

FY 2026 Proposed Domestic Water Forecast

Study Session

January 21, 2025



Our Mission

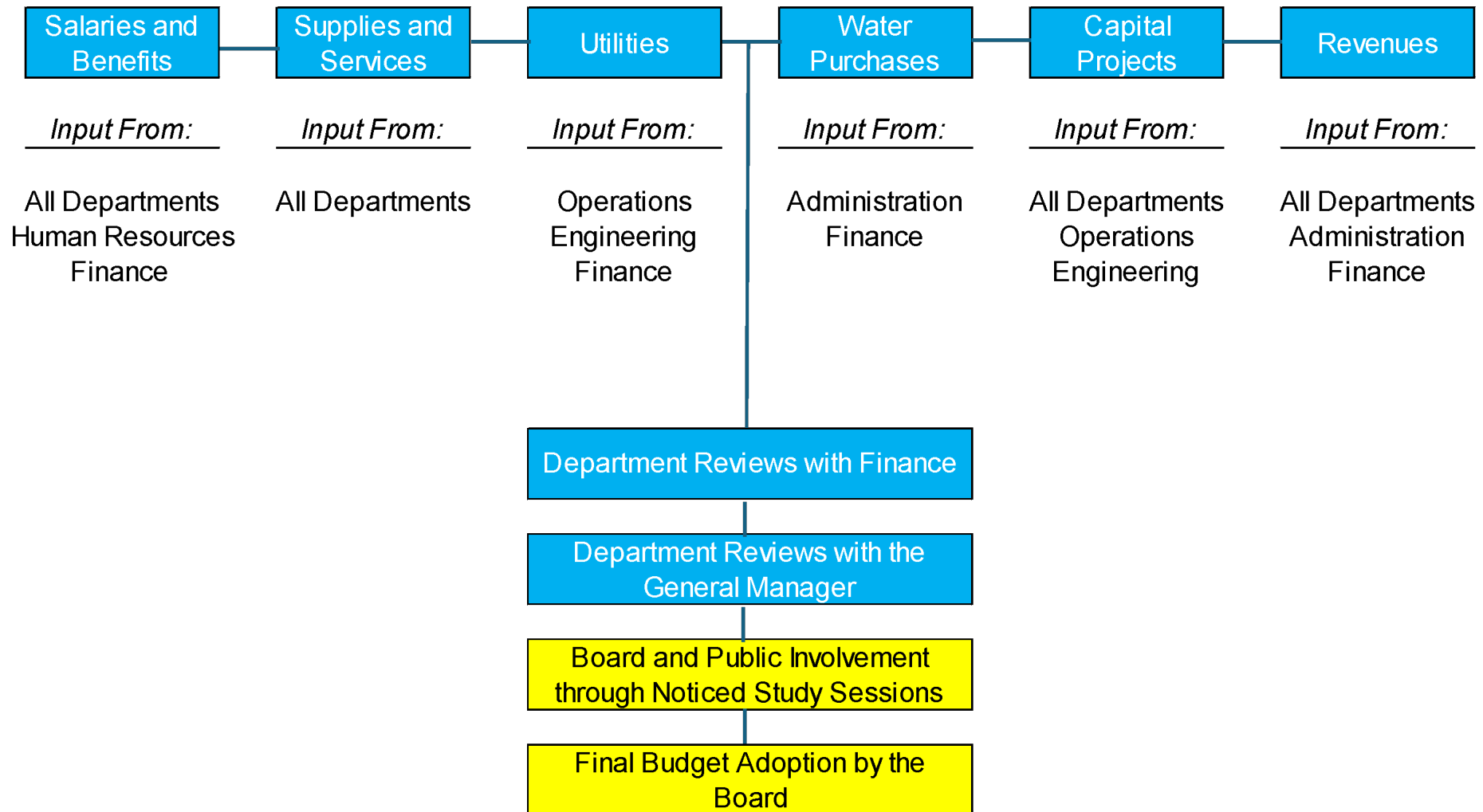
To meet the water-related needs of the people through dedicated employees, providing high quality water at a reasonable cost.

FY 2026 Budget - Timeline

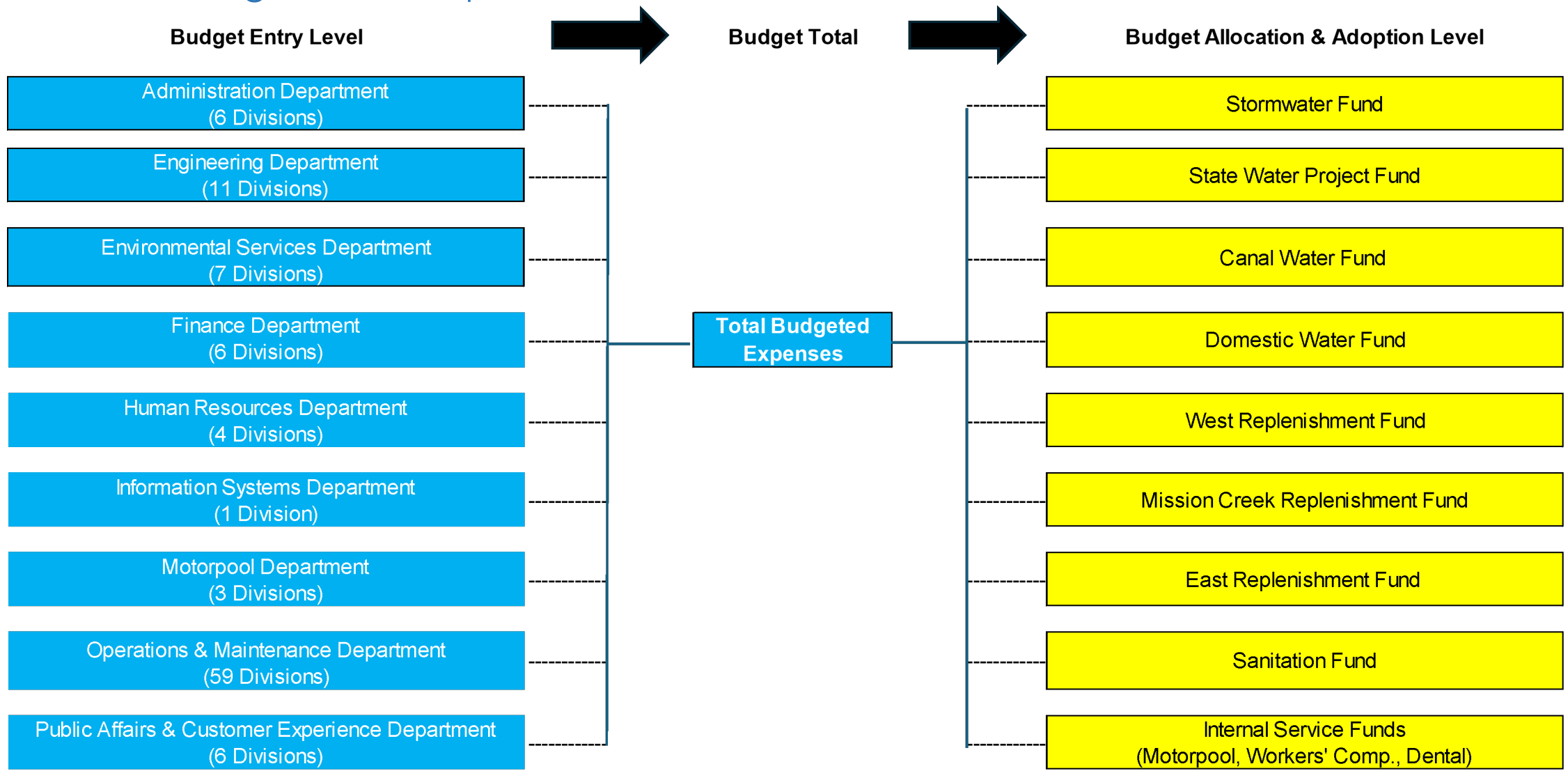
- January 13, 2025 – Kickoff Meeting with Departments
- **January 21, 2025 – Board Study Session – Domestic Water Forecast**
- February 18, 2025 – Board Study Session – Revenue Projections, Reserves, and Debt
- February 21, 2025 – Department Budgets Due
- February 24 - 28, 2025 – Department Review Meetings with Finance
- March 3 - 7, 2025 – Department Review Meetings with the General Manager
- March 18, 2025 – Board Study Session – Capital Improvement Plan
- April 15, 2025 – Board Study Session – Operating Budget and Forecast
- June 10, 2025 – Approval of FY 2026 Rate Adjustments and Adoption of the FY 2026 Budget
- July 1, 2025 – FY 2026 Budget Year Begins



FY 2026 Budget - Development



FY 2026 Budget - Development



FY 2026 Budget - Development

Study Session - Domestic Fund Updates Since FY 2025 Budget Adoption

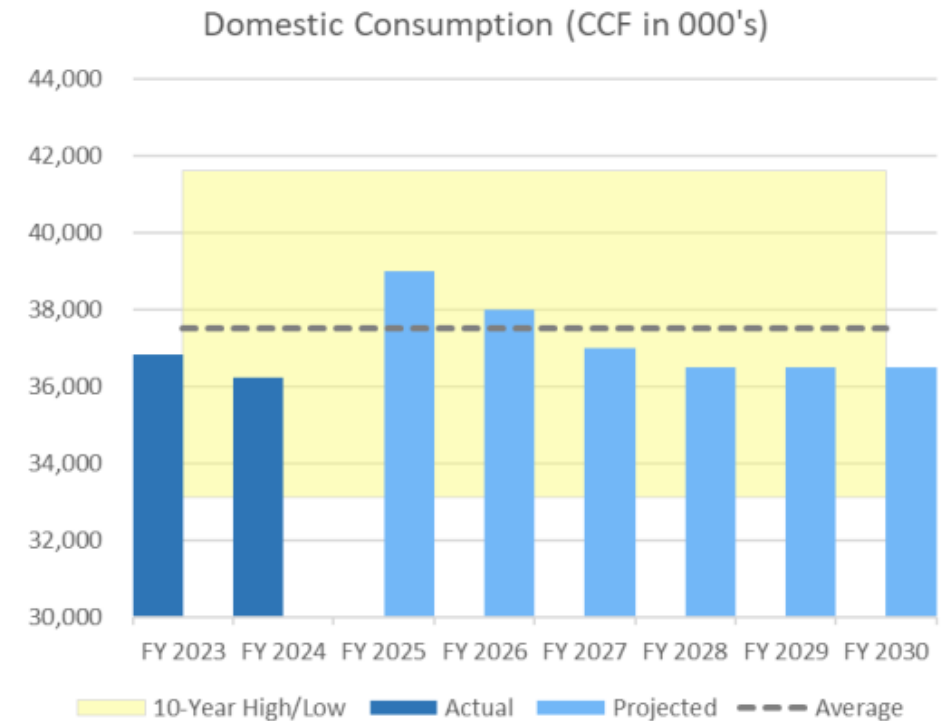
- State Revolving Fund Loan Payoff - \$17.6 million increase
- FY 2025 COLA (2% instead of 4.5%) - \$1.3 million decrease (Domestic portion \$482,000)
- Additional Growth in AV (Property Taxes) - \$3.7 million increase (Domestic portion \$318,000)
- CalPERS UAL Pending Decision on Trust - \$7.1 million (Domestic portion \$3.1 million)
- Higher Domestic Consumption in first half of FY 2025 – Re-forecasted from 38.4 million CCF to 39.0 million CCF - \$1.2 million increase



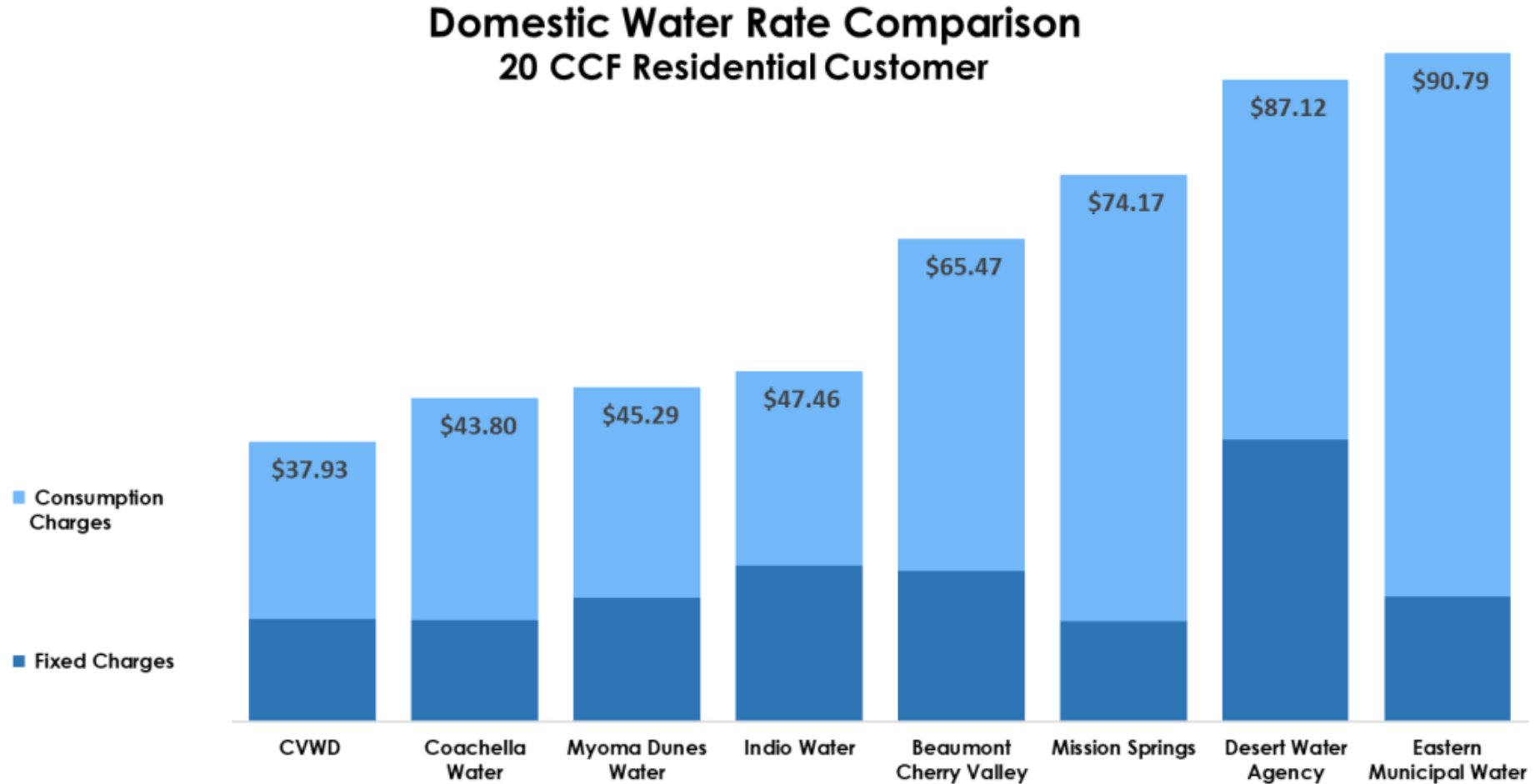
FY 2026 Budget - Projected Consumption

FY 2025 Consumption budgeted at 38.4 million CCF, but projected at 39.0 million CCF due to strong consumption during the first half of the year.

- The increase in consumption reflects a \$1.3 million increase in water sales based on current rates.
- Anticipating additional conservation in future years
- Volumetric revenue reflects 76.5% of total Domestic rate revenue, with fixed charges at 23.5%.



FY 2026 Budget – Current Monthly Rate Comparison



Your water is our promise

FY 2026 Rate Comparison – Domestic

Rate Comparison for a 20 CCF Residential Customer:

- 20 CCF Water Budget
- ¾ Inch Water Meter
- Proposed rates are under current Prop 218 maximum.

Historical Average Residential Usage:

- 2022: 20 CCF
- 2023: 18 CCF
- 2024: 18 CCF

Rates (Volume in CCF)	Current FY 2025 Rates			FY 2026 Scenario 1 (2.5%)			FY 2026 Scenario 2 (5.0%)		
20 CCF Customer	Rate	Volume	Total	Rate	Volume	Total	Rate	Volume	Total
<i>Water Budget</i>		20	20		20	20		20	20
<i>Water Use</i>		20	20		20	20		20	20
<u>Volume Charges</u>									
Tier 1	\$ 1.04	8	\$ 8.32	\$ 1.07	8	\$ 8.56	\$ 1.09	8	\$ 8.72
Tier 2	1.30	12	15.60	1.33	12	15.96	1.36	12	16.32
Tier 3	3.98	-	-	4.08	-	-	4.18	-	-
Total Volume Charges		20	\$ 23.92		20	\$ 24.52		20	\$ 25.04
<u>Fixed Charges</u>									
¾ Inch Meter	\$ 14.01	-	\$ 14.01	\$ 14.36	-	\$ 14.36	\$ 14.71	-	\$ 14.71
Total Fixed Charges			\$ 14.01			\$ 14.36			\$ 14.71
Total Monthly Charge			\$ 37.93			\$ 38.88			\$ 39.75
<i>Increase (\$)</i>			\$ -			\$ 0.95			\$ 1.82



FY 2026 Rate Comparison – Domestic

Rate Comparison for a 25 CCF Residential Customer

- 20 CCF Water Budget
- ¾ Inch Water Meter
- Includes Tier 3 charges for 5 CCF.

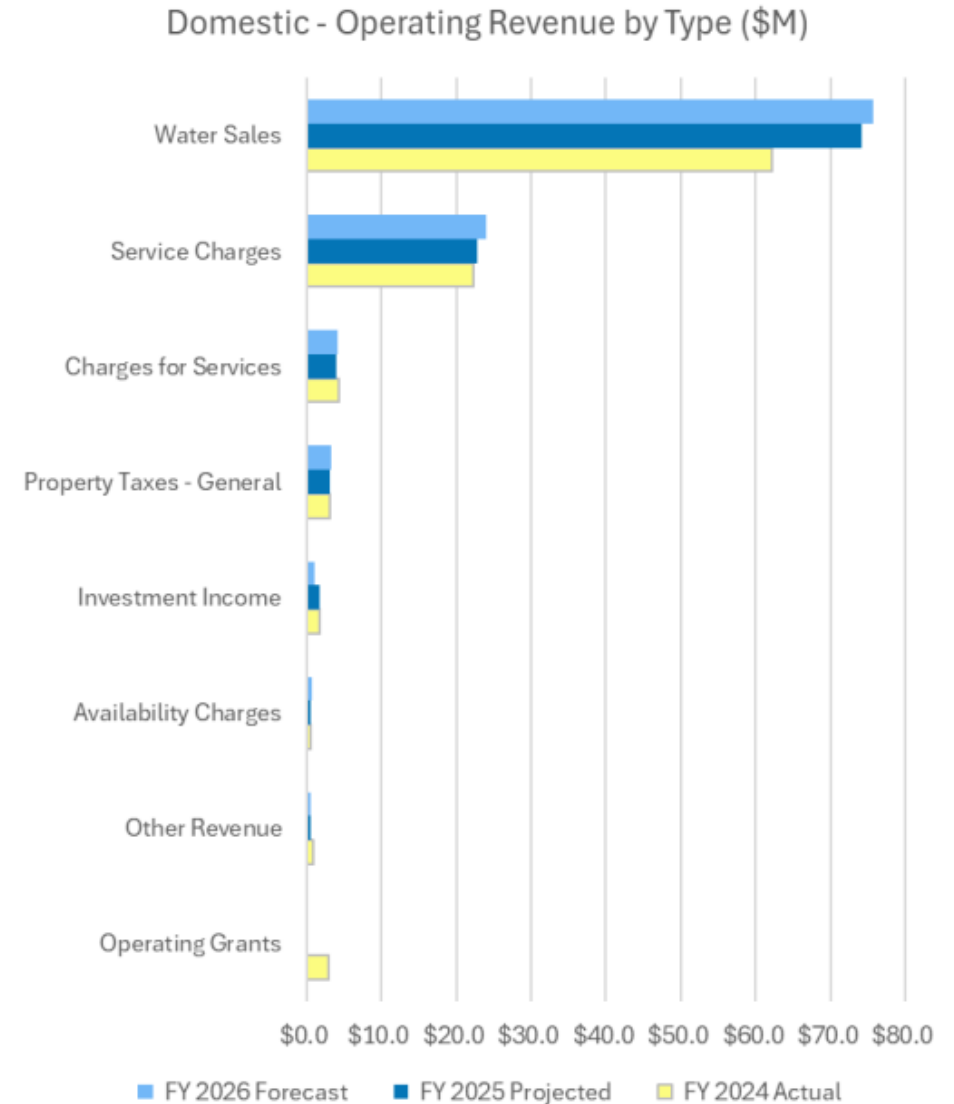
Rates (Volume in CCF)	Current FY 2025 Rates			FY 2026 Scenario 1 (2.5%)			FY 2026 Scenario 2 (5.0%)		
25 CCF Customer	Rate	Volume	Total	Rate	Volume	Total	Rate	Volume	Total
<i>Water Budget</i>		20	20		20	20		20	20
<i>Water Use</i>		25	25		25	25		25	25
<u>Volume Charges</u>									
Tier 1	\$ 1.04	8	\$ 8.32	\$ 1.07	8	\$ 8.56	\$ 1.09	8	\$ 8.72
Tier 2	1.30	12	15.60	1.33	12	15.96	1.36	12	16.32
Tier 3	3.98	5	19.90	4.08	5	20.40	4.18	5	20.90
Total Volume Charges		25	\$ 43.82		25	\$ 44.92		25	\$ 45.94
<u>Fixed Charges</u>									
¾ Inch Meter	\$ 14.01	-	\$ 14.01	\$ 14.36	-	\$ 14.36	\$ 14.71	-	\$ 14.71
Total Fixed Charges			\$ 14.01			\$ 14.36			\$ 14.71
Total Monthly Charge			\$ 57.83			\$ 59.28			\$ 60.65
<i>Increase (\$)</i>			\$ -			\$ 1.45			\$ 2.82



FY 2026 Total Operating Revenue – Domestic

\$109.9 Million (2.1% increase)

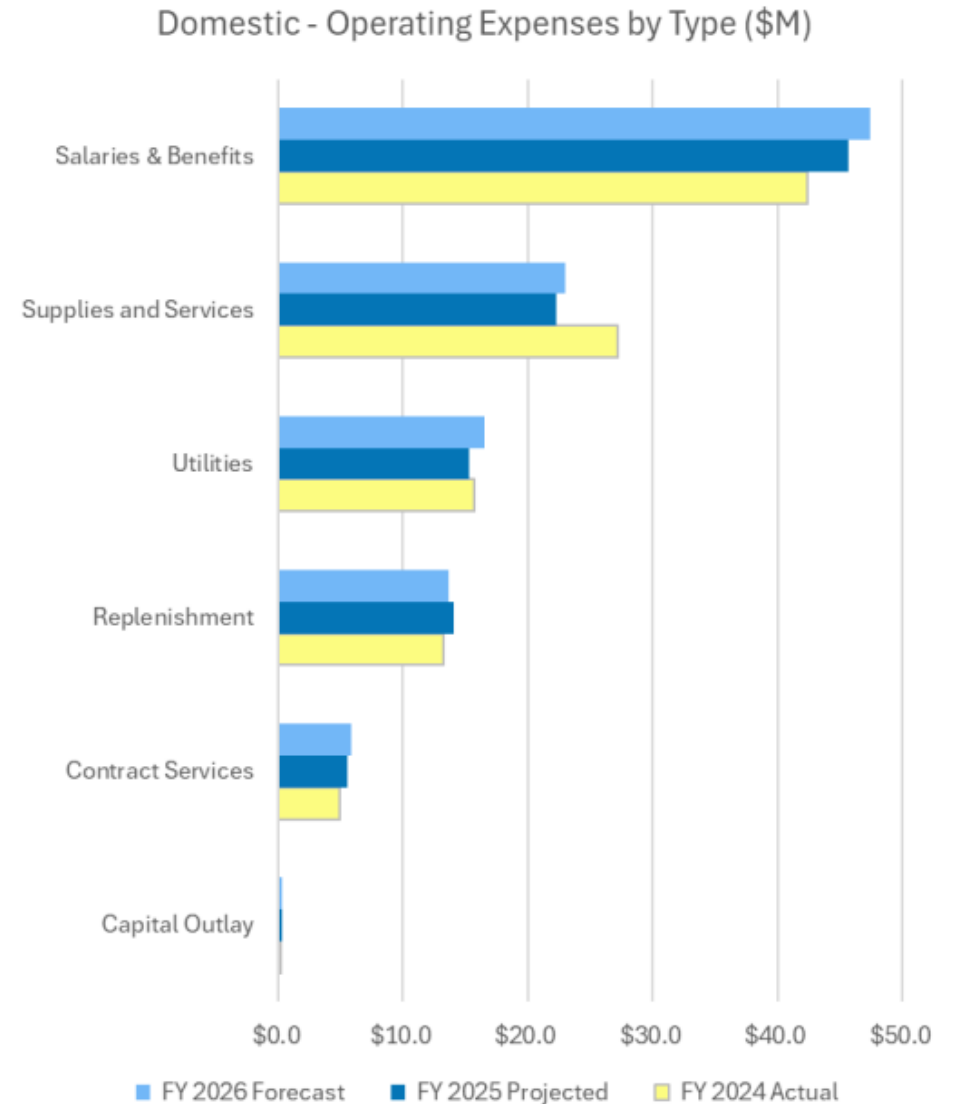
- Water Sales reflect an initial projected 5.0% FY 2026 rate increase, with revised consumption based on FY 2025 projected volume of 39 million CCF.
- Service Charges include the fixed portion of Domestic rates and include the projected 5.0% FY 2026 increase.
- Property Taxes updated for FY 2025 to reflect increase in AV, with 3% increase for future years.
- Expected decrease in investment earnings for FY 2026 due to reduced ending reserves and lower investment rates.
- Nonoperating revenue includes \$3.9 million in debt service revenue from the West Replenishment fund for the Mid-Valley Pipeline (MVP) interfund loan.
 - FY 2026 Principal \$2.8 million
 - FY 2026 Interest \$1.1 million



FY 2026 Total Operating Expenses – Domestic

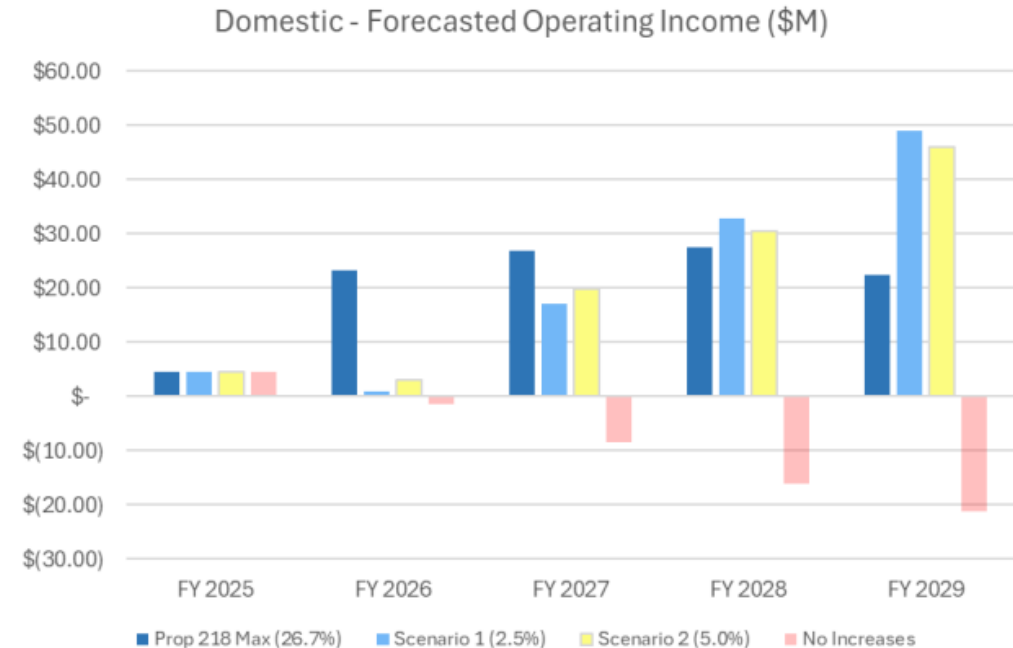
\$106.8 Million (3.6% increase)

- FY 2026 Salaries and Benefits reflect a 4.0% increase over FY 2025 projected expenses.
 - FY 2025 Projected total reflects \$482,000 in anticipated savings due to the 2.0% COLA (budgeted at 4.5%).
- Supplies and Services reflect a 3.5% increase



FY 2026 Operating Income – Domestic

- Proposed rates are driven by operating revenue and expense assumptions, capital needs and funding, requirements for debt coverage (operating income), and reserve targets.
- The adjacent chart and table detail rate increases for
 - FY 2026 Prop 218 Maximum (26.7%)
 - FY 2026 Scenario 1 (2.5%)
 - FY 2026 Scenario 2 (5.0%)
 - FY 2026 zero rate increase
- Operating Income is one measurement for rate increases. Larger increases are needed in future years due to the need to restore reserves during the forecast period (next slide).
- Current forecast does not include Chromium-6 mitigation costs.
- Forecast includes current CIP as presented during FY 2025 budget adoption.



Operating Income (\$M)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Prop 218 Max (26.7%)	\$ 4.64	\$ 23.18	\$ 26.93	\$ 27.45	\$ 22.42
Scenario 1 (2.5%)	4.64	0.86	17.05	32.94	48.96
Scenario 2 (5.0%)	4.64	3.17	19.97	30.62	46.03
No Increases	4.64	(1.45)	(8.47)	(16.09)	(21.19)

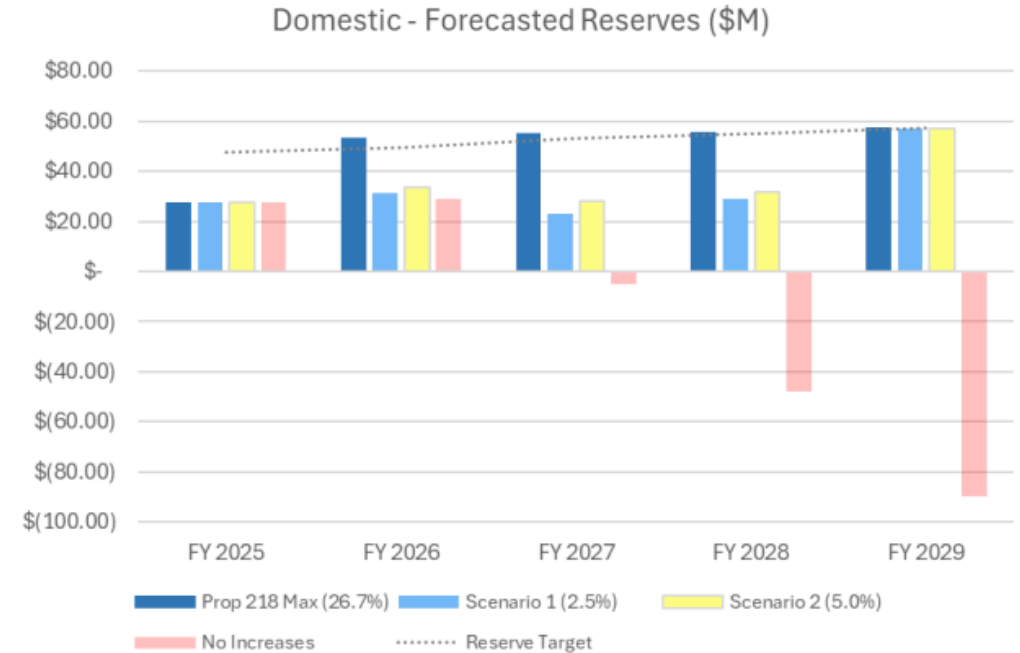
Rate Increase %	FY 2026	FY 2027	FY 2028	FY 2029
Prop 218 Max (26.7%)	26.7%	9.0%	5.9%	0.0%
Scenario 1 (2.5%)	2.5%	25.0%	20.0%	15.1%
Scenario 2 (5.0%)	5.0%	25.0%	15.0%	15.0%
No Increases	0.0%	0.0%	0.0%	0.0%



FY 2026 Reserves – Domestic

To maintain targeted reserves, larger increases are needed in future years in all scenarios.

- The recommended scenarios allow revenue to grow at a rate to adequately match expenditures throughout the forecast period to return reserves to the targeted level by FY 2029.
- Scenarios 1 and 2 require larger increases beginning in FY 2027 to offset reductions in reserves.



Reserves (\$M)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Prop 218 Max (26.7%)	\$ 27.43	\$ 53.52	\$ 55.11	\$ 55.69	\$ 57.31
Scenario 1 (2.5%)	27.43	31.19	22.91	28.99	57.15
Scenario 2 (5.0%)	27.43	33.50	28.13	31.89	57.12
No Increases	27.43	28.89	(4.92)	(47.88)	(89.86)
Reserve Target	47.43	49.36	52.97	55.06	57.08

Rate Increase %	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Prop 218 Max (26.7%)		26.7%	9.0%	5.9%	0.0%
Scenario 1 (2.5%)		2.5%	25.0%	20.0%	15.1%
Scenario 2 (5.0%)		5.0%	25.0%	15.0%	15.0%
No Increases		0.0%	0.0%	0.0%	0.0%



FY 2026 Debt Service Coverage – Domestic

The Domestic fund needs to meet the debt service coverage test to maintain compliance:

- Parity Debt Service test – Must meet a minimum coverage ratio of 1.25 times current debt service for a given year.
 - Required for Series 2022 Domestic Notes, which may be paid off or extended.
- Future debt issuance of \$29.2 million expected in FY 2026, which will increase total debt service to approximately \$3 million by FY 2027.
- Due to the SRF and Series 2022 payoffs, FY 2025 Debt Service Coverage is calculated by utilizing an estimated debt service payment of \$1.13 million for the Series 2022 notes and \$840,000 for the SRF loan, for a total estimated annual payment of \$1.97 million.

The Series 2022 Domestic Notes provided interim financing for the North Shore/Dale Kiler/Booster Station projects, which will be funded permanently by USDA loans over a 40-year term.

Domestic Water (\$M)	FY 2025	FY 2026	FY 2026	FY 2026
Rate Increase Percentage	5.0%	2.5%	5.0%	0.0%
Total Operating Revenue	\$107.67	\$107.63	\$109.93	\$105.32
Total Operating Expenses	103.03	106.76	106.76	106.76
Operating Income (Loss)	\$4.64	\$0.86	\$3.17	(\$1.45)
Revenue Available for Debt Service				
Operating Income (Loss)	\$4.64	\$0.86	\$3.17	(\$1.45)
Interfund Loan Revenue (MVP Loan)	3.95	3.95	3.95	3.95
Revenue Available for Debt Service	\$8.59	\$4.81	\$7.11	\$2.50
Debt Service Components				
Domestic SRF Loan	\$17.56	\$0.00	\$0.00	\$0.00
Series 2022 (Payoff Amount)	36.07	-	-	-
USDA/Interim Financing	-	1.64	1.64	1.64
Budgeted Debt Service Expense	\$53.62	\$1.64	\$1.64	\$1.64
Debt Service Coverage Calculations				
Debt Service Coverage (1.25x Minimum)	4.36x	2.79x	4.20x	1.38x



FY 2026 Budget – Next Steps

- February 18, 2025 – Board Study Session – Revenue Projections, Reserves, and Debt
- March 18, 2025 – Board Study Session – Capital Improvement Budget
- April 15, 2025 – Board Study Session – Operating Budget
- Additional questions, comments, and/or requests for information?

