

# FY 2025-26 and FY 2026-27 Biennial Budget Assumptions

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John Adams  
February 5, 2025



# Agenda

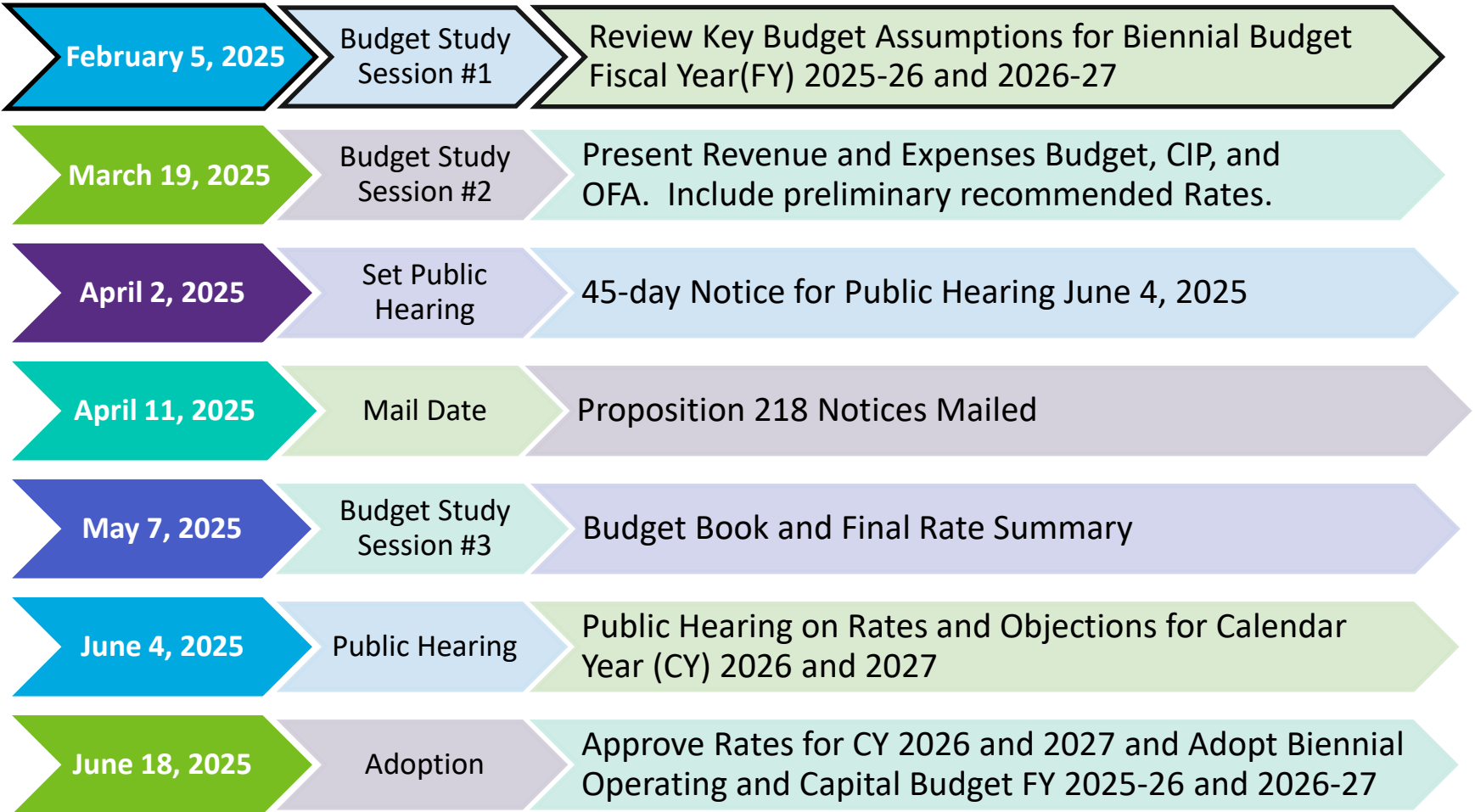
- Board Calendar
- Overview
- FY 2024-25 Budget – Expenditure Summary
- EMWD Growth and Development History
- Labor History and Assumptions
- Key Budget Assumptions
  - Operating Costs
  - Non-Operating Revenues
  - Water Sales and Supply
  - Sewer
  - Recycled Water History and Sales
  - CIP, OFA, Debt Service
- Reserve Balances
- Next Steps

## **Budget and Rate Setting is Centered Around EMWD's Strategic Plan:**

With a clearly defined mission and vision, as well as guiding principles that define how we interact with customers and employees, EMWD is driven by the seven strategic priorities, which guide the projects, programs, and services we provide to our customers and communities:

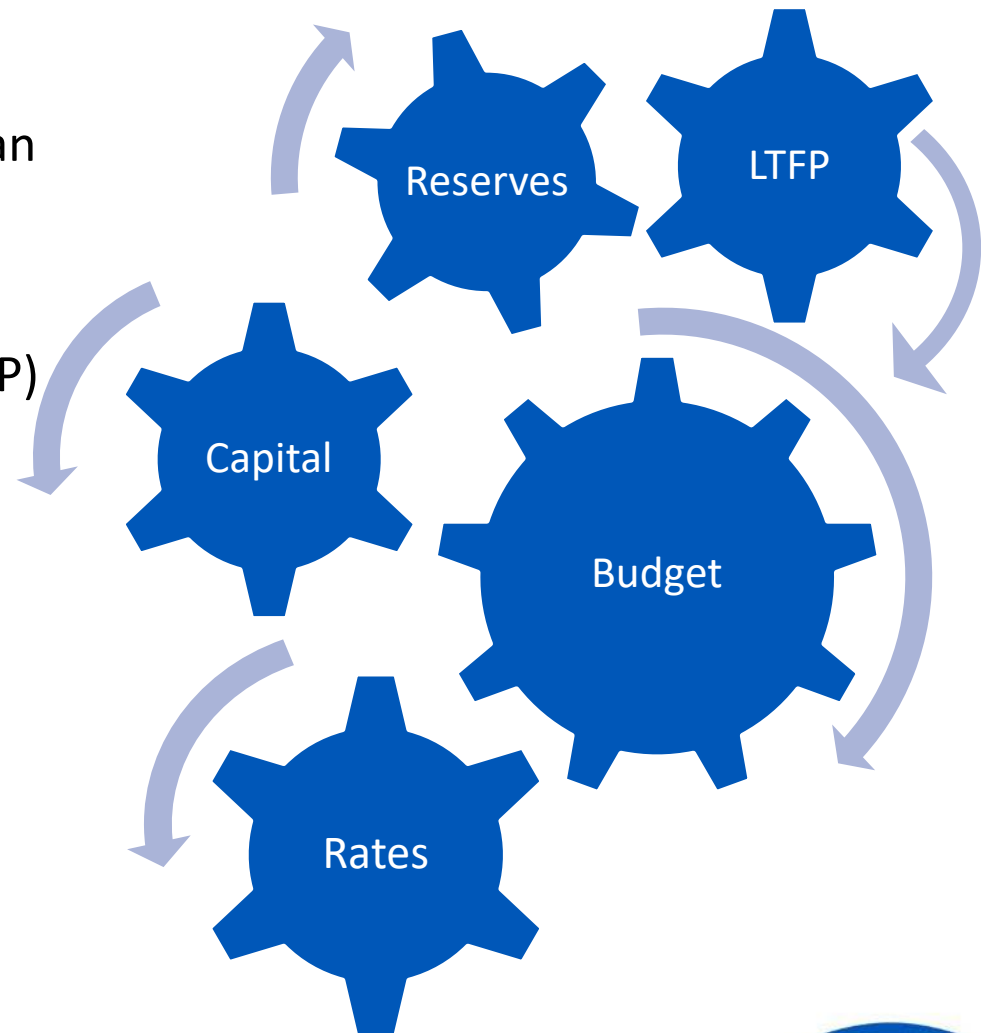
- Highly Reliable and Cost-Effective Water, Wastewater and Recycled Water Service
- Protection of Public and Environmental Health
- Superior Customer Service
- Operational Planning and Efficiency
- Fiscal Responsibility and Appropriate Investment
- Exemplary Employer
- Effective Communication, Advocacy, and Strategic Partnerships

# Timeline and Calendar

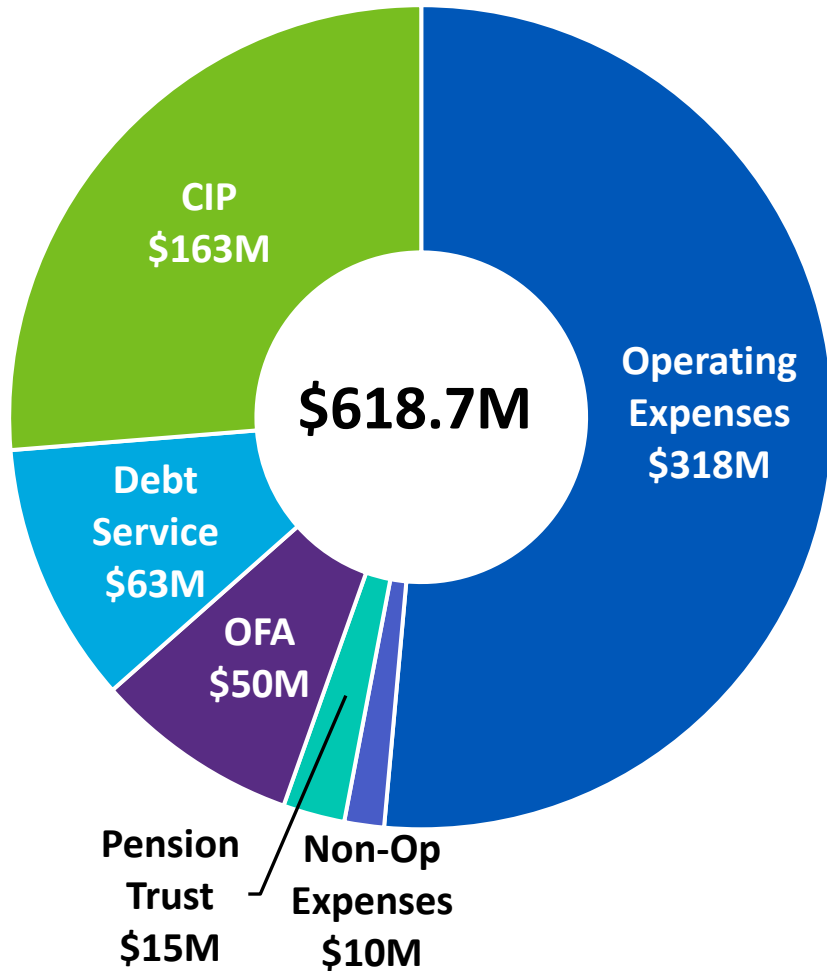


## Financial Planning Overview

- Two-Year Budget
- Five-Year Capital Improvement Plan
- Rate Review and Adjustments
- Reserve Balances
- Long-Term Financial Planning (LTFP)



# FY 2024-25 Budget – Expenditure Summary



Operating Expenses	Amount	%
Personnel	\$ 134.0M	42%
Purchased Water	\$ 87.3M	28%
Energy	\$ 33.2M	10%
Outside Services	\$ 19.6M	6%
Chemicals	\$ 16.9M	5%
Rental and Maintenance	\$ 9.7M	3%
Materials and Supplies	\$ 9.2M	3%
Disposal	\$ 5.2M	2%
SAWPA Fees	\$ 3.2M	1%
<b>Total</b>	<b>\$ 318.3M</b>	<b>100%</b>

70%

## EMWD Growth

### Infrastructure Growth – FY 2022-23 and FY 2023-24

<b>Capital Assets</b>	<b>Increased \$74.9M and \$95.4M, respectively</b>
Pipeline	Increased approximately 1.6% and 1.1%, respectively

### Development Activity – FY 2023-24

<b>EDU</b>	<b>Increased 5,633 or 2.0% (10-yr average 1.6%)</b>
EMS	Increased 4,461 or 2.0% (10-yr average 1.6%)

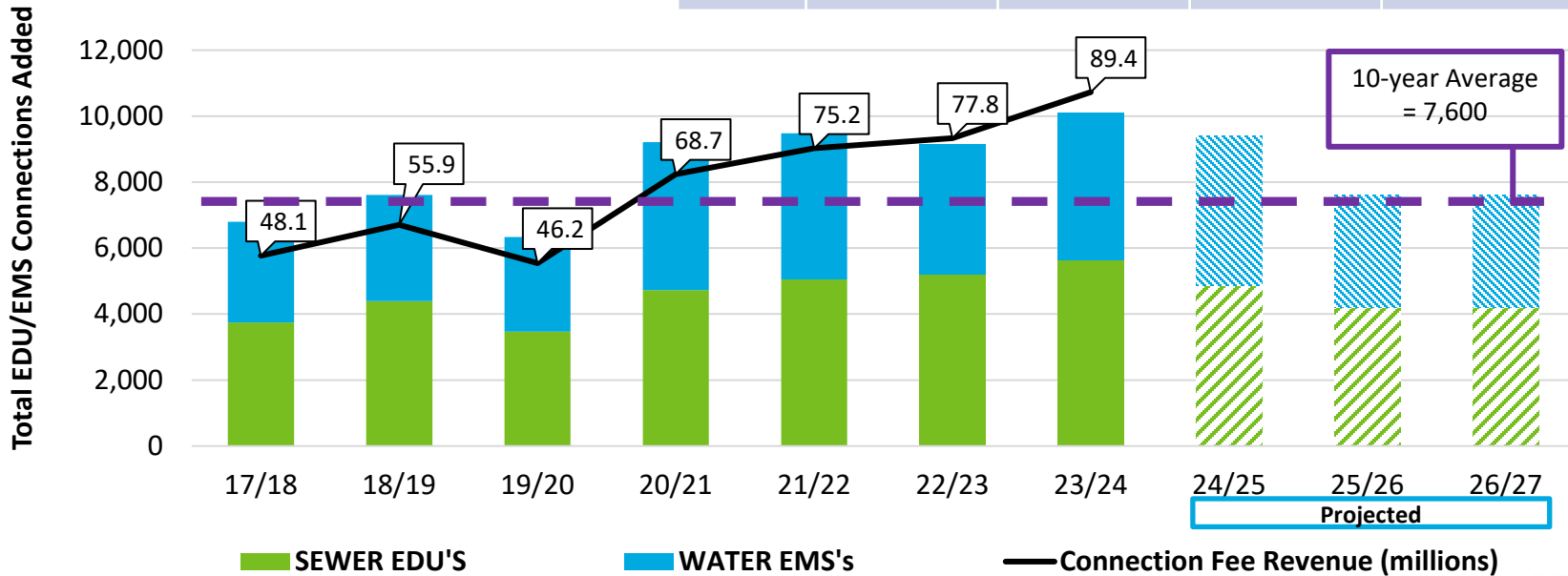
### New Customer Accounts (Water)

<b>FY 2022-23</b>	<b>Increase of 2.0% or 3,244 new accounts</b>
FY 2023-24	Increase of 2.2% or 3,733 new accounts
<b>FY 2024-25</b>	<b>City of Perris approximately 4,000 new accounts</b>

# Financial Participation Charges (FPCs)

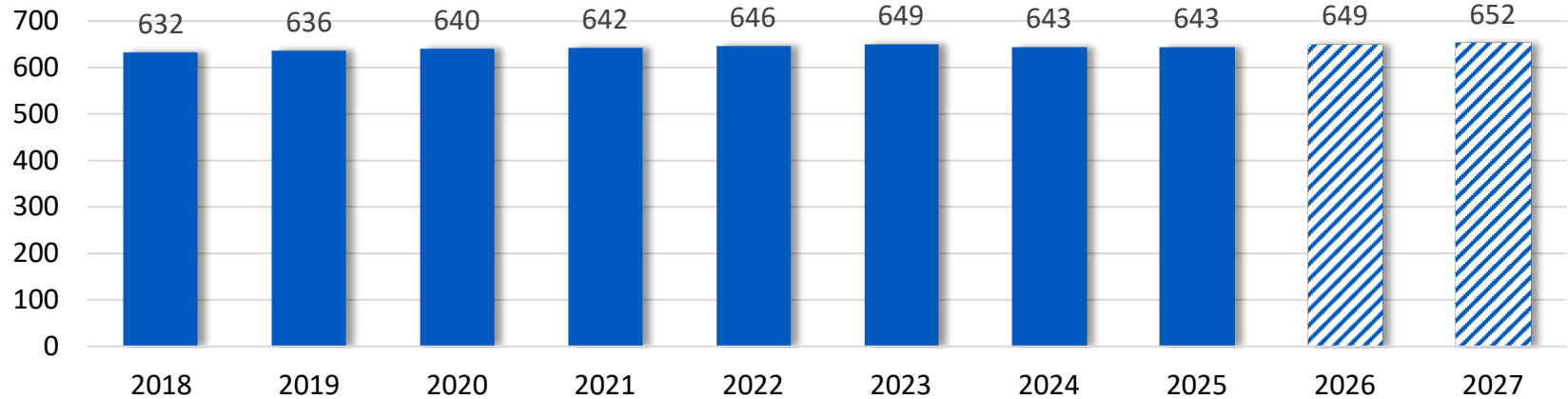
- Forecasts based on 10-year averages
  - 4,200 EDUs/year
  - 3,400 EMS/year

	FY 2024-25 Budget	FY 2024-25 Projection (DEC24)	10-Year Average (2015-2024)	5-Year Average (2020-2024)
EDU	4,200	4,870	4,200	4,900
EMS	3,400	4,518	3,400	4,000
<b>Total</b>	<b>7,600</b>	<b>9,388</b>	<b>7,600</b>	<b>8,900</b>



# Staffing Level History

## Full-Time Equivalent (FTE) Positions



Proposed FTE Position Changes in Fiscal Years 2025-26 and 2026-27:

**Eliminations (FY 2025-26: 2)**

Customer Service Receptionist (-2)

**Additions (FY 2025-26: 8; FY 2026-27: 3)**

- Backflow and Cross Connection Specialist I
- Collection Systems Utility Worker I/II (2)
- Construction Administrator I for Field Engineering (FY 2026-27)
- Controls Technician I/II for RWRP Electrical Services
- Public Affairs Officer I
- Senior Executive Assistant
- Senior Human Resources Analyst
- Senior Information Systems Engineer
- Water Resources Specialist Associate I/II (FY 2026-27)
- Water Reclamation Operator In Training (FY 2026-27)



## Labor Savings Assumptions – Cost of Service Study vs. Actuals

- Budget assumes 100%
- COSS assumes 97.5%
- FY 2023-24: Actual 98% of Budget

<b>Budget to Actual COLA Assumptions (Mid-Year):</b>	<b>20/21</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>
Budgeted COLA %	2.5%	2.5%	6.0%	5.0%	3.0%
Actual COLA %	2.1%	4.5%	8.9%	5.9%	3.3%
Authorized Positions	642	646	649	643	643
Filled Positions End of Fiscal Year	618	596	607	593	
Unfilled Positions/FTE's	24	50	42	50	

## General Wages and Benefits Assumptions

- **Wages**
  - Proposed net increase of 9 FTEs
  - COLA estimated at 2.5% for FY 2025-26 and FY 2026-27
  - Merit increase 2.5% FY 2025-26 and FY 2026-27
- **Medical**
  - 6% overall increase each year
- **Pension Contributions**
  - Normal Cost decrease 0.5% in 2026, 2.4% in 2027
  - UAL increase 9.1% in 2026, 2.8% in 2027
  - Continue \$15 million Pension Trust contributions per year
- **OPEB – Actuarial Determined Contributions**
  - 9% decrease in 2026; 0% change in 2027
  - \$1.4 million per year for Normal Costs



## General Budget Assumptions – Other Operating Expenditures

	Approved Budget		Cost of Service Study (April 2023)		Budget Projection (February 2025)	
	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2025-26	FY 2026-27
<b>Salaries &amp; Benefits</b>	5%	3%	5%	3%	<b>4.5%</b>	<b>3.5%</b>
<b>Energy</b>	29%	12%	6%	5%	<b>5%</b>	<b>5%</b>
<b>Chemicals</b>	60%	20%	6%	5%	<b>3%</b>	<b>3%</b>
<b>Other O&amp;M</b>	15%	7%	3%	3%	<b>3%</b>	<b>3%</b>
<b>SAWPA Rates</b>	2%	1%	3%	3%	<b>1-2%</b>	<b>2-5%</b>

## General Budget Assumptions – Non-Operating Revenues

	Approved Budget		Cost of Service Study (April 2023)		Budget Projection (February 2025)	
	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2025-26	FY 2026-27
<b>Property Taxes</b>	4%	3%	2%	2%	<b>4%</b>	<b>4%</b>
<b>Connection &amp; Development Fees</b>	3%	3%	3%	3%	<b>2%</b>	<b>2%</b>
<b>Interest Rates</b>	3%	3%	2.5%	2.5%	<b>3%</b>	<b>2%</b>
<b>Other Income</b>	2%	2%	2%	2%	<b>2%</b>	<b>2%</b>



# Water Sales and Supply

Projected 1.6% increase in water sales (AF) for FY 2025-26 and 1.4% for 2026-27

## Water Sales

Acre Feet (AF)	FY 2020-21 Actual	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Projection	FY 2025-26 Forecast	FY 2026-27 Forecast
Domestic Retail	78,459	81,513	69,656	69,460	79,771	79,677	80,826
Domestic Wholesale	3,936	4,532	3,713	3,667	2,004	2,321	2,321
Agri Retail/Wholesale	2,305	6,649	5,444	1,169	1,335	2,412	2,412
<b>Total</b>	<b>84,699</b>	<b>92,695</b>	<b>78,813</b>	<b>74,296</b>	<b>83,110</b>	<b>84,410</b>	<b>85,558</b>

## Purchased/Produced

Acre Feet (AF)	FY 2020-21 Actual	FY 2021-22 Actual	FY 2022-23 Actual	FY 2023-24 Actual	FY 2024-25 Projection	FY 2025-26 Forecast	FY 2026-27 Forecast
Purchased	71,102	73,802	61,208	60,991	63,563	64,580	63,470
Purchased Replenishment	-	-	1,607	5,696	3,772	2,528	2,528
Desalter Production	7,241	7,307	13,366	13,533	13,500	13,500	13,500
Well Production	15,529	13,854	11,342	7,082	12,725	13,900	15,900
<b>Total</b>	<b>93,872</b>	<b>94,963</b>	<b>87,523</b>	<b>87,302</b>	<b>93,560</b>	<b>94,507</b>	<b>95,397</b>

- Beginning FY 2025-26, Well Production is forecasted to increase and Purchased water is forecasted to decrease with the Perris North Groundwater Program (PNGP), expected to come online March 2026
- The difference between Water sales and Water Purchased/Produced is due to Water Loss, which has averaged 7.3% over the past nine years (FY 2016-24). The forecast is using 8-9%.
- Volumes do not include deliveries to MWD sub agencies (RCWD, FPUD and RMWD)

## Budget Considerations – Water Sales Volume

	FY 2023-24 Actual	5-Year Average (FY20-24)	FY 2024-25 Budget*	FY 2024-25 Projection	FY 2025-26 Forecast
Tier 1	18,000	17,967	19,110	17,607	18,906
Tier 2	39,038	42,132	47,386	42,464	45,698
Tier 3	3,873	4,289	5,119	5,543	4,868
Tier 4	1,978	2,066	2,456	3,154	2,302
<b>Total Tiered</b>	<b>62,889</b>	<b>66,454</b>	<b>74,071</b>	<b>68,767</b>	<b>71,774</b>
Non-Tiered	6,570	7,910	10,331	11,004	7,903
Domestic Wholesale	3,670	3,921	2,810	2,004	2,321
<b>Total Domestic Sales</b>	<b>73,129</b>	<b>78,285</b>	<b>87,212</b>	<b>81,775</b>	<b>81,998</b>
Agriculture	1,168	3,455	4,428	1,335	2,412
<b>Total Sales</b>	<b>74,297</b>	<b>81,740</b>	<b>91,640</b>	<b>83,110</b>	<b>84,410</b>

\*Acre foot budget based on FY 2021 and FY 2022 actual sales plus 2% growth per year for FY 2024, and FY 2025.

## Water Supply Costs from Metropolitan Water District (MWD)\*

Rates & Charges	2025	2026	Change	2027	Change
Supply Rate (\$/AF)	\$290	\$313	7.9%	\$464	48.2%
System Access Rate (\$/AF)	\$463	\$492	6.3%	\$522	6.1%
System Power Rate (\$/AF)	\$159	\$179	12.6%	\$179	0.0%
<b><i>Full Service Untreated (\$/AF)</i></b>					
<b>Full Service Untreated (\$/AF)</b>	<b>\$912</b>	<b>\$984</b>	<b>7.9%</b>	<b>\$1,113</b>	<b>13.1%</b>
Treatment Surcharge (\$/AF)	\$483	\$544	12.6%	\$544	0.0%
<b><i>Full Service Treated (\$/AF)</i></b>					
<b>Full Service Treated (\$/AF)</b>	<b>\$1,395</b>	<b>\$1,528</b>	<b>9.5%</b>	<b>\$1,657</b>	<b>8.4%</b>
<b><i>Fixed Charges</i></b>					
Readiness-to-Serve (\$M)	\$181	\$188	3.9%	\$188	0.0%
Capacity Charge (\$/cfs)	\$13,000	\$14,500	11.5%	\$14,500	0.0%
<b>Overall Rate Increase</b>			<b>8.7%</b>		<b>10.8%</b>

\* 2025 & 2026 Rates are approved and 2027 Rates are based on the MWD 10 Year Forecast. MWD rates exclude the Pure Water Southern California (PWSC) as MWD has not approved this project beyond the planning phase.

# Sewer Assumptions

- Will maintain influent flow rates
  - Implementation of stricter indoor water use requirements and ongoing development initiatives

Daily Plant Flows	Actual	Projected	Forecasted	
	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Annual Average MGD's	49.09	48.85	49.00	49.00



- Maintain Transfer to Recycled Water Service
- 7-year Postage Stamp Rate Phase-in:

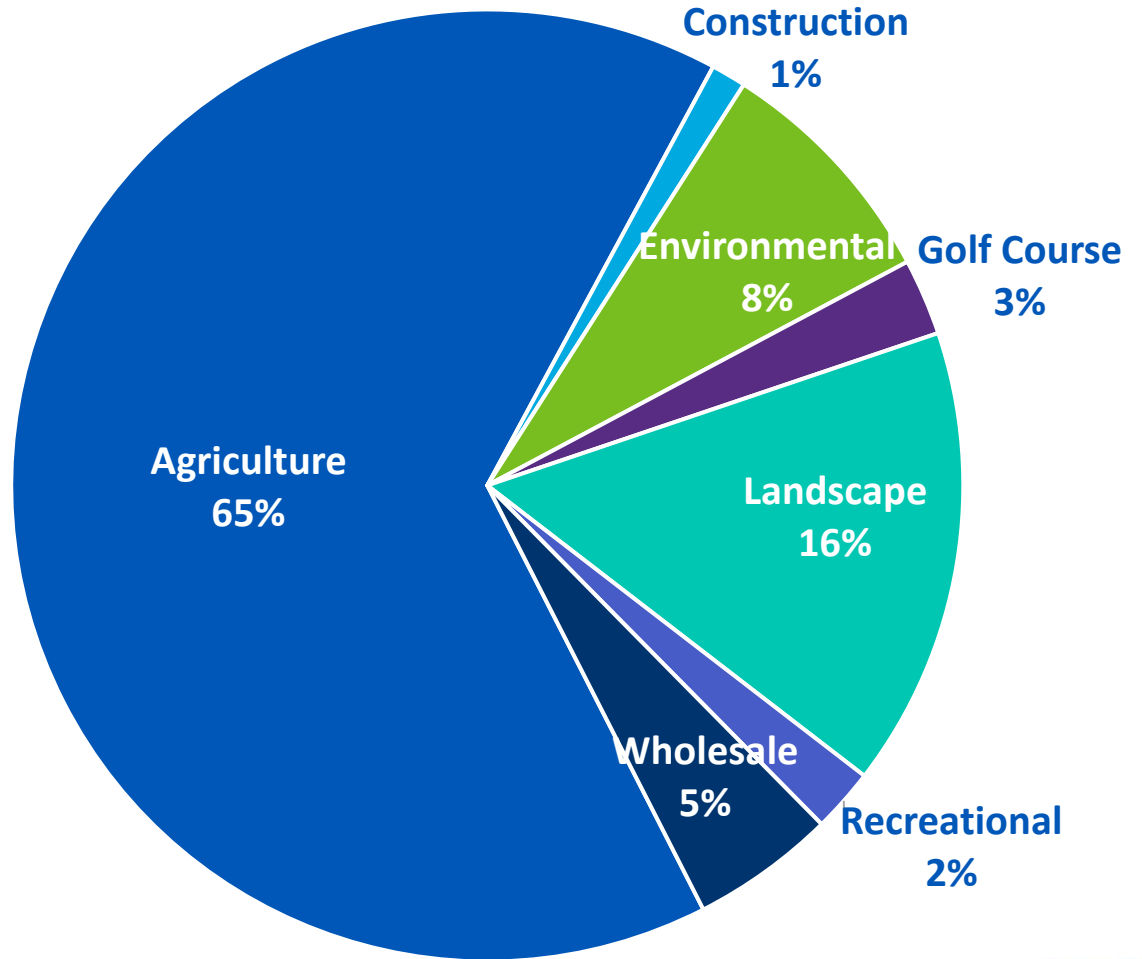
	Year 1	Year 2	Year 3	Year 4
	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
Full Postage Stamp Phase In (Includes Capital Charges)	6%	6%	5%	5%



# Recycled Water AF Usage by Type FY 2023-24

**Total AF Sold: 27,040**

CATEGORY	# OF METERS
AGRICULTURE	150
CONSTRUCTION	123
ENVIRONMENTAL	6
GOLF COURSE	5
LANDSCAPE	709
RECREATIONAL	7
WHOLESALE	9
<b>TOTAL</b>	<b>1009</b>



\*Per EMWD Customer Billing Data FY 2023-24

# Recycled Water Sales

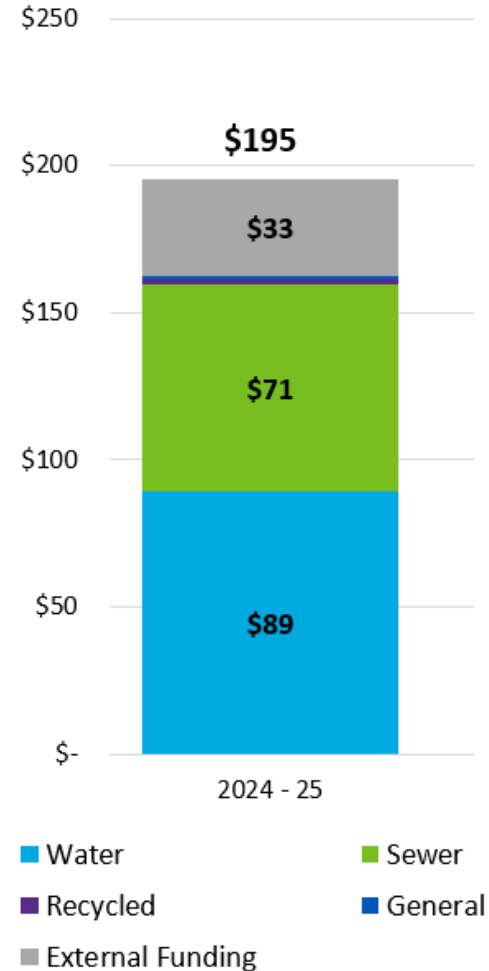
- Weather influences the sales of recycled water
- FY 2023-2024, EMWD installed ~ 59 new recycled services which includes 14 retrofit



	Actual					Projected	Budget	Forecast
AF	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25		FY 2025-26
<b>Sold</b>	29,191	33,745	39,216	29,692	27,040	29,650	33,700	<b>33,700</b>
<b>Discharged</b>	7,273	2,484	0	7,872	12,146	TBD	0	<b>0</b>

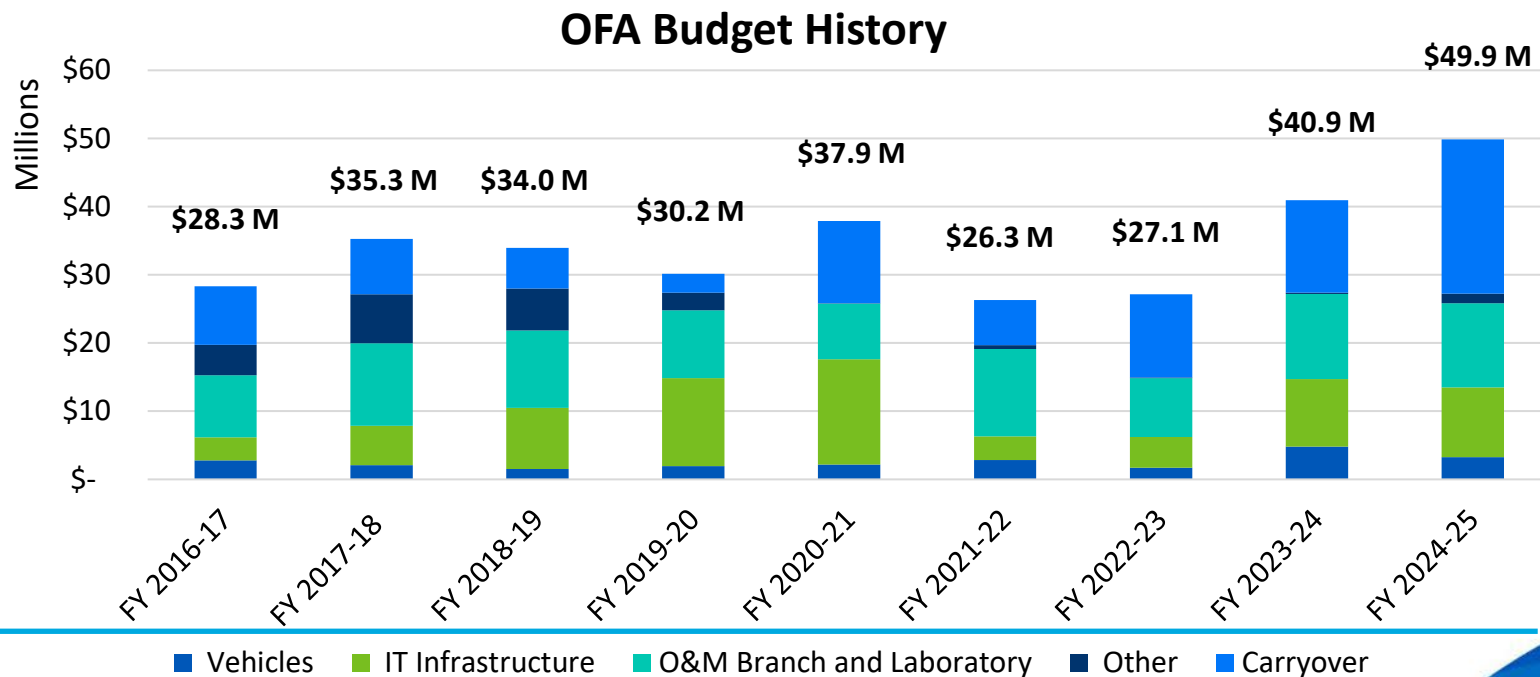
## Five Year Capital Improvement Program (CIP)

- 5-Year CIP for FY 2024-25 to 2028-29 = \$785 million
  - 14% increase over FY24-28 (\$686 million)
- 5-Year CIP includes \$77.9 million of projects funded externally
- Budget Assumes 100% CIP Completion
- 2023 Cost-of-Service Study Assumed 95% CIP Completion
- Proposed 5-Year CIP for 2025-2030 will be presented at Study Session #2



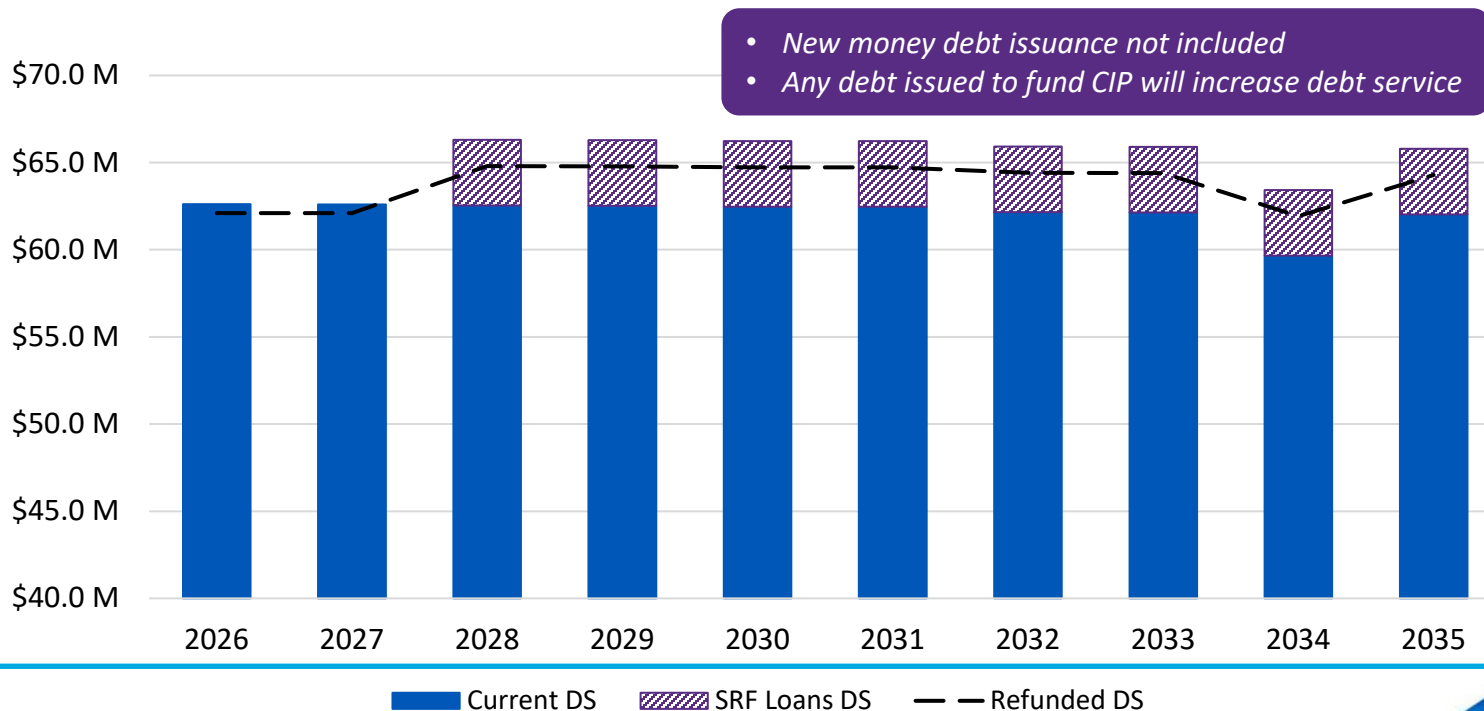
## Operating Fixed Assets (OFA)

- Combined FY 2023-24 Actuals and FY 2024-25 Budget = \$67.5 million
  - Includes \$15 million for ERP/DSMS Implementation
- Pending Department Requests (Equipment, Vehicles, Technology, etc.)
- Budget Assumes 100% OFA Completion
- 2023 Cost-of-Service Study Assumed 65% OFA Completion



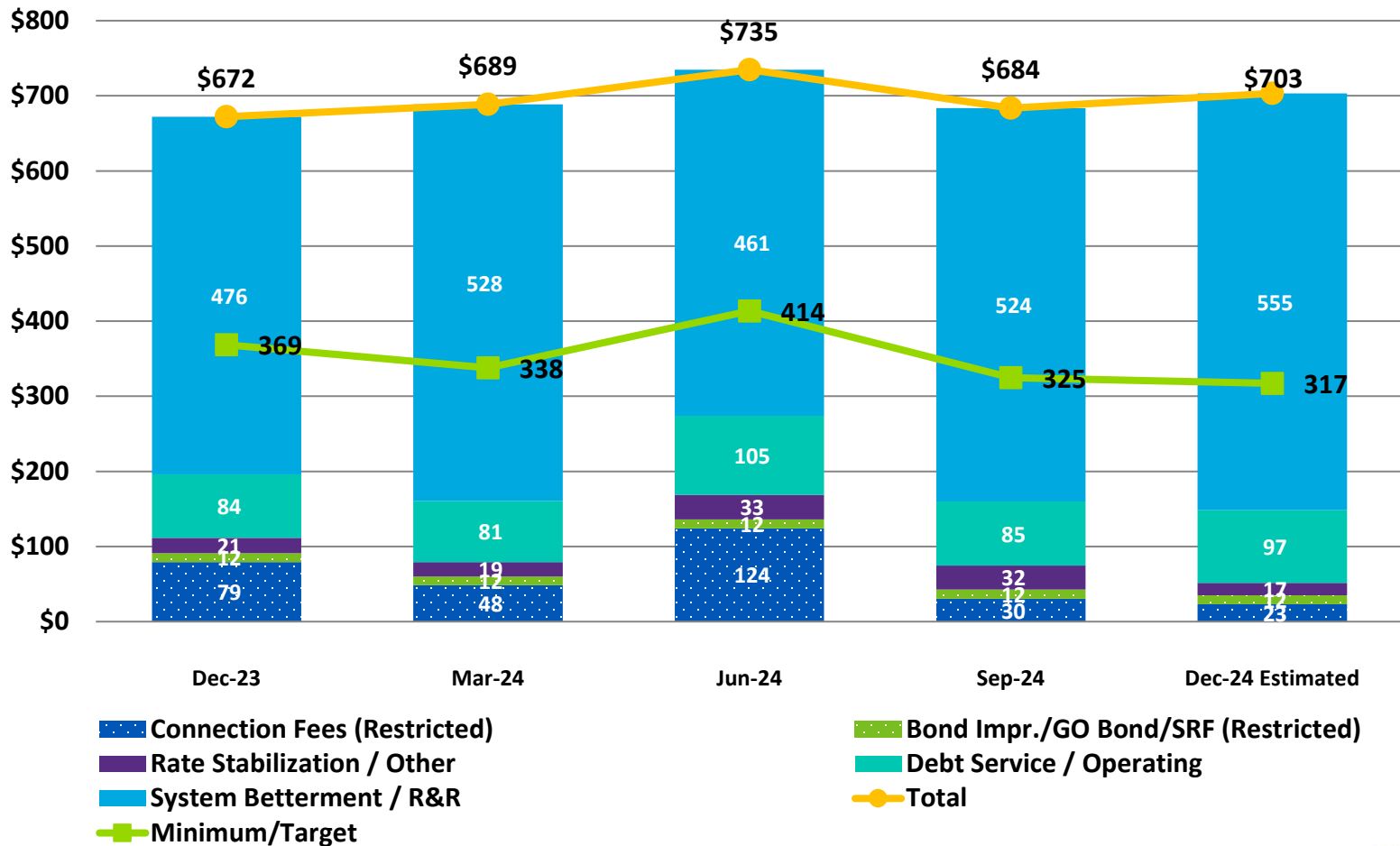
## Debt Service

- Current debt service projected at \$62.6 million over the next two fiscal years
- SRF loans for PWR estimated at \$81 million with \$3.8 million due annually
- \$320 million callable over next 2 years; refunding opportunities exist
  - \$500k estimated annual savings next two fiscal years
  - \$1.5 million estimated annual savings starting FY 2027-28



# Estimated Restricted and Board Designated Reserves – December 2024

## Restricted and Board Designated Reserves



## Next Steps

March 19, 2025

### **Budget Study Session #2**

Present Revenue and Expenses Budget, CIP, OFA, and Preliminary Recommended Rates

April 2, 2025

### **Set Public Hearing**

45 Notice for Public Hearing June 4, 2025

May 7, 2025

### **Budget Study Session #3**

Budget Book and Final Rate Summary

June 4, 2025

### **Public Hearing**

Public Hearing on Rates and Objections for Calendar Year (CY) 2026 and 2027

June 18, 2025

### **Adoption**

Approve Rates for CY 2026 and 2027 and Adopt Biennial Operating and Capital Budget FY 2025-26 and 2026-27

January 1, 2026

### **Rates Become Effective**



## Contact Information

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