



ADMINISTRATION COMMITTEE

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Agenda Report

File #: 2023-2850

Agenda Date: 6/14/2023

Agenda Item No: 11.

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

SUBJECT:

PROPOSED FISCAL YEAR 2023-24 BUDGET UPDATE

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 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)

BACKGROUND

The FY 2023-24 Proposed Budget 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 28, 2023 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 2023-24 Budget Update.

TIMING CONCERNS

OC San is currently operating in the first year of its two-year budget which runs through June 30, 2023. 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 reflecting any changes since the adoption of the two-year budget to be able to carry out its financial fiduciary duties or other operations beyond June 30, 2023.

PRIOR COMMITTEE/BOARD ACTION

June 2022 - Adopted the proposed Operating, Capital, Debt Service, and Self-Insurance Budgets for FY 2022-23 and FY 2023-24 as follows; and return the FY 2023-24 budget for ratification prior to July 1, 2023:

	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)

ADDITIONAL INFORMATION

OC San's proposed FY 2023-24 operating (\$215.4 million) and capital improvement (\$272.0 million) budget totals \$487.4 million, or \$37.8 million (7.2 percent) below what was approved last year as the second year of the adopted two-year budget. The decrease in the FY 2023-24 budget is primarily

attributable to the proposed FY 2023-24 Capital Improvement Program (CIP) budget decrease of \$43.3 million from the budget approved a year ago, while the Operating Budget includes an increase of \$5.5 million.

ATTACHMENT

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

- FY 2023-24 Budget Presentation
- Proposed FY 2023-24 Budget