

SAN BERNARDINO COUNTY

*County Service Area 70 GH (Glen Helen)
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 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).¹

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 *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.²

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

² 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*,³ 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.

³ 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

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
Sources of Sewer Funds						
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
Total: Sources of Funds	\$ 1,739,650	\$ 1,751,479	\$ 1,763,389	\$ 1,775,380	\$ 1,787,453	\$ 1,799,608
Uses of Sewer Funds						
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
Total: Use of Funds	\$ 2,057,224	\$ 2,120,117	\$ 2,185,423	\$ 2,550,030	\$ 2,690,994	\$ 2,808,319
Surplus (Deficiency) before Rate Increase	\$ (317,574)	\$ (368,638)	\$ (422,034)	\$ (774,649)	\$ (903,541)	\$ (1,008,711)
Additional Revenue from Rate Increases ¹	-	274,272	421,609	581,921	756,282	945,855
Surplus (Deficiency) after Rate Increase	\$ (317,574)	\$ (94,365)	\$ (425)	\$ (192,729)	\$ (147,259)	\$ (62,857)
Projected Increases in Rate Revenue	0.00%	16.60%	7.50%	7.50%	7.50%	7.50%
Total Rate Revenue Requirement²	\$ 1,641,084	\$ 1,926,516	\$ 2,085,087	\$ 2,256,711	\$ 2,442,461	\$ 2,643,500

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
Unrestricted Reserves						
Operating Reserve						
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>
Capital Rehabilitation & Replacement Reserve						
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>
Total Ending Balance	\$ 919,892	\$ 828,835	\$ 830,807	\$ 614,442	\$ 467,698	\$ 404,841
Total Recommended Minimum Target	\$ 1,028,000	\$ 1,060,000	\$ 1,092,000	\$ 1,126,000	\$ 1,162,000	\$ 1,198,000

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

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	2,443	\$ 1,926,516	\$ 1,926,516	\$ 65.72
Total	2,443	\$ 1,926,516	\$ 1,926,516	

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.

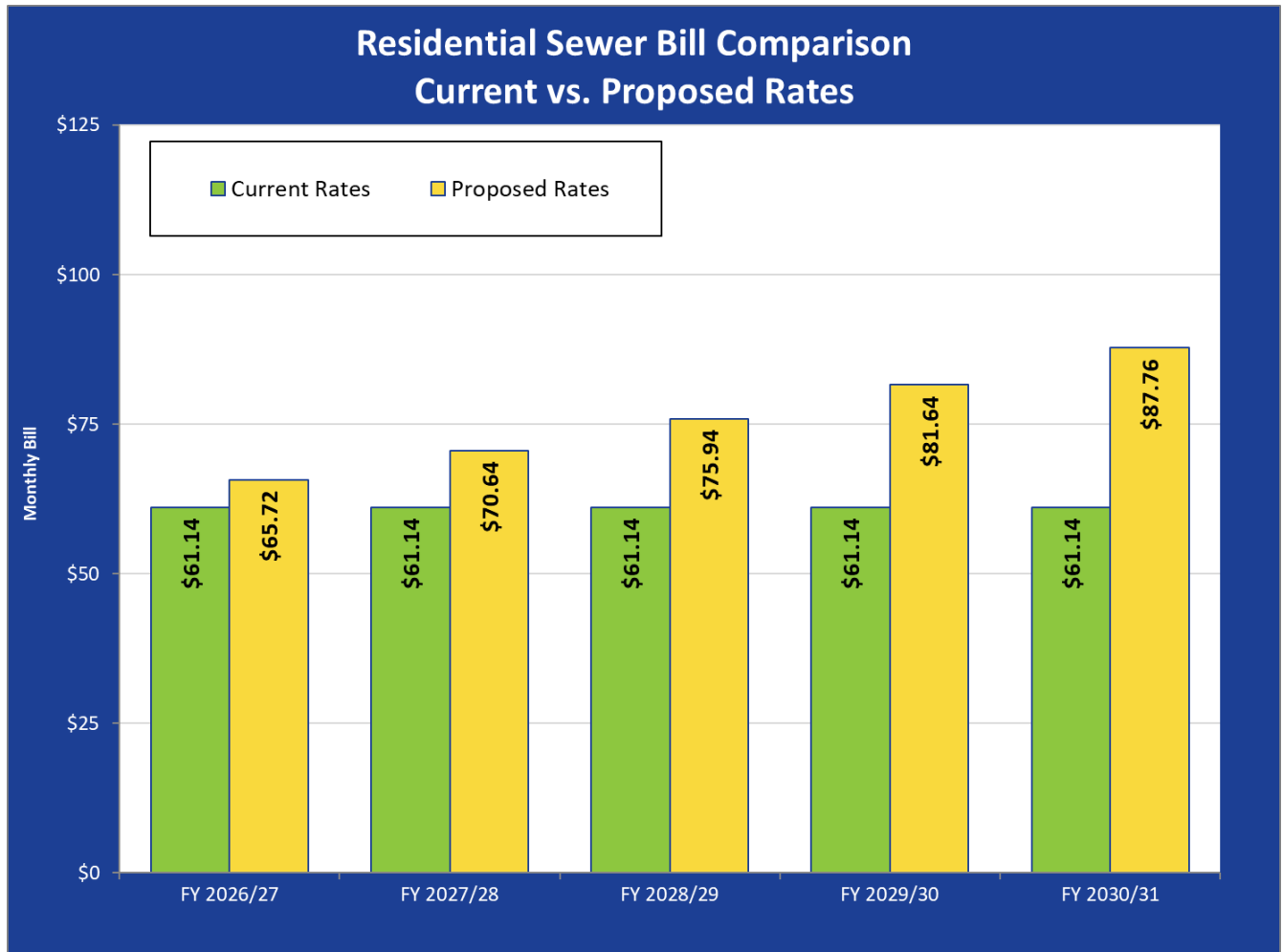
Figure 5. Current vs. Proposed Sewer Rates

Sewer Rate Schedule	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	\$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

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

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						
Rate Revenue						
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
Other Revenue						
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
Total: Sources of Funds	\$ 1,739,650	\$ 1,751,479	\$ 1,763,389	\$ 1,775,380	\$ 1,787,453	\$ 1,799,608
Uses of Sewer Funds						
Operating Expenses:						
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
Other Expenditures:						
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
Total: Uses of Funds	\$ 2,057,224	\$ 2,120,117	\$ 2,185,423	\$ 2,550,030	\$ 2,690,994	\$ 2,808,319
Plus: Revenue from Rate Increases ³	-	274,272	421,609	581,921	756,282	945,855
Annual Surplus/(Deficit)	\$ (317,574)	\$ (94,365)	\$ (425)	\$ (192,729)	\$ (147,259)	\$ (62,857)
Net Revenue Reqt. (Total Uses less Non-Rate Revenue)	\$ 1,998,930	\$ 2,061,427	\$ 2,126,334	\$ 2,490,539	\$ 2,631,098	\$ 2,748,016
Total Rate Revenue After Rate Increases	\$ 1,641,084	\$ 1,926,516	\$ 2,085,087	\$ 2,256,711	\$ 2,442,461	\$ 2,643,500
Projected Annual Rate Revenue Increase	0.00%	16.60%	7.50%	7.50%	7.50%	7.50%
Cumulative Increase from Annual Revenue Increases	0.00%	16.60%	25.35%	34.75%	44.85%	55.72%
Debt Coverage After Rate Increase⁴	N/A	N/A	N/A	0.35	0.74	1.17

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
Financial Plan Alternatives							
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	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	\$ 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	-	-	-	-	-	-
Ending Operating Reserve Balance	\$ 330,838	\$ 239,781	\$ 241,753	\$ 51,442	\$ (95,302)	\$ (158,159)
Target Ending Balance (90 days of O&M)²	\$ 514,000	\$ 530,000	\$ 546,000	\$ 563,000	\$ 581,000	\$ 599,000
Capital Rehabilitation & Replacement Reserve						
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)	-	-
Ending Capital Rehab & Replacement Reserve Balance	\$ 589,054	\$ 589,054	\$ 589,054	\$ 563,000	\$ 563,000	\$ 563,000
Target Ending Balance (90 days of O&M)²	\$ 514,000	\$ 530,000	\$ 546,000	\$ 563,000	\$ 581,000	\$ 599,000
Ending Cash Balance - Excl. Restricted Reserves	\$ 919,892	\$ 828,835	\$ 830,807	\$ 614,442	\$ 467,698	\$ 404,841
Min. Target Ending Cash Balance -Excl. Restricted Reser	\$ 1,028,000	\$ 1,060,000	\$ 1,092,000	\$ 1,126,000	\$ 1,162,000	\$ 1,198,000
Ending Surplus/(Deficit) Compared to Reserve Targets	\$ (108,108)	\$ (231,165)	\$ (261,193)	\$ (511,558)	\$ (694,302)	\$ (793,159)
Days Cash on Hand	164	143	139	88	64	53
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>.

TABLE 3 : REVENUE FORECAST¹

DESCRIPTION	Basis	Rate Period					
		Projected 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	\$ 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
40809930 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
TOTAL: REVENUE		\$ 1,739,650	\$ 1,751,479	\$ 1,763,389	\$ 1,775,380	\$ 1,787,453	\$ 1,799,608

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
Rate Revenue							
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
Other Revenue							
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
TOTAL: REVENUE		\$ 1,739,650	\$ 1,751,479	\$ 1,763,389	\$ 1,775,380	\$ 1,787,453	\$ 1,799,608
	Check	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

TABLE 5 : OPERATING EXPENSE FORECAST¹

DESCRIPTION	Basis	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							
52002000 OP. EXPENSES - SVCS & SUPPLIES	2	\$ 1,032	\$ 1,073	\$ 1,115	\$ 1,159	\$ 1,204	\$ 1,251
52002025 CLOTHING & PERSONAL SUPPLIES	2	206	215	223	232	241	250
52002030 SAFETY EQUIP	2	6,192	6,435	6,688	6,951	7,224	7,508
52002032 VPN SERVICES (ISF ONLY)	2	103	107	111	116	120	125
52002050 PURCHASE OF MATERIALS	2	77	80	84	87	90	94
52002070 FOOD	2	206	215	223	232	241	250
52002090 MISCELLANEOUS EXPENSE	2	2,580	2,681	2,787	2,896	3,010	3,128
52002116 COMPUTER HARDWARE EXPENSE	2	516	536	557	579	602	626
52002120 SMALL TOOLS & INSTRUMENTS	2	23,736	24,669	25,638	26,646	27,693	28,781
52002125 INVENTORIAL EQUIPMENT	2	-	-	-	-	-	-
52002130 NONINVENTORIAL EQUIPMENT	2	5,160	5,363	5,574	5,793	6,020	6,257
52002135 SPECIAL DEPT EXPENSE	2	516	536	557	579	602	626
52002180 UTILITIES	2	310	322	334	348	361	375
52002182 UTILITIES-ELECTRICITY	5	170,223	174,683	179,260	183,956	188,776	193,722
52002188 UTILITIES-REFUSE	2	5,160	5,363	5,574	5,793	6,020	6,257
52002235 VEHICLE LIABILITY (ISF ONLY)	2	-	-	-	-	-	-
52002305 GENERAL OFFICE EXPENSE	2	1,032	1,073	1,115	1,159	1,204	1,251
52002310 PRESORT & PACKAGING (ISF ONLY)	2	20,640	21,451	22,294	23,170	24,081	25,027
52002330 POSTAGE REIMBURSABLE	2	-	-	-	-	-	-
52002415 COUNTY SERVICES (INCL COWCAP)	2	5,404	5,616	5,837	6,066	6,304	6,552
52002445 OTHER PROFESSIONAL & SPEC SVCS	2	206,400	214,512	222,942	231,703	240,809	250,273
52002448 COUNTY COUNSEL SERVICES	3	150	150	150	150	150	150
52002458 PERMIT COSTS	2	61,920	64,353	66,883	69,511	72,243	75,082
52002660 PENALTIES	2	310	322	334	348	361	375
52002678 MISCELLANEOUS LAB TESTING	2	1,032	1,073	1,115	1,159	1,204	1,251
52002835 GENERAL HOUSEHOLD EXPENSES	2	1,548	1,609	1,672	1,738	1,806	1,877
52002855 GENERAL MAINTENANCE-EQUIPMENT	2	103,200	107,256	111,471	115,852	120,405	125,137
52002870 GEN MAINT-STRUCT,IMP & GROUNDS	2	180,600	187,698	195,074	202,741	210,708	218,989
52002875 SEPTAGE DUMP MAINTENANCE	2	516	536	557	579	602	626
52002885 BUILDING MAINTENANCE-CONTRACT	2	2,064	2,145	2,229	2,317	2,408	2,503
52002895 RENTS & LEASES - EQUIPMENT	2	1,548	1,609	1,672	1,738	1,806	1,877
52002930 MAINTENANCE CHARGES (ISF ONLY)	2	20,640	21,451	22,294	23,170	24,081	25,027
52002952 MATERIALS DISPOSAL - OUTSIDE V	2	123,840	128,707	133,765	139,022	144,486	150,164
200-Services & Supplies-General		\$ 946,861	\$ 981,837	\$ 1,018,129	\$ 1,055,787	\$ 1,094,864	\$ 1,135,413
55305030 OPERATING TRANSFERS OUT	2	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
530-Other Financ Uses-Operating Trsf Out		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
55405010 SALARIES & BENE TRANSFERS OUT	3	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000	\$ 400,000
55405012 SERV & SUPPLY TRANSFERS OUT	2	19,232	19,988	20,774	21,590	22,439	23,320
55405018 INTERNAL COST ALLOCA OUT	2	691,130	718,292	746,521	775,859	806,350	838,040
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
GRAND TOTAL: SEWER EXPENSES		\$ 2,057,224	\$ 2,120,117	\$ 2,185,423	\$ 2,253,236	\$ 2,323,653	\$ 2,396,773

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	0.68%	0.68%	0.68%	0.68%	0.68%	0.68%
General Cost Inflation ³	2	3.20%	3.93%	3.93%	3.93%	3.93%	3.93%
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	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 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
Funding Sources:						
Grants	-	-	-	-	-	-
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
Total Sources of Capital Funds	\$ 500,000	\$ 1,744,801	\$ 1,490,929	\$ 110,872	\$ 114,752	\$ 118,769
Uses of Capital Funds:						
Total Project Costs	\$ 500,000	\$ 1,744,801	\$ 1,490,929	\$ 110,872	\$ 114,752	\$ 118,769
Capital Funding Surplus (Deficiency)	\$ -	\$ 0	\$ 0	\$ -	\$ -	\$ -
SFR Loan Funding	\$ -	\$ 3,250,000	\$ -	\$ -	\$ -	\$ -
Future Revenue Bond Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

CAPITAL IMPROVEMENT PROGRAM FUNDING OPTIONS					\$ 3,580,122	
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	\$ 500,000	\$ 1,744,801	\$ 1,490,929	\$ 110,872	\$ 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
3 Alternative 3 - 50% Funding of CIP	250,000	872,400	745,464	55,436	57,376	59,384

1	← Select CIP Funding Option
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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	\$ 500,000	\$ 1,744,801	\$ 1,490,929	\$ 110,872	\$ 114,752	\$ 118,769

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						
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	250,000					
Subtotal - Capital Projects	\$ 500,000	\$ 1,685,798	\$ 1,391,798	\$ -	\$ -	\$ -
Estimated Future Projects						
Future Projects ⁴	\$ -	\$ -	\$ -	\$ 100,000	\$ 100,000	\$ 100,000
Total: Capital Improvement Program Costs (Current-Year Dollars)	\$ 500,000	\$ 1,685,798	\$ 1,391,798	\$ 100,000	\$ 100,000	\$ 100,000

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						
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	-	-	-	-	-
	-	-	-	-	-	-
Subtotal - Capital Projects	\$ 500,000	\$ 1,744,801	\$ 1,490,929	\$ -	\$ -	\$ -
Estimated Future Projects						
Future Projects ⁴	\$ -	\$ -	\$ -	\$ 110,872	\$ 114,752	\$ 118,769
Total: Capital Improvement Program Costs (Future-Year Dollars)	\$ 500,000	\$ 1,744,801	\$ 1,490,929	\$ 110,872	\$ 114,752	\$ 118,769

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 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 Annual Repayment Schedules:	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 ¹	Current Rates
Monthly Fixed Service Charge Per EDU	
All Customers	Per Dwelling Unit
All Customers	\$61.14

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	2,443	\$ 1,926,516	\$ 1,926,516	\$ 65.72
Total	2,443	\$ 1,926,516	\$ 1,926,516	

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
Monthly Fixed Service Charge Per EDU						
All Customers		<u>Per Dwelling Unit</u>				
All Customers	\$61.14	\$65.72	\$70.64	\$75.94	\$81.64	\$87.76