



Budget Workshop #1  
Overview and Budgetary  
Considerations

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*March 13, 2020 11:30am  
Finance & Administration Committee*



# FY 20-21 Budgetary Considerations

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- Pass through of MWD Rates and Charges
- Suspension of MWD's Water Stewardship Charge
- Increase in West Basin's Fixed Service Charge
- West Basin's Reliability Service Charge remains unchanged



# Significant Impact on FY 20-21 Revenues and Expenses

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- Sunset of Local Resources Program contract funding -\$6,500,000
  
- Significant increase in Litigation Costs +\$2,700,000
- Bi-Annual Election Costs +\$ 600,000
- Deferred payment for Joint t-MBR Project +\$2,500,000
- +\$5,800,000



# Water Sales Assumptions

	FY 19-20 Budget AF	FY 19-20 Projected Actual AF	FY 20-21 Preliminary AF
Potable Retail	106,000	105,951	106,000
Potable Barrier			
- Dominguez	3,000	3,294	3,000
- West Coast	3,100	2,866	1,700
Desalter	1,150	300	864
Recycled	36,790	35,600	38,155
Total WB Sales	150,040	148,011	149,719



# Staffing and Benefit Assumptions

	<b>FY 19-20</b>	<b>FY 20-21</b>
Labor	\$ 5,860,720	\$ 5,757,068
Benefits	\$ 5,098,827	\$ 4,893,508
Total	\$10,959,547	\$10,650,576

- Benefits percentage decreased from 87% to 85%;  
Includes retirement, medical and other insurance, Social Security, vacation, sick, holiday pay, and Other Post Employment Benefits
- Includes merit pool of 4%



# Staffing and Benefit Assumptions

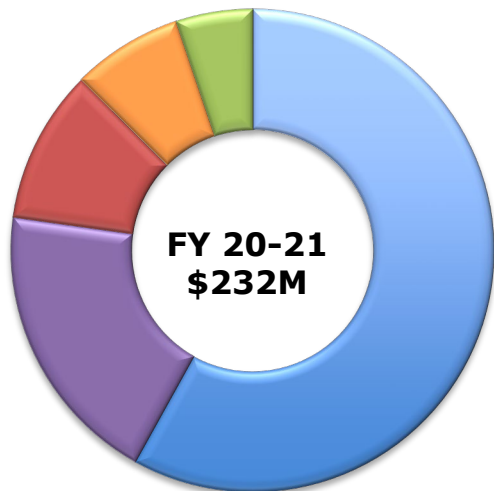
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	FY 20-21
Full Time Regular	52
Full Time Limited Term	5
Part-Time	1
Interns	6
Total Employees	64



# FY 20-21 Preliminary Expenses

(Shown in Millions)



- Potable Water Charges
- Recycled Water Operations
- Debt Service
- Other Program Expenses
- Designated Funds

Expenses	FY 19-20 Adopted	FY 19-20 Projected Actuals	FY 20-21 Preliminary
Imported Water Purchases	\$130.8	\$130.8	\$134.5
Recycled Water Operations	\$41.2	\$40.2	\$44.4
Debt Service	\$23.6	\$23.6	\$23.8
Other Program Expenses	\$16.6	\$13.5	\$17.1
Designated Funds	\$17.5	\$19.3	\$11.8
<b>Total Operating Expenses</b>	<b>\$229.7</b>	<b>\$227.4</b>	<b>\$231.6</b>

# Projected Budget Savings in FY 20-21

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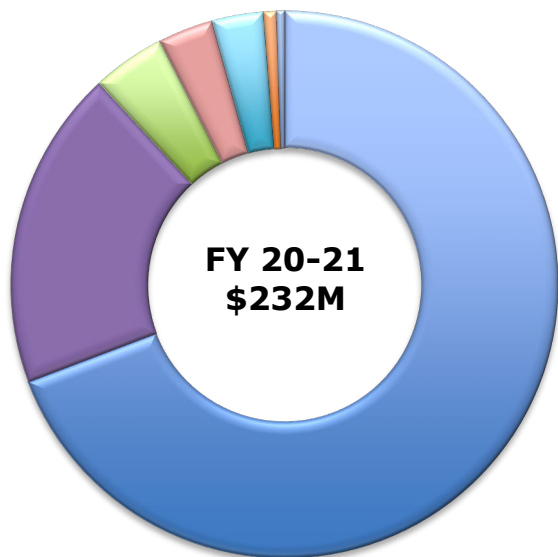
• Labor and Benefits	\$308K
• DLD Building	\$128K
• Public Information and Education	\$213K
• Recycled Water Operations (Consultants)	\$993K
• Technical Planning	\$550K
<b>Program Budget Savings</b>	<b>\$2.2M</b>





# FY 20-21 Preliminary Revenues

(Shown in Millions)



- Imported Water Sales
- Recycled Water Sales
- Standby Charge
- Fixed Capital Payments
- Fixed Service Charge
- Conservation Grants and Income
- Desalted Water Sales

Revenues	FY 19-20 Adopted	FY 19-20 Projected Actuals	FY 20-21 Preliminary
Imported Water	\$157.1	\$157.6	\$160.4
Recycled Water	\$47.0	\$45.3	\$43.8
Standby Charge	\$10.0	\$10.0	\$10.0
Fixed Capital Payments	\$7.4	\$7.0	\$7.6
Fixed Service Charge	\$3.9	\$3.9	\$7.0
Conservation Grants and Interest	\$3.0	\$3.2	\$1.8
Desalted Water Sales	\$1.3	\$0.4	\$1.0
<b>Total Revenues</b>	<b>\$229.7</b>	<b>\$227.4</b>	<b>\$231.6</b>





# FY 20-21 Preliminary Debt Coverage Ratio

	FY 19-20 Adopted	FY 19-20 Projected	FY 20-21 Preliminary
Revenues	\$229,780,510	\$227,330,982	\$231,652,993
Expenses	<u>188,589,986</u>	<u>184,492,572</u>	<u>196,003,583</u>
Net Revenues	\$41,190,524	\$42,838,410	\$35,649,410
Debt Service	\$23,597,938	\$23,597,938	\$23,780,708
Debt Service Ratio	1.75	1.82	1.50

Debt Service Ratio = Net Revenues / Debt Service

**West Basin's Target = 1.75**



# Budgetary Impacts

Debt Coverage Ratio Scenarios	Fixed Service Charge (FSC)	Reliability Service Charge (RSC) or Cut Additional Program Costs
1.50	10.9% increase \$3.1M (effectively \$29/AF)	No change
1.75	10.9% increase \$3.1M (effectively \$29/AF)	20.6% RSC increase \$55/AF
1.75	10.9% increase \$3.1M (effectively \$29/AF)	\$6,000,000



# Long-Term Budgetary Considerations

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## Operating Revenues and Expenses

- Future MWD Rates and Charges
- West Basin's Reliability Service Charge / Fixed Revenue Charge
- At Risk Revenues
- Contracts
- Optimization of Facility Operations

## Local supply development

### Infrastructure

- Aging infrastructure
- Brewer Desalter
- Capital Expansion
- Timing and funding

### Financial Metrics

- Debt Coverage Ratio
- Designated Funds



# Budget Schedule

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Tuesday, April 21	10:00am Budget Workshop #2 <ul style="list-style-type: none"><li>• Program Budgets</li><li>• Capital Budget</li><li>• Long Range Financial Plan</li><li>• Proposed Rates</li></ul>
Thursday, April 30	11:00am Customer Workshop
May	Adopt Resolutions on Rates and Charges
June	Adopt Annual Budget

# Questions

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