

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:

<u>UN-SERVICED MEMBER FEES</u>					
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%

<u>SERVICED (CONNECTED) MEMBER FEES</u>						
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%

FY 2024-2027 Fee Increases. 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.

Capital Improvements. 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."

Budget Assumptions. 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.

FY 2023 Budget. 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).

Calculation of Cash Reserves					
	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)

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	-

