

FY 2021/22 &  
FY 2022/23  
Draft Biennial  
Budget

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Finance and  
Administration Committee

May 17, 2021



**SCV**

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**WATER**

# BIENNIAL BUDGET

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

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Consistent with proposed rate plan

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Careful attention to cost integration and  
enterprise fund accounting

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

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Funding for state mandates and strategic  
objectives

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# 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

# BUDGET SECTIONS

## 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

**BALANCED  
BUDGET**  
(in millions)

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

	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	
Operating Expense		\$ 84.4		\$ 86.0
Capital (Pay-go)		\$ 47.2		\$ 49.0
Debt Service		\$ 33.0		\$ 33.2
Reserves/Carryover	\$ 20.8		\$ 29.8	
Transfer In - FCF/CF	\$ 16.8		\$ 8.7	
	<b>\$ 164.6</b>	<b>\$ 164.6</b>	<b>\$ 168.2</b>	<b>\$ 168.2</b>

# 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 <sup>1</sup>	\$ 2,431,309	\$ 2,478,387
Capacity Fees <sup>2</sup>	\$ 9,071,100	\$ 8,733,500
<b>Total Operating Revenue</b>	<b>\$ 136,035,473</b>	<b>\$ 138,359,931</b>

<sup>1</sup>Includes Communication Leases, Rental Income, Investment Revenues and Laboratory Revenues

<sup>2</sup>Current 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
<b>Total Operating Expenses</b>	<b>\$117,369,393</b>	<b>\$119,133,634</b>

# 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
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
Pumping & Wells	\$ 11,323,073	\$ 14,049,535	\$ 2,726,462
Water Resources	\$ 8,305,253	\$ 9,778,861	\$ 1,473,608
Engineering	\$ 2,816,500	\$ 3,661,019	\$ 844,519
Water Quality & Treat	\$ 9,540,518	\$ 10,428,336	\$ 887,818
Source of Supply	\$ 12,924,277	\$ 11,690,219	\$(1,234,058)
Debt Service	\$ 27,610,418	\$ 32,960,792	\$ 5,350,374
<b>Total Operating Expense</b>	<b>\$105,037,116</b>	<b>\$117,369,392</b>	<b>\$ 12,332,276</b>

# CAPITAL PLAN (PAY-GO)

\*Includes current year Facility Capacity Fee/Connection Fee revenues

	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
<b>Total CIP Pay-go</b>	<b>\$ 47,228,834</b>	<b>\$ 49,028,336</b>

<b>Total CIP Pay-go</b>	<b>\$ 47,228,834</b>	<b>\$ 49,028,336</b>
Transfer from Other Funds	\$ (15,428,936)	\$ -
Transfer from Reserves	\$ (13,133,817)	\$ (29,802,039)
<b>Funded by Rates/Other Rev</b>	<b>\$ 18,666,081</b>	<b>\$ 19,226,297</b>

# 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
<b>Fund Balance, Beginning</b>	\$ 7,542,975	\$ 7,542,975	\$ 32,151,338	\$ 17,723,848
<b>REVENUES</b>				
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
<b>Total Revenues</b>	<b>\$ 55,180,000</b>	<b>\$ 55,060,000</b>	<b>\$ 19,532,000</b>	<b>\$ 75,080,000</b>
<b>EXPENDITURES</b>				
Capital Projects - Debt Funded	\$(55,099,550)	\$(30,451,637)	\$(33,959,490)	\$(42,880,650)
<b>Total Expenditures</b>	<b>\$(55,099,550)</b>	<b>\$(30,451,637)</b>	<b>\$(33,959,490)</b>	<b>\$(42,880,650)</b>
<b>Available Fund Balance, Ending</b>	<b>\$ 7,623,425</b>	<b>\$ 32,151,338</b>	<b>\$ 17,723,848</b>	<b>\$ 49,923,198</b>

# RESERVES

Based on Reserve Policy revised December 2020

<sup>1</sup>Carryover 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	<b>\$119,743,874</b>	<b>\$111,125,886</b>	<b>\$111,386,861</b>

Carryover		\$ 42,935,956	\$ 39,802,139
Utilization		(13,133,817)	(29,802,139)
Carryover Balance <sup>1</sup>	\$ 42,935,956	\$ 29,802,139	\$ -

# STAFFING

## <sup>1</sup>FY 2019-20

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

## <sup>2</sup>FY 2020/21

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

## <sup>3</sup>FY 2021/22

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

## <sup>4</sup>FY 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 <sup>1</sup>	216
FY 2020/21	Added 5 Positions <sup>2</sup>	221
FY 2021/22	Added 5 Positions <sup>3</sup>	226
FY 2022/23	Added 2 Positions <sup>4</sup>	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%

# DRAFT BUDGET CALENDAR - Remaining

Finance & Administration  
Committee – 2nd Review

17 May

1 June

Board Meeting - Consider  
Budget for adoption