



February 18, 2026

**TO:** Utilities Advisory Committee  
**FROM:** Ron Munds, General Manager  
**SUBJECT:** **Agenda Item 5 – 02/18/26 UAC Meeting**  
Utilities Department Updates

**Utilities Department Updates**

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***Program C Well Project (Bay Oaks)***

The Bay Oaks well is up and running and supplying water to the distribution system! On January 27<sup>th</sup>, the primary contractor and subcontractors were at the site running through all the systems to operate the well. Some follow up work was needed to dial in the Variable Frequency Drive (VFD) and the well needed to run to waste to bring down the turbidity before pumping into the water system. Everything was complete on February 9<sup>th</sup>.

***Supervisory Control and Data Acquisition (SCADA) System Modernization Project***

All the components of the system have been tested and installation is proceeding. The project should be complete by the end of February.

***Water Resiliency Intertie Pipeline Project (Intertie Pipeline Project) Update***

Project design work continues to have the 30% design documents completed by the end of March. Meetings with the City of Morro Bay and the County are ongoing. The environmental permitting task will begin in February.

***10<sup>th</sup> Street Tank Rehabilitation Project***

The project is moving forward slowly; the interior coating work is underway. The tentative completion date is now late February.

***Fund 500 Mid-Year Budget and Capital Project Review***

The Board reviewed and approved the Fund 500 mid-year budget adjustments which included a significant change in the Capital Outlay projects priorities since the adoption of the budget in June 2025. The following is the excerpt from the February 5<sup>th</sup> Board staff report which summarizes the changes.

**Major Adjustment Requests:**

- Increases and decreases in several Services and Supplies line items which result in an overall decrease in budget.
- Request for changes to Capital Outlay project priorities and budget which result in a significant increase in budget.

**Impact on Budget:**

- Net decrease in the Services and Supplies budget of \$ 13,405.00.
- Projected net increase in Capital Outlay budget of \$809,113.00.
- Overall net budget increase of \$795,708.00

**Fund 500 – Mid-Year Budget Adjustment Summary**

On the revenue side of the budget at mid-year, water sales, service fees and other revenues are performing close to the budget projections. Grant income has not

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been incorporated into the revenue projections because of the uncertainty of the cash flow from the Department of Water Resources as it relates to expenditures during the fiscal year.

As noted on the expense side, there were adjustments on several of the line-item categories in Services and Supplies resulting in a net decrease of \$13,405.00. The Capital Outlay budget is recommended to increase by \$809,113.00 due to changes in some project costs and the addition of several projects (see capital project section below).

**Capital Outlay Summary of Changes**

As identified in the 2025-26 Capital Improvement Plan, there are five capital projects planned for construction. The following are the current budgets for Capital Projects:

	<b>FY 25/26 Projects</b>	<b>Budgeted (Estimated)</b>
500/9006	Program "C" Well Construction	\$513,900.00
500/9006	Heavy Equipment Storage Structure	\$100,000.00
500/9006	Valve Replacement Program	\$643,000.00
500/9006	Water Yard Office-Phase 1	\$50,000.00
500/9006	SCADA	\$755,000.00
	<b>TOTAL</b>	\$2,061,900.00

Because of an increase in the SCADA Project projected cost, the addition of the 10<sup>th</sup> Street Tank Project, the addition of the 16<sup>th</sup> Street Booster Pump Project and the addition of the Intertie Pipeline Project, staff is recommending the deferral of the Heavy Equipment Storage Structure since it unlikely that a building permit can be issued this fiscal year due to the Habitat Conservation Plan implementation delays. The cost for the Valve Replacement Program and the Intertie Pipeline Design reflect that both projects will carry over to the next fiscal year.

The following table shows the requested capital outlay adjustments:

	<b>FY 25/26 Projects - Mid -Year Adj.</b>	<b>Budgeted (Estimated)</b>	<b>Comment</b>
500/9006	Program "C" Well Construction	\$473,900.00	SCADA moved Cannon Contract
500/9006	Intertie Pipeline Design	\$454,000.00	FY 2025-26
500/9006	Valve Replacement Program	\$321,500.00	FY 2025-26
500/9006	Water Yard Office-Phase 1	\$50,000.00	
500/9006	10th St. Tank Repair & Re-coating Project	\$605,000.00	
500/9006	16th Street Booster Pump Repair Project	\$69,258.00	Emergency repair
500/9006	SCADA	\$897,355.00	
	<b>TOTAL</b>	\$2,871,013.00	

The following table summarizes the changes in the Fund 500 budget.

The negative Net Revenue over Expenses, \$2,090,127.14, will be funded through a combination of incoming revenues, unassigned cash and reserves. If reserve funding is required this fiscal year, staff will bring back a request to the Board at a future meeting. The following table summarizes the requested changes to the Fund 500 budget.

### **500 - Water**

<b>Fund 500 Budget Category</b>	<b>2025-2026 Budget</b>	<b>2025-2026 Mid- Year Budget</b>	<b>Increase/ (Decrease)</b>
Revenue	\$3,523,124.47	\$3,523,124.47	\$0.00
Expenditures			
Total Personnel	\$1,072,315.00	\$1,072,315.00	\$0.00
Services & Supplies	\$817,985.00	\$804,580.00	-\$13,405.00
Capital Outlay	\$2,061,900.00	\$2,871,013.00	\$809,113.00
Debt Service	\$263,036.74	\$263,036.74	\$0.00
Reserves	\$57,000.00	\$57,000.00	\$0.00
Transfers	\$545,306.87	\$545,306.87	\$0.00
<b>TOTAL Expenditures</b>	<b>\$4,817,543.61</b>	<b>\$5,613,251.61</b>	<b>\$795,708.00</b>
<b>TOTAL Revenue</b>	<b>\$3,523,124.47</b>	<b>\$3,523,124.47</b>	<b>\$0.00</b>
Net Revenue/Expenses		-\$2,090,127.14	