

**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: MONDAY, APRIL 28, 2025

TIME: 2:30 P.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: 839 7607 9855

Passcode: 970925

For Zoom Call-in Only:

Call: (669) 900-9128

Meeting ID: 839 7607 9855

Passcode: 970925

Public Participation/Comment: Members of the public can participate in the meeting by emailing your comments on an agenda item to Jared Graffam at jgraffam@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) 230-2569 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 10, 2025,
REGULAR FINANCE COMMITTEE MEETING
6. REVIEW AND DISCUSS STAFF'S PROPOSED CHANGES TO THE GENERAL
MANAGER'S RECOMMENDED BIENNIAL OPERATING AND CAPITAL BUDGET
FISCAL YEARS 2025 AND 2026 AT MIDTERM
7. FUTURE AGENDA ITEMS
8. ADJOURNMENT

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

February 10, 2025

A regular meeting of the Finance Committee of Olivenhain Municipal Water District was held on Monday, February 10th, 2025, at the District office, 1966 Olivenhain Road, Encinitas, California via teleconference and in person.

Director Meyers called the meeting to order at 2:03 p.m. In attendance were Neal Meyers, Vice President; Kimberly Thorner, General Manager; Rainy Selamat, Finance Manager and acting Deputy Treasurer; Leo Mendez, Accounting Supervisor; Jared Graffam, Financial Analyst II; and Georgeanna Clark, Financial Analyst I.

1. CALL TO ORDER

2. ROLL CALL (BOARD MEMBERS)

Director Meyers noted that he was the only active board member in attendance due to the resignation of the Treasurer. It was noted that Finance Manager Selamat is the Deputy Treasurer so will be filling in as Treasurer for the meeting.

3. ADOPTION OF THE AGENDA

Director Meyers moved to adopt the agenda, seconded by Finance Manager Selamat, and carried unanimously.

4. PUBLIC COMMENTS

There were no public comments.

5. CONSIDER APPROVAL OF THE MINUTES OF THE NOVEMBER 04, 2024, REGULAR FINANCE COMMITTEE MEETING

Director Meyers moved to approve the November 4th, 2024, meeting minutes, seconded by Finance Manager Selamat and carried unanimously.

6. REVIEW OF DISTRICT INVESTMENTS AND CASH REPORT FOR FOURTH QUARTER 2024

Finance Manager Selamat reviewed the investment report as of December 31, 2024, with the committee. Cash and investments were discussed. Finance Manager Selamat

reported that the current yield on the District's investment portfolio has decreased slightly compared to the last quarter due to replacing matured securities with lower yields available in the market. Finance Manager Selamat reported that 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.

Finance Manager Selamat next presented the draft summary of fund balances over the previous five years. Director Meyers asked why the allowable minimum and maximum balance limits are increasing, and if it is something that the Board of Directors approves each time. Finance Manager Selamat explained that the minimum and maximum limits are based on different metrics depending on the fund, and those metrics are tied to the Board approved budget and Board-designated Fund Balance Policy. Director Meyers asked why the Water Operating fund was nearing the maximum allowable balance in December. Financial Analyst Graffam explained that staff had paused transfers to the Capital fund to increase the Operating fund in anticipation of the large pre-buy of water from SDCWA that was due in January. Financial Analyst Graffam noted that now that the pre-buy has been paid, the Operating fund balance is back to its normal levels as of January.

Finance Manager Selamat also presented a three-year history of quarterly yields on investments. The graph showed increasing yields over most of the last three years and a slight decrease in yields over the last two quarters. Finance Manager Selamat noted that rates will likely continue to go down over the next quarter. The committee accepted the report as presented.

7. QUARTERLY REVIEW OF OMWD'S FINANCIAL REPORT - BUDGET vs. ACTUAL REPORT (2ND QTR OF FY 2025)

Finance Manager Selamat presented the Budget vs Actual report for the current fiscal year through December 2024. Finance Manager Selamat explained that revenue and expenses are close to budgeted numbers with most variances being caused by timing differences. Finance Manager Selamat then presented the water sales budgeted vs actuals graph for the first 6 months of fiscal year 2025 and explained that water sales are in line with budgeted predictions.

The effect of the political climate on District operations was discussed, including the effect it is having on grant funding and the anticipated effects of various tariffs that have been announced. The committee accepted the report as presented.

8. FUTURE AGENDA ITEMS/INFORMATION

No future agenda items for the next finance committee meeting were discussed.

9. ADJOURNMENT

The meeting was adjourned at 2:35pm.

Memo

Date: April 28, 2025
To: Finance Committee
From: Rainy Selamat, Finance Manager
Via: Kimberly Thorner, General Manager
Subject: **REVIEW AND DISCUSS STAFF'S PROPOSED CHANGES TO THE GENERAL MANAGER'S RECOMMENDED BIENNIAL OPERATING AND CAPITAL BUDGET FISCAL YEARS 2025 AND 2026 AT MIDTERM**

Following the Board adoption of the General Manager's Recommended Biennial Operating and Capital Budget for fiscal years 2025 and 2026 in June 2024, the budgeted amounts for fiscal year 2025 were appropriated and have been used to pay for District operations and capital infrastructure needs since July 1, 2024.

Proposed adjustments to the second fiscal year of the Biennial Budget (based on the first fiscal year actual results and projections) are presented to the committee and the Board for consideration and approval as part of the midterm biennial budget review process.

Staff will present the attachment for discussion with the committee.

Following the committee review and approval, the midterm budget adjustments will be brought forward to the Board for review and consideration at the May 2025 meeting and adoption at the June 18, 2025 meeting.

Attachment: Midterm Budget Adjustments Presentation

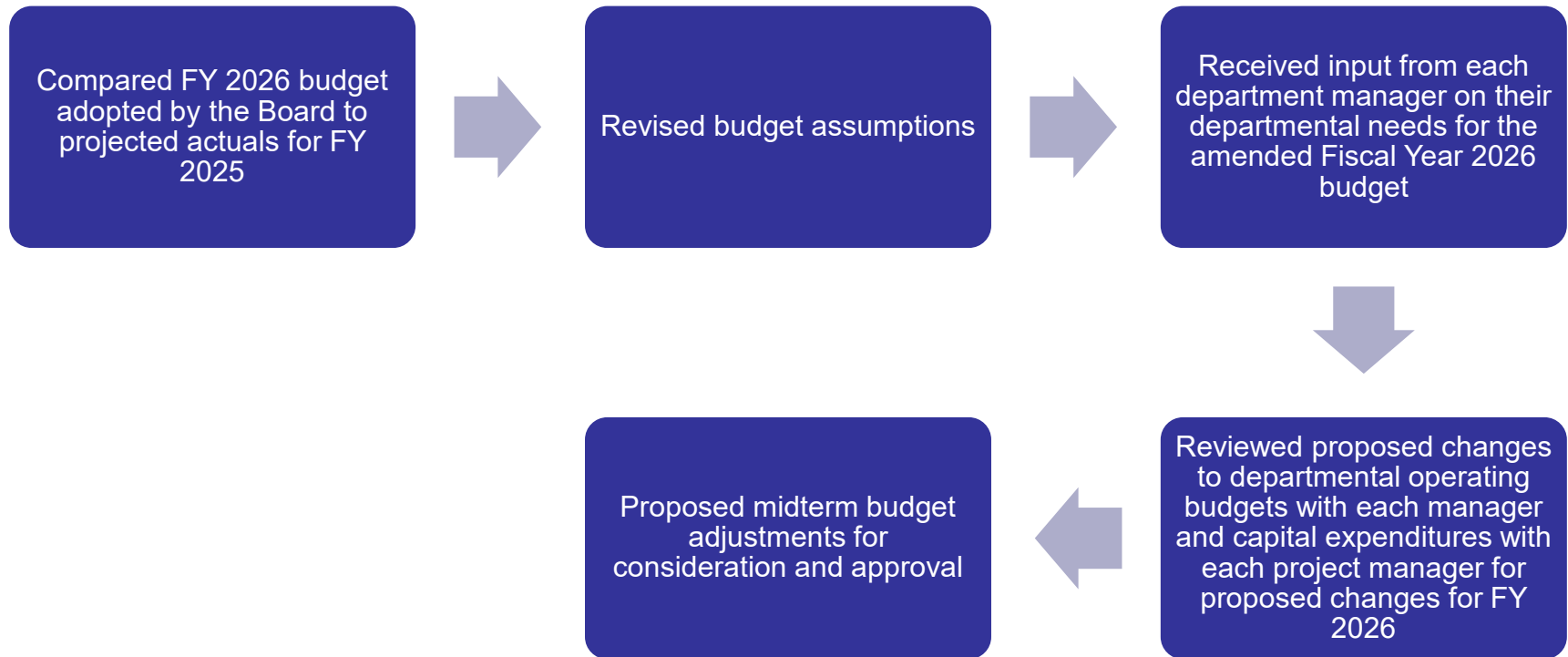
Fiscal Years 2025 and 2026 Midterm Budget

OMWD Finance Committee Meeting
April 28, 2025

Today's Agenda

- Midterm Budget Process
 - FY 2025 and FY 2026 Biennial budget was approved by the Board in June 2024
 - FY 2026 budget will be reviewed and updated at midterm (June 2025)
- Fiscal Year 2025 Highlights
 - Review of Financials and Reserves
- Midterm (FY 2026) Budget Development Overview
 - Update FY 2026 budget assumptions and forecasts
 - Challenges
 - Mitigation efforts
- Next Steps

Midterm Budget Process



FY 2025

Highlights

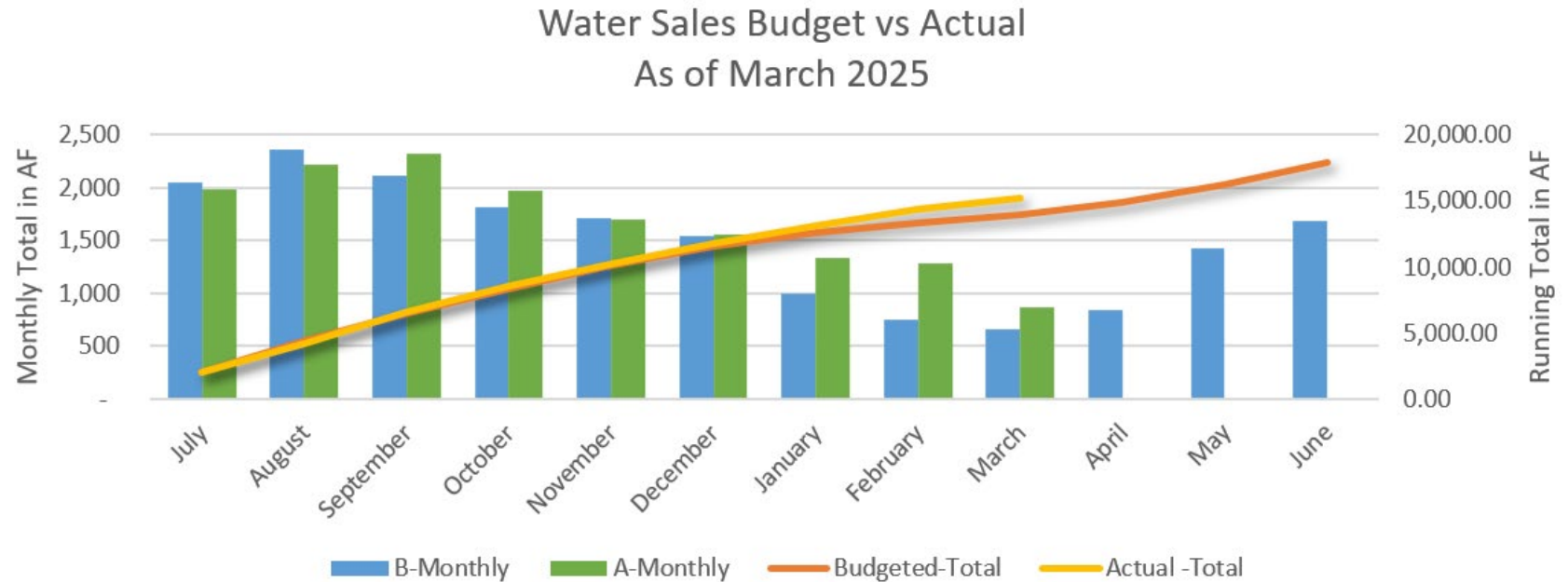
Budget vs Actual

as of Feb 2025

	Approved Budget	Actual YTD	Budget YTD	Variance Amt	Variance %
Operating Revenues					
Commodity Water Sales	\$46,817,000.00	\$34,755,926.90	\$31,924,200.00	\$2,831,726.90	8.9%
Water Fees and Services	19,701,000.00	12,986,039.17	13,134,000.00	(147,960.83)	(1.1%)
Wastewater Revenue	5,725,000.00	3,238,173.42	3,277,500.00	(39,326.58)	(1.2%)
Total Operating Revenues	72,243,000.00	50,980,139.49	48,335,700.00	2,644,439.49	5.5%
Operating Expenses					
Purchased Water - Variable	27,264,000.00	19,600,283.93	19,765,000.00	164,716.07	0.8%
Purchased Water - Fixed	9,593,000.00	6,426,888.00	6,233,000.00	(193,888.00)	(3.1%)
General Manager Dept	2,232,000.00	1,385,208.91	1,488,080.00	102,871.09	6.9%
Engineering Dept	2,577,000.00	1,562,987.71	1,717,360.00	154,372.29	9.0%
Finance Dept	1,875,000.00	1,219,530.90	1,250,640.00	31,109.10	2.5%
Customer Service Dept	3,116,500.00	2,000,990.99	2,082,184.00	81,193.01	3.9%
Human Resources Dept	878,000.00	589,577.82	585,464.00	(4,113.82)	(0.7%)
Water Operations and Maintenance Dept	12,836,000.00	7,860,504.82	8,687,032.00	826,527.18	9.5%
Parks Dept	542,800.00	343,774.20	362,768.00	18,993.80	5.2%
Other Operating Expenses	50,000.00		33,600.00	33,600.00	100.0%
Wastewater Operations and Maintenance Dept	3,397,000.00	2,236,542.68	2,266,896.00	30,353.32	1.3%
Recycled Water Operations Dept	1,252,500.00	784,385.63	833,680.00	49,294.37	5.9%
Paygo Transfers					
Water Operations	5,382,000.00	3,592,000.00	3,592,000.00		0.0%
Wastewater Operations	3,245,000.00	2,160,000.00	2,160,000.00		0.0%
Recycled Operations	1,700,000.00	1,136,000.00	1,136,000.00		0.0%
Capitalized Operations Expenditures	(1,969,700.00)	(952,615.12)	(1,312,480.00)	(359,864.88)	27.4%
Total Operating Expenses	73,971,100.00	49,946,060.47	50,881,224.00	935,163.53	1.8%
Net Operating Income (Loss)	(1,728,100.00)	1,034,079.02	(2,545,524.00)	3,579,603.02	
Nonoperating Revenues					
Water Funds	7,289,000.00	5,182,473.35	4,574,360.00	608,113.35	13.3%
Debt Service Funds	1,057,000.00	721,068.32	648,940.00	72,128.32	11.1%
Wastewater Funds	145,000.00	141,942.87	96,800.00	45,142.87	46.6%
Recycled Water Funds	342,000.00	187,620.14	228,000.00	(40,379.86)	(17.7%)
Total Nonoperating Revenue	8,833,000.00	6,233,104.68	5,548,100.00	685,004.68	12.3%
Nonoperating Expense					
Capacity Fee Funds	30,000.00	24,839.91	19,840.00	(4,999.91)	(25.2%)
Debt Service Funds	1,242,400.00	751,745.05	829,360.00	77,614.95	9.4%
Potable Water Funds	858,000.00	717,041.50	610,400.00	(106,641.50)	(17.5%)
Recycled Water Funds		6,134,956.54		(6,134,956.54)	0.0%
Total Nonoperating Expense	2,130,400.00	7,628,583.00	1,459,600.00	(6,168,983.00)	(422.6%)
Inc before Cap Fees and Capital Contributions	4,974,500.00	(361,399.30)	1,542,976.00	(1,904,375.30)	
Capacity Fee Funds	1,457,000.00	2,114,958.08			
Capital contributions	1,772,000.00	6,678,017.14			
Change in Net Position		8,431,575.92			

FY 2025 Highlights

Budget vs Actual Water Sales

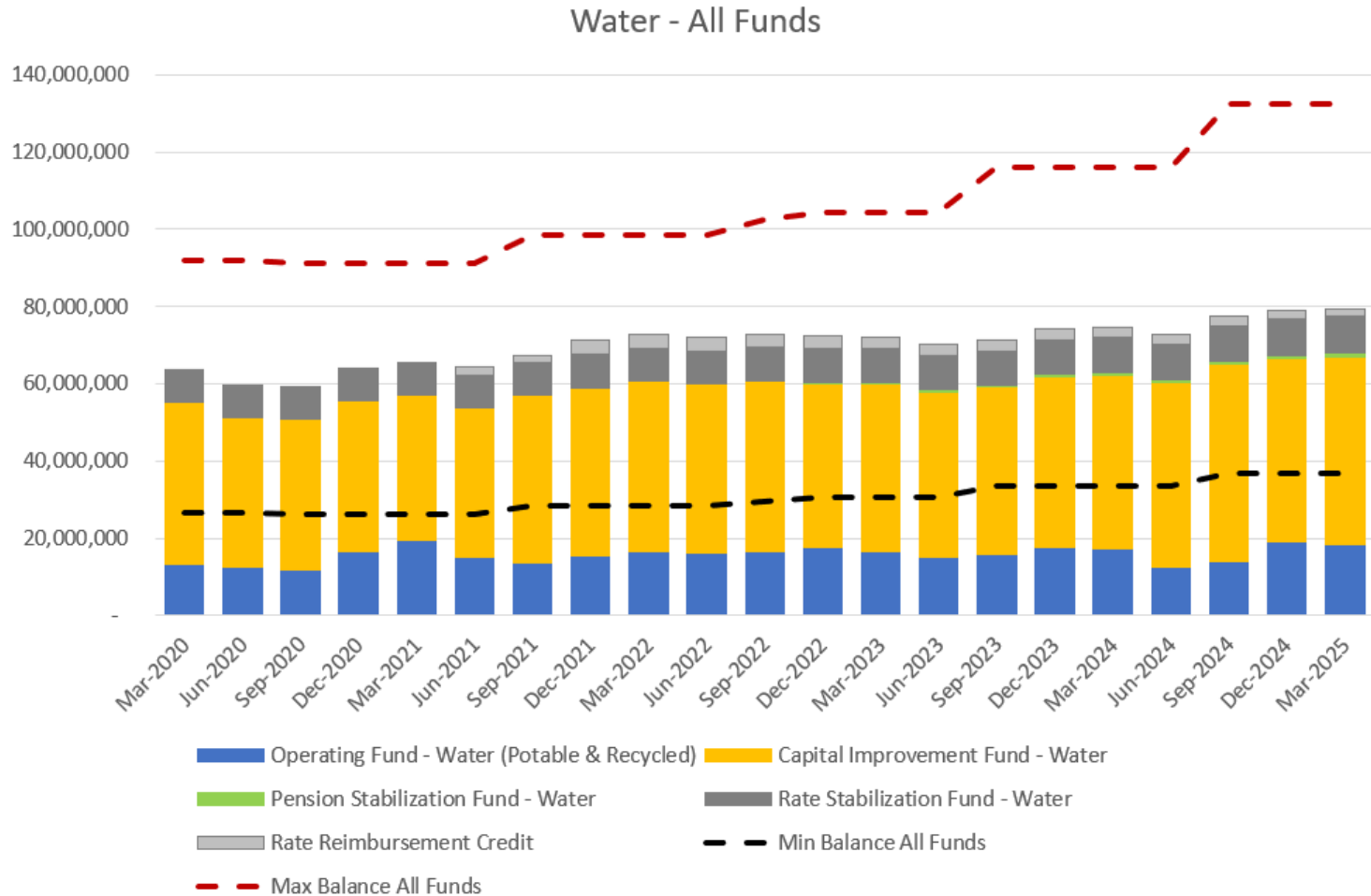


FY 2025 Highlights

- Pre-buy 3,449 AF at CY 2024 rates saving \$360k in purchased water costs
- Received \$530 thousand in federal and state grant funding
- Received \$1.76 million in capacity fee revenue
 - \$1.2 million of the capacity fees were from a Multi-Family project, *The Nest at La Costa*
- Sale of Weigand parcel for \$1.25 million (\$350k received already, the remaining \$900 thousand will be received by end of June 2025).

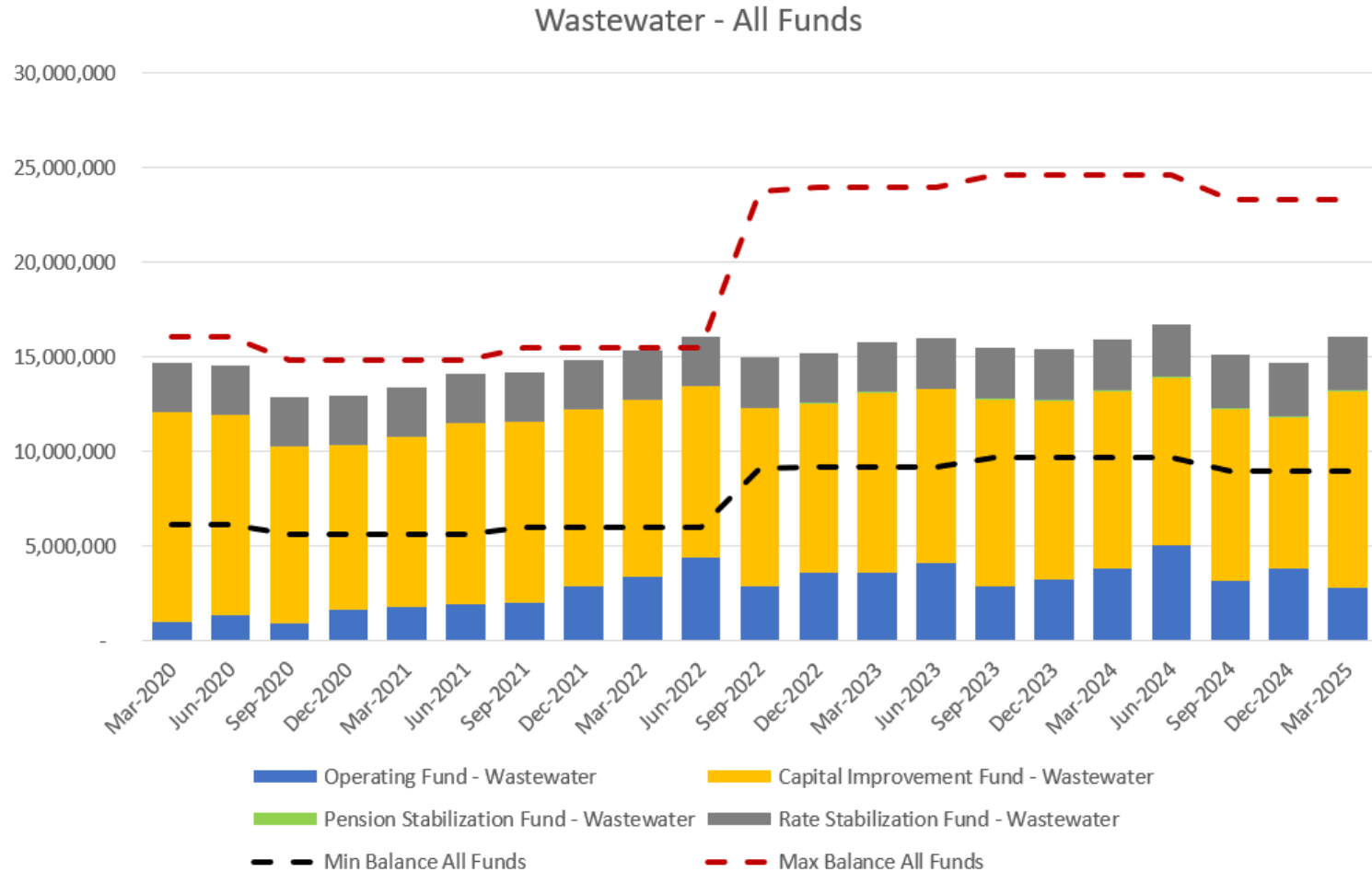
FY 2025 Highlights

5 Year History of OMWD Fund Balances by Quarter



FY 2025 Highlights

5 Year History of OMWD Fund Balances by Quarter



FY 2025 Highlights

Completed Capital Improvement Projects (CIP)

Fund	Project Name	Total Project Budget	CIP Appropriation thru FYE '25	Total Expenses	(Over) / Under CIP Appropriation	Comment
Wastewater	Replace Neighborhood 1 SPS	\$8,582,000	\$8,582,000	\$8,599,326	(\$17,326) 1	Completed and NOC filed
Potable	RSFe Rd Unit A North PL	\$2,094,000	\$1,986,000	\$1,981,657	\$4,343	Completed and NOC filed
Potable	Firehouse PS Sewer Emergency	\$550,000	\$550,000	\$550,000	\$0	Completed - awaiting final invoice
Potable	DCMWTP 2nd Stage Memb. Train	\$472,500	\$272,500	\$229,879	\$42,621	Scheduled to be completed FY '25 within budget
Potable	District-Wide Scada Upgrades	\$256,000	\$256,000	\$243,202	\$12,798	Scheduled to be completed FY '25 within budget
Potable	Chlorine Gen Rm Lining Rehab	\$195,000	\$195,000	\$217,058	(\$22,058) 2	Completed and NOC filed
Wastewater	Del Dios SPS Improvements	\$773,000	\$160,100	\$160,072	\$28	Scheduled to be completed FY '25 within budget
Wastewater	Firehouse SPS Liner Replacmnt	\$160,000	\$160,000	\$156,351	\$3,649	Scheduled to be completed FY '25 within budget
Recycled	Manchester Recyc PL Exten.	\$150,000	\$150,000	\$55,974	\$94,026	Scheduled to be completed FY '25 within budget
Potable	District-Wide Facility Securit	\$130,000	\$130,000	\$100,177	\$29,823	Scheduled to be completed FY '25 within budget
Wastewater	4S WRF Scada Upgrades	\$64,000	\$64,000	\$60,860	\$3,140	Scheduled to be completed FY '25 within budget
Potable	DCMWTP Inlet Strainer MOV	\$63,000	\$63,000	\$4,575	\$58,425	Scheduled to be completed FY '25 within budget
Potable	Olivenhain Rd Storage Leak Eme	\$55,000	\$55,000	\$54,915	\$85	Completed

1 Project overage due final change order and additional legal fees

2 Project overage due to additional consulting time to close out project

Recurring Replacement Projects:

Fund	Project Name	Total Project Budget	CIP Appropriation thru FYE '25	Total Expenses	(Over) / Under CIP Appropriation	Comment
Potable	Replace DCMWTP Membranes	\$11,231,000	\$936,000	\$895,266	\$40,734 3	
Potable	Replace Potable Meters	\$9,304,000	\$830,000	\$616,713	\$213,287 3	
Potable	Replace Valves	\$8,604,000	\$750,000	\$197,584	\$552,416 3	
Potable	Fixed Base AMI	\$715,000	\$715,000	\$498,542	\$216,458 3	Final phase completed in FY 2025
Wastewater	Replace WW Pumps/ Motors/Equip	\$2,539,000	\$200,000	\$119,850	\$80,150 3	
Potable	Replace Pot. Pumps and Motors	\$2,004,000	\$175,000	\$91,538	\$83,462 3	
Potable	DCMWTP Misc Equip Replacement	\$1,434,000	\$100,000	\$93,344	\$6,656 3	
Recycled	Recycled Conversions	\$819,000	\$65,000	\$9,548	\$55,452 3	
Recycled	Meter Replacement, Recycled	\$543,000	\$30,000	\$10,062	\$19,938 3	
Wastewater	Equipment Replacement Program	\$269,000	\$30,000	\$13,716	\$16,284 3	
Potable	Rehab Concrete Tanks	\$295,000	\$25,000	\$19,090	\$5,910 3	

3 Total Expenses as of 4/22/2025

Midterm Budget Development: FY 2026 Key Assumptions Update

Operating Revenues:

- Potable and recycled water sales
 - FY 2026 Volume: Increase from 17,920 (AF) to 19,000 (AF) to more align with FY 2025 projected actual sales (transitioning to drier weather conditions).
 - A 7.5% preliminary revenue adjustment for CY 2026 – subject to Board’s approval
 - Assume maximum pass-through of 12% on purchased water wholesale costs and 3.48% inflation pass-through on SD-CPI
- Selling excess treated water services to Vallecitos
 - Minimum purchase of 2,750 AF per agreement @ 80% of SDCWA’s treatment surcharge rate
 - Wastewater service revenue: Revenue adjustment of 5.5% effective 7/1/25 per the wastewater rate ordinance adopted by the board in June 2024. Wastewater revenue estimate based on FY 2025 actual consumption (or lowest winter months’ usage for single family)

Operating Expenditures:

- Pass-through Purchased Water Wholesale Cost Increases:
 - Potable Water from SDCWA and MWD: assume a 14% cost increase from SDCWA – pending approval from SDCWA Board, but OMWD can only pass-through 12%
 - Recycled Water from Vallecitos, City of San Diego, San Elijo JPA, RSF CSD – subject to change
- OMWD’s Proposed FY 2026 Operating Budget:
 - Almost **0%** net change to the Adopted FY 2026 Operating Budget to mitigate wholesale increases, even though OMWD experienced cost increases of its own.

Midterm Budget Development:

Departmental Operating Expenditures FY 2026 Update

Labor:

- Personnel Costs:
 - Includes 6% anticipated increase in salary and wages based on the District's current MOU
 - The maximum for SDCPI: 3.5% (actual 2.8% but includes rollover from prior year), and Merit Pool: 2.5%, for a total of 6% cap.
 - Staffing Analysis:
 - Defer filling Senior Risk Analyst position to FY 2027 that was previously approved and budgeted for FY 2026
 - Temporary Freeze on 2 (two) vacant utility positions
 - Net one less position than originally budgeted, for savings

Benefits:

- SDRMA – based on estimated payroll for fiscal year 2026 and 75% mod factor
- Kaiser: estimated at 5% increase effective 1/1/26
- ACWA- JPIA – estimated at 6% increase effective 1/1/26
- PERS:
 - Classic - Employer Annual Contribution @13.46% and an additional \$1,547,342 for annual unfunded liability payment
 - PEPR - Employer Annual Contribution @7.96% and an additional \$25,574 for annual unfunded liability payment
- Planned Annual Additional Discretionary Payment (ADP) to CalPERS (subject to Board approval)
 - \$500k transfer from the Operating Fund to the Pension Stabilization Fund
 - \$311k transfer from the Pension Stabilization Fund to CalPERS for the ADP as planned per the Pension Funding Policy

Others:

- Significant increase in other expenditures such as General Liability and Property Insurance Premium, outside services, and supplies. These are offset by delaying positions and making cuts to consultants.

Midterm Budget Development: Departmental Operating Expenditures FY 2026 Update (Cont'd)

Departmental Operating Costs, Net of Capitalized Operating Expenses

	Adopted Budget FY 2025	Estimated Actual FY2025	Adopted Budget FY 2026	Revised (Draft) Budget FY 2026	\$ Variance Adopted Vs. Amended	% Variance Adopted Vs. Amended
Operating Departments	\$ 27,027,000	\$ 25,589,063	\$ 28,494,000	\$ 28,488,000	\$ (6,000)	0%

Departmental Cost Cutting Efforts:

- Defer Senior Risk Analyst position to FY 2027
- Reduce outside services, consultants, legal, and supplies by \$270k across all departments
- Increase capitalized labor
- An overall reduction of \$800K compared to revised departmental budgets submitted by managers for FY 2026

Non-operating Revenues:

- Property tax: assume based on FY 2025 projected actual receipts * 2% increase
- Investment Income: @ 2% annually
- Capacity Fees: \$412,000 for FY 2026 based on engineering estimate
- Anticipated Grant Funding: \$2.05 million
 - \$960k CPF for Brackish Project
 - \$470k Prop1 Round 2 for Potable HOA Pipeline extensions and Extension 153 Flow Meter
 - \$540k Title 16 for various Recycled projects
 - \$75k for EFRR Trails and Parking lot project

Proposed Changes to FY 2026 Operating Budget (Water and Wastewater) at Midterm - DRAFT

Description	Original Budget	Proposed Adjustments	Revised Budget (Draft)	% Change From Original
<u>Operating Revenues</u>				
Water Sales and Service Revenue	65,815,000	2,447,000	68,262,000	3.72%
Wastewater Service Revenue	6,040,000	218,000	6,258,000	3.61%
Recycled Water Sales	5,738,000	529,000	6,267,000	9.22%
Total Operating Revenues	77,593,000	3,194,000	80,787,000	4.12%
<u>Non-operating Revenues</u>				
Water - Property Tax and Other Income	5,993,000	24,000	6,017,000	0.40%
Debt Service	1,061,000	-	1,061,000	0.00%
Wastewater - Other Income	101,000	(9,000)	92,000	-8.91%
Recycled Water Operations	252,000	5,000	257,000	1.98%
Capacity Fee Revenues	417,000	-	417,000	0.00%
Capital Fund Interest	894,000	59,000	953,000	6.60%
Anticipated Grant Revenue	817,000	1,228,000	2,045,000	150.31%
Total Revenues	87,128,000	4,501,000	91,629,000	5.17%
<u>Operating Expenses</u>				
Cost of water (est. as of 4/21/2025)	38,757,000	3,835,000	42,592,000	9.89%
Water Operations	25,258,000	(120,000)	25,138,000	-0.48%
Reclass Grant Expenses to Non-Operating	-	(114,000)	(114,000)	0.00%
Wastewater Operations	3,548,000	57,000	3,605,000	1.61%
EFRR (Parks) Operations	510,000	59,000	569,000	11.57%
Recycled Water Operations	1,306,000	1,000	1,307,000	0.08%
Other Operating Expenses - WFO	50,000	-	50,000	0.00%
Less: Capitalized Expenditures	(2,128,000)	(3,000)	(2,131,000)	0.14%
Capital PAYGO Transfers	9,905,000	1,402,000	11,307,000	14.15%
Less: Transfers from RSF to Operating for RRC	(738,000)	(505,000)	(1,243,000)	68.43%
Total Operating Expenses	76,468,000	4,612,000	81,080,000	6.03%
<u>Non-operating Expenses</u>				
Debt Service (principal and interest payments)*	6,883,500	-	6,883,500	0.00%
Capacity Fee Expenses	30,000	-	30,000	0.00%
Potable Water System (includes RRC)	748,000	505,000	1,253,000	67.51%
Reclass Grant Expenses from Water Operating	-	114,000	114,000	0.00%
Total Expenses	84,129,500	5,231,000	89,360,500	6.22%
Net Revenue (Expense)	2,998,500	(730,000)	2,268,500	-24.35%

Midterm Capital Budget

Midterm Budget Development: Capital Expenditures FY 2026 Update

- **Small Equipment Purchases**

- A \$20k decrease in equipment purchases for FY 2026
 - \$100k proposed increase in Shop and Field equipment offset by a (\$120k) decrease in Computer Hardware/Software and Automotive Equipment compared to FY 2026 Budget adopted by the Board in June 2024.
 - See next slide for details

- **Water and Wastewater Capital Infrastructure Needs**

- A net \$6.2 million proposed decrease in the water, wastewater, and recycled overall appropriations for fiscal year 2026
 - Proposed appropriation adjustments mainly due to change in project scope, increase in supply costs (higher inflation), and timing of capital expenditures on several active projects
 - 6 new Capital Improvement Projects to start in FY 2026:
 - Data Center
 - Strainer Coating Repairs
 - Encinitas Blvd PRS
 - 10th St PRS Repairs
 - Replace 4S WRF Clarifier Scum Boxes
 - Centrifuge 731 Major Service

Midterm Budget Development: Capital Equipment Expenditures FY 2026 Update

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	11	Automated External Defibrillators (AED Machines)	23,000	19,000	4,000	-
	10	Leak Detection Equipment (Replacement)	17,000	15,000	-	2,000
	2	Mobiltext Remote Monitor Unit (New)	6,000	6,000	-	-
	44	Motorola XPR 3500 Radios	100,000	90,000	5,000	5,000
Subtotal Shop and Field Equipment			\$ 146,000	\$ 130,000	\$ 9,000	\$ 7,000
Automotive Equipment Project # D139830 - Potable Water Project # D739830 - Wastewater Project # D839830- Recycled Water	1	Pumps & Motors Crane Truck for Operations (Replacement)	250,000	213,000	13,000	24,000
	4	PV 500 Vacuum Excavator Trailer (Replacement)	100,000	90,000	5,000	5,000
	1	F-450 Flatbed Truck for Operations (Replacement)	75,000	64,000	4,000	7,000
				-	-	-
Subtotal Automotive Equipment			\$ 325,000	\$ 277,000	\$ 17,000	\$ 31,000
Computer Hardware/Software Project # D139860- Potable Water Project # D739860 - Wastewater Project # D839860 - Recycled Water	6	Potable Desktop Computers	11,000	11,000	-	-
	9	Potable Laptops	20,000	20,000	-	-
	3	Potable Servers	35,000	35,000	-	-
	3	Wastewater Desktop Computers	6,000	-	6,000	-
	4	Wastewater Laptops	8,000	-	8,000	-
	1	Wastewater Servers	10,000	-	10,000	-
	1	Recycled Desktop Computers	2,000	-	-	2,000
	2	Recycled Laptops	5,000	-	-	5,000
Subtotal Computer Hardware/Software			\$ 77,000	\$ 46,000	\$ 24,000	\$ 7,000
				Potable Water	Wastewater	Recycled Water
TOTAL			\$ 668,000	\$ 563,000	\$ 55,000	\$ 50,000
Postpone to FY 2027	1	PV 500 Vacuum Excavator Trailer (Replacement)	100,000	90,000	5,000	5,000
Postpone to FY 2027	9	Potable Laptops	20,000	20,000	-	-
Total of postponed items			\$ 120,000	\$ 110,000	\$ 5,000	\$ 5,000

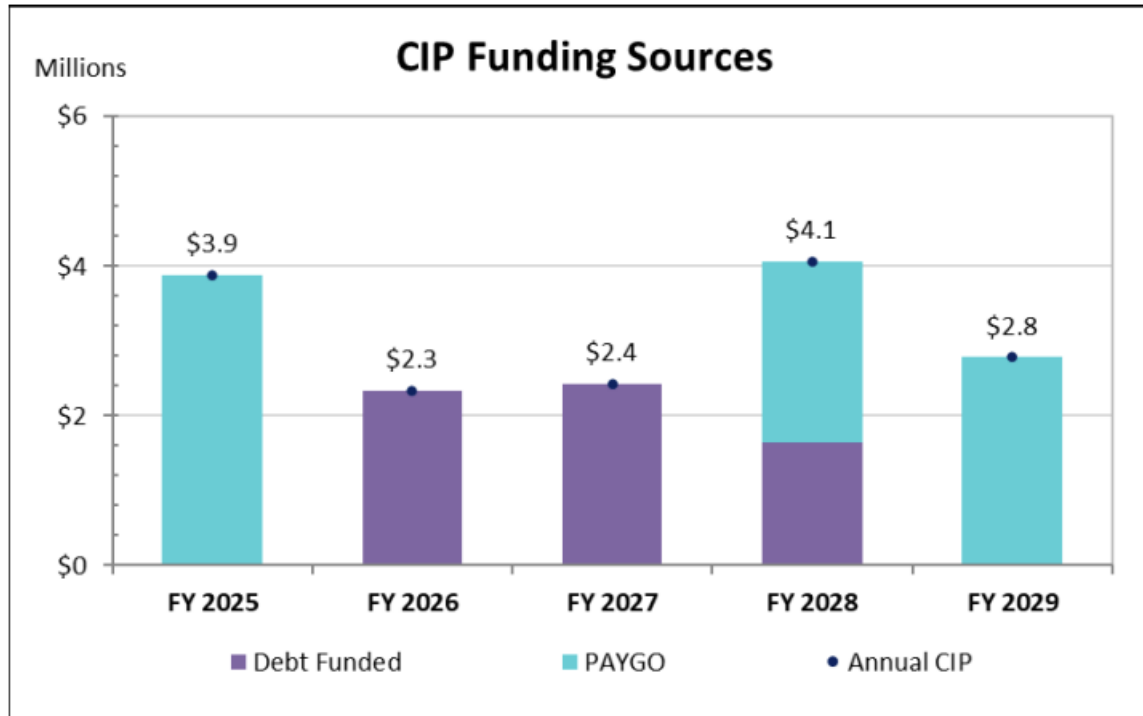
* Capital item funding sources are allocated based on percentage of use of each asset.

1 New request for FY 2026 to upgrade the District's emergency response communication system. Staff is pursuing some County grant funding to try and cover some of the cost.

2 Originally budgeted in FY 2026 but can be deferred until FY 2027.

Surplus from selling District's vehicles and equipment: \$30k through competitive bids process.

FY 2026 - Planned Debt Issuance



Pending Board approval - the 2024 Wastewater Cost of Service calls for wastewater capital expenditures in FY 2026 through FY 2028 to be partially funded by a debt issue of \$6.5 million in FY 2026, to avoid wastewater rate spikes and to maintain the minimum reserve balance approved by the Board.

Midterm Budget Development: Planned Capital Expenditures FY 2026

	<i>a</i>				<i>b</i>	<i>c</i>	<i>= a+b+c</i>
	FY 2025 Board Approved Appropriation	FY 2026 Board Approved Appropriation	Total Board Approved Appropriation		FY 2025 Unspent Carryover	FY 2026 Proposed Appropriation Adjustment	FY 2026 Amended Appropriation
Potable	19,351,000	12,424,000	31,775,000	¹	8,279,000	\$ (4,504,000)	16,199,000
Recycled	4,178,000	1,034,000	5,212,000	¹	770,000	-	1,804,000
Wastewater	5,103,000	4,070,000	9,173,000	¹	1,745,000	(1,405,000)	4,410,000
WW/Recy (Split)	1,111,000	-	1,111,000	¹	851,000	(289,000)	562,000
	29,743,000	17,528,000	47,271,000		11,645,000	(6,198,000)	22,975,000

¹ Total Board Approved Appropriation amounts are included in more detailed schedules on slides 19-21. Amounts above do not reflect \$2.045 million in anticipated grant funding for fiscal year 2026.

Midterm Budget Development: Budget vs. Appropriation Capital Improvement Project (CIP) FY 2026 Update

Project Budget Increase (Decrease)		Appropriation Increase (Decrease)	Fund	Comments
<u>Projects with Changes in Cost Estimates</u>				
\$ 800,000	Palms I and II Reservoirs	\$ 800,000	Potable	Increase to include rehab of existing pressure reducing station that is approaching end of useful life
10,000	Village Park PRS	10,000	Potable	Increase due to additional staff time to align with schedule
10,000	Gardendale PRS	10,000	Potable	Increase due to additional staff time to align with schedule
(634,000)	Del Dios SPS Improvements	(634,000)	Wastewater	Project completed in FY 25 under budget
(200,000)	DCMWTP 2nd Stage Memb. Train	(100,000)	Potable	Project completed in FY 25 under budget
(67,000)	DCMWTP Building & Door Refurbishments	(67,000)	Potable	Anticipate to be able to complete under budget
1,500,000	Replace Headworks Manual Sys	-	Wastewater	Board approved addn'l \$1.5M in March 2025 to Project Budget - funds will be spent in FY 27
\$ 1,419,000	Total, Increase in Estimated Costs	\$ 19,000		
<u>Projects with Decelerated Schedule</u>				
\$ -	DCMWTP 2nd Stage Basin & Beam	\$ (1,207,000)	Potable	Defer to align with membrane replacement program
-	Units B & K Rehabilitation	(1,000,000)	Potable	Defer until FY 27
-	DCMWTP 1st Stage Beam Replace	(980,000)	Potable	Defer to align with membrane replacement program
-	EFRR Parking Lot Expansion	(909,000)	Potable	Defer while assessing availability of grant funding
-	Fleet Electrification Plan	(750,000)	Potable	Defer to future year while fleet electrification exemptions are considered
-	Replace MSB-S & Transfr Switch	(659,000)	Wastewater	Defer to align electrical demands for switchboard with requirements for fleet electrification
-	DCMWTP Pipln Repl Influent/BW	(528,000)	Potable	Defer until FY 27
-	Replace WRF Electrical Conduit	(188,000)	WW/Recy	Defer to align with switchboard implementation
-	Fleet Electrification Plan WW	(187,000)	Wastewater	Defer to future year while fleet electrification exemptions are considered
-	Rancho La Cima/Aliso Canyon PL	(150,000)	Potable	No progress from County; defer until FY 27
-	Del Lago PRS	(123,000)	Potable	Defer to future year to prioritize other more critical PRS rehabilitation projects
-	Upgrade Filter Electrical	(101,000)	WW/Recy	Defer to align with switchboard implementation
\$ -	Total, (Decrease) due to Decelerated Schedules	\$ (6,782,000)		
<u>Cancelled Projects</u>				
\$ (150,000)	Harris Ranch Right-of-Way Acquisition	\$ (150,000)	Potable	Cancelled after legal feedback on easement documentation
(140,000)	Site Asphalt Improvements	(50,000)	Potable	Budgeted to Operating instead since several smaller repairs
\$ (290,000)	Total, Cancelled Projects	\$ (200,000)		
<u>New Projects</u>				
\$ 550,000	Data Center	\$ 275,000	Potable	Replace existing data center at end of useful life
155,000	Strainer Coating Repairs	155,000	Potable	Repair strainer to maintain plant reliability
TBD	Encinitas Blvd PRS	100,000	Potable	Initiate design to repair pressure reducing station approaching end of useful life
TBD	10th St PRS Repairs	100,000	Potable	Repair pressure reducing station approaching end of useful life
75,000	Replace 4S WRF Clarifier Scum Boxes	75,000	Wastewater	Replace corroded clarifier scum boxes
60,000	Centrifuge 731 (original) Major Service	60,000	Potable	Rehabilitate main bearing housing on existing centrifuge
\$ 840,000	Total, New Projects	\$ 765,000		
\$ 1,969,000	Total	\$ (6,198,000)		

Midterm Budget Development:

CIP- Appropriation Adjustments by Fund

Project Description	FY 25 & FY 26 Approved Appropriation	FY 2026 Appropriation Adjustment	FY 25 & FY 26 Amended Appropriation
Potable Water Capital Improvement Projects			
DCMWTP 4th Stage Centrifuge Addition	2,858,000	-	2,858,000
DCMWTP 2nd Stage Basin Rehab and Beam Replacement	1,784,000	(1,207,000)	577,000
RSF Unit A North PL Repl	1,478,000	-	1,478,000
District-Wide PLC Replacements (PW/RCW)	1,194,000	-	1,194,000
Gardendale PRS Replacement	1,259,000	10,000	1,269,000
Village Park PRS Replacement	1,242,000	10,000	1,252,000
Advanced Metering Infrastructure (AMI)	715,000	-	715,000
Encinitas Blvd Pipeline Inspection and Rehab	669,000	-	669,000
DCMWTP Raw Water Equal (RWEQ) Tanks Rehab	664,000	-	664,000
Rancho La Cima/Aliso Canyon PL Relocation	252,000	(150,000)	102,000
Golem 14" Pipeline Inspection and Rehab	133,000	-	133,000
PW and RCW Master Plan Update	73,000	-	73,000
Tank Safety Improvements	497,000	-	497,000
District Wide Scada Upgrades	125,000	-	125,000
District Wide Physical Security Improvements	35,000	-	35,000
DCMWTP Chlorine Gen Rm Lining Rehab	168,000	-	168,000
DCMWTP Bridge Crane Rehab	85,000	-	85,000
DCMWTP Inlet Strainer MOV Actuator Replacement	63,000	-	63,000
DCMWTP 1st Stage Beam Replacement	1,540,000	(980,000)	560,000
Unit B & K Rehab	1,327,000	(1,000,000)	327,000
Palms I and II Reservoirs Replacemt	492,000	800,000	1,292,000
Dusty Trail PL Replacement	830,000	-	830,000
EFRR Parking Lot Expansion	1,291,000	(909,000)	382,000
DCMWTP Combined Filter Influent & Backwash Pipe Replacement	708,000	(528,000)	180,000
CIS Infinity System Upgrade	397,000	-	397,000
Fleet Electrification Project (PW/RCW)	915,000	(750,000)	165,000
DCMWTP 2nd Stage Membrane Train Overhaul	222,000	(100,000)	122,000
Site Asphalt Improvements	110,000	(50,000)	60,000
Access improvements to pipe below Gano to San Dieguito Road	75,000	-	75,000
Harris Ranch Right-of-Way Acquisition	150,000	(150,000)	-
DCMWTP Fluoride Room, Permeate Pump Stanchion, Bldg Rehab	142,000	(67,000)	75,000
RSF Rd Pipeline Inspection	164,000	-	164,000
Del Lago PRS Replacement	123,000	(123,000)	-
San Dieguito Valley Groundwater Desalination Plant	1,861,000	-	1,861,000
Data Center	-	275,000	275,000
Strainer Coating Repairs	-	155,000	155,000
Encinitas Blvd PRS	-	100,000	100,000
10th St PRS Repairs	-	100,000	100,000
Centrifuge 731 (original) Major Service	-	60,000	60,000

New
New
New
New
New

Midterm Budget Development:

CIP- Appropriation Adjustments by Fund (Cont'd)

Project Description	FY 25 & FY 26 Approved Appropriation	FY 2026 Appropriation Adjustment	FY 25 & FY 26 Amended Appropriation
Potable Water Recurring Replacement Projects			
Network Security	204,000	-	204,000
Replace Pumps and Motors	350,000	-	350,000
Replace Potable Meters	1,757,000	-	1,757,000
Replace Pipelines	1,015,000	-	1,015,000
Replace Valves	1,523,000	-	1,523,000
Steel Mains Protection	617,000	-	617,000
Replace Meter Anodes	321,000	-	321,000
Rehab Concrete Tanks	51,000	-	51,000
Replace PRS Valves	110,000	-	110,000
Replace DCM WTP Membranes	1,909,000	-	1,909,000
WTP Misc Equipment and Instrumentation Replacement	206,000	-	206,000
WTP Membrane Train Control Wiring Replacement	71,000	-	71,000
Total Potable Water Project Appropriations	31,775,000	(4,504,000)	27,271,000
Project Description			
Recycled Water Capital Improvement Projects			
Calle Barcelona, VP, & Summerhill HOA Exten	3,360,000	-	3,360,000
Off-Spec and High Flow Diversion Pipeline	244,000	-	244,000
Wanket RW Reservoir Rehabilitation	133,000	-	133,000
Santa Fe Valley RW Reservoir Improvements	150,000	-	150,000
Manchester Recycled Pipeline Ext.	108,000	-	108,000
Replace Main Switchboard S (MSB-S) and Automatic Transfer Switch	514,000	-	514,000
Replace WRF Electrical Conduits, Enclosures, and Lighting	147,000	-	147,000
Upgrade Filter Electrical	118,000	(101,000)	17,000
Recycled Recurring Replacement Projects			
Recycled Conversions (formerly Retrofit Potable to Recycled)	145,000	-	145,000
Replace Recycled Meters	71,000	-	71,000
Replace Recycled Pipeline	292,000	-	292,000
Replace Recycled Valves	152,000	-	152,000
4S WRF Physical Security Upgrades	24,000	-	24,000
Small Pump and Motor Replacement Program	165,000	-	165,000
Miscellaneous Equipment Replacement Program	24,000	-	24,000
Valve and Gate Replacement Program	10,000	-	10,000
Total Recycled Water Project Appropriations	5,657,000	(101,000)	5,556,000

Midterm Budget Development:

CIP- Appropriation Adjustments by Fund (Cont'd)

Project Description	FY 25 & FY 26 Approved Appropriation	FY 2026 Appropriation Adjustment	FY 25 & FY 26 Amended Appropriation
Wastewater Capital Improvement Projects			
Headworks Screening System Improvements	2,674,000	-	2,674,000
District-Wide PLC Replacements (WW)	1,214,000	-	1,214,000
Rehab Neighborhood 1 Pump Station	1,795,000	-	1,795,000
Replace Existing 75 HP Digester Blower	263,000	-	263,000
Replace Overflow Pond Strainer	36,000	-	36,000
4S WRF SCADA Upgrades (Inductive Automation)	3,000	-	3,000
Off-Spec and High Flow Diversion Pipeline	391,000	-	391,000
Del Dios SPS Structural Improvements	794,000	(634,000)	160,000
Replace Main Switchboard S (MSB-S) and Automatic Transfer Switch	772,000	(659,000)	113,000
Replace WRF Electrical Conduits, Enclosures, and Lighting	220,000	(188,000)	32,000
Fleet Electrification (WW)	202,000	(187,000)	15,000
Neighborhood #3 Liner Improvements	84,000	-	84,000
Firehouse SPS Liner Replacemnt	160,000	-	160,000
Firehouse PS Emergency Repair	600,000	-	600,000
Replace 4S WRF Clarifier Scum Boxes	-	75,000	75,000
Wastewater Recurring Replacement Projects			
4S WRF Physical Security Upgrades	36,000	-	36,000
Small Pump and Motor Replacement Program	248,000	-	248,000
Miscellaneous Equipment Replacement Program	36,000	-	36,000
Collection System Pipeline Rehabilitation and Replacement	78,000	-	78,000
Collection System Manhole Rehabilitation Program	114,000	-	114,000
Pump Station Rehabilitation and Maintenance Program	104,000	-	104,000
Valve and Gate Replacement Program	15,000	-	15,000
Total Wastewater Project Appropriations	9,839,000	(1,593,000)	8,246,000
Total Project Appropriations	47,271,000	(6,198,000)	41,073,000

New

Next Steps

- Consideration and approval from the Committee to bring forward staff's proposed adjustments to Fiscal Year 2026 Operating and Capital Budget at Midterm at the May board meeting
- Staff to continue updating projections and estimates to finalize FY 2026 budget for consideration and final approval
 - Staff is waiting on final numbers from SDCWA for purchased water wholesale cost increases and pass through
- Present final updates to FY 2026 budget for approval by the Board at the June meeting

Comments/Questions