

Mammoth Community Water District

Fiscal Year 2016-2017 Budget

March 2016

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Introduction

The mission of the Mammoth Community Water District is to provide excellent water and wastewater services to the Town of Mammoth Lakes. The annual budget is the roadmap to accomplishing our mission. The budget describes the source and expected amounts of revenue, and defines the expected types and amounts of expenditures. Once approved by the Board, the budget defines strategic direction and grants authority to the managers and staff of the District to expend resources to deliver water and wastewater services.

The budget is organized into funds representing type of service (Water or Wastewater), function (Administration, Operation, Capital, and New Enterprise) and lifecycle (Replacement or Expansion). Each fund is intended to be self-contained: revenue and expenses balanced and maintaining an appropriate reserve. The budget is primarily focused on the 2017 fiscal year, but looks forward to fiscal years 2018-2021 to project the status of available fund balance.

The District receives revenue primarily from property taxes and fixed and variable charges for water and wastewater services from our customers. Other revenue sources are connection fees for new water/wastewater customers, fees for lab and engineering services, and interest on invested funds. The District spends money on capital assets, personnel, and operating expenses, and services for outside expertise.

At the time of adopting this budget, the winter of 2015-2016 has provided average snowpack, following four years of unprecedented drought. The District is expecting to use surface water from Lake Mary and allow our groundwater wells to rest and recharge as much as possible. Included in the budget is the expectation there will be a decrease in the utility costs to pump water and the cost to treat the water.

Total revenue is budgeted at \$13,071,869. Budgeted expenditures on operations, personnel, and capital are \$12,773,462. The difference of \$298,407 is allocated to reserves: \$89,337 to replacement reserves, \$209,070 to expansion reserves. The District has adopted an operations and capital reserve policy that defines targets for financial reserves consistent with prudent planning and risk management, and defines an annual contribution to reserves. The projected reserve balance at the beginning of fiscal year 2017 is approximately \$11.7 million, the target reserve balance is approximately \$14.5 million. To achieve the target reserves, the fund reserve policy sets an annual contribution equal to 5% of total revenue.

The District is committed to actively defending the security of our water supply. The most present threat to our water supply is the expansion efforts of the Ormat geothermal power plant. The funds designated in the current budget for legal and consulting services related to Ormat represent the commitment of the District to ensuring adequate supplies of high quality water for our constituents.

This presentation is organized by:

- Overall revenue, expense and fund balance projections
- Budgeted Operations expenses
- Budgeted Personnel expenses
- Budgeted Capital expenditures
- Debt payment schedule

Total Budget Overview

Table A below shows the expected revenue and expenses for the current fiscal year, projections of revenue and expenses for the next four fiscal years, and the projected available reserve balance for each year.

Table A

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
	Assumes level 3 water conservation and consumption = 2015	Assumes level 2 water conservation and 20% conservation from average water year	Assumes level 2 water conservation and 20% conservation from average water year	Assumes level 2 water conservation and 20% conservation from average water year	Assumes level 2 water conservation and 20% conservation from average water year
Revenue					
Water Use Revenue	1,266,000	1,491,240	1,521,065	1,551,486	1,582,516
Water Base Revenue	1,683,000	1,716,660	1,750,993	1,786,013	1,821,733
Water Shortage Surcharge (At level 1 for FY 2017)	155,500	339,105	339,105	339,105	339,105
WW Base Revenue	2,718,369	2,745,553	2,773,008	2,800,738	2,828,746
Lab Revenue	40,000	40,000	40,000	40,000	40,000
Rent Revenue	55,000	56,100	57,222	58,366	59,534
Permit Fees	10,000	10,100	10,201	10,303	10,406
Connection Fees	280,000	288,400	297,052	305,964	315,142
SCE Rebate	570,000				
Taxes	6,200,000	6,262,000	6,324,620	6,387,866	6,451,745
Interest Earned	94,000	103,400	113,740	125,114	137,625
	13,071,869	13,052,558	13,227,006	13,404,956	13,586,552
Expenditures					
Personnel (excluding capital labor)	5,027,156	5,353,921	5,701,926	6,072,551	6,467,267
Operation	3,221,361	3,285,788	3,351,504	3,418,534	3,486,905
Replacement Capital projects (incl. capital labor)	4,315,415	2,625,859	1,860,464	1,953,635	1,557,322
Expansion Capital projects (incl. capital labor)	70,930	800,000	1,404,837	1,358,755	1,362,755
Loan Principal reduction	138,600	32,000			
	12,773,462	12,097,568	12,318,731	12,803,476	12,874,250
Reserve Balance April 1 (excl. Expansion)	11,350,000	11,439,337	12,905,926	14,921,986	16,576,258
Reserve Contribution Target	639,593	638,208	646,498	654,950	663,570
Reserve Contribution (excl. Expansion)	89,337	1,466,589	2,016,060	1,654,271	1,759,916
Contribution above (below) target	(550,257)	828,381	1,369,563	999,322	1,096,345
Reserve Balance March 31 (excl. Expansion)	11,439,337	12,905,926	14,921,986	16,576,258	18,336,174
Expansion Fund Balance April 1	350,000	559,070	47,470	(1,060,315)	(2,113,107)
Increase (Decrease) to Expansion funds	209,070	(511,600)	(1,107,785)	(1,052,791)	(1,047,613)
Expansion Fund Balance March 31	559,070	47,470	(1,060,315)	(2,113,107)	(3,160,720)
Total Available Fund Balance March 31	11,998,407	12,953,396	13,861,671	14,463,151	15,175,454

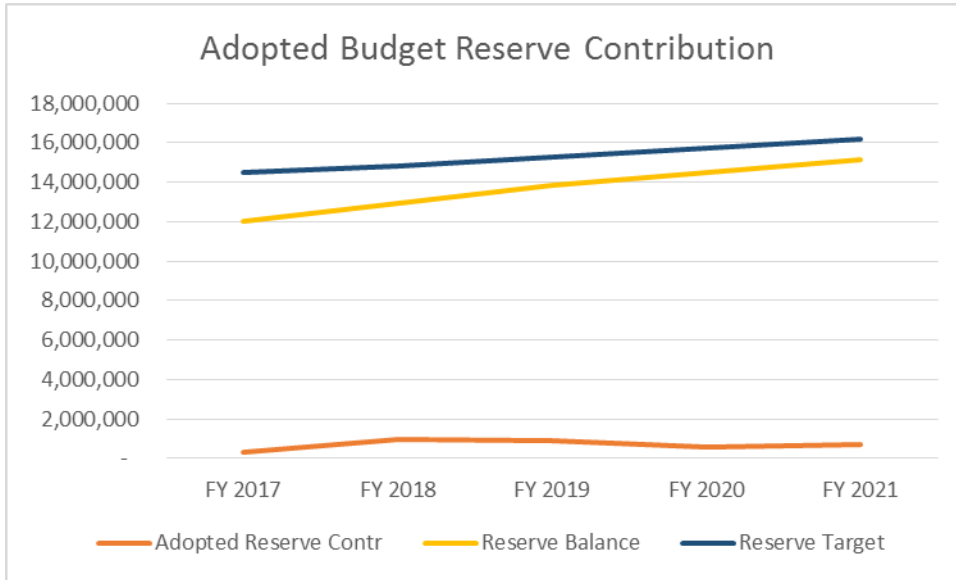
Projected revenue for fiscal year 2016 is \$13,071,869. The total revenue budget for fiscal year 2017 represents a .5% decrease from fiscal year 2016.

The revenue budget for fiscal year 2017 is based on an assumption of Level 3 water conservation with water use consistent with fiscal year 2016. The water/wastewater rate structure adopted by the Board for fiscal years 2016 – 2021 include provision for a water shortage surcharge that is calculated to offset revenue lost during periods of water conservation. The water shortage surcharge may be fully implemented, reduced, or removed at the decision of the Board. The Board implemented a water shortage surcharge at Level 1 for fiscal year 2017, beginning May 5, 2016.

Revenue projections in fiscal years 2018 – 2021 assume Level 2 water conservation, Level 2 water shortage surcharge, and water sales 20% below 2013.

Graph 1 below illustrates the projected progress towards the target fund reserve balance over the next five years.

Graph 1



Operations Budget

The Operations budget for fiscal year 2017, at \$3,221,361 is \$96,622 (3%) greater than the budget for the previous year. An effort was made to analyze historical spending, recognize new needs and reduce budget line items where possible. Some costs were re-allocated between funds and departments to more accurately connect the cost to the operational functions. For example, USFS permit fees were moved from the general fund to the water and wastewater funds.

Some changes include:

- A decrease of \$154,000 to the Utility and Operating Chemical budget based on the expectation of the availability of lower cost surface water
- A decrease of \$47,000 to property and liability insurance cost
- A decrease of \$49,000 to the water conservation budget
- An increase of \$150,650 to the Equipment and Building Maintenance and Repair budgets resulting from better definition of maintenance and capital expenditures. This increase also includes roof replacement for the Administration and WWTP Administration buildings. The offset to this operation budget increase is a decrease of approximately \$150,000 in the corresponding Capital budget.
- An increase of \$56,400 to the Legal Services budget based on higher than expected legal expenses in FY 2016.
- A new budget line for Settlement Costs to recognize our funding obligations for Trout Habitat and future payment to LADWP.
- An increase to the Computer Systems/Equipment budget for two major server replacements.

Table B below shows the operating budget for each department and category. **Table C** below shows the change from the previous budget.

Table B

Row Labels	000	110	120	130	140	150	160	170	210	220	230	245	255	310	320	345	355	Grand Total	Dept	Description
6024-Ee PPE, Unif, Other		10,150	500		0	0		3,000	0	0	0	2,600	2,920	0	0	0	0	19,170	000	000 Department
6100-Outside Services/Contractual	215,000	53,500	117,400	146,400	103,000		10,835	5,000	15,000	22,000	4,700	14,400	15,000	5,500	205,000	10,700	450	943,885	110	Administration
6110-Director's Expenses		2,000																2,000	120	Finance
6115-Employee Housing Expenses	31,176																	31,176	130	Information
6120-Expendable Tools		0				100	2,300	9,400	0	500	300	6,500	2,500	0	0	6,000	2,000	29,600	140	Lab
6125-Gasoline		7,000		300		2,600		4,000	1,080	5,500		6,900	3,500	720	1,600			33,200	150	Operation Administration
6126-Diesel Fuel								1,200		0		6,200	4,500		2,500			14,400	160	Human Resources and Safety
6130-Insurance		160,000																160,000	170	Maintenance Management
6135-Leased Lines				12,000														12,000	210	Engineering Water
6140-Legal Services	330,000	90,000					3,400											423,400	220	Water Treatment-Ground Water
6145-M & R - Line Repair/Equipment		5,300			0	2,000	280			7,500	2,500	8,100	10,400		35,500	10,300	6,000	87,880	230	Water Treatment-Surface
6150-M & R - Buildings		126,900						0		1,500	500	0	0		56,250	0	500	185,650	245	Line Maintenance-Water
6155-M & R - Vehicles		3,300	0			1,000		5,000	1,080	3,500	1,000	17,200	13,000	720	5,000	13,400		64,200	250	Construction
6160-Memberships/Certifications		31,000	1,190		300	750	4,645	1,200	1,300	200	150	2,000	575	1,300	800	1,000	1,300	47,710	255	Mechanical Maintenance-Water
6179-Operating Chemicals										20,000	20,000				75,000	6,000		121,000	310	Engineering Wastewater
6180-Operating Supplies		32,500	1,000	5,150	21,000	1,500	1,270	7,000	4,250	2,000	1,000	8,300	7,100	4,250	2,000	4,500	4,850	107,670	320	Wastewater Treatment
6181-Computer Systems/Equip		1,200	13,000	43,800	2,000	18,550	0	1,200	7,800	1,400	200	4,800	3,600	0	5,600	0		103,150	345	Line Maintenance-Wastewater
6185-Postage/Freight	0	6,000		50	900	100	100		50	500		900	0	50	2,000	600		11,250	355	Mechanical Maint-Wastewater
6190-Advertising Publications & Pri	3,000	25,000	0				1,000		50			250		50		1,800		31,150		
6192-Books & Subscriptions		690	0	0		200	500		100	100	100	500	200	100	200	400	200	3,290		
6200-Safety				0	1,000		3,120	400		200	200	1,900	1,000		200	1,200	1,000	10,220		
6205-Permits & Licensing	0	6,650			0	61,690				800	0	0						69,140		
6207-Settlement Cost		0				61,000												61,000		
6210-Telephone	0	18,540		2,640		1,200	600	2,100	900	450	1,200	1,700	750	900	2,000	685	500	34,165		
6215-Training & Meetings	1,000	8,400	5,200	2,000	500	1,500	10,700	4,700	2,000	1,000	0	3,500	2,400	2,000	1,500	2,100	2,400	50,900		
6220-Travel Expenses	1,500	7,000	9,300	3,875	500	2,000	1,900	3,000	1,500	1,500	0	3,000	1,900	1,500	2,000	1,900	1,650	44,025		
6230-Utilities - Electric & Gas W/S		35,000								260,000	25,000		0		81,000		0	401,000		
6237-Water Conservation		110,600																110,600		
6400-Interest		8,530																8,530		
Grand Total	590,206	740,730	147,590	216,215	129,200	154,190	40,650	47,200	35,110	328,650	56,850	88,750	69,345	17,090	478,150	60,585	20,850	3,221,361		

Table C

Row Labels	000	110	120	130	140	150	160	170	210	220	230	245	255	310	320	345	355	Grand Total	Dept	Description
6024-Ee PPE, Unif, Other		(0)	250		0	0		3,000	0	0	0	500	1,460	0	0	0	0	5,210	000	000 Department
6100-Outside Services/Contractual	(85,000)	(85,254)	46,100	8,550	68,000		(1,200)	5,000	0	7,000	0	(100)	(1,500)	5,500	50,000	0	(50)	17,046	110	Administration
6110-Director's Expenses		0																0	120	Finance
6115-Employee Housing Expenses	0																	0	130	Information
6120-Expendable Tools		0				100	1,600	(1,600)	0	(300)	300	0	0	0	0	0	0	100	140	Lab
6125-Gasoline		3,000		0		(900)		1,100	280	1,900			0	(80)	500			7,700	150	Operation Administration
6126-Diesel Fuel								100				3,600	200		500			4,400	160	Human Resources and Safety
6130-Insurance		(47,000)																(47,000)	170	Maintenance Management
6135-Leased Lines				0														0	210	Engineering Water
6140-Legal Services	30,000	25,000					1,400											56,400	220	Water Treatment-Ground Water
6145-M & R - Line Repair/Equipment		100		0	0	(2,300)			0	500	5,100	400		23,500	0	3,500	30,800	230	Water Treatment-Surface	
6150-M & R - Buildings		100,400						0		0	0	0		50,250	0	0	150,650	245	Line Maintenance-Water	
6155-M & R - Vehicles		900	0		(2,500)			0	280	1,500	0	700	0	(80)	0	6,400	7,200	250	Construction	
6160-Memberships/Certifications		370	313		0	150	2,345	(300)	475	0	0	200	0	725	0	170	(252)	4,196	255	Mechanical Maintenance-Water
6179-Operating Chemicals									(25,000)	0					5,000	6,000		(14,000)	310	Engineering Wastewater
6180-Operating Supplies		(15,815)	(3,000)	(10,000)	0	500	0	0	0	0	0	0	0	0	0	138	0	(28,177)	320	Wastewater Treatment
6181-Computer Systems/Equip		(7,200)	7,000	18,800	2,000	18,550	(1,200)	1,200	6,600	(8,100)	200	(3,600)	3,600	(1,200)	3,200	0		39,850	345	Line Maintenance-Wastewater
6185-Postage/Freight	0	(100)		0	(600)	(50)	0	0	(700)			900	(50)	0	1,500	480		1,380	355	Mechanical Maint-Wastewater
6190-Advertising Publications & Pri	0	1,500	0			0	0	0				0	0	0	600			2,100		
6192-Books & Subscriptions		9	0	0		0	(325)	0	0	0	0	100	0	0	0	200	0	(16)		
6200-Safety				0	0	0	0	0	0	0	0	0	0	0	0	50	0	50		
6205-Permits & Licensing	0	(29,962)			(8,000)	61,690				(3,800)	(5,400)	0						14,528		
6207-Settlement Cost		0				61,000												61,000		
6210-Telephone	0	3,864		0		(300)	(210)	0	0	(750)	0	350	(130)	0	(600)	0	(30)	2,194		
6215-Training & Meetings	0	(4,600)	(509)	2,000	(500)	(300)	(400)	0	0	(800)	0	0	0	0	(1,100)	100	0	(6,109)		
6220-Travel Expenses	0	0	990	1,300	(500)	(500)	(1,000)	0	0	0	0	0	0	0	(600)	100	0	(210)		
6230-Utilities - Electric & Gas W/S		0								(110,000)	10,000		(20,000)		(4,000)		(16,000)	(140,000)		
6237-Water Conservation		(49,000)																(49,000)		
6400-Interest	(23,670)																	(23,670)		
Grand Total	(78,670)	(103,788)	51,144	20,650	60,400	137,440	(1,290)	8,500	7,635	(139,050)	5,600	9,650	(16,020)	4,865	128,150	14,238	(12,832)	96,622		

Negative numbers represent a reduction in budget from last fiscal year, positive numbers represent an increase from last year.

Personnel Budget

The total Personnel budget of \$5,561,464 is a 6.7% increase from the budget last fiscal year. Wages and pension costs increase by 2.8%, the cost of health, vision, dental, life, and disability insurance increases by 16.6%. Workers Compensation cost have the largest increase by percentage at 74.8%, a result of higher costs in the three year look-back period used to calculate the insurance premium.

In addition to permanent employees of MCWD, the District contracts with Sierra Employment to provide labor for the summer work crews. The cost of this contract is budgeted at \$344,400. These crews work primarily on capital projects, but also provide some support to operations.

To avoid double counting, the capital labor of both MCWD employees and contract workers is subtracted from the total personnel budget when presenting the budget overview. The capitalized labor component is \$611,302.

The number of permanent positions at MCWD remains at 42 for fiscal year 2017. The organization chart for the District is included as **Exhibit 1**.

Table D below provides a high-level view of expenses for MCWD personnel and comparison to fiscal year 2016.

Table D

	Total Pay	Pension	Insurance	FICA tax	WC cost	Total Cost
	3,548,847	774,146	953,830	53,318	231,321	5,561,464
% of Pay		21.8%	26.9%	1.5%	6.5%	156.7%
% Incr. from FY 2016	2.8%	2.8%	16.6%	2.7%	74.8%	6.7%

Capital Budget

The District has over \$76 million (net of depreciation) in capital assets including: wells, distribution and collection lines for water and wastewater, water and wastewater treatment plants, buildings, vehicles, and equipment. These assets are essential to our mission of reliably providing water and wastewater service to our customers.

The Capital budget of \$4,386,345 represents the cost of incrementally refurbishing or replacing our infrastructure as it wears out in service and adding new infrastructure to increase the efficiency of operations.

Significant capital expenditures planned in fiscal year 2017 include:

- \$742K – Exploratory well near Ranch Road
- \$514K – Completion of the Equipment Storage building
- \$489K – Waterline replacement program
- \$426K – Tank 3 Rehab/Improvement
- \$320K – Ongoing sewer line rehabilitation
- \$180K – Sewer holding tank
- \$166K – Aeration Basin Baffles
- \$136K – Canyon Lodge waterline replacement
- \$135K – Well Improvement/rehabilitation

Table E lists capital projects planned for the next ten years.

Table E

FUND	PROJECT DESCRIPTION	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021	5-YR TOTAL	Yr 6-10	10-YR TOTAL
22	LMWTP Corrosion Control	23,765					23,765		23,765
22	LMWTP Filter Improvements	53,047	417,500				470,547		470,547
22	LM Inflow/Outflow Stations Impr		20,000				20,000		20,000
22	Urban Water Mgmt Plan	62,102					62,102		62,102
22	CIMIS Station	30,000					30,000		30,000
22	Well Improv/Rehab Program	134,762	138,856	143,716	147,793	151,987	717,113	800,000	1,517,113
22	Water Line Replacement Program	488,940	450,000	440,000	450,000	400,000	2,228,940	2,000,000	4,228,940
22	Canyon Lodge WL replacement	135,700					135,700		135,700
22	Ranch Rd Pressure Reducing Valve	80,632					80,632		80,632
22	Tank 3 Rehab/Improvemt	425,998					425,998		425,998
22	Mammoth Creek EIR			15,000			15,000		15,000
22	Groundwater Mgmt Plan(HydroDav)	15,000	70,000				85,000		85,000
22	Water Capital Asset Replacement	85,000	87,412	89,892	92,442	95,065	449,810	500,000	949,810
22	Knolls Tank Rehab	36,100					36,100		36,100
22	Lake Mary Rd Valves	55,994					55,994		55,994
22	Knolls Tank Mixer T-5	34,275					34,275		34,275
22	Timber Ridge Pump Station	36,051					36,051		36,051
22	Exploratory well near Ranch Rd.	742,435					742,435		742,435
22	Production well near Ranch Rd.		355,041				355,041		355,041
22	Future Capital replacement projects							5,700,000	5,700,000
22/23	Machine Shop	40,293					40,293		40,293
22/23	Equip Storage Bldg	513,500					513,500		513,500
23	Sewer Holding Tank	180,199					180,199		180,199
23	Sewer Line Replacement Program	319,716	328,787	338,115	347,709	357,574	1,691,901	1,750,000	3,441,901
23	Laurel Pond 4 Monitor Wells		100,000				100,000		100,000
23	WWTP Aeration Control	5,000					5,000		5,000
23	WWTP Primary Clarifiers	5,000					5,000		5,000
23	Reline Recycled Water Storage EQ Basin		161,419				161,419		161,419
23	Sewer WWTP Capital Asset Replacement	65,000	66,844	68,741	70,691	72,697	343,973	375,000	718,973
23	Turbine For Effluent Line			500,000	500,000		1,000,000		1,000,000
23	Aeration Basin Baffles	166,096					166,096		166,096
23	Press MCC Room filtration	19,310					19,310		19,310
23	Digester Turbo Blowers in WWTP		150,000				150,000		150,000
23	Arc Flash Study	50,000					50,000		50,000
23	Future Capital replacement projects							4,400,000	4,400,000
32	Water Modeling	20,000					20,000		20,000
32	Connection Fee/ Permit Fee Study	10,000					10,000		10,000
32	Future Well Site Eval and Procurement	10,930	500,000	500,000	1,000,000	1,000,000	3,010,930		3,010,930
32	Zone 2B Storage						-	3,092,000	3,092,000
32	Knolls Trans Line Expansion						-	2,124,000	2,124,000
32	Water Main Expansion		100,000	102,837	105,755	108,755	417,348		417,348
33	Wastewater Modeling	20,000					20,000		20,000
33	Connection Fee/ Permit Fee Study	10,000					10,000		10,000
33	Meridian Sewer Expansion						-	2,853,000	2,853,000
33	Shady Rest Relief Main- Center Street				253,000	254,000	507,000		507,000
33	Hwy 203 Expansion			402,000			402,000		402,000
33	Old Mammoth Interceptor Expansion		200,000	400,000			600,000		600,000
96	Employee Housing	210,000	220,000	230,000	240,000	250,000	1,150,000	1,200,000	2,350,000
		4,084,845	3,365,859	3,230,301	3,207,390	2,690,078	16,578,472	24,794,000	41,372,472
	Capital Equipment								
22	Leak Detection Equipment	60,000							
23	See Snake	14,000							
22/23	Portable Emergency Generator	5,500							
23	TV Van computer hardware/software	22,000							
	Capital Equipment		100,000	105,000	110,000	115,000	430,000	550,000	980,000
	Vehicle replacement	200,000	60,000	35,000	105,000	230,000	630,000	500,000	1,130,000
	Total Capital	4,386,345	3,425,859	3,265,301	3,312,390	2,920,078	17,208,472	25,294,000	42,502,472

Debt Payment Schedule

The District will pay off all existing debt over the next two fiscal years. **Table F** below lists principal and interest payments scheduled in fiscal year 2017 and 2018.

Table F

WATER REPLACEMENT FUND

(22)

Fiscal Year:	2017	2018
FHA Drought Relief Note (A)	\$33,100	\$33,600
<i>Principal</i>	<i>\$30,000</i>	<i>\$32,000</i>
<i>Interest</i>	<i>\$3,100</i>	<i>\$1,600</i>
FHA Drought Relief Note (B)	\$114,030	
<i>Principal</i>	<i>\$108,600</i>	
<i>Interest</i>	<i>\$5,430</i>	