

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

June 13, 2022

Adoption of Fiscal Year 2023 Budget

Synopsis

The Board of Directors is requested to adopt the Fiscal Year 2023 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.

On March 17, 2022, the Fiscal Year 2023 Requested Budget was reviewed and discussed with the Finance Oversight Committee. The Committee voted unanimously to forward the Fiscal Year 2023 Requested Budget to the Board of Directors for consideration. A study session was held with the Board of Directors on March 21, 2022, to review and discuss with staff the Fiscal Year 2023 Requested Budget.

Subsequent to the budget conversations, bids were received for the Northwest Recharge Recovery and Delivery System (NWRDRS) project with a cost of nearly 30% higher than what was planned in the Requested Budget. Since this project is not mission critical at this time, it was moved into the next fiscal year in the five-year capital improvement program or until there is more stability in the market, availability of components and construction labor. District staff are entrusted to be fiscally responsible with revenue received from District customers and the Fiscal Year 2023 Requested Budget has been reduced to remove the construction of NWRDRS projects and the associated debt that was planned for this project.

Since the adoption of the Fiscal Year 2023 budget, water rates from Central Arizona Project (CAP) water in calendar year 2023 have been finalized. CAP final rates were \$52,500 higher for the second half of the fiscal year than what was included in the Requested Budget. The CAP water Requested Budget has been adjusted to apply the 2021 CAP refund of \$84,262 to mitigate the increased water costs resulting in a CAP water Requested Budget decrease of \$31,762. Document shredding services were moved in the budget from a supply account to a service account with no dollar amount change.

No other changes have been applied to the Requested Budget since it was presented to the Finance Oversight Committee and the Board of Directors.

Budget Overview

The District has utilized a mission driven prioritization process to prepare the budgets since Fiscal Year 2015 to ensure a strategic review is completed and revenue sources and uses are allocated to best support the mission of the District.

The fixed revenue in the Requested Budget covers 90% of the planned fixed expenditures.

The fringe benefit and indirect overhead rates were calculated based upon the Requested Budget using the standardized methodology approved by the Board on September 8, 2014. The direct labor fringe benefit rate is 61.37% and the indirect rate is 132.67%. These overhead rates are located on the last page of the budget book.

The twelve-month consumer price index as of April 2022 was 8.3% and has been 5% or higher since May 2021. There will be a 0.24% reduction in Arizona State Retirement and Long-term Disability costs in Fiscal Year 2023. The budget includes a 4% cost of living increase effective on the pay period ending on July 6, 2022.

The Fiscal Year 2023 Requested Budget includes a projected beginning fund balance, revenue, and Northwest Recharge Recovery and Delivery System funding reimbursements from Oro Valley and the Town of Marana totaling \$54,521,929 with the Requested Budget disbursements of \$26,012,250.

Recommendation

It is recommended that the Board of Directors review and discuss with staff the Fiscal Year 2023 Requested Budget and direct staff on any modifications they would like to have incorporated into the Adopted Budget. The Fiscal Year 2023 budget is a planning tool for the District to utilize while meeting its operational requirements during the next fiscal year. It is recommended that the Board of Directors adopt the Fiscal Year 2023 budget as presented with the modifications covered in this report.

Suggested Motion

I move to adopt the Metropolitan Domestic Water Improvement District budget for Fiscal Year 2023 with a disbursement total not to exceed \$26,012,250.

OR

I move to adopt the Metropolitan Domestic Water Improvement District budget for Fiscal Year 2023 along with the following modification(s) _____ with the disbursement total not to exceed \$_____.

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Respectfully submitted,

Diane Bracken, M.Adm.
Chief Financial Officer

I concur with the recommendation.
Respectfully submitted,

Joseph Olsen, P.E.
General Manager