

## **Slide 21 – Proposed O&M Expenditures**

When you look at the Proposed O&M Expenditures for the next 2 fiscal years you can see that the departments have risen to the challenge of maintaining a flat budget by controlling costs.

In Fiscal Year 16/17, the departments absorbed all cost increases including the impact of the tentative MOUs. FY 16/17 Proposed of \$417.7 million is \$0.9 million or 0.2% lower than the FY 15/16 budget of \$418.5 million.

FY 17/18 Proposed of \$419.8 million is \$2.1 million or 0.5% higher than FY 16/17 Proposed due primarily to inflationary increases in costs. (*merits, labor additive costs, slight increase in chemical & power costs to operate the treatment plants due to slightly higher treated water sales*).

## **Slide 22 – O&M Budget Trend – FY 2015/16 Budget compared to FY 2016/17 Proposed**

Let's look at the components of the overall decrease of \$0.9 million or 0.2% between the FY 15/16 & 16/17 budgets.

FY 16/17 Salaries and Benefits are \$4.9 million or 1.8% lower than the FY 15/16 Budget.

This decrease is primarily the result of an effort to control costs by unfunding positions or planning to leave positions vacant for some period during the fiscal year.

No base salary increase was incorporated at the time the budget was developed as the results of the MOU salary negotiations were not known. The impact of the tentative MOUs is captured in the Other O&M category in the pie chart. Net of this MOU increase, Salaries and Benefits will be approximately \$2.7 million higher.

Variable treatment or Chemicals, Solids & Power reflect the cost of the water treatment process and are anticipated to decrease by \$3.3 million in FY 16/17, driven by a decrease in treated water sales.

Increased property tax expenditures (*\$4.5M*) associated with the PVID land purchase are captured in Other O&M along with the impact of the tentative MOUs.

## **Slide 23 – O&M Budget Trend – FY 2016/17 Proposed compared to FY 2017/18 Proposed**

Let's look at the components of the overall increase of \$2.1 million between the FY 16/17 & 17/18 budgets.

FY 17/18 Salaries & Benefits is \$3.7 million or 1.4% higher than the FY 16/17 budget driven primarily by an increase in labor additive costs and merit increases for qualified employees. Again, no base salary increases were incorporated. However, the impact of an increase at the inflation rate of 2.25 percent to labor and additives is captured in Other O&M. (*MOU additional \$2.6 M, net salaries & benefits \$6.3M increase*)

Somewhat offsetting the increase in Salaries & Benefits, is a reduction in professional services (*\$3.5*) budgeted by Engineering.

## Slide 24 – Budgeted Positions

Budgeted Positions reflect an increase of 1 regular FTE (an Ethics Analyst) and an increase in temporary employees primarily within WSO (5) to offset peak workload and long term employee absences.

The number of unfunded positions as well as the number of positions planned to be vacant for some portion of the year are also increasing. (*unfunded 4 in 15/16 and 12 in 16/17 and 11 in 17/18*)

Bottom line, the total funded positions are 1,840 in 16/17 and 1,841 in 17/18, lower than the authorized positions of 1,912 in 16/17 and 1,910 in 17/18.

*(why 1,840 when current 1,785 employees? – large number of retirees in Dec & plan for 1,840 but takes awhile to fill recruitments, also budget staff planning for biennial budget done in Sept/Oct)*

## Slide 26 – GM Department O&M Budget – Proposed O&M Expenditures

Now let's look at the portion of the O&M budget related to the GM department.

As you can see the GM Department budget is slightly lower over the next two fiscal years. In fact, FY 16/17 Proposed of \$361.0 million reflects a \$5.4 million or 1.5% decrease from the FY 15/16 Budget of \$366.4 million. FY 17/18 Proposed of \$360.5 million is also decreasing slightly by \$0.5 million or 0.5% from FY 16/17 Proposed.

## Slide 27 – GM Department O&M Budget – by Group

Let's look at the proportion of the group budgets within the GM Department. This chart does not reflect any recent organizational changes. WSO accounts for \$199 million in FY 16/17 or 55% of the overall GM budget. (*excluding treatment chemicals, solids & power*)

Business Technology which includes Administrative Services, Information Technology and Business Outreach is the second largest and accounts for \$55 million in FY 16/17 or 15% of the overall GM budget.

GM	15.6	4%
WSO	199.2	55%
WRM	16.4	5%
ENG	32.5	9%
BT	52.9	15%
RPDM	5.3	1.5%
HR	12.3	3%
CFO	9.1	2.5%
EX	17.7	5%

## Slide 28 – GM Department O&M Budget – FY 2015/16 budget compared to FY 2016/17 Proposed

Now, let's look at the components of the overall decrease of \$5.4 million or 1.5% in the FY 16/17 GM budget as compared to the FY 15/16 budget.

Salaries and Benefits (*which do not include base salary increases related to the tentative MOUs*) are decreasing by \$4.2 million (*or 1.5%*) consistent with a drop of 10 funded FTEs from 1,795 in 15/16 to 1,785 in 16/17.

This underscores efforts to control costs by unfunding positions and planning to leave positions vacant for portions of the year. (*If offset by \$7.6 M MOUs, net increase \$3.4M?, don't have MOU impact by group*).

Maintenance Outside Services are also decreasing (*\$1.8 M*) due to a favorable security contract bid.

**Slide 29 – GM Department O&M Budget – FY 2016/17 Proposed compared to FY 2017/18 Proposed**

Now, let's look at the components of the overall decrease of \$0.5 million or 0.1% in the FY 17/18 GM budget as compared to the FY 16/17 budget.

Total (funded) FTEs are increasing by one to 1,786 in FY 17/18 with the refunding of an IT analyst position.

Salaries and Benefits (*which do not include base salary increases related to the tentative MOUs*) are increasing by \$3.8 million or 1.4% due to an increase in labor additive costs and merit increases for qualified employees.

*(MOUs additional \$2.6M?, net increase \$6.4? – don't have MOU impact by Group) (used 2.25% inflation rate for Salary & Benefits increase)*

Offsetting the Salaries & Benefits increase is a decrease in Professional Services (\$3.5M) budgeted by Engineering.

**Slide 31 – Legal Department O&M Budget – Proposed O&M Expenditures**

The General Counsel's budget remains relatively flat over the 2 year budget period.

**Slide 32 – Legal Department O&M Budget – FY 2015/16 Proposed compared to FY 2016/17 Proposed**

The only increase in both budget years (*16/17 & 17/18*) is due to an increase in labor additive costs and merit increases for qualified employees.

**Slide 33 – Legal Department O&M Budget – FY 2016/17 Proposed compared to FY 2017/18 Proposed**

**Slide 35 – Audit Department O&M Budget – Proposed O&M Expenditures**

The General Auditor's budget remains flat over the 2 year budget period.

**Slide 36 – Audit Department O&M Budget – FY 2015/16 Proposed compared to FY 2016/17 Proposed**

The Audit Department managed labor costs to remain flat for both FY 16/17 and 17/18.

**Slide 37 – Audit Department O&M Budget – FY 2016/17 Proposed compared to FY 2017/18 Proposed**

**Slide 39 – Ethics Department O&M Budget – Proposed O&M Expenditures**

The Ethics Department is proposing a restructuring with an increase of one FTE (*an Ethics analyst*) to 5 FTEs in FY 16/17.

**Slide 40 – Ethics Department O&M Budget – FY 2015/16 Proposed compared to FY 2017/18 Proposed**

The Proposed budget for FY 16/17 is approximately \$250K or a 25% increase from the FY 15/16 budget.

**Slide 41 – Ethics Department O&M Budget – FY 2016/17 Proposed compared to FY 2017/18 Proposed**

The minimal increase *in the 2<sup>nd</sup> year* is due to an increase in labor additive costs.