



Board of Directors

Fiscal Year 2026-27 Proposed Budget
and Replenishment Assessment

April 28, 2026

SECURING OUR WATER FUTURE TODAY

Budget Principles

WRD's annual budget includes the following principles:

- Estimate Cost of Water Purchases as recommended by the Engineering Survey Report (ESR)
- Plan for 1.40x fiscal year debt service coverage (DSCR) to ensure compliance with required by Bond Covenants and Rating Agencies
- Satisfy the Additional Bond Test (DSCR 1.20x), a financial safeguard embedded in revenue bond covenants.
- Maintain historically modest Replenishment Assessment rate increases (WIN Program)

Budget Comparison

FY 2026 Approved and FY 2027 Proposed

Description (Dollars in Millions)	FY 2026 Budget Adopted	FY 2027 Budget Proposed	Variance
Water Purchases	\$ 40.5	\$ 44.9	\$ 4.4
Water Treatment and Production	20.3	19.5	(1.0)
Water Resources	3.5	3.6	0.2
Water Quality Programs	3.9	4.4	0.5
Water Replenishment Support	4.5	4.9	0.3
General and Administrative	6.0	5.5	(0.5)
WRD Facility Maintenance and Other	3.2	4.5	1.2
Total Operating Costs	81.9	87.3	5.6
Other Special Programs & Supportive Costs	2.1	2.1	-
Debt Service & Other Non-Operating Costs	21.5	24.0	2.5
Total Expense	\$ 105.4	\$ 113.4	\$ 8.1

Income (Sales, Subsidies, Grants)			
Leo J Vander Lans (LVL)	\$ 3.7	\$ 3.4	\$ (0.3)
Goldsworthy Desalter	2.2	1.6	(0.6)
Albert Robles Center (ARC)	0.6	0.6	(0.0)
Water Quality Improvement (Title 22)	0.4	0.5	0.1
Other (Property Taxes, Interest, Misc Income.)	3.3	6.4	3.1
Carryover Conversion	13.5	18.0	4.5
Rate Stabilization	-	0.8	0.8
Total Revenue	\$ 23.8	\$ 31.3	\$ 7.5
COST TO PROVIDE SERVICE	\$ 81.7	\$ 82.1	\$ 0.5

- The **Cost of Service for FY 2027** totals \$82.1 million, reflecting a **\$500,000 increase compared to FY 2026**.
- The **Primary Drivers** to this expense increase are **Water Purchase at \$4.4 million** and **Debt Service at \$2.5 million**.
- These **increases** are balanced by growth in **Interest Income of \$3 million** and **Carryover Conversion of \$4.5 million**.

Budget Advisory Committee Summary

FY 2027 Budget and Replenishment Assessment

The Budget Advisory Committee (BAC) convened for four meetings on February 24, 2026, March 5, 2026, March 10, 2026, and March 17, 2026, to review the proposed budget and replenishment assessment (RA).

Although the **BAC evaluated the proposed budget and RA increase** throughout these sessions, **consensus was not reached on a recommendation a RA upper-limit.**

On March 17, 2026, following the **Board of Directors' adoption of a 6.6 percent RA upper limit with conditions**, the BAC reconvened for further discussion.

At this meeting, the BAC put forward the following constructive recommendations:

- WRD will collaborate with the BAC to **establish a mutually agreed methodology for determining the Water Purchase budget**, a proposal which WRD accepted.
- WRD will **reconsider increasing the Rate Stabilization Reserve allocation to further mitigate the RA rate increase**, pending the analysis of February 2026 operational data. This proposal was not accepted by WRD.

Projected FY 2026-27 Replenishment Assessment

Replenishment Assessment	24-Feb	5-Mar	10-Mar	20-Apr
Pumping Estimate (Acre-Feet)	211,000	211,000	211,000	211,000
Storage Withdrawals	39,746	39,746	39,746	39,746
Assessable Pumping	171,254	171,254	171,254	171,254
Current Replenishment Assessment	\$ 454	\$ 454	\$ 454	\$ 454
Estimated Replenishment Assessment	\$ 521	\$ 491	\$ 484	\$ 480
Dollar Increase	\$ 67	\$ 37	\$ 30	\$ 26
% Increase	14.9%	8.1%	6.6%	5.6%

- **WRD staff developed four versions of the FY 2027 budget** aiming to lower the initially proposed 14.9 percent increase in the Replenishment Assessment.
- In collaboration with the Budget Advisory Committee and Finance Audit Committee, the **increase was ultimately decreased to 5.6 percent.**

Proposed Budget - Debt Service Coverage

Description	2027 Budget Proposed
Operating Revenues	\$ 113,416,290
Operation Expense	
Water Purchases	44,885,247
Total Water Treatment and Production	19,543,860
Total Water Resources	3,638,861
Total Water Quality Programs	4,398,473
Total Water Replenishment Support	4,878,742
Total General and Administrative	5,533,346
WRD Facility Maintenance and Other	4,471,353
Total Operating Expense	87,349,882
Net Operating Income	\$ 26,066,408
Revenue Bond Debt Service Payments	\$ 18,481,392
Debt Service Coverage	1.41

QUESTIONS?

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