



WATER WORKS
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BUDGET MEMO

DATE: February 22, 2021
TO: The Voters and Customers of the Merrimack Village District
FROM: Merrimack Village District Board of Commissioners (BOC)
RE: Fiscal Year (FY) 2021-2022 Operating Budget

Annual Meeting

Tuesday, March 30, 2021 at 7:00pm

Mastricola Upper Elementary School
(All Purpose Room)
26 Baboosic Lake Road

The purpose of this memo is to assist you in reviewing the Merrimack Village District 2021-2022 proposed operating budget.

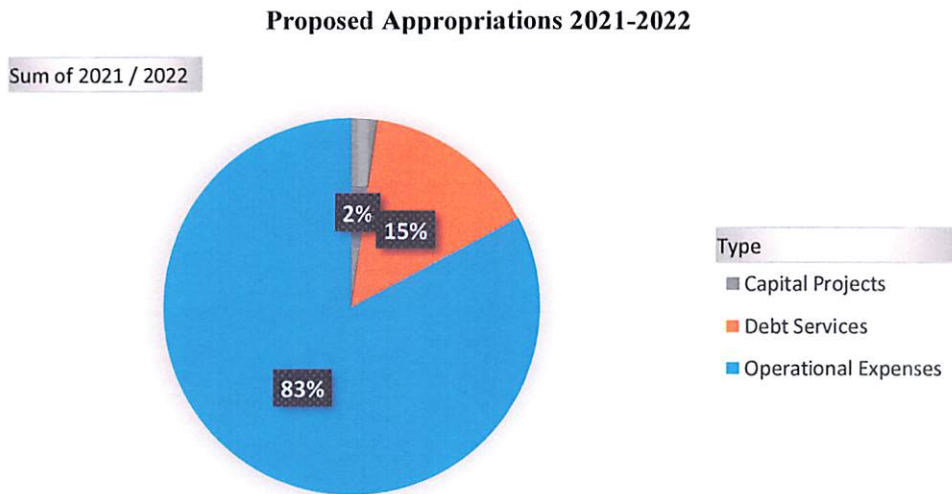
BUDGET SUMMARY COMPARISON

	Approved <u>2019-2020</u>	Approved <u>2020-2021</u>	Proposed <u>2021-2022</u>	2021 vs. 2022 <u>Increase (Decrease)</u>
Operational	\$ 3,638,443	\$ 3,970,036	\$ 4,370,263	\$ 400,227
Capital Budget Exp	<u>215,500</u>	<u>147,000</u>	<u>102,000</u>	<u>\$ (45,000)</u>
TOTAL	<u>\$ 3,853,943</u>	<u>\$ 4,117,036</u>	<u>\$ 4,472,263</u>	<u>\$ 355,227</u>

The total OVERALL proposed budget (without money warrant articles) is recommended at \$4,472,263 or a 8.63% increase of the 2020–2021 approved budget. The total OPERATIONAL budget without capital expense reflects an increase of \$400,227 or 10.08% higher than the 2020–2021 operational budget. The 2021–2022 budget includes \$102,000* 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:



The revenues to support this budget are projected to balance the proposed budget of \$4,472,263. 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 2022. It was necessary for a higher increase for the first year so a 19% was implemented. We had planned a 7% rate increase in FY 2021 to support the \$4,117,036 FY 2020-2021 budget and \$500,000 annual Capital Reserve Fund contributions. Due to the economic impact on our community due to COVID-19 beginning in early 2020, we postponed this increase. At present, we are in the process of completing an updated rate study to determine the increases that will become effective July 2021 and July 2022. These increases will be due to both the regular increase in operational expenses, along with the new debt payments that will begin for the PFAS treatment plants that are under construction per the petitioned warrant articles of annual meeting 2019. The District has made every effort to secure grants, low interest loans and alternative funding to moderate these rate increases. Notification to all customers will be sent out early this Spring regarding the details. A 2018 survey of over thirty New Hampshire area water providers determined the average cost per 100 cubic feet was \$3.94 and our current cost is \$2.32. The 2021 New Hampshire Water Rates Report, funded by New Hampshire Department of Environmental Services, will be issued soon which we will reference in our rate study. Even with the District's upcoming rate increases, which will cover PFAS treatment of all wells, our new rates will remain below the state average.

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 staff in Finance/HR and Administration. During the audit, budget process and through the course of the year additional hours are necessary to complete regular duties on schedule, particularly in finance. We have added an accountant position to help with the increasing demands and offset overtime.

REPAIR AND MAINTENANCE

Motor Vehicle Maintenance (60500)

<u>Actual</u> <u>2016-2017</u>	<u>Actual</u> <u>2017-2018</u>	<u>Actual</u> <u>2018-2019</u>	<u>Actual</u> <u>2019-2020</u>	<u>Approved</u> <u>2020-2021</u>	<u>Proposed</u> <u>2021-2022</u>
\$16,810	\$23,167	\$16,894	\$30,954	\$22,000	\$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>2017-2018</u>	<u>2018-2019</u>	<u>2019-2020</u>	<u>2020-2021</u>	<u>2021-2022*</u>
Approved	\$ 150,000	\$ 150,818	\$ 140,000	\$ 162,684	\$ 228,507
Actual	\$ 135,700	\$ 124,647	\$ 131,653		

**Wells that were down in FY 2020-2021, are now back on line, which results in additional chemical needs.*

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 \$6,500 for 2021-2022.

<u>Actual</u> <u>2017-2018</u>	<u>Actual</u> <u>2018-2019</u>	<u>Actual</u> <u>2019-2020</u>	<u>Approved</u> <u>2020-2021</u>	<u>Proposed</u> <u>2021-2022</u>
\$ 4,989	\$ 4,891	\$ 5,423	\$ 6,000	\$ 6,500

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 2021-2022 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 \$138,500 for 2021-2022. 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. Additional projects needed in this budget are related to Purchase of Water Cost Study and Salt Mitigation.

CAPITAL OUTLAY

Capital Budget Expense (90000)

The Capital Budget Expenses being proposed for 2021-2022 are:

- ♦ Continental Utility Solutions Inc (CUSI) - Conversion from Continental Billing Solutions for Windows \$ 30,000
- ♦ Mini-Split Air Conditioner - Treatment Office \$ 14,000
- ♦ SUEA ESRI (GIS on New Server - Year 3 of 3) \$ 10,000
- ♦ Replacement Truck for W-37 - 1/2 Ton, Reg Cab, 8' Bed, w/Radio \$ 26,000
- ♦ 10,000 lb GVWR Trailer (Replace Trailer Now Used for Portable Generator) \$ 7,000
- ♦ Town CIP Projects - Waterline Relocation * \$ 15,000

**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

	Actual <u>2017-2018</u>	Actual <u>2018-2019</u>	Actual <u>2019-2020</u>	Approved <u>2020-2021</u>	Proposed <u>2021-2022*</u>
Principal (90200/03/04)	\$440,566	\$444,106	\$447,714	\$451,393	\$503,935
Interest (90300/03/04)	<u>202,227</u>	<u>187,507</u>	<u>171,393</u>	<u>155,264</u>	<u>166,233</u>
	<u>\$ 642,793</u>	<u>\$ 631,613</u>	<u>\$ 619,107</u>	<u>\$ 606,657</u>	<u>\$ 670,168</u>

**New DWGT Loan's first payment is due in FY 2021-2022. The amounts budgeted are estimates*

REVENUE

Actual revenues for 2019-2020 were \$4,243,016, or an overage of \$389,073, from the projected \$3,853,943 for that fiscal year. Water usage has a direct correlation to the weather and various conservation efforts which affects the revenue. The sources of revenue are summarized below:

	Actual <u>2017-2018</u>	Actual <u>2018-2019</u>	Actual <u>2019-2020</u>	Approved BOC Projected <u>2020-2021</u>	BOC Projected <u>2021-2022</u>
Water Sales & Service Charge	\$ 3,286,130	\$ 3,256,281	\$ 4,037,413	\$ 3,933,036	\$ 4,339,263
System Development Charges	\$ 50,070	\$ 215,751	\$ -	\$ -	\$ -
Budgeted Grants	\$ -	\$ -	\$ 20,000	\$ -	\$ -
Miscellaneous	\$ 129,099	\$ 184,026	\$ 169,728	\$ 162,000	\$ 128,000
Interest	\$ 14,321	\$ 23,514	\$ 15,875	\$ 22,000	\$ 5,000
	<u>\$ 3,479,620</u>	<u>\$ 3,679,572</u>	<u>\$ 4,243,016</u>	<u>\$ 4,117,036</u>	<u>\$ 4,472,263</u>

**System Development Charges (SDC) have been removed from Operational Revenue as of FY 2019-2020. They are transferred to the SDC Capital Reserve Fund following the approval vote at Annual Meeting.*

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