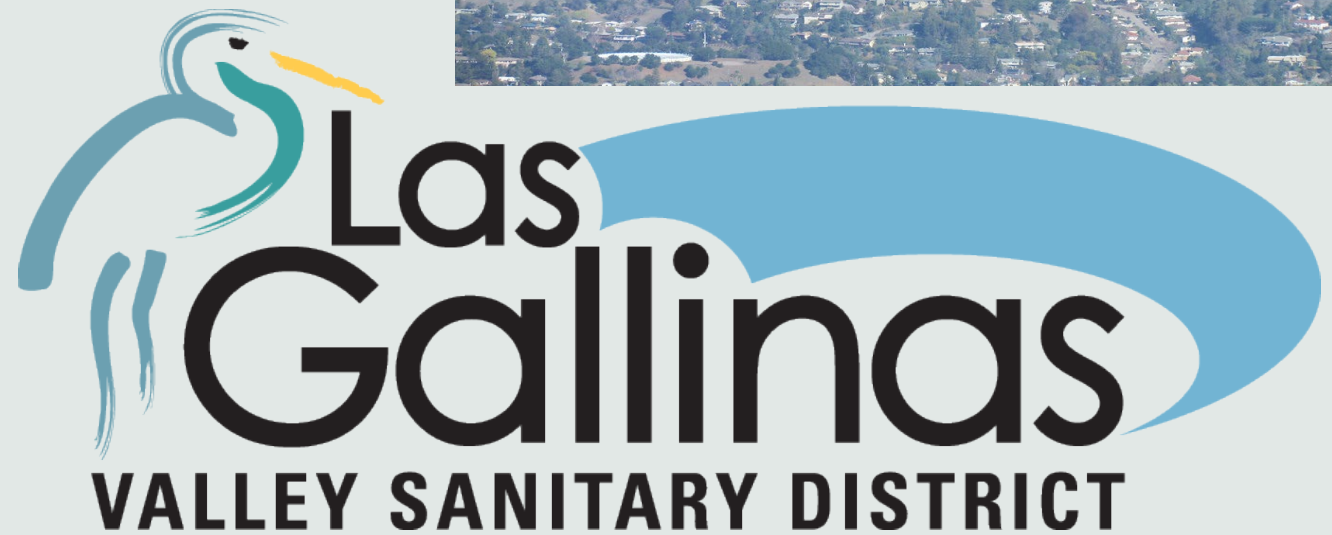


Budget Workshop for Fiscal Year 2025-2026

APRIL 17, 2025



CURRENT FISCAL YEAR 2024-2025

PROJECTS

Targeting 65% Completion

BUDGET

Expenditures Under Budget

STAFFING

All Positions Fully Staffed

ELEVATED COSTS

Equipment and Maintenance

FOCUS

**CAPITAL IMPROVEMENT
PROGRAM (CIP) WILL HAVE
SIGNIFICANT IMPACT ON
BUDGET**

**PROJECT FINANCING
NEEDS TO BE SECURED**

Capital Outlay

The Capital Improvement Program (CIP) identifies adequate funding to support the acquisition, construction and replacement of assets identified in the program, and identifies projects that the District believes beneficial to the system, but funding has not yet been identified.



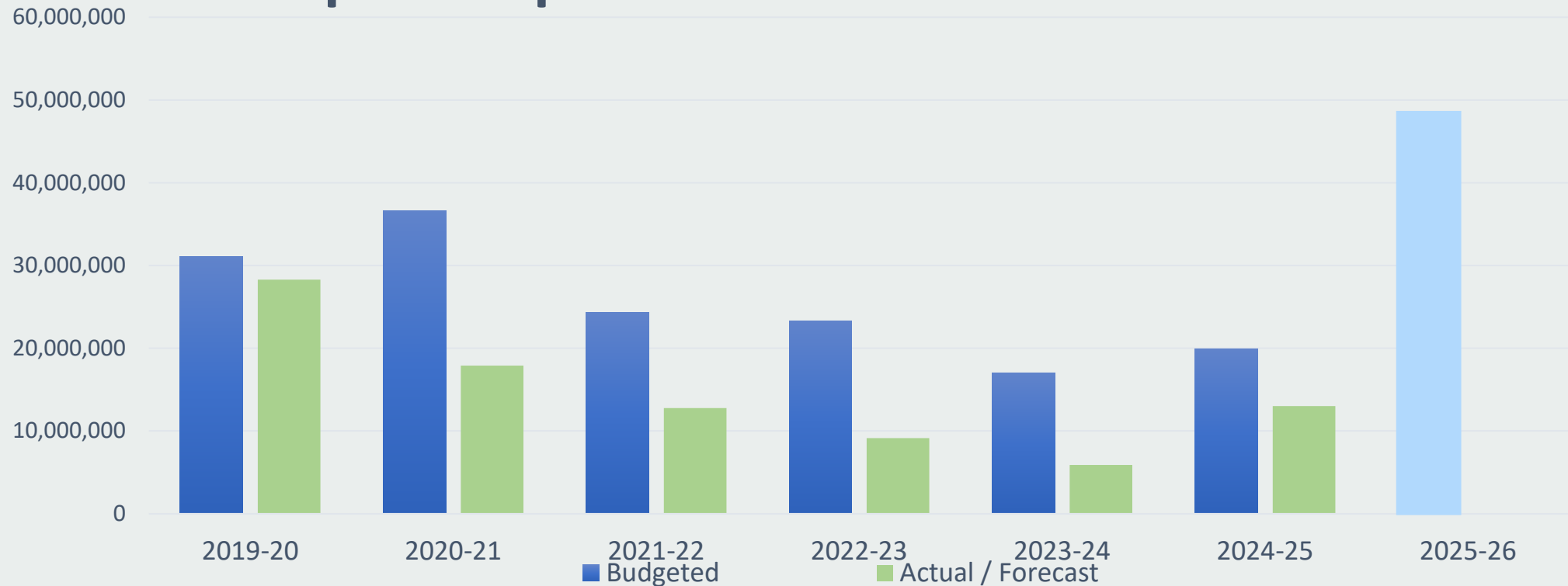
Capital Outlay funding will be included in the proposed budget for 2025-2026. Projected expenditures for years 2 through 5 are included in the CIP for rate study forecasting and planning purposes.

Capital Outlay

- ✓ **Solar PV System and Battery Energy Storage**
- ✓ **Multipurpose Lab Building Construction**
- ✓ **John Duckett and Terra Linda Creek Crossing**
- ✓ **Future Funding of Capital Projects**

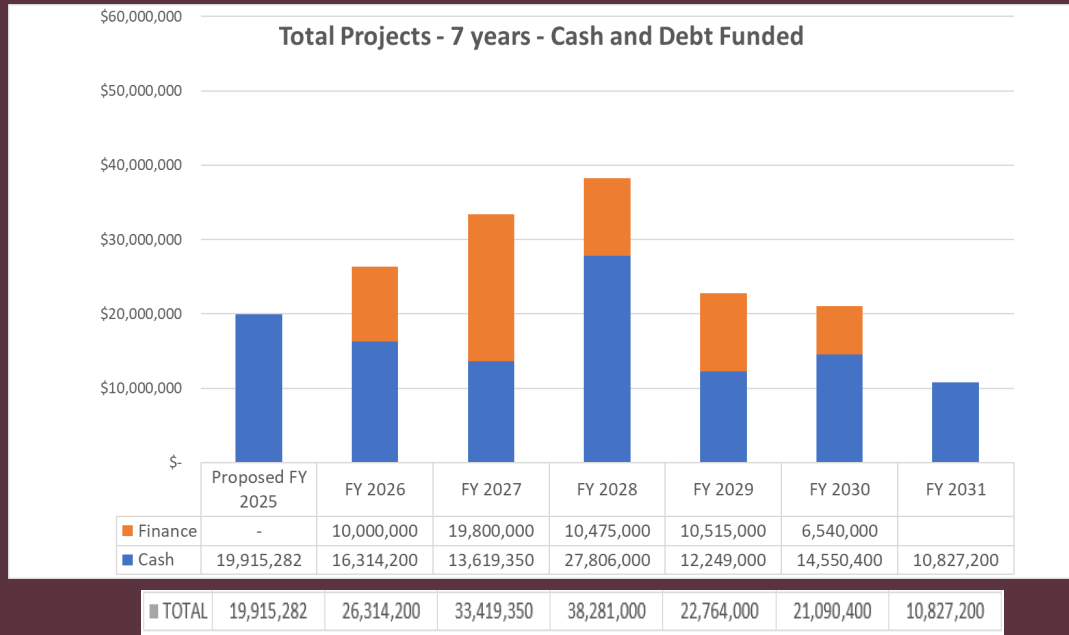
Capital Projects

Capital Improvements Over The Years



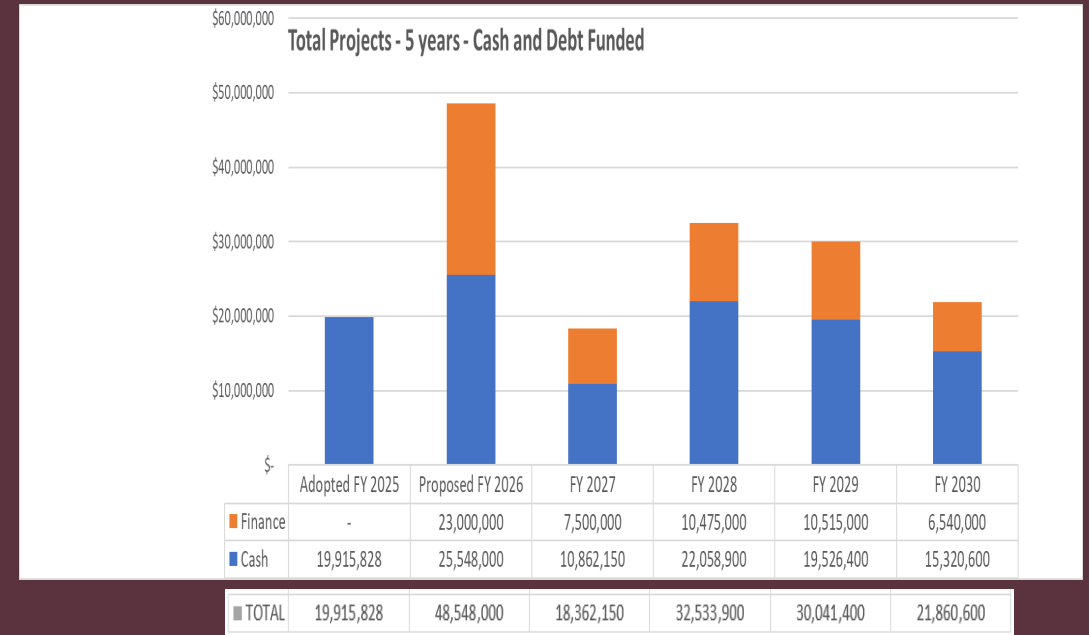
Capital Improvement Program Year-over-Year Comparison

2024-2025 Adopted CIP



Change from 7-Year to 5-Year CIP

2025-2026 Workshop CIP



**+ Increase in FY 2025-2026
- Decrease in FY 2026-2027**

Year-Over-Year Drivers

- **Multipurpose Lab Building increase from \$11M to \$19 M and compressed construction to complete by June 2026.**
- **Solar PV construction versus PPA in prior year budget, \$3.5M increase with work to be complete by April 2026.**
- **Battery Energy Storage System \$2.5 M moved up in the CIP schedule, from FY 2026-27, with completion by June 2026. Dropped \$3M of BESS expenditures from future years.**
- **John Duckett Pump Station estimated construction expenditures reduced to \$5M in FY 2025-26 (\$10M dropped from FY 2026-27.)**

Projects to be Financed

Ref No.	Mgr.	Project No.	Account	Project Name	Proposed Budget 2025-26	Debt Financed	Total Funding Sources
FINANCED AND BOND PROJECTS							
91	MC	22500-04	10-580-7101	Solar PV System Replacement Planning / Design / Build Project	3,550,000	3,500,000	3,550,000
92	MC	Planned CIP		Laboratory Building Construction - (Lab / Education Center / Boardroom) ⁽³⁾	19,000,000	10,000,000	19,000,000
93	MC	Planned CIP		John Duckett PS & Terra Linda TS Creek Crossing Construction	5,000,000	4,500,000	5,000,000
94	MC	Planned CIP		Corporation Yard Construction	5,000,000	5,000,000	5,000,000
Subtotal:					32,550,000	23,000,000	32,550,000

- ✓ **Management proposes to move Battery Energy Storage System (BESS) Project from cash funded to financed.**
- ✓ **Total Debt Financed Projects will be increased to \$25.5 Million.**

Revenue

	FY 2024-25 Adopted Budget	FY 2024-25 12-Month Projected	FY 2024-25 % of Budget	FY 2025-26 Proposed Budget
Revenue				
Operating Revenue	21,109,930	20,840,708	98.72%	22,920,703
Non-Operating Revenue	2,912,240	3,240,028	111.26%	2,849,248
Connection Fees	1,072,327	794,996	74.14%	902,193
Debt Financing	-	-	0.00%	25,500,000
	25,094,497	24,875,732	99.13%	52,172,145

Revenue to Increase 4.2% Over FY 2024-25 (excluding debt financing)

- **Sewer Service Charge increase 10%**
- **Property Tax growth 4%, lower than in prior years**
- **Investment Income to drop as Capital Reserves used**
- **Connection Fees forecast lower**
- **New Debt Financing of \$25.5 M proposed for projects in FY 2025-26**

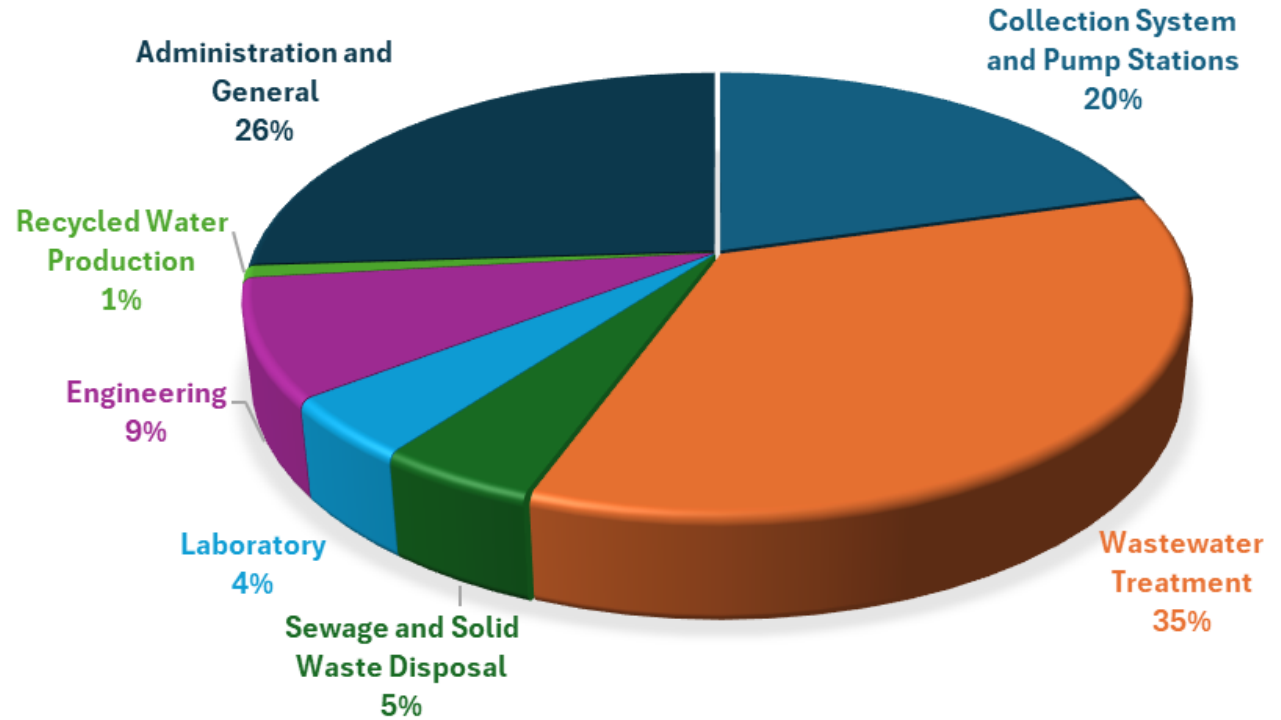
Use of Reserves Funding Sources

Revenue	\$ 52,172,145
Use of Reserves *	\$ 9,889,000
Prior Year Carryover	\$ 7,408,220
Total Funding FY 2025-26	\$ 69,469,365

*** Includes \$9M in reserves set aside for Multipurpose Lab Building construction**

Operations and Maintenance Expenses

BUDGETED O&M EXPENSE BY FUNCTION



Stabilization of Operating Expenses

Maintenance Expense Increases Driven by Outside Costs

Inflation Factor Used

2.57%

Cost of Living Adjustment

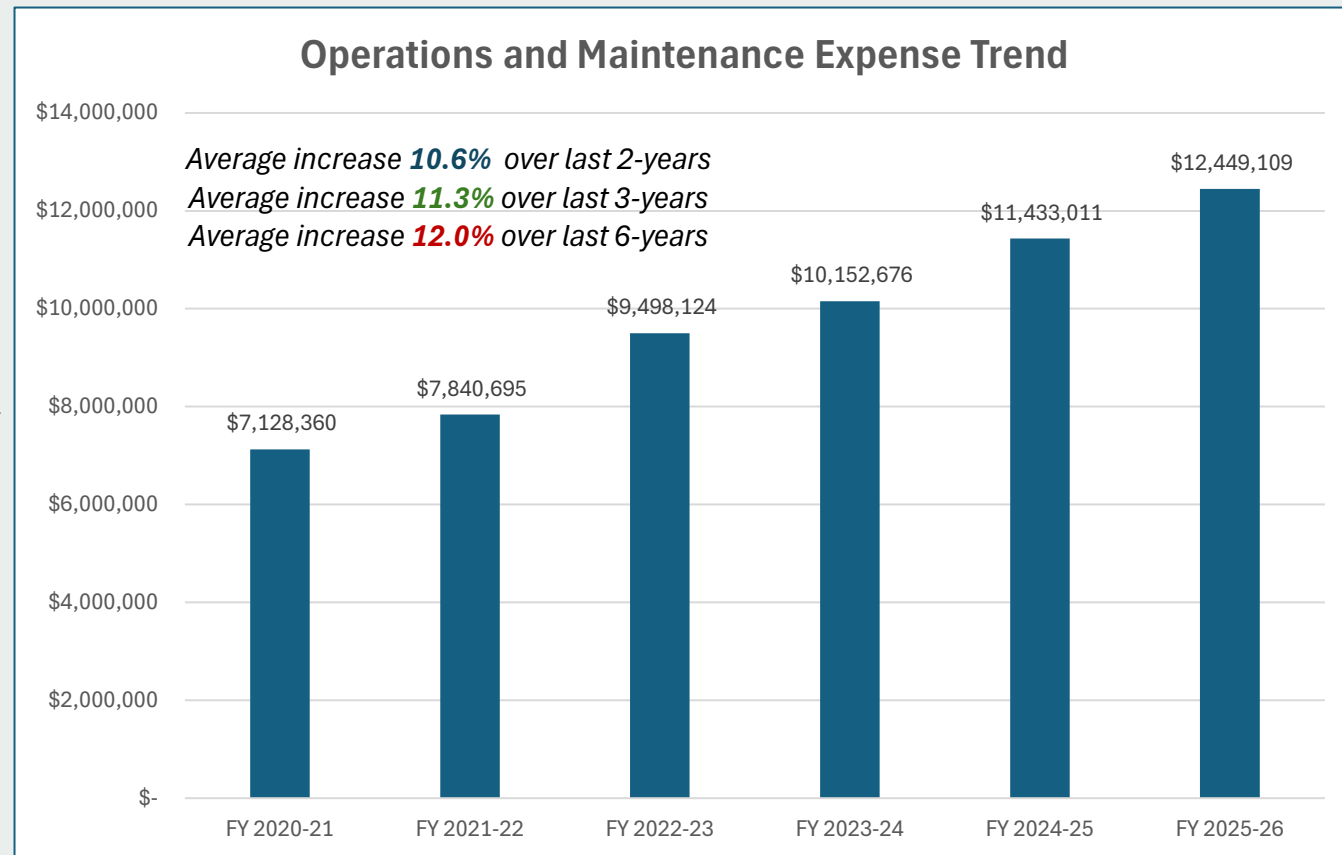
3%

O&M Increase

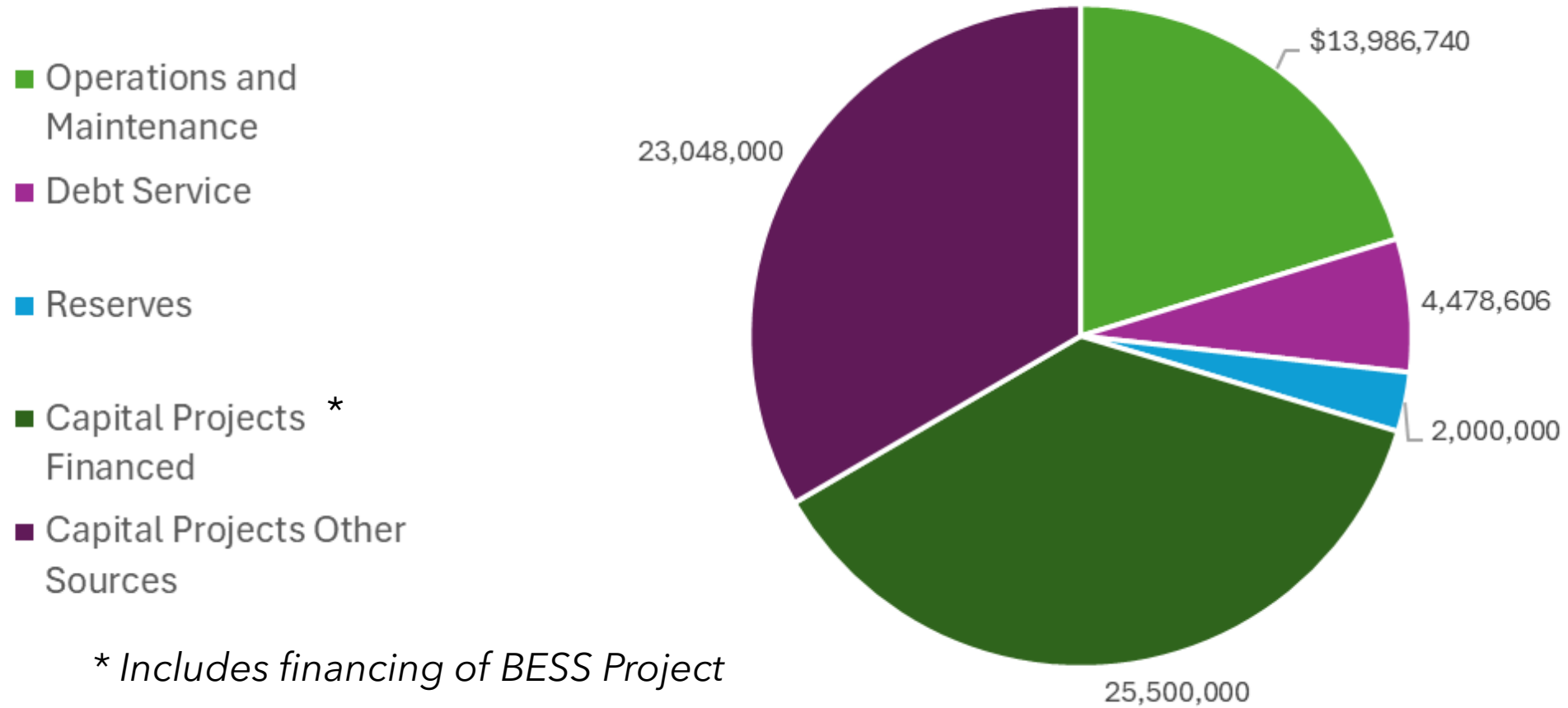
12.4%

Operations and Maintenance Trend

- **O&M is 20% of Budget**
- **Estimate 70% Non-discretionary**
- **Average Increase 12%**



FY 2025-26 TOTAL EXPENDITURES \$69,013,345



NEXT STEPS

- Consultant for Debt-Financed Projects
- Combine Financing of Solar PV and BESS
- Review Reserve Targets