# SWEETWATER SPRINGS WATER DISTRICT

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

**FROM:** Steve Mack, General Manager

Meeting Date: January 5, 2017

**SUBJECT: FY 2017-2018 BUDGET PROCESS**

**RECOMMENDED ACTION:** Receive a report on the District FY 2017-2018 Budget process 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. 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 2017-18 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 (October 2016 Index), the Consumer Price Index for all Urban Consumers, San Francisco area (CPI-U) advanced 3.6 percent. The energy index increased 3.4 percent, largely the result of an increase in the price of gasoline. The index for all items less food and energy advanced 1.0 percent since October 2015. The overall increase is a little higher than a year ago (2.6%), the energy index increased while last year it decreased, and the increase for all items less food and energy had a smaller increase than the prior year (3.4%). A 1% increase in water rates returns annual revenue of approximately $22,000.

If the District decides to increase water rates, staff also wishes to 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 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, if necessary | March 20, 2017 |
| Draft Budget to Board for Discussion/Action | April 6, 2017 |
| Approve Budget<br>• Prop 218 Public Hearing on Rates, if necessary | May 4, 2017 |