



Mid-Year Budget and Finance Workshop

Board of Directors
February 24, 2026

Agenda

- Overview
- Mid-Year Budget Update
- Updated Financial Projections
- 2026 Bond Issuances
- Non-Proposition 218 Rates and Charges

Presenters



Sophia Skoda

Director of
Finance



Sam Feldman

Manager of
Budget



Robert Hannay

Treasury
Manager



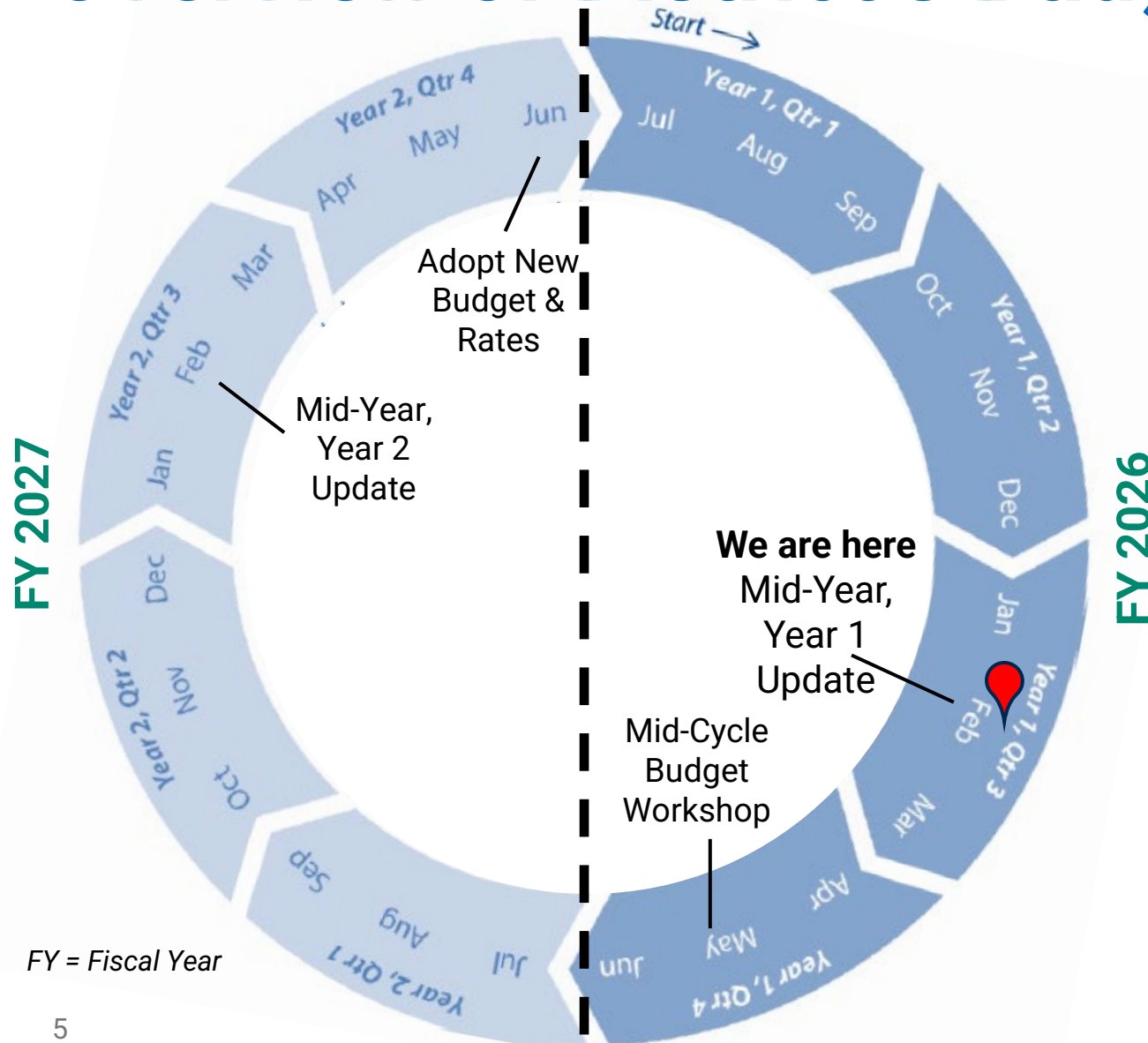
Phoebe Grow

Principal
Management
Analyst

Workshop Overview



Overview of District's Budget & Rates Cycle



- The District follows a 2-year Budget cycle
- The charges on customer's bills reflect the "Proposition 218" or "Schedule A" rates that the Board adopts with the Budget
- The Board also adopts other rates ("Non-Proposition 218" rates) annually in June

FY = Fiscal Year

Mid-Year Budget Update



FY 2026
Budget

Key Components of the Budget

FY 2026
Budget

Water
\$1,321M

Wastewater
\$243M

- **Operating Expenses (\$594M, 38%)**
 - Daily expenses to operate, cannot be debt funded
 - Includes all support services and most direct services
 - 70% of operating expenses = District staff
- **Capital Improvement Program (\$663M, 42%)**
 - Long-term investments in infrastructure
 - Projects generally stretch over several years
 - Can be debt-funded
 - 20% of capital expenses = District staff
- **Debt Service (\$307M, 20%)**
 - Pays principal and interest on bonds that funded past capital

Operating
\$594M
38%

Capital
\$663M
42%

Debt Service
\$307M
20%

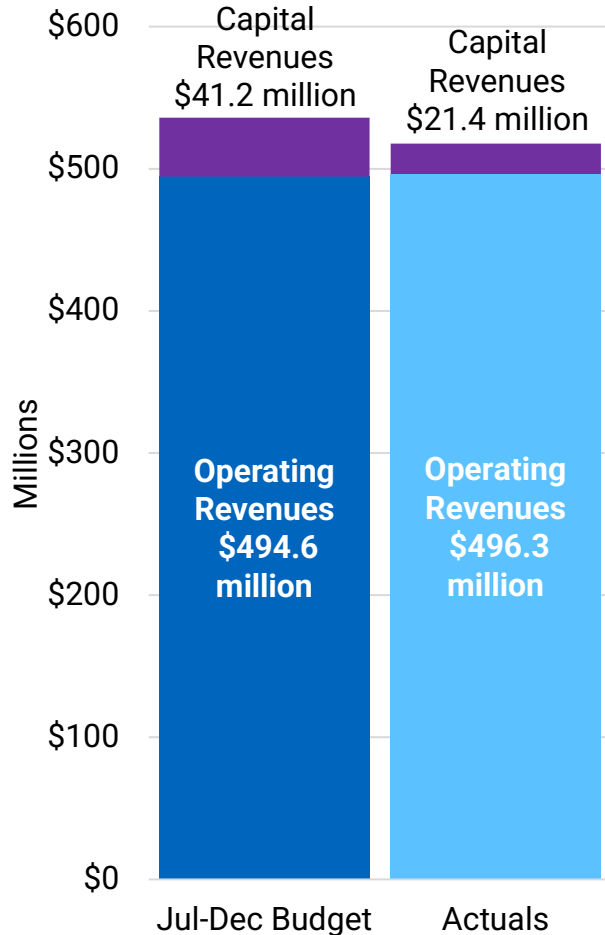
M = Millions

Water System

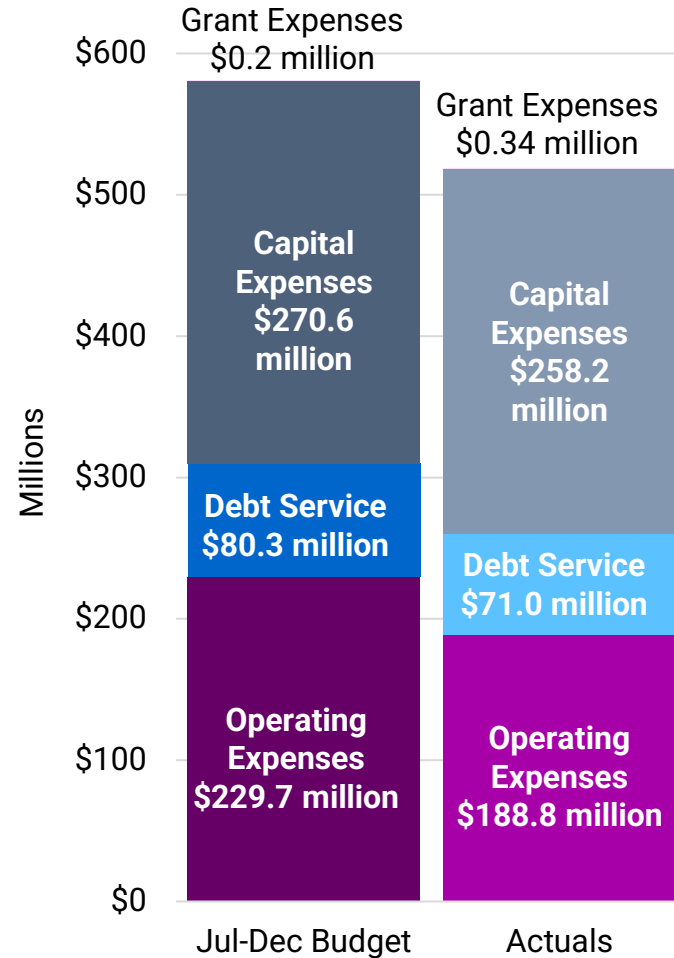


Water System Revenues & Expenses through 12/31/2025

Revenues



Expenses



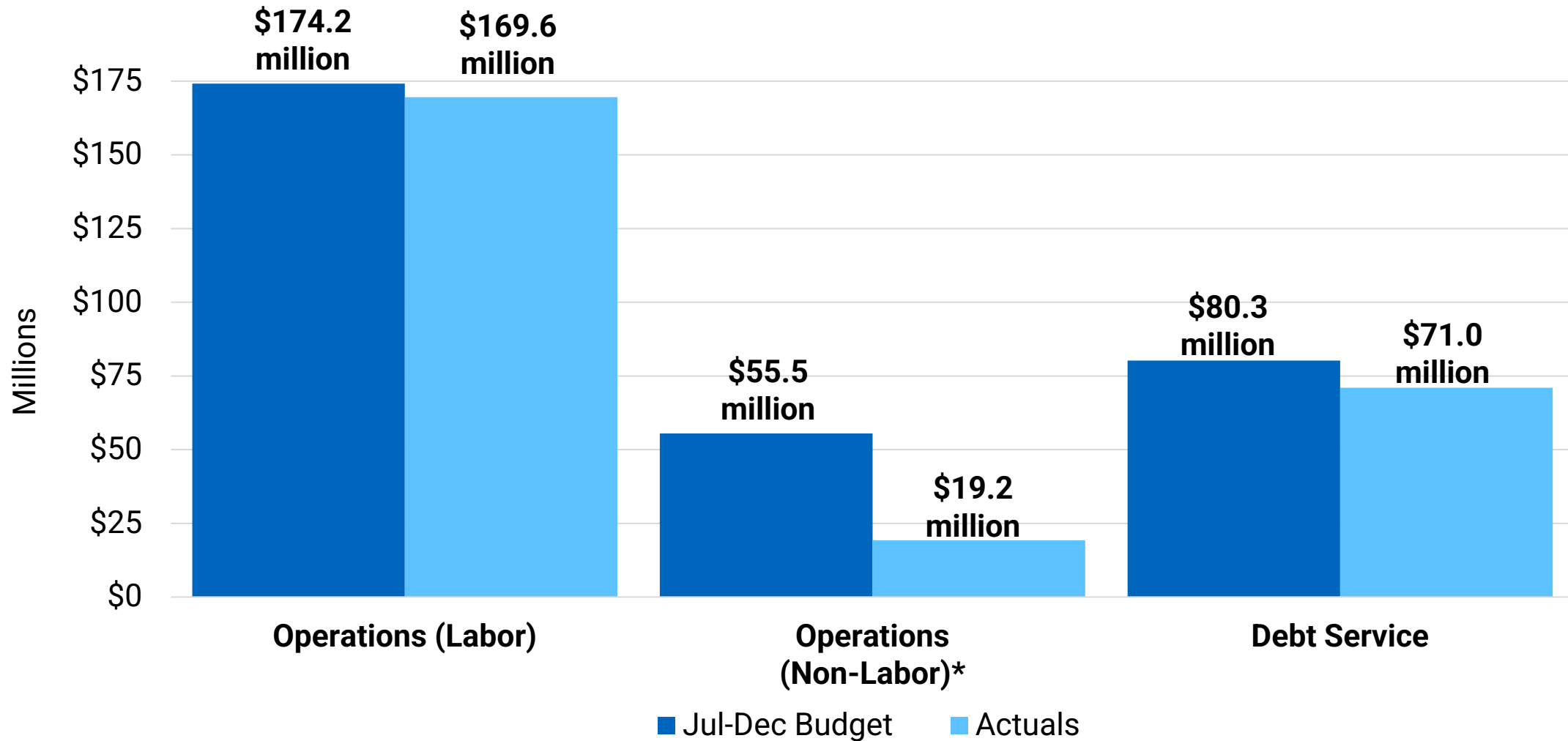
- Revenues are coming in below the trend-adjusted budget due primarily to water charges and capital reimbursements
- Expenses are also running below the trend-adjusted budget
- Second half of the year will see higher expenses and debt proceeds

Water System Revenues through 12/31/2025

(\$ Thousands)	Jul-Dec Budget	Actuals	Over / (Under)	%
Water Charges	443,104	427,472	(15,632)	96%
Property Taxes	23,451	27,479	4,028	117%
Power Sales	4,700	6,640	1,940	141%
Interest Income	6,184	9,888	3,704	160%
Reimbursements	6,263	9,355	3,092	149%
All Other Revenue	10,888	15,450	4,563	142%
Operating Revenues	494,590	496,283	1,694	100%
New Bond Proceeds	-	-	-	-
SCC* Revenue	10,000	8,306	(1,694)	83%
Capital Reimbursements	30,032	10,236	(19,795)	22%
Grants & Other	1,200	2,903	1,703	242%
Capital Revenues	41,232	21,466	(19,786)	43%
Total Revenues	535,821	517,729	(18,093)	96%

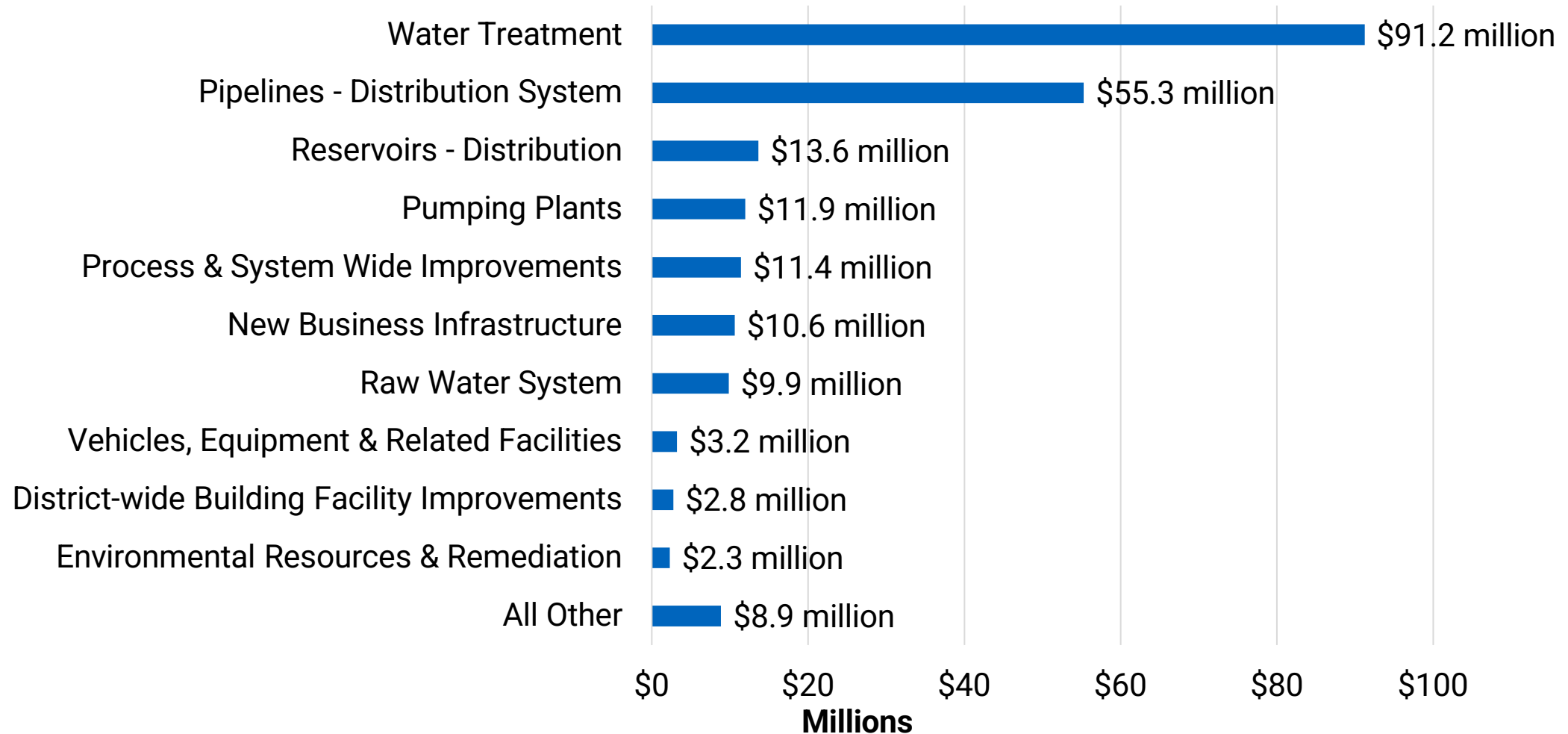
*System Capacity Charges

Water System Operating & Debt Expenses through 12/31/2025



*Includes expense offsets

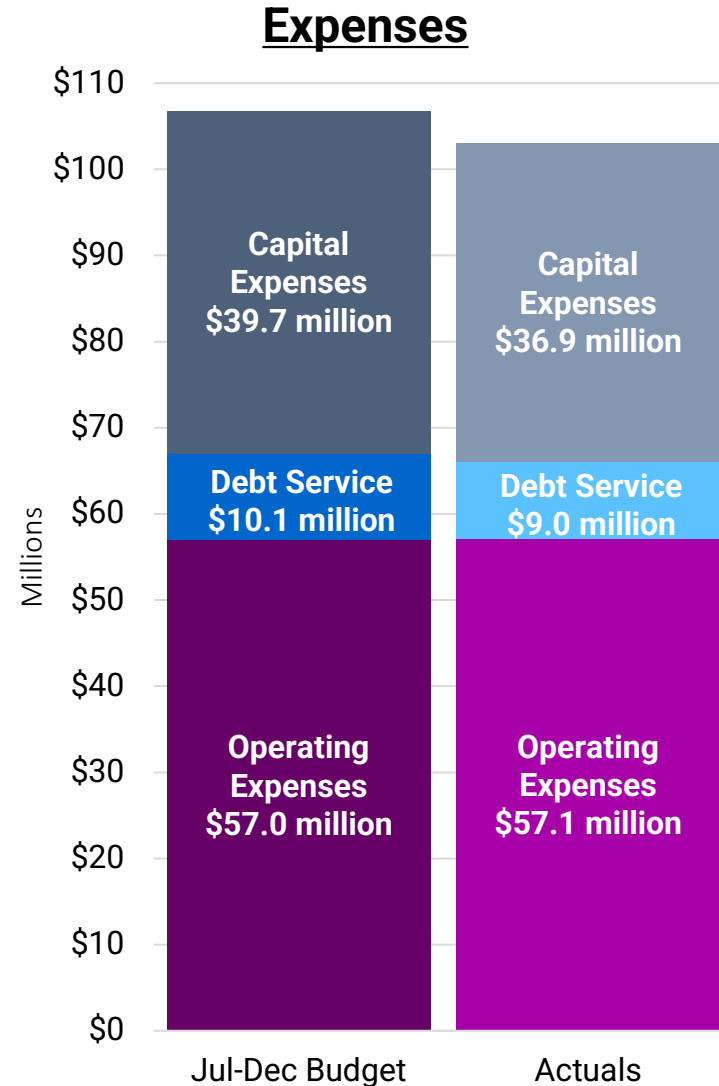
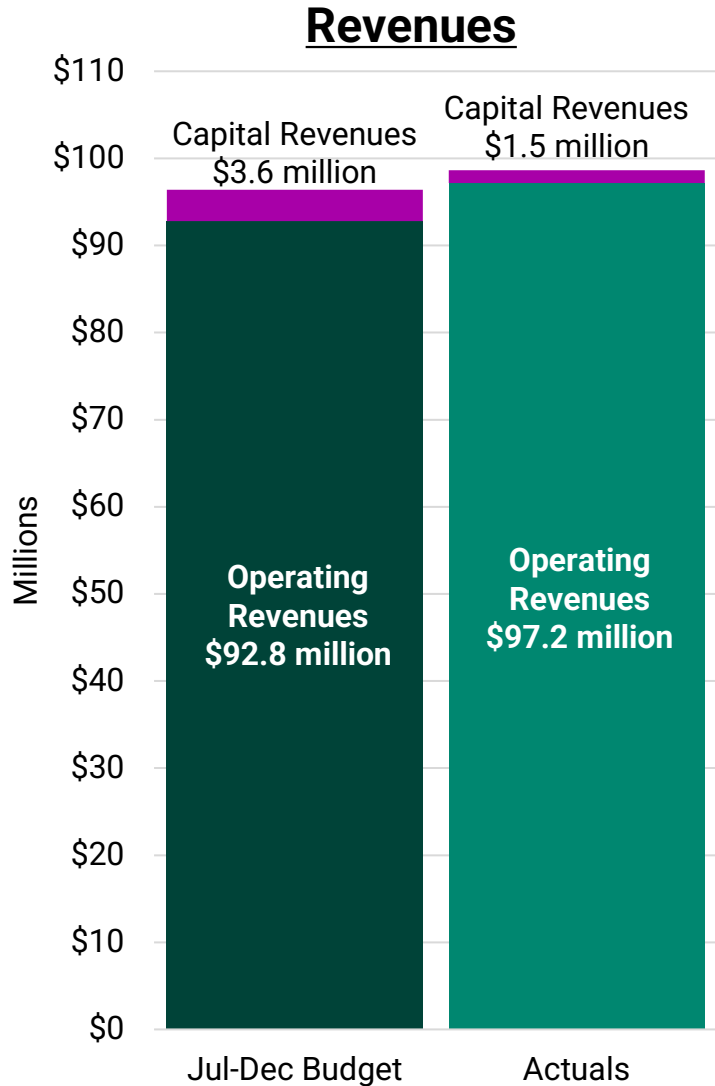
Water Capital Cash Flow Expenses through 12/31/2025



Wastewater System



Wastewater System Revenues & Expenses through 12/31/2025

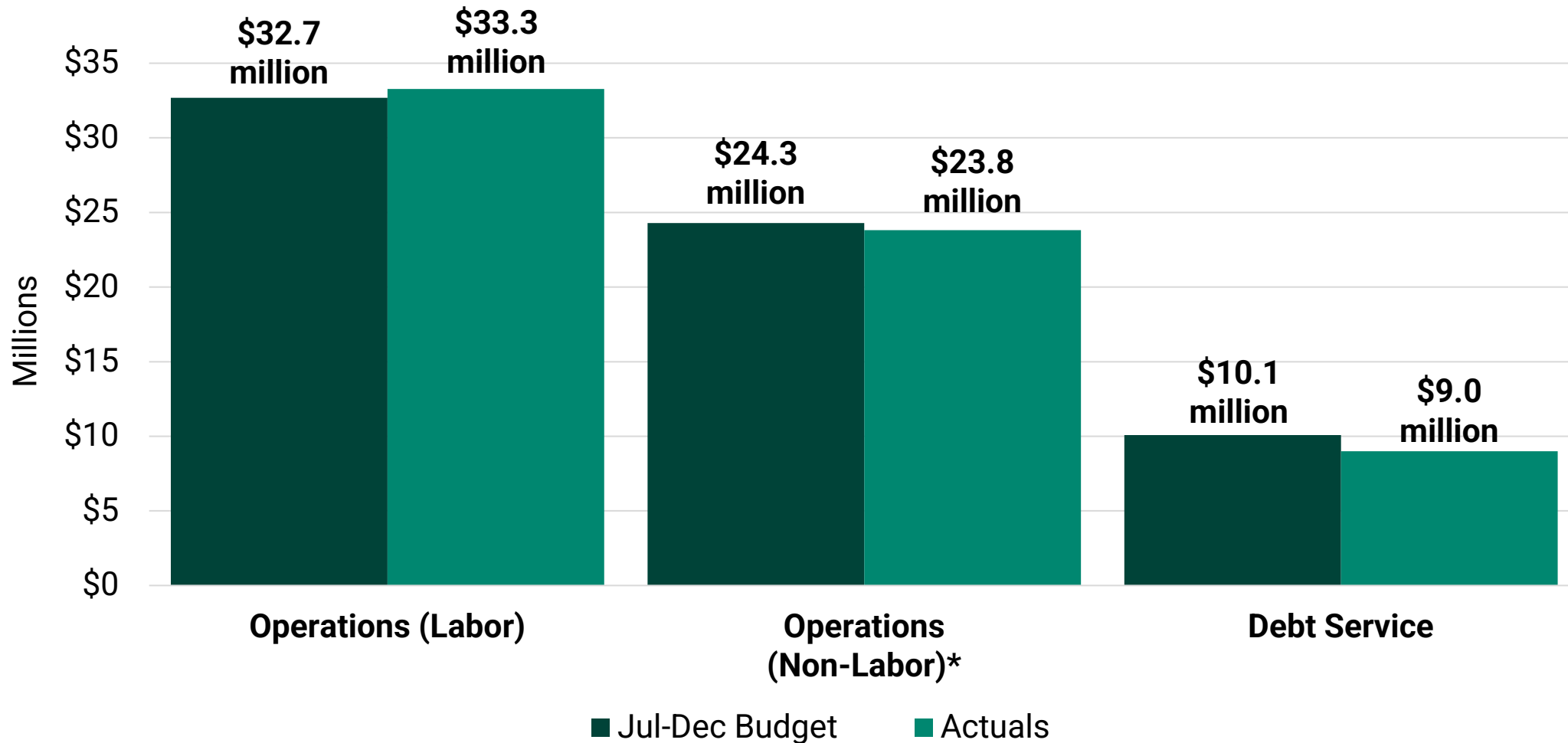


- Revenue sources are running just above the trend-adjusted budget
- Expenses are running below the trend-adjusted budget, driven by capital expenses
- Second half of the year will see some higher expenses and debt proceeds

Wastewater System Revenues through 12/31/2025

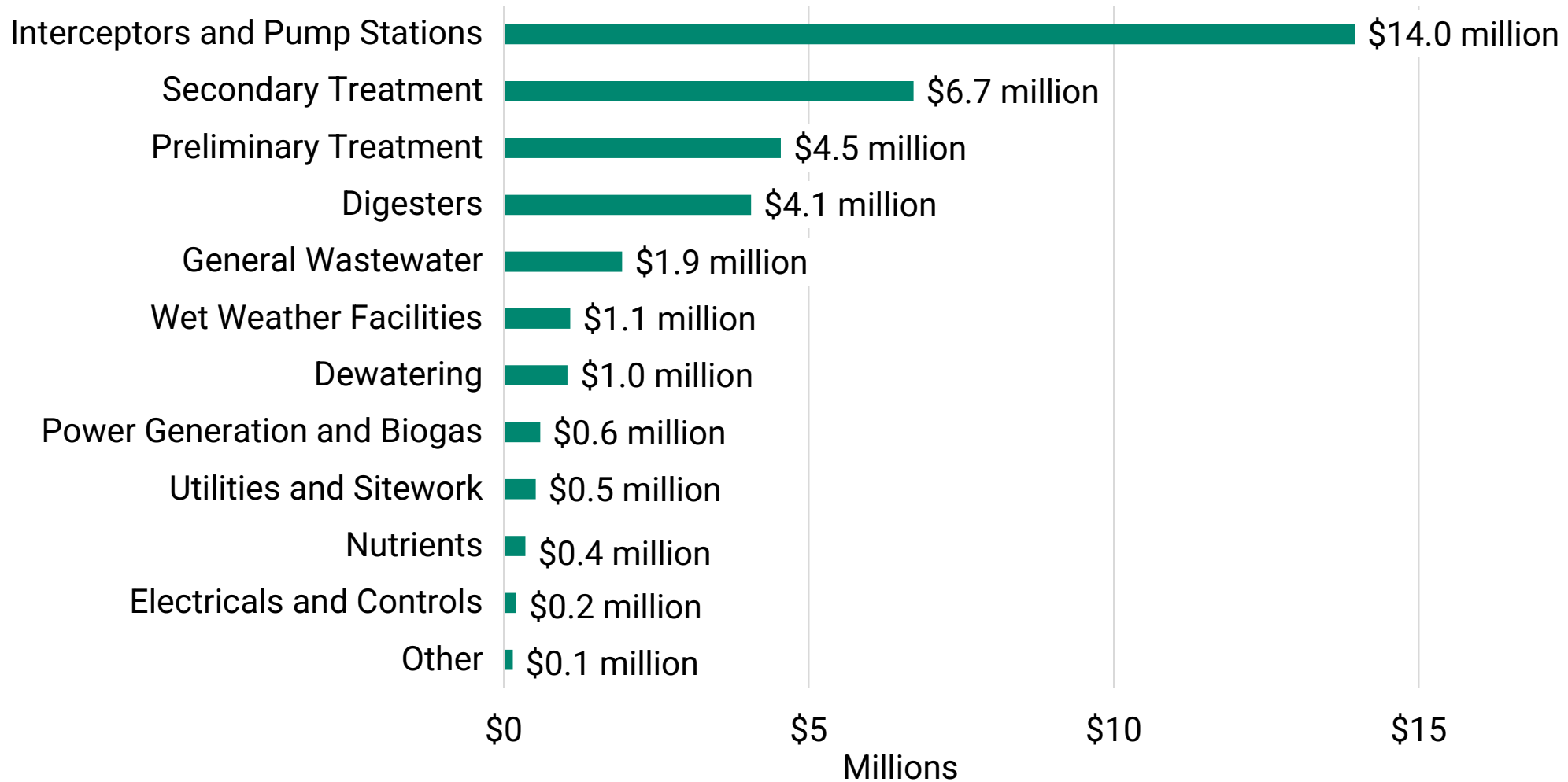
(\$ Thousands)	Jul-Dec Budget	Actuals	Over / (Under)	%
Treatment Charges	54,250	54,925	675	101%
Wet Weather Facility Charges	19,385	19,508	123	101%
Resource Recovery	5,500	7,348	1,848	134%
Property Taxes	3,815	4,528	713	119%
Interest Income	1,872	2,190	317	117%
Laboratory Services	2,826	3,082	256	109%
Reimbursements	1,033	1,456	423	141%
Permit Fees	843	826	(17)	98%
All Other Revenue	3,269	3,288	20	101%
Operating Revenues	92,792	97,152	4,360	105%
New Bond Proceeds	-	-	-	-
Capacity Charges	1,500	971	(529)	65%
Grants & Other Capital Revenues	2,122	518	(1,603)	24%
Capital Revenues	3,622	1,489	(2,133)	41%
Total Revenues	96,414	98,641	2,227	

Wastewater System Operating & Debt Expenses through 12/31/2025



*Includes expense offsets

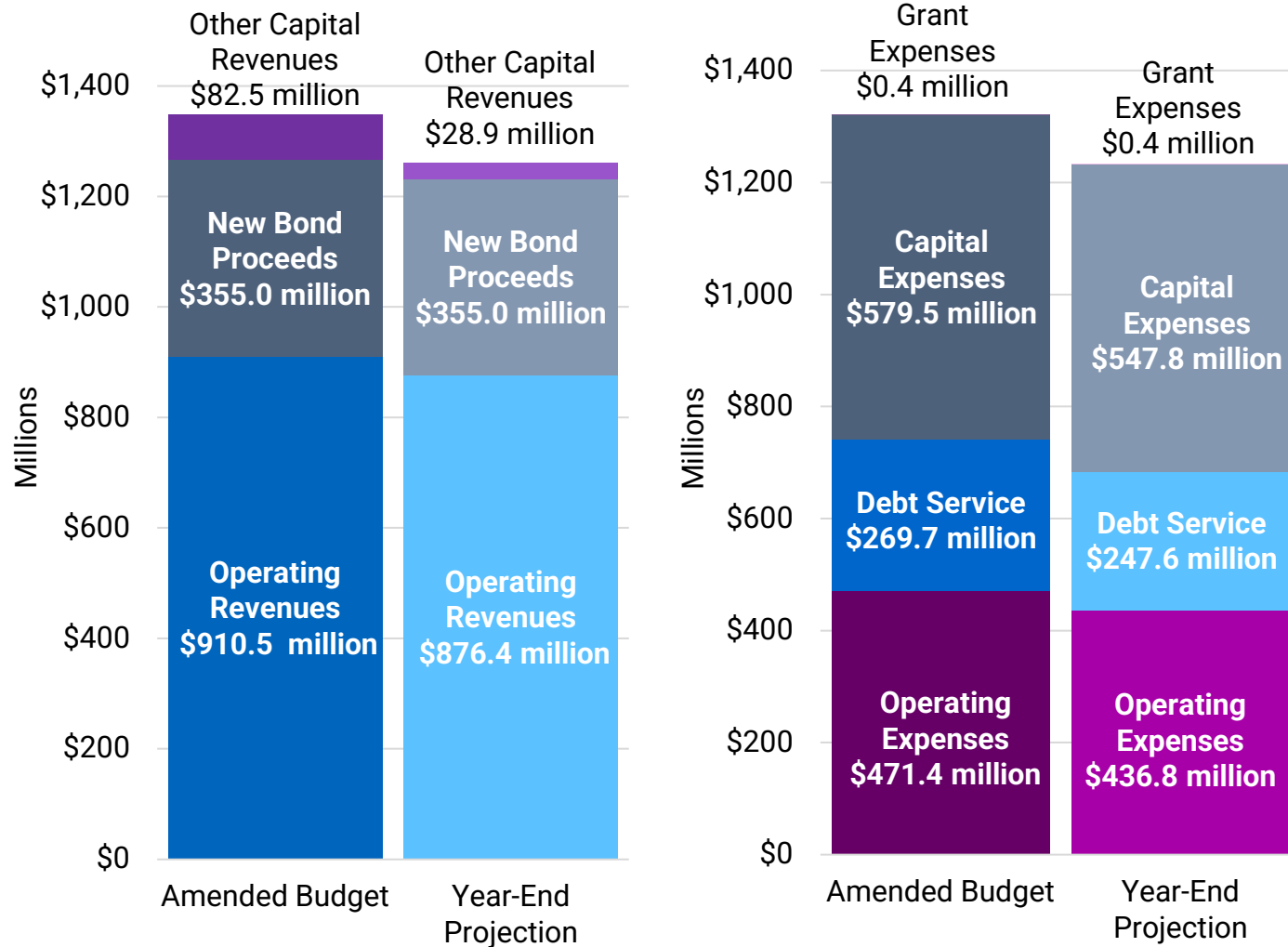
Wastewater Capital Cash Flow Expenses through 12/31/2025



Year-End Projections



Water System Year-End Projection for FY 2026

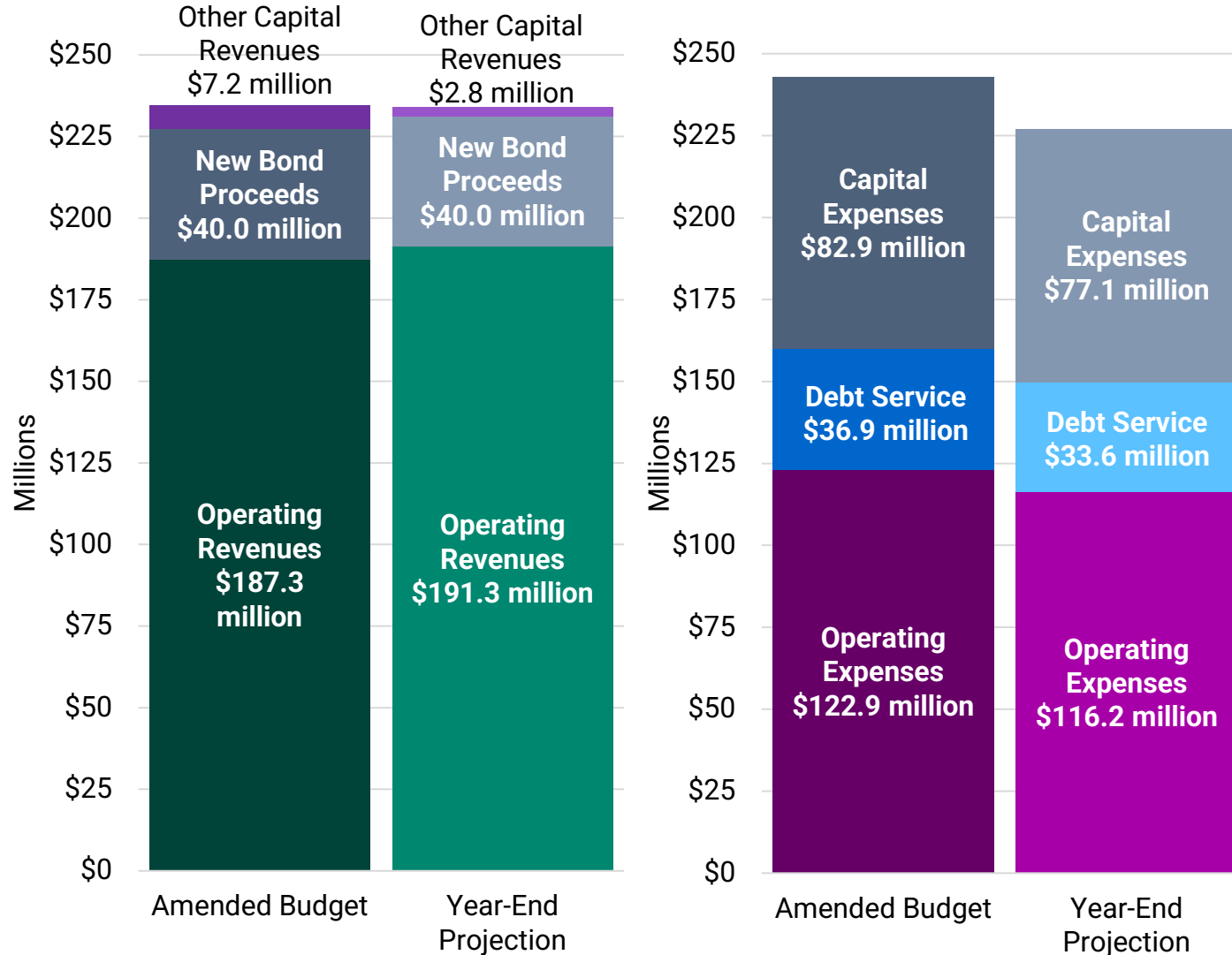


- Total revenues expected to be less than budget by 7%
- Operating expenses expected to be less than budget by 7%
- Debt service expected to be less than budget by 8%
- Capital expenses expected to be less than budget by 5%

Water System Year-End Projection for FY 2026

(\$ Thousands)	Amended Budget	Year-End Projection	Over / (Under)	%
Water Charges	798,911	757,594	(41,317)	95%
Property Taxes	54,958	54,958	-	100%
Power Sales	10,000	13,246	3,246	132%
Interest Income	12,368	16,321	3,954	132%
Reimbursements	12,525	12,525	-	100%
All Other Revenue	21,775	21,775	-	100%
Operating Revenues	910,537	876,420	(34,117)	96%
New Bond Proceeds	355,000	355,000	-	100%
SCC Revenue	20,000	12,000	(8,000)	60%
Capital Reimbursements	60,064	13,381	(46,682)	22%
Grants & Other	2,400	3,500	1,100	146%
Capital Revenues	437,464	383,881	(53,582)	88%
Total Revenues	1,348,001	1,260,301	(87,699)	93%
Operating Expenses	471,433	436,842	(34,592)	93%
Debt Service	269,710	247,642	(22,068)	92%
Capital Expenses	579,531	547,780	(31,751)	95%
Grant Expenses	449	449	-	100%
Total Expenses	1,321,123	1,232,713	(88,410)	93%
Revenues less Expenses	26,878	27,589	711	

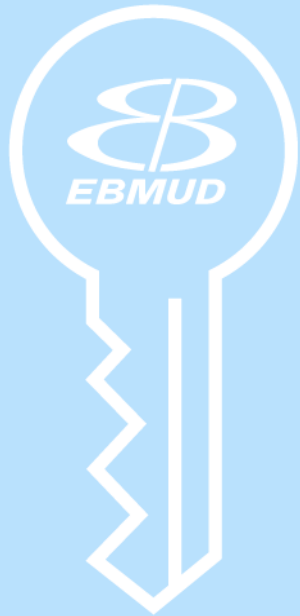
Wastewater System Year-End Projection for FY 2026



- Revenues expected to nearly meet budget
- Operating expenses expected to be less than budget by 5%
- Debt service expected to be less than budget by 9%
- Capital expenses expected to be less than budget by 7%

Wastewater System Year-End Projection for FY 2026

(\$ Thousands)	Amended Budget	Year-End Projection	Over / (Under)	%
Treatment Charges	108,500	108,500	-	100%
Wet Weather Facility Charges	39,017	39,017	-	100%
Resource Recovery	11,000	14,348	3,348	130%
Property Taxes	9,057	9,057	-	100%
Interest Income	3,745	4,461	716	119%
Laboratory Services	5,651	5,651	-	100%
Reimbursements	2,065	2,065	-	100%
Permit Fees	1,685	1,685	-	100%
All Other Revenue	6,537	6,537	-	100%
Operating Revenues	187,257	191,320	4,064	102%
New Bond Proceeds	40,000	40,000	-	100%
Capacity Charges	3,000	2,000	(1,000)	67%
Grants & Other Capital Revenues	4,244	750	(3,494)	18%
Capital Revenues	47,244	42,750	(4,494)	90%
Total Revenues	234,500	234,070	(430)	100%
Operating Expenses	122,938	116,220	(6,717)	95%
Debt Service	36,925	33,572	(3,353)	91%
Capital Expenses	82,911	77,100	(5,811)	93%
Total Expenses	242,774	226,892	(15,881)	93%
Revenues less Expenses	(8,273)	7,178	15,451	



Key Takeaways

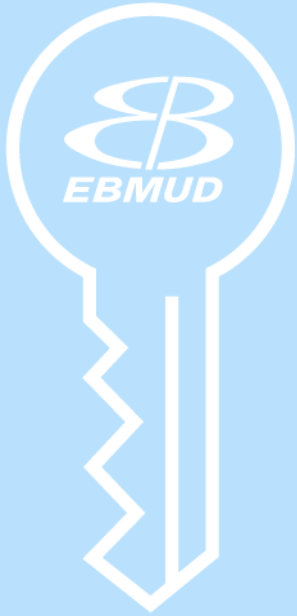
- Total revenues are expected to be below budget for Water System and at budget for Wastewater System
- Water and Wastewater systems expenses are expected to be below budget in all categories
- Bonds will be issued in FY 2026 for both systems

Long-Range Financial Projections



Long-Range Financial Plan

- Ten-year financial projections were developed in March 2025 and included in the FY 2026-FY 2027 Budget Book
- First five years of projections were provided in the disclosure documents for Series 2025 Revenue Bonds
- FY 2025 actual results and updated FY 2026 projections are now available
 - Incorporated in an updated 10-Year Long-Range Financial Plan
 - Incorporated in bond disclosure documents for bond issuances planned in spring 2026



Goals of Long-Range Financial Plan

- Maintain financial sustainability
- Keep rates fair and reasonable
- Invest in critical capital infrastructure
- Preserve financial capacity for future needs – both known and unknown

Water System FY 2025 Actual Financials

Year ended with higher cash balance than projected

Line Item	FY 2025 (March Est.)	FY 2025 (Actual)	Variance
Revenues	\$813.9M	\$834.2M	↑ +\$20.3M
Operating Expenses	\$382.2M	\$360.5M	↓ -\$21.7M
Debt Service	\$226.9M	\$209.5M	↓ -\$17.4M
Debt Service Coverage	2.22x	2.63x	↑ +0.40x
Ending Cash Balance	\$413.7M	\$469.0M	↑ +\$55.3M

- FY 2026 starting cash balance \$55.3 million above March 2025 projection
- Variance is within normal range of year-to-year fluctuations
- Higher balance helps with projected FY 2026 budget

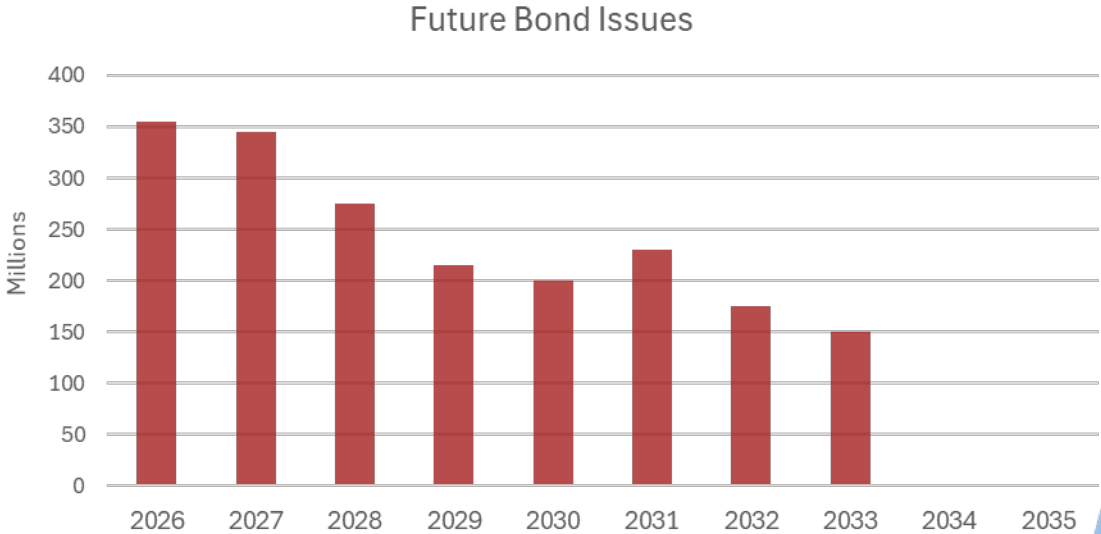
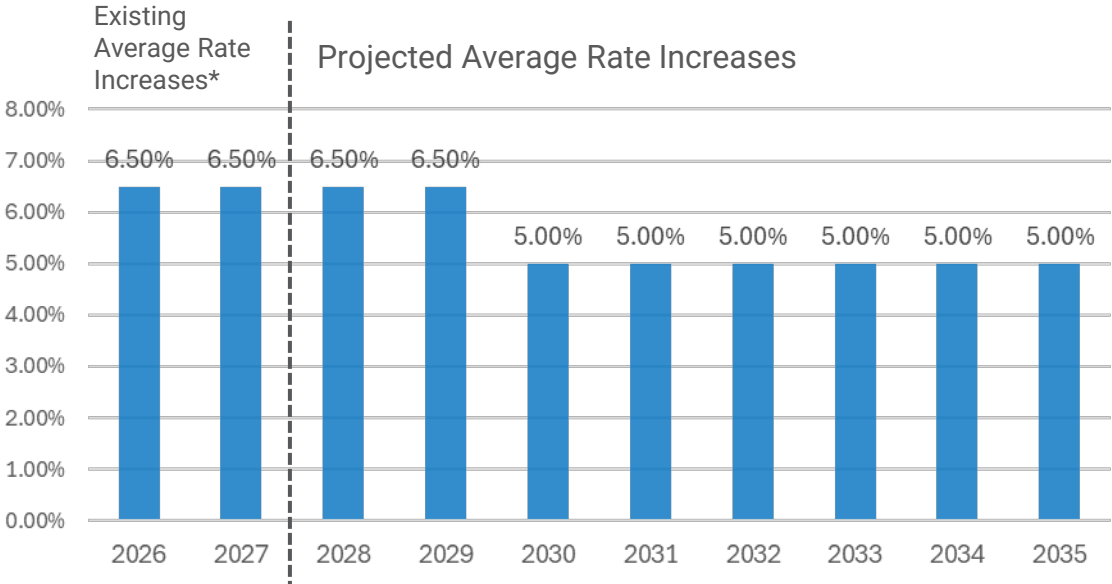
Water System 10-Year Projections

Key changes since March 2025 projections

- Favorable changes
 - FY 2026 beginning cash balance higher than projected
 - Debt service lower due to lower interest rates on Series 2025 bonds
 - Likely further reduction in debt service relative to 10-Year Projections with Series 2026 bonds
- Areas of pressure
 - Water sales for first 6-months of FY 2026 down 7% year-over-year
 - Potential reduced revenue from SCCs
 - Capital spending
 - Labor costs
- Long-Range Financial Plan remains fundamentally intact with limited updates; projected rate increases unchanged

10-Year Projections

- Projected average rate increases are unchanged
- New debt issues trend down over 10-year period
- Debt Service Coverage remains well above 1.6x policy minimum



Wastewater System FY 2025 actual financials

Year ended with higher cash balance than projected

Line Item	FY 2025 (March Est.)	FY 2025 (Actual)	Variance	
Revenues	\$163.9M	\$167.9M	↑	+\$4.0M
Operating Expenses	\$103.4M	\$98.4M	↓	-\$5.0M
Debt Service	\$31.8M	\$29.9M	↓	-\$2.0M
Debt Service Coverage	2.18x	2.63x	↑	+0.45x
Ending Unrestricted Cash Balance	\$124.8M	\$131.8M	↑	+\$7.0M

- FY 2026 starting cash balance \$7.0 million above March 2025 projection
- Variance is within normal range of year-to-year fluctuations
- Higher balance helps with projected FY 2026 budget

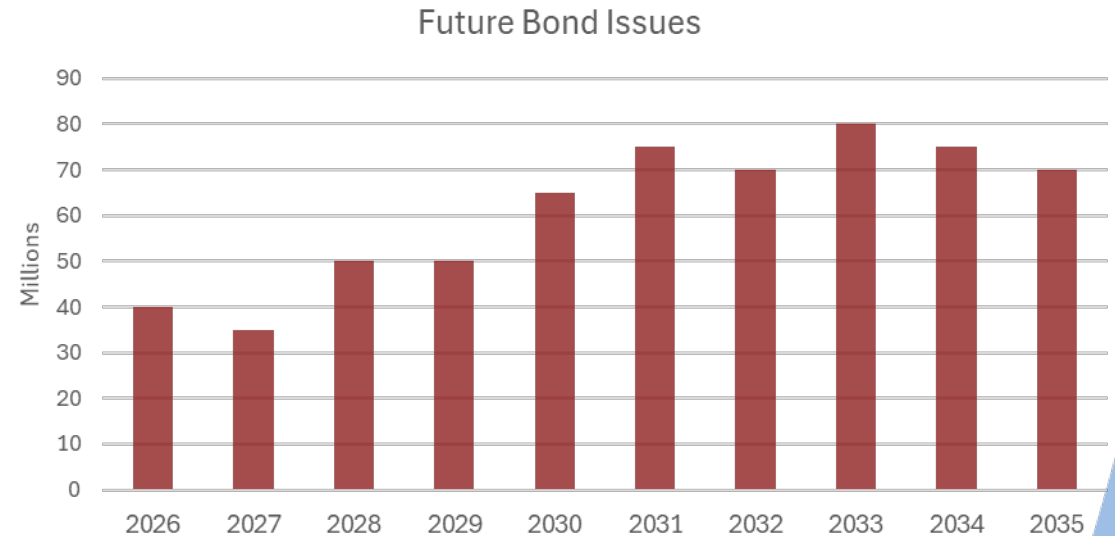
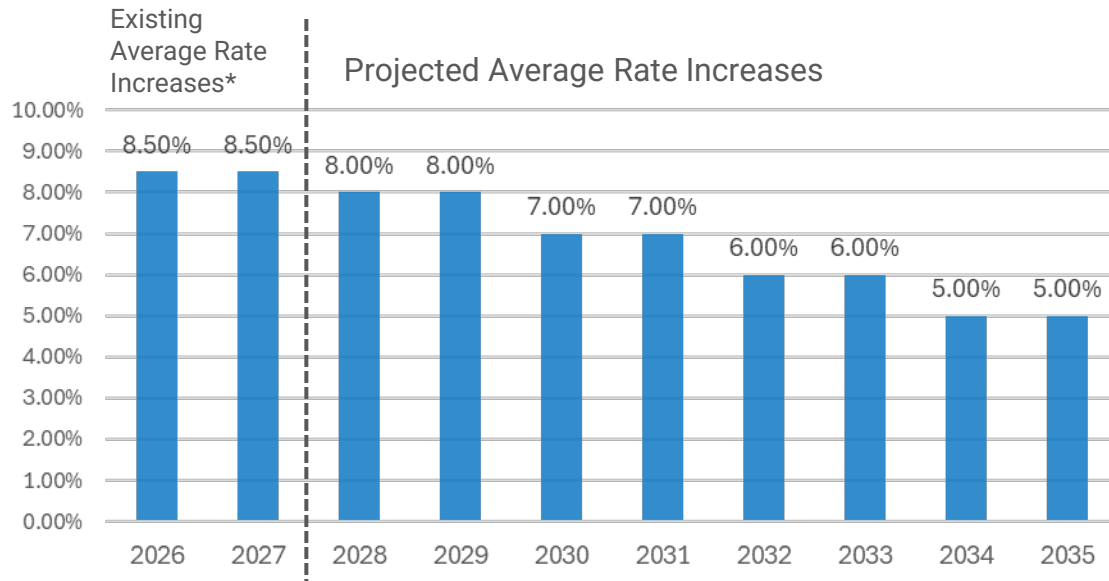
Wastewater System 10-Year Projections

Key changes since March 2025 projections

- Favorable changes
 - FY 2026 beginning cash balance higher than projected
 - Debt service lower due to lower interest rates on Series 2025 bonds
 - Likely further reduction in debt service relative to 10-Year Projections with Series 2026 bonds
- Areas of pressure
 - Potential loss of Federal Emergency Management Agency (FEMA) Hazard Mitigation Grant
 - Potential reduced revenue from capacity charges and other capital sources
 - Capital spending
 - Labor costs
- Long-Range Financial Plan remains fundamentally intact with limited updates; projected rate increases unchanged

10-Year Projections

- Projected wastewater rate increases are unchanged
- Additional debt needed over 10-year period to fund capital program
- Debt Service Coverage remains well above 1.6x policy minimum



FY 2026 Bond Issue Plans



Planned Financing Activity for FY 2026

- Revenue bond issuance (no change from approved FY 2026/2027 Budget)

	Water	Wastewater
Capital Improvement Program Funding	\$355 million	\$40 million
Build America Bonds De-Risking (if cost neutral)	\$400 million	\$150 million
Board Approval	March 24, 2026	March 24, 2026
Sale Date	April 1, 2026	April 15, 2026
Closing Date	May 6, 2026	May 20, 2026

- Water commercial paper
 - Paydown at least \$10 million in May or June 2026

Build America Bonds (“BABs”) De-Risking

- 2026 issuance will consider refunding EBMUD’s \$550 million in BABs in a de-risking
 - EBMUD BABs were issued under the American Recovery and Reinvestment Act of 2009
 - Interest payments are offset by a subsidy from the federal government
 - Congress has reduced the BABs subsidy through “sequestration” since 2013
- Refunding BABs reduces exposure to further subsidy reductions
- Goal for BABs refunding is cost neutral or positive savings

Non-Proposition 218 Rates & Charges



Non-Proposition 218 Rates & Charges

• Water System Rate Schedules

- Account Establishment Charge (Schedule B)
- Charges for Special Services (Schedule C)
- Water Service Installation Charges (Schedule D)
- Private Fire Service Installation Charges (Schedule E)
- Public Fire Service Installation Charges (Schedule F)
- Water Main Extension Charges (Schedule G)
- Standard Participation Charge (SPC) (Schedule H)
- **System Capacity Charges (SCC) (Schedule J)**
- Water Demand Mitigation Fees (Schedule N)

• Wastewater System Schedules

- Wastewater Industrial Permit Fees (Schedule C)
- Wastewater Department Other Fees (Schedule D)
- Wastewater Department Testing Fees (Schedule E)
- Resource Recovery Fees and Prices (Schedule F)
- **Wastewater Capacity Fees (Schedule G)**
- Wastewater Interceptor Connection Review, Coordination, and Inspection Fee (Schedule H)

• Additional Schedules

- Public Records Act Fee Schedule
- Real Property Use Application Fees
- Recreation Use Fees

Capacity Charges Update



About Capacity Charges

- EBMUD has collected Water SCCs since 1983 and Wastewater Capacity Fees (WCFs) since 1984
- Charged to applicants for their proportional share of system capacity to connect to the Water or Wastewater systems or expand use
- Helps to fund the capital improvement programs, including the payment of debt service
- Capacity charges are not:
 - Impact fees (generally charged by cities and counties)
 - Installation charges (which are charged separately)

California law provides basic structure for capacity charges

- Government Code Section 66013 defines capacity charges
 - “ “Capacity charge” means a charge for public facilities in existence at the time a charge is imposed or charges for new public facilities to be acquired or constructed in the future that are of proportional benefit to the person or property being charged”
 - “...those fees or charges **shall not exceed the estimated reasonable** cost of providing the service for which the fee or charge is imposed...”

Review of District's capacity charges

- Staff currently working with independent rate consultant to review District's capacity charges
- Relative to other California water agencies, EBMUD's approach to capacity charges is complex
- A streamlined approach would be easier for applicants for new/expanded service to understand and easier for staff to implement

EBMUD's current SCC schedule is complex

SCC Type	Meter Size	Region	Amount
Single Family Residential	3/4	1	\$ 13,881
	3/4	2	\$ 21,494
	3/4	3	\$ 40,614
	1	1	\$ 19,725
	1	2	\$ 46,059
	1	3	\$ 62,164
	1 1/2	1	\$ 25,204
Multi-Family (> 500 sq ft)	--	1	\$ 8,767
	--	2	\$ 12,282
	--	3	\$ 9,946
Multi-Family (≤ 500 sq ft)	--	1	\$ 6,940
	--	2	\$ 9,724
	--	3	\$ 7,874
Non-Residential	5/8	1	\$ 17,972
	5/8	2	\$ 34,186
	5/8	3	\$ 38,127
	3/4	1	\$ 29,368
	3/4	2	\$ 48,925
	3/4	3	\$ 58,351
	1	1	\$ 55,887
	1	2	\$ 87,615
	1	3	\$ 103,938
	1 1/2	1	\$ 145,746
Larger Meters (\$/100 gpd)	--	1	\$ 7,305
	--	2	\$ 10,235
	--	3	\$ 8,288

- The District maintains **27 different SCC charges** for meters ≤1½ inch and multi-family residential (MFR)

- For meters >1½” (other than MFR), the SCC is a custom calculation



EBMUD's WCF schedule is also complex

WCF Type	Meter Size	Strength	Amount
Single Family Residential	--	--	\$ 3,125
Multi-Family (> 500 sq ft)	--	--	\$ 2,192
Multi-Family (≤ 500 sq ft)	--	--	\$ 1,712
Non-Residential	5/8	Low	\$ 4,647
	5/8	Medium	\$ 9,404
	5/8	High	\$ 18,413
	3/4 & 1"	Low	\$ 12,215
	3/4 & 1"	Medium	\$ 24,722
	3/4 & 1"	High	\$ 48,405
	1 1/2	Low	\$ 23,796
1 1/2	Medium	\$ 48,161	
1 1/2	High	\$ 94,298	
Larger Meters (\$/unit/year)	--	Low	\$ 35.20
	--	Medium	\$ 71.24
	--	High	\$ 139.49

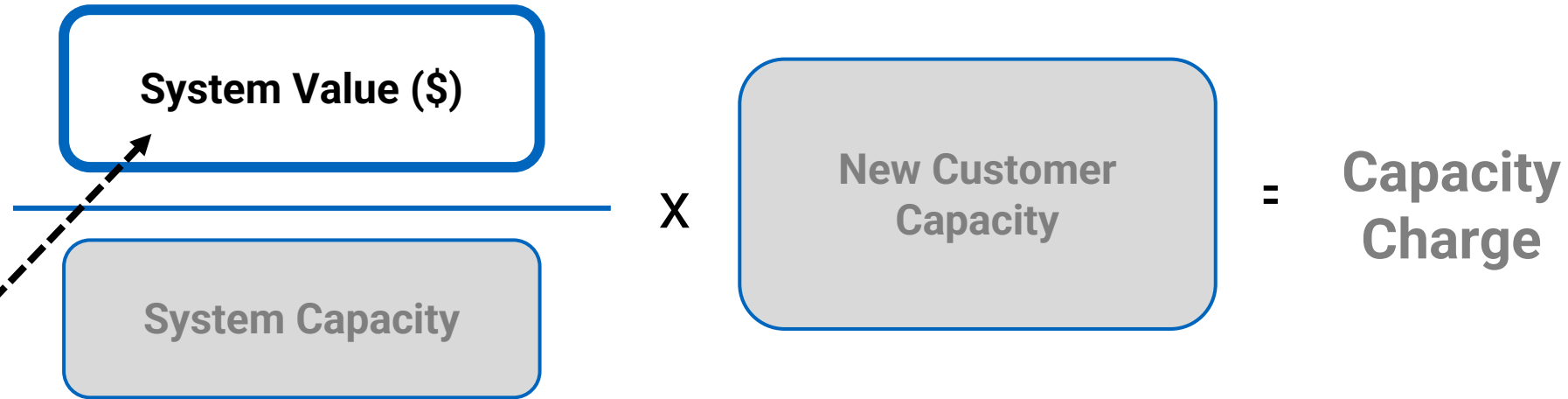
- The District maintains **12 different WCF charges** for residential applicants and non-residential meters ≤ 1½"
- For non-residential meters > 1½", the WCF is a custom calculation

Water System Capacity Charges

Fundamental concept of capacity charges

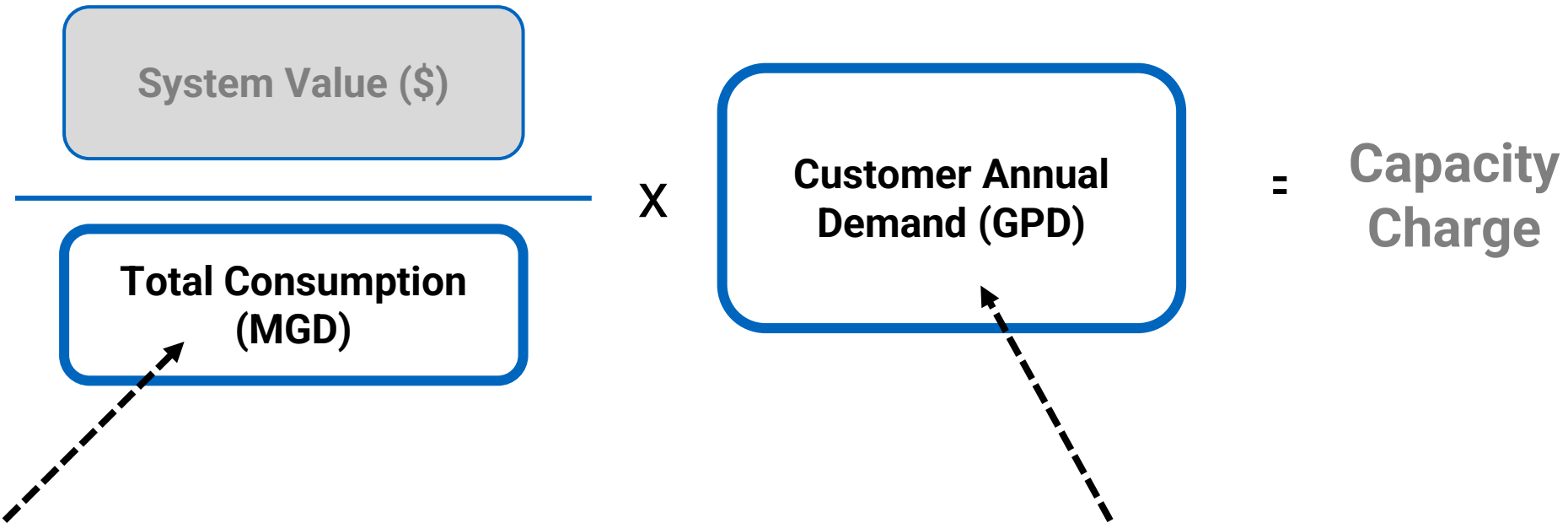
$$\frac{\text{System Value (\$)} \text{ (cost of "pie")}}{\text{System Capacity} \text{ (total "slices")}} \times \text{New Customer Capacity} \text{ ("slices" per account)} = \text{Capacity Charge}$$

System value in capacity charges



- System value represents existing investment in infrastructure
 - Sum of costs of District's capital assets in today's dollars
 - Reduced by depreciation
 - Reduced by debt outstanding

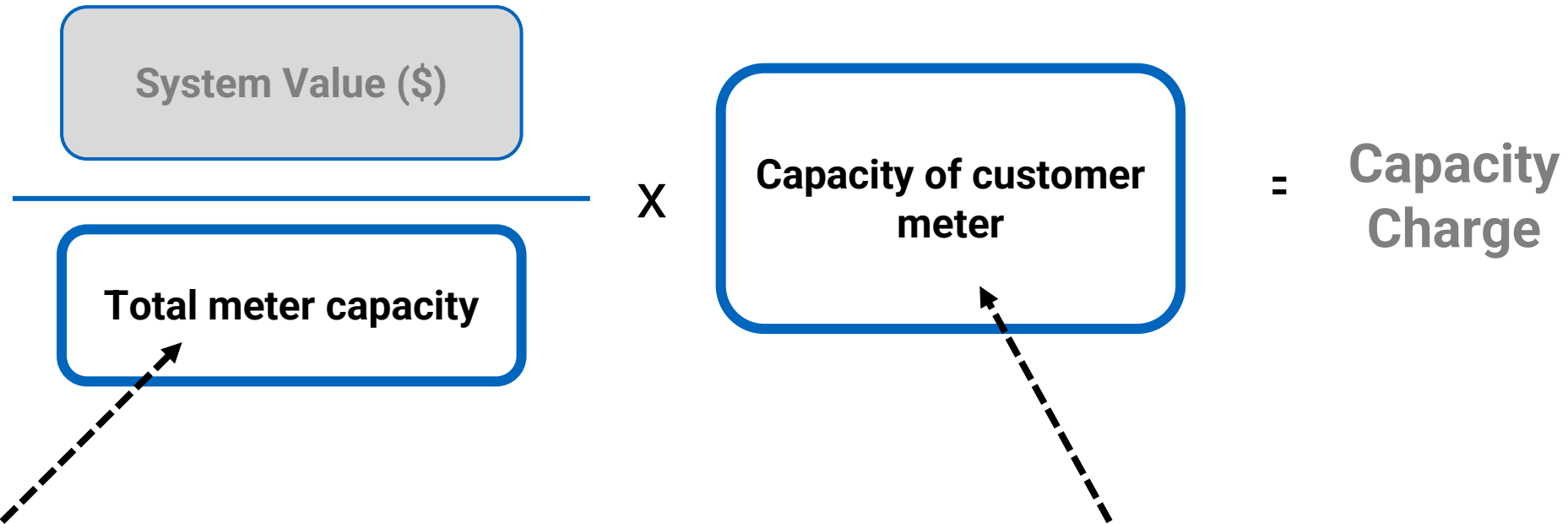
Capacity under current methodology



- System capacity is based on system-wide water use (as projected for 2050)

- New customer capacity based on complex schedule for meters up to 1½"
- Custom calculation conducted for meters >1½"

Approach under consideration



- System capacity is represented as the total projected capacity of all meters (as projected for 2050)

- Meter size represents each customer's capacity

Benefits of using meter capacity to calculate capacity charges

- Straightforward rate schedule, including for Accessory Dwelling Units (ADUs)
 - Easier for applicants to understand; easier for staff to explain
- Largely eliminates need for custom calculations of capacity charges and attention to expanded use
- Well-suited to mature Water and Wastewater systems with gradual growth

Preliminary FY 2027 SCCs*

**Preliminary values subject to SCC Study.*

Meter Size	Preliminary FY 2027 SCCs*
Residential Meters ≤1"	
≤1"	\$20,000
Non-Residential Meters 5/8" to 1"	
5/8"	\$20,000
3/4"	\$30,000
1"	\$50,000
All Meters >1"	
1½"	\$100,000
2"	\$160,000
3"	\$350,000
4"	\$600,000
6"	\$1,400,000
8"	\$1,600,000
10"	\$2,300,000
12"	\$3,200,000
14"	\$4,100,000
16"	\$5,200,000
18"	\$6,300,000

- All residential meters ≤1" charged at 5/8" rate
 - Nearly all new-build homes have 1" meters ("dual-service")
 - Residential domestic (non-fire) demands can generally be served by 5/8" meter
- 4 charges for meters ≤1½" (vs. 27)
- Standard charges for larger meters (vs. custom calculations)

SCCs for applicants



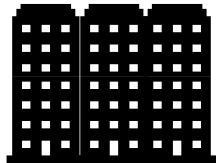
Single-Family
(1" meter)

\$13,881

\$21,494

\$40,614

~\$20,000



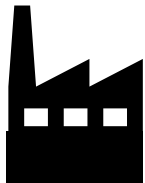
Apartment building
(100 dwellings, each
>500 sq ft, 4" meter)

**\$8,767 X 100
=\$876,700**

**\$12,282 X 100
=\$1,228,200**

**\$9,946 X 100
=\$994,600**

~\$600,000



Commercial/industrial
(25,000 gpd, 4" meter)

**\$7,305 X 250
=\$1,826,250**

**\$10,235 X 250
=\$2,558,750**

**\$8,288 X 250
=\$2,072,000**

~\$600,000

Applicant	FY 2026 SCC (Region 1)	FY 2026 SCC (Region 2)	FY 2026 SCC (Region 3)	Preliminary SCC*
Single-Family (1" meter)	\$13,881	\$21,494	\$40,614	~\$20,000
Apartment building (100 dwellings, each >500 sq ft, 4" meter)	\$8,767 X 100 =\$876,700	\$12,282 X 100 =\$1,228,200	\$9,946 X 100 =\$994,600	~\$600,000
Commercial/industrial (25,000 gpd, 4" meter)	\$7,305 X 250 =\$1,826,250	\$10,235 X 250 =\$2,558,750	\$8,288 X 250 =\$2,072,000	~\$600,000

**Estimated values subject to SCC Study.*

Wastewater System Capacity Charges


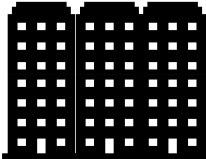
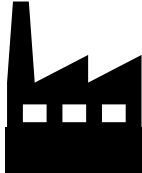
Preliminary FY 2027 WCFs*

* Preliminary values subject to WCF Study.

Meter Size	Preliminary FY 2027 SCCs
Residential meters $\leq 1''$	
$\leq 1''$	\$4,000
Non-Residential Meters 5/8" to 1"	
5/8"	\$4,000
3/4"	\$6,000
1"	\$10,000
All Meters $> 1''$	
1½"	\$20,000
2"	\$32,000
3"	\$70,000
4"	\$120,000
6"	\$270,000
8"	\$320,000
10"	\$460,000
12"	\$640,000
14"	\$820,000
16"	\$1,040,000
18"	\$1,260,000

- All residential meters $\leq 1''$ charged at 5/8" rate.
- 4 charges for meters $\leq 1\frac{1}{2}''$ (vs. 12)
- Standard charges for larger meters (vs. custom calculations)

Financial impacts to WCF applicants

	Applicant	Current WCF	Preliminary WCF*
	Single-Family (1" dual-service meter)	\$3,125	~\$4,000
	Apartment building (100 dwellings, each >500 sq ft, 4" meter)	\$2,192 X 100 = \$219,200	~\$120,000
	Commercial/ industrial (25,000 gpd, 4" meter)	Low strength: \$35.20/unit/year x 12,200 units/year = \$429, 412 High strength: \$139.49/unit/year x 12,200 units/year = \$1,701,666	~\$120,000

**Estimated values subject to SCC Study.*

Estimated Revenues



Estimated Capacity Charge Revenues

Water System – SCC Revenue

- \$36.5M in FY 2025
- \$12M projected for FY 2026
- \$20M budgeted for FY 2027
 - 2% of budgeted revenue*
- \$10M projected for FY 2027 using preliminary updated SCCs

Wastewater System – WCF Revenue

- \$5.4M in FY 2025
- \$2M projected for FY 2026
- \$3M budgeted for FY 2027
 - 2% of budgeted revenue*
- \$1.5M projected for FY 2027 using preliminary updated WCFs

**Budgeted revenue excluding new bond proceeds, reimbursements, and grants*

Summary & Next Steps



Summary: Capacity Charge Update

- Proposed approach results in a more straightforward capacity charge schedule and largely eliminates need for custom calculations
 - Easier for applicants to understand and more similar to capacity charges of neighboring agencies
 - Easier for staff to implement
 - Simplifies approach to ADUs
- Revenue impacts can be managed inside of Long-Range Capital Plan

Summary: Mid-Year Budget Update & Long-Range Financial Plan Update

- Decreased water sales in FY 2026 currently offset in-part by increase in other revenues
- At mid-year, financial performance tracking within expected range
- The 10-Year Long-Range Financial Plan established in March 2025 remains fundamentally intact with small technical changes
- Projected average rate increases unchanged
- Planned debt issuance and capital funding unchanged
- Overall financial position remains stable and aligned with long-term strategy

Upcoming Finance Board Items

March 24, 2026

- Authorize Bond Issuances

May 12, 2026

- File Non-Proposition 218 Rates Report for FY 2027

May 24, 2026

- Conduct Second-Year Budget Workshop

June 9, 2026

- Hold Public Hearing and Consider Adoption of Non-Proposition 218 Rates and Charges, Capacity Charges, and Other Fees

Next Steps

- Board provide input today
- Rate Report in May will reflect this discussion
- Consider for approval in June

Questions?



Flowing
into the
Future