



ADMINISTRATION COMMITTEE

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Agenda Report

File #: 2024-3383

Agenda Date: 6/12/2024

Agenda Item No: 5.

FROM: Robert Thompson, General Manager
Originator: Wally Ritchie, Director of Finance

SUBJECT:

PROPOSED FISCAL YEAR 2024-25 AND FISCAL YEAR 2025-26 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 2024-25 and FY 2025-26 as follows:

	FY 2024-25	FY 2025-26
Net Operating	\$232,674,493	\$239,114,716
Self-Insurance - Workers' Comp.	1,124,029	1,182,835
Self-Insurance - Property & Gen. Liability	4,402,500	4,767,000
Net Capital Improvement Program	223,075,113	279,436,128
Debt/COP Service	61,027,421	60,431,104
Intra-District Joint Equity Purchase/Sale (1)	3,500,000	3,500,000
Total	\$525,803,556	\$588,431,783

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

BACKGROUND

The FY 2024-25 and FY 2025-26 Proposed Budget is included 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 26, 2024 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 FY 2024-25 and FY 2025-26 Budget.

TIMING CONCERNS

OC San is currently operating in the final year of its two-year budget which runs through June 30, 2024. 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, 2024.

PRIOR COMMITTEE/BOARD ACTIONS

June 2023 - Adopted the proposed Operating, Capital, Debt Service, and Self-Insurance Budgets for FY 2023-24 as follows:

	FY 2023-24
Net Operating	\$215,389,585
Self-Insurance - Workers' Comp.	850,500
Self-Insurance - Property & Gen. Liability	3,318,000
Net Capital Improvement Program	271,978,000
Debt/COP Service	68,611,384
Intra-District Joint Equity Purchase/Sale ⁽¹⁾	<u>3,500,000</u>
Total	\$563,647,469

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

ADDITIONAL INFORMATION

OC San's FY 2024-25 and FY 2025-26 Budget represents a consolidation of two one-year proposed operating and capital budgets. OC San's FY 2024-25 operating and capital improvement budget is proposed at \$456.7 million, a 6.3 percent decrease from the prior year budget of \$487.4 million. This

overall decrease is primarily attributable to a decrease of \$48.9 million in net CIP Outlay offset by an \$18.3 million increase in operating costs.

OC San's FY 2025-26 operating and capital improvement budget is proposed at \$518.4 million, a 13.5 percent increase from the FY 2024-25 proposed budget. The increase is mostly comprised of a \$56.2 million, or 25.2 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, \$3.3 billion CIP.

The FY 2024-25 and FY 2025-26 budget continues to reflect the agency's ongoing efforts to meet the operational standards and regulatory requirements. Staffing levels are being proposed at 663.5 full time equivalent (FTE) positions, an increase of 8.5 FTE positions, or 1.3 percent over the 655.0 FTE staffing level that was approved for FY 2023-24.

ATTACHMENT

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

- Draft FY 2024-25 and FY 2025-26 Budget