



Wastewater Treatment



TRANSFORMING WASTEWATER TO RESOURCES



Recycled Water



Energy Production



Biosolids Reuse

Key Assumptions for FY24/25 Operating Budget Development

Board of Directors Meeting
May 8, 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)

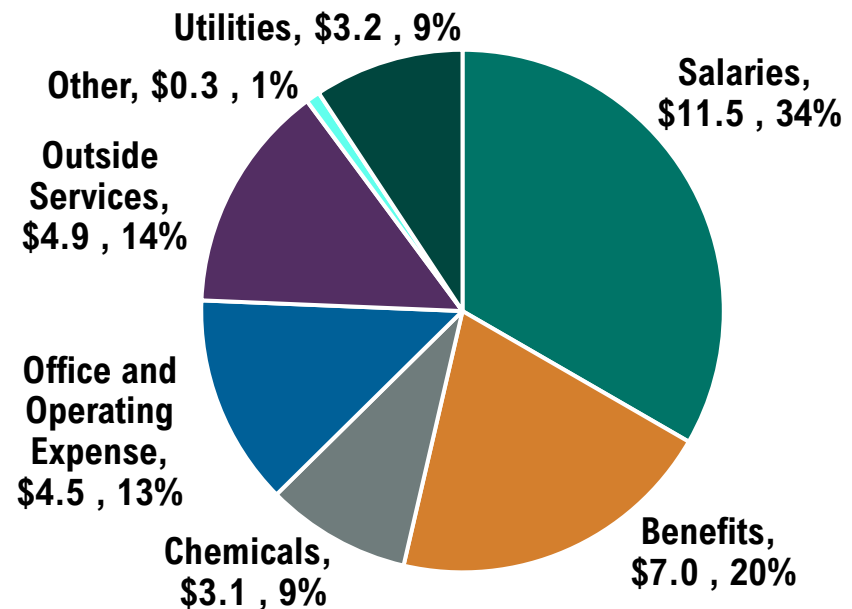
FY24/25 Proposed Operating Budget Overview: Revenues/Expenses



▪ 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

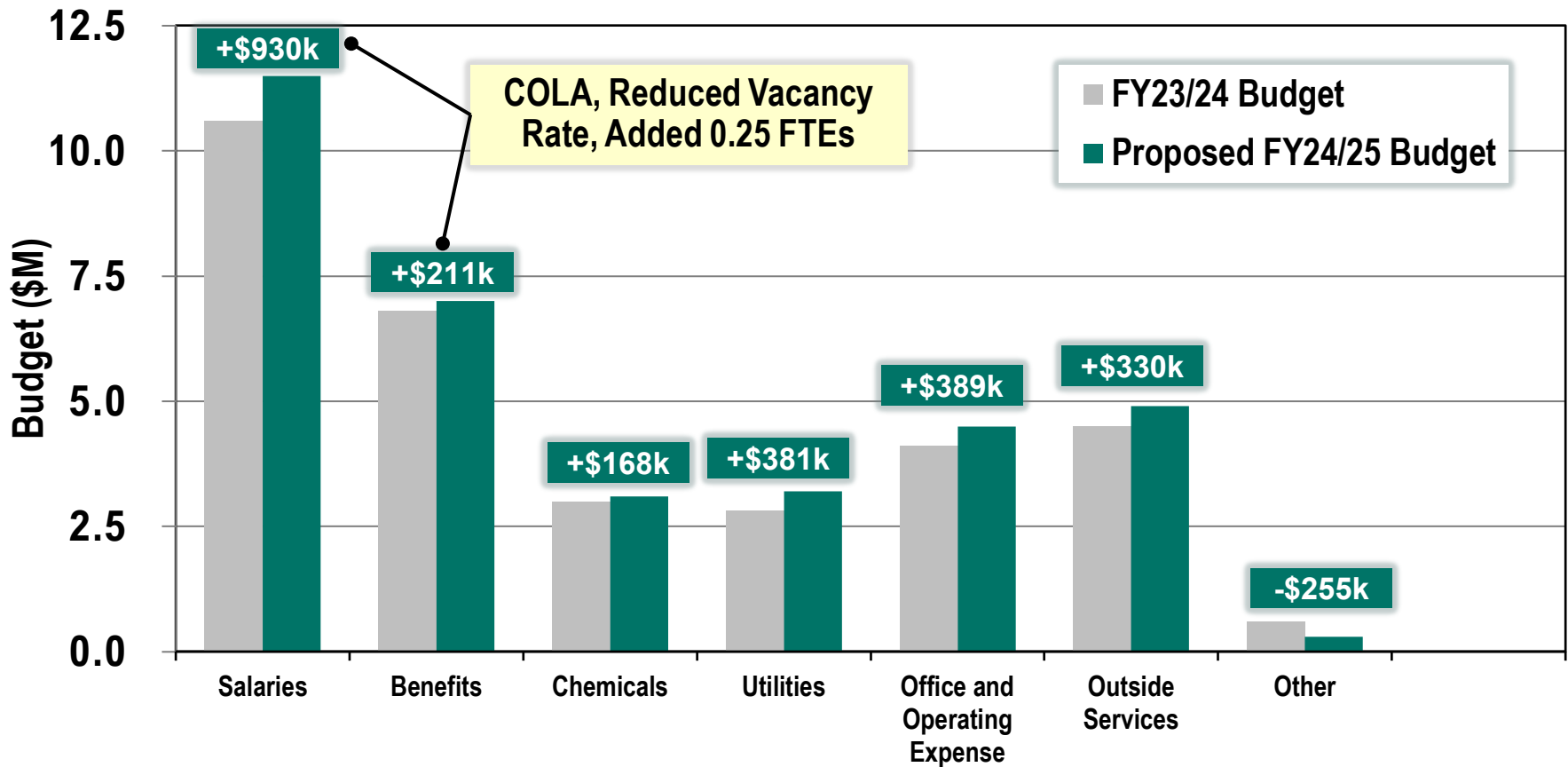
Chemicals

Utilities

Office/
Operating

Outside
Services

FY24/25 Proposed Operating Budget Comparison to FY23/24



- Salaries
- Benefits
- Chemicals
- Utilities
- Office/
Operating
- Outside
Services

Key Assumptions

Salaries (\$11.5M, 34%)



Ensuring Staffing Levels to Meet District Needs

- 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
 - Added one new position (Software Developer)
 - Utilizing **seven intern positions** (3.5 FTEs) to support critical business needs and workforce development

Salaries

Benefits

Chemicals

Utilities

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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
 - Workforce development, industry engagement, training (\$303k)
- Moderate shift to lower salaries with more new employees in salary progression
- Incorporated labor MOU cost-of-living adjustment (COLA) to be applied in July each year (2.0-5.0% range)
 - Financial Impact: Assumed **3.0% COLA increase = +\$0.4M**

Salaries

Benefits

Chemicals

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Key Assumptions

Benefits (\$7M, 20%)



- Realized health benefit cost savings due to employee election changes, which offset medical premium cost increase
- Continuing long-term reduction in retirement costs (27% of staff are Classic, 73% are Classic Second Tier or PEPRA)
 - No CCCERA pension payment is required (103% funded) for FY24/25
- Continuing to meet OPEB Trust funding obligations
 - District contribution = \$0.5M (includes District 3% matching)
- Funding \$0.4M to meet Retiree Health Savings Account contribution requirements in labor MOUs



Key Assumptions

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



Chemicals (\$3.1M, 9%)

- Critically reviewed chemical usage and incorporated increases in unit prices
 - \$1.5M for Wastewater (-\$53k), \$1.6M for Recycled Water (+\$221k)

Utilities (\$3.2M, 9%)

- Significant increase in electricity rates yielded **+\$381k** (~14%) cost increase

Salaries

Benefits

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Office/
Operating

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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



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
- Prevailing wage impacts on Street Sweeping, HHW program costs (\$2.2M, **+\$529k**)
- Temporary and Other Services (legal, facilities, maintenance, lab testing/analysis, misc.) (\$1.8M, **+\$45k**)

Salaries

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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 (\$36.0M) is 4.5% higher (\$1.5M) than FY24/25 (+\$1.3M, 4.2% for WW)
 - 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

FY24/25 SSC, CIP, and Budget Development Schedule Overview



March 2024	<ul style="list-style-type: none">3/13 Major Factors Impacting 5-Year CIP Development and Financial Assumptions3/27 Fin Comm: Review Proposed FY24/25 SSCs/Prop. 218 Notice
April 2024	<ul style="list-style-type: none">4/10 Review Proposed FY24/25 SSCs, Set Public Hearing, Approve Prop. 218 Notice4/23 Fin Comm: Review Draft 5-year CIP, FY24/25 Operating Budget Assumptions
May 2024	<ul style="list-style-type: none">5/8 Review Draft 5-year CIP, Set Public Hearing Review FY24/25 Operating Budget Assumptions
June 2024	<ul style="list-style-type: none">6/12 Conduct 5-year CIP Public Hearing, Consider Approval Conduct FY24/25 SSC Public Hearing, Consider Approval, Authorize Collection Consider FY24/25 Budget Approval

Recommendations

- Receive comments on key assumptions for proposed FY24/25 Operating Budget
 - Reviewed with Finance Committee on April 23, 2024

