

MWDOC FY 2026-27 & 2027-28 Budget

1st Draft Budget

Administration & Finance Committee Meeting

Budget Presentation Agenda

- MWDOC Budget Schedule
- Implementation of a Two-Year Budget
- Metropolitan Rates
- MWDOC Budget Overview
- Key Priorities & Initiatives
- Items Not Incorporated in 1st Draft
- Discussion & Direction for 2nd Draft

MWDOC FY 2026-27 & 2027-28 Budget - Schedule

January 2026

- ☑ Request for Member Agencies' preliminary indication of participation in Choice programs

February 2026

- 1st Draft Budget @ A&F Committee (2-11)
- Initial Member Agency Choice Participation Confirmation (2-17)
- Member Agency Managers Meeting (2-18)

March 2026

- 2nd Draft Budget @ A&F Committee (3-11)
- Member Agency Managers Meeting (3-19)
- Update Choice-funded Program Participation
- Member Agencies submit Formal Comments (3-27)

April 2026

- 3rd/FINAL DRAFT Budget and Rates @ A&F Committee (4-8)
- Member Agencies' Formal Comments presented to A&F Committee (4-8)
- Board approval of FINAL Budget and Rates (4-15)

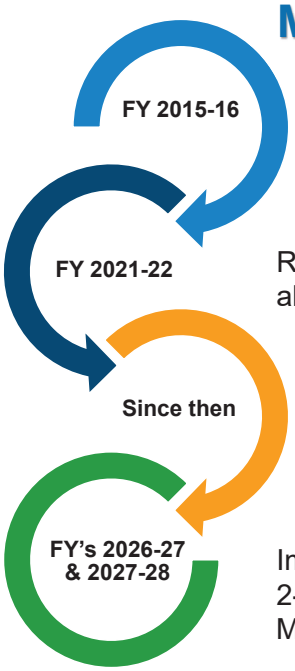
June 2026

- Member Agencies Confirm Final FY 2026-27 Choice participation (6-12)

October 2026

- Biennial Budget mid-cycle review @ A&F Committee (10-14)
- Board Approval of Updated Final FY 2026-27 Choice Budget (10-21)

Implementation of a Two-Year Budget



MWDOC Budgeting Snapshot

Budget transitioned to 100% fixed charge revenue structure

Revised Ground Water Charge allocation per 2021 Raftelis Study

Rate increases have been gradual and predictable, approximately 3-4% per year

Implementation of MWDOC's first 2-year Budget – in alignment with Metropolitan Biennial Budget

Alignment with Metropolitan. By synchronizing with Metropolitan's budget cycle, we can ensure that our rates and charges accurately reflect the wholesale water costs passed through to our Member Agencies.

Investing in Our Team. One of the most valuable benefits of the two-year budget framework is the enhanced capacity it provides for staff development and organizational strengthening.

Commitment to Values. As we embrace this new two-year budget framework, our fundamental commitments remain unchanged. This Budget continues our commitment to modest, predictable rate increases that support cost recovery in a financially prudent manner.

Proposed Metropolitan Rates & Charges

Rates & Charges Effective January 1st	Current 2026	Proposed 2027	Inc	% Δ	Proposed 2028	Inc	% Δ
Supply Rates ($/AF)	$313	$440	$127	40.6%	$488	$48	10.9%
System Access Rate ($/AF)	$492	$493	$1	0.2%	$560	$67	13.6%
System Power Rate ($/AF)	$179	$155	($24)	(13.4%)	$154	($1)	(0.6%)
Full Service Untreated Volumetric ($/AF)	**$984**	**$1,088**	**$104**	**10.6%**	**$1,202**	**$114**	**10.5%**
Treatment Surcharge ($/AF)	$544	$382	($162)	(29.8%)	$411	$29	7.6%
Full Service Treated Volumetric ($/AF)	**$1,528**	**$1,470**	**($58)**	**(3.8%)**	**$1,613**	**$143**	**9.7%**
Treatment Peaking Capacity Charge ($/CFS)		$33,100			$21,800	($11,300)	(34.1%)
Treatment Used Standby Capacity Charge ($/AF)		$16			$148	$132	825.0%
Treatment Remaining Capacity Charge ($/AF)		$75			$68	($7)	(9.3%)
Capacity Charge ($/CFS)	$14,500	$17,900	$3,400	23.4%	$21,400	$3,500	19.6%
Total Readiness-to-Serve Charge ($M)*	$188	$237	$49	26.1%	$254	$17	7.2%
Overall Rate Increase				**9.5%**			**9.5%**

Volumetric Rates

Fixed Charges

*Each member agency pays a portion of the Readiness-to-Serve Charge based on its proportionate share of the ten-year average of firm purchases.

MWDOC Budget Overview

Budget Narrative includes:

- Proposed key financial changes and adjustments
- Detailed description of the District's key priorities and initiatives



MWDOC Budget Overview - Rates

FY 2026-27

RATES

- Fixed Meter Charge @ $15.70 — YTY Increase of 2.95% or $0.45
- OCWD Contribution @ $427,658 — YTY Increase of 3.21% or $13,287

FY 2027-28

RATES

- Fixed Meter Charge @ $16.25 — YTY Increase of 3.50% or $0.55
- OCWD Contribution @ $441,989 — YTY Increase of 3.35% or $14,331

MWDOC Budget Overview - Core

FY 2026-27

REVENUES

- **Core** Revenues @ $12,119,176 — YTY Increase of 6.3% or $721,917 ($46,925 increase in Interest Revenue)

OPERATING EXPENSES

- **Core** Expenses @ $12,154,833 — YTY Increase of 6.6% or $756,222

FY 2027-28

REVENUES

- **Core** Revenues @ $12,419,294 — YTY Increase of 2.5% or $300,118

OPERATING EXPENSES

- **Core** Expenses @ $12,560,717 — YTY Increase of 3.3% or $405,884

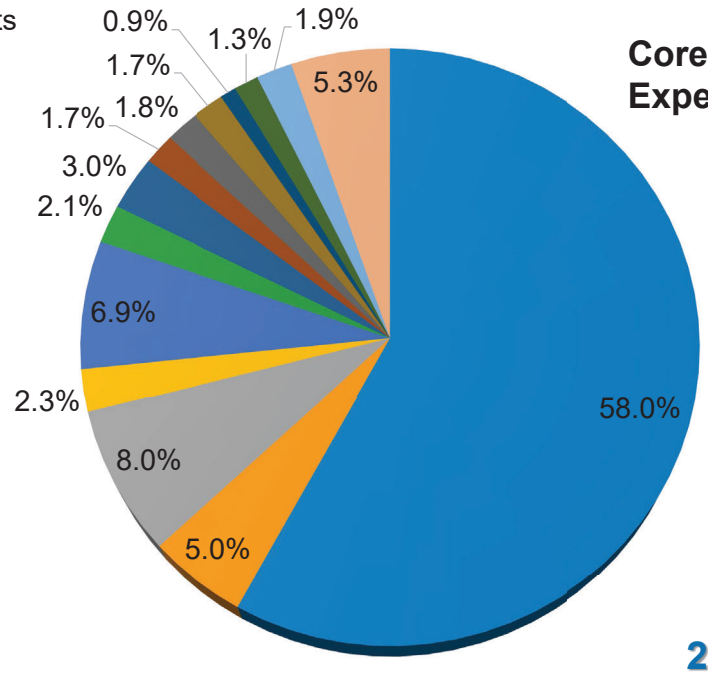
MWDOC FY 2026-27 Core Expense by Line Item

$\Sigma = 63.0\%$

$\Sigma = 80.3\%$

$\Sigma = 87.0\%$

- Employee Salary & Benefits
- Director Salary & Benefits
- Professional Fees
- Building Expenses
- Consulting Expense
- Legal Expense
- WEROC
- CALPERS Contribution
- Software Support
- Membership
- Travel
- Maintenance Expense
- Insurance
- Other



FY 2026-27

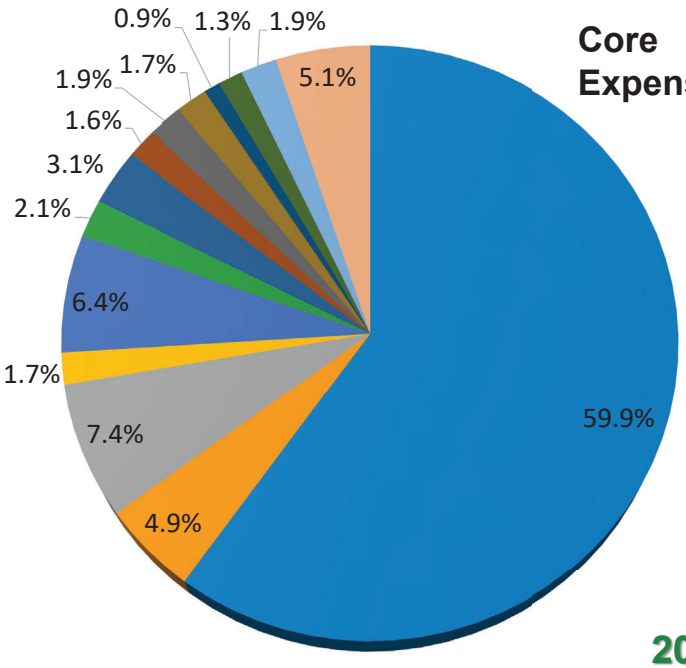
MWDOC FY 2027-28 Core Expense by Line Item

$\Sigma = 64.9\%$

$\Sigma = 80.4\%$

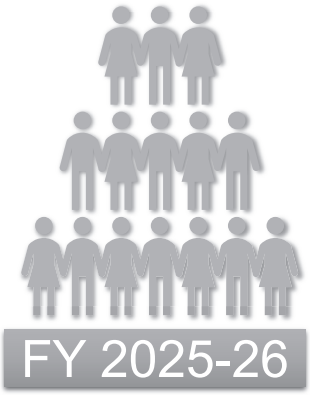
$\Sigma = 87.2\%$

- Employee Salary & Benefits
- Director Salary & Benefits
- Professional Fees
- Building Expenses
- Consulting Expense
- Legal Expense
- WEROC
- CALPERS Contribution
- Software Support
- Membership
- Travel
- Maintenance Expense
- Insurance
- Other



FY 2027-28

MWDOC Budget Overview – Staffing Levels



FY 2025-26

Total 46 people
Total 44.01 FTE
Core 34.9 FTE
Choice 9.07 FTE



FY 2026-27

Total 46 people
Total 43.33 FTE
Core 35.83 FTE
Choice 7.50 FTE



FY 2027-28

Total 46 people
+3 succession planning
Total 44.59 FTE
Core 37.03 FTE
Choice 7.56 FTE

MWDOC Budget Overview – Choice Programs

FY 2026-27

INITIAL CHOICE REVENUE & EXPENSES
- **Choice** Rev & Exp @ $2,733,774 YTY Increase of 15.3% or $362,874

TOTAL OUTSIDE WUE FUNDING
- $6,942,515 YTY decrease of -16.9%

FY 2027-28

INITIAL CHOICE Y-T-Y REVENUE & EXPENSES
- **Choice** Rev & Exp @ $2,840,217 YTY Increase of 3.9% or $106,443

TOTAL OUTSIDE WUE FUNDING
- $6,235,562 YTY decrease of -10.2%

Budget Assumption – Salary Merit Pool

Objectives of the Salary Pool Formula

- Guide for Budget Assumption
- Formula seeks to keep up with labor market conditions & and retain our talented workforce

MWDOC does not provide a Cost-of-Living Adjustment (COLA) for employee salary increases

- Salary increases are solely merit-based

MWDOC conducts an annual survey from water agencies for comparison

- Currently compiling water agency data and will present in April
- Historically, our formula has compared very well with other water agencies

MWDOC Budget Overview – Salary Merit Pool

FY 2026-27

SALARY CONTRIBUTION MERIT POOL

- Based on actual CPI performance
- CPI @ 3.20% (Moderate)
- Pool @ 5.92% of Salaries & Wages

COMPENSATION POOL CPI RANGES & FORMULAS		
Category	**CPI Range**	**Formula**
Negative	< 0%	2% + (CPI x 0.5)
Low	0% to 2.4%	2% + CPI
Moderate	2.4% to 4.7%	CPI x 1.85
High	> 4.7%	4% + CPI

FY 2027-28

SALARY CONTRIBUTION MERIT POOL

- Initial estimate based on the UCLA Anderson School economic forecast model
- CPI estimated @ 3.35% (Moderate)
- Pool @ 6.20% of Salaries & Wages

Key Priorities & Initiatives



Reliability & Engineering
- Water Quality Initiatives
- Supplemental Reliability Analysis of Water Supplies
- MET System Shutdown Planning



Communications / Public Affairs
- Education: School Program (K-12) & WEEA
- Policy Dinners & Summit
- MWDOC's 75th Anniversary & MA Spotlight Videos



Metropolitan Issues & Policy
- Climate Adaptation Master Planning
- Local Resources Program
- Local Supply Exchange Framework development



Governmental Affairs
- Legislation & Regulatory Leadership
- Grant Tracking
- Colorado River Post 2026



Water Use Efficiency
- Turf Removal, Device Incentives, Design Assistance
- Assist MA's in meeting their State Conservation Requirements



Water Loss Control
- Audit Validation
- Leak Detection
- Customer Meter Accuracy, Pressure Surveys



WEROC
- Response Readiness
- Training and Plan Development
- Emergency Response



Finance & IT
- Enterprise Resource Planning
- District Cyber Security
- Infrastructure Modernization and Optimization



Board Services
- ADA Compliance
- Contract Management & RFP Process
- Administrative Code Update



Administration & Human Resources
- Comprehensive Salary and Benefits Study
- Succession Planning

New Items Incorporated in 1st Draft

COMPREHENSIVE SALARY AND BENEFITS STUDY

Staff proposed initiating a Comprehensive Salary and Benefits Study early in FY 2026-27. The concurrent review of the District's benefits and salaries will reduce duplicative analysis and yield a comprehensive set of recommended changes that support one another.

Estimated cost:

- $60,000 in FY 2026-27

EXPANSION OF EDUCATION PROGRAM INITIATIVES

To support the expansion of education and workforce development programming, including new Career Technical Education partnerships, teacher training and professional learning opportunities, engagement with post-secondary institutions, student-focused events, and regional workforce collaboration initiatives.

Estimated cost:

- +$10,000 per year, initiating in FY 2026-27 (from $35,000 to $45,000)

Items *Not Yet* Incorporated in 1st Draft

MWDOC RELIABILITY STUDY UPDATE

MWDOC's last comprehensive Water Reliability Study was completed in 2023. An updated study would assess current and projected water supply reliability for Orange County, and evaluate the adequacy of existing and planned water supply portfolios.

Estimated cost:

- $450,000 spread over two years, initiating in FY 2027-28

OC TAX MEMBERSHIP

Orange County Taxpayers Association (OC TAX) membership would provide MWDOC enhanced visibility among Orange County's business and civic leadership, along with opportunities to educate key stakeholders about water supply reliability.

Estimated cost:

- $2,500 per year, initiating in FY 2026-27

DIRECTOR COMPENSATION

The Board will need to determine whether to include Director compensation adjustments in the Budget and, if so, at what level within the statutory maximum.

Estimated cost:

- FY 2026-27 Board could approve increase of up to 5.0%
- FY 2027-28 Board could approve increase of up to 5.0%

Discussion & Direction for 2nd Draft

A&F Committee and Board Direction

- Budget Items and Assumptions
  - Direction from the Board for 2nd Draft Budget
- Feedback on Items *Not Yet* Incorporated
  - MWDOC Reliability Study Update
  - Director Compensation Adjustment
  - Orange County Taxpayers Association Membership

Budget Refinements

- Continued Choice program refinements