

MEMORANDUM

DATE: September 1, 2016
TO: William Stowe, CEO and General Manager
FROM: Peggy Freese, CFO
SUBJECT: 2017 Budget

Work continues on development of the 2017 budget. The budget review team has completed the review of draft budgets with department senior managers and suggested revisions have been completed. The Senior Management team will meet on September 12 and 13 to review and reduce the operating and capital budgets. In that session, a number of changes were identified. The budget contains expected increases in chemicals, energy, wages, benefits and other expenses. These items will likely result in an overall increase to the operating budget in the range of 4%. Initial capital budgets totaled approximately \$38 million. This is net of funding from outside sources and funds being carried over from 2015.

For 2017, rate increases (see agenda item #2) will fund increases in the operating budget and will also fund a higher level of capital reinvestment than we have seen in previous years.

Following the two balancing sessions, Senior Managers will make the changes identified. Once those are complete, we will progress to making final changes and adjustments and preparing budget documents for the October Finance and Audit Committee meeting.