

***Fiscal Year 2026
Adopted Budget***



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Message from the General Manager

On behalf of the Trabuco Canyon Water District (TCWD), I am pleased to present the Fiscal Year (FY) 2026 budget to our customers and stakeholders.

After two consecutive years of above-average rainfall and record groundwater production, local climate conditions resumed a drying trend during the 2024-2025 Water Year. The idling of the District's Trabuco Creek Wells Facility during Spring 2024, in combination with increased treated water purchases from neighboring Irvine Ranch Water District, resulted in unplanned and higher-than-budgeted water purchase costs. This fiscal year's operating budget forecasts a realignment of water purchase revenues and expenses due to the anticipated \$7 million rehabilitation (Phase 1) of the drinking water transmission pipeline connecting the Dimension Water Treatment Plant in Lake Forest to the District's distribution system (Project ID PW-03). This project will restore our most reliable and cost-effective source of drinking water.

The District remains focused on advancing and delivering capital improvement projects with an emphasis on replacing and rehabilitating aging infrastructure, preparing for uncertainties, and ensuring regulatory compliance. Recent wildfires, including the 2024 Airport Fire which originated in Trabuco Canyon, are stark reminders of the need to invest in a resilient water system. Our Capital Improvement Program (CIP) includes distribution system and emergency generation investments over the next three years to improve on wildfire preparedness. Other key projects that TCWD will undertake in FY 2026 include:

- Wastewater Treatment Process Aeration Improvements (Project ID WW-40) – construction will begin on the \$1 million replacement and relocation of several large blower assemblies within the Robinson Ranch Wastewater Treatment Plant that force air into the sewage treatment process. These new more efficient blowers will reduce energy consumption and decrease treatment time, saving operating costs.
- Heritage Sewer Lift Station Rehabilitation (Project ID WW-09) – construction will begin on the \$1.5 million modernization of the 1990s-era sewer lift station that pumps wastewater collected from a large portion of Dove Canyon and other communities uphill to the Robinson Ranch Wastewater Treatment Plant.
- Recycled Water Booster Pump Station Improvements (Project ID RW-13) – construction will begin on the final phase of improvements to the pump station that distributes recycled water to community association irrigation customers.

Overall, the District's long-term infrastructure renewal strategy includes over \$70 million in capital investments over the next ten years to ensure continued safe and reliable water delivery and wastewater collection and treatment for our customers. A 10-year financial roadmap for financial sustainability, including a planned debt issuance in FY 2026 and a step-down in rate adjustments over the next several years, ensures that TCWD funds CIP while achieving industry-standard reserve targets.

The Board of Directors remains responsive to ratepayers' concerns over affordability by soliciting input from adjoining water districts on operational and/or governance integration strategies, up to and including consolidation of agencies, that could potentially result in long-term rate relief for TCWD ratepayers without compromising service quality or system reliability. The Board will communicate results and any potential long-term changes affecting the District, over the course of the fiscal year.

I would like to thank the Board of Directors for their leadership and commitment to maintaining the District's high level of quality and reliability of service to our customers. I would also like to complement TCWD's employees for their dedication to fulfilling the District's mission. Finally, on behalf of the Board and the employees, thank you to our valued ratepayers; we are proud to provide safe and reliable water and wastewater services for you.



Fernando Paludi, P.E.
General Manager

District Information



Mission Statement

It is the purpose of the Trabuco Canyon Water District (TCWD), a public service agency, to provide:

- Service to our customers which instills trust regarding the quality and quantity of the water supply.
- Reliable service for collection, treatment, and reuse of wastewater.
- A work environment where safety, health of employees, and customers are our paramount concern.
- Information to our customers to foster and maintain a well-informed community.
- Cost effective and efficient services in a courteous manner.

District Services

TCWD is a public agency with a diversified portfolio of water resource management solutions and practices for the customers in its service area. In addition to the provision of safe drinking water to approximately 14,000 residents, TCWD manages the sanitary sewer system in the master planned communities on the Upper Plano, collecting and treating wastewater to recycled water standards for irrigation service, thereby conserving drinking water and offsetting the purchase of expensive imported water. The District is also committed to capturing and reusing dry-weather urban runoff and stormwater. The District serves portions of the Cities of Rancho Santa Margarita, Mission Viejo Lake Forest, as well as unincorporated County communities in the foothills of the Santa Ana Mountains.



Board of Directors

Incorporated in 1962, TCWD is an independent County Water District governed by a five-member publicly elected Board of Directors who are responsible for District policies and decision making on a large range of issues. The Board's policies are administered and implemented by the General Manager, who is appointed by the Board. Public elections are held every two years. Directors serve four-year terms.

Board Organization for CY 2024	
President	Edward Mandich
Vice President	Glenn Acosta
Director	Mark Anderson
Director	John Horst
Director	Michael Safranski

Potable Water Services

Trabuco Canyon Water District provides potable or drinking water to a population of approximately 14,000 throughout its 8,200-acre service area.

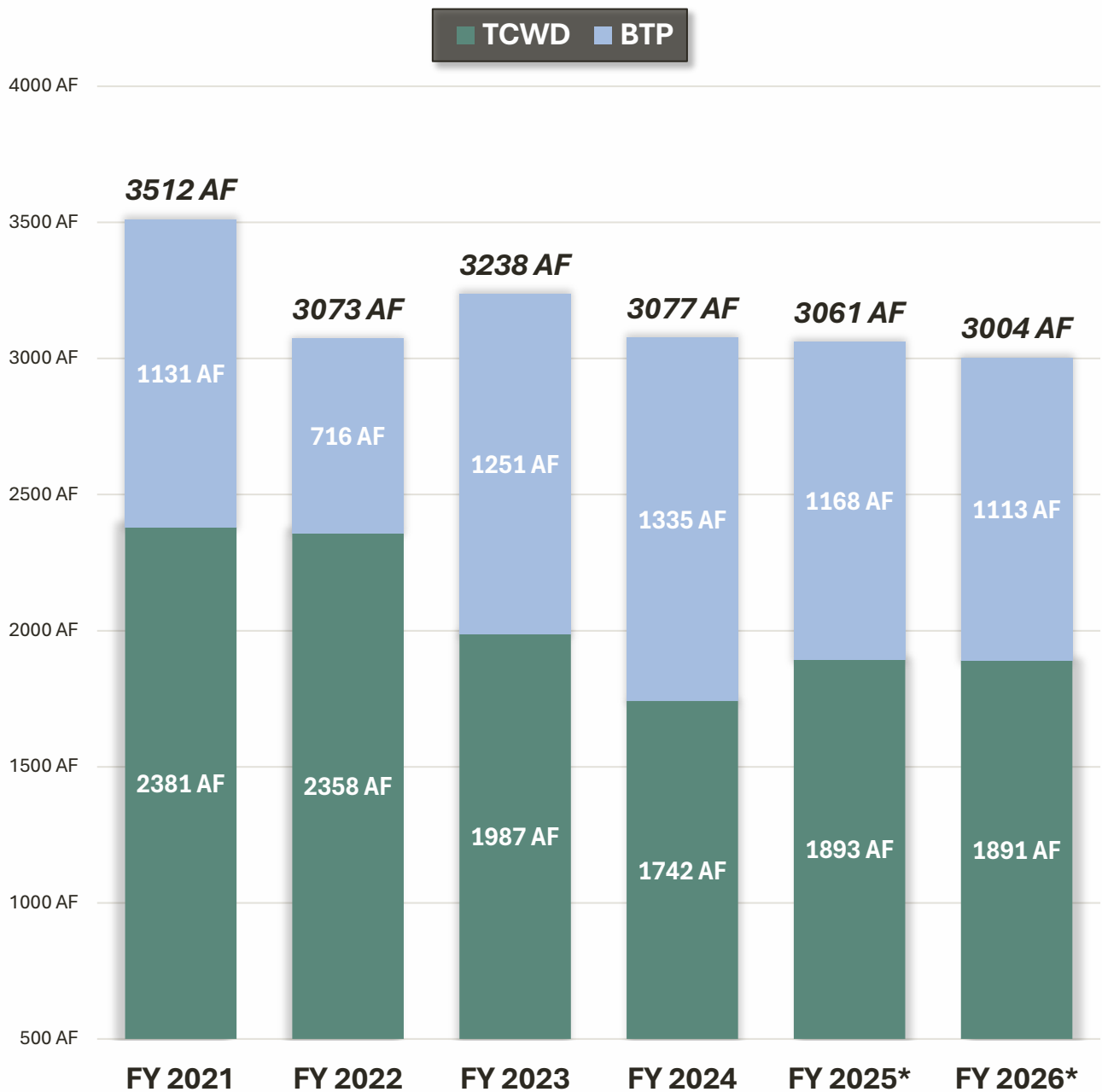
The District receives its water from multiple sources, including local groundwater from Trabuco Creek, treated and untreated imported water from the Metropolitan Water District of Southern California, and treated water from the District's capacity interest in the Baker Water Treatment Plant (BTP). The bulk of District import water is sourced through MET untreated surface water from the Colorado River which is filtered and treated at the Dimension Water Treatment Plant (DWTP). The District's local groundwater is treated at the Trabuco Creek Groundwater Treatment Facility, and MET treated water is received through interconnections with Irvine Ranch Water District (IRWD) and Santa Margarita Water District (SMWD). BTP is operated by Irvine Ranch Water District and treats both MET untreated water and Irvine Lake water.

To distribute drinking water throughout the distribution system, the District has eight pump stations, seven treated water storage reservoirs, and approximately 66 miles of pipelines.



Potable Water Consumption History

The largest source of District revenue is derived from potable water sales, which is split into fixed and variable charges. Variable charges correlate to the volume of water sold. Sales of potable or drinking water for indoor and outdoor use, including landscape irrigation, comprise a significant revenue source from customer charges. The volume of potable water sales can cause fluctuations in variable potable water revenue, which has been transparent in recent years with above average rainfall or years of drought. The chart below displays historical consumption data for reference. FY 2025 and FY 2026 include projected amounts as actual data was not available at the time of budget adoption. Potable water consumption is comprised of District customer consumption (green), and Baker Water Treatment Plant water sold to external agencies (blue).



Wastewater Collection

The District’s wastewater collection system includes approximately 36 miles of sewer pipelines and interceptors ranging from 8 inches to 15 inches in diameter, 8 sewer lift stations, and 9 miles of force mains. The District owns and operates the Robinson Ranch Wastewater Treatment Plant (RRWWTP) that recycles wastewater collected from developments on the east side of the service area. The RRWWTP is located adjacent to the Robinson Ranch development and has a treatment capacity of 850,000 gallons per day. Due primarily to indoor water conservation efforts by TCWD customers, the volume of wastewater collected is trending downward and recycled water production from the RRWWTP is averaging approximately 480,000 gallons per day. The recycled water reservoir adjacent to the plant has a storage capacity of 42 million gallons. Wastewater collected from communities on the west side of the District along El Toro Road is pumped to the Santa Margarita Water District through the El Toro Trunk Sewer System owned by the District, including the El To Sewer Lift Station.

Recycled Water and Urban Runoff Recovery

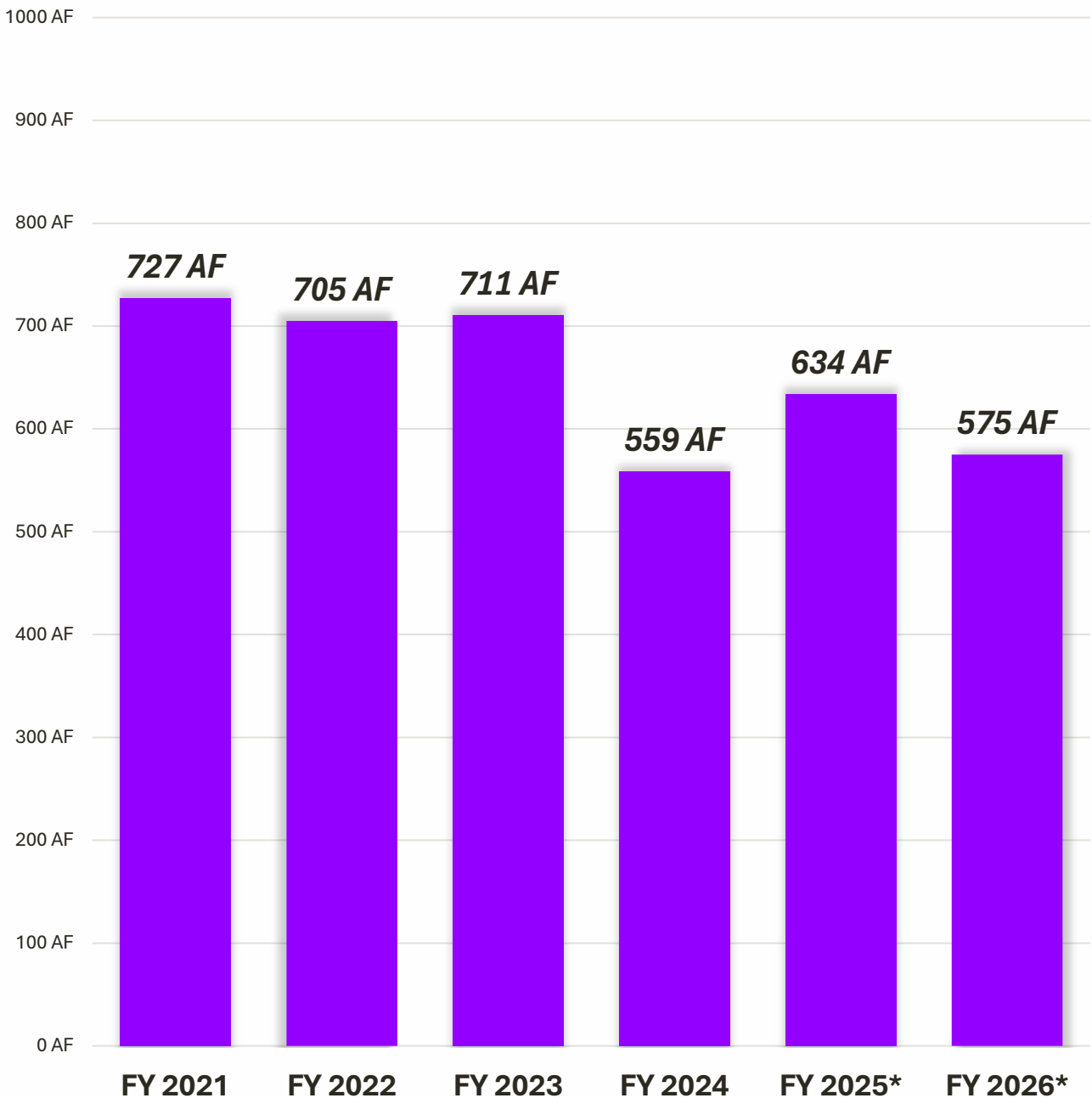
Recycled water is highly treated wastewater produced at the RRWWTP. The purification process removes solids and contaminants through a series of processes known as primary, secondary, and tertiary treatment. All recycled water produced by TCWD meets the recycled water quality requirements for California as established by Title 22 of the California Code of Regulations, administered by the State Water Resources Control Board. Recycled water is a reliable and drought-proof source of supply for landscape irrigation, conserving drinking water and reducing the District's reliance on imported water supplies. Recycled water is used to irrigate parks, golf courses, and greenbelts in Robinson Ranch, Trabuco Highlands, and Dove Canyon Communities through a system that includes two pump stations over five (5) miles of “purple pipe.”

Because demand for non-potable irrigation water can exceed the District’s recycled water production capacity, particularly in lengthier dry seasons, the District has invested in the ability to supplement the recycled water system with local runoff from the Urban Runoff Capture and Reuse System. Dry-weather and storm water runoff from most of Trabuco Highlands, Robinson Ranch and Dove Canyon communities are captured in Dove Lake, and can be conveyed when needed to the recycled water reservoir. Smaller facilities outside the Dove Lake watershed, including Shadow Rock Pump Station in Trabuco Highlands, and Dove and Tick Creek Outfall Pump Stations at the southern end of Dove Canyon Golf Course, can pump back to Dove Lake. All recycled wastewater and urban runoff reused through these systems represents conservation of drinking water and avoided purchases of imported water from the Metropolitan Water District.

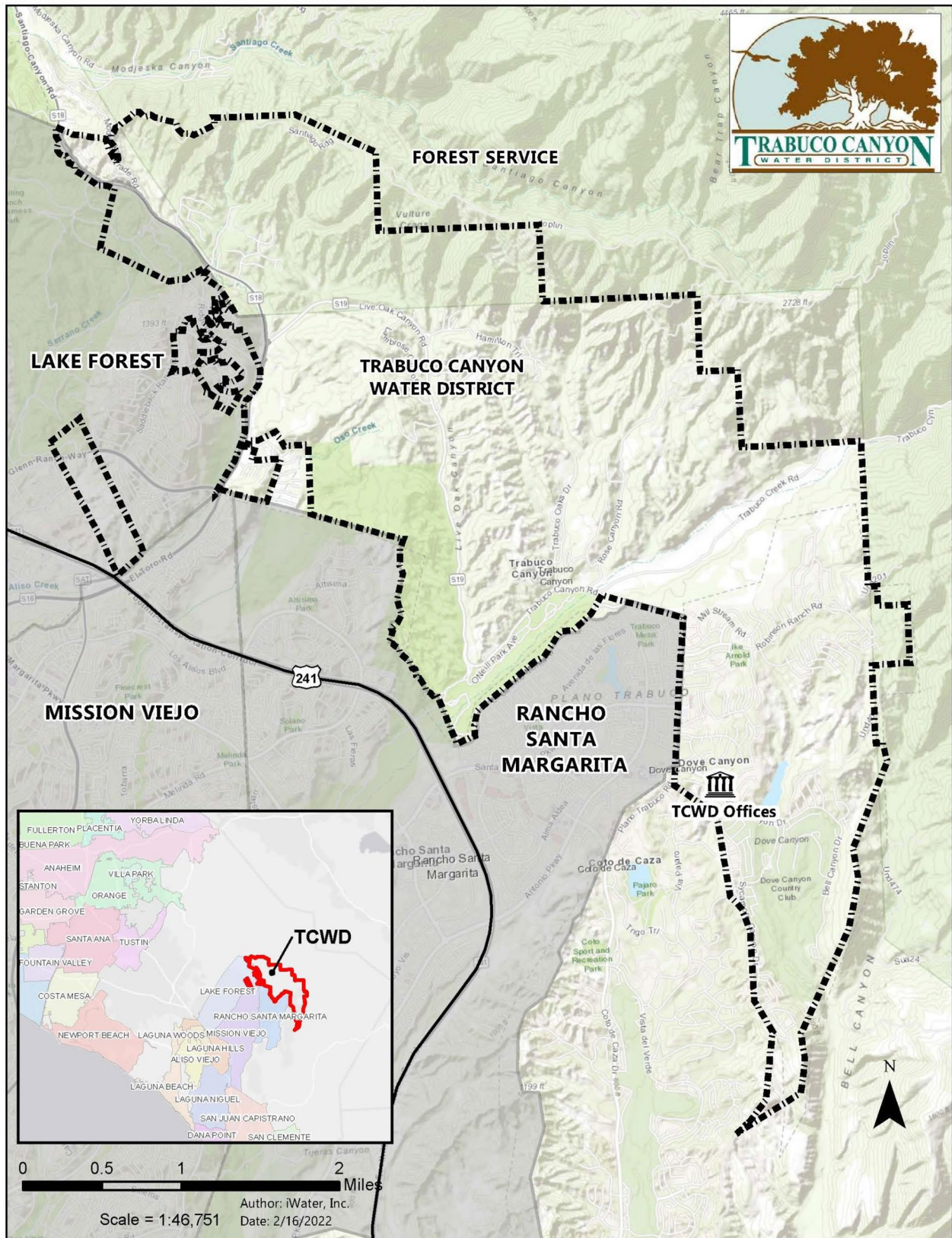


Recycled Water Consumption History

TCWD reuses 100% of the sewage or wastewater collected within its service territory east of Plano Trabuco Road. This recycled water produced at the Robinson Ranch Wastewater Treatment Plant is augmented by natural urban runoff captured through a network of basins and Dove Canyon Lake and used for landscape irrigation by several Homeowners Associations (HOAs). Recycled water represents 100% conservation of potable or drinking water supplies, which would otherwise be used for irrigation. Recycled water supplies are limited and carefully managed by operations personnel to maximize its benefit. The chart below displays historical and projected recycled water consumption. FY 2025 FY 2026 are projected amounts as actual data was not available at the time of budget preparation.

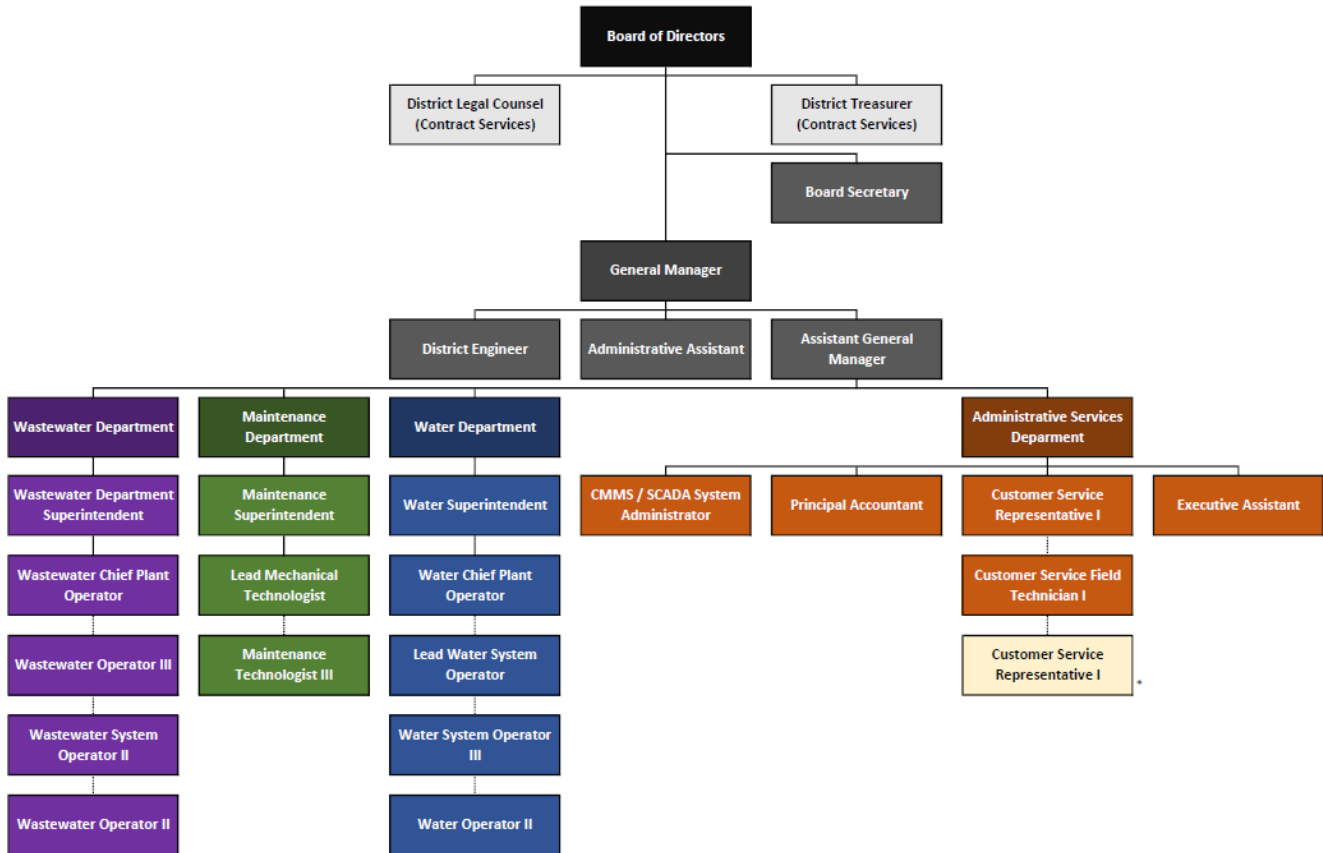


Service Area Map



Organization Chart

The following chart outlines organization of District personnel and key outsourced services, effective July 1, 2025, which is included in the Fiscal Year 2025-26 salaries and benefits budget. The budget includes 24 regular full-time positions. As it appears on the organization chart, the “Board Secretary” is a function and not a separate position. District Legal Counsel and the District Treasurer are positions contracted with external firms. The additional Customer Service Representative I position was vacant at the time of budget adoption and is denoted with an asterisk.



Executive Summary



Budget Summary Schedule

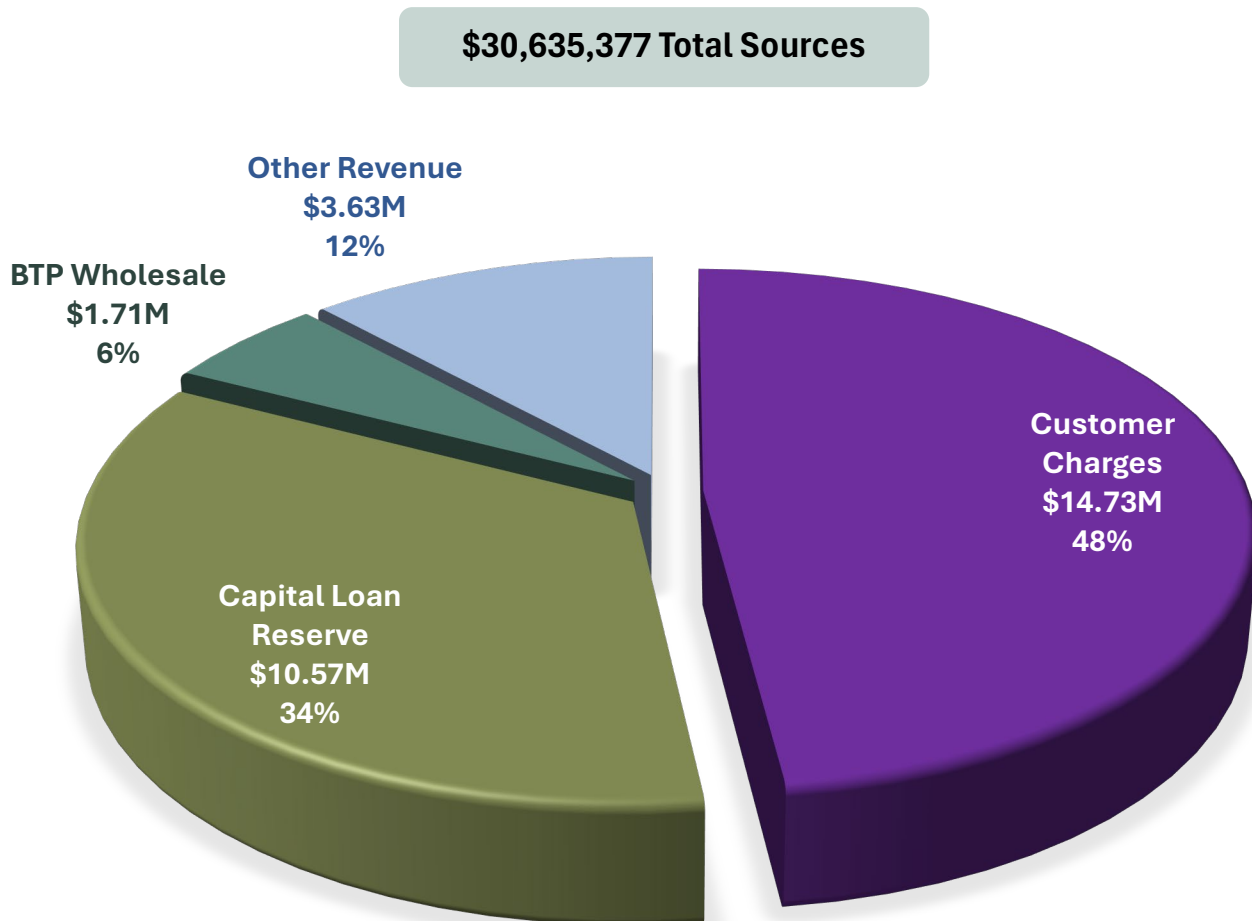
The Budget Summary summarizes the impact of the adopted budget on the District’s unrestricted cash position. Activities are consolidated from the water, wastewater, and recycled water funds displayed in total.

The budget emphasizes the District’s commitment to recovering revenue to provide reliable and essential water, wastewater, and recycled water services. During FY 2025, the District implemented water pass-through charges to recover wholesale water supply costs that have increased beyond assumptions included in the 2023 Cost-of-Service (COS) study. These pass-through charges will continue and be updated in FY 2026. The District continues to prioritize the execution of a robust Capital Improvement Program, including rehabilitation of the water transmission line that conveys water to the Dimension Water Treatment Plant - the source of the District’s least expensive and most reliable water supply. The District has incorporated a projected \$7 million loan issuance during the budget year to support ongoing capital investments and spread the cost of long-term infrastructure to future generations who will benefit. Detailed discussion of operating budget items is included in the District Operating Budget Detail and accompanying narrative ([District Operating Budget Detail](#)).

	A	B	C	D
	FY 2024	FY 2025	FY 2025 (P)	FY 2026
	Actual	Adopted	Projected	Adopted
	Results	Budget	Results	Budget
1 Fixed Service Charges	\$ 3,365,770	\$ 3,694,400	\$ 3,794,700	\$ 4,499,900
2 Variable Service Charges	4,592,572	5,309,500	6,037,600	6,386,300
3 Pass-Through Charges	-	-	295,000	870,800
4 BTP Wholesale Charges	1,831,802	2,115,600	1,694,500	1,708,700
5 Wastewater Charges	2,221,462	2,558,700	2,559,800	2,973,200
6 Property Tax Receipts	2,346,796	2,577,700	2,389,980	2,437,300
7 Other Revenue	1,106,136	808,400	1,237,000	718,300
8 Total Revenue	15,464,537	17,064,300	18,008,580	19,594,500
9 Source of Supply	2,652,504	2,929,900	3,889,300	3,674,900
10 Cost of BTP Wholesale	1,463,827	1,587,700	1,469,100	1,493,900
11 Staffing Resources	4,434,912	5,224,800	5,278,500	5,870,500
12 Operations & Maintenance	1,964,261	1,958,600	1,987,300	2,296,100
13 General & Administrative	2,520,050	2,403,300	2,397,300	2,652,900
14 Total Expense	13,035,554	14,104,300	15,021,500	15,988,300
15 Net Income / (Loss) from Operations	2,428,983	2,960,000	2,987,080	3,606,200
16 Capital Loans Reserve	2,575,067	5,441,589	4,856,738	10,570,177
17 Water Storage Facilities Reserve	-	-	-	-
18 Grant Proceeds for CIP	-	-	-	470,700
19 Capital Improvement Program	(2,225,250)	(5,441,589)	(5,497,938)	(10,969,877)
20 CIP Contingency	-	-	-	(1,097,000)
21 Debt Service	(139,361)	(651,200)	(506,850)	(2,339,690)
22 State Revolving Fund Loan Reserve	-	-	-	-
23 Debt Service 2011 SRF Loan	(230,381)	(230,400)	(230,380)	(230,380)
24 Net Change in Unrestricted Cash	\$ 2,409,058	\$ 2,078,400	\$ 1,608,650	\$ 10,130
25 Ending Unrestricted Cash Balance			\$ 6,369,137	\$ 6,379,267

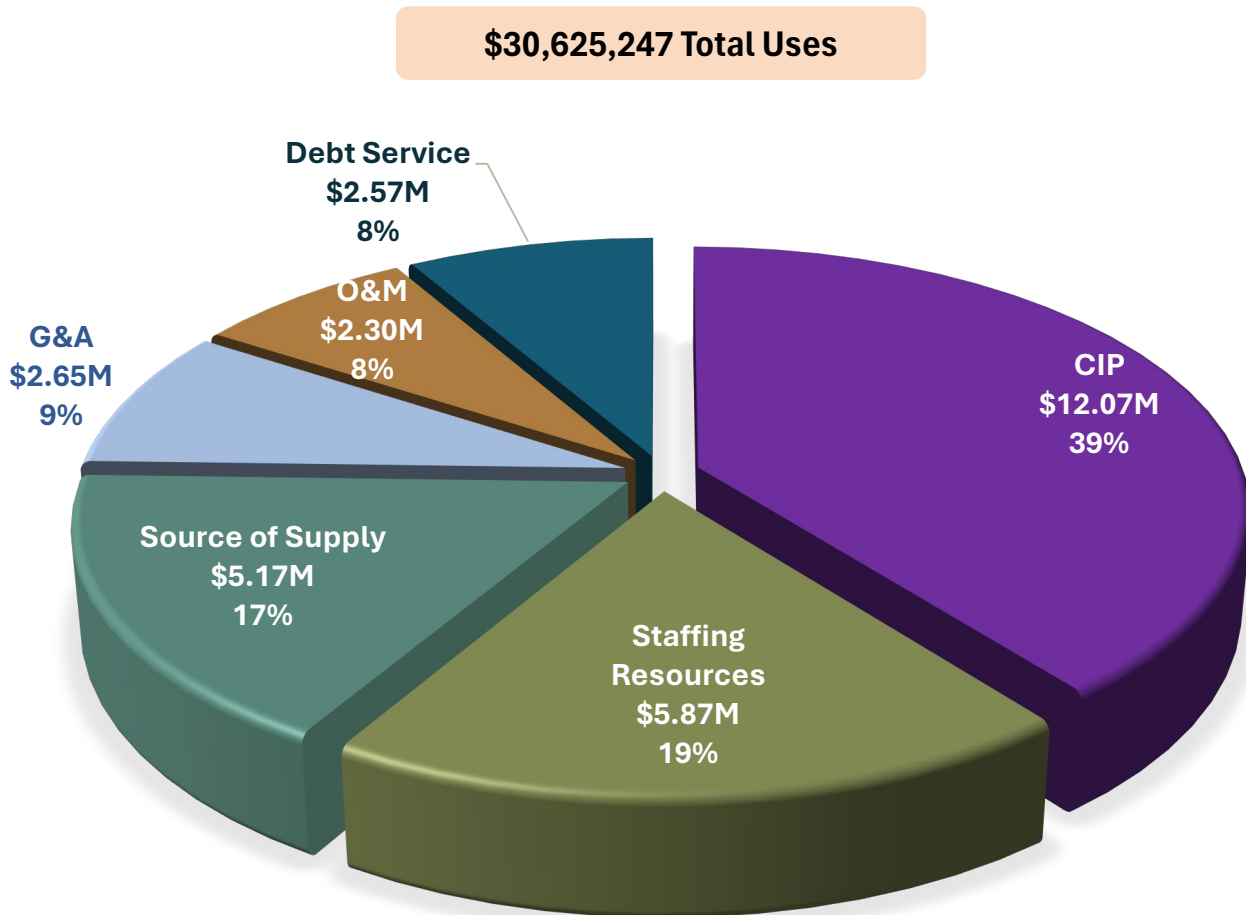
Funding Sources

The budget is supported by total funding sources of approximately \$30.64 million, which includes customer charges, Baker Water Treatment Plant Wholesale charges, capital loan reserves utilized for the Capital Improvement Program (CIP), and other revenues. Customer charges include all rate revenues billed to customers for water, wastewater, and recycled water services (lines 1-3, line 5). A five-year schedule of rates and charges for water, sewer, and recycled water services was adopted by the Board of Directors, effective July 1, 2023. The capital loan reserve represents existing or planned loan proceeds purposed for budgeted CIP spending (line 16). BTP Wholesale sources are derived from charges to external agencies for wholesale water sold from District capacity in the plant (line 4). Other revenue includes property tax receipts (line 6), other revenue (line 7) grant proceeds of CIP (line 18).



Funding Uses

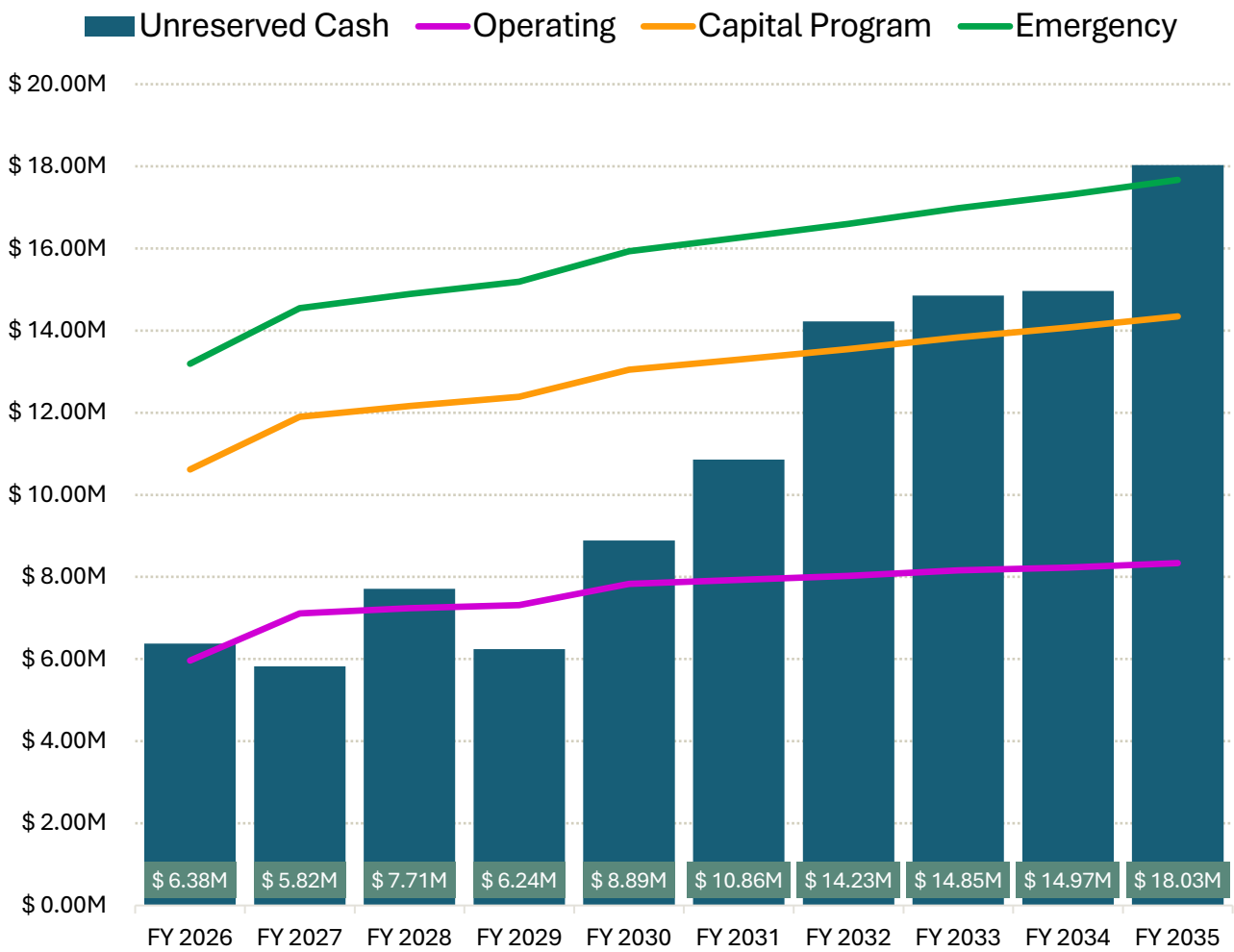
Funding uses total approximately \$30.63 million, which includes the Capital Improvement Program (CIP, line 19-20), Staffing Resources (line 11), Source of Supply (line 9-10), General & Administrative costs (G&A, line 13), Operations & Maintenance (O&M, line 12), and Debt Service (line 21, line 23). Total funding uses in the budget are primarily driven by CIP, which represents 39% of the budget. The District works to actively manage operating costs associated with water supply through groundwater utilization during wet weather conditions or purchasing less expensive raw Colorado River water through Metropolitan Water District for treatment at the Dimension Water Treatment Plant. Fully treated water is also available for direct purchase from neighboring agency interconnections. With the current state of the Dimension Water Treatment Plant, the District is experiencing higher than normal supply costs while purchasing fully treated emergency water from neighboring agencies. The FY 2026 budget focuses on investing in capital infrastructure to restore reliable and less expensive water supply sources that will mitigate the impact of higher operating costs over a longer period. Staffing costs are managed through a hybrid staffing strategy whereby the District contracts externally for professional services while minimizing the additional cost of benefits such as retirement health insurance associated with full-time staff.



10-Year Financial Plan

The District evaluated and developed financial strategies and goals over a long-term horizon while constructing the annual budget. A dynamic 10-year forecasting model was developed and implemented to evaluate scenarios, assist management and the Board in decision making, and continue responsible financial planning to build District cash reserve balances over time to reserve policy levels. This plan will be revisited each year during the annual budget process, and the dynamic model will be used to analyze financial decisions during interim periods.

The budget is projected to meet the operating reserve target by June 30, 2026, and is poised to meet the operating, capital program, and emergency reserve targets within the 10-year window. The District Reserve Policy was updated and adopted at the Board meeting on June 12, 2025, and is attached in the appendices of this budget document. ([District Reserve Policy](#)). The following chart summarizes the future projections of unrestricted cash balances against the District reserve policy targets at the time of budget adoption.



Operating Budget Detail



District Operating Budget Detail

	A	B	C	D	E = D - B	F = E / B
	FY 2024	FY 2025	FY 2025 (P)	FY 2026	\$ Budget	% Budget
	Actual	Adopted	Projected	Adopted	Change	Change
	Results	Budget	Results	Budget	PY	PY
1 Fixed Service Charges	\$ 3,365,770	\$ 3,694,400	\$ 3,794,700	\$ 4,499,900	\$ 805,500	22%
2 Variable Service Charges	4,592,572	5,309,500	6,037,600	6,386,300	1,076,800	20%
3 Fixed Service Charges Pass-Through	-	-	84,000	262,700	262,700	NA
4 Variable Service Charges Pass-Through	-	-	211,000	608,100	608,100	NA
5 BTP Wholesale Water Sales	1,162,623	1,233,500	1,059,600	1,054,800	(178,700)	-14%
6 BTP Maintenance Charges	411,452	550,600	409,500	439,100	(111,500)	-20%
7 BTP Capital Recovery	257,726	331,500	225,400	214,800	(116,700)	-35%
8 Wastewater Charges	2,221,462	2,558,700	2,559,800	2,973,200	414,500	16%
9 Property Tax Receipts	2,346,796	2,577,700	2,389,980	2,437,300	(140,400)	-5%
10 Customer Fees	485,430	447,200	495,400	520,200	73,000	16%
11 Interest Revenue	326,637	288,800	704,600	160,000	(128,800)	-45%
12 Miscellaneous Revenue	294,070	72,400	37,000	38,100	(34,300)	-47%
13 Total Revenue	15,464,537	17,064,300	18,008,580	19,594,500	2,530,200	15%
14 Source of Supply						
15 Variable Water Purchases	2,059,227	2,243,000	3,124,100	2,849,800	606,800	27%
16 BTP Water Purchases TCWD	1,302	1,200	96,500	93,600	92,400	7700%
17 BTP Maintenance Expense TCWD	(8,431)	(9,000)	45,100	46,800	55,800	-620%
18 Fixed Water Purchases	347,038	406,300	384,100	401,700	(4,600)	-1%
19 Chemicals & Electricity	253,367	288,400	239,500	283,000	(5,400)	-2%
20 Total Source of Supply	2,652,504	2,929,900	3,889,300	3,674,900	745,000	25%
21 Cost of BTP Wholesale						
22 BTP Water Purchases for Wholesale	1,052,375	1,037,100	1,059,600	1,054,800	17,700	2%
23 BTP Maintenance Expense Sales	411,452	550,600	409,500	439,100	(111,500)	-20%
24 Total Cost of BTP Wholesale	1,463,827	1,587,700	1,469,100	1,493,900	(93,800)	-6%
25 Staffing Resources						
26 Employee Compensation	3,145,626	3,727,700	3,762,800	4,115,500	387,800	10%
27 Employee Benefits	1,030,483	1,227,900	1,194,700	1,360,000	132,100	11%
28 CalPERS Retirement Unfunded Liability	258,804	269,200	321,000	395,000	125,800	47%
29 Retiree Health Insurance Payments	171,959	256,200	179,300	201,700	(54,500)	-21%
30 OPEB Trust Reimbursement	(171,959)	(256,200)	(179,300)	(201,700)	54,500	-21%
31 Total Staffing Resources	4,434,912	5,224,800	5,278,500	5,870,500	645,700	12%
32 Operations & Maintenance						
33 System Repairs and Maintenance	740,764	677,100	809,700	1,030,600	353,500	52%
34 Distribution Electricity	899,475	958,300	854,800	914,700	(43,600)	-5%
35 Vehicles and Equipment	154,821	154,200	179,000	188,800	34,600	22%
36 Lab Testing & Supplies	169,200	169,000	143,800	162,000	(7,000)	-4%
37 Total Operations & Maintenance	1,964,261	1,958,600	1,987,300	2,296,100	337,500	17%
38 General & Administrative						
39 Professional Services	1,117,851	937,100	897,000	1,033,000	95,900	10%
40 Office Maintenance & Supplies	564,109	540,600	576,100	616,200	75,600	14%
41 Board of Directors	117,952	105,800	99,700	111,700	5,900	6%
42 District Insurance	166,567	196,700	201,200	237,500	40,800	21%
43 Dues and Memberships	244,224	261,500	235,100	247,200	(14,300)	-5%
44 Public Outreach & Rebate Programs	156,161	161,600	102,300	100,000	(61,600)	-38%
45 Customer Service and Billing	70,744	102,600	77,200	81,600	(21,000)	-20%
46 Conference, Trainings and Travel	35,750	41,200	30,700	32,300	(8,900)	-22%
47 Miscellaneous Expense	46,692	56,200	178,000	193,400	137,200	244%
48 Total General & Administrative	2,520,050	2,403,300	2,397,300	2,652,900	249,600	10%
49 Total Expense	13,035,554	14,104,300	15,021,500	15,988,300	1,884,000	13%
50 Net Income / (Loss) from Operations	\$ 2,428,983	\$ 2,960,000	\$ 2,987,080	\$ 3,606,200	\$ 646,200	22%

District Operating Budget Detail Narrative

1. **Fixed Service Charges** includes fixed service cost recovery revenue billed to customers for potable and recycled water service. The FY 2026 budget assumes semi-annual rate adjustments and gradual implementation of the FY 2026 potable water rates as noticed in the 2023 Cost-of-Service (COS) study. The fixed rates for water and recycled water service charges are outlined below:

a. Potable Water Rates are budgeted to be implemented at 94.0% of the 2023 COS study rate plan on July 1, 2025, and at 100% of the 2023 COS study rate plan for January 1, 2026, as shown in the following table:

			7/1/2024	7/1/2025	1/1/2026
			1-Jul-24	94%	100%
F/V	Size		25_TCWDRate	26_TCWDRate	26_TCWDRate2
Fixed	5/8"	\$	52.52	\$ 61.33	\$ 65.24
Fixed	3/4"	\$	52.52	\$ 61.33	\$ 65.24
Fixed	1"	\$	106.42	\$ 124.26	\$ 132.19
Fixed	1 1/2"	\$	196.27	\$ 229.16	\$ 243.79
Fixed	2"	\$	304.09	\$ 355.05	\$ 377.71
Fixed	3"	\$	645.51	\$ 753.68	\$ 801.79
Fixed	4"	\$	1,148.67	\$ 1,341.16	\$ 1,426.77
Fixed	6"	\$	2,352.63	\$ 2,746.89	\$ 2,922.22

b. Recycled Water Rates are budgeted to be implemented at 100% of the 2023 COS study rate plan for FY 2026, implemented July 1, 2025:

			7/1/2024	7/1/2025
				100%
F/V	Size		25_TCWDRate	26_TCWDRate
Fixed	5/8"	\$	30.40	\$ 35.88
Fixed	3/4"	\$	30.40	\$ 35.88
Fixed	1"	\$	61.61	\$ 72.70
Fixed	1 1/2"	\$	113.63	\$ 134.08
Fixed	2"	\$	176.05	\$ 207.74
Fixed	3"	\$	373.71	\$ 440.98
Fixed	4"	\$	665.02	\$ 784.72
Fixed	6"	\$	1,362.05	\$ 1,607.22
Fixed	8"	\$	2,922.57	\$ 3,448.63
Fixed	10"	\$	4,379.05	\$ 5,167.28

2. **Variable Service Charges** include volumetric service cost recovery revenue billed to customers for potable and recycled water service. The FY 2026 budget assumes semi-annual rate adjustments and gradual implementation of the FY 2026 potable water rates as noticed in the 2023 Cost-of-Service study. The fixed rates for water recycled water service charges are outlined below:

- a. Potable Water Rates are budgeted to be implemented at 94.0% of the 2023 COS study rate plan on July 1, 2025, and at 100% of the 2023 COS study rate plan for January 1, 2026, as shown in the following table:

		7/1/2024		7/1/2025		1/1/2026	
		1-Jul-24		94%		100%	
F/V	Size	25_TCWDRate	26_TCWDRate	26_TCWDRate	26_TCWDRate2		
Commodity	SFT1	\$ 4.94	\$ 5.77	\$ 5.77	\$ 6.14		
Commodity	SFT2	\$ 5.75	\$ 6.71	\$ 6.71	\$ 7.14		
Commodity	SFT3	\$ 6.33	\$ 7.39	\$ 7.39	\$ 7.86		
Commodity	MFT1	\$ 5.19	\$ 6.06	\$ 6.06	\$ 6.45		
Commodity	MFT2	\$ 6.33	\$ 7.39	\$ 7.39	\$ 7.86		
Commodity	Commercial	\$ 5.32	\$ 6.20	\$ 6.20	\$ 6.60		
Commodity	Irrigation	\$ 5.32	\$ 6.20	\$ 6.20	\$ 6.60		
Commodity	Agricultural	\$ 5.32	\$ 6.20	\$ 6.20	\$ 6.60		
Commodity	Portola Hills	\$ 5.89	\$ 6.88	\$ 6.88	\$ 7.32		
Pumping	Zone 1 - Base	\$ -	\$ -	\$ -	\$ -		
Pumping	Zone 2 - Topanga / Saddlecrest	\$ 0.60	\$ 0.71	\$ 0.71	\$ 0.75		
Pumping	Zone 3 - Canyon Creek	\$ 1.06	\$ 1.23	\$ 1.23	\$ 1.31		
Pumping	Zone 4 - Falcon	\$ 1.62	\$ 1.89	\$ 1.89	\$ 2.01		
Pumping	Zone 5 - Joplin	\$ 0.17	\$ 0.20	\$ 0.20	\$ 0.21		

- b. Recycled Water Rates at 100% of the 2023 COS study rate plan for FY 2026, implemented July 1, 2025:

		7/1/2024		7/1/2025	
				100%	
F/V	Size	25_TCWDRate	26_TCWDRate	26_TCWDRate	
Commodity	All	\$ 4.90	\$ 5.89	\$ 5.89	

- Fixed Service Charges Pass-Through** includes charges to customers to recover the fixed portion of wholesale water pass-through cost increases above and beyond what was included within the 2023 Cost-of-Service study rate plan. The pass-through rate provision was adopted by the Board during the Proposition 218 hearing process. The FY 2026 pass-through rate adjustments are estimated based on current conditions and are planned to be implemented based on known conditions on January 1, 2026.
- Variable Service Charges Pass-Through** includes charges to customers to recover the variable portion of wholesale water pass-through cost increases above and beyond what was included within the 2023 Cost-of-Service study rate plan. The pass-through rate provision was adopted by the Board during the Proposition 218 hearing process. The FY 2026 pass-through rate adjustments are estimated based on current supply conditions and are planned to be implemented based on known conditions on January 1, 2026.
- BTP Wholesale Water Sales** includes reimbursement from the City of San Clemente for Baker Water Treatment Plant water purchased from the District at wholesale rates. This line item accounts for the one-to-one reimbursement received for each acre-foot (AF) of water paid to the Municipal Water District of Orange County (MWD OC) for Metropolitan Water District of Southern California untreated water rates, excluding the SAC Operational Surcharge. FY 2026 is budgeted at 1,113 AF of wholesale water sold.
- BTP Maintenance Charges** includes the pro-rated reimbursement from the City of San Clemente for shared operating costs at the Baker Water Treatment Plant. The District is billed quarterly by Irvine Ranch Water District

for ongoing operating costs at the plant. The FY 2026 budget is based on recovering this pro-rated share of projected plant operating costs based on projected internal usage and external sales of plant water during FY 2026 (1,113 AF of water sold and 87 AF of plant water used by the District).

7. **BTP Capital Recovery** includes the \$193 per AF cost recovery charge received by San Clemente for water sold at the Baker Water Treatment Plant. The FY 2026 budget is based on 1,113 AF of water sold at \$193/AF.
8. **Wastewater Charges** include the fixed and variable charges billed to customers for wastewater service. The FY 2026 budget assumes Wastewater Rates implemented at 100.0% of the 2023 COS study rate plan on July 1, 2025:

		7/1/2024		100%	
F/V	Size	25_TCWDRate	26_TCWDRate		
Fixed	Residential	\$ 53.27	\$ 61.80		
Fixed	Commercial	\$ 14.60	\$ 16.94		
Commodity	CL - Commercial Low	\$ 5.55	\$ 6.44		
Commodity	CM - Commercial Medium	\$ 9.28	\$ 10.77		
Commodity	CH - Commercial High	\$ 14.34	\$ 16.64		

9. **Property Tax Receipts** include the ad valorem property tax revenue and standby charges received through the County of Oange. The FY 2026 budget is based on FY 2025 projected year end with a 2% increase.
10. **Customer Fees** include late charges, miscellaneous customer fees and sewer contracts with the Santa Margarita Water District for shared facilities. Late charges are assessed as a percentage of customer bills and are budgeted to increase in conjunction with increased rate revenues. Sewer contract revenue is difficult to predict because no increase is budgeted for these contracts.
11. **Interest Revenue** includes the earnings on District unrestricted cash and investments. The FY 2026 budget is based on 4.0% interest earnings on projected unrestricted cash holdings throughout the year. Restricted interest earnings are legally restricted to funding the purpose for which the funds were received and are conservatively excluded from budgeted interest revenue.
12. **Miscellaneous Revenue** includes cell tower lease contract revenue and various refunds reimbursements. The FY 2026 budget is based on the schedule of payments included in the contract with about \$5k budgeted for other miscellaneous sources.
13. **Total Revenue** is budgeted at \$19.59 million in FY 2026.
14. **Source of Supply** begins the section of water supply related expenses.
15. **Variable Water Purchases** include volumetric potable and recycled water purchases to meet customer water consumption demands. This includes the purchase of untreated water at the Dimension Water Treatment Plant, fully treated water purchases via neighboring agency connections, and MET/MWDOC surcharges on volumetric water. FY 2026 is budgeted higher than a typical fiscal year due to more expensive fully treated water purchases planned through the IRWD emergency connection at Ridgeline. Currently, the DWTP conveyance pipeline is non-operational, and the District has budgeted for 6-months of emergency water purchases during FY 2026.

16. **BTP Water Purchases TCWD** includes the volumetric cost of Baker Water Treatment Plant water used internally to serve District customers at the MET/MWDOC untreated water rate and includes volumetric MET/MWDOC surcharges on all BTP water. The FY 2026 budget is based on 87 AF of water used by the District.
17. **BTP Maintenance Expense TCWD** includes the pro-rated share of operating costs at the Baker Water Treatment Plant. The District is billed quarterly by Irvine Ranch Water District for ongoing operating costs at the plant. The FY 2026 budget is based on projected operating costs and 87 AF of District water usage at the plant.
18. **Fixed Water Purchases** includes fixed costs of maintaining water supply infrastructure and availability from wholesale agencies. These costs are billed to the District through the Municipal Water District of Orange County. They are made up of the MWDOC retail meter charge, the Metropolitan Water District of Southern California readiness to serve charge, MET capacity charge, and MET standby charge. The FY 2026 budget is based on adopted rates posted by MWDOC.
19. **Chemicals & Electricity** includes chemicals and energy costs associated with water production. The FY 2026 budget is based on FY 2025 projected results with a 7% increase to electricity costs and 6% increase to chemical costs.
20. **Total Source of Supply** is budgeted at \$3.67 million for FY 2026.
21. **Cost of BTP Wholesale** begins the section of expenses directly associated with delivering wholesale water to the City of San Clemente through the District capacity at the Baker Water Treatment Plant.
22. **BTP Water Purchases for Wholesale** includes the cost of Baker Water Treatment Plant water sold to the City of San Clemente. This line item accounts for the per acre-foot charge of water paid to MWDOC at MET untreated water rates, excluding the SAC Operational Surcharge. FY 2026 is budgeted at 1,113 AF of wholesale water purchased to sell to the City of San Clemente.
23. **BTP Maintenance Expense Sales** includes the pro-rated cost allocated to the City of San Clemente for shared operating costs at the Baker Water Treatment Plant. The District is billed quarterly by Irvine Ranch Water District for ongoing operating costs at the plant. The FY 2026 budget is based on allocating this cost at a pro-rated share of projected plant operating costs and projected sales of plant water during FY 2026 (1,113 AF of water sold and 87 AF of plant water used by the District).
24. **Total Cost of BTP Wholesale** is budgeted at \$1.49 million for FY 2026.
25. **Staffing Resources** begins the section of expenses related to District personnel.
26. **Employee Compensation** includes salaries, wages and other pay compensated to District staff. FY 2026 is budgeted based on full staffing, (1) new customer service position, a 3% cost of living adjustment to salary ranges (based on the consumer price index for LA-Long Beach-Anaheim) and a 2.5% merit pool.
27. **Employee Benefits** include health, dental and vision benefits for District personnel. The FY 2026 budget is based on full staffing at current elections, (1) new customer service position, a 9% increase to medical insurance rates and a 3% increase to dental vision insurance rates.
28. **CalPERS Retirement Unfunded Liability** includes the minimum payment to the California Public Employees Retirement System (CalPERS) to fund future CalPERS retirement benefits. The FY 2026 budget is based on the District actuarial valuation reports released by CalPERS and changes annually with market conditions actuarial assumptions.

29. **Retiree Health Insurance Payments** include retiree health insurance PAYGO (pay as you go) costs for health insurance. The FY 2026 budget is based on the actuarial valuation reports prepared by the contracted actuary.
30. **OPEB Trust Reimbursement** includes the amount reimbursed from the OPEB (Other Post-Employment Benefits) 115 Trust. The District plans to reimburse itself for retiree health insurance during FY 2026.
31. **Total Staffing Resources** is budgeted at \$5.87 million for FY 2026.
32. **Operations & Maintenance** begins the section of expenses related to District operations.
33. **System Repairs and Maintenance** includes funding for pipeline leaks, equipment repair, pumps repair, motors repair, electrical work, and other maintenance costs necessary to operate the District systems equipment. The FY 2026 budget has set aside funding for addressing the need to pay for unplanned system repair costs with aging District infrastructure.
34. **Distribution Electricity** includes energy costs associated with distributing water to District customers. The FY 2026 budget is based on FY 2025 projected results with a 7% increase in energy costs.
35. **Vehicles and Equipment** includes fuel costs, vehicle repair, tools safety equipment. The FY 2026 budget is based on FY 2025 projections with an increase for inflation.
36. **Lab Testing & Supplies** include testing and supply costs associated with water recycled water compliance. The FY 2026 budget is based on FY 2025 projected results with a 7% increase for chemicals.
37. **Total Operations & Maintenance** is budgeted at \$2.29 million for FY 2026.
38. **General & Administrative** begins the section of expenses related to administration.
39. **Professional Services** includes the cost of legal services, financial services, audit services, information technology services, consultants (if applicable), contract engineering services, and other miscellaneous professional services.
40. **Office Maintenance & Supplies** includes costs associated with office maintenance, computer software and hardware, telephone, office supplies, office electricity, and contract services.
41. **Board of Directors** includes Board stipends, Board health insurance and Board travel expenses.
42. **District Insurance** includes the cost of general liability and auto insurance. The FY 2026 budget is based on an 18% increase to the most recent insurance policy with recent trends experienced in the insurance industry.
43. **Dues and Memberships** include the cost of various association dues, industry memberships and Local Agency Formation Commission (LAFCO) fees. The FY 2026 budget is based on the projected FY 2025 results (current memberships) with an increase for inflation.
44. **Public Outreach & Rebate Programs** include public outreach consultants and participation in conservation rebate programs administered by MWDOC. FY 2026 is budgeted based on anticipated rebate program participation and a reduction in public outreach consultant costs.
45. **Customer Service and Billing** includes customer service-related supplies, contract billing support and billing fees/bank charges. FY 2026 is based on the FY 2025 projected results with an increase for inflation.

46. **Conference, Trainings and Travel** includes the cost of conference attendance, trainings, and travel for District personnel. FY 2026 is budgeted for no increase in activity with an increase for inflation.
47. **Miscellaneous Expense** includes collection fees paid to the County for property taxes and an allowance for uncollectable customer accounts. The FY 2026 budget for the uncollectable allowance is based on 2% of variable service charges and 1% of wastewater charges.
48. **Total General & Administrative** is budgeted at \$2.65 million for FY 2026.
49. **Total Expense** is budgeted at \$15.98 million for FY 2026.
50. **Net Income / (Loss) from Operations** is budgeted at \$3.61 million for FY 2026.

Water Fund Operating Budget Detail

	A	B	C	D	E = D - B	F = E / B
	FY 2024	FY 2025	FY 2025 (P)	FY 2026	\$ Budget	% Budget
	Actual	Adopted	Projected	Adopted	Change	Change
	Results	Budget	Results	Budget	PY	PY
1 Fixed Service Charges	\$ 3,223,483	\$ 3,532,800	\$ 3,626,900	\$ 4,301,800	\$ 769,000	22%
2 Variable Service Charges	3,632,908	4,135,900	4,669,300	4,907,500	771,600	19%
3 Fixed Service Charges Pass-Through	-	-	84,000	262,700	262,700	NA
4 Variable Service Charges Pass-Through	-	-	211,000	608,100	608,100	NA
5 BTP Wholesale Water Sales	1,162,623	1,233,500	1,059,600	1,054,800	(178,700)	-14%
6 BTP Maintenance Charges	411,452	550,600	409,500	439,100	(111,500)	-20%
7 BTP Capital Recovery	257,726	331,500	225,400	214,800	(116,700)	-35%
8 Wastewater Charges	-	-	-	-	-	NA
9 Property Tax Receipts	1,189,681	1,185,400	1,209,940	1,233,600	48,200	4%
10 Customer Fees	148,455	149,000	165,300	208,700	59,700	40%
11 Interest Revenue	87,254	71,400	185,600	81,000	9,600	13%
12 Miscellaneous Revenue	262,821	59,200	34,600	35,700	(23,500)	-40%
13 Total Revenue	10,376,403	11,249,300	11,881,140	13,347,800	2,098,500	19%
14 Source of Supply						
15 Variable Water Purchases	2,037,039	2,209,700	3,091,700	2,814,300	604,600	27%
16 BTP Water Purchases TCWD	1,302	1,200	96,500	93,600	92,400	7700%
17 BTP Maintenance Expense TCWD	(8,431)	(9,000)	45,100	46,800	55,800	-620%
18 Fixed Water Purchases	347,038	406,300	384,100	401,700	(4,600)	-1%
19 Chemicals & Electricity	146,693	167,000	111,000	146,800	(20,200)	-12%
20 Total Source of Supply	2,523,641	2,775,200	3,728,400	3,503,200	728,000	26%
21 Cost of BTP Wholesale						
22 BTP Water Purchases for Wholesale	1,052,375	1,037,100	1,059,600	1,054,800	17,700	2%
23 BTP Maintenance Expense Sales	411,452	550,600	409,500	439,100	(111,500)	-20%
24 Total Cost of BTP Wholesale	1,463,827	1,587,700	1,469,100	1,493,900	(93,800)	-6%
25 Staffing Resources						
26 Employee Compensation	1,999,631	2,363,800	2,415,200	2,605,000	241,200	10%
27 Employee Benefits	725,216	839,200	848,400	893,900	54,700	7%
28 CalPERS Retirement Unfunded Liability	164,806	171,400	224,700	276,500	105,100	61%
29 Retiree Health Insurance Payments	120,371	179,300	125,500	141,200	(38,100)	-21%
30 OPEB Trust Reimbursement	(120,371)	(179,300)	(125,500)	(141,200)	38,100	-21%
31 Total Staffing Resources	2,889,653	3,374,400	3,488,300	3,775,400	401,000	12%
32 Operations & Maintenance						
33 System Repairs and Maintenance	262,166	247,800	409,000	500,000	252,200	102%
34 Distribution Electricity	330,167	340,800	338,100	361,800	21,000	6%
35 Vehicles and Equipment	96,076	102,000	120,100	126,700	24,700	24%
36 Lab Testing & Supplies	57,295	60,000	38,100	51,000	(9,000)	-15%
37 Total Operations & Maintenance	745,704	750,600	905,300	1,039,500	288,900	38%
38 General & Administrative						
39 Professional Services	764,213	655,800	630,400	725,900	70,100	11%
40 Office Maintenance & Supplies	358,099	330,900	354,200	378,800	47,900	14%
41 Board of Directors	40,263	36,600	36,500	40,700	4,100	11%
42 District Insurance	116,597	137,600	138,800	163,800	26,200	19%
43 Dues and Memberships	93,770	101,200	97,000	102,000	800	1%
44 Public Outreach & Rebate Programs	129,956	138,300	85,900	85,000	(53,300)	-39%
45 Customer Service and Billing	55,565	77,800	58,500	61,900	(15,900)	-20%
46 Conference, Trainings and Travel	25,025	28,700	21,500	22,600	(6,100)	-21%
47 Miscellaneous Expense	21,600	31,800	96,700	101,600	69,800	219%
48 Total General & Administrative	1,605,087	1,538,700	1,519,500	1,682,300	143,600	9%
49 Total Expense	9,227,913	10,026,600	11,110,600	11,494,300	1,467,700	15%
50 Net Income / (Loss) from Operations	\$ 1,148,491	\$ 1,222,700	\$ 770,540	\$ 1,853,500	\$ 630,800	52%

Sewer Fund Operating Budget Detail

	A	B	C	D	E = D - B	F = E / B
	FY 2024	FY 2025	FY 2025 (P)	FY 2026	\$ Budget	% Budget
	Actual	Adopted	Projected	Adopted	Change	Change
	Results	Budget	Results	Budget	PY	PY
1 Fixed Service Charges	\$ -	\$ -	\$ -	\$ -	\$ -	NA
2 Variable Service Charges	-	-	-	-	-	NA
3 Fixed Service Charges Pass-Through	-	-	-	-	-	NA
4 Variable Service Charges Pass-Through	-	-	-	-	-	NA
5 BTP Wholesale Water Sales	-	-	-	-	-	NA
6 BTP Maintenance Charges	-	-	-	-	-	NA
7 BTP Capital Recovery	-	-	-	-	-	NA
8 Wastewater Charges	2,221,462	2,558,700	2,559,800	2,973,200	414,500	16%
9 Property Tax Receipts	833,123	1,050,900	1,180,040	1,203,700	152,800	15%
10 Customer Fees	327,501	284,600	307,900	286,000	1,400	0%
11 Interest Revenue	212,254	192,600	451,300	39,000	(153,600)	-80%
12 Miscellaneous Revenue	30,485	11,000	1,800	1,800	(9,200)	-84%
13 Total Revenue	3,624,825	4,097,800	4,500,840	4,503,700	405,900	10%
14 Source of Supply						
15 Variable Water Purchases	-	-	-	-	-	NA
16 BTP Water Purchases TCWD	-	-	-	-	-	NA
17 BTP Maintenance Expense TCWD	-	-	-	-	-	NA
18 Fixed Water Purchases	-	-	-	-	-	NA
19 Chemicals & Electricity	-	-	-	-	-	NA
20 Total Source of Supply	-	-	-	-	-	NA
21 Cost of BTP Wholesale						
22 BTP Water Purchases for Wholesale	-	-	-	-	-	NA
23 BTP Maintenance Expense Sales	-	-	-	-	-	NA
24 Total Cost of BTP Wholesale	-	-	-	-	-	NA
25 Staffing Resources						
26 Employee Compensation	934,264	1,110,100	1,098,300	1,228,000	117,900	11%
27 Employee Benefits	250,294	317,900	283,800	380,800	62,900	20%
28 CalPERS Retirement Unfunded Liability	76,658	79,800	80,250	98,750	18,950	24%
29 Retiree Health Insurance Payments	42,990	64,100	44,800	50,400	(13,700)	-21%
30 OPEB Trust Reimbursement	(42,990)	(64,100)	(44,800)	(50,400)	13,700	-21%
31 Total Staffing Resources	1,261,216	1,507,800	1,462,350	1,707,550	199,750	13%
32 Operations & Maintenance						
33 System Repairs and Maintenance	415,099	387,900	364,700	455,600	67,700	17%
34 Distribution Electricity	255,929	276,300	284,300	304,200	27,900	10%
35 Vehicles and Equipment	47,827	42,600	48,100	50,700	8,100	19%
36 Lab Testing & Supplies	-	-	-	-	-	NA
37 Total Operations & Maintenance	718,855	706,800	697,100	810,500	103,700	15%
38 General & Administrative						
39 Professional Services	289,021	234,500	222,200	256,000	21,500	9%
40 Office Maintenance & Supplies	175,373	179,300	189,700	203,000	23,700	13%
41 Board of Directors	38,635	34,600	32,100	36,100	1,500	4%
42 District Insurance	41,642	49,100	52,500	62,000	12,900	26%
43 Dues and Memberships	94,550	121,700	85,800	90,200	(31,500)	-26%
44 Public Outreach & Rebate Programs	21,838	19,500	13,700	12,500	(7,000)	-36%
45 Customer Service and Billing	12,649	20,600	15,600	16,400	(4,200)	-20%
46 Conference, Trainings and Travel	8,938	10,300	7,700	8,100	(2,200)	-21%
47 Miscellaneous Expense	44,078	16,000	53,200	61,500	45,500	284%
48 Total General & Administrative	726,723	685,600	672,500	745,800	60,200	9%
49 Total Expense	2,706,794	2,900,200	2,831,950	3,263,850	363,650	13%
50 Net Income / (Loss) from Operations	\$ 918,031	\$ 1,197,600	\$ 1,668,890	\$ 1,239,850	\$ 42,250	4%

Recycled Fund Operating Budget Detail

	A	B	C	D	E = D - B	F = E / B
	FY 2024	FY 2025	FY 2025 (P)	FY 2026	\$ Budget	% Budget
	Actual	Adopted	Projected	Adopted	Change	Change
	Results	Budget	Results	Budget	PY	PY
1 Fixed Service Charges	\$ 142,287	\$ 161,600	\$ 167,800	\$ 198,100	\$ 36,500	23%
2 Variable Service Charges	959,664	1,173,600	1,368,300	1,478,800	305,200	26%
3 Fixed Service Charges Pass-Through	-	-	-	-	-	NA
4 Variable Service Charges Pass-Through	-	-	-	-	-	NA
5 BTP Wholesale Water Sales	-	-	-	-	-	NA
6 BTP Maintenance Charges	-	-	-	-	-	NA
7 BTP Capital Recovery	-	-	-	-	-	NA
8 Wastewater Charges	-	-	-	-	-	NA
9 Property Tax Receipts	323,992	341,400	-	-	(341,400)	-100%
10 Customer Fees	9,474	13,600	22,200	25,500	11,900	88%
11 Interest Revenue	27,129	24,800	67,700	40,000	15,200	61%
12 Miscellaneous Revenue	763	2,200	600	600	(1,600)	-73%
13 Total Revenue	1,463,309	1,717,200	1,626,600	1,743,000	25,800	2%
14 Source of Supply						
15 Variable Water Purchases	22,188	33,300	32,400	35,500	2,200	7%
16 BTP Water Purchases TCWD	-	-	-	-	-	NA
17 BTP Maintenance Expense TCWD	-	-	-	-	-	NA
18 Fixed Water Purchases	-	-	-	-	-	NA
19 Chemicals & Electricity	106,674	121,400	128,500	136,200	14,800	12%
20 Total Source of Supply	128,863	154,700	160,900	171,700	17,000	11%
21 Cost of BTP Wholesale						
22 BTP Water Purchases for Wholesale	-	-	-	-	-	NA
23 BTP Maintenance Expense Sales	-	-	-	-	-	NA
24 Total Cost of BTP Wholesale	-	-	-	-	-	NA
25 Staffing Resources						
26 Employee Compensation	211,731	253,800	249,300	282,500	28,700	11%
27 Employee Benefits	54,973	70,800	62,500	85,300	14,500	20%
28 CalPERS Retirement Unfunded Liability	17,340	18,000	16,050	19,750	1,750	10%
29 Retiree Health Insurance Payments	8,598	12,800	9,000	10,100	(2,700)	-21%
30 OPEB Trust Reimbursement	(8,598)	(12,800)	(9,000)	(10,100)	2,700	-21%
31 Total Staffing Resources	284,044	342,600	327,850	387,550	44,950	13%
32 Operations & Maintenance						
33 System Repairs and Maintenance	63,499	41,400	36,000	75,000	33,600	81%
34 Distribution Electricity	313,379	341,200	232,400	248,700	(92,500)	-27%
35 Vehicles and Equipment	10,918	9,600	10,800	11,400	1,800	19%
36 Lab Testing & Supplies	111,906	109,000	105,700	111,000	2,000	2%
37 Total Operations & Maintenance	499,702	501,200	384,900	446,100	(55,100)	-11%
38 General & Administrative						
39 Professional Services	64,617	46,800	44,400	51,100	4,300	9%
40 Office Maintenance & Supplies	30,637	30,400	32,200	34,400	4,000	13%
41 Board of Directors	39,054	34,600	31,100	34,900	300	1%
42 District Insurance	8,328	10,000	9,900	11,700	1,700	17%
43 Dues and Memberships	55,904	38,600	52,300	55,000	16,400	42%
44 Public Outreach & Rebate Programs	4,368	3,800	2,700	2,500	(1,300)	-34%
45 Customer Service and Billing	2,530	4,200	3,100	3,300	(900)	-21%
46 Conference, Trainings and Travel	1,787	2,200	1,500	1,600	(600)	-27%
47 Miscellaneous Expense	(18,986)	8,400	28,100	30,300	21,900	261%
48 Total General & Administrative	188,239	179,000	205,300	224,800	45,800	26%
49 Total Expense	1,100,848	1,177,500	1,078,950	1,230,150	52,650	4%
50 Net Income / (Loss) from Operations	\$ 362,462	\$ 539,700	\$ 547,650	\$ 512,850	\$ (26,850)	-5%

Capital Improvement Program (CIP)



FY 2026 CIP Budget by Project

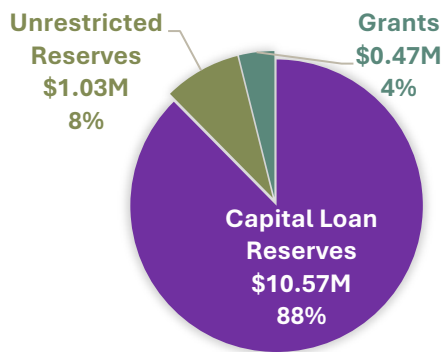
The District’s Capital Improvement Program is a multi-year plan that identifies, prioritizes, and budgets for capital projects that construct, maintain, improve, and replace the District’s water, sewer, and recycled water infrastructure. The District invests in this program to continue to ensure safe and reliable service to customers. The FY 2026 budget considers high priority projects, available funding mechanisms and resources to execute a plan that promotes the District’s mission. The total CIP budget for FY 2026 is \$10.97 million and the details of individual projects are displayed in the following table:

ID	Project Description	System	Status	FY 2026
PW-02	DWTP Electrical Improvements	Potable Water	Not Started	300,000
PW-03	Transmission Main Replacement - DWTP to Ridgeline PS	Potable Water	Planning	7,000,000
PW-20	10" Pipeline Replacement - Cooks Corner to Harris Grade	Potable Water	Planning	225,000
PW-25	Fire Flow Availability Improvements	Potable Water	Not Started	150,000
PW-38	Saddle Crest Reservoir Outlet Pipe	Potable Water	In Process	275,000
RW-13	Dove Canyon Recycled Booster Pump Station	Recycled Water	In Process	560,000
RW-23	Tick & Dove Creek Pump Station Improvements	Recycled Water	Not Started	259,700
WW-09	Heritage Sewer Lift Station Rehabilitation	Wastewater	Construction	400,000
WW-40	WWTP Hoffman Blower Building Rehabilitation	Wastewater	Planning	1,290,177
WW-49	SMWD Chiquita WWTP Shared Capital	Wastewater	Program	140,000
WW-50	WWTP Headworks Replacement	Wastewater	In Process	370,000
Total				\$ 10,969,877

***PROJECTS PARTIALLY GRANT FUNDED**

FY 2026 CIP Contingency and Funding Sources

The District allocated 10% of contingency funding in FY 2026 for project costs or capital needs that may be unknown at the time of budget adoption. These additional funds will be utilized only if the District must address critical infrastructure projects or repairs during the fiscal year in addition to the program. Primarily, project costs will be funded by loan proceeds, with additional funding from grant awards or unrestricted District reserves. Grant proceeds are anticipated for project RW-23 and \$250,000 in proceeds for the FY 2025 server replacement project.



FY 2026 CIP

\$10.97M

Contingency

\$1.097M

Total Budget

\$12.07M

10-Year CIP by Fund

The 10-year Capital Improvement Program plan was evaluated and updated during the budgeting process. This process reviewed the 2022 Master Plan and prioritized the projects identified in this study and incorporated newly identified projects and changes to existing projects over a long-term period. The long-term CIP is a major component of financial planning procedures and drives District rates and charges, funding decisions, and cash flow availability.

The total 10-Year CIP totals \$73.89 million and allocates an additional 10% of contingency funding within the long-term financial plan. These funds will be utilized only if the District must address critical infrastructure projects or repairs during the 10-year plan in addition to the program. In the current 10-year financial plan, the District has allocated a total of \$81.28 million for CIP and CIP contingency. The 10-year CIP plan is shown in the table graph below, by each utility fund:

10-Year CIP

\$73.89M

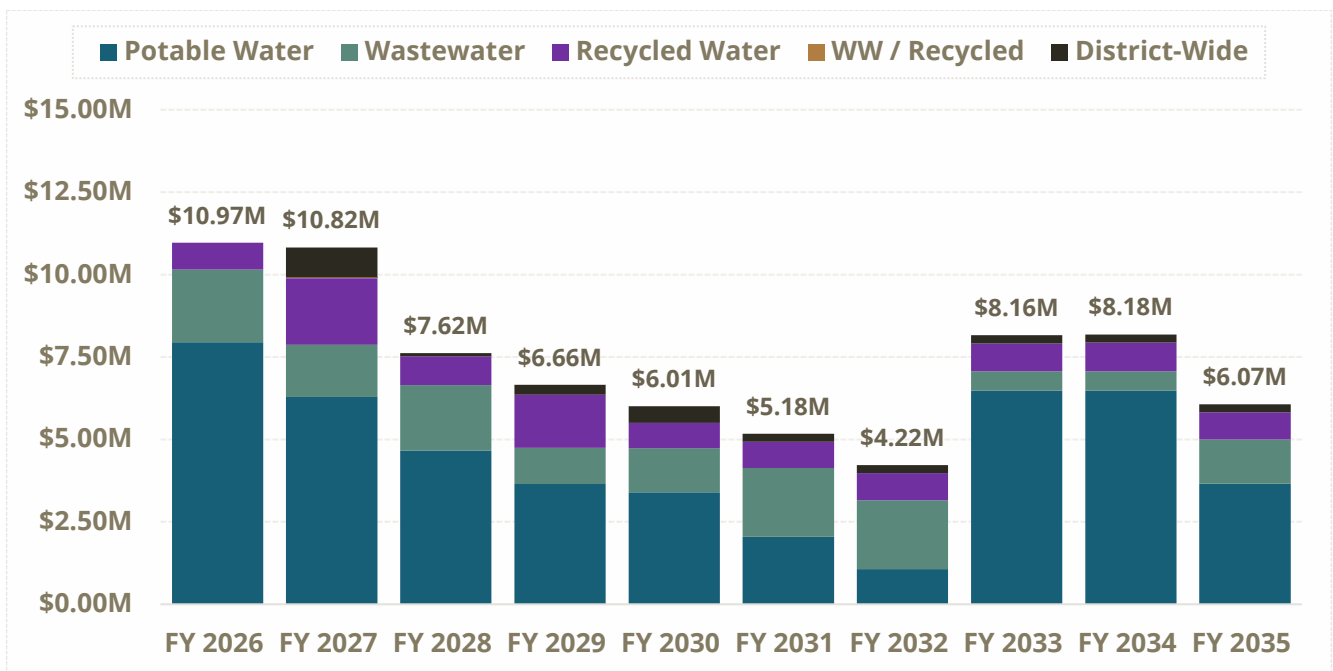
Contingency

\$7.39M

Total Budget

\$81.28M

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035
Potable Water	\$7.95M	\$6.29M	\$4.65M	\$3.65M	\$3.40M	\$2.04M	\$1.07M	\$6.48M	\$6.48M	\$3.66M
Wastewater	\$2.20M	\$1.58M	\$2.00M	\$1.10M	\$1.33M	\$2.09M	\$2.09M	\$0.59M	\$0.59M	\$1.34M
Recycled Water	\$0.82M	\$2.03M	\$0.87M	\$1.62M	\$0.77M	\$0.80M	\$0.82M	\$0.84M	\$0.87M	\$0.82M
WW / Recycled	\$0.00M	\$0.03M	\$0.00M	\$0.00M	\$0.00M	\$0.00M	\$0.00M	\$0.00M	\$0.00M	\$0.00M
District-Wide	\$0.00M	\$0.90M	\$0.10M	\$0.30M	\$0.50M	\$0.25M	\$0.25M	\$0.25M	\$0.25M	\$0.25M
Total CIP	\$10.97M	\$10.82M	\$7.62M	\$6.66M	\$6.01M	\$5.18M	\$4.22M	\$8.16M	\$8.18M	\$6.07M



List of Common Acronyms

AF Acre-Foot / Acre-Feet

BTP Baker Water Treatment Plant

CIP Capital Improvement Program

Cla-Val Manufacturer of automatic control valves

COS Study Cost-of-Service Study

CY Calendar Year

DWTP Dimension Water Treatment Plant

FY Fiscal Year

GPM Gallon per Minute

HOA Homeowners Association

IRWD Irvine Ranch Water District

MET Metropolitan Water District of Southern California

MG Million Gallons

MWDOC Municipal Water District of Orange County

PRV Pressure Reducing Vault

RRWWTP Robinson Ranch Wastewater Treatment Plant

SCADA Supervisory Control and Data Acquisition

SMWD Santa Margarita Water District

SOS Source of Supply

SWRCB State Water Resources Control Board

TCWD Trabuco Canyon Water District

WWTP Wastewater Treatment Plant

Glossary

Acre-Foot The volume of water to cover an acre of land to a depth of one foot. This conversion is commonly used for large-scale measurement of volumetric water.

Assets Resources owned by the District that have monetary or future economic value.

Capital Improvement Program (CIP) The program related to the construction, replacement, rehabilitation, or upgrading of District infrastructure and equipment.

Debt Service The District's annual obligation of principal and interest of outstanding debt instruments.

Expense A cost incurred by the District related to providing service to customers.

Fiscal Year The period in which an entity determines its financial position and results of operations. The District's fiscal year spans from July 1 to June 30. The annual budget is prepared on a fiscal year basis.

Infrastructure Assets include pipelines, storage facilities, treatment plants, meters, and various facilities and equipment that are used to provide service management operations.

Non-Operating Revenue /Expenses Revenues and expenses that occur outside of the normal course of operations such as interest revenue debt issuance expenses.

Operating Revenue/ Expenses Revenues and expenses that occur during the normal course of operations such as water sales water purchases.

Rates Pre-determined amounts charged by the District to customers for providing various services following formal regulatory process and Board action.

Revenue Earnings of monetary value through rate revenue, property tax revenue, or other miscellaneous sources.

Special District An independent unit of local government organized to perform a single governmental function with a restricted number of related functions.

Supervisory Control and Data Acquisition (SCADA) The system that collects operational data from remote units to monitor and control water and wastewater systems facilities throughout the District service area.



Appendix A: District Reserve Policy



Purpose

The Trabuco Canyon Water District (the District) cash reserve policy establishes reserve funds, explains the purpose and size of each reserve, and provides an oversight of reserve fund management. Through maintaining cash reserves, the District commits adequate funding for ongoing operating costs, capital infrastructure and unanticipated emergencies. A properly designed reserve policy sends a positive signal to the community of ratepayers, bondholders, rating agencies and regulatory agencies, that the District is committed to forward-looking financial management and ensuring fiscal responsibility and financial sustainability. Reserve funds can provide intergenerational equity to ratepayers, meaning that ratepayers pay for services provided and used by them in the current period. Consistent with best practice in government water utilities, the District will utilize the cash reserve policy as a guide during the annual budget and financial planning procedures and will always strive to maintain sufficient reserve funds to meet targets set forth in this policy.

Policy

The policy establishes three (3) pools of cash reserve types, with the following individualized reserve levels:

1. **Unassigned Reserve Funds** are funds that have not been designated or legally restricted. The District will use unassigned reserve funds during day-to-day operations. This includes funds held in the District bank and investment accounts that are not legally restricted and have not been designated by Board action. There is no minimum target for unassigned reserve funds.
2. **Designated Reserve Funds** are designated by the Board for specific purposes. The District will establish designated reserves to ensure financial sustainability and to stabilize cash flow. The District can utilize these funds to meet short-term and long-term obligations, invest in capital infrastructure, smooth rates, absorb economic downturns or address unplanned emergencies. The Board of Directors will approve a transfer of designated reserve funds during the annual budget process, in which the Board will authorize the General Manager or District Treasurer to execute a transfer of reserve funds on July 1st of the budgeted fiscal year. Designated reserve transfers outside of the annual budget process must be authorized by Board resolution. Unless otherwise stated in this cash reserve policy, interest derived from designated reserve balances will be considered unrestricted and unassigned in nature. The purposes, funding sources, targets, and uses of designated reserve funds are as follows:



Cash Reserve Policy

Designated Reserve Fund	Purpose	Funding Source	Funding Levels	Use
Operating Reserve	Provide operating cash flow and rate-smoothing options	Excess Net Revenues over Expenses from Operations, interest earnings	3 to 6 months operating expense budget plus 1-year of debt service, excluding the 2011 SRF Loan, Baker Treatment Plant wholesale expenses, and depreciation and amortization	Operating budget deficits, rate-smoothing and rate stabilization
Capital Program Reserve	Provide funding for the Capital Improvement Program (CIP)	Excess Net Revenues over Expenses from Operations, interest earnings	Minimum equal to depreciation from audited financials, maximum equal to the annual average of 10-Year CIP	Capital Improvement Program expenses
Water Emergency Reserve	Provide funding for unplanned events in the potable water system	Excess Net Revenues over Expenses from Operations, interest earnings	Minimum: 5% of capital assets net of depreciation Target: \$2,500,000	Operating budget deficits, unplanned repairs, emergency response, system compliance
Wastewater Emergency Reserve	Provide funding for unplanned events in the wastewater system	Excess Net Revenues over Expenses from Operations, interest earnings	Minimum: 5% of capital assets net of depreciation Target: \$2,000,000	Operating budget deficits, unplanned repairs, emergency response, system compliance
Recycled Emergency Reserve	Provide funding for unplanned events in the recycled water system	Excess Net Revenues over Expenses from Operations, interest earnings	Minimum: 5% of capital assets net of depreciation Target: \$500,000	Operating budget deficits, unplanned repairs, emergency response, system compliance



Cash Reserve Policy

3. **Restricted Reserve Funds** satisfy external requirements and restraints of agreements, creditors, grantors, or law. Restricted reserve funds shall be maintained in separate accounts and distinguished from unassigned reserves and designated reserves.

Restricted Reserve Fund	Purpose	Funding Source	Target	Use
Capital Loans Reserve	Debt-funded Capital Improvement Program (CIP) projects	Proceeds from debt issuance, interest earnings	No minimum target	Debt-funded projects
Capital Improvement Charge (CIC) Reserve	Fund water distribution and treatment facilities	Impact fees from developers and interest earnings	No minimum target	Future improvements to District capacity
Water Storage Facilities Reserve	Fund additional water storage capacity to meet storage and fire flow requirements	Impact fees from developers and interest earnings	No minimum target	Future improvements to District water storage facilities
Wastewater Capacity Fees Reserve	Fund future improvements to the District's wastewater infrastructure	Impact fees from developers and interest earnings	No minimum target	Future improvements to District wastewater system
State Revolving Fund Loan Reserve	2011 State Revolving Fund Loan covenant compliance	Previously collected Water Reliability and Emergency Storage Fees	Total of remaining payments on the 2011 State Revolving Fund Loan	Payments toward the 2011 State Revolving Fund Loan



Cash Reserve Policy

Oaks at Trabuco Reserve	Protect the District from developer insolvency	Deposit with developer of the Oaks at Trabuco, interest earnings	Reserve amount designated and investment per the agreement	Used if the developer becomes insolvent
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Oversight and Reporting of Reserve Funds

Reserve levels are monitored throughout the fiscal year by the District Treasurer. The Treasurer will provide reporting of reserve fund levels to the Finance/Audit Committee of the Board of Directors each month. The Board of Directors can waive policy requirements under emergency circumstances.

Annual Review of Cash Reserve Policy

The cash reserve policy will be reviewed and updated annually during the budget process to ensure conformance with the District's strategic goals and objectives and updated as necessary in compliance with material changes in risk exposures, legal requirements, regulations, or standards.