

EAST BAY MUNICIPAL UTILITY DISTRICT

DATE: February 19, 2026

MEMO TO: Board of Directors

THROUGH: Clifford C. Chan, General Manager *CCC*

FROM: Sophia D. Skoda, Director of Finance *SDS*

SUBJECT: Mid-Year Budget and Performance Report

SUMMARY

The attached Fiscal Year (FY) 2026 Mid-Year Budget and Performance Report for the period ending December 31, 2025, includes information on total revenues and expenses compared to the six-month budget, a summary of major capital cash flow expenses, and year-end projections. This item will be presented at the February 24, 2026 Mid-Year Budget and Finance Workshop. The full report is provided to the Board of Directors in this memorandum for consistency with prior years.

DISCUSSION

Six-Month Budget Performance

Through the first six months of the fiscal year, overall operating revenues have met or modestly exceeded budget expectations, capital revenues have trailed budget due to lower development activity, operating and debt service expenses have remained below budget largely due to timing and capital support offsets, and capital spending has varied by system based on project timing and delivery schedules. For both systems, revenue and expense budgets for the first six months reflect adjustments based on prior years' trends for the timing of income and payments.

Total Water System revenues through December 31, 2025 were \$517.7 million (97 percent of the six-month budget), and total expenses were \$518.4 million (89 percent of the six-month budget). Operating revenues totaled \$496.3 million (100 percent of budget). Capital and grant revenues totaled \$21.4 million (52 percent of budget), reflecting lower-than-budgeted System Capacity Charges and capital reimbursements. New bonds have not been issued and are scheduled for the last quarter of the fiscal year. Operating expenses were \$188.8 million (82 percent of budget), primarily due to lower non-labor spending and increased capital support offsets. Debt service totaled \$71.0 million (88 percent of budget) due to the timing of bond issuance. Capital cash flow expenses were \$258.2 million (95 percent of budget). Overall, total expenses remained 11 percent below the trend-adjusted six-month budget.

Total Wastewater System revenues were \$98.6 million (102 percent of the six-month budget), and total expenses were \$103.0 million (109 percent of the six-month budget). Operating revenues totaled \$97.2 million (105 percent of budget), primarily due to strong resource recovery revenues and higher interest income. Capital revenues were \$1.5 million (41 percent of budget), reflecting lower capacity charges and grant revenues. Similar to the Water System, new bonds have not been issued and are scheduled for the last quarter of the fiscal year. Operating expenses were \$57.1 million (100 percent of budget). Debt service totaled \$9.0 million (89 percent of budget) due to bond timing. Capital cash flow expenses were \$36.9 million (93 percent of budget), driven by continued spending on interceptors, pump stations, and secondary treatment projects. As a result, total expenses were below the six-month trend-adjusted budget.

Year-End Projection

Through year-end, revenues and expenses in both systems are projected to remain close to overall budgeted expectations, with lower water consumption and capital revenues offset in part by higher-than-projected non-rate revenue. Both systems will see expenses that are close to budget, though the Wastewater System is expected to see expenses that exceed planned spending by less than 1 percent, driven entirely by investments in infrastructure.

For the Water System, total revenues are projected to be 7 percent under budget, and total expenses are projected to be 7 percent below budget as well, ending in a budget that meets expectations for the year overall. Water charges are projected to be \$41.3 million (5 percent) below budget due to lower consumption. Power sales and interest income are projected to exceed budget, while capital revenues are expected to be \$53.6 million below budget, primarily due to lower capital reimbursements and System Capacity Charges. Operating expenses are projected to be \$34.6 million (7 percent) below budget, driven by capital support offsets, unspent contingency, and lower non-labor spending. Debt service is projected to be \$22.1 million below budget due to the timing of bond issuance. Capital expenses are projected to be \$31.8 million below budget (95 percent of budget).

For the Wastewater System, total revenues are projected to be \$430,000 below budget (less than 1 percent), and total expenses are projected to be \$15.8 million below budget (7 percent). Resource recovery revenue is projected to exceed budget, offset by lower capacity charges and grant revenues. Operating expenses are projected to be 5 percent below budget, and debt service 9 percent below budget, largely due to bond timing. Capital expenses are projected to be below budget by \$5.8 million (93 percent of budget).

CCC:SDS:saf

Attachment: FY 2026 Mid-Year Budget and Performance Report

Executive Summary

This is the Fiscal Year 2026 (FY 2026) mid-year budget and performance report for the Water and Wastewater systems. This report details the Water and Wastewater systems budget performance through December 31, 2025, the first six months of FY 2026.

Water System Overview

- **Operating Revenues:** Operating revenues were \$496.3 million, or \$1.7 million greater than the six-month budget.
- **New Bond Proceeds:** Bond issuance is scheduled for the last quarter of FY 2026.
- **Capital Revenues:** Other capital and grant revenues were \$21.4 million, or \$19.8 million less than the six-month budget.
- **Operating Expenses:** Total operating expenses were \$188.8 million, or \$40.8 million less than the six-month budget.
- **Debt Service:** Debt expenses were \$71.0 million, or \$9.2 million less than the six-month budget.
- **Capital Cash Flow Expenses:** Total capital cash flow spending was \$258.2 million, or \$12.3 million less than the six-month budget.
- **Grant Expenses:** Total grant expenses were \$340,400, or \$116,000 more than the six-month budget.

Wastewater System Overview

- **Operating Revenues:** Total operating revenues were \$97.2 million, or \$4.4 million more than the six-month budget.
- **New Bond Proceeds:** Bond issuance is scheduled for the last quarter of FY 2026.
- **Capital Revenues:** Other capital revenues were \$1.5 million, or \$2.1 million less than the six-month budget.
- **Operating Expenses:** Total operating expenses were \$57.1 million, or \$102,000 more than the six-month budget.
- **Debt Service:** Debt expenses were \$9.0 million, or \$1.1 million less than the six-month budget.
- **Capital Cash Flow Expenses:** Total capital cash flow spending was \$36.9 million, or \$2.8 million less than the six-month budget.

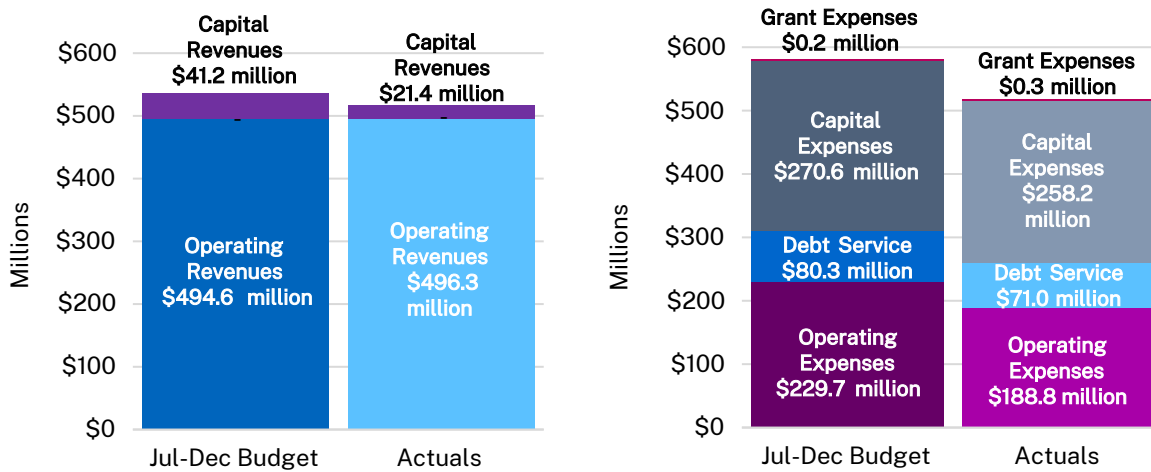
Water System

Summary of Revenues and Expenses

The following charts compare the first six months' actuals to a six-month budget for revenues, operating expenses, and capital cash flow expenses.

- Operating revenues totaled \$496.3 million, or 100 percent of the six-month budget.
- Capital and grant revenues totaled \$21.4 million, or 52 percent of the six-month budget.
- Operating expenses totaled \$188.8 million, or 82 percent of the six-month budget.
- Debt service expenses totaled \$71.0 million, or 88 percent of the six-month budget.
- Capital cash flow expenses totaled \$258.2 million, or 95 percent of the six-month budget.
- Grant expenses totaled \$340,400, or 152 percent of the six-month budget.

Water System All Revenues and Expenses Summary



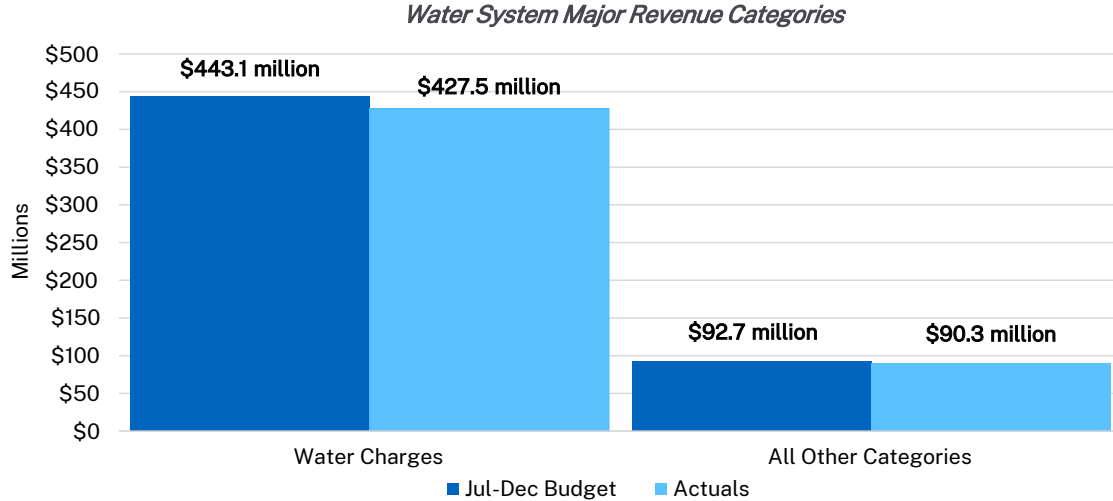
Water System All Revenues and Expenses Summary

All Revenues and Expenses Summary (\$ Thousands)				
	Jul-Dec Budget	Actuals	Over / (Under)	%
Operating Revenues	494,590	496,283	1,694	100%
New Bond Proceeds	-	-	-	-
Capital & Grants	41,232	21,446	(19,786)	52%
Total Revenues	535,821	517,729	(18,093)	97%
Operating Expenses	229,654	188,827	(40,827)	82%
Debt Service	80,251	71,008	(9,242)	88%
Capital Expenses	270,579	258,243	(12,337)	95%
Grant Expenses	224	340	116	152%
Total Expenses	580,709	518,418	(62,291)	89%
Revenues less Expenses	(44,887)	(689)	44,198	-

FY 2026 Mid-Year Budget & Performance Report
Water System – Water System Revenues

Water System Revenues

The following chart shows the major categories of revenue compared to a six-month budget, and the table below the chart shows additional detail. The combined revenues for the first six months were \$517.7 million, which represents 97 percent of the \$535.8 million six-month budget. Details of major revenue variances are explained on the following page.



Water System Detailed Revenue Summary

Detailed Revenue Summary (\$ 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)	34%
Grants & Other	1,200	2,903	1,703	242%
Capital Revenues	41,232	21,446	(19,786)	52%
Total Revenues	535,821	517,729	(18,093)	97%

FY 2026 Mid-Year Budget & Performance Report
Water System – Water System Revenues

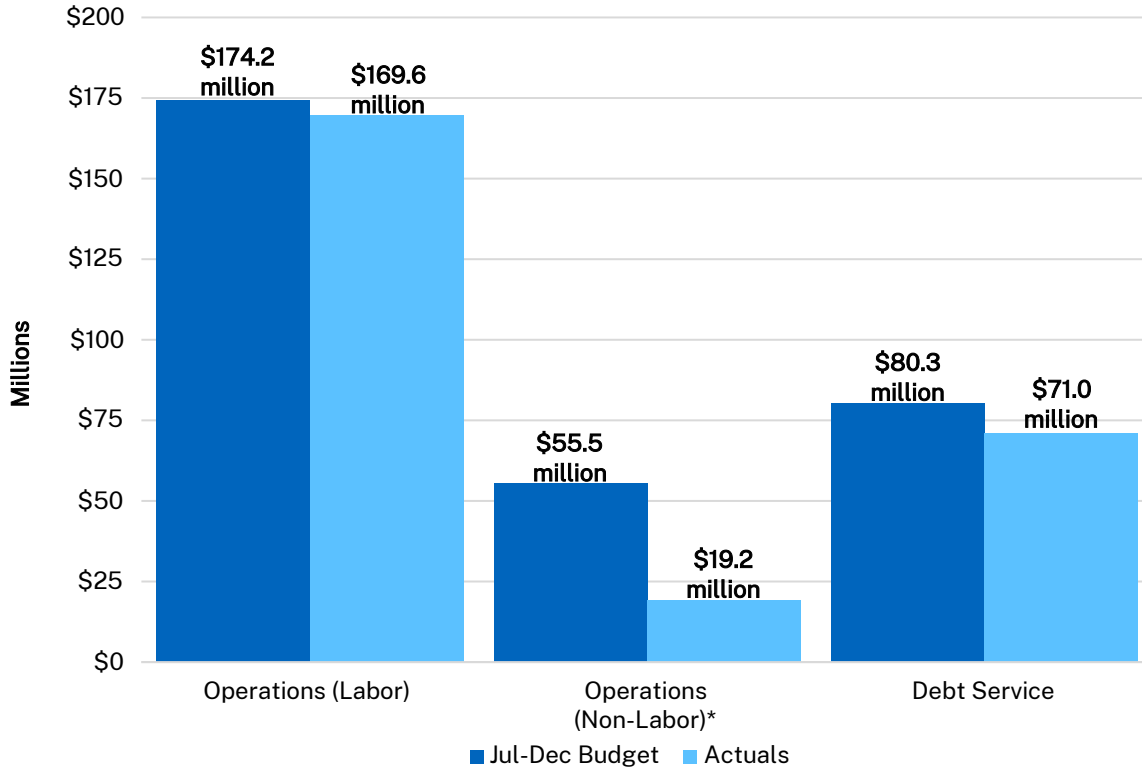
Major revenue variances were:

- **Water Charges** were \$427.5 million, or 96 percent of the six-month budget, which is based on prior years' trend data. Water consumption through December was 154.4 million gallons per day (MGD) as compared to water consumption of 166.8 MGD for the same period in FY 2025, for a year-over-year decrease of 7.4 percent. Water Charges were 4 percent below budget due to the lower-than-expected consumption.
- **System Capacity Charges (SCC)** revenue was \$8.3 million, which is 83 percent of the six-month budget. Lower revenues are consistent with trends in recent years of reduced large-scale development activity and new water service applications, though this remains even lower than expected.
- **Power Sales** were \$6.6 million, which is 141 percent of the six-month budget. This significant performance above budget was driven by higher-than-expected per-unit energy prices, favorable wholesale markets, and strong water supply conditions in the first half of the year.
- **Capital Reimbursements** were \$10.2 million, which is 34 percent of the six-month budget. Similar to SCC revenue, the budget was partly based on past District work reimbursed by applicants, as well as outside agencies for pipeline relocations. However both have been relatively muted for the year so far.
- **New Bond Proceeds** were \$0 as bonds have not yet been issued for FY 2026, though issuance is expected before the end of the fiscal year.
- **Grant & Other Capital Revenues** were \$2.9 million, which included \$2.2 million in reimbursements from grants related to capital projects, with the additional approximately \$700,000 from investment earnings on capital reserves.

Water System Operating Expenses

The following chart depicts non-capital expenses in comparison to six-month budgets. Total non-capital expenses totaled \$259.8 million, which is 84 percent of the \$309.9 million six-month budget. Major variances in the three categories are described in further detail below.

Water System Operating Expense Categories



*Includes capital support offsets.

Water System Operating (Non-Capital) Expense Details

Operating (Non-Capital) Expense Details (\$ Thousands)				
	Jul-Dec Budget	Actuals	Over / (Under)	%
Operations (Labor)	174,184	169,582	(4,602)	97%
Operations (Non-Labor)*	55,470	19,245	(36,225)	35%
Total Operations Expenses	229,654	188,827	(40,827)	82%
Debt Service	80,251	71,008	(9,242)	88%
Total Non-Capital Expenses	309,905	259,835	(50,070)	84%

*Includes capital support offsets.

FY 2026 Mid-Year Budget & Performance Report
Water System – Water System Capital Cash Flow Expenses

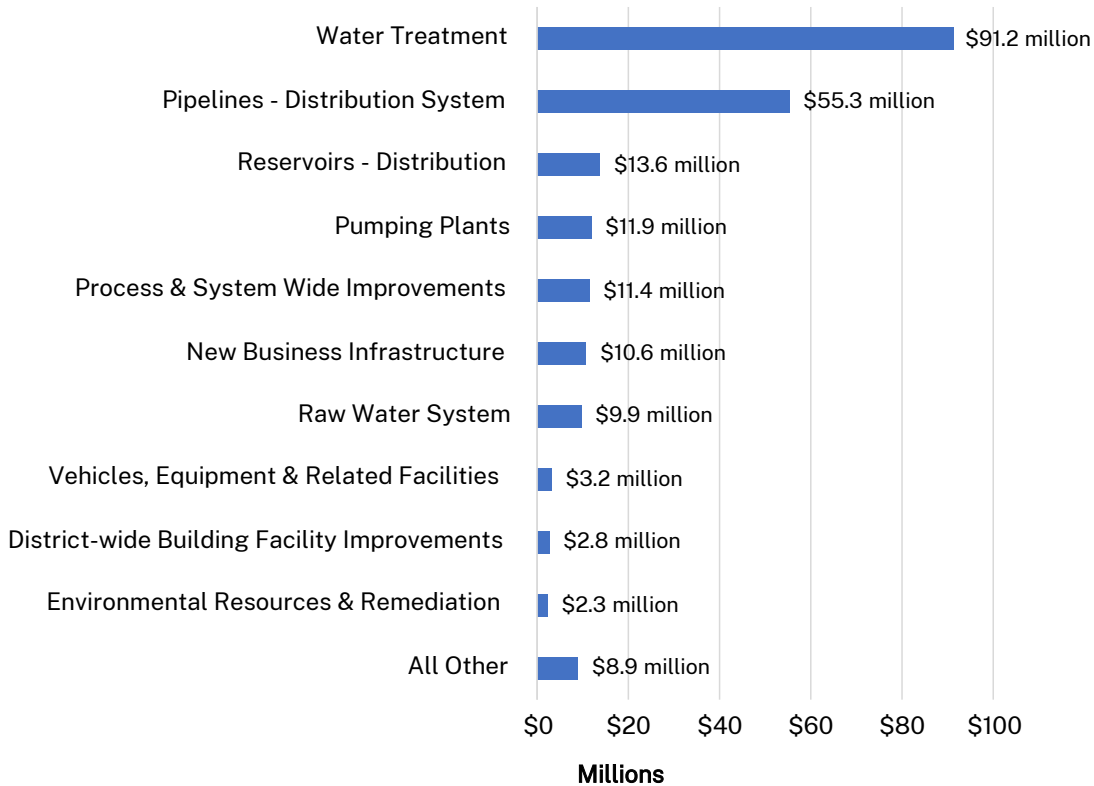
The major variances in spending are attributable to:

- **Operations (Labor):** Operating labor expenses were \$169.6 million, or 3 percent less than the six-month budget. Labor costs were higher than budgeted due to the conclusion of labor negotiations after the FY 2026 & FY 2027 budget process was adopted. Increased costs were offset by savings due to the lead time to recruit for vacant positions and a small shift of operating labor to capital expenses due to ongoing significant capital work as compared to budgeted expectations.
- **Operations (Non-Labor):** Expenditures in most departments’ non-labor budgets remained well under budget. This, combined with increased capital support expenses, which relieve the operating budget of expenses associated with managing and supporting the capital program, resulted in \$36.2 million in savings compared to budget.
- **Debt Service:** Actuals were 88 percent of the six-month budget, which included interest expense budgeted for new money bonds. The issuance of the new bonds is currently scheduled for this spring, leading to savings in the first half of the fiscal year as compared to budget.

Water System Capital Cash Flow Expenses

The following chart illustrates the capital cash flow spending for major capital awards in the Water System. Capital cash flow expenditures totaled \$258.2 million. Of this amount, direct capital project costs totaled \$221.1 million and the remaining \$37.1 million represents capital support expenses.

Water System Cash Flow Expenses by Award Purpose



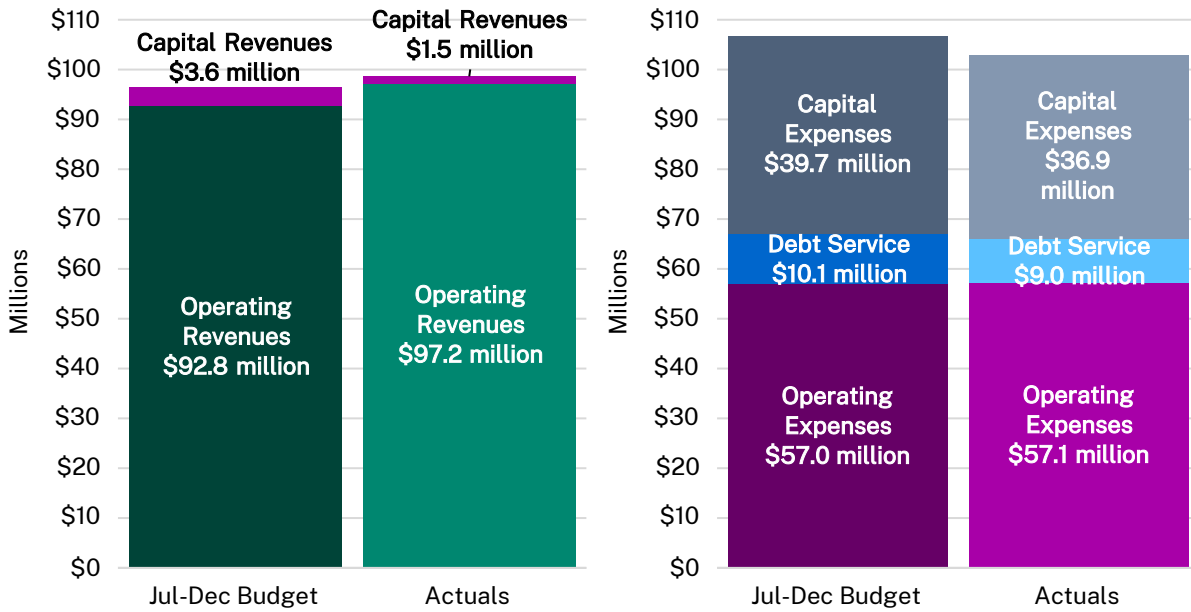
Wastewater System

Summary of Revenues and Expenses

The following charts compare the six-month actuals to a six-month budget for total revenues, operating expenses, and capital cash flow expenses.

- Operating revenues totaled \$97.2 million, or 105 percent of the six-month budget.
- Capital and grant revenues totaled \$1.5 million, which is 41 percent of the six-month budget.
- Operating expenses totaled \$57.1 million, or 100 percent of the six-month budget.
- Debt service totaled \$9.0 million, or 89 percent of the six-month budget.
- Capital cash flow expenses totaled \$36.9 million, or 93 percent of the six-month budget.

Wastewater System Revenues and Expenses Summary

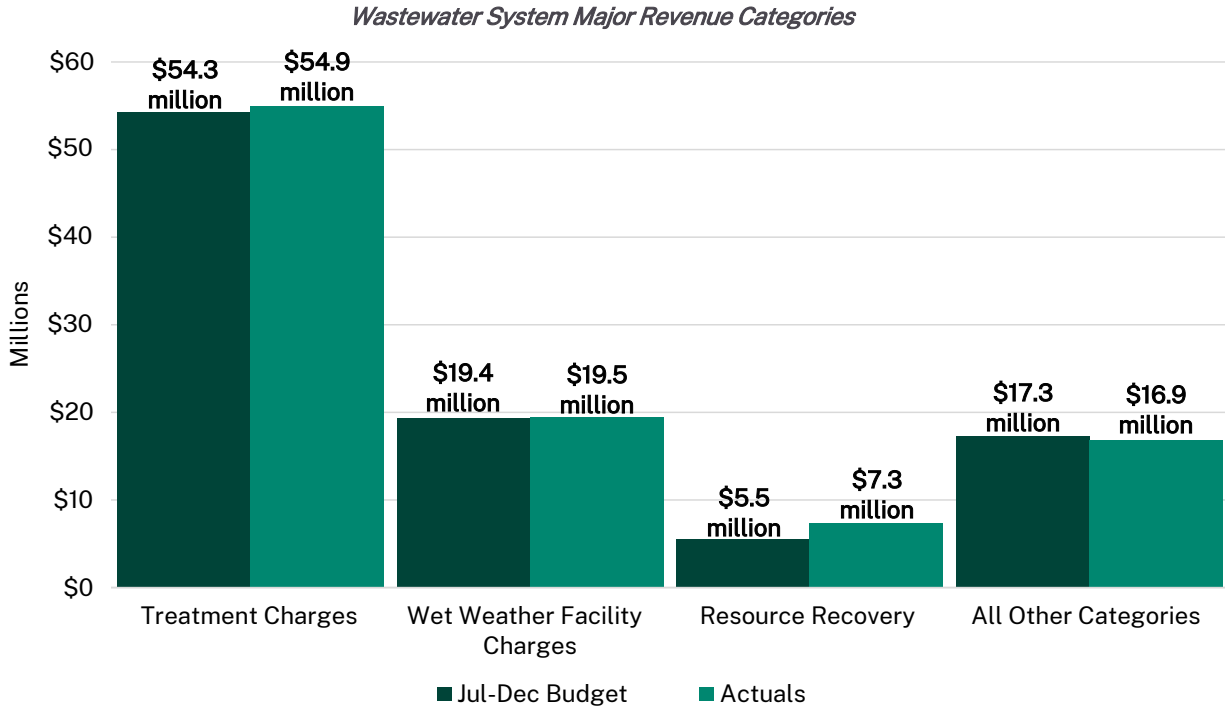


Wastewater System All Revenues and Expenses Summary

All Revenues and Expenses Summary (\$ Thousands)				
	Jul-Dec Budget	Actuals	Over / (Under)	%
Operating Revenues	92,792	97,152	4,360	105%
New Bond Proceeds	-	-	-	-
Capital & Grants	3,622	1,489	(2,133)	41%
Total Revenues	96,414	98,641	2,227	102%
Operating Expenses	56,983	57,084	102	100%
Debt Service	10,088	9,001	(1,087)	89%
Capital Expenses	39,704	36,916	(2,787)	93%
Total Expenses	106,774	103,001	(3,773)	96%
Revenues less Expenses	(10,360)	(4,360)	6,000	-

Wastewater System Revenues

The following chart shows the major sources of revenue compared to a six-month budget, and the table below shows a more detailed breakdown of system revenues. The combined revenues for the six-months were \$98.6 million, which is 102 percent of the \$96.4 million six-month budget. Details of the major revenue variances are discussed below.



Wastewater System Detailed Revenue Summary

Detailed Revenue Summary (\$ 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	102%

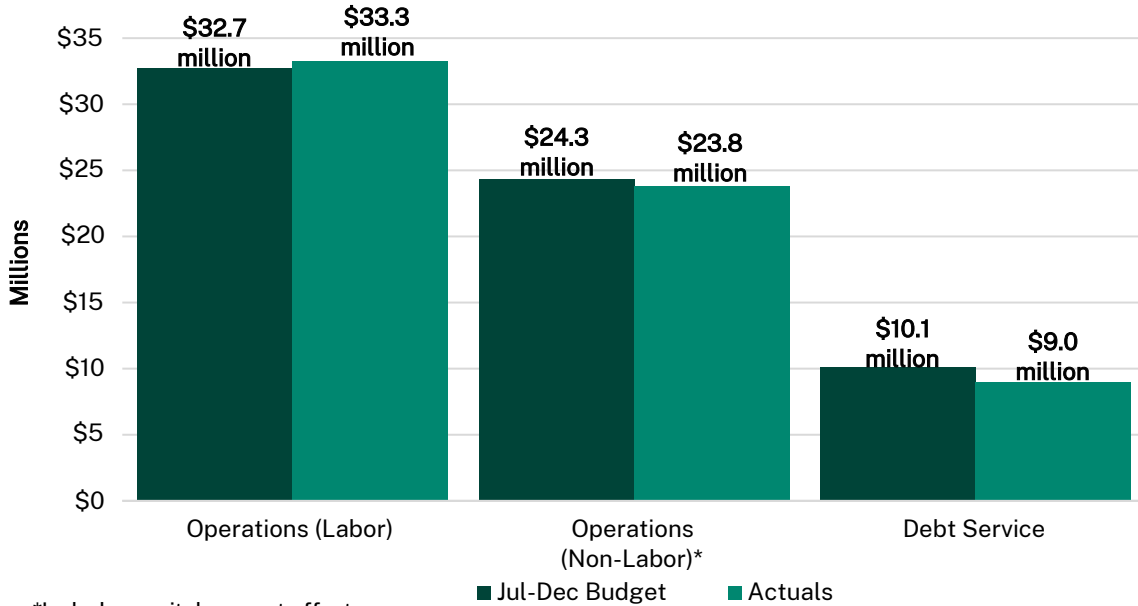
Major revenue variances were:

- **Resource Recovery** revenue totaled \$7.3 million, which is 134 percent of the six-month budget due to a conservative approach to budgeting as this revenue source is driven by and subject to the volatility of market demand.
- **Capacity Charges (Wastewater Capacity Fee)** revenue was \$1.0 million, which is 65 percent of the six-month budget. Similar to the Water System, development activity has not met budgeted expectations.
- **Interest Income** was \$2.2 million which is 117 percent of the six-month budget due to sustained strong investment returns.
- **New Bond Proceeds** were \$0 as bonds have not yet been issued for FY 2026, though issuance is expected before the end of the fiscal year.

Wastewater System Operating Expenses

The following chart and table depict non-capital expenses compared to the six-month budgets. Operating and debt service expenses totaled \$66.1 million, which is 99 percent of the \$67.1 million amended six-month budget.

Wastewater System Operating Expense Categories



*Includes capital support offsets.

Wastewater System Operating (Non-Capital) Expense Details

Operating (Non-Capital) Expense Details (\$ Thousands)				
	Jul-Dec Budget	Actuals	Over / (Under)	%
Operations (Labor)	32,691	33,275	584	102%
Operations (Non-Labor)*	24,292	23,809	(483)	98%
Total Operations Expenses	56,983	57,084	102	100%
Debt Service	10,088	9,001	(1,087)	89%
Total Non-Capital Expenses	67,070	66,085	(985)	99%

*Includes capital support offsets.

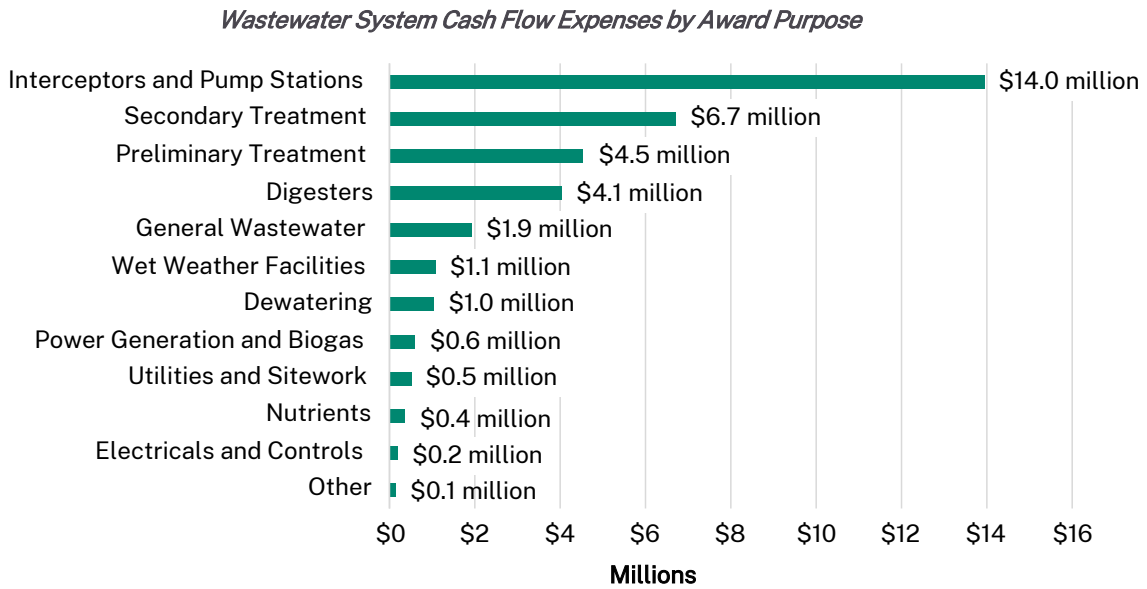
The major variances in spending are attributable to:

- **Operations (Labor):** Labor expenses were \$33.3 million, or 2 percent greater than the budget due to the increase in labor costs above what was budgeted, particularly due to retroactive salary increases, however unlike for the Water System, vacancy rates were lower and did not create sufficient savings to offset the higher costs for the operating budget.
- **Operations (Non-Labor):** Expenditures overall were under budget by 2 percent, due in part to unspent operating contingency funds.
- **Debt Service:** Expenses were 89 percent of the amended six-month budget, which included interest expense budgeted for new money bonds. The issuance of the new bonds is scheduled for this spring, leading to savings in the first half of the fiscal year.

Wastewater System Capital Cash Flow Expenses

The following chart illustrates the capital cash flow spending for the capital awards for the Wastewater System. Capital cash flow expenditures totaled \$36.9 million. Of this amount, direct capital project costs totaled \$35.2 million, and the remaining \$1.7 million represents capital support expenses.

Significant spending continued on Interceptors and Pump Stations, as well as Secondary Treatment.



Year-End Projection

Water System

Based on year-end projections, total revenues are projected to be 7 percent under budget, and total expenses are also expected to be 7 percent below budget. This would lead to total budgetary expenses being below total revenues by \$27.6 million, which is close to budgeted expectations. Details of the variances compared to budget are discussed below.

Water System All Revenues and Expenses Year-End Projection

All Revenues and Expenses Year-End Projection (\$ 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	-

REVENUES

- Water charges are expected to provide 86 percent of operating revenues and are projected to be \$41.3 million less than budget, or 5 percent below budget by fiscal year end. This is due to lower consumption than assumed during budget development.
- All other operating revenue items combined are expected to provide an additional \$7.2 million more in revenue than budgeted as power sales and interest income are expected to exceed budget. The remaining operating revenues are not expected to significantly deviate from the budget.
- Capital revenues are anticipated to be \$53.6 million less than budget, or 88 percent of the full-year budget, primarily due to receiving less than budgeted capital reimbursements and System Capacity Charges (SCCs).

EXPENSES

FY 2026 Mid-Year Budget & Performance Report
Year-End Projection – Water System

- Operating expenses are projected to be \$34.6 million, or 7 percent, less than budget. This expected savings is primarily driven by increased capital support offsets, unspent contingency, and overall underspending in departments' non-labor budgets.
- Debt service expenses are anticipated to be \$22.1 million less than budget, or 92 percent of the full-year budget, in part due to reduced interest expenses for the fiscal year. The budget included a new bond issuance at the start of the fiscal year with semi-annual interest payments. New money bonds are expected to be issued in the last quarter of FY 2026. Remaining budgeted funds may be used to retire variable rate commercial paper, depending on fiscal conditions at year end.
- Capital expenses are expected to be \$31.8 million less than budget, or 95 percent of the full-year budget. This projection for capital expenses, however, is less than 1 percent lower than FY 2025, indicating continued strong investments in infrastructure renewal.

Year-End Projection

Wastewater System

Based on year-end projections, total revenues are projected to be \$430,000 less than budget (or less than 1 percent) and total expenses are anticipated to be \$736,000 more than budgeted (or less than 1 percent), which is expected to result in \$7.2 million more in total revenues than total expenses by year-end. The following table shows the year-end projection for the Wastewater System. Details of the variances are discussed below.

Wastewater System All Revenues and Expenses Year-End Projection

All Revenues and Expenses Year-End Projection (\$ 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 Revenue	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	-

REVENUES

- Total revenues are projected to be at budget primarily due to increased revenue from resource recovery, offset by lower-than-budgeted capacity charges and grants.

EXPENSES

- Operating expenses are anticipated to be 5 percent below budget largely driven by unspent contingency, and debt service will be 9 percent lower than budgeted. Capital expenses are expected to be 7 percent below budget.