

**SOCWA**  
**Budget Development**  
**Kickoff Meeting**  
**2021/2022 Fiscal Year**  
**February 16, 2021**

**AGENDA ITEM 5**

# Budget Schedule

## ❖ Finance Committee Special Meetings

- **February 16, 2021** – Budget Development Kick Off
  - Key Budget Assumptions
    - Minimum Funding of historical PERS / OPEB costs
    - Facility Readiness to Serve Charge – JBL future of intermittent flows
  - General Assumptions
  - Staffing Plan
  - Capital Funding Policy
    - WIFIA
- **March 16, 2021** – O&M Environmental Safety Budget Presentation; Member Comments to 2/16/21
- **April 13, 2021** – General Fund Budget, Administration and Member Comments to prior
- **May 18, 2021** – Committee Discussion/Direction

## ❖ Board Workshop – May 20, 2021

- **June 3, 2021** – Budget Consideration for Approval

# FY 2021–22 Budget Starting Line Up

## ❖ Key Budget Assumptions

- ✓ Member Agencies Future Plans, Flows and Solids to SOCWA
  - SMWD will Increase Flows to JB Latham for Two Years, 1.429 in FY 2019–20 to 1.79 MGD in FY's 2021–22 and 2022–23; thereafter, a steep decrease in daily flows
    - JBL will continue to support intermittent flows
    - No future changes in Solids from SMWD
  - No Significant Changes in Flows and Solids from other Agencies in the next two years
- ✓ Establish Standby Charge (Cost of Facility Readiness, to be used whenever services are needed)
  - Costs will be charged to Agencies with an intermittent use of Facilities
  - Currently, if an Agency's usage is less than Budget, the costs are paid by the remaining agencies based on delivered flows
  - **New Formula for Standby Charge Calculation prepared by Outside Consulting Firm and SOCWA**

# Key Budget Assumptions cont'd.

- ✓ Individual Agencies Additional Discretionary Payments (ADP) and Termination Payment to CalPERS
  - Board Approved Actuarial Methodology to Provide “Paid Agencies” Present Value and Future Credits
  - Board Approved Actuarial Termination Formula for Present Value and Future Liability
  - Agencies without a Payment Commitment will be charged 10% of Liability Share Annually; this amount will be credited to balance and paid to CalPERS
  - Work is Underway with Bartel Associates Actuary Firm
  - Work is underway to prepare JPA Revision
  
- ✓ OPEB (Retiree Health) Normal Costs Funding (new this year); approximately \$500k
  
- ✓ General Fund Makeup & Distribution;
  - Consider UAL & Retiree Health Component

# CalPERS Accrued UAL and OPEB Normal Costs Funding

Meeting Attendees were asked to have a roundtable discussion on funding CalPERS UAL and OPEB with consideration given to, but not limited to, the following questions:

- ▶ Do the agencies desire to address the 7% growing obligations?
- ▶ What are the options as to how to address it?
- ▶ Breadth of options from fully funding, partial funding, total payoff and relief from future obligations, among others and ideas.
- ▶ Action to address the continuing growth of normal costs and the option to begin funding current employees' future retirement unfunded amounts in the coming budget year

# CalPERS Accrued UAL and OPEB Normal Costs Funding

All Finance Officers shared their thoughts:

1. Some Additional Discretionary Payment (ADP) should be made on the UAL and OPEB before the liabilities grow to an insurmountable amount.
2. ADP's should be paid direct to CalPERS through SOWCA
3. SOCWA should not have a UAL 115 Trust
4. It is Better/Easier to make payments as a whole rather than Individual Agency Payments
5. If Individual agency payments are made, a methodology is needed to credit the Paid Agency
6. The Payment Plan should be:
  - A Framework or Strategy Plan with Funding Ratio Goals or targets, i.e., 80% – 85%
  - Gradual
  - Flexible, not restrictive, or locked in payments
  - A Funding Policy is not needed
  - Each Agency should have some discretion on the amount of ADP, should be Case by Case
7. Agencies should be allowed to exit SOCWA; termination costs should be calculated using CalPERS formula and reviewed by the Board to ensure limited future exposures.

An Exit Proposal must be submitted to the Board.

8. Each Agency will provide a funding plan in January in time for FY 2021–22 Budget Process.

# Federal Government Low Interest Rate Loans are Available for Local Governments Water and Wastewater Infrastructure Projects; WIFIA

## Roadblocks:

- ❖ Compliance with Federal Requirements at the Project Level
- ❖ \$100k Loan Application Fee
- ❖ Additional Loan Closing Fees that could Average \$200 to \$300k based on Amount of Loan

# What is WIFIA?

The Water Infrastructure Finance and Innovation Act of 2014(WIFIA) established the WIFIA program, a federal credit program administered by EPA for eligible water and wastewater infrastructure projects.

## Eligibility, Interest Rate and Benefits:

- Local and State Government entity, agency, or instrumentality are eligible to borrow funds with low, fixed interest rates and flexible financial terms
- WIFIA Program sets its interest rate based on the U.S. Treasury Rate of a similar maturity on the date of loan closing; averages less than 2%
- The rate is calculated using the weighted average (WAL) life of the loan rather the loan maturity date. The WAL is generally shorter than the loan's actual length resulting in a lower interest rate
- Interest rate not impacted by borrower's credit



# WIFIA Loan Repayment and Eligible Projects

## Repayment

- Long repayment period of up to 35 years
- Deferred payment up to 5 years after the project substantial completion

## SOCWA Eligible Projects:

- Projects for repair, rehabilitation or replacement of a treatment works or waste collection facility (facilities improvement)
- Projects that enhance energy efficiency in the operation of a public water system or a publicly owned treatment works (Co-Gen)
- Water recycling Projects
- Other Water Quality Projects
- Projects can be Combined for the Application

# Program Features

**\$20**  
MIL

Minimum project size for large communities.

**\$5**  
MIL

Minimum project size for small communities (population of 25,000 or less).

**49%**

Maximum portion of eligible project costs that WIFIA can fund.

# Borrowers in California

Borrower	Project Name	State	Close Date	Loan Amount	Environmental Compliance
<a href="#">City of San Mateo</a>	San Mateo Basins 2 and 3 Collection System Improvements Project	California	12/17/2020	\$85 million	Conforms with <a href="#">WIFIA PEA</a>
<a href="#">City of San Mateo</a>	Wastewater Treatment Plant Upgrade and Expansion Project	California	11/5/2020	\$210 million	<a href="#">CATEX</a>
<a href="#">Estero Municipal Improvement District</a>	Wastewater Treatment Plant Upgrade and Expansion Project	California	11/5/2020	\$66.9 million	<a href="#">CATEX</a>
<a href="#">City of Sunnyvale</a>	Cleanwater Program Program 2	California	10/29/2020	\$220 million	<a href="#">CATEX</a>
<a href="#">City of Stockton</a>	Regional Wastewater Control Facility Project	California	9/30/2020	\$108 million	<a href="#">CATEX</a>
<a href="#">Soquel Creek Water District</a>	Pure Water Soquel	California	9/28/2020	\$88.9 million	Conforms with <a href="#">WIFIA PEA</a>
<a href="#">City of Oceanside</a>	Pure Water Oceanside and Lower Recycled Water Distribution	California	9/16/2020	\$69.1 million	Conforms with <a href="#">WIFIA PEA</a>

# Borrowers in California

<a href="#">Inland Empire Utilities Agency</a>	Recycling Plant No. 5 Expansion Project	California	5/27/2020	\$196.4 million	<a href="#">CATEX</a>
<a href="#">City of Morro Bay</a>	Water Reclamation Facility Project	California	3/9/2020	\$61.7 million	Conforms with <a href="#">WIFIA PEA</a>
<a href="#">Coachella Valley Water District</a>	Stormwater Channel Improvement Project and Indio Regional Flood Control Project	California	1/27/2020	\$59.1 million	Conforms with <a href="#">WIFIA PEA</a>
<a href="#">Silicon Valley Clean Water</a>	Regional Environmental Sewer Conveyance Upgrade (RESCU) Program	California	7/11/2019	\$218 million	<a href="#">CATEX</a>
<a href="#">City of San Diego</a>	Pure Water San Diego	California	11/14/2018	\$614 million	<a href="#">Record of Decision</a>
<a href="#">San Francisco Public Utilities Commission</a>	Southeast Water Pollution Control Plant Biosolids Digester Facilities Project	California	7/27/2018	\$699 million	<a href="#">CATEX</a>
<a href="#">Orange County Water District</a>	Groundwater Replenishment System Final Expansion	California	7/26/2018	\$135 million	<a href="#">CATEX</a>

# General Assumptions

- ❖ Staffing Plan, 62 FTE
- ❖ Legal Cost Projection, \$200 to \$250k
- ❖ Capital Funding Policy Utilizing Time Phased Cash Flow with input from Engineering

# Key Budget Assumptions Continued

**COLA** (Cost of Living Adjustment) **2.3% preliminary**; MOU based on March Index which will be published April 10, 2021.

MOU minimum is **2%**

Previous months indexes: Dec 1.5%, Nov. 1.0%

1. **Merit Pay 3%** Average Increase.
2. **Pay-for-Time Worked Factor is 89% for O&M, Engineering and IT; Admin is 92%**
3. **Headcount – An Increase of 1 FTE for Environmental, carryover from FY 2020-21**  
O&M, No Change  
Environmental, addition of 1 Lab Tech (carryover from initial FY 2020-21 Budget)  
Admin, utilize 1 Part-Time Administrative Assistant Position via temp services (carryover from initial FY 2020-21 Budget)  
  
FY 2021-22 Budget planned staffing levels is 62 FTEs.
4. **Two Positions moved from Non-Exempt (overtime paid) to Exempt (No overtime paid)**

# Professional Licensing & Certifications

2019/20	2020/21
Operator V – 2	Operator V – 1
Operator III – 2	Operator III – 1
Operator II – 1	Mechanic II – 1
Electrical/Instrumentation Certified – 1	Mechanic I – 1
Mechanic I – 1	NCCCO – Certified Crane Operator – 1

# Staffing Overview

Headcount								
Department	FY 2018-19 Budget	FY 2019-20 Budget	FY 2020-21 Budget	FY 2021-22 Budget	FY 2022-23 Budget	FY 2023-24 Budget	FY 2024-25 Budget	FY 2025-26 Budget
Operations	42	42	40	40	40	40	40	40
Environmental Compliance & Safety	9	9	9	10	10	10	10	10
Engineering	3	3	3	3	3	3	3	3
Administration	9	9	8	8	8	8	8	8
IT	1	1	1	1	1	1	1	1
<b>Total</b>	<b>64</b>	<b>64</b>	<b>61</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>62</b>	<b>62</b>





Legal Counsel

Board of Directors

GENERAL MANAGER

Executive Assistant

Director of Operations

Director of Engineering

Director of Environmental Compliance

Finance Controller

GM Supervised

Chief Operator  
3

Chief Maintenance Mechanic  
1

Support Services Manager  
1

Senior Engineer  
1

Laboratory Manager  
1

Source Control Manager  
1

IT Systems Administrator  
1

Sr. Accountant  
1

Procurement & Contracts Manager  
1

Assistant Chief Operator  
2

Mechanic Supervisor  
2

Sr. Electrician SCADA Technician  
2

Associate Engineer  
1

Q&A Specialist  
1

Environmental Compliance Safety Risk Manager  
1

Staff Accountant w/Payroll  
1

H R Administrator  
1

Operator III  
6

Maintenance Mechanic III  
2

Electrical Instrumentation Technician  
3

Laboratory Technician III  
2

Accounts Payables & Payroll Assistance  
1

Operator II  
3

Maintenance Mechanic II  
2

Mechanic III w/Co-Gen  
1

Laboratory Technician II  
1

Operator I  
3

Mechanic II Truck Driver  
1

Operator in Training  
1

Maintenance Mechanic I  
5

O&M Inventory Purchasing Specialist  
1

Fiscal Year 2020/2021  
**FTE 62**  
 Administration 8  
 IT Systems 1  
 Engineering 3  
 Envirn. Compl. 10  
 Operations/ Maintenance 40

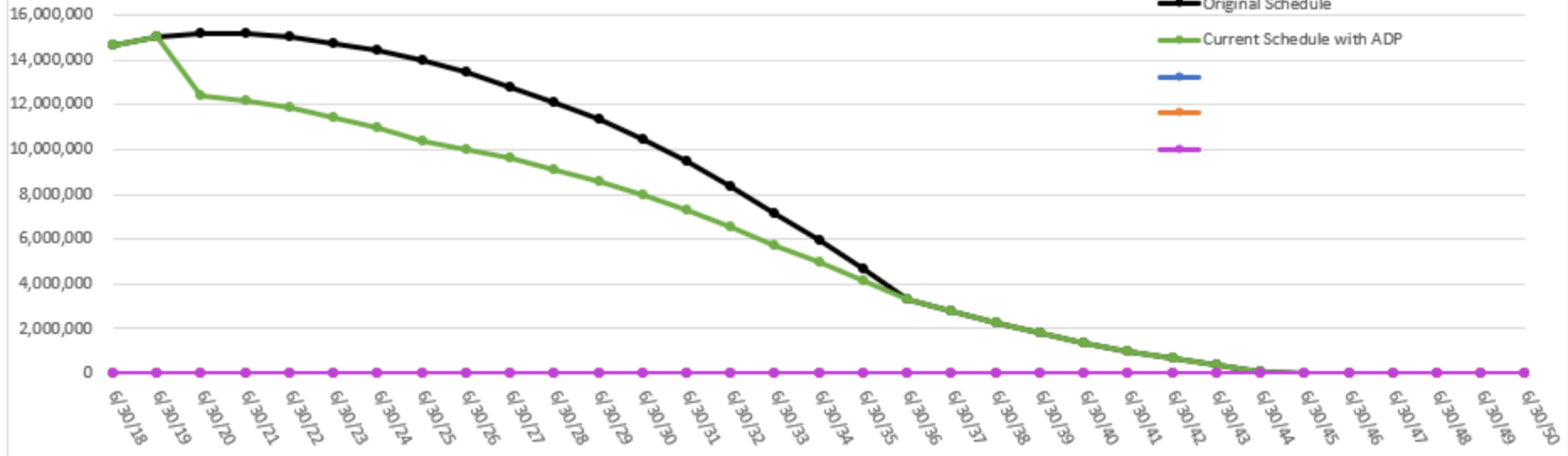
# Unfunded Pension & OPEB (Retiree Health) Liability Payments

- **Individual Agencies ADP**
- **OPEB Normal Costs Funding**
- **Minimum 10% Funding**

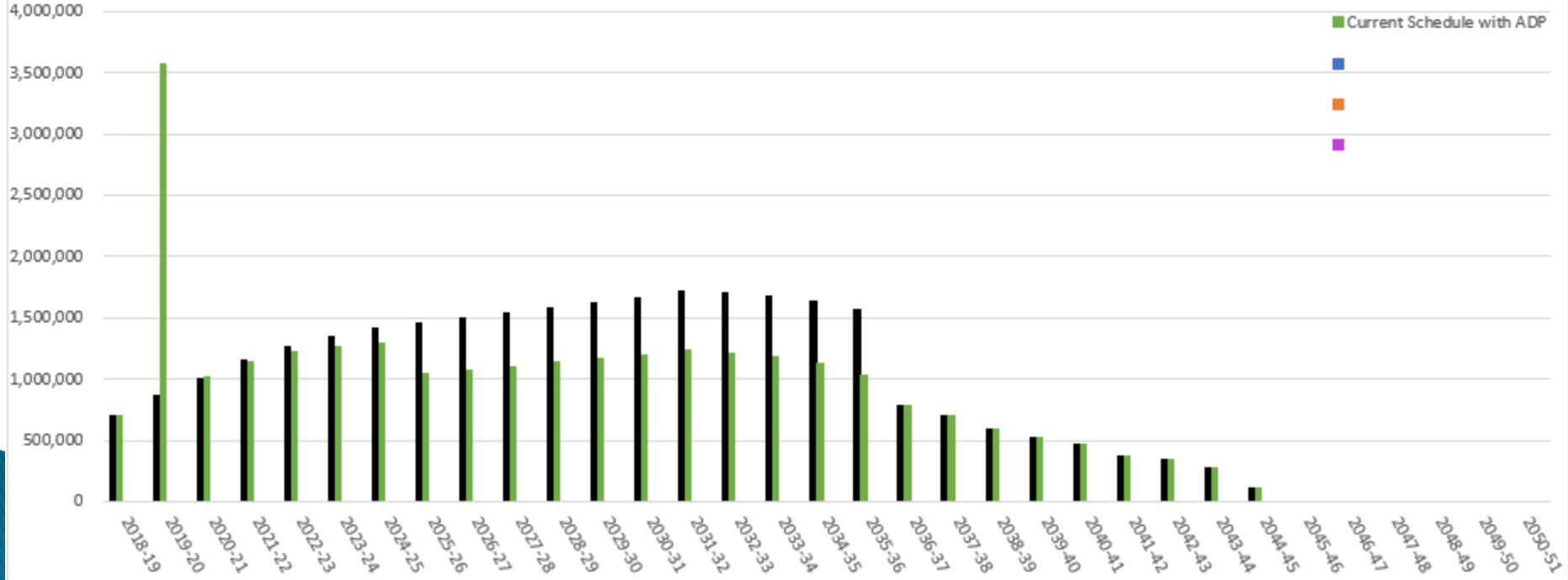
# Unfunded Pension Liability

<b>Unfunded Pension Liability (UAL) Amortization Impact</b>					
<b>UAL as of June 30, 2021 and Total Annual Payments Amortized over 24 Years</b>					
<b>Member Agency</b>	<b>Board Approved Methodology %'s</b>	<b>Current UAL as of June 30, 2021</b>	<b>Current UAL Amortized 24 Years</b>	<b>Interest Payments</b>	<b>Interest % Principal</b>
City of Laguna Beach	10.69%	\$1,667,577	\$2,977,285	\$1,309,708	79%
City of San Clemente	0.67%	104,926.95	187,336	82,409	79%
City of San Juan Capistrano	10.43%	1,626,788.24	2,904,461	1,277,673	79%
Emerald Bay Service District	0.46%	71,127.94	126,992	55,864	79%
El Toro Water District	3.51%	547,181.11	976,935	429,754	79%
Irvine Ranch Water District	0.76%	118,790.94	212,089	93,298	79%
Moulton Niguel Water District	44.87%	7,000,430.20	12,498,538	5,498,108	79%
South Coast Water District	18.64%	2,907,766.17	5,191,513	2,283,747	79%
Santa Margarita Water District	9.97%	1,555,407.24	2,777,018	1,221,610	79%
Trabuco Canyon Water District	0.02%	2,776.08	4,956	2,180	79%
<b>Total Net Pension Liability</b>	<b>100.00%</b>	<b>\$15,602,772</b>	<b>\$27,857,123</b>	<b>\$12,254,351</b>	<b>79%</b>

### Amortization Balance



### Amortization Payments



# UAL and OPEB (PAY-GO) Present Practice

FY 20 %'s	2022			2023			2024			2025			2026			
	UAL	OPEB	Total	UAL	OPEB	Total	UAL	OPEB	Total	UAL	OPEB	Total	UAL	OPEB	Total	
City of Laguna Beach	10.69%	\$123,640	\$53,552	\$177,192	\$136,612	\$56,390	\$193,003	\$144,527	\$59,379	\$203,906	\$153,123	\$62,526	\$215,649	\$157,772	\$65,840	\$223,613
City of San Clemente	0.67%	7,780	3,370	11,149	8,596	3,548	12,144	9,094	3,736	12,830	9,635	3,934	13,569	9,927	4,143	14,070
City of San Juan Capistrano	10.43%	120,616	52,242	172,858	133,271	55,011	188,282	140,991	57,927	198,918	149,378	60,997	210,374	153,913	64,230	218,143
Emerald Bay Service District	0.46%	5,274	2,284	7,558	5,827	2,405	8,232	6,165	2,533	8,697	6,531	2,667	9,198	6,730	2,808	9,538
El Toro Water District	3.51%	40,570	17,572	58,142	44,826	18,503	63,330	47,423	19,484	66,907	50,244	20,517	70,761	51,770	21,604	73,374
Irvine Ranch Water District	0.76%	8,808	3,815	12,622	9,732	4,017	13,749	10,295	4,230	14,525	10,908	4,454	15,362	11,239	4,690	15,929
Moulton Niguel Water District	44.87%	519,036	224,810	743,846	573,493	236,725	810,218	606,718	249,271	855,989	642,805	262,483	905,287	662,323	276,394	938,717
South Coast Water District	18.64%	215,592	93,379	308,971	238,212	98,328	336,540	252,012	103,540	355,552	267,002	109,027	376,029	275,109	114,806	389,915
Santa Margarita Water District	9.97%	115,323	49,950	165,273	127,423	52,597	180,020	134,805	55,385	190,190	142,823	58,320	201,143	147,160	61,411	208,571
Trabuco Canyon Water District	0.02%	206	89	295	227	94	321	241	99	339	255	104	359	263	110	372
	<b>100.00%</b>	<b>\$1,156,844</b>	<b>\$501,063</b>	<b>\$1,657,907</b>	<b>\$1,278,219</b>	<b>\$527,619</b>	<b>\$1,805,838</b>	<b>\$1,352,271</b>	<b>\$555,583</b>	<b>\$1,907,854</b>	<b>\$1,432,703</b>	<b>\$585,029</b>	<b>\$2,017,732</b>	<b>\$1,476,206</b>	<b>\$616,036</b>	<b>\$2,092,242</b>

# Capital Funding Policy

# Capital Funding Policy

All Quarters Invoiced Based on  
Time Phased Cash Flow Forecasts