

**Meeting Net Revenue Requirements:** For FY 2026/27 through FY 2030/31, the projected net revenue requirement (that is, total annual expenses plus debt service and rate-funded capital costs, less non-rate revenues) for the water system averages \$145 thousand to \$313 thousand annually. If no rate adjustments are implemented, the County is projected to run an annual deficit of approximately \$117 thousand in FY 2028/29, increasing to more than \$138 thousand by FY 2030/31, and will be unable to meet forecasted debt service coverage requirements in FY 2028/29 and following years when those debt service payments begin.

**Maintaining Reserve Funds:** Reserve funds provide a basis for a utility to cope with fiscal emergencies, such as revenue shortfalls, asset failure, and natural disasters, among other events. Reserve policies provide guidelines for sound financial management, with an overall long-range perspective to maintain financial solvency and mitigate financial risks associated with revenue instability, volatile capital costs, and unexpected emergencies.

- The County’s existing reserves are significantly below targets currently. If the County pursues debt to fund the projected capital improvement costs, reserve funds will be depleted by the end of the rate period. NBS together with County staff have chosen to set the following reserve targets:
  - **Operating Reserve** equal to 90 days of operating and maintenance expenses, or approximately \$79 thousand in FY 2026/27. An operating reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures, such as those caused by weather patterns, the natural inflow and outflow of cash during billing cycles, natural variability in demand-based revenue streams (e.g., volumetric charges), and – particularly in periods of economic distress – changes or trends in the age of receivables. NBS considers a 90 day operating reserve to be a standard reserve fund target (i.e., most municipal water utilities use a 3- month target for the operating reserve).
  - **Capital Rehabilitation & Replacement Reserve** equal to 90 days of operating and maintenance expenses, or approximately \$79 thousand in FY 2026/27. This reserve is intended to be a cash resource set aside to address long-term capital system replacement and rehabilitation needs. NBS considers this capital reserve target to be at the lower end of what most utilities aim for. Many utilities aim for 3% to 6% of net assets.

**Funding Capital Improvement Projects:** The County must fund necessary capital improvements to maintain current service levels. County staff has identified roughly \$2.88 million in expected capital expenditures over the next five years (FY 2026/27 through FY 2030/31) which is an average of \$575 thousand in capital expenditures annually. This rate study assumes the County will be obtaining approximately \$3.5 million in State Revolving Fund loans in FY 2026/27 and 2029/30, however the timing and amount of the loans may need to be adjusted as the current model indicates that the revenue is not sufficient to support the debt as modeled.

**Inflation and Growth Projections:** Cost inflation and growth assumptions are necessary to project future revenues and expenses for the study period. Customer growth is expected to be flat. This factor was used in the analysis for rate revenues while inflation factors, including the Consumer Price Index, were used in projecting expenses.

**Maintaining Adequate Bond Coverage:** Although the water utility currently has no outstanding debt, this analysis assumes that the County will incur approximately \$3.5 million in new loans to fund capital projects. However, whether new debt will be needed will depend on the actual delivery of capital projects (i.e., the timing and costs). The rate covenants of the new loans are likely to include a minimum debt service coverage ratio of 1.20, which is not supported by the anticipated rate revenue as modeled. The benefit of maintaining a higher coverage ratio is that it strengthens the County’s credit rating which can help lower interest rates for debt-funded capital projects and, in turn, reduce annual debt service payments.

**Figure 2** summarizes the sources and uses of funds, net revenue requirements, and the annual percent adjustments in total rate revenue recommended for the next five years.

**Figure 2. Summary of Water Revenue Requirements**

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget		5-Year Projected Rate Period			
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Sources of Water Funds</b>						
Rate Revenue	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000
Non-Rate Revenue	171,130	171,130	171,130	171,130	171,130	171,130
<b>Total Sources of Funds:</b>	<b>\$ 346,130</b>	<b>\$ 346,130</b>	<b>\$ 346,130</b>	<b>\$ 346,130</b>	<b>\$ 346,130</b>	<b>\$ 346,130</b>
<b>Uses of Water Funds</b>						
Operating Expenses	\$ 306,787	\$ 315,490	\$ 324,624	\$ 334,215	\$ 344,293	\$ 354,887
Debt Service	-	-	-	129,002	129,002	129,002
Rate-Funded Capital Expenses	-	-	-	-	-	0
<b>Total Use of Funds:</b>	<b>\$ 306,787</b>	<b>\$ 315,490</b>	<b>\$ 324,624</b>	<b>\$ 463,217</b>	<b>\$ 473,295</b>	<b>\$ 483,890</b>
<b>Surplus (Deficiency) before Rate Increase</b>	<b>\$ 39,343</b>	<b>\$ 30,640</b>	<b>\$ 21,506</b>	<b>\$ (117,087)</b>	<b>\$ (127,165)</b>	<b>\$ (137,760)</b>
Additional Revenue from Rate Increases <sup>1</sup>	-	31,850	39,090	46,583	54,338	62,365
<b>Surplus (Deficiency) after Rate Increase</b>	<b>\$ 39,343</b>	<b>\$ 62,490</b>	<b>\$ 60,596</b>	<b>\$ (70,504)</b>	<b>\$ (72,827)</b>	<b>\$ (75,394)</b>
<b>Projected Annual Rate Increase</b>	<b>0.00%</b>	<b>18.20%</b>	<b>3.50%</b>	<b>3.50%</b>	<b>3.50%</b>	<b>3.50%</b>
<b>Net Revenue Requirement<sup>2</sup></b>	<b>\$ 135,657</b>	<b>\$ 144,360</b>	<b>\$ 153,494</b>	<b>\$ 292,087</b>	<b>\$ 302,165</b>	<b>\$ 312,760</b>

1. Assumes new rates are implemented January 1, 2026.

2. This is the annual amount needed from water rates. [Net Revenue Requirement = Total Use of Funds - (Non-Rate Revenues + Interest Earnings)].

**Figure 3** summarizes the projected reserve fund balances and reserve targets for the County’s unrestricted funds. A detailed version of the proposed 5-year financial plan is included in the Appendix. The tables in the Appendix include the revenue requirement, reserve funds, revenue sources, capital improvement costs, and the proposed rate adjustments needed to meet the County’s funding requirements.

**Figure 3. Summary of Primary Water Reserve Funds**

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budget		5-Year Projected Rate Period			
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Operating Reserve</b>						
Ending Balance	\$ 41,955	\$ 79,000	\$ 81,000	\$ 11,306	\$ (61,408)	\$ (136,802)
<i>Recommended Minimum Target</i>	<i>77,000</i>	<i>79,000</i>	<i>81,000</i>	<i>84,000</i>	<i>86,000</i>	<i>89,000</i>
<b>Capital Reserve</b>						
Ending Balance	\$ 1,241	\$ 27,118	\$ 86,776	\$ 87,643	\$ 88,520	\$ 89,405
<i>Recommended Minimum Target</i>	<i>77,000</i>	<i>79,000</i>	<i>81,000</i>	<i>84,000</i>	<i>86,000</i>	<i>89,000</i>
<b>Total Ending Balance</b>	<b>\$ 43,196</b>	<b>\$ 106,118</b>	<b>\$ 167,776</b>	<b>\$ 98,949</b>	<b>\$ 27,112</b>	<b>\$ (47,397)</b>
<i>Total Recommended Minimum Target</i>	<i>\$ 154,000</i>	<i>\$ 158,000</i>	<i>\$ 162,000</i>	<i>\$ 168,000</i>	<i>\$ 172,000</i>	<i>\$ 178,000</i>

### 2.3 Cost-of-Service Analysis

Once the net revenue requirements are determined, the cost-of-service analysis (COSA) proportionately distributes the revenue requirements to each of the customer classes. The COSA consists of two major components: (1) the classification of expenses, and (2) the allocation of costs to each customer class. Costs

are classified according to the function they serve. All costs in the County's budget are allocated to each component of the rate structure in proportion to the level of service required by customers.

The level of service is related to the volume and strength of the water treated, infrastructure capacity, and customer service. These costs are based on allocation factors, such as water consumption, number of meters, and customer class. Ultimately, a COSA is intended to result in rates that are proportional to the cost of providing service to each customer class.

## FUNCTIONALIZATION AND CLASSIFICATION OF COSTS

Most costs are not typically allocated just to fixed or variable categories but rather allocated to multiple functions of water service. The functionalization and classification process provides the basis for allocating costs to various customer classes based on the cost causation (classification) components described below:

- **Commodity-related costs** are costs associated with the change in the volume of water produced and delivered. These commonly include the costs of water quality testing, energy related to pumping for transmission and distribution, and source of supply.
- **Capacity-related costs** are costs associated with sizing facilities to meet the maximum, or peak, demand. This includes both operating costs and capital infrastructure costs incurred to accommodate peak system capacity events.
- **Customer-related costs** are costs associated with having a customer connected to the water system, such as meter reading, postage, billing, and other administrative duties.

The County's budgeted costs were reviewed and allocated to these cost causation components which are used as the basis for establishing new water rates and translated into fixed and variable charges. Tables in the Appendix show how the County's expenses were classified and allocated to these cost causation components. In the analysis, these cost causation components are also considered to be either fixed or variable.

## FIXED AND VARIABLE COSTS

Ideally, utilities should recover all of their fixed costs from fixed charges and all of their variable costs from volumetric charges. When this is the case, fluctuations in water sales revenues would be directly offset by reductions or increases in variable expenses, which provides greater revenue stability for the utility. However, other factors are often considered when designing water rates, such as community values, water conservation goals, ease of understanding, and ease of administration.<sup>5</sup>

NBS functionalized the County's costs into categories that represent fixed and variable costs. This analysis resulted in a cost distribution that is approximately 50.5% fixed and 49.5% variable (i.e., volumetric), which is consistent with the County's current rate revenue collection from customers in proportions of approximately 50% fixed and 50% variable. County staff agrees with NBS that the current rate design is the preferred rate alternative; it provides continuity for the County's rate design while also encouraging water conservation. Therefore, the proposed new rates are based on these 50.5% fixed and 49.5% variable allocations.

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<sup>5</sup> *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, Manual M1, AWWA, 7<sup>th</sup> Edition, 2017, pp. 6 and 96.

**Figure 4** summarizes how costs are allocated to each cost component and used to establish new water rates. **Figure 5** shows the resulting cost allocation to each cost classification component.

**Figure 4. Allocation Percentages of Revenue Requirements**

Classification Components	Cost-of-Service Net Revenue Requirements (FY 2026/27)	
Commodity-Related Costs	\$ 102,393	49.5%
Capacity-Related Costs	91,882	44.4%
Customer-Related Costs	12,575	6.1%
<b>Net Revenue Requirement</b>	<b>\$ 206,850</b>	<b>100.0%</b>

**Figure 5. Allocated Net Revenue Requirements**

Customer Classes	Classification Components			Cost of Service Net Rev. Req'ts	% of COS Net Revenue Req'ts
	VARIABLE	FIXED			
	Commodity-Related Costs	Capacity-Related Costs	Customer-Related Costs		
All Customers	\$ 102,393	\$ 91,882	\$ 12,575	\$ 206,850	100.0%
<b>Total Net Revenue Requirement</b>	<b>\$ 102,393</b>	<b>\$ 91,882</b>	<b>\$ 12,575</b>	<b>\$ 206,850</b>	<b>100%</b>

## 2.4 Characteristics of Water Customers by Customer Class

Customer classes are typically determined by grouping customers with similar demand characteristics into categories that reflect the cost differentials to serve each type of customer. In this case customers are identified by meter size, as the land uses are fairly homogenous. The rates proposed in this report follow a similar structure where the fixed charges for the single customer class vary by meter size while all customers are charged a uniform volumetric rate.

The amount of consumption, the peaking factors, and the number of meters by size are used to allocate costs to customer classes and determine the appropriate rate structures for each. These components of the COSA are presented in the following figures.

Commodity-related costs are costs associated with the total annual consumption of water by customer class. **Figure 6** below summarizes the most recent consumption data by customer class and represents the expected percent of consumption over the 5-year rate period.

**Figure 6. Water Consumption by Customer Class**

Development of the Volumetric/Variable Allocation Factor <sup>1</sup>		
Customer Class	CY 2024 Consumption (HCF)	% of Total Volume
All Customers	15,495	100.0%
<b>Total</b>	<b>15,495</b>	<b>100.0%</b>

1. Consumption data is based on County billing data for CY 2024.

Both operating costs and capital infrastructure costs incurred to accommodate peak system capacity events are generally allocated to each meter size according to its contribution to peak capacity events. These peaking factors are used to allocate the capacity-related costs to each customer class and are described in more detail later in this study.

**Figure 7** shows the number of meters for each customer class. The percentage of total customers by customer class is then used to develop the customer allocation factors to allocate customer costs. Customer costs are those costs associated with having customers connected to the water system and include costs related to meter reading, postage, and billing.

**Figure 7. Number of Meters by Customer Class**

Development of the Customer Allocation Factor		
Customer Class	No. of Meters CY 2024	% of Total Meters
All Customers	164	100.0%
<b>Total</b>	<b>164</b>	<b>100.0%</b>

1. Number of meters is based on County billing data for CY 2024.

## 2.5 Rate Design Analysis

Evaluating the water rate structure includes reviewing rate-design objectives and policies, including continuity of rate design, revenue stability, equity among customers, and water conservation. NBS discussed the 50.5%/49.5% rate design with County staff over the course of this study as it is closest to the actual cost of service based on NBS’ analysis and consistent with the current rate design. Also, because of the difficulty meeting Prop 218 legal requirements of demonstrating the cost basis for tiered rates given the County’s water supply costs, the preferred rate structure proposes a uniform tier for all customers rather than the existing three tiers. The following section describes how the proposed water rates were determined.

### DEVELOPMENT OF PROPOSED RATES

#### *Fixed Service Charges*

The fixed meter charge recognizes that the water utility incurs fixed costs regardless of whether customers use water. Two components comprise the fixed meter charge: (1) the capacity component, and (2) the customer component. The capacity component recovers costs associated with sizing the water system to ensure there is sufficient capacity in the system to meet peak demand. A user class with higher-peaking ratio is allocated a proportionately higher share of the capacity-related costs compared to customer classes with lower peaking ratios. The customer component includes those costs related to reading and maintaining meters, customer billing and collection, and other customer service-related costs.

Fixed charges also vary based on meter sizes because larger meters have higher capacity requirements and reflect their potential to use more of the system’s capacity.<sup>6</sup> The potential capacity demands (peaking) is

<sup>6</sup> System capacity is the system’s ability to supply water to all delivery points at the time when demanded.

proportional to the maximum hydraulic flow through each meter size based on the hydraulic capacity ratios established by AWWA.<sup>7</sup> The AWWA capacity ratios used for this report are shown in **Figure 8**.

**Figure 8. Hydraulic Capacity Factors**

Meter Size	Standard Meters	
	Meter Capacity (GPM) <sup>1</sup>	Equivalency to 3/4 inch
	<i>Displacement Meters</i>	
3/4 inch	30	1.00
1 inch	50	1.67
1 1/2 inch	100	3.33
2 inch	160	5.33
	<i>Compound Class I Meters</i>	
3 inch	320	10.67
4 inch	500	16.67
6 inch	1,000	33.33
8 inch	1,600	53.33

1. Per AWWA, M1 Manual, Table B-1.

The actual number of meters by size is multiplied by the corresponding capacity ratios to calculate “equivalent” meters. The number of equivalent meters is used as a proxy for the potential demand that each customer can place on the water system. **Figure 9** summarizes the number of meters, the hydraulic capacity factors, and the number of equivalent meters (i.e., the number of meters multiplied by the hydraulic capacity factor) by customer class and meter size.

**Figure 9. Equivalent Meters**

Number of Meters by Class and Size <sup>1</sup>	FY 2026/27							
	5/8 - 3/4" meter	1" meter	1.5" meter	2" meter	3" meter	4" meter	6" meter	8" meter
All Customers	149	15	0	0	0	0	0	0
<b>Total Meters/Accounts</b>	<b>149</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<i>Hydraulic Capacity Factor<sup>2</sup></i>	<i>1.00</i>	<i>1.67</i>	<i>3.33</i>	<i>5.33</i>	<i>10.67</i>	<i>16.67</i>	<i>33.33</i>	<i>53.33</i>
<b>Total Equivalent Meters</b>	<b>149</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Using the costs allocated to each customer class from Figure 5, **Figure 10** shows the calculation of the fixed monthly service charges for all customer classes based on meter size. As previously mentioned, the customer service charge is calculated by dividing the customer service-related costs by the total number of meters, whereas the fixed capacity charge is calculated by dividing the capacity-related costs by the total number of equivalent meters for each meter size.

<sup>7</sup> *Principles of Water Rates, Fees and Charges*, Manual of Water Supply Practices, Manual M1, AWWA, 7<sup>th</sup> Edition, 2017, p. 386. *Water Meters – Selection, Installation, Testing and Maintenance*, Manual M6, AWWA, 5<sup>th</sup> Edition, 2012, pp. 63-65.

**Figure 10. Calculation of Fixed Service Charges for RY 2026/27**

Number of Meters by Class and Size <sup>1</sup>	FY 2026/27								Total
	5/8 - 3/4" meter	1" meter	1.5" meter	2" meter	3" meter	4" meter	6" meter	8" meter	
All Customers	149	15	0	0	0	0	0	0	164
<b>Total Meters/Accounts</b>	<b>149</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>164</b>
Hydraulic Capacity Factor <sup>2</sup>	1.00	1.67	3.33	5.33	10.67	16.67	33.33	53.33	
<b>Total Equivalent Meters</b>	<b>149</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>174</b>
<b>Monthly Fixed Service Charges</b>									
Customer Costs (\$/Acct/month) <sup>3</sup>	\$ 6.39	\$ 6.39	\$ 6.39	\$ 6.39	\$ 6.39	\$ 6.39	\$ 6.39	\$ 6.39	
Capacity Costs (\$/Acct/month) <sup>4</sup>	44.00	73.34	146.68	234.69	469.38	733.41	1,466.82	2,346.92	
<b>Total Monthly Meter Charge</b>	<b>\$ 50.39</b>	<b>\$ 79.73</b>	<b>\$ 153.07</b>	<b>\$ 241.08</b>	<b>\$ 475.77</b>	<b>\$ 739.80</b>	<b>\$ 1,473.21</b>	<b>\$ 2,353.31</b>	

1. Meter by Class and Size are based on December 2024 customer billing data.
2. Source: *Principles of Water Rates, Fees, and Charges*, Manual M1, AWWA, Table B-1.
3. Customer costs are all allocated to each customer by dividing the total customer costs by the total number of customers.
4. Capacity costs are allocated by meter size and the hydraulic capacity of the meter.

**Volumetric Rates**

Currently, the County uses a 3-tier rate structure for all customers; however, the proposed rates are based on a uniform, or single tier, volumetric rate. Given the single source of water supply, a uniform volumetric rate is more feasible from a Prop 218 perspective.

Figure 11 shows the calculation of the uniform tier rate per unit of water for all customers.

**Figure 11. Uniform Tier Rates for FY 2026/27**

Customer Classes	Water Consumption (HCF/yr)	Total Target Rev. Req't from Vol. Charges	% of Total Rate Revenue	Uniform Commodity Rates (\$/HCF)	Proposed Rate Structure
All Customers	15,495	\$ 102,393	49.5%	\$6.61	Uniform
<b>Total Water</b>	<b>15,495</b>	<b>\$ 102,393</b>	<b>49.5%</b>		

**2.6 Proposed Water Rates**

Since the County’s last rate study, the underlying cost factors (e.g., number of meters and water consumption) have changed. The cost-of-service analysis by nature “re-balances” how costs are allocated between customer classes and, as a result, there are uneven adjustments in the first year of the 5-year rate adoption period. In contrast, in the subsequent four years of the rate planning period, proposed charges are simply adjusted by the proposed adjustment in total rate revenue needed to meet projected revenue requirements.

Figure 12 provides a comparison of the current and proposed water rates for FY 2026/27 through 2030/31 for each customer class and meter size. Projected rates for each fiscal year<sup>8</sup> reflect adjustments based on the cost-of-service analysis, the 50.5% fixed/49.5% variable rate design structure, and the recommended percent increases in rate revenue planned for each year. More detailed tables on the development of the proposed water rates are documented in the Appendix.

<sup>8</sup> All rate adjustments are scheduled to be effective on January 1, 2024.

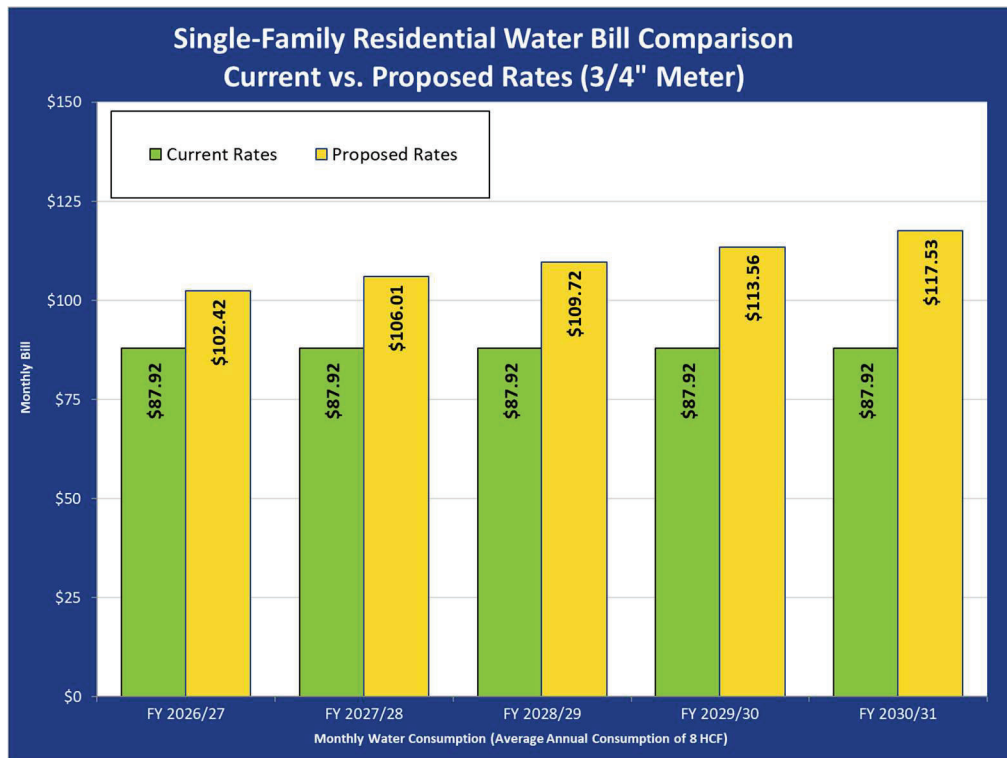
**Figure 12. Current and Proposed Water Rates**

Water Rate Schedule	Current Rates	Proposed Rates				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Monthly Fixed Service Charges (in \$/mo)</b>						
<b>Domestic Service Charge</b>						
3/4"	\$48.71	\$50.39	\$52.16	\$53.98	\$55.87	\$57.83
1"	\$81.18	\$79.73	\$82.52	\$85.41	\$88.40	\$91.49
1 1/2"	N/A	\$153.07	\$158.43	\$163.97	\$169.71	\$175.65
2"	N/A	\$241.08	\$249.52	\$258.25	\$267.29	\$276.65
3"	N/A	\$475.77	\$492.43	\$509.66	\$527.50	\$545.96
4"	N/A	\$739.80	\$765.69	\$792.49	\$820.23	\$848.94
6"	N/A	\$1,473.21	\$1,524.78	\$1,578.14	\$1,633.38	\$1,690.55
8"	N/A	\$2,353.31	\$2,435.67	\$2,520.92	\$2,609.15	\$2,700.47
<b>Water Usage Charges (in \$/HCF)</b>						
0-14	\$4.98	\$6.61	\$6.84	\$7.08	\$7.33	\$7.58
15-80	\$5.72	N/A	N/A	N/A	N/A	N/A
81+	\$6.59	N/A	N/A	N/A	N/A	N/A

## 2.7 Comparison of Current and Proposed Water Bills

**Figure 13** compares a monthly water bills under the current and proposed water rates for a residential customer. These monthly bills for each year of the rate period are based on typical meter sizes and highlight the average consumption levels for the customer.

**Figure 13. Monthly Water Bill Comparison for Residential Customers**



## 3. Recommendations and Next Steps

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### 3.1 Consultant Recommendations

NBS recommends the County take the following actions:

- **Approve and Accept this Study:** NBS recommends the Board formally approve and adopt this Study and its recommendations and proceed with the next steps outlined below to implement the proposed rates. This will provide documentation of the rate study analyses and the basis for analyzing potential changes to future rates.
- **Implement Recommended Levels of Rate Increases and Proposed Rates:** Based on successfully meeting the Prop 218 procedural requirements, the County should proceed with implementing the 5-year schedule of proposed rates and rate increases previously shown in Figure 12. This will help ensure the continued financial health of County's utilities.

### 3.2 Next steps

**Annually Review Rates and Revenue** – Any time an agency adopts new utility rates or rate structures, those new rates should be closely monitored over the next several years to ensure the revenue generated is sufficient to meet the annual revenue requirements. Changing economic and water consumption patterns underscore the need for this review, as well as potential and unseen changing revenue requirements — particularly those related to environmental regulations that can significantly affect capital improvements and repair and replacement costs.

*Note: The attached Appendix provide more detailed information on the analysis of the financial plan, revenue requirements, cost-of-service, and the rate design analyses that have been summarized in this report.*

### 3.3 NBS' Principal Assumptions and Considerations

In preparing this report and the opinions and recommendations included herein, NBS has relied on several principal assumptions and considerations regarding financial matters, conditions, and events that may occur in the future. This information and these assumptions, including the County's budgets, capital improvement costs, customer accounts and consumption, and information from County staff were provided by sources we believe to be reliable, although NBS has not independently verified this data.

While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report and its recommendations, some assumptions will invariably not materialize as stated herein and may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.

# Appendix. Water Rate Study Tables and Figures

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TABLE 1 : FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

RATE REVENUE REQUIREMENTS SUMMARY	5-Year Projected Rate Period					
	Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Sources of Water Funds<sup>1</sup></b>						
<i>Rate Revenue:</i>						
070-Charges for Current Services	\$ 14,850	\$ 14,850	\$ 14,850	\$ 14,850	\$ 14,850	\$ 14,850
075-Charges for Current Services-Fee Ord	175,000	175,000	175,000	175,000	175,000	175,000
<i>Non-Rate Revenue:</i>						
000-Taxes	36,580	36,580	36,580	36,580	36,580	36,580
030-Revenue From Use of Money & Property	1,500	1,500	1,500	1,500	1,500	1,500
040-Intergovernmental Revenue-State	117,200	117,200	117,200	117,200	117,200	117,200
080-Other Revenue	1,000	1,000	1,000	1,000	1,000	1,000
<b>Total Sources of Funds:</b>	<b>\$ 346,130</b>	<b>\$ 346,130</b>	<b>\$ 346,130</b>	<b>\$ 346,130</b>	<b>\$ 346,130</b>	<b>\$ 346,130</b>
<b>Uses of Water Funds<sup>1</sup></b>						
<i>Operating Expenses:</i>						
200-Services & Supplies-General	\$ 98,623	\$ 103,545	\$ 108,776	\$ 114,340	\$ 120,262	\$ 126,568
540-Intra Entity Reimbursement Out	208,164	211,945	215,847	219,875	224,031	228,320
Subtotal: Operating Expenses	\$ 306,787	\$ 315,490	\$ 324,624	\$ 334,215	\$ 344,293	\$ 354,887
<i>Other Expenditures:</i>						
Existing Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
New Debt Service	-	-	-	-	-	-
Rate-Funded Capital Expenses	-	-	-	129,002	129,002	129,002
Subtotal: Other Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0
<b>Total Uses of Water Funds:</b>	<b>\$ 306,787</b>	<b>\$ 315,490</b>	<b>\$ 324,624</b>	<b>\$ 463,217</b>	<b>\$ 473,295</b>	<b>\$ 483,890</b>
<i>Plus: Revenue from Rate Increases<sup>3</sup></i>						
Annual Surplus/(Deficit)	\$ 39,343	\$ 62,490	\$ 60,596	\$ (70,504)	\$ (72,827)	\$ (75,394)
<b>Net Revenue Req't. (Total Uses less Non-Rate Revenue)</b>	<b>\$ 135,657</b>	<b>\$ 144,360</b>	<b>\$ 153,494</b>	<b>\$ 292,087</b>	<b>\$ 302,165</b>	<b>\$ 312,760</b>
<b>Total Rate Revenue After Rate Increases (Water)</b>	<b>\$ 189,850</b>	<b>\$ 221,700</b>	<b>\$ 228,940</b>	<b>\$ 236,433</b>	<b>\$ 244,188</b>	<b>\$ 252,215</b>
<b>Projected Annual Rate Revenue Increase</b>	<b>0.00%</b>	<b>18.20%</b>	<b>3.50%</b>	<b>3.50%</b>	<b>3.50%</b>	<b>3.50%</b>
<i>Cumulative Increase from Annual Revenue Increases</i>	0.00%	18.20%	22.34%	26.62%	31.05%	35.64%
<i>Debt Coverage After Rate Increase</i>	N/A	N/A	N/A	0.45	0.44	0.42

1. Revenue and expenses for FY 2021/22 through FY 2023/24 provided by the District. Revenues and expenses for all other years are escalated based on the forecasting assumptions in the Financial Plan and Reserve Projections. For all other years, interest is calculated based on historical LAIF returns.

2. Interest earnings for FY 2021/22 through FY 2023/24 are from the District's Budget. For all other years, interest is calculated based on historical LAIF returns.

3. Revenue from rate increases assumes an implementation date of January 1, 2025 for new rates. For each year thereafter, the assumption is that new rates will be implemented on 1/1/2025.

3	← Select Financial Plan Scenario Here					
Financial Plan Alternatives	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
1 Alternative 1 - Custom Rate Increases	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%
2 Alternative 2 - Custom Rate Increases	0.00%	6.00%	6.00%	6.00%	6.00%	6.00%
3 Alternative 3 - Custom Rate Increases	0.00%	18.20%	3.50%	3.50%	3.50%	3.50%
4 Alternative 4 - No Rate Increases	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

TABLE 2 : RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY	Projected FY 2025/26	5-Year Projected Rate Period					FY 2030/31
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	
<b>Unrestricted Reserve:</b>							
<b>Total Beginning Cash<sup>1</sup></b>							
<b>Operating Reserve</b>							
Beginning Reserve Balance	\$ 2,587	\$ 41,955	\$ 79,000	\$ 81,000	\$ 11,306	\$ (61,408)	
Plus: Net Cash Flow (After Rate Increases)	39,343	62,490	60,596	(70,504)	(72,827)	(75,394)	
Plus: Transfer in of Debt Reserve Surplus	-	-	-	-	-	-	
Plus: Interest Earnings	26	420	790	810	113	-	
Plus: Loan Proceeds	-	-	-	-	-	-	
Less: Transfer out to Capital and Infrastructure Reserve	-	(25,865)	(59,386)	-	-	-	
<b>Ending Operating Reserve Balance</b>	<b>\$41,955</b>	<b>\$79,000</b>	<b>\$81,000</b>	<b>\$11,306</b>	<b>(\$61,408)</b>	<b>(\$136,802)</b>	
<b>Target Ending Balance (90 days of O&amp;M)<sup>2</sup></b>	<b>\$ 77,000</b>	<b>\$ 79,000</b>	<b>\$ 81,000</b>	<b>\$ 84,000</b>	<b>\$ 86,000</b>	<b>\$ 89,000</b>	
<b>Capital Reserve</b>							
Beginning Reserve Balance	\$ 1,229	\$ 1,241	\$ 27,118	\$ 86,776	\$ 87,643	\$ 88,520	
Plus: Grant Proceeds	-	-	-	-	-	-	
Plus: Transfer of Operating Reserve Surplus	-	25,865	59,386	-	-	-	
Plus: Interest Earnings	12	12	271	868	876	885	
Less: Use of Reserves for Capital Projects	-	-	-	-	-	-	
<b>Ending Capital Reserve Balance</b>	<b>\$ 1,241</b>	<b>\$ 27,118</b>	<b>\$ 86,776</b>	<b>\$ 87,643</b>	<b>\$ 88,520</b>	<b>\$ 89,405</b>	
<b>Target Ending Balance (90 days of O&amp;M)<sup>2</sup></b>	<b>\$ 77,000</b>	<b>\$ 79,000</b>	<b>\$ 81,000</b>	<b>\$ 84,000</b>	<b>\$ 86,000</b>	<b>\$ 89,000</b>	
<b>Ending Balance - Excl. Restricted Reserves</b>	<b>\$ 43,196</b>	<b>\$ 106,118</b>	<b>\$ 167,776</b>	<b>\$ 98,949</b>	<b>\$ 27,112</b>	<b>\$ (47,397)</b>	
<b>Min. Target Ending Balance - Excl. Restricted Reserves</b>	<b>\$ 154,000</b>	<b>\$ 158,000</b>	<b>\$ 162,000</b>	<b>\$ 168,000</b>	<b>\$ 172,000</b>	<b>\$ 178,000</b>	
<b>Ending Surplus/(Deficit) Compared to Reserve Targets</b>	<b>\$ (110,804)</b>	<b>\$ (51,882)</b>	<b>\$ 5,776</b>	<b>\$ (69,051)</b>	<b>\$ (144,888)</b>	<b>\$ (225,397)</b>	
<b>Annual Interest Earnings Rate<sup>3</sup></b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	

1. Beginning cash balances provided by District Staff.  
 2. The target ending balance is set equal to 90 days of O&M expenses.  
 3. Historical interest earning rates are per the average annual yields for funds invested in LAIF (2018-2024). The source is the California State Treasurer's website: <https://www.treasu>

TABLE 4 : REVENUE FORECAST<sup>1</sup>

DESCRIPTION	Basis	5-Year Projected Rate Period						
		Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	
<b>Operating Revenue</b>								
40008015 PROP TAXES-CURR SEC 1% TAX LVY	1	\$ 31,000	\$ 31,000	\$ 31,000	\$ 31,000	\$ 31,000	\$ 31,000	\$ 31,000
40008025 PROP TX CUR UNSEC 1% GEN TAX	1	2,000	2,000	2,000	2,000	2,000	2,000	2,000
40008035 PROP TX CUR UNITARY 1% LEVY	1	1,500	1,500	1,500	1,500	1,500	1,500	1,500
40008125 PROP TX PRU UNSEC 1% GEN TAX	1	50	50	50	50	50	50	50
40008145 INT & PEN DELINQUENT TAXES	1	1,000	1,000	1,000	1,000	1,000	1,000	1,000
40008230 SUPP ROLL CURRENT	1	400	400	400	400	400	400	400
40008235 SUPP ROLL PRIOR	1	630	630	630	630	630	630	630
<b>000-Taxes</b>		<b>\$ 36,580</b>	<b>\$ 36,580</b>	<b>\$ 36,580</b>	<b>\$ 36,580</b>	<b>\$ 36,580</b>	<b>\$ 36,580</b>	<b>\$ 36,580</b>
40308500 INTEREST	1	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
<b>030-Revenue From Use of Money &amp; Property</b>		<b>\$ 1,500</b>	<b>\$ 1,500</b>	<b>\$ 1,500</b>	<b>\$ 1,500</b>	<b>\$ 1,500</b>	<b>\$ 1,500</b>	<b>\$ 1,500</b>
40408800 GENERAL TAX LEVY-HOMEOWNER EXM	1	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200
40408955 STATE - GRANTS	1	\$ 117,000	\$ 117,000	\$ 117,000	\$ 117,000	\$ 117,000	\$ 117,000	\$ 117,000
<b>040-Intergovernment Revenue-State</b>		<b>\$ 117,200</b>	<b>\$ 117,200</b>	<b>\$ 117,200</b>	<b>\$ 117,200</b>	<b>\$ 117,200</b>	<b>\$ 117,200</b>	<b>\$ 117,200</b>
40708155 SPECIAL ASSMNT ALL PRIOR YEARS	1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
40708160 SP ASSMNT CUR YR TX ROLL GEN	1	6,300	6,300	6,300	6,300	6,300	6,300	6,300
40708165 SP ASSMNT CUR YR TX ROLL WATER	1	500	500	500	500	500	500	500
40708175 SP ASSMNT CUR YR DEL USER CHGS	1	7,800	7,800	7,800	7,800	7,800	7,800	7,800
<b>070-Charges for Current Services</b>		<b>\$ 7,800</b>	<b>\$ 7,800</b>	<b>\$ 7,800</b>	<b>\$ 7,800</b>	<b>\$ 7,800</b>	<b>\$ 7,800</b>	<b>\$ 7,800</b>
40758480 FEE ORD-PENALTIES	1	6,500	6,500	6,500	6,500	6,500	6,500	6,500
40759720 FEE ORD-RESIDENTIAL SALES	1	175,000	175,000	175,000	175,000	175,000	175,000	175,000
40759800 FEE ORD-OTHER SERVICES	1	300	300	300	300	300	300	300
40759970 FEE ORD-OTHER	1	250	250	250	250	250	250	250
<b>075-Charges for Current Services-Fee Ord</b>		<b>\$ 182,050</b>	<b>\$ 182,050</b>	<b>\$ 182,050</b>	<b>\$ 182,050</b>	<b>\$ 182,050</b>	<b>\$ 182,050</b>	<b>\$ 182,050</b>
40809970 OTHER	1	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800	\$ 800
40809990 OTHER SALES	1	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200	\$ 200
<b>080-Other Revenue</b>		<b>\$ 1,000</b>	<b>\$ 1,000</b>	<b>\$ 1,000</b>	<b>\$ 1,000</b>	<b>\$ 1,000</b>	<b>\$ 1,000</b>	<b>\$ 1,000</b>
<b>TOTAL REVENUE</b>		<b>\$ 346,130</b>	<b>\$ 346,130</b>	<b>\$ 346,130</b>	<b>\$ 346,130</b>	<b>\$ 346,130</b>	<b>\$ 346,130</b>	<b>\$ 346,130</b>

TABLE 5 : REVENUE SUMMARY

DESCRIPTION	Basis	5-Year Projected Rate Period						
		Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	
000-Taxes		\$ 36,580	\$ 36,580	\$ 36,580	\$ 36,580	\$ 36,580	\$ 36,580	\$ 36,580
030-Revenue From Use of Money & Property		1,500	1,500	1,500	1,500	1,500	1,500	1,500
040-Intergovernmental Revenue-State		117,200	117,200	117,200	117,200	117,200	117,200	117,200
070-Charges for Current Services		14,850	14,850	14,850	14,850	14,850	14,850	14,850
075-Charges for Current Services-Fee Ord		175,000	175,000	175,000	175,000	175,000	175,000	175,000
080-Other Revenue		1,000	1,000	1,000	1,000	1,000	1,000	1,000
<b>TOTAL REVENUE</b>		<b>\$ 346,130</b>	<b>\$ 346,130</b>	<b>\$ 346,130</b>	<b>\$ 346,130</b>	<b>\$ 346,130</b>	<b>\$ 346,130</b>	<b>\$ 346,130</b>

CSA 70 W-3 Hacienda Heights  
WATER RATE STUDY  
Operating Revenue and Expenses

TABLE 6 : OPERATING EXPENSE FORECAST<sup>1</sup>

DESCRIPTION	Basis	5-Year Projected Rate Period									
		Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31				
<b>Operating Expenses</b>											
52002070 FOOD	2	206	213	220	227	234	242				
52002085 LEGAL NOTICES	2	41	43	44	45	47	48				
52002090 MISCELLANEOUS EXPENSE	2	516	533	550	567	585	604				
52002120 SMALL TOOLS & INSTRUMENTS	2	826	879	907	936	966	996				
52002135 SPECIAL DEPT EXPENSE	2	500	516	533	550	567	585				
52002380 UTILITIES	2	516	533	550	567	585	604				
52002381 CELL PHONES - OUTSIDE	2	516	533	550	567	585	604				
52002382 UTILITIES-ELECTRICITY	5	35,515	38,481	41,694	45,176	48,948	53,036				
52002388 UTILITIES-REFUSE	2	516	533	550	567	585	604				
52002390 PRIOR YR EXP/SVCS & SUPPLIES	2	1,548	1,598	1,649	1,701	1,756	1,812				
52002310 PRESORT & PACKAGING (ISF ONLY)	2	-	-	-	-	-	-				
52002323 COURIER & PRINTING (ISF ONLY)	2	1,578	1,628	1,681	1,734	1,790	1,847				
52002415 COUNTY SERVICES (INCL COWCAP)	2	25,800	26,626	27,478	28,357	29,264	30,201				
52002445 OTHER PROFESSIONAL & SPEC SVCS	2	6,192	6,390	6,595	6,806	7,023	7,248				
52002458 COUNTY COUNSEL SERVICES	3	2,000	2,000	2,000	2,000	2,000	2,000				
52002650 PENALTIES	2	165	170	176	181	187	193				
52002678 MISCELLANEOUS LAB TESTING	2	4,128	4,260	4,396	4,537	4,682	4,832				
52002855 GENERAL MAINTENANCE-EQUIPMENT	2	15,480	15,975	16,487	17,014	17,559	18,120				
52002895 RENTS & LEASES - EQUIPMENT	2	2,580	2,663	2,748	2,836	2,926	3,020				
<b>200 Services &amp; Supplies - General</b>		<b>98,623</b>	<b>103,545</b>	<b>108,776</b>	<b>114,340</b>	<b>120,262</b>	<b>126,568</b>				
55405010 SALARIES & BENE TRANSFERS OUT	3	90,000	90,000	90,000	90,000	90,000	90,000				
55405012 SERVS & SUPPLY TRANSFERS OUT	2	51,600	52,251	54,955	56,714	58,529	60,402				
55405018 INTERNAL COST ALLOCA OUT	2	66,564	68,694	70,892	73,161	75,502	77,918				
540-Intra Entity Reimbursement Out		208,164	211,945	215,847	219,875	224,051	228,320				
<b>SUBTOTAL: WATER SYSTEM EXPENSES</b>		<b>\$ 306,787</b>	<b>\$ 315,490</b>	<b>\$ 324,624</b>	<b>\$ 334,215</b>	<b>\$ 344,293</b>	<b>\$ 354,887</b>				
<b>GRAND TOTAL: WATER EXPENSES</b>		<b>\$ 306,787</b>	<b>\$ 315,490</b>	<b>\$ 324,624</b>	<b>\$ 334,215</b>	<b>\$ 344,293</b>	<b>\$ 354,887</b>				

TABLE 7 : FORECASTING ASSUMPTIONS

INFLATION FACTORS <sup>3</sup>	Basis	2026	2027	2028	2029	2030	2031
Customer Growth <sup>2</sup>	1	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
General Cost Inflation <sup>3</sup>	2	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
Labor Cost Inflation <sup>4</sup>	3	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Chemicals <sup>5</sup>	4	5.45%	5.45%	5.45%	5.45%	5.45%	5.45%
Electricity <sup>6</sup>	5	8.35%	8.35%	8.35%	8.35%	8.35%	8.35%
No Escalation	6	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

1. Revenue and expenses for FY 2024/25 provided by the County. Revenues and expenses for all other years are escalated based on the forecasting assumptions in Table 7.  
 2. Customer growth is based on the population projections provided by the County.  
 3. General cost inflation is based on the Consumer Price Index for all Urban Consumers in the San Bernardino-Riverside-Ontario, CA area.  
 4. Labor cost inflation is provided by County.  
 5. Chemical cost inflation is based on the 5-year average annual change in the Producer Price Index for Chemical Manufacturing.  
 6. Electricity cost inflation is based on the 5-year average annual change in the Consumer Price Index for Electricity for the San Bernardino-Riverside-Ontario, CA area.

CSA 70 W-3 Hacienda Heights  
 WATER RATE STUDY  
 Capital Improvement Plan Expenditures

TABLE 8 : CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST	Projected FY 2025/26	5-Year Projected Rate Period				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Funding Sources:</b>						
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Capacity Fee Reserves	-	-	-	-	-	-
SRF Loan Funding	-	-	-	-	-	-
Use of New Revenue Bond Proceeds	-	82,800	1,071,225	554,359	573,762	593,843
Use of Capital Rehabilitation and Replacement Reserve	-	-	-	-	-	-
Rate Revenue	-	-	-	-	-	0
<b>Total Sources of Capital Funds</b>	<b>\$ -</b>	<b>\$ 82,800</b>	<b>\$ 1,071,225</b>	<b>\$ 554,359</b>	<b>\$ 573,762</b>	<b>\$ 593,843</b>
<b>Uses of Capital Funds:</b>						
Total Project Costs	\$ -	\$ 82,800	\$ 1,071,225	\$ 554,359	\$ 573,762	\$ 593,843
<b>Capital Funding Surplus (Deficiency)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ -</b>
<b>SRF Loan Funding</b>	<b>\$ -</b>	<b>\$ 1,708,384</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,782,233</b>	<b>\$ -</b>
<b>New Revenue Bond Proceeds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

TABLE 9 : CAPITAL IMPROVEMENT PROGRAM FUNDING OPTIONS

Policy Choice	FY 2025/26	FY 02/16/27	FY 02/17/28	FY 02/18/29	FY 02/19/30	FY 02/20/31
Alternative 1 - Full Funding of CIP	\$ -	\$ 82,800	\$ 1,071,225	\$ 554,359	\$ 573,762	\$ 593,843
Alternative 2 - 75% Funding of CIP	\$ -	\$ 62,100	\$ 803,419	\$ 415,769	\$ 430,321	\$ 445,382
Alternative 3 - 50% Funding of CIP	\$ -	\$ 41,400	\$ 535,613	\$ 277,179	\$ 286,881	\$ 296,522

Insert policy choice in box to right, based on options listed above:

Capital Improvement Program Funding Choice	FY 2025/26	FY 02/16/27	FY 02/17/28	FY 02/18/29	FY 02/19/30	FY 02/20/31
Effective Annual Funding Amount	\$ -	\$ 82,800	\$ 1,071,225	\$ 554,359	\$ 573,762	\$ 593,843

CSA 70 W-3 Hacienda Heights  
 WATER RATE STUDY  
 Capital Improvement Plan Expenditures

CAPITAL IMPROVEMENT PROGRAM

TABLE 10 : CAPITAL IMPROVEMENT PROGRAM COSTS (in Current-Year Dollars)<sup>1</sup>

Project #	Project Description <sup>2</sup>	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
	<i>Water Treatment Plant</i>						
	Master Plan	\$ -	\$ 80,000	\$ -	\$ -	\$ -	\$ -
	Water Treatment Plant	-	-	500,000	-	-	-
	Pipeline Distribution System Improvements	-	-	500,000	500,000	500,000	500,000
	Future CIP	-	-	-	-	-	-
	<b>Total: CIP Program Costs (Current-Year Dollars)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

TABLE 11 : CAPITAL IMPROVEMENT PROGRAM COSTS (in Future-Year Dollars)<sup>3</sup>

Project Description	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<i>Water Treatment Plant</i>						
Master Plan	\$ -	\$ 82,800	\$ -	\$ -	\$ -	\$ -
Water Treatment Plant	\$ -	\$ -	\$ 535,613	\$ -	\$ -	\$ -
Pipeline Distribution System Improvements	\$ -	\$ -	\$ 535,613	\$ 554,359	\$ 573,762	\$ 593,843
Future CIP	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total: CIP Program Costs (Current-Year Dollars)</b>	<b>\$ -</b>	<b>\$ 82,800</b>	<b>\$ 1,071,225</b>	<b>\$ 554,359</b>	<b>\$ 573,762</b>	<b>\$ 593,843</b>

TABLE 13 : FORECASTING ASSUMPTIONS

Economic Variables	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Annual Construction Cost Inflation, Per Engineering News Record <sup>3</sup>	0.00%	3.50%	3.50%	3.50%	3.50%	3.50%
Cumulative Construction Cost Multiplier from FY 2024/25	1.00	1.04	1.07	1.11	1.15	1.19

- Capital project costs were provided by County Staff and assumes Year 1 begins in FY 2026/27.
- The capital project costs have been inflated by District Staff in Current CIP Budget using the Construction Cost Index (See Table 12). [Website: https://enr.construction.com](https://enr.construction.com).
- For reference purposes, the annual Construction Cost Inflation percentage is the 10-year average annual change in the Construction Cost Index for 2013-2023 (3.5%).

TABLE 14 : EXISTING DEBT OBLIGATIONS

EXISTING DEBT OBLIGATIONS	Budget		5-Year Projected Rate Period						
	FY 2024/25	Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31		
Annual Repayment Schedules:									
N/A									
Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Interest Payment	-	-	-	-	-	-	-	-	
<b>Subtotal: Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Coverage Requirement (\$-Amt above annual payment)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Reserve Requirement (total fund balance)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Grand Total: Existing Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Grand Total: Existing Annual Coverage Requirement</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Grand Total: Existing Debt Reserve Target</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

TABLE 15 : EXISTING ANNUAL DEBT OBLIGATIONS TO BE SATISFIED BY WATER RATES

Annual Obligations	FY 2024/25		FY 2025/26						
	FY 2024/25	Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31		
Existing Annual Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Existing Annual Coverage Requirement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Existing Debt Reserve Target	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

TABLE 16 : FUTURE DEBT FINANCING ASSUMPTIONS

Long-Term Debt Terms	State Revolving Fund Loan	Revenue Bonds
Issuance Cost	2.00%	2.00%
Annual Interest Cost (%)	5.50%	5.50%
Term	30	20
Debt Reserve Funded	Yes	Yes
Coverage Requirement (% above annual pmt)	120%	125%

TABLE 17 : FUTURE DEBT OBLIGATIONS

Annual Repayment Schedules	2024	2025	2026	2027	2028	2029	2030
<b>SRF Loan Funding</b>							
Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ 25,884	\$ 27,307	\$ 28,809
Interest Payment	-	-	-	-	103,119	101,695	100,193
<b>Subtotal: Annual Debt Service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 129,002</b>	<b>\$ 129,002</b>	<b>\$ 129,002</b>
<b>Revenue Bonds</b>							
Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Subtotal: Annual Debt Service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 129,002</b>	<b>\$ 129,002</b>	<b>\$ 129,002</b>
<b>Grand Total: Future Annual Debt Service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 129,002</b>	<b>\$ 129,002</b>	<b>\$ 129,002</b>
<b>Grand Total: New Annual Coverage Requirement</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 154,803</b>	<b>\$ 154,803</b>	<b>\$ 154,803</b>
<b>Grand Total: Future Debt Reserve Target</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 129,002</b>	<b>\$ 129,002</b>	<b>\$ 129,002</b>

TABLE 18 : TOTAL DEBT SERVICE

Annual Obligations	2024	2025	2026	2027	2028	2029	2030
<b>Annual Debt Service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 129,002</b>
<b>Annual Coverage Requirement</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 154,803</b>
<b>Total Debt Reserve Target</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 129,002</b>	<b>\$ 129,002</b>	<b>\$ 129,002</b>

CSA 70 W-3 Hacienda Heights  
 WATER RATE STUDY  
 Projected Water Rates Under Existing Rate Schedule

Exhibit 4 - Current Rates

TABLE 19 : CURRENT WATER RATE SCHEDULE

Water Rate Schedule		July 1, 2026
<b>Monthly Fixed Service Charges (in \$/mo)</b>		
Domestic Service Charge		
3/4"		\$48.71
1"		\$81.18
<b>Water Usage Charges (in \$/HCF)</b>		
0-14		\$4.98
15-80		\$5.72
81+		\$6.59

\*Bi-Monthly Fee per HCF

TABLE 20 : CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS

Classification of Expenses Budget Categories	Total Revenue Requirements FY 2026/27	Commodity (COM)	Capacity (CAP)	Customer (CA)	Basis of Classification					
					(COM)	(CAP)	(CA)			
<b>Operating Expenses</b>										
52002070 Food	\$ 213	\$ 107	\$ 96	\$ 11	50.0%	45.0%	5.0%	5.0%		
52002085 Legal Notices	\$ 43	\$ -	\$ -	\$ 43	0.0%	0.0%	100.0%			
52002090 Miscellaneous Expense	\$ 533	\$ 266	\$ 240	\$ 27	50.0%	45.0%	5.0%			
52002120 Small Tools & Instruments	\$ 852	\$ 426	\$ 383	\$ 43	50.0%	45.0%	5.0%			
52002135 Special Dept Expense	\$ 516	\$ 258	\$ 232	\$ 26	50.0%	45.0%	5.0%			
52002180 Utilities	\$ 533	\$ 293	\$ 213	\$ 27	55.0%	40.0%	5.0%			
52002181 Cell Phones - Outside	\$ 533	\$ 266	\$ 240	\$ 27	50.0%	45.0%	5.0%			
52002182 Utilities-Electricity	\$ 38,481	\$ 21,164	\$ 15,392	\$ 1,924	55.0%	40.0%	5.0%			
52002188 Utilities-Refuse	\$ 533	\$ 266	\$ 240	\$ 27	50.0%	45.0%	5.0%			
52002190 Prior Yr Exp/Svcs & Supplies	\$ -	\$ -	\$ -	\$ -	50.0%	45.0%	5.0%			
52002310 Presort & Packaging (Isf Only)	\$ 1,598	\$ -	\$ -	\$ 1,598	0.0%	0.0%	100.0%			
52002323 Courier & Printing (Isf Only)	\$ -	\$ -	\$ -	\$ -	50.0%	45.0%	5.0%			
52002415 County Services (Incl Cowcap )	\$ 1,628	\$ 814	\$ 733	\$ 81	50.0%	45.0%	5.0%			
52002445 Other Professional & Spec Svcs	\$ 26,626	\$ 13,313	\$ 11,982	\$ 1,331	50.0%	45.0%	5.0%			
52002448 County Counsel Services	\$ 6,390	\$ 3,195	\$ 2,876	\$ 320	50.0%	45.0%	5.0%			
52002458 Permit Costs	\$ 2,000	\$ 800	\$ 1,100	\$ 100	40.0%	40.0%	5.0%			
52002660 Penalties	\$ 170	\$ 85	\$ 77	\$ 9	50.0%	45.0%	5.0%			
52002678 Miscellaneous Lab Testing	\$ 4,260	\$ 2,343	\$ 1,704	\$ 213	55.0%	40.0%	5.0%			
52002855 General Maintenance-Equipment	\$ 15,975	\$ 6,390	\$ 8,786	\$ 799	40.0%	40.0%	5.0%			
52002895 Rents & Leases - Equipment	\$ 2,663	\$ 1,065	\$ 1,464	\$ 133	40.0%	55.0%	5.0%			
55405010 Salaries & Bene Transfers Out	\$ 90,000	\$ 45,000	\$ 40,500	\$ 4,500	50.0%	45.0%	5.0%			
55405012 Servs & Supply Transfers Out	\$ 53,251	\$ 26,626	\$ 23,963	\$ 2,663	50.0%	50.0%	5.0%			
55405018 Internal Cost Alloca Out	\$ 68,694	\$ 34,347	\$ 30,912	\$ 3,435	50.0%	45.0%	5.0%			
<b>Subtotal: Water System Expenses</b>	<b>\$ 315,490</b>	<b>\$ 157,025</b>	<b>\$ 141,133</b>	<b>\$ 17,333</b>	<b>49.8%</b>	<b>44.7%</b>	<b>5.5%</b>			

TABLE 21 : CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS, cont.

Classification of Expenses, cont. Budget Categories	Total Revenue Requirements FY 2026/27	Commodity (COM)	Capacity (CAP)	Customer (CA)	Basis of Classification					
					(COM)	(CAP)	(CA)			
<b>Debt Service Payments</b>										
Outstanding Debt	\$ -	\$ -	\$ -	\$ -	50.0%	45.0%	5.0%			
New Debt Issue - SRF Loan	\$ -	\$ -	\$ -	\$ -	50.0%	45.0%	5.0%			
New Debt Issue - Revenue Bond	\$ -	\$ -	\$ -	\$ -	50.0%	45.0%	5.0%			
<b>Total Debt Service Payments</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>			
<b>Capital Expenditures</b>										
Rate-Funded Capital Expenses	\$ -	\$ -	\$ -	\$ -	50.0%	45.0%	5.0%			
<b>TOTAL REVENUE REQUIREMENTS</b>	<b>\$ 315,490</b>	<b>\$ 157,025</b>	<b>\$ 141,133</b>	<b>\$ 17,333</b>	<b>49.8%</b>	<b>44.7%</b>	<b>5.5%</b>			
<b>Less: Non-Rate Revenues</b>										
000-Taxes	\$ (36,580)	\$ (18,290)	\$ (16,461)	\$ (1,829)	50.0%	45.0%	5.0%			
030-Revenue From Use of Money & Property	\$ (1,500)	\$ (750)	\$ (675)	\$ (75)	50.0%	45.0%	5.0%			
040-Intergovernmental Revenue-State	\$ (117,200)	\$ (58,600)	\$ (52,740)	\$ (5,860)	50.0%	45.0%	5.0%			
070-Charges for Current Services	\$ (14,850)	\$ (7,425)	\$ (6,683)	\$ (743)	50.0%	45.0%	5.0%			
080-Other Revenue	\$ (1,000)	\$ (500)	\$ (450)	\$ (50)	50.0%	45.0%	5.0%			
<b>NET REVENUE REQUIREMENTS</b>	<b>\$ 144,360</b>	<b>\$ 71,460</b>	<b>\$ 64,124</b>	<b>\$ 8,776</b>						
<b>Allocation of Revenue Requirements</b>	<b>100.0%</b>	<b>49.5%</b>	<b>44.4%</b>	<b>6.1%</b>						

TABLE 22 : ADJUSTMENT TO CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS

Adjustments to Classification of Expenses		Total	(COM)	(CAP)	(CA)
<b>Adjustment for Current Rate Level:</b>					
FY 2026/27 Target Rate Rev. After Rate Increases		\$ 206,850			
Projected Revenue at Current Rates		\$ 175,000			
FY 2026/27 Projected Rate Increase		18%			
<b>Adjusted Net Revenue Req'ts</b>		<b>\$ 206,850</b>	<b>\$ 102,393</b>	<b>\$ 91,882</b>	<b>\$ 12,575</b>
<i>Percent of Revenue</i>		<i>100.0%</i>	<i>49.5%</i>	<i>44.4%</i>	<i>6.1%</i>

TABLE 23 : NET REVENUE REQUIREMENTS PER COSA RESULTS

Net Revenue Requirements - Per COSA Results	Total Rate Revenue Requirements FY 2026/27	Fixed Costs	
		Commodity Related Costs	Capacity Related Costs
Rate-Design Adjustments to Fixed/Variable %	100.0%	49.5%	44.4%
Rate-Design Adjustments to Fixed/Variable (\$)	\$206,850	\$102,393	\$91,882
			Customer Related Costs
			\$12,575

**TABLE 24 : DEVELOPMENT OF THE COMMODITY ALLOCATION FACTOR**

Development of the Volumetric/Variable Allocation Factor <sup>1</sup>		
Customer Class	CY 2024 Consumption (HCF)	% of Total Volume
All Customers	15,495	100.0%
<b>Total</b>	<b>15,495</b>	<b>100.0%</b>

1. Consumption data is based on County billing data for CY 2024.

**TABLE 25 : DEVELOPMENT OF THE CAPACITY ALLOCATION FACTORS**

Development of the PEAK CAPACITY (MAX MONTH) Allocation Factors				
Customer Class	Average Monthly Use (HCF)	Peak Monthly Use (HCF) <sup>1</sup>	Peak Monthly Factor	% of Max Month Capacity Factor (Potable)
All Customers	1,291	1,291	1.00	100.0%
<b>Total</b>	<b>1,291</b>	<b>1,291</b>	<b>1.00</b>	<b>100.0%</b>

1. Based on peak monthly data (peak day data not available).

**TABLE 26 : DEVELOPMENT OF THE CUSTOMER ALLOCATION FACTORS: METERS**

Development of the Customer Allocation Factor		
Customer Class	No. of Meters CY 2024	% of Total Meters
All Customers	164	100.0%
<b>Total</b>	<b>164</b>	<b>100.0%</b>

1. Number of meters is based on County billing data for CY 2024.

TABLE 27 : ALLOCATION OF WATER REVENUE REQUIREMENTS

Classification Components	Cost-of-Service Net Revenue Requirements (FY 2026/27)	
Commodity-Related Costs	\$ 102,393	49.5%
Capacity-Related Costs	91,882	44.4%
Customer-Related Costs	12,575	6.1%
<b>Net Revenue Requirement</b>	<b>\$ 206,850</b>	<b>100.0%</b>

TABLE 28 : ALLOCATION OF NET REVENUE REQUIREMENTS - FY 2026/27

Customer Classes	Classification Components			Cost of Service Net Rev. Req'ts	% of COS Net Revenue Req'ts
	VARIABLE Component-Related Costs	FIXED Capacity-Related Costs	Customer-Related Costs		
All Customers	\$ 102,393	\$ 91,882	\$ 12,575	\$ 206,850	100.0%
<b>Total Net Revenue Requirement</b>	<b>\$ 102,393</b>	<b>\$ 91,882</b>	<b>\$ 12,575</b>	<b>\$ 206,850</b>	<b>100%</b>
<i>Total Net Revenue Requirement by Classification Component</i>	<i>VARIABLE \$102,393</i>	<i>FIXED \$104,457</i>		<i>\$206,850</i>	

TABLE 29 : RATE DESIGN - SUMMARY OF REVENUE REQUIREMENTS

Customer Class	COSA Net Revenue		NET REVENUE REQUIREMENT				
	FY 2026/27	% of COS Rev. Req't.	% Fixed Revenue	% Variable Revenue	Revenue from Volumetric	Revenue from Hydraulic	Revenue from Customer
All Customers	\$ 206,850	100.0%	50.5%	49.5%	\$ 102,393	\$ 91,882	\$ 12,575
<b>Total</b>	<b>\$ 206,850</b>	<b>100.0%</b>			<b>\$ 102,393</b>	<b>\$ 91,882</b>	<b>\$ 12,575</b>

TABLE 30 : METER EQUIVALENCY FACTORS USED IN FIXED CHARGES CALCULATION

Meter Size	Standard Meters	
	Meter Capacity to 3/4 inch Displacement Meters	Meter Equivalency to 3/4 inch
3/4 inch	30	1.00
1 inch	50	1.67
1 1/2 inch	100	3.33
2 inch	160	5.33
<i>Compound Class I</i>		
3 inch	320	10.67
4 inch	500	16.67
6 inch	1,000	33.33
8 inch	1,600	53.33

1. Per AWWA, M1 Manual, Table B-1.

TABLE 31 : CALCULATION OF MONTHLY FIXED DOMESTIC METER SERVICE CHARGES FOR CY 2025

Number of Meters by Class and Size <sup>1</sup>	FY 2026/27							NET REVENUE REQUIREMENT	
	5/8 - 3/4" meter	1" meter	1.5" meter	2" meter	3" meter	4" meter	6" meter	8" meter	Total
All Customers	149	15	0	0	0	0	0	0	164
<b>Total Meters/Accounts</b>	<b>149</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>164</b>
Hydraulic Capacity Factor <sup>2</sup>	1.00	1.67	3.33	5.33	10.67	16.67	33.33	53.33	
<b>Total Equivalent Meters</b>	<b>149</b>	<b>25</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>174</b>
Monthly Fixed Service Charges									
Customer Costs (\$/Acct/month) <sup>3</sup>	\$ 6.39	\$ 6.39	\$ 6.39	\$ 6.39	\$ 6.39	\$ 6.39	\$ 6.39	\$ 6.39	
Capacity Costs (\$/Acct/month) <sup>4</sup>	\$ 44.00	\$ 73.34	\$ 146.68	\$ 234.69	\$ 469.38	\$ 733.41	\$ 1,466.82	\$ 2,346.92	
<b>Total Monthly Meter Charge</b>	<b>\$ 50.39</b>	<b>\$ 79.73</b>	<b>\$ 153.07</b>	<b>\$ 241.08</b>	<b>\$ 475.77</b>	<b>\$ 739.80</b>	<b>\$ 1,473.21</b>	<b>\$ 2,353.31</b>	

- Meter by Class and Size are based on December 2024 customer billing data.
- Source: Principles of Water Rates, Fees, and Charges - Manual M1, AWWA, Table B-1.
- Customer costs are allocated to each customer by dividing the total customer costs by the total number of customers.
- Capacity costs are allocated by meter size and the hydraulic capacity of the meter.

TABLE 32 : ESTIMATED DOMESTIC FIXED REVENUE BY CUSTOMER CLASS

Customer Class and Meter Size	Hydraulic Capacity Factor	Number of Meters	Total Equivalent Meters	NET REVENUE REQUIREMENT		
				Fixed Meter Charge Component	Total Fixed Meter Charge	Estimated Revenue from Fixed
3/4"	1.00	149	149	\$6.39	\$44.00	\$ 90.105
1"	1.67	15	25	\$6.39	\$73.34	\$ 14.352
1 1/2"	3.33	0	0	\$6.39	\$146.68	\$ -
2"	5.33	0	0	\$6.39	\$234.69	\$ -
3"	10.67	0	0	\$6.39	\$469.38	\$ -
4"	16.67	0	0	\$6.39	\$733.41	\$ -
6"	33.33	0	0	\$6.39	\$1,466.82	\$ -
8"	53.33	0	0	\$6.39	\$2,346.92	\$ -
<b>Total</b>		<b>164</b>	<b>174</b>		<b>\$ 2,353.31</b>	<b>\$ 104,457</b>

TABLE 33 : PROPOSED VOLUMETRIC CHARGES FOR FY 2026/27 BY CUSTOMER CLASS

<b>NET REVENUE REQUIREMENT</b>					
Customer Classes	Water Consumption (HCF/yr)	Total Target Rev. Req't from Vol. Charges	% of Total Rate Revenue	Uniform Commodity Rates (\$/HCF)	Proposed Rate Structure
All Customers	15,495	\$ 102,393	49.5%	\$6.61	Uniform
<b>Total Water</b>	<b>15,495</b>	<b>\$ 102,393</b>	<b>49.5%</b>		

TABLE 34 : SUMMARY OF VOLUMETRIC CHARGES FOR FY 2026/27 FOR PROPOSED RATE TABLE

<b>NET REVENUE REQUIREMENT</b>					
Customer Classes	Water Consumption (HCF/yr)	Total Target Rev. Req't from Vol. Charges	% of Total Rate Revenue	Uniform Commodity Rates (\$/HCF)	Proposed Rate Structure
All Customers	15,495	\$ 102,393	49.5%	\$6.61	Uniform
<b>Total Water</b>	<b>15,495</b>	<b>\$ 102,393</b>	<b>49.5%</b>		

TABLE 35 : ESTIMATED VOLUMETRIC REVENUE BY CUSTOMER CLASS

<b>NET REVENUE REQUIREMENT</b>			
Customer Class	Estimated Consumption	Estimated Variable Revenue	% of Variable Rate Revenue
All Customers	15,495	\$ 102,393	100.0%
<b>Grand Total</b>	<b>15,495</b>	<b>\$ 102,393</b>	<b>100.0%</b>

<b>NET REVENUE REQUIREMENT</b>		
Total Estimated	Total Estimated	Cost of Service
\$ 102,393	\$ 102,393	\$ 206,850
<b>\$ 102,393</b>	<b>\$ 102,393</b>	<b>\$ 206,850</b>

Water Rate Schedule		NET REVENUE REQUIREMENT				
		Current Rates	Proposed Rates			
Water Rate Schedule		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Monthly Fixed Service Charges (in \$/mo)</b>						
Domestic Service Charge						
3/4"		\$50.39	\$52.16	\$53.98	\$55.87	\$57.83
1"		\$79.73	\$82.52	\$85.41	\$88.40	\$91.49
1 1/2"		\$153.07	\$158.43	\$163.97	\$169.71	\$175.65
2"		\$241.08	\$249.52	\$258.25	\$267.29	\$276.65
3"		\$475.77	\$492.43	\$509.66	\$527.50	\$545.96
4"		\$739.80	\$765.69	\$792.49	\$820.23	\$848.94
6"		\$1,473.21	\$1,524.78	\$1,578.14	\$1,633.38	\$1,690.55
8"		\$2,353.31	\$2,435.67	\$2,520.92	\$2,609.15	\$2,700.47
<b>Water Usage Charges (in \$/HCF)</b>						
0-14		\$4.98	\$6.84	\$7.08	\$7.33	\$7.58
15-80		\$5.72	N/A	N/A	N/A	N/A
81+		\$6.59	N/A	N/A	N/A	N/A

# **SAN BERNARDINO COUNTY**

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*County Service Area 70 W-4 (Pioneer Town)  
Water Rate Study Report*

*Final Report*

**March 2026**



[nbsgov.com](http://nbsgov.com)

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# 1. Introduction

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## 1.1 Purpose

San Bernardino County (County) retained NBS to conduct a comprehensive utility rate study for its water enterprise fund for County Service Area 70 W-4 Pioneer Town (CSA 70 W-4). The County had several objectives and goals in mind for this study including meeting revenue requirements, reviewing the rising costs of providing services, funding capital improvements and changes in costs, and complying with certain legal requirements (e.g., California Constitution Article XIII D, Section 6, which is commonly referred to as Proposition 218 [Prop 218]). The County's broader objectives in this study include ensuring adequate funding for operating and capital costs, ensuring revenue stability in utility rates. The rates resulting from this study were developed in a manner that is consistent with industry standard cost-of-service principles. In addition to documenting the rate study methodology, this report is provided with the intent to assist the County in its continuing effort to maintain transparent communications with the residents and community it serves.

In developing new rates for CSA 70 W-4's enterprise fund, NBS worked cooperatively with County staff and the Board of Supervisors (Board) in selecting the appropriate rate alternatives that address the County's goals and objectives. Based on input provided by CSA 70 W-4 staff, NBS proposes the rates summarized in this report. The Board has the final decision regarding the adoption of the proposed rates and whether to proceed with the Prop 218 approval process.

## 1.2 Overview of the Study

Comprehensive rate studies, such as this one, typically include three components: (1) preparation of a financial plan that identifies the net revenue requirements for the utility; (2) analysis of the cost to serve each customer class, and (3) the rate structure design. These steps are shown in **Figure 1** and are intended to follow industry standards and reflect the fundamental principles of cost-of-service rate making embodied in the American Water Works Association's (AWWA) *Principles of Water Rates, Fees, and Charges*,<sup>1</sup> also referred to as Manual M1.

Rate studies also address requirements under Prop 218 that rates not exceed the cost of providing the service and be proportionate to the cost of providing service for all customers. In terms of the chronology of the study, the three steps shown in **Figure 1** represent the order in which they were performed in this study.

---

<sup>1</sup> *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, Manual M1, American Water Works Association (AWWA), 7<sup>th</sup> Edition, 2017.

**Figure 1. Primary Components of a Rate Study**



NBS projected revenues and expenditures, developed net revenue requirements, performed cost-of-service rate analyses, and developed new water rates for the County using this approach. The following sections in this report present an overview of the methodologies, assumptions, and data used along with the financial plans and rates developed. Detailed tables and figures documenting the development of the proposed rates are provided in the Appendices.

The County provided NBS with the data necessary to conduct the study, including historical, current, and projected revenues and expenditures, number of customer accounts, and water consumption data along with other operational and capital cost information.

### **FINANCIAL PLAN**

As a part of the rate study, NBS projected revenues and expenditures on a cash-flow basis for the next five (5) years. The amount of rate revenue required, that will allow reserves to be maintained at the recommended levels, is known as the net revenue requirement. As current rate revenue falls short of the net revenue requirement, rate adjustments – or more accurately, adjustments in the total revenue collected from rates – are recommended. This report presents an overview of the methodologies, assumptions, and data used along with the financial plan and proposed rates developed in this study.<sup>2</sup>

### **COST-OF-SERVICE ANALYSIS**

The basic purpose of the cost-of-service analysis (COSA) is to fairly and equitably allocate costs to customer classes and/or meter sizes. The cost-of-service analysis consists of two major components: (1) the classification of expenses, and (2) the allocation of costs to customer classes. For example, a key task is the “classification” of the water revenue requirements into the following categories:

- Commodity related costs
- Capacity related costs
- Customer service related costs

<sup>2</sup> The complete financial plans are available in the *Appendices*.

## RATE DESIGN ANALYSIS

During the rate design phase of the study, NBS and County staff worked together to develop rate alternatives that will meet the County’s objectives. It is important for the County to send proper price signals to its customers about the actual cost of providing service. This objective is typically addressed through both the magnitude of the rate adjustments and the rate structure design. In other words, both the amount of revenue collected and the way in which the revenue is collected from customers are important.

Several criteria are typically considered in setting rates and developing sound rate structures. The fundamentals of this process have been well documented in several rate-setting manuals, such as AWWA’s Manual M1. The foundation for evaluating rate structures is generally credited to James C. Bonbright in *Principles of Public Utility Rates*,<sup>3</sup> which outlines pricing policies, theories, and economic concepts along with various rate designs. The following is a simplified list of the attributes of a sound rate structure:

- Rates should be easy to understand from the customer’s perspective.
- Rates should be easy to administer from the utility’s perspective.
- Rates should be equitable and non-discriminating (i.e., cost-based).
- There should be continuity in the rate making philosophy over time.
- Rates should address other utility policies (e.g., conservation and economic development).
- Rates should provide month-to-month and year-to-year revenue stability.

## RATE STRUCTURE TERMINOLOGY

This section covers basic rate design criteria that NBS and County staff considered as a part of their review of the rate structure alternatives. One of the most fundamental points in considering rate structures is the relationship between fixed and variable costs. Fixed costs, such as debt service and personnel costs, typically do not vary with the amount of water consumed. In contrast, variable costs, such as the cost of purchased water, chemicals, and electricity, tend to change with the quantity of water sold. Most rate structures contain a fixed, or minimum, charge in combination with a volumetric charge.

**Fixed Charges** – Fixed charges can be called base charges, minimum monthly charges, customer charges, fixed meter charges, etc. Fixed charges for water utilities typically increase by meter size. For example, a customer with a 2-inch meter has a fixed meter charge that is more than five times greater than the typical residential customer based on the safe operating capacity of the meter.<sup>4</sup> Since a large portion of utility costs are typically related to meeting capacity requirements, individual capacity demands are important in establishing equitable rates for customers.

**Variable (Consumption-Based) Charges** – In contrast to fixed charges, variable costs, such as purchased water, groundwater replenishment costs, and the cost of electricity used in pumping water and chemicals for treatment, tend to change with the quantity of water produced. For a water utility, variable charges are calculated based on a metered consumption per unit price (e.g., per 100 cubic feet, or HCF).

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<sup>3</sup> James C. Bonbright, Albert L. Danielsen, and David R. Kamerschen, *Principles of Public Utility Rates*, Arlington, VA: Public Utilities Report, Inc., Second Edition, 1988, pp. 383-384.

<sup>4</sup> *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, Manual M1, AWWA, 7<sup>th</sup> Edition, 2017, pp. 151-152.

**Uniform (Single-Tier) Water Rates** – There are significant variations in the basic philosophy of variable charge rate structure alternatives. Under a uniform (single tier) rate structure, the cost per unit does not change with consumption and, therefore, provides a simple and straightforward approach from the customer’s perspective and in terms of the County’s rate administration.

## **KEY FINANCIAL ASSUMPTIONS**

The following is a summary of the key financial assumptions used in the analyses. The following capital and operational fund targets reflect input from County staff to meet specific utility objectives.

**Funding of Capital Projects** – The capital improvement costs are anticipated to be funded using debt financing. NBS notes that the planned rate revenue increases may not support the debt financing as modeled. Projects may need to be delayed or omitted if sufficient revenues are not available to pay debt service and provide for required bond coverage ratios.

**Reserve Targets** – For the water utility, the County maintains reserves for operations, capital, and other specific needs. The details of each utility’s reserve targets are covered in their respective sections of this report.

**Inflation and Growth Projections** – Assumptions were made in the analysis regarding cost inflation to project future revenues and expenses for the study period. The following inflation factors were used in the analysis:

- Customer growth is estimated at 0.00% per year.
- General cost inflation is set at 3.20% annually.
- Labor cost inflation is set at 0.00% annually.
- Electricity cost inflation is set at 8.35% annually.

These inflation factors are based on long-term trends; therefore, the County should re-examine these factors in another year to assess the impacts on utility costs and whether projected rate increases will be sufficient for the remainder of the rate adoption period.

## 2. Water Rate Study

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### 2.1 Key Water Rate Study Issues

The County's water rate analysis was undertaken with a few specific objectives, including:

- Generating sufficient revenue to meet anticipated operating and maintenance costs and fund necessary capital improvement projects for the next five years.
- Continuing with a rate design that promotes revenue stability.
- Verifying the cost-of-service linkage between the current rate structure and the proposed water rates.
- Complying with the legal requirements of Prop 218 to ensure the cost of providing service is properly allocated amongst user classifications. This was the basis for eliminating tiered water rates.

NBS developed various water rate alternatives as requested by County staff over the course of this study. All rate structure alternatives relied on industry standards and cost-of-service principles. The rate alternative that will ultimately be implemented is the decision of the Board. The fixed and volume-based charges were calculated based on the net revenue requirements, number of customer accounts, water consumption and estimated water discharge, and other relevant data provided by the County.

The following are the basic components included in this analysis:

**Developing Cost Allocations** – The water revenue requirements were “functionalized” into three categories: (1) commodity (or volume-based) costs; (2) fixed capacity costs; and (3) customer service costs. These functionalized costs were then used to develop unit costs based on various factors, such as water consumption, peaking factors, and number of accounts by meter size.

**Determining Revenue Requirements by Customer Class** – The total revenue that needs to be collected from each customer class, in this case by meter size, was determined using the functional costs and allocation factors. For example, customer costs are allocated based on the number of meters, while volume-related costs are allocated based on the water consumption of each customer class. Once the costs are allocated and the net revenue requirement for each customer class is determined, collecting the revenue requirements from each customer class is addressed within the rate design.

**Evaluating Rate Design (Fixed vs. Variable Charges)** – The revenue requirements for each customer class are collected through a combination of fixed monthly service charges and volumetric rates. Based on direction from County staff, the rates proposed in this report will collect 50.5% of the rate revenue from the fixed charge and 49.5% from the variable charges, which is consistent with the current rate design.

### 2.2 Financial Plan

It is important for municipal utilities to not only collect sufficient revenues every year, but to also maintain reasonable reserves to handle emergencies, fund working capital, maintain a good credit rating, and generally follow sound financial management practices. Rate adjustments are governed by the need to meet operating and capital costs as well as maintain reasonable reserve levels. The current state of the County's water utility, regarding these objectives, is as follows:

**Meeting Net Revenue Requirements:** For FY 2026/27 through FY 2030/31, the projected net revenue requirement (that is, total annual expenses plus debt service and rate-funded capital costs, less non-rate revenues) for the water system averages \$167 thousand to \$304 thousand annually. If no rate adjustments are implemented, the County is projected to run an annual deficit of approximately \$22 thousand in FY 2026/27, increasing to more than \$152 thousand by FY 2030/31, and will be unable to meet forecasted debt service coverage requirements in FY 2028/29 and following years when those debt service payments begin.

**Maintaining Reserve Funds:** Reserve funds provide a basis for a utility to cope with fiscal emergencies, such as revenue shortfalls, asset failure, and natural disasters, among other events. Reserve policies provide guidelines for sound financial management, with an overall long-range perspective to maintain financial solvency and mitigate financial risks associated with revenue instability, volatile capital costs, and unexpected emergencies.

- The County’s existing reserves are significantly below targets currently. If the County pursues debt to fund the projected capital improvement costs, reserve funds will be depleted by the end of the rate period. NBS together with County staff have chosen to set the following reserve targets:
  - **Operating Reserve** equal to 90 days of operating and maintenance expenses, or approximately \$49 thousand in FY 2026/27. An operating reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures, such as those caused by weather patterns, the natural inflow and outflow of cash during billing cycles, natural variability in demand-based revenue streams (e.g., volumetric charges), and – particularly in periods of economic distress – changes or trends in the age of receivables. NBS considers a 90 day operating reserve to be a standard reserve fund target (i.e., most municipal water utilities use a 3- month target for the operating reserve).
  - **Capital Rehabilitation & Replacement Reserve** equal to 90 days of operating and maintenance expenses, or approximately \$49 thousand in FY 2026/27. This reserve is intended to be a cash resource set aside to address long-term capital system replacement and rehabilitation needs. NBS considers this capital reserve target to be at the lower end of what most utilities aim for. Many utilities aim for 3% to 6% of net assets.

**Funding Capital Improvement Projects:** The County must fund necessary capital improvements to maintain current service levels. County staff has identified roughly \$1.9 million in expected capital expenditures over the next five years (FY 2026/27 through FY 2030/31) which is an average of \$371 thousand in capital expenditures annually. This rate study assumes the County will be obtaining approximately \$2 million in State Revolving Fund loans in FY 2026/27 and 2029/30, however the timing and amount of the loans may need to be adjusted as the current model indicates that the required debt coverage may not be sufficient to support the debt as modeled.

**Inflation and Growth Projections:** Cost inflation and growth assumptions are necessary to project future revenues and expenses for the study period. Customer growth is expected to be flat. This factor was used in

the analysis for rate revenues while inflation factors, including the Consumer Price Index,<sup>5</sup> were used in projecting expenses.

**Maintaining Adequate Bond Coverage:** Although the water utility currently has no outstanding debt, this analysis assumes that the County will incurring approximately \$2 million in new loans to fund capital projects. However, whether new debt will be needed will depend on the actual delivery of capital projects (i.e., the timing and costs). The rate covenants of the new loans are likely to include a minimum debt service coverage ratio of 1.20, which is not supported by the anticipated rate revenue as modeled. The benefit of maintaining a higher coverage ratio is that it strengthens the County’s credit rating which can help lower interest rates for debt-funded capital projects and, in turn, reduce annual debt service payments.

**Figure 2** summarizes the sources and uses of funds, net revenue requirements, and the annual percent adjustments in total rate revenue recommended for the next five years.

**Figure 2. Summary of Water Revenue Requirements**

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget		5-Year Projected Rate Period			
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Sources of Water Funds</b>						
Rate Revenue	\$ 143,532	\$ 145,182	\$ 146,852	\$ 148,541	\$ 150,249	\$ 151,977
Non-Rate Revenue	29,890	30,234	30,581	30,933	31,289	31,648
<b>Total Sources of Funds:</b>	<b>\$ 173,422</b>	<b>\$ 175,416</b>	<b>\$ 177,433</b>	<b>\$ 179,474</b>	<b>\$ 181,538</b>	<b>\$ 183,625</b>
<b>Uses of Water Funds</b>						
Operating Expenses	\$ 191,750	\$ 197,245	\$ 203,060	\$ 209,216	\$ 215,736	\$ 222,647
Debt Service	-	-	-	113,567	113,567	113,567
Rate-Funded Capital Expenses	-	-	-	-	0	0
<b>Total Use of Funds:</b>	<b>\$ 191,750</b>	<b>\$ 197,245</b>	<b>\$ 203,060</b>	<b>\$ 322,782</b>	<b>\$ 329,303</b>	<b>\$ 336,214</b>
<b>Surplus (Deficiency) before Rate Increase</b>	<b>\$ (18,328)</b>	<b>\$ (21,829)</b>	<b>\$ (25,627)</b>	<b>\$ (143,309)</b>	<b>\$ (147,765)</b>	<b>\$ (152,588)</b>
Additional Revenue from Rate Increases <sup>1</sup>	-	5,081	20,339	37,484	56,732	78,320
<b>Surplus (Deficiency) after Rate Increase</b>	<b>\$ (18,328)</b>	<b>\$ (16,748)</b>	<b>\$ (5,288)</b>	<b>\$ (105,824)</b>	<b>\$ (91,034)</b>	<b>\$ (74,268)</b>
<b>Projected Annual Rate Increase</b>	<b>0.00%</b>	<b>3.50%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>
<b>Net Revenue Requirement<sup>2</sup></b>	<b>\$ 161,860</b>	<b>\$ 167,012</b>	<b>\$ 172,479</b>	<b>\$ 291,849</b>	<b>\$ 298,014</b>	<b>\$ 304,565</b>

1. Assumes new rates are implemented July 1, 2026.

2. This is the annual amount needed from water rates. [Net Revenue Requirement = Total Use of Funds - (Non-Rate Revenues + Interest Earnings)].

**Figure 3** summarizes the projected reserve fund balances and reserve targets for the County’s unrestricted funds. A detailed version of the proposed 5-year financial plan is included in the Appendix. The tables in the Appendix include the revenue requirement, reserve funds, revenue sources, capital improvement costs, and the proposed rate adjustments needed to meet the County’s funding requirements.

**Figure 3. Summary of Primary Water Reserve Funds**

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budget		5-Year Projected Rate Period			
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Operating Reserve</b>						
Ending Balance	\$ (43,087)	\$ (59,835)	\$ (65,123)	\$ (170,947)	\$ (261,980)	\$ (336,249)
<i>Recommended Minimum Target</i>	<i>48,000</i>	<i>49,000</i>	<i>51,000</i>	<i>52,000</i>	<i>54,000</i>	<i>56,000</i>
<b>Capital Reserve</b>						
Ending Balance	\$ 152,260	\$ 153,782	\$ 155,320	\$ 156,873	\$ 158,442	\$ 160,026
<i>Recommended Minimum Target</i>	<i>48,000</i>	<i>49,000</i>	<i>51,000</i>	<i>52,000</i>	<i>54,000</i>	<i>56,000</i>
<b>Total Ending Balance</b>	<b>\$ 109,173</b>	<b>\$ 93,947</b>	<b>\$ 90,197</b>	<b>\$ (14,074)</b>	<b>\$ (103,539)</b>	<b>\$ (176,222)</b>
<b>Total Recommended Minimum Target</b>	<b>\$ 96,000</b>	<b>\$ 98,000</b>	<b>\$ 102,000</b>	<b>\$ 104,000</b>	<b>\$ 108,000</b>	<b>\$ 112,000</b>

<sup>5</sup> Consumer Price Index for all urban consumers in the San Francisco area. Source: Website: <https://www.bls.gov/cpi/>.

## 2.3 Cost-of-Service Analysis

Once the net revenue requirements are determined, the cost-of-service analysis (COSA) proportionately distributes the revenue requirements to each of the customer classes. The COSA consists of two major components: (1) the classification of expenses, and (2) the allocation of costs to each customer class. Costs are classified according to the function they serve. All costs in the County's budget are allocated to each component of the rate structure in proportion to the level of service required by customers.

The level of service is related to the volume and strength of the water treated, infrastructure capacity, and customer service. These costs are based on allocation factors, such as water consumption, number of meters, and customer class. Ultimately, a COSA is intended to result in rates that are proportional to the cost of providing service to each customer class.

### FUNCTIONALIZATION AND CLASSIFICATION OF COSTS

Most costs are not typically allocated just to fixed or variable categories but rather allocated to multiple functions of water service. The functionalization and classification process provides the basis for allocating costs to various customer classes based on the cost causation (classification) components described below:

- **Commodity-related costs** are costs associated with the change in the volume of water produced and delivered. These commonly include the costs of water quality testing, energy related to pumping for transmission and distribution, and source of supply.
- **Capacity-related costs** are costs associated with sizing facilities to meet the maximum, or peak, demand. This includes both operating costs and capital infrastructure costs incurred to accommodate peak system capacity events.
- **Customer-related costs** are costs associated with having a customer connected to the water system, such as meter reading, postage, billing, and other administrative duties.

The County's budgeted costs were reviewed and allocated to these cost causation components which are used as the basis for establishing new water rates and translated into fixed and variable charges. Tables in the Appendix show how the County's expenses were classified and allocated to these cost causation components. In the analysis, these cost causation components are also considered to be either fixed or variable.

### FIXED AND VARIABLE COSTS

Ideally, utilities should recover all of their fixed costs from fixed charges and all of their variable costs from volumetric charges. When this is the case, fluctuations in water sales revenues would be directly offset by reductions or increases in variable expenses, which provides greater revenue stability for the utility. However, other factors are often considered when designing water rates, such as community values, water conservation goals, ease of understanding, and ease of administration.<sup>6</sup>

NBS functionalized the County's costs into categories that represent fixed and variable costs. This analysis resulted in a cost distribution that is approximately 55.2% fixed and 44.8% variable (i.e., volumetric), which is consistent with the County's current rate revenue collection from customers in proportions of

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<sup>6</sup> *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, Manual M1, AWWA, 7<sup>th</sup> Edition, 2017, pp. 6 and 96.

approximately 56% fixed and 44% variable. County staff agrees with NBS that the current rate design is the preferred rate alternative; it provides continuity for the County’s rate design while also encouraging water conservation. Therefore, the proposed new rates are based on these 55.2% fixed and 44.8% variable allocations.

**Figure 4** summarizes how costs are allocated to each cost component and used to establish new water rates. **Figure 5** shows the resulting cost allocation to each cost classification component.

**Figure 4. Allocation Percentages of Revenue Requirements**

Classification Components	Cost-of-Service Net Revenue Requirements (FY 2026/27)	
	Commodity-Related Costs	\$ 67,297
Capacity-Related Costs	74,462	49.6%
Customer-Related Costs	8,505	5.7%
<b>Net Revenue Requirement</b>	<b>\$ 150,264</b>	<b>100.0%</b>

**Figure 5. Allocated Net Revenue Requirements**

Customer Classes	Classification Components			Cost of Service Net Rev. Req'ts	% of COS Net Revenue Req'ts
	VARIABLE	FIXED			
	Commodity-Related Costs	Capacity-Related Costs	Customer-Related Costs		
All Customers	\$ 67,297	\$ 74,462	\$ 8,505	\$ 150,264	100.0%
<b>Total Net Revenue Requirement</b>	<b>\$ 67,297</b>	<b>\$ 74,462</b>	<b>\$ 8,505</b>	<b>\$ 150,264</b>	<b>100%</b>

## 2.4 Characteristics of Water Customers by Customer Class

Customer classes are typically determined by grouping customers with similar demand characteristics into categories that reflect the cost differentials to serve each type of customer. In this case customers are identified by meter size, as the land uses are fairly homogenous. The rates proposed in this report follow a similar structure where the fixed charges for the single customer class vary by meter size while all customers are charged a uniform volumetric rate.

The amount of consumption, the peaking factors, and the number of meters by size are used to allocate costs to customer classes and determine the appropriate rate structures for each. These components of the COSA are presented in the following figures.

Commodity-related costs are costs associated with the total annual consumption of water by customer class. **Figure 6** below summarizes the most recent consumption data by customer class and represents the expected percent of consumption over the 5-year rate period.

**Figure 6. Water Consumption by Customer Class**

Development of the Volumetric/Variable Allocation Factor <sup>1</sup>		
Customer Class	CY 2024 Consumption (HCF)	% of Total Volume
All Customers	6,976	100.0%
<b>Total</b>	<b>6,976</b>	<b>100.0%</b>

1. Consumption data is based on County billing data for CY 2024.

Both operating costs and capital infrastructure costs incurred to accommodate peak system capacity events are generally allocated to each meter size according to its contribution to peak capacity events. These peaking factors are used to allocate the capacity-related costs to each customer class and are described in more detail later in this study.

**Figure 7** shows the number of meters for each customer class. The percentage of total customers by customer class is then used to develop the customer allocation factors to allocate customer costs. Customer costs are those costs associated with having customers connected to the water system and include costs related to meter reading, postage, and billing.

**Figure 7. Number of Meters by Customer Class**

Development of the Customer Allocation Factor		
Customer Class	No. of Meters CY 2024	% of Total Meters
All Customers	126	100.0%
<b>Total</b>	<b>126</b>	<b>100.0%</b>

1. Number of meters is based on County billing data for December 2024.

## 2.5 Rate Design Analysis

Evaluating the water rate structure includes reviewing rate-design objectives and policies, including continuity of rate design, revenue stability, equity among customers, and water conservation. NBS discussed the 55.2%/44.8% rate design with County staff over the course of this study as it is closest to the actual cost of service based on NBS’ analysis and consistent with the current rate design. Also, because of the difficulty meeting Prop 218 legal requirements of demonstrating the cost basis for tiered rates given the County’s water supply costs, the preferred rate structure proposes a uniform tier for all customers rather than the existing three tiers. The following section describes how the proposed water rates were determined.

### DEVELOPMENT OF PROPOSED RATES

#### *Fixed Service Charges*

The fixed meter charge recognizes that the water utility incurs fixed costs regardless of whether customers use water. Two components comprise the fixed meter charge: (1) the capacity component, and (2) the customer component. The capacity component recovers costs associated with sizing the water system to

ensure there is sufficient capacity in the system to meet peak demand. A user class with higher-peaking ratio is allocated a proportionately higher share of the capacity-related costs compared to customer classes with lower peaking ratios. The customer component includes those costs related to reading and maintaining meters, customer billing and collection, and other customer service-related costs.

Fixed charges also vary based on meter sizes because larger meters have higher capacity requirements and reflect their potential to use more of the system’s capacity.<sup>7</sup> The potential capacity demands (peaking) is proportional to the maximum hydraulic flow through each meter size based on the hydraulic capacity ratios established by AWWA.<sup>8</sup> The AWWA capacity ratios used for this report are shown in **Figure 8**.

**Figure 8. Hydraulic Capacity Factors**

Meter Size	Standard Meters	
	Meter Capacity (GPM) <sup>1</sup>	Equivalency to 3/4 inch
	<i>Displacement Meters</i>	
3/4 inch	30	1.00
1 inch	50	1.67
1 1/2 inch	100	3.33
2 inch	160	5.33
	<i>Compound Class I Meters</i>	
3 inch	320	10.67
4 inch	500	16.67
6 inch	1,000	33.33
8 inch	1,600	53.33

1. Per AWWA, M1 Manual, Table B-1.

The actual number of meters by size is multiplied by the corresponding capacity ratios to calculate “equivalent” meters. The number of equivalent meters is used as a proxy for the potential demand that each customer can place on the water system. **Figure 9** summarizes the number of meters, the hydraulic capacity factors, and the number of equivalent meters (i.e., the number of meters multiplied by the hydraulic capacity factor) by customer class and meter size.

**Figure 9. Equivalent Meters**

Number of Meters by Class and Size <sup>1</sup>	FY 2026/27								Total
	5/8 - 3/4" meter	1" meter	1.5" meter	2" meter	3" meter	4" meter	6" meter	8" meter	
All Customers	93	33	0	0	0	0	0	0	126
<b>Total Meters/Accounts</b>	<b>93</b>	<b>33</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>126</b>
<i>Hydraulic Capacity Factor<sup>2</sup></i>	<i>1.00</i>	<i>1.67</i>	<i>3.33</i>	<i>5.33</i>	<i>10.67</i>	<i>16.67</i>	<i>33.33</i>	<i>53.33</i>	
<b>Total Equivalent Meters</b>	<b>93</b>	<b>55</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>148</b>

Using the costs allocated to each customer class from Figure 5, **Figure 10** shows the calculation of the fixed monthly service charges for all customer classes based on meter size. As previously mentioned, the customer service charge is calculated by dividing the customer service-related costs by the total number of

<sup>7</sup> System capacity is the system’s ability to supply water to all delivery points at the time when demanded.

<sup>8</sup> *Principles of Water Rates, Fees and Charges*, Manual of Water Supply Practices, Manual M1, AWWA, 7<sup>th</sup> Edition, 2017, p. 386. *Water Meters – Selection, Installation, Testing and Maintenance*, Manual M6, AWWA, 5<sup>th</sup> Edition, 2012, pp. 63-65.

meters, whereas the fixed capacity charge is calculated by dividing the capacity-related costs by the total number of equivalent meters for each meter size.

**Figure 10. Calculation of Fixed Service Charges for FY 2026/27**

Number of Meters by Class and Size <sup>1</sup>	FY 2026/27								Total
	5/8 - 3/4" meter	1" meter	1.5" meter	2" meter	3" meter	4" meter	6" meter	8" meter	
All Customers	93	33	0	0	0	0	0	0	126
<b>Total Meters/Accounts</b>	<b>93</b>	<b>33</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>126</b>
Hydraulic Capacity Factor <sup>2</sup>	1.00	1.67	3.33	5.33	10.67	16.67	33.33	53.33	
<b>Total Equivalent Meters</b>	<b>93</b>	<b>55</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>148</b>
<b>Monthly Fixed Service Charges</b>									
Customer Costs (\$/Acct/month) <sup>3</sup>	\$ 5.63	\$ 5.63	\$ 5.63	\$ 5.63	\$ 5.63	\$ 5.63	\$ 5.63	\$ 5.63	
Capacity Costs (\$/Acct/month) <sup>4</sup>	41.93	69.88	139.76	223.61	447.22	698.78	1,397.55	2,236.09	
<b>Total Monthly Meter Charge</b>	<b>\$47.55</b>	<b>\$75.50</b>	<b>\$145.38</b>	<b>\$229.23</b>	<b>\$452.84</b>	<b>\$704.40</b>	<b>\$1,403.18</b>	<b>\$2,241.71</b>	

1. Meter by Class and Size are based on December 2024 customer billing data.
2. Source: *Principles of Water Rates, Fees, and Charges*, Manual M1, AWWA, Table B-1.
3. Customer costs are allocated to each customer by dividing the total customer costs by the total number of customers.
4. Capacity costs are allocated by meter size and the hydraulic capacity of the meter.

**Volumetric Rates**

Currently, the County uses a 4-tier rate structure for all customers; however, the proposed rates are based on a uniform, or single tier, volumetric rate. Given the single source of water supply, a uniform volumetric rate is more feasible from a Prop 218 perspective.

Figure 11 shows the calculation of the uniform tier rate per unit of water for all customers.

**Figure 11. Uniform Tier Rates for FY 2026/27**

Customer Classes	Water Consumption (HCF/yr)	Total Target Rev. Req't from Vol. Charges	% of Total Rate Revenue	Uniform Commodity Rates (\$/HCF)	Proposed Rate Structure
All Customers	6,976	\$ 67,297	44.8%	\$9.65	Uniform
<b>Total Water</b>	<b>6,976</b>	<b>\$ 67,297</b>	<b>44.8%</b>		

**2.6 Proposed Water Rates**

Since the County’s last rate study, the underlying cost factors (e.g., number of meters and water consumption) have changed. The cost-of-service analysis by nature “re-balances” how costs are allocated between customer classes and, as a result, there are uneven adjustments in the first year of the 5-year rate adoption period. In contrast, in the subsequent four years of the rate planning period, proposed charges are simply adjusted by the proposed adjustment in total rate revenue needed to meet projected revenue requirements.

Figure 12 provides a comparison of the current and proposed water rates for FY 2026/27 through 2030/31 for each customer class and meter size. Projected rates for each fiscal year<sup>9</sup> reflect adjustments based on the cost-of-service analysis, the 55.2% fixed/44.8% variable rate design structure, and the recommended percent increases in rate revenue planned for each year. More detailed tables on the development of the proposed water rates are documented in the Appendix.

<sup>9</sup> All rate adjustments are scheduled to be effective on January 1, 2024.

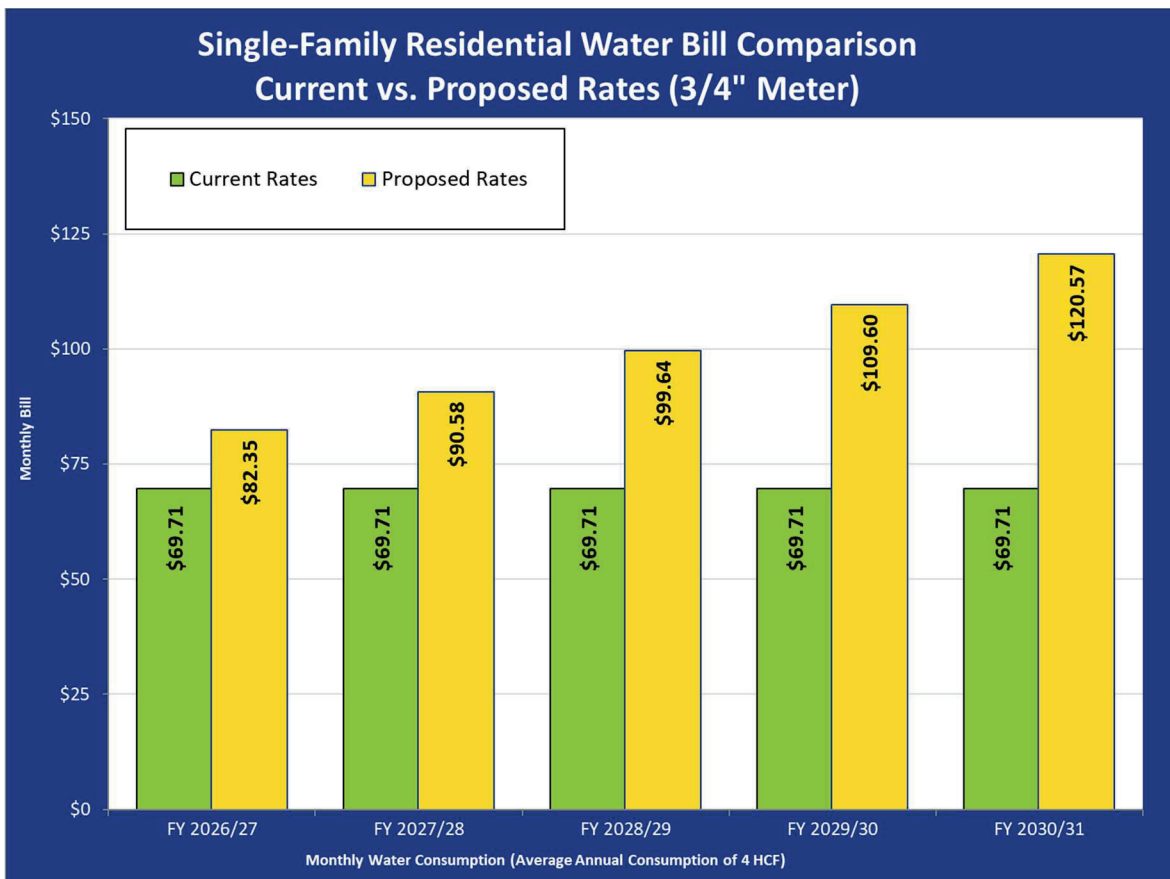
**Figure 12. Current and Proposed Water Rates**

Water Rate Schedule	Current Rates	Proposed Rates				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Monthly Fixed Service Charges (in \$/mo)</b>						
<b>Domestic Service Charge</b>						
3/4"	\$43.24	\$47.55	\$52.31	\$57.54	\$63.29	\$69.62
1"	\$72.07	\$75.50	\$83.05	\$91.36	\$100.49	\$110.54
<b>Water Usage Charges (in \$/HCF)</b>						
0-10 HCF	\$7.34	\$9.65	\$10.61	\$11.67	\$12.84	\$14.12
11-25 HCF	\$8.45	N/A	N/A	N/A	N/A	N/A
26-50 HCF	\$9.71	N/A	N/A	N/A	N/A	N/A
51+ HCF	\$11.16	N/A	N/A	N/A	N/A	N/A

## 2.7 Comparison of Current and Proposed Water Bills

**Figure 13** compares a monthly water bills under the current and proposed water rates for a residential customer. These monthly bills for each year of the rate period are based on typical meter sizes and highlight the average consumption levels for the customer.

**Figure 13. Monthly Water Bill Comparison for Residential Customers**



## 3. Recommendations and Next Steps

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### 3.1 Consultant Recommendations

NBS recommends the County take the following actions:

- **Approve and Accept this Study:** NBS recommends the Board formally approve and adopt this Study and its recommendations and proceed with the next steps outlined below to implement the proposed rates. This will provide documentation of the rate study analyses and the basis for analyzing potential changes to future rates.
- **Implement Recommended Levels of Rate Increases and Proposed Rates:** Based on successfully meeting the Prop 218 procedural requirements, the County should proceed with implementing the 5-year schedule of proposed rates and rate increases previously shown in Figure 12. This will help ensure the continued financial health of County's utilities.

### 3.2 Next steps

**Annually Review Rates and Revenue** – Any time an agency adopts new utility rates or rate structures, those new rates should be closely monitored over the next several years to ensure the revenue generated is sufficient to meet the annual revenue requirements. Changing economic and water consumption patterns underscore the need for this review, as well as potential and unseen changing revenue requirements — particularly those related to environmental regulations that can significantly affect capital improvements and repair and replacement costs.

*Note: The attached Appendix provide more detailed information on the analysis of the financial plan, revenue requirements, cost-of-service, and the rate design analyses that have been summarized in this report.*

### 3.3 NBS' Principal Assumptions and Considerations

In preparing this report and the opinions and recommendations included herein, NBS has relied on several principal assumptions and considerations regarding financial matters, conditions, and events that may occur in the future. This information and these assumptions, including the County's budgets, capital improvement costs, customer accounts and consumption, and information from County staff were provided by sources we believe to be reliable, although NBS has not independently verified this data.

While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report and its recommendations, some assumptions will invariably not materialize as stated herein and may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.

# Appendix. Water Rate Study Tables and Figures

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TABLE 1 : FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

RATE REVENUE REQUIREMENTS SUMMARY	Projected FY 2025/26	5-Year Projected Rate Period				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Sources of Water Funds<sup>1</sup></b>						
<i>Rate Revenue:</i>						
070-Charges for Current Services	\$ 7,940	\$ 8,032	\$ 8,124	\$ 8,217	\$ 8,312	\$ 8,407
075-Charges for Current Services-Fee Ord	143,532	145,182	146,852	148,541	150,249	151,977
<i>Non-Rate Revenue:</i>						
000-Taxes	202	205	207	209	212	214
030-Revenue From Use of Money & Property	1,517	1,535	1,552	1,570	1,588	1,607
040-Intergovernmental Revenue-State	-	-	-	-	-	-
080-Other Revenue	20,230	20,463	20,698	20,936	21,177	21,420
<b>Total Sources of Funds:</b>	<b>\$ 173,422</b>	<b>\$ 175,416</b>	<b>\$ 177,433</b>	<b>\$ 179,474</b>	<b>\$ 181,538</b>	<b>\$ 183,625</b>
<b>Uses of Water Funds<sup>1</sup></b>						
<i>Operating Expenses:</i>						
200-Services & Supplies-General	\$ 69,523	\$ 73,444	\$ 77,633	\$ 82,111	\$ 86,900	\$ 92,024
540-Intra Entity Reimbursement Out	122,226	123,802	125,427	127,105	128,836	130,623
Subtotal: Operating Expenses	\$ 191,750	\$ 197,245	\$ 203,060	\$ 209,216	\$ 215,736	\$ 222,647
<i>Other Expenditures:</i>						
Existing Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
New Debt Service	-	-	-	113,567	113,567	113,567
Rate-Funded Capital Expenses	-	-	-	-	0	0
Subtotal: Other Expenditures	\$ -	\$ -	\$ -	\$ 113,567	\$ 113,567	\$ 113,567
<b>Total Uses of Water Funds:</b>	<b>\$ 191,750</b>	<b>\$ 197,245</b>	<b>\$ 203,060</b>	<b>\$ 322,782</b>	<b>\$ 329,303</b>	<b>\$ 336,214</b>
<i>plus: Revenue from Rate Increases<sup>2</sup></i>						
	\$ 5,081	\$ 5,081	\$ 5,081	\$ 5,081	\$ 5,081	\$ 5,081
<b>Annual Surplus/(Deficit)</b>	<b>\$ (18,328)</b>	<b>\$ (16,748)</b>	<b>\$ (5,288)</b>	<b>\$ (105,824)</b>	<b>\$ (91,034)</b>	<b>\$ (74,268)</b>
<b>Net Revenue Req't. (Total Uses less Non-Rate Revenue)</b>	<b>\$ 164,860</b>	<b>\$ 167,012</b>	<b>\$ 172,479</b>	<b>\$ 291,849</b>	<b>\$ 298,014</b>	<b>\$ 304,565</b>
<b>Total Rate Revenue After Rate Increases (Water)</b>	<b>\$ 151,472</b>	<b>\$ 158,295</b>	<b>\$ 175,315</b>	<b>\$ 194,243</b>	<b>\$ 215,293</b>	<b>\$ 238,705</b>
<b>Projected Annual Rate Revenue Increase</b>	<b>0.00%</b>	<b>3.50%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>
<b>Cumulative Increase from Annual Revenue Increases</b>	<b>0.00%</b>	<b>3.50%</b>	<b>13.85%</b>	<b>25.24%</b>	<b>37.76%</b>	<b>51.53%</b>
<b>Debt Coverage After Rate Increase</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>0.07</b>	<b>0.20</b>	<b>0.35</b>

1. Revenue and expenses for FY 2025/26 provided by the District. Revenues and expenses for all other years are escalated based on the forecasting assumptions in Table 7.  
 2. Revenue from rate increases assumes an implementation date of July 1, 2026 for new rates. For each year thereafter, the assumption is that new rates will be implemented on July 1.

1	← Select Financial Plan Scenario Here					
Financial Plan Alternatives	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
1 Alternative 1 - Custom Rate Increases	0.00%	3.50%	10.00%	10.00%	10.00%	10.00%
2 Alternative 2 - Custom Rate Increases	0.00%	5.00%	5.00%	5.00%	5.00%	5.00%
3 Alternative 3 - Custom Rate Increases	0.00%	4.00%	10.00%	10.00%	10.00%	10.00%
4 Alternative 4 - No Rate Increases	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

TABLE 2 : RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY	Projected FY 2025/26	5-Year Projected Rate Period				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Unrestricted Reserve:</b>						
<b>Total Beginning Cash<sup>1</sup></b>						
<b>Operating Reserve</b>						
Beginning Reserve Balance	\$ (24,759)	\$ (43,087)	\$ (59,835)	\$ (65,123)	\$ (170,947)	\$ (261,980)
Plus: Net Cash Flow (After Rate Increases)	(18,328)	(16,748)	(5,288)	(105,824)	(91,034)	(74,268)
Plus: Transfer in of Debt Reserve Surplus	-	-	-	-	-	-
Plus: Interest Earnings	-	-	-	-	-	-
Plus: Loan Proceeds	-	-	-	-	-	-
Less: Transfer out to Capital and Infrastructure Reserve	-	-	-	-	-	-
<b>Ending Operating Reserve Balance</b>	<b>(\$43,087)</b>	<b>(\$59,835)</b>	<b>(\$65,123)</b>	<b>(\$170,947)</b>	<b>(\$261,980)</b>	<b>(\$336,249)</b>
<b>Target Ending Balance (90 days of O&amp;M)<sup>2</sup></b>	<b>\$ 48,000</b>	<b>\$ 49,000</b>	<b>\$ 51,000</b>	<b>\$ 52,000</b>	<b>\$ 54,000</b>	<b>\$ 56,000</b>
<b>Capital Reserve</b>						
Beginning Reserve Balance	\$ 150,752	\$ 152,260	\$ 153,782	\$ 155,320	\$ 156,873	\$ 158,442
Plus: Grant Proceeds	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surplus	-	1,523	-	-	-	-
Plus: Interest Earnings	1,508	1,538	1,538	1,553	1,569	1,584
Less: Use of Reserves for Capital Projects	-	-	-	-	-	-
<b>Ending Capital Reserve Balance</b>	<b>\$ 152,260</b>	<b>\$ 153,782</b>	<b>\$ 155,320</b>	<b>\$ 156,873</b>	<b>\$ 158,442</b>	<b>\$ 160,026</b>
<b>Target Ending Balance (90 days of O&amp;M)<sup>2</sup></b>	<b>\$ 48,000</b>	<b>\$ 49,000</b>	<b>\$ 51,000</b>	<b>\$ 52,000</b>	<b>\$ 54,000</b>	<b>\$ 56,000</b>
<b>Ending Balance - Excl. Restricted Reserves</b>	<b>\$ 109,173</b>	<b>\$ 93,947</b>	<b>\$ 90,187</b>	<b>\$ (14,074)</b>	<b>\$ (108,539)</b>	<b>\$ (176,222)</b>
<b>Min. Target Ending Balance - Excl. Restricted Reserves</b>	<b>\$ 96,000</b>	<b>\$ 98,000</b>	<b>\$ 102,000</b>	<b>\$ 104,000</b>	<b>\$ 108,000</b>	<b>\$ 112,000</b>
<b>Ending Surplus/(Deficit) Compared to Reserve Targets</b>	<b>\$ 13,173</b>	<b>\$ (4,053)</b>	<b>\$ (11,803)</b>	<b>\$ (118,074)</b>	<b>\$ (211,539)</b>	<b>\$ (288,222)</b>
<b>Annual Interest Earnings Rate<sup>3</sup></b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>

1. Beginning cash balances provided by District Staff.  
 2. The target ending balance is set equal to 90 days of O&M expenses.  
 3. Historical interest earning rates are per the average annual yields for funds invested in LAIF (2018-2024). The source is the California State Treasurer's website: <https://www.treasu>

TABLE 4: REVENUE FORECAST<sup>1</sup>

DESCRIPTION	Basis	5-Year Projected Rate Period				
		Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
<b>Operating Revenue</b>						
40008015 PROP TAXES-CURR SEC 1% TAX LTV	1	\$ -	\$ -	\$ -	\$ -	\$ -
40008025 PROP TX CUR UNSEC 1% GEN TAX	1	\$ -	\$ -	\$ -	\$ -	\$ -
40008035 PROP TX CUR UNITARY 1% LEVY	1	\$ -	\$ -	\$ -	\$ -	\$ -
40008125 PROP TX PRL UNSEC 1% GEN TAX	1	\$ -	\$ -	\$ -	\$ -	\$ -
40008145 INT & PEN DELINQUENT TAXES	1	202	205	207	209	212
40008230 SUPP ROLL CURRENT	1	-	-	-	-	-
40008235 SUPP ROLL PRIOR	1	-	-	-	-	-
<b>000-Taxes</b>		\$ 202	\$ 205	\$ 207	\$ 209	\$ 212
40308500 INTEREST	1	\$ 1,517	\$ 1,535	\$ 1,552	\$ 1,570	\$ 1,588
<b>030-Revenue From Use of Money &amp; Property</b>		\$ 1,517	\$ 1,535	\$ 1,552	\$ 1,570	\$ 1,588
40408800 GENERAL TAX LEVY HOMEOWNER EXM	1	\$ -	\$ -	\$ -	\$ -	\$ -
40408955 STATE - GRANTS	1	\$ -	\$ -	\$ -	\$ -	\$ -
<b>040-Intergovernment Revenue-State</b>		\$ 809	\$ 819	\$ 828	\$ 837	\$ 847
40708155 SPECIAL ASSMNT ALL PRIOR YEARS	1	202	205	207	209	212
40708160 SP ASSMNT CUR YR TX ROLL GEN	1	9,812	9,924	10,039	10,154	10,271
40708165 SP ASSMNT CUR YR TX ROLL WATER	1	1,214	1,228	1,242	1,256	1,271
40708175 SP ASSMNT CUR YR DEL USER CHGS	1	\$ 12,037	\$ 12,175	\$ 12,315	\$ 12,457	\$ 12,600
<b>070-Charges for Current Services</b>		\$ 12,037	\$ 12,175	\$ 12,315	\$ 12,457	\$ 12,600
40758480 FEE ORD-PENALTIES	1	\$ 1,214	\$ 1,228	\$ 1,242	\$ 1,256	\$ 1,271
40758680 FEE ORD-PERMIT & INSPECTION FEES	1	152	153	155	157	159
40759715 FEE ORD-CONNECTION FEES	1	2,529	2,558	2,587	2,617	2,647
40759720 FEE ORD-RESIDENTIAL SALES	1	131,495	133,007	134,537	136,084	137,649
40759800 FEE ORD-OTHER SERVICES	1	4,046	4,093	4,140	4,187	4,235
<b>075-Charges for Current Services-Fee Ord</b>		\$ 139,435	\$ 141,039	\$ 142,661	\$ 144,301	\$ 145,961
40809970 OTHER	1	\$ 12,138	\$ 12,278	\$ 12,419	\$ 12,562	\$ 12,706
40809930 Other Sales	1	\$ 8,092	\$ 8,185	\$ 8,279	\$ 8,374	\$ 8,471
<b>080-Other Revenue</b>		\$ 20,230	\$ 20,463	\$ 20,698	\$ 20,936	\$ 21,177
<b>TOTAL REVENUE</b>		\$ 173,422	\$ 175,416	\$ 177,433	\$ 179,474	\$ 181,538

TABLE 5: REVENUE SUMMARY

DESCRIPTION	Basis	5-Year Projected Rate Period				
		Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
000-Taxes		\$ 202	\$ 205	\$ 207	\$ 209	\$ 212
030-Revenue From Use of Money & Property		\$ 1,517	\$ 1,535	\$ 1,552	\$ 1,570	\$ 1,588
040-Intergovernmental Revenue-State		\$ -	\$ -	\$ -	\$ -	\$ -
070-Charges for Current Services		\$ 7,940	\$ 8,032	\$ 8,124	\$ 8,217	\$ 8,312
075-Charges for Current Services-Fee Ord		\$ 143,532	\$ 145,182	\$ 146,852	\$ 148,541	\$ 150,249
080-Other Revenue		\$ 20,230	\$ 20,463	\$ 20,698	\$ 20,936	\$ 21,177
<b>TOTAL REVENUE</b>		\$ 173,422	\$ 175,416	\$ 177,433	\$ 179,474	\$ 181,538

CSA 70 W-4 Pioneer Town  
WATER RATE STUDY  
Operating Revenue and Expenses

TABLE 6 : OPERATING EXPENSE FORECAST<sup>1</sup>

DESCRIPTION	Basis	5-Year Projected Rate Period									
		Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31				
<b>Operating Expenses</b>											
52002085 LEGAL NOTICES	2	\$ 41	\$ 43	\$ 44	\$ 45	\$ 47	\$ 48				
52002090 MISCELLANEOUS EXPENSE	2	1,032	1,065	1,099	1,134	1,171	1,208				
52002135 SPECIAL DEPT EXPENSE	2	1,032	1,065	1,099	1,134	1,171	1,208				
52002180 UTILITIES	2	52	53	55	57	59	60				
52002182 UTILITIES-ELECTRICITY	5	33,240	36,015	39,022	42,281	45,811	49,636				
52002186 UTILITIES-WATER	2	1,032	1,065	1,099	1,134	1,171	1,208				
52002188 UTILITIES-REFUSE	2	516	533	550	567	585	604				
52002310 PRESORT & PACKAGING (ISF ONLY)	2	1,032	1,065	1,099	1,134	1,171	1,208				
52002350 PRINTING - OUTSIDE VENDORS	2	52	53	55	57	59	60				
52002415 COUNTY SERVICES (INCL COWCAP )	2	448	462	477	492	508	524				
52002441 EXTERMINATOR	2	155	160	165	170	176	181				
52002445 OTHER PROFESSIONAL & SPEC SVCS	2	20,640	21,300	21,982	22,686	23,411	24,161				
52002448 COUNTY SERVICES	3	500	500	500	500	500	500				
52002458 PERMIT COSTS	2	2,270	2,343	2,418	2,495	2,575	2,658				
52002660 PENALTIES	2	52	53	55	57	59	60				
52002678 MISCELLANEOUS LAB TESTING	2	4,128	4,260	4,396	4,537	4,682	4,832				
52002855 GENERAL MAINTENANCE-EQUIPMENT	2	516	533	550	567	585	604				
52002870 GEN MAINT-STRUCT,IMP & GROUNDS	2	206	213	220	227	234	242				
52002895 RENTS & LEASES- EQUIPMENT	2	1,238	1,278	1,319	1,361	1,405	1,450				
52002930 MAINTENANCE CHARGES (ISF ONLY)	2	1,342	1,385	1,429	1,475	1,522	1,570				
<b>200 Services &amp; Supplies General</b>		<b>69,523</b>	<b>73,444</b>	<b>77,633</b>	<b>82,111</b>	<b>86,900</b>	<b>92,024</b>				
55405010 SALARIES & BENE TRANSFERS OUT	3	73,000	73,000	73,000	73,000	73,000	73,000				
55405012 SERVS & SUPPLY TRANSFERS OUT	2	20,640	21,300	21,982	22,686	23,411	24,161				
55405018 INTERVAL COST ALLOCA OUT	2	28,586	29,501	30,445	31,419	32,425	33,462				
540-Intra Entity Reimbursement Out		<b>122,226</b>	<b>125,802</b>	<b>129,427</b>	<b>133,105</b>	<b>136,836</b>	<b>140,623</b>				
<b>SUBTOTAL: WATER SYSTEM EXPENSES</b>		<b>\$ 191,750</b>	<b>\$ 197,245</b>	<b>\$ 203,060</b>	<b>\$ 209,216</b>	<b>\$ 215,736</b>	<b>\$ 222,647</b>				
<b>GRAND TOTAL: WATER EXPENSES</b>		<b>\$ 191,750</b>	<b>\$ 197,245</b>	<b>\$ 203,060</b>	<b>\$ 209,216</b>	<b>\$ 215,736</b>	<b>\$ 222,647</b>				

TABLE 7 : FORECASTING ASSUMPTIONS

INFLATION FACTORS <sup>3</sup>	Basis	2026	2027	2028	2029	2030	2031
Customer Growth <sup>2</sup>	1	1.15%	1.15%	1.15%	1.15%	1.15%	1.15%
General Cost Inflation <sup>3</sup>	2	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
Labor Cost Inflation <sup>4</sup>	3	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Chemicals <sup>5</sup>	4	5.45%	5.45%	5.45%	5.45%	5.45%	5.45%
Electricity <sup>6</sup>	5	8.35%	8.35%	8.35%	8.35%	8.35%	8.35%
No Escalation	6	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

1. Revenue and expenses for FY 2024/25 provided by the County. Revenues and expenses for all other years are escalated based on the forecasting assumptions in Table 7.  
 2. Customer growth is based on the population projections provided by the County.  
 3. General cost inflation is based on the Consumer Price Index for all Urban Consumers in the San Bernardino-Riverside-Ontario, CA area.  
 4. Labor cost inflation is provided by County.  
 5. Chemical cost inflation is based on the Producer Price Index for Chemical Manufacturing.  
 6. Electricity cost inflation is based on the Consumer Price Index for Electricity for the San Bernardino-Riverside-Ontario, CA area.

TABLE 8 : CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST	Projected	5-Year Projected Rate Period				
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
<b>Funding Sources:</b>						
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Capacity Fee Reserves	-	-	-	-	-	-
SRF Loan Funding	414,000	535,613	554,359	172,128	178,153	
Use of New Revenue Bond Proceeds	-	-	-	-	-	
Use of Capital Rehabilitation and Replacement Reserve	-	-	-	-	-	
Rate Revenue	-	-	-	-	-	
<b>Total Sources of Capital Funds</b>	<b>\$ 414,000</b>	<b>\$ 535,613</b>	<b>\$ 554,359</b>	<b>\$ 172,128</b>	<b>\$ 178,153</b>	
<b>Uses of Capital Funds:</b>						
Total Project Costs	\$ -	\$ 414,000	\$ 535,613	\$ 554,359	\$ 172,128	
<b>Capital Funding Surplus (Deficiency)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1</b>	<b>\$ 0</b>	<b>\$ -</b>	
<b>SRF Loan Funding</b>	<b>\$ -</b>	<b>\$ 414,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>New Revenue Bond Proceeds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

TABLE 9 : CAPITAL IMPROVEMENT PROGRAM FUNDING OPTIONS

Policy Choice	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
1 Alternative 1 - Full Funding of CIP	\$ 414,000	\$ 535,613	\$ 554,359	\$ 172,128	\$ 178,153	\$ 178,153
2 Alternative 2 - 75% Funding of CIP	\$ 310,500	\$ 401,709	\$ 415,769	\$ 129,096	\$ 133,615	\$ 133,615
3 Alternative 3 - 50% Funding of CIP	\$ 207,000	\$ 267,806	\$ 277,179	\$ 86,064	\$ 89,076	\$ 89,076

Insert policy choice in box to right, based on options listed above:

1

Capital Improvement Program Funding Choice	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Effective Annual Funding Amount	\$ -	\$ 414,000	\$ 535,613	\$ 554,359	\$ 172,128	\$ 178,153

CSA 70 W-4 Pioneer Town  
WATER RATE STUDY  
Capital Improvement Plan Expenditures

CAPITAL IMPROVEMENT PROGRAM

TABLE 10 : CAPITAL IMPROVEMENT PROGRAM COSTS (in Current-Year Dollars)<sup>1</sup>

Project #	Project Description <sup>2</sup>	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<i>Water Treatment Plant</i>							
	Master Plan	\$ -	\$ 150,000	\$ -	\$ -	\$ -	\$ -
	Treatment Feasibility Study	-	250,000	-	-	-	-
	Treatment Facility	-	-	500,000	500,000	-	-
	Future CIP	-	-	-	-	150,000	150,000
<b>Total: CIP Program Costs (Current-Year Dollars)</b>		<b>\$ -</b>	<b>\$ 400,000</b>	<b>\$ 500,000</b>	<b>\$ 500,000</b>	<b>\$ 150,000</b>	<b>\$ 150,000</b>

TABLE 11 : CAPITAL IMPROVEMENT PROGRAM COSTS (in Future-Year Dollars)<sup>3</sup>

Project Description	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<i>Water Treatment Plant</i>						
Master Plan	\$ -	\$ 155,250	\$ -	\$ -	\$ -	\$ -
Treatment Feasibility Study	-	258,750	-	-	-	-
Treatment Facility	-	-	535,613	554,359	-	-
Future CIP	-	-	-	-	172,128	178,153
<b>Total: CIP Program Costs (Current-Year Dollars)</b>	<b>\$ -</b>	<b>\$ 414,000</b>	<b>\$ 535,613</b>	<b>\$ 554,359</b>	<b>\$ 172,128</b>	<b>\$ 178,153</b>

TABLE 13 : FORECASTING ASSUMPTIONS

Economic Variables	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Annual Construction Cost Inflation, Per Engineering News-Record <sup>4</sup>	0.00%	3.50%	3.50%	3.50%	3.50%	3.50%
Cumulative Construction Cost Multiplier from FY 2024/25	1.00	1.04	1.07	1.11	1.15	1.19

1. Capital project costs were provided by City Staff and assumes Year 1 begins in FY 2023/24.  
 2. The capital project costs have been inflated by District Staff in Current CIP Budget using the Construction Cost Index (See Table 13). Website: <http://enr.construction.com>.  
 3. For reference purposes, the annual Construction Cost Inflation percentage is the 10-year average annual change in the Construction Cost Index for 2013-2023 (3.5%).

TABLE 14 : EXISTING DEBT OBLIGATIONS

EXISTING DEBT OBLIGATIONS	Projected					5-Year Projected Rate Period				
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31				
Annual Repayment Schedules:										
N/A										
Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
Interest Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
<b>Subtotal: Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
Coverage Requirement (\$ Amnt above annual payment)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
Reserve Requirement (total fund balance)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
<b>Grand Total: Existing Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
<b>Grand Total: Existing Annual Coverage Requirement</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
<b>Grand Total: Existing Debt Reserve Target</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				

TABLE 15 : EXISTING ANNUAL DEBT OBLIGATIONS TO BE SATISFIED BY WATER RATES

Annual Obligations	Projected					5-Year Projected Rate Period				
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31				
Existing Annual Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
Existing Annual Coverage Requirement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
Existing Debt Reserve Target	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				

TABLE 16 : FUTURE DEBT FINANCING ASSUMPTIONS

Long-Term Debt Terms	Revenue Bonds
Issuance Cost	2.00%
Annual Interest Cost (%)	5.50%
Term	20
Debt Reserve Funded	Yes
Coverage Requirement (% above annual pmt)	1.25%

TABLE 17 : FUTURE DEBT OBLIGATIONS

Annual Repayment Schedules	2025	2026	2027	2028	2029	2030
<b>SRE Loan Funding</b>						
Principal Payment	\$ -	\$ -	\$ -	\$ 22,786	\$ 24,040	\$ 25,362
Interest Payment	-	-	-	90,780	89,527	88,205
<b>Subtotal: Annual Debt Service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 113,567</b>	<b>\$ 113,567</b>	<b>\$ 113,567</b>
<b>Revenue Bonds</b>						
Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Payment	-	-	-	-	-	-
<b>Subtotal: Annual Debt Service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Grand Total: Future Annual Debt Service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 113,567</b>	<b>\$ 113,567</b>	<b>\$ 113,567</b>
<b>Grand Total: New Annual Coverage Requirement</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 136,280</b>	<b>\$ 136,280</b>	<b>\$ 136,280</b>
<b>Grand Total: Future Debt Reserve Target</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 113,567</b>	<b>\$ 113,567</b>	<b>\$ 113,567</b>

TABLE 18 : TOTAL DEBT SERVICE

Annual Obligations	2025	2026	2027	2028	2029	2030
Annual Debt Service	\$ -	\$ -	\$ -	\$ 113,567	\$ 113,567	\$ 113,567
Annual Coverage Requirement	\$ -	\$ -	\$ -	\$ 136,280	\$ 136,280	\$ 136,280
<b>Total Debt Reserve Target</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 113,567</b>	<b>\$ 113,567</b>	<b>\$ 113,567</b>

CSA 70 W-4 Pioneer Town  
 WATER RATE STUDY  
 Projected Water Rates Under Existing Rate Schedule

Exhibit 4 - Current Rates

TABLE 19 : CURRENT WATER RATE SCHEDULE

Water Rate Schedule		July 1, 2026
<b>Monthly Fixed Service Charges (in \$/mo)</b>		
Domestic Service Charge		
3/4"	\$43.24	
1"	\$72.07	
<b>Water Usage Charges (in \$/HCF)</b>		
0-10 HCF	\$7.34	
11-25 HCF	\$8.45	
26-50 HCF	\$9.71	
51+ HCF	\$11.16	

TABLE 20 : CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS

Classification of Expenses	Total Revenue Requirements		Commodity (COM)	Capacity (CAP)	Customer (CA)	Basis of Classification						
	FY 2026/27					(COM)	(CAP)	(CA)	(COM)	(CAP)	(CA)	
<b>Operating Expenses</b>												
52002085 Legal Notices	\$ 43	\$ -										100.0%
52002090 Miscellaneous Expense	\$ 1,065	\$ 533		\$ 479	\$ 53							5.0%
52002135 Special Dept Expense	\$ 1,065	\$ 533		\$ 479	\$ 53							5.0%
52002180 Utilities	\$ 53	\$ 29		\$ 21	\$ 3							5.0%
52002182 Utilities-Electricity	\$ 36,015	\$ 17,107		\$ 17,107	\$ 1,801							5.0%
52002186 Utilities-Water	\$ 1,065	\$ 506		\$ 506	\$ 53							5.0%
52002188 Utilities-Refuse	\$ 533	\$ 266		\$ 240	\$ 27							5.0%
52002310 Presort & Packaging (Isf Only)	\$ 1,065	\$ -		\$ -	\$ 1,065							100.0%
52002350 Printing - Outside Vendors	\$ 53	\$ -		\$ -	\$ 53							100.0%
52002415 County Services (Incl Cowcap )	\$ 462	\$ 208		\$ 231	\$ 23							5.0%
52002441 Exterminator	\$ 160	\$ 80		\$ 72	\$ 8							5.0%
52002445 Other Professional & Spec Svcs	\$ 21,300	\$ 9,585		\$ 10,650	\$ 1,065							5.0%
52002448 County Counsel Services	\$ 500	\$ 250		\$ 225	\$ 25							5.0%
52002458 Permit Costs	\$ 2,343	\$ 1,172		\$ 1,054	\$ 117							5.0%
52002660 Penalties	\$ 53	\$ 27		\$ 24	\$ 3							5.0%
52002678 Miscellaneous Lab Testing	\$ 4,260	\$ 2,343		\$ 1,704	\$ 213							5.0%
52002855 General Maintenance-Equipment	\$ 533	\$ 213		\$ 293	\$ 27							5.0%
52002870 Gen Maint-Struct,Imp & Grounds	\$ 213	\$ 21		\$ 181	\$ 11							5.0%
52002895 Rents & Leases - Equipment	\$ 1,278	\$ 639		\$ 575	\$ 64							5.0%
52002930 Maintenance Charges (Isf Only)	\$ 1,385	\$ 692		\$ 623	\$ 69							5.0%
55405010 Salaries & Bene Transfers Out	\$ 73,000	\$ 32,850		\$ 36,500	\$ 3,650							5.0%
55405012 Servs & Supply Transfers Out	\$ 21,300	\$ 9,585		\$ 10,650	\$ 1,065							5.0%
55405018 Internal Cost Alloca Out	\$ 29,501	\$ 13,276		\$ 14,751	\$ 1,475							5.0%
<b>Subtotal: Water System Expenses</b>	\$ 197,245	\$ 89,914		\$ 96,366	\$ 10,965							5.6%

TABLE 21 : CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS, cont.

Classification of Expenses, cont.	Total Revenue Requirements		Commodity (COM)	Capacity (CAP)	Customer (CA)	Basis of Classification						
	FY 2026/27					(COM)	(CAP)	(CA)	(COM)	(CAP)	(CA)	
<b>Debt Service Payments</b>												
Outstanding Debt	\$ -	\$ -		\$ -	\$ -							5.0%
New Debt Issue - SRF Loan	\$ -	\$ -		\$ -	\$ -							5.0%
New Debt Issue - Revenue Bond	\$ -	\$ -		\$ -	\$ -							5.0%
<b>Total Debt Service Payments</b>	\$ -	\$ -		\$ -	\$ -							0.0%
<b>Capital Expenditures</b>												
Rate-Funded Capital Expenses	\$ -	\$ -		\$ -	\$ -							10.0%
<b>TOTAL REVENUE REQUIREMENTS</b>	\$ 197,245	\$ 89,914		\$ 96,366	\$ 10,965							5.6%
<b>Less: Non-Rate Revenues</b>												
000- Taxes	\$ (205)	\$ (102)		\$ (92)	\$ (10)							5.0%
030-Revenue From Use of Money & Property	\$ (1,535)	\$ (767)		\$ (691)	\$ (77)							5.0%
040-Intergovernmental Revenue-State	\$ -	\$ -		\$ -	\$ -							5.0%
070-Charges for Current Services	\$ (8,032)	\$ (4,016)		\$ (3,614)	\$ (402)							5.0%
080-Other Revenue	\$ (20,463)	\$ (10,231)		\$ (9,208)	\$ (1,023)							5.0%
<b>NET REVENUE REQUIREMENTS</b>	\$ 167,012	\$ 74,797		\$ 82,761	\$ 9,453							5.7%
<b>Allocation of Revenue Requirements</b>	100.0%	44.8%		49.6%	5.7%							
<i>Net Revenue Req't: Check from Financial Plan</i>												

TABLE 22 : ADJUSTMENT TO CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS

Adjustment to Classification of Expenses	Total	(COM)	(CAP)	(CA)
FY 2026/27 Target Rate Rev. After Rate Increases	\$ 150,264			
Projected Revenue at Current Rates	\$ 145,182			
FY 2026/27 Projected Rate Increase	3%			
<b>Adjusted Net Revenue Req'ts</b>	<b>\$ 150,264</b>	<b>\$ 67,297</b>	<b>\$ 74,462</b>	<b>\$ 8,505</b>
<i>Percent of Revenue</i>	<i>100.0%</i>	<i>44.8%</i>	<i>49.6%</i>	<i>5.7%</i>

TABLE 23 : NET REVENUE REQUIREMENTS PER COSA RESULTS

Net Revenue Requirements - Per COSA Results	Total Rate Revenue Requirements FY 2026/27	Commodity Related Costs	Capacity Related Costs	Customer Related Costs
Rate-Design Adjustments to Fixed/Variable %	100.0%	44.8%	49.6%	5.7%
Rate-Design Adjustments to Fixed/Variable (\$)	\$150,264	\$67,297	\$74,462	\$8,505

TABLE 24 : DEVELOPMENT OF THE COMMODITY ALLOCATION FACTOR

Development of the Volumetric/Variable Allocation Factor <sup>1</sup>		
Customer Class	CY 2024 Consumption (HCF)	% of Total Volume
All Customers	6,976	100.0%
<b>Total</b>	<b>6,976</b>	<b>100.0%</b>

1. Consumption data is based on County billing data for CY 2024.

TABLE 25 : DEVELOPMENT OF THE CAPACITY ALLOCATION FACTORS

Development of the PEAK CAPACITY (MAX MONTH) Allocation Factors				
Customer Class	Average Monthly Use (HCF)	Peak Monthly Use (HCF) <sup>1</sup>	Peak Monthly Factor	% of Max Month Capacity Factor (Potable)
All Customers	581	581	1.00	100.0%
<b>Total</b>	<b>581</b>	<b>581</b>	<b>1.00</b>	<b>100.0%</b>

1. Based on peak monthly data (peak day data not available).

TABLE 26 : DEVELOPMENT OF THE CUSTOMER ALLOCATION FACTORS: METERS

Development of the Customer Allocation Factor		
Customer Class	No. of Meters CY 2024	% of Total Meters
All Customers	126	100.0%
<b>Total</b>	<b>126</b>	<b>100.0%</b>

1. Number of meters based on County billing data for December 2024.

CSA 70 W-4 Pioneer Town  
WATER RATE STUDY  
Cost-of-Service Analysis & Rate Design

TABLE 27 : ALLOCATION OF WATER REVENUE REQUIREMENTS

Classification Components	Cost-of-Service Net Revenue Requirements (FY 2026/27)	
Commodity-Related Costs	\$ 67,297	44.8%
Capacity-Related Costs	74,462	49.6%
Customer-Related Costs	8,505	5.7%
<b>Net Revenue Requirement</b>	<b>\$ 150,264</b>	<b>100.0%</b>

TABLE 28 : ALLOCATION OF NET REVENUE REQUIREMENTS - FY 2024/25

Customer Classes	Classification Components			Cost of Service Net Rev. Req'ts	% of COS Net Revenue Req'ts
	VARIABLE Commonly Related Costs	FIXED Capacity-Related Costs	Customer-Related Costs		
All Customers	\$ 67,297	\$ 74,462	\$ 8,505	\$ 150,264	100.0%
<b>Total Net Revenue Requirement</b>	<b>\$ 67,297</b>	<b>\$ 74,462</b>	<b>\$ 8,505</b>	<b>\$ 150,264</b>	<b>100%</b>
<i>Total Net Revenue Requirement by Classification Component</i>	<i>VARIABLE \$67,297</i>	<i>FIXED \$82,967</i>		<i>\$150,264</i>	

TABLE 29 : RATE DESIGN - SUMMARY OF REVENUE REQUIREMENTS

Customer Class	COSA Net Revenue		NET REVENUE REQUIREMENT				
	FY 2026/27	% of COS Rev. Req't	% Fixed Revenue	% Variable Revenue	Revenue from Volumetric Charges	Revenue from Hydraulic Capacity	Revenue from Customer Costs
All Customers	\$ 150,264	100.0%	55.2%	44.8%	\$ 67,297	\$ 74,462	\$ 8,505
<b>Total</b>	<b>\$ 150,264</b>	<b>100.0%</b>			<b>\$ 67,297</b>	<b>\$ 74,462</b>	<b>\$ 8,505</b>

TABLE 30 : METER EQUIVALENCY FACTORS USED IN FIXED CHARGES CALCULATION

Meter Size	Standard Meters	
	Meter Capacity Displacement	Equivalency to 3/4 inch Meters
3/4 inch	30	1.00
1 inch	50	1.67
1 1/2 inch	100	3.33
2 inch	160	5.33
<i>Compound Class I</i>		
3 inch	320	10.67
4 inch	500	16.67
6 inch	1,000	33.33
8 inch	1,600	53.33

1. Per AWWA, M.I. Manual, Table B-1.

CSA 70 W-4 Pioneer Town  
WATER RATE STUDY  
Cost-of-Service Analysis & Rate Design

TABLE 31 : CALCULATION OF MONTHLY FIXED DOMESTIC METER SERVICE CHARGES FOR FY 2026/27

Number of Meters by Class and Size <sup>1</sup>	FY 2026/27							NET REVENUE REQUIREMENT	
	5/8 - 3/4" meter	1" meter	1.5" meter	2" meter	3" meter	4" meter	6" meter	8" meter	Total
All Customers	93	33	0	0	0	0	0	0	126
Total Meters/Accounts	93	33	0	0	0	0	0	0	126
Hydraulic Capacity Factor <sup>2</sup>	1.00	1.67	3.33	5.33	10.67	16.67	33.33	53.33	
Total Equivalent Meters	93	55	0	0	0	0	0	0	148
Monthly Fixed Service Charges									
Customer Costs (\$/Acct/month) <sup>3</sup>	\$ 5.63	\$ 5.63	\$ 5.63	\$ 5.63	\$ 5.63	\$ 5.63	\$ 5.63	\$ 5.63	\$ 5.63
Capacity Costs (\$/Acct/month) <sup>4</sup>	41.93	69.88	139.76	223.61	447.22	698.78	1,397.55	2,236.09	
Total Monthly Meter Charge	\$47.55	\$75.50	\$145.38	\$229.23	\$452.84	\$704.40	\$1,403.18	\$2,241.71	

1. Meter by Class and Size are based on December 2024 customer billing data.  
2. Source: Principles of Water Rates, Fees, and Charges, Manual M1, AWWA, Table B-1.  
3. Customer costs are allocated to each customer by dividing the total customer costs by the total number of customers.  
4. Capacity costs are allocated by meter size and the hydraulic capacity of the meter.

TABLE 32 : ESTIMATED DOMESTIC FIXED REVENUE BY CUSTOMER CLASS

Customer Class and Meter Size	Hydraulic Capacity Factor	Number of Meters	Total Equivalent Meters	Fixed Meter Charge		Total Fixed Meter Charge	Estimated Revenue from Fixed
				Customer Component	Capacity Component		
3/4"	1.00	93	93	\$5.63	\$41.93	\$47.55	\$ 53,068
1"	1.67	33	55	\$5.63	\$69.88	\$75.50	\$ 29,899
1 1/2"	3.33	0	0	\$5.63	\$139.76	\$145.38	\$ -
2"	5.33	0	0	\$5.63	\$223.61	\$229.23	\$ -
3"	10.67	0	0	\$5.63	\$447.22	\$452.84	\$ -
4"	16.67	0	0	\$5.63	\$698.78	\$704.40	\$ -
6"	33.33	0	0	\$5.63	\$1,397.55	\$1,403.18	\$ -
8"	53.33	0	0	\$5.63	\$2,236.09	\$2,241.71	\$ -
<b>Total</b>		<b>126</b>	<b>148</b>				<b>\$ 82,967</b>

TABLE 33 : PROPOSED VOLUMETRIC CHARGES FOR FY 2026/27 BY CUSTOMER CLASS

<b>NET REVENUE REQUIREMENT</b>						
Customer Classes	Water Consumption (HCF/yr)	Total Target Rev. Req't from Vol. Charges	% of Total Rate Revenue	Uniform Commodity Rates (\$/HCF)	Proposed Rate Structure	
All Customers	6,976	\$ 67,297	44.8%	\$9.65	Uniform	
<b>Total Water</b>	<b>6,976</b>	<b>\$ 67,297</b>	<b>44.8%</b>			

TABLE 34 : SUMMARY OF VOLUMETRIC CHARGES FOR FY 2026/27 FOR PROPOSED RATE TABLE

<b>NET REVENUE REQUIREMENT</b>						
Customer Classes	Water Consumption (HCF/yr)	Total Target Rev. Req't from Vol. Charges	% of Total Rate Revenue	Uniform Commodity Rates (\$/HCF)	Proposed Rate Structure	
All Customers	6,976	\$ 67,297	44.8%	\$9.65	Uniform	
<b>Total Water</b>	<b>6,976</b>	<b>\$ 67,297</b>	<b>44.8%</b>			

TABLE 35 : ESTIMATED VOLUMETRIC REVENUE BY CUSTOMER CLASS

<b>NET REVENUE REQUIREMENT</b>			
Customer Class	Estimated Consumption	Estimated Variable Revenue	% of Variable Rate Revenue
All Customers	6,976	\$ 67,297	100.0%
<b>Grand Total</b>	<b>6,976</b>	<b>\$ 67,297</b>	<b>100.0%</b>

<b>NET REVENUE REQUIREMENT</b>			
Customer Class	Estimated Total	Cost of Service	Net Revenue
All Customers	\$ 67,297	\$ 150,264	\$ 150,264
<b>Grand Total</b>	<b>\$ 67,297</b>	<b>\$ 150,264</b>	<b>\$ 150,264</b>

**TABLE 36 : CURRENT VS. PROPOSED MAXIMUM WATER RATES**

Water Rate Schedule	Current Rates	NET REVENUE REQUIREMENT				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Monthly Fixed Service Charges (in \$/mo)</b>						
Domestic Service Charge						
3/4"	\$43.24	\$47.55	\$52.31	\$57.54	\$63.29	\$69.62
1"	\$72.07	\$75.50	\$83.05	\$91.36	\$100.49	\$110.54
<b>Water Usage Charges (in \$/HCF)</b>						
0-10 HCF	\$7.34	\$9.65	\$10.61	\$11.67	\$12.84	\$14.12
11-25 HCF	\$8.45	N/A	N/A	N/A	N/A	N/A
26-50 HCF	\$9.71	N/A	N/A	N/A	N/A	N/A
51+ HCF	\$11.16	N/A	N/A	N/A	N/A	N/A

# **SAN BERNARDINO COUNTY**

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*County Service Area 70 F (Little Morongo)  
Water Rate Study Report*

*Final Report*

**March 2026**



[nbsgov.com](http://nbsgov.com)

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# 1. Introduction

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## 1.1 Purpose

San Bernardino County (County) retained NBS to conduct a comprehensive utility rate study for its water enterprise fund for County Service Area 70 F Little Morongo (CSA 70 F). The County had several objectives and goals in mind for this study including meeting revenue requirements, reviewing the rising costs of providing services, funding capital improvements and changes in costs, and complying with certain legal requirements (e.g., California Constitution Article XIII D, Section 6, which is commonly referred to as Proposition 218 [Prop 218]). The County's broader objectives in this study include ensuring adequate funding for operating and capital costs, ensuring revenue stability in utility rates. The rates resulting from this study were developed in a manner that is consistent with industry standard cost-of-service principles. In addition to documenting the rate study methodology, this report is provided with the intent to assist the County in its continuing effort to maintain transparent communications with the residents and community it serves.

In developing new rates for CSA 70 F's enterprise fund, NBS worked cooperatively with County staff and the Board of Supervisors (Board) in selecting the appropriate rate alternatives that address the County's goals and objectives. Based on input provided by CSA 70 F staff, NBS proposes the rates summarized in this report. The Board has the final decision regarding the adoption of the proposed rates and whether to proceed with the Prop 218 approval process.

## 1.2 Overview of the Study

Comprehensive rate studies, such as this one, typically include three components: (1) preparation of a financial plan that identifies the net revenue requirements for the utility; (2) analysis of the cost to serve each customer class, and (3) the rate structure design. These steps are shown in **Figure 1** and are intended to follow industry standards and reflect the fundamental principles of cost-of-service rate making embodied in the American Water Works Association's (AWWA) *Principles of Water Rates, Fees, and Charges*,<sup>1</sup> also referred to as Manual M1.

Rate studies also address requirements under Prop 218 that rates not exceed the cost of providing the service and be proportionate to the cost of providing service for all customers. In terms of the chronology of the study, the three steps shown in **Figure 1** represent the order in which they were performed in this study.

---

<sup>1</sup> *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, Manual M1, American Water Works Association (AWWA), 7<sup>th</sup> Edition, 2017.

**Figure 1. Primary Components of a Rate Study**



NBS projected revenues and expenditures, developed net revenue requirements, performed cost-of-service rate analyses, and developed new water rates for the County using this approach. The following sections in this report present an overview of the methodologies, assumptions, and data used along with the financial plans and rates developed. Detailed tables and figures documenting the development of the proposed rates are provided in the Appendices.

The County provided NBS with the data necessary to conduct the study, including historical, current, and projected revenues and expenditures, number of customer accounts, and water consumption data along with other operational and capital cost information.

### **FINANCIAL PLAN**

As a part of the rate study, NBS projected revenues and expenditures on a cash-flow basis for the next five (5) years. The amount of rate revenue required, that will allow reserves to be maintained at the recommended levels, is known as the net revenue requirement. As current rate revenue falls short of the net revenue requirement, rate adjustments – or more accurately, adjustments in the total revenue collected from rates – are recommended. This report presents an overview of the methodologies, assumptions, and data used along with the financial plan and proposed rates developed in this study.<sup>2</sup>

### **COST-OF-SERVICE ANALYSIS**

The basic purpose of the cost-of-service analysis (COSA) is to fairly and equitably allocate costs to customer classes and/or meter sizes. The cost-of-service analysis consists of two major components: (1) the classification of expenses, and (2) the allocation of costs to customer classes. For example, a key task is the “classification” of the water revenue requirements into the following categories:

- Commodity related costs
- Capacity related costs
- Customer service related costs

<sup>2</sup> The complete financial plans are available in the *Appendices*.

## RATE DESIGN ANALYSIS

During the rate design phase of the study, NBS and County staff worked together to develop rate alternatives that will meet the County’s objectives. It is important for the County to send proper price signals to its customers about the actual cost of providing service. This objective is typically addressed through both the magnitude of the rate adjustments and the rate structure design. In other words, both the amount of revenue collected and the way in which the revenue is collected from customers are important.

Several criteria are typically considered in setting rates and developing sound rate structures. The fundamentals of this process have been well documented in several rate-setting manuals, such as AWWA’s Manual M1. The foundation for evaluating rate structures is generally credited to James C. Bonbright in *Principles of Public Utility Rates*,<sup>3</sup> which outlines pricing policies, theories, and economic concepts along with various rate designs. The following is a simplified list of the attributes of a sound rate structure:

- Rates should be easy to understand from the customer’s perspective.
- Rates should be easy to administer from the utility’s perspective.
- Rates should be equitable and non-discriminating (i.e., cost-based).
- There should be continuity in the rate making philosophy over time.
- Rates should address other utility policies (e.g., conservation and economic development).
- Rates should provide month-to-month and year-to-year revenue stability.

## RATE STRUCTURE TERMINOLOGY

This section covers basic rate design criteria that NBS and County staff considered as a part of their review of the rate structure alternatives. One of the most fundamental points in considering rate structures is the relationship between fixed and variable costs. Fixed costs, such as debt service and personnel costs, typically do not vary with the amount of water consumed. In contrast, variable costs, such as the cost of purchased water, chemicals, and electricity, tend to change with the quantity of water sold. Most rate structures contain a fixed, or minimum, charge in combination with a volumetric charge.

**Fixed Charges** – Fixed charges can be called base charges, minimum monthly charges, customer charges, fixed meter charges, etc. Fixed charges for water utilities typically increase by meter size. For example, a customer with a 2-inch meter has a fixed meter charge that is more than five times greater than the typical residential customer based on the safe operating capacity of the meter.<sup>4</sup> Since a large portion of utility costs are typically related to meeting capacity requirements, individual capacity demands are important in establishing equitable rates for customers.

**Variable (Consumption-Based) Charges** – In contrast to fixed charges, variable costs, such as purchased water, groundwater replenishment costs, and the cost of electricity used in pumping water and chemicals for treatment, tend to change with the quantity of water produced. For a water utility, variable charges are calculated based on a metered consumption per unit price (e.g., per 100 cubic feet, or HCF).

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<sup>3</sup> James C. Bonbright, Albert L. Danielsen, and David R. Kamerschen, *Principles of Public Utility Rates*, Arlington, VA: Public Utilities Report, Inc., Second Edition, 1988, pp. 383-384.

<sup>4</sup> *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, Manual M1, AWWA, 7<sup>th</sup> Edition, 2017, pp. 151-152.

**Uniform (Single-Tier) Water Rates** – There are significant variations in the basic philosophy of variable charge rate structure alternatives. Under a uniform (single tier) rate structure, the cost per unit does not change with consumption and, therefore, provides a simple and straightforward approach from the customer’s perspective and in terms of the County’s rate administration.

## **KEY FINANCIAL ASSUMPTIONS**

The following is a summary of the key financial assumptions used in the analyses. The following capital and operational fund targets reflect input from County staff to meet specific utility objectives.

**Funding of Capital Projects** – The capital improvement costs are anticipated to be funded using a combination of debt financing, capital reserves and rate revenue. NBS notes that the planned rate revenue increases may not support the debt financing as modeled. Projects may need to be delayed or omitted if sufficient revenues are not available to pay debt service and provide for required bond coverage ratios.

**Reserve Targets** – For the water utility, the County maintains reserves for operations, capital, and other specific needs. The details of each utility’s reserve targets are covered in their respective sections of this report.

**Inflation and Growth Projections** – Assumptions were made in the analysis regarding cost inflation to project future revenues and expenses for the study period. The following inflation factors were used in the analysis:

- Customer growth is estimated at 0.00% per year.
- General cost inflation is set at 3.20% annually.
- Labor cost inflation is set at 0.00% annually.
- Electricity cost inflation is set at 8.35% annually.

These inflation factors are based on long-term trends; therefore, the County should re-examine these factors in another year to assess the impacts on utility costs and whether projected rate increases will be sufficient for the remainder of the rate adoption period.

## 2. Water Rate Study

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### 2.1 Key Water Rate Study Issues

The County's water rate analysis was undertaken with a few specific objectives, including:

- Generating sufficient revenue to meet anticipated operating and maintenance costs and fund necessary capital improvement projects for the next five years.
- Continuing with a rate design that promotes revenue stability.
- Verifying the cost-of-service linkage between the current rate structure and the proposed water rates.
- Complying with the legal requirements of Prop 218 to ensure the cost of providing service is properly allocated amongst user classifications. This was the basis for eliminating tiered water rates.

NBS developed various water rate alternatives as requested by County staff over the course of this study. All rate structure alternatives relied on industry standards and cost-of-service principles. The rate alternative that will ultimately be implemented is the decision of the Board. The fixed and volume-based charges were calculated based on the net revenue requirements, number of customer accounts, water consumption and estimated water discharge, and other relevant data provided by the County.

The following are the basic components included in this analysis:

**Developing Cost Allocations** – The water revenue requirements were “functionalized” into three categories: (1) commodity (or volume-based) costs; (2) fixed capacity costs; and (3) customer service costs. These functionalized costs were then used to develop unit costs based on various factors, such as water consumption, peaking factors, and number of accounts by meter size.

**Determining Revenue Requirements by Customer Class** – The total revenue that needs to be collected from each customer class, in this case by meter size, was determined using the functional costs and allocation factors. For example, customer costs are allocated based on the number of meters, while volume-related costs are allocated based on the water consumption of each customer class. Once the costs are allocated and the net revenue requirement for each customer class is determined, collecting the revenue requirements from each customer class is addressed within the rate design.

**Evaluating Rate Design (Fixed vs. Variable Charges)** – The revenue requirements for each customer class are collected through a combination of fixed monthly service charges and volumetric rates. Based on direction from County staff, the rates proposed in this report will collect 57% of the rate revenue from the fixed charge and 43% from the variable charges, which is consistent with the current rate design.

### 2.2 Financial Plan

It is important for municipal utilities to not only collect sufficient revenues every year, but to also maintain reasonable reserves to handle emergencies, fund working capital, maintain a good credit rating, and generally follow sound financial management practices. Rate adjustments are governed by the need to meet operating and capital costs as well as maintain reasonable reserve levels. The current state of the County's water utility, regarding these objectives, is as follows:

**Meeting Net Revenue Requirements:** For FY 2026/27 through FY 2030/31, the projected net revenue requirement (that is, total annual expenses plus debt service and rate-funded capital costs, less non-rate revenues) for the water system averages \$200 thousand to \$280 thousand annually. If no rate adjustments are implemented, the County is projected to run an annual deficit of approximately \$81 thousand in FY 2026/27, increasing to more than \$162 thousand by FY 2030/31, and will be unable to meet forecasted debt service coverage requirements in FY 2026/27 and following years when the anticipated debt service payments begin.

**Maintaining Reserve Funds:** Reserve funds provide a basis for a utility to cope with fiscal emergencies, such as revenue shortfalls, asset failure, and natural disasters, among other events. Reserve policies provide guidelines for sound financial management, with an overall long-range perspective to maintain financial solvency and mitigate financial risks associated with revenue instability, volatile capital costs, and unexpected emergencies.

- The County’s existing reserves are, in total, above targets currently. If the County pursues debt and uses capital reserves to fund the projected capital improvement costs, reserve funds will be depleted by the end of the rate period. NBS together with County staff have chosen to set the following reserve targets:
  - **Operating Reserve** equal to 90 days of operating and maintenance expenses, or approximately \$43 thousand in FY 2026/27. An operating reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures, such as those caused by weather patterns, the natural inflow and outflow of cash during billing cycles, natural variability in demand-based revenue streams (e.g., volumetric charges), and – particularly in periods of economic distress – changes or trends in the age of receivables. NBS considers a 90-day operating reserve to be a standard reserve fund target (i.e., most municipal water utilities use a 3-6 month target for the operating reserve).
  - **Capital Rehabilitation & Replacement Reserve** equal to 90 days of operating and maintenance expenses, or approximately \$43 thousand in FY 2026/27. This reserve is intended to be a cash resource set aside to address long-term capital system replacement and rehabilitation needs. NBS considers this capital reserve target to be at the lower end of what most utilities aim for. Many utilities aim for 3% to 6% of net assets.

**Funding Capital Improvement Projects:** The County must fund necessary capital improvements to maintain current service levels. County staff has identified roughly \$3.5 million in expected capital expenditures over the next five years (FY 2026/27 through FY 2030/31) which is an average of \$695 thousand in capital expenditures annually. This rate study assumes the County will be obtaining approximately \$1.8 million in State Revolving Fund loans in FY 2026/27 and 2029/30, however the timing and amount of the loans may need to be adjusted as the current model indicates that the required debt coverage may not be sufficient to support the debt as modeled.

**Inflation and Growth Projections:** Cost inflation and growth assumptions are necessary to project future revenues and expenses for the study period. Customer growth is expected to be flat. This factor was used in

the analysis for rate revenues while inflation factors, including the Consumer Price Index,<sup>5</sup> were used in projecting expenses.

**Maintaining Adequate Bond Coverage:** The water utility currently has some outstanding debt, and this analysis assumes that the County will incur approximately \$1.8 million in new loans to fund capital projects. However, whether new debt will be needed will depend on the actual delivery of capital projects (i.e., the timing and costs). The rate covenants of the new bonds are likely to include a minimum debt service coverage ratio of 1.20, which is not supported by the anticipated rate revenue as modeled. The benefit of maintaining a higher coverage ratio is that it strengthens the County’s credit rating which can help lower interest rates for debt-funded capital projects and, in turn, reduce annual debt service payments.

**Figure 2** summarizes the sources and uses of funds, net revenue requirements, and the annual percent adjustments in total rate revenue recommended for the next five years.

**Figure 2. Summary of Water Revenue Requirements**

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget		5-Year Projected Rate Period			
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Sources of Water Funds</b>						
Rate Revenue	\$ 118,350	\$ 118,350	\$ 118,350	\$ 118,350	\$ 118,350	\$ 118,350
Non Rate Revenue	81,775	81,775	81,775	81,775	81,775	81,775
<b>Total Sources of Funds:</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>
<b>Uses of Water Funds</b>						
Operating Expenses	\$ 167,419	\$ 171,506	\$ 175,791	\$ 180,286	\$ 185,005	\$ 189,960
Debt Service	-	109,974	109,974	109,974	172,301	172,301
Rate-Funded Capital Expenses	-	-	-	154,359	-	0
<b>Total Use of Funds:</b>	<b>\$ 167,419</b>	<b>\$ 281,480</b>	<b>\$ 285,765</b>	<b>\$ 444,620</b>	<b>\$ 357,306</b>	<b>\$ 362,261</b>
<b>Surplus (Deficiency) before Rate Increase</b>	<b>\$ 32,706</b>	<b>\$ (81,355)</b>	<b>\$ (85,640)</b>	<b>\$ (244,495)</b>	<b>\$ (157,181)</b>	<b>\$ (162,136)</b>
Additional Revenue from Rate Increases <sup>1</sup>	-	11,662	16,025	20,541	25,215	30,052
<b>Surplus (Deficiency) after Rate Increase</b>	<b>\$ 32,706</b>	<b>\$ (69,694)</b>	<b>\$ (69,616)</b>	<b>\$ (223,954)</b>	<b>\$ (131,966)</b>	<b>\$ (132,084)</b>
<b>Projected Annual Rate Increase</b>	<b>0.00%</b>	<b>10.32%</b>	<b>3.50%</b>	<b>3.50%</b>	<b>3.50%</b>	<b>3.50%</b>
<b>Net Revenue Requirement<sup>2</sup></b>	<b>\$ 85,644</b>	<b>\$ 199,705</b>	<b>\$ 203,990</b>	<b>\$ 362,845</b>	<b>\$ 275,531</b>	<b>\$ 280,486</b>

1. Assumes new rates are implemented July 1, 2026.

2. This is the annual amount needed from water rates. [Net Revenue Requirement = Total Use of Funds - (Non-Rate Revenues + Interest Earnings)].

**Figure 3** summarizes the projected reserve fund balances and reserve targets for the County’s unrestricted funds. A detailed version of the proposed 5-year financial plan is included in the Appendix. The tables in the Appendix include the revenue requirement, reserve funds, revenue sources, capital improvement costs, and the proposed rate adjustments needed to meet the County’s funding requirements.

**Figure 3. Summary of Primary Water Reserve Funds**

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budget		5-Year Projected Rate Period			
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Operating Reserve</b>						
Ending Balance	\$ 19,297	\$ (50,204)	\$ (119,819)	\$ (343,773)	\$ (475,740)	\$ (607,824)
<i>Recommended Minimum Target</i>	<i>42,000</i>	<i>43,000</i>	<i>44,000</i>	<i>45,000</i>	<i>46,000</i>	<i>47,000</i>
<b>Capital Reserve</b>						
Ending Balance	\$ 777,722	\$ 211,737	\$ 213,855	\$ (184,007)	\$ (184,007)	\$ (684,007)
<i>Recommended Minimum Target</i>	<i>42,000</i>	<i>43,000</i>	<i>44,000</i>	<i>45,000</i>	<i>46,000</i>	<i>47,000</i>
<b>Total Ending Balance</b>	<b>\$ 797,019</b>	<b>\$ 161,534</b>	<b>\$ 94,036</b>	<b>\$ (527,780)</b>	<b>\$ (659,746)</b>	<b>\$ (1,291,831)</b>
<i>Total Recommended Minimum Target</i>	<i>\$ 84,000</i>	<i>\$ 86,000</i>	<i>\$ 88,000</i>	<i>\$ 90,000</i>	<i>\$ 92,000</i>	<i>\$ 94,000</i>

<sup>5</sup> Consumer Price Index for all urban consumers in the San Francisco area. Source: Website: <https://www.bls.gov/cpi/>.

## 2.3 Cost-of-Service Analysis

Once the net revenue requirements are determined, the cost-of-service analysis (COSA) proportionately distributes the revenue requirements to each of the customer classes. The COSA consists of two major components: (1) the classification of expenses, and (2) the allocation of costs to each customer class. Costs are classified according to the function they serve. All costs in the County's budget are allocated to each component of the rate structure in proportion to the level of service required by customers.

The level of service is related to the volume and strength of the water treated, infrastructure capacity, and customer service. These costs are based on allocation factors, such as water consumption, number of meters, and customer class. Ultimately, a COSA is intended to result in rates that are proportional to the cost of providing service to each customer class.

### FUNCTIONALIZATION AND CLASSIFICATION OF COSTS

Most costs are not typically allocated just to fixed or variable categories but rather allocated to multiple functions of water service. The functionalization and classification process provides the basis for allocating costs to various customer classes based on the cost causation (classification) components described below:

- **Commodity-related costs** are costs associated with the change in the volume of water produced and delivered. These commonly include the costs of water quality testing, energy related to pumping for transmission and distribution, and source of supply.
- **Capacity-related costs** are costs associated with sizing facilities to meet the maximum, or peak, demand. This includes both operating costs and capital infrastructure costs incurred to accommodate peak system capacity events.
- **Customer-related costs** are costs associated with having a customer connected to the water system, such as meter reading, postage, billing, and other administrative duties.

The County's budgeted costs were reviewed and allocated to these cost causation components which are used as the basis for establishing new water rates and translated into fixed and variable charges. Tables in the Appendix show how the County's expenses were classified and allocated to these cost causation components. In the analysis, these cost causation components are also considered to be either fixed or variable.

### FIXED AND VARIABLE COSTS

Ideally, utilities should recover all of their fixed costs from fixed charges and all of their variable costs from volumetric charges. When this is the case, fluctuations in water sales revenues would be directly offset by reductions or increases in variable expenses, which provides greater revenue stability for the utility. However, other factors are often considered when designing water rates, such as community values, water conservation goals, ease of understanding, and ease of administration.<sup>6</sup>

NBS functionalized the County's costs into categories that represent fixed and variable costs. This analysis resulted in a cost distribution that is approximately 57% fixed and 43% variable (i.e., volumetric), which is consistent with the County's current rate revenue collection from customers in proportions of

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<sup>6</sup> *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, Manual M1, AWWA, 7<sup>th</sup> Edition, 2017, pp. 6 and 96.

approximately 57% fixed and 43% variable. County staff agrees with NBS that the current rate design is the preferred rate alternative; it provides continuity for the County’s rate design while also encouraging water conservation. Therefore, the proposed new rates are based on these 57% fixed and 43% variable allocations.

**Figure 4** summarizes how costs are allocated to each cost component and used to establish new water rates. **Figure 5** shows the resulting cost allocation to each cost classification component.

**Figure 4. Allocation Percentages of Revenue Requirements**

Classification Components	Cost-of-Service Net Revenue Requirements (FY 2026/27)	
	Commodity-Related Costs	\$ 53,372
Capacity-Related Costs	68,047	54.6%
Customer-Related Costs	3,243	2.6%
<b>Net Revenue Requirement</b>	<b>\$ 124,662</b>	<b>100.0%</b>

**Figure 5. Allocated Net Revenue Requirements**

Customer Classes	Classification Components			Cost of Service Net Rev. Req'ts	% of COS Net Revenue Req'ts
	VARIABLE	FIXED			
	Commodity-Related Costs	Capacity-Related Costs	Customer-Related Costs		
All Customers	\$ 53,372	\$ 68,047	\$ 3,243	\$ 124,662	100.0%
<b>Total Net Revenue Requirement</b>	<b>\$ 53,372</b>	<b>\$ 68,047</b>	<b>\$ 3,243</b>	<b>\$ 124,662</b>	<b>100%</b>

## 2.4 Characteristics of Water Customers by Customer Class

Customer classes are typically determined by grouping customers with similar demand characteristics into categories that reflect the cost differentials to serve each type of customer. In this case customers are identified by meter size, as the land uses are fairly homogenous. The rates proposed in this report follow a similar structure where the fixed charges for the single customer class vary by meter size while all customers are charged a uniform volumetric rate.

The amount of consumption, the peaking factors, and the number of meters by size are used to allocate costs to customer classes and determine the appropriate rate structures for each. These components of the COSA are presented in the following figures.

Commodity-related costs are costs associated with the total annual consumption of water by customer class. **Figure 6** below summarizes the most recent consumption data by customer class and represents the expected percent of consumption over the 5-year rate period.

**Figure 6. Water Consumption by Customer Class**

Development of the Volumetric/Variable Allocation Factor <sup>1</sup>			
Customer Class	CY 2024 Consumption (HCF)	% of Total Volume	% of Total Volume (Non-potable)
All Customers	6,686	100.0%	0.0%
<b>Total</b>	<b>6,686</b>	<b>100.0%</b>	<b>0.0%</b>

1. Consumption data is based on County billing data for CY 2024.

Figure 7 shows the number of meters for each customer class. The percentage of total customers by customer class is then used to develop the customer allocation factors to allocate customer costs. Customer costs are those costs associated with having customers connected to the water system and include costs related to meter reading, postage, and billing.

**Figure 7. Number of Meters by Customer Class**

Development of the Customer Allocation Factor <sup>1</sup>		
Customer Class	No. of Meters CY 2024	% of Total Meters
All Customers	83	100.0%
<b>Total</b>	<b>83</b>	<b>100.0%</b>

1. Consumption data is based on County billing data for CY 2024.

## 2.5 Rate Design Analysis

Evaluating the water rate structure includes reviewing rate-design objectives and policies, including continuity of rate design, revenue stability, equity among customers, and water conservation. NBS discussed the 57%/43% rate design with County staff over the course of this study as it is closest to the actual cost of service based on NBS’ analysis and consistent with the current rate design. Also, because of the difficulty meeting Prop 218 legal requirements of demonstrating the cost basis for tiered rates given the County’s water supply costs, the preferred rate structure proposes a uniform tier for all customers rather than the existing three tiers. The following section describes how the proposed water rates were determined.

### DEVELOPMENT OF PROPOSED RATES

#### **Fixed Service Charges**

The fixed meter charge recognizes that the water utility incurs fixed costs regardless of whether customers use water. Two components comprise the fixed meter charge: (1) the capacity component, and (2) the customer component. The capacity component recovers costs associated with sizing the water system to ensure there is sufficient capacity in the system to meet peak demand. A user class with higher capacity is allocated a proportionately higher share of the capacity-related costs compared to customer classes with lower capacity. The customer component includes those costs related to reading and maintaining meters, customer billing and collection, and other customer service-related costs.

Fixed charges also vary based on meter sizes because larger meters have higher capacity requirements and reflect their potential to use more of the system’s capacity.<sup>7</sup> The potential capacity demands is proportional to the maximum hydraulic flow through each meter size based on the hydraulic capacity ratios established by AWWA.<sup>8</sup> The AWWA capacity ratios used for this report are shown in **Figure 8**.

**Figure 8. Hydraulic Capacity Factors**

Meter Size	Standard Meters	
	Capacity (gpm) <sup>1</sup>	Equivalency to 3/4 inch
	<i>Displacement Meters</i>	
3/4 inch	30	1.00
1 inch	50	1.67
1 1/2 inch	100	3.33
2 inch	160	5.33
	<i>Compound Class I Meters</i>	
3 inch	320	10.67
4 inch	500	16.67
6 inch	1,000	33.33
8 inch	1,600	53.33

1. Per AWWA, M1 Manual, Table B-1.

The actual number of meters by size is multiplied by the corresponding capacity ratios to calculate “equivalent” meters. The number of equivalent meters is used as a proxy for the potential demand that each customer can place on the water system. **Figure 9** summarizes the number of meters, the hydraulic capacity factors, and the number of equivalent meters (i.e., the number of meters multiplied by the hydraulic capacity factor) by customer class and meter size.

**Figure 9. Equivalent Meters**

Number of Meters by Class and Size <sup>1</sup>	FY 2026/27								Total
	5/8 - 3/4" meter	1" meter	1.5" meter	2" meter	3" meter	4" meter	6" meter	8" meter	
All Customers	75	8	0	0	0	0	0	0	83
<b>Total Meters/Accounts</b>	<b>75</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>83</b>
<i>Hydraulic Capacity Factor<sup>2</sup></i>	<i>1.00</i>	<i>1.67</i>	<i>3.33</i>	<i>5.33</i>	<i>10.67</i>	<i>16.67</i>	<i>33.33</i>	<i>53.33</i>	
<b>Total Equivalent Meters</b>	<b>75</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>88</b>

Using the costs allocated to each customer class from Figure 5, **Figure 10** shows the calculation of the fixed monthly service charges for all customer classes based on meter size. As previously mentioned, the customer service charge is calculated by dividing the customer service-related costs by the total number of meters, whereas the fixed capacity charge is calculated by dividing the capacity-related costs by the total number of equivalent meters for each meter size.

<sup>7</sup> System capacity is the system’s ability to supply water to all delivery points at the time when demanded.

<sup>8</sup> *Principles of Water Rates, Fees and Charges*, Manual of Water Supply Practices, Manual M1, AWWA, 7<sup>th</sup> Edition, 2017, p. 386. *Water Meters – Selection, Installation, Testing and Maintenance*, Manual M6, AWWA, 5<sup>th</sup> Edition, 2012, pp. 63-65.

**Figure 10. Calculation of Fixed Service Charges for FY 2026/27**

Number of Meters by Class and Size <sup>1</sup>	FY 2026/27								Total
	5/8 - 3/4" meter	1" meter	1.5" meter	2" meter	3" meter	4" meter	6" meter	8" meter	
All Customers	75	8	0	0	0	0	0	0	83
<b>Total Meters/Accounts</b>	<b>75</b>	<b>8</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>83</b>
Hydraulic Capacity Factor <sup>2</sup>	1.00	1.67	3.33	5.33	10.67	16.67	33.33	53.33	
<b>Total Equivalent Meters</b>	<b>75</b>	<b>13</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>88</b>
<b>Monthly Fixed Service Charges</b>									
Customer Costs (\$/Acct/month) <sup>3</sup>	\$3.26	\$3.26	\$3.26	\$3.26	\$3.26	\$3.26	\$3.26	\$3.26	
Capacity Costs (\$/Acct/month) <sup>4</sup>	\$64.20	\$106.99	\$356.64	\$570.63	\$1,141.25	\$1,783.21	\$3,566.41	\$5,706.26	
<b>Total Monthly Meter Charge</b>	<b>\$67.45</b>	<b>\$110.25</b>	<b>\$359.90</b>	<b>\$573.88</b>	<b>\$1,144.51</b>	<b>\$1,786.46</b>	<b>\$3,569.67</b>	<b>\$5,709.51</b>	

1. Meter by Class and Size are based on December 2024 customer billing data.
2. Source: *Principles of Water Rates, Fees, and Charges*, Manual M1, AWWA, Table B-1.
3. Customer costs are allocated to each customer by dividing the total customer costs by the total number of customers.
4. Capacity costs are allocated by meter size and the hydraulic capacity of the meter.

**Volumetric Rates**

Currently, the County uses a 3-tier rate structure for all customers; however, the proposed rates are based on a uniform, or single tier, volumetric rate. Given the single source of water supply, a uniform volumetric rate is more feasible from a Prop 218 perspective.

Figure 11 shows the calculation of the uniform tier rate per unit of water for all customers.

**Figure 11. Uniform Tier Rates for FY 2026/27**

Customer Classes	Water Consumption (HCF/yr)	Total Target Rev. Req't from Vol. Charges	% of Total Rate Revenue	Uniform Commodity Rates (\$/HCF)	Proposed Rate Structure
All Customers	6,686	\$ 53,372	42.8%	\$7.98	Uniform
<b>Total Water</b>	<b>6,686</b>	<b>\$ 53,372</b>	<b>42.8%</b>		

**2.6 Proposed Water Rates**

Since the County’s last rate study, the underlying cost factors (e.g., number of meters and water consumption) have changed. The cost-of-service analysis by nature “re-balances” how costs are allocated between customer classes and, as a result, there are uneven adjustments in the first year of the 5-year rate adoption period. In contrast, in the subsequent four years of the rate planning period, proposed charges are simply adjusted by the proposed adjustment in total rate revenue needed to meet projected revenue requirements.

Figure 12 provides a comparison of the current and proposed water rates for FY 2026/27 through 2030/31 for each customer class and meter size. Projected rates for each fiscal year<sup>9</sup> reflect adjustments based on the cost-of-service analysis, the 57% fixed/43% variable rate design structure, and the recommended percent increases in rate revenue planned for each year. More detailed tables on the development of the proposed water rates are documented in the Appendix.

<sup>9</sup> All rate adjustments are scheduled to be effective on July 1, 2026.

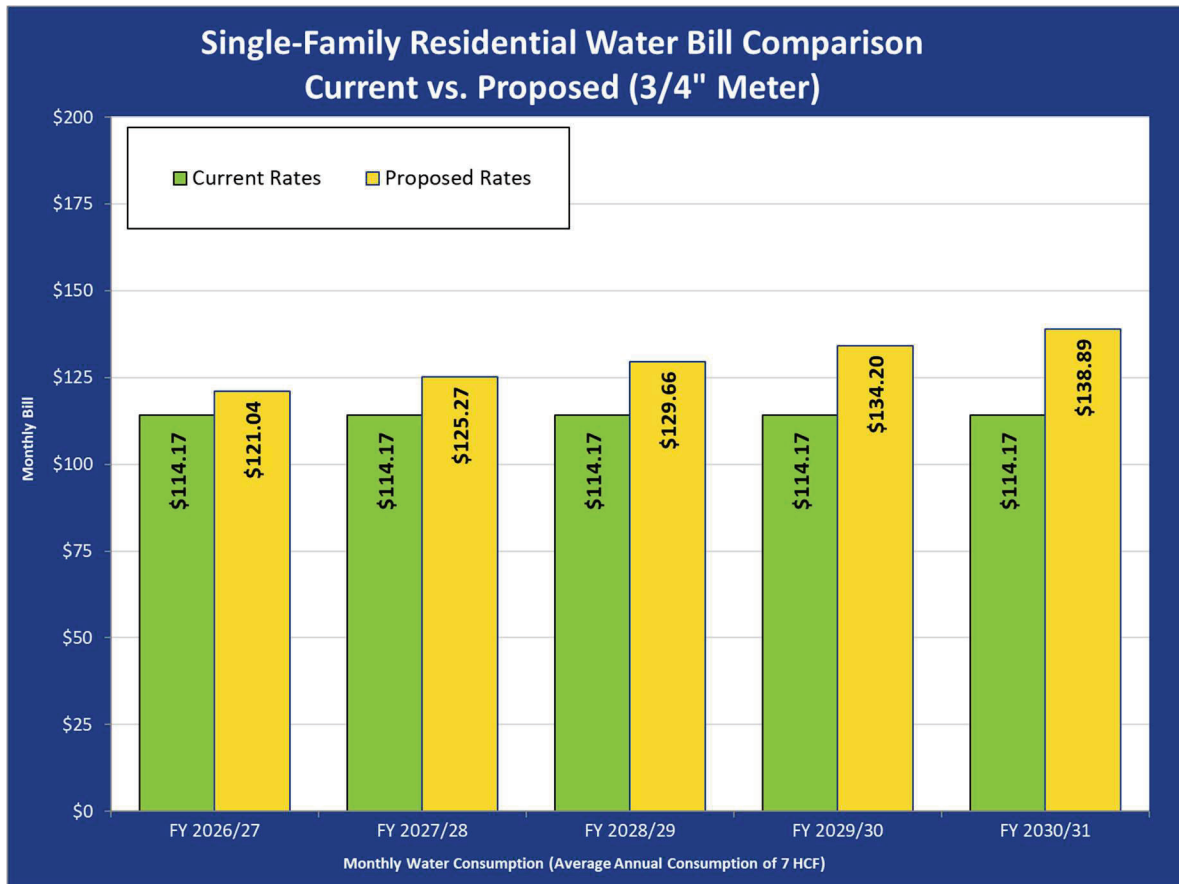
**Figure 12. Current and Proposed Water Rates**

Water Rate Schedule	Current Rates	Proposed Rates				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2029/30
<b>Monthly Fixed Service Charges (in \$/mo)</b>						
<b>Domestic Service Charge</b>						
3/4"	\$65.17	\$67.45	\$69.81	\$72.26	\$74.78	\$77.40
1"	\$108.62	\$110.25	\$114.11	\$118.10	\$122.23	\$126.51
1.5"	\$217.24	\$359.90	\$372.49	\$385.53	\$399.02	\$412.99
2"	\$347.57	\$573.88	\$593.97	\$614.76	\$636.27	\$658.54
3"	\$695.15	\$1,144.51	\$1,184.56	\$1,226.02	\$1,268.94	\$1,313.35
4"	\$1,086.18	\$1,786.46	\$1,848.99	\$1,913.70	\$1,980.68	\$2,050.01
6"	\$2,172.35	\$3,569.67	\$3,694.60	\$3,823.92	\$3,957.75	\$4,096.27
8"	\$3,475.75	\$5,709.51	\$5,909.35	\$6,116.17	\$6,330.24	\$6,551.80
<b>Water Usage Charges (in \$/HCF)</b>						
TIER 1 (0-14 HCF)	\$7.30	\$7.98	\$8.26	\$8.55	\$8.85	\$9.16
TIER 2 (15-80 HCF)	\$8.38	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TIER 3 (81+ HCF)	\$9.65	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

## 2.7 Comparison of Current and Proposed Water Bills

Figure 13 compares a monthly water bills under the current and proposed water rates for a residential customer. These monthly bills for each year of the rate period are based on typical meter sizes and highlight the average consumption levels for the customer.

**Figure 13. Monthly Water Bill Comparison for Residential Customers**



## 3. Recommendations and Next Steps

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### 3.1 Consultant Recommendations

NBS recommends the County take the following actions:

- **Approve and Accept this Study:** NBS recommends the Board formally approve and adopt this Study and its recommendations and proceed with the next steps outlined below to implement the proposed rates. This will provide documentation of the rate study analyses and the basis for analyzing potential changes to future rates.
- **Implement Recommended Levels of Rate Increases and Proposed Rates:** Based on successfully meeting the Prop 218 procedural requirements, the County should proceed with implementing the 5-year schedule of proposed rates and rate increases previously shown in Figure 12. This will help ensure the continued financial health of County's utilities.

### 3.2 Next steps

**Annually Review Rates and Revenue** – Any time an agency adopts new utility rates or rate structures, those new rates should be closely monitored over the next several years to ensure the revenue generated is sufficient to meet the annual revenue requirements. Changing economic and water consumption patterns underscore the need for this review, as well as potential and unseen changing revenue requirements — particularly those related to environmental regulations that can significantly affect capital improvements and repair and replacement costs.

*Note: The attached Appendix provide more detailed information on the analysis of the financial plan, revenue requirements, cost-of-service, and the rate design analyses that have been summarized in this report.*

### 3.3 NBS' Principal Assumptions and Considerations

In preparing this report and the opinions and recommendations included herein, NBS has relied on several principal assumptions and considerations regarding financial matters, conditions, and events that may occur in the future. This information and these assumptions, including the County's budgets, capital improvement costs, customer accounts and consumption, and information from County staff were provided by sources we believe to be reliable, although NBS has not independently verified this data.

While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report and its recommendations, some assumptions will invariably not materialize as stated herein and may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.

# Appendix. Water Rate Study Tables and Figures

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TABLE 1 : FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

RATE REVENUE REQUIREMENTS SUMMARY	Projected FY 2025/26	5-Year Projected Rate Period					FY 2030/31
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	
<b>Sources of Water Funds<sup>1</sup></b>							
<i>Rate Revenue:</i>							
070-Charges for Current Services	\$ 5,350	\$ 5,350	\$ 5,350	\$ 5,350	\$ 5,350	\$ 5,350	\$ 5,350
075-Charges for Current Services-Fee Ord	113,000	113,000	113,000	113,000	113,000	113,000	113,000
<i>Non-Rate Revenue:</i>							
000-Taxes	20,775	20,775	20,775	20,775	20,775	20,775	20,775
030-Revenue From Use of Money & Property	400	400	400	400	400	400	400
040-Intergovernmental Revenue-State	60,100	60,100	60,100	60,100	60,100	60,100	60,100
080-Other Revenue	500	500	500	500	500	500	500
<b>Total Sources of Funds:</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>
<b>Uses of Water Funds<sup>1</sup></b>							
<i>Operating Expenses:</i>							
200-Services & Supplies-General	\$ 44,674	\$ 46,753	\$ 48,965	\$ 51,322	\$ 53,834	\$ 56,512	\$ 59,200
540-Intra Entity Reimbursement Out	122,746	124,753	126,826	128,964	131,171	133,448	135,725
Subtotal: Operating Expenses	\$ 167,419	\$ 171,506	\$ 175,791	\$ 180,286	\$ 185,005	\$ 189,960	\$ 194,925
<i>Other Expenditures:</i>							
Existing Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
New Debt Service	-	109,974	109,974	109,974	109,974	109,974	109,974
Rate-Funded Capital Expenses	-	-	-	-	154,359	-	0
Subtotal: Other Expenditures	\$ -	\$ 109,974	\$ 109,974	\$ 109,974	\$ 154,359	\$ 109,974	\$ 109,974
<b>Total Uses of Water Funds:</b>	<b>\$ 167,419</b>	<b>\$ 281,480</b>	<b>\$ 285,765</b>	<b>\$ 444,620</b>	<b>\$ 357,306</b>	<b>\$ 362,261</b>	<b>\$ 362,261</b>
<i>plus:</i> Revenue from Rate Increases <sup>3</sup>	-	11,662	16,025	20,541	25,215	30,052	34,899
<b>Annual Surplus/(Deficit)</b>	<b>\$ 32,706</b>	<b>\$ (69,694)</b>	<b>\$ (69,616)</b>	<b>\$ (223,954)</b>	<b>\$ (131,966)</b>	<b>\$ (132,084)</b>	<b>\$ (132,084)</b>
<b>Net Revenue Req't. (Total Uses less Non-Rate Revenue)</b>	<b>\$ 85,644</b>	<b>\$ 199,705</b>	<b>\$ 203,990</b>	<b>\$ 362,845</b>	<b>\$ 275,531</b>	<b>\$ 280,486</b>	<b>\$ 280,486</b>
<b>Total Rate Revenue After Rate Increases (Water)</b>	<b>\$ 118,350</b>	<b>\$ 130,012</b>	<b>\$ 134,375</b>	<b>\$ 138,891</b>	<b>\$ 143,565</b>	<b>\$ 148,402</b>	<b>\$ 148,402</b>
<b>Projected Annual Rate Revenue Increase</b>	<b>0.00%</b>	<b>10.32%</b>	<b>3.50%</b>	<b>3.50%</b>	<b>3.50%</b>	<b>3.50%</b>	<b>3.50%</b>
<i>Cumulative Increase from Annual Revenue Increases</i>	0.00%	10.32%	14.18%	18.18%	22.31%	26.59%	30.23%
<i>Debt Coverage After Rate Increase</i>	N/A	0.37	0.37	0.37	0.23	0.23	0.23

1. Revenue and expenses for FY 2021/22 through FY 2023/24 provided by the District. Revenues and expenses for all other years are escalated based on the forecasting assumptions.  
 2. Interest earnings for FY 2021/22 through FY 2023/24 are from the District's Budget. For all other years, interest is calculated based on historical LAF returns.  
 3. Revenue from rate increases assumes an implementation date of July 1, 2026 for new rates. For each year thereafter, the assumption is that new rates will be implemented on July 1.

1	← Select Financial Plan Scenario Here					
Financial Plan Alternatives	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
1 Alternative 1 - Custom Rate Increases	10.00%	10.32%	3.50%	3.50%	3.50%	3.50%
2 Alternative 2 - Custom Rate Increases	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
3 Alternative 3 - Custom Rate Increases	6.50%	95.00%	40.00%	40.00%	15.00%	8.00%
4 Alternative 4 - No Rate Increases	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

TABLE 2 : RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY	5-Year Projected Rate Period					
	Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Unrestricted Reserve:</b>						
<b>Total Beginning Cash<sup>1</sup></b>						
<b>Operating Reserve</b>						
Beginning Reserve Balance	\$ (13,408)	\$ 19,297	\$ (50,204)	\$ (119,819)	\$ (343,773)	\$ (475,740)
Plus: Net Cash Flow (After Rate Increases)	32,706	(69,694)	(69,616)	(223,954)	(131,966)	(132,084)
Plus: Transfer in of Debt Reserve Surplus	-	-	-	-	-	-
Plus: Interest Earnings	-	193	-	-	-	-
Plus: Loan Proceeds	-	-	-	-	-	-
Less: Transfer out to Capital and Infrastructure Reserve	-	-	-	-	-	-
<b>Ending Operating Reserve Balance</b>	<b>\$19,297</b>	<b>(\$50,204)</b>	<b>(\$119,819)</b>	<b>(\$343,773)</b>	<b>(\$475,740)</b>	<b>(\$607,824)</b>
<b>Target Ending Balance (90 days of O&amp;M)<sup>2</sup></b>	<b>\$ 42,000</b>	<b>\$ 43,000</b>	<b>\$ 44,000</b>	<b>\$ 45,000</b>	<b>\$ 46,000</b>	<b>\$ 47,000</b>
<b>Capital Reserve</b>						
Beginning Reserve Balance	\$ 770,022	\$ 777,722	\$ 211,737	\$ 213,855	\$ (184,007)	\$ (184,007)
Plus: Grant Proceeds	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surplus	-	7,777	-	-	-	-
Plus: Interest Earnings	7,700	7,777	2,117	2,139	-	-
Less: Use of Reserves for Capital Projects	-	(573,762)	-	(400,000)	-	(500,000)
<b>Ending Capital Reserve Balance</b>	<b>\$ 777,722</b>	<b>\$ 211,737</b>	<b>\$ 213,855</b>	<b>\$ (184,007)</b>	<b>\$ (184,007)</b>	<b>\$ (684,007)</b>
<b>Target Ending Balance (90 days of O&amp;M)<sup>2</sup></b>	<b>\$ 42,000</b>	<b>\$ 43,000</b>	<b>\$ 44,000</b>	<b>\$ 45,000</b>	<b>\$ 46,000</b>	<b>\$ 47,000</b>
<b>Ending Balance - Excl. Restricted Reserves</b>	<b>\$ 797,019</b>	<b>\$ 161,534</b>	<b>\$ 94,036</b>	<b>\$ (527,780)</b>	<b>\$ (659,746)</b>	<b>\$ (1,291,831)</b>
<b>Min. Target Ending Balance - Excl. Restricted Reserves</b>	<b>\$ 84,000</b>	<b>\$ 86,000</b>	<b>\$ 88,000</b>	<b>\$ 90,000</b>	<b>\$ 92,000</b>	<b>\$ 94,000</b>
<b>Ending Surplus/(Deficit) Compared to Reserve Targets</b>	<b>\$ 713,019</b>	<b>\$ 75,534</b>	<b>\$ 6,036</b>	<b>\$ (617,780)</b>	<b>\$ (751,746)</b>	<b>\$ (1,385,831)</b>
<b>Annual Interest Earnings Rate<sup>3</sup></b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>

1. Beginning cash balances provided by District Staff.  
 2. The target ending balance is set equal to 90 days of O&M expenses.  
 3. Historical interest earning rates are per the average annual yields for funds invested in LAIF (2018-2024). The source is the California State Treasurer's website: <https://www.treasu>

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TABLE 4 : REVENUE FORECAST<sup>1</sup>

DESCRIPTION	Basis	5-Year Projected Rate Period												
		Budget FY 2024/25	Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	
<b>Operating Revenue</b>														
40008015 PROP TAXES-CURR SEC 1% TAX/LVY	1	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000	\$ 18,000
40008025 PROP TX CUR UNSEC 1% GEN TAX	1	750	750	750	750	750	750	750	750	750	750	750	750	750
40008035 PROP TX CUR UNITARY 1% LEVY	1	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
40008115 PROP TX PRI SEC 1% GEN TAX/LVY	1	-	-	-	-	-	-	-	-	-	-	-	-	-
40008125 PROP TX PRI UNSEC 1% GEN TAX	1	25	25	25	25	25	25	25	25	25	25	25	25	25
40008145 INT & PEN DELINQUENT TAXES	1	250	250	250	250	250	250	250	250	250	250	250	250	250
40008230 SUPP ROLL CURRENT	1	400	400	400	400	400	400	400	400	400	400	400	400	400
40008235 SUPP ROLL PRIOR	1	350	350	350	350	350	350	350	350	350	350	350	350	350
<b>000-Taxes</b>		<b>\$ 20,775</b>	<b>\$ 20,775</b>	<b>\$ 20,775</b>	<b>\$ 20,775</b>	<b>\$ 20,775</b>	<b>\$ 20,775</b>	<b>\$ 20,775</b>	<b>\$ 20,775</b>	<b>\$ 20,775</b>	<b>\$ 20,775</b>	<b>\$ 20,775</b>	<b>\$ 20,775</b>	<b>\$ 20,775</b>
40308500 INTEREST	1	400	400	400	400	400	400	400	400	400	400	400	400	400
<b>090-Revenue From Use of Money &amp; Property</b>		<b>\$ 400</b>	<b>\$ 400</b>	<b>\$ 400</b>	<b>\$ 400</b>	<b>\$ 400</b>	<b>\$ 400</b>	<b>\$ 400</b>	<b>\$ 400</b>	<b>\$ 400</b>	<b>\$ 400</b>	<b>\$ 400</b>	<b>\$ 400</b>	<b>\$ 400</b>
40408800 GENERAL TAX LEVY HOMEOWNER EXM	1	100	100	100	100	100	100	100	100	100	100	100	100	100
40408955 STATE - GRANTS	1	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000	60,000
<b>040-Intergovernment Revenue-State</b>		<b>\$ 60,100</b>	<b>\$ 60,100</b>	<b>\$ 60,100</b>	<b>\$ 60,100</b>	<b>\$ 60,100</b>	<b>\$ 60,100</b>	<b>\$ 60,100</b>	<b>\$ 60,100</b>	<b>\$ 60,100</b>	<b>\$ 60,100</b>	<b>\$ 60,100</b>	<b>\$ 60,100</b>	<b>\$ 60,100</b>
40708155 SPECIAL ASSMNT ALL PRIOR YEARS	1	100	100	100	100	100	100	100	100	100	100	100	100	100
40708160 SP ASSMNT CUR YR TX ROLL GEN	1	100	100	100	100	100	100	100	100	100	100	100	100	100
40708165 SP ASSMNT CUR YR TX ROLL WATER	1	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600
40708175 SP ASSMNT CUR YR DEL USER CHGS	1	250	250	250	250	250	250	250	250	250	250	250	250	250
<b>070-Charges for Current Services</b>		<b>\$ 3,350</b>	<b>\$ 3,350</b>	<b>\$ 3,350</b>	<b>\$ 3,350</b>	<b>\$ 3,350</b>	<b>\$ 3,350</b>	<b>\$ 3,350</b>	<b>\$ 3,350</b>	<b>\$ 3,350</b>	<b>\$ 3,350</b>	<b>\$ 3,350</b>	<b>\$ 3,350</b>	<b>\$ 3,350</b>
40758480 FEE ORD-PENALTIES	1	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900
40758680 FEE ORD-PERMIT & INSPECTION FEES	1	100	100	100	100	100	100	100	100	100	100	100	100	100
40758920 FEE ORD-RESIDENTIAL SALES	1	113,000	113,000	113,000	113,000	113,000	113,000	113,000	113,000	113,000	113,000	113,000	113,000	113,000
40759800 FEE ORD-OTHER SERVICES	1	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>075-Charges for Current Services-Fee Ord</b>		<b>\$ 115,000</b>	<b>\$ 115,000</b>	<b>\$ 115,000</b>	<b>\$ 115,000</b>	<b>\$ 115,000</b>	<b>\$ 115,000</b>	<b>\$ 115,000</b>	<b>\$ 115,000</b>	<b>\$ 115,000</b>	<b>\$ 115,000</b>	<b>\$ 115,000</b>	<b>\$ 115,000</b>	<b>\$ 115,000</b>
40809970 OTHER	1	500	500	500	500	500	500	500	500	500	500	500	500	500
<b>080-Other Revenue</b>		<b>\$ 500</b>	<b>\$ 500</b>	<b>\$ 500</b>	<b>\$ 500</b>	<b>\$ 500</b>	<b>\$ 500</b>	<b>\$ 500</b>	<b>\$ 500</b>	<b>\$ 500</b>	<b>\$ 500</b>	<b>\$ 500</b>	<b>\$ 500</b>	<b>\$ 500</b>
<b>TOTAL: REVENUE</b>		<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>

TABLE 5 : REVENUE SUMMARY

DESCRIPTION	Basis	5-Year Projected Rate Period												
		Budget FY 2024/25	Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	
<b>000-Taxes</b>		<b>\$ 20,775</b>	<b>\$ 20,775</b>	<b>\$ 20,775</b>	<b>\$ 20,775</b>	<b>\$ 20,775</b>	<b>\$ 20,775</b>	<b>\$ 20,775</b>	<b>\$ 20,775</b>	<b>\$ 20,775</b>	<b>\$ 20,775</b>	<b>\$ 20,775</b>	<b>\$ 20,775</b>	<b>\$ 20,775</b>
030-Revenue From Use of Money & Property		400	400	400	400	400	400	400	400	400	400	400	400	400
040-Intergovernmental Revenue-State		60,100	60,100	60,100	60,100	60,100	60,100	60,100	60,100	60,100	60,100	60,100	60,100	60,100
070-Charges for Current Services		5,350	5,350	5,350	5,350	5,350	5,350	5,350	5,350	5,350	5,350	5,350	5,350	5,350
075-Charges for Current Services-Fee Ord		113,000	113,000	113,000	113,000	113,000	113,000	113,000	113,000	113,000	113,000	113,000	113,000	113,000
080-Other Revenue		500	500	500	500	500	500	500	500	500	500	500	500	500
<b>TOTAL: REVENUE</b>		<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>	<b>\$ 200,125</b>

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TABLE 6 : OPERATING EXPENSE FORECAST<sup>1</sup>

DESCRIPTION	Basis	5-Year Projected Rate Period																
		Budget FY 2024/25	Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31										
<b>Operating Expenses</b>																		
52002070 FOOD	2	\$ 200	\$ 206	\$ 213	\$ 220	\$ 227	\$ 234	\$ 242										
52002085 LEGAL NOTICES	2	40	41	43	44	45	47	48										
52002090 MISCELLANEOUS EXPENSE	2	1,000	1,032	1,065	1,099	1,134	1,171	1,208										
52002120 SMALL TOOLS & INSTRUMENTS	2	30	31	32	33	34	35	36										
52002135 SPECIAL DEPT EXPENSE	2	59,362	516	533	550	567	585	604										
52002180 UTILITIES	2	100	103	107	110	113	117	121										
52002182 UTILITIES-ELECTRICITY	5	14,500	15,711	17,023	18,444	19,984	21,653	23,461										
52002190 PRIOR YR EXP/SVCS & SUPPLIES	2	-	-	-	-	-	-	-										
52002310 PRESORT & PACKAGING (ISF ONLY)	2	700	722	746	769	794	819	846										
52002323 COURIER & PRINTING (ISF ONLY)	2	-	-	-	-	-	-	-										
52002415 COUNTY SERVICES (INCL COWCAP)	2	600	619	639	659	681	702	725										
52002419 REAL ESTATE SERVICES-SVC CHGS	2	1,000	1,032	1,065	1,099	1,134	1,171	1,208										
52002445 OTHER PROFESSIONAL & SPEC SVCS	2	11,000	11,352	11,715	12,090	12,477	12,876	13,288										
52002448 COUNTY COUNSEL SERVICES	3	5,000	5,000	5,000	5,000	5,000	5,000	5,000										
52002458 PERMIT COSTS	2	2,500	2,580	2,663	2,748	2,836	2,926	3,020										
52002660 PENALTIES	2	50	52	53	55	57	59	60										
52002678 MISCELLANEOUS LAB TESTING	2	2,500	2,580	2,663	2,748	2,836	2,926	3,020										
52002855 GENERAL MAINTENANCE-EQUIPMENT	2	1,500	1,548	1,598	1,649	1,701	1,756	1,812										
52002870 GEN MAINT-STRUCT,IMP & GROUNDS	2	300	310	320	330	340	351	362										
52002905 RENTS & LEASES-STRUCT,IMP&GRDS	2	1,200	1,238	1,278	1,319	1,361	1,405	1,450										
<b>200-Services &amp; Supplies-General</b>		<b>\$ 101,582</b>	<b>46,674</b>	<b>46,753</b>	<b>48,965</b>	<b>51,322</b>	<b>53,894</b>	<b>56,512</b>										
55405010 SALARIES & BENE TRANSFERS OUT	3	60,000	60,000	60,000	60,000	60,000	60,000	60,000										
55405012 SERVS & SUPPLY TRANSFERS OUT	2	20,000	20,640	21,300	21,982	22,686	23,411	24,161										
540-Intra Entity Reimbursement Out	2	40,800	42,106	43,453	44,843	46,278	47,759	49,288										
<b>SUBTOTAL: WATER SYSTEM EXPENSES</b>		<b>\$ 222,382</b>	<b>\$ 167,419</b>	<b>\$ 171,506</b>	<b>\$ 175,791</b>	<b>\$ 180,286</b>	<b>\$ 185,005</b>	<b>\$ 189,960</b>										
<b>GRAND TOTAL: WATER EXPENSES</b>		<b>\$ 222,382</b>	<b>\$ 167,419</b>	<b>\$ 171,506</b>	<b>\$ 175,791</b>	<b>\$ 180,286</b>	<b>\$ 185,005</b>	<b>\$ 189,960</b>										

TABLE 7 : FORECASTING ASSUMPTIONS

INFLATION FACTORS <sup>3</sup>	Basis	2025	2026	2027	2028	2029	2030	2031
Customer Growth <sup>2</sup>	1	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
General Cost Inflation <sup>3</sup>	2	-	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
Labor Cost Inflation <sup>4</sup>	3	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Chemicals <sup>5</sup>	4	-	5.45%	5.45%	5.45%	5.45%	5.45%	5.45%
Electricity <sup>6</sup>	5	-	8.35%	8.35%	8.35%	8.35%	8.35%	8.35%
No Escalation	6	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

1. Revenue and expenses for FY 2024/25 provided by the County. Revenues and expenses for all other years are escalated based on the forecasting assumptions in Table 7.  
 2. Customer growth is based on the population projections provided by the County.  
 3. General cost inflation is based on the Producer Price Index for all Urban Consumers in the San Bernardino-Riverside-Ontario, CA area.  
 4. Labor cost inflation is provided by County.  
 5. Chemical cost inflation is based on the 5-year average annual change in the Producer Price Index for Chemical Manufacturing.  
 6. Electricity cost inflation is based on the 5-year average annual change in the Consumer Price Index for Electricity for the San Bernardino-Riverside-Ontario, CA area.

CSA 70F Morongo Valley  
WATER RATE STUDY  
Capital Improvement Plan Expenditures

TABLE 8 : CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST	Projected FY 2025/26	5-Year Projected Rate Period								
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32	FY 2032/33	FY 2033/34	
<b>Funding Sources:</b>										
Grants	\$ 1,047,774	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Capacity Fee Reserves	-	-	-	-	-	-	-	-	-	-
SRF Loan Funding	-	642,363	535,613	-	573,762	-	-	-	93,843	-
Use of New Revenue Bond Proceeds	-	-	-	-	-	-	-	-	-	-
Use of Capital Rehabilitation and Replacement Reserve	-	573,762	-	400,000	-	-	-	-	500,000	-
Rate Revenue	-	-	-	154,359	-	-	-	-	-	0
<b>Total Sources of Capital Funds</b>	<b>\$ 1,047,774</b>	<b>\$ 1,216,125</b>	<b>\$ 535,613</b>	<b>\$ 554,359</b>	<b>\$ 573,762</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 593,843</b>	<b>\$ -</b>
<b>Uses of Capital Funds:</b>										
Total Projects	\$ 1,047,774	\$ 1,216,125	\$ 535,613	\$ 554,359	\$ 573,762	\$ -	\$ -	\$ -	\$ 593,843	\$ -
Capital Funding Surplus (Deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>SRF Loan Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,177,976</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 667,605</b>	<b>\$ -</b>	<b>\$ -</b>
<b>New Revenue Bond Proceeds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

TABLE 9 : CAPITAL IMPROVEMENT PROGRAM FUNDING OPTIONS

Policy Choice	FY 2025/26	FY 026/27	FY 027/28	FY 028/29	FY 029/30	FY 030/31
Alternative 1 - Full Funding of CIP	\$ 1,047,774	\$ 1,216,125	\$ 535,613	\$ 554,359	\$ 573,762	\$ 593,843
Alternative 2 - 75% Funding of CIP	\$ 785,831	\$ 911,864	\$ 403,709	\$ 415,769	\$ 430,591	\$ 445,982
Alternative 3 - 50% Funding of CIP	\$ 523,887	\$ 608,063	\$ 267,806	\$ 277,179	\$ 286,881	\$ 296,522

Insert policy choice in box to right, based on options listed above:

Capital Improvement Program Funding Choice	FY 2025/26	FY 026/27	FY 027/28	FY 028/29	FY 029/30	FY 030/31
Effective Annual Funding Amount	\$ 1,047,774	\$ 1,216,125	\$ 535,613	\$ 554,359	\$ 573,762	\$ 593,843

CSA 70F Morongo Valley  
WATER RATE STUDY  
Capital Improvement Plan Expenditures

CAPITAL IMPROVEMENT PROGRAM

TABLE 10: CAPITAL IMPROVEMENT PROGRAM COSTS (in Current-Year Dollars)<sup>1</sup>

Project #	Project Description <sup>2</sup>	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
	Water Tank Replacement	\$1,047,774					
	Water master plan	\$ 175,000					
	Water Treatment Plant	\$ 1,000,000					
	Pipeline replacement		\$500,000			\$ 500,000	\$ 500,000
	<b>Total: CIP Program Costs (Current-Year Dollars)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

TABLE 11: CAPITAL IMPROVEMENT PROGRAM COSTS (in Future-Year Dollars)<sup>3</sup>

Project Description	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Water Tank Replacement	\$ 1,047,774	\$ -	\$ -	\$ -	\$ -	\$ -
Water master plan	-	181,125	-	-	-	-
Water Treatment Plant	-	1,035,000	-	-	-	-
Pipeline replacement	-	-	535,613	554,359	573,762	593,843
<b>Total: CIP Program Costs (Current-Year Dollars)</b>	<b>\$ 1,047,774</b>	<b>\$ 1,216,125</b>	<b>\$ 535,613</b>	<b>\$ 554,359</b>	<b>\$ 573,762</b>	<b>\$ 593,843</b>

TABLE 12: FORECASTING ASSUMPTIONS

Economic Variables	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Annual Construction Cost Inflation, Per Engineering News Record <sup>3</sup>	0.00%	3.50%	3.50%	3.50%	3.50%	3.50%
Cumulative Construction Cost Multiplier from FY 2024/25	1.00	1.04	1.07	1.11	1.15	1.19

- Capital project costs were provided by County Staff and assumes Year 1 begins in FY 2026/27.
- The capital project costs have been inflated by District Staff in Current CIP Budget using the Construction Cost Index (See Table 12). Website: <http://enr.construction.com>.
- For reference purposes, the annual Construction Cost Inflation percentage is the 10-year average annual change in the Construction Cost Index for 2013-2023 (3.5%).

TABLE 13 : EXISTING DEBT OBLIGATIONS

Annual Repayment Schedules:	Budget		5-Year Projected Rate Period						
	FY 2024/25	Projected	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	
N/A									
Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Interest Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Subtotal: Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Coverage Requirement (\$-Amt above annual payment)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Reserve Requirement (total fund balance)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Grand Total: Existing Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Grand Total: Existing Annual Coverage Requirement</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Grand Total: Existing Debt Reserve Target</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

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TABLE 14 : EXISTING ANNUAL DEBT OBLIGATIONS TO BE SATISFIED BY WATER RATES

Annual Obligations	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Existing Annual Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Annual Coverage Requirement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Debt Reserve Target	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

TABLE 15 : FUTURE DEBT FINANCING ASSUMPTIONS

Long-Term Debt Terms	State Revolving Fund Loan	Revenue Bonds
Issuance Cost	2.00%	2.00%
Annual Interest Cost (%)	5.50%	5.50%
Term	20	20
Debt Reserve Funded	Yes	Yes
Coverage Requirement (% above annual pmt)	1.20%	1.25%

TABLE 16 : FUTURE DEBT OBLIGATIONS

Annual Repayment Schedules	2024	2025	2026	2027	2028	2029	2030
<b>SRF Loan Funding</b>							
Principal Payment	\$ -	\$ -	\$ 37,691	\$ 39,764	\$ 41,951	\$ 65,620	\$ 69,229
Interest Payment	-	-	72,283	70,210	68,023	106,681	103,072
<b>Subtotal: Annual Debt Service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 109,974</b>	<b>\$ 109,974</b>	<b>\$ 109,974</b>	<b>\$ 172,301</b>	<b>\$ 172,301</b>
<b>Revenue Bonds</b>							
Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Subtotal: Annual Debt Service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Grand Total: Future Annual Debt Service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 109,974</b>	<b>\$ 109,974</b>	<b>\$ 109,974</b>	<b>\$ 172,301</b>	<b>\$ 172,301</b>
<b>Grand Total: New Annual Coverage Requirement</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 131,969</b>	<b>\$ 131,969</b>	<b>\$ 131,969</b>	<b>\$ 206,761</b>	<b>\$ 206,761</b>
<b>Grand Total: Future Debt Reserve Target</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 109,974</b>	<b>\$ 109,974</b>	<b>\$ 109,974</b>	<b>\$ 172,301</b>	<b>\$ 172,301</b>

TABLE 17 : TOTAL DEBT SERVICE

Annual Obligations	2024	2025	2026	2027	2028	2029	2030
<b>Annual Debt Service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 109,974</b>	<b>\$ 109,974</b>	<b>\$ 109,974</b>	<b>\$ 172,301</b>	<b>\$ 172,301</b>
<b>Annual Coverage Requirement</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 131,969</b>	<b>\$ 131,969</b>	<b>\$ 131,969</b>	<b>\$ 206,761</b>	<b>\$ 206,761</b>
<b>Total Debt Reserve Target</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 109,974</b>	<b>\$ 109,974</b>	<b>\$ 109,974</b>	<b>\$ 172,301</b>	<b>\$ 172,301</b>

CSA 70F Morongo Valley  
 WATER RATE STUDY  
 Projected Water Rates Under Existing Rate Schedule

Exhibit 4 – Current Rates

TABLE 18 : CURRENT WATER RATE SCHEDULE

Water Rate Schedule		July 1, 2025
<b>Monthly Fixed Service Charges (in \$/mo)</b>		
<b>Domestic Service Charge</b>		
3/4"		\$65.17
1"		\$108.62
1.5"		\$217.24
2"		\$347.57
3"		\$695.15
4"		\$1,086.18
6"		\$2,172.35
8"		\$3,475.75
<b>Water Usage Charges (in \$/HCF)</b>		
0-14		\$7.30
15-80		\$8.38
81+		\$9.65

\*Bi-Monthly Fee Per HCF

TABLE 19 : CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS

Classification of Expenses	Total Revenue Requirements		Commodity (COM)	Capacity (CAP)	Customer (CA)	Basis of Classification						
	FY 2026/27					(COM)	(CAP)	(CA)	(COM)	(CAP)	(CA)	
<b>Operating Expenses</b>												
52002070 Food	\$ 213	\$ 64	\$ 138	\$ 11		30.0%	65.0%	5.0%				
52002085 Legal Notices	\$ 43	\$ 13	\$ 28	\$ 2		30.0%	65.0%	5.0%				
52002090 Miscellaneous Expense	\$ 1,065	\$ 852	\$ 160	\$ 53		80.0%	15.0%	5.0%				
52002120 Small Tools & Instruments	\$ 32	\$ 10	\$ 21	\$ 2		30.0%	65.0%	5.0%				
52002135 Special Dept Expense	\$ 533	\$ 160	\$ 346	\$ 27		30.0%	65.0%	5.0%				
52002180 Utilities	\$ 107	\$ 32	\$ 69	\$ 5		30.0%	65.0%	5.0%				
52002182 Utilities-Electricity	\$ 17,023	\$ 13,618	\$ 2,553	\$ 851		80.0%	15.0%	5.0%				
52002190 Prior Yr Exp/ Svcs & Supplies	\$ -	\$ -	\$ -	\$ -		30.0%	65.0%	5.0%				
52002310 Presort & Packaging (lft Only)	\$ 746	\$ -	\$ -	\$ 746		0.0%	0.0%	100.0%				
52002323 Courier & Printing (lft Only)	\$ -	\$ -	\$ -	\$ -		30.0%	65.0%	5.0%				
52002415 County Services (Incl Cowcap )	\$ 639	\$ 192	\$ 445	\$ 32		30.0%	65.0%	5.0%				
52002419 Real Estate Services- Svc Chgs	\$ 1,065	\$ 320	\$ 692	\$ 53		30.0%	65.0%	5.0%				
52002445 Other Professional & Spec Svcs	\$ 11,715	\$ 9,372	\$ 1,757	\$ 586		80.0%	15.0%	5.0%				
52002448 County Counsel Services	\$ 5,000	\$ 1,500	\$ 3,250	\$ 250		30.0%	65.0%	5.0%				
52002458 Permit Costs	\$ 2,663	\$ 799	\$ 1,731	\$ 133		30.0%	65.0%	5.0%				
52002660 Penalties	\$ 53	\$ 16	\$ 35	\$ 3		30.0%	65.0%	5.0%				
52002678 Miscellaneous Lab Testing	\$ 2,663	\$ 2,130	\$ 399	\$ 133		80.0%	15.0%	5.0%				
52002855 General Maintenance-Equipment	\$ 1,598	\$ 479	\$ 1,038	\$ 80		30.0%	65.0%	5.0%				
52002870 Gen Maint-Struct,Imp & Grounds	\$ -	\$ 96	\$ 208	\$ 16		30.0%	65.0%	5.0%				
52002895 Rents & Leases - Equipment	\$ -	\$ -	\$ -	\$ -		30.0%	65.0%	5.0%				
52002905 Rents & Leases-Struct,Imp&Grds	\$ 1,278	\$ 1,022	\$ 192	\$ 64		80.0%	15.0%	5.0%				
55405010 Salaries & Bene Transfers Out	\$ 60,000	\$ 48,000	\$ 9,000	\$ 3,000		80.0%	15.0%	5.0%				
55405012 Servs & Supply Transfers Out	\$ 21,300	\$ 17,040	\$ 3,195	\$ 1,065		80.0%	15.0%	5.0%				
55405018 Internal Cost Alloca Out	\$ 43,453	\$ 34,762	\$ 6,518	\$ 2,173		80.0%	15.0%	5.0%				
<b>Subtotal: Water System Expenses</b>	\$ 171,506	\$ 130,477	\$ 31,746	\$ 9,284		76.1%	18.5%	5.4%				

TABLE 20 : CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS, cont.

Classification of Expenses, cont.	Total Revenue Requirements		Commodity (COM)	Capacity (CAP)	Customer (CA)	Basis of Classification		
	FY 2026/27					(COM)	(CAP)	(CA)
<b>Debt Service Payments</b>								
Outstanding Debt	\$ -	\$ -	\$ -	\$ -		0.0%	100.0%	0.0%
New Debt Issue - SRF Loan	109,974	-	109,974	-		0.0%	100.0%	0.0%
New Debt Issue - Revenue Bond	-	-	-	-		0.0%	100.0%	0.0%
<b>Total Debt Service Payments</b>	\$ 109,974	\$ -	\$ 109,974	\$ -		0.0%	100.0%	0.0%
<b>Capital Expenditures</b>								
Rate-Funded Capital Expenses	\$ -	\$ -	\$ -	\$ -		0.0%	100.0%	0.0%
<b>TOTAL REVENUE REQUIREMENTS</b>	\$ 281,480	\$ 130,477	\$ 141,720	\$ 9,284		46.4%	50.3%	3.3%
<b>Less: Non-Rate Revenues</b>								
000-Taxes	\$ (20,775)	\$ (11,426)	\$ (8,310)	\$ (1,039)		55.0%	40.0%	5.0%
030-Revenue From Use of Money & Property	\$ (400)	\$ (220)	\$ (160)	\$ (20)		55.0%	40.0%	5.0%
040-Intergovernmental Revenue-State	\$ (60,100)	\$ (33,055)	\$ (24,040)	\$ (3,003)		55.0%	40.0%	5.0%
080-Other Revenue	\$ (500)	\$ (275)	\$ (200)	\$ (25)		55.0%	40.0%	5.0%
<b>NET REVENUE REQUIREMENTS</b>	\$ 199,705	\$ 85,500	\$ 109,010	\$ 5,195				
<b>Allocation of Revenue Requirements</b>	100.0%	42.8%	54.6%	2.6%				

TABLE 21 : ADJUSTMENT TO CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS

Adjustments to Classification of Expenses		Total	(COM)	(CAP)	(CA)
<b>Adjustment for Current Rate Level:</b>					
FY 2026/27 Target Rate Rev. After Rate Increases	\$	124,662			
Projected Revenue at Current Rates	\$	113,000			
FY 2026/27 Projected Rate Increase		10%			
<b>Adjusted Net Revenue Req'ts</b>	<b>\$</b>	<b>124,662</b>	<b>\$ 53,372</b>	<b>\$ 68,047</b>	<b>\$ 3,243</b>
<i>Percent of Revenue</i>		<i>100.0%</i>	<i>42.8%</i>	<i>54.6%</i>	<i>2.6%</i>

TABLE 22 : NET REVENUE REQUIREMENTS PER COSA RESULTS

Net Revenue Requirements - Per COSA Results	Total Rate Revenue Requirements FY 2026/27	Commodity Related Costs		Fixed Costs	
		Capacity Related Costs	Customer Related Costs	Capacity Related Costs	Customer Related Costs
Rate-Design Adjustments to Fixed/Variable %	100.0%	42.8%			
Rate-Design Adjustments to Fixed/Variable (\$)	\$124,662	\$53,372	\$68,047	\$3,243	

**TABLE 23 : DEVELOPMENT OF THE COMMODITY ALLOCATION FACTOR**

Development of the Volumetric/Variable Allocation Factor <sup>1</sup>			
Customer Class	CY 2024 Consumption (HCF)	% of Total Volume	% of Total Volume (Non-potable)
All Customers	6,686	100.0%	0.0%
<b>Total</b>	<b>6,686</b>	<b>100.0%</b>	<b>0.0%</b>

1. Consumption data is based on County billing data for CY 2024.

**TABLE 24 : DEVELOPMENT OF THE CUSTOMER ALLOCATION FACTORS: METERS**

Development of the Customer Allocation Factor <sup>1</sup>		
Customer Class	No. of Meters CY 2024	% of Total Meters
All Customers	83	100.0%
<b>Total</b>	<b>83</b>	<b>100.0%</b>

1. Consumption data is based on County billing data for CY 2024.

TABLE 25 : ALLOCATION OF WATER REVENUE REQUIREMENTS

Classification Components	Cost-of-Service Net Revenue Requirements (FY 2026/27)	
Commodity-Related Costs	\$ 53,372	42.8%
Capacity-Related Costs	68,047	54.6%
Customer-Related Costs	3,243	2.6%
<b>Net Revenue Requirement</b>	<b>\$ 124,662</b>	<b>100.0%</b>

TABLE 26 : ALLOCATION OF NET REVENUE REQUIREMENTS - FY 2024/25

Customer Classes	Classification Components			Cost of Service Net Rev. Req'ts	% of COS Net Revenue Req'ts
	VARIABLE Related Rate	FIXED Capacity- Related Rate	CUSTOMER- Related Rate		
All Customers	\$ 53,372	\$ 68,047	\$ 3,243	\$124,662	100.0%
<b>Total Net Revenue Requirement</b>	<b>\$ 53,372</b>	<b>\$ 68,047</b>	<b>\$ 3,243</b>	<b>\$124,662</b>	<b>100%</b>
<i>Total Net Revenue Requirement by Classification Component</i>	<i>VARIABLE</i> \$53,372	<i>FIXED</i> \$71,290		\$124,662	

TABLE 27 : RATE DESIGN - SUMMARY OF REVENUE REQUIREMENTS

Customer Class	COSA Net Revenue		NET REVENUE REQUIREMENT				
	FY 2026/27	% of COS Rev. Req't.	% Fixed Revenue	% Variable Revenue	Revenue from Volumetric Charges	Revenue from Hydraulic Capacity	Revenue from Customer Costs
All Customers	\$ 124,662	100.0%	57%	43%	\$ 53,372	\$ 68,047	\$ 3,243
<b>Total</b>	<b>\$ 124,662</b>	<b>100.0%</b>			<b>\$ 53,372</b>	<b>\$ 68,047</b>	<b>\$ 3,243</b>

TABLE 28 : METER EQUIVALENCY FACTORS USED IN FIXED CHARGES CALCULATION

Meter Size	Standard Meters	
	Meter Capacity	Equivalency to 3/4 inch
3/4 inch	30	1.00
1 inch	50	1.67
1 1/2 inch	100	3.33
2 inch	160	5.33
<i>Compound Class</i>		
3 inch	320	10.67
4 inch	500	16.67
6 inch	1,000	33.33
8 inch	1,600	53.33

1. Per AWWA, M1 Manual, Table B-1.

TABLE 29 : CALCULATION OF MONTHLY FIXED DOMESTIC METER SERVICE CHARGES FOR FY 2026/27

Number of Meters by Class and Size <sup>1</sup>	FY 2026/27								NET REVENUE REQUIREMENT				
	5/8 - 3/4" meter	1" meter	1.5" meter	2" meter	3" meter	4" meter	6" meter	8" meter	Total				
All Customers	75	8	0	0	0	0	0	0	0	0	0	0	83
Total Meters/Accounts	75	8	0	0	0	0	0	0	0	0	0	0	83
Hydraulic Capacity Factor <sup>2</sup>	1.00	1.67	3.33	5.33	10.67	16.67	33.33	53.33					
Total Equivalent Meters	75	13	0	0	0	0	0	0					88
Monthly Fixed Service Charges													
Customer Costs (\$/Acct/month) <sup>3</sup>	\$3.26	\$3.26	\$3.26	\$3.26	\$3.26	\$3.26	\$3.26	\$3.26					\$3.26
Capacity Costs (\$/Acct/month) <sup>4</sup>	\$64.20	\$106.99	\$356.64	\$570.63	\$1,141.25	\$1,783.21	\$3,566.41	\$5,706.26					
<b>Total Monthly Meter Charge</b>	<b>\$110.25</b>	<b>\$110.25</b>	<b>\$359.90</b>	<b>\$573.88</b>	<b>\$1,144.51</b>	<b>\$1,786.46</b>	<b>\$3,569.67</b>	<b>\$5,709.51</b>					
Annual Fixed Costs Allocated to Monthly Meter Charges													
Customer Costs	\$ 3,243												
Capacity Costs	68,047												
<b>Total Fixed Meter Costs</b>	<b>\$ 71,290</b>												
Annual Revenue from Monthly Meter Charges													
Customer Charges	\$ 2,930	\$ 313	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -					\$ 3,243
Capacity Charges	\$ 57,776	\$ 10,271	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -					\$ 68,047
<b>Total Revenue from Monthly Meter Charges</b>	<b>\$ 60,706</b>	<b>\$ 10,584</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>					<b>\$ 71,290</b>

1. Meter by Class and Size are based on December 2024 customer billing data.  
 2. Source: Principles of Water Rates, Fees, and Charges, Manual M1, AW/WA, Table B-1.  
 3. Customer costs are allocated to each customer by dividing the total customer costs by the total number of customers.  
 4. Capacity costs are allocated by meter size and the hydraulic capacity of the meter.

TABLE 30 : ESTIMATED DOMESTIC FIXED REVENUE BY CUSTOMER CLASS

Customer Class and Meter Size	Hydraulic Capacity Factor	Number of Meters	Total Equivalent Meters	Fixed Meter Charge		NET REVENUE REQUIREMENT	
				Customer Component	Capacity Component	Total Fixed Meter Charge	Estimated Revenue from Fixed Charges
3/4"	1.00	75	75	\$ 3.26	\$ 64.20	\$ 67.45	\$ 60,706.03
1"	1.67	8	13	3.26	106.99	110.25	10,583.82
1 1/2"	3.33	0	0	3.26	356.64	359.90	-
2"	5.33	0	0	3.26	570.63	573.88	-
3"	10.67	0	0	3.26	1,141.25	1,144.51	-
4"	16.67	0	0	3.26	1,783.21	1,786.46	-
6"	33.33	0	0	3.26	3,566.41	3,569.67	-
8"	53.33	0	0	3.26	5,706.26	5,709.51	-
<b>Total</b>		<b>83</b>	<b>88</b>			<b>\$ 71,290</b>	

TABLE 31 : PROPOSED VOLUMETRIC CHARGES FOR CY 2025 BY CUSTOMER CLASS

<b>NET REVENUE REQUIREMENT</b>						
Customer Classes	Water Consumption (HCF/yr)	Total Target Rev. Req't from Vol. Charges	% of Total Rate Revenue	Uniform Commodity Rates (\$/HCF)	Proposed Rate Structure	
All Customers	6,686	\$ 53,372	42.8%	\$7.98	Uniform	
<b>Total Water</b>	<b>6,686</b>	<b>\$ 53,372</b>	<b>42.8%</b>			

TABLE 32 : SUMMARY OF VOLUMETRIC CHARGES FOR FY 2025/26 FOR PROPOSED RATE TABLE

<b>NET REVENUE REQUIREMENT</b>						
Customer Classes	Water Consumption (HCF/yr)	Total Target Rev. Req't from Vol. Charges	% of Total Rate Revenue	Uniform Commodity Rates (\$/HCF)	Proposed Rate Structure	
All Customers	6,686	\$ 53,372	42.8%	\$7.98	Uniform	
<b>Total Water</b>	<b>6,686</b>	<b>\$ 53,372</b>	<b>42.8%</b>			

TABLE 33 : ESTIMATED VOLUMETRIC REVENUE BY CUSTOMER CLASS

Customer Class	Estimated Variable Revenue		NET REVENUE REQUIREMENT	
	Estimated Consumption	Revenue	% of Variable Rate Revenue	Total Cost of Service Net Revenue
All Customers	6,686	\$ 53,372	100.0%	\$ 124,662
<b>Grand Total</b>	<b>6,686</b>	<b>\$ 53,372</b>	<b>100.0%</b>	<b>\$ 124,662</b>

Water Rate Schedule	NET REVENUE REQUIREMENT					
	Current Rates	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2029/30
<b>Monthly Fixed Service Charges (in \$/mo)</b>						
Domestic Service Charge						
3/4"	\$65.17	\$67.45	\$69.81	\$72.26	\$74.78	\$77.40
1"	\$108.62	\$110.25	\$114.11	\$118.10	\$122.23	\$126.51
1.5"	\$217.24	\$359.90	\$372.49	\$385.53	\$399.02	\$412.99
2"	\$347.57	\$573.88	\$593.97	\$614.76	\$636.27	\$658.54
3"	\$695.15	\$1,144.51	\$1,184.56	\$1,226.02	\$1,268.94	\$1,313.35
4"	\$1,086.18	\$1,786.46	\$1,848.99	\$1,913.70	\$1,980.68	\$2,050.01
6"	\$2,172.35	\$3,569.67	\$3,694.60	\$3,823.92	\$3,957.75	\$4,096.27
8"	\$3,475.75	\$5,709.51	\$5,909.35	\$6,116.17	\$6,330.24	\$6,551.80
<b>Water Usage Charges (in \$/HCF)</b>						
TIER 1 (0-14 HCF)	\$7.30	\$7.98	\$8.26	\$8.55	\$8.85	\$9.16
TIER 2 (15-60 HCF)	\$8.38	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
TIER 3 (61+ HCF)	\$9.65	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

# SAN BERNARDINO COUNTY

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*County Service Area 70 J (Oak Hills)  
Water Rate Study Report*

*Final Report*

**March 2026**



[nbsgov.com](http://nbsgov.com)

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# 1. Introduction

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## 1.1 Purpose

San Bernardino County (County) retained NBS to conduct a comprehensive utility rate study for its water enterprise fund for County Service Area 70J Oak Hills (CSA 70J). The County had several objectives and goals in mind for this study including meeting revenue requirements, reviewing the rising costs of providing services, funding capital improvements and changes in costs, and complying with certain legal requirements (e.g., California Constitution Article XIII D, Section 6, which is commonly referred to as Proposition 218 [Prop 218]). The County's broader objectives in this study include ensuring adequate funding for operating and capital costs, and ensuring revenue stability in utility rates. The rates resulting from this study were developed in a manner that is consistent with industry standard cost-of-service principles. In addition to documenting the rate study methodology, this report is provided with the intent to assist the County in its continuing effort to maintain transparent communications with the residents and community it serves.

In developing new rates for CSA 70J's enterprise fund, NBS worked cooperatively with County staff and the Board of Supervisors (Board) in selecting the appropriate rate alternatives that address the County's goals and objectives. Based on input provided by CSA 70J staff, NBS proposes the rates summarized in this report. The Board has the final decision regarding the adoption of the proposed rates and whether to proceed with the Prop 218 approval process.

## 1.2 Overview of the Study

Comprehensive rate studies, such as this one, typically include three components: (1) preparation of a financial plan that identifies the net revenue requirements for the utility; (2) analysis of the cost to serve each customer class, and (3) the rate structure design. These steps are shown in **Figure 1** and are intended to follow industry standards and reflect the fundamental principles of cost-of-service rate making embodied in the American Water Works Association's (AWWA) *Principles of Water Rates, Fees, and Charges*,<sup>1</sup> also referred to as Manual M1.

Rate studies also address requirements under Prop 218 that rates not exceed the cost of providing the service and be proportionate to the cost of providing service for all customers. In terms of the chronology of the study, the three steps shown in **Figure 1** represent the order in which they were performed in this study.

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<sup>1</sup> *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, Manual M1, American Water Works Association (AWWA), 7<sup>th</sup> Edition, 2017.

**Figure 1. Primary Components of a Rate Study**



NBS projected revenues and expenditures, developed net revenue requirements, performed cost-of-service rate analyses, and developed new water rates for the County using this approach. The following sections in this report present an overview of the methodologies, assumptions, and data used along with the financial plans and rates developed. Detailed tables and figures documenting the development of the proposed rates are provided in the Appendices.

The County provided NBS with the data necessary to conduct the study, including historical, current, and projected revenues and expenditures, number of customer accounts, and water consumption data along with other operational and capital cost information.

### **FINANCIAL PLAN**

As a part of the rate study, NBS projected revenues and expenditures on a cash-flow basis for the next five (5) years. The amount of rate revenue required, that will allow reserves to be maintained at the recommended levels, is known as the net revenue requirement. As current rate revenue falls short of the net revenue requirement, rate adjustments – or more accurately, adjustments in the total revenue collected from rates – are recommended. This report presents an overview of the methodologies, assumptions, and data used along with the financial plan and proposed rates developed in this study.<sup>2</sup>

### **COST-OF-SERVICE ANALYSIS**

The basic purpose of the cost-of-service analysis (COSA) is to fairly and equitably allocate costs to customer classes and/or meter sizes. The cost-of-service analysis consists of two major components: (1) the classification of expenses, and (2) the allocation of costs to customer classes. For example, a key task is the “classification” of the water revenue requirements into the following categories:

- Commodity related costs
- Capacity related costs
- Customer service related costs

<sup>2</sup> The complete financial plans are available in the *Appendices*.

## RATE DESIGN ANALYSIS

During the rate design phase of the study, NBS and County staff worked together to develop rate alternatives that will meet the County’s objectives. It is important for the County to send proper price signals to its customers about the actual cost of providing service. This objective is typically addressed through both the magnitude of the rate adjustments and the rate structure design. In other words, both the amount of revenue collected and the way in which the revenue is collected from customers are important.

Several criteria are typically considered in setting rates and developing sound rate structures. The fundamentals of this process have been well documented in several rate-setting manuals, such as AWWA’s Manual M1. The foundation for evaluating rate structures is generally credited to James C. Bonbright in *Principles of Public Utility Rates*,<sup>3</sup> which outlines pricing policies, theories, and economic concepts along with various rate designs. The following is a simplified list of the attributes of a sound rate structure:

- Rates should be easy to understand from the customer’s perspective.
- Rates should be easy to administer from the utility’s perspective.
- Rates should be equitable and non-discriminating (i.e., cost-based).
- There should be continuity in the rate making philosophy over time.
- Rates should address other utility policies (e.g., conservation and economic development).
- Rates should provide month-to-month and year-to-year revenue stability.

## RATE STRUCTURE TERMINOLOGY

This section covers basic rate design criteria that NBS and County staff considered as a part of their review of the rate structure alternatives. One of the most fundamental points in considering rate structures is the relationship between fixed and variable costs. Fixed costs, such as debt service and personnel costs, typically do not vary with the amount of water consumed. In contrast, variable costs, such as the cost of purchased water, chemicals, and electricity, tend to change with the quantity of water sold. Most rate structures contain a fixed, or minimum, charge in combination with a volumetric charge.

**Fixed Charges** – Fixed charges can be called base charges, minimum monthly charges, customer charges, fixed meter charges, etc. Fixed charges for water utilities typically increase by meter size. For example, a customer with a 2-inch meter has a fixed meter charge that is more than five times greater than the typical residential customer based on the safe operating capacity of the meter.<sup>4</sup> Since a large portion of utility costs are typically related to meeting capacity requirements, individual capacity demands are important in establishing equitable rates for customers.

**Variable (Consumption-Based) Charges** – In contrast to fixed charges, variable costs, such as purchased water, groundwater replenishment costs, and the cost of electricity used in pumping water and chemicals for treatment, tend to change with the quantity of water produced. For a water utility, variable charges are calculated based on a metered consumption per unit price (e.g., per 100 cubic feet, or HCF).

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<sup>3</sup> James C. Bonbright, Albert L. Danielsen, and David R. Kamerschen, *Principles of Public Utility Rates*, Arlington, VA: Public Utilities Report, Inc., Second Edition, 1988, pp. 383-384.

<sup>4</sup> *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, Manual M1, AWWA, 7<sup>th</sup> Edition, 2017, pp. 151-152.

**Uniform (Single-Tier) Water Rates** – There are significant variations in the basic philosophy of variable charge rate structure alternatives. Under a uniform (single tier) rate structure, the cost per unit does not change with consumption and, therefore, provides a simple and straightforward approach from the customer’s perspective and in terms of the County’s rate administration.

## **KEY FINANCIAL ASSUMPTIONS**

The following is a summary of the key financial assumptions used in the analyses. The following capital and operational fund targets reflect input from County staff to meet specific utility objectives.

**Funding of Capital Projects** – The capital improvement costs are anticipated to be funded using a combination of debt financing, capital reserves and rate revenue. NBS notes that the planned rate revenue increases may not support the debt financing as modeled. Projects may need to be delayed or omitted if sufficient revenues are not available to pay debt service and provide for required bond coverage ratios.

**Reserve Targets** – For the water utility, the County maintains reserves for operations, capital, and other specific needs. The details of each utility’s reserve targets are covered in their respective sections of this report.

**Inflation and Growth Projections** – Assumptions were made in the analysis regarding cost inflation to project future revenues and expenses for the study period. The following inflation factors were used in the analysis:

- Customer growth is estimated at 0.00% per year.
- General cost inflation is set at 3.20% annually.
- Labor cost inflation is set at 0.00% annually.
- Electricity cost inflation is set at 8.35% annually.

These inflation factors are based on long-term trends; therefore, the County should re-examine these factors in another year to assess the impacts on utility costs and whether projected rate increases will be sufficient for the remainder of the rate adoption period.

## 2. Water Rate Study

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### 2.1 Key Water Rate Study Issues

The County's water rate analysis was undertaken with a few specific objectives, including:

- Generating sufficient revenue to meet anticipated operating and maintenance costs and fund necessary capital improvement projects for the next five years.
- Continuing with a rate design that promotes revenue stability.
- Verifying the cost-of-service linkage between the current rate structure and the proposed water rates.
- Complying with the legal requirements of Prop 218 to ensure the cost of providing service is properly allocated amongst user classifications. This was the basis for eliminating tiered water rates.

NBS developed various water rate alternatives as requested by County staff over the course of this study. All rate structure alternatives relied on industry standards and cost-of-service principles. The rate alternative that will ultimately be implemented is the decision of the Board. The fixed and volume-based charges were calculated based on the net revenue requirements, number of customer accounts, water consumption and estimated water discharge, and other relevant data provided by the County.

The following are the basic components included in this analysis:

**Developing Cost Allocations** – The water revenue requirements were “functionalized” into three categories: (1) commodity (or volume-based) costs; (2) fixed capacity costs; and (3) customer service costs. These functionalized costs were then used to develop unit costs based on various factors, such as water consumption, peaking factors, and number of accounts by meter size.

**Determining Revenue Requirements by Customer Class** – The total revenue that needs to be collected from each customer class, in this case by meter size, was determined using the functional costs and allocation factors. For example, customer costs are allocated based on the number of meters, while volume-related costs are allocated based on the water consumption of each customer class. Once the costs are allocated and the net revenue requirement for each customer class is determined, collecting the revenue requirements from each customer class is addressed within the rate design.

**Evaluating Rate Design (Fixed vs. Variable Charges)** – The revenue requirements for each customer class are collected through a combination of fixed monthly service charges and volumetric rates. Based on direction from County staff, the rates proposed in this report will collect 41% of the rate revenue from the fixed charge and 59% from the variable charges, which is consistent with the current rate design.

### 2.2 Financial Plan

It is important for municipal utilities to not only collect sufficient revenues every year, but to also maintain reasonable reserves to handle emergencies, fund working capital, maintain a good credit rating, and generally follow sound financial management practices. Rate adjustments are governed by the need to meet operating and capital costs as well as maintain reasonable reserve levels. The current state of the County's water utility, regarding these objectives, is as follows:

**Meeting Net Revenue Requirements:** For FY 2026/27 through FY 2030/31, the projected net revenue requirement (that is, total annual expenses plus debt service and rate-funded capital costs, less non-rate revenues) for the water system averages \$7 million to \$8.2 million annually. If no rate adjustments are implemented, the County is projected to run an annual deficit of approximately \$3.2 million in FY 2026/27, increasing to more than \$4.5 million by FY 2030/31, and will be unable to meet forecasted debt service coverage requirements in FY 2026/27 and following years when the anticipated debt service payments begin.

**Maintaining Reserve Funds:** Reserve funds provide a basis for a utility to cope with fiscal emergencies, such as revenue shortfalls, asset failure, and natural disasters, among other events. Reserve policies provide guidelines for sound financial management, with an overall long-range perspective to maintain financial solvency and mitigate financial risks associated with revenue instability, volatile capital costs, and unexpected emergencies.

- The County's existing reserves are significantly below targets currently. If the County pursues debt to fund the projected capital improvement costs, reserve funds will be depleted by the end of the rate period. NBS together with County staff have chosen to set the following reserve targets:
  - **Operating Reserve** equal to 90 days of operating and maintenance expenses, or approximately \$1.39 thousand in FY 2026/27. An operating reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures, such as those caused by weather patterns, the natural inflow and outflow of cash during billing cycles, natural variability in demand-based revenue streams (e.g., volumetric charges), and – particularly in periods of economic distress – changes or trends in the age of receivables. NBS considers a 90 day operating reserve to be a standard reserve fund target (i.e., most municipal water utilities use a 3-6 month target for the operating reserve).
  - **Capital Rehabilitation & Replacement Reserve** equal to 90 days of operating and maintenance expenses, or approximately \$1.39 thousand in FY 2026/27. This reserve is intended to be a cash resource set aside to address long-term capital system replacement and rehabilitation needs. NBS considers this capital reserve target to be at the lower end of what most utilities aim for. Many utilities aim for 3% to 6% of net assets.

**Funding Capital Improvement Projects:** The County must fund necessary capital improvements to maintain current service levels. County staff has identified roughly \$27 million in expected capital expenditures over the next five years (FY 2026/27 through FY 2030/31) which is an average of \$5.5 million in capital expenditures annually. This rate study assumes the County will be obtaining approximately \$25 million in revenue bonds loans in FY 2026/27, however the timing and amount of the bonds may need to be adjusted as the current model indicates that the required debt coverage may not be sufficient to support the debt as modeled.

**Inflation and Growth Projections:** Cost inflation and growth assumptions are necessary to project future revenues and expenses for the study period. Customer growth is expected to be flat. This factor was used in

the analysis for rate revenues while inflation factors, including the Consumer Price Index,<sup>5</sup> were used in projecting expenses.

**Maintaining Adequate Bond Coverage:** The water utility currently has some outstanding debt, and this analysis assumes that the County will incurring approximately \$25 million in new bonded debt to fund capital projects. However, whether new debt will be needed will depend on the actual delivery of capital projects (i.e., the timing and costs). The rate covenants of the new loans are likely to include a minimum debt service coverage ratio of 1.25, which is not supported by the anticipated rate revenue as modeled. The benefit of maintaining a higher coverage ratio is that it strengthens the County’s credit rating which can help lower interest rates for debt-funded capital projects and, in turn, reduce annual debt service payments.

**Figure 2** summarizes the sources and uses of funds, net revenue requirements, and the annual percent adjustments in total rate revenue recommended for the next five years.

**Figure 2. Summary of Water Revenue Requirements**

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget		5-Year Projected Rate Period			
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Sources of Water Funds</b>						
Rate Revenue	\$ 3,772,223	\$ 3,772,223	\$ 3,772,223	\$ 3,772,223	\$ 3,772,223	\$ 3,772,223
Non-Rate Revenue	675,780	675,780	675,780	675,780	675,780	675,780
<b>Total Sources of Funds:</b>	<b>\$ 4,448,003</b>	<b>\$ 4,448,003</b>	<b>\$ 4,448,003</b>	<b>\$ 4,448,003</b>	<b>\$ 4,448,003</b>	<b>\$ 4,448,003</b>
<b>Uses of Water Funds</b>						
Operating Expenses	\$ 5,380,870	\$ 5,552,293	\$ 5,731,812	\$ 5,919,904	\$ 6,117,078	\$ 6,323,881
Debt Service	111,943	1,999,431	1,999,129	1,998,818	1,998,497	1,998,167
Rate-Funded Capital Expenses	-	114,275	237,225	609,795	631,138	653,227
<b>Total Use of Funds:</b>	<b>\$ 5,492,813</b>	<b>\$ 7,665,999</b>	<b>\$ 7,968,166</b>	<b>\$ 8,528,516</b>	<b>\$ 8,746,713</b>	<b>\$ 8,975,275</b>
<b>Surplus (Deficiency) before Rate Increase</b>	<b>\$ (1,044,810)</b>	<b>\$ (3,217,996)</b>	<b>\$ (3,520,163)</b>	<b>\$ (4,080,513)</b>	<b>\$ (4,298,710)</b>	<b>\$ (4,527,272)</b>
Additional Revenue from Rate Increases <sup>1</sup>	-	540,818	825,725	1,131,999	1,461,245	1,815,183
<b>Surplus (Deficiency) after Rate Increase</b>	<b>\$ (1,044,810)</b>	<b>\$ (2,677,178)</b>	<b>\$ (2,694,439)</b>	<b>\$ (2,948,514)</b>	<b>\$ (2,837,465)</b>	<b>\$ (2,712,089)</b>
<b>Projected Annual Rate Increase</b>	<b>0.00%</b>	<b>16.60%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>
<b>Net Revenue Requirement<sup>2</sup></b>	<b>\$ 4,817,033</b>	<b>\$ 6,990,219</b>	<b>\$ 7,292,386</b>	<b>\$ 7,852,736</b>	<b>\$ 8,070,932</b>	<b>\$ 8,299,495</b>

1. Assumes new rates are implemented July 1, 2026.

2. This is the annual amount needed from water rates. [Net Revenue Requirement = Total Use of Funds - (Non-Rate Revenues + Interest Earnings)].

**Figure 3** summarizes the projected reserve fund balances and reserve targets for the County’s unrestricted funds. A detailed version of the proposed 5-year financial plan is included in the Appendix. The tables in the Appendix include the revenue requirement, reserve funds, revenue sources, capital improvement costs, and the proposed rate adjustments needed to meet the County’s funding requirements.

**Figure 3. Summary of Primary Water Reserve Funds**

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budget		5-Year Projected Rate Period			
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Operating Reserve</b>						
Ending Balance	(\$398,169)	\$ (3,075,347)	\$ (5,769,785)	\$ (8,718,299)	\$ (11,555,764)	\$ (14,267,853)
<i>Recommended Minimum Target</i>	<i>1,345,000</i>	<i>1,388,000</i>	<i>1,433,000</i>	<i>1,480,000</i>	<i>1,529,000</i>	<i>1,581,000</i>
<b>Capital Reserve</b>						
Ending Balance	\$ 5,237,808	\$ 5,290,186	\$ 5,312,506	\$ 5,365,631	\$ 5,419,288	\$ 5,473,481
<i>Recommended Minimum Target</i>	<i>1,345,000</i>	<i>1,388,000</i>	<i>1,433,000</i>	<i>1,480,000</i>	<i>1,529,000</i>	<i>1,581,000</i>
<b>Total Ending Balance</b>	<b>\$ 4,839,639</b>	<b>\$ 2,214,839</b>	<b>\$ (457,279)</b>	<b>\$ (3,352,668)</b>	<b>\$ (6,136,476)</b>	<b>\$ (8,794,372)</b>
<b>Total Recommended Minimum Target</b>	<b>\$ 2,690,000</b>	<b>\$ 2,776,000</b>	<b>\$ 2,866,000</b>	<b>\$ 2,960,000</b>	<b>\$ 3,058,000</b>	<b>\$ 3,162,000</b>

<sup>5</sup> Consumer Price Index for all urban consumers in the San Francisco area. Source: Website: <https://www.bls.gov/cpi/>.

## 2.3 Cost-of-Service Analysis

Once the net revenue requirements are determined, the cost-of-service analysis (COSA) proportionately distributes the revenue requirements to each of the customer classes. The COSA consists of two major components: (1) the classification of expenses, and (2) the allocation of costs to each customer class. Costs are classified according to the function they serve. All costs in the County's budget are allocated to each component of the rate structure in proportion to the level of service required by customers.

The level of service is related to the volume and strength of the water treated, infrastructure capacity, and customer service. These costs are based on allocation factors, such as water consumption, number of meters, and customer class. Ultimately, a COSA is intended to result in rates that are proportional to the cost of providing service to each customer class.

### FUNCTIONALIZATION AND CLASSIFICATION OF COSTS

Most costs are not typically allocated just to fixed or variable categories but rather allocated to multiple functions of water service. The functionalization and classification process provides the basis for allocating costs to various customer classes based on the cost causation (classification) components described below:

- **Commodity-related costs** are costs associated with the change in the volume of water produced and delivered. These commonly include the costs of water quality testing, energy related to pumping for transmission and distribution, and source of supply.
- **Capacity-related costs** are costs associated with sizing facilities to meet the maximum, or peak, demand. This includes both operating costs and capital infrastructure costs incurred to accommodate peak system capacity events.
- **Customer-related costs** are costs associated with having a customer connected to the water system, such as meter reading, postage, billing, and other administrative duties.

The County's budgeted costs were reviewed and allocated to these cost causation components which are used as the basis for establishing new water rates and translated into fixed and variable charges. Tables in the Appendix show how the County's expenses were classified and allocated to these cost causation components. In the analysis, these cost causation components are also considered to be either fixed or variable.

### FIXED AND VARIABLE COSTS

Ideally, utilities should recover all of their fixed costs from fixed charges and all of their variable costs from volumetric charges. When this is the case, fluctuations in water sales revenues would be directly offset by reductions or increases in variable expenses, which provides greater revenue stability for the utility. However, other factors are often considered when designing water rates, such as community values, water conservation goals, ease of understanding, and ease of administration.<sup>6</sup>

NBS functionalized the County's costs into categories that represent fixed and variable costs. This analysis resulted in a cost distribution that is approximately 41% fixed and 59% variable (i.e., volumetric), which is consistent with the County's current rate revenue collection from customers in proportions of

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<sup>6</sup> *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, Manual M1, AWWA, 7<sup>th</sup> Edition, 2017, pp. 6 and 96.

approximately 42% fixed and 58% variable. County staff agrees with NBS that the current rate design is the preferred rate alternative; it provides continuity for the County’s rate design while also encouraging water conservation. Therefore, the proposed new rates are based on these 41% fixed and 59% variable allocations.

**Figure 4** summarizes how costs are allocated to each cost component and used to establish new water rates. **Figure 5** shows the resulting cost allocation to each cost classification component.

**Figure 4. Allocation Percentages of Revenue Requirements**

Classification Components	Cost-of-Service Net Revenue Requirements (FY 2026/27)	
	Commodity-Related Costs	\$ 2,257,624
Capacity-Related Costs	1,461,879	38.5%
Customer-Related Costs	79,254	2.1%
<b>Net Revenue Requirement</b>	<b>\$ 3,798,757</b>	<b>100.0%</b>

**Figure 5. Allocated Net Revenue Requirements**

Customer Classes	Classification Components			Cost of Service Net Rev. Req'ts	% of COS Net Revenue Req'ts
	VARIABLE	FIXED			
	Commodity-Related Costs	Capacity-Related Costs	Customer-Related Costs		
All Customers	\$ 2,257,624	\$ 1,461,879	\$ 79,254	\$ 3,798,757	100.0%
<b>Total Net Revenue Requirement</b>	<b>\$ 2,257,624</b>	<b>\$ 1,461,879</b>	<b>\$ 79,254</b>	<b>\$ 3,798,757</b>	<b>100%</b>

## 2.4 Characteristics of Water Customers by Customer Class

Customer classes are typically determined by grouping customers with similar demand characteristics into categories that reflect the cost differentials to serve each type of customer. In this case customers are identified by meter size, as the land uses are fairly homogenous. The rates proposed in this report follow a similar structure where the fixed charges for the single customer class vary by meter size while all customers are charged a uniform volumetric rate.

The amount of consumption, the peaking factors, and the number of meters by size are used to allocate costs to customer classes and determine the appropriate rate structures for each. These components of the COSA are presented in the following figures.

Commodity-related costs are costs associated with the total annual consumption of water by customer class. **Figure 6** below summarizes the most recent consumption data by customer class and represents the expected percent of consumption over the 5-year rate period.

**Figure 6. Water Consumption by Customer Class**

Development of the Volumetric/Variable Allocation Factor <sup>1</sup>		
Customer Class	CY 2024 Consumption (HCF)	% of Total Volume
All Customers	661,823	100.0%
<b>Total</b>	<b>661,823</b>	<b>100.0%</b>

1. Consumption data is based on County billing data for CY 2024.

**Figure 7** shows the number of meters for each customer class. The percentage of total customers by customer class is then used to develop the customer allocation factors to allocate customer costs. Customer costs are those costs associated with having customers connected to the water system and include costs related to meter reading, postage, and billing.

**Figure 7. Number of Meters by Customer Class**

Development of the Customer Allocation Factor		
Customer Class	No. of Meters CY 2024	% of Total Meters
All Customers	3,466	100.0%
<b>Total</b>	<b>3,466</b>	<b>100.0%</b>

1. Consumption data is based on County billing data for CY 2024.

## 2.5 Rate Design Analysis

Evaluating the water rate structure includes reviewing rate-design objectives and policies, including continuity of rate design, revenue stability, equity among customers, and water conservation. NBS discussed the 41%/59% rate design with County staff over the course of this study as it is closest to the actual cost of service based on NBS’ analysis and consistent with the current rate design. Also, because of the difficulty meeting Prop 218 legal requirements of demonstrating the cost basis for tiered rates given the County’s water supply costs, the preferred rate structure proposes a uniform tier for all customers rather than the existing three tiers. The following section describes how the proposed water rates were determined.

### DEVELOPMENT OF PROPOSED RATES

#### ***Fixed Service Charges***

The fixed meter charge recognizes that the water utility incurs fixed costs regardless of whether customers use water. Two components comprise the fixed meter charge: (1) the capacity component, and (2) the customer component. The capacity component recovers costs associated with sizing the water system to ensure there is sufficient capacity in the system to meet peak demand. A user class with higher capacity is allocated a proportionately higher share of the capacity-related costs compared to customer classes with lower capacity. The customer component includes those costs related to reading and maintaining meters, customer billing and collection, and other customer service-related costs.

Fixed charges also vary based on meter sizes because larger meters have higher capacity requirements and reflect their potential to use more of the system’s capacity.<sup>7</sup> The potential capacity demands is proportional to the maximum hydraulic flow through each meter size based on the hydraulic capacity ratios established by AWWA.<sup>8</sup> The AWWA capacity ratios used for this report are shown in **Figure 8**.

**Figure 8. Hydraulic Capacity Factors**

Meter Size	Standard Meters	
	Meter Capacity (GPM) <sup>1</sup>	Equivalency to 1 inch
	<i>Displacement Meters</i>	
3/4 inch to 1 inch	50	1.00
1 1/2 inch	100	2.00
2 inch	160	3.20
	<i>Compound Class I Meters</i>	
3 inch	320	6.40
4 inch	500	10.00
6 inch	1,000	20.00
8 inch	1,600	32.00

1. Per AWWA, M1 Manual, Table B-1.

The actual number of meters by size is multiplied by the corresponding capacity ratios to calculate “equivalent” meters. The number of equivalent meters is used as a proxy for the potential demand that each customer can place on the water system. **Figure 9** summarizes the number of meters, the hydraulic capacity factors, and the number of equivalent meters (i.e., the number of meters multiplied by the hydraulic capacity factor) by customer class and meter size.

**Figure 9. Equivalent Meters**

Number of Meters by Class and Size <sup>1</sup>	FY 2026/27							Total
	3/4" to 1" Meter	1.5" meter	2" meter	3" meter	4" meter	6" meter	8" meter	
All Customers	3,427	14	22	2	1	0	0	3,466
<b>Total Meters/Accounts</b>	<b>3,427</b>	<b>14</b>	<b>22</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>3,466</b>
<i>Hydraulic Capacity Factor<sup>2</sup></i>	<i>1.00</i>	<i>2.00</i>	<i>3.20</i>	<i>6.40</i>	<i>10.00</i>	<i>20.00</i>	<i>32.00</i>	
<b>Total Equivalent Meters</b>	<b>3,427</b>	<b>28</b>	<b>70</b>	<b>13</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>3,548</b>

Using the costs allocated to each customer class from Figure 5, **Figure 10** shows the calculation of the fixed monthly service charges for all customer classes based on meter size. As previously mentioned, the customer service charge is calculated by dividing the customer service-related costs by the total number of meters, whereas the fixed capacity charge is calculated by dividing the capacity-related costs by the total number of equivalent meters for each meter size.

<sup>7</sup> System capacity is the system’s ability to supply water to all delivery points at the time when demanded.

<sup>8</sup> *Principles of Water Rates, Fees and Charges*, Manual of Water Supply Practices, Manual M1, AWWA, 7<sup>th</sup> Edition, 2017, p. 386. *Water Meters – Selection, Installation, Testing and Maintenance*, Manual M6, AWWA, 5<sup>th</sup> Edition, 2012, pp. 63-65.

**Figure 10. Calculation of Fixed Service Charges for FY 2026/27**

Number of Meters by Class and Size <sup>1</sup>	FY 2026/27							Total
	3/4" to 1" Meter	1.5" meter	2" meter	3" meter	4" meter	6" meter	8" meter	
All Customers	3,427	14	22	2	1	0	0	3,466
<b>Total Meters/Accounts</b>	<b>3,427</b>	<b>14</b>	<b>22</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>3,466</b>
Hydraulic Capacity Factor <sup>2</sup>	1.00	2.00	3.20	6.40	10.00	20.00	32.00	
<b>Total Equivalent Meters</b>	<b>3,427</b>	<b>28</b>	<b>70</b>	<b>13</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>3,548</b>
<b>Monthly Fixed Service Charges</b>								
Customer Costs (\$/Acct/month) <sup>3</sup>	\$1.91	\$1.91	\$1.91	\$1.91	\$1.91	\$1.91	\$1.91	
Capacity Costs (\$/Acct/month) <sup>4</sup>	\$34.33	\$68.67	\$109.87	\$219.74	\$343.34	\$686.68	\$1,098.68	
<b>Total Monthly Meter Charge</b>	<b>\$36.24</b>	<b>\$70.57</b>	<b>\$111.77</b>	<b>\$221.64</b>	<b>\$345.24</b>	<b>\$688.58</b>	<b>\$1,100.59</b>	

1. Meter by Class and Size are based on December 2024 customer billing data.
2. Source: *Principles of Water Rates, Fees, and Charges*, Manual M1, AWWA, Table B-1.
3. Customer costs are allocated to each customer by dividing the total customer costs by the total number of customers.
4. Capacity costs are allocated by meter size and the hydraulic capacity of the meter.

**Volumetric Rates**

Currently, the County uses a 6-tier rate structure for all customers; however, the proposed rates are based on a uniform, or single tier, volumetric rate. Given the single source of water supply, a uniform volumetric rate is more feasible from a Prop 218 perspective.

Figure 11 shows the calculation of the uniform tier rate per unit of water for all customers.

**Figure 11. Uniform Tier Rates for FY 2026/27**

Customer Classes	Water Consumption (HCF/yr)	Total Target Rev. Req't from Vol. Charges	% of Total Rate Revenue	Uniform Commodity Rates (\$/HCF)	Proposed Rate Structure
All Customers	661,823	\$ 2,257,624	59.4%	\$3.41	Uniform
<b>Total Water</b>	<b>661,823</b>	<b>\$ 2,257,624</b>	<b>59.4%</b>		

**2.6 Proposed Water Rates**

Since the County’s last rate study, the underlying cost factors (e.g., number of meters and water consumption) have changed. The cost-of-service analysis by nature “re-balances” how costs are allocated between customer classes and, as a result, there are uneven adjustments in the first year of the 5-year rate adoption period. In contrast, in the subsequent four years of the rate planning period, proposed charges are simply adjusted by the proposed adjustment in total rate revenue needed to meet projected revenue requirements.

Figure 12 provides a comparison of the current and proposed water rates for FY 2026/27 through 2030/31 for each customer class and meter size. Projected rates for each fiscal year<sup>9</sup> reflect adjustments based on the cost-of-service analysis, the 41% fixed/59% variable rate design structure, and the recommended percent increases in rate revenue planned for each year. More detailed tables on the development of the proposed water rates are documented in the Appendix.

<sup>9</sup> All rate adjustments are scheduled to be effective on January 1, 2024.

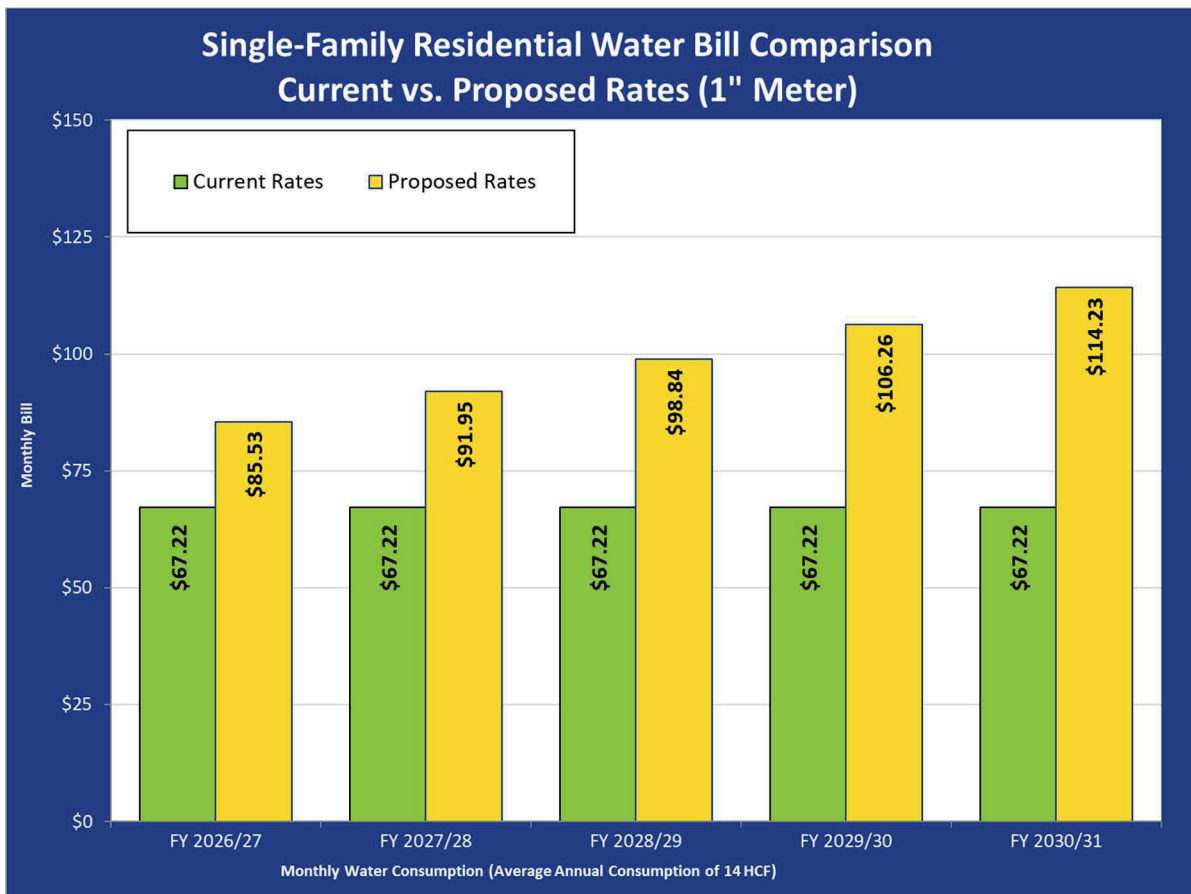
**Figure 12. Current and Proposed Water Rates**

Water Rate Schedule	Current Rates	Proposed Rates				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Monthly Fixed Service Charges (in \$/mo)</b>						
<b>Domestic Service Charge</b>						
3/4" to 1"	\$33.70	\$36.24	\$38.96	\$41.88	\$45.02	\$48.40
1.5"	67.41	70.57	75.87	81.56	87.67	94.25
2"	107.85	111.77	120.16	129.17	138.86	149.27
3"	215.71	221.64	238.27	256.13	275.35	296.00
4"	337.05	345.24	371.14	398.97	428.90	461.06
6"	674.10	688.58	740.23	795.74	855.42	919.58
8"	1,078.23	1,100.59	1,183.13	1,271.87	1,367.26	1,469.80
<b>Water Usage Charges (in \$/HCF)</b>						
TIER 1 (0-14 HCF)	\$2.32	\$3.41	\$3.67	\$3.94	\$4.24	\$4.56
TIER 2 (15-72 HCF)	2.66	N/A	N/A	N/A	N/A	N/A
TIER 3 (73-108 HCF)	3.43	N/A	N/A	N/A	N/A	N/A
TIER 4 (109-144 HCF)	3.62	N/A	N/A	N/A	N/A	N/A
TIER 5 (145-180 HCF)	4.00	N/A	N/A	N/A	N/A	N/A
TIER 6 (181+ HCF)	4.18	N/A	N/A	N/A	N/A	N/A

## 2.7 Comparison of Current and Proposed Water Bills

Figure 13 compares a monthly water bills under the current and proposed water rates for a residential customer. These monthly bills for each year of the rate period are based on typical meter sizes and highlight the average consumption levels for the customer.

**Figure 13. Monthly Water Bill Comparison for Residential Customers**



## 3. Recommendations and Next Steps

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### 3.1 Consultant Recommendations

NBS recommends the County take the following actions:

- **Approve and Accept this Study:** NBS recommends the Board formally approve and adopt this Study and its recommendations and proceed with the next steps outlined below to implement the proposed rates. This will provide documentation of the rate study analyses and the basis for analyzing potential changes to future rates.
- **Implement Recommended Levels of Rate Increases and Proposed Rates:** Based on successfully meeting the Prop 218 procedural requirements, the County should proceed with implementing the 5-year schedule of proposed rates and rate increases previously shown in Figure 12. This will help ensure the continued financial health of County's utilities.

### 3.2 Next steps

**Annually Review Rates and Revenue** – Any time an agency adopts new utility rates or rate structures, those new rates should be closely monitored over the next several years to ensure the revenue generated is sufficient to meet the annual revenue requirements. Changing economic and water consumption patterns underscore the need for this review, as well as potential and unseen changing revenue requirements — particularly those related to environmental regulations that can significantly affect capital improvements and repair and replacement costs.

*Note: The attached Appendix provide more detailed information on the analysis of the financial plan, revenue requirements, cost-of-service, and the rate design analyses that have been summarized in this report.*

### 3.3 NBS' Principal Assumptions and Considerations

In preparing this report and the opinions and recommendations included herein, NBS has relied on several principal assumptions and considerations regarding financial matters, conditions, and events that may occur in the future. This information and these assumptions, including the County's budgets, capital improvement costs, customer accounts and consumption, and information from County staff were provided by sources we believe to be reliable, although NBS has not independently verified this data.

While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report and its recommendations, some assumptions will invariably not materialize as stated herein and may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.

# Appendix. Water Rate Study Tables and Figures

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TABLE 1: FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

RATE REVENUE REQUIREMENTS SUMMARY	Projected FY 2025/26	5-Year Projected Rate Period				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Sources of Water Funds<sup>1</sup></b>						
<i>Rate Revenue:</i>						
070-Charges for Current Services	\$ 514,284	\$ 514,284	\$ 514,284	\$ 514,284	\$ 514,284	\$ 514,284
075-Charges for Current Services-Fee Ord	3,257,939	3,257,939	3,257,939	3,257,939	3,257,939	3,257,939
<i>Non-Rate Revenue:</i>						
000-Taxes	5,149	5,149	5,149	5,149	5,149	5,149
030-Revenue From Use of Money & Property	131,092	131,092	131,092	131,092	131,092	131,092
040-Intergovernmental Revenue-State	5	5	5	5	5	5
070-Charges for Current Services	514,284	514,284	514,284	514,284	514,284	514,284
080-Other Revenue	25,250	25,250	25,250	25,250	25,250	25,250
<b>Total Sources of Funds:</b>	<b>\$ 4,448,003</b>	<b>\$ 4,448,003</b>	<b>\$ 4,448,003</b>	<b>\$ 4,448,003</b>	<b>\$ 4,448,003</b>	<b>\$ 4,448,003</b>
<b>Uses of Water Funds<sup>1</sup></b>						
<i>Operating Expenses:</i>						
200-Services & Supplies-General	\$ 3,084,391	\$ 3,214,248	\$ 3,350,869	\$ 3,494,690	\$ 3,646,177	\$ 3,805,832
410-Capital Outlay-Improvements to Land	-	-	-	-	-	-
440-Capital Outlay-Equipment	2,296,478	2,338,046	2,380,943	2,425,213	2,470,900	2,518,049
540-Intra Entity Reimbursement Out	\$ 5,380,870	\$ 5,552,293	\$ 5,731,812	\$ 5,919,904	\$ 6,117,078	\$ 6,323,881
Subtotal: Operating Expenses	\$ 111,943	\$ 111,651	\$ 111,349	\$ 111,038	\$ 110,718	\$ 110,387
Existing Debt Service	-	1,887,780	1,887,780	1,887,780	1,887,780	1,887,780
New Debt Service	-	114,275	237,225	609,795	631,138	653,227
Rate-Funded Capital Expenses	-	-	-	-	-	-
Subtotal: Other Expenditures	\$ 111,943	\$ 2,113,706	\$ 2,236,354	\$ 2,608,613	\$ 2,629,635	\$ 2,651,394
<b>Total Uses of Water Funds:</b>	<b>\$ 5,492,813</b>	<b>\$ 7,665,999</b>	<b>\$ 7,968,166</b>	<b>\$ 8,528,516</b>	<b>\$ 8,746,713</b>	<b>\$ 8,975,275</b>
<i>plus: Revenue from Rate Increases<sup>3</sup></i>						
Annual Surplus/(Deficit)	\$ (1,044,810)	\$ (2,694,439)	\$ (2,694,439)	\$ (2,948,514)	\$ (2,837,465)	\$ (2,712,089)
<b>Net Revenue Req't. (Total Uses less Non-Rate Revenue)</b>	<b>\$ 4,448,003</b>	<b>\$ 4,960,560</b>	<b>\$ 5,273,727</b>	<b>\$ 5,619,902</b>	<b>\$ 5,915,248</b>	<b>\$ 6,263,186</b>
<b>Total Rate Revenue After Rate Increases (Water)</b>	<b>\$ 3,772,223</b>	<b>\$ 4,313,041</b>	<b>\$ 4,597,947</b>	<b>\$ 4,904,222</b>	<b>\$ 5,233,467</b>	<b>\$ 5,587,406</b>
<b>Projected Annual Rate Revenue Increase</b>	<b>0.00%</b>	<b>16.60%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>
<b>Cumulative Increase from Annual Revenue Increases</b>	<b>0.00%</b>	<b>16.60%</b>	<b>25.35%</b>	<b>34.75%</b>	<b>44.85%</b>	<b>55.72%</b>
<b>Debt Coverage After Rate Increase</b>	<b>(6.33)</b>	<b>(0.28)</b>	<b>(0.23)</b>	<b>(0.17)</b>	<b>(0.10)</b>	<b>(0.03)</b>

1. Revenue and expenses for FY 2021/22 through FY 2023/24 provided by the District. Revenues and expenses for all other years are escalated based on the forecasting assumption of 7.50% for all other years. Interest is calculated based on historical LAIF returns.

2. Interest earnings for FY 2021/22 through FY 2023/24 are from the District's Budget. For all other years, interest is calculated based on historical LAIF returns.

3. Revenue from rate increases assumes an implementation date of July 1, 2026 for new rates. For each year thereafter, the assumption is that new rates will be implemented.

3 <- Select Financial Plan Scenario Here

Financial Plan Alternatives	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
1 Alternative 1 - Custom Rate Increases	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%
2 Alternative 2 - Custom Rate Increases	0.00%	6.00%	6.00%	6.00%	6.00%	6.00%
3 Alternative 3 - Custom Rate Increases	0.00%	16.60%	7.50%	7.50%	7.50%	7.50%
4 Alternative 4 - No Rate Increases	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

TABLE 2 : RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY	Projected FY 2025/26	5-Year Projected Rate Period				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<i>Unrestricted Reserve:</i>						
<b>Total Beginning Cash<sup>1</sup></b>						
<b>Operating Reserve</b>						
Beginning Reserve Balance	\$ 640,239	\$ (398,169)	\$ (3,075,347)	\$ (5,769,785)	\$ (8,718,299)	#####
Plus: Net Cash Flow (After Rate Increases)	(1,044,810)	(2,677,178)	(2,694,439)	(2,948,514)	(2,837,465)	(2,712,089)
Plus: Transfer in of Debt Reserve Surplus	-	-	-	-	-	-
Plus: Interest Earnings	6,402	-	-	-	-	-
Less: Transfer out to Capital and Infrastructure Reserve	-	-	-	-	-	-
<b>Ending Operating Reserve Balance</b>	<b>(\$398,169)</b>	<b>(\$3,075,347)</b>	<b>(\$5,769,785)</b>	<b>(\$8,718,299)</b>	<b>#####</b>	<b>#####</b>
<b>Target Ending Balance (90 days of O&amp;M)<sup>2</sup></b>	<b>\$ 1,345,000</b>	<b>\$ 1,388,000</b>	<b>\$ 1,433,000</b>	<b>\$ 1,480,000</b>	<b>\$ 1,529,000</b>	<b>\$ 1,581,000</b>
<b>Capital Reserve</b>						
Beginning Reserve Balance	\$ 7,190,899	\$ 5,237,808	\$ 5,290,186	\$ 5,312,506	\$ 5,365,631	\$ 5,419,288
Plus: Grant Proceeds	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surplus	71,909	52,378	52,902	53,125	53,656	54,193
Plus: Interest Earnings	(2,025,000)	-	(30,582)	-	-	-
Less: Use of Reserves for Capital Projects	-	-	-	-	-	-
<b>Ending Capital Reserve Balance</b>	<b>\$ 5,237,808</b>	<b>\$ 5,290,186</b>	<b>\$ 5,312,506</b>	<b>\$ 5,365,631</b>	<b>\$ 5,419,288</b>	<b>\$ 5,473,481</b>
<b>Target Ending Balance (90 days of O&amp;M)<sup>2</sup></b>	<b>\$ 1,345,000</b>	<b>\$ 1,388,000</b>	<b>\$ 1,433,000</b>	<b>\$ 1,480,000</b>	<b>\$ 1,529,000</b>	<b>\$ 1,581,000</b>
<b>Ending Balance - Excl. Restricted Reserves</b>	<b>\$ 4,839,639</b>	<b>\$ 2,714,839</b>	<b>\$ (457,279)</b>	<b>\$ (3,352,668)</b>	<b>\$ (6,136,476)</b>	<b>\$ (8,794,372)</b>
<b>Min. Target Ending Balance - Excl. Restricted Reserves</b>	<b>\$ 2,690,000</b>	<b>\$ 2,776,000</b>	<b>\$ 2,866,000</b>	<b>\$ 2,960,000</b>	<b>\$ 3,058,000</b>	<b>\$ 3,162,000</b>
<b>Ending Surplus/(Deficit) Compared to Reserve Targets</b>	<b>\$ 2,149,639</b>	<b>\$ (561,161)</b>	<b>\$ (3,323,279)</b>	<b>\$ (6,312,668)</b>	<b>\$ (9,194,476)</b>	<b>#####</b>
<b>Annual Interest Earnings Rate<sup>3</sup></b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>

1. Beginning cash balances provided by District Staff.  
 2. The target ending balance is set equal to 90 days of O&M expenses.  
 3. Historical interest earning rates are per the average annual yields for funds invested in LAIF (2018-2024). The source is the California State Treasurer's website: <https://www.cstreasurer.ca.gov/>

CSA 700 Oak Hills  
WATER RATE STUDY  
Operating Revenue and Expenses

TABLE 4 : REVENUE FORECAST<sup>1</sup>

DESCRIPTION	Basis	Budget		5-Year Projected Rate Period					
		FY 2024/25	Projected	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Operating Revenue</b>									
40008015 PROP TAXES-CURR SEC 1% TAX/LVY	1	\$ 1,008	\$ 1,008	\$ 1,008	\$ 1,008	\$ 1,008	\$ 1,008	\$ 1,008	\$ 1,008
40008025 PROP TX CUR UNSEC 1% GEN TAX	1	40	40	40	40	40	40	40	40
40008035 PROP TX CUR UNITARY 1% LEVY	1	35	35	35	35	35	35	35	35
40008125 PROP TX PRI UNSEC 1% GEN TAX	1	1	1	1	1	1	1	1	1
40008145 INT & PEN DELINQUENT TAXES	1	4,034	4,034	4,034	4,034	4,034	4,034	4,034	4,034
40008230 SUPP ROLL CURRENT	1	10	10	10	10	10	10	10	10
40008235 SUPP ROLL PRIOR	1	20	20	20	20	20	20	20	20
<b>000-Taxes</b>		<b>\$ 5,106</b>	<b>\$ 5,149</b>	<b>\$ 5,149</b>	<b>\$ 5,149</b>	<b>\$ 5,149</b>	<b>\$ 5,149</b>	<b>\$ 5,149</b>	<b>\$ 5,149</b>
40308500 INTEREST	1	\$ 100,000	\$ 100,840	\$ 100,840	\$ 100,840	\$ 100,840	\$ 100,840	\$ 100,840	\$ 100,840
40308525 RENTS & CONCESSIONS	1	30,000	30,252	30,252	30,252	30,252	30,252	30,252	30,252
<b>030-Revenue From Use of Money &amp; Property</b>		<b>\$ 130,000</b>	<b>\$ 131,092</b>	<b>\$ 131,092</b>	<b>\$ 131,092</b>	<b>\$ 131,092</b>	<b>\$ 131,092</b>	<b>\$ 131,092</b>	<b>\$ 131,092</b>
40408800 GENERAL TAX LEVY HOMEOWNER EXM	1	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5	\$ 5
<b>040-Intergovernment Revenue-State</b>		<b>\$ 5</b>	<b>\$ 5</b>	<b>\$ 5</b>	<b>\$ 5</b>	<b>\$ 5</b>	<b>\$ 5</b>	<b>\$ 5</b>	<b>\$ 5</b>
40708155 SPECIAL ASSMNT ALL PRIOR YEARS	1	\$ 7,100	\$ 7,160	\$ 7,160	\$ 7,160	\$ 7,160	\$ 7,160	\$ 7,160	\$ 7,160
40708165 SP ASSMNT CUR YR TX ROLL GEN	1	2,000	2,017	2,017	2,017	2,017	2,017	2,017	2,017
40708175 SP ASSMNT CUR YR TX ROLL WATER	1	60,500	61,008	61,008	61,008	61,008	61,008	61,008	61,008
40708185 SP ASSMNT CUR YR DEL USER CHGS	1	4,300	4,336	4,336	4,336	4,336	4,336	4,336	4,336
<b>070-Charges for Current Services</b>		<b>\$ 73,900</b>	<b>\$ 74,521</b>	<b>\$ 74,521</b>	<b>\$ 74,521</b>	<b>\$ 74,521</b>	<b>\$ 74,521</b>	<b>\$ 74,521</b>	<b>\$ 74,521</b>
40758480 FEE ORD-PENALTIES	1	\$ 145,000	\$ 146,218	\$ 146,218	\$ 146,218	\$ 146,218	\$ 146,218	\$ 146,218	\$ 146,218
40758285 FEE ORD-ACCOUNTING FEES	1	9,000	9,076	9,076	9,076	9,076	9,076	9,076	9,076
40758680 FEE ORD-PERMIT & INSPECTION FEES	1	15,000	15,126	15,126	15,126	15,126	15,126	15,126	15,126
40758975 FEE ORD-CONNECTION FEES	1	235,000	236,974	236,974	236,974	236,974	236,974	236,974	236,974
40759720 FEE ORD-RESIDENTIAL SALES	1	3,250,800	3,257,939	3,257,939	3,257,939	3,257,939	3,257,939	3,257,939	3,257,939
40759750 FEE ORD-LANDING FEES	1	100	101	101	101	101	101	101	101
40759800 FEE ORD-OTHER SERVICES	1	25,000	25,210	25,210	25,210	25,210	25,210	25,210	25,210
40759930 FEE ORD-OTHER SALES	1	5,000	5,042	5,042	5,042	5,042	5,042	5,042	5,042
40759970 FEE ORD-OTHER	1	2,000	2,017	2,017	2,017	2,017	2,017	2,017	2,017
<b>075-Charges for Current Services-Fee Ord</b>		<b>\$ 3,666,900</b>	<b>\$ 3,697,702</b>	<b>\$ 3,697,702</b>	<b>\$ 3,697,702</b>	<b>\$ 3,697,702</b>	<b>\$ 3,697,702</b>	<b>\$ 3,697,702</b>	<b>\$ 3,697,702</b>
40809930 OTHER SALES	1	\$ 15,000	\$ 15,126	\$ 15,126	\$ 15,126	\$ 15,126	\$ 15,126	\$ 15,126	\$ 15,126
40809970 OTHER	1	10,000	10,084	10,084	10,084	10,084	10,084	10,084	10,084
40809973 OTHER - STALE DATED ITEMS	1	40	40	40	40	40	40	40	40
40809978 CONSOLIDATED BANKING CLEARING	1	-	-	-	-	-	-	-	-
<b>080-Other Revenue</b>		<b>\$ 25,040</b>	<b>\$ 25,250</b>	<b>\$ 25,250</b>	<b>\$ 25,250</b>	<b>\$ 25,250</b>	<b>\$ 25,250</b>	<b>\$ 25,250</b>	<b>\$ 25,250</b>
<b>TOTAL REVENUE</b>		<b>\$ 3,900,951</b>	<b>\$ 3,933,719</b>	<b>\$ 3,933,714</b>	<b>\$ 3,933,714</b>	<b>\$ 3,933,714</b>	<b>\$ 3,933,714</b>	<b>\$ 3,933,714</b>	<b>\$ 3,933,714</b>

TABLE 5 : REVENUE SUMMARY

DESCRIPTION	Basis	Budget		5-Year Projected Rate Period					
		FY 2024/25	Projected	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
000-Taxes		\$ 5,106	\$ 5,149	\$ 5,149	\$ 5,149	\$ 5,149	\$ 5,149	\$ 5,149	\$ 5,149
030-Revenue From Use of Money & Property		130,000	131,092	131,092	131,092	131,092	131,092	131,092	131,092
040-Intergovernmental Revenue-State		5	5	5	5	5	5	5	5
070-Charges for Current Services		3,230,800	3,257,939	3,257,939	3,257,939	3,257,939	3,257,939	3,257,939	3,257,939
080-Other Revenue		25,040	25,250	25,250	25,250	25,250	25,250	25,250	25,250
<b>TOTAL REVENUE</b>		<b>\$ 3,900,951</b>	<b>\$ 3,933,719</b>	<b>\$ 3,933,714</b>	<b>\$ 3,933,714</b>	<b>\$ 3,933,714</b>	<b>\$ 3,933,714</b>	<b>\$ 3,933,714</b>	<b>\$ 3,933,714</b>

TABLE 6 : OPERATING EXPENSE FORECAST<sup>1</sup>

DESCRIPTION	Basis	Budget		Projected	5-Year Projected Rate Period							
		FY 2024/25	FY 2025/26		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31			
<b>Operating Expenses</b>												
52002032 VPN SERVICES (ISF ONLY)	2	\$ 50	\$ 52	\$ 53	\$ 55	\$ 57	\$ 59	\$ 60				
52002070 FOOD	2	1,500	1,598	1,649	1,649	1,701	1,756	1,812				
52002085 LEGAL NOTICES	2	40	41	43	44	45	47	48				
52002116 COMPUTER HARDWARE EXPENSE	2	500	516	533	550	567	585	604				
52002120 SMALL TOOLS & INSTRUMENTS	2	600	619	639	659	681	702	725				
52002135 SPECIAL DEPT EXPENSE	2	55,151	57,779	5,964	6,155	6,352	6,555	6,765				
52002176 STREET MAINTENANCE	2	140,000	144,480	149,003	153,875	158,799	163,880	169,124				
52002180 UTILITIES	2	3,700	3,838	3,941	4,067	4,197	4,331	4,470				
52002182 UTILITIES-ELECTRICITY	5	960,000	606,763	657,432	712,331	771,815	836,266	906,099				
52002186 UTILITIES-WATER	2	700,000	722,400	745,517	769,373	793,993	819,401	845,622				
52002188 UTILITIES-REFUSE	2	2,500	2,500	2,663	2,748	2,836	2,926	3,020				
52002210 PROPERTY INSURANCE (ISF ONLY)	2	1,700	1,811	1,868	1,928	1,990	2,054	2,122				
52002310 PRESORT & PACKAGING (ISF ONLY)	2	23,000	23,736	24,496	25,279	26,088	26,923	27,785				
52002415 COUNTY SERVICES (INCL COWCAP)	2	1,701	1,751	1,812	1,870	1,929	1,991	2,055				
52002419 REAL ESTATE SERVICES-SVC CHGS	2	10,700	11,042	11,396	11,760	12,137	12,525	12,926				
52002445 OTHER PROFESSIONAL & SPEC SVCS	2	700,000	722,400	745,517	769,373	793,993	819,401	845,622				
52002448 COUNTY COUNSEL SERVICES	3	3,000	3,000	3,000	3,000	3,000	3,000	3,000				
52002458 PERMIT COSTS	2	22,000	22,704	23,431	24,180	24,954	25,753	26,577				
52002660 PENALTIES	2	10	10	11	11	11	12	12				
52002678 MISCELLANEOUS LAB TESTING	2	19,000	19,608	20,235	20,883	21,551	22,241	22,963				
52002835 GENERAL HOUSEHOLD EXPENSES	2	1,000	1,032	1,065	1,099	1,134	1,171	1,208				
52002855 GENERAL MAINTENANCE-EQUIPMENT	2	77,000	79,464	82,007	84,631	87,339	90,134	93,018				
52002870 GEN MAIN-STRUCT,IMP & GROUNDS	2	4,500	4,438	4,580	4,726	4,877	5,033	5,195				
52002895 RENTS & LEASES - EQUIPMENT	2	1,500	1,548	1,598	1,649	1,701	1,756	1,812				
52002930 MAINTENANCE CHARGES (ISF ONLY)	2	3,200	3,302	3,408	3,517	3,630	3,746	3,866				
SBA (RUR) Operation and Maintenance	2	-	700,000	722,400	745,517	769,373	793,993	819,401				
<b>200-Services &amp; Supplies-General</b>		<b>\$ 2,332,152</b>	<b>\$ 3,086,391</b>	<b>\$ 3,214,248</b>	<b>\$ 3,350,869</b>	<b>\$ 3,494,690</b>	<b>\$ 3,646,177</b>	<b>\$ 3,804,832</b>				
55405010 SALARIES & BENE TRANSFERS OUT	3	997,500	997,500	997,500	997,500	997,500	997,500	997,500				
55405012 SERVS & SUPPLY TRANSFERS OUT	2	300,000	309,600	319,507	329,731	340,283	351,172	362,409				
55405018 INTERNAL COST ALLOCA OUT	2	958,700	989,378	1,021,039	1,053,712	1,087,431	1,122,228	1,158,140				
<b>540-Intra Entity Reimbursement Out</b>		<b>\$ 2,256,200</b>	<b>\$ 2,296,478</b>	<b>\$ 2,338,046</b>	<b>\$ 2,380,943</b>	<b>\$ 2,425,213</b>	<b>\$ 2,470,900</b>	<b>\$ 2,518,049</b>				
<b>SUBTOTAL: WATER SYSTEM EXPENSES</b>		<b>\$ 4,588,352</b>	<b>\$ 5,380,870</b>	<b>\$ 5,552,293</b>	<b>\$ 5,731,812</b>	<b>\$ 5,919,904</b>	<b>\$ 6,117,078</b>	<b>\$ 6,323,881</b>				
<b>GRAND TOTAL: WATER EXPENSES</b>		<b>\$ 4,588,352</b>	<b>\$ 5,380,870</b>	<b>\$ 5,552,293</b>	<b>\$ 5,731,812</b>	<b>\$ 5,919,904</b>	<b>\$ 6,117,078</b>	<b>\$ 6,323,881</b>				

TABLE 7 : FORECASTING ASSUMPTIONS

INFLATION FACTORS <sup>3</sup>	Basis	2025	2026	2027	2028	2029	2030	2031
Customer Growth <sup>1</sup>	1	-	0.84%	0.00%	0.00%	0.00%	0.00%	0.00%
General Cost Inflation <sup>3</sup>	2	-	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
Labor Cost Inflation <sup>4</sup>	3	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Chemicals <sup>5</sup>	4	-	5.45%	5.45%	5.45%	5.45%	5.45%	5.45%
Electricity <sup>6</sup>	5	-	8.35%	8.35%	8.35%	8.35%	8.35%	8.35%
No Escalation	6	-	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

1. Revenue and expenses for FY 2024/25 provided by the County. Revenues and expenses for all other years are escalated based on the forecasting assumptions in Table 7.  
2. Customer growth is based on the population projections provided by the County.  
3. General cost inflation is based on the 5-year average annual change in the Consumer Price Index for all Urban Consumers in the San Bernardino-Riverside-Ontario, CA area.  
4. Labor cost inflation is provided by County.  
5. Chemical cost inflation is based on the 5-year average annual change in the Producer Price Index for Chemical Manufacturing.  
6. Electricity cost inflation is based on the 5-year average annual change in the Consumer Price Index for Electricity for the San Bernardino-Riverside-Ontario, CA area.

TABLE 8 : CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST	Project of FY 2025/26		5-Year Projected Rate Period				
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	
<b>Capital Sources:</b>							
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Use of Capacity Fee Reserves	-	-	-	-	-	-	
SRF Loan Funding	-	-	-	-	-	-	
Use of New Revenue Bond Proceeds	2,025,000	25,000,000	-	-	-	-	
Use of Capital Rehabilitation and Replacement Reserve	-	-	30,582	-	-	-	
Rate Revenue	-	114,775	237,225	609,795	631,138	653,227	
<b>Total Sources of Capital Funds</b>	<b>\$ 2,025,000</b>	<b>\$ 25,114,775</b>	<b>\$ 267,806</b>	<b>\$ 609,795</b>	<b>\$ 631,138</b>	<b>\$ 653,227</b>	
<b>Uses of Capital Funds:</b>							
Total Project Costs	\$ 2,025,000	\$ 25,114,775	\$ 267,806	\$ 609,795	\$ 631,138	\$ 653,227	
<b>Capital Funding Surplus (Deficiency)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>New Revenue Bond Proceeds</b>	<b>\$ -</b>	<b>\$ 25,000,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	

TABLE 9 : CAPITAL IMPROVEMENT PROGRAM FUNDING OPTIONS

Policy Choice	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
1 Alternative 1 - Full Funding of CIP	\$ 2,025,000	\$ 25,114,775	\$ 267,806	\$ 609,795	\$ 631,138	\$ 653,227
2 Alternative 2 - 75% Funding of CIP	\$ 1,518,750	\$ 18,835,706	\$ 200,855	\$ 457,346	\$ 473,353	\$ 489,921
3 Alternative 3 - 50% Funding of CIP	\$ 1,012,500	\$ 12,557,138	\$ 133,803	\$ 304,897	\$ 315,569	\$ 326,614

Insert policy choice in box to right, based on options listed above:

1
---

Capital Improvement Program Funding Choice	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Effective Annual Funding Amount	\$ 2,025,000	\$ 25,114,775	\$ 267,806	\$ 609,795	\$ 631,138	\$ 653,227

CAPITAL IMPROVEMENT PROGRAM

TABLE 10 : CAPITAL IMPROVEMENT PROGRAM COSTS (in Current-Year Dollars)<sup>1</sup>

Project #	Project Description <sup>2</sup>	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Capital Improvements</b>							
	Oak Hills New Well No. 6	\$ -	\$ 3,800,000	-	-	-	-
	Paint Reservoirs and Booster Buildings	-	990,000	-	-	-	-
	Reservoir No. 3A Design, Land Acquisition and Construction	-	5,500,000	-	-	-	-
	HEX Chrom 6 Study	975,000	-	-	-	-	-
	HEX Chrom 6 Construction	-	900,000	250,000	-	-	-
	HEX Chrom 6 Treatment SBA (RUR)	-	12,900,000	-	-	-	-
	PRV Rehab	75,000	175,000	-	-	-	-
	54304030 STRUCT & IMPROV TO STRUCTURES	900,000	-	-	-	-	-
	54404040 EQUIPMENT	75,000	-	-	-	-	-
	Future CIP	-	-	-	275,000	275,000	275,000
	<b>Total: CIP Program Costs (Current-Year Dollars)</b>	<b>\$ 2,025,000</b>	<b>\$ 24,265,000</b>	<b>\$ 250,000</b>	<b>\$ 275,000</b>	<b>\$ 275,000</b>	<b>\$ 275,000</b>

TABLE 11 : CAPITAL IMPROVEMENT PROGRAM COSTS (in Future-Year Dollars)<sup>1</sup>

Project Description	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Capital Improvements</b>						
Oak Hills New Well No. 6	\$ -	\$ 3,933,000	\$ -	\$ -	\$ -	\$ -
Paint Reservoirs and Booster Buildings	-	1,004,650	-	-	-	-
Reservoir No. 3A Design, Land Acquisition and Construction	-	5,692,500	-	-	-	-
HEX Chrom 6 Study	975,000	-	-	-	-	-
HEX Chrom 6 Construction	-	931,500	267,806	-	-	-
Master Plan	-	-	-	-	-	-
HEX Chrom 6 Treatment SBA (RUR)	-	13,351,500	-	-	-	-
PRV Rehab	75,000	181,125	-	-	-	-
54-304030 STRUCT & IMPROV TO STRUCTURES	900,000	-	-	-	-	-
54-404040 EQUIPMENT	75,000	-	-	-	-	-
Future CIP	-	-	-	304,897	315,569	326,614
<b>Total: CIP Program Costs (Current-Year Dollars)</b>	<b>\$ 2,025,000</b>	<b>\$ 25,114,175</b>	<b>\$ 267,806</b>	<b>\$ 609,795</b>	<b>\$ 631,138</b>	<b>\$ 653,227</b>

TABLE 12 : FORECASTING ASSUMPTIONS

Economic Variables	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Annual Construction Cost Inflation, Per Engineering News Record <sup>3</sup>	0.00%	3.50%	3.50%	3.50%	3.50%	3.50%
Construction Cost Multiplier from FY 2024/25	1.00	1.04	1.07	1.11	1.15	1.19

1. Construction cost inflation is based on the Engineering News-Record's (ENR) "Year 1 Inflation" for FY 2024/25.  
2. The capital project costs have been inflated by District Staff in Current CIP Budget using the Construction Cost Index (See Table 12). Website: <http://enr.construction.com>.  
3. For reference purposes, the annual Construction Cost Inflation percentage is the 10-year average annual change in the Construction Cost Index for 2013-2023 (3.5%).

TABLE 13 : EXISTING DEBT OBLIGATIONS

EXISTING DEBT OBLIGATIONS	Projected	5-Year Projected Rate Period						
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	
Annual Repayment Schedules:								
N/A								
Principal Payment	\$ 84,155	\$ 86,755	\$ 89,436	\$ 92,199	\$ 95,048	\$ 97,985		
Interest Payment	27,789	24,896	21,913	18,839	15,669	12,402		
<b>Subtotal: Annual Debt Service</b>	<b>\$ 111,943</b>	<b>\$ 111,651</b>	<b>\$ 111,349</b>	<b>\$ 111,038</b>	<b>\$ 110,718</b>	<b>\$ 110,387</b>		
Coverage Requirement (\$ Amnt above annual payment)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Reserve Requirement (total fund balance)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
<b>Grand Total: Existing Annual Debt Service</b>	<b>\$ 111,943</b>	<b>\$ 111,651</b>	<b>\$ 111,349</b>	<b>\$ 111,038</b>	<b>\$ 110,718</b>	<b>\$ 110,387</b>		
<b>Grand Total: Existing Annual Coverage Requirement</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>Grand Total: Existing Debt Reserve Target</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		

TABLE 14 : EXISTING ANNUAL DEBT OBLIGATIONS TO BE SATISFIED BY WATER RATES

Annual Obligations	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Existing Annual Coverage Requirement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Debt Reserve Target	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

TABLE 15 : FUTURE DEBT FINANCING ASSUMPTIONS

Long-Term Debt Terms	Revenue Bonds
Issuance Cost	2.00%
Annual Interest Cost (%)	5.50%
Term	30
Debt Reserve Funded	Yes
Coverage Requirement: (% above annual pmt)	1.25%

TABLE 16 : FUTURE DEBT OBLIGATIONS

Annual Repayment Schedules	2025	2026	2027	2028	2029	2030
<b>SRE Loan Funding</b>						
Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Payment	-	-	-	-	-	-
<b>Subtotal: Annual Debt Service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Revenue Bonds</b>						
Principal Payment	\$ -	\$ 378,772	\$ 399,604	\$ 421,582	\$ 444,769	\$ 469,232
Interest Payment	-	1,509,008	1,488,176	1,466,197	1,443,010	1,418,548
<b>Subtotal: Annual Debt Service</b>	<b>\$ -</b>	<b>\$ 1,887,780</b>	<b>\$ 1,887,780</b>	<b>\$ 1,887,780</b>	<b>\$ 1,887,780</b>	<b>\$ 1,887,780</b>
<b>Grand Total: Future Annual Debt Service</b>	<b>\$ -</b>	<b>\$ 1,887,780</b>	<b>\$ 1,887,780</b>	<b>\$ 1,887,780</b>	<b>\$ 1,887,780</b>	<b>\$ 1,887,780</b>
<b>Grand Total: New Annual Coverage Requirement</b>	<b>\$ -</b>	<b>\$ 2,359,725</b>	<b>\$ 2,359,725</b>	<b>\$ 2,359,725</b>	<b>\$ 2,359,725</b>	<b>\$ 2,359,725</b>
<b>Grand Total: Future Debt Reserve Target</b>	<b>\$ -</b>	<b>\$ 1,887,780</b>	<b>\$ 1,887,780</b>	<b>\$ 1,887,780</b>	<b>\$ 1,887,780</b>	<b>\$ 1,887,780</b>

TABLE 17 : TOTAL DEBT SERVICE

Annual Obligations	2025	2026	2027	2028	2029	2030
<b>Annual Debt Service</b>	<b>\$ 111,943</b>	<b>\$ 1,999,431</b>	<b>\$ 1,999,129</b>	<b>\$ 1,998,818</b>	<b>\$ 1,998,497</b>	<b>\$ 1,998,167</b>
<b>Annual Coverage Requirement</b>	<b>\$ -</b>	<b>\$ 2,359,725</b>	<b>\$ 2,359,725</b>	<b>\$ 2,359,725</b>	<b>\$ 2,359,725</b>	<b>\$ 2,359,725</b>
<b>Total Debt Reserve Target</b>	<b>\$ -</b>	<b>\$ 1,887,780</b>	<b>\$ 1,887,780</b>	<b>\$ 1,887,780</b>	<b>\$ 1,887,780</b>	<b>\$ 1,887,780</b>
<i>Check</i>	<i>\$ -</i>	<i>\$ -</i>	<i>\$ -</i>	<i>\$ -</i>	<i>\$ -</i>	<i>\$ -</i>

CSA 70J Oak Hills  
 WATER RATE STUDY  
 Projected Water Rates Under Existing Rate Schedule

Exhibit 4 - Current Rates

TABLE 18 : CURRENT WATER RATE SCHEDULE

Water Rate Schedule		July 1, 2025
<b>Monthly Fixed Service Charges (in \$/mo)</b>		
<b>Domestic Service Charge</b>		
3/4" to 1"		\$33.70
1.5"		67.41
2"		107.85
3"		215.71
4"		337.05
6"		674.10
8"		1,078.23
<b>Water Usage Charges (in \$/HCF)</b>		
TIER 1 (0-14 HCF)		\$2.32
TIER 2 (15-72 HCF)		2.66
TIER 3 (73-108 HCF)		3.43
TIER 4 (109-144 HCF)		3.62
TIER 5 (145-180 HCF)		4.00
TIER 6 (181+ HCF)		4.18

\*B:Monthly Fee Per HCF

TABLE 19 : CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS

Classification of Expenses Budget Categories	Total Revenue Requirements FY 2026/27	Commodity (COM)	Capacity (CAP)	Customer (CA)	Basis of Classification					
					(COM)	(CAP)	(CA)			
<b>Operating Expenses</b>										
52002032 Vpn Services (Isf Only)	\$ 53	\$ 32	\$ 20	\$ 1	60.0%	37.5%	2.5%			
52002070 Food	\$ 1,598	\$ 959	\$ 599	\$ 40	60.0%	37.5%	2.5%			
52002085 Legal Notices	\$ 43	\$ -	\$ -	\$ 43	0.0%	0.0%	100.0%			
52002116 Computer Hardware Expense	\$ 533	\$ 320	\$ 200	\$ 13	60.0%	37.5%	2.5%			
52002120 Small Tools & Instruments	\$ 639	\$ 383	\$ 240	\$ 16	60.0%	37.5%	2.5%			
52002135 Special Dept Expense	\$ 5,964	\$ 3,578	\$ 2,236	\$ 149	60.0%	37.5%	2.5%			
52002176 Street Maintenance	\$ 149,103	\$ 89,462	\$ 55,914	\$ 3,728	60.0%	37.5%	2.5%			
52002180 Utilities	\$ 3,941	\$ 3,744	\$ 99	\$ 99	95.0%	2.5%	2.5%			
52002182 Utilities-Electricity	\$ 657,432	\$ 624,560	\$ 16,436	\$ 16,436	95.0%	2.5%	2.5%			
52002186 Utilities-Water	\$ 745,517	\$ 708,241	\$ 18,638	\$ 18,638	95.0%	2.5%	2.5%			
52002188 Utilities-Refuse	\$ 2,663	\$ 1,598	\$ 998	\$ 67	60.0%	37.5%	2.5%			
52002210 Property Insurance (Isf Only)	\$ 1,811	\$ 1,086	\$ 679	\$ 45	60.0%	37.5%	2.5%			
52002310 Presort & Packaging (Isf Only)	\$ 24,496	\$ -	\$ -	\$ 24,496	0.0%	0.0%	100.0%			
52002415 County Services (Incl Cowcap)	\$ 1,812	\$ 1,087	\$ 679	\$ 45	60.0%	37.5%	2.5%			
52002419 Real Estate Services-Svc Chgs	\$ 11,396	\$ 6,837	\$ 4,273	\$ 285	60.0%	37.5%	2.5%			
52002445 Other Professional & Spec Svcs	\$ 745,517	\$ 447,310	\$ 279,569	\$ 18,638	60.0%	37.5%	2.5%			
52002448 County Counsel Services	\$ 3,000	\$ 1,800	\$ 1,125	\$ 75	60.0%	37.5%	2.5%			
52002458 Permit Costs	\$ 23,431	\$ 14,058	\$ 8,786	\$ 586	60.0%	37.5%	2.5%			
52002660 Penalties	\$ 11	\$ 6	\$ 4	\$ 0	60.0%	37.5%	2.5%			
52002678 Miscellaneous Lab Testing	\$ 20,235	\$ 12,141	\$ 7,588	\$ 506	60.0%	37.5%	2.5%			
52002835 General Household Expenses	\$ 1,065	\$ 639	\$ 399	\$ 27	60.0%	37.5%	2.5%			
52002855 General Maintenance-Equipment	\$ 82,007	\$ 77,907	\$ 2,050	\$ 2,050	95.0%	2.5%	2.5%			
52002870 Gen Maint-Struct,Imp & Grounds	\$ 4,580	\$ 2,748	\$ 1,717	\$ 114	60.0%	37.5%	2.5%			
52002895 Rents & Leases - Equipment	\$ 1,598	\$ 959	\$ 599	\$ 40	60.0%	37.5%	2.5%			
52002930 Maintenance Charges (Isf Only)	\$ 3,408	\$ 2,045	\$ 1,278	\$ 85	60.0%	37.5%	2.5%			
Sba (Rur) Operation And Maintenance	\$ 722,400	\$ 686,280	\$ 18,060	\$ 18,060	95.0%	2.5%	2.5%			
54304030 Struct & Improv To Structures	\$ -	\$ -	\$ -	\$ -	60.0%	37.5%	2.5%			
54404040 Equipment	\$ -	\$ -	\$ -	\$ -	60.0%	37.5%	2.5%			
55405010 Salaries & Bene Transfers Out	\$ 997,500	\$ 598,500	\$ 374,063	\$ 24,938	60.0%	37.5%	2.5%			
55405012 Servs & Supply Transfers Out	\$ 319,507	\$ 303,532	\$ 7,988	\$ 7,988	95.0%	2.5%	2.5%			
55405018 Internal Cost Alloca Out	\$ 1,021,039	\$ 969,987	\$ 25,526	\$ 25,526	95.0%	2.5%	2.5%			
<b>Subtotal: Water System Expenses</b>	<b>\$ 5,552,293</b>	<b>\$ 4,559,798</b>	<b>\$ 829,764</b>	<b>\$ 162,732</b>	<b>82.1%</b>	<b>14.9%</b>	<b>2.9%</b>			

TABLE 20 : CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS, cont.

Classification of Expenses, cont.	Total Revenue Requirements FY 2026/27	Commodity (COM)	Capacity (CAP)	Customer (CA)	Basis of Classification			
					(COM)	(CAP)	(CA)	
<b>Debt Service Payments</b>								
Outstanding Debt	\$ 111,651	\$ -	111,651	\$ -	0.0%	100.0%	0.0%	0.0%
New Debt Issue - SRF Loan	-	-	-	-	0.0%	100.0%	0.0%	0.0%
New Debt Issue - Revenue Bond	1,887,780	-	1,887,780	-	0.0%	100.0%	0.0%	0.0%
<b>Total Debt Service Payments</b>	<b>\$ 1,999,431</b>	<b>\$ -</b>	<b>1,999,431</b>	<b>\$ -</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Capital Expenditures</b>								
Rate-Funded Capital Expenses	\$ 114,275	\$ -	114,275	\$ -	0.0%	100.0%	0.0%	0.0%
<b>TOTAL REVENUE REQUIREMENTS</b>	<b>\$ 7,665,999</b>	<b>\$ 4,559,798</b>	<b>2,943,469</b>	<b>\$ 162,732</b>	<b>59.5%</b>	<b>38.4%</b>	<b>2.1%</b>	<b>2.1%</b>
<b>Less: Non-Rate Revenues</b>								
000-Taxes	\$ (5,149)	\$ (3,089)	(1,931)	\$ (129)	60.0%	37.5%	2.5%	2.5%
030-Revenue From Use of Money & Property	(131,092)	(78,655)	(49,160)	(3,277)	60.0%	37.5%	2.5%	2.5%
040-Intergovernmental Revenue-State	(5)	(3)	(2)	(0)	60.0%	37.5%	2.5%	2.5%
070-Charges for Current Services	(514,284)	(308,570)	(192,857)	(12,857)	60.0%	37.5%	2.5%	2.5%
080-Other Revenue	(25,250)	(15,150)	(9,469)	(631)	60.0%	37.5%	2.5%	2.5%
<b>NET REVENUE REQUIREMENTS</b>	<b>\$ 6,990,219</b>	<b>\$ 4,154,330</b>	<b>2,690,052</b>	<b>\$ 145,838</b>	<b>59.4%</b>	<b>38.5%</b>	<b>2.1%</b>	<b>2.1%</b>
<b>Allocation of Revenue Requirements</b>	<b>100.0%</b>	<b>59.4%</b>	<b>38.5%</b>	<b>2.1%</b>				

TABLE 21 : ADJUSTMENT TO CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS

Adjustments to Classification of Expenses	Total	(COM)	(CAP)	(CA)
<b>Adjustment for Current Rate Level:</b>				
FY 2026/27 Target Rate Rev. After Rate Increases	\$ 3,798,757			
Projected Revenue at Current Rates	\$ 3,257,939			
FY 2026/27 Projected Rate Increase	17%			
<b>Adjusted Net Revenue Reqts</b>	<b>\$ 3,798,757</b>	<b>\$ 2,257,624</b>	<b>\$ 1,461,879</b>	<b>\$ 79,254</b>
<i>Percent of Revenue</i>	<i>100.0%</i>	<i>59.4%</i>	<i>38.5%</i>	<i>2.1%</i>

TABLE 22 : NET REVENUE REQUIREMENTS PER COSA RESULTS

Net Revenue Requirements - Per COSA Results	Total Rate Revenue Requirements	Commodity Related Costs	Fixed Costs	
			Capacity Related Costs	Customer Related Costs
Rate-Design Adjustments to Fixed/Variable %	100.0%	59.4%	38.5%	2.1%
Rate-Design Adjustments to Fixed/Variable (\$)	\$3,798,757	\$2,257,624	\$1,461,879	\$79,254

**TABLE 23 : DEVELOPMENT OF THE COMMODITY ALLOCATION FACTOR**

Development of the Volumetric/Variable Allocation Factor <sup>1</sup>		
Customer Class	CY 2024 Consumption (HCF)	% of Total Volume
All Customers	661,823	100.0%
<b>Total</b>	<b>661,823</b>	<b>100.0%</b>

1. Consumption data is based on County billing data for CY 2024.

**TABLE 24 : DEVELOPMENT OF THE CUSTOMER ALLOCATION FACTORS: I**

Development of the Customer Allocation Factor		
Customer Class	No. of Meters CY 2024	% of Total Meters
All Customers	3,466	100.0%
<b>Total</b>	<b>3,466</b>	<b>100.0%</b>

1. Consumption data is based on County billing data for CY 2024.

TABLE 25 : ALLOCATION OF WATER REVENUE REQUIREMENTS

Classification Components	Cost-of-Service Net Revenue Requirements (FY 2026/27)	
Commodity-Related Costs	\$ 2,257,624	59.4%
Capacity-Related Costs	1,461,879	38.5%
Customer-Related Costs	79,254	2.1%
<b>Net Revenue Requirement</b>	<b>\$ 3,798,757</b>	<b>100.0%</b>

TABLE 26 : ALLOCATION OF NET REVENUE REQUIREMENTS - FY 2026/27

Customer Classes	Classification Components			Cost of Service Net Rev. Req'ts	% of COS Net Revenue Req'ts
	VARIABLE	FIXED			
	Commodity-Related Costs	Capacity-Related Costs	Customer-Related Costs		
All Customers	\$ 2,257,624	\$ 1,461,879	\$ 79,254	###	100.0%
<b>Total Net Revenue Requirement</b>	<b>\$ 2,257,624</b>	<b>\$ 1,461,879</b>	<b>\$ 79,254</b>	<b>###</b>	<b>100%</b>
<i>Total Net Revenue Requirement by Classification Component</i>	<i>VARIABLE</i>	<i>FIXED</i>		\$3,798,757	
	\$2,257,624	\$1,541,132			

TABLE 27 : RATE DESIGN - SUMMARY OF REVENUE REQUIREMENTS

Customer Class	COSA Net Revenue Requirements				
	FY 2026/27	% of COS Rev. Req't.	% Fixed Revenue	% Variable Revenue	Revenue from Customer
All Customers	\$ 3,798,757	100.0%	40.6%	59.4%	\$ 79,254
<b>Total</b>	<b>\$ 3,798,757</b>	<b>100.0%</b>			<b>\$ 79,254</b>

TABLE 28 : METER EQUIVALENCY FACTORS USED IN FIXED CHARGES CALCULATION

Meter Size	Standard Meters	
	Meter Capacity	Equivalency to 1 inch
3/4 inch to 1 inch 1 1/2 inch 2 inch 3 inch 4 inch 6 inch 8 inch	<i>Displacement Meters</i>	
	50	1.00
	100	2.00
	160	3.20
	<i>Compound Class / Meters</i>	
	320	6.40
500	10.00	
1,000	20.00	
1,600	32.00	

1. Per AWWA, M1 Manual, Table B-1.

TABLE 29 : CALCULATION OF MONTHLY FIXED DOMESTIC METER SERVICE CHARGES FOR FY 2026/27

Number of Meters by Class and Size <sup>1</sup>	FY 2026/27								Total
	3/4" to 1" Meter	1.5" meter	2" meter	3" meter	4" meter	6" meter	8" meter		
All Customers	3,427	14	22	2	1	0	0	3,466	
<b>Total Meters/Accounts</b>	<b>3,427</b>	<b>14</b>	<b>22</b>	<b>2</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>3,466</b>	
<i>Hydraulic Capacity Factor</i> <sup>2</sup>	1.00	2.00	3.20	6.40	10.00	20.00	32.00		
<b>Total Equivalent Meters</b>	<b>3,427</b>	<b>28</b>	<b>70</b>	<b>13</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>3,548</b>	
<b>Monthly Fixed Service Charges</b>									
Customer Costs (\$/Acct/month) <sup>3</sup>	\$1.91	\$1.91	\$1.91	\$1.91	\$1.91	\$1.91	\$1.91		
Capacity Costs (\$/Acct/month) <sup>4</sup>	\$34.33	\$68.67	\$109.87	\$219.74	\$343.34	\$686.68	\$1,098.68		
<b>Total Monthly Meter Charge</b>	<b>\$36.24</b>	<b>\$70.57</b>	<b>\$111.77</b>	<b>\$221.64</b>	<b>\$345.24</b>	<b>\$688.58</b>	<b>\$1,100.59</b>		

1. Meter by Class and Size are based on December 2024 customer billing data.

2. Source: Principles of Water Rates, Fees, and Charges, Manual M1, AWWA, Table B-1.

3. Customer costs are allocated to each customer by dividing the total customer costs by the total number of customers.

4. Capacity costs are allocated by meter size and the hydraulic capacity of the meter.

TABLE 30 : ESTIMATED DOMESTIC FIXED REVENUE BY CUSTOMER CLASS

Customer Class and Meter Size	Hydraulic Capacity Factor	Number of Meters	Total Equivalent Meters	Fixed Meter Charge		Total Fixed Meter Charge	Estimated Revenue from Fixed
				Customer Component	Capacity Component		
3/4" to 1"	1.00	3,427	3,427	\$1.91	\$34.33	\$36.24	#####
1 1/2"	2.00	14	28	1.91	68.67	70.57	11,856.28
2"	3.20	22	70	1.91	109.87	111.77	29,508.25
3"	6.40	2	13	1.91	219.74	221.64	5,319.41
4"	10.00	1	10	1.91	343.34	345.24	4,142.92
6"	20.00	0	0	1.91	686.68	688.58	0.00
8"	32.00	0	0	1.91	1,098.68	1,100.59	0.00
<b>Total</b>		<b>3,466</b>	<b>3,548</b>				<b>#####</b>

TABLE 31 : PROPOSED VOLUMETRIC CHARGES FOR FY 2026/27 BY CUSTOMER CLASS

Customer Classes	Water Consumption (HCF/yr)	Total Target Rev. Req't from Vol. Charges	% of Total Rate Revenue	Uniform Commodity Rates (\$/HCF)	Proposed Rate Structure
All Customers	661,823	\$ 2,257,624	59.4%	\$3.41	Uniform
<b>Total Water</b>	<b>661,823</b>	<b>\$ 2,257,624</b>	<b>59.4%</b>		

TABLE 32 : SUMMARY OF VOLUMETRIC CHARGES FOR FY 2026/27 FOR PROPOSED RATE TABLE

Customer Classes	Water Consumption (HCF/yr)	Total Target Rev. Req't from Vol. Charges	% of Total Rate Revenue	Uniform Commodity Rates (\$/HCF)	Proposed Rate Structure
All Customers	661,823	\$ 2,257,624	59.4%	\$3.41	Uniform
<b>Total Water</b>	<b>661,823</b>	<b>\$ 2,257,624</b>	<b>59.4%</b>		

TABLE 33 : ESTIMATED VOLUMETRIC REVENUE BY CUSTOMER CLASS

Customer Class	Estimated Consumption	Estimated Variable Revenue	% of Variable Rate Revenue	Total Estimated	Cost of Service Net Revenue
All Customers	661,823	\$ 2,257,624	100.0%	\$ 2,257,624	\$ 3,798,757
<b>Grand Total</b>	<b>661,823</b>	<b>\$ 2,257,624</b>	<b>100.0%</b>	<b>\$ 2,257,624</b>	<b>\$ 3,798,757</b>

TABLE 34 : CURRENT VS. PROPOSED MAXIMUM WATER RATES

Water Rate Schedule	Current Rates	Proposed Rates					
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	
<b>Monthly Fixed Service Charges (in \$/mo)</b>							
Domestic Service Charge	\$33.70	\$36.24	\$38.96	\$41.88	\$45.02	\$48.40	
3/4" to 1"	67.41	70.57	75.87	81.56	87.67	94.25	
1.5"	107.85	111.77	120.16	129.17	138.86	149.27	
2"	215.71	221.64	238.27	256.13	275.35	296.00	
3"	337.05	345.24	371.14	398.97	428.90	461.06	
4"	674.10	688.58	740.23	795.74	855.42	919.58	
6"	1,078.23	1,100.59	1,183.13	1,271.87	1,367.26	1,469.80	
8"							
<b>Water Usage Charges (in \$/HCF)</b>							
TIER 1 (0-14 HCF)	\$2.32	\$3.41	\$3.67	\$3.94	\$4.24	\$4.56	
TIER 2 (15-72 HCF)	2.66	N/A	N/A	N/A	N/A	N/A	
TIER 3 (73-108 HCF)	3.43	N/A	N/A	N/A	N/A	N/A	
TIER 4 (109-144 HCF)	3.62	N/A	N/A	N/A	N/A	N/A	
TIER 5 (145-180 HCF)	4.00	N/A	N/A	N/A	N/A	N/A	
TIER 6 (181+ HCF)	4.18	N/A	N/A	N/A	N/A	N/A	

# **SAN BERNARDINO COUNTY**

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*County Service Area 82 (Trona)  
Sewer Rate Study Report*

*Final Report*

**March 2026**



[nbsgov.com](http://nbsgov.com)

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# 1. Introduction

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## 1.1 Purpose

San Bernardino County (County) retained NBS to conduct a comprehensive utility rate study for its sewer enterprise funds for County Service Area 82 Trona (CSA 82). The County had several objectives and goals in mind for this study including meeting revenue requirements, reviewing the rising costs of providing services, funding capital improvements and changes in costs, and complying with certain legal requirements (e.g., California Constitution Article XIII D, Section 6, which is commonly referred to as Proposition 218 [Prop 218]). The County's broader objectives in this study include ensuring adequate funding for operating and capital costs, maintaining reasonable reserves, ensuring revenue stability in utility rates. The rates resulting from this study were developed in a manner that is consistent with industry standard cost-of-service principles. In addition to documenting the rate study methodology, this report is provided with the intent to assist the County in its continuing effort to maintain transparent communications with the residents and community it serves.

In developing new rates for CSA 82's enterprise fund, NBS worked cooperatively with County staff and the Board of Supervisors (Board) in selecting the appropriate rate alternatives that address the County's goals and objectives. Based on input provided by County staff, NBS proposes the rates summarized in this report. The Board has the final decision regarding the adoption of the proposed rates and whether to proceed with the Prop 218 approval process.

## 1.2 Overview of the Study

Comprehensive rate studies, such as this one, typically include three components: (1) preparation of a financial plan that identifies the net revenue requirements for the utility; (2) analysis of the cost to serve each customer class, and (3) the rate structure design. These steps are shown in Figure 1 and are intended to follow industry standards and reflect the fundamental principles of cost-of-service rate making embodied in the Water Environment Federation's *Financing and Charges for Wastewater Systems* (Manual of Practice No. 27).<sup>1</sup>

Rate studies also address requirements under Prop 218 that rates not exceed the cost of providing the service and be proportionate to the cost of providing service for all customers. In terms of the chronology of the study, the three steps shown in Figure 1 represent the order in which they were performed in this study.

---

<sup>1</sup> *Financing and Charges for Wastewater Systems*, Manual of Practice No. 27, Water Environment Federation, Fourth Edition, 2018.

**Figure 1. Primary Components of a Rate Study**



NBS projected revenues and expenditures, developed net revenue requirements, performed cost-of-service rate analyses, and developed new sewer rates for the County using this approach. The following sections in this report present an overview of the methodologies, assumptions, and data used along with the financial plans and rates developed. Detailed tables and figures documenting the development of the proposed rates are provided in the Appendices.

The County provided NBS with the data necessary to conduct the study, including historical, current, and projected revenues and expenditures, number of customer accounts, and water consumption data along with other operational and capital cost information.

### **FINANCIAL PLAN**

As a part of the rate study, NBS projected revenues and expenditures on a cash-flow basis for the next five (5) years. The amount of rate revenue required, that will allow reserves to be maintained at the recommended levels, is known as the net revenue requirement. As current rate revenue falls short of the net revenue requirement, rate adjustments – or more accurately, adjustments in the total revenue collected from rates – are recommended. This report presents an overview of the methodologies, assumptions, and data used along with the financial plan and proposed rates developed in this study.<sup>2</sup>

### **COST-OF-SERVICE ANALYSIS**

The basic purpose of the cost-of-service analysis (COSA) is to fairly and equitably allocate costs to customer classes. The cost-of-service analysis consists of two major components: (1) the classification of expenses, and (2) the allocation of costs to customer classes. In the case of CSA 82, volume data is not available by customer and there is a single customer class. Due to the County's desire to maintain a consistency, NBS has developed a fixed rate structure. Further details are discussed below and documented in the *Appendix*.

### **RATE DESIGN ANALYSIS**

During the rate design phase of the study, NBS and County staff worked together to develop rate alternatives that will meet the County's objectives. It is important for the County to send proper price

<sup>2</sup> The complete financial plans are available in the *Appendices*.

signals to its customers about the actual cost of providing service. This objective is typically addressed through both the magnitude of the rate adjustments and the rate structure design. In other words, both the amount of revenue collected and the way in which the revenue is collected from customers are important.

Several criteria are typically considered in setting rates and developing sound rate structures. The fundamentals of this process have been well documented in several rate-setting manuals, such as AWWA's Manual M1. The foundation for evaluating rate structures is generally credited to James C. Bonbright in *Principles of Public Utility Rates*,<sup>3</sup> which outlines pricing policies, theories, and economic concepts along with various rate designs. The following is a simplified list of the attributes of a sound rate structure:

- Rates should be easy to understand from the customer's perspective.
- Rates should be easy to administer from the utility's perspective.
- Rates should be equitable and non-discriminating (i.e., cost-based).
- Rates should promote the efficient allocation of the resource.
- There should be continuity in the rate making philosophy over time.
- Rates should provide month-to-month and year-to-year revenue stability.

## KEY FINANCIAL ASSUMPTIONS

The following is a summary of the key financial assumptions used in the analyses. The following capital and operational fund targets reflect input from County staff to meet specific utility objectives.

**Funding of Capital Projects** – The capital improvement costs will be funded with a combination of cash in reserves and the additional revenue generated from the proposed rate increases. The sewer line replacement project phase 2 is anticipated to be financed via debt issuance, however high rate revenue delinquencies are likely to impact the County's ability to secure debt for the project. The capital projects listed in the financial plan are from the County's capital improvement program.

**Reserve Targets** – For the sewer utility, the County maintains reserves for operations, capital, and other specific needs. The details of each utility's reserve targets are covered in their respective sections of this report.

**Inflation and Growth Projections** – Assumptions were made in the analysis regarding cost inflation to project future revenues and expenses for the study period. The following inflation factors were used in the analysis:

- Customer growth is estimated at 0.00% per year.
- General cost inflation is set at 3.20% annually.
- Labor cost inflation is set at 0.00% annually.

These inflation factors are based on long-term trends; therefore, the County should re-examine these factors in another year to assess the impacts on utility costs and whether projected rate increases will be sufficient for the remainder of the rate adoption period.

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<sup>3</sup> James C. Bonbright, Albert L. Danielsen, and David R. Kamerschen, *Principles of Public Utility Rates*, Arlington, VA: Public Utilities Report, Inc., Second Edition, 1988, pp. 383-384.

## 2. Sewer Rate Study

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### 2.1 Key Sewer Rate Study Issues

The County's sewer rate analysis was undertaken with a few specific objectives, including:

- Ensuring equity among customer classes by collecting rate revenue through the cost-of-service process by Equivalent Dwelling Unit.
- Maintain adequate reserve levels to ensure continuity in operations.
- Comply with Prop 218 requirements to ensure costs are properly allocated between user classifications.

### 2.2 Financial Plan

It is important for the sewer utility to ensure rates provide sufficient funding to cover operating and maintenance costs, planned capital expenditures, and maintain reasonable reserves. The sewer utility's rate increases are governed by these needs, and the current state of the County's sewer utility is as follows:

**Meeting Net Revenue Requirements:** For FY 2026/27 through FY 2030/31, the projected net revenue requirements (that is, total operating expenses plus rate-funded capital costs less non-rate revenues) for the County averages approximately \$754 thousand to \$832 thousand annually. If no rate increases are implemented, the County is projected to run an annual deficit of approximately \$25 thousand beginning in FY 2026/27 but increasing to \$187 thousand by FY 2030/31, and the utility would struggle to meet its operating and capital requirements. NBS notes that rate revenue is current significantly less than current rates should generate due to high delinquencies in collection of rate revenue. These delinquencies impact the utilities ability to fund and secure anticipated debt for capital projects.

**Maintaining Reserve Funds:** Reserve funds provide a basis for a utility to cope with fiscal emergencies such as revenue shortfalls, asset failure, and natural disasters, among other events. Reserve policies provide guidelines for sound financial management, with an overall long-range perspective to maintain financial solvency and mitigate financial risks associated with revenue instability, volatile capital costs, and emergencies. The reserve funds for the sewer utility are considered unrestricted reserves and consist of the following:

- **Operating Reserve:** The target ending fund balance for the operating reserve is equal to 90 days of operating expenses, or approximately \$83 thousand in FY 2026/27. An operating reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures. Fluctuations in revenue can be caused by weather patterns, the natural inflow and outflow of cash during billing cycles, and – particularly in periods of economic distress – changes or trends in age of receivables.
- **Capital Rehabilitation & Replacement Reserve** equal to 3% of net asset value, or approximately \$700 thousand. This reserve is set aside to address long-term capital system replacement and rehabilitation needs.

**Maintaining Adequate Bond Coverage:** Should the County issue debt to finance capital needs, there would be a requirement to maintain a minimum debt service coverage ratio as specified in the bond documents. Rates need to be set to generate sufficient revenue to provide the required level of coverage on debt

services as well as fund operating needs. While rates are set to provide adequate anticipated coverage on debt, the rate revenue delinquencies may impact the County’s ability to secure debt for capital projects.

**Figure 2** summarizes the sources and uses of funds, net revenue requirements, and the recommended annual increases in sewer rate revenue proposed for the next five years. **Figure 3** summarizes the projected reserve fund balances and reserve targets for the sewer utility’s unrestricted funds.

**Figure 2. Summary of Sewer Revenue Requirements**

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget		5-Year Projected Rate Period			
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Sources of Sewer Funds</b>						
Rate Revenue Under Current Rates	\$ 490,000	\$ 490,000	\$ 490,000	\$ 490,000	\$ 490,000	\$ 490,000
Non-Rate Revenues	88,990	79,790	79,790	79,790	79,790	79,790
<b>Total: Sources of Funds</b>	<b>\$ 578,990</b>	<b>\$ 569,790</b>	<b>\$ 569,790</b>	<b>\$ 569,790</b>	<b>\$ 569,790</b>	<b>\$ 569,790</b>
<b>Uses of Sewer Funds</b>						
Operating Expenses	\$ 321,337	\$ 330,356	\$ 339,663	\$ 349,269	\$ 359,181	\$ 369,411
Debt Service	-	264,289	264,289	264,289	264,289	264,289
Rate-Funded Capital Expenses	155,250	-	-	108,524	-	-
<b>Total: Use of Funds</b>	<b>\$ 476,587</b>	<b>\$ 594,645</b>	<b>\$ 603,952</b>	<b>\$ 722,082</b>	<b>\$ 623,470</b>	<b>\$ 633,700</b>
<b>Surplus (Deficiency) before Rate Increase</b>	<b>\$ 102,403</b>	<b>\$ (24,855)</b>	<b>\$ (34,162)</b>	<b>\$ (152,292)</b>	<b>\$ (53,680)</b>	<b>\$ (63,910)</b>
Additional Revenue from Rate Increases <sup>1</sup>	-	264,306	282,937	302,029	321,592	341,638
<b>Surplus (Deficiency) after Rate Increase</b>	<b>\$ 102,403</b>	<b>\$ 239,451</b>	<b>\$ 248,775</b>	<b>\$ 149,737</b>	<b>\$ 267,912</b>	<b>\$ 277,728</b>
<b>Projected Increases in Rate Revenue</b>	<b>0.00%</b>	<b>53.94%</b>	<b>2.47%</b>	<b>2.47%</b>	<b>2.47%</b>	<b>2.47%</b>
<b>Total Rate Revenue Requirement<sup>2</sup></b>	<b>\$ 490,000</b>	<b>\$ 754,306</b>	<b>\$ 772,937</b>	<b>\$ 792,029</b>	<b>\$ 811,592</b>	<b>\$ 831,638</b>

1. Assumes new rates are implemented July 1, 2026.

2. Total use of funds less non-rate revenues and interest earnings.

**Figure 3. Summary of Sewer Reserve Funds**

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budget		5-Year Projected Rate Period			
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Unrestricted Reserves</b>						
<b>Operating Reserve</b>						
Ending Balance	\$ 286,643	\$ 83,000	\$ 85,000	\$ 87,000	\$ 90,000	\$ 92,000
<i>Recommended Minimum Target</i>	<i>80,000</i>	<i>83,000</i>	<i>85,000</i>	<i>87,000</i>	<i>90,000</i>	<i>92,000</i>
<b>Capital Rehabilitation &amp; Replacement Reserve</b>						
Ending Balance	\$ 1,853,268	\$ 2,157,063	\$ 2,293,796	\$ 2,436,155	\$ 2,583,168	\$ 2,736,871
<i>Recommended Minimum Target</i>	<i>584,000</i>	<i>690,000</i>	<i>693,000</i>	<i>696,000</i>	<i>700,000</i>	<i>703,000</i>
<b>Total Ending Balance</b>	<b>\$ 2,139,911</b>	<b>\$ 2,240,063</b>	<b>\$ 2,378,796</b>	<b>\$ 2,523,155</b>	<b>\$ 2,673,168</b>	<b>\$ 2,828,871</b>
<i>Total Recommended Minimum Target</i>	<i>\$ 664,000</i>	<i>\$ 773,000</i>	<i>\$ 778,000</i>	<i>\$ 783,000</i>	<i>\$ 790,000</i>	<i>\$ 795,000</i>

A more detailed version of the utility’s proposed five-year financial plan is included in the Appendix. The appendix tables include revenue requirements, reserve funds, revenue sources, proposed rate increases, and the County’s capital improvement program.

### 2.3 Cost-of-Service Analysis

Once the net revenue requirements are determined, the cost-of-service analysis (COSA) proportionately distributes the revenue requirements to the single customer class. The COSA consists of the classification of expenses and then the allocation of those expenses to customer classes based on allocation factors, such as number of equivalent dwelling units (EDUs). Ultimately, a COSA is intended to result in rates that are proportional to the cost of providing service to each customer class.

## DISTRIBUTION OF COSTS OF SERVICE TO CUSTOMER CLASSES

We arrive at the customer class responsibility for service by applying the unit costs of service to the number of units, in this case Equivalent Dwelling Units, for which the customer class is responsible. In other words, the total cost of service revenue requirement is divided by the number of Equivalent Dwelling Units.

### 2.4 Rate Design Analysis

The cost of service analysis described in previous sections of this report provide a basis for the design of the sewer rates. Ultimately, the rate alternative selected by County staff is one similar to the existing rate design. The reasons for selecting this alternative are (1) it maintains the existing rate design developed during the last study (2) it provides continuity for sewer customers, and (3) it is easy to understand from a customer’s perspective and easy to administrate from County staff’s perspective.

### FIXED CHARGES

The fixed charge recognizes that the sewer utility incurs fixed costs regardless of whether customers send any sewer into the County’s collection system. The factor used to develop the fixed change is the number of Equivalent Dwelling Units associated with each account. The monthly fixed charge is calculated by taking 100% of total revenue requirements and dividing by the number of Equivalent Dwelling Units.

The charge calculations are summarized in **Figure 4**.

**Figure 4. Calculation of Fixed Charges**

Customer Class	Number of EDUs	Net Revenue Requirement	Estimated Fixed Revenue	Monthly Fixed Charge Per EDU
All Customers	738	\$ 754,306	\$ 754,306	\$ 85.17
<b>Total</b>	<b>738</b>	<b>\$ 754,306</b>	<b>\$ 754,306</b>	

### 2.5 Proposed Sewer Rates

The proposed sewer rates are similar to existing rates in terms of the rate design and rate methodology.

**Figure 5. Current vs. Proposed Sewer Rates**

Sewer Rate Schedule	Current Rates	Proposed Sewer Rates				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Monthly Fixed Service Charge Per EDU</b>						
All Customers		Per Equivalent Dwelling Unit				
All Customers	\$83.12	\$85.17	\$87.28	\$89.43	\$91.64	\$93.91

compares the current and proposed rates for FY 2026/27 through FY 2030/31 by customer class. More detailed tables on the development of the proposed rates are documented in Appendix A.

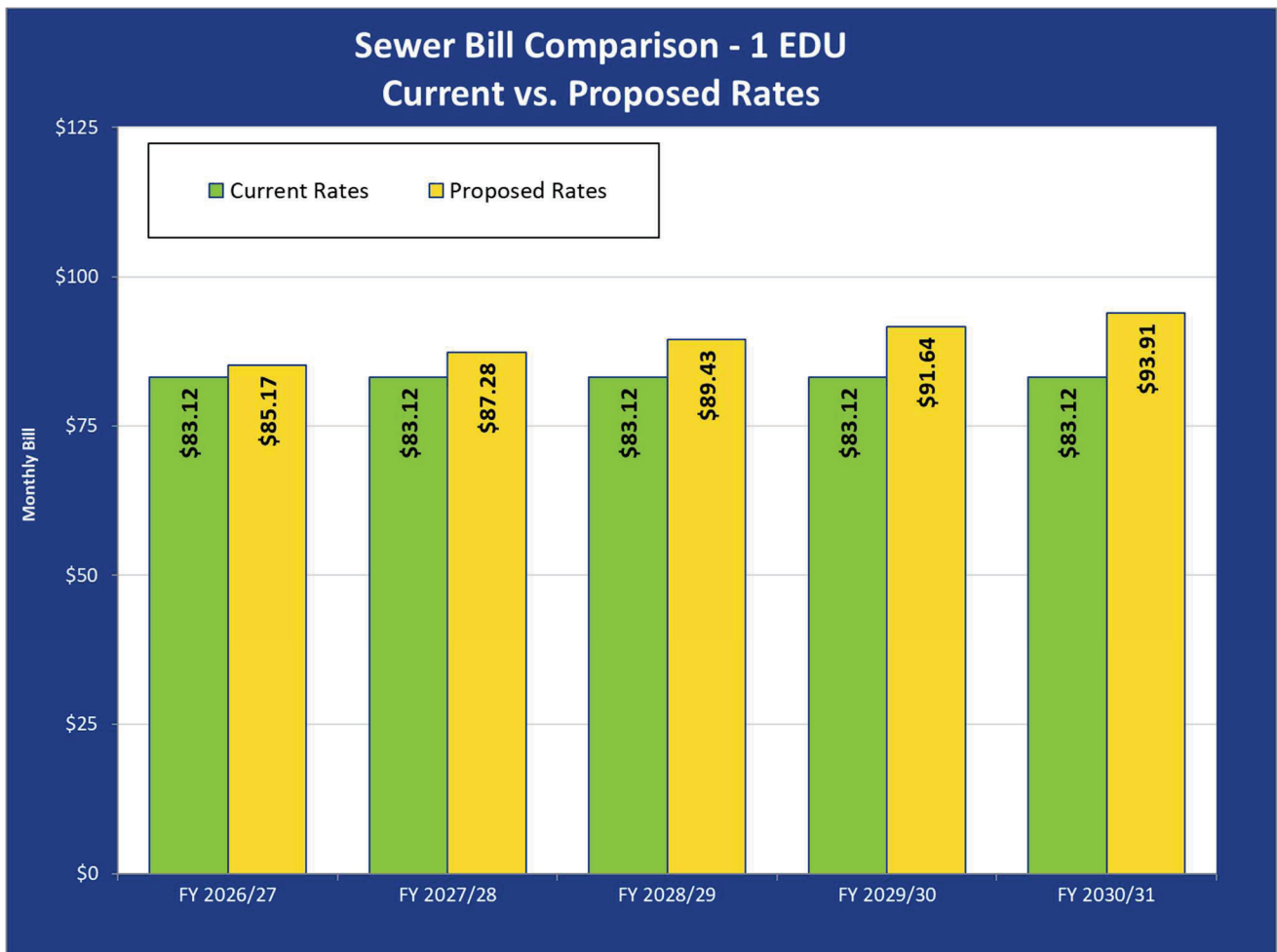
**Figure 5. Current vs. Proposed Sewer Rates**

Sewer Rate Schedule	Current Rates	Proposed Sewer Rates				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Monthly Fixed Service Charge Per EDU</b>						
All Customers		Per Equivalent Dwelling Unit				
All Customers	\$83.12	\$85.17	\$87.28	\$89.43	\$91.64	\$93.91

## 2.6 Comparison of Current and Proposed Sewer Bills

The following figures compare monthly sewer bills under current and proposed rates for a customer with one Equivalent Dwelling Unit over the 5-year rate period.

Figure 6. Sewer Bill Comparison



## 3. Recommendations and Next Steps

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### 3.1 Consultant Recommendations

NBS recommends the County take the following actions:

- **Approve and Accept this Study:** NBS recommends the County Board formally approve and adopt this Study and its recommendations and proceed with the next steps outlined below to implement the proposed rates. This will provide documentation of the rate study analyses and the basis for analyzing potential changes to future rates.
- **Implement Recommended Levels of Rate Increases and Proposed Rates:** Based on successfully meeting the Prop 218 procedural requirements, the County should proceed with implementing the 5-year schedule of proposed rates and rate increases previously shown in **Figure 5**. This will help ensure the continued financial health of CSA 82's utilities.

### 3.2 Next steps

**Annually Review Rates and Revenue** – Any time an agency adopts new utility rates or rate structures, those new rates should be closely monitored over the next several years to ensure the revenue generated is sufficient to meet the annual revenue requirements. Changing economic and water consumption patterns underscore the need for this review, as well as potential and unseen changing revenue requirements — particularly those related to environmental regulations that can significantly affect capital improvements and repair and replacement costs.

*Note: The attached Appendix provides more detailed information on the analysis of the financial plan, revenue requirements, cost-of-service, and the rate design analyses that have been summarized in this report.*

### 3.3 NBS' Principal Assumptions and Considerations

In preparing this report and the opinions and recommendations included herein, NBS has relied on several principal assumptions and considerations regarding financial matters, conditions, and events that may occur in the future. This information and these assumptions, including the County's budgets, capital improvement costs, customer accounts and consumption, and information from County staff were provided by sources we believe to be reliable, although NBS has not independently verified this data.

While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report and its recommendations, some assumptions will invariably not materialize as stated herein and may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.

# Appendix A. Sewer Rate Study Tables and Figures

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TABLE 1 : FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

RATE REVENUE REQUIREMENTS SUMMARY	Projected FY 2025/26	Rate Period				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Sources of Sewer Funds</b>						
<b>Rate Revenue</b>						
000-Taxes	\$ 55,215	\$ 55,215	\$ 55,215	\$ 55,215	\$ 55,215	\$ 55,215
075-Charges for Current Services-Fee Ord	\$ 490,000	\$ 490,000	\$ 490,000	\$ 490,000	\$ 490,000	\$ 490,000
<b>Other Revenue</b>						
040-Intergovernment Revenue-State	\$ 275	\$ 275	\$ 275	\$ 275	\$ 275	\$ 275
030-Revenue From Use of Money & Property	\$ 21,000	\$ 21,000	\$ 21,000	\$ 21,000	\$ 21,000	\$ 21,000
080-Other Revenue	\$ 12,500	\$ 3,300	\$ 3,300	\$ 3,300	\$ 3,300	\$ 3,300
<b>Total: Sources of Funds</b>	<b>\$ 578,990</b>	<b>\$ 569,790</b>	<b>\$ 569,790</b>	<b>\$ 569,790</b>	<b>\$ 569,790</b>	<b>\$ 569,790</b>
<b>Uses of Sewer Funds</b>						
<b>Operating Expenses:</b>						
200-Services & Supplies-General	\$ 184,440	\$ 190,262	\$ 196,270	\$ 202,471	\$ 208,870	\$ 215,474
294-Services & Supplies-Travel Related	\$ 4,128	\$ 4,260	\$ 4,396	\$ 4,537	\$ 4,682	\$ 4,832
540-Intra Entity Reimbursement Out	\$ 132,770	\$ 135,834	\$ 138,997	\$ 142,261	\$ 145,629	\$ 149,105
Subtotal: Operating Expenses	\$ 321,337	\$ 330,356	\$ 339,663	\$ 349,269	\$ 359,181	\$ 369,411
<b>Other Expenditures:</b>						
Existing Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Future Debt Service	\$ -	\$ 264,289	\$ 264,289	\$ 264,289	\$ 264,289	\$ 264,289
Rate-Funded Capital Expenses	\$ 155,250	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: Other Expenditures	\$ 155,250	\$ 264,289	\$ 264,289	\$ 264,289	\$ 264,289	\$ 264,289
<b>Total: Uses of Funds</b>	<b>\$ 476,587</b>	<b>\$ 594,645</b>	<b>\$ 603,952</b>	<b>\$ 613,558</b>	<b>\$ 623,470</b>	<b>\$ 633,700</b>
Plus: Revenue from Rate Increases <sup>3</sup>	\$ -	\$ 264,306	\$ 282,937	\$ 302,029	\$ 321,592	\$ 341,638
<b>Annual Surplus/(Deficit)</b>	<b>\$ 102,403</b>	<b>\$ 239,451</b>	<b>\$ 248,775</b>	<b>\$ 258,261</b>	<b>\$ 267,912</b>	<b>\$ 277,728</b>
<b>Net Revenue Req. (Total Uses less Non-Rate Revenue)</b>	<b>\$ 442,812</b>	<b>\$ 570,070</b>	<b>\$ 579,377</b>	<b>\$ 588,983</b>	<b>\$ 598,895</b>	<b>\$ 609,125</b>
<b>Total Rate Revenue After Rate Increases</b>	<b>\$ 490,000</b>	<b>\$ 754,306</b>	<b>\$ 772,937</b>	<b>\$ 792,029</b>	<b>\$ 811,592</b>	<b>\$ 831,638</b>
<b>Projected Annual Rate Revenue Increase</b>	<b>0.00%</b>	<b>53.94%</b>	<b>2.47%</b>	<b>2.47%</b>	<b>2.47%</b>	<b>2.47%</b>
<b>Cumulative Increase from Annual Revenue Increases</b>	<b>0.00%</b>	<b>53.94%</b>	<b>57.74%</b>	<b>61.64%</b>	<b>65.63%</b>	<b>69.72%</b>
<b>Debt Coverage After Rate Increase<sup>4</sup></b>	<b>N/A</b>	<b>1.91</b>	<b>1.94</b>	<b>1.98</b>	<b>2.01</b>	<b>2.05</b>

1. Revenue and expenses for FY 2024/25 provided by the District. Revenues and expenses for all other years are escalated based on the forecasting assumptions in Table 8.  
2. Interest earnings for FY 2024/25 are from the District's Budget. For all other years, it is calculated based on historical LAIF returns.  
3. Revenue from rate increases assumes an implementation date of January 1, 2026 for new rates. For each year thereafter, the assumption is that new rates will be implemented on July 1st of each year.  
4. The District must maintain a debt service coverage of 125% under the Installment Purchase Contract with Municipal Finance Corporation. Conditional formatting has been applied to highlight years where the debt coverage ratio is not met.  
Source file: Item 7 Installment Purchase Sewer Project.pdf.

1	← Select Financial Plan Scenario Here					
Financial Plan Alternatives	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
1 Alternative 1 - Custom Rate Increase	0.00%	53.94%	2.47%	2.47%	2.47%	2.47%
2 Alternative 2 - Custom Rate Increase	0.00%	5.00%	5.00%	5.00%	5.00%	5.00%
3 Alternative 3 - Custom Rate Increases	0.00%	53.98%	2.00%	2.00%	2.00%	2.00%
4 Alternative 4 - No Rate Increases	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

TABLE 2 : RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY SEWER FUND RESERVES	Projected FY 2025/26	Rate Period				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Total Beginning Cash<sup>1</sup></b>						
<b>Unrestricted Reserves:</b>						
<b>Operating Reserve</b>						
Beginning Reserve Balance	\$ 1,420,039	\$ 286,643	\$ 83,000	\$ 85,000	\$ 87,000	\$ 90,000
Plus: Net Cash Flow (After Rate Increases)	102,403	239,451	248,775	258,261	267,912	277,728
Plus: Transfer of Debt Reserve Surplus	-	-	-	-	-	-
Plus: Interest Earnings	14,200	2,866	830	850	870	900
Less: Transfer Out to Capital Replacement Reserve	(1,250,000)	(445,960)	(247,605)	(257,111)	(265,782)	(276,628)
<b>Ending Operating Reserve Balance</b>	<b>\$ 286,643</b>	<b>\$ 83,000</b>	<b>\$ 85,000</b>	<b>\$ 87,000</b>	<b>\$ 90,000</b>	<b>\$ 92,000</b>
<b>Target Ending Balance (90 days of O&amp;M)</b>	<b>\$ 80,000</b>	<b>\$ 83,000</b>	<b>\$ 85,000</b>	<b>\$ 87,000</b>	<b>\$ 90,000</b>	<b>\$ 92,000</b>
<b>Capital Rehabilitation &amp; Replacement Reserve</b>						
Beginning Reserve Balance	\$ 732,643	\$ 1,853,268	\$ 2,157,063	\$ 2,293,796	\$ 2,436,155	\$ 2,583,168
Plus: Grant Proceeds	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surplus	1,250,000	445,960	247,605	257,111	265,782	276,628
Less: Use of Reserves for Capital Projects	(129,375)	(142,165)	(110,872)	(114,752)	(118,769)	(122,926)
<b>Ending Capital Rehab &amp; Replacement Reserve Balance</b>	<b>\$ 1,853,268</b>	<b>\$ 2,157,063</b>	<b>\$ 2,293,796</b>	<b>\$ 2,436,155</b>	<b>\$ 2,583,168</b>	<b>\$ 2,736,871</b>
<b>Target Ending Balance (3% of net assets)</b>	<b>\$ 584,000</b>	<b>\$ 690,000</b>	<b>\$ 693,000</b>	<b>\$ 696,000</b>	<b>\$ 700,000</b>	<b>\$ 703,000</b>
<b>Ending Cash Balance - Excl. Restricted Reserves</b>	<b>\$ 2,139,911</b>	<b>\$ 2,240,063</b>	<b>\$ 2,378,796</b>	<b>\$ 2,523,155</b>	<b>\$ 2,673,168</b>	<b>\$ 2,828,871</b>
<b>Min. Target Ending Cash Balance - Excl. Restricted Reser</b>	<b>\$ 664,000</b>	<b>\$ 773,000</b>	<b>\$ 778,000</b>	<b>\$ 783,000</b>	<b>\$ 790,000</b>	<b>\$ 795,000</b>
<b>Ending Surplus/(Deficit) Compared to Reserve Targets</b>	<b>\$ 1,475,911</b>	<b>\$ 1,467,063</b>	<b>\$ 1,600,796</b>	<b>\$ 1,740,155</b>	<b>\$ 1,883,168</b>	<b>\$ 2,033,871</b>
<b>Days Cash on Hand</b>	<b>1,639</b>	<b>1,375</b>	<b>1,438</b>	<b>1,502</b>	<b>1,565</b>	<b>1,630</b>
<b>Annual Interest Earnings Rate<sup>2</sup></b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>

1. Beginning cash balances are as of July 1, 2024.  
2. Historical interest earning rates are per the average annual yields for funds invested in LAIF (2018-2024). The source is the California State Treasurer's website: <https://www.treasurer.ca.gov/pmia-laif/historical/annual.asp>.

TABLE 3 : RESERVE FUND SUMMARY - RESTRICTED RESERVES

SUMMARY OF CASH ACTIVITY, cont. RESTRICTED SEWER FUND RESERVES	Projected FY 2026/27	Rate Period				
		FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32
<b>Restricted Reserves:</b>						
<b>Debt Reserve</b>						
Beginning Reserve Balance <sup>1</sup>	\$ -	\$ 264,289	\$ 266,932	\$ 269,601	\$ 272,297	\$ 275,020
Plus: Reserve Funding from Future Debt Obligations	264,289	-	-	-	-	-
Plus: Interest Earnings	-	2,643	2,669	2,696	2,723	2,750
Less: Transfer of Surplus to Operating Reserve	-	-	-	-	-	-
<b>Ending Debt Reserve Balance</b>	<b>\$ 264,289</b>	<b>\$ 266,932</b>	<b>\$ 269,601</b>	<b>\$ 272,297</b>	<b>\$ 275,020</b>	<b>\$ 277,771</b>
<b>Target Ending Balance</b>	<b>\$ 264,289</b>	<b>\$ 264,289</b>	<b>\$ 264,289</b>	<b>\$ 264,289</b>	<b>\$ 264,289</b>	<b>\$ 264,289</b>
<b>Annual Interest Earnings Rate<sup>2</sup></b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>

1. Beginning cash balances are as of July 1, 2024.  
2. Historical interest earning rates are per the average annual yields for funds invested in LAIF (2018-2024). The source is the California State Treasurer's website: <https://www.treasurer.ca.gov/pmia-laif/historical/annual.asp>.

CSA 82 Trona  
SEWER RATE STUDY  
Operating Revenue and Expenses

TABLE 4 : REVENUE FORECAST<sup>1</sup>

DESCRIPTION	Basis	Rate Period					
		Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Sewer Operating Revenue</b>							
40008015 PROP TAXES-CURR SEC 1% TAX LVY	1	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000	\$ 45,000
40008025 PROP TX CUR UNSEC 1% GEN TAX	1	1,800	1,800	1,800	1,800	1,800	1,800
40008035 PROP TX CUR UNITARY 1% LEVY	1	6,500	6,500	6,500	6,500	6,500	6,500
40008115 PROP TX PRI SEC 1% GEN TAX LVY	1	65	65	65	65	65	65
40008125 PROP TX PRI UNSEC 1% GEN TAX	1	75	75	75	75	75	75
40008145 INT & PEN DELINQUENT TAXES	1	75	75	75	75	75	75
40008230 SUPP ROLL CURRENT	1	500	500	500	500	500	500
40008235 SUPP ROLL PRIOR	1	1,200	1,200	1,200	1,200	1,200	1,200
<b>000-Taxes</b>		<b>\$ 55,215</b>	<b>\$ 55,215</b>	<b>\$ 55,215</b>	<b>\$ 55,215</b>	<b>\$ 55,215</b>	<b>\$ 55,215</b>
40308500 INTEREST	1	\$ 21,000	\$ 21,000	\$ 21,000	\$ 21,000	\$ 21,000	\$ 21,000
<b>030-Revenue From Use of Money &amp; Property</b>		<b>\$ 21,000</b>	<b>\$ 21,000</b>	<b>\$ 21,000</b>	<b>\$ 21,000</b>	<b>\$ 21,000</b>	<b>\$ 21,000</b>
40408800 GENERAL TAX LEVY-HOMEOWNER EXM	1	\$ 275	\$ 275	\$ 275	\$ 275	\$ 275	\$ 275
<b>040-Intergovernment Revenues-State</b>		<b>\$ 275.00</b>	<b>\$ 275.00</b>	<b>\$ 275.00</b>	<b>\$ 275.00</b>	<b>\$ 275.00</b>	<b>\$ 275.00</b>
407538480 FEE ORD-PENALTIES	1	-	-	-	-	-	-
407539680 FEE ORD-PERMIT & INSPECTION FEES	1	9,200	-	-	-	-	-
407539700 FEE ORD-SANITATION SERVICES	1	490,000	490,000	490,000	490,000	490,000	490,000
407539720 FEE ORD-RESIDENTIAL SALES	1	-	-	-	-	-	-
407539800 FEE ORD-OTHER SERVICES	1	2,000	2,000	2,000	2,000	2,000	2,000
407539970 FEE ORD-OTHER	1	100	100	100	100	100	100
<b>075-Charges for Current Services-Fee Ord</b>		<b>\$ 501,300</b>	<b>\$ 492,100</b>	<b>\$ 492,100</b>	<b>\$ 492,100</b>	<b>\$ 492,100</b>	<b>\$ 492,100</b>
40809970 OTHER	1	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200
<b>080-Other Revenue</b>		<b>\$ 1,200</b>	<b>\$ 1,200</b>	<b>\$ 1,200</b>	<b>\$ 1,200</b>	<b>\$ 1,200</b>	<b>\$ 1,200</b>
<b>TOTAL: REVENUE</b>		<b>\$ 578,990</b>	<b>\$ 569,790</b>	<b>\$ 569,790</b>	<b>\$ 569,790</b>	<b>\$ 569,790</b>	<b>\$ 569,790</b>

TABLE 5 : REVENUE SUMMARY

DESCRIPTION	Rate Period					
	Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Rate Revenue</b>						
000-Taxes	\$ 55,215	\$ 55,215	\$ 55,215	\$ 55,215	\$ 55,215	\$ 55,215
075-Charges for Current Services-Fee Ord	490,000	490,000	490,000	490,000	490,000	490,000
<b>Other Revenue</b>						
040-Intergovernment Revenue-State	\$ 275	\$ 275	\$ 275	\$ 275	\$ 275	\$ 275
030-Revenue From Use of Money & Property	21,000	21,000	21,000	21,000	21,000	21,000
080-Other Revenue	12,500	3,300	3,300	3,300	3,300	3,300
<b>TOTAL: REVENUE</b>	<b>\$ 578,990</b>	<b>\$ 569,790</b>	<b>\$ 569,790</b>	<b>\$ 569,790</b>	<b>\$ 569,790</b>	<b>\$ 569,790</b>

CSA 82 Trona  
SEWER RATE STUDY  
Operating Revenue and Expenses

TABLE 6 : OPERATING EXPENSE FORECAST<sup>1</sup>

DESCRIPTION	Basis	Projected		Rate Period						
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31			
<b>Operating Expenses</b>										
Operating Expenses										
52002065 EXPENDITURES - REIMBURSED	2	\$ 181	\$ 186	\$ 192	\$ 198	\$ 205	\$ 211			
52002070 FOOD	2	155	160	165	170	176	181			
52002085 LEGAL NOTICES	2	41	43	44	45	47	48			
52002135 SPECIAL DEPT EXPENSE	2	516	533	550	567	585	604			
52002180 UTILITIES	2	619	639	659	681	702	725			
52002186 UTILITIES-WATER	2	3,612	3,728	3,847	3,970	4,097	4,228			
52002210 PROPERTY INSURANCE (SF ONLY)	2	6	6	7	7	7	7			
52002310 PRESORT & PACKAGING (SF ONLY)	2	7,224	7,455	7,694	7,940	8,194	8,456			
52002415 COUNTY SERVICES (INCL COWCAP)	2	2,401	2,478	2,558	2,639	2,724	2,811			
52003445 OTHER PROFESSIONAL & SPEC SVCS	2	103,200	106,502	109,910	113,428	117,057	120,803			
52003448 COUNTY COUNSEL SERVICES	3	2,500	2,500	2,500	2,500	2,500	2,500			
52003458 PERMIT COSTS	2	48,504	50,056	51,658	53,311	55,017	56,777			
52002870 GEN MAINT-STRUCT,IMP & GROUNDS	2	15,480	15,975	16,487	17,014	17,559	18,120			
200-Services & Supplies-General	2	\$ 184,440	\$ 190,262	\$ 196,270	\$ 202,471	\$ 208,870	\$ 215,474			
52942942 HOTEL - NON-TAXABLE	2	\$ 3,096	\$ 3,195	\$ 3,297	\$ 3,403	\$ 3,512	\$ 3,624			
52942943 MEALS - NON-TAXABLE	2	1,032	1,065	1,099	1,134	1,171	1,208			
294-Services & Supplies-Travel Related	2	\$ 4,128	\$ 4,260	\$ 4,396	\$ 4,537	\$ 4,682	\$ 4,832			
55405010 SALARIES & BENE TRANSFERS OUT	3	\$ 37,000	\$ 37,000	\$ 37,000	\$ 37,000	\$ 37,000	\$ 37,000			
55405012 SERVS & SUPPLY TRANSFERS OUT	2	16,512	17,040	17,586	18,148	18,729	19,329			
55405018 INTERNAL COST ALLOCA OUT	2	79,258	81,794	84,411	87,112	89,900	92,777			
540-Intra Entity Reimbursement Out	2	\$ 132,770	\$ 135,834	\$ 138,997	\$ 142,261	\$ 145,629	\$ 149,105			
<b>Subtotal - Operating Expenses</b>		<b>\$ 321,337</b>	<b>\$ 330,356</b>	<b>\$ 339,663</b>	<b>\$ 349,269</b>	<b>\$ 359,181</b>	<b>\$ 369,411</b>			

**GRAND TOTALS SEWER EXPENSES** \$ 321,337 | \$ 330,356 | \$ 339,663 | \$ 349,269 | \$ 359,181 | \$ 369,411

1. Revenue and expenses for FY 2024/25 provided by the District. Revenues and expenses for all other years are escalated based on the for-escalating assumptions in Table 7

TABLE 7 : FORECASTING ASSUMPTIONS

INFLATION FACTORS <sup>1</sup>	Basis	Rate Period					
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Customer Growth <sup>2</sup>	1	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
General Cost Inflation <sup>3</sup>	2	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
Labor Cost Inflation <sup>4</sup>	3	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest on Investments <sup>5</sup>	4	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Electricity <sup>6</sup>	5	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%
No Escalation	6	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

1. Expenses are inflated each year by the following annual inflation factor categories.

2. Customer growth is based on the population projections provided by the County.

3. General cost inflation is based on the 5-year average annual change in the Consumer Price Index for all Urban Consumers in the San Bernardino-Riverside-Ontario, CA area.

4. Labor cost inflation is provided by County.

5. Interest rate inflation is provided by the County.

6. Electricity cost inflation is based on the 5-year average change in the Consumer Price Index for Electricity for the San Bernardino-Riverside-Ontario, CA area.

CSA 82 Trona  
SEWER RATE STUDY  
Capital Improvement Plan Expenditures

TABLE 8 : CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST		Projected	5-Year Projected Rate Period					
			FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Funding Sources:</b>								
Grants		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Capacity Fee Reserves		-	-	-	-	-	-	-
SRF Loan Funding		-	-	-	-	-	-	-
Use of Future Revenue Bond Proceeds		-	3,500,000	-	-	-	-	-
Use of Capital Rehabilitation and Replacement Reserve		129,375	142,165	110,872	114,752	118,769	118,769	122,926
Rate Revenue		155,250	-	-	-	-	-	-
<b>Total Sources of Capital Funds</b>		<b>\$ 284,625</b>	<b>\$ 3,642,165</b>	<b>\$ 110,872</b>	<b>\$ 114,752</b>	<b>\$ 118,769</b>	<b>\$ 118,769</b>	<b>\$ 122,926</b>
<b>Uses of Capital Funds:</b>								
Total Project Costs		\$ 284,625	\$ 3,642,165	\$ 110,872	\$ 114,752	\$ 118,769	\$ 118,769	\$ 122,926
<b>Capital Funding Surplus (Deficiency)</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>SFR Loan Funding</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Future Revenue Bond Proceeds</b>		<b>\$ -</b>	<b>\$ 3,500,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>CAPITAL IMPROVEMENT PROGRAM FUNDING OPTIONS</b>								
Policy Choice	Total Planned CIP - FY 2026/27 through FY 2030/31							
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31		
1	Alternative 1 - Full Funding of CIP	\$ 284,625	\$ 3,642,165	\$ 110,872	\$ 114,752	\$ 118,769	\$ 122,926	
2	Alternative 2 - 75% Funding of CIP	213,469	2,731,624	83,154	86,064	89,076	92,194	
3	Alternative 3 - 0% Funding of CIP	-	-	-	-	-	-	
1	Select CIP Funding Option							
<b>Capital Improvement Program Funding Choice</b>								
Effective Annual Funding Amount		\$ 284,625	\$ 3,642,165	\$ 110,872	\$ 114,752	\$ 118,769	\$ 122,926	

CSA 82 Trona  
SEWER RATE STUDY  
Capital Improvement Plan Expenditures

CAPITAL IMPROVEMENT PROGRAM

TABLE 9 : CAPITAL IMPROVEMENT PROGRAM COSTS

Project Description	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Capital Projects<sup>1</sup></b>						
North Pioneer Point Septic Tank No. 2	\$ 275,000	3,250,000				
CSA 82 Searles Valley Sewer Line Replacement Phase 2 Master Plan		150,000				
<b>Subtotal - Capital Projects</b>	<b>\$ 275,000</b>	<b>\$ 3,400,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Estimated Future Projects</b>						
Future Projects <sup>4</sup>	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
<b>Total: Capital Improvement Program Costs (Current-Year Dollars)</b>	<b>\$ 275,000</b>	<b>\$ 3,400,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>

TABLE 10 : CAPITAL IMPROVEMENT PROGRAM COSTS

Project Description	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Capital Projects<sup>1</sup></b>						
North Pioneer Point Septic Tank No. 2	\$ 284,625	\$ -	\$ -	\$ -	\$ -	\$ -
CSA 82 Searles Valley Sewer Line Replacement Phase 2 Master Plan	-	3,481,481	-	-	-	-
Future Projects <sup>4</sup>	-	-	-	-	-	-
<b>Total: Capital Improvement Program Costs (Future-Year Dollars)</b>	<b>\$ 284,625</b>	<b>\$ 3,642,165</b>	<b>\$ 110,872</b>	<b>\$ 114,752</b>	<b>\$ 118,769</b>	<b>\$ 122,926</b>

TABLE 11 : FORECASTING ASSUMPTIONS

Economic Variables	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Annual Construction Cost Inflation, Per Engineering News Record <sup>6</sup>	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Cumulative Construction Cost Multiplier from FY 2024/25	1.04	1.07	1.11	1.15	1.19	1.23

- Source file: 2023-24 Preliminary Budget Worksheet.xlsx.
- Estimated future expenditures are the average of the previous 10 years.
- Capital improvement projects are inflated to future year estimated costs with ENR CCI for the region. Source: Engineering News Record website (<http://enr.construction.com>).
- For reference purposes, the annual Construction Cost Inflation percentage is the 10-year average annual change in the Construction Cost Index for 2013-2023 (3.5%).

TABLE 12 : EXISTING DEBT OBLIGATIONS

EXISTING DEBT OBLIGATIONS	Budget		Projected	5-Year Projected Rate Period					
	FY 2024/25	FY 2025/26		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	
Annual Repayment Schedules:									
N/A									
Principal Payment	-	-	-	-	-	-	-	-	-
Interest Payment	-	-	-	-	-	-	-	-	-
<b>Subtotal: Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Coverage Requirement (\$-Amnt above annual payment)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve Requirement (total fund balance)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total: Existing Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total: Existing Annual Coverage Requirement</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total: Existing Debt Reserve Target</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

1. Source file: SWRCB Complete Loan Agreement.pdf

TABLE 13 : EXISTING ANNUAL DEBT OBLIGATIONS TO BE SATISFIED BY SEWER RATES

Annual Obligations	FY 2024/25		FY 2025/26		FY 2026/27		FY 2027/28		FY 2028/29		FY 2029/30		FY 2030/31	
	Existing Annual Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Annual Coverage Requirement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Debt Reserve Target	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**Exhibit 4 - Current Rates**

**CSA 82 Trona  
SEWER RATE STUDY  
Projected Sewer Rates Under Existing Rate Schedule**

**TABLE 14 : CURRENT SEWER RATE SCHEDULE**

Sewer Rate Schedule <sup>1</sup>		Current Rates
<i>Monthly Fixed Service Charge Per EDU</i>		
All Customers		Per Dwelling Unit
All Customers		\$83.12

TABLE 15 : PROPOSED SEWER RATES

Customer Class	Number of EDUs	Net Revenue Requirement	Estimated Fixed Revenue	Monthly Fixed Charge Per EDU
All Customers	738	\$ 754,306	\$ 754,306	\$ 85.17
Total	738	\$ 754,306	\$ 754,306	

TABLE 16 : CURRENT VS. PROPOSED SEWER RATES

Sewer Rate Schedule	Current Rates	NET REVENUE REQUIREMENTS (100% FIXED / 0% VARIABLE)				
		Proposed Sewer Rates				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Monthly Fixed Service Charge Per EDU</b>						
All Customers	\$83.12	\$85.17	\$87.28	\$89.43	\$91.64	\$93.91
All Customers			Per Equivalent Dwelling Unit			

# **SAN BERNARDINO COUNTY**

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*County Service Area 42 (Oro Grande)  
Water and Sewer Rate Study Report*

*Final Report*

**March 2026**



[nbsgov.com](http://nbsgov.com)

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# 1. Introduction

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## 1.1 Purpose

San Bernardino County (County) retained NBS to conduct a comprehensive utility rate study for its water and sewer enterprise funds for County Service Area 42 Oro Grande Lake (CSA 42). The County had several objectives and goals in mind for this study including meeting revenue requirements, reviewing the rising costs of providing services, funding capital improvements and changes in costs, and complying with certain legal requirements (e.g., California Constitution Article XIII D, Section 6, which is commonly referred to as Proposition 218 [Prop 218]). The County's broader objectives in this study include ensuring adequate funding for operating and capital costs, ensuring revenue stability in utility rates. The rates resulting from this study were developed in a manner that is consistent with industry standard cost-of-service principles. In addition to documenting the rate study methodology, this report is provided with the intent to assist the County in its continuing effort to maintain transparent communications with the residents and community it serves.

In developing new rates for CSA 42's enterprise funds, NBS worked cooperatively with County staff and the Board of Supervisors (Board) in selecting the appropriate rate alternatives that address the County's goals and objectives. Based on input provided by County staff, NBS proposes the rates summarized in this report. The Board has the final decision regarding the adoption of the proposed rates and whether to proceed with the Prop 218 approval process.

## 1.2 Overview of the Study

Comprehensive rate studies, such as this one, typically include three components: (1) preparation of a financial plan that identifies the net revenue requirements for the utility; (2) analysis of the cost to serve each customer class, and (3) the rate structure design. These steps are shown in Figure 1 and are intended to follow industry standards and reflect the fundamental principles of cost-of-service rate making embodied in the American Water Works Association's (AWWA) *Principles of Water Rates, Fees, and Charges*,<sup>1</sup> also referred to as Manual M1, and the Water Environment Federation's *Financing and Charges for Wastewater Systems* (Manual of Practice No. 27).<sup>2</sup>

Rate studies also address requirements under Prop 218 that rates not exceed the cost of providing the service and be proportionate to the cost of providing service for all customers. In terms of the chronology of the study, the three steps shown in Figure 1 represent the order in which they were performed in this study.

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<sup>1</sup> *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, Manual M1, American Water Works Association (AWWA), 7<sup>th</sup> Edition, 2017.

<sup>2</sup> *Financing and Charges for Wastewater Systems*, Manual of Practice No. 27, Water Environment Federation, Fourth Edition, 2018.

**Figure 1. Primary Components of a Rate Study**



NBS projected revenues and expenditures, developed net revenue requirements, performed cost-of-service rate analyses, and developed new water and sewer rates for the County using this approach. The following sections in this report present an overview of the methodologies, assumptions, and data used along with the financial plans and rates developed. Detailed tables and figures documenting the development of the proposed rates are provided in the Appendices.

The County provided NBS with the data necessary to conduct the study, including historical, current, and projected revenues and expenditures, number of customer accounts, and water consumption data along with other operational and capital cost information.

### **FINANCIAL PLAN**

As a part of the rate study, NBS projected revenues and expenditures on a cash-flow basis for the next five (5) years. The amount of rate revenue required, that will allow reserves to be maintained at the recommended levels, is known as the net revenue requirement. As current rate revenue falls short of the net revenue requirement, rate adjustments – or more accurately, adjustments in the total revenue collected from rates – are recommended. This report presents an overview of the methodologies, assumptions, and data used along with the financial plan and proposed rates developed in this study.<sup>3</sup>

### **COST-OF-SERVICE ANALYSIS**

The basic purpose of the cost-of-service analysis (COSA) is to fairly and equitably allocate costs to customer classes. The cost-of-service analysis consists of two major components: (1) the classification of expenses, and (2) the allocation of costs to customer classes. For example, a key task is the “classification” of the water revenue requirements into the following categories:

- Commodity related costs
- Capacity related costs
- Customer service related costs

For the sewer utility, the cost-of-service analysis consists of two major components: (1) the classification of expenses, and (2) the allocation of costs to customer classes. In the case of CSA 42, volume data is not

<sup>3</sup> The complete financial plans are available in the *Appendices*.

available by customer and there is a single customer class. Due to the County's desire to maintain consistency, NBS has developed a fixed rate structure. Further details are discussed below and documented in the Appendix.

## RATE DESIGN ANALYSIS

During the rate design phase of the study, NBS and County staff worked together to develop rate alternatives that will meet the County's objectives. It is important for the County to send proper price signals to its customers about the actual cost of providing service. This objective is typically addressed through both the magnitude of the rate adjustments and the rate structure design. In other words, both the amount of revenue collected and the way in which the revenue is collected from customers are important.

Several criteria are typically considered in setting rates and developing sound rate structures. The fundamentals of this process have been well documented in several rate-setting manuals, such as AWWA's Manual M1. The foundation for evaluating rate structures is generally credited to James C. Bonbright in *Principles of Public Utility Rates*,<sup>4</sup> which outlines pricing policies, theories, and economic concepts along with various rate designs. The following is a simplified list of the attributes of a sound rate structure:

- Rates should be easy to understand from the customer's perspective.
- Rates should be easy to administer from the utility's perspective.
- Rates should be equitable and non-discriminating (i.e., cost-based).
- Rates should promote the efficient allocation of the resource.
- There should be continuity in the rate making philosophy over time.
- Rates should provide month-to-month and year-to-year revenue stability.

## RATE STRUCTURE TERMINOLOGY

This section covers basic rate design criteria that NBS and County staff considered as a part of their review of the rate structure alternatives. One of the most fundamental points in considering rate structures is the relationship between fixed and variable costs. Fixed costs, such as debt service and personnel costs, typically do not vary with the amount of water consumed. In contrast, variable costs, such as the cost of purchased water, chemicals, and electricity, tend to change with the quantity of water sold. Most rate structures contain a fixed, or minimum, charge in combination with a volumetric charge.

**Fixed Charges** – Fixed charges can be called base charges, minimum monthly charges, customer charges, fixed meter charges, etc. Fixed charges for water utilities typically increase by meter size. For example, a customer with a 2-inch meter has a fixed meter charge that is more than five times greater than the typical residential customer based on the safe operating capacity of the meter.<sup>5</sup> Since a large portion of utility costs are typically related to meeting capacity requirements, individual capacity demands are important in establishing equitable rates for customers.

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<sup>4</sup> James C. Bonbright, Albert L. Danielsen, and David R. Kamerschen, *Principles of Public Utility Rates*, Arlington, VA: Public Utilities Report, Inc., Second Edition, 1988, pp. 383-384.

<sup>5</sup> *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, Manual M1, AWWA, 7<sup>th</sup> Edition, 2017, pp. 151-152.

**Variable (Consumption-Based) Charges** – In contrast to fixed charges, variable costs, such as purchased water, groundwater replenishment costs, and the cost of electricity used in pumping water and chemicals for treatment, tend to change with the quantity of water produced. For a water utility, variable charges are calculated based on a metered consumption per unit price (e.g., per 100 cubic feet, or HCF).

**Uniform (Single-Tier) Water Rates** – There are significant variations in the basic philosophy of variable charge rate structure alternatives. Under a uniform (single tier) rate structure, the cost per unit does not change with consumption and, therefore, provides a simple and straightforward approach from the customer’s perspective and in terms of the County’s rate administration.

## KEY FINANCIAL ASSUMPTIONS

The following is a summary of the key financial assumptions used in the analyses. The following capital and operational fund targets reflect input from County staff to meet specific utility objectives.

**Funding of Capital Projects** – For each utility, the County determined the most appropriate funding source for capital projects based on analysis of the capital reserves, rate revenue and capital needs. The details of the funding source for capital projects for each utility is detailed in that respective section of this report.

**Reserve Targets** – For each utility, the County maintains reserves for operations, capital, and other specific needs. The details of each utility’s reserve targets are covered in their respective sections of this report.

**Inflation and Growth Projections** – Assumptions were made in the analysis regarding cost inflation to project future revenues and expenses for the study period. The following inflation factors were used in the analysis:

- Customer growth is estimated at 0.14% for the water utility and 0.21% for the sewer utility per year.
- General cost inflation is set at 3.20% annually.
- Labor cost inflation is set at 0.00% annually.
- Electricity cost inflation is set at 8.35% annually.

These inflation factors are based on long-term trends; therefore, the County should re-examine these factors in another year to assess the impacts on utility costs and whether projected rate increases will be sufficient for the remainder of the rate adoption period.

## 2. Water Rate Study

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### 2.1 Key Water Rate Study Issues

The County's water rate analysis was undertaken with a few specific objectives, including:

- Generating sufficient revenue to meet anticipated operating and maintenance costs and fund necessary capital improvement projects for the next five years.
- Continuing with a rate design that promotes revenue stability.
- Verifying the cost-of-service linkage between the current rate structure and the proposed water rates, including the zonal water rates.
- Complying with the legal requirements of Prop 218 to ensure the cost of providing service is properly allocated amongst user classifications. This was the basis for eliminating tiered water rates.

NBS developed various water rate alternatives as requested by County staff over the course of this study. All rate structure alternatives relied on industry standards and cost-of-service principles. The rate alternative that will ultimately be implemented is the decision of the Board. The fixed and volume-based charges were calculated based on the net revenue requirements, number of customer accounts, and water consumption, and other relevant data provided by the County.

The following are the basic components included in this analysis:

**Developing Cost Allocations** – The water revenue requirements were “functionalized” into three categories: (1) commodity (or volume-based) costs; (2) fixed capacity costs; and (3) customer service costs. These functionalized costs were then used to develop unit costs based on various factors, such as water consumption, peaking factors, and number of accounts by meter size.

**Determining Revenue Requirements by Customer Class** – The total revenue that needs to be collected from each customer class was determined using the functional costs and allocation factors. For example, customer costs are allocated based on the number of meters, while volume-related costs are allocated based on the water consumption of each customer class. Once the costs are allocated and the net revenue requirement for each customer class is determined, collecting the revenue requirements from each customer class is addressed within the rate design.

**Evaluating Rate Design (Fixed vs. Variable Charges)** – The revenue requirements for each customer class are collected through a combination of fixed monthly service charges and volumetric rates. Based on direction from County staff, the rates proposed in this report will collect 57% of the rate revenue from the fixed charge and 43% from the variable charges.

### 2.2 Financial Plan

It is important for municipal utilities to not only collect sufficient revenues every year, but to also maintain reasonable reserves to handle emergencies, fund working capital, maintain a good credit rating, and generally follow sound financial management practices. Rate adjustments are governed by the need to meet operating and capital costs as well as maintain reasonable reserve levels. The current state of the County's water utility, regarding these objectives, is as follows:

**Meeting Net Revenue Requirements:** For FY 2026/27 through FY 2030/31, the projected net revenue requirement (that is, total annual expenses plus debt service and rate-funded capital costs, less non-rate revenues) for the water system averages \$192 to \$548 thousand annually. If no rate adjustments are implemented, the County is projected to run an annual deficit of approximately \$47 thousand in FY 2026/27, increasing to more than \$401 thousand by FY 2030/31, and will be unable to meet its debt service coverage requirements in FY 2029/30 and FY 2030/31 when new debt service payments begin.

**Maintaining Reserve Funds:** Reserve funds provide a basis for a utility to cope with fiscal emergencies, such as revenue shortfalls, asset failure, and natural disasters, among other events. Reserve policies provide guidelines for sound financial management, with an overall long-range perspective to maintain financial solvency and mitigate financial risks associated with revenue instability, volatile capital costs, and unexpected emergencies.

- The County’s existing reserves are healthy, and the challenge is to meet future revenue requirements and still maintain adequate reserves. NBS together with County staff have chosen to set the following reserve targets:
  - **Operating Reserve** equal to 90 days of operating and maintenance expenses, or approximately \$83 thousand in FY 2026/27. An operating reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures, such as those caused by weather patterns, the natural inflow and outflow of cash during billing cycles, natural variability in demand-based revenue streams (e.g., volumetric charges), and – particularly in periods of economic distress – changes or trends in the age of receivables. NBS considers a 90-day operating reserve to be a standard operating reserve fund target (i.e., most municipal water utilities use a 3-6 month target for the operating reserve).
  - **Capital Rehabilitation & Replacement Reserve** equal to 90 days of operating and maintenance expenses, or approximately \$81 thousand in FY 2026/27. This reserve is intended to be a cash resource set aside to address long-term capital system replacement and rehabilitation needs. NBS considers this capital reserve target to be at the lower end of what most utilities aim for. Many utilities aim for 3% to 6% of net assets.

**Funding Capital Improvement Projects:** The County must fund necessary capital improvements to maintain current service levels. County staff has identified roughly \$6.3 million in expected capital expenditures over the next five years (FY 2026/27 through FY 2030/31) which is an average of \$1.2 million in capital expenditures annually. This rate study assumes the County will be issuing \$5.25 million in State Revolving Fund loans in FY 2027/28. NBS notes that the planned rate revenue increases may not support the debt financing of capital projects as modeled. Projects may need to be delayed or omitted if sufficient revenues are not available to pay debt service and provide for required bond coverage ratios. If the County pursues debt to fund the projected capital improvement costs, reserve funds will be depleted by the end of the rate period.

**Inflation and Growth Projections:** Cost inflation and growth assumptions are necessary to project future revenues and expenses for the study period. Customer growth is expected to be 0.14% annually. This factor

was used in the analysis for rate revenues while inflation factors, including the Consumer Price Index, were used in projecting expenses.

**Maintaining Adequate Bond Coverage:** Although the water utility currently has no outstanding debt, this analysis assumes that the County will be issuing \$5.25 million in new debt to fund capital projects. However, whether new debt will be needed will depend on the actual delivery of capital projects (i.e., the timing and costs). The rate covenants of the new loans is likely to include a minimum debt service coverage ratio of 1.20 which is not supported by the anticipated rate revenue as modeled. The benefit of maintaining a higher coverage ratio is that it strengthens the County’s credit rating which can help lower interest rates for debt-funded capital projects and, in turn, reduce annual debt service payments.

**Figure 2** summarizes the sources and uses of funds, net revenue requirements, and the annual percent adjustments in total rate revenue recommended for the next five years.

**Figure 2. Summary of Water Revenue Requirements**

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget		5-Year Projected Rate Period			
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Sources of Water Funds</b>						
Rate Revenue	\$ 145,203	\$ 145,406	\$ 145,610	\$ 145,814	\$ 146,018	\$ 146,222
Non-Rate Revenue	140,897	141,094	141,292	141,490	141,688	141,886
<b>Total Sources of Funds:</b>	<b>\$ 286,100</b>	<b>\$ 286,501</b>	<b>\$ 286,902</b>	<b>\$ 287,303</b>	<b>\$ 287,706</b>	<b>\$ 288,108</b>
<b>Uses of Water Funds</b>						
Operating Expenses	\$ 325,812	\$ 333,507	\$ 341,488	\$ 349,770	\$ 358,364	\$ 367,286
Debt Service	-	-	-	-	322,306	322,306
Rate-Funded Capital Expenses	-	-	-	-	0	0
<b>Total Use of Funds:</b>	<b>\$ 325,812</b>	<b>\$ 333,507</b>	<b>\$ 341,488</b>	<b>\$ 349,770</b>	<b>\$ 680,670</b>	<b>\$ 689,592</b>
<b>Surplus (Deficiency) before Rate Increase</b>	<b>\$ (39,712)</b>	<b>\$ (47,006)</b>	<b>\$ (54,587)</b>	<b>\$ (62,466)</b>	<b>\$ (392,965)</b>	<b>\$ (401,484)</b>
Additional Revenue from Rate Increases <sup>1</sup>	-	19,921	32,365	45,778	60,231	75,806
<b>Surplus (Deficiency) after Rate Increase</b>	<b>\$ (39,712)</b>	<b>\$ (27,085)</b>	<b>\$ (22,221)</b>	<b>\$ (16,689)</b>	<b>\$ (332,733)</b>	<b>\$ (325,678)</b>
<b>Projected Annual Rate Revenue Increase</b>	<b>0.00%</b>	<b>13.70%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>
<b>Net Revenue Requirement<sup>2</sup></b>	<b>\$ 184,915</b>	<b>\$ 192,412</b>	<b>\$ 200,197</b>	<b>\$ 208,280</b>	<b>\$ 538,982</b>	<b>\$ 547,706</b>

1. Assumes new rates are implemented July 1, 2026.

2. This is the annual amount needed from water rates. [Net Revenue Requirement = Total Use of Funds - (Non-Rate Revenues + Interest Earnings)].

**Figure 3** summarizes the projected reserve fund balances and reserve targets for the County’s unrestricted funds. A detailed version of the proposed 5-year financial plan is included in *Appendix A. Water Rate Study Tables and Figures*. The tables in the appendix include the revenue requirement, reserve funds, revenue sources, capital improvement costs, and the proposed rate adjustments needed to meet the County’s funding requirements.

**Figure 3. Summary of Primary Water Reserve Funds**

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budget		5-Year Projected Rate Period			
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Operating Reserve</b>						
Ending Balance	\$ 182,844	\$ 83,000	\$ 61,609	\$ 45,536	\$ (286,742)	\$ (612,420)
<i>Recommended Minimum Target</i>	<i>81,000</i>	<i>83,000</i>	<i>85,000</i>	<i>87,000</i>	<i>90,000</i>	<i>92,000</i>
<b>Capital Reserve</b>						
Ending Balance	\$ 959,000	\$ 360,077	\$ 357,580	\$ 111,157	\$ 54,892	\$ (3,943)
<i>Recommended Minimum Target</i>	<i>81,000</i>	<i>83,000</i>	<i>85,000</i>	<i>87,000</i>	<i>90,000</i>	<i>92,000</i>
<b>Total Ending Balance</b>	<b>\$ 1,141,844</b>	<b>\$ 443,077</b>	<b>\$ 419,189</b>	<b>\$ 156,693</b>	<b>\$ (231,850)</b>	<b>\$ (616,363)</b>
<b>Total Recommended Minimum Target</b>	<b>\$ 162,000</b>	<b>\$ 166,000</b>	<b>\$ 170,000</b>	<b>\$ 174,000</b>	<b>\$ 180,000</b>	<b>\$ 184,000</b>

## 2.3 Cost-of-Service Analysis

Once the net revenue requirements are determined, the cost-of-service analysis (COSA) proportionately distributes the revenue requirements to each of the customer classes. The COSA consists of two major components: (1) the classification of expenses, and (2) the allocation of costs to each customer class. Costs are classified according to the function they serve. All costs in the County's budget are allocated to each component of the rate structure in proportion to the level of service required by customers.

The level of service is related to the volume and strength of the water treated, infrastructure capacity, and customer service. These costs are based on allocation factors, such as water consumption, number of meters, and customer class. Ultimately, a COSA is intended to result in rates that are proportional to the cost of providing service to each customer class.

### FUNCTIONALIZATION AND CLASSIFICATION OF COSTS

Most costs are not typically allocated just to fixed or variable categories but rather allocated to multiple functions of water service. The functionalization and classification process provides the basis for allocating costs to various customer classes based on the cost causation (classification) components described below:

- **Commodity-related costs** are costs associated with the change in the volume of water produced and delivered. These commonly include the costs of water quality testing, energy related to pumping for transmission and distribution, and source of supply.
- **Capacity-related costs** are costs associated with sizing facilities to meet the maximum, or peak, demand. This includes both operating costs and capital infrastructure costs incurred to accommodate peak system capacity events.
- **Customer-related costs** are costs associated with having a customer connected to the water system, such as meter reading, postage, billing, and other administrative duties.

The County's budgeted costs were reviewed and allocated to these cost causation components which are used as the basis for establishing new water rates and translated into fixed and variable charges. Tables in the *Appendices* show how the County's expenses were classified and allocated to these cost causation components. In the analysis, these cost causation components are also considered to be either fixed or variable.

### FIXED AND VARIABLE COSTS

Ideally, utilities should recover all of their fixed costs from fixed charges and all of their variable costs from volumetric charges. When this is the case, fluctuations in water sales revenues would be directly offset by reductions or increases in variable expenses, which provides greater revenue stability for the utility. However, other factors are often considered when designing water rates, such as community values, water conservation goals, ease of understanding, and ease of administration.<sup>6</sup>

NBS functionalized the County's costs into categories that represent fixed and variable costs. This analysis resulted in a cost distribution that is approximately 57% fixed and 43% variable (i.e., volumetric), which is consistent with the County's current rate revenue collection from customers in proportions of

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<sup>6</sup> *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, Manual M1, AWWA, 7<sup>th</sup> Edition, 2017, pp. 6 and 96.

approximately 57% fixed and 43% variable. County staff agrees with NBS that the current rate design is the preferred rate alternative; it provides continuity for the County’s rate design while also encouraging water conservation. Therefore, the proposed new rates are based on these 57% fixed and 43% variable allocations.

**Figure 4** summarizes how costs are allocated to each cost component and used to establish new water rates. **Figure 5** shows the resulting cost allocation to each cost classification component.

**Figure 4. Allocation Percentages of Revenue Requirements**

Classification Components	Cost-of-Service Net Revenue Requirements (FY 2026/27)	
	Commodity-Related Costs	\$ 71,241
Capacity-Related Costs	83,944	50.8%
Customer-Related Costs	10,141	6.1%
<b>Net Revenue Requirement</b>	<b>\$ 165,326</b>	<b>100.0%</b>

**Figure 5. Allocated Net Revenue Requirements**

Customer Classes	Classification Components			Cost of Service Net Rev. Req'ts	% of COS Net Revenue Req'ts
	VARIABLE	FIXED			
	Commodity-Related Costs	Capacity-Related Costs	Customer-Related Costs		
All Customers	\$ 71,241	\$ 83,944	\$ 10,141	\$ 165,326	100.0%
<b>Total Net Revenue Requirement</b>	<b>\$ 71,241</b>	<b>\$ 83,944</b>	<b>\$ 10,141</b>	<b>\$ 165,326</b>	<b>100%</b>

## 2.4 Characteristics of Water Customers by Customer Class

Customer classes are typically determined by grouping customers with similar demand characteristics into categories that reflect the cost differentials to serve each type of customer. In this case customers are identified by meter size, as the land uses are fairly homogenous. The rates proposed in this report follow a similar structure where the fixed charges for the single customer class vary by meter size while all customers are charged a uniform volumetric rate.

The amount of consumption, the peaking factors, and the number of meters by size are used to allocate costs to customer classes and determine the appropriate rate structures for each. These components of the COSA are presented in the following figures.

Commodity-related costs are costs associated with the total annual consumption of water by customer class. **Figure 6** below summarizes the most recent consumption data by customer class and represents the expected percent of consumption over the 5-year rate period.

**Figure 6. Water Consumption by Customer Class**

Development of the Volumetric/Variable Allocation Factor <sup>1</sup>		
Customer Class	Consumption (HCF)	% of Total Volume (Potable)
All Customers	20,778	100.0%
<b>Total</b>	<b>20,778</b>	<b>100.0%</b>

1. Consumption data is based on County billing data for CY 2024.

**Figure 7** shows the number of meters for each customer class. The percentage of total customers by customer class is then used to develop the customer allocation factors to allocate customer costs. Customer costs are those costs associated with having customers connected to the water system and include costs related to meter reading, postage, and billing.

**Figure 7. Number of Meters by Customer Class**

Development of the Customer Allocation Factor		
Customer Class	No. of Meters	% of Total Meters
All Customers	136	100.0%
<b>Total</b>	<b>136</b>	<b>100.0%</b>

1. Meter data is based on County billing data for CY 2024.

## 2.5 Rate Design Analysis

Evaluating the water rate structure includes reviewing rate-design objectives and policies, including continuity of rate design, revenue stability, equity among customers, and water conservation. NBS discussed the 57%/43% rate design with County staff over the course of this study as it is closest to the actual cost of service based on NBS’ analysis and consistent with the current rate design. Also, because of the difficulty meeting Prop 218 legal requirements of demonstrating the cost basis for tiered rates given the County’s water supply costs, the preferred rate structure proposes a uniform tier for all customers rather than the existing two-tiers. The following section describes how the proposed water rates were determined.

### DEVELOPMENT OF PROPOSED RATES

#### ***Fixed Service Charges***

The fixed meter charge recognizes that the water utility incurs fixed costs regardless of whether customers use water. Two components comprise the fixed meter charge: (1) the capacity component, and (2) the customer component. The capacity component recovers costs associated with sizing the water system to ensure there is sufficient capacity in the system to meet peak demand. A user class with higher capacity is allocated a proportionately higher share of the capacity-related costs compared to customer classes with lower capacity. The customer component includes those costs related to reading and maintaining meters, customer billing and collection, and other customer service-related costs.

Fixed charges also vary based on meter sizes because larger meters have higher capacity requirements and reflect their potential to use more of the system’s capacity.<sup>7</sup> The potential capacity demand is proportional to the maximum hydraulic flow through each meter size based on the hydraulic capacity ratios established by AWWA.<sup>8</sup> The AWWA capacity ratios used for this report are shown in **Figure 8**.

**Figure 8. Hydraulic Capacity Factors**

Meter Size	Standard Meters	
	Capacity (per 1 meter)	Equivalency to 3/4 inch
	<u>Displacement Meters</u>	
3/4 inch	30	1.00
1 inch	50	1.67
1 1/2 inch	100	3.33
2 inch	160	5.33
	<u>Compound Class I Meters</u>	
3 inch	320	10.67
4 inch	500	16.67
6 inch	1,000	33.33
8 inch	1,600	53.33
	<u>Turbine Class II Meters</u>	
10 inch	4,200	140.00
12 inch	5,300	176.67

1. Per AWWA, M1 Manual, Table B-1.

The actual number of meters by size is multiplied by the corresponding capacity ratios to calculate “equivalent” meters. The number of equivalent meters is used as a proxy for the potential demand that each customer can place on the water system. **Figure 9** summarizes the number of meters, the hydraulic capacity factors, and the number of equivalent meters (i.e., the number of meters multiplied by the hydraulic capacity factor) by customer class and meter size.

**Figure 9. Equivalent Meters**

Number of Meters by Class and Size <sup>1</sup>	FY 2026/27								Total
	5/8 - 3/4" meter	1" meter	1.5" meter	2" meter	3" meter	4" meter	6" meter	8" meter	
All Customers	117	23	0	2	1	1	1	0	145
<b>Total Meters/Accounts</b>	<b>117</b>	<b>23</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>145</b>
<i>Hydraulic Capacity Factor</i> <sup>2</sup>	1.00	1.67	3.33	5.33	10.67	16.67	33.33	53.33	
<b>Total Equivalent Meters</b>	<b>117</b>	<b>38</b>	<b>0</b>	<b>11</b>	<b>11</b>	<b>17</b>	<b>33</b>	<b>0</b>	<b>227</b>

Using the costs allocated to each customer class from Figure 5, **Figure 10** shows the calculation of the fixed monthly service charges for all customer classes based on meter size. As previously mentioned, the customer service charge is calculated by dividing the customer service-related costs by the total number of meters, whereas the fixed capacity charge is calculated by dividing the capacity-related costs by the total number of equivalent meters for each meter size.

<sup>7</sup> System capacity is the system’s ability to supply water to all delivery points at the time when demanded.

<sup>8</sup> *Principles of Water Rates, Fees and Charges*, Manual of Water Supply Practices, Manual M1, AWWA, 7<sup>th</sup> Edition, 2017, p. 386. *Water Meters – Selection, Installation, Testing and Maintenance*, Manual M6, AWWA, 5<sup>th</sup> Edition, 2012, pp. 63-65.

**Figure 10. Calculation of Fixed Service Charges**

Number of Meters by Class and Size <sup>1</sup>	FY 2026/27								Total
	5/8 - 3/4" meter	1" meter	1.5" meter	2" meter	3" meter	4" meter	6" meter	8" meter	
All Customers	117	23	0	2	1	1	1	0	145
<b>Total Meters/Accounts</b>	<b>117</b>	<b>23</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>145</b>
Hydraulic Capacity Factor <sup>2</sup>	1.00	1.67	3.33	5.33	10.67	16.67	33.33	53.33	
<b>Total Equivalent Meters</b>	<b>117</b>	<b>38</b>	<b>0</b>	<b>11</b>	<b>11</b>	<b>17</b>	<b>33</b>	<b>0</b>	<b>227</b>
<b>Monthly Fixed Service Charges</b>									
Customer Costs (\$/Acct/month) <sup>3</sup>	\$ 5.83	\$ 5.83	\$ 5.83	\$ 5.83	\$ 5.83	\$ 5.83	\$ 5.83	\$ 5.83	
Capacity Costs (\$/Acct/month) <sup>4</sup>	\$ 30.86	\$ 51.44	\$ 102.87	\$ 164.60	\$ 329.19	\$ 514.36	\$ 1,028.73	\$ 1,645.97	
<b>Total Monthly Meter Charge</b>	<b>\$ 36.69</b>	<b>\$ 57.26</b>	<b>\$ 108.70</b>	<b>\$ 170.42</b>	<b>\$ 335.02</b>	<b>\$ 520.19</b>	<b>\$ 1,034.56</b>	<b>\$ 1,651.80</b>	

1. Meter by Class and Size are based on December 2024 customer billing data.
2. Source: *Principles of Water Rates, Fees, and Charges*, Manual M1, AWWA, Table B-1.
3. Customer costs are allocated to each customer by dividing the total customer costs by the total number of customers.
4. Capacity costs are allocated by meter size and the hydraulic capacity of the meter.

**Volumetric Rates**

Currently, the County uses a 3-tier rate structure for all customers; however, the proposed rates are based on a uniform, or single tier, volumetric rate. Given the single source of water supply, a uniform volumetric rate is more feasible from a Prop 218 perspective.

Figure 11 shows the calculation of the uniform tier rate per unit of water for all customers.

**Figure 11. Uniform Tier Rates for FY 2026/27**

Customer Classes	Water Consumption (HCF/yr)	Total Target Rev. Req't from Vol. Charges	% of Total Rate Revenue	Uniform Commodity Rates (\$/HCF)	Proposed Rate Structure
All Customers	20,778	\$ 71,241	43.1%	\$3.43	Uniform
<b>Total Water</b>	<b>20,778</b>	<b>\$ 71,241</b>	<b>43.1%</b>		

**2.6 Proposed Water Rates**

Since the County’s last rate study, the underlying cost factors (e.g., number of meters and water consumption) have changed. The cost-of-service analysis by nature “re-balances” how costs are allocated between customer classes and, as a result, there are uneven adjustments in the first year of the 5-year rate adoption period. In contrast, in the subsequent four years of the rate planning period, proposed charges are simply adjusted by the proposed adjustment in total rate revenue needed to meet projected revenue requirements.

Figure 12 provides a comparison of the current and proposed water rates for FY 2026/27 through 2030/31 for each meter size. Projected rates for each fiscal year reflect adjustments based on the cost-of-service analysis, the 57% fixed/43% variable rate design structure, and the recommended percent increases in rate revenue planned for each year. More detailed tables on the development of the proposed water rates are documented in Appendix A. Water Rate Study Tables and Figures.

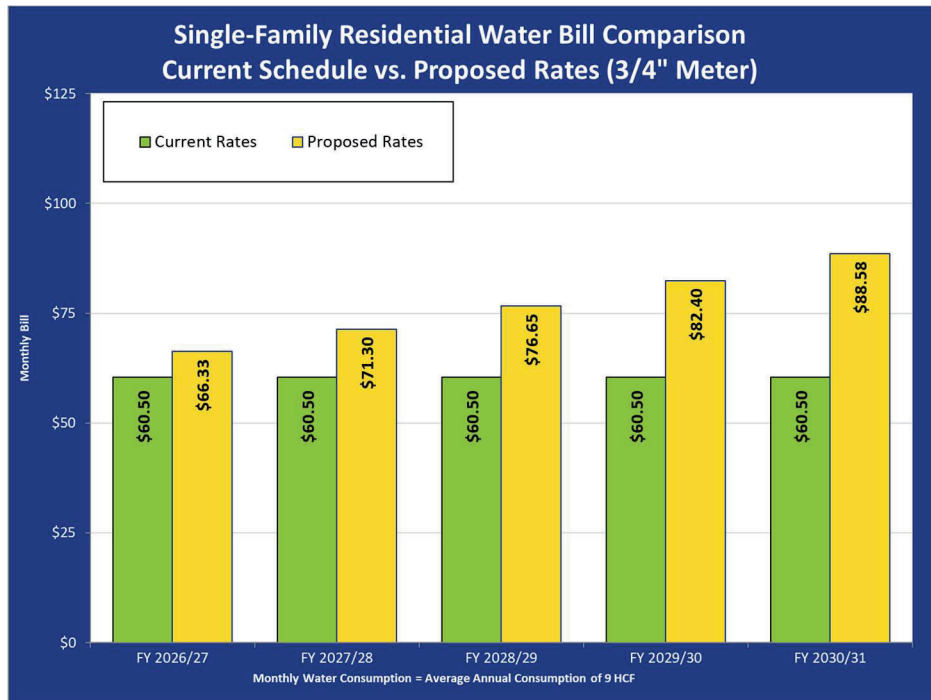
**Figure 12. Current and Proposed Water Rates**

Water Rate Schedule	Current Rates	Proposed Rates				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Monthly Fixed Service Charges (in \$/mo)</b>						
<b>Domestic Service Charge</b>						
3/4"	\$34.13	\$36.69	\$39.44	\$42.40	\$45.58	\$49.00
1"	\$56.88	\$57.26	\$61.56	\$66.18	\$71.14	\$76.48
1.5"	\$113.76	\$108.70	\$116.85	\$125.62	\$135.04	\$145.17
2"	\$182.02	\$170.42	\$183.21	\$196.95	\$211.72	\$227.60
3"	\$364.01	\$335.02	\$360.15	\$387.16	\$416.20	\$447.41
4"	\$568.77	\$520.19	\$559.21	\$601.15	\$646.23	\$694.70
6"	\$1,138.55	\$1,034.56	\$1,112.15	\$1,195.56	\$1,285.23	\$1,381.62
8"	\$1,819.42	\$1,651.80	\$1,775.68	\$1,908.86	\$2,052.02	\$2,205.92
<b>Water Usage Charges (in \$/HCF)</b>						
0-14	\$3.05	\$3.43	\$3.69	\$3.96	\$4.26	\$4.58
15-80	\$3.50	N/A	N/A	N/A	N/A	N/A
81+	\$4.04	N/A	N/A	N/A	N/A	N/A

## 2.7 Comparison of Current and Proposed Water Bills

**Figure 13** compares a monthly water bills under the current and proposed water rates for a residential customer. These monthly bills for each year of the rate period are based on typical meter sizes and highlight the average consumption levels for the customer.

**Figure 13. Monthly Water Bill Comparison for Residential Customers**



## 3. Sewer Rate Study

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### 3.1 Key Sewer Rate Study Issues

The County's sewer rate analysis was undertaken with a few specific objectives, including:

- Ensuring equity among customer classes by collecting rate revenue through the cost-of-service process based on both fixed monthly charges and volumetric rates.
- Comply with Prop 218 requirements to ensure costs are properly allocated between user classifications.

### 3.2 Financial Plan

Like the water utility, it is important for the sewer utility to ensure rates provide sufficient funding to cover operating and maintenance costs, and planned capital expenditures. The sewer utility's rate increases are governed by these needs, and the current state of the County's sewer utility is as follows:

**Meeting Net Revenue Requirements:** For FY 2026/27 through FY 2030/31, the projected net revenue requirements (that is, total operating expenses plus rate-funded capital costs less non-rate revenues) for the County averages approximately \$186 thousand to \$251 thousand annually. If no rate increases are implemented, the County is projected to run an annual deficit of approximately \$116 thousand beginning in FY 2026/27 but increasing to \$174 thousand by FY 2030/31.

**Maintaining Reserve Funds:** Reserve funds provide a basis for a utility to cope with fiscal emergencies such as revenue shortfalls, asset failure, and natural disasters, among other events. Reserve policies provide guidelines for sound financial management, with an overall long-range perspective to maintain financial solvency and mitigate financial risks associated with revenue instability, volatile capital costs, and emergencies. The planned use of reserve funds to pay for capital projects will leave the utility with a negative reserve fund balance by the end of the rate period. The reserve funds for the sewer utility are considered unrestricted reserves and consist of the following:

- **Operating Reserve:** The target ending fund balance for the operating reserve is equal to 90 days of operating expenses, or approximately \$78 thousand in FY 2026/27. An operating reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures. Fluctuations in revenue can be caused by weather patterns, the natural inflow and outflow of cash during billing cycles, and – particularly in periods of economic distress – changes or trends in age of receivables.
- **Capital Rehabilitation & Replacement Reserve** equal to 90 days of operating expenses, or approximately \$78 thousand in FY 2026/27. This reserve is set aside to address long-term capital system replacement and rehabilitation needs.

**Maintaining Adequate Bond Coverage:** Should the County issue debt to finance capital needs, there would be a requirement to maintain a minimum debt service coverage ratio as specified in the bond documents. Rates need to be set to generate sufficient revenue to provide the required level of coverage on debt services as well as fund operating needs.

**Figure 14** summarizes the sources and uses of funds, net revenue requirements, and the recommended annual increases in sewer rate revenue proposed for the next five years. **Figure 15** summarizes the projected reserve fund balances and reserve targets for the sewer utility’s unrestricted funds.

**Figure 14. Summary of Sewer Revenue Requirements**

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget		5-Year Projected Rate Period			
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Sources of Sewer Funds</b>						
Rate Revenue Under Current Rates	\$ 185,389	\$ 185,982	\$ 186,577	\$ 187,174	\$ 187,773	\$ 188,374
Non-Rate Revenues	10,778	10,812	10,847	10,881	10,916	10,951
<b>Total: Sources of Funds</b>	<b>\$ 196,166</b>	<b>\$ 196,794</b>	<b>\$ 197,424</b>	<b>\$ 198,055</b>	<b>\$ 198,689</b>	<b>\$ 199,325</b>
<b>Uses of Sewer Funds</b>						
Operating Expenses	\$ 304,077	\$ 312,701	\$ 321,602	\$ 330,787	\$ 340,266	\$ 350,049
Debt Service	-	-	-	-	-	-
Rate-Funded Capital Expenses	-	-	-	-	-	23,520
<b>Total: Use of Funds</b>	<b>\$ 304,077</b>	<b>\$ 312,701</b>	<b>\$ 321,602</b>	<b>\$ 330,787</b>	<b>\$ 340,266</b>	<b>\$ 373,569</b>
<b>Surplus (Deficiency) before Rate Increase</b>	<b>\$ (107,911)</b>	<b>\$ (115,908)</b>	<b>\$ (124,178)</b>	<b>\$ (132,732)</b>	<b>\$ (141,577)</b>	<b>\$ (174,244)</b>
Additional Revenue from Rate Increases <sup>1</sup>	-	-	13,993	29,129	45,497	63,194
<b>Surplus (Deficiency) after Rate Increase</b>	<b>\$ (107,911)</b>	<b>\$ (115,908)</b>	<b>\$ (110,185)</b>	<b>\$ (103,603)</b>	<b>\$ (96,080)</b>	<b>\$ (111,051)</b>
<b>Projected Increases in Rate Revenue</b>	<b>0.00%</b>	<b>0.00%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>
<b>Total Rate Revenue Requirement<sup>2</sup></b>	<b>\$ 185,389</b>	<b>\$ 185,982</b>	<b>\$ 200,570</b>	<b>\$ 216,303</b>	<b>\$ 233,270</b>	<b>\$ 251,567</b>

1. Assumes new rates are implemented July 1, 2026.
2. Total use of funds less non-rate revenues and interest earnings.

**Figure 15. Summary of Sewer Reserve Funds**

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budget		5-Year Projected Rate Period			
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Unrestricted Reserves</b>						
<b>Operating Reserve</b>						
Ending Balance	\$ 52,058	\$ (63,329)	\$ (173,514)	\$ (277,117)	\$ (373,197)	\$ (484,248)
<i>Recommended Minimum Target</i>	<i>76,000</i>	<i>78,000</i>	<i>80,000</i>	<i>83,000</i>	<i>85,000</i>	<i>88,000</i>
<b>Capital Rehabilitation &amp; Replacement Reserve</b>						
Ending Balance	\$ 360,026	\$ 283,284	\$ 232,556	\$ 179,446	\$ 123,864	\$ 89,239
<i>Recommended Minimum Target</i>	<i>76,000</i>	<i>78,000</i>	<i>80,000</i>	<i>83,000</i>	<i>85,000</i>	<i>88,000</i>
<b>Total Ending Balance</b>	<b>\$ 412,084</b>	<b>\$ 219,955</b>	<b>\$ 59,042</b>	<b>\$ (97,671)</b>	<b>\$ (249,333)</b>	<b>\$ (395,009)</b>
<b>Total Recommended Minimum Target</b>	<b>\$ 152,000</b>	<b>\$ 156,000</b>	<b>\$ 160,000</b>	<b>\$ 166,000</b>	<b>\$ 170,000</b>	<b>\$ 176,000</b>

A more detailed version of the utility’s proposed five-year financial plan is included in *Appendix B*. The appendix tables include revenue requirements, reserve funds, revenue sources, proposed rate increases, and the County’s capital improvement program.

### 3.3 Cost-of-Service Analysis

Once the net revenue requirements are determined, the cost-of-service analysis (COSA) proportionately distributes the revenue requirements to the single customer class. The COSA consists of the classification of expenses and then the allocation of those expenses to customer classes based on allocation factors, such as number of equivalent dwelling units (EDUs). Ultimately, a COSA is intended to result in rates that are proportional to the cost of providing service to each customer class. The proposed rates do not exceed the proportional cost of providing service attributable to each parcel, as demonstrated through the COSA.

#### DISTRIBUTION OF COSTS OF SERVICE TO CUSTOMER CLASSES

We arrive at the customer class responsibility for service by applying the unit costs of service to the number of units, in this case Equivalent Dwelling Units, for which the customer class is responsible. In other words, the total revenue requirement is divided by the number of Equivalent Dwelling Units.

### 3.4 Rate Design Analysis

The cost-of-service analysis described in previous sections of this report provides a basis for the design of the sewer rates. Ultimately, the rate alternative selected by County staff is one similar to the existing rate design. The reasons for selecting this alternative are (1) it maintains the existing rate design developed during the last study (2) it provides continuity for sewer customers, and (3) it is easy to understand from a customer’s perspective and easy to administrate from County staff’s perspective.

#### FIXED CHARGES

The fixed charge recognizes that the sewer utility incurs fixed costs regardless of whether customers send any sewer into the County’s collection system. The factor used to develop the fixed charge is the number of Equivalent Dwelling Units associated with each account. The monthly fixed charge is calculated by taking 100% of total revenue requirements and dividing by the number of Equivalent Dwelling Units.

The charge calculations are summarized in **Figure 16**.

**Figure 16. Calculation of Fixed Charges**

<b>NET REVENUE REQUIREMENTS (100% FIXED / 0% VARIABLE)</b>				
<b>Customer Class</b>	<b>Number of Billing Units</b>	<b>Net Revenue Requirement</b>	<b>Estimated Fixed Revenue</b>	<b>Monthly Fixed Charge Per Unit</b>
All Customers	161	\$ 185,982	\$ 185,982	\$ 96.56
<b>Total</b>	<b>161</b>	<b>\$ 185,982</b>	<b>\$ 185,982</b>	

### 3.5 Proposed Sewer Rates

The proposed sewer rates are similar to existing rates in terms of the rate design and rate methodology. **Figure 17** compares the current and proposed rates for FY 2026/27 through FY 2030/31 by customer class. More detailed tables on the development of the proposed rates are documented in *Appendix B*.

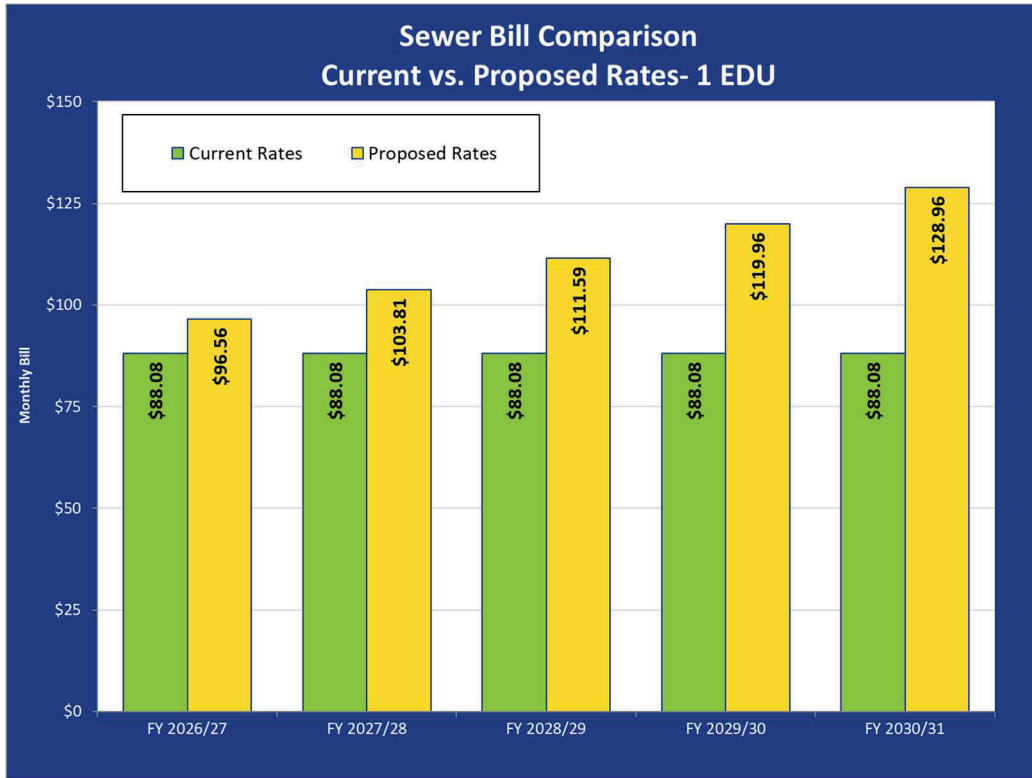
**Figure 17. Current vs. Proposed Sewer Rates**

<b>Sewer Rate Schedule</b>	<b>Current Rates</b>	<b>Proposed Sewer Rates</b>				
		<b>FY 2026/27</b>	<b>FY 2027/28</b>	<b>FY 2028/29</b>	<b>FY 2029/30</b>	<b>FY 2030/31</b>
<b>Monthly Fixed Service Charge Per EDU</b>						
All Customers	<u>Per Dwelling Unit</u>					
All Customers	\$88.08	\$96.56	\$103.81	\$111.59	\$119.96	\$128.96

### 3.6 Comparison of Current and Proposed Sewer Bills

The following figures compare monthly sewer bills under current and proposed rates for a customer with one Equivalent Dwelling Unit over the 5-year rate period.

Figure 18. Sewer Bill Comparison



## 4. Recommendations and Next Steps

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### 4.1 Consultant Recommendations

NBS recommends the County take the following actions:

- **Approve and Accept this Study:** NBS recommends the Board formally approve and adopt this Study and its recommendations and proceed with the next steps outlined below to implement the proposed rates. This will provide documentation of the rate study analyses and the basis for analyzing potential changes to future rates.
- **Implement Recommended Levels of Rate Increases and Proposed Rates:** Based on successfully meeting the Prop 218 procedural requirements, the County should proceed with implementing the 5-year schedule of proposed rates and rate increases previously shown in Figure 12 and Figure 17. This will help ensure the continued financial health of County's utilities.

### 4.2 Next steps

**Annually Review Rates and Revenue** – Any time an agency adopts new utility rates or rate structures, those new rates should be closely monitored over the next several years to ensure the revenue generated is sufficient to meet the annual revenue requirements. Changing economic and water consumption patterns underscore the need for this review, as well as potential and unseen changing revenue requirements — particularly those related to environmental regulations that can significantly affect capital improvements and repair and replacement costs.

*Note: The attached Technical Appendices provide more detailed information on the analysis of the financial plan, revenue requirements, cost-of-service, and the rate design analyses that have been summarized in this report.*

### 4.3 NBS' Principal Assumptions and Considerations

In preparing this report and the opinions and recommendations included herein, NBS has relied on several principal assumptions and considerations regarding financial matters, conditions, and events that may occur in the future. This information and these assumptions, including the County's budgets, capital improvement costs, customer accounts and consumption, and information from County staff were provided by sources we believe to be reliable, although NBS has not independently verified this data.

While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report and its recommendations, some assumptions will invariably not materialize as stated herein and may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.

# Technical Appendices

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These Appendices contain:

- Appendix A: Water Rate Study Tables and Figures
- Appendix B: Sewer Rate Study Tables and Figures

# Appendix A. Water Rate Study Tables and Figures

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TABLE 1 : FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

RATE REVENUE REQUIREMENTS SUMMARY	Projected FY 2025/26	5-Year Projected Rate Period				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Sources of Water Funds<sup>1</sup></b>						
<i>Rate Revenue:</i>						
070-Charges for Current Services	\$ 10,615	\$ 10,630	\$ 10,645	\$ 10,659	\$ 10,674	\$ 10,689
075-Charges for Current Services-Fee Ord	145,203	145,406	145,610	145,814	146,018	146,222
<i>Non-Rate Revenue:</i>						
000-Taxes	100	100	100	101	101	101
030-Revenue From Use of Money & Property	30,042	30,084	30,126	30,168	30,211	30,253
080-Other Revenue	100,140	100,280	100,421	100,561	100,702	100,843
<b>Total Sources of Funds:</b>	<b>\$ 286,100</b>	<b>\$ 286,501</b>	<b>\$ 286,902</b>	<b>\$ 287,303</b>	<b>\$ 287,706</b>	<b>\$ 288,108</b>
<b>Uses of Water Funds<sup>1</sup></b>						
<i>Operating Expenses:</i>						
200-Services & Supplies-General	\$ 160,122	\$ 164,835	\$ 169,739	\$ 174,845	\$ 180,162	\$ 185,701
540-Intra Entity Reimbursement Out	165,690	168,672	171,749	174,925	178,203	181,585
Subtotal: Operating Expenses	\$ 325,812	\$ 333,507	\$ 341,488	\$ 349,770	\$ 358,364	\$ 367,286
<i>Other Expenditures:</i>						
Existing Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
New Debt Service	-	-	-	-	322,306	322,306
Rate-Funded Capital Expenses	-	-	-	-	0	0
Subtotal: Other Expenditures	\$ -	\$ -	\$ -	\$ -	\$ 322,306	\$ 322,306
<b>Total Uses of Water Funds:</b>	<b>\$ 325,812</b>	<b>\$ 333,507</b>	<b>\$ 341,488</b>	<b>\$ 349,770</b>	<b>\$ 680,670</b>	<b>\$ 689,592</b>
Plus: Revenue from Rate Increases <sup>3</sup>	-	19,921	32,365	45,778	60,231	75,806
<b>Annual Surplus/(Deficit)</b>	<b>\$ (39,712)</b>	<b>\$ (27,085)</b>	<b>\$ (22,221)</b>	<b>\$ (16,689)</b>	<b>\$ (332,733)</b>	<b>\$ (325,678)</b>
<b>Net Revenue Req't. (Total Uses less Non-Rate Revenue)</b>	<b>\$ 184,915</b>	<b>\$ 192,412</b>	<b>\$ 200,197</b>	<b>\$ 208,280</b>	<b>\$ 538,982</b>	<b>\$ 547,706</b>
<b>Total Rate Revenue After Rate Increases (Water)</b>	<b>\$ 10,615</b>	<b>\$ 30,550</b>	<b>\$ 43,010</b>	<b>\$ 56,437</b>	<b>\$ 70,906</b>	<b>\$ 86,495</b>
<b>Projected Annual Rate Revenue Increase</b>	<b>0.00%</b>	<b>13.70%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>
<b>Cumulative Increase from Annual Revenue Increases</b>	<b>0.00%</b>	<b>13.70%</b>	<b>22.23%</b>	<b>31.39%</b>	<b>41.25%</b>	<b>51.84%</b>
<b>Debt Coverage After Rate Increase</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>(0.03)</b>	<b>(0.01)</b>

1. Revenue and expenses for FY 2024/25 provided by the County. Revenues and expenses for all other years are escalated based on the forecasting assumptions in Table 7.  
 2. Interest earnings for FY 2024/25 from the County's Budget. For all other years, interest is calculated based on historical LAIF returns.  
 3. Revenue from rate increases assumes an implementation date of July 1, 2026 for new rates.

1	← Select Financial Plan Scenario Here	5-Year Projected Rate Period					
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
1	Alternative 1 - Custom Rate Increases	0.00%	13.70%	7.50%	7.50%	7.50%	7.50%
2	Alternative 2 - Custom Rate Increases	0.00%	8.00%	8.00%	8.00%	8.00%	8.00%
3	Alternative 3 - Custom Rate Increases	0.00%	60.00%	55.00%	50.00%	10.00%	3.00%
4	Alternative 4 - No Rate Increases	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

CSA 42 Oro Grande  
WATER RATE STUDY  
Financial Plan and Reserve Projections

TABLE 2 : RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY	Projected FY 2025/26	5-Year Projected Rate Period					FY 2030/31
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	
<i>Unrestricted Reserve:</i>							
<b>Total Beginning Cash<sup>1</sup></b>							
<b>Operating Reserve</b>							
Beginning Reserve Balance	\$ 269,957	\$ 182,844	\$ 83,000	\$ 61,609	\$ 45,536	\$ (286,742)	
Plus: Net Cash Flow (After Rate Increases)	(39,712)	(27,085)	(22,221)	(16,689)	(332,733)	(325,678)	
Plus: Transfer in of Debt Reserve Surplus	-	-	-	-	-	-	
Plus: Interest Earnings	2,699	1,828	830	616	455	-	
Less: Transfer out to Capital and Infrastructure Reserve	(50,000)	(74,587)	-	-	-	-	
<b>Ending Operating Reserve Balance</b>	<b>\$182,844</b>	<b>\$83,000</b>	<b>\$61,609</b>	<b>\$45,536</b>	<b>(\$286,742)</b>	<b>(\$512,420)</b>	
<b>Target Ending Balance (90 days of O&amp;M)<sup>2</sup></b>	<b>\$ 81,000</b>	<b>\$ 83,000</b>	<b>\$ 85,000</b>	<b>\$ 87,000</b>	<b>\$ 90,000</b>	<b>\$ 92,000</b>	
<b>Capital Reserve</b>							
Beginning Reserve Balance	\$ 900,000	\$ 959,000	\$ 360,077	\$ 357,580	\$ 111,157	\$ 54,892	
Plus: Grant Proceeds	-	-	-	-	-	-	
Plus: Transfer of Operating Reserve Surplus	50,000	74,587	-	-	-	-	
Plus: Interest Earnings	9,000	9,590	3,601	3,576	1,112	549	
Less: Use of Reserves for Capital Projects	-	(683,100)	(6,097)	(250,000)	(57,376)	(59,384)	
<b>Ending Capital Reserve Balance</b>	<b>\$ 959,000</b>	<b>\$ 360,077</b>	<b>\$ 357,580</b>	<b>\$ 111,157</b>	<b>\$ 54,892</b>	<b>(\$ 3,943)</b>	
<b>Target Ending Balance (90 days of O&amp;M)<sup>2</sup></b>	<b>\$ 81,000</b>	<b>\$ 83,000</b>	<b>\$ 85,000</b>	<b>\$ 87,000</b>	<b>\$ 90,000</b>	<b>\$ 92,000</b>	
<b>Ending Balance - Excl. Restricted Reserves</b>	<b>\$ 1,141,844</b>	<b>\$ 443,077</b>	<b>\$ 419,189</b>	<b>\$ 156,693</b>	<b>\$ (231,850)</b>	<b>\$ (616,363)</b>	
<b>Min. Target Ending Balance - Excl. Restricted Reserves</b>	<b>\$ 162,000</b>	<b>\$ 166,000</b>	<b>\$ 170,000</b>	<b>\$ 174,000</b>	<b>\$ 180,000</b>	<b>\$ 184,000</b>	
<b>Ending Surplus/(Deficit) Compared to Reserve Targets</b>	<b>\$ 979,844</b>	<b>\$ 277,077</b>	<b>\$ 249,189</b>	<b>\$ (17,307)</b>	<b>\$ (411,850)</b>	<b>\$ (800,363)</b>	
<b>Annual Interest Earnings Rate<sup>3</sup></b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	

1. Beginning cash balances provided by District Staff.  
 2. The target ending balance is set equal to 90 days of O&M expenses.  
 3. Historical interest earning rates are per the average annual yields for funds invested in LAIF (2018-2024). The source is the California State Treasurer's website: <https://www.treasurer.ca.gov/pmia-laif/historical/annual.asp>.

TABLE 4: REVENUE FORECAST<sup>1</sup>

DESCRIPTION	Basis	5-Year Projected Rate Period				
		Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
<b>Operating Revenue</b>						
40003145 INT & PEN DELINQUENT TAXES	1	\$ 100	\$ 100	\$ 100	\$ 101	\$ 101
000-Taxes		\$ 100	\$ 100	\$ 100	\$ 101	\$ 101
40308500 INTEREST	1	\$ 30,042	\$ 30,084	\$ 30,126	\$ 30,168	\$ 30,211
030-Revenue From Use of Money & Property		\$ 30,042	\$ 30,084	\$ 30,126	\$ 30,168	\$ 30,211
40708155 SPECIAL ASSMNT ALL PRIOR YEARS	1	\$ 250	\$ 251	\$ 251	\$ 251	\$ 252
40708160 SP ASSMNT CUR YR TX ROLL GEN	1	\$ -	\$ -	\$ -	\$ -	\$ -
40708165 SP ASSMNT CUR YR TX ROLL WATER	1	\$ 2,003	\$ 2,006	\$ 2,008	\$ 2,011	\$ 2,014
40708175 SP ASSMNT CUR YR DEL USER CHGS	1	\$ 2,504	\$ 2,507	\$ 2,511	\$ 2,514	\$ 2,521
070-Charges for Current Services		\$ 4,757	\$ 4,763	\$ 4,770	\$ 4,777	\$ 4,783
40758480 FEE ORD-PENALTIES	1	\$ 5,007	\$ 5,014	\$ 5,021	\$ 5,028	\$ 5,035
40759720 FEE ORD-RESIDENTIAL SALES	1	\$ 250	\$ 251	\$ 251	\$ 251	\$ 252
40759800 FEE ORD-OTHER SERVICES	1	\$ 145,203	\$ 145,406	\$ 145,610	\$ 145,814	\$ 146,018
40759970 FEE ORD-OTHER	1	\$ 300	\$ 301	\$ 301	\$ 302	\$ 302
075-Charges for Current Services-Fee Ord		\$ 151,061	\$ 151,273	\$ 151,484	\$ 151,697	\$ 151,909
40809970 OTHER	1	\$ 100,140	\$ 100,280	\$ 100,421	\$ 100,561	\$ 100,702
080-Other Revenue		\$ 100,140	\$ 100,280	\$ 100,421	\$ 100,561	\$ 100,702
<b>TOTAL REVENUE</b>		\$ 286,100	\$ 286,501	\$ 286,902	\$ 287,303	\$ 287,706

TABLE 5: REVENUE SUMMARY

DESCRIPTION	Basis	5-Year Projected Rate Period				
		Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
000-Taxes		\$ 100	\$ 100	\$ 100	\$ 101	\$ 101
030-Revenue From Use of Money & Property		\$ 30,042	\$ 30,084	\$ 30,126	\$ 30,168	\$ 30,211
070-Charges for Current Services		\$ 10,615	\$ 10,630	\$ 10,645	\$ 10,659	\$ 10,674
075-Charges for Current Services-Fee Ord		\$ 145,203	\$ 145,406	\$ 145,610	\$ 145,814	\$ 146,018
080-Other Revenue		\$ 100,140	\$ 100,280	\$ 100,421	\$ 100,561	\$ 100,702
<b>TOTAL REVENUE</b>		\$ 286,100	\$ 286,501	\$ 286,902	\$ 287,303	\$ 287,706

CSA 42 Oro Grande  
WATER RATE STUDY  
Operating Revenue and Expenses

TABLE 6 : OPERATING EXPENSE FORECAST<sup>1</sup>

DESCRIPTION	Basis	Projected FY 2025/26	5-Year Projected Rate Period					
			FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	
<b>Operating Expenses</b>								
52002085 LEGAL NOTICES	2	\$ 41	\$ 43	\$ 44	\$ 45	\$ 47	\$ 48	
52002090 MISCELLANEOUS EXPENSE	2	1,548	1,598	1,649	1,701	1,756	1,812	
52002116 COMPUTER HARDWARE EXPENSE	2	103	107	110	113	117	121	
52002120 SMALL TOOLS & INSTRUMENTS	2	2,580	2,663	2,748	2,836	2,926	3,020	
52002135 SPECIAL DEPT EXPENSE	2	1,032	1,065	1,099	1,134	1,171	1,208	
52002180 UTILITIES	2	103	107	110	113	117	121	
52002182 UTILITIES-ELECTRICITY	5	9,752	10,566	11,448	12,404	13,440	14,562	
52002186 UTILITIES-WATER	2	1,032	1,065	1,099	1,134	1,171	1,208	
52002210 PROPERTY INSURANCE (ISF ONLY)	2	980	1,012	1,044	1,078	1,112	1,148	
52002310 PRESORT & PACKAGING (ISF ONLY)	2	1,858	1,917	1,978	2,042	2,107	2,174	
52002323 COURIER & PRINTING (ISF ONLY)	2	310	320	330	340	351	362	
52002350 PRINTING - OUTSIDE VENDORS	2	52	53	55	57	59	60	
52002415 COUNTY SERVICES (INCL.COWCAP )	2	1,065	1,099	1,134	1,171	1,208	1,247	
52002448 COUNTY COUNSEL SERVICES	3	2,500	2,500	2,500	2,500	2,500	2,500	
52002660 PENALTIES	2	21	21	22	23	23	24	
52002678 MISCELLANEOUS LAB TESTING	2	5,160	5,325	5,496	5,671	5,853	6,040	
52002855 GENERAL MAINTENANCE-EQUIPMENT	2	1,548	1,598	1,649	1,701	1,756	1,812	
52002870 GEN MAINT-STRUCT.JIMP & GROUNDS	2	103,200	106,502	109,910	113,428	117,057	120,803	
<b>200-Services &amp; Supplies-General</b>		<b>160,122</b>	<b>164,835</b>	<b>169,739</b>	<b>174,845</b>	<b>180,162</b>	<b>185,701</b>	
55405010 SALARIES & BENEFIT TRANSFERS OUT	3	72,500	72,500	72,500	72,500	72,500	72,500	
55405012 SERVS & SUPPLY TRANSFERS OUT	2	25,800	26,626	27,478	28,357	29,264	30,201	
55405016 INTERNAL COST ALLOCA OUT	2	67,390	69,546	71,772	74,068	76,438	78,884	
<b>340-Intra Entity Reimbursement Out</b>		<b>165,690</b>	<b>168,672</b>	<b>171,749</b>	<b>174,925</b>	<b>178,203</b>	<b>181,585</b>	
<b>SUBTOTAL: WATER SYSTEM EXPENSES</b>		<b>\$ 325,812</b>	<b>\$ 333,507</b>	<b>\$ 341,488</b>	<b>\$ 349,770</b>	<b>\$ 358,364</b>	<b>\$ 367,286</b>	
<b>GRAND TOTAL: WATER EXPENSES</b>		<b>\$ 325,812</b>	<b>\$ 333,507</b>	<b>\$ 341,488</b>	<b>\$ 349,770</b>	<b>\$ 358,364</b>	<b>\$ 367,286</b>	

TABLE 7 : FORECASTING ASSUMPTIONS

INFLATION FACTORS <sup>3</sup>	Basis	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Customer Growth <sup>2</sup>	1	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%
General Cost Inflation <sup>3</sup>	2	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
Labor Cost Inflation <sup>4</sup>	3	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Chemicals <sup>5</sup>	4	5.45%	5.45%	5.45%	5.45%	5.45%	5.45%
Electricity <sup>6</sup>	5	8.35%	8.35%	8.35%	8.35%	8.35%	8.35%
No Escalation	6	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

1. Revenue and expenses for FY 2024/25 provided by the County. Revenues and expenses for all other years are escalated based on the forecasting assumptions in Table 7.  
 2. Customer growth is based on the population projections provided by the County.  
 3. General cost inflation is based on the 5-year average annual change in the Consumer Price Index for all Urban Consumers in the San Bernardino-Riverside-Ontario, CA area.  
 4. Labor cost inflation is provided by County.  
 5. Chemical cost inflation is based on the 5-year average annual change in the Producer Price Index for Chemical Manufacturing.  
 6. Electricity cost inflation is based on the 5-year average annual change in the Consumer Price Index for Electricity for the San Bernardino-Riverside-Ontario, CA area.

TABLE 8 : CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST	Projected	5-Year Projected Rate Period				
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
<b>Funding Sources:</b>						
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Capacity Fee Reserves	-	-	-	-	-	-
SRF Loan Funding	-	-	1,065,128	4,184,872	-	-
Use of New Revenue Bond Proceeds	-	-	-	-	-	-
Use of Capital Rehabilitation and Replacement Reserve	-	683,100	6,097	250,000	57,376	59,384
Rate Revenue	-	-	-	-	0	0
<b>Total Sources of Capital Funds</b>	<b>\$ -</b>	<b>\$ 683,100</b>	<b>\$ 1,071,225</b>	<b>\$ 4,434,872</b>	<b>\$ 57,376</b>	<b>\$ 59,384</b>
<b>Uses of Capital Funds:</b>						
Total Project Costs	\$ -	\$ 683,100	\$ 1,071,225	\$ 4,434,872	\$ 57,376	\$ 59,384
<b>Capital Funding Surplus (Deficiency)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>SRF Loan Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,250,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>New Revenue Bond Proceeds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

TABLE 9 : CAPITAL IMPROVEMENT PROGRAM FUNDING OPTIONS

Policy Choice	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
1 Alternative 1 - Full Funding of CIP	\$ -	\$ 683,100	\$ 1,071,225	\$ 4,434,872	\$ 57,376	\$ 59,384
2 Alternative 2 - 75% Funding of CIP	\$ -	\$ 512,325	\$ 803,419	\$ 3,326,154	\$ 43,032	\$ 44,538
3 Alternative 3 - 50% Funding of CIP	\$ -	\$ 341,550	\$ 535,613	\$ 2,217,436	\$ 28,688	\$ 29,692

Insert policy choice in box to right, based on options listed

Capital Improvement Program Funding Choice	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Effective Annual Funding Amount	\$ -	\$ 683,100	\$ 1,071,225	\$ 4,434,872	\$ 57,376	\$ 59,384

CAPITAL IMPROVEMENT PROGRAM

TABLE 10 : CAPITAL IMPROVEMENT PROGRAM COSTS (in Current-Year Dollars)<sup>1</sup>

Project #	Project Description <sup>2</sup>	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
52	Reservoir No. 2 Design		\$250,000				
53	Well Nos. 3 and 4 Replacement Design		\$330,000				
	Reservoir No. 2 Construction			\$ 1,000,000			
	Well Nos. 3 and 4 Replacement Construction				\$ 4,000,000		
	Master Plan		\$80,000				
	Future Capital					50,000	
<b>Total: CIP Program Costs (Current-Year Dollars)</b>		<b>\$0</b>	<b>\$ 660,000</b>	<b>\$ 1,000,000</b>	<b>\$ 4,000,000</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>

TABLE 11 : CAPITAL IMPROVEMENT PROGRAM COSTS (in Future-Year Dollars)<sup>3</sup>

Project #	Project Description <sup>2</sup>	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
52	Reservoir No. 2 Design	\$ -	\$ 258,750	\$ -	\$ -	\$ -	\$ -
53	Well Nos. 3 and 4 Replacement Design	\$ -	\$ 341,550	\$ -	\$ -	\$ -	\$ -
	Reservoir No. 2 Construction	\$ -	\$ -	\$ 1,071,225	\$ -	\$ -	\$ -
	Well Nos. 3 and 4 Replacement Construction	\$ -	\$ -	\$ -	\$ 4,434,872	\$ -	\$ -
	Master Plan	\$ -	\$ 82,800	\$ -	\$ -	\$ -	\$ -
	Future Capital	\$ -	\$ -	\$ -	\$ -	\$ 57,376	\$ -
<b>Total: CIP Program Costs (Current-Year Dollars)</b>		<b>\$ -</b>	<b>\$ 683,100</b>	<b>\$ 1,071,225</b>	<b>\$ 4,434,872</b>	<b>\$ 57,376</b>	<b>\$ 59,384</b>

TABLE 12 : FORECASTING ASSUMPTIONS

Economic Variables	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Annual Construction Cost Inflation, Per Engineering News Re	0.00%	3.50%	3.50%	3.50%	3.50%	3.50%
Cumulative Construction Cost Multiplier from FY 2024/25	1.00	1.04	1.07	1.11	1.15	1.19

1. Capital project costs were provided by County Staff and assumes Year 1 begins in FY 2026/27.
2. The capital project costs have been inflated by District Staff in Current CIP Budget using the Construction Cost Index (See Table 12). Website: <http://enr.construction.com>
3. For reference purposes, the annual Construction Cost Inflation percentage is the 10-year average annual change in the Construction Cost Index for 2013-2023 (3.5%).

TABLE 13 : EXISTING DEBT OBLIGATIONS

EXISTING DEBT OBLIGATIONS	Budget		5-Year Projected Rate Period				
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	
Annual Repayment Schedules:							
N/A							
Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Interest Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Subtotal: Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Coverage Requirement (\$- Amnt above annual payment)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Reserve Requirement (total fund balance)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Grand Total: Existing Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Grand Total: Existing Annual Coverage Requirement</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Grand Total: Existing Debt Reserve Target</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

TABLE 14 : EXISTING ANNUAL DEBT OBLIGATIONS TO BE SATISFIED BY WATER RATES

Annual Obligations	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
	Existing Annual Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Annual Coverage Requirement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Debt Reserve Target	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

TABLE 15 : FUTURE DEBT FINANCING ASSUMPTIONS

Long-Term Debt Terms	State Revolving Fund Loan	Revenue Bonds
Issuance Cost	2.00%	2.00%
Annual Interest Cost (%)	4.50%	5.50%
Term	30	20
Debt Reserve Funded	No	Yes
Coverage Requirement (% above annual pmt)	120%	125%

TABLE 16 : FUTURE DEBT OBLIGATIONS

Annual Repayment Schedules	2025	2026	2027	2028	2029	2030
<b>SRE Loan Funding</b>						
Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ 86,056	\$ 89,928
Interest Payment	-	-	-	-	236,250	232,377
<b>Subtotal: Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ 322,306	\$ 322,306
<b>Revenue Bonds</b>						
Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Payment	-	-	-	-	-	-
<b>Subtotal: Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total: Future Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ 322,306	\$ 322,306
<b>Grand Total: New Annual Coverage Requirement</b>	\$ -	\$ -	\$ -	\$ -	\$ 386,767	\$ 386,767
<b>Grand Total: Future Debt Reserve Target</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

TABLE 17 : TOTAL DEBT SERVICE

Annual Obligations	2025	2026	2027	2028	2029	2030
Annual Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 322,306	\$ 322,306
Annual Coverage Requirement	\$ -	\$ -	\$ -	\$ -	\$ 386,767	\$ 386,767
<b>Total Debt Reserve Target</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CSA 42 Oro Grande  
 WATER RATE STUDY  
 Projected Water Rates Under Existing Rate Schedule

Exhibit 4 – Current Rates

TABLE 18 : CURRENT WATER RATE SCHEDULE

Water Rate Schedule		July 1, 2025
<b>Monthly Fixed Service Charges (in \$/mo)</b>		
<b>Domestic Service Charge</b>		
3/4"	\$34.13	
1"	\$56.88	
1.5"	\$113.76	
2"	\$182.02	
3"	\$364.01	
4"	\$568.77	
6"	\$1,138.55	
8"	\$1,819.42	
<b>Water Usage Charges (in \$/HCF)</b>		
0-14	\$3.05	
15-80	\$3.50	
81+	\$4.04	

TABLE 19 : CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS

Classification of Expenses	Total Revenue Requirements		Commodity (COM)	Capacity (CAP)	Customer (CA)	Basis of Classification						
	FY 2026/27					(COM)	(CAP)	(CA)	(COM)	(CAP)	(CA)	
<b>Operating Expenses</b>												
<b>Operating Expenses</b>												
52002085 Legal Notices	\$ 43	\$ 17	\$ 17	\$ 17	\$ 9	40.0%	40.0%	40.0%	40.0%	20.0%	40.0%	20.0%
52002090 Miscellaneous Expense	\$ 1,598	\$ 719	\$ 719	\$ 799	\$ 80	45.0%	45.0%	45.0%	45.0%	5.0%	45.0%	5.0%
52002116 Computer Hardware Expense	\$ 107	\$ 48	\$ 48	\$ 53	\$ 5	45.0%	45.0%	45.0%	45.0%	5.0%	45.0%	5.0%
52002120 Small Tools & Instruments	\$ 2,663	\$ 1,198	\$ 1,198	\$ 1,331	\$ 133	45.0%	45.0%	45.0%	45.0%	5.0%	45.0%	5.0%
52002135 Special Dept Expense	\$ 1,065	\$ 479	\$ 479	\$ 533	\$ 53	45.0%	45.0%	45.0%	45.0%	5.0%	45.0%	5.0%
52002180 Utilities	\$ 107	\$ 69	\$ 69	\$ 32	\$ 5	65.0%	65.0%	65.0%	65.0%	5.0%	65.0%	5.0%
52002182 Utilities-Electricity	\$ 10,566	\$ 6,868	\$ 6,868	\$ 3,170	\$ 528	65.0%	65.0%	65.0%	65.0%	5.0%	65.0%	5.0%
52002186 Utilities-Water	\$ 1,065	\$ 692	\$ 692	\$ 320	\$ 53	65.0%	65.0%	65.0%	65.0%	5.0%	65.0%	5.0%
52002210 Property Insurance (Isf Only)	\$ 1,012	\$ 455	\$ 455	\$ 506	\$ 51	45.0%	45.0%	45.0%	45.0%	5.0%	45.0%	5.0%
52002310 Presort & Packaging (Isf Only)	\$ 1,917	\$ -	\$ -	\$ -	\$ 1,917	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	100.0%
52002323 Courier & Printing (Isf Only)	\$ 320	\$ -	\$ -	\$ -	\$ 320	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	100.0%
52002350 Printing - Outside Vendors	\$ 53	\$ -	\$ -	\$ -	\$ 53	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	100.0%
52002415 County Services (Incl Cowcap)	\$ 1,099	\$ 495	\$ 495	\$ 550	\$ 55	45.0%	45.0%	45.0%	45.0%	5.0%	45.0%	5.0%
52002445 Other Professional & Spec Svcs	\$ 20,056	\$ 10,028	\$ 10,028	\$ 9,025	\$ 1,003	50.0%	50.0%	50.0%	45.0%	5.0%	50.0%	5.0%
52002448 County Counsel Services	\$ 2,500	\$ 1,125	\$ 1,125	\$ 1,250	\$ 125	45.0%	45.0%	45.0%	45.0%	5.0%	45.0%	5.0%
52002458 Permit Costs	\$ 7,220	\$ 3,249	\$ 3,249	\$ 3,610	\$ 361	45.0%	45.0%	45.0%	45.0%	5.0%	45.0%	5.0%
52002660 Penalties	\$ 21	\$ 9	\$ 9	\$ 11	\$ 1	40.0%	40.0%	40.0%	40.0%	5.0%	40.0%	5.0%
52002678 Miscellaneous Lab Testing	\$ 5,325	\$ 3,461	\$ 3,461	\$ 1,598	\$ 266	65.0%	65.0%	65.0%	65.0%	5.0%	65.0%	5.0%
52002855 General Maintenance-Equipment	\$ 1,598	\$ 719	\$ 719	\$ 799	\$ 80	45.0%	45.0%	45.0%	45.0%	5.0%	45.0%	5.0%
52002870 Gen Maint-Struct,Imp & Grounds	\$ 106,502	\$ 47,926	\$ 47,926	\$ 53,251	\$ 5,325	45.0%	45.0%	45.0%	45.0%	5.0%	45.0%	5.0%
55405010 Salaries & Bene Transfers Out	\$ 72,500	\$ 32,625	\$ 32,625	\$ 36,250	\$ 3,625	45.0%	45.0%	45.0%	45.0%	5.0%	45.0%	5.0%
55405012 Servs & Supply Transfers Out	\$ 26,626	\$ 11,982	\$ 11,982	\$ 13,313	\$ 1,331	45.0%	45.0%	45.0%	45.0%	5.0%	45.0%	5.0%
55405018 Internal Cost Alloca Out	\$ 69,546	\$ 31,296	\$ 31,296	\$ 34,773	\$ 3,477	45.0%	45.0%	45.0%	45.0%	5.0%	45.0%	5.0%
<b>Subtotal: Water System Expenses</b>	<b>\$ 333,507</b>	<b>\$ 153,460</b>	<b>\$ 153,460</b>	<b>\$ 161,189</b>	<b>\$ 18,857</b>	<b>46.0%</b>	<b>46.0%</b>	<b>46.0%</b>	<b>48.3%</b>	<b>5.7%</b>	<b>48.3%</b>	<b>5.7%</b>

TABLE 20 : CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS, cont.

Classification of Expenses, cont.	Total Revenue Requirements		Commodity (COM)	Capacity (CAP)	Customer (CA)	Basis of Classification						
	FY 2026/27					(COM)	(CAP)	(CA)	(COM)	(CAP)	(CA)	
<b>Debt Service Payments</b>												
Outstanding Debt	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	0.0%	0.0%	100.0%	0.0%	100.0%	0.0%
New Debt Issue - SRF Loan	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	0.0%	0.0%	100.0%	0.0%	100.0%	0.0%
New Debt Issue - Revenue Bond	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	0.0%	0.0%	100.0%	0.0%	100.0%	0.0%
<b>Total Debt Service Payments</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Capital Expenditures</b>												
Rate-Funded Capital Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	50.0%	50.0%	50.0%	45.0%	10.0%	45.0%	10.0%
<b>TOTAL REVENUE REQUIREMENTS</b>	<b>\$ 333,507</b>	<b>\$ 153,460</b>	<b>\$ 153,460</b>	<b>\$ 161,189</b>	<b>\$ 18,857</b>	<b>46.0%</b>	<b>46.0%</b>	<b>46.0%</b>	<b>48.3%</b>	<b>5.7%</b>	<b>48.3%</b>	<b>5.7%</b>
<b>Less: Non-Rate Revenues</b>												
000-Taxes	\$ (100)	\$ (50)	\$ (50)	\$ (45)	\$ (5)	50.0%	50.0%	50.0%	45.0%	5.0%	45.0%	5.0%
030-Revenue From Use of Money & Property	\$ (30,084)	\$ (15,042)	\$ (15,042)	\$ (13,504)	\$ (1,504)	50.0%	50.0%	50.0%	45.0%	5.0%	45.0%	5.0%
070-Charges for Current Services	\$ (10,630)	\$ (5,315)	\$ (5,315)	\$ (4,783)	\$ (531)	50.0%	50.0%	50.0%	45.0%	5.0%	45.0%	5.0%
080-Other Revenue	\$ (100,280)	\$ (50,140)	\$ (50,140)	\$ (45,126)	\$ (5,014)	50.0%	50.0%	50.0%	45.0%	5.0%	45.0%	5.0%
<b>NET REVENUE REQUIREMENTS</b>	<b>\$ 192,412</b>	<b>\$ 82,913</b>	<b>\$ 82,913</b>	<b>\$ 97,696</b>	<b>\$ 11,802</b>	<b>43.1%</b>	<b>43.1%</b>	<b>43.1%</b>	<b>50.8%</b>	<b>6.1%</b>	<b>50.8%</b>	<b>6.1%</b>
<b>Allocation of Revenue Requirements</b>	<b>100.0%</b>			<b>50.8%</b>	<b>6.1%</b>							

TABLE 21 : ADJUSTMENT TO CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS

Adjustments to Classification of Expenses		Total	(COM)	(CAP)	(CA)
<b>Adjustment for Current Rate Level:</b>					
FY 2026/27 Target Rate Rev. After Rate Increases		\$ 165,327			
Projected Revenue at Current Rates		\$ 145,406			
FY 2026/27 Projected Rate Increase	14%				
<b>Adjusted Net Revenue Req'ts</b>		<b>\$ 165,327</b>	<b>\$ 71,241</b>	<b>\$ 83,944</b>	<b>\$ 10,141</b>
<i>Percent of Revenue</i>		<i>100.0%</i>	<i>43.1%</i>	<i>50.8%</i>	<i>6.1%</i>

TABLE 22 : NET REVENUE REQUIREMENTS PER COSA RESULTS

Net Revenue Requirements - Per COSA Results	Total Rate Revenue Requirements FY 2026/27	Fixed Costs	
		Commodity Related Costs	Customer Related Costs
Rate-Design Adjustments to Fixed/Variable %	100.0%	43.1%	6.1%
Rate-Design Adjustments to Fixed/Variable (\$)	\$165,327	\$71,241	\$10,141
		Capacity Related Costs	Customer Related Costs
		\$83,944	\$10,141

TABLE 23 : DEVELOPMENT OF THE COMMODITY ALLOCATION FACTOR

Development of the Volumetric/Variable Allocation Factor <sup>1</sup>		
Customer Class	Consumption (HCF)	% of Total Volume (Potable)
All Customers	20,778	100.0%
<b>Total</b>	<b>20,778</b>	<b>100.0%</b>

1. Consumption data is based on County billing data for CY 2024.

TABLE 24 : DEVELOPMENT OF THE CAPACITY ALLOCATION FACTORS

Development of the PEAK CAPACITY (MAX MONTH) Allocation Factors			
Customer Class	Average Monthly Use (HCF)	Peak Monthly Use (HCF) <sup>1</sup>	Peak Monthly Capacity Factor (Potable)
All Customers	1,732	1,732	1.00
<b>Total</b>	<b>1,732</b>	<b>1,732</b>	<b>1.00</b>

1. Based on peak monthly data (peak day data not available).

TABLE 25 : DEVELOPMENT OF THE CUSTOMER ALLOCATION FACTORS: METERS

Development of the Customer Allocation Factor		
Customer Class	No. of Meters	% of Total Meters
All Customers	136	100.0%
<b>Total</b>	<b>136</b>	<b>100.0%</b>

1. Meter data is based on County billing data for CY 2024.

TABLE 26 : ALLOCATION OF WATER REVENUE REQUIREMENTS

Classification Components	Cost-of-Service Net Revenue Requirements (FY 2026/27)	
Commodity-Related Costs	\$ 71,241	43.1%
Capacity-Related Costs	83,944	50.8%
Customer-Related Costs	10,141	6.1%
<b>Net Revenue Requirement</b>	<b>\$ 165,326</b>	<b>100.0%</b>

TABLE 27 : ALLOCATION OF NET REVENUE REQUIREMENTS - FY 2024/25

Customer Classes	Classification Components		Cost of Service Net Rev. Req'ts	% of COS Net Revenue Req'ts
	VARIABLE Community Related Costs	FIXED Capacity-Related Costs		
All Customers	\$ 71,241	\$ 83,944	\$ 165,326	100.0%
<b>Total Net Revenue Requirement</b>	<b>\$ 71,241</b>	<b>\$ 83,944</b>	<b>\$ 165,326</b>	<b>100%</b>
Total Net Revenue Requirement by Classification Component	VARIABLE \$71,241	FIXED \$94,085	\$165,326	

TABLE 28 : RATE DESIGN - SUMMARY OF REVENUE REQUIREMENTS

Customer Class	COSA Net Revenue		NET REVENUE REQUIREMENT	
	FY 2026/27	% of COS Rev. Req't.	Revenue from Volumetric Charges	Revenue from Hydraulic Capacity Charges
All Customers	\$ 165,326	100.0%	\$ 71,241	\$ 83,944
<b>Total</b>	<b>\$ 165,326</b>	<b>100.0%</b>	<b>\$ 71,241</b>	<b>\$ 83,944</b>
			<b>% Variable Revenue</b>	<b>% Fixed Revenue</b>
			43%	57%

TABLE 29 : METER EQUIVALENCY FACTORS USED IN FIXED CHARGES CALCULATION

Meter Size	Standard Meters Meter Capacity	Meter Equivalency to 3/4 inch Displacement Meters
3/4 inch	30	1.00
1 inch	50	1.67
1-1/2 inch	100	3.33
2 inch	160	5.33
<i>Compound Class I</i>		
3 inch	320	10.67
4 inch	500	16.67
6 inch	1,000	33.33
8 inch	1,600	53.33
<i>Turbine Class II Meters</i>		
10 inch	4,200	140.00
12 inch	5,300	176.67

1. Per AWWA, M1 Manual, Table B-1.

TABLE 30 : CALCULATION OF MONTHLY FIXED DOMESTIC METER SERVICE CHARGES FOR FY 2026/27

Number of Meters by Class and Size <sup>1</sup>	FY 2026/27								NET REVENUE REQUIREMENT	
	5/8 - 3/4" meter	1" meter	1.5" meter	2" meter	3" meter	4" meter	6" meter	8" meter	Total	Total
All Customers	117	23	0	2	1	1	1	0	145	
<b>Total Meters/Accounts</b>	<b>117</b>	<b>23</b>	<b>0</b>	<b>2</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>0</b>	<b>145</b>	
Hydraulic Capacity Factor <sup>2</sup>	1.00	1.67	3.33	5.33	10.67	16.67	33.33	53.33		
<b>Total Equivalent Meters</b>	<b>117</b>	<b>38</b>	<b>0</b>	<b>11</b>	<b>11</b>	<b>17</b>	<b>33</b>	<b>0</b>	<b>227</b>	
Monthly Fixed Service Charges										
Customer Costs (\$/Acct/month) <sup>3</sup>	\$ 5.83	\$ 5.83	\$ 5.83	\$ 5.83	\$ 5.83	\$ 5.83	\$ 5.83	\$ 5.83	\$ 5.83	
Capacity Costs (\$/Acct/month) <sup>4</sup>	\$ 30.86	\$ 51.44	\$ 102.87	\$ 164.60	\$ 329.19	\$ 514.36	\$ 1,028.73	\$ 1,645.97		
<b>Total Monthly Meter Charge</b>	<b>\$ 36.69</b>	<b>\$ 57.26</b>	<b>\$ 108.70</b>	<b>\$ 170.42</b>	<b>\$ 335.02</b>	<b>\$ 520.19</b>	<b>\$ 1,034.56</b>	<b>\$ 1,651.80</b>		
Annual Fixed Costs Allocated to Monthly Meter Charges										
Customer Costs	\$ 10,141									
Capacity Costs	83,944									
<b>Total Fixed Meter Costs</b>	<b>\$ 94,085</b>									
Annual Revenue from Monthly Meter Charges										
Customer Charges	\$ 8,183	\$ 1,609	\$ -	\$ 140	\$ 70	\$ 70	\$ 70	\$ -	\$ 10,141	
Capacity Charges	\$ 43,330	\$ 14,196	\$ -	\$ 3,950	\$ 3,950	\$ 6,172	\$ 12,345	\$ -	\$ 83,944	
<b>Total Revenue from Monthly Meter Charges</b>	<b>\$ 51,513</b>	<b>\$ 15,805</b>	<b>\$ -</b>	<b>\$ 4,090</b>	<b>\$ 4,020</b>	<b>\$ 6,242</b>	<b>\$ 12,415</b>	<b>\$ -</b>	<b>\$ 94,085</b>	

1. Meter by Class and Size are based on December 2024 customer billing data.  
 2. Source: Principles of Water Rates, Fees, and Charges, Manual M1, AWWA, Table B-1.  
 3. Customer costs are allocated to each customer by dividing the total customer costs by the total number of customers.  
 4. Capacity costs are allocated by meter size and the hydraulic capacity of the meter.

TABLE 31 : ESTIMATED DOMESTIC FIXED REVENUE BY CUSTOMER CLASS

Customer Class and Meter Size	Hydraulic Capacity Factor	Number of Meters	Total Equivalent Meters	Fixed Meter Charge			Total Fixed Meter Charge	Estimated Revenue from Fixed Charges
				Customer Component	Capacity Component	Component		
3/4"	1.00	117	117	\$5.83	\$30.86	\$36.69	\$ 51,513	
1"	1.67	23	38	\$5.83	\$51.44	\$57.26	15,805	
1 1/2"	3.33	0	0	\$5.83	\$102.87	\$108.70	-	
2"	5.33	2	11	\$5.83	\$164.60	\$170.42	4,090	
3"	10.67	1	11	\$5.83	\$329.19	\$335.02	4,020	
4"	16.67	1	17	\$5.83	\$514.36	\$520.19	6,242	
6"	33.33	1	33	\$5.83	\$1,028.73	\$1,034.56	12,415	
8"	53.33	0	0	\$5.83	\$1,645.97	\$1,651.80	-	
<b>Total</b>		<b>145</b>	<b>227</b>			<b>\$ 94,085</b>		

TABLE 32 : PROPOSED VOLUMETRIC CHARGES FOR FY 2026/27 BY CUSTOMER CLASS

<b>NET REVENUE REQUIREMENT</b>						
Customer Classes	Water Consumption (HCF/yr)	Total Target Rev. Req't from Vol. Charges	% of Total Rate Revenue	Uniform Commodity Rates (\$/HCF)	Proposed Rate Structure	
All Customers	20,778	\$ 71,241	43.1%	\$3.43	Uniform	
<b>Total Water</b>	<b>20,778</b>	<b>\$ 71,241</b>	<b>43.1%</b>			

TABLE 33 : SUMMARY OF VOLUMETRIC CHARGES FOR FY 2026/27 FOR PROPOSED RATE TABLE

<b>NET REVENUE REQUIREMENT</b>						
Customer Classes	Water Consumption (HCF/yr)	Total Target Rev. Req't from Vol. Charges	% of Total Rate Revenue	Uniform Commodity Rates (\$/HCF)	Proposed Rate Structure	
All Customers	20,778	\$ 71,241	43.1%	\$3.43	Uniform	
<b>Total Water</b>	<b>20,778</b>	<b>\$ 71,241</b>	<b>43.1%</b>			

TABLE 34 : ESTIMATED VOLUMETRIC REVENUE BY CUSTOMER CLASS

Customer Class	Estimated Consumption	Estimated Revenue	% of Variable Rate Revenue	<b>NET REVENUE REQUIREMENT</b>	
				Total Estimated	Cost of Service Net Revenue
All Customers	20,778	\$ 71,241	100.0%	\$ 71,241	\$ 165,326
<b>Grand Total</b>	<b>20,778</b>	<b>\$ 71,241</b>	<b>100.0%</b>	<b>\$ 71,241</b>	<b>\$ 165,326</b>

Water Rate Schedule	CURRENT VS. PROPOSED MAXIMUM WATER RATES			NET REVENUE REQUIREMENT			
	Current Rates	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	
<b>Monthly Fixed Service Charges (in \$/mo)</b>							
Domestic Service Charge							
3/4"	\$34.13	\$36.69	\$39.44	\$42.40	\$45.58	\$49.00	
1"	\$56.88	\$57.26	\$61.56	\$66.18	\$71.14	\$76.48	
1.5"	\$113.76	\$108.70	\$116.85	\$125.62	\$135.04	\$145.17	
2"	\$182.02	\$170.42	\$183.21	\$196.95	\$211.72	\$227.60	
3"	\$364.01	\$335.02	\$360.15	\$387.16	\$416.20	\$447.41	
4"	\$568.77	\$520.19	\$559.21	\$601.15	\$646.23	\$694.70	
6"	\$1,138.55	\$1,034.56	\$1,112.15	\$1,195.56	\$1,285.23	\$1,381.62	
8"	\$1,819.42	\$1,651.80	\$1,775.68	\$1,908.86	\$2,052.02	\$2,205.92	
<b>Water Usage Charges (in \$/HCF)</b>							
0-14	\$3.05	\$3.43	\$3.69	\$3.96	\$4.26	\$4.58	
15-80	\$3.50	N/A	N/A	N/A	N/A	N/A	
81+	\$4.04	N/A	N/A	N/A	N/A	N/A	

# Appendix B. Sewer Rate Study Tables and Figures

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TABLE 1 : FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

RATE REVENUE REQUIREMENTS SUMMARY	Projected FY 2025/26	Rate Period				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Sources of Sewer Funds</b>						
<b>Rate Revenue</b>						
070-Charges for Current Services	\$ 5,767	\$ 5,786	\$ 5,804	\$ 5,823	\$ 5,841	\$ 5,860
075-Charges for Current Services-Fee Ord	\$ 185,389	\$ 185,982	\$ 186,577	\$ 187,174	\$ 187,773	\$ 188,374
<b>Other Revenue</b>						
000-Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
030-Revenue From Use of Money & Property	\$ 5,011	\$ 5,027	\$ 5,043	\$ 5,059	\$ 5,075	\$ 5,091
080-Other Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total: Sources of Funds</b>	<b>\$ 196,166</b>	<b>\$ 196,794</b>	<b>\$ 197,424</b>	<b>\$ 198,055</b>	<b>\$ 198,689</b>	<b>\$ 199,325</b>
<b>Uses of Sewer Funds</b>						
<b>Operating Expenses:</b>						
200-Services & Supplies-General	\$ 206,386	\$ 212,364	\$ 218,534	\$ 224,901	\$ 231,472	\$ 238,253
540-Intra Entity Reimbursement Out	\$ 97,691	\$ 100,337	\$ 103,068	\$ 105,886	\$ 108,794	\$ 111,796
Subtotal: Operating Expenses	\$ 304,077	\$ 312,701	\$ 321,602	\$ 330,787	\$ 340,266	\$ 350,049
<b>Other Expenditures:</b>						
Existing Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Future Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rate-Funded Capital Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,520
Subtotal: Other Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,520
<b>Total: Uses of Funds</b>	<b>\$ 304,077</b>	<b>\$ 312,701</b>	<b>\$ 321,602</b>	<b>\$ 330,787</b>	<b>\$ 340,266</b>	<b>\$ 373,569</b>
Plus: Revenue from Rate Increases <sup>2</sup>	-	-	13,993	29,129	45,497	63,194
<b>Annual Surplus/(Deficit)</b>	<b>\$ (107,911)</b>	<b>\$ (115,908)</b>	<b>\$ (110,185)</b>	<b>\$ (103,603)</b>	<b>\$ (96,080)</b>	<b>\$ (111,051)</b>
<b>Net Revenue Req. (Total Uses less Non-Rate Revenue)</b>	<b>\$ 293,299</b>	<b>\$ 301,889</b>	<b>\$ 310,755</b>	<b>\$ 319,906</b>	<b>\$ 329,350</b>	<b>\$ 362,618</b>
<b>Total Rate Revenue After Rate Increases</b>	<b>\$ 185,389</b>	<b>\$ 185,982</b>	<b>\$ 200,570</b>	<b>\$ 216,303</b>	<b>\$ 233,270</b>	<b>\$ 251,567</b>
<b>Projected Annual Rate Revenue Increase</b>	<b>0.00%</b>	<b>0.00%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>
<b>Cumulative Increase from Annual Revenue Increases</b>	<b>0.00%</b>	<b>0.00%</b>	<b>7.50%</b>	<b>15.56%</b>	<b>24.23%</b>	<b>33.55%</b>

1. Revenue and expenses for FY 2025/26 provided by the County. Revenues and expenses for all other years are escalated based on the forecasting assumptions in Table 8.  
2. Revenue from rate increases assumes an implementation date of July 1, 2026 for new rates. For each year thereafter, the assumption is that new rates will be implemented on July 1st of each year.

1	← Select Financial Plan Scenario Here	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Financial Plan Alternatives</b>							
1	Alternative 1 - Custom Rate Increase	0.00%	7.50%	7.50%	7.50%	7.50%	7.50%
2	Alternative 2 - Custom Rate Increase	0.00%	5.00%	5.00%	5.00%	5.00%	5.00%
3	Alternative 3 - Custom Rate Increases	0.00%	50.00%	10.00%	10.00%	6.00%	6.00%
4	Alternative 4 - No Rate Increases	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

TABLE 2 : RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY SEWER FUND RESERVES	Projected FY 2025/26	5-Year Projected Rate Period				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Total Beginning Cash<sup>1</sup></b>						
<b>Unrestricted Reserves:</b>						
<b>Operating Reserve</b>						
Beginning Reserve Balance	\$ 158,385	\$ 52,058	\$ (63,329)	\$ (173,514)	\$ (277,117)	\$ (373,197)
Plus: Net Cash Flow (After Rate Increases)	(107,911)	(115,908)	(110,185)	(103,603)	(96,080)	(111,051)
Plus: Transfer of Debt Reserve Surplus	-	-	-	-	-	-
Plus: Interest Earnings	1,584	521	-	-	-	-
Less: Transfer Out to Capital Replacement Reserve	-	-	-	-	-	-
<b>Ending Operating Reserve Balance</b>	<b>\$ 52,058</b>	<b>\$ (63,329)</b>	<b>\$ (173,514)</b>	<b>\$ (277,117)</b>	<b>\$ (373,197)</b>	<b>\$ (484,248)</b>
<b>Target Ending Balance (90 days of O&amp;M)<sup>2</sup></b>	<b>\$ 76,000</b>	<b>\$ 78,000</b>	<b>\$ 80,000</b>	<b>\$ 83,000</b>	<b>\$ 85,000</b>	<b>\$ 88,000</b>
<b>Capital Rehabilitation &amp; Replacement Reserve</b>						
Beginning Reserve Balance	\$ 356,461	\$ 360,026	\$ 283,284	\$ 232,556	\$ 179,446	\$ 123,864
Plus: Grant Proceeds	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surplus	-	-	-	-	-	-
Plus: Interest Earnings	3,565	3,600	2,833	2,326	1,794	1,239
Less: Use of Reserves for Capital Projects	-	(80,342)	(53,561)	(55,436)	(57,376)	(35,864)
<b>Ending Capital Rehab &amp; Replacement Reserve Balance</b>	<b>\$ 360,026</b>	<b>\$ 283,284</b>	<b>\$ 232,556</b>	<b>\$ 179,446</b>	<b>\$ 123,864</b>	<b>\$ 89,239</b>
<b>Target Ending Balance (90 days of O&amp;M)<sup>2</sup></b>	<b>\$ 76,000</b>	<b>\$ 78,000</b>	<b>\$ 80,000</b>	<b>\$ 83,000</b>	<b>\$ 85,000</b>	<b>\$ 88,000</b>
<b>Ending Cash Balance - Excl. Restricted Reserves</b>	<b>\$ 412,084</b>	<b>\$ 219,955</b>	<b>\$ 59,042</b>	<b>\$ (97,671)</b>	<b>\$ (249,333)</b>	<b>\$ (395,009)</b>
<b>Min. Target Ending Cash Balance - Excl. Restricted Reserves</b>	<b>\$ 152,000</b>	<b>\$ 156,000</b>	<b>\$ 160,000</b>	<b>\$ 166,000</b>	<b>\$ 170,000</b>	<b>\$ 176,000</b>
<b>Ending Surplus/(Deficit) Compared to Reserve Targets</b>	<b>\$ 260,084</b>	<b>\$ 63,955</b>	<b>\$ (100,958)</b>	<b>\$ (263,671)</b>	<b>\$ (419,333)</b>	<b>\$ (571,009)</b>
<b>Days Cash on Hand</b>	<b>495</b>	<b>257</b>	<b>68</b>	<b>(108)</b>	<b>(268)</b>	<b>(386)</b>
<b>Annual Interest Earnings Rate<sup>3</sup></b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>

1. Beginning cash balances are as of July 1, 2024.  
 2. The target ending balance is set equal to 90-days of O&M expenses.  
 3. Historical interest earning rates are per the average annual yields for funds invested in LAIF (2018-2024). The source is the California State Treasurer's website: <https://www.treasurer.ca.gov/pmia-laif/historical/annual.asp>.

TABLE 3 : REVENUE FORECAST<sup>1</sup>

DESCRIPTION	Basis	5-Year Projected Rate Period								
		Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31			
<b>Sewer Operating Revenue</b>										
40008145 INT & PEN DELINQUENT TAXES	1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
000-Taxes										
40308500 INTEREST	1	5,011	5,027	5,043	5,059	5,075	5,091	5,107	5,123	5,139
030-Revenue From Use of Money & Property										
40708155 SPECIAL ASSMNT ALL PRIOR YEARS	1	5,011	5,027	5,043	5,059	5,075	5,091	5,107	5,123	5,139
40708170 SP ASSMNT CUR YR TX ROLL SEWER	1	5	5	5	5	5	5	5	5	5
40708175 SP ASSMNT CUR YR DELUSER CHGS	1	451	452	454	455	457	458	459	460	461
070-Charges for Current Services										
40758480 FEE ORD-PENALTIES	1	601	603	605	607	609	611	613	615	617
070-Revenue From Use of Money & Property										
40759700 FEE ORD-SANITATION SERVICES	1	1,057	1,061	1,064	1,067	1,071	1,074	1,077	1,080	1,083
40759800 FEE ORD-OTHER SERVICES	1	4,509	4,524	4,538	4,553	4,567	4,582	4,597	4,612	4,627
075-Charges for Current Services-Fee Ord										
40759800 FEE ORD-OTHER SERVICES	1	185,389	185,982	186,577	187,174	187,773	188,374	188,975	189,576	190,177
075-Revenue From Use of Money & Property										
40808970 OTHER	1	200	201	202	202	203	204	204	204	204
080-Other Revenue										
40808970 OTHER	1	190,098	190,707	191,317	191,929	192,543	193,159	193,775	194,391	195,007
TOTAL REVENUE		\$ 196,166	\$ 196,794	\$ 197,424	\$ 198,055	\$ 198,689	\$ 199,325	\$ 199,961	\$ 200,597	\$ 201,233

TABLE 4 : REVENUE SUMMARY

DESCRIPTION	Basis	5-Year Projected Rate Period								
		Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31			
<b>Rate Revenue</b>										
070-Charges for Current Services	\$	5,767	5,786	5,804	5,823	5,841	5,860	5,879	5,898	5,917
075-Charges for Current Services-Fee Ord		185,389	185,982	186,577	187,174	187,773	188,374	188,975	189,576	190,177
<b>Other Revenue</b>										
000-Taxes										
030-Revenue From Use of Money & Property		5,011	5,027	5,043	5,059	5,075	5,091	5,107	5,123	5,139
080-Other Revenue										
TOTAL REVENUE		\$ 196,166	\$ 196,794	\$ 197,424	\$ 198,055	\$ 198,689	\$ 199,325	\$ 199,961	\$ 200,597	\$ 201,233

CSA 42 Oro Grande  
SEWER RATE STUDY  
Operating Revenue and Expenses

Exhibit I - O&M

TABLE 5 : OPERATING EXPENSE FORECAST<sup>1</sup>

DESCRIPTION	Basis	5-Year Projected Rate Period						
		Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	
<b>Operating Expenses</b>								
<b>Operating Expenses</b>								
52002085 LEGAL NOTICES	2	\$ 41	\$ 43	\$ 44	\$ 45	\$ 47	\$ 48	
52002180 UTILITIES	2	103	107	110	113	117	121	
52002187 UTILITIES-SEWER	2	181,084	186,879	192,859	199,030	205,399	211,972	
52002135 SPECIAL DEPARTMENT EXPENSE	2	-	-	-	-	-	-	
52002310 PRESORT & PACKAGING (ISF ONLY)	2	516	533	550	567	585	604	
52002323 COURIER & PRINTING (ISF ONLY)	2	227	234	242	250	258	266	
52002415 COUNTY SERVICES (INCL COWCAP )	3	564	564	564	564	564	564	
52002445 OTHER PROFESSIONAL & SPEC SVCS	3	19,000	19,000	19,000	19,000	19,000	19,000	
52002458 PERMIT COSTS	2	4,128	4,260	4,396	4,537	4,682	4,832	
52002855 GENERAL MAINTENANCE-EQUIPMENT	2	516	533	550	567	585	604	
52002870 GEN MAINT-STRUCT,IMP & GROUNDS	2	206	213	220	227	234	242	
<b>200-Services &amp; Supplies-General</b>		<b>206,386</b>	<b>212,264</b>	<b>218,534</b>	<b>224,801</b>	<b>231,072</b>	<b>238,253</b>	
55405010 SALARIES & BENE TRANSFERS-OUT	3	15,000	15,000	15,000	15,000	15,000	15,000	
55405012 SERVS & SUPPLY TRANSFERS-OUT	2	3,537	3,650	3,767	3,887	4,012	4,140	
55405018 INTERNAL COST ALLOCA OUT	2	79,154	81,687	84,301	86,999	89,783	92,656	
540-Intra Entity Reimbursement Out		97,691	100,337	103,068	105,886	108,794	111,796	
<b>Subtotal - Operating Expenses</b>		<b>\$ 304,077</b>	<b>\$ 312,701</b>	<b>\$ 321,602</b>	<b>\$ 330,787</b>	<b>\$ 340,266</b>	<b>\$ 350,049</b>	
<b>GRAND TOTAL SEWER EXPENSES</b>		<b>\$ 304,077</b>	<b>\$ 312,701</b>	<b>\$ 321,602</b>	<b>\$ 330,787</b>	<b>\$ 340,266</b>	<b>\$ 350,049</b>	

1. Revenue and expenses for FY 2024/25 provided by the District. Revenues and expenses for all other years are escalated based on the forecasting assumptions in Table 7

TABLE 6 : FORECASTING ASSUMPTIONS

INFLATION FACTORS <sup>1</sup>	Basis	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Customer Growth <sup>2</sup>	1	0.21%	0.32%	0.32%	0.32%	0.32%	0.32%
General Cost Inflation <sup>3</sup>	2	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
Labor Cost Inflation <sup>4</sup>	3	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest on Investments <sup>5</sup>	4	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Electricity <sup>6</sup>	5	8.35%	8.35%	8.35%	8.35%	8.35%	8.35%
No Escalation	6	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

- Expenses are inflated each year by the following annual inflation factor categories.
- Customer growth is based on the population projections provided by the County.
- General cost inflation is based on the 5-year average annual change in the Consumer Price Index for all Urban Consumers in the San Bernardino-Riverside-Ontario, CA area.
- Labor cost inflation is provided by County.
- Interest rate inflation is provided by the County.
- Electricity cost inflation is based on the 5-year average change in the Consumer Price Index for Electricity for the San Bernardino-Riverside-Ontario, CA area.

CSA 42 Oro Grande  
SEWER RATE STUDY  
Capital Improvement Plan Expenditures

TABLE 7 : CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST		5-Year Projected Rate Period				
Funding Sources:	Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
		Grants	-	-	-	-
Use of Capacity Fee Reserves	-	-	-	-	-	-
SRF Loan Funding	-	-	-	-	-	-
Use of Future Revenue Bond Proceeds	-	-	-	-	-	-
Use of Capital Rehabilitation and Replacement Reserve	-	80,342	53,561	55,436	57,376	35,864
Rate Revenue	-	-	-	-	-	23,520
<b>Total Sources of Capital Funds</b>	<b>\$ -</b>	<b>\$ 80,342</b>	<b>\$ 53,561</b>	<b>\$ 55,436</b>	<b>\$ 57,376</b>	<b>\$ 59,384</b>
<b>Uses of Capital Funds:</b>						
Total Project Costs	\$ -	\$ 80,342	\$ 53,561	\$ 55,436	\$ 57,376	\$ 59,384
<b>Capital Funding Surplus (Deficiency)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>SFR Loan Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Future Revenue Bond Proceeds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>CAPITAL IMPROVEMENT PROGRAM FUNDING OPTIONS</b>						
Policy Choice	Total Planned CIP - FY 2026/27 through FY 2030/31					
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
1 - Alternative 1 - Full Funding of CIP	\$ -	\$ 80,342	\$ 53,561	\$ 55,436	\$ 57,376	\$ 59,384
2 - Alternative 2 - 75% Funding of CIP	-	60,256	40,171	41,577	43,032	44,538
3 - Alternative 3 - 50% Funding of CIP	-	40,171	26,781	27,718	28,688	29,692
<b>1</b>	<b>Select CIP Funding Option</b>					
<b>Capital Improvement Program Funding Choice</b>						
Effective Annual Funding Amount	\$ -	\$ 80,342	\$ 53,561	\$ 55,436	\$ 57,376	\$ 59,384

CSA 42 Oro Grande  
SEWER RATE STUDY  
Capital Improvement Plan Expenditures

CAPITAL IMPROVEMENT PROGRAM

TABLE 8 : CAPITAL IMPROVEMENT PROGRAM COSTS

Project Description	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Capital Projects<sup>1</sup></b>						
Master Plan		\$ 77,625				
<b>Subtotal - Capital Projects</b>	\$ -	\$ 77,625	\$ -	\$ -	\$ -	\$ -
<b>Estimated Future Projects</b>						
Future Projects <sup>4</sup>	\$ -	\$ -	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
<b>Total: Capital Improvement Program Costs (Current-Year Dollars)</b>	\$ -	\$ 77,625	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000

TABLE 9 : CAPITAL IMPROVEMENT PROGRAM COSTS

Project Description	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Capital Projects<sup>1</sup></b>						
Master Plan	\$ -	\$ 80,342	\$ -	\$ -	\$ -	\$ -
Future Projects <sup>4</sup>	\$ -	\$ -	\$ 53,561	\$ 55,436	\$ 57,376	\$ 59,384
<b>Total: Capital Improvement Program Costs (Future-Year Dollars)</b>	\$ -	\$ 80,342	\$ 53,561	\$ 55,436	\$ 57,376	\$ 59,384

TABLE 10 : FORECASTING ASSUMPTIONS

Economic Variables	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Annual Construction Cost Inflation, Per Engineering News Record <sup>6</sup>	0.00%	3.50%	3.50%	3.50%	3.50%	3.50%
Cumulative Construction Cost Multiplier from FY 2024/25	1.00	1.04	1.07	1.11	1.15	1.19

1. Source file: 2023-24 Preliminary Budget Worksheet.xlsx.
4. Estimated future expenditures are the average of the previous 10 years.
5. Capital improvement projects are inflated to future year estimated costs with ENR CCI for the region. Source: Engineering News Record website (<http://enr.construction.com>).
6. For reference purposes, the annual Construction Cost Inflation percentage is the 10-year average annual change in the Construction Cost Index for 2013-2023 (3.5%).

TABLE 11 : EXISTING DEBT OBLIGATIONS

EXISTING DEBT OBLIGATIONS	5-Year Projected Rate Period					
	Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Annual Repayment Schedules:						
N/A						
Principal Payment	-	-	-	-	-	-
Interest Payment	-	-	-	-	-	-
<b>Subtotal: Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Coverage Requirement (\$-Amnt above annual payment)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve Requirement (total fund balance)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total: Existing Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total: Existing Annual Coverage Requirement</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total: Existing Debt Reserve Target</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

1. Source file: SWRCB Complete Loan Agreement.pdf

TABLE 12 : EXISTING ANNUAL DEBT OBLIGATIONS TO BE SATISFIED BY SEWER RATES

Annual Obligations	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Existing Annual Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Annual Coverage Requirement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Debt Reserve Target	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CSA 42 Oro Grande  
 SEWER RATE STUDY  
 Projected Sewer Rates Under Existing Rate Schedule

Exhibit 4 - Current Rates

TABLE 13 : CURRENT SEWER RATE SCHEDULE

Sewer Rate Schedule		Current Rates
<i>Monthly Fixed Service Charge Per EDU</i>		
All Customers		Per Dwelling Unit
All Customers		\$88.08

TABLE 14 : PROPOSED SEWER RATES

<b>NET REVENUE REQUIREMENTS (100% FIXED / 0% VARIABLE)</b>					
Customer Class	Number of Billing Units	Net Revenue Requirement	Estimated Fixed Revenue	Monthly Fixed Charge Per Unit	
All Customers	161	\$ 185,982	\$ 185,982	\$	96.56
<b>Total</b>	<b>161</b>	<b>\$ 185,982</b>	<b>\$ 185,982</b>	<b>\$</b>	

TABLE 15 : CURRENT VS. PROPOSED SEWER RATE:

Sewer Rate Schedule	Current Rates	Proposed Sewer Rates				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<i>Monthly Fixed Service Charge Per EDU</i>						
All Customers	\$88.08	\$96.56	\$103.81	\$111.59	\$119.96	\$128.96
All Customers			Per Dwelling Unit			

# **SAN BERNARDINO COUNTY**

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*County Service Area 64 (Spring Valley Lake)  
Water and Sewer Rate Study Report*

*Final Report*

**March 2026**



[nbsgov.com](http://nbsgov.com)

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# 1. Introduction

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## 1.1 Purpose

San Bernardino County (County) retained NBS to conduct a comprehensive utility rate study for its water and sewer enterprise funds for County Service Area 64 Spring Valley Lake (CSA 64). The County had several objectives and goals in mind for this study including meeting revenue requirements, reviewing the rising costs of providing services, funding capital improvements and changes in costs, and complying with certain legal requirements (e.g., California Constitution Article XIII D, Section 6, which is commonly referred to as Proposition 218 [Prop 218]). The County's broader objectives in this study include ensuring adequate funding for operating and capital costs, maintaining reasonable reserves, ensuring revenue stability in utility rates. The rates resulting from this study were developed in a manner that is consistent with industry standard cost-of-service principles. In addition to documenting the rate study methodology, this report is provided with the intent to assist the County in its continuing effort to maintain transparent communications with the residents and community it serves.

In developing new rates for CSA 64's enterprise funds, NBS worked cooperatively with County staff and the Board of Supervisors (Board) in selecting the appropriate rate alternatives that address the County's goals and objectives. Based on input provided by CSA 64 staff, NBS proposes the rates summarized in this report. The Board has the final decision regarding the adoption of the proposed rates and whether to proceed with the Prop 218 approval process.

## 1.2 Overview of the Study

Comprehensive rate studies, such as this one, typically include three components: (1) preparation of a financial plan that identifies the net revenue requirements for the utility; (2) analysis of the cost to serve each customer class, and (3) the rate structure design. These steps are shown in Figure 1 and are intended to follow industry standards and reflect the fundamental principles of cost-of-service rate making embodied in the American Water Works Association's (AWWA) *Principles of Water Rates, Fees, and Charges*,<sup>1</sup> also referred to as Manual M1, and the Water Environment Federation's *Financing and Charges for Wastewater Systems* (Manual of Practice No. 27).<sup>2</sup>

Rate studies also address requirements under Prop 218 that rates not exceed the cost of providing the service and be proportionate to the cost of providing service for all customers. In terms of the chronology of the study, the three steps shown in Figure 1 represent the order in which they were performed in this study.

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<sup>1</sup> *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, Manual M1, American Water Works Association (AWWA), 7<sup>th</sup> Edition, 2017.

<sup>2</sup> *Financing and Charges for Wastewater Systems*, Manual of Practice No. 27, Water Environment Federation, Fourth Edition, 2018.

**Figure 1. Primary Components of a Rate Study**



NBS projected revenues and expenditures, developed net revenue requirements, performed cost-of-service rate analyses, and developed new water and sewer rates for the County using this approach. The following sections in this report present an overview of the methodologies, assumptions, and data used along with the financial plans and rates developed. Detailed tables and figures documenting the development of the proposed rates are provided in the Appendices.

The County provided NBS with the data necessary to conduct the study, including historical, current, and projected revenues and expenditures, number of customer accounts, and water consumption data along with other operational and capital cost information.

### **FINANCIAL PLAN**

As a part of the rate study, NBS projected revenues and expenditures on a cash-flow basis for the next five (5) years. The amount of rate revenue required, that will allow reserves to be maintained at the recommended levels, is known as the net revenue requirement. As current rate revenue falls short of the net revenue requirement, rate adjustments – or more accurately, adjustments in the total revenue collected from rates – are recommended. This report presents an overview of the methodologies, assumptions, and data used along with the financial plan and proposed rates developed in this study.<sup>3</sup>

### **COST-OF-SERVICE ANALYSIS**

The basic purpose of the cost-of-service analysis (COSA) is to fairly and equitably allocate costs to customer classes. The cost-of-service analysis consists of two major components: (1) the classification of expenses, and (2) the allocation of costs to customer classes. For example, a key task is the “classification” of the water revenue requirements into the following categories:

- Commodity related costs
- Capacity related costs
- Customer service related costs

For the sewer utility, the cost-of-service analysis consists of two major components: (1) the classification of expenses, and (2) the allocation of costs to customer classes. In the case of CSA 70 BL, volume data is not

<sup>3</sup> The complete financial plans are available in the *Appendices*.

available by customer and there is a single customer class. Due to the County's desire to maintain consistency, NBS has developed a fixed rate structure. Further details are discussed below and documented in the Appendix.

## RATE DESIGN ANALYSIS

During the rate design phase of the study, NBS and County staff worked together to develop rate alternatives that will meet the County's objectives. It is important for the County to send proper price signals to its customers about the actual cost of providing service. This objective is typically addressed through both the magnitude of the rate adjustments and the rate structure design. In other words, both the amount of revenue collected and the way in which the revenue is collected from customers are important.

Several criteria are typically considered in setting rates and developing sound rate structures. The fundamentals of this process have been well documented in several rate-setting manuals, such as AWWA's Manual M1. The foundation for evaluating rate structures is generally credited to James C. Bonbright in *Principles of Public Utility Rates*,<sup>4</sup> which outlines pricing policies, theories, and economic concepts along with various rate designs. The following is a simplified list of the attributes of a sound rate structure:

- Rates should be easy to understand from the customer's perspective.
- Rates should be easy to administer from the utility's perspective.
- Rates should be equitable and non-discriminating (i.e., cost-based).
- Rates should promote the efficient allocation of the resource.
- There should be continuity in the rate making philosophy over time.
- Rates should provide month-to-month and year-to-year revenue stability.

## RATE STRUCTURE TERMINOLOGY

This section covers basic rate design criteria that NBS and County staff considered as a part of their review of the rate structure alternatives. One of the most fundamental points in considering rate structures is the relationship between fixed and variable costs. Fixed costs, such as debt service and personnel costs, typically do not vary with the amount of water consumed. In contrast, variable costs, such as the cost of purchased water, chemicals, and electricity, tend to change with the quantity of water sold. Most rate structures contain a fixed, or minimum, charge in combination with a volumetric charge.

**Fixed Charges** – Fixed charges can be called base charges, minimum monthly charges, customer charges, fixed meter charges, etc. Fixed charges for water utilities typically increase by meter size. For example, a customer with a 2-inch meter has a fixed meter charge that is more than five times greater than the typical residential customer based on the safe operating capacity of the meter.<sup>5</sup> Since a large portion of utility costs are typically related to meeting capacity requirements, individual capacity demands are important in establishing equitable rates for customers.

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<sup>4</sup> James C. Bonbright, Albert L. Danielsen, and David R. Kamerschen, *Principles of Public Utility Rates*, Arlington, VA: Public Utilities Report, Inc., Second Edition, 1988, pp. 383-384.

<sup>5</sup> *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, Manual M1, AWWA, 7<sup>th</sup> Edition, 2017, pp. 151-152.

**Variable (Consumption-Based) Charges** – In contrast to fixed charges, variable costs, such as purchased water, groundwater replenishment costs, and the cost of electricity used in pumping water and chemicals for treatment, tend to change with the quantity of water produced. For a water utility, variable charges are calculated based on a metered consumption per unit price (e.g., per 100 cubic feet, or HCF).

**Uniform (Single-Tier) Water Rates** – There are significant variations in the basic philosophy of variable charge rate structure alternatives. Under a uniform (single tier) rate structure, the cost per unit does not change with consumption and, therefore, provides a simple and straightforward approach from the customer’s perspective and in terms of the County’s rate administration.

## **KEY FINANCIAL ASSUMPTIONS**

The following is a summary of the key financial assumptions used in the analyses. The following capital and operational fund targets reflect input from County staff to meet specific utility objectives.

**Funding of Capital Projects** – For each utility, the County determined the most appropriate funding source for capital projects based on analysis of the capital reserves, rate revenue and capital needs. The details of the funding source for capital projects for each utility is detailed in that respective section of this report.

**Reserve Targets** – For each utility, the County maintains reserves for operations, capital, and other specific needs. The details of each utility’s reserve targets are covered in their respective sections of this report.

**Inflation and Growth Projections** – Assumptions were made in the analysis regarding cost inflation to project future revenues and expenses for the study period. The following inflation factors were used in the analysis:

- Customer growth is estimated at 0.49% per year.
- General cost inflation is set at 3.20% annually.
- Labor cost inflation is set at 0.00% annually.
- Electricity cost inflation is set at 8.35% annually.

These inflation factors are based on long-term trends; therefore, the County should re-examine these factors in another year to assess the impacts on utility costs and whether projected rate increases will be sufficient for the remainder of the rate adoption period.

## 2. Water Rate Study

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### 2.1 Key Water Rate Study Issues

The County's water rate analysis was undertaken with a few specific objectives, including:

- Generating sufficient revenue to meet anticipated operating and maintenance costs and fund necessary capital improvement projects for the next five years.
- Continuing with a rate design that promotes revenue stability.
- Verifying the cost-of-service linkage between the current rate structure and the proposed water rates, including the zonal water rates.
- Maintaining adequate reserve levels to ensure continuity in operations.
- Complying with the legal requirements of Prop 218 to ensure the cost of providing service is properly allocated amongst user classifications. This was the basis for eliminating tiered water rates.

NBS developed various water rate alternatives as requested by County staff over the course of this study. All rate structure alternatives relied on industry standards and cost-of-service principles. The rate alternative that will ultimately be implemented is the decision of the Board. The fixed and volume-based charges were calculated based on the net revenue requirements, number of customer accounts, water consumption and estimated water discharge, and other relevant data provided by the County.

The following are the basic components included in this analysis:

**Developing Cost Allocations** – The water revenue requirements were “functionalized” into three categories: (1) commodity (or volume-based) costs; (2) fixed capacity costs; and (3) customer service costs. These functionalized costs were then used to develop unit costs based on various factors, such as water consumption, peaking factors, and number of accounts by meter size.

**Determining Revenue Requirements by Customer Class** – The total revenue that needs to be collected from each customer class was determined using the functional costs and allocation factors. For example, customer costs are allocated based on the number of meters, while volume-related costs are allocated based on the water consumption of each customer class. Once the costs are allocated and the net revenue requirement for each customer class is determined, collecting the revenue requirements from each customer class is addressed within the rate design.

**Evaluating Rate Design (Fixed vs. Variable Charges)** – The revenue requirements for each customer class are collected through a combination of fixed monthly service charges and volumetric rates. Based on direction from County staff, the rates proposed in this report will collect 55% of the rate revenue from the fixed charge and 45% from the variable charges.

### 2.2 Financial Plan

It is important for municipal utilities to not only collect sufficient revenues every year, but to also maintain reasonable reserves to handle emergencies, fund working capital, maintain a good credit rating, and generally follow sound financial management practices. Rate adjustments are governed by the need to

meet operating and capital costs as well as maintain reasonable reserve levels. The current state of the County's water utility, regarding these objectives, is as follows:

**Meeting Net Revenue Requirements:** For FY 2026/27 through FY 2030/31, the projected net revenue requirement (that is, total annual expenses plus debt service and rate-funded capital costs, less non-rate revenues) for the water system averages \$2.7 - \$4.8 million annually. If no rate adjustments are implemented, the County is projected to run an annual deficit of approximately \$200 thousand in FY 2026/27, increasing to more than \$2.2 million by FY 2030/31, and will be unable to meet its debt service coverage requirements in FY 2029/30 and FY 2030/31 when new debt service payments begin.

**Maintaining Reserve Funds:** Reserve funds provide a basis for a utility to cope with fiscal emergencies, such as revenue shortfalls, asset failure, and natural disasters, among other events. Reserve policies provide guidelines for sound financial management, with an overall long-range perspective to maintain financial solvency and mitigate financial risks associated with revenue instability, volatile capital costs, and unexpected emergencies.

- The County's existing reserves are healthy, and the challenge is to meet future revenue requirements and still maintain adequate reserves. NBS together with County staff have chosen to set the following reserve targets:
  - **Operating Reserve** equal to 90 days of operating and maintenance expenses, or approximately \$886 thousand in FY 2026/27. An operating reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures, such as those caused by weather patterns, the natural inflow and outflow of cash during billing cycles, natural variability in demand-based revenue streams (e.g., volumetric charges), and – particularly in periods of economic distress – changes or trends in the age of receivables. NBS considers a 90-day operating reserve to be a standard operating reserve fund target (i.e., most municipal water utilities use a 3-6 month target for the operating reserve).
  - **Capital Rehabilitation & Replacement Reserve** equal to 90 days of operating and maintenance expenses, or approximately \$859 thousand in FY 2026/27. This reserve is intended to be a cash resource set aside to address long-term capital system replacement and rehabilitation needs. NBS considers this capital reserve target to be at the lower end of what most utilities aim for. Many utilities aim for 3% to 6% of net assets.

**Funding Capital Improvement Projects:** The County must fund necessary capital improvements to maintain current service levels. County staff has identified roughly \$15.4 million in expected capital expenditures over the next five years (FY 2026/27 through FY 2030/31) which is an average of \$3 million in capital expenditures annually. This rate study assumes the County will be issuing \$11.34 million in revenue bonds in FY 2029/30. Proceeds from these revenue bonds along with the recommended rate increases, enable the County to fund these capital expenditures without exhausting the existing reserves, although reserves will decrease significantly over the next five years, they are projected to end at about the target reserve level. However, NBS notes that the planned rate revenue increases may not support the debt financing as modeled. Projects may need to be delayed or omitted if sufficient revenues are not available to pay debt service and provide for required bond coverage ratios, or the timing and amount of the debt may need to

be adjusted as the current model indicates that the revenue is not sufficient to support the debt as modeled.

**Inflation and Growth Projections:** Cost inflation and growth assumptions are necessary to project future revenues and expenses for the study period. Customer growth is expected to be 0.49% annually. This factor was used in the analysis for rate revenues while inflation factors, including the Consumer Price Index, were used in projecting expenses.

**Maintaining Adequate Bond Coverage:** Although the water utility currently has no outstanding debt, this analysis assumes that the County will be issuing \$11.34 million in new debt to fund capital projects. However, whether new debt will be needed will depend on the actual delivery of capital projects (i.e., the timing and costs). The rate covenants of the new revenue bonds include a minimum debt service coverage ratio of 1.25 which is not supported by the anticipated rate revenue as modeled. The benefit of maintaining a higher coverage ratio is that it strengthens the County’s credit rating which can help lower interest rates for debt-funded capital projects and, in turn, reduce annual debt service payments.

**Figure 2** summarizes the sources and uses of funds, net revenue requirements, and the annual percent adjustments in total rate revenue recommended for the next five years.

**Figure 2. Summary of Water Revenue Requirements**

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget		5-Year Projected Rate Period			
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Sources of Water Funds</b>						
Rate Revenue	\$ 2,477,330	\$ 2,489,469	\$ 2,501,667	\$ 2,513,925	\$ 2,526,243	\$ 2,538,622
Non-Rate Revenue	847,683	851,837	856,011	860,205	864,421	868,656
<b>Total Sources of Funds:</b>	<b>\$ 3,325,013</b>	<b>\$ 3,341,306</b>	<b>\$ 3,357,678</b>	<b>\$ 3,374,131</b>	<b>\$ 3,390,664</b>	<b>\$ 3,407,278</b>
<b>Uses of Water Funds</b>						
Operating Expenses	\$ 3,437,554	\$ 3,544,056	\$ 3,655,270	\$ 3,771,458	\$ 3,892,895	\$ 4,019,879
Debt Service	-	-	485,465	485,465	1,544,209	1,544,209
Rate-Funded Capital Expenses	-	-	-	-	-	69,216
<b>Total Use of Funds:</b>	<b>\$ 3,437,554</b>	<b>\$ 3,544,056</b>	<b>\$ 4,140,736</b>	<b>\$ 4,256,923</b>	<b>\$ 5,437,104</b>	<b>\$ 5,633,303</b>
<b>Surplus (Deficiency) before Rate Increase</b>	<b>\$ (112,540)</b>	<b>\$ (202,750)</b>	<b>\$ (783,058)</b>	<b>\$ (882,792)</b>	<b>\$ (2,046,441)</b>	<b>\$ (2,226,025)</b>
Additional Revenue from Rate Increases <sup>1</sup>	-	139,410	338,225	553,918	787,848	1,041,483
<b>Surplus (Deficiency) after Rate Increase</b>	<b>\$ (112,540)</b>	<b>\$ (63,340)</b>	<b>\$ (444,832)</b>	<b>\$ (328,874)</b>	<b>\$ (1,258,592)</b>	<b>\$ (1,184,542)</b>
<b>Projected Annual Rate Increase</b>	<b>0.00%</b>	<b>5.60%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>
<b>Net Revenue Requirement<sup>2</sup></b>	<b>\$ 2,589,870</b>	<b>\$ 2,692,218</b>	<b>\$ 3,284,725</b>	<b>\$ 3,396,718</b>	<b>\$ 4,572,684</b>	<b>\$ 4,764,647</b>

1. Assumes new rates are implemented July 1, 2026.

2. This is the annual amount needed from water rates. [Net Revenue Requirement = Total Use of Funds - (Non-Rate Revenues + Interest Earnings)].

**Figure 3** summarizes the projected reserve fund balances and reserve targets for the County’s unrestricted funds. A detailed version of the proposed 5-year financial plan is included in *Appendix A. Water Rate Study Tables and Figures*. The tables in the appendix include the revenue requirement, reserve funds, revenue sources, capital improvement costs, and the proposed rate adjustments needed to meet the County’s funding requirements.

**Figure 3. Summary of Primary Water Reserve Funds**

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budget	5-Year Projected Rate Period				
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Operating Reserve</b>						
Ending Balance	\$ 859,000	\$ 886,000	\$ 914,000	\$ 943,000	\$ 973,000	\$ 1,005,000
<i>Recommended Minimum Target</i>	<i>859,000</i>	<i>886,000</i>	<i>914,000</i>	<i>943,000</i>	<i>973,000</i>	<i>1,005,000</i>
<b>Capital Reserve</b>						
Ending Balance	\$ 8,665,620	\$ 4,182,468	\$ 3,760,321	\$ 3,445,515	\$ 2,200,807	\$ 1,016,004
<i>Recommended Minimum Target</i>	<i>859,000</i>	<i>886,000</i>	<i>914,000</i>	<i>943,000</i>	<i>973,000</i>	<i>1,005,000</i>
<b>Total Ending Balance</b>	<b>\$ 9,524,620</b>	<b>\$ 5,068,468</b>	<b>\$ 4,674,321</b>	<b>\$ 4,388,515</b>	<b>\$ 3,173,807</b>	<b>\$ 2,021,004</b>
<i>Total Recommended Minimum Target</i>	<i>\$ 1,718,000</i>	<i>\$ 1,772,000</i>	<i>\$ 1,828,000</i>	<i>\$ 1,886,000</i>	<i>\$ 1,946,000</i>	<i>\$ 2,010,000</i>

### 2.3 Cost-of-Service Analysis

Once the net revenue requirements are determined, the cost-of-service analysis (COSA) proportionately distributes the revenue requirements to each of the customer classes. The COSA consists of two major components: (1) the classification of expenses, and (2) the allocation of costs to each customer class. Costs are classified according to the function they serve. All costs in the County’s budget are allocated to each component of the rate structure in proportion to the level of service required by customers.

The level of service is related to the volume and strength of the water treated, infrastructure capacity, and customer service. These costs are based on allocation factors, such as water consumption, number of meters, and customer class. Ultimately, a COSA is intended to result in rates that are proportional to the cost of providing service to each customer class.

#### FUNCTIONALIZATION AND CLASSIFICATION OF COSTS

Most costs are not typically allocated just to fixed or variable categories but rather allocated to multiple functions of water service. The functionalization and classification process provides the basis for allocating costs to various customer classes based on the cost causation (classification) components described below:

- **Commodity-related costs** are costs associated with the change in the volume of water produced and delivered. These commonly include the costs of water quality testing, energy related to pumping for transmission and distribution, and source of supply.
- **Capacity-related costs** are costs associated with sizing facilities to meet the maximum, or peak, demand. This includes both operating costs and capital infrastructure costs incurred to accommodate peak system capacity events.
- **Customer-related costs** are costs associated with having a customer connected to the water system, such as meter reading, postage, billing, and other administrative duties.

The County’s budgeted costs were reviewed and allocated to these cost causation components which are used as the basis for establishing new water rates and translated into fixed and variable charges. Tables in the *Appendices* show how the County’s expenses were classified and allocated to these cost causation components. In the analysis, these cost causation components are also considered to be either fixed or variable.

## FIXED AND VARIABLE COSTS

Ideally, utilities should recover all of their fixed costs from fixed charges and all of their variable costs from volumetric charges. When this is the case, fluctuations in water sales revenues would be directly offset by reductions or increases in variable expenses, which provides greater revenue stability for the utility. However, other factors are often considered when designing water rates, such as community values, water conservation goals, ease of understanding, and ease of administration.<sup>6</sup>

NBS functionalized the County’s costs into categories that represent fixed and variable costs. This analysis resulted in a cost distribution that is approximately 55% fixed and 45% variable (i.e., volumetric), which is consistent with the County’s current rate revenue collection from customers in proportions of approximately 54% fixed and 46% variable. County staff agrees with NBS that the current rate design is the preferred rate alternative; it provides continuity for the County’s rate design while also encouraging water conservation. Therefore, the proposed new rates are based on these 55% fixed and 45% variable allocations.

**Figure 4** summarizes how costs are allocated to each cost component and used to establish new water rates. **Figure 5** shows the resulting cost allocation to each cost classification component.

**Figure 4. Allocation Percentages of Revenue Requirements**

Classification Components	Cost-of-Service Net Revenue Requirements (FY 2026/27)	
	Amount	Percentage
Commodity-Related Costs	\$ 1,183,666	45.0%
Capacity-Related Costs	1,287,094	49.0%
Customer-Related Costs	158,119	6.0%
<b>Net Revenue Requirement</b>	<b>\$ 2,628,879</b>	<b>100.0%</b>

**Figure 5. Allocated Net Revenue Requirements**

Customer Classes	Classification Components			Cost of Service Net Rev. Req'ts	% of COS Net Revenue Req'ts
	VARIABLE	FIXED			
	Commodity-Related Costs	Capacity-Related Costs	Customer-Related Costs		
All Customers	\$ 1,183,666	\$ 1,287,094	\$ 158,119	\$ 2,628,879	100.0%
<b>Total Net Revenue Requirement</b>	<b>\$ 1,183,666</b>	<b>\$ 1,287,094</b>	<b>\$ 158,119</b>	<b>\$ 2,628,879</b>	<b>100%</b>

## 2.4 Characteristics of Water Customers by Customer Class

Customer classes are typically determined by grouping customers with similar demand characteristics into categories that reflect the cost differentials to serve each type of customer. In this case customers are identified by meter size, as the land uses are fairly homogenous. The rates proposed in this report follow a similar structure where the fixed charges for the single customer class vary by meter size while all customers are charged a uniform volumetric rate.

<sup>6</sup> *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, Manual M1, AWWA, 7<sup>th</sup> Edition, 2017, pp. 6 and 96.

The amount of consumption, the peaking factors, and the number of meters by size are used to allocate costs to customer classes and determine the appropriate rate structures for each. These components of the COSA are presented in the following figures.

Commodity-related costs are costs associated with the total annual consumption of water by customer class. **Figure 6** below summarizes the most recent consumption data by customer class and represents the expected percent of consumption over the 5-year rate period.

**Figure 6. Water Consumption by Customer Class**

Development of the Volumetric/Variable Allocation Factor <sup>1</sup>		
Customer Class	CY 2024 Consumption (HCF)	% of Total Volume
All Customers	1,080,049	100.0%
<b>Total</b>	<b>1,080,049</b>	<b>100.0%</b>

1. Consumption data is based on County billing data for CY 2024.

**Figure 7** shows the number of meters for each customer class. The percentage of total customers by customer class is then used to develop the customer allocation factors to allocate customer costs. Customer costs are those costs associated with having customers connected to the water system and include costs related to meter reading, postage, and billing.

**Figure 7. Number of Meters by Customer Class**

Development of the Customer Allocation Factor		
Customer Class	No. of Meters	% of Total Meters
All Customers	4,029	100.0%
<b>Total</b>	<b>4,029</b>	<b>100.0%</b>

1. Consumption data is based on County billing data for CY 2024.

## 2.5 Rate Design Analysis

Evaluating the water rate structure includes reviewing rate-design objectives and policies, including continuity of rate design, revenue stability, equity among customers, and water conservation. NBS discussed the 55%/45% rate design with County staff over the course of this study as it is close to the actual cost of service based on NBS’ analysis and consistent with the current rate design. Also, because of the difficulty meeting Prop 218 legal requirements of demonstrating the cost basis for tiered rates given the County’s water supply costs, the preferred rate structure proposes a uniform tier for all customers rather than the existing two-tiers. The following section describes how the proposed water rates were determined.

### DEVELOPMENT OF PROPOSED RATES

#### **Fixed Service Charges**

The fixed meter charge recognizes that the water utility incurs fixed costs regardless of whether customers use water. Two components comprise the fixed meter charge: (1) the capacity component, and (2) the customer component. The capacity component recovers costs associated with sizing the water system to ensure there is sufficient capacity in the system to meet peak demand. A user class with higher capacity is allocated a proportionately higher share of the capacity-related costs compared to customer classes with

lower capacity. The customer component includes those costs related to reading and maintaining meters, customer billing and collection, and other customer service-related costs.

Fixed charges also vary based on meter sizes because larger meters have higher capacity requirements and reflect their potential to use more of the system’s capacity.<sup>7</sup> The potential capacity demand is proportional to the maximum hydraulic flow through each meter size based on the hydraulic capacity ratios established by AWWA.<sup>8</sup> The AWWA capacity ratios used for this report are shown in

Figure 8.

Figure 8. Hydraulic Capacity Factors

Meter Size	Standard Meters	
	Meter Capacity	Equivalency to 3/4 inch
	<i>Displacement Meters</i>	
3/4 inch	30	1.00
1 inch	50	1.67
1 1/2 inch	100	3.33
2 inch	160	5.33
	<i>Compound Class I Meters</i>	
3 inch	320	10.67
4 inch	500	16.67
6 inch	1,000	33.33
8 inch	1,600	53.33
	<i>Turbine Class II Meters</i>	
10 inch	4,200	140.00
12 inch	5,300	176.67

1. Per AWWA, M1 Manual, Table B-1.

The actual number of meters by size is multiplied by the corresponding capacity ratios to calculate “equivalent” meters. The number of equivalent meters is used as a proxy for the potential demand that each customer can place on the water system. **Figure 9** summarizes the number of meters, the hydraulic capacity factors, and the number of equivalent meters (i.e., the number of meters multiplied by the hydraulic capacity factor) by customer class and meter size.

Figure 9. Equivalent Meters

Number of Meters by Class and Size <sup>1</sup>	FY 2026/27								Total
	5/8 - 3/4" meter	1" meter	1.5" meter	2" meter	3" meter	4" meter	6" meter	8" meter	
All Customers	0	3,965	3	45	9	1	3	3	4,029
<b>Total Meters/Accounts</b>	<b>0</b>	<b>3,965</b>	<b>3</b>	<b>45</b>	<b>9</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>4,029</b>
<i>Hydraulic Capacity Factor</i> <sup>2</sup>	1.00	1.67	3.33	5.33	10.67	16.67	33.33	53.33	
<b>Total Equivalent Meters</b>	<b>0</b>	<b>6,608</b>	<b>10</b>	<b>240</b>	<b>96</b>	<b>17</b>	<b>100</b>	<b>160</b>	<b>7,231</b>

Using the costs allocated to each customer class from Figure 5, **Figure 10** shows the calculation of the fixed monthly service charges for all customer classes based on meter size. As previously mentioned, the customer service charge is calculated by dividing the customer service-related costs by the total number of

<sup>7</sup> System capacity is the system’s ability to supply water to all delivery points at the time when demanded.

<sup>8</sup> *Principles of Water Rates, Fees and Charges*, Manual of Water Supply Practices, Manual M1, AWWA, 7<sup>th</sup> Edition, 2017, p. 386. *Water Meters – Selection, Installation, Testing and Maintenance*, Manual M6, AWWA, 5<sup>th</sup> Edition, 2012, pp. 63-65.

meters, whereas the fixed capacity charge is calculated by dividing the capacity-related costs by the total number of equivalent meters for each meter size.

**Figure 10. Calculation of Fixed Service Charges**

Number of Meters by Class and Size <sup>1</sup>	FY 2026/27								Total
	5/8 - 3/4" meter	1" meter	1.5" meter	2" meter	3" meter	4" meter	6" meter	8" meter	
All Customers	0	3,965	3	45	9	1	3	3	4,029
<b>Total Meters/Accounts</b>	<b>0</b>	<b>3,965</b>	<b>3</b>	<b>45</b>	<b>9</b>	<b>1</b>	<b>3</b>	<b>3</b>	<b>4,029</b>
Hydraulic Capacity Factor <sup>2</sup>	1.00	1.67	3.33	5.33	10.67	16.67	33.33	53.33	
<b>Total Equivalent Meters</b>	<b>0</b>	<b>6,608</b>	<b>10</b>	<b>240</b>	<b>96</b>	<b>17</b>	<b>100</b>	<b>160</b>	<b>7,231</b>
<b>Monthly Fixed Service Charges</b>									
Customer Costs (\$/Acct/month) <sup>3</sup>	\$ 3.27	\$ 3.27	\$ 3.27	\$ 3.27	\$ 3.27	\$ 3.27	\$ 3.27	\$ 3.27	
Capacity Costs (\$/Acct/month) <sup>4</sup>	14.83	24.72	49.44	79.11	158.22	247.22	494.44	791.10	
<b>Total Monthly Meter Charge</b>	<b>\$ 18.10</b>	<b>\$ 27.99</b>	<b>\$ 52.71</b>	<b>\$ 82.38</b>	<b>\$ 161.49</b>	<b>\$ 250.49</b>	<b>\$ 497.71</b>	<b>\$ 794.37</b>	

1. Meter by Class and Size are based on December 2024 customer billing data.
2. Source: *Principles of Water Rates, Fees, and Charges*, Manual M1, AWWA, Table B-1.
3. Customer costs are allocated to each customer by dividing the total customer costs by the total number of customers.
4. Capacity costs are allocated by meter size and the hydraulic capacity of the meter.

**Volumetric Rates**

Currently, the County uses a 3-tier rate structure for all customers; however, the proposed rates are based on a uniform, or single tier, volumetric rate. Given the single source of water supply, a uniform volumetric rate is more feasible from a Prop 218 perspective.

Figure 11 shows the calculation of the uniform tier rate per unit of water for all customers.

**Figure 11. Uniform Tier Rates for FY 2026/27**

Customer Classes	Water Consumption (HCF/yr)	Total Target Rev. Req't from Vol. Charges	% of Total Rate Revenue	Uniform Commodity Rates (\$/HCF)	Proposed Rate Structure
All Customers	1,080,049	\$ 1,183,666	45.0%	\$1.10	Uniform
<b>Total Water</b>	<b>1,080,049</b>	<b>\$ 1,183,666</b>	<b>45.0%</b>		

**2.6 Proposed Water Rates**

Since the County’s last rate study, the underlying cost factors (e.g., number of meters and water consumption) have changed. The cost-of-service analysis by nature “re-balances” how costs are allocated between customer classes and, as a result, there are uneven adjustments in the first year of the 5-year rate adoption period. In contrast, in the subsequent four years of the rate planning period, proposed charges are simply adjusted by the proposed adjustment in total rate revenue needed to meet projected revenue requirements.

Figure 12 provides a comparison of the current and proposed water rates for FY 2026/27 through 2030/31 for each meter size. Projected rates for each fiscal year reflect adjustments based on the cost-of-service analysis, the 55% fixed/45% variable rate design structure, and the recommended percent increases in rate revenue planned for each year. More detailed tables on the development of the proposed water rates are documented in Appendix A. Water Rate Study Tables and Figures.

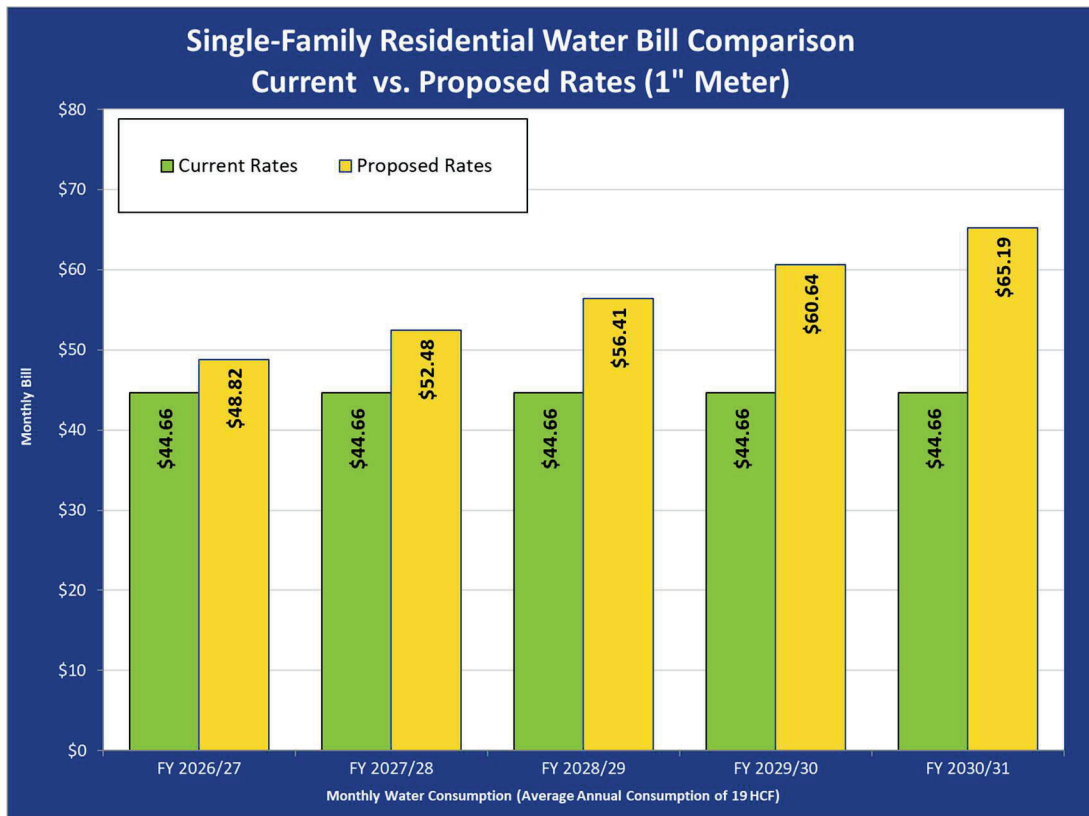
**Figure 12. Current and Proposed Water Rates**

Water Rate Schedule	Current Rates	Proposed Rates				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Monthly Fixed Service Charges (in \$/mo)</b>						
<b>Domestic Service Charge</b>						
3/4"	\$15.63	\$18.10	\$19.46	\$20.92	\$22.49	\$24.18
1"	\$26.05	27.99	30.09	32.35	34.77	37.38
1.5"	\$52.11	52.71	56.67	60.92	65.49	70.40
2"	\$83.37	82.38	88.56	95.20	102.34	110.02
3"	\$166.75	161.49	173.60	186.62	200.62	215.66
4"	\$260.55	250.49	269.27	289.47	311.18	334.52
6"	\$521.10	497.71	535.03	575.16	618.30	664.67
8"	\$833.75	794.37	853.94	917.99	986.84	1,060.85
<b>Water Usage Charges (in \$/HCF)</b>						
0-14	\$0.94	\$1.10	\$1.18	\$1.27	\$1.36	\$1.46
15-80	\$1.09	N/A	N/A	N/A	N/A	N/A
81+	\$1.24	N/A	N/A	N/A	N/A	N/A

## 2.7 Comparison of Current and Proposed Water Bills

Figure 13 compares a monthly water bills under the current and proposed water rates for a residential customer. These monthly bills for each year of the rate period are based on typical meter sizes and highlight the average consumption levels for the customer.

**Figure 13. Monthly Water Bill Comparison for Residential Customers**



## 3. Sewer Rate Study

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### 3.1 Key Sewer Rate Study Issues

The County's sewer rate analysis was undertaken with a few specific objectives, including:

- Ensuring equity among customer classes by collecting rate revenue through the cost-of-service process based on both fixed monthly charges and volumetric rates.
- Maintain adequate reserve levels to ensure continuity in operations.
- Comply with Prop 218 requirements to ensure costs are properly allocated between user classifications.

### 3.2 Financial Plan

Like the water utility, it is important for the sewer utility to ensure rates provide sufficient funding to cover operating and maintenance costs, planned capital expenditures, and maintain reasonable reserves. The sewer utility's rate increases are governed by these needs, and the current state of the County's sewer utility is as follows:

**Meeting Net Revenue Requirements:** For FY 2026/27 through FY 2030/31, the projected net revenue requirements (that is, total operating expenses plus rate-funded capital costs less non-rate revenues) for the County averages approximately \$2.6 million to \$3.1 million annually. If no rate increases are implemented, the County is projected to run an annual deficit of approximately \$97 thousand beginning in FY 2028/29 but increasing to \$335 thousand by FY 2030/31.

**Maintaining Reserve Funds:** Reserve funds provide a basis for a utility to cope with fiscal emergencies such as revenue shortfalls, asset failure, and natural disasters, among other events. Reserve policies provide guidelines for sound financial management, with an overall long-range perspective to maintain financial solvency and mitigate financial risks associated with revenue instability, volatile capital costs, and emergencies. The reserve funds for the sewer utility are considered unrestricted reserves and consist of the following:

- **Operating Reserve:** The target ending fund balance for the operating reserve is equal to 90 days of operating expenses, or approximately \$866 thousand in FY 2026/27. An operating reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures. Fluctuations in revenue can be caused by weather patterns, the natural inflow and outflow of cash during billing cycles, and – particularly in periods of economic distress – changes or trends in age of receivables.
- **Capital Rehabilitation & Replacement Reserve** equal to 3% of net assets, or approximately \$866 thousand. This reserve is set aside to address long-term capital system replacement and rehabilitation needs.

**Maintaining Adequate Bond Coverage:** Should the County issue debt to finance capital needs, there would be a requirement to maintain a minimum debt service coverage ratio as specified in the bond documents. Rates need to be set to generate sufficient revenue to provide the required level of coverage on debt services as well as fund operating needs.

**Figure 14** summarizes the sources and uses of funds, net revenue requirements, and the recommended annual increases in sewer rate revenue proposed for the next five years. **Figure 15** summarizes the projected reserve fund balances and reserve targets for the sewer utility’s unrestricted funds.

**Figure 14. Summary of Sewer Revenue Requirements**

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget	5-Year Projected Rate Period				
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Sources of Sewer Funds</b>						
Rate Revenue Under Current Rates	\$ 2,747,598	\$ 2,761,061	\$ 2,774,590	\$ 2,788,185	\$ 2,801,848	\$ 2,815,577
Non-Rate Revenues	821,280	825,304	829,348	833,412	837,495	841,599
<b>Total: Sources of Funds</b>	<b>\$ 3,568,877</b>	<b>\$ 3,586,365</b>	<b>\$ 3,603,938</b>	<b>\$ 3,621,597</b>	<b>\$ 3,639,343</b>	<b>\$ 3,657,176</b>
<b>Uses of Sewer Funds</b>						
Operating Expenses	\$ 3,346,196	\$ 3,465,684	\$ 3,589,863	\$ 3,718,917	\$ 3,853,038	\$ 3,992,424
Debt Service	-	-	-	-	-	-
Rate-Funded Capital Expenses	-	-	-	-	-	-
<b>Total: Use of Funds</b>	<b>\$ 3,346,196</b>	<b>\$ 3,465,684</b>	<b>\$ 3,589,863</b>	<b>\$ 3,718,917</b>	<b>\$ 3,853,038</b>	<b>\$ 3,992,424</b>
<b>Surplus (Deficiency) before Rate Increase</b>	<b>\$ 222,681</b>	<b>\$ 120,681</b>	<b>\$ 14,075</b>	<b>\$ (97,320)</b>	<b>\$ (213,695)</b>	<b>\$ (335,248)</b>
Additional Revenue from Rate Increases <sup>1</sup>	-	125,904	203,691	284,299	367,821	454,350
<b>Surplus (Deficiency) after Rate Increase</b>	<b>\$ 222,681</b>	<b>\$ 246,585</b>	<b>\$ 217,766</b>	<b>\$ 186,980</b>	<b>\$ 154,126</b>	<b>\$ 119,101</b>
<b>Projected Increases in Rate Revenue</b>	<b>0.00%</b>	<b>4.56%</b>	<b>2.66%</b>	<b>2.66%</b>	<b>2.66%</b>	<b>2.66%</b>
<b>Total Rate Revenue Requirement<sup>2</sup></b>	<b>\$ 2,747,598</b>	<b>\$ 2,886,965</b>	<b>\$ 2,978,281</b>	<b>\$ 3,072,485</b>	<b>\$ 3,169,669</b>	<b>\$ 3,269,926</b>

1. Assumes new rates are implemented July 1, 2026.
2. Total use of funds less non-rate revenues and interest earnings.

**Figure 15. Summary of Sewer Reserve Funds**

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budget	5-Year Projected Rate Period				
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Unrestricted Reserves</b>						
<b>Operating Reserve</b>						
Ending Balance	\$ 837,000	\$ 866,000	\$ 897,000	\$ 930,000	\$ 963,000	\$ 998,000
<i>Recommended Minimum Target</i>	<i>837,000</i>	<i>866,000</i>	<i>897,000</i>	<i>930,000</i>	<i>963,000</i>	<i>998,000</i>
<b>Capital Rehabilitation &amp; Replacement Reserve</b>						
Ending Balance	\$ 8,659,718	\$ 8,617,867	\$ 8,702,421	\$ 8,750,619	\$ 8,762,277	\$ 8,733,083
<i>Recommended Minimum Target</i>	<i>837,000</i>	<i>866,000</i>	<i>897,000</i>	<i>930,000</i>	<i>963,000</i>	<i>998,000</i>
<b>Total Ending Balance</b>	<b>\$ 9,496,718</b>	<b>\$ 9,483,867</b>	<b>\$ 9,599,421</b>	<b>\$ 9,680,619</b>	<b>\$ 9,725,277</b>	<b>\$ 9,731,083</b>
<b>Total Recommended Minimum Target</b>	<b>\$ 1,674,000</b>	<b>\$ 1,732,000</b>	<b>\$ 1,794,000</b>	<b>\$ 1,860,000</b>	<b>\$ 1,926,000</b>	<b>\$ 1,996,000</b>

A more detailed version of the utility’s proposed five-year financial plan is included in *Appendix B*. The appendix tables include revenue requirements, reserve funds, revenue sources, proposed rate increases, and the County’s capital improvement program.

### 3.3 Cost-of-Service Analysis

Once the net revenue requirements are determined, the cost-of-service analysis (COSA) proportionately distributes the revenue requirements to the single customer class. The COSA consists of the classification of expenses and then the allocation of those expenses to customer classes based on allocation factors, such as number of equivalent dwelling units (EDUs). Ultimately, a COSA is intended to result in rates that are proportional to the cost of providing service to each customer class.

#### DISTRIBUTION OF COSTS OF SERVICE TO CUSTOMER CLASSES

We arrive at the customer class responsibility for service by applying the unit costs of service to the number of units, in this case Equivalent Dwelling Units, for which the customer class is responsible. In other words, the total revenue requirement is divided by the number of Equivalent Dwelling Units.

### 3.4 Rate Design Analysis

The cost-of-service analysis described in previous sections of this report provide a basis for the design of the sewer rates. Ultimately, the rate alternative selected by County staff is one similar to the existing rate design. The reasons for selecting this alternative are (1) it maintains the existing rate design developed during the last study (2) it provides continuity for sewer customers, and (3) it is easy to understand from a customer’s perspective and easy to administrate from County staff’s perspective.

#### FIXED CHARGES

The fixed charge recognizes that the sewer utility incurs fixed costs regardless of whether customers send any sewer into the County’s collection system. The factor used to develop the fixed change is the number of Equivalent Dwelling Units associated with each account. The monthly fixed charge is calculated by taking 100% of total revenue requirements and dividing by the number of Equivalent Dwelling Units.

The charge calculations are summarized in **Figure 16**.

**Figure 16. Calculation of Fixed Charges**

<b>NET REVENUE REQUIREMENTS (100% FIXED / 0% VARIABLE)</b>				
<b>Customer Class</b>	<b>Number of Billing Units</b>	<b>Net Revenue Requirement</b>	<b>Estimated Fixed Revenue</b>	<b>Monthly Fixed Charge Per Unit</b>
All Customers	4,605	\$ 2,886,965	\$ 2,886,965	\$ 52.24
<b>Total</b>	<b>4,605</b>	<b>\$ 2,886,965</b>	<b>\$ 2,886,965</b>	

### 3.5 Proposed Sewer Rates

The proposed sewer rates are similar to existing rates in terms of the rate design and rate methodology.

**Figure 17. Current vs. Proposed Sewer Rates**

<b>Sewer Rate Schedule</b>	<b>Current Rates</b>	<b>Proposed Sewer Rates</b>				
		<b>FY 2026/27</b>	<b>FY 2027/28</b>	<b>FY 2028/29</b>	<b>FY 2029/30</b>	<b>FY 2030/31</b>
<b>Monthly Fixed Service Charge Per EDU</b>						
<u>All Customers</u>	<u>Per Dwelling Unit</u>					
All Customers	\$50.89	\$52.24	\$53.63	\$55.06	\$56.52	\$58.03

compares the current and proposed rates for FY 2026/27 through FY 2030/31 by customer class. More detailed tables on the development of the proposed rates are documented in *Appendix B*.

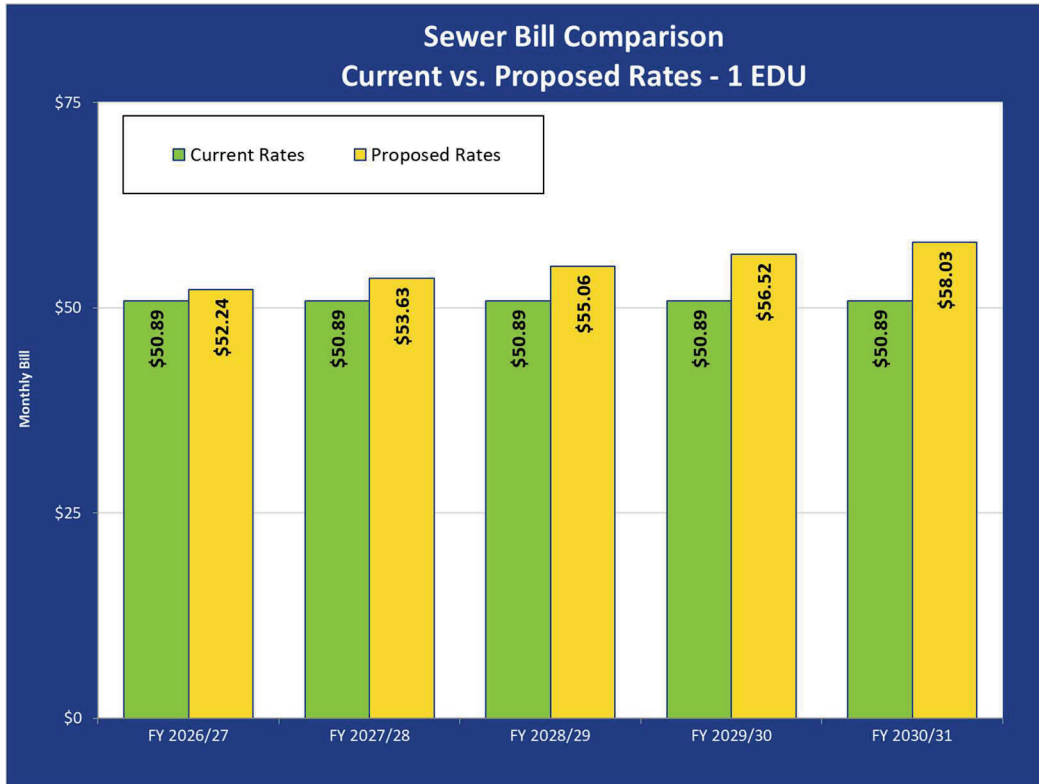
**Figure 17. Current vs. Proposed Sewer Rates**

<b>Sewer Rate Schedule</b>	<b>Current Rates</b>	<b>Proposed Sewer Rates</b>				
		<b>FY 2026/27</b>	<b>FY 2027/28</b>	<b>FY 2028/29</b>	<b>FY 2029/30</b>	<b>FY 2030/31</b>
<b>Monthly Fixed Service Charge Per EDU</b>						
<u>All Customers</u>	<u>Per Dwelling Unit</u>					
All Customers	\$50.89	\$52.24	\$53.63	\$55.06	\$56.52	\$58.03

### 3.6 Comparison of Current and Proposed Sewer Bills

The following figures compare monthly sewer bills under current and proposed rates for a customer with one Equivalent Dwelling Unit over the 5-year rate period.

Figure 18. Sewer Bill Comparison



## 4. Recommendations and Next Steps

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### 4.1 Consultant Recommendations

NBS recommends the County take the following actions:

- **Approve and Accept this Study:** NBS recommends the Board formally approve and adopt this Study and its recommendations and proceed with the next steps outlined below to implement the proposed rates. This will provide documentation of the rate study analyses and the basis for analyzing potential changes to future rates.
- **Implement Recommended Levels of Rate Increases and Proposed Rates:** Based on successfully meeting the Prop 218 procedural requirements, the County should proceed with implementing the 5-year schedule of proposed rates and rate increases previously shown in Figure 12 and Figure 17. This will help ensure the continued financial health of County's utilities.

### 4.2 Next steps

**Annually Review Rates and Revenue** – Any time an agency adopts new utility rates or rate structures, those new rates should be closely monitored over the next several years to ensure the revenue generated is sufficient to meet the annual revenue requirements. Changing economic and water consumption patterns underscore the need for this review, as well as potential and unseen changing revenue requirements — particularly those related to environmental regulations that can significantly affect capital improvements and repair and replacement costs.

*Note: The attached Technical Appendices provide more detailed information on the analysis of the financial plan, revenue requirements, cost-of-service, and the rate design analyses that have been summarized in this report.*

### 4.3 NBS' Principal Assumptions and Considerations

In preparing this report and the opinions and recommendations included herein, NBS has relied on several principal assumptions and considerations regarding financial matters, conditions, and events that may occur in the future. This information and these assumptions, including the County's budgets, capital improvement costs, customer accounts and consumption, and information from County staff were provided by sources we believe to be reliable, although NBS has not independently verified this data.

While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report and its recommendations, some assumptions will invariably not materialize as stated herein and may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.

# Technical Appendices

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These Appendices contain:

- Appendix A: Water Rate Study Tables and Figures
- Appendix B: Sewer Rate Study Tables and Figures

# Appendix A. Water Rate Study Tables and Figures

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TABLE 1: FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

RATE REVENUE REQUIREMENTS SUMMARY	Budgeted FY 2025/26	5-Year Projected Rate Period					FY 2030/31
		FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31		
<b>Sources of Water Funds<sup>1</sup></b>							
Rate Revenue:							
070-Charges for Current Services	\$ 28,489	\$ 28,629	\$ 28,910	\$ 29,051	\$ 29,194	\$ 29,194	
075-Charges for Current Services-Fee Ord	2,477,330	2,489,469	2,513,925	2,526,243	2,538,622	2,538,622	
<b>Non-Rate Revenue:</b>							
000-Taxes	603,342	606,298	612,255	615,255	618,269	618,269	
030-Revenue From Use of Money & Property	212,034	213,073	214,117	215,166	216,220	217,280	
040-Intergovernmental Revenue-State	3,819	3,837	3,875	3,894	3,913	3,913	
080-Other Revenue	-	-	-	-	-	-	
<b>Total Sources of Funds:</b>	<b>\$ 3,325,013</b>	<b>\$ 3,341,306</b>	<b>\$ 3,357,678</b>	<b>\$ 3,374,131</b>	<b>\$ 3,390,664</b>	<b>\$ 3,407,278</b>	
<b>Uses of Water Funds<sup>1</sup></b>							
Operating Expenses:							
200-Services & Supplies-General	\$ 1,365,221	\$ 1,424,454	\$ 1,486,888	\$ 1,552,733	\$ 1,622,217	\$ 1,695,584	
410-Capital Outlay-Improvements to Land	\$ 516,000	\$ 532,512	\$ 549,552	\$ 567,138	\$ 585,286	\$ 604,016	
430-Capital Outlay-Structures Improvemen	-	-	-	-	-	-	
530-Other Financ Uses-Operating Trsf Out	-	-	-	-	-	-	
540-Intra Entity Reimbursement Out	1,556,332	1,587,089	1,618,830	1,651,587	1,685,392	1,720,279	
Subtotal: Operating Expenses	\$ 3,437,554	\$ 3,544,056	\$ 3,655,270	\$ 3,771,458	\$ 3,892,895	\$ 4,019,879	
Other Expenditures:							
Existing Debt Service	-	-	-	-	-	-	
New Debt Service	-	-	-	-	-	-	
Rate-Funded Capital Expenses	0	-	485,465	485,465	1,544,209	1,544,209	
Subtotal: Other Expenditures	\$ 0	\$ -	\$ 485,465	\$ 485,465	\$ 1,544,209	\$ 1,613,425	
<b>Total Uses of Water Funds:</b>	<b>\$ 3,437,554</b>	<b>\$ 3,544,056</b>	<b>\$ 4,140,736</b>	<b>\$ 4,256,923</b>	<b>\$ 5,437,104</b>	<b>\$ 5,633,303</b>	
plus: Revenue from Rate Increases <sup>2</sup>	139,410	139,410	338,225	553,918	787,848	1,041,483	
<b>Annual Surplus/(Deficit)</b>	<b>\$ (112,541)</b>	<b>\$ (63,340)</b>	<b>\$ (444,832)</b>	<b>\$ (328,874)</b>	<b>\$ (1,258,592)</b>	<b>\$ (1,184,542)</b>	
<b>Net Revenue Req<sup>1</sup> (Total Uses, less Non-Rate Revenue)</b>	<b>\$ 2,589,870</b>	<b>\$ 2,692,218</b>	<b>\$ 3,284,725</b>	<b>\$ 3,396,718</b>	<b>\$ 4,672,684</b>	<b>\$ 4,764,647</b>	
<b>Total Rate Revenue After Rate Increases (Water)</b>	<b>\$ 2,505,819</b>	<b>\$ 2,657,507</b>	<b>\$ 2,868,661</b>	<b>\$ 3,096,753</b>	<b>\$ 3,343,143</b>	<b>\$ 3,609,299</b>	
<b>Projected Annual Rate Revenue Increase</b>	<b>0.00%</b>	<b>5.60%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>	
<b>Cumulative Increase from Annual Revenue Increases</b>	<b>0.00%</b>	<b>5.60%</b>	<b>13.52%</b>	<b>22.03%</b>	<b>31.19%</b>	<b>41.03%</b>	
<b>Debt Coverage After Rate Increase</b>	<b>N/A</b>	<b>N/A</b>	<b>0.08</b>	<b>0.32</b>	<b>0.18</b>	<b>0.28</b>	

1. Revenue and expenses for FY 2025/26 provided by the County. Revenues and expenses for all other years are escalated based on the forecasting assumptions in Table 8.  
2. Revenue from rate increases assumes an implementation date of July 1, 2026 for new rates. For each year thereafter, the assumption is that new rates will be implemented on July 1st of each year.

1	← Select Financial Plan Scenario Here	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Financial Plan Alternatives							
1	Alternative 1 - Custom Rate Increases	0.00%	5.60%	7.50%	7.50%	7.50%	7.50%
2	Alternative 2 - Custom Rate Increases	0.00%	8.00%	8.00%	6.00%	6.00%	6.00%
3	Alternative 3 - Custom Rate Increases	0.00%	20.00%	20.00%	10.00%	8.00%	5.00%
4	Alternative 4 - No Rate Increases	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

TABLE 2 : RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY	Budgeted FY 2025/26	5-Year Projected Rate Period				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<i>Unrestricted Reserve:</i>						
<b>Total Beginning Cash<sup>1</sup></b>						
<b>Operating Reserve</b>						
Beginning Reserve Balance	\$ 842,000	\$ 859,000	\$ 886,000	\$ 914,000	\$ 943,000	\$ 973,000
Plus: Net Cash Flow (After Rate Increases)	(112,541)	(63,340)	(444,832)	(328,874)	(1,258,592)	(1,184,542)
Plus: Transfer in of Debt Reserve Surplus	-	-	-	-	-	-
Plus: Interest Earnings	8,420	8,590	8,860	9,140	9,430	9,730
Less: Transfer out to Capital and Infrastructure Reserve	121,121	81,750	463,972	348,734	1,279,162	1,206,812
<b>Ending Operating Reserve Balance</b>	<b>\$859,000</b>	<b>\$886,000</b>	<b>\$914,000</b>	<b>\$943,000</b>	<b>\$973,000</b>	<b>\$1,005,000</b>
<b>Target Ending Balance (90 days of O&amp;M)<sup>2</sup></b>	<b>\$ 859,000</b>	<b>\$ 914,000</b>	<b>\$ 943,000</b>	<b>\$ 943,000</b>	<b>\$ 973,000</b>	<b>\$ 1,005,000</b>
<b>Capital Reserve</b>						
Beginning Reserve Balance	\$ 8,699,744	\$ 8,665,620	\$ 4,182,468	\$ 3,760,321	\$ 3,445,515	\$ 2,200,807
Plus: Grant Proceeds	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surplus	(121,121)	(81,750)	(463,972)	(348,734)	(1,279,162)	(1,206,812)
Plus: Interest Earnings	86,997	86,656	41,825	37,603	34,455	22,008
Less: Use of Reserves for Capital Projects	-	(4,488,059)	-	(3,675)	-	-
<b>Ending Capital Reserve Balance</b>	<b>\$ 8,665,620</b>	<b>\$ 4,182,468</b>	<b>\$ 3,760,321</b>	<b>\$ 3,445,515</b>	<b>\$ 2,200,807</b>	<b>\$ 1,016,004</b>
<b>Target Ending Balance (90 days of O&amp;M)<sup>2</sup></b>	<b>\$ 859,000</b>	<b>\$ 886,000</b>	<b>\$ 914,000</b>	<b>\$ 943,000</b>	<b>\$ 973,000</b>	<b>\$ 1,005,000</b>
<b>Ending Balance - Excl. Restricted Reserves</b>	<b>\$ 9,524,620</b>	<b>\$ 5,068,468</b>	<b>\$ 4,674,321</b>	<b>\$ 4,388,515</b>	<b>\$ 3,173,807</b>	<b>\$ 2,021,004</b>
<b>Min. Target Ending Balance - Excl. Restricted Reserves</b>	<b>\$ 1,718,000</b>	<b>\$ 1,772,000</b>	<b>\$ 1,828,000</b>	<b>\$ 1,886,000</b>	<b>\$ 1,946,000</b>	<b>\$ 2,010,000</b>
<b>Ending Surplus/(Deficit) Compared to Reserve Targets</b>	<b>\$ 7,806,620</b>	<b>\$ 3,296,468</b>	<b>\$ 2,846,321</b>	<b>\$ 2,502,515</b>	<b>\$ 1,227,807</b>	<b>\$ 11,004</b>
<b>Annual Interest Earnings Rate<sup>3</sup></b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>

1. Beginning cash balances provided by District Staff.  
 2. The target ending balance is set equal to 90 days of O&M expenses.  
 3. Historical interest earning rates are per the average annual yields for funds invested in LAIF (2018-2024). The source is the California State Treasurer's website: <https://www.treasurer.ca.gov/pmia-laif/historical/annual.asp>.

TABLE 4: REVENUE FORECAST<sup>1</sup>

DESCRIPTION	Basis	5-Year Projected Rate Period					
		Budgeted FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Operating Revenue</b>							
40008015 PROP TAXES-CURR SEC 1% TAX LVY	1	\$ 522,548	\$ 525,108	\$ 527,682	\$ 530,267	\$ 532,865	\$ 535,477
40008025 PROP TX CUR UNSEC 1% GEN TAX	1	25,123	25,246	25,369	25,494	25,619	25,744
40008035 PROP TX CUR UNITARY 1% LEVY	1	20,098	20,196	20,295	20,395	20,495	20,595
40008115 PROP TX PRI SEC 1% GEN TAX LVY	1	100	101	101	102	102	103
40008125 PROP TX PRI UNSEC 1% GEN TAX	1	1,005	1,010	1,015	1,020	1,025	1,030
40008145 INT & PEN DELINQUENT TAXES	1	1,809	1,818	1,827	1,836	1,845	1,854
40008161 NEGOTIATED PASS-THRU	1	502	505	507	510	512	515
40008166 RESIDUAL BALANCE	1	5,527	5,554	5,581	5,609	5,636	5,664
40008172 STATUTORY PASS THRU	1	2,512	2,525	2,537	2,549	2,562	2,574
40008230 SUPP ROLL CURRENT	1	10,049	10,098	10,148	10,197	10,247	10,298
40008235 SUPP ROLL PRIOR	1	14,069	14,138	14,207	14,276	14,346	14,417
<b>000-Taxes</b>		<b>\$ 603,342</b>	<b>\$ 606,298</b>	<b>\$ 609,269</b>	<b>\$ 612,255</b>	<b>\$ 615,255</b>	<b>\$ 618,269</b>
40308500 INTEREST	1	212,034	213,073	214,117	215,166	216,220	217,280
<b>030-Revenue From Use of Money &amp; Property</b>		<b>\$ 212,034</b>	<b>\$ 213,073</b>	<b>\$ 214,117</b>	<b>\$ 215,166</b>	<b>\$ 216,220</b>	<b>\$ 217,280</b>
40408800 GENERAL TAX LEVY HOMEOWNER EXM	1	3,819	3,837	3,856	3,875	3,894	3,913
<b>040-Intergovernmental Revenue-State</b>		<b>\$ 3,819</b>	<b>\$ 3,837</b>	<b>\$ 3,856</b>	<b>\$ 3,875</b>	<b>\$ 3,894</b>	<b>\$ 3,913</b>
40708155 SPECIAL ASSMNT ALL PRIOR YEARS	1	201	202	203	204	205	206
40708165 SP ASSMNT CUR YR TX ROLL GEN	1	11,054	11,108	11,162	11,217	11,272	11,327
40708175 SP ASSMNT CUR YR DELUSER CHGS	1	15,074	15,147	15,222	15,296	15,371	15,446
40709680 PERMIT & INSPECTION FEES	1	151	151	152	153	154	154
<b>070-Charges for Current Services</b>		<b>\$ 28,489</b>	<b>\$ 28,620</b>	<b>\$ 28,769</b>	<b>\$ 28,910</b>	<b>\$ 29,051</b>	<b>\$ 29,194</b>
40758480 FEE ORD-PENALTIES	1	71,348	71,698	72,049	72,402	72,757	73,113
40759680 FEE ORD-PERMIT & INSPECTION FEES	1	2,512	2,525	2,537	2,549	2,562	2,574
40759700 FEE ORD-SANITATION SERVICES	1	251	252	254	255	256	257
40759715 FEE ORD-CONNECTION FEES	1	30,147	30,295	30,443	30,592	30,742	30,893
40759720 FEE ORD-RESIDENTIAL SALES	1	2,361,515	2,373,086	2,384,715	2,396,400	2,408,142	2,419,942
40759800 FEE ORD-OTHER SERVICES	1	10,049	10,098	10,148	10,197	10,247	10,298
40759970 FEE ORD-OTHER	1	1,507	1,515	1,522	1,530	1,537	1,545
<b>075-Charges for Current Services-Fee Ord</b>		<b>\$ 2,477,330</b>	<b>\$ 2,489,469</b>	<b>\$ 2,501,667</b>	<b>\$ 2,513,925</b>	<b>\$ 2,526,243</b>	<b>\$ 2,538,622</b>
40809970 OTHER	1	-	-	-	-	-	-
<b>080-Other Revenue</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL: REVENUE</b>		<b>\$ 3,325,013</b>	<b>\$ 3,337,468</b>	<b>\$ 3,353,822</b>	<b>\$ 3,370,256</b>	<b>\$ 3,386,770</b>	<b>\$ 3,403,365</b>

TABLE 5: REVENUE SUMMARY

DESCRIPTION	Basis	5-Year Projected Rate Period					
		Budgeted FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
000-Taxes		\$ 603,342	\$ 606,298	\$ 609,269	\$ 612,255	\$ 615,255	\$ 618,269
030-Revenue From Use of Money & Property		212,034	213,073	214,117	215,166	216,220	217,280
040-Intergovernmental Revenue-State		3,819	3,837	3,856	3,875	3,894	3,913
070-Charges for Current Services		28,489	28,629	28,769	28,910	29,051	29,194
075-Charges for Current Services-Fee Ord		2,477,330	2,489,469	2,501,667	2,513,925	2,526,243	2,538,622
080-Other Revenue		-	-	-	-	-	-
<b>TOTAL: REVENUE</b>		<b>\$ 3,325,013</b>	<b>\$ 3,341,306</b>	<b>\$ 3,357,678</b>	<b>\$ 3,374,131</b>	<b>\$ 3,390,664</b>	<b>\$ 3,407,278</b>

TABLE 6: OPERATING EXPENSE FORECAST<sup>1</sup>

DESCRIPTION	Basis	5-Year Projected Rate Period									
		Budgeted FY 2026/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31				
<b>Operating Expenses</b>											
52002030 SAFETY EQUIP	2	\$ 52	\$ 53	\$ 55	\$ 57	\$ 59	\$ 60				
52002070 FOOD	2	619	639	659	681	702	725				
52002085 LEGAL NOTICES	2	206	213	220	227	234	242				
52002090 MISCELLANEOUS EXPENSE	2	61,920	63,901	65,946	68,057	70,234	72,482				
52002116 COMPUTER HARDWARE EXPENSE	2	516	533	550	567	585	604				
52002120 SMALL TOOLS & INSTRUMENTS	2	2,064	2,130	2,198	2,269	2,341	2,416				
52002130 NONINVENTORABLE EQUIPMENT	2	103	107	110	113	117	121				
52002135 SPECIAL DEPT EXPENSE	2	-	-	-	-	-	-				
52002176 STREET MAINTENANCE	2	113,520	117,153	120,902	124,770	128,763	132,883				
52002180 UTILITIES	2	929	959	989	1,021	1,054	1,087				
52002182 UTILITIES-ELECTRICITY	5	303,382	328,716	356,166	385,907	418,133	453,050				
52002186 UTILITIES-WATER	2	412,800	426,010	439,642	453,710	468,229	483,213				
52002210 PROPERTY INSURANCE (ISF ONLY)	2	103	107	110	113	117	121				
52002305 GENERAL OFFICE EXPENSE	2	1,032	1,065	1,099	1,134	1,171	1,208				
52002310 PRESORT & PACKAGING (ISF ONLY)	2	19,608	20,235	20,883	21,551	22,241	22,953				
52002323 COURIER & PRINTING (ISF ONLY)	2	7,224	7,455	7,694	7,940	8,194	8,456				
52002350 PRINTING - OUTSIDE VENDORS	2	-	-	-	-	-	-				
52002415 COUNTY SERVICES (INCL COWCAP)	2	5,565	5,743	5,926	6,116	6,312	6,514				
52002441 EXTERMINATOR	2	516	533	550	567	585	604				
52002445 OTHER PROFESSIONAL & SPEC SVCS	2	309,600	319,507	329,731	340,283	351,172	362,409				
52002448 COUNTY COUNSEL SERVICES	3	2,500	2,500	2,500	2,500	2,500	2,500				
52002458 PERMIT COSTS	2	15,480	15,975	16,487	17,014	17,559	18,120				
52002660 PENALTIES	2	155	160	165	170	176	181				
52002678 MISCELLANEOUS LAB TESTING	2	20,640	21,300	21,982	22,686	23,411	24,161				
52002835 GENERAL HOUSEHOLD EXPENSES	2	2,064	2,130	2,198	2,269	2,341	2,416				
52002855 GENERAL MAINTENANCE-EQUIPMENT	2	77,400	79,877	82,433	85,071	87,793	90,602				
52002870 GEN MAINT-STRUCT,IMP & GROUNDS	2	2,064	2,130	2,198	2,269	2,341	2,416				
52002895 RENTS & LEASES - EQUIPMENT	2	5,160	5,325	5,496	5,671	5,853	6,040				
<b>200-Utilities &amp; Supplies-General</b>		<b>\$ 1,365,221</b>	<b>\$ 1,424,454</b>	<b>\$ 1,486,888</b>	<b>\$ 1,552,733</b>	<b>\$ 1,622,217</b>	<b>\$ 1,695,584</b>				
54104010 IMPROVEMENTS TO LAND	2	516,000	532,512	549,552	567,138	585,286	604,016				
<b>410-Capital Outlay-Improvements to Land</b>		<b>\$ 1</b>	<b>\$ 532,512</b>	<b>\$ 549,552</b>	<b>\$ 567,138</b>	<b>\$ 585,286</b>	<b>\$ 604,016</b>				
55405010 SALARIES & BENE TRANSFERS OUT	3	595,179	595,179	595,179	595,179	595,179	595,179				
55405012 SERVS & SUPPLY TRANSFERS OUT	2	187,360	193,355	199,542	205,928	212,518	219,318				
55405018 INTERNAL COST ALLOCA OUT	2	773,794	798,555	824,109	850,480	877,696	905,782				
<b>540-Intra Entity Reimbursement Out</b>		<b>\$ 1,556,332</b>	<b>\$ 1,618,830</b>	<b>\$ 1,618,830</b>	<b>\$ 1,651,587</b>	<b>\$ 1,685,392</b>	<b>\$ 1,720,279</b>				
<b>SUBTOTAL: WATER SYSTEM EXPENSES</b>		<b>\$ 3,437,554</b>	<b>\$ 3,544,056</b>	<b>\$ 3,655,270</b>	<b>\$ 3,771,458</b>	<b>\$ 3,892,895</b>	<b>\$ 4,019,879</b>				
<b>GRAND TOTAL: WATER EXPENSES</b>		<b>\$ 3,437,554</b>	<b>\$ 3,544,056</b>	<b>\$ 3,655,270</b>	<b>\$ 3,771,458</b>	<b>\$ 3,892,895</b>	<b>\$ 4,019,879</b>				

TABLE 7: FORECASTING ASSUMPTIONS

INFLATION FACTORS <sup>1</sup>	Basis	2026	2027	2028	2029	2030	2031
Customer Growth <sup>2</sup>	1	0.49%	0.49%	0.49%	0.49%	0.49%	0.49%
General Cost Inflation <sup>3</sup>	2	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
Labor Cost Inflation <sup>4</sup>	3	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Chemicals <sup>5</sup>	4	5.45%	5.45%	5.45%	5.45%	5.45%	5.45%
Electricity <sup>6</sup>	5	8.35%	8.35%	8.35%	8.35%	8.35%	8.35%
No Escalation	6	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

1. Revenue and expenses for FY 2024/25 provided by the County. Revenues and expenses for all other years are escalated based on the forecasting assumptions in Table 7.  
2. Customer growth is based on the population projections provided by the County.  
3. General cost inflation is based on the 5-year average annual change in the Consumer Price Index for all Urban Consumers in the San Bernardino-Riverside-Ontario, CA area.  
4. Labor cost inflation is based on the 5-year average annual change in the Consumer Price Index for Electricity for the San Bernardino-Riverside-Ontario, CA area.  
5. Chemical cost inflation is based on the 5-year average annual change in the Producer Price Index for Chemical Manufacturing.  
6. Electricity cost inflation is based on the 5-year average change in the Consumer Price Index for Electricity for the San Bernardino-Riverside-Ontario, CA area.

TABLE 8 : CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST	Budget		5-Year Projected Rate Period			
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Funding Sources:</b>						
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Capacity Fee Reserves	-	-	-	-	-	-
Use of New Revenue Bond Proceeds	-	-	2,070,000	3,210,000	2,771,795	2,868,808
Use of Capital Rehabilitation and Replacement Reserve	-	4,488,059	-	3,675	-	-
Rate Revenue	340,000	0	-	-	-	-
<b>Total Sources of Capital Funds</b>	<b>\$ 340,000</b>	<b>\$ 4,488,059</b>	<b>\$ 2,070,000</b>	<b>\$ 3,213,675</b>	<b>\$ 2,771,795</b>	<b>\$ 2,868,808</b>
<b>Uses of Capital Funds:</b>						
Total Project Costs	\$ 340,000	\$ 4,488,059	\$ 2,070,000	\$ 3,213,675	\$ 2,771,795	\$ 2,868,808
<b>Capital Funding Surplus (Deficiency)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>SRF Loan Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>New Revenue Bond Proceeds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,200,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

TABLE 9 : CAPITAL IMPROVEMENT PROGRAM FUNDING OPTIONS

Policy Choice	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Alternative 1 - Full Funding of CIP	\$ 340,000	\$ 4,488,059	\$ 2,070,000	\$ 3,213,675	\$ 2,771,795	\$ 2,868,808
Alternative 2 - 75% Funding of CIP	\$ 255,000	\$ 3,366,044	\$ 1,552,500	\$ 2,410,256	\$ 2,078,846	\$ 2,151,606
Alternative 3 - 50% Funding of CIP	\$ 170,000	\$ 2,244,030	\$ 1,035,000	\$ 1,606,838	\$ 1,385,897	\$ 1,434,404

Insert policy choice in box to right, based on options listed above:

Capital Improvement Reserve Funding Choice	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Effective Annual Funding Amount	\$ 340,000	\$ 4,488,059	\$ 2,070,000	\$ 3,213,675	\$ 2,771,795	\$ 2,868,808

CSA 64 Spring Valley Lake  
WATER RATE STUDY  
Capital Improvement Plan Expenditures

CAPITAL IMPROVEMENT PROGRAM

TABLE 10 : CAPITAL IMPROVEMENT PROGRAM COSTS (in Current-Year Dollars)<sup>1</sup>

Project #	Project Description <sup>2</sup>	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Water Treatment Plant							
	Archway Renovation	\$ -	\$ 544,825	\$ -	\$ -		
	Spring Valley Lake Shop New Pavement and Sealing		550,000				
	Spring Valley Lake Shop Security Gate		44,000				
	Raise Well Nos. 5 and 6 Perlestal Design		344,964				
	Recoat Tank Nos. 2A and 2B		2,052,300				
	Reservoir No. 1B Design		225,000				
	Reservoir No. 1B Construction				3,000,000		
	Well No. 8 Design		325,000				
	Well No. 8 Construction	40,000		2,000,000			
	Capital Outlay	300,000					
	Water Treatment Plant		250,000				
	<b>Total: CIP Program Costs (Current-Year Dollars)</b>	<b>\$ 340,000</b>	<b>\$ 4,336,889</b>	<b>\$ 2,000,000</b>	<b>\$ 3,000,000</b>	<b>\$ -</b>	<b>\$ -</b>

TABLE 11 : CAPITAL IMPROVEMENT PROGRAM COSTS (in Future-Year Dollars)<sup>1</sup>

Project #	Project Description <sup>2</sup>	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Water Treatment Plant							
	Archway Renovation	\$ -	\$ 563,884	\$ -	\$ -		
	Spring Valley Lake Shop New Pavement and Sealing		569,750				
	Spring Valley Lake Shop Security Gate		45,540				
	Raise Well Nos. 5 and 6 Perlestal Design		357,638				
	Recoat Tank Nos. 2A and 2B		2,124,338				
	Reservoir No. 1B Design		232,875				
	Reservoir No. 1B Construction				3,213,675		
	Well No. 8 Design		336,375				
	Well No. 8 Construction	40,000		2,070,000			
	Capital Outlay	300,000					
	Water Treatment Plant		258,750				
	Other Projects					2,771,795	2,868,808
	<b>Total: CIP Program Costs (Current-Year Dollars)</b>	<b>\$ 340,000</b>	<b>\$ 4,488,059</b>	<b>\$ 2,070,000</b>	<b>\$ 3,213,675</b>	<b>\$ 2,771,795</b>	<b>\$ 2,868,808</b>

TABLE 12 : FORECASTING ASSUMPTIONS

Economic Variables	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Annual Construction Cost Inflation, Per Engineering News-Record <sup>3</sup>	0.00%	3.50%	3.50%	3.50%	3.50%	3.50%
Cumulative Construction Cost Multiplier from FY 2027/28	1.00	1.04	1.04	1.07	1.11	1.15

1. Capital project costs were provided by County Staff and assumes Year 1 begins in FY 2026/27.  
 2. The capital project costs have been inflated by District Staff in current CIP budget using the Construction Cost Index (see Table 12). Website: <http://www.enr.com>.  
 3. For reference purposes, the annual Construction Cost Inflation percentage is the 10-year average annual change in the Construction Cost Index for 2013-2023 (1.25%).

TABLE 14 : EXISTING DEBT OBLIGATIONS

EXISTING DEBT OBLIGATIONS	Budget		5-Year Projected Rate Period				
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	
Annual Repayment Schedules:							
N/A							
Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Interest Payment	-	-	-	-	-	-	
<b>Subtotal: Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Coverage Requirement (\$ Amnt above annual payment)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Reserve Requirement (total fund balance)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Grand Total: Existing Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Grand Total: Existing Annual Coverage Requirement</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Grand Total: Existing Debt Reserve Target</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

TABLE 15 : EXISTING ANNUAL DEBT OBLIGATIONS TO BE SATISFIED BY WATER RATES

Annual Obligations	FY 2025/26		FY 2026/27		FY 2027/28		FY 2028/29		FY 2029/30		FY 2030/31	
	Existing Annual Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Annual Coverage Requirement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Debt Reserve Target	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

TABLE 16 : FUTURE DEBT FINANCING ASSUMPTIONS

Long-Term Debt Terms	State Revolving Fund Loan	Revenue Bonds
Issuance Cost	2.00%	2.00%
Annual Interest Cost (%)	3.00%	5.50%
Term	30	20
Debt Reserve Funded	No	Yes
Coverage Requirement (% above annual pmt)	120%	125%

TABLE 17 : FUTURE DEBT OBLIGATIONS

Annual Repayment Schedules	2025	2026	2027	2028	2029	2030
<b>SRE Loan Funding</b>						
Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Payment	-	-	-	-	-	-
<b>Subtotal: Annual Debt Service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Revenue Bonds</b>						
Principal Payment	\$ -	\$ -	\$ 166,383	\$ 175,534	\$ 548,051	\$ 578,193
Interest Payment	-	-	319,082	309,931	996,159	966,016
<b>Subtotal: Annual Debt Service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 485,465</b>	<b>\$ 485,465</b>	<b>\$ 1,544,209</b>	<b>\$ 1,544,209</b>
<b>Grand Total: Future Annual Debt Service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 485,465</b>	<b>\$ 485,465</b>	<b>\$ 1,544,209</b>	<b>\$ 1,544,209</b>
<b>Grand Total: New Annual Coverage Requirement</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 606,832</b>	<b>\$ 606,832</b>	<b>\$ 1,930,261</b>	<b>\$ 1,930,261</b>
<b>Grand Total: Future Debt Reserve Target</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 485,465</b>	<b>\$ 485,465</b>	<b>\$ 1,544,209</b>	<b>\$ 1,544,209</b>

TABLE 18 : TOTAL DEBT SERVICE

Annual Obligations	2025	2026	2027	2028	2029	2030
<b>Annual Debt Service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 485,465</b>	<b>\$ 485,465</b>	<b>\$ 1,544,209</b>	<b>\$ 1,544,209</b>
<b>Annual Coverage Requirement</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 606,832</b>	<b>\$ 606,832</b>	<b>\$ 1,930,261</b>	<b>\$ 1,930,261</b>
<b>Total Debt Reserve Target</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 485,465</b>	<b>\$ 485,465</b>	<b>\$ 1,544,209</b>	<b>\$ 1,544,209</b>

CSA 64 Spring Valley Lake  
 WATER RATE STUDY  
 Projected Water Rates Under Existing Rate Schedule

Exhibit 4 – Current Rates

TABLE 19 : CURRENT WATER RATE SCHEDULE

Water Rate Schedule		July 1, 2025
<b>Monthly Fixed Service Charges (in \$/mo)</b>		
<b>Domestic Service Charge</b>		
3/4"	\$15.63	
1"	\$26.05	
1.5"	\$52.11	
2"	\$83.37	
3"	\$166.75	
4"	\$260.55	
6"	\$521.10	
8"	\$833.75	
<b>Water Usage Charges (in \$/HCF) *</b>		
0-14	\$0.94	
15-80	\$1.09	
81+	\$1.24	

\*Bi-Monthly Fee Per HCF

TABLE 20 : CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS

Classification of Expenses Budget Categories	Total Revenue Requirements FY 2026/27	Commodity (COM)	Capacity (CAP)	Customer (CA)	Basis of Classification							
					(COM)	(CAP)	(CA)					
<b>Operating Expenses</b>												
52002030 Safety Equip	\$ 53	\$ 24	\$ 27	\$ -	3	45.0%	50.0%	50.0%	5.0%			
52002070 Food	639	288	320	-	32	45.0%	50.0%	50.0%	5.0%			
52002085 Legal Notices	213	96	107	-	11	45.0%	50.0%	50.0%	5.0%			
52002090 Miscellaneous Expense	63,901	31,951	28,756	-	3,195	50.0%	45.0%	50.0%	5.0%			
52002116 Computer Hardware Expense	533	240	266	-	27	45.0%	50.0%	50.0%	5.0%			
52002120 Small Tools & Instruments	2,130	959	1,065	-	107	45.0%	50.0%	50.0%	5.0%			
52002130 Noninventoriable Equipment	107	48	53	-	5	45.0%	50.0%	50.0%	5.0%			
52002135 Special Dept Expense	-	-	-	-	-	45.0%	50.0%	50.0%	5.0%			
52002176 Street Maintenance	117,153	58,576	52,719	-	5,858	50.0%	50.0%	45.0%	5.0%			
52002180 Utilities	959	479	431	-	48	50.0%	45.0%	45.0%	5.0%			
52002182 Utilities-Electricity	328,716	164,358	147,922	-	16,436	50.0%	45.0%	45.0%	5.0%			
52002186 Utilities-Water	426,010	213,005	191,704	-	21,300	50.0%	45.0%	45.0%	5.0%			
52002210 Property Insurance (Isf Only)	107	48	53	-	5	45.0%	50.0%	50.0%	5.0%			
52002305 General Office Expense	1,065	-	-	-	1,065	0.0%	0.0%	100.0%	0.0%			
52002310 Presort & Packaging (Isf Only)	20,235	-	-	-	20,235	0.0%	0.0%	100.0%	0.0%			
52002323 Courier & Printing (Isf Only)	7,455	-	-	-	7,455	0.0%	0.0%	100.0%	0.0%			
52002350 Printing - Outside Vendors	-	-	-	-	-	0.0%	0.0%	100.0%	0.0%			
52002415 County Services (Incl Cowcap)	5,743	2,584	2,871	-	287	45.0%	50.0%	50.0%	5.0%			
52002441 Exterminator	533	240	266	-	27	45.0%	50.0%	50.0%	5.0%			
52002445 Other Professional & Spec Svcs	319,507	159,754	143,778	-	15,975	50.0%	45.0%	45.0%	5.0%			
52002448 County Counsel Services	2,500	1,125	1,250	-	125	45.0%	50.0%	50.0%	5.0%			
52002458 Permit Costs	15,975	7,189	7,988	-	799	45.0%	50.0%	50.0%	5.0%			
52002660 Penalties	160	72	80	-	8	45.0%	50.0%	50.0%	5.0%			
52002678 Miscellaneous Lab Testing	21,300	17,040	3,195	-	1,065	80.0%	15.0%	5.0%	5.0%			
52002835 General Household Expenses	2,130	959	1,065	-	107	45.0%	50.0%	50.0%	5.0%			
52002855 General Maintenance-Equipment	79,877	35,945	39,938	-	3,994	45.0%	50.0%	50.0%	5.0%			
52002870 Gen Maint-Struct,Imp & Grounds	2,130	959	1,065	-	107	45.0%	50.0%	50.0%	5.0%			
52002895 Rents & Leases - Equipment	5,325	2,663	2,396	-	266	50.0%	45.0%	45.0%	5.0%			
54104010 Improvements To Land	532,512	133,128	372,758	-	26,626	25.0%	70.0%	50.0%	5.0%			
54304030 Struct & Improv To Structures	-	-	-	-	-	45.0%	50.0%	50.0%	5.0%			
55305030 Operating Transfers Out	-	-	-	-	-	45.0%	50.0%	50.0%	5.0%			
55405010 Salaries & Bene Transfers Out	595,179	267,831	297,590	-	29,759	45.0%	45.0%	50.0%	5.0%			
55405012 Servs & Supply Transfers Out	193,355	96,678	87,010	-	9,668	50.0%	45.0%	45.0%	5.0%			
55405018 Internal Cost Alloca Out	798,555	399,277	359,350	-	39,928	50.0%	50.0%	45.0%	5.0%			
<b>Subtotal: Water System Expenses</b>	<b>\$ 3,544,056</b>	<b>\$ 1,595,512</b>	<b>\$ 1,744,023</b>	<b>\$ 204,521</b>		<b>45.0%</b>	<b>49.2%</b>	<b>45.0%</b>	<b>5.8%</b>			

TABLE 21 : CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS, cont.

Budget Categories	Total Revenue Requirements FY 2026/27	Commodity (COM)	Capacity (CAP)	Customer (CA)	Basis of Classification			
					(COM)	(CAP)	(CA)	
<b>Debt Service Payments</b>								
Outstanding Debt	\$ -	\$ -	-	\$ -	0.0%	100.0%	0.0%	0.0%
New Debt Issue - SRF Loan	-	-	-	-	0.0%	100.0%	0.0%	0.0%
New Debt Issue - Revenue Bond	-	-	-	-	0.0%	100.0%	0.0%	0.0%
<b>Total Debt Service Payments</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Capital Expenditures</b>								
Rate-Funded Capital Expenses	\$ -	\$ -	-	\$ -	0.0%	100.0%	0.0%	0.0%
<b>TOTAL REVENUE REQUIREMENTS</b>	<b>\$ 3,544,056</b>	<b>\$ 1,595,512</b>	<b>\$ 1,744,023</b>	<b>\$ 204,521</b>	<b>45.0%</b>	<b>49.2%</b>	<b>5.8%</b>	<b>5.8%</b>
<b>Less: Non-Rate Revenues</b>								
000-Taxes	\$ (606,298)	\$ (272,834)	\$ (303,149)	\$ (30,315)	45.0%	50.0%	5.0%	5.0%
030-Revenue From Use of Money & Property	(213,073)	(95,883)	(106,536)	(10,654)	45.0%	50.0%	5.0%	5.0%
040-Intergovernmental Revenue-State	(3,837)	(1,727)	(1,919)	(192)	45.0%	50.0%	5.0%	5.0%
070-Charges for Current Services	(28,629)	(12,883)	(4,314)	(1,431)	45.0%	50.0%	5.0%	5.0%
080-Other Revenue	-	-	-	-	45.0%	50.0%	5.0%	5.0%
<b>NET REVENUE REQUIREMENTS</b>	<b>\$ 2,692,218</b>	<b>\$ 1,212,185</b>	<b>\$ 1,318,105</b>	<b>\$ 161,929</b>	<b>45.0%</b>	<b>49.0%</b>	<b>6.0%</b>	<b>6.0%</b>
<i>Allocation of Revenue Requirements</i>	<i>100.0%</i>	<i>45.0%</i>	<i>49.0%</i>	<i>6.0%</i>				

TABLE 22 : ADJUSTMENT TO CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS

Adjustments to Classification of Expenses	Total	(COM)	(CAP)	(CA)
<b>Adjustment for Current Rate Level:</b>				
FY 2026/27 Target Rate Rev. After Rate Increases	\$ 2,628,879			
Projected Revenue at Current Rates	2,489,469			
FY 2026/27 Projected Rate Increase	6%			
<b>Adjusted Net Revenue Reqts</b>	<b>\$ 2,628,879</b>	<b>\$ 1,183,666</b>	<b>\$ 1,287,094</b>	<b>\$ 158,119</b>
<i>Percent of Revenue</i>	<i>100.0%</i>	<i>45.0%</i>	<i>49.0%</i>	<i>6.0%</i>

TABLE 23 : NET REVENUE REQUIREMENTS PER COSA RESULTS

Net Revenue Requirements - Per COSA Results	Total Rate Revenue Requirements FY 2025/26	Commodity Related Costs	Fixed Costs	
			Capacity Related Costs	Customer Related Costs
Rate-Design Adjustments to Fixed/Variable %	100.0%	45.0%	49.0%	6.0%
Rate-Design Adjustments to Fixed/Variable (\$)	\$2,628,879	\$1,183,666	\$1,287,094	\$158,119

**TABLE 24 : DEVELOPMENT OF THE COMMODITY ALLOCATION FACTOR**

Customer Class	CY 2024 Consumption (HCF)	% of Total Volume
All Customers	1,080,049	100.0%
<b>Total</b>	<b>1,080,049</b>	<b>100.0%</b>

1. Consumption data is based on County billing data for CY 2024.

**TABLE 25 : DEVELOPMENT OF THE CUSTOMER ALLOCATION FACTORS: METER**

Customer Class	No. of Meters	% of Total Meters
All Customers	4,029	100.0%
<b>Total</b>	<b>4,029</b>	<b>100.0%</b>

1. Consumption data is based on County billing data for CY 2024.

TABLE 26 : ALLOCATION OF WATER REVENUE REQUIREMENTS

Classification Components	Cost-of-Service Net Revenue Requirements (FY 2026/27)	
Commodity-Related Costs	\$ 1,183,666	45.0%
Capacity-Related Costs	1,287,094	49.0%
Customer-Related Costs	158,119	6.0%
<b>Net Revenue Requirement</b>	<b>\$ 2,628,879</b>	<b>100.0%</b>

TABLE 27 : ALLOCATION OF NET REVENUE REQUIREMENTS - FY 2026/27

Customer Classes	Classification Components			Cost of Service Net Rev. Req'ts	% of COS Net Revenue Req'ts
	VARIABLE	FIXED			
All Customers	\$ 1,183,666	Capacity-Related Costs \$ 1,287,094	Customer-Related Costs \$ 158,119	#####	100.0%
<b>Total Net Revenue Requirement</b>	<b>\$ 1,183,666</b>	<b>\$ 1,287,094</b>	<b>\$ 158,119</b>	<b>#####</b>	<b>100%</b>
<i>Total Net Revenue Requirement by Classification Component</i>	<i>VARIABLE \$1,183,666</i>	<i>FIXED \$1,445,213</i>		<i>\$2,628,879</i>	

TABLE 28 : RATE DESIGN - SUMMARY OF REVENUE REQUIREMENTS

Customer Class	COSA Net Revenue Requirements		NET REVENUE REQUIREMENT		
	FY 2026/27	% of COS Rev. Req't.	% Fixed Revenue	% Variable Revenue	Revenue from Volumetric Hydraulic Customer
All Customers	\$ 2,628,879	100.0%	55%	45%	##### \$ 158,119
<b>Total</b>	<b>\$ 2,628,879</b>	<b>100.0%</b>			<b>##### \$ 158,119</b>

TABLE 29 : METER EQUIVALENCY FACTORS USED IN FIXED CHARGES CALCULATION

Meter Size	Standard Meters	
	Meter Capacity (GPM) <sup>1</sup>	Equivalency to 3/4 inch Displacement Meters
3/4 inch	30	1.00
1 inch	50	1.67
1 1/2 inch	100	3.33
2 inch	160	5.33
<i>Compound Class I Meters</i>		
3 inch	320	10.67
4 inch	500	16.67
6 inch	1,000	33.33
8 inch	1,600	53.33
<i>Turbine Class II Meters</i>		
10 inch	4,200	140.00
12 inch	5,300	176.67

1. Per AWWA, M1 Manual, Table B-1.

TABLE 30 : CALCULATION OF MONTHLY FIXED DOMESTIC METER SERVICE CHARGES

Number of Meters by Class and Size <sup>1</sup>	FY 2026/27							NET REVENUE REQUIREMENT		
	5/8 - 3/4" meter	1" meter	1.5" meter	2" meter	3" meter	4" meter	6" meter	8" meter	Total	
All Customers	0	3,965	3	45	9	1	3	3	4,029	
Total Meters/Accounts	0	3,965	3	45	9	1	3	3	4,029	
Hydraulic Capacity Factor <sup>2</sup>	1.00	1.67	3.33	5.33	10.67	16.67	33.33	53.33		
Total Equivalent Meters	0	6,608	10	240	96	17	100	160	7,231	
Monthly Fixed Service Charges	\$ 3.27	\$ 3.27	\$ 3.27	\$ 3.27	\$ 3.27	\$ 3.27	\$ 3.27	\$ 3.27		
Customer Costs (\$/Acct/month) <sup>3</sup>	\$ 14.83	\$ 24.72	\$ 49.44	\$ 79.11	\$ 158.22	\$ 247.22	\$ 494.44	\$ 791.10		
Capacity Costs (\$/Acct/month) <sup>4</sup>	\$ 18.10	\$ 27.99	\$ 52.71	\$ 82.38	\$ 161.49	\$ 250.49	\$ 497.71	\$ 794.37		
Total Monthly Meter Charge	\$ 158,119	\$ 1,287,094	\$ 1,445,213	\$ 1,780	\$ 42,719	\$ 17,088	\$ 2,967	\$ 28,479	\$ 1,287,094	
Annual Fixed Costs Allocated to Monthly Meter Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Customer Costs	\$ -	\$ 155,607	\$ 118	\$ 1,766	\$ 353	\$ 39	\$ 118	\$ 118	\$ 158,119	
Capacity Costs	\$ -	\$ 1,176,261	\$ 1,780	\$ 42,719	\$ 17,088	\$ 2,967	\$ 17,800	\$ 28,479	\$ 1,287,094	
Total Fixed Meter Costs	\$ -	\$ 1,331,869	\$ 1,898	\$ 44,485	\$ 17,441	\$ 3,006	\$ 17,917	\$ 28,597	\$ 1,331,869	
Annual Revenue from Monthly Meter Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Customer Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Capacity Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Revenue from Monthly Meter Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

1. Meter by Class and Size are based on December 2024 customer billing data.

2. Source: Principles of Water Rates, Fees, and Charges, Manual M1, AWWA, Table B-1.

3. Customer costs are allocated to each customer by dividing the total customer costs by the total number of customers.

4. Capacity costs are allocated by meter size and the hydraulic capacity of the meter.

TABLE 31 : ESTIMATED DOMESTIC FIXED REVENUE BY CUSTOMER CLASS

Customer Class and Meter Size	Hydraulic Capacity Factor	Number of Meters	Total Equivalent Meters	NET REVENUE REQUIREMENT		
				Fixed Customer Meter Charge Component	Total Fixed Meter Charge Component	Estimated Revenue from Fixed
3/4"	1.00	0	0	\$3.27	\$14.83	\$ -
1"	1.67	3,965	6,608	\$3.27	\$24.72	\$27.99
1 1/2"	3.33	3	10	\$3.27	\$49.44	\$52.71
2"	5.33	45	240	\$3.27	\$79.11	\$82.38
3"	10.67	9	96	\$3.27	\$158.22	\$161.49
4"	16.67	1	17	\$3.27	\$247.22	\$250.49
6"	33.33	3	100	\$3.27	\$494.44	\$497.71
8"	53.33	3	160	\$3.27	\$794.37	\$794.37
<b>Total</b>		<b>4,026</b>	<b>7,071</b>			<b>#####</b>

TABLE 32 : PROPOSED VOLUMETRIC CHARGES FOR CY 2025 BY CUSTOMER CLASS

<b>NET REVENUE REQUIREMENT</b>						
Customer Classes	Water Consumption (HCF/yr)	Total Target Rev. Req't from Vol. Charges	% of Total Rate Revenue	Uniform Commodity Rates (\$/HCF)	Proposed Rate Structure	
All Customers	1,080,049	\$ 1,183,666	45.0%	\$1.10	Uniform	
<b>Total Water</b>	<b>1,080,049</b>	<b>\$ 1,183,666</b>	<b>45.0%</b>			

TABLE 33 : SUMMARY OF VOLUMETRIC CHARGES FOR FY 2025/26 FOR PROPOSED RATE TABLE

<b>NET REVENUE REQUIREMENT</b>						
Customer Classes	Water Consumption (HCF/yr)	Total Target Rev. Req't from Vol. Charges	% of Total Rate Revenue	Uniform Commodity Rates (\$/HCF)	Proposed Rate Structure	
All Customers	1,080,049	\$ 1,183,666	45.0%	\$1.10	Uniform	
<b>Total Water</b>	<b>1,080,049</b>	<b>\$ 1,183,666</b>	<b>45.0%</b>			

TABLE 34 : ESTIMATED VOLUMETRIC REVENUE BY CUSTOMER CLASS

Customer Class	Estimated Variable Revenue		NET REVENUE REQUIREMENT	
	Estimated Consumption	Estimated Revenue	% of Variable Rate Revenue	Total Cost of Service Net Revenue
All Customers	1,080,049	\$ 1,183,666	100.0%	\$ 2,628,879
<b>Grand Total</b>	<b>1,080,049</b>	<b>\$ 1,183,666</b>	<b>100.0%</b>	<b>\$ 2,628,879</b>

Water Rate Schedule	CURRENT VS. PROPOSED MAXIMUM WATER RATES				NET REVENUE REQUIREMENT			
	Current Rates	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31		
<b>Monthly Fixed Service Charges (in \$/mo)</b>								
Domestic Service Charge								
3/4"	\$15.63	\$18.10	\$19.46	\$20.92	\$22.49	\$24.18		
1"	\$26.05	27.99	30.09	32.35	34.77	37.38		
1.5"	\$52.11	52.71	56.67	60.92	65.49	70.40		
2"	\$83.37	82.38	88.56	95.20	102.34	110.02		
3"	\$166.75	161.49	173.60	186.62	200.62	215.66		
4"	\$260.55	250.49	269.27	289.47	311.18	334.52		
6"	\$521.10	497.71	535.03	575.16	618.30	664.67		
8"	\$833.75	794.37	853.94	917.99	986.84	1,060.85		
<b>Water Usage Charges (in \$/HCF)</b>								
0-14	\$0.94	\$1.10	\$1.18	\$1.27	\$1.36	\$1.46		
15-80	\$1.09	N/A	N/A	N/A	N/A	N/A		
81+	\$1.24	N/A	N/A	N/A	N/A	N/A		

# Appendix B. Sewer Rate Study Tables and Figures

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TABLE 1 : FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

RATE REVENUE REQUIREMENTS SUMMARY	5-Year Projected Rate Period					
	Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Sources of Sewer Funds</b>						
<b>Rate Revenue</b>						
070-Charges for Current Services	\$ 373,597	\$ 375,427	\$ 377,267	\$ 379,116	\$ 380,973	\$ 382,840
075-Charges for Current Services-Fee Ord	\$ 2,747,598	\$ 2,761,061	\$ 2,774,590	\$ 2,788,185	\$ 2,801,848	\$ 2,815,577
<b>Other Revenue</b>						
000-Taxes	\$ 245,698	\$ 246,902	\$ 248,112	\$ 249,328	\$ 250,549	\$ 251,777
030-Revenue From Use of Money & Property	\$ 200,980	\$ 201,965	\$ 202,954	\$ 203,949	\$ 204,948	\$ 205,953
080-Other Revenue	\$ 1,005	\$ 1,010	\$ 1,015	\$ 1,020	\$ 1,025	\$ 1,030
<b>Total: Sources of Funds</b>	<b>\$ 3,568,877</b>	<b>\$ 3,586,365</b>	<b>\$ 3,603,938</b>	<b>\$ 3,621,597</b>	<b>\$ 3,639,343</b>	<b>\$ 3,657,176</b>
<b>Uses of Sewer Funds</b>						
<b>Operating Expenses:</b>						
200-Services & Supplies-General	\$ 1,868,077	\$ 1,941,265	\$ 2,017,325	\$ 2,096,368	\$ 2,178,513	\$ 2,263,880
400-Capital Outlay- Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
530-Other Financ Uses-Operating Trsf Out	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
540-Intra Entity Reimbursement Out	\$ 1,478,118	\$ 1,524,418	\$ 1,572,538	\$ 1,622,549	\$ 1,674,525	\$ 1,728,544
Subtotal: Operating Expenses	\$ 3,346,196	\$ 3,465,684	\$ 3,589,863	\$ 3,718,917	\$ 3,853,038	\$ 3,992,424
<b>Other Expenditures:</b>						
Existing Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Future Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rate-Funded Capital Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: Other Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total: Uses of Funds</b>	<b>\$ 3,346,196</b>	<b>\$ 3,465,684</b>	<b>\$ 3,589,863</b>	<b>\$ 3,718,917</b>	<b>\$ 3,853,038</b>	<b>\$ 3,992,424</b>
Plus: Revenue from Rate Increases <sup>3</sup>	-	125,904	203,691	284,299	367,821	454,350
<b>Annual Surplus/(Deficit)</b>	<b>\$ 222,681</b>	<b>\$ 246,585</b>	<b>\$ 217,766</b>	<b>\$ 186,980</b>	<b>\$ 154,126</b>	<b>\$ 119,101</b>
<b>Net Revenue Req. (Total Uses less Non-Rate Revenue)</b>	<b>\$ 2,524,916</b>	<b>\$ 2,640,380</b>	<b>\$ 2,760,515</b>	<b>\$ 2,885,505</b>	<b>\$ 3,015,542</b>	<b>\$ 3,150,825</b>
<b>Total Rate Revenue After Rate Increases</b>	<b>\$ 373,597</b>	<b>\$ 501,332</b>	<b>\$ 580,958</b>	<b>\$ 663,415</b>	<b>\$ 748,794</b>	<b>\$ 837,190</b>
<b>Projected Annual Rate Revenue Increase</b>	<b>0.00%</b>	<b>4.56%</b>	<b>2.66%</b>	<b>2.66%</b>	<b>2.66%</b>	<b>2.66%</b>
<b>Cumulative Increase from Annual Revenue Increases</b>	<b>0.00%</b>	<b>4.56%</b>	<b>7.34%</b>	<b>10.20%</b>	<b>13.13%</b>	<b>16.14%</b>
<b>Debt Coverage After Rate Increase</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
1. Revenue and expenses for FY 2024/25 provided by the District. Revenues and expenses for all other years are escalated based on the forecasting assumptions in Table 8.						
2. Interest earnings for FY 2024/25 are from the District's Budget. For all other years, it is calculated based on historical LAIF returns.						
3. Revenue from rate increases assumes an implementation date of July 1, 2026 for new rates. For each year thereafter, the assumption is that new rates will be implemented on July 1st of each year.						
<b>1</b>	<b>← Select Financial Plan Scenario Here</b>					
<b>Financial Plan Alternatives</b>						
1	Alternative 1 - Custom Rate Increase	0.00%	4.56%	2.66%	2.66%	2.66%
2	Alternative 2 - Custom Rate Increase	0.00%	5.00%	5.00%	5.00%	5.00%
3	Alternative 3 - Custom Rate Increases	0.00%	25.00%	7.00%	5.00%	3.00%
4	Alternative 4 - No Rate Increases	0.00%	0.00%	0.00%	0.00%	0.00%

TABLE 2 : RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY SEWER FUND RESERVES	Projected FY 2025/26	Rate Period				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Total Beginning Cash<sup>1</sup></b>						
<b>Unrestricted Reserves:</b>						
<b>Operating Reserve</b>						
Beginning Reserve Balance	\$ 1,280,084	\$ 837,000	\$ 866,000	\$ 897,000	\$ 930,000	\$ 963,000
Plus: Net Cash Flow (After Rate Increases)	222,681	246,585	217,766	186,980	154,126	119,101
Plus: Transfer of Debt Reserve Surplus	-	-	-	-	-	-
Plus: Interest Earnings	12,801	8,370	8,660	8,970	9,300	9,630
Less: Transfer Out to Capital Replacement Reserve	(678,566)	(225,955)	(195,426)	(162,950)	(130,426)	(93,731)
<b>Ending Operating Reserve Balance</b>	<b>\$ 837,000</b>	<b>\$ 866,000</b>	<b>\$ 897,000</b>	<b>\$ 930,000</b>	<b>\$ 963,000</b>	<b>\$ 998,000</b>
<b>Target Ending Balance (90 days of O&amp;M)<sup>2</sup></b>	<b>\$ 837,000</b>	<b>\$ 866,000</b>	<b>\$ 897,000</b>	<b>\$ 930,000</b>	<b>\$ 963,000</b>	<b>\$ 998,000</b>
<b>Capital Rehabilitation &amp; Replacement Reserve</b>						
Beginning Reserve Balance	\$ 8,407,572	\$ 8,659,718	\$ 8,617,867	\$ 8,702,421	\$ 8,750,619	\$ 8,762,277
Plus: Grant Proceeds	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surplus	678,566	225,955	195,426	162,950	130,426	93,731
Less: Use of Reserves for Capital Projects	(426,420)	(267,806)	(110,872)	(114,752)	(118,769)	(122,926)
<b>Ending Capital Rehab &amp; Replacement Reserve Balance</b>	<b>\$ 8,659,718</b>	<b>\$ 8,617,867</b>	<b>\$ 8,702,421</b>	<b>\$ 8,750,619</b>	<b>\$ 8,762,277</b>	<b>\$ 8,733,083</b>
<b>Target Ending Balance (90 days of O&amp;M)<sup>2</sup></b>	<b>\$ 837,000</b>	<b>\$ 866,000</b>	<b>\$ 897,000</b>	<b>\$ 930,000</b>	<b>\$ 963,000</b>	<b>\$ 998,000</b>
<b>Ending Cash Balance - Excl. Restricted Reserves</b>	<b>\$ 9,496,718</b>	<b>\$ 9,483,867</b>	<b>\$ 9,599,421</b>	<b>\$ 9,680,619</b>	<b>\$ 9,725,277</b>	<b>\$ 9,731,083</b>
<b>Min. Target Ending Cash Balance - Excl. Restricted Reser<sup>3</sup></b>	<b>\$ 1,674,000</b>	<b>\$ 1,732,000</b>	<b>\$ 1,794,000</b>	<b>\$ 1,860,000</b>	<b>\$ 1,926,000</b>	<b>\$ 1,996,000</b>
<b>Ending Surplus/(Deficit) Compared to Reserve Targets</b>	<b>\$ 7,822,718</b>	<b>\$ 7,751,867</b>	<b>\$ 7,805,421</b>	<b>\$ 7,820,619</b>	<b>\$ 7,799,277</b>	<b>\$ 7,735,083</b>
<b>Days Cash on Hand</b>	<b>1,036</b>	<b>999</b>	<b>977</b>	<b>951</b>	<b>922</b>	<b>890</b>
<b>Annual Interest Earnings Rate<sup>3</sup></b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>

1. Beginning cash balances are as of July 1, 2024.  
2. The target ending balance is set equal to 90-days of O&M expenses.  
3. Historical interest earning rates are per the average annual yields for funds invested in LAIF (2018-2024). The source is the California State Treasurer's website: <https://www.treasurer.ca.gov/pmia-laif/historical/annual.asp>.

CSA 64 Spring Valley Lake  
SEWER RATE STUDY  
Operating Revenue and Expenses

TABLE 3 : REVENUE FORECAST<sup>1</sup>

DESCRIPTION	Basis	5-Year Projected Rate Period							
		Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31		
<b>Sewer Operating Revenue</b>									
40008015 PROP TAXES-CURR SEC 1% TAX LVY	1	\$ 226,103	\$ 227,210	\$ 228,324	\$ 229,443	\$ 230,567	\$ 231,697		
40008025 PROP TX CUR UNSEC 1% GEN TAX	1	\$ 9,547	\$ 9,593	\$ 9,640	\$ 9,688	\$ 9,735	\$ 9,783		
40008035 PROP TX CUR UNITARY 1% LEVY	1	\$ 8,039	\$ 8,079	\$ 8,118	\$ 8,158	\$ 8,198	\$ 8,238		
40008145 INT & PEN DELINQUENT TAXES	1	\$ 2,010	\$ 2,020	\$ 2,030	\$ 2,039	\$ 2,049	\$ 2,060		
<b>000-Taxes</b>		<b>\$ 245,698.05</b>	<b>\$ 246,901.97</b>	<b>\$ 248,111.79</b>	<b>\$ 249,327.54</b>	<b>\$ 250,549.24</b>	<b>\$ 251,776.93</b>		
40308500 INTEREST	1	\$ 200,980	\$ 201,965	\$ 202,954	\$ 203,949	\$ 204,948	\$ 205,953		
<b>030-Revenue From Use of Money &amp; Property</b>		<b>\$ 200,980.00</b>	<b>\$ 201,964.80</b>	<b>\$ 202,954.43</b>	<b>\$ 203,948.91</b>	<b>\$ 204,948.26</b>	<b>\$ 205,952.50</b>		
40708155 SPECIAL ASSMNT ALL PRIOR YEARS	1	\$ 2,010	\$ 2,020	\$ 2,030	\$ 2,039	\$ 2,049	\$ 2,060		
40708160 SP ASSMNT CUR YR TX ROLL GEN	1	\$ 402	\$ 404	\$ 406	\$ 408	\$ 410	\$ 412		
40708170 SP ASSMNT CUR YR TX ROLL SEWER	1	\$ 12,059	\$ 12,118	\$ 12,177	\$ 12,237	\$ 12,297	\$ 12,357		
<b>070-Charges for Current Services</b>		<b>\$ 14,470.56</b>	<b>\$ 14,541.47</b>	<b>\$ 14,612.72</b>	<b>\$ 14,684.32</b>	<b>\$ 14,756.27</b>	<b>\$ 14,828.58</b>		
40759480 FEE ORD-PERMIT	1	\$ 45,721	\$ 45,442	\$ 45,165	\$ 44,889	\$ 44,613	\$ 44,339		
40759680 FEE ORD-PERMIT & INSPECTION FEES	1	\$ 1,256	\$ 1,262	\$ 1,268	\$ 1,275	\$ 1,281	\$ 1,287		
40759700 FEE ORD-SANITATION SERVICES	1	\$ 2,747,598	\$ 2,761,061	\$ 2,774,590	\$ 2,788,185	\$ 2,801,848	\$ 2,815,577		
40759715 FEE ORD-CONNECTION FEES	1	\$ 301,470	\$ 302,947	\$ 304,432	\$ 305,923	\$ 307,422	\$ 308,929		
40759720 FEE ORD-RESIDENTIAL SALES	1	\$ 25	\$ 25	\$ 25	\$ 25	\$ 26	\$ 26		
40759800 FEE ORD-OTHER SERVICES	1	\$ 11,054	\$ 11,108	\$ 11,162	\$ 11,217	\$ 11,272	\$ 11,327		
40759970 FEE ORD-OTHER	1	\$ 100	\$ 101	\$ 101	\$ 102	\$ 102	\$ 103		
<b>075-Charges for Current Services-Fee Ord</b>		<b>\$ 3,106,723.72</b>	<b>\$ 3,121,946.66</b>	<b>\$ 3,137,244.20</b>	<b>\$ 3,152,616.70</b>	<b>\$ 3,168,064.52</b>	<b>\$ 3,183,588.04</b>		
40809930 OTHER SALES	1	\$ 1,005	\$ 1,010	\$ 1,015	\$ 1,020	\$ 1,025	\$ 1,030		
<b>080-Other Revenue</b>		<b>\$ 1,004.90</b>	<b>\$ 1,009.82</b>	<b>\$ 1,014.77</b>	<b>\$ 1,019.74</b>	<b>\$ 1,024.74</b>	<b>\$ 1,029.76</b>		
<b>TOTAL REVENUE</b>		<b>\$ 3,568,877</b>	<b>\$ 3,586,365</b>	<b>\$ 3,603,938</b>	<b>\$ 3,621,597</b>	<b>\$ 3,639,343</b>	<b>\$ 3,657,176</b>		

TABLE 4 : REVENUE SUMMARY

DESCRIPTION	Basis	5-Year Projected Rate Period							
		Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31		
<b>Rate Revenue</b>									
070-Charges for Current Services		\$ 373,597	\$ 375,427	\$ 377,267	\$ 379,116	\$ 380,973	\$ 382,840		
075-Charges for Current Services-Fee Ord		\$ 2,747,598	\$ 2,761,061	\$ 2,774,590	\$ 2,788,185	\$ 2,801,848	\$ 2,815,577		
<b>Other Revenue</b>									
000-Taxes		\$ 245,698	\$ 246,902	\$ 248,112	\$ 249,328	\$ 250,549	\$ 251,777		
030-Revenue From Use of Money & Property		\$ 200,980	\$ 201,965	\$ 202,954	\$ 203,949	\$ 204,948	\$ 205,953		
080-Other Revenue		\$ 1,005	\$ 1,010	\$ 1,015	\$ 1,020	\$ 1,025	\$ 1,030		
<b>TOTAL REVENUE</b>		<b>\$ 3,568,877</b>	<b>\$ 3,586,365</b>	<b>\$ 3,603,938</b>	<b>\$ 3,621,597</b>	<b>\$ 3,639,343</b>	<b>\$ 3,657,176</b>		

TABLE 5 : OPERATING EXPENSE FORECAST<sup>1</sup>

DESCRIPTION	Basis	5-Year Projected Rate Period						
		Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	
<b>Operating Expenses</b>								
<b>Operating Expenses</b>								
52002085 LEGAL NOTICES	2	\$ 41	\$ 43	\$ 45	\$ 46	\$ 48	\$ 50	
52002116 COMPUTER HARDWARE EXPENSE	2	\$ 516	\$ 536	\$ 557	\$ 579	\$ 602	\$ 626	
52002120 SMALL TOOLS & INSTRUMENTS	2	\$ 2,270	\$ 2,360	\$ 2,452	\$ 2,549	\$ 2,649	\$ 2,753	
52002130 NONINVENTORABLE EQUIPMENT	2	\$ 516	\$ 536	\$ 557	\$ 579	\$ 602	\$ 626	
52002135 SPECIAL DEPT EXPENSE	2	\$ 516	\$ 536	\$ 557	\$ 579	\$ 602	\$ 626	
52002176 STREET MAINTENANCE	2	\$ 10,320	\$ 10,726	\$ 11,147	\$ 11,585	\$ 12,040	\$ 12,514	
52002180 UTILITIES	2	\$ 1,238	\$ 1,287	\$ 1,338	\$ 1,390	\$ 1,445	\$ 1,502	
52002182 UTILITIES-ELECTRICITY	5	\$ 14,367	\$ 14,743	\$ 15,129	\$ 15,526	\$ 15,933	\$ 16,350	
52002186 UTILITIES-WATER	2	\$ 2,064	\$ 2,145	\$ 2,229	\$ 2,317	\$ 2,408	\$ 2,503	
52002187 UTILITIES-SEWER	2	\$ 1,656,093	\$ 1,721,177	\$ 1,788,820	\$ 1,859,120	\$ 1,932,184	\$ 2,008,119	
52002188 UTILITIES-REFUSE	2	\$ 3,096	\$ 3,218	\$ 3,344	\$ 3,476	\$ 3,612	\$ 3,754	
52002210 PROPERTY INSURANCE (ISF ONLY)	2	\$ 47	\$ 49	\$ 51	\$ 53	\$ 55	\$ 58	
52002235 VEHICLE LIABILITY (ISF ONLY)	2	\$ 17,544	\$ 18,233	\$ 18,950	\$ 19,695	\$ 20,469	\$ 21,273	
52002310 PRESORT & PACKAGING (ISF ONLY)	2	\$ 1,032	\$ 1,073	\$ 1,115	\$ 1,159	\$ 1,204	\$ 1,251	
52002323 COURIER & PRINTING (ISF ONLY)	2	\$ 3,442	\$ 3,577	\$ 3,718	\$ 3,864	\$ 4,015	\$ 4,173	
52002415 COUNTY SERVICES (INCL LOWCAP )	2	\$ 3,096	\$ 3,218	\$ 3,344	\$ 3,476	\$ 3,612	\$ 3,754	
52002419 REAL ESTATE SERVICES-SVC CHGS	2	\$ 103,200	\$ 107,256	\$ 111,471	\$ 115,852	\$ 120,405	\$ 125,137	
52002445 OTHER PROFESSIONAL & SPEC SVCS	3	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	
52002448 COUNTY COUNSEL SERVICES	2	\$ 5,676	\$ 5,899	\$ 6,131	\$ 6,372	\$ 6,622	\$ 6,883	
52002458 PERMIT COSTS	2	\$ 52	\$ 54	\$ 56	\$ 58	\$ 60	\$ 63	
52002660 PENALTIES	2	\$ 258	\$ 268	\$ 279	\$ 290	\$ 301	\$ 313	
52002835 GENERAL HOUSEHOLD EXPENSES	2	\$ 1,032	\$ 1,073	\$ 1,115	\$ 1,159	\$ 1,204	\$ 1,251	
52002855 GENERAL MAINTENANCE-EQUIPMENT	2	\$ 1,238	\$ 1,287	\$ 1,338	\$ 1,390	\$ 1,445	\$ 1,502	
52002870 GEN MAINT-STRUCT,IMP & GROUNDS	2	\$ 206	\$ 215	\$ 223	\$ 232	\$ 241	\$ 250	
52002925 VEHICLE CHARGES (ISF ONLY)	2	\$ 36,120	\$ 37,540	\$ 39,015	\$ 40,548	\$ 42,142	\$ 43,798	
52002930 MAINTENANCE CHARGES (ISF ONLY)	2	\$ 3,096	\$ 3,218	\$ 3,344	\$ 3,476	\$ 3,612	\$ 3,754	
52002952 MATERIALS DISPOSAL - OUTSIDE V	2	\$ 1,868,077	\$ 1,941,265	\$ 2,017,325	\$ 2,096,368	\$ 2,178,513	\$ 2,263,880	
<b>200-Services &amp; Supplies-General</b>								
54404045 HEAVY EQUIPMENT	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>400-Capital Outlay- Equipment</b>								
55305030 OPERATING TRANSFERS OUT	1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>530-Other Financ Uses-Operating Trsf Out</b>								
55405010 SALARIES & BENE TRANSFERS OUT	3	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	
55405012 SERVS & SUPPLY TRANSFERS OUT	2	\$ 52,000	\$ 54,044	\$ 56,168	\$ 58,375	\$ 60,669	\$ 63,063	
55405018 INTERNAL COST ALLOCA OUT	2	\$ 1,126,118	\$ 1,170,375	\$ 1,216,371	\$ 1,264,174	\$ 1,313,856	\$ 1,365,491	
<b>540-Inte Entity Reimbursement Out</b>								
Subtotal - Operating Expenses		\$ 3,478,118	\$ 3,624,418	\$ 3,772,538	\$ 3,922,549	\$ 4,074,525	\$ 4,231,544	
<b>GRAND TOTAL SEWER EXPENSES</b>		\$ 3,446,196	\$ 3,485,684	\$ 3,589,863	\$ 3,718,917	\$ 3,853,038	\$ 3,992,424	

1. Revenue and expenses for FY 2024/25 provided by the District. Revenues and expenses for all other years are escalated based on the forecasting assumptions in Table 7.

TABLE 6 : FORECASTING ASSUMPTIONS

INFLATION FACTORS <sup>1</sup>	Basis	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Customer Growth <sup>2</sup>	1	0.49%	0.49%	0.49%	0.49%	0.49%	0.49%
General Cost Inflation <sup>3</sup>	2	3.20%	3.93%	3.93%	3.93%	3.93%	3.93%
Labor Cost Inflation <sup>4</sup>	3	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest on Investments <sup>5</sup>	4	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Electricity <sup>6</sup>	5	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%
No Escalation	6	0.00%	5.24%	5.24%	5.24%	5.24%	5.24%

- Expenses are inflated each year by the following annual inflation factor categories.
- Customer growth is based on the population projections provided by the County.
- General cost inflation is based on the population projections in the Consumer Price Index for all Urban Consumers in the San Bernardino-Riverside-Ontario, CA area.
- Labor cost inflation is provided by County.
- Interest rate inflation is provided by County.
- Electricity cost inflation is based on the 5-year average change in the Consumer Price Index for Electricity for the San Bernardino-Riverside-Ontario, CA area.

TABLE 7 : CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST	Projected	5-Year Projected Rate Period						
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	
<b>Funding Sources:</b>								
Grants								
Use of Capacity Fee Reserves								
SRF Loan Funding								
Use of Future Revenue Bond Proceeds								
Use of Capital Rehabilitation and Replacement Reserve	426,420	267,806	110,872	114,752	118,769	122,926		
Rate Revenue								
<b>Total Sources of Capital Funds</b>	<b>\$ 426,420</b>	<b>\$ 267,806</b>	<b>\$ 110,872</b>	<b>\$ 114,752</b>	<b>\$ 118,769</b>	<b>\$ 122,926</b>		
<b>Uses of Capital Funds:</b>								
Total Project Costs	\$ 426,420	\$ 267,806	\$ 110,872	\$ 114,752	\$ 118,769	\$ 122,926		
<b>Capital Funding Surplus (Deficiency)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>SFR Loan Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>Future Revenue Bond Proceeds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		

CAPITAL IMPROVEMENT PROGRAM FUNDING OPTIONS

Policy Choice	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
1 Alternative 1 - Full Funding of CIP	\$ 426,420	\$ 267,806	\$ 110,872	\$ 114,752	\$ 118,769	\$ 122,926
2 Alternative 2 - 75% Funding of CIP	319,815	200,855	83,154	86,064	89,076	92,194
3 Alternative 3 - 50% Funding of CIP	213,210	133,903	55,436	57,376	59,384	61,463
<b>1</b>	<b>Select CIP Funding Option</b>					

Capital Improvement Program Funding Choice

Effective Annual Funding Amount	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
	\$ 426,420	\$ 267,806	\$ 110,872	\$ 114,752	\$ 118,769	\$ 122,926

CSA 64 Spring Valley Lake  
SEWER RATE STUDY  
Capital Improvement Plan Expenditures

CAPITAL IMPROVEMENT PROGRAM

TABLE 8 : CAPITAL IMPROVEMENT PROGRAM COSTS

Project Description	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Capital Projects<sup>1</sup></b>						
Lakeview Lift Station Renovation	\$ 412,000	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Line Replacement	-	-	-	-	-	-
Capital Outlay	-	250,000	-	-	-	-
<b>Subtotal - Capital Projects</b>	<b>\$ 412,000</b>	<b>\$ 250,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Estimated Future Projects</b>						
Future Projects <sup>4</sup>	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
<b>Total: Capital Improvement Program Costs (Current-Year Dollars)</b>	<b>\$ 412,000</b>	<b>\$ 250,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>

TABLE 9 : CAPITAL IMPROVEMENT PROGRAM COSTS

Project Description	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Capital Projects<sup>1</sup></b>						
Lakeview Lift Station Renovation	\$ 426,420	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Line Replacement	-	-	-	-	-	-
Capital Outlay	-	267,806	-	-	-	-
Future Projects <sup>4</sup>	\$ -	\$ -	\$ 110,872	\$ 114,752	\$ 118,769	\$ 122,926
<b>Total: Capital Improvement Program Costs (Future-Year Dollars)</b>	<b>\$ 426,420</b>	<b>\$ 267,806</b>	<b>\$ 110,872</b>	<b>\$ 114,752</b>	<b>\$ 118,769</b>	<b>\$ 122,926</b>

TABLE 10 : FORECASTING ASSUMPTIONS

Economic Variables	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Annual Construction Cost Inflation, Per Engineering News Record <sup>6</sup>	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Cumulative Construction Cost Multiplier from FY 2023/24	1.04	1.07	1.11	1.15	1.19	1.23

1. Source file: 2023-24 Preliminary Budget Worksheet.xlsx.  
 4. Estimated future expenditures are the average of the previous 10 years.  
 5. Capital improvement projects are inflated to future year estimated costs with ENR CCI for the region. Source: Engineering News Record website (<http://enr.construction.com>).  
 6. For reference purposes, the annual Construction Cost Inflation percentage is the 10-year average annual change in the Construction Cost Index for 2013-2023 (3.5%).

TABLE 11 : EXISTING DEBT OBLIGATIONS

EXISTING DEBT OBLIGATIONS	Projected FY 2025/26	5-Year Projected Rate Period				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Annual Repayment Schedules:						
N/A						
Principal Payment	-	-	-	-	-	-
Interest Payment	-	-	-	-	-	-
<b>Subtotal: Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Coverage Requirement (\$-Amt above annual payment)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve Requirement (total fund balance)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total: Existing Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total: Existing Annual Coverage Requirement</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total: Existing Debt Reserve Target</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

TABLE 12 : EXISTING ANNUAL DEBT OBLIGATIONS TO BE SATISFIED BY SEWER RATES

Annual Obligations	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Existing Annual Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Annual Coverage Requirement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Debt Reserve Target	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

TABLE 13 : CURRENT SEWER RATE SCHEDULE

Sewer Rate Schedule <sup>1</sup>		Current Rates
<i>Monthly Fixed Service Charge Per EDU</i>		
All Customers	Per Dwelling Unit	\$50.89
All Customers		

TABLE 14 : PROPOSED SEWER RATES

Customer Class	Number of Billing Units	Net Revenue Requirement	Estimated Fixed Revenue	Monthly Fixed Charge Per Unit
All Customers	4,605	\$ 2,886,965	\$ 2,886,965	\$ 52.24
<b>Total</b>	<b>4,605</b>	<b>\$ 2,886,965</b>	<b>\$ 2,886,965</b>	

TABLE 15 : CURRENT VS. PROPOSED SEWER RATES

Sewer Rate Schedule	Current Rates	Proposed Sewer Rates			
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30   FY 2030/31
<i>Monthly Fixed Service Charge Per EDU</i>					
All Customers	\$50.89	\$52.24	\$53.63	\$55.06	\$56.52
All Customers			Per Dwelling Unit		\$58.03

# **SAN BERNARDINO COUNTY**

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*County Service Area 53B (Fawnskin)  
Sewer Rate Study Report*

*Final Report*

March 2026



[nbsgov.com](http://nbsgov.com)

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# 1. Introduction

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## 1.1 Purpose

San Bernardino County (County) retained NBS to conduct a comprehensive utility rate study for its sewer enterprise funds for County Service Area 53B Fawnskin (CSA 53B). The County had several objectives and goals in mind for this study including meeting revenue requirements, reviewing the rising costs of providing services, funding capital improvements and changes in costs, and complying with certain legal requirements (e.g., California Constitution Article XIII D, Section 6, which is commonly referred to as Proposition 218 [Prop 218]). The County's broader objectives in this study include ensuring adequate funding for operating and capital costs, ensuring revenue stability in utility rates. The rates resulting from this study were developed in a manner that is consistent with industry standard cost-of-service principles. In addition to documenting the rate study methodology, this report is provided with the intent to assist the County in its continuing effort to maintain transparent communications with the residents and community it serves.

In developing new rates for CSA 53B's enterprise fund, NBS worked cooperatively with County staff and the Board of Supervisors (Board) in selecting the appropriate rate alternatives that address the County's goals and objectives. Based on input provided by County staff, NBS proposes the rates summarized in this report. The Board has the final decision regarding the adoption of the proposed rates and whether to proceed with the Prop 218 approval process.

## 1.2 Overview of the Study

Comprehensive rate studies, such as this one, typically include three components: (1) preparation of a financial plan that identifies the net revenue requirements for the utility; (2) analysis of the cost to serve each customer class, and (3) the rate structure design. These steps are shown in **Figure 1** and are intended to follow industry standards and reflect the fundamental principles of cost-of-service rate making embodied in the Water Environment Federation's *Financing and Charges for Wastewater Systems* (Manual of Practice No. 27).<sup>1</sup>

Rate studies also address requirements under Prop 218 that rates not exceed the cost of providing the service and be proportionate to the cost of providing service for all customers. In terms of the chronology of the study, the three steps shown in **Figure 1** represent the order in which they were performed in this study.

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<sup>1</sup> *Financing and Charges for Wastewater Systems*, Manual of Practice No. 27, Water Environment Federation, Fourth Edition, 2018.

**Figure 1. Primary Components of a Rate Study**



NBS projected revenues and expenditures, developed net revenue requirements, performed cost-of-service rate analyses, and developed new sewer rates for the County using this approach. The following sections in this report present an overview of the methodologies, assumptions, and data used along with the financial plans and rates developed. Detailed tables and figures documenting the development of the proposed rates are provided in the Appendices.

The County provided NBS with the data necessary to conduct the study, including historical, current, and projected revenues and expenditures, number of customer accounts, and water consumption data along with other operational and capital cost information.

### **FINANCIAL PLAN**

As a part of the rate study, NBS projected revenues and expenditures on a cash-flow basis for the next five (5) years. The amount of rate revenue required, that will allow reserves to be maintained at the recommended levels, is known as the net revenue requirement. As current rate revenue falls short of the net revenue requirement, rate adjustments – or more accurately, adjustments in the total revenue collected from rates – are recommended. This report presents an overview of the methodologies, assumptions, and data used along with the financial plan and proposed rates developed in this study.<sup>2</sup>

### **COST-OF-SERVICE ANALYSIS**

The basic purpose of the cost-of-service analysis (COSA) is to fairly and equitably allocate costs to customer classes. The cost-of-service analysis consists of two major components: (1) the classification of expenses, and (2) the allocation of costs to customer classes. In the case of CSA 53B, volume data is not available by customer and there is a single customer class. Due to the County's desire to maintain consistency, and because the system serves primarily residential customers with similar discharge characteristics, NBS has developed a fixed rate structure which is proportional to cost of service. Further details are discussed below and documented in the Appendix.

<sup>2</sup> The complete financial plans are available in the *Appendices*.

## RATE DESIGN ANALYSIS

During the rate design phase of the study, NBS and County staff worked together to develop rate alternatives that will meet the County’s objectives. It is important for the County to send proper price signals to its customers about the actual cost of providing service. This objective is typically addressed through both the magnitude of the rate adjustments and the rate structure design. In other words, both the amount of revenue collected and the way in which the revenue is collected from customers are important.

Several criteria are typically considered in setting rates and developing sound rate structures. The fundamentals of this process have been well documented in several rate-setting manuals, such as AWWA’s Manual M1. The foundation for evaluating rate structures is generally credited to James C. Bonbright in *Principles of Public Utility Rates*,<sup>3</sup> which outlines pricing policies, theories, and economic concepts along with various rate designs. The following is a simplified list of the attributes of a sound rate structure:

- Rates should be easy to understand from the customer’s perspective.
- Rates should be easy to administer from the utility’s perspective.
- Rates should be equitable and non-discriminating (i.e., cost-based).
- Rates should promote the efficient allocation of the resource.
- There should be continuity in the rate making philosophy over time.
- Rates should provide month-to-month and year-to-year revenue stability.

## KEY FINANCIAL ASSUMPTIONS

The following is a summary of the key financial assumptions used in the analyses. The following capital and operational fund targets reflect input from County staff to meet specific utility objectives.

**Funding of Capital Projects** – The capital improvement costs will be funded with a combination of cash reserves and rate revenue. The capital project listed in the financial plan are from the County’s capital improvement program.

**Reserve Targets** – For the sewer utility, the County maintains reserves for operations, capital, and other specific needs. The details of the utility’s reserve targets are covered in the Financial Plan section of this report.

**Inflation and Growth Projections** – Assumptions were made in the analysis regarding cost inflation to project future revenues and expenses for the study period. The following inflation factors were used in the analysis:

- Customer growth is estimated at 0.21% per year.
- General cost inflation is set at 3.20% annually.
- Labor cost inflation is set at 0.00% annually.

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<sup>3</sup> James C. Bonbright, Albert L. Danielsen, and David R. Kamerschen, *Principles of Public Utility Rates*, Arlington, VA: Public Utilities Report, Inc., Second Edition, 1988, pp. 383-384.

These inflation factors are based on long-term trends; therefore, the County should re-examine these factors in another year to assess the impacts on utility costs and whether projected rate increases will be sufficient for the remainder of the rate adoption period.

## 2. Sewer Rate Study

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### 2.1 Key Sewer Rate Study Issues

The County's sewer rate analysis was undertaken with a few specific objectives, including:

- Ensuring equity among customer classes by collecting rate revenue through the cost-of-service process by Equivalent Dwelling Unit.
- Comply with Prop 218 requirements to ensure costs are properly allocated between user classifications.

### 2.2 Financial Plan

It is important for the sewer utility to ensure rates provide sufficient funding to cover operating and maintenance costs, planned capital expenditures, and maintain reasonable reserves. The sewer utility's rate increases are governed by these needs, and the current state of the County's sewer utility is as follows:

**Meeting Net Revenue Requirements:** For FY 2026/27 through FY 2030/31, the projected net revenue requirements (that is, total operating expenses plus rate-funded capital costs less non-rate revenues) for the County averages approximately \$1.13 million to \$1.52 million annually. If no rate increases are implemented, the County will continue to operate in a deficit projected at approximately \$304 thousand beginning in FY 2026/27 but increasing to \$557 thousand by FY 2030/31, and the utility would struggle to meet its operating and capital requirements.

**Maintaining Reserve Funds:** Reserve funds provide a basis for a utility to cope with fiscal emergencies such as revenue shortfalls, asset failure, and natural disasters, among other events. Reserve policies provide guidelines for sound financial management, with an overall long-range perspective to maintain financial solvency and mitigate financial risks associated with revenue instability, volatile capital costs, and emergencies. Using capital reserves to fund the planned capital improvements will leave the utility with a negative balance as the end of the rate period. Timing of the implementation of capital projects may be impacted by the reserve fund's ability to fund the projects. The reserve funds for the sewer utility are considered unrestricted reserves and consist of the following:

- **Operating Reserve:** The target ending fund balance for the operating reserve is equal to 90 days of operating expenses, or approximately \$373 thousand in FY 2026/27. An operating reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures. Fluctuations in revenue can be caused by weather patterns, the natural inflow and outflow of cash during billing cycles, and – particularly in periods of economic distress – changes or trends in age of receivables.
- **Capital Rehabilitation & Replacement Reserve** equal to 90 days of operating expenses, or approximately \$373 thousand. This reserve is set aside to address long-term capital system replacement and rehabilitation needs.

**Maintaining Adequate Bond Coverage:** Should the County issue debt to finance capital needs, there would be a requirement to maintain a minimum debt service coverage ratio as specified in the bond documents. Rates need to be set to generate sufficient revenue to provide the required level of coverage on debt services as well as fund operating needs.

**Figure 2** summarizes the sources and uses of funds, net revenue requirements, and the recommended annual increases in sewer rate revenue proposed for the next five years. **Figure 3** summarizes the projected reserve fund balances and reserve targets for the sewer utility’s unrestricted funds.

**Figure 2. Summary of Sewer Revenue Requirements**

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget	5-Year Projected Rate Period				
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Sources of Sewer Funds</b>						
Rate Revenue Under Current Rates	\$ 1,102,310	\$ 1,104,625	\$ 1,106,945	\$ 1,109,269	\$ 1,111,599	\$ 1,113,933
Non-Rate Revenues	83,174	83,349	83,524	83,699	83,875	84,051
<b>Total: Sources of Funds</b>	<b>\$ 1,185,484</b>	<b>\$ 1,187,974</b>	<b>\$ 1,190,469</b>	<b>\$ 1,192,969</b>	<b>\$ 1,195,474</b>	<b>\$ 1,197,984</b>
<b>Uses of Sewer Funds</b>						
Operating Expenses	\$ 1,435,262	\$ 1,491,969	\$ 1,551,450	\$ 1,613,846	\$ 1,679,308	\$ 1,747,994
Debt Service	-	-	-	-	-	-
Rate-Funded Capital Expenses	-	-	-	-	-	7,358
<b>Total: Use of Funds</b>	<b>\$ 1,435,262</b>	<b>\$ 1,491,969</b>	<b>\$ 1,551,450</b>	<b>\$ 1,613,846</b>	<b>\$ 1,679,308</b>	<b>\$ 1,755,352</b>
<b>Surplus (Deficiency) before Rate Increase</b>	<b>\$ (249,777)</b>	<b>\$ (303,995)</b>	<b>\$ (360,981)</b>	<b>\$ (420,878)</b>	<b>\$ (483,834)</b>	<b>\$ (557,367)</b>
Additional Revenue from Rate Increases <sup>1</sup>	-	27,616	112,770	204,677	303,860	410,881
<b>Surplus (Deficiency) after Rate Increase</b>	<b>\$ (249,777)</b>	<b>\$ (276,380)</b>	<b>\$ (248,211)</b>	<b>\$ (216,200)</b>	<b>\$ (179,974)</b>	<b>\$ (146,487)</b>
<b>Projected Increases in Rate Revenue</b>	<b>0.00%</b>	<b>2.50%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>
<i>Cumulative Rate Increases</i>	<i>0.00%</i>	<i>2.50%</i>	<i>10.19%</i>	<i>18.45%</i>	<i>27.34%</i>	<i>36.89%</i>
<b>Total Rate Revenue Requirement<sup>2</sup></b>	<b>\$ 1,102,310</b>	<b>\$ 1,132,240</b>	<b>\$ 1,219,715</b>	<b>\$ 1,313,947</b>	<b>\$ 1,415,459</b>	<b>\$ 1,524,814</b>

1. Assumes new rates are implemented July 1, 2026.
2. Total use of funds less non-rate revenues and interest earnings.

**Figure 3. Summary of Sewer Reserve Funds**

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budget	5-Year Projected Rate Period				
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Unrestricted Reserves</b>						
<b>Operating Reserve</b>						
Ending Balance	\$ 120,545	\$ (154,281)	\$ (402,492)	\$ (618,692)	\$ (798,666)	\$ (945,153)
<i>Recommended Minimum Target</i>	<i>359,000</i>	<i>373,000</i>	<i>388,000</i>	<i>403,000</i>	<i>420,000</i>	<i>437,000</i>
<b>Capital Rehabilitation &amp; Replacement Reserve</b>						
Ending Balance	\$ 534,331	\$ 514,438	\$ 493,351	\$ 442,334	\$ 425,702	\$ 431,189
<i>Recommended Minimum Target</i>	<i>359,000</i>	<i>373,000</i>	<i>388,000</i>	<i>403,000</i>	<i>420,000</i>	<i>437,000</i>
<b>Total Ending Balance</b>	<b>\$ 654,876</b>	<b>\$ 360,157</b>	<b>\$ 90,859</b>	<b>\$ (176,358)</b>	<b>\$ (372,965)</b>	<b>\$ (513,964)</b>
<b>Total Recommended Minimum Target</b>	<b>\$ 718,000</b>	<b>\$ 746,000</b>	<b>\$ 776,000</b>	<b>\$ 806,000</b>	<b>\$ 840,000</b>	<b>\$ 874,000</b>

A more detailed version of the utility’s proposed five-year financial plan is included in the Appendix. The appendix tables include revenue requirements, reserve funds, revenue sources, proposed rate increases, and the County’s capital improvement program.

### 2.3 Cost-of-Service Analysis

Once the net revenue requirements are determined, the cost-of-service analysis (COSA) proportionately distributes the revenue requirements to the single customer class. The COSA consists of the classification of expenses and then the allocation of those expenses to customer classes based on allocation factors, such as number of equivalent dwelling units (EDUs). Ultimately, a COSA is intended to result in rates that are proportional to the cost of providing service to each customer class.

## DISTRIBUTION OF COSTS OF SERVICE TO CUSTOMER CLASSES

We arrive at the customer class responsibility for service by applying the unit costs of service to the number of units, in this case Equivalent Dwelling Units, for which the customer class is responsible. In other words, the total revenue requirement is divided by the number of Equivalent Dwelling Units.

### 2.4 Rate Design Analysis

The cost-of-service analysis described in previous sections of this report provide a basis for the design of the sewer rates. Ultimately, the rate alternative selected by County staff is one similar to the existing rate design. The reasons for selecting this alternative are (1) it maintains the existing rate design developed during the last study (2) it provides continuity for sewer customers, and (3) it is easy to understand from a customer’s perspective and easy to administrate from County staff’s perspective.

### FIXED CHARGES

The fixed charge recognizes that the sewer utility incurs fixed costs regardless of whether customers send any sewer into the County’s collection system. The factor used to develop the fixed change is the number of Equivalent Dwelling Units associated with each account. The monthly fixed charge is calculated by taking 100% of total revenue requirements and dividing by the number of Equivalent Dwelling Units.

The charge calculations are summarized in **Figure 4**.

**Figure 4. Calculation of Fixed Charges**

<b>NET REVENUE REQUIREMENTS (100% FIXED / 0% VARIABLE)</b>				
<b>Customer Class</b>	<b>Number of Billing Units</b>	<b>Net Revenue Requirement</b>	<b>Estimated Fixed Revenue</b>	<b>Monthly Fixed Charge Per Unit</b>
All Customers	1,278	\$ 1,132,240	\$ 1,132,240	\$ 73.83
<b>Total</b>	<b>1,278</b>	<b>\$ 1,132,240</b>	<b>\$ 1,132,240</b>	

### 2.5 Proposed Sewer Rates

The proposed sewer rates are similar to existing rates in terms of the rate design and rate methodology. **Figure 5** compares the current and proposed rates for FY 2026/27 through FY 2030/31 by customer class. More detailed tables on the development of the proposed rates are documented in Appendix A.

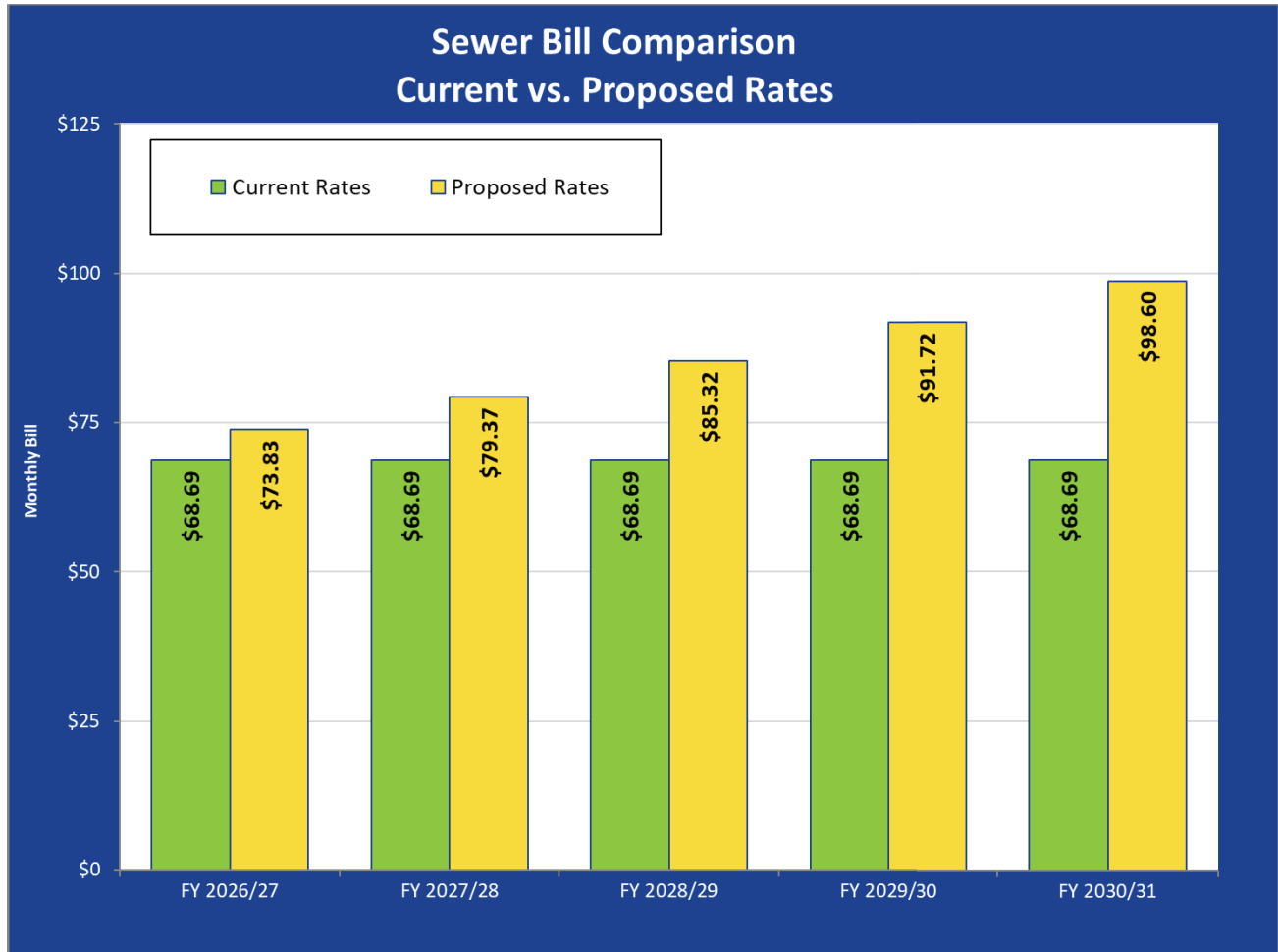
**Figure 5. Current vs. Proposed Sewer Rates**

<b>Sewer Rate Schedule<sup>1</sup></b>	<b>Current Rates</b>	<b>Proposed Sewer Rates</b>				
		<b>FY 2026/27</b>	<b>FY 2027/28</b>	<b>FY 2028/29</b>	<b>FY 2029/30</b>	<b>FY 2030/31</b>
<b>Monthly Fixed Service Charge Per EDU</b>						
All Customers		<u>Per Dwelling Unit</u>				
All Customers	\$68.69	\$73.83	\$79.37	\$85.32	\$91.72	\$98.60

### 2.6 Comparison of Current and Proposed Sewer Bills

The following figures compare monthly sewer bills under current and proposed rates for a customer with one Equivalent Dwelling Unit over the 5-year rate period.

Figure 6. Sewer Bill Comparison



## 3. Recommendations and Next Steps

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### 3.1 Consultant Recommendations

NBS recommends the County take the following actions:

- **Approve and Accept this Study:** NBS recommends the County Board formally approve and adopt this Study and its recommendations and proceed with the next steps outlined below to implement the proposed rates. This will provide documentation of the rate study analyses and the basis for analyzing potential changes to future rates.
- **Implement Recommended Levels of Rate Increases and Proposed Rates:** Based on successfully meeting the Prop 218 procedural requirements, the County should proceed with implementing the 5-year schedule of proposed rates and rate increases previously shown in **Figure 5**. This will help ensure the continued financial health of CSA 53B's utilities.

### 3.2 Next steps

**Annually Review Rates and Revenue** – Any time an agency adopts new utility rates or rate structures, those new rates should be closely monitored over the next several years to ensure the revenue generated is sufficient to meet the annual revenue requirements. Changing economic and water consumption patterns underscore the need for this review, as well as potential and unseen changing revenue requirements — particularly those related to environmental regulations that can significantly affect capital improvements and repair and replacement costs.

*Note: The attached Appendix provide more detailed information on the analysis of the financial plan, revenue requirements, cost-of-service, and the rate design analyses that have been summarized in this report.*

### 3.3 NBS' Principal Assumptions and Considerations

In preparing this report and the opinions and recommendations included herein, NBS has relied on several principal assumptions and considerations regarding financial matters, conditions, and events that may occur in the future. This information and these assumptions, including the County's budgets, capital improvement costs, customer accounts and consumption, and information from County staff were provided by sources we believe to be reliable, although NBS has not independently verified this data.

While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report and its recommendations, some assumptions will invariably not materialize as stated herein and may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.

# Appendix A. Sewer Rate Study Tables and Figures

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TABLE 1 : FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

RATE REVENUE REQUIREMENTS SUMMARY	Rate Period									
	Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32	FY 2032/33	FY 2033/34	
<b>Sources of Sewer Funds</b>										
<b>Rate Revenue</b>										
070-Charges for Current Services	\$ 16,635	\$ 16,670	\$ 16,705	\$ 16,740	\$ 16,775	\$ 16,810	\$ 16,846	\$ 16,881	\$ 16,916	
075-Charges for Current Services-Fee Ord	1,102,310	1,104,625	1,106,945	1,109,269	1,111,599	1,113,933	1,116,272	1,118,616	1,120,965	
<b>Other Revenue</b>										
000-Taxes	2,004	2,008	2,013	2,017	2,021	2,025	2,030	2,034	2,038	
030-Revenue From Use of Money & Property	32,067	32,135	32,202	32,270	32,337	32,405	32,473	32,542	32,610	
080-Other Revenue	32,468	32,536	32,605	32,673	32,742	32,810	32,879	32,948	33,018	
<b>Total: Sources of Funds</b>	<b>\$ 1,185,484</b>	<b>\$ 1,187,974</b>	<b>\$ 1,190,469</b>	<b>\$ 1,192,969</b>	<b>\$ 1,195,474</b>	<b>\$ 1,197,984</b>	<b>\$ 1,200,500</b>	<b>\$ 1,203,021</b>	<b>\$ 1,205,547</b>	
<b>Uses of Sewer Funds</b>										
<b>Operating Expenses:</b>										
200-Services & Supplies-General	\$ 780,065	\$ 819,276	\$ 860,573	\$ 904,071	\$ 949,892	\$ 998,165	\$ 1,049,025	\$ 1,102,619	\$ 1,159,096	
430-Capital Outlay-Structures Improvement	-	-	-	-	-	-	-	-	-	
440-Capital Outlay-Equipment	-	-	-	-	-	-	-	-	-	
540-Intra Entity Reimbursement Out	655,197	672,693	690,877	709,775	729,416	749,829	771,045	793,094	816,009	
Subtotal: Operating Expenses	\$ 1,435,262	\$ 1,491,969	\$ 1,551,450	\$ 1,613,846	\$ 1,679,308	\$ 1,747,994	\$ 1,820,070	\$ 1,895,712	\$ 1,975,105	
<b>Other Expenditures:</b>										
Existing Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Future Debt Service	-	-	-	-	-	-	-	-	-	
Rate-Funded Capital Expenses	-	-	-	-	-	-	-	-	-	
Subtotal: Other Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Total: Uses of Funds</b>	<b>\$ 1,435,262</b>	<b>\$ 1,491,969</b>	<b>\$ 1,551,450</b>	<b>\$ 1,613,846</b>	<b>\$ 1,679,308</b>	<b>\$ 1,755,352</b>	<b>\$ 1,850,801</b>	<b>\$ 1,927,519</b>	<b>\$ 2,008,026</b>	
Plus: Revenue from Rate Increases <sup>3</sup>	-	27,616	112,770	204,677	303,860	410,881	526,345	650,905	785,265	
<b>Annual Surplus/(Deficit)</b>	<b>\$ (249,777)</b>	<b>\$ (276,380)</b>	<b>\$ (248,211)</b>	<b>\$ (216,200)</b>	<b>\$ (179,374)</b>	<b>\$ (146,487)</b>	<b>\$ (123,957)</b>	<b>\$ (73,593)</b>	<b>\$ (17,213)</b>	
<b>Net Revenue Req. (Total Uses less Non-Rate Revenue)</b>	<b>\$ 1,368,722</b>	<b>\$ 1,425,290</b>	<b>\$ 1,484,631</b>	<b>\$ 1,546,887</b>	<b>\$ 1,612,208</b>	<b>\$ 1,688,111</b>	<b>\$ 1,783,419</b>	<b>\$ 1,859,995</b>	<b>\$ 1,940,360</b>	
<b>Total Rate Revenue After Rate Increases</b>	<b>\$ 1,118,945</b>	<b>\$ 1,148,910</b>	<b>\$ 1,236,419</b>	<b>\$ 1,330,687</b>	<b>\$ 1,432,234</b>	<b>\$ 1,541,624</b>	<b>\$ 1,659,463</b>	<b>\$ 1,786,402</b>	<b>\$ 1,923,147</b>	
<b>Projected Annual Rate Revenue Increase</b>	<b>0.00%</b>	<b>2.50%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>	
<b>Cumulative Increase from Annual Revenue Increases</b>	<b>0.00%</b>	<b>2.50%</b>	<b>10.19%</b>	<b>18.45%</b>	<b>27.34%</b>	<b>36.89%</b>	<b>47.15%</b>	<b>58.19%</b>	<b>70.05%</b>	
<b>Debt Coverage After Rate Increase<sup>4</sup></b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	

1. Revenue and expenses for FY 2024/25 provided by the District. Revenues and expenses for all other years are escalated based on the forecasting assumptions in Table 8.  
 2. Interest earnings for FY 2024/25 are from the District's Budget. For all other years, it is calculated based on historical LAIF returns.  
 3. Revenue from rate increases assumes an implementation date of January 1, 2026 for new rates. For each year thereafter, the assumption is that new rates will be implemented on July 1st of each year.  
 4. The District must maintain a debt service coverage of 125% under the Installment Purchase Contract with Municipal Finance Corporation. Conditional formatting has been applied to highlight years where the debt coverage ratio Source file: Item 7 Installment Purchase Sewer Project.pdf.

1	← Select Financial Plan Scenario Here	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32	FY 2032/33	FY 2033/34
	<b>Financial Plan Alternatives</b>									
1	Alternative 1 - Custom Rate Increase	0.00%	2.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
2	Alternative 2 - Custom Rate Increase	0.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
3	Alternative 3 - Custom Rate Increases	0.00%	40.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
4	Alternative 4 - No Rate Increases	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

TABLE 2 : RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY SEWER FUND RESERVES	5-Year Projected Rate Period									
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32	FY 2032/33	FY 2033/34	
<b>Total Beginning Cash<sup>1</sup></b>										
<b>Unrestricted Reserves:</b>										
<b>Operating Reserve</b>										
Beginning Reserve Balance	\$ 365,610	\$ 120,545	\$ (154,281)	\$ (402,492)	\$ (618,692)	\$ (798,666)	\$ (945,153)	\$ (1,069,110)	\$ (1,142,703)	\$ (1,142,703)
Plus: Net Cash Flow (After Rate Increases)	(249,777)	(276,380)	(248,211)	(216,200)	(179,974)	(146,487)	(123,957)	(73,593)	(17,213)	(17,213)
Plus: Transfer of Debt Reserve Surplus	-	-	-	-	-	-	-	-	-	-
Plus: Interest Earnings	4,713	1,554	-	-	-	-	-	-	-	-
Less: Transfer Out to Capital Replacement Reserve	-	-	-	-	-	-	-	-	-	-
<b>Ending Operating Reserve Balance</b>	<b>\$ 120,545</b>	<b>\$ (154,281)</b>	<b>\$ (402,492)</b>	<b>\$ (618,692)</b>	<b>\$ (798,666)</b>	<b>\$ (945,153)</b>	<b>\$ (1,069,110)</b>	<b>\$ (1,142,703)</b>	<b>\$ (1,142,703)</b>	<b>\$ (1,142,703)</b>
<b>Target Ending Balance (90 days of O&amp;M)<sup>2</sup></b>	<b>\$ 359,000</b>	<b>\$ 373,000</b>	<b>\$ 388,000</b>	<b>\$ 403,000</b>	<b>\$ 420,000</b>	<b>\$ 437,000</b>	<b>\$ 455,000</b>	<b>\$ 474,000</b>	<b>\$ 494,000</b>	<b>\$ 494,000</b>
<b>Capital Rehabilitation &amp; Replacement Reserve</b>										
Beginning Reserve Balance	\$ 963,852	\$ 534,331	\$ 514,438	\$ 493,351	\$ 442,334	\$ 425,702	\$ 431,189	\$ 436,747	\$ 442,377	\$ 442,377
Plus: Grant Proceeds	-	-	-	-	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surplus	-	-	-	-	-	-	-	-	-	-
Plus: Interest Earnings	12,424	6,888	6,631	6,359	5,702	5,487	5,558	5,630	5,702	5,702
Less: Use of Reserves for Capital Projects	(441,945)	(26,781)	(27,718)	(57,376)	(22,334)	-	-	-	-	-
<b>Ending Capital Rehab &amp; Replacement Reserve Balance</b>	<b>\$ 534,331</b>	<b>\$ 514,438</b>	<b>\$ 493,351</b>	<b>\$ 442,334</b>	<b>\$ 425,702</b>	<b>\$ 431,189</b>	<b>\$ 436,747</b>	<b>\$ 442,377</b>	<b>\$ 448,079</b>	<b>\$ 448,079</b>
<b>Target Ending Balance (90 days of O&amp;M)<sup>2</sup></b>	<b>\$ 359,000</b>	<b>\$ 373,000</b>	<b>\$ 388,000</b>	<b>\$ 403,000</b>	<b>\$ 420,000</b>	<b>\$ 437,000</b>	<b>\$ 455,000</b>	<b>\$ 474,000</b>	<b>\$ 494,000</b>	<b>\$ 494,000</b>
<b>Ending Cash Balance - Excl. Restricted Reserves</b>	<b>\$ 654,876</b>	<b>\$ 360,157</b>	<b>\$ 90,859</b>	<b>\$ (176,358)</b>	<b>\$ (372,965)</b>	<b>\$ (513,964)</b>	<b>\$ (632,363)</b>	<b>\$ (700,326)</b>	<b>\$ (711,837)</b>	<b>\$ (711,837)</b>
<b>Min. Target Ending Cash Balance - Excl. Restricted Reser<sup>3</sup></b>	<b>\$ 718,000</b>	<b>\$ 746,000</b>	<b>\$ 776,000</b>	<b>\$ 806,000</b>	<b>\$ 840,000</b>	<b>\$ 874,000</b>	<b>\$ 910,000</b>	<b>\$ 948,000</b>	<b>\$ 988,000</b>	<b>\$ 988,000</b>
<b>Ending Surplus/(Deficit) Compared to Reserve Targets</b>	<b>\$ (63,124)</b>	<b>\$ (385,843)</b>	<b>\$ (685,141)</b>	<b>\$ (982,358)</b>	<b>\$ (1,212,965)</b>	<b>\$ (1,387,964)</b>	<b>\$ (1,542,363)</b>	<b>\$ (1,648,326)</b>	<b>\$ (1,699,837)</b>	<b>\$ (1,699,837)</b>
<b>Days Cash on Hand</b>	<b>167</b>	<b>89</b>	<b>22</b>	<b>(40)</b>	<b>(82)</b>	<b>(107)</b>	<b>(125)</b>	<b>(133)</b>	<b>(130)</b>	<b>(130)</b>
<b>Annual Interest Earnings Rate<sup>3</sup></b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>

1. Beginning cash balances are as of July 1, 2024.  
 2. The target ending balance is set equal to 90-days of O&M expenses.  
 3. Historical interest earning rates are per the average annual yields for funds invested in LAIF (2018-2024). The source is the California State Treasurer's website: <https://www.treasurer.ca.gov/pmtia-laif/historical/annual.asp>.

CSA 53B Fawnskin  
SEWER RATE STUDY  
Operating Revenue and Expenses

TABLE 4 : REVENUE FORECAST<sup>1</sup>

DESCRIPTION	Basis	Projected									
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31				
<b>Sewer Operating Revenue</b>											
40008145 INT & PEN DELINQUENT TAXES	1	\$ 2,004	\$ 2,008	\$ 2,013	\$ 2,017	\$ 2,021	\$ 2,025	\$ 2,029	\$ 2,033	\$ 2,037	\$ 2,041
000-Taxes		\$ 2,004	\$ 2,008	\$ 2,013	\$ 2,017	\$ 2,021	\$ 2,025	\$ 2,029	\$ 2,033	\$ 2,037	\$ 2,041
40308500 INTEREST	1	\$ 32,067	\$ 32,135	\$ 32,202	\$ 32,270	\$ 32,337	\$ 32,405	\$ 32,472	\$ 32,540	\$ 32,607	\$ 32,675
030-Revenue From Use of Money & Property		\$ 32,067	\$ 32,135	\$ 32,202	\$ 32,270	\$ 32,337	\$ 32,405	\$ 32,472	\$ 32,540	\$ 32,607	\$ 32,675
40708155 SPECIAL ASSMNT ALL PRIOR YEARS	1	\$ 5,011	\$ 5,021	\$ 5,032	\$ 5,042	\$ 5,053	\$ 5,063	\$ 5,073	\$ 5,083	\$ 5,093	\$ 5,103
40708160 SP ASSMNT CUR YR TX ROLL GEN	1	\$ 100	\$ 100	\$ 101	\$ 101	\$ 101	\$ 101	\$ 101	\$ 101	\$ 101	\$ 101
40708175 SP ASSMNT CUR YR TX ROLL SEWER	1	\$ 6,213	\$ 6,239	\$ 6,265	\$ 6,291	\$ 6,317	\$ 6,343	\$ 6,369	\$ 6,395	\$ 6,421	\$ 6,447
40709680 PERMIT & INSPECTION FEES	1	\$ 20,042	\$ 20,084	\$ 20,126	\$ 20,169	\$ 20,211	\$ 20,253	\$ 20,295	\$ 20,337	\$ 20,379	\$ 20,421
070-Charges for Current Services		\$ 31,466	\$ 31,532	\$ 31,598	\$ 31,665	\$ 31,731	\$ 31,798	\$ 31,864	\$ 31,931	\$ 31,997	\$ 32,064
40758480 FEE ORD-PENALTIES	1	\$ 8,017	\$ 8,034	\$ 8,051	\$ 8,067	\$ 8,084	\$ 8,101	\$ 8,118	\$ 8,135	\$ 8,152	\$ 8,169
40759700 FEE ORD-SANITATION SERVICES	1	\$ 1,102,310	\$ 1,104,635	\$ 1,106,945	\$ 1,109,269	\$ 1,111,599	\$ 1,113,933	\$ 1,116,267	\$ 1,118,601	\$ 1,120,935	\$ 1,123,269
40759715 FEE ORD-CONNECTION FEES	1	\$ 5,011	\$ 5,021	\$ 5,032	\$ 5,042	\$ 5,053	\$ 5,063	\$ 5,073	\$ 5,083	\$ 5,093	\$ 5,103
40759800 FEE ORD-OTHER SERVICES	1	\$ 2,505	\$ 2,511	\$ 2,516	\$ 2,521	\$ 2,526	\$ 2,532	\$ 2,537	\$ 2,542	\$ 2,547	\$ 2,552
40759970 FEE ORD-OTHER	1	\$ 1,002	\$ 1,004	\$ 1,006	\$ 1,008	\$ 1,011	\$ 1,013	\$ 1,015	\$ 1,017	\$ 1,019	\$ 1,021
075-Charges for Current Services-Fee Ord		\$ 1,116,345	\$ 1,121,295	\$ 1,126,249	\$ 1,131,209	\$ 1,136,169	\$ 1,141,129	\$ 1,146,089	\$ 1,151,049	\$ 1,156,009	\$ 1,160,969
40809930 OTHER SALES	1	\$ 100	\$ 100	\$ 101	\$ 101	\$ 101	\$ 101	\$ 101	\$ 101	\$ 101	\$ 101
40809973 OTHER - STALE DATED ITEMS	1	\$ 401	\$ 402	\$ 403	\$ 403	\$ 404	\$ 404	\$ 405	\$ 405	\$ 406	\$ 406
080-Other Revenue		\$ 1,002	\$ 1,004	\$ 1,006	\$ 1,008	\$ 1,011	\$ 1,013	\$ 1,015	\$ 1,017	\$ 1,019	\$ 1,021
<b>TOTAL: REVENUE</b>		\$ 1,185,484	\$ 1,187,974	\$ 1,190,469	\$ 1,192,969	\$ 1,195,474	\$ 1,197,984	\$ 1,200,484	\$ 1,202,984	\$ 1,205,484	\$ 1,207,984

TABLE 5 : REVENUE SUMMARY

DESCRIPTION	Basis	Projected									
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31				
<b>Rate Revenue</b>											
075-Charges for Current Services		\$ 16,635	\$ 16,670	\$ 16,705	\$ 16,740	\$ 16,775	\$ 16,810	\$ 16,845	\$ 16,880	\$ 16,915	\$ 16,950
075-Charges for Current Services-Fee Ord		\$ 1,102,310	\$ 1,104,625	\$ 1,106,945	\$ 1,109,269	\$ 1,111,599	\$ 1,113,933	\$ 1,116,267	\$ 1,118,601	\$ 1,120,935	\$ 1,123,269
<b>Other Revenue</b>											
000-Taxes		\$ 2,004	\$ 2,008	\$ 2,013	\$ 2,017	\$ 2,021	\$ 2,025	\$ 2,029	\$ 2,033	\$ 2,037	\$ 2,041
030-Revenue From Use of Money & Property		\$ 32,067	\$ 32,135	\$ 32,202	\$ 32,270	\$ 32,337	\$ 32,405	\$ 32,472	\$ 32,540	\$ 32,607	\$ 32,675
080-Other Revenue		\$ 32,468	\$ 32,536	\$ 32,605	\$ 32,673	\$ 32,742	\$ 32,810	\$ 32,879	\$ 32,947	\$ 33,016	\$ 33,084
<b>TOTAL: REVENUE</b>		\$ 1,185,484	\$ 1,187,974	\$ 1,190,469	\$ 1,192,969	\$ 1,195,474	\$ 1,197,984	\$ 1,200,484	\$ 1,202,984	\$ 1,205,484	\$ 1,207,984

TABLE 6 - OPERATING EXPENSE FORECAST<sup>1</sup>

DESCRIPTION	Basis	Projected		Rate Period					
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31		
<b>Operating Expenses</b>									
Operating Expenses									
52002030 SAFETY EQUIP	2	\$ 206	\$ 215	\$ 223	\$ 232	\$ 241	\$ 250		
52002032 VPN SERVICES (ISF ONLY)	2	83	86	89	93	96	100		
52002070 FOOD	2	129	134	139	145	151	156		
52002085 LEGAL NOTICES	2	103	107	111	116	120	125		
52002090 MISCELLANEOUS EXPENSE	2	3,096	3,218	3,344	3,476	3,612	3,754		
52002116 COMPUTER HARDWARE EXPENSE	2	206	215	223	232	241	250		
52002120 SMALL TOOLS & INSTRUMENTS	2	2,064	2,145	2,229	2,317	2,408	2,503		
52002135 SPECIAL DEPT EXPENSE	2	258	258	258	258	258	258		
52002180 UTILITIES-ELECTRICITY	2	310	322	334	348	361	375		
52002182 UTILITIES-SEWER	5	66,703	68,451	70,244	72,084	73,973	75,911		
52002187 UTILITIES-SEWER	6	456,920	484,335	513,395	544,199	576,851	611,462		
52002235 VEHICLE LIABILITY (ISF ONLY)	2	7,740	8,044	8,360	8,689	9,030	9,385		
52002310 PRESORT & PACKAGING (ISF ONLY)	2	1,238	1,287	1,338	1,390	1,445	1,502		
52002323 COURIER & PRINTING (ISF ONLY)	2	2,148	2,232	2,320	2,411	2,506	2,604		
52002415 COUNTY SERVICES (INCL COW/CAP)	2	144,480	150,158	156,059	162,192	168,567	175,191		
52002448 COUNTY COUNSEL SERVICES	3	500	500	500	500	500	500		
52002458 PERMIT COSTS	2	13,416	13,943	14,491	15,061	15,653	16,268		
52002660 PENALTIES	2	72	75	78	81	84	88		
52002835 GENERAL HOUSEHOLD EXPENSES	2	413	429	446	463	482	501		
52002855 GENERAL MAINTENANCE-EQUIPMENT	2	1,032	1,073	1,115	1,159	1,204	1,251		
52002870 GEN MAINT-STRUCT,IMP & GROUNDS	2	72,240	75,079	78,030	81,096	84,283	87,596		
52002905 RENTS & LEASES-STRUCT,IMP&GRDS	2	1,548	1,609	1,672	1,738	1,806	1,877		
52002930 MAINTENANCE CHARGES (ISF ONLY)	2	5,160	5,363	5,574	5,793	6,020	6,257		
<b>200-Services &amp; Supplies-General</b>		<b>\$ 780,065</b>	<b>\$ 819,276</b>	<b>\$ 860,573</b>	<b>\$ 904,071</b>	<b>\$ 949,892</b>	<b>\$ 998,165</b>		
55-405010 SALARIES & BENE TRANSFERS OUT	3	\$ 210,000	\$ 210,000	\$ 210,000	\$ 210,000	\$ 210,000	\$ 210,000		
55-405012 SERVS & SUPPLY TRANSFERS OUT	2	62,221	64,667	67,208	69,849	72,594	75,447		
55-405018 INTERNAL COST ALLOCA OUT	2	382,975	398,026	413,669	429,926	446,822	464,382		
<b>540-Intra Entity Reimbursement Out</b>		<b>\$ 655,197</b>	<b>\$ 672,693</b>	<b>\$ 690,877</b>	<b>\$ 709,775</b>	<b>\$ 729,416</b>	<b>\$ 749,829</b>		
<b>GRAND TOTAL-SEWER EXPENSES</b>		<b>\$ 1,435,262</b>	<b>\$ 1,491,969</b>	<b>\$ 1,551,450</b>	<b>\$ 1,613,846</b>	<b>\$ 1,679,308</b>	<b>\$ 1,747,994</b>		

1. Revenue and expenses for FY 2024/25 provided by the District. Revenues and expenses for all other years are escalated based on the forecasting assumptions in Table 7

CSA 53B Fawnskin  
SEWER RATE STUDY  
Operating Revenue and Expenses

TABLE 7 : FORECASTING ASSUMPTIONS

INFLATION FACTORS <sup>2</sup>	Basis	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Customer Growth <sup>1</sup>	1	0.21%	0.21%	0.21%	0.21%	0.21%	0.21%
General Cost Inflation <sup>3</sup>	2	3.20%	3.93%	3.93%	3.93%	3.93%	3.93%
Labor Cost Inflation <sup>4</sup>	3	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest on Investments <sup>5</sup>	4	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Electricity <sup>6</sup>	5	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%
Regional WW Agency Inflation <sup>7</sup>	6	0.00%	6.00%	6.00%	6.00%	6.00%	6.00%
No Escalation	7	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

- Expenses are inflated each year by the following annual inflation factor categories.
- Customer growth is based on the population projections provided by the County.
- General cost inflation is based on the 5-year average annual change in the Consumer Price Index for all Urban Consumers in the San Bernardino-Riverside-Ontario, CA area.
- Labor cost inflation is provided by County.
- Interest rate inflation provided by the County.
- Electricity cost inflation is based on the 5-year average change in the Consumer Price Index for Electricity for the San Bernardino-Riverside-Ontario, CA area.
- BBARWA sewer user fee increase 2024/25-2025/26.

CSA 53B Fawnskin  
SEWER RATE STUDY  
Capital Improvement Plan Expenditures

TABLE 8 : CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST		5-Year Projected Rate Period				
Funding Sources:	Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
		Grants	-	-	-	-
Use of Capacity Fee Reserves	-	-	-	-	-	-
SRF Loan Funding	-	-	-	-	-	-
Use of Future Revenue Bond Proceeds	-	-	-	-	-	-
Use of Capital Rehabilitation and Replacement Reserve	-	441,945	26,781	27,718	57,376	22,334
Rate Revenue	-	-	-	-	-	7,358
<b>Total Sources of Capital Funds</b>	<b>\$ -</b>	<b>\$ 441,945</b>	<b>\$ 26,781</b>	<b>\$ 27,718</b>	<b>\$ 57,376</b>	<b>\$ 29,692</b>
<b>Uses of Capital Funds:</b>						
Total Project Costs	\$ -	\$ 441,945	\$ 26,781	\$ 27,718	\$ 57,376	\$ 29,692
<b>Capital Funding Surplus (Deficiency)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>SFR Loan Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Future Revenue Bond Proceeds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>CAPITAL IMPROVEMENT PROGRAM FUNDING OPTIONS</b>						
Policy Choice	Total Planned CIP - FY 2026/27 through FY 2030/31					\$ 583,512
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
1 - Alternative 1 - Full Funding of CIP	\$ -	\$ 441,945	\$ 26,781	\$ 27,718	\$ 57,376	\$ 29,692
2 - Alternative 2 - 75% Funding of CIP	-	331,459	20,085	20,788	43,032	22,269
3 - Alternative 3 - 50% Funding of CIP	-	220,973	13,390	13,859	28,688	14,846
1	Select CIP Funding Option					
<b>Capital Improvement Program Funding Choice</b>						
Effective Annual Funding Amount	\$ -	\$ 441,945	\$ 26,781	\$ 27,718	\$ 57,376	\$ 29,692

CSA 53B Fawnskin  
SEWER RATE STUDY  
Capital Improvement Plan Expenditures

CAPITAL IMPROVEMENT PROGRAM

TABLE 9 : CAPITAL IMPROVEMENT PROGRAM COSTS

Project Description	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Capital Projects<sup>1</sup></b>						
Master Plan	\$ -	\$ 50,000	\$ -	\$ -	\$ -	\$ -
Collection System Change Orders	-	377,000	-	-	-	-
<b>Subtotal - Capital Projects</b>	<b>\$ -</b>	<b>\$ 427,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Estimated Future Projects</b>						
Future Projects <sup>4</sup>	\$ -	\$ -	\$ 25,000	\$ 25,000	\$ 50,000	\$ 25,000
<b>Total: Capital Improvement Program Costs (Current-Year Dollars)</b>	<b>\$ -</b>	<b>\$ 427,000</b>	<b>\$ 25,000</b>	<b>\$ 25,000</b>	<b>\$ 50,000</b>	<b>\$ 25,000</b>

TABLE 10 : CAPITAL IMPROVEMENT PROGRAM COSTS

Project Description	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Capital Projects<sup>1</sup></b>						
Master Plan	\$ -	\$ 51,750	\$ -	\$ -	\$ -	\$ -
Collection System Change Orders	-	390,195	-	-	-	-
<b>Subtotal - Capital Projects</b>	<b>\$ -</b>	<b>\$ 441,945</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Estimated Future Projects</b>						
Future Projects <sup>4</sup>	\$ -	\$ -	\$ 26,781	\$ 27,718	\$ 57,376	\$ 29,692
<b>Total: Capital Improvement Program Costs (Future-Year Dollars)</b>	<b>\$ -</b>	<b>\$ 441,945</b>	<b>\$ 26,781</b>	<b>\$ 27,718</b>	<b>\$ 57,376</b>	<b>\$ 29,692</b>

TABLE 11 : FORECASTING ASSUMPTIONS

Economic Variables	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Annual Construction Cost Inflation, Per Engineering News Record <sup>6</sup>	0.00%	3.50%	3.50%	3.50%	3.50%	3.50%
Cumulative Construction Cost Multiplier from 2024/25	1.00	1.04	1.07	1.11	1.15	1.19

1. Source file: 2023-24 Preliminary Budget Worksheet.xlsx.  
 4. Estimated future expenditures are the average of the previous 10 years.  
 5. Capital improvement projects are inflated to future year estimated costs with ENR CCI for the region. Source: Engineering News Record website (<http://enr.construction.com>).  
 6. For reference purposes, the annual Construction Cost Inflation percentage is the 10-year average annual change in the Construction Cost Index for 2013-2023 (3.5%).

TABLE 12 : EXISTING DEBT OBLIGATIONS

EXISTING DEBT OBLIGATIONS	Projected	Rate Period						
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	
Annual Repayment Schedules:								
N/A								
Principal Payment	-	-	-	-	-	-	-	-
Interest Payment	-	-	-	-	-	-	-	-
<b>Subtotal: Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Coverage Requirement (\$-Amnt above annual payment)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve Requirement (total fund balance)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total: Existing Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total: Existing Annual Coverage Requirement</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total: Existing Debt Reserve Target</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

1. Source file: SWRCB Complete Loan Agreement.pdf

TABLE 13 : EXISTING ANNUAL DEBT OBLIGATIONS TO BE SATISFIED BY SEWER RATES

Annual Obligations	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Existing Annual Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Annual Coverage Requirement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Debt Reserve Target	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CSA 53B Fawnskin  
SEWER RATE STUDY  
Projected Sewer Rates Under Existing Rate Schedule

TABLE 14 : CURRENT SEWER RATE SCHEDULE

Sewer Rate Schedule		Current Rates
<i>Monthly Fixed Service Charge Per EDU</i>		
All Customers		Per Dwelling Unit
All Customers		\$68.69

TABLE 15 : PROPOSED SEWER RATES

Customer Class	Number of Billing Units	Net Revenue Requirement	Estimated Fixed Revenue	Monthly Fixed Charge Per Unit
All Customers	1,278	\$ 1,132,240	\$ 1,132,240	\$ 73.83
<b>Total</b>	<b>1,278</b>	<b>\$ 1,132,240</b>	<b>\$ 1,132,240</b>	

TABLE 16 : CURRENT VS. PROPOSED SEWER RATES

Sewer Rate Schedule <sup>1</sup>	Current Rates	Proposed Sewer Rates			
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30   FY 2030/31
<i>Monthly Fixed Service Charge Per EDU</i>					
All Customers	\$68.69	\$73.83	\$79.37	\$85.32	\$91.72
All Customers			Per Dwelling Unit		\$98.60

# **SAN BERNARDINO COUNTY**

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*County Service Area 70 BL (Bloomington)  
Sewer Rate Study Report*

*Final Report*

March 2026



[nbsgov.com](http://nbsgov.com)

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# 1. Introduction

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## 1.1 Purpose

San Bernardino County (County) retained NBS to conduct a comprehensive utility rate study for its sewer enterprise funds for County Service Area 70 BL Bloomington (CSA 70 BL). The County had several objectives and goals in mind for this study including meeting revenue requirements, reviewing the rising costs of providing services, funding capital improvements and changes in costs, and complying with certain legal requirements (e.g., California Constitution Article XIII D, Section 6, which is commonly referred to as Proposition 218 [Prop 218]). The County's broader objectives in this study include ensuring adequate funding for operating and capital costs, maintaining reasonable reserves, ensuring revenue stability in utility rates. The rates resulting from this study were developed in a manner that is consistent with industry standard cost-of-service principles. In addition to documenting the rate study methodology, this report is provided with the intent to assist the County in its continuing effort to maintain transparent communications with the residents and community it serves.

In developing new rates for CSA 70 BL's enterprise fund, NBS worked cooperatively with County staff and the Board of Supervisors (Board) in selecting the appropriate rate alternatives that address the County's goals and objectives. Based on input provided by County staff, NBS proposes the rates summarized in this report. The Board has the final decision regarding the adoption of the proposed rates and whether to proceed with the Prop 218 approval process.

## 1.2 Overview of the Study

Comprehensive rate studies, such as this one, typically include three components: (1) preparation of a financial plan that identifies the net revenue requirements for the utility; (2) analysis of the cost to serve each customer class, and (3) the rate structure design. These steps are shown in **Figure 1** and are intended to follow industry standards and reflect the fundamental principles of cost-of-service rate making embodied in the Water Environment Federation's *Financing and Charges for Wastewater Systems* (Manual of Practice No. 27).<sup>1</sup>

Rate studies also address requirements under Prop 218 that rates not exceed the cost of providing the service and be proportionate to the cost of providing service for all customers. In terms of the chronology of the study, the three steps shown in **Figure 1** represent the order in which they were performed in this study.

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<sup>1</sup> *Financing and Charges for Wastewater Systems*, Manual of Practice No. 27, Water Environment Federation, Fourth Edition, 2018.

**Figure 1. Primary Components of a Rate Study**



NBS projected revenues and expenditures, developed net revenue requirements, performed cost-of-service rate analyses, and developed new sewer rates for the County using this approach. The following sections in this report present an overview of the methodologies, assumptions, and data used along with the financial plans and rates developed. Detailed tables and figures documenting the development of the proposed rates are provided in the Appendices.

The County provided NBS with the data necessary to conduct the study, including historical, current, and projected revenues and expenditures, number of customer accounts, and water consumption data along with other operational and capital cost information.

### **FINANCIAL PLAN**

As a part of the rate study, NBS projected revenues and expenditures on a cash-flow basis for the next five (5) years. The amount of rate revenue required, that will allow reserves to be maintained at the recommended levels, is known as the net revenue requirement. As current rate revenue falls short of the net revenue requirement, rate adjustments – or more accurately, adjustments in the total revenue collected from rates – are recommended. This report presents an overview of the methodologies, assumptions, and data used along with the financial plan and proposed rates developed in this study.<sup>2</sup>

### **COST-OF-SERVICE ANALYSIS**

The basic purpose of the cost-of-service analysis (COSA) is to fairly and equitably allocate costs to customer classes. The cost-of-service analysis consists of two major components: (1) the classification of expenses, and (2) the allocation of costs to customer classes. In the case of CSA 70 BL, volume data is not available by customer and there is a single customer class. Due to the County's desire to maintain consistency, NBS has developed a fixed rate structure. Further details are discussed below and documented in the Appendix.

### **RATE DESIGN ANALYSIS**

During the rate design phase of the study, NBS and County staff worked together to develop rate alternatives that will meet the County's objectives. It is important for the County to send proper price

<sup>2</sup> The complete financial plans are available in the *Appendices*.

signals to its customers about the actual cost of providing service. This objective is typically addressed through both the magnitude of the rate adjustments and the rate structure design. In other words, both the amount of revenue collected and the way in which the revenue is collected from customers are important.

Several criteria are typically considered in setting rates and developing sound rate structures. The fundamentals of this process have been well documented in several rate-setting manuals, such as AWWA's Manual M1. The foundation for evaluating rate structures is generally credited to James C. Bonbright in *Principles of Public Utility Rates*,<sup>3</sup> which outlines pricing policies, theories, and economic concepts along with various rate designs. The following is a simplified list of the attributes of a sound rate structure:

- Rates should be easy to understand from the customer's perspective.
- Rates should be easy to administer from the utility's perspective.
- Rates should be equitable and non-discriminating (i.e., cost-based).
- Rates should promote the efficient allocation of the resource.
- There should be continuity in the rate making philosophy over time.
- Rates should provide month-to-month and year-to-year revenue stability.

## KEY FINANCIAL ASSUMPTIONS

The following is a summary of the key financial assumptions used in the analyses. The following capital and operational fund targets reflect input from County staff to meet specific utility objectives.

**Funding of Capital Projects** – The capital improvement costs will be funded with cash reserves. The capital projects listed in the financial plan are from the County's capital improvement program.

**Reserve Targets** – For the sewer utility, the County maintains reserves for operations, capital, and other specific needs. The details of the utility's reserve targets are covered in the Financial Plan section of this report.

**Inflation and Growth Projections** – Assumptions were made in the analysis regarding cost inflation to project future revenues and expenses for the study period. The following inflation factors were used in the analysis:

- Customer growth is estimated at 0.00% per year.
- General cost inflation is set at 3.20% annually.
- Labor cost inflation is set at 0.00% annually.

These inflation factors are based on long-term trends; therefore, the County should re-examine these factors in another year to assess the impacts on utility costs and whether projected rate increases will be sufficient for the remainder of the rate adoption period.

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<sup>3</sup> James C. Bonbright, Albert L. Danielsen, and David R. Kamerschen, *Principles of Public Utility Rates*, Arlington, VA: Public Utilities Report, Inc., Second Edition, 1988, pp. 383-384.

## 2. Sewer Rate Study

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### 2.1 Key Sewer Rate Study Issues

The County's sewer rate analysis was undertaken with a few specific objectives, including:

- Ensuring equity among customer classes by collecting rate revenue through the cost-of-service process by Equivalent Dwelling Unit.
- Maintain adequate reserve levels to ensure continuity in operations.
- Comply with Prop 218 requirements to ensure costs are properly allocated between user classifications.

### 2.2 Financial Plan

It is important for the sewer utility to ensure rates provide sufficient funding to cover operating and maintenance costs, planned capital expenditures, and maintain reasonable reserves. The sewer utility's rate increases are governed by these needs, and the current state of the County's sewer utility is as follows:

**Meeting Net Revenue Requirements:** For FY 2026/27 through FY 2030/31, the projected net revenue requirements (that is, total operating expenses plus rate-funded capital costs less non-rate revenues) for the County averages approximately \$421 thousand to \$450 thousand annually. If no rate increases are implemented, the County will operate in a deficit projected at approximately \$4 thousand beginning in FY 2028/29 but increasing to \$54 thousand by FY 2030/31, and the utility would struggle to meet its operating and capital requirements.

**Maintaining Reserve Funds:** Reserve funds provide a basis for a utility to cope with fiscal emergencies such as revenue shortfalls, asset failure, and natural disasters, among other events. Reserve policies provide guidelines for sound financial management, with an overall long-range perspective to maintain financial solvency and mitigate financial risks associated with revenue instability, volatile capital costs, and emergencies. The reserve funds for the sewer utility are considered unrestricted reserves and consist of the following:

- **Operating Reserve:** The target ending fund balance for the operating reserve is equal to 90 days of operating expenses, or approximately \$111 thousand in FY 2026/27. An operating reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures. Fluctuations in revenue can be caused by weather patterns, the natural inflow and outflow of cash during billing cycles, and – particularly in periods of economic distress – changes or trends in age of receivables.
- **Capital Rehabilitation & Replacement Reserve** equal to 3% of net assets, or approximately \$771 thousand. This reserve is set aside to address long-term capital system replacement and rehabilitation needs.

**Maintaining Adequate Bond Coverage:** Should the County issue debt to finance capital needs, there would be a requirement to maintain a minimum debt service coverage ratio as specified in the bond documents. Rates need to be set to generate sufficient revenue to provide the required level of coverage on debt services as well as fund operating needs.

**Figure 2** summarizes the sources and uses of funds, net revenue requirements, and the recommended annual increases in sewer rate revenue proposed for the next five years. **Figure 3** summarizes the projected reserve fund balances and reserve targets for the sewer utility’s unrestricted funds.

**Figure 2. Summary of Sewer Revenue Requirements**

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget	5-Year Projected Rate Period				
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Sources of Sewer Funds</b>						
Rate Revenue Under Current Rates	\$ 397,051	\$ 397,051	\$ 397,051	\$ 397,051	\$ 397,051	\$ 397,051
Non-Rate Revenues	72,850	72,850	72,850	72,850	72,850	72,850
<b>Total: Sources of Funds</b>	<b>\$ 469,901</b>	<b>\$ 469,901</b>	<b>\$ 469,901</b>	<b>\$ 469,901</b>	<b>\$ 469,901</b>	<b>\$ 469,901</b>
<b>Uses of Sewer Funds</b>						
Operating Expenses	\$ 432,664	\$ 445,965	\$ 459,692	\$ 473,858	\$ 488,478	\$ 503,565
Debt Service	-	-	-	-	-	-
Rate-Funded Capital Expenses	-	-	-	-	-	-
<b>Total: Use of Funds</b>	<b>\$ 432,664</b>	<b>\$ 445,965</b>	<b>\$ 459,692</b>	<b>\$ 473,858</b>	<b>\$ 488,478</b>	<b>\$ 503,565</b>
<b>Surplus (Deficiency) before Rate Increase</b>	<b>\$ 37,237</b>	<b>\$ 23,936</b>	<b>\$ 10,209</b>	<b>\$ (3,957)</b>	<b>\$ (18,577)</b>	<b>\$ (33,664)</b>
Additional Revenue from Rate Increases <sup>1</sup>	-	23,307	30,621	38,063	45,634	53,336
<b>Surplus (Deficiency) after Rate Increase</b>	<b>\$ 37,237</b>	<b>\$ 47,243</b>	<b>\$ 40,830</b>	<b>\$ 34,106</b>	<b>\$ 27,057</b>	<b>\$ 19,673</b>
<b>Projected Increases in Rate Revenue</b>	<b>0.00%</b>	<b>5.87%</b>	<b>1.74%</b>	<b>1.74%</b>	<b>1.74%</b>	<b>1.74%</b>
<b>Total Rate Revenue Requirement<sup>2</sup></b>	<b>\$ 397,051</b>	<b>\$ 420,358</b>	<b>\$ 427,672</b>	<b>\$ 435,114</b>	<b>\$ 442,685</b>	<b>\$ 450,387</b>

1. Assumes new rates are implemented July 1, 2026.
2. Total use of funds less non-rate revenues and interest earnings.

**Figure 3. Summary of Sewer Reserve Funds**

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budget	5-Year Projected Rate Period				
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Unrestricted Reserves</b>						
<b>Operating Reserve</b>						
Ending Balance	\$ 113,648	\$ 112,465	\$ 116,450	\$ 119,501	\$ 123,540	\$ 127,592
<i>Recommended Minimum Target</i>	<i>108,000</i>	<i>111,000</i>	<i>115,000</i>	<i>118,000</i>	<i>122,000</i>	<i>126,000</i>
<b>Capital Rehabilitation &amp; Replacement Reserve</b>						
Ending Balance	\$ 1,142,368	\$ 1,114,633	\$ 1,072,586	\$ 1,021,988	\$ 960,482	\$ 888,618
<i>Recommended Minimum Target</i>	<i>575,000</i>	<i>771,000</i>	<i>774,000</i>	<i>776,000</i>	<i>778,000</i>	<i>781,000</i>
<b>Total Ending Balance</b>	<b>\$ 1,256,015</b>	<b>\$ 1,227,098</b>	<b>\$ 1,189,036</b>	<b>\$ 1,141,489</b>	<b>\$ 1,084,022</b>	<b>\$ 1,016,211</b>
<b>Total Recommended Minimum Target</b>	<b>\$ 683,000</b>	<b>\$ 882,000</b>	<b>\$ 889,000</b>	<b>\$ 894,000</b>	<b>\$ 900,000</b>	<b>\$ 907,000</b>

A more detailed version of the utility’s proposed five-year financial plan is included in the Appendix. The appendix tables include revenue requirements, reserve funds, revenue sources, proposed rate increases, and the County’s capital improvement program.

### 2.3 Cost-of-Service Analysis

Once the net revenue requirements are determined, the cost-of-service analysis (COSA) proportionately distributes the revenue requirements to the single customer class. The COSA consists of the classification of expenses and then the allocation of those expenses to customer classes based on allocation factors, such as number of equivalent dwelling units (EDUs). Ultimately, a COSA is intended to result in rates that are proportional to the cost of providing service to each customer class.

#### DISTRIBUTION OF COSTS OF SERVICE TO CUSTOMER CLASSES

We arrive at the customer class responsibility for service by applying the unit costs of service to the number of units, in this case Equivalent Dwelling Units, for which the customer class is responsible. In other words, the total revenue requirement is divided by the number of Equivalent Dwelling Units.

## 2.4 Rate Design Analysis

The cost-of-service analysis described in previous sections of this report provide a basis for the design of the sewer rates. Ultimately, the rate alternative selected by County staff is one similar to the existing rate design. The reasons for selecting this alternative are (1) it maintains the existing rate design developed during the last study (2) it provides continuity for sewer customers, and (3) it is easy to understand from a customer’s perspective and easy to administrate from County staff’s perspective.

### FIXED CHARGES

The fixed charge recognizes that the sewer utility incurs fixed costs regardless of whether customers send any sewer into the County’s collection system. The factor used to develop the fixed charge is the number of Equivalent Dwelling Units associated with each account. The monthly fixed charge is calculated by taking 100% of total revenue requirements and dividing by the number of Equivalent Dwelling Units.

The charge calculations are summarized in **Figure 4**.

**Figure 4. Calculation of Fixed Charges**

<b>NET REVENUE REQUIREMENTS (100% FIXED / 0% VARIABLE)</b>				
<b>Customer Class</b>	<b>Number of Billing Units</b>	<b>Net Revenue Requirement</b>	<b>Estimated Fixed Revenue</b>	<b>Monthly Fixed Charge Per Unit</b>
All Customers	312	\$ 420,358	\$ 420,358	\$ 112.28
<b>Total</b>	<b>312</b>	<b>\$ 420,358</b>	<b>\$ 420,358</b>	

## 2.5 Proposed Sewer Rates

The proposed sewer rates are similar to existing rates in terms of the rate design and rate methodology. **Figure 5** compares the current and proposed rates for FY 2026/27 through FY 2030/31 by customer class. More detailed tables on the development of the proposed rates are documented in Appendix A.

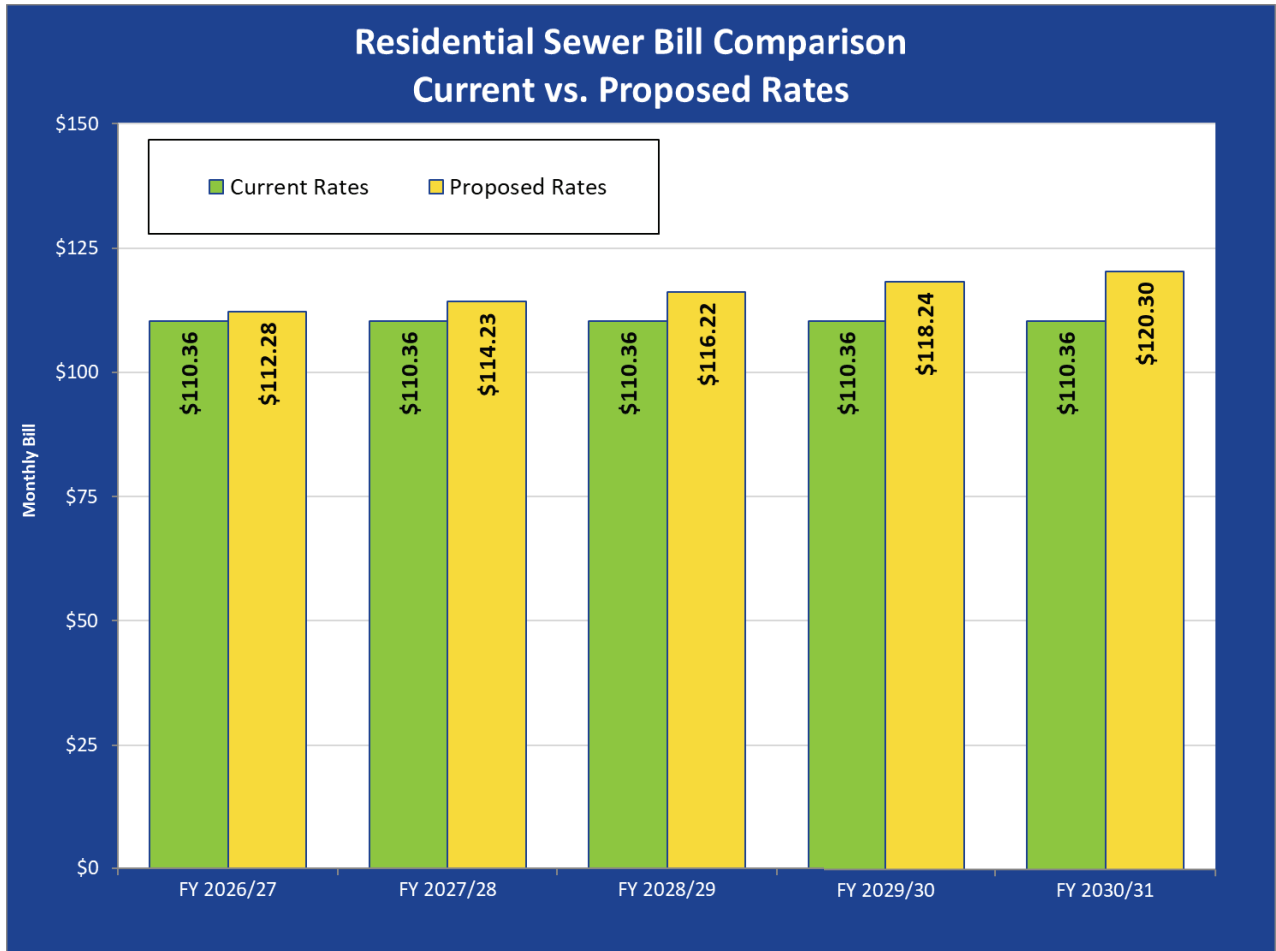
**Figure 5. Current vs. Proposed Sewer Rates**

<b>Sewer Rate Schedule<sup>1</sup></b>	<b>Current Rates</b>	<b>Proposed Sewer Rates</b>				
		<b>FY 2026/27</b>	<b>FY 2027/28</b>	<b>FY 2028/29</b>	<b>FY 2029/30</b>	<b>FY 2030/31</b>
<b>Monthly Fixed Service Charge Per EDU</b>						
<u>All Customers</u>	<u>Per Dwelling Unit</u>					
All Customers	\$110.36	\$112.28	\$114.23	\$116.22	\$118.24	\$120.30

## 2.6 Comparison of Current and Proposed Sewer Bills

The following figures compare monthly sewer bills under current and proposed rates for a customer with one Equivalent Dwelling Unit over the 5-year rate period.

Figure 6. Sewer Bill Comparison



## 3. Recommendations and Next Steps

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### 3.1 Consultant Recommendations

NBS recommends the County take the following actions:

- **Approve and Accept this Study:** NBS recommends the County Board formally approve and adopt this Study and its recommendations and proceed with the next steps outlined below to implement the proposed rates. This will provide documentation of the rate study analyses and the basis for analyzing potential changes to future rates.
- **Implement Recommended Levels of Rate Increases and Proposed Rates:** Based on successfully meeting the Prop 218 procedural requirements, the County should proceed with implementing the 5-year schedule of proposed rates and rate increases previously shown in **Figure 5**. This will help ensure the continued financial health of CSA 70 BL's utilities.

### 3.2 Next steps

**Annually Review Rates and Revenue** – Any time an agency adopts new utility rates or rate structures, those new rates should be closely monitored over the next several years to ensure the revenue generated is sufficient to meet the annual revenue requirements. Changing economic and water consumption patterns underscore the need for this review, as well as potential and unseen changing revenue requirements — particularly those related to environmental regulations that can significantly affect capital improvements and repair and replacement costs.

*Note: The attached Appendix provides more detailed information on the analysis of the financial plan, revenue requirements, cost-of-service, and the rate design analyses that have been summarized in this report.*

### 3.3 NBS' Principal Assumptions and Considerations

In preparing this report and the opinions and recommendations included herein, NBS has relied on several principal assumptions and considerations regarding financial matters, conditions, and events that may occur in the future. This information and these assumptions, including the County's budgets, capital improvement costs, customer accounts and consumption, and information from County staff were provided by sources we believe to be reliable, although NBS has not independently verified this data.

While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report and its recommendations, some assumptions will invariably not materialize as stated herein and may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.

# Appendix A. Sewer Rate Study Tables and Figures

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TABLE 1 : FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

RATE REVENUE REQUIREMENTS SUMMARY	Projected FY 2025/26	Rate Period				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Sources of Sewer Funds</b>						
<b>Rate Revenue</b>						
075-Charges for Current Services-Fee Ord	\$ 397,051	\$ 397,051	\$ 397,051	\$ 397,051	\$ 397,051	\$ 397,051
<b>Other Revenue</b>						
030-Revenue From Use of Money & Property	\$ 72,850	\$ 72,850	\$ 72,850	\$ 72,850	\$ 72,850	\$ 72,850
<b>Total: Sources of Funds</b>	<b>\$ 469,901</b>	<b>\$ 469,901</b>	<b>\$ 469,901</b>	<b>\$ 469,901</b>	<b>\$ 469,901</b>	<b>\$ 469,901</b>
<b>Uses of Sewer Funds</b>						
<b>Operating Expenses:</b>						
200-Services & Supplies-General	\$ 292,998	\$ 302,310	\$ 311,970	\$ 321,838	\$ 332,072	\$ 342,635
540-Intra Entity Reimbursement Out	\$ 139,666	\$ 143,655	\$ 147,772	\$ 152,021	\$ 156,405	\$ 160,930
Subtotal: Operating Expenses	\$ 432,664	\$ 445,965	\$ 459,692	\$ 473,858	\$ 488,478	\$ 503,565
<b>Other Expenditures:</b>						
Existing Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Future Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rate-Funded Capital Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Subtotal: Other Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total: Uses of Funds</b>	<b>\$ 432,664</b>	<b>\$ 445,965</b>	<b>\$ 459,692</b>	<b>\$ 473,858</b>	<b>\$ 488,478</b>	<b>\$ 503,565</b>
Plus: Revenue from Rate Increases <sup>3</sup>	-	23,307	30,621	38,063	45,634	53,336
<b>Annual Surplus/(Deficit)</b>	<b>\$ 37,237</b>	<b>\$ 47,243</b>	<b>\$ 40,830</b>	<b>\$ 34,106</b>	<b>\$ 27,057</b>	<b>\$ 19,673</b>
<b>Net Revenue Req. (Total Uses less Non-Rate Revenue)</b>	<b>\$ 359,814</b>	<b>\$ 373,115</b>	<b>\$ 386,842</b>	<b>\$ 401,008</b>	<b>\$ 415,628</b>	<b>\$ 430,715</b>
<b>Total Rate Revenue After Rate Increases</b>	<b>\$ 397,051</b>	<b>\$ 420,358</b>	<b>\$ 427,672</b>	<b>\$ 435,114</b>	<b>\$ 442,685</b>	<b>\$ 450,387</b>
<b>Projected Annual Rate Revenue Increase</b>	<b>0.00%</b>	<b>5.87%</b>	<b>1.74%</b>	<b>1.74%</b>	<b>1.74%</b>	<b>1.74%</b>
<b>Cumulative Increase from Annual Revenue Increases</b>	<b>0.00%</b>	<b>5.87%</b>	<b>7.71%</b>	<b>9.59%</b>	<b>11.49%</b>	<b>13.43%</b>
<b>Debt Coverage After Rate Increase<sup>4</sup></b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>

1. Revenue and expenses for FY 2024/25 provided by the District. Revenues and expenses for all other years are escalated based on the forecasting assumptions in Table 8.  
2. Interest earnings for FY 2024/25 are from the District's Budget. For all other years, it is calculated based on historical LAIF returns.  
3. Revenue from rate increases assumes an implementation date of January 1, 2026 for new rates. For each year thereafter, the assumption is that new rates will be implemented.  
4. The District must maintain a debt service coverage of 125% under the Installment Purchase Contract with Municipal Finance Corporation. Conditional formatting has been applied to the table.  
Source file: Item 7 Installment Purchase Sewer Project.pdf.

1	← Select Financial Plan Scenario Here	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Financial Plan Alternatives</b>							
1	Alternative 1 - Custom Rate Increase	0.00%	5.87%	1.74%	1.74%	1.74%	1.74%
2	Alternative 2 - Custom Rate Increase	0.00%	5.00%	5.00%	5.00%	5.00%	5.00%
3	Alternative 3 - Custom Rate Increases	0.00%	10.00%	10.00%	10.00%	10.00%	5.00%
4	Alternative 4 - No Rate Increases	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

TABLE 2 : RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY SEWER FUND RESERVES	Projected FY 2025/26	Rate Period				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Total Beginning Cash<sup>1</sup></b>						
<b>Unrestricted Reserves:</b>						
<b>Operating Reserve</b>						
Beginning Reserve Balance	\$ 438,131	\$ 113,648	\$ 112,465	\$ 116,450	\$ 119,501	\$ 123,540
Plus: Net Cash Flow (After Rate Increases)	37,237	47,243	40,830	34,106	27,057	19,673
Plus: Transfer of Debt Reserve Surplus	-	-	-	-	-	-
Plus: Interest Earnings	5,648	1,465	1,450	1,501	1,540	1,592
Less: Transfer Out to Capital Replacement Reserve	(367,368)	(49,890)	(38,295)	(32,555)	(24,558)	(17,213)
<b>Ending Operating Reserve Balance</b>	<b>\$ 113,648</b>	<b>\$ 112,465</b>	<b>\$ 116,450</b>	<b>\$ 119,501</b>	<b>\$ 123,540</b>	<b>\$ 127,592</b>
<b>Target Ending Balance (90 days of O&amp;M)<sup>2</sup></b>	<b>\$ 108,000</b>	<b>\$ 111,000</b>	<b>\$ 115,000</b>	<b>\$ 118,000</b>	<b>\$ 122,000</b>	<b>\$ 126,000</b>
<b>Capital Rehabilitation &amp; Replacement Reserve</b>						
Beginning Reserve Balance	\$ 1,000,000	\$ 1,142,368	\$ 1,114,633	\$ 1,072,586	\$ 1,021,988	\$ 960,482
Plus: Grant Proceeds	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surplus	367,368	49,890	38,295	32,555	24,558	17,213
Less: Use of Reserves for Capital Projects	(225,000)	(77,625)	(80,342)	(83,154)	(86,064)	(89,076)
<b>Ending Capital Rehab &amp; Replacement Reserve Balance</b>	<b>\$ 1,142,368</b>	<b>\$ 1,114,633</b>	<b>\$ 1,072,586</b>	<b>\$ 1,021,988</b>	<b>\$ 960,482</b>	<b>\$ 888,618</b>
<b>Target Ending Balance (3% of Assets)</b>	<b>\$ 575,000</b>	<b>\$ 771,000</b>	<b>\$ 774,000</b>	<b>\$ 776,000</b>	<b>\$ 778,000</b>	<b>\$ 781,000</b>
<b>Ending Cash Balance - Excl. Restricted Reserves</b>	<b>\$ 1,256,015</b>	<b>\$ 1,227,098</b>	<b>\$ 1,189,036</b>	<b>\$ 1,141,489</b>	<b>\$ 1,084,022</b>	<b>\$ 1,016,211</b>
<b>Min. Target Ending Cash Balance - Excl. Restricted Reser<sup>1</sup></b>	<b>\$ 683,000</b>	<b>\$ 882,000</b>	<b>\$ 889,000</b>	<b>\$ 894,000</b>	<b>\$ 900,000</b>	<b>\$ 907,000</b>
<b>Ending Surplus/(Deficit) Compared to Reserve Targets</b>	<b>\$ 573,015</b>	<b>\$ 345,098</b>	<b>\$ 300,036</b>	<b>\$ 247,489</b>	<b>\$ 184,022</b>	<b>\$ 109,211</b>
<b>Days Cash on Hand</b>	<b>1,060</b>	<b>1,005</b>	<b>945</b>	<b>880</b>	<b>811</b>	<b>737</b>
<b>Annual Interest Earnings Rate<sup>3</sup></b>	<b>1.29%</b>	<b>1.29%</b>	<b>1.29%</b>	<b>1.29%</b>	<b>1.29%</b>	<b>1.29%</b>

1. Beginning cash balances are as of July 1, 2024.  
2. The target ending balance is set equal to 90-days of O&M expenses.  
3. Historical interest earning rates are per the average annual yields for funds invested in LAIF (2018-2024). The source is the California State Treasurer's website: <https://www.cst.ca.gov/>.

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SEWER RATE STUDY  
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TABLE 3 : REVENUE FORECAST<sup>1</sup>

DESCRIPTION	Basis	Budget		Projected		Rate Period					
		FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31			
<b>Sewer Operating Revenue</b>											
40308500 INTEREST	1	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
030-Revenue From Use of Money & Property		\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
40758480 FEE ORD-PENALTIES	1	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
40759285 FEE ORD-ACCOUNTING FEES	1	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
40759680 FEE ORD-PERMIT & INSPECTION FEES	1	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300	\$ 300
40759700 FEE ORD-SANITATION SERVICES	1	\$ 397,051	\$ 397,051	\$ 397,051	\$ 397,051	\$ 397,051	\$ 397,051	\$ 397,051	\$ 397,051	\$ 397,051	\$ 397,051
40759800 FEE ORD-OTHER SERVICES	1	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
40759970 FEE ORD-OTHER	1	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50
075-Charges for Current Services-Fee Ord		\$ 419,901	\$ 419,901	\$ 419,901	\$ 419,901	\$ 419,901	\$ 419,901	\$ 419,901	\$ 419,901	\$ 419,901	\$ 419,901
<b>TOTAL REVENUE</b>		\$ 469,901	\$ 469,901	\$ 469,901	\$ 469,901	\$ 469,901	\$ 469,901	\$ 469,901	\$ 469,901	\$ 469,901	\$ 469,901

TABLE 4 : REVENUE SUMMARY

DESCRIPTION	Basis	Budget		Projected		Rate Period					
		FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31			
<b>Rate Revenue</b>											
075-Charges for Current Services-Fee Ord		\$ 397,051	\$ 397,051	\$ 397,051	\$ 397,051	\$ 397,051	\$ 397,051	\$ 397,051	\$ 397,051	\$ 397,051	\$ 397,051
<b>Other Revenue</b>											
030-Revenue From Use of Money & Property		\$ 72,850	\$ 72,850	\$ 72,850	\$ 72,850	\$ 72,850	\$ 72,850	\$ 72,850	\$ 72,850	\$ 72,850	\$ 72,850
<b>TOTAL REVENUE</b>		\$ 469,901	\$ 469,901	\$ 469,901	\$ 469,901	\$ 469,901	\$ 469,901	\$ 469,901	\$ 469,901	\$ 469,901	\$ 469,901
<i>Check</i>		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CSA 70 Bloomington  
SEWER RATE STUDY  
Operating Revenue and Expenses

TABLE 5 : OPERATING EXPENSE FORECAST<sup>1</sup>

DESCRIPTION	Basis	Budget		Projected		Rate Period						
		FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31				
<b>Operating Expenses</b>												
Operating Expenses												
52002085 LEGAL NOTICES	2	\$ 40.00	\$ 41	\$ 43	\$ 44	\$ 45	\$ 47	\$ 48				
52002120 SMALL TOOLS & INSTRUMENTS	2	\$ 1,000.00	\$ 1,032	\$ 1,065	\$ 1,099	\$ 1,134	\$ 1,171	\$ 1,208				
52002135 SPECIAL DEPARTMENT EXPENSE	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				
52002180 UTILITIES-SERVER	2	\$ 60.00	\$ 62	\$ 64	\$ 66	\$ 68	\$ 70	\$ 72				
52002187 UTILITIES-SERVER	2	\$ 250,000.00	\$ 258,000	\$ 266,256	\$ 274,776	\$ 283,569	\$ 292,643	\$ 302,008				
52002310 PRESORT & PACKAGING (ISF ONLY)	2	\$ 100.00	\$ 103	\$ 107	\$ 110	\$ 113	\$ 117	\$ 121				
52002445 OTHER PROFESSIONAL & SPEC SVCS	2	\$ 30,000.00	\$ 30,960	\$ 31,951	\$ 32,973	\$ 34,028	\$ 35,117	\$ 36,241				
52002448 COUNTY COUNSEL SERVICES	3	\$ 2,000.00	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000				
52002458 PERMIT COSTS	2	\$ 500.00	\$ 516	\$ 533	\$ 550	\$ 567	\$ 585	\$ 604				
52002835 GENERAL HOUSEHOLD EXPENSES	2	\$ 275.00	\$ 284	\$ 293	\$ 302	\$ 312	\$ 322	\$ 332				
<b>200-Services &amp; Supplies-General</b>		<b>\$ 283,975.00</b>	<b>\$ 292,998.20</b>	<b>\$ 302,310.14</b>	<b>\$ 311,920.07</b>	<b>\$ 321,837.51</b>	<b>\$ 332,072.31</b>	<b>\$ 342,634.62</b>				
55405010 SALARIES & BENE TRANSFERS OUT	3	\$ 15,000.00	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000				
55405012 SERVS & SUPPLY TRANSFERS OUT	2	\$ 1,500.00	\$ 1,548	\$ 1,598	\$ 1,649	\$ 1,701	\$ 1,756	\$ 1,812				
55405018 INTERNAL COST ALLOCA OUT	2	\$ 119,300.00	\$ 123,118	\$ 127,057	\$ 131,123	\$ 135,319	\$ 139,649	\$ 144,118				
<b>540-Intra Entity Reimbursement Out</b>		<b>\$ 135,800.00</b>	<b>\$ 139,665.60</b>	<b>\$ 143,654.90</b>	<b>\$ 147,771.86</b>	<b>\$ 152,020.56</b>	<b>\$ 156,405.21</b>	<b>\$ 160,930.18</b>				
<b>Subtotal - Operating Expenses</b>		<b>\$ 419,775</b>	<b>\$ 432,664</b>	<b>\$ 445,965</b>	<b>\$ 459,692</b>	<b>\$ 473,858</b>	<b>\$ 488,478</b>	<b>\$ 503,565</b>				

**GRAND TOTAL SEWER EXPENSES** \$ 419,775 \$ 432,664 \$ 445,965 \$ 459,692 \$ 473,858 \$ 488,478 \$ 503,565

1. Revenue and expenses for FY 2024/25 provided by the District. Revenues and expenses for all other years are escalated based on the forecasting assumptions in Table 7

TABLE 6 : FORECASTING ASSUMPTIONS

INFLATION FACTORS <sup>1</sup>	Basis	FY 2024/25		FY 2025/26		FY 2026/27		FY 2027/28		FY 2028/29		FY 2029/30		FY 2030/31	
Customer Growth <sup>2</sup>	1	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
General Cost Inflation <sup>3</sup>	2	0.00%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
Labor Cost Inflation <sup>4</sup>	3	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest on Investments <sup>5</sup>	4	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Electricity <sup>6</sup>	5	0.00%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%
No Escalation	6	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

1. Expenses are inflated each year by the following annual inflation factor categories.  
 2. Customer growth is based on the population projections provided by the County.  
 3. General cost inflation is based on the 5-year average annual change in the Consumer Price Index for all Urban Consumers in the San Bernardino-Riverside-Ontario, CA area.  
 4. Labor cost inflation is provided by County.  
 5. Interest rate inflation is provided by the County.  
 6. Electricity cost inflation is based on the 5-year average change in the Consumer Price Index for Electricity for the San Bernardino-Riverside-Ontario, CA area.

TABLE 7 : CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST		Projected	Rate Period						
			FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	
<b>Funding Sources:</b>									
Grants		\$ 6,508,000	-	-	-	-	-	-	-
Use of Capacity Fee Reserves		-	-	-	-	-	-	-	-
SRF Loan Funding		-	-	-	-	-	-	-	-
Use of Future Revenue Bond Proceeds		-	-	-	-	-	-	-	-
Use of Capital Rehabilitation and Replacement Reserve		225,000	77,625	80,342	83,154	86,064	89,076		
Rate Revenue		-	-	-	-	-	-	-	-
<b>Total Sources of Capital Funds</b>		<b>\$ 6,733,000</b>	<b>\$ 77,625</b>	<b>\$ 80,342</b>	<b>\$ 83,154</b>	<b>\$ 86,064</b>	<b>\$ 89,076</b>		
<b>Uses of Capital Funds:</b>									
Total Project Costs		\$ 6,733,000	\$ 77,625	\$ 80,342	\$ 83,154	\$ 86,064	\$ 89,076		
<b>Capital Funding Surplus (Deficiency)</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>SFR Loan Funding</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>Future Revenue Bond Proceeds</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>CAPITAL IMPROVEMENT PROGRAM FUNDING OPTIONS</b>									
<b>Policy Choice</b>									
1	Alternative 1 - Full Funding of CIP	\$ 6,733,000	\$ 77,625	\$ 80,342	\$ 83,154	\$ 86,064	\$ 89,076		
2	Alternative 2 - 75% Funding of CIP	5,049,750	58,219	60,256	62,365	64,548	66,807		
3	Alternative 3 - 50% Funding of CIP	3,366,500	38,813	40,171	41,577	43,032	44,538		
<b>1</b>	<b>Select CIP Funding Option</b>								
<b>Capital Improvement Program Funding Choice</b>									
Effective Annual Funding Amount		\$ 6,733,000	\$ 77,625	\$ 80,342	\$ 83,154	\$ 86,064	\$ 89,076		

CSA 70 Bloomington  
SEWER RATE STUDY  
Capital Improvement Plan Expenditures

CAPITAL IMPROVEMENT PROGRAM

TABLE 8 : CAPITAL IMPROVEMENT PROGRAM COSTS

Project Description	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Capital Projects<sup>1</sup></b>						
Bloomington Sewer Expansion Master Plan	\$ 6,508,000					
Sewer Monitoring	175,000					
	50,000					
<b>Subtotal - Capital Projects</b>	<b>\$ 6,733,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Estimated Future Projects</b>						
Future Projects <sup>4</sup>	\$ -	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000
<b>Total: Capital Improvement Program Costs (Current-Year Dollars)</b>	<b>\$ 6,733,000</b>	<b>\$ 75,000</b>	<b>\$ 75,000</b>	<b>\$ 75,000</b>	<b>\$ 75,000</b>	<b>\$ 75,000</b>

TABLE 9 : CAPITAL IMPROVEMENT PROGRAM COSTS

Project Description	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Capital Projects<sup>1</sup></b>						
Bloomington Sewer Expansion Master Plan	\$ 6,508,000	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer Monitoring	175,000	-	-	-	-	-
	50,000	-	-	-	-	-
Future Projects <sup>4</sup>	-	-	-	-	-	-
	-	\$ 77,625	\$ 80,342	\$ 83,154	\$ 86,064	\$ 89,076
<b>Total: Capital Improvement Program Costs (Future-Year Dollars)</b>	<b>\$ 6,733,000</b>	<b>\$ 77,625</b>	<b>\$ 80,342</b>	<b>\$ 83,154</b>	<b>\$ 86,064</b>	<b>\$ 89,076</b>

TABLE 10 : FORECASTING ASSUMPTIONS

Economic Variables	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Annual Construction Cost Inflation, Per Engineering News Record <sup>6</sup>	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Cumulative Construction Cost Multiplier from FY 2023/24	1.00	1.04	1.07	1.11	1.15	1.19

1. Source file: 2023-24 Preliminary Budget Worksheet.xlsx.  
 4. Estimated future expenditures are the average of the previous 10 years.  
 5. Capital improvement projects are inflated to future year estimated costs with ENR CCI for the region. Source: Engineering News Record website (<http://enr.construction.com>).  
 6. For reference purposes, the annual Construction Cost Inflation percentage is the 10-year average annual change in the Construction Cost Index for 2013-2023 (3.5%).

TABLE 11 : EXISTING DEBT OBLIGATIONS

EXISTING DEBT OBLIGATIONS	Budget		Projected	Rate Period						
	FY 2024/25	FY 2025/26		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31		
Annual Repayment Schedules:										
N/A										
Principal Payment	-	-	-	-	-	-	-	-	-	-
Interest Payment	-	-	-	-	-	-	-	-	-	-
<b>Subtotal: Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Coverage Requirement (\$-Amnt above annual payment)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve Requirement (total fund balance)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total: Existing Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total: Existing Annual Coverage Requirement</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total: Existing Debt Reserve Target</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

1. Source file: SWRCB Complete Loan Agreement.pdf

TABLE 12 : EXISTING ANNUAL DEBT OBLIGATIONS TO BE SATISFIED BY SEWER RATES

Annual Obligations	Budget		Projected	Rate Period						
	FY 2024/25	FY 2025/26		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31		
Existing Annual Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Annual Coverage Requirement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Debt Reserve Target	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CSA 70 Bloomington  
 SEWER RATE STUDY  
 Projected Sewer Rates Under Existing Rate Schedule

Exhibit 4 - Current Rates

TABLE 13 : CURRENT SEWER RATE SCHEDULE

Sewer Rate Schedule <sup>1</sup>		Current Rates
<i>Monthly Fixed Service Charge Per EDU</i>		
All Customers		Per Dwelling Unit
All Customers		\$110.36

<b>NET REVENUE REQUIREMENTS (100% FIXED / 0% VARIABLE)</b>					
Customer Class	Number of Billing Units	Net Revenue Requirement	Estimated Fixed Revenue	Monthly Fixed Charge Per Unit	
All Customers	312	\$ 420,358	\$ 420,358	\$ 112.28	
<b>Total</b>	<b>312</b>	<b>\$ 420,358</b>	<b>\$ 420,358</b>		

TABLE 14 : CURRENT VS. PROPOSED SEWER RATES

Sewer Rate Schedule <sup>1</sup>	Current Rates	Proposed Sewer Rates			
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30   FY 2030/31
<i>Monthly Fixed Service Charge Per EDU</i>					
All Customers	\$110.36	\$112.28	\$114.23	\$116.22	\$118.24   \$120.30
All Customers		Per Dwelling Unit			

# **SAN BERNARDINO COUNTY**

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*County Service Area 70 CG (Cedar Glen)  
Water Rate Study Report*

*Final Report*

**March 2026**



[nbsgov.com](http://nbsgov.com)

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# 1. Introduction

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## 1.1 Purpose

San Bernardino County (County) retained NBS to conduct a comprehensive utility rate study for its water enterprise fund for County Service Area 70 CG Cedar Glen (CSA 70 CG). The County had several objectives and goals in mind for this study including meeting revenue requirements, reviewing the rising costs of providing services, funding capital improvements and changes in costs, and complying with certain legal requirements (e.g., California Constitution Article XIII D, Section 6, which is commonly referred to as Proposition 218 [Prop 218]). The County's broader objectives in this study include ensuring adequate funding for operating and capital costs, ensuring revenue stability in utility rates. The rates resulting from this study were developed in a manner that is consistent with industry standard cost-of-service principles. In addition to documenting the rate study methodology, this report is provided with the intent to assist the County in its continuing effort to maintain transparent communications with the residents and community it serves.

In developing new rates for CSA 70 CG's enterprise fund, NBS worked cooperatively with County staff and the Board of Supervisors (Board) in selecting the appropriate rate alternatives that address the County's goals and objectives. Based on input provided by CSA 70 CG staff, NBS proposes the rates summarized in this report. The Board has the final decision regarding the adoption of the proposed rates and whether to proceed with the Prop 218 approval process.

## 1.2 Overview of the Study

Comprehensive rate studies, such as this one, typically include three components: (1) preparation of a financial plan that identifies the net revenue requirements for the utility; (2) analysis of the cost to serve each customer class, and (3) the rate structure design. These steps are shown in **Figure 1** and are intended to follow industry standards and reflect the fundamental principles of cost-of-service rate making embodied in the American Water Works Association's (AWWA) *Principles of Water Rates, Fees, and Charges*,<sup>1</sup> also referred to as Manual M1.

Rate studies also address requirements under Prop 218 that rates not exceed the cost of providing the service and be proportionate to the cost of providing service for all customers. In terms of the chronology of the study, the three steps shown in **Figure 1** represent the order in which they were performed in this study.

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<sup>1</sup> *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, Manual M1, American Water Works Association (AWWA), 7<sup>th</sup> Edition, 2017.

**Figure 1. Primary Components of a Rate Study**



NBS projected revenues and expenditures, developed net revenue requirements, performed cost-of-service rate analyses, and developed new water rates for the County using this approach. The following sections in this report present an overview of the methodologies, assumptions, and data used along with the financial plans and rates developed. Detailed tables and figures documenting the development of the proposed rates are provided in the Appendices.

The County provided NBS with the data necessary to conduct the study, including historical, current, and projected revenues and expenditures, number of customer accounts, and water consumption data along with other operational and capital cost information.

### **FINANCIAL PLAN**

As a part of the rate study, NBS projected revenues and expenditures on a cash-flow basis for the next five (5) years. The amount of rate revenue required, that will allow reserves to be maintained at the recommended levels, is known as the net revenue requirement. As current rate revenue falls short of the net revenue requirement, rate adjustments – or more accurately, adjustments in the total revenue collected from rates – are recommended. This report presents an overview of the methodologies, assumptions, and data used along with the financial plan and proposed rates developed in this study.<sup>2</sup>

### **COST-OF-SERVICE ANALYSIS**

The basic purpose of the cost-of-service analysis (COSA) is to fairly and equitably allocate costs to customer classes and/or meter sizes. The cost-of-service analysis consists of two major components: (1) the classification of expenses, and (2) the allocation of costs to customer classes. For example, a key task is the “classification” of the water revenue requirements into the following categories:

- Commodity related costs
- Capacity related costs
- Customer service related costs

<sup>2</sup> The complete financial plans are available in the *Appendices*.

## RATE DESIGN ANALYSIS

During the rate design phase of the study, NBS and County staff worked together to develop rate alternatives that will meet the County’s objectives. It is important for the County to send proper price signals to its customers about the actual cost of providing service. This objective is typically addressed through both the magnitude of the rate adjustments and the rate structure design. In other words, both the amount of revenue collected and the way in which the revenue is collected from customers are important.

Several criteria are typically considered in setting rates and developing sound rate structures. The fundamentals of this process have been well documented in several rate-setting manuals, such as AWWA’s Manual M1. The foundation for evaluating rate structures is generally credited to James C. Bonbright in *Principles of Public Utility Rates*,<sup>3</sup> which outlines pricing policies, theories, and economic concepts along with various rate designs. The following is a simplified list of the attributes of a sound rate structure:

- Rates should be easy to understand from the customer’s perspective.
- Rates should be easy to administer from the utility’s perspective.
- Rates should be equitable and non-discriminating (i.e., cost-based).
- There should be continuity in the rate making philosophy over time.
- Rates should address other utility policies (e.g., conservation and economic development).
- Rates should provide month-to-month and year-to-year revenue stability.

## RATE STRUCTURE TERMINOLOGY

This section covers basic rate design criteria that NBS and County staff considered as a part of their review of the rate structure alternatives. One of the most fundamental points in considering rate structures is the relationship between fixed and variable costs. Fixed costs, such as debt service and personnel costs, typically do not vary with the amount of water consumed. In contrast, variable costs, such as the cost of purchased water, chemicals, and electricity, tend to change with the quantity of water sold. Most rate structures contain a fixed, or minimum, charge in combination with a volumetric charge.

**Fixed Charges** – Fixed charges can be called base charges, minimum monthly charges, customer charges, fixed meter charges, etc. Fixed charges for water utilities typically increase by meter size. For example, a customer with a 2-inch meter has a fixed meter charge that is more than five times greater than the typical residential customer based on the safe operating capacity of the meter.<sup>4</sup> Since a large portion of utility costs are typically related to meeting capacity requirements, individual capacity demands are important in establishing equitable rates for customers.

**Variable (Consumption-Based) Charges** – In contrast to fixed charges, variable costs, such as purchased water, groundwater replenishment costs, and the cost of electricity used in pumping water and chemicals for treatment, tend to change with the quantity of water produced. For a water utility, variable charges are calculated based on a metered consumption per unit price (e.g., per 100 cubic feet, or HCF).

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<sup>3</sup> James C. Bonbright, Albert L. Danielsen, and David R. Kamerschen, *Principles of Public Utility Rates*, Arlington, VA: Public Utilities Report, Inc., Second Edition, 1988, pp. 383-384.

<sup>4</sup> *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, Manual M1, AWWA, 7<sup>th</sup> Edition, 2017, pp. 151-152.

**Uniform (Single-Tier) Water Rates** – There are significant variations in the basic philosophy of variable charge rate structure alternatives. Under a uniform (single tier) rate structure, the cost per unit does not change with consumption and, therefore, provides a simple and straightforward approach from the customer’s perspective and in terms of the County’s rate administration.

## **KEY FINANCIAL ASSUMPTIONS**

The following is a summary of the key financial assumptions used in the analyses. The following capital and operational fund targets reflect input from County staff to meet specific utility objectives.

**Funding of Capital Projects** – The capital improvement costs are anticipated to be funded using a combination of grant funding, debt financing, and rate revenue. NBS notes that the planned rate revenue increases may not support the debt financing as modeled. Projects may need to be delayed or omitted if sufficient revenues are not available to pay debt service and provide for required bond coverage ratios.

**Reserve Targets** – For the water utility, the County maintains reserves for operations, capital, and other specific needs. The details of each utility’s reserve targets are covered in their respective sections of this report.

**Inflation and Growth Projections** – Assumptions were made in the analysis regarding cost inflation to project future revenues and expenses for the study period. The following inflation factors were used in the analysis:

- Customer growth is estimated at 0.32% per year.
- General cost inflation is set at 3.20% annually.
- Labor cost inflation is set at 0.00% annually.
- Electricity cost inflation is set at 8.35% annually.

These inflation factors are based on long-term trends; therefore, the County should re-examine these factors in another year to assess the impacts on utility costs and whether projected rate increases will be sufficient for the remainder of the rate adoption period.

## 2. Water Rate Study

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### 2.1 Key Water Rate Study Issues

The County's water rate analysis was undertaken with a few specific objectives, including:

- Generating sufficient revenue to meet anticipated operating and maintenance costs and fund necessary capital improvement projects for the next five years.
- Continuing with a rate design that promotes revenue stability.
- Verifying the cost-of-service linkage between the current rate structure and the proposed water rates.
- Complying with the legal requirements of Prop 218 to ensure the cost of providing service is properly allocated amongst user classifications. This was the basis for eliminating tiered water rates.

NBS developed various water rate alternatives as requested by County staff over the course of this study. All rate structure alternatives relied on industry standards and cost-of-service principles. The rate alternative that will ultimately be implemented is the decision of the Board. The fixed and volume-based charges were calculated based on the net revenue requirements, number of customer accounts, water consumption and estimated water discharge, and other relevant data provided by the County.

The following are the basic components included in this analysis:

**Developing Cost Allocations** – The water revenue requirements were “functionalized” into three categories: (1) commodity (or volume-based) costs; (2) fixed capacity costs; and (3) customer service costs. These functionalized costs were then used to develop unit costs based on various factors, such as water consumption, peaking factors, and number of accounts by meter size.

**Determining Revenue Requirements by Customer Class** – The total revenue that needs to be collected from each customer class, in this case by meter size, was determined using the functional costs and allocation factors. For example, customer costs are allocated based on the number of meters, while volume-related costs are allocated based on the water consumption of each customer class. Once the costs are allocated and the net revenue requirement for each customer class is determined, collecting the revenue requirements from each customer class is addressed within the rate design.

**Evaluating Rate Design (Fixed vs. Variable Charges)** – The revenue requirements for each customer class are collected through a combination of fixed monthly service charges and volumetric rates. Based on direction from County staff, the rates proposed in this report will collect 57% of the rate revenue from the fixed charge and 43% from the variable charges, which is consistent with the current rate design.

### 2.2 Financial Plan

It is important for municipal utilities to not only collect sufficient revenues every year, but to also maintain reasonable reserves to handle emergencies, fund working capital, maintain a good credit rating, and generally follow sound financial management practices. Rate adjustments are governed by the need to meet operating and capital costs as well as maintain reasonable reserve levels. The current state of the County's water utility, regarding these objectives, is as follows:

**Meeting Net Revenue Requirements:** For FY 2026/27 through FY 2030/31, the projected net revenue requirement (that is, total annual expenses plus debt service and rate-funded capital costs, less non-rate revenues) for the water system averages \$171 thousand to \$1.73 million annually. If no rate adjustments are implemented, the County is projected to run an annual deficit of approximately \$170 thousand in FY 2026/27, increasing to more than \$1.73 million by FY 2030/31, and will be unable to meet forecasted debt service coverage requirements in FY 2027/28 and following years when the anticipated debt service payments begin.

**Maintaining Reserve Funds:** Reserve funds provide a basis for a utility to cope with fiscal emergencies, such as revenue shortfalls, asset failure, and natural disasters, among other events. Reserve policies provide guidelines for sound financial management, with an overall long-range perspective to maintain financial solvency and mitigate financial risks associated with revenue instability, volatile capital costs, and unexpected emergencies.

- The County’s existing reserves are significantly below targets currently. If the County pursues debt to fund the projected capital improvement costs, reserve funds will continue to grow the negative balance through the end of the rate period. NBS together with County staff have chosen to set the following reserve targets:
  - **Operating Reserve** equal to 90 days of operating and maintenance expenses, or approximately \$111 thousand in FY 2026/27. An operating reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures, such as those caused by weather patterns, the natural inflow and outflow of cash during billing cycles, natural variability in demand-based revenue streams (e.g., volumetric charges), and – particularly in periods of economic distress – changes or trends in the age of receivables. NBS considers a 90-day operating reserve to be a standard reserve fund target (i.e., most municipal water utilities use a 3-6 month target for the operating reserve).
  - **Capital Rehabilitation & Replacement Reserve** equal to 90 days of operating and maintenance expenses, or approximately \$111 thousand in FY 2026/27. This reserve is intended to be a cash resource set aside to address long-term capital system replacement and rehabilitation needs. NBS considers this capital reserve target to be at the lower end of what most utilities aim for. Many utilities aim for 3% to 6% of net assets.

**Funding Capital Improvement Projects:** The County must fund necessary capital improvements to maintain current service levels. County staff has identified roughly \$36.7 million in expected capital expenditures over the next five years (FY 2026/27 through FY 2030/31) which is an average of \$7.4 million in capital expenditures annually. This rate study assumes the County will be obtaining approximately \$13.6 million in revenue bonds in FY 2026/27 and 2029/30, however the timing and amount of the loans may need to be adjusted as the current model indicates that the required debt coverage may not be sufficient to support the debt as modeled.

**Inflation and Growth Projections:** Cost inflation and growth assumptions are necessary to project future revenues and expenses for the study period. Customer growth is expected to be flat. This factor was used in the analysis for rate revenues while inflation factors, including the Consumer Price Index, were used in projecting expenses.

**Maintaining Adequate Bond Coverage:** The water utility currently has some outstanding debt, and this analysis assumes that the County will incurring approximately \$13.6 million in new bonds to fund capital projects. However, whether new debt will be needed will depend on the actual delivery of capital projects (i.e., the timing and costs). The rate covenants of the new bonds are likely to include a minimum debt service coverage ratio of 1.25 which is not supported by the anticipated rate revenue as modeled. The benefit of maintaining a higher coverage ratio is that it strengthens the County’s credit rating which can help lower interest rates for debt-funded capital projects and, in turn, reduce annual debt service payments.

**Figure 2** summarizes the sources and uses of funds, net revenue requirements, and the annual percent adjustments in total rate revenue recommended for the next five years.

**Figure 2. Summary of Water Revenue Requirements**

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget		5-Year Projected Rate Period			
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Sources of Water Funds</b>						
Rate Revenue:	\$ 279,751	\$ 285,346	\$ 291,053	\$ 296,874	\$ 302,812	\$ 308,868
Non-Rate Revenue:	-	-	-	-	-	-
<b>Total Sources of Funds:</b>	<b>\$ 279,751</b>	<b>\$ 285,346</b>	<b>\$ 291,053</b>	<b>\$ 296,874</b>	<b>\$ 302,812</b>	<b>\$ 308,868</b>
<b>Uses of Water Funds</b>						
Operating Expenses	\$ 442,449	\$ 455,900	\$ 469,874	\$ 484,396	\$ 499,492	\$ 515,191
Debt Service	-	-	468,169	468,169	468,169	1,026,952
Rate-Funded Capital Expenses	248,032	-	-	185,516	500,000	500,000
<b>Total Use of Funds:</b>	<b>\$ 690,481</b>	<b>\$ 455,900</b>	<b>\$ 938,043</b>	<b>\$ 1,138,081</b>	<b>\$ 1,467,662</b>	<b>\$ 2,042,143</b>
<b>Surplus (Deficiency) before Rate Increase</b>	<b>\$ (410,730)</b>	<b>\$ (170,553)</b>	<b>\$ (646,990)</b>	<b>\$ (841,207)</b>	<b>\$ (1,164,850)</b>	<b>\$ (1,733,275)</b>
Additional Revenue from Rate Increases <sup>1</sup>	-	85,604	125,153	170,109	221,143	279,010
<b>Surplus (Deficiency) after Rate Increase</b>	<b>\$ (410,730)</b>	<b>\$ (84,949)</b>	<b>\$ (521,837)</b>	<b>\$ (671,098)</b>	<b>\$ (943,706)</b>	<b>\$ (1,454,265)</b>
<b>Projected Annual Rate Increase</b>	<b>0.00%</b>	<b>30.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>
<b>Net Revenue Requirement<sup>2</sup></b>	<b>\$ 410,730</b>	<b>\$ 170,553</b>	<b>\$ 646,990</b>	<b>\$ 841,207</b>	<b>\$ 1,164,850</b>	<b>\$ 1,733,275</b>

1. Assumes new rates are implemented July 1, 2026.

2. This is the annual amount needed from water rates. [Net Revenue Requirement = Total Use of Funds - (Non-Rate Revenues + Interest Earnings)].

Figure 3 summarizes the projected reserve fund balances and reserve targets for the County’s unrestricted funds. A detailed version of the proposed 5-year financial plan is included in the Appendix. The tables in the Appendix include the revenue requirement, reserve funds, revenue sources, capital improvement costs, and the proposed rate adjustments needed to meet the County’s funding requirements.

**Figure 3. Summary of Primary Water Reserve Funds**

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budget		5-Year Projected Rate Period			
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Operating Reserve</b>						
Ending Balance	(\$515,963)	\$ (515,963)	\$ (600,913)	\$ (1,122,749)	\$ (1,793,847)	\$ (2,737,554)
<i>Recommended Minimum Target</i>	<i>111,000</i>	<i>111,000</i>	<i>114,000</i>	<i>117,000</i>	<i>121,000</i>	<i>125,000</i>
<b>Capital Reserve</b>						
Ending Balance	\$ 419,075	\$ 419,075	\$ 423,266	\$ 427,499	\$ 431,774	\$ 436,091
<i>Recommended Minimum Target</i>	<i>111,000</i>	<i>111,000</i>	<i>114,000</i>	<i>117,000</i>	<i>121,000</i>	<i>125,000</i>
<b>Total Ending Balance</b>	<b>\$ (96,888)</b>	<b>\$ (96,888)</b>	<b>\$ (177,647)</b>	<b>\$ (695,251)</b>	<b>\$ (1,362,074)</b>	<b>\$ (2,301,462)</b>
<b>Total Recommended Minimum Target</b>	<b>\$ 222,000</b>	<b>\$ 222,000</b>	<b>\$ 228,000</b>	<b>\$ 234,000</b>	<b>\$ 242,000</b>	<b>\$ 250,000</b>

### 2.3 Cost-of-Service Analysis

Once the net revenue requirements are determined, the cost-of-service analysis (COSA) proportionately distributes the revenue requirements to each of the customer classes. The COSA consists of two major components: (1) the classification of expenses, and (2) the allocation of costs to each customer class. Costs

are classified according to the function they serve. All costs in the County's budget are allocated to each component of the rate structure in proportion to the level of service required by customers.

The level of service is related to the volume and strength of the water treated, infrastructure capacity, and customer service. These costs are based on allocation factors, such as water consumption, number of meters, and customer class. Ultimately, a COSA is intended to result in rates that are proportional to the cost of providing service to each customer class.

## FUNCTIONALIZATION AND CLASSIFICATION OF COSTS

Most costs are not typically allocated just to fixed or variable categories but rather allocated to multiple functions of water service. The functionalization and classification process provides the basis for allocating costs to various customer classes based on the cost causation (classification) components described below:

- **Commodity-related costs** are costs associated with the change in the volume of water produced and delivered. These commonly include the costs of water quality testing, energy related to pumping for transmission and distribution, and source of supply.
- **Capacity-related costs** are costs associated with sizing facilities to meet the maximum, or peak, demand. This includes both operating costs and capital infrastructure costs incurred to accommodate peak system capacity events.
- **Customer-related costs** are costs associated with having a customer connected to the water system, such as meter reading, postage, billing, and other administrative duties.

The County's budgeted costs were reviewed and allocated to these cost causation components which are used as the basis for establishing new water rates and translated into fixed and variable charges. Tables in the Appendix show how the County's expenses were classified and allocated to these cost causation components. In the analysis, these cost causation components are also considered to be either fixed or variable.

## FIXED AND VARIABLE COSTS

Ideally, utilities should recover all of their fixed costs from fixed charges and all of their variable costs from volumetric charges. When this is the case, fluctuations in water sales revenues would be directly offset by reductions or increases in variable expenses, which provides greater revenue stability for the utility. However, other factors are often considered when designing water rates, such as community values, water conservation goals, ease of understanding, and ease of administration.<sup>5</sup>

NBS functionalized the County's costs into categories that represent fixed and variable costs. This analysis resulted in a cost distribution that is approximately 58.4% fixed and 41.6% variable (i.e., volumetric), which is consistent with the County's current rate revenue collection from customers in proportions of approximately 59% fixed and 41% variable. County staff agrees with NBS that the current rate design is the preferred rate alternative; it provides continuity for the County's rate design while also encouraging water conservation. Therefore, the proposed new rates are based on these 58.4% fixed and 41.6% variable allocations.

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<sup>5</sup> *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, Manual M1, AWWA, 7<sup>th</sup> Edition, 2017, pp. 6 and 96.

Figure 4 summarizes how costs are allocated to each cost component and used to establish new water rates. Figure 5 shows the resulting cost allocation to each cost classification component.

**Figure 4. Allocation Percentages of Revenue Requirements**

Classification Components	Cost-of-Service Net Revenue Requirements (FY 2026/27)	
	Commodity-Related Costs	\$ 154,200
Capacity-Related Costs	195,198	52.6%
Customer-Related Costs	21,552	5.8%
<b>Net Revenue Requirement</b>	<b>\$ 370,950</b>	<b>100.0%</b>

**Figure 5. Allocated Net Revenue Requirements**

Customer Classes	Classification Components			Cost of Service Net Rev. Req'ts	% of COS Net Revenue Req'ts
	VARIABLE	FIXED			
	Commodity-Related Costs	Capacity-Related Costs	Customer-Related Costs		
All Customers	\$ 154,200	\$ 195,198	\$ 21,552	\$ 370,950	100.0%
<b>Total Net Revenue Requirement</b>	<b>\$ 154,200</b>	<b>\$ 195,198</b>	<b>\$ 21,552</b>	<b>\$ 370,950</b>	<b>100%</b>

## 2.4 Characteristics of Water Customers by Customer Class

Customer classes are typically determined by grouping customers with similar demand characteristics into categories that reflect the cost differentials to serve each type of customer. In this case customers are identified by meter size, as the land uses are fairly homogenous. The rates proposed in this report follow a similar structure where the fixed charges for the single customer class vary by meter size while all customers are charged a uniform volumetric rate.

The amount of consumption, the peaking factors, and the number of meters by size are used to allocate costs to customer classes and determine the appropriate rate structures for each. These components of the COSA are presented in the following figures.

Commodity-related costs are costs associated with the total annual consumption of water by customer class. Figure 6 below summarizes the most recent consumption data by customer class and represents the expected percent of consumption over the 5-year rate period.

**Figure 6. Water Consumption by Customer Class**

Development of the Volumetric/Variable Allocation Factor <sup>1</sup>			
Customer Class	CY 2024 Consumption (HCF)	% of Total Volume (Potable)	% of Total Volume (Non-potable)
All Customers	11,622	100.0%	0.0%
<b>Total</b>	<b>11,622</b>	<b>100.0%</b>	<b>0.0%</b>

1. Consumption data is based on County billing data for CY 2024.

Figure 7 shows the number of meters for each customer class. The percentage of total customers by customer class is then used to develop the customer allocation factors to allocate customer costs. Customer

costs are those costs associated with having customers connected to the water system and include costs related to meter reading, postage, and billing.

**Figure 7. Number of Meters by Customer Class**

Development of the Customer Allocation Factor <sup>1</sup>		
Customer Class	No. of Meters	% of Total Meters
All Customers	334	100.0%
<b>Total</b>	<b>334</b>	<b>100.0%</b>

1. Consumption data is based on County billing data for CY 2024.

## 2.5 Rate Design Analysis

Evaluating the water rate structure includes reviewing rate-design objectives and policies, including continuity of rate design, revenue stability, equity among customers, and water conservation. NBS discussed the 58.4%/41.6% rate design with County staff over the course of this study as it is closest to the actual cost of service based on NBS’ analysis and consistent with the current rate design. Also, because of the difficulty meeting Prop 218 legal requirements of demonstrating the cost basis for tiered rates given the County’s water supply costs, the preferred rate structure proposes a uniform tier for all customers rather than the existing three tiers. The following section describes how the proposed water rates were determined.

### DEVELOPMENT OF PROPOSED RATES

#### **Fixed Service Charges**

The fixed meter charge recognizes that the water utility incurs fixed costs regardless of whether customers use water. Two components comprise the fixed meter charge: (1) the capacity component, and (2) the customer component. The capacity component recovers costs associated with sizing the water system to ensure there is sufficient capacity in the system to meet peak demand. A user class with higher capacity is allocated a proportionately higher share of the capacity-related costs compared to customer classes with lower capacity. The customer component includes those costs related to reading and maintaining meters, customer billing and collection, and other customer service-related costs.

Fixed charges also vary based on meter sizes because larger meters have higher capacity requirements and reflect their potential to use more of the system’s capacity.<sup>6</sup> The potential capacity demands is proportional to the maximum hydraulic flow through each meter size based on the hydraulic capacity ratios established by AWWA.<sup>7</sup> The AWWA capacity ratios used for this report are shown in **Figure 8**.

<sup>6</sup> System capacity is the system’s ability to supply water to all delivery points at the time when demanded.

<sup>7</sup> *Principles of Water Rates, Fees and Charges*, Manual of Water Supply Practices, Manual M1, AWWA, 7<sup>th</sup> Edition, 2017, p. 386. *Water Meters – Selection, Installation, Testing and Maintenance*, Manual M6, AWWA, 5<sup>th</sup> Edition, 2012, pp. 63-65.

**Figure 8. Hydraulic Capacity Factors**

Meter Size	Standard Meters	
	Meter Capacity (GPM) <sup>1</sup>	Equivalency to 3/4 inch
	<i>Displacement Meters</i>	
3/4 inch	30	1.00
1 inch	50	1.67
1 1/2 inch	100	3.33
2 inch	160	5.33
	<i>Compound Class I Meters</i>	
3 inch	320	10.67
4 inch	500	16.67
6 inch	1,000	33.33
8 inch	1,600	53.33
	<i>Turbine Class II Meters</i>	
10 inch	4,200	140.00
12 inch	5,300	176.67

1. Per AWWA, M1 Manual, Table B-1.

The actual number of meters by size is multiplied by the corresponding capacity ratios to calculate “equivalent” meters. The number of equivalent meters is used as a proxy for the potential demand that each customer can place on the water system. **Figure 9** summarizes the number of meters, the hydraulic capacity factors, and the number of equivalent meters (i.e., the number of meters multiplied by the hydraulic capacity factor) by customer class and meter size.

**Figure 9. Equivalent Meters**

Number of Meters by Class and Size <sup>1</sup>	FY 2026/27								Total
	5/8 - 3/4" meter	1" meter	1.5" meter	2" meter	3" meter	4" meter	6" meter	8" meter	
All Customers	239	94	0	1	0	0	0	0	334
<b>Total Meters/Accounts</b>	<b>239</b>	<b>94</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>334</b>
<i>Hydraulic Capacity Factor<sup>2</sup></i>	<i>1.00</i>	<i>1.67</i>	<i>3.33</i>	<i>5.33</i>	<i>10.67</i>	<i>16.67</i>	<i>33.33</i>	<i>53.33</i>	
<b>Total Equivalent Meters</b>	<b>239</b>	<b>157</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>401</b>

Using the costs allocated to each customer class from Figure 5, **Figure 10** shows the calculation of the fixed monthly service charges for all customer classes based on meter size. As previously mentioned, the customer service charge is calculated by dividing the customer service-related costs by the total number of meters, whereas the fixed capacity charge is calculated by dividing the capacity-related costs by the total number of equivalent meters for each meter size.

**Figure 10. Calculation of Fixed Service Charges for FY 2026/27**

Number of Meters by Class and Size <sup>1</sup>	FY 2026/27								Total
	5/8 - 3/4" meter	1" meter	1.5" meter	2" meter	3" meter	4" meter	6" meter	8" meter	
All Customers	239	94	0	1	0	0	0	0	334
<b>Total Meters/Accounts</b>	<b>239</b>	<b>94</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>334</b>
Hydraulic Capacity Factor <sup>2</sup>	1.00	1.67	3.33	5.33	10.67	16.67	33.33	53.33	
<b>Total Equivalent Meters</b>	<b>239</b>	<b>157</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>401</b>
<b>Monthly Fixed Service Charges</b>									
Customer Costs (\$/Acct/month) <sup>3</sup>	\$ 5.38	\$ 5.38	\$ 5.38	\$ 5.38	\$ 5.38	\$ 5.38	\$ 5.38	\$ 5.38	
Capacity Costs (\$/Acct/month) <sup>4</sup>	\$ 40.56	\$ 67.61	\$ 135.22	\$ 216.35	\$ 432.69	\$ 676.08	\$ 1,352.16	\$ 2,163.46	
<b>Total Monthly Meter Charge</b>	<b>\$ 45.94</b>	<b>\$ 72.99</b>	<b>\$ 140.59</b>	<b>\$ 221.72</b>	<b>\$ 438.07</b>	<b>\$ 681.46</b>	<b>\$ 1,357.54</b>	<b>\$ 2,168.83</b>	

1. Meter by Class and Size are based on December 2024 customer billing data.
2. Source: *Principles of Water Rates, Fees, and Charges*, Manual M1, AWWA, Table B-1.
3. Customer costs are allocated to each customer by dividing the total customer costs by the total number of customers.
4. Capacity costs are allocated by meter size and the hydraulic capacity of the meter.

### Volumetric Rates

Currently, the County uses a 3-tier rate structure for all customers; however, the proposed rates are based on a uniform, or single tier, volumetric rate. Given the single source of water supply, a uniform volumetric rate is more feasible from a Prop 218 perspective.

Figure 11 shows the calculation of the uniform tier rate per unit of water for all customers.

**Figure 11. Uniform Tier Rates for FY 2026/27**

Customer Classes	Water Consumption (HCF/yr)	Total Target Rev. Req't from Vol. Charges	% of Total Rate Revenue	Uniform Commodity Rates (\$/HCF)	Proposed Rate Structure
All Customers	11,622	\$ 154,200	41.6%	\$13.27	Uniform
<b>Total Water</b>	<b>11,622</b>	<b>\$ 154,200</b>	<b>41.6%</b>		

## 2.6 Proposed Water Rates

Since the County’s last rate study, the underlying cost factors (e.g., number of meters and water consumption) have changed. The cost-of-service analysis by nature “re-balances” how costs are allocated between customer classes and, as a result, there are uneven adjustments in the first year of the 5-year rate adoption period. In contrast, in the subsequent four years of the rate planning period, proposed charges are simply adjusted by the proposed adjustment in total rate revenue needed to meet projected revenue requirements.

Figure 12 provides a comparison of the current and proposed water rates for FY 2026/27 through 2030/31 for each customer class and meter size. Projected rates for each fiscal year<sup>8</sup> reflect adjustments based on the cost-of-service analysis, the 58.4% fixed/41.6% variable rate design structure, and the recommended percent increases in rate revenue planned for each year. More detailed tables on the development of the proposed water rates are documented in the Appendix.

<sup>8</sup> All rate adjustments are scheduled to be effective on July 1, 2026.

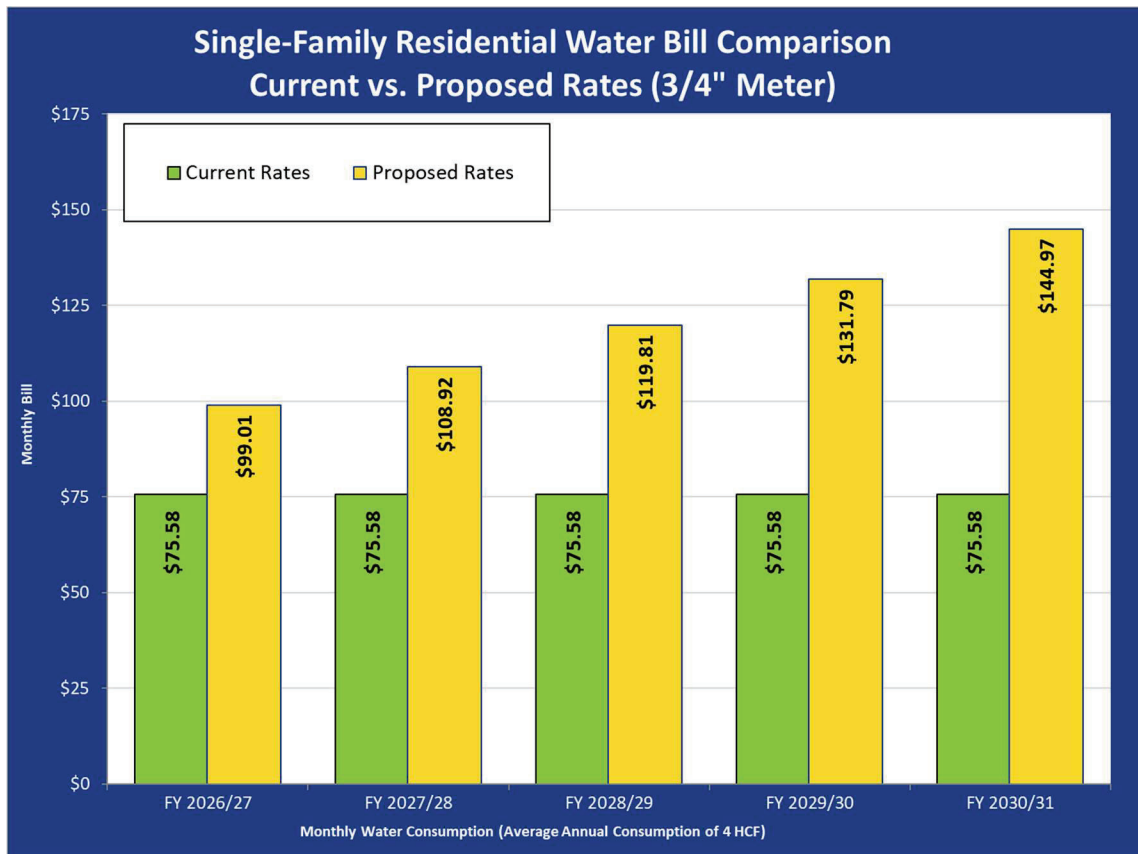
**Figure 12. Current and Proposed Water Rates**

Water Rate Schedule	Current Rates	Proposed Rates				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Monthly Fixed Service Charges (in \$/mo)</b>						
<b>Domestic Service Charge</b>						
Flat Rate	\$188.85	N/A	N/A	N/A	N/A	N/A
5/8" & 3/4"	\$35.26	\$45.94	\$50.54	\$55.59	\$61.15	\$67.26
1"	\$57.84	\$72.99	\$80.28	\$88.31	\$97.14	\$106.86
1.5"	\$113.75	\$140.59	\$154.65	\$170.12	\$187.13	\$205.84
2"	\$181.11	\$221.72	\$243.90	\$268.28	\$295.11	\$324.62
3"	\$360.96	\$438.07	\$481.88	\$530.06	\$583.07	\$641.38
4"	\$563.05	\$681.46	\$749.60	\$824.56	\$907.02	\$997.72
6"	\$1,124.19	\$1,357.54	\$1,493.29	\$1,642.62	\$1,806.88	\$1,987.57
8"	\$1,797.81	\$2,168.83	\$2,385.72	\$2,624.29	\$2,886.72	\$3,175.39
<b>Water Usage Charges (in \$/HCF)</b>						
0-6	\$10.08	\$13.27	\$14.59	\$16.05	\$17.66	\$19.43
7-12	\$10.32	N/A	N/A	N/A	N/A	N/A
13+	\$11.18	N/A	N/A	N/A	N/A	N/A

## 2.7 Comparison of Current and Proposed Water Bills

**Figure 13** compares a monthly water bills under the current and proposed water rates for a residential customer. These monthly bills for each year of the rate period are based on typical meter sizes and highlight the average consumption levels for the customer.

**Figure 13. Monthly Water Bill Comparison for Residential Customers**



## 3. Recommendations and Next Steps

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### 3.1 Consultant Recommendations

NBS recommends the County take the following actions:

- **Approve and Accept this Study:** NBS recommends the Board formally approve and adopt this Study and its recommendations and proceed with the next steps outlined below to implement the proposed rates. This will provide documentation of the rate study analyses and the basis for analyzing potential changes to future rates.
- **Implement Recommended Levels of Rate Increases and Proposed Rates:** Based on successfully meeting the Prop 218 procedural requirements, the County should proceed with implementing the 5-year schedule of proposed rates and rate increases previously shown in Figure 12. This will help ensure the continued financial health of County's utilities.

### 3.2 Next steps

**Annually Review Rates and Revenue** – Any time an agency adopts new utility rates or rate structures, those new rates should be closely monitored over the next several years to ensure the revenue generated is sufficient to meet the annual revenue requirements. Changing economic and water consumption patterns underscore the need for this review, as well as potential and unseen changing revenue requirements — particularly those related to environmental regulations that can significantly affect capital improvements and repair and replacement costs.

*Note: The attached Appendix provide more detailed information on the analysis of the financial plan, revenue requirements, cost-of-service, and the rate design analyses that have been summarized in this report.*

### 3.3 NBS' Principal Assumptions and Considerations

In preparing this report and the opinions and recommendations included herein, NBS has relied on several principal assumptions and considerations regarding financial matters, conditions, and events that may occur in the future. This information and these assumptions, including the County's budgets, capital improvement costs, customer accounts and consumption, and information from County staff were provided by sources we believe to be reliable, although NBS has not independently verified this data.

While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report and its recommendations, some assumptions will invariably not materialize as stated herein and may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.

# Appendix. Water Rate Study Tables and Figures

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TABLE 1 : FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

RATE REVENUE REQUIREMENTS SUMMARY	Projected FY 2025/26	5-Year Projected Rate Period				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Sources of Water Funds<sup>1</sup></b>						
Rate Revenue:	\$ 279,751	\$ 285,346	\$ 291,053	\$ 296,874	\$ 302,812	\$ 308,868
Non-Rate	0	-	-	-	-	-
<b>Total Sources of Funds:</b>	<b>\$ 279,751</b>	<b>\$ 285,346</b>	<b>\$ 291,053</b>	<b>\$ 296,874</b>	<b>\$ 302,812</b>	<b>\$ 308,868</b>
<b>Uses of Water Funds<sup>1</sup></b>						
Operating Expenses:						
200-Services & Supplies-General	\$ 308,469	\$ 319,392	\$ 330,758	\$ 342,589	\$ 354,907	\$ 367,739
540-Intra Entity Reimbursement Out	133,980	136,507	139,116	141,807	144,585	147,452
Subtotal: Operating Expenses	\$ 442,449	\$ 455,900	\$ 469,874	\$ 484,396	\$ 499,492	\$ 515,191
Other Expenditures:						
Existing Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
New Debt Service	-	-	468,169	468,169	468,169	1,026,952
Rate-Funded Capital Expenses	248,032	-	-	185,516	500,000	500,000
Subtotal: Other Expenditures	\$ 248,032	\$ -	\$ 468,169	\$ 653,685	\$ 968,169	\$ 1,526,952
<b>Total Uses of Water Funds:</b>	<b>\$ 690,481</b>	<b>\$ 455,900</b>	<b>\$ 938,043</b>	<b>\$ 1,138,081</b>	<b>\$ 1,467,662</b>	<b>\$ 2,042,143</b>
plus: Revenue from Rate Increases <sup>2</sup>	-	85,604	125,153	170,109	221,143	279,010
<b>Annual Surplus/(Deficit)</b>	<b>\$ (410,730)</b>	<b>\$ (84,949)</b>	<b>\$ (521,837)</b>	<b>\$ (671,098)</b>	<b>\$ (943,706)</b>	<b>\$ (1,454,265)</b>
<b>Net Revenue Req't. (Total Uses less Non-Rate Revenue)</b>	<b>\$ 410,730</b>	<b>\$ 170,553</b>	<b>\$ 646,990</b>	<b>\$ 841,207</b>	<b>\$ 1,164,850</b>	<b>\$ 1,733,275</b>
<b>Total Rate Revenue After Rate Increases (Water)</b>	<b>\$ -</b>	<b>\$ 85,604</b>	<b>\$ 125,153</b>	<b>\$ 170,109</b>	<b>\$ 221,143</b>	<b>\$ 279,010</b>
<b>Projected Annual Rate Revenue Increase</b>	<b>0.00%</b>	<b>30.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>	<b>10.00%</b>
<b>Cumulative Increase from Annual Revenue Increases</b>	<b>0.00%</b>	<b>30.00%</b>	<b>43.00%</b>	<b>57.30%</b>	<b>73.03%</b>	<b>90.33%</b>
<b>Debt Coverage After Rate Increase</b>	<b>N/A</b>	<b>N/A</b>	<b>(0.11)</b>	<b>(0.04)</b>	<b>0.05</b>	<b>0.07</b>

1. Revenue and expenses for FY 2021/22 through FY 2023/24 provided by the District. Revenues and expenses for all other years are escalated based on the forecasting assumptions in Table 8.

2. Interest earnings for FY 2021/22 through FY 2023/24 are from the District's budget. For all other years, interest is calculated based on historical LAIF returns.

3. Revenue from rate increases assumes an implementation date of July 1, 2026 for new rates. For each year thereafter, the assumption is that new rates will be implemented on July 1st of each year.

3	← Select Financial Plan Scenario Here	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
1	Alternative 1 - Custom Rate Increases	0.00%	3.00%	3.00%	3.00%	3.00%	3.00%
2	Alternative 2 - Custom Rate Increases	0.00%	8.00%	8.00%	8.00%	8.00%	8.00%
3	Alternative 3 - Custom Rate Increases	0.00%	30.00%	10.00%	10.00%	10.00%	10.00%
4	Alternative 4 - No Rate Increases	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

TABLE 2 : RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY	Projected FY 2025/26	5-Year Projected Rate Period				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Unrestricted Reserve:</b>						
<b>Total Beginning Cash<sup>1</sup></b>						
<b>Operating Reserve</b>						
Beginning Reserve Balance	\$ (105,234)	\$ (515,963)	\$ (600,913)	\$ (1,122,749)	\$ (1,793,847)	\$ (2,737,554)
Plus: Net Cash Flow (After Rate Increases)	(410,730)	(84,949)	(521,837)	(671,098)	(943,706)	(1,454,265)
Plus: Transfer in of Debt Reserve Surplus	-	-	-	-	-	-
Plus: Interest Earnings	-	-	-	-	-	-
Plus: Loan Proceeds	-	-	-	-	-	-
Less: Transfer out to Capital and Infrastructure Reserve	-	-	-	-	-	-
<b>Ending Operating Reserve Balance</b>	<b>(\$515,963)</b>	<b>(\$600,913)</b>	<b>(\$1,122,749)</b>	<b>(\$1,793,847)</b>	<b>(\$2,737,554)</b>	<b>(\$4,191,818)</b>
<b>Target Ending Balance (90 days of O&amp;M)<sup>2</sup></b>	<b>\$ 111,000</b>	<b>\$ 114,000</b>	<b>\$ 117,000</b>	<b>\$ 121,000</b>	<b>\$ 125,000</b>	<b>\$ 129,000</b>
<b>Capital Reserve</b>						
Beginning Reserve Balance	\$ 414,926	\$ 419,075	\$ 423,266	\$ 427,499	\$ 431,774	\$ 436,091
Plus: Grant Proceeds	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surplus	-	-	-	-	-	-
Plus: Interest Earnings	4,149	4,191	4,233	4,275	4,318	4,361
Less: Use of Reserves for Capital Projects	-	-	-	-	-	-
<b>Ending Capital Reserve Balance</b>	<b>\$ 419,075</b>	<b>\$ 423,266</b>	<b>\$ 427,499</b>	<b>\$ 431,774</b>	<b>\$ 436,091</b>	<b>\$ 440,452</b>
<b>Target Ending Balance (90 days of O&amp;M)<sup>2</sup></b>	<b>\$ 111,000</b>	<b>\$ 114,000</b>	<b>\$ 117,000</b>	<b>\$ 121,000</b>	<b>\$ 125,000</b>	<b>\$ 129,000</b>
<b>Ending Balance - Excl. Restricted Reserves</b>	<b>\$ (96,888)</b>	<b>\$ (177,647)</b>	<b>\$ (695,251)</b>	<b>\$ (1,362,074)</b>	<b>\$ (2,301,462)</b>	<b>\$ (3,751,366)</b>
<b>Min. Target Ending Balance - Excl. Restricted Reserves</b>	<b>\$ 222,000</b>	<b>\$ 228,000</b>	<b>\$ 234,000</b>	<b>\$ 242,000</b>	<b>\$ 250,000</b>	<b>\$ 258,000</b>
<b>Ending Surplus/(Deficit) Compared to Reserve Targets</b>	<b>\$ (318,888)</b>	<b>\$ (405,647)</b>	<b>\$ (929,251)</b>	<b>\$ (1,604,074)</b>	<b>\$ (2,551,462)</b>	<b>\$ (4,009,366)</b>
<b>Annual Interest Earnings Rate<sup>4</sup></b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>

1. Beginning cash balances provided by District Staff.  
 2. The target ending balance is set equal to 90 days of O&M expenses.  
 3. Historical interest earning rates are per the average annual yields for funds invested in LAIF (2018-2024). The source is the California State Treasurer's website: <https://www.treasurer.ca.gov/pmris-laif/historical/annual.asp>.

TABLE 4 : REVENUE FORECAST<sup>1</sup>

DESCRIPTION	Basis	Projected FY 2025/26	5-Year Projected Rate Period					
			FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	
<b>Operating Revenue</b>								
RATE REVENUE	1	\$ 279,751	\$ 285,346	\$ 291,053	\$ 296,874	\$ 302,812	\$ 308,868	\$ 308,868
XXX-Charges for Current Services-Fee Ord		\$ 279,751	\$ 285,346	\$ 291,053	\$ 296,874	\$ 302,812	\$ 308,868	\$ 308,868
40909975_Op TRANSFERS IN	6	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
090-Other Financing Sources		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL: REVENUE</b>		\$ 279,751	\$ 285,346	\$ 291,053	\$ 296,874	\$ 302,812	\$ 308,868	\$ 308,868

TABLE 5 : REVENUE SUMMARY

DESCRIPTION	Basis	Projected FY 2025/26	5-Year Projected Rate Period					
			FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	
XXX-Charges for Current Services-Fee Ord		\$ 279,751	\$ 285,346	\$ 291,053	\$ 296,874	\$ 302,812	\$ 308,868	\$ 308,868
090-Other Financing Sources		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL: REVENUE</b>		\$ 279,751	\$ 285,346	\$ 291,053	\$ 296,874	\$ 302,812	\$ 308,868	\$ 308,868

TABLE 6 : OPERATING EXPENSE FORECAST<sup>1</sup>

DESCRIPTION	Basis	5-Year Projected Rate Period									
		Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31				
<b>Operating Expenses</b>											
52002030 SAFETY EQUIP	2	103	107	110	113	117	121				
52002050 PURCHASE OF MATERIALS	2	310	320	340	351	362	362				
52002070 FOOD	2	206	213	220	227	234	242				
52002085 LEGAL NOTICES	2	103	107	110	113	117	121				
52002890 MISCELLANEOUS EXPENSE	2	5,263	5,432	5,605	5,785	5,970	6,161				
52002120 SMALL TOOLS & INSTRUMENTS	2	1,032	1,065	1,099	1,134	1,171	1,208				
52002135 SPECIAL DEPT EXPENSE	2	1,548	1,598	1,649	1,701	1,756	1,812				
52002176 STREET MAINTENANCE	2	72,240	74,552	76,937	79,399	81,940	84,562				
52002180 UTILITIES	2	206	213	220	227	234	242				
52002182 UTILITIES-ELECTRICITY	5	21,670	23,480	25,440	27,565	29,867	32,361				
52002183 UTILITIES-GAS	2	464	479	495	510	527	544				
52002186 UTILITIES-WATER	2	140,311	144,801	149,434	154,216	159,151	164,244				
52002190 PRIOR YR EXP/SVCS & SUPPLIES	2	413	426	440	454	468	483				
52002310 PRESORT & PACKAGING (ISF ONLY)	2	3,612	3,728	3,847	3,970	4,097	4,228				
52002323 COURIER & PRINTING (ISF ONLY)	2	619	639	659	681	702	725				
52002415 COUNTY SERVICES (INCL COWCAP)	2	1,609	1,660	1,714	1,768	1,825	1,883				
52002425 CREDIT CARD MERCHANT FEES	2	52	53	55	57	59	60				
52002445 OTHER PROFESSIONAL & SPEC SVCS	2	15,480	15,975	16,487	17,014	17,559	18,120				
52002448 COUNTY COUNSEL SERVICES	3	2,000	2,000	2,000	2,000	2,000	2,000				
52002458 PERMIT COSTS	2	1,032	1,065	1,099	1,134	1,171	1,208				
52002660 PENALTIES	2	41	43	44	45	47	48				
52002678 MISCELLANEOUS LAB TESTING	2	18,998	19,606	20,233	20,881	21,549	22,239				
52002855 GENERAL MAINTENANCE-EQUIPMENT	2	1,032	1,065	1,099	1,134	1,171	1,208				
52002870 GEN MAINT-STRUCT,IMP & GROUNDS	2	18,576	19,170	19,784	20,417	21,070	21,745				
52002905 RENTS & LEASES-STRUCT,IMP&GRDS	2	1,548	1,598	1,649	1,701	1,756	1,812				
52002930 MAINTENANCE CHARGES (ISF ONLY)	2	308,469	319,392	330,758	342,589	354,907	367,739				
<b>200-Services &amp; Supplies-General</b>		\$	\$	\$	\$	\$	\$				
55405010 SALARIES & BENE TRANSFERS OUT	3	55,000	55,000	55,000	55,000	55,000	55,000				
55405012 SERVS & SUPPLY TRANSFERS OUT	2	36,120	37,276	38,469	39,700	40,970	42,281				
55405018 INTERNAL COST ALLOCA OUT	2	42,860	44,232	45,647	47,108	48,615	50,171				
<b>540-Intra Entity Reimbursement Out</b>		\$	\$	\$	\$	\$	\$				
<b>SUBTOTAL: WATER SYSTEM EXPENSES</b>		\$ 442,449	\$ 455,900	\$ 469,874	\$ 484,396	\$ 499,492	\$ 515,191				
<b>GRAND TOTAL: WATER EXPENSES</b>		\$ 442,449	\$ 455,900	\$ 469,874	\$ 484,396	\$ 499,492	\$ 515,191				

TABLE 7 : FORECASTING ASSUMPTIONS

INFLATION FACTORS <sup>3</sup>	Basis	2026	2027	2028	2029	2030	2031
Customer Growth <sup>2</sup>	1	0.32%	2.00%	2.00%	2.00%	2.00%	2.00%
General Cost Inflation <sup>3</sup>	2	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
Labor Cost Inflation <sup>4</sup>	3	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Chemicals <sup>5</sup>	4	5.45%	5.45%	5.45%	5.45%	5.45%	5.45%
Electricity <sup>6</sup>	5	8.35%	8.35%	8.35%	8.35%	8.35%	8.35%
No Escalation	6	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

1. Revenue and expenses for FY 2024/25 provided by the County. Revenues and expenses for all other years are escalated based on the forecasting assumptions in Table 7.  
 2. Customer growth is based on the population projections provided by the County.  
 3. General cost inflation is based on the Consumer Price Index for all Urban Consumers in the San Bernardino-Riverside-Ontario, CA area.  
 4. Labor cost inflation is provided by County.  
 5. Chemical cost inflation is based on the 5-year average annual change in the Producer Price Index for Chemical Manufacturing.  
 6. Electricity cost inflation is based on the 5-year average annual change in the Consumer Price Index for Electricity for the San Bernardino-Riverside-Ontario, CA area.

CSA 70 Cedar Glen  
WATER RATE STUDY  
Capital Improvement Plan Expenditures

TABLE 8 : CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST	Projected FY 2025/26	5-Year Projected Rate Period				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Funding Sources:</b>						
Grants	\$ -	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Use of Capacity Fee Reserves	-	-	-	-	-	-
SRF Loan Funding	-	-	-	-	-	-
Use of New Revenue Bond Proceeds	-	2,060,178	2,039,478	2,100,344	2,040,865	2,304,795
Use of Capital Rehabilitation and Replacement Reserve	-	-	-	-	-	-
Rate Revenue	-	-	-	-	-	-
<b>Total Sources of Capital Funds</b>	<b>\$ 248,032</b>	<b>\$ 7,060,178</b>	<b>\$ 7,039,478</b>	<b>\$ 7,285,860</b>	<b>\$ 7,540,865</b>	<b>\$ 7,804,795</b>
<b>Uses of Capital Funds:</b>						
Total Project Costs	\$ 248,032	\$ 7,060,178	\$ 7,039,478	\$ 7,285,860	\$ 7,540,865	\$ 7,804,795
<b>Capital Funding Surplus (Deficiency)</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ (0)</b>
<b>SRF Loan Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>New Revenue Bond Proceeds</b>	<b>\$ -</b>	<b>\$ 6,200,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

TABLE 9 : CAPITAL IMPROVEMENT PROGRAM FUNDING OPTIONS

Policy Choice	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
1 Alternative 1 – Full Funding of CIP	\$ 248,032	\$ 7,060,178	\$ 7,039,478	\$ 7,285,860	\$ 7,540,865	\$ 7,804,795
2 Alternative 2 – 75% Funding of CIP	\$ 186,024	\$ 5,295,133	\$ 5,279,608	\$ 5,464,395	\$ 5,655,649	\$ 5,853,596
3 Alternative 3 – 50% Funding of CIP	\$ 124,016	\$ 3,530,089	\$ 3,519,739	\$ 3,642,930	\$ 3,770,432	\$ 3,902,398

Insert policy choice in box to right, based on options listed above:

1

Capital Improvement Program Funding Choice	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Effective Annual Funding Amount	\$ 248,032	\$ 7,060,178	\$ 7,039,478	\$ 7,285,860	\$ 7,540,865	\$ 7,804,795

CSA 70 Cedar Glen  
WATER RATE STUDY  
Capital Improvement Plan Expenditures

CAPITAL IMPROVEMENT PROGRAM

TABLE 10 : CAPITAL IMPROVEMENT PROGRAM COSTS (in Current-Year Dollars)<sup>1</sup>

Project #	Project Description <sup>2</sup>	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<i>Water Treatment Plant</i>							
	Lead Pipe Investigation	\$ 248,032	\$ -	\$ -	\$ -	\$ -	\$ -
	Master Plan	-	250,000	-	-	-	-
	Cedar Glen Earmark	-	6,571,428	6,571,428	6,571,428	6,571,428	6,571,428
	<b>Total CIP Program Costs (Current-Year Dollars)</b>	<b>\$ 248,032</b>	<b>\$ 6,821,428</b>	<b>\$ 6,571,428</b>	<b>\$ 6,571,428</b>	<b>\$ 6,571,428</b>	<b>\$ 6,571,428</b>

TABLE 11 : CAPITAL IMPROVEMENT PROGRAM COSTS (in Future-Year Dollars)<sup>3</sup>

Project Description	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<i>Water Treatment Plant</i>						
Lead Pipe Investigation	\$ 248,032	\$ -	\$ -	\$ -	\$ -	\$ -
Master Plan	-	258,750	-	-	-	-
Cedar Glen Earmark	-	6,801,428	7,039,478	7,285,860	7,540,865	7,804,795
<b>Total CIP Program Costs (Current-Year Dollars)</b>	<b>\$ 248,032</b>	<b>\$ 7,060,178</b>	<b>\$ 7,039,478</b>	<b>\$ 7,285,860</b>	<b>\$ 7,540,865</b>	<b>\$ 7,804,795</b>

TABLE 12 : FORECASTING ASSUMPTIONS

Economic Variables	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Annual Construction Cost Inflation, Per Engineering News Record <sup>4</sup>	0.00%	3.50%	3.50%	3.50%	3.50%	3.50%
Cumulative Construction Cost Multiplier from FY 2024/25	1.00	1.04	1.07	1.11	1.15	1.19

1. Capital project costs were provided by City Staff and assumes Year 1 begins in FY 2023/24.  
 2. The capital project costs have been inflated by District Staff in Current CIP Budget using the Construction Cost Index (See Table 13). Website: <http://enr.construction.com>.  
 3. For reference purposes, the annual Construction Cost Inflation percentage is the 10-year average annual change in the Construction Cost Index for 2013-2023 (3.5%).  
 4. For reference purposes, the annual Construction Cost Inflation percentage is the 10-year average annual change in the Construction Cost Index for 2013-2023 (3.5%).



TABLE 15 : FUTURE DEBT FINANCING ASSUMPTIONS

Long-Term Debt Terms	Revenue Bonds
Issuance Cost	2.00%
Annual Interest Cost (%)	5.50%
Term	30
Debt Reserve Funded	Yes
Coverage Requirement (% above annual pmt)	1.25%

TABLE 16 : FUTURE DEBT OBLIGATIONS

Annual Repayment Schedules	2025	2026	2027	2028	2029	2030	2031
<b>SRF Loan Funding</b>							
Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Payment	-	-	-	-	-	-	-
<b>Subtotal: Annual Debt Service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Revenue Bonds</b>							
Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ 93,935	\$ 99,102	\$ 104,552
Interest Payment	-	-	-	-	374,234	369,068	363,617
<b>Subtotal: Annual Debt Service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 468,169</b>	<b>\$ 468,169</b>	<b>\$ 468,169</b>
<b>Grand Total: Future Annual Debt Service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 468,169</b>	<b>\$ 468,169</b>	<b>\$ 468,169</b>
<b>Grand Total: New Annual Coverage Requirement</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 585,212</b>	<b>\$ 585,212</b>	<b>\$ 585,212</b>
<b>Grand Total: Future Debt Reserve Target</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 468,169</b>	<b>\$ 468,169</b>	<b>\$ 468,169</b>

TABLE 17 : TOTAL DEBT SERVICE

Annual Obligations	2025	2026	2027	2028	2029	2030	2031
Annual Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 468,169	\$ 468,169	\$ 468,169
Annual Coverage Requirement	\$ -	\$ -	\$ -	\$ -	\$ 585,212	\$ 585,212	\$ 585,212
<b>Total Debt Reserve Target</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 468,169</b>	<b>\$ 468,169</b>	<b>\$ 468,169</b>
Check	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CSA 70 Cedar Glen  
 WATER RATE STUDY  
 Projected Water Rates Under Existing Rate Schedule

Exhibit 4 - Current Rates

TABLE 18 : CURRENT WATER RATE SCHEDULE

Water Rate Schedule		July 1, 2025
<b>Monthly Fixed Service Charges (in \$/mo)</b>		
<b>Domestic Service Charge</b>		
Flat Rate		\$188.85
5/8" & 3/4"		\$35.26
1"		\$57.84
1.5"		\$113.75
2"		\$181.11
3"		\$360.96
4"		\$563.05
6"		\$1,124.19
8"		\$1,797.81
<b>Water Usage Charges (in \$/HCF)*</b>		
0-6		\$10.08
7-12		\$10.32
13+		\$11.18

\* Monthly fee per hcf

TABLE 19 : CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS

Classification of Expenses Budget Categories	Total Revenue Requirements FY 2026/27	Commodity (COM)	Capacity (CAP)	Customer (CA)	Basis of Classification					
					(COM)	(CAP)	(CA)			
<b>Operating Expenses</b>										
52002030 Safety Equip	\$ 107	\$ 29	\$ 72	\$ 5	27.5%	67.5%	5.0%			
52002050 Purchase Of Materials	\$ 320	\$ 88	\$ 216	\$ 16	27.5%	67.5%	5.0%			
52002070 Food	\$ 213	\$ 59	\$ 144	\$ 11	27.5%	67.5%	5.0%			
52002085 Legal Notices	\$ 107	\$ -	\$ -	\$ 107	0.0%	0.0%	100.0%			
52002090 Miscellaneous Expense	\$ 5,432	\$ 1,494	\$ 3,666	\$ 272	27.5%	67.5%	5.0%			
52002120 Small Tools & Instruments	\$ 1,065	\$ 293	\$ 719	\$ 53	27.5%	67.5%	5.0%			
52002135 Special Dept Expense	\$ 1,598	\$ 439	\$ 1,078	\$ 80	27.5%	67.5%	5.0%			
52002176 Street Maintenance	\$ 74,552	\$ 20,502	\$ 50,322	\$ 3,728	27.5%	67.5%	5.0%			
52002180 Utilities	\$ 213	\$ 128	\$ 75	\$ 11	60.0%	35.0%	5.0%			
52002182 Utilities-Electricity	\$ 23,480	\$ 14,088	\$ 8,218	\$ 1,174	60.0%	35.0%	5.0%			
52002183 Utilities-Gas	\$ 479	\$ 288	\$ 168	\$ 24	60.0%	35.0%	5.0%			
52002186 Utilities-Water	\$ 144,801	\$ 86,880	\$ 50,680	\$ 7,240	60.0%	35.0%	5.0%			
52002190 Prior Yr Exp/ Svcs & Supplies	\$ 426	\$ 117	\$ 288	\$ 21	27.5%	67.5%	5.0%			
52002310 Resort & Packaging (Isf Only)	\$ 3,728	\$ -	\$ -	\$ 3,728	0.0%	0.0%	100.0%			
52002323 Courier & Printing (Isf Only)	\$ 639	\$ 176	\$ 431	\$ 32	27.5%	67.5%	5.0%			
52002415 County Services (Incl Cowcap )	\$ 1,660	\$ 457	\$ 1,121	\$ 83	27.5%	67.5%	5.0%			
52002425 Credit Card Merchant Fees	\$ 53	\$ -	\$ -	\$ 53	0.0%	0.0%	100.0%			
52002445 Other Professional & Spec Svcs	\$ 15,975	\$ 4,393	\$ 10,783	\$ 799	27.5%	67.5%	5.0%			
52002448 County Counsel Services	\$ 2,000	\$ 550	\$ 1,350	\$ 100	27.5%	67.5%	5.0%			
52002458 Permit Costs	\$ 1,065	\$ 293	\$ 719	\$ 53	27.5%	67.5%	5.0%			
52002660 Penalties	\$ 43	\$ 12	\$ 29	\$ 2	27.5%	67.5%	5.0%			
52002678 Miscellaneous Lab Testing	\$ 19,606	\$ 15,685	\$ 2,941	\$ 980	80.0%	15.0%	5.0%			
52002855 General Maintenance-Equipment	\$ 1,065	\$ 293	\$ 719	\$ 53	27.5%	67.5%	5.0%			
52002905 Rents & Leases-Struct, Imp&Grds	\$ 19,170	\$ 5,272	\$ 12,940	\$ 959	27.5%	67.5%	5.0%			
52002930 Maintenance Charges (Isf Only)	\$ 1,598	\$ 439	\$ 1,078	\$ 80	27.5%	67.5%	5.0%			
55405010 Salaries & Bene Transfers Out	\$ 55,000	\$ 15,125	\$ 37,125	\$ 2,750	27.5%	67.5%	5.0%			
55405012 Servs & Supply Transfers Out	\$ 37,276	\$ 10,251	\$ 25,161	\$ 1,864	27.5%	67.5%	5.0%			
55405018 Internal Cost Alloca Out	\$ 44,232	\$ 12,164	\$ 29,856	\$ 2,212	27.5%	67.5%	5.0%			
<b>Subtotal: Water System Expenses</b>	<b>\$ 455,900</b>	<b>\$ 189,513</b>	<b>\$ 239,899</b>	<b>\$ 26,488</b>	<b>41.6%</b>	<b>52.6%</b>	<b>5.8%</b>			

TABLE 20 : CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS, cont.

Classification of Expenses, cont. Budget Categories	Total Revenue Requirements FY 2026/27	Commodity (COM)	Capacity (CAP)	Customer (CA)	Basis of Classification		
					(COM)	(CAP)	(CA)
<b>Debt Service Payments</b>							
Outstanding Debt	\$ -	\$ -	\$ -	\$ -	0.0%	100.0%	0.0%
New Debt Issue - SRF Loan	\$ -	\$ -	\$ -	\$ -	0.0%	100.0%	0.0%
New Debt Issue - Revenue Bond	\$ -	\$ -	\$ -	\$ -	0.0%	100.0%	0.0%
<b>Total Debt Service Payments</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Capital Expenditures</b>							
Rate-Funded Capital Expenses	\$ -	\$ -	\$ -	\$ -	0.0%	100.0%	0.0%
<b>TOTAL REVENUE REQUIREMENTS</b>	<b>\$ 455,900</b>	<b>\$ 189,513</b>	<b>\$ 239,899</b>	<b>\$ 26,488</b>	<b>41.6%</b>	<b>52.6%</b>	<b>5.8%</b>
<b>Less: Non-Rate Revenues</b>							
090-Other Financing Sources	\$ -	\$ -	\$ -	\$ -	60.0%	35.0%	5.0%
<b>NET REVENUE REQUIREMENTS</b>	<b>\$ 455,900</b>	<b>\$ 189,513</b>	<b>\$ 239,899</b>	<b>\$ 26,488</b>			
<b>Allocation of Revenue Requirements</b>	<b>100.0%</b>	<b>41.6%</b>	<b>52.6%</b>	<b>5.8%</b>			

TABLE 21 : ADJUSTMENT TO CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS

Adjustments to Classification of Expenses		Total	(COM)	(CAP)	(CA)
<b>Adjustment for Current Rate Level:</b>					
FY 2026/27 Target Rate Rev. After Rate Increases		\$ 370,950			
Projected Revenue at Current Rates		\$ 285,346			
FY 2026/27 Projected Rate Increase		30%			
<b>Adjusted Net Revenue Req'ts</b>		<b>\$ 370,950</b>	<b>\$ 154,200</b>	<b>\$ 195,198</b>	<b>\$ 21,552</b>
<i>Percent of Revenue</i>		<i>100.0%</i>	<i>41.6%</i>	<i>52.6%</i>	<i>5.8%</i>

TABLE 22 : NET REVENUE REQUIREMENTS PER COSA RESULTS

Net Revenue Requirements - Per COSA Results	Total Rate Revenue Requirements FY 2025/26	Commodity Related Costs		Fixed Costs	
		Capacity Related Costs	Customer Related Costs	Capacity Related Costs	Customer Related Costs
Rate-Design Adjustments to Fixed/Variable %	100.0%	41.6%	5.8%		
Rate-Design Adjustments to Fixed/Variable (\$)	\$370,950	\$154,200	\$195,198	\$21,552	

**TABLE 23 : DEVELOPMENT OF THE COMMODITY ALLOCATION FACTOR**

Customer Class	Development of the Volumetric/Variable Allocation Factor <sup>1</sup>		
	CY 2024 Consumption (HCF)	% of Total Volume (Potable)	% of Total Volume (Non-potable)
All Customers	11,622	100.0%	0.0%
<b>Total</b>	<b>11,622</b>	<b>100.0%</b>	<b>0.0%</b>

1. Consumption data is based on County billing data for CY 2024.

**TABLE 24 : DEVELOPMENT OF THE CUSTOMER ALLOCATION FACTORS: METERS**

Customer Class	Development of the Customer Allocation Factor <sup>1</sup>	
	No. of Meters	% of Total Meters
All Customers	334	100.0%
<b>Total</b>	<b>334</b>	<b>100.0%</b>

1. Consumption data is based on County billing data for CY 2024.

TABLE 25 : ALLOCATION OF WATER REVENUE REQUIREMENTS

Classification Components	Cost-of-Service Net Revenue Requirements (FY 2026/27)
Commodity-Related Costs	\$ 154,200 41.6%
Capacity-Related Costs	195,198 52.6%
Customer-Related Costs	21,552 5.8%
<b>Net Revenue Requirement</b>	<b>\$ 370,950 100.0%</b>

TABLE 26 : ALLOCATION OF NET REVENUE REQUIREMENTS - FY 2024/25

Customer Classes	Classification Components		Cost of Service Net Rev. Req'ts	% of COS Net Revenue Req'ts
	VARIABLE	FIXED		
All Customers	\$ 154,200	\$ 195,198	\$ 370,950	100.0%
<b>Total Net Revenue Requirement</b>	<b>\$ 154,200</b>	<b>\$ 195,198</b>	<b>\$ 370,950</b>	<b>100%</b>
<i>Total Net Revenue Requirement by Classification Component</i>	<i>VARIABLE</i> \$154,200	<i>FIXED</i> \$216,750	\$370,950	

TABLE 27 : RATE DESIGN - SUMMARY OF REVENUE REQUIREMENTS

Customer Class	COSA Net Revenue		NET REVENUE REQUIREMENT				
	FY 2026/27	% of COS Rev. Req't.	% Fixed Revenue	% Variable Revenue	Revenue from Volumetric Charges	Revenue from Hydraulic Capacity Charges	Revenue from Customer Costs
All Customers	\$ 370,950	100.0%	58%	42%	\$ 154,200	\$ 195,198	\$ 21,552
<b>Total</b>	<b>\$ 370,950</b>	<b>100.0%</b>			<b>\$ 154,200</b>	<b>\$ 195,198</b>	<b>\$ 21,552</b>

TABLE 28 : METER EQUIVALENCY FACTORS USED IN FIXED CHARGES CALCULATION

Meter Size	Standard Meters	
	Meter Capacity	Equivalency to 3/4 inch
3/4 inch	30	1.00
1 inch	50	1.67
1.1/2 inch	100	3.33
2 inch	160	5.33
<i>Compound Class / Meters</i>		
3 inch	320	10.67
4 inch	500	16.67
6 inch	1,000	33.33
8 inch	1,600	53.33
<i>Turbine Class // Meters</i>		
10 inch	4,200	140.00
12 inch	5,300	176.67

1. Per AWWA, M.I. Manual, Table B-1.

TABLE 29 : CALCULATION OF MONTHLY FIXED DOMESTIC METER SERVICE CHARGES FOR FY 2026/27

Number of Meters by Class and Size <sup>1</sup>	FY 2026/27							NET REVENUE REQUIREMENT	
	5/8 - 3/4" meter	1" meter	1.5" meter	2" meter	3" meter	4" meter	6" meter	8" meter	Total
All Customers	239	94	0	1	0	0	0	0	334
<b>Total Meters/Accounts</b>	<b>239</b>	<b>94</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>334</b>
Hydraulic Capacity Factor <sup>2</sup>	1.00	1.67	3.33	5.33	10.67	16.67	33.33	53.33	
<b>Total Equivalent Meters</b>	<b>239</b>	<b>157</b>	<b>0</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>401</b>
Monthly Fixed Service Charges									
Customer Costs (\$/Acct/month) <sup>3</sup>	\$ 5.38	\$ 5.38	\$ 5.38	\$ 5.38	\$ 5.38	\$ 5.38	\$ 5.38	\$ 5.38	
Capacity Costs (\$/Acct/month) <sup>4</sup>	\$ 40.56	\$ 67.61	\$ 135.22	\$ 216.35	\$ 432.69	\$ 676.08	\$ 1,352.16	\$ 2,163.46	
<b>Total Monthly Meter Charge</b>	<b>\$ 45.94</b>	<b>\$ 72.99</b>	<b>\$ 140.59</b>	<b>\$ 221.72</b>	<b>\$ 438.07</b>	<b>\$ 681.46</b>	<b>\$ 1,357.54</b>	<b>\$ 2,168.83</b>	
Annual Fixed Costs Allocated to Monthly Meter Charges									
Customer Costs	\$ 21,552								
Capacity Costs	\$ 195,198								
<b>Total Fixed Meter Costs</b>	<b>\$ 216,750</b>								
Annual Revenue from Monthly Meter Charges									
Customer Charges	\$ 15,422	\$ 6,066	\$ -	\$ 65	\$ -	\$ -	\$ -	\$ -	\$ 21,552
Capacity Charges	\$ 116,340	\$ 76,262	\$ -	\$ 2,596	\$ -	\$ -	\$ -	\$ -	\$ 195,198
<b>Total Revenue from Monthly Meter Charges</b>	<b>\$ 131,762</b>	<b>\$ 82,327</b>	<b>\$ -</b>	<b>\$ 2,661</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 216,750</b>

1. Meter by Class and Size are based on December 2024 customer billing data.  
 2. Source: Principles of Water Rates, Fees, and Charges, Manual M1, AWWA, Table B-1.  
 3. Customer costs are allocated to each customer by dividing the total customer costs by the total number of customers.  
 4. Capacity costs are allocated by meter size and the hydraulic capacity of the meter.

TABLE 30 : ESTIMATED DOMESTIC FIXED REVENUE BY CUSTOMER CLASS

Customer Class and Meter Size	Hydraulic Capacity Factor	Number of Meters	Total Equivalent Meters	Fixed Meter Charge		NET REVENUE REQUIREMENT	
				Customer Component	Capacity Component	Total Fixed Meter Charge	Estimated Revenue from Fixed Charges
5/8 - 3/4" meter	1.00	239	239	\$ 5.38	\$ 40.56	\$ 45.94	\$ 131,762.04
1" meter	1.67	94	157	5.38	67.61	72.99	82,327.46
1.5" meter	3.33	0	0	5.38	135.22	140.59	-
2" meter	5.33	1	5	5.38	216.35	221.72	2,660.68
3" meter	10.67	0	0	5.38	432.69	438.07	-
4" meter	16.67	0	0	5.38	676.08	681.46	-
6" meter	33.33	0	0	5.38	1,352.16	1,357.54	-
8" meter	53.33	0	0	5.38	2,163.46	2,168.83	-
<b>Total</b>		<b>334</b>	<b>401</b>			<b>\$ 216,750.18</b>	

TABLE 31 : PROPOSED VOLUMETRIC CHARGES FOR FY 2026/27 BY CUSTOMER CLASS

<b>NET REVENUE REQUIREMENT</b>					
Customer Classes	Water Consumption (HCF/yr)	Total Target Rev. Req't from Vol. Charges	% of Total Rate Revenue	Uniform Commodity Rates (\$/HCF)	Proposed Rate Structure
All Customers	11,622	\$ 154,200	41.6%	\$13.27	Uniform
<b>Total Water</b>	<b>11,622</b>	<b>\$ 154,200</b>	<b>41.6%</b>		

TABLE 32 : SUMMARY OF VOLUMETRIC CHARGES FOR FY 2026/27 FOR PROPOSED RATE TABLE

<b>NET REVENUE REQUIREMENT</b>					
Customer Classes	Water Consumption (HCF/yr)	Total Target Rev. Req't from Vol. Charges	% of Total Rate Revenue	Uniform Commodity Rates (\$/HCF)	Proposed Rate Structure
All Customers	11,622	\$ 154,200	41.6%	\$13.27	Uniform
<b>Total Water</b>	<b>11,622</b>	<b>\$ 154,200</b>	<b>41.6%</b>		

TABLE 33 : ESTIMATED VOLUMETRIC REVENUE BY CUSTOMER CLASS

Customer Class	Estimated Variable		NET REVENUE REQUIREMENT	
	Estimated Consumption	Estimated Revenue	% of Variable Rate Revenue	Total Cost of Service Net Revenue
All Customers	11,622	\$ 154,200	100.0%	\$ 370,950
<b>Grand Total</b>	<b>11,622</b>	<b>\$ 154,200</b>	<b>100.0%</b>	<b>\$ 370,950</b>

TABLE 34 : CURRENT VS. PROPOSED MAXIMUM WATER RATES		NET REVENUE REQUIREMENT				
Water Rate Schedule	Current Rates	Proposed Rates				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Monthly Fixed Service Charges (in \$/mo)</b>						
<b>Domestic Service Charge</b>						
Flat Rate	\$188.85	N/A	N/A	N/A	N/A	N/A
5/8" & 3/4"	\$35.26	\$45.94	\$50.54	\$55.59	\$61.15	\$67.26
1"	\$57.84	\$72.99	\$80.28	\$88.31	\$97.14	\$106.86
1.5"	\$113.75	\$140.59	\$154.65	\$170.12	\$187.13	\$205.84
2"	\$181.11	\$221.72	\$243.90	\$268.28	\$295.11	\$324.62
3"	\$360.96	\$438.07	\$481.88	\$530.06	\$583.07	\$641.38
4"	\$563.05	\$681.46	\$749.60	\$824.56	\$907.02	\$997.72
6"	\$1,124.19	\$1,357.54	\$1,493.29	\$1,642.62	\$1,806.88	\$1,987.57
8"	\$1,797.81	\$2,168.83	\$2,385.72	\$2,624.29	\$2,886.72	\$3,175.39
<b>Water Usage Charges (in \$/HCF)</b>						
0-6	\$10.08	\$13.27	\$14.59	\$16.05	\$17.66	\$19.43
7-12	\$10.32	N/A	N/A	N/A	N/A	N/A
13+	\$11.18	N/A	N/A	N/A	N/A	N/A

# **SAN BERNARDINO COUNTY**

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*County Service Area 70 GH (Glen Helen)  
Sewer Rate Study Report*

*Final Report*

March 2026



[nbsgov.com](http://nbsgov.com)

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# 1. Introduction

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## 1.1 Purpose

San Bernardino County (County) retained NBS to conduct a comprehensive utility rate study for its sewer enterprise funds for County Service Area 70 GH Glen Helen (CSA 70 GH). The County had several objectives and goals in mind for this study including meeting revenue requirements, reviewing the rising costs of providing services, funding capital improvements and changes in costs, and complying with certain legal requirements (e.g., California Constitution Article XIII D, Section 6, which is commonly referred to as Proposition 218 [Prop 218]). The County’s broader objectives in this study include ensuring adequate funding for operating and capital costs, ensuring revenue stability in utility rates. The rates resulting from this study were developed in a manner that is consistent with industry standard cost-of-service principles. In addition to documenting the rate study methodology, this report is provided with the intent to assist the County in its continuing effort to maintain transparent communications with the residents and community it serves.

In developing new rates for CSA 70 GH’s enterprise fund, NBS worked cooperatively with County staff and the Board of Supervisors (Board) in selecting the appropriate rate alternatives that address the County’s goals and objectives. Based on input provided by County staff, NBS proposes the rates summarized in this report. The Board has the final decision regarding the adoption of the proposed rates and whether to proceed with the Prop 218 approval process.

## 1.2 Overview of the Study

Comprehensive rate studies, such as this one, typically include three components: (1) preparation of a financial plan that identifies the net revenue requirements for the utility; (2) analysis of the cost to serve each customer class, and (3) the rate structure design. These steps are shown in **Figure 1** and are intended to follow industry standards and reflect the fundamental principles of cost-of-service rate making embodied in the Water Environment Federation’s *Financing and Charges for Wastewater Systems* (Manual of Practice No. 27).<sup>1</sup>

Rate studies also address requirements under Prop 218 that rates not exceed the cost of providing the service and be proportionate to the cost of providing service for all customers. In terms of the chronology of the study, the three steps shown in **Figure 1** represent the order in which they were performed in this study.

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<sup>1</sup> *Financing and Charges for Wastewater Systems*, Manual of Practice No. 27, Water Environment Federation, Fourth Edition, 2018.

**Figure 1. Primary Components of a Rate Study**



NBS projected revenues and expenditures, developed net revenue requirements, performed cost-of-service rate analyses, and developed new sewer rates for the County using this approach. The following sections in this report present an overview of the methodologies, assumptions, and data used along with the financial plans and rates developed. Detailed tables and figures documenting the development of the proposed rates are provided in the Appendices.

The County provided NBS with the data necessary to conduct the study, including historical, current, and projected revenues and expenditures, number of customer accounts, and water consumption data along with other operational and capital cost information.

### **FINANCIAL PLAN**

As a part of the rate study, NBS projected revenues and expenditures on a cash-flow basis for the next five (5) years. The amount of rate revenue required, that will allow reserves to be maintained at the recommended levels, is known as the net revenue requirement. As current rate revenue falls short of the net revenue requirement, rate adjustments – or more accurately, adjustments in the total revenue collected from rates – are recommended. This report presents an overview of the methodologies, assumptions, and data used along with the financial plan and proposed rates developed in this study.<sup>2</sup>

### **COST-OF-SERVICE ANALYSIS**

The basic purpose of the cost-of-service analysis (COSA) is to fairly and equitably allocate costs to customer classes. The cost-of-service analysis consists of two major components: (1) the classification of expenses, and (2) the allocation of costs to customer classes. In the case of CSA 70 GH, volume data is not available by customer and there is a single customer class. Due to the County's desire to maintain consistency, NBS has developed a fixed rate structure. Further details are discussed below and documented in the Appendix.

### **RATE DESIGN ANALYSIS**

During the rate design phase of the study, NBS and County staff worked together to develop rate alternatives that will meet the County's objectives. It is important for the County to send proper price

<sup>2</sup> The complete financial plans are available in the *Appendices*.

signals to its customers about the actual cost of providing service. This objective is typically addressed through both the magnitude of the rate adjustments and the rate structure design. In other words, both the amount of revenue collected and the way in which the revenue is collected from customers are important.

Several criteria are typically considered in setting rates and developing sound rate structures. The fundamentals of this process have been well documented in several rate-setting manuals, such as AWWA's Manual M1. The foundation for evaluating rate structures is generally credited to James C. Bonbright in *Principles of Public Utility Rates*,<sup>3</sup> which outlines pricing policies, theories, and economic concepts along with various rate designs. The following is a simplified list of the attributes of a sound rate structure:

- Rates should be easy to understand from the customer's perspective.
- Rates should be easy to administer from the utility's perspective.
- Rates should be equitable and non-discriminating (i.e., cost-based).
- Rates should promote the efficient allocation of the resource.
- There should be continuity in the rate making philosophy over time.
- Rates should provide month-to-month and year-to-year revenue stability.

## KEY FINANCIAL ASSUMPTIONS

The following is a summary of the key financial assumptions used in the analyses. The following capital and operational fund targets reflect input from County staff to meet specific utility objectives.

**Funding of Capital Projects** – The capital improvement costs will be funded with a combination of cash reserves, debt financing, and rate revenue, however rate revenue delinquencies may impact the County's ability to secure debt for the project. Further, NBS notes that the planned rate revenue increases may not support the debt financing as modeled. Projects may need to be delayed or omitted if sufficient revenues are not available to pay debt service and provide for required bond coverage ratios. The capital project listed in the financial plan are from the County's capital improvement program.

**Reserve Targets** – For the sewer utility, the County maintains reserves for operations, capital, and other specific needs. The details of the utility's reserve targets are covered in the Financial Plan section of this report.

**Inflation and Growth Projections** – Assumptions were made in the analysis regarding cost inflation to project future revenues and expenses for the study period. The following inflation factors were used in the analysis:

- Customer growth is estimated at 0.68% per year.
- General cost inflation is set at 3.20% annually.
- Labor cost inflation is set at 0.00% annually.

These inflation factors are based on long-term trends; therefore, the County should re-examine these factors in another year to assess the impacts on utility costs and whether projected rate increases will be sufficient for the remainder of the rate adoption period.

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<sup>3</sup> James C. Bonbright, Albert L. Danielsen, and David R. Kamerschen, *Principles of Public Utility Rates*, Arlington, VA: Public Utilities Report, Inc., Second Edition, 1988, pp. 383-384.

## 2. Sewer Rate Study

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### 2.1 Key Sewer Rate Study Issues

The County's sewer rate analysis was undertaken with a few specific objectives, including:

- Ensuring equity among customer classes by collecting rate revenue through the cost-of-service process by Equivalent Dwelling Unit.
- Maintain adequate reserve levels to ensure continuity in operations.
- Comply with Prop 218 requirements to ensure costs are properly allocated between user classifications.

### 2.2 Financial Plan

It is important for the sewer utility to ensure rates provide sufficient funding to cover operating and maintenance costs, planned capital expenditures, and maintain reasonable reserves. The sewer utility's rate increases are governed by these needs, and the current state of the County's sewer utility is as follows:

**Meeting Net Revenue Requirements:** For FY 2026/27 through FY 2030/31, the projected net revenue requirements (that is, total operating expenses plus rate-funded capital costs less non-rate revenues) for the County averages approximately \$1.9 million to \$2.6 million annually. If no rate increases are implemented, the County will continue to operate in a deficit in 2026/27 and following years, projected at approximately \$369 thousand beginning in FY 2026/27 but increasing to \$1 million thousand by FY 2030/31, and the utility would struggle to meet its operating and capital requirements. NBS notes that rate revenue is currently less than current rates should generate due to high delinquencies in collection of rate revenue. These delinquencies may impact the utilities ability to fund and secure anticipated debt for capital projects.

**Maintaining Reserve Funds:** Reserve funds provide a basis for a utility to cope with fiscal emergencies such as revenue shortfalls, asset failure, and natural disasters, among other events. Reserve policies provide guidelines for sound financial management, with an overall long-range perspective to maintain financial solvency and mitigate financial risks associated with revenue instability, volatile capital costs, and emergencies. The County's existing reserves are below targets currently. If the County pursues debt to fund the projected capital improvement costs, the reserve funds will further below targets by the end of the rate period. The reserve funds for the sewer utility are considered unrestricted reserves and consist of the following:

- **Operating Reserve:** The target ending fund balance for the operating reserve is equal to 90 days of operating expenses, or approximately \$530 thousand in FY 2026/27. An operating reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures. Fluctuations in revenue can be caused by weather patterns, the natural inflow and outflow of cash during billing cycles, and – particularly in periods of economic distress – changes or trends in age of receivables.
- **Capital Rehabilitation & Replacement Reserve** equal to 90 days of operating expenses, or approximately \$530 thousand. This reserve is set aside to address long-term capital system replacement and rehabilitation needs.

**Maintaining Adequate Bond Coverage:** Should the County issue debt to finance capital needs, there would be a requirement to maintain a minimum debt service coverage ratio as specified in the bond documents. Rates need to be set to generate sufficient revenue to provide the required level of coverage on debt services as well as fund operating needs. The rate covenants of the new loans are likely to include a minimum debt service coverage ratio of 1.20, which is not supported by the anticipated rate revenue as modeled. Additionally, the rate revenue delinquencies may impact the County’s ability to secure debt for capital projects.

**Figure 2** summarizes the sources and uses of funds, net revenue requirements, and the recommended annual increases in sewer rate revenue proposed for the next five years. **Figure 3** summarizes the projected reserve fund balances and reserve targets for the sewer utility’s unrestricted funds.

**Figure 2. Summary of Sewer Revenue Requirements**

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget		5-Year Projected Rate Period			
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Sources of Sewer Funds</b>						
Rate Revenue Under Current Rates	\$ 1,641,084	\$ 1,652,243	\$ 1,663,479	\$ 1,674,790	\$ 1,686,179	\$ 1,697,645
Non-Rate Revenues	98,566	99,236	99,911	100,590	101,274	101,963
<b>Total: Sources of Funds</b>	<b>\$ 1,739,650</b>	<b>\$ 1,751,479</b>	<b>\$ 1,763,389</b>	<b>\$ 1,775,380</b>	<b>\$ 1,787,453</b>	<b>\$ 1,799,608</b>
<b>Uses of Sewer Funds</b>						
Operating Expenses	\$ 2,057,224	\$ 2,120,117	\$ 2,185,423	\$ 2,253,236	\$ 2,323,653	\$ 2,396,773
Debt Service	-	-	-	296,793	296,793	296,793
Rate-Funded Capital Expenses	-	-	-	-	70,548	114,752
<b>Total: Use of Funds</b>	<b>\$ 2,057,224</b>	<b>\$ 2,120,117</b>	<b>\$ 2,185,423</b>	<b>\$ 2,550,030</b>	<b>\$ 2,690,994</b>	<b>\$ 2,808,319</b>
<b>Surplus (Deficiency) before Rate Increase</b>	<b>\$ (317,574)</b>	<b>\$ (368,638)</b>	<b>\$ (422,034)</b>	<b>\$ (774,649)</b>	<b>\$ (903,541)</b>	<b>\$ (1,008,711)</b>
Additional Revenue from Rate Increases <sup>1</sup>	-	274,272	421,609	581,921	756,282	945,855
<b>Surplus (Deficiency) after Rate Increase</b>	<b>\$ (317,574)</b>	<b>\$ (94,365)</b>	<b>\$ (425)</b>	<b>\$ (192,729)</b>	<b>\$ (147,259)</b>	<b>\$ (62,857)</b>
<b>Projected Increases in Rate Revenue</b>	<b>0.00%</b>	<b>16.60%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>
<b>Total Rate Revenue Requirement<sup>2</sup></b>	<b>\$ 1,641,084</b>	<b>\$ 1,926,516</b>	<b>\$ 2,085,087</b>	<b>\$ 2,256,711</b>	<b>\$ 2,442,461</b>	<b>\$ 2,643,500</b>

1. Assumes new rates are implemented July 1, 2026.  
2. Total use of funds less non-rate revenues and interest earnings.

**Figure 3. Summary of Sewer Reserve Funds**

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budget		5-Year Projected Rate Period			
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Unrestricted Reserves</b>						
<b>Operating Reserve</b>						
Ending Balance	\$ 330,838	\$ 239,781	\$ 241,753	\$ 51,442	\$ (95,302)	\$ (158,159)
<i>Recommended Minimum Target</i>	<i>514,000</i>	<i>530,000</i>	<i>546,000</i>	<i>563,000</i>	<i>581,000</i>	<i>599,000</i>
<b>Capital Rehabilitation &amp; Replacement Reserve</b>						
Ending Balance	\$ 589,054	\$ 589,054	\$ 589,054	\$ 563,000	\$ 563,000	\$ 563,000
<i>Recommended Minimum Target</i>	<i>514,000</i>	<i>530,000</i>	<i>546,000</i>	<i>563,000</i>	<i>581,000</i>	<i>599,000</i>
<b>Total Ending Balance</b>	<b>\$ 919,892</b>	<b>\$ 828,835</b>	<b>\$ 830,807</b>	<b>\$ 614,442</b>	<b>\$ 467,698</b>	<b>\$ 404,841</b>
<b>Total Recommended Minimum Target</b>	<b>\$ 1,028,000</b>	<b>\$ 1,060,000</b>	<b>\$ 1,092,000</b>	<b>\$ 1,126,000</b>	<b>\$ 1,162,000</b>	<b>\$ 1,198,000</b>

A more detailed version of the utility’s proposed five-year financial plan is included in the Appendix. The appendix tables include revenue requirements, reserve funds, revenue sources, proposed rate increases, and the County’s capital improvement program.

### 2.3 Cost-of-Service Analysis

Once the net revenue requirements are determined, the cost-of-service analysis (COSA) proportionately distributes the revenue requirements to the single customer class. The COSA consists of the classification of expenses and then the allocation of those expenses to customer classes based on allocation factors, such as

number of equivalent dwelling units (EDUs). Ultimately, a COSA is intended to result in rates that are proportional to the cost of providing service to each customer class.

## DISTRIBUTION OF COSTS OF SERVICE TO CUSTOMER CLASSES

We arrive at the customer class responsibility for service by applying the unit costs of service to the number of units, in this case Equivalent Dwelling Units, for which the customer class is responsible. In other words, the total revenue requirement is divided by the number of Equivalent Dwelling Units.

### 2.4 Rate Design Analysis

The cost of service analysis described in previous sections of this report provide a basis for the design of the sewer rates. Ultimately, the rate alternative selected by County staff is one similar to the existing rate design. The reasons for selecting this alternative are (1) it maintains the existing rate design developed during the last study (2) it provides continuity for sewer customers, and (3) it is easy to understand from a customer’s perspective and easy to administrate from County staff’s perspective.

### FIXED CHARGES

The fixed charge recognizes that the sewer utility incurs fixed costs regardless of whether customers send any sewer into the County’s collection system. The factor used to develop the fixed charge is the number of Equivalent Dwelling Units associated with each account. The monthly fixed charge is calculated by taking 100% of total revenue requirements and dividing by the number of Equivalent Dwelling Units.

The charge calculations are summarized in **Figure 4**.

**Figure 4. Calculation of Fixed Charges**

<b>NET REVENUE REQUIREMENTS (100% FIXED / 0% VARIABLE)</b>				
<b>Customer Class</b>	<b>Number of Billing Units</b>	<b>Net Revenue Requirement</b>	<b>Estimated Fixed Revenue</b>	<b>Monthly Fixed Charge Per Unit</b>
All Customers	2,443	\$ 1,926,516	\$ 1,926,516	\$ 65.72
<b>Total</b>	<b>2,443</b>	<b>\$ 1,926,516</b>	<b>\$ 1,926,516</b>	

### 2.5 Proposed Sewer Rates

The proposed sewer rates are similar to existing rates in terms of the rate design and rate methodology. **Figure 5** compares the current and proposed rates for FY 2026/27 through FY 2030/31 by customer class. More detailed tables on the development of the proposed rates are documented in Appendix A.

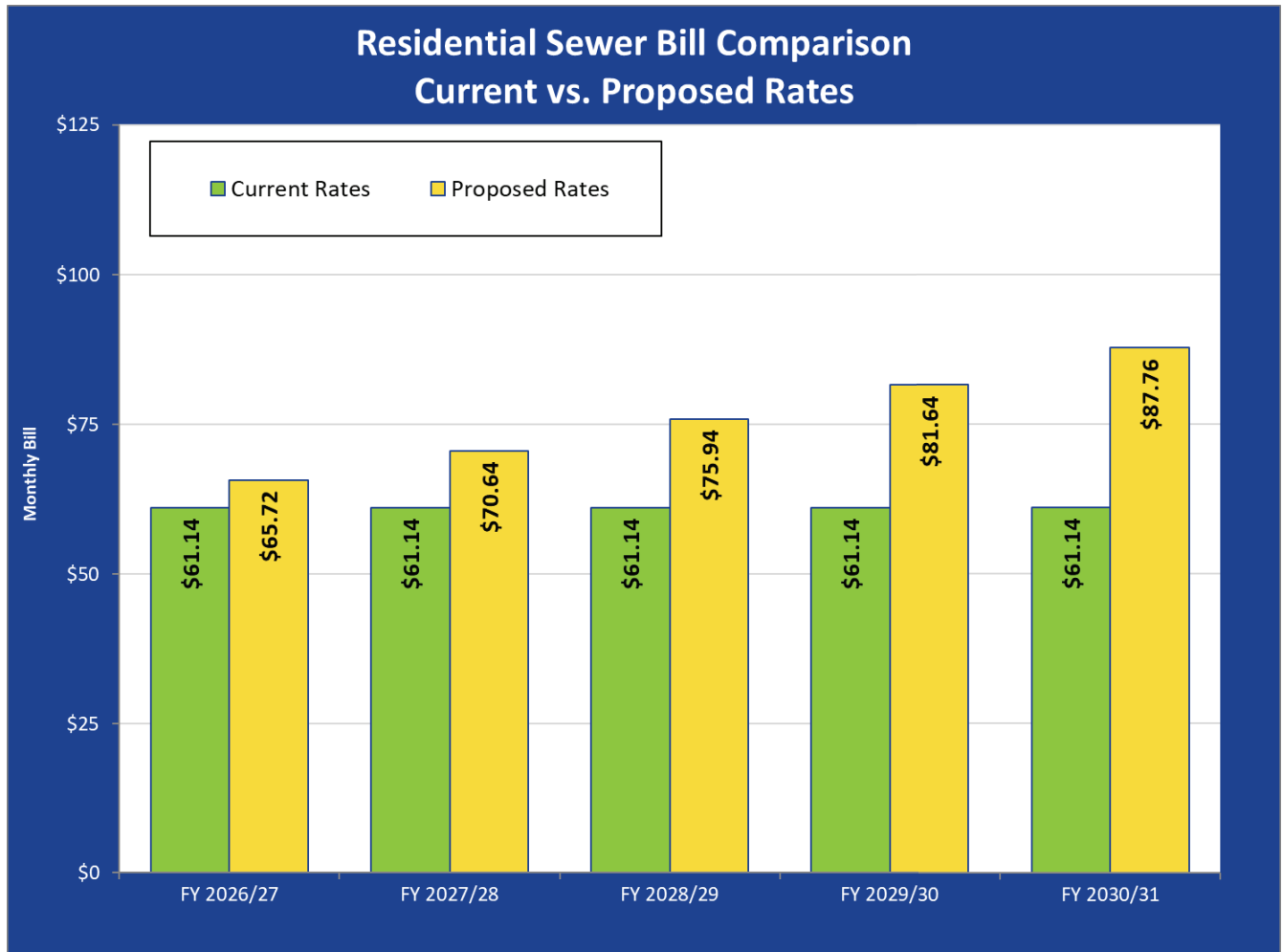
**Figure 5. Current vs. Proposed Sewer Rates**

<b>Sewer Rate Schedule</b>	<b>Current Rates</b>	<b>Proposed Sewer Rates</b>				
		<b>FY 2026/27</b>	<b>FY 2027/28</b>	<b>FY 2028/29</b>	<b>FY 2029/30</b>	<b>FY 2030/31</b>
<b>Monthly Fixed Service Charge Per EDU</b>						
All Customers		Per Dwelling Unit				
All Customers	\$61.14	\$65.72	\$70.64	\$75.94	\$81.64	\$87.76

## 2.6 Comparison of Current and Proposed Sewer Bills

The following figures compare monthly sewer bills under current and proposed rates for a customer with one Equivalent Dwelling Unit over the 5-year rate period.

Figure 6. Sewer Bill Comparison



## 3. Recommendations and Next Steps

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### 3.1 Consultant Recommendations

NBS recommends the County take the following actions:

- **Approve and Accept this Study:** NBS recommends the County Board formally approve and adopt this Study and its recommendations and proceed with the next steps outlined below to implement the proposed rates. This will provide documentation of the rate study analyses and the basis for analyzing potential changes to future rates.
- **Implement Recommended Levels of Rate Increases and Proposed Rates:** Based on successfully meeting the Prop 218 procedural requirements, the County should proceed with implementing the 5-year schedule of proposed rates and rate increases previously shown in **Figure 5**. This will help ensure the continued financial health of CSA 70 GH's utilities.

### 3.2 Next steps

**Annually Review Rates and Revenue** – Any time an agency adopts new utility rates or rate structures, those new rates should be closely monitored over the next several years to ensure the revenue generated is sufficient to meet the annual revenue requirements. Changing economic and water consumption patterns underscore the need for this review, as well as potential and unseen changing revenue requirements — particularly those related to environmental regulations that can significantly affect capital improvements and repair and replacement costs.

*Note: The attached Appendix provides more detailed information on the analysis of the financial plan, revenue requirements, cost-of-service, and the rate design analyses that have been summarized in this report.*

### 3.3 NBS' Principal Assumptions and Considerations

In preparing this report and the opinions and recommendations included herein, NBS has relied on several principal assumptions and considerations regarding financial matters, conditions, and events that may occur in the future. This information and these assumptions, including the County's budgets, capital improvement costs, customer accounts and consumption, and information from County staff were provided by sources we believe to be reliable, although NBS has not independently verified this data.

While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report and its recommendations, some assumptions will invariably not materialize as stated herein and may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.

# Appendix A. Sewer Rate Study Tables and Figures

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TABLE 1 : FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

RATE REVENUE REQUIREMENTS SUMMARY	Projected FY 2025/26	Rate Period				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Sources of Sewer Funds</b>						
<b>Rate Revenue</b>						
070-Charges for Current Services	\$ 40,272	\$ 40,546	\$ 40,822	\$ 41,099	\$ 41,379	\$ 41,660
075-Charges for Current Services-Fee Ord	1,641,084	1,652,243	1,663,479	1,674,790	1,686,179	1,697,645
<b>Other Revenue</b>						
000-Taxes	\$ 101	\$ 101	\$ 102	\$ 103	\$ 103	\$ 104
030-Revenue From Use of Money & Property	55,374	55,751	56,130	56,511	56,896	57,282
080-Other Revenue	2,819	2,838	2,858	2,877	2,897	2,916
<b>Total: Sources of Funds</b>	<b>\$ 1,739,650</b>	<b>\$ 1,751,479</b>	<b>\$ 1,763,389</b>	<b>\$ 1,775,380</b>	<b>\$ 1,787,453</b>	<b>\$ 1,799,608</b>
<b>Uses of Sewer Funds</b>						
<b>Operating Expenses:</b>						
200-Services & Supplies-General	\$ 946,861	\$ 981,837	\$ 1,018,129	\$ 1,055,787	\$ 1,094,864	\$ 1,135,413
530-Other Financ Uses-Operating Trsf Out	-	-	-	-	-	-
540-Intra Entity Reimbursement Out	1,110,363	1,138,280	1,167,294	1,197,449	1,228,789	1,261,360
Subtotal: Operating Expenses	\$ 2,057,224	\$ 2,120,117	\$ 2,185,423	\$ 2,253,236	\$ 2,323,653	\$ 2,396,773
<b>Other Expenditures:</b>						
Existing Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Future Debt Service	-	-	-	296,793	296,793	296,793
Rate-Funded Capital Expenses	-	-	-	-	70,548	114,752
Subtotal: Other Expenditures	\$ -	\$ -	\$ -	\$ 296,793	\$ 367,341	\$ 411,546
<b>Total: Uses of Funds</b>	<b>\$ 2,057,224</b>	<b>\$ 2,120,117</b>	<b>\$ 2,185,423</b>	<b>\$ 2,550,030</b>	<b>\$ 2,690,994</b>	<b>\$ 2,808,319</b>
Plus: Revenue from Rate Increases <sup>3</sup>	-	274,272	421,609	581,921	756,282	945,855
<b>Annual Surplus/(Deficit)</b>	<b>\$ (317,574)</b>	<b>\$ (94,365)</b>	<b>\$ (425)</b>	<b>\$ (192,729)</b>	<b>\$ (147,259)</b>	<b>\$ (62,857)</b>
<b>Net Revenue Req. (Total Uses less Non-Rate Revenue)</b>	<b>\$ 1,998,930</b>	<b>\$ 2,061,427</b>	<b>\$ 2,126,334</b>	<b>\$ 2,490,539</b>	<b>\$ 2,631,098</b>	<b>\$ 2,748,016</b>
<b>Total Rate Revenue After Rate Increases</b>	<b>\$ 1,641,084</b>	<b>\$ 1,926,516</b>	<b>\$ 2,085,087</b>	<b>\$ 2,256,711</b>	<b>\$ 2,442,461</b>	<b>\$ 2,643,500</b>
<b>Projected Annual Rate Revenue Increase</b>	<b>0.00%</b>	<b>16.60%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>
<b>Cumulative Increase from Annual Revenue Increases</b>	<b>0.00%</b>	<b>16.60%</b>	<b>25.35%</b>	<b>34.75%</b>	<b>44.85%</b>	<b>55.72%</b>
<b>Debt Coverage After Rate Increase<sup>4</sup></b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>0.35</b>	<b>0.74</b>	<b>1.17</b>

1. Revenue and expenses for FY 2024/25 provided by the District. Revenues and expenses for all other years are escalated based on the forecasting assumptions in Table 8.  
2. Interest earnings for FY 2024/25 are from the District's Budget. For all other years, it is calculated based on historical LAIF returns.  
3. Revenue from rate increases assumes an implementation date of July 1, 2026 for new rates. For each year thereafter, the assumption is that new rates will be implemented on

1	← Select Financial Plan Scenario Here	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Financial Plan Alternatives</b>							
1	Alternative 1 - Custom Rate Increase	0.00%	16.60%	7.50%	7.50%	7.50%	7.50%
2	Alternative 2 - Custom Rate Increase	0.00%	5.00%	5.00%	5.00%	5.00%	5.00%
3	Alternative 3 - Custom Rate Increases	0.00%	45.00%	25.00%	3.00%	3.00%	3.00%
4	Alternative 4 - No Rate Increases	0.00%	0.00%	0.00%	0.00%	0.00%	3.00%

TABLE 2 : RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY SEWER FUND RESERVES	Projected FY 2025/26	Rate Period				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Total Beginning Cash<sup>1</sup></b>						
<b>Unrestricted Reserves:</b>						
<b>Operating Reserve</b>						
Beginning Reserve Balance	\$ 641,992	\$ 330,838	\$ 239,781	\$ 241,753	\$ 51,442	\$ (95,302)
Plus: Net Cash Flow (After Rate Increases)	(317,574)	(94,365)	(425)	(192,729)	(147,259)	(62,857)
Plus: Transfer of Debt Reserve Surplus	-	-	-	-	-	-
Plus: Interest Earnings	6,420	3,308	2,398	2,418	514	-
Less: Transfer Out to Capital Replacement Reserve	-	-	-	-	-	-
<b>Ending Operating Reserve Balance</b>	<b>\$ 330,838</b>	<b>\$ 239,781</b>	<b>\$ 241,753</b>	<b>\$ 51,442</b>	<b>\$ (95,302)</b>	<b>\$ (158,159)</b>
<b>Target Ending Balance (90 days of O&amp;M)<sup>2</sup></b>	<b>\$ 514,000</b>	<b>\$ 530,000</b>	<b>\$ 546,000</b>	<b>\$ 563,000</b>	<b>\$ 581,000</b>	<b>\$ 599,000</b>
<b>Capital Rehabilitation &amp; Replacement Reserve</b>						
Beginning Reserve Balance	\$ 1,089,054	\$ 589,054	\$ 589,054	\$ 589,054	\$ 563,000	\$ 563,000
Plus: Grant Proceeds	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surplus	-	-	-	-	-	-
Less: Use of Reserves for Capital Projects	(500,000)	-	-	(26,054)	-	-
<b>Ending Capital Rehab &amp; Replacement Reserve Balance</b>	<b>\$ 589,054</b>	<b>\$ 589,054</b>	<b>\$ 589,054</b>	<b>\$ 563,000</b>	<b>\$ 563,000</b>	<b>\$ 563,000</b>
<b>Target Ending Balance (90 days of O&amp;M)<sup>2</sup></b>	<b>\$ 514,000</b>	<b>\$ 530,000</b>	<b>\$ 546,000</b>	<b>\$ 563,000</b>	<b>\$ 581,000</b>	<b>\$ 599,000</b>
<b>Ending Cash Balance - Excl. Restricted Reserves</b>	<b>\$ 919,892</b>	<b>\$ 828,835</b>	<b>\$ 830,807</b>	<b>\$ 614,442</b>	<b>\$ 467,698</b>	<b>\$ 404,841</b>
<b>Min. Target Ending Cash Balance - Excl. Restricted Reserves</b>	<b>\$ 1,028,000</b>	<b>\$ 1,060,000</b>	<b>\$ 1,092,000</b>	<b>\$ 1,126,000</b>	<b>\$ 1,162,000</b>	<b>\$ 1,198,000</b>
<b>Ending Surplus/(Deficit) Compared to Reserve Targets</b>	<b>\$ (108,108)</b>	<b>\$ (231,165)</b>	<b>\$ (261,193)</b>	<b>\$ (511,558)</b>	<b>\$ (694,302)</b>	<b>\$ (793,159)</b>
<b>Days Cash on Hand</b>	<b>164</b>	<b>143</b>	<b>139</b>	<b>88</b>	<b>64</b>	<b>53</b>
<b>Annual Interest Earnings Rate<sup>3</sup></b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>

1. Beginning cash balances are as of July 1, 2024.  
 2. The target ending balance is set equal to 90-days of O&M expenses.  
 3. Historical interest earning rates are per the average annual yields for funds invested in LAIF (2018-2024). The source is the California State Treasurer's website: <https://www.cstreasurer.ca.gov/>.

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TABLE 3 : REVENUE FORECAST<sup>1</sup>

DESCRIPTION	Basis	Rate Period									
		Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31				
<b>Sewer Operating Revenue</b>											
40008145 INT & PEN DELINQUENT TAXES	1	\$ 101	\$ 101	\$ 102	\$ 103	\$ 103	\$ 104				
000-Taxes		\$ 101	\$ 101	\$ 102	\$ 103	\$ 103	\$ 104				
40308500 INTEREST	1	\$ 55,374	\$ 55,751	\$ 56,130	\$ 56,511	\$ 56,896	\$ 57,282				
030-Revenue From Use of Money & Property		\$ 55,374	\$ 55,751	\$ 56,130	\$ 56,511	\$ 56,896	\$ 57,282				
40708155 SPECIAL ASSMNT ALL PRIOR YEARS	1	-	-	-	-	-	-				
40708160 SP ASSMNT CUR YR TX ROLL GEN	1	-	-	-	-	-	-				
40708170 SP ASSMNT CUR YR TX ROLL SEWER	1	-	-	-	-	-	-				
40708680 PERMIT & INSPECTION FEES	1	2,014	2,027	2,041	2,055	2,069	2,083				
070-Charges for Current Services		\$ 2,014	\$ 2,027	\$ 2,041	\$ 2,055	\$ 2,069	\$ 2,083				
40758480 FEE ORD-PENALTIES	1	\$ 35,238	\$ 35,478	\$ 35,719	\$ 35,962	\$ 36,206	\$ 36,452				
40759700 FEE ORD-SANITATION SERVICES	1	\$ 1,641,084	\$ 1,652,243	\$ 1,663,479	\$ 1,674,790	\$ 1,686,179	\$ 1,697,645				
40759800 FEE ORD-OTHER SERVICES	1	\$ 5,034	\$ 5,068	\$ 5,103	\$ 5,137	\$ 5,172	\$ 5,207				
40759970 FEE ORD-OTHER	1										
075-Charges for Current Services-Fee Ord		\$ 1,681,356	\$ 1,692,789	\$ 1,704,300	\$ 1,715,889	\$ 1,727,557	\$ 1,739,305				
40809500 OTHER SALES	1	\$ 1,007	\$ 1,014	\$ 1,021	\$ 1,027	\$ 1,034	\$ 1,041				
40809973 OTHER - STALE DATED ITEMS	1	\$ 805	\$ 811	\$ 816	\$ 822	\$ 828	\$ 833				
080-Other Revenue		\$ 805	\$ 811	\$ 816	\$ 822	\$ 828	\$ 833				
<b>TOTAL REVENUE</b>		<b>\$ 1,739,650</b>	<b>\$ 1,751,479</b>	<b>\$ 1,763,389</b>	<b>\$ 1,775,380</b>	<b>\$ 1,787,453</b>	<b>\$ 1,799,608</b>				

TABLE 4 : REVENUE SUMMARY

DESCRIPTION	Basis	Rate Period									
		Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31				
<b>Rate Revenue</b>											
070-Charges for Current Services		\$ 40,272	\$ 40,546	\$ 40,822	\$ 41,099	\$ 41,379	\$ 41,660				
075-Charges for Current Services-Fee Ord		\$ 1,641,084	\$ 1,652,243	\$ 1,663,479	\$ 1,674,790	\$ 1,686,179	\$ 1,697,645				
<b>Other Revenue</b>											
000-Taxes		\$ 101	\$ 101	\$ 102	\$ 103	\$ 103	\$ 104				
030-Revenue From Use of Money & Property		\$ 55,374	\$ 55,751	\$ 56,130	\$ 56,511	\$ 56,896	\$ 57,282				
080-Other Revenue		\$ 2,819	\$ 2,838	\$ 2,858	\$ 2,877	\$ 2,897	\$ 2,916				
<b>TOTAL REVENUE</b>		<b>\$ 1,739,650</b>	<b>\$ 1,751,479</b>	<b>\$ 1,763,389</b>	<b>\$ 1,775,380</b>	<b>\$ 1,787,453</b>	<b>\$ 1,799,608</b>				
<b>Check</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>				

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TABLE 5 - OPERATING EXPENSE FORECAST<sup>1</sup>

DESCRIPTION	Basis	Projected		Rate Period						
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31			
<b>Operating Expenses</b>										
Operating Expenses										
52002000 OP-EXPENSES- SVCS & SUPPLIES	2	\$	\$	\$	\$	\$	\$	\$	\$	\$
52002025 CLOTHING & PERSONAL SUPPLIES	2	1,032	1,073	1,115	1,159	1,204	1,251	1,299	1,348	1,397
52002030 SAFETY EQUIP	2	206	215	223	232	241	250	259	268	277
52002032 VPN SERVICES (ISF ONLY)	2	6,192	6,435	6,688	6,951	7,224	7,508	7,800	8,100	8,408
52002050 PURCHASE OF MATERIALS	2	103	107	111	116	120	125	129	134	139
52002070 FOOD	2	77	80	84	87	90	94	97	100	104
52002090 MISCELLANEOUS EXPENSE	2	206	215	223	232	241	250	259	268	277
52002116 COMPUTER HARDWARE EXPENSE	2	2,580	2,681	2,787	2,896	3,010	3,128	3,250	3,376	3,507
52002120 SMALL TOOLS & INSTRUMENTS	2	516	536	557	579	602	626	651	676	702
52002125 NONINVENTORABLE EQUIPMENT	2	23,736	24,669	25,638	26,646	27,683	28,781	29,921	31,105	32,335
52002130 NONINVENTORABLE EQUIPMENT	2	5,160	5,363	5,574	5,793	6,020	6,257	6,504	6,762	7,031
52002135 SPECIAL DEPT EXPENSE	2	516	536	557	579	602	626	651	676	702
52002180 UTILITIES	2	310	322	334	348	361	375	389	403	418
52002182 UTILITIES-ELECTRICITY	5	170,223	174,663	179,260	183,956	188,776	193,722	198,804	204,024	209,384
52002188 UTILITIES-REFUSE	2	5,160	5,363	5,574	5,793	6,020	6,257	6,504	6,762	7,031
52002235 VEHICLE LIABILITY (ISF ONLY)	2	-	-	-	-	-	-	-	-	-
52002305 GENERAL OFFICE EXPENSE	2	1,032	1,073	1,115	1,159	1,204	1,251	1,299	1,348	1,397
52002310 PRESORT & PACKAGING (ISF ONLY)	2	20,640	21,451	22,294	23,170	24,081	25,027	26,009	27,027	28,082
52002330 POSTAGE REIMBURSABLE	2	-	-	-	-	-	-	-	-	-
52002415 COUNTY SERVICES (INCL COWCAP)	2	5,404	5,616	5,837	6,066	6,304	6,552	6,810	7,078	7,356
52002445 OTHER PROFESSIONAL & SPEC SVCS	2	206,400	214,512	222,942	231,703	240,809	250,273	260,104	270,321	280,934
52002448 COUNTY COUNSEL SERVICES	3	150	150	150	150	150	150	150	150	150
52002458 PERMIT COSTS	2	61,920	64,353	66,883	69,511	72,243	75,082	78,034	81,104	84,294
52002660 PENALTIES	2	310	322	334	348	361	375	389	403	418
52002678 MISCELLANEOUS LAB TESTING	2	1,032	1,073	1,115	1,159	1,204	1,251	1,299	1,348	1,397
52002835 GENERAL HOUSEHOLD EXPENSES	2	1,548	1,609	1,672	1,738	1,806	1,877	1,949	2,024	2,102
52002855 GENERAL MAINTENANCE-EQUIPMENT	2	103,200	107,256	111,471	115,852	120,405	125,137	130,059	135,181	140,513
52002870 GEN MAINT-STRUCT,IMP & GROUNDS	2	180,600	187,698	195,074	202,741	210,708	218,989	227,504	236,274	245,317
52002875 SEPTAGE DUMP MAINTENANCE	2	516	536	557	579	602	626	651	676	702
52002885 BUILDING MAINTENANCE-CONTRACT	2	2,064	2,145	2,229	2,317	2,408	2,503	2,603	2,708	2,816
52002895 RENTS & LEASES- EQUIPMENT	2	1,548	1,609	1,672	1,738	1,806	1,877	1,949	2,024	2,102
52002930 MAINTENANCE CHARGES (ISF ONLY)	2	20,640	21,451	22,294	23,170	24,081	25,027	26,009	27,027	28,082
52002952 MATERIALS DISPOSAL - OUTSIDE V	2	123,840	128,707	133,765	139,022	144,486	150,164	156,064	162,196	168,570
<b>200-Services &amp; Supplies-General</b>	<b>2</b>	<b>946,861</b>	<b>981,837</b>	<b>1,018,129</b>	<b>1,055,787</b>	<b>1,094,864</b>	<b>1,135,413</b>	<b>1,177,549</b>	<b>1,221,380</b>	<b>1,266,908</b>
55305030 OPERATING TRANSFERS OUT	2	-	-	-	-	-	-	-	-	-
<b>530-Other Finance Uses-Operating Trf Out</b>	<b>3</b>	<b>400,000</b>	<b>400,000</b>	<b>400,000</b>	<b>400,000</b>	<b>400,000</b>	<b>400,000</b>	<b>400,000</b>	<b>400,000</b>	<b>400,000</b>
55405010 SALARIES & BENEFIT TRANSFERS OUT	2	19,232	19,988	20,774	21,590	22,439	23,320	24,234	25,183	26,167
55405012 SERVICES & SUPPLY TRANSFERS OUT	2	691,130	718,292	746,521	775,859	806,350	838,040	871,079	905,509	941,437
55405018 INTERNAL COST ALLOCA OUT	2	1,110,363	1,138,280	1,167,294	1,197,489	1,228,789	1,261,360	1,295,226	1,329,453	1,365,044
<b>Subtotal - Operating Expenses</b>		<b>\$ 2,057,224</b>	<b>\$ 2,120,117</b>	<b>\$ 2,185,423</b>	<b>\$ 2,253,236</b>	<b>\$ 2,323,653</b>	<b>\$ 2,396,773</b>	<b>\$ 2,473,816</b>	<b>\$ 2,552,969</b>	<b>\$ 2,635,173</b>

1. Revenue and expenses for FY 2024/25 provided by the District. Revenues and expenses for all other years are escalated based on the forecasting assumptions in Table 7

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TABLE 6 : FORECASTING ASSUMPTIONS

INFLATION FACTORS <sup>1</sup>	Basis	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Customer Growth <sup>2</sup>	1	0.68%	0.68%	0.68%	0.68%	0.68%	0.68%
General Cost Inflation <sup>3</sup>	2	3.20%	3.93%	3.93%	3.93%	3.93%	3.93%
Labor Cost Inflation <sup>4</sup>	3	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest on Investments <sup>5</sup>	4	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Electricity <sup>6</sup>	5	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%
No Escalation	6	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

- Expenses are inflated each year by the following annual inflation factor categories.
- Customer growth is based on the population projections provided by the County.
- General cost inflation is based on the 5-year average annual change in the Consumer Price Index for all Urban Consumers in the San Bernardino-Riverside-Ontario, CA area.
- Labor cost inflation is provided by County.
- Interest rate inflation provided by the County.
- Electricity cost inflation is based on the 5-year average change in the Consumer Price Index for Electricity for the San Bernardino-Riverside-Ontario, CA area.

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Capital Improvement Plan Expenditures

TABLE 7 : CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST		Projected		Rate Period			
Funding Sources:		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Grants</b>							
Use of Capacity Fee Reserves	-	-	-	-	-	-	-
SRF Loan Funding	-	1,744,801	1,490,929	14,270	-	-	-
Use of Future Revenue Bond Proceeds	-	-	-	-	-	-	-
Use of Capital Rehabilitation and Replacement Reserve	500,000	-	-	26,054	-	-	-
Rate Revenue	-	-	-	70,548	-	114,752	118,769
<b>Total Sources of Capital Funds</b>	<b>\$ 500,000</b>	<b>\$ 1,744,801</b>	<b>\$ 1,490,929</b>	<b>\$ 110,872</b>	<b>\$ 114,752</b>	<b>\$ 114,752</b>	<b>\$ 118,769</b>
<b>Uses of Capital Funds:</b>							
Total Project Costs	\$ 500,000	\$ 1,744,801	\$ 1,490,929	\$ 110,872	\$ 114,752	\$ 114,752	\$ 118,769
<b>Capital Funding Surplus (Deficiency)</b>	<b>\$ -</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>SFR Loan Funding</b>							
Future Revenue Bond Proceeds	\$ -	\$ 3,250,000	\$ -	\$ -	\$ -	\$ -	\$ -
<b>CAPITAL IMPROVEMENT PROGRAM FUNDING OPTIONS</b>							
<b>Policy Choice</b>	<b>FY 2025/26</b>	<b>FY 2026/27</b>	<b>FY 2027/28</b>	<b>FY 2028/29</b>	<b>FY 2029/30</b>	<b>FY 2030/31</b>	
1 - Alternative 1 - Full Funding of CIP	\$ 500,000	\$ 1,744,801	\$ 1,490,929	\$ 110,872	\$ 114,752	\$ 114,752	\$ 118,769
2 - Alternative 2 - 75% Funding of CIP	375,000	1,308,601	1,118,197	83,154	86,064	89,076	89,076
3 - Alternative 3 - 50% Funding of CIP	250,000	872,400	745,464	55,436	57,376	59,384	59,384
<b>1</b>	<b>Select CIP Funding Option</b>						
<b>Capital Improvement Program Funding Choice</b>							
Effective Annual Funding Amount	\$ 500,000	\$ 1,744,801	\$ 1,490,929	\$ 110,872	\$ 114,752	\$ 114,752	\$ 118,769

CSA 70 GH Glen Helen  
SEWER RATE STUDY  
Capital Improvement Plan Expenditures

CAPITAL IMPROVEMENT PROGRAM

TABLE 8 : CAPITAL IMPROVEMENT PROGRAM COSTS

Project Description	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Capital Projects<sup>1</sup></b>						
Electric Gate		\$ 44,000				
Scum Skimmer and Rotor Assembly		1,391,798	1,391,798			
Master Plan	250,000					
Process Control Study	250,000					
Plant Equipment Evaluation						
<b>Subtotal - Capital Projects</b>	<b>\$ 500,000</b>	<b>\$ 1,685,798</b>	<b>\$ 1,391,798</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Estimated Future Projects</b>						
Future Projects <sup>4</sup>	\$ -	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ 100,000
<b>Total: Capital Improvement Program Costs (Current-Year Dollars)</b>	<b>\$ 500,000</b>	<b>\$ 1,685,798</b>	<b>\$ 1,391,798</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>

TABLE 9 : CAPITAL IMPROVEMENT PROGRAM COSTS

Project Description	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Capital Projects<sup>1</sup></b>						
Electric Gate	\$ -	\$ 45,540	\$ -	\$ -	\$ -	\$ -
Scum Skimmer and Rotor Assembly	-	1,440,511	1,490,929	-	-	-
Master Plan	250,000	-	-	-	-	-
Process Control Study	-	258,750	-	-	-	-
Plant Equipment Evaluation	250,000	-	-	-	-	-
<b>Subtotal - Capital Projects</b>	<b>\$ 500,000</b>	<b>\$ 1,744,801</b>	<b>\$ 1,490,929</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Estimated Future Projects</b>						
Future Projects <sup>4</sup>	\$ -	\$ -	\$ -	\$ 110,872	\$ 114,752	\$ 118,769
<b>Total: Capital Improvement Program Costs (Future-Year Dollars)</b>	<b>\$ 500,000</b>	<b>\$ 1,744,801</b>	<b>\$ 1,490,929</b>	<b>\$ 110,872</b>	<b>\$ 114,752</b>	<b>\$ 118,769</b>

TABLE 10 : FORECASTING ASSUMPTIONS

Economic Variables	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Annual Construction Cost Inflation, Per Engineering News Record <sup>6</sup>	0.00%	3.50%	3.50%	3.50%	3.50%	3.50%
Cumulative Construction Cost Multiplier from FY 2023/24	1.00	1.04	1.07	1.11	1.15	1.19

1. Source file: 2023-24 Preliminary Budget Worksheet.xlsx.  
 4. Estimated future expenditures are the average of the previous 10 years.  
 5. Capital improvement projects are inflated to future year estimated costs with ENR CCI for the region. Source: Engineering News Record website (<http://enr.construction.com>).  
 6. For reference purposes, the annual Construction Cost Inflation percentage is the 10-year average annual change in the Construction Cost Index for 2013-2023 (3.5%).

TABLE 11 : EXISTING DEBT OBLIGATIONS

EXISTING DEBT OBLIGATIONS	Projected	Rate Period						
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	
Annual Repayment Schedules:								
N/A								
Principal Payment	-	-	-	-	-	-	-	-
Interest Payment	-	-	-	-	-	-	-	-
<b>Subtotal: Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Coverage Requirement (\$-Amnt above annual payment)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve Requirement (total fund balance)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total: Existing Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total: Existing Annual Coverage Requirement</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total: Existing Debt Reserve Target</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

1. Source file: SWRCB Complete Loan Agreement.pdf

TABLE 12 : EXISTING ANNUAL DEBT OBLIGATIONS TO BE SATISFIED BY SEWER RATES

Annual Obligations	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Existing Annual Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Annual Coverage Requirement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Debt Reserve Target	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CSA 70 GH Glen Helen  
 SEWER RATE STUDY  
 Projected Sewer Rates Under Existing Rate Schedule

Exhibit 4 - Current Rates

TABLE 13 : CURRENT SEWER RATE SCHEDULE

Sewer Rate Schedule <sup>1</sup>		Current Rates
<i>Monthly Fixed Service Charge Per EDU</i>		
All Customers		Per Dwelling Unit
All Customers		\$61.14

TABLE 14 : PROPOSED SEWER RATES

Customer Class	Number of Billing Units	Net Revenue Requirement	Estimated Fixed Revenue	Monthly Fixed Charge Per Unit
All Customers	2,443	\$ 1,926,516	\$ 1,926,516	\$ 65.72
<b>Total</b>	<b>2,443</b>	<b>\$ 1,926,516</b>	<b>\$ 1,926,516</b>	

CSA 70 GH Glen Helen  
 SEWER RATE STUDY  
 Cost-of-Service Analysis & Rate Design

Current vs. Proposed Rates

TABLE 15 : CURRENT VS. PROPOSED SEWER RATES

Sewer Rate Schedule	Current Rates	Proposed Sewer Rates			
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2030/31
<i>Monthly Fixed Service Charge Per EDU</i>					
All Customers	\$61.14	\$65.72	\$70.64	\$75.94	\$81.64
All Customers			Per Dwelling Unit		\$87.76

# **SAN BERNARDINO COUNTY**

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*County Service Area 70 S3 (Lytle Creek)  
Sewer Rate Study Report*

*Final Report*

**March 2026**



[nbsgov.com](http://nbsgov.com)

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# 1. Introduction

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## 1.1 Purpose

San Bernardino County (County) retained NBS to conduct a comprehensive utility rate study for its sewer enterprise funds for County Service Area 70 S3 Lytle Creek (CSA 70 S3). The County had several objectives and goals in mind for this study including meeting revenue requirements, reviewing the rising costs of providing services, funding capital improvements and changes in costs, and complying with certain legal requirements (e.g., California Constitution Article XIII D, Section 6, which is commonly referred to as Proposition 218 [Prop 218]). The County's broader objectives in this study include ensuring adequate funding for operating and capital costs, maintaining reasonable reserves, ensuring revenue stability in utility rates. The rates resulting from this study were developed in a manner that is consistent with industry standard cost-of-service principles. In addition to documenting the rate study methodology, this report is provided with the intent to assist the County in its continuing effort to maintain transparent communications with the residents and community it serves.

In developing new rates for CSA 70 S3's enterprise fund, NBS worked cooperatively with County staff and the Board of Supervisors (Board) in selecting the appropriate rate alternatives that address the County's goals and objectives. Based on input provided by County staff, NBS proposes the rates summarized in this report. The Board has the final decision regarding the adoption of the proposed rates and whether to proceed with the Prop 218 approval process.

## 1.2 Overview of the Study

Comprehensive rate studies, such as this one, typically include three components: (1) preparation of a financial plan that identifies the net revenue requirements for the utility; (2) analysis of the cost to serve each customer class, and (3) the rate structure design. These steps are shown in **Figure 1** and are intended to follow industry standards and reflect the fundamental principles of cost-of-service rate making embodied in the Water Environment Federation's *Financing and Charges for Wastewater Systems* (Manual of Practice No. 27).<sup>1</sup>

Rate studies also address requirements under Prop 218 that rates not exceed the cost of providing the service and be proportionate to the cost of providing service for all customers. In terms of the chronology of the study, the three steps shown in **Figure 1** represent the order in which they were performed in this study.

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<sup>1</sup> *Financing and Charges for Wastewater Systems*, Manual of Practice No. 27, Water Environment Federation, Fourth Edition, 2018.

**Figure 1. Primary Components of a Rate Study**



NBS projected revenues and expenditures, developed net revenue requirements, performed cost-of-service rate analyses, and developed new sewer rates for the County using this approach. The following sections in this report present an overview of the methodologies, assumptions, and data used along with the financial plans and rates developed. Detailed tables and figures documenting the development of the proposed rates are provided in the Appendices.

The County provided NBS with the data necessary to conduct the study, including historical, current, and projected revenues and expenditures, number of customer accounts, and water consumption data along with other operational and capital cost information.

### **FINANCIAL PLAN**

As a part of the rate study, NBS projected revenues and expenditures on a cash-flow basis for the next five (5) years. The amount of rate revenue required, that will allow reserves to be maintained at the recommended levels, is known as the net revenue requirement. As current rate revenue falls short of the net revenue requirement, rate adjustments – or more accurately, adjustments in the total revenue collected from rates – are recommended. This report presents an overview of the methodologies, assumptions, and data used along with the financial plan and proposed rates developed in this study.<sup>2</sup>

### **COST-OF-SERVICE ANALYSIS**

The basic purpose of the cost-of-service analysis (COSA) is to fairly and equitably allocate costs to customer classes. The cost-of-service analysis consists of two major components: (1) the classification of expenses, and (2) the allocation of costs to customer classes. In the case of CSA 70 S3, volume data is not available by customer and there is a single customer class. Due to the County's desire to maintain consistency, NBS has developed a fixed rate structure. Further details are discussed below and documented in the Appendix.

### **RATE DESIGN ANALYSIS**

During the rate design phase of the study, NBS and County staff worked together to develop rate alternatives that will meet the County's objectives. It is important for the County to send proper price

<sup>2</sup> The complete financial plans are available in the *Appendices*.

signals to its customers about the actual cost of providing service. This objective is typically addressed through both the magnitude of the rate adjustments and the rate structure design. In other words, both the amount of revenue collected and the way in which the revenue is collected from customers are important.

Several criteria are typically considered in setting rates and developing sound rate structures. The fundamentals of this process have been well documented in several rate-setting manuals, such as AWWA's Manual M1. The foundation for evaluating rate structures is generally credited to James C. Bonbright in *Principles of Public Utility Rates*,<sup>3</sup> which outlines pricing policies, theories, and economic concepts along with various rate designs. The following is a simplified list of the attributes of a sound rate structure:

- Rates should be easy to understand from the customer's perspective.
- Rates should be easy to administer from the utility's perspective.
- Rates should be equitable and non-discriminating (i.e., cost-based).
- Rates should promote the efficient allocation of the resource.
- There should be continuity in the rate making philosophy over time.
- Rates should provide month-to-month and year-to-year revenue stability.

## KEY FINANCIAL ASSUMPTIONS

The following is a summary of the key financial assumptions used in the analyses. The following capital and operational fund targets reflect input from County staff to meet specific utility objectives.

**Funding of Capital Projects** – The capital improvement costs will be funded with a combination of cash reserves and rate revenue. The capital project listed in the financial plan are from the County's capital improvement program.

**Reserve Targets** – For the sewer utility, the County maintains reserves for operations, capital, and other specific needs. The details of the utility's reserve targets are covered in the Financial Plan section of this report.

**Inflation and Growth Projections** – Assumptions were made in the analysis regarding cost inflation to project future revenues and expenses for the study period. The following inflation factors were used in the analysis:

- Customer growth is estimated at 0.15% per year.
- General cost inflation is set at 3.20% annually.
- Labor cost inflation is set at 0.00% annually.

These inflation factors are based on long-term trends; therefore, the County should re-examine these factors in another year to assess the impacts on utility costs and whether projected rate increases will be sufficient for the remainder of the rate adoption period.

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<sup>3</sup> James C. Bonbright, Albert L. Danielsen, and David R. Kamerschen, *Principles of Public Utility Rates*, Arlington, VA: Public Utilities Report, Inc., Second Edition, 1988, pp. 383-384.

## 2. Sewer Rate Study

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### 2.1 Key Sewer Rate Study Issues

The County's sewer rate analysis was undertaken with a few specific objectives, including:

- Ensuring equity among customer classes by collecting rate revenue through the cost-of-service process by Equivalent Dwelling Unit.
- Maintain adequate reserve levels to ensure continuity in operations.
- Comply with Prop 218 requirements to ensure costs are properly allocated between user classifications.

### 2.2 Financial Plan

It is important for the sewer utility to ensure rates provide sufficient funding to cover operating and maintenance costs, planned capital expenditures, and maintain reasonable reserves. The sewer utility's rate increases are governed by these needs, and the current state of the County's sewer utility is as follows:

**Meeting Net Revenue Requirements:** For FY 2026/27 through FY 2030/31, the projected net revenue requirements (that is, total operating expenses plus rate-funded capital costs less non-rate revenues) for the County averages approximately \$702 thousand to \$943 thousand annually. If no rate increases are implemented, the County will begin operating in a deficit in 2029/30, projected at approximately \$165 thousand beginning in FY 2029/30 but increasing to \$625 thousand by FY 2030/31, and the utility would struggle to meet its operating and capital requirements.

**Maintaining Reserve Funds:** Reserve funds provide a basis for a utility to cope with fiscal emergencies such as revenue shortfalls, asset failure, and natural disasters, among other events. Reserve policies provide guidelines for sound financial management, with an overall long-range perspective to maintain financial solvency and mitigate financial risks associated with revenue instability, volatile capital costs, and emergencies. The reserve funds for the sewer utility are considered unrestricted reserves and consist of the following:

- **Operating Reserve:** The target ending fund balance for the operating reserve is equal to 90 days of operating expenses, or approximately \$147 thousand in FY 2026/27. An operating reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures. Fluctuations in revenue can be caused by weather patterns, the natural inflow and outflow of cash during billing cycles, and – particularly in periods of economic distress – changes or trends in age of receivables.
- **Capital Rehabilitation & Replacement Reserve** equal to 90 days of operating expenses, or approximately \$147 thousand. This reserve is set aside to address long-term capital system replacement and rehabilitation needs.

**Maintaining Adequate Bond Coverage:** Should the County issue debt to finance capital needs, there would be a requirement to maintain a minimum debt service coverage ratio as specified in the bond documents. Rates need to be set to generate sufficient revenue to provide the required level of coverage on debt services as well as fund operating needs.

**Figure 2** summarizes the sources and uses of funds, net revenue requirements, and the recommended annual increases in sewer rate revenue proposed for the next five years. **Figure 3** summarizes the projected reserve fund balances and reserve targets for the sewer utility’s unrestricted funds.

**Figure 2. Summary of Sewer Revenue Requirements**

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget		5-Year Projected Rate Period			
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Sources of Sewer Funds</b>						
Rate Revenue Under Current Rates	\$ 575,863	\$ 576,726	\$ 577,591	\$ 578,458	\$ 579,325	\$ 580,194
Non-Rate Revenues	108,462	108,625	108,788	108,951	109,115	109,278
<b>Total: Sources of Funds</b>	<b>\$ 684,325</b>	<b>\$ 685,351</b>	<b>\$ 686,379</b>	<b>\$ 687,409</b>	<b>\$ 688,440</b>	<b>\$ 689,473</b>
<b>Uses of Sewer Funds</b>						
Operating Expenses	\$ 572,979	\$ 586,412	\$ 600,269	\$ 614,563	\$ 629,310	\$ 644,522
Debt Service	-	-	-	-	-	-
Rate-Funded Capital Expenses	18,797	-	-	-	-	354,809
<b>Total: Use of Funds</b>	<b>\$ 591,776</b>	<b>\$ 586,412</b>	<b>\$ 600,269</b>	<b>\$ 614,563</b>	<b>\$ 629,310</b>	<b>\$ 999,331</b>
<b>Surplus (Deficiency) before Rate Increase</b>	<b>\$ 92,549</b>	<b>\$ 98,940</b>	<b>\$ 86,111</b>	<b>\$ 72,846</b>	<b>\$ 59,130</b>	<b>\$ (309,858)</b>
Additional Revenue from Rate Increases <sup>1</sup>	-	125,726	178,678	235,751	297,262	363,551
<b>Surplus (Deficiency) after Rate Increase</b>	<b>\$ 92,549</b>	<b>\$ 224,666</b>	<b>\$ 264,789</b>	<b>\$ 308,597</b>	<b>\$ 356,393</b>	<b>\$ 53,692</b>
<b>Projected Increases in Rate Revenue</b>	<b>0.00%</b>	<b>21.80%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>
<b>Total Rate Revenue Requirement<sup>2</sup></b>	<b>\$ 575,863</b>	<b>\$ 702,453</b>	<b>\$ 756,269</b>	<b>\$ 814,209</b>	<b>\$ 876,588</b>	<b>\$ 943,745</b>

1. Assumes new rates are implemented July 1, 2026.
2. Total use of funds less non-rate revenues and interest earnings.

**Figure 3. Summary of Sewer Reserve Funds**

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budget		5-Year Projected Rate Period			
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Unrestricted Reserves</b>						
<b>Operating Reserve</b>						
Ending Balance	\$ 143,000	\$ 147,000	\$ 150,000	\$ 154,000	\$ 157,000	\$ 161,000
<i>Recommended Minimum Target</i>	<i>143,000</i>	<i>147,000</i>	<i>150,000</i>	<i>154,000</i>	<i>157,000</i>	<i>161,000</i>
<b>Capital Rehabilitation &amp; Replacement Reserve</b>						
Ending Balance	\$ 1,771,464	\$ 1,405,940	\$ 946,259	\$ 539,744	\$ 511,933	\$ 212,262
<i>Recommended Minimum Target</i>	<i>143,000</i>	<i>147,000</i>	<i>150,000</i>	<i>154,000</i>	<i>157,000</i>	<i>161,000</i>
<b>Total Ending Balance</b>	<b>\$ 1,914,464</b>	<b>\$ 1,552,940</b>	<b>\$ 1,096,259</b>	<b>\$ 693,744</b>	<b>\$ 668,933</b>	<b>\$ 373,262</b>
<b>Total Recommended Minimum Target</b>	<b>\$ 286,000</b>	<b>\$ 294,000</b>	<b>\$ 300,000</b>	<b>\$ 308,000</b>	<b>\$ 314,000</b>	<b>\$ 322,000</b>

A more detailed version of the utility’s proposed five-year financial plan is included in the Appendix. The appendix tables include revenue requirements, reserve funds, revenue sources, proposed rate increases, and the County’s capital improvement program.

### 2.3 Cost-of-Service Analysis

Once the net revenue requirements are determined, the cost-of-service analysis (COSA) proportionately distributes the revenue requirements to the single customer class. The COSA consists of the classification of expenses and then the allocation of those expenses to customer classes based on allocation factors, such as number of equivalent dwelling units (EDUs). Ultimately, a COSA is intended to result in rates that are proportional to the cost of providing service to each customer class.

#### DISTRIBUTION OF COSTS OF SERVICE TO CUSTOMER CLASSES

We arrive at the customer class responsibility for service by applying the unit costs of service to the number of units, in this case Equivalent Dwelling Units, for which the customer class is responsible. In other words, the total revenue requirement is divided by the number of Equivalent Dwelling Units.

## 2.4 Rate Design Analysis

The cost of service analysis described in previous sections of this report provide a basis for the design of the sewer rates. Ultimately, the rate alternative selected by County staff is one similar to the existing rate design. The reasons for selecting this alternative are (1) it maintains the existing rate design developed during the last study (2) it provides continuity for sewer customers, and (3) it is easy to understand from a customer’s perspective and easy to administrate from County staff’s perspective.

### FIXED CHARGES

The fixed charge recognizes that the sewer utility incurs fixed costs regardless of whether customers send any sewer into the County’s collection system. The factor used to develop the fixed charge is the number of Equivalent Dwelling Units associated with each account. The monthly fixed charge is calculated by taking 100% of total revenue requirements and dividing by the number of Equivalent Dwelling Units.

The charge calculations are summarized in **Figure 4**.

**Figure 4. Calculation of Fixed Charges**

<b>NET REVENUE REQUIREMENTS (100% FIXED / 0% VARIABLE)</b>				
Customer Class	Number of Billing Units	Net Revenue Requirement	Estimated Fixed Revenue	Monthly Fixed Charge Per Unit
All Customers	806	\$ 702,453	\$ 702,453	\$ 72.63
<b>Total</b>	<b>806</b>	<b>\$ 702,453</b>	<b>\$ 702,453</b>	

## 2.5 Proposed Sewer Rates

The proposed sewer rates are similar to existing rates in terms of the rate design and rate methodology. **Figure 5** compares the current and proposed rates for FY 2026/27 through FY 2030/31 by customer class. More detailed tables on the development of the proposed rates are documented in Appendix A.

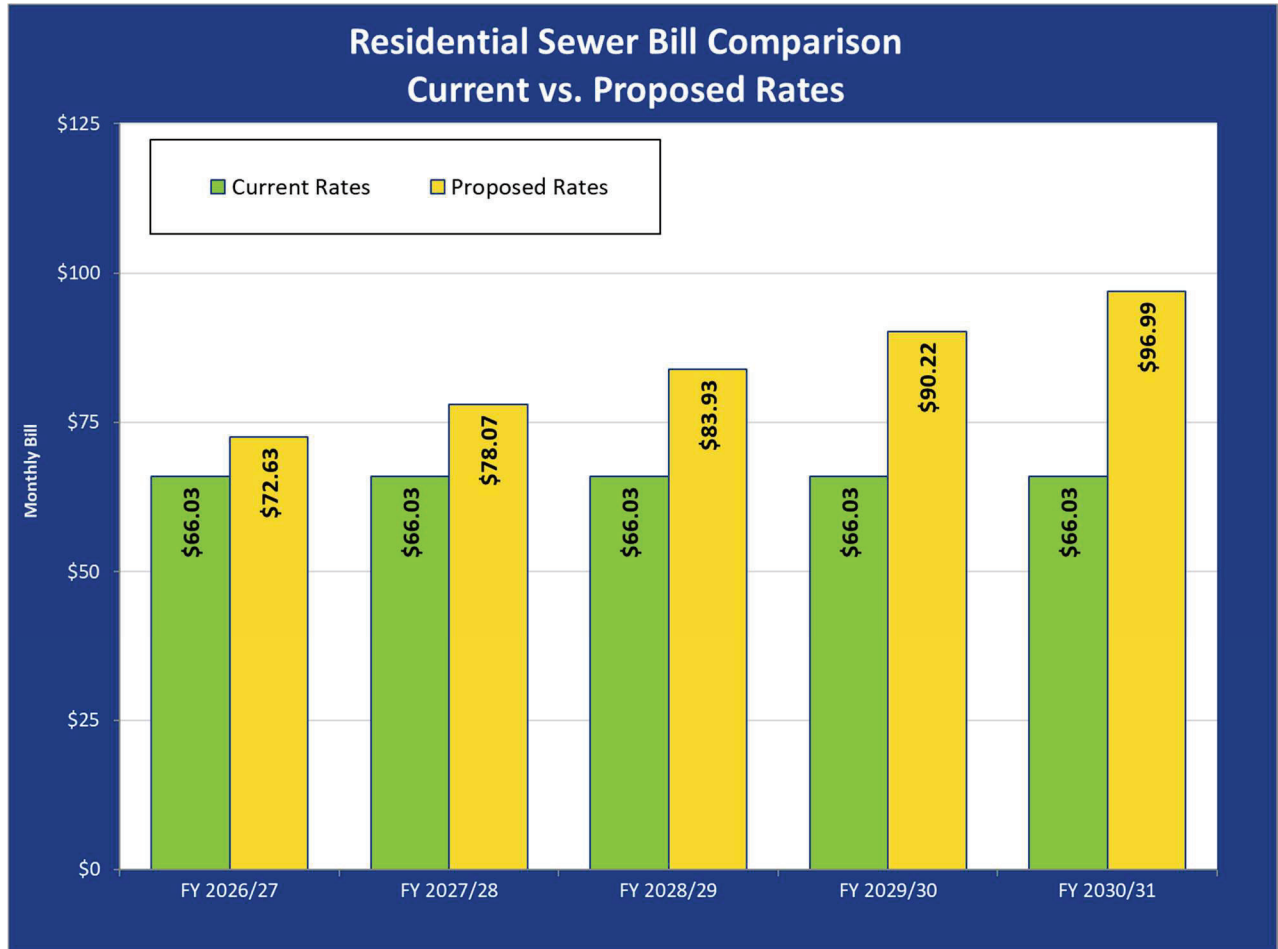
**Figure 5. Current vs. Proposed Sewer Rates**

Sewer Rate Schedule <sup>1</sup>	Current Rates	Proposed Sewer Rates				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Monthly Fixed Service Charge Per EDU</b>						
All Customers		Per Dwelling Unit				
All Customers	\$66.03	\$72.63	\$78.07	\$83.93	\$90.22	\$96.99

## 2.6 Comparison of Current and Proposed Sewer Bills

The following figures compare monthly sewer bills under current and proposed rates for a customer with one Equivalent Dwelling Unit over the 5-year rate period.

Figure 6. Sewer Bill Comparison



## 3. Recommendations and Next Steps

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### 3.1 Consultant Recommendations

NBS recommends the County take the following actions:

- **Approve and Accept this Study:** NBS recommends the County Board formally approve and adopt this Study and its recommendations and proceed with the next steps outlined below to implement the proposed rates. This will provide documentation of the rate study analyses and the basis for analyzing potential changes to future rates.
- **Implement Recommended Levels of Rate Increases and Proposed Rates:** Based on successfully meeting the Prop 218 procedural requirements, the County should proceed with implementing the 5-year schedule of proposed rates and rate increases previously shown in **Figure 5**. This will help ensure the continued financial health of CSA 70 S3's utilities.

### 3.2 Next steps

**Annually Review Rates and Revenue** – Any time an agency adopts new utility rates or rate structures, those new rates should be closely monitored over the next several years to ensure the revenue generated is sufficient to meet the annual revenue requirements. Changing economic and water consumption patterns underscore the need for this review, as well as potential and unseen changing revenue requirements — particularly those related to environmental regulations that can significantly affect capital improvements and repair and replacement costs.

*Note: The attached Appendix provides more detailed information on the analysis of the financial plan, revenue requirements, cost-of-service, and the rate design analyses that have been summarized in this report.*

### 3.3 NBS' Principal Assumptions and Considerations

In preparing this report and the opinions and recommendations included herein, NBS has relied on several principal assumptions and considerations regarding financial matters, conditions, and events that may occur in the future. This information and these assumptions, including the County's budgets, capital improvement costs, customer accounts and consumption, and information from County staff were provided by sources we believe to be reliable, although NBS has not independently verified this data.

While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report and its recommendations, some assumptions will invariably not materialize as stated herein and may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.

# Appendix A. Sewer Rate Study Tables and Figures

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TABLE 1 : FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

RATE REVENUE REQUIREMENTS SUMMARY	Projected FY 2025/26	Rate Period				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Sources of Sewer Funds</b>						
<b>Rate Revenue</b>						
070-Charges for Current Services	\$ 32,849	\$ 32,898	\$ 32,948	\$ 32,997	\$ 33,047	\$ 33,096
075-Charges for Current Services-Fee Ord	575,863	576,726	577,591	578,458	579,325	580,194
<b>Other Revenue</b>						
000-Taxes	\$ 501	\$ 502	\$ 502	\$ 503	\$ 504	\$ 505
030-Revenue From Use of Money & Property	74,111	74,222	74,333	74,445	74,557	74,669
080-Other Revenue	1,002	1,003	1,005	1,006	1,008	1,009
<b>Total: Sources of Funds</b>	<b>\$ 684,325</b>	<b>\$ 685,351</b>	<b>\$ 686,379</b>	<b>\$ 687,409</b>	<b>\$ 688,440</b>	<b>\$ 689,473</b>
<b>Uses of Sewer Funds</b>						
<b>Operating Expenses:</b>						
200-Services & Supplies-General	\$ 272,975	\$ 281,493	\$ 290,277	\$ 299,337	\$ 308,681	\$ 318,318
530-Other Financ Uses-Operating Trsf Out	-	-	-	-	-	-
540-Intra Entity Reimbursement Out	300,004	304,919	309,991	315,226	320,628	326,204
Subtotal: Operating Expenses	\$ 572,979	\$ 586,412	\$ 600,269	\$ 614,563	\$ 629,310	\$ 644,522
<b>Other Expenditures:</b>						
Existing Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Future Debt Service	-	-	-	-	-	-
Rate-Funded Capital Expenses	18,797	-	-	-	-	354,809
Subtotal: Other Expenditures	\$ 18,797	\$ -	\$ -	\$ -	\$ -	\$ 354,809
<b>Total: Uses of Funds</b>	<b>\$ 591,776</b>	<b>\$ 586,412</b>	<b>\$ 600,269</b>	<b>\$ 614,563</b>	<b>\$ 629,310</b>	<b>\$ 999,331</b>
Plus: Revenue from Rate Increases <sup>3</sup>	-	125,726	178,678	235,751	297,262	363,551
<b>Annual Surplus/(Deficit)</b>	<b>\$ 92,549</b>	<b>\$ 224,666</b>	<b>\$ 264,789</b>	<b>\$ 308,597</b>	<b>\$ 356,393</b>	<b>\$ 53,692</b>
<b>Net Revenue Req. (Total Uses less Non-Rate Revenue)</b>	<b>\$ 516,162</b>	<b>\$ 510,685</b>	<b>\$ 524,428</b>	<b>\$ 538,609</b>	<b>\$ 553,242</b>	<b>\$ 923,149</b>
<b>Total Rate Revenue After Rate Increases</b>	<b>\$ 32,849</b>	<b>\$ 158,625</b>	<b>\$ 211,626</b>	<b>\$ 268,748</b>	<b>\$ 330,309</b>	<b>\$ 396,647</b>
<b>Projected Annual Rate Revenue Increase</b>	<b>0.00%</b>	<b>21.80%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>	<b>7.50%</b>
<b>Cumulative Increase from Annual Revenue Increases</b>	<b>0.00%</b>	<b>21.80%</b>	<b>30.94%</b>	<b>40.76%</b>	<b>51.31%</b>	<b>62.66%</b>

1. Revenue and expenses for FY 2024/25 provided by the District. Revenues and expenses for all other years are escalated based on the forecasting assumptions in Table 8.  
 2. Interest earnings for FY 2024/25 are from the District's Budget. For all other years, it is calculated based on historical LAIF returns.  
 3. Revenue from rate increases assumes an implementation date of January 1, 2026 for new rates. For each year thereafter, the assumption is that new rates will be implemented

1	←-- Select Financial Plan Scenario Here	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Financial Plan Alternatives</b>							
1	Alternative 1 - Custom Rate Increase	0.00%	21.80%	7.50%	7.50%	7.50%	7.50%
2	Alternative 2 - Custom Rate Increase	0.00%	5.00%	5.00%	5.00%	5.00%	5.00%
3	Alternative 3 - Custom Rate Increases	0.00%	12.00%	10.00%	12.00%	15.00%	15.00%
4	Alternative 4 - No Rate Increases	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

TABLE 2 : RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY SEWER FUND RESERVES	Projected FY 2025/26	Rate Period				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Total Beginning Cash<sup>1</sup></b>						
<b>Unrestricted Reserves:</b>						
<b>Operating Reserve</b>						
Beginning Reserve Balance	\$ 160,000	\$ 143,000	\$ 147,000	\$ 150,000	\$ 154,000	\$ 157,000
Plus: Net Cash Flow (After Rate Increases)	92,549	224,666	264,789	308,597	356,393	53,692
Plus: Transfer of Debt Reserve Surplus	-	-	-	-	-	-
Plus: Interest Earnings	1,600	1,430	1,470	1,500	1,540	1,570
Less: Transfer Out to Capital Replacement Reserve	(111,149)	(222,096)	(263,259)	(306,097)	(354,933)	(51,262)
<b>Ending Operating Reserve Balance</b>	<b>\$ 143,000</b>	<b>\$ 147,000</b>	<b>\$ 150,000</b>	<b>\$ 154,000</b>	<b>\$ 157,000</b>	<b>\$ 161,000</b>
<b>Target Ending Balance (90 days of O&amp;M)<sup>2</sup></b>	<b>\$ 143,000</b>	<b>\$ 147,000</b>	<b>\$ 150,000</b>	<b>\$ 154,000</b>	<b>\$ 157,000</b>	<b>\$ 161,000</b>
<b>Capital Rehabilitation &amp; Replacement Reserve</b>						
Beginning Reserve Balance	\$ 2,356,611	\$ 1,771,464	\$ 1,405,940	\$ 946,259	\$ 539,744	\$ 511,933
Plus: Grant Proceeds	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surplus	111,149	222,096	263,259	306,097	354,933	51,262
Less: Use of Reserves for Capital Projects	(696,296)	(587,620)	(722,939)	(712,612)	(382,744)	(350,933)
<b>Ending Capital Rehab &amp; Replacement Reserve Balance</b>	<b>\$ 1,771,464</b>	<b>\$ 1,405,940</b>	<b>\$ 946,259</b>	<b>\$ 539,744</b>	<b>\$ 511,933</b>	<b>\$ 212,262</b>
<b>Target Ending Balance (90 days of O&amp;M)<sup>2</sup></b>	<b>\$ 143,000</b>	<b>\$ 147,000</b>	<b>\$ 150,000</b>	<b>\$ 154,000</b>	<b>\$ 157,000</b>	<b>\$ 161,000</b>
<b>Ending Cash Balance - Excl. Restricted Reserves</b>	<b>\$ 1,914,464</b>	<b>\$ 1,552,940</b>	<b>\$ 1,096,259</b>	<b>\$ 693,744</b>	<b>\$ 668,933</b>	<b>\$ 373,262</b>
<b>Min. Target Ending Cash Balance - Excl. Restricted Reserves</b>	<b>\$ 286,000</b>	<b>\$ 294,000</b>	<b>\$ 300,000</b>	<b>\$ 308,000</b>	<b>\$ 314,000</b>	<b>\$ 322,000</b>
<b>Ending Surplus/(Deficit) Compared to Reserve Targets</b>	<b>\$ 1,628,464</b>	<b>\$ 1,258,940</b>	<b>\$ 796,259</b>	<b>\$ 385,744</b>	<b>\$ 354,933</b>	<b>\$ 51,262</b>
<b>Days Cash on Hand</b>	<b>1,181</b>	<b>967</b>	<b>667</b>	<b>413</b>	<b>388</b>	<b>137</b>
<b>Annual Interest Earnings Rate<sup>3</sup></b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>	<b>1.00%</b>

1. Beginning cash balances are as of July 1, 2024.  
 2. The target ending balance is set equal to 90-days of O&M expenses.  
 3. Historical interest earning rates are per the average annual yields for funds invested in LAIF (2018-2024). The source is the California State Treasurer's website: <https://www.cstreasurer.ca.gov/>.

TABLE 3 : REVENUE FORECAST<sup>1</sup>

DESCRIPTION	Basis	Rate Period									
		Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31				
<b>Sewer Operating Revenue</b>											
40008145 INT & PEN DELINQUENT TAXES	1	\$ 501	\$ 502	\$ 502	\$ 503	\$ 504	\$ 505				
000-Taxes		\$ 501	\$ 502	\$ 502	\$ 503	\$ 504	\$ 505				
40308500 INTEREST	1	\$ 74,111	\$ 74,222	\$ 74,333	\$ 74,445	\$ 74,557	\$ 74,669				
030-Revenue From Use of Money & Property		\$ 74,111	\$ 74,222	\$ 74,333	\$ 74,445	\$ 74,557	\$ 74,669				
40708155 SPECIAL ASSMNT ALL PRIOR YEARS	1	\$ 3,005	\$ 3,009	\$ 3,014	\$ 3,018	\$ 3,023	\$ 3,027				
40708170 SP ASSMNT CUR YR TX ROLL SEWER	1	\$ 6,209	\$ 6,219	\$ 6,228	\$ 6,237	\$ 6,247	\$ 6,256				
40708175 SP ASSMNT CUR YR DEL USER CHGS	1	\$ 16,024	\$ 16,048	\$ 16,072	\$ 16,096	\$ 16,120	\$ 16,145				
40709680 PERMIT & INSPECTION FEES	1	\$ 100	\$ 100	\$ 100	\$ 101	\$ 101	\$ 101				
070-Charges for Current Services		\$ 25,338	\$ 25,376	\$ 25,414	\$ 25,452	\$ 25,490	\$ 25,529				
40758480 FEE ORD-PENALTIES	1	\$ 6,510	\$ 6,520	\$ 6,529	\$ 6,538	\$ 6,549	\$ 6,559				
40759680 FEE ORD-PERMIT & INSPECTION FEES	1	\$ 200	\$ 201	\$ 201	\$ 201	\$ 202	\$ 202				
40759700 FEE ORD-SANITATION SERVICES	1	\$ 575,863	\$ 576,726	\$ 577,591	\$ 578,458	\$ 579,325	\$ 580,194				
40759710 FEE ORD-SEPTAGE SERVICE FEES	1	\$ 300	\$ 301	\$ 301	\$ 302	\$ 302	\$ 303				
40759800 FEE ORD-OTHER SERVICES	1	\$ 501	\$ 502	\$ 502	\$ 503	\$ 504	\$ 505				
075-Charges for Current Services-Fee Ord		\$ 583,374	\$ 584,249	\$ 585,123	\$ 586,003	\$ 586,882	\$ 587,762				
080-Other Revenue	1	\$ 1,002	\$ 1,003	\$ 1,005	\$ 1,006	\$ 1,008	\$ 1,009				
TOTAL REVENUE		\$ 684,325	\$ 685,351	\$ 686,379	\$ 687,409	\$ 688,440	\$ 689,473				

TABLE 4 : REVENUE SUMMARY

DESCRIPTION	Basis	Rate Period									
		Projected FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31				
<b>Rate Revenue</b>											
070-Charges for Current Services		\$ 32,849	\$ 32,898	\$ 32,948	\$ 32,997	\$ 33,047	\$ 33,096				
075-Charges for Current Services-Fee Ord		\$ 575,863	\$ 576,726	\$ 577,591	\$ 578,458	\$ 579,325	\$ 580,194				
<b>Other Revenue</b>											
000-Taxes		\$ 501	\$ 502	\$ 502	\$ 503	\$ 504	\$ 505				
030-Revenue From Use of Money & Property		\$ 74,111	\$ 74,222	\$ 74,333	\$ 74,445	\$ 74,557	\$ 74,669				
080-Other Revenue		\$ 1,002	\$ 1,003	\$ 1,005	\$ 1,006	\$ 1,008	\$ 1,009				
TOTAL REVENUE		\$ 684,325	\$ 685,351	\$ 686,379	\$ 687,409	\$ 688,440	\$ 689,473				
Check		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -				

TABLE 5 - OPERATING EXPENSE FORECAST<sup>1</sup>

DESCRIPTION	Basis	Projected		Rate Period							
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31				
<b>Operating Expenses</b>											
<b>Operating Expenses</b>											
52002030 SAFETY EQUIP	2	\$ 258	\$ 266	\$ 275	\$ 284	\$	\$ 293	\$	\$ 302	\$	
52002085 LEGAL NOTICES	2	41	43	44	45	47	47	48	48		
52002116 COMPUTER HARDWARE EXPENSE	2	516	533	550	567	585	585	604	604		
52002120 SMALL TOOLS & INSTRUMENTS	2	1,032	1,065	1,099	1,134	1,171	1,171	1,208	1,208		
52002130 NONINVENTORABLE EQUIPMENT	2	2,064	2,130	2,198	2,269	2,341	2,341	2,416	2,416		
52002135 SPECIAL DEPT EXPENSE	2	516	533	550	567	585	585	604	604		
52002180 UTILITIES	2	36,430	37,385	38,364	39,369	40,401	40,401	41,459	41,459		
52002182 UTILITIES-ELECTRICITY	5	310	320	330	340	351	351	362	362		
52002186 UTILITIES-WATER	2	5,160	5,325	5,496	5,671	5,853	5,853	6,040	6,040		
52002188 UTILITIES-SEWER	2	1,032	1,065	1,099	1,134	1,171	1,171	1,208	1,208		
52002210 PROPERTY INSURANCE (SF ONLY)	2	2,800	2,882	3,077	3,176	3,278	3,278	3,382	3,382		
52002310 PRESORT & PACKAGING (SF ONLY)	2	4,128	4,260	4,396	4,537	4,682	4,682	4,832	4,832		
52002415 COUNTY SERVICES (INCL COWCAP)	2	1,631	1,683	1,737	1,792	1,850	1,850	1,909	1,909		
52002419 REAL ESTATE SERVICES-SVC CHGS	2	288	286	275	284	293	293	302	302		
52002445 OTHER PROFESSIONAL & SPEC SVCS	2	116,920	120,661	124,523	128,507	132,620	132,620	136,863	136,863		
52002448 COUNTY COUNSEL SERVICES	3	200	200	200	200	200	200	200	200		
52002458 PERMIT COSTS	2	88,258	60,123	62,047	64,032	66,081	66,081	68,196	68,196		
52002660 PENALTIES	2	206	213	220	227	234	234	242	242		
52002678 MISCELLANEOUS LAB TESTING	2	10,320	10,650	10,991	11,343	11,706	11,706	12,080	12,080		
52002835 GENERAL HOUSEHOLD EXPENSES	2	361	373	385	397	410	410	423	423		
52002855 GENERAL MAINTENANCE-EQUIPMENT	2	10,320	10,650	10,991	11,343	11,706	11,706	12,080	12,080		
52002870 GEN MAINT-STRUCT,IMP & GROUNDS	2	3,096	3,185	3,277	3,403	3,512	3,512	3,624	3,624		
52002930 MAINTENANCE CHARGES (SF ONLY)	2	15,480	15,975	16,487	17,014	17,559	17,559	18,120	18,120		
52002952 MATERIALS DISPOSAL - OUTSIDE V	2	1,032	1,065	1,099	1,134	1,171	1,171	1,208	1,208		
<b>200-Services &amp; Supplies-General</b>		<b>\$ 272,975</b>	<b>\$ 281,493</b>	<b>\$ 290,277</b>	<b>\$ 299,337</b>	<b>\$ 308,681</b>	<b>\$ 308,681</b>	<b>\$ 318,318</b>	<b>\$ 318,318</b>		
55305030 OPERATING TRANSFERS OUT	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
<b>530-Other Financ Uses-Operating Trsf Out</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
55405010 SALARIES & BENE TRANSFERS OUT	3	\$ 146,405	\$ 146,405	\$ 146,405	\$ 146,405	\$ 146,405	\$ 146,405	\$ 146,405	\$ 146,405		
55405012 SERVS & SUPPLY TRANSFERS OUT	2	61,957	63,940	65,986	68,097	70,277	70,277	72,525	72,525		
55405018 INTERNAL COST ALLOCA OUT	2	91,642	94,574	97,601	100,724	103,947	103,947	107,273	107,273		
<b>540-Intra Entity Reimbursement Out</b>		<b>\$ 300,004</b>	<b>\$ 304,919</b>	<b>\$ 309,991</b>	<b>\$ 315,226</b>	<b>\$ 320,628</b>	<b>\$ 320,628</b>	<b>\$ 326,204</b>	<b>\$ 326,204</b>		
<b>Subtotal - Operating Expenses</b>		<b>\$ 572,975</b>	<b>\$ 586,412</b>	<b>\$ 600,269</b>	<b>\$ 614,563</b>	<b>\$ 629,310</b>	<b>\$ 629,310</b>	<b>\$ 644,522</b>	<b>\$ 644,522</b>		
<b>GRAND TOTAL SEWER EXPENSES</b>		<b>\$ 572,975</b>	<b>\$ 586,412</b>	<b>\$ 600,269</b>	<b>\$ 614,563</b>	<b>\$ 629,310</b>	<b>\$ 629,310</b>	<b>\$ 644,522</b>	<b>\$ 644,522</b>		

1. Revenue and expenses for FY 2024/25 provided by the District. Revenues and expenses for all other years are escalated based on the forecasting assumptions in Table 7.

TABLE 6 : FORECASTING ASSUMPTIONS

INFLATION FACTORS <sup>1</sup>	Basis	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Customer Growth <sup>2</sup>	1	0.15%	0.15%	0.15%	0.15%	0.15%	0.15%
General Cost Inflation <sup>3</sup>	2	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
Labor Cost Inflation <sup>4</sup>	3	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest on Investments <sup>5</sup>	4	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Electricity <sup>6</sup>	5	2.62%	2.62%	2.62%	2.62%	2.62%	2.62%
No Escalation	6	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

1. Expenses are inflated each year by the following annual inflation factor categories.

2. Customer growth is based on the population projections provided by the County.

3. General cost inflation is based on the 5-year average annual change in the Consumer Price Index for all Urban Consumers in the San Bernardino-Riverside-Ontario, CA area.

4. Labor cost inflation is provided by the County.

5. Interest rate inflation is provided by the County.

6. Electricity cost inflation is based on the 5-year average change in the Consumer Price Index for Electricity for the San Bernardino-Riverside-Ontario, CA area.

CSA 70 S3 Lytle Creek  
SEWER RATE STUDY  
Capital Improvement Plan Expenditures

TABLE 7 : CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST Funding Sources:	Projected FY 2025/26	5-Year Projected Rate Period				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Grants	-	-	-	-	-	-
Use of Capacity Fee Reserves	-	-	-	-	-	-
SRF Loan Funding	-	-	-	-	-	-
Use of Future Revenue Bond Proceeds	276,178	696,296	587,620	722,939	712,612	382,744
Use of Capital Rehabilitation and Replacement Reserve	18,797	-	-	-	-	354,809
Rate Revenue	-	-	-	-	-	-
<b>Total Sources of Capital Funds</b>	<b>\$ 294,975</b>	<b>\$ 696,296</b>	<b>\$ 587,620</b>	<b>\$ 722,939</b>	<b>\$ 712,612</b>	<b>\$ 737,553</b>
<b>Uses of Capital Funds:</b>						
Total Project Costs	\$ 294,975	\$ 696,296	\$ 587,620	\$ 722,939	\$ 712,612	\$ 737,553
<b>Capital Funding Surplus (Deficiency)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
SFR Loan Funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Future Revenue Bond Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CAPITAL IMPROVEMENT PROGRAM FUNDING OPTIONS

Policy Choice	Total Planned CIP - FY 2026/27 through FY 2030/31					
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
1 Alternative 1 - Full Funding of CIP	\$ 294,975	\$ 696,296	\$ 587,620	\$ 722,939	\$ 712,612	\$ 737,553
2 Alternative 2 - 75% Funding of CIP	221,231	522,222	440,715	542,205	534,459	553,165
3 Alternative 3 - 50% Funding of CIP	147,488	348,148	293,810	361,470	356,306	368,777

1  Select CIP Funding Option

Capital Improvement Program Funding Choice	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Effective Annual Funding Amount	\$ 294,975	\$ 696,296	\$ 587,620	\$ 722,939	\$ 712,612	\$ 737,553

CSA 70 S3 Lytle Creek  
SEWER RATE STUDY  
Capital Improvement Plan Expenditures

CAPITAL IMPROVEMENT PROGRAM

TABLE 8 : CAPITAL IMPROVEMENT PROGRAM COSTS

Project Description	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Capital Projects<sup>1</sup></b>						
Influent Bar Screen Installation WWTP (Wastewater Treatment Plant)	\$ 120,000					
SCADA Automation for WWTP (Aerators)	40,000					
Master Plan		200,000				
Clarifier Refurbishment		150,000				
Drying Beds		300,000				
Lift Station #1 - refurbishing pumps & piping	125,000					
Sludge Pump Station			250,000			
Percolation ponds (grubbing/re-sloping)			200,000	150,000		
Perimeter Fencing with Security Gate				400,000		
Master Control Panel MCC			80,000			
Lift Station #2 Emergency Bypass Pump				80,000		
Water System - Water Supply well and hydro pneumatic pump station						
<b>Subtotal - Capital Projects</b>	<b>\$ 285,000</b>	<b>\$ 650,000</b>	<b>\$ 530,000</b>	<b>\$ 630,000</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Estimated Future Projects</b>						
Future Projects <sup>4</sup>	\$ -	\$ -	\$ -	\$ -	\$ 600,000	\$ 600,000
<b>Total: Capital Improvement Program Costs (Current-Year Dollars)</b>	<b>\$ 285,000</b>	<b>\$ 650,000</b>	<b>\$ 530,000</b>	<b>\$ 630,000</b>	<b>\$ 600,000</b>	<b>\$ 600,000</b>

TABLE 9 : CAPITAL IMPROVEMENT PROGRAM COSTS

Project Description	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<b>Capital Projects<sup>1</sup></b>						
Influent Bar Screen Installation WWTP (Wastewater Treatment Plant)	\$ 124,200	\$ -	\$ -	\$ -	\$ -	\$ -
SCADA Automation for WWTP (Aerators)	41,400					
Master Plan		214,245				
Clarifier Refurbishment		160,684				
Drying Beds		321,368				
Lift Station #1 - refurbishing pumps & piping	129,375					
Sludge Pump Station			277,179			
Percolation ponds (grubbing/re-sloping)				172,128		
Perimeter Fencing with Security Gate			221,744			
Master Control Panel MCC				459,009		
Lift Station #2 Emergency Bypass Pump			88,697			
Water System - Water Supply well and hydro pneumatic pump station				91,802		
<b>Subtotal - Capital Projects</b>	<b>\$ 294,975</b>	<b>\$ 696,296</b>	<b>\$ 587,620</b>	<b>\$ 722,939</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Estimated Future Projects</b>						
Future Projects <sup>4</sup>	\$ -	\$ -	\$ -	\$ -	\$ 712,612	\$ 737,553
<b>Total: Capital Improvement Program Costs (Future-Year Dollars)</b>	<b>\$ 294,975</b>	<b>\$ 696,296</b>	<b>\$ 587,620</b>	<b>\$ 722,939</b>	<b>\$ 712,612</b>	<b>\$ 737,553</b>

TABLE 10 : FORECASTING ASSUMPTIONS

Economic Variables	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Annual Construction Cost Inflation, Per Engineering News Record <sup>6</sup>	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
Cumulative Construction Cost Multiplier from FY 2024/25	1.04	1.07	1.11	1.15	1.19	1.23

1. Source file: 2023-24 Preliminary Budget Worksheet.xlsx .  
 4. Estimated future expenditures are the average of the previous 10 years.  
 5. Capital improvement projects are inflated to future year estimated costs with ENR CCI for the region. Source: Engineering News Record website (<http://enr.construction.com>).  
 6. For reference purposes, the annual Construction Cost Inflation percentage is the 10-year average annual change in the Construction Cost Index for 2013-2023 (3.5%).

TABLE 11 : EXISTING DEBT OBLIGATIONS

EXISTING DEBT OBLIGATIONS	Projected	5-Year Projected Rate Period						
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	
Annual Repayment Schedules:								
N/A								
Principal Payment	-	-	-	-	-	-	-	-
Interest Payment	-	-	-	-	-	-	-	-
<b>Subtotal: Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Coverage Requirement (\$-Amnt above annual payment)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve Requirement (total fund balance)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total: Existing Annual Debt Service</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total: Existing Annual Coverage Requirement</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Grand Total: Existing Debt Reserve Target</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

1. Source file: SWRCB Complete Loan Agreement.pdf

TABLE 12 : EXISTING ANNUAL DEBT OBLIGATIONS TO BE SATISFIED BY SEWER RATES

Annual Obligations	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Existing Annual Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Annual Coverage Requirement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Existing Debt Reserve Target	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CSA 70 S3 Lytle Creek  
 SEWER RATE STUDY  
 Projected Sewer Rates Under Existing Rate Schedule

Exhibit 4 - Current Rates

TABLE 13 : CURRENT SEWER RATE SCHEDULE

Sewer Rate Schedule <sup>1</sup>		Current Rates
<i>Monthly Fixed Service Charge Per EDU</i>		
All Customers		Per Dwelling Unit
All Customers		\$66.03

TABLE 14 : PROPOSED SEWER RATES

<b>NET REVENUE REQUIREMENTS (100% FIXED / 0% VARIABLE)</b>					
Customer Class	Number of Billing Units	Net Revenue Requirement	Estimated Fixed Revenue	Monthly Fixed Charge Per Unit	
All Customers	806	\$ 702,453	\$ 702,453	\$ 72.63	
<b>Total</b>	<b>806</b>	<b>\$ 702,453</b>	<b>\$ 702,453</b>		

TABLE 15 : CURRENT VS. PROPOSED SEWER RATES

Sewer Rate Schedule <sup>1</sup>	Current Rates	Proposed Sewer Rates				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<i>Monthly Fixed Service Charge Per EDU</i>						
All Customers	\$66.03	\$72.63	\$78.07	\$83.93	\$90.22	\$96.99
		Per Dwelling Unit				