

## MEMORANDUM

Date: August 26, 2025

To: Water Utility Board

From: January Vang, Finance and Administrative Manager  
Krishna Kumar, General Manager

Subject: 2026 Capital and Operating Budget Requests

## RECOMMENDATION

Staff request the Board to review and approve the Water Utility's (Utility) 2026 Operating and Capital Budget requests.

## BACKGROUND

The Utility has completed the 2026 Capital and Operating budget requests for the Common Council and the Mayor's review and eventual adoption by the Common Council. The summary of the budget requests is discussed below.

### Operating Fund

The Utility is requesting \$52.9M in operating expenses for 2026. This is comprised of:

- \$27.1 million in operations and maintenance (O&M) expense
- \$19.4 million in debt service
- \$6.4 million in payment to the city in lieu of taxes (PILOT)

2026 Operating budget request increased by \$3.6M from the estimated expenses for 2025 mainly due to the overall cost increases in supplies and services.

The Utility also plans to transfer \$4M from the Operating Fund to the Construction Fund to fund 2026 capital projects and reserve \$800K for tank coat repaint. The Utility is budgeting \$63M in revenue for 2026 resulting in an ending fund balance of \$6.7M. Details of the fund balance summary is provided in Attachment C.

Details of the Operating Budget request are included in Attachment A.

### **Construction Fund**

The Utility is requesting \$27.1M for the 2026 Capital Improvement Program. The 2026 Capital budget includes:

- Water Main Programs – \$15 million
- Facility Improvements - \$2.4 million
- Vehicles and Equipment - \$1 million
- Other projects and ongoing programs - \$8.7 million

Total \$27.1M

The 2026 Capital budget will be funded with \$11.5M from the Safe Drinking Water Loan Program, \$10M from expense depreciation and \$4M from Water Utility reserves. The Utility is projecting 2026 ending fund balance of \$0.9 thousand in the Construction Fund. Details of the fund balance summary is provided in Attachment C.

Details of the Capital Budget request are included in Attachment B.

### **ATTACHMENTS:**

- A. 2026 Operating Budget Request
- B. 2026 Capital Budget Request
- C. 2026 Operating & Capital Fund Balance Summary