FY 2026–2027 Approved Budget

Murphys Sanitary District

Board Budget Presentation

<u>Board of Directors</u>

Paige McMath Jue-President

Marty Mellera-Vice President

Joe Fontana-Treasurer

Steve Gonzales-Secretary

Vacant-Parliamentarian

Budget Overview

To: Governing Board of Directors
Murphys Sanitary District

Subject: Proposed FY 2026/2027 Annual Budget

Submitted for your review is the proposed FY 2026/2027 Annual Budget for the Murphys Sanitary District. The financial guideline projects the administrative, operating and maintenance, and capital improvement funding requirements for the upcoming fiscal year. Based on projected revenues and beginning fund balances, adequate resources are available to fund the proposed appropriations and maintain fund balances at or near policy levels. Inflationary effects have been taken into consideration, as have projected staffing and resource levels necessary to carry out the District’s budgetary goals and objectives.

Revenue & Expenditure Discussion

Revenue
Overall operating revenues are projected to increase from approximately $1.30 million to $1.45 million, an increase of about $142,000 (10.9%) over the prior year's adopted budget. The increase is primarily driven by sewer service charges while maintaining diversified revenue sources.

Expenditures
Personnel remains the District's largest investment, accounting for approximately 67% of the operating budget and ensuring continued reliable wastewater operations.

Employee benefits reflect current insurance costs and the proposed 3.1% COLA.

Operations and maintenance funding continues to support routine repairs, utilities, equipment maintenance, and system reliability.

Administrative costs remain carefully managed while providing essential financial, legal, regulatory, and customer service functions.

Debt service remains stable and fully funded.

FY 2026-2027 Revenue Projection Summary

	2025/2026 Approved Budget	2026/2027 Proposed Budget
4100 · Srv Chrgs - Residential	739,916.00	830,216.00
4102 · Srv Chrgs - Condo/Duplex	66,628.00	72,089.00
4104 · Srv Chrgs - Lodges/Churches	8,963.00	9,397.00
4106 · Srv Chrgs - School	4,660.00	5,673.84
4108 · Srv Chrgs - Commercial	240,828.00	272,341.00
Total Sewer Usage Fees	1,060,995.00	1,189,716.84
4999 · Rental Income	8,300.00	8,690.00
4110 · Pln Chk & Inspection Fees	300.00	300.00
4111 · Late Fees	2,000.00	2,000.00
4120 · Taxes	150,000.00	170,000.00
4130 · Other Services-Autopay set up	500.00	500.00
4140 · General Reserve Interest	80,000.00	70,000.00
4150 · Vacant lot Billing	1,900.00	5,340.00
4160 · Refunds - Rebates	500.00	-
Total Misc Income	243,500.00	256,830.00
OPERATING REVENUE	1,304,495.00	1,446,546.84

FY 2026-2027 Operating Expenditure Projection Summary

	Jul '25 - March '26	April'26 - June'26	EOY Projection	Approved 2025/2026	Est. EOY +/-	Proposed 2026/2027	% Change +/-
Total Wages	339,893.64	127,906.22	467,799.86	447,115.00	20,684.86	**507,644.00**	**14%**
Total Employee Benefits	190,656.27	68,894.51	259,550.78	261,687.00	(2,136.22)	**290,224.00**	**11%**
Total PR Taxes	28,971.00	10,200.00	39,171.00	36,500.00	2,671.00	**37,000.00**	**1%**
Total Workers' Compensation	15,678.48	-	15,678.48	15,500.00	178.48	**16,540.00**	**7%**
Total Operations - Maint & Repairs	5,121.72	4,216.86	9,338.58	13,500.00	(4,161.42)	**19,000.00**	**40%**
Total Operations - Supplies	38,239.23	1,701.06	34,688.48	50,500.00	(10,559.71)	**52,500.00**	**4%**
Total Operations - Utilities	61,297.32	17,573.61	78,870.93	74,500.00	4,370.93	**83,500.00**	**12%**
Total Operations - Other	21,866.07	13,621.87	35,487.94	35,500.00	(12.06)	**39,300.00**	**11%**
Total Administrative - Rents - Leases	720.00		720.00	720.00	-	**720.00**	**0%**
Total Administrative - Supplies	12,444.26	2,148.79	14,893.05	14,300.00	593.05	**15,600.00**	**9%**
Total Administrative - Utilities	7,840.53	1,799.07	9,639.60	8,400.00	1,239.60	**10,200.00**	**21%**
Total Administrative - Other	13,309.55	4,852.41	12,500.00	19,900.00	(1,738.04)	**17,900.00**	**-10%**
Total Administrative - Insurance	42,879.16		-	45,000.00	(2,120.84)	**48,772.00**	**8%**
Total Administrative – Outside	31,092.75	10,000.00	40,070.25	50,000.00	(8,907.25)	**39,500.00**	**-21%**
Total Administrative - License-Permit	44,332.23	-	44,332.23	49,000.00	(4,667.77)	**45,000.00**	**-8%**
Total Administrative - Advertising	2,000.00	-	2,000.00	2,200.00	(200.00)	**2,200.00**	**0%**
Total Administrative – Debt Service	43,670.48	-	43,670.48	43,671.00	(0.52)	**43,670.00**	**0%**
		Totals	**1,108,411.66**	**1,167,993.00**	**(4,765.91)**	**1,269,270.00**	8%

2026/2027 Projected Operating Revenue	**1,446,549.00**
2026/2027 Projected Operating Expenditures	**1,269,270.00**
2026/2027 Projected Reserve Contribution	**177,279.00**

Salaries & Benefits

Budget Summary

The proposed **FY 2026/2027 Salaries and Benefits budget** was developed using the District's current staffing levels and approved compensation structure.

Key assumptions include:

3.10% Cost of Living Adjustment (COLA) effective **July 1, 2026**.

Existing staffing levels with **no new positions** proposed.

Employer payroll taxes calculated at current rates.

Retirement contributions budgeted based on current CalPERS rates.

Medical insurance costs included for eligible employees.

Operations budget includes anticipated:

- On-call compensation
- Overtime
- Vacation cash-out (if earned)
- Board stipends

Administration Wages	**$159,191**
Operations Wages	**$344,928**
Board Stipends	**$3,000**
Total Salaries	**$510,119** (approx.)

Additional employer costs include:

- Payroll taxes
- CalPERS retirement contributions
- Unfunded Accrued Liability (UAL)
- Medical insurance
- 401(a) employer contributions where applicable

The proposed total payroll budget, including employer-paid costs, is approximately **$511,845** before benefits and retirement expenses are fully allocated.

Reserve Policy Update

- The Board adopted an update to the Reserve Policy in November 2024
- The update was to establish reserve fund thresholds recommended by our rate consultant
- Target Levels Established

1. Operating Reserves-Target amount will equal three months of operating expenses.
2. Debt Reserves-Target amount will equal to the annual debt service of the District's obligations, or as otherwise required in the controlling financing agreement.
3. Capital Reserve-Target amount shall be at a minimum level of $500,000.
4. Equipment Reserve-Target amount shall be at a minimum level of $150,000.
5. Special Use Reserve-Target amount shall be a minimum level of $100,000.

- The amounts allocated to the Reserve Funds shall be determined by the Board annually
- No policy updates are being proposed to the Reserve Policy at this time.

Project	Proposed Budget
Algiers Street Project #6	**$250,000**
WWTP Upgrade II	**$219,489**
Total Capital Reserve Expenditures	**$469,489**

Capital Reserve Activity	Amount
Beginning Balance as of 6/1	$1,171,259
FY 2026–2027 Capital Projects	($469,489)
Projected Ending Balance	**$701,770**

Capital Reserve Fund Purpose

The Capital Reserve Fund is maintained to provide funding for the replacement, rehabilitation, and improvement of major wastewater infrastructure, including lift stations, pumps, treatment plant equipment, pipelines, and District facilities, consistent with the District's adopted Capital Improvement Program (CIP).

CAPITAL RESERVE FUND

Project	Proposed Budget
Contingency	**$10,000**
Total Equipment Reserve Expenditures	**$10,000**

Equipment Reserve Activity	Amount
Beginning Balance as of 6/1	$159,892
FY 2026–2027 Capital Projects	($10,000)
Projected Ending Balance	**$149,892**

Equipment Reserve Fund Purpose

The Equipment Reserve Fund is designated to repair and replace critical equipment necessary for the District's wastewater collection system, treatment plant operations, vehicle fleet, and technology infrastructure.

EQUIPMENT RESERVE FUND

RESTRICTED RESERVE FUND

Project	Proposed Budget
Debt Service-SWRCB	**$44,000**
Operating Reserve-3 months	$**297,429**
Total Restricted Reserve Funds as of 6/1	**$341,429**

Restricted Reserve Fund Purpose
Restricted Reserve Funds are monies that have been set aside for specific purposes and are not available for general operating expenses. These reserves help ensure the District remains financially stable and meets its long-term obligations.

Project	Proposed Budget
Total Special Use Reserve Funds	**$107,351.82**

Special Use Reserve Fund Purpose

The Special Use Reserve Fund (formerly known as the Discretionary Fund) is intended to provide flexibility for future District priorities. These funds may be designated by District Management and appropriated by the Board through the annual budget process for one-time projects, strategic initiatives, or unforeseen needs that do not fit within the District's other reserve categories.

SPECIAL USE RESERVE FUND

Current District Investments

District Investments as of 6/1		
CA Class Capital Reserve	3.70%	1,171,258.89
CA Class Special Use	3.70%	107,351.82
CA Class Equip R&R	3.70%	159,892.07
Five Star Money Market	3.89%	403,110.77
LAIF	3.89%	63,563.47
Total District Investments		1,905,177.02

Projected Reserve Fund Category Balances on June 1,2026

Equipment Reserve
$159,892.07

Special Use Reserve
$107,351.82

Operating Reserve
$297,429

Debt Service Reserve
$44,000

Capital Reserve
$1,296,504.13

Total Reserve Fund Balances $1,905,177.02

Projected Reserve Fund Category Balances on June 30,2027

*Projection based on interest earnings, reserve contribution deposit and FY 26/27 expenditures

Equipment Reserve
$155,892*

Special Use Reserve
$110,951*

Operating Reserve
$297,429*

Debt Service Reserve
$44,000*

Capital Reserve
$909,770*

Total Reserve Fund Balances as of June 30, 2026 $1,518,042*