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Planning for 2020-21 Budget Process

December 10, 2019

Valley Water

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Topics

• Financial Planning Process

- Authority and Governance Policy
- Financial Planning Process Flow
- Proposed Board Review Dates
- Major Budgeting Assumptions
- Board Work Plan Strategies
- Next Steps



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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.



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Financial Planning Process Flow

TIMING	PROCESS FLOW			OUTCOME:
Aug - Oct	CIP Preparation	Operations Cost Forecast Exercise		Multi-year cost projection by project
Νον	Financial Modeling			Overhead & benefits rates forecast WU rate scenarios Watershed financial model
Dec	Chief Reviews			Set operations budget target Preliminary water rate analysis Proposed CIP
Jan - Jun	Budget Process	GWP Charge Process	CIP Process	Adopt Groundwater Production Charges Adopt Budget
	Budget Passes Board Workstudy Budget Doc	PAWS Report Well Owner Notice Public Hearings	Draft CIP doc 60 day review CIP Doc	Adopt CIP

parallel processes that must be in sync



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Proposed Board Review Dates

Operating and Capital Budget

- February 11, 2020
- March 24, 2020
- April 29 to 30, 2020

Groundwater Production Charge (GWP)

- January 14, 2020
- April 14 to 28, 2020

Capital Improvement Program (CIP)

- January 14, 2020
- February 25, 2020
- April 14, 2020

Operating and Capital Budget, GWP, and CIP

• May 12, 2020 - Adoption





Major Budgeting Assumptions

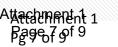
Overall Major Assumptions

- Anticipate a water rate increase due to aggressive capital program
- Anticipate debt issuance for Water Utility program
- Capital Improvement Program
 - Based on draft of 2021-25 Five-Year Capital Improvement Program

Operations Funding

- Maintain funding for current authorized position levels plus 17 new positions approved by the Board on November 12
- Salary and Benefits funded based on approved labor contracts
- Continue \$3.0M redirect from OPEB to unfunded pension liability





Board Work Plan Strategies

- Continue to execute the Board's Work Plan strategies for FY2019-20
- First pass preparation of the FY2020-21 Budget based on these continuing strategies
- Second pass would reflect any new strategies determined by the Board





Next Steps

 Incorporate any new Board Work Plan strategies into development of the 2020-21 Operating and Capital Budget and 2021-25 Five-Year Capital Improvement Program

 Check in with Board at various stages of process to confirm strategic direction and funding priorities are incorporated before final adoption scheduled for May 12, 2020



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