



Key Assumptions for FY20/21 Operating Budget Development

Finance Committee
April 29, 2020



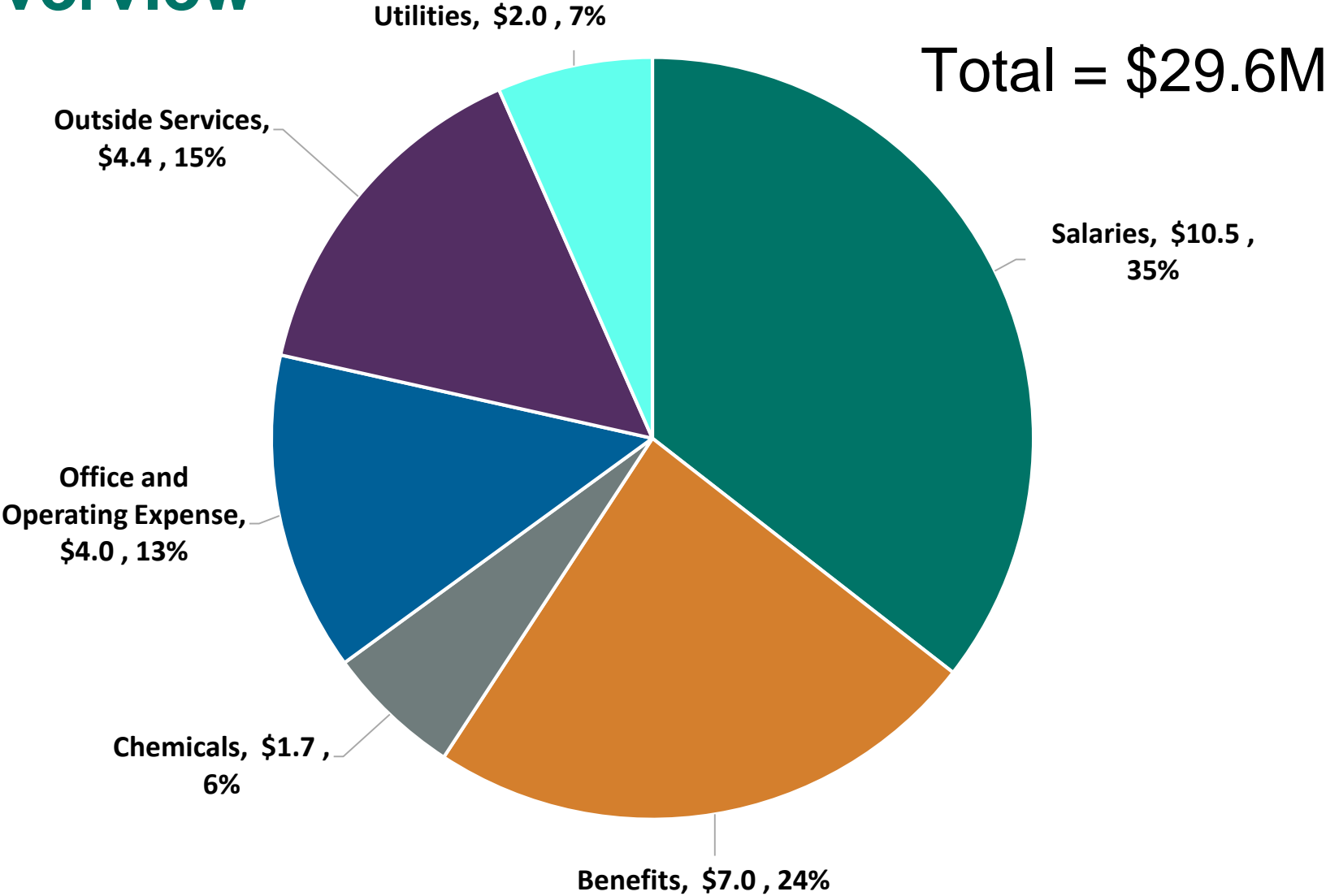
TRANSFORMING WASTEWATER TO RESOURCES

FY20/21 Operating Budget Development



- Single-year operating budget period begins July 1, 2020
- Board policy to adopt budget and appropriate the next fiscal year's budget no later than July each year
- The proposed FY20/21 Operating Budget totals \$29.6M, which represents a \$0.9M increase (3%) relative to FY19/20 (\$28.7M)
- Goal of this presentation is to confirm key assumptions that drive the FY20/21 Operating Budget

FY20/21 Proposed Operating Budget Overview



Key Assumptions

Salary and Benefits (60% of total)



Salaries (\$10.5M, 35% of total)

- Regular pay, step increases, overtime, and COLA (2-5%)
 - COLA: 1% increase = \$102,000 based on budgeted salaries, OT
 - Actual COLA (in mid-May) to be included in June Board presentation
- Funded 79 (of 82) permanent FTEs
 - Annual savings from three unfunded positions = \$0.9 M
- No new positions
 - Recruitments for vacant positions in Engineering will be filled at Junior and/or Assistant Engineer levels
- Succession Planning: \$0.1M for overlap of critical positions

Key Assumptions

Salary and Benefits (cont'd)



Benefits (\$7.0M, 24% of total)

- Health Benefits
 - Medical insurance premiums increase estimated at 7.25%
 - Other health and life insurance are not expected to increase
- Retirement
 - District to pay CalPERS normal costs as percent of salary: 14.5% (Tier 1); 11.3% (Tier 2); 7.8% (Tier 3)
 - CalPERS Unfunded Actuarial Liability (UAL): \$1.1M
 - Additional \$0.1M to be paid to PARS Rate Stabilization Program
 - CCCERA retirement plan funding levels at 3.75% of salaries for those employees who remained in CCCERA after District transitioned to CalPERS

Key Assumptions

Salary and Benefits (cont'd)

OPEB Trust Annual Funding

- Employees pay 3% of Salary
- \$0.9M is included in budget, including:
 - Required 3% District match (\$0.3M)
 - An additional \$0.6M to fully fund the actuarially determined contribution (ADC)
- Leverage greater potential investment earnings by investing in PARS vs. LAIF investments

Key Assumptions

Chemical and Utilities



Chemicals (\$1.7M, 6% of total)

- Staff has rigorously reviewed quantity estimates, prices, associated budget contingencies
- Staff negotiated a one-year (no cost increase) extension in lieu of Bay Area Chemical Consortium bids
- Total budget = \$1.7M
 - Wastewater Treatment = \$1.1M
 - Recycled Water Facility = \$0.6M
- Recycled Water: \$0.2M decrease from FY19/20

Utilities (\$1.9M, 7% of total)

- 3.0% higher than FY19/20

Key Assumptions

Office and Operating



Office and Operating (\$4.0M, 13% of total)

- Supplies, technology systems and applications, insurance renewals, and program administration (\$3.3M)
- Staff training and professional development (\$0.3M)
- Operating budget contingency allowance (\$0.36M)

Key Assumptions

Outside Services



Outside Services (\$4.4M, 15% of total)

- Professional Services (\$1.2M)
 - Munis Enterprise Resource Planning enhancements, Cost-of-Service (SSC, Recycled Water, Capital Facilities Capacity Charges) and total compensation studies
- Street Sweeping, Household Hazardous Waste (\$1.2M)
- Temporary, Other Services (legal, facilities, maintenance, misc.) (\$2.0M)

Summary

- Staff has developed a proposed FY20/21 Operating Budget that reflects near- and long-term financial sustainability considerations
- The proposed FY20/21 Operating Budget is consistent with proposed SSC increases presented to the Board on April 23, 2020

Recommendation

- Provide comments on key assumptions
- Recommend presentation to Board at May 13, 2020 meeting

Next Steps



Present Key Budget Assumptions to Board	May 13, 2020
Budget Book Review	June 10, 2020
Budget Adoption and FY20/21 Appropriation Considered	June 25, 2020
Implement Adopted Budget	July 1, 2020