



Action/Info Item
4477

Approve Proposed Biennial Budget Update for Fiscal Year 2019-2020 and Fiscal Year 2020-21

Information

Department: Deputy General Manager - Admin Srvcs
Sponsors:
Category: Action/Info Item
Meeting Workflows: Board Meeting Workflow

Attachments

[Printout Exhibit A - Operating Fixed Asset \(OFA\) Presentation](#)

Background

Background – Biennial Budget:

On June 19, 2019, the Board adopted the Biennial Budget for FY 2019-20 and FY 2020-21 (Original Budget). The mid-year review involves analyzing the original budget including operating and non-operating revenues and expenses, Capital Improvement Program (CIP) and Operating Fixed Assets (OFA) expenses. In addition, staff analyzes FY 2019-20 forecast budget results, sales trends, any other factors anticipated for the upcoming year. This information is then incorporated into proposed adjustments to the second and remaining year of the Biennial Budget for FY 2020-21.

Unique to this Biennial Budget review are potential financial impacts due to the Coronavirus pandemic (COVID-19). Staff has reviewed customer data and prepared an analytical model to project likely impacts to key financial parameters. These projected values were also reviewed against peak financial impacts experienced in the so-called great recession period from 2007 to 2009 and incorporated into the proposed adjustments to the FY 2020-21 budget.

FY 2020-21 Proposed Budget Adjustments:

The proposed Budget Update for 2020-21 includes various adjustments, as summarized below:

- Operating Revenues and Expenses:
 - Reduction in operating revenues by \$6.9M, originally estimated to be \$268.4 million, which is lower than the Original Budget of \$275.3 million. This variance is largely due to the Covid-19 effect on lower water demands, collections write-offs and reduced property taxes.
 - Reduction in purchased water costs of \$4.6 million driven by the lower demands.
 - While not included as a direct budget adjustment, the District will experience lower operating expenses in FY 2020-21 due to lower discretionary spending including travel, conferences, employee events and similar expenses.
- Non-operating Revenues and Expenses:
 - Reduction in Connection & Development Fees of \$6.5 million from the Original Budget of \$50.0 million due to the anticipated slow-down of development due to COVID-19.

- Reduction in bond debt expense of \$4 million due to debt refunding and favorable variable interest rates.
- Capital Improvement Program (CIP):
 - Increase in capital projects of \$3.3M to a total revised capital program for FY 2020-21 of \$92,966 million adjusting construction schedules and accelerated pace of projects.
- Operating Fixed Assets (OFA):
 - Reduction of \$1.2 million in OFA budget mainly due to removing or deferring non-critical vehicle replacements and information technology projects.

Mid-Year Biennial Budget Summary:

While projected operating revenues for the two-year period ending June 30, 2021 will be \$13 million lower (1.7%) than originally projected, operating expenses will also be lower by \$30.7 million (4.8%) resulting in an improved net operating margin of \$17.7 million for the two-year biennial budget period.

CIP and OFA net capital commitments are higher by \$5.7 million (2.6%) mainly due to accelerated projects. Overall, FY 2019-20 and Proposed FY 2020-21 operating and capital expenditures are lower than the original budget by \$25 million, or 3%.

Transmitted herewith is a presentation summarizing the proposed Biennial Budget Update for FY 2019-20 and FY 2020-21. A detailed Operating Fixed Asset (OFA) project list is attached as Exhibit A.

Financial/Strat Plan/Enviro

FINANCIAL IMPACT:

Funding for this item is provided for in the Biennial Budget for Fiscal Years 2019-20 and 2020-21.

STRATEGIC PLANNING GOAL/OBJECTIVE:

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

ENVIRONMENTAL IMPACT:

This item is not a project as defined in the California Environmental Quality Act Code of Regulations, Title 14, Chapter 3, Section 15378.

Recommendation

Approve proposed Operating/Non-operating, Capital, and Operating Fixed Asset budget adjustments for Fiscal Year 2020-21.

Meeting History

Jun 17, 2020 9:00 AM **Board of Directors** **Regular Meeting**



DGM Nomura provided a presentation on this item

RESULT: **APPROVED [UNANIMOUS]**
MOVER: Randy A. Record, Board Member
SECONDER: Philip E. Paule, Vice President

YES: Ronald W. Sullivan, Philip E. Paule, 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](#).