

# KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT

## FY 2020 - 2024 BUDGET – KEY ASSUMPTIONS

### 1. Government Funds and Enterprise Funds.

The Kirkwood Meadows Public Utility District (District) has a Fiscal Year (FY) that ends on June 30<sup>th</sup>. Therefore, this budget's first year is FY 2020 ending on June 30, 2020. All years reflected in the budget are fiscal years. The District provides numerous (10) services to the Kirkwood community. The services are segregated into two distinct fund types, Government Funds and Enterprise Funds. Government Fund operations are primarily supported by property tax revenues that are collected from three counties (Alpine, Amador and El Dorado), and Enterprise Funds are intended to operate as self-sufficient businesses whereby the fees that each fund charges for services provided are sufficient to cover the operating expenses. These Funds are:

#### a. Government Funds:

- i. General and Administration
- ii. Fire
- iii. Parks and Recreation

#### b. Enterprise Funds:

- i. Electric
- ii. Propane
- iii. Water
- iv. Wastewater
- v. Employee Housing
- vi. Cable
- vii. Snow Removal
- viii. Solid Waste

## **2. General & Administration Department**

The District has a single administration organization to oversee the entire operations of the District. The District's General Manager, administration staff, and the Board of Directors are primarily budgeted in the General and Administration (G & A) Department. Their labor costs, payroll taxes and fringe benefits are part of the G & A Department. Other common expenses incurred by the District which benefit the District as a whole are also budgeted in G & A. 100% of these monthly expenses are then allocated out to other departments. The allocations out of G & A are based on management's assessment of staff time and effort.

District Management annually re-evaluates, as part of its budgeting process, the allocations for each department. Funds or departments that are complex and require continuous management oversight receive a larger allocation than those departments that are simple and self-sufficient. For example, the Cable Fund has little activity and does not require monthly billings, collections, repairs or reporting. It receives a very small portion of the G & A allocation. Conversely, the Electric Fund is complex. There are monthly billings, collections, ongoing construction projects, and ongoing financing needs and options. This fund receives a larger allocation of the G & A expenses.

The following table shows the FY 2020 G&A Allocations. There is a small change from FY 2019 to FY 2020. The allocation to the Cable fund is going down from 1% to .5% because the revenues from Volcano franchise fees are not assumed to increase, so for Cable to be self-funding the percentage of G & A Allocations had to be lowered. The respective .5% was spread through Water, Waste Water, Electric, Propane and Solid Waste at .1% each.

<b>Fund</b>	<b>FY 2019</b>	<b>FY 2020</b>
Fire	8.3%	8.3%
Parks & Recreation	1%	1%
Water	17.4%	17.5%
Wastewater	17.4%	17.5%
Employee Housing	0%	0%
Electric	20.5%	20.6%
Cable	1%	.5%
Snow Removal	11.3%	11.3%
Propane	19%	19.1%
Solid Waste	4.1%	4.2%
	100%	100%

- a. District expenses which can be directly associated with a specific fund or department are budgeted in the respective fund or department. Direct expenses include salaries and wages, payroll taxes, benefits, and outside costs.

### **3. Units Sold**

- a. Units Sold for Electric, Propane, Water and Wastewater for FY 2020 are forecasted as the average sales from FY 2015 to FY 2019 plus 1%, which gives a good representation of high and low volume sales years. Units Sold are thereafter increased annually by 1% for FY 2021 through FY 2024.
- b. Units Sold for Irrigation for FY 2020 are calculated as the average sales from FY 2015 to FY2019, which show the impact of drought period usage restrictions. Units Sold are thereafter increased annually by 1% for FY 2021 through FY 2024.

### **4. Equivalent Fixture Units**

- a. A single customer increase is anticipated in the Equivalent Fixture Units for FY 2020. Thereafter a 0.25% annual increase is forecasted for FY 2021 to FY 2024.

### **5. Rates**

The Budget's Rate Assumptions are:

#### **i. Electric**

1. Base Rates are projected to grow by 3.5% per year for the assumed CPI increase.
2. The portion of usage rates that are not tied to debt or depreciation are set to increase by 3.5% per year for the assumed CPI increase minus \$.01 per Ordinance No.16-01 that was adopted on May 14, 2016.
3. Meter charges are set to remain at \$2.94 per meter per month for the duration of the Budget.

#### **ii. Propane**

1. Base Rates are projected to grow by 3.5% per year for the assumed CPI increase.
2. Usage Rates are set to increase each year by 3.5% for the assumed CPI increase.
3. Meter charges are set to remain constant at \$3.36 per meter per month for the duration of the budget.

iii. **Water**

1. Base Rates are projected to grow by 3.5% per year for the assumed CPI increase.
2. Usage rates are budgeted to increase 34% for FY 2020, which represents an overall 8% revenue increase, to make this department more self-sufficient per Ordinance 17-01 approved on June 3, 2017. Usage rates are then budgeted to increase by 3.5% per year for the assumed CPI increase.
3. Meter charges are set to remain constant at \$3.30 per meter per month for the duration of the budget.

iv. **Wastewater**

1. Base Rates are projected to grow by 3.5% per year for the assumed CPI increase.
2. Usage rates are budgeted to increase 19% for FY 2020, which represents an overall 8% revenue increase, to make this department more self-sufficient per Ordinance 17-01 approved on June 3, 2017. Usage rates are then budgeted to increase by 3.5% per year for the assumed CPI increase.

v. **Irrigation**

1. Usage Rates are budgeted to increase 8% for FY 2020 to better cover the cost to provide this service per Ordinance 17-01 approved on June 3, 2017. Usage rates are then budgeted to increase by 3.5% per year for the assumed CPI increase.
2. Meter charges are set to remain constant at \$3.30 per meter per month for the length of the budget.

vi. **Solid Waste**

1. Base Rates are budgeted to increase 4% for FY 2020 to better cover the cost to provide this service per Ordinance 17-01 approved on June 3, 2017. Base rates are then budgeted to increase by 3.5% per year for the assumed CPI increase.

vii. **Snow Removal**

1. Snow Removal contract rates were approved to increase from a total of \$498,046 in FY 2019 to \$610,273 in FY 2020 to account for the extensive need for repair and capital improvements on the aging trackless fleet and other snow removal equipment.

viii. **Fire Department**

1. Assumes no change and that any merger with Eastern Alpine will occur prior to FY 2021.

These rate assumptions are consistent with currently approved rate structures in place for each service, and no changes in current rate structures are assumed.

**6. Property Taxes**

- a. Property tax revenues are earned over the course of a fiscal year, July 1 to June 30. The Budget accrues property tax revenues equally each month. The Balance Sheet and Cash Flow projections show Property Taxes when they are anticipated to be received. The District receives actual payments from Alpine, Amador and El Dorado counties in two installments, generally January and June. All property tax revenues are initially posted to the General and Administration department. Property tax revenues are then allocated to various funds/departments as determined by District Management and the Board of Directors. This budget assumes that property taxes will be allocated in the following order:
  - i. First to ensure the RUS Tier ratios will be covered.
  - ii. Then to cover any cash losses in departments.
  - iii. Any remaining revenues will be used to fund capital expenditures.
  - iv. If the above allocations are covered, property taxes will be used to fund a cash reserve.
  - v. A significant annual unknown is property tax allocations required to achieve the RUS Tier ratios requirement due to the uncertainty of the GASB 68 & 75 expenses imposed by CalPERS.
- b. Property taxes for FY 2020 are budgeted at \$834,054 which represents the average revenue received over the last three years. Thereafter, Property Taxes are forecasted to increase by 1% annually for the balance of the Budget.

## **7. Fund Transfers**

This budget assumes interfund loans from Electric to Water, Waste Water and Snow Removal to cover cash losses. If there are property tax revenues available to allocate then Water and Waste Water would receive those allocations in lieu of an interfund loan. Since Snow Removal is a contract service it is restricted from receiving property tax revenue.

## **8. Salaries and Wages**

- a. This budget assumes 18 full-time year-round staff which represents a decrease to staffing levels compared to FY 2019.
- b. This budget anticipates 3% raises in July of 2019 in the amount of \$40,000.
- c. This budget anticipates a Performance Review bonus for all staff in December of 2019 totaling \$12,000, approximately 1% of annual salaries. It also budgets for a discretionary bonus of \$5,000 for the General Manager expensed at the end of each fiscal year and paid at the beginning of the following fiscal year.
- d. This budget anticipates the hiring of six Temporary Snow Removal Operators in October 2019 at a rate of \$16.00- \$22.00 per hour, terminating at the beginning of May.
- e. This budget anticipates the hiring of a Temporary Fire Department Operator in November 2019 at a rate of \$18.00 per hour, terminating at the beginning of April 2020.

## **9. Operating Expenses.**

Operating Expenses for FY 2020 through FY 2024 are budgeted to increase by 2% annually. Following are Operating Expense projects planned for FY 2020:

- |                              |          |
|------------------------------|----------|
| 1. KM Blue LTC Maintenance - | \$10,000 |
| 2. Switchgear Testing -      | \$10,000 |
| 3. G5 Cans/Lids -            | \$2,000  |
| 4. Hot Suits/Face Sheilds -  | \$2,000  |

5. Compressor Service - \$3,000

## **10. Balance Sheet**

- a. **Current Assets - Funds.** In this budget, Current Assets – Funds are broken out into 5 categories. These categories are:
  - i. **Operating**, which consists of General Fund, Revenue Account, Payroll, Petty Cash and Local Agency Investment Fund (LAIF).
  - ii. **Capital Reserve Fund**
  - iii. **KVFD Reserve Fund.**
  - iv. **Restricted**, which consists of Mello Roos Trust, Mello Roos, and RUS Trustee Special Construction.
  - v. **COP Reserve Fund.**
- b. **Unearned Revenue.** Unearned Revenue relates to Snow Removal activities. The District invoices and receives payment for snow removal contracts prior to earning the revenue. The District records the cash receipts as Unearned Revenue. This liability is reduced as Snow Removal revenue is earned during the winter snow season.
- c. **Cushion of Credit.** Cushion of credit relates to prepaid principal and interest payments for our RUS A8 & B8 loans. RUS is no longer accepting new deposits but will allow you to keep the balance you have currently and not force you to apply that balance to your upcoming loan payments.

## **11. RUS Loan.**

By the end of the 2015 fiscal year, the District received a total of \$58,000,000 in RUS loan funds for various Electrical capital projects. These funds were used to: (1) Purchase Mountain Utilities; (2) Build an electric powerhouse; and (3) Fund the Out Valley project that connected Kirkwood to the national electrical grid. The District received an additional RUS C8 reimbursement loan of \$3,765,000 in December of 2018. A combination of short-term and long-term draws were used for these funds, with terms between three years and thirty-five years.

The average interest rate on these loans is 2.99%. Below is a breakdown of interest and principal payments due and resulting ending balances on these loans for the next five years:

<u>Fiscal Year</u>	<u>Interest Payment</u>	<u>Principal Payment</u>	<u>Total Payment</u>	<u>Ending Balance</u>
2020	\$1,718,288	\$1,221,525	\$2,939,814	\$56,011,371
2021	\$1,679,450	\$1,414,146	\$3,093,596	\$54,597,226
2022	\$1,639,184	\$1,465,881	\$3,105,065	\$53,131,344
2023	\$1,597,115	\$1,394,648	\$2,991,763	\$51,736,696
2024	\$1,560,360	\$1,428,015	\$2,988,375	\$50,308,681

This budget assumes that the short-term RUS Loans scheduled to mature in FY 2020 - 2024 will be rolled over with new financing at the scheduled maturity date.

## **12. COP Loan.**

In April 2013, the District received \$5,095,000 in COP (Certificate of Participation) loan funds to fund multiple capital projects for the District. These funds were used to:

- a. Replace/upgrade the membranes at the wastewater treatment plant;
- b. Fund the propane portion of the Mountain Utilities acquisition;
- c. Fund the upgrade of remote read water meters; and
- d. Fund the initial costs of the water capacity study.

This is a 10-year loan, maturing April 1, 2023, with a 4.08% interest rate. Below is a breakdown of the interest and principal payments and resulting ending balances on this loan for the next five years:

<u>Fiscal Year</u>	<u>Interest Payment</u>	<u>Principal Payment</u>	<u>Total Payment</u>	<u>Ending Balance</u>
2020	\$100,400	\$510,000	\$630,400	\$2,255,000
2021	\$79,600	\$530,000	\$630,400	\$1,725,000
2022	\$57,900	\$555,000	\$612,900	\$1,170,000

2023	\$35,300	\$575,000	\$610,300	\$595,000
2024	\$11,900	\$595,000	\$606,900	

**13. Bank of the West Loan and Line of Credit**

In November 2012, the District received a mortgage loan in the amount of \$700,000 from Bank of the West. This loan was used to cover miscellaneous expenses before the RUS A8 loan funds were received. This mortgage is secured by the Community Service Building and Lava Rock Lodge employee housing.

The current loan is a 10-year loan, maturing November 29, 2022, with a 3.98% interest rate. Below is a breakdown of the interest and principal payments for the next 5 years.

<u>Fiscal Year</u>	<u>Interest Payment</u>	<u>Principal Payment</u>	<u>Total Payment</u>	<u>Ending Balance</u>
2020	\$9,592	\$75,596	\$85,188	\$233,512
2021	\$6,500	\$78,688	\$85,188	\$154,824
2022	\$3,460	\$81,728	\$85,188	\$73,096
2023	\$1,670	\$73,096	\$74,766	\$0

The District also has a \$400,000 Line of Credit with Bank of the West which is currently unused and has a \$0 balance.

**14. Capital Plan**

Capital Plan 2020-2024 is a 35-year plan that focuses on the next five fiscal years. The 35-Year replacement expenditures and 5-Year replacement expenditures are listed. The 5-Year total replacement expenditure is \$6,441,000, which represents expenditures that were deemed critical to complete in the 5-year plan. District Staff ranked each department's needs 1-5 with those ranked 1 deemed as most critical to complete. These expenditures that were ranked 1 have been included on the budget summary sheets for each respective department.

Replacement Component	35 Yr Total	5 Yr Total	2019-2020	2020-2021	2021-2022	2022-2023	2023-2024
Water	932,000	232,000	50,000	31,000	60,000	63,500	27,500
Wastewater	5,289,000	3,761,000	405,500	448,500	1,075,000	1,232,000	600,000
Employee Housing	169,300	52,700	31,500	9,100	1,500	9,100	1,500
Fire	2,500,000	110,200	6,900	13,200	21,200	65,700	3,200
Electric	1,027,750	677,750	177,750	260,000	51,500	94,000	94,500
Propane	1,454,250	716,250	205,250	216,000	166,000	91,000	38,000
Snow Removal	2,548,600	524,600	234,500	81,500	20,000	168,600	20,000
Cable	77,000	11,000	7,000	1,000	1,000	1,000	1,000
Parks and Rec	120,500	27,500	11,000	1,500	0	15,000	0
Solid Waste	175,000	25,000	5,000	5,000	5,000	5,000	5,000
Operations Shared	440,400	303,000	170,000	63,000	51,500	11,000	7,500
<b>Total Replacement Expense</b>	<b>14,733,800</b>	<b>6,441,000</b>	<b>1,304,400</b>	<b>1,129,800</b>	<b>1,425,700</b>	<b>1,755,900</b>	<b>798,200</b>

## **15. Changes & Corrections**

Listed below are the changes and corrections made to the current budget as compared to last year's budget.

1. CPI Increase up to 3.5% as compared to last year at 1%.
2. Snow Removal contract rates to increase by \$112,227
3. G & A Allocations to Cable to go down from 1% to .5%
4. CPI Increase in Electric only to be applied to the usage rate not associated with debt or depreciation.

### Glossary

EDU – This refers to the multipliers placed on base rate charges according to our rate structure.

EFU – This refers to the actual Equivalent Fixture Units.

CPI – Consumer Price Index

RUS – This is the Rural Utility Service from which we receive our Federal A8, B8 and C8 loan funds.

GASB – Governmental Accounting Standards Board

COP – Certificates of Participation

LAIF – Local Agency Investment Fund

OTIER – Operating Times Interest Earned Ratio