Budget

• Legal authority from the Board of Directors authorizing staff to acquire and utilize resources on behalf of the District

• Communication Document
  – Provides rate payers with information on:
    • Short-term:
      – What resources will be raised
      – Where resources will be utilized
    • Long-term:
      – How the District plans to sustain itself
  – Provides staff with direction
FY 2017/18 Budget Process

• Immediate Goal:
  – Produce the fiscal year 2017/18 financial plan for:
    • Water Operations
    • Sewer Operations
      – Reclaimed water
    • Capital spending plan
    • Debt service compliance
  – Produce the fiscal years 2018/19 – 2021/22 long range forecast for:
    • Water and Sewer replacement reserves
    • Water and Sewer capital facility reserves
    • Debt service compliance
FY 2017/18 Budget Process

- Operating Budget Components FY 17/18:
  - Expenses:
    - Water
      - San Diego County Water Authority, Desal, Olivenhain MWD
      - Level of service provided
    - Wastewater treatment costs
      - Meadowlark & Encinia Wastewater Authority
      - Level of service provided
    - Staffing
      - Level and compensation
      - Benefits
      - Retirement benefits
      - Taxes and insurances
    - Debt service
  - Everything else:
    - Regulatory compliance
    - Tools & training
    - General overhead
  - Revenue:
    - Water and Sewer rates
    - Pumping charges
    - Miscellaneous fees
FY 2017/18 Budget Process

• Capital Budget Components FY 17/18 – 21/22:
  – Capital Outlay:
    • Existing projects
    • New projects
      – Easements, vehicles & equipment
      – Infrastructure and facilities related
    • EWA projects
  – Resources:
    • Current reserves
    • Capital facility fees
    • Annual excess of revenue over expenses
    • Property tax & investment earnings
    • New debt
FY 2017/18 Budget Process

• Long-term Goal:
  – Remain solvent as a District
  – Maintain good credit rating
Budget Calendar

- **January 2017:**
  - Finance Committee Meeting 1/24/17
  - Individual departments prepare budget requests & submit them to Finance Dept.

- **February:**
  - Finance Committee Meeting (2/22/17)
  - Consider Rate Structure alternatives, cost study
  - Departmental budgets compiled into Operating Budget
  - Water & Wastewater
  - Current fiscal year projections complete
  - Future personnel/payroll estimates complete
  - Debt service forecast complete
  - Reserve projections 5 detail years + 10 consolidated years
  - Revenue requirement developed

- **March:**
  - Finance Committee Meetings (3/22/17 & 3/29/17)
  - Capital budget requests submitted from Engineering and Operations
  - Capital budget compiled including Easements, Vehicles & Equipment
  - Incorporate revenue requirement and operating budget
Budget Calendar (Continued)

- **April:**
  - Finance Committee Meeting (4/26/17)
  - 1st review by Finance Manager – Revise & refine

- **May:**
  - Draft Proposed Budget review Management Staff – Revise & refine
  - Draft Proposed Budget on VWD.org for public review
  - Budget workshop full board to recommend budget
  - 2nd full Board Workshop if necessary - Revise & refine into Recommended Budget

- **June:**
  - Present Recommended Budget for Adoption June 7 or subsequent special Board Meeting
Cost Reduction Efforts

- **Cost Reduction Efforts:**
  - Fiscal years 2013/14 – 2018/19 Employee MOUs (savings ~ $1.3 million)
    - Employees pay 100% FICA
    - Employees pay medical premiums above District base
    - Vesting schedule for existing employees for Other Post-Employment Benefits (OPEB)
      - Must provide 10 years of service to District to receive 100% benefit
    - OPEB not available to new hires after 7/1/2013
    - New employees who qualify for Public Employee Pension Reform Act (PEPRA) pay full employee share
    - Non-PEPRA employees pay employee share by 7/1/2018
  - District creates and funds OPEB Trust to pay future benefits reducing ARC: saving $810k to date
  - Refinancing outstanding bonds in July 2015, saving $3.4 million over life of bonds (AA+ rating)
  - Agreement w/OMWD to purchase 2,750 AF treated water at discount saving $201k since Oct 2015
  - Fiscal Year 2016/17 Budget
    - Cut and deferred $4.1 million from Proposed Budget
FY 2016/17 Operating Budget
$55,024,000

- Water Purchases: 48%
- Salaries & Benefits: 28%
- Treatment: 9%
- Other: 5%
- Debt Service: 10%
Expenditures Recovered by User Charges (in millions)

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<tr>
<th>Budget 2016/17</th>
<th>Water</th>
<th>Capital</th>
<th>Salaries</th>
<th>Benefits</th>
<th>EWA</th>
<th>Services</th>
<th>Materials</th>
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<th>Power</th>
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Historical Info

Actual Transfers to Reserves FY 07/08-16/17 & Budget FY 16/17 ($ in millions)

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