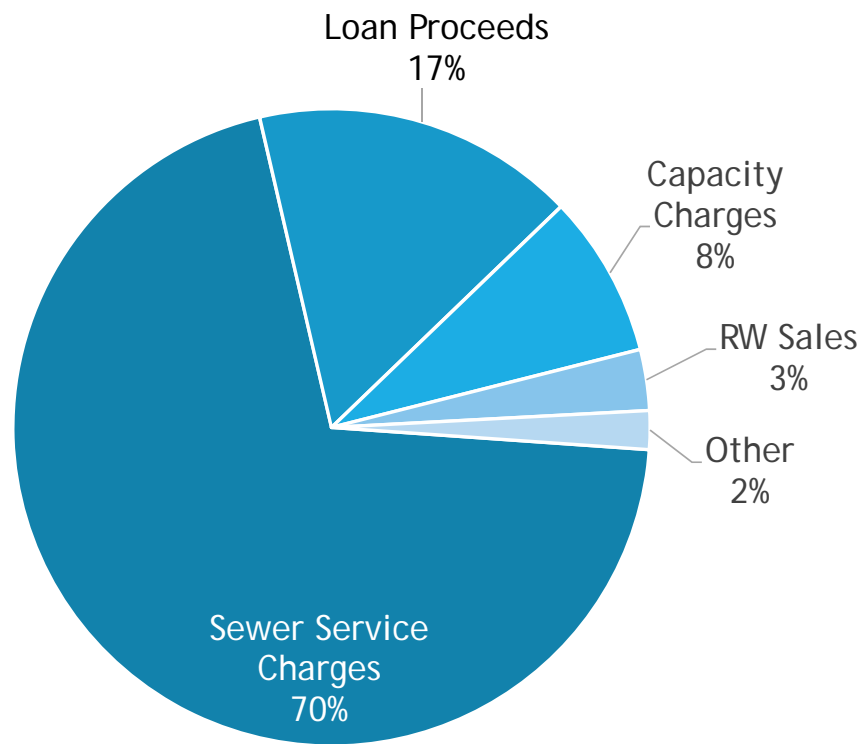




FY 2021/22 Operating Budget

NapaSan Board of Directors
May 5, 2021

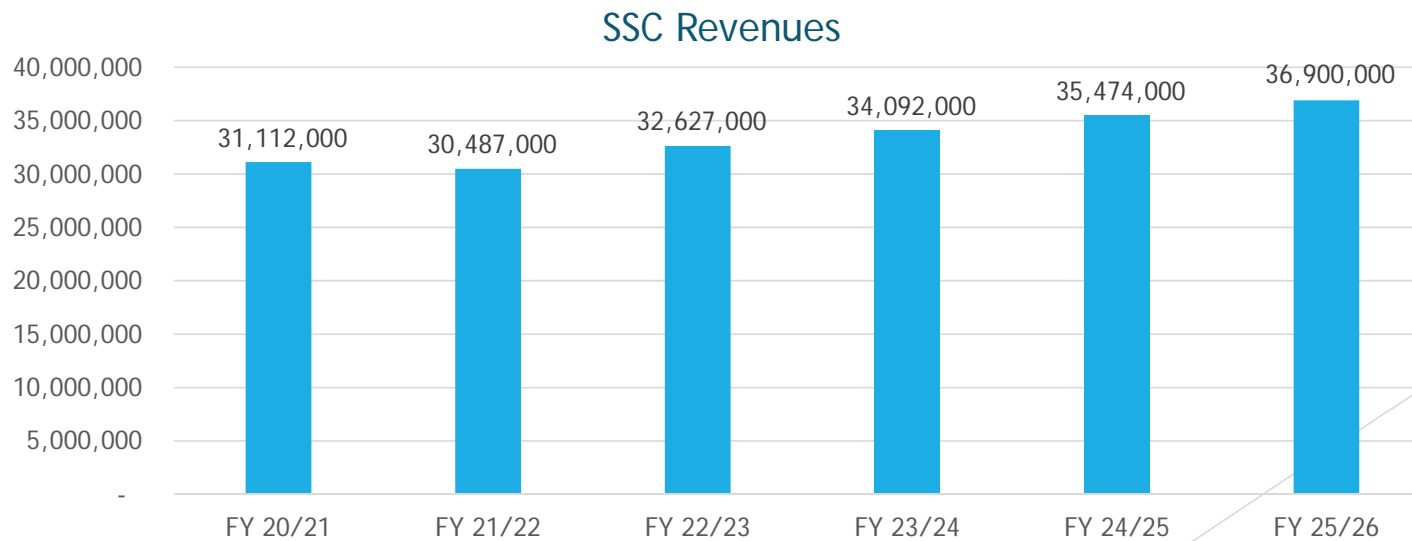
Major Revenues



Revenues

▶ Sewer Service Charges

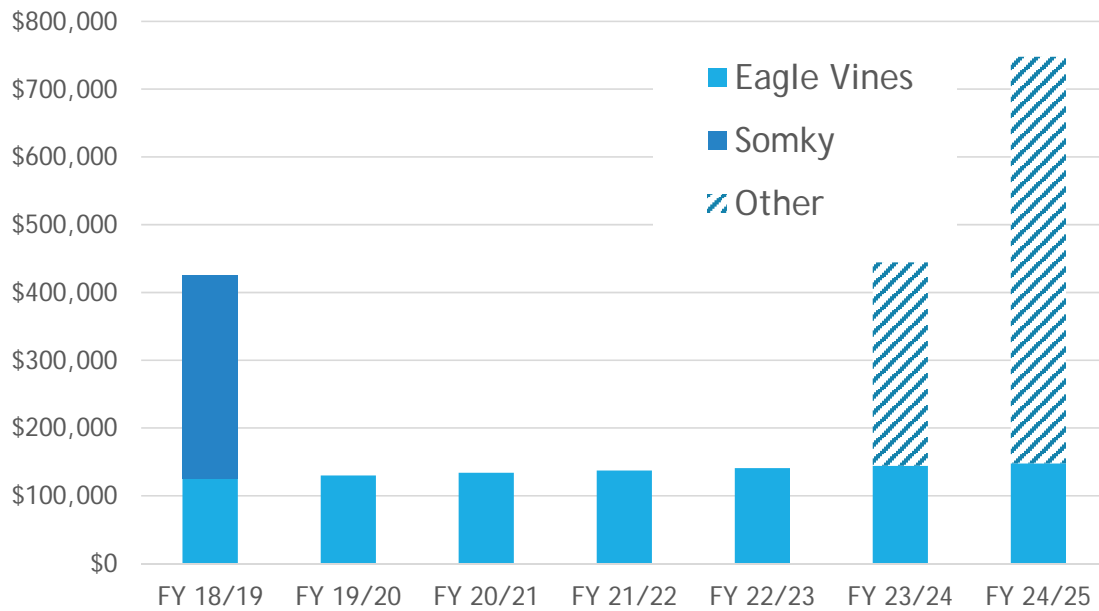
- ▶ No rate increases for next 5 years
- ▶ New SSC calculation generates 3% increase in revenues
- ▶ FY 21/22 SSC revenue decrease 2.0% due to reduced water usage by commercial customers



Revenues

▶ Lease Revenue

- ▶ Eagle Vines GC
- ▶ Somky Lease terminated in FY 20/21
- ▶ No other lease forecasted until FY 23/24



Revenues

▶ Recycled Water Sales

- ▶ In 2020, more recycled water was produced than was discharged to the river
- ▶ 2021 rate = \$1.93 per 1,000 gallons
- ▶ 2022 rate = \$2.02 per 1,000 gallons (projection)

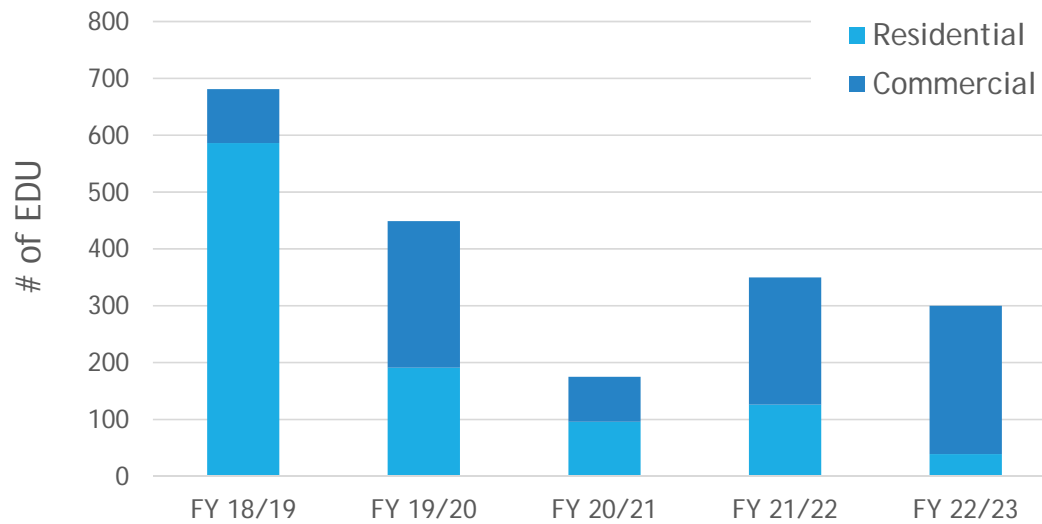
▶ Waste Hauler Fees

- ▶ Change in fee structure
- ▶ Instead of charging by truckload, flat fee of \$0.22 per gallon

Revenues

▶ Capacity Charges

- ▶ Revenue increase 79.7%
- ▶ Rate increase from \$9,959 to \$10,228



Revenues

- ▶ Building Permit Review
 - ▶ Fees Increase 2.00%
 - ▶ Assumed moderate level of activity

Revenues

▶ Overall

- ▶ Operating Revenue down 0.5%
- ▶ Capacity Charges up 79.7%
- ▶ Loan proceeds from Browns Valley Trunk and WNPS project and 66" Trunk Rehab/2022 Sewer Rehab (\$7,133,300)

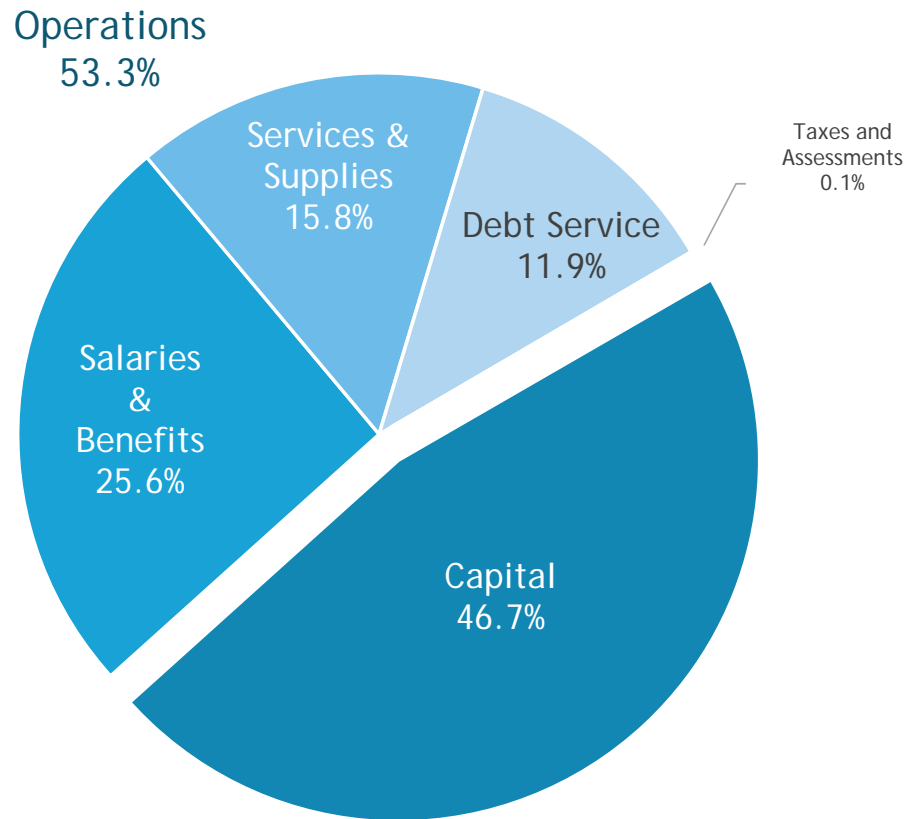
Revenues

(excluding loan proceeds)

| | Budget | Proposed | |
|------------------------|-----------------|-----------------|---------------|
| | <u>FY 20/21</u> | <u>FY 21/22</u> | <u>Change</u> |
| <u>Operating</u> | | | |
| Sewer Service Charges | 31,112,000 | 30,487,000 | (2.0%) |
| Recycled Water Sales | 1,001,000 | 1,343,000 | 34.2% |
| Lease Revenue | 129,000 | 137,000 | 6.2% |
| Interest | 196,000 | 208,000 | 6.1% |
| <u>Other</u> | <u>382,000</u> | <u>472,500</u> | <u>23.7%</u> |
| Total | 32,820,000 | 32,647,500 | (0.5%) |
| <u>Capital-Related</u> | | | |
| Capacity Charges | 1,992,000 | 3,580,000 | 79.7% |
| <u>Other</u> | <u>30,000</u> | <u>30,000</u> | <u>0.0%</u> |
| Total | 2,022,000 | 3,610,000 | 78.5% |

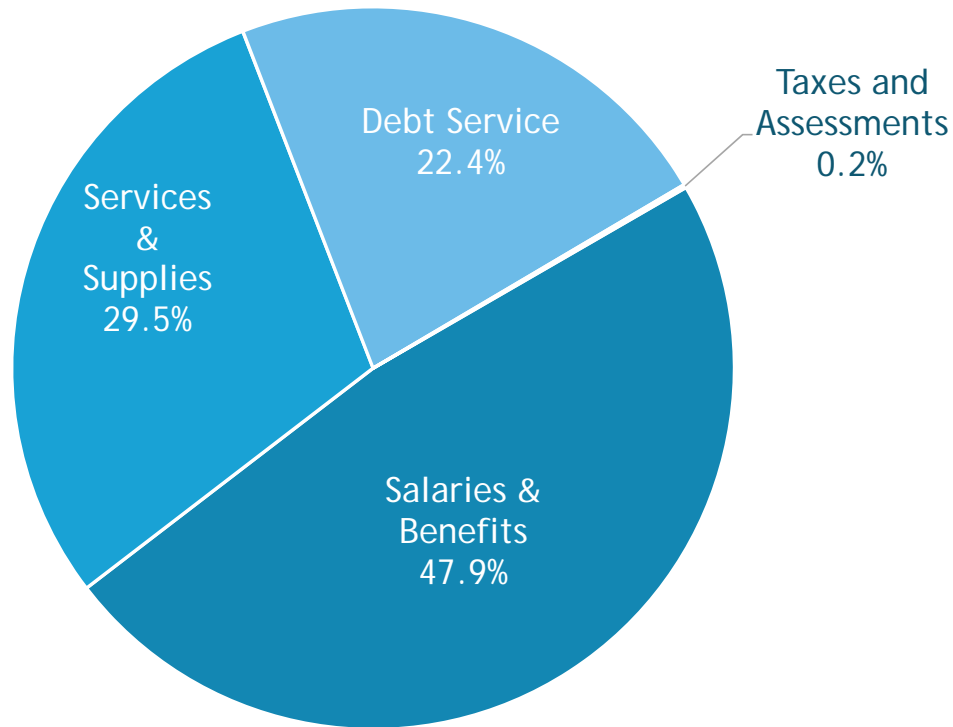
Total Expenses

Proposed FY 21/22 Operating Budget - By Type



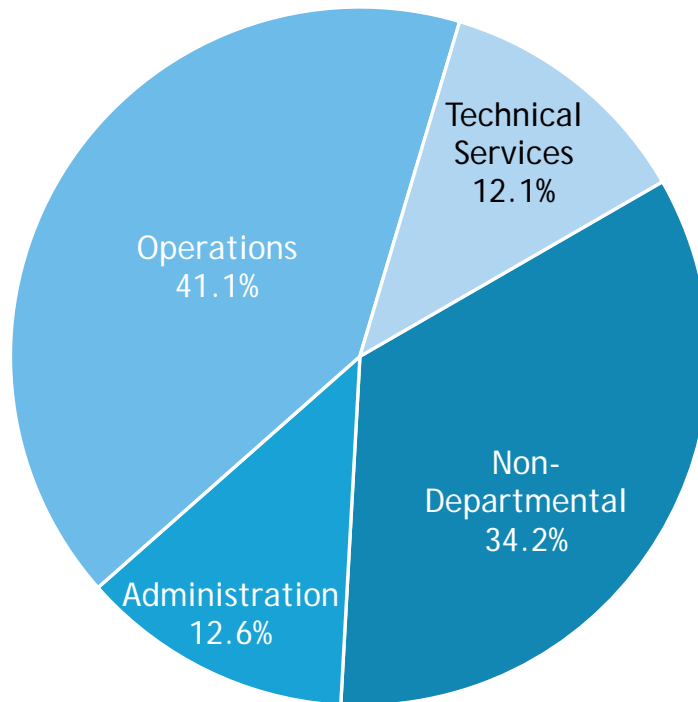
Operating Expenses

Proposed FY 21/22 Operating Budget - By Type



Operating Expenses

Proposed FY 21/22 Operating Budget - By Department



Operations

- Collection System
- Plant Operations
- Plant Maintenance
- Reclamation

Technical Services

- Engineering
- Regulatory Compliance
- Community Outreach

Administration

- Board of Directors
- General Manager's Office
- Administrative Services
- Safety, Training, Fleet Maintenance

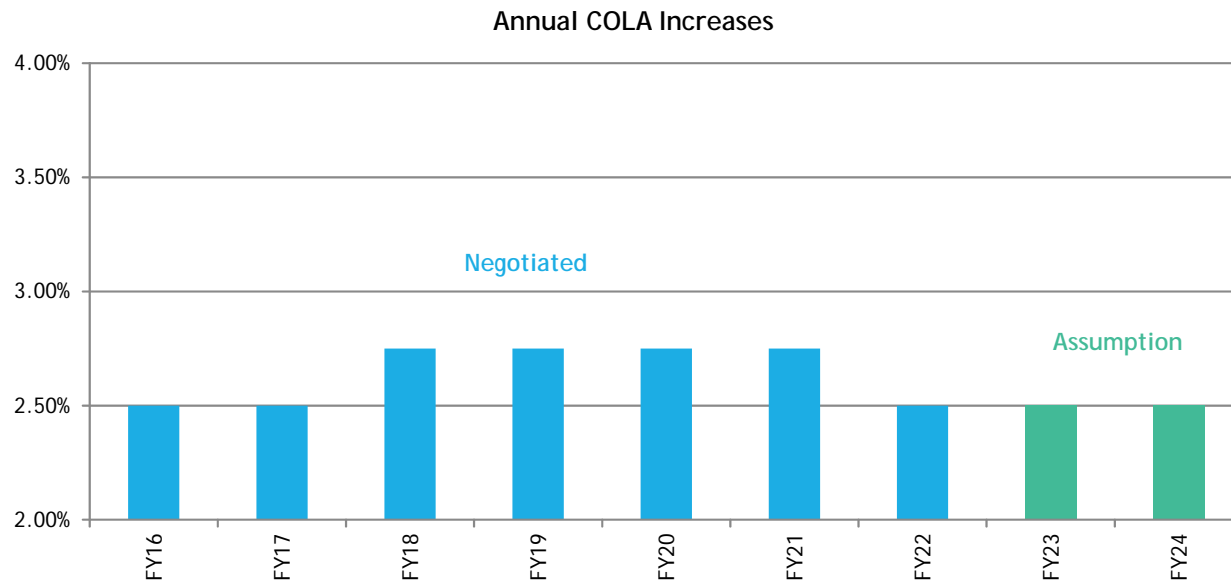
Non-Departmental

- Debt Service
- Pension and OPEB UAL Payments
- Liability Insurance Premiums

Operating Expenses

▶ Salary

- ▶ New MOU sets CPI increase for FY 20/21 and FY 21/22, reopener for FY 22/23 and FY 23/24



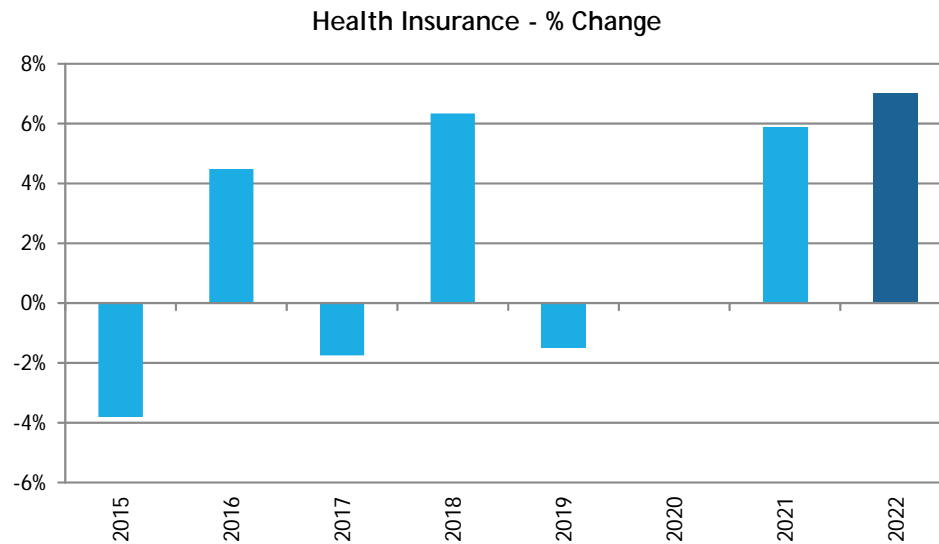
Operating Expenses

- ▶ Salary - continued
 - ▶ Market Adjustments ranging from 2.6% to 24.2% phased in over 4-year term of contract
 - ▶ Tier 1 CalPERS employee share to increase to 8%
 - ▶ 11.5% increase overall
 - ▶ CPI, market adjustments and step increases
 - ▶ Same number of employees (53)
 - ▶ Included 2 vacancies - Collection Systems Worker and Plant Attendant

Operating Expenses

▶ Health Insurance

- ▶ Rates known for July - Dec. 2021
- ▶ Assumes 7% rate increase in 2022
- ▶ 5.88% actual increase in 2021



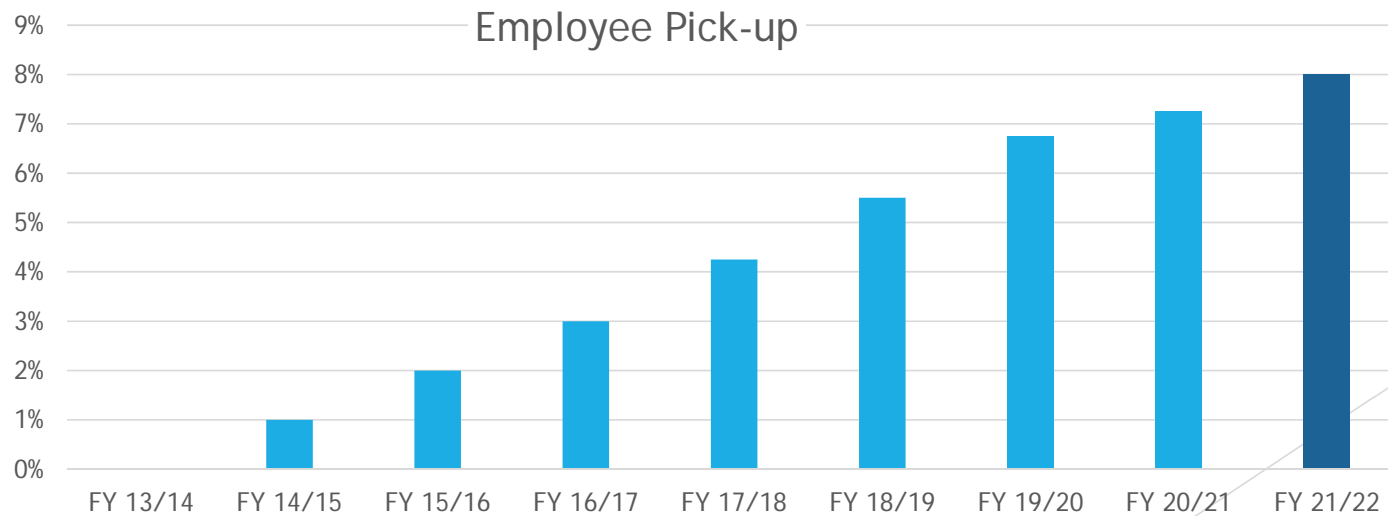
Operating Expenses

- ▶ OPEB
 - ▶ Decrease 16.3%
 - ▶ Prior year budget was higher than actual expense
- ▶ Other Employee Benefits (“in lieu of”)
 - ▶ 6.6% decrease
 - ▶ More new employees who do not get benefit

Operating Expenses

▶ Retirement

- ▶ Employee pick-up increases from 7.25% to 8.00% of salary
- ▶ Additional PERS payment for FY 21/22
- ▶ Increase of 43.6% in contributions (without addt'l PERs - 12.8%)



Operating Expenses

- ▶ Workers Comp Insurance
 - ▶ 2% decrease
 - ▶ XMOD rating decreased from 62 to 61

Operating Expenses

▶ Services & Supplies

- ▶ 24.1% increase in electricity (\$219,950)
- ▶ 9.7% decrease in chemicals (\$100,200)
 - ▶ Lower usage overall
- ▶ 68.2% increase in temporary help for interns (\$27,000)
- ▶ 41.0% decrease in other professional services (\$166,300)
 - ▶ Remove Cathodic Protection Testing (every 2 years)
- ▶ 15.3% decrease in maintenance equipment (\$34,450)
 - ▶ Remove major cogen repair
- ▶ 34.0% decrease in maintenance buildings (\$59,550)
- ▶ 57.2% increase in maintenance software (\$56,950)
 - ▶ New CMMS program
- ▶ 37.2% decrease in maintenance supplies (185,100)
- ▶ 50% increase in insurance premiums (\$200,000)

Operating Expenses

▶ Debt Service

- ▶ 12.2% increase (\$560,300)
- ▶ Bond repayment for 66" Sewer Rehabilitation project
- ▶ SRF loan repayment for Browns Valley Trunk and West Napa Pump Station projects begins at end of construction (FY 22/23)

▶ Taxes and Assessments

- ▶ 17.5% decrease (\$7,400)
- ▶ Removed property taxes for Eagle Vines lease
- ▶ Somky property in process of being annexed, remove property taxes in FY 22/23

Operating Expenses

| | <u>Adjusted FY 20/21</u> | <u>Proposed FY 21/22</u> | <u>Change</u> |
|---------------------|------------------------------|------------------------------|---------------|
| Salaries & Benefits | 9,590,300 | 11,021,800 | 14.9% |
| Services & Supplies | 6,410,700 | 6,796,650 | 6.0% |
| Taxes & Other | 42,400 | 35,000 | (17.5%) |
| <u>Debt Service</u> | <u>4,588,000</u> | <u>5,149,550</u> | <u>12.2%</u> |
| Total | 20,631,400 | 23,003,000 | 11.5% |

Excludes intrafund transfers

Operating Expenses

- ▶ Total Operating Expense Budget - 8.0% Increase
 - ▶ Salaries & benefits + services & supplies + debt service + intrafund transfer

Annual Increases in Operating Budget (excluding intrafund transfers)

| <u>FY 17/18</u> | <u>FY 18/19</u> | <u>FY 19/20</u> | <u>FY 20/21</u> | <u>FY 21/22</u> |
|-----------------|-----------------|-----------------|-----------------|-----------------|
| 0.1% | 1.5% | 1.0% | 2.2% | 11.5% |

Annual Increases in CPI

| <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|-------------|-------------|-------------|-------------|-------------|
| 3.0% | 3.2% | 3.9% | 3.3% | 1.7% |

Significant Initiatives

- ▶ Included in Proposed Operating Budget
 - ▶ Continue Asset Management Implementation
 - ▶ Begin preparing a climate action plan
 - ▶ Biennial root control program
 - ▶ Marsh Dredging Project
 - ▶ Additional Pension Contribution

Operating Items Added Back In

| <u>Operating Items Added Back In</u> | |
|--|------------------|
| Vacant Positions (2 – CSW and Plant Attendant) | 211,650 |
| Additional PERs Payment | 505,340 |
| 50% Training/Conferences | 60,100 |
| Marsh Dredging | 200,000 |
| Compensation Study | 20,000 |
| Interns - Maintenance | 16,000 |
| Interns - Lab | 33,600 |
| Interns - Collections | 23,000 |
| | |
| Total | 1,069,690 |

Last Year's Budget Forecast for Year 1 and Year 2 (FY 20/21 and FY 21/22): Revenues

| | YEAR 1 | | | YEAR 2 | | |
|---------------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|------------------|
| | Last Year | Current | Difference | Last Year | Current | Difference |
| | Forecast | Forecast | | Forecast | Forecast | |
| | FY 20/21 | FY 20/21 | FY 20/21 | FY 21/22 | FY 21/22 | FY 21/22 |
| SSC | 31,112,000 | 30,034,000 | (1,078,000) | 28,983,000 | 30,487,000 | 1,504,000 |
| Capacity Charges | 1,992,000 | 1,742,800 | (249,200) | 3,583,000 | 3,580,000 | (3,000) |
| Recycled Water | 1,001,000 | 1,200,000 | 199,000 | 1,094,000 | 1,343,000 | 249,000 |
| Hauler Fees | 197,000 | 160,000 | (37,000) | 203,000 | 283,000 | 80,000 |
| Development Fees | 123,000 | 123,000 | - | 126,100 | 125,500 | (600) |
| Misc Revenue | 92,000 | 92,000 | - | 94,000 | 94,000 | - |
| Total Operating Revenues | 34,517,000 | 33,351,800 | (1,165,200) | 34,083,100 | 35,912,500 | 1,829,400 |
| Interest | 196,000 | 196,000 | - | 361,000 | 208,000 | (153,000) |
| Rents/Leases | 129,000 | 234,000 | 105,000 | 133,000 | 137,000 | 4,000 |
| Total Nonoperating | 325,000 | 430,000 | 105,000 | 494,000 | 345,000 | (149,000) |
| Total Revenue | 34,842,000 | 33,781,800 | (1,060,200) | 34,577,100 | 36,257,500 | 1,680,400 |

Revenue
Excess Budget
\$620,200

Last Year's Budget Forecast for Year 1 and Year 2 (FY 20/21 and FY 21/22): Expenses

| | YEAR 1 | | | YEAR 2 | | |
|---------------------------------|--------------------|-----------------------|------------------|--------------------|-----------------------|------------------|
| | Last Year Forecast | Current Year Forecast | Difference | Last Year Forecast | Current Year Forecast | Difference |
| | FY 20/21 | FY 20/21 | FY 20/21 | FY 21/22 | FY 21/22 | FY 21/22 |
| Salaries and Benefits | 9,590,300 | 9,500,000 | (90,300) | 10,093,100 | 10,292,050 | 198,950 |
| Services and Supplies | 6,428,900 | 6,400,000 | (28,900) | 6,600,000 | 6,443,800 | (156,200) |
| S&S One-time Only | - | - | - | - | - | - |
| Taxes | 42,400 | 34,220 | (8,180) | 43,200 | 35,000 | (8,200) |
| Debt Service | 4,588,000 | 4,588,000 | - | 5,690,900 | 5,149,550 | (541,350) |
| Total Operating Expenses | 20,649,600 | 20,522,220 | (127,380) | 22,427,200 | 21,920,400 | (506,800) |

Expenses Underspent Budget (\$634,180)

Last Year's Budget Forecast for Year 1 and Year 2 (FY 20/21 and FY 21/22): Total Excess Budget

| | YEAR 1 | | | YEAR 2 | | | Total Excess Budget |
|-----------------------|--------------------|---------------|------------|--------------------|---------------|------------|---------------------|
| | Current Year | | Difference | Current Year | | Difference | |
| | Last Year Forecast | Year Forecast | | Last Year Forecast | Year Forecast | | |
| | FY 20/21 | FY 20/21 | FY 20/21 | FY 21/22 | FY 21/22 | FY 21/22 | |
| Net Revenue (deficit) | 14,192,400 | 13,259,580 | (932,820) | 12,149,900 | 14,337,100 | 2,187,200 | \$1,254,380 |

Operating Items Added Back In (Repeat Slide)

| <u>Operating Items Added Back In</u> | |
|--|------------------|
| Vacant Positions (2 – CSW and Plant Attendant) | 211,650 |
| Additional PERs Payment | 505,340 |
| 50% Training/Conferences | 60,100 |
| Marsh Dredging | 200,000 |
| Compensation Study | 20,000 |
| Interns - Maintenance | 16,000 |
| Interns - Lab | 33,600 |
| Interns - Collections | 23,000 |
| | |
| Total | 1,069,690 |

Budget Calendar - Next Steps

- ~~Jan 21, 2021 - Finance Committee Mtg: Recommend Budget Assumptions~~
- ~~Feb 17, 2021 - Board of Directors: Approve Assumptions~~
- ~~Mar 31, 2021 - Proposition 218 Public Hearing - SSCs Modification~~
- ~~April 15, 2021 - Finance Committee Meeting: Review Proposed Budget/Receive Recommendations~~
- ~~April 22, 2021 - Long Term Planning Committee Meeting: Review 10 Year CIP/Receive Recommendations~~
- May 5, 2021 - FY 21/22 Operating Budget Presentation to Board**
- May 19, 2021 - FY 21/22 10-Year CIP Presentation
- June 2, 2021 - Adopt Operating and Capital Budget
- June 2, 2021 - Resolution to Instruct Staff to Complete Tax Roll
- June 16, 2021 - Backup Date for Adopting Budget
- July 21, 2021 - Resolution Overruling Protests (if appropriate) and Adopting SSC on Tax Roll

Questions

Comments

Direction

