

KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT

FY 2023 - 2027 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 30th. Therefore, this budget's first year is FY 2023 ending on June 30, 2023. All years reflected in the budget are fiscal years. The District provides numerous (11) 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 2022 and proposed FY 2023 G&A Allocations.

Fund	FY 2022	FY 2023
Fire	8.3%	8.3%
Parks & Recreation	1%	1%
Water	17.5%	17.5%
Wastewater	17.5%	17.5%
Electric	20.6%	20.6%
Cable	0.5%	0.5%
Snow Removal	11.3%	11.3%
Propane	19.1%	19.1%
Solid Waste	4.2%	4.2%

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 2022 are forecasted as the average sales from FY 2018 to FY 2022, which gives a good representation of high and low volume sales years. Units Sold are thereafter assumed to increase by 1% through FY 2027 due to some anticipated development.
- b. Units Sold for Irrigation for FY 2023 are calculated as the average sales from FY 2018 to FY 2022. Units Sold are thereafter assumed to remain constant.

4. Equivalent Dwelling Units

- a. A 1% increase is anticipated in the Equivalent Dwelling Units for FY 2023 to FY 2027.

5. Rates

The Budget's Rate Assumptions are:

- i. **Electric – See Electric Rate Study**

- ii. **Propane**

1. Base Rates are projected to grow by 7.0% per year for the assumed CPI increase.
2. Usage Rates are set to increase each year by 7.0% 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 9.0% through FY 2024 and 2.0% in FY 2025.
2. Usage Rates are projected to grow by 9.0% through FY 2024 and 2.0% in FY 2025.
3. Meter Charges are projected to grow by 9.0% through FY 2024 and 2.0% in FY 2025.

- iv. **Irrigation**

1. Meter Charges are projected to grow by 9.0% through FY 2024 and 2.0% in FY 2025.

v. **Wastewater**

1. Base Rates are projected to grow by 9% through FY 2025.
2. Usage Rates are projected to grow by 9% through FY 2025.

vi. **Solid Waste**

1. Base Rates are budgeted to increase 3% per year through FY 2024.

vii. **Snow Removal**

1. Fiscal Year 2021/22 net revenue is expected to be \$60,000 better than planned.
2. Purchase of a new Trackless Machine to replace T-1 shall be accelerated one year to Fiscal Year 2022/23 at an approximate purchase price of \$150,000.
3. Snow Removal will defer the budgeted first \$50,000 repayment of the interfund loan from Electric.
4. Revenues in Excess of Expenses without Depreciation for Fiscal Year 2021/22 is therefore estimated be \$143,000 and shall be used for the purchase of the new Trackless Machine.
5. Budget Revenues shall be \$676,300.
6. KMPUD Expenses shall remain at 3%.

viii. **Fire Department**

1. Special Event Revenue will be completely routed through the KVFD 501c3. Equipment purchased with funds from special events will now show as Contribution Revenues from the 501c3.

These rate assumptions are consistent with currently approved or proposed rate structures anticipated to be in place for each service.

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 February and August. 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. The Snow Removal fund and the Solid Waste fund are ineligible to receive any Property Tax revenue allocations. 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. Second to cover promised Property Tax Allocations for WWTP Financing.
 - iii. Then to cover any cash losses in departments.
 - iv. Any remaining revenues will be used to fund capital expenditures.
 - v. If the above allocations are covered, property taxes will be used to fund a cash reserve.
 - vi. A significant annual unknown is property tax allocations required to achieve the RUS Tier ratio. requirement due to the uncertainty of the GASB 68 & 75 expenses imposed by CalPERS.
- b. Property taxes for FY 2023 are budgeted at \$859,327 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. Salaries and Wages

- a. This budget assumes 18 full-time year-round staff..
- b. This budget anticipates an average of 5% in salary increases in July of 2022 in the amount of \$65,000.
- c. This budget anticipates a Performance Review bonus for all staff in December of 2022 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.

8. Operating Expenses.

Operating Expenses for FY 2022 through FY 2026 are budgeted to increase by 7% FY 2022 and 3% annually thereafter.

9. 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.** The Cushion of Credit account was depleted to 0.00 in March 2021 to facilitate the payoff of RUS Loan B8 – 7.

10. 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. These funds were used to restructure the District's relationship with PG&E including elimination operations and maintenance payments to PG&E in perpetuity. 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>
2023	\$1,956,773	\$2,034,073	\$3,596,994	\$50,212,905
2024	\$1,521,782	\$1,397,343	\$2,919,124	\$48,815,563
2025	\$1,433,707	\$3,407,860	\$4,841,567	\$45,407,783
2026	\$1,372,098	\$2,023,906	\$3,396,005	\$43,383,796
2027	\$1,295,034	\$2,692,435	\$3,987,469	\$40,696,779

11. 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>
2023	\$35,300	\$575,000	\$610,300	\$595,000
2024	\$11,900	\$595,000	\$606,900	\$0

12. 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>
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.

13. **USDA/RUS Wastewater Treatment Plant Repair & Rehabilitation**

The District anticipates this project will be broken into multiple phases over 3 years and has an estimated cost of \$7.44 million. Funding for the improvement will be via USDA Rural Development, with interim financing via Co-Bank.

14. **Changes & Corrections**

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

1. 5% Salary increases.
2. 7% CPI

Glossary

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

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