

FY2023-24 First Pass Biennial Budget

January 24, 2023

Topics

- **Budget Schedule Update**
- **Revenue Assumptions**
- **Salaries and Benefits Assumptions**
- **Districtwide Outlays**
- **Next Steps**

Budget Schedule Update

- **Operating and Capital Budget**
 - ➔ • January 24, 2023 – 1st Pass Budget Update
 - March 14, 2023 – 2nd Pass Budget Update
 - April 26 to 27, 2023 – Budget Work Study Sessions
- **Groundwater Production Charge (GWP)**
 - January 10, 2023 – Preliminary GWP Analysis
 - April 11 to 25, 2023 – GWP Public Hearings
- **Capital Improvement Program (CIP)**
 - January 10, 2023 – Preliminary CIP
 - February 28, 2023 – Draft CIP
 - April 11 to 25, 2023 – CIP Public Hearings
- **Operating and Capital Budget, GWP, and CIP**
 - May 9, 2023 – Board Adoption

Revenue Assumptions

- **Water Charges - FY24: \$329.3M & FY25: \$408.4M**
- **Annual M&I Groundwater Production Charge Increases:**
 - 15.0% in North County Zone W-2
 - 6.0% in South County Zone W-5
 - 12.9% in South County Zone W-7
 - 8.0% in South County Zone W-8
- **Water usage projection - FY24: 207K AF & FY25: 222K AF**
 - Assume slight rebound in FY24 versus FY23
- **1% Ad-valorem Property Tax - FY24: \$136.3M & FY25: \$140.2M**
 - Assessment roll grew 4% per Santa Clara county assessor's report as of 1/1/2023
 - New construction and changes of home ownership are the drivers
- **SCW Special Parcel Tax - FY24: \$50.7M & FY25: \$51.9M**
 - 2% increase per year
 - Bay Area CPI could be greater than 2% for purposes of FY24

1st Pass – Revenue

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Revenue (\$ in millions)	FY23 Adopted	FY24 1st Pass	FY25 1st Pass	FY24 vs FY23	FY25 vs FY24
Water Charges	\$ 265.0	\$ 329.3	\$ 408.4	\$ 64.3	\$ 79.1
1% Ad-valorem Property Tax	126.1	136.3	140.2	10.2	3.9
SCW Special Parcel Tax	49.6	50.7	51.9	1.1	1.2
State Water Project Tax	27.0	27.0	28.0	-	1.0
Benefit Assessment	13.3	8.6	7.2	(4.7)	(1.4)
Capital Reimbursements	87.1	42.4	12.7	(44.7)	(29.7)
Interest Income & Other	12.8	13.1	15.8	0.3	2.7
Total Revenue	\$ 580.9	\$ 607.4	\$ 664.2	\$ 26.5	\$ 56.8

Salaries & Benefit Assumptions

Salaries - FY24: \$145.8M & FY25: \$152.6M

- Salary budget includes funding for 909 regular positions, 7 limited-term and 5 fellows
- 3% COLA and step increases for eligible positions per current MOUs
- FY24 First pass budget includes five new positions for Water Utility capital projects

Benefits - FY24: \$79.9M & FY25: \$87.2M

- Retirement Contributions: includes CalPERS required employer contribution and deferred compensation, plus \$3.0M redirect from OPEB funding and additional 2% of salaries (\$3.0M) employer contributions towards CalPERS unfunded liability
- Group Insurance for Active Employees: assumes annual increase of 12% in FY24 and 9% in FY25 for medical plans and 3% increase for Dental and Vision plan
- Group Insurance for Retirees: 4% annual increase based on actuarial report

1st Pass Salaries & Benefits

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Salary and Benefits (\$ in millions)	FY23 Adopted	FY24 1st Pass	FY25 1st Pass	FY24 vs FY23	FY25 vs FY24
Salaries					
Salaries - Regular Employees	\$ 138.9	\$ 144.5	\$ 151.6	\$ 5.6	\$ 7.1
Overtime and Special Pays	4.7	4.9	4.8	0.2	(0.1)
Salary Savings	(3.5)	(3.6)	(3.8)	(0.1)	(0.2)
Total Salaries	140.1	145.8	152.6	5.7	6.8
Benefits					
Fed & State Taxes & Benefits	2.1	2.1	2.3	-	0.2
Retirement Contributions	44.3	45.1	50.4	0.8	5.3
Group Insurance - Active Employees	18.1	19.6	21.2	1.5	1.6
Health Insurance - Retired Employees	13.0	13.1	13.3	0.1	0.2
Total Benefits	77.5	79.9	87.2	2.4	7.3
Total Salary & Benefits	\$ 217.6	\$ 225.7	\$ 239.8	\$ 8.1	\$ 14.1
Regular Positions	904	909	909	5	-

1st Pass – Districtwide Outlays

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Budget by Category (\$ in millions)	FY23 Adopted	FY24 1st Pass	FY25 1st Pass	FY24 vs FY23	FY25 vs FY24
Operations	\$ 478.6	\$ 492.4	\$ 513.6	\$ 13.8	\$ 21.2
Operating Projects	8.5	6.6	6.0	(1.9)	(0.6)
Debt Service	82.3	97.4	119.3	15.1	21.9
Total Operating Outlays	569.4	596.4	638.9	27.0	42.5
Capital Outlays	462.8	429.7	493.2	(33.1)	63.5
Total Gross Outlays	1,032.2	1,026.1	1,132.1	(6.1)	106.0
Intra-District Reimbursements*	(115.0)	(126.0)	(130.5)	(11.0)	(4.5)
Net Total Outlays	\$ 917.2	\$ 900.1	\$ 1,001.6	\$ (17.1)	\$ 101.5

* Intra-District reimbursements represent cost recovery for support services such as human resources and information technology, etc.

1st Pass– Operations Expenditures by Fund

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Operations & Operating Budget (\$ in millions)	FY23 Adopted	FY24 1st Pass	FY25 1st Pass	FY24 vs FY23	FY25 vs FY24
General Fund	\$ 81.8	\$ 83.5	\$ 88.3	\$ 1.7	\$ 4.8
Watershed Stream Stewardship Fund	76.2	80.2	82.3	4.0	2.1
Safe, Clean Water Fund	25.2	25.0	26.7	(0.2)	1.7
Water Enterprise Fund	264.7	266.3	276.8	1.6	10.5
Fleet Management Fund	5.0	5.0	5.3	-	0.3
Risk Management Fund	9.9	10.9	11.5	1.0	0.6
Information Technology Fund	24.3	28.1	28.7	3.8	0.6
Total	\$ 487.1	\$ 499.0	\$ 519.6	\$ 11.9	\$ 20.6

Note: This table reflects gross figures that have not been adjusted for intra-district reimbursements

1st Pass – Capital Outlays by Fund

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Capital Outlays (\$ in millions)	FY23 Adopted	FY24 1st Pass	FY25 1st Pass	FY24 vs FY 23	FY25 vs FY24
General Fund	\$ 6.5	\$ 4.4	\$ 4.4	\$ (2.1)	\$ -
Watershed Stream Stewardship Fund	35.5	35.7	42.0	0.2	6.3
Safe, Clean Water Fund	95.8	51.5	129.1	(44.3)	77.6
Water Enterprise Fund	318.3	329.8	307.5	11.5	(22.3)
Fleet Management Fund	2.5	2.0	2.1	(0.5)	0.1
Information Technology Fund	4.2	6.3	8.1	2.2	1.8
Total	\$ 462.8	\$ 429.7	\$ 493.2	\$ (33.1)	\$ 63.5

Note: 1st Pass Budget is based on draft FY24-28 Five-Year CIP

Community Budget Engagement

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The budget simulation tool on the Valley Water website provides residents with the opportunity to learn about proposed budgets, give feedback on tradeoffs during the budgeting process, and provide community buy-in for proposed budgets.

Gives our community a better understanding of where and how financial resources are being applied currently while also highlighting the financial constraints.

<https://www.valleywater.org/how-we-operate/finance-budget/balancing-act-budget-simulation-tool>

HOME > HOW WE OPERATE > FINANCE/BUDGET > BALANCING ACT BUDGET SIMULATION TOOL

Balancing Act Budget Simulation Tool

Valley Water's Online Budget Simulator

Do you know how Valley Water's budget works or where the money comes from? Would you like to provide feedback about how you think the Valley Water Board of Directors should be allocating your tax dollars?

The Balancing Act budget simulation tool allows you to adjust budgets for various Valley Water priorities and align resources with the services that matter most to you.

The key is to balance the revenues and expenses, similar to the approach Valley Water takes every year, before a budget is officially adopted.

Your input is vital to ensure Valley Water's annual budget is designed to meet the needs of the community.

When you've balanced the budget and provided your input, hit submit and send it directly to Valley Water. We thank you for your feedback and we'll take your suggested budget adjustments into consideration in our annual budgeting process.

Ready? Click or tap the button below to balance the budget:

Questions or comments? [Please let us know!](#)

[Balance the Budget](#)

Where the Money Goes	Spending
Safe, Clean Water Supplies	\$424.0m
Flood Protection Efforts	\$190.0m
Healthy Creeks and Ecosystems	\$45.0m
Loan Repayments	\$71.0m
Support Services	\$77.0m
Total	\$807,000,000

Next Steps

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Appendix

1st Pass and Actuals – Revenue

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Revenue (\$ in millions)	FY19 Actuals	FY20 Actuals	FY21 Actuals	FY22 Actuals	FY23 Adopted	FY24 1st Pass	FY25 1st Pass
Water Charges	\$ 227.7	\$ 266.9	\$ 289.8	\$ 272.4	\$ 265.0	\$ 329.3	\$ 408.4
1% Ad-valorem Property Tax	107.8	110.6	117.3	127.3	126.1	136.3	140.2
SCW Special Parcel Tax	44.1	46.1	46.1	47.0	49.6	50.7	51.9
State Water Project Tax	22.3	21.8	21.4	30.1	27.0	27.0	28.0
Benefit Assessment	14.7	13.4	12.4	13.4	13.3	8.6	7.2
Capital Reimbursements	26.7	33.8	19.9	21.4	87.1	42.4	12.7
Interest Income & Other	22.0	23.9	17.7	20.4	12.8	13.1	15.8
Total Revenue	\$ 465.3	\$ 516.5	\$ 524.6	\$ 532.0	\$ 580.9	\$ 607.4	\$ 664.2

1st Pass and Actuals – Salaries & Benefits

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Salary and Benefits (\$ in millions)	FY19 Actuals	FY20 Actuals	FY21 Actuals	FY22 Actuals	FY23 Adopted	FY24 1st Pass	FY25 1st Pass
Salaries							
Salaries - Regular Employees	\$ 96.8	\$ 103.6	\$ 116.5	\$ 128.3	\$ 138.9	\$ 144.5	\$ 151.6
Overtime and Special Pays	3.3	4.3	4.3	5.8	4.7	4.9	4.8
Salary Savings	-	-	-	-	(3.5)	(3.6)	(3.8)
Total Salaries	100.1	107.9	120.8	134.1	140.1	145.8	152.6
Benefits							
Fed & State Taxes & Benefits	1.4	1.6	1.8	1.9	2.1	2.1	2.3
Retirement Contributions	26.6	29.4	32.8	36.7	44.3	45.1	50.4
Group Insurance - Active Employees	13.7	14.0	14.5	15.1	18.1	19.6	21.2
Health Insurance - Retired Employees	10.2	10.8	11.0	12.1	13.0	13.1	13.3
Total Benefits	51.9	55.8	60.1	65.8	77.5	79.9	87.2
Total Salary & Benefits	\$ 152.0	\$ 163.7	\$ 180.9	\$ 199.9	\$ 217.6	\$ 225.7	\$ 239.8
Regular Positions	824	859	859	893	904	909	909

1st Pass and Actuals – Districtwide Outlays

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Budget by Category (\$ in millions)	FY19 Actuals	FY20 Actuals	FY21 Actuals	FY22 Actuals	FY23 Adopted	FY24 1st Pass	FY25 1st Pass
Operations	\$ 304.0	\$ 308.2	\$ 366.7	\$ 414.2	\$ 478.6	\$ 492.4	\$ 513.6
Operating Projects	6.6	11.8	3.6	8.5	8.5	6.6	6.0
Debt Service	42.6	46.3	51.4	58.1	82.3	97.4	119.3
Total Operating Outlays	353.2	366.3	421.7	480.8	569.4	596.4	638.9
Capital Outlays	175.4	234.9	284.2	372.7	462.8	429.7	493.2
Total Gross Outlays	528.6	601.2	705.9	853.5	1,032.2	1,026.1	1,132.1
Intra-District Reimbursements*	(72.0)	(77.9)	(87.4)	(97.3)	(115.0)	(126.0)	(130.5)
Net Total Outlays	\$ 456.6	\$ 523.3	\$ 618.5	\$ 756.2	\$ 917.2	\$ 900.1	\$ 1,001.6

* Intra-District reimbursements represent cost recovery for support services such as human resources and information technology, etc.

1st Pass and Actuals – Operations Expenditures by Fund 17

Operations & Operating Budget (\$ in millions)	FY19 Actuals	FY20 Actuals	FY21 Actuals	FY22 Actuals	FY23 Adopted	FY24 1st Pass	FY25 1st Pass
General Fund	\$ 51.6	\$ 58.6	\$ 68.0	\$ 74.3	\$ 81.8	\$ 83.5	\$ 88.3
Watershed Stream Stewardship Fund	53.4	51.7	59.2	62.5	76.2	80.2	82.3
Safe, Clean Water Fund	16.3	20.5	14.9	16.2	25.2	25.0	26.7
Water Enterprise Fund	164.9	165.3	197.6	235.3	264.7	266.3	276.8
Fleet Management Fund	4.4	3.8	3.9	3.8	5.0	5.0	5.3
Risk Management Fund	6.0	6.1	6.8	9.5	9.9	10.9	11.5
Information Technology Fund	14.0	14.0	19.9	21.1	24.3	28.1	28.7
Total	\$ 310.6	\$ 320.0	\$ 370.3	\$ 422.7	\$ 487.1	\$ 499.0	\$ 519.6

Note: This table reflects gross figures that have not been adjusted for intra-district reimbursements

1st Pass and Actuals – Capital Outlays by Fund

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Capital Outlays (\$ in millions)	FY19 Actuals	FY20 Actuals	FY21 Actuals	FY22 Actuals	FY23 Adopted	FY24 1st Pass	FY25 1st Pass
General Fund	\$ 2.7	\$ 1.5	\$ 3.3	\$ 3.2	\$ 6.5	\$ 4.4	\$ 4.4
Watershed Stream Stewardship Fund	27.6	19.0	63.5	66.2	35.5	35.7	42.0
Safe, Clean Water Fund	41.6	70.9	71.7	52.8	95.8	51.5	129.1
Water Enterprise Fund	97.9	132.2	136.0	238.0	318.3	329.8	307.5
Fleet Management Fund	1.8	1.9	2.5	2.8	2.5	2.0	2.1
Information Technology Fund	3.8	9.4	7.2	9.7	4.2	6.3	8.1
Total	\$ 175.4	\$ 234.9	\$ 284.2	\$ 372.7	\$ 462.8	\$ 429.7	\$ 493.2

Note: 1st Pass Budget is based on draft FY24-28 Five-Year CIP