

# UTICA WATER AND POWER AUTHORITY

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**Date:** May 20, 2024  
**To:** Utica Budget Committee  
**From:** Joel Metzger, General Manager  
**Re:** Discussion / Direction Regarding the Fiscal Year 2024-2025 Draft Budget

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## **RECOMMENDED ACTION:**

Staff recommends the Utica Budget Committee provide recommendations to the full Utica Board regarding the FY 2024-2025 Draft Budget.

## **BUDGET DEVELOPMENT BACKGROUND:**

### Revenues

Utica has two types of revenues: Operating and non-operating.

- Operating income consists of water sales to agricultural customers and Northern California Power Agency (NCPA), hydroelectric power sales, and water supply agreement payments from Union Public Utility District (UPUD) and City of Angels (COA). In FY 2024-2025, staff projects Murphys Powerhouse will generate about \$1.12 million and Angels Powerhouse will generate about \$575,000 (it is a Water Year 1). Water sales to agricultural water contractors are projected to be about \$44,775. Water sales to NCPA are projected to be \$0, given the uncertainty of their interest in buying water and their offering price may be lower than what Utica can generate by running water through its two powerhouses. However, this could change if NCPA makes an offer that makes financial sense.
- Non-operating income consists of interest income, property leases, and grants. Staff projects non-operating income will be about \$67,000, with the largest increase being leases to communications companies.
- Grant funding includes a projected \$950,000 for the Hunter Reservoir Fuels Reduction Project grant from CAL FIRE. An additional \$25,000 is expected from the United States Bureau of Reclamation (USBR) WaterSMART grant for automated waste gates and cross gates. Staff has submitted additional grant applications for funding from the Department of Energy and WaterSMART that are under review by funding agencies.
- Reserve Transfers in consists of funds that are being transferred out of reserves and infused into the general fund. Staff is projecting \$230,000 will be transferred from the Federal Energy

Regulatory Commission (FERC) reserve to cover the projected costs of the FERC Exemption application efforts. This includes consultants, legal counsel, and general FERC Exemption related costs.

- In FY 2023-2024, Utica spent \$243,000 (funds came from the Operating Reserve) on road repairs that were damaged during storms in the winter of 2022-2023. Staff has submitted requests for reimbursement of about 94% of those costs to Federal Emergency Management Agency (FEMA) and California Office of Emergency Services (Cal OES).

### Expenditures

- Wages and benefits include salaries, burden, benefits, on-call, and overtime. In FY 2022-2023, this line item was \$1,128,740. In FY 2023-2024, this line item was \$1,198,158, which included performance-based step increases of 2.5% for all non-contract employees and a cost-of-living (COLA) increase of 5% (inflation was 7% that year) to account for inflation. In FY 2024-2025, this line item is projected to be \$1,293,990, which includes 2.5% performance-based step increases for qualifying employees and a 3% COLA. The San Francisco-Oakland-Hayward, California, Consumer Price Index (CPI) shows an increase of 2.37% from April 2023 to 2024. For reference, UPUD is providing a 5% step increase and a 3% COLA to its employees over the next five years. The City is still negotiating what the step increases and COLAs will be in the coming years.
- Services and Supplies include maintenance and repairs, professional services, governmental fees, utilities, travel and training, and more. In FY 2022-2023, the total budget for Services and Supplies was \$783,920. The FY 2023-2024 budget included \$243,000 in road repairs from damages that occurred during the New Year's Storm Emergency. In FY 2023-2024, the budget was \$1,147,040. Staff projects the amount for FY 2024-2025 will be 959,186. This includes about \$135,000 in maintenance and repair (please note staff is recommending moving flume, canal, and dam maintenance from Capital Improvements to Maintenance and Repairs, which would increase that budget by about \$200,000).
- Utica's updated 10-year Capital Improvement Plan (CIP) includes three main categories: Water, Power, and General. The total cost for CIP in FY 2022-2023 was \$596,000. The total CIP cost for FY 2023-2024 was about \$690,000. In FY 2024-2025, the CIP is projected to cost \$775,000. The following projects have been identified as the highest priority:
  - Water: While the CIP has \$100,000 budgeted. Staff is recommending \$35,000 for shotcrete overlay of sections of the gunite canal that are failing (as noted above, staff is recommending the flume and canal repairs be moved to the category Maintenance and Repairs). For dam and spillway improvements, staff recommends \$0 – addressing maintenance and study requirements with funding allocated to regulatory agencies (\$35,000, per the CIP). \$10,000 for a gaging station to be installed just above the Angels Forebay, to give operators better data on the Angels Canal. \$145,000 to complete the purchase and installation of a trash rack replacement at Murphys Forebay (\$135,000 in the budget for FY 2023-2024).
  - Power: \$50,000 to fund the permitting process for the future upgrade from mechanical relays to digital. Staff recommends \$20,000 to complete the Murphys Governor Retrofit Project. Staff recommends not funding the backup transformer (\$150,000 FY 2024-2025 and \$150,000 FY 2025-2026) listed in the CIP. Instead, due to potential

for failure, staff recommends beginning the funding a Static Exciter Project for MPH, costing \$75,000 in FY 2024-2025.

- General: \$15,000 for feasibility studies, which includes the Highway 4 Water Supply Reliability study (in partnership with CCWD, UPUD, COA) and continued evaluation of preferred alternatives for pre-hazard mitigation projects to protect Utica's water supply system from natural disasters. \$20,000 for general facilities focused on building maintenance at Hunter Reservoir to protect lumber and tools, paving at Hunters and HQ, securing facilities from theft at HQ, and other facility maintenance projects.
- Capital Outlay includes funding for equipment, vehicles, and communications infrastructure. Staff projects \$21,000 in expenses for FY 2024-2025, staff is deferring the purchase of a truck for Water Conveyance estimated to cost \$40,000, \$10,000 for tools and equipment, and \$11,000 for equipment attachments.
- Utica's reserves contributions take one exception to the schedule adopted by the Board's Reserve Policy in 2022. In FY 2024-2025, per the policy, total reserve contributions would be \$503,800 – the budget committee recommends reducing this to \$403,800. The FY 2024-2025 will include \$300,000 (\$400,000 per policy) contribution to the FERC Relicensing and Exemption Fund, \$30,000 contribution to the Operating Reserve, and \$73,800 to FERC studies/inspection 5- and 10-year Reserves. There is no projected contribution to the JPA Member Contribution Reserve (which is proposed to be renamed to the Budget Balancing Reserve).

## **BALANCING THE BUDGET:**

In April, the Utica Budget Committee and Utica Board of Directors provided staff with direction on adjustments to the draft FY 2024-2025 Budget. These adjustments were made, and staff is recommending additional cuts as well. The FY 2024-2025 Draft Budget prepared by staff for presentation to the Utica Budget Committee on May 20, 2024, is balanced. The budget includes payments from UPUD and COA of \$370,000 each.

Below is a list of additional changes to the budget since the April 30, 2024, Utica Board meeting:

1. The carryover projection increased from \$96,000 to \$151,000 for FY 2023-2024. This number will continue to change as numbers are refined in the coming months.
  - a. Reduction in Chief Dam Safety Engineer expenses from general fund for FY 2023-2024 by \$5,000.
  - b. A \$5,400 reduction in projected expenses for SCADA and PLC programming.
  - c. \$7,000 reduction in projected GIS mapping expenses
  - d. \$10,000 reduction in projected outside IT services (23-24)
  - e. Various reductions in projected salaries and benefits expenses
2. Grant writing support was cut by an additional \$5,000
3. Reduced community education and outreach by \$5,000.
4. Reduced outside IT services by \$10,000 in FY 24-25.

The budget was balanced without using any of the \$505,000 budget balance reserve.

**NEXT STEPS:**

The Budget Committee will review staff-recommended changes made to balance the FY 2024-2025 Budget and make recommendations to the full Utica Board of Directors.

**ATTACHMENTS:**

1. Fiscal Year 2024-2025 Draft Budget
2. Budget vs. Actual Report through April 2024