

Review Biennial Budget Process

**Finance and Insurance
Committee**

March 7, 2011



Objectives of Two Year Budget

- Allows Board to address planning over a longer time horizon by focusing on longer term issues, assumptions, and policy considerations
- Provides for budget approval before/concurrently with rates

Transition Year

- Proposed biennial budget for FY 2011/12 and FY 2012/13 marks the initiation of a formal two-year budget cycle
- FY 2011/12
 - Budget approved August 2010
 - Rates approved May 2010
- FY 2012/13
 - Budget presented for consideration and approval

Biennial Budget Process

- Three options presented
 - Approve two year budget
 - Approve rolling 2-year budget -- Year 1 approved; Year 2 provisional
 - Approve two year budget and two year rates

Two Year Budget

	Jan	Prior to Apr	April	Yr 1				Yr 2		
				Jul 1	Jan 1	Mar	Jun 30	Jul 1	Feb	Jun 30
Budget	Workshop		Approve							
Rates	Rev Reqmt's & COS (A)	Public Hearing	Approve		X					

4 months
8 months

(A) Required for fiscal year beginning July 1; rates effective January 1

Water rates and charges Year 2 . . .

	Jan Y1	Jan Y2	Prior to Apr	April	Yr 1		Yr 2			
					Jul 1	Jun 30	Jul 1	Jan 1	Mar	Jun 30
Budget	Workshop									
Rates 1										
Budget		Yr 2 mid term review								
Rates 2		Rev Reqmt's & COS (A)	Public Hearing	Approve				X		

4 months

(A) Required for fiscal year beginning July 1; rates effective January 1

Rolling 2-Year Budget



(A) Required for fiscal year beginning July 1; rates effective January 1

Two Year Budget – Two Year Rates

	Jan	Prior to Apr	April	Yr 1			Yr 2		
				Jul 1	Jan 1	Jun 30	Jul 1	Jan 1	Jun 30
Budget	Workshop		Approve						
Rates	Rev Reqmt's & COS	Public Hearing	Approve		X			X	

Provides 8 months rate certainty into year 3

Pros – Cons of Biennial Budgets

	2-Yr Budget	Rolling 2-Yr Budget	2-Yr Budget & Rates
Pros:			
Long-term planning	x	x	x
Budget and rates aligned		x	x
Longer-term rate certainty			x
Year 2 budget reflects more current info		x	
Year 2 rates reflects more current info	x	x	
Cons:			
Year 2 budget does not reflect current info	x		x
Year 2 rates do not reflect current info			x

Budget Cycle Overview

GFOA Excellence in Budgeting Award Recipients California Public Agencies

Type of Agency	Biennial	% of Total	Annual	% of Total	Total
Municipal	25	30.5%	57	69.5%	82
Special District	7	19.4%	29	80.6%	36
County	0	0.0%	7	100.0%	7
School	0	0.0%	1	100.0%	1
Total	32	25.4%	94	74.6%	126

Budget Process Survey

Agency	Budget Cycle	Rate Cycle	Notes
City of Anaheim	Annual	-	Annual water commodity adjustment
City of Philadelphia	Annual	Four year	
East Bay Municipal Utility District	Biennial	Biennial	Mid-biennial refinement & approval
Irvine Ranch Water District	Annual	Annual	
Los Angeles Department of Water & Power	Annual	-	Quarterly water rate adjustments
San Diego County Water Authority	Biennial	Annual	Mid-biennial update approval if change required
San Francisco Public Utilities Commission	Annual	Annual	Considering 2-year rate cycle
Southern Nevada Water Authority	Annual	Biennial	

Next Steps

- Receive Board direction on biennial budget process and reflect in March 22 workshop and April Board Letters
- Revise Administrative Code to reflect Board direction on biennial budget process

Discussion