

2019-20 Financial Planning Process and Board Work Plan Funding Priorities

December 11, 2018



Topics to Cover

- ▶ **Financial Planning Process**
 - Authority and Governance Policy
 - Financial Planning Process Flow
 - Proposed Board Review Dates
- ▶ **Major Budgeting Assumptions**
- ▶ **Board Work Plan Funding Priorities**
- ▶ **Biennial Budgeting Follow-up**
- ▶ **Next Steps**

Authority and Governance Policy

District Act

- ▶ **Section 13:** Taxation – Empowers the board, in any year, to levy taxes or assessments in the district.
- ▶ **Section 20:** Adoption of Budget – Requires the board to adopt the budget not later than June 30 of each year.
- ▶ **Section 26:** Ground Water Charges - Empowers the board to levy and collect a ground water charge.

Authority and Governance Policy

Board Governance Policies

► **EL- 4 Financial Management**

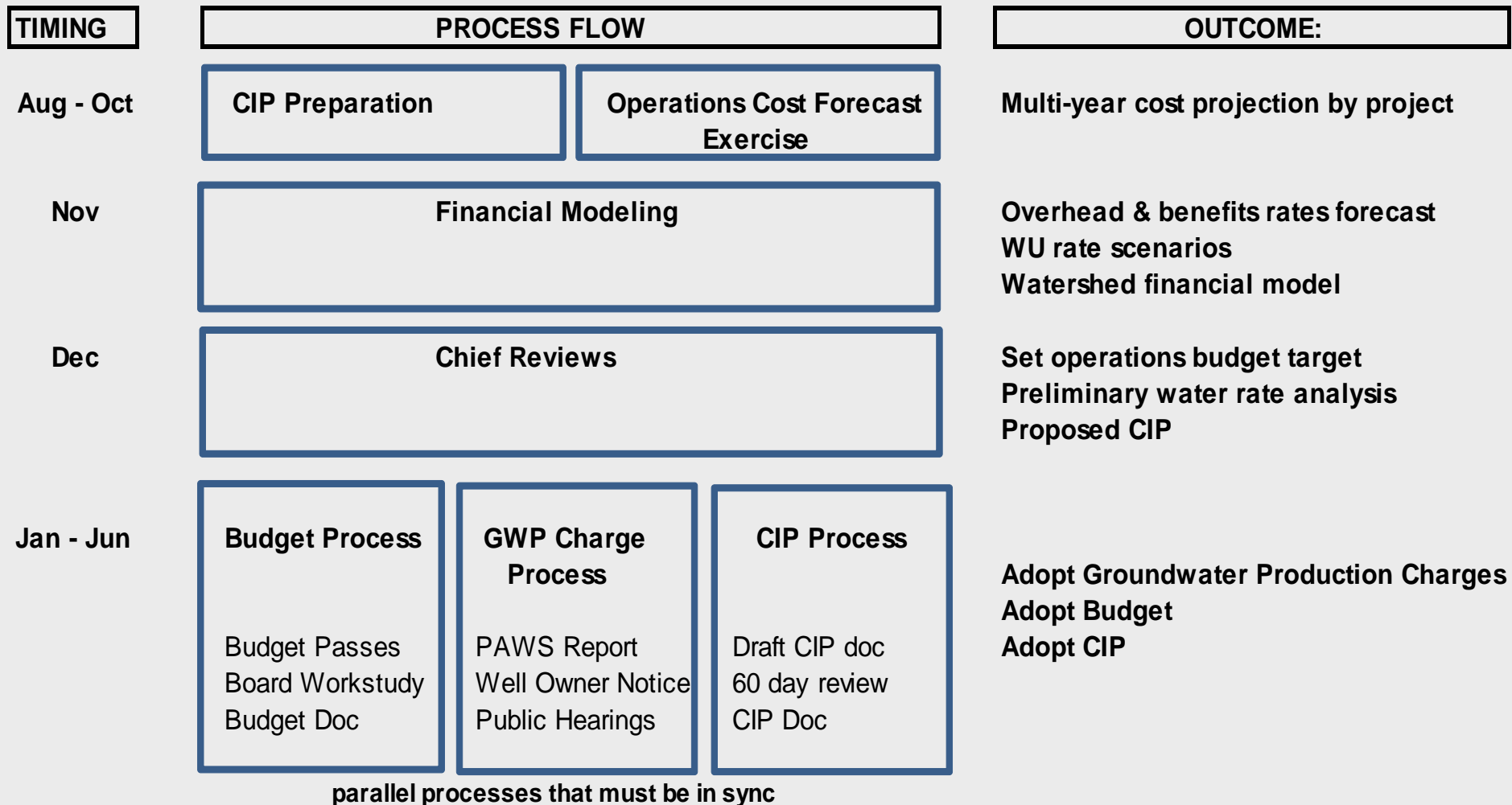
Financial planning for any fiscal year shall be aligned with the Board's Ends, not risk fiscal jeopardy, and be derived from a multi-year plan. With respect to the actual, ongoing financial condition and activities, the BAOs shall provide for the development of fiscal sustainability.

► **Planning and Budgeting**

EL- 4.3 Include credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.

EL- 4.4 Plan the expenditure in any budget period within the funds that are conservatively projected to be received or appropriated from reserves in that period.

Financial Planning Process Flow



Proposed Board Review Dates

► Operating and Capital Budget

- February 12, 2019
- March 26, 2019
- April 23 to 26, 2019

► Groundwater Production Charge (GWP)

- January 8, 2019
- April 9 to 23, 2019

► Capital Improvement Program (CIP)

- January 8, 2019
- February 26, 2019
- April 23 to 26, 2019

► Operating and Capital Budget, GWP, and CIP

- May 14, 2019 - Adoption

Major Budgeting Assumptions

► Overall Major Assumptions

- Anticipate a water rate increase due to aggressive capital program
- Anticipate debt issuance for Water Utility program

► Capital Improvement Program

- Based on draft of 2020-24 Five-Year Capital Improvement Program
- Incorporate Pacheco Reservoir Expansion Project

► Operations Funding

- Maintain funding for current authorized position levels
(New positions may be considered based on affordability and business need)
- Salary and Benefits funded based on approved labor contracts
- Continue \$3.0M redirect from OPEB to unfunded pension liability

Board Work Plan (Funding Priorities)

▶ **Water Supply**

- ▶ Finalize the Fisheries and Aquatic Habit Collaborative Effect (FAHCE)
- ▶ Actively pursue efforts to Increase water storage opportunities
- ▶ Actively participate in decisions regarding the California WaterFix
- ▶ Advance recycled and purified water efforts with the City of San Jose and other agencies
- ▶ Advance Anderson Dam Seismic Retrofit Project

Board Work Plan (Funding Priorities)

▶ **Natural Flood Protection**

- ▶ Provide for a watershed-wide regulatory planning and permitting effort
- ▶ Ensure immediate emergency actions plans and flood protection are provided for Coyote Creek

▶ **Environmental Stewardship**

- ▶ Foster a coordinated approach to environmental stewardship efforts

▶ **Business Management**

- ▶ Advance diversity and inclusion efforts

Biennial Budgeting Follow-up

- ▶ **Purpose:** Allow staff and Board more time to focus on strategic policy and planning, public outreach, and on accomplishing the mission of the District
- ▶ **Practice:** Some form of biennial budgeting is common practice among other water agencies*
- ▶ **Staff Recommendation: Delay decision to move to Biennial Budgeting until after implementation of ERP**
 - ▶ Resource Constraints
 - ▶ Avoids unnecessary investment in existing budget system given potential for new budget module as part of ERP

*Water Agencies Surveyed: EBMUD, SFPUC, MWD, and others

Next Steps

- ▶ Incorporate the Board Work Plan funding priorities into development of the 2019-20 Operating and Capital Budget and 2020-24 Five-Year Capital Improvement Program
- ▶ Come back to the Board at various stages of the Financial Planning Process to confirm funding priorities are being incorporated before final adoption scheduled for May 14, 2019

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