



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

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Presentation Topics

Biennial Budget Update

- Fiscal Year (FY) 2023-24 Revenue and Expense Trends
- FY 2024-25 Proposed Operating and Non-Operating Revenue and Expense Adjustments
- Full Time Equivalent Headcount Update
- Operating Fixed Asset (OFA)
- Capital Improvement Program (CIP)
- Summary of Proposed FY 2024-25 Budget Adjustments
- Summary of Reserve Utilizations
- Timeline: Long-Term Financial Plan (LTFP) & Biennial Budget (FY 25-26, FY 26-27)

Budget and Rate Setting is Centered Around EMWD's Strategic Plan:

With a clearly defined mission and vision, as well as guiding principles that define how we interact with customers and employees, EMWD is driven by standards to provide safe, reliable, economical and environmentally sustainable services:

- Highly reliable and cost-effective water, wastewater, and recycled water service
- Protection of public and environmental health
- Superior customer service
- Sound planning and operational efficiency
- Fiscal responsibility and appropriate investment
- Exemplary employer
- Effective communication, advocacy, and community partnerships



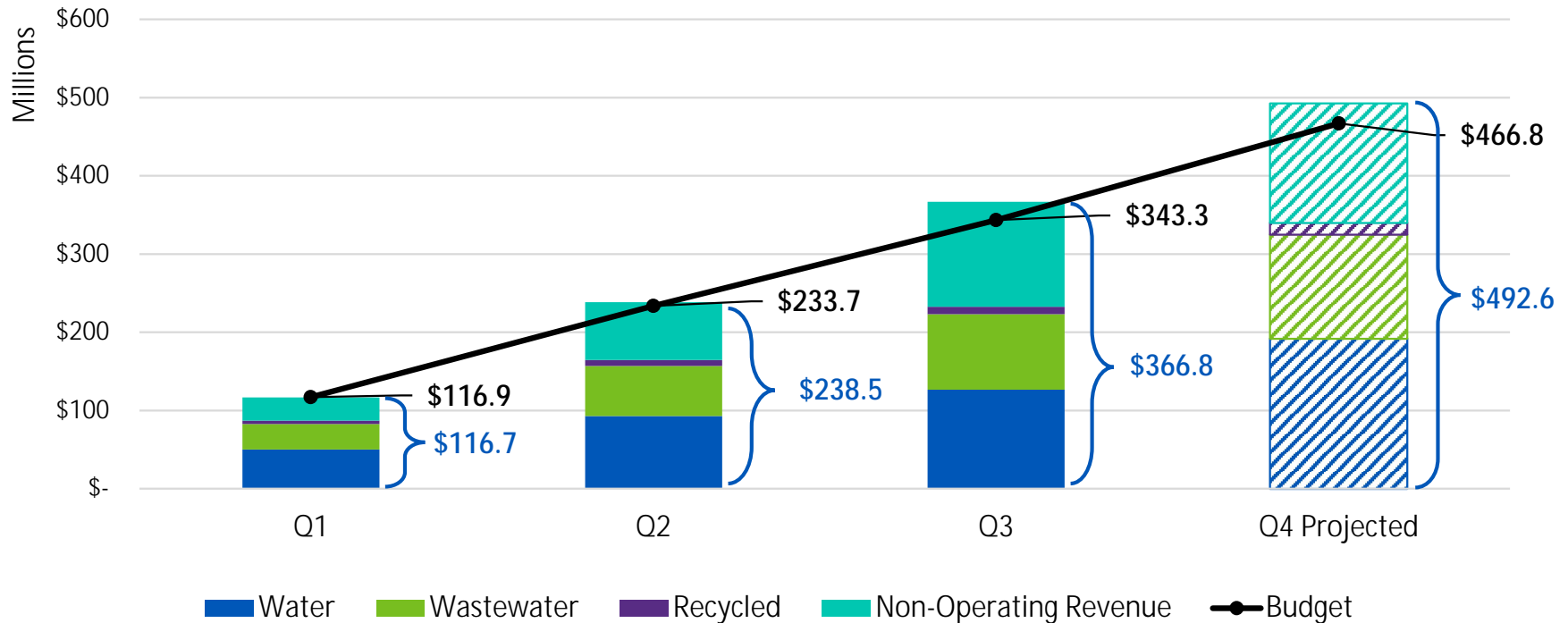
Biennial Budget Update



FY 2023-24 Budget Review – Total Revenue

- Projected revenues for FY 2023-24 are trending higher than budget by \$25.8M (5.5%)
- Through the 3rd Quarter, total revenue remains higher than target by 6.8%

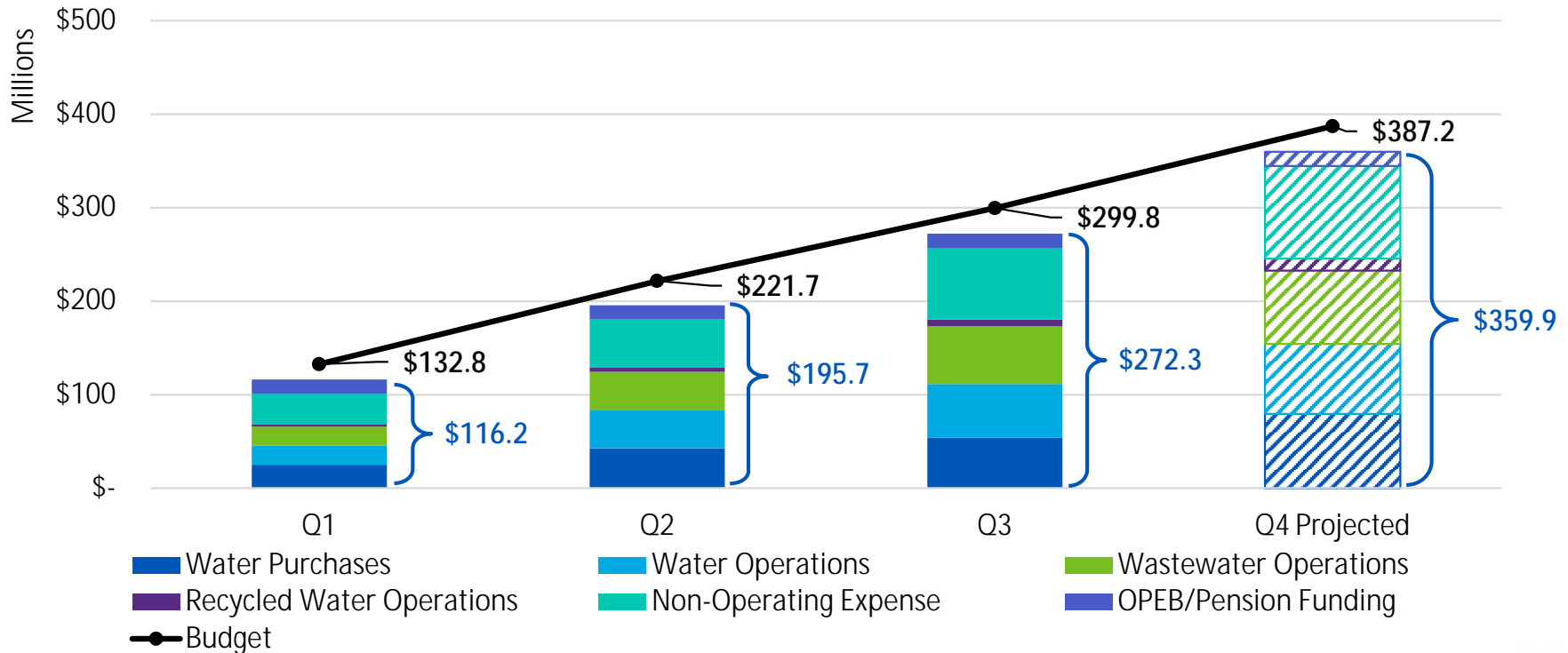
Revenue Fiscal Year 2023-24
Actual to Budget



FY 2023-24 Budget Review – Total Expense

- Projected expenses for FY 2023-24 are trending lower than budget by \$27.4M (7.1%)
- Through the 3rd Quarter, total expense were lower than target by 9.2%

Expense Fiscal Year 2023-24
Actual to Budget



FY 2024-25 Proposed Operating/Non-Operating Revenue Adjustments

- Operating Revenue increases:
 - City of Perris water and sewer: \$1.5M
- Non-Operating Revenue increases:
 - Connection Fees: \$10.2M (7,600 EDU/EMS from 6,400)
 - Property Tax: \$1.6M
 - EMWD \$1.6M
 - FPUD \$40K
 - Interest Income: \$4.0M
 - Late Fees: \$1.4M
 - City of Perris Transfer (One-Time): \$2.6M
 - Recharge O&M Delivery Fees: \$2.5M
 - Wholesale Administration Fees: \$414K

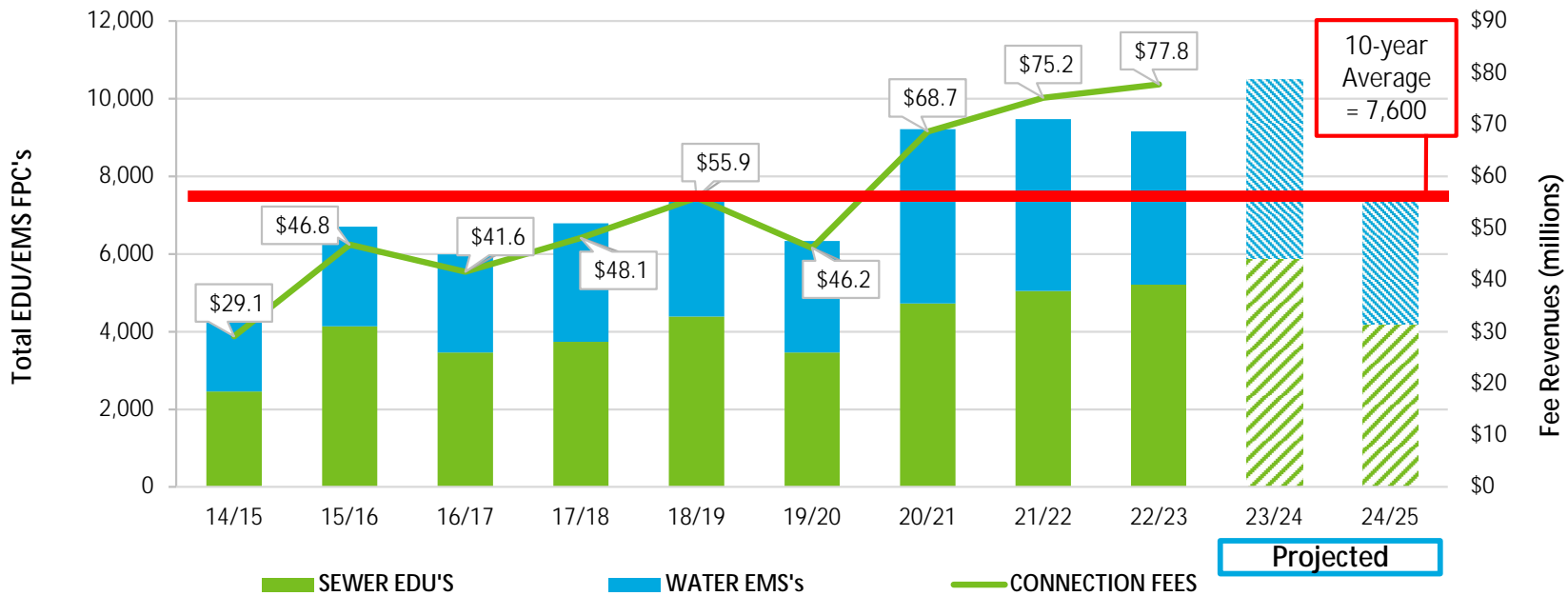
Standards of Excellence	
Highly reliable and cost-effective water, wastewater, and recycled water service	<ul style="list-style-type: none"> • Investments to improve water, wastewater, and recycled water service <ul style="list-style-type: none"> - Perris North Canal - Wells 201, 202, 203 - MVRWRF Plant - SIVRWF Plant - Well and Manholes - Engine/Pumps
Protection of public and environmental health	<ul style="list-style-type: none"> • Climate Action Plan • Quail Valley Area 4
Superior customer service	<ul style="list-style-type: none"> • Customer Experience • Complete Customer
Sound planning and operational efficiency	<ul style="list-style-type: none"> • Development Services • Enterprise Resource Planning (ERP) Implementation • Fleet Vehicles
Fiscal responsibility and appropriate investment	<ul style="list-style-type: none"> • Update Comprehensive Fiscal Policy Manual • Optimize non-utility receivables collection efforts • Pursue grants and external funding for CIP, Purified Water Replenishment (PWR), and Zero Emissions Vehicles
Exemplary employer	<ul style="list-style-type: none"> • Streamline recruitment and onboarding processes • Succession Plan Implementation • Memorandum of Understanding (MOU) negotiations
Effective communication, advocacy, and community partnerships	<ul style="list-style-type: none"> • Improve regional collaboration efforts, including San Jacinto Watermaster, Domenigoni Groundwater Basin Planning efforts, and Santa Ana River Conservation and Conjunctive Use Program • Partnering with Youth Ecology Corp, Career Technical Education, IEWorks and others • Promote water conservation through use of nonfunctional turf and recycled water irrigation conversion efforts



Financial Participation Charge (FPC) History

	FY 2025 Current Budget Estimate	10-Year Average (2015-2024)	5-Year Average (2020-2024)	Long-Term Average (1981-2022 EDU 1978-2022 EMS)
EDU	3,400	4,200	4,900	6,100
EMS	3,000	3,400	4,000	4,300
Total EDU/EMS	6,400	7,600	8,900	10,400

EDU/EMS Historical Growth



Metropolitan (MET) Imported Water Costs

Impact: EMWD Projected MET Rates vs Approved 2025 MET Rates

- EMWD Projected Untreated Water increase 7.6%; MET Approved increase 1.0%
- EMWD Projected Treated Water increase 7.6%; MET Approved increase 11.1%
- EMWD Projected Readiness to Serve (RTS) increase 0%; MET Approved increase 8.4%
- No change to Capacity Charge (CC) rate; change in peak day (reduction)

Imported Water Cost Changes

- Overall Imported Water Costs increased \$507K or 0.6%
 - No change to projected volume
 - Water Cost increase \$83K
 - Fixed Charges increase: \$424K

MET Imported Water Charges	Projected FY 2024-25 Dollars	Update FY 2024-25 Dollars	Change from Projected \$
Untreated Water	\$ 23,082,000	\$ 22,327,000	\$ (755,000)
Tier 1 Treated Water	\$ 57,405,000	\$ 58,243,000	\$ 838,000
Sub Totals	\$ 80,487,000	\$ 80,570,000	\$ 83,000
CC (Annual charge)	\$ 1,784,000	\$ 1,536,000	\$ (248,000)
RTS (Annual charge)	\$ 8,165,000	\$ 8,588,000	\$ 423,000
Standby Credit (FY)	\$ (2,364,000)	\$ (2,374,000)	\$ (10,000)
Tunnel @ 12.10 / 11.35 AF/day	\$ (4,143,000)	\$ (3,884,000)	\$ 259,000
Fixed Charges	\$ 3,442,000	\$ 3,866,000	\$ 424,000
Total MET Imported Water Charges	\$ 83,929,000	\$ 84,436,000	\$ 507,000 0.6%

MET Replenishment Water Update

- Overall increase \$2.9M
- Replenishment water is:
 - Purchased when made available by MET
 - Accounted for as inventory (asset)
- Replenishment Obligation Volume:
 - Annual 7,500 Acre Feet (AF) for all agencies combined; 2,528 AF for EMWD's share (33.7%)
 - Calendar Year (CY) 2024 obligations have been met
 - FY 2024-25 projection expected to complete CY 2025 obligations and some CY 2026 pre-deliveries

Replenishment Water	FY 2023-24 Projected Actual (EMWD)	FY 2024-25 Budget Approved (EMWD)	FY 2024-25 Budget Update (EMWD)	FY 2024-25 Budget Update (All Agencies)
Dollars	\$4,147,000	0	\$2,875,000	N/A
Volume (AF)	5,833	0	4,044	12,000

FY 2024-25 Proposed Operating/Non-Operating Expense Adjustments

- Purchased Water Costs increase: \$3.4M
- UAL Pension increase: \$1.5M
- Outside Services increase: \$1.4M
- Wages increase: \$480k (no FTE Change)
- Fire Hydrant T-meter replacement increase: \$440K
- Human Resources recruitment, training, and development increase: \$300K
- Chemicals increase: \$250K
- GIS mapping for the City of Perris water and sewer system increase: \$100K



FY 2024-25 Labor Full Time Equivalent (FTE) Headcount Summary

Department	Position	FY 2024-25 Proposed Budget Update
Approved Budget FY 2024-25 FTE Positions as of 6/30		642
Public and Governmental Affairs	Asst. General Manager For Strategic Communications, Public Affairs, and Water Use Efficiency	1
Public and Governmental Affairs	Public Affairs Officer	1
Public and Governmental Affairs	Senior Executive Assistant	1
Information Systems	Development Operations Manager	1
Development Services	Business Systems Analyst I/II	1
Total New Positions:		5
Customer Service	Customer Service Advisors	(4)
Customer Service	Senior Customer Service Advisor	(1)
Total Eliminated Positions:		(5)
Proposed Budget Update FY 2024-25 FTE Positions as of 6/30		642

OFA – Overview and Proposed FY 2024-25 Adjustments

Overall Two-Year OFA increase of \$1.8M or 2.8%

Additions to OFA:

- City of Perris AMI Upgrade: \$1.2M
- Tesla Battery Storage System: \$1.4M
- Manhole Rehabilitation: \$525K
- Buena Vida House Demo: \$340K

Reductions from OFA:

- District Reclamation and Treatment Plant Mapping: \$600K
- SCADA Graphics Upgrade for RWRFs: \$592K
- Surveillance System Refresh/Upgrades: \$357.7K

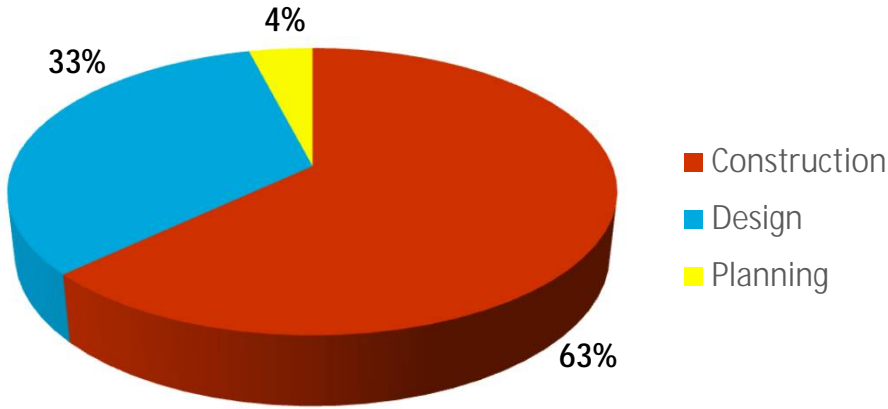
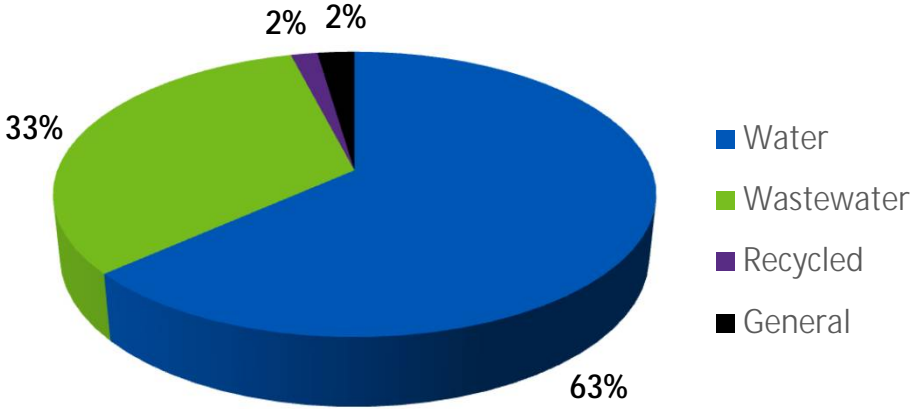
DESCRIPTION	COMBINED BUDGET FISCAL YEARS 2023-24 AND 2024-25				
	ORIGINAL BUDGET		UPDATED BUDGET		DIFFERENCE
VEHICLES	\$	12,570,082	\$	12,309,979	\$ (260,103) -2.1%
I.T. INFRASTRUCTURE & EQUIPMENT		7,237,291		6,184,575	(1,052,716)
ERP/DSMS IMPLEMENTATION		15,000,000		15,000,000	-
TOTAL IT INFRASTRUCTURE	\$	22,237,291	\$	21,184,575	\$ (1,052,716) -4.7%
OPERATIONS, MAINT. & RWRf PROJECTS & EQUIP.		29,625,694		29,542,953	(82,741)
WATER QUALITY/LAB PROJECTS & EQUIP.		484,000		493,805	9,805
TOTAL MAINT. PROJECTS & EQUIP.	\$	30,109,694	\$	30,036,758	\$ (72,936) -0.2%
OTHER	\$	753,121	\$	1,904,303	\$ 1,151,182 152.9%
UNPLANNED CAPITALIZED ASSETS	\$	-	\$	2,072,241	\$ 2,072,241 100%
TOTAL	\$	65,670,188	\$	67,507,856	\$ 1,837,668 2.8%



Capital Improvement Plan – FY 2024-25 Proposed Budget Update



FY 2023-24 Capital Improvement Program



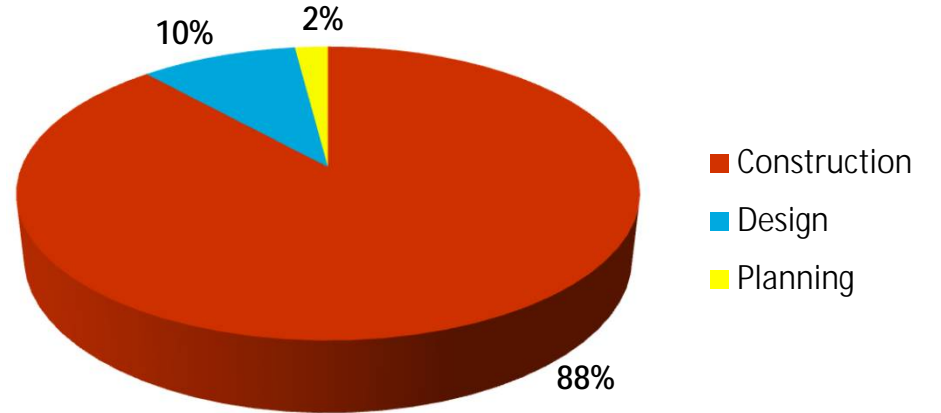
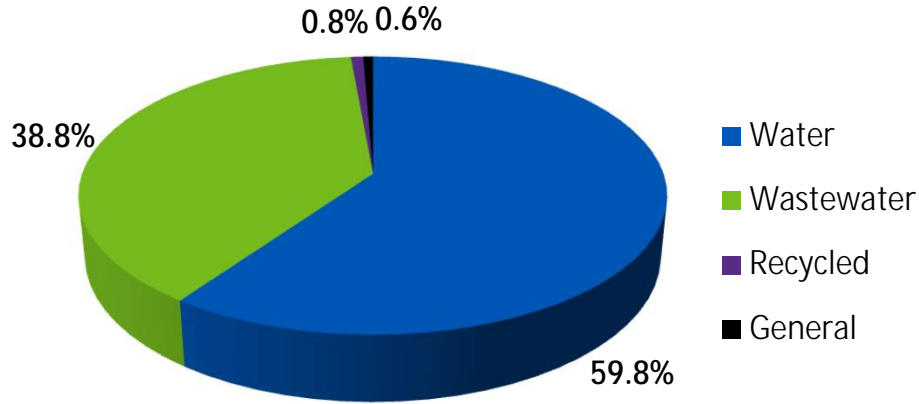
PROJECT TYPE	COUNT	2023 – 24 (\$ Million)
WATER	88	\$95.2 Mil
WASTEWATER	53	\$48.8 Mil
RECYCLED	7	\$2.5 Mil
GENERAL	5	\$3.5 Mil
TOTAL	153	\$150.0 Mil

Impacts to Capital Improvement Program for FY 2024-25

- Inflationary Cost Increases
 - Approximately 18 percent
- External Funding Requirements
 - American Rescue Plan Act (ARPA) funded projects cannot be deferred
 - Mead Valley
 - Wine Country
 - Los Alamos Hills Water System
 - North Perris Regional Sewer
- New Projects Added or Expedited
 - System Condition Assessments
 - Accelerated Development Trends
 - Simpson Patterson Booster Plant Improvement Project expedited to accommodate growth in Winchester



FY 2024-25 Capital Improvement Program

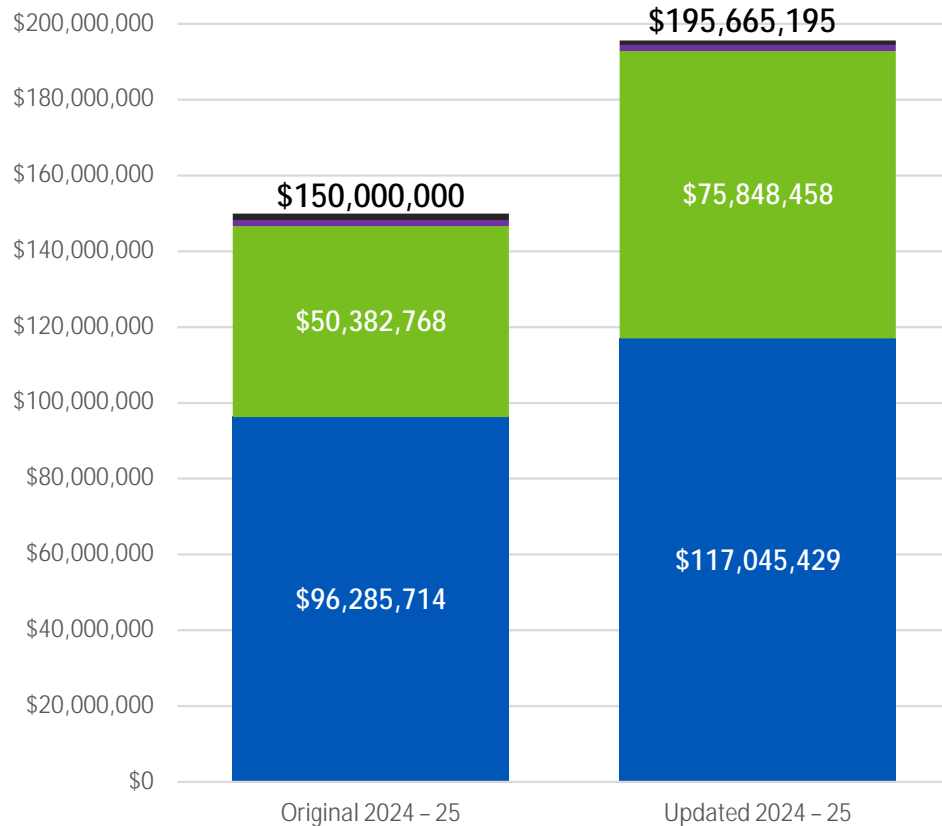


PROJECT TYPE	COUNT	2024 – 25 (\$ Million)
WATER	86	\$117.0 Mil
WASTEWATER	59	\$75.9 Mil
RECYCLED	6	\$1.5 Mil
GENERAL	7	\$1.2 Mil
TOTAL	158	\$195.6 Mil

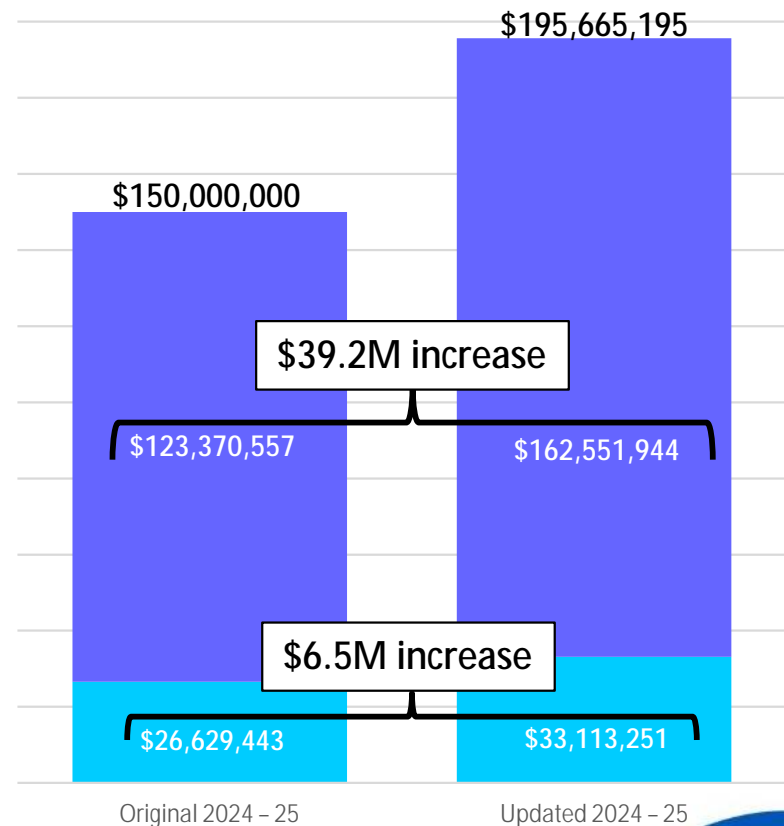
FY 2024-25 CIP Forecast Comparison

- Updated FY 2024-25 = 30% increase from Original Approved FY 2024-25 budget
- \$162.6 million out-of-pocket, increase of \$39.2 million
- \$33 million projected in external funding, increase of \$6.5 million

CIP Forecast Comparison



Internal/External Funding Comparison



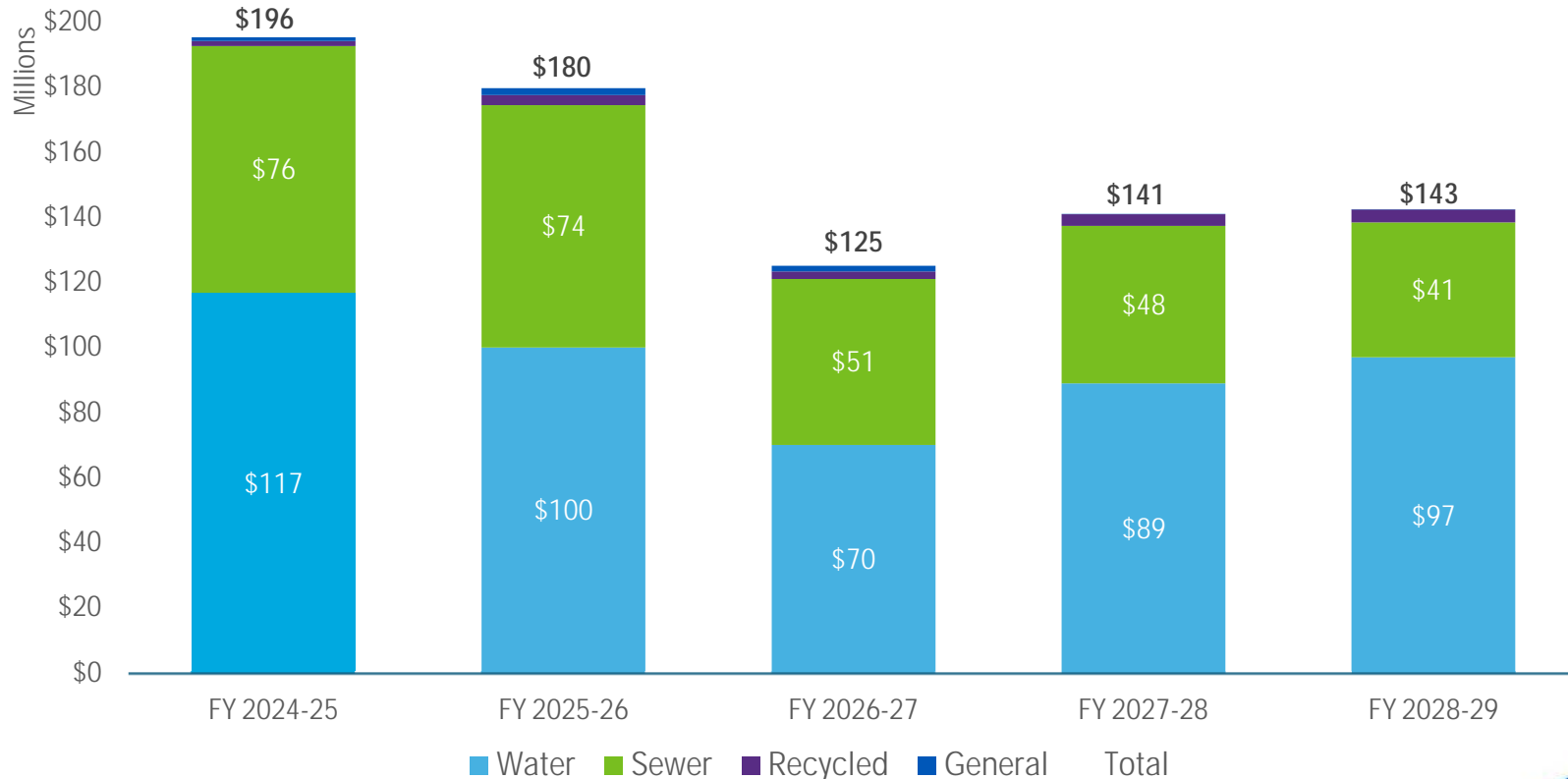
■ WATER ■ WASTEWATER ■ RECYCLED ■ GENERAL

■ External Funding ■ Internal Funding

Five Year Capital Improvement Program – Fiscal Years 2024-25 through 2028-29

- 5-Year CIP for FY 2024-25 to 2028-29 = \$785 million
 - 14% increase over FY24-28 (\$686 million)
- 5-Year CIP also includes \$77.9 million of projects funded externally

EMWD 5-Year CIP





Financial Summary, Next Steps, and Recommendation



Summary Proposed FY 2024-25 Budget Adjustments

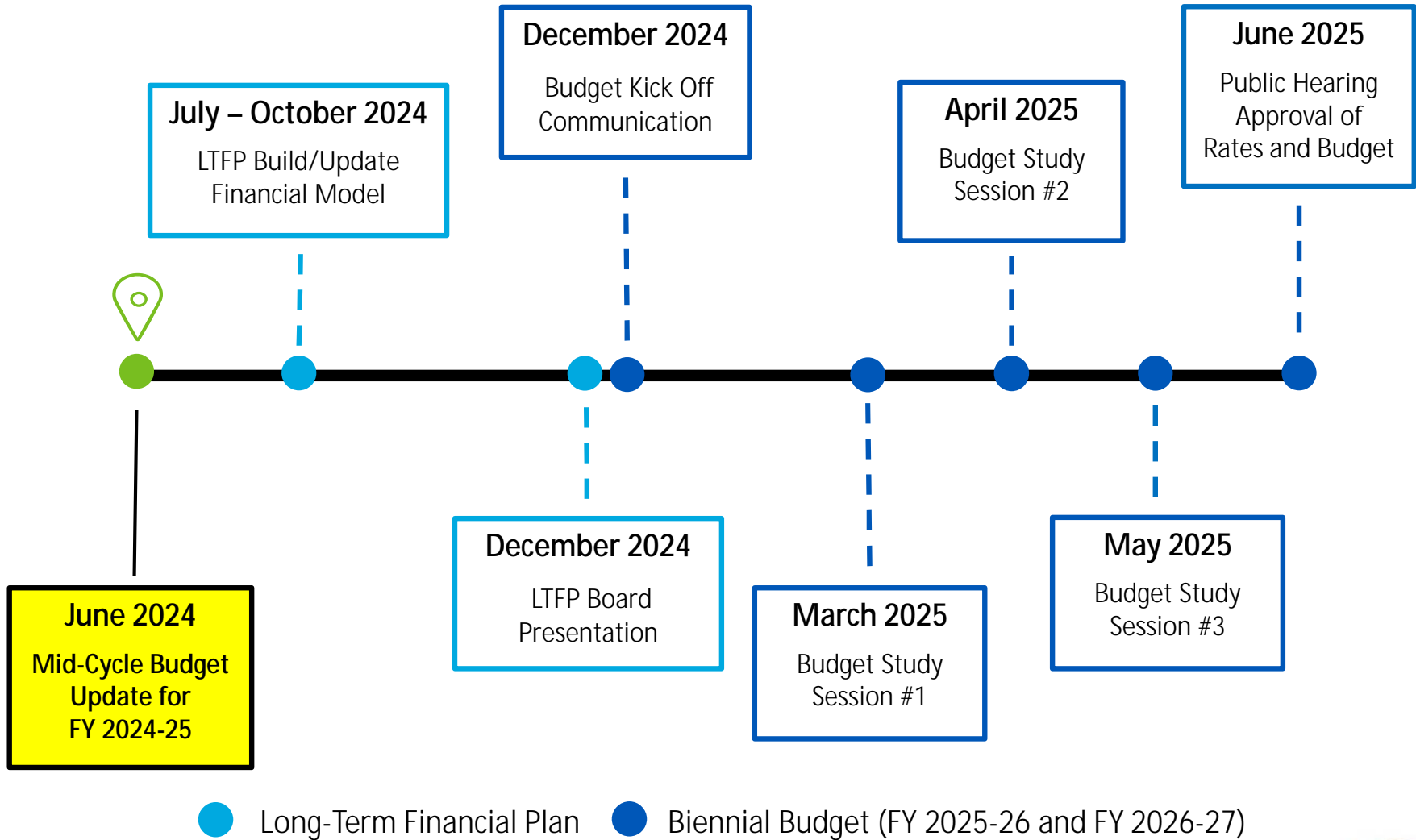
	FY 2024-25 BUDGET Approved	FY 2024-25 BUDGET Update	Net Increase/ (Decrease)
Revenues:			
Operating Revenues	\$ 358,806,000	\$ 360,447,000	\$ 1,641,000
Property Tax	60,810,000	62,449,000	1,639,000
Connection & Development Fees	61,393,000	71,608,000	10,215,000
Interest Income	9,500,000	13,500,000	4,000,000
Late Fees	4,700,000	6,100,000	1,400,000
City of Perris Transfer (One-Time)	-	2,630,000	2,630,000
Recharge O&M Delivery Fees	-	2,488,000	2,488,000
Wholesale Administration Fees	6,000	420,000	414,000
Total Increase/(Decrease) Revenues:	\$ 495,215,000	\$ 519,642,000	\$ 24,427,000
Operating Expenses:			
Purchased Water Costs	\$ 83,929,000	\$ 87,311,000	\$ 3,382,000
Wages	85,575,000	86,055,000	480,000
UAL Pension Liability	16,313,000	17,811,000	1,498,000
Chemicals	16,637,000	16,887,000	250,000
Outside Services	11,206,000	12,596,000	1,390,000
Other Operating costs	10,788,000	12,151,000	1,362,000
Total Increase/(Decrease) Expenses:	\$ 224,448,000	\$ 232,811,000	\$ 8,362,000
Net Increase/(Decrease) to Operating Margin:	\$ 270,767,000	\$ 286,831,000	\$ 16,065,000
OFA (2 year Combined Budgets)	\$ 65,670,000	\$ 67,508,000	\$ 1,838,000
CIP (Net of External Funding)	\$ 123,371,000	\$ 162,552,000	\$ 39,181,000
Net Contribution to/(from) Reserves:	\$ 81,726,000	\$ 56,771,000	\$ (24,954,000)

Summary of Changes in Reserve Utilization

- Lower than budgeted reserve utilization projected for FY 2023-24 and FY 2024-25
- Proposed revenue increases outweigh proposed expense increases
- No additional adjustment of FY 2024-25 rates recommended

	Combined Budget Fiscal Years 2023-24 and 2024-25			
	Original	Proposed Update	Difference	
Total Revenues	\$ 965,762,000	\$ 1,015,999,521	\$ 50,237,521	5%
Total Expenses	786,444,436	767,430,782	(19,013,654)	-2%
Net Operating Margin to Support Capital Commitments	\$ 179,317,564	\$ 248,568,739	\$ 69,251,175	39%
Capital Commitments				
Operating Fixed Assets	\$ 65,670,188	\$ 67,507,856	\$ 1,837,668	3%
Capital Improvement Program (CIP)	251,745,968	289,643,600	37,897,632	15%
Total Capital Commitments	\$ 317,416,156	\$ 357,151,456	\$ 39,735,300	13%
Less: Contribution from Net Operating Margin	\$ (179,317,564)	\$ (248,568,739)	\$ (69,251,175)	39%
Less: Contribution to/(from) Reserves	\$ (138,098,592)	\$ (108,582,717)	\$ 29,515,875	-21%

Timeline FY 2025-26 and FY 2026-27 Biennial Budget and Long-Term Financial Plan





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.



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