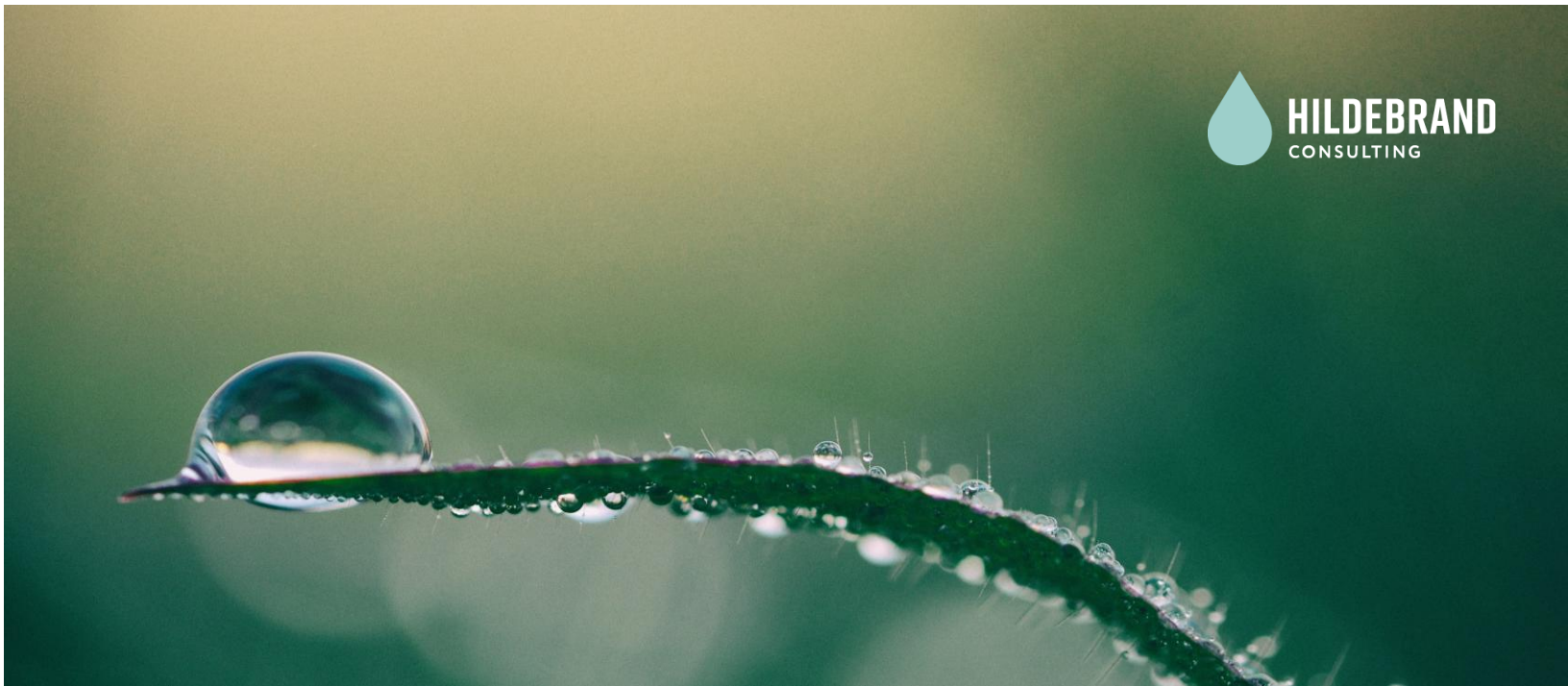
2024 Retail Water Rate Study Report

July 17, 2025

(revised from March 27 version based on Board direction)



Donna Silva, Director of Finance
San Juan Water District
9935 Auburn Folsom Rd.
Granite Bay, CA 95746

Re: 2024 Retail Water Rate Study

Dear Ms. Silva,

Hildebrand Consulting is pleased to present this revised 2024 Retail Water Rate Study (Study) for the San Juan Water District (District). This report reflects the elimination of the $5.15 million Water Production Facilities project, and its related debt issuance, and shows the subsequent impact to rates.

We appreciate the fine assistance provided by you and all of the members of the District staff who participated in the Study, as well as the input and guidance provided by the Board of Directors.

If you or others at the District have any questions, please do not hesitate to contact me at:

mhildebrand@hildco.com
(510) 316-0621

We appreciate the opportunity to be of service and look forward to the possibility of doing so again in the near future.

Sincerely,

Mark Hildebrand
Hildebrand Consulting, LLC

Enclosure

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List of Acronyms

AF	acre-feet (measure of water volume)
AWWA	American Water Works Association
ACFR	Annual Comprehensive Financial Report
CCF	hundreds of cubic feet (measure of water volume)
CCI	construction cost index
CIP	capital improvement program
COS	cost of service
CY	calendar year
DCR	debt service coverage ratio
FY	fiscal year (which ends on June 30 for the District)
O&M	operations and maintenance
OPEB	Other Post-Employment Benefits
pay-go	“pay as you go” (i.e., cash financing for capital projects)
WSCP	water shortage contingency plan

Section 1. INTRODUCTION

Hildebrand Consulting, LLC has been retained by San Juan Water District (District) to conduct a water rate study for the District's retail water system (2024 Retail Water Rate Study). This report describes in detail the assumptions, procedures, and results of the Study, including conclusions and recommendations.

1.1 UTILITY BACKGROUND

The District is a community services district formed under Section 61000 et seq., Title 5, Division 3 of the California Government Code. The District provides both wholesale and retail water service. The wholesale area (which includes the District's 17 square mile retail area) covers approximately forty six square miles in northeastern Sacramento and southeastern Placer Counties. The District wholesales water to San Juan Retail, Citrus Heights and Fair Oaks Water Districts, Orange Vale Water Company, and to the City of Folsom for its customers north of the American River. The retail system serves over 10,000 residential accounts and nearly five hundred commercial accounts.

The District's existing water supply consists of three separate raw water contracts. The first source of water is a settlement contract with the U.S. Bureau of Reclamation (Reclamation) that provides, in perpetuity, for the delivery of 33,000 acre-feet of water from the American River based upon the District's water rights, which date from 1853 and 1928. The second source is a repayment contract with Reclamation for 24,200 acre-feet of Central Valley Project water. The third source is a contract with Placer County Water Agency for up to 25,000 acre-feet of water. All sources of surface water are either stored or flow through Folsom Lake and delivery is taken at Folsom Dam outlets, either by gravity or pumped by Reclamation's Folsom Pumping Plant.

This current rate study directly addresses the District's Strategic Plan goal to "Operate the District Sustainably and in a Financially Sound Manner while Maintaining a Fair Rate Structure."

The District's last retail water rate study was conducted by Hildebrand Consulting in 2021 (2021 Rate Study) and the last rate adjustment was made in January of 2024 (an 8 percent increase).

1.2 SCOPE & OBJECTIVES OF STUDY

The scope of this Study is to prepare a multi-year financial plan, review the water rate structure and propose a 4-year rate schedule.

The primary objectives of this Study are to:

i. Develop a multi-year financial plan that integrates operational and capital project funding needs with a funding strategy.
ii. Identify future annual adjustments to water rates to help ensure adequate revenues to meet the District's ongoing financial obligations.
iii. Update the cost of providing water service using industry-accepted methodologies.
iv. Recommend specific updates to the District's existing rate structures in order to ensure that the District is equitably recovering the cost of service and comporting with industry standards[1] and California's legal requirements.

1.3 STUDY METHODOLOGY

This Study applied methodologies that conform all applicable law, including the requirements of California Constitution Article XIII D, Section 6 (commonly known as

[1] As promulgated the American Water Work Association (AWWA) M1 Manual: Principles of Water Rates, Fees and Charges: Manual of Water Supply Practices M1, (7th edition), which documents many of the standards used by professionals in the utility rate-setting industry.

Proposition 218) and are aligned with industry standard practices for rate setting as laid out in the AWWA M1 Manual.

The Study began with a review of the District's current financial dynamics and latest available data for the District's operations. A multi-year financial management plan was then developed to determine the level of annual rate revenue required to cover projected annual operating expenses, debt service (including coverage targets), and capital cost requirements while maintaining adequate reserves. This portion of the Study was conducted using an MS Excel©-based financial planning model which was customized to reflect financial dynamics and latest available data for the District's operations in order to develop a long-term financial management plan, inclusive of projected annual revenue requirements and corresponding annual rate adjustments.

Revenue requirements calculated for fiscal year ending June 2025 (FY 2024/25[2]) were then used to perform a detailed cost-of-service (COS) analysis. The COS analysis and rate structure design were conducted based upon requirement of Proposition 218 and as outlined by the AWWA and other generally accepted industry practices to develop rates that reflect the cost of providing service.

[2] Fiscal years are sometimes indicated by their ending years. For example, FY 2024/25, starts on July 1, 2024, and ends on June 30, 2025, can also be expressed as FY 2025.

Section 2. FINANCIAL PLAN

This section presents the Retail System's 10-year Financial Plan, including a description of the source data, assumptions, and the District's financial policies. The District provided historical and budgeted financial information, including historical and budgeted operating costs, a multi-year capital improvement program (CIP), and outstanding debt service obligations. District staff also assisted in providing other assumptions and policies, such as reserve targets and escalation rates for operating costs (all of which are described in the following subsections).

The 10-year Financial Plan was developed through several interactive work sessions with District staff. As a result of this process, the Study has produced a robust financial plan that will enable the District to meet its future revenue requirements and achieve financial performance objectives throughout the projection period while striving to minimize rate increases.

The schedules attached to this report include detailed data supporting the Financial Plan discussed herein.

The Financial Plan reflects assumptions and estimates believed reasonable at the present time. However, conditions change. It is recommended that the District review its financial condition and scheduled rate adjustments as part of the annual budget process, as well as perform a more comprehensive financial plan and water rate update every 3 to 5 years, as conditions dictate.

2.1 FUND STRUCTURE

The Financial Plan is an annual cash flow model. As a cash flow model, it differs from standard accounting income statements, and balance sheets. The Financial Plan models sources and uses of funds into, out of, and between the Retail Water funds. The Financial Plan model is based on the Retail Water fund structure and incorporates

reserve policies for specified purposes. The reserve structure includes an Operating Reserve within the Operating Fund (Fund 50) and a Capital Reserve within the Capital Fund (Fund 55). **Figure 1** includes a schematic diagram of the funds/reserves and major cash flows associated with the financial plan model.

An understanding of the fund/reserve structure is helpful in understanding the financial plan worksheets that model estimated annual cash flows through Retail Water utility from one year to the next.

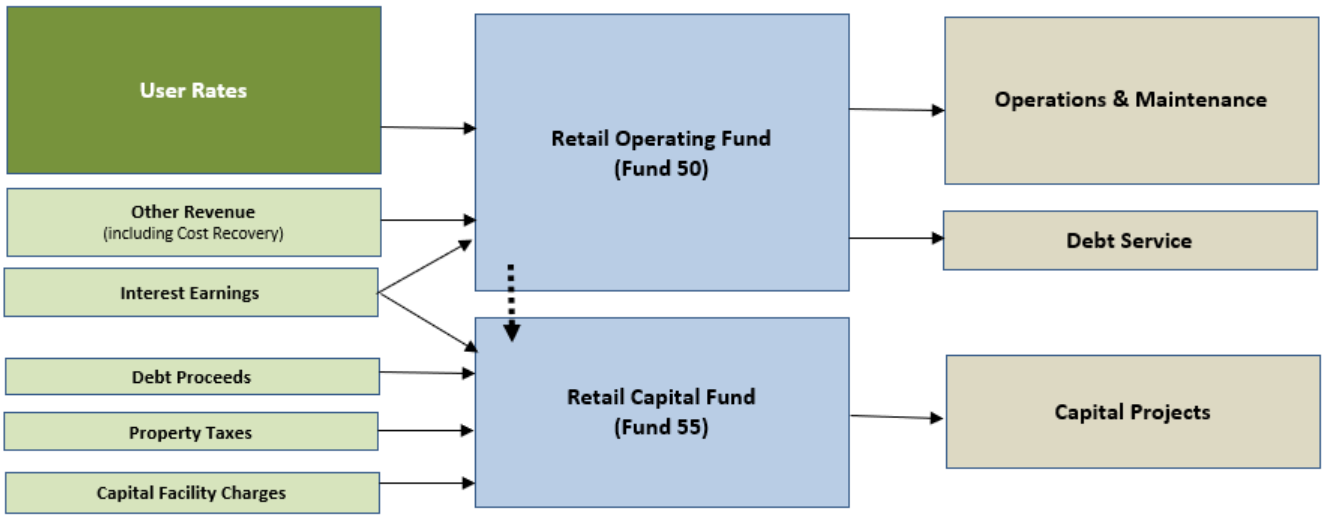


Figure 1: Schematic of Retail Water Funds and Cash Flows

2.2 BEGINNING FUND BALANCES

The ending cash balance for FY 2023/24 in the Retail Operating Fund was $3,231,00 while in the Retail Capital Fund the ending cash balance was $23,110,000. These cash balances were used to establish the “starting point” for the reserve levels for this 10-year financial plan. It should be noted that the amount of cash that the District keeps in reserves is a product of its reserve policies (see Section 2.5.4).

2.3 CUSTOMER GROWTH AND WATER USAGE

Over the period of 2016 to 2024 the District has collected an average of about $1.1 million per year in Capital Facilities Charge revenue from new customers connecting to the system, which equates to a growth rate of approximately 0.66 percent per year. This financial plan assumes that the service area is largely "built out" and therefore Capital Facility Charge revenue will continue at $100 thousand per year.

Per capita water usage by San Juan customers is at an all-time historical low due to recent droughts between 2011 - 2017 and 2020 - 2022. It is impossible to reliably forecast future water use since so much depends on future weather conditions. For purposes of this Financial Plan, it is assumed that water demand will remain steady over the course of the study period.

2.4 RATE REVENUE

Rate revenue is the revenue generated from customers for water service. The District collects rate revenue bimonthly from water customers in the form of a fixed "Base Charge" assessed based on meter size and a water "Usage Rate" applied to actual water use (measured in hundreds of cubic feet or "CCF," which is equal to 748 gallons). The Financial Plan starts with rate revenue levels that were budgeted for FY 2024/25. Estimated future water demand and rate revenues include the small amount of customer growth (see Section 2.3) as well as the annual rate revenue adjustments proposed by this Study. Budgeted and projected rate revenues (including proposed rate adjustments) are listed in **Schedule 3**.

2.5 NON-RATE REVENUES

In addition to rate revenue, the District receives additional "non-rate revenue" from sources such as miscellaneous service fees, property taxes, leases, Capital Facilities

Charges[3] revenue, and interest revenue on investments. Projections of all non-rate revenues were based on FY 2024/25 budgeted revenues with the exception of interest income which was calculated annually based upon projected fund balances and assumed interest rate of 3.0 percent, which is consistent with the District's historical interest earnings relative to its total reserve levels. Capital facility fees were also updated based on year-to-date actuals. Property tax revenue is forecasted to increase by 2 percent. Budgeted non-rate revenues are depicted in **Figure 2** below and listed in detail in **Schedule 3**.

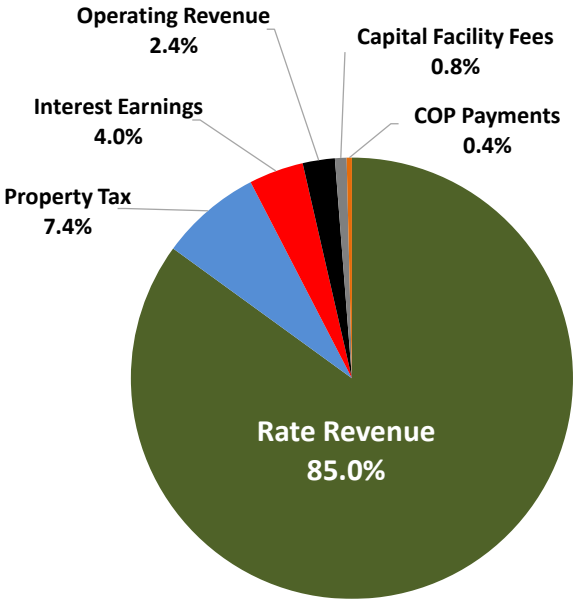


Figure 2: Revenue Categories (FY 2024/25 Budget)

2.5.1 Operating and Existing Debt Expenses

The District's expenses include operating and maintenance expenses, debt service, and capital spending. Capital spending is addressed separately in Section 2.5.3.

[3] The District's "Capital Facilities Charges" are known as "Capacity Charges" per Government Code Section 66013.

Future operating and maintenance expenses were projected based upon the budgeted expenditures for FY 2024/25 and forecasted based on cost escalation assumptions (see Section 2.5.2).

Major budgeted expense categories for FY 2024/25 are depicted in **Figure 3**. Projected operating and maintenance costs are listed in detail in **Schedule 1**. This schedule specifically breaks out salary and benefit costs since these expenses are forecasted to escalate at a different rate than other operating expenses (see Section 2.5.2).

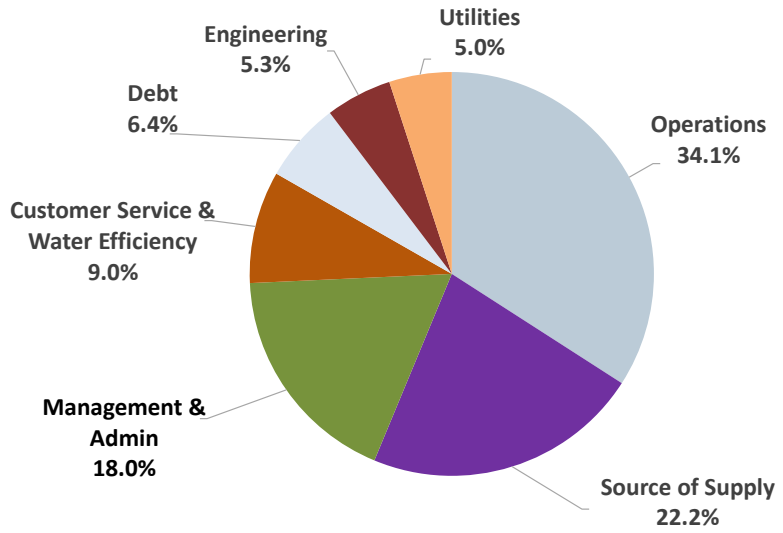


Figure 3: Operating & Debt Expense Categories (Budgeted FY 2024/25)

The Retail enterprise's current debt obligations include repayment of a 2022 refunding revenue bond (replaces the 2012 refunding bond), a 2017 refunding bond and a 2024 loan for the Eureka Pipeline project. The Retail portion of annual debt service on the 2022 bonds is currently about $315,000 and is about $622,000 for the 2017 refunding revenue bonds. The 2022 bond is scheduled to be paid off in 2032 while the 2017 bond is scheduled to be paid off in 2039. The Eureka Pipeline loan has an annual debt service of about $131,000 in most years and will be paid off in 2055.

2.5.2 Cost Escalation

Annual cost escalation factors for the various types of expenses were developed based upon a review of historical inflation trends, published inflation forecasts, industry experience, and discussions with District staff. During the projection period, expenses related to benefits and utilities are projected to increase at a rate of 5 percent per year, wholesale water rates are projected to increase by 5 percent in FY 2025/26 and 4 percent thereafter, and all other expenses are projected to increase by 3 percent per year.

2.5.3 Capital Improvement Program

Figure 4 shows that from FY 2015/16 to FY 2023/24 the District averaged $3.4 million in capital spending. More recently, in the past two years, the District has increased to an average of $6.6 million. Going forward (and consistent with the 2021 Rate Study), the District plans to continue increasing its annual capital delivery. The projected annual average capital spending for the 10-year forecast is $8.4 million. This increase in capital spending is designed to proactively address water system rehabilitation needs associated with aging pipes, pump stations, water tanks, and other system deficiencies. This level of spending is aligned with the District's 2020 Retail Master Plan. A detailed list of capital projects and associated costs is provided in **Schedule 2**. The scheduled list of capital projects over the next 10 years excludes about $13.3 million in capital projects that the Board directed staff to defer in the interest of lowering the proposed water rate increases.

Notable projects include the replacement of the Kokila Reservoir ($12.8 million, of which $1.25 million will be grant funded) and a new distribution mainline project on Cavitt Stallman, for increased fire flow ($7.5 million). There will also be a programmatic replacement of service lines (85 lines per year at an annual cost of $1.8 million) and air release valve replacements (45 per year at an annual cost of $1 million). Contrary to the March 27th version of this Study, the Board directed staff to eliminate the proposed Retail Groundwater Production Facility ($5.15 million) and its related debt issuance.

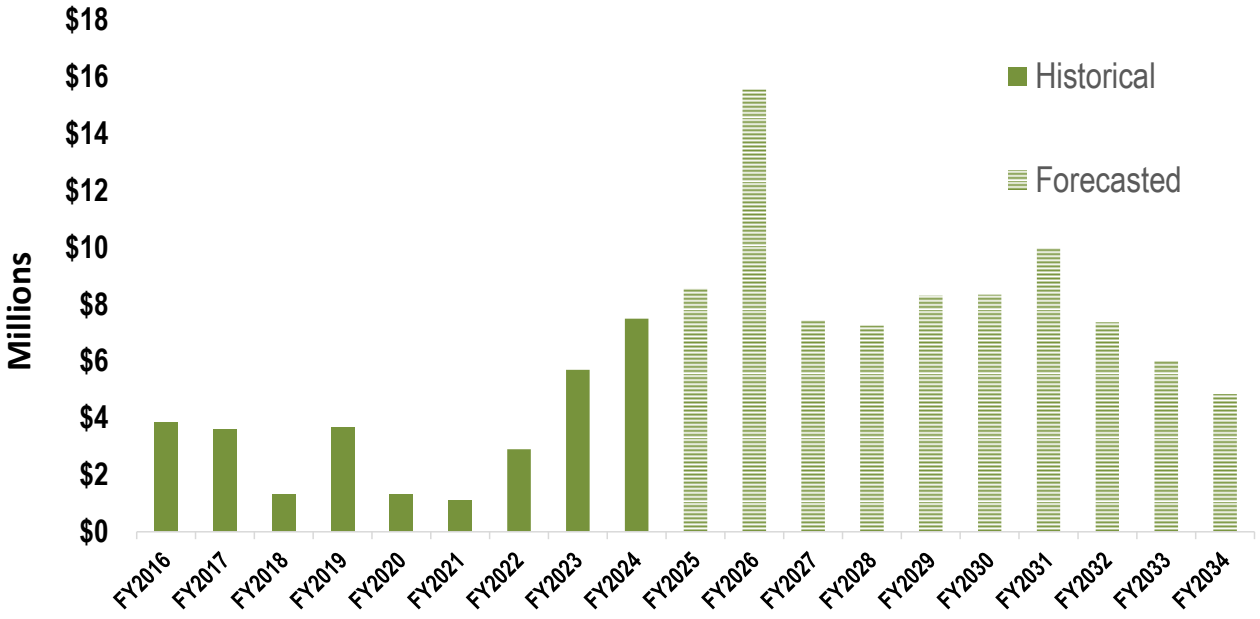


Figure 4: Historic and projected capital spending

2.5.4 Debt Strategy

As part of this study, we worked with District staff to evaluate alternative financing approaches for the above-mentioned capital expenses. While the District typically follows a policy of cash financing capital projects whenever possible, there are instances when debt financing is appropriate. Such instances are typified by abnormally large spikes in capital spending, as can be seen particularly in FY2024/25 and to some extent from FY2026 through FY 2029 (see Figure 4). Such spikes in capital spending can either be addressed by drawing down on existing cash reserves or by issuing new debt. The District's current reserves are insufficient to fund the near-term capital spending requirements; therefore, it is recommended that the District issue new debt to fund the Kokila Reservoir and the Cavitt-Stallman project. This recommendation is consistent with the 2021 Rate Study, which made the same recommendation (include the debt-funding of the Eureka Pipeline project, as done in 2024). Issuing this debt will allow the District to simultaneously cash finance the rest of

the capital projects over the next 10 years and establish larger reserve targets (which promotes pay-as-you-go capital funding) while minimizing water rate increases. The total proposed new debt would fund about $24.7 million in capital spending. **Figure 5** shows how this debt strategy effectively "shaves" the need for cash during peak spending years.

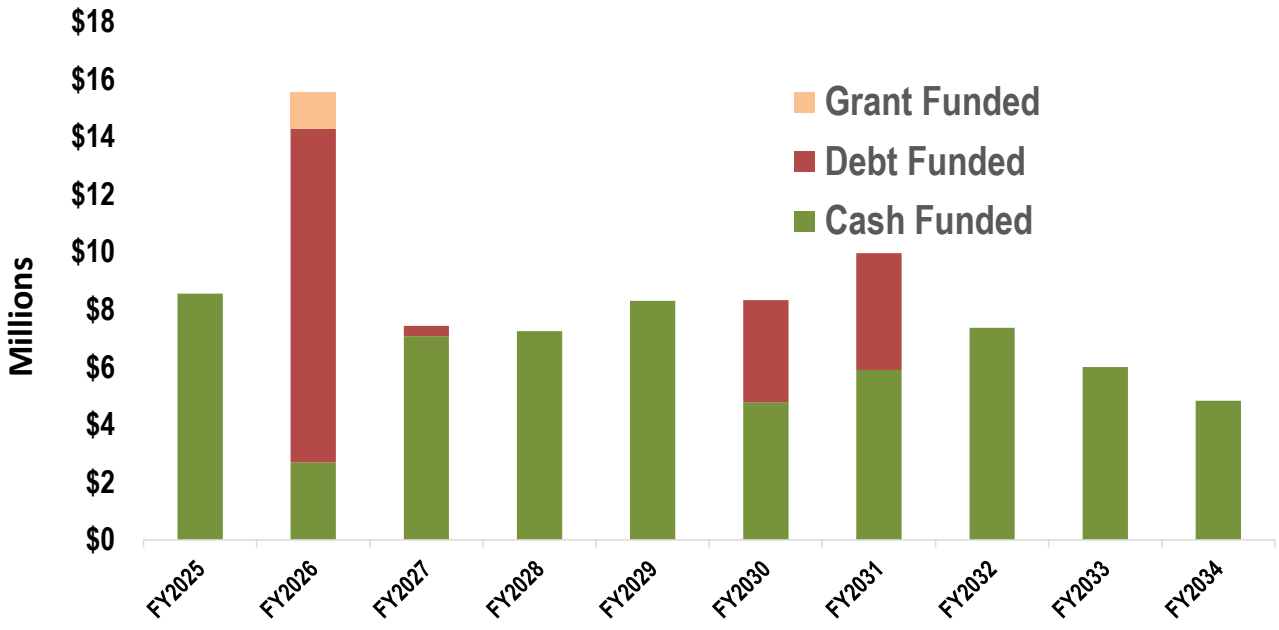


Figure 5: Forecasted Capital Spending with Debt Strategy

This Study assumes the debt for the Kokila Reservoir and Cavitt-Stallman projects will likely be in the form of low-interest rate financing through the State of California's Drinking Water Revolving Loan Fund (SRF) with a repayment period of 30-years and a fixed interest rate of 2.0 percent[4]).

[4] These assumptions were provided by District staff. Hildebrand Consulting is not a financial advisor and cannot provide guidance to the District regarding topics such as future interest rates for bonds.

Table 1 summarizes some of the details of the proposed new debt issues, including the timing and the ensuing annual debt service.

Table 1: Summary of Proposed Debt Issue

	SFR 1	SRF 2
Project	Koila Reservior	Cavitt-Stallman
Year of Issue	2026	2030
Debt Funded Projects	$11,971,000	$7,607,000
Total Debt Issue (including soft costs)	$12,630,559	$8,026,118
Interest Rate on Borrowings	2.00%	2.00%
Debt Maturity	30	30
First Payment Year	2028	2032
First Year of Interest Payment	2028	2032
Approx. Annual Debt Payments	$564,000	$358,000

2.5.5 Debt Service Coverage

The District's 2017 bond requires the District to maintain a debt service coverage ratio (DCR) of at least 1.15. The DCR is calculated based on the combined financial capacity of both the retail enterprise and the wholesale enterprise. Based on published guidance from Fitch Ratings[5], utility systems with *midrange* financial profiles should maintain a DCR greater than 1.5 times annual debt service. This Financial Plan demonstrates that a DCR of at least 3.35 will be maintained throughout the planning period. A large DCR value is not an indication of excessive revenue, rather it is an indication of a low reliance on debt.

2.5.6 Cash Reserve Policies

Cash reserve policies are cash balances targets that are retained for specific cash flow needs. The target for reserves is an important component when developing a multi-year Financial Plan and maintaining prudent reserves is an essential component of any sound financial management strategy. Utilities rely on reserves for financial stability;

[5] As published on July 31, 2013.

credit rating agencies evaluate utilities in part on their adherence to formally adopted reserve targets; and lending agencies require utilities to maintain specific debt reserves for outstanding loans. The target levels of the policies below are consistent with 1) the District's established policies and practices; 2) the findings of reserve studies conducted by the AWWA; 3) a healthy level of reserves for a utility per the evaluation criteria published by rating agencies (e.g., Fitch, Moody's, and Standard & Poor's); and 4) Hildebrand Consulting and The Reed Group's industry experience for similar systems.

The following recommended reserve policies are based on Board-approved policies (Policy FIN 5.9). The policy recommendations are intended to help the District mitigate and manage financial risk while meeting service and financial obligations.

Retail Operating Reserve - The purpose of the Retail Operating Reserve is to provide sufficient funds (working capital) for operations of the District. The reserve will be maintained in an amount equal to at least 20 percent of the annual operating expenditures (excluding depreciation). This amounts to about $2.8 million in FY 2024/25.

Retail Capital Reserve - The purpose of the reserve is to accumulate funds necessary to pay for the replacement of Retail's aged assets and to fund new Retail assets as deemed necessary by the District's Master Plan and Capital Improvement Plan. Consistent with the recommendation made in the 2021 Rate Study, this Report recommends a Capital Reserve target equal to 10-year average annual capital spending levels as an interim goal. This equates to a reserve target of $8.4 million.

Target Reserves vs. Minimum Reserves – When discussing the two reserve policies above, it is important to discern between two types of reserve policies. A *minimum* reserve policy refers to a reserve level that the District should never *plan* to draw down. Such reserves (such as the Operating Reserve policy) should only be drawn down in the event of an unforeseen circumstance. On the other hand, *target* reserves (such as the Capital reserve) are designed to be drawn down and built up over the course of a planning period. The purpose of such a reserve policy is to give the District financial flexibility, not to create restrictions on minimum levels.

2.5.7 Proposed Rate Revenue Increases

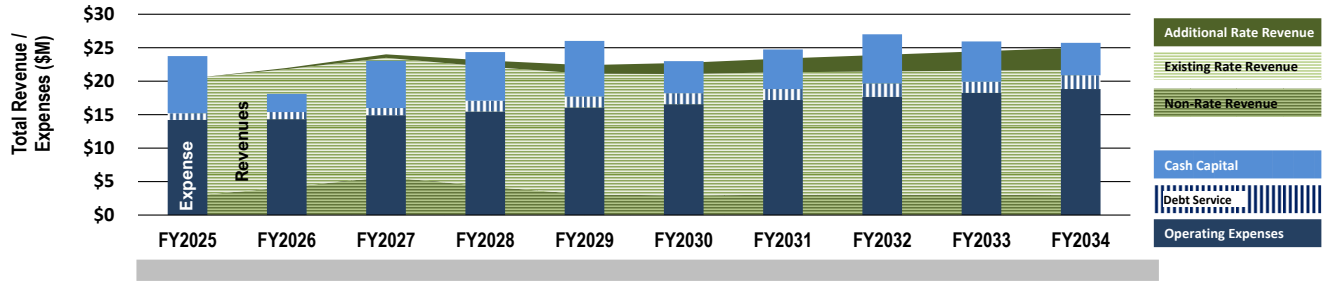
All of the above information was entered into a financial planning model to produce a 10-year projection of the sufficiency of current rate revenues to meet projected financial requirements and determine the level of rate revenue increases necessary in each year of the projection period.

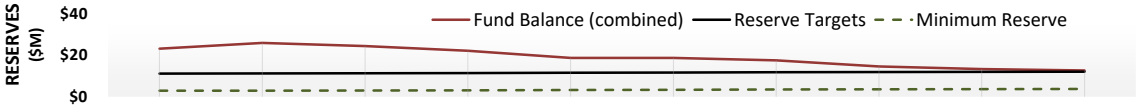
Based upon the previously discussed financial data, assumptions, policies, and debt strategy, this Study proposes a 4-year schedule of annual rate adjustments as detailed in **Table 2**.

Table 2: Recommended Water Rate Revenue Increase

Date	Proposed Rate Revenue Adjustment
July 1, 2025	1.0%
January 1, 2026	2.0%
January 1, 2027	2.0%
January 1, 2028	2.0%

The numbers provided in **Schedule 3** (cash flow proformas) are summarized graphically in **Figure 6**, which shows that the reserves are maintained over the course of the planning period and the DCR remains above 3.9 at all times.





	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034
	Proposed				Estimates					
Rate Revenue Increase	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Debt Coverage Ratio	5.64	10.77	10.30	9.57	6.57	6.17	6.20	4.02	3.95	3.92
Net Debt Proceeds		$11.6M	$0.4M			$3.5M	$4.1M			

Figure 6: Financial Projection with Recommended Rate Increases

The financial strategy (and associated rate increases) proposed by this Study are consistent with the recommendations made by the 2021 Rate Study. The proposed rate increases (which are lower than those projected by the 2021 Rate Study for this time period) are necessary in order to enable the District to fund a proactive capital spending program. The projected rate increases after FY 2029/30 shown in Figure 6 are only estimates to demonstrate that, based on current forecasts, larger rate increases are not anticipated for that time period (based on current projections).

Section 3. COST OF SERVICE & RATE STRUCTURE

The Cost-of-Service (COS) analysis evaluates the cost of providing water and allocates those costs to rate structure components to ensure the proposed rates are aligned with the costs to provide service. The COS analysis is performed in order to comply with Proposition 218, which requires water rates to be equitably apportioned and proportional to the cost of providing water service.

Upon completion of the COS analysis, a rate structure analysis was performed to evaluate rate structure modifications and calculate specific rate schedules for implementation in FY 2025/26. The complete schedule of proposed rates for April 2025 through FY 2028/29 is detailed in **Schedule 4**.

The rate structure proposed by this Study is designed to:

- Fairly and equitably recover costs through rates
- Conform to accepted industry practice and legal requirements
- Provide fiscal stability and recovery of system fixed costs
- Meet other rate setting objectives, as described in Section 1.4

This Study employed a COS methodology that is consistent with the "commodity-demand" COSA methodology promulgated in AWWA's *Manual M1: Principles of Water Rates, Fees, and Charges (M1)*. This is a well-established methodology as recognized by the AWWA and other accepted industry standards.

3.1 CURRENT RATES

The structure for the District's current water rates follow a common industry practice with a two-part structure that is comprised of a fixed Base Charge and a consumption-based Usage Charge. The Base Charge is scaled based on the individual account's meter size and currently recovers approximately 73 percent of rate revenue. The current Base

Charge schedule is summarized in **Table 3**. Bills are sent to customers every two months.

Table 3: Current Base Charge

Meter Size	*Daily Charge*
Up to 1" meter	$2.92
1 1/2" meter	$7.34
2" meter	$11.61
3" meter	$21.54
4" meter	$35.72
6" meter	$71.18
8" meter	$113.73

The Usage Charge is assessed based on actual water usage (measured in CCF). The Usage Charge is a flat (or "uniform") rate of $1.07 per CCF.

The District also charges a base charge for private fire services. It is recommended that the District increase the above based on cost inflation based on a published inflation index such as the consumer cost index (CCI).

3.2 CUSTOMER STATISTICS

Water rate calculations are based on a number of factors related to the District's customer base. Factors include the number of customers, customer classes, meter size, and actual water usage. The District provides water service through 11,165 water service connections (customer accounts). Single family, duplex and triplex customers comprise about 95.2 percent of the customer accounts and about 86.0 percent of annual water usage. Multi-family (4 or more units) and commercial customer accounts make up the remaining 4.8 percent of the customer accounts and 14.0 percent of annual water usage.

While there are extremes on both the low and high ends, average bimonthly single-family water usage is about 61.0 CCF (about 761 gallons per day). Water usage for condominium units and multi-family dwellings is lower than for single family residences for a variety of reasons including fewer people per household and limited landscape irrigation (or irrigation that is separately metered). Non-residential water

usage can vary dramatically, and non-residential customers are served by meters of varying sizes to accommodate the differences in water demands.

Service connections with different meter sizes can place different demands on the water system. For example, eight times more water can be delivered through a 3" water meter than through a 1" meter. The current rate structure is based on hydraulic capacity factors which relate the potential demands on the water system from customers with different sized water meters. These factors are used to determine the number of equivalent meters represented by the total customer base with variable meter sizes.

Typically, the smallest meter size is assigned a hydraulic capacity factor of 1.0 and the ratios of rated flow capacities of the various meter sizes compared to the capacity of that smallest meter are used to determine the capacity factors for other meter sizes. This capacity relationship across meter sizes is used to allocate capacity-related fixed costs to various customers. This is also a common rate-setting practice used in the water industry. In this particular case the District has a mix of 5/8", 3/4", and 1" meter sizes for single family homes since the standard size has changed over the years. The District historical practice has been to take the weighted average of those capacity factors to establish a factor of 0.75[6] for the average single-family home. This practice of grouping all customers with a meter size of 1" and smaller is done to acknowledge the fact that the vast majority of customers with those meter sizes are single family homes, and single family homes as group are quite homogeneous in terms of their peak water demands. This practice also considers the fact that the size of the meter for a single-family home is not a reflection of that account's water demands but rather it reflects the building code at the time that the meter was installed. Modern building code requires 1" meters in order to accommodate new fire flow standards. **Table 4** presents the rated flow capacity of various meter sizes and how these are used to develop hydraulic capacity factors.

[6] Last updated by the District in 2017 based on then-current meter count data.

Table 4: Rated Flow Capacity by Meter Size

Meter Size	Rated Flow Capacity (gpm)[1]	Hydraulic Capacity Factor
1" and below	38 [2]	0.75
1 1/2"	100	2.0
2"	160	3.2
3"	300	6.0
4"	500	10.0
6"	1000	20.0
8"	1600	32.0

[1] AWWA M1 Manual, 7th Edition, Table B-2

[2] Inferred based on calculated hydraulic capacity factor

Table 5 summarizes customer account and water usage data used in water rate calculations for FY 2024/25. Account information is based on the utility billing data from FY 2022/23.

Table 5: Summary of Water Service Connections and Water Usage

	1" and below	1 1/2"	2"	3"	4"	6"	8"	Total	Actual FY 2022/23 Water Use (CCF)
Number of Accounts									
Single Family Residential	10,604	14	6	-				**10,624**	3,815,000
Multi-Fam. & Non-Resid.	245	111	157	24	3	1		**541**	620,900
Total Accounts	**10,849**	**125**	**163**	**24**	**3**	1	-	**11,165**	**4,435,900**
Hydraulic Capacity Factor	0.75	2.0	3.2	6.0	10.0	20.0	32.0		
1" Equivalent Meters	8,137	250	522	144	30	20	-	**9,102**	

3.3 WATER RATE CALCULATIONS

There were two primary steps in calculating the proposed water rates. These are:

- Determine annual water rate revenue requirements
- Analyze the cost of providing service and proportionately allocate costs to be recovered from customers either through the Base Charge or the Usage Charge.

3.3.1 Water Rate Revenue Requirements

The 10-year Financial Plan was used to identify the water rate revenue required to meet financial obligations for each fiscal year of the planning period. The water rate

calculations presented herein are based on the revenue to be generated in CY 2025[7], and reflect the proposed 2 percent overall rate increase to be incorporated in the District's Financial Plan. The annual water rate revenue requirement with this rate adjustment is $17,718,000.

3.3.2 Cost-of-Service Analysis

Once the annual water rate revenue requirement was determined using the financial planning model, the next step in the rate-setting process was to allocate costs to be recovered through the various rate elements. Water rate calculations contained herein are intended to generate water rate revenue equal to the revenue requirement from the District's water service customers. The manner in which each customer is responsible for the water utility's costs is the determining factor in the cost-of-service analysis.

The cost allocation approach presented by this Study is consistent with the methodology that was used in the District's past two rate studies (2017 and 2022). The methodology is commensurate with the available data and the requirement to fairly and reasonably reflect the cost difference to provide services to different types of customers.

The cost allocation methodology begins by assigning all costs to one of three revenue recovery categories. The cost allocation process is performed with data available in the District's detailed budget and other documents. The three categories include:

- The Account Charge recovers customer costs such as billing and customer service that are fixed costs that tend to vary as a function of the number of customers being served. Customer costs are allocated to customers based on the number of accounts. That is, every customer will pay an equal share of customer-related costs.
- The Meter Charge recovers capacity costs that are also fixed costs; however, these tend to vary in relation to the capacity of the water system and the ability to serve

[7] The proposed rate increases will occur on July 1, which is the beginning of the fiscal year.

the demands of active customers. Customers that place greater or lesser burdens on the capacity of the water system should bear greater or lesser shares of these costs. The sizing of the water system is based on the potential demand that each customer could place on the water system. Capacity costs are allocated to customers based on the hydraulic capacity of the water meter. The hydraulic capacity reflects the potential demand that a customer could place on the water system at any given time and is a general indicator of each customer's capacity requirement. A customer with a large meter size will be assigned a large share of fixed capacity-related costs than one with a smaller meter. Capacity costs include costs associated with the water system's capacity including contributions to the capital program, debt service, maintenance, and certain fixed operating costs.

- The Usage Charge recovers commodity costs that include costs that vary entirely or substantially in response to the amount of actual water use or are reasonably allocated on the basis of water use. Water purchase costs and energy costs are two typical examples. Even though some commodity costs are fixed, rather than variable, it is reasonable to recover a portion of fixed costs from customers through usage rates.

Table 6 summarizes how the FY 2024/25 revenue requirement is comprised of various functional categories of operating and maintenance costs, debt service obligations, and capital spending with offsetting revenues and the application of available reserves. It also illustrates how these functional cost categories are each assigned to one or more of the three revenue recovery components, previously described.

The costs within each of the functional categories were derived from the line-item detailed budget for FY 2024/25. Table 6 shows that all source of supply costs, operations, and water efficiency costs are recovered through the usage charge. The usage charge is also assigned 14.5 percent of field services (which is the variable energy cost portion of field services) and 55 percent of engineering costs. The Use of Reserves (bottom row) is allocated based on the indirect method (based on the weighted average allocation of all previous costs).

The final allocations result in 4.5 percent of costs being recovered through the account charge, 68.5 percent are recovered through the meter charge, and 27.0 percent through usage charge. These percentages are close but not identical to those developed in the 2021 Rate Study. Changes to these allocation percentages are a natural by-product of shifts in the District's cost profile (such as the increase in capital spending).

Once functional cost categories are allocated to the components, the total for each component is divided by the number of units to arrive at total unit costs for each component. The units of demand include the number of customer accounts (service connections), number of 1" equivalent meters, and annual water sales for the customer, capacity, and commodity components, respectively.

Table 6: FY 2024/25 Units Cost of Service

		Revenue Recovery		
		Account Charge	Meter Charge	Usage Charge
Administration	$526,000		$526,000	
	Allocation:		*100%*	
Board of Directors	$106,000		$106,000	
	Allocation:		*100%*	
Water Efficiency	$561,000			$561,000
	Allocation:			*100%*
Customer Service	$807,000	$807,000		
	Allocation:	*100%*		
Engineering	$806,000		$362,700	$443,300
	Allocation:		*45%*	*55%*
Executive	$187,000		$187,000	
	Allocation:		*100%*	
Field Services	$5,509,000		$4,710,000	$799,000
	Allocation:		*85.5%*	*14.5%*
Finance	$629,000		$629,000	
	Allocation:		*100%*	
Human Resources	$923,000		$923,000	
	Allocation:		*100%*	
Information Technology	$283,000		$283,000	
	Allocation:		*100%*	
Operations	$435,000			$435,000
	Allocation:			*100%*
Public Relations	$85,000		$85,000	
	Allocation:		*100%*	
Source of Supply	$3,368,000			$3,368,000
	Allocation:			*100%*
Capital Spending	$8,555,000		$8,555,000	
	Allocation:		*100%*	
Debt Service	$976,000		$976,000	
Total:	*Allocation:*		*100%*	
Pumping Surcharge Revenue:				
Total:	*Allocation:*			*100%*
Non-Rate Revenue	-$3,094,000		-$3,094,000	
Total:	*Allocation:*		*100%*	
Use of Reserves	-$2,944,000		-$2,113,000	-$831,000
Total:	*Allocation:*		*71.8%*	*28.2%*
Total Revenue Requirement:	**$17,718,000**	**$807,000**	**$12,135,700**	**$4,775,300**
Units of Service:		11,165 accounts	9,102 Equivalent Meters	4,435,900 CCF
Unit Rate:		$0.20 per account	$3.65 per EM	$1.08 per CCF

3.3.2.1 BASE CHARGES

Base charges are a combination of the account charge and meter charge identified through the COS analysis. Base Charges apply to all customer water bills, regardless of the amount of water actually used. Customers that use no water during a billing period should still be required to pay the Base Charge, as service is immediately available to them. In calculating Base Charges, the account charge is allocated equally to all customers and the meter charge is allocated to customers based on their meter size.

The proposed daily Base Charge in for a 1" meter is $2.94, as shown in **Table 7**. This value was calculated by adding the daily account charge of $0.20 plus 75 percent of $3.65, which is the daily meter charge per equivalent meter (both at the bottom of **Table 6**).

For larger meters, the meter charge portion of the Base Charge increases in proportion to the meter equivalency, while the account charge remains the same for all meter sizes. The variation of service charges through meter sizes reflects the fact that a small portion of water system costs are directly related to the number of customers served. A majority of fixed costs are allocated on a capacity basis as reflected by the meter size. The changes to the Base Charges across the range of meter sizes more objectively reflect a consistent proportioning of the cost of providing service to customers of varying meter sizes.

Table 7: Calculation of Proposed Daily Base Charges

Meter Size	Customer Charge	Hydraulic Factor	Meter Charge	Daily Base Charge
Up to 1" meter	$0.20	0.75	$2.74	$2.94
1 1/2" meter	$0.20	2.00	$7.31	$7.51
2" meter	$0.20	3.20	$11.69	$11.89
3" meter	$0.20	6.00	$21.92	$22.12
4" meter	$0.20	10.00	$36.53	$36.73
6" meter	$0.20	20.00	$73.05	$73.25
8" meter	$0.20	32.00	$116.89	$117.09

3.3.2.2 WATER USAGE RATES

Current water rates include a uniform usage rate for all customer classes of $1.07 per CCF. Under the proposed water rates for CY 2025, the uniform water rate would increase to $1.08 per CCF (as calculated at the bottom of **Table 6**).

3.3.3 Bill Impacts of Proposed Water Rates

Table 8 summarizes how the proposed water rates proposed for July 1, 2025 would affect a sample of customers. In most cases, water bills will increase by slightly more or less than the average 1 percent rate revenue increase for Year 1. These variations are a natural occurrence in the first year after a COS update due to changes to the rate structure.

Table 8: Bimonthly Bill Impacts for a Sampling of Customers

	Meter Size	Water Use (CCF)	Current Bill	Proposed Bill [1]	Change $	Change %
Residential						
Low Use	1"	25	$201.95	$203.40	$1.45	0.7%
Median Use	1"	43	$221.21	$222.84	$1.63	0.7%
Average	1"	61	$240.52	$242.33	$1.81	0.8%
High Use	1"	120	$303.60	$306.00	$2.40	0.8%
Multi-family						
Small	1 1/2"	200	$654.40	$666.60	$12.20	1.9%
Medium	2"	400	$1,124.60	$1,145.40	$20.80	1.8%
Large	3"	800	$2,148.40	$2,191.20	$42.80	2.0%
Non-Residential						
Retail Business	1"	25	$201.95	$203.40	$1.45	0.7%
Restaurant	2"	400	$1,124.60	$1,145.40	$20.80	1.8%
Institution	3"	800	$2,148.40	$2,191.20	$42.80	2.0%
Irrigation	2"	400	$1,124.60	$1,145.40	$20.80	1.8%

[1] With Year 1 rate increases

3.4 ADOPTION OF PROPOSED RATES

The 4-year schedule of proposed water rates is presented in Schedule 4). The first rate increase is proposed to be effective as of July 1, 2025 while subsequent increases are proposed to occur each January 1 (halfway through their respective fiscal year).

Section 4. PRIVATE FIRE LINE RATES

The District assesses a charge for separate private service connections that provide fire suppression capabilities to structures and property (e.g., serving automatic internal sprinkler systems)[8]. In effect, these connections extend the public fire suppression capabilities of the water distribution systems (i.e., provided through public fire hydrants) to private property. Fire flow capacity is built into the water distribution system (in pipelines, distribution storage, and pumping capabilities) as an essential public health and safety benefit to the entire community. The costs of maintaining the fire flow capacity within the general system are inextricably embedded in the costs of maintaining the water system and incorporated in the capacity cost component of water rates generally.

The District provides maintenance and replacement services up to the backflow device for private fire service lines, which is a service that is not provided to other customers. Maintenance primarily requires periodic exercising of valves but may also include visual inspection of the surface ancillaries such as valve boxes and covers, corrosion inspection and vault pumping. Replacement of standby fire services, up to the line of responsibility (typically the backflow device), is done by the District or an on-call contractor.

The proposed monthly Private Fire Line Rate is summarized in Table 9 and is calculated based on the cost of regular maintenance and the cost of replacing the line. Based on District staff estimates the maintenance costs for each service are approximately $119 every 5 years (therefore $23.80 per year). The replacement costs depend on the size of the service line as summarized in Table 9. The expected useful life of ductile iron pipe is 100 years, and the average length of the service line was assumed to be 40 linear feet.

[8] Customers who have private fire service connections also have general water service connections for ongoing water use.

The Private Fire Line Rates are estimated the generate about $101 thousand per year.

Table 9: Private Fire Line Rate Calculation and Schedule

Service Line Size:	4"	6"	8"	10"	12"
Annual Maintenance	$23.80	$23.80	$23.80	$23.80	$23.80
Replacement Cost [1]	$67,500	$77,700	$88,100	$97,200	$104,400
Annual Replacement [2]	$675.00	$777.00	$881.00	$972.00	$1,044.00
Total Annual Charge	$698.80	$800.80	$904.80	$995.80	$1,067.80
Daily Charge	**$1.91**	**$2.19**	**$2.48**	**$2.73**	**$2.93**

[1] Assumes 40 linear feet of ductile iron pipe

[2] Assumes 100-year expected useful life

After the initial rate adjustment in FY 2025/26, it is recommended that the District increase the above rates by 3% per year, which is equal to forecasted annual cost inflation. The complete 4-year rate schedule is provided in Schedule 4.

Section 5. CONCLUSION

This Study used methodologies that comply with the requirements of all applicable laws, including California's Proposition 218 and are aligned with industry standard practices for rate setting as promulgated by AWWA. The proposed annual adjustments to the water rates are expected to enable the District to continue to provide reliable service to customers while meeting the state's mandates.

The proposed water rates have been adopted in accordance with Proposition 218. Prior to conducting a Public Hearing (on June 11th 2025), the District mailed a detailed notice to each affected property owner/customer, which described the proposed rate changes. No majority protest ensued. On July 16th, 2025 the Board voted to adopt the water rates shown in this Report, which are slightly different (but lower) than the rates that were reflected on the mailed Proposition 218 notice.

As with past practice, the District should monitor financial conditions and needs on an ongoing (annual) basis and update the financial plan model if conditions or plans change sufficiently to warrant an update. Actual future conditions, such as water demand, water sales revenue, operating and maintenance expenses, capital project costs/timing, project financing, etc., may differ from the financial plan assumptions reflected herein. Material differences affecting the overall financial condition of the retail water system may warrant closer review and/or an earlier update. The need for and magnitude of annual retail water rate increases may also be affected by differences between assumed and actual conditions.

SCHEDULES

Schedule 1 –Projected Operating Expenses

Schedule 2 - Capital Spending Plan

Schedule 3 - Cash Flow Pro Forma (Operating Fund and Capital Fund)

Schedule 4 – 4-Year Schedule of Proposed Water Rates

Schedule 1 –Projected Operating Expense

		Budget FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	Forecast FY 2031	Forecast FY 2032	Forecast FY 2033	Forecast FY 2034
1	**Administration**	$525,500	$416,300	$428,800	$441,700	$455,000	$468,700	$482,800	$497,300	$512,200	$527,600
2	**Board of Directors**	$65,700	$5,000	$30,000	$5,000	$30,000	$5,000	$30,000	$5,000	$30,000	$5,000
3	Salaries & Benefits	$40,200	$41,400	$42,600	$43,900	$45,200	$46,600	$48,000	$49,400	$50,900	$52,400
4	**Water Efficiency**	$65,100	$67,100	$69,100	$71,200	$73,300	$75,500	$77,800	$80,100	$82,500	$85,000
5	Salaries & Benefits	$402,100	$414,200	$426,600	$439,400	$452,600	$466,200	$480,200	$494,600	$509,400	$524,700
6	Health	$93,600	$98,300	$103,200	$108,400	$113,800	$119,500	$125,500	$131,800	$138,400	$145,300
7	**Customer Service**	$293,400	$302,200	$311,300	$320,600	$330,200	$340,100	$350,300	$360,800	$371,600	$382,700
8	Salaries & Benefits	$411,800	$424,200	$436,900	$450,000	$463,500	$477,400	$491,700	$506,500	$521,700	$537,400
9	Health	$101,300	$106,400	$111,700	$117,300	$123,200	$129,400	$135,900	$142,700	$149,800	$157,300
10	**Engineering**	$222,400	$129,100	$133,000	$137,000	$141,100	$145,300	$149,700	$154,200	$158,800	$163,600
11	Salaries & Benefits	$501,700	$516,800	$532,300	$548,300	$564,700	$581,600	$599,000	$617,000	$635,500	$654,600
12	Health	$81,700	$85,800	$90,100	$94,600	$99,300	$104,300	$109,500	$115,000	$120,800	$126,800
13	**Executive**	$6,500	$6,700	$6,900	$7,100	$7,300	$7,500	$7,700	$7,900	$8,100	$8,300
14	Salaries & Benefits	$154,900	$159,500	$164,300	$169,200	$174,300	$179,500	$184,900	$190,400	$196,100	$202,000
15	Health	$25,300	$26,600	$27,900	$29,300	$30,800	$32,300	$33,900	$35,600	$37,400	$39,300
16	**Field Services**	$1,520,300	$1,425,900	$1,468,700	$1,512,800	$1,558,200	$1,604,900	$1,653,000	$1,702,600	$1,753,700	$1,806,300
17	Salaries & Benefits	$2,715,300	$2,796,800	$2,880,700	$2,967,100	$3,056,100	$3,147,800	$3,242,200	$3,339,500	$3,439,700	$3,542,900
18	Health	$512,500	$538,100	$565,000	$593,300	$623,000	$654,200	$686,900	$721,200	$757,300	$795,200
19	**Energy Costs**	$761,000	$799,100	$839,100	$881,100	$925,200	$971,500	$1,020,100	$1,071,100	$1,124,700	$1,180,900
20	**Finance**	$134,500	$70,500	$72,600	$74,800	$77,000	$79,300	$149,700	$86,200	$88,800	$91,500
21	Salaries & Benefits	$415,400	$427,900	$440,700	$453,900	$467,500	$481,500	$495,900	$510,800	$526,100	$541,900
22	Health	$79,400	$83,400	$87,600	$92,000	$96,600	$101,400	$106,500	$111,800	$117,400	$123,300
23	**Human Resources**	$39,900	$41,100	$42,300	$43,600	$44,900	$46,200	$47,600	$49,000	$50,500	$52,000
24	Salaries & Benefits	$84,954	$87,500	$90,100	$92,800	$95,600	$98,500	$101,500	$104,500	$107,600	$110,800
25	Health & OPEB	$542,300	$569,400	$597,900	$627,800	$659,200	$692,200	$726,800	$763,100	$801,300	$841,400
26	Contribution to PERS Liability	$255,946	$392,500	$480,800	$570,300	$658,600	$663,600	$663,600	$663,600	$663,600	$663,600
27	**Information Technology**	$150,200	$154,700	$159,300	$164,100	$169,000	$174,100	$179,300	$184,700	$190,200	$195,900
28	Salaries & Benefits	$113,900	$117,300	$120,800	$124,400	$128,100	$131,900	$135,900	$140,000	$144,200	$148,500
29	Health	$19,100	$20,100	$21,100	$22,200	$23,300	$24,500	$25,700	$27,000	$28,400	$29,800
30	**Operations**	$12,000	$12,400	$12,800	$13,200	$13,600	$14,000	$14,400	$14,800	$15,200	$15,700
31	Salaries & Benefits	$361,400	$372,200	$383,400	$394,900	$406,700	$418,900	$431,500	$444,400	$457,700	$471,400
32	Health	$61,400	$64,500	$67,700	$71,100	$74,700	$78,400	$82,300	$86,400	$90,700	$95,200
33	**Public Relations**	$85,000	$87,600	$90,200	$92,900	$95,700	$98,600	$101,600	$104,600	$107,700	$110,900
34	**Purchasing**	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
35	**Source of Supply**	$3,367,800	$3,468,800	$3,572,900	$3,680,100	$3,790,500	$3,904,200	$4,021,300	$4,141,900	$4,266,200	$4,394,200
36	**Total**	**$14,223,500**	**$14,329,400**	**$14,908,400**	**$15,455,400**	**$16,067,800**	**$16,564,600**	**$17,192,700**	**$17,655,500**	**$18,254,200**	**$18,823,400**

SCHEDULE 2 - CAPITAL SPENDING FORECAST

	Project Name	FY25-26	FY26-27	FY27-28	FY28-29	FY29-30	FY30-31	FY31-32	FY32-33	FY33-34
1	*Kokila Tank*	*$12,860,000*								
2	Service Line Replacements (85 Planned Replacements/Yr)		*$1,650,000*	*$1,700,000*	*$1,750,000*	*$1,803,000*	*$1,857,000*	*$1,913,000*	*$1,970,000*	*$2,029,000*
3	Air Release Valve Replacements (20yrs @ 45 ARV Replacements/Yr, 878 Total)	*$250,000*	*$1,000,000*	*$1,030,000*	*$1,061,000*	*$1,093,000*	*$1,126,000*	*$1,159,000*	*$1,194,000*	*$1,230,000*
4	Residential Meter & Endpoint Replacement	*$280,000*	*$288,000*	*$297,000*	*$306,000*	*$315,000*	*$325,000*	*$334,000*	*$344,000*	*$355,000*
5	Cavitt Stallman (Oak Pine to Sierra Ponds, 2,000 LF of 12")		*$80,000*		*$1,604,000*					
6	*Cavitt Stallman (Sierra Ponds to Vogel Valley, 6,900 LF of 12")*		*$361,000*			*$3,547,000*	*$4,060,000*			
7	Lakeland Dr from Douglas to East Granite (650-LF of 12-in)			*$541,000*						
8	Hidden Lakes 12-in Main (950-LF, 15 Serv, 7960 W Hidden Lakes to Haley)			*$738,000*						
9	Wharf Hydrant Replacements (Total 96, 10-Yr Replacement)	*$232,000*	*$239,000*	*$246,000*	*$253,000*	*$261,000*	*$269,000*	*$277,000*	*$285,000*	
10	Hydrant Replacements (10 Replacements/Yr)	*$206,000*	*$212,000*	*$219,000*	*$225,000*	*$232,000*	*$239,000*	*$246,000*	*$253,000*	*$522,000*
11	Del Oro Rd (Replace approx. 3,050 lf of 6-in steel pipeline w/ 8-in)			*$15,000*	*$1,514,000*					
12	Wilhoff Ln (Replace approx 2,300 lf of 6-in steel pipe w/ 8-in)			*$11,000*	*$1,153,000*					
13	Site Security Evaluation and Design (50/50 split W/R)		*$477,000*							
14	Hidden Lakes PRV Replacement			*$82,000*						
15	Seeno Ave (Replace approx 3,000 lf of 10-in pipe, and all appurtenances)	*$204,000*	*$1,540,000*							
16	Greenhills Dr (Replace approx 1,800 lf of 6-in pipe w/ 8-in, and all appurtenances)	*$111,000*	*$840,000*							
17	Bacon Pump Station Manifold Evaluation	*$54,000*								
18	Santa Juanita 3" Pipeline Replacment Project	*$649,000*								
19	Granite Ave (Replace approx 1,300 lf of 12-in pipe, and all appurtenances)							*$1,359,000*		
20	2030 Retail Master Plan Update (timing not changed in alternatives)						*$358,000*			
21	Condition Assessments (from Rtl MP)		*$90,000*	*$1,230,000*	*$90,000*	*$100,000*	*$1,040,000*	*$1,720,000*	*$930,000*	*$190,000*
22	Bacon Manifold Piping Modifications (Conn. Surge Valves to Suction)				*$23,000*					
23	Clean Fleet Elec Improvements					*$348,000*				
24	Field Ops - Vehicle #E172-16 (2016 Vermeer)	*$134,000*								
25	Field Ops - Vehicle #E168-15 (2015 Safety Trailer; Night Work; SWPPP)	*$19,000*								
26	Engineering - Vehicle #33 (2016 F-150 SuperCab) - 25/75 split W/R		*$52,000*							
27	Field Ops - Equip #E09 (2011 Loader - John Deere)		*$138,000*							
28	Field Ops - Equip #E178-17 (2017 Compressor) - replaced Veh #E59 in 2017			*$35,000*						
29	Field Ops - Vehicle #E180-17 (2017 - 270 Mud Trailer) - replaced Veh #E30 in 2017			*$9,000*						
30	Field Ops - Equip #E187-17 (2017 Mud Trailer) - replaced Veh #E70 in 2017			*$9,000*						
31	Conservation - Vehicle #34 (2016 Chevy Coloardo)					*$51,000*				
32	Executive - Vehicle #32 - Retail Share (2014 Ford Edge) - 50/50 split W/R					*$14,000*				
33	Field Ops - Vehicle #37 (2020 F-250 Crew Cab, 4x4)						*$128,000*			
34	Field Ops - Vehicle #38 (2020 F-150 CrewCab, 4x2)						*$61,000*			
35	Field Ops - Vehicle #39 (2020 F-450, used old V#28 bed)						*$111,000*			
36	Conservation - Vehicle #46 (2022 Ford Ranger)								*$69,000*	
37	Engineering - Vehicle #41 (2022 Ford F-150 4x4) - 50/50 split W/R								*$34,000*	
38	Field Ops - Vehicle #49 (2022 Ford F-150)								*$69,000*	
39	Field Ops - Vehicle #48 (2022 Ford Explorer)								*$35,000*	
40	Field Ops - Vehcile #42 (2022 Ford F-150)								*$69,000*	
41	Field Ops - Vehicle #36 (2017 F-550 w/ Royal Utility Bed)								*$126,000*	
42	Field Ops - Vehicle #35 (2017 F-450, used old V9 bed)									*$133,000*
43	Future Main Replacements (TBD based on condition and high No. of breaks)	*$300,000*	*$309,000*	*$318,000*	*$328,000*	*$338,000*	*$348,000*	*$358,000*	*$369,000*	*$380,000*
44	Fuller Drive Pipeline Extension at AFR intersection (575-lf of 10-in)			*$443,000*						
45	Bacon - ARC-N Intertie at Bacon PS						*$43,000*		*$256,000*	
46	Mooney Ridge Hydro-Tank Evaluation (Condition analysis)	*$52,000*								
47	Mooney Tank Air-compressor and controls	*$103,000*								
48	Mooney Tank Road Improvements	*$103,000*								
49	Mooney Tank Building New Roof					*$232,000*				
50	East Roseville Parkway PRV (new)		*$159,000*							
51	Field Services Equipment Shelter (40'x240')			*$328,000*						
52	**Capital Improvement Program Totals:**	**$15,557,000**	**$7,435,000**	**$7,251,000**	**$8,307,000**	**$8,334,000**	**$9,965,000**	**$7,366,000**	**$6,003,000**	**$4,839,000**
									Total:	**$75,057,000**

Schedule 3 (1 of 2) - Cash Flow Pro Forma for Retail Operating Fund

		Budget FY2025	Forecast FY2026	Forecast FY2027	Forecast FY2028	Forecast FY2029	Forecast FY2030	Forecast FY2031	Forecast FY2032	Forecast FY2033	Forecast FY2034
1	**Proposed Rate Revenue Increase:**	**1.00%**	**2.00%**	**2.00%**	**2.00%**	**2.00%**	**2.00%**	**2.00%**	**2.00%**	**2.00%**	**2.00%**
2	**Rate Revenue**	$17,542,000	$17,717,000	$18,187,000	$18,670,000	$19,167,000	$19,677,000	$20,200,000	$20,737,000	$21,287,000	$21,853,000
3	Change due to growth & water use	$0	$116,000	$119,000	$123,000	$126,000	$129,000	$133,000	$136,000	$140,000	$143,000
4	Increase due to rate adjustments	$0	$177,000	$182,000	$187,000	$192,000	$197,000	$202,000	$207,000	$213,000	$219,000
	Non-Rate Revenues										
5	Private Firelines	$100,000	$103,000	$106,000	$109,000	$113,000	$116,000	$123,000	$127,000	$130,000	$0
6	COP Payments	$79,000	$79,000	$79,000	$79,000	$79,000	$79,000	$79,000	$79,000	$79,000	$79,000
7	Interest Earnings	$145,000	$120,000	$86,000	$89,000	$93,000	$96,000	$99,000	$103,000	$106,000	$110,000
8	Operating Revenue	$385,000	$383,000	$392,000	$402,000	$412,000	$423,000	$433,000	$444,000	$455,000	$467,000
9	**Total Revenue**	**$18,251,000**	**$18,695,000**	**$19,151,000**	**$19,659,000**	**$20,182,000**	**$20,717,000**	**$21,269,000**	**$21,833,000**	**$22,410,000**	**$22,871,000**
	O&M Costs										
10	Source of Supply	$3,368,000	$3,469,000	$3,573,000	$3,680,000	$3,791,000	$3,904,000	$4,021,000	$4,142,000	$4,266,000	$4,394,000
11	Operations	$5,183,000	$5,210,000	$5,378,000	$5,552,000	$5,732,000	$5,918,000	$6,110,000	$6,309,000	$6,514,000	$6,727,000
12	Customer Service & Water Efficiency	$1,367,000	$1,412,000	$1,459,000	$1,507,000	$1,557,000	$1,608,000	$1,661,000	$1,717,000	$1,773,000	$1,832,000
14	Management & Admin	$2,739,000	$2,708,000	$2,904,000	$3,055,000	$3,258,000	$3,331,000	$3,521,000	$3,531,000	$3,661,000	$3,744,000
15	Engineering	$806,000	$732,000	$755,000	$780,000	$805,000	$831,000	$858,000	$886,000	$915,000	$945,000
16	Utilities	$761,000	$799,000	$839,000	$881,000	$925,000	$972,000	$1,020,000	$1,071,000	$1,125,000	$1,181,000
17	***Total Operating Expenses***	**$14,224,000**	**$14,330,000**	**$14,908,000**	**$15,455,000**	**$16,068,000**	**$16,564,000**	**$17,191,000**	**$17,656,000**	**$18,254,000**	**$18,823,000**
	Other Costs										
18	Existing Debt Service	$976,000	$1,070,000	$1,070,000	$1,070,000	$1,069,000	$1,070,000	$1,069,000	$1,070,000	$757,000	$1,138,000
19	New Debt Service	$0	$0	$0	$564,000	$564,000	$564,000	$564,000	$922,000	$922,000	$922,000
20	Transfer Out to Capital Fund	$2,284,000	$4,427,000	$3,057,000	$2,461,000	$2,358,000	$2,420,000	$2,320,000	$2,092,000	$2,357,000	$1,874,000
21	**Total Revenue Requirement**	**$17,484,000**	**$19,827,000**	**$19,035,000**	**$19,550,000**	**$20,059,000**	**$20,618,000**	**$21,144,000**	**$21,740,000**	**$22,290,000**	**$22,757,000**
22	**Beginning Year Balance**	**$3,231,000**	**$3,998,000**	**$2,866,000**	**$2,982,000**	**$3,091,000**	**$3,214,000**	**$3,313,000**	**$3,438,000**	**$3,531,000**	**$3,651,000**
23	**Surplus/(Shortfall)**	**$767,000**	**($1,132,000)**	**$116,000**	**$109,000**	**$123,000**	**$99,000**	**$125,000**	**$93,000**	**$120,000**	**$114,000**
24	**End of Year Balance**	**$3,998,000**	**$2,866,000**	**$2,982,000**	**$3,091,000**	**$3,214,000**	**$3,313,000**	**$3,438,000**	**$3,531,000**	**$3,651,000**	**$3,765,000**
25	*Operating Reserve Target*	$2,845,000	$2,866,000	$2,982,000	$3,091,000	$3,214,000	$3,313,000	$3,438,000	$3,531,000	$3,651,000	$3,765,000
	Debt Coverage Calculations										
	Total Revenue Available for Debt Service										
26	...without Connection Fees	$4,027,000	$4,365,000	$4,243,000	$4,204,000	$4,114,000	$4,153,000	$4,078,000	$4,177,000	$4,156,000	$4,048,000
27	*Total Yearly Parity Debt Payment*	*$976,000*	*$1,070,000*	*$1,070,000*	*$1,634,000*	*$1,633,000*	*$1,634,000*	*$1,633,000*	*$1,992,000*	*$1,679,000*	*$2,060,000*
28	**Debt Coverage Ratio (without Impact Fees)**	**4.13**	**4.08**	**3.97**	**2.57**	**2.52**	**2.54**	**2.50**	**2.10**	**2.48**	**1.97**

Schedule 3 (2 of 2) - Cash Flow Pro Forma for Retail Capital Fund

		Budget 2025	Forecast 2026	Forecast 2027	Forecast 2028	Forecast 2029	Forecast 2030	Forecast 2031	Forecast 2032	Forecast 2033	Forecast 2034
1	**Capital Fund Beginning Balance**	$23,110,000	$19,224,000	$23,192,000	$21,563,000	$19,144,000	$15,525,000	$15,413,000	$14,113,000	$11,119,000	$9,699,000
	Revenues										
2	Property Tax Revenue	$1,530,000	$1,561,000	$1,592,000	$1,624,000	$1,656,000	$1,689,000	$1,723,000	$1,757,000	$1,792,000	$1,828,000
3	Capital Facility Fees	$175,000	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000
4	Investment/Interest Income	$680,000	$577,000	$696,000	$647,000	$574,000	$466,000	$462,000	$423,000	$334,000	$291,000
5	Transfer In from Operations Fund	$2,284,000	$4,427,000	$3,057,000	$2,461,000	$2,358,000	$2,420,000	$2,320,000	$2,092,000	$2,357,000	$1,874,000
6	**Total Revenues**	**$4,669,000**	**$6,665,000**	**$5,445,000**	**$4,832,000**	**$4,688,000**	**$4,675,000**	**$4,605,000**	**$4,372,000**	**$4,583,000**	**$4,093,000**
	Expenditures										
7	**Total Capital Spending**	**$8,555,000**	**$15,557,000**	**$7,435,000**	**$7,251,000**	**$8,307,000**	**$8,334,000**	**$9,965,000**	**$7,366,000**	**$6,003,000**	**$4,839,000**
8	Bond Funded Capital	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
9	SRF Funded Capital	$0	$11,610,000	$361,000	$0	$0	$3,547,000	$4,060,000	$0	$0	$0
10	Grant Funded Capital	$0	$1,250,000	$0	$0	$0	$0	$0	$0	$0	$0
11	Cash Funded Capital Projects	$8,555,000	$2,697,000	$7,074,000	$7,251,000	$8,307,000	$4,787,000	$5,905,000	$7,366,000	$6,003,000	$4,839,000
	Surplus/(Shortfall)	($3,886,000)	$3,968,000	($1,629,000)	($2,419,000)	($3,619,000)	($112,000)	($1,300,000)	($2,994,000)	($1,420,000)	($746,000)
12	**Capital Fund Ending Balance**	**$19,224,000**	**$23,192,000**	**$21,563,000**	**$19,144,000**	**$15,525,000**	**$15,413,000**	**$14,113,000**	**$11,119,000**	**$9,699,000**	**$8,953,000**
13	*Emergency Reserve Target*	$8,360,000	$8,360,000	$8,360,000	$8,360,000	$8,360,000	$8,360,000	$8,360,000	$8,360,000	$8,360,000	$8,360,000
14	*Available Cash*	$10,864,000	$14,832,000	$13,203,000	$10,784,000	$7,165,000	$7,053,000	$5,753,000	$2,759,000	$1,339,000	$593,000

Schedule 4 – 4-Year Schedule of Proposed Water Rates

		Proposed Implementation Dates			
	Current	July 1, 2025	Jan. 1, 2026	Jan. 1, 2027	Jan. 1, 2028
Overall Rate Revenue Increase -->		1%	2%	2%	2%
Daily Base Charges					
Up to 1" meter	$2.92	$2.94	$3.00	$3.06	$3.12
1 1/2" meter	$7.34	$7.51	$7.66	$7.81	$7.97
2" meter	$11.61	$11.89	$12.13	$12.37	$12.62
3" meter	$21.54	$22.12	$22.56	$23.01	$23.47
4" meter	$35.72	$36.73	$37.46	$38.21	$38.97
6" meter	$71.18	$73.25	$74.72	$76.21	$77.73
8" meter	$113.73	$117.09	$119.43	$121.82	$124.26
Water Usage Charge ($/CCF)					
Gravity Rate	$1.07	$1.08	$1.10	$1.12	$1.14
Pressure Rate	$1.07	$1.08	$1.10	$1.12	$1.14
Daily Private Fire Line Rates*					
4" line	$1.09	$1.91	$1.97	$2.03	$2.09
6" line	$1.28	$2.19	$2.26	$2.33	$2.40
8" line	$1.42	$2.48	$2.55	$2.63	$2.71
10" line	$1.55	$2.73	$2.81	$2.89	$2.98
12" line	$1.70	$2.93	$3.02	$3.11	$3.20

* Fire Line Rates are increasing in Year 1 by up to 76% to reflect increased service line replacement costs. Rates will be increased by 3% per year thereafter based on estimated cost inflation.