



District Attendees

Dave Underwood	Board Vice President
Randy Marx	Board Member
Misha Sarkovich	Board Member
Tom R. Gray	General Manager
Chi Ha-Ly	Finance Manager

Other Attendees

Absent

AGENDA ITEMS

I. Call to Order

The meeting was called to order at 4 p.m.

II. Public Comment

None.

III. Discussion

1. Proposed 2016 Budget and Future Capital Improvement Projects

General Manager Gray provided an overview of the 2016 Proposed Budget.

General Manager Gray highlighted the past ten years' performance data:

- a. Since 2006, the Board approved a total of 3% increase on total revenues
- b. No new debt & all existing debt retired
- c. In the last 10 years 40 cents of every dollar from water sales revenue has been invested back into capital improvements
- d. Staffing reduced from 40 to 32 positions
- e. In the last 10 years, District has received approximately \$5M of revenue from sources other than water sales

General Manager Gray stated that with the zero rate adjustment, the rate structure would be 80% fixed and 20% commodity. He mentioned that regulators are looking toward placing a higher percentage on commodity rather than fixed. The rate structure at FOWD has been impacted by reduced water sales.

The 2016 Proposed Budget includes:

- a. No rate increase
- b. No debt
- c. 53% of estimated water sales revenue invested back into capital
- d. Zero increase in salaries and wages budget
- e. 2016 estimated year ending cash is \$3,389,800
- f. 2016 reserve target per policy is \$3,521,100

General Manager Gray stated that he would use the salaries from vacant positions to fund any employee promotions in 2016.

General Manager Gray stated that the County received the bids for Hazel Avenue, there were low and high bids. The District is waiting to hear back from the County on its selection. He stated the 2016 FOWD Budget is dependent heavily on this bid.

General Manager Gray provided a brief overview of the projected 2016-2020 Five Year Financial Plan Summary. He stated that with Hazel Avenue and FO-40 expenses in the next five years, the District is projected to operate in a deficit by 2018. He also noted the \$1.5M unfunded liability the District has. He provided three options to the Budget Committee:

1. No rate increase
2. 15% rate increase in 2016 to cover the capital improvements in the next five years.
3. Rate increase over three years: 10% in 2017, 5% in 2018 and 5% in 2019

The Directors went over the line item expense projections.

Director Sarkovich would like staff to present the Network Upgrades at a Regular Board Meeting.

Director Sarkovich stated that he does not want a rate increase in 2016. He would like staff to look at the capital projects projection as FOWD is regularly under budget on capital improvement projects. He stated that the District should wait to review 2017 before making a decision on any rate increases. He indicated that staff can present the different options at the November meeting; however, he does not want to raise rates in 2016.

Director Underwood stated that he would like staff to review the projections and make sure the numbers are not inflated. He believes having the numbers closer to

actual expenses will provide a more accurate picture on the required rate adjustment necessary to fund the projects.

Director Marx stated that he would like staff to look into the cost of financing the projects compared to a rate increase. He also stated that if there needs to be a rate increase, he recommends a single digit rate increase.

XI. Public Comment

None.

XV. Adjournment

With no further business to come before the Board, Vice President Underwood adjourned the meeting at 6:23 p.m.

The Board approved the preceding minutes on November 9, 2015

Tom R. Gray
General Manager/Board Secretary

Date