

## 2020 Proposed Budget – 11/13/19 Preliminary Budget

### Budget Notes by MSMD General Manager

#### Meridian Ranch Metro District and Ranch 2018 Subdistrict Preliminary Proposed 2020 Budgets

- The MRMD Budgets are primarily related to long term debt serviced by mill levies. These budgets are prepared by CRS, our management and accounting consulting firm.
- At the 11/13/19 Public Budget Workshop, the MRMD Proposed 2020 Budgets will not be discussed unless there are specific questions.

#### Meridian Service Metro District Proposed 2020 Budgets

##### General Notes

- MSMD has multiple Funds, each with its own budget. These Funds are:
  - Fund 10 – General Fund
  - Fund 15 – Parks & Grounds Fund
  - Fund 16 – Recreation Fund
  - Fund 30 – Capital Fund
  - Fund 40 – Water Fund
  - Fund 50 – Sewer Fund
- MSMD also tracks reserves identified as a Reserve for Emergency Repairs and a Rate Stabilization Reserve. Further, MSMD watches the unencumbered fund balance as an Operating Capital Reserve for cash flow. The General Manager has recommended reserve balances as follows:
  - Emergency Repair Reserve Target Balance    \$2,000,000
  - Rate Stabilization Reserve Target Balance    10% of total operating revenues  
= approx \$700,000
  - Working Capital Operating Reserve            3-6 months expenditures
- Summary of Economic Factors in 2020: CPI-U = 2.7%, Colorado Min Wage increases 8%
- Summary of Proposed Fee Increases: Overall, the Preliminary Proposed 2020 Budgets include an increase in total residential fees of \$8.33/mo = 4.9% increase for 2020.
- Financial Health: The Preliminary Proposed 2020 Budgets are balanced, generally meet operational objectives, eliminate the historical subsidy of Parks and Grounds by the Sewer Fund 50, and continue to experience approximately \$200,000/yr savings in Recreation Center operating costs compared to contract operations by the YMCA. The Preliminary Proposed 2020 Budgets meet the targets for Emergency Repair Reserves and adequate Rate Stabilization Reserves, but are short approximately \$1.9 million in recommended Operating Capital Reserves.
- Major uncertainties that create financial risk include:
  - Water consumption related revenues vary year to year
  - Tap fee revenues related to new construction vary year to year
  - Cost increases for gas and electricity (assumed at 3% increase)
  - Additional costs of the Cherokee TDS project (approx. \$1 mil in 2020)
  - Revenue from Sterling Metro District Sewer Tap Fees (\$1.1 mil/yr)
  - Funding for future capital projects and debt reduction

- Staffing changes in 2020:
  - General Fund 10 – additional funds for transition to in-sourcing utility billing in 2021
  - Parks & Grounds Fund 15 – reduction of ½ Laborer position from 2019
  - Recreation Fund 16 - Convert two part-time positions to one fulltime Sports Coordinator and one fulltime Childcare Coordinator, no change in total labor hours
  - Sewer Fund 50 – Add one fulltime Sewer Operator
- New and Replacement Equipment in 2020 includes:
  - Updated telephone system for District Office and Recreation Center – current telephone instruments are about 20 years old and no longer serviceable or replaceable, new instruments needed for recent and planned additional employees
  - New ½T PU Truck for Building Maintenance Supervisor, cost shared among Fund Centers
  - New ½T PU Truck for additional Sewer Operator position
  - New utility tractor to replace old tractor, cost shared among Fund Centers

#### Fund 10 – General Fund

- Assumes in-sourcing the General Ledger Accounting function in 2020 using QuickBooks Enterprise software and resulting in net cost reductions
- Staffing Changes in 2020:
  - Additional \$70K for transition of in-sourcing utility billing in 2021
- Assumes certain costs are allocated to other Funds in accordance with Board policy
- Election expense \$5,000
- Updates telephone system for \$2,800 including additional phones for recently added staff
- Preliminary Proposed Budget results in balanced budget with overall good financial health meeting operating objectives and target level for Operating Capital Reserve

#### Fund 15 – Parks & Grounds

- 2019 was first year of Parks & Grounds separate from Recreation
- Preliminary 2020 Budget eliminates the \$750,000 subsidy by Sewer Fund 50
- Staffing Changes in 2020:
  - Reduction of ½ Laborer position and use extra work authorizations for landscape maintenance contractor
- Equipment
  - Assumes replacement utility tractor at total cost of \$57,000 to be shared equally among other funds, \$19,000 Parks & Grounds Fund 15, \$19,00 Water Fund 40, \$19,000 Sewer Fund 50
- Landscape maintenance contract cost for 2020 will be \$233,313, compared to \$217,070 in 2019. The cost is increasing due to the minimum wage increase, landscaped area increases, and scope additions (pond maintenance and noxious weed control for regulatory compliance).

- Capital Projects
  - \$300,000 payment in 2020 towards \$1.2 mil total cost of Winding Walk landscaping and park improvements per 3<sup>rd</sup> Construction and Acquisition Agreement with GTL
- In order to eliminate the Sewer Fund subsidy and balance the budget, the Proposed Budget assumes residential fee increase of \$3.83/mo = 18% for Landscape/Parks/OpenSpace/Drainage Fee (this will produce approx. \$106,00 in additional revenue). Also assumes \$0.14/mo = 3% increase in Street Lighting Fee
- Preliminary Budget results in a balanced budget, elimination of Sewer subsidy, meeting target for Operating Capital Reserve, all for overall good financial health of the Fund

#### Fund 16 – Recreation

- 2019 was first year of Recreation separate from Parks & Grounds
- 2019 was the first year of MSMD operations (post YMCA contract)
- 2020 Preliminary Budget assumes \$1.48/mo = 3% fee increase. Note this is very modest considering most recreation center employees work at or near minimum wage and the Colorado minimum wage is increasing 8%.
- Staffing
  - Assumes fulltime Sports Coordinator and fulltime Childcare Coordinator, no increase in total hours worked, slight increase for additional medical benefits.
  - Corrects 2019 oversight by transferring Building Maintenance Supervisor position from Water Fund 40 to Recreation Fund 16 where it was intended originally
- Insurance – premium is greater in 2020 due to historical oversight of not covering the outdoor pool complex
- Falcon Freedom Days – 2020 Preliminary Budget assumes FFD will be similar to 2019. However, its future is uncertain due to encroaching residential building in the fireworks staging area.
- Facility improvements planned in 2020:
  - LED Lighting Conversion, \$15,000 – current lights not replaceable, several are already burned out
  - Locker Room Remodel, \$30,000 (\$10,000 carryover from 2019)
  - Rec Center Signs, carryover from 2019, \$15,000
  - WiFi to lifeguard building for security cameras, \$3,000
  - Court benches, business alcove seating replacement, \$15,000
  - Outdoor pool heater and chlorine feeder replacement, \$40,000
  - Update phone system, \$1,700
- Equipment
  - F-150 PU with towing package, ladder racks and locking tool boxes for Building Maintenance Supervisor, \$32,000, cost to be shared by Water Fund 40 with \$10,000 contribution.
- Overall financial health of Recreation Fund 16 is good. The projected fund balance is approximately \$600,000 less than the target for an operating capital reserve and would require approximately a 43% = \$21.18/mo fee increase to meet the target in one year.

- An analysis of operational costs for 2019 and projected operational costs for 2020 indicate the predicted savings of approximately \$200,000 annually compared to contract operations is being realized. This savings is being realized in the form of lower fee increases and reinvestment in the recreation center fitness equipment and deferred building maintenance.

#### Fund 30 – Capital

- Comments are made under each Fund Center that is making a 2020 contribution to the Capital Fund.

#### Fund 40 – Water

- Revenue – Preliminary 2020 Budget assumes \$1.51/mo = 3% increase in residential service fees, \$500 increase to \$8,500 tap fees, \$25 increase to \$600 meter installation fee, and 205 taps sold in 2020
- Staffing – no change in 2020; transfers Building Maintenance Supervisor position to Recreation Fund 16 to correct 2019 oversight
- Preliminary 2020 Budget includes \$30,000 in Engineering Consulting for preparation of Resilience and Risk Assessment/Emergency Response Plan (RRA/ERP) as required by the America’s Water Infrastructure Act of 2018
- Electric consumption costs for pumping water is up due to the addition of Well 6 and Well 9 coming online. This cost is more than offset by the elimination in the budget of costs for Woodmen Hills to treat and deliver water.
- Equipment
  - Assumes \$10,000 contribution to Recreation Fund 16 for sharing in cost of F-150 PU for Building Maintenance Supervisor
  - Assumes replacement utility tractor at total cost of \$57,000 to be shared equally among other funds, \$19,000 Parks & Grounds Fund 15, \$19,00 Water Fund 40, \$19,000 Sewer Fund 50
- Water capital projects in 2020 include
  - Well Site No. 6, \$324,000 carryover from 2019 (no new funds)
  - Guthrie Area B Expansion Design, \$50,000
  - Guthrie Well LFH-2 Rehab, \$50,000
  - WHMD Water Tank Purchase and Paint, \$570,000 (rough estimate)
  - Filtration Plant Expansion Design, \$50,000
  - Maintenance Shop, Yard, Office Building contribution of \$200,000
- Overall financial health of Water Fund 40 is good. The Preliminary 2020 Budget is balanced, meets operational objectives, provides for the target Operating Capital Reserve, provides independence from Woodmen Hills operations. Unknowns and risks include volatile annual water consumption, volatile annual tap sales, funding for future capital projects.

## Fund 50 – Sewer

- Revenue – Preliminary 2020 Budget assumes \$1.37/mo = 3% increase in residential service fees, \$500 increase to \$8,500 tap fees, and 205 taps sold in 2020
- Preliminary 2020 Budget eliminates the historical subsidy for Parks & Grounds Fund 15 (2019 subsidy was \$750,000)
- Staffing – Preliminary 2020 Budget assumes adding one fulltime sewer operator plus vehicle
- Legal – Preliminary 2020 Budget assumes \$200,000 in legal costs, mostly related to arbitration with Cherokee
- Preliminary 2020 Budget includes \$30,000 in Engineering Consulting for preparation of Resilience and Risk Assessment/Emergency Response Plan (RRA/ERP) as required by the America’s Water Infrastructure Act of 2018
- The Cherokee WWTP account 50-9500-100 does not include an increase for 2020 TDS related charges which could amount to \$1 million in 2020
- Equipment
  - Assumes replacement utility tractor at total cost of \$57,000 to be shared equally among other funds, \$19,000 Parks & Grounds Fund 15, \$19,00 Water Fund 40, \$19,000 Sewer Fund 50
  - Assumes one new F-150 PU for new sewer operator position, \$35,000
- Sewer Capital Projects in 2020 include
  - Woodmen Hills Sewer By-pass, \$900,000
  - Maintenance Shop, Yard, Office Building contribution of \$200,000
- Overall financial health of Sewer Fund 50 is fair. The Preliminary 2020 Budget is balanced, eliminates the subsidy to Parks & Grounds, and meets operational objectives. The projected fund balance falls short of the target for an Operating Capital Reserve by \$300,000 which would require a 24% = \$10.47/mo fee increase to meet the target in one year. Uncertainties and risks include:
  - Volatile annual taps sales
  - Sterling Ranch Metro District annual purchase of taps, \$1.1 million (Sterling may obtain service from CSU instead of MSMD)
  - Cherokee TDS project costs – not in budget and amounts uncertain, could be approximately \$1 million in 2020 (accumulated total annual charges previously tolled plus 2020 contribution to new TDS Reduction Project)

#### Emergency Repair Reserve

- The Preliminary 2020 Budget meets the target of \$2,000,000 in the Emergency Repair Reserve.

#### Rate Stabilization Reserve

- The Preliminary 2020 Budget meets the target of 10% or \$700,000 in the Rate Stabilization Reserve

#### Operating Capital Reserves

- The target for Operating Capital Reserves is 3 - 6 months of expenses or \$2.3- 4.5 million for 2020. This is held in the form of the projected year-end unencumbered fund balance. The Preliminary 2020 Budgets include projected year-end unencumbered fund balances totaling \$2.6 million, which is at the low end of the target range. \$1.9 million additional contribution would be required to meet the 6-month target.