

KIRKWOOD MEADOWS PUBLIC UTILITY DISTRICT

FY 2024 - 2028 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 2024 ending on June 30, 2024. 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 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 2023 and proposed FY 2024 G&A Allocations.

Fund	FY 2023	FY 2024
Fire	8.3%	8.3%
Parks & Recreation	1%	1%
Water	17.5%	16.3%
Wastewater	17.5%	17.5%
Electric	20.6%	20.6%
Cable	0.5%	0.5%
Snow Removal	11.3%	12.5%
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 2019 to FY 2023, which gives a representation of high and low volume sales years. Units Sold are thereafter assumed to increase by 1% through FY 2028 due to some anticipated development.
- b. Units Sold for Irrigation are assumed to remain constant.

4. Equivalent Dwelling Units

- a. A 1% increase is anticipated in the Equivalent Dwelling Units for FY 2024 to FY 2028.

5. Rates

The Budget's Rate Assumptions are:

i. Electric

1. Base Rate Fixed costs are projected to grow by 5.0% for the assumed CPI increase.
2. Usage Rates are to remain constant per the 2021 Electric Rate Study.
 - a. Purchased Power experienced significant fluctuations and uncharacteristic winter price spikes, e.g. day-ahead pricing increased by 1000% on multiple days.
 - b. Purchased Power is budgeted to increase from \$0.085 / kWh to \$0.090 / kWh based on FY 2022-23.
 - c. Accommodation of extreme fluctuations should be investigated by the Board and a potential surcharge implemented similar to what has successfully been adopted in Propane.
 - d. REC purchase prices are budgeted to increase from \$0.010/kWh to \$0.016/kWh based on contract pricing through 2026.
3. Meter charges are projected to grow by 5.0% for the assumed CPI increase.

ii. Propane

1. Base Rates are projected to grow by 5.0% for the assumed CPI increase.
2. Usage Rates are projected to grow by 20.0% for the switch from wholesale rates from Kiva to retail rates from Kiva and Hunt & Sons.
3. Meter charges are projected to grow by 5.0% for the assumed CPI increase.
4. EDUs are projected to decrease by 0.25% per year.

- iii. **Water**
 - 1. Base Rates are projected to grow by 9.0% through FY 2024 and 2.0% in FY 2025 per the 2020 Rate Study.
 - 2. Usage Rates are projected to grow by 9.0% through FY 2024 and 2.0% in FY 2025 per the 2020 Rate Study.
 - 3. Meter Charges are projected to grow by 9.0% through FY 2024 and 2.0% in FY 2025 per the 2020 Rate Study.
 - 4. A Cross-Connection Control Program will be created as required by new State legislation.
- iv. **Irrigation**
 - 1. Meter Charges are projected to grow by 9.0% through FY 2024 and 2.0% in FY 2025 per the 2020 Rate Study.
- v. **Wastewater**
 - 1. Base Rates are projected to grow by 9% through FY 2025 per the 2020 Rate Study.
 - 2. Usage Rates are projected to grow by 9% through FY 2025 per the 2020 Rate Study.
 - 3. Wastewater will repay \$8,000 of the interfund loan from Electric.
- vi. **Solid Waste**
 - 1. Base Rates are budgeted to increase 7% for the assumed CPI increase and fuel surcharge.
 - 2. Solid Waste will repay \$7,500 of the interfund loan from Electric.
- vii. **Snow Removal**
 - 1. Fiscal Year 2023/24 necessary revenue is expected to be \$950,000.
 - 2. Snow Removal will begin repayment of the existing interfund loan from Electric, and will extend the term for final repayment until Fiscal Year 2035/2036.
 - 3. Snow Removal will incur a new interfund loan from Electric and will commence repayment in Fiscal Year 2025/2026 for a 10-year term.
 - 4. 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 the 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 2024 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 4% in merit increases in July of 2023 in the amount of \$70,000.
- c. This budget anticipates a Performance Review bonus for all staff in December of 2023 totaling \$14,000, 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 fiscal year.
- d. Due to expected severe weather damage, budget for 1 seasonal, full-time operator to assist with critical infrastructure repairs, and if time allows, other non-critical work.

8. Operating Expenses

Operating Expenses for FY 2024 through FY 2028 are budgeted to increase by 5% FY 2024 and 3% annually thereafter.

9. Balance Sheet

- a. **Current Assets - Funds.** In this budget, Current Assets – Funds are separated 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.

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>
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
2028	\$1,156,015	\$1,437,263	\$2,593,278	\$39,358,259

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 August 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>
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 matured November 2022 and was paid in full. Bank of the West has removed the lien on the Community Service Building and Lava Rock Lodge employee housing.

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. Payment in full of the Bank of the West \$700,000 loan.
2. Propane commodity rate increases beyond the CPI increase.
3. Electric purchased power and RECs increase beyond the Electric Rate Study assumptions.
4. One Summer Seasonal Full-Time Staff.
5. Interfund Loan Repayment.

Glossary

EDU – (Equivalent Dwelling Unit) 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