



MEMORANDUM

TO: Finance Committee Members, Alternates

FROM: Frances Mizuno, Assistant Executive Director

DATE: January 6, 2020

RE: Proposed FY 21 O&M Budget and Salary Adjustment

BACKGROUND

The Finance Committee approved for recommendation to the Board of Directors the proposed FY21 O&M budget on November 4, 2019. Subsequent to this approval, additional expenses of \$201,678 were identified that is necessary for inclusion in the FY21 budget including a final determination of a salary adjustment.

The additional approximate expenses are summarized below:

1. Increased training by \$8,000 for HR Training (New OSHA and management training)
2. Added \$41,400 for vehicle for the new Facilities O&M Director
3. Increase of \$17,872 in health insurance for COO
4. Increase of \$24,000 resulting from salary difference between Assistant Executive Director and COO and adding part-time work for Frances Mizuno
5. Increase of \$34,400 for salary adjustment increase from 2% to 2.3%
6. Increase of \$76,000 for Sacramento office rent in anticipation of possible need to move office location

Total = \$201,678

The Authority salary policy adopted in 2004 and amended in 2006 provides for salary adjustments based on salary surveys every three years and in the in-between years based on Consumer Price Index (CPI) for Pacific Cities (West with less than 2,500,000 Populations). In addition, the policy requires the use of the CPI data for the four-months average of August-November as the basis for any salary adjustments.

The initial proposed FY 21 O&M budget, which was approved for recommendation to the Board of Directors by the Finance Committee at the November 4, 2019 meeting, included a 2% placeholder salary adjustment.

The 2019 CPI for August through November is 2.3%, 2.1%, 2.3% and 2.3% respectively for an average of 2.25% and rounded up to 2.3%.

ISSUE FOR DECISION

Whether the Committee should recommend approval to the Board the proposed budget increase of \$201,678 including a 2.3% salary adjustment across the board for all employees in the FY21 O&M budget.

RECOMMENDATION

We recommend the approval of the budget increase of \$201,678 including the 2.3% salary adjustment across the Board for all employees. The exception may be for the Executive Director and General Counsel as their salaries may be granted separately by the Board of Directors.

ANALYSIS /IMPLICATIONS

The proposed budget increases are necessary for the following reasons:

1. To provide for sufficient fund for newly required OSHA safety training and legal requirements for management training. If the \$8,000 increase is not approved, we will need to forgo other planned training to accommodate for this required training.
2. New vehicle necessary for the new Facilities O&M Director position. If this vehicle is not approved, a pool vehicle will need to be assigned and therefore reduce the pool vehicle availability and impacting users of pool vehicles.
3. Increase in health insurance cost for COO for dependent coverage. This is necessary to cover for actual cost.
4. Anticipation of hiring Frances Mizuno as part-time employee (up to 20 hour/week) to assist with special projects with fifty (50) percent in O&M and fifty (50) percent in Activities Budget. If not approved, the part-time work will not be offered and special projects and Activity Agreement work will be performed by existing staff.
5. The proposed FY21 O&M budget already includes a 2% placeholder salary adjustment. Therefore, the additional 0.3% salary adjustment is an increase of \$34,400 to the proposed budget. As a point of reference, a 3% adjustment was approved for the FY20 budget. If a salary adjustment is not granted for FY21, the expected impact is during the next salary survey year which is FY22, the Authority's salaries will likely be very low in comparison to surveyed agencies thereby requiring a higher than normal salary increases in FY22 in order to provide competitive salaries and have a larger impact to the FY22 budget.

6. The Authority is currently subleasing the Sacramento office spaces from Kronick Moskowitz Tiedemann Girard. In anticipation of the possible need to relocate the Sacramento Office, an increase in rent cost and need to purchase new furniture is included.

With the proposed additions to the FY 21 O&M budget, the proposed FY21 total O&M Budget is \$26,448,977 compared to the FY20 budget of \$21,578,488, for an overall increase of 22.57%.

SAN LUIS & DELTA-MENDOTA WATER AUTHORITY

FY2020 APPROVED, PROPOSED FY2021 & Preliminary FY2022 TOTAL BUDGET SUMMARY

O&M Budget Summary	Approved FY20 Budget	Proposed FY21 Budget	% Change 20 - 21	Preliminary FY22 Budget	% Change 21 - 22
<u>Routine O&M (Water Users)</u>	\$ 13,086,535	\$ 15,219,856	16.30%	\$ 15,073,386	-0.96%
<u>USBR Funded O&M (Service Contract)</u>	\$ 586,047	\$ 412,407	-29.63%	\$ 408,814	-0.87%
<u>TOTAL</u>	\$ 13,672,581	\$ 15,632,263	14.33%	\$ 15,482,200	-0.96%
<u>Extraordinary O&M (Water Users)</u>	\$ 2,692,707	\$ 4,578,314	70.03%	\$ 7,934,490	73.31%
<u>Capital Improvements Projects</u>	\$ 5,213,200	\$ 6,238,400	19.67%	\$ 7,089,600	13.64%
<u>TOTAL</u>	\$ 21,578,488	\$ 26,448,977	22.57%	30,506,290	15.34%
<u>Total Self Funded Budget</u> <small>(Water Users, BOR)</small>	\$ 20,992,441	\$ 26,036,570	24.03%	\$ 30,097,476	15.60%