



Wastewater Treatment



TRANSFORMING
WASTEWATER
TO RESOURCES



Recycled Water



Energy Production



Biosolids Reuse

FY23/24 Proposed Budget Appropriation

Board of Directors Meeting
June 14, 2023

FY23/24 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 FY24/25 (second year) Operating Budget needs; no funding appropriated but supports GFOA requirements



Budget

Proposed FY23/24 Budget = \$46.2M

- **Operating Budget = \$32.3M**
- **Capital Budget = \$13.9M** (includes \$1.9M in debt service)
- **Significant positive financial outcome** given ongoing labor, chemicals, biosolids management, utilities, and outside services cost increase pressures

Key FY23/24 Budget Drivers

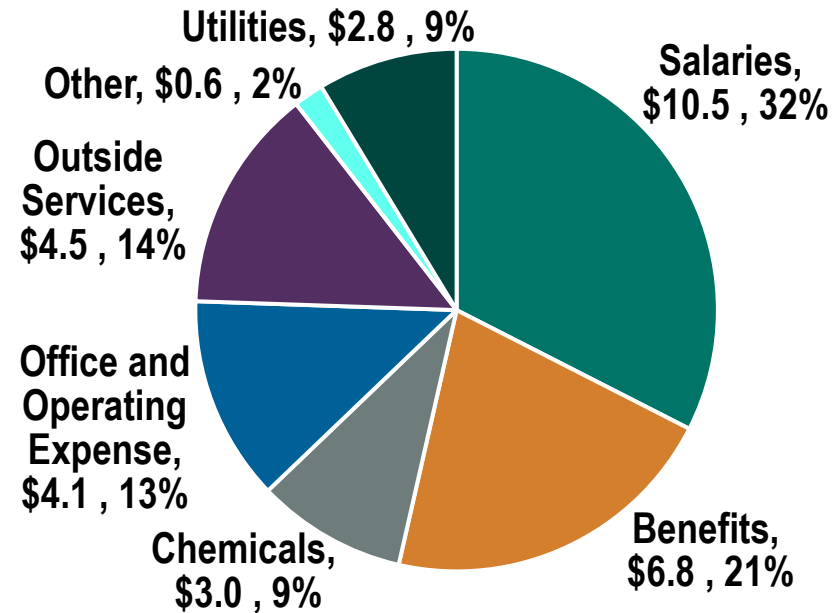


- Meet core mission of protecting public health and the environment with effective and reliable service levels
- Address aging infrastructure through prioritized capital investment
- Ensure sufficient funding to meet increases in operating costs (labor, chemicals, biosolids, utilities, outside services)
- Maintain cash funding focus for capital projects to provide lowest cost to ratepayers, while reserving debt capacity
- Support strategic and long-term planning initiatives to drive sustained organizational excellence
- Effectively manage costs to maintain SSCs below average of peer agencies in Bay Area

FY23/24 Operating Budget Overview: Revenues/Expenses



- Operating Budget = \$32.3M
- Revenue Sources
 - Sewer Service Charges (86%)
 - Recycled Water Service Charges (12%)
 - Street Sweeping Charges (2%)



FY23/24 Operating Budget
Breakdown (\$M)

Salaries

Benefits

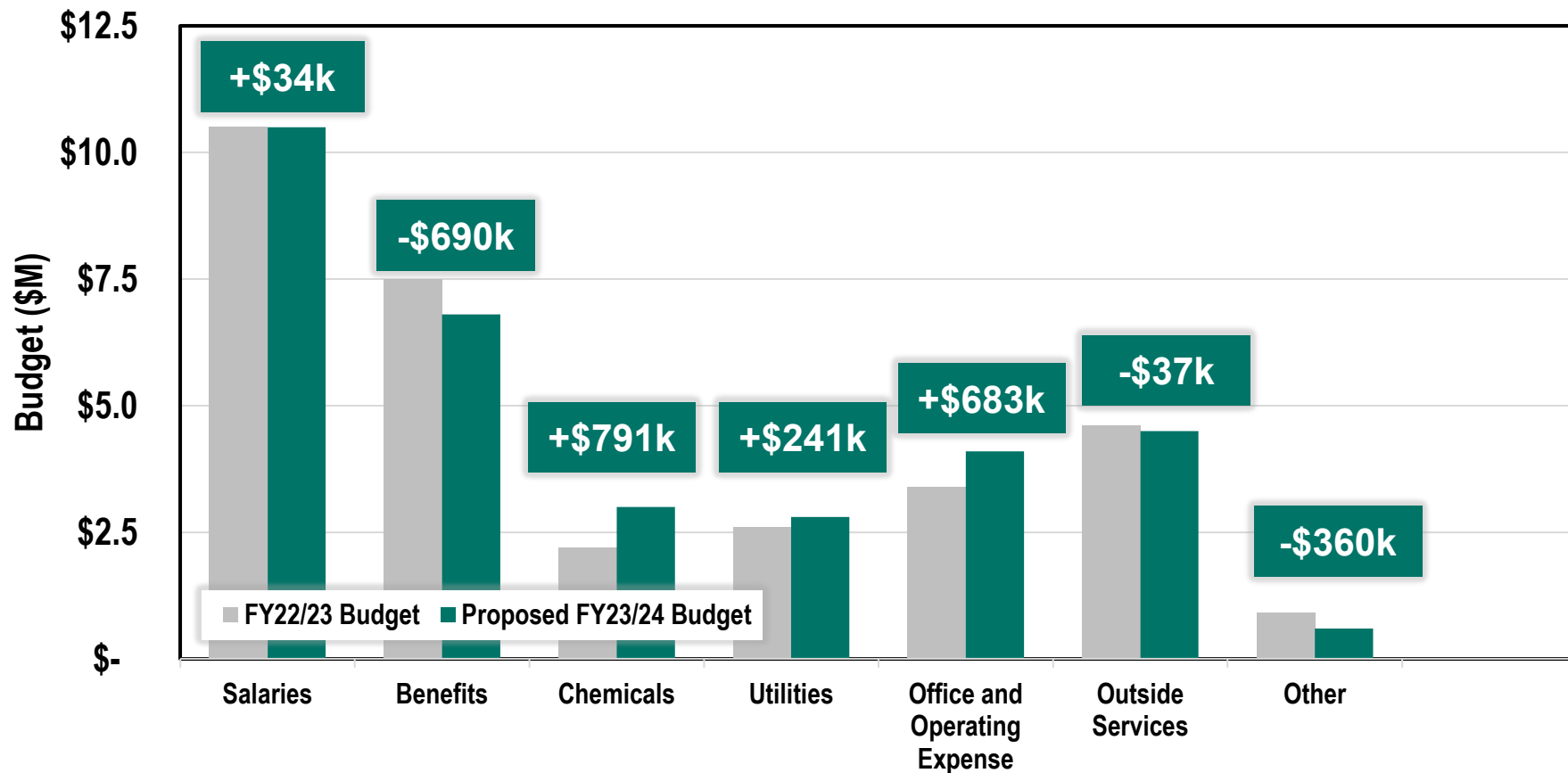
Chemicals

Utilities

Office/
Operating

Outside
Services

FY23/24 Proposed Operating Budget Summary by Major Category



Salaries

Benefits

Chemicals

Utilities

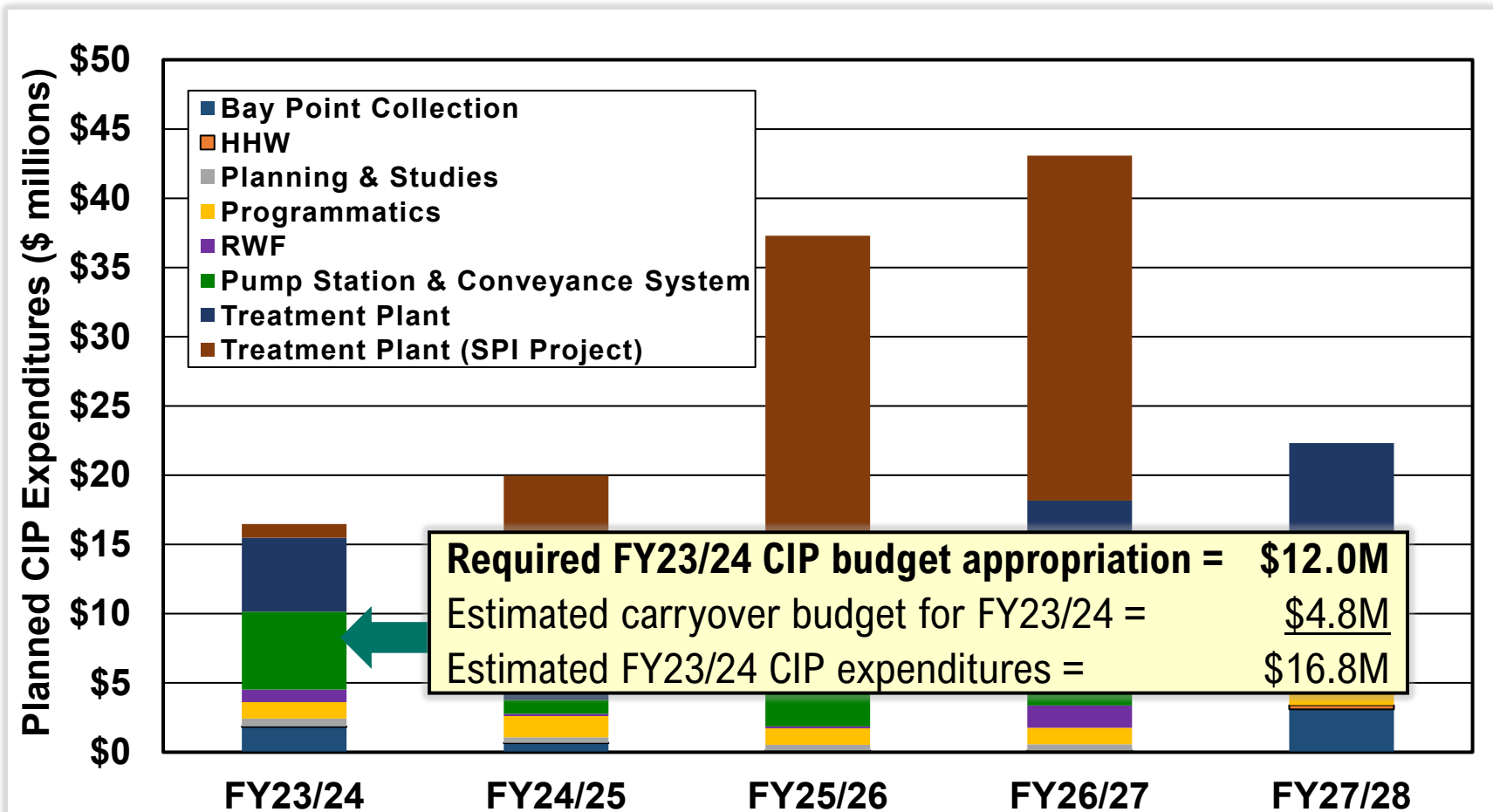
Office/
Operating

Outside
Services

FY23/24 Capital Budget Overview



- Proposed FY23/24 Capital Budget Appropriation = \$12.0M



FY23/24 Proposed Budget Appropriation Summary



| Description | Amount (\$M) |
|-------------------------------|----------------|
| Budgeted Revenue | \$50.6 |
| Total Sources of Funds | \$50.6M |
| Operating Budget | \$32.3 |
| Capital Budget | \$12.0 |
| Debt Service | \$1.9 |
| Contribution to Fund Equity* | \$4.4 |
| Total Uses of Funds | \$50.6M |

* Largely associated with increasing WW CAR Fund Equity to meet 50% cash funding assumption for Secondary Process Improvements in FY25/26

Estimated Use of Major Wastewater Funds and Reserves in FY23/24



| | WW O&M | WW Capital Asset Replacement | WW Expansion | WW Capital Asset | Advanced Treatment | Total Balance |
|-----------------------|----------------|------------------------------|----------------|------------------|--------------------|----------------|
| Beginning Balance | \$22.7 | \$28.7 | \$11.9 | \$3.6 | \$20.1 | \$87.0 |
| Contributions/(Used) | (\$3.6) | \$7.9 | \$2.1 | (\$0.4) | \$0.3 | \$6.4 |
| Ending Balance | \$19.1M | \$36.6M | \$14.0M | \$3.2M | \$20.4M | \$93.4M |

- Significant use of existing WW O&M Fund equity to support increased allocation of SSC revenue to meet capital funding needs
 - Maintains sufficient reserves to meet District Policy requirements, address unanticipated operating costs, and continue services during unforeseen events/emergencies
- Significant increase in WW Capital Asset Replacement Fund equity to meet capital financial needs for \$60M Secondary Process Improvement Project (50% cash)

FY24/25 Budget Forecast



| Category | Proposed FY23/24 (\$M) | Forecast FY24/25 (\$M) | Difference (%) |
|----------------------------|------------------------|------------------------|----------------|
| Operating Budget | \$32.3 | \$34.5 | 7% |
| Capital Budget | \$12.0 | \$23.5 | 97% |
| Debt Service | \$1.9 | \$1.8 | -5% |
| Total Uses of Funds | \$46.2M | \$59.8M | 29% |


CIP Budget increased 97% relative to FY24/25

- Secondary Process Improvements Project (\$9.0M)
- Cogeneration System Improvements Project (\$4.0 million)

- Significant increase in FY24/25 Budget is **not expected to impact future SSCs** as existing fund equity will be utilized for CIP funding needs
- Not requesting Board to appropriate funding until June 2024
- GFOA Budget Award review guidelines recommend including criteria for long-range operating financial plan
- May recommend Board consideration a multi-year rate setting (i.e., Proposition 218 Notice) process next year

Recommended Actions

- Approve FY23/24 Budget
- Adopt Resolution Approving FY23/24 Budget Appropriations



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June 2023

Prepared by:
Business Services Department

Submitted to:
Board of Directors



Delta
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