

FINANCE COMMITTEE

REGULAR MEETING

Thursday, October 11, 2018

REGULAR BUSINESS ITEM 3. C. DISCUSSION AND CONSIDERATION REGARDING NEW BUDGET BASED ON RATES PASSING OR NOT PASSING

If none of the rate increases called for in the current Proposition 218 process are passed, there will be no effect on the Water/Wastewater/SWF revenue as no revenue related to the proposed rate increases were included in the Fiscal Year 2018/2019 (FY 18/19) Final Budget. However, due to their being projected deficits in Wastewater (\$27,722) and the SWF Operating Department (\$414,751), which the CCSD Board of Directors requested that staff address in their August 23, 2018 meeting, there is still a need for the Uses of Funds to be reviewed and adjusted in a Mid-Year Budget even if none of the proposed rate increases take effect. In addition, there are areas of the Final Budget that have been identified as needing to be addressed, such as line item deficits as well as an error in the Allocated Overhead that necessitate budget revisions. At this time, while the revenue generated by the July-August, 2018 billing cycle slightly exceeded expectation, it is too early to project a revenue increase for the entire fiscal year. However, depending on the timing of the preparation of a Mid-Year Budget, there may be enough information to warrant a review of the Revenue section of the budget.

If the rates are passed, the budget effects would be as follows:

WATER- The proposed rate increase should generate additional revenue of \$320,000 for the 8 months that it would be in effect for in FY 18/19. While the Water Department is not projected to have a deficit in the current fiscal year, it has no reserves at this time, but it does have approximately \$6,000,000 in identified priority Water projects per the Capital Improvement Program. In addition, it has need for additional staffing and reserves should be built up for other purposes besides the projects on the Capital Improvement Program list.

WASTEWATER- The proposed rate increase should generate additional revenue of \$240,000 for the 8 months that it would be in effect for in FY 18/19. Although Wastewater's potential deficit of \$27,722 is well under the amount of additional revenue that would be generated, it should be noted that approximately \$1,000,000 was deleted from Wastewater's requested budgeted expenditures to reduce the projected deficit to that amount. In addition, Wastewater is understaffed, has no reserves, has approximately \$9,000,000 in identified priority Wastewater projects per the Capital Improvement Program and owes the General Fund \$466,000 plus interest. There are \$970,000 in Wastewater Capital Improvement Program projects for FY 18/19 identified as being dependent on the rate increase. Obviously, Wastewater has significant and varied needs to address if the proposed rate increase takes effect.

SWF- The proposed rate increase should generate additional revenue of \$76,000 for the 8 months that it would be in effect for in FY 18/19. With a projected deficit of \$414,751, any additional revenue would be applied to the deficit.