

Mammoth Community Water District

Budget for the Fiscal Year April 1, 2018 - March 31, 2019

March 2018

Jeff Beatty

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 and operational direction and grants authority to the managers and staff of the District to expend resources to deliver water and wastewater services.

The budget is developed as a collaborative effort beginning with the District's mission, incorporating the strategic plan developed by staff and approved by the Board, and involving leaders from each department in the planning and allocation of resources to effectively and efficiently accomplish our mission. The budget is guided by the experience of the past year and anticipates plans for the coming year.

The budget is organized into funds representing type of service (Water or Wastewater), function (Administration, Operation, and Capital) 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 2019 fiscal year, but looks forward to fiscal years 2020-2023 to project the status of available fund balances.

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 proposing this budget, the winter of 2017-2018 has delivered lower than average snowpack, following the epic winter of 2016-2017. The budget is built on the anticipation there will be level two water conservation measures and reduced revenue from water sales. Level two water conservation sets a target reduction in water use of 20%, which represents a reduction of total revenue of approximately 2%. The actual level of water conservation will be set by the Board of Directors as more information is available in the first few months of the new fiscal year.

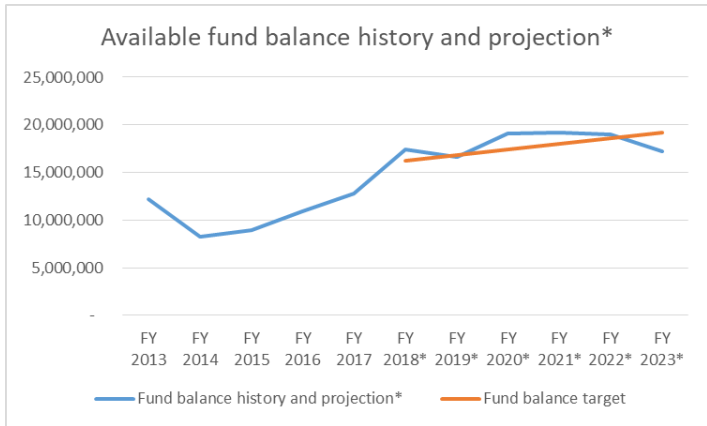
Total revenue is budgeted at \$13,455,070. Budgeted expenditures on operations, personnel, and capital are \$14,477,349. The shortfall of \$1,022,279 will be drawn from our operating and capital reserves.

During fiscal year 2018, two capital projects totaling approximately \$2.5 million were deferred to fiscal year 2019. The unspent capital budget from fiscal year 2018 increased the reserve balances, and a portion of those additional reserves will be spent as the capital projects are completed in fiscal year 2019.

Total Rev/Exp budget	
Revenue	\$ 13,455,070
Personnel	\$ (5,895,546)
Capital Labor	\$ 589,555
Operations	\$ (3,561,931)
Capital	\$ (5,609,426)
Reserve Drawdown	\$ (1,022,279)

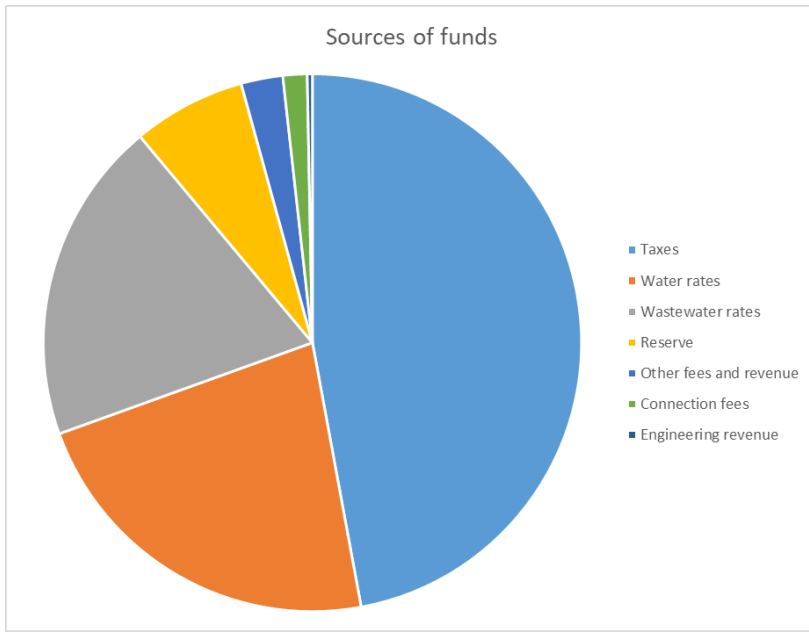
The District has adopted an operations and capital reserve policy that defines targets for financial reserves consistent with prudent planning and risk management. The projected reserve balance at the beginning of fiscal year 2019 is approximately \$17.4 million, the target reserve balance at the end of fiscal year 2023 is approximately \$19.2 million. To achieve the target reserves, the fund reserve policy sets an annual contribution equal to 5% of total revenue.

The blue line on the graph below represents the District’s historical and projected available fund balance. The orange line represents the target fund balance defined by the fund reserve policy.

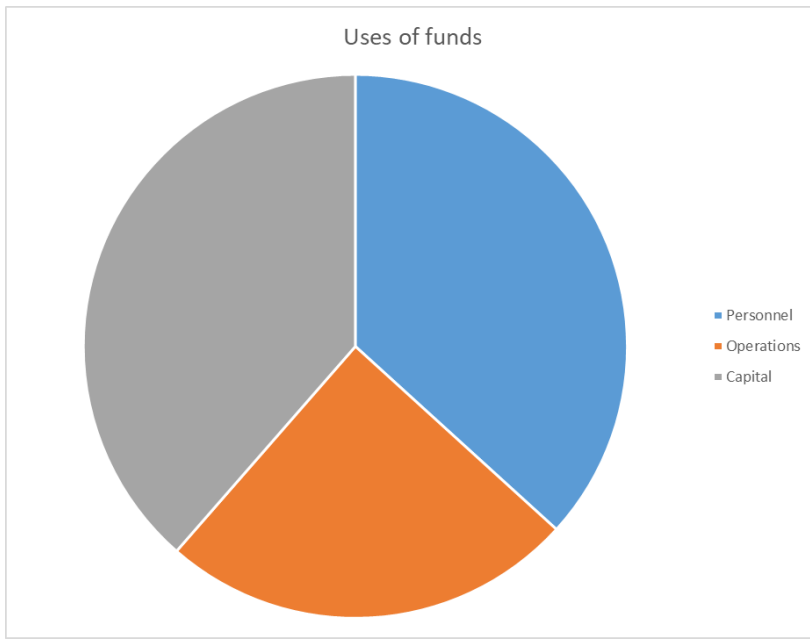


This presentation is organized by:

- Revenue budget and fund balance projections
- Budgeted Operations expenses
- Budgeted Personnel expenses
- Budgeted Capital expenditures



Taxes	\$ 6,800,000	47%
Water Rates	\$ 3,233,660	22%
Wastewater Rates	\$ 2,804,770	19%
Reserve	\$ 1,022,279	7%
Other Fees and Revenue	\$ 362,540	3%
Connection Fees	\$ 210,000	1%
Engineering Revenue	\$ 44,100	0%
	\$ 14,477,349	



Personnel	\$ 5,305,992	37%
Operations	\$ 3,561,931	25%
Capital	\$ 5,609,426	39%
	\$ 14,477,349	

Revenue Budget

The total revenue budget of \$13,455,070 for fiscal year 2019 represents a 0.1% increase from fiscal year 2018 revenue budget of \$13,440,135.

- Water and wastewater rates increase incrementally each year according to the adopted rate schedule covering fiscal years 2017 – 2021. However, the possibility of water conservation reduces the expected revenue from water sales. Each 10% change in water use represents approximately \$130,000 change in revenue. Budgeted water sales revenue is lower than the FY 2018 budget by \$204,555.
- Revenue from water and wastewater base rates increase from the FY 2018 budget by \$34,580 and \$27,770 respectively
- The water shortage surcharge (WSS) is available to offset revenue lost from water conservation. Since implementation of the WSS requires Board approval, this revenue source is not included in the FY 2019 budget. The WSS would generate approximately \$13,500 in additional revenue each month at level one water conservation and \$27,000 additional revenue per month at level two water conservation.
- Lab fees are collected for services provided to other agencies, and reflect the cost of providing those services.
- Connection fee revenue is dedicated to the water and wastewater expansion funds, and can only be used for capital projects that expand the capacity of our water and wastewater systems. Based on experience in FY 2017, the FY 2018 budget was set at \$415,000. Development activity in FY 2018 did not meet the pace set in 2017, so the budget for FY 2019 has been reduced by \$205,000. The engineering revenue associated with development activity (inspections, meters, construction fees) is also reduced.
- Property tax revenue is budgeted at \$300,000 over the FY 2018 budget, and \$115,000 (1.7%) over the projected FY 2018 revenue.

Table A below shows the budgeted revenue for fiscal year 2019 with comparison to the budget and projected revenue for fiscal year 2018. **Table B** below shows projections of revenue and expenses for the next four fiscal years, and the projected available reserve balance for each year.

Table A – FY 2019 Budgeted Revenue

Description	FY 18 Budget	FY 18 Projection	FY 19 Budget	Change from FY 18 Budget
Billing - Water Usage	1,674,635	1,769,170	1,470,080	(204,555)
Water Base Rates	1,729,000	1,731,988	1,763,580	34,580
Wastewater Base Rates	2,777,000	2,762,146	2,804,770	27,770
Late Charges	40,000	38,733	40,000	0
Laboratory Fees	35,000	51,473	50,000	15,000
Housing Rents	40,000	46,208	49,440	9,440
Permits - Plan Check	6,800	7,629	7,600	800
Permits - Inspection	8,700	7,141	7,000	(1,700)
Permits - Connection Fees	415,000	193,219	210,000	(205,000)
Permits - FOG	8,000	6,200	3,100	(4,900)
Permits - Meters	75,000	28,879	28,000	(47,000)
Permits - Construction Fee	3,000	1,026	1,500	(1,500)
Other Revenue	70,000	84,134	80,000	10,000
Taxes and Assessments	6,500,000	6,685,000	6,800,000	300,000
Interest Income	58,000	159,968	140,000	82,000
Total	13,440,135	13,572,913	13,455,070	14,935

Negative numbers represent a reduction in budgeted revenue from FY 2018 to FY 2019.

Table B – Projected Revenue, Expenses, and Available Fund Balances

	FY 19 Budget	FY 20 Proj.	FY 21 Proj.	FY 22 Proj.	FY 23 Proj.
Revenue (less Connection Fees)	13,381,046	13,620,620	13,864,704	14,113,386	14,366,757
Connection Fee Revenue	210,000	216,300	222,789	229,473	236,357
Personnel Expense (less Capital Labor)	5,305,992	5,730,471	6,188,909	6,684,022	7,218,743
Operations Expense	3,561,931	3,650,979	3,742,254	3,835,810	3,931,705
Replacement Capital Expense	5,463,311	2,045,351	3,211,122	2,925,257	3,365,856
Expansion Capital Expense	146,115	0	855,000	1,060,000	1,915,000
Beginning Op/Repl Fund Reserve	16,170,000	15,219,813	17,413,631	18,136,051	18,804,348
Beginning Expansion Fund Reserve	1,241,000	1,304,885	1,521,185	888,974	58,446
Op/Repl Fund Contribution	-950,187	2,193,819	722,420	668,297	-149,548
Expansion Fund Contribution	63,885	216,300	-632,211	-830,527	-1,678,643
Projected Ending Op/Repl Reserve	15,219,813	17,413,631	18,136,051	18,804,348	18,654,800
Projected Ending Expansion Reserve	1,304,885	1,521,185	888,974	58,446	-1,620,197
Projected District Fund Reserve	16,524,697	18,934,816	19,025,025	18,862,795	17,034,603

Operations Budget

After decreasing 4.5% from FY 2017 to FY 2018, the FY 2019 operations budget increases by \$486,491 (15%) over FY 2018. An effort was made to analyze historical spending, recognize new needs and reduce budget line items where possible.

Some significant changes include:

- An increase of \$186,000 related to protecting our water supply from potential negative impacts of proposed increase to geo-thermal power generation. This includes:
 - Additional \$126,000 for Outside Services
 - Additional \$30,000 for Legal Services
 - Additional \$30,000 for Advertising and Public Relations
- An increase of \$102,950 to the line/equipment maintenance and repair budget. This increase includes:
 - \$45,000 to replace turbidimeters in LMWTP
 - \$27,000 for resetting manhole and valve covers following TOML paving projects
 - \$20,000 allocated for repair parts for the solar power array
 - \$10,000 for backwash pump service
- Additional increases in the Outside Service budget include:
 - \$20,000 increase in the cost of delivering sludge to the landfill
 - \$15,000 for a filter effectiveness study at the WWTP
 - \$14,000 for inspections of water storage tanks 1, 2, 3, and 8

Table C below shows the operating budget for each category with the comparison to the prior year budget and projected expenses.

Table C – Operating Budget Comparison

Account	FY 18 Budget	FY 18 Projection	FY 19 Budget	Change from FY 2018 budget to FY 2019 budget	Change from FY 2018 projection to FY 2019 budget
6023-Employee Engagement	0	0	14,500	14,500	14,500
6024-Ee PPE, Unif, Other	23,300	21,409	17,250	(6,050)	(4,159)
6100-Outside Services/Contractual	1,009,935	1,045,122	1,180,352	170,417	135,230
6115-Employee Housing Expenses	36,656	25,552	36,674	18	11,122
6120-Operating Tool and Equip	28,800	11,071	46,850	18,050	35,779
6125-Gasoline	30,800	25,876	31,000	200	5,124
6126-Diesel Fuel	12,900	8,676	9,600	(3,300)	924
6130-Insurance	160,000	181,642	180,000	20,000	(1,642)
6135-Leased Lines	12,000	11,200	12,600	600	1,400
6140-Legal Services	113,000	110,449	161,000	48,000	50,551
6145-M & R - Line Repair/Equipment	86,380	124,318	189,330	102,950	65,012
6150-M & R - Buildings	316,250	330,079	333,850	17,600	3,771
6155-M & R - Vehicles	74,100	86,560	66,400	(7,700)	(20,160)
6160-Memberships/Certifications	36,640	45,277	45,260	8,620	(17)
6165-Permit Materials		28,724	28,000	28,000	(724)
6179-Operating Chemicals	134,000	161,610	153,790	19,790	(7,820)
6180-Operating Supplies	144,170	152,025	131,570	(12,600)	(20,455)
6181-Computer Systems/Equip	73,800	43,355	87,200	13,400	43,845
6185-Postage/Freight	8,500	11,690	9,700	1,200	(1,990)
6190-Advertising Publications & PR	21,800	12,071	51,000	29,200	38,929
6192-Books & Subscriptions	3,600	2,181	2,670	(930)	489
6200-Safety	5,750	14,425	24,710	18,960	10,285
6205-Permits & Licensing	69,540	82,476	76,050	6,510	(6,426)
6210-Telephone	36,470	30,379	43,240	6,770	12,861
6215-Training & Meetings	53,300	37,434	42,700	(10,600)	5,266
6220-Travel Expenses	50,385	34,108	56,035	5,650	21,927
6230-Utilities - Electric & Gas W/S	375,164	304,712	375,000	(164)	70,288
6237-Water Conservation	90,600	71,412	89,600	(1,000)	18,188
6400-Interest	1,600	1,600	0	(1,600)	(1,600)
6500-Settlement Cost	66,000	66,000	66,000	0	0
Grand Total	3,075,440	3,081,433	3,561,931	486,491	480,498

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

Personnel Budget

The total District Personnel budget of \$5,676,433 is a 0.3% increase from the budget last fiscal year. The percentage increase for wages is 2.5%, the pension cost increase is 2.0%, the cost of health, vision, dental, life, and disability insurance increases by 0.2%. Workers Compensation cost decreases by 49.1%, a result of historical costs rolling out of the three year look-back period used to calculate the insurance premium.

Included in the personnel costs are contracts with Sierra Employment to provide labor for operations and capital projects. The cost of contract labor in operations is \$219,114. Presently, there are two contract workers working in mechanical maintenance, and one in wastewater operations.

The cost of capital labor is included in the budgets for each capital project. To avoid double counting, the capital labor of MCWD employees is subtracted from the total personnel budget when presenting the budget overview. The capitalized labor component is \$589,555.

The number of permanent positions at MCWD remains at 42 for fiscal year 2019. 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 2018.

Table D – Personnel Expenses Comparison

	Total pay	Pension	Insurance	FICA tax	WC cost	Total cost
FY 2019 budget	3,857,426	810,997	987,847	55,365	110,874	5,895,546
FY 2018 budget	3,762,120	795,051	986,041	54,314	217,646	5,876,798
% change	2.5%	2.0%	0.2%	1.9%	-49.1%	0.3%

Capital Budget

The District has approximately \$73 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 \$5,609,426 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. This capital budget includes two wells (one production and one monitoring well) that were originally scheduled for FY 2018 but deferred into FY 2019.

Each current year project is given a Business Risk Evaluation (BRE) rank based on the likelihood and consequence of failure to complete the project. This ranking serves to prioritize projects within and across years.

Significant capital expenditures planned in fiscal year 2019 include:

- \$1,549,414 – new production well
- \$1,041,000 – geothermal monitoring well
- \$515,214 – rehabilitation of the recycled water storage basin
- \$429,665 – ongoing sewer line rehabilitation

- \$269,045 – ongoing water line rehabilitation
- \$149,884 – rehabilitation of the Shady Rest and Rainbow lift stations

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

Table E – Capital Projects

Fund	Description	BRE	FY 18-19 Budget	FY 19-20 Budget	FY 20-21 Budget	FY 21-22 Budget	FY 22-23 Budget	FY 24-28 Budget
21	Rehab/Replace Admin Bldg		50,000				2,500,000	
22	Mammoth Creek EIR	20	14,866					
22	Rebuild Creek Flumes	18	80,847					
22	Water Lateral Replacement FY 2019	17	269,045	276,723	284,621	292,744		
22	Meter Pit Replacement	12	57,191					
22	Well 32	21	1,549,414					
22	Geothermal Monitoring Well	24	1,041,000					
22	LMWTP Improvements	2	10,000	170,011				
22	Arc Flash Study	17	91,940	100,000	100,000			
22	Aquifer Storage Assessment		50,000	100,000				
22	Capital Contingency		90,000					
22	Rehab T5 and T6			260,280	456,960			
22	Well Rehab			150,000		150,000		
22	Well 6 Replacement					1,500,000		
22	Well 17 Replacement							1,500,000
22	Future Replacement Projects							5,700,000
22	Water Rate Study				70,000			
22, 23	Water Truck Fill Station	9		71,408				
23	WWTP PLC Upgrade	24	89,602	100,000				
23	East Lake Mary Power Supply	23	58,191					
23	Sewer Line Rehab FY 2019	18	429,665	441,928	454,541	467,513	480,856	
23	WWTP EQ Basin By-pass	17	54,869					
23	WWTP VFD Overhaul	17	98,682					
23	Shady Rest and Rainbow Lift Station	13	149,884					
23	Recycled Water Storage Rehab	21	515,214					
23	Laurel Pond Monitoring Wells	21	120,000					
23	Wastewater Cost of Service Study	8	51,903					
23	Capital Contingency		65,000					
23	Digester Turbo Blowers for WWTP					150,000		
23	WWTP Back-up Power Automation		75,000					
23	Grit Removal System			50,000	750,000			
23	WWTP Filter Replacement				750,000			
23	Future Replacement Projects							4,400,000
31	Rehab/Replace Admin Bldg						500,000	
32	Water Modeling		20,000					
32	Connection Fee/Permit Fee Study		28,058					
32	New Well Site Eval and Procurement		50,000		500,000	500,000	500,000	
32	Water Main Expansion				100,000	105,000	110,000	
32	Zone 2B Storage							3,092,000
32	Knolls Transmission Line Expansion							2,124,000
33	Wastewater Modeling		20,000					
33	Connection Fee/Permit Fee Study		28,058					
33	Meridian Sewer Expansion							2,853,000
33	Shady Rest Relief Main - Center St				255,000	255,000		
33	Hwy 203 Expansion						405,000	
33	Old Mammoth Interceptor Expansion					200,000	400,000	
96	Employee Housing		220,000	230,000	240,000	250,000	260,000	1,200,000
	Vehicles		221,000	80,000	85,000	90,000	95,000	450,000
	Capital Equip		10,000	15,000	20,000	25,000	30,000	100,000
	Replacement Funds Total		5,463,311	2,045,351	3,211,122	2,925,257	3,365,856	13,350,000
	Expansion Funds Total		146,115	0	855,000	1,060,000	1,915,000	8,069,000
	Total		5,609,426	2,045,351	4,066,122	3,985,257	5,280,856	21,419,000