

2017-2018 Budget Presentation

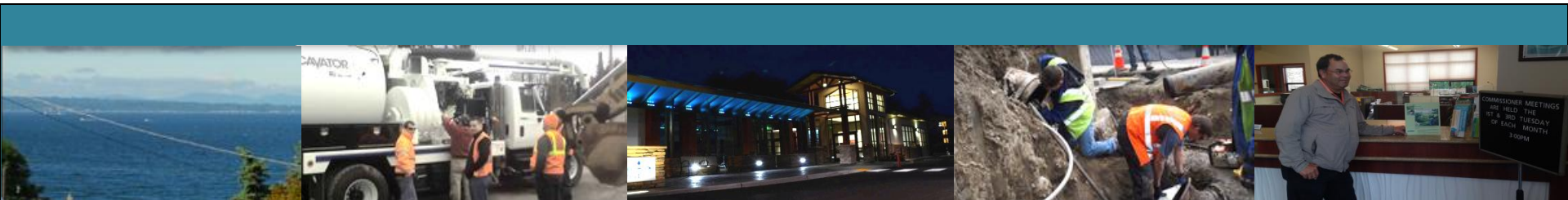
Presentation to the Board of Commissioners

December 6, 2016



Agenda

- 1.Revision to Operating Budget**
- 2.Capital Budget**
- 3.Vehicle Replacement Account**
- 4.Usage and Revenue Forecast**
- 5.2017-2018 Revenue Requirements**
- 6.Long Term Rate Forecast**



Changes to Operating Budget

- 1. Decreased WASWD dues to reflect the exclusion of franchise fees and penalty revenues**
- 2. Removed under-expenditure from Travel and Training**
- 3. Increased Insurance by \$4,000**
- 4. Added \$15,000 in 2018 and going forward for a CPA firm**
- 5. Added \$6,000 in 2017 and going forward for outsourcing payroll checks and tax reports**
- 6. Adjusted payroll to include Oct 2016 COLA**
- 7. Adjusted payroll for the replacement of the inspector by the promotion of in-house staff to a combination inspector / GIS / mapping position**
- 8. Reduced O&M budget by \$30,000 through a detail analysis of costs**
- 9. Reduced vehicle maintenance by \$20,000 in 2017 and going forward by replacing the vac-con in 2017**



Objects <i>(Types of Cost)</i>	2016			Chg 2017			Chg 2018		
	2015 Actual	Budget	Actual	2017 Budget	Budget to 2016 Actual	Percent Change	2018 Budget	Budget to 2017 Budget	Percent Change
BUSINESS ADMINISTRATION	\$ 142,163	\$ 172,100	\$ 155,800	\$ 152,400	\$ (3,400)	-2.2%	\$ 180,200	\$ 27,800	18.2%
PLANNING AND DEVELOPMENT	\$ 18,838	\$ 66,000	\$ 7,200	\$ 21,000	\$ 13,800	191.7%	\$ 23,000	\$ 2,000	9.5%
PUBLIC AND REGIONAL OUTREACH	\$ 53,997	\$ 61,300	\$ 57,600	\$ 60,800	\$ 3,200	5.6%	\$ 62,100	\$ 1,300	2.1%
OFFICE AND RECORDS MANAGEMENT	\$ 203,617	\$ 189,700	\$ 192,800	\$ 201,700	\$ 8,900	4.6%	\$ 215,200	\$ 13,500	6.7%
CUSTOMER SERVICE AND BILLING	\$ 44,857	\$ 52,100	\$ 56,300	\$ 63,000	\$ 6,700	11.9%	\$ 64,300	\$ 1,300	2.1%
PURCHASED WATER AND POWER	\$ 1,501,184	\$ 1,468,815	\$ 1,387,361	\$ 1,387,000	\$ (361)	0.0%	\$ 1,650,000	\$ 263,000	19.0%
OPERATIONS AND MAINTENANCE	\$ 38,760	\$ 46,000	\$ 220,800	\$ 199,700	\$ (21,100)	-9.6%	\$ 203,600	\$ 3,900	2.0%
TAXES AND FRANCHISE FEES	\$ 691,449	\$ 709,500	\$ 692,789	\$ 711,649	\$ 18,860	2.7%	\$ 732,776	\$ 21,127	3.0%
PASS-THRU COSTS	\$ 6,776	\$ 7,900	\$ 7,800	\$ 7,900	\$ 100	1.3%	\$ 8,100	\$ 200	2.5%
EMPLOYEE COSTS	<u>\$ 1,570,004</u>	<u>\$ 1,621,625</u>	<u>\$ 1,587,126</u>	<u>\$ 1,514,807</u>	<u>\$ (72,320)</u>	<u>-4.6%</u>	<u>\$ 1,526,963</u>	<u>\$ 12,156</u>	<u>0.8%</u>
Total Operating Costs	<u>\$ 4,271,644</u>	<u>\$ 4,395,039</u>	<u>\$ 4,365,576</u>	<u>\$ 4,319,955</u>	<u>\$ (45,621)</u>	<u>-1.0%</u>	<u>\$ 4,666,239</u>	<u>\$ 346,283</u>	<u>8.0%</u>
CAPITAL COSTS	\$ 2,154,285	\$ 2,512,366	\$ 2,492,624	\$ 2,772,866	\$ 280,242	11.2%	\$ 2,531,781	\$ (241,085)	-8.7%
TRANSFER TO PRESERVATION ACCT		\$ 50,000	\$ 50,000	\$ 50,000	\$ -	0.0%	\$ 50,000	\$ -	0.0%
ADDITION TO RESERVES							<u>\$ 21,623</u>	<u>\$ 21,623</u>	<u>n/a</u>
Total Revenue Requirement	<u>\$ 6,425,929</u>	<u>\$ 6,957,404</u>	<u>\$ 6,908,201</u>	<u>\$ 7,142,821</u>	<u>\$ 234,620</u>	<u>3.4%</u>	<u>\$ 7,269,642</u>	<u>\$ 126,821</u>	<u>1.8%</u>



Labor and Benefits Summary

(Before Capitalization)

2017 - Budget

	DIRECT LABOR	TOTAL BENEFITS	COMBINED TOTAL
Beginning level for GIS/mapping position, net of step increases			
Total Projected Labor and Benefits for 2016	\$ 1,217,067	\$ 536,760	\$ 1,753,827
Net Steps, Staff Changes, PERS, Decr in Total Hours Worked	(\$35,508)	\$ 27,369	(\$8,140)
Base Labor and Benefits for 2017	\$ 1,181,559	\$ 564,129	\$ 1,745,687
Deduct Commissioner Pay	(\$32,832)	(\$56,662)	(\$89,494)
Base Pay Subject to COLA	\$ 1,148,727	\$ 507,467	\$ 1,656,194
COLA @ 2.4% on Staff Employees (cash basis)	\$ 26,440	\$ 4,767	\$ 31,207
Reflects a 2.4% COLA Increase			
TOTAL LABOR AND BENEFITS FOR 2017 (Cash Basis)	\$ 1,207,998	\$ 568,895	\$ 1,776,894
<i>2017 Total Increase over 2016</i>	<i>(\$9,069)</i>	<i>\$ 32,136</i>	<i>\$ 23,067</i>
<i>Percent Increase over 2016</i>	<i>-0.7%</i>	<i>6.0%</i>	<i>1.3%</i>



Labor and Benefits Summary (Before Capitalization)

2018 - Budget

	DIRECT LABOR	TOTAL BENEFITS	COMBINED TOTAL
Total Projected Labor and Benefits for 2017	\$ 1,207,998	\$ 568,895	\$ 1,776,894
Net Steps, Staff Changes, PERS, Incr in Total Hours Worked	(\$37,203)	\$ 1,179	(\$36,024)
Base Labor and Benefits for 2018	\$ 1,170,796	\$ 570,074	\$ 1,740,870
Deduct Commissioner Pay	(\$32,832)	(\$56,662)	(\$89,494)
Base Pay Subject to COLA	\$ 1,137,964	\$ 513,412	\$ 1,651,376
COLA on Staff Employees (cash basis) ¹	\$ 33,190	\$ 6,215	\$ 39,405
TOTAL LABOR AND BENEFITS FOR 2018 (Cash Basis)	\$ 1,203,986	\$ 576,289	\$ 1,780,275
<i>2018 Total Increase (Decrease) over 2017</i>	(\$4,013)	\$ 7,393	\$ 3,381
<i>Percent Increase (Decrease) over 2017</i>	-0.3%	1.3%	0.2%

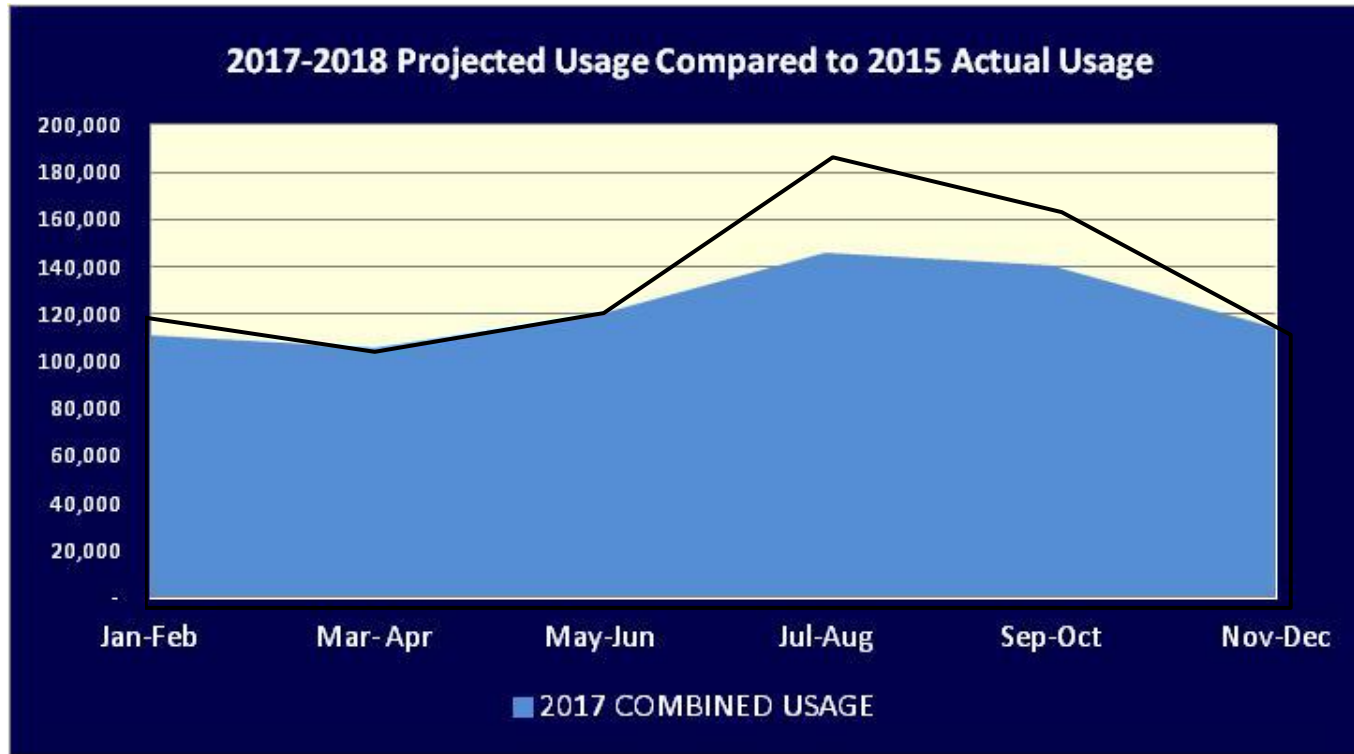
¹⁾ COLA set at a projected inflationary level of 3% but may be revised in late 2017 when the actual COLA is known.

Capital Forecast	2017	2018	2019	2020	2021	2022	2017-2022
USES:							
NCPS - .4MG Reservoir- Design & Const	756,444	-	-	-	-	-	756,444
Water System Plan Updates	127,272	-	-	-	-	-	127,272
GIS Project	140,962	128,847	92,818	136,801	112,855	147,216	759,499
Water Sample Stands	53,218	-	-	-	-	-	53,218
System Upgrades Water Quality	-	399,065	-	-	-	-	399,065
Booster Stations Rehabilitation/Replace	20,000	243,348	244,602	26,929	86,076	-	620,955
System-wide - R&R PRV Stations	284,714	288,812	297,742	306,950	-	-	1,178,218
Maintenance Building	2,289,448	5,057,072	842,800	-	-	-	8,189,319
2.0 MG Reservoir Capital Imp	-	122,838	-	-	-	-	122,838
CP 10 - 19th Ave NE	-	-	217,411	-	-	-	217,411
CP 35 - NE 171st	-	-	100,135	-	-	-	100,135
CP 33 - 20th Place and CP12 - 200th/25th	-	-	-	337,284	-	-	337,284
CP 12 - NE 200th St./25th Ave. NE	-	-	-	334,285	-	-	334,285
Meters/Services	82,602	66,406	68,537	70,737	73,010	75,356	436,647
Valve Replacement	24,000	24,510	25,315	26,148	27,008	27,897	154,877
Hydrant Replacement	19,200	19,590	20,240	20,911	21,606	22,324	123,871
Technology Additions & Replacement	22,430	17,345	18,545	14,515	10,185	24,955	107,975
Tools, Equipment & Furniture	18,217	6,403	6,595	6,793	6,997	7,207	52,212
Vactor Truck	400,000	-	-	-	-	-	400,000
On-going Projects	-	-	-	-	862,695	888,769	1,751,464
TOTAL USES	4,238,506	6,374,236	1,934,740	1,281,354	1,200,431	1,193,723	16,222,991

Capital Forecast	2016	2017	2018	2019	2020	2021	2022	2017-2022
SOURCES:								
Construction Fund Beginning Balance	\$ 1,920,865	\$ 10,307,849	\$ 8,822,608	\$ 4,146,995	\$ 5,335,102	\$ 5,811,732	\$ 6,156,816	\$ 10,307,849
Transfers from the Maintenance Fund	1,750,884	1,462,676	1,370,556	1,281,378	1,392,633	1,404,339	1,516,512	8,428,093
Interest Earnings	10,263	77,309	13,234	41,470	53,351	87,176	92,352	364,892
Connection Fees	237,167	610,713	50,000	300,000	312,000	54,000	56,160	1,382,873
2016 Bond Proceeds	7,711,725							-
Transfer from Bond Fund Reserves	772,148							-
Transfer from Bond Fund		256,167	264,833	-	-	-	-	521,000
Sale of Old Maintenance Property		-	-	1,500,000	-	-	-	1,500,000
DWSRF Loan	1,740,642	346,400	-	-	-	-	-	346,400
TOTAL SOURCES	14,143,692	13,061,114	10,521,231	7,269,843	7,093,087	7,357,247	7,821,841	22,851,108
TOTAL USES	3,835,843	4,238,506	6,374,236	1,934,740	1,281,354	1,200,431	1,193,723	16,222,991
ENDING BALANCE (Net)	\$10,307,849	\$8,822,608	\$4,146,995	\$5,335,102	\$5,811,732	\$6,156,816	\$6,628,117	\$6,628,117

Vehicle Replacement Acct	2017	2018	2019	2020	2021	2022	Total
BEGINNING BALANCE	\$ 213,613	\$ 235,912	\$ 251,339	\$ 336,622	\$ 334,404	\$ 207,211	\$ 213,613
<u>Sources:</u>							
Net Interest Earnings	3,204	4,718	6,283	8,416	10,032	7,252	39,906
Revenue from Surplus Sales	7,595	4,563	-	12,448	29,917	23,038	77,561
T transfer from Operating Revenues	75,000	77,000	79,000	81,000	83,000	85,000	480,000
Total Sources	\$ 299,412	\$ 322,193	\$ 336,622	\$ 438,486	\$ 457,354	\$ 322,501	\$ 811,079
<u>Uses:</u>							
Unit # 25 2018 Forklift	-	(32,702)	-	Replacement cycle starts	-	-	(32,702)
Unit # 2 2010 F-150 P/U	(31,750)	-	-	again in 2022	-	-	(31,750)
Unit # 3 2010 F-150 P/U	(31,750)	-	-	-	-	-	(31,750)
Unit # 4 2000 Dodge P/U - Unit 21 2015 F-150 P/U	-	-	-	-	-	(36,807)	(36,807)
Unit # 5 GMC 10 Yard Dump	-	-	-	-	(121,498)	-	(121,498)
Unit # 8 2010 F-150 4x4	-	(38,153)	-	-	-	-	(38,153)
Unit # 15 2001 Chevy P/U - Unit 22 2015 F-150 P/U	-	-	-	-	-	(42,941)	(42,941)
Unit # 17 2007 International 5 Yard Dump	-	-	-	-	-	(112,874)	(112,874)
Unit # 18 2013 F-350 Service Body	-	-	-	-	-	-	-
Unit # 19 2013 F-150 P/U	-	-	-	(104,081)	-	-	(104,081)
Unit # 20 F-550 Service Van	-	-	-	-	-	-	-
2000 Durango - Unit 23 2015 Ford Explorer	-	-	-	-	-	-	-
District Manager Vehicle - Unit 24 2015 Ford Explorer	-	-	-	-	-	-	-
TR-1 Backhoe 1991	-	-	-	-	(128,645)	-	(128,645)
TR-2 Backhoe 2001	-	-	-	-	-	-	-
Total Uses	\$ (63,500)	\$ (70,855)	\$ -	\$ (104,081)	\$ (250,142)	\$ (192,622)	\$ (681,200)
ENDING BALANCE	\$ 235,912	\$ 251,339	\$ 336,622	\$ 334,404	\$ 207,211	\$ 129,880	\$ 129,880


2017-2018 Demand (Usage) Forecasts



The black line is the 2015 usage. The blue area is the expected 2016 usage less 28 SFR customers. It is the new projected usage for 2017-2022 usage

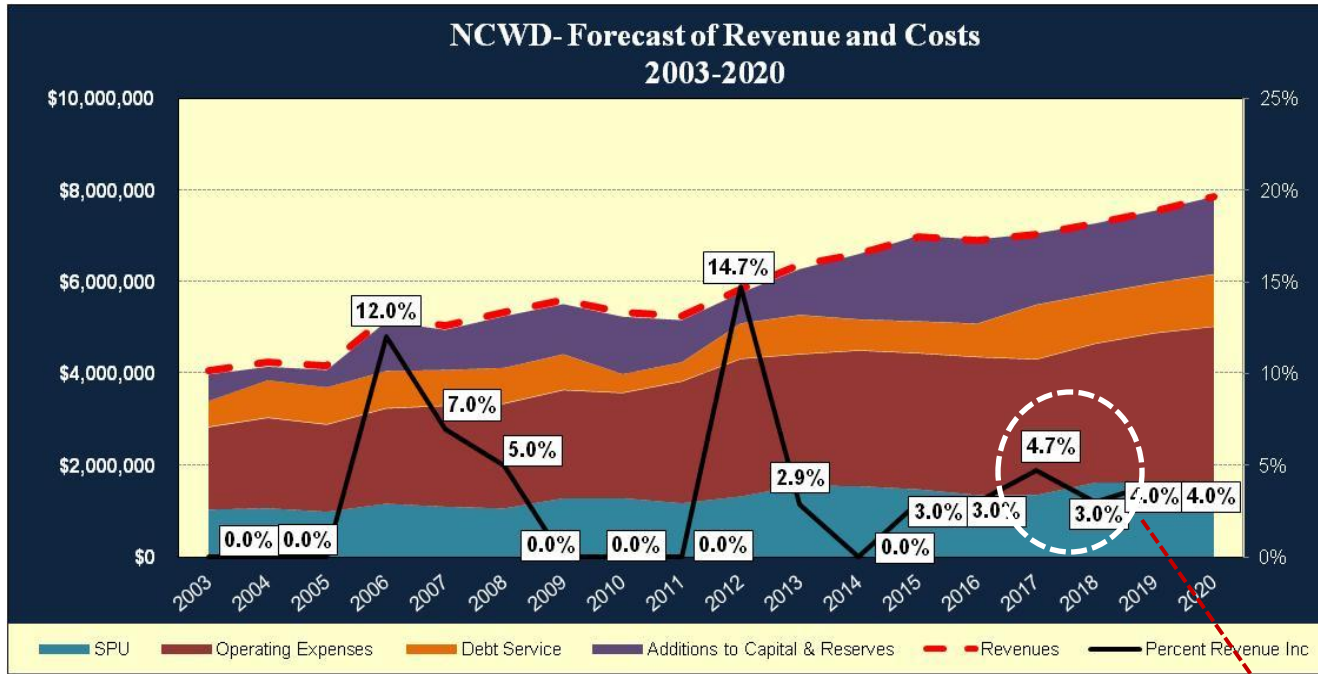


Revenue Requirement Increases

	Revenue Requirement Increases		
2017-2018 - Budget			
Projected Costs (Needs/Uses):	2017	2018	Combined
Purchased Water:	\$ 1,354,000	\$ 1,625,000	\$ 2,979,000
Salaries and Benefits (net capitalization)	1,449,691	1,460,663	2,910,354
Administration and O&M	804,616	847,800	1,652,416
Taxes	335,578	345,414	680,992
Franchise Fees	376,071	387,362	763,433
Debt Service	1,235,190	1,084,225	2,319,416
Capital Transfer	1,200,000	1,100,000	2,300,000
CIC Transfer	262,676	270,556	533,231
Vehicle Replacement Contribution	75,000	77,000	152,000
Transfer to Perservation Account	50,000	50,000	100,000
Additions to (Use of) Reserves	<u>(90,583)</u>	<u>21,622</u>	<u>(68,961)</u>
Total Projected Costs (Needs/Uses)	7,052,238	7,269,642	14,321,880
Less Interest Earnings	(20,459)	(25,467)	(45,925)
Less Other Revenue (<i>Late Fees, Rents, Hookups</i>)	(521,934)	(538,870)	(1,060,804)
Rate Revenues Required (Revenue Requirement)	\$ 6,509,845	\$ 6,705,306	\$ 13,215,151
Less Revenues at Existing Rates	(6,217,617)	(6,509,845)	(12,727,462)
Revenue Short Fall	\$ 292,228	\$ 195,461	\$ 487,689
% Rate Revenue Increase Needed	4.70%	3.00%	7.84%

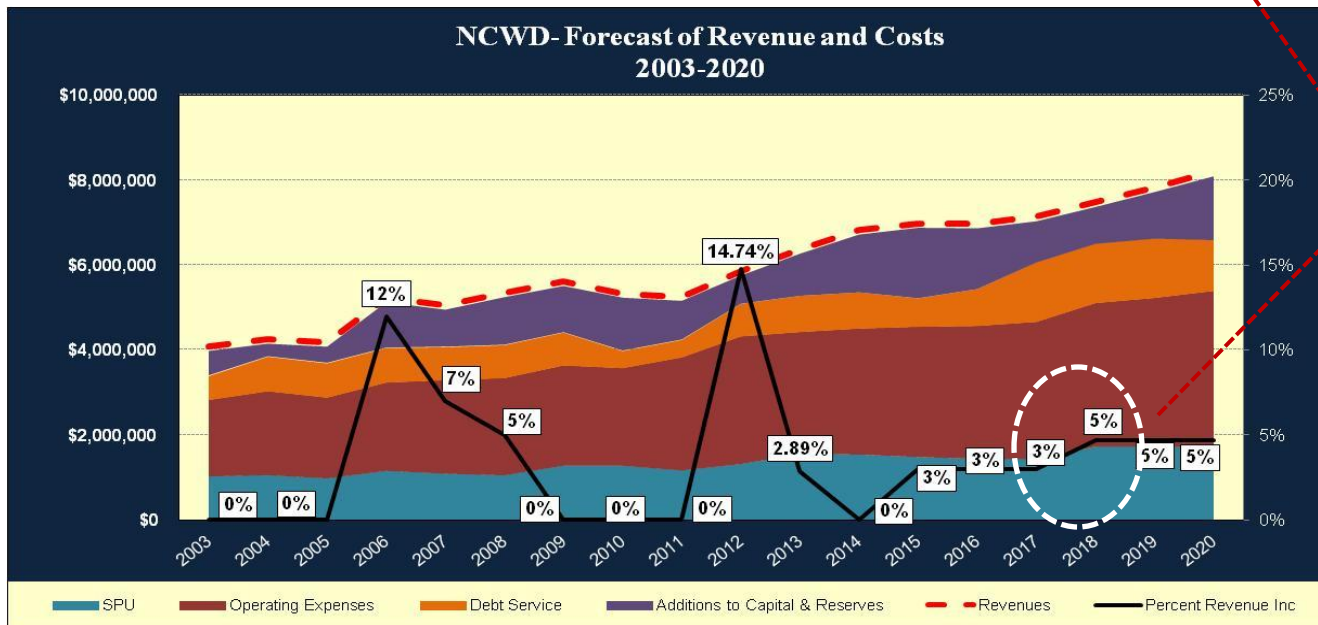
Financial Forecast of Costs, Revenue and Rate Increases

Current Forecast



Projected rate increases lower overall due to a lower starting point for payroll – both from less direct costs and more costs allocated to capital.

Prior Forecast



Note the flipping of the rate increase for 2017 and 2018.

What's Next?

**Budget Books Delivered in week prior to December 20th
Board meeting**

Budget Approved December 20, 2016



End

