

# FY 2022-2023 Operating Budget

Board Meeting  
05/12/22  
Item Number 3D



## Agenda



- **FY 2022/2023 Budget**
- **Operating Reserves**
- **Impact of Statewide Drought**
- **Schedule**

## Summary



- Approved Rates FY 22/23 Budget
- Proposed FY Budget
  - 4.1% Increase District Wide
  - Reserve Use of \$1.08M
  - Budget is based on normal water year
  - Potential for additional reserve usage due to Emergency Drought Regulations

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## FY 2022/2023 Operating Budget Comparison



| Category                        | FY 2021/2022<br>(Millions \$) | FY 2022/2023<br>(Millions \$) | \$ Increase / Decrease<br>(Millions \$) |
|---------------------------------|-------------------------------|-------------------------------|---|
| <b>Operating Revenues</b>       | <b>\$83.01</b>                | <b>\$84.67</b>                | <b>\$1.66</b>                           |
| <b>Operating Expenses</b>       |                               |                               |   |
| Source of Supply                | \$50.91                       | \$53.12                       | \$2.21                                  |
| Booster Pumping                 | 4.47                          | 5.05                          | 0.58                                    |
| Transmission & Distribution     | 11.40                         | 11.08                         | (0.32)                                  |
| Customer Service                | 5.44                          | 5.66                          | 0.22                                    |
| Recycled Water                  | 2.78                          | 2.94                          | 0.16                                    |
| Wastewater                      | 2.06                          | 2.17                          | 0.12                                    |
| Engineering                     | 1.47                          | 1.49                          | 0.02                                    |
| Support                         | 2.70                          | 3.01                          | 0.31                                    |
| <b>Total Operating Expenses</b> | <b>\$81.22</b>                | <b>\$84.51</b>                | <b>\$3.29</b>                           |
| <b>Net Operating Income</b>     | <b>\$1.79</b>                 | <b>\$0.16</b>                 | <b>(\$1.63)</b>                         |

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## FY 2022/2023 Consolidated Operating Budget Comparison



| Category                    | FY 2021/2022<br>(Millions \$) | FY 2022/2023<br>(Millions \$) | \$ Increase / Decrease<br>(Millions \$) |
|-----------------------------|-------------------------------|-------------------------------|---|
| Operating Revenues          | \$83.01                       | \$84.67                       | \$1.66                                  |
| Operating Expenses          | \$81.22                       | \$84.51                       | \$3.29                                  |
| <b>Net Operating Income</b> | <b>\$1.79</b>                 | <b>\$0.16</b>                 | <b>(\$1.63)</b>                         |
| Reserves Use / (Addition)   | (\$0.85)                      | \$1.08                        | (\$1.93)                                |
| Interest Earnings           | \$0.89                        | \$0.75                        | (\$0.15)                                |
| CIP Funding                 | (\$1.84)                      | (\$1.99)                      | (\$0.15)                                |
| <b>Net Operating Budget</b> | <b>\$0.00</b>                 | <b>\$0.00</b>                 |   |

*4.1% increase in operating expenses budget-to-budget. Approved rates based on 4.0% expenditure increase.*

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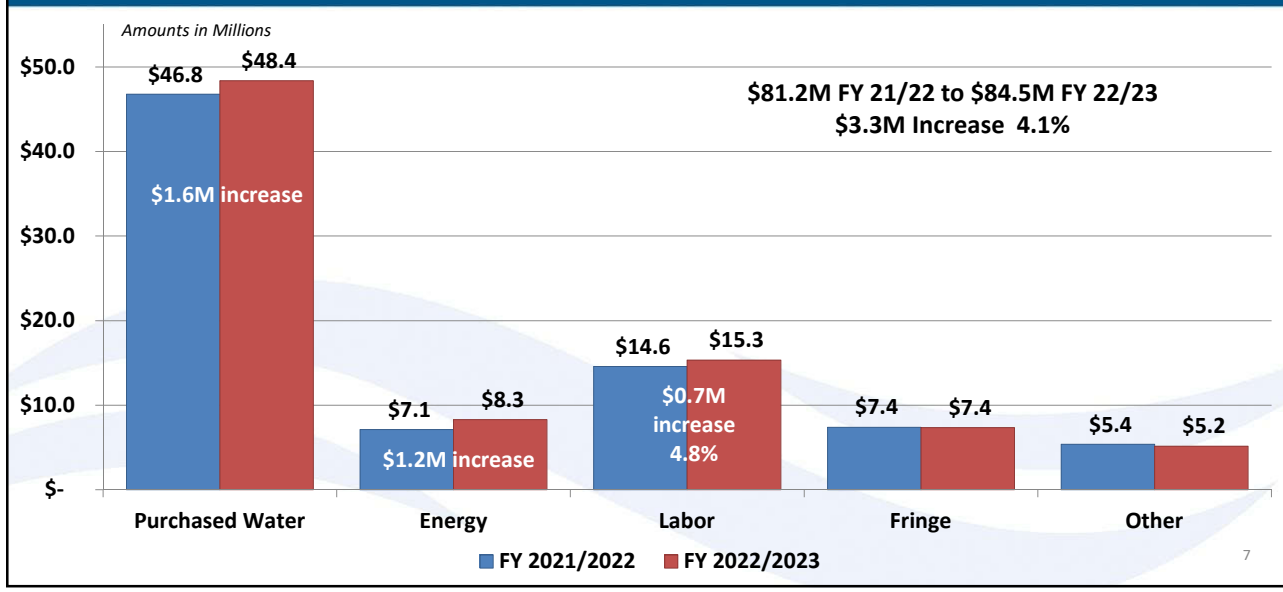
## Operational Challenges



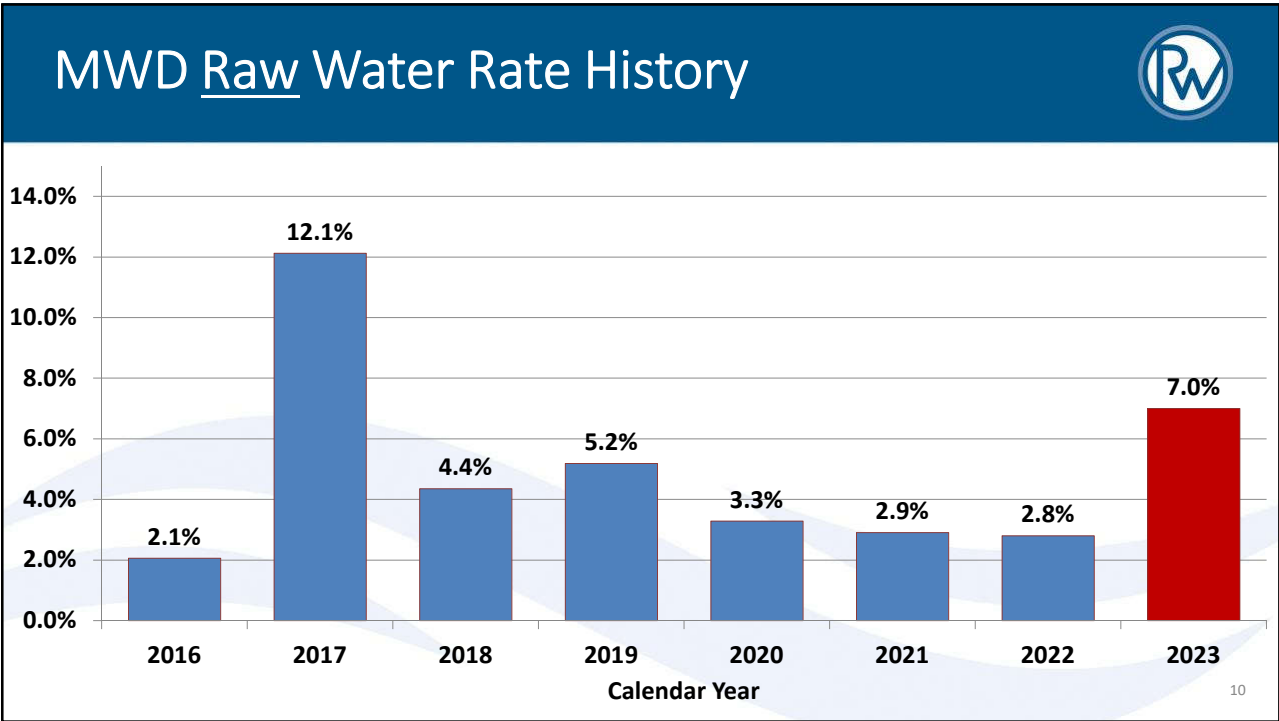
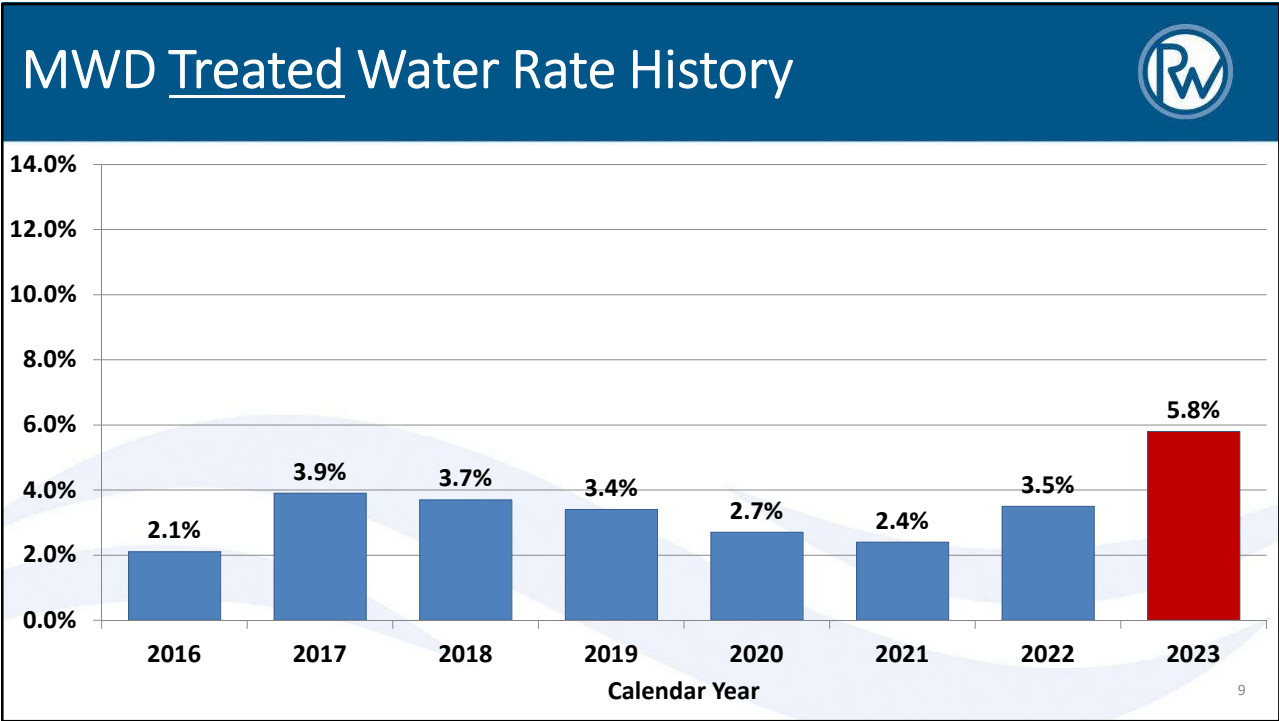
- Uncertain water sales impacts
- Increasing MWD rates & charges
- Increasing energy costs
- Increasing material costs - supply chain issues
- Labor changes

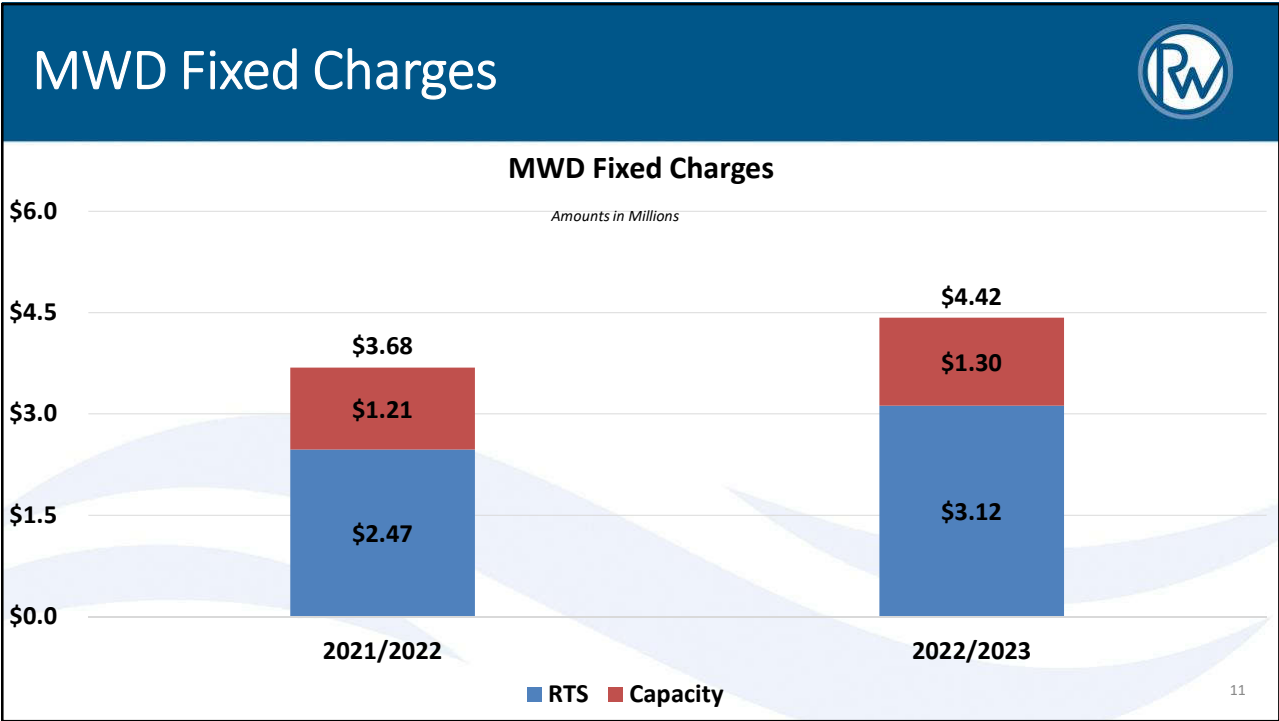
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# Operating Budget Change from Prior Year



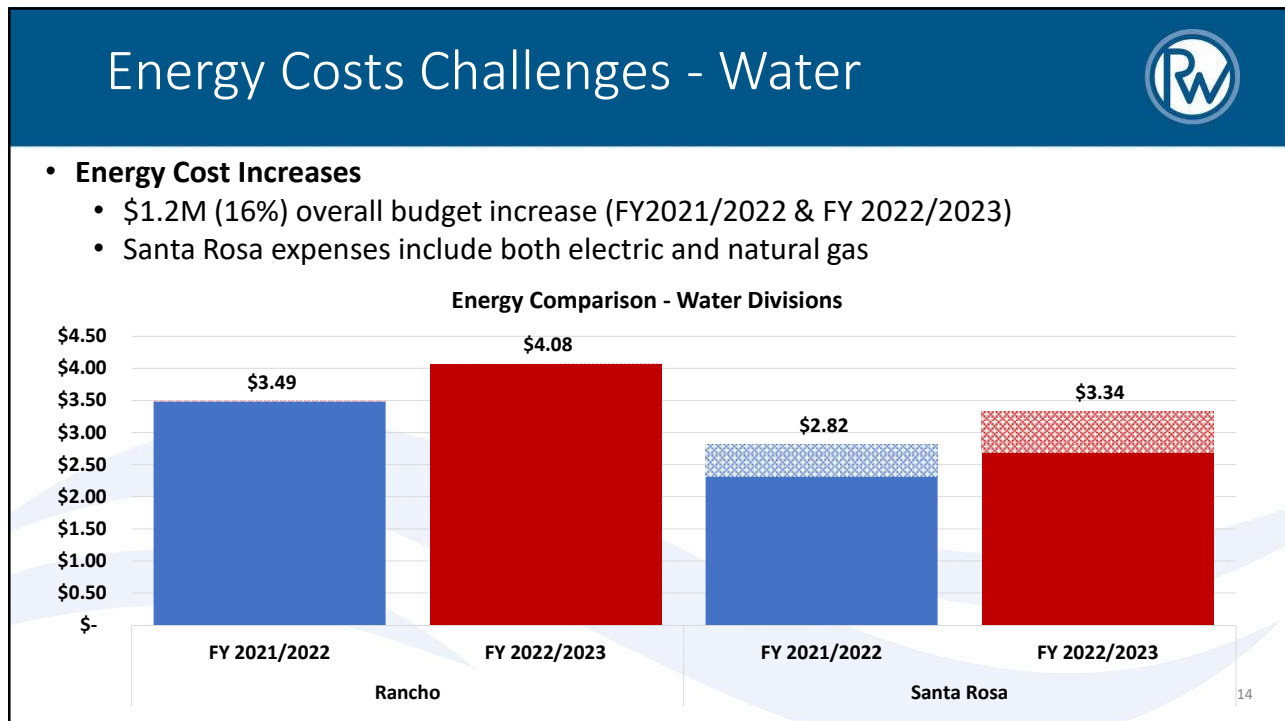
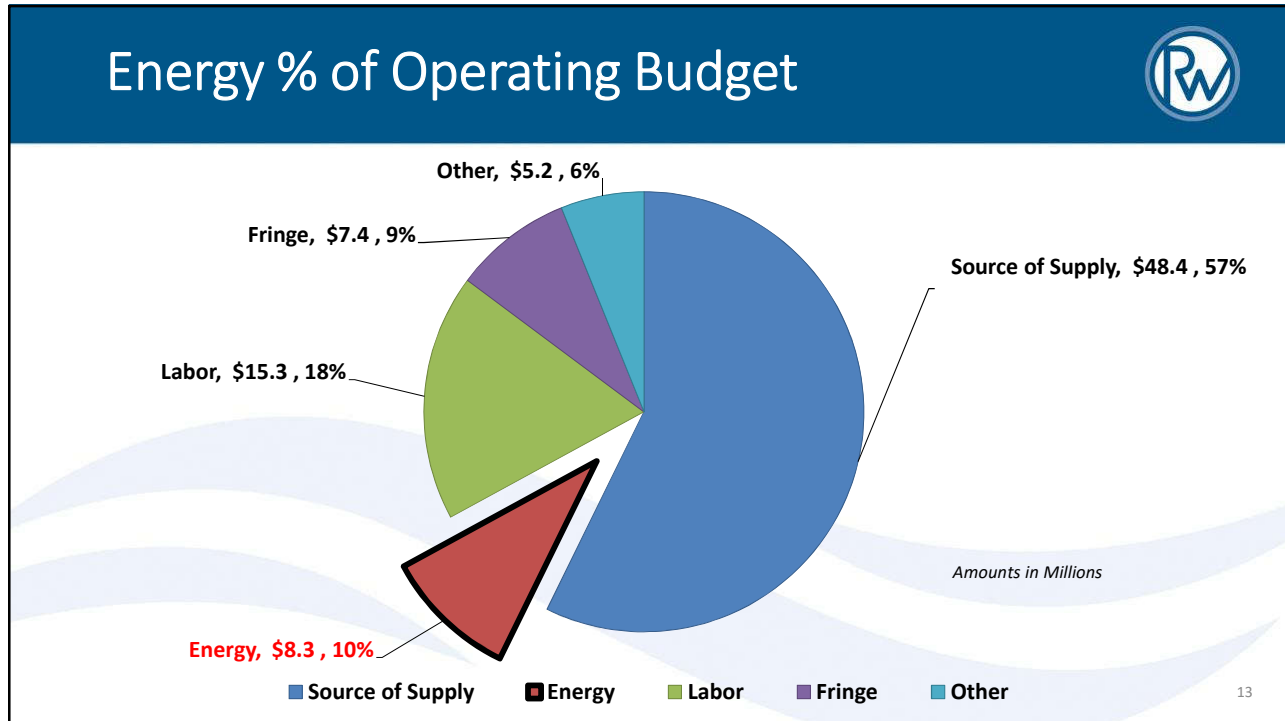
# MWD Rates





# Energy

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## Total Water Production Costs



| Source         | FY 2021/2022  | FY 2022/2023  | Increase /<br>(Decrease) – AF | Increase /<br>(Decrease) – % |
|----------------|---------------|---------------|-------------------------------|------------------------------|
| Native         | 15,881        | 15,471        | (410)                         | (2.6%)                       |
| Recharge Well  | 14,000        | 14,500        | 500                           | 3.6%                         |
| Cyclic         | 2,000         | 2,000         | 0                             | 0.0%                         |
| Treated Import | 21,435        | 19,972        | (1,463)                       | (6.6%)                       |
| Recycled       | 3,919         | 4,052         | 133                           | 3.4%                         |
| <b>Total</b>   | <b>57,235</b> | <b>55,995</b> | <b>(1,240)</b>                | <b>(2.2%)</b>                |
| Supply Cost    | \$51.0M       | \$53.1M       |                               |                              |
| <b>Rate/AF</b> | <b>\$890</b>  | <b>\$949</b>  |                               |                              |

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## Director Question



| Description  | Amount              |
|--|---------------------|
| FY 2021/2022 Budget  | \$81,222,286        |
| Treated Import Quantity Change (Due to Lower Budgeted Sales) | (1,587,229)         |
| <b>2021/2022 Budget Adjusted for Decreased Demand</b>        | <b>\$79,635,057</b> |
| Decrease Treated Import to Untreated                         | (\$61,231)          |
| Increase in Treated Import Price                             | 912,812             |
| Increase in Untreated Import Price                           | 610,844             |
| Increase in Untreated Import Quantity                        | 398,275             |
| Increase in Import Water Fixed Charge                        | 737,634             |
| Increase in Santa Margarita Import Water Cost                | 177,642             |
| Increase in Energy Cost                                      | 1,168,122           |
| Increase Cost from All Other Categories                      | 934,363             |
| <b>Proposed 2022/2023 Budget</b>                             | <b>\$84,513,517</b> |

\*21/22 Budget adjustment is sales reduction at the 21/22 treated import rate (1,409 AF at \$1,126)

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# Wastewater

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## Wastewater Division Budget



\* Proposed, subject to SRRRA Board approval at the May 17, 2022 SRRRA Board meeting

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# Wastewater Division, Cont.



| Fiscal Year           | P/S    | Collections | Total  |
|-----------------------|--------|-------------|--------|
| 2022/2023*            | 41.9%  | 41.9%       | 67.3%  |
| 2021/2022             | 44.4%  | 44.4%       | 69.2%  |
| Increase / (Decrease) | (2.4%) | (2.4%)      | (1.8%) |

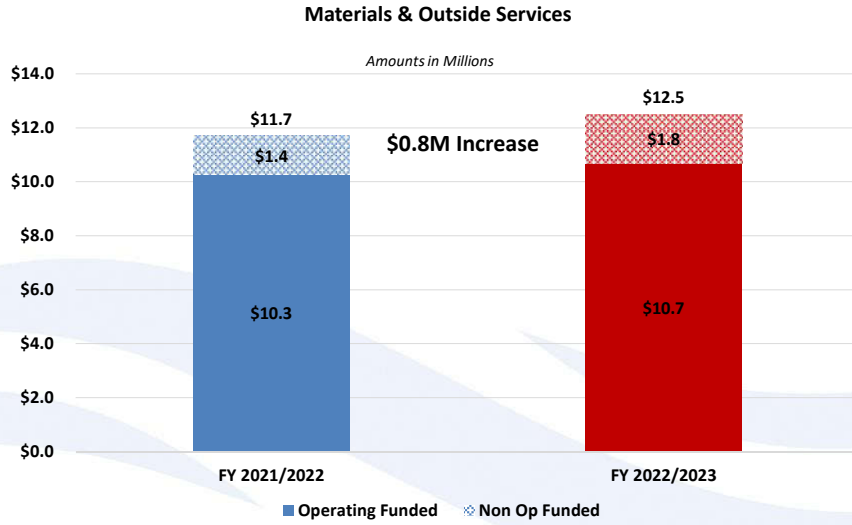
*\* Proposed, subject to SRRRA Board approval at the May 17, 2022 SRRRA Board meeting*

- **RCWD share of proposed SRRRA Operating\* budget**
- **Lower corrective budget reflects completion of the Plant rehabilitation**



# Materials & Outside Services

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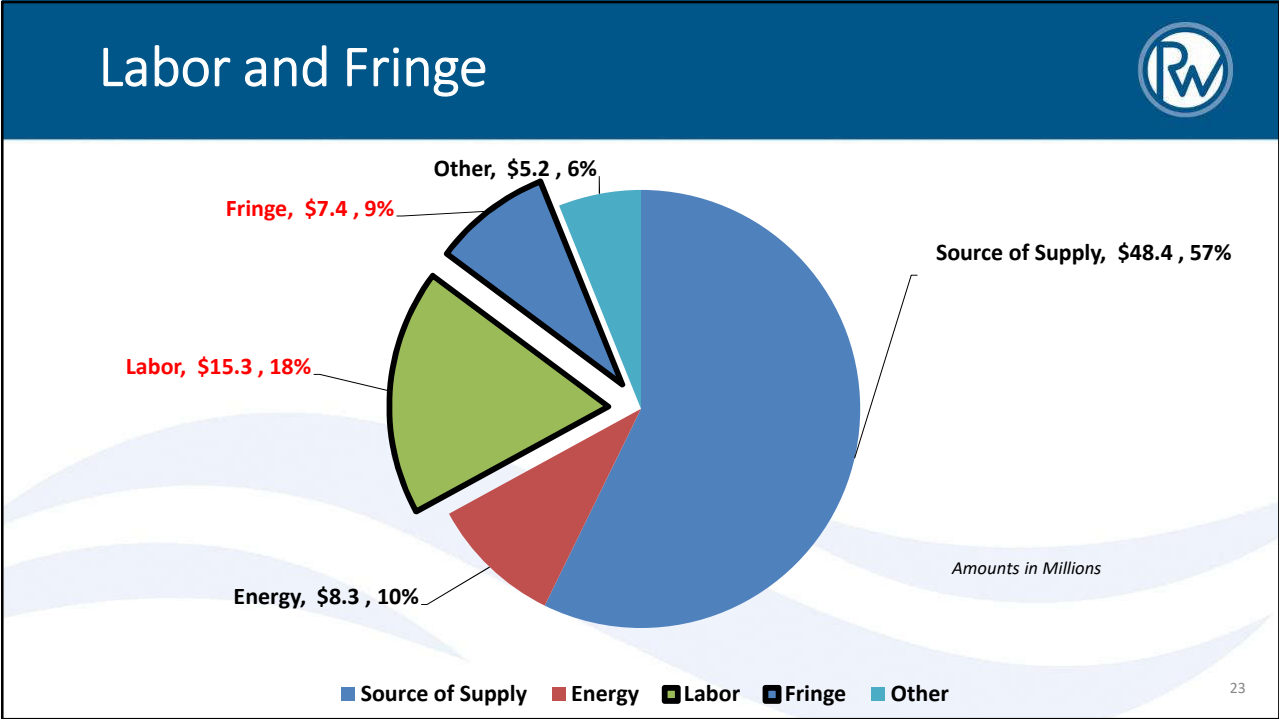


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# Staffing & Benefits



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## FY 2022-2023 Staffing Plan & Labor Budget

|                         | FY 2021-2022    | FY 2022-2023    | Change         |
|-------------------------|-----------------|-----------------|----------------|
| # of Employees          | *151            | 155             | 4              |
| # of Interns            | 14              | 14              | 0              |
| <b>Total Employee #</b> | <b>165</b>      | <b>169</b>      | <b>4</b>       |
| <b>Total FTE</b>        | <b>157.0</b>    | <b>161.0</b>    | <b>4.0</b>     |
| <b>Labor Budget</b>     | <b>\$15.64M</b> | <b>\$16.77M</b> | <b>\$1.13M</b> |
| <b>% Change</b>         |                 |                 | <b>7%</b>      |

\*2021-2022 Increased to 152 FTE during the fiscal year- Senior Government & Public Affairs Manager

- Three New Positions – Principal Engineer, Accounting Clerk, Director of Operations
- Changes in salaries due to retirements/vacancies are reflected
- Reflects MOU Terms (4.5% Merit Pool -Limit of \$650k)

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## Benefits



| Benefit              | FY 2021/2022<br>(Millions \$) | FY 2022/2023<br>(Millions \$) | \$ Change       |
|----------------------|-------------------------------|-------------------------------|-----------------|
| Health/Vision/Dental | \$3.10                        | \$3.05                        | (\$0.05)        |
| Pension              | 3.47                          | 3.85                          | 0.37            |
| OPEB                 | 0.38                          | 0.00                          | (0.38)          |
| Other                | 0.45                          | 0.46                          | 0.02            |
| <b>Total</b>         | <b>\$7.40</b>                 | <b>\$7.36</b>                 | <b>(\$0.04)</b> |

- Health/Vision/Dental based on current premiums and updated assumptions
- Pension based on latest CalPERS actuarial calculation of Normal Cost
- OPEB based on latest actuarial calculation of Explicit Normal Cost

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## Monitoring OPEB Investment Performance



- Staff and Chandler weekly monitoring of investments
- Funding status based on market value of investments
- Review additional contribution if past liability becomes partially unfunded
  - Unfunded liability is funded through non-operating reserves

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# Operating Reserves

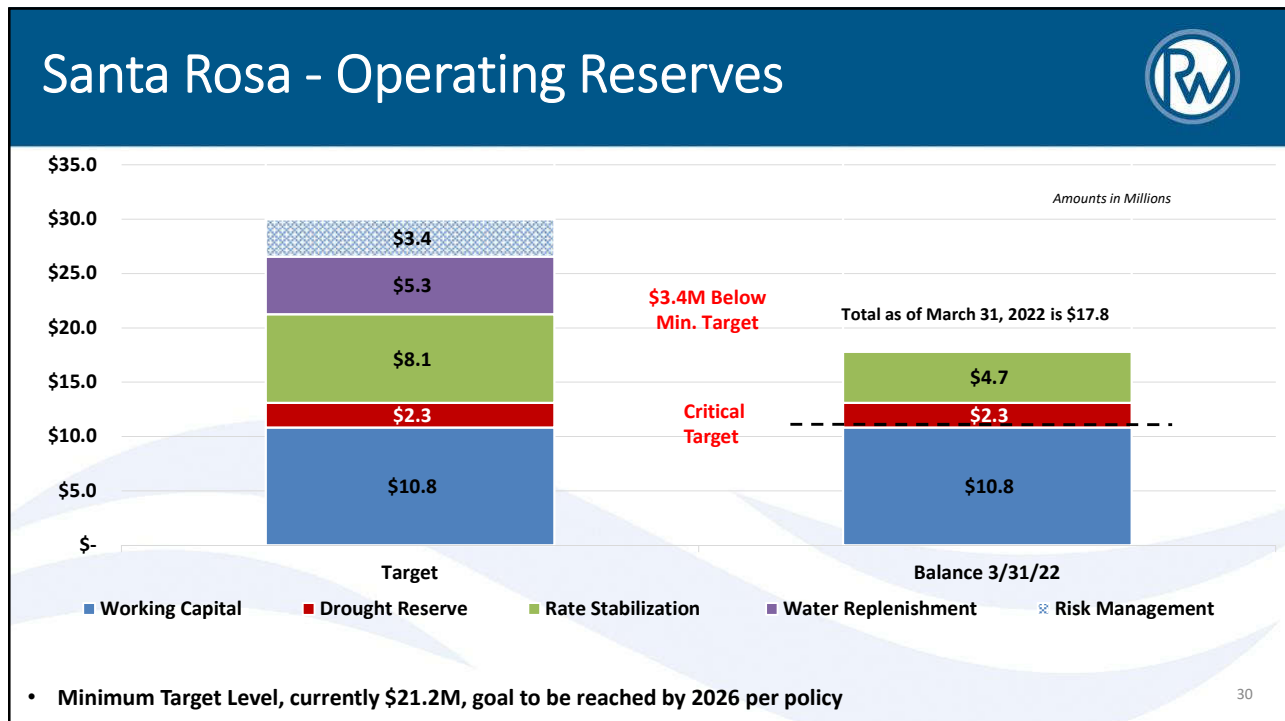
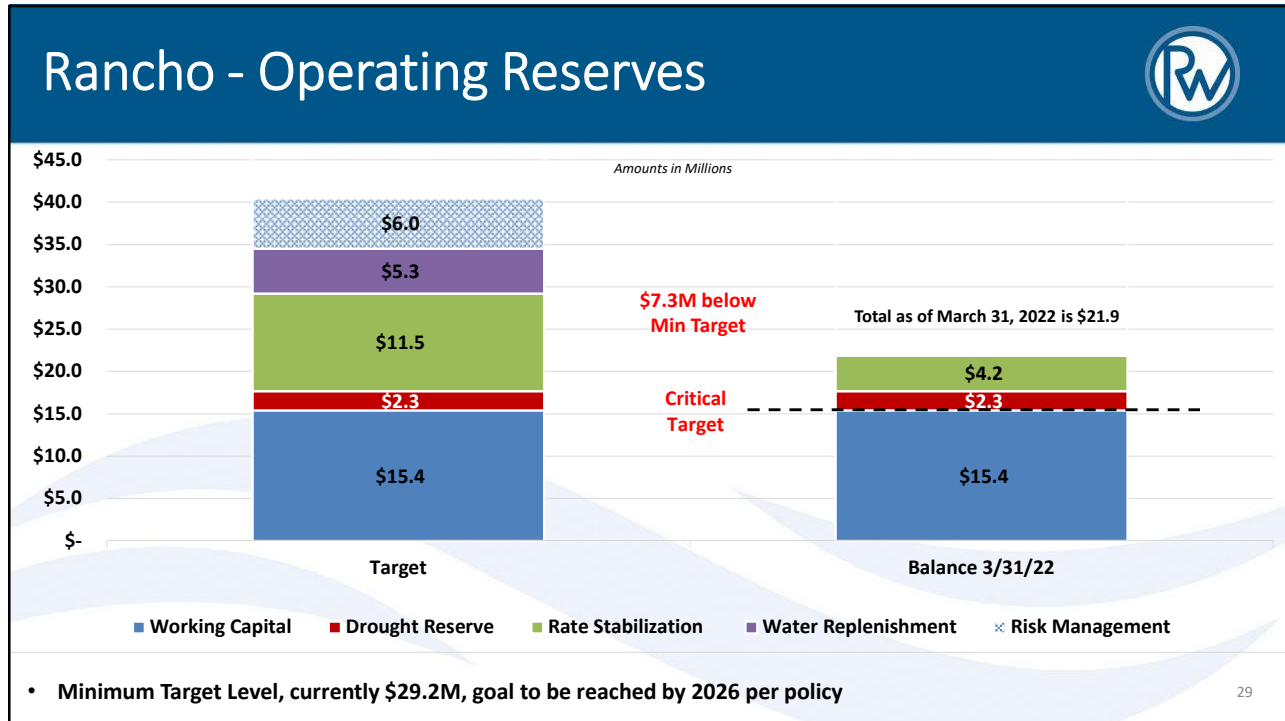
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## Operating Reserve Policy & Plan Background



- **Reserve Policy (as of December 2016)**
  - Established Operating Reserve Target Levels & Funding Timeline Goals
    - **Critical** Reserves – within 5 Years- Working Capital
    - **Minimum** Reserves – within 10 Years- Drought Reserve & Rate Stabilization
    - **Target** Reserves – within 15 years, water Replenishment & Risk Management
- **Future Funding Considerations**
  - Impact on reserve targets

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## Wastewater - Operating Reserves



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## Potential Drought Impacts




- Net revenue impacts of implementing emergency drought regulations could be up to \$1M
- April 20<sup>th</sup> SWRCB issued draft emergency regulations
- Hearing May 24<sup>th</sup> to consider adoption of emergency regulations
- District will be required to implement conservation measures of WSCP Stage 3c
- District could possibly postpone implementation of Stage 3c tiered-rate budget reductions

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## Financial Implications- Emergency Drought Regulations



- **Remain in Stage 3b**
  - 10% demand reduction
  - Loss of revenues exceed reduction in production costs by \$1M
  
- **Stage 3c**
  - Stage 3c 15-20% demand reduction
  - Loss of revenues equal to reduction in production costs

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## Budget Development Schedule



| Date                 | Board/Committee            | Activity                     |
|----------------------|----------------------------|------------------------------|
| May 12 <sup>th</sup> | Board of Directors Meeting | Review draft budget document |
| June 9 <sup>th</sup> | Regular Board Meeting      | Public Hearing/Adopt Budget  |

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# Questions



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