

FY 2020-2021 Coronavirus Operating Budget Impact

Special Board Meeting

04/2/2020

Item Number 2A





- **Prior Meeting**

- Approved deferring rate increases to January 1, 2021
 - Projected \$1.1M reserve use
- Directed staff to revisit budget due to COVID-19

- **Today's Meeting**

- Proposed COVID-19 related budget changes
- MWD Rate Scenarios
- Why is timely budget adoption necessary?

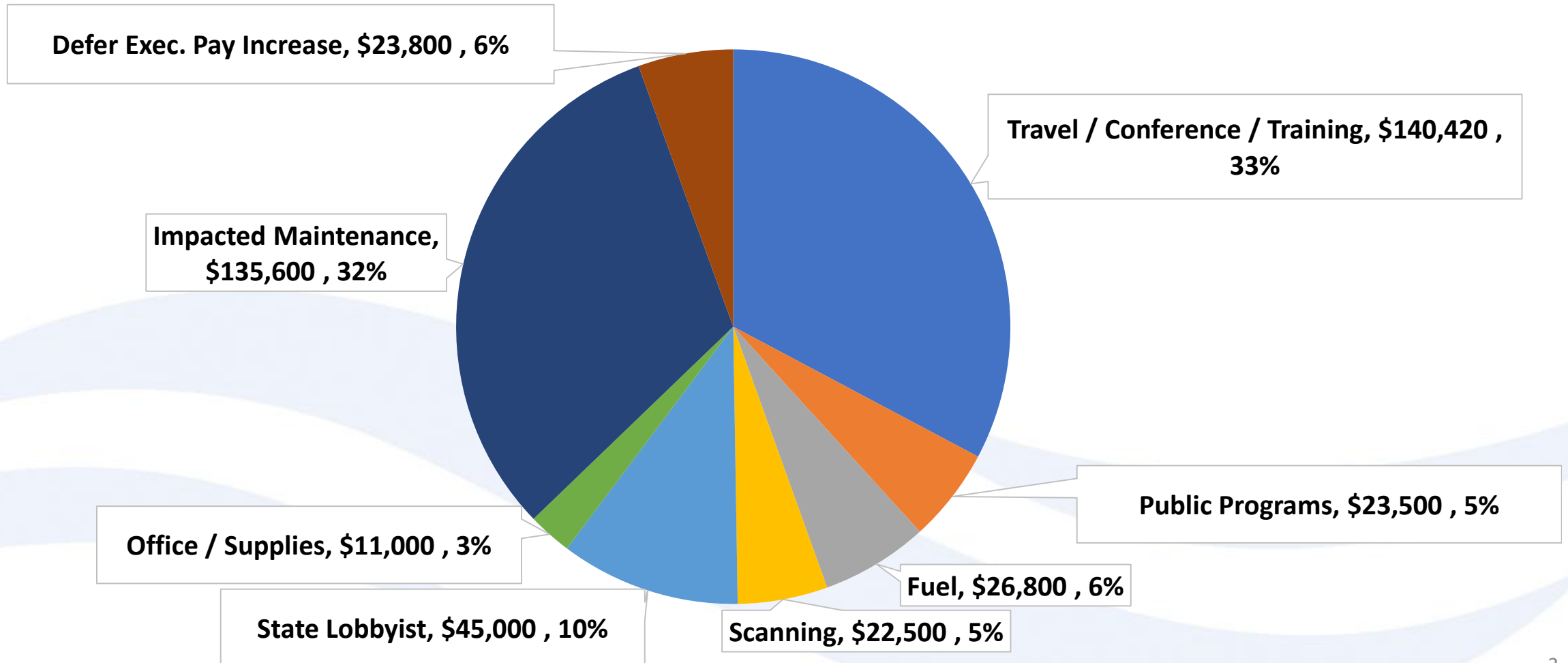
- **Future Actions**

- May FAC – Review draft budget document
- May Board Meeting – Budget adoption

Proposed Reductions to FY 20-21 Operating Budget



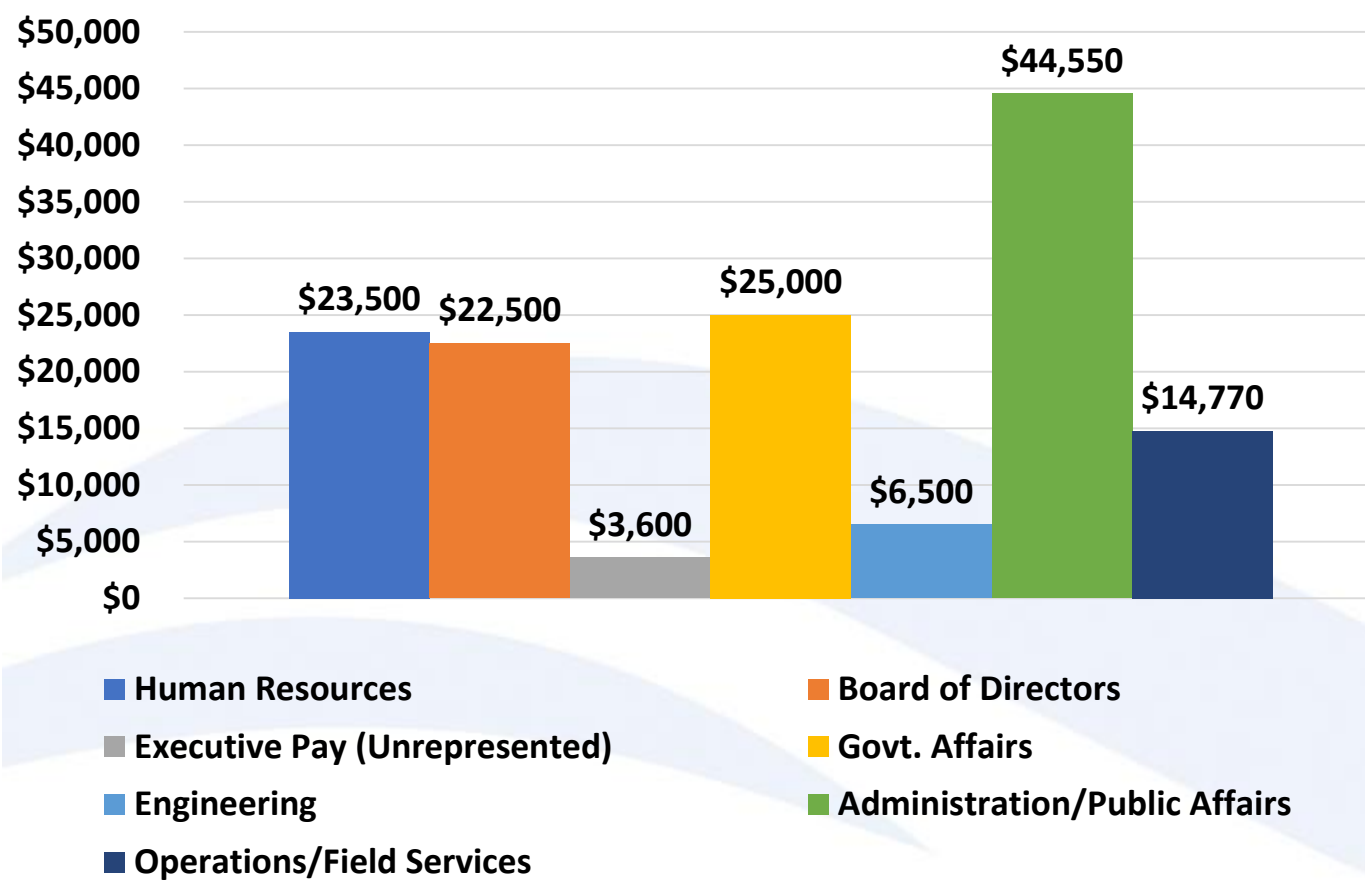
Proposed Reductions by Category - (\$428,620 in savings)



Travel / Conference / Training



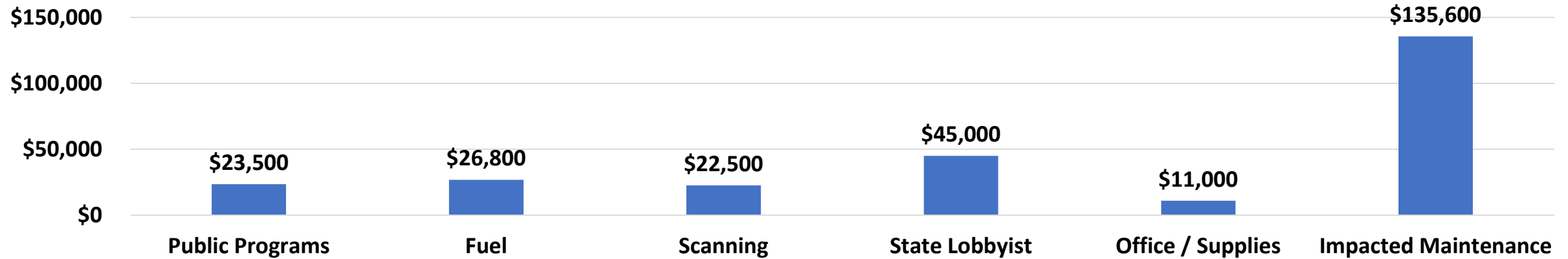
Travel/Conference/Training - \$140,420



Assumes from July 2020 – December 2020

- No In-Person Travel, Conference or Training
- No Board Related Travel or Conferences Fall/Winter (ACWA)
- Cancellation of the Fall/Winter Washington D.C. lobbying trip

Other Categories



Assumes from July 2020 – December 2020

- Reduction of District Sponsored/Conducted Events
 - Includes K-8 school programs, promotional giveaways, etc.
- Overall Reduction of Average Fuel Prices - 10%
- Delay in Use of Temporary Workers to Assist with Scanning Backlog
- State Lobbyist only works Six Months in FY 2020-2021
- Reduction in Overall Office Supplies/Printing expenses
- Maintenance Impacts - Deferral of Recycled Water Ponds to FY 2021-2022

Deferred Executive Pay Increases

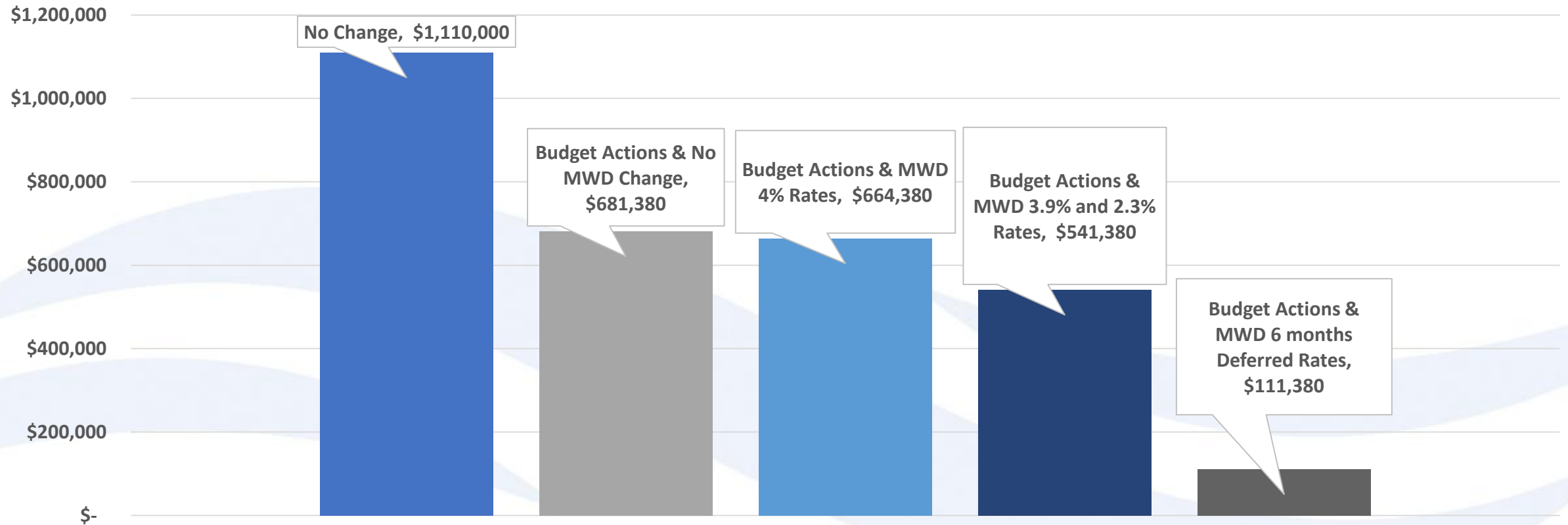


- Voluntary deferral of merit increase by Executive management (unrepresented)
 - Deferral during declared emergency – up to 6 months
 - Includes GM, AGM-CFO, AFM-E&O, Director of Admin., Director of H.R.
- Merit increases normally take place starting July 1st every year
- Revised budget assumes emergency through December 2020
- Projected budget savings impact – (\$23,800)
- GM car allowance also voluntarily deferred during same period - (\$3,600 savings)
 - Limited traveling during this time

Required Reserve Use by MWD Rate Scenario



- **MWD will be looking at Rate Action on April 14**
 - MWD Board may consider alternatives
 - RCWD letter requested rate increase deferral of at least 6 months



Why is timely budget adoption necessary?



- **Need to adopt a budget by June 30, 2020**
 - Establishes an operating plan and authorizes expenditures
 - Native water budget, labor budget, CIP budget, Capital Acquisition Budget
 - Still have flexibility
 - Operating system based on real time needs and changing conditions
 - Don't spend money unless necessary
 - Late adoption = strong negative bond ratings factor
 - Would impact potential refinancing efforts (delay or increase interest rates)
 - Is a Bond Covenant when we issue debt
 - 90 days from fiscal year start

Recommendation



- That the Board direct staff to incorporate the \$428,620 in budget reductions, and bring back the entire budget for consideration to adopt at the May 14, 2020 regular meeting.



Rancho Water

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