physical or mental impairment (for example, a sight or hearing impairment) that substantially limits one or more of your major life activities, such as performing manual tasks, walking, speaking, breathing, learning, or working.

You can deduct impairment-related expenses as business expenses if they are:

- Necessary for you to do your work satisfactorily;
- For goods and services not required or used, other than incidentally, in your personal activities; and
- Not specifically covered under other income tax laws.

Example 1. You are blind. You must use a reader to do your work. You use the reader both during your regular working hours at your place of work and outside your regular working hours away from your place of work. The reader's services are only for your work. You can deduct your expenses for the reader as business expenses.

Example 2. You are deaf. You must use a sign language interpreter during meetings while you are at work.

The interpreter's services are used only for your work. You can deduct your expenses for the interpreter as business expenses.

How To Get Tax Help

If you have questions about a tax issue; need help preparing your tax return; or want to download free publications, forms, or instructions, go to IRS.gov to find resources that can help you right away.

Preparing and filing your tax return. After receiving all your wage and earnings statements (Forms W-2, W-2G, 1099-R, 1099-MISC, 1099-NEC, etc.); unemployment compensation statements (by mail or in a digital format) or other government payment statements (Form 1099-G); and interest, dividend, and retirement statements from banks and investment firms (Forms 1099), you have several options to choose from to prepare and file your tax return. You can prepare the tax return yourself, see if you qualify for free tax preparation, or hire a tax professional to prepare your return.

Free options for tax preparation. Your options for preparing and filing your return online or in your local community, if you qualify, include the following.

- **Free File.** This program lets you prepare and file your federal individual income tax return for free using software or Free File Fillable Forms. However, state tax preparation may not be available through Free File. Go to IRS.gov/FreeFile to see if you qualify for free online federal tax preparation, e-filing, and direct deposit or payment options.
- **VITA.** The Volunteer Income Tax Assistance (VITA) program offers free tax help to people with low-to-moderate incomes, persons with disabilities, and limited-English-speaking taxpayers who need help preparing their own tax returns. Go to IRS.gov/VITA, download the free IRS2Go app, or call 800-906-9887 for information on free tax return preparation.
- **TCE.** The Tax Counseling for the Elderly (TCE) program offers free tax help for all taxpayers, particularly those who are 60 years of age and older. TCE volunteers specialize in answering questions about pensions and retirement-related issues unique to seniors. Go to IRS.gov/TCE or download the free IRS2Go app for information on free tax return preparation.
- **MilTax.** Members of the U.S. Armed Forces and qualified veterans may use MilTax, a free tax service offered by the Department of Defense through Military OneSource. For more information, go to MilitaryOneSource (MilitaryOneSource.mil/MilTax).

Also, the IRS offers Free Fillable Forms, which can be completed online and then e-filed regardless of income.

Using online tools to help prepare your return. Go to IRS.gov/Tools for the following.

- The Earned Income Tax Credit Assistant (IRS.gov/EITCAssistant) determines if you're eligible for the earned income credit (EIC).
- The Online EIN Application (IRS.gov/EIN) helps you get an employer identification number (EIN) at no cost.
- The Tax Withholding Estimator (IRS.gov/W4App) makes it easier for you to estimate the federal income tax you want your employer to withhold from your paycheck. This is tax withholding. See how your withholding affects your refund, take-home pay, or tax due.
- The First Time Homebuyer Credit Account Look-up (IRS.gov/HomeBuyer) tool provides information on your repayments and account balance.
- The Sales Tax Deduction Calculator (IRS.gov/SalesTax) figures the amount you can claim if you itemize deductions on Schedule A (Form 1040).

Getting answers to your tax questions. On IRS.gov, you can get up-to-date information on current events and changes in tax law.

- Go to IRS.gov/Help: A variety of tools to help you get answers to some of the most common tax questions.
- Go to IRS.gov/ITA: The Interactive Tax Assistant, a tool that will ask you questions and, based on your input, provide answers on a number of tax topics.
- Go to IRS.gov/Forms: Find forms, instructions, and publications. You will find details on the most recent tax changes and interactive links to help you find answers to your questions.
- You may also be able to access tax information in your e-filing software.

Need someone to prepare your tax return? There are various types of tax return preparers, including enrolled agents, certified public accountants (CPAs), accountants, and many others who don't have professional credentials. If you choose to have someone prepare your tax return, choose that preparer wisely. A paid tax preparer is:

- Primarily responsible for the overall substantive accuracy of your return,
- Required to sign the return, and
- Required to include their preparer tax identification number (PTIN).

CAUTION

Although the tax preparer always signs the return, you're ultimately responsible for providing all the information required for the preparer to accurately prepare your return and for the accuracy of every item reported on the return. Anyone paid to prepare tax returns for others should have a thorough understanding of tax matters. For more information on how to choose a tax preparer, go to Tips for Choosing a Tax Preparer on IRS.gov.

Employers can register to use Business Services Online. The Social Security Administration (SSA) offers online service at *SSA.gov/employer* for fast, free, and secure W-2 filing options to CPAs, accountants, enrolled agents, and individuals who process Form W-2, Wage and Tax Statement, and Form W-2c, Corrected Wage and Tax Statement.

IRS social media. Go to *IRS.gov/SocialMedia* to see the various social media tools the IRS uses to share the latest information on tax changes, scam alerts, initiatives, products, and services. At the IRS, privacy and security are our highest priority. We use these tools to share public information with you. **Don't** post your social security number (SSN) or other confidential information on social media sites. Always protect your identity when using any social networking site.

The following IRS YouTube channels provide short, informative videos on various tax-related topics in English, Spanish, and ASL.

- *Youtube.com/irsvideos*.
- *Youtube.com/irsvideosmultilingua*.
- *Youtube.com/irsvideosASL*.

Watching IRS videos. The IRS Video portal (*IRSVideos.gov*) contains video and audio presentations for individuals, small businesses, and tax professionals.

Online tax information in other languages. You can find information on *IRS.gov/MyLanguage* if English isn't your native language.

Free Over-the-Phone Interpreter (OPI) Service. The IRS is committed to serving taxpayers with limited-English proficiency (LEP) by offering OPI services. The OPI Service is a federally funded program and is available at Taxpayer Assistance Centers (TACs), most IRS offices, and every VITA/TCE tax return site. The OPI Service is accessible in more than 350 languages.

Accessibility Helpline available for taxpayers with disabilities. Taxpayers who need information about accessibility services can call 833-690-0598. The Accessibility Helpline can answer questions related to current and future accessibility products and services available in alternative media formats (for example, braille, large print, audio, etc.). The Accessibility Helpline does not have access to your IRS account. For help with tax law, refunds, or account-related issues, go to *IRS.gov/LetUsHelp*.

Note. Form 9000, Alternative Media Preference, or Form 9000(SP) allows you to elect to receive certain types of written correspondence in the following formats.

- Standard Print.
- Large Print.
- Braille.
- Audio (MP3).
- Plain Text File (TXT).
- Braille Ready File (BRF).

Disasters. Go to *IRS.gov/DisasterRelief* to review the available disaster tax relief.

Getting tax forms and publications. Go to *IRS.gov/Forms* to view, download, or print all the forms, instructions, and publications you may need. Or, you can go to *IRS.gov/OrderForms* to place an order.

Getting tax publications and instructions in eBook format. Download and view most tax publications and instructions (including the Instructions for Form 1040) on mobile devices as eBooks at *IRS.gov/eBooks*.

IRS eBooks have been tested using Apple's iBooks for iPad. Our eBooks haven't been tested on other dedicated eBook readers, and eBook functionality may not operate as intended.

Access your online account (individual taxpayers only). Go to *IRS.gov/Account* to securely access information about your federal tax account.

- View the amount you owe and a breakdown by tax year.
- See payment plan details or apply for a new payment plan.
- Make a payment or view 5 years of payment history and any pending or scheduled payments.
- Access your tax records, including key data from your most recent tax return, and transcripts.
- View digital copies of select notices from the IRS.
- Approve or reject authorization requests from tax professionals.
- View your address on file or manage your communication preferences.

Get a transcript of your return. With an online account, you can access a variety of information to help you during the filing season. You can get a transcript, review your most recently filed tax return, and get your adjusted gross income. Create or access your online account at *IRS.gov/Account*.

Tax Pro Account. This tool lets your tax professional submit an authorization request to access your individual taxpayer IRS online account. For more information, go to *IRS.gov/TaxProAccount*.

Using direct deposit. The safest and easiest way to receive a tax refund is to e-file and choose direct deposit, which securely and electronically transfers your refund directly into your financial account. Direct deposit also avoids the possibility that your check could be lost, stolen, destroyed, or returned undeliverable to the IRS. Eight in 10 taxpayers use direct deposit to receive their refunds. If you don't have a bank account, go to *IRS.gov/DirectDeposit* for more information on where to find a bank or credit union that can open an account online.

Reporting and resolving your tax-related identity theft issues.

- Tax-related identity theft happens when someone steals your personal information to commit tax fraud. Your taxes can be affected if your SSN is used to file a fraudulent return or to claim a refund or credit.
- The IRS doesn't initiate contact with taxpayers by email, text messages (including shortened links), telephone calls, or social media channels to request or verify personal or financial information. This includes requests for personal identification numbers (PINs), passwords, or similar information for credit cards, banks, or other financial accounts.
- Go to *IRS.gov/IdentityTheft*, the IRS Identity Theft Central webpage, for information on identity theft and data security protection for taxpayers, tax professionals, and businesses. If your SSN has been lost or stolen or you suspect you're a victim of tax-related identity theft, you can learn what steps you should take.
- Get an Identity Protection PIN (IP PIN). IP PINs are six-digit numbers assigned to taxpayers to help prevent the misuse of their SSNs on fraudulent federal income tax returns. When you have an IP PIN, it prevents someone else from filing a tax return with your SSN. To learn more, go to *IRS.gov/IPPIN*.

Ways to check on the status of your refund.

- Go to *IRS.gov/Refunds*.
- Download the official IRS2Go app to your mobile device to check your refund status.
- Call the automated refund hotline at 800-829-1954.

CAUTION *The IRS can't issue refunds before mid-February for returns that claimed the EIC or the additional child tax credit (ACTC). This applies to the entire refund, not just the portion associated with these credits.*

Making a tax payment. Payments of U.S. tax must be remitted to the IRS in U.S. dollars. *Digital assets* are **not** accepted. Go to *IRS.gov/Payments* for information on how to make a payment using any of the following options.

- *IRS Direct Pay*: Pay your individual tax bill or estimated tax payment directly from your checking or savings account at no cost to you.
- *Debit Card, Credit Card, or Digital Wallet*: Choose an approved payment processor to pay online or by phone.
- *Electronic Funds Withdrawal*: Schedule a payment when filing your federal taxes using tax return preparation software or through a tax professional.
- *Electronic Federal Tax Payment System*: Best option for businesses. Enrollment is required.
- *Check or Money Order*: Mail your payment to the address listed on the notice or instructions.
- *Cash*: You may be able to pay your taxes with cash at a participating retail store.
- *Same-Day Wire*: You may be able to do same-day wire from your financial institution. Contact your financial institution for availability, cost, and time frames.

Note. The IRS uses the latest encryption technology to ensure that the electronic payments you make online, by phone, or from a mobile device using the IRS2Go app are safe and secure. Paying electronically is quick, easy, and faster than mailing in a check or money order.

What if I can't pay now? Go to *IRS.gov/Payments* for more information about your options.

- Apply for an *online payment agreement* (*IRS.gov/OPA*) to meet your tax obligation in monthly installments if you can't pay your taxes in full today. Once you complete the online process, you will receive immediate notification of whether your agreement has been approved.
- Use the *Offer in Compromise Pre-Qualifier* to see if you can settle your tax debt for less than the full amount you owe. For more information on the Offer in Compromise program, go to *IRS.gov/OIC*.

Filing an amended return. Go to *IRS.gov/Form1040X* for information and updates.

Checking the status of your amended return. Go to *IRS.gov/WMAR* to track the status of Form 1040-X amended returns.

CAUTION *It can take up to 3 weeks from the date you filed your amended return for it to show up in our system, and processing it can take up to 16 weeks.*

Understanding an IRS notice or letter you've received. Go to *IRS.gov/Notices* to find additional information about responding to an IRS notice or letter.

Responding to an IRS notice or letter. You can now upload responses to all notices and letters using the Document Upload Tool. For notices that require additional action, taxpayers will be redirected appropriately on IRS.gov to take further action. To learn more about the tool, go to *IRS.gov/Upload*.

Note. You can use Schedule LEP (Form 1040), Request for Change in Language Preference, to state a preference to receive notices, letters, or other written communications from the IRS in an alternative language. You may not immediately receive written communications in the requested language. The IRS's commitment to LEP taxpayers is part of a multi-year timeline that began providing translations in 2023. You will continue to receive communications, including notices and letters, in English until they are translated to your preferred language.

Contacting your local TAC. Keep in mind, many questions can be answered on IRS.gov without visiting a TAC. Go to *IRS.gov/LetUsHelp* for the topics people ask about most. If you still need help, TACs provide tax help when a tax issue can't be handled online or by phone. All TACs now provide service by appointment, so you'll know in advance that you can get the service you need without long wait times. Before you visit, go to IRS.gov/TACLocator to find the nearest TAC and to check hours, available services, and appointment options. Or, on the IRS2Go app, under the Stay Connected tab, choose the Contact Us option and click on “Local Offices.”

The Taxpayer Advocate Service (TAS) Is Here To Help You

What Is TAS?

TAS is an ***independent*** organization within the IRS that helps taxpayers and protects taxpayer rights. TAS strives to ensure that every taxpayer is treated fairly and that you know and understand your rights under the Taxpayer Bill of Rights.

How Can You Learn About Your Taxpayer Rights?

The Taxpayer Bill of Rights describes 10 basic rights that all taxpayers have when dealing with the IRS. Go to TaxpayerAdvocate.IRS.gov to help you understand what these rights mean to you and how they apply. These are ***your*** rights. Know them. Use them.

What Can TAS Do For You?

TAS can help you resolve problems that you can’t resolve with the IRS. And their service is free. If you qualify for their assistance, you will be assigned to one advocate who will work with you throughout the process and will do everything possible to resolve your issue. TAS can help you if:

- Your problem is causing financial difficulty for you, your family, or your business;
- You face (or your business is facing) an immediate threat of adverse action; or
- You’ve tried repeatedly to contact the IRS but no one has responded, or the IRS hasn’t responded by the date promised.

How Can You Reach TAS?

TAS has offices in every state, the District of Columbia, and Puerto Rico. To find your advocate’s number:

- Go to TaxpayerAdvocate.IRS.gov/Contact-Us;
- Download Pub. 1546, The Taxpayer Advocate Service Is Your Voice at the IRS, available at IRS.gov/pub/irs-pdf/p1546.pdf;
- Call the IRS toll free at 800-TAX-FORM (800-829-3676) to order a copy of Pub. 1546;
- Check your local directory; or
- Call TAS toll free at 877-777-4778.

How Else Does TAS Help Taxpayers?

TAS works to resolve large-scale problems that affect many taxpayers. If you know of one of these broad issues, report it to TAS at IRS.gov/SAMS. Be sure to not include any personal taxpayer information.

Low Income Taxpayer Clinics (LITCs)

LITCs are independent from the IRS and TAS. LITCs represent individuals whose income is below a certain level and who need to resolve tax problems with the IRS. LITCs can represent taxpayers in audits, appeals, and tax collection disputes before the IRS and in court. In addition, LITCs can provide information about taxpayer rights and responsibilities in different languages for individuals who speak English as a second language. Services are offered for free or a small fee. For more information or to find an LITC near you, go to the LITC page at TaxpayerAdvocate.IRS.gov/LITC or see IRS Pub. 4134, *Low Income Taxpayer Clinic List*, at IRS.gov/pub/irs-pdf/p4134.pdf.

Appendices

Appendices A-1 through A-6 show the lease inclusion amounts that you may need to report if you first leased a passenger automobile (including a truck and van) in 2018 through 2023 for 30 days or more.

If any of these apply to you, use the appendix for the year you first leased the car. (See *Leasing a Car* in chapter 4.)

Appendix A-1. **Inclusion Amounts for Passenger Automobiles First Leased in 2018**

Fair Market Value		Tax Year of Lease[1]				
Over	Not Over	1st	2nd	3rd	4th	5th and Later
$50,000	$51,000	$1	$3	$5	$5	$6
51,000	52,000	4	9	13	16	19
52,000	53,000	7	15	22	27	31
53,000	54,000	10	21	31	37	44
54,000	55,000	12	27	40	48	56
55,000	56,000	15	33	49	59	68
56,000	57,000	18	39	58	69	81
57,000	58,000	20	45	67	80	93
58,000	59,000	23	51	76	91	105
59,000	60,000	26	57	85	101	117
60,000	62,000	30	66	98	118	135
62,000	64,000	36	78	116	139	160
64,000	66,000	41	90	134	160	185
66,000	68,000	46	102	152	181	210
68,000	70,000	52	114	169	203	235
70,000	72,000	57	126	187	225	259
72,000	74,000	63	138	205	246	284
74,000	76,000	68	150	223	267	309
76,000	78,000	74	162	241	288	333
78,000	80,000	79	174	259	310	357
80,000	85,000	89	195	290	347	401
85,000	90,000	102	225	335	400	463
90,000	95,000	116	255	379	454	525
95,000	100,000[2]	130	285	423	508	586

[1] For the last tax year of the lease, use the dollar amount for the preceding year.

[2] If the fair market value of the vehicle is more than $100,000, see Rev. Proc. 2018-25 (2018-18 I.R.B. 543), available at https://www.irs.gov/pub/irs-drop/rp-18-25.pdf.

Appendix A-2. **Inclusion Amounts for Passenger Automobiles First Leased in 2019**

Fair Market Value		Tax Year of Lease[1]				
Over	Not Over	1st	2nd	3rd	4th	5th and Later
$50,000	$51,000	$0	$1	$1	$3	$3
51,000	52,000	4	11	15	20	23
52,000	53,000	9	20	30	36	43
53,000	54,000	13	30	44	53	63
54,000	55,000	17	40	58	70	83
55,000	56,000	22	49	72	88	102
56,000	57,000	26	59	86	105	122
57,000	58,000	31	68	101	122	142
58,000	59,000	35	78	115	139	161
59,000	60,000	39	88	129	156	181
60,000	62,000	46	102	151	181	211
62,000	64,000	55	121	179	216	250
64,000	66,000	63	140	208	251	289
66,000	68,000	72	160	236	284	329
68,000	70,000	81	179	265	318	369
70,000	72,000	90	198	293	353	408
72,000	74,000	98	217	322	387	448
74,000	76,000	107	236	351	421	487
76,000	78,000	116	255	379	456	526
78,000	80,000	125	275	407	489	567
80,000	85,000	140	308	458	549	635
85,000	90,000	162	356	529	635	734
90,000	95,000	184	404	600	720	833
95,000	100,000[2]	206	452	671	806	931

[1] For the last tax year of the lease, use the dollar amount for the preceding year.

[2] If the fair market value of the vehicle is more than $100,000, see Rev. Proc. 2019-26 (2019-24 I.R.B. 1323), available at https://www.irs.gov/pub/irs-drop/rp-19-26.pdf.

Appendix A-3. **Inclusion Amounts for Passenger Automobiles First Leased in 2020**

Fair Market Value		Tax Year of Lease[1]				
Over	**Not Over**	**1st**	**2nd**	**3rd**	**4th**	**5th and Later**
$50,000	$51,000	$0	$1	$0	$2	$2
51,000	52,000	2	6	9	10	13
52,000	53,000	5	11	17	20	24
53,000	54,000	7	17	24	30	35
54,000	55,000	10	22	32	39	46
55,000	56,000	12	27	41	48	57
56,000	57,000	15	32	49	58	68
57,000	58,000	17	38	56	68	79
58,000	59,000	19	44	64	77	90
59,000	60,000	22	49	72	87	100
60,000	62,000	26	56	84	102	117
62,000	64,000	30	68	99	121	139
64,000	66,000	35	78	116	139	161
66,000	68,000	40	89	131	159	183
68,000	70,000	45	99	148	177	205
70,000	72,000	50	110	163	197	227
72,000	74,000	55	121	179	215	249
74,000	76,000	60	131	195	235	271
76,000	78,000	64	142	211	254	293
78,000	80,000	69	153	227	272	315
80,000	85,000	78	172	254	306	353
85,000	90,000	90	198	295	353	408
90,000	95,000	102	225	334	401	463
95,000	100,000[2]	114	252	373	449	518

[1] For the last tax year of the lease, use the dollar amount for the preceding year.

[2] If the fair market value of the vehicle is more than $100,000, see Rev. Proc. 2020-37 (2020-33 I.R.B. 381), available at https://www.irs.gov/pub/irs-drop/rp-20-37.pdf.

Appendix A-4. **Inclusion Amounts for Passenger Automobiles First Leased in 2021**

Fair Market Value		Tax Year of Lease[1]				
Over	**Not Over**	**1st**	**2nd**	**3rd**	**4th**	**5th and Later**
$51,000	$52,000	$0	$0	$1	$0	$1
52,000	53,000	1	1	1	2	2
53,000	54,000	1	2	2	3	4
54,000	55,000	1	3	3	5	5
55,000	56,000	2	3	5	6	6
56,000	57,000	2	4	6	7	8
57,000	58,000	2	5	7	8	10
58,000	59,000	3	5	8	10	11
59,000	60,000	3	6	9	11	13
60,000	62,000	3	7	11	13	15
62,000	64,000	4	9	13	15	18
64,000	66,000	5	10	15	18	21
66,000	68,000	5	12	17	21	24
68,000	70,000	6	13	20	23	27
70,000	72,000	7	14	22	26	30
72,000	74,000	7	16	24	29	33
74,000	76,000	8	18	26	31	36
76,000	78,000	9	19	28	34	39
78,000	80,000	9	21	30	37	42
80,000	85,000	11	23	34	41	48
85,000	90,000	12	27	40	47	55
90,000	95,000	14	30	45	55	62
95,000	100,000[2]	16	34	50	61	70

[1] For the last tax year of the lease, use the dollar amount for the preceding year.

[2] If the fair market value of the vehicle is more than $100,000, see Rev. Proc. 2021-31 (2021-34 I.R.B. 324), available at https://www.irs.gov/pub/irs-drop/rp-21-31.pdf.

Appendix A-5. **Inclusion Amounts for Passenger Automobiles First Leased in 2022**

Fair Market Value		Tax Year of Lease[1]				
Over	**Not Over**	**1st**	**2nd**	**3rd**	**4th**	**5th and Later**
$56,000	$57,000	$1	$1	$1	$2	$2
57,000	58,000	2	4	5	7	7
58,000	59,000	3	7	9	11	13
59,000	60,000	4	9	14	16	19
60,000	62,000	6	13	20	23	28
62,000	64,000	9	19	27	34	38
64,000	66,000	11	24	36	43	50
66,000	68,000	14	30	43	53	61
68,000	70,000	16	35	52	63	72
70,000	72,000	19	40	61	72	83
72,000	74,000	21	46	68	82	95
74,000	76,000	24	51	77	91	106
76,000	78,000	26	57	85	101	117
78,000	80,000	29	62	93	111	128
80,000	85,000	33	72	107	128	148
85,000	90,000	39	86	127	152	176
90,000	95,000	45	100	147	177	204
95,000	100,000[2]	52	113	167	201	233

[1] For the last tax year of the lease, use the dollar amount for the preceding year.

[2] If the fair market value of the vehicle is more than $100,000, see Rev. Proc. 2022-17 (2022-13 I.R.B. 930), available at *IRS.gov/pub/irs-drop/rp-22-17.pdf*.

Appendix A-6. **Inclusion Amounts for Passenger Automobiles First Leased in 2023**

Fair Market Value		Tax Year of Lease[1]				
Over	**Not Over**	**1st**	**2nd**	**3rd**	**4th**	**5th and Later**
60,000	62,000	0	0	1	3	5
62,000	64,000	13	29	43	54	63
64,000	66,000	26	57	86	104	122
66,000	68,000	39	86	128	154	181
68,000	70,000	52	114	170	206	239
70,000	72,000	65	143	212	256	297
72,000	74,000	78	171	255	306	356
74,000	76,000	91	200	296	358	414
76,000	78,000	104	228	339	408	473
78,000	80,000	117	257	381	459	531
80,000	85,000	140	306	455	548	634
85,000	90,000	172	378	560	674	780
90,000	95,000	204	449	666	801	926
95,000	100,000[2]	237	520	772	927	1,073

[1] For the last tax year of the lease, use the dollar amount for the preceding year.

[2] If the fair market value of the vehicle is more than $100,000, see Rev. Proc. 2023-14 (2023-6 I.R.B. 466), available at *https://www.irs.gov/pub/irs-drop/rp-23-14.pdf*.

Index

To help us develop a more useful index, please let us know if you have ideas for index entries. See "Comments and Suggestions" in the "Introduction" for the ways you can reach us.

RESOLUTION NO. 2024-XX

OF THE BOARD OF DIRECTORS OF THE GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT ADOPTING AMENDED POLICY 4030, BOARD COMPENSATION, EXPENSE REIMBURSEMENTS, AND TRAVEL ALLOWANCE

WHEREAS, the Board of Directors of the Georgetown Divide adopted Policy 4030, Remuneration and Reimbursements, on June 25, 2013; and

WHEREAS, the ad hoc Policy Committee reviewed Policy 4030 and amended it to establish the procedures governing the payment of monthly compensation and expense reimbursement more clearly for members of the Board of Directors pursuant to Public Utilities Code Section 16002(a) and Ordinance 2011-01, Revising the Board of Directors' Compensation Rates, as well as include an annual travel allowance which was adopted on June 13th, 2023; and,

WHEREAS, the Ad Hoc Policy Committee has further reviewed Policy 4030 and amended it to establish the procedures governing the lodging expense reimbursements; and,

WHEREAS, the committee's recommendation was presented to the Board of Directors at its regular meeting of June 6, 2024.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT THAT THAT Policy 4030, Board Compensation, Expense Reimbursements, and Travel Allowance, is hereby amended and adopted; and the General Manager shall be authorized to certify the policy and include it in the District's Policy and Procedures Manual.

PASSED AND ADOPTED by the Board of Directors of the Georgetown Divide Public Utility District at a meeting of said Board held on the 6th day of June 2024, by the following vote:

AYES:

NOES:

ABSENT/ABSTAIN:

____
Mitch MacDonald, President, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Attest:

____
Nicholas Schneider, Clerk, and Ex officio
Secretary, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

CERTIFICATION

I hereby certify that the foregoing is a full, true, and correct copy of Resolution 2024-XX duly and regularly adopted by the Board of Directors of the Georgetown Divide Public Utility District, County of El Dorado, State of California, on this 6th day of June 2024.

____
Nicholas Schneider, Clerk, and Ex officio
Secretary, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

Attachment:

1. Exhibit A Policy 4030 Board Compensation and Expense Reimbursements and Travel Allowance

GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT
Policy and Procedures Manual

POLICY TITLE: **Board Compensation, Expense Reimbursements and Travel Allowance**

POLICY NUMBER: **4030** **Adopted: 06/25/2013** **Amended: 06/13/2023**

SECTION 4030.01 PURPOSE

The purpose of this policy is to establish the procedures governing the payment of monthly compensation and expense reimbursement for members of the Board of Directors of the Georgetown Divide Public Utility District pursuant to Public Utilities Code Section 16002(a) and Ordinance 2011-01.

SECTION 4030.02 DEFINITIONS AND REFERENCES

For the purposes of this policy, unless otherwise apparent from the context, certain words and phrases used in this policy are defined as follows:

Internal Revenue Service Publication 463 shall reference the explanation contained in this IRS tax document that explains what records are needed to prove expenses incurred.

Internal Revenue Service Publication 535 shall reference the mileage rate that is provided in this IRS tax document.

SECTION 4030.03 DIRECTOR'S COMPENSATION

Members of the Board of Directors shall receive monthly compensation, the amount of which shall be established annually by the Board at its regular meeting in July and be consistent with applicable state law and GDPUD Ordinance 2011-01.

Section 4030.03.01 Ordinance 2011-01

Ordinance 2011-0, adopted by the Board of Directors on February 8, 2011, sets forth the compensation and benefits to be provided to the District's Board of Directors.

Section 2 of this Ordinance establishes a monthly stipend of Four Hundred Dollars ($400.00) for an annual amount not to exceed Four Thousand Eight Hundred Dollars ($4,800.00), pursuant to Public Utility Code Section 16002(a). A Director must attend the regular meeting of the Board to receive the monthly stipend.

Section 4030.03.02 Public Utilities Code Section 16002

A compensation for Directors is established pursuant to Public Utilities Code § 16002, which states: Each member of the Board may receive the compensation that the Board by Ordinance provides, not exceeding four thousand eight hundred dollars ($4,800) a year.

SECTION 4030.04 ANNUAL ALLOWANCE FOR DISTRICT-RELATED TRAVEL EXPENSES

The Board of Directors shall include an annual travel allowance for each Director, based on the approved District budget, while on official District business as described in Public Utilities Code § 16002(b)(2), which states: Representation of the District at a public event, if that representation has been previously approved at a meeting of the Board and the member delivers a written report regarding the member's representation to the Board at the Board meeting immediately following the public event.

Official District business shall include federal, state, regional and local meetings, and training sessions, conferences, and events. The annual allowance shall cover the following travel expenses which are subject to the requirements of Government Code §§ 53232.2 and 53232.3, as well as the requirements of Ordinance 2011-01.

The District shall calculate the reimbursement amount according to the following provisions:

Section 4030.04.01 Mileage

Mileage incurred by Directors in their own vehicle shall be set at the rate of reimbursement allowed under Publication 535 of the Internal Revenue Service. Mileage shall not be reimbursed for attendance at regular or special board meetings held at the District office or other similar locations within the District.

Section 4030.04.02 Lodging, Travel by Public Transportation

Expenses for lodging, travel by public transportation, and incidental expenses incurred for attendance at meetings or conferences are eligible for reimbursement if they are at least 40 miles from the primary residence of the subject Board Member and have received prior approval by the Board of Directors. However, the Board in its discretion may approve reimbursement after a Director has attended the meeting or conference in circumstances where the meeting schedule of the Board did not permit prior approval of the request.

A. The State per diem rate, based on per diem rates established annually by the Administration of General Services, will be used for expense limitations. This rate chart is included with this policy as Appendix A.

B. **Internal Revenue Rates** – IRS Publication 463 shall be followed and the use of California per diem rates shall be used as stated in this publication for travel, lodging and other actual and necessary expenses.

C. Meals and Incidentals – Expenses for meals and incidentals shall be based on the California State per diem rate.

SECTION 4030.05 CONFERENCE AND TRAINING REGISTRATION FEES, AND TRAVEL EXPENSES

Upon Board approval of a Director's attendance of meetings, conferences, and training sessions, the District shall make registration payments, lodging, travel expenses The District shall make the efforts to obtain reduced rates through early registration or other opportunities for rate reductions.

Certification

I hereby certify that the foregoing is a full, true, and correct copy of Policy 4030 amended by the Board of Directors of the Georgetown Divide Public Utility District on June 6, 2024.

____

Nicholas Schneider, Clerk, and Ex-Officio
Secretary, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

REPORT TO THE BOARD OF DIRECTORS

June 6, 2024

Agenda Item No. 9. A.

GDPUD

AGENDA SECTION: **PUBLIC HEARING**

SUBJECT: **Adoption of Ordinance 2024-01 Rules and Regulations for Irrigation Service**

PREPARED BY: Elizabeth Olson, Executive Assistant

Approved By: Nicholas Schneider, General Manager

BACKGROUND

Ordinance No. 2023-04 Rules and Regulations for Irrigation Service establishes the District procedures for management of service and billing collection while defining expectations and usage requirements for customers.

DISCUSSION

The District is proposing amendments to Ordinance 2023-04 Rules and Regulations for Irrigation Service to allow for guidelines directing staff in the management of irrigation customer accounts and providing clarity to customers regarding the terms of service.

The amendments involved here address issues encountered relevant to irrigation service billing collection and guidelines for enforcement. Customer responsibilities are further clarified. The amendments allow for the District to service irrigation accounts based upon the Public Utilities Code (as opposed to SB 998 the Water Shutoff Protection Act as that applies to residential water service only).

The amendments to the Ordinance are to add the following language at various sections:

SECTION 5

b) Irrigation billings are made bi-monthly (every two months) in advance. All bills for water service are due and payable upon receipt and shall be considered delinquent if not paid within 30 days after the date the bill is issued by the District at which point a 10% penalty will be imposed.

f) Discontinuation of Service for Nonpayment

All charges placed on an individual parcel of land are the responsibility of the Landowner. In accordance with the provisions of Section 16469 et seq. of the Public Utilities Code, delinquent water service charges and/or assessments, together with all imposed penalties, for a parcel of land will be made a lien on the subject real property. The District may refuse to furnish water to any parcel of land if outstanding charges for water or services already furnished or rendered to such land (including any accrued interest and penalties) have not been paid in full by the District's prescribed payment date.

If a bill is delinquent for at least forty-five (45) days, the District may discontinue irrigation water service to the service address.

A. Written Notice to Irrigation Customer

The District will provide notice to the customer of record at least ten (10) business days before discontinuation of irrigation service. The notice shall contain:

1. the name and address of the customer;
2. the amount of the delinquency;
3. the date by which payment or payment arrangements must be made to avoid discontinuation of service;
4. the telephone number where the customer may request a payment arrangement or receive additional information from the District.

B. Posting of Notice at Service Address

If the District receives the written notice returned through the mail as undeliverable and is unable to make contact with the customer or an adult occupying the residence by telephone, the District will make a good faith effort to visit the residence and leave a notice of imminent discontinuation of irrigation service in a conspicuous place at the service address. The notice will be left at the residence at least forty-eight (48) hours before discontinuation of service. The notice shall include:

1. the name and address of the customer;
2. the amount of the delinquency;
3. the date by which payment must be made to avoid discontinuation of service;
4. the telephone number where the customer may request a payment arrangement or receive additional information from the District.

The District may terminate service for nonpayment of charges. If any service is suspended or terminated in accordance with the procedures prescribed in this Ordinance, neither the Board, the District, nor its officers, agents, or employees, shall be liable for any damage or loss that may occur as a result thereof.

g) Returned check for Previously Disconnected Service

In the event a customer tenders a non-negotiable check as payment to restore irrigation water service previously disconnected for non-payment and the District restores service, the District may promptly disconnect service without providing further notice. No 48-hour notice of termination will be given in the case of a non-negotiable check tendered for payment of irrigation water charges that were subject to discontinuance.

Any customer issuing a non-negotiable check as payment to restore service turned off for nonpayment will be required to pay cash, credit card, or certified funds to restore future service disconnections for a period of 12 months from the date of the returned payment.

A. Restoration of Service

The District will provide customers whose irrigation water service has been discontinued information on how to restore service. Such information shall indicate that the customer may contact the District by telephone or in person regarding restoration of service. Restoration shall be subject to payment of:

i. any past-due amounts, including applicable interest or penalties;

ii. reconnection fees; of $75 for immediate and $25 at the District's conveyance upon verified proof of payment by District administrative staff;

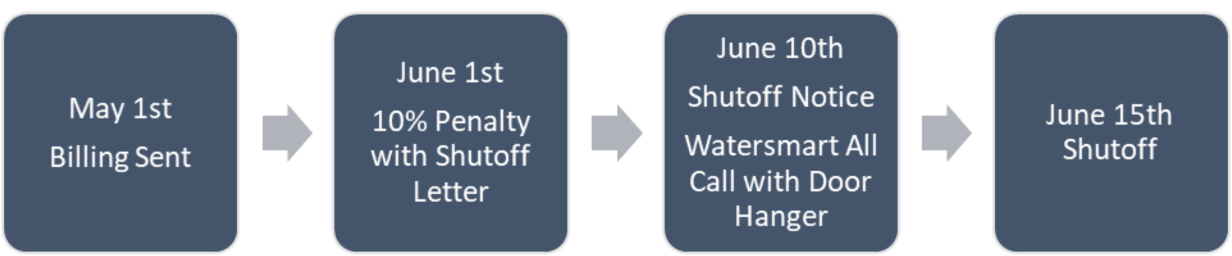
B. Other Remedies

In addition to discontinuation of service, the District may pursue any other remedies available in law or equity for nonpayment of water service charges, including, but not limited to: securing delinquent amounts by filing liens on real property, filing a claim or legal action, or referring the unpaid amount to collections. In the event a legal action is decided in favor of the District, the District shall be entitled to the payment of all costs and expenses, including attorneys' fees and accumulated interest.

SECTION 6. Discontinuation of Irrigation Service for Customer Violations

The District reserves the right to discontinue irrigation water service for any violations of District ordinances, rules, or regulations other than nonpayment.

The proposed billing timeline which outlines and defines delinquency and available actions to the District is depicted below, in a scenario based upon a May 1st billing receipt.



<u>FISCAL IMPACT</u>
Potential revenue may be collected from delinquent accounts.

<u>CEQA ASSESSMENT</u>
This is not a CEQA project.

RECOMMENDED ACTION

Staff recommends the Board of Directors of the Georgetown Divide Public Utility District (GDPUD) adopt Ordinance 2024-01 and receive public comment regarding a proposed amended Ordinance stating the purpose of establishing rules and regulations for irrigation service.

ALTERNATIVES

The Board may (a) Request substantive changes to the proposed Ordinance amendments for staff to implement; (b) Reject the Ordinance and proposed amendments.

ATTACHMENTS

1. Redlined Amendments to Ordinance No. 2023-04 Rules and Regulations for Irrigation Service
2. Proposed Ordinance 2024-01 Rules and Regulations for Irrigation Service

ORDINANCE 2023-04

AN ORDINANCE ESTABLISHING RULES AND REGULATIONS FOR IRRIGATION SERVICE IN THE GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

BE IT ENACTED by the Board of Directors of the GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT ("District"), County of El Dorado, State of California, as follows:

SECTION 1. Definitions:

a) Acres Managed: Area served by irrigation service.

b) Acres Irrigated: Area served that directly receives or utilizes irrigation supply.

c) Alternate Boxes: Irrigation service connection point that does not allow for measuring of water supplied.

d) Backflow Assembly: Testable device that does not allow reverse flow used to protect potable water supplies from contamination or pollution due to backflow.

e) Ditch Tenders: District staff tasked to operating and maintaining the District's raw water conveyance system.

f) Easement: A continuous ~~12.5 feet~~12.5-foot easement on either side of the centerline of a District canal or District raw water conveyance system, to include a total of 25 feet.

g) Ingress/Egress: Legal term referring to entering, leaving, and returning to a property.

h) Irrigation Service Account: A contract with the District that is processed by District staff and approved by the Board of Directors in association with the required annual application.

i) Irrigation Water: Non-potable seasonal water service supplied by the District.

j) Livestock: Domesticated animals raised in an agricultural setting to provide labor and produce diversified products for consumption.

k) Out-of-District: Parcel not with the District service area.

l) Right of Entry: The right of District Ditch Tender to Ingress/Egress onto a real property without committing trespass to operate and maintain the District's raw water conveyance system.

m) Turbulent Water: Chaotic changes in pressure and flow velocity.

SECTION 2. General Conditions:

a) Control of System: District Works shall be under exclusive control and management of District personnel duly appointed by the Board of Directors.

b) The District shall not be liable for interruption, shortage, or insufficiency of irrigation water supply, or for any loss or damage occasioned thereby. This would include loss of plant material or other loss related to a lack of water.

c) The District shall not be liable for damage to person or property resulting directly or indirectly from privately owned conduits, meters or measuring devices.

d) Irrigation water is used at the customer's own risk and the customer agrees to hold the District, its officers, and employees free and harmless from liability and damages that may occur as the result of defective water quality, shortages, fluctuation in flow or pressure, interruptions in service or for failure to deliver water.

e) Pumping of water by the customer is done at the customer's risk. The District assumes no liability for damage to pumping equipment or other damages as a result of turbulent water, shortages, excess of water or other causes.

f) No purchaser of water from the District acquires a proprietary or vested right by reason of use. No purchaser acquires a right to resell water or to use for a purpose other than that for which it was applied nor to use it on premises other than indicated on the application. The terms, conditions, priorities, and allocation of irrigation service may be altered and amended by the Board of Directors. The District does not guarantee irrigation service customers the right to future service.

g) The District expressly asserts the right to recapture, reuse, and resell all waters originating from any point within District Works.

h) District staff and other agents of the District shall have access and right of entry to the Easement and all lands irrigated from its water system and to all conduits for the purpose of inspection, examination, measurements, surveys, or other necessary purposes of the District with the right of installation, maintenance, control, and regulation of all meters and other measuring devices, gates, turnouts, and other structures necessary or proper for the measurement and distribution of water. No unauthorized people are allowed on district facilities on private property.

i) No bridges, ~~crossing~~crossings, ~~pipe~~pipes, or other structures shall be placed in or over a canal without written permission of the District. Maintenance of the canal crossings shall not be the District's responsibility but shall rest with the owner of the crossing. Where the owner fails to maintain the crossing, the District may perform the necessary repairs or removal at the expense of the owner. Notice of the District's intent will be given, if possible, to the owner prior to the work commencing.

j) No rubbish, garbage, refuse, chemicals, or animal matter from any source may be placed within the Easement or allowed to be emptied into any ditch, canal, or reservoir of the District. This does not include the application of herbicides by the District that have been approved to be applied adjacent to drinking water conveyance systems. Any chemical treatments performed within the Easement by property owners must be approved by District staff.

k) District canals or reservoirs shall not be used for human or animal swimming or bathing. Greenwood Lake, Sweetwater Lake, and Walton Lake may be utilized as ~~storm water~~stormwater capture reservoirs and thus would not be acceptable for swimming.

l) Livestock or any domesticated animal shall not be permitted to contaminate the water supply nor destroy or damage the canal system or use thereof. Property owners are liable for any damage due to any livestock or domesticated animals.

m) No conveyance system shall cause a cross connection with the District's water system with any other source of water.

n) Any irrigation customer that is connected to the District's potable water system, a backflow assembly is required to be installed and certified annually by an American Water Work Association (AWWA) backflow prevention assembly tester.

o) No buildings, corrals or other structures, fences, trees, lines, or bushes shall be permitted upon rights-of-way or use thereof be made in any way except by written authority of the District. Construction of fences and/or gates is not permitted without written approval of the specifications by the General Manager.

p) All District repairs, maintenance, and improvements to the canal shall follow Federal, State, and local regulations.

q) Violation of Rules and Regulations: Failure to comply with rules and regulations of the District shall be sufficient cause for terminating irrigation service as determined by the Board of Directors.

r) Any person dissatisfied with any determination of the District management shall have the right to appeal to the Board of Directors.

s) Amendments: The Board of Directors of the District may at their discretion alter, amend, or add to these rules and regulations. The Board of Directors will follow applicable laws during this process.

SECTION 3. Application for an Irrigation Service Account:

a) No irrigation service will be rendered until a complete application for an Irrigation Service Account has been approved and is on file at the office of the District. Applications will be accepted between January 1st and March 1st for the impending irrigation season. The application for service shall state that the customer agrees to abide by the terms and conditions for service as established in the Irrigation Ordinance.

b) Applications will be approved where the District Works have sufficient capacity to meet service requested. Applications will be considered for approval utilizing the following priority system:

Priority 1. Applications for Irrigation Service to any parcels that received irrigation service during the immediate past irrigation season, irrespective of whether or not there is an increased or decreased request for water.

Priority 2. Applications for Irrigation Service to parcels with the most recent active Irrigation Service Account during any of the previous five (5) irrigation seasons, with further prioritization ~~based~~ based on recent active Irrigation Service.

Priority 3. All other applications for Irrigation Service.

c) Competing applications within the same priority level, will be determined by public lottery.

d) Applications and priority are specific to the section of ditch the parcel is located near.

e) Notwithstanding the above priority schedule, delinquent accounts will be deferred to Priority 3 for upcoming irrigation season.

f) Applications for an increase to service will receive Priority 3 status for the requested increase.

g) Applications must in all cases be signed by the holder of title to the property requesting irrigation service. If the property requesting irrigation service is leased, two months of charges must be paid in advance. The landowner of leased property shall be responsible for all charges or assessments.

h) Applications for an Irrigation Service Account to benefit a parcel of land that is not adjacent to the District Works must be accompanied by a legally recorded easement that allows the conveyance of water to the parcel requesting irrigation service. The easement shall grant the District the right of ingress and egress for inspection, installation, and maintenance purposes.

i) New applications for Out-of-District Irrigation Service Accounts will not be approved by the Board of Directors. An existing Out-of-District Irrigation Service Account that is inactive for two or more years will be deleted from the District's accounts and the service will be permanently removed.

SECTION 4. Distribution of Water:

a) Historically the irrigation season has been considered from May 1 through September 30 of each year. This constitutes a five-month time period in which irrigation water is delivered. However, the Board of Directors shall consider changes to the irrigation season to respond to climactic conditions and may implement such changes by a majority vote. This can include extending, shortening or adjusting the irrigation season for any reason. District must respond and comply with any state mandates that arise in regard to water use efficiency.

b) The District does not guarantee irrigation water under pressure from the District Works. Pressure requirements of the customer are the sole responsibility of the customer, and the District shall not be liable for any damage to equipment used to provide pressure to the customer.

c) Water is distributed under continuous flow. Water shall be used continuously during all days and nights including holidays and Sundays and no allowances shall be made for failure to use water when it is made available. Failure to use water on schedule shall not entitle the customer to any rebate. Additionally, any service that does not comply with the continuous flow required could be penalized by the District up to, and including, termination of service. The District will make all reasonable attempts to notify customers of any outages for both emergency and non-emergency purposes.

d) Irrigation service is provided for the entire irrigation season. Customers shall pay for irrigation service for the entire irrigation season regardless of their interest or ability to use water.

e) When interruptions to irrigation service due to failure of the District infrastructure extend beyond three (3) consecutive ~~business~~ business days, proportionate adjustments for such water loss will only be made if (a) Customer notification to District is actually received and verified by the District; or (b) District staff had actual knowledge of interruptions to Irrigation Service.

f) Irrigation customers shall pay a proportionate amount for irrigation service when the irrigation season is extended or shortened by the Board of Directors.

g) Unauthorized connections or the taking of water in an amount greater than applied and paid for, by any means, is a misdemeanor under California Penal Code Section 498 and shall be subject to criminal prosecution under Section 498 and any other applicable laws. In addition, the District may bring a civil action for damages and may refuse future service to the parcel.

h) Irrigation customers shall prevent any unnecessary or wasteful use of water. Should a customer permit wasteful use of water, the District may discontinue service if such condition is not corrected within five (5) days after giving the parcel owner written notice of intention to terminate service.

i) No more than one parcel shall be served through each Irrigation Service Account. However, consent will be ~~given~~ given with the prior written approval of the Board of Directors to allow for multiple properties to utilize one diversion point. Any such approval shall be recorded against each parcel with the caveat that the agreement expires upon any change of ownership. Each Irrigation Service Account shall have independent service lines and sumps. Any legal issues that arise between authorized parties as a result of these agreements will be the sole responsibility of the irrigation account holder.

j) The minimum irrigation service for each Irrigation Service Account shall be one miner's inch, from the open ditch system, and one-half miner's inch from the irrigation pipeline system.

k) All pumped services shall utilize a sump provided by the customer and acceptable to the District.

l) All Irrigation Service Accounts must have an appropriate measuring device which shall be installed by the District. The customer shall pay the cost thereof including the cost of installation. The District shall approve the location of the measuring device.

m) Customers receiving irrigation service who request a change in flow rate during the season shall be charged a fee set by the Board of Directors for the adjustment.

n) Replacement of measuring devices shall be at the expense of the customer if the replacement is necessary due to tampering or abuse.

o) Alternate Boxes –The Board of Directors shall not approve any new applications for Alternate Boxes.

p) Unusual costs incurred by the District to provide irrigation service shall be paid in full by the applicant or customer. An estimate of the expense shall be approved by the property owner prior to work commencing.

SECTION 5. Charges, Rates and Billings:

a) The District will maintain a uniform rate schedule which may be changed from time to time upon action of the Board of Directors. The rate schedule, by reference, is attached hereto and made a part of these rules and regulations.

b) Irrigation billings are made bi-monthly (every two months) in advance~~.~~. All bills for water service are due and payable upon receipt and shall be considered delinquent if not paid within one month after the date the bill is issued by the District at which point a 10% penalty will be imposed.

c) All penalties shall be charged as outlined on the billings.

d) Disconnected irrigation service accounts shall pay a fee to re-establish service.

e) Irrigation service accounts requesting verification of flow will pay a fee if the delivered flow is within 10% of the contracted amount.

f) The District will actively market available water and develop a waitlist to grow Irrigation Service Accounts.

g) **Discontinuation of Service for Nonpayment**

All charges placed on an individual parcel of land are the responsibility of the Landowner. In accordance with the provisions of Section 16469 et seq. ~~25806~~ of the ~~Water~~Public Utilities Code, delinquent water service charges and/or assessments, together with all imposed penalties, for a parcel of land will be made a lien on the subject real property. The District may refuse to furnish water to any parcel of land if outstanding charges for water or services already furnished or rendered to such land (including any accrued interest and penalties) have not been paid in full by the District's prescribed payment date.

~~Water Code Section 22282.1 provides that: "A district may refuse service to any land if outstanding charges for services already rendered such land have not been paid within a reasonable time."~~

If a bill is delinquent for at least forty-five (45) days, the District may discontinue irrigation water service to the service address.

A. Written Notice to Irrigation Customer

The District will provide notice to the customer of record at least ten (10) business days before discontinuation of irrigation service. The notice shall contain:

1. the name and address of the customer;

2. the amount of the delinquency;

3. the date by which payment or payment arrangements must be made to avoid discontinuation of service;

4. the telephone number where the customer may request a payment arrangement or receive additional information from the District.

B. Posting of Notice at Service Address

If the District receives the written notice returned through the mail as undeliverable and is unable to make contact with the customer or an adult occupying the residence by telephone, the District will make a good faith effort to visit the residence and leave a notice of imminent discontinuation of irrigation service in a conspicuous place at the service address. The notice will be left at the residence at least forty-eight (48) hours before discontinuation of service. The notice shall include:

1. the name and address of the customer;
2. the amount of the delinquency;
3. the date by which payment must be made to avoid discontinuation of service;
4. the telephone number where the customer may request a payment arrangement or receive additional information from the District.

The District may terminate service for nonpayment of charges. If any service is suspended or terminated in accordance with the procedures prescribed in this Ordinance, neither the Board, the District, nor its officers, agents, or employees, shall be liable for any damage or loss that may occur as a result thereof.

h) **Procedures for Returned Checks**

A. Notification of Disposition of Returned Check

Upon receipt of a returned check taken as payment of service or other charges, the District will consider the account not paid. The District will make a reasonable, good-faith effort to notify the customer by phone or email of the returned check. A 48-hour notice of termination of service due to a returned check will be generated. The means of notification will be based upon the notification preference (text, phone, or email) selected by the customer. Customers who have not selected a means of notification will be notified by phone. If the District is unable to make contact by text, phone, or email, a good-faith effort will be made to visit the residence and leave a notice of termination of service.

Irrigation service will be disconnected if the amount of the returned check and the returned check charge are not paid on or before the date specified in the notice of termination. All amounts paid to redeem a returned check and to pay the returned check charge must be in cash, credit card, or certified funds.

B. Returned check for Previously Disconnected Service

In the event a customer tenders a non-negotiable check as payment to restore irrigation water service previously disconnected for non-payment and the District restores service, the District may promptly disconnect service without providing further notice. No

48-hour notice of termination will be given in the case of a non-negotiable check tendered for payment of irrigation water charges that were subject to discontinuance.

Any customer issuing a non-negotiable check as payment to restore service turned off for nonpayment will be required to pay cash, credit card, or certified funds to restore future service disconnections for a period of 12 months from the date of the returned payment.

B. Restoration of Service

The District will provide customers whose irrigation water service has been discontinued information on how to restore service. Such information shall indicate that the customer may contact the District by telephone or in-person regarding restoration of service. Restoration shall be subject to payment of:

i. any past-due amounts, including applicable interest or penalties;

ii. reconnection fees; of $75 for immediate and $25 at the District's conveyance upon verified proof of payment by District administrative staff;

C. Other Remedies

In addition to discontinuation of service, the District may pursue any other remedies available in law or equity for nonpayment of water service charges, including, but not limited to: securing delinquent amounts by filing liens on real property, filing a claim or legal action, or referring the unpaid amount to collections. In the event a legal action is decided in favor of the District, the District shall be entitled to the payment of all costs and expenses, including attorneys' fees and accumulated interest.

SECTION 6. **Discontinuation of Irrigation Service for Customer Violations**

The District reserves the right to discontinue irrigation water service for any violations of District ordinances, rules, or regulations other than nonpayment.

SECTION 7~~6~~. Additional Irrigation Service Sales

a) The District reserves the right to pursue additional revenue through additional irrigation water sales. This can be done through an extended delivery time frame or by other means. These sales may be limited in availability, service areas, and duration.

SECTION 8~~7~~. Repeal

a) Upon the effective date of this Ordinance 2024-01 all previously adopted Ordinances pertinent to the Rules and Regulations for Irrigation Service will be superseded and repealed, including, but not limited to, Ordinance 79-2, 79-8, 87-1, 04-01, 2005-01 and 2024-04.

SECTION 8. Effective Date

a) That this Ordinance shall become effective thirty (30) days after is adoption and shall be posted and published as required by law.

PASSED AND ADOPTED at a regularly held meeting of the Board of Directors of the GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT this 6th day of June 2024.

AYES:

NOES:

ABSENT:

____

Mitch MacDonald, President, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

ATTEST:

____

Nicholas Schneider, Clerk, and ex officio
Secretary, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

* * * * * * * * * * * *

Certification

I hereby certify that the foregoing is a full, true, and correct copy of Ordinance 2024-01 duly and regularly adopted by the Board of Directors of the Georgetown Divide Public Utility District, El Dorado County, California, at a meeting duly held on the 6th day of June 2024.

____

Nicholas Schneider, Clerk, and ex officio Secretary of the
Georgetown Divide Public Utility District

ORDINANCE 2024-01

AN ORDINANCE ESTABLISHING RULES AND REGULATIONS FOR IRRIGATION SERVICE IN THE GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

BE IT ENACTED by the Board of Directors of the GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT ("District"), County of El Dorado, State of California, as follows:

SECTION 1. Definitions:

a) Acres Managed: Area served by irrigation service.

b) Acres Irrigated: Area served that directly receives or utilizes irrigation supply.

c) Alternate Boxes: Irrigation service connection point that does not allow for measuring of water supplied.

d) Backflow Assembly: Testable device that does not allow reverse flow used to protect potable water supplies from contamination or pollution due to backflow.

e) Ditch Tenders: District staff tasked to operating and maintaining the District's raw water conveyance system.

f) Easement: A continuous 12.5 foot easement on either side of the centerline of a District canal or District raw water conveyance system, to include a total of 25 feet.

g) Ingress/Egress: Legal term referring to entering, leaving, and returning to a property.

h) Irrigation Service Account: A contract with the District that is processed by District staff and approved by the Board of Directors in association with the required annual application.

i) Irrigation Water: Non-potable seasonal water service supplied by the District.

j) Livestock: Domesticated animals raised in an agricultural setting to provide labor and produce diversified products for consumption.

k) Out-of-District: Parcel not with the District service area.

l) Right of Entry: The right of District Ditch Tender to Ingress/Egress onto a real property without committing trespass to operate and maintain the District's raw water conveyance system.

m) Turbulent Water: Chaotic changes in pressure and flow velocity.

SECTION 2. General Conditions:

a) Control of System: District Works shall be under exclusive control and management of District personnel duly appointed by the Board of Directors.

b) The District shall not be liable for interruption, shortage, or insufficiency of irrigation water supply, or for any loss or damage occasioned thereby. This would include loss of plant material or other loss related to a lack of water.

c) The District shall not be liable for damage to person or property resulting directly or indirectly from privately owned conduits, meters or measuring devices.

d) Irrigation water is used at the customer's own risk and the customer agrees to hold the District, its officers, and employees free and harmless from liability and damages that may occur as the result of defective water quality, shortages, fluctuation in flow or pressure, interruptions in service or for failure to deliver water.

e) Pumping of water by the customer is done at the customer's risk. The District assumes no liability for damage to pumping equipment or other damage as a result of turbulent water, shortages, excess of water or other causes.

f) No purchaser of water from the District acquires a proprietary or vested right by reason of use. No purchaser acquires a right to resell water or to use it for a purpose other than that for which it was applied nor to use it on premises other than indicated on the application. The terms, conditions, priorities, and allocation of irrigation service may be altered and amended by the Board of Directors. The District does not guarantee irrigation service customers the right to future service.

g) The District expressly asserts the right to recapture, reuse and resell all waters originating from any point within District Works.

h) District staff and other agents of the District shall have access and right of entry to the Easement and all lands irrigated from its water system and to all conduits for the purpose of inspection, examination, measurements, surveys, or other necessary purposes of the District with the right of installation, maintenance, control and regulation of all meters and other measuring devices, gates, turnouts, and other structures necessary or proper for the measurement and distribution of water. No unauthorized people are allowed on district facilities on private property.

i) No bridges, crossings, pipes, or other structures shall be placed in or over a canal without written permission of the District. Maintenance of the canal crossings shall not be the District's responsibility but shall rest with the owner of the crossing. Where the owner fails to maintain the crossing, the District may perform the necessary repairs or removal at the expense of the owner. Notice of the District's intent will be given, if possible, to the owner prior to the work commencing.

j) No rubbish, garbage, refuse, chemicals, or animal matter from any source may be placed within the Easement or allowed to be emptied into any ditch, canal, or reservoir of the District. This does not include the application of herbicides by the District that have been approved to be applied adjacent to drinking water conveyance systems. Any chemical treatments performed within the Easement by property owners must be approved by District staff.

k) District canals or reservoirs shall not be used for human or animal swimming or bathing. Greenwood Lake, Sweetwater Lake, and Walton Lake may be utilized as stormwater capture reservoirs and thus would not be acceptable for swimming.

l) Livestock or any domesticated animal shall not be permitted to contaminate the water supply nor destroy or damage the canal system or use thereof. Property owners are liable for any damage due to any livestock or domesticated animals.

m) No conveyance system shall cause a cross connection with the District's water system with any other source of water.

n) Any irrigation customer that is connected to the District's potable water system, a backflow assembly is required to be installed and certified annually by an American Water Work Association (AWWA) backflow prevention assembly tester.

o) No buildings, corrals or other structures, fences, trees, lines, or bushes shall be permitted upon rights-of-way or use thereof be made in any way except by written authority of the District. Construction of fences and/or gates is not permitted without written approval of the specifications by the General Manager.

p) All District repairs, maintenance, and improvements to the canal shall follow Federal, State, and local regulations.

q) Violation of Rules and Regulations: Failure to comply with rules and regulations of the District shall be sufficient cause for terminating irrigation service as determined by the Board of Directors.

r) Any person dissatisfied with any determination of the District management shall have the right to appeal to the Board of Directors.

s) Amendments: The Board of Directors of the District may at their discretion alter, amend, or add to these rules and regulations. The Board of Directors will follow applicable laws during this process.

SECTION 3. Application for an Irrigation Service Account:

a) No irrigation service will be rendered until a complete application for an Irrigation Service Account has been approved and is on file at the office of the District. Applications will be accepted between January 1st and March 1st for the impending irrigation season. The application for service shall state that the customer agrees to abide by the terms and conditions for service as established in the Irrigation Ordinance.

b) Applications will be approved where the District Works have sufficient capacity to meet service requested. Applications will be considered for approval utilizing the following priority system:

Priority 1. Applications for Irrigation Service to any parcels that received irrigation service during the immediate past irrigation season, irrespective of whether or not there is an increased or decreased request for water.

Priority 2. Applications for Irrigation Service to parcels with the most recent active Irrigation Service Account during any of the previous five (5) irrigation seasons, with further prioritization based on recent active Irrigation Service.

Priority 3. All other applications for Irrigation Service.

c) Competing applications within the same priority level will be determined by public lottery.

d) Applications and priority are specific to the section of ditch the parcel is located near.

e) Notwithstanding the above priority schedule, delinquent accounts will be deferred to Priority 3 for the upcoming irrigation season.

f) Applications for an increase to service will receive Priority 3 status for the requested increase.

g) Applications must in all cases be signed by the holder of title to the property requesting irrigation service. If the property requesting irrigation service is leased, two months of charges must be paid in advance. The landowner of leased property shall be responsible for all charges or assessments.

h) Applications for an Irrigation Service Account to benefit a parcel of land that is not adjacent to the District Works must be accompanied by a legally recorded easement that allows the conveyance of water to the parcel requesting irrigation service. The easement shall grant the

District the right of ingress and egress for inspection, installation, and maintenance purposes.

i) New applications for Out-of-District Irrigation Service Accounts will not be approved by the Board of Directors. An existing Out-of-District Irrigation Service Account that is inactive for two or more years will be deleted from the District's accounts and the service will be permanently removed.

SECTION 4. Distribution of Water:

a) Historically the irrigation season has been considered from May 1 through September 30 of each year. This constitutes a five-month time period in which irrigation water is delivered. However, the Board of Directors shall consider changes to the irrigation season to respond to climactic conditions and may implement such changes by a majority vote. This can include extending, shortening, or adjusting the irrigation season for any reason. District must respond and comply with any state mandates that arise in regard to water use efficiency.

b) The District does not guarantee irrigation water under pressure from the District Works. Pressure requirements of the customer are the sole responsibility of the customer, and the District shall not be liable for any damage to equipment used to provide pressure to the customer.

c) Water is distributed under continuous flow. Water shall be used continuously during all days and nights including holidays and Sundays and no allowances shall be made for failure to use water when it is made available. Failure to use water on schedule shall not entitle the customer to any rebate. Additionally, any service that does not comply with the continuous flow required could be penalized by the District up to, and including, termination of service. The District will make all reasonable attempts to notify customers of any outages for both emergency and non-emergency purposes.

d) Irrigation service is provided for the entire irrigation season. Customers shall pay for irrigation service for the entire irrigation season regardless of their interest or ability to use water.

e) When interruptions to irrigation service due to failure of the District infrastructure extend beyond three (3) consecutive business days, proportionate adjustments for such water loss will only be made if (a) Customer notification to District is actually received and verified by the District; or (b) District staff had actual knowledge of interruptions to Irrigation Service.

f) Irrigation customers shall pay a proportionate amount for irrigation service when the irrigation season is extended or shortened by the Board of Directors.

g) Unauthorized connections or the taking of water in an amount greater than applied and paid for, by any means, is a misdemeanor under California Penal Code Section 498 and shall be subject to criminal prosecution under Section 498 and any other applicable laws. In addition, the District may bring a civil action for damages and may refuse future service to the parcel.

h) Irrigation customers shall prevent any unnecessary or wasteful use of water. Should a customer permit wasteful use of water, the District may discontinue service if such condition is not corrected within five (5) days after giving the parcel owner written notice of intention to terminate service.

i) No more than one parcel shall be served through each Irrigation Service Account. However, consent will be given with the prior written approval of the Board of Directors to allow for multiple properties to utilize one diversion point. Any such approval shall be recorded against each parcel with the caveat that the agreement expires upon any change of ownership. Each Irrigation Service Account shall have independent service lines and sumps. Any legal issues that arise between authorized parties as a result of these agreements will be the sole responsibility of the irrigation account holder.

j) The minimum irrigation service for each Irrigation Service Account shall be one miner's inch, from the open ditch system, and one-half miner's inch from the irrigation pipeline system.

k) All pumped services shall utilize a sump provided by the customer and acceptable to the District.

l) All Irrigation Service Accounts must have an appropriate measuring device which shall be installed by the District. The customer shall pay the cost thereof including the cost of installation. The District shall approve the location of the measuring device.

m) Customers receiving irrigation service who request a change in flow rate during the season shall be charged a fee set by the Board of Directors for the adjustment.

n) Replacement of measuring devices shall be at the expense of the customer if the replacement is necessary due to tampering or abuse.

o) Alternate Boxes – The Board of Directors shall not approve any new applications for Alternate Boxes.

p) Unusual costs incurred by the District to provide irrigation service shall be paid in full by the applicant or customer. An estimate of the expense shall be approved by the property owner prior to work commencing.

SECTION 5. Charges, Rates and Billings:

a) The District will maintain a uniform rate schedule which may be changed from time to time upon action of the Board of Directors. The rate schedule, by reference, is attached hereto and made a part of these rules and regulations.

b) Irrigation billings are made bi-monthly (every two months) in advance. All bills for service are due and payable upon receipt and shall be considered delinquent if not paid within one month after the date the bill is issued by the District at which point a 10% penalty will be imposed.

c) All penalties shall be charged as outlined on the billings.

d) Disconnected irrigation service accounts shall pay a fee to re-establish service.

e) Irrigation service accounts requesting verification of flow will pay a fee if the delivered flow is within 10% of the contracted amount.

f) The District will actively market available water and develop a waitlist to grow Irrigation Service Accounts.

g) Discontinuation of Service for Nonpayment

All charges placed on an individual parcel of land are the responsibility of the Landowner. In accordance with the provisions of Section 16469 et seq. of the Public Utilities Code, delinquent water service charges and/or assessments, together with all imposed penalties, for a parcel of land will be made a lien on the subject real property. The District may refuse to furnish water to any parcel of land if outstanding charges for water or services already furnished or rendered to such land (including any accrued interest and penalties) have not been paid in full by the District's prescribed payment date.

If a bill is delinquent for at least forty-five (45) days, the District may discontinue irrigation water service to the service address.

i. Written Notice to Irrigation Customer

The District will provide notice to the customer of record at least ten (10) business days before discontinuation of irrigation service. The notice shall contain:

1. the name and address of the customer;
2. the amount of the delinquency;
3. the date by which payment or payment arrangements must

be made to avoid discontinuation of service;

4. the telephone number where the customer may request a payment arrangement or receive additional information from the District.

ii. Posting of Notice at Service Address

If the District receives the written notice returned through the mail as undeliverable and is unable to make contact with the customer or an adult occupying the residence by telephone, the District will make a good faith effort to visit the residence and leave a notice of imminent discontinuation of irrigation service in a conspicuous place at the service address. The notice will be left at the residence at least forty-eight (48) hours before discontinuation of service. The notice shall include:

1. the name and address of the customer;
2. the amount of the delinquency;
3. the date by which payment must be made to avoid discontinuation of service;
4. the telephone number where the customer may request a payment arrangement or receive additional information from the District.

The District may terminate service for nonpayment of charges. If any service is suspended or terminated in accordance with the procedures prescribed in this Ordinance, neither the Board, the District, nor its officers, agents, or employees, shall be liable for any damage or loss that may occur as a result thereof.

h) Procedures for Returned Checks

i. Notification of Disposition of Returned Check

Upon receipt of a returned check taken as payment of service or other charges, the District will consider the account not paid. The District will make a reasonable, good-faith effort to notify the customer by phone or email of the returned check. A 48-hour notice of termination of service due to a returned check will be generated. The means of notification will be based upon the notification preference (text, phone, or email) selected by the customer. Customers who have not selected a means of notification will be notified by phone. If the District is unable to make contact by text, phone, or email, a good-faith effort will be made to visit the residence and leave a notice of termination of service.

Irrigation service will be disconnected if the amount of the returned check and the returned check charge are not paid on or before the date specified in the notice of termination. All amounts paid to redeem a returned check and to pay the returned check charge must be in cash, credit card, or certified funds.

ii. Returned Check for Previously Disconnected Service

In the event a customer tenders a non-negotiable check as payment to restore irrigation water service previously disconnected for non-payment and the District restores service, the District may promptly disconnect service without providing further notice. No 48-hour notice of termination will be given in the case of a non-negotiable check tendered for payment of irrigation water charges that were subject to discontinuance.

Any customer issuing a non-negotiable check as payment to restore service turned off for nonpayment will be required to pay cash, credit card, or certified funds to restore future service disconnections for a period of 12 months from the date of the returned payment.

i) Restoration of Service

The District will provide customers whose irrigation water service has been discontinued information on how to restore service. Such information shall indicate that the customer may contact the District by telephone or in-person regarding restoration of service. Restoration shall be subject to payment of:

i. any past-due amounts, including applicable interest or penalties;

ii. reconnection fees; of $75 for immediate and $25 at the District's conveyance upon verified proof of payment by District administrative staff;

j) Other Remedies

In addition to discontinuation of service, the District may pursue any other remedies available in law or equity for nonpayment of water service charges, including, but not limited to: securing delinquent amounts by filing liens on real property, filing a claim or legal action, or referring the unpaid amount to collections. In the event a legal action is decided in favor of the District, the District shall be entitled to the payment of all costs and expenses, including attorneys' fees and accumulated interest.

SECTION 6. Discontinuation of Irrigation Service for Customer Violations

The District reserves the right to discontinue irrigation water service for any violations of District ordinances, rules, or regulations other than nonpayment.

SECTION 7. Additional Irrigation Service Sales

a) The District reserves the right to pursue additional revenue through additional irrigation water sales. This can be done through an extended delivery time frame or by other means. These sales may be limited in availability, service areas, and duration.

SECTION 8. Repeal

a) Upon the effective date of this Ordinance 2024-01 all previously adopted Ordinances pertinent to the Rules and Regulations for Irrigation Service will be superseded and repealed, including, but not limited to, Ordinance 79-2, 79-8, 87-1, 04-01, 2005-01, and 2023-04.

SECTION 9. Effective Date

a) That this Ordinance shall become effective thirty (30) days after its adoption and shall be posted and published as required by law.

I HEREBY CERTIFY that the foregoing Ordinance was duly INTRODUCED at a regularly held meeting of the Board of Directors of the Georgetown Divide Public Utility District and was PASSED AND ADOPTED by the Board of Directors of the GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT this 6th day of June 2024.

AYES:
NOES:
ABSENT:

____
Mitch MacDonald, President, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

ATTEST:

____
Nicholas Schneider, Clerk, and ex officio
Secretary, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

CERTIFICATION

I hereby certify that the foregoing is a full, true, and correct copy of Ordinance 2024-01 duly and regularly adopted by the Board of Directors of the Georgetown Divide Public Utility District, El Dorado County, California, at a meeting duly held on the 6th day of June 2024.

____

Nicholas Schneider, Clerk, and ex officio
Secretary, Board of Directors
GEORGETOWN DIVIDE PUBLIC UTILITY DISTRICT

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