



ADMINISTRATION COMMITTEE

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Agenda Report

File #: 2021-1716

Agenda Date: 6/23/2021

Agenda Item No: 17.

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

SUBJECT:

PROPOSED FY 2021-22 BUDGET UPDATE

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION:

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

	FY 2021-22
Net Operating	\$ 183,950,874
Self-Insurance - Workers' Comp.	\$ 841,860
Self-Insurance - Property & Gen. Liability	\$ 2,609,393
Net Capital Improvement Program	\$ 224,560,503
Debt/COP Service(1)	\$ 234,506,355
Intra-District Joint Equity Purchase/Sale(2)	\$ 3,500,000
TOTAL	\$ 649,968,985

(1) Includes \$163,775,355 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 2021-22 Proposed Budget Update is included for the Committee's consideration. The Budget Update 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 23, 2021 Board of Directors meeting.

RELEVANT STANDARDS

- Produce 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.

PROPOSED SOLUTION

Providing the Board of Directors with an understanding of OC San's resources will assist in the approval of the proposed budget update.

TIMING CONCERNS

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

RAMIFICATIONS OF NOT TAKING ACTION

OC San will not have an updated budget reflecting any changes since the adoption of the two-year budget to be able to carry out its financial fiduciary duties beyond June 30, 2021.

ADDITIONAL INFORMATION

OC San's proposed Fiscal Year 2021-22 operating (\$183.9 million) and capital improvement program (\$224.6 million) budget totals \$408.6 million, or \$6.8 million (1.6 percent) below what was approved last year as the second year of the adopted two-year budget. The decrease in the FY 2020-21 budget is primarily attributable to a \$16.2 million reduction in capital spending for changes in project estimates and scheduling and an increase of \$9.5 million in operating budget.

The budget continues to reflect the agency's ongoing efforts to streamline operations. Staffing levels are proposed to remain at 639 FTEs in 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:

- FY 2021-22 Budget Presentation
- Proposed FY 2021-22 Budget Update