

Budget Assumptions

Fiscal Year 2026-27 & 2027-28

(Preliminary)

Economic Assumptions

- The December 2025 12-month change for the Los Angeles-Long Beach-Anaheim consumer price index (CPI-U) is 3.0%. This is lower than the prior year CPI-U of 3.4% observed in December 2024. This trend is monitored during the budget process for significant changes.
- The December 2025 annual Engineering News Record Construction Cost Index (CCI) for Los Angeles is 0.9%. This is lower than the prior year CCI of 2.2% in December 2024.

Revenue Assumptions

- Revenues are budgeted per the OC San rate study completed in December 2022, which ensures equitable district fees and accurate system cost recovery from new development. Revenues are anticipated to increase in FY 2027-28 due to the incorporation of customers under the IRWD Agreement, approved in 2025.
- In FY 2026-27, the Single-Family Residence (SFR) Rate will increase by \$13, or 3.4%, from \$384 to \$397, comparable with the CPI-U index. In FY 2027-28, the SFR Rate will increase by \$14, or 3.65%, from \$397 to \$411, comparable with the CPI-U index.
- The Capital Facilities Capital Charge (CFCC) fees are adjusted annually by the Construction Cost Index (CCI) released by the Engineering News Record (ENR). CFCC fees fund infrastructure for additional capacity. Other infrastructure is funded by user fees.
- The district currently serves approximately 936,188 Equivalent Dwelling Unit (EDU) connections. There will be an increase in EDUs served for both budget years due to the incorporation of customers under the IRWD Agreement, approved in 2025.
- Permit user rates in the budget are included in the following table:

| Permit User Fees | FY 2025-26 | FY 2026-27 | % Increase | FY 2027-28 | % Increase |
|--|------------|------------|------------|------------|------------|
| Flow – per million gallons | \$1,836.37 | \$1,922.17 | 4.6% | \$2,011.98 | 4.6% |
| Biochemical Oxygen Demand (BOD) – per 1000 pounds | \$785.55 | \$829.17 | 6.6% | \$875.21 | 5.4% |
| Suspended Solids (SS) – per 1000 pounds | \$898.34 | \$942.86 | 4.8% | \$989.58 | 4.8% |

- Annexation fees capture both the net current assets and the equivalent property tax allocations totaling \$4,235 per acre. Annexable property in OC San's service area is minimal and no fees from annexation are budgeted.
- A rate study is currently in progress, which will result in a recommendation for a future five-year rate schedule, commencing with FY 2027-28.

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- Property tax revenues are budgeted to increase 2% annually. Proposition 13 limits the increase of the assessed value of properties to a maximum of 2% annually. However, these revenues can fluctuate with new construction and turnover of property ownership.
- Earnings on OC San cash and investment balances are budgeted at 4.0% of the average projected cash and investment balance each fiscal year.

Operating Assumptions

- The proposed operating budget continues to reflect an emphasis on safety, security, and maintenance of plant assets and infrastructure.
- Operating expenses are anticipated to approximate the adopted FY 2025-26 budget of \$246.4 million with general increases for inflation.
- Average daily flows are budgeted at 185 MGD for FY 2026-27 and FY 2027-28. The FY 2025-26 projection of 186.1 MGD reflects an increase of 2.1 MGD from the final FY 2024-25 average daily flow of 184.0 MGD.

Personnel Assumptions

- The total FY 2025-26 authorized staffing level is 669.5 FTEs. Levels are reviewed during the budget process and adjustments are considered to accommodate new programs, operating efficiency, and administrative duties.
- Vacant positions are budgeted at step 1 for half of FY 2026-27 (50%) and a full year at step 2 for FY 2027-28 (100%). If a position is assumed to be hired in FY 2027-28 then the position is budgeted at step 2 for the full year (100%).
- New positions are budgeted at step 1 for FY 2026-27 and at step 2 for FY 2027-28.
- A vacancy factor of 4.0% on authorized positions is budgeted for FY 2026-27 and FY 2027-28. As of December 2025, the vacancy factor is trending at 4.67%. This factor accounts for the time that authorized positions remain vacant due to employee retirement, employee turnover and recruitment.
- Orange County Employees Retirement System (OCERS) costs are budgeted per employee based on each employees' plan. Plan H rates include OC San's pickup of 3.5% of employee contributions. Employees hired on or after January 1, 2013, are enrolled in OCERS Plan U. Interns do not participate in OCERS and are budgeted at 6.2% for Social Security contributions. The following table displays budgeted OCERS rates:

| OCERS Plan | # Employees | FY 2025-26 | FY 2026-27 | % Change |
|-------------------|--------------------|-------------------|-------------------|-----------------|
| Plan B | 50 | 13.09% | 13.25% | +0.16% |
| Plan H | 179 | 14.05% | 14.03% | -0.02% |
| Plan U | 393 | 9.95% | 9.87% | -0.08% |

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- Cost-of-living-adjustments (COLA) for salaries are budgeted in line with current Memorandums of Understanding (MOU) for the Orange County Employees Association (OCEA), Local 501, and Supervisor and Professional (SPMT) groups. The COLA is 4.5% for FY 2026-27 and 3.0% for FY 2027-28.
- Employee insurance and other benefits are anticipated to increase. Increases will be determined during the budget process when additional information is available.

Materials, Supplies, & Services Assumptions

- The General Manager's contingency budget is set at 2.5% of the Operating materials and services budget. These funds will be allocated to appropriate line items during the year after requests and justifications for unanticipated needs are approved by the General Manager.

Capital Improvement Program (CIP) Assumptions

- CIP cash outflows are determined during CIP budget validation. The CIP budget will be reviewed and validated throughout the budget process. Preliminary cash outflows are projected based on the previously validated CIP as follows:
 - \$261.4 million in FY 2026-27 (preliminary projection)
 - \$331.6 million in FY 2027-28 (preliminary projection)
- CIP is evaluated continuously by Financial Management, Project Management Office, and Planning divisions at OC San. Project deferrals, changes, and priorities may impact the amount and timing of CIP cash flow and repair and maintenance costs in Operations.
- Through November 2025, \$98.8 million of the \$254.2 million FY 2025-26 CIP budget was expended (38.9%).

Debt Financing Assumptions

- Borrowing will be included only for facilities which do not add capacity and that are funded by all users for replacement, rehabilitation, and improved treatment.
- No additional new debt is anticipated over the next ten-years. The approved user fee schedule is considered sufficient to fund OC San operating and capital requirements.
- Financial management continues to monitor the debt program for potential interest savings opportunities through refunding or paying down existing debt.
- No additional debt proceeds are scheduled for FY 2026-27 or FY 2027-28.