

2024 BUDGET STUDY SESSION
August 29, 2023

FINANCE COMMITTEE MEMBERS PRESENT:

BOARD MEMBERS PRESENT: Dan Mcelley- Vice Chair, Nick Genova-Director

STAFF MEMBERS PRESENT: Jessica Isley, Ty Jones, Jacob Lenihan, Jenniffer Pettingill, Guy Walker, Eric Schoeny, Issac Brown, Mark Dalley, Michael Simpson.

GUESTS PRESENT: None

OVERVIEW OF 2024 BUDGET -Jessica Isle

Executed several chart of account changes, few clean up items, that's why figures may have larger variances. Each dept now has their own software conversion account to accurately track those costs. Employee info broken out by dept so we can track expenses more accurately. Labor and benefits to be combined, vs separate. Added additional descriptions for account codes to help identify them. Digging into revenues, last year we cleaned up expenditures, this year it's revenue clean-up.

WATER TREATMENT PLANT BUDGET - Isaac Brown

Issac Brown - Dropped the gases and chemicals by 25K, the original \$385K was accounting for price increases through 6 months of this year. Those were not applied, so we are coming under that budget for this year. Shopped around for aluminum sulfate and we are getting a better price, so that's dropped by 25K. The tools and small equipment we are lowering that line item because it was addressed this budget. Contract and services reflect the biggest jump, that's for the MCC system for the plant. That system has not been updated or serviced since being put into commission, so more than overdue, that cost is over 10K. Reporting software for tracking performance of membranes and plant parameters, that is a \$1500 a month software cost.

Important because membranes are approaching 10 years old. Each membrane is 1200 each or SOK for a rack of them. Need to determine how we want to replace each rack. Dues and

training, PLC data training, that's the only specific item, other dollars are for general training needs. Would like to have staff able to train off site. Dropped 20K in electricity for this budget due to conservation efforts. First couple of bills this year, based on that, we are nowhere near the

\$320K. We are currently projecting to hit the 320K for 2024 due to the uncertainty of electric costs for next year.

Dan McElley - asked about solar:

Ty - had a proposal for rooftop and other solar. Probably putting out an RFP to get some ideas for solar options. Still investigating options, but not moving on any currently.

Isaac Brown- We have been able to reduce electricity costs by shutting down during premium times, just that has saved 6-7K on the bill. We plan to continue discussion of solar because increase in cost, so the budget is reflecting that. We should be close to the ISK this year, but the budget needs to reflect increased costs. We also want to look at options to winterize the plant.

Laying plastic over openings and other items to help reduce usage. Main plant is already "cold" but not to the point of freezing.

Equipment rental- account for track ho for pond clean-up and retention pond clean up. Repair and maintenance, reducing that by 30K. The software update is for SCADA software so we can make our own changes to the system. Now we must contract out for that function, and we want to move away from contractor reliance.

DISTRIBUTION BUDGET - Mark Dalley

Mark Dalley - Increase in contract services due to the increase in the cost of oil and gas, which increases project costs. Repair & Parts increase is to get inventory levels where they need to be. We have lower levels now, plus, parts are more difficult to obtain timely, so we need to house more items. Expect this to balance out after this budget period. We have not budgeted enough in past years for the needed items. Meter operating - meters are more expensive, plus we are doing more repairs that are needed, we have more scheduled. We are now looking at buying half

the number of new meters but increasing the number of repair kits, which will save money. Meals - based on after hours meals, costs are way up. New developments down because we have not received the meters we have already ordered. Able to cut by 22K without any changes.

Locates -this has changed completely, 811 is now \$1.29 a ticket, as of October 15\ they won't manage tickets. So, a 3rd party company is taking that on, so costs are still 811, plus SK on top of that to manage the tickets submitted. The projection includes the number of tickets we are doing each month now. Line items include paint, flags etc.

Dan Mcelley - Are we currently on completing locates the meter and not all the way to house?

Mark Dalley - we have no way of locating where the materials are past our meter, no idea how it was installed, so we just are unable to locate.

Office supply - just cost of materials, same with janitorial. Permits we left unchanged, Mesa County is still way behind on approvals, so the actual should catch up to the budget. Tools and Small Equipment. Looking at replacing some expensive saws, chlorine test kits, the rest is inflation costs. Contract Services, we cut quite a bit. This is due to a change in account designation. Safety went up because the cost of goods, and we are requiring steel toed shoes.

We currently pay for boots, gloves, glasses. Dan Mcelley asked about the reimbursement program. Mark said it's going well; we anticipate this to go down next year because boot wear is minimal so far. Looking to purchase a new gas monitor. Our current monitors are in for repair, more than are available. Also, we have budgeted for a new monitor vs. a used monitor. The original monitor is from 2002, time to replace. Dues & Training is a large increase, due to general training, then CDL classes, plus we need to get a new person up to speed on backflow.

We also want to budget for off-sight training, some great courses available we want to take advantage of. Vehicle Repair increase - that is because we split that item, also, we have older equipment that is costing a lot in repair. Equipment Repair and Maintenance includes all the equipment, big, and small. All repairs are also more expensive. Current maintenance program is lacking, so we are working to stay ahead of repairs before the item is failing. This is more of a realistic projection of needs vs. the last budget.

Dan Mcelley - If something breaks down do you rent?

Mark Dalley - we have 2 back hoes and dump trucks, so we have a backup. However, we have had multiple trucks down which impacted on our ability to complete the project. We should not have these issues with regular maintenance. Fuel is due to fuel costs. Equipment purchases are down because of purchases completed this year. Looking at purchasing MRX and gateway collection.

Jessica Isley - Appreciates efforts to cut costs.

CAPITAL IMPROVEMENT BUDGET - Jacob Lenihan

Jake - Large decrease in distribution and increase in treatment. This is a projection for motor control center project. This involves better pump drives which promote energy savings.

Anticipating 2Mil for treatment improvement. 800K for storage improvements. We don't know the support costs for engineering. Distribution improvements, there is a large decrease due to design support. Getting important projects designed and ready to go, so we are ready to pursue funding in the future. Coffman road line project, shifted to 2024, still have F road going on. That expense is rolling into 2024, very little work on the water lines has been done there. We opted to upsize our line which we are responsible for paying the difference for. Begin looking at pump stations in Whitewater to see what can be done to improve them. The focus will be on transmission lines to whitewater. Most of this budget is for support and design work, other than Coffman. A lot of these are rough estimates. Also included in Distribution are a lot of small clean-up projects. Railroad connection near Murdochs. A couple of Mesa County projects on E Road. As they make these improvements, we will just update the lines. Another project is F ½ to 30 ½ road. That is a big road improvement, and we have a transmission line there. Jake sent emails to the engineering team because it's an asbestos concrete pipe. May want to do a memorandum of understanding. Don't have a timeline yet, not likely for 2024. About 3300' of 16" pipe. Extension of service line and hydrants. Black and Veatch has increased costs, which leaves a lot of items up in the air, hopefully we can dial that down by end of year.

ADMINISTRATIVE BUDGET- GuyWalker

Goals to decrease, challenge to find out how to do so. So, we looked at a 5-year average. Contract Services is due to the addition of new software, Neptune 360. There will be maintenance costs for 2024 as well. The version could have some cost savings down the road, including reads. Water loss will be easier to identify. Other costs are audit, 15-20K, and the website update and upgrade for ADA requirements. Safety - saw an increase due to combing of fire extinguishers and first aid. Dues and Training - taking advantage of opportunities out there. Caselle, HR seminars, we want to be ready to move on those items post COVID. Printing & Postage - moving to a new organization, we hope to see a cost reduction with that change.

Phones - that is due to the Internet being combined as well as Verizon data service. Includes

remote stations as well. Security - combining the district as a whole and remote monitoring through superior.

Dan Mcelley - Can you explain community outreach?

Guy - some items are not hitting like last year, so taking a 5-year average we are cutting that down. A big-ticket item was an endangered fish program of 15K, looks like we need to add that back in. Able to remove the science center due to meeting our commitment. This was a 5-year agreement. The other is the Clifton Library, we met that commitment as well.

LABOR/HR BUDGET - Jennifer Pettingill

Jennifer Pettingill- combined some accounts so that's reflected in Employer Engagement. HR Expenses we needed to increase because \$736.00 was way off the mark. That is for labor law posters and job postings. Hoping for less than 5 postings, which is about \$400.00.

Preemployment and random testing are now combined. Plus, we had to increase global random test.

Wages -Large increase due to an overall 2.5% increase. However, it's going to show more than that is because in the process of budgeting, it was discovered that 1 of the positions was not being accounted for, so that was a large increase. Distribution increased due to a new position, then treatment is a decrease because we have a position open. Going to hold off on filling it at this point because we are evaluating staffing needs. Temp Wages decreased because it was budgeted for treatment instead of distribution. 2 positions at \$21/hour for 12 weeks, this includes a \$1 increase. We only did the 2.5% pay increase because last year was very aggressive. We are still paying higher than the market, so we have a cushion.

Benefits - that one turned out to be a 3.5% increase which is great. Some of the items tied to increased wages will automatically increase. Took current enrollment and used that figure for budgeting. On-Call and OT we added treatment plant to policy, that increased budget.

Distribution we are spending a lot on OT, so we are taking real costs and adding 5%. No good way to pin that down right now. Substantial increase in workman's comp due to an injury.

Unemployment insurance rate to increase as well. Legal shield may go away, staff is not using. Short- and Long-Term insurance we have a decrease because premiums are decreasing due to

paid family medical leave.

Dan Mcelley- how much usage last year?

Jennifer Pettingill - not a lot of usage, but when it's needed it's a major benefit. The cost is insignificant, and it's a good benefit to offer. Particularly the short-term benefit.

DISTRICT MANAGER'S BUDGET - Ty Jones

Ty - No election so no expense is planned. If we are aligned with county elections, we can share the costs. Travel and Dues/Training is for board members as well as staff is for attending annual

conference, as well as the Colorado Water conference. Vehicle purchase for the new vehicles for the entire district, 1 pick up we need to replace, plus we need to acquire or repurpose 1.

Software purchases are disbursed across depts.

Campus upgrade - needs some landscaping done, hopefully in house so just materials.

FINANCE BUDGET - Jessica Isley

Jessica Isley-Expenses - Penalties & Fees not anticipating any, bank charges reflect costs for Xpress Bill Pay credit card fees and monthly charges. We are anticipating an increase due to more people moving online. Insurance has a big jump due to property and liability increase.

Expecting a 6% increase plus catch-up. As we add assets, we will see this increase. Water shares rounded up. Interest and Bond-we have the 2014 revolving fund loan we have principal and interest payments on this for next 10 years.

Depreciation is due to adding more expensive assets.

Revenues: Digging into this now, we are looking at changing account codes. With conversion to Caselle we are not looking at 2 revenue line items, in District and Out of District. Water in/out will be just water. We do have reports to ID, but not listed on budget. No current change until we get rates set.

Ty Jones - spoke to the current rates handout for the Board Members. The packets will also have additional information for you.

Dan Mcelley added that the presentations were well done.

ADJOURNMENT

2:23 PM

ATTEST:


Nicholas Genova


Dan Mcelley