SWEETWATER SPRINGS WATER DISTRICT

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

FROM: Ed Fortner, General Manager

Meeting Date: January 2, 2020

SUBJECT: FY 2019-2020 BUDGET PROCESS AND APPOINTMENT OF AD HOC BUDGET COMMITTEE

RECOMMENDED ACTION: Receive a report on the District FY 2020-2021 Budget process, appoint an ad hoc Budget Committee, and provide direction to staff.

FISCAL IMPACT: None

DISCUSSION:

The Board typically approves its annual budget at the May meeting, and we intend to follow this practice this year unless the Cost of Service Study delays implementation. 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 would be necessary for any rate increase or other fee increase for Fiscal Year 2020-21 or beyond.

In past years the Board President has appointed two Board Members to the ad hoc Budget Committee to assist the General Manager in the development of the budget. Those appointments have occurred either at the December or January meetings.

The District's financial planning has assumed annual 3% increases to the base, water usage rates and the Capital Debt Reduction Charge. Over the last 12 months, the Consumer Price Index, San Francisco Area - October 2019 (CPI-U) rose 3.0 percent. Energy prices rose 5.5 percent, largely the result of an increase in the price of gasoline. The index for all items less food and energy rose 2.6 percent over the year. The overall increase is slightly lower than a year ago (3.6%), the energy index increased for the third year in a row, and the increase for all items less food and energy had a lower increase compared to the prior year (4.3%). A 1% increase in water rates returns annual revenue of approximately $25,000 to $30,000 (when compounded annually).

If the District decides to increase water rates, staff will also review fees and charges so that these can be adjusted at the same time (and noticed in the same Prop 218 notice).

Table 1. FY 2020-2021 Budget Preparation	
Reviewed/Approved Capital Improvement Program	January 2020, February 2020
Introduce Budget Process	January 3, 2020
Budget Committee meetings	January - March 2020
Draft Budget to Board for Discussion/Action, Including Direction on Water Rates	March 5, 2020
Prop 218 Mailing for Water Rate Increase, if necessary	March 16, 2020
Draft Budget to Board for Discussion/Action	April 2, 2020
Approve Budget • Prop 218 Public Hearing on Rates, if necessary	May 1, 2020