

Agenda Report

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SUBJECT:

2020-21 FISCAL YEAR BUDGET - FINANCIAL CLOSING UPDATE

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION:

Information Item.

BACKGROUND

The preliminary 2020-21 budget financial closing indicates that total expenditures will be approximately \$2.6 million below the approved budget. There are three areas of note that warrant additional information: (1) GASB 68 Pension Liability recognition, (2) Capital Improvement Program expenditures, and (3) Other Operating expenditures.

1) GASB Statement 68 - Pension Liability Recognition:

GASB 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits.

Orange County Sanitation District (OC San) is a member of the Orange County Employees Retirement System (OCERS). As part of its financial forecasting, OCERS assumes a 7.0% annual return. Returns below 7.0% would result in an additional pension obligation that OC San would be required to recognize on its financial statements.

However, the 2020 return was 12.8%, 5.8% above the assumed rate. This increase in return resulted in reducing OC San's pension liability by \$11.5 million. GASB 68 requires that pension liability adjustments be recorded in the current fiscal year. This reduced OC San's fiscal year 2020-21 operating expenditures for 2020-21 by \$11.5 million.

2) Capital Improvement Program (CIP) Expenditures:

Total 2020-21 CIP expenditures will exceed the approved CIP budget by approximately \$10 million. This is a result of accelerated activity within the program, specifically equipment purchases that arrived in late June 2021 instead of the anticipated early July 2021. This required that these expenditures be in the 2021 fiscal year. These expenditures do not represent an overage, just an early receipt of equipment.

3) Other Operating Expenses:

Other operating expenditures were below the approved budget by approximately \$1 million.

RELEVANT STANDARDS

- Sound engineering and accounting practices, complying with local, state, and federal laws
- Ensure the public's money is wisely spent

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