

STAFF REPORT

To: Coastside County Water District Board of Directors

From: Jeffrey Schneider
Assistant General Manager – Finance & Administration

Agenda: April 8, 2025

Report Date: April 4, 2025

Agenda Title: Overview of Draft Fiscal Year 2025/26 Operations and Maintenance Budget and FY 2025/26 Budget Process Timeline

Recommendation / Motion:

Information Only.

Background:

Staff met with the Finance Committee on March 27, 2025 to review drafts of the FY 2025/26 Operations and Maintenance (O&M) Budget and the FY 2025/26 – FY 2034/35 Capital Improvement Program (CIP) Plan. The Finance Committee did not recommend any changes to either the O&M Budget or CIP Plan drafts.

This staff report includes an overview of the draft FY 2025/26 O&M Budget and Budget Process Timeline as reviewed with the Finance Committee. The Board will review the draft FY 2025/26 – FY2034/35 CIP Plan at its May 13, 2025 meeting, following the review of the CIP Plan by the Facilities Committee to be held during the week of April 21, 2025.

At the June 10, 2025 Board of Directors meeting, the Board will be asked to approve the draft Fiscal Year 2025/26 O&M Budget and the draft Fiscal Year 2025/26 to Fiscal Year 2034/35 CIP Plan.

The attached Budget Process Timeline lists key milestones and the schedule for Committee and Board reviews, and Board approval, of the District's FY 2025/26 O&M Budget and CIP Plan for Fiscal Year 2025/26 through FY2034/35.

Staff will present Budget process updates at each Regular Board meeting through June.

FY 24-25 Budget (O&M and CIP) Process Timeline

Date	Description
March 10, 2025	Facilities Committee - Capital Improvement Program (CIP) Review
March 27, 2025	Finance Committee - Review of Draft O&M / CIP Budgets
April 8, 2025 Regular Board Meeting	Present Draft O&M Budget for Board Review
Week of April 21, 2025	Facilities Committee - Capital Improvement Program (CIP) Review
May 13, 2025 Regular Board Meeting	Board Presentation of Draft CIP Budget
June 10, 2025 Regular Board Meeting	Board Approval of FY25-26 O&M and FY25-26 - FY34/35 CIP Budgets

Draft Fiscal Year 2025/26 O&M Budget:

A summary of the Draft Fiscal Year 2025-2026 O&M Budget as compared to the prior year's budget is presented below.

	FY2025/26 Draft Budget	FY2024/25 Approved Budget	\$ Change from Prior Budget	% Change from Prior Budget
REVENUE				
<i>Water Sales in Millions of Gallons</i>	545 MG	520 MG	25 MG	4.8%
Water Revenue (*)	\$ 15,862,004	\$ 14,145,409	\$ 1,716,595	12.1%
Non-Operating Revenue	\$ 2,599,000	\$ 2,367,000	\$ 232,000	9.8%
Total Revenue	\$ 18,461,004	\$ 16,512,409	\$ 1,948,595	11.8%
OPERATING EXPENSES	\$ 12,247,591	\$ 11,485,230	\$ 762,361	6.6%
DEBT SERVICE	\$ 2,036,939	\$ 1,506,840	\$ 530,099	35.2%
CONTRIBUTION TO CIP AND RESERVES	\$ 4,176,474	\$ 3,520,339	\$ 656,135	18.6%
(*) An 8% rate increase is planned for January 19, 2026 and is reflected in the FY 2025/26 Draft Budget				

The **revenue** budget reflects water sales of 545 million gallons (MG), an increase of 25 MG from the prior year's budget and 5 MG, or 1%, below the Water Plan Forecast used in the 2024 Rate Study. At \$15,862,004, water revenues are \$1,716,595 or 12.1%, above this year's budget, which reflects the Board-approved 8% price increase implemented mid-January 2025 and another Board-approved rate increase in mid-January, 2026.

Non-operating revenues will increase by \$232,000 versus this year's budget, primarily as a result of higher interest earnings associated with LAIF (\$60,000) and an additional \$158,000 of County and ERAF tax receipts. \$14,000 of increases in other non-operating revenues accounts for the remainder of the year-over-year increase.

Budgeted **operating expenses** are \$762,361 higher than the prior year's budget primarily due to inflationary increases, which include:

- salary increases associated with a 2.7% COLA in July, 2024 and 2.5% step/promotion increases for eligible
- a confirmed rate increase from SFPUC of 2.3% in July, 2024;
- an assumption that PG&E rates will grow by 10%;
- increases in premiums for medical and dental that are estimated to be 6%;
- an estimated increase in Liability insurance of 7% on top of a 94% increase in FY 2024/25.

Debt service reflects the addition of \$530,813 related to the addition of certificates of participation, issued in January, 2025 in support of the Carter Hill Tank project.

The resulting contribution to CIP and Reserves of \$4,176,474 is \$656,135 above the prior year's budget. See **Exhibit A** for the Draft FY 2025/26 O&M Budget and explanations of the variances versus the FY 2024/25 approved Budget.

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COASTSIDE COUNTY WATER DISTRICT

EXHIBIT A**Operations & Maintenance Budget - FY 2025-2026**

		Draft FY 2025/2026 Budget	Approved FY 2024/2025 Budget	FY25/26 Budget Vs. FY 24/25 Budget	FY25/26 Budget Vs. FY 24/25 Budget %	
Account Number	Description			\$ Changed	% Changed	
OPERATING REVENUE						
4120	Water Sales (*)	\$ 15,862,004	\$14,145,409	\$ 1,716,595	12.1%	Reflects 8% approved rate increase in January, 2025 and another 8% increase in January, 2026
	Water Sales in MG	545 MG	520 MG	25 MG	4.8%	
Total Operating Revenue		\$ 15,862,004	\$14,145,409	1,716,595	12.1%	
(*) Excludes January, 2025 Rate increase						
NON-OPERATING REVENUE						
4170	Hydrant Sales	\$60,000	\$52,000	\$8,000	15.4%	
4180	Late Penalty	\$100,000	\$100,000	\$0	0.0%	
4230	Service Connections	\$15,000	\$15,000	\$0	0.0%	
4920	Interest Earned	\$360,000	\$300,000	\$60,000	20.0%	
4930	Property Taxes	\$1,200,000	\$1,092,000	\$108,000	9.9%	FY25/26 is assumed to be 4% above FY24/25 Forecast
4950	Miscellaneous	\$5,000	\$5,000	\$0	0.0%	
4955	Cell Site Lease Income	\$209,000	\$203,000	\$6,000	3.0%	Contractual growth rates
4965	ERAF Refund	\$650,000	\$600,000	\$50,000	8.3%	
Total Non-Operating Revenue		\$2,599,000	\$2,367,000	\$232,000	9.8%	
TOTAL REVENUES		\$18,461,004	\$16,512,409	\$1,948,595	11.8%	
OPERATING EXPENSES						
5130	Water Purchased	\$2,762,342	\$2,548,252	\$214,090	8.4%	Reflects 2.3% increase water prices from SFPUC and projected growth in volume
5130A	BAWSCA Bond Surcharge	\$122,664	\$38,772	\$83,892	216.4%	Reflects increase share of BAWSCA surcharge - from \$3,231/month to \$10,222 effective July, 2025
5230	Electrical Exp. Nunes WTP	\$72,100	\$65,550	\$6,550	10.0%	
5231	Electrical Expenses, CSP	\$500,000	\$500,000	\$0	0.0%	To accommodate potential for continued high levels of usage of CSP
5232	Electrical Expenses/Trans. & Dist.	\$34,300	\$31,050	\$3,250	10.5%	
5233	Elec Exp/Pilarcitos Cyn	\$86,800	\$79,350	\$7,450	9.4%	
5234	Electrical Exp., Denn	\$102,350	\$102,350	\$0	0.0%	
5242	CSP - Operation	\$14,000	\$13,000	\$1,000	7.7%	
5243	CSP - Maintenance	\$45,000	\$45,000	\$0	0.0%	
5246	Nunes WTP Oper	\$109,000	\$109,000	\$0	0.0%	
5247	Nunes WTP Maint	\$135,000	\$135,000	\$0	0.0%	
5248	Denn. WTP Oper.	\$80,000	\$78,000	\$2,000	2.6%	
5249	Denn WTP Maint	\$168,000	\$165,000	\$3,000	1.8%	
5250	Laboratory Expenses	\$85,000	\$81,000	\$4,000	4.9%	
5260	Maintenance Expenses	\$400,000	\$421,000	(\$21,000)	(5.0%)	
5261	Maintenance, Wells	\$0	\$50,000	(\$50,000)	(100.0%)	
5263	Uniforms	\$15,000	\$14,700	\$300	2.0%	

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EXHIBIT A**Operations & Maintenance Budget - FY 2025-2026**

Account Number	Description	Draft FY 2025/2026 Budget	Approved FY 2024/2025 Budget	FY25/26 Budget Vs. FY 24/25 Budget	FY25/26 Budget Vs. FY 24/25 Budget %	
				\$ Changed	% Changed	
5318	Studies/Surveys/Consulting	\$160,000	\$160,000	\$0	0.0%	
5321	Water Resources	\$20,000	\$20,000	\$0	0.0%	
5322	Community Outreach	\$60,000	\$68,000	(\$8,000)	(11.8%)	Reflects historical spend
5325	Water Shortage Program	\$0	\$0	\$0		
5381	Legal	\$125,000	\$116,000	\$9,000	7.8%	
5382	Engineering	\$100,000	\$90,000	\$10,000	11.1%	
5383	Financial Services	\$25,000	\$24,150	\$850	3.5%	
5384	Computer Services	\$375,000	\$375,000	(\$0)	(0.0%)	
5410	Salaries, Admin.	\$1,540,471	\$1,459,211	\$81,259	5.6%	Includes 2.70% COLA + 2.5% step/promotion for eligible staff; organizational updates
5411	Salaries - Field	\$2,265,428	\$2,093,480	\$171,948	8.2%	Includes 2.70% COLA + 2.5% step/promotion for eligible staff; organizational updates
5420	Payroll Taxes	\$284,277	\$254,402	\$29,875	11.7%	Moves directly in line with salaries
5435	Employee Medical Insurance	\$572,763	\$520,835	\$51,928	10.0%	6% increases assumed for medical and dental, 2% for vision
5436	Retiree Medical Insurance	\$87,201	\$62,407	\$24,794	39.7%	Reflects full year of costs for FY24/25 retirees and cost increases anticipated for health care in FY25/26
5440	Employee Retirement	\$782,651	\$707,803	\$74,848	10.6%	Reflects contribution rate guidance from CalPERS
5445	SIP 401a Plan	\$42,444	\$38,016	\$4,428	11.6%	
5510	Motor Vehicle Exp.	\$80,000	\$95,000	(\$15,000)	(15.8%)	
5620	Office, Billing & Facilities Expenses	\$400,000	\$418,000	(\$18,000)	(4.3%)	
5625	Meetings/Training/Seminars	\$53,600	\$52,300	\$1,300	2.5%	
5630	Insurance	\$322,700	\$209,000	\$113,700	54.4%	The forecast for FY24/25 is \$303,000, \$94,000 above budget and is primarily driven by an unexpected increase in liability insurance. FY25/26 is assumed to increase by another 7%.
5687	Memberships & Subscriptions	\$127,700	\$125,000	\$2,700	2.2%	
5688	Election Expense	\$0	\$30,000	(\$30,000)	(100.0%)	
5689	Labor Relations	\$6,000	\$6,000	\$0	0.0%	
5700	County Fees	\$33,900	\$33,000	\$900	2.7%	
5705	State Fees	\$51,900	\$50,600	\$1,300	2.6%	
Total Operating Expenses		\$12,247,591	\$11,485,230	\$762,361	6.6%	
CAPITAL ACCOUNTS						
5715	Existing Bond-CIEDB 11-099	\$334,998	\$335,173	(\$175)	(0.1%)	Reflects loan payment schedule.
5716	CIEDB 16-111	\$320,883	\$321,412	(\$529)	(0.2%)	" "
5717	Chase-2018 Loan	\$432,880	\$432,821	\$59	0.0%	" "
5718	First Foundation Bank - 2022	\$417,365	\$417,434	(\$69)	(0.0%)	" "
5719	Debt Service - 2025 COP Issuance	\$530,813	\$0	\$530,813	-	Reflects finalized COP debt service schedule
Total Capital Accounts		\$2,036,939	\$1,506,840	\$530,099	35.2%	
TOTAL REVENUE LESS TOTAL EXPENSE		\$4,176,474	\$3,520,339	\$656,135		