VILLAGE OF TAOS SKI VALLEY
FY 2013 BUDGET SUMMARY

Looking to the future of the Village of Taos Ski Valley, staff has taken the approach to develop a budget that will maintain current expenses, while also initiating and supporting cash reserves for the General Fund to provide funding for the Village's slow period from July to December of each year. By taking these steps now with this budget, staff is recommending how to strengthen the budget for sustainability in longer-term low economic periods and to provide reserves for debt service on future projects. Each department was asked to control costs with restricted revenue in mind, and we've cut cost in some line items where we saw it feasible. Staff utilized a conservative cash-flow and considered an escalating expenditure basis while preparing this budget and summary.

Staff's first objective was to maintain the budget. To accomplish this, staff first identified the need to reanalyze the water, sewer, and trash rate structure. We've seen a one million gallon drop in water usage. Even though we're looking at this annually, as a one year event staff feels that this will be a trend because of water conservation. The goal of the new rates was to make the system pay for itself and provide a reserve to pay for aging infrastructure as well as expanding the system. After analyzing the water, sewer, and trash rates implemented in January 2011, staff has deemed it necessary to revisit and adjust the rate structure that will bring cash flows more in-line with previous years. The January 2011 rate structure was overcompensating to the variable rate of gallons used; because it was tied to the gallon usage. Calendar year 2010 revenue was $724,660, whereas calendar year 2011 showed $432,001, which is approximately $289,000 or about a 40% drop.

According to McLaughlin Water Engineers (MWE), the Village rate structure should be 70% fixed and 30% variable or usage. The reasoning for this is that the fixed amount goes to support the treatment plant that is a fixed asset with a relatively fixed cost. Previous to January 2011, rate structure was 50/50, fixed/variable. January 2011 put into place a rate structure that was approximately 35/65 fixed/variable, which is opposite what MWE, our water experts suggested. Broken out into private and commercial, staff is proposing a rate structure that will bring this more in-line with higher fixed and lower variable suggested by MWE. Staff foresees the need to gradually move towards the 70/30 recommended by MWE. Staff also proposed to make trash collection/revenues a sustainable fund. We will begin to charge a fixed rate for trash instead of a variable rate dependent on the water and sewer bill.

When looking to the Village future, initiating General Fund cash reserves build up is priority number one. At present, most fund reserves do not have a balance or have a minimal balance at best (Fire Capital excluded). Reserves should be built up for future use to enable debt service for five most pressing areas. Understanding the Treatment Plant is the highest priority once the General Fund is shored up, the five general areas are: General Reserve, VTSV Buildings (Treatment Plant, DPS building, Admin building), Streets, Land Acquisition (Town Site Act), and O&M (operations and maintenance). In order to proceed forward with building reserves for the Village, it is staff's recommendation to raise the Ad Valorem Tax Rate from 4% to the authorized 7.65%. If the Village sees the need to build reserves and does not proceed with the Ad Valorem Tax Rate increase, severe cuts to the budget will have to be executed.

One funding source that has been identified that we need to set aside is the Kit Carson Franchise Fee. These fees have been comingled with other funding sources in the General Fund. These funds were utilized during our low income period to pay for expenses the proper revenues could not support. To paraphrase the franchise agreement, fees will be utilized to remove overhead power lines, place three phase lines in the ground, and a portion should go for Village lighting. The staff strongly feels, for accounting methods that support the franchise agreement, these funds must be separated and not be used for other unintended purposes. These fees will now be separated and accounted for in the General Reserve Fund.

SALARIES & BENEFITS:

As of October 2011, COLA was estimated at 3.6%. In an effort to keep our employees pay from falling too far behind concerning COLA, the Village Administrator is proposing a 1% COLA with a possibility of an additional 1% merit increase. All employees will get the full 1% COLA adjustment, but it will be the Department Heads' discretion on how much each employee will get in regards to the 1% merit amount. Not all employees will get the full 1% merit increase. In addition to the COLA and merit, we have held in place buy-back time, overtime, and increase in grade for getting higher water and sewer certifications. While the management team deserves the full 1% merit increase, the Village Administrator would like to reward the outstanding efforts of the management team by putting forth a .5% merit raise for each individual. The management team understands the tight budget and concurs with this decision.

We have received verification that the property and liability insurance will remain the same, which is very good news. However, we have heard that the employee health insurance will be going up between 5 to 10%. In forecasting the effect on our budget, staff utilized the 10% increase to insurance. To try to bring the Village more in-line with other municipal bodies in the immediate area, the employee contribution towards spouse/family coverage will go from 10% to 15%. The goal would be to eventually raise this from 15% to 20% over the next three to four years. We have issued a RFP for insurance agent/broker service to reevaluate our insurance. Staff feels, with the ever changing health insurance market, we must explore better options if available, with the caveat that we can hold our existing coverage.

Staff advises to maintain the same matching for PERA coverage and MPPP for this fiscal year. And, the staff maintains recommendation of the $259 per employee for health incentive.

CONTRACT LAWYERS:

Over the past year, there have been unforeseeable legal fees that have arisen. Staff sees this as having a high impact on our budget for a minimum of one to three more years. There is a chance that some of the legal fees could be reimbursed, but staff highly recommends that we do not count on any of the fees being reimbursed at a later date.

PUBLIC WORKS DEPARTMENT

In a previous budget year we combined the water, sewer and roads operating into one budget simply called Public Works. This did not seem to be as beneficial accounting and tracking wise as was thought, so we will be reverting back to the separate funds for accounting and tracking, which fall in-line with DFA reporting.

The number one priority for Public Works is a new treatment plant. Since the new permit with more stringent standards has been in effect and customers are conserving water and becoming more environmentally aware, the treatment for ammonia/nitrogen has become labor intensive, equating to higher operations and supply costs. As identified on the Water-Sewer budget, even with the adjustment of rates more in-line with past revenue, the Water-Sewer budget does not produce enough revenues to allow for funds being moved into the Water Depreciation and Sewer Depreciation Reserves. Since this revenue stream will be used for debt service to secure funding for a new treatment plant and also operation and maintenance cost on the existing infrastructure, these funds will be critical as the Village moves forward.

Road Expenses – We will be utilizing impact fees to lessen the burden on the General Fund. In this fiscal year we will be utilizing impact fees to cover Loader payment and also NM DOT match requirement. As with last year, we do not anticipate any extra for dust control but the Public Works Department will try to set up some type of spray application on one of our trucks to wet down the roads periodically.

Environmental Expenses – The baler project did not move forward last year due to funding, but Village is still looking into this opportunity to get a cardboard baler, which also crushes and bales aluminum cans. Aluminum could be baled and stored on site until we could haul it somewhere for resale along with the cardboard. We are looking into the feasibility of doing this along with the possibility of purchasing a glass pulverizer. We would plan to use the pulverized glass for bedding material in our trenches. The issue we have with doing all this is that we are limited by space and manpower. Currently we are spending more on trash and recycling than we are taking in and adjustments are made in this budget to correct this. If we could eventually purchase our own equipment to haul recyclables, we could not only save money on paying for the pull for these items, but we could also make a little money for the recyclable items. It is our hope that the cost to purchase this would be offset by the savings from not hauling it.

COMMUNITY DEVELOPMENT
Capital Improvement Projects

- **Core area water tank and pressure reducing stations:** These projects have been pretty much completed except for the final electrical controls installation.
- **The Kachina water tank, controls, and piping project:** A Water Trust Board grant for $1.88 million has been applied for, but if we do not receive this funding, this project will not move forward this year.

- **The Phoenix springs chlorination and metering station:** Designed and planned, this project should be completed early next fiscal year. All funding has been secured and is encumbered for this project.
- **The Kachina sewage lift station:** The majority of this project has been accomplished with the remaining items to be completed this fiscal year or early next fiscal year. All funding has been secured and is encumbered for this project. The staff will look into property owners that will be served by this project and should be assessed separately for these improvements which will pay back the loan. If an assessment for this past project cannot be put into place, staff might be coming back to council to propose a fee to recoup this project amount.
- **The NMDOT Road COOP:** This will be a total budget of $60K. Work will be concentrated along the intersection of Phoenix Switchback and Twining, also blading, grading, drainage along various village roads. This is a 75% NMDOT & 25% VTSV split; this fiscal year we will be utilizing impact fees to cover VTSV match.
- **The USFS Town Site Act:** Treatment plant land acquisition could possibly be conveyed for a fraction of market rate, but, to adhere to conservative budgeting, staff feels that funding should be maintained for purchase at full market rate. Funding will be required for any additional fees necessary to secure the transfer, i.e. surveys, appraisals, etc.
- **The Kit Carson three phase:** The conversion from overhead to underground will continue this year. In the need to hire a new contractor, the Village will be releasing a RFP towards end of fiscal year 2012. The main focus is to remove the overhead electric (cabin phase) line between the Phoenix Switchback and the beaver pond. Funding will come from franchise fees collected by Kit Carson Electric dedicated for this use.

ADDITIONAL FUNDING RECOMMENDATIONS

As presented, the revenue sources are limited and are only just keeping up with day to day operational and maintenance expenses. It is clearly evident that the revenue sources to date are not adequate to sustain all funds during multi-year slow periods, much less to build reserve funds for CIP or debt service leverage. The Village has started to take the proper steps by refinancing and repurposing funds, loans and grants. The Ad Valorem tax and the Sewer and Water fees increases are sources the Village must initiate. Present sources and possible other sources of funding must be researched, evaluated and adjusted if need be. Present sources: An in-depth market analysis and evaluation of all existing fees presently charged by the Village will be performed. Possible other source: One fee that is seen in Colorado at ski resorts is a type of lift fee or tax that is levied on each ticket which is paid to the municipalities for services, infrastructure, and support. More research and market analysis is required to see if this is an option that the Village residents, commercial businesses, and Ski Valley would like to pursue. All funding sources need to be considered as the Village moves into the future.