



MEMO

DATE: February 24, 2020

TO: The Voters and Customers of the Merrimack Village District

FROM: Merrimack Village District Board of Commissioners (BOC)

RE: Fiscal Year (FY) 2020-2021 Operating Budget

Annual Meeting

Tuesday, March 31, 2020 at 7:00pm

Merrimack Middle School – Cafetorium
31 Madeline Bennett Lane

The purpose of this memo is to assist you in reviewing the Merrimack Village District 2020 - 2021 proposed operating budget.

BUDGET SUMMARY COMPARISON

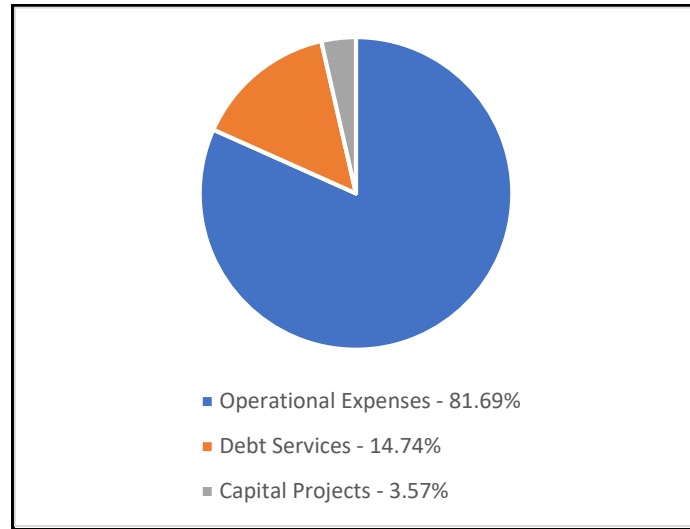
	<u>Approved</u> <u>2018-2019</u>	<u>Approved</u> <u>2019-2020</u>	<u>Proposed</u> <u>2020-2021</u>	<u>Increase (Decrease)</u>
Operational	\$3,350,072	\$3,638,443	\$3,970,036	331,593
Capital Budget Exp	<u>252,250</u>	<u>215,500</u>	<u>147,000</u>	<u>(68,500)</u>
TOTAL	<u>\$3,602,322</u>	<u>\$3,853,943</u>	<u>\$4,117,036</u>	<u>\$263,093</u>

The total OVERALL proposed budget (without money warrant articles) is recommended at \$4,117,036 or a 6.83% increase of the 2019 – 2020 approved budget. The total OPERATIONAL budget without capital expense reflects an increase of \$331,593 or 9.11% higher than the 2019 – 2020 operational budget. The 2020 – 2021 budget includes \$147,000* in capital budget expenses that are reasonable and responsible projections to continue to provide future improvements to operations and infrastructure and a constant supply of potable water.

*See *Capital Outlay* section for details

The graphic breakdown of proposed expenditures is shown below:

Proposed Appropriations 2020-2021



The revenues to support this budget are projected to balance the proposed budget of \$4,117,036. The BOC and staff have made considerable adjustments (both increases and decreases) in the proposed budget to match the proposed revenue projections.

Whether due to growth or inflationary factors, rate increase(s) are inevitable in light of ever-increasing expenditures on electricity, chemicals, fuel, materials (brass, copper, iron, plastic), wages and benefits. With the last increase in July 2019, the BOC raised water consumption rates from \$1.95 to \$2.32 per 100 cubic feet or 19% rate increase. Non-consumption rates (meter, hydrant, sprinkler charges, etc.) were also raised at that time. The rate increases recommended in the 2018 rate model were 13% in FY 2020 AND 13% in FY 2021. It was necessary for a higher increase for the first year so a 19% was implemented. We are projecting a 7% increase in FY 2021 to support the proposed \$4,117,036 FY 2020-2021 budget and \$500,000 annual Capital Reserve Fund contributions. This would result in a \$.16 increase to the water consumption rate. If implemented by the Board of Commissioners the new rate would be \$2.48 per 100 cubic feet. A recent survey of over 30 New Hampshire area water providers determined the average cost per 100 cubic feet is \$3.94.

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

BUDGET DETAIL

GENERAL

Items such as Electricity (60000), Heating Fuel (60400), Gasoline/Diesel Fuel (60450/60), and Chemicals (60600) are estimates based on past usage and estimated future usage 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 on schedule. We have added a full-time administrative position to help with the additional demands on the office staff and offset overtime.

REPAIR AND MAINTENANCE

Motor Vehicle Maintenance (60500)

Actual	Actual	Actual	Actual	Approved	Approved
2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
\$20,486	\$16,810	\$23,167	\$16,894	\$20,000	\$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, water 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>	<u>Proposed</u>
2016-2017	\$151,000	\$114,672	
2017-2018	\$150,000	\$135,700	
2018-2019	\$150,818	\$124,647	
2019-2020	\$140,000		
2020-2021			\$162,684

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 \$227,700. Depending on the Town of Hollis tax rate, each year's tax bill may vary. We have budgeted \$5,500 for 2019-2020. The 2016-2017 Actual includes \$2,496 that belongs to a prior year period.

<u>Actual</u>	<u>Actual</u>	<u>Actual</u>	<u>Approved</u>	<u>Proposed</u>
<u>2016-2017</u>	<u>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>
\$7,620	\$4,989	\$4,891	\$5,500	\$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 2020-2021 budget; however, we have allowed for a total of \$26,150 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 \$89,100 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.

Engineering (81900)

The proposed budget for the engineering account is \$88,500 for 2020-2021. Our engineers will continue to monitor sodium and chloride levels and track and plot quarterly sample data along with PFAS data. We also designated funds within this account for additional engineering for PFAS as well as investigating into PFAS polluters. The *Asset Management Program* is an ongoing project and a requirement to qualify for most grants and/or loans through the State.

CAPITAL OUTLAY

Capital Budget Expense (90000)

The Capital Budget Expenses being proposed for 2020-2021 are:

- SUEA ESRI (Geographic Information System (GIS) on New Server) - \$10,000
- Continental Utility Services, Inc (CUSI) - (Conversion from Continental Billing Solutions for windows (CBSW)) - \$60,000
- Backhoe Add-Ons – Allied Rammer 999 Hydraulic Hammer - \$20,000
- Altoz 60” Mower or 1.5 Ton Dual Drum Roller - \$22,000
- Portable Towable Diesel Compressor - \$20,000
- Town Projects Per Town Ordinance - Chapter 81, Waterlines - \$15,000
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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 Capital Improvement Plan (CIP) project that involves water line relocation.

DEBT SERVICES

	<u>Actual</u> <u>2016-2017</u>	<u>Actual</u> <u>2017-2018</u>	<u>Actual</u> <u>2018-2019</u>	<u>Approved</u> <u>2019-2020</u>	<u>Proposed</u> <u>2020-2021</u>
Principal (90200/03)	\$407,275	\$440,566	\$444,106	\$447,714	\$451,393
Interest (90300/03)	<u>246,256</u>	<u>202,227</u>	<u>187,507</u>	<u>175,671</u>	<u>155,264</u>
TOTAL	<u>\$653,531</u>	<u>\$642,793</u>	<u>\$631,613</u>	<u>\$623,385</u>	<u>\$606,657</u>

REVENUE

Actual revenues for 2018-2019 were \$3,679,572 or an overage of \$77,250 from the projected \$3,602,322 for that year. Revenues for the previous year (2017-2018) were over by \$2,521 from the projected \$3,477,099. Water usage has a direct correlation to the weather and various conservation efforts which affects the revenue. The sources of revenue are summarized below:

	<u>Actual 2016-2017</u>	<u>Actual 2017-2018</u>	<u>Actual 2018-2019</u>	<u>Approved Projected 2019-2020</u>	<u>BOC Projected 2020-2021</u>
All Water Sales and Service Charges	\$3,462,847	\$3,336,200	\$3,472,033	\$3,641,080	\$3,933,036
Miscellaneous	111,451	129,099	184,025	186,863	162,000
Interest	<u>6,668</u>	<u>14,321</u>	<u>23,514</u>	<u>26,000</u>	<u>22,000</u>
 TOTAL	 <u>\$3,580,966</u>	 <u>\$3,479,620</u>	 <u>\$3,679,572</u>	 <u>\$3,853,943</u>	 <u>\$4,117,036</u>

The revenue estimate for 2020-2021 is \$4,117,036. Water sales, of course, are relative to weather and overall usage. Previous year revenues have fluctuated based on usage, weather and loss of commercial/industrial revenue.

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