

## **VILLAGE OF TAOS SKI VALLEY**

### **FY 2018 BUDGET SUMMARY**

The Village staff has worked to put together a comprehensive yearly budget to fund operations and capital improvements or expenditures.

Overall we've tried to be conservative on our revenue projections. Our forecasting for GRT above the baseline, or what is referred to as the increment amount, is set at 10% of the baseline. We feel this is a conservative estimate due to the capital improvement projects that are anticipated for this upcoming build season. Our summary total revenue is forecasted slightly up for this upcoming fiscal year mainly due to estimating revenue reimbursements for the Kachina Water Tank project and Taos Mountain Lodge improvements, plus forecasting additional GRT due to the implementation of the Hold Harmless 3/8 percent option the council approved, which takes effect on July 1<sup>st</sup>, 2017. Staff is continuing to maintain current expenses in most areas, but has reallocated some salary expenses to appropriate departments, which could affect individual funds, but those fund changes within the summary total will not be as evident. As stated, Village staff has tried to maintain the overall expenses; we are forecasting a summary total of less than \$200,000, or an overall 3% increase in expenses for this coming fiscal year.

As with FY17, Increment revenue estimates will not be earmarked for operations or projects for FY18; 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. General Fund cash reserve will be maintained to allow the Village to cover the slow period (July to December) of the oncoming year with confidence. Along with the Increment GRT set aside into reserves, we continue to focus on building additional reserve accounts for the Village priority Waste Water Treatment Plant (WWTP) upgrade and also for other future Village deemed priority capital expenditures. We'll utilize the reserves to fund capital improvement projects and for debt service/matching funds for grant opportunities.

Fund 01, Water/Sewer Operating, is an enterprise fund and should be self-supporting. Staff continues to work to get to the "true" plant and operation costs for the water/sewer system. The FY17 budget forecasted a low, or very conservative, gallons usage for FY2017, not wanting to overestimate the Blake usage. Staff forecasts that we should hit the budgeted Water/Sewer revenues for FY2017, but revenues will still be short of estimated expenditures. Staff is forecasting a higher water usage for FY2018, extrapolating from the minimum Blake history on hand at present and past year averaging. Staff feels we are still taking a conservative estimate on total water and sewer usage for upcoming FY2018. However, even with higher forecasting for usage and revenue, the fund is still not operating in a self-supportive mode. Last year it was forecasted, without the Blake Hotel, that the Village required at least a 16% increase in variable and fixed rates in order for the Water/Sewer fund to break even. Rates were raised last year by 4%, and even with the Blake, it is not foreseen to make up the 16% shortfall we estimated in FY17. Staff is recommending a 4% increase in the fixed and variable rates. This equates to the variable rate going from \$.0437/gal to \$.0454/gal, or a \$.0017/gal increase, and fixed rate going from \$54.63/EQR to \$56.82/EQR, or \$2.19/EQR. A 4% increase will keep the Village in pace with rising operation and maintenance costs and will continue to get the Village closer to Fund 01 becoming a true enterprise self-supporting fund.

Fund 05 Roads Fund: Funding for the maintenance and upgrades to Village roads continues to be a challenge as the Village receives limited revenues from GRT, Gas Tax, and vehicle registrations that is designated for road improvements. This fund is primarily supported through the General Fund. Road projects are usually funded by a portion of the gasoline taxes, but since the Village does not have a

commercial gas station, the yearly Village gasoline taxes are minimal, less than \$500 on average per month. As expenses in the roads fund continue to rise with more projected visitors and residents, the road maintenance will only increase. As part of forecasted TIDD projects and the agreed upon MGA, the Village will receive dedicated properties from TSVI and thus will see additional maintenance costs for the dedicated properties, which will require additional equipment and staffing. At this time, Public Works is requesting a new staff person in the FY18 Budget; the Public Works Director has also reallocated staff time to attempt to capture the road expenses more accurately.

Fund 07 Solid Waste: Regarding trash collection revenues, the rate structure set up in previous years was an effort to make Fund 07, Solid Waste, a sustainable fund. We have allocated more public works staff time to the Solid Waste fund. We also decided to move the expense for sludge hauling to the sewer and water operating fund, since this expense is directly related to the WWTP operations. This will give us a better idea of a true expense for funding our solid waste and recycling facility operations. Rates appear to be on target; we're slowly building reserves for a new facility or upgrades. There will be no increase in the trash fees this year.

Fund 16 Judicial/Judicial Correction: Because there is, and has been, no activity over past 10 years or so in this account, this account will be closed and a line item to cover any expenses in relationship to the Fund 16 will be added to the Law Enforcement Operating budget.

## **FUNDING RESERVES:**

Once again, one of our main focuses in this budget cycle is to continue building reserves. We are seeing results and our budget continues to get healthier, which 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:

- 01 to 32, \$10,000 Vehicle/Equipment Reserves
- 01 to 43, \$10,000 General Reserves
- 01 to 41, \$60,000 Water Depreciation Reserves
- 01 to 42, \$75,000 Sewer Depreciation Reserves
- 03 to 32, \$100,000 Vehicle/Equipment Reserves
- 03 to 43, \$300,000 General Reserves
- 03 to 42, \$190,000 Hold Harmless (WWTP financing payment)

The \$300,000 transfer from the 03 General into 43 General Reserve would include any General Municipal and State GRT above the baseline. It is vital for VTSV to continue to build reserves not only to prepare for unexpected costs, but for better planning and forecasting of Village deemed priority projects, maintenance, and equipment purchases.

## **SALARIES & BENEFITS:**

This year has been a very busy year for all VTSV departments, once again. 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 4% Merit/COLA for all personnel, with the understanding that the Village Administrator reserves the right to approach council for additional percentage raises for identified personnel. There is a 1% increase to medical, dental and vision premiums.

We have received verification that the property will increase by 5% while the liability insurance premiums will stay at the current rate for our existing coverage.

No additional requirements or increase from PERA; staff advises to maintain the same match for PERA coverage. 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, \$75,000 in General (\$60,000/Romero & \$15,000/Sweeny/Bonding & TIDD), \$1,000 In Lodger's Tax, and \$1,000 in Law Enforcement.

## **CAPITAL IMPROVEMENT PROJECTS**

This year our project list includes (by priority):

- **Waste Water Treatment Plant (WWTP):** Again, this is the Village's number one priority for capital improvements. The Village is utilizing the Clean Water State Revolving Fund \$500,000 (\$150,000 grant/\$350,000 loan) previously received to fund FEI Engineering in 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 FY18 budget. At this time there is limited reserve funding available or earmarked for this project. Staff is pursuing USDA to pay up to the full amount of this project. If it is decided to use any, all, or some amount of reserves to fund this project, the USDA portion, or loan amount would be lowered by that amount, which in-turn would lower the amount of the debt service payment. If funding is obtained this fiscal year, a budget adjustment request (BAR) will be required.
- **USFS Town Site Act:** The Village cost for this project should be completed. The Village will have to draft easements with each entity that requires access across our piece of property. These funds should come out of the General legal (Romero) amount budgeted. There are no additional costs anticipated at this time, but if any additional costs are encountered, they should be minimal amounts.
- **Kachina water tank, controls, and piping project:** FEI recently held a Contractor Pre-Bid meeting. It is the goal of the Village to have the majority of the project completed by October of 2017. 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. 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. The Village acquired the TML in July 2016. We expect to spend the additional Village required match and NMFA funding to fix up the Taos Mountain Lodge this summer and hopefully staff will move into new facilities NLT October 2017. On a parallel path, staff will bring on a property management company to lease out the available units.
- **Strawberry Hill Improvements:** Taos Ski Valley, Inc. informed the Village that they will be improving and redesigning the beginner skier terrain on Strawberry Hill. As part of this redesign and the depth at which the water and sewer line would now be buried, the Village needs to take steps in FY18 to replace the water and sewer lines that run across Strawberry Hill. This was not a forecasted expense for the near future, but the staff has set aside from the General Fund approximately \$130,000 for the water line and \$210,000 for the sewer line. But as mentioned at the April 10th, 2017 TSVI Finance Plan Workshop, these items will qualify to be funded by the TIDD.
- **Other infrastructure projects in conjunction with Core Area expansion:** There are other projects that, due to the Core Area Improvement efforts, have come to the forefront. There is now a higher urgency to complete these projects in this year or the summer of 2018. Two of the main projects are: the realignment and construction of Ernie Blake Road and the opportunity to push natural gas out to

the entire Village. The Village at this time has not looked at taking on additional debt to pursue these projects.

## **CLOSING**

The VTSV staff feels that we have put together a fiscally conservative budget that will assure that the Village can maintain its present level of operations and service, while taking care of our employees, build reserve, set aside funds for emergencies and unforeseen expenses, and continue to fund projects in a timely manner according to Council direction and priorities.