

Rancho Murieta CSD

FY24 Budgetary Needs Forecast

March 27, 2023

Purpose of Analysis

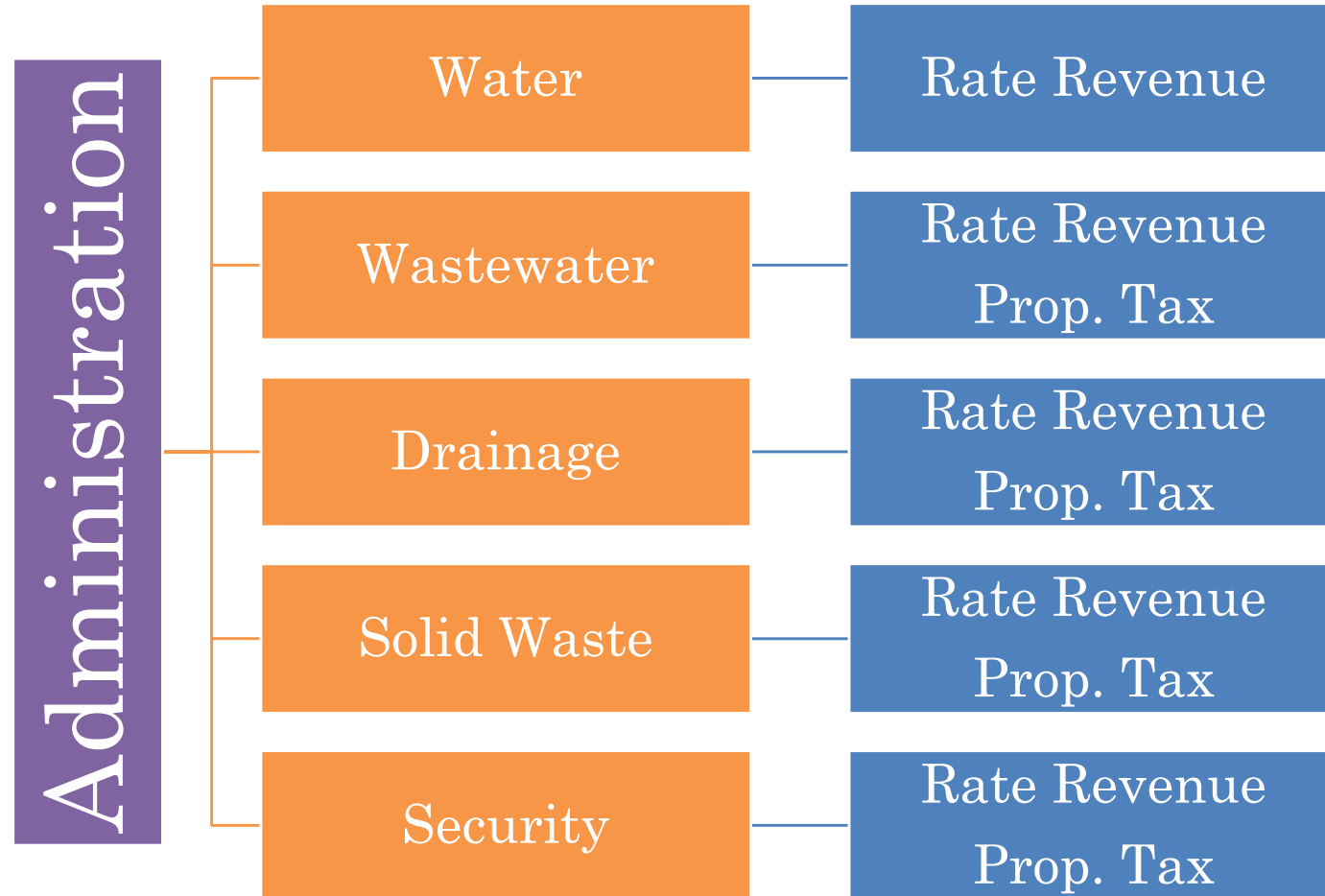
- **Identify budgetary needs for RMCSD's three different service areas in FY24 – Water, Wastewater and Solid Waste**
- **Estimate rate increases needed to meet the District's:**
 - Operating needs of each service
 - Near-term capital needs
- **Provide information for the Board to make final rate/funding decisions for FY24**

Issues Impacting FY24 Forecast

1. The RMCSD is two years behind in completing its audited financial statements
 - Fund balances are estimated based on FY20 audit
 - RMCSD's accounting over the last two years is currently being reviewed and confirmed prior to audit
2. RMCSD has had significant turnover in finance staff and is rebuilding knowledge base
3. Rate studies will be in process over the next year and will include a long-term look at operating and capital needs
4. **This forecast is meant as an analysis to ensure proper funding over the next year while the RMCSD:**
 - Completes comprehensive 5-year rate studies
 - Completes financial audits
 - Improves accounting practices
 - Improves annual accounting and budgeting tasks
 - Implements a new ERP system designed for government agencies

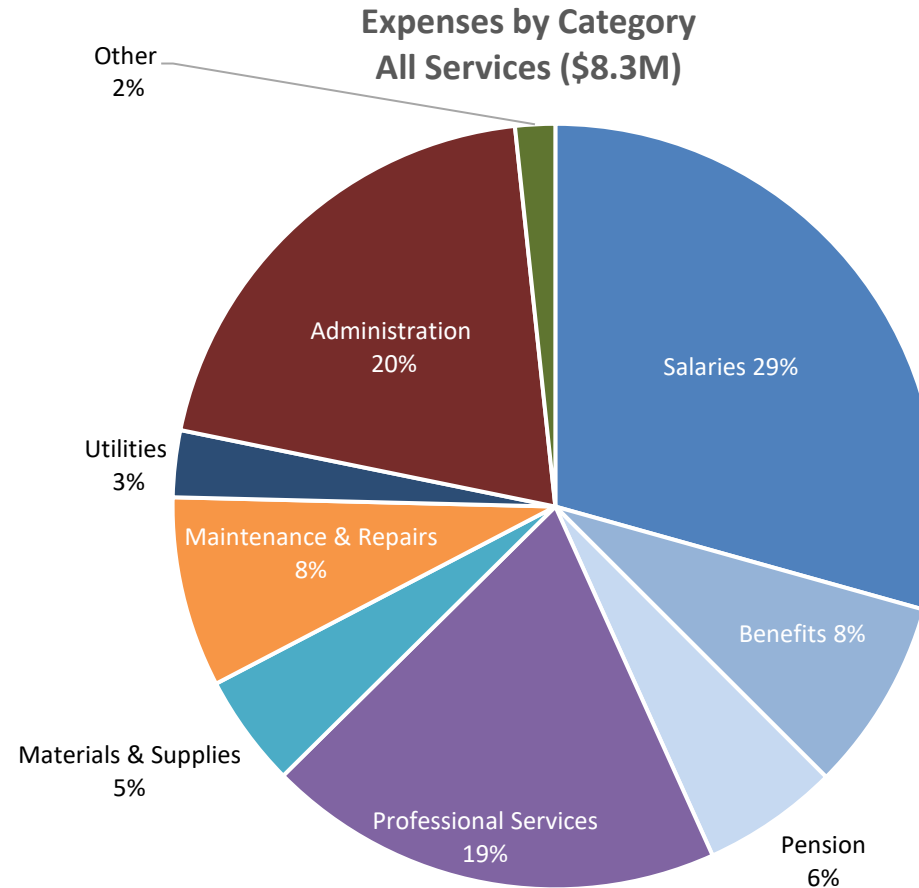
How RMCSD is Funded

- The RMCSD services are primarily funded by rate revenues paid by ratepayers
- In FY23, four of the services were budgeted to use transfers of Property tax revenues to provide needed services



RMCS D Expenses | FY23 Budget

- 43% of total expenses are for personnel (salaries & benefits)
- The Solid Waste contract makes up half of the expenses within Professional Services
- Administrative costs are allocated to the services using an indirect cost plan developed by third-party consultants



Expense Forecast | Major Assumptions

FY 24 Budget Expense Assumptions

- **Salaries** – 8.5% increase based on represented, budgeted positions – includes base wages, overtime and leave cash outs – increased to account for union negotiations
- **Benefits** – 4% health premiums and all other miscellaneous benefits
- **Pension** – Normal cost and Unfunded Actuarial Liability consistent with PERS actuarial
- **Administration** – Allocated to Funds based on FY23 third-party cost allocation plan percentages
- **All Other Expense** – FY23 budgeted amounts increased by an average of 3% to 4.4% for FY24 based on relevant CPI increases

Revenue Forecast

Administration – Full administrative costs are recovered from charges to the service funds and transferred as an “administrative” charge to each service

Property tax is assumed to not be transferred to any of the RMCS D services (over \$50,000) and is reserved for capital contributions. Final distribution of these revenues will be determined by the Board

Rate Revenues include a rate increase needed to cover all budget needs for each service subject to rate increases

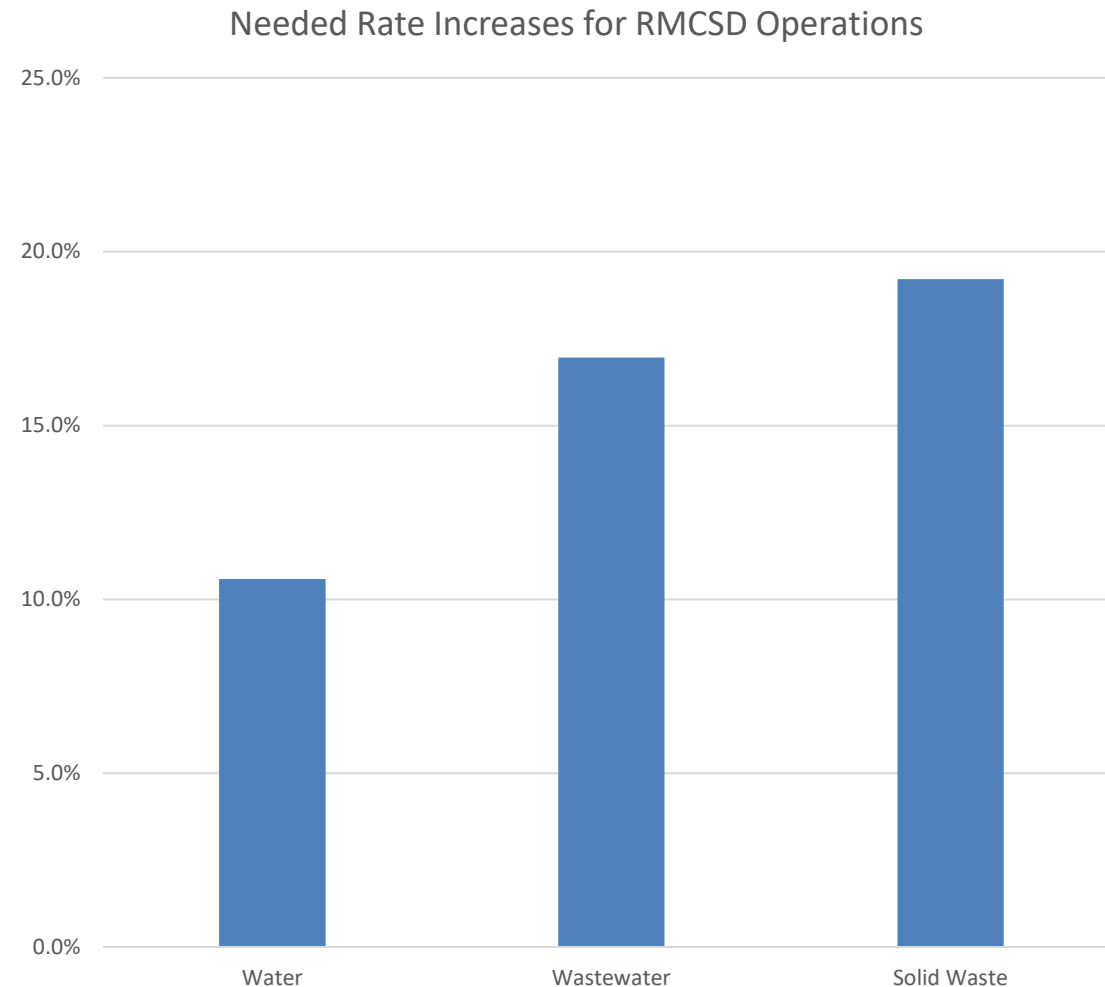
Other Revenues are increased by an escalation factors ranging from 2.7% to 4.0% above FY23 budgeted amounts

FY24 Budgetary Needs

Needed Rate Increases | By Fund

Each utility requires rate increases to fund operations in FY24

- **Water rates** include contributions to the CIP/5-Year Rate Study and completion of the Water Master Plan—no property tax support
- **Wastewater rates** funds only operations and no property tax support
- **Solid Waste** includes increase in contract with California Waste Recovery Systems (CWRS), Sacramento County landfill and no property tax support



Water Operations

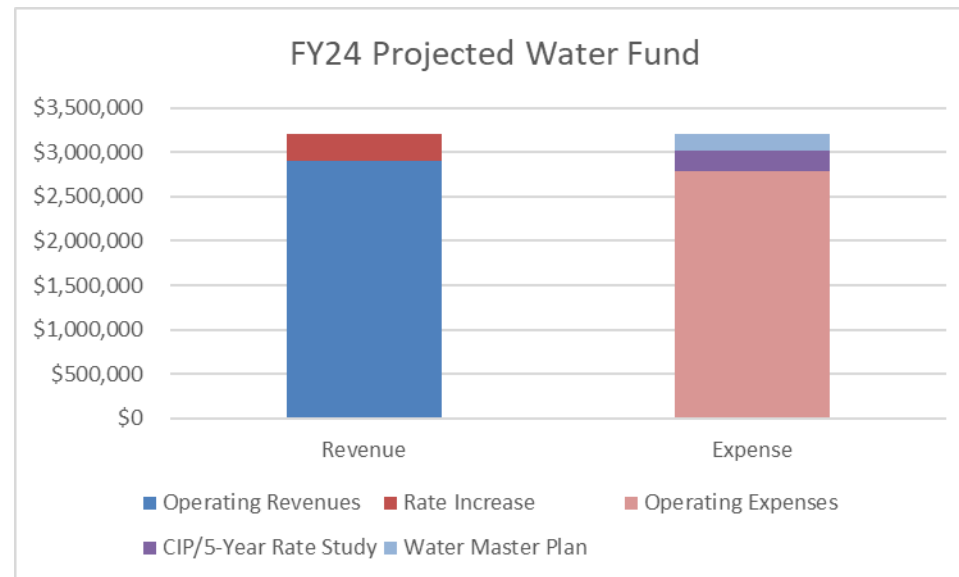
Rate increase of 10.6% is needed to fund Water operations, the CIP/5-Year Rate Study and completion of the Water Master Plan in FY24

- Change in Water/Wastewater employee allocation reduces Water operating expenses in FY24

- Water Fund assumes no support from property tax. If a lower rate increase is desired, property tax could be used to support operations
- Property tax support should be provided for capital needs

FY24 Budgetary Needs -- WATER

Water	Revenue	Expense
Operating Revenues	\$2,906,318	
Rate Increase	\$307,781	
Operating Expenses		\$2,789,099
CIP/5-Year Rate Study		\$225,000
Water Master Plan		\$200,000
Total	\$3,214,099	\$3,214,099
Net Revenue	\$0	



Wastewater Operations

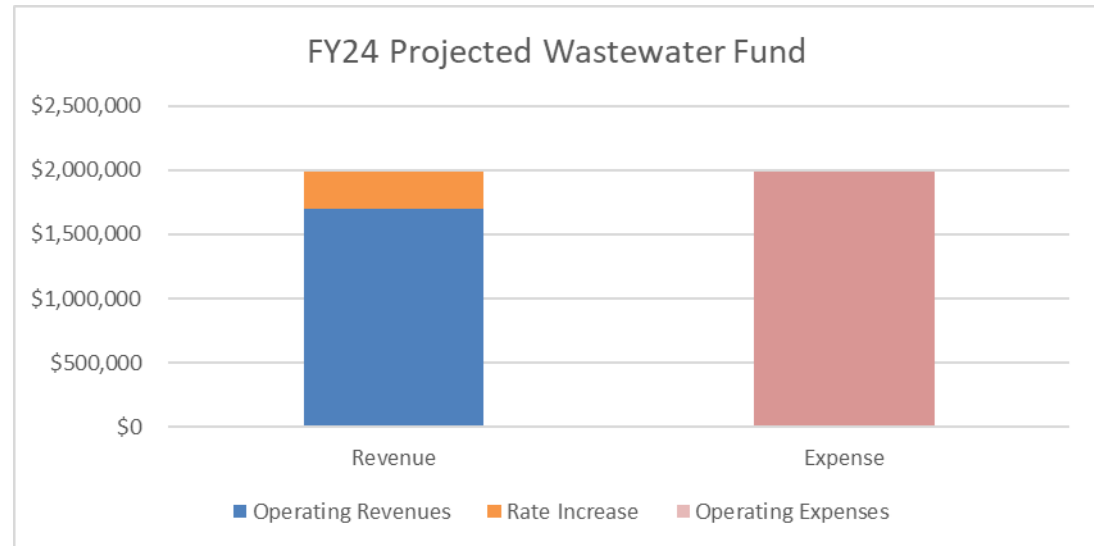
Rate increase of 17.0% is needed to fund Wastewater operations. Careful budget cuts may be necessary to keep within revenues

- Change in Water/Wastewater employee allocation increases WW operating cost in FY24

- Wastewater Fund assumes no support from property tax. If a lower rate increase is desired, property tax could be used to support operations
- Property tax support can also be directed for studies/capital needs

FY24 Budgetary Needs -- WASTEWATER

Wastewater	Revenue	Expense
Operating Revenues	\$1,703,379	
Rate Increase	\$288,769	
Operating Expenses		\$1,992,148
Total	\$1,992,148	\$1,992,148
Net Revenue	\$0	



Solid Waste Operations

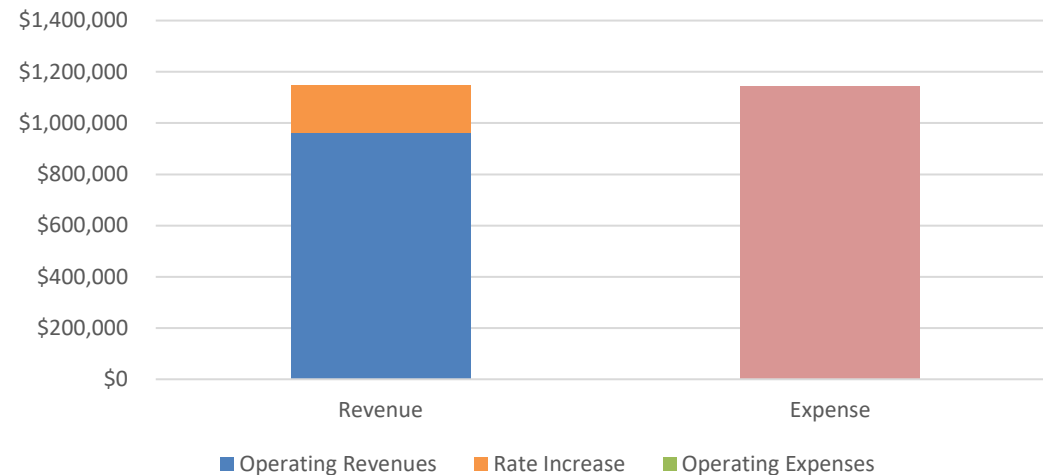
Rate increase of 19.2% is needed to fund Solid Waste operations in FY24. This includes increase to the current cost of the CWRS contract

- Solid Waste Fund assumes no support from property tax
- Increase based on CWRS contract increase

FY24 Budgetary Needs -- SOLID WASTE

Solid Waste	Revenue	Expense
Operating Revenues	\$961,153	
Rate Increase	\$184,649	
Operating Expenses		\$1,145,802
Total	\$1,145,802	\$1,145,802
Net Revenue	\$0	

FY24 Projected Solid Waste Fund



Value of a 1% Rate Increase

- The table below shows what the impact of using changing rates by 1% for Water and Wastewater
- If property tax is used in-lieu of raising rates the amount of reduction in the calculated rates would require an equal use of property tax to offset the loss of rate revenue

Utility	Value of 1%	Value of 5%
Water	\$29,063	\$145,315
Wastewater	\$17,034	\$85,170
Solid Waste	\$9,611	\$48,055

FY24 Property Tax forecast to be approximately \$800,000

Questions?