MEMORANDUM

TO: Board of Directors

FR: Bill Berg

DT: July 22, 2022

RE: FY 2023 Budget, Five-Year Capital Improvement Program

Based on our discussion at our regular July meeting, I've revised the FY 2023 budget, the five-year projected budgets and the effect on our contingency and capital reserve fund (LGIP 2660 account). There are two resolutions for your consideration. One to adopt the capital improvement plan and the other to adopt the FY 2023 budget. My goal is to provide our Members with a rationalized budget and cash reserve, along with and a continuing 5-year projection of revenues and costs.

FY 2023 Fee Increase. I'm suggesting the following increase in fees for FY 2023:

Year	WEP	Basic Fee	Total Fee	Increase	% increase
FY 2022	20.00	20.00	40.00		
FY 2023	20.00	22.00	42.00	\$ 2.00	5.00%

	SERV	ICED (CONN	IECTED) MEN	1BER FEES		
Year	WEP	Basic Fee	Service Fee	Total Fee	Increase	% increase
FY 2022	20.00	20.00	40.00	80.00		
FY 2023	20.00	22.00	42.00	84.00	\$ 4.00	5.00%

<u>FY 2024-2027 Fee Increases.</u> In the out-years, I'm projecting that the Basic and Service Fees would need to rise \$1.00 per month each year. Of course, these are only projections, and the out-year fee increases would be adjusted based on actual performance.

<u>Capital Improvements.</u> I'm budgeting for \$51,636 in capital rehabilitation and repair, which includes the replacement of pump control units and septic tanks, plus a small amount for "unscheduled capital repairs & replacement."

<u>Budget Assumptions.</u> The following are the assumption I used to construct the budget:

- 1. Apply a 5% inflation factor for operating expenses in FY 2023. 4% for FY 2024 and further reductions in the out-years to 3% in FY 2027.
- 2. Reserve a minimum of 4 months of our operating expenses (\$61,000).
- 3. Reserve a minimum of 1 year of capital depreciation not counting the WEP (\$51,636).
- 4. Assume 195 connected Members in FY 2023 with 5 connections added per year thereafter.
- 5. Assume a 3% annual increase in property tax revenue over the next five years.
- 6. Apply the property tax revenue to off-set District administration expenses with the excess used to off-set capital improvement costs.

7. Apply 40% of the Basic Fee revenue to off-set fixed operating expenses with the balance (60%) used to offset capital improvement and debt service expenses.

<u>FY 2023 Budget.</u> Attached is the proposed FY 2023 budget and the projected out-year budgets. In each of the years, we will draw down on savings to balance the budget.

Effect on Savings. Below is the projected effect on our contingency reserve fund (LGIP 2660).

Calculatio	n of Cash Reserv	es			
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Net Income Transferred to Savings					
Beginning Year Savings Balance (LGIP 2660)	166,000	147,339	132,580	119,804	113,426
Less Contingency Reserve	(60,998)	(60,998)	(60,998)	(60,998)	(60,998)
Less Capital Resv (Avg Annual R&R Contribution)	(51,636)	(51,636)	(51,636)	(51,636)	(51,636)
Less Transfer from Contingency to Balance Budget	(18,661)	(14,759)	(12,777)	(6,378)	(3,715)
Net Income Transferred to Savings	-	-	-	-	-
Excess Reserve Remaining End of Year	34,705	19,946	7,170	792	(2,923)

FISCAL YEAR 2023 BUDGET	
Item	
Operating Revenues	
Basic Fee Applied to Fixed & Variable Expenses	32,208
Property Tax Levy Applied to Administration	27,599
System Service Fee	98,280
Inspection Fees, Fines and Other Revenue	4,110
Total Operating Revenues	162,196
Fixed Operating Expenses	
Administration	
Recording Secretary	2,675
Accounting Services	8,350
Audit Services	4,620
Legal Services	1,000
Insurance	2,069
Information Services	5,000
Other Administrative Expenses	3,885
Sub-Total Administration	27,599
Treatment and Land Application	
Licensed Operator Contract (WSM, Inc.)	82,203
Other Consultant Services	1,050
License Compliance & Testing	9,055
Operating Chemicals	4,000
Other Treatment Expenses	1,050
Sub-Total Processing & Land Application	97,358
Total Fixed Operating Expenses	124,956
Variable Operating Expenses (Collection System)	
Supplies, Pumps & Other Equipment	12,212
General Maintenance & Repair	25,355
Utilities	7,228
Vehicle Expenses	2,499
Total Variable Operating Expenses	47,294
Total Fixed & Variable Operating Expenses	172,250
Net Operating Income	(10,054)

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FISCAL YEAR 2023 BUDGET	
Item	
Non-Operating Revenues	
Basic Fee Applied to Capital Rehab & Replacement	48,312
WEP Sinking Fund	73,200
Property Tax Levy Applied to Capital Rehabilitation	7,422
County Payments	1,260
Interest & Investment Income	538
Total Non-Operating Revenues	130,731
Non-Operating Capital Expenses	
Debt Service - DEQ Loan	73,384
Debt Service - White Property Loan	18,000
Unscheduled Capital Repairs & Replacement	6,454
Pump Controls Replacement Capital Project	31,500
Tank Replacement & Other Capital Projects	10,000
Total Non-Operating Capital Expenses	139,338
Net Non-Operating Income	(8,607)
Transfer from Contingency Reserve	18,661
Total Net Operating & Non-Operating Income	-

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					FY 2023	3 - FY 2027 Bu	dget Projecti	ons	
	FY 2020	FY 2021	FY 2022*	FY 2023	FY2024	FY 2025	FY 2026	FY 2027	5 Yr Avg
Item	Actual	Actual	Projected						
Operating Revenues									
Basic Fee Applied to Fixed & Variable Expenses	29,666	31,987	33,325	32,208	33,672	35,136	38,064	39,528	
Property Tax Levy Applied to Administration	23,715	22,525	23,428	27,599	26,002	26,913	27,720	28,551	
System Service Fee	89,482	90,911	93,336	98,280	103,200	108,240	113,400	118,680	
Inspection Fees, Fines and Other Revenue	1,901	7,818	3,914	4,110	4,274	4,424	4,556	4,693	
Total Operating Revenues	144,764	153,241	154,003	162,196	167,149	174,712	183,740	191,453	175,850
Fixed Operating Expenses									
Administration									
Recording Secretary	2,161	1,560	2,548	2,675	2,782	2,880	2,966	3,055	
Accounting Services	8,759	9,972	7,952	8,350	8,684	8,988	9,257	9,535	
Audit Services	4,300	4,400	4,400	4,620	4,805	4,973	5,122	5,276	
Legal Services	-	2,032	358	1,000	1,040	1,076	1,109	1,142	
Insurance	3,235	1,042	1,970	2,069	2,151	2,227	2,293	2,362	
Information Services	826	511	2,500	5,000	2,500	2,588	2,665	2,745	
Other Administrative Expenses	4,434	3,008	3,700	3,885	4,040	4,182	4,307	4,436	
Sub-Total Administration	23,715	22,525	23,428	27,599	26,002	26,913	27,720	28,551	27,357
Treatment and Land Application									
Licensed Operator Contract (WSM, Inc.)	72,600	68,350	78,600	82,203	85,491	88,483	91,137	93,871	
Other Consultant Services			1,000	1,050	1,092	1,130	1,164	1,199	
License Compliance & Testing	18,703	7,366	8,624	9,055	9,417	9,747	10,039	10,341	
Operating Chemicals	2,435	2,520	1,200	4,000	4,160	4,306	4,435	4,568	
Other Treatment Expenses	1,786	1,170	1,000	1,050	1,092	1,130	1,164	1,199	
Sub-Total Processing & Land Application	95,524	79,406	90,424	97,358	101,252	104,796	107,940	111,178	104,505
Total Fixed Operating Expenses	119,239	101,931	113,852	124,956	127,254	131,708	135,660	139,729	131,862
Variable Operating Expenses (Collection System)									
Supplies, Pumps & Other Equipment	15,989	30,402	11,630	12,212	12,700	13,144	13,539	13,945	
General Maintenance & Repair	19,520	8,956	24,148	25,355	26,370	27,293	28,111	28,955	
Utilities	5,705	4,397	6,884	7,228	7,517	7,780	8,014	8,254	
Vehicle Expenses	1,945	2,654	2,380	2,499	2,599	2,690	2,771	2,854	
Total Variable Operating Expenses	43,159	46,409	45,042	47,294	49,186	50,907	52,435	54,008	50,766
Total Fixed & Variable Operating Expenses	162,398	148,340	158,894	172,250	176,440	182,616	188,094	193,737	182,628
Net Operating Income	(17,634)	4,901	(4,891)	(10,054)	(9,292)	(7,904)	(4,354)	(2,284)	(6,778
						3 - FY 2027 Bu			
	FY 2020	FY 2021	FY 2022*	FY 2023	FY2024	FY 2025	FY 2026	FY 2027	5 Yr Avg
Item	Actual	Actual	Projected						
Non-Operating Revenues									
Basic Fee Applied to Capital Rehab & Replacement	44,500	47,981	49,987	48,312	50,508	52,704	57,096	59,292	
WEP Sinking Fund		71,560	72,348	73,200	73,200	73,200	73,200	73,200	
Property Tax Levy Applied to Capital Rehabilitation	8,339	10,406	10,572	7,422	10,068	10,240	10,547	10,864	
County Payments	2,338	1,164	1,200	1,260	1,310	1,356	1,397	1,439	
Interest & Investment Income	1,930	567	512	538	559	579	596	614	105
Total Non-Operating Revenues	57,107	131,678	134,619	130,731	135,646	138,079	142,836	145,409	138,540
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Non-Operating Capital Expenses									I
Debt Service - DEQ Loan	55,038	73,384	73,384	73,384	73,384	73,384	73,384	73,384	
Debt Service - DEQ Loan Debt Service - White Property Loan	55,038 18,000	73,384 18,000	73,384 18,000	18,000	18,000	18,000	18,000	18,000	
Debt Service - DEQ Loan Debt Service - White Property Loan Unscheduled Capital Repairs & Replacement	,			18,000 6,454	18,000 6,693	18,000 6,941	18,000 7,197	18,000 7,464	
Debt Service - DEQ Loan Debt Service - White Property Loan Unscheduled Capital Repairs & Replacement Pump Controls Replacement Capital Project	18,000	18,000	18,000	18,000 6,454 31,500	18,000 6,693 32,666	18,000 6,941 33,874	18,000 7,197 35,127	18,000 7,464 36,427	
Debt Service - DEQ Loan Debt Service - White Property Loan Unscheduled Capital Repairs & Replacement Pump Controls Replacement Capital Project Tank Replacement & Other Capital Projects	9,056	18,000 33,958	19,000	18,000 6,454 31,500 10,000	18,000 6,693 32,666 10,370	18,000 6,941 33,874 10,754	18,000 7,197 35,127 11,152	18,000 7,464 36,427 11,564	
Debt Service - DEQ Loan Debt Service - White Property Loan Unscheduled Capital Repairs & Replacement Pump Controls Replacement Capital Project	18,000	18,000	18,000	18,000 6,454 31,500	18,000 6,693 32,666	18,000 6,941 33,874	18,000 7,197 35,127	18,000 7,464 36,427	143,020
Debt Service - DEQ Loan Debt Service - White Property Loan Unscheduled Capital Repairs & Replacement Pump Controls Replacement Capital Project Tank Replacement & Other Capital Projects Total Non-Operating Capital Expenses	9,056 82,094	18,000 33,958 125,342	19,000 19,000 110,384	18,000 6,454 31,500 10,000 139,338	18,000 6,693 32,666 10,370 141,112	18,000 6,941 33,874 10,754 142,952	18,000 7,197 35,127 11,152 144,860	18,000 7,464 36,427 11,564 146,839	143,020
Debt Service - DEQ Loan Debt Service - White Property Loan Unscheduled Capital Repairs & Replacement Pump Controls Replacement Capital Project Tank Replacement & Other Capital Projects	9,056	18,000 33,958	19,000	18,000 6,454 31,500 10,000	18,000 6,693 32,666 10,370	18,000 6,941 33,874 10,754	18,000 7,197 35,127 11,152	18,000 7,464 36,427 11,564	
Debt Service - DEQ Loan Debt Service - White Property Loan Unscheduled Capital Repairs & Replacement Pump Controls Replacement Capital Project Tank Replacement & Other Capital Projects Total Non-Operating Capital Expenses Total Net Non-Operating Income	9,056 82,094	18,000 33,958 125,342	19,000 19,000 110,384	18,000 6,454 31,500 10,000 139,338 (8,607)	18,000 6,693 32,666 10,370 141,112 (5,467)	18,000 6,941 33,874 10,754 142,952 (4,873)	18,000 7,197 35,127 11,152 144,860 (2,024)	18,000 7,464 36,427 11,564 146,839 (1,430)	(4,480
Debt Service - DEQ Loan Debt Service - White Property Loan Unscheduled Capital Repairs & Replacement Pump Controls Replacement Capital Project Tank Replacement & Other Capital Projects Total Non-Operating Capital Expenses	9,056 82,094	18,000 33,958 125,342	19,000 19,000 110,384	18,000 6,454 31,500 10,000 139,338	18,000 6,693 32,666 10,370 141,112	18,000 6,941 33,874 10,754 142,952	18,000 7,197 35,127 11,152 144,860	18,000 7,464 36,427 11,564 146,839	143,020 (4,480 11,258
Debt Service - DEQ Loan Debt Service - White Property Loan Unscheduled Capital Repairs & Replacement Pump Controls Replacement Capital Project Tank Replacement & Other Capital Projects Total Non-Operating Capital Expenses Total Net Non-Operating Income	9,056 82,094	18,000 33,958 125,342	19,000 19,000 110,384	18,000 6,454 31,500 10,000 139,338 (8,607)	18,000 6,693 32,666 10,370 141,112 (5,467)	18,000 6,941 33,874 10,754 142,952 (4,873)	18,000 7,197 35,127 11,152 144,860 (2,024)	18,000 7,464 36,427 11,564 146,839 (1,430)	(4,480

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