



MEMORANDUM
ITEM NO. 5

DATE: APRIL 28, 2026

TO: BOARD OF DIRECTORS

FROM: STEPHAN TUCKER, GENERAL MANAGER

SUBJECT: ADOPT FISCAL YEAR 2027 BUDGET

SUMMARY

The District's annual budget is the basis for the Board of Directors (BOD) setting the Replenishment Assessment (RA) each year. The California Water Code requires that the ensuing year's RA be adopted no later than the second Tuesday in May following the opening and closing of a Water Code Public Hearing. The annual budget is typically adopted at the meeting to set the RA.

On February 24, 2025, District staff commenced the budget review process in collaboration with the Budget Advisory Committee (BAC). During this session, staff:

- Delivered an operational overview
- Presented the Fiscal Year (FY) 2025–2026 mid-year budget projection
- Introduced a preliminary draft of the FY 2026–2027 budget.

Based on the initial estimates the proposed RA increase was projected at 14.9 percent, or \$521 per acre-foot. A budget-related inquiry arose during the meeting, prompting further follow-up; staff subsequently provided a response to the BAC via a post on the website on March 4, 2026, which also included proposed budget reductions for consideration at the upcoming BAC meeting scheduled for March 5, 2026.

During the March 5, 2026 meeting, staff presented the outcomes of the proposed budget reductions for the FY 2027 budget and provided a comprehensive overview of the Water Purchase budget at the barriers. Following the second round of reductions, the RA increase was limited to 8.1 percent. The BAC submitted two additional requests: one to evaluate the impact on the RA rate increase by allocating \$800,000 from the Rate Stabilization Reserve, and another to model the effect of reducing water volume in the Water Purchase budget by 800 AF as a means to further mitigate the RA rate increase.

The subsequent BAC meeting was held on March 10, 2026, where the committee was anticipated to issue its recommendation to the WRD Board of Directors regarding the FY 2027 RA rate adjustment. At this meeting, the Chief Operating Officer presented the impact of lowering purchased water volume at the barrier, as requested. The Chief Financial Officer provided a summary of the fiscal year 2024-25 audit, with particular emphasis on Net Income. Discussions continued on optimizing the Purchase Water Budget and utilizing Net Income and Reserves to mitigate the proposed RA increase from 6.6 percent. No recommendation was provided, and a fourth meeting was arranged for March 17, 2026.

On March 16, 2026, the Finance Audit Committee (FAC) met to review the proposed FY 2027 budget and RA. The FAC recommended to proceed with a proposed RA upper limit of 6.6 percent.

On March 17, 2026, the BOD met to consider the recommendations from the FAC. The Board approved the FAC's recommended upper limit of 6.6 percent or \$484 per acre-foot with the provision that potential reductions would be evaluated at the subsequent Board meeting following the finalization of the February 2026 operational revenue and expense data. With further consideration, the RA upper limit has been reduced to 5.6 percent, or \$480 per acre-foot.

On March 17, 2026, following the Board approval, the BAC proposed the following recommendations:

- WRD to collaborate with the BAC to develop a mutually agreed-upon methodology for establishing Water Purchase budget, WRD accepted this request.
- WRD reconsider and potentially increase the portion of the Rate Stabilization Reserve used to reduce the impact of the RA rate increase.

On March 20, 2021, the Finance Audit Committee recommended a 5.6% RA increase for the Board of Directors to consider on April 28, 2026.

As outlined in the District's Administrative Code, the BAC must submit recommendations concerning the proposed RA and/or Budget to the Board no later than 10 days prior to the conclusion of the Water Code Public Hearing under § 60307. Once the BAC and FAC completed their recommendations, notices were distributed to all pumpers on March 25, 2025, with a revision showing the reduced upper limit on April 9, 2026. The Water Code Public Hearing began during the BOD meeting on April 7, 2026, and is expected to conclude during the special BOD meeting on April 28, 2026.

In the budget adoption process, the Board of Directors will examine and may approve the draft WRD Budget Summary Document. Following approval, the Finance team will prepare a finalized, detailed budget document, which will be made available on the District's website. Attached for review is the draft WRD Budget Summary Document. Additionally, the special BOD meeting may include the adoption of the FY 2027 budget and the determination of the RA rate.

FISCAL IMPACT

The Budget and Replenishment Assessment has a direct fiscal impact on the District's operations in the ensuing fiscal year. The amount of the impact will depend on the adopted budget Cost of Service and subsequently adopted Replenishment Assessment.

RECOMMENDATION

The Finance Audit Committee recommends Board of Directors approve the Fiscal Year 2027 budget reflecting an increase of \$26 or 5.6% to the Replenishment Assessment from \$454 to \$480 per acre-foot. The RA excludes the \$12 per acre-foot Replenishment Assessment for the PFAS Remediation program.