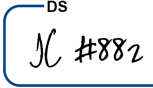




Date: May 01, 2023
To: Honorable Board of Directors
From: Javier Chagoyen-Lazaro ^{DS} 
Treasurer
Subject: Adoption of IERCA Budget for Fiscal Year 2023/24

RECOMMENDATION

It is recommended that the Board of Directors;

1. Adopt the Inland Empire Regional Composting Authority (IERCA) budget for fiscal year 2023/24;
2. Increase the tipping fee from \$59.00 to \$62.50 per wet ton; and
3. Approve a capital call of \$1.5 million to be shared equally by the Inland Empire Utilities Agency (IEUA) and Los Angeles County Sanitation Districts (LACSD) to support capital improvement project costs and meet the minimum reserve balance, as needed.

BACKGROUND

Pursuant to the Inland Empire Regional Composting Authority Joint Powers Agreement (JPA), an annual operating and capital budget is to be presented and adopted by the JPA Board prior to June 30 each year. The proposed FY 2023/24 budget is based on the following key assumptions:

Revenues

- Increased the tipping fee from \$59.00 to \$62.50 per wet ton,
- Maintain the estimated biosolids receipts of 148,500 tons, and
- \$1.5 million capital call to support the proposed capital improvement plan (CIP).

O&M Expenses

- Operating expenses increased due to:
 - Utilities – Increase costs per kWh and expected usage in FY 23/24
 - Professional Fees and Services – Increase in cost related to all contracted services, such as transportation costs
 - Leases and Rentals – Increase in cost related to all leases and equipment rentals, such as RP4 Storage Facility lease and support equipment rentals
- Maintain staffing at 25 full time equivalent (FTE) positions

Adoption of Budget for Fiscal Year 2023/24

May 1, 2023

Page 2 of 4

Capital Improvement Plan (CIP)

The proposed FY 2023/24 capital improvement plan of \$1.5 million is funded by capital contributions. A summary of the CIP is shown below in Table 1.

Table 1: FY 2023/24 Proposed Capital Improvement Plan

Amount (\$ in Thousands)	Actual FY 2021/22	Projected Actual FY 2022/23	Proposed Budget FY 2023/24
Replacement & Rehabilitation (R&R)	\$1,268	\$1,600	\$1,500
Capital Expansion	0	0	0
Total	\$1,268	\$1,600	\$1,500

The proposed FY 2023/24 CIP of \$1.5 million includes the replacement of augers for hopper #2, expansion of IERCF lunchroom, and improvement of compost facility tent storage cover. Capital replacement and rehabilitation (R&R) continues to be the emphasis of the proposed CIP.

FY 2023/24 Budget Summary

The following section summarizes the proposed FY 2023/24 budget for total revenues, expenses, and capital expenditures.

FY 2023/24 total revenues of \$11.5 million, as shown in Table 2 below, are \$0.4 million higher than the FY 2022/23 projected actual mainly due to the increase in the tipping fee.

Table 2: FY 2023/24 Revenues

REVENUES	Amount (\$ in Thousands)	Assumptions
Tipping Fees	\$9,281	Based on 148,500 wet tons per year at a rate of \$62.50/ton
Contributed Capital	1,500	Capital call equally shared by IEUA and LACSD to support capital process improvements
Compost Sales/ Organics Waste Recycling/Compost Deliveries	640	100% sales of compost products compost delivery service and green waste recycling.
Biosolids Administration Fees	16	Tipping fee surcharge paid by third party biosolids suppliers.
Interest Income & Other Revenues	59	Assumes 1.75% annual interest rate.
Total Revenues	\$11,496	

Total operating expenses of \$10.0 million proposed for FY 2023/24 are \$0.9 million higher than FY 2022/23 projected actual of \$9.1 million. The key driver for the increase is employment costs related to cost-of-living adjustment, merit increases, and higher pension and health benefit costs and anticipated increases in electricity rates from Southern California Edison. No change in the

Adoption of Budget for Fiscal Year 2023/24

May 1, 2023

Page 3 of 4

authorized staffing level of 25 full time equivalent (FTE) position is proposed. A summary of the FY 2023/24 operating expenses is reported in Table 3.

Table 3: FY 2022/23 Expenses

OPERATING EXPENSES	Amount (\$ in Thousands)	Assumptions
Employment	\$4,733	Maintain 25 FTE operation support provided by IEUA/ LACSD.
Utilities	1,456	Includes power purchases from the grid, solar renewable energy, and disposal service.
Professional Services	1,609	Includes compost transport and contracted services.
Materials & Supplies	1,145	Includes facility maintenance supplies, fuel, and biofilter media replacement reserve.
Office & Admin/Insurance	797	Includes software license fees, memberships, insurance, and office supplies.
Other Expenses	234	Includes leases/rental and financial expenses, operating fees (Non-Reclaimable Wastewater charges, permits and licenses.)
Total Expenses	\$9,974	

Major capital includes the compost facility tent storage cover replacement and operation building improvements. A capital replacement contingency project of \$375,000 is also proposed to support unforeseen expenditures. Schedule C provides a detailed listing of the proposed CIP.

Table 4: FY 2023/24 Capital Improvement Plan

CAPITAL PROJECTS	Amount (\$ in Thousands)	Project Description
Compost Facility Tent Storage Cover Replacement	\$800	Compost facility tent storage cover with an OEM twenty-year warranty
Capital Replacement	375	For minor construction projects and unforeseen capital expenditures.
Operations Building Expansion	200	Expansion of IERCF lunchroom to extend larger eating area with more tables and chairs.
Hopper #2 Auger Replacement	125	Replacement of new auger screws to maintain equipment.
Total Capital Improvement Plan	\$1,500	

Adoption of Budget for Fiscal Year 2023/24

May 1, 2023

Page 4 of 4

Fund Balance

Based on the proposed budget, the total ending fund balance is estimated to be \$5.80 million at the end of FY 2023/24; a \$0.03 million increase from the FY 2022/23 projected actual ending fund balance of \$5.77 million.

Designation of Fund Balance

Maintaining an adequate fund balance is essential in ensuring the JPA's ability to support day-to-day operations and near term operating and capital requirements. Table 5 below summarizes the proposed designation for the estimated fund balance of \$5.80 million at the end of FY 2023/24, along with the intended funding sources. The projected ending reserves meet the minimum required level as defined in the Board adopted Reserve Policy.

Table 5: FY 2023/24 Fund Balance

Fund Balance Category	Description	Estimated Ending Balance as of 6/30/2024 Amount (\$ in Thousands)	Funding Source
Operating Contingency	Equal to three months of operating expenses to address unforeseen events	\$2,494	Tipping fees
Bio-Filter Replacement	Replacement of one sector per year	350	
Commercial Insurance	Self-insurance program	250	
Capital/Replacement/Rehabilitation	Projected R&R costs over the next 5 years averages about \$4.70 per wet ton	2,702	Capital Call and Tipping Fees
Total		\$5,796	

PRIOR BOARD ACTION

The Board adopted the FY 2022/23 budget on June 6, 2022.

IMPACT ON BUDGET

None.

Attachments:

Attachment A – 2023/24 IERCA Budget Summary (Schedule A)

Attachment B – 2023/24 IERCA Budget Details (Schedule B)

Attachment C – 2023/24 IERCA Budget Project Lists (Schedule C)

Attachment D – 2023/24 IERCA Budget Presentation