



Action/Info Item
5487

Approve Proposed Mid-Cycle Budget Update for Fiscal Year 2022-23

Information

Department: Finance **Sponsors:**
Category: Action/Info Item **Meeting Workflows:** Board Meeting Workflow

Attachments

- Printout
- [Exhibit A - Budget Update Adjustments for FY 2022-23](#)
- [Exhibit B - Operating Fixed Assets Budget Update for FY 2022-23](#)
- [Exhibit C - Capital Improvement Program Budget Update for FY 2022-23](#)
- Presentation

Background

On June 16, 2021, the Board of Directors adopted the Biennial Budget for Fiscal Year 2021-22 and Fiscal Year 2022-23 (Original Budget). The mid-cycle review involves analyzing the Original Budget including Operating and Non-operating Revenues and Expenses, Capital Improvement Program (CIP), and Operating Fixed Asset (OFA). In addition, staff analyzed Fiscal Year 2021-22 forecasted budget results, sales trends, inflationary pressures, and other factors anticipated for the upcoming year. This information has been incorporated into the proposed adjustments to the remaining year of the Original Budget, Fiscal Year 2022-23. The proposed adjustments are summarized in the Budget Update Adjustments for FY 2022-23 (Exhibit A) and described below.

FY 2022-23 Proposed Budget Adjustments:

Revenues:

- Increase in Operating Revenues by \$5.0 million from the original budget of \$297.7 million driven by growth for fixed charges.
- Increase in Connection & Development Fees of \$5.3 million.
- Increase in Property Tax revenue of \$3.0 million due to assessed value projections.
- Increase in Interest Income of \$1.5 million due to interest rates increasing.
- Increase in Late Fees of \$800 thousand driven by the resumption of late fee assessments and delinquency trends.

Expenses:

- Increases in Operating Expenses for Chemicals (\$1.2 million), Energy (\$4.6 million), and Fuel (\$839 thousand) due to inflationary pressures driving up costs and demand.
- Net increase in Salaries and Benefits of \$3.5 million from the original budget of \$110.7 million, largely due to higher than anticipated COLA (4.5% vs 2.0%) that went into effect January 2022.
- Decrease in Pension liability contribution by \$4.0 million resulting from the CalPERS “Fresh Start” amortization of 15 years.

Operating Fixed Asset (OFA):

- Net decrease of \$14.3 million due to supply chain delays affecting FY 2021-22 expenses.
- Projected expenses have been removed from FY 2022-23 and will be included in the FY 2023-24 budget, including bulk of ERP and DSMS project expenses.

Capital Improvement Program (CIP):

- Net increase in capital projects of \$16.0 million over the original budget of \$113.1 million related to inflationary pressures, supply chain delays, acceleration of funding for critical projects, and expedited development trends.

The OFA Budget Update for FY 2022-23 (Exhibit B) contains a detailed project list for Operating Fixed Asset (OFA). The CIP Budget Update for FY 2022-23 (Exhibit C) contains a summary comparison of the Original Budget and the proposed FY 2022-23 Budget Update by CIP program. The presentation provides an economic update with certain indicators and highlights the District’s efforts to mitigate inflationary pressures, summarizes the proposed Budget Update for FY 2022-23, and provides an overview of the budget planning process for FY 2023-24 and FY 2024-25.

Financial/Strat Plan/Enviro

FINANCIAL IMPACT:

Funding for this item is provided for in the Biennial Budget for Fiscal Years 2021-22 and 2022-23.

STRATEGIC PLANNING GOAL/OBJECTIVE:

Financial Stability: Enhance EMWD’s strong financial position and credit quality by identifying and implementing specific opportunities to improve underlying financial metrics.


ENVIRONMENTAL IMPACT:

None

Recommendation

Approve proposed budget adjustments to Operating and Non-Operating Revenue and Expense, Capital Improvement Program, and Operating Fixed Asset for Fiscal Year 2022-23.

Meeting History

Jun 15, 2022 9:00 AM	Board of Directors	Regular Meeting	 Draft
<p>Mr. Adams provided a presentation on this item</p>			
RESULT:	APPROVED [UNANIMOUS]		
MOVER:	Randy A. Record, Vice President		
SECONDER:	David J. Slawson, Board Member		
YES:	Philip E. Paule, Jeff Armstrong, Stephen J. Corona, Randy A. Record, David J. Slawson		

To access audio recordings of Board meetings from April 27, 2016 to present, please [click here](#).