

STEERING COMMITTEE

Agenda Report

Headquarters
18480 Bandilier Circle
Fountain Valley, CA 92708
(714) 593-7433

File #: 2025-4461

Agenda Date: 8/27/2025

Agenda Item No: 8.

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

SUBJECT:

BUDGET INCREASE FOR FISCAL YEAR 2024-25

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION:

Approve a budget increase of \$20,000,000 for FY 2024-25, for a total budget as follows:

	<u>FY 2024-25</u>
Net Operating	\$232,674,493
Self-Insurance - Worker's Comp.	\$1,124,029
Self-Insurance - Property & Gen. Liability	\$4,402,500
Net Capital Improvement Program	\$243,075,113
Debt/COP Service	\$61,027,421
Intra-District Joint Equity Purchase/Sale ⁽¹⁾	\$3,500,000
Total	\$545,803,556

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

BACKGROUND

In June 2024, the Board of Directors approved the Operating, Capital, Debt Service, and Self-Insurance Budgets for FY 2024-25 and FY 2025-26. Subsequently, the Board of Directors approved a land purchase in September 2024, and a construction claim settlement in December 2024. These actions are capital expenditures and were not included in the original budget. Staff did not request a budget increase at the time of approval of these expenses believing there was sufficient budget capacity. In the final months of the fiscal year, pre-planned and budgeted capital expenses were fully realized, driving the need to request a FY 2024-25 budget increase. However, cashflow remains unaffected due to receiving higher than budgeted revenues, which offset this budget increase.

RELEVANT STANDARDS

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

PROBLEM

The budget authority for FY2024-25 is not adequate to cover the actual expenses for the fiscal year. The budget authority was not increased concurrently with the Board approval of the property purchase or construction claim settlement after budget adoption. Planned operating and capital expenses closely matched budgeted levels for the entire fiscal year, with capital spending picking up in the second half of the year.

PROPOSED SOLUTION

Approve the proposed budget increase for FY 2024-25.

TIMING CONCERNS

The budget increase needs to be approved prior to finalizing the audit for FY 2024-25.

RAMIFICATIONS OF NOT TAKING ACTION

OC San will not have a budget approved at sufficient levels to accommodate the expenses incurred in FY 2024-25.

PRIOR COMMITTEE/BOARD ACTIONS

December 2024 - OHL USA, Inc. v. Orange County Sanitation District

September 2024 - Orange County Sanitation District, a public entity v. Bayside Village Marina, LLC

June 2024 - Approved 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 - Worker's 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)

ADDITIONAL INFORMATION

The table below shows the approved budget and estimated actuals for FY 2024-25, in millions.

	Approved Budget	Estimated Actuals	Variance	Performance Percentage
Capital				
Budget Approved	\$223	\$222	\$(1)	100%
Land Purchase	-	\$17	\$17	-
Settlement	-	\$7	\$7	-
Operating	\$233	\$229	\$(4)	98%
Debt Service	\$61	\$60	\$(1)	98%
Other	\$8	\$8	\$(-)	100%
Total	\$525	\$543	\$18	

The addition of the two subsequent events totaling \$24 million was partially offset by reduction in planned expenditures, resulting in OC San expenditures exceeding the budget by \$18 million. However, staff are currently working on finalizing the accounting for FY 2024-25, therefore this request is to increase the prior approved budget by \$20 million.

Cashflow remains unaffected by the budget increase due to receiving higher than budgeted revenues for FY 2024-25, which offset the request to increase the expenditure budget, detailed in the table below (in millions).

	Adopted Budget	Estimated Actuals	Variance
Revenues	\$531	\$555	\$24
Expenditures	525	543	18
Net Revenues	\$6	\$12	\$6

CEQA

N/A

FINANCIAL CONSIDERATIONS

N/A

ATTACHMENT

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

N/A