Annual Operating and Capital Budgets

Fiscal Year 2025/26

Board of Directors

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Alison Bell – Administrative Services Manager/District Secretary

Rene Ramirez – Operations Manager

Julie Sherman, Hanson Bridgett LLP – District Counsel

Joubin Pakpour, Pakpour Consulting Group – District Engineer

James Ramsey, CPA Eide Bailly LLP – District Treasurer

About Mid-Peninsula Water District

The Mid-Peninsula Water District (MPWD), formerly Belmont County Water District, was formed as a California special district in 1929 from seven (7) independent water distribution systems (including the Spring Valley Water Company), which were united and began functioning as a public utility in 1930. Since its inception, the MPWD has been served by the San Francisco Regional Water System and purchased its entire water supply from San Francisco Water, a service of the San Francisco Public Utilities Commission (SFPUC). Reference www.sfwater.org.

The MPWD now supplies water to consumers in an area slightly larger than the city limits of Belmont. Small portions of the service area are within the city limits of San Carlos, Redwood City, and parts of the unincorporated County of San Mateo. The MPWD's service territory covers approximately five (5) square miles and serves approximately 30,000 people. In the event of an emergency the MPWD can serve or be served with inter-ties between neighboring utilities. Presently, the MPWD has one (1) intertie with Foster City, three (3) with San Carlos, two (2) with Redwood City and two (2) with San Mateo.

The MPWD is a member of the Bay Area Water Supply and Conservation Agency (BAWSCA), which represents the interests of 26 cities and water districts, and two private utilities that purchase water wholesale from the SFPUC. For complete information about BAWSCA: www.bawsca.org.

GOVERNANCE

Policy development and rates for service are established by five (5) Directors, elected by MPWD ratepayers to serve staggered four-year terms on its governing board.

Officers of the MPWD include the General Manager, District Secretary, District Counsel, District Engineer and District Treasurer.

ORGANIZATIONAL STRUCTURE

The General Manager is appointed by and reports directly to the Board of Directors. Along with the General Manager, the Administrative Services and Operations Managers oversee the day-to-day operations of the MPWD.

The Administrative Services Manager serves as the District Secretary and leads the following operations: Administration, Finance and Accounting, Human Resources, and Customer Services. The Operations Manager leads Water Conservation, Water System Operations, Maintenance, and Capital Project Management.

There is a total of 23 budgeted FTE (full-time equivalent) positions within the MPWD, including two temporary succession support positions.

The Operations staff totals 16 full-time, including the Operations Manager, the temporary succession planning Management Advisor, Superintendent, Lead Operators, Water System Operators, Maintenance Technicians, Water Resources Coordinator and Operations Project Coordinator.

The Administrative staff totals five (5) full-time, including the Administrative Services Manager, Administrative Supervisor, Payroll Specialist, Accounting Specialist, and Administrative Assistant.

Additionally, to support the smooth transitions and continuity of District services as employees retire, two short-term positions are included this fiscal year as succession planning positions – a Management Advisor position to facilitate the transition of a new Operations Manager positions and a overlap for an Administrative Specialist to train a new Administrative Assistant before retirement.

The MPWD Mission Statement, Vision Statement, and Strategic Goals are reviewed annually by the Board of Directors, together with the development of annual Strategic Plan and Board assignments. The six strategic elements identified in the 2025 Strategic Plan update are shown at the right and represent key priorities for the Board and District.

MPWD MISSION STATEMENT

The mission of the MPWD is to deliver a safe, high quality, reliable supply of water for current and future generations in a cost effective, environmentally sensitive, and efficient manner.

MPWD VISION STATEMENT

Providing quality water and essential service, since 1929…now…and into the future.

MPWD STRATEGIC GOALS

1. To demonstrate outstanding stewardship in the management of District water resources, demands, and infrastructure.
2. Provide exceptional levels of service and value to the community in a cost-effective manner.
3. Foster open and candid communication with community, staff and directors that results in collaborative, innovative operations.
4. Be viewed as an industry leader for water management best practices.

For more information about the MPWD, visit: www.midpeninsulawater.org.

Budget Message

During Fiscal Year 2025/26, Mid-Peninsula Water District (MPWD or District) continues to improve its financial health, which has been and continues to be a top priority for the District and its Board of Directors. The rate study approved by the Board in November 2024 has helped to increase the District's ability to plan for and adapt to increasing operating expenditure costs and capital improvement needs. Additionally, the Financial Management Policy adopted by the Board in April 2024 has helped identify and prioritize targets for reserve balances to support those needs.

The FY 2025/26 operating budget anticipates adding $1.3M towards the capital reserve. This has been achieved even while increasing District investment into preventative maintenance and numerous process improvements. At the same time, the District is experiencing cost increases due to inflation in its operating expenses.

In addition to increased operating expenses, the most significant driver of the District's budget is its Capital Improvements Program (CIP). Fiscal Year 2025/26 will see the District continuing to move forward on critical projects, using funds from the capital reserve and the bond issuance proceeds from 2025.

The Fiscal Year 2025/26 budget plans operating expenses of $18,581,978 to achieve continued progress toward meeting our strategic goals:

- Complete annual budget process on a timely basis.
- Demonstrate outstanding stewardship in the management of District water resources, demands and infrastructure.
- Provide exceptional levels of services and value to the community in a cost-effective manner.
- Foster open and candid communication with community, staff and directors that results in collaborative, innovative operations. Be viewed as an industry leader for water management best practices.

Financial Transparency

Strategic Element 5 Financial Management

Honest and transparent stewardship of public funds.

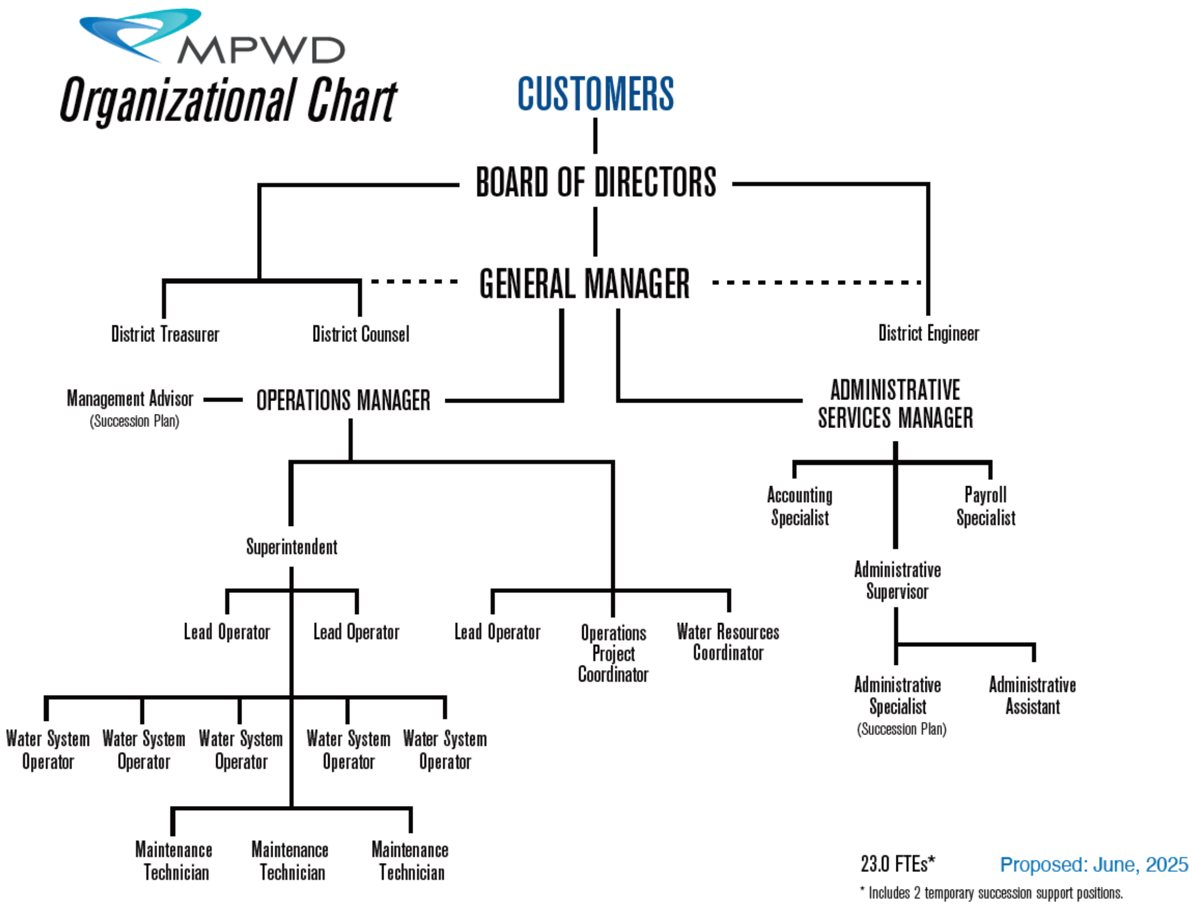
While the District is highly focused on its core business of providing reliable water service, we also continue to improve our financial administration. Monthly financial reports and the annual budget have become easily understandable and informative. Processes and controls are in place to document budget amendments for purchases that may have long supply chain delays.

This budget carries forward format improvements to advance transparency and accountability by including detailed narratives to accompany the budget schedules. All operating and capital activities of the District's budget are included and can be more easily understood by stakeholders.

This past fiscal year saw the Board's adoption of an updated five-year rate study and Capital Improvement Program. Included with the rate study was the identification of capital projects that are expected to be paid out of rate revenues, under the PayGo category. This past fiscal year also saw the Board's approval of a $33 million issuance of Certificates of Participation in order to fund capital projects that are expected to be long-lived and improve customer access and reliability of water. This budget includes capital projects that have already begun and are expected to begin in the next fiscal year and the estimates expected to be spent during the fiscal year on those projects. These projects have been separated by PayGo or debt financing categories in order to delineate the funding sources.

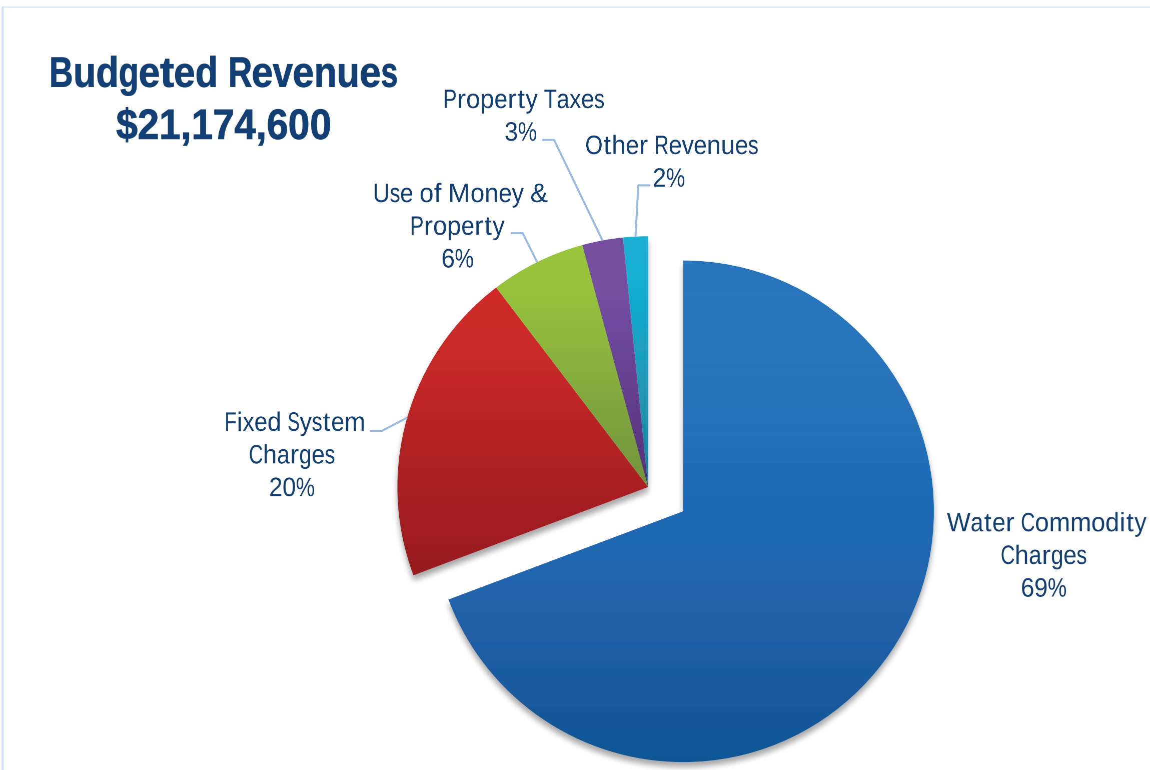
Organizational Chart

The District is overseen by an elected five-member Board of Directors. Operations of the District are overseen by a General Manager who reports directly to the Board of Directors. Additional organizational relationships are displayed below. The organization is designed to provide water services to residents, businesses, and visitors to the District's customers in a safe and efficient manner.



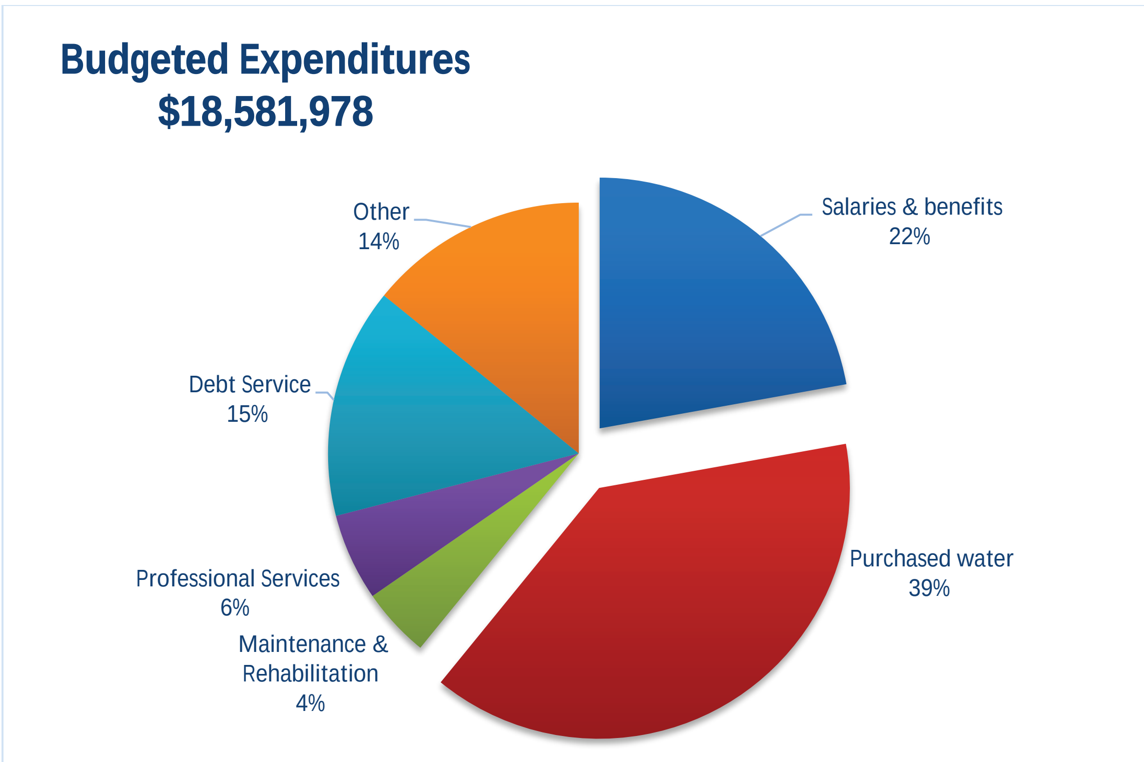
Revenue Summary

The following chart displays a summary of budgeted revenues during FY 2026. The major revenue sources consist of water customer fixed service charges, water commodity sales, use of money and property (investment income and lease revenue), and other revenues (permits, installation charges, account fees, etc.). Further detail of budgeted revenues is shown in **Schedule B** of this document.



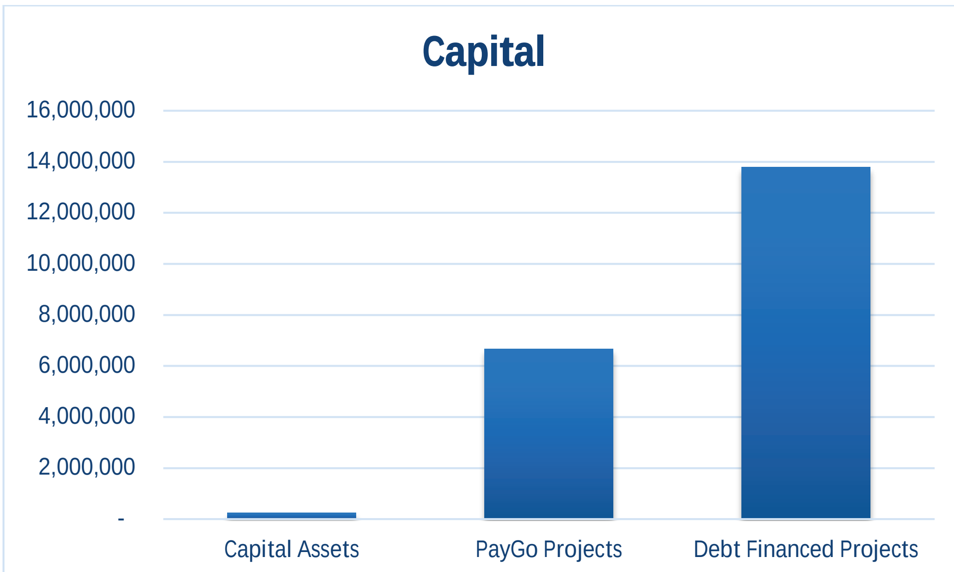
Expense Summary

The following chart displays a summary of budgeted expenses during FY 2026. The major categories of these expenses include salaries and benefits, operations and maintenance, general and administrative, debt service, and the portion of the Capital Improvement Program (CIP) funded from annual Operations. Additional CIP spending is excluded here but is budgeted (**Schedule C**) to be funded by existing capacity fee reserves and expected debt proceeds. Further detail of budgeted expenses is shown in **Schedule B**.



Capital Improvements Program by Utility & Funding Source

The FY 2026 budget includes total anticipated CIP spending of $20,703,805. The program is budgeted to complete high-priority projects to address the urgent issues of aging infrastructure with funding that is currently available or anticipated to be available. The one-year CIP budgets are shown and discussed in greater detail in **Schedule C**.



Debt Service and Debt Service Coverage

The District currently holds $48 million in total outstanding debt at the beginning of FY 2026. The Agency's outstanding debt consists of two issuances: 2016 Certificates of Participation and 2025 Certifications of Participation.

Debt Service Coverage Ratio

The District's debt service coverage ratio is a metric required for bond covenants. This evaluates the District's ability to fund annual debt service. Current covenants require a minimum 1.30 debt service coverage ratio (DSCR). The DSCR table displays the forecast for the FY 26 budget, which well exceeds the required minimum.

	Budgeted
Total Revenues	21,174,600
Less: Total Expenditures	(18,581,978)
Add: Debt Service	2,759,755
Net Revenue for DSCR	5,352,377
Annual Debt Service	2,759,755
DSC Ratio	**1.9394**

Schedule A: Reserve Analysis

ITEM	RESERVE ANALYSIS	Notes
OPERATING RESERVES ANALYSIS		
Total projected available resources - beginning balance	$ 15,601,327	Projected as of June 30, 2025
Budgeted revenues	20,450,600	Summary of operating budget
Budgeted expenditures	(18,581,978)	Summary of operating budget
Total available resources	17,469,949	
Less: Working Capital (Operating) Reserve	**(9,290,989)**	**50% of annual fiscal year budgeted expenditures**
Total remaining resources	$ 8,178,960	
CAPITAL RESERVES ANALYSIS		
Remaining reserves after operations	$ 8,178,960	
Total Pay-Go Capital Projects	(6,908,805)	Summary of capital budget
Total remaining for reserves	1,270,155	
Target Pay-Go Capital Reserve	8,000,000	Fixed amount
Amounts available for other reserves	**$ (6,729,845)**	**Short-fall**

ITEM	COP FUNDS ANALYSIS	Notes
Total projected available resources - beginning balance	$ 32,610,000	Projected as of June 30, 2025
Budgeted revenues	724,000	Summary of operating budget
Budgeted expenditures	(13,795,000)	Summary of capital budget
Total remaining available resources	**$ 19,539,000**	

Schedule B: Summary of Operating Budget

DESCRIPTION	APPROVED FY 2024-25 BUDGET $	PRELIMINARY FY 2025-26 BUDGET	*INCREASE /* (DECREASE) FY 2024-25 TO FY 2025-26	% Change
OPERATING REVENUE				
WATER COMMODITY CHARGES	12,766,915	14,669,000	1,902,085	14.9%
FIXED SYSTEM CHARGES	3,530,021	4,310,700	780,679	22.1%
FIRE SERVICE CHARGES	18,000	18,000	-	0.0%
MISC CUSTOMER ACCOUNT FEES	107,100	107,000	(100)	-0.1%
SERVICE LINE & INSTALLATION CHARGES	111,000	110,000	(1,000)	-0.9%
MISCELLANEOUS OPERATING	19,500	25,000	5,500	28.2%
TOTAL OPERATING REVENUE (SOURCES)	**16,552,536**	**19,239,700**	**2,687,164**	**0.0%**
WATER SYSTEM CAPACITY CHARGES	807,300	-	(807,300)	-100.0%
WATER DEMAND OFFSET CHARGES	-	-	-	0.0%
PROPERTY TAX REVENUE	545,000	555,900	10,900	2.0%
LEASE OF PHYSICAL PROPERTY	168,000	168,000	-	0.0%
MISCELLANEOUS NON-OPERATING	6,600	75,000	68,400	1036.4%
INTEREST REVENUE - PARS	41,000	40,000	(1,000)	-2.4%
INTEREST REVENUE-LAIF	73,640	75,000	1,360	1.8%
INTEREST REVENUE-COP	38,000	724,000	686,000	1805.3%
INTEREST REVENUE-SWEEP	42,000	42,000	-	0.0%
INTEREST REVENUE-US TREASURIES	251,723	251,000	(723)	-0.3%
LANDSCAPE PERMIT REVENUE	4,000	4,000	-	0.0%
TOTAL NON-OPERATING REVENUE (SOURCES)	**1,977,263**	**1,934,900**	**(42,363)**	**-2.1%**
TOTAL REVENUE (SOURCES)	**18,529,799**	**21,174,600**	**2,644,801**	**14.3%**
OPERATING EXPENDITURES (USES)				
SALARIES & WAGES	2,771,305	2,794,323	23,018	0.8%
PAYROLL TAXES & BENEFITS	1,335,100	1,327,100	(8,000)	-0.6%
PURCHASED WATER	6,619,719	7,192,500	572,781	8.7%
OUTREACH & EDUCATION	95,000	78,000	(17,000)	-17.9%
M&R - OPS SYSTEMS	630,000	608,500	(21,500)	-3.4%
M&R - FACILITIES & EQUIPMENT	297,000	225,000	(72,000)	-24.2%
SYSTEM SURVEYS	715,000	740,000	25,000	3.5%
ADMINISTRATION & EQUIPMENT	727,000	754,000	27,000	3.7%
MEMBERSHIP & GOV FEES	370,000	396,950	26,950	7.3%
BAD DEBT & CLAIMS	15,000	-	(15,000)	-100.0%
UTILITIES	576,500	580,000	3,500	0.6%
PROFESSIONAL SERVICES	1,032,500	1,043,850	11,350	1.1%
TRAINING/TRAVEL & RECRUITMENT	111,500	82,000	(29,500)	-26.5%
DEBT SERVICE	1,305,000	2,759,755	1,454,755	111.5%
TOTAL OPERATING EXPENSES (USES)	**16,600,624**	**18,581,978**	**1,981,354**	**11.9%**
NET SURPLUS/(LOSS)	**1,929,175**	**2,592,622**	**663,447**	**34.4%**
DEBT SERVICE COVERAGE	**2.48**	**1.94**		

Schedule C: Capital Improvement Budget

DESCRIPTION	PROJECTED FY 2024-25 AMOUNTS	PROPOSED FY 2025-26 BUDGET	TOTAL PROJECT BUDGET
CAPITAL ASSETS			
Capital Equipment		$ 100,000	
24" Main Air Valve Install		150,000	
TOTAL CAPITAL ASSET		**250,000**	
CAPITAL PROJECTS - PAYGO			
CIP 15-09/ 15-19 Dekoven Tank Util/Lincoln/Newlands/Oak Knoll WMR	140,000	2,439,155	2,579,155
CIP 24-08 Exbourne West Tank Recoating	35,000	679,271	714,271
CIP 24-09 Hallmark North Tank Recoating	-	2,896,109	3,309,839
CIP 24-10 West Belmont North Tank Recoating	25,000	144,271	169,271
Other Projects (Not Yet Identified)	-	500,000	500,000
TOTAL CAPITAL PROJECTS - PAYGO	**200,000**	**6,658,805**	**7,272,535**
CAPITAL PROJECTS - DEBT FINANCING			
CIP 20-09 Dairy Lane Operations Center Rehabilitation - Architect	130,000	845,000	975,000
CIP 20-10 Dairy Lane Operations Center Rehabilitation - Construction	-	3,006,250	12,025,000
CIP 24-07 Folger Property Improvements	260,000	5,340,000	5,600,000
CIP 15-89 Dekoven Tanks Replacement	-	2,530,000	7,590,000
CIP 15-72b SR 101 Crossing at PAMF Hospital - Phase 2	-	2,073,750	2,765,000
Other Projects (Not Yet Identified)	-	-	4,500,000
TOTAL CAPITAL PROJECTS - DEBT FINANCING	**390,000**	**13,795,000**	**33,455,000**
TOTAL CAPITAL PROJECTS	**590,000**	**20,453,805**	**40,727,535**
TOTAL CAPITAL		**20,703,805**	**40,727,535**

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