



CENTRAL COAST WATER AUTHORITY

MEMORANDUM

April 23, 2026

TO: CCWA Board of Directors

FROM: Dessi Mladenova
Controller

SUBJECT: Adoption of Final FY 2026/27 Budget - **REVISED**

SUMMARY

The Preliminary FY 2026/27 Budget was provided to the CCWA Board of Directors at its regular meeting on March 26, 2026. This report will highlight the proposed changes to the FY 2026/27 Preliminary Budget and request that the Board approve the proposed final budget, among other related actions.

RECOMMENDATION

Staff recommends that the Board of Directors:

1. Approve and adopt the Final FY 2026/27 Budget as outlined in this report;
2. Authorize staff to obtain bids for those projects included in the Final FY 2026/27 Budget which require formal bids; and
3. Find the projects included in the Final FY 2026/27 Budget except from the California Environmental Quality Act and direct staff to file the applicable Notices of Exemption.

DISCUSSION

1. FY 2026/27 Budget

The following changes are presented for the Board's consideration and inclusion in the final FY 2026/27 Budget. The proposed final FY 2026/27 Budget is \$ 2 million lower than the Preliminary FY 2026/27 Budget and \$ 7.1 million more than the final FY 2025/26 Budget.

- Increase of \$ 65,000 in Professional consultant services for costs associated with the 5-year CCWA strategic plan development.
- Increase of \$ 25,000 in safety consultant costs for additional fire and wildlife safety programs at the Water Treatment Plant.
- Use of \$ 1.5 million in CCWA credits and \$ 0.5 million in DWR investment interest income credit, per project participant election.

Proposed Final FY 2026/27 Budget

The following table shows a summary of the proposed final FY 2026/27 Budget and a comparison to the prior year budget.

	Final FY 2025/26 Budget	Final FY 2026/27 Budget	
<u>CCWA Expenses</u>			
CCWA Operating Expenses - Fixed	\$ 11,877,099	\$ 12,361,947	\$ 484,848
CCWA Operating Expenses - Variable	1,819,728	1,843,213	23,484
Capital/Non-Capital Projects	2,947,718	3,108,727	161,009
Total CCWA Expenses:	16,644,545	17,313,887	669,342
<u>Pass-Through Expenses</u>			
DWR Fixed Costs	42,568,263	47,838,691	5,270,429
DWR Variable Costs	4,660,308	5,058,622	398,314
Warren Act and Trust Fund Payments	52,440	38,400	(14,040)
Total Pass-Through Expenses:	47,281,011	52,935,713	5,654,703
Subtotal Gross Budget:	63,925,555	70,249,600	6,324,044
CCWA (Credits) Due	(2,281,509)	(1,494,012)	787,497
TOTAL:	\$ 61,644,047	\$ 68,755,588	\$ 7,111,541

As the table above shows, the proposed final FY 2026/27 budget is about \$ 7.1 million more than the prior year budget. The increase is primarily attributed to \$ 5.7 million increase in Fixed and Variable DWR pass thru costs, and a \$ 0.7 million increase in CCWA O&M and CIP expenses.

The attached FY 2026/27 Proposed Final Budget in Brief document will provide a full overview of the proposed final budget and changes when compared to the FY 2025/26 Budget. Additionally, the attached FY 2026/27 Total Expenditures Summary provides each project participant with a summary of the total expenditures by component for their agency.

Ten-Year Financial Plan Projections

The Ten-Year Financial Plan Projections for each project participant will be updated based on the Board approved Final FY 2026/27 Budget and posted on the CCWA web server in each participant's folder. These projections are estimates only and are intended to provide a basis for anticipated future costs associated with the large DWR capital expenditures.

2. Projects That Require Formal Bidding

In conjunction with the requested approval of the FY 2026/27 Budget, staff is also requesting the Board's approval to obtain bids for those projects included in the budget which require a formal bidding process. As always, CCWA staff will present the results of the bids for each project to the Board for final acceptance and approval.

3. CEQA Compliance

Resolution No. 23-09, adopted by the Board on October 26, 2023, provides the Executive Director with the authority make purchases of items of services, supplies or equipment without further Board approval if (a) the amount is less than \$25,001 or (b) is included in the approved Budget for the fiscal year. Compliance under the California Environmental Quality Act (CEQA), however, must be undertaken by the Board per Resolution No. 23-07, adopted by the Board on July 27, 2023.

Each activity listed in the Final FY 2026/27 Budget was reviewed to determine the appropriate level of environmental review. CEQA does not apply to projects that activity will not result in a direct or reasonably foreseeable indirect physical change in the environment or are not a project as defined in Section 15378. (CEQA Guidelines §§ 15060(c)(2)-(3).)

After reviewing the activities listed in the Final FY 2026/27 Budget, it is determined that CEQA does not apply to many of the activities listed in the Capital Improvement and Non-Capital Improvement Projects, as most of the activities do not have a potential for causing a significant effect on the environment pursuant to CEQA Guidelines Sections 15060(c)(2) (the activity will not result in a direct or reasonably foreseeable indirect physical change in the environment) and 15060(c)(3) (this activity is not a project as defined in section 15378).

For the activities listed in the Final FY 2026/27 Budget that could potentially qualify as "projects" under CEQA, those activities are exempt from CEQA, and the filing of Notices of Exemption is therefore appropriate for the following activities:

- Filter Multimedia and Underdrain Nozzle Replacement Project
- Aqueous Ammonia Storage Tank Lining Replacement Project
- Utility Water Piping Replacement
- Security and Access Control Project - Phase I
- Water Treatment Plant Access Road/Asphalt Maintenance
- Tank 2 Generator and Fuel System Replacement Project
- Cuesta Tunnel North Portal Vegetation Abatement Project

Reasons Why Activities are Exempt:

These activities were determined to be exempt from CEQA pursuant to one or more of the following provisions of the CEQA Guidelines (Cal. Code Regs., tit. 14, §§ 15000–15387), including Section 15061(b)(3) (Common Sense Exemption); Categorical Exemptions: CEQA Guidelines Section 15301 (Existing Public Facilities); Section 15302 (Replacement or Reconstruction); 15304 (Minor Alterations to Land); and Section 15311 (Accessory Structures). The specific CEQA exemptions applicable to each activity are identified in the corresponding Notice of Exemption.

Exceptions to the Categorical Exemptions:

None of the exceptions to the Categorical Exemptions apply, as the activities will not: impact a designated, mapped, and officially adopted environmental resource of hazardous or critical

concern; result in a significant cumulative impact of successive projects of the same type in the same place over time; have a significant effect on the environment due to unusual circumstances; damage a scenic highway or scenic resources within a state scenic highway; be located on a site which is included on any list compiled pursuant to Section 65962.5 of the Government Code; nor cause a substantial adverse change in the significance of a historical resource. (CEQA Guidelines § 15300.2.)

Common Sense Exemption:

This activities are also determined to be exempt based upon the general rule that CEQA applies only to projects that have a potential for causing a significant effect on the environment. (CEQA Guidelines § 15061(b)(3).) A public agency may determine an activity to be exempt where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.

Regarding the above listed activities, there will be no expansion of existing uses, and the facilities will operate in the same manner and at the same capacity as the existing facilities. As such, it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, and therefore, the activities are not subject to CEQA.

A NOE will be filed for each of the activities listed above.

Attachments

DHM