



# **FISCAL YEAR 2026 ANNUAL BUDGET**



Grace Way Well – Scotts Valley Drive

**July 1, 2024 – June 30, 2025**

[WWW.SVWD.ORG](http://WWW.SVWD.ORG)

# **Scotts Valley Water District**

2 Civic Center Drive  
Scotts Valley, CA 95066  
831-438-2363

## **Mission**

Scotts Valley Water District delivers a sustainable, high quality water service in an environmentally responsible and financially sound manner.

## **Core Values**

Scotts Valley Water District is:

- Innovative
- Efficient
- Adaptable
- Collaborative
- Approachable

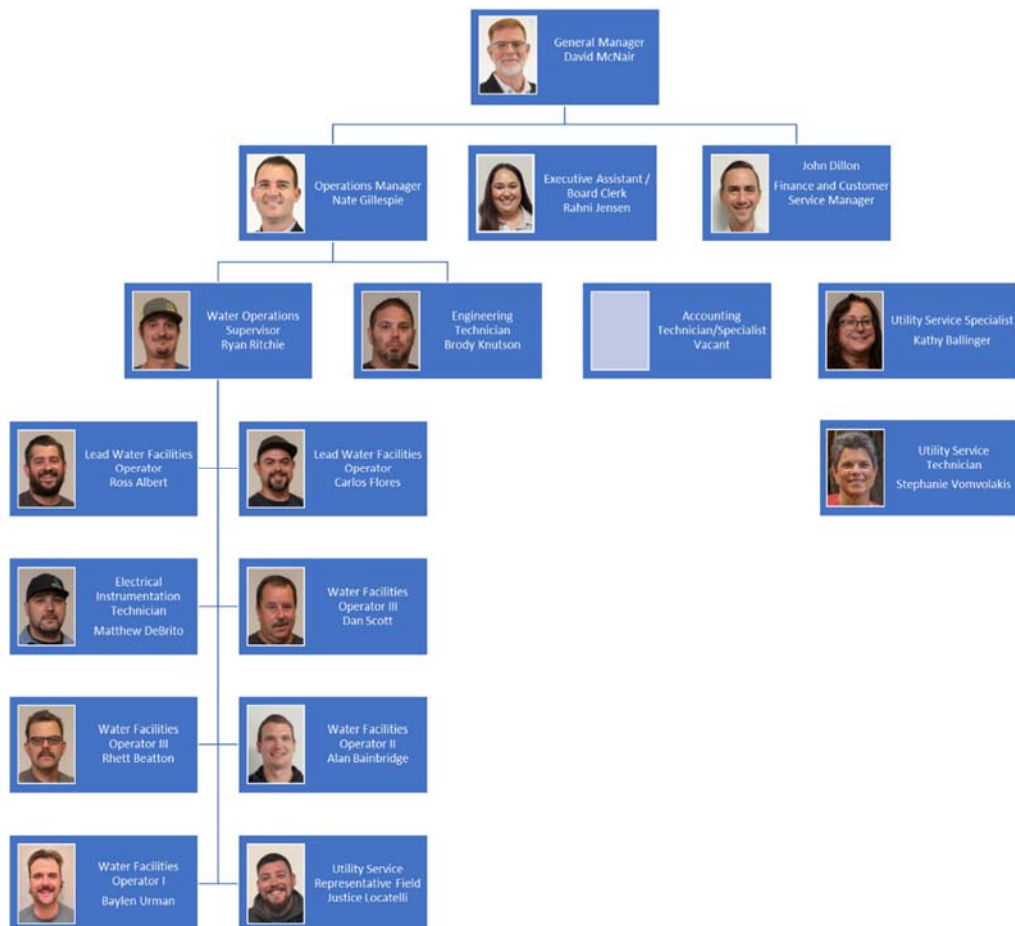
## **Vision**

Scotts Valley Water District is a results-driven, data-oriented public agency that provides effective actions, superior customer service and visionary leadership.

## Board of Directors July 1, 2025

Name	Title	Elected / Appointed	Current Term
Danny Reber	President	Elected	2024-2028
Ruth Stiles	Vice President	Elected	2022-2026
Bill Ekwall	Director	Elected	2022-2026
Chris Perri	Director	Elected	2024-2028
Wade Leishman	Director	Elected	2022-2026

## Management and Staff



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June 12, 2025

To the Board of Directors:

On behalf of the team at Scotts Valley Water District, we are pleased to present our recommended Fiscal Year 2025-2026 operating and capital improvement budget. This Budget was developed to implement the FY 2026 Work Plan in support of the District strategic goals:

- Water Resource Management: SVWD meets the water supply needs of its customers by developing new, sustainable sources and maximizing the use of existing sources.
- Infrastructure Integrity: SVWD provides continuous investment in its infrastructure and process improvements to ensure the efficiency of its operations.
- Financial Stewardship: SVWD manages its financial resources in a manner that ensures the reliability of its operations and provides the greatest value to its customers.
- Community Engagement: SVWD proactively creates opportunities for strategic alliances and mutually beneficial relationships with its customers and partners.
- Organizational Vitality: SVWD recruits and retains the highest quality employees and board members by offering a work environment in which they can thrive and succeed.

## **Review of Fiscal Year 2025**

The District has continued work on its ambitious capital improvement plan throughout Fiscal Year 2025. Drilling and construction for the replacement of Well 3B, the new Sucinto Well, is nearly complete: the well has been equipped with its pump and motor, while installation of controls continues. The Grace way well has now been drilled and constructed and design work is being completed for equipping the well and site improvements. The District is also working with the City of Santa Cruz Water Department to construct an intertie and pump station between the two systems. Design work has been completed for the project and major construction has begun. While the Intertie project and the Grace Way Well project are both partially funded by the 2021 DWR Urban and Multibenefit Drought Relief Grant Program, we now expect that construction costs for intertie project will exceed grant funds by about \$6.7 million, with Scotts Valley Water District expected to contribute \$2.7 million to the project. The District also completed construction of the second phase of the Transit Center LID Groundwater Recharge project. In addition to these major projects the district has also continued work on replacing obsolete radio transmitter units, and obsolete Remote Terminal Units (RTU's) to improve communication and efficiency in our SCADA system. We have acquired a truck mounted valve turning machine which will improve staff efficiency in maintenance and repair jobs. Design work has progressed on projects to reduce systemwide water pressure, designed corrosion repairs to roof of Sequoia Tank, completing the construction of a new Bethany Tank, and improvements at the El Pueblo Water Treatment Plant.



These projects have been identified as important to maintaining the Districts vital assets and keeping the system resilient and capable of meeting growth demands of the community.

Operationally, the District has had to be flexible in responding to unexpected main breaks and absorbing rising energy costs and costs of permitting and oversight.

## **Fiscal Year 2026 Outlook**

The main economic factor facing the District in Fiscal Year 2026 will continue to be completion of these important capital improvement projects. In addition to the projects continuing from 2025, the District has plans to acquire a new electric vehicle as a part of required fleet efficiency requirements, continuing design on the Glenwood Tank landslide, updating the Monte Fiore Pump Station, making improvements to the distribution System in Monte Valle, and completing scheduled main replacements and installations.

The District will also be conducting several important engineering studies and reports in Fiscal Year 2026:

- Urban Water Management Plan - Long-term resource planning to ensure that adequate water supplies are available to meet existing and future water needs. The information collected from UWMPs is useful for local, regional, and statewide water planning.
- Intertie Rate Study – Study of our cost of service to establish water rates for providing water to City of Santa Cruz through the new intertie and rates for transporting water from City of Santa Cruz to San Lorenzo Valley using our existing interties.
- Mt Roberta Fire Hardening / Tank Siting Study – Improve fire resiliency in neighborhood near the Mt Roberta tank.
- American Water Infrastructure Act Risk and Resilience Assessments and Emergency Response Plans – This report is required to assess risks to the water system from malevolent acts or natural disasters, financial risks to the district and the monitoring systems and resiliency of the system. The report requires review and update every five years.

The District will also begin work on the 2026 Water Rate Study. Last completed in 2021, the water rate study helps the district in establishing priorities for system improvements, identify and update our assumptions regarding operational revenues and expenses, and set water rates at a level that will sustain District reserves and identify needs for additional funding. These studies, along with various maintenance expenses at our operations sites will push our operating expenses to higher levels than Fiscal Year 2025.

Looking forward , the District will need to be prepared for reserve levels to decline from levels that were maintained in Fiscal 24 and 25. The Districts capital improvement plan anticipates further expenses as design studies are completed in existing projects and new projects will continue to be identified to keep the district operating efficiently and maintain the high quality water system that



the community requires . We will need to continue to be resourceful and creative in identifying opportunities for grants or new debt financing.

## **About the Budget**

### **Budgetary Control**

Through approval of the budget, the board appropriates the resources necessary to maintain District service levels and achieve specified objectives. The District prepares a detailed line item operating budget, which represents an estimate based on operations at the time the budget is prepared. Throughout the fiscal year, management applies best business practices to improve operational efficiencies. As a result, actual expenses may differ from the budget.

The level of budgetary control is set at the division level. Each Division Manager is responsible for his/her division budget. The General Manager is responsible for the District budget with authority to move appropriations between divisions. Budgetary control for projects is set at the total Projects budget amount approved for the year, including carryover project funding. Spending on a project not listed in the budget would require the board's review and approval through an agenda report.

The budget may only be amended during the course of the fiscal year by Board action. This process typically occurs when staff members submit requests to the Board for additional funding from the operating contingency reserves. Staff members present these requests to the Board during regularly scheduled meetings, and the Board reviews and deliberates on them. The Board then makes decisions on whether to approve or reject the requests through a motion and a majority vote. In situations where the revenue falls significantly short of the initial budget expectations, comprehensive mid-year revisions to the budget may become necessary. This allows for adjustments to be made to the budget to reflect the updated financial circumstances and ensure financial stability for the District.

## **District Policies**

### **Target Reserves**

The target reserves are established by the formula stated in District Policy P200-17-2. For FY 2026, the calculated target reserve amount is approximately \$6.12 million, as summarized below. The projected Reserve Balance, based upon fund balance at June 30, 2025, is \$5.8 million, or \$300,000 less than the Target Reserve.



## SCOTTS VALLEY WATER DISTRICT

### FY 2026 Reserve Target

		Budget
Operating Reserve		
FY 2026 Operating Expense Budget	7,650,827	
Reserve Level: 90 days (25%)	25%	1,912,707
Rate Stabilization Reserve		
FY 2025 Water Sales Revenue Budget	5,618,300	
20% of volumetric water sales revenue	20%	1,123,660
Emergency Reserve		
Net Asset Value @ 6/30/2024	28,971,861	
2.5% of Net Asset Valuation	2.5%	724,297
Capital Reserve		
FY 2024 Depreciation	1,237,189	
1 Year of Depreciation	100%	1,237,189
Debt Service Reserve		
FY 2026 Debt Service	1,119,891	
100% of Debt Service	100%	1,119,891
		<hr/>
		6,117,743

### Debt Service Coverage Ratio

The 2016 Refunding Loan requires that the District prescribe, revise and collect such charges for providing water, which, after allowances for contingencies and errors, produce sufficient income in each fiscal year to provide net revenues equal to at least 1.20 times the sum of 1) 2016 Loan installment payments becoming due and payable in such fiscal year and 2) all debt service and any related payments required with respect to any additional parity debt for such fiscal year. Parity debt consists of any additional debt obligations incurred by the District and secured by a debt on District revenues equally and ratably with the 2016 Loan payments. This includes the 2021 First Foundation Loan.

### Allocation of Expenses between Potable and Recycled Water Funds

Recycled water revenues, portions of debt service for the 2016 Refunding Loan, water meters for recycled accounts, repairs and maintenance of the recycled water plant and 10% of the general and administrative expenses are budgeted in the Recycled Water Fund. In the adopted 2021 Rate Schedule, effective with the FY 2023 Budget funding for the 2016 Refunding Loan was shifted to the Potable Water fund. It should be noted that all District fund balance reserves are allocated to the Potable Fund and none is currently allocated to the Recycled Fund.

### Budget Assumptions

In preparing the budget, the District begins with a set of assumptions which we use to set expectations for changes in revenue and expenses from the previous year.





Revenue Assumptions	
Water Sales / Service	<ul style="list-style-type: none"><li>• Demand/Usage consistent with previous year</li><li>• No expected growth from new construction</li><li>• Potable Water Rate increase of 7% - Consistent with 5 year rate plan</li></ul>
New Connections	<ul style="list-style-type: none"><li>• 3 New connections anticipated in FY2026, est. \$120k Revenue</li></ul>
Property Taxes	<ul style="list-style-type: none"><li>• Projected 3% increase over FY2025</li></ul>
Grants	<ul style="list-style-type: none"><li>• DWR 2021 Grant – Remaining funds used to complete Grace Way Well and SCWD-SVWD System Intertie</li></ul>

Expense Assumptions	
Salaries & Benefits	<ul style="list-style-type: none"><li>• COLA of 2.82%</li><li>• Step Increases and Bonuses</li><li>• 10% increase in Health Insurance Premiums</li><li>• CalPERS Unfunded Liability Contribution of \$121,554</li></ul>
Debt Service	<ul style="list-style-type: none"><li>• Principal and Interest payments will be \$1,119,891</li></ul>
Projects Budget	<ul style="list-style-type: none"><li>• Total project spending will be \$12,134,400</li></ul>

## Fiscal Year 2026 Budget

The fiscal year 2026 Budget Amounts to \$7.65 Million in Operating Expenses, \$1.12 Million in debt interest and principal repayment, and \$12.1 Million in Capital Improvement Projects.

Revenues from Water Sales and Services are projected to be \$8.85 Million. An additional \$2 Million of revenue is expected from Property Taxes and Interest, and approximately \$3.3 Million in Grant Funding is expected to complete the 2021 DWR Urban Multi-Benefit Drought Relief Grant.



SCOTTS VALLEY  
WATER DISTRICT

	FY 23-24 Actual	FY 24-25 Budget	FY 24-25 Est to Close	FY 25-26 Proposed Budget
<b>Revenue</b>				
<b>Operating Revenue</b>				
Water Sales	4,802,117	5,225,900	5,353,800	5,618,300
Water Services	2,687,316	3,015,100	3,007,214	3,138,000
Connection Fees	1,303,023	178,900	130,875	91,184
<b>Total Operating</b>	<b>8,792,456</b>	<b>8,419,900</b>	<b>8,491,890</b>	<b>8,847,484</b>
<b>Non Operating Revenue</b>				
Property Taxes	1,389,578	1,637,267	1,589,798	1,637,492
Interest	138,003	253,510	410,618	426,794
Misc	80,198	20,200	9,645	9,600
<b>Total Non-operating</b>	<b>1,607,778</b>	<b>1,910,976</b>	<b>2,010,061</b>	<b>2,073,886</b>
<b>Total Revenue</b>	<b>10,400,235</b>	<b>10,330,876</b>	<b>10,501,951</b>	<b>10,921,369</b>
<b>Expense</b>				
<b>Operating Expenses</b>				
Salaries & Benefits	2,969,964	3,256,311	2,905,625	3,424,195
Professional Services	783,470	1,025,871	741,602	1,426,460
Supplies	69,927	103,500	80,671	104,230
General Production Costs	135,614	146,215	116,970	191,600
Source of Supply	386,791	339,571	269,721	282,307
Pumping	519,989	704,546	647,732	781,400
Water Treatment	666,728	621,100	570,530	640,100
Transmission & Distribution	167,150	471,300	669,460	507,500
Customer Accounts	300,981	306,946	266,865	292,035
Other	62,097	1,000	1,542	1,000
<b>Total Operating</b>	<b>6,062,711</b>	<b>6,976,360</b>	<b>6,270,719</b>	<b>7,650,827</b>
<b>Non-Operating</b>				
Debt Principal	931,320	949,811	949,811	973,404
Debt Interest	184,603	165,759	165,759	146,487
<b>Total Non-Operating</b>	<b>1,115,923</b>	<b>1,115,570</b>	<b>1,115,570</b>	<b>1,119,891</b>
<b>Total Expense</b>	<b>7,178,635</b>	<b>8,091,930</b>	<b>7,386,289</b>	<b>8,770,718</b>
<b>Capital</b>				
Grant Funding	-	4,413,920	6,200,000	3,315,000
Capital Projects	(3,679,939)	(12,522,354)	(8,164,381)	(12,134,400)
<b>Net Capital</b>	<b>(3,679,939)</b>	<b>(8,108,434)</b>	<b>(1,964,381)</b>	<b>(8,819,400)</b>
<b>Change in Working Capital</b>	<b>(458,340)</b>	<b>(5,869,488)</b>	<b>1,151,282</b>	<b>(6,668,749)</b>



## Revenues

### Water Sales and Services

Water Sales revenue includes consumption-based sales of potable water, recycled water, and bulk water. The FY 2026 Water Sales revenue budget assumes consumption will be consistent with consumption level experienced in FY 2025 and a 7% rate increase in January 2026.

Water Service revenue is based on monthly basic service charges and the number of existing meters for both potable and recycled water. For new connections added to the system in FY 2025, Water Service revenue is anticipated in FY 2026 and is included in the budget.

The District completed the Comprehensive Rate and Fee Study in October 2021 and the Board approved a five-year rate schedule that became effective in January 2022. District rates were converted to monthly rates at that time. Rate changes reflected in this FY 2026 Budget and projected for January 2026 are presented below:

<b>BASIC METER CHARGE</b>	<b>Adopted 1/1/2022</b>	<b>Adopted 1/1/2023</b>	<b>Adopted 1/1/2024</b>	<b>Adopted 1/1/2025</b>	<b>Proposed 1/1/2026</b>
<b>Meter Size</b>					
5/8"	\$44.07	\$46.28	\$47.67	\$50.05	\$53.57
5/8" Rate Assistance (Residential)	\$30.85	\$32.40	\$33.37	\$35.04	\$37.50
5/8" Fire Service (Residential/Commercial)	\$11.66	\$12.24	\$12.61	\$13.24	\$14.17
3/4" (Multi-Residential, incl Fire Service) *	\$55.73	\$58.51	\$60.27	\$63.28	\$67.74
3/4"	\$61.61	\$64.69	\$66.63	\$69.96	\$74.88
1"	\$96.81	\$101.65	\$104.70	\$109.94	\$117.67
1 1/2"	\$192.74	\$202.38	\$208.45	\$218.87	\$234.28
2"	\$310.24	\$325.75	\$335.52	\$352.30	\$377.10
3"	\$643.91	\$676.10	\$696.38	\$731.20	\$782.67
4"	\$1,138.55	\$1,195.48	\$1,231.34	\$1,292.91	\$1,383.91
6"	\$2,269.80	\$2,383.29	\$2,454.79	\$2,577.53	\$2,758.96
<b>VOLUMETRIC RATES (Per 100 Gal)</b>	<b>Adopted 1/1/2022</b>	<b>Adopted 1/1/2023</b>	<b>Adopted 1/1/2024</b>	<b>Adopted 1/1/2025</b>	<b>Proposed 1/1/2026</b>
<b>Tiers for Residential Units with Individual Meters</b>					
0 TO 3,000	\$0.83	\$0.87	\$0.90	\$0.94	\$1.00
3,001 TO 6,000	\$1.33	\$1.39	\$1.43	\$1.50	\$1.61
6,001 TO 7,000	\$2.40	\$2.52	\$2.60	\$2.73	\$2.91
OVER 7,000	\$2.88	\$3.03	\$3.12	\$3.28	\$3.50
<b>Tiers for Multi-Residential Units with Master Meters **</b>					
0 TO 3,000	\$0.83	\$0.87	\$0.90	\$0.94	\$1.00
3,001 TO 3,200	\$1.33	\$1.39	\$1.43	\$1.50	\$1.61
3,201 TO 7,000	\$2.40	\$2.52	\$2.60	\$2.73	\$2.91
OVER 7,000	\$2.88	\$3.03	\$3.12	\$3.28	\$3.50



<b>UNIFORM RATES (Per 100 Gal)</b>	<b>Adopted 1/1/2022</b>	<b>Adopted 1/1/2023</b>	<b>Adopted 1/1/2024</b>	<b>Adopted 1/1/2025</b>	<b>Proposed 1/1/2026</b>
Commercial, Industrial, Institutional (CII)	\$1.35	\$1.42	\$1.46	\$1.53	\$1.64
Landscape Potable	\$2.22	\$2.33	\$2.40	\$2.52	\$2.70
Qualifying Medical Needs Residential	\$1.33	\$1.39	\$1.43	\$1.50	\$1.61
Rate Assistance (Residential)	\$0.83	\$0.87	\$0.90	\$0.94	\$1.00

### **New Connections**

New Connections revenue is based on the development projects which are underway in the Service Area and anticipated to be completed in FY 2026. New Connection revenue anticipated includes 1 new 5/8 inch Meter Connection, 1 new 3/4 inch meter connection, and 1 5/8 to 3/4 inch meter upgrade for a total of approximately \$92,000 in revenue. It should be noted that the District anticipates much higher new connection revenue in FY27-29 with more than 20 new connections anticipated in each of those years.

### **Non-Operating Revenue**

Non-Operating Revenue includes property taxes, interest, dividends, and sale of surplus items. Property tax revenue for FY 2026 is budgeted at 3% more than the FY 2024 estimated actual, based on revenue growth estimates from the County. Interest and dividends are budgeted based on current interest rates.

## **Expenses**

### **Salaries and Benefits**

The FY 2026 Salaries and Benefits budget provides for an increase of \$167,900, or 5.2%, over the FY 2025 budget. The Salaries budget includes a COLA of 2.82%, as well as scheduled step increases and performance bonuses for eligible hourly employees. Compensation for exempt employees is projected to increase by 5%. Board of Directors expenses include compensation for Directors and Associate Directors to attend board and committee meetings as well as time spent at conferences, training events and other functions. The Benefits budget includes an increase of 10% in medical premium rates and an increase of \$48,143 or 65%, for the unfunded pension liability.

The number of positions budgeted remains is not changed from FY 2025. A summary of budgeted full-time equivalent (FTE) positions follows:

Administrative Office Assistant	1
Accounting Technician/Specialist	1
Engineering Technician	1
Electrician/Instrumentation Technician	1



Executive Assistant / Board Clerk	1
Finance & Customer Service Manager	1
General Manager	1
Lead Water Facilities Operator	2
Operations Manager	1
Operations Supervisor	1
Utility Service Representative, Field	1
Utility Service Specialist	1
Utility Service Technician	1
Water Facilities Operator I/II/III	4
<b>Total Positions</b>	<b>18.0</b>

## Services and Supplies

The FY 2026 Operating Expense Budget increases 13.6%, or \$506,600 from the prior year budget. These increases are due to the 5-year studies that will be completed in 2026 as well as needed maintenance and repairs at our operations facilities. We have also factored in a 10% increase in energy costs for 2026.

	FY24-25 Budget	FY24-25 Est to Close	2026 Proposed Budget
Customer Accounts	\$ 306,946	\$ 266,865	\$ 292,035
General Production Costs	146,215	116,970	191,600
Other	1,000	1,542	1,000
Pumping	704,546	647,732	781,400
Services	1,025,871	741,602	1,426,460
Source of Supply	339,571	269,721	282,307
Supplies	103,500	80,671	104,230
Transmission & Distribution	471,300	669,460	507,500
Water Treatment	621,100	570,530	640,100
<b>Grand Total</b>	<b>3,720,049</b>	<b>3,365,094</b>	<b>4,226,632</b>

	FY24-25 Budget	FY24-25 Est to Close	2026 Proposed Budget
Administration	\$ 630,466	\$ 520,972	\$ 719,682
Board of Directors	19,200	10,036	19,200
Engineering	133,150	25,120	253,650
Finance	529,496	431,037	580,235
Operations	2,407,737	2,377,929	2,653,865
<b>Grand Total</b>	<b>3,720,049</b>	<b>3,365,094</b>	<b>4,226,632</b>



## Source of Supply - SMGWA

To comply with the 2014 Sustainable Groundwater Management Act, the District along with the County of Santa Cruz and San Lorenzo Valley Water District formed the joint powers authority (JPA), Santa Margarita Groundwater Agency (SMGWA). Operations of the JPA have been funded by the three member agencies as well as the City of Santa Cruz and the Mount Hermon Association. The FY 2026 Expense Budget includes \$209,480 for the district's contribution to SMGWA.

## Projects

The FY 2025 Projects budget totals approximately \$12,539,000, all of which will be funded in the Potable Water Fund. Project spending for FY 2025 is expected to reach \$8.1 Million by June 30, 2025 with major progress being made on the Grace Way Well and City of Santa Cruz Intertie, Replacement of Well 3B, and completion of the Transit Center Groundwater Recharge project. Planned Project Highlights for FY 2026 include:

- City of Santa Cruz System Intertie – Expected completion by FY2026, City of Santa Cruz expects that spending in FY2025 will reach \$3.9 Million and spending in FY2026 will total \$7,756,000.
- Grace Way Well – Drilling for the well has been completed. FY26 spending will be for well equipping and site improvements such as paving, fencing and safety and security improvements. Total Spending is estimated at \$930,000 for FY2026.
- Glenwood Tank Landslide - \$495,000 has been allocated for engineering design of recommended site improvements to protect Glenwood tank from the landslide that occurred below the tank site. The District continues to explore the possibility of obtaining FEMA funding to help cover the costs of repairs.
- Bethany Tank Rehabilitation - \$481,000 has been allocated to the Bethany Tank project for design engineering in FY2026. Construction of a new tank is anticipated to begin in FY 2027 with projected costs of \$5 Million.
- Monte Fiore Pump Station Upgrade / Rehab - \$402,000 has been allocated to repair and replace aging components of the Monte Fiore Pump Station. Construction is expected to be completed in FY2027. Upgrades include a new equipment shelter, pumps and piping, and a new generator and fuel tank.

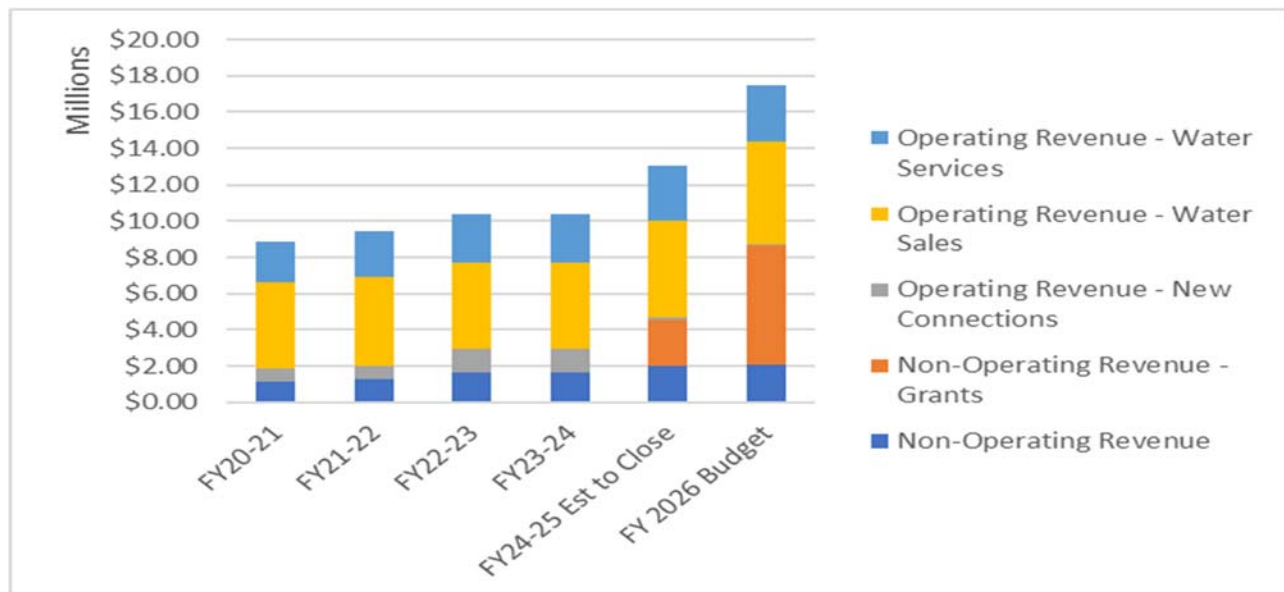


## SCOTTS VALLEY WATER DISTRICT

The full FY2026 Capital Improvement Plan is listed below:

Project Category	Project Description	FY 2026 Planned Spending
Mains	Potable Water Main Replacement	\$ 50,000.00
Mains	SCWD - SVWD System Intertie	\$ 7,756,878.00
Treatment Plants	El Pueblo Water Treatment Plant Improvements	\$ 181,410.67
Treatment Plants	Well 10 WTP Improvements	\$ 200,000.00
Treatment Plants	VFD installation at Orchard WTP	\$ 175,000.00
Treatment Plants	Treatment Facility for New Production Well	\$ -
Tanks	Bethany Tank Rehabilitation	\$ 481,386.53
Tanks	Sequoia Tank Roof Recoat	\$ 292,280.00
Tanks	Potable: Resealing seams and Safety Upgrades on Bolted Steel	\$ 125,000.00
Tanks	Resealing seams and Safety Upgrades on Bolted Steel Tank Rec	\$ 70,000.00
Tanks	Glenwood Tank Landslide Evaluation & Repair	\$ 495,000.00
Pump Stations	Monte Fiore PS Rehab	\$ 402,412.00
Wells	Grace Wy Well	\$ 930,866.00
Wells	Well 3B Replacement	\$ 339,951.00
Distribution System	System wide pressure reduction program	\$ 339,402.00
Distribution System	Distribution system improvements in Montevalle	\$ 112,044.91
Technology	SCADA Improvements- Teledesign Radio and Kingfisher RTU Re	\$ 202,126.71
Fleet	Vehicle Replacement Program	\$ 180,000.00
Fleet	Specialized Operations Equipment	\$ 49,227.38
Buildings	Administrative Building Improvements	\$ 20,000.00
Buildings	Corp Yard Improvements	\$ 35,425.00
Buildings	Solar Installation	\$ 25,000.00
Totals		\$ 12,539,410.20

### Five Year Trend - Revenue

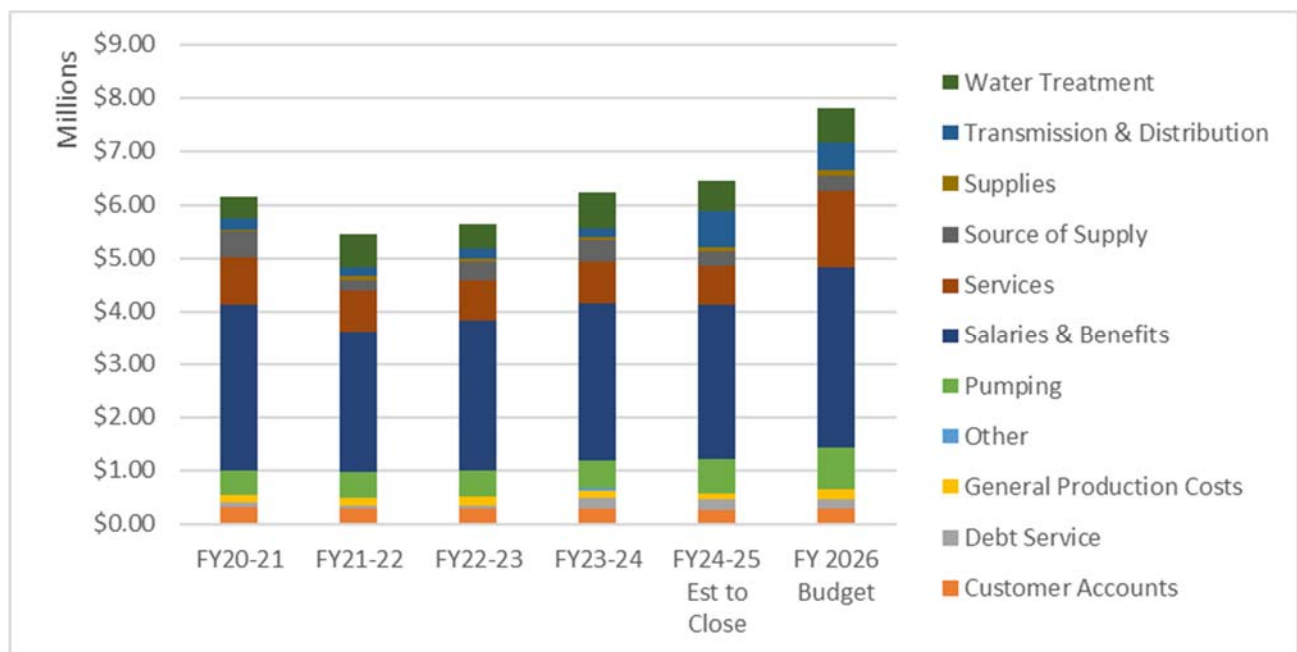
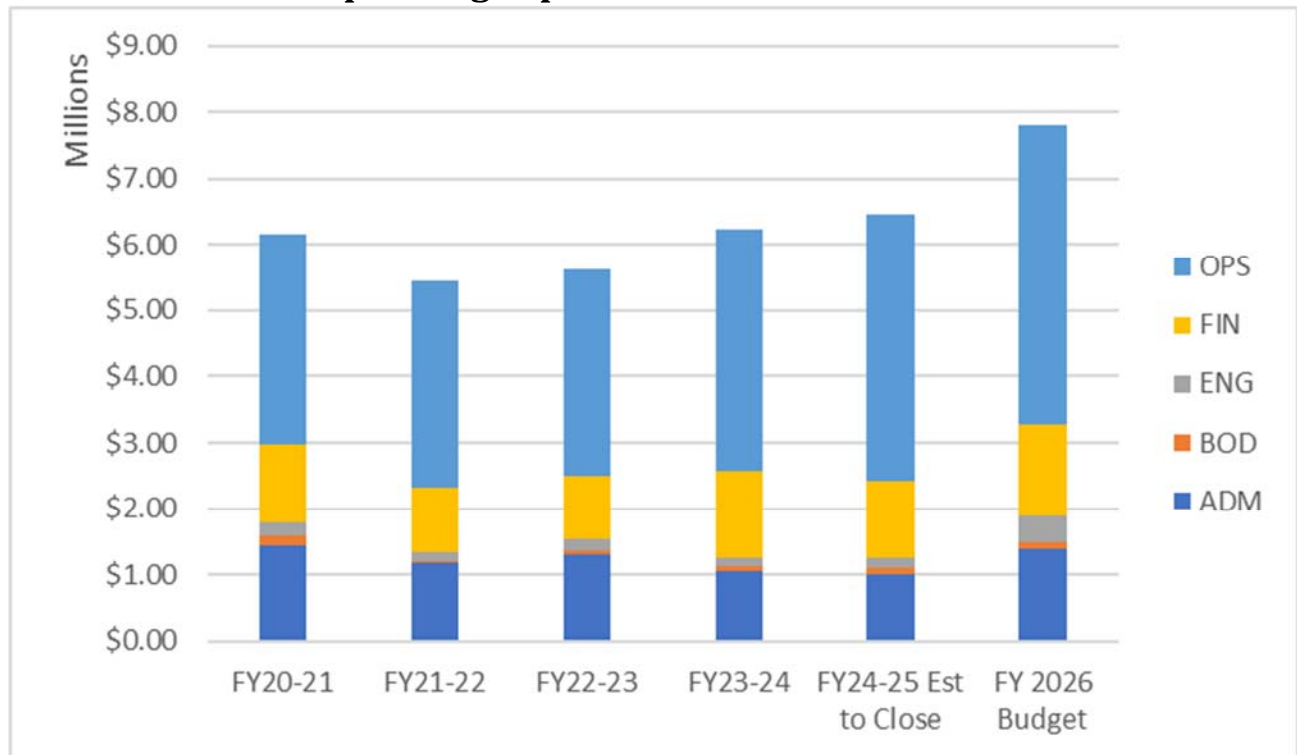






Water sales and water services revenue have increased since the adoption of the 2021 Rate Schedule in proportion to the rate increases over the period. FY 2026 Budget reflects a 7 percent rate increase effective on 1/1/2026, which is the final year of a five-year rate plan.

### Five Year Trend – Operating Expenses







Operating Expenses have increased since 2021 due to rising energy costs (pumping), as well as increases in salaries and benefits. Elevated costs of services in FY2021 and projected for FY2026 reflect the completion of the various required five-year studies previously discussed. Transmission and distribution costs were higher in FY 2025 due to main break repairs.

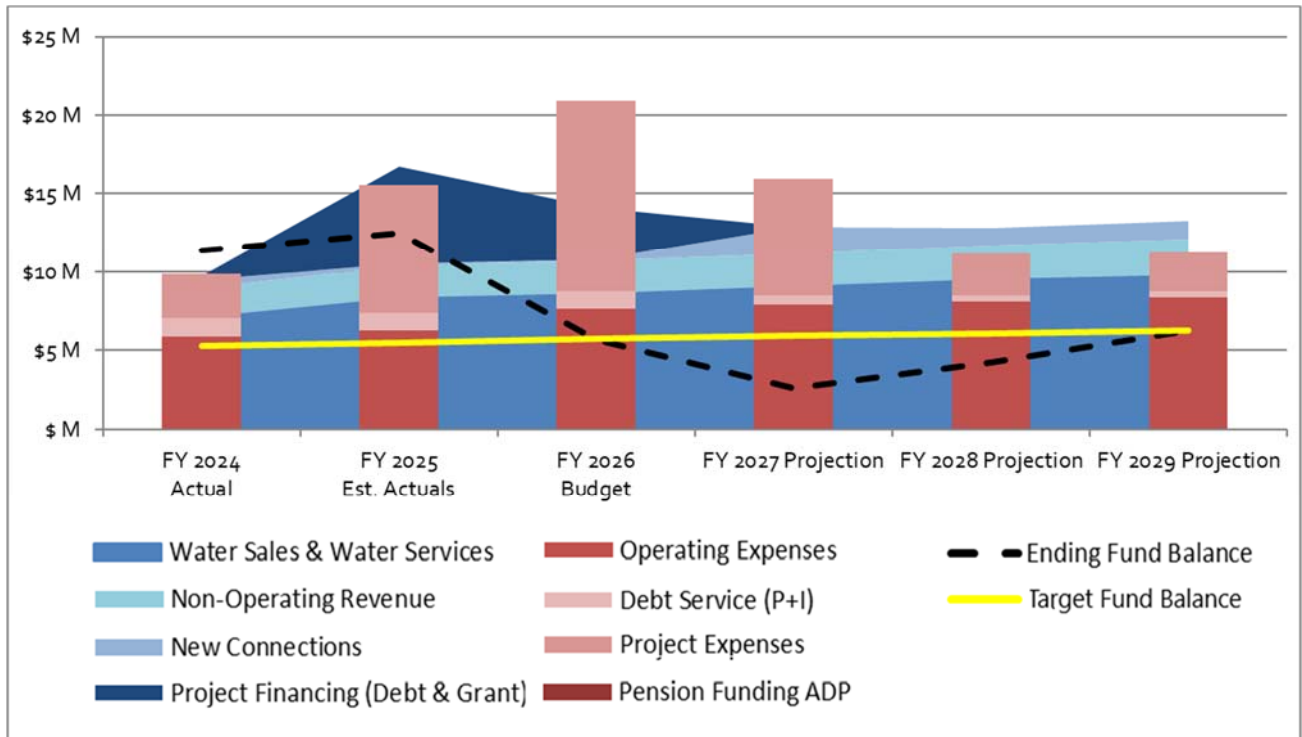
## Working Capital

Working Capital serves as a measure of the financial resources available in a governmental enterprise fund. Working Capital is defined as current assets minus current liabilities and serves as a measure of the approximate cash balance for the period. Working Capital is readily available for new expenses or commitments.

	<b>Combined Fund 01 and Fund 02</b>	
<b>FY 2025</b>		
<b>Audited Cash Balance 6/30/2024:</b>	<b>\$</b>	<b>11,356,219</b>
<b>FY 2025 (Estimated Actual)</b>		
<b>Audited Cash Balance 6/30/2024:</b>	<b>\$</b>	<b>11,356,219</b>
Revenue	\$	10,501,951
Grant reimbursements	\$	6,200,000
Operating Expense	\$	(6,270,719)
Debt Service	\$	(1,115,923)
Project Costs	\$	(8,164,381)
Increase/(Decrease) of Fund Balance	\$	1,150,929
<b>Projected Fund Balance 6/30/2025</b>	<b>\$</b>	<b>12,507,148</b>
<b>FY 2026 (Proposed Budget)</b>		
<b>Projected Fund Balance 6/30/2025</b>	<b>\$</b>	<b>12,507,148</b>
Revenue	\$	10,921,369
Grant reimbursements	\$	3,315,000
Operating Expense	\$	(7,650,827)
Debt Service	\$	(1,119,891)
Project Budget Request	\$	(12,134,400)
Increase/(Decrease) of Fund Balance	\$	(6,668,749)
<b>Projected Fund Balance 6/30/2026</b>	<b>\$</b>	<b>5,838,399</b>



## Current Outlook



Due to project spending, working capital reserves are projected to decrease below target reserves by the end of FY2026. While revenue from new connections is projected to increase beginning in FY2027, this may not be sufficient to restore reserves to target levels before FY2029. The District has work ahead in completing the 2026 rate study and financial plan to identify solutions for restoring reserves to target levels. We will need to explore potential for grant funding for projects and consider obtaining additional debt financing to help spread the cost of improvements over a longer period.

## Conclusion

The FY2026 budget represents a period of new challenges as we begin design of needed capital improvement projects and prepare for a new rate study and financial plan. Our revenue projections assume very limited growth for FY 2026 and our expense projections reflect a thorough review of district needs and makes allowances for inflating operating costs. The budget ensures that high service levels are maintained, and essential projects are completed, but it also highlights the need for further action to ensure reserve levels remain on target. We will continue to review and discuss options as we continue work throughout FY 2026.

Respectfully Submitted,

David McNair

General Manager

**Scotts Valley Water District - FY2026 Proposed Budget - Revenue**

Account Type / Account Number	Description	FY 2025 Budget	FY 2025 Est. to Close	FY 2026 Budget
<b>R10 - Operating Revenue - Water Sales</b>				
01-000-41101	Residential Consumption - SF	2,770,200	2,797,033	2,938,200
01-000-41102	Residential Consumption - MF	238,600	227,211	239,200
01-000-41103	CII Consumption	1,126,900	1,226,310	1,288,700
01-000-41105	Irrigation Consumption	516,200	491,611	514,000
01-000-41200	Other Bulk Water	82,500	31,026	31,000
<b>R10 - Operating Revenue - Water Sales</b>		<b>4,734,400</b>	<b>4,773,191</b>	<b>5,011,100</b>
<b>R20 - Operating Revenue - Water Services</b>				
01-000-41300	Other Late Penalty	18,100	31,322	18,100
01-000-42100	Standby Basic Meter Charge	2,812,800	2,785,232	2,920,300
01-000-42121	Standby FP Basic Meter Charge	75,000	80,713	84,700
01-000-43300	Other Operating Revenue	6,900	8,672	8,700
<b>R20 - Operating Revenue - Water Services</b>		<b>2,912,800</b>	<b>2,905,939</b>	<b>3,031,800</b>
<b>R25 - Operating Revenue - New Connections</b>				
01-000-42101	Other Meter Fee	7,600	1,900	1,300
01-300-42102	Other Capacity Buy-in Fee	144,700	122,299	82,184
01-000-42120	Other FP Meter Fee	19,600	557	700
01-000-43100	Other Will Serve	1,000	750	1,000
01-000-43200	Other Dev Proj Review	6,000	5,369	6,000
<b>R25 - Operating Revenue - New Connections</b>		<b>178,900</b>	<b>130,875</b>	<b>91,184</b>
<b>R30 - Non-Operating Revenue</b>				
01-000-46000	Property Taxes	1,637,267	1,589,798	1,637,492
01-000-47110	Interest & Dividend	5,810	100,449	110,494
01-000-47120	Interest - LAIF	241,100	303,664	309,700
01-000-47520	Misc. Non-Operating Revenue	20,200	9,645	9,600
<b>R30 - Non-Operating Revenue</b>		<b>1,904,376</b>	<b>2,003,556</b>	<b>2,067,286</b>
<b>R40 - Non-Operating - Grant Revenue</b>				
01-000-45230	State Grant - DWR 2021	3,363,830	5,369,134	3,315,000
01-000-45240	State Grant - DWR 2022	750,000	1,050,089	-
<b>R40 - Non-Operating - Grant Revenue</b>		<b>4,113,830</b>	<b>6,419,223</b>	<b>3,315,000</b>
<b>Fund 01 - Potable Water Revenue Total</b>		<b>13,844,306</b>	<b>16,232,785</b>	<b>13,516,369</b>
<b>Fund 02 - Recycled Water Fund</b>				
<b>R10 - Operating Revenue - Water Sales</b>				
02-000-41105	Irrigation Consumption	491,500	578,448	607,200
02-000-41200	Other Bulk Water	-	2,161	-
<b>R10 - Operating Revenue - Water Sales</b>		<b>491,500</b>	<b>580,609</b>	<b>607,200</b>
<b>R20 - Operating Revenue - Water Services</b>				
02-000-42100	Standby Basic Meter Charge	102,300	101,176	106,200
02-000-43300	Other Oper Revenue	-	100	-
<b>R20 - Operating Revenue - Water Services</b>		<b>102,300</b>	<b>101,276</b>	<b>106,200</b>
<b>R30 - Non-Operating Revenue</b>				
02-000-47110	Interest and Dividend	6,600	6,505	6,600
02-000-47560	Notes Receivable Payments	10,000	10,000	10,000
<b>R30 - Non-Operating Revenue</b>		<b>16,600</b>	<b>16,505</b>	<b>16,600</b>
<b>Fund 02 - Recycled Water Fund Revenue Total</b>		<b>610,400</b>	<b>698,390</b>	<b>730,000</b>
<b>Combine Fund 01 &amp; Fund 02 Revenue</b>		<b>14,454,706</b>	<b>16,931,175</b>	<b>14,246,369</b>

**Fund 01 - Potable Water**

		Actual FY 2024	Est to Close FY 2025	Proposed FY 2026
<b>E01 - Salaries and Benefits</b>				
01-100-51110	Regular Pay	307,210	315,614	409,477
01-100-51111	Temporary Pay	57,746	-	-
01-100-51114	Overtime Pay	-	-	-
01-100-51115	Separation Pay	6,443	-	-
01-100-51116	Bonus Pay	-	-	-
01-100-51132	Special Vacation Pay	-	-	-
01-100-51150	Vehicle & Phone Allowance	3,775	3,218	3,840
01-100-51161	Medicare	5,308	4,419	5,993
01-100-51162	Social Security	8	-	-
01-100-51170	Compensated Absences	(26,977)	-	-
01-100-51202	Retirement - Tier 2	33,990	26,859	30,130
01-100-51203	Retirement - Tier 3	5,974	6,537	12,508
01-100-51204	Unfunded Pension Liability	-	73,411	121,554
01-100-51206	Retirement - Survivor Benefit	70	46	73
01-100-51210	Medical Insurance	37,469	35,263	48,215
01-100-51211	Medical Cash-in-lieu	-	-	-
01-100-51212	Dental Insurance	2,227	1,678	2,562
01-100-51213	Vision Insurance	557	445	702
01-100-51214	Life & AD&D Insurance	1,440	1,242	1,672
01-100-51215	457 & HSA Contributions	7,680	7,946	9,000
01-100-51216	Employee Assistance Program	74	60	93
01-100-51220	Other Post-Employment Benefits	-	-	-
01-100-51240	Workers' Compensation	3,011	3,577	3,300
01-100-51250	Tuition Reimbursement	-	-	5,250
01-100-51698	Reimbursement from SMGWA	-	-	-
01-100-51700	Allocation to RW Fd-S&B	(47,298)	(48,032)	(65,437)
<b>E01 - Salaries and Benefits</b>		<b>398,709</b>	<b>432,284</b>	<b>588,930</b>

**E03 - Services**

01-100-52110	Contractual Services	19,974	14,927	24,300
01-100-52120	Landscape Maint	6,865	3,180	3,180
01-100-52210	Professional Services	79,802	74,300	186,500
01-100-52230	IT Services	77,028	72,500	62,500
01-100-52231	Website Maint	1,499	1,490	2,180
01-100-52250	Legal Counsel	42,000	42,000	42,000
01-100-52280	Election Services	-	190	14,970
01-100-52310	Sewer Service	602	780	610
01-100-52320	Solid Waste Service	685	800	760
01-100-52330	Electricity & Gas	21,447	20,140	22,000
01-100-52340	Telephone & Internet	10,730	9,950	9,465
01-100-52410	Software Licensing & Maint	3,417	6,380	6,570
01-100-52420	Equipment Rental & Maint	4,752	4,870	5,030
01-100-52510	Travel & Meetings	5,066	6,190	13,110
01-100-52520	Training	4,122	130	5,460
01-100-52530	Dues & Memberships	27,394	28,800	28,800
01-100-52540	Employee Recognition	1,659	2,290	8,740
01-100-52570	Printing Services	736	750	2,100
01-100-52620	Legal Advertising	2,312	100	500
01-100-52630	Advertising & Promotion	10,506	12,500	16,500
01-100-52660	Recruitment	859	3,740	1,000

01-100-52700	Safety Services	1,200	-	1,090
01-100-52725	HR Processing Fees	1,715	2,620	2,410
01-100-52800	Regulatory Oversight & Comp	-	-	100
01-100-52810	General Building Maint	19,502	17,840	16,500
01-100-52980	Allocation to RW Fd-Services	(34,387)	(32,647)	(47,637)
<b>E03 - Services</b>		<b>309,484</b>	<b>293,820</b>	<b>428,737</b>

#### **E05 - Supplies**

01-100-53100	Office Supplies	3,340	3,480	4,370
01-100-53110	Building Maint Supplies	-	-	1,090
01-100-53400	Books & Subscriptions	402	230	430
01-100-53500	Safety Supplies	217	210	2,740
01-100-53700	Special Division Supplies	3,770	3,180	4,370
01-100-53910	Office Equipment	1,657	7,500	7,500
01-100-53920	Furniture & Furnishings	-	3,000	7,500
01-100-53980	Allocation to RW Fd-Supplies	(939)	(1,760)	(2,800)
01-100-52211	Professional Services - SMGWA	242,360	166,905	205,307
01-100-52212	Professional Services - SS	-	-	-
01-100-52290	In-kind Service for SMGWA	529	10,000	10,000
<b>E05 - Supplies</b>		<b>251,336</b>	<b>192,745</b>	<b>240,507</b>

**Total Fund 01 - Administration                      959,529                      918,849                      1,258,174**

#### **Fund 02 - Recycled Water**

##### **E01 - Salaries and Benefits**

02-100-51700	Allocation from Fund (01) to Fund (02)	47,298	48,032	65,437
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##### **E03 - Services**

02-100-52980	Allocation from Fund (01) to Fund (02)	34,387	32,647	47,637
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##### **E05 - Supplies**

02-100-53980	Allocation from Fund (01) to Fund (02)	939	1,760	2,800
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**Total Fund 02 - Administration                      82624.14                      82438.1994                      115874.1481**

**Total Administration - Combined Fund 01 / 02                      1,042,153                      1,001,287                      1,374,048**

# Department Operating Expense Detail - Finance / Customer Service

Actuals - FY 2024   Est to Close FY2025   Proposed FY 2026

## Fund 01 - Potable Water

### E01 - Salaries & Benefits

01-200-51110	Regular Pay	413,048	381,840	466,766
01-200-51111	Temporary Pay	-	-	5,000
01-200-51114	Overtime Pay	-	1,000	1,000
01-200-51115	Separation Pay	1,352	-	-
01-200-51116	Bonus Pay	2,754	6,745	3,257
01-200-51132	Special Vacation Pay	-	-	8,024
01-200-51150	Vehicle & Phone Allowance	1,698	1,724	1,920
01-200-51161	Medicare	6,053	5,528	6,912
01-200-51162	Social Security	-	-	-
01-200-51163	Unemployment / Disability Insurance	0	-	-
01-200-51170	Compensated Absences	6,631	6,000	-
01-200-51202	Retirement - Tier 2	19,423	12,978	20,582
01-200-51203	Retirement - Tier 3	19,120	21,700	23,433
01-200-51206	Retirement - Survivor Benefit	93	97	97
01-200-51210	Medical Insurance	78,854	72,985	86,815
01-200-51212	Dental Insurance	4,062	3,309	4,593
01-200-51213	Vision Insurance	872	817	936
01-200-51214	Life & AD&D Insurance	1,408	1,615	1,591
01-200-51215	457 & HSA Contributions	10,459	7,785	8,800
01-200-51216	Employee Assistance Program	117	109	123
01-200-51220	Other Post-Employment Benefits	26,147	22,003	26,286
01-200-51230	Unemployment Insurance	6,750	-	-
01-200-51240	Workers' Compensation	3,409	3,235	3,400
01-200-51250	Tuition Reimbursement	-	-	2,900
01-200-51700	Allocation to RW Fd-S&B	(59,562)	(54,947)	(67,243)
<b>E01 - Salaries &amp; Benefits</b>		<b>542,689</b>	<b>494,523</b>	<b>605,191</b>

### E03 - Services

01-200-52210	Professional Services	16,310	3,425	109,900
01-200-52240	Audit Services	15,500	15,000	25,000
01-200-52260	Financial/Regulatory Reporting	1,505	2,005	2,250
01-200-52270	Accounting Services	-	-	-
01-200-52300	Auto & Liability Insurance	65,011	65,011	67,300
01-200-52400	Property Insurance	36,871	36,871	38,200
01-200-52410	Software Licensing & Maint	10,471	10,471	11,600
01-200-52420	Equipment Rental & Maint	-	-	600
01-200-52510	Travel & Meetings	7,895	8,500	8,000
01-200-52520	Training	515	400	1,500
01-200-52550	Printing & Mailing Services	-	50	100
01-200-52630	Advertising & Promotion	-	-	2,000
01-200-52720	Payroll Processing Fees	9,078	9,321	8,550
01-200-52740	Bank Service Fees	1,175	1,600	2,100
01-200-52760	Health Benefits Admin Fees	498	476	500

01-200-52980	Allocation to RW Fd-Services	(17,080)	(15,863)	(28,320)
01-200-54015	Property Tax Admin Fees	5,972	5,500	5,600
<b>E03 - Services</b>		<b>153,720</b>	<b>142,767</b>	<b>254,880</b>
<b>E05 - Supplies</b>				
01-200-53200	Postage	-	3,000	3,000
01-200-53290	Promotional Give-Aways	-	1,000	1,000
01-200-53980	Allocation to RW Fd-Supplies	-	(400)	(400)
<b>E05 - Supplies</b>		<b>-</b>	<b>3,600</b>	<b>3,600</b>
<b>E35 - Customer Accounts</b>				
01-200-52415	Software Licensing & Portal	54,905	50,500	31,245
01-200-52555	Printing & Mailing - CA	21,273	21,450	28,800
01-200-52560	Collection Agency Fees	226	300	1,200
01-200-52650	AMI Data Subscription	50,697	50,762	54,000
01-200-52710	Payment Processing Fees	100,712	99,863	102,000
01-200-53250	Rebates - Pressure Regulators	2,800	2,000	1,000
01-200-53260	Rebates- Turf/Drip Replacement	59,057	30,000	60,000
01-200-53261	Special Rebate - Lawn/Turf	-	-	-
01-200-53270	Rebates- Outdoor Efficiency	3,608	5,000	3,000
01-200-53280	Rebates- Indoor Efficiencies	1,149	1,500	2,000
01-200-53700	Special Division Supplies	2,037	1,000	3,000
01-200-54980	Allocation to RW Fd-Cust Accts	(22,985)	(17,561)	(16,825)
01-200-59400	Bad Debt	3,345	3,500	5,000
<b>E35 - Customer Accounts</b>		<b>276,824</b>	<b>248,313</b>	<b>274,421</b>
<b>E70 - Other</b>				
01-200-54010	Property Taxes	8,047	935	1,000
01-200-54020	Broker/Auction Commissions	-	-	-
01-200-54025	Late Penalties	634	607	-
01-200-54030	Grant Expense - City of Santa Cruz	53,416	-	-
<b>E70 - Other</b>		<b>62,097</b>	<b>1,542</b>	<b>1,000</b>
<b>E80 - Debt Service</b>				
01-200-54740	Interest Expense - 2016 JPMorgan	106,883	44,830	18,973
01-200-54750	Interest Expense - 2021 First Found	68,392	139,774	127,514
<b>E80 - Debt Service</b>		<b>175,275</b>	<b>184,603</b>	<b>146,487</b>
<b>Total Fund 01 - Finance / Customer Service</b>		<b>1,210,605</b>	<b>1,075,349</b>	<b>1,285,578</b>
<b>Fund 02 - Recycled Water</b>				
<b>E01 - Salaries &amp; Benefits</b>				
02-200-51700	Allocation from Fund (01) to Fund (02)	59,562	54,947	67,243
<b>E03 - Services</b>				
02-200-52980	Allocation from Fund (01) to Fund (02)	17,080	15,863	28,320

**E05 - Supplies**

02-200-53980	Allocation from Fund (01) to Fund (0	-	400	400
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**E35 - Customer Accounts**

02-200-52555	Printing & Mailing - CA	396	200	-
02-200-52650	AMI Data Subscription	776	790	790
02-200-54980	Allocation from Fund (01) to Fund (0	22,985	17,561	16,825

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<b>Total Fund 02 - Finance / Customer Service</b>	<b>100,799</b>	<b>89,762</b>	<b>113,578</b>
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<b>Total Finance / Customer Service - Combined Fund 01</b>	<b>1,311,404</b>	<b>1,165,110</b>	<b>1,399,157</b>
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**Department Operating Expense Detail - Operations**
**Fund 01 - Potable Water Operations**

Actuals - FY 2024

Est to Close FY2025

Proposed FY 2026

**E01- Salaries & Benefits**

01-300-51110	Regular Pay	1,161,146	1,098,472	1,244,591
01-300-51111	Temporary Pay	-	-	-
01-300-51114	Overtime Pay	83,326	96,452	86,400
01-300-51115	Separation Pay	-	-	-
01-300-51116	Bonus Pay	16,857	6,947	26,257
01-300-51132	Special Vacation Pay	824	21,000	31,273
01-300-51150	Vehicle & Phone Allowance	6,240	5,765	6,240
01-300-51161	Medicare	17,996	18,147	19,102
01-300-51162	Social Security	-	-	-
01-300-51170	Compensated Absences	4,556	-	-
01-300-51201	Retirement - Tier 1	37,524	38,573	41,068
01-300-51202	Retirement - Tier 2	62,672	57,931	62,816
01-300-51203	Retirement - Tier 3	31,018	33,631	35,081
01-300-51206	Retirement - Survivor Benefit	242	237	242
01-300-51210	Medical Insurance	165,076	150,353	158,104
01-300-51211	Medical Cash-in-lieu	4,500	6,000	9,000
01-300-51212	Dental Insurance	10,279	9,974	12,179
01-300-51213	Vision Insurance	2,227	2,153	2,339
01-300-51214	Life & AD&D Insurance	2,090	2,232	2,204
01-300-51215	457 & HSA Contributions	24,307	18,143	20,900
01-300-51216	Employee Assistance Program	298	401	308
01-300-51220	Other Post-Employment Benefits	62,377	56,097	63,698
01-300-51240	Workers' Compensation	47,586	44,534	45,700
01-300-51700	Allocation to RW Fd-S&B	(173,658)	(166,704)	(186,750)
<b>E01- Salaries &amp; Benefits</b>		<b>1,567,482</b>	<b>1,500,338</b>	<b>1,680,751</b>

**E03 - Services**

01-300-52120	Landscape Maint	8,550	8,800	21,100
01-300-52210	Professional Services	14,159	15,770	40,300
01-300-52310	Sewer Service	-	-	670
01-300-52320	Solid Waste Service	8,974	4,590	9,500
01-300-52340	Telephone & Internet	16,808	16,710	27,240
01-300-52420	Equipment Rental & Maint	10,816	33,190	17,500
01-300-52500	Uniform Laundering Services	6,857	7,370	8,500
01-300-52510	Travel & Meetings	4,706	6,000	8,000
01-300-52520	Training	5,072	8,500	29,000
01-300-52550	Printing & Mailing Services	710	2,090	800
01-300-52700	Safety Services	505	4,120	3,725
01-300-52810	General Building Maint	7,562	6,920	7,500
01-300-52830	Landfill Fees	7,521	10,460	11,000
01-300-52910	Vehicle Maint	35,200	49,360	36,000
01-300-52930	Facility Site Maint	82,143	27,180	135,000
01-300-52980	Allocation to RW Fd-Services	(23,935)	(23,906)	(39,584)
01-300-55130	GIS Maint	29,763	38,000	40,000
<b>E03 - Services</b>		<b>215,411</b>	<b>215,154</b>	<b>356,252</b>

**E05 - Supplies**

01-300-53100	Office Supplies	2,001	1,690	2,500
01-300-53110	Building Maint Supplies	599	-	-
01-300-53400	Books & Subscriptions	418	330	850
01-300-53500	Safety Clothing & Equipment	16,681	10,900	20,000
01-300-53600	Vehicle Fuel	33,015	26,000	36,080
01-300-53910	Office Equipment	2,440	2,441	10,200
01-300-53920	Furniture & Furnishings	-	-	800
01-300-53980	Allocation to RW Fd-Supplies	(5,515)	(4,136)	(7,043)
<b>E05 - Supplies</b>		<b>49,639</b>	<b>37,225</b>	<b>63,387</b>

**E07 - General Production Costs**

01-300-52800	Regulatory Oversight & Comp	41,504	65,640	65,000
01-300-53300	Small Tools & Equipment	17,260	12,240	33,000
01-300-53700	Special Division Supplies	3,268	3,460	7,600
01-300-55980	Allocation to RW Fd-Gen Prod	(13,561)	(11,697)	(18,360)
01-300-56500	SCADA Maint	73,582	35,630	78,000
<b>E07 - General Production Costs</b>		<b>122,053</b>	<b>105,273</b>	<b>165,240</b>

**E10 - Source of Supply**

01-300-55220	Intertie Water for Resale	5,637	-	-
01-300-55230	Well Maint	138,265	92,816	67,000
<b>E10 - Source of Supply</b>		<b>143,902</b>	<b>92,816</b>	<b>67,000</b>

**E15 - Pumping**

01-300-56310	Pumps & Boosters	11,323	-	52,000
01-300-56320	Pump Facilities Maintenance	17,655	5,440	62,000
01-300-56330	Pumps - Electricity & Gas	487,650	635,080	660,000
<b>E15 - Pumping</b>		<b>516,628</b>	<b>640,520</b>	<b>774,000</b>

**E20 - Water Treatment**

01-300-52315	Wastewater Disposal	85,550	120,700	139,100
01-300-55110	Chemical Supplies	92,826	108,000	95,000
01-300-55120	Laboratory Services	59,798	29,610	40,000
01-300-55210	Treatment Plant Maint	276,051	112,220	160,000
<b>E20 - Water Treatment</b>		<b>514,224</b>	<b>370,530</b>	<b>434,100</b>

**E25 - Transmission & Distribution**

01-300-52410	Software Licensing & Maint	3,557	5,890	6,500
01-300-55240	Tank & Reservoir Maint	24,038	40,000	60,000
01-300-56100	Main Maint & Repair	69,787	342,000	240,000
01-300-56200	Service Lateral Maint & Repair	23,195	28,150	25,000
01-300-56400	Fire Hydrant Maint	12,302	107,650	114,000
01-300-56600	Meter Maint	34,046	113,770	30,000
<b>E25 - Transmission &amp; Distribution</b>		<b>166,925</b>	<b>637,460</b>	<b>475,500</b>

<b>Total - Fund 01 - Potable Water Operations</b>	<b>3,296,265</b>	<b>3,599,316</b>	<b>4,016,230</b>
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**Fund 02 - Recycled Water Operations**

<b>E01- Salaries &amp; Benefits</b>				
02-300-51700	Allocation from Fund (01) to Fund (02)	173,658	166,704	186,750
<b>E03 - Services</b>				
02-300-52980	Allocation from Fund (01) to Fund (02)	23,935	23,906	39,584
<b>E05 - Supplies</b>				
02-300-53980	Allocation from Fund (01) to Fund (02)	5,515	4,136	7,043
<b>E07 - General Production Costs</b>				
02-300-53700	Special Division Supplies	-	-	8,000
02-300-55980	Allocation from Fund (01) to Fund (02)	13,561	11,697	18,360
<b>E15 - Pumping</b>				
02-300-56330	Pumps - Electricity and Power	3,361	7,212	7,400
<b>E20 - Water Treatment</b>				
02-300-55210	Treatment Plant Maintenance	152,504	200,000	206,000
<b>E25 - Transmission &amp; Distribution</b>				
02-300-55240	Tank and Reservoir Maintenance	225	1,000	1,000
02-300-56100	Main Maintenance and Repairs	-	30,000	30,000
02-300-56200	Service Lateral Maint & Repair	-	1,000	1,000
<hr/>				
<b>Total Fund 02 - Recycled Water Operations</b>		<b>372,760</b>	<b>445,655</b>	<b>505,137</b>
<b>Total Operations - Fund 01/02 Combined</b>		<b>3,669,024</b>	<b>4,044,971</b>	<b>4,521,366</b>

**Department Operating Expense Detail - Engineering**

		Actuals - FY 2024	Est to Close FY2025	Proposed FY 2026
<b>E01 - Salaries &amp; Benefits</b>				
01-400-51110	Regular Pay	86,389	100,304	108,555
01-400-51114	Overtime Pay	-	-	2,500
01-400-51116	Bonus Pay	-	2,550	3,257
01-400-51150	Vehicle & Phone Allowance	480	480	480
01-400-51161	Medicare	1,303	1,558	1,708
01-400-51170	Compensated Absences	(201)	-	-
01-400-51202	Retirement - Tier 2	10,300	11,984	12,961
01-400-51203	Retirement - Tier 3	-	-	-
01-400-51206	Retirement - Survivor Benefit	24	24	24
01-400-51210	Medical Insurance	-	-	-
01-400-51211	Medical Cash-in-lieu	3,000	3,000	3,000
01-400-51212	Dental Insurance	1,273	1,273	1,566
01-400-51213	Vision Insurance	223	223	234
01-400-51214	Life & AD&D Insurance	125	128	132
01-400-51215	457 & HSA Contributions	2,200	2,200	2,200
01-400-51216	Employee Assistance Program	30	29	31
01-400-51240	Workers' Compensation	901	994	799
01-400-51700	Allocation to RW Fd-S&B	(10,625)	(12,475)	(13,745)
<b>E01 - Salaries &amp; Benefits</b>		<b>95,423</b>	<b>112,273</b>	<b>123,703</b>
<b>E03 - Services</b>				
01-400-52210	Outside Prof Services	1,250	1,140	19,750
01-400-52215	Prof. Svcs (3rd-Party Funded)	-	-	-
01-400-52220	Engineering Services	19,841	4,710	230,000
01-400-52410	Software Licensing & Maint	220	-	500
01-400-52510	Travel & Meetings	-	1,770	1,400
01-400-52520	Training	878	190	1,000
01-400-52700	Safety Services	-	-	-
01-400-52980	Allocation to RW Fd-Services	(2,219)	(781)	(25,265)
<b>E03 - Services</b>		<b>19,970</b>	<b>7,029</b>	<b>227,385</b>
<b>E05 - Supplies</b>				
01-400-53700	Special Division Supplies	4,911	17,310	1,000
01-400-53980	Allocation to RW Fd-Supplies	(491)	(1,731)	(100)
<b>E05 - Supplies</b>		<b>4,420</b>	<b>15,579</b>	<b>900</b>
<b>Total Fund 01 - Potable Water Engineering</b>		<b>119,813</b>	<b>134,881</b>	<b>351,988</b>
<b>Fund 02 - Recycled Water Engineering</b>				
<b>E01 - Salaries &amp; Benefits</b>				
02-400-51700	Allocation from Fund (01) to Fund (02)	10,625	12,475	13,745
<b>E03 - Services</b>				
02-400-52980	Allocation to RW Fd-Services	2,219	781	25,265
<b>E05 - Supplies</b>				
02-400-53980	Allocation to RW Fd-Supplies	491	1,731	100
<b>Total Fund 02 - Recycled Water Engineering</b>		<b>13,335</b>	<b>14,987</b>	<b>39,110</b>
<b>Total Engineering - Fund 01/02 Combined</b>		<b>133,148</b>	<b>149,868</b>	<b>391,098</b>

**Department Operating Expense Detail - Board of Directors**

		<b>Actuals - FY 2024</b>	<b>Est to Close FY2025</b>	<b>Proposed FY 2026</b>
<b>E01 - Salaries &amp; Benefits</b>				
01-900-51120	Director Fees	16,050	20,000	23,400
01-900-51161	Medicare	223	290	339
01-900-51162	Social Security	955	1,240	1,451
01-900-51212	Dental Insurance	3,734	3,770	4,593
01-900-51213	Vision Insurance	891	900	936
01-900-51214	Life & AD&D Insurance	314	320	348
01-900-51220	Other Post-Employment Benefits	17,484	18,070	18,695
01-900-51240	Workers' Compensation	133	20	200
01-900-51260	Medical Premiums	34,733	39,440	42,484
01-900-51700	Allocation to RW Fd-S&B	(7,452)	(8,405)	(9,245)
<b>E01 - Salaries &amp; Benefits</b>		<b>67,066</b>	<b>75,645</b>	<b>83,201</b>
<b>E03 - Services</b>				
01-900-52410	Software Licensing & Maint	-	-	-
01-900-52510	Travel & Meetings	4,224	9,636	18,400
01-900-52520	Training	3,040	-	-
01-900-52980	Allocation to RW Fd-Services	(726)	(964)	(1,840)
<b>E03 - Services</b>		<b>6,538</b>	<b>8,672</b>	<b>16,560</b>
<b>E05 - Supplies</b>				
01-900-53100	Office Supplies	-	100	200
01-900-53910	Office Equipment	475	300	600
01-900-53980	Allocation to RW Fd-Supplies	(47)	(40)	-
<b>E05 - Supplies</b>		<b>427</b>	<b>360</b>	<b>800</b>
<b>Total Fund 01 - Potable Water - Board of Directors</b>		<b>74,031</b>	<b>84,677</b>	<b>100,561</b>
Fund 02 - Recycled Water - Board of Directors				
<b>E01 - Salaries &amp; Benefits</b>				
02-900-51700	Allocation from Fund (01) to Fund (02)	7,452	8,405	9,245
<b>E03 - Services</b>				
02-900-52980	Allocation from Fund (01) to Fund (02)	726	964	1,840
<b>E05 - Supplies</b>				
02-900-53980	Allocation from Fund (01) to Fund (02)	47	40	-
<b>Total Fund 02 - Recycled Water - Board of Directors</b>		<b>8,226</b>	<b>9,409</b>	<b>11,085</b>
<b>Total Board of Directors - Combined Fund 01/02</b>		<b>82,257</b>	<b>94,086</b>	<b>111,645</b>

## Proposed Capital Improvement Plan

Project Name	Description	FY2025 Actuals YTD	FY 2025 ETC	FY 2026 Planned
Potable Water Main Replacement	Replace and upgrade potable water mains based on leak history, service life, and size	\$ 20,950	\$ 20,950	\$ 50,000
SCWD - SVWD System Intertie	Design and construction of compenent one: 12" bi-directional pipeline and pump station.		4,134,000	7,756,878
El Pueblo Water Treatment Plant Improvements	Upgrades to the water treatment infrastructure at the El Pueblo Water Treatment Facility	4,597	4,597	181,411
Well 10 WTP Improvements	Implement upgrades to the Well 10 WTP Facility		-	200,000
VFD installation at Orchard WTP			-	175,000
Bethany Tank Rehabilitation	Construct additional tank on-site to allow for roof reconstruction and interior and exterior coating replacement of 400,000 gallon Bethany Tank. Project extends tank service life and provides additional permanent storage and redundancy.	12,871	12,871	481,387
Sequoia Tank Roof Recoat	Sandblast, recoat roof of Sequoia tank per DDW Sanitary Survey report. Replace tank vents.	10,720	10,720	292,280
Potable: Resealing seams and Safety Upgrades on Bolted Steel Tanks	Recommended resealing exterior seams, seams of roof structure, and installing fall protection and railing to CalOSHA standards		-	125,000
Resealing seams and Safety Upgrades on Bolted Steel Tank Recycled Tank	Recommended resealing exterior seams, seams of roof structure, and installing fall protection and railing to CalOSHA standards		-	70,000
Glenwood Tank Landslide Evaluation & Repair	Geotechnical evaluation and potential mitigation measures following landslide below Glenwood Tank following the federally declared disaster in January 2023. FEMA/Cal OES funding might be available.		-	495,000
Monte Fiore PS Rehab	Major upgrade to include equipment shelter, pumps, piping, propane generator, and controls.		-	402,412
Grace Wy Well	Construct a new production well that is needed to offset lost production capacity from Well 9 & Well 11A. The replacement well will in part be sited to provide for a more balanced withdrawal rate from the Lompico Aquifer.	1,255,824	1,469,134	930,866
Well 3B Replacement	Replace aging well 3B with new production well at the Sucinto Drive well site.	758,035	2,049,224	339,951
System wide pressure reduction program	Utilize consultant to model water system and make recommendations to reduce overall pressure in the SVWD system. Implement recommendations where feasible in the distribution system.	11,127	143,558	339,402
Distribution system improvements in Monteville	Make system improvements in Monteville, including locating and mapping 200+ service lines, evaluate mainline condition. Based upon mainline condition, replace sections of main and/or add additional valves. Eventual replacement of 200+ polyethylene service lines with copper- multi year project.	16,254	16,254	112,045
Automated Metering Infrastructure (AMI)	Install AMI transmitters on all meters over 3-4 year period.		-	16,000
Meter Replacement Program	Replace all meters installed before 2012 at the rate of 800-1000 meters per year.		-	60,000
SCADA Improvements- Teledesign Radio and Kingfisher RTU Replacements		98,303	97,873	202,127
Vehicle Replacement Program	Replace aging fleet: one vehicle per year on average, starting FY 2019.		75,000	180,000
Specialized Operations Equipment	Replace heavy equipment and specialized vehicles on as-needed basis.	119,232	117,309	49,227
Administrative Building Improvements	Repairs and modifications to the office facility to support business operations		-	20,000
Corp Yard Improvements	Remove unused infrastructure, paving, heavy equipment shelter.	12,890	12,890	35,425
Solar Installation	Installation of small scale solar systems at District facilities		-	25,000

Totals \$ 2,320,803 \$ 8,164,381 \$ 12,539,410

SCOTTS VALLEY WATER DISTRICT WORK PLAN FY 2026		
STRATEGIC GOALS MANAGEMENT OBJECTIVES	FY 2026 TASKS	P/O
<b>1. Water Resource Management: SVWD meets the water supply needs of its customers by developing new, sustainable sources and maximizing the use of existing sources.</b>		
1.1 Pursue the potential of wastewater for beneficial uses	Work with City PW's staff as they develop treatment plant upgrades, ensure new processes benefit the ongoing production of recycle water.	O
	Ensure RWTP plant upgrades will continue to meet the terms of the City/District Recycle Water Production Agreement as this will maintain the production capacity needed for future recycle water irrigation demand.	O/P
	Review and comment on upcoming RWTP improvement project plan sets, and begin budget planning discussions with SCPW.	O
1.2 Identify and implement conjunctive use projects in the region	Once they SLVWD hire a new GM, continue conjunctive use discussions through Intertie 2. Advocate for SLVWD during their upcoming EIR process to expand place of use for their Fall Creek diversion.	O
	Complete Intertie I operations agreement and SOP. Complete Intertie rate analysis. Model conjunctive use outcomes to formulate basin benefits. Ensure grant compliance with DWR and implement cost-sharing agreement with SCWD	P
1.3 Optimize the efficient use of water	Meet or exceed 2023 water loss audit score of 85 in 2024.	O
	Review available reports / Incorporate reports into Finance Reports for Committee/Board	O
	Complete construction of this project based on the completed design of the Meadow Wy PRV Station Pilot Project	O
<b>2. Infrastructure Integrity: SVWD provides continuous investment in its infrastructure and process improvements to ensure the efficiency of its operations.</b>		
2.1 Maintain all assets within their useful life threshold	Continue to implement projects in Monteville to focus on isolation of the neighborhood, including adding, repairing and replacing mainline valves.	O/P
	Pending engineering study of concept project following the geotechnical evaluation, commence and complete design of the concept project for Bethany tank (s).	P
	Begin and complete site improvement at Grace Way Well: Equip the well with pump, motor and column, connect Grace way well with El Pueblo Raw Main	P
	Sucinto Well: Complete Well 3B equipping including installing wellhead piping, electrical service and control panel in order to place well online.	P
	Complete the Sequoia Tank Roof Recoating project.	P
	Conduct necessary repairs including resealing of exterior seams on the roof and exterior sides of the Recycled Tank, Glenwood Tank, and Southwood Tank	P
	Repair redwood deck on southside of building and minor roof repairs.	O
2.2 Utilize technology and innovative solutions for improving operational efficiencies	Continue to replace obsolete Teledesign radios and Kingfisher Remote Terminal Units (RTU's) by upgrading four sites to GE Orbit Radios and Allen Bradley RTU's.	O
	Work with Climatec to find opportunities and funding to save energy or install solar	O
	Ensure we are making full use of software for financial reporting and record keeping. Emphasize electronic record keeping in finance dept.	O

SCOTTS VALLEY WATER DISTRICT WORK PLAN FY 2026		
STRATEGIC GOALS MANAGEMENT OBJECTIVES	FY 2026 TASKS	P/O
2.3 Optimize the redundancy and effectiveness of the system and facilities	Complete construction on Grace Wy Well.	P
	Solicit an RFP for design/build firms to propose energy upgrades at District facilities, focusing on low scale opportunities.	O/P
<b>3. Financial Stewardship: SVWD manages its financial resources in a manner that ensures the reliability of its operations and provides the greatest value to its customers.</b>		
3.1 Provide seamless customer experience	Conduct a RFP and select consultant for 2025 Urban Water Management Plan. Coordinate public outreach and BOD activities required to complete the plan .	O
	Provide customer support and training that demonstrates the value of engagement with the platform, and communicate those benefits in customer interactions	O
	Develop historical data charts for use in financial reporting.	O
	Conduct board strategic planning session in fall/winter 2025 to develop clear priorities and objectives for FY 2026 budget.	O
	Continue to coordinate activities in support of DWR Urban and Multibenefit Drought Relief Grants 1 and 2.	O
	Conduct a Cost of Service and Rate Study. Adopt a 5 year rate schedule pursuant to the recommendations from the approved Rate Study.	O
	Develop a 3-5 year plan for positioning cash reserves to ensure liquidity and optimize interest income. Include an analysis of benefit of payments towards CalPERS unfunded liability payments.	O/P
<b>4. Community Engagement: SVWD proactively creates opportunities for strategic alliances and mutually beneficial relationships with its customers and partners.</b>		
4.1 Use creative approaches and technology for engaging the community	Participate in 4th of July Parade and SV Art Wine Beer Festival.	O
	Work with M2 to promote status updates of District projects on social media	O
	Increase/Improve use of mass communication tools for public notices and communications	O
4.2 Increase youth involvement and education on water matters	Partner with Scotts Valley High School in implementing their Career Exploration Program if determined to reconvene the activities.	O
	Complete the 2025 (5 year) SCC & SVWD Hazard Mitigation Plan	O
4.3 Identify, develop and strengthen strategic alliances, both private and public	Create opportunities for GM and Board President to connect with the community	O



SCOTTS VALLEY WATER DISTRICT WORK PLAN FY 2026		
STRATEGIC GOALS MANAGEMENT OBJECTIVES	FY 2026 TASKS	P/O
<b>5. Organizational Vitality: SVWD recruits and retains the highest quality employees and board members by offering a work environment in which they can thrive and succeed.</b>		
5.1 Value and reward competence, team spirit and creativity	Include various staff members in community educational events such as virtual system tours.	O
	Continue regular meetings between City of Scotts Valley Wastewater and District staff.	O
	Continue to identify relevant opportunities for each employee and Director to attend at minimum 1 training and/or professional event annually.	O
	Achieve 100% participation for each employee and Director to volunteer at a community event at least once a year.	O
	Sponsor 1 employee and/or Director to participate in Leadership Santa Cruz County civic program.	O
5.2 Cultivate productive work conditions, positive workforce culture and work environment	Offer our location to ACWA JPIA to hold safety training sessions with the goal of quarterly trainings that are also made available for employees of other agencies in the region.	O
	Continue to work with DuAll safety to conduct required safety trainings	O
	Organize and host at least one annual employee non-work event.	O
	Continue to execute the annual records management plan in compliance with the District's Records Retention Policy.	O
P/O - Project or Operations Budget		