



ADMINISTRATION COMMITTEE

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Agenda Report

File #: 2026-4990

Agenda Date: 6/24/2026

Agenda Item No: 26.

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

SUBJECT:

PROPOSED FISCAL YEAR 2026-27 AND FISCAL YEAR 2027-28 BUDGET

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION:

Approve the proposed Operating, Capital, Debt Service, and Self-Insurance Budgets for FY 2026-27 and FY 2027-28 as follows:

	<u>FY 2026-27</u>	<u>FY 2027-28</u>
Net Operating	\$ 279,712,720	\$ 291,268,126
Self-Insurance - Workers' Comp.	\$ 1,568,000	\$ 1,697,500
Self-Insurance - Property & Gen. Liability	\$ 4,991,970	\$ 5,460,167
Net Capital Improvement Program	\$ 291,475,441	\$ 313,540,607
Capital Equipment	\$ 19,445,729	\$ 14,322,073
Debt/COP Service	\$ 60,972,861	\$ 65,127,111
Reduction of Long-Term Liabilities	\$ 15,000,000	\$ 15,000,000
Total	\$ 673,166,721	\$ 706,415,584

BACKGROUND

The FY 2026-27 and FY 2027-28 Proposed Budget is included for the Committee's consideration. The Budget has been presented to the Operations Committee at the regular June meeting in order to allow each Standing Committee an opportunity to review the proposal prior to the June Board meeting. Although each Committee has had an opportunity to review the proposal, it remains the responsibility of the Administration Committee to recommend approval. The Administration Committee is requested to recommend that the Board of Directors approve this budget at the June 24, 2026 Board of Directors meeting.

RELEVANT STANDARDS

- Ensure the public's money is wisely spent
- Produce appropriate financial reporting - Operating and CIP budgets every two years, with annual update

PROBLEM

The Orange County Sanitation District (OC San) cannot maintain and monitor its financial condition, operations, and future capital improvements without examination and transparency into its resources, revenues, reserves, and outlays, and cannot continue to operate without an approved budget.

PROPOSED SOLUTION

Approve the Proposed FY 2026-27 and FY 2027-28 Budget.

TIMING CONCERNS

OC San is currently operating in the final year of its two-year budget which runs through June 30, 2026. The new budget will be effective July 1 of this year upon adoption by the Board of Directors in June.

RAMIFICATIONS OF NOT TAKING ACTION

OC San will not have an updated budget to be able to carry out its financial fiduciary duties or other operations beyond June 30, 2026.

PRIOR COMMITTEE/BOARD ACTIONS

April 2026 - Approved 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
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)

June 2025 - Adopted 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	\$	<u>10,000,000</u>
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

OC San's FY 2026-27 and FY 2027-28 Budget represents a consolidation of two one-year proposed operating and capital budgets. OC San's FY 2026-27 operating and capital improvement budget is proposed at \$673.1 million, a 3.7 percent increase from the prior year budget of \$649.0 million. This overall increase is primarily attributable to a decrease of \$7.0 million in net CIP Outlay offset by a \$19.4 million increase in operating costs and an \$11.5 million increase in other requirements.

OC San's FY 2027-28 operating and capital improvement budget is proposed at \$706.4 million, a 4.9 percent increase from the FY 2026-27 proposed budget. The increase is mostly primarily comprised of an \$11.6 million, or 4.1 percent, net increase in cash outlays for construction projects and a \$16.9 million, or 5.4 percent, increase in operating costs. The fluctuation in capital outlay requirements over the next two years is attributable to the timing of the construction schedule on the implementation of the overall combined ten-year, \$3.6 billion CIP.

The FY 2026-27 and FY 2027-28 budget continues to reflect the agency's ongoing efforts to meet the operational standards and regulatory requirements. Staffing levels are being proposed at 699.5 full time equivalent (FTE) positions for FY 2026-27, an increase of 30.0 FTE positions, or 4.5 percent over the 669.5 FTE staffing level that was approved for FY 2025-26. The FY 2027-28 budget proposes 718.5 FTE positions, an increase of 19, or 2.7 percent increase over FY 2026-27.

ATTACHMENT

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

- FY 2026-27 and FY 2027-28 Proposed Budget
- FY 2026-27 and FY 2027-28 Budget Summary
- Presentation