

VILLAGE OF TAOS SKI VALLEY FY 2016 BUDGET SUMMARY

As with previous years, staff is continuing to maintain current expenses in most areas, with relatively few material increases. Most upticks in revenue can be explained by Baseline, TIDD/Increment estimate, and grants and loans being applied for. TIDD/Increment revenue estimates will not be earmarked for operations or projects for FY16; staff recommends placing these funds into reserves to be used at later dates for grant matches, capital purchases/projects, or to supplement future loan payments. Staff is making what we consider to be a conservative estimate projecting the TIDD/Increment GRT amounts at 10% of our baseline GRT amount. Our General Fund cash reserve is now shored up to the point that the Village will be able to cover the slow period (July to December) of each year with confidence. Along with the TIDD/Increment GRT set aside into reserves, we continue to focus on building additional reserve accounts for larger capital expenditures or to be used as debt service/matching funds for grant opportunities.

There was a detailed analysis done on TSVI's Parcel G project concerning permit fees, impact fees, and water and sewer system development fees. Concerning impact fees, we estimated the impact fees at 25% of the total that will come back to the Village according to the TIDD agreement. In regards to system development fees, we have backed out all outstanding system development fee credits TSVI had according to our records, and then, we gave TSVI credit for the old building (now demolished) EQR's for water and sewer; a portion of water development fees are earmarked for a Core Area water system project. Estimated permit, impact, and system development fees will be placed in appropriate accounts which will allow for immediate or future use; at present we have not earmarked any of the potential impact fees for use.

Calendar year 2014 shows the Village in a four year downward trend in the amount of water being used. Last budget cycle, we estimated usage would be 9,888,247 gallons (an average of the past five calendar years), whereas total 2014 calendar actual usage was 8,649,805, a 1,238,442 million gallon shortfall. Or, based on our 2015 fiscal year rates, it is an approximate \$50,528 shortfall. We'll be able to cover operation costs, but will not be allocating as much into reserve accounts for a new waste water treatment plant or water system improvements. This budget cycle we've taken a more conservative stance in estimating gallon usage. We are utilizing calendar year 2014 actual usage as our usage estimates instead of going with a three or five year average since we're in a downward trend. We're estimating our plant expenses to go up a little over \$20,000. Based on a conservative forecasted usage and downward trend, to meet our budgeted billing goals, staff is recommending a 3% increase on fixed and variable rates. For variable rates this will equate to an increase of .12 of a cent increase per gallon. Our variable rate will go from \$.0408 to \$.0420 per gallon. For fixed rates this will equate to an increase of \$1.53 per EQR. Our fixed rate will go from \$51.00 to \$52.53 per EQR. Raising it by 3%, we are trying to keep up with the ever steady raising cost of goods and utilities while hedging against a downward usage trend. On a very good note, the last of the connection charges due the Village were paid off during this fiscal year.

Regarding trash collection/revenues, the rate structure set up last year was an effort to make a sustainable fund; rates appear to be on target, but the hauling of sludge costs are more than expected. We would like to try to build a little more reserves moving forward and counter the sludge hauling effect, so staff is requesting a 2% increase to the trash collection fee. Trash collection fee would go from \$4.50 to \$4.59 per EQR; this increase would generate approximately a little over \$1,000 for FY2016. This amount will marginally help offset the sludge hauling while helping us preserve our reserves to move towards our goal of building a covered trash/recycling area.

Again, one of our main focuses this budget cycle is to continue building reserves. We are seeing results and our budget is getting healthier. This year staff would like to propose the following transfers

into reserve accounts: \$5,000 for Water Depreciation, \$25,000 for Sewer Depreciation, \$10,000 for Vehicle/Equipment, and \$200,000 General Reserve (Please see fund 43 General Reserve for proposed allocation). We are also requesting any General (Municipal & State) GRT above the baseline, or our "TIDD/Increment" portion be transferred to General Reserve, which we're estimating at \$99,612. General Reserve fund is loosely broken out for: General Reserve (for slow times or unexpected expenses), VTSV Buildings (Treatment Plant, DPS & Admin building), Streets, Land Acquisition (Town Site Act), and O&M (vehicles/equipment, operations and maintenance). It is vital for VTSV to continue to build reserves not only to prepare for the unexpected costs, but for better planning and forecasting of projects and equipment purchases.

SALARIES & BENEFITS:

This year has been a very busy year for all VTSV departments, from the TIDD process to heavy snows, to additional personnel coming aboard and stepping into demanding positions, and personnel taking on additional tasks and titles. VTSV staff has performed very, very well and worked extremely hard making for smooth transitions and operations in the Village. An initial review of NMML salaries samples across the state, it appears that VTSV is sliding back, or down on equal pay for equal positions. Because of the outstanding efforts by VTSV staff throughout the year and VTSV starting to lag in salary comparisons, the Village Administrator would like to propose a 4% across the board merit raise for all personnel. In addition to this raise, we have held in place leave buy-back time, overtime, and increase in grade for getting higher certifications. Higher certifications must be approved in advance and only be allowed if budgeted and with prior approval. We have set amounts in the budget that correspond to the buy-back time liability according to our auditor's suggestion, but management will continue to encourage employees to use their leave instead of saving some or most of it to sell back. As part of the consideration on suitable salary comparisons, the Village Administrator would like to have a salary analysis performed by an outside firm; management team concurs with 4% merit raise proposal and having a salary analysis completed.

We have received verification that the property and liability insurance and employee health insurance will remain the same, which is very good news.

No additional requirements or increase from PERA. So at this time, staff advises to maintain the same match for PERA coverage and MPPP for this fiscal year. And, the staff maintains recommendation of the \$259 per employee for health incentive.

CONTRACT LAWYERS:

VTSV settled the one, and only remaining, lawsuit late in FY14. We will be able to cut back on allotted legal fees that are put in the budget for our contract lawyer(s). A breakdown for legal contracting is as follows: \$10,000 in Water/Sewer, \$50,000 in General, and \$1,000 in Law Enforcement.

PUBLIC WORKS DEPARTMENT

The number one priority for Public Works remains the upgrades to the waste water treatment plant. Even though the rates have been adjusted, the General Fund will still have to support the Water/Sewer budget, but it should be less than the \$100,000.00 unfunded salaries we have seen in the past. Since this revenue stream will eventually be used for debt service to secure funding for a new treatment plant and also operation and maintenance cost on the existing infrastructure, this fund will be critical as the Village moves forward.

Road Expenses – In preparation of dust, or dust control, VTSV will once again allocate \$7,500.00 be budgeted for dust control. The Public Works Director is requesting an additional \$150,000

be put into the streets department for a “Bionic Soil Solution” treatment on Twining Rd. This treatment is reportedly able to, through a natural chemically induced process, harden dirt and gravel roads into something very similar to concrete. It is hoped that this budgeted amount will enable the VTSV to treat the road from the parking lot up to the Kachina area.

The Public Works Director would like to purchase a snow blower attachment for the front end loader; we have budgeted \$75,000 for a down payment for FY2016, with a payment schedule to follow in the next FY’s.

COMMUNITY DEVELOPMENT

Capital Improvement Projects

This year our project list includes:

- **Waste Water Treatment Plant (WWTP):** This is the Village’s number one priority for capital improvements. As part of the Capital Outlay Request through the State, VTSV submitted a legislative request for engineering and design. During the legislative session in question, no Capital Outlay Requests were approved. Staff will be ready to submit again in the next regular or special legislative session. In the meantime, working with FEI Engineering, the Village has submitted a Clean Water State Revolving Fund loan application for \$550,000 to be used for all engineering, studies, design, surveying, and other required items to bring this project to a shovel ready state. Yearly payments on this loan would be approximately \$36,000 for the next 20 years. At this time there is limited reserve funding available or earmarked for this project. Staff will continue to look into various funding options. If additional funding is obtained this fiscal year, a budget adjustment request (BAR) will be required.
- **Water System Leak Project:** It has come to our attention that our water system is leaking more than what is normal – even for the mountainous rocky terrain area of our Village. Again, working with FEI Engineering, the Village plans on submitting a loan application to the Drinking Water State Revolving Loan Fund for a \$250,000 grant to perform an in-depth leak assessment of our entire water system. The amount of loan requested will also cover construction costs for, if and when a leak is detected and needs to be repaired. This loan is typically for a 20 year period; payments for this loan would be estimated at \$16,800 a year. “Principal forgiveness may also be available, depending on determinations made by NMFA on a quarterly basis”.
- **USFS Town Site Act:** The treatment plant land should be conveyed to the Village by December 2015. Even though through the Columbine Hondo Wilderness Act, the Village will not be required to make any type of payment for the property, there will most likely be additional costs for studies or surveys, etc... Staff has set aside funding to cover these costs.
- **Core Area Loop/Bypass:** \$100,000 for upgrade to the water system in the Core Area which will loop our system and also act as a bypass when needed. Parcel G water system development fees are earmarked for this project.
- **Kachina water tank, controls, and piping project:** Staff has applied to the Water Trust Board for a \$2.17 million grant for this project. Grant money will be required for this project to move forward. Minimum Village match will be 20% of the total grant, which is \$434,000. This item is not in the budget at this time as staff is not optimistic that it will be approved. If approved, staff will submit a budget adjustment request at the appropriate time if required within this FY’s budget, or it could be in the FY2017 budget depending on when the grant is accepted.

CLOSING

The VTSV staff feels that we have put together a fiscally conservative budget that will assure the Village can maintain its present level of operations and service, while setting aside reserve funds for emergency, unforeseen expenses and provides the funding building blocks for future planning.