

WEST BASIN MUNICIPAL WATER DISTRICT

NOVEMBER 15, 2001 – Finance

Smith, Dear

NOVEMBER 26, 2001 – Board Meeting

Prepared by: Fernando Paludi

Submitted by: Paul Shoenberger

Approved by: Darryl G. Miller

INFORMATION CALENDAR

ON-GOING FINANCIAL INITIATIVESSUMMARY:

Staff is working on several interrelated financial initiatives that will require Board input and approval over the next several months:

- Potable and Recycled Rate Structure (Cost of Service) Study
- Updated Reserve Policy
- FY 2002-03 Budget
- Long-Term Finance Plan

Each initiative is a separate process with associated milestones and objectives, as shown in the attached planning calendar (Exhibit A) and described briefly below.

Potable and Recycled Water Rate Structures

Given the impending changes in the MWD rate structure and the increasing complexity of the District's recycled water system, staff has been working with the District's rate consultant, Integrated Utilities Group, to determine the best way to collect revenues in the future through both potable and recycled water rates and charges. A Cost of Service model will be the basis for setting equitable, defensible water rates every year. Staff is planning a series of purveyor and Board workshops through February 2002 in order to adopt new rate structures by March (that would become effective July 2002).

Reserve Policy Update

Staff will be reporting to the Finance Committee on an evaluation of the District's reserve fund categories and target levels. One important element of this process is projecting facility replacement needs well into the future and determining as a policy matter how much of those replacements should be paid for out of reserves. How much and when the reserve will be needed will influence rate setting in the future. Staff is planning a December Board workshop in conjunction with the on-going rate structure evaluation, and anticipates bringing a new reserve policy to the Board for adoption in January.

Long-Term Finance Plan

A comprehensive finance plan will allow the District to look at how different financial planning scenarios can impact water rates and reserve fund balances into the future. On an annual basis, the finance plan will incorporate input from the budget process and in turn provide the Cost of Service model with the District's total revenue requirements,

including contributions to reserves, to determine water rates. The Finance Plan will be completed in January.

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FY 2002-03 Budget

The budget process determines revenues required to fund operations and pay debt service. Staff anticipates reviewing the draft FY 2002-03 budget with the Board in the February timeframe, prior to adopting new water rates in March 2002.

FISCAL IMPACTS:

None.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was reviewed by the Finance Committee on November 15, 2001 and agendaized to the November 26, 2001 Board meeting as information.

RECOMMENDED MOTION:

This item is for information only.

LIST OF EXHIBITS:

Exhibit "A" – Planning Calendar

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