



DATE: April 2, 2026

TO: Environmental Services Commission

FROM: Scott Edwards, Utilities Deputy Director
Matt Hobson, Utilities Fiscal Manager

SUBJECT: **2025 Financial Performance Report – Water, Sewer, Storm & Surface Water, and Solid Waste Utility Funds**

ACTION REQUIRED

No action by the Commission is required. This is an informational briefing.

BACKGROUND / ANALYSIS

The purpose of this briefing is to provide the Commission with a summary of the 2025 unaudited financial performance for the Water, Sewer, Storm and Surface Water, and Solid Waste utility funds. All four operating funds ended 2025 with positive net cash flows. All four operating funds also achieved the target operating reserve and operating contingencies as outlined in the city’s comprehensive financial policies.

The following tables summarize the 2025 financial performance for each utility fund and Renewal & Replacement Reserve.

Table 1. 2025 Utility Operating Fund Financial Performance (\$000)

	Water	Sewer	Stormwater	Solid Waste
Beginning Fund Balance	\$18,677	\$16,638	\$7,311	\$4,027
Revenues	\$88,297	\$92,608	\$34,517	\$1,499
Expenditures	\$87,218	\$88,630	\$34,039	\$770
Ending Fund Balance	\$19,755	\$20,616	\$7,790	\$4,755

Differences may exist due to rounding.

Table 2. 2025 Utility Renewal & Replacement Reserve (\$000)

	Water	Sewer	Stormwater
Ending Fund Balance	\$91,273	\$191,526	\$137,926

Ending fund balance excludes fund balance allocated to projects. Differences may exist due to rounding.

The remainder of this report presents the performance of each fund in more detail.

WATER UTILITY

The Water Utility finished 2025 with a positive net cash flow. The following table summarizes the utility's financial performance. Revenues exceeded budget largely due to strong water sales and the budget practice of conservative revenue planning for this fund. Expenditures were higher than budgeted levels primarily due to higher taxes resulting from the higher-than-budgeted revenue and capital asset purchases that were delayed from 2023 and 2024. These expenditures were partially offset by vacancy savings.

Table 3: Water Utility Fund 2025 Year End Results (\$000)

	Budget	Year End Actuals	Variance Over / (Under) Budget	% Collected or Spent
Beginning Fund Balance	\$18,312	\$18,677	\$365	102.0%
Revenues				
Water Service	\$76,932	\$80,626	\$3,694	104.8%
Interfund Water Services	\$294	\$294	\$0	100.0%
Interest Income	\$275	\$578	\$303	210.5%
RCFCs	\$1,400	\$1,503	\$103	107.4%
Developer Fees	\$809	\$666	-\$143	82.3%
Fire Flow Capacity Charges	\$3,813	\$4,419	\$606	115.9%
Other	\$647	\$211	-\$437	32.6%
ARA Transfer Duplication	<u>\$888</u>	<u>\$0</u>	<u>-\$888</u>	<u>0.0%</u>
Total Revenues	\$85,058	\$88,297	\$3,239	103.8%
Expenditures				
Controllable				
Salaries & Benefits	\$9,807	\$9,497	-\$309	96.8%
Other Personnel	\$476	\$606	\$130	127.3%
Capital Outlay	\$960	\$1,712	\$752	178.3%
Professional Services	\$1,273	\$1,622	\$349	127.4%
Other M&O	<u>\$2,732</u>	<u>\$2,881</u>	<u>\$149</u>	<u>105.4%</u>
<i>Subtotal Controllable</i>	<i>\$15,248</i>	<i>\$16,319</i>	<i>\$1,071</i>	<i>107.0%</i>
Other				
Wholesale Water Purchase	\$23,502	\$23,502	\$0	100.0%
CIP/R&R Transfer	\$26,938	\$26,938	-\$0	100.0%
Taxes	\$11,162	\$12,903	\$1,740	115.6%
RCFC	\$1,400	\$1,306	-\$94	93.3%
Interfunds	<u>\$6,495</u>	<u>\$6,251</u>	<u>-\$244</u>	<u>96.2%</u>
<i>Subtotal Other</i>	<i>\$69,498</i>	<i>\$70,900</i>	<i>\$1,402</i>	<i>102.0%</i>
Total Expenditures	\$84,746	\$87,218	\$2,473	102.9%
Total Ending Fund Balance	\$18,624	\$19,755	\$1,131	106.1%

Differences may exist due to rounding.

Revenue Highlights

The beginning Water Utility fund balance was \$0.4M or 2% higher than budgeted levels. In 2025, total water operating revenues were \$3.2M or 3.8% above budgeted levels. This was primarily driven by the following:

- **Water Service** revenue exceeded budgeted levels by \$3.7M due to increased water demand. Water demand is dependent upon a combination of factors including weather conditions, general economic activity, and ongoing conservation as a result of stricter plumbing code requirements and more water-

efficient fixtures and appliances. These factors vary from year to year and as a result, actual water service revenues will vary relative to budget in any given year.

- **Interest Income** is earned on current assets. The city's investment pool has benefitted from strong interest rates in 2025 resulting in a \$0.3 million favorable variance.
- **Asset Replacement Account (ARA) Transfer Duplication** represents a one-time technical correction to align the utility's operating budget with the utility financial and rate plan.

Expenditure Highlights

In 2025, total Water operating expenditures were \$2.5M or 2.9% above budgeted levels primarily driven by the following:

- **Tax** expenses were \$1.7M above budget due to higher than anticipated revenues, as discussed in the section above. Revenue-driven taxes correlate directly with revenue levels.
- **Capital Outlay** expenses were \$0.8M above budget due to capital asset purchases (i.e., vehicles) that were delayed from 2023 and 2024 due to availability.
- **Personnel** expenses were \$0.2M below budget, reflecting staffing vacancy savings from open positions.

SEWER UTILITY

The Sewer Utility finished 2025 with a positive net cash flow. The following table summarizes the utility's financial performance. Revenues exceeded budget due to correlated commercial sewer flows. Expenditures were higher than budgeted levels due to higher treatment costs associated with the higher commercial sewer flows as well as state/local taxes assessed on utility revenues. These over-expenditures partially were offset by vacancy savings.

Revenue Highlights

The beginning Sewer Utility fund balance was \$4.4M or about 36.2% higher than budgeted levels. In 2025 sewer revenues were \$3.9M or 4.3% above budgeted levels. This is primarily driven by the following:

- **Sewer Service** revenues exceeded budgeted levels by \$4.5M due to higher-than-anticipated commercial wastewater flows. Commercial flows have gradually increased each year since the COVID-19 pandemic.
- **Interest Income** is earned on current assets. The city's investment pool has benefitted from strong interest rates in 2025 resulting in a \$0.2 million favorable variance.
- **ARA Transfer Duplication** represents a one-time technical correction to align the utility's operating budget with the utility financial and rate plan.

Expenditure Highlights

In 2025, total sewer operating expenditures were \$0.5M or 0.6% above budget primarily due to the following:

- **Wastewater Treatment** expenses were \$1.5M above budget due to correlated commercial sewer flows.
- **Personnel** expenses were \$0.7M below budget, reflecting staffing vacancy savings from open positions.
- **Tax** expenses were \$0.2M above budget due to higher than anticipated revenues, as discussed in the section above. Revenue-driven taxes correlate directly with revenue levels.

Table 4. Sewer Utility Fund 2025 Year End Results (\$000)

	Budget	Year End Actuals	Variance Over / (Under) Budget	% Collected or Spent
Beginning Fund Balance	\$12,216	\$16,638	\$4,422	136.2%
Revenues				
Sewer Service	\$86,491	\$91,008	\$4,517	105.2%
Interfund Sewer Services	\$150	\$150	-\$0	100.0%
Interest Income	\$183	\$423	\$240	231.0%
Developer Fees	\$532	\$456	-\$76	85.7%
Other	\$605	\$571	-\$34	94.3%
ARA Transfer Duplication	<u>\$793</u>	<u>\$0</u>	<u>-\$793</u>	<u>0.0%</u>
Total Revenues	\$88,754	\$92,608	\$3,853	104.3%
Expenditures				
Controllable				
Salaries & Benefits	\$7,610	\$6,765	-\$845	88.9%
Other Personnel	\$460	\$604	\$144	131.3%
Capital Outlay	\$796	\$904	\$108	113.6%
Professional Services	\$527	\$414	-\$113	78.5%
Other M&O	<u>\$1,787</u>	<u>\$1,756</u>	<u>-\$31</u>	<u>98.3%</u>
<i>Subtotal Controllable</i>	<i>\$11,180</i>	<i>\$10,443</i>	<i>-\$737</i>	<i>93.4%</i>
Other				
Wastewater Treatment	\$44,722	\$46,243	\$1,521	103.4%
CIP/R&R Transfer	\$22,385	\$22,385	\$0	100.0%
Taxes	\$5,714	\$5,917	\$203	103.5%
Interfunds	<u>\$4,105</u>	<u>\$3,641</u>	<u>-\$463</u>	<u>88.7%</u>
<i>Subtotal Other</i>	<i>\$76,926</i>	<i>\$78,186</i>	<i>\$1,260</i>	<i>101.6%</i>
Total Expenditures	\$88,107	\$88,630	\$523	100.6%
Total Ending Fund Balance	\$12,864	\$20,616	\$7,752	160.3%

Differences may exist due to rounding.

STORM AND SURFACE WATER UTILITY

The Storm and Surface Water Utility finished 2025 with a positive net cash flow. The following table summarizes the utility’s financial performance. Revenues were in line with budget. Due to the Storm and Surface Water Utility rate structure, the revenue is relatively stable and does not fluctuate with weather or economic conditions. Expenditures were lower than budgeted levels due to vacancy savings and a delay in the acquisition of a vector truck.

Table 5. Storm and Surface Water Utility Fund 2025 Year End Results (\$000)

	Budget	Year End Actuals	Variance Over / (Under) Budget	% Collected or Spent
Beginning Fund Balance	\$8,718	\$7,311	-\$1,407	83.9%
Revenues				
Storm Service	\$34,049	\$33,797	-\$252	99.3%
Interfund Storm Services	\$58	\$58	-\$0	100.0%
Interest Income	\$131	\$157	\$26	120.2%
Developer Fees	\$773	\$458	-\$315	59.3%
Other	\$90	\$47	-\$43	52.7%
ARA Transfer Duplication	<u>\$567</u>	<u>\$0</u>	<u>-\$567</u>	<u>0.0%</u>
Total Revenues	\$35,667	\$34,517	-\$1,150	96.8%
Expenditures				
Controllable				
Salaries & Benefits	\$7,474	\$7,007	-\$467	93.8%
Other Personnel	\$494	\$351	-\$142	71.2%
Capital Outlay	\$1,276	\$172	-\$1,104	13.5%
Professional Services	\$1,406	\$1,273	-\$133	90.5%
Other M&O	<u>\$1,664</u>	<u>\$1,742</u>	<u>\$78</u>	<u>104.7%</u>
<i>Subtotal Controllable</i>	<i>\$12,314</i>	<i>\$10,545</i>	<i>-\$1,769</i>	<i>85.6%</i>
Other				
CIP/R&R Transfer	\$17,691	\$17,691	\$0	100.0%
Taxes	\$2,311	\$2,077	-\$233	89.9%
Interfunds	<u>\$3,988</u>	<u>\$3,725</u>	<u>-\$263</u>	<u>93.4%</u>
<i>Subtotal Other</i>	<i>\$23,990</i>	<i>\$23,493</i>	<i>-\$497</i>	<i>97.9%</i>
Total Expenditures	\$36,304	\$34,039	-\$2,265	93.8%
Total Ending Fund Balance	\$8,082	\$7,790	-\$292	96.4%

Differences may exist due to rounding.

Revenue Highlights

The beginning Storm and Surface Water Utility fund balance was \$1.4M or about 83.9% of budgeted levels due to higher-than-expected repair and maintenance activities and delayed capital outlay from the previous year (2024). 2025 total storm and surface water revenues were slightly lower (3.2%) than budgeted levels.

- **Storm Service** revenues were slightly below budgeted levels by \$0.3M due to differences in budgeted to actual development intensity in the city.
- **ARA Transfer Duplication** represents a one-time technical correction to align the utility’s operating budget with the utility financial and rate plan.

Expenditure Highlights

In 2025, total storm and surface water operating expenditures were \$2.3M below budget primarily driven by the following:

- **Capital Outlay** expenses were \$1.1M below budget due to a delay in the acquisition of a vector truck. The new equipment is anticipated to be delivered in 2026.
- **Personnel** expenses were \$0.6M below budget, reflecting staffing vacancy savings from open positions.

SOLID WASTE UTILITY FUND

The Solid Waste Utility finished 2025 with a positive net cash flow. The following table summarizes the utility’s financial performance. Operating revenues were higher than budgeted levels due to unearned performance incentive bonuses returned to the city by the solid waste collection vendor. Expenditures were lower than budgeted levels due to operational savings from professional services.

Table 6. Solid Waste Utility Fund 2025 Year End Results (\$000)

	Budget	Year End Actuals	Variance Over / (Under) Budget	% Collected or Spent
Beginning Fund Balance	\$2,656	\$4,027	\$1,371	151.6%
Revenues				
Admin/Recycling	\$904	\$1,023	\$119	113.1%
Grant Projects	\$0	\$0	\$0	
Interest Income	\$53	\$178	\$125	334.9%
Other	<u>\$18</u>	<u>\$298</u>	<u>\$280</u>	<u>1687.0%</u>
Total Revenues	\$975	\$1,499	\$524	153.8%
Expenditures				
Controllable				
Salaries & Benefits	\$187	\$199	\$12	106.3%
Other Personnel	\$51	\$39	-\$12	77.2%
Other M&O	<u>\$280</u>	<u>\$59</u>	<u>-\$221</u>	<u>21.1%</u>
<i>Subtotal Controllable</i>	<i>\$518</i>	<i>\$297</i>	<i>-\$221</i>	<i>57.4%</i>
Other				
Interfunds	<u>\$460</u>	<u>\$473</u>	<u>\$13</u>	<u>102.8%</u>
<i>Subtotal Other</i>	<i>\$460</i>	<i>\$473</i>	<i>\$13</i>	<i>102.8%</i>
Total Expenditures	\$978	\$770	-\$208	78.8%
Total Ending Fund Balance	\$2,652	\$4,755	\$2,103	179.3%

Differences may exist due to rounding.

Revenue Highlights

The Solid Waste Utility beginning fund balance was \$1.4M or 51.6% above budget primarily due to payments to the city from the solid waste collection vendor for unearned performance incentive bonuses for not meeting recycling and contract performance expectations in prior years. Total 2025 revenues were \$0.5M above budgeted levels largely due to similar reasons.

Expenditure Highlights

Expenditures were \$0.2M below budget primarily due to operational savings from professional services.