



SCV

WATER

FY 2022/23
REVISED
BUDGET

Board Meeting
April 26, 2022

FY 2022/23 REVISED BUDGET



Seeking approval of FY 2022-23 Operating Budget spending plan



Consistent with the approved Cost of Service



Staff settling into new Departmental Budgets



Staffing at 233 (includes 10 part-time positions)



Funding for state mandates and strategic objectives

MAJOR COMPONENTS

Operating & Other Revenues

- Water sales
- Property taxes
- Other Revenues

Operating Expenditures

- General operating expenses
- Debt service
- Pay-go Capital (funded by rates and other revenues)

OTHER COMPONENTS

Debt Funded CIP

- \$41.9 million plan (in FY 2022/23)
- Adding funding mechanism needed to complete the plan

State Water Contract Fund

- Property Tax Revenues \$36.8 million
- DWR Expenses \$37.2 million

Capacity Fees

- Facility Capacity Fees \$5.6 million
- Retail Connection Fees \$.7 million

ASSUMPTIONS

Water Sales Revenue Projections from Cost of Service

- Projected account growth consistent with COS
- Assumes normal year for sales volumes
- Alternative calculation impact for a Stage 2 event

FY 2021/22 projection + FY 2022/23 budget + change in operating conditions = budgeting starting points

- Operating Expense increase due in part to Perchlorate Litigation, Technology Services, Treatment Chemicals, Master Plan

No change in existing standard of service

Includes a 6.5% revenue increase as outlined in the COS

	BUDGET FY 2021/22		PROJECTED FY 2021/22		APPROVED FY 2022/23		REVISED FY 2022/23	
	Ins	Outs	Ins	Outs	Ins	Outs	Ins	Outs
Water Sales	\$ 86.9		\$ 99.6		\$ 92.4		\$ 92.7	
Property Tax	\$ 27.9		\$ 29.6		\$ 28.6		\$ 30.2	
Grants	\$ 1.3		\$ 1.6		\$ 2.5		\$ 5.3	
Reimbursements	\$ 0.2		\$ 1.1		\$ 0.4		\$ 3.6	
Settlement Agreement	\$ 8.2		\$ 3.2		\$ 3.3		\$ 8.9	
Misc Revenue	\$ 2.4		\$ 1.1		\$ 2.5		\$ 1.4	
Capacity/Connection Fees	\$ 8.6		\$ 7.3		\$ 8.7		\$ 6.3	
Operating Expense		\$ 84.4		\$ 80.6		\$ 85.9		\$ 94.1
Capital Pay-go (Operating)*		\$ 18.2		\$ 29.2		\$ 19.2		\$ 21.2
Debt Service		\$ 33.0		\$ 33.0		\$ 33.2		\$ 33.2
	\$ 135.5	\$ 135.5	\$ 143.5	\$ 142.7	\$ 138.4	\$ 138.4	\$ 148.5	\$ 148.5

BALANCED BUDGET (in millions)

A balanced budget is a budget in which inflows equal or exceed outflows
Operating Funds Available for Pay-go

- FY 2022/23 \$21,186,966

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

	BUDGET FY 2021/22	PROJECTED FY 2021/22	APPROVED FY 2022/23	REVISED FY 2022/23	
Water Sales	\$ 86.9	\$ 99.6	\$ 92.4	\$ 92.7	1
Property Tax	27.9	29.6	28.6	30.2	
Grants	1.3	1.6	2.5	5.3	2
Reimbursements	0.2	1.1	0.4	3.6	3
Settlement Agreement	8.2	3.2	3.3	8.9	4
Misc Revenue ¹	2.4	1.1	2.5	1.4	
Capacity/Connection Fees ²	8.6	7.3	8.7	6.3	
	\$ 135.5	\$ 143.5	\$ 138.4	\$ 148.5	

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

REVISED BUDGET REVENUE (in millions)

- 1 – Reflects updated revenue for Wholesale Water Rates
- 2 – Grants –LARC Ranch, Recycled Water Phase 2 (B,C,D) Grant
- 3 – Reimbursements – Includes carrying costs for Tapia and Tesoro, SGIP Incentive for battery storage
- 4 - Settlement - Reimbursement for perchlorate remediation (Saugus Wells #3 & #4)

	BUDGET FY 2021/22	PROJECTED FY 2021/22	APPROVED FY 2022/23	REVISED FY 2022/23
Management	\$ 4.3	\$ 7.3	\$ 3.8	\$ 5.7
Finance, Administration & IT	16.8	15.4	17.0	18.7
Customer Care	2.3	2.4	2.5	2.8
Transmission & Distribution	11.4	11.2	11.6	12.5
Pumping Wells & Storage	13.6	11.2	14.6	14.0
Water Resources	9.6	6.3	9.6	9.6
Source of Supply	11.7	11.2	11.8	12.5
Water Quality, Treatment & Maint	10.9	11.5	11.4	12.8
Engineering Services	3.7	4.1	3.7	5.3
Debt Service	33.0	33.0	33.2	33.2
Capital (Pay-go)	18.2	29.2	19.2	21.2
Total Operating Expenditures	\$ 135.5	\$ 142.7	\$ 138.4	\$ 148.5

REVISED BUDGET EXPENDITURES (in millions)

Operating Funds Available for Pay-go

- FY 2022/23 \$21,186,966

	APPROVED FY 2022/23	REVISED FY 2022/23	Difference	%	
Management	\$ 3.8	\$ 5.7	\$ 2.0	52.0%	1
Finance, Administration & IT	17.0	18.7	1.7	10.0%	2
Customer Care	2.5	2.8	0.3	12.7%	3
Transmission & Distribution	11.6	12.5	0.9	7.4%	
Pumping Wells & Storage	14.6	14.0	(0.5)	-3.7%	
Water Resources	9.6	9.6	0.0	0.3%	
Source of Supply	11.8	12.5	0.7	6.3%	
Water Quality, Treatment & Maint	11.4	12.8	1.4	12.4%	4
Engineering Services	3.7	5.3	1.6	44.6%	5
Debt Service	33.2	33.2	-	0.0%	
Capital (Pay-go)	19.2	21.2	2.0	10.2%	
Total Operating Expenditures	\$ 138.4	\$ 148.5	\$ 10.1	7.3%	

Rounded for ease of reading. Detailed expenses can be found on pages 28-36.

EXPENDITURE COMPARISON (in millions)

1 – Perchlorate litigation added to revised FY 2022/23.

2 - An increase in Technology Services due to the enQuesta upgrade/integration, Azure Cloud services, Oracle managed services, office technology professional services and watershed modeling, also includes increases to the Agency's Liability and Cyber insurance policies.

3 - Cost increases associated with banking/credit card fees, bill printing and processing, in part due to increased customer messaging, and employee training and travel.

4 - A 41% increase in chemicals used to treat and disinfect drinking water, purchased power (small contingency in case solar production is reduced), full-lab audit, and NPDES Permits.

5 - Cost of engineering consulting services to develop the Agency's Master Plan, property management (including title reports, appraisals, cell tower management and legal fees), pipeline inspection, hydraulic model support and other consultants.

CAPITAL PLAN FUNDING (PAY-GO)

*Includes current year
Facility Capacity
Fee/Connection Fee
revenues

**Transfer In from
Connection Fee fund

	Approved FY 2022/23	Revised FY 2022/23
Revenues*	\$ 138,359,931	\$ 148,462,098
Expenses	(85,919,563)	(94,061,061)
Debt Service	(33,214,071)	(33,214,071)
Transfer - Other Fund**	-	7,260,170
Carryover Funds (Prior Year)	29,802,139	46,758,694
Total CIP Pay-go	\$ 49,028,436	\$ 75,205,830

Total CIP Pay-go	\$ 49,028,436	\$ 75,205,830	¹
Transfer - Other Fund**		(7,260,170)	
Carryover Funds (Prior Year)	(29,802,139)	(46,758,694)	
Funded by Rates/Other Rev	\$ 19,226,297	\$ 21,186,966	

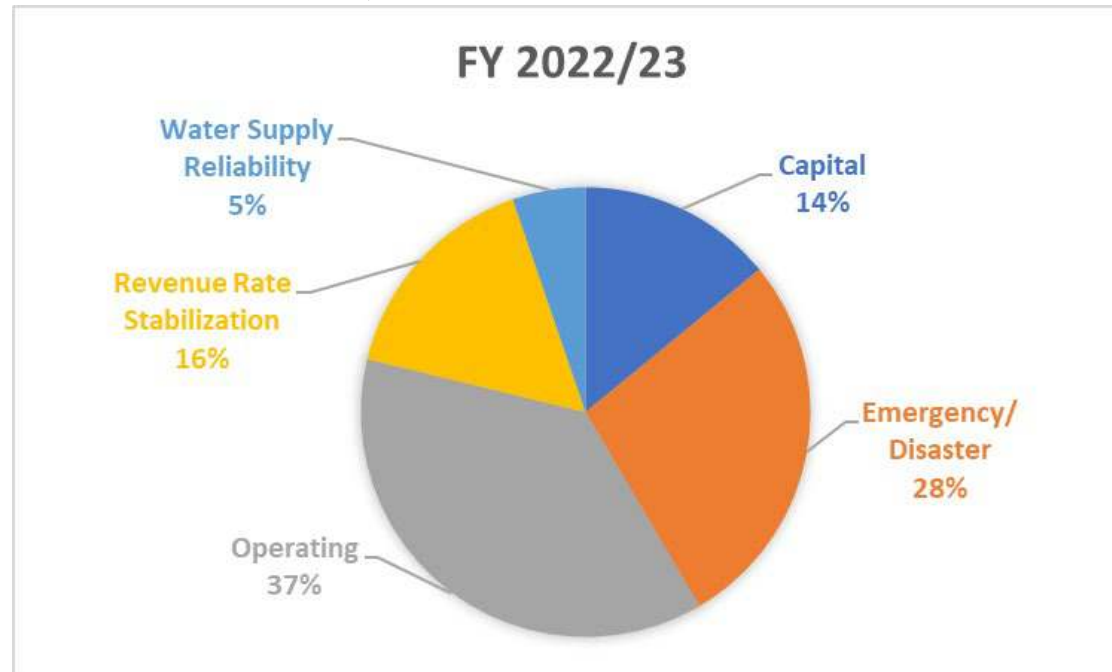
CIP Pay-go Unfunded	\$ 6,871,696	\$ -
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¹See capital plan details on pages 196-197

FULLY FUNDED RESERVES

Based on Reserve Policy revised December 2020

	Adopted FY2021/22	Approved FY 2022/23	Revised FY 2022/23
Capital	\$ 22,520,377	\$ 20,505,140	\$ 16,028,922
Emergency/Disaster	\$ 28,187,867	\$ 28,742,788	\$ 31,353,687
Operating	\$ 39,175,065	\$ 39,814,145	\$ 42,425,044
Revenue Rate Stabilization	\$ 15,242,577	\$ 16,324,788	\$ 18,183,048
Water Supply Reliability	\$ 6,000,000	\$ 6,000,000	\$ 6,000,000
100% of Reserve Target	\$ 111,125,886	\$ 111,386,861	\$ 113,990,701



STAFFING IMPACT

- 233 Positions

	Net Salary	Net Benefits	Annual Impact	% Applied to CIP/Dev	Impact to FY 2022/23 Revised Budget
Engineer	\$ 37,390	\$ 13,317	\$ 50,707	70%	\$ -
Water Quality Technician	\$ 57,295	\$ 32,571	\$ 89,866	10%	\$ -
Facilities Maintenance Technician II	\$ 66,456	\$ 39,116	\$ 105,572	5%	\$ 19,928
Office Assistant II	\$ 66,248	\$ 31,526	\$ 97,774	0%	\$ 14,043
Recycled Water Coordinator Tech	\$ 52,057	\$ 26,489	\$ 78,546	25%	\$ 78,546
Administrative Technician	\$ 52,057	\$ 26,489	\$ 78,546	25%	\$ 78,546
Utility Worker I	\$ 47,956	\$ 26,751	\$ 74,708	25%	\$ 74,708
Utility Worker I	\$ 47,956	\$ 26,751	\$ 74,707	25%	\$ 74,707
					\$ 340,478

Unrestricted Cash Position

- Debt Service - \$11.9 million of Facility Capacity to offset FCF portion of outstanding debt service
- CIP Pay-go – \$7.3 million of SCWD Connection Fees to offset expansion projects in the SCWD service area

	FY 2022/23
Beginning Fund Balance	\$ 189,000,974
Reserves	(113,990,701)
Net Available	\$ 75,010,273
Revenues	
Water Sales	\$ 92,701,625
Property Tax	30,244,543
Grants & Reimbursements	10,999,650
Settlement Agreement	6,791,105
Misc Revenue	1,425,174
Expenses	(94,061,061)
Debt Service (wFCF offset)	(21,307,847)
CIP Pay-go (wCF offset)	(67,945,660)
Available Fund Balance EOY	\$ 33,857,802
<i>Stage 2 Conservation - Full Year</i>	<u>(8,553,148)</u>
<i>Adjusted Fund Balance EOY</i>	<u>\$ 25,304,654</u>

FIVE-YEAR FORECAST (FY 2024 – FY 2028)

FIVE YEAR FORECAST

Water Sales Revenue Increase

6.50%

6.50%

6.50%

*4%

*4%

FY 2023/24

FY 2024/25

FY 2025/26

FY 2026/27

FY 2027/28

Water Sales	\$ 98,675,879	\$ 105,741,929	\$ 113,353,804	\$ 118,979,063	\$ 124,946,101
Property Tax	\$ 30,952,265	\$ 31,676,548	\$ 32,417,780	\$ 33,176,356	\$ 33,952,682
Grants & Reimbursements	\$ 2,691,987	\$ -	\$ -	\$ -	\$ -
Settlement Agreement	\$ 1,461,898	\$ 1,491,136	\$ 1,520,959	\$ 1,551,378	\$ 1,582,405
Misc Revenue	\$ 2,282,264	\$ 2,319,034	\$ 2,356,407	\$ 2,394,393	\$ 2,433,002
Capacity/Connection Fees	\$ 6,980,400	\$ 7,120,008	\$ 7,262,408	\$ 7,407,656	\$ 7,555,809
	\$ 143,044,693	\$ 148,348,655	\$ 156,911,358	\$ 163,508,846	\$ 170,469,999

Operating Expenses	\$ 93,827,893	\$ 96,642,729	\$ 100,092,011	\$ 103,094,771	\$ 106,737,615
Debt Service	\$ 38,822,518	\$ 40,269,580	\$ 42,798,976	\$ 42,954,843	\$ 47,845,675
Pay-go (Rates & Other Revenues)	\$ 10,394,282	\$ 11,436,346	\$ 14,020,371	\$ 17,459,232	\$ 15,886,709

Debt Service Coverage Ratio	1.27	1.28	1.33	1.41	1.33
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**As a placeholder, assumes a 4% revenue adjustment*

CAPITAL PROJECT FUND

	Adopted Budget FY 2021/22	Projected FY 2021/22	Approved Budget FY 2022/23	Revised Budget FY 2022/23	Projected Budget FY 2023/24	Projected Budget FY 2024/25
Fund Balance, Beginning	\$ 28,204,173	\$ 34,775,121	\$ 10,924,623	\$ 17,508,121	\$ 50,902,121	\$ (15,684,879)
REVENUES						
Bond Proceeds *	\$ 19,500,000		\$ 75,000,000	\$ 75,000,000		\$ 50,000,000
Investment Revenues	32,000	32,000	80,000	375,000	375,000	375,000
Total Revenues	\$ 19,532,000	\$ 32,000	\$ 75,080,000	\$ 75,375,000	\$ 375,000	\$ 50,375,000
EXPENDITURES						
Capital Projects	\$ (36,811,550)	\$ (17,299,000)	\$ (40,447,650)	\$ (41,981,000)	\$ (66,962,000)	\$ (41,591,000)
Total Expenditures	\$ (36,811,550)	\$ (17,299,000)	\$ (40,447,650)	\$ (41,981,000)	\$ (66,962,000)	\$ (41,591,000)
Available Fund Balance, Ending	\$ 10,924,623	\$ 17,508,121	\$ 45,556,973	\$ 50,902,121	\$ (15,684,879)	\$ (6,900,879)

*FY 2021/22 included 2-year bank loan or other financing for PFAS projects only. Was expected to be refinanced into the 2023 bond issue, but not needed as PFAS projects were funded from Pay-go.

STATE WATER CONTRACT FUND

Account Name	Approved Budget FY 2022/23	Revised Budget FY 2022/23	Projected Budget FY 2023/24	Projected Budget FY 2024/25	Projected Budget FY 2025/26	Projected Budget FY 2026/27
REVENUES						
AGENCY SET PROPERTY TAX	\$ 34,429,000	\$ 36,826,000	\$ 37,687,728	\$ 38,569,621	\$ 39,472,150	\$ 40,395,799
INTEREST REVENUE - Restricted	880,000	435,000	645,000	630,000	820,000	800,000
	\$ 35,309,000	\$ 37,261,000	\$ 38,332,728	\$ 39,199,621	\$ 40,292,150	\$ 41,195,799
EXPENSES						
Agency Expenses (Salaries/Legal)	\$ 184,000	\$ 184,000	\$ 184,000	\$ 184,000	\$ 184,000	\$ 184,000
STATE WATER CONT/SWPCA Dues	270,000	250,000	262,500	275,625	289,406	303,877
SWC AUDIT FINANCE COMMIT.	39,000	33,000	34,650	36,383	38,202	40,112
DWR VARIABLE	9,000,000	11,000,000	12,100,000	13,310,000	14,641,000	16,105,100
STATE WATER CONTRACT PYMT	22,374,000	24,768,000	27,244,800	29,969,280	32,966,208	36,262,829
CWF/DELTA CONVEYANCE	3,600,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Refund of Excess SWC Fixed Chgs	(1,575,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)	(2,000,000)
PROP TAX ADMIN FEES-VC	100	-				
Contingencies	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
	\$ 32,292,100	\$ 37,235,000	\$ 40,825,950	\$ 44,775,288	\$ 49,118,816	\$ 53,895,917
Change in Net Position	3,016,900	26,000	(2,493,222)	(5,575,666)	(8,826,665)	(12,700,118)
Estd Beginning Net Position	86,945,848	86,945,848	86,971,848	84,478,626	78,902,960	70,076,294
Estd Ending Net Position	\$ 89,962,748	\$ 86,971,848	\$ 84,478,626	\$ 78,902,960	\$ 70,076,294	\$ 57,376,176
Tax Rate per \$100 in Assessed Valuation	0.070600	0.070600	0.070600	0.070600	0.070600	0.070600

IN SUMMARY

Balanced Budget

Utilization of adopted Cost of Service Study

- 6.5% Revenue Increase FY 2022/23

8 New Positions

Funding for Strategic Initiatives

- Groundwater Management Act
- Water Resiliency Initiative
- Technology Improvements
- PFAS Treatment