SWEETWATER SPRINGS WATER DISTRICT

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

FROM: Steve Mack, General Manager

Meeting Date: January 7, 2016

SUBJECT: FY 2016-2017 BUDGET PROGRESS

RECOMMENDED ACTION: Receive a report on the progress of the District FY 2016-2017 Budget process and provide direction to staff.

FISCAL IMPACT: None

DISCUSSION:

At the January Board meeting we started the discussion on the Fiscal Year 2016-2017 (FY17) 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. Pip Marquez de la Plata and Tim Lipinski were appointed to the ad hoc Budget Committee at the meeting.

On January 27, the ad hoc Budget Committee met to discuss prelimnary numbers for the draft Budget. Issues discussed included:

- Water Rate Increase: The Committee concurred with the staff recommendation that the District continue with the plan to increase funding for capital projects with a 3% water rate increase. 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 ongoing statewide drought has slowed this down.

- 2017 CIP and USDA Bond to fund it: The Committee agreed with the staff recommendation to proceed with acquiring a USDA bond to fund the 2017 CIP and to include both in the FY17 Budget. We received notice this week that the engineer's estimate of the construction cost based on the preliminary design is $1.98 million. When engineering and Bound counsel costs are included, we believe the total cost of the project will be approximately $2.25 million. The bond will correspond to this estimated cost.

- 2018 CIP: This project (replacement of the green sand filter at Monte Rio Treatment Plant) will not be included in the 2017 Budget because there are no design costs and no contract award in FY17.

- In-House Construction in the Capital Budget and line item 6180 Distribution System Repairs in Operating Budget: There is an interrelationship between these two items - supplies for in house construction projects are the same as for Distribution System Repairs. In the past one and a half years (FY15 actual and midyear FY16) 6180 is below budget and in house construction is over budget. That is because the field staff are doing more larger repairs and fall into the in house category and fewer smaller repairs - but the supplies for both are the same and are ordered through 6180 and then charged back when used for in house projects. Staff recommends watching this trend to see if it becomes permanent.

Table 1. FY 2016-2017 Budget Preparation	
Review Capital Improvement Program	December 3, 2015
Budget Committee meetings	February/March 2016
Draft Budget to Board for Discussion/Action, Including Direction on Water Rates	March 3, 2016
Prop 218 Mailing for Water Rate Increase, if necessary	March 21, 2016
Draft Budget to Board for Discussion/Action	April 7, 2016
Approve Budget • Prop 218 Public Hearing on Rates, if necessary	May 5, 2016