

FY 2021/22 &
FY 2022/23
Biennial
Budget

Board Meeting
June 1, 2021



SCV

WATER

BIENNIAL BUDGET

Seeking approval of FY 2021-22 spending plan;
conditional approval of FY2022-23

Consistent with proposed rate plan

Careful attention to cost integration and
enterprise fund accounting

Staffing at 231 (includes 10 part-time and 5
limited-term)

Funding for state mandates and strategic
objectives

MAJOR COMPONENTS

Operating & Other Revenues

- Water sales
- Property taxes
- Other Revenues

Operating Expenses

- General operating expenses
- Debt service
- Pay-go Capital (funded by rates and property taxes)

OTHER COMPONENTS

Debt Funded CIP

- New (Additional) funding for PFAS
- \$36.8 million plan (in FY 2021/22)

State Water Contract Fund

- Property Tax Revenues \$33.6 million
- DWR Expenses \$34.8 million

Capacity Fees

- Regional \$6.3 million
- Retail \$2.7 million

ASSUMPTIONS

Revenue Projections from Cost of Service

- Projected account growth
- Studied sales volumes
- Accounted for new conservation guidelines

FY 2020/21 budget + current operating conditions = budgeting starting points

- Transfer of studies and planning documents from CIP to Operating Expense, accounted for PFAS O&M Treatment and extraction of dry year firming supplies

No change in existing standard of service

Incorporated rate modifications from proposed Rate Study

Sections Included

- Transmittal Letter
- Budget Foreword
- Strategic Plan
- Long-Term Commitments
- Capital Improvement Program
- Reserves
- Financial Summary
- Revenues
- Expenses
- Forecast

Sections Included, but Under Construction

- Performance Measures

Sections to be Added

- Table of Contents
- Glossary & Acronyms
- Awards Section
- Resolutions

BUDGET SECTIONS

**BALANCED
BUDGET**
(in millions)

A balanced budget is a budget in which inflows equal or exceed outflows.

*Balance of Capital Pay-go plan will be funded from carryover reserve funds

	FY 2021/22		FY 2022/23	
	Inflows	Outflows	Inflows	Outflows
Water Sales	\$ 86.9		\$ 92.4	
Property Tax	\$ 27.9		\$ 28.6	
Grants	\$ 1.4		\$ 2.8	
Reimbursements	\$ 8.4		\$ 3.4	
Misc Revenue	\$ 2.4		\$ 2.5	
Capacity Fees	\$ 9.1		\$ 8.7	
Operating Expense		\$ 84.4		\$ 86.0
Capital Pay-go (Operating)*		\$ 18.7		\$ 19.2
Debt Service		\$ 33.0		\$ 33.2
	\$ 136.1	\$ 136.1	\$ 138.4	\$ 138.4

PROPOSED BUDGET REVENUE

	FY 2021/22	FY 2022/23
Water Sales	\$ 86,857,036	\$ 92,436,885
Property Tax	\$ 27,934,798	\$ 28,588,472
Grants	\$ 1,345,000	\$ 2,745,000
Reimbursements	\$ 8,396,230	\$ 3,377,687
Misc Other ¹	\$ 2,431,309	\$ 2,478,387
Capacity Fees ²	\$ 9,071,100	\$ 8,733,500
Total Operating Revenue	\$ 136,035,473	\$ 138,359,931

¹Includes Communication Leases, Rental Income, Investment Revenues and Laboratory Revenues

²Current year Facility Capacity Fees/Connection Fee receipts to pay portion of debt service or expansion CIP projects

PROPOSED BUDGET EXPENSES

Operating Funds Available for
Pay-go

FY 2021/22 \$18,666,082

FY 2022/23 \$19,226,297

	FY 2021/22	FY 2022/23
Management	\$ 4,300,023	\$ 3,763,699
Finance, Administration & IT	\$ 16,349,648	\$ 16,556,624
Customer Care	\$ 2,347,600	\$ 2,493,223
Transmission & Distribution	\$ 11,803,359	\$ 12,067,369
Pumping & Wells	\$ 14,049,535	\$ 14,950,742
Water Resources	\$ 9,778,861	\$ 9,661,712
Engineering	\$ 3,661,019	\$ 3,695,368
Water Quality & Treatment	\$ 10,428,336	\$ 10,935,917
Source of Supply	\$ 11,690,219	\$ 11,794,910
Debt Service	\$ 32,960,792	\$ 33,214,070
Capital Pay-go (Operating)	\$ 18,666,082	\$ 19,226,297
Total Operating Expenses	\$136,035,473	\$138,359,931

EXPENSE COMPARISON

1 – Perchlorate Litigation \$1.1 million and no election expense in FY 21/22

2 – M&R Services – Previously charged to CIP

3 – PFAS O&M costs

4 – Planning & Studies – Previously charged to CIP and dry year firming supplies

5 – Additional Planning & Studies

6 – M&R Wells transferred to Pumping Dept

7 – Savings from refinance, maturity of 2008A & 2014A bonds, addition of 2020A debt and 1999A debt payments

	FY 2020/21	FY 2021/22	Difference	
Management	\$ 3,878,227	\$ 4,300,023	\$ 421,796	1
Finance, Admin & IT	\$ 16,079,376	\$ 16,349,648	\$ 270,272	
Customer Care	\$ 2,154,147	\$ 2,347,600	\$ 193,453	
Trans & Distribution	\$ 10,405,326	\$ 11,803,359	\$ 1,398,033	2
Pumping & Wells	\$ 11,323,073	\$ 14,049,535	\$ 2,726,462	3
Water Resources	\$ 8,305,253	\$ 9,778,861	\$ 1,473,608	4
Engineering	\$ 2,816,500	\$ 3,661,019	\$ 844,519	5
Water Quality & Treat	\$ 9,540,518	\$ 10,428,336	\$ 887,818	
Source of Supply	\$ 12,924,277	\$ 11,690,219	\$ (1,234,058)	6
Debt Service	\$ 27,610,418	\$ 32,960,792	\$ 5,350,374	7
Capital Pay-go (Operating)	\$ 34,040,229	\$ 18,666,080	\$ (15,374,149)	
Total Operating Expense	\$139,077,344	\$136,035,472	\$ (3,041,872)	

CAPITAL PLAN (PAY-GO)

*Includes current year Facility Capacity Fee/Connection Fee revenues

**Transfer In from Connection Fee fund and unspent funds from the current year

	FY 2021/22	FY 2022/23
Revenues*	\$ 136,035,473	\$ 138,359,931
Expenses	\$ (84,408,600)	\$ (85,919,564)
Debt Service	\$ (32,960,792)	\$ (33,214,070)
Transfer - Other Fund/Cash	\$ 15,428,936	\$ -
Transfer from Reserves	\$ 13,133,817	\$ 29,802,039
Total CIP Pay-go	\$ 47,228,834	\$ 49,028,336

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Transfer - Other Fund/Cash**	\$ (15,428,936)	\$ -
Transfer from Reserves	\$ (13,133,817)	\$ (29,802,039)
Funded by Rates/Other Rev	\$ 18,666,081	\$ 19,226,297

CAPITAL PLAN (DEBT)

FY 2021/22 includes 2-year bank loan or other financing for PFAS projects only. Will be refinanced into the 2023 bond issue.

	Adopted Budget	Projected	Proposed Budget	Proposed Budget
	FY 2021	FY 2021	FY 2022	FY 2023
Fund Balance, Beginning	\$ 7,542,975	\$ 7,542,975	\$ 32,151,338	\$ 17,723,848
REVENUES				
Bond/Loan Proceeds	\$ 55,000,000	\$ 55,000,000	\$ 19,500,000	\$ 75,000,000
Grant Reimbursements	-	-	-	-
Investment Revenues	180,000	60,000	32,000	80,000
Total Revenues	\$ 55,180,000	\$ 55,060,000	\$ 19,532,000	\$ 75,080,000
EXPENDITURES				
Capital Projects - Debt Funded	\$(55,099,550)	\$(30,451,637)	\$(33,959,490)	\$(42,880,650)
Total Expenditures	\$(55,099,550)	\$(30,451,637)	\$(33,959,490)	\$(42,880,650)
Available Fund Balance, Ending	\$ 7,623,425	\$ 32,151,338	\$ 17,723,848	\$ 49,923,198

RESERVES

Based on Reserve Policy revised December 2020

¹Carryover Balance determined by taking unrestricted cash estimated at year-end and subtracting reserve requirement

	FY2020/21	FY2021/22	FY2022/23
Capital	\$ 43,484,506	\$ 22,520,377	\$ 20,505,140
Emergency/Disaster	25,216,799	28,187,867	28,742,788
Operating	28,114,615	39,175,065	39,814,145
Revenue Rate Stabilization	16,927,954	15,242,577	16,324,788
Water Supply Reliability	6,000,000	6,000,000	6,000,000
100% of Reserve Target	\$119,743,874	\$111,125,886	\$111,386,861

Carryover		\$ 42,935,956	\$ 29,802,139
Utilization		(13,133,817)	(29,802,139)
Carryover Balance ¹	\$ 42,935,956	\$ 29,802,139	\$ -

STAFFING

¹FY 2019-20

- 2 Civil Engineers
- Emergency Response Coordinator
- Administrative Analyst (Engineering)
- IT Technician

²FY 2020/21

- Lead Water Systems Worker
- 2 Administrative Tech (IT & Admin)
- Field Services Worker
- Sr Engineer

³FY 2021/22

- Sr IT Technician
- Security Specialist
- Data Scientist
- Water Quality Tech
- Utility Worker

⁴FY 2022/23

- HR Specialist
- Facilities Maintenance Tech

		No. of Positions
2018	Positions – Pre-Merger	223
2018	Eliminated 7 Positions	216
FY 2018/19	Eliminated 5 Positions	211
FY 2019/20	Added 5 Positions ¹	216
FY 2020/21	Added 5 Positions ²	221
FY 2021/22	Added 5 Positions ³	226
FY 2022/23	Added 2 Positions ⁴	228

	Operating Salary & Benefits	Year/Year Change
FY 2018/19	\$ 28,814,917	
FY 2019/20	\$ 28,637,468	-0.62%
FY 2020/21	\$ 29,057,591	1.47%
FY 2021/22	\$ 28,137,799	-3.17%
FY 2022/23	\$ 29,166,785	3.66%

IN SUMMARY

- A Balanced Budget
- Utilization of Proposed Rate Study
 - Revenue Neutral for FY 21/22
- Utilization of carryover funds to complete the 2-year Capital Pay-go plan
- 5 New Positions
- Funding for Strategic Initiatives
 - Groundwater Management Act
 - Water Resiliency Initiative
 - Technology Improvements
 - PFAS Treatment