



ADMINISTRATION COMMITTEE

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Agenda Report

File #: 2026-5002

Agenda Date: 7/8/2026

Agenda Item No: 8.

FROM: Robert Thompson, General Manager
Originator: Lorenzo Tyner, Assistant General Manager

SUBJECT:

FY 2025-26 BUDGET AMENDMENT

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION:

Information Item.

BACKGROUND

In June 2025, the Board of Directors approved the Operating, Capital, Debt Service, and Self-Insurance Budgets for FY 2025-26. As a result of an accelerated rate of expenditure in the Capital Improvement Program (CIP) and repairs and maintenance activities, staff requested an increase to the FY 2025-26 budget. In April 2026, the Board of Directors approved this requested budget increase of \$68 million for a total budget of \$649 million, which included a Capital Budget of \$318 million.

However, subsequent to that approval and the end of the fiscal year, staff determined that the increase is insufficient. This insufficiency is the result of two primary causes:

- 1. The expenditure estimate for the remaining months was inaccurate.**
CIP spending continued at an even faster rate than estimated. This accelerated spending resulted in an additional \$10 million in expenditure that was not anticipated to occur until the 2026-27 fiscal year.
- 2. A clerical error resulted in an underestimation of capital expenditures.**
When developing the budget increase request for April 2026, February actuals were not available. Staff developed a preliminary spending estimate with the intent to update estimate when the February actuals were available. However, staff inadvertently omitted February actuals from the calculation and request given to the Board in April 2026. Adjusting the estimate to include the February actuals increases the 2025-26 total expenditures by an additional \$17 million.

The combination of the above mentioned items increases total 2025-26 expenditures by \$27 million.

In August, after Finance have sufficiently reconciled the OC San expenditures and revenues, staff will request a final FY 2025-26 budget increase, and it will be taken to the August Steering Committee and Board of Directors for approval.

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

	Revised Budget	Estimated Actuals	Variance / New Request
Capital	\$318	\$345	\$27
Operating	\$260	\$260	\$ 0
Debt Service	\$ 60	\$ 60	\$ 0
Other	\$ 11	\$ 11	\$ 0
Total	\$649	\$676	\$27

The requested increase does not materially impact the long-term cashflow or customer rates as the increase is predominantly driven by accelerated project spending, not project budget increases.

These spending increases are also partially offset by a reduction in total capital spending in future years and unanticipated additional revenue.

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

ATTACHMENT

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

- Presentation