

Public Utility District No.1 of Thurston County

2017 ADOPTED Budget

The 2017 Operating Budget incorporates an increase to water rates of **4.0%** and the continuation of the capital surcharge to implement the Asset Management Plan as discussed further below.

SUMMARY OF OPERATIONAL NEEDS INCORPORATED IN THE 2017 OPERATIONS BUDGET

The 2017 Operating Budget includes:

1. A staffing increase to add a field technician I to assist with the maintenance of our many water systems. Partially offset by removing the work study position used in 2015-2016. Net cost to District \$37,943 plus benefits and payroll taxes.
2. Extra-hire Project Engineer is continued in 2017 at a rate of .20 FTE an annual cost of \$16,640 plus payroll taxes.
3. Step increases for all eligible employees, including small increase to contract employee who assists with the East Lewis County water systems, and 3% increase to General Manager.
4. Maintained annual contribution for replacement vehicles at \$20,000 annually.
5. Maintained line item for cost of moving to new office space, which will be added to rent in future years, \$30,000.

Costs identified for the Growth goal, provide telecommunications events in 2017 have been developed and are presented in the General Fund budget as Other – Telecommunications event as \$5,000. This includes the cost of utilizing Mason PUD #3 equipment and staff to provide the service will be approximately \$2,000 per 2 day event, the cost of a temporary internet feed for a 2-3 day event is approximately \$3,000 per event, for a **total cost of \$5,000**.

Costs identified to provide emergency access to drinking water in the case of natural disaster are still being researched and will be provided as this budget is further developed.

All other cost increases are estimates of the operational cost increases expected for 2017 as outlined in the assumptions that follow.

OPERATING BUDGET ASSUMPTIONS

Interest Income is projected to be at 2016 levels based on current performance of investments.

Property Tax Levy for General Fund is assumed to increase 1% as allowed by Washington statute.

Base Water Revenue forecasts for at the 2016 rate level to include:

1. The addition of new customers from the purchase of water systems acquired by July 31, 2016.
2. The addition of new satellite management contracts know to be in effect by the beginning of 2017.
3. Further review of the base water revenue forecasts as information comes in will further refine the projected revenue needs.

Depreciation/Debt Service includes the cost debt service of all loans including those assumed with the purchase of new water systems.

Salaries & Wages Employees

1. Fully staffed, all eligible employees would receive step increases at the 2016 salary scales = \$18,552.
2. In 2017 if all step increases are granted, 4 employees will be at the top of their range.
3. Salary capitalization (\$35,185) from water fund

Purchase Power – estimated 3% increase over annualized 2016 expense.

Chemicals increased 2% over 2016 Budget.

Materials & supplies this line item was increased to reflect a policy change of how mainline/service line repairs are financed. In the past all mainline/service line repairs were capitalized as a major improvement. With the implementation of the Asset Management Plan it is more consistent to fund mainline/service line repairs through the operations budget Impact on budget is an increase of approximately \$34,000

Energy and other Efficiency Enhancements - included \$5,000.

Contractual Services State Auditor increased slightly (5%) based on published rates from State Auditor's office.

Transportation Expense –

1. Fuel – *Short Term Energy Outlook* published July 12, 2016 by the US Energy Information Administration predicts that on average gasoline prices will remain flat. 2017 estimate is an average of actual costs 2012-2015.
2. Repair cost – vehicles are aging, repair cost remained same as 2016 budget.

Website/IT Support increased for 2017 rate announced by Thurston County.

Credit Card Fees increased \$3,500 for 2017 to reflect addition utilization of online payments by our customers.

EFFECT OF OPERATING BUDGET ON FUND RESERVES

The net result of the adopted budget is that the general fund revenues will exceed general expenses and general fund reserve will have an estimated ending fund balance of \$245,709 which is above our current minimum reserve policy of 60 days.

The net result of the adopted budget is that the water fund revenue will exceed water expenses revenues. The reserve will have an estimated ending fund balance of \$693,935 which is above our current minimum reserve policy of 60 days. Adoption of the 2017 rate increase also places the District's debt service coverage ratio at 2.62 which is above the District's bond covenant coverage requirement of 1.25.

CAPITAL BUDGET

The 2017 capital budget includes ongoing projects that the District has identified in the past and is working to completion.

The major shift in this budget is the incorporation of the proposed funding of the Asset Management Plan through 2017, with a snapshot of replacements expected in 2018-2021. The result of this budget is that all available capital funding will be used to improve the water systems, depleting the capital reserves of the District in 2015. The capital surcharge implemented in 2015 has been collected and placed in a reserve account to be used only for projects identified in the Asset Management Plan. Any reserve will carry over to the following year to be used as needed. It is crucial to the ongoing sustainability of the District to continue to implement the capital surcharge as proposed in 2014.

The Capital Funding Surcharge is to be implemented beginning in 2015 as follows:

Year	\$ Per Month
2015	\$1.00
2016	\$2.90
2017	\$4.80
2018	\$6.70
2019	\$8.60
2020	\$10.50
2021	\$12.40

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General Fund Worksheet

	Actual				Budget	YTD	Projection	Adopted
	2012	2013	2014	2015	2016	Jun-16	2016	2017
Estimated Beginning Fund Balance					196,496		228,749	241,250
Income								
419 · Interest Income	2,052	1,102	1,238	1,213	1,000	718	1,435	1,400
421 · Non-utility Income								
421.1 · Tax Levy Income	250,374	256,389	260,342	268,195	263,967	275,359	264,400	266,607
Total 421 · Non-utility Income	250,374	256,389	260,342	268,195	263,967	275,359	264,400	266,607
460 · Unmetered Water Revenue								
474 · Other Revenue								
414 · Sales of Equipment	8,418	0	0	0	0	0	0	0
469 · Ready to Serve								
474.1 · Surcharge Collection	0	0	0	0	0	0	0	0
474.2 · Other Reimbursable Income	45	3	12	0	0	0	0	0
436 · Grant Revenue	0	0	0	0	0	0	0	0
430 · Developer Fees	0	0	0	0	0	0	0	0
474 · Revenue from SMA Contracts	0	0	0	0	0	0	0	0
Total 474 · Other Water Revenue	8,462	3	12	0	0	0	0	0
Total Income	260,888	257,494	261,591	269,408	264,967	276,077	265,835	268,007
Additional Income from proposed rate increase								
Total Budgeted Income after rate adjustment	260,888	257,494	261,591	269,408	264,967	276,077	265,835	268,007
Expense								
403 · Depreciation Expense/Debt Service	11,684	12,213	11,866	14,172	10,516	5,246	12,213	6,000
408 · Taxes other than Income								
408.12 · Payroll Taxes	8,152	9,214	10,259	9,997	10,912	4,271	11,142	11,055
408.13 · Other Tax & License	30	0	0	0	0	0	0	0
408.2 · State Public Utility Tax	0	0	0	0	0	0	0	0
Total 408 · Taxes other than Income	8,182	9,214	10,260	9,997	10,912	4,271	11,142	11,055
427 · Interest Expense								
427.32 · Interest on Bonds	0	0	0	0	0	0	0	0
427 · Interest Expense - Other	0	0	0	0	0	0	0	0
Total 427 · Interest Expense	0	0	0	0	0	0	0	0
... · Allocate Labor costs to capital projects								
601 · Salaries/Wages Employees	50,727	56,765	61,168	61,540	40,206	21,406	42,812	41,409
603 · Salaries - Com'srs	45,079	48,998	59,400	59,400	59,400	28,050	56,100	59,400
603.1 · Com'srs Mtg Compensation	14,144	15,204	16,858	18,069	18,012	9,120	18,240	18,012
603.2 · Watershed Planning	728	691	94	0	4,236	0	0	4,236
604 · Emp Pension & Benefits	24,473	20,429	29,323	25,898	26,051	12,018	24,035	26,025
610 · Purchased Water	0	0	0	0	0	0	0	0
615 · Purchased Power	219	185	222	230	300	107	300	300
618 · Chemicals	0	0	0	0	0	0	0	0
620 · Materials & Supplies	0	0	0	0	0	0	0	0
625 · Energy Efficiency Enhancements	0	0	0	0	0	0	0	0
631 · Contr. Svcs. - PS/Board Retreat	0	0	0	0	2,500	0	0	1,600
632 · Contr. Svcs. - Accounting	0	0	0	0	0	600	600	1,000
633 · Contr. Svcs. - Legal	9,600	10,620	11,528	11,533	11,520	4,830	11,000	11,520
635 · Contr. Svcs. - Studies	0	0	0	36	0	0	0	0
636 · Contr. Svcs. - Testing	0	0	0	0	0	0	0	0
637 · Contr. Svcs. - Janitorial	293	244	244	244	150	61	121	150
638 · Contr. Svcs. - State Auditor	6,667	6,979	5,464	5,870	5,880	93	5,880	6,174
641 · Rental of Bldg/Real Prop.	4,964	4,957	5,007	4,976	2,734	1,448	2,896	2,734
642 · Rental Equipment	0	0	0	0	0	0	0	0
6xx · Facilities Acquisition Fund	0	0	0	0	0	0	0	0
650 · Transportation Expense								
650.1 · Fuel	0	0	0	0	0	0	0	0
650.2 · Licensing	0	0	0	0	0	0	0	0
650.3 · Mileage	309	170	580	334	1,000	56	112	700
650.4 · Repairs & Maintenance	0	0	0	0	0	0	0	0
650 · For Replacement Vehicles	8,418	0	0	0	0	0	0	0
Total 650 · Transportation Expense	8,727	170	580	334	1,000	56	112	700
650 · Insurance - Gen'l Liab.	3,987	2,961	3,018	4,129	4,100	4,100	4,100	4,100
660 · LegalAdv/Public Info Expense	1,367	1,855	127	23	0	351	351	0
670 · Bad Debt Expense	0	0	0	0	0	0	0	0
675.01 · Election Costs	42,000	27,169	47,556	39,812	50,000	0	45,000	50,000
675 · Miscellaneous Expense								
675.02 · Office Expense	3,571	5,107	4,767	5,728	3,517	2,048	3,517	3,517
675.03 · Meeting Cost Com'srs	4,871	2,122	2,092	2,850	1,700	1,613	3,227	3,200
675.04 · Meeting Costs Staff	103	0	0	1	0	38	76	0
675.05 · Telephone Expense	496	1,593	1,933	2,289	1,528	731	1,461	1,528
675.06 · Dues & Subscriptions	8,146	7,348	7,956	6,994	8,300	4,330	8,300	8,300

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General Fund Worksheet

	Actual				Budget	YTD	Projection	Adopted
	2012	2013	2014	2015	2016	Jun-16	2016	2017
675.07 · Website/IT Support	5,768	3,290	3,485	3,897	1,850	457	1,850	2,015
675.08 · (Other) Telecommunications Event	0	0	0	0	0	0	0	5,000
675.10 · Conservation	0	0	0	0	0	0	0	0
675.12 · Staff Training	0	35	2,100	0	0	0	0	0
675.13 · Postage	0	0	0	29	0	0	0	0
675.14 · Printing	83	0	92	0	0	0	0	0
675.15 · Credit Card Fees	0	0	0	0	0	0	0	0
675 · Miscellaneous Expenses	23,039	19,495	22,424	21,787	16,895	9,217	18,432	23,560
Total Expense	255,879	238,149	285,140	278,050	264,412	100,974	253,334	267,976
To(From) Reserves	5,009	19,345	(23,548)	(8,642)	554	175,103	12,501	31
Capital Projects (Telecommunications)	50,000							
To(From) Reserves	(44,992)	19,345	(23,548)	(8,642)	554	175,103	12,501	31
Estimated Ending Fund Balance			228,749		197,051		241,250	241,281
Minimum Reserve Per Financial Policy (60 days)	42,062	39,148	46,872	45,707	43,465		41,644	44,051
Proposed Minimum Reserve Discussed (90 days)	63,093	58,722	70,308	68,560	65,198		62,466	66,076

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Water Fund Budget Worksheet

	Actual				Budget	YTD	Projection	Adopted
	2012	2013	2014	2015	2016	Jun-16	2016	2017
Estimated Beginning Fund Balance					688,999		688,680	688,411
Income								
419 · Interest Income	19,385	12,286	11,326	13,278	10,000	7,154	14,309	10,000
421 · Non-utility Income								
421.1 · Tax Levy Income	0	0	0	0	0	0	0	0
Total 421 · Non-utility Income	0	0	0	0	0	0	0	0
460 · Unmetered Water Revenue								
460.1 · Residential	13	0	71	33,852	896	12,223	24,445	24,192
Total 460 · Unmetered Water Revenue	13	0	71	33,852	896	12,223	24,445	24,192
461 · Metered Water Revenue								
461.11 · Residential Base	899,179	954,229	1,048,563	1,093,142	1,134,946	566,769	1,135,843	1,130,997
461.12 · Residential Consumption	703,015	705,885	804,787	923,886	840,631	382,791	811,695	849,717
461.21 · Commercial Base	43,989	47,291	48,060	44,739	41,603	23,350	41,603	43,967
461.22 · Commercial Consumption	84,386	77,678	71,404	75,165	85,773	19,586	82,833	67,746
461.23 · Rec Center Contract Base	525	547	569	569	569	285	569	569
461.24 · Rec Center Contract Consumption	496	0	759	893	773	450	1,312	1,477
461.51 · Multifamily Base	74,170	81,567	84,926	84,057	84,054	42,235	84,054	84,054
461.52 · Multifamily Consumption	122,812	127,222	136,890	155,049	146,925	61,934	140,467	145,669
Total 461 · Metered Water Revenue	1,928,572	1,994,419	2,195,957	2,377,501	2,335,274	1,097,399	2,298,376	2,324,196
465 · Sales to Irrigation								
465.2 · Irrigation Base	21,386	14,416	23,170	13,101	16,447	5,662	16,447	11,324
465.3 · Irrigation Consumption	43,388	48,372	63,210	72,291	63,445	29,524	61,271	61,271
Total 465 · Sales to Irrigation	64,774	62,788	86,380	85,392	79,892	35,186	77,718	72,595
471 · Miscellaneous Svc Revenue								
471.1 · Reimb of Damage Costs	17,744	0	497	10	0	0	0	0
471 · Misc Service Revenue	48,156	44,505	46,615	51,121	45,000	27,080	54,160	55,000
Total 471 · Miscellaneous Svc Revenue	65,900	44,505	47,113	51,131	45,000	27,080	54,160	55,000
474 · Other Water Revenue								
414 · Sales of Equipment	0	0	0	0	0	0	0	0
469 · Ready to Serve	0	14,600	18,025	21,110	19,670	0	0	0
474.1 · Surcharge Collection	31,675	24,443	133,606	76,328	52,030	25,858	51,846	52,030
474.1 · NEW Capital Surcharge	0	0	0	44,409	42,864	64,547	128,722	214,805
474.2 · Other Reimbursable Income	0	0	0	145	0	0	0	0
436 · Grant Revenue	0	0	0	0	0	0	0	0
430 · Developer Fees/Contributed Capital	0	0	0	0	0	0	0	0
415 · Revenue from SMA Contracts	102,984	108,052	88,190	89,622	75,000	53,277	97,674	108,686
Total 474 · Other Water Revenue	134,659	147,096	239,821	231,614	189,564	143,682	278,241	375,522
Total Income before rate adjustment	2,213,302	2,261,094	2,580,667	2,792,768	2,660,626	1,322,723	2,747,249	2,861,505
Additional Income from 2016 rate increase								86,446
Total Budgeted Income after rate adjustment	2,213,302	2,261,094	2,580,667	2,792,768	2,660,626	1,322,723	2,747,249	2,947,951
Expense								
403 · Depreciation Expense/Debt Service	302,252	424,567	431,483	440,106	453,778	226,889	453,778	460,479
408 · Taxes other than Income								
408.12 · Payroll Taxes	49,515	49,090	50,810	54,349	96,498	34,549	84,097	101,643
408.13 · Other Tax & License	10,676	15,219	10,776	15,081	18,000	13,735	17,500	18,000
408.2 · State Public Utility Tax	106,131	100,715	122,663	133,012	123,829	50,405	118,904	129,787
Total 408 · Taxes other than Income	166,322	165,024	184,249	202,442	238,327	98,688	220,501	249,430
427 · Interest Expense								
427.32 · Interest on Bonds	100,150	95,656	95,497	93,472	88,000	44,206	88,412	80,000
427 · Interest Expense - Loans	12,842	17,068	27,859	16,422	15,000	0	20,000	17,000
Total 427 · Interest Expense	112,991	112,724	123,356	109,894	103,000	44,206	108,412	97,000
... · Allocate Labor costs to capital projects					(33,240)			(35,185)
601 · Salaries/Wages Employees	656,362	619,466	668,221	681,222	811,587	409,776	819,552	854,860
603 · Salaries - Com'srs	0	0	0	0	0	0	0	0
603.1 · Com'srs Mtg Compensation	0	0	0	0	0	0	0	0
603.2 · Watershed Planning	0	0	0	0	0	0	0	0
604 · Emp Pension & Benefits	234,784	197,767	261,732	229,479	303,145	159,483	333,967	311,395
610 · Purchased Water	67,075	70,632	76,039	35,361	9,552	3,946	8,500	9,552

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Water Fund Budget Worksheet

	Actual				Budget	YTD	Projection	Adopted
	2012	2013	2014	2015	2016	Jun-16	2016	2017
615 - Purchased Power	79,403	82,732	97,242	104,188	104,485	53,857	107,713	110,945
618 - Chemicals	28,510	24,859	41,177	34,942	36,180	15,855	35,711	36,904
620 - Materials & Supplies	71,862	62,084	89,904	102,032	100,000	50,602	112,000	134,383
625 - Energy Efficiency Enhancements	0	0	0	0	5,000	0	0	5,000
632 - Contr. Svcs. - Accounting	0	0	0	0	0	3,600	3,600	4,000
631 - Contr. Svcs. - Engineer	27,765	10,738	31,257	35,999	25,000	4,040	8,080	25,000
633 - Contr. Svcs. - Legal	17,419	20,293	21,141	21,976	22,280	7,332	14,663	22,280
635 - Contr. Svcs. - Other	0	18,110	43,829	0	0	0	0	0
636 - Contr. Svcs. - Testing	40,332	37,085	37,596	45,424	41,388	20,149	40,298	41,802
637 - Contr. Svcs. - Janitorial	2,635	2,196	2,196	2,782	2,785	1,150	2,299	2,850
638 - Contr. Svcs. - State Auditor	6,667	6,979	5,297	5,870	5,880	93	5,880	6,174
641 - Rental of Bldg/Real Prop.	44,679	44,893	45,061	44,784	50,882	23,413	46,825	50,882
642 - Rental Equipment	1,169	143	51	0	2,000	71	1,000	2,000
6xx - Facilities Acquisition Fund	0	0	0	0	0	0	0	0
650 - Transportation Expense								
650.1 - Fuel	36,614	34,093	33,315	26,403	35,719	12,147	27,519	33,229
650.2 - Licensing	0	0	0	0	0	0	0	0
650.3 - Mileage	0	0	1,489	2,041	1,600	665	1,600	1,000
650.4 - Repairs & Maintenance	8,223	13,304	5,403	9,227	11,000	9,774	11,000	11,000
650 - For Replacement Vehicles	12,141	19,000	11,000	11,000	20,000	0	20,000	20,000
650 - Transportation Expense	56,978	66,396	51,207	48,671	68,319	22,586	60,119	65,229
657 - Insurance - Gen'l Liab.	20,860	18,324	17,859	23,606	30,000	23,710	30,000	30,000
660 - LegalAdv/Public Info Expense	1,607	3,148	5,076	3,858	6,000	803	1,607	6,000
670 - Bad Debt Expense	53	0	0	3,500	2,000	0	2,000	2,000
675.01 - Election Costs	0	0	0	0	0	0	0	0
675 - Miscellaneous Expense								
675.02 - Office Expense	41,975	52,857	46,844	53,906	61,920	25,858	51,715	61,920
675.02 - Moving/future rent Expense	0	0	0	0	30,000	0	30,000	30,000
675.03 - Meeting Cost Com'srs	66	314	2,242	1,867	1,700	1,613	3,227	3,200
675.04 - Meeting Costs Staff	1,814	2,643	1,892	4,567	4,600	1,890	4,600	3,600
675.05 - Telephone Expense	9,188	8,335	7,590	7,355	8,632	4,166	8,582	8,632
675.06 - Dues & Subscriptions	6,079	6,538	5,971	6,962	8,000	5,008	8,500	8,500
675.07 - Website/IT Support	23,415	29,334	31,369	35,073	35,150	8,681	34,725	38,285
675.08 - Other	3,626	4,419	74	865	6,000	549	6,000	6,000
675.10 - Conservation	0	968	550	850	3,500	200	1,500	2,500
675.12 - Staff Training	3,450	9,476	3,121	8,325	15,500	2,531	12,500	15,000
675.13 - Postage	20,863	21,644	23,306	25,737	24,500	11,399	23,300	24,000
675.14 - Printing	17,880	14,104	17,675	14,417	16,500	5,195	14,500	15,500
675.15 - Credit Card Fees	8,189	11,956	13,193	17,223	14,000	8,079	17,000	17,500
675 - Miscellaneous Expenses	136,544	162,588	153,827	177,148	230,002	75,168	216,149	234,637
Total Expense	2,076,271	2,150,749	2,387,800	2,353,284	2,618,350	1,245,416	2,632,654	2,727,617
To(From) Reserves	137,031	110,345	192,867	439,484	42,276	77,308	114,595	220,334
Capital Projects - From Reserve	70,000				42,864	0	128,722	214,805
To(From) Reserves	67,031	110,345	192,867	439,484	(588)	77,308	(14,127)	5,529
Estimated Ending Fund Balance			688,680		688,411		674,553	693,940
Minimum Reserve Per Financial Policy (60 days)					430,414			448,375
Proposed Minimum Reserve Discussed (90 days)	519,068	537,687	596,950		654,588			672,563
Debt Service Coverage (1.25 Minimum)					2.04			2.61
Revenue increase proposed operating budget								3.57%