



Agenda Item: 7A

June 5, 2024

TO: THE BOARD OF DIRECTORS

Mike Gardner, President
Laura Roughton, Vice President
Fauzia Rizvi, Secretary-Treasurer
Gracie Torres
Brenda Dennstedt

FROM: Craig D. Miller, P.E., General Manager

Approved

JUN 05 2024

by the Board of Directors

A handwritten signature in blue ink, appearing to read "Jimmy Ford", is written over the printed text "by the Board of Directors".

ADOPT RESOLUTION 3310 APPROVING THE GENERAL MANAGER'S OPERATING BUDGET FOR FISCAL YEARS 2024-2025 AND 2025-2026, APPROVAL OF THE JOB CLASSIFICATION PLAN AND SALARY GRADES TABLE, AND APPROVAL OF THE CAPITAL IMPROVEMENT AND FACILITIES PLAN FOR FISCAL YEARS 2024-2025 AND 2025-2026

RECOMMENDATION:

Staff recommends the Board of Directors:

1. Adopt Resolution 3310 approving the General Manager's Operating Budget for Fiscal Years 2024-2025 and 2025-2026, and authorize staff to spend budgeted amounts in accordance with the requirements and authority levels previously established by the Board;
2. Approve the amended Job Classification Plan and Salary Grades Table in accordance with Resolution 2902, Job Classification Plan and Salary Grades Table, Section 7, effective July 1, 2024; and
3. Approve the Capital Improvement and Facilities Plan for Fiscal Years 2024-2025 and 2025-2026.

EXECUTIVE SUMMARY:

This Board letter is presented in three sections: the Operating Budget, the Job Classification and Salary Grades Table, and the Capital Improvement and Facilities Plan.

Western Municipal Water District's Operating Budget is presented in a two-year format with adoption by resolution. The resolution formally establishes spending authority for each fiscal year and provides specific authority for the General Manager regarding labor, budget, carryovers, and demand-based exclusions to spending authority.

The proposed Job Classification Plan and Salary Grades Table has been amended in accordance with the provisions stated in the Memorandum of Understanding (classified employees) and in the Confirmation of Understanding (non-classified employees) and reflects a 2.9% cost of living adjustment (COLA). The amendment also includes the twelve (12) new full-time positions that have been incorporated into the Operating Budget. Fiscal Year 2024-2025 includes seven (7) new full-time positions and Fiscal Year 2025-2026 includes five (5) new full-time positions, which will bring the full-time employee headcount from 165 to 177.

The Capital Improvement and Facilities Plan is a forward-looking, comprehensive plan that provides summary information about necessary capital project investments in the coming years.

BUDGET IMPACT:

Adoption of the biennial operating budget provides the General Manager with \$171.4 million in spending authority for Fiscal Year 2024-2025, and \$183.5 million for Fiscal Year 2025-2026. Adoption of the two-year Capital Improvement and Facilities Plan (CIFP) allows for projected spending of \$40,702,504 (not including funding offsets) for Fiscal Year 2024-2025, and \$49,414,511 (not including funding offsets) for Fiscal Year 2025-2026. In addition, CIFP adoption will provide staff, under the General Manager's direction, with the following:

1. Spending authority for the projects listed in each of the two fiscal years with a total annual cost of less than \$100,000 not requiring a public works contract;
2. Authority to fund the Minor Capital Projects Program with \$1,000,000 per fiscal year; and
3. Authority to fund the Risk Mitigation Program with up to \$200,000 per fiscal year; and
4. A discretionary fund of \$500,000 each fiscal year to be expended on unanticipated capital projects in accordance with the requirements and authority levels established through the District's purchasing policy.

All capital projects with a total cost of more than \$100,000, or classified as a public works project, will be presented to the Board of Directors for individual project approvals.

DETAIL:

SECTION I - FISCAL YEARS 2024-2025 and 2025-2026 OPERATING BUDGET

As with all of Western Municipal Water District's (Western Water's) initiatives, it is staff's responsibility and duty to scrutinize projects and processes to be as efficient and effective as possible. Staff continuously take steps to reduce expenses and costs while addressing challenges related to water supply impacts, and economic conditions. Proactive planning enables Western Water to prudently manage resources and assets with accountability and transparency.

The Operating Budget covers two separate fiscal years and is adopted by resolution. The resolution presents each fiscal year budget in an exhibit and indicates the total spending authority for each year. Since water demand, in particular, cannot be precisely forecasted due to uncontrollable variables such as customer demand and weather conditions, actual revenues and expenditures may vary significantly from the approved budget. The resolution excludes water purchases, power purchases, waste disposal costs paid to third-party vendors, and contract services from the overall spending authority restrictions in order to meet uncontrollable variables.

The resolution requires that expenditures be within the approved spending limit. Specific provisions regarding the use and transfer of budgeted funds enable the General Manager to carryover unexpended and uncommitted budgeted amounts from Fiscal Year 2024-2025 to Fiscal Year 2025-2026 and requires the General Manager to report any carryover amounts to the Board.

The two-year Operating Budget is a result of extensive work by Western Water staff. This budget supports the priorities and policies of the Board and Western Water. The budget is a tool for estimating and planning sources and uses of revenue and is used as a control tool for managing financial resources. If external factors materialize in greater fluctuations than what have been incorporated into this budget, the financial impacts will be communicated to the Board so that additional action on the budget can be taken accordingly.

The major drivers of the two-year Operating Budget include: anticipated water demand from wholesale and retail customers, the cost of imported water and associated energy cost, waste disposal cost, system operating and preventative maintenance cost, debt service obligations, and costs for administration.

Exhibit A to Resolution 3310 presents the consolidated Fiscal Year (FY) 2024-2025 and FY 2025-2026 Operating Budget listed by functional elements. The budget is divided into three main areas: Operating Funds, Non-Operating Funds, and Transfers. Operating Funds represent operating revenues and expenses (sources and uses), such as water sales, water purchases and wastewater disposal, and result from exchange transactions associated with the principal activities of Western Water. Management and administration are also considered operating expenses. Other revenues and expenses not included in the above categories are presented as non-operating revenues and expenses (sources and uses). Transfers represent allocations to or from funds for asset replacement and debt service funding.

The overall Operating Budget is summarized as follows (*in millions*):

	FY 2024-2025	FY 2025-2026
Operating Funds		
Sources of Operating Funds	\$ 144.2	\$ 156.4
Less Uses of Operating Funds	154.8	166.4
Net Operating Uses	<u>\$ (10.5)</u>	<u>\$ (10.0)</u>
Non-Operating Funds		
Sources of Non-Operating Funds	\$ 29.2	\$ 30.0
Less Uses of Non-Operating Funds	8.2	8.4
Net Non-Operating Sources	<u>\$ 21.0</u>	<u>\$ 21.6</u>
Net Sources	<u>\$ 10.5</u>	<u>\$ 11.6</u>
Transfers To Reserves	<u>\$ 8.4</u>	<u>\$ 8.7</u>
Net Surplus/(Deficit)	<u>\$ 2.1</u>	<u>\$ 2.9</u>

Note: Amounts in the schedule above are rounded which can affect total calculations.

Adopted as well as estimated water and wastewater rate revenue adjustments are incorporated in the budget projections for all the enterprise functions including retail water, wastewater, Inland Empire Brine Line, desalter water, and wholesale water. Recently adopted Metropolitan Water District rate increases are also incorporated in the budget projections.

SECTION II - JOB CLASSIFICATION PLAN AND SALARY GRADES TABLE AMENDMENT

An amended Job Classification Plan and Salary Grade Table is attached to this letter. Changes

include adjustments to salary ranges due to a Cost-of-Living Adjustment and the addition of full-time staff positions. The updated table also reflects the realignment or reclassification of certain staff resources to better align with organizational needs and support succession planning.

In the approved Memorandum of Understanding (MOU) and Confirmation of Understanding (COU) agreements with Western Water’s employees, a Cost-of-Living Adjustment (COLA) is guaranteed starting with the last pay period of June. The Cost of Living Adjustment is determined by the percentage change to the Consumer Price Index – U, for the Riverside-San Bernardino-Ontario area for the proceeding twelve (12) months ending in January. The agreements state the increase will be a minimum of 1% up to a maximum of 4%. The percentage change of the Consumer Price Index – U for the Riverside-San Bernardino-Ontario area for the proceeding twelve (12) months ending in January 2024 was 2.9%. Therefore, the Cost-of-Living Adjustment applicable to all Western Water employees shall be 2.9% effective at the beginning of the last pay period of June 2024.

As reflected in the FY 2024-2025 and FY2025-2026 Operating Budget, staff is recommending twelve (12) new full-time positions to be added to the number of authorized positions for a total full-time employee count of 177. These position additions would take place over the course of the two-year budget cycle, with seven (7) positions to be added in year one and five (5) positions to be added in year two. These positions are needed to support increased day-to-day workload demands, as directed through the Board-adopted 2022-2025 Strategic-Priorities.

A listing of proposed staff additions is included below:

Year	Position Additions	Department
Year 1	Engineering Technician I/II	Engineering, Development Services
Year 1	Senior Human Resources Analyst	Human Resources
Year 1	Operations Technician I/II/III/IV	Operations, Wastewater
Year 1	Operations Technician I/II/III/IV	Operations, Wastewater
Year 1	Operations Technician I/II/III/IV	Operations, Mechanical Services
Year 1	Management Analyst	Operations, Management
Year 1	Operations Supervisor	Operations, Technical Services
Year 2	Director	Communications & Customer Experience
Year 2	Senior Business Systems Analyst	Information Services
Year 2	Operations Supervisor	Operations, Construction/Collections
Year 2	Operations Technician I/II/III/IV	Operations, Mechanical Services
Year 2	Management Analyst	Operations, Technical Services

As for the Engineering Technician, a conversion of a part-time position to a full-time position within the Engineering department is needed to support continued expansion of new development projects. An additional Human Resources Analyst is needed to support the growth of Western Water's workforce and elevate ongoing programs and activities. Additional Operations Technicians for Wastewater and Mechanical Services are required to effectively operate existing, and new or expanded facilities that have been constructed in recent years. A Management Analyst on the Operations Management team will support asset management, special projects, biologist surveys, and regulatory reporting and scheduling. Adding a Director of Communications and Customer Experience will provide daily leadership and oversight of the department. A business systems analyst will be added to Information Services to support growing technology, software application, and cyber security needs.

The creation of a new Technical Services division with a Supervisor and the addition of a Management Analyst within the Operations Department will provide a specialized technical resource team that will be important to realize planned efficiency goals, improved operational performance throughout our water and wastewater system, and implementation of new programs. This division will also assist and/or lead project management efforts for commissioning and start-up for new facilities, development of standard operating procedures (SOPs) and operations and maintenance (O&M) manuals and coordinate closely with other departments like Engineering and Water Resources. The Technical Services team will also provide critical support on difficult technical issues, such as water quality, process control, and new or emerging environmental compliance requirements.

In addition to the new full-time positions noted above, staff identified opportunities within the organization where realignment will benefit departments to effectively re-distribute and share existing workload, eliminating knowledge gaps, while implementing and achieving strategic goals and initiatives through cost efficiencies. Staff, under the General Manager's authority, suggests functional reclassifications and technical title changes to accommodate department realignment efforts which support succession planning and better alignment of functional job responsibilities to meet business needs of our future.

These recommendations are outlined on the Job Classification Plan and Salary Grade Table and include reclassifying the Director of Operations to Executive Director of Operations; reclassifying the Deputy Directors of Operations to the Director of Maintenance Operations and the Director of Systems Operations; reclassifying the Assistant Deputy Director of Operations to Deputy Director of System Operations; reclassifying the Senior Human Resources Analyst to Human Resources Manager; reclassifying the Deputy Director of Information Services to Director of

Information Services; reclassifying the Information Services Specialist IV to Information Security Officer; and exchanging one (1) Water Resources Specialist position for a Water Resources Manager classification and updating the job classification description to reflect accurate job levels as Water Resources Specialist I/II/Senior.

SECTION III - FISCAL YEARS 2024-2025 AND 2025-2026 CAPITAL IMPROVEMENT AND FACILITIES PLAN (CIFP)

The CIFP includes proposed Fiscal Year 2024-2025 projected expenditures of \$40,702,504, and funding offsets for select projects of \$12,233,843, which results in a net Fiscal Year 2024-2025 total of \$28,468,662 in Western cash reserve expenditures necessary to advance the identified projects. The CIFP also includes proposed Fiscal Year 2025-2026 projected expenditures of \$49,414,511, and funding offsets for select projects of \$16,640,312 which result in a net Fiscal Year 2025-2026 total of \$32,774,200 in Western cash reserve expenditures necessary to advance the identified projects in the second year. Funding offsets are derived from Federal and State grant funding, and third-party agreements with commitments for specific projects, such as the Enhanced and Active Recharge Projects in the San Bernardino Basin Area.

Staff thoroughly reviewed and prioritized the projects listed in the attached listing through a collaborative, multi-departmental process. Projects were prioritized following careful consideration of current asset condition, availability of funding, regulatory requirements, safety, and consequence of failure, just to list a few. The goal of the team's collaborative approach to project selection and ranking is to provide the Board with the confidence to approve the individual projects as they are both considered collectively and brought individually before the Board. In addition to a review of the need and timing of these specific projects, staff has reviewed the individual project workloads, as well as the combined workload of the entire proposed plan, to ensure that we have the workforce to complete the projects listed in a timely manner.

The project listing for Fiscal Year 2024-2025 also includes the projects and associated funding obligations related to Western's Joint Powers Authority partnerships in the Chino Desalter Authority (CDA), the Santa Rosa Regional Resources Authority (SRRRA) and the Western Riverside County Regional Wastewater Authority (WRCRWA). The complete listing also includes known projects in the three-years following Fiscal Year 2025-2026. Although these future-year projects were evaluated in the current process, they will be reevaluated in advance of the next two-year CIFP cycle to ensure that Western Water remains focused on the most important projects.

Minor Capital Projects:

Staff is recommending the continuation of the Minor Capital Projects Program for \$1 million per fiscal year, to be purposefully allocated to the minor replacement, refurbishment, or upgrade of Western's assets. This is an effective capital budget strategy, especially for Western Water's many routine projects. These smaller, but important projects will be prioritized based upon on-going condition assessment protocols. In cases where an asset fails in advance of its expected lifetime, immediate need will escalate priority of a minor project. The Minor Capital Projects fund allows smaller projects to be performed quickly and efficiently based on business need and as prioritized by Western's trained professionals. Minor capital projects are defined as efforts that will refurbish, replace, or upgrade assets less than or equal to \$100,000, on a project-by-project basis. A significant number of these projects are small assets required to keep the systems operational, safe, and well maintained. Similarly, these projects may allow staff to bring tools, equipment, or services in-house to increase efficiency and reduce costs.

Examples of projects include, but are not limited to:

- ✓ Replacement or refurbishment of various pumps and motors
- ✓ Re-coating or replacement of the asphalt at reservoirs and pump station sites
- ✓ Valve and meter replacements or additions
- ✓ Vault-hatch lid replacements
- ✓ Variable frequency drive (VFD) replacements
- ✓ Water quality analyzer replacements
- ✓ Computer software or hardware
- ✓ Tools and equipment
- ✓ Minor facility repairs

Individual projects meeting the criteria may be authorized under Western Water's current Purchasing Policy. The following activities would be excluded from the program:

- Planning activities, research, or studies
- Design activities that would lead to additional expenses
- Land or facility acquisition
- Motor vehicles

Risk Mitigation Program:

Staff is recommending the continuation of the Risk Mitigation Program for \$200,000 per fiscal year, to be purposefully allocated to the capital projects designed to mitigate either safety,

security, or emergency management risks. The Risk Mitigation Program ensures that Western Water consistently promotes and completes projects for not only the resilience of its water supply, but also the resilience of its staff, resources, and infrastructure. Projects for consideration under the Risk Mitigation Program will include those that are less than \$100,000 in cost, can be implemented quickly, and provide the perceived greatest value in reducing Western Water's risk. Larger projects, those in excess of \$100,000, will be listed separately in CIFP and board authorization will be sought prior to proceeding with the project. Such projects may include, but are not limited to: Site Cameras, Site Fencing, Intrusion Detection Switches, etc.

Reason for Action:

The biennial operating budget provides the General Manager with spending authority to carry out Western Water's mission to provide water supply, wastewater disposal and water resource management to the public in a safe, reliable, environmentally sensitive, and financially responsible manner. The Capital Improvement and Facilities Plan identifies Western Water's capital project priorities for the next two years, while also giving a current forecast of the capital projects planned through June of 2029. The CIFP provides Board guidance to staff for workload and project planning. The updated salary grades table ensures compliance with agreements made with classified and unclassified employees are kept regarding COLA, positions align with workload, and succession planning efforts and Western Water continues to deliver Superior Service.

Solution:

Adopt the General Manager's Operating Budget and Capital Improvement and Facilities Plan for Fiscal Years 2024-2025 and 2025-2026, and approve the Job Classification Plan and Salary Grades Table.

STRATEGIC PRIORITIES REFERENCE:

Board adoption of the biennial Operating Budget, the updated Job Classification Plan and Salary Grades table, and the two-year CIFP is in direct alignment with Western Water's 2022-2025 Strategic Priorities and 2025 Aspirational Targets. Timely adoption of these items is not only part of Western Water's routine business activities, it secures an elite workforce to ensure the delivery of superior service, and resource management. Adoption also illustrates sound financial stewardship in a very transparent manner.

LEGAL COUNSEL REVIEW:

Not applicable.

Regular Board Meeting

June 5, 2024

Page 10

Respectfully submitted by:

Craig D. Miller, P.E., General Manager

Attachments:

1. Fiscal Year 2024-2025 Consolidated Operating Budget
2. Fiscal Year 2025-2026 Consolidated Operating Budget
3. Job Classification Plan and Salary Grades Table – Redlined Version
4. Capital Improvement and Facilities Plan Fiscal Years 2025-2029
5. Resolution 3310
6. PowerPoint Presentation