



## Fiscal Year 2024-2025 Budget

Original Adopted Budget: June 17, 2024

Revised Adopted Budget: February 24, 2025



## MID-YEAR FISCAL YEAR 2024-2025 BUDGET ADJUSTMENT

Annually, the District considers its financial position after the end of the first half of the fiscal year (FY). District staff reviewed income and spending patterns from July 1, 2024, through the end of December 31, 2024, and determined that adjustments to the FY 2024-2025 Budget were required. The FY 2024-2025 budget was adopted on June 17, 2024. Included in the budget adjustment process was a review of staffing levels, supplies, outside services, project expenditures, current work assignments, and other factors affecting the current budget. The table below summarizes the proposed changes to the budget:

### Monterey Peninsula Water Management District 2024-2025 Mid-Year Budget Adjustment-Summary

<u>Revenue</u>	<u>Adopted</u>	<u>Change</u>	<u>Amended</u>
Property Tax	2,700,000	200,000	2,900,000
Permit Fees - WDD	150,000	-	150,000
Permit Fees - WDS	48,000	-	48,000
Capacity Fee	300,000	100,000	400,000
User Fees	6,600,000	800,000	7,400,000
Water Supply Charge	3,400,000	(3,400,000)	-
PWM Water Sales	14,619,500	-	14,619,500
Interest	390,000	310,000	700,000
Other	15,000	-	15,000
Subtotal District Revenues	28,222,500	(1,990,000)	26,232,500
Reimbursements - CAW	1,193,950	-	1,193,950
Reimbursements - PWM Project	10,107,500	1,249,330	11,356,830
Reimbursements - Watermaster	39,600	-	39,600
Reimbursements - Reclamation	79,000	-	79,000
Reimbursements - Grants	2,552,168	(1,280,475)	1,271,693
Reimbursements - Other	35,000	5,000	40,000
Reimbursements - Recording Fees	60,000	-	60,000
Reimbursements - Legal Fees	15,000	-	15,000
Subtotal Reimbursements	14,082,218	(26,145)	14,056,073
Carry Forward From Prior Year	500,000	(500,000)	-
From Capital Reserve	55,000	(55,000)	-
From Litigation/Insurance Reserve		175,000	175,000
From Fund Balance	-	993,350	993,350
From Water Supply Reserve	-	3,353,245	3,353,245
Total Revenues	42,859,718	1,950,450	44,810,168
<u>Expenditures</u>	<u>Adopted</u>	<u>Change</u>	<u>Amended</u>
Personnel	5,097,461	475,433	5,572,894
Supplies /Services (inc. WSC legal settlement)	1,957,100	625,197	2,582,297
Project Expenditures	34,270,646	(1,872,014)	32,398,632
Fixed Assets	85,000	(14,900)	70,100



Capital Equip. Reserve	313,000		313,000
General Reserve Balance	616,511	(616,511)	-
Pension Reserve	100,000		100,000
OPEB Reserve	100,000		100,000
Water Supply Charge Reserve	-	3,353,245	3,353,245
Election Expense	250,000		250,000
Contingency	70,000		70,000
Total Expenditures	42,859,718	1,950,450	44,810,168

As the table above indicates, most of the changes were attributed to decreases in project expenditures and increases in legal and personnel expenditures. Legal expenses are higher due to settlement payments for the Water Supply Charge (WSC). Additional information regarding proposed changes and their effect on reserves is detailed in the background section of this report.

**BACKGROUND:** The Board of Directors adopted the original FY 2024-2025 budget on June 17, 2024. The paragraphs below summarize the original budget, proposed mid-year adjustments to the budget, and projected reserves accounts.

### Revenues

The 2024-2025 adopted budget anticipated revenue sources in the amount of \$42,859,718. Through December 31, 2024, actual revenue collections totaled \$16,974,854, or 39.6% of the total budgeted amount. The original budget included budgeted revenues of \$3,400,000 for the Water Supply Charge, which has been removed following a court ruling in September 2024. District staff analyzed the revenue activity for the first six months of the FY, as well as activities scheduled for the remainder of the FY, and recommended various adjustments to the revenue portion of the budget as shown in Exhibit 4-A and discussed below:

1. Increase of \$200,000 in Property Taxes to estimated revenues of \$2.9 million. This is based on an approximately 3% increase from the actual amount of property taxes received in FY 2023-24.
2. Increase of \$100,000 in Capacity fees to estimated revenues of \$400,000. This is based on actual revenues of \$282,702 received in the first six months of the fiscal year.
3. Increase of \$800,000 in user fees to estimated revenues of \$7,400,000. This is a 10% approximate increase from user fees collected in FY 2023-34 based on projected rate increases.
4. Decrease of \$3,400,000 in revenues from the Water Supply Charge, which is rescinded following the court ruling in September 2024.
5. Decrease of \$26,145 in reimbursements, mostly due to a decrease in grant revenues tied to the Integrated Resource Water Management (IRWM) grants, offset by an increase in estimated reimbursements for the Pure Water Expansion project.
6. Use of \$3,353,245 from the Water Supply Charge Reserve, \$175,000 from the Litigation/Insurance Reserve, and estimated use of \$993,350 from the fund balance to meet budgeted expenditures.



The cumulative effect of these revenue adjustments is an increase of \$1,950,450 in projected revenues and use of fund balance for FY 2024-2025.

### Expenditures

The original budget envisioned expenditures of \$42,859,718 in the fiscal year ending June 30, 2024. Through January 31, 2024, actual expenditures totaled \$11,387,145 or 26.6% of the budgeted amount. The spending pattern is not unusual at mid-year because project expenditures for the first half of each fiscal year were low. District staff analyzed the expenditure activity for the first six months of the fiscal year, as well as activities scheduled for the remainder of the fiscal year, and recommended various adjustments to the expenditure portion of the budget as discussed below:

- Changes to the operations budget are shown in **Exhibit 4-B**. The operations budget was proposed to be increased by \$1,085,730 with adjustments as follows:
  1. Increase in personnel services budget of \$475,433 due to increases in salaries and associated benefits related to new labor negotiations and MOUs adopted in July 2024, as well as a minor increase in expected personnel recruitment costs.
  2. Increase in Supplies and Services by \$625,197, mostly due to an increase in legal fees of \$545,421 for settlement for the WSC, as well as additional costs related to the repair of District facilities and vehicles.
- As presented on **Exhibit 4-C**, project expenditures decreased by a net amount of \$1,872,015. The main adjustments in the project budget are as follows:
  1. Decrease of \$626,550 in the budget for the Water Operating reserve. This equates to a budget for 250 Acre Feet of water instead of 400 Acre Feet in the original budget.
  2. Increase of \$1,249,330 in the budget for the PWM expansion project due to higher projected spending for the remainder of the year.
  3. Decrease of \$1,274,500 in acquisition costs related to the Public's acquisition of the Monterey water system.
  4. Decrease of 1,200,000 in expenditures for the IRWM 1 & 2 grants due to delays by project sponsors.
  5. Increase of \$3,353,245 in the WSC reimbursements and a decrease of \$616,511 in the estimated contribution towards the fund balance from the original budget.
  6. Other adjustments to the project expenditures as noted in the exhibit.

The cumulative effect of the adjustments to the expenditure side of the budget was an increase of \$1,950,450.



## Reserves

The District's reserve balance was projected to be as follows:

Reserves	Actual Balance 6/30/2024	FY 2024-25 Budget Changes	Est. Balance 06/30/2025
Litigation/Insurance Reserve	250,000	(175,000)	\$75,000
Capital Reserve	1,625,100	313,000	\$1,938,100
Flood/Drought Reserve	500,000	0	\$500,000
Pension Reserve	600,000	100,000	\$700,000
OPEB Reserve	600,000	100,000	\$700,000
General Operating Reserve	18,658,597	(993,350)	\$17,665,247
Totals	\$22,233,697	(\$655,350)	\$21,578,347
Water Supply Charge Reserve	3,353,245	(3,353,245)	\$0

The District estimates a total reserve balance of approximately \$21.6 million on June 30, 2025. This amount meets the minimum 5% of the operating budget requirement established by the Board in 2005-06. Actual fund balances in the various funds will vary based on final revenue and expenditures in FY 2024-25.

## **EXHIBITS**

- A** Revenues
- B** Operating Expenditures
- C** Project Expenditures
- D** Summary by Fund