FY2026-27 Draft

Coachella Valley Mosquito and Vector Control District

Transmittal Letter

To the Board of Trustees and our District Constituents:

I am pleased to share with you the District's Draft Budget for Fiscal Year 2026–2027. Over the past several months, David I'Anson, Administrative Finance Manager, has led a highly collaborative budgeting effort with our Department Managers and myself. The result is a strategic and fiscally responsible plan that strengthens our long-term financial stability, supports essential programs, and advances our mission. This proposed budget positions the District to respond effectively to our evolving vector challenges and moves us closer to our vision of a Coachella Valley free from vector-borne disease.

A balanced budget is proposed, with operating revenue forecasted at $19 million, operating expenditure projected at $17,510,439, and $1,516,049 planned for transfers to capital reserves. Riverside County is projecting a 4% increase in property tax revenue for the coming fiscal year. Key expenditures include funding one additional full-time position, the Assistant General Manager, and continued investment in the Sterile Male Mosquito program, consistent with the Strategic Plan and direction from the Board.

The Capital Budget totals $4.5 million, which includes:

- $1.7 million for the Centrica Energy Project
- $675,000 for the Operations Building remodel, including expanded locker rooms
- $1.3 million for Administration Building improvements
- Funds to purchase the District's first electric vehicle and install EV chargers to meet upcoming CARB milestone requirements
- Security enhancements for District facilities
- Initial preparation for the District's Centennial Celebration

The budget document begins with the Budget Summary, which outlines forecasted reserves, General Fund operating revenues and expenditures, and capital allocations. The document also includes a Table of Organization with proposed positions, an Organizational Chart, detailed departmental budgets, and the complete capital project schedules at the end.

Staff and I look forward to meeting with the Finance Committee to discuss the first draft of the Fiscal Year 2026–2027 Budget on April 7th. If you have any questions prior to the meeting, please do not hesitate to reach out.

Sincerely,

Jeremy Wittie
General Manager

Executive Summary

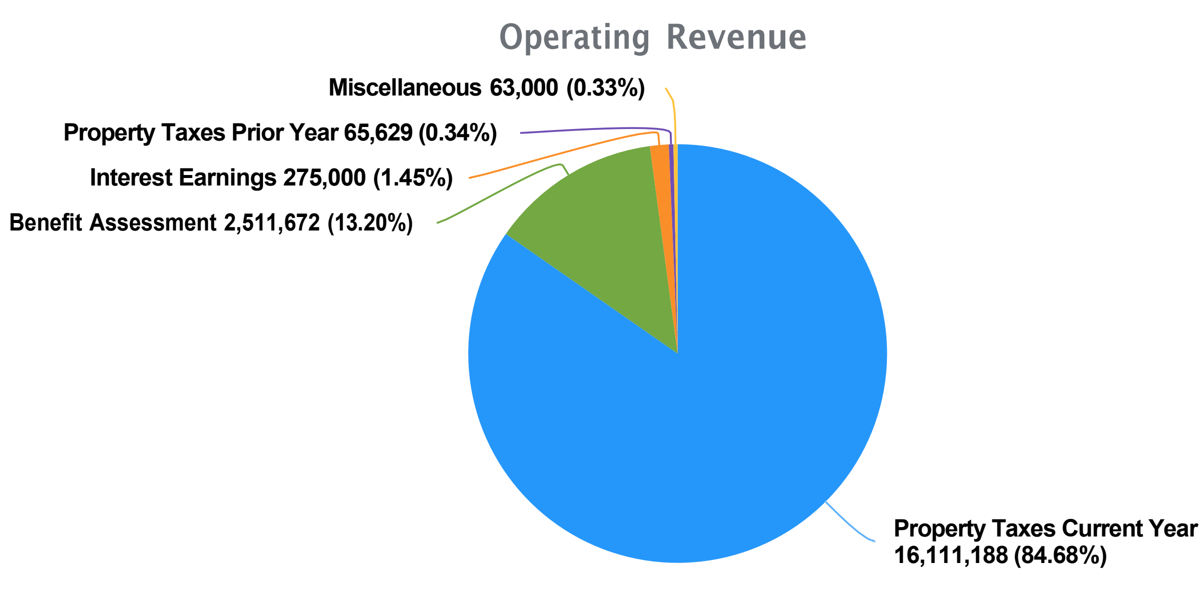
Operating Budget Revenue

The total operating revenue for Fiscal Year 2026-27 is forecast to increase to $19,026,488 which is 3.3% higher than the estimated actual for Fiscal Year Ending (FYE) June 30, 2026, of $18,415,329.

Revenue	Adopted Budget 2025-2026	Estimated Actual 6/30/2026	% Difference	**Proposed Budget 2026-2027**	% Difference
Property Taxes Current	15,601,652	15,500,028	-0.7%	**16,111,188**	3.9%
Property Taxes Prior	65,629	65,629	0.0%	**65,629**	0.0%
Interest Income	275,000	275,000	0.0%	**275,000**	0.0%
Miscellaneous	63,000	63,000	0.0%	**63,000**	0.0%
Benefit Assessment	2,437,709	2,511,672	3.0%	**2,511,672**	0.0%
Total	$18,442,990	$18,415,329	-0.1%	**$19,026,489**	**3.3%**

Revenue Assumption

- Benefit Assessment rates per Single Family Equivalent (SFE) remains at $14.39 per SFE estimated revenue $2,511,672.
- Property Tax Current to increase by 4% in line with Assessors Valuation and historical revenue trends.
- Interest revenue $275,000, Miscellaneous revenue includes $16,000 estimated credit card rebate, $35,000 for USDA refund for expenses, and $12,000 for reimbursement for testing other mosquito & vector control districts' mosquito samples for WNV or SLE.



Operating Budget Expenditure

Total Operating budget expenditure for FY2026-27 is forecast to be $19,026,488 7.5% increase over the estimated actual for FYE June 30, 2026 Expenditures are broken down into Payroll, Administrative, Utility, Operating, and Contribution to Capital Reserves.

Expenditure	Adopted Budget 2025-2026	Estimated Actual 6/30/2026	% Difference	**Proposed Budget 2026-2027**	% Difference
Payroll	11,500,356	11,169,644	-2.9%	**12,450,843**	10.3%
Administrative	1,405,948	1,356,145	-3.5%	**1,738,079**	22.0%
Utility	143,304	153,192	6.9%	**153,304**	0.1%
Operating	2,975,304	2,500,456	-16.0%	**3,168,213**	21.1%
Contribution to Capital Reserves	2,418,078	2,418,078	0.0%	**1,516,049**	-59.5%
Total Expenses & Transfers	$18,442,990	$17,597,515	-4.6%	**$19,026,489**	7.5%

Administrative Expenses

Administrative expenses, which account for 9.1% of the total budget, are projected to increase by 22%. Main increase is the added earthquake insurance and cyber insurance which increased the Property and Liability insurance budget by $150,000. Benefit Assessment expense increased to $149,000 from $84,000 due to the County of Riverside collection fee increase.

Payroll

Payroll expense, 65.4% of total budget, are projected to increase by 10.3.0% over the estimated actual for FYE June 30, 2026.

- Full-time equivalents (FTE), increases by 1 FTE to 75.8 FTE.
- Budget includes the salary and benefits for the new position Assistant General Manager
- Cost of living adjustment is 3% for all employees.
- CalPERS Classic Employer Rate decrease from 10.76 % to 10.75 %
- CalPERS PEPRA Employer Rate decrease from 7.96 % to 7.93 %
- CalPERS unfunded accrued liability (UAL) payment $659,263
- Prefunding $200,000 to California Employers' Pension Prefunding Trust (CEPPT) Fund
- CalPERS CERBT fully funded for retiree healthcare contribution reallocated to pension trust.

Utility Expenses

- Budget for utility has a slight increase over FY25-26 budget, replacement of solar panels in new fiscal year should positively impact spring 2027 electricity expenses.

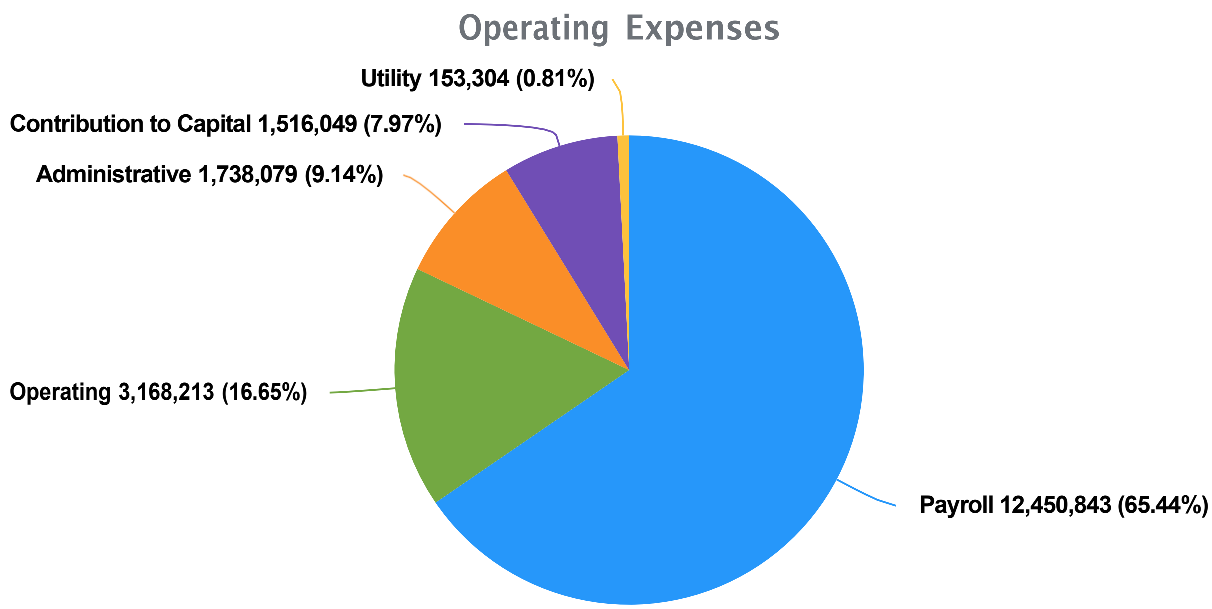
Operating Expenses

The 2026-27 Operating expenses, 16.7 % of total budget, are forecast to be 21.1% more than the latest estimate for 2025-26

- New fiscal year includes $75,000 allocated for Mosquito Mate sterile male mosquitoes in control products
- Contingency Expense is $275,000, this includes aerial applications for mosquito virus response and the amount is less than 10 % of the Operating Expenses minus the Research Budget. This expense is built into the budget in case there is a need to buy more equipment, chemicals, or aerial services.

Contribution to Capital Reserves

The 2026-27 Contirbutions to Capital Reserves, 8% of total budget, are forecast to be 59.5% less than prior year. The reason is the large contribution in prior year was to fund capital improvements planned to the District headquarters and that amount is not needed for the new fiscal year.



Capital Budget

FUND 12 Thermal Facility Remediation Capital Fund Reserve

This fund reserve is set up to fund ongoing maintenance and capital improvements at the District's old Thermal headquarters. Remediation work was originally performed in 2008 to pave the grounds that were polluted with DDT. The fund reserve includes rental revenue of $15,000 and a fund transfer from the General Fund of $79,798. No expenditures are budgeted for this fiscal year, however a request for proposal will be issued during the fiscal year for environmental firm to evaluate the site for contamination removal and clean up.

Thermal Facility Remediation Fund Reserve Forecast	Beginning Balance July 1, 2026	Budgeted Revenue	Contribution from / (to) Operations and from Other Capital Funds	Budgeted Expenditure	Ending Balance June 30, 2027
Assigned Reserves: *Thermal Facility Remediation Fund*	**405,273**	16,400	79,798 (1)		**501,471**
Total	**405,273**	16,400	79,798		**501,471**
(1) *Transfer to/from Operating Budget*					

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FUND 13 Capital Equipment Replacement Fund Reserve

This fund reserve is set up to fund new and/or replacement IT, Operations, Laboratory equipment. Budget expenses total $269,600. This is funded from an annual transfer of $195,298 based on a funding schedule. Capital expenditure includes Mobile Emergency Communications equipment, Operational Management program, agenda and meeting management software and electronic content management system.

Capital Equipment Replacement Fund Forecast	Beginning Balance July 1, 2026	Budgeted Revenue	Contribution from / (to) Operations and from Other Capital Funds	Budgeted Expenditure	Ending Balance June 30, 2027
Assigned Reserves: *Equipment*	**583,697**	18,924	195,298 (1)	(269,600)	**528,319**
Total	**583,697**	18,924	195,298	(269,600)	**528,319**
(1) *Transfer to/from Operating Budget*					

FUND 14 Capital Facility Replacement Fund Reserve

This fund reserve is set up to fund maintenance, repair and replacement of District facilities and vehicles. The FY2026-27 Capital Budget includes capital expenses for the second year of Boardroom & Administration office enhancements, Security Improvements, Operations Building Enhancements and Centrica Energy Efficiency Project which includes LED lighting, replacement and expansion of solar array, and upgrade and expansion of building control systems. The capital budget also includes funds for 1 electric vehicle and funds for the Centenary.

Capital Facility Replacement Fund Forecast	Beginning Balance July 1, 2026	Budgeted Revenue	Contribution from / (to) Operations and from Other Capital Funds	Budgeted Expenditure	Ending Balance June 30, 2027
Assigned Reserves: *Facility & Vehicle Replacement*	**5,476,026**	34,718	740,953 (1)	(4,139,361)	**2,112,336**
Total	**5,476,026**	34,718	740,953	(4,139,361)	**2,112,336**
(1) *Transfer to/from Operating Budget*					

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FUND 15 Capital Project Sterile Mosquito Insectary Fund Reserve

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This fund reserve is set up to fund new Sterile mosquito insectary building. The FY26-27 budget includes $0.5million fund transfer from General Operating Budget and $200,000 budgeted for design services.

Capital Project SIT Insectary Construction Fund Capital Reserves Forecast	Beginning Balance July 1, 2026	Budgeted Revenue	Contribution from / (to) Operations and from Other Capital Funds	Budgeted Expenditure	Ending Balance June 30, 2027
Assigned Reserves: *Capital Project Sterile Mosquito Insectary Construction*	**2,732,704**	20,000	500,000 (1)	200,000	**3,052,704**
Total	2,732,704	20,000	500,000	200,000	**3,052,704**
(1) *Transfer to/from Operating Budget*					

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STRATEGIC FRAMEWORK

GUIDING OUR FUTURE. PROTECTING PUBLIC HEALTH.

Our Strategic Framework connects our mission and values with achievable goals, measurable objectives, and action-oriented strategies that guide the District through challenges and opportunities in a changing environment.

PROTECT PUBLIC HEALTH · BE ENVIRONMENTALLY RESPONSIBLE · SERVE OUR COMMUNITY · OPERATE WITH EXCELLENCE

OUR FOUNDATION

VISION

We envision our communities free of mosquito and vector-borne disease.

MISSION

We protect public health with our communities through proven scientific, educational, and sustainable vector control programs.

OUR VALUES

INTEGRITY & TRUST
We uphold the highest levels of responsibility, transparency, and accountability, and we perform to high standards.

COLLABORATION
We work as a team and with individuals, communities, and institutions to further our mission.

DEDICATION & SERVICE
We commit to delivering quality service and results for all of our community members.

RESPECT
We appreciate and honor our team members' and our partner institutions' professionalism.

FINANCIAL SUSTAINABILITY
We provide stability through the responsible use of public resources.

INNOVATION
We develop environmentally sound best practices in programs and services through applied research.

COMMITTED TO SUSTAINABILITY
We consider the impact of all key decisions on the environment and our community. Sustainability is integrated into our programs, operations, and long-term planning.

OUR STRATEGIC GOALS

These six goals guide our work over the next three years.

1. **PROGRAMS**
Effective, environmentally sound programs.

2. **HUMAN RESOURCES AND DISTRICT CULTURE**
A strong culture drives the Board of Trustees and Staff to unite as a team and continually grow in both skill and purpose.

3. **PUBLIC ENGAGEMENT**
Engaged community members help improve vector control.

4. **FACILITIES, EQUIPMENT AND TECHNOLOGY**
Reliable, cost-effective facilities, equipment and technology that meet evolving needs.

5. **APPLIED RESEARCH**
Leads to ongoing improvements in the District's performance.

6. **FINANCES**
Sustained and transparent finances that meet District needs.

OBJECTIVES

Each goal is supported by measurable objectives that define the "what" we will achieve.

OBJENCIES INCLUDE:

- ✓ Innovation and efficiency in program delivery
- ✓ Workforce development and wellness
- ✓ Behavior change, education, and partnerships
- ✓ Resilient infrastructure and technology
- ✓ Applied research that drives results
- ✓ Financial sustainability and transparency

See pages following this framework for detailed objectives for each goal.

FROM STRATEGY TO RESULTS

VISION – Our north star – where we are headed. → **MISSION** – Our purpose – why we exist. → **STRATEGIC GOALS** – What we will achieve. → **OBJECTIVES & STRATEGIES** – How we will achieve it. → **BUDGET & RESOURCES** – Investing resources to implement our plan. → **OUTCOMES** – Healthier communities and measurable impact.

Continuous Monitoring, Learning & Improvement

MONITORING & OVERSIGHT

COMMUNICATE & LEAD

- General Manager meets with all employees to review the SBP.
- Management Team implements work plan and reports progress annually.
- Mission, vision, and values are visible and integrated in all materials and training.
- Strategic planning software ensures transparency and tracks progress.

EVALUATE

- Performance of the General Manager and Management Team is evaluated based on implementation of work plan projects.
- Regular review of goals and objectives ensures we stay on track.

RESOURCE ALLOCATION & OVERSIGHT

- SBP referenced in Board agendas and policy decisions.
- Annual budget tied to goals, objectives, and work plans.
- Regular progress reports inform Board oversight.
- Board and Committees consider SBP in deliberations.
- Annual review and updates to the SBP and work plan.

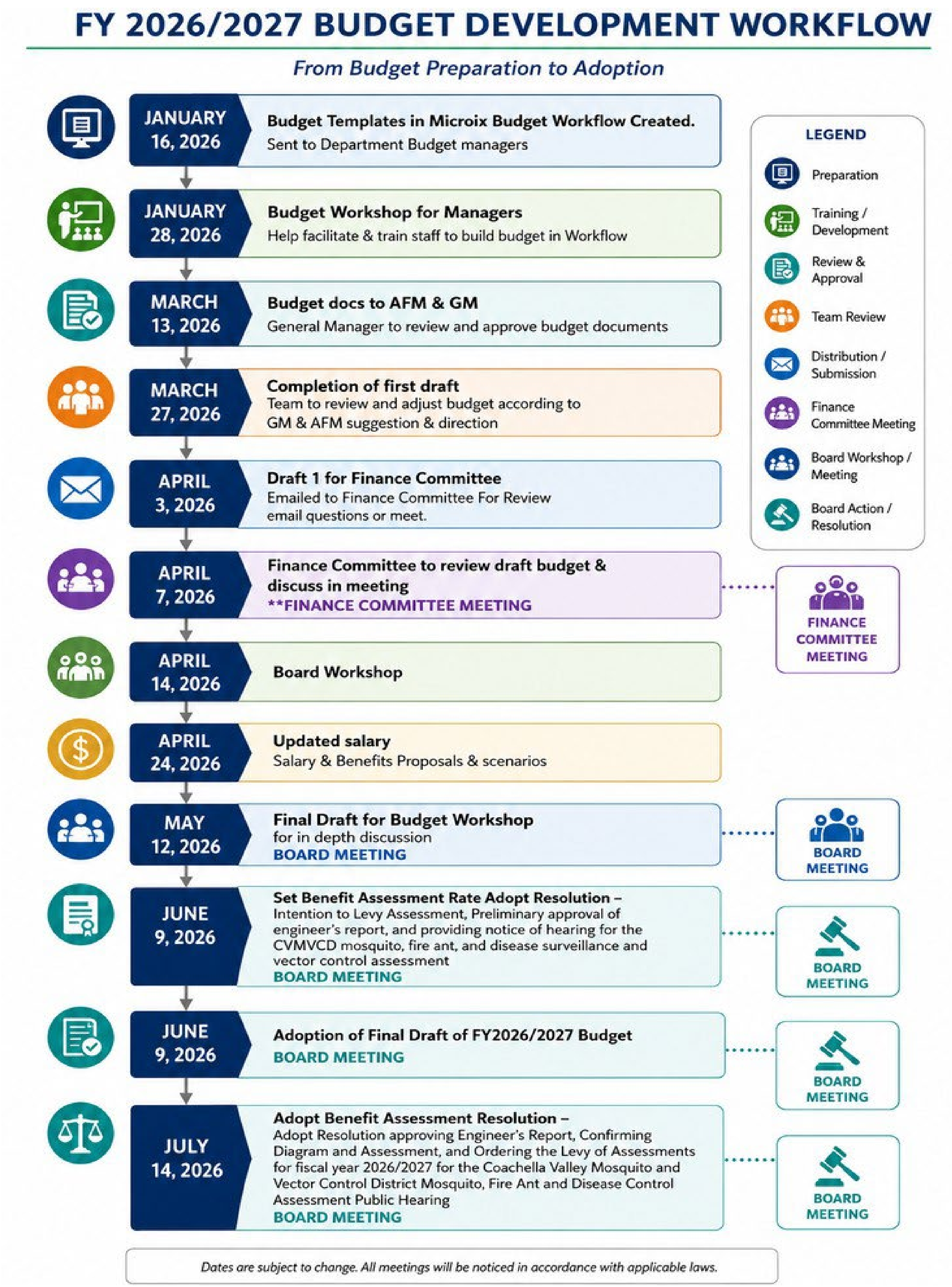
ENVIRONMENTAL SUSTAINABILITY

- Sustainability is embedded throughout our goals and operations.
- We monitor progress on environmental objectives throughout the year and during annual reviews.

UPDATE THE PLAN

- A formal and comprehensive update of the SBP will occur every three years, or as directed by the Board.

Science. Service. Stewardship. *Working together for a healthier Coachella Valley.*


FY 2026/2027 BUDGET DEVELOPMENT WORKFLOW
From Budget Preparation to Adoption
JANUARY 16, 2026
Budget Templates in Microix Budget Workflow Created.
Sent to Department Budget managers
JANUARY 28, 2026
Budget Workshop for Managers
Help facilitate & train staff to build budget in Workflow
MARCH 13, 2026
Budget docs to AFM & GM
General Manager to review and approve budget documents
MARCH 27, 2026
Completion of first draft
Team to review and adjust budget according to GM & AFM suggestion & direction
APRIL 3, 2026
Draft 1 for Finance Committee
Emailed to Finance Committee For Review email questions or meet.
APRIL 7, 2026
Finance Committee to review draft budget & discuss in meeting
**FINANCE COMMITTEE MEETING
FINANCE COMMITTEE MEETING
APRIL 14, 2026
Board Workshop
APRIL 24, 2026
Updated salary
Salary & Benefits Proposals & scenarios
MAY 12, 2026
Final Draft for Budget Workshop
for in depth discussion
BOARD MEETING
BOARD MEETING
JUNE 9, 2026
Set Benefit Assessment Rate Adopt Resolution –
Intention to Levy Assessment, Preliminary approval of engineer's report, and providing notice of hearing for the CVMVCD mosquito, fire ant, and disease surveillance and vector control assessment
BOARD MEETING
BOARD MEETING
JUNE 9, 2026
Adoption of Final Draft of FY2026/2027 Budget
BOARD MEETING
BOARD MEETING
JULY 14, 2026
Adopt Benefit Assessment Resolution –
Adopt Resolution approving Engineer's Report, Confirming Diagram and Assessment, and Ordering the Levy of Assessments for fiscal year 2026/2027 for the Coachella Valley Mosquito and Vector Control District Mosquito, Fire Ant and Disease Control Assessment Public Hearing
BOARD MEETING
BOARD MEETING
LEGEND
Preparation
Training / Development
Review & Approval
Team Review
Distribution / Submission
Finance Committee Meeting
Board Workshop / Meeting
Board Action / Resolution
Dates are subject to change. All meetings will be noticed in accordance with applicable laws.

FY 2026–2027 PRIORITIES & KEY ISSUES

Protecting Public Health. Enhancing Operations. Building a Resilient Future.

PROTECT PUBLIC HEALTH | BE ENVIRONMENTALLY RESPONSIBLE | SERVE OUR COMMUNITY | OPERATE WITH EXCELLENCE

OPERATIONAL PRIORITIES

VECTOR SURVEILLANCE AND CONTROL

- Strengthen Aedes mosquito surveillance and control, including continued implementation of the Sterile Insect Technique (SIT) program.
- Expand the Red Imported Fire Ant (RIFA) program through strategic partnerships.
- Enhance emergency preparedness through drone mutual aid agreements and operational collaborations.
- Explore partnerships with higher education institutions to support research, surveillance innovation, and workforce development.
- Maintain high-quality, science-based public health services aligned with emerging vector threats.

COMMUNITY OUTREACH AND PUBLIC EDUCATION

- Expand K–12 educational programming across school districts.
- Increase effectiveness of social media, community events, and public messaging to improve awareness, community action, and service utilization.
- Strengthen outreach evaluation to ensure messaging drives clear calls to action and measurable engagement.

KEY ISSUES AFFECTING THE DISTRICT

- Increase in threat, detection and expansion of vectors and vector-borne diseases.
- Regulatory and legislative pressures, including CARB mandates and SB 707, with potential operational and cost impacts.
- Fiscal uncertainty, particularly potential changes to property tax structures affecting long-term revenue stability.
- Cybersecurity risks due to increasing reliance on digital systems and sensitive data.
- Energy reliability concerns in the Coachella Valley could disrupt facilities and services.
- Growing service demand and public expectations, coupled with gaps in public awareness of available services.
- Governance alignment, ensuring clear roles and collaborative decision-making between the Board and staff.
- Long-term facility and land use decisions with significant financial and operational implications.
- Unpredictability of weather patterns and the impact to vector populations, disease transmission, and strains to the Integrated Vector Management program.
- Continued demise of the Salton Sea and implications to public health issues in the Coachella valley.

SUPPORT DEPARTMENT PRIORITIES

INFORMATION TECHNOLOGY (IT)

- Advance technology modernization and data integration aligned with the IT Master Plan.
- Strengthen cybersecurity planning and system protection.
- Begin integrating artificial intelligence tools to improve efficiency, reporting, and predictive analysis.

HUMAN RESOURCES (HR) AND GOVERNANCE SUPPORT

- Establish a structured onboarding and training program for trustees.
- Provide ongoing Board and staff education on vector control, regulations, emerging technologies, and governance best practices.
- Expand opportunities for meaningful Board–staff engagement and alignment.

FINANCE

- Monitor revenues and expenditures closely amid fiscal uncertainty.
- Support long-term financial resilience through scenario planning and strategic forecasting.
- Evaluate sponsorships and partnership opportunities to support centennial celebration.

FACILITIES, FLEET, AND CAPITAL PLANNING

- Strengthen capital project tracking and reporting for transparency and accountability.
- Advance campus and facility planning, potentially including evaluation of satellite facility needs.
- Address long-term land use considerations tied to operational efficiency and service coverage.
- Create a roadmap for District owned properties and determine the need of continued ownership.
- Monitor energy reliability risks and infrastructure dependencies affecting operations.

PERFORMANCE MEASUREMENT AND PROGRAM EFFECTIVENESS

- Implement defined service goals and performance metrics across programs.
- Use performance data to guide resource allocation and continuous improvement.

HIGH-LEVEL SUMMARY: DISTRICT PRIORITIES

- Strengthen vector surveillance and control capabilities to protect public health.
- Modernize technology and data systems to improve efficiency and decision-making.
- Expand community outreach and education to increase awareness and service utilization.
- Improve performance measurement and accountability across programs.
- Invest in Board, workforce, and organizational development.
- Advance facility and infrastructure planning to support long-term service delivery.
- Build strategic partnerships to enhance resources, coordination, and resilience.

HIGH-LEVEL SUMMARY: DISTRICT ISSUES

- Navigating regulatory and legislative mandates.
- Managing financial uncertainty and revenue risks.
- Addressing cybersecurity and energy reliability threats.
- Balancing growing service demand with public awareness and expectations.
- Maintaining effective governance alignment.
- Evaluating long-term facility and land-use strategies.

Our mission is to protect public health through science-based, environmentally responsible vector control programs.

Science-Based.
Community-Focused.
Environmentally Responsible.

Personnel Changes

Administration – *Position Added – 1 FTE*

<u>Assistant General Manager</u>

To support the District's continued organizational growth, operational complexity, and long-term strategic initiatives, the District is proposing the addition of **one (1) Assistant General Manager position** within the Administration Department.

The Assistant General Manager will provide executive-level leadership and operational oversight to support the District's mission of protecting public health through scientifically driven vector control programs. This position will assist in planning, organizing, directing, and evaluating District-wide operations, programs, and administrative functions while providing highly responsible and complex support to the General Manager.

Key responsibilities of the position include:

- Assisting with strategic planning and organizational leadership
- Providing oversight and coordination of departmental operations and management staff
- Managing sensitive, confidential, and high-level administrative assignments
- Supporting policy implementation and operational initiatives
- Coordinating activities with public agencies, regulatory organizations, stakeholders, and community partners
- Promoting collaboration across District departments and external agencies
- Serving as acting General Manager during periods of absence
- Supporting organizational continuity, succession planning, and executive leadership development

The addition of this position strengthens the District's administrative capacity and organizational resiliency while enhancing executive oversight, operational coordination, and strategic implementation across all service areas.

Strategic Benefits

The proposed Assistant General Manager position supports several key organizational objectives, including:

Strategic Objective	Organizational Benefit
Leadership Continuity	Strengthens succession planning and executive operational support
Organizational Capacity	Enhances oversight of expanding District programs and services
Operational Efficiency	Improves interdepartmental coordination and project implementation
Strategic Plan Execution	Increases administrative support for long-term initiatives

Strategic Objective	**Organizational Benefit**
Risk Management	Enhances organizational responsiveness during emergencies and operational disruptions

This position reflects the District's commitment to proactive leadership, operational excellence, and sustainable organizational growth in support of public health protection throughout the Coachella Valley.

	Adopted FY2025-26			Proposed FY2026-27		
Department	Full Time FTEs	Part Time FTEs		Full Time FTEs	Part Time FTEs	
Administration	2.0	0.0		3.0	0.0	
Finance	4.0	0.0		4.0	0.0	
Human Resources	4.0	0.0		4.0	0.0	
Information Systems	3.0	0.0		3.0	0.0	
Public Outreach	6.0	0.0		6.0	0.0	
Fleet Maintenance	2.0	0.0		2.0	0.0	
Buildings & Grounds Maintenance	2.0	0.0		2.0	0.0	
Surveillance & Quality Control	13.0	0.4		13.0	0.4	
Unmanned Aerial Applications	3.0	0.0		3.0	0.0	
Control Operations	34.0	1.4		34.0	1.4	
Total	73.0	1.8	74.8	74.0	1.8	75.8

Long-Range Operating Plan

Fiscal Years 2026-27 through 2030-31

EXECUTIVE SUMMARY

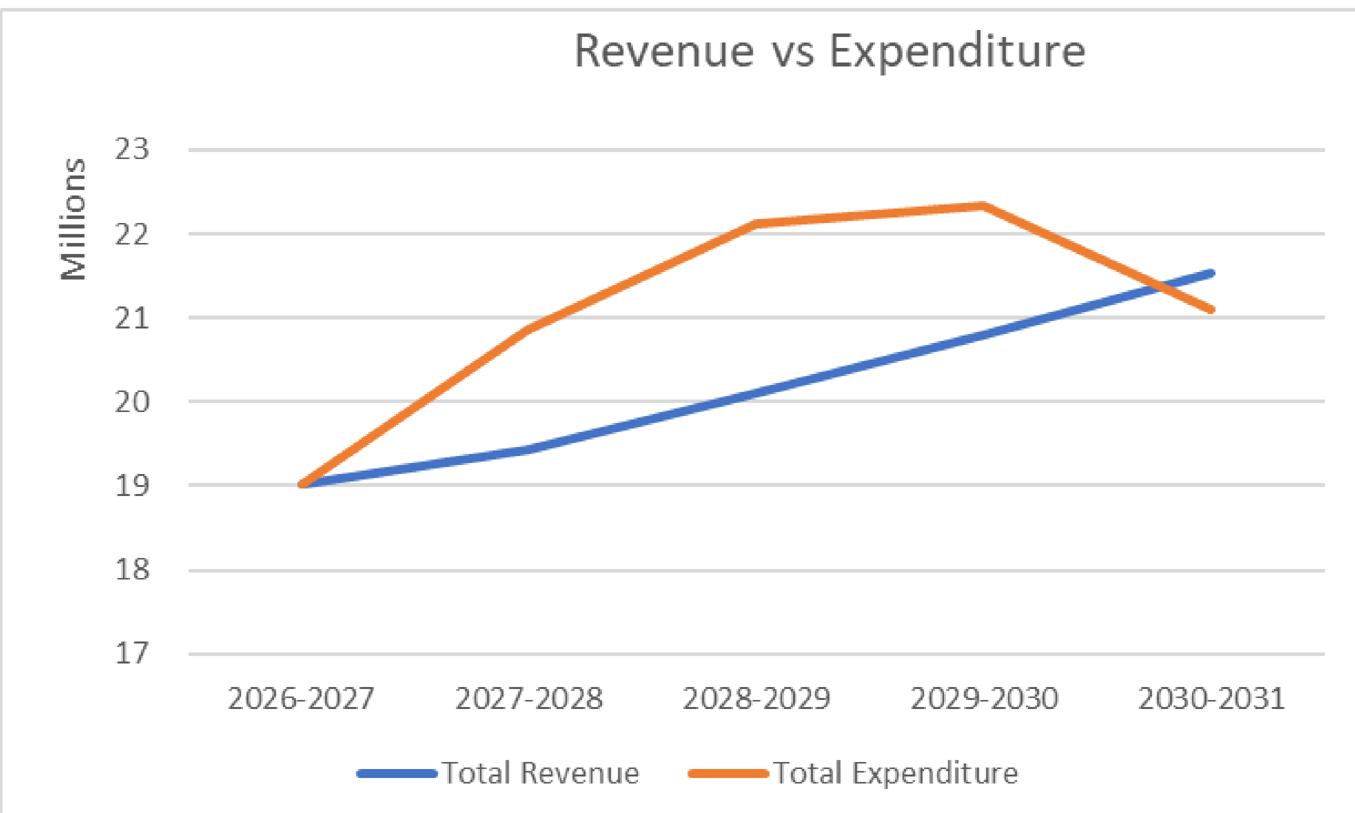
Purpose: Ensure long-term fiscal sustainability while maintaining high-quality vector control services.

Key Takeaways:

- ✓ Structurally balanced in near term
- ✓ Strong reserve position within policy targets
- ⚠ Long-term cost pressures (pensions, retiree healthcare)
- ⚠ Capital and facility needs increasing due to population growth, new planned communities and climate conditions

Financial Outlook

Revenue vs Expenditure Trend



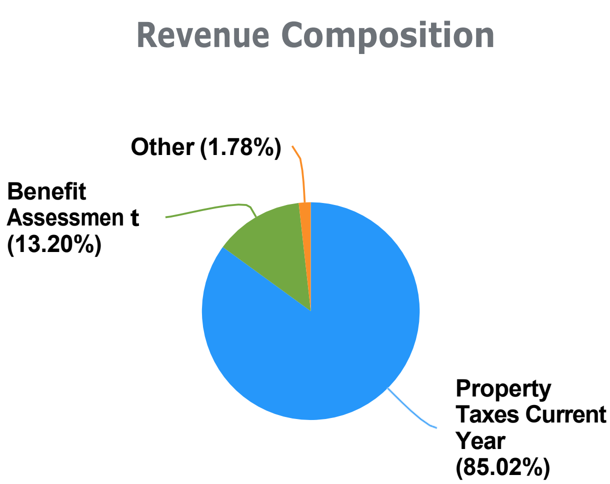
Revenues are projected to grow steadily; however, expenditure growth is expected to outpace revenue FY2027-28 through to FY2029-30 due to transfers from the General Fund to the Capital Projects fund for construction of the new proposed insectary building.

Structural Balance Summary

The budget balance shows a deficit, where expenditure is greater than revenue during FY2027-28 through to FY2029-30, then balances in FY2030-31

Fiscal Year	Revenues	Expenditures	Surplus/(Deficit)	Status
FY 26–27	Balanced	Balanced	—	✓
FY 27–28	↑	↑↑	Gap Emerging	⚠
FY 28–29	↑	↑↑	Deficit Risk	⚠
FY 29–30	↑	↑↑	Deficit Risk	⚠
FY 30–31	Balanced	Balanced	—	✓

REVENUE PROFILE

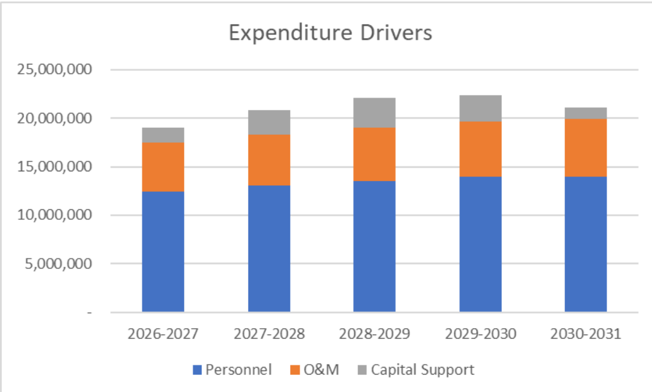


The District benefits from a stable, property tax-based revenue structure

Property tax provides stability, the Coachella Valley is growing, new communities are planned in all 9 cities which generates more income from property taxes.

The District's benefit assessment rate is set at $14.39 per single equivalent, the maximum allowable rate for FY2026-27 is $27.94, raising it to the maximum could increase revenue by $2.3m.

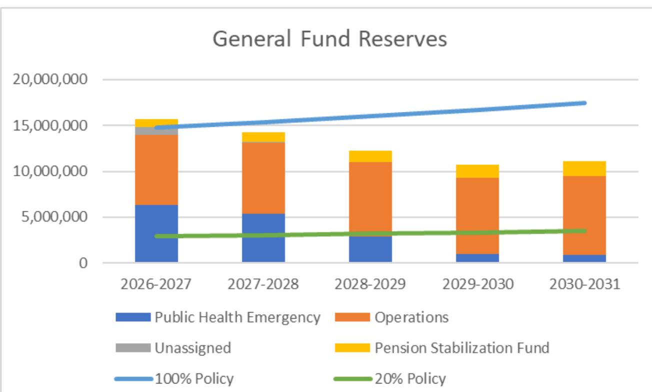
EXPENDITURE DRIVERS



Personnel related costs are the primary driver of long-term expenditure growth. Factors include cost of living increases, step increases, and increased pension and healthcare costs. These costs assume that there are no increases in full time equivalents (FTE) during this period.

Short term, capital support is a major driver of expenditure in FY2027-28 to 2029-30 because of the planned construction of the new insectary laboratory.

RESERVE POSITION



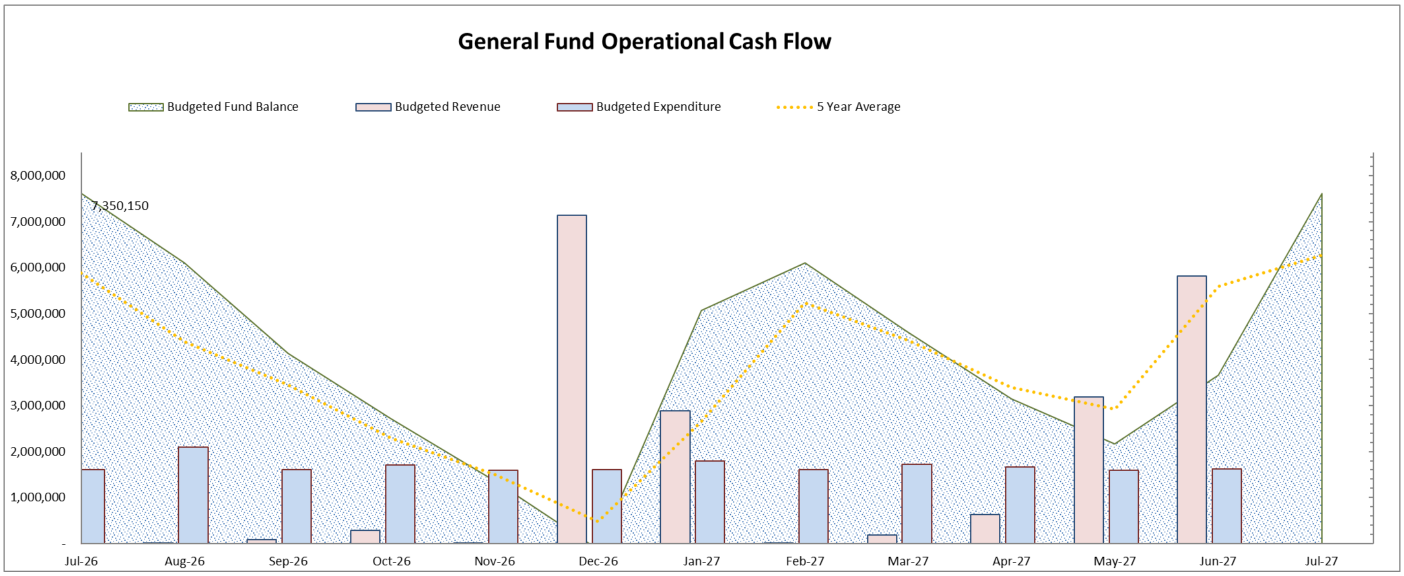
The General Fund reserves includes:

- **Operating Reserve:** District maintains a minimum liquid working capital Reserve for Operations equal to 40% of operating revenues.
- **Emergency Services - Arbovirus Epidemic Response** are liquid funds set aside for Public Health Emergencies as defined in the CVMVCD Risk Assessment Plan. The Board policy is to maintain a minimum balance of 33% of the District's operating revenue.

The bar chart forecasts the reserves to be below 100% funded level from FY2027-28 onward. It is planned to revise the emergency funding level to around $2.5 million which will act as cash flow to start emergency operations in case of arbovirus epidemic. The excess funds will moved to the capital funds to pay for the future insectary laboratory.

Short-term and long-term issues impacting the budget

Working Capital: The District maintains a minimum working capital reserve for Operations equal to $7,610,595. These funds are set aside because the District receives most of its funding from property taxes and the benefit assessment collected by the County of Riverside. These funds do not reach the District until January, six months into the fiscal year. Graph below shows the estimated impact on monthly cash flow based on the budgeted revenue and expenses for FY 2026-27



Historically, the point at which the revenue versus expense deficit is at its greatest is the end of November. Based on budget estimates for FY 2026-27, November year-to-date expenses will exceed year-to-date November revenue by almost $7 million. Holding $7.6 million set aside as working capital will fund this deficit. The deficit will then be reduced following the first installment of property tax receipts in December.

Invasive Species: The yellow fever mosquito, *Aedes aegypti*, continues to gain a larger footprint across the state of California. The breeding habits of this mosquito make it a challenge for mosquito control agencies to control. Because of this mosquito, the District has increased its service by hiring additional staff to assist with invasive *Aedes aegypti* control and education to communities. Changing the behaviors of Valley residents and empowering residents through education to reduce mosquito breeding sites on their property and in their neighborhood is a long-term solution to ridding this mosquito from our communities. Other strategies such as sterile mosquito technique are currently being evaluated as potential long-term control measures over the next 5 years.

Emergency Reserve for Public Health Emergency: Viruses that our Valley mosquitoes do and can possibly transmit requires that the District set aside a reserve of funds to quickly respond to an outbreak of mosquito-borne disease. Science-based strategies to stop an outbreak typically require wide-area control measures. These types of wide-scale operations, primarily conducted by air, can quickly deplete millions of dollars in reserves in a matter of weeks to control adult mosquitoes and interrupt disease transmission to humans. Beginning balance July 1, 2026, is estimated to be $6,342,163.

Facility and Operations Equipment: For funding of ongoing facility maintenance, operations equipment, and vehicle replacement, the District uses a third-party firm to conduct a reserve study analysis and annual update. Currently, the funding level for the facility and vehicle equipment replacement is around 70% funded, which is a very solid financial position for these capital funds. Beginning balance July 1, 2026, it is estimated to be $6,059,723. Ending balance June 30, 2027, is estimated to be $2,640,655.

Capital Project SIT Insectary Construction Fund: For funding of capital project insectary. For FY 2026-27 fund transfer from Operating Budget of $500,000. Beginning balance July 1, 2026, is estimated to be $2,732,704 Ending balance June 30, 2027, is estimated to be $3,052,704.

CalPERS Pension and Other Post-Employment Benefit (OPEB) Liabilities: Based on the District's projected pension actuarial, the unfunded accrued liability (UAL) is about $2.9 million, to control the continual escalating pension costs to the District's CalPERS plan, the District made a one-time discretionary payment of $500,000 towards the unfunded liability and shortening the amortization of the remaining UAL to 5 years, saving taxpayers $1.8 million in interest. In addition, the District is pre-funding $200,000 annually in CalPERS irrevocable trust pension stabilization fund.

The District provides healthcare through CalPERS PEHMCA offering retiree medical coverage pursuant to government code 22893. According to the latest actuarial valuation, the value of the accumulated liability for the fiscal year ending June 30, 2025, is $5,488,175 (total OPEB liability). The District sets aside funds to cover retiree health liabilities in the California Employers Retiree Benefit Trust (CERBT) Fund, a qualifying trust, the Fiduciary Net Position is $5,839,426 (June 30, 2025) leaving a Net OPEB Liability of ($351,251) with a funding ratio of 106 %.