

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 direction and grants authority to the managers and staff of the District to expend resources to deliver water and wastewater services.

The budget is organized into funds representing type of service (Water or Wastewater), function (Administration, Operation, Capital, and New Enterprise) and lifecycle (Replacement or Expansion). Each fund is intended to be self-contained: revenue and expenses balanced and maintaining an appropriate reserve. The budget is primarily focused on the 2015-2016 fiscal year, but also looks forward to fiscal year 2019-2020 to project the status of each fund balance.

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, operating expenses, and services for outside expertise.

The District is operating in an environment of declining revenue and increasing expenses. The drought conditions that persist in our area affect both sides of that equation. As our customers respond positively to water conservation efforts, water revenue decreases. As the recreation-based economy of Mammoth Lakes is constrained by the drought, property tax revenues are expected to remain flat for the near future. As surface water supplies are reduced, demand is transferred to ground water which is more expensive to deliver to the customers. Personnel and operating expenses increase incrementally each year.

In this fiscal environment, District managers and staff are actively engaged in cost control and strategic planning of capital projects in order to maintain a balanced budget. Total revenue is expected to be \$13.1 million, about 1% lower than the FY 2015 revenue budget. Total operating and capital expenditures are budgeted at \$13.0 million. If achieved, the budget cushion of \$100,000 will strengthen the District's reserve balances.

The District is committed to actively defending the security of our water supply. The most present threat to our water supply is the expansion efforts of the Ormat geothermal power plant. The funds designated in the current budget for legal and consulting services related to Ormat represent the commitment of the District to ensuring adequate supplies of high quality water for our constituents.

This presentation is organized by:

- Overall revenue, expense and fund balance projections
- Planned capital expenditures
- Budgeted Operations expenses
- Budgeted Personnel expenses
- Debt payment schedule

Total Budget Overview

The past four fiscal years have had deficit budgets. The current proposed budget has revenue exceeding expenditures by a small margin. The District will regain some of the ground lost in previous years and rebuild financial reserves.

Table A. below shows the expected revenue and expenses by Operations and Capital.

Table A.

2015/2016 District Budgets by Category			
	Operations	Capital Funds	Total Budget
Revenue	5,456,000	7,677,000	13,133,000
Personnel expense	3,542,000	1,976,000	5,518,000
Operations expense	2,425,000	692,000	3,117,000
Debt Service		1,183,000	1,183,000
Capital Expenditures		3,200,000	3,200,000
Total Expenditures	5,967,000	7,051,000	13,018,000
Change in position	(511,000)	626,000	115,000

There are many variables and unknown factors, but our projections over the next five years indicate a close balance between revenue and expenses with incrementally increasing total fund balance. **Table B.** shows expected revenue and expenses for the next five fiscal years and the expected unrestricted fund balance at the end of each fiscal year.

Table B.

Unrestricted Fund Bal	Proj. FY 15	Est. FY 16	Est. FY 17	Est. FY 18	Est. FY 19	Est. FY 20
Beginning Balance	14,312,394	11,992,195	12,153,525	13,409,529	14,612,296	14,920,343
Revenue	13,391,102	13,132,321	13,289,723	13,075,228	13,423,087	13,763,450
Expenditures	(15,711,300)	(12,970,991)	(12,033,719)	(11,872,461)	(13,115,041)	(13,746,906)
Net Change	(2,320,199)	161,330	1,256,004	1,202,767	308,046	16,543
Ending Balance	11,992,195	12,153,525	13,409,529	14,612,296	14,920,343	14,936,886

The revenue budget is based on an assumption of water conservation with a 15% usage reduction from fiscal year 2015. Each 5% increment in water conservation results in approximately \$100,000 reduction in total revenue for the District. This budget contains a provision for a rate and connection fee study to ensure that the revenue generated by each service matches the cost of delivering service in the future. **Table C.** lists expected revenue by category and the change to overall revenue for water use reductions of 10%, 15%, and 20%.

Table C.

	0% Water Usage Reduction	10% Water Usage Reduction	15% Water Usage Reduction	20% Water Usage Reduction
Billing - Water Usage	\$ 1,695,305	\$ 1,482,304	\$ 1,379,741	\$ 1,279,327
Water Base Rates	\$ 1,406,985	\$ 1,406,985	\$ 1,406,985	\$ 1,406,985
Wastewater Base Rates	\$ 2,641,924	\$ 2,641,924	\$ 2,641,924	\$ 2,641,924
Laboratory Revenue	\$ 38,000	\$ 38,000	\$ 38,000	\$ 38,000
Housing Rents	\$ 46,877	\$ 46,877	\$ 46,877	\$ 46,877
Permits/Fees	\$ 170,000	\$ 170,000	\$ 170,000	\$ 170,000
Tax & Assessments	\$ 6,500,000	\$ 6,500,000	\$ 6,500,000	\$ 6,500,000
Interest Income	\$ 190,187	\$ 190,187	\$ 190,187	\$ 190,187
Other Revenue	\$ 759,000	\$ 759,000	\$ 759,000	\$ 759,000
TOTAL REVENUES	\$ 13,448,279	\$ 13,235,277	\$ 13,132,714	\$ 13,032,300

Taken collectively, the Operation and Capital funds have positive balances, however there is an on-going imbalance in the assignment of revenue to individual Capital and Operation Funds. This budget proposes changes to the way tax and billing revenue is allocated to each fund. The revenue assigned to each fund should be related to the character of the fund, and allocated so that an appropriate reserve balance is maintained in each fund.

Individual fund negative balances are allowed under standard accounting practice as long as the collective balance is positive. However, a negative balance in one fund effectively reduces the resources available to all positive fund balances. A well-structured fund accounting system maintains a balance between revenue and expenditures, with an appropriate reserve to allow for future plans and short-term variations in revenue or expenditures.

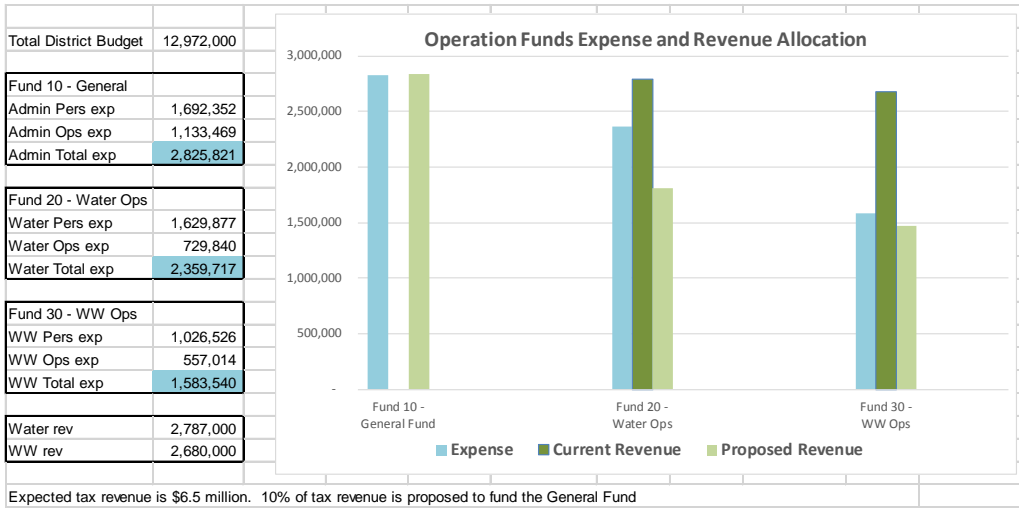
Capital Funds include Water, Wastewater, and Administrative Replacement Funds, Water and Wastewater Expansion Funds, and the New Enterprise Fund. Operation Funds include General Administration, Water Operations, and Wastewater Operations. The administrative departments (Administration, Finance, Information Systems, and Human Resources) provide support to all other operating and capital departments in support of the mission of the District.

Fund balances that deserve particular attention include the General fund, Water Replacement fund, and Water and Wastewater Expansion funds, all of which have growing negative balances. The Wastewater Replacement fund and New Enterprise fund have growing positive balances which exceed any planned use for the funds.

This budget proposes a change to the allocation of District revenue to begin to resolve the imbalances between funds. Suggested changes are to increase the tax revenue allocation to Water Replacement to 60%, decrease the allocation to Wastewater Replacement to 5%, decrease the allocation to New Enterprise to zero, add 10% allocation to the Water and Wastewater Expansion funds, and allocate 10% to the General Administration fund.

As noted above, the four administrative departments provide general support to all other departments in the District. Expenses for the administrative functions are paid from the General Fund (Fund 10), and should be funded proportionally by the District's revenue sources. **Chart A.** shows the proposed funding for the General Fund from operating and capital revenue.

Chart A.



The attached **Table D.** shows a side-by-side comparison of the current allocation of revenue to our various capital and operating funds and a proposed alternative allocation. The table shows the current fund balance and trend of the unrestricted fund balance for each alternative.

Capital Budget

Significant capital expenditures planned in FY 2015-2016 include:

- \$825K – Ongoing water line replacement
- \$650K – Equipment Storage Building at MCWD Yard
- \$600K – Tank 3 Rehab/Improvement
- \$450K – Ongoing sewer line replacement
- \$365K – Snowcreek recycled water improvement loan
- \$200K – Re-line recycled water storage basin
- \$200K – Future well site evaluation and land purchase

Table E. lists capital projects planned for the next five fiscal years.

Table E.

FUND	PROJECT DESCRIPTION	LEADER	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020	5-YR TOTAL
21	Master Facility Assessment	John	\$50,000					\$50,000
21	Strategic Planning Consultation	Pat	\$55,000					\$55,000
21	Capital Asset Replacement	Mark	\$65,000	\$40,000	\$40,000	\$40,000	\$40,000	\$225,000
21	Vehicle Replacement		\$67,000	\$139,000	\$65,000	\$50,000	\$95,000	\$416,000
22	LMWTP Corrosion Control	Karl	\$24,000					\$24,000
22	GWTP#1 Treatment Improvements	Karl	\$25,000					\$25,000
22	GWTP#2 Treatment Improvements	Karl	\$25,000					\$25,000
22	LMWTP Filter Improvements	Karl	\$85,000	\$382,500	\$382,500			\$850,000
22	LM Inflow And Outflow Stations Impr	Karl	\$30,000					\$30,000
22	Pressure Zone Metering	Mark	\$50,000	\$50,000	\$50,000	\$50,000		\$200,000
22	Urban Water Mgmt Plan	Irene	\$50,000					\$50,000
22	CIMIS Station	Irene	\$36,000					\$36,000
22	Well Improvements/Rehabilitation Program	Mark	\$129,623	\$134,160	\$138,856	\$143,716		\$546,355
22/23	Equipment Storage Building At MCWD Yard	Mark	\$650,000					\$650,000
22	Water Line Replacement	Mark	\$825,000	\$840,000	\$855,000	\$880,000	\$895,000	\$4,295,000
22	Tank 3 Rehabilitation/Improvements	John	\$600,000					\$600,000
22	SCADA/PLC Telemetry Upgrade	Karl	\$6,000	\$6,210	\$6,427	\$6,652		\$25,290
22	Mammoth Creek EIR	Irene	\$12,000	\$12,000	\$15,000			\$39,000
22	MES Meter Relocation	John	\$60,000					\$60,000
22	Backflow Survey For TOML	Marc H	\$50,000					\$50,000
22	Surge Tanks	Rob	\$20,000					\$20,000
22	Water Rate Study	Jeff	\$25,000					\$25,000
22	Capital Asset Replacement	Mark	\$140,000	\$110,000	\$110,000	\$110,000	\$110,000	\$580,000
22	Groundwater Mgmt Plan(HydroDav)	John	\$15,000		\$50,000			\$65,000
22	GWTP#1, #2 backup backwash pumps	Mark	\$100,000					\$100,000
22	Equipment Bldg Replacement/Upgrades	Mark	\$7,500					\$7,500
22	Computer Replace/Upgrade	Justin	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$100,000
22	Vehicle Replacement		\$45,000	\$55,000	\$87,000	\$190,000	\$85,000	\$462,000
22	Recycled water project at SnowCreek	John	\$60,000					\$60,000
23	Solid Handling Facility	Karl		\$25,000				\$25,000
23	Septic Truck Dump Station	Karl		\$20,000				\$20,000
23	Sewer Line Replacement	Mark	\$450,000	\$450,000	\$300,000	\$100,000	\$100,000	\$1,400,000
23	Laurel Pond 4 Monitor Wells	Karl		\$100,000				\$100,000
23	WWTP Aeration Control	Rob	\$30,000					\$30,000
23	WWTP Channel Grinder	Rob	\$60,000					\$60,000
23	WWTP Primary Clarifiers	Rob	\$15,000					\$15,000

23	RAS Control	Rob	\$15,000					\$15,000
23	Summer Humes Lift Station Radio Com	Rob	\$11,000					\$11,000
23	Reline Recycled Water Storage Basin	John	\$200,000					\$200,000
23	SCADA/PLC Telemetry Upgrade	Karl	\$25,000	\$12,855	\$13,305	\$13,770		\$64,930
23	WW Rate Study	Jeff	\$25,000					\$25,000
23	Capital Asset Replacement	Mark	\$100,000	\$100,000	\$100,000	\$85,000	\$85,000	\$470,000
23	Equipment Bldg Replacement/Upgrades	Mark	\$12,500					\$12,500
23	Vehicle Replacement					\$27,000		\$27,000
23	Wastewater Trmt Operations Consultant	Karl	\$50,000					\$50,000
23	Turbine For Effluent Line	John		\$1,000,000				\$1,000,000
32	Water Modeling	John	\$20,000					\$20,000
32	Connection Fee/ Permit Fee Study	John	\$25,000					\$25,000
32	Future Well Site Eval And Land Purchase	John	\$200,000	\$1,000,000				\$1,200,000
32	Zone 2B Storage	John			\$50,000	\$1,000,000		\$1,050,000
32	Knolls Trans Line Expansion	John					\$1,680,000	\$1,680,000
32	Water Main Expansion	John		\$100,000	\$100,000	\$100,000	\$100,000	\$400,000
33	Water Modeling	John	\$20,000					\$20,000
33	Connection Fee/ Permit Fee Study	John	\$25,000					\$25,000
33	Meridian Sewer Expansion	John			\$200,000	\$1,000,000	\$1,000,000	\$2,200,000
33	Shady Rest Relief Main- Center Street	John		\$43,000				\$43,000
33	Hwy 203 Expansion	John		\$318,000				\$318,000
33	Old Mammoth Interceptor Expansion	John		\$200,000	\$400,000			\$600,000
96	Snowcreek Recycled Water Imp'T Loan	John	\$365,000					\$365,000
96	Employee Housing	Jeff	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$1,000,000
			\$5,175,623	\$5,357,725	\$3,183,088	\$4,016,138	\$4,410,000	\$22,142,574

Operations Budget

The Operations budget for fiscal year 2016 proposes an increase of \$339,000 (12%) from the FY15 projected expense. The largest part of this is an increase of \$208,000 to Outside Services and an increase of \$87,000 Legal Services. The Operations budget includes projected expenses of \$605,650 related to Ormat, including \$300,000 for Outside Services, \$300,000 for Legal Services, and \$5,650 for advertising, travel and meetings, and administration.

The total budget of \$927K for Outside Services also includes:

- \$160,000 for various software licenses
- \$155,000 to Mono County for wastewater treatment sludge disposal
- Other services including auditors, biologists, consultants, and engineers.

Other significant increases in the operations budget include additional \$78,000 for Utilities, additional \$48,000 for operating supplies, and additional \$45,000 for training/travel.

Some budget lines have a reduction from the projected expenses for FY 2015. A decrease in \$91,000 for Maintenance & Repair-Vehicles is primarily due to an extraordinary repair expense in 2015. The budget for this line is \$4,000 lower than FY15. There is a budget reduction of \$21,000 for fuel, \$38,000 in M&R Equipment, \$11,000 in Expendable Tools and \$11,000 in Insurance. **Table F.** gives a side-by-side comparison between the FY2015 budget, 2015 projected expenses, and 2016 proposed budget.

Table F.

OPERATION EXPENSES	Budget FY15	Projected FY15	Budget FY16	Δ from Projected
Employee Benefits	\$ 18,250	\$ 30,922	\$ 16,420	(14,502)
Outside Services	\$ 464,753	\$ 718,902	\$ 926,839	207,936
Director's Expenses	\$ 2,000	\$ -	\$ 2,000	2,000
Expendable Tools	\$ 38,050	\$ 51,842	\$ 40,350	(11,492)
Gasoline and Auto Expense	\$ 47,100	\$ 56,079	\$ 35,500	(20,579)
Insurance	\$ 194,000	\$ 218,195	\$ 207,000	(11,195)
Interest		\$ 55,198	\$ 45,900	(9,298)
Leased Lines	\$ 12,000	\$ 13,980	\$ 12,000	(1,980)
Legal Services	\$ 92,560	\$ 279,947	\$ 367,000	87,053
M&R - Buildings	\$ 33,350	\$ 25,575	\$ 36,000	10,425
M&R-Line Repair/Equipment	\$ 117,380	\$ 100,154	\$ 62,080	(38,074)
M&R - Vehicles	\$ 61,200	\$ 148,943	\$ 57,500	(91,443)
Memberships/Certifications	\$ 40,713	\$ 49,987	\$ 43,514	(6,474)
Miscellaneous	\$ 2,000	\$ 14,819	\$ 2,000	(12,819)
Operating Chemicals	\$ 135,000	\$ 118,786	\$ 135,000	16,214
Operating Supplies	\$ 106,760	\$ 152,073	\$ 200,347	48,274
Postage/Freight	\$ 9,320	\$ 10,644	\$ 9,920	(724)
Advertising, Publish & Print	\$ 34,950	\$ 22,968	\$ 29,050	6,082
Books & Subscriptions	\$ 5,083	\$ 1,617	\$ 3,306	1,689
Safety	\$ 16,170	\$ 3,301	\$ 13,290	9,989
Permits & Licensing	\$ 77,967	\$ 56,699	\$ 54,612	(2,087)
Telephone	\$ 37,380	\$ 30,760	\$ 32,071	1,311
Training & Meetings	\$ 68,600	\$ 27,098	\$ 57,009	29,911
Travel Expenses	\$ 36,026	\$ 28,497	\$ 44,235	15,738
Utilities - Electric & Gas	\$ 456,000	\$ 462,467	\$ 541,000	78,533
Water Conservation	\$ 92,700	\$ 89,443	\$ 111,600	22,157
Employee Housing Expenses	\$ -	\$ 23,134	\$ 31,176	8,042
TOTAL EXPENSES	\$ 2,199,312	\$ 2,792,030	\$ 3,116,718	\$ 324,689

Personnel Budget

The number of permanent positions at MCWD remains at 42 for FY16. Three positions have been modified (Line Maintenance Worker I to LMW II and Mechanical Maintenance Worker I to MMW II) and the salary ranges adjusted accordingly.

The total Personnel budget of \$5,518,000 is a 5% increase from the projected expenses in FY15, but a slight decrease from the budget in FY15. Salary costs in FY15 were lower than budgeted because of two long-term absences. Benefit costs in FY15 were higher than budgeted because of a mid-year change to retirement benefits.

The District has historically hired temporary employees for summer construction work. This year the District will contract for employees for summer construction with a temporary employment agency. The expectation is this change will clearly define our costs for the construction crew and reduce the ongoing unemployment benefit costs. **Table H.** provides a high-level over-view of personnel expenses and comparison to fiscal year 2015.

Table H.

PERSONNEL EXPENSES	Budget FY15	Projected FY15	Budget FY16	Δ from Projected
Salaries & Wages	\$ 3,681,276	\$ 3,416,115	3,663,000	246,885
Salaries - Board Member	\$ 30,000	\$ 24,520	30,000	5,480
Standby/OT Pay	\$ 49,350	\$ 55,229	52,150	(3,079)
Employee Benefits	\$ 1,240,039	\$ 1,640,192	1,597,000	(43,192)
Payroll Taxes	\$ 94,951	\$ 113,045	176,000	62,955
TOTAL PERSONNEL	\$ 5,095,616	\$ 5,249,101	5,518,150	269,049

Debt Payment Schedule

The District is on target to pay off all existing debt over the next three fiscal years. **Table I.** below lists principal and interest amounts based on loan balances as of February 2015. Additional principal payments on the Wells Fargo loan are allowed annually and the District plans to pay \$300,000 in March which will reduce the payments scheduled in FY 2016.

Table I

MCWD EXISTING DEBT AND INTEREST SUMMARY						
Fiscal Year 2016						
<u>WATER REPLACEMENT FUND (22)</u>						
	2015/ 2016	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020	5-YEAR TOTAL
FHA Drought Relief Note (A)	\$33,550	\$33,100	\$33,600			\$100,250
Principal	\$29,000	\$30,000	\$32,000			
Interest	\$4,550	\$3,100	\$1,600			
FHA Drought Relief Note (B)	\$112,530	\$114,030				\$226,560
Principal	\$102,000	\$108,600				
Interest	\$10,530	\$5,430				
Wells Fargo	\$576,446					\$576,446
Principal	\$559,324					
Interest	\$17,122					
Total Fund 22 Debt	\$722,526	\$147,130	\$33,600	\$0	\$0	\$903,256
<u>WASTEWATER REPLACEMENT (23)</u>						
	2015/ 2016	2016/ 2017	2017/ 2018	2018/ 2019	2019/ 2020	5-YEAR TOTAL
WELLS FARGO	\$460,328					
Principal	\$446,655					
Interest	\$13,673					
Total Fund 23 Debt	\$460,328	\$0	\$0	\$0	\$0	\$1,479,703
TOTAL DEBT	\$1,182,854	\$147,130	\$33,600	\$0	\$0	\$2,382,959