SWEETWATER SPRINGS WATER DISTRICT

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

FROM: Steve Mack, General Manager

Meeting Date: May 1, 2014

SUBJECT: APPROVAL OF FISCAL YEAR 2014-2015 OPERATING AND CAPITAL IMPROVEMENT BUDGET

RECOMMENDED ACTION: A. Hold a public hearing on the proposed Fiscal Year 2014-2015 (FY15) Budget;
B. Approve Resolution 14-07 which approves the FY15 Budget

FISCAL IMPACT: The FY14 Budget includes FY15 expenses of $3.6 million to be paid for by revenues of $3.0 million plus projected use of reserves of $600,000 in FY15. The Budget also includes approximately $800,000 in funds expected to be obligated in FY15 for the FY16 Capital Improvement Program through the award of the construction contract, but expended in FY16.

DISCUSSION:

The FY15 Budget agenda report comes with several attachments:

- Resolution 14-07 which approves the FY15 Budget
- Exhibit A. FY15 Budget Report which includes Attachment A. FY15 Detailed Budget which is the line item budget document with complete budget detail.

The Draft FY15 Budget was first presented and discussed at the March Board Meeting with a followup discussion at the April Board Meeting. The FY15 Budget came with several assumptions/results:

- Base Rate, Water Usage, and Capital Debt Reduction Charges are increased by 3%.
- Flat water sales – recent sales have been increasing but the drought water conservation effort may result in reduced water sales.
- Water sales revenue projection a 3% increase over the FY14 End of Year projected amount.

- Salaries are increased to match the Union Memorandum of Understanding and contracts for nonrepresented employees. The General Manager is funded at 70% to reflect partial service retirement.
- The Budget includes prefunding retired employee health costs.
- Supplies and Services were scrutinized to reflect actual expected costs and are budgeted to be approximately $20,000 less than FY14 Budgeted.
- Fixed Asset Expenditures have increased substantially to account for the purchase of a new truck. Tanks and Facilities includes expenses for a liner for the Park Avenue Tank and a chlorination system for Monte Rio Treatment Plant.

The transfer to the Capital Improvement Revenue Fund (CIRF) is $500,000 which is a reflection of the expected higher starting point for this coming fiscal year, 3% water rate increase, and projected flat sales.

With the Capital section of the Budget, comparisons between FY15 and FY14 are less meaningful because completely different capital projects are undertaken from year to year. The FY15 Budget includes the FY 2015 CIP which is fully funded by the District.

The FY 2016 CIP is also included in this budget because the project will be designed this winter and construction funds for this project will likely be obligated in May or June 2015, during this budget year. The construction expense of the FY 2016 CIP is not included in Figure 1 of the Budget report because only a small fraction of the FY 2016 CIP expenses will be expended in FY15 (design costs).

District Reserves

The FY15 Budget includes the District Reserve Policy approved in September 2009:

- Operating Budget Cash Reserve – a reserve based on 15% of the Operating Budget expenses to provide for prompt payment of operating expenses at the start of each fiscal year.
- Operating Reserve – 25% of the Operating Budget expenses for dealing with economic uncertainty, and emergencies and disaster-related expenses.
- Debt Repayment Reserve - 25% of all payments for principal and interest on all District loans to ensure funding is available to repay existing District debt.
- Capital Reserve – 25% of the nominal Capital Budget of $1 million for similar issues with the capital program.

The FY15 Budget shows a Policy Reserve of $1,150,528 and $1,737,530 in Reserves Above Policy at the end of the fiscal year. Approximately $800,000 of the Reserves Above Policy are obligated for construction of the FY16 CIP so actual end of year reserves on hand will be approximately $2.5 million.

In summary, the FY15 Budget shows a funding plan will allow the District to accomplish its mission of providing good quality water to District customers, fund a major capital improvement project, and end the year in good financial shape.