

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

May 14, 2018

Adoption of Fiscal Year 2019 Budget

Synopsis

The Board of Directors is requested to adopt the Fiscal Year 2019 budget.

Background

In accordance with best budgeting practices, revenue sources were planned and expenditures were prioritized and reviewed prior to requesting the adoption of the budget. Each year the prior year actual revenue data from metered sales is loaded into a rate model that is used to analyze and calculate the anticipated revenue. The costs associated with providing services are reviewed to make sure the fees are covering the cost of services being provided. All requested expenses are reviewed and prioritized to support the mission of the District to deliver safe, reliable water to our customers.

On March 14, 2018, the requested budget for Fiscal Year 2019 and proposed rate and fee changes were reviewed and discussed with the Finance Oversight Committee. At that time, the Committee voted unanimously to recommend forwarding the requested budget for Fiscal Year 2019 to the Board of Directors for consideration. The Board of Directors held a study session on March 26, 2018 to review and discuss with staff the suggested changes to rates and fee and the requested budget for Fiscal Year 2019. A public information meeting was held on May 8, 2018 to review revenue stability and to talk about the proposed rate and fee changes. Budgeted water availability rates will continue to cover 90% of the budgeted fixed costs with the requested changes.

Budget Overview

The District has utilized a priority driven budget process again this year to ensure a strategic review and allocation of resources to programs and services supporting the mission of the District. With continued support from the Finance Oversight Committee and the Board of Directors, this process has been successful.

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

Since the requested budget for Fiscal Year 2019 was presented at the March 26, 2018 study session, the capital projects funded with water resource utilization fees have been reduced by \$620,000, which is the portion of the project funded by the project partners in Fiscal Year 2019. The requested

budget was presented with a 2% cost of living increase and a potential 2% merit for eligible employees in January. With the twelve-month consumer price index increasing 2.4% as of the end of April, a 2.5% cost of living adjustment and a 1.5% potential merit increase is recommended. The requested budget for Fiscal Year 2019 includes a projected beginning fund balance, revenue, and Northwest Recharge Recovery and Delivery System funding from Oro Valley and the Town of Marana for a total of \$32,999,603 that supports the total requested budget disbursements of \$27,511,709.

Recommendation

It is recommended that the Board of Directors review and discuss with staff the requested budget for Fiscal Year 2019 and direct staff on any adjustments they would like made. The Fiscal Year 2019 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 2019 as presented with the two revisions stated above.

Suggested Motion

I move to adopt the Metro Water District budget for the Fiscal Year 2019 as presented with the total disbursements not to exceed the budgeted expenditure amount of \$27,511,709.

OR

I move to adopt the Metro Water District budget for the Fiscal Year 2019 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