



Wastewater
Treatment



TRANSFORMING
WASTEWATER
TO RESOURCES



Recycled
Water



Energy
Production



Biosolids
Reuse

Key Assumptions for FY24/25 Operating Budget Development

Finance Committee Meeting
April 23, 2024

FY24/25 Operating Budget Overview



Fiscal Responsibility

Critically review proposed operating budget each year to identify budget adjustment needs and opportunities



Cost Control

Manage labor, chemical, energy, materials, supplies, hauling, services, and regulatory compliance costs



Financial Planning

Project FY25/26 (second year) Operating Budget needs; no funding appropriated but supports GFOA requirements



Operating Budget

Proposed FY24/25 Operating Budget = \$34.5M

- **+\$2.2M** increase (+7.0%) relative to FY23/24 (\$32.3M)
 - WW Operating Budget = **+\$2.1M** (\$30.6M)
 - RW Operating Budget (funded by RWSCs) = **+\$0.1M** (\$3.9M)
- Last year, projected FY24/25 WW Operating Budget = \$31.0M
- Significant budget drivers include labor (+\$1.1M), HHW/street sweeping (+\$529k), utilities (+\$381k), chemicals (+\$168k)

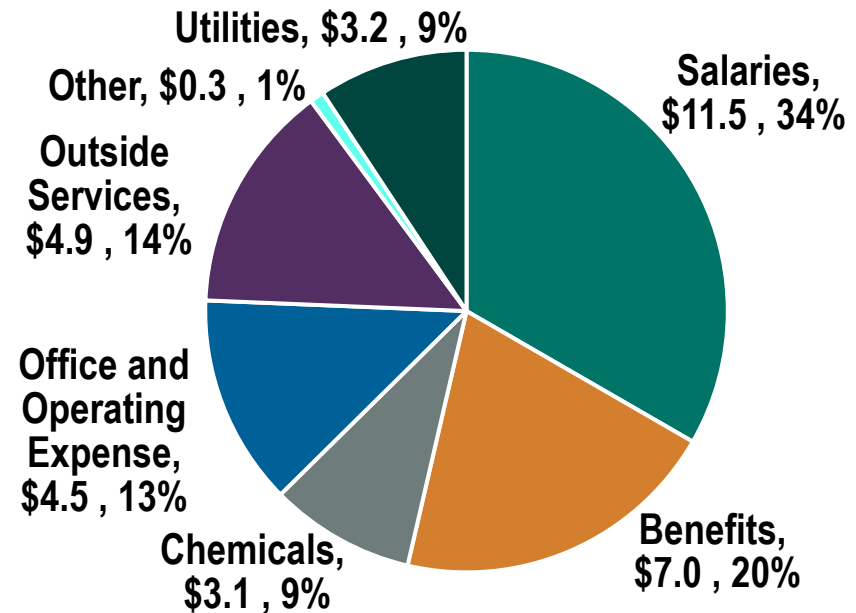
FY24/25 Proposed Operating Budget Overview: Revenues/Expenses



- Proposed Operating Budget = \$34.5M

- Revenue Sources

- Sewer Service Charges (75%)
- Recycled Water Service Charges (12%)
- Street Sweeping Charges (2%)
- Other Revenues (11%)



Proposed FY24/25 Operating Budget Breakdown (\$M)

Salaries

Benefits

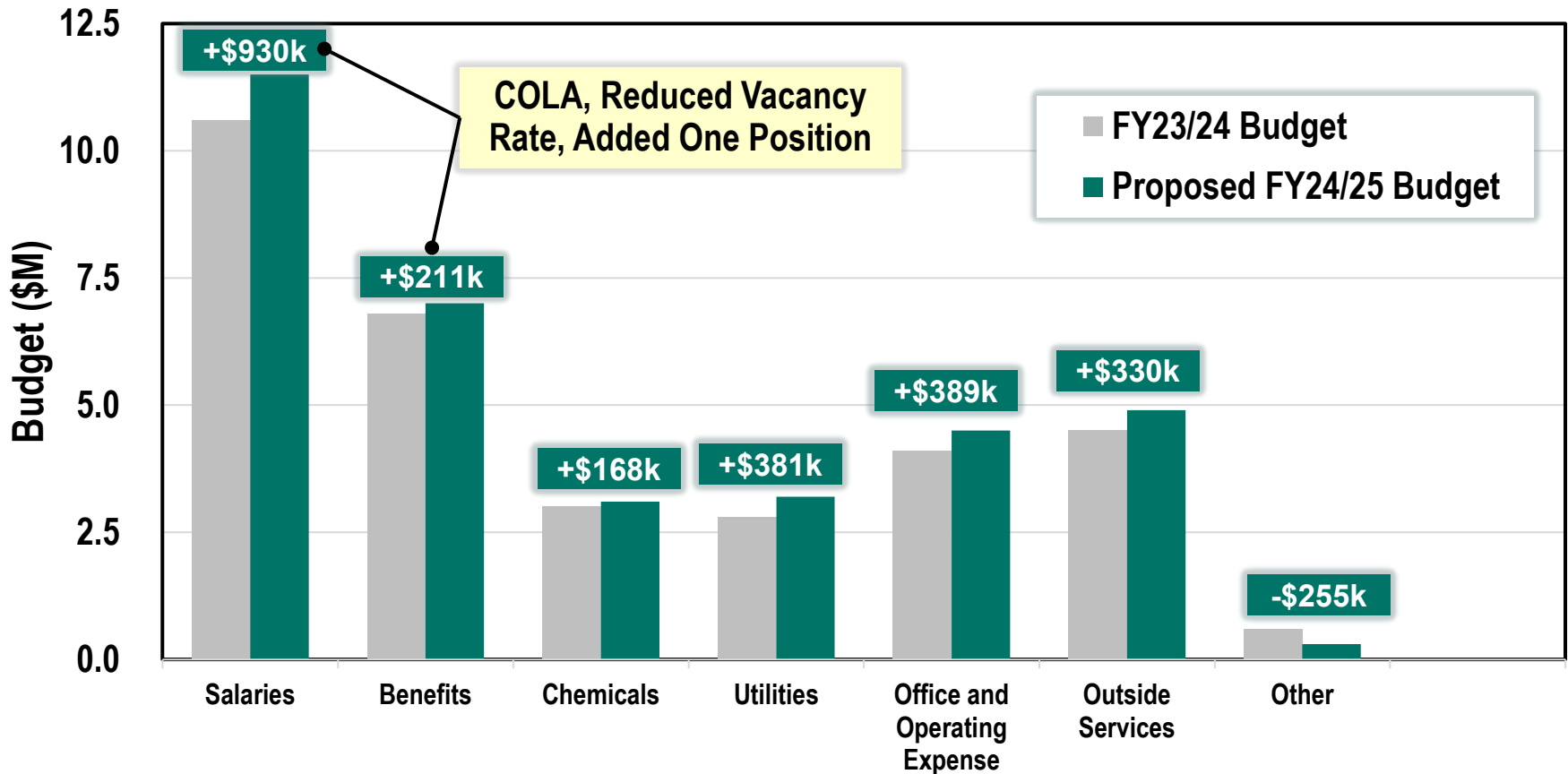
Chemicals

Utilities

Office/
Operating

Outside
Services

FY24/25 Proposed Operating Budget Comparison to FY23/24



Salaries

Benefits

Chemicals

Utilities

Office/
Operating

Outside
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Key Assumptions

Salaries (\$11.5M, 34%)



Ensuring Staffing Needs and Skilled Workforce

- Conducted critical review of position needs, incorporated minor position changes for FY24/25, including addition of Software Developer (1.0 full-time equivalent [FTE])
- 81.75 FTE positions (net 0.25 FTE increase from FY23/24), including 4.5 FTEs for part-time positions
 - Incorporated **labor savings (w/benefits) of \$0.7M** due to vacancies (equivalent to 4.5 FTEs); additional labor savings in capital budget
 - Utilizing seven intern positions (3.5 FTEs) to support critical business needs and workforce development

Salaries

Benefits

Chemicals

Utilities

Office/
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Key Assumptions

Salaries (\$11.5M, 34%) (cont'd)



Navigating a Competitive Labor Market – Salary Drivers

- Strong interest in recruiting and retaining highly-skilled staff in competition with peer agencies, consultants
 - Focus on workforce development, industry engagement, training (\$303k)
- ~41% of staff has been with District <5 years—moderate shift to lower salaries with more staff in salary progression
- Labor MOUs include annual cost-of-living adjustments (COLA) to be applied in July each year
 - COLA range = 2.0-5.0% (to be confirmed in May based on index)
 - Financial Impact: **Assumed 3.0% COLA increase = +\$0.4M**

Salaries

Benefits

Chemicals

Utilities

Office/
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Outside
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Key Assumptions

Benefits (\$7M, 20%)



- Managing Health Benefits Costs
 - Cost savings of 3% due to changes in employee medical benefit elections offset by increases in medical premium costs
 - Other health/life insurance costs are not expected to increase significantly
- Continuing Retirement Cost Reduction following Pension Benefits Changes and Reform (2012-13)
 - **In FY23/24, 27% of staff are Classic (2.7%@55), while 73% are either Classic Second Tier (2.0%@55) or PEPRA (2.0%@62)**
 - District pays CalPERS normal costs as % of salary: 15.92% (Classic); 12.41% (Classic Second Tier); 8.07% (PEPRA)
 - CalPERS Unfunded Actuarial Liability (UAL): \$1.8M (+\$0.3M)
 - CCCERA pension plan is 103% funded; no payment required for FY24/25

Salaries

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Key Assumptions

Benefits (\$7M, 20%) (cont'd)



- Continuing to Meet OPEB Trust Fund Obligations to Reduce Long-term Cost Liability
 - Employees hired before either October 16, 2022, or February 5, 2023, pay 3.0% of salary; all other staff will receive PEMHCA minimum
 - District contribution = \$0.5M to ensure full funding of Actuarially Determined Contribution (ADC)—includes \$0.3M (3.0% District match)
 - Continue to effectively manage outstanding OPEB liability in accordance with District's OPEB Trust Fund Policy
- Established Retiree Health Savings accounts for employees
 - District contributes each pay period in accordance with labor MOUs
 - \$0.4M budgeted



Key Assumptions

Chemical and Utilities (\$6.3M, 18%)



Chemicals (\$3.1M, 9%)

- \$1.5M for WW (**-\$53k**), \$1.6M for RW (**+\$221k**)
 - Increases in chemical unit prices and changes in usage estimates
 - Critically reviewed quantity estimates while working to optimize chemical usage

Utilities (\$3.2M, 9%)

- Increased **+\$381k** (~14%) due to rising electricity rates

Salaries

Benefits

Chemicals

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Office/
Operating

Outside
Services

Key Assumptions

Office & Operating/Other (\$4.8M, 14%)



Office and Operating (\$4.5M, 13%)

- **+\$389k** increase (9%) due to insurance, hauling, IT systems/applications, and equipment/machinery costs
- Intensified focus on **workforce development, industry engagement, training** (\$303k)

Other (\$0.3M, 1%)

- Transfers to other District funds (\$0.3M)



Key Assumptions

Outside Services (\$4.9M, 14%)



- Supporting **strategic initiatives**, continuous organizational improvement, and **enhanced business processes** through Professional Services (\$0.9M, -\$244k)
 - Munis Enterprise Resource Planning enhancements
 - Confined space rescue standby services
 - Permit support services
 - Recruitment services
 - Security services
- Street Sweeping, HHW (\$2.2M, +\$529k)
- Temporary and Other Services (legal, facilities, maintenance, lab testing/analysis, misc.) (\$1.8M, +\$45k)



FY25/26 Budget Forecast

Financial Planning

Project FY25/26 (second year) Operating Budget needs; no funding appropriated but supports GFOA requirements

- GFOA budget award review guidelines recommend including criteria for long-range operating financial plan
 - Adding assumptions beyond current fiscal year for operating and capital expenses to District's FY24/25 Budget Book (June 2024)
- Projected FY25/26 Operating Budget (\$36.4M) is 5.6% higher (\$1.9M) than FY24/25 (+\$1.4M, 4.6% for WW)
 - Budget estimates based on escalation factors and specific operational initiatives planned for FY25/26
 - Not requesting Board to appropriate FY25/26 budget until June 2025
 - 5-year financial plan (with 10-year outlook) assumes 4.0% annual operating budget increase after FY25/26

Next Steps

- Receive comments from Finance Committee on FY24/25 Operating Budget assumptions
- Seek recommendation to present item at May 8, 2024 Board Meeting

