



# Proposed Modifications - FY 2027 Charges & Related Budget Impact

Audit Committee  
February 24, 2026

# Budget Presentations & Review Sessions

- ◆ During the course of January 2026 through today, many budget and charges scenarios have been evaluated. The goal was to achieve a lower charge increase balanced with short-term, and long-term implications of any decision.
- ◆ Presented today is Scenario D
  - ◆ Achieves nearly \$13 million in savings for Member Partners from original proposal
    - ◆ Approximately \$4 million for water and \$9 million for sewer
  - ◆ Reduces the wholesale average system charge adjustment
    - ◆ Water system – from 6.83% to 5.8%
    - ◆ Sewer system – from 5.98% to 4.27%

# Proposal Summary

Water System	Charge Percentage	Estimated \$ Reduction (millions)	Sewer System	Percentage	Estimated \$ Reduction (millions)
<b>Wholesale Average System Charge Adjustment</b>			<b>Wholesale Average System Charge Adjustment</b>		
1) As proposed January 9, 2026 "A"	6.83%		1) As proposed January 9, 2026 "A"	5.98%	
2) Align budget with forecasted debt savings "B"	<u>-0.93%</u>	\$ (3,653)	2) Align budget with forecasted debt savings "B"	<u>-1.08%</u>	\$ (5,571)
Revised Average System Charge Adjustment "B"	5.90%		Revised Average System Charge Adjustment "B"	4.90%	
3) Audit Committee Review February 13, 2026 "C"	<u>-0.40%</u>	(1,587)	3) Audit Committee Review February 13, 2026 "C"	<u>-0.40%</u>	(2,068)
Revised Average System Charge Adjustment "C"	5.50%	(5,240)	Revised Average System Charge Adjustment "C"	4.50%	(7,639)
<b>4) Prioritize Water System February 20, 2026 "D"</b>	<b>0.30%</b>	<b>1,172</b>	<b>4) Requested Realignment February 20, 2026 "D"</b>	<b>-0.23%</b>	<b>(1,168)</b>
<b>Total Average System Charge Adjustment</b>	<b>5.80%</b>	<b>\$ (4,068)</b>	<b>Total Average System Charge Adjustment</b>	<b>4.27%</b>	<b>\$ (8,807)</b>
<b>Net Decrease in Water Charge Adjustment (A to D)</b>		<b><u>-1.03%</u></b>	<b>Net Decrease in Sewer Charge Adjustment</b>		<b><u>-1.71%</u></b>

Total Systemwide Estimated Dollar Reduction in Charges \$12.875 million from original proposed budget and charges as of January 9, 2026

(\$4.068 million water and \$8.807 million sewer)

# Appendix - Updated Revenue Requirement Schedules Based on Scenario D

# Schedule 1 - Biennial Budget – Water System Revenue Requirement

Water System Revenue Requirement	FY 2025	FY 2026		FY 2027			FY 2028		
	Actual	Adopted Budget	Projected	Proposed Budget	Dollar Variance	Percent Variance	Proposed Budget	Dollar Variance	Percent Variance
<b>Revenues</b>									
Revenues from Charges									
Wholesale Customers	\$ 343,199,317	\$ 365,646,100	\$ 365,646,100	\$ 384,435,600	\$ 18,789,500	5.1%	\$ 406,033,200	\$ 21,597,600	5.6%
Charges to Local System	27,094,800	30,028,800	30,028,800	33,087,600	3,058,800	10.2%	36,139,800	3,052,200	9.2%
Total Revenue from Charges	370,294,117	395,674,900	395,674,900	417,523,200	21,848,300	5.5%	442,173,000	24,649,800	5.9%
Investment Earnings									
Unrestricted	5,852,555	4,654,800	4,404,900	3,171,000	(1,483,800)	-31.9%	3,056,800	(114,200)	-3.6%
I&E Fund Unrestricted	6,257,059	4,868,800	4,525,400	3,414,900	(1,453,900)	-29.9%	3,091,200	(323,700)	-9.5%
Restricted for Debt Service	4,346,719	3,260,100	2,832,700	2,150,500	(1,109,600)	-34.0%	2,221,100	70,600	3.3%
Total Investment Earnings	16,456,333	12,783,700	11,763,000	8,736,400	(4,047,300)	-31.7%	8,369,100	(367,300)	-4.2%
Other Operating Revenue	503,708	302,800	302,800	498,500	195,700	64.6%	300,000	(198,500)	-39.8%
<b>Total Revenues</b>	<b>\$ 387,254,158</b>	<b>\$ 408,761,400</b>	<b>\$ 407,740,700</b>	<b>\$ 426,758,100</b>	<b>\$ 17,996,700</b>	<b>4.4%</b>	<b>\$ 450,842,100</b>	<b>\$ 24,084,000</b>	<b>5.6%</b>
<b>Revenue Requirements</b>									
Operations & Maintenance Expense	\$ 175,405,631	\$ 182,456,000	\$ 183,909,400	\$ 193,563,400	\$ 11,107,400	6.1%	\$ 200,736,600	\$ 7,173,200	3.7%
Debt Service	162,019,744	179,082,200	177,503,100	189,086,400	10,004,200	5.6%	205,529,200	16,442,800	8.7%
General Retirement System Pension	1,653,300	2,730,800	2,730,800	2,559,000	(171,800)	-6.3%	2,415,300	(143,700)	-5.6%
Water Residential Assistance									
Program Contribution	1,876,500	1,970,000	1,970,000	2,079,700	109,700	5.6%	2,201,400	121,700	5.9%
Extraordinary Repair & Replacement Deposit	2,144,000	320,000	320,000	104,800	(215,200)	-67.3%	616,300	511,500	488.1%
Regional System Lease	22,500,000	22,500,000	22,500,000	22,500,000	-	0.0%	22,500,000	-	0.0%
Working Capital Requirement	-	600,000	-	600,000	-	0.0%	5,300,000	4,700,000	783.3%
Improvement & Extension Fund									
Transfer Pending	8,315,700	19,102,400	18,807,400	16,264,800	(2,837,600)	-14.9%	11,543,300	(4,721,500)	-29.0%
<b>Total Water System Revenue Requirements</b>	<b>\$ 373,914,875</b>	<b>\$ 408,761,400</b>	<b>\$ 407,740,700</b>	<b>\$ 426,758,100</b>	<b>\$ 17,996,700</b>	<b>4.4%</b>	<b>\$ 450,842,100</b>	<b>\$ 24,084,000</b>	<b>5.6%</b>
<b>Charge Adjustment Calculation</b>									
Proforma Revenue - What FY 2027 Revenue from Charges would be using FY 2027 projected volume and FY 2026 Fixed and Commodity Charges				<u>\$ 394,633,101</u>					
Charge Adjustment									
Attributable to Change in Annual Revenue Requirement				\$ 17,996,700		4.56%			
Attributable to Non-Charge Revenue (Decrease in Investment Earnings & Other Operating Revenue)				3,851,600		0.98%			
Attributable to decreased in projected Sales Volume in FY 2027				1,041,799		0.26%			
<b>Charge Adjustment (Average System Charge Increase)</b>				<b>\$ 22,890,099</b>		<b>5.80%</b>			

Schedule provides proforma crosswalk from "Total Revenues" to "Charge Adjustment"

# Schedule 2 - Biennial Budget – Sewer System Revenue Requirement

Sewer System Revenue Requirement	FY 2025	FY 2026		FY 2027			FY 2028		
	Actual	Adopted Budget	Projected	Proposed Budget	Dollar Variance	Percent Variance	Proposed Budget	Dollar Variance	Percent Variance
<b>Revenues</b>									
Revenues from Charges									
Wholesale Customers	\$ 287,690,760	\$ 300,316,800	\$ 300,316,800	\$ 312,376,800	\$ 12,060,000	4.0%	\$ 326,593,700	\$ 14,216,900	4.6%
Charges to Local System	205,924,800	215,324,400	215,324,400	225,270,000	9,945,600	4.6%	235,235,000	9,965,000	4.4%
Industrial Waste Control Charges	8,849,415	9,150,300	9,150,300	9,508,000	357,700	3.9%	9,935,600	427,600	4.5%
Pollutant Surcharges	4,583,986	5,112,700	5,112,700	5,415,500	2,800	0.1%	5,345,600	230,100	4.5%
Total Revenue from Charges	507,048,961	529,904,200	529,904,200	552,270,300	22,366,100	4.2%	577,109,900	24,839,600	4.5%
Investment Earnings									
Unrestricted	10,167,329	5,087,300	5,513,700	3,969,200	(1,118,100)	-22.0%	3,839,400	(129,800)	-3.3%
I&E Fund Unrestricted	6,347,085	5,451,500	5,319,600	3,985,100	(1,466,400)	-26.9%	3,841,600	(143,500)	-3.6%
Restricted for Debt Service	5,128,850	4,076,400	3,240,100	2,513,800	(1,562,600)	-38.3%	2,518,900	5,100	0.2%
Total Investment Earnings	21,643,264	14,615,200	14,073,400	10,468,100	(4,147,100)	-28.4%	10,199,900	(268,200)	-2.6%
Other Operating Revenue	685,291	442,600	442,600	443,800	1,200	0.3%	450,000	6,200	1.4%
<b>Total Revenues</b>	<b>\$ 529,377,516</b>	<b>\$ 544,962,000</b>	<b>\$ 544,420,200</b>	<b>\$ 563,182,200</b>	<b>\$ 18,220,200</b>	<b>3.3%</b>	<b>\$ 587,759,800</b>	<b>\$ 24,577,600</b>	<b>4.4%</b>
<b>Revenue Requirements</b>									
Operations & Maintenance Expense	\$ 229,753,981	\$ 236,098,700	\$ 237,552,000	\$ 237,763,400	\$ 1,664,700	0.7%	\$ 248,410,600	\$ 10,647,200	4.5%
Debt Service	217,295,589	220,884,500	216,273,800	233,854,700	12,970,200	5.9%	242,444,800	8,590,100	3.7%
General Retirement System Pension	3,718,800	5,632,800	5,632,800	5,246,300	(386,500)	-6.9%	4,923,200	(323,100)	-6.2%
Water Residential Assistance Program Contribution	2,541,501	2,638,500	2,638,500	2,749,800	111,300	4.2%	2,873,400	123,600	4.5%
Extraordinary Repair & Replacement Deposit	345,000	-	-	-	-	0.0%	-	-	0.0%
Regional System Lease	27,500,000	27,500,000	27,500,000	27,500,000	-	0.0%	27,500,000	-	0.0%
Working Capital Requirement	-	-	-	1,500,000	1,500,000	100.0%	4,700,000	3,200,000	213.3%
Improvement & Extension Fund Transfer Pending	42,093,700	52,207,500	54,823,100	54,568,000	2,360,500	4.5%	56,907,800	2,339,800	4.3%
<b>Total Sewer System Revenue Requirements</b>	<b>\$ 523,248,571</b>	<b>\$ 544,962,000</b>	<b>\$ 544,420,200</b>	<b>\$ 563,182,200</b>	<b>\$ 18,220,200</b>	<b>3.3%</b>	<b>\$ 587,759,800</b>	<b>\$ 24,577,600</b>	<b>4.4%</b>
<b>Charge Adjustment Calculation</b>									
Proforma Revenue - What FY 2027 Revenue from Charges would be using FY 2026									
Fixed Monthly Charges and volume and loading projections for Industrial Waste Control and Pollutant Surcharges									
				\$ 529,653,000					
Charge Adjustment									
<i>Attributable to Change in Annual Revenue Requirement</i>									
					\$ 18,220,200	3.44%			
<i>Attributable to Non-Charge Revenue (Decrease in Investment Earnings &amp; Other Operating Revenue)</i>									
					4,145,900	0.78%			
<i>Attributable to decreased in projected Sales Volume in FY 2027 (No change in Member Partners allocation-amount reflects change due to projected Industrial Waste Control volume and Pollutant Surcharges volume and loadings)</i>									
					251,200	0.05%			
<b>Charge Adjustment (Average System Charge Increase)</b>									
					\$ 22,617,300	4.27%			

Schedule provides proforma crosswalk from "Total Revenues" to "Charge Adjustment"



# Schedule 3 - Biennial Budget – Water and Sewer Combined Revenue Requirement (Informational Only)

Water & Sewer System Combined Revenue Requirement	FY 2025	FY 2026		FY 2027			FY 2028		
	Actual	Adopted Budget	Projected	Proposed Budget	Dollar Variance	Percent Variance	Proposed Budget	Dollar Variance	Percent Variance
<b>Revenues</b>									
Revenues from Charges									
Wholesale Customers	\$ 630,890,077	\$ 665,962,900	\$ 665,962,900	\$ 696,812,400	\$ 30,849,500	4.6%	\$ 732,626,900	\$ 35,814,500	5.1%
Charges to Local System	233,019,600	245,353,200	245,353,200	258,357,600	13,004,400	5.3%	271,374,800	13,017,200	5.0%
Industrial Waste Control Charges	8,849,415	9,150,300	9,150,300	9,508,000	357,700	3.9%	9,935,600	427,600	4.5%
Pollutant Surcharges	4,583,986	5,112,700	5,112,700	5,115,500	2,800	0.1%	5,345,600	230,100	4.5%
Total Revenue from Charges	877,343,078	925,579,100	925,579,100	969,793,500	44,214,400	4.8%	1,019,282,900	49,489,400	5.1%
Investment Earnings									
Unrestricted	16,019,884	9,742,100	9,918,600	7,140,200	(2,601,900)	-26.7%	6,896,200	(244,000)	-3.4%
I&E Fund Unrestricted	12,604,144	10,320,300	9,845,000	7,400,000	(2,920,300)	-28.3%	6,932,800	(467,200)	-6.3%
Restricted for Debt Service	9,475,569	7,336,500	6,072,800	4,664,300	(2,672,200)	-36.4%	4,740,000	75,700	1.6%
Total Investment Earnings	38,099,597	27,398,900	25,836,400	19,204,500	(8,194,400)	-29.9%	18,569,000	(635,500)	-3.3%
Other Operating Revenue	1,188,999	745,400	745,400	942,300	196,900	26.4%	750,000	(192,300)	-20.4%
<b>Total Revenues</b>	<b>\$ 916,631,674</b>	<b>\$ 953,723,400</b>	<b>\$ 952,160,900</b>	<b>\$ 989,940,300</b>	<b>\$ 36,216,900</b>	<b>3.8%</b>	<b>\$1,038,601,900</b>	<b>\$ 48,661,600</b>	<b>4.9%</b>
<b>Revenue Requirements</b>									
Operations & Maintenance Expense	\$405,159,612	\$418,554,700	\$421,461,400	\$ 431,326,800	\$12,772,100	3.1%	\$449,147,200	\$17,820,400	4.1%
Debt Service	379,315,333	399,966,700	393,776,900	422,941,100	22,974,400	5.7%	447,974,000	25,032,900	5.9%
General Retirement System Pension	5,372,100	8,363,600	8,363,600	7,805,300	(558,300)	-6.7%	7,338,500	(466,800)	-6.0%
Water Residential Assistance									
Program Contribution	4,418,001	4,608,500	4,608,500	4,829,500	221,000	4.8%	5,074,800	245,300	5.1%
Extraordinary Repair & Replacement Deposit	2,489,000	320,000	320,000	104,800	(215,200)	-67.3%	616,300	511,500	488.1%
Regional System Lease	50,000,000	50,000,000	50,000,000	50,000,000	-	0.0%	50,000,000	-	0.0%
Working Capital Requirement	-	600,000	-	2,100,000	1,500,000	250.0%	10,000,000	7,900,000	376.2%
Improvement & Extension Fund									
Transfer Pending	50,409,400	71,309,900	73,630,500	70,832,800	(477,100)	-0.7%	68,451,100	(2,381,700)	-3.4%
<b>Total Water &amp; Sewer System Combined Revenue Requirements</b>	<b>\$ 897,163,446</b>	<b>\$ 953,723,400</b>	<b>\$ 952,160,900</b>	<b>\$ 989,940,300</b>	<b>\$ 36,216,900</b>	<b>3.8%</b>	<b>\$1,038,601,900</b>	<b>\$ 48,661,600</b>	<b>4.9%</b>

### Charge Adjustment Calculation-Combined

Proforma Revenue - What FY 2027 Revenue from Charges would be using FY 2027 projected volume and FY 2026 Fixed and Commodity Charges	\$ 924,286,101	
Charge Adjustment		
Attributable to Change in Annual Revenue Requirement	\$ 36,216,900	3.92%
Attributable to Non-Charge Revenue (Decrease in Investment Earnings & Other Operating Revenue)	\$ 7,997,500	0.87%
Attributable to decreased in projected Sales Volume in FY 2027	\$ 1,292,999	-0.14%
<b>Average Weighted Combined Charge Adjustment</b>	<b>\$ 45,507,399</b>	<b>4.92% average weighted</b>

Schedule provides proforma crosswalk from "Total Revenues" to "Charge Adjustment"