SWEETWATER SPRINGS WATER DISTRICT

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

FROM: Steve Mack, General Manager

Meeting Date: February 4, 2010

SUBJECT: TWO-YEAR BUDGET/CIP COORDINATION

RECOMMENDED ACTION: Receive a report on the prospects of switching to a two-year budget and coordinating that with the District's Capital Improvement Program (CIP).

FISCAL IMPACT: None

DISCUSSION:

At the January meeting the concept of a two-year budget process was discussed, commented upon favorably, and forwarded to the ad hoc Budget Committee for further deliberation. District staff have had internal discussions on this concept and believe we should settle the direction early in the budget process. The biggest current issue with this concept is coordination with the District's CIP.

As a beginning related item, the Board asked me to inquire further with Sonoma County Redevelopment Agency staff on the possibility of current FY 2012 CIP project on Western, Eastern and Northern Avenues and Orchard Lane near the end of Drake Road, which is outside the Redevelopment Agency boundaries, being funded by a Redevelopment grant. I have been informed that the standard for funding of projects outside RDA boundaries is that the project needs to principally benefit the area within the RDA boundaries. This project would not meet that standard and thus, it is unlikely to be appropriate for RDA funding assistance.

The basic elements of a two year budget cycle (subject to discussion, of course) include:

- This is the correct year to start a two year cycle (odd fiscal years (FY 2010-2011 and FY 2011-2012) because newly elected directors should have a year to get acclimated to and informed about District activities and budgeting needs.

- CIP should be updated as part of two-year budget, but we didn't do it this year – we're off the cycle. Coordinating the CIP with two-year budgeting is one of the benefits of doing two-year budgets.

- CIP needs to be coordinated with RDA funding possibilities and next year is too soon and waiting three years may be too long.

Because of the desire to coordinate budgeting with CIP review, the need to coordinate both with the possibility of future RDA funding assistance for the CIP, and the extra effort staff would need to put forth this year to start the two-year budgeting process, staff would like to postpone the start of two-year budgeting for two years – until January 2012 for FY 2012-2013 and FY 2013-2014. By that time we can switch the CIP review to that schedule and will be in a position to coordinate our RDA funding assistance requests with the two-year budgeting and CIP review. Until that time we propose to continue with one-year budgets, review of the CIP next year, and funding assistance requests to the RDA and RRROC as appropriate.

Table 1. FY 2010-2011 Budget Preparation	
Review Capital Improvement Program	January 7, 2010
Budget Committee meetings	February/March 2010
Draft Budget to Board for Discussion/Action, Including Direction on Water Rates	March 4, 2010
Prop 218 Mailing for Water Rate Increase, if necessary	March 22, 2010
Draft Budget to Board for Discussion/Action	April 1, 2010
Approve Budget • Prop 218 Public Hearing on Rates, if necessary	May 6, 2010