

San Geronio Pass Water Agency

DATE: January 29, 2026

TO: Finance and Budget Committee

FROM: Lance Eckhart, General Manager

BY: Tom Todd, Jr., Chief Financial Officer

SUBJECT: MID-YEAR BUDGET REVIEW FY 2025-26

Executive Summary

Once again, as with last year, the expenditure and income levels are performing as expected in all budget buckets and almost all budget categories. The Agency is on-track to end the fiscal year with surpluses. This is a six month review, so 50% of the annual approved budget amount would be a suggested target to review income and expenditure levels.

In the General Fund, the overall percentage of income received is about 22%, which is a bit lower than the same report at this time last year, and less than 50%, but this is a typical pattern. The percentage of expenditures is about 15%. The Agency has undertaken a major construction project, but we have received only one invoice, so little has been expended in the first half of the fiscal year.

In the Debt Service Fund, a higher percentage of income has been received, about 34%, which is again typical of the income pattern experienced in this bucket. Expenditures are very close to 50%, so right on budget.

Unrestricted Funds – General Fund – ‘The Green Bucket’ Revenue

General Fund income is derived primarily from two sources, water sales and tax revenue. Both of these revenue sources are out of phase with a six-month cycle, for different reasons.

Revenue recorded by water sales usually lags by one or two months from the time it was delivered, because it takes a month or so to issue an invoice and receive payment. This year was no exception. Even though we finished delivering water at the end of November, the final payments for the calendar year were not received until January. Adding expected receipts to recorded receipts yields a number very close to the budgeted amount for the first six months of the year.

The Agency delivered about 18,900 acre-feet of water in the calendar year 2025, which is a significant accomplishment considering the 50% allocation from DWR. Matt Howard, Operations Manager, and Emmett Campbell, Director of Water Resources, did a great



job of using every opportunity to purchase and deliver water, which allowed the Agency to meet all delivery requests and pay back exchange water as well.

Revenue received for the Agency allocation of the 1% property tax assessed by Riverside County usually is divided into two major portions. The first portion is delivered starting in December and extending through February. As of December, the Agency had received about 12% of its expected tax revenue. In January, it is expected that will increase to about 35%. This is the pattern of receipts that the Agency has previously experienced.

Finally, income from interest on investments continues to be received at levels similar to last year. The audited financial statements for the Agency showed a rate of return of about 4.8%, which is very good, considering the jitters the economy has experienced over the past few months.

Expenditures

Expenditures for the General Fund are grouped into major categories for context. All Categories are within budget at this time. Almost all line items are also within budget with a few exceptions:

- Payroll services is over budget, most likely as a result of paying for PARS administration for the whole year in August (row 19).
- Office Expense is over budget, most likely due to unexpected equipment purchases (row 37).
- Legal Services is just slightly over budget, due to a number of new legal matters (row 47).
- Public Information and Education is currently within budget, but this amount does not include November and December invoices, which would make it over budget (row 99).
- Vehicles shows the recent purchase of a Ford Explorer for the General Manager, so is over budget because it was a one-time purchase (row 111).
- New Property is over budget because the purchase of the property to the north of the Headquarters was planned, but not included in the budget for strategic reasons (row 114).

Unrestricted Funds - Consigned State Water Project (SWP) Fund 'The Orange Bucket'

The Board authorized the SWP Fund starting in FY 2021-22, with the provision that expenditures would not be authorized by the Board for two to three years. At this time, no expenditures have been authorized by the Board.

As mentioned under the General Fund, interest income allocated to the Consigned SWP Fund continues to show a good rate of return.



Restricted Funds – Debt Service Fund – ‘The Red Bucket’ Revenue

Debt Service Fund tax revenue follows a similar pattern of timing as the General Fund, but with slightly larger percentages. As of December, the Agency has received about 30% of the expected Debt Service revenue. By the end of January, it is expected to increase to about 50%.



Expenditures

Expenditures for the Debt Service Fund tend to have a wider range of variances, depending on the type of expense. Salaries and related expenses, Utilities, and Tax Collection Services track evenly throughout the year. But, the SWC Audit gets paid at the beginning of the year, so is currently over budget for the first half of the fiscal year. Because no more invoices are expected, it will be within budget at the end of the fiscal year.

Other line items come in chunks, rather than being evenly spread over 12 months. Water Transfers are usually one-time payments, so look inactive, then exceed the monthly guide after the payment is made. Invoices for SWP Engineering and Maintenance and EBX Contract Operations come in when billed, depending on repairs needed and the amount of water delivered.

Finally, State Water Contract Payments are generally even month to month, with the exception of September (largest EBX payment) and March (next largest EBX payment), with slight increases in January and July, all of which relate to making bond payments.

And because State Water Contract Payments make up almost 60% of all the expenditures for the Debt Service Fund, any variance in that line item affects the total Debt Service expenditure percentage more significantly than any other item. So, while SWC Payments are slightly over budget, Debt Service expenditures overall are within budget for the first half of the fiscal year.

Gap Funding and Heli-Hydrant Funding Programs

The current balance of the Gap Funding program is \$7,588,924.61. The largest portion of the funding is being utilized by South Mesa Water Company. An agreement was added this year for Banning Heights Mutual Water Company. Cabazon Water District has paid off all but a small amount of retention, demonstrating the value of the program to retailers who don't have the cash-flow to support the long reimbursement cycles of typical grant awards.

In addition, the Board authorized advancing funds to water districts that want to install Heli-Hydrants. So far, Cabazon Water District and High Valleys Water District have taken advantage of this program. The County of Riverside has reimbursed the Agency through their ARPA grant all the expenditures related to Cabazon Water District.

Considerations and Recommendations General Fund

In looking forward to the second half of the fiscal year, Staff recommend making the following adjustments to the General Fund Budget for FY 2025-26:

- In order to meet expected expenses related to payroll, retirement administration, and flexible spending account administration services, increase the budget by \$5,000 for a total of \$16,000 for the fiscal year (row 19)
- In order to meet budget expectations for Office Expenses, increase the budget by \$12,000 for a total of \$52,000 for the fiscal year (row 37)
- In order to purchase an appropriate additional operations vehicle, increase the budget by \$65,000 for a total of \$145,000 for the fiscal year (row 111)
- In order to adjust the budget as promised in previous updates, add \$480,000 to New Property for a total of \$530,000 for the fiscal year, to bring the line item within budget (row 114)

The total for the above items is about \$562,000. This represents an addition of about 2.6% for the General Fund Expenditure budget for FY 2025-26. This will reduce the expected amount to be added to reserves, but the addition to reserves will still be positive at year-end.

Further consideration should be given to Public Information and Education. Staff recommend a workshop later this fiscal year to review activities of C V Strategies, to determine if additional budgeted amounts are necessary for the rest of the fiscal year.

Retirement

Retirement funding and its position relative to the audited financial statements has been a subject of much controversy in the past decade. The Board of Directors, at Staff's recommendation, has authorized numerous advance payments over the last 15 or so years. The most recent payment was an additional \$350,000, allocated between the Green Bucket and the Red Bucket. This payment changed the Agency's retirement position with CalPERS to a positive balance as of July 1, 2025. This is an enviable accomplishment, one that reflects positively on our balance sheet, and relieves major concerns about meeting future retirement requirements for the Agency.

Debt Service Fund

There are no recommendations for budget adjustments for the Debt Service Fund.