Budget Workshop – Draft Amended 2021-2022 Budget

July 2021

Process Timing

Prop 218 Approved Not to Exceed Rates	• 5 years – July 2019
Adopted FY20-22 Two Year Budget	• June 2020
Mid-Cycle Budget Review With Board	• Workshop today seeking direction

Budgeting Overview: What is a budget?

Process designed to help decision makers make informed choices about the provision of services and capital assets.

Road Map for a fiscal year (or more) spending for an agency.

Breakdown of different funds and departments, revenue and spending classifications.

Centerpiece of a thoughtful, ongoing process involving projections and assumptions, known factors, identification of spending needs, legal restrictions, and balance for future uncertainty.

Budgeting Overview
What isn't a budget intended for?

Directly tied to Water and Sewer Rates

- Rates = long term outlook (actuals + forecasts)

Serve as a discretionary process for all funding

- Most funding has restrictions

Be a summation of all requests

- Proposal includes vetted requests for appropriateness within revenue and fund balance realities

Budget Enhancements – Informational "Cut Sheets"

- Improved financial and operational transparency
- Informative tool on programs and services
- Includes department purpose, goals/objectives, and revenues
- Help tell RMWD's story

Budgeting Highlights

Aging Infrastructure

- Addressing deferred maintenance (Capital Assets)
- Carryover + 1 Time Major Projects

Fund Balance Investment

- PAYGO = Cost Avoidance
- Utilize 19% or $9.0M of Fund Balance

Maintain Adequate Minimum Reserves

- 10-year Economic Cycle
- Future Uncertainties

Budget Process
Discretionary vs Restricted Revenues

Discretionary

- Property Tax (18%)
- Lease income (cell tower sites - <1%)

Restricted (81%)

- Water rate charges
- Sewer EDU and availability charges
- Fire EDU charges
- Ambulance Fees
- Water and sewer mitigation fees

Budgeting Process
Overview of budgeted revenues

Revenues from rates and charges

- Water and pumping charges
- Sewer service charges
- Fire EDU charges
- Other revenues

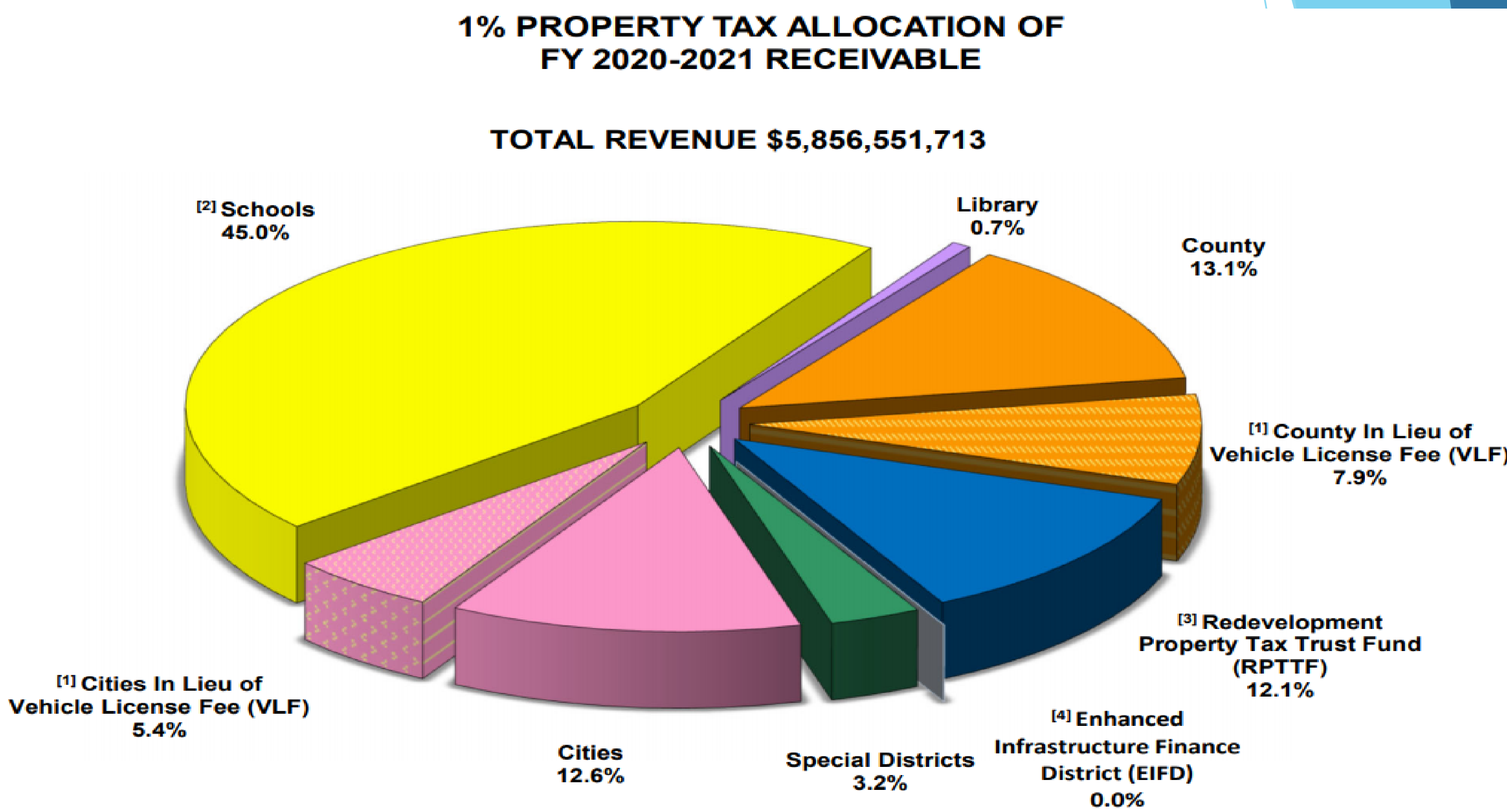
FY21/22 (Original)	FY21/22 (Amended)
$30.0 Million	$32.0 Million

Property tax revenue

- About 3.3% of San Diego County property taxes go to special districts

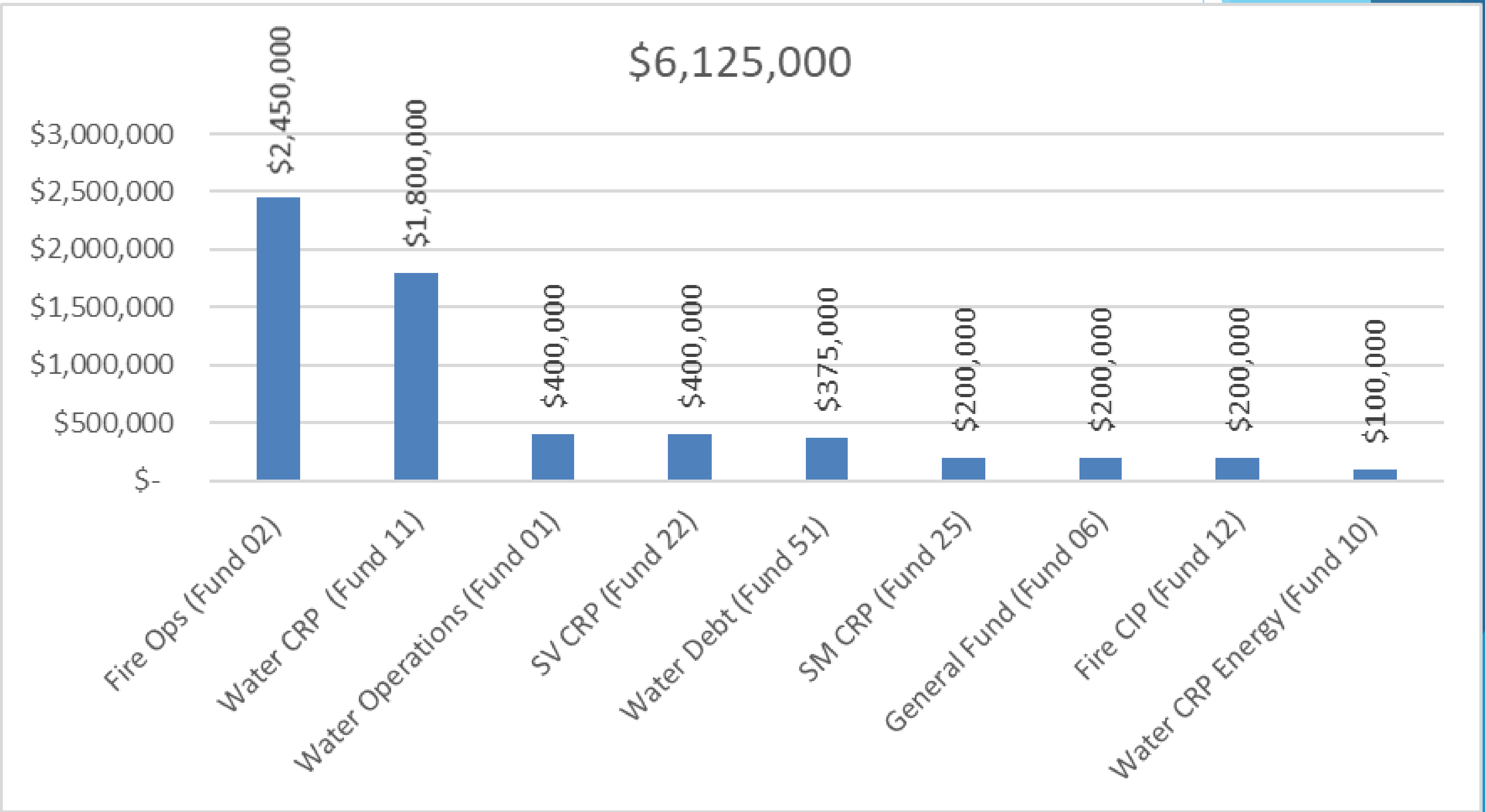
FY21/22 (Original)	FY21/22 (Amended)
$6.1 Million	$7.0 Million

Budgeting Process
Property Tax Allocation in San Diego, FY 2020-21

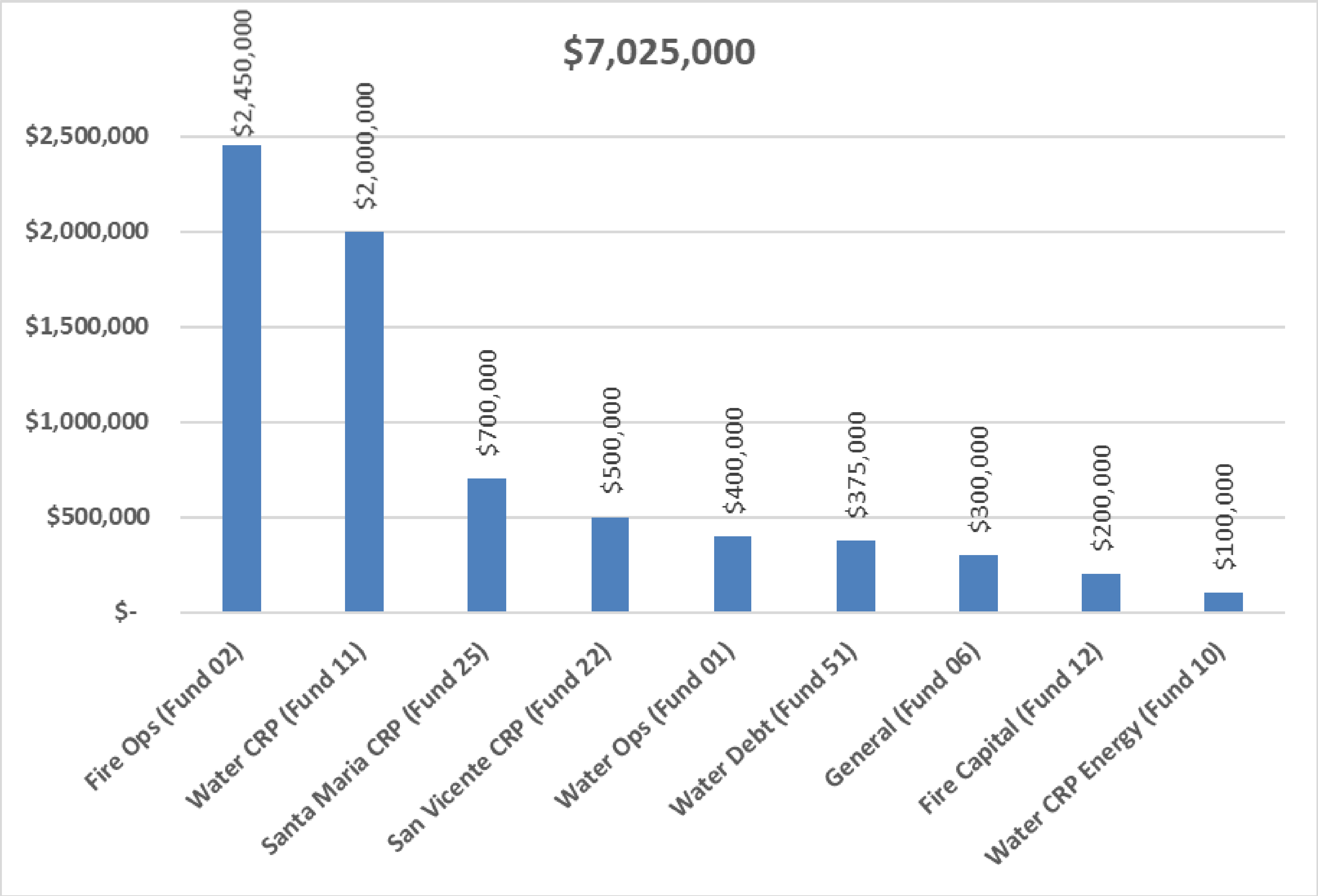


[1] Represents the exchange of Property Tax for Cities and County Vehicle License Fees as authorized under Senate Bill 1096, chaptered August 5, 2004.
[2] Revenue for Schools has been reduced by the ERAF deficit as authorized under Senate Bill 1096, chaptered August 5, 2004.
[3] Effective February 1, 2012, Redevelopment Agencies were dissolved and related revenue is allocated to Redevelopment Successor Agencies, County, Schools, Cities, Special Districts, and the State Controller's Office as provided by Health & Safety Code, Division 24, Part 1.85.
[4] EIFD revenue is less than 0.1% of the total revenue.

Original Allocation of Property Taxes for FY 2021-22



Amended Allocation of Property Taxes for FY 2021-22



General Managers Direction: Hold the line!

- Increases only for mandated, Board program implementation and justifiable costs
- Capital budget based primarily on facilities plans and carryforward projects
- Hold water rates steady from RMWD
- FY20/21 Estimated Actuals used as guide where appropriate

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Budget Process
Discretionary vs Mandatory Expenditures

Mandatory/Pre-Determined

Personnel Costs (MOU + Pension costs)	Fire contract	Water Purchases (fixed + variable)	Energy/other utilities	Debt Service

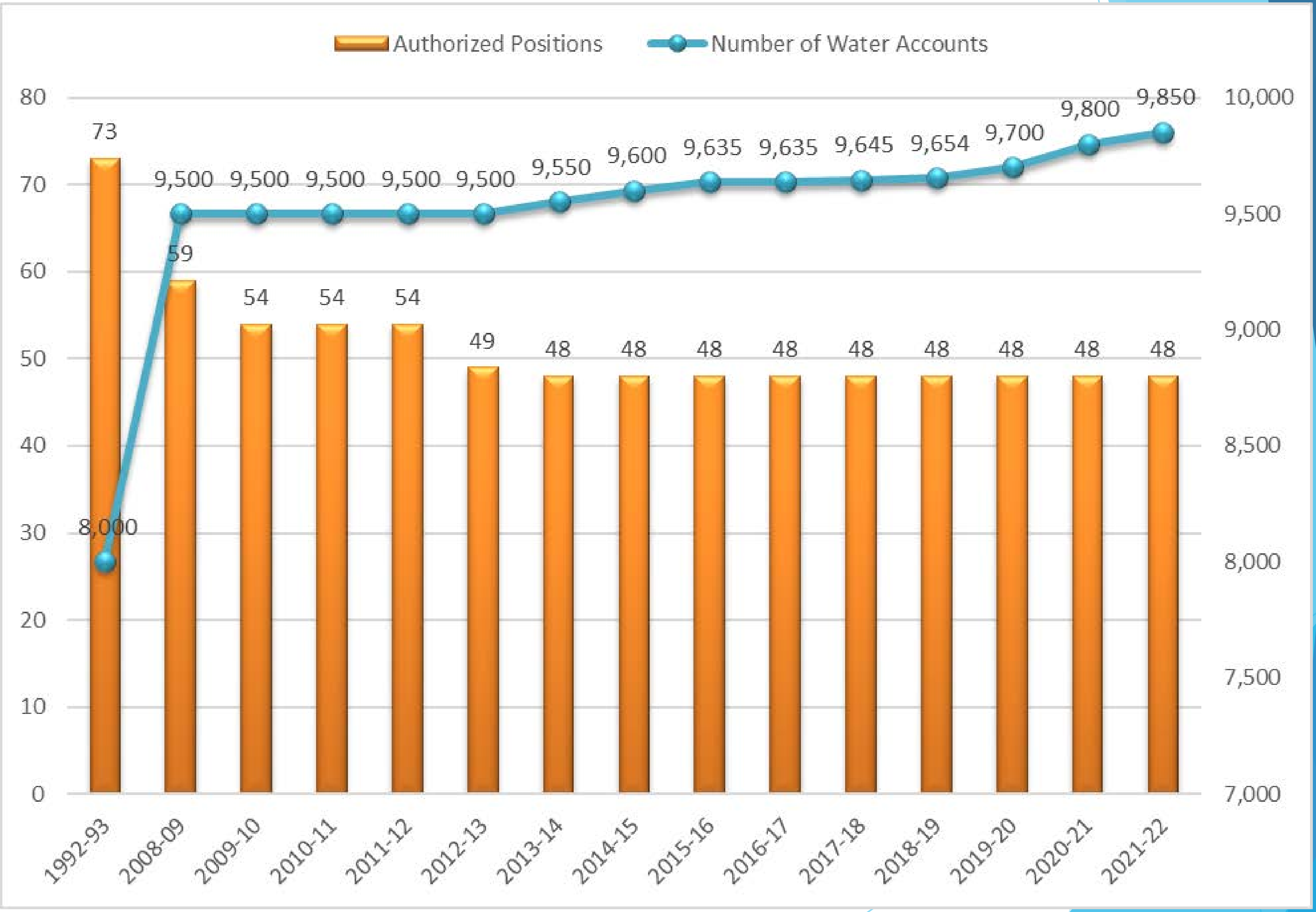
Remaining Funding

Calculate available funding for all non-mandated items

Discretionary

Deferred Maintenance	Level of Service

Trend: Personnel & Water Accounts



The Public Budgeting Process
The Color of Money

- **Fund Accounting**
  - **Operating Funds**
    - 01 – Water
    - 02 – Fire
    - 03 – Parks
    - 04/05 – Wastewater (San Vicente, Santa Maria)
    - 06 – General

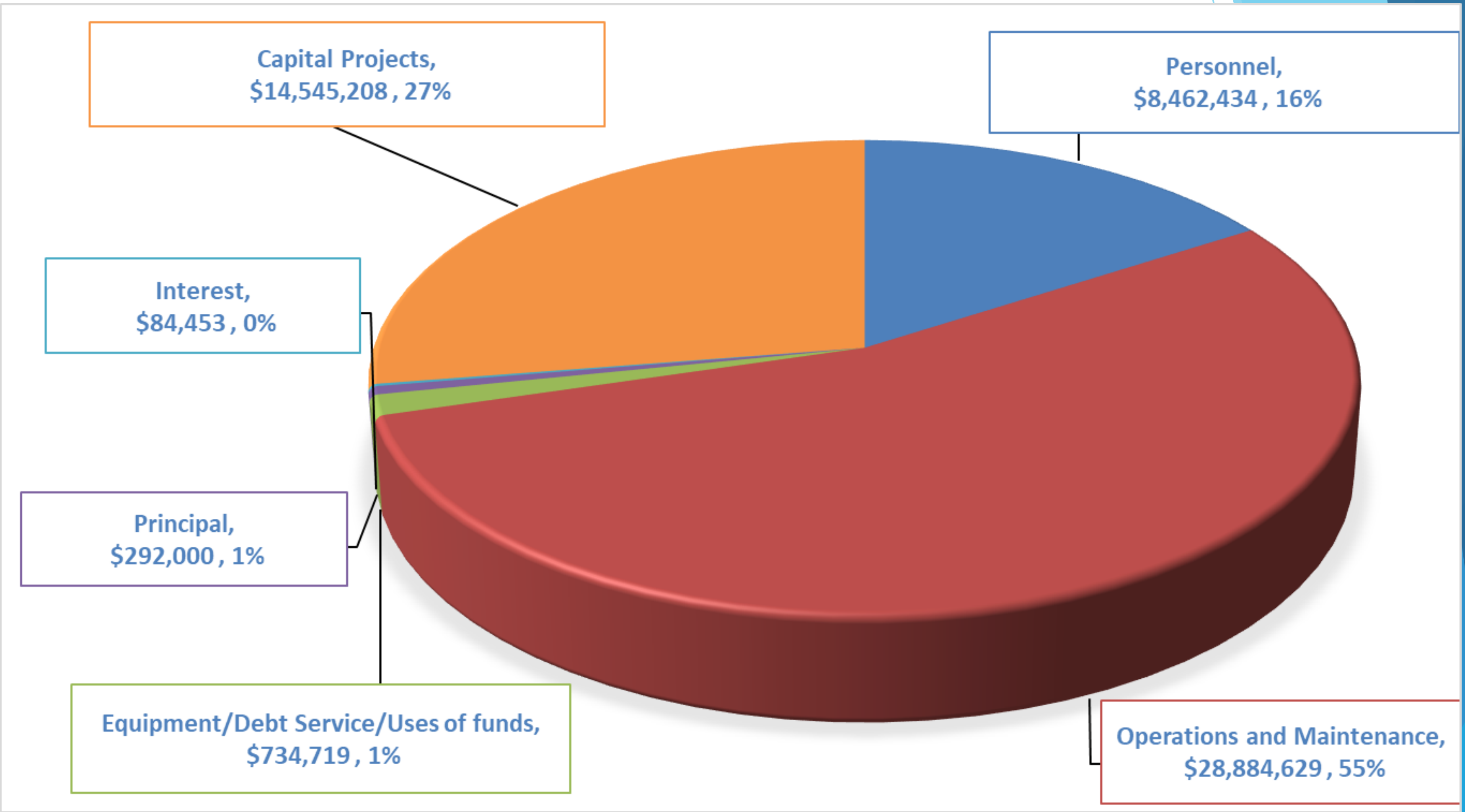
  - **Capital Improvement & Capital Replacement Funds**
    - 10/11/22/25 - Capital Replacement
    - 12/14/15/26/43 – Capital Improvement

  - **Other Funds**
    - 51 – Investments & Loans (debt service)
    - 24 – Fire Mitigation

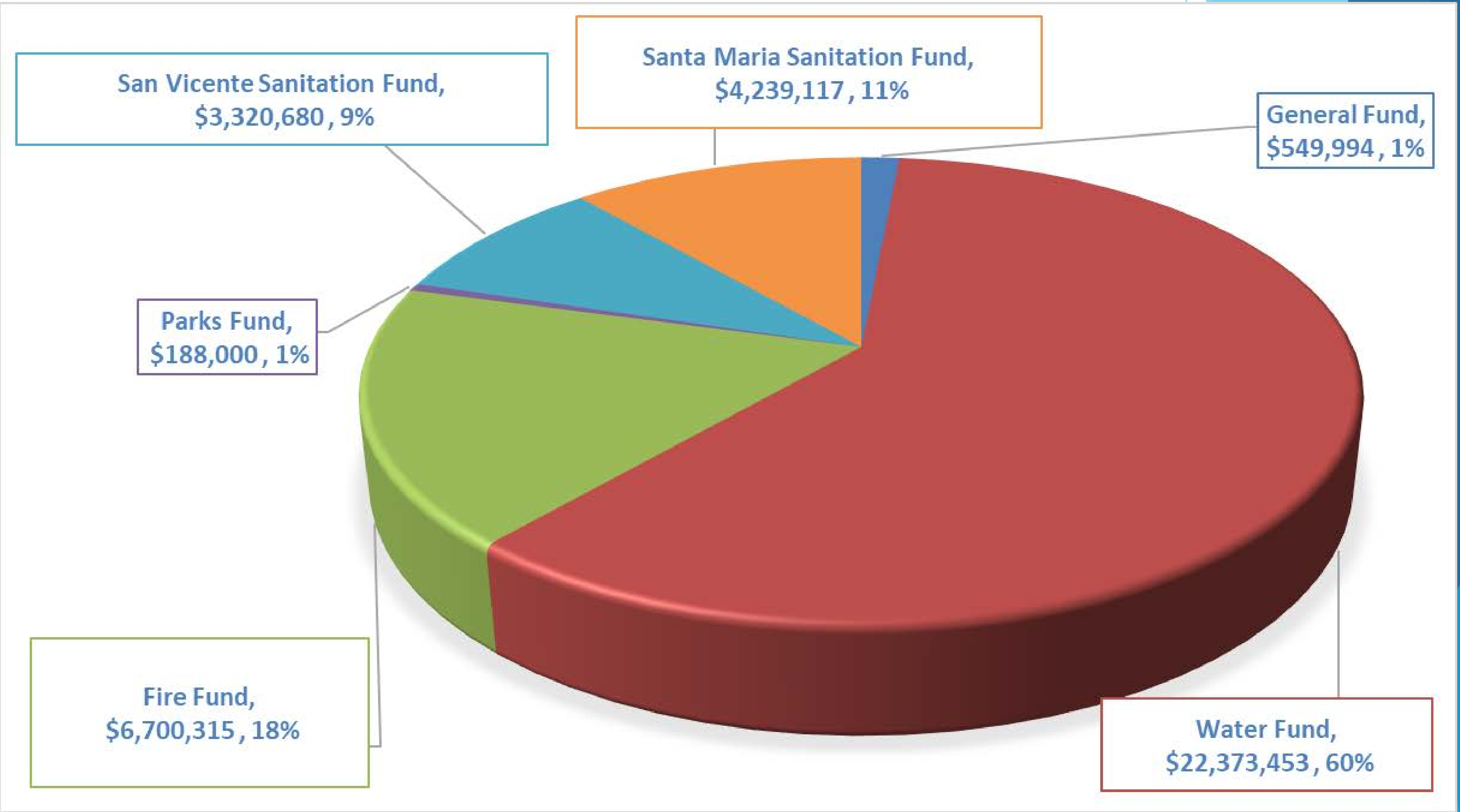
Operating Amendments

- Personnel Costs down ~2% ($185K) from initial FY21/22 Figures
  - Primarily due to decrease in healthcare/retirement costs from original assumptions + retirements
  - Balance with small S&B increase from upgrading WWTP Operator positions (2.0 FTE) and AP Clerk (1.0 FTE)
- Transfers up to pay for critical CRP/CIP Projects
- No rate adjustment from RMWD for Water (1.5% and 2% sewer increases previously approved by Board)
- Property Tax Rev. increased through COVID-19 Pandemic ~$900K from original estimates

Total Expenditures by Type - FY21/22 $53,003,438



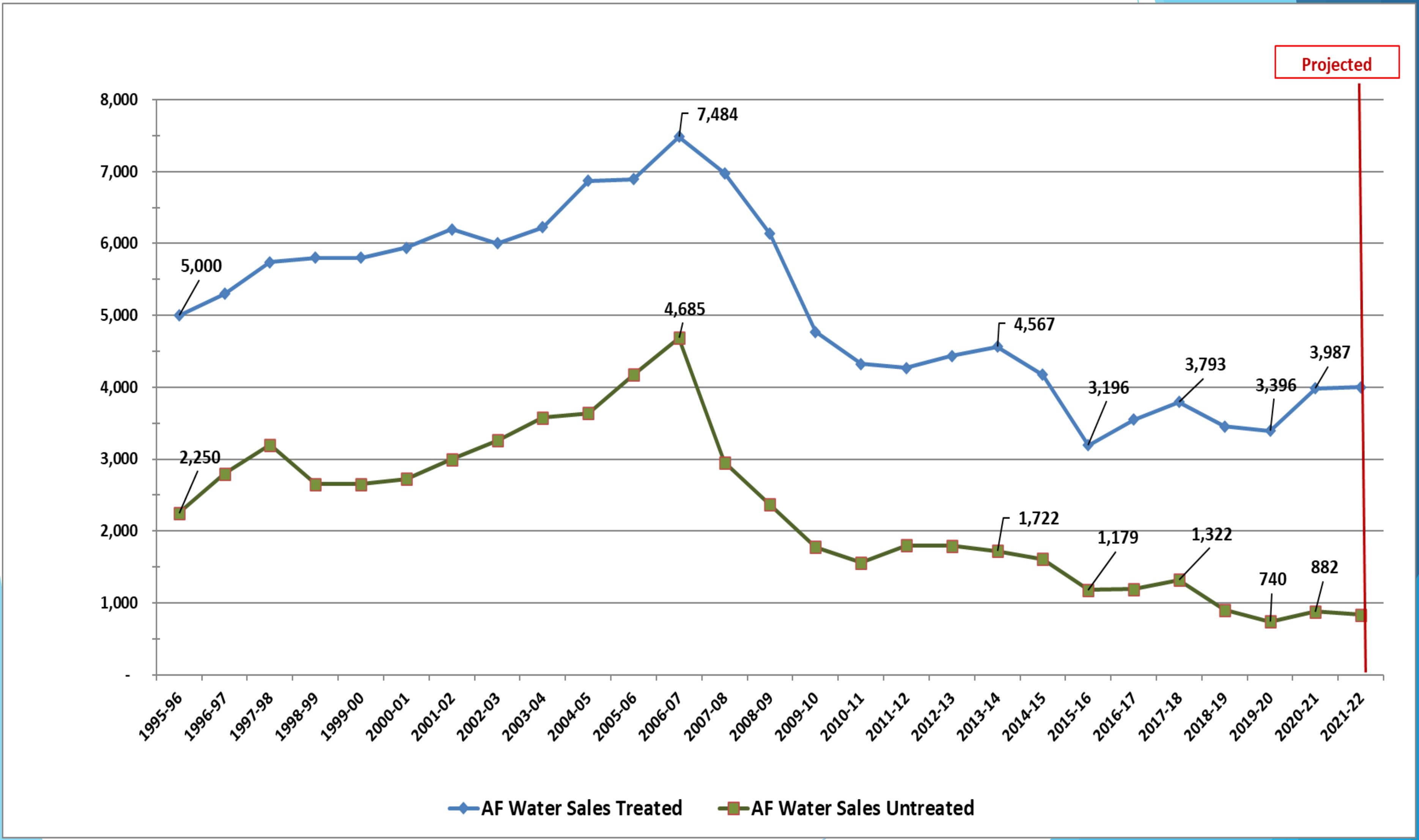
Total Operations Expenditures- FY21/22 $37,371,559



Amended Budget for FY 21-22
Water Fund Revenue - Fund 01

- Water Sales recover to roughly FY17/18 levels
- Sales projected based on trend in demand + forecast + blend of treated and untreated purchases
- SDCWA vs MET rate settlement = $596K in unanticipated water fund revenue
- Drought and ongoing COVID-19 Pandemic playing a factor

Proposed Budget for FY 2020-22
Water Sales Trend – Fund 01



Amended Budget for FY 21-22 Water Fund Expenditures - Fund 01

Amended budget for FY 2021-22: total budget of $22.4 million

Two primary reasons for change:

1. Water Sale increase drive increase in purchase costs
   - Higher volume of treated purchases to keep up with demand + untreated purchases to meet demands until decommissioning
   - Increased costs to purchase from County Water Authority

2. Capital Transfers
   - Increased to $3.0M to fund high priority capital projects

Water = No RMWD Rate Adjustments

- 7% Prop 218 Approved Annual increase approved in Summer 2019:
- Recommending <u>no rate increase from RMWD for FY21/22:</u>
  - $596K in rate settlement revenue from SDCWA vs MET rate case
  - Additional property tax allocation to help fund water capital projects
  - Water Sales increased in FY20/21 and projected for FY21/22 higher than originally projected in Summer 2020

Amended Budget for FY 21-22
Fire Funds

Operations (Fund 02)

- Second largest of RMWD's operating funds.
- CalFire budget amount for FY 2021/22 is $5.95M = $1M savings
- FY 2021-22 budget of $6.7M
- Allocation of property tax funding of $2.45M
- New Shared Services AGMT = Large savings

Fire Capital (Fund 12)

- $198K budgeted
- New engine payment ($66K), Ambulance Payment ($61K) re-chassis of 1 ambulance ($38k), and some small projects
- Allocation of property tax funding of $200K

Amended Budget for FY 2021-22
Fire Mitigation

- $185K carryforward for Station 80 remodel
- $32K to pay for growth portion of new engine lease (year 3 of 6)
- Fund balance remains healthy
- Revenues increase as building increases

Amended Budget for FY 21-22 Operating Funds for Sewer

San Vicente (Fund 04)

- Total budget of $3.3 million for upcoming FY 21-22
- Slight revenue increase tied to rate revenue increase + tertiary water sales increases
- Flat Expenditures + increase to $750K transfer to San Vicente Capital Replacement Fund 22

Santa Maria (Fund 05)

- Total budget of $4.2 million for upcoming FY 2021-22
- Slight revenue increase tied to rate revenue increase
- Expenditures slight increase + flat $1.25M in transfers to Santa Maria Capital Replacement Fund 25

Amended Budget for FY 2021-22 Carryforward Water Projects

- CIP Water (43)
  - Arc Flash Study ($115k)
  - Pressure Reduction Valve ($115k)
  - Pump Station Electric Control Center Rehab ($100k)
- CRP Water (11)
  - Poway Pump Station Low Flow Engine ($180k)
  - Master Plan Water ($55k)

Amended Budget for FY 2021-22 Carryforward Sewer Projects

- CIP San Vicente and Santa Maria (14/15)
  - Arc Flash Study ($60k each)
- CRP San Vicente (22)
  - Collection System Infrastructure ($147k)
  - Solids Handling Study ($52.5k)
  - Plant Telemetry ($13k)
- CRP Santa Maria (25)
  - Effluent Transmission Pipeline ($2.3M)
  - Influent Pump Station/Grit Removal ($1.2M)
  - Collection System Infrastructure ($300k)

Amended Budget for FY 2021-22 New Projects

- CRP Water (11)
  - Fire hydrant backflow devices ($235k)
- San Vicente CRP (22)
  - 40hp Tractor ($40k)
  - Recycled Water Delivery Pump Replacement ($35k)
  - Utility OHV Vehicle ($18k)
  - Turbidity Meter Replacement ($9k)
- Above Ground Diesel/Gas Storage Tanks ($250k total)
  - Water CIP Fund 43 ($170K)
  - SV CIP Fund 14 ($40k)
  - SM CIP Fund 15 ($40k)

Potential Revisions

- Add 1.0 FTE Wastewater Plant Operator Position
- Temporary Finance Manager Position
  - Advance financial priorities during transition
- Project Manager?
  - Advance general projects
  - Larger one-time projects underway
    - Untreated system decommissioning
    - Working with established/future Board Ad Hoc committees

Next Steps

1. Staff will take direction from the Board for further budget revisions
2. August Board meeting = Board consideration for adoption Amended FY2021/22 Budget
3. Monthly financial reporting to the Board (potentially amended format)
4. Return in December-January timeframe with Financial Audit
5. New Proposed Budget for Board Consideration in Summer 2022

End of Presentation