FY 2025-2026 Budget Year-End Review

RECOMMENDATION:

Receive and file the Fiscal Year 2025-2026 year-end budget analysis.

EXECUTIVE SUMMARY:

Fiscal Year 2025-2026 closed with revenues exceeding budget by $202,870.52; however, expenditure overruns exceeded the favorable revenue variance, resulting in a year-end deficit of $174,850.96. The primary drivers of the unfavorable variance were purchased water costs associated with delays in the Well 4A rehabilitation and capital costs related to Well 4A replacement equipment. Although reserves declined below the budgeted level, the District ended the year with approximately 7.5 months of operating reserve coverage. Staff incorporated the FY 2025-2026 actuals into the FY 2026-2027 budget assumptions and will continue monitoring purchased water, capital contingency spending, and other recurring cost categories.

BACKGROUND:

Staff have completed a year-end review of the District's Fiscal Year 2025-2026 budget based on actual revenues and expenditures through June 30, 2026. The analysis compares adjusted adopted budget amounts to year-end actuals, identifies significant variances, and evaluates the impact on the District's reserve position and key financial metrics.

DISCUSSION:

Total income for FY 2025-2026 was $2,406,542.52, exceeding the adopted budget of $2,203,672.00 by $202,870.52, or 9%. This favorable revenue performance helped offset a portion of the year-end expenditure overrun; however, it was not sufficient to fully absorb higher-than-budgeted operating and capital costs.

Operating expenditures totaled $2,262,254.44 compared to the adopted operating budget of $1,989,000.00, resulting in an unfavorable variance of $273,254.44, or 14%. Capital expenditures totaled $319,139.04 compared to the adopted capital budget of $155,000.00, resulting in an unfavorable variance of $164,139.04, or 106%. In total, combined expenditures were $2,581,393.48, exceeding the adopted expenditure budget of $2,144,000.00 by $437,393.48, or 20%.

The primary driver of the operating variance was Purchased Water, which exceeded budget by $351,586.16. This unbudgeted expense was directly related to delays in the Well 4A rehabilitation, which required the District to rely more heavily on purchased water during the fiscal year. The largest capital overrun was Appropriations for Contingencies (CIP), which was primarily associated with the purchase of Well 4A downhole equipment. Other notable expenditure overruns included CMWD Standby Pass-Through Fees, Computer Services, retirement contributions, group insurance, litigation-related costs, and office supplies.

These unfavorable variances were partially offset by savings in several categories, including Engineering and Technical Services, Backflow Program, System Maintenance, Salaries, Power and Pumping, Chlorine Alarms (CIP), Rental Equipment, Valve Replacements (CIP), Wells, and Liability Insurance. Total significant savings identified in the year-end review were $151,601.92. The District pulled reserve funds to cover unanticipated overruns, resulting in a lower-than-budgeted reserve year-end balance.

FISCAL IMPACT:

The District ended FY 2025-2026 with an actual net position of -$174,850.96 compared with a budgeted surplus of $59,672.00. Actual revenues covered 93% of total expenditures, resulting in deficit spending for the fiscal year. Total reserves ended the year at $1,405,351.00 compared with the budgeted reserve level of $1,750,000.00, a negative variance of $344,649.00. Although reserves declined below the budgeted level, the District retained approximately 7.5 months of operating reserve coverage based on actual operating costs.

ANALYSIS AND NEXT STEPS:

The year-end results indicate that the District's revenue base performed above budget, but expenditure pressures exceeded the favorable revenue variance. Purchased water costs during the Well 4A rehabilitation, capital contingency spending for Well 4A replacement equipment, pass-through fees, technology services, benefit costs, and litigation-related expenses were closely reviewed in preparation for the FY 2026-2027 budget. Staff used FY 2025-2026 actuals to refine budget assumptions, improve variance monitoring, and evaluate whether recurring cost categories should be adjusted to better reflect current operating conditions. Additionally, the District completed a Prop 218 rate study and adopted a new rate structure and schedule, starting with FY 2026-2027 through FY 2030-2031.

Staff will continue to monitor monthly water purchase costs, track completion and production impacts associated with the Well 4A rehabilitation, review the use of capital contingency appropriations, and continue to provide regular budget-to-actual reporting to support timely Board oversight.

The tables below provide the supporting detail for the year-end budget analysis, including the executive summary, reserve position, significant overruns and savings, and key financial metrics.

EXECUTIVE SUMMARY

Budget Category	Budget	Actual	Variance ($)	Variance (%)
Total Operating Expenditures	$1,989,000.00	$2,262,254.44	-$273,254.44	-14%
Total Capital Expenditures (CIP)	$155,000.00	$319,139.04	-$164,139.04	-106%
GRAND TOTAL Expenditures	$2,144,000.00	$2,581,393.48	-$437,393.48	-20%
Total Income	$2,203,672.00	$2,406,542.52	$202,870.52	9%
Net Position (Revenue - Expenses)	$59,672.00	-$174,850.96	-$115,178.96	-193%

RESERVES & FINANCIAL POSITION

Reserve Account	Budget	Actual	Variance
County Reserves	$1,500,000.00	$1,325,060.00	-$174,940.00
LAIF (Local Agency Investment Fund)	$250,000.00	$80,291.00	-$169,709.00
TOTAL RESERVES	**$1,750,000.00**	**$1,405,351.00**	**-$344,649.00**

SIGNIFICANT BUDGET OVERRUNS (Items Over Budget by >$5,000)

Expenditure Category	Budget	Actual	Over Budget ($)	Over Budget (%)
Purchased Water	$50,000.00	$401,586.16	$351,586.16	703%
Appropriations for Contingencies (CIP)	$100,000.00	$286,608.07	$186,608.07	187%
Office Supplies	$6,000.00	$11,054.11	$5,054.11	84%
CMWD Standby Passthrough Fees	$40,000.00	$55,731.70	$15,731.70	39%
Computer Services	$30,000.00	$39,249.51	$9,249.51	31%
VR/SBC/City of VTA Lawsuit	$30,000.00	$35,674.92	$5,674.92	19%
Retirement Contributions	$98,000.00	$105,796.76	$7,796.76	8%
Group Insurance	$110,000.00	$115,753.67	$5,753.67	5%
TOTAL SIGNIFICANT OVERRUNS			**$587,454.90**	

SIGNIFICANT BUDGET SAVINGS (Items Under Budget by >$5,000)				
Expenditure Category	**Budget**	**Actual**	**Under Budget ($)**	**Under Budget (%)**
Chlorine Alarms (CIP)	$10,000.00	$0.00	$10,000.00	100%
Backflow Program	$25,000.00	$910.00	$24,090.00	96%
Rental Equipment	$10,000.00	$1,307.19	$8,692.81	87%
Wells	$10,000.00	$4,585.87	$5,414.13	54%
Engineering & Technical Services	$60,000.00	$29,125.28	$30,874.72	52%
Valve Replacements (CIP)	$36,500.00	$28,530.97	$7,969.03	22%
System Maintenance	$120,000.00	$96,683.88	$23,316.12	19%
Power and Pumping	$97,000.00	$82,645.88	$14,354.12	15%
Liability Insurance	$88,000.00	$82,825.19	$5,174.81	6%
Salaries	$708,000.00	$686,283.82	$21,716.18	3%
TOTAL SIGNIFICANT SAVINGS			**$151,601.92**	

KEY METRICS & RATIOS		
Metric	**Value**	**Status/Notes**
Operating Budget	114%	Over Budget
Revenue Budget	109%	Exceeded Target
Revenue to Expense Ratio	93%	Deficit Spending
Reserve Coverage (Months of Operating)	7.5	Based on actual monthly operating costs
Purchased Water % of Operating Budget	18%	Major cost driver this fiscal year

ATTACHMENTS:

Income Report (as of June 30, 2026)

Expenditures (as of June 30, 2026)

Financial Graphs (as of June 30, 2026)

Report of Income as of 6/30/2026

Income	Month of June	Year To Date	Budget Appropriation	Appropriation Balance
Interest	6,907.33	73,124.46	60,000.00	(13,124.46)
Taxes	169.58	240,660.84	215,000.00	(25,660.84)
Pumping Charges	519.42	4,620.29	--	4,620.29
Fire Protection	109.08	1,316.36	--	1,316.36
Meter & Inst. Fees		--	--	0.00
Water Sales	97,977.92	1,091,600.87	1,027,000.00	(64,600.87)
[1] Casitas Water/Standby	4,119.79	157,973.71	--	157,973.71
MWAC Charges	57,437.37	687,319.09	765,936.00	78,616.91
MCC Chg.	7,024.45	82,302.17	89,736.00	7,433.83
[2] Misc. Income	3,212.69	40,060.66	--	40,060.66
Late & Delinquent Chgs.	1,389.65	17,771.85	40,000.00	22,228.15
Conservation Penalty		--	--	0.00
Capital Improvement		4,334.42	--	4,334.42
Drought Surcharge		--	--	0.00
Fire Flow/Will Serve Letters	800.00	5,457.80	6,000.00	542.20
		--	--	0.00
		--	--	0.00
TOTAL INCOME	**179,667.28**	**2,406,542.52**	**2,203,672.00**	**(202,870.52)**

Note:
[1] This line item is necessary because these sales are tracked in the expenditures
[2] Hartmann Allocation & County/Union Temp Hydrant
Meter Rentals, US Bank NASPO Payment, Refunds
from Grainger & Pollard

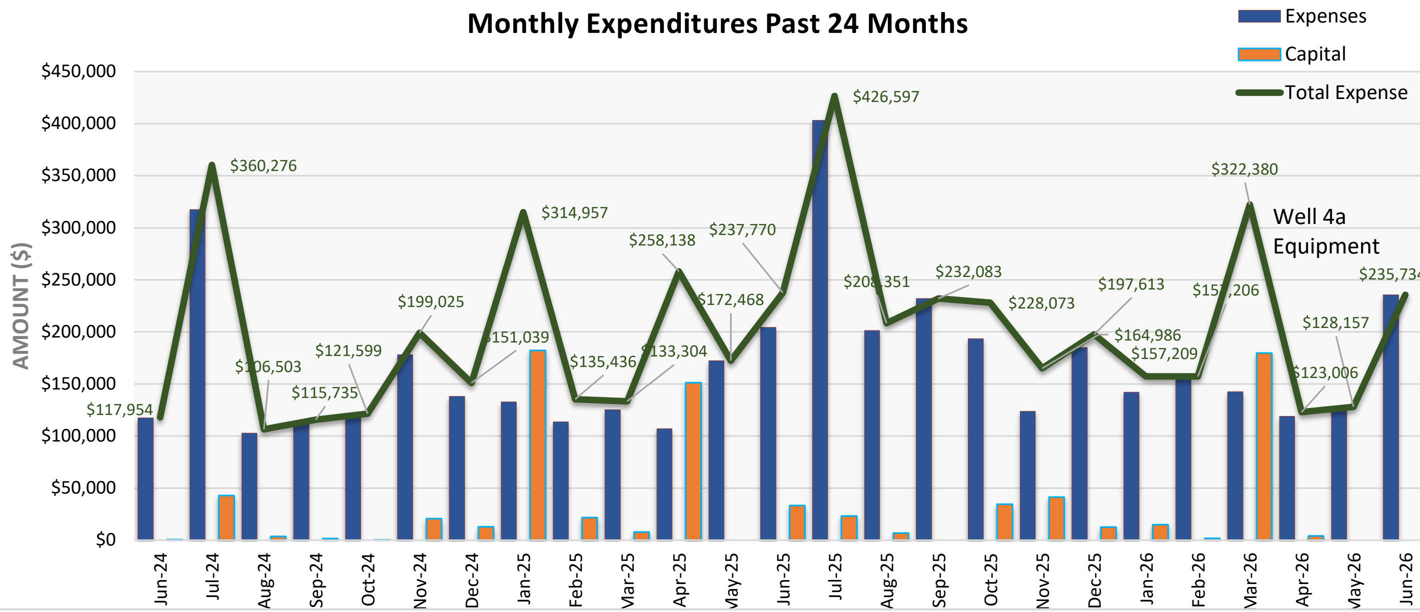
Meiners Oaks Water District

Report of Expenses and Budget Appropriations, Current Bills and Appropriations To Date

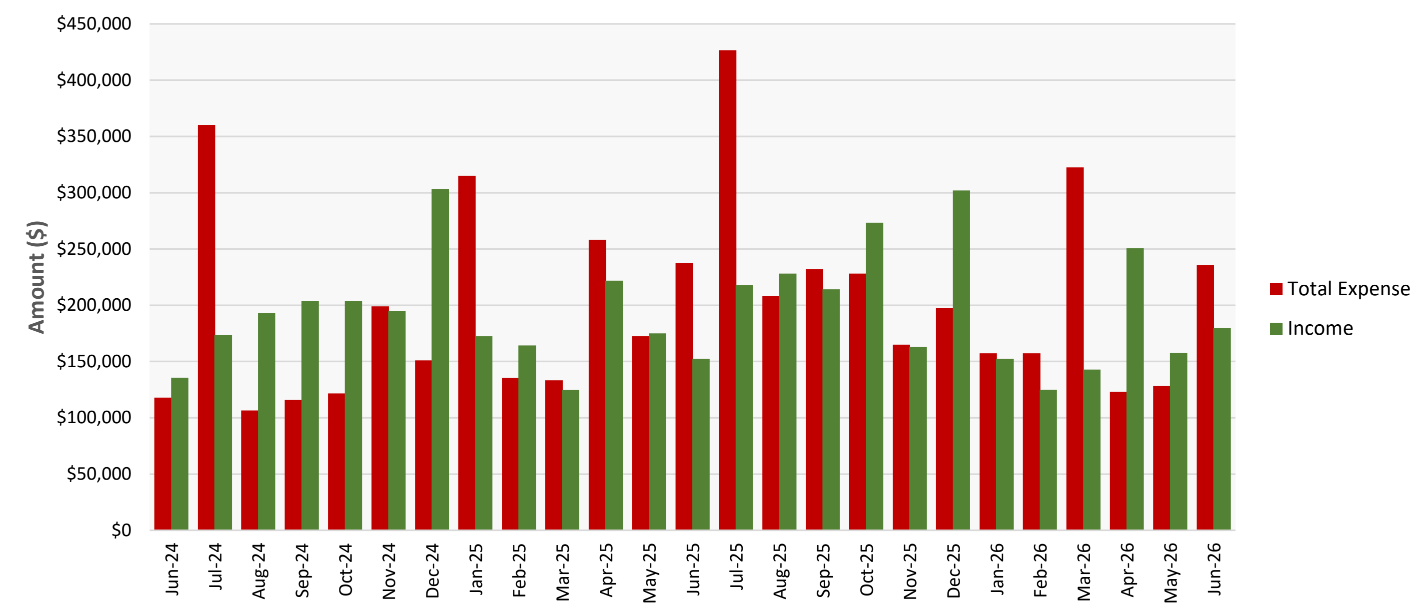
Expenditures	Month of June	Year To Date	Budget Approp	Approp Bal 06/30/26	Current July	Approp FY Bal To Date
Salaries	52,243.55	686,283.82	708,000.00	21,716.18		21,716.18
Payroll Taxes	4,300.99	54,795.45	56,500.00	1,704.55		1,704.55
Retirement Contributions	8,609.53	105,796.76	98,000.00	(7,796.76)		(7,796.76)
Group Insurance	9,671.44	115,753.67	110,000.00	(5,753.67)		(5,753.67)
Company Uniforms	-	1,427.61	3,500.00	2,072.39		2,072.39
Phone Office	237.11	2,845.32	3,500.00	654.68		654.68
Janitorial Service	557.16	7,597.63	7,500.00	(97.63)		(97.63)
Refuse Disposal	465.57	5,479.80	5,000.00	(479.80)		(479.80)
Liability Insurance	-	82,825.19	88,000.00	5,174.81		5,174.81
Workers Compensation	-	28,212.93	30,000.00	1,787.07		1,787.07
Wells	-	4,585.87	10,000.00	5,414.13		5,414.13
Truck Maintenance	335.90	8,904.47	5,000.00	(3,904.47)		(3,904.47)
Office Equipment Maintenance	212.00	5,086.37	5,500.00	413.63		413.63
Security System	-	1,236.27	2,000.00	763.73		763.73
Cell Phones	350.42	5,069.47	4,500.00	(569.47)		(569.47)
System Maintenance	70,080.71	96,683.88	120,000.00	23,316.12		23,316.12
Safety Equipment	6,179.72	13,810.70	15,000.00	1,189.30		1,189.30
Laboratory Services	3,205.00	18,425.15	14,500.00	(3,925.15)		(3,925.15)
Membership and Dues	-	10,274.00	10,000.00	(274.00)		(274.00)
Printing and Binding	-	367.46	1,000.00	632.54		632.54
Office Supplies	296.01	11,054.11	6,000.00	(5,054.11)		(5,054.11)
Postage and Express	2,055.21	15,419.08	13,000.00	(2,419.08)		(2,419.08)
B.O.D. Fees	4,250.00	24,750.00	25,000.00	250.00		250.00
Engineering & Technical Services	2,193.50	29,125.28	60,000.00	30,874.72		30,874.72
Computer Services	1,251.67	39,249.51	30,000.00	(9,249.51)		(9,249.51)
Other Prof. & Regulatory Fees	18,097.95	79,412.42	80,000.00	587.58		587.58
Public and Legal Notices	-	-	2,000.00	2,000.00		2,000.00
Attorney Fees	4,095.00	18,585.00	20,000.00	1,415.00		1,415.00
GSA Fees	-	82,992.00	80,000.00	(2,992.00)		(2,992.00)
VR/SBC/City of VTA Law Suit	7,958.50	35,674.92	30,000.00	(5,674.92)		(5,674.92)
Rental Equipment	-	1,307.19	10,000.00	8,692.81		8,692.81
Audit Fees	2,980.00	23,480.00	22,000.00	(1,480.00)		(1,480.00)
Small Tools	1,073.83	3,865.14	5,000.00	1,134.86		1,134.86
Election Supplies	-	-	1,000.00	1,000.00		1,000.00
Treatment Plant	5,164.21	14,741.84	12,000.00	(2,741.84)		(2,741.84)
Fuel	2,720.65	20,483.94	20,000.00	(483.94)		(483.94)
Travel Exp./Seminars	-	1,948.64	2,000.00	51.36		51.36
Utilities	252.06	3,393.04	3,500.00	106.96		106.96
Power and Pumping	11,285.38	82,645.88	97,000.00	14,354.12		14,354.12
Purchased Water	1,322.75	401,586.16	50,000.00	(351,586.16)		(351,586.16)
CMWD Standby Passthrough Fees	5,228.19	55,731.70	40,000.00	(15,731.70)		(15,731.70)
Meters	6,372.05	50,058.77	50,000.00	(58.77)		(58.77)
BackFlow Program	-	910.00	25,000.00	24,090.00		24,090.00
Online AutoPay Transactions Fees	2,687.50	10,378.00	8,000.00	(2,378.00)		(2,378.00)
Total Expenditures	**235,733.56**	**2,262,254.44**	**1,989,000.00**	**(273,254.44)**	-	**(273,254.44)**

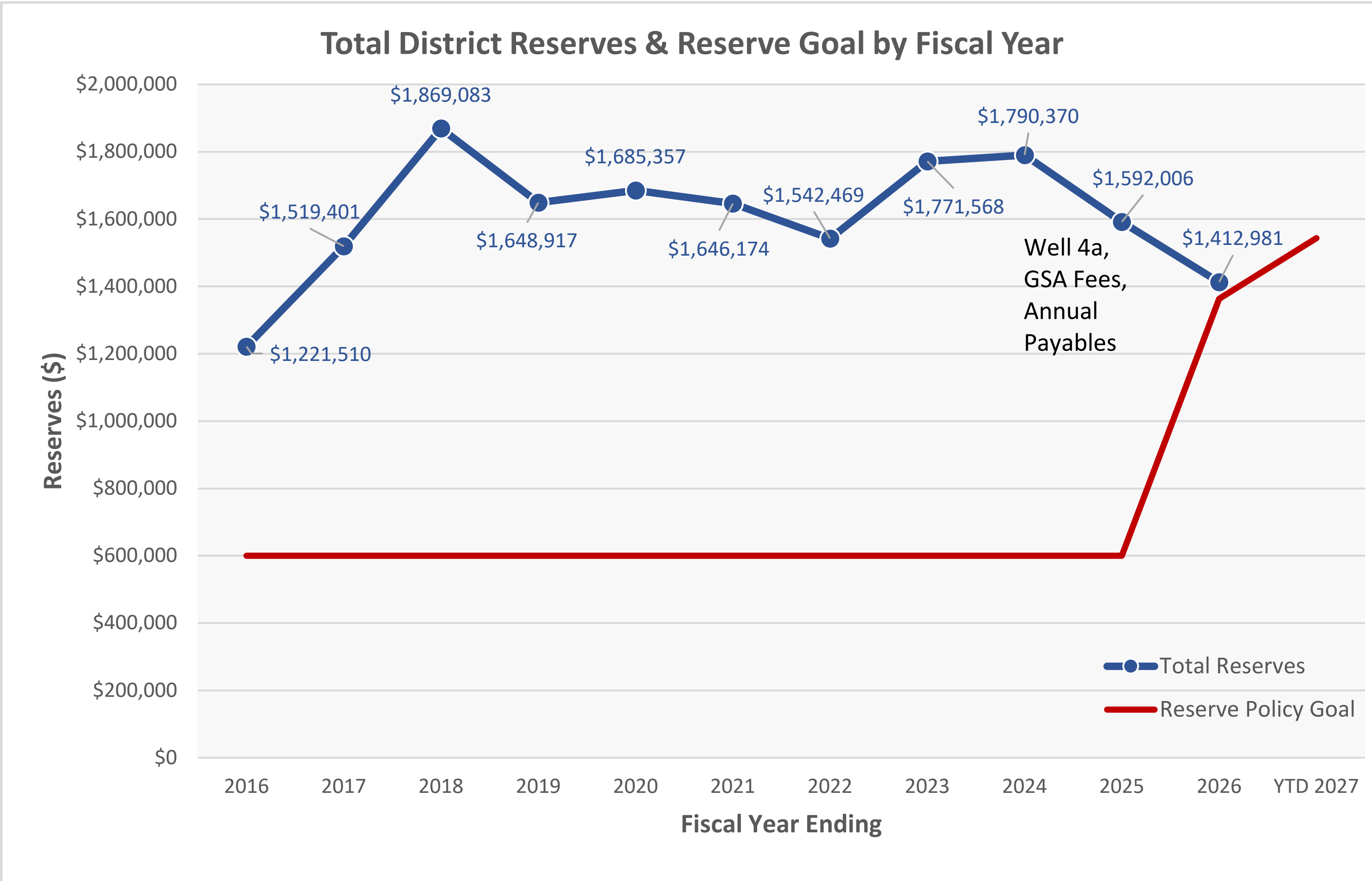
Water Distribution System	-	-	-	-	-	-
	-	-	-	-	-	-
Valve Replacements	-	28,530.97	36,500.00	7,969.03	-	7,969.03
	-	-		-	-	-
	-	-		-	-	-
Structures and Improvements	-	-	-	-	-	-
	-	-	-	-	-	-
Office BackUp Battery Power	-	-	-	-	-	-
	-	-		-	-	-
	-	-		-	-	-
Field Equipment	-	-	-	-	-	-
	-	-	-	-	-	-
Chlorine Alarms	-	-	10,000.00	10,000.00	-	10,000.00
Storage Container - Yard	-	4,000.00	8,500.00	4,500.00	-	4,500.00
	-	-		-	-	-
	-	-		-	-	-
Appropriations for Contingencies	-	286,608.07	100,000.00	(186,608.07)		(186,608.07)
Total CIP Spending	-	**319,139.04**	**155,000.00**	**(164,139.04)**	-	**(164,139.04)**
GRAND TOTAL	**235,733.56**	**2,581,393.48**	**2,144,000.00**	**(437,393.48)**	-	**(437,393.48)**

Monthly Expenditures Past 24 Months



Monthly Income & Total Expenses Past 24 Months




Total District Reserves & Reserve Goal by Fiscal Year
Reserves ($)
$2,000,000
$1,800,000
$1,600,000
$1,400,000
$1,200,000
$1,000,000
$800,000
$600,000
$400,000
$200,000
$0
$1,221,510
$1,519,401
$1,869,083
$1,648,917
$1,685,357
$1,646,174
$1,542,469
$1,771,568
$1,790,370
$1,592,006
$1,412,981
Well 4a,
GSA Fees,
Annual
Payables
Total Reserves
Reserve Policy Goal
2016
2017
2018
2019
2020
2021
2022
2023
2024
2025
2026
YTD 2027
Fiscal Year Ending