Overview of Fiscal Year 2026-27 Rolling Biennial Budget Process

November 12, 2025



Agenda

- Authority and Governance
- Financial Planning Process
- Budget Calendar
- Major Themes and Inputs to Budget
- Next Steps



Authority and Governance Policy

District Act

- **Section 13:** Taxation Empowers the board, in any year, to levy taxes or assessments in the district, *including* authority to seek voter approval to issue GO Bonds paid for by Ad Valorem Taxes.
- Section 20: Adoption of Budget Requires the board to adopt the budget not later than June 30 of each year.
- Section 26: Ground Water Charges Empowers the board to levy and collect a ground water charge.

Board Governance Policies

• EL- 4 Financial Management

Financial planning for any fiscal year shall be aligned with the Board's Ends, not risk fiscal jeopardy, and be derived from a multi-year plan. With respect to the actual, ongoing financial condition and activities, the BAOs shall provide for the development of fiscal sustainability.

- Planning and Budgeting
 - **EL- 4.3** Include credible projection of revenues and expenses, separation of capital and operational items, cash flow, and disclosure of planning assumptions.
 - **EL- 4.4** Plan the expenditure in any budget period within the funds that are conservatively projected to be received or appropriated from reserves in that period.

Financial Planning Process Overview

Timing	Process Flow				Outcome
August – October	CIP Preparation		Operations Cost Forecast Exercise		Multi-year cost projection by project
November	Financial Modeling & Budget Kickoff				 Overhead & benefits rates forecast WU Rate Scenarios Watershed Financial Model
December	Budget Process Continues	Chief Reviews			Set operations budget targetPreliminary water rate analysisProposed CIP
January - June	 Budget Process Budget Passes Board Work Study Budget Doc Production 	• PAWS Rep	er Notices	 CIP Process Draft CIP Document 60-Day Review Final CIP Document 	 Adopt Groundwater Production Charges Adopt Budget Adopt CIP Attachment 1 Page 4 of 8

Proposed Board Review Dates

Operating and Capital Budget

- January 27, 2026 1st Pass Budget Update
- March 10, 2026 2nd Pass Budget Update
- April 29 and 30, 2026 Budget Work Study Session

Groundwater Production Charge (GWP)

- January 13, 2026 Preliminary GWP Analysis
- April 14 to 28, 2026 GWP Public Hearings

Capital Improvement Program (CIP)

- January 13, 2026 Preliminary CIP
- March 10, 2026 Draft CIP
- April 28 and 29, 2026 CIP Public Hearings

Operating and Capital Budget, GWP, and CIP

May 12, 2026 – Board Adoption



Major Budget Themes

Water Utility

- Suspension of Pacheco Reservoir Expansion Project reduces projected water rates
- Anticipate increases in capital and operating costs to put upward pressure on water rates

Watershed Stream Stewardship

- Future cost challenges exceed fund financial capacity
- Project implementation will likely need to be deferred, phased, or reduced in scope to maintain fund solvency

Safe Clean Water

- Future cost challenges exceed fund financial capacity
- Aggressive pursuit of grant funding continues; Award for \$24M pending grant for Sunnyvale East not expected until 2028
- Project implementation will likely need to be deferred, phased, or reduced in scope to maintain fund solvency



Major Inputs to Budget

Positions

- 45 positions currently paused
- Expect continuation of paused positions to extent possible

Salaries and Benefits

New labor contracts will be incorporated once finalized

Supplies and Services

Detailed Review to align with Board priorities

Capital Improvement Program

Based on draft of 2027-31 Five-Year Capital Improvement Program (CIP)



Next Steps

Next Steps:

- Incorporate recently adopted Board Work Plan strategies into development of FY 2026-27
 Rolling Biennial Operating and Capital Budget, and FY 2027-31 Five-Year CIP
- Check in with Board at various stages of process to confirm strategic direction and funding priorities are incorporated before final adoption scheduled for May 12, 2026

