

**Metropolitan Domestic Water Improvement District
Board of Directors Meeting**

May 10, 2021

Adoption of Fiscal Year 2022 Budget

Synopsis

The Board of Directors is requested to adopt the Fiscal Year 2022 budget.

Background

The process of preparing a budget is both an art and a science. Revenue sources are identified and estimated revenue is calculated. Expenses are prioritized to support the District's mission while balancing the budget to the anticipated revenue sources prior to formally requesting the Adopted Budget. Each year actual metered water consumption data is analyzed using a rate model to calculate the predicted metered water revenue, the impact of changes to each customer type, and other potential variables that might influence these calculations. The District water consumption data from Fiscal Year 2020 was used as the base data source for calculating the Fiscal Year 2022 budgeted metered water revenue.

On March 16, 2021, the Fiscal Year 2022 Requested Budget and proposed two-year rate and fee changes were reviewed and discussed with the Finance Oversight Committee. The Committee voted unanimously to forward the Fiscal Year 2022 Requested Budget to the Board of Directors for consideration. A study session was held with the Board of Directors on March 22, 2021, to review and discuss with staff the suggested rates and fee changes for Fiscal Year 2022 and Fiscal Year 2023, along with reviewing the Fiscal Year 2022 Requested Budget. A public information meeting was held on May 6, 2021, to talk about the proposed rate and fee changes for Fiscal Year 2022 and Fiscal Year 2023.

Budget Overview

The District has utilized a priority driven budget process since preparing the budget for Fiscal Year 2015 to ensure a strategic review is completed and revenue sources and uses are allocated to resources supporting the mission of the District.

The fringe benefit and indirect overhead rates were calculated based upon the requested budget. These overhead rates are located on the last page of the budget book, and they were calculated using the standardized methodology approved by the Board at the September 8, 2014, Board meeting.

The twelve-month consumer price index as of February 2021 was 1.7% and the Arizona State Retirement and Long-term Disability costs will increase by .19%. As of March, the consumer price

index for all items rose to 2.6%. The budget includes a 2% planned cost of living increase in July and a potential 2% merit increase for eligible employees in January 2022, however; if the consumer price index continues to trend upward the cost of living adjustment will be reviewed so that no employee salaries are negatively impacted by the increased cost of goods and services.

The Fiscal Year 2022 Requested Budget includes a projected beginning fund balance, revenue, and Northwest Recharge Recovery and Delivery System funding from Oro Valley and the Town of Marana totaling \$45,657,626 with the requested disbursements of \$33,492,398.

Recommendation

It is recommended that the Board of Directors review and discuss with staff the Fiscal Year 2022 Requested Budget and direct staff on any adjustments they would like to have made. The Fiscal Year 2022 budget is a planning tool for the District to utilize while meeting its operational needs during the next fiscal year. It is recommended that the Board of Directors adopt the Fiscal Year 2022 budget as presented.

Suggested Motion

I move to adopt the Metropolitan Domestic Water Improvement District budget for the Fiscal Year 2022 as presented with the total disbursements not to exceed \$33,492,398.

OR

I move to adopt the Metropolitan Domestic Water Improvement District budget for the Fiscal Year 2022 as presented along with the following modification(s) _____ with the total disbursements not to exceed \$_____.

Respectfully submitted,

Diane Bracken, M.Adm.
Chief Financial Officer

I concur with the recommendation.
Respectfully submitted,

Joseph Olsen, P.E.
General Manager