SWEETWATER SPRINGS WATER DISTRICT

TO: Board of Directors **AGENDA NO. V-E**

FROM: Steve Mack, General Manager

Meeting Date: February 2, 2017

SUBJECT: FY 2017-2018 BUDGET PROCESS, APPOINTMENT OF THE AD HOC BUDGET COMMITTEE

RECOMMENDED ACTION: Receive a report on the District FY 2017-2018 Budget process, formally appoint the ad hoc Budget Committee, and provide direction to staff.

FISCAL IMPACT: None

DISCUSSION:

At the January Board meeting we started the discussion on the Fiscal Year 2017-2018 (FY18) Budget. Table 1 below identifies a calendar for the budget approval process. Milestones include the Proposition 218 process which has a 45-day notice and a public hearing for increases in rates and fees, if necessary, and a public hearing on the Budget itself. A Proposition 218 Notice will be necessary for any rate increase for Fiscal Year 2016-17 or beyond. At the January meeting Gaylord Schaap and Tim Lipinski volunteered to serve on the ad hoc Budget Committee but because this action was not noticed in the agenda report, formal appointment was put off until this meeting.

Directors Lipinski and Schaap met with the General Manager on January 19 to discuss budget issues. Issues discussed included:

- Mid-Year Budget Adjustment for FY 16-17. This item is discussed elsewhere on this meeting agenda.

- Water Rate Increase. Whether we self fund or finance with loans, an adequate capital program to make the repairs necessary with our water distribution system requires more revenue than we are taking in with existing rates. It is important for the District's financial health to continue with the small annual increase approach. The goal of the plan is to achieve $500,000 in annual net capital funding and that has not been achieved yet. The reduced water use mandated by the statewide drought (that appears to be over for Northern California) has slowed this down and we don't know when, if ever, water use will rebound to historical levels.

- Staff is working on a draft budget. The flooding in January has slowed this down but we will have a draft by mid February.

Table 1. FY 2017-2018 Budget Preparation	
Approved Capital Improvement Program	December 1, 2016
Introduce Budget Process	January 5, 2017
Budget Committee meetings	February/March 2017
Draft Budget to Board for Discussion/Action, Including Direction on Water Rates	March 2, 2017
Prop 218 Mailing for Water Rate Increase	March 20, 2017
Draft Budget to Board for Discussion/Action	April 6, 2017
Approve Budget • Prop 218 Public Hearing on Rates	May 4, 2017