

## ***STAFF REPORT***

**To:** Coastside County Water District Board of Directors

**From:** Jeffrey Schneider, Assistant General Manager – Finance & Administration

**Agenda:** June 10, 2025

**Report Date:** June 6, 2025

**Agenda Title:** Approval of Fiscal Year 2025-2026 Operations and Maintenance Budget and Fiscal Year 2025/2026 to Fiscal Year 2034/2035 Capital Improvement Program

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### **Recommendation / Motion:**

**Approve the Fiscal Year 2025-2026 Operations and Maintenance Budget and Fiscal Year 2025-2026 to Fiscal Year 2034-2035 Capital Improvement Program.**

### **Background:**

Annually, and prior to the start of the next fiscal year, staff asks the Board to approve the Operations and Maintenance (O&M) Budget and the Capital Improvement Program (CIP) for the upcoming fiscal year. At the June 10, 2025 Board of Directors meeting, staff will ask the Board to approve the draft Fiscal Year 2025-26 O&M Budget and the draft Fiscal Year 2025/26 to Fiscal Year 2034/35 CIP. These plans are used to measure the District's financial performance throughout the upcoming fiscal year.

Staff met with the Finance Committee on March 27, 2025 to review drafts of the FY 2025-26 O&M Budget and the FY 2025/26 – FY 2034/35 CIP. The Finance Committee did not recommend any changes to either the O&M Budget or CIP drafts. At the April 8, 2025 Board of Directors' meeting, staff presented the draft O&M Budget. The O&M Budget that is attached to this report reflects a few changes versus what was reviewed at the April 8, 2025 Board meeting, but in total the Contribution to CIP and Reserves has changed only slightly, down \$10,000 to \$4,167,000. The recent organization changes approved by the Board on May 13, 2025 are now completely reflected in the proposed budget.

Staff and Jon Sutter of EKI Environment and Water, Inc. met with the Facilities Committee on April 22, 2025 to review the Draft CIP. The Facilities Committee did

not recommend any changes to the draft CIP. The CIP was reviewed with the Board at the May 13, 2025 meeting. The CIP that is included for the Board's approval is unchanged versus what was reviewed with the Board on May 13th.

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 for Fiscal Year 2025/26 through FY2034/35.

### **FY 25-26 Budget (O&M and CIP) Process Timeline**

<b>Date</b>	<b>Description</b>
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
April 22, 2025	Facilities Committee - CIP Review
May 13, 2025 Regular Board Meeting	Board Presentation of Draft CIP
June 10, 2025 Regular Board Meeting	Board Approval of FY25-26 O&M and FY25-26 - FY34/35 CIP Budgets

### Draft Fiscal Year 2025-2026 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
<b>REVENUE</b>				
<i>Water Sales in Millions of Gallons</i>	542 MG	520 MG	22 MG	4.2%
Water Revenue (*)	\$ 15,862,300	\$ 14,145,409	\$ 1,716,891	12.1%
Non-Operating Revenue	\$ 2,635,000	\$ 2,367,000	\$ 268,000	11.3%
<b>Total Revenue</b>	<b>\$ 18,497,300</b>	<b>\$ 16,512,409</b>	<b>\$ 1,984,891</b>	<b>12.0%</b>
<b>OPERATING EXPENSES</b>	\$ 12,293,411	\$ 11,485,230	\$ 808,181	7.0%
<b>DEBT SERVICE</b>	\$ 2,036,939	\$ 1,506,840	\$ 530,099	35.2%
<b>CONTRIBUTION TO CIP AND RESERVES</b>	<b>\$ 4,166,950</b>	<b>\$ 3,520,339</b>	<b>\$ 646,611</b>	<b>18.4%</b>
(*) 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 542 million gallons (MG), an increase of 22 MG from the prior year's budget. At \$15,862,000, water revenues are \$1,717,000 or 12.1%, above this year's budget, which reflects the Board-approved 8% rate increase to be effective in mid-January, 2026.

Non-operating revenues will increase by \$268,000 versus this year's budget, primarily as a result of higher interest earnings associated with LAIF (\$85,000) and an additional \$139,000 of County and ERAF tax receipts. \$44,000 of increases in other non-operating revenues accounts for the remainder of the year-over-year increase.

Budgeted **operating expenses** are \$808,000 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 staff, and the annualized impact of the organizational changes approved by the Board on May 13, 2025;
- a confirmed rate increase from SFPUC of 2.3% in July, 2025;

**STAFF REPORT****Agenda: June 10, 2025****Subject: Approval of FY 2025-26 O&M Budget and FY 2025/2026 to FY 2034/2035 CIP****Page : 4**

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- an assumption that PG&E rates will grow by 10%;
- increases in premiums for medical and dental that are estimated to be 10% and 6% respectively;
- an estimated increase in Liability insurance of 10%

**Debt service** reflects the addition of \$530,813 related to the January, 2025 issuance of certificates of participation in financing the Carter Hill Prestressed Concrete Tank and Seismic Upgrades project.

Please see **Exhibit A** for the Draft FY 2025-2026 O&M Budget and detailed explanations of the variances versus the approved FY 2024-2025 Budget.

**Draft Fiscal Year 2025/2026 to 2034/2035 Capital Improvement Program:**

- Draft 5 Year CIP - \$33,150,000
- Draft 10 Year CIP - \$69,770,000
- Prior Year's Approved 10 Year CIP - \$69,175,000

The Draft 2025/2026 to Fiscal Year 2034/35 CIP is \$595,000 above the prior year's approved CIP. The changes by spending category versus the prior year 10-Year CIP approved in June 2024 are shown below:

Category	Draft CIP FY 25/26 - FY 34/35	Approved CIP FY 24/25 - FY 33/34	Budget Inc/(Decr)	Notes
Equipment Purchase and Replacement	\$1,850,000	\$1,500,000	\$350,000	
Facilities and Maintenance	\$2,970,000	\$1,900,000	\$1,070,000	Increased cost of Pilarcitos Canyon culvert and slide repairs, and added costs for EV infrastructure and meter replacements.
Pipeline Projects	\$20,150,000	\$25,700,000	(\$5,550,000)	Reflects completion of Phase 1 of the Highway 92 project in FY 2024/25 and adjusted cost estimates on other pipeline projects.
Pump Stations/Tanks/Wells	\$33,100,000	\$26,550,000	\$6,550,000	Increased cost estimates for tank replacement projects including Carter Hill Tank phase II ("tank 3") and Alves. Also includes upper Pilarcitos well field replacement project.
Water Supply Development	\$6,300,000	\$8,950,000	(\$2,650,000)	Reflects delay of lower Pilarcitos well development which now includes only a feasibility study.
Water Treatment Plants	\$5,400,000	\$4,575,000	\$825,000	Reflects addition of the rehabilitation of the original sedimentation basin at Nunes.
Total	\$69,770,000	\$69,175,000	\$595,000	

**STAFF REPORT**

**Agenda: June 10, 2025**

**Subject: Approval of FY 2025-26 O&M Budget and FY 2025/2026 to FY 2034/2035 CIP**

**Page : 5**

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**Of note:** staff have updated the District's Water Financial Model to reflect the latest draft of the FY2025/26 O&M Draft budget as well as the attached Draft CIP and the District's reserve outlook remains at or near target.

Please see **Exhibit B**, below, for the Draft CIP details for FY 2025/26 through FY 2034/35.

		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 (*)	\$ 15,862,300	\$14,145,409	\$ 1,716,891	12.1%
Water Sales in MG		542 MG	520 MG	22 MG	4.2%
Total Operating Revenue		\$ 15,862,300	\$14,145,409	1,716,891	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	\$385,000	\$300,000	\$85,000	28.3%
4930	Property Taxes	\$1,231,000	\$1,092,000	\$139,000	12.7%
4950	Miscellaneous	\$5,000	\$5,000	\$0	0.0%
4955	Cell Site Lease Income	\$239,000	\$203,000	\$36,000	17.7%
4965	ERAF Refund	\$600,000	\$600,000	\$0	0.0%
4970	Contributions - Grants	\$0	\$0	\$0	-
Total Non-Operating Revenue		\$2,635,000	\$2,367,000	\$268,000	11.3%
TOTAL REVENUES		\$18,497,300	\$16,512,409	\$1,984,891	12.0%
OPERATING EXPENSES					
5130	Water Purchased	\$2,750,676	\$2,548,252	\$202,424	7.9%
5130A	BAWSCA Bond Surcharge	\$122,664	\$38,772	\$83,892	216.4%
5230	Electrical Exp. Nunes WTP	\$72,100	\$65,550	\$6,550	10.0%
5231	Electrical Expenses, CSP	\$500,000	\$500,000	\$0	0.0%
5232	Electrical Expenses/Trans. & Dist.	\$34,300	\$31,050	\$3,250	10.5%
5233	Elec Exp/Pilarcitos Cyn	\$87,400	\$79,350	\$8,050	10.1%
5234	Electrical Exp., Denn	\$111,650	\$102,350	\$9,300	9.1%
5242	CSP - Operation	\$11,000	\$13,000	(\$2,000)	(15.4%)
5243	CSP - Maintenance	\$50,000	\$45,000	\$5,000	11.1%
5246	Nunes WTP Oper	\$89,500	\$109,000	(\$19,500)	(17.9%)
5247	Nunes WTP Maint	\$140,000	\$135,000	\$5,000	3.7%
5248	Denn. WTP Oper.	\$73,000	\$78,000	(\$5,000)	(6.4%)
5249	Denn WTP Maint	\$171,400	\$165,000	\$6,400	3.9%
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%
5318	Studies/Surveys/Consulting	\$160,000	\$160,000	\$0	0.0%
5321	Water Resources	\$18,000	\$20,000	(\$2,000)	(10.0%)
5322	Community Outreach	\$63,500	\$68,000	(\$4,500)	(6.6%)
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	\$21,000	\$24,150	(\$3,150)	(13.0%)
5384	Computer Services	\$375,000	\$375,000	(\$0)	(0.0%)
5410	Salaries, Admin.	\$1,630,182	\$1,459,211	\$170,970	11.7%
5411	Salaries - Field	\$2,246,102	\$2,093,480	\$152,622	7.3%
5420	Payroll Taxes	\$292,382	\$254,402	\$37,980	14.9%
5435	Employee Medical Insurance	\$568,967	\$520,835	\$48,131	9.2%
5436	Retiree Medical Insurance	\$84,648	\$62,407	\$22,241	35.6%
5440	Employee Retirement	\$786,968	\$707,803	\$79,165	11.2%
5445	SIP 401a Plan	\$41,472	\$38,016	\$3,456	9.1%
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	\$52,900	\$52,300	\$600	1.1%

[illegible]

## 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
5630	Insurance	\$314,900	\$209,000	\$105,900	50.7%
5687	Memberships & Subscriptions	\$126,900	\$125,000	\$1,900	1.5%
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%
5910	Loss/gain on disposal of assets	\$0	\$0	\$0	-
<b>Total Operating Expenses</b>		<b>\$12,293,411</b>	<b>\$11,485,230</b>	<b>\$808,181</b>	<b>7.0%</b>

<b>CAPITAL ACCOUNTS</b>					
5715	Existing Bond-CIEDB 11-099	\$334,998	\$335,173	(\$175)	(0.1%)
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	-
<b>Total Capital Accounts</b>		<b>\$2,036,939</b>	<b>\$1,506,840</b>	<b>\$530,099</b>	<b>35.2%</b>

<b>TOTAL REVENUE LESS TOTAL EXPENSE</b>	<b>\$4,166,950</b>	<b>\$3,520,339</b>	<b>\$646,611</b>
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5713	Cont. to CIP & Reserves	\$4,166,950	\$3,520,339
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The forecast for FY24/25 is \$282,000, \$73,000 above budget and is primarily driven by an unexpected increase in liability insurance. FY25/26 is assumed to increase by another 10%.

Reflects loan payment schedule.
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" "
Reflects finalized COP debt service schedule

Project #	Project Name	Status	Projected FY 25/26 to FY 34/35 Total	Rank	FY 25/26	FY26/27	FY27/28	FY28/29	FY 29/30	FY 30/31	FY 31/32	FY 32/33	FY 33/34	FY 34/35	Projected FY 25/26 to FY 34/35 Total
Equipment Purchase & Replacement															
06-03	SCADA Upgrades	Ongoing	\$ 500,000	3	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 500,000
15-04	Vactor Truck Fleet Addition	Concept	\$ 800,000	4			\$ 800,000								\$ 800,000
99-02	Vehicle Fleet Replacements	Ongoing	\$ 550,000	1	\$ 50,000	\$ 100,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 550,000
	Equipment Purchase & Replacement Totals		\$ 1,850,000		\$ 100,000	\$ 150,000	\$ 900,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 1,850,000
Facilities & Maintenance															
09-09	Fire Hydrant Upgrades and Replacements	Ongoing	\$ 1,400,000	1	\$ 140,000	\$ 140,000	\$ 140,000	\$ 140,000	\$ 140,000	\$ 140,000	\$ 140,000	\$ 140,000	\$ 140,000	\$ 140,000	\$ 1,400,000
23-13	Pilarcitos Canyon Slide Repairs and Culvert Replacement Project (damanged in January 2023 storms)	Design/Permitting	\$ 900,000	1	\$ 100,000	\$ 100,000	\$ 700,000								\$ 900,000
	District Office/Corporation Yard EV Fleet Infrastructure Project		\$ 300,000	4				\$ 300,000							\$ 300,000
	District Office/Corporation Yard Upgrade Project		\$ -												\$ -
99-01	Meter Replacements	Ongoing	\$ 370,000	2-3	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 370,000
	Facilities and Maintenance Totals		\$ 2,970,000		\$ 250,000	\$ 250,000	\$ 850,000	\$ 450,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 240,000	\$ 240,000	\$ 240,000	\$ 2,970,000
Pipeline Projects															
14-01	Highway 92 Treated Water Pipeline Replacement Project (replacement of welded steel pipe)	Construction	\$ 3,400,000	1	\$ 700,000	\$ 200,000	\$ 2,500,000								\$ 3,400,000
14-33	Miramar Neighborhood Pipeline Replacement (replacement of cast iron pipe)	Concept	\$ 1,900,000	4							\$ 100,000	\$ 1,800,000			\$ 1,900,000
16-09	Pipeline Replacements (Miramar neighborhood at Santa Rosa/Alcatraz - replacement of cast iron pipe) and Miramar Dead-end Looping Project at Alameda Avenue	Design	\$ 1,000,000	1	\$ 100,000	\$ 900,000									\$ 1,000,000
18-01	Pine/Willow/Oak Pipeline Replacement Project (replacement of cast iron pipe)	Bid Ready	\$ 3,000,000	2-3					\$ 3,000,000						\$ 3,000,000
21-01	Redondo Beach Loop/Ocean Colony Pipeline Replacement Project	Design	\$ 500,000	5		\$ 500,000									\$ 500,000
21-09	Upper Miramar Pipeline Replacement	Design	\$ 550,000	1	\$ 50,000			\$ 500,000							\$ 550,000
22-01	Miramontes Point Road Pipeline Replacement	Design	\$ 3,000,000	3					\$ 1,500,000	\$ 1,500,000					\$ 3,000,000
23-01	PRV Project: Seahaven/Frenchman's Creek Neighborhoods	Concept	\$ 800,000	1				\$ 800,000							\$ 800,000
23-02	Poplar Street Pipeline Replacement Project (west side of Hwy 1 - replacement of cast iron pipe)	Concept	\$ 2,000,000	4									\$ 2,000,000		\$ 2,000,000
25-01	Kehoe Neighborhood Pipeline Replacement (replacement of cast iron pipe)	Concept	\$ 3,000,000	5										\$ 3,000,000	\$ 3,000,000
NN-00	Unscheduled CIP	Concept	\$ 1,000,000		\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 1,000,000
	Pipeline Projects Totals		\$ 20,150,000		\$ 950,000	\$ 1,700,000	\$ 2,600,000	\$ 1,400,000	\$ 4,600,000	\$ 1,600,000	\$ 200,000	\$ 1,900,000	\$ 2,100,000	\$ 3,100,000	\$ 20,150,000
Pump Stations/Tanks/Wells															
21-07	Carter Hill Prestressed Concrete Tank and Seismic Upgrades Project: Phase I/Phase II	Construction	\$ 21,600,000	1	\$ 9,000,000			\$ 500,000	\$ 100,000	\$ 6,000,000	\$ 6,000,000				\$ 21,600,000
08-14	Alves Tank Rehabilitation/Replacement Project	Concept	\$ 6,500,000										\$ 500,000	\$ 6,000,000	\$ 6,500,000
19-01	El Granada #1 Tank Site Pump Station Replacement Project	Design	\$ 1,100,000	1	\$ 100,000	\$ 1,000,000									\$ 1,100,000
14-33	Miramar Tank Rehabilitation	Concept	\$ 200,000											\$ 200,000	\$ 200,000



Project #	Project Name	Status	Projected FY 25/26 to FY 34/35 Total	Rank	FY 25/26	FY26/27	FY27/28	FY28/29	FY 29/30	FY 30/31	FY 31/32	FY 32/33	FY 33/34	FY 34/35	Projected FY 25/26 to FY 34/35 Total
08-16	Cahill Tank Exterior Recoat	Concept	\$ 550,000	3			\$ 50,000	\$ 500,000							\$ 550,000
09-18	Upper Pilarcitos Well Field Replacements	Bid Ready	\$ 2,000,000	1	\$ 2,000,000										\$ 2,000,000
16-08	Denniston Well Field Replacements	Feasibility	\$ 500,000											\$ 500,000	\$ 500,000
21-03	CSP Pump #3 Replacement	Bid Ready	\$ 250,000					\$ 250,000							\$ 250,000
23-11	CSP Screens: Installation of Intake Valves (future)	Feasibility	\$ -												\$ -
19-05	Tanks - THM Control Mixer Installation	Ongoing	\$ 400,000		\$ 200,000		\$ 100,000	\$ 100,000							\$ 400,000
	Pump Stations/Tanks/Wells Totals		\$ 33,100,000		\$ 11,300,000	\$ 1,000,000	\$ 150,000	\$ 1,350,000	\$ 100,000	\$ 6,000,000	\$ 6,000,000	\$ -	\$ 500,000	\$ 6,700,000	\$ 33,100,000
Water Supply Development															
14-25	San Vicente/Denniston Water Supply Project	Design/Ongoing	\$ 4,100,000	1	\$ 2,200,000	\$ 300,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 4,100,000
13-04	Denniston Diversion	Concept	\$ 2,000,000	5									\$ 2,000,000		\$ 2,000,000
23-04	Lower Pilarcitos Well Development (feasibility study)	Feasibility	\$ 200,000	5					\$ 200,000						\$ 200,000
	Water Supply Development Totals		\$ 6,300,000		\$ 2,200,000	\$ 300,000	\$ 200,000	\$ 200,000	\$ 400,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 2,200,000	\$ 200,000	\$ 6,300,000
Water Treatment Plants															
23-06	Sedimentation Basin Rehabilitation	Concept	\$ 1,000,000		\$ 250,000	\$ 750,000									\$ 1,000,000
NN-00	Denniston Water Treatment Plant Improvement Project	Concept	\$ 4,400,000				\$ 200,000	\$ 200,000				\$ 4,000,000			\$ 4,400,000
	Water Treatment Plants Totals		\$ 5,400,000		\$ 250,000	\$ 750,000	\$ 200,000	\$ 200,000	\$ -	\$ -	\$ -	\$ 4,000,000	\$ -	\$ -	\$ 5,400,000
GRAND TOTAL			\$ 69,770,000		\$ 15,050,000	\$ 4,150,000	\$ 4,900,000	\$ 3,700,000	\$ 5,350,000	\$ 8,050,000	\$ 6,650,000	\$ 6,440,000	\$ 5,140,000	\$ 10,340,000	\$ 69,770,000



# **FY 2025-26 Operations and Maintenance Budget and FY 2025/26 – 2034/35 Capital Improvement Program**

**Coastside County Water District (CCWD)**

**Presented by Jeffrey Schneider, Assistant General Manager – Finance and Administration**

**CCWD Board Meeting: June 10, 2025**

# Operations and Maintenance Budget

	FY2025/26 Draft Budget	FY2024/25 Approved Budget	\$ Change from Prior Budget	% Change from Prior Budget
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# Capital Improvement Program

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Equipment Purchase and Replacement	\$1,850,000	\$1,500,000	\$350,000	
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Water Treatment Plants	\$5,400,000	\$4,575,000	\$825,000	Reflects addition of the rehabilitation of the original sedimentation basin at Nunes.
Total	\$69,770,000	\$69,175,000	\$595,000	

**QUESTIONS/COMMENTS?**

**THANK YOU**