




Date: May 06, 2024
To: Honorable Board of Directors
From: Kristine Day
Treasurer ^{DS}
Subject: Adoption of IERCA Budget for Fiscal Year 2024/25

RECOMMENDATION

It is recommended that the Board of Directors;

1. Adopt the Inland Empire Regional Composting Authority (IERCA) budget for fiscal year 2024/25;
2. Increase the tipping fee from \$62.50 to \$65.50 per wet ton; and
3. Approve a capital call of \$2.9 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 2024/25 budget is based on the following key assumptions:

Revenues

- Increased the tipping fee from \$62.50 to \$65.50 per wet ton,
- Maintain the estimated biosolids receipts of 148,500 tons, and
- \$2.9 million capital call to support the proposed capital improvement plan (CIP).

O&M Expenses

- Operating expenses increased due to:
 - Insurance – Significant increase in cost of coverage for IERCF for FY 2024/25.
 - Professional Fees and Services – Increase in cost related to all contracted services, such as Biofilter Source Testing (biennially), and transportation costs.
 - Materials and Supplies – Two O&M projects, the Ventilation Pipe Jetting Repair and CURG Row 9 Roof Failure projects.
- Maintain staffing at 25 full-time equivalent (FTE) positions.

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FY 2024/25 Budget Summary

The following section summarizes the proposed FY 2024/25 budget for total revenues, expenses, and capital expenditures.

FY 2024/25 total revenues of \$13.5 million, as shown in Table 1 below, are \$1.9 million higher than the FY 2023/24 projected actual mainly due to the increase in the contributed capital and tipping fee.

Table 1: FY 2024/25 Revenues

REVENUES	Amount	Assumptions
Tipping Fees	\$9,726,750	Based on 148,500 wet tons per year at a rate of \$65.50/ton
Contributed Capital	2,925,000	Capital call equally shared by IEUA and LACSD to support capital process improvements
Compost Sales/ Organics Waste Recycling/Compost Deliveries	725,000	100% sales of compost products compost delivery service and green waste recycling.
Biosolids Administration Fees	16,000	Tipping fee surcharge paid by third party biosolids suppliers.
Interest Income & Other Revenues	111,230	Assumes 1.75% annual interest rate.
Total Revenues	\$13,503,980	

Total operating expenses of \$11.2 million proposed for FY 2024/25 are \$1.3 million higher than FY 2023/24 projected actual of \$9.9 million. The key driver for the increase is insurance costs, O&M projects for facility repairs, employment costs related to cost-of-living adjustment, merit increases, higher pension and health benefit costs, and anticipated increases in electricity rates from Southern California Edison. No change in the authorized staffing level of 25 full-time equivalent (FTE) positions is proposed. A summary of the FY 2024/25 operating expenses is reported in Table 2.

Table 2: FY 2024/25 Expenses

OPERATING EXPENSES	Amount	Assumptions
Employment	\$4,874,700	Maintain 25 FTE operation support provided by IEUA/ LACSD.
Professional Services	1,800,580	Includes compost transport and contracted services.
Utilities	1,557,517	Includes power purchases from the grid, solar renewable energy, and disposal service.
Materials & Supplies	1,495,446	Includes facility maintenance supplies, fuel, and operations and maintenance project costs.

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OPERATING EXPENSES	Amount	Assumptions
Office & Admin/Insurance	1,249,378	Includes software license fees, memberships, insurance, and office supplies.
Other Expenses	249,798	Includes leases/rental and financial expenses, operating fees (Non-Reclaimable Wastewater charges, permits and licenses.)
Total Expenses	\$11,227,419	

The proposed FY 2024/25 capital improvement plan of \$2.9 million is funded by capital contributions. Capital replacement and rehabilitation (R&R) continues to be the emphasis of the proposed CIP. A capital replacement contingency project of \$500,000 is proposed to support unforeseen expenditures as shown in Table 3.

Table 3: FY 2024/25 Capital Improvement Plan

CAPITAL PROJECTS	Amount	Project Description
Biofilter Replacement	\$1,500,000	Removal and disposal of spent biofilter media and replacement with new media.
Capital Replacement	500,000	For minor construction projects and unforeseen capital expenditures.
IERCF Active Hopper Replacement	300,000	Replacement or rehabilitation of the active hopper due to end of useful life.
IERCF Server Replacement	200,000	Replacement of production servers to avoid process interruptions.
Fire System PIV Replacement	150,000	Removal and replacement of three Post Indicator Valves that control water into the fire prevention sprinkler system.
Roof Fan Replacement	150,000	Replacement of a corroded ventilation supply fan has reached the end of its useful life.
VFD Replacements	125,000	Procure high-horsepower Variable Frequency Drives to maintain production and ventilation at IERCF.
Total Capital Improvement Plan	\$2,925,000	

Fund Balance

Based on the proposed budget, the total ending fund balance is estimated to be \$5.0 million at the end of FY 2024/25; a \$0.7 million decrease from the FY 2023/24 projected actual ending fund balance of \$5.7 million.

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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 4 below summarizes the proposed designation for the estimated fund balance of \$5.0 million at the end of FY 2024/25, along with the intended funding sources. The projected ending reserves meet the minimum required level as defined in the Board adopted Reserve Policy.

Table 4: FY 2024/25 Fund Balance

Fund Balance Category	Description	Estimated Ending Balance Amount as of 6/30/2025	Funding Source
Operating Contingency	Equal to three months of operating expenses to address unforeseen events	\$2,806,855	Tipping fees
Bio-Filter Replacement	Replacement of one sector per year	350,000	
Commercial Insurance	Self-insurance program	250,000	
Capital/Replacement/Rehabilitation	Projected R&R costs over the next 5 years averages about \$8.60 per wet ton	1,635,656	Capital Call and Tipping Fees
Total		\$5,042,511	

PRIOR BOARD ACTION

The Board adopted the FY 2023/24 budget on May 1, 2023.

IMPACT ON BUDGET

None.

Attachments:

Attachment A – 2024/25 IERCA Budget Summary (Schedule A)

Attachment B – 2024/25 IERCA Budget Details (Schedule B)

Attachment C – 2024/25 IERCA Budget Project Lists (Schedule C)

Attachment D – 2024/25 IERCA Budget Presentation