



Memorandum

Date: April 2, 2026
To: Honorable Mayor and City Councilmembers
Through: Jonathan Borrego, City Manager
Michael Gossman, Assistant City Manager
From: Frederick Mayo, Water Utilities Director
Subject: Proposed Water Utilities Operating Budget

Below is a summary of the proposed Water Utilities Operating that will be presented at the April 15, 2026 Budget Workshops.

Operating Budget Overview (Amounts in Millions)

Water Fund

- Proposed FY 2026-27 Revenue* \$ 110.31
Proposed FY 2026-27 Expenditures* 109.34

Net Surplus***: \$ 0.97

Wastewater Fund

- Proposed FY 2026-27 Revenue* \$ 74.02
Proposed FY 2026-27 Expenditures* 52.69
Transfer to Capital** 11.74

Net Surplus***: \$ 9.59

Solid Waste & Recycling Fund

- Proposed FY 2026-27 Revenue \$ 2.43
Proposed FY 2026-27 Expenditures* 2.38

Net Surplus: \$ 0.05

* Includes Debt Service and Operating Revenue and Costs.

**Transfer to Capital is included as revenue in the proposed CIP budget. For FY 2026-27, Water does not contemplate a transfer to Capital and none is reflected in the budget.

***The net surplus, if there is any, will be transferred to the Capital Fund for infrastructure improvements at the end of the Fiscal Year.

This year's water operating budget projects an increase of approximately \$14.1 million in expenses over FY 2025-26, primarily driven by higher water purchase cost, as well as increases in utilities and chemical expenses. With the planned shutdown of the Mission Basin Groundwater

Purification Facility in summer 2026 for upgrades, additional water will be purchased from the San Diego County Water Authority (SDCWA), resulting in an estimated \$10.1 million increase in water costs. Accordingly, this increase is largely offset by higher revenues, primarily from the SDCWA surcharge, which is projected to increase by approximately \$9.7 million.

Increases in the sewer operating expenditure budget reflect the increased cost of chemicals and energy at the City's two wastewater treatment plants. The sewer revenues far exceed the expenses, but large transfers into Fixed Asset Replacement will be made to support a large sewer capital program that will be implemented over the next five-plus fiscal years.

One new position is proposed for the FY 2026-27 solid waste, water and sewer enterprise funds. The Supervising Water Utilities Inspector will oversee an increasingly busy inspection group, provide additional inspection capacity, and ensure that Water and Sewer infrastructure installed by private developers and City CIP projects meet City standards.

Title	Regulatory	Funding Source	Eliminated Positions	Estimated Cost
Supervising Water Utilities Inspector	No	50% Water (Capital and Operating) 50% Sewer (Capital and Operating)	None	Salary & Benefit: \$169,818 Vehicle: \$66,500 Total: \$236,318

The proposed Solid Waste and Recycling budget shows a small net surplus after expenses, revenues and expenses are relatively flat compared to FY 2025-26.

The Operating and CIP Budgets will be presented and discussed at the Utilities Budget Committee on April 7, 2026, and the Utilities Commission on April 15, 2026.

Staff will go over the budgets with Council prior to the workshop. I am also available to answer any questions you may have and can be reached at x5827.

Attachments:

1. Operating Budget Handouts

SEWER

	Proposed		
	FY 2024/25 Actuals	FY 2025/26 Budget	FY 2026/27 Budget
Revenues			
Swr Svc Fees	\$ 20,647,041	\$ 20,964,699	\$ 21,741,092
Swr Flow Rev	29,616,183	29,431,866	31,185,494
Swr Capacity Rev (Rainbow Bill)	1,239,044	2,153,006	2,021,445
Other Revenues	5,586,321	7,893,552	19,069,523
Total Revenues	\$ 57,088,589	\$ 60,443,123	\$ 74,017,555
Expenditures			
Sewer Operating - 1721	\$ 1,477,930	\$ -	-
Sewer Administration & General - 800010721	3,991,830	2,622,309	3,267,397
- Interfund Service Charge	6,062,481	7,106,386	7,594,260
Sewer Compliance Activities 800807721 (New in 25/26)		271,028	282,647
Facilities Maintenance - 800800721	1,291,341	1,475,614	1,714,582
Sewer Collection - 800803721	5,059,023	5,268,296	5,981,294
La Salina WWTP - 800804721	4,222,977	4,875,692	5,127,813
San Luis Rey WRF - 800805721	9,935,773	11,222,618	12,034,333
Sewer Laboratory - 800806721	827,067	873,883	943,254
Sewer SCADA Program - 800807721	1,194,963	1,461,695	1,636,456
Sewer GIS Program - 800808721	256,587	425,840	441,335
Industrial Waste Program 800814721	295,232	359,055	364,296
<i>Other Operating expenses</i>			
00727 - Debt Service	444,075	4,350,118	11,573,191
FAR Contributions	20,669,621	12,298,628	13,468,170 *
Total Expenditures	\$ 55,728,901	\$ 52,611,162	\$ 64,429,029
Transfers			
Use of Reserves	\$ -	\$ -	\$ -
Cash Flows	\$ 1,359,688	\$ 7,831,961	\$ 9,588,526

*This includes contribution to Fixed Asset Replacement fund and Sewer Capital Projects/Misc Sewer Project accounts which are treated as operating budgets, but funded by Fixed Asset Replacement fund

WATER

<u>Revenues</u>	FY 2024/25 Actuals	Approved FY 2025/26 Budget	Proposed FY 2026/27 Budget
<i>Water Revenues</i>			
Water Sales	\$ 29,931,767	\$ 29,034,295	\$ 32,903,341
Water Meter Charge	16,913,076	17,070,503	18,597,955
Watershed Charge (previously Clean Water Program)	2,619,186	2,816,995	2,837,181
SDCWA - Infrastructure Access Charge	3,132,876	3,453,203	3,341,579
SDCWA - Surcharge	32,315,332	35,466,957	45,180,154
SDCWA - MWD - Readiness to Serve	498,456	548,621	545,191
Other Revenues	4,812,818	3,447,045	6,901,401
Total Revenues	\$ 90,223,512	\$ 91,837,619	\$ 110,306,802
<u>Expenditures</u>			
Water Operating - 1711	\$ 1,055,686	\$ -	\$ 1,200,000
Water Administration and General - 750010711	1,726,299	2,010,347	2,377,768
- Water Purchases (Added FY24/25)	44,348,909	47,559,669	57,737,033
- Interfund Service Charge	5,328,297	7,302,410	8,012,933
Water Compliance Activities - 750780711 (new in FY 25/26)	-	317,028	315,147
Facilities Maintenance - 750359711	1,321,843	1,635,752	1,900,890
Recycled Water Treatment - 750704711	660,084	972,181	963,472
Water Distribution - 750751711	2,343,505	2,903,780	3,187,416
Hydro-Electric Pumping - 750752711	6,718	21,000	21,000
Water Efficiency 750705711	364,942	821,998	710,896
Water Filtration Plant - 750754711	2,197,716	2,908,772	2,911,043
Water Desalting Plant - 750755711	3,381,008	2,992,040	2,935,958
Water Maintenance - 750756711	3,564,393	4,270,677	4,558,395
Water Meter Service - 750757711	2,457,940	2,967,882	3,117,943
Water Laboratory - 750760711	485,379	628,308	675,989
Water SCADA Program - 750761711	1,031,384	1,274,311	1,452,166
Watershed Protection - 750762711	2,225,807	2,735,661	2,799,256
Water GIS Program - 750763711	238,278	435,281	454,979
Pure Water Operations - 750775711	3,674,230	5,144,382	5,659,987
Pure Water Lab Ops 750778711	366,811	615,622	652,295
Recycle Water Conveyance - 750774711	101,128	199,441	211,989
<i>Other Operating expenses</i>			
00717 - Debt Service	1,821,349	4,406,582	5,753,865
FAR Contributions 712*	-	-	1,725,184 **
Total Expenditures	\$ 78,701,706	\$ 92,123,124	\$ 109,335,605
<u>Transfers</u>			
Use of Reserves		\$ 300,000	\$ -
Cash Flows	\$ 11,521,806	\$ 14,495	\$ 971,197

*Contribution to FAR is discretionary, based on operating fund needs. For FY 2024-25 through 2026-27, no contribution was contemplated. Amount showing in FY 2026-27 only represents the 2 operating accounts funded by F/AR

**This includes Water Capital Projects and Misc Water Projects, which are treated as operating budgets, but funded from the fixed asset replacement fund.

SOLID WASTE

	FY 2024/25 Actuals	FY 2025/26 Budget	Proposed FY 2026/27 Budget
Revenues			
<i>Solid Waste Disposal Fund</i>			
City Waste Service Charge	\$ -	\$ -	\$ -
Waste & Recycling Administration (2)	-	-	-
Other Revenues	2,394,398	2,737,457	2,430,618
Use of Fund Bal	-	-	-
Total Revenues	\$ 2,394,398	\$ 2,737,457	\$ 2,430,618
Expenditures			
City Waste Service Charge (3)	\$ -	\$ -	\$ -
Solid Waste Disposal Fund	382,174	425,074	318,166
Waste & Recycling Administration (2)	1,259,272	2,014,046	2,058,798
Other Expenditures	-	-	-
WM Collector Payment (1)	-	-	-
Total Expenditures	\$ 1,641,446	\$ 2,439,120	\$ 2,376,964
Cash Flows	\$ 752,952	\$ 298,337	\$ 53,654

(1) WM Franchise Reimbursement payment previously reported in Waste & Recycling Admin has been removed and will go directly to General Fund.

(2) Solid Waste Programming Fee received at Fund level to support waste & recycling admin.

(3) City Waste Service Charge was removed from Solid Waste Fund in FY 23-24 and is now responsibility of Public Works staff.