



MEMO

DATE: February 26, 2018
 TO: The Voters and Customers of the Merrimack Village District
 FROM: Merrimack Village District Board of Commissioners (BOC)
 RE: 2018-2019 Operating Budget

Annual Meeting

Tuesday, March 27, 2017 at 7:00pm

Mastricola Upper Elementary, 26 Baboosic Lake Road, All-purpose Room

The purpose of this memo is to assist you in reviewing the Merrimack Village District 2018 - 2019 proposed operating budget.

BUDGET SUMMARY COMPARISON

	<u>Approved 2016-2017</u>	<u>Approved 2017-2018</u>	<u>Proposed 2017-2018</u>	<u>Increase(Decrease)</u>
Operational	\$3,047,439	\$3,222,099	\$3,350,072	\$127,973
Capital Budget Exp.	60,000	95,000	252,250	157,250
Capital Reserve	<u>150,000</u>	<u>160,000</u>	<u>0</u>	<u>(160,000)</u>
TOTAL	<u>\$3,257,439</u>	<u>\$3,477,099</u>	<u>\$3,602,322</u>	<u>\$125,223</u>

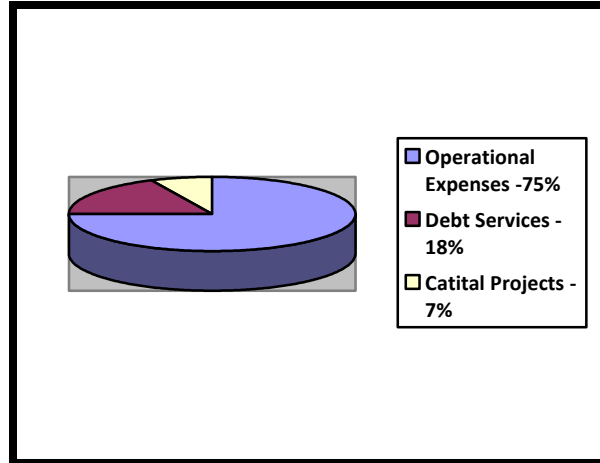
The total OVERALL proposed budget (without money warrant articles) is recommended at \$3,602,322 or a 3.6% increase of the 2017 – 2018 approved budget. The total OPERATIONAL budget without capital expense reflects an increase of \$127,973 or 4% higher than the 2017 – 2018 operational budget. The 2018 – 2019 budget includes \$252,250* in capital budget expenses that are reasonable and responsible projections to continue to provide future improvements and a continuous supply of potable water.

*Capital budget expenses include:

- Lime Station Improvements - \$210,000
- Elements Implementation - Asset Management Software - \$14,750
- MVRS Upgrade to FCS - Meter Reading Software \$12,500
- Town Projects Per Town Ordinance - Chapter 81, waterlines) - \$15,000

The graphic breakdown of proposed expenditures is shown below:

Proposed Appropriations 2018-2019



The revenues to support this budget are projected to balance the proposed budget of \$3,602,322. The BOC and staff have made considerable adjustments (both increases and decreases) in the proposed budget to match the proposed revenue projections.

Rate increase(s) are inevitable in light of ever increasing expenditures in electricity, chemicals, fuel, inflationary costs of brass, copper, iron, plastic, wages and benefits. In July 2011 the BOC raised water consumption rates from \$1.80 to \$1.95 per 100 cubic feet. Non-consumption rates (meter, hydrant, sprinkler charges, etc.) were also raised at that time. The previous rate increase supported capital projects. A rate study is being conducted at this time to project if and when a rate increase will need to be implemented.

To assist in the review of the attached budget document, details are provided for the following areas:

BUDGET DETAIL

GENERAL

1. Items such as Electricity, Heating Fuel, Gasoline, Diesel Fuel, and Chemicals are estimates based on past usage and estimated future costs.

PERSONNEL

Administrative Wages (50100)

The overtime estimate is for administrative staff in Finance/HR and other administrative support. During the audit and budget process and through the course of the year additional

hours are necessary to complete regular duties in the finance area. All accounting is now handled in-house. We are adding a part time administrative position to help offset overtime, along with the additional demands on the office staff.

Field Staff Wages (50200)

The 2018-2019 budget allows for 15 hours per week for back-up support for water quality and administrative support for treatment and distribution (backflow). With the addition of a treatment plant for Wells 7 & 8 an additional full time field staff position is necessary.

Benefits

No new benefits are proposed for 2018– 2019.

REPAIR AND MAINTENANCE

Motor Vehicle Maintenance (60500)

Actual <u>13-14</u>	Actual <u>14-15</u>	Actual <u>15-16</u>	Actual <u>16-17</u>	Expended as <u>of 12/31/17</u>	Proposed <u>18-19</u>
\$14,500	\$13,890	\$20,486	\$16,810	\$7,381	\$22,000

Chemicals (60600)

We are notified of chemical cost increases each year that are effective January 1st and July 1st. There have been constant double digit increases over the last few years. Projecting chemical costs 18 months in advance is difficult at best. That fact combined with the different uses of various pump stations due to weather conditions, usage and the level of iron and manganese that we experience in several wells make projections even more difficult.

<u>Year</u>	<u>Approved</u>	<u>Actual</u>
2014-2015	\$73,508	\$84,638
2015-2016	\$107,297	\$108,320
2016-2017	\$151,000	\$114,672
Proposed		
2018-2019	\$150,000	

Property Taxes (60850)

The District budgets for taxes on Wells 7 and 8. They are located in the town of Hollis. By law a water district is required to pay taxes on the land if the water source is in a different town. We are not taxed on the pump buildings on this land. The valuation of that land is currently set at \$216,800. Depending on the Town of Hollis tax rate, each year's tax bill will vary. We have budgeted \$6,000 for 2018-2019.

Actual <u>2014-2015</u>	Actual <u>2015-2016</u>	Actual <u>2016-2017</u>	Approved <u>2017-2018</u>	Proposed <u>2017-2018</u>
\$5,015	\$4,991	\$7,620	\$6,000	\$6,000

Main Lines and Entrances – Enhancements (70200)

We will continue upgrades to our existing main lines that are old, problematic and those that may need to be looped. No specific projects are planned for the 2018-2019 budget, however we have allowed for a total of \$21,000 for possible replacements in this account. We also plan to add several new hydrants to the system.

Repair and Maintenance Pumping Stations (70550)

The amount of \$65,000 is proposed for emergency repairs and maintenance at the pumping stations. An emergency repair could consist of replacing a solenoid valve or even a complete well pump replacement.

Outside Services (81800)

We plan to continue our gradual approach to the GPS/GIS implementation now that most of the field work and data collection are complete. The proposed \$4,500 is for added training and support.

Throughout the summer months the experienced Distribution and Treatment senior field staff are frequently called away from their primary duties to assist in other areas. Providing the senior staff with part-time, temporary personnel to float between the two departments allows senior field staff to focus on more critical aspects of their work. The temping service provides 1 temporary employee during the summer months - approximately 25 weeks at \$24,000.

Engineering (81900)

The proposed budget for the engineering account is \$58,400 for 2018-2019. We plan to continue monitoring and testing for sodium and chloride and developing the Asset Management Program. We also designated funds within this account for additional engineering for PFAS or any other unforeseen project or issue.

CAPITAL OUTLAY

Capital Budget Expense (90000)

The Capital Budget Expenses being proposed for 2018-2019 are Lime Station Improvements and Software Upgrades. The \$15,000 in this account is due to the Town Ordinance change which requires that the District pay the first \$15,000 of a Town CIP project that involves water line relocation.

DEBT SERVICES

	Actual <u>14-15</u>	Actual <u>15-16</u>	Actual <u>16-17</u>	Approved <u>17-18</u>	Proposed <u>18-19</u>
Principal	\$330,000	\$260,000	\$407,275	\$440,566	\$444,106
Interest	<u>152,980</u>	<u>140,934</u>	<u>246,256</u>	<u>214,065</u>	<u>187,507</u>
TOTAL	<u>\$618,344</u>	<u>\$400,934</u>	<u>\$653,531</u>	<u>\$654,631</u>	<u>\$631,613</u>

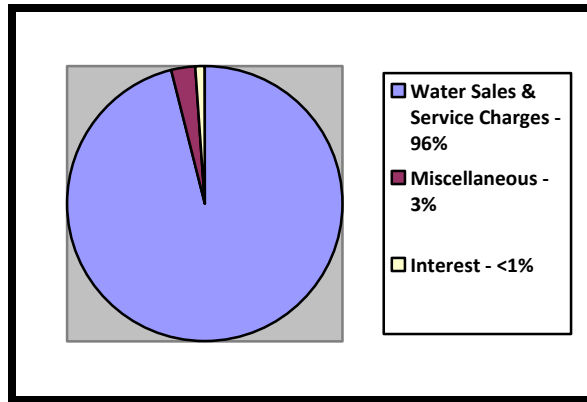
REVENUE

Actual revenues for 2016-2017 were \$3,545,502 or an increase of \$288,063 of the projected \$3,257,439 for that year. Revenues for the previous year (2015-2016) were over by \$458,350 from the projected \$3,061,581. Water use and pumpage has a direct correlation to the weather and various conservation efforts which affects the revenue. The sources of revenue are summarized below:

	<u>Actual 2014-2015</u>	<u>Actual 2015-2016</u>	<u>Actual 2016-2017</u>	<u>Approved Projected 2017-2018</u>	<u>BOC Projected 2018-2019</u>
All Water Sales and Service Charges	\$3,275,291	\$3,422,279	\$3,462,056	\$3,364,195	\$3,466,972
Miscellaneous	112,236	95,579	76,778	112,149	123,350
Interest	<u>372</u>	<u>2,071</u>	<u>6,668</u>	<u>755</u>	<u>12,000</u>
TOTAL	<u>\$3,387,899</u>	<u>\$3,519,929</u>	<u>\$3,545,502</u>	<u>\$3,477,099</u>	<u>\$3,602,322</u>

The graphic breakdown of projected revenues is shown below:

Projected Revenues 2018-2019



The revenue estimate for 2018-2019 is \$3,602,322 which consists of a water sales and water service charges estimate of \$3,466,972 or approximately 96% of the total revenue. Water sales, of course, are relative to weather and overall usage. Previous years revenues have fluctuated based on usage, weather and loss of commercial/industrial revenue.

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