

ITEM NO.  
4

# **FY 2023/24 and FY 2024/25 Biennial Budget**



**SCV**  

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**WATER**

**Finance and Administration Committee Meeting**

**April 17, 2023**

# Biennial Budget

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Seeking approval of FY 2023-24 spending plan; Conditional approval of FY 2024-25



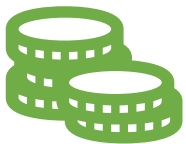
Consistent with the approved Cost of Service and Rate Study



Staff settling into new Departmental Budgets



Staffing at 242 ( includes 10 Part Time and 1 Limited Duration)



Funding for state mandates and strategic objectives

# Major Components

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## Operating and Other Revenues

- Water Sales Revenues
- Property Taxes
- Other Revenues

## Operating Expenses

- General Operating Expenses
- Debt Service
- Pay-Go Capital (funded by revenue sources)

# Other Components

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## Debt Funded CIP

- \$55.7 million plan (in FY 2023/24)

## State Water Contract Fund

- Revenues \$40.9 million
- Expenses \$43.3 million

## Capacity Fees

- Regional \$1.3 million
- Retail \$.26 million

# Key Assumptions

## Revenue Projections from Cost of Service

- Projected account growth consistent with COS
- Assumes normal year for sales volumes
- Accounted for conservation guidelines

## FY 2023/24 budget + current operating conditions = budgeting starting points

- Operating Expense increase due in part to Debt Service, Technology Services, Treatment Chemicals, Fleets, Water Resources & Sustainability initiatives

## Includes a 6.5% revenue increase as outlined in the COS

- Reduced residential water sales by \$100 K for the Pilot Ratepayer Assistance Program

## No change in existing standard of service

# Balanced Budget (in millions)

	Proposed Budget FY 2023/24		Proposed Budget FY 2024/25	
	Inflows	Outflows	Inflows	Outflows
Water Sales	\$ 98.0		\$ 105.1	
Property Tax	\$ 31.0		\$ 31.7	
Grants	\$ 11.6		\$ 10.1	
Reimbursements	\$ 6.9		\$ 3.5	
Misc. Revenue	\$ 6.4		\$ 6.6	
Facility/Retail Capacity Fees	\$ 1.6		\$ 1.9	
Operating Expenses		\$ 99.8		\$105.6
Capital Pay-go (Operating)*		\$ 18.1		\$ 15.8
Debt Service		\$ 37.5		\$ 37.7
	<b>\$155.5</b>	<b>\$155.5</b>	<b>\$ 159.0</b>	<b>\$159.0</b>

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*

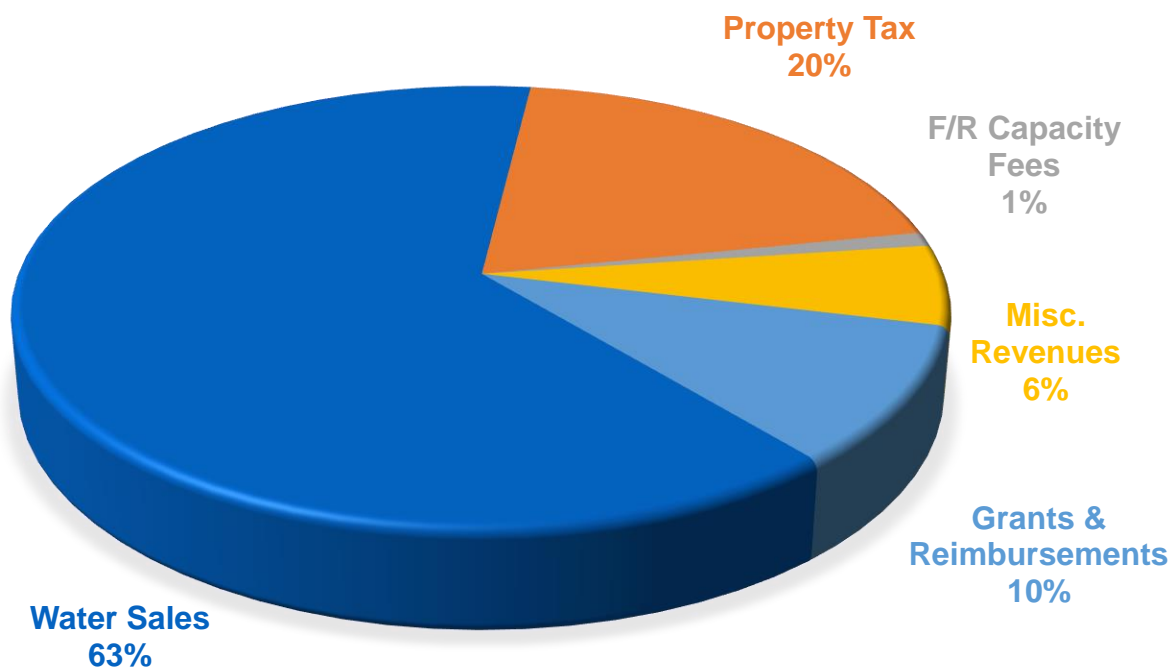
# Proposed Budget Revenue

Operating Revenues	Adopted Budget FY 2022/23	Proposed Budget FY 2023/24	Proposed Budget FY 2024/25
Water Sales	\$ 92,701,626	\$ 98,035,469	\$ 105,130,713
Property Tax	30,244,543	30,952,265	31,676,548
Facility/Retail Capacity Fees	6,300,000	1,577,800	1,948,800
Misc. Revenues <sup>1</sup>	3,524,824	9,139,486	7,089,900
Grants & Reimbursements	15,691,105	15,773,840	13,158,300
<b>Total Operating Revenues</b>	<b>\$ 148,462,098</b>	<b>\$ 155,478,860</b>	<b>\$ 159,004,262</b>

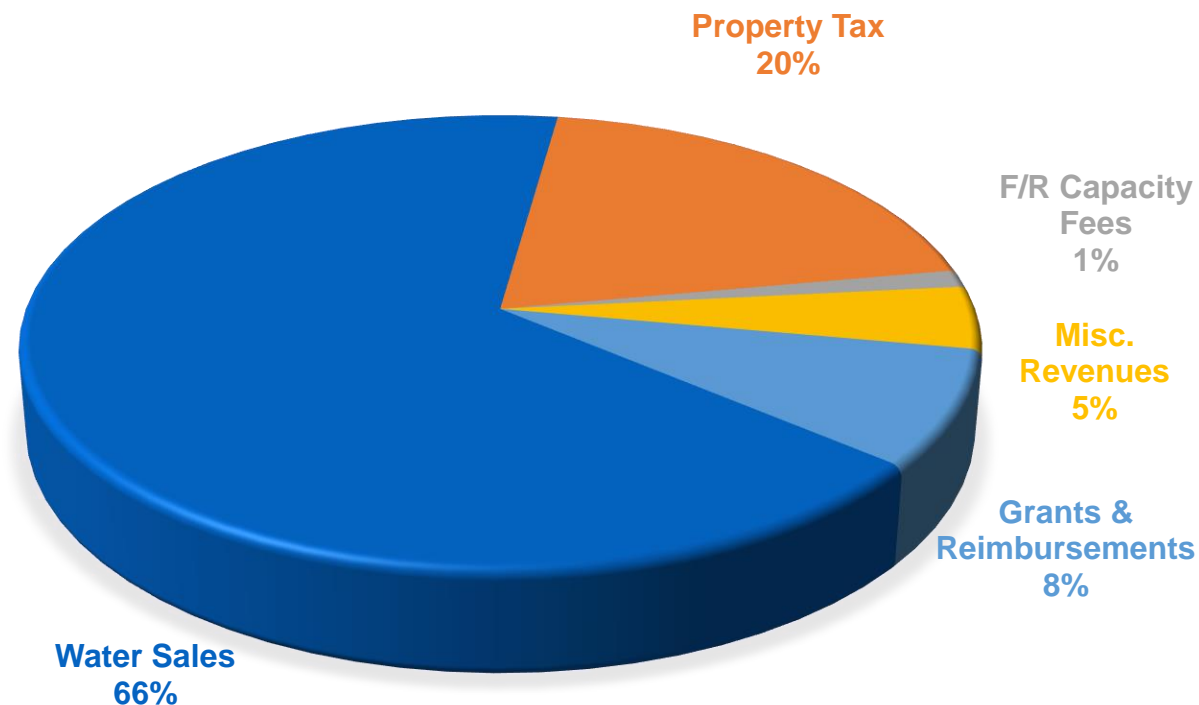
<sup>1</sup> Includes Communication Leases, Rental Income, Investment Revenues and Laboratory Revenues

# Proposed Budget Revenue

**FY 2023/24 OPERATING REVENUES - \$155.5 MILLION**



**FY 2024/25 OPERATING REVENUES - 159 MILLION**



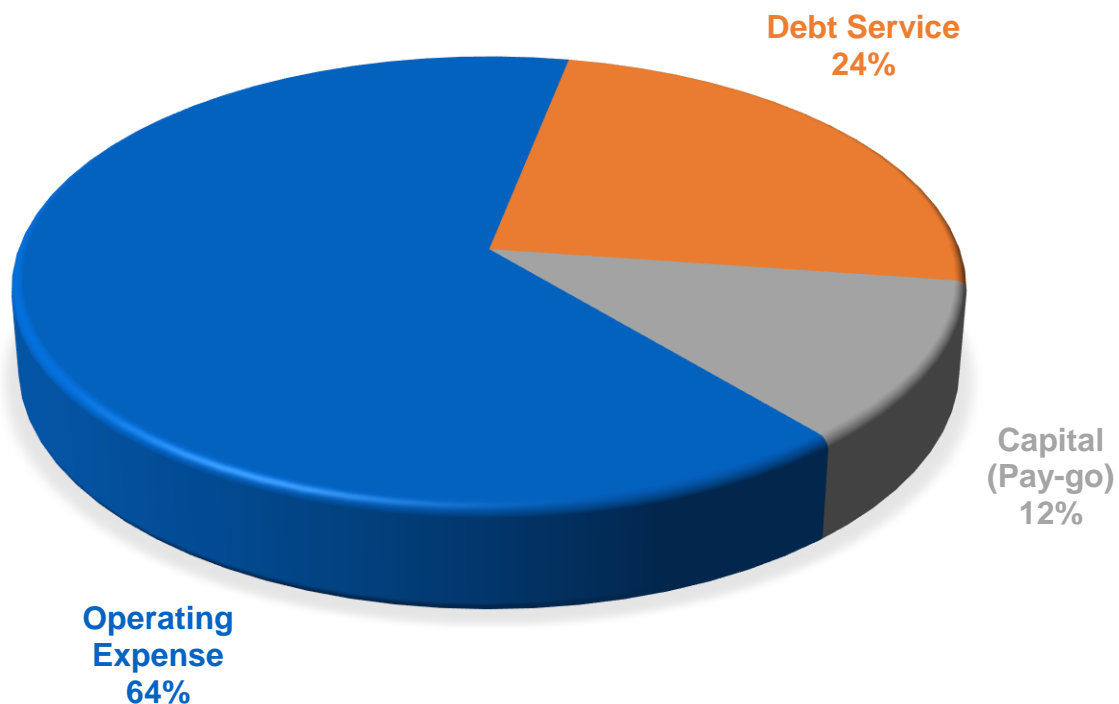


# Proposed Budget Expenses

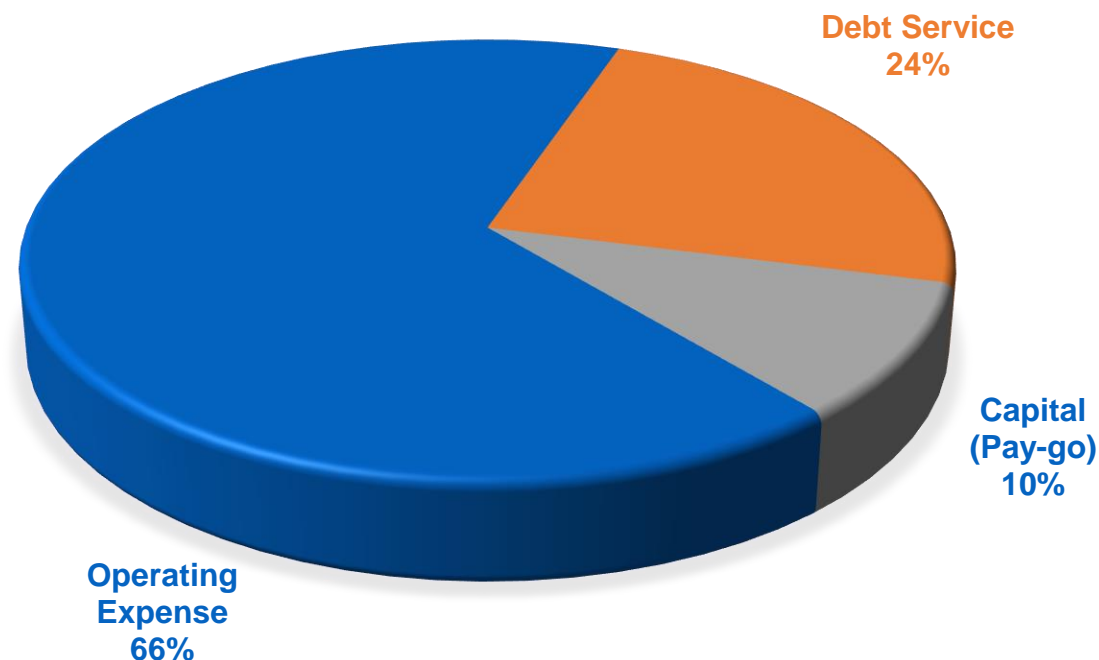
Operating Expenses	Adopted Budget FY 2022/23	Proposed Budget FY 2023/24	Proposed Budget FY 2024/25
Management	\$ 6,722,541	\$ 3,094,046	\$ 4,210,276
Finance, Administration & IT	20,725,318	23,917,379	25,773,077
Customer Care	2,810,685	3,068,214	3,143,402
Transmission & Distribution	10,599,865	11,151,577	11,377,167
Pumping Wells & Storage	14,959,138	17,540,767	18,763,365
Water Resources	9,584,392	11,380,616	11,678,620
Source of Supply	12,535,000	11,108,816	11,632,181
Water Quality, Treatment & Maintenance	11,781,761	14,093,165	15,283,884
Engineering Services	5,342,361	4,484,004	3,699,025
Debt Service	33,214,071	37,540,749	37,685,430
Capital (Pay-go)	21,186,966	18,099,530	15,757,834
<b>Total Operating Expenses</b>	<b>\$ 148,462,098</b>	<b>\$ 155,478,860</b>	<b>\$159,004,262</b>

# Proposed Budget Expenses

**FY 2023/24 OPERATING EXPENSES - 155.5 MILLION**



**FY 2024/25 OPERATING EXPENSES - 159 MILLION**



# Reserves



Reserves	Proposed Budget FY 2023/24	Proposed Budget FY 2024/25	End-of-Year Budget FY 2024/25
Capital Reserves	\$ 18,492,738	\$ 18,479,826	\$ -
Emergency/Disaster Reserves	32,823,644	34,704,985	34,704,985
Operating Reserves	45,165,808	47,094,716	34,615,983
Revenue Rate Stabilization Reserves	19,348,314	20,748,086	20,748,086
Water Supply Reliability Reserves	6,000,000	6,000,000	6,000,000
	<b>\$ 121,830,504</b>	<b>\$ 127,027,613</b>	<b>\$ 96,069,054</b>

# State Water Contract



Revenues	Approved Budget FY 2022/23	Projected Budget FY 2022/23	Budget FY 2023/24	Budget FY 2024/25	Budget FY 2025/26	Budget FY 2026/27
Agency Set Property Tax	\$ 36,833,262	\$ 36,833,262	\$ 37,695,000	\$ 38,577,000	\$ 39,479,934	\$ 40,403,765
Interest Revenue	430,000	5,417,137	3,192,265	2,846,718	3,756,285	3,625,571
	<b>\$ 37,263,262</b>	<b>\$ 42,250,399</b>	<b>\$ 40,887,265</b>	<b>\$ 41,423,718</b>	<b>\$ 43,236,219</b>	<b>\$ 44,029,336</b>
Expenses	Approved Budget FY 2022/23	Projected Budget FY 2022/23	Budget FY 2023/24	Budget FY 2024/25	Budget FY 2025/26	Budget FY 2026/27
Salaries & Compensation	\$ 46,000	\$ 8,101	\$ 68,942	\$ 72,123	\$ 74,287	\$ 76,515
Benefits & Burden	23,000	2,255	49,606	51,251	52,789	54,372
Employee Expenses	100,000	-	18,000	22,000	22,660	23,340
Legal Consulting	15,000	-	10,000	10,000	10,300	10,609
State Water Cont/SWPCA Dues	250,000	439,282	260,000	270,000	283,500	297,675
SWC Audit Finance Commit.	33,000	64,812	34,000	35,000	36,750	38,588
DWR Variable	11,000,000	5,749,672	11,550,000	12,128,000	12,734,400	13,371,120
State Water Contract Payment	24,768,000	24,584,516	29,324,000	27,635,000	30,674,850	34,049,084
Delta Conveyance	2,413,339	17,333	2,500,000	2,500,000	2,500,000	2,500,000
Refund of Excess SWC Fixed Chgs	(2,000,000)	-	(2,500,000)	(2,500,000)	(2,500,000)	(2,500,000)
Contingencies	2,000,000	-	2,000,000	2,000,000	2,000,000	2,000,000
	<b>\$ 35,048,439</b>	<b>\$ 30,865,971</b>	<b>\$ 43,314,548</b>	<b>\$ 42,223,374</b>	<b>\$ 45,889,535</b>	<b>\$ 49,921,302</b>
Annual Change in Net Position	2,214,823	11,384,428	(2,427,283)	(799,656)	(2,653,316)	(5,891,967)
Estd Beginning Net Position July	86,945,848	89,206,793	100,591,221	98,163,938	97,364,282	94,710,966
Estd Ending Net Position June	\$ 89,160,671	\$ 100,591,221	\$ 98,163,938	\$ 97,364,282	\$ 94,710,966	\$ 88,819,000

# Pay- Go Capital



Capital Improvement Projects By Category	PAY-GO Proposed Budget FY 2023/24	PAY-GO Proposed Budget FY 2024/25
Admin & Tech	\$ 7,160,000	\$ 5,202,500
Appurtenance Improvements	410,000	410,000
Booster Station/Turnout Improvements	4,347,000	2,141,000
Capital Planning & Studies	5,844,340	5,922,404
Disinfection System Improvements	1,100,000	1,100,000
ESFP Improvements	1,755,000	1,955,000
ESIPS Improvements	100,000	100,000
General Facility Improvements & Replacements	100,000	100,000
Laboratory Improvements	75,000	125,000
Meter & Meter Infrastructure Improvements	2,775,000	2,700,000
Minor Capital	100,000	100,000
Pipelines & Pipeline Improvements	2,165,000	2,275,000
Pipelines & Pipeline Replacements	11,846,000	11,957,500
Recycled Water Improvements	1,000,000	800,000
RVIPS Improvements	540,000	540,000
RVTP Improvements	2,668,000	2,693,000
Tanks & Tank Facility Improvements	10,438,000	4,332,000
Technology Improvements	300,000	300,000
Treatment Plant Improvements	1,583,000	290,000
Water Resources & Supply	6,636,800	4,810,400
Wells & Well Facility Improvements	15,155,000	7,633,000
Wells & Well Facility Improvements - PFAS	248,000	203,000
<b>Total CIP</b>	<b>\$ 76,346,140</b>	<b>\$ 55,689,804</b>

# Debt Funded Capital

CAPITAL IMPROVEMENT PROJECTS BY CATEGORY	Debt Funded Proposed Budget FY 2023/24	Debt Funded Proposed Budget FY 2024/25
Capital Planning & Studies	\$ 1,400,000	\$ 1,700,000
Pipelines & Pipeline Replacements	3,417,000	8,955,000
Recycled Water Improvements	2,876,000	10,101,000
Tanks & Tank Facility Improvements	4,230,000	33,650,000
Treatment Plant Improvements	8,765,000	550,000
Wellhead Treatment Improvements	8,265,000	11,588,000
Wellhead Treatment Improvements-PFAS	17,264,000	25,135,000
Wells & Well Facility Improvements	505,000	1,100,000
<b>Total CIP</b>	<b>\$ 46,722,000</b>	<b>\$ 92,779,000</b>

# Capital Plan ( Pay- Go)



	Adopted Budget FY 2022/23	Proposed Budget FY 2023/24	Proposed Budget FY 2024/25
Revenues	\$ 148,462,098	\$ 155,478,860	\$159,004,262
Expenses	(94,061,061)	(99,669,580)	(105,547,997)
Debt Service	(33,214,071)	(37,540,749)	(37,685,430)
Transfer - Other Fund/Cash*	54,618,864	58,246,610	8,973,410
Transfer from Reserves		-	30,958,559
<b>Total CIP Pay-Go</b>	<b>\$ 75,805,830</b>	<b>\$ 76,346,140</b>	<b>\$ 55,689,804</b>
Total CIP Pay-GO	\$ 75,805,830	\$ 76,346,140	\$ 55,689,804
Transfer --Other Fund/Cash*	(54,618,864)	(58,246,610)	(8,973,410)
Transfer from Reserves		-	(30,958,559)
<b>Funded by Rates/ Other Revenues</b>	<b>\$ 21,186,966</b>	<b>\$ 18,099,530</b>	<b>\$ 15,757,834</b>

\*Transfer in from connection fee fund and unspent funds from the current year

# Capital Plan (DEBT Funded)

	Adopted Budget FY 2022/23	Projected FY 2022/23	Proposed Budget FY 2023/24	Proposed Budget FY 2024/25
<b>Fund Balance, Beginning</b>	\$ 18,071,470	\$ 18,071,470	\$ (726,530)	\$ 29,257,720
<b>REVENUES</b>				
Bond Proceeds			75,000,000	
WIFIA Loan Proceeds	75,000,000	-		63,206,722
Grant Reimbursements	-	-	-	-
Investment Revenues	375,000	375,000	1,706,250	390,000
<b>Total Revenues</b>	<b>\$ 75,375,000</b>	<b>\$ 375,000</b>	<b>\$ 76,706,250</b>	<b>\$ 63,596,722</b>
<b>EXPENDITURES</b>				
Capital Projects	(41,981,000)	(19,173,000)	(46,722,000)	(92,779,000)
<b>Total Expenditures</b>	<b>\$ (41,981,000)</b>	<b>\$ (19,173,000)</b>	<b>\$ (46,722,000)</b>	<b>\$ (92,779,000)</b>
<b>Available Fund Balance, Ending</b>	<b>\$ 51,465,470</b>	<b>\$ (726,530)</b>	<b>\$ 29,257,720</b>	<b>\$ 75,442</b>

\*Portion of FY 2024/25 Capital Projects is expected to be funded by the WIFIA loan



# In Summary

A Balanced Budget

Utilization of approved Rate Study

- 6.5% Revenue Adjustment as approved in the Rate Study in FY 2023/24 & FY 2024/25

Utilization of carryover funds to complete the 2-year Capital Pay-Go plan

7 New Positions

Funding for Strategic Initiatives

- Groundwater Management Act
- Water Resiliency Initiative
- Technology Improvements
- EV Vehicles and Equipment Improvement
- PFAS Treatment

That the Finance and Administration Committee recommends the Board of Directors approve a resolution adopting the  
FY 2023/24 and FY 2024/25  
Biennial Budget