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To: Chairman Ken Staton, & MVWD Board of Directors  
From: Joseph Davis, General Manager  
Date: May 29, 2018  
Subject: Budget Shortfall

**Background:**

Staff has spent the past few months collecting historical data and incorporating Board direction in an effort to better identify and plan for the future revenue needs for the continued operation and maintenance of the District's culinary water system.

The data includes current revenues; operation & maintenance costs; depreciation requirements; identified critical capital replacement costs. This data has been on-boarded into the WaterWorth Program with a few estimated assumptions i.e. 3.5% inflation on expenses and .01% growth increase.

The District's FY19 Budget has an anticipated 4% rate increase for July 1<sup>st</sup> in the final estimated operating revenues. The Budget still shows estimated ending cash decrease of (\$576,813).

The projected revenue needs of the District are estimated to require an 8% rate increase commencing on July 1<sup>st</sup> according to WaterWorth.

Staff is recommending an 8% rate increase instead of the originally estimated 4% increase for the FY19 budget year.

**Suggested Motion**

Move to increase the District's monthly base rate and inclining usage block rate by 8%