

## **VILLAGE OF TAOS SKI VALLEY**

### **FY 2017 BUDGET SUMMARY**

As with previous years, staff is continuing to maintain current expenses in most areas, with relatively few material increases due to capital projects. Most downturns in revenue can be explained by not projecting any impact fees or system development fees collections, and being conservative on our estimated GRT above the baseline. The uptick in the Water/Sewer fund revenue is due to more water being used, which based off the Village's adopted water/sewer rates, caused the total EQR's to go up, which therefore projects a high uptick in revenue for that fund. As with FY16, TIDD/Increment revenue estimates will not be earmarked for operations or projects for FY17; staff stands firm on the recommendation of placing these funds into reserves to be used at later dates for grant matches, capital purchases/projects, maintenance, 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 maintained to allow the Village to cover the slow period (July to December) of oncoming 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; this is validated by the forecasted balances of General Reserve, Fire Capital Reserve, and O&M Reserve.

Prior to FY16, there was a detailed analysis done on TSVI's Parcel G project concerning permit fees, impact fees, and water and sewer system development fees. According to Village policy, most of the system development fees, permit fees, and impact fees should be paid to the Village by FY16 close, with a portion of Parcel G, or the "Condo" portion, to be paid in later years when the condos are constructed. In regards to Parcel D, a permit should be pulled for foundation, but the majority of the permitting fee, impact fees, and system development fees would not be collected until after FY17.

Calendar year 2015 shows a one and half million plus gallons jump in water usage. With this large water usage, property owners' EQR multiplier will jump up for FY17. Staff utilized a three year Village-wide water usage average in calculating and forecasting FY17 water/sewer revenue. Even with the some of the high water usage in the past, particularly last year, how we would account for revenue and expenses in the past, our General fund was still burdened to support the Water/Sewer fund. The Water/Sewer fund is an enterprise fund and should be self-supportive. Not only should the Water/Sewer fund cover the operation costs, but also allow for building fund reserves for future upkeep, maintenance and expansion. It should also account for the depreciation expense adjustment at year's end, which in the past we did not take into consideration when calculating the water rates. Even with the high water usage last year, when we take into account the yearly depreciation expense, we find our rates are even further behind on keeping up with all the costs the Water/Sewer fund should cover. With this in mind, using a three year average of water usage, staff is recommending a 4% increase in the fixed and variable rates. This equates to the variable rate going from \$.0420/gal to \$.0437/gal, or a \$.0017/gal increase, and fixed rate going from \$52.53/EQR to \$54.63/EQR, or \$2.10/EQR. In staff's forecasting, without the Blake Hotel, the Village requires at least a 16% increase in variable and fixed rates in order for the Water/Sewer fund to break even. Staff understands that a 16% increase would be an extreme adjustment to everyone's bill. Until the Blake Hotel comes online, staff feels a 4% increase will keep the Village in pace with rising operation and maintenance costs for now.

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, and the sludge hauling estimated costs look to be on target. But there are some additional requirements that we must now meet with our Solid Waste collection. In accordance with State Solid Waste Bureau guidelines, we must have at least one certified operator for the Collection Center; however, staff is recommending having two certified personnel to allow for a backup.

Another unaccounted condition, we will also be required to have Air Quality monitoring (opacity) testing done annually in order to use the Burn Boss for slash pile burning. Another requirement is we will be required to put up fencing and a gate to limit after hours or unauthorized access to the solid waste compactor. In addition to the new State Solid Waste Bureau guidelines for employee training and fencing and gate requirements, we still need to build reserves to improve our solid waste center as a whole. We will look to purchase appropriate capital assets to support the solid waste operation to include a new compactor and possibly a structure to cover the area. We also need to plan for future maintenance and upkeep of said capital assets, so staff is requesting a 4% increase to the trash collection fee. Trash collection fee would go from \$4.59 to \$4.77 per EQR, or up \$.18/EQR; this increase would generate approximately a little under \$2,500 for FY2017. This amount will once again help offset the sludge hauling, but most importantly help the Village preserve and grow our reserves for our trash/recycling center.

Again, one of our main focuses this budget cycle is to continue building reserves. We are seeing results and our budget is getting healthier and has allowed the Village to pursue additional funding opportunities and capital projects. This year staff would like to propose the following transfers into reserve accounts: \$10,000 for Water Depreciation, \$25,000 for Sewer Depreciation, \$20,000 for Vehicle/Equipment, and \$300,000 General Reserve (Please see fund 43 General Reserve for proposed allocation). The \$300,000 transfer from the General Fund into General Reserve would include any General (Municipal & State) GRT above the baseline. From the General Fund an additional \$100,000 will be transferred into Vehicle/Equipment. It is vital for VTSV to continue to build reserves not only to prepare for unexpected costs, but for better planning and forecasting of projects, maintenance, and equipment purchases.

#### **SALARIES & BENEFITS:**

Once again, this year has been a very busy year for all VTSV departments. VTSV employees have all stepped up to take care of the additional workload and projects.

Because of the outstanding efforts by VTSV staff throughout the year, the Village Administrator would like to propose up to a 2% merit raise for deserving personnel and a 2% COLA for all personnel. This budget as presented on May 10<sup>th</sup>, 2016, includes a total 4% possible pay raise, an additional position that was not originally approved in the 2016 budget, the proposed public works admin position, and an additional public works position.

The Village has been going through an in-depth salary survey, but as of May 10<sup>th</sup> council meeting, staff had not completed the process. Staff will present to the council for approval a final salary proposal at the June 2016 council meeting or at the time of the final budget approval. Any position that does not see an adjustment after the salary survey is completed will still warrant and be eligible for the 2% merit raise and a 2% COLA.

We have received verification that the property and liability insurance will remain the same, which is very good news; but we have yet to find out if the employee health insurance will remain the same or not. Please note that there might be a correction to employee health insurance if rates do go up.

No additional requirements or increase from PERA. So at this time, staff advises to maintain the same match for PERA coverage. The three individuals that were not participating in PERA, but remained part of the MPPP option are no longer employed by the Village; there will be no more MPPP expense starting with the FY17 budget. And, the staff maintains recommendation of the \$259 per employee for health incentive.

#### **CONTRACT LAWYERS:**

With all the activity for the Village, our Contract Lawyer has been more active. A breakdown for legal contracting is as follows: \$5,000 in Water/Sewer, \$60,000 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. With the forecasted rates being adjusted, the General Fund will still have to support the Water/Sewer budget through paying for PERA, but it will be less than \$50,000.00. For the first time, all the Public Works healthcare insurance is forecasted to be paid by the Water/Sewer fund. 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 allocate \$10,000.00 for dust control. In discussion with the Public Works Director, it was decided to hold off on trying the “Bionic Soil Solution” treatment until at least the natural gas distribution lines are run.

The purchase of a snow blower did not take place in FY16. In rolling the funding forward, the Public Works Director would like to purchase a snow blower attachment for the front end loader; we have budgeted \$90,000 to cover the purchase.

## **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 received \$50,000 from a legislative request for engineering and design. Staff will be ready to submit again in the next regular or special legislative session. Also, working with FEI Engineering, the Village has received Clean Water State Revolving Fund \$500,000 (\$150,000 grant/\$350,000 loan) to be used for all engineering, studies, design, surveying, and other required items to bring this project to a shovel ready state. Payments for this loan are present and accounted for in the FY17 budget. 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.
- **USFS Town Site Act:** The treatment plant land should be conveyed to the Village by December 2016. Even though through the Columbine Hondo Wilderness Act, the Village will not be required to make any type of payment for the property, the Village has covered if not all, the majority of any costs for studies or surveying required for the conveyance to take place. There are still reserve funds if needed for additional studies, surveying, etc. to make this happen.
- **Kachina water tank, controls, and piping project:** The Village received Water Trust Board (WTB) approval in FY16 for funding for the \$1,640,000.00 loan/grant Kachina water tank project; estimated project total is \$2.17 million. The breakdown for the projected funding is: \$1,476,000 WTB grant, \$164,000 WTB loan, \$330,000 Village match, and \$200,000 TIDD match. This project will not be completed in FY17. Amounts in FY17 budget are only a portion of the full loan/grant; the estimated amount in the FY17 budget is for the preliminary work and engineering that will take place this fiscal year. The majority of construction will take place in FY18.
- **Taos Mountain Lodge (TML):** In FY16, the New Mexico Finance Authority approved funding for the Village to purchase the TML; this transaction is not slated to be complete until June 24<sup>th</sup>, 2016. Anticipating that the Village will acquire the TML at the end of FY16, to be conservative, the

FY17 budget will account for the loan payment and repair and improvement expenses only. Any down payment or funding received will be accounted for by a BAR in the FY16 budget.

## **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 continuing to fund the building blocks for future planning.