

SAN BERNARDINO COUNTY

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

Final Report

March 2026



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1. Introduction

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*,¹ also referred to as Manual M1, and the Water Environment Federation's *Financing and Charges for Wastewater Systems* (Manual of Practice No. 27).²

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.

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

² *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.³

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

³ 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*,⁴ 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.⁵ 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.

⁴ 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.

⁵ *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, Manual M1, AWWA, 7th 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

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 mor 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
Sources of Water Funds						
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
Total Sources of Funds:	\$ 286,100	\$ 286,501	\$ 286,902	\$ 287,303	\$ 287,706	\$ 288,108
Uses of Water Funds						
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
Total Use of Funds:	\$ 325,812	\$ 333,507	\$ 341,488	\$ 349,770	\$ 680,670	\$ 689,592
Surplus (Deficiency) before Rate Increase	\$ (39,712)	\$ (47,006)	\$ (54,587)	\$ (62,466)	\$ (392,965)	\$ (401,484)
Additional Revenue from Rate Increases ¹	-	19,921	32,365	45,778	60,231	75,806
Surplus (Deficiency) after Rate Increase	\$ (39,712)	\$ (27,085)	\$ (22,221)	\$ (16,689)	\$ (332,733)	\$ (325,678)
Projected Annual Rate Revenue Increase	0.00%	13.70%	7.50%	7.50%	7.50%	7.50%
Net Revenue Requirement²	\$ 184,915	\$ 192,412	\$ 200,197	\$ 208,280	\$ 538,982	\$ 547,706

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
Operating Reserve						
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>
Capital Reserve						
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>
Total Ending Balance	\$ 1,141,844	\$ 443,077	\$ 419,189	\$ 156,693	\$ (231,850)	\$ (616,363)
Total Recommended Minimum Target	\$ 162,000	\$ 166,000	\$ 170,000	\$ 174,000	\$ 180,000	\$ 184,000

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.⁶

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

⁶ *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, Manual M1, AWWA, 7th 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%
Net Revenue Requirement	\$ 165,326	100.0%

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%
Total Net Revenue Requirement	\$ 71,241	\$ 83,944	\$ 10,141	\$ 165,326	100%

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 ¹		
Customer Class	Consumption (HCF)	% of Total Volume (Potable)
All Customers	20,778	100.0%
Total	20,778	100.0%

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%
Total	136	100.0%

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

Figure 8. Hydraulic Capacity Factors

Meter Size	Standard Meters	
	Capacity per 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 ¹	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
Total Meters/Accounts	117	23	0	2	1	1	1	0	145
Hydraulic Capacity Factor ²	1.00	1.67	3.33	5.33	10.67	16.67	33.33	53.33	
Total Equivalent Meters	117	38	0	11	11	17	33	0	227

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.

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

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

Figure 10. Calculation of Fixed Service Charges

Number of Meters by Class and Size ¹	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
Total Meters/Accounts	117	23	0	2	1	1	1	0	145
Hydraulic Capacity Factor ²	1.00	1.67	3.33	5.33	10.67	16.67	33.33	53.33	
Total Equivalent Meters	117	38	0	11	11	17	33	0	227
Monthly Fixed Service Charges									
Customer Costs (\$/Acct/month) ³	\$ 5.83	\$ 5.83	\$ 5.83	\$ 5.83	\$ 5.83	\$ 5.83	\$ 5.83	\$ 5.83	
Capacity Costs (\$/Acct/month) ⁴	\$ 30.86	\$ 51.44	\$ 102.87	\$ 164.60	\$ 329.19	\$ 514.36	\$ 1,028.73	\$ 1,645.97	
Total Monthly Meter Charge	\$ 36.69	\$ 57.26	\$ 108.70	\$ 170.42	\$ 335.02	\$ 520.19	\$ 1,034.56	\$ 1,651.80	

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
Total Water	20,778	\$ 71,241	43.1%		

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.

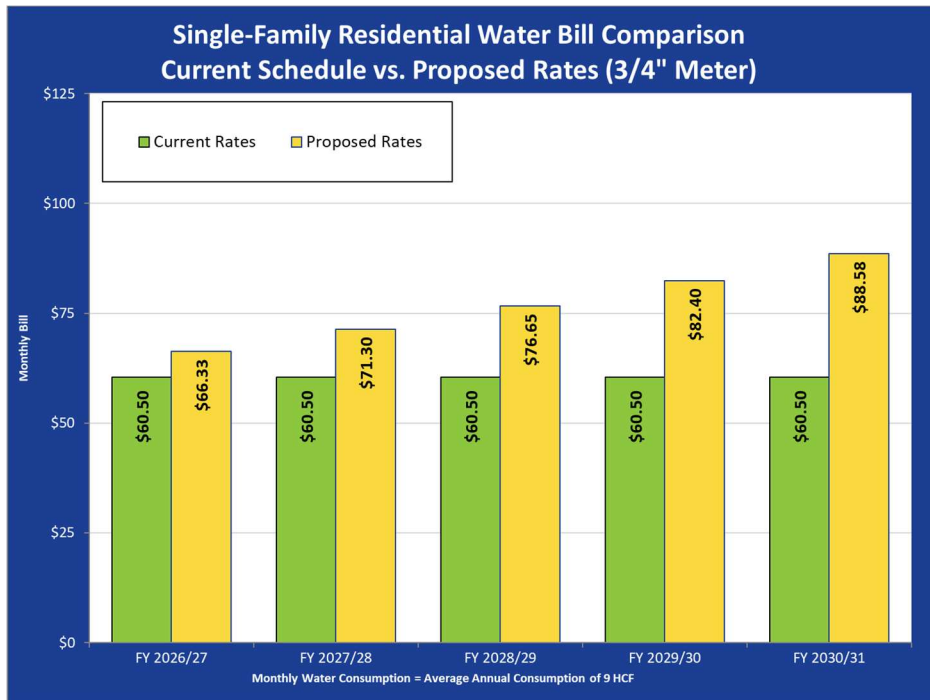
Figure 12. Current and Proposed Water Rates

Water Rate Schedule	Current Rates	Proposed Rates				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Monthly Fixed Service Charges (in \$/mo)						
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
Water Usage Charges (in \$/HCF)						
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

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
Sources of Sewer Funds						
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
Total: Sources of Funds	\$ 196,166	\$ 196,794	\$ 197,424	\$ 198,055	\$ 198,689	\$ 199,325
Uses of Sewer Funds						
Operating Expenses	\$ 304,077	\$ 312,701	\$ 321,602	\$ 330,787	\$ 340,266	\$ 350,049
Debt Service	-	-	-	-	-	-
Rate-Funded Capital Expenses	-	-	-	-	-	23,520
Total: Use of Funds	\$ 304,077	\$ 312,701	\$ 321,602	\$ 330,787	\$ 340,266	\$ 373,569
Surplus (Deficiency) before Rate Increase	\$ (107,911)	\$ (115,908)	\$ (124,178)	\$ (132,732)	\$ (141,577)	\$ (174,244)
Additional Revenue from Rate Increases ¹	-	-	13,993	29,129	45,497	63,194
Surplus (Deficiency) after Rate Increase	\$ (107,911)	\$ (115,908)	\$ (110,185)	\$ (103,603)	\$ (96,080)	\$ (111,051)
Projected Increases in Rate Revenue	0.00%	0.00%	7.50%	7.50%	7.50%	7.50%
Total Rate Revenue Requirement²	\$ 185,389	\$ 185,982	\$ 200,570	\$ 216,303	\$ 233,270	\$ 251,567

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
Unrestricted Reserves						
Operating Reserve						
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>
Capital Rehabilitation & Replacement Reserve						
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>
Total Ending Balance	\$ 412,084	\$ 219,955	\$ 59,042	\$ (97,671)	\$ (249,333)	\$ (395,009)
Total Recommended Minimum Target	\$ 152,000	\$ 156,000	\$ 160,000	\$ 166,000	\$ 170,000	\$ 176,000

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 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

NET REVENUE REQUIREMENTS (100% FIXED / 0% VARIABLE)				
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
Total	161	\$ 185,982	\$ 185,982	

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*.

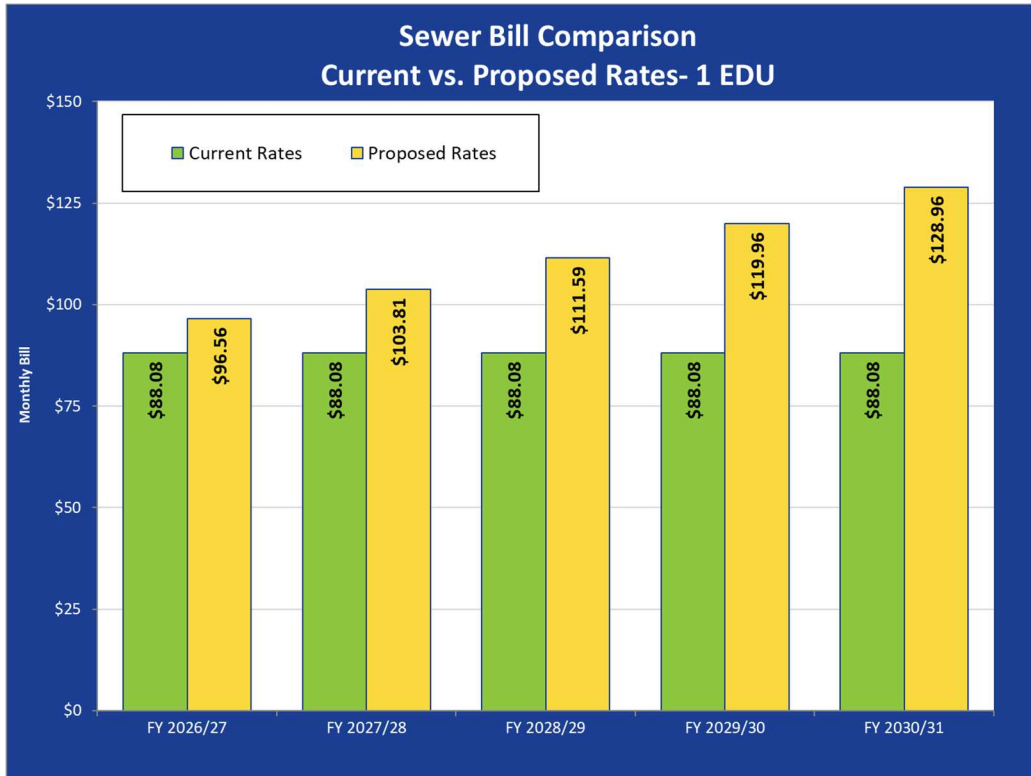
Figure 17. Current vs. Proposed Sewer Rates

Sewer Rate Schedule	Current Rates	Proposed Sewer Rates				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Monthly Fixed Service Charge Per EDU						
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

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

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

TABLE 1 : FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

RATE REVENUE REQUIREMENTS SUMMARY	Projected	5-Year Projected Rate Period				
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Sources of Water Funds¹						
<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
Total Sources of Funds:	\$ 286,100	\$ 286,501	\$ 286,902	\$ 287,303	\$ 287,706	\$ 288,108
Uses of Water Funds¹						
<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
Total Uses of Water Funds:	\$ 325,812	\$ 333,507	\$ 341,488	\$ 349,770	\$ 680,670	\$ 689,592
<i>plus: Revenue from Rate Increases³</i>	-	19,921	32,365	45,778	60,231	75,806
Annual Surplus/(Deficit)	\$ (39,712)	\$ (27,085)	\$ (22,221)	\$ (16,689)	\$ (332,733)	\$ (325,678)
Net Revenue Req't. (Total Uses less Non-Rate Revenue)	\$ 184,915	\$ 192,412	\$ 200,197	\$ 208,280	\$ 538,982	\$ 547,706
Total Rate Revenue After Rate Increases (Water)	\$ 10,615	\$ 30,550	\$ 43,010	\$ 56,437	\$ 70,906	\$ 86,495
Projected Annual Rate Revenue Increase	0.00%	13.70%	7.50%	7.50%	7.50%	7.50%
<i>Cumulative Increase from Annual Revenue Increases</i>	<i>0.00%</i>	<i>13.70%</i>	<i>22.23%</i>	<i>31.39%</i>	<i>41.25%</i>	<i>51.84%</i>
<i>Debt Coverage After Rate Increase</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>(0.03)</i>	<i>(0.01)</i>

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	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%	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%

TABLE 2 : RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY	Projected	5-Year Projected Rate Period				
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Unrestricted Reserve:						
Total Beginning Cash¹						
Operating Reserve						
Beginning Reserve Balance	\$ 269,857	\$ 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)	-	-	-	-
Ending Operating Reserve Balance	\$182,844	\$83,000	\$61,609	\$45,536	(\$286,742)	(\$612,420)
Target Ending Balance (90 days of O&M)²	\$ 81,000	\$ 83,000	\$ 85,000	\$ 87,000	\$ 90,000	\$ 92,000
Capital Reserve						
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)
Ending Capital Reserve Balance	\$ 959,000	\$ 360,077	\$ 357,580	\$ 111,157	\$ 54,892	\$ (3,943)
Target Ending Balance (90 days of O&M)²	\$ 81,000	\$ 83,000	\$ 85,000	\$ 87,000	\$ 90,000	\$ 92,000
Ending Balance - Excl. Restricted Reserves	\$ 1,141,844	\$ 443,077	\$ 419,189	\$ 156,693	\$ (231,850)	\$ (616,363)
Min. Target Ending Balance -Excl. Restricted Reserves	\$ 162,000	\$ 166,000	\$ 170,000	\$ 174,000	\$ 180,000	\$ 184,000
Ending Surplus/(Deficit) Compared to Reserve Targets	\$ 979,844	\$ 277,077	\$ 249,189	\$ (17,307)	\$ (411,850)	\$ (800,363)
Annual Interest Earnings Rate³	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

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 FORECAST¹

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
Operating Revenue							
40008145 INT & PEN DELINQUENT TAXES	1	\$ 100	\$ 100	\$ 100	\$ 101	\$ 101	\$ 101
000-Taxes		\$ 100	\$ 100	\$ 100	\$ 101	\$ 101	\$ 101
40308500 INTEREST	1	\$ 30,042	\$ 30,084	\$ 30,126	\$ 30,168	\$ 30,211	\$ 30,253
030-Revenue From Use of Money & Property		\$ 30,042	\$ 30,084	\$ 30,126	\$ 30,168	\$ 30,211	\$ 30,253
40708155 SPECIAL ASSMNT ALL PRIOR YEARS	1	\$ 250	\$ 251	\$ 251	\$ 251	\$ 252	\$ 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	\$ 2,017
40708175 SP ASSMNT CUR YR DEL USER CHGS	1	\$ 2,504	\$ 2,507	\$ 2,511	\$ 2,514	\$ 2,518	\$ 2,521
070-Charges for Current Services		\$ 4,757	\$ 4,763	\$ 4,770	\$ 4,777	\$ 4,783	\$ 4,790
40758480 FEE ORD-PENALTIES	1	\$ 5,007	\$ 5,014	\$ 5,021	\$ 5,028	\$ 5,035	\$ 5,042
40759680 FEE ORD-PERMIT & INSPECTION FEES	1	\$ 250	\$ 251	\$ 251	\$ 251	\$ 252	\$ 252
40759720 FEE ORD-RESIDENTIAL SALES	1	\$ 145,203	\$ 145,406	\$ 145,610	\$ 145,814	\$ 146,018	\$ 146,222
40759800 FEE ORD-OTHER SERVICES	1	\$ 300	\$ 301	\$ 301	\$ 302	\$ 302	\$ 303
40759970 FEE ORD-OTHER	1	\$ 300	\$ 301	\$ 301	\$ 302	\$ 302	\$ 303
075-Charges for Current Services-Fee Ord		\$ 151,061	\$ 151,273	\$ 151,484	\$ 151,697	\$ 151,909	\$ 152,122
40809970 OTHER	1	\$ 100,140	\$ 100,280	\$ 100,421	\$ 100,561	\$ 100,702	\$ 100,843
080-Other Revenue		\$ 100,140	\$ 100,280	\$ 100,421	\$ 100,561	\$ 100,702	\$ 100,843
TOTAL: REVENUE		\$ 286,100	\$ 286,501	\$ 286,902	\$ 287,303	\$ 287,706	\$ 288,108

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		\$ 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
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
080-Other Revenue		\$ 100,140	\$ 100,280	\$ 100,421	\$ 100,561	\$ 100,702	\$ 100,843
TOTAL: REVENUE		\$ 286,100	\$ 286,501	\$ 286,902	\$ 287,303	\$ 287,706	\$ 288,108

TABLE 6 : OPERATING EXPENSE FORECAST¹

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
Operating Expenses							
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,IMP & GROUNDS	2	103,200	106,502	109,910	113,428	117,057	120,803
200-Services & Supplies-General		160,122	164,835	169,739	174,845	180,162	185,701
55405010 SALARIES & BENE 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
55405018 INTERNAL COST ALLOCA OUT	2	67,390	69,546	71,772	74,068	76,438	78,884
540-Intra Entity Reimbursement Out		165,690	168,672	171,749	174,925	178,203	181,585
SUBTOTAL: WATER SYSTEM EXPENSES		\$ 325,812	\$ 333,507	\$ 341,488	\$ 349,770	\$ 358,364	\$ 367,286
GRAND TOTAL: WATER EXPENSES		\$ 325,812	\$ 333,507	\$ 341,488	\$ 349,770	\$ 358,364	\$ 367,286

TABLE 7 : FORECASTING ASSUMPTIONS

INFLATION FACTORS ⁵	Basis	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Customer Growth ²	1	0.14%	0.14%	0.14%	0.14%	0.14%	0.14%
General Cost Inflation ³	2	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
Labor Cost Inflation ⁴	3	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Chemicals ⁵	4	5.45%	5.45%	5.45%	5.45%	5.45%	5.45%
Electricity ⁶	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 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				
Funding Sources:		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		-	-	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
Total Sources of Capital Funds		\$ -	\$ 683,100	\$ 1,071,225	\$ 4,434,872	\$ 57,376	\$ 59,384
Uses of Capital Funds:							
Total Project Costs		\$ -	\$ 683,100	\$ 1,071,225	\$ 4,434,872	\$ 57,376	\$ 59,384
Capital Funding Surplus (Deficiency)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
SRF Loan Funding		\$ -	\$ -	\$ 5,250,000	\$ -	\$ -	\$ -
New Revenue Bond Proceeds		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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)¹

Project #	Project Description ²	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	50,000
Total: CIP Program Costs (Current-Year Dollars)		\$0	\$ 660,000	\$ 1,000,000	\$ 4,000,000	\$ 50,000	\$ 50,000

TABLE 11 : CAPITAL IMPROVEMENT PROGRAM COSTS (in Future-Year Dollars)³

Project #	Project Description ²	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	\$ 59,384
Total: CIP Program Costs (Current-Year Dollars)		\$ -	\$ 683,100	\$ 1,071,225	\$ 4,434,872	\$ 57,376	\$ 59,384

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
<i>N/A</i>						
Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Payment	-	-	-	-	-	-
Subtotal: Annual Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Coverage Requirement (\$-Amnt above annual payment)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve Requirement (total fund balance)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grand Total: Existing Annual Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grand Total: Existing Annual Coverage Requirement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grand Total: Existing Debt Reserve Target	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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
<i>Existing Annual Debt Service</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Existing Annual Coverage Requirement</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Existing Debt Reserve Target</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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
SRF Loan Funding						
Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ 86,056	\$ 89,928
Interest Payment	-	-	-	-	236,250	232,377
Subtotal: Annual Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 322,306	\$ 322,306
Revenue Bonds						
Principal Payment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Payment	-	-	-	-	-	-
Subtotal: Annual Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grand Total: Future Annual Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 322,306	\$ 322,306
Grand Total: New Annual Coverage Requirement	\$ -	\$ -	\$ -	\$ -	\$ 386,767	\$ 386,767
Grand Total: Future Debt Reserve Target	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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
Total Debt Reserve Target	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

TABLE 18 : CURRENT WATER RATE SCHEDULE

Water Rate Schedule	July 1, 2025
Monthly Fixed Service Charges (in \$/mo)	
Domestic Service Charge	
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
Water Usage Charges (in \$/HCF)	
0-14	\$3.05
15-80	\$3.50
81+	\$4.04

TABLE 19 : CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS

Classification of Expenses							
Budget Categories	Total Revenue Requirements	Commodity	Capacity	Customer	Basis of Classification		
	FY 2026/27	(COM)	(CAP)	(CA)	(COM)	(CAP)	(CA)
Operating Expenses							
Operating Expenses							
52002085 Legal Notices	\$ 43	\$ 17	\$ 17	\$ 9	40.0%	40.0%	20.0%
52002090 Miscellaneous Expense	\$ 1,598	\$ 719	\$ 799	\$ 80	45.0%	50.0%	5.0%
52002116 Computer Hardware Expense	\$ 107	\$ 48	\$ 53	\$ 5	45.0%	50.0%	5.0%
52002120 Small Tools & Instruments	\$ 2,663	\$ 1,198	\$ 1,331	\$ 133	45.0%	50.0%	5.0%
52002135 Special Dept Expense	\$ 1,065	\$ 479	\$ 533	\$ 53	45.0%	50.0%	5.0%
52002180 Utilities	\$ 107	\$ 69	\$ 32	\$ 5	65.0%	30.0%	5.0%
52002182 Utilities-Electricity	\$ 10,566	\$ 6,868	\$ 3,170	\$ 528	65.0%	30.0%	5.0%
52002186 Utilities-Water	\$ 1,065	\$ 692	\$ 320	\$ 53	65.0%	30.0%	5.0%
52002210 Property Insurance (Isf Only)	\$ 1,012	\$ 455	\$ 506	\$ 51	45.0%	50.0%	5.0%
52002310 Presort & Packaging (Isf Only)	\$ 1,917	\$ -	\$ -	\$ 1,917	0.0%	0.0%	100.0%
52002323 Courier & Printing (Isf Only)	\$ 320	\$ -	\$ -	\$ 320	0.0%	0.0%	100.0%
52002350 Printing - Outside Vendors	\$ 53	\$ -	\$ -	\$ 53	0.0%	0.0%	100.0%
52002415 County Services (Incl Cowcap)	\$ 1,099	\$ 495	\$ 550	\$ 55	45.0%	50.0%	5.0%
52002445 Other Professional & Spec Svcs	\$ 20,056	\$ 10,028	\$ 9,025	\$ 1,003	50.0%	45.0%	5.0%
52002448 County Counsel Services	\$ 2,500	\$ 1,125	\$ 1,250	\$ 125	45.0%	50.0%	5.0%
52002458 Permit Costs	\$ 7,220	\$ 3,249	\$ 3,610	\$ 361	45.0%	50.0%	5.0%
52002660 Penalties	\$ 21	\$ 9	\$ 11	\$ 1	40.0%	50.0%	5.0%
52002678 Miscellaneous Lab Testing	\$ 5,325	\$ 3,461	\$ 1,598	\$ 266	65.0%	30.0%	5.0%
52002855 General Maintenance-Equipment	\$ 1,598	\$ 719	\$ 799	\$ 80	45.0%	50.0%	5.0%
52002870 Gen Maint-Struct,Imp & Grounds	\$ 106,502	\$ 47,926	\$ 53,251	\$ 5,325	45.0%	50.0%	5.0%
55405010 Salaries & Bene Transfers Out	\$ 72,500	\$ 32,625	\$ 36,250	\$ 3,625	45.0%	50.0%	5.0%
55405012 Servs & Supply Transfers Out	\$ 26,626	\$ 11,982	\$ 13,313	\$ 1,331	45.0%	50.0%	5.0%
55405018 Internal Cost Alloca Out	\$ 69,546	\$ 31,296	\$ 34,773	\$ 3,477	45.0%	50.0%	5.0%
Subtotal: Water System Expenses	\$ 333,507	\$ 153,460	\$ 161,189	\$ 18,857	46.0%	48.3%	5.7%

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

Classification of Expenses, cont.							
Budget Categories	Total Revenue Requirements	Commodity	Capacity	Customer	Basis of Classification		
	FY 2026/27	(COM)	(CAP)	(CA)	(COM)	(CAP)	(CA)
Debt Service Payments							
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%
Total Debt Service Payments	\$ -	\$ -	\$ -	\$ -	0.0%	0.0%	0.0%
Capital Expenditures							
Rate-Funded Capital Expenses	\$ -	\$ -	\$ -	\$ -	50.0%	45.0%	10.0%
TOTAL REVENUE REQUIREMENTS	\$ 333,507	\$ 153,460	\$ 161,189	\$ 18,857	46.0%	48.3%	5.7%
Less: Non-Rate Revenues							
000-Taxes	\$ (100)	\$ (50)	\$ (45)	\$ (5)	50.0%	45.0%	5.0%
030-Revenue From Use of Money & Property	(30,084)	(15,042)	(13,538)	(1,504)	50.0%	45.0%	5.0%
070-Charges for Current Services	(10,630)	(5,315)	(4,783)	(531)	50.0%	45.0%	5.0%
080-Other Revenue	(100,280)	(50,140)	(45,126)	(5,014)	50.0%	45.0%	5.0%
NET REVENUE REQUIREMENTS	\$ 192,412	\$ 82,913	\$ 97,696	\$ 11,802			
Allocation of Revenue Requirements	100.0%	43.1%	50.8%	6.1%			

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

Adjustments to Classification of Expenses				
Adjustment for Current Rate Level:	Total	(COM)	(CAP)	(CA)
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%			
Adjusted Net Revenue Req'ts	\$ 165,327	\$ 71,241	\$ 83,944	\$ 10,141
<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	Commodity Related Costs	Fixed Costs	
			Capacity Related Costs	Customer Related Costs
Rate-Design Adjustments to Fixed/Variable %	100.0%	43.1%	50.8%	6.1%
Rate-Design Adjustments to Fixed/Variable (\$)	\$165,327	\$71,241	\$83,944	\$10,141

TABLE 23 : DEVELOPMENT OF THE COMMODITY ALLOCATION FACTOR

Development of the Volumetric/Variable Allocation Factor ¹		
Customer Class	Consumption (HCF)	% of Total Volume (Potable)
All Customers	20,778	100.0%
Total	20,778	100.0%

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) ¹	Peak Monthly Factor	% of Max Month Capacity Factor (Potable)
All Customers	1,732	1,732	1.00	100.0%
Total	1,732	1,732	1.00	100.0%

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%
Total	136	100.0%

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)	
	Amount	Percentage
Commodity-Related Costs	\$ 71,241	43.1%
Capacity-Related Costs	83,944	50.8%
Customer-Related Costs	10,141	6.1%
Net Revenue Requirement	\$ 165,326	100.0%

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 Commodity-Related Costs	FIXED Capacity-Related Costs	Customer-Related Costs		
All Customers	\$ 71,241	\$ 83,944	\$ 10,141	\$ 165,326	100.0%
Total Net Revenue Requirement	\$ 71,241	\$ 83,944	\$ 10,141	\$ 165,326	100%
<i>Total Net Revenue Requirement by Classification Component</i>	<i>VARIABLE \$71,241</i>	<i>FIXED \$94,085</i>		\$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.	% Fixed Revenue	% Variable Revenue	Revenue from Volumetric Charges	Revenue from Hydraulic Capacity Charges	Revenue from Customer Costs	Total
All Customers	\$ 165,326	100.0%	57%	43%	\$ 71,241	\$ 83,944	\$ 10,141	\$ 165,326
Total	\$ 165,326	100.0%			\$ 71,241	\$ 83,944	\$ 10,141	\$ 165,326

TABLE 29 : METER EQUIVALENCY FACTORS USED IN FIXED CHARGES CALCULATION

Meter Size	Standard Meters	
	Meter Capacity	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</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.

TABLE 30 : CALCULATION OF MONTHLY FIXED DOMESTIC METER SERVICE CHARGES FOR FY 2026/27

Number of Meters by Class and Size ¹	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	117	23	0	2	1	1	1	0	145
Total Meters/Accounts	117	23	0	2	1	1	1	0	145
Hydraulic Capacity Factor ²	1.00	1.67	3.33	5.33	10.67	16.67	33.33	53.33	
Total Equivalent Meters	117	38	0	11	11	17	33	0	227
Monthly Fixed Service Charges									
Customer Costs (\$/Acct/month) ³	\$ 5.83	\$ 5.83	\$ 5.83	\$ 5.83	\$ 5.83	\$ 5.83	\$ 5.83	\$ 5.83	
Capacity Costs (\$/Acct/month) ⁴	\$ 30.86	\$ 51.44	\$ 102.87	\$ 164.60	\$ 329.19	\$ 514.36	\$ 1,028.73	\$ 1,645.97	
Total Monthly Meter Charge	\$ 36.69	\$ 57.26	\$ 108.70	\$ 170.42	\$ 335.02	\$ 520.19	\$ 1,034.56	\$ 1,651.80	
Annual Fixed Costs Allocated to Monthly Meter Charges									
Customer Costs	\$ 10,141								
Capacity Costs	83,944								
Total Fixed Meter Costs	\$ 94,085								
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
Total Revenue from Monthly Meter Charges	\$ 51,513	\$ 15,805	\$ -	\$ 4,090	\$ 4,020	\$ 6,242	\$ 12,415	\$ -	\$ 94,085

- 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 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		
				3/4"	1.00		
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	-
Total		145	227				\$ 94,085

TABLE 32 : PROPOSED VOLUMETRIC CHARGES FOR FY 2026/27 BY CUSTOMER CLASS

NET REVENUE REQUIREMENT					
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
Total Water	20,778	\$ 71,241	43.1%		

TABLE 33 : SUMMARY OF VOLUMETRIC CHARGES FOR FY 2026/27 FOR PROPOSED RATE TABLE

NET REVENUE REQUIREMENT					
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
Total Water	20,778	\$ 71,241	43.1%		

TABLE 34 : ESTIMATED VOLUMETRIC REVENUE BY CUSTOMER CLASS

Customer Class	Estimated Consumption	Estimated Variable Revenue	% of Variable Rate Revenue	NET REVENUE REQUIREMENT	
				Total Estimated	Cost of Service Net Revenue
All Customers	20,778	\$ 71,241	100.0%	\$ 71,241	\$ 165,326
Grand Total	20,778	\$ 71,241	100.0%	\$ 71,241	\$ 165,326

Water Rate Schedule	NET REVENUE REQUIREMENT					
	Current Rates	Proposed Rates				
		FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Monthly Fixed Service Charges (in \$/mo)						
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
Water Usage Charges (in \$/HCF)						
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

TABLE 1 : FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

RATE REVENUE REQUIREMENTS SUMMARY	Projected	Rate Period				
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Sources of Sewer Funds						
<i>Rate Revenue</i>						
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
<i>Other Revenue</i>						
000-Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
030-Revenue From Use of Money & Property	\$ 5,011	\$ 5,027	\$ 5,043	\$ 5,059	\$ 5,075	\$ 5,091
080-Other Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total: Sources of Funds	\$ 196,166	\$ 196,794	\$ 197,424	\$ 198,055	\$ 198,689	\$ 199,325
Uses of Sewer Funds						
<i>Operating Expenses:</i>						
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
<i>Other Expenditures:</i>						
Existing Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Future Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Rate-Funded Capital Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	23,520
Subtotal: Other Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,520
Total: Uses of Funds	\$ 304,077	\$ 312,701	\$ 321,602	\$ 330,787	\$ 340,266	\$ 373,569
<i>Plus: Revenue from Rate Increases²</i>	-	-	13,993	29,129	45,497	63,194
Annual Surplus/(Deficit)	\$ (107,911)	\$ (115,908)	\$ (110,185)	\$ (103,603)	\$ (96,080)	\$ (111,051)
Net Revenue Req. (Total Uses less Non-Rate Revenue)	\$ 293,299	\$ 301,889	\$ 310,755	\$ 319,906	\$ 329,350	\$ 362,618
Total Rate Revenue After Rate Increases	\$ 185,389	\$ 185,982	\$ 200,570	\$ 216,303	\$ 233,270	\$ 251,567
Projected Annual Rate Revenue Increase	0.00%	0.00%	7.50%	7.50%	7.50%	7.50%
<i>Cumulative Increase from Annual Revenue Increases</i>	<i>0.00%</i>	<i>0.00%</i>	<i>7.50%</i>	<i>15.56%</i>	<i>24.23%</i>	<i>33.55%</i>

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 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	5-Year Projected Rate Period				
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Total Beginning Cash¹						
Unrestricted Reserves:						
Operating Reserve						
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	-	-	-	-	-	-
Ending Operating Reserve Balance	\$ 52,058	\$ (63,329)	\$ (173,514)	\$ (277,117)	\$ (373,197)	\$ (484,248)
<i>Target Ending Balance (90 days of O&M)²</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>
Capital Rehabilitation & Replacement Reserve						
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)
Ending Capital Rehab & Replacement Reserve Balance	\$ 360,026	\$ 283,284	\$ 232,556	\$ 179,446	\$ 123,864	\$ 89,239
<i>Target Ending Balance (90 days of O&M)²</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>
Ending Cash Balance - Excl. Restricted Reserves	\$ 412,084	\$ 219,955	\$ 59,042	\$ (97,671)	\$ (249,333)	\$ (395,009)
Min. Target Ending Cash Balance -Excl. Restricted Reser	\$ 152,000	\$ 156,000	\$ 160,000	\$ 166,000	\$ 170,000	\$ 176,000
Ending Surplus/(Deficit) Compared to Reserve Targets	\$ 260,084	\$ 63,955	\$ (100,958)	\$ (263,671)	\$ (419,333)	\$ (571,009)
Days Cash on Hand	495	257	68	(108)	(268)	(386)
Annual Interest Earnings Rate³	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

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 FORECAST¹

DESCRIPTION	Basis	Projected	5-Year Projected Rate Period				
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Sewer Operating Revenue							
40008145 INT & PEN DELINQUENT TAXES	1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
000-Taxes		-	-	-	-	-	-
40308500 INTEREST	1	5,011	5,027	5,043	5,059	5,075	5,091
030-Revenue From Use of Money & Property		5,011	5,027	5,043	5,059	5,075	5,091
40708155 SPECIAL ASSMNT ALL PRIOR YEARS	1	5	5	5	5	5	5
40708170 SP ASSMNT CUR YR TX ROLL SEWER	1	451	452	454	455	457	458
40708175 SP ASSMNT CUR YR DEL USER CHGS	1	601	603	605	607	609	611
070-Charges for Current Services		1,057	1,061	1,064	1,067	1,071	1,074
40758480 FEE ORD-PENALTIES	1	4,509	4,524	4,538	4,553	4,567	4,582
40759700 FEE ORD-SANITATION SERVICES	1	185,389	185,982	186,577	187,174	187,773	188,374
40759800 FEE ORD-OTHER SERVICES	1	200	201	202	202	203	204
075-Charges for Current Services-Fee Ord		190,098	190,707	191,317	191,929	192,543	193,159
40809970 OTHER	1	-	-	-	-	-	-
080-Other Revenue		-	-	-	-	-	-
TOTAL: REVENUE		\$ 196,166	\$ 196,794	\$ 197,424	\$ 198,055	\$ 198,689	\$ 199,325

TABLE 4 : REVENUE SUMMARY

DESCRIPTION	Basis	Projected	5-Year Projected Rate Period				
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Rate Revenue							
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
Other Revenue		-	-	-	-	-	-
000-Taxes		-	-	-	-	-	-
030-Revenue From Use of Money & Property		5,011	5,027	5,043	5,059	5,075	5,091
080-Other Revenue		-	-	-	-	-	-
TOTAL: REVENUE		\$ 196,166	\$ 196,794	\$ 197,424	\$ 198,055	\$ 198,689	\$ 199,325

TABLE 5 : OPERATING EXPENSE FORECAST¹

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
Operating Expenses							
Operating Expenses							
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
200-Services & Supplies-General		206,386	212,364	218,534	224,901	231,472	238,253
55405010 SALARIES & BENE TRANSFERS OUT	3	15,000	15,000	15,000	15,000	15,000	15,000
55405012 SERV & 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
Subtotal - Operating Expenses		\$ 304,077	\$ 312,701	\$ 321,602	\$ 330,787	\$ 340,266	\$ 350,049
GRAND TOTAL: SEWER EXPENSES		\$ 304,077	\$ 312,701	\$ 321,602	\$ 330,787	\$ 340,266	\$ 350,049

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 ¹	Basis	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
Customer Growth ²	1	0.21%	0.32%	0.32%	0.32%	0.32%	0.32%
General Cost Inflation ³	2	3.20%	3.20%	3.20%	3.20%	3.20%	3.20%
Labor Cost Inflation ⁴	3	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Interest on Investments ⁵	4	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Electricity ⁶	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 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.

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
Funding Sources:						
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
Total Sources of Capital Funds	\$ -	\$ 80,342	\$ 53,561	\$ 55,436	\$ 57,376	\$ 59,384
Uses of Capital Funds:						
Total Project Costs	\$ -	\$ 80,342	\$ 53,561	\$ 55,436	\$ 57,376	\$ 59,384
Capital Funding Surplus (Deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>SFR Loan Funding</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Future Revenue Bond Proceeds</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CAPITAL IMPROVEMENT PROGRAM FUNDING OPTIONS		Total Planned CIP - FY 2026/27 through FY 2030/31				\$ 306,099	
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	\$ -	\$ 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

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	\$ -	\$ 80,342	\$ 53,561	\$ 55,436	\$ 57,376	\$ 59,384

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
Capital Projects¹						
Master Plan		\$ 77,625				
Subtotal - Capital Projects	\$ -	\$ 77,625	\$ -	\$ -	\$ -	\$ -
Estimated Future Projects						
Future Projects ⁴	\$ -	\$ -	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000
Total: Capital Improvement Program Costs (Current-Year Dollars)	\$ -	\$ 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
Capital Projects¹						
Master Plan	\$ -	\$ 80,342	\$ -	\$ -	\$ -	\$ -
Future Projects ⁴	\$ -	\$ -	\$ 53,561	\$ 55,436	\$ 57,376	\$ 59,384
Total: Capital Improvement Program Costs (Future-Year Dollars)	\$ -	\$ 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 ⁶	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 Annual Repayment Schedules:	Projected	5-Year Projected Rate Period				
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
<i>N/A</i>						
Principal Payment						
Interest Payment	-	-	-	-	-	-
Subtotal: Annual Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Coverage Requirement (\$-Amnt above annual payment)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserve Requirement (total fund balance)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grand Total: Existing Annual Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grand Total: Existing Annual Coverage Requirement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grand Total: Existing Debt Reserve Target	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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
<i>Existing Annual Debt Service</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Existing Annual Coverage Requirement</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Existing Debt Reserve Target</i>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

TABLE 13 : CURRENT SEWER RATE SCHEDULE

Sewer Rate Schedule	Current Rates
Monthly Fixed Service Charge Per EDU	
All Customers	Per Dwelling Unit
All Customers	\$88.08

TABLE 14 : PROPOSED SEWER RATES

NET REVENUE REQUIREMENTS (100% FIXED / 0% VARIABLE)				
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
Total	161	\$ 185,982	\$ 185,982	

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
Monthly Fixed Service Charge Per EDU						
All Customers		<u>Per Dwelling Unit</u>				
All Customers	\$88.08	\$96.56	\$103.81	\$111.59	\$119.96	\$128.96