



STAFF REPORT

Meeting Type: Finance & Administration Committee
Title: FY 2025/26 and FY 2026/27 Budget Update
From: Bret Uppendahl, Finance Director
Through: Ben Horenstein, General Manager *BU BH*
Meeting Date: February 27, 2025

TYPE OF ACTION: Approve X Review and Comment

RECOMMENDATION: Review and comment on the FY 2025/26 and FY 2026/27 Budget Update

SUMMARY: Staff is preparing the Operating and Capital Budget for FY 2025/26 and FY 2026/27 for the Board’s consideration in June 2025. The District’s utilizes a two-year budget cycle that includes a five year Capital Improvement Program (CIP).

DISCUSSION: The District’s current adopted budget for FY 2024/25 is \$163.8 million, which is comprised of a \$109.3 million Operating Fund, a \$49.5 million Capital Fund and \$5.0 million in planned contributions to reserves. This budget was developed as part of the District’s 2023 rate setting process, and was informed by an extensive analysis of the District’s capital and operating needs. Water rates are the primary source of revenue for the District, accounting for over 90 percent of the District’s total revenue.

As part of the 2023 rate setting process, the Board approved the water rate structure for a four year period from FY 2023/24 to FY 2026/27, and therefore the revenues to support capital and operating expenditures over the next two years are largely dependent on customer water consumption levels. In FY 2023/24, the first year of the approved rate structure, the District received \$123.2 million in total rate revenues, which was \$8.2 million less than the revenue budget of \$131.4 million. Through the first six months of FY 2024, rate revenues are tracking slightly closer to the approved budget, however, it is expected that revenues will finish the year approximately \$6 million less than the budget of \$151.5 million, due to decreased water consumption.

The District’s operating expenditure budget is largely driven by the cost to produce, purchase and deliver water to over 191,000 residents with the District’s service area in Central and Southern Marin. Many of the key expenditure drivers are non-discretionary in nature, such as the cost of electricity for pump stations, chemicals for water treatment plants and water purchases from Sonoma County. Personnel costs, which comprise approximately 40 percent of the budget, are heavily impacted by health insurance rates and required pension contributions. Inflationary pressures are a significant

factor impacting the District budget, as much of the District core operational inputs have historically seen price increases that are well in excess of the national consumer price index (CPI) for common goods and services.

Over the next four months, staff will present the Board with a series of updates on the Operating Budget as well as the Capital Improvement Program (CIP). In May, the District will conduct a budget workshop, which will provide an in depth review of each Division's budget. Staff will incorporate feedback from the budget workshop and will return to the Board in June with a Proposed Budget.

ENVIRONMENTAL REVIEW: Not Applicable.

FISCAL IMPACT: None.

ATTACHMENT(S): None.