



Orange County Sanitation District

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ADMINISTRATION COMMITTEE

Agenda Report

File #: 2020-1068

Agenda Date: 6/10/2020

Agenda Item No: 8.

FROM: James D. Herberg, General Manager
Originator: Lorenzo Tyner, Assistant General Manager

SUBJECT:

PROPOSED FY 2020-21 AND FY 2021-22 BUDGET

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION: Recommend to the Board of Directors to:

Approve the proposed Operating, Capital, Debt Service, and Self-Insurance Budgets for FY 2020-21 and FY 2021-22 as follows:

	FY 2020-21	FY 2021-22
Net Operating	\$ 173,910,516	\$ 174,065,159
Self-Insurance - Workers' Comp	\$ 780,000	\$ 800,000
Self-Insurance - Property & Gen. Liability	\$ 1,630,000	\$ 1,680,000
Net Capital Improvement Program	\$ 147,562,000	\$ 240,846,000
Debt/COP Service(1)	\$ 72,838,369	\$ 240,591,869
Intra-District Joint Equity Purchase/Sale(2)	\$ 3,500,000	\$ 3,500,000
Total	\$ 400,220,885	\$ 661,483,028

(1) Includes \$173,855,000 in maturing and callable debt

(2) Cash to/from Revenue Area 14 (RA14) in exchange for capital assets to/from Consolidated Revenue Area 15 (RA15)

BACKGROUND

The FY 2020-21 and FY 2021-22 Proposed Budget is enclosed for the Committee's consideration. The Budget has been presented to the Operations Committee at the regular June meeting in order to allow each Standing Committee an opportunity to review the proposal prior to the June Board meeting.

Although each Committee has had an opportunity to review the proposal, it remains the responsibility of the Administration Committee to recommend approval.

The Administration Committee is requested to recommend that the Board of Directors approve this budget at the June 24, 2020 Board meeting.

RELEVANT STANDARDS

- Produce Operating and CIP budgets every two years, with annual update

PROBLEM

The Orange County Sanitation District (Sanitation District) cannot maintain and monitor its financial condition, operations, and future capital improvements without examination and transparency into its resources, revenues, reserves, and outlays.

PROPOSED SOLUTION

Providing the Board of Directors with an understanding of the Sanitation District's resources will assist in the approval of the proposed two-year budget.

TIMING CONCERNS

The proposed two-year budget, effective July 1st of this year, will be finalized and presented to the Board for adoption in June.

RAMIFICATIONS OF NOT TAKING ACTION

The Sanitation District will not be able to carry out its financial fiduciary duties beyond June 30, 2020.

PRIOR COMMITTEE/BOARD ACTIONS

N/A

ADDITIONAL INFORMATION

The second year of the two-year budget is being proposed at \$662 million, or approximately \$262 million more than the first-year proposed amount of \$40 million. This increase is primarily due to potentially paying off \$174 million in maturing and callable debt and the 2020-21 and 2021-22 cashflow requirements of the Sanitation District's Capital Improvement Program, \$148 million and \$241 million, respectively

ATTACHMENT

The following attachment(s) may be viewed on-line at the OCSD website (www.ocsd.com) with the complete agenda package:

- FY 2020-21 & FY 2021-22 Budget Presentation
- Proposed FY 2020-21 & FY 2021-22 Executive Budget Summary
- Proposed FY 2020-21 & FY 2021-22 Budget (*separate electronic file*)