

Mammoth Community Water District

Budget Report for the Fiscal Year April 1, 2021- March 31, 2022

March 2021

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 a collaborative effort that incorporates the strategic plan developed by staff and approved by the Board. Leaders from each department are involved in the planning and allocation of resources to effectively and efficiently accomplish our mission. The budget is guided by the experience of past years and anticipates plans for the coming year.

The budget is organized into funds representing type of service (Water or Wastewater), function (Administration, Operation, or Capital) and lifecycle (Replacement or Expansion). Each fund is intended to be self-contained with balanced revenue and expenses and an appropriate amount of reserve. The budget is primarily focused on the 2022 fiscal year (FY), but looks forward to FYs 2023-2027 to project 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.

Revenue from water sales is variable based on the availability of surface water supplied by the winter snowpack. In a low-snow year, water conservation measures may be implemented to reduce water use, which results in a corresponding reduction in water sales revenue. Revenue from water sales typically represents less than 10% of the total revenue, so potential reductions in this revenue source will not have a substantial effect on total District revenue.

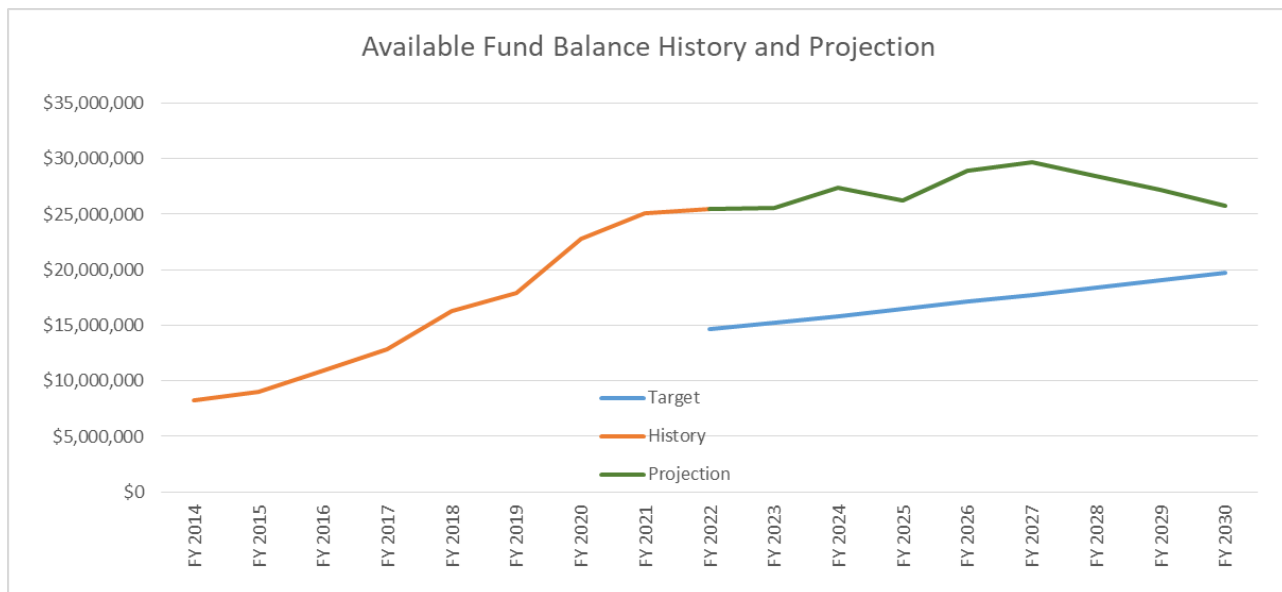
Total revenue for FY 2022 is budgeted at \$15,253,800. Budgeted expenditures for operations, personnel, and capital are \$14,870,300. The difference of \$383,500 (approximately 2.5% of revenue) will be added to our operating and capital reserves to prepare for future needs.

	FY 2021 Budget	FY 2021 Projection	FY 2022 Budget	Change - FY 2021 Budget to FY 2022 Budget	Change - FY 2021 Projection to FY 2022 Budget
Revenue	14,601,600	15,194,000	15,253,800	652,200 4.5%	59,800 0.4%
Personnel (less capital labor)	5,756,200	5,662,400	6,073,400	317,200 5.5%	411,000 7.3%
Operations	3,611,500	3,038,000	3,657,900	46,400 1.3%	619,900 20.4%
Capital Projects and Equipment	6,358,800	4,956,000	5,139,000	(1,219,800) -19.2%	183,000 3.7%
Reserve Contribution	-1,124,900	1,537,600	383,500	1,508,400 N/A	(1,154,100) -75.1%

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 FY 2022 is approximately \$25,100,000. The target reserve balance at the end of the current-year-plus-five projection (FY 2027) is approximately \$17,759,500. If revenue and expenses occur as projected, the 2027 reserve balance will be approximately \$29,710,000.

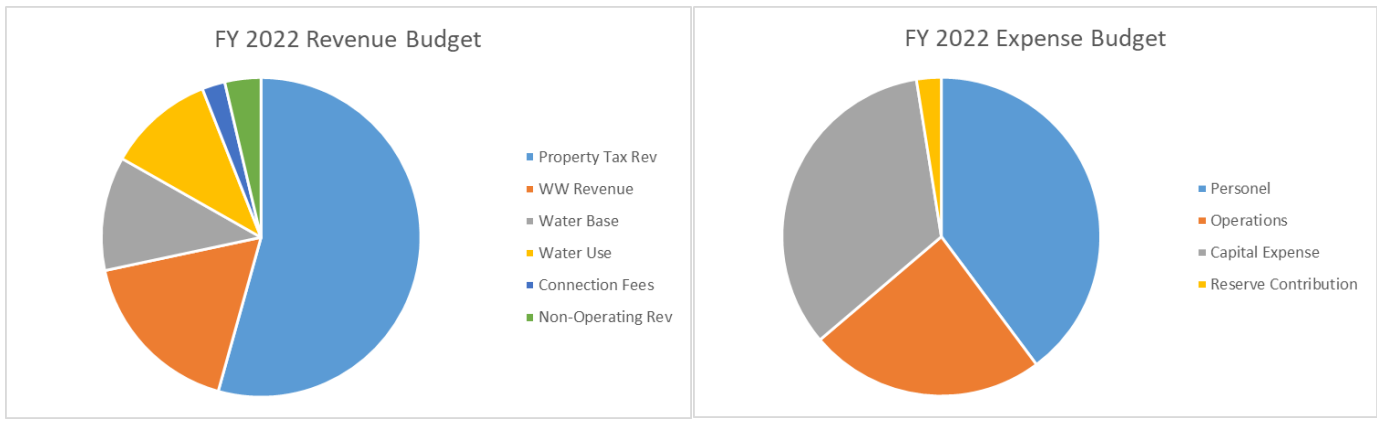
The District’s Reserve Policy and the FY 2022 Fund Reserve Targets are included as Attachments A and B to this document.

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



This presentation is organized by:

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



Revenue Budget

The total revenue budget of \$15,253,800 for FY 2022 represents a 4.5% increase from the FY 2021 revenue budget and a 0.4% increase from the 2021 revenue projection.

- Property tax revenue increased an average of 4.2% annually from FY 2016 to FY 2020. FY 2021 property tax revenue is projected to be 3.8% above budget. Property tax revenue for FY 2022 is budgeted at 8% above the FY 2021 budget and 4% above the FY 2021 projection.
- Water and wastewater rates are established by a rate study conducted every five years. The study to establish rates for fiscal years 2022 – 2026 is underway. No assumptions have been made about the outcome of that study and water and wastewater revenue is projected for FY 2022 even with FY 2021.
- Connection fee revenue is assigned to the water and wastewater expansion funds and will be used for capital projects that expand the capacity of our water and wastewater systems. Connection fee revenue varies significantly from year to year based on economic conditions along with residential and commercial development in town. While there are some development projects on the horizon the timing is unpredictable, and the FY 2022 budget is based on the average connection fees for the last three years.
- Interest revenue is projected based on the expected purchase yield of the portfolio. Short-term interest rates are expected to remain low over the next year and the yield of the portfolio will decline slightly through the year as older securities mature.

Table A shows the budgeted revenue for FY 2022 with comparisons to the budgeted and projected revenue for FY 2021.

Table B shows projections of revenue and expenses for the next five fiscal years and the projected available reserve balance for each year.

Table A – FY 2022 Budgeted Revenue

	FY 2021 Budget	FY 2021 Projection	FY 2022 Budget	Change - FY 2021 Budget to FY 2022 Budget		Change - FY 2021 Projection to FY 2022 Budget	
Property Tax Revenue	7,558,700	7,846,388	8,160,000	601,300	8.0%	313,612	4.0%
Wastewater Revenue	2,809,900	2,605,406	2,809,900	0	0.0%	204,494	7.8%
Water Base Revenue	1,848,900	1,732,351	1,848,900	0	0.0%	116,549	6.7%
Water Use Revenue	1,488,700	1,772,315	1,536,000	47,300	3.2%	(236,315)	-13.3%
Interest Revenue	324,000	420,000	268,000	(56,000)	-17.3%	(152,000)	-36.2%
Connection Fees	309,400	535,000	349,000	39,600	12.8%	(186,000)	-34.8%
Fees for Services	72,000	72,510	68,000	(4,000)	-5.6%	(4,510)	-6.2%
Other Revenue	190,000	209,627	214,000	24,000	12.6%	4,373	2.1%
Total Revenue	14,601,600	15,193,597	15,253,800	652,200	4.5%	60,203	0.4%

Negative numbers represent a reduction in budgeted revenue from FY 2021 to FY 2022.

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

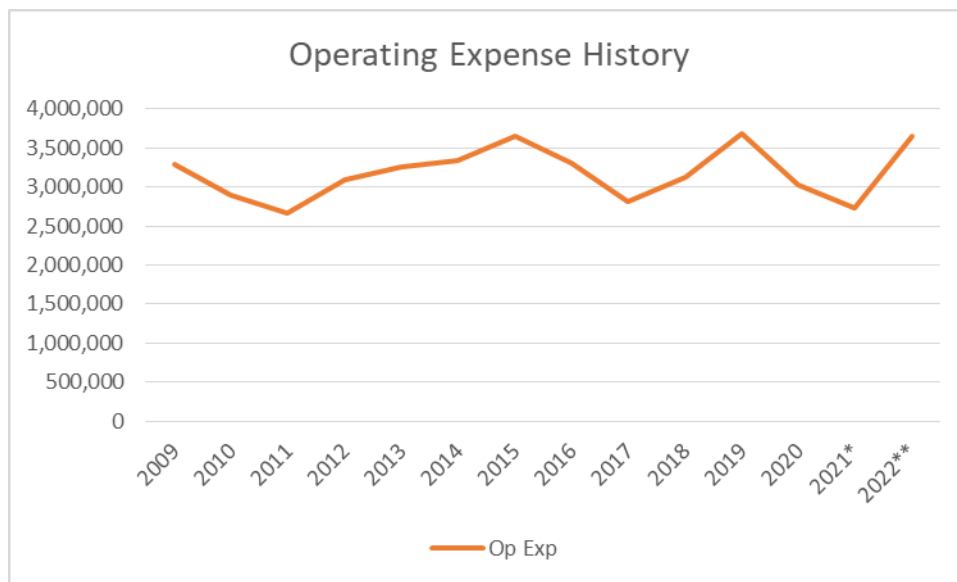
	FY 2022 Budget	FY 2023 Projection	FY 2024 Projection	FY 2025 Projection	FY 2026 Projection	FY 2027 Projection
Revenue (excluding Connection Fee)	\$ 14,904,800	15,202,896	15,506,954	15,817,093	16,133,435	16,456,104
Connection Fee Revenue	\$ 349,000	359,470	370,254	381,362	392,803	404,587
Personnel Expense (excluding Capital Labor)	\$ 6,073,400	6,316,336	6,568,989	6,831,749	7,105,019	7,389,220
Operating Expense	\$ 3,657,900	3,767,637	3,880,666	3,997,086	4,116,999	4,240,509
Capital R&R Expense	\$ 5,139,000	5,435,000	3,031,000	4,459,000	2,584,000	4,469,000
Capital Expansion Expense	\$ -	0	530,000	2,076,000	0	0
Addition (Reduction) to Capital Reserves	\$ 34,500	(316,077)	2,026,298	529,258	2,327,417	357,375
Addition to Expansion Reserves	\$ 349,000	359,470	(159,746)	(1,694,638)	392,803	404,587
	Projected ending balance	Projected ending balance	Projected ending balance	Projected ending balance	Projected ending balance	Projected ending balance
Operating/Capital Fund Reserve	\$ 23,258,500	\$ 22,942,423	\$ 24,968,721	\$ 25,497,979	\$ 27,825,396	\$ 28,182,772
Expansion Fund Reserve	\$ 2,225,000	\$ 2,584,470	\$ 2,424,724	\$ 730,086	\$ 1,122,888	\$ 1,527,475
Total Fund Reserve	\$ 25,483,500	\$ 25,526,893	\$ 27,393,445	\$ 26,228,065	\$ 28,948,285	\$ 29,710,247

Operations Budget

The operations budget shows significant variation from year to year, resulting from both planned and unexpected expenses. The FY 2022 operations budget of \$3,657,926 reflects an increase of \$46,377 from the FY 2021 budget and is \$888,398 higher than the FY 2021 projection.

Some significant changes in the FY 2022 budget include:

- Increase of \$107,082 to Software Licenses – primarily related to the upgrade to our enterprise software system and overlapping fees for the old and new systems.
- Increase of \$68,903 to Maintenance and Repair-Equipment – primarily related to work on the Lake Mary treatment plant filters
- Decrease of \$165,000 for Sludge Disposal as a result of transporting sludge to the Russell Pass Landfill in Fallon. Hauling cost is budgeted at \$70,000 for a net annual savings of \$95,000
- Decrease of \$102,021 in Professional Services – primarily related to progress made on the groundwater monitoring and response plan



* 2021 Projection

**2022 Budget

Table C shows the operating budget for each category with comparisons to the prior year's budget and projection.

Table C – Operating Budget Comparison

Account Description	FY 2021	FY 2021	FY 2022	Change - FY 2021		Change - FY 2021	
	Budget	Projection	Budget	Budget to FY 2022	Budget	Projection to FY 2022 Budget	
6023-Employee Engagement	29,500	17,414	14,700	-14,800	-50%	-2,714	-16%
6024-Employee PPE/Unif	20,434	22,247	21,135	701	3%	-1,112	-5%
6100-Outside Services	155,585	171,613	156,570	985	1%	-15,043	-9%
6101-Property Tax Admin Fee	220,500	63,012	224,000	3,500	2%	160,988	255%
6102-Sludge Disposal	240,000	161,218	75,000	-165,000	-69%	-86,218	-53%
6105-Software Licenses and Agrmnts	139,232	219,472	246,314	107,082	77%	26,842	12%
6106-IT Services	40,000	26,052	37,000	-3,000	-8%	10,948	42%
6108-Banking Fees	38,000	35,645	39,254	1,254	3%	3,609	10%
6110-Professional Services	358,650	180,747	256,629	-102,021	-28%	75,882	42%
6111-Outside Lab Services	55,250	66,949	60,675	5,425	10%	-6,274	-9%
6115-Employee Housing Expenses	72,780	39,870	73,020	240	0%	33,150	83%
6120-Operating Tools and Equipment	47,900	50,321	41,050	-6,850	-14%	-9,271	-18%
6125-Gasoline	37,300	31,404	38,650	1,350	4%	7,246	23%
6126-Diesel Fuel	15,890	10,644	11,990	-3,900	-25%	1,346	13%
6130-Insurance	140,000	149,425	156,600	16,600	12%	7,175	5%
6140-Legal Services	123,000	79,353	155,500	32,500	26%	76,147	96%
6145-M & R - Line Repair/Equipment	211,760	125,490	280,663	68,903	33%	155,173	124%
6150-M & R - Buildings	135,000	76,941	174,650	39,650	29%	97,709	127%
6155-M & R - Vehicles	75,000	91,382	68,500	-6,500	-9%	-22,882	-25%
6160-Memberships/Certifications	46,764	49,440	47,851	1,087	2%	-1,589	-3%
6165-Permit Materials	15,000	56,608	50,000	35,000	233%	-6,608	-12%
6179-Operating Chemicals	212,006	155,236	236,176	24,170	11%	80,940	52%
6180-Operating Supplies	124,200	112,787	129,510	5,310	4%	16,723	15%
6181-Computer Systems/Equipment	75,000	49,114	80,900	5,900	8%	31,786	65%
6185-Postage/Freight	9,420	7,320	8,770	-650	-7%	1,450	20%
6190-Advertising Publications & PR	23,750	20,765	23,900	150	1%	3,135	15%
6192-Books & Subscriptions	1,680	800	850	-830	-49%	50	6%
6200-Safety	26,610	15,695	26,730	120	0%	11,035	70%
6205-Permits & Licensing	83,853	139,916	81,730	-2,123	-3%	-58,186	-42%
6210-Telephone	43,520	44,106	46,974	3,454	8%	2,868	7%
6215-Training & Meetings	84,505	7,446	75,935	-8,570	-10%	68,489	920%
6220-Travel Expenses	65,500	1,830	56,900	-8,600	-13%	55,070	3009%
6230-Utilities - Electric	418,400	334,704	416,600	-1,800	0%	81,896	24%
6231-Utilities - Propane	35,700	18,026	32,700	-3,000	-8%	14,674	81%
6237-Water Conservation	127,500	76,480	123,500	-4,000	-3%	47,020	61%
6500-Settlement Cost	62,360	60,000	87,000	24,640	40%	27,000	45%
Grand Total	3,611,549	2,769,528	3,657,926	46,377	1%	888,398	32%

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

Personnel Budget

The FY 2022 District personnel budget of \$6,073,400 is 1.1% higher than last fiscal year. The number of permanent positions at MCWD remains at 42 for FY 2022. The District’s Organizational Chart is included as Attachment C.

The personnel budget includes the cost of three contract workers who will work part of the year on seasonal projects in the Engineering, Line Maintenance, and Mechanical Maintenance departments. The District also uses contract workers for the summer construction projects. The cost of these workers is included in the Capital budget.

The cost of District labor on capital projects is included in the Capital budget. 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 \$196,956.

Table D provides a high-level view of expenses for MCWD personnel and a comparison to FY 2021.

Table D – Personnel Expenses Comparison

	Total Pay	Pension	Insurance	FICA tax	WC Cost	Total Cost
FY 2022 Budget	4,067,400	884,300	986,300	60,200	63,800	6,073,400
FY 2021 Budget	4,040,400	850,300	998,300	58,000	62,100	6,009,100
Change FY '21 - FY '22	27,000	34,000	(12,000)	2,200	1,700	64,300
% Change	0.7%	4.0%	-1.2%	3.8%	2.7%	1.1%

Capital Budget

The District has approximately \$65 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 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 of \$5,138,992 includes completion of a production well and monitoring wells at Laurel Pond and Center Street.

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.

Table E lists capital projects planned for the next nine years. The timing and cost of future projects is speculative, particularly beyond five years. Engineering analysis has determined what infrastructure will likely be needed to meet water supply and treatment demands at buildout, but many variables are unknown. The cost for future-year projects is factored up for inflation.

Table E – Capital Projects

Description	FY 2022 Budget	FY 2023 Budget	FY 2024 Budget	FY 2025 Budget	FY 2026 Budget	FY 2027 Budget	FY 28-30 Budget
Well 32	450,000	-	-	-			
Laurel Pond Monitoring Wells	350,000	-	-	-			
Water Distribution System Improvements	701,356	695,000	1,061,000	546,000	563,000	580,000	1,230,000
Sewer Line Rehab	431,469	381,000	403,000	415,000	428,000	441,000	1,168,000
Center Street Monitoring Well	450,000						
Well Rehab (Well 1 and/or 25)	300,000						
Coldwater Cr LS Rehab	39,620						
Dewatering PLC upgrade	161,598						
Digester Mix Pump	80,516						
ERP Upgrade	247,200						
Tank Rehab T-1 (Lake Mary Storage Tank)	454,633						
Parcel Relief Main - Center St	625,000						
Expansion Wells	30,000						
Water Distribution System Modeling	30,000						
Wastewater Collection System Modeling	30,000						
Battery Backup and Storage	20,000						
PLC upgrade		196,000	255,000	262,000			307,000
LMTP Upgrades		103,000	106,000	109,000	113,000	116,000	307,000
WWTP Upgrades		206,000	212,000	219,000	225,000	232,000	615,000
Water Tank Rehab		515,000	530,000	546,000	563,000	580,000	369,000
Replacement wells		1,957,000		2,076,000		2,203,000	2,337,000
Cost of Service Study		-	-	-			86,000
Rehab Primary Clarifier		-	42,000	-	45,000		
WWTP Filter Replacement		1,030,000					
Rehab North EQ Basin					338,000		
Employee Housing	237,000	237,000	244,000	251,000	259,000	267,000	600,000
Expansion Wells				2,076,000			2,337,000
Zone 2B Storage			530,000				4,337,000
Administrative Infrastructure Expansion							615,000
Knolls Transmission Line Expansion							4,075,000
Meridian Sewer Expansion							574,000
Hwy 203 Expansion							
Old Mammoth Interceptor Expansion							
Projects Total	4,638,392	5,320,000	3,383,000	6,500,000	2,534,000	4,419,000	18,957,000
Capital Equipment							
Construction crew trucks	95,000	115,000	178,000	35,000	50,000	50,000	150,000
Replacement - Engineering	35,000						
Loader (CARB compliance)	250,000						
Forklift	40,600						
Tapping tool	15,000						
Sludge Trailer (3 of 3)	65,000						
Equipment Total	500,600	115,000	178,000	35,000	50,000	50,000	150,000
Total	5,138,992	5,435,000	3,561,000	6,535,000	2,584,000	4,469,000	19,107,000

MAMMOTH COMMUNITY WATER DISTRICT
OPERATING AND CAPITAL RESERVE POLICY

Approved: March 17, 2016
Amended February 20, 2020

POLICY

It is fiscally responsible to set aside cash reserves to prepare for planned and unexpected expenses in the future. To ensure equity between current and future ratepayers, a portion of each year's revenue should be reserved for the replacement of assets that are currently in use. Customers who receive the benefit of the water and wastewater infrastructure should contribute to the replacement of those assets as they age so the cost is shared appropriately between current and future ratepayers.

For each of the funds below, a benchmark for appropriate reserves is provided, and description of circumstances when use of reserve funds is recommended.

The recommended annual contribution to reserves will be the lesser of 5% of revenue or the difference between the total target reserve balance and the total current reserve balance.

Fund 10 – Administrative Operation:

- Operating reserve equal to average current liabilities for Fund 10, plus 20% of the liability for employee sick and vacation leave balances.
- Reserve balance should be used to pay current liabilities when current revenue is insufficient to meet obligations.

Fund 20 – Water Operation:

- Operating reserve equal to six months of operating expenses.
- Water operating reserves should be used when short-term fluctuations in expenses or revenue cause water revenue to be insufficient to meet operating expenses.

Fund 30 – Wastewater Operation:

- Operating reserve equal to six months of operating expenses.
- Wastewater operating reserves should be used when short-term fluctuations in operating expenses or revenue cause wastewater revenue to be insufficient to meet operating expenses.

Fund 21 – Administrative Capital Replacement:

- Reserve, when combined with the reserve of Fund 31, equal to the expected cost of required upgrades to improve the efficiency of the District administration buildings.
- Reserves will be used to replace or upgrade the administration buildings.

Fund 22 – Water Capital Replacement:

- Capital Repair and Replacement: reserve equal to 4% of the replacement cost of Fund 22 capital assets. The average expected life of capital assets is about 25 years. 4% (1/25) approximates the annual replacement cost of these assets.
- Reserves will be used for the unexpected replacement of a major component of the water infrastructure (e.g. well, treatment plant), for changes to the infrastructure required to meet new regulatory mandates, or for the planned replacement of assets where the cost of the replacement is greater than the current revenue available.

Fund 23 – Wastewater Capital Replacement:

- Capital Repair and Replacement: reserve equal to 4% of the replacement cost of Fund 23 capital assets. The average expected life of capital assets is about 25 years. 4% (1/25) approximates the annual replacement cost of these assets.
- Reserves will be used for the unexpected replacement of a major component of the wastewater infrastructure (e.g. lift stations, treatment plant), for changes to the infrastructure required to meet new regulatory mandates, or for the planned replacement of assets where the cost of the replacement is greater than the current revenue available.

Fund 31 – Administrative Capital Expansion:

The purpose of the fund is to provide capital for all future expansion of administrative support services required for operations and infrastructure at build-out. The balance of the fund may be negative or positive, depending on the cash flow of revenue and expansion capital projects. The fund balance should be zero when all infrastructure and administrative support expansion services needed for the customer base at build-out is built and in operation.

Fund 32 – Water Capital Expansion:

The purpose of the fund is to provide for all future expansion of the water infrastructure required to meet the needs of all future customers. The revenue source is water connection fees. Expenditures will be for capital projects that expand the capacity of the system to meet the needs of new users. The balance of the fund may be negative or positive, depending on the cash flow of connection fee revenue and expansion capital projects. The fund balance should be zero when all infrastructure needed for the customer base at build-out has been built and is in operation.

Fund 33 – Wastewater Capital Expansion:

The purpose of the fund is to provide for all future expansion of the wastewater infrastructure required to meet the needs of all future customers. The revenue source is wastewater connection fees. Expenditures will be for capital projects that expand the capacity of the system to meet the needs of new users. The balance of the fund may be negative or positive, depending on the cash flow of connection fee revenue and expansion capital projects. The fund balance should be zero when all infrastructure needed for the customer base at build-out has been built and is in operation.

Fund 96 – New Enterprise:

- Recommended reserve equal to two years' average participation in the employee down payment assistance program.
- Reserves will be used if participation in the employee down payment assistance program in any year is greater than the annual contribution to the fund from District property tax revenues.

Fund 97 – Trout Habitat Enhancement:

The District has an ongoing obligation according to the Trout Habitat agreement to contribute \$10,000/year (increased annually for inflation) for twenty years ending 2032, and administer the accumulated funds for trout habitat enhancement. There is no target fund balance; the balance will be the sum of accumulated contributions less expenditures according to the settlement agreement.

Fund 98 – LADWP Settlement:

The District has a future obligation of \$3.2 million (increased by CPI each year between 2014 and final settlement) to LADWP as part of the agreement entered into by the District and LADWP in July 2013. The date of the final payment will be affected by the amount of water used by the District's customers, but will be between the years of 2063 and 2073. The annual contribution to meet the future obligation is approximately \$50K.

Reserve Funds Targets for FY 2022

Fund 10 – Admin Operation: \$140,000

Fund 20 – Water Operation: \$1,640,000

Fund 30 – Wastewater Operation: \$1,380,000

Fund 21 – Admin Replacement: \$1,000,000

Fund 22 – Water Capital Replacement: \$3,066,000

Fund 23 – Wastewater Capital Replacement: \$3,483,000

Fund 31 – Admin Expansion: \$1,000,000

Fund 32 – Water Expansion: \$1,388,000 (current balance)

Fund 33 – Wastewater Expansion: \$488,000 (current balance)

Fund 96 – New Enterprise: \$500,000

Fund 97 – Trout Settlement: \$100,000

Fund 98 – LADWP Settlement: \$445,000

The projected available fund balance (cash – liabilities) at the beginning of fiscal year 2022 is approximately \$25,100,000. The target reserve balance at the end of fiscal year 2022 is \$14,630,000. The proposed operating and capital budget for fiscal year 2022 will result in a contribution to reserves of approximately \$383,500. If budgeted revenue and expenses occur as planned, we will end fiscal year 2022 with a reserve balance of approximately \$25,483,500

**MAMMOTH COMMUNITY WATER DISTRICT
FY22 ORGANIZATION CHART**

