

What is a Rolling Budget?

Rolling budgets allow customers who pay for water in higher tiers in a month to become more efficient in future months and get credit applied to their bill. In the examples below, we'll look at how the concept of a rolling water budget works. To help us through the process, we'll use "Steve" as the name for our sample customer.

First, let's look at Steve's water budget and actual water use for Month 1. Let's assume that Steve used 35 units of water for the month. The table below shows Steve's budget, his actual use, the cost per unit of water and the total cost for each tier:

Month 1

	Budget	Use	Rate	Total \$
Tier 1 - Base	10	10	\$ 0.37	\$ 3.70
Tier 2 - Efficient	20	20	\$ 1.38	\$ 27.60
Tier 3 - Inefficient	15	5	\$ 2.28	\$ 11.40
Tier 4 - Wasteful			\$ 5.20	\$ -
Total				\$ 42.70

In Month 1, Steve noticed that he exceeded his 'Base' and 'Efficient' budgets and used 5 units of water in the 'Inefficient' tier. This concerned Steve and he made every effort in Month 2 to become more efficient. He decreased his sprinkler run time and he made sure to use a broom instead of hosing off his driveway. The table below shows Steve's budget and use for Month 2:

Month 2

	Budget	Use	Rate	Total \$
Tier 1 - Base	10	10	\$ 0.37	\$ 3.70
Tier 2 - Efficient	20	15	\$ 1.38	\$ 20.70
Tier 3 - Inefficient	15		\$ 2.28	\$ -
Tier 4 - Wasteful			\$ 5.20	\$ -
Total				\$ 24.40

In Month 2, Steve's efforts really paid off! He was 5 units under his budget in the 'Efficient' tier. This lowered Steve's bill by over \$18.

Now here's where the Rolling Budget kicks in. Each month the total budgets and total usage are added together to determine the Year to Date totals. In our example, we'll be adding Month 1 and Month 2 together to determine the Year to Date totals.

Year to Date Totals (Month 1 + Month 2)

Budget				Usage			
	Month 1	Month 2	YTD		Month 1	Month 2	YTD
Tier 1 - Base	10	10	20	Tier 1 - Base	10	10	20
Tier 2 - Efficient	20	20	40	Tier 2 - Efficient	20	15	35
Tier 3 - Inefficient	15	15	30	Tier 3 - Inefficient	5		5
Tier 4 - Wasteful				Tier 4 - Wasteful			

Now let's just look at the Year to Date Totals:

Year to Date

	Budget	Usage
Tier 1 - Base	20	20
Tier 2 - Efficient	40	35
Tier 3 - Inefficient	30	5
Tier 4 - Wasteful		

Notice that Steve has actually used 5 units less than his budget for the year in the Efficient Tier (Tier 2). This means that up to 5 units billed at the Inefficient Tier (Tier 3) can now be billed at the lower Tier 2 rate. Because Steve has already been billed for these 5 units at the Tier 3 rate, he will receive a credit on his bill for the difference between Tier 2 and Tier 3. Here's how this would look:

Tier 3 - Inefficient		\$	2.28
Tier 2 - Efficient	-	\$	1.38
		\$	0.90

\$0.90 x 5 Units = \$4.50

Steve will receive a total credit of **\$4.50** on his bill. This Year to Date comparison will happen every month and any credits that may be due will appear on Steve's bill. These budgets will reset and start over on July 1 of each year.

If you have additional questions regarding rolling budgets, please visit www.ranchowater.com or call our office at (951) 296-6930.