



Winchester Municipal Utilities
MEMORANDUM

TO: WMU COMMISSIONERS
FROM: JENNIFER SPARKS
COPY: BUDGET FILE
DATE: May 25, 2018
SUBJECT: 2018/2019 OPERATING & CAPITAL BUDGET

Per the recommendation of the Budget Committee, the summary sheets of the 2018/2019 Operating and Capital Budget are attached for your review. The complete budget with the detail sheets is available for review at your request.

**Winchester Municipal Utilities
2018-19 Operating Budget
Comparative Income Statement**

	2016-17 Actual	2016-17 Budget	2017-18 Budget	2018-19 Budget	Change from	
					2016-17 Actual	2017-18 Budget
Operating Revenue						
Water	5,266,430	5,452,000	5,464,000	5,141,000	-2.38%	-5.91%
Wastewater	8,578,082	8,580,400	8,780,400	7,658,400	-10.72%	-12.78%
Solid Waste	3,583,978	3,520,000	3,559,000	3,574,000	-0.28%	0.42%
Total Operating Revenue	17,428,490	17,552,400	17,803,400	16,373,400	-6.05%	-8.03%
Operating Expenses						
Water	2,093,726	2,463,770	2,568,860	2,482,216	18.55%	-3.37%
Wastewater	3,604,148	3,845,740	4,015,660	3,798,821	5.40%	-5.40%
Solid Waste	1,495,108	1,637,060	1,727,070	1,881,250	25.83%	8.93%
Administrative	1,758,541	1,883,450	1,903,160	1,899,010	7.99%	-0.22%
Field Operations	258,994	418,590	370,530	377,230	45.65%	1.81%
Vehicle Maintenance	107,593	164,220	174,960	155,090	44.14%	-11.36%
Interest on Security Deposits	499	800	800	800	60.31%	0.00%
Depreciation	4,803,979	5,013,000	5,035,000	5,065,000	5.43%	0.60%
Total Operating Expenses	14,122,589	15,426,630	15,796,040	15,659,417	10.88%	-0.86%
Net Operating Income	3,305,901	2,125,770	2,007,360	713,983	-78.40%	-64.43%
Non-Operating Income						
Interest Income	132,405	111,150	128,800	188,050	42.03%	46.00%
Other Income	216,287	192,700	186,900	184,600	-14.65%	-1.23%
Total Non-Operating Income	348,692	303,850	315,700	372,650	6.87%	18.04%
Income available for debt service	3,654,593	2,429,620	2,323,060	1,086,633	-70.27%	-53.22%
Interest Expense						
Interest on Bonds and Notes	1,652,933	1,655,479	1,588,594	1,984,505	20.06%	24.92%
Amortization of Issue Cost/Discount/Call Premium	16,800	16,795	16,795	26,001	54.77%	54.82%
Total Interest Expense	1,669,733	1,672,274	1,605,389	2,010,506	20.41%	25.23%
Net Income	1,984,859	757,346	717,671	(923,873)	-146.55%	-228.73%

**Summary - All Departments
2018-19 Operating Budget
Operations and Maintenance Expense**

	2016-17 Actual	2016-17 Budget	2017-18 Budget	2018-19 Budget	Change from	
					2016-17 Actual	2017-18 Budget
Employee Expenses *						
2 Wages	2,658,605	2,970,870	2,969,490	3,058,760	15.05%	3.01%
3 Overtime Wages	161,776	230,680	230,010	235,300	45.45%	2.30%
5 Maint/Repair by Vehicle Dept	113,510	83,180	88,650	108,740	-4.20%	22.66%
6 Social Security Tax - FICA	195,829	259,460	259,230	267,610	36.66%	3.23%
8 Unemployment Insurance	3,306	5,120	5,120	5,120	54.86%	0.00%
10 Workman's Compensation	171,551	151,340	189,990	150,650	-12.18%	-20.71%
11 Physician Fees	9,521	11,550	11,650	9,350	-1.79%	-19.74%
12 Health and Dental Insurance	674,834	728,420	826,020	939,400	39.20%	13.86%
13 Life Insurance	8,689	9,870	10,320	10,650	22.57%	3.20%
14 Pension Plan	569,161	629,090	645,340	746,290	31.12%	15.64%
15 Dues and Memberships	5,193	16,260	18,160	9,000	73.30%	-50.44%
16 Uniforms/Safety Equipment	51,341	76,250	74,750	58,500	13.94%	-21.74%
17 Safety Program	11,773	25,000	25,000	25,000	112.35%	0.00%
18 Education, Licenses and Training	13,975	25,400	23,000	18,300	16.64%	-29.13%
Total Employee Expenses	4,649,064	5,222,490	5,375,730	5,640,670	21.33%	4.93%
Other O&M Expenses						
19 Purchased labor	342,346	359,600	504,600	443,700	29.61%	-12.07%
20 Vehicle Operation	174,698	229,000	225,200	230,500	31.94%	2.35%
21 Vehicle Maintenance/Repair	91,612	114,000	114,870	109,500	19.53%	-4.87%
22 Landfill Charges	400,748	384,600	501,000	495,200	23.57%	-1.16%
23 Landfill Closure Expense	2,635	0	0	0	-	-
24 Heavy Equip - Operation	797	10,500	17,500	15,000	1782.08%	-14.29%
25 Heavy Equip - Maint/Repair	8,706	10,000	11,000	6,800	-21.89%	-38.18%
26 Heavy Equip - Rental/Pick Up	1,027	16,500	61,500	14,100	1272.52%	-77.07%
27 Leachate Hauling and Treatment	0	0	0	0	-	-
30 Purch Maint/Repair - Fixed Assets	220,835	289,600	286,600	275,600	24.80%	-3.84%
31 Field Supplies	12,977	17,400	17,000	15,400	18.67%	-9.41%
32 Matl for Maint/Repair - Fixed Assets	189,397	166,700	209,600	219,600	15.95%	4.77%
34 Small Equipment - Repr & Oper	23,348	16,300	18,800	18,800	-19.48%	0.00%
35 Meter Repairs	0	0	0	0	-	-
36 Maintenance Agreements	84,918	110,000	100,000	92,000	8.34%	-8.00%
37 Small Equipment - Purch & Rental	14,919	25,550	25,250	22,200	48.81%	-12.08%
40 Electricity	1,375,188	1,375,900	1,442,900	1,331,900	-3.15%	-7.69%
41 Heating Fuel	6,031	8,600	8,600	8,600	42.60%	0.00%
42 Water	0	0	0	0	-	-
44 Telephone	58,006	55,550	56,800	54,700	-5.70%	-3.70%
46 Property Insurance	296,028	314,310	345,920	332,530	12.33%	-3.87%
49 Furniture and Fixtures	1,800	8,200	8,200	5,400	199.95%	-34.15%
50 Office Supplies	8,117	12,700	11,900	10,300	26.89%	-13.45%
51 Printing	16,544	16,050	17,250	14,800	-10.54%	-14.20%
52 Postage	70,427	95,250	95,250	83,000	17.85%	-12.86%
54 Subscriptions and Publications	429	850	850	450	5.02%	-47.06%
55 Public Relations	776	700	1,000	1,000	28.87%	0.00%
56 Computer Services	10,340	16,400	12,400	7,000	-32.30%	-43.55%
57 Computer Supplies	5,160	22,000	17,750	11,400	120.92%	-35.77%
60 Chemical Treatment Supplies	648,850	836,500	636,000	484,500	-25.33%	-23.82%
63 Film Processing	0	0	0	0	-	-
64 Laboratory Supplies	38,133	40,700	41,700	43,000	12.76%	3.12%
65 Outside Laboratory Analysis	32,270	35,200	33,700	32,700	1.33%	-2.97%
66 Meter Replacements	0	100	100	100	-	0.00%
67 New Services	1,772	2,000	2,000	2,000	12.85%	0.00%
68 Renew Services	9,032	7,500	5,500	5,200	-42.43%	-5.45%
70 Travel Expense	4,880	10,450	9,950	7,000	43.46%	-29.65%
72 Meeting Expense	840	1,100	1,100	700	-16.70%	-36.36%
74 Bad Debt Expense	61,200	61,000	61,000	61,000	-0.33%	0.00%
76 Advertising	644	2,000	2,000	2,000	210.49%	0.00%
80 Professional Fees	114,090	167,500	131,500	149,000	30.60%	13.31%
81 Professional Fees - IPT Program	63,454	83,000	83,000	71,000	11.89%	-14.46%
82 Professional Fees - CCGIS	86,999	87,000	87,000	87,000	0.00%	0.00%
83 Collection Service Charge	1,617	4,500	4,500	500	-69.07%	-88.89%
84 Miscellaneous Employee Benefits	9,505	12,000	12,000	12,000	26.25%	0.00%
85 Discounts	(5,169)	(4,000)	(4,000)	(4,000)	-22.62%	0.00%
86 Service Charges	173,124	155,930	154,620	165,667	-4.31%	7.14%
88 Cash Over/Short	375	0	0	0	-100.00%	-
90 Cleaning Supplies	9,623	11,600	11,100	14,100	46.53%	27.03%
Total Other O&M Expenses	4,669,047	5,190,340	5,384,510	4,952,947	-4.57%	-8.01%
Total Departmental O&M	9,318,111	10,412,830	10,760,240	10,593,617	1.74%	-1.55%
* Total Wages and Salaries Budget						
Wages Charged to Operations	2,658,605	2,970,870	2,969,490	3,058,760	15.05%	3.01%
Wages Charged to Capital Projects	113,777	106,990	100,430	95,495	-16.07%	-4.91%
Wages Charged to Vehicle Maintenance	113,510	83,180	88,650	108,740	-4.20%	22.66%
Total Wages and Salaries	2,885,892	3,161,040	3,158,570	3,262,995	13.07%	3.31%

Winchester Municipal Utilities
2018-19 Operating Budget
Allocation of Debt Service Costs to Utilities

Department Administrator/Bond	Principal	Interest	Service Fee / Expenses	Amortization of Discount	Amortization of Issue Cost
Ky Bond Financing Series 2011	396,250	315,369	17,156	7,359	0
Bank One Series 2012	325,000	184,744	0	2,822	0
US Bank Series 2014	220,000	322,006		6,614	
Bank of America Series 2018	0	444,144		9,207	
KIA					
Strodes Creek Wastewater Plant	1,048,495	112,871	22,574		
Vaught Court Wastewater Improv.	13,856	3,650	365		
Industrial Park Tank Rehab	16,245	4,485	561		
Lower Howards Crk Wastewater 100%	1,662,280	567,076	56,708		
BelAir Sanitary Sewer Improv. 100%	24,400	8,324	832		
Hampton Manor Sewer Improv.	52,661	21,837	2,472		
Total Debt Service	3,759,186	1,984,505	100,668	26,001	0
Water					
Ky Bond (2011) 87%	344,738	274,371	14,926	6,403	0
Bank One (2012) 18%	58,500	33,254	0	508	0
US Bank (2014) 100%	220,000	322,006		6,614	
Bank of America (2018) 100%	0	444,144		9,207	
KIA - Industrial Park Tank 100%	16,245	4,485	561	0	0
Total	639,483	1,078,259	15,486	22,731	0
Wastewater					
Ky Bond (2011) 13%	51,513	40,998	2,230	956	0
Bank One (2012) 82%	266,500	151,490	0	2,314	0
US Bank (2014) 0%					
Bank of America (2018) 0%					
Strodes Creek WWTP 100%	1,048,495	112,871	22,574	0	0
Vaught Court Wastewater 100%	13,856	3,650	365	0	0
Lower Howards Crk Wastewater 100%	1,662,280	567,076	56,708	0	0
BelAir Sanitary Sewer Improv. 100%	24,400	8,324	832	0	0
Hampton Manor Sewer Improv.	52,661	21,837	2,472	0	0
Total	3,119,704	906,246	85,181	3,270	0
Total	3,759,186	1,984,505	100,668	26,001	0

**Winchester Municipal Utilities
2018-19 Operating Budget
Debt Service Coverage**

	2015-16 Actual	2015-16 Budget	2016-17 Budget	2017-18 Budget	Change from	
					2015-16 Actual	2016-17 Budget
Bond Coverage						
Income available for Debt Service	3,654,593	2,429,620	2,323,060	1,086,633	-70.27%	-53.22%
Plus: Depreciation	4,803,979	5,013,000	5,035,000	5,065,000	4.81%	0.44%
Cash Available for Bond Debt Service	<u>8,458,572</u>	<u>7,442,620</u>	<u>7,358,060</u>	<u>6,151,633</u>	<u>-27.27%</u>	<u>-16.40%</u>
Bond Interest and Principal (existing bonds only)	1,759,194	1,756,498	1,764,281	2,207,513	25.48%	25.12%
New Bond Debt				0		
Debt Service Coverage	4.81	4.24	4.17	2.79	-42.04%	-33.18%
Debt Service Coverage Required by Bond Covenants	1.40	1.40	1.20	1.20		
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KIA Coverage						
Income available for Debt Service	3,654,593	2,429,620	2,323,060	1,086,633		
Plus: Depreciation	4,803,979	5,013,000	5,035,000	5,065,000		
Cash Available for Debt Service	<u>8,458,572</u>	<u>7,442,620</u>	<u>7,358,060</u>	<u>6,151,633</u>		
Total Interest Expense	1,714,711	1,719,059	1,655,479	1,984,505		
Total Principal	3,492,060	3,499,035	3,561,744	3,759,186		
Total Existing Debt Service	<u>5,206,771</u>	<u>5,218,094</u>	<u>5,217,223</u>	<u>5,743,691</u>		
Total New Debt payment				0		
Total Debt Service				<u>5,743,691</u>		
Debt Service Coverage	1.62	1.43	1.41	1.07		
Debt Service Coverage Required by KIA				1.00		

**Winchester Municipal Utilities
2018-19 Five-Year Capital Plan
Depreciation Funded Annual Allocations**

	2017-18 Plan	2018-19 Plan	Change
200 - Finance and Administration			
Copiers	5,000	5,000	0
Upgrade Local Area Network	7,000	7,000	0
Replace Microcomputers	6,000	6,000	0
400 - Field Operation			
Large Utility Vehicles	250,000	250,000	0
Small Utility Vehicles	80,000	80,000	0
600 - Solid Waste Collection			
Curbit Replacement	25,000	25,000	0
Container Replacement	50,000	50,000	0
Replace Compactor Ejector Receiver Box	10,000	10,000	0
900 - Solid Waste Recycling			
Recycling	1,000	500	(500)
1200 - Water Treatment Plant			
Water Treatment Plant Equipment Improvements	50,000	25,000	(25,000)
Water System Improvements	50,000	0	(50,000)
1300 - Water Transmission/Distribution			
Main Replacement Program (MRP)	100,000	150,000	50,000
Fire Hydrant Replacement	12,000	12,000	0
Gate Valve Replacement	10,000	10,000	0
Elevated Storage Tank Rehabilitation	100,000	100,000	0
Meter Change-Out / AMR Equipment	230,000	300,000	70,000
New Meter Services	30,000	30,000	0
Large Meter Change-Out Program	0	50,000	50,000
1500 - Wastewater Collection			
Main Replacement Program (MRP)	100,000	150,000	50,000
I&I Rehabilitation	20,000	20,000	0
Rehabilitation of Private Sewers	20,000	20,000	0
Flow Meters (EPA CMOM Requirement)	10,000	10,000	0
Continuous Sewer System Assessment Program	18,000	18,000	0
Routine Hydraulic Cleaning	60,000	60,000	0
1600 - Wastewater Treatment Plant (SC)			
Replacement of Laboratory Equipment	2,000	2,000	0
WWTP Equipment Improvements	407,000	60,000	(347,000)
1700 - Wastewater Solids Processing (SC)			
Solids Processing Improvements	297,000	65,000	(232,000)
1800 - Wastewater Treatment Plant (LHC)			
Annual Allocation for Equipment Improvements	40,000	40,000	0
1900 - Wastewater Solids Processing (LHC)			
Annual Allocation for Equipment Improvements	15,000	15,000	0
Total	<u>2,005,000</u>	<u>1,570,500</u>	<u>(434,500)</u>
Summary			
Administrative Support	18,000	18,000	0
Infrastructure Renewal	1,987,000	1,552,500	(434,500)
	<u>2,005,000</u>	<u>1,570,500</u>	<u>(434,500)</u>

**Winchester Municipal Utilities
2018-19 Five-Year Capital Plan
Depreciation Funded - Specific Projects**

	2018-19 Plan
200 - FINANCE AND ADMINISTRATION	
No Specific Projects Identified	0
300 - ENGINEERING	
No Specific Projects Identified	0
600 - SOLID WASTE COLLECTION	
No Specific Projects Identified	0
1300 - WATER TRANSMISSION/DISTRIBUTION	
Purchase of (2) Meter Reading Handheld Units	12,500
Purchase / Install Electrical Rear Gate	18,500
1500 - WASTEWATER COLLECTION	
No Specific Projects Identified	0
1700 - WASTEWATER SOLIDS PROCESSING - Strodes Creek	
New Roof for Solids Processing Facility	73,200
Concrete Road Repairs/Improvements	71,000
1900 - WASTEWATER SOLIDS PROCESSING - Lower Howards	
Purchase of New (Additional) Roll Off Truck	90,000
TOTAL	265,200

**Winchester Municipal Utilities
2018-19 Five-Year Capital Plan
Depreciation Funded Capital Projects**

Reference Page	2017-2018		Five-Year Capital Plan					Capital Plan	
	Release	Carryover	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	5-Year	Total
14	2,510	0	500	500	500	500	500	2,500	2,500
	2,510	0	500	500	500	500	500	2,500	2,500
15	0	103,761	25,000	25,000	25,000	25,000	25,000	125,000	228,761
	0	103,761	25,000	25,000	25,000	25,000	25,000	125,000	228,761
16		273,497	150,000	150,000	150,000	150,000	150,000	750,000	1,023,497
17		9,840	12,000	12,000	12,000	12,000	12,000	60,000	69,840
18		4,528	10,000	10,000	10,000	10,000	10,000	50,000	54,528
19		358,758	100,000	100,000	100,000	100,000	100,000	500,000	858,758
20		56,262	300,000	300,000	300,000	300,000	300,000	1,500,000	1,556,262
21		2,747	30,000	30,000	30,000	30,000	30,000	150,000	152,747
22			50,000	50,000	50,000	50,000	50,000	250,000	250,000
23		16,000						0	16,000
24			12,500					12,500	12,500
25			18,500					18,500	18,500
		0	683,000	652,000	652,000	652,000	652,000	3,291,000	4,012,633
26		229,908	150,000	150,000	150,000	150,000	150,000	750,000	979,908
27		45,655	20,000	20,000	20,000	20,000	20,000	100,000	145,655
28		56,625	20,000	20,000	20,000	20,000	20,000	100,000	156,625
29		16,262	10,000	10,000	10,000	10,000	10,000	50,000	66,262
30		66,529	18,000	18,000	18,000	18,000	18,000	90,000	156,529
31		117,880	60,000	60,000	60,000	60,000	60,000	300,000	417,880
32		40,000						0	40,000
		0	278,000	278,000	278,000	278,000	278,000	1,390,000	1,962,858

900 - Solid Waste Recycling
Recycling Containers
Total Department 900

1200 - Water Supply/Treatment
Water Treatment Plant Equipment Improvements
Total Department 1200

1300 - Water Transmission/Distribution
Main Replacement Program (MRP) - Water
Fire Hydrant Replacement
Gate Valve Replacement
Elevated Storage Tank Rehabilitation
Meter Change-Out/AMR Equipment
New Meter Services
Large Meter Change-Out Program
Purchase of Backhoe Front Mount Angle Sweeper
Meter Reading Handheld Unit (2)
Electrical Rear Gate
Total Department 1300

1500 - Wastewater Collection
Main Replacement Program (MRP) - Sewer
I&I Rehabilitation
Rehabilitation of Private Sewers
Flow Meters (EPA CMOM Requirement)
Continuous Sewer System Asmnt Program
Routine Hydraulic Cleaning
Purchase of Sewer Inspection Camera & Equipment
Total Department 1500

**Winchester Municipal Utilities
2018-19 Five-Year Capital Plan
Depreciation Funded Capital Projects**

Reference Page	2017-2018		Five-Year Capital Plan					Capital Plan	
	Release	Carryover	2018-2019	2019-2020	2020-2021	2021-2022	2022-2023	5-Year	Total
1600 - Wastewater Treatment - SC									
33 Replacement of Laboratory Equipment		6,576	2,000	2,000	2,000	2,000	2,000	10,000	16,576
34 Annual Allocation for Equipment Improvements		202,788	60,000	60,000	60,000	60,000	60,000	300,000	502,788
Total Department 1600	0	209,363	62,000	62,000	62,000	62,000	62,000	310,000	519,363
1700 - Wastewater Solids Processing - SC									
35 Annual Allocation for Equipment Improvements		450,364	65,000	65,000	65,000	65,000	65,000	325,000	775,364
36 New Roof for Solids Processing Facility		73,200						73,200	73,200
37 Concrete Road Repairs/Improvements		28,000	71,000	58,000				129,000	157,000
Total Department 1700	0	478,364	209,200	123,000	65,000	65,000	65,000	527,200	1,005,564
1800 - Wastewater Treatment - LHC									
38 Annual Allocation for WWTP Equipment Improvements		52,714	40,000	40,000	40,000	40,000	40,000	200,000	252,714
Total Department 1800	0	52,714	40,000	40,000	40,000	40,000	40,000	200,000	252,714
1900 - Wastewater Solids Processing - LHC									
39 Annual Allocation for Solids Equipment Improvements		35,275	15,000	15,000	15,000	15,000	15,000	75,000	110,275
40 Purchase of New (Additional) Roll-Off Truck		90,000						180,000	180,000
Total Department 1900	0	35,275	105,000	105,000	15,000	15,000	15,000	255,000	290,275
Total Funded Projects	32,510	2,648,050	1,835,700	1,718,500	1,570,500	1,570,500	1,570,500	8,265,700	10,913,750
Summary									
Administrative, Engineering, & Operations									
Vehicle Maintenance	30,000	383,470	348,000	348,000	348,000	348,000	348,000	1,740,000	2,123,470
Solid Waste Utility	0	0	0	0	0	0	0	0	0
Water Utility	2,510	90,612	85,500	85,500	85,500	85,500	85,500	427,500	518,112
Wastewater Utility	0	825,394	708,000	677,000	677,000	677,000	677,000	3,416,000	4,241,394
Total Funded Projects	32,510	2,648,050	1,835,700	1,718,500	1,570,500	1,570,500	1,570,500	8,265,700	10,913,750

Winchester Municipal Utilities

Construction Projects

Project Description	Reference Page	Expected Completion	Funding In place	KIA Loan	Bond Sale	SDC Water Funds	SDC Sewer Funds	Depreciation Funded	Total Cost of Project
1200 - Water Supply & Treatment / 1300 - Water Transmission & Distribution									
Water System Improvements	1	2019	full		19,982,300				19,982,300
9 MGD Water Treatment Plant, includes Lislestown and Lettice Lane water line Construction Engineering (Balance of costs)					2,180,850				2,180,850
(Less funding already in place from WMU funds, 2014 & 2018 Bonds)					(22,163,150)				(22,163,150)
Carroll Ecton Transfer Pump Station, DELAYED until after construction of WTP			partial		1,925,220				1,925,220
Total for Department 1200 and 1300				0	1,925,220	0	0	0	1,925,220
1500 - Wastewater Collection / 1600 - Wastewater Treatment / 1700 - Solids Processing									
Flanagan/Madison Street Sanitary Sewer Improvements	2	2021	no	6,200,000					6,200,000
Purchase of Solids Processing Equipment and Study to be completed to evaluate options for 1700 dept.	3	2021	partial					3,000,000	3,000,000
Total for Department 1500, 1600 and 1700				6,200,000	0	0	0	3,000,000	9,200,000
Total Expenditures				6,200,000	1,925,220	0	0	3,000,000	11,125,220

Summary	1,925,220
Total - Water Utility	9,200,000
Total - Wastewater Utility	11,125,220
Total Construction Projects	