

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

May 13, 2019

Adoption of Fiscal Year 2020 Budget

Synopsis

The Board of Directors is requested to adopt the Fiscal Year 2020 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. Since the District water consumption was abnormally higher in Fiscal Year 2018, District consumption data from Fiscal Year 2017 was used as the base data source for calculating the Fiscal Year 2020 budgeted metered water revenue.

On March 27, 2019, the requested budget for Fiscal Year 2020 and proposed rate and fee changes were reviewed and discussed with the Finance Oversight Committee. The Committee voted unanimously to forward the Requested Budget for Fiscal Year 2020 to the Board of Directors for consideration. A study session was held with the Board of Directors on April 2, 2019, to review and discuss with staff the suggested changes to rates and fees and the Requested Budget for Fiscal Year 2020. A public information meeting was held on May 8, 2019, to talk about the proposed rate and fee changes and what Staff have done to mitigate the impact of rate changes. The budgeted water availability rates will cover 89.57% of the budgeted fixed costs with the revenue changes.

Budget Overview

The District has utilized a priority driven budget process since Fiscal Year 2015 to ensure a strategic review is completed and revenue sources are allocated to resources supporting the mission of the District. With continued support from staff, the Finance Oversight Committee, and the Board of Directors, this process has proven to be successful.

The fringe benefit and indirect overhead rates was calculated based upon the requested budget. These 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 meeting.

The requested budget is presented with a 2.5% cost of living increase in July and a potential 1.5% merit increase for eligible employees in January 2020. With the twelve-month consumer price index for April being released on May 10, 2019, it is not available to be included in this document, however; we can discuss this at the May 13, 2019, meeting. The twelve-month consumer price index as of March increased 1.9% and the Arizona State Retirement and Long Term Disability rates increasing .31%. Based upon this information, a 2.5% cost of living adjustment and a 1.5% potential merit increase is recommended.

The requested budget for Fiscal Year 2020 includes a projected beginning fund balance, revenue, and Northwest Recharge Recovery and Delivery System funding from Oro Valley and the Town of Marana totaling \$36,460,718 with the requested budget disbursements of \$28,609,733. The estimated Water Resource Utilization Fees balance at the end of the fiscal year included in the fund balance is \$5.2 million.

Recommendation

It is recommended that the Board of Directors review and discuss with staff the requested budget for Fiscal Year 2020 and direct staff on any adjustments they would like to have made. The Fiscal Year 2020 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 budget for Fiscal Year 2020 as presented.

Suggested Motion

I move to adopt the Metro Water District budget for the Fiscal Year 2020 as presented with the total disbursements not to exceed the budgeted disbursement amount of \$28,523,688.

OR

I move to adopt the Metro Water District budget for the Fiscal Year 2020 as presented along with the following modifications _____ with the total disbursements not to exceed the budgeted amount of \$_____.

Respectfully submitted,

Diane Bracken, M.Adm.
Chief Financial Officer

I concur with the recommendation.
Respectfully submitted,

Joseph Olsen, P.E.
General Manager