



Eastern Municipal Water District California

Approved
Jun 19, 2024 9:00 AM

Action/Info Item 6365

Approve Proposed Mid-Cycle Budget Update for Fiscal Year 2024-25

Information

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

Attachments

[Printout](#)

[Exhibit A - Budget Update Adjustments for FY 2024-25](#)

[Exhibit B - Operating Fixed Assets Budget Update for FY 2024-25](#)

[Exhibit C - Capital Improvement Program Budget Update FY 2024-25](#)

[Presentation](#)

Background

On June 21, 2023, the Board of Directors adopted the Biennial Budget for Fiscal Year 2023-24 and Fiscal Year 2024-25 (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 (FY) 2023-24 forecasted results, sales trends, operating and capital needs, 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, FY 2024-25. The proposed adjustments are summarized in the Budget Update Adjustments for FY 2024-25 (Exhibit A) and described below.

FY 2024-25 Proposed Budget Adjustments:

Revenues:

- Increase in Operating Revenues by \$1.6 million from the original budget of \$358.8 million mostly due to anticipated Water and Sewer utility billing revenue from the transition of City of Perris customers.
- Increase in Connection and Development Fees of \$10.2 million due to raising equivalent dwelling units/equivalent meter size (EDU/EMS) Financial Participation Charge count projections to the 10-year average of 7,600 from the 6,400 budgeted.
- Increase in Property Tax revenue of \$1.6 million due to assessed value projections.
- Increase in Interest Income of \$4.0 million based on projections for current interest rates.
- Increase in Late Fees of \$1.4 million driven by delinquency trends.
- Increases in Other Income of \$5.5 million for:
 - City of Perris One-Time Transfer Revenue (\$2.6 million)
 - Administrative Fees for Wholesale Water deliveries (\$414 thousand) for anticipated deliveries to Rancho California Water District, Fallbrook Public Utility District, and Rainbow Municipal Water District.
 - Recharge Water Operations and Maintenance (O&M) Delivery Fees (\$2.5 million) for anticipated replenishment water deliveries of 12,000 Acre Feet (AF) for all agencies (originally budgeted at zero).

Expenses:

- Increase in Purchased Water Costs of \$3.4 million due to:
 - Metropolitan Water District (MET) rate increases (\$507 thousand)
 - Eastern Municipal Water District's (EMWD) projected share of anticipated replenishment water deliveries equal to 4,044 AF (\$2.9 million), originally budgeted at zero.
- Wages increase of \$480 thousand, with no change to Full Time Equivalent (FTE) count.
- The Unfunded Accrued Liability (UAL) costs for pensions increased by \$1.5 based on changes in actuarial assumptions and performance.
- Increase in Chemicals of \$250 thousand for changes in anticipated supply price of Bisulfate.
- Increase in Outside Services of \$1.4 million including external consultant support for hydrological services, the Recycled Water Program, a Long Range External Funding Plan, strategic communications, and graphic design.
- Increase in Other Operating Costs \$1.4 million including:
 - Fire Hydrant T-meter replacement (\$440 thousand)
 - Human Resources recruitment, training, and development (\$300 thousand)
 - Geographic Information System (GIS) mapping related to City of Perris water and sewer (\$100 thousand)
 - Insurance premiums (\$129 thousand)

Operating Fixed Asset (OFA):

- Net increase of \$1.8 million or 2.8 percent over the original combined FY 2023-24 and FY 2024-25 budget of \$67.5 million.
- Increases for City of Perris AMI Upgrade, Tesla Battery Storage System, and Manhole Rehabilitation are offset by reductions to Reclamation/Treatment Plant Mapping, Supervisory Control and Data Acquisition System (SCADA) Graphics upgrades for Regional Water Reclamation Facility's (RWRF), and Surveillance System Refresh/Upgrades.

Capital Improvement Program (CIP):

- Net increase in EMWD funded capital projects of \$39.2 million over the original budget of \$123.3 million related to inflationary pressures, acceleration of funding for critical projects, and expedited development trends.

The OFA Budget Update for FY 2024-25 (Exhibit B) contains a detailed project list for Operating Fixed Asset (OFA). The CIP Budget Update for FY 2024-25 (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, summarizes the proposed Budget Update for FY 2024-25, and provides an overview of the budget planning process for FY 2025-26 and FY 2026-27.

Financial/Strat Plan/Enviro**FINANCIAL IMPACT:**

As noted herein.

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 2024-25.

Meeting History

Jun 6, 2024 7:30 AM	Board Administrative Committee	Regular Meeting	 Draft
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RESULT: RECOMMENDED FOR APPROVAL

Jun 19, 2024 9:00 AM	Board of Directors	Regular Meeting	 Draft
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Mr. Adams provided a presentation on this item

RESULT: APPROVED [UNANIMOUS]
MOVER: Randy A. Record, Board Member
SECONDER: David J. Slawson, Board Member
YES: Philip E. Paule, Stephen J. Corona, Jeff Armstrong, Randy A. Record, David J. Slawson

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