

**NOTICE OF A SPECIAL MEETING
OF THE OLIVENHAIN MUNICIPAL WATER
DISTRICT'S FINANCE COMMITTEE
1966 Olivenhain Road, Encinitas, CA 92024
Tel: (760) 753-6466 • Fax: (760) 753-1578
VIA TELECONFERENCE AND IN PERSON**

Pursuant to AB 3035, effective January 1, 2003, any person who requires a disability related modification or accommodation in order to participate in a public meeting shall make such a request in writing to the District for immediate consideration.

DATE: THURSDAY, APRIL 2, 2026

TIME: 9:00 A.M.

PLACE: HYBRID SPECIAL MEETING VIA ZOOM AND IN PERSON

The meeting is being held virtually as a convenience to the public. The meeting will not stop or suspend its in-person meeting should a technological interruption occur with respect to the Zoom or call-on options listed on the agenda.

For Zoom Participation:

www.zoom.us/join

Meeting ID: 841 4625 9425

Passcode: 725496

For Zoom Call-in Only:

Call: (669) 900-9128

Meeting ID: 841 4625 9425

Passcode: 725496

Public Participation/Comment: Members of the public can participate in the meeting by emailing your comments on an agenda item to Georgeanna Clark at gclark@olivenhain.com or address the finance committee directly in real-time under the public comment section. If you do not receive a confirmation email that your comment has been received, please call (760) 632-4203 or address the committee under the public comment section to ensure that your comments are heard in real-time. The subject line of your email should clearly state the item number you are commenting on and should include your name and phone number. All comments will be emailed to the finance committee members.

Note: Items On The Agenda May Be Taken Out Of Sequential Order As Their Priority Is Determined By The Committee

1. CALL TO ORDER
2. ROLL CALL (BOARD MEMBERS)
3. ADOPTION OF THE AGENDA
4. PUBLIC COMMENTS
5. CONSIDER APPROVAL OF THE MINUTES OF THE FEBRUARY 9, 2026,
REGULAR FINANCE COMMITTEE MEETING
6. REVIEW AND DISCUSS PRELIMINARY FISCAL YEARS 2027 AND 2028
BIENNIAL OPERATING AND CAPITAL BUDGET
7. FUTURE AGENDA ITEMS
8. ADJOURNMENT

**MINUTES OF A REGULAR MEETING
OF THE FINANCE COMMITTEE
OF OLIVENHAIN MUNICIPAL WATER DISTRICT**

February 09, 2026

A regular meeting of the Finance Committee of Olivenhain Municipal Water District was held on Monday, February 9th, 2026, at the District office, 1966 Olivenhain Road, Encinitas, California via teleconference and in person.

Director Maloni called the meeting to order at 3:01 p.m. In attendance were Scott Maloni, Treasurer; Neal Meyers, Vice President; Kimberly Thorner, General Manager; Leo Mendez, Finance Manager; Jared Graffam, Accounting Supervisor; Georgeanna Clark, Project Accountant II; Kyle Tanaka and Robert Montoya from PFM Asset Management for item 8; Lora Nichols from Fieldman appearing via Zoom for item 10; and Lawrence Chan from Stradling Yocca Carlson & Rauth appearing via Zoom for items 10 and 11.

1. CALL TO ORDER

2. ROLL CALL (BOARD MEMBERS)

3. ADOPTION OF THE AGENDA

Director Maloni moved to adopt the agenda, seconded by Director Meyers, and carried unanimously.

4. PUBLIC COMMENTS

There were no public comments.

5. CONSIDER APPROVAL OF THE MINUTES OF THE NOVEMBER 18, 2025, REGULAR FINANCE COMMITTEE MEETING

Director Maloni moved to approve the November 18th, 2025, meeting minutes, seconded by Director Meyers, and carried unanimously.

6. QUARTERLY REVIEW OF INVESTMENTS AND CASH REPORT (2nd QTR OF FY 2026)

Finance Manager Mendez presented the investment report as of December 31, 2025, to the committee, and reviewed the three core principles that guide OMWD's investment practices: safety of principal, liquidity, and return on investments, in this order. Cash and investment holdings were discussed. Finance Manager Mendez reported that the current yield on the District's investment portfolio has decreased slightly compared to

the previous quarter due to replacing matured securities with lower yields available in the market, noting that the District is currently reinvesting proceeds from matured securities in the Local Agency Investment Fund (LAIF) and California Asset Management Program (CAMP), due to their higher yield and liquidity. Finance Manager Mendez reported that the District investments are in compliance with the District's Investment policy and that the District has sufficient funds to meet its financial obligations for the next 60 days.

Director Meyers asked about the liquidity of LAIF and CAMP. Finance Manager Mendez replied that staff can request funds and receive LAIF and CAMP funds into the District's checking account the next day.

Finance Manager Mendez also presented the draft summary of fund balances over the previous five years. Finance Manager Mendez reported that the Wastewater Operating Fund was currently below the minimum balance set by the Board due to the timing of Wastewater revenue receipts, which are collected from the County via the property tax roll. Finance Manager Mendez added that about \$2 million in property tax receipts were received following the end of the quarter, which increased the Operating Fund balance to within the Board set limits. Finance Manager Mendez added that until the District's Wastewater debt is issued, staff will continue to closely monitor Operating and Capital Fund balances to ensure sufficient funds are available.

Director Meyers inquired if the large cash outflow for the Azahar emergency repair has started having a noticeable effect on the District's fund balances. Finance Manager Mendez stated that large invoices related to the project have been paid and are reflected in the fund balances. General Manager Thorner noted that the time and resources dedicated to the emergency repair had led to other projects being delayed, offsetting the costs of the emergency repair in the short term.

Finance Manger Mendez next presented graphs showing average days of cash on hand for the Water and Wastewater Operating Funds. This information was requested by Director Meyers at the November Finance Committee meeting. Finance Manager Mendez also presented a three-year historical comparison of quarterly investment yields against the San Diego Consumer Price Index (SDCPI), and added that current investment yields are slightly above SDCPI.

7. REVIEW OF OMWD'S FINANCIAL REPORT – BUDGET VS. ACTUAL REPORT (2nd QUARTER OF FY 2026)

Finance Manager Mendez presented the Q2 Budget vs Actual report for the current fiscal period, noting that operating income is below budgeted levels. He explained that the high rainfall has resulted in lower-than-budgeted water sales to date, leading to reduced water revenues. These lower revenues were partially offset by decreased purchased water costs. Finance Manager Mendez also shared a graph comparing

budgeted vs actual water sales for the first six months of fiscal year 2026, which illustrated the impact of the high rainfall on water sales.

8. CONSIDER EDUCATIONAL ITEM ON LOCAL AGENCY INVESTMENT GUIDELINES (ANNUAL OBJECTIVE 57, PART 1)

General Manager Thorner reported that the District's investment policy is limited by legal requirements due to the District's cash and investments being public money. General Manager Thorner noted that the focus of the verbal report was to explain the restrictions that are in place and how the District's Investment policy stays in line with legal requirements, and that potential changes to the District's investment policy can be discussed in the future as part of annual objective 57. General Manager Thorner noted that staff is creating a survey of other local districts' investment rates of return which will be presented to the committee once completed.

Finance Manager Mendez introduced Kyle Tanaka and Robert Montoya, from PFM Asset Management, who helped present the educational item to the committee. Mr. Tanaka presented the role of an investment policy. Mr. Montoya explained that the District's Investment policy is reevaluated annually to ensure it is in line with current legal requirements. Mr. Montoya noted that California government code requires the District to prioritize, in order, safety of principal, liquidity sufficient to meet cash flow needs, and then investment yield. Mr. Montoya discussed common pitfalls that other custodians of public money often fall into.

Kyle Tanaka from PFM Asset Management next presented a chart with more details on what investments the District is allowed to own under California Code. Director Meyers inquired about the investments that showed a maximum of 1-day liquidity. Mr. Tanaka explained that investments with a maximum 1-day liquidity means the investment must be available to liquidate at 1-days' notice but can be owned for any length of time. Director Meyers then inquired about what the "Requires Approval" for investments with over 5 years to maturity means. Mr. Tanaka explained that under California Code the District can purchase Federal securities with a longer than 5-year maturity, but the purchase of those securities requires specific board approval rather than the general approval granted under the board's annual approval of the investment policy.

Finance Manager Mendez reported that the District's investments are in compliance with California Code requirements, including safety of principal, liquidity, and returns, in this order. Mr. Mendez stated that staff would like to bring this educational item to the full board at the February meeting and that staff will follow up with the Finance Committee with options on how to proceed in line with the District's annual objective 57.

General Manager Thorner inquired if the strict California Code is due to Orange County going bankrupt due to risky investment decisions. Mr. Tanaka explained that what happened with Orange County likely played a part, but there were already regulations in

place. Mr. Tanaka noted that the 2008 financial crisis likely played a role in the strictness of the Government Code.

Director Maloni inquired about what options the District has for changing its investment approach. Mr. Tanaka noted that there is still room to adjust the investment strategy and remain within compliance with Government Code. General Manager Thorner explained that staff is exploring options and conducting a survey of other local districts' investment strategies, including gathering information on which other districts use investment advisors and if it would be beneficial for the District to use an investment advisor.

Director Meyers suggested making clarifying changes to the chart of allowed investments presented by Mr. Tanaka before bringing this education item to the board.

9. REVIEW TIMELINE FOR GENERAL MANAGER'S RECOMMENDED BIENNIAL OPERATING AND CAPITAL BUDGET FOR FISCAL YEARS 2027 AND 2028

Finance Manager Mendez presented a timeline for the budget process, including April dates in which staff will bring the proposed budget to the Finance Committee and Board for discussion. Finance Manager Mendez provided an overview of staff's process in creating the budget and added that the objective is to adopt the budget during the June Board meeting, before the new fiscal year commences.

10. REVIEW AND DISCUSS PROPOSED FINANCING TEAM FOR PLANNED WASTEWATER DEBT ISSUANCE AND RESOLUTION OF INTENT TO ISSUE TAX-EXEMPT OBLIGATIONS TO PAY FOR IMPROVEMENTS TO THE DISTRICT'S WASTEWATER SYSTEM

Finance Manager Mendez provided a brief background on the debt issuance, explaining that it was part of the 2024 Wastewater Cost of Service Study and allowed the District to have lower rate increases over the 5-year period included in the study rather than having to pass on higher rate increases in order to pay for large capital projects such as the Headworks Screening Project. Finance Manager Mendez then introduced staff's proposed financing team: Fieldman as the District's Municipal Advisor and Stradling Yocca Carlson & Rauth as the District's Bond Counsel. Finance Manager Mendez explained that the resolution that staff is proposing to bring to the full Board, the Resolution of Intent, would allow the District, if the bonds are later issued, to reimburse itself for eligible project costs incurred up to 60 days prior to the adoption of the resolution.

Director Meyers inquired about the timeline for the debt issuance. Finance Manager Mendez stated that staff is planning to issue ahead of expected Headworks Screening Project expenses in the summer. General Manager Thorner added that staff is planning to have all approvals in place early so that the District can issue when the market is prime. Lora Nichols from Fieldman explained further that the exact timeline depends on the financing type that the District uses for the issuance and listed a few advantages and

disadvantages that will be examined when deciding on private placement, which the District has historically used for wastewater debt issuances, or public placement.

Director Meyers asked what rate the District is expecting to get for the issuance. Ms. Nichols stated that if the District went with the private placement option, they could expect it to be around 4.3 to 4.8%.

Director Maloni inquired about why the District was issuing debt for a project that already has expenses, and if the District will be able to use bond proceeds for the costs already incurred. General Manager Thorner explained that the Headworks Screening Projects still has planned expenses that the bond proceeds can be used for, and that the District can only use the proceeds for costs starting 60 days before the resolution is approved.

Director Maloni inquired about the compensation the proposed financing team of Fieldman and Stradling Yocca Carlson & Rauth will receive. General Manager Thorner explained that it is a set fee amount, and Mr. Lawrence Chan from Stradling Yocca Carlson & Rauth confirmed.

Director Maloni and Director Meyers agreed to bring the agenda item and proposed resolution to the board for the February meeting.

11. PINNACLE CFD FORMATION (VERBAL REPORT)

The committee received a verbal report from Finance Manager Mendez updating them on the status of a request received by the District from the Pinnacle at Santa Fe Valley Developer (Pinnacle Developer) about forming a community facility district (CFD) as activity around it has recently started back up after having subsided. Finance Manager Mendez noted that this item was last brought to the committee in May of 2025. Finance Manger Mendez gave background on the item, explaining that the Pinnacle Developer is interested in issuing Mello-Roos bonds through a Community Services District (CSD) through California Statewide Development Authority (CSCDA) to fund the development, with CSCDA assuming the liability for the bonds. Finance Manager Mendez explained how the District would have to consent to the formation of the CSD through a Board Resolution. Finance Manager Mendez noted that the Pinnacle Developer has paid a deposit to the District to cover staff time spent on the CFD formation.

Director Meyers asked how the District would benefit from passing the resolution to allow the formation of the CSD. General Manager Thorner explained that the funds would be used to build a new development within the Districts service area leading capacity fees and a new tank contributed by the developer.

Director Meyers asked what the District's liability or exposure would be if the board passed the resolution to allow the formation of the CSD. Lawrence Chan from Stradling

Yocca Carlson & Rauth, District's bond counsel, replied that the District would have no liability or exposure, and that CSCDA is assuming the liability for the bonds.

General Manager Thorner ended by reiterating that this is an informational item and staff is not requesting any committee or board action at this time.

11. CONSIDER REVIEW AND COMMENTS ON AN ORDINANCE AMENDING OLIVENHAIN MUNICIPAL WATER DISTRICT'S ADMINISTRATIVE AND ETHICS CODE (Article 2 – Organization of Board of Directors) TO BE BROUGHT TO THE FEBRUARY BOARD MEETING

The committee received a verbal report from General Manager Thorner to preview the per-diem and official business Ordinance before it is presented to the full board at the February meeting. General Manger Thorner noted that staff requested new language be added to the Admin Code (Article 2 – Organization of Board of Directors) to specify what meetings and events are authorized for per diems as this is required by AB 1234. General Manager Thorner explained that AB 1234 requires agencies to specify what meetings qualify for per diems ahead of attendance. The District's current procedure allows for certain meetings and events to be deemed as qualified after the fact by board approval at the subsequent board meeting. The new language clarifies qualified events and requires the board to vote to approve non-listed events at the meeting prior to attendance rather than subsequent to, bringing the District in line with the requirements under AB 1234.

Director Meyers inquired if the required notices have been sent out for the per-diem increase. General Manager Thorner stated that yes, a notice was placed in the newspaper on February 6th and another notice will be placed in the newspaper on February 13th.

12. FUTURE AGENDA ITEMS/INFORMATION

There were no future agenda items requested.

13. ADJOURNMENT

The meeting was adjourned at 4:21 p.m.

Memo

Date: April 2, 2026
To: Finance Committee
From: Leo Mendez, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **REVIEW AND DISCUSS PRELIMINARY FISCAL YEARS 2027 AND 2028
BIENNIAL OPERATING AND CAPITAL BUDGET**

Staff will present the attached preliminary operating and capital budget for fiscal years 2027 and 2028 at the meeting for review and discussion with the Committee. Following discussion with the Committee, the draft budget will be presented to the Board for consideration and discussion at the April 15th budget workshop.

Prepared by: Georgeanna Clark, Project Accountant II; August Trees, Financial Analyst I
Reviewed by: Leo Mendez, Finance Manager; Jared Graffam, Accounting Supervisor
Approved by: Kimberly A. Thorner, General Manager

Attachment: Proposed Biennial Budget Fiscal Years 2027 and 2028 Presentation

Proposed Biennial Budget Fiscal Years 2027 and 2028

Finance Committee
April 2, 2026



Agenda

- Executive Summary
 - Biennial Budget
 - Budget Timeline
 - Summary of Proposed Budget
 - Budget Uncertainties
 - Requested Action
- Operating Budget
 - Revenues
 - Expenditures
- Capital Budget
- Historic and Projected Reserves
- Requested Action
- Appendix: Capital Budget Detail

Executive Summary

FY 2027 & FY 2028

Biennial Budget

Biennial Budget

- Operating Budget for fiscal years 2027 and 2028
 - Operating revenues, operating expenditures
- Capital Budget for fiscal years 2027 and 2028
 - For District projects, based on the latest 10-year Capital Improvement Plan presented to the Facilities Committee (March 17th, 2026)
 - Small capital items (District vehicles, computers, etc.)
- Goal of Biennial Budget: Meet priorities and strategic plan set by the Board of Directors
 - Stretch Annual Objective: Maintain year-to-year operations and maintenance controllable cost increases not to exceed CPI (3.8% based on CY2025 over CY 2024)
- Midterm Budget review (for FY 2028)– April of 2027

Biennial Budget Timeline

February

- Finance receives input from each department manager on their departmental and capital project needs

March

- Finance compiles the draft operating and capital budgets
- GM and Finance work with Departments on cost cutting measures throughout prior to presenting Draft Budget to Finance Committee

Early April

- Draft Budget presented to the Finance Committee (Budget Workshop)

April 15th

- Draft Budget presented to the full Board (Budget Workshop) for tentative approval

May

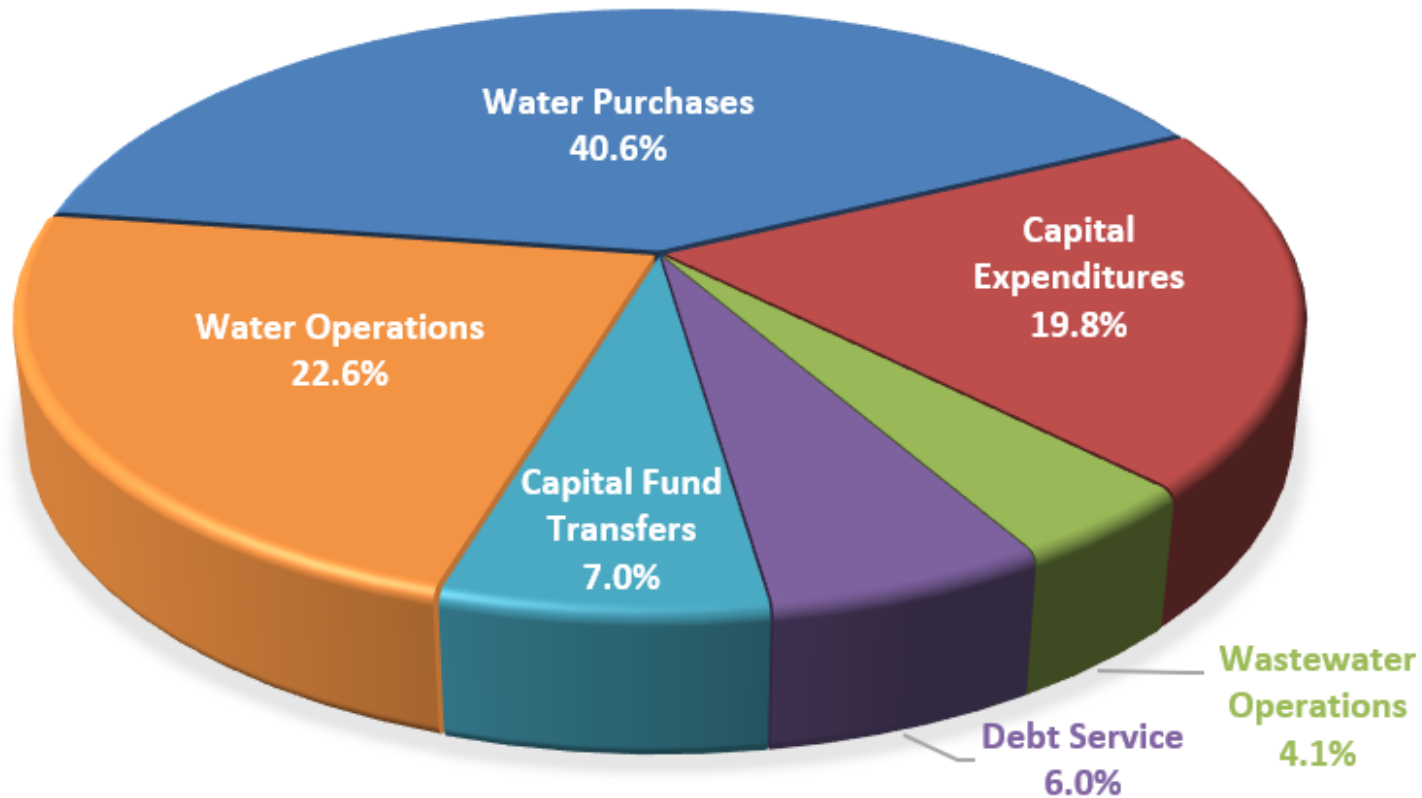
- Staff updates assumptions as needed and finalizes budget for adoption in June

June 17th

- Board of Directors adopt the General Manager Recommended Biennial Operating and Capital Budget

Summary: Proposed Biennial Budget Operating and Capital Budget Expenditures

**FISCAL YEARS 2027 & 2028 EXPENDITURES BY
COST CATEGORY (\$232 MILLION)***



* Total may not add up to 100% due to rounding.

Budget Uncertainties

- Rising cost of water from MWD and SDCWA
 - Increase the cost burden to OMWD
- Water revenue and expense volatility
 - Water demand variability based on weather
 - Pressure on water rates from member agency roll-offs
 - SDCWA water exchange agreements increasing alternative revenue source and potentially reducing purchased water costs
- Economic and market conditions
 - Inflation and Tariffs
 - Increase in costs
 - Interest rates
 - Investment income

Today's Requested Action

- Following this presentation, staff is requesting approval from the Finance Committee to bring forward the preliminary budget for discussion with the Board at the April 15th budget workshop, for tentative approval
- Staff is also requesting direction on adding the following to the Operating Budget:
 - Lobbying agreement to pursue federal grant funding - \$100k
 - Adding would put year-to-year controllable cost increase above 3.8% annual objective, however it may yield multi-million dollar future grant award
- Staff will continue with the budget refinement process, which will include updates to SDCWA rates
- Staff to present final draft of the FY 2027 and FY 2028 Operating and Capital budget to the Board for consideration and adoption in June 2026

Operating Budget

FY 2027 & FY 2028

Biennial Budget

Where we are: Operating Actual vs. Budget Summary – FY 2026

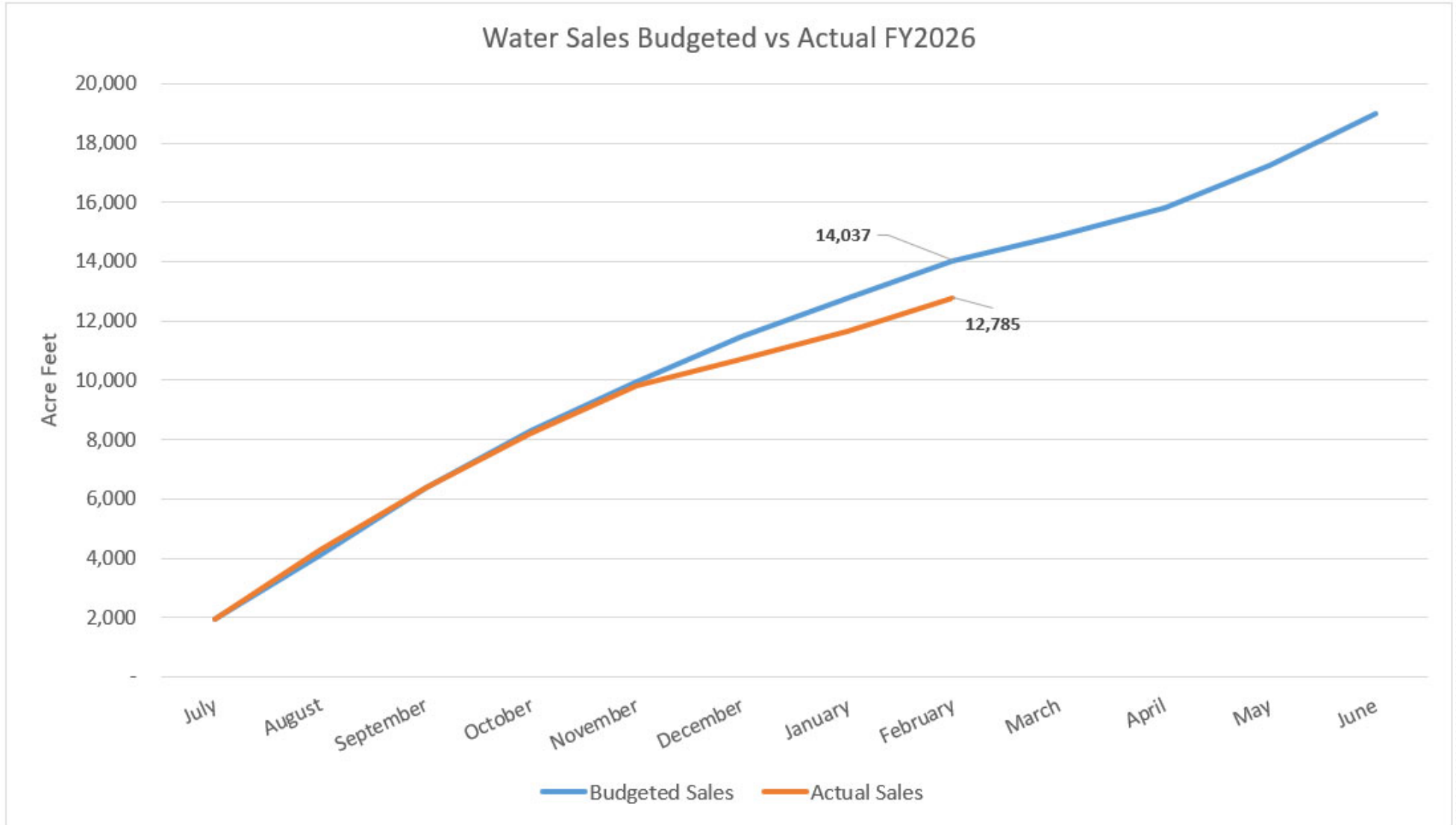
OLIVENHAIN MUNICIPAL WATER DISTRICT
Consolidated Actual vs Budget Summary
For the Eight Months Ending 2/28/2026

	Approved Budget	Actual YTD	Budget YTD	Variance Amt	Variance %
Operating Revenues					
Commodity Water Sales	\$52,939,000.00	\$32,827,106.63	\$36,721,000.00	(\$3,893,893.37)	(10.6%)
Water Fees and Services	21,434,000.00	14,381,170.38	14,039,400.00	341,770.38	2.4%
Wastewater Revenue	6,428,000.00	3,665,929.95	3,622,700.00	43,229.95	1.2%
Total Operating Revenues	80,801,000.00	50,874,206.96	54,383,100.00	(3,508,893.04)	(6.5%)
Operating Expenses					
Purchased Water - Variable	30,058,000.00	18,705,385.14	21,729,000.00	3,023,614.86	13.9%
Purchased Water - Fixed	12,098,000.00	7,725,726.00	7,727,000.00	1,274.00	0.0%
General Manager Dept	2,335,000.00	1,384,377.18	1,556,800.00	172,422.82	11.1%
Engineering Dept	2,741,000.00	1,675,476.86	1,828,240.00	152,763.14	8.4%
Finance Dept	1,940,000.00	1,147,768.30	1,294,320.00	146,551.70	11.3%
Customer Service Dept	3,396,000.00	2,207,892.39	2,266,904.00	59,011.61	2.6%
Human Resources Dept	988,000.00	629,621.44	658,664.00	29,042.56	4.4%
Water Operations and Maintenance Dept	13,624,000.00	8,627,942.08	9,089,752.00	461,809.92	5.1%
Parks Dept	543,000.00	332,299.18	362,768.00	30,468.82	8.4%
Other Operating Expenses	50,000.00		33,600.00	33,600.00	100.0%
Wastewater Operations and Maintenance Dept	3,605,000.00	2,355,871.90	2,403,944.00	48,072.10	2.0%
Recycled Water Operations Dept	1,307,000.00	838,001.15	874,000.00	35,998.85	4.1%
Paygo Transfers					
Water Operations	4,977,000.00	3,320,000.00	3,320,000.00		0.0%
Wastewater Operations	2,626,000.00	1,752,000.00	1,752,000.00		0.0%
Recycled Operations	1,700,000.00	1,136,000.00	1,136,000.00		0.0%
Capitalized Operations Expenditures	(2,105,000.00)	(1,183,887.32)	(1,401,840.00)	(217,952.68)	15.5%
Total Operating Expenses	79,883,000.00	50,654,474.30	54,631,152.00	3,976,677.70	7.3%
Net Operating Income (Loss)	918,000.00	219,732.66	(248,052.00)	467,784.66	

Where we are: Operating Actual vs. Budget Summary – FY 2026

	Approved Budget	Actual YTD	Budget YTD	Variance Amt	Variance %
Nonoperating Revenues					
Water Funds	6,884,000.00	4,804,917.75	4,252,400.00	552,517.75	13.0%
Debt Service Funds	1,061,000.00	645,332.80	649,240.00	(3,907.20)	(0.6%)
Wastewater Funds	92,000.00	85,844.03	61,600.00	24,244.03	39.4%
Recycled Water Funds	260,000.00	182,557.29	173,600.00	8,957.29	5.2%
Total Nonoperating Revenue	8,297,000.00	5,718,651.87	5,136,840.00	581,811.87	11.3%
Nonoperating Expense					
Capacity Fee Funds	30,000.00	7,401.04	19,840.00	12,438.96	62.7%
Debt Service Funds	1,421,500.00	613,275.88	826,840.00	213,564.12	25.8%
Potable Water Funds	1,367,000.00	1,062,018.17	1,108,320.00	46,301.83	4.2%
Recycled Water Funds		2,649,483.35		(2,649,483.35)	0.0%
Total Nonoperating Expense	2,818,500.00	4,332,178.44	1,955,000.00	(2,377,178.44)	(121.6%)
Inc before Cap Fees and Capital Contributions	6,396,500.00	1,606,206.09	2,933,788.00	(1,327,581.91)	
Capacity Fee Funds	706,000.00	452,592.14			
Capital contributions	2,045,000.00	3,059,480.96			
Change in Net Position		5,118,279.19			

Where we are: Actual vs Budget Water Sales – FY 2026



FY 2027 & 2028 Proposed Operating Budget

Olivenhain Municipal Water District
Operating Budget Summary - All Funds
Fiscal Years Ending 2027 & 2028

Description	FYE 2025 Actual	FYE 2026 Approved*	FYE 2027 Proposed	% Change From FYE '26 Approved*	FYE 2028 Proposed	% Change From FYE '27 Proposed
Operating Revenues						
Potable Water Operations	64,426,750	67,909,000	70,802,000	4.26%	76,042,000	7.40%
Wastewater Operations	5,760,887	6,428,000	6,787,000	5.58%	7,167,000	5.60%
Recycled Water Operations	5,811,598	6,464,000	6,219,000	-3.79%	6,634,000	6.67%
Total Operating Revenues	75,999,236	80,801,000	83,808,000	3.72%	89,843,000	7.20%
Non-operating Revenues						
Fund Potable Water - Property Tax	5,016,813	4,994,000	5,298,000	6.09%	5,404,000	2.00%
Water - Investment and Other **	3,644,889	1,890,000	2,188,000	15.77%	2,129,000	-2.70%
Debt Service	1,159,692	1,061,000	1,062,000	0.09%	1,063,000	0.09%
Wastewater - Investment and Other **	242,192	92,000	171,000	85.87%	194,000	13.45%
Recycled - Investment and Other	370,164	260,000	417,000	60.38%	533,000	27.82%
Capital Contributions from Others***	10,987,287	2,751,000	7,905,250	187.36%	2,203,500	-72.13%
Total Revenues	97,420,273	91,849,000	100,849,250	9.80%	101,369,500	0.52%
Operating Expenses						
Purchased Potable Water Cost (from SDCWA)	37,116,667	40,306,000	44,881,000	11.35%	45,427,000	1.22%
Purchased Recycled Water Cost, net of credit	1,990,742	1,850,000	1,814,000	-1.95%	1,944,000	7.17%
Potable Water Operations	23,413,103	25,188,000	26,131,900	3.75%	27,917,430	6.83%
Wastewater Operations	3,818,447	3,605,000	3,924,000	8.85%	4,060,000	3.47%
Elfin Forest Recreational Reserve (Park) Operations	505,078	496,000	582,500	17.44%	608,000	4.38%
Recycled Water Operations	1,270,905	1,307,000	1,365,500	4.48%	1,416,000	3.70%
Less: Capitalized Operating Expenditures	(2,399,013)	(2,058,000)	(2,165,000)	5.20%	(2,359,000)	8.96%
Transfer To (From) Other Fund Balances	10,089,613	9,334,000	7,967,000	-14.65%	8,239,000	3.41%
Total Operating Expenses	75,805,540	80,028,000	84,500,900	5.59%	87,252,430	3.26%
Non-operating Expenses						
Loan and Debt Service Payments	6,233,143	6,883,500	6,979,500	1.39%	6,943,500	-0.52%
Water Other Non-Operating Expense	9,371,370	1,283,000	312,000	-75.68%	40,000	-87.18%
Wastewater Other Non-Operating Expense	1,101,212	-	-	0.00%	-	0.00%
Total Expenses	92,511,265	88,194,500	91,792,400	4.08%	94,235,930	2.66%
Net Income	4,909,008	3,654,500	9,056,850	147.83%	7,133,570	-21.24%

Notes:

* Amended budget amounts approved by the Board at mid-year review.

** Includes sale of district parcels, rebates, and investment income on all reserve funds, excluding capital.

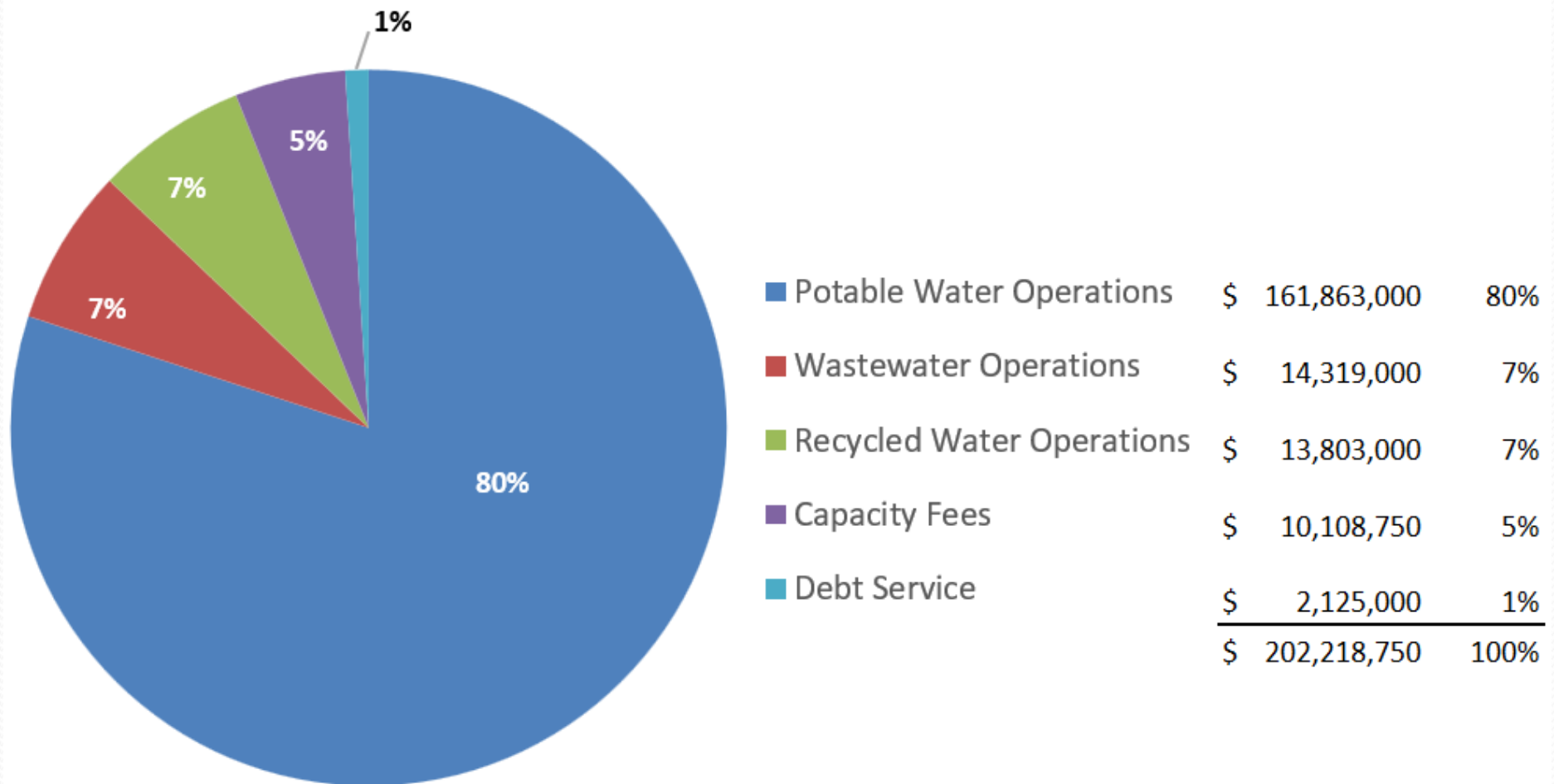
*** Includes cap fees from developers, grant funding and investment income on capital reserve funds.

Operating Cost Reductions

- The proposed operating budget for FY 2027 includes:
 - A reduction of \$255k (~1%) in OMWD O&M expenses compared to original budgets proposed by managers (reduction in Overtime, Outside Services, Engineering Services, Maintenance & Repairs)
 - Staff worked with managers to identify cuts to meet annual objective: Maintain year-to-year operations and maintenance controllable cost increases not to exceed CPI (3.8%)
- Savings from backfilling positions
- Renegotiating existing recycled water purchased agreements
 - City of San Diego – no take or pay
 - Vallecitos Water District
- Pre-purchased 3,499 AF of water last two years resulting in savings of approximately \$700k

FYE 2027 & 2028 - Sources of Funds

FYE 2027 & 2028 Revenues (\$202.2 million)*



*Total may not add up to 100% due to rounding.

Operating Budget Revenue Assumptions

- Potable and Recycled Water Sales Volume:
 - Average of last 5 Calendar years (CY 2021 through CY2025) for FY 2027 & FY 2028
 - ~ 500 AF less than FY 2026 budget for water sales
- Water Revenue:
 - Estimated 8.6% revenue increase for FY 2027 and 5.0% for FY 2028
 - Assume full pass-throughs of purchased water wholesale price increases
 - Consistent with Prop 218 notice, including 12% not to exceed cap
 - Pass-through inflation based on SDCPI – 3.8% increase based on Annual 2025 over 2024
- Wastewater Sales Volume:
 - Based on actual consumption and current EDUs
- Wastewater Revenue:
 - Assume 5.5% rate increase for fiscal years 2027 and 2028 per Prop 218 and Cost of Service Study
- Other Operating Revenue:
 - Selling of Excess Treated Water from DCMWTP to VWD
 - Less than FY 2026 - DCMWTP planned shutdown for maintenance in FY 2027

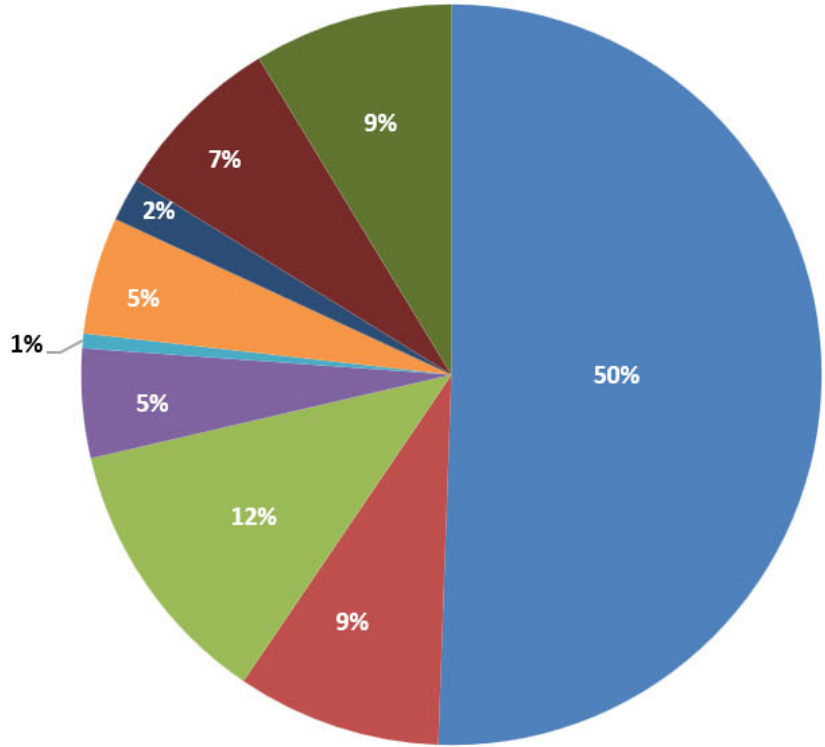
Operating Budget Revenue Assumptions

Non-operating Revenue:

- Property Tax Revenue - FY 2026 projection and 2% escalation factor
- Investment Income - Assume 3% for FY 2027 & FY 2028, 2% thereafter
- Capacity Fee Revenue - Estimated by OMWD Engineering
 - Estimated at \$5.02 million FY 2027 and \$1.52 million FY 2028
- Grant Revenue - \$2.26 million (FY 2027) and \$170k (FY 2028)
 - FY 2027 primarily from \$960k grant for the Desalination plant, \$670k from Dept. of Parks & Rec EFRR grant to expand parking lot and trails, and \$500k from Title XVI grant.
 - FY 2028 - remainder of the Dep of Parks & Rec EFRR grant
- \$677k of cell tower lease revenue. FY 2027 projection and increased by 2% escalation factor

FYE 2027 & 2028 - Uses of Funds

FYE 2027 & 2028 Expenditures (\$186.0 million)*



Water Purchased	\$ 94,066,000	51%
General & Administration	\$ 16,614,630	9%
Potable Water Operations	\$ 22,094,700	12%
David C. McCollom Water Treatment Plant	\$ 8,871,000	5%
Elfin Forest Recreational Reserve	\$ 1,190,500	1%
Wastewater Operations	\$ 9,520,000	5%
Recycled Operations	\$ 3,542,500	2%
Debt Service	\$ 13,923,000	7%
PAYGO Fund Transfer	\$ 16,206,000	9%
	<hr/>	
	\$ 186,028,330	100%

*Total may not add up to 100% due to rounding.

Operating Budget Expenditure Assumptions

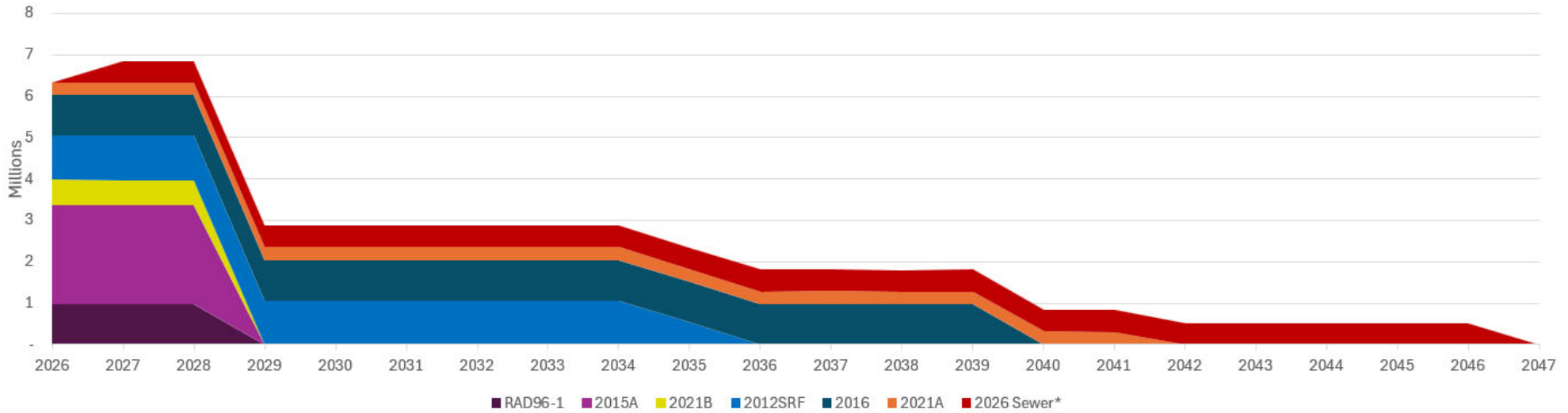
- Purchased Water:
 - Assume 8% purchased water wholesale cost increases for potable and recycled
 - Will be updated based on information received from SDCWA
 - Planned shutdowns at DCMWTP for capital replacement results in increased treated water purchases (FY27)
- Labor and Benefits:
 - Staffing Changes:
 - FY 2027: Includes one (1) Senior Admin Analyst Position per the staffing analysis (postponed in FY26)
 - FY 2028: Includes one (1) IT Systems Database Admin per staffing analysis
 - Approved by Personnel Committee (Director Meyers and Director Guerin)
 - 6% increase in labor costs for fiscal years 2027 and 2028 based on Labor MOU
 - SD CPI max of 3.5% plus 2.5% merit pool per MOU, the CPI portion is expected to still be maxed out due previous years' roll forward.
 - 6% increase in health insurance premium costs in 2027 and 2028
 - Insurance:
 - Workers Comp insurance: used current year rates, will be updated with new rates once available
 - Liability, Cyber, Property and Crime insurance: estimated at \$800k for FY 27 based on ACWA estimate
 - Pension Costs:
 - Based on CalPERS report
 - Additional Discretionary Payment of \$311k each year for 2027 and 2028, in-line with Pension Funding Policy

Operating Budget Expenditure Assumptions

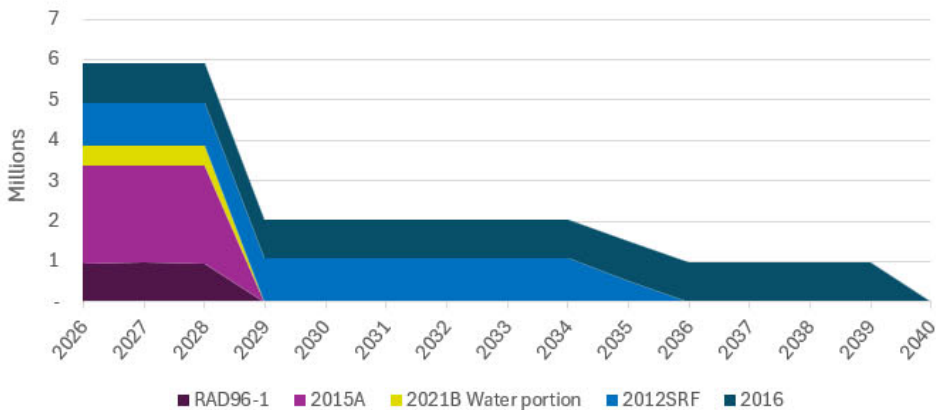
- Pay as you go (PAYGO) from Rates and Charges for CIP
 - Water: \$7.2mil - \$5.5mil for Potable, \$1.7mil for Recycled – For FY 2027 and 2028
 - Reduction to PAYGO in FY 2027 and FY 2028 to fund operating fund
 - Contemplating new debt issuance in FY 2029 to fund capital
 - Wastewater: \$800k – For FY 2027 and 2028
 - Reduction to PAYGO in FY 2027 and FY 2028 to fund operating fund
 - \$6.5 million debt issuance planned for FY 2027 to fund capital (in-line with 2024 Wastewater Rate Study)
- Rate Reimbursement Credit (RRC)
 - From Rate Stabilization Fund
 - Fund Board RRC Program @11 Cents/Unit until depleted partway through FY 2027
- Debt Service Obligations
 - Outstanding Debts: 2015A, 2016A, 2021A, 2021B, SRF, and RAD 96-1
 - Includes \$6.5 million debt issuance for Wastewater
 - Annual Debt Service Payment, net: ~\$5.9mil
 - 2015A Water Revenue Bonds rolling-off in FY 2029 (~\$2 mil annual debt service payment)
 - Considering potential debt issuance for Water CIP in 2029
 - Promote intergenerational equity and prevent rate spikes heading into next water cost of service study

Operating Budget – Debt Service

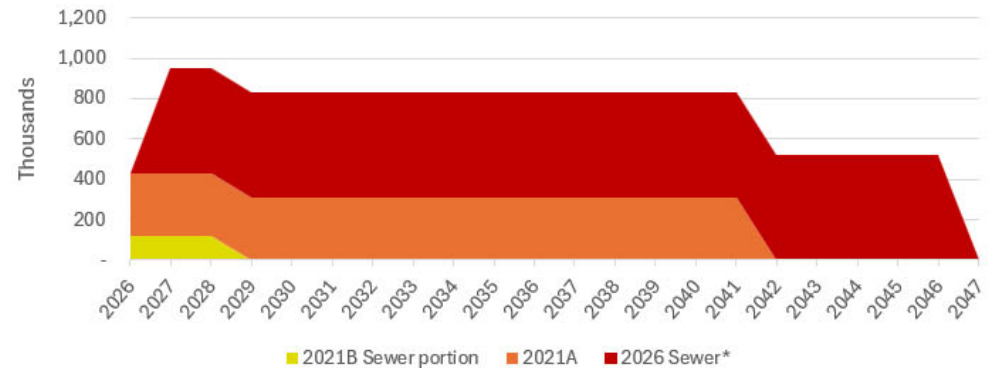
All Debt Service (Outstanding + Proposed)



Water Debt Service (Outstanding)



Wastewater Debt Service (Outstanding + Proposed)



* Includes the proposed bond issuance for wastewater in FY 2027

Departmental Operating Costs

	FYE 2025 Actual	FYE 2026 Adopted	% Diff	FYE 2027 Proposed	% Diff	FYE 2028 Proposed	% Diff
Salaries & Benefits	\$ 17,987,074	\$ 18,458,000	3%	\$ 19,526,000	5.8% ¹	\$ 20,757,000	6.3% ²
Departmental Operations (Controllable)	\$ 6,312,801	\$ 7,319,000	16%	\$ 7,588,400	3.7%	\$ 7,806,430	2.9%
Departmental Operations (Non-Controllable) ³	\$ 4,014,521	\$ 4,562,000	14%	\$ 4,569,500	0.2%	\$ 5,108,000	11.8%
Capitalized Operating Expenditures ⁴	\$ (2,146,296)	\$ (1,851,000)	-14%	\$ (1,895,000)	2.4%	\$ (2,079,000)	9.7%
	\$ 26,168,099	\$ 28,488,000	9%	\$ 29,788,900	4.6%	\$ 31,592,430	6.1%

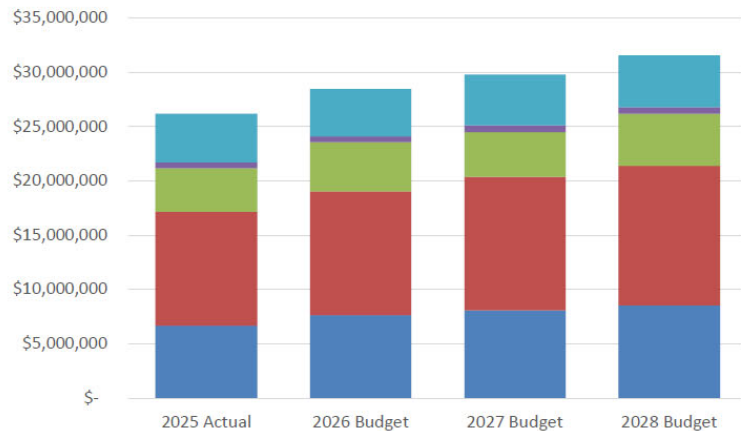
¹ Includes addition of (1) New FTE for Human Resources Sr Administrative Analyst per District's staffing analysis

² Includes addition of (1) New FTE for IT Systems Database Administrator per District's staffing analysis

³ Includes utilities, chemicals, laboratory services, fuel, and property Insurance

⁴ Includes District overhead costs for Elfin Forest Recreational Reserve

Use of Funds By \$ Amount



	2025 Actual	2026 Budget	2027 Budget	2028 Budget
Wastewater Operations	\$ 4,463,606	\$ 4,412,000	\$ 4,697,000	\$ 4,823,000
Elfin Forest Recreational Reserve	\$ 505,078	\$ 496,000	\$ 582,500	\$ 608,000
David C. McCollom Water Treatment Plant	\$ 4,058,904	\$ 4,500,000	\$ 4,117,000	\$ 4,754,000
Water Operations	\$ 10,473,376	\$ 11,443,000	\$ 12,319,200	\$ 12,866,000
General & Administration	\$ 6,667,135	\$ 7,637,000	\$ 8,073,200	\$ 8,541,430
	\$ 26,168,099	\$ 28,488,000	\$ 29,788,900	\$ 31,592,430

- Annual Objective met: Maintain year-to-year operations and maintenance controllable cost increases not to exceed CPI (3.8%)

Capital Budget

FY 2027 & FY 2028

Biennial Budget

FY 2027 & 2028 Proposed Capital Budget

- Based on updated 10-year Capital Improvement Plan (CIP) prepared by OMWD's Engineering Department
 - Presented to Facilities Committee on March 17, 2026
- Proposed CIP Budget of **\$44.906 million for FY 2027 and 2028** (listing of projects provided in Appendix):
 - **\$26.056 million in FY 2027**
 - Includes approx. \$9.9 million in unspent capital expenditures approved by the Board from prior budget due to construction delays (slide 26)
 - **\$18.850 million in FY 2028**
 - Assumed 3% capital inflation escalation starting Fiscal Year 2027
- Small Capital Item/Equipment Purchases –
 - \$513k in FY 2027 (slide 29)
 - To be partially offset by estimated \$56k salvage value of vehicles
 - \$448k in FY 2028 (slide 30)
 - To be partially offset by estimated \$35k salvage value of vehicles
- Board-requested fluoride conceptual design and costs CIP
 - This has not yet been added to CIP. Will be added before budget adoption.

Changes to 10 Year-Capital Improvement Plan

- 10-year Capital Improvement Plan updated (last update was Spring of 2024) – for deceleration and new projects
- New projects added included: Strategic Valve Replacements and DCMWTP improvements

8-year comparison	Total	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32	FY 33	FY 34
Proposed	\$172,830,000	\$ 12,654,600	\$ 14,098,000	\$ 17,340,600	\$ 14,939,800	\$ 16,176,000	\$ 42,458,000	\$ 39,889,500	\$ 15,273,500
as of Spring 2024	\$154,789,000	\$ 14,269,000	\$ 11,841,000	\$ 13,843,000	\$ 13,846,000	\$ 10,602,000	\$ 40,447,000	\$ 39,942,000	\$ 9,999,000
Difference	\$18,041,000	\$ (1,614,400)	\$ 2,257,000	\$ 3,497,600	\$ 1,093,800	\$ 5,574,000	\$ 2,011,000	\$ (52,500)	\$ 5,274,500

Unspent Capital from Prior Budget Included in FY 2027 Appropriation

Project Name	Cumulative Appropriation Through FY 2026	Estimated Unspent Capital from Prior Budget	Add New FY 2027 Appropriation	Total FY 2027 Appropriation
Headworks Screening System Improvements	\$ 3,369,000	\$ 1,969,000	\$ 1,500,000	\$ 3,469,000
San Dieguito Valley Groundwater Desalination Plant	\$ 6,808,000	\$ 1,564,000	\$ 100,000	\$ 1,664,000
Palms I and II Reservoirs Replacement	\$ 1,683,000	\$ 1,291,000	\$ 1,270,000	\$ 2,561,000
Dusty Trail PL Replacement	\$ 830,000	\$ 688,000	\$ 350,000	\$ 1,038,000
Encinitas Blvd Pipeline Inspection & Rehab	\$ 677,000	\$ 604,000	\$ -	\$ 604,000
DCMWTP 1st Stage Beam Replacement	\$ 560,000	\$ 558,000	\$ -	\$ 558,000
DCMWTP Raw Water Equal (RWEQ) Tanks Rehab	\$ 671,000	\$ 653,000	\$ -	\$ 653,000
Units B & K Rehabilitation	\$ 562,000	\$ 327,000	\$ -	\$ 327,000
CIS Infinity System Upgrade	\$ 400,500	\$ 316,000	\$ -	\$ 316,000
DCMWTP 2nd Stage Basin Rehab and Beam Replacement	\$ 577,000	\$ 258,000	\$ 1,242,000	\$ 1,500,000
EFRR Parking Lot Expansion	\$ 476,000	\$ 273,000	\$ 1,175,000	\$ 1,448,000
District-Wide PLC Replacements (WW)	\$ 1,456,000	\$ 237,000	\$ -	\$ 237,000
DCMWTP Combined Filter Influent & Backwash Pipe Replacement	\$ 180,000	\$ 150,000	\$ 543,000	\$ 693,000
District-Wide PLC Replacements (PW/RCW)	\$ 1,466,000	\$ 202,000	\$ -	\$ 202,000
Fleet Electrification Project (PW/RCW)	\$ 193,000	\$ 123,000	\$ -	\$ 123,000
Replace Main Switchboard S (MSB-S) and Automatic Transfer Switch	\$ 113,000	\$ 112,000	\$ 199,000	\$ 311,000
Wanket RW Reservoir Rehabilitation	\$ 150,000	\$ 88,000	\$ 15,000	\$ 103,000
Tank Safety Improvements	\$ 590,000	\$ 239,000	\$ -	\$ 239,000
Replace WRF Electrical Conduits, Enclosures, and Lighting	\$ 54,000	\$ 54,000	\$ -	\$ 54,000
Santa Fe Valley RW Reservoir Improvements	\$ 150,000	\$ 90,000	\$ -	\$ 90,000
Off-Spec and High Flow Diversion Pipeline	\$ 635,000	\$ 25,000	\$ 50,000	\$ 75,000
District Wide Scada Upgrades	\$ 256,000	\$ 21,000	\$ -	\$ 21,000
Upgrade Filter Electrical	\$ 17,000	\$ 17,000	\$ -	\$ 17,000
Fleet Electrification Plan WW	\$ 15,000	\$ 15,000	\$ -	\$ 15,000
Neighborhood #3 Liner Improvements	\$ 84,000	\$ 54,000	\$ 511,000	\$ 565,000
4S WRF Scada Upgrades	\$ 64,000	\$ 3,000	\$ -	\$ 3,000
Rancho La Cima/Aliso Canyon PL Relocation	\$ 65,000	\$ 2,000	\$ -	\$ 2,000
Total	\$ 22,101,500	\$ 9,933,000	^(1) \$ 6,955,000	\$ 16,888,000

^(1) Includes approximately \$5.5MM in encumbered funds

Add New CIP & Recurring	\$ -	\$ -	\$ 9,168,000	\$ 9,168,000
Total Fiscal Year 2027 CIP with FY 2026 Unspent Capital			\$ 16,123,000	\$ 26,056,000

Summary of Significant Projects (>\$1MM) and Funding Source

Project Name	Cumulative Appropriation Thru FY 2028*	Funding Source
San Dieguito Valley Groundwater Desalination Plant	10,393,000	Cap Fees & Grants
Headworks Screening System Improvements	6,838,000	Wastewater Capital Fund & Grants
Del Dios SPS Improvements	3,775,000	Wastewater Capital Fund
Palms I and II Reservoirs Replacement	4,794,000	Potable Capital Fund
DCMWTP 2nd Stage Basin Rehab and Beam Replacement	2,077,000	Potable Capital Fund
EFRR Parking Lot Expansion	1,984,000	Potable Capital Fund & Grants
Replace Main Switchboard S (MSB-S) and Automatic Transfer Switch	1,588,000	Wastewater Capital Fund
DCMWTP 1st Stage Beam Replacement	1,485,200	Potable Capital Fund
DCMWTP 1st Stage Basins Rehab	1,204,600	Potable Capital Fund
Dusty Trail PL Replacement	1,868,000	Potable Capital Fund

**FY 2027 and FY 2028 appropriations pending Board approval*

Fiscal Years 2027 & 2028 New CIPs

Project Name	Fund	FY 2027	FY 2028	FY29 - FY36	Total
(1) 10th St PRS Repairs	Potable	830,000	-	-	830,000
Miller 14" Valve and Vault Replacement	Potable	213,000	731,000	753,000	1,697,000
AC Pipe Risk Assessment Study	Potable	150,000	-	-	150,000
(1) Encinitas Blvd PRS	Potable	146,000	260,000	-	406,000
(1) Gano & San Dieguito Access Imp	Potable	120,000	-	-	120,000
Strategic Major System Valve Replacement Program	Potable	75,000	500,000	7,184,000	7,759,000
DCMWTP On-Site Improvements to Connect to New Sewer Pump Station	Potable	50,000	50,000	1,345,000	1,445,000
GP Migration	Potable	-	405,000	445,000	850,000
Peay Outlet Air Vac Improvements	Potable	-	55,000	228,000	283,000
DCMWTP AFIF Vault & Mixing System	Potable	-	-	2,965,000	2,965,000
DCMWTP Hydroelectric Turbine Refurbishments	Potable	-	-	1,450,000	1,450,000
Indian Canyon Realignment Project	Potable	-	-	147,000	147,000
4S Chemical Line Assessment/Replacement	Wastewater	-	360,000	-	360,000
Total		1,584,000	2,361,000	14,517,000	18,462,000

(1) These projects were approved during the 2026 Midterm Budget adjustment

Equipment Purchases FYE 2027

Asset Class	Qty.	Item Description	Budget Amount	Source of Funds *		
				Potable Water	Wastewater	Recycled Water
Shop and Field Equipment Project # D139820 - Potable Water Project # D739820 - Wastewater Project # D839820- Recycled Water	10	Guterman Zonescan NB-IoT Modules - Leak Detection Equipment (Replacement)	19,000	17,000	-	2,000
	2	Mobiltext Remote Monitor Unit - Cathodic Protection Equipment (Replacement)	7,000	7,000	-	-
	3	VHF Emergency Radios for EFRR (Replacement)	9,000	9,000	-	-
				-	-	-
Subtotal Shop and Field Equipment			\$ 35,000	\$ 33,000	\$ -	\$ 2,000
Automotive Equipment Project # D139830 - Potable Water Project # D739830 - Wastewater Project # D839830- Recycled Water	4	2027 Ford F-150 Truck (Replacement)	188,000	160,000	9,000	19,000
	2	2027 Ford F-250 Truck (Replacement)	130,000	111,000	7,000	12,000
Subtotal Automotive Equipment			\$ 318,000	\$ 271,000	\$ 16,000	\$ 31,000
Communication Equipment Project # D129840 - Potable Water Project # D709840 - Wastewater Project # D809840 - Recycled Water	1	Phone System Upgrade	25,000	20,000	4,000	1,000
Subtotal Communication Equipment			\$ 25,000	\$ 20,000	\$ 4,000	\$ 1,000
Computer Hardware/Software Project # D139860- Potable Water Project # D739860 - Wastewater Project # D839860 - Recycled Water	1	Boardroom AV Upgrade (Replacement)	25,000	21,000	3,000	1,000
	15	Potable Computers (Replacement)	25,000	25,000	-	-
	3	Wastewater Computers (Replacement)	6,000	-	6,000	-
	7	Recycled Computers (Replacement)	12,000	-	-	12,000
	1	Potable Server (Replacement)	30,000	30,000	-	-
	2	Potable Network Switches (Replacement)	25,000	25,000	-	-
	1	Wastewater Network Switch (Replacement)	12,000	-	12,000	-
Subtotal Computer Hardware/Software			\$ 135,000	\$ 101,000	\$ 21,000	\$ 13,000
				Potable Water	Wastewater	Recycled Water
TOTAL			\$ 513,000	\$ 425,000	\$ 41,000	\$ 47,000

* Capital item funding sources are allocated based on percentage of use of each asset.

- To be partially offset by estimated \$56k salvage value of vehicles

Equipment Purchases FYE 2028

Asset Class	Qty.	Item Description	Budget Amount	Source of Funds *		
				Potable Water	Wastewater	Recycled Water
Shop and Field Equipment Project # D139820 - Potable Water Project # D739820 - Wastewater Project # D839820- Recycled Water	10	Guterman Zonescan NB-IoT Modules - Leak Detection Equipment (Replacement)	19,000	17,000	-	2,000
	2	Mobiltext Remote Monitor Unit - Cathodic Protection Equipment (Replacement)	7,000	7,000	-	-
	1	Line Locating Equipment	9,000	5,000	1,000	3,000
				-	-	-
Subtotal Shop and Field Equipment			\$ 35,000	\$ 29,000	\$ 1,000	\$ 5,000
Automotive Equipment Project # D139830 - Potable Water Project # D739830 - Wastewater Project # D839830- Recycled Water	1	2028 Crew Truck for Operations (Replacement)	260,000	221,000	13,000	26,000
	1	2028 F-450 Flatbed Truck for Operations (Replacement)	85,000	72,000	4,000	9,000
				-	-	-
				-	-	-
Subtotal Automotive Equipment			\$ 345,000	\$ 293,000	\$ 17,000	\$ 35,000
Computer Hardware/Software Project # D139860- Potable Water Project # D739860 - Wastewater Project # D839860 - Recycled Water	3	Wastewater Computer Hardware (Replacement)	6,000		6,000	-
	7	Recycled Computer Hardware (Replacement)	12,000		-	12,000
	15	Potable Computers (Replacement)	25,000	25,000		
	1	Potable Server (Replacement)	25,000	25,000		
				-		
Subtotal Computer Hardware/Software			\$ 68,000	\$ 50,000	\$ 6,000	\$ 12,000
				Potable Water	Wastewater	Recycled Water
TOTAL			\$ 448,000	\$ 372,000	\$ 24,000	\$ 52,000

* Capital item funding sources are allocated based on percentage of use of each asset.

- To be partially offset by estimated \$35k salvage value of vehicles

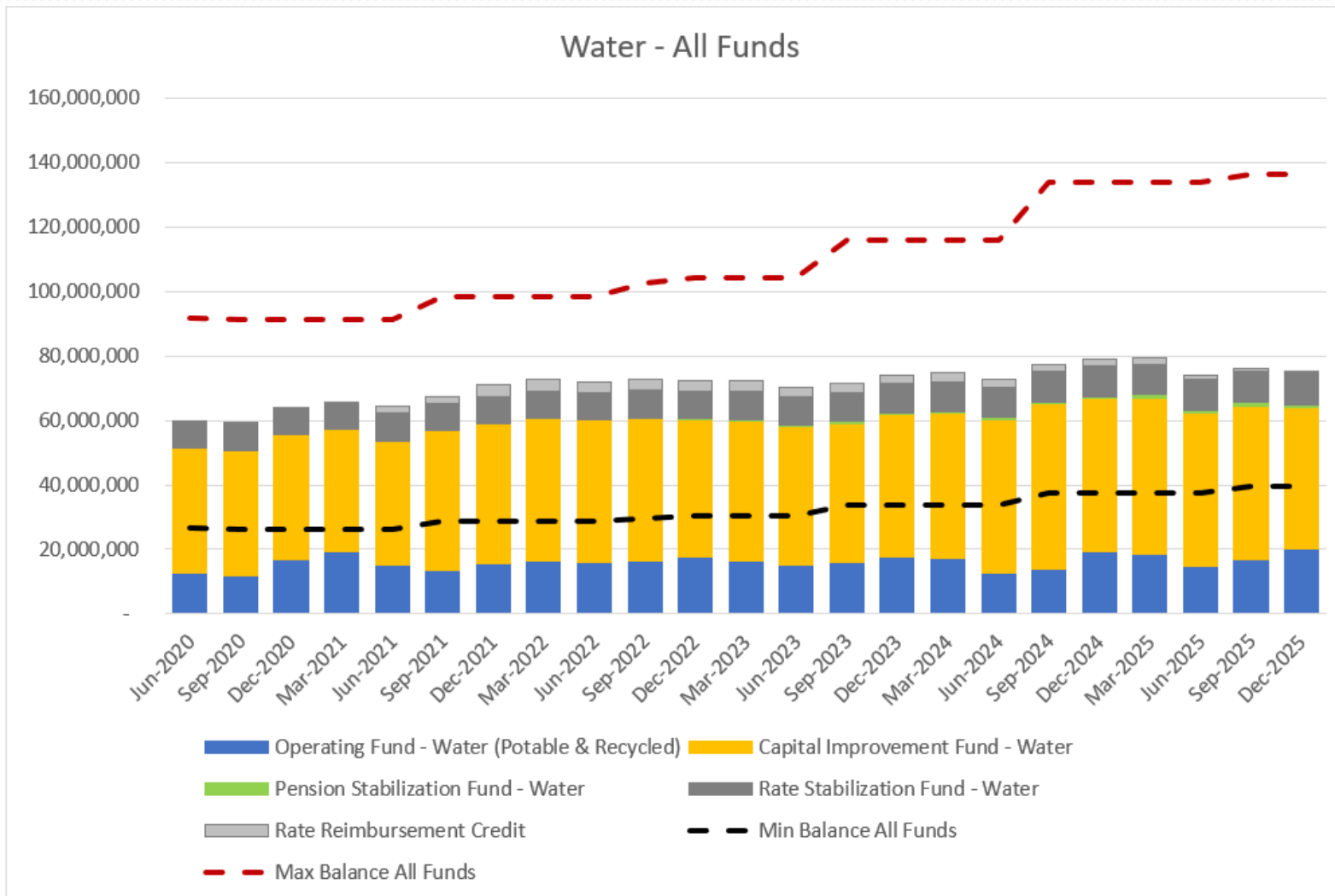
CIP Cost Reductions

- Reprioritization of non-critical projects to minimize risk and manage reserves
- Deferral of Water Capital Projects
 - Unit B & K Rehabilitation (Phase 1 and 2) and 3rd Stage DAF Addition deferred several years
 - \$7.3M in less critical projects deferred to years 11-13 (High County Villas Service Improvements, Del Mar Country Club Replacement, Gaty 2 Overflow, and remaining 3rd Stage DAF Addition)
- Deferral of several equipment purchases
 - IT department: undertook a thorough review of the department needs and deferred the purchase of non-critical computers until failure instead of replacing every 3 years
 - Construction department: After the EV Fleet regulations came into effect staff has re-evaluated which vehicles should be earmarked for replacement.
- Pursue other revenue sources to offset increased capital expenditures
 - State and Federal Grants - \$2.26 million (FY 2027) and \$170k (FY 2028)
 - Pursuing DCMWTP grants

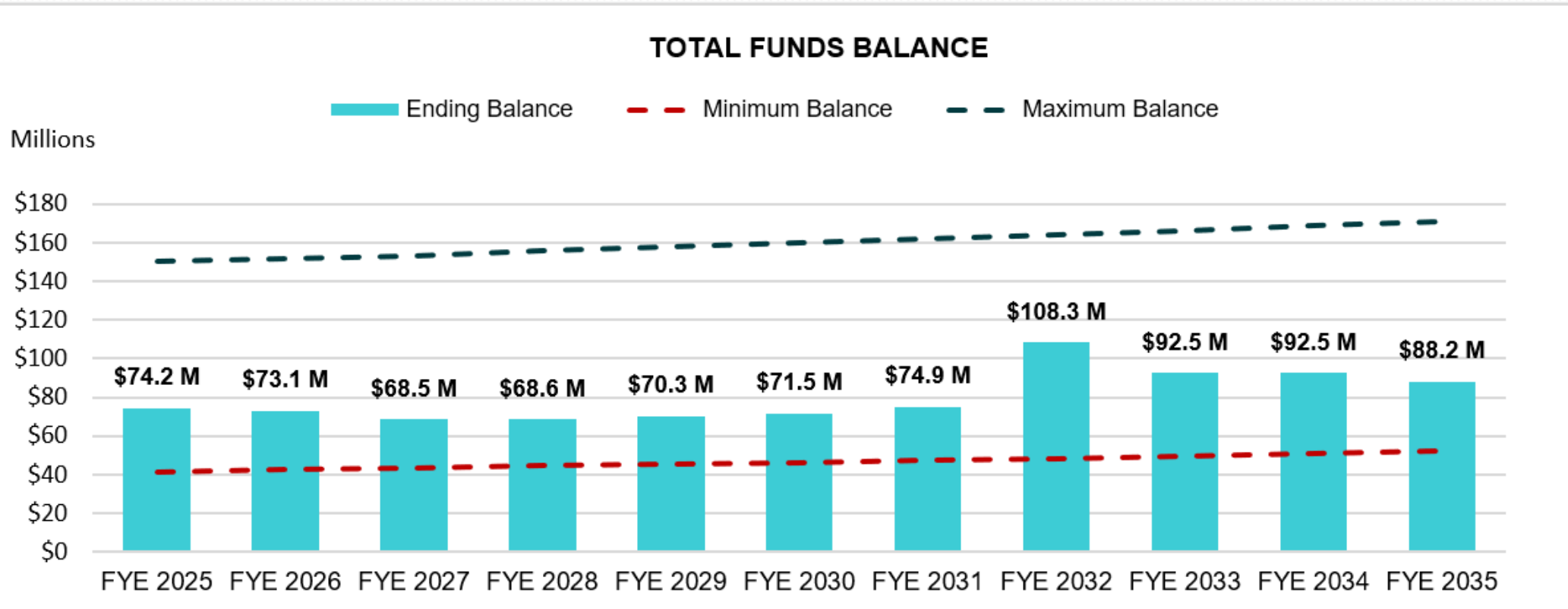
Historical and Projected Reserves

FY 2027 & FY 2028
Biennial Budget

Water – 5-year Historical Reserves

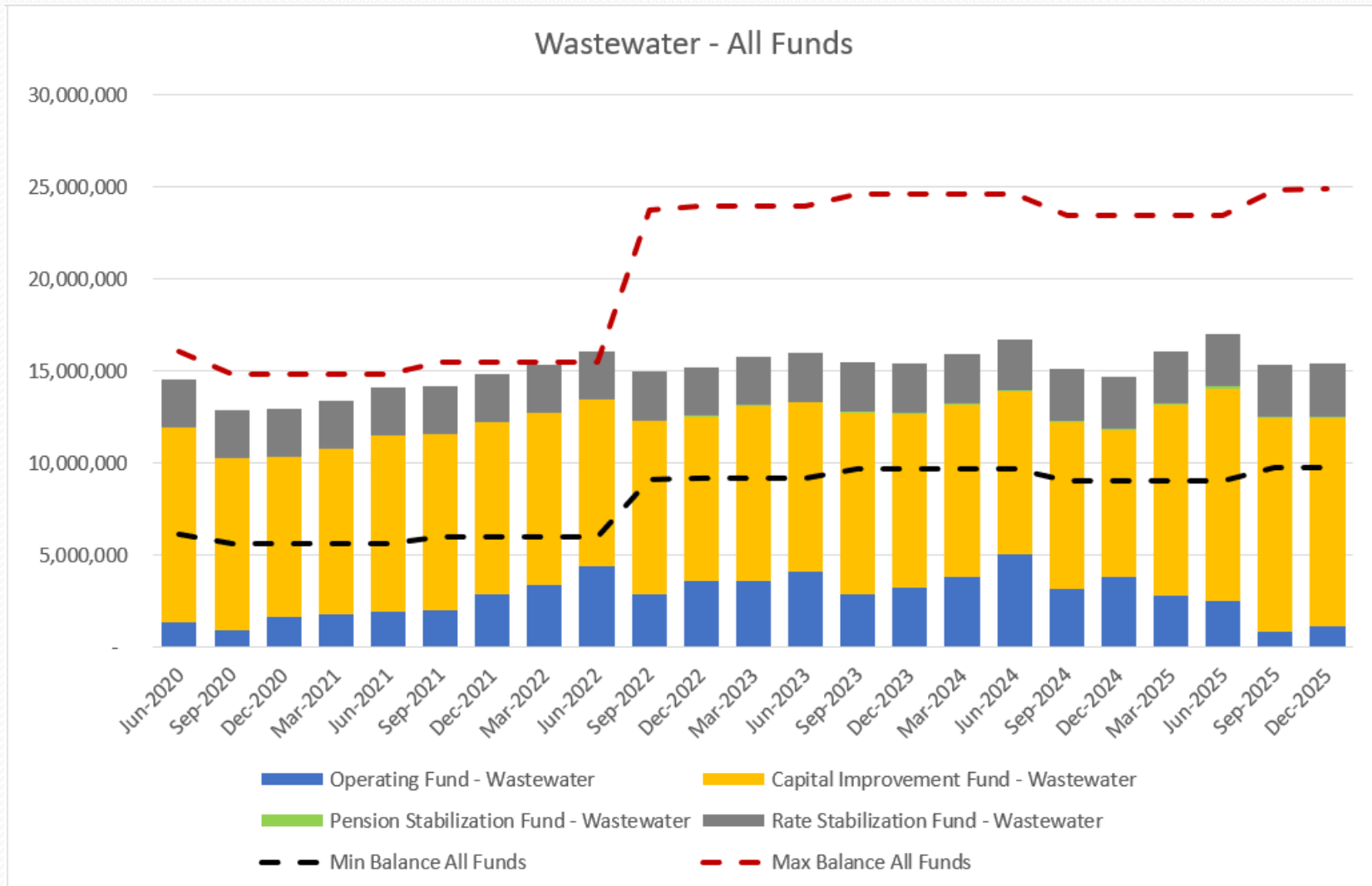


Water – Reserves Projections

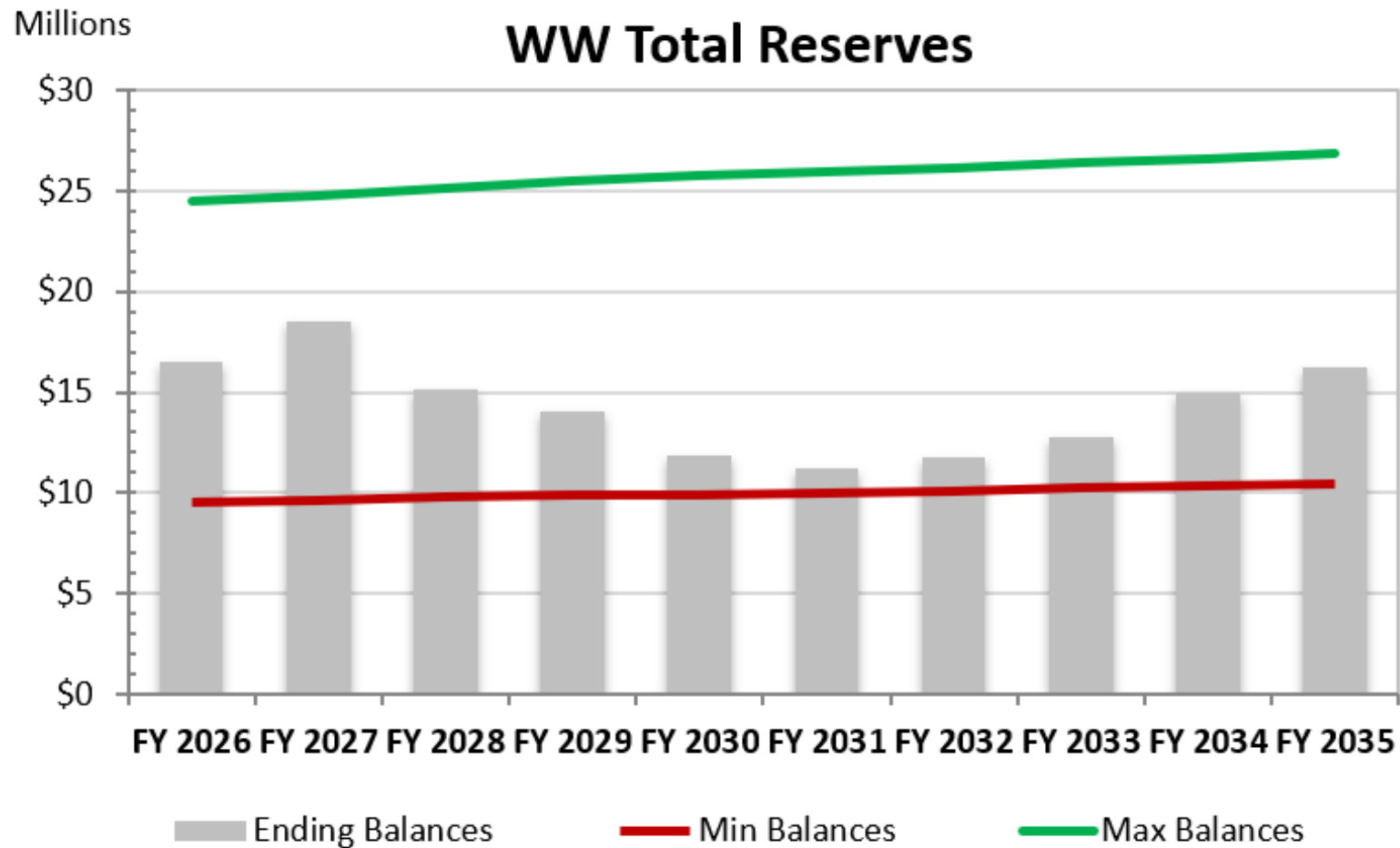


- Includes Operating, Capital, Rate Stabilization, and Pension Stabilization Funds
- FYE 2032 and 2033 assumes \$51 million debt issuance and \$13 million in grants for San Dieguito Valley Groundwater Desalination Project

Wastewater – 5-year Historical Reserves



Wastewater – Reserves Projections



Requested Action

- Staff is requesting approval from the Finance Committee to bring forward this preliminary budget for discussion with the Board at the April 15th budget workshop, for tentative approval
- Staff is also requesting direction on adding the following to the Operating Budget:
 - Lobbying agreement to pursue grant funding - \$100k
 - Adding would put year-to-year controllable cost increase above 3.8% annual objective
- Staff will continue with the budget refinement process, which will include updates to SDCWA rates
- Staff will include CIP for fluoride conceptual design and cost for FY 2027 per Board direction.
- Staff to present final draft of the FY 2027 and FY 2028 Operating and Capital budget to the Board for consideration and adoption in June 2026

Questions?

FY 2027 & FY 2028
Biennial Budget

Appendix

FY 2027 & FY 2028 Biennial Budget

Appendix: Fiscal Years 2027 & 2028 Appropriation Summary

Project Type	# Projects	Revised FY 2027 & 2028 Appropriations	Original FY 2027 & 2028 Appropriations	\$ Increase or (\$ Decrease
Multi	17	\$ 12,933,800	\$ 21,658,000	\$ (8,724,200) ⁽¹⁾
Recurring	26	\$ 11,395,000	\$ 10,475,000	\$ 920,000 ⁽²⁾
Delayed	22	\$ 16,126,000	\$ -	\$ 16,126,000 ⁽³⁾
New	13	\$ 4,452,000	\$ -	\$ 4,452,000 ⁽⁴⁾
	78	\$ 44,906,800	\$ 32,133,000	\$ 12,773,800

- ⁽¹⁾ Decrease primarily due to deceleration of projects during the midterm budget review, partially offset by increased costs in other CIPs and unspent appropriations from prior budget period.
- ⁽²⁾ Increase primarily due to addition of new recurring water project for aging infrastructure.
- ⁽³⁾ Includes unspent appropriations from prior budget period. See Unspent Capital slide.
- ⁽⁴⁾ New CIP projects starting in FY 2027 and FY 2028 that were not included in original 10 year CIP, or were originally planned to begin after FY 2028.

	Original FY 2027 & 2028 Appropriations	Revised FY 2027 & 2028 Appropriations *	Change
Potable	\$ 22,213,000	\$ 24,187,800	\$ 1,974,800
Recycled	\$ 3,897,000	\$ 2,128,800	\$ (1,768,200)
Wastewater	\$ 6,023,000	\$ 8,657,200	\$ 2,634,200
	\$ 32,133,000	\$ 34,973,800	\$ 2,840,800

* Excludes Rollforward

Appendix: CIP Spending Plan - Water (1 of 3)

Project Description	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Potable Water Capital Improvement Projects										
(1) Palms I and II Reservoirs Replacement	2,561,000	550,000	-	-	-	-	-	-	-	-
(1) San Dieguito Valley Groundwater Desalination Plant	1,664,000	1,921,000	3,098,000	2,922,000	1,814,000	28,010,000	29,153,000	1,611,000	-	-
(1) DCMWTP 2nd Stage Basin Rehab and Beam Replacement	1,500,000	-	-	-	-	-	-	-	-	-
(1) EFRR Parking Lot Expansion	1,448,000	60,000	-	-	-	-	-	-	-	-
(1) Dusty Trail PL Replacement	1,038,000	-	-	-	-	-	-	-	-	-
(1) 10th St PRS Repairs	830,000	-	-	-	-	-	-	-	-	-
(1) DCMWTP Combined Filter Influent & Backwash Pipe Replacement	693,000	-	-	-	-	-	-	-	-	-
(1) Encinitas Blvd Pipeline Inspection & Rehab	604,000	-	-	-	-	-	-	-	-	-
DCMWTP BWWEQ Tank Rehab	596,000	-	-	-	-	-	-	-	-	-
(1) DCMWTP 1st Stage Beam Replacement	558,000	367,200	367,200	367,200	367,200	367,200	-	-	-	-
(1) DCMWTP Raw Water Equal (RWWEQ) Tanks Rehab	653,000	-	-	-	-	-	-	-	-	-
(1) Units B & K Rehabilitation	327,000	-	-	-	360,000	680,000	800,000	-	-	-
DCMWTP FCV Actuators Replacement	310,000	-	-	-	-	-	-	-	-	-
(1) CIS Infinity System Upgrade	316,000	10,000	-	-	-	-	-	-	-	-
New Miller 14" Valve and Vault Replacement	213,000	731,000	753,000	-	-	-	-	-	-	-
(1) RSF Rd Pipeline Inspection	164,000	524,000	-	-	-	-	-	-	-	-
New AC Pipe Risk Assessment Study	150,000	-	-	-	-	-	-	-	-	-
(1) Encinitas Blvd PRS	146,000	260,000	-	-	-	-	-	-	-	-
(1) District-Wide PLC Replacements (PW/RCW)	202,000	-	-	-	-	-	-	-	-	-
(1) Fleet Electrification Project (PW/RCW)	123,000	-	149,000	1,341,000	767,000	-	-	-	-	-
(1) Gano & San Dieguito Access Imp	120,000	-	-	-	-	-	-	-	-	-
(1) Tank Safety Improvements	239,000	-	-	-	-	-	-	250,000	760,000	-
New DCMWTP On-Site Improvements to Connect to New Sewer Pump Station	50,000	50,000	153,000	1,192,000	-	-	-	-	-	-
(1) District Wide Scada Upgrades	21,000	-	-	-	-	-	-	-	320,000	-
(1) Rancho La Cima/Aliso Canyon PL Relocation	2,000	50,000	200,000	-	-	-	-	-	-	-
DCMWTP 1st Stage Basins Rehab	-	1,204,600	1,204,600	1,204,600	1,204,600	1,204,600	-	-	-	-
New GP Migration	-	405,000	377,000	68,000	-	-	-	-	-	-
DCMWTP Replace Chemical Storage Systems	-	203,000	209,000	215,000	-	-	-	-	-	-
(1) Golem 14" Pipeline Inspection and Rehab	-	133,000	-	-	-	-	-	-	-	-
DCMWTP Sodium Hypochlorite Room Rehab	-	95,000	-	-	-	-	-	-	-	-
New Peay Outlet Air Vac Improvements	-	55,000	57,000	171,000	-	-	-	-	-	-
DCMWTP Brine Area Rehab	-	-	198,000	-	-	-	-	-	-	-
DCMWTP HVAC Replacement	-	-	46,000	-	-	-	-	-	-	-
(1) Updates to the Potable and Recycled Master Plan and Hydraulic Models	-	-	-	560,000	140,000	-	-	-	610,000	260,000
DCMWTP Septic Pipe Relining & Drain Pipe Cleaning	-	-	-	469,000	-	-	-	-	-	-
Concrete Tank Condition Assessment	-	-	-	275,000	-	-	-	-	300,000	-
DCMWTP AFIF Vault & Mixing System	-	-	-	165,000	-	400,000	250,000	2,150,000	-	-
DCMWTP Replace Chemical Feed Systems	-	-	-	100,000	103,000	106,000	-	-	-	-
Long-term Pipeline Budget per HDR	-	-	-	58,000	-	-	-	-	-	68,000
Data Center	-	-	-	-	320,000	-	-	-	-	370,000
DCMWTP Replace Strainers	-	-	-	-	252,750	758,250	-	-	-	-
SE #1 PRS Replacement	-	-	-	-	143,000	993,000	-	-	-	-
DCMWTP WTP Replace Strainer Isolation Valves	-	-	-	-	93,000	-	-	-	-	-
DCMWTP Sodium Hypochlorite Generation System Rehab	-	-	-	-	-	959,000	-	-	-	-
DCMWTP Backpulse Tanks Replacement Project	-	-	-	-	-	875,000	-	-	-	-

(1) These projects are carried over from the prior year and have incurred costs prior to FYE 2027

New Projects added to FY 2027 and FY 2028 that were not included in original 10-year capital spending plan

- Construction costs for the San Dieguito Valley Groundwater project are based on construction cost estimates received in 2022, then adjusted for inflation in 2024

Appendix: CIP Spending Plan - Water (2 of 3)

Project Description	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Potable Water Capital Improvement Projects - Continued										
OMWD Parking and Access Improvements	-	-	-	-	-	520,000	-	-	-	-
(1) DCMWTP General WTP Inspect & Cond Assessment	-	-	-	-	-	270,000	270,000	-	-	-
DCMWTP Plate Settler Coating Rehab	-	-	-	-	-	138,000	-	-	-	-
DCMWTP Hydroelectric Turbine Refurbishments	-	-	-	-	-	90,000	680,000	680,000	-	-
DCMWTP Plate Settlers MOV Actuators Replacement	-	-	-	-	-	34,000	-	-	-	-
RSF Rd Pipeline Replacement	-	-	-	-	-	-	655,000	675,000	10,111,000	-
Unit B & K EM CCTV Inspect & Rehab Phase 2	-	-	-	-	-	-	480,000	2,140,000	-	-
DCMWTP WTP Repl Main Compressors	-	-	-	-	-	-	212,000	-	-	-
Quail Gardens PRS Replacement	-	-	-	-	-	-	152,000	1,075,000	-	-
Gano Reservoir Improvements	-	-	-	-	-	-	-	-	-	29,000
Berk Reservoir Improvements	-	-	-	-	-	-	-	-	-	100,000
Indian Canyon Realignment Project	-	-	-	-	-	-	-	-	-	147,000
DCMWTP Settler Unit 1, 2, & 3 Replace	-	-	-	-	-	-	-	-	-	577,000
Gaty 2 Overflow	-	-	-	-	-	-	-	-	-	598,000
Del Dios PRS Replacement	-	-	-	-	-	-	-	-	161,000	1,118,000
DCMWTP Switchgear and MCC Upgrades	-	-	-	-	-	-	-	-	446,000	4,142,000
Replace Maryloyd Pump Station	-	-	-	-	-	-	-	-	510,000	-
3rd Stage DAF Addition	-	-	-	-	-	-	-	-	709,000	2,383,000
Encinitas Blvd Pipeline Replacement	-	-	-	-	-	-	-	-	790,000	5,932,000
DCMWTP Bridge Crane Coating Rehab	-	-	-	-	-	-	-	112,000	-	-
Total Potable Water Capital Improvement Projects	14,528,000	6,618,800	6,811,800	9,107,800	5,564,550	35,405,050	32,652,000	8,693,000	14,717,000	15,724,000
Potable Water Recurring Replacement Projects										
Replace DCM WTP Membranes	1,850,000	1,082,000	1,114,000	1,147,000	1,182,000	1,631,000	1,668,000	1,705,000	1,330,000	1,370,000
Replace Potable Meters	962,000	998,000	900,000	927,000	955,000	984,000	1,014,000	1,044,000	1,075,000	1,107,000
New Strategic Major System Valve Replacement Program	75,000	500,000	600,000	700,000	800,000	900,000	1,000,000	1,030,000	1,061,000	1,093,000
Replace Pipelines	664,000	684,000	705,000	726,000	748,000	770,000	793,000	817,000	842,000	867,000
Impressed current system protection	150,000	540,000	560,000	570,000	590,000	610,000	630,000	640,000	660,000	680,000
Replace Valves	363,000	374,000	385,000	397,000	409,000	421,000	434,000	447,000	461,000	475,000
Steel Mains Protection	100,000	332,000	342,000	352,000	363,000	374,000	385,000	397,000	409,000	421,000
Replace Pumps and Motors	185,000	191,000	197,000	203,000	209,000	215,000	221,000	228,000	235,000	242,000
Replace Meter Anodes	168,000	173,000	178,000	183,000	188,000	194,000	200,000	206,000	212,000	218,000
WTP Misc Equipment and Instrumentation Replacement	115,000	124,000	134,000	145,000	157,000	170,000	184,000	199,000	215,000	233,000
Network Security	109,000	114,000	119,000	124,000	129,000	133,000	137,000	141,000	145,000	149,000
Replace PRS Valves	58,000	60,000	62,000	65,000	68,000	71,000	73,000	75,000	74,000	77,000
WTP Membrane Train Control Wiring Replacement	140,000	144,000	148,000	152,000	-	-	-	-	-	-
Rehab Concrete Tanks	27,000	28,000	29,000	30,000	31,000	32,000	33,000	34,000	67,000	70,000
Total Potable Water Recurring Replacement Projects	4,966,000	5,344,000	5,473,000	5,721,000	5,829,000	6,505,000	6,772,000	6,963,000	6,786,000	7,002,000
Total Potable Water CIP	19,494,000	11,962,800	12,284,800	14,828,800	11,393,550	41,910,050	39,424,000	15,656,000	21,503,000	22,726,000

(1) These projects are carried over from the prior year and have incurred costs prior to FYE 2027

New Projects added to FY 2027 and FY 2028 that were not included in original 10-year capital spending plan

Appendix: CIP Spending Plan – Water (3 of 3)

Project Description	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Recycled Water Capital Improvement Projects										
(1) Wanket RW Reservoir Rehabilitation	103,000	-	-	-	-	-	-	-	-	-
Santa Fe Valley RW Reservoir Improvements	90,000	-	-	-	-	-	-	-	-	-
Upgrade Filter Electrical	17,000	-	-	-	-	-	-	-	-	-
Recycled Water Storage Pond Upgrades	-	390,000	2,278,000	-	-	-	-	-	-	-
Upgrade Flow Equalization Basins	-	-	-	430,000	2,507,000	-	-	-	-	-
Replace Existing Recycled Water Pump Station VFDs	-	-	-	-	-	243,000	-	-	-	-
Total Recycled Water Recurring Replacement Projects	210,000	390,000	2,278,000	430,000	2,507,000	243,000	-	-	-	-
Recycled Recurring Replacement Projects										
Replace Recycled Pipeline	54,000	56,000	58,000	60,000	62,000	64,000	66,000	68,000	70,000	72,000
Recycled Conversions	70,000	73,000	76,000	79,000	82,000	40,000	41,000	42,000	43,000	44,000
Replace Recycled Valves	50,000	52,000	54,000	56,000	58,000	60,000	62,000	64,000	66,000	68,000
Replace Recycled Meters	52,000	54,000	56,000	58,000	60,000	62,000	64,000	66,000	67,000	69,000
Total Recycled Water Recurring Replacement Projects	226,000	235,000	244,000	253,000	262,000	226,000	233,000	240,000	246,000	253,000
(2) Recycled portion of wastewater projects that benefit recycled operations	346,000	993,200	322,800	300,000	309,200	319,200	328,000	338,000	349,200	360,800
Total Recycled Water CIP	782,000	1,618,200	2,844,800	983,000	3,078,200	788,200	561,000	578,000	595,200	613,800
Total Potable Water & Recycled Water CIP	20,276,000	13,581,000	15,129,600	15,811,800	14,471,750	42,698,250	39,985,000	16,234,000	22,098,200	23,339,800

(1) These projects are carried over from the prior year and have incurred costs prior to FYE 2027

(2) Wastewater projects that benefit recycled water operations are funded 60% from the wastewater fund and 40% from the recycled water fund

New Projects added to FY 2027 and FY 2028 that were not included in original 10-year capital spending plan

Appendix: CIP Spending Plan – Wastewater

Project Description	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Wastewater Capital Improvement Projects										
(1) Headworks Screening System Improvements	3,469,000	-	-	-	-	-	-	-	-	-
Del Dios SPS Improvements	552,000	3,223,000	-	-	-	-	-	-	-	-
Neighborhood #3 Liner Improvements	565,000	-	-	-	-	-	-	-	-	-
(1)(2) Replace Main Switchboard S (MSB-S) and Automatic Transfer Switch	311,000	1,164,000	-	-	-	-	-	-	-	-
(1) District-Wide PLC Replacements (WW)	237,000	-	-	-	-	-	-	-	-	-
Cielo SPS Flow Meters	120,000	-	-	130,000	-	-	-	-	-	-
(2) Chemical Area Upgrades	92,000	-	320,000	-	-	-	-	-	-	-
(1)(2) Off-Spec and High Flow Diversion Pipeline	75,000	-	-	-	-	-	-	-	-	-
Replace RAS Pump Station Suction Valves	68,000	-	-	-	-	-	-	-	-	-
(1)(2) Replace WRF Electrical Conduits, Enclosures, and Lighting	54,000	332,000	-	-	-	-	-	-	-	-
(2) Rehabilitation of Generator Enclosure Top	22,000	-	-	-	-	-	-	-	-	-
(1) Fleet Electrification Plan WW	15,000	-	75,000	425,000	435,000	-	-	-	-	-
(1) 4S WRF Scada Upgrades	3,000	-	-	-	-	-	-	-	-	-
(2) New 4S Chemical Line Assessment/Replacement	-	360,000	-	-	-	-	-	-	-	-
Midpoint SPS Improvements	-	319,000	1,860,000	-	-	-	-	-	-	-
(2) Replace Roll-up doors	-	209,000	-	-	-	-	-	-	-	-
Neighborhood #3 SPS Improvements	-	-	373,000	2,179,000	-	-	-	-	-	-
Fire House Pump Station Replacements	-	-	-	-	87,000	509,000	-	-	-	-
Wastewater Master Plan Update	-	-	-	500,000	-	-	-	-	579,000	-
Upgrade Headworks Odor Control Scrubber	-	-	-	231,000	1,346,000	-	-	-	-	-
4S WRF Site Paving Improvements	-	-	-	157,000	335,000	-	-	-	-	-
Avenida Apice and Avenida Orilla Pump Station Improvements	-	-	-	-	-	-	-	33,000	190,000	-
Biological Treatment Upgrade (Process Study & Pre-Design)	-	-	-	-	-	-	-	-	160,000	-
Upgrade Plant B Oxidation Ditch Aeration System	-	-	-	-	-	-	-	-	-	331,000
Cerro Del Sol #1 and Cerro Del Sol #2 Pump Station Improvements	-	-	-	-	-	-	-	41,000	241,000	-
Camino Sin Puente #1 Pump Station Improvements	-	-	-	-	-	-	-	-	81,000	476,000
Camino Sin Puente #2 Pump Station Improvements	-	-	-	-	-	-	-	-	80,000	467,000
Connect Plant B clarifier splitter box to Plant A Clarifiers	-	-	-	-	-	-	-	-	-	199,000
Santaluz Pump Station Improvements	-	-	-	-	-	160,000	933,000	-	-	-
NBHD #1 Overflow Containment Basin Rehab	-	-	-	-	-	580,000	-	-	-	-
Total Wastewater Capital Improvement Projects	5,583,000	5,607,000	2,628,000	3,622,000	2,203,000	1,249,000	933,000	74,000	1,331,000	1,473,000
Wastewater Recurring Replacement Projects										
(2) Replace WW Pump and Motor Replacement Program	226,000	239,000	252,000	265,000	273,000	282,000	290,000	299,000	308,000	318,000
(2) Mechanical and Yard Piping Replacement Program	-	39,000	50,000	193,000	199,000	205,000	211,000	217,000	224,000	231,000
(2) WW Valve and Gate Replacement Program	50,000	75,000	100,000	129,000	133,000	137,000	141,000	145,000	150,000	155,000
Collection System Pipeline Rehabilitation and Replacement	80,000	82,000	85,000	87,000	90,000	93,000	96,000	99,000	102,000	105,000
Pump Station Rehabilitation and Maintenance Program	78,000	80,000	82,000	84,000	87,000	90,000	92,000	95,000	98,000	101,000
Collection System Manhole Rehabilitation Program	74,000	76,000	78,000	80,000	83,000	86,000	88,000	91,000	94,000	97,000
(2) Instrumentation Replacement Program	-	25,000	40,000	83,000	86,000	89,000	91,000	94,000	97,000	100,000
(2) Plant A Rehabilitation	-	-	-	63,000	65,000	67,000	69,000	71,000	74,000	77,000
(2) Miscellaneous Equipment Replacement Program	35,000	40,000	45,000	17,000	17,000	18,000	18,000	19,000	20,000	21,000
Total Wastewater Recurring Replacement Projects	543,000	656,000	732,000	1,001,000	1,033,000	1,067,000	1,096,000	1,130,000	1,167,000	1,205,000
(2) Recycled portion of wastewater projects that benefit recycled operation	(346,000)	(993,200)	(322,800)	(300,000)	(309,200)	(319,200)	(328,000)	(338,000)	(349,200)	(360,800)
Total Wastewater CIP (Less Recycled Split)	5,780,000	5,269,800	3,037,200	4,323,000	2,926,800	1,996,800	1,701,000	866,000	2,148,800	2,317,200

(1) These projects are carried over from the prior year and have incurred costs prior to FYE 2025

(2) Wastewater projects that benefit recycled water operations are funded 60% from the wastewater fund and 40% from the recycled water fund

New Projects started in FY 2025 and FY 2026 that were not included in original 10-year CIP schedule