

To: Water Commission

From: Joe Colangelo, Rick Lewis, Ann Janda, Peter Frankenburg

Date: 28-May-16

Re: Proposed Water Dept. budget for FY 2016-17

We have attached a draft of the FY 2016-17 (July 2016-June 2017) Water Department budget for discussion. We are not seeking approval of this draft at the May 3 Water Commission meeting, and plan to bring a final version for Commission approval at the June meeting.

This draft budget includes a rate increase of 5.2% or \$0.30/thousand gallons, from \$5.80/000 gallons to \$6.10/000 gallons. This would result in an annual increase of \$21 for a household using 70,000 gallons per year and an annual increase of \$12 for a household using 40,000 gallons per year.

The USG South Tank maintenance contract and transfer of the North Tank to Champlain Water District have the most significant impacts on this, and future budgets. The USG maintenance contract will be \$90,170/yr for first 5 years, starting in FY 2016-17 and our 50% share of work required to transfer the North Water Tank to Champlain Water District will be \$59,000. These two items would require a rate increase of \$0.98/000 gallons or 17%. To avoid such a large increase in one year, we are proposing to use funds from existing Water Department Certificates of Deposit to phase into the USG contract cost and spread the North Tank cost over several years. Instead of obtaining a bank loan as we have done for some projects, we are proposing to “borrow” from the CD’s and repay these funds over a period of time at an interest rate of 1%. This will allow us to replenish the cash balances of the CD’s, phase into the USG annual fee, finance the North tank costs at a lower cost than a bank loan and avoid a 17% rate increase in one year.

Other items of note in this draft

1. The current draft does not include any Spear Street line replacements.
2. # Gallons sold. We have assumed 152 million gallons will be sold in FY 2016-17, the same as the current budget. This is always a difficult number to project since it is impacted by weather (wet/dry), household patterns (conservation, family sizes, etc) and increased use from additional customers (e.g. Harrington Village). We will continue to analyze these results and revise the FY 2016-17 assumption accordingly.
3. The Champlain Water District wholesale rate increased by \$0.06/000 gallons or 3%. This has a \$9,100 impact on purchased water costs.
4. Outside contractor costs (primarily for waterline break repairs) increased by \$20,000, to \$85,000 based on historical trend. We spent \$148,800 in FY 2015 and \$123,400 so far this year.
5. Line Maintenance: the budget includes \$24,000 for “ice pigging” to clean a section of distribution line
6. Computer services expense increased by \$2,500, funding a maintenance contract for the meter reading software.
7. Employee benefit costs are \$15,600 less than the FY 2015-16 budget due to more favorable health insurance rates in the Vermont Health Exchange, which the town transitioned to in January 2016. Salaries reflect a 2% COLA per the terms of the new bargaining unit contract completed in 2015.

8. Vehicle expense is reduced by \$2500 due to lower fuel prices and lower maintenance costs. The 2010 Toyota pickup will be replaced as scheduled in the adopted Capital Improvement Plan, financed over 5 years.
9. General Insurance (property, liability, etc) expense increased by \$4500 or 35% due to rate increases from the Town's insurance carrier.
10. Payments for existing debt will be \$2500 lower due to reduced interest payments.
  - The Water dept. currently has the following loan balances:
    - 2005 Bond (Rte 7 line relocation), current balance = \$25,000, final payment November 2020
    - 2003 Bond (Rte 7 line relocation), current balance = \$435,000, final payment November 2023
    - Purchase of replacement pickup, Dec 2015 current balance = \$27,300, final payment December 2020
    - 2013 Bond (Marsett/Falls Rd), current balance = \$295,000, final payment November 2028
  - The 2010 Toyota pickup is proposed to be replaced, financed with a loan of \$23,800
  - The budget includes a \$5493 transfer to a department Certificate of Deposit "CD" for the North Tank transfer to CWD
  - The budget includes a drawdown of \$69,351 from a Water Dept. CD to help fund the \$90,170 USG South Tank annual maintenance payment.
11. Capital Improvement Fund: The transfer to the capital improvement fund has been reduced to \$10,000 based on other expense pressures in the budget.

**SHELBURNE WATER DEPARTMENT  
DRAFT FY 2016-17 BUDGET**

July 1, 2016 TO June 30, 2017

	FY 2009-10 Actual	FY 2011 Actual	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Budget	FY 2014-15 Actual	FY 2015-16 Budget	FY 2016-17 Budget	Increase (Decrease)	% Change
1 Revenues											
2 Retail Water Sales	759,668	779,392	797,337	857,319	829,364	855,818	879,980	890,026	934,310	44,284	5.0%
3 Other Revenues	97,923	97,137	99,923	101,095	111,139	90,599	106,676	84,737	194,097	109,360	129.1%
4 Total Revenues	857,591	876,529	897,260	958,414	940,504	946,418	986,655	974,763	1,128,407	153,644	15.8%
5 Expenses											
6 Water supply/Engineering	286,569	298,753	321,740	329,757	324,420	338,951	361,626	345,082	361,461	16,380	4.7%
7 Facilities Maintenance	55,594	122,144	72,270	110,902	105,735	91,500	182,942	97,500	231,670	134,170	137.6%
8 Administration	70,727	73,454	73,880	76,449	72,913	60,716	58,509	61,951	64,561	2,610	4.2%
9 Employee Benefits	68,241	74,735	64,808	75,633	78,804	93,192	96,086	105,077	89,499	(15,579)	-14.8%
10 Wages & Salaries	158,935	170,375	170,812	196,436	183,825	182,125	188,665	185,593	193,489	7,896	4.3%
11 Vehicle Expense	9,323	9,336	8,819	8,090	10,910	11,500	8,779	9,500	7,000	(2,500)	-26.3%
12 Property/Liability Insurance	9,000	10,000	10,000	10,000	10,000	12,100	12,100	12,600	17,098	4,498	35.7%
13 Debt payments	154,415	149,367	145,284	96,342	102,324	91,035	91,237	115,960	124,828	8,868	7.6%
14 Capital Improvements	40,000	8,025	12,000	62,000	65,300	65,300	0	41,500	38,801	(2,699)	-6.5%
15 Total Expenses	852,803	916,189	879,613	965,609	954,229	946,418	999,944	974,763	1,128,407	153,644	15.8%
16 Revenue - Expenses	4,787	(39,660)	17,647	(7,195)	(13,726)	0	(13,289)	0	0	(0)	
17 Total Volumes sold (000)	152,787	156,552	153,229	160,636	150,886	151,000	155,793	152,000	152,000	0	0.0%
18 Total Purchases (000)	169,708	169,810	179,619	179,449	171,457	169,120	181,492	167,200	170,240	3,040	1.8%
19 Sales to Purchases Adjstmt.	10.0%	7.8%	14.7%	11.7%	13.6%	12.0%	14.2%	10.0%	12.0%		
20 Actual Precip. May- Sept.(inches)											
21 Normal Precip (May-Sept)											
22 Water Rate (\$/000 gal.)	\$4.94	\$4.94	\$5.05	\$5.30	\$5.42	\$5.61	\$5.61	\$5.80	\$6.09	\$ 0.29	5.0%
23 Water Rate % Change	8.3%	0.0%	2.2%	5.0%	2.3%	3.5%		3.4%	5.0%		
24 CWD charge/000 gal.	\$1.60	\$1.65	\$ 1.714	\$ 1.782	\$1.840	\$1.913	\$ 1.913	\$ 1.978	\$2.038	0.060	3.0%
25 CWD % Rate Change	15%	3.1%	3.9%	4.0%	3.3%	4.0%		3.4%	3.0%		
26 Capital Improvement Fund:											
27 Beginning Balance	\$ 112,059	\$ 152,978	\$ 111,667	\$ (58,384)	\$ 3,659	\$ 68,803	\$ 68,803	\$ 20,500	\$ 20,500		
28 Transfer In.	\$ 40,000	\$ 3,000	\$ 12,000	\$ 62,000	\$ 65,300	\$ 65,300	\$	\$ -	\$ 10,000		
29 Capital Project Expenses		\$ (44,550)	\$ (182,071)		\$ (156)	\$ (48,302)	\$ (48,302)		\$ -		
30 Interest Income	\$ 919	\$ 239	\$ 20	\$ 43							
31 Ending Balance	\$ 152,978	\$ 111,667	\$ (58,384)	\$ 3,659	\$ 68,803	\$ 85,800	\$ 20,500	\$ 20,500	\$ 30,500		

APPROVED BY SHELBURNE WATER COMMISSION, xx/xx/2016

	FY 2009-10 <u>Actual</u>	FY 2010-11 <u>Actual</u>	FY 2011-12 <u>Actual</u>	FY 2012-13 <u>Actual</u>	FY 2013-14 <u>Actual</u>	FY 2014-15 <u>Budget</u>	FY 2014-15 <u>Actual</u>	FY 2015-16 <u>Budget</u>	FY 2016-17 <u>Budget</u>	Increase (Decrease)	% Change	
<b>REVENUES</b>												
1	Retail Water Sales	759,668	779,392	797,337	857,319	829,364	855,818	879,980	890,026	934,310	44,284	5.0%
2	Bulk Water Sales	3,639	3,137	3,607	3,347	4,588	3,000	5,053	4,000	4,000	0	0.0%
3	Cut-In Fees	15,600	20,700	19,800	23,760	23,400	15,000	21,000	7,500	21,000	13,500	180.0%
4	Hydrant Maint. Contr.(Private)	8,022	6,300	6,393	6,300	6,300	6,300	6,400	6,300	7,700	1,400	22.2%
5	Hydrant Maint. Contr.(Town)						1,830	1,830	2,000	3,000	1,000	50.0%
6	Interest Income	15,542	7,097	6,172	5,016	2,744	2,900	3,211	2,000	500	(1,500)	-75.0%
7	Water Meter Sales					8,703		1,477				
8	Misc. Revenue	688	698	1,748	5,053	3,297	1,000	5,025	1,000	1,000	0	0.0%
9	On/Off Service	1,620	2,720	1,425	925	1,625	2,000	1,625	2,000	2,000	0	0.0%
10	Final Bill Charges					2,350	2,000	2,600	2,400	2,400	0	
11	Labor & Mat'l's Charges					3,313		3,010				
12	Tank Space Rent	22,300	23,230	31,000	28,422	25,400	26,374	26,374	27,301	28,279	978	3.6%
13	Transfer from Sewer Fund	15,722	16,028	16,474	16,841	17,654	18,196	18,196	19,236	20,065	830	4.3%
14	Transfer from General Fund		5,000									
15	Penalties/Interest	14,790	12,228	13,304	11,431	11,766	12,000	10,875	11,000	11,000	0	0.0%
16	Cd Cash: Truck Purchase									23,801	23,801	
17	Cd Cash: USG Contract									69,351	69,351	
18	<b>TOTAL REVENUES</b>	<b>857,591</b>	<b>876,529</b>	<b>897,260</b>	<b>958,414</b>	<b>940,504</b>	<b>946,418</b>	<b>986,655</b>	<b>974,763</b>	<b>1,128,407</b>	<b>153,644</b>	<b>15.8%</b>

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Budget	FY 2014-15 Actual	FY 2015-16 Budget	FY 2016-17 Budget	Increase (Decrease)	% Change	
<b>EXPENSES</b>												
1	<b>WATER SUPPLY/ENGINEERING</b>											
2	CWD Water Purchase	272,772	281,265	307,867	319,778	310,834	323,527	347,194	330,722	346,949	16,228	4.9%
3	State Water Qual. Fee	6,120	6,321	6,448	7,878	7,416	7,424	7,967	8,360	8,512	152	1.8%
4	Engineering	7,678	11,166	7,425	2,101	6,170	8,000	6,465	6,000	6,000	0	0.0%
5	<b>SUB-TOTAL WATER SUPPLY/ENG.</b>	<b>286,569</b>	<b>298,753</b>	<b>321,740</b>	<b>329,757</b>	<b>324,420</b>	<b>338,951</b>	<b>361,626</b>	<b>345,082</b>	<b>361,461</b>	<b>16,380</b>	<b>4.7%</b>
<b>FACILITIES MAINTENANCE</b>												
6	Contractors & Equip. Rental	21,450	88,687	40,909	69,024	64,626	60,000	148,836	65,000	85,000	20,000	30.8%
7	Line Maint. (ice pigging)									24,000	24,000	
8	USG Tank Maintenance Contr.									90,170	90,170	
9	Pump Station	6,146	7,913	3,476	3,672	3,564	3,000	4,606	4,000	4,000	0	0.0%
10	Hydrant Replacement & Maint.	6,869	1,775	4,112	8,958	3,638	5,000	6,694	5,000	5,000	0	0.0%
11	Materials	3,701	5,027	4,852	6,942	9,059	5,000	8,749	5,000	5,000	0	0.0%
12	Meter Purch & Maint.	8,780	9,205	10,162	11,983	18,575	6,000	7,797	6,500	6,500	0	0.0%
13	Equipment & Lg. Tools	270	1,572	3,796	530	1,112	2,000	535	2,000	2,000	0	0.0%
14	Miscellaneous	2,524	1,695	2,705	3,371	3,937	3,500	2,827	3,000	3,000	0	0.0%
15	Valve Maint. /Replacements	4,374	5,299	1,905	1,312	20	5,000	2,661	5,000	5,000	0	0.0%
16	Building Maintenance	863	21	184	1,389	520	1,000		1,000	1,000	0	0.0%
17	Small Tools	617	951	170	482	685	1,000	238	1,000	1,000	0	0.0%
18	Tank Maintenance		0		3,240						0	
19	<b>SUB-TOTAL, FACILITIES MAINT.</b>	<b>55,594</b>	<b>122,144</b>	<b>72,270</b>	<b>110,902</b>	<b>105,735</b>	<b>91,500</b>	<b>182,942</b>	<b>97,500</b>	<b>231,670</b>	<b>134,170</b>	<b>137.6%</b>
20	<b>ADMINISTRATION</b>											
21	Administrative Fee	60,467	61,677	62,911	56,233	42,500	43,350	43,350	44,217	44,659	442	1.0%
22	Postage	1,963	2,214	2,175	1,685	2,203	2,600	2,795	2,800	2,800	0	0.0%
23	Accounting Services	2,000	2,100	2,200	2,200	2,200	2,266	2,266	2,334	2,402	68	2.9%
24	Legal Expense	1,000	2,898	2,835	8,526	11,570	5,000	5,000	5,000	5,000	0	0.0%
25	Office Supplies	1,535	1,477	781	1,789	1,433	1,700	1,319	1,700	1,700	0	0.0%
26	Computer Services	927	225	235	2,423		2,000	163	2,000	4,500	2,500	125.0%
27	Telephone	1,604	1,529	1,610	2,359	2,070	2,500	2,483	2,500	2,100	(400)	-16.0%
28	Pagers	1,232	1,335	1,133	1,236	1,338	1,300	1,133	1,400	1,400	0	0.0%
29	Writeoff of uncollectable Bills					9,599						
30	<b>SUB-TOTAL, ADMINISTRATION</b>	<b>70,727</b>	<b>73,454</b>	<b>73,880</b>	<b>76,449</b>	<b>72,913</b>	<b>60,716</b>	<b>58,509</b>	<b>61,951</b>	<b>64,561</b>	<b>2,610</b>	<b>4.2%</b>
31	<b>FRINGE BENEFITS</b>											
32	Uniforms	2,056	2,181	1,980	2,202	2,108	2,700	2,591	2,200	2,260	60	2.7%
33	Retirement Expense	8,307	8,870	8,755	9,035	9,303	9,403	9,406	9,649	10,062	414	4.3%
34	Health Insurance	36,388	38,488	33,666	38,108	42,462	46,888	47,060	54,466	46,820	(7,646)	-14.0%
35	Health Reimbursements/ADMIN		2,718		7,281	5,903	13,460	16,776	17,140	8,000	(9,140)	-53.3%
36	FICA	12,022	12,752	12,655	13,181	13,443	13,871	14,025	14,137	14,741	604	4.3%
37	Training	809	675	966	783	735	1,500	1,180	2,000	2,000	0	0.0%
38	Dental	4,137	4,535	3,686	3,793	3,984	3,723	3,660	3,910	3,995	85	2.2%
39	Disability & Life	2,706	2,518	1,224	1,198	866	1,446	1,387	1,476	1,520	44	3.0%
40	Performance Bonus	965	993	1,403							0	
41	Mileage	851	1,005	472	51		200		100	100	0	0.0%
42	<b>SUB-TOTAL FRINGE BENEFITS</b>	<b>68,241</b>	<b>74,735</b>	<b>64,808</b>	<b>75,633</b>	<b>78,804</b>	<b>93,192</b>	<b>96,086</b>	<b>105,077</b>	<b>89,499</b>	<b>(15,579)</b>	<b>-14.8%</b>

	FY 2009-10 Actual	FY 2010-11 Actual	FY 2011-12 Actual	FY 2012-13 Actual	FY 2013-14 Actual	FY 2014-15 Budget	FY 2014-15 Actual	FY 2015-16 Budget	FY 2016-17 Budget	Increase (Decrease)	% Change
1 WAGES & SALARIES											
2 Water Salaries & On-Call Pay	146,610	154,407	155,810	177,160	165,336	164,049	167,980	167,402	172,510	5,108	3.1%
3 Overtime	12,325	15,968	13,764	18,931	18,341	17,275	20,156	17,391	20,179	2,788	16.0%
4 Outside Labor			1,238	345	148	800	529	800	800	0	0.0%
5 SUB-TOTAL WAGES & SALARIES	158,935	170,375	170,812	196,436	183,825	182,125	188,665	185,593	193,489	7,896	4.3%
6 VEHICLE EXPENSE											
7 Gas & oil	5,898	6,760	6,809	7,100	7,221	8,000	6,054	6,000	5,000	(1,000)	-16.7%
8 Vehicle Repair & Maint.	3,425	2,575	2,010	990	3,689	3,500	2,725	3,500	2,000	(1,500)	-42.9%
9 SUB-TOTAL VEHICLE EXPENSE	9,323	9,336	8,819	8,090	10,910	11,500	8,779	9,500	7,000	(2,500)	-26.3%
10 INSURANCE											
11 General Insurance	9,000	10,000	10,000	10,000	10,000	12,100	12,100	12,600	17,098	4,498	35.7%
12 SUB-TOTAL INSURANCE	9,000	10,000	10,000	10,000	10,000	12,100	12,100	12,600	17,098	4,498	35.7%
13 DEBT SERVICE											
14 Principal											
15 Bond Bank Series 1991	40,000	40,000	45,000							0	
16 Bond Bank Series 2013(2028)						25,000	25,000	25,000	25,000	0	
17 Bond Bank Series 2003(2023)	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	55,000	0	0.0%
18 Truck Loan	7,200	7,200	7,800	7,750	7,750				5,500	5,500	
19 Bond Bank Series 2005(2020)	10,000	10,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	0	0.0%
20 North Tank Internal Loan									5,493	5,493	
21 Tank Maintenance Internal Loan											
22 Sub-Total, Principal	112,200	112,200	112,800	67,750	67,750	85,000	85,000	85,000	95,993	10,993	12.9%
23 Interest											
24 Bond Bank Series 1991	7,350	4,550	1,575								
25 Bond Bank Series 2013					9,820	9,728	9,728	9,481	9,139	(342)	
26 Bond Bank Series 2003	31,877	30,236	28,440	26,526	23,031	(4,865)	(4,865)	20,308	18,081	(2,228)	-11.0%
27 Truck Loan	413	158	517	302	151				273	273	
28 Bond Bank Series 2005	2,574	2,224	1,953	1,765	1,572	1,171	1,374	1,171	794	(378)	-32.2%
29 North Tank Internal Loan									549	549	
30 Tank Maintenance Internal Loan											
31 Sub-Total, Interest	42,215	37,167	32,484	28,592	34,574	6,035	6,237	30,960	28,835	(2,125)	-6.9%
32 SUB-TOTAL, DEBT SERVICE	154,415	149,367	145,284	96,342	102,324	91,035	91,237	115,960	124,828	8,868	7.6%
33 CAPITAL IMPROVEMENTS											
34 Transfer to Capital Impr. Fund	40,000	3,000	12,000	62,000	65,300	65,300	0	41,500	10,000	(31,500)	-75.9%
36 Truck Purchase		5,025							28,801	28,801	
37											
38 SUB-TOT. CAPITAL IMPROVEMENT	40,000	8,025	12,000	62,000	65,300	65,300	0	41,500	38,801	(2,699)	-6.5%
39 TOTAL EXPENSES	852,803	916,189	879,613	965,609	954,229	946,418	999,944	974,763	1,128,407	153,644	15.8%