



Fiscal Years 2025-26 and 2026-27 Biennial Budget Review

John Adams
March 19, 2025

Presentation Topics

- Budget Study Session #1 Summary
- Preliminary Expenditure and Non-Op Revenue Overview
 - Water Purchases
 - Workforce
 - Other Operating Expenditures
 - Non-Op Expenditures
 - Non-Op Revenue
- Operating Fixed Assets (OFA) and Capital Improvement Program (CIP)
- Preliminary Rates and Bill Impact
- Preliminary Operational Service Summaries
- Schedule and 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

Budget Study Session #1 Summary Highlights

- Operating expenditures represent ~51.4% of budget
 - ~70% of operating expenditures are personnel and purchased water
 - Staffing levels projected to increase by 1.4% over the next two fiscal years
 - MWD rate increases
 - Approved CY 2026: Treated 9.5%; Untreated 7.9%
 - Projected CY 2027: Treated 8.4%; Untreated 13.1%
- Pension liability (CalPERS) funded at 66.7%
 - UAL payment: \$19.4 million for FY 2025-26 and \$20.0 million for FY 2026-27
 - \$15 million Pension Trust contributions each fiscal year
- OPEB projected to decrease by 9% in 2026 and 0% in 2027
- Cost increases in key areas ranging 3-5% over next two fiscal years
 - Salaries and Benefits, Energy, and Chemicals
- Revenue increases in key Non-Op areas ranging ~2-4% over next two fiscal years
 - Property Taxes and Connection Fees

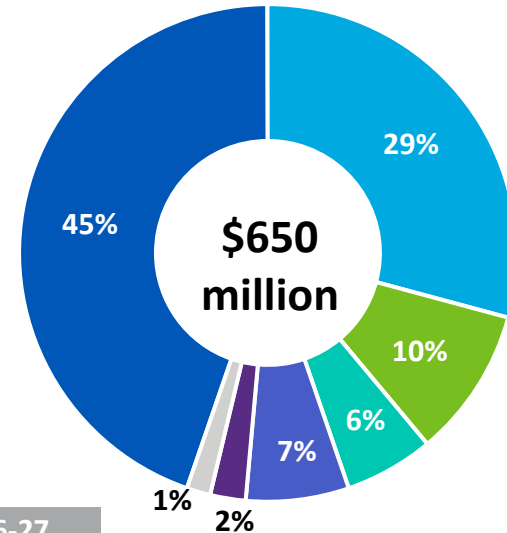


Preliminary Expenditure and Non-Operating Revenue Overview

Preliminary Budget – Overall Expenditures

- Average Operating Expenses increase of 4.5% per year
- Two-year CIP: \$384 million (net of grants)
- Two-year OFA investments: \$62 million
- Average General & Administrative (G&A) increase of 6.8% per year
- Maintain Pension Trust funding of \$15 million per year

FY 2025-26 Budgeted Expenditures



Expenditures (\$000)	FY 2024-25 Budget	FY 2025-26 Budget	FY 2026-27 Budget
Operating Expenses	\$279,825	\$290,643	\$305,232
Capital Improvements (CIP)	\$162,552	\$190,015	\$194,210
Debt Service	\$63,400	\$63,400	\$63,400
Operating Fixed Assets (OFA)	\$27,575	\$37,733	\$24,218
General & Administrative	\$39,052	\$42,961	\$43,965
ADP Liabilities - Pensions	\$15,000	\$15,000	\$15,000
Misc/Other	\$9,040	\$10,010	\$9,145
Total	\$596,444	\$649,761	\$655,169

Preliminary Budget – Water Purchases

- Metropolitan Water District (MWD) water rate increases take effect January 1:
 - 2026: Treated 9.5%, Untreated 7.9% (approved)
 - 2027: Treated 8.4%, Untreated 13.1% (forecasted)*
- Unknown if MWD is expected to allocate Replenishment water in 2026 and in 2027
 - Budgeting EMWD share of the 7,500 AF annual replenishment obligation
- EMWD’s purchased water budget will increase by \$2.6 million in 2026 and \$6.4 million in 2027

MWD Charges	Proposed FY 2025-26			Proposed FY 2026-27		
	AF	Avg. Rate	Dollars	AF	Avg. Rate	Dollars
Untreated Water	25,000	\$ 943	\$ 23,531,000	24,500	\$ 1,039	\$ 25,486,000
Treated Water	39,600	\$ 1,451	\$ 57,498,000	38,900	\$ 1,583	\$ 61,622,000
Sub Totals	64,600	\$ 1,255	\$ 81,029,000	63,400	\$ 1,372	\$ 87,108,000
CC (Annual charge)		\$ 14,500	\$ 1,800,000		\$ 15,100	\$ 2,026,000
RTS (Annual charge)			\$ 9,851,000			\$ 10,247,000
Standby Credit (FY)			\$ (2,374,000)			\$ (2,467,000)
Tunnel @ 11.35 AF/day		\$ 943	\$ (3,926,000)		\$ 1,039	\$ (4,343,000)
Fixed Charges		\$ 83	\$ 5,351,000		\$ 86	\$ 5,463,000
Replenishment Water	2,528	775	\$ 1,959,000	2,528	877	\$ 2,217,000
Total MET Imported Water Charges	67,128	\$ 1,316	\$ 88,339,000	65,928	\$ 1,438	\$ 94,788,000
Projected Annual Increase			\$ 2,618,000			\$ 6,449,000



*Without Pure Water Southern California and Delta Conveyance Project

Preliminary Budget – Workforce Related Expenses

Personnel

- Overall financial impact to wages from net increase of 9 Full-Time Equivalent (FTE) positions as described in Study Session #1:
 - Increase of \$1.1 million (0.9%) in FY 2025-26
 - Increase of \$1.7 million (1.2%) in FY 2026-27
- COLA estimated at 2.5% for FY 2025-26 and FY 2026-27

Medical

- \$1.5 million (6%) overall increase for FY 2025-26 and FY 2026-27

Pension Contributions

- UAL budgeted increase of 9.1% in 2026, 2.8% in 2027
- Continued \$15 million in Pension Trust contributions per year

OPEB – Actuarial Determined Contributions

- 9% decrease in 2026; 0% change in 2027
- \$1.4 million for Normal Costs per year



Other Operating Expenditures

(In Millions)	FY 23-24 Actual	FY 24-25 Budget Update	FY 25-26 Budget	FY 26 vs FY 25 % Change	FY 26-27 Budget	FY 27 vs FY 26 % Change
Outside Services	\$31.8	\$33.4	\$37.8	13%	\$38.8	3%
Energy	\$27.8	\$33.2	\$35.0	5%	\$36.2	3%
Chemicals	\$13.1	\$16.9	\$14.8	-12%	\$15.3	4%
Materials & Supplies	\$12.5	\$12.5	\$13.4	7%	\$13.4	0%
Software License, Support & Subscriptions	\$4.3	\$6.0	\$7.7	30%	\$7.5	-3%
Administrative Expenses	\$4.8	\$6.0	\$5.7	-5%	\$5.8	2%
Refuse & Waste Hauling	\$4.2	\$5.2	\$5.2	0%	\$5.4	3%

Non-Operating Expenditures

(In Millions)	FY 23-24 Actual	FY 24-25 Budget Update	FY 25-26 Budget	FY 26 vs FY 25 % Change	FY 26-27 Budget	FY 27 vs FY 26 % Change
Debt Service	\$59.5	\$63.4	\$63.4	0%	\$63.4	0%
General & Administrative	\$35.3	\$39.1	\$43.0	10%	\$44.0	2%
Pension Trust Funding	\$15.0	\$15.0	\$15.0	0%	\$15.0	0%
Miscellaneous & Special Projects/Studies	\$10.3	\$9.0	\$10.0	11%	\$9.1	-9%

Non-Operating Revenues

(In Millions)	FY 23-24 Actual	FY 24-25 Budget Update	FY 25-26 Budget	FY 26 vs FY 25 % Change	FY 26-27 Budget	FY 27 vs FY 26 % Change
Connection & Development Fees	\$89.4	\$71.6	\$71.9	0%	\$72.9	2%
Property Taxes	\$68.1	\$62.4	\$71.3	14%	\$73.4	3%
Interest Income	\$15.7	\$13.5	\$14.0	4%	\$12.0	-14%
Other Income/Grants	\$20.9	\$15.4	\$16.0	4%	15.4	0%



Operating Fixed Assets (OFA) – Proposed Budget for FY 2025-26 and FY 2026-27

Operating Fixed Assets (OFA) Summary

Technology Infrastructure and Systems

- ERP and DSMS Implementation \$14.3 million combined in FY 2025-26 (2nd year of project)

Maintenance Projects

- District Headquarters Roll-Up Door Replacement \$1.1 million, FY 2025-2026
- Biofilter Rehabilitation and Media Replacement \$2.5 million, FY 2026-2027

SERVICES	ORIGINAL COMBINED BUDGET FISCAL YEAR 2023-24 and 2024-25	UPDATED COMBINED BUDGET FISCAL YEAR 2023-24 AND 2024-25	CARRYOVER FY 2024-25 to FY 2025-26	NEW FY 2025-26 PURCHASES	TOTAL FY 2025-26 BUDGET	TOTAL FY 2026-27 BUDGET
Vehicles	\$ 12,570,100	\$ 12,310,000	\$ 3,399,700	\$ 4,000,000	\$ 7,399,700	\$ 3,500,000
I.T. Infrastructure & Equipment	7,237,300	6,297,300	884,800	2,730,000	3,614,800	2,620,000
ERP/DSMS Implementation	15,000,000	15,000,000	4,736,000	14,296,000	19,032,000	-
Total IT Infrastructure	\$ 22,237,300	\$ 21,297,300	\$ 5,620,800	\$ 17,026,000	\$ 22,646,800	\$ 2,620,000
Total O&M Branch/Lab Projects & Equip.	\$ 30,109,700	\$ 29,924,000	\$ 6,921,800	\$ 15,982,200	\$ 22,904,000	\$ 17,777,600
Other	\$ 753,100	\$ 1,904,300	\$ 422,600	\$ 724,500	\$ 1,147,100	\$ 320,500
TOTAL	\$ 65,670,200	\$ 65,435,600	\$ 16,364,900	\$ 37,732,700	\$ 54,097,600	\$ 24,218,100





Capital Improvement Program – Proposed Budget for FY 2025-26 and FY 2026-27

Capital Improvement Program (CIP) Overview

- 2-Year CIP: FY 2025-26 and FY 2026-27: \$384 million (net of grants)
- 5-Year CIP: \$882.7 million (net of grants)
 - Reflects newly identified projects based on recent condition assessment and other identified needs
 - Projects refined during design development
 - Costs updated based on current construction market
 - Uncertain long-term impacts of tariffs on construction costs

Top Projects for FY 2025-26 and FY 2026-27

PROJECT	2-YEAR TOTAL
MVRWRF PLANT 2A REHABILITATION	\$ 26,043,068
PVRWRF SIDESTREAM TREATMENT	\$ 17,884,447
SAN JACINTO VALLEY GROUNDWATER TREATMENT FACILITY PHASE I	\$ 16,392,505
PERRIS NORTH GROUNDWATER TREATMENT FACILITY AND WELLS	\$ 16,181,368
PURIFIED WATER REPLENISHMENT TREATMENT PLANT	\$ 14,111,375
NORTH PERRIS REGIONAL SEWER	\$ 13,716,793
MATTHEWS AND ROMOLAND BOOSTER STATION	\$ 12,995,521
TVRWRF PLANT 1 AIR LINE AND AERATION BASIN REHABILITATION	\$ 11,821,154
PVRWRF PLANT 2A & 3 AERATION BASINS REHAB & DIFFUSER REPLACEMENT	\$ 11,610,064
TVRWRF SIDESTREAM TREATMENT	\$ 11,299,784
Total	\$ 152,056,079



Perris North Groundwater Treatment Facility and Wells

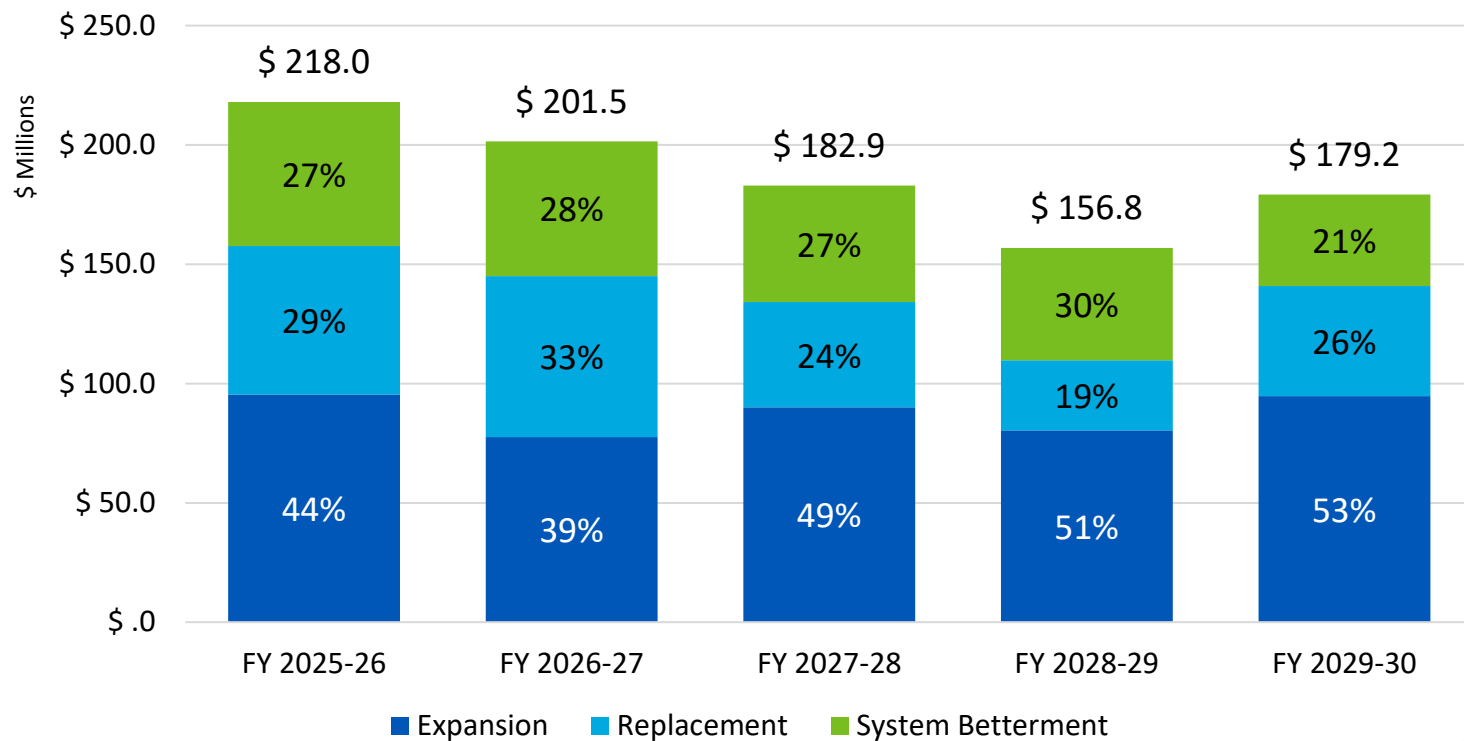


San Jacinto Valley Groundwater Treatment Facility Phase I



5-Year CIP Detail

- Total 5-Year CIP = \$938.4 million
- EMWD has \$4.1 billion in Capital Assets as of June 30, 2024
 - 53% of 5-Year CIP consists of Replacement and System Betterment

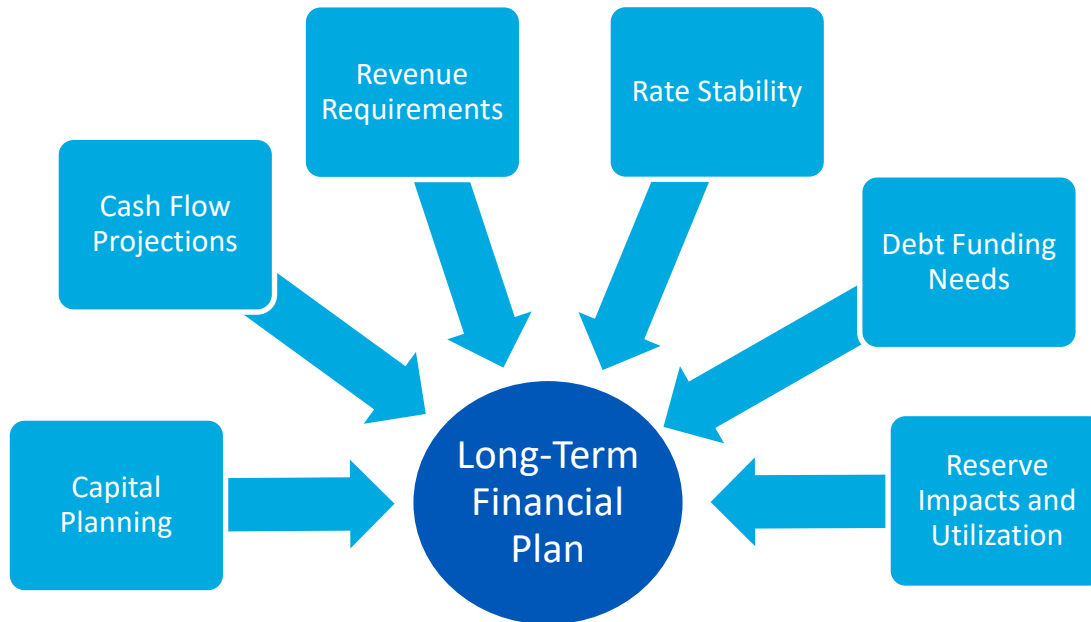




Preliminary Rates and Residential Bill Impact

Long-Term Financial Planning Model

- Comprehensive model developed to incorporate recent financial performance with highly configurable short and long-term assumptions to forecast long-term strategies and a sustainable financial future for EMWD
- Three scenarios have been developed utilizing key budget and revenue/expense projections to forecast different rate adjustments and the impact on use of reserves



Water and Sewer Rate Assumptions

To minimize initial rate increases, the following assumptions have been included in the rate model for preliminary rates for 2026 and 2027

- Capital Improvement Plan execution = 95%
- Operating Fixed Assets (OFA) replacement spending = 65%
- Salary and Benefit Savings = 2.5%
- Reserves are maintained above target
- Use of reserves to moderate rate increases

Water and Sewer Rate Scenario Summary

	2025	Revenue Requirement 2-Year Avg	Scenario A (High)	Scenario B (Mid)	Scenario C (Low)
Water (Average)	7.0%	13.7%	8.0%	6.5%	5.0%
Sewer (Average)	5.0%	6.0%	5.5%	4.5%	4.0%
<i>Average Bill Impact %</i>	6.5%		7.1%	6.0%	5.0%
Average Bill*	\$120.31		\$128.99	\$127.57	\$126.35

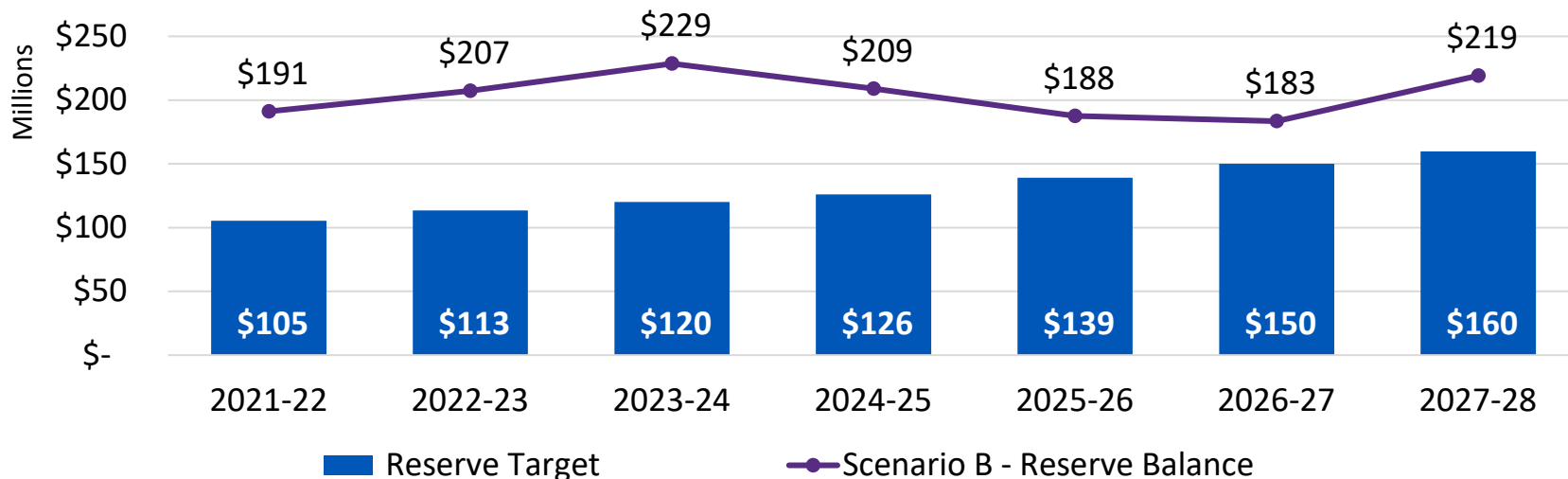
*Based on 15 CCF per month, a 5/8" meter, and sewer block 2 (100%) at postage stamp rate



Revenue Requirement and Use of Water Reserves

	Revenue Requirement Increase					Change in Reserves (\$M)	
	2025-26	2026-27	2027-28	2028-29	2029-30	2-Year	5-Year
No Use of Reserves	13.7%	12.8%	3%	3%	3%	NA	NA
Scenario A	8%	8%	7%	5%	4%	\$ (19.9)	\$ 148.0
Scenario B	6.5%	6.5%	5.5%	4%	4%	\$ (25.55)	\$ 100.05
Scenario C	5%	5%	4%	3%	3%	\$ (31.58)	\$ 66.66

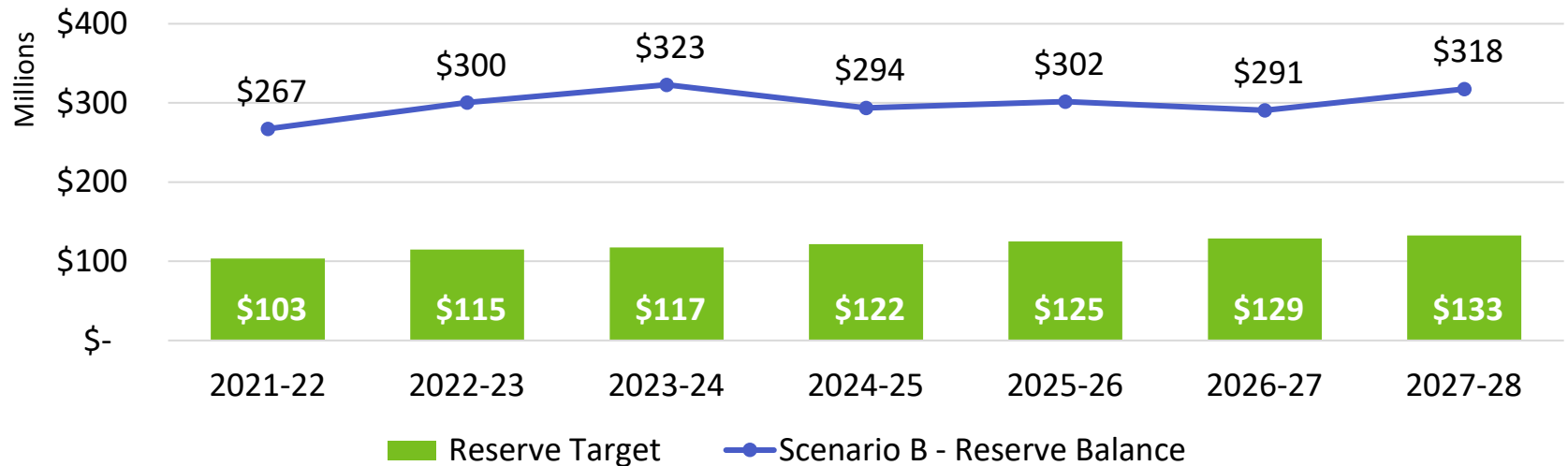
Water Reserves Projection



Revenue Requirement and Use of Sewer Reserves

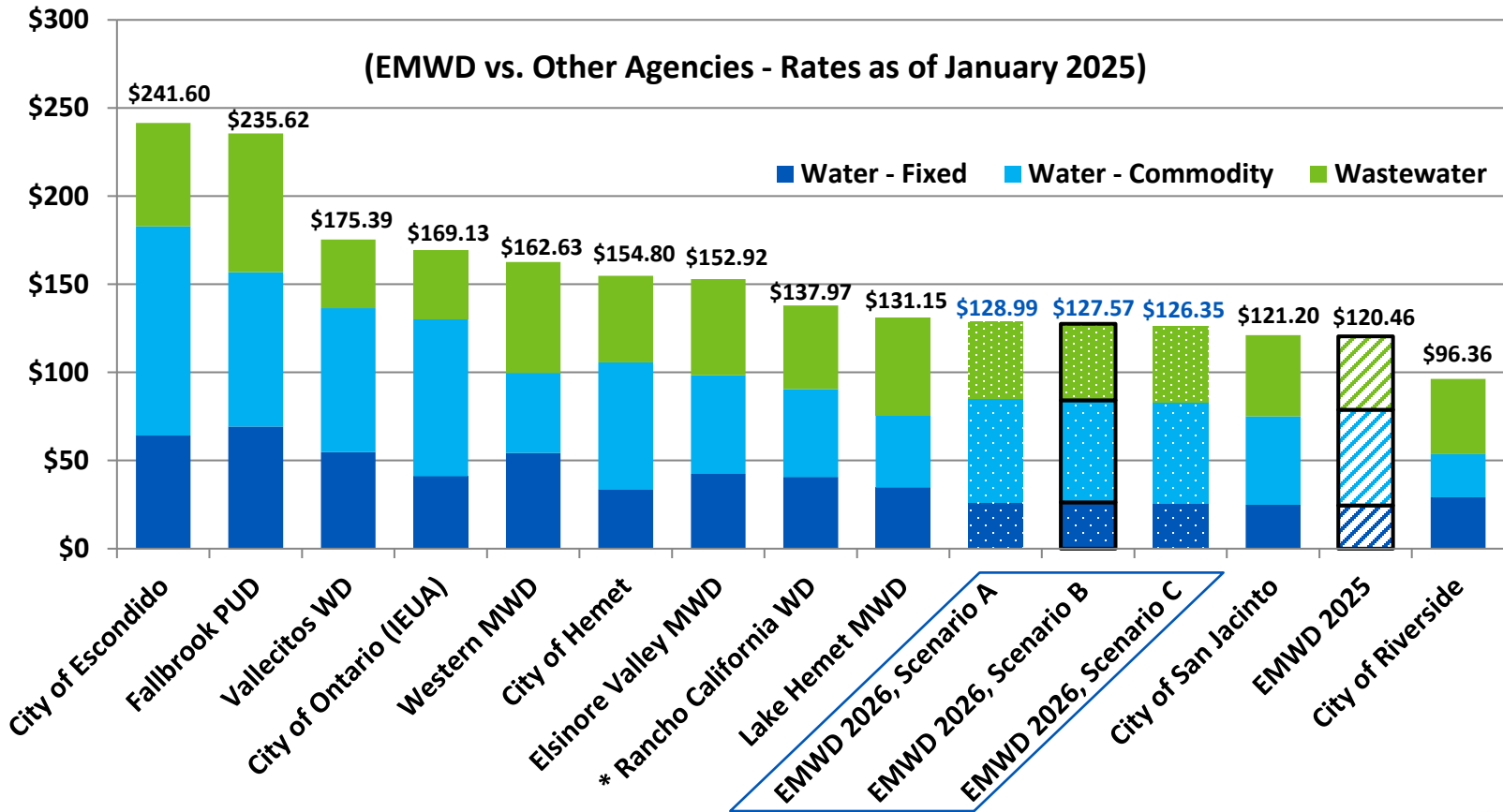
	Sewer Transfer	Revenue Requirement Increase					Change in Reserves (\$M)	
		2025-26	2026-27	2027-28	2028-29	2029-30	2-Year	5-Year
No Use of Reserves	3.1%	6%	6%	4%	3%	3%	NA	NA
Scenario A	3.8%	5%	5%	5%	4%	3%	\$ (4.64)	\$ 77.31
Scenario B	3.5%	4.5%	4.5%	4%	4%	4%	\$ (3.25)	\$ 83.87
Scenario C	3.2%	4%	4%	3%	3%	3%	\$ (3.97)	\$ 72.07

Sewer Reserves Projection



Typical Customer Monthly Bill Comparison

Water and Wastewater Services - Inland Districts 15 CCF



*Rancho California WD bill amount does not include fixed capital charges assessed via property tax



Comparable Rate Increases

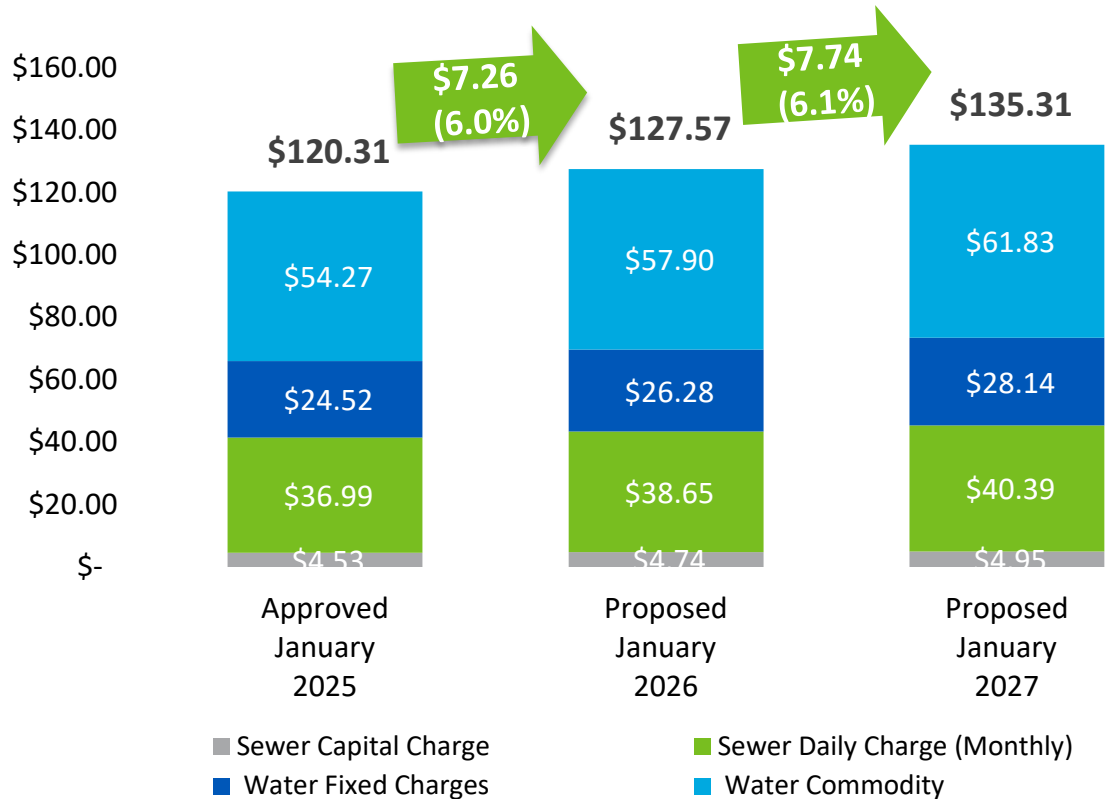
- Comparable increases on average bills
 - Neighboring agencies' proposed rate increases

Avg. Monthly Bill Impacts	2025	2026	2027
Rancho California WD	5.8%	8.0%	7.7%
Elsinore Valley MWD	8.2%	7.0%	7.0%
Western MWD	7.1%	6.8%	6.9%
Eastern MWD	6.5%	6.0%	6.1%
Average	6.64%	6.95%	6.93%

**Rates displayed in blue font have been adopted; others are proposed rates.*

Preliminary Average Residential Water and Sewer Bill

Scenario B: Monthly Water + Sewer Bill 15 CCF (100% of Budget) + Postage Stamp



**15 CCF per month and 5/8" meter and sewer block 2 (100%) at postage stamp rate*

Recycled Water Rate Assumptions

To minimize initial rate increases, the following assumptions have been included in the rate model for preliminary rates for 2026 and 2027

- Capital Improvement Plan execution = 95%
- Operating Fixed Assets (OFA) replacement spending = 65%
- Salary and Benefit Savings = 2.5%
- Reserves are maintained above target
- Use of reserves to moderate rate increases
- Wastewater Transfer 3.5% of wastewater sales for FY 2025-26 and FY 2026-27
- Non-Demand Agricultural rates (Backbone System): 1% Increase/year
- Demand Agricultural and Non-Agricultural rates (Stabilized System): 4% Increase/year
- Agreements/Rates tied to potable as defined by agreements
- **Recycled water users pay the same Daily Service Charges (DSCs) as potable users**

Recycled Water Rate Proposals

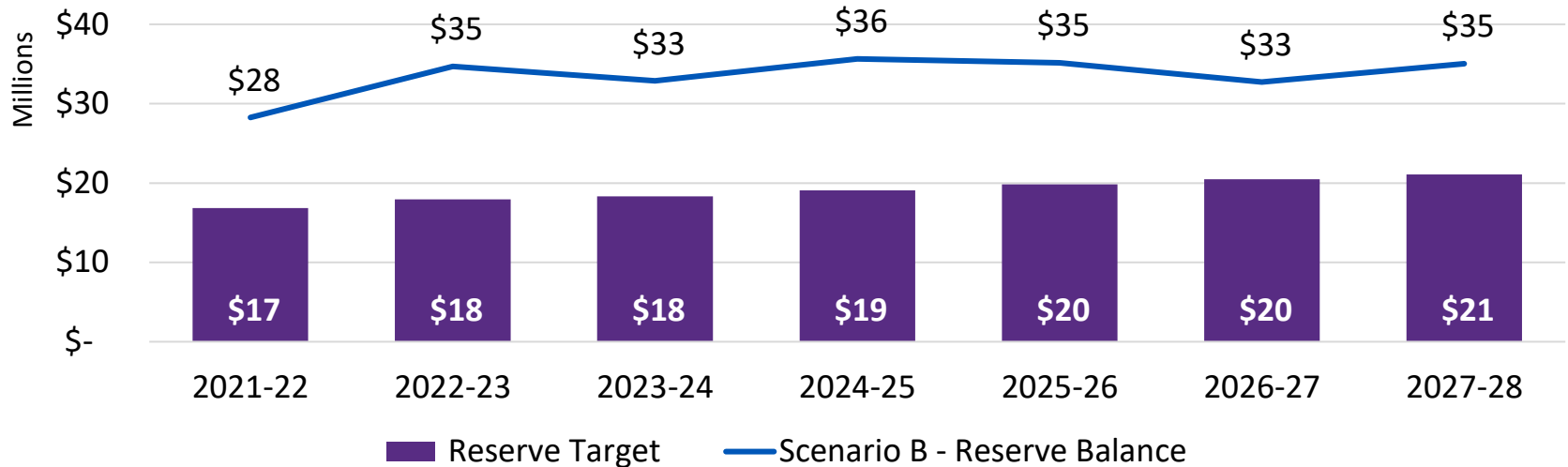
	2025	Revenue Requirement 2-year Avg	Scenario A	Scenario B	Scenario C
RW - AG Backbone	3.0%	15.0%	2.0%	1.0%	3.0%
RW - Demand (Ag/Others)	3.0%		5.0%	4.0%	3.0%
Sewer Transfer	3.1%		3.8%	3.5%	3.2%



Revenue Requirement and Use of Recycled Water Reserves

	Revenue Requirement Increase					Change in Reserves (\$M)	
	2025-26	2026-27	2027-28	2028-29	2029-30	2-Year	5-Year
No Use of Reserves	8%	22%	3%	4%	18%	NA	NA
Scenario A	2%, 5%	2%, 5%	2%, 5%	3%	3%	\$ (1.76)	\$ 5.21
Scenario B	1%, 4%	1%, 4%	1%, 4%	3%	3%	\$ (2.93)	\$ 1.48
Scenario C	3%	3%	3%	3%	3%	\$ (3.95)	\$ (2.01)

Recycled Water Reserves Projection





Preliminary Budget – Operational Service Summaries

Water Operations

Water Service					
	FY 24-25 Budget Update	FY 25-26 Budget	FY 26 vs FY 25 %	FY 26-27 Budget	FY 27 vs FY 26 %
Water Revenues:					
Domestic Water	\$ 150,143,700	\$149,831,000	-0.2%	\$162,398,700	8.4%
Domestic Demand	53,040,100	57,724,400	8.8%	60,714,200	5.2%
Agriculture	5,933,100	4,380,500	-26.2%	4,667,500	6.6%
Agriculture Demand	109,000	102,500	-6.0%	109,000	6.3%
Total Water Revenues	\$ 209,225,900	\$212,038,400	1.3%	\$227,889,400	7.5%
Operating Costs:					
Purchased Water	\$ 87,311,000	\$ 88,339,000	1.2%	\$ 94,788,000	7.3%
Operations & Maintenance	26,441,650	30,496,460	15.3%	31,555,630	3.5%
Energy	17,734,391	18,797,489	6.0%	19,546,044	4.0%
Allocated Support Costs	36,162,035	37,619,665	4.0%	38,678,856	2.8%
Gen & Admin Allocation	6,358,298	6,981,876	9.8%	7,241,219	3.7%
Total Operating Costs	\$ 174,007,374	\$182,234,490	4.7%	\$191,809,749	5.3%
Total Operating Services	\$ 86,696,374	\$ 93,895,490	8.3%	\$ 97,021,749	3.3%
Net Operating Revenue to Fund Capital Commitments & Other Obligations	\$ 35,218,526	\$ 29,803,910	-15.4%	\$ 36,079,651	21.1%

Wastewater Operations

Wastewater Service					
	FY 24-25 Budget Update	FY 25-26 Budget	FY 26 vs FY 25 % Change	FY 26-27 Budget	FY 27 vs FY 26 % Change
Wastewater Revenues:					
Wastewater Service	\$ 99,040,373	\$108,960,300	10.0%	\$114,670,600	5.2%
Outside Wastewater Collections	36,006,627	29,612,000	-17.8%	31,121,600	5.1%
Dump Stations	1,449,700	1,785,000	23.1%	1,838,600	3.0%
Total Wastewater Revenues	\$136,496,700	\$140,357,300	2.8%	\$147,630,800	5.2%
Operating Costs:					
Recycled Disposal	\$ 4,231,400	\$ 4,912,500	16.1%	\$ 5,167,100	5.2%
Collect/Lift	6,361,246	\$ 5,738,491	-9.8%	5,966,060	4.0%
Treatment	35,874,361	\$ 33,257,709	-7.3%	35,658,827	7.2%
Energy	12,259,709	\$ 12,650,700	3.2%	12,998,600	2.8%
Sludge Hauling	4,642,579	\$ 4,131,394	-11.0%	4,260,526	3.1%
Allocated Support Costs	19,290,784	\$ 22,024,947	14.2%	22,755,491	3.3%
Gen & Admin Allocation	11,812,362	\$ 12,957,356	9.7%	13,447,979	3.8%
Total Operating Costs	\$ 94,472,441	\$ 95,673,097	1.3%	\$100,254,583	4.8%
Net Operating Revenue to Fund Capital Commitments & Other Obligations	\$ 42,024,259	\$ 44,684,203	6.3%	\$ 47,376,217	6.0%

Recycled Operations

Recycled Water Service					
	FY 24-25 Budget Update	FY 25-26 Budget	FY 26 vs FY 25 % Change	FY 26-27 Budget	FY 27 vs FY 26 % Change
Recycled Water Revenues:					
Recycled Sales	\$ 9,600,700	\$10,729,200	11.8%	\$10,971,700	2.3%
Recycled Demand	779,300	834,600	7.1%	892,500	6.9%
From Wastewater Customers	4,231,400	4,912,500	16.1%	5,167,100	5.2%
Total Recycled Revenues	\$14,611,400	\$16,476,300	12.8%	\$17,031,300	3.4%
Operating Costs:					
Transmission	\$ 1,685,360	\$ 1,717,462	1.9%	\$ 1,794,371	4.5%
Pumping	798,161	865,846	8.5%	901,338	4.1%
Energy	1,616,460	1,915,500	18.5%	1,965,500	2.6%
Storage	1,154,382	1,127,759	-2.3%	1,148,422	1.8%
Allocated Support Costs	6,030,835	7,108,787	17.9%	7,357,918	3.5%
Total Operating Costs	\$11,285,198	\$12,735,354	12.9%	\$13,167,549	3.4%
Net Operating Revenue to fund Capital Commitments & Other Obligations	\$ 3,326,202	\$ 3,740,946	12.5%	\$ 3,863,751	3.3%





Schedule and Summary

Next Steps

April 2, 2025

Approve Prop 218 Notices and Set Public Hearing

45 Day 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

July 1, 2025

Start of New Budget

January 1, 2026

Rates Become Effective

Summary

- The budget process provides an opportunity to evaluate resources relative to the District's mission and guiding principles, and **develop a funding plan** to deliver high-quality services in a **strategic, cost-effective manner**
- Governance from the Board with long-range perspective, strategic planning, conservative budgeting, and fiscally-responsible stewardship **supports EMWD** to continue to operate in an **efficient and resilient** manner
- Key cost drivers include purchased water, capital improvements, and workforce expenses
- Three scenarios developed with varying average rate increases (7% vs 6% vs 5%)
 - **Reserves to be utilized to moderate impact to customers**
 - Reserve targets will be preserved; forecasted to be built back over time
- **Direction and feedback from the Board** critical as public noticing and outreach period to begin in April 2025, with adoption of budget occurring in June 2025



Contact Information

John Adams
Assistant General Manager/Chief Financial Officer
(951) 928-3777 Ext. 4363
Email: adamsj@emwd.org