



ADMINISTRATION COMMITTEE

Headquarters
18480 Bandilier Circle
Fountain Valley, CA 92708
(714) 593-7433

Agenda Report

File #: 2026-4854

Agenda Date: 4/8/2026

Agenda Item No: 5.

FROM: Robert Thompson, General Manager
Originator: Wally Ritchie, Director of Finance

SUBJECT:

FY 2025-26 BUDGET AMENDMENT

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION: Recommend to the Board of Directors to:

Approve a budget increase of \$68,000,000 for FY 2025-26, for a total budget as follows:

	<u>FY 2025-26</u>
Net Operating	\$260,365,399
Self-Insurance	\$ 6,745,565
Net Capital Improvement Program	\$317,959,620
Debt/COP Service	\$ 60,431,104
Intra-District Joint Equity Purchase/Sale (1)	\$ 3,500,000
Total	\$649,001,688

(1) Cash to/from Revenue Area 14 (RA14) in exchange for capital assets to/from Consolidated Revenue Area 15 (RA15)

BACKGROUND

In June 2025, the Board of Directors approved the Operating, Capital, Debt Service, and Self-Insurance Budgets for FY 2025-26. An accelerated execution rate for the Capital Improvement Program (CIP) and planned repairs and maintenance activities have driven the need to request a FY 2025-26 budget increase.

RELEVANT STANDARDS

- Ensure the public’s money is wisely spent
- Produce appropriate financial reporting - annual financial report & audit letter and Ops & CIP budgets every two years, with annual update

PROBLEM

The budget authority for FY2025-26 is not adequate to cover the estimated expenses for the fiscal year.

PROPOSED SOLUTION

Approve the proposed budget increase for FY 2025-26.

TIMING CONCERNS

The budget increase needs to be approved before expenditures can exceed the previously approved amount.

RAMIFICATIONS OF NOT TAKING ACTION

OC San will not have a budget approved at sufficient levels to accommodate the expenses incurred in FY 2025-26.

PRIOR COMMITTEE/BOARD ACTIONS

June 2025 - Approved the proposed Operating, Capital, Debt Service, and Self-Insurance Budgets for FY 2025-26 as follows:

		<u>FY 2025-26</u>
Net Operating	\$	246,365,399
Self-Insurance	\$	6,745,565
Net Capital Improvement Program	\$	254,276,633
Debt/COP Service	\$	60,431,104
Intra-District Joint Equity Purchase/Sale ⁽¹⁾	\$	3,500,000
Other Requirements	\$	10,000,000
Total	\$	581,318,701

⁽¹⁾ Cash to/from Revenue Area 14 (RA14) in exchange for capital assets to/from Consolidated Revenue Area 15 (RA15)

ADDITIONAL INFORMATION

The table below shows the approved budget and estimated actuals for FY 2025-26 (in millions).

	Approved Budget	Estimated Actuals	Variance	Performance Percentage
Capital	\$254	\$318	\$64	125%
Operating	\$246	\$260	\$14	106%
Debt Service	\$60	\$60	\$ 0	100%
Other	\$21	\$11	\$(-10)	52%
Total	\$581	\$649	\$68	

Due to receiving higher than budgeted revenues for FY 2025-26 a portion of the increase of the expenditure budget is offset, detailed in the table below (in millions).

	Adopted Budget	Estimated Actuals	Variance
Revenues	\$588	\$617	\$29
Expenditures	\$581	\$649	\$68
Net Revenues	\$7	\$(32)	\$(39)

The requested increase does not impact the long term cashflow due to the capital increase request in FY 2025-26 being predominantly driven by accelerated project spending, not project budget increases. These spending increases are offset by a reduction in spending for the relevant projects in future years.

CEQA

N/A

FINANCIAL CONSIDERATIONS

Increase in budget will not affect long term cash flow.

ATTACHMENT

The following attachment(s) may be viewed on-line at the OC San website (www.ocsan.gov) with the complete agenda package:

- Presentation