



ADMINISTRATION COMMITTEE

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Agenda Report

File #: 2022-2379

Agenda Date: 6/22/2022

Agenda Item No: 26.

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

SUBJECT:

PROPOSED FY 2022-23 AND FY 2023-24 BUDGET

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION:

Approve the proposed Operating, Capital, Debt Service, and Self-Insurance Budgets for FY 2022-23 and FY 2023-24 as follows:

	FY 2022-23	FY 2023-24
Net Operating	\$ 201,144,702	\$ 209,891,777
Self-Insurance - Workers' Comp.	\$ 790,000	\$ 810,000
Self-Insurance - Property & Gen. Liability	\$ 2,900,000	\$ 3,040,000
Net Capital Improvement Program	\$ 268,167,501	\$ 315,307,637
Debt/COP Service	\$ 68,568,134	\$ 68,611,384
Intra-District Joint Equity Purchase/Sale(1)	\$ 3,500,000	\$ 3,500,000
TOTAL	\$ 545,070,337	\$ 601,160,798

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

BACKGROUND

The FY 2022-23 and FY 2023-24 Proposed Budget is included for the Committee's consideration. Staff has presented the Administration Committee with information on the development of the Proposed Budget at its February, March, April, and May 2022 meetings. The Proposed Budget was also 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 the Proposed Budget at the June 22, 2022 Board of Directors meeting.

RELEVANT STANDARDS

- Ensure the public's money is wisely spent
- Produce appropriate financial reporting - Operating and CIP budgets every two years, with annual update

PROBLEM

The Orange County Sanitation District (OC San) cannot maintain and monitor its financial condition, operations, and future capital improvements without examination and transparency into its resources, revenues, reserves, and outlays and cannot continue to operate without an approved budget

PROPOSED SOLUTION

Approve the Proposed Fiscal Year 2022-23 and 2023-24 Budget.

TIMING CONCERNS

OC San is currently operating in the final year of its two year budget which runs through June 30, 2022. The new budget will be effective July 1. of this year upon adoption by the Board of Directors in June.

RAMIFICATIONS OF NOT TAKING ACTION

OC San will not have an updated budget to be able to carry out its financial fiduciary duties or other operations beyond June 30, 2022.

ADDITIONAL INFORMATION

OC San's FY 2022-23 and FY 2023-24 Budget represents a consolidation of two one-year proposed operating and capital budgets. OC San's FY 2022-23 operating and capital improvement budget is proposed at \$476.5 million, a 14.7 percent increase over the prior year budget of \$415.5 million. This overall increase is primarily attributable to an increase of \$43.6 million in net Capital Improvement Program (CIP) Outlay and a \$17.4 million increase in operating costs.

OC San's FY 2023-24 operating and capital improvement budget is proposed at \$532.5 million, a 11.8 percent increase from the FY 2022-23 proposed budget. The increase is mostly comprised of a \$47.1 million, or 17.6 percent net increase in cash outlays for construction projects. The fluctuation in capital outlay requirements over the next two years is attributable to the timing of the construction schedule on the implementation of the overall combined ten-year, \$3.1 billion CIP.

The FY 2022-23 and FY 2023-24 budget continues to reflect the agency's ongoing efforts to meet the operational standards and regulatory requirements. Staffing levels are being proposed at 647.0 full time equivalent (FTE) positions, an increase of 8.0 FTE position, or 1.2 percent over the 639.0 FTE staffing level that was approved for FY 2021-22.

ATTACHMENT

The following attachment(s) may be viewed on-line at the OC San website (www.ocsan.gov) with the complete agenda package:

- Budget Presentation
- FY 2022-23 and FY 2023-24 Budget
- Executive Summary FY 2022-23 and FY 2023-24 Budget