WEST VALLEY WATER DISTRICT

Comprehensive Cost of Service Rate Structure Study

REPORT / SEPTEMBER 23, 2025

RAFTELIS

RAFTELIS

September 23, 2025

Jose Velasquez
Chief Financial Officer
West Valley Water District
855 W. Base Line Road
Rialto, CA, 92377

Subject: Comprehensive Cost of Service Rate Structure Study

Dear Mr. Velasquez:

Raftelis is pleased to submit this report for the Comprehensive Cost of Service Rate Structure Study for West Valley Water District (District). The report presents the analyses and methodologies used to calculate a proposed schedule of water rate increases for the period FY 2026 – FY 2030. The objectives of the study included:

- **Financial Planning**: Development of a 10-year financial plan and associated revenue requirement forecast that is sufficient to successfully fund the District's operational needs, capital improvement expenditures, target cash reserves, and target debt service coverage requirements.

- **Cost of Service**: The completion of an agency-specific cost of service analysis, using industry-standard methodologies applied to District-specific data and circumstances, that identifies the variable and fixed costs incurred to serve the District's customers based on the proportional demands they impose on the water system.

- **Rate Structure:** A comprehensive assessment of the effectiveness of the District's current water rate structure in light of current costs of service and the consideration of alternative rate structures.

- **5-Year Projection of Rate Increases**: A projection of proposed annual water rate increases for the period FY 2026 – FY 2030 developed in compliance with Proposition 218.

It was a pleasure working with you and your team, and we wish to express our gratitude for the support you and other District staff provided during the study.

Sincerely,

John Wright
Senior Manager

Ellyse Ritchie
Senior Consultant

THIS PAGE INTENTIONALLY LEFT BLANK

Contents

1. Executive Summary 10

1.1. Study Background 10
1.2. Current Rates 10
1.3. Process and Approach 11
1.4. Results and Recommendations 12
1.5. Proposed Total System Rate Revenue Increases 12
1.6. Proposed Rates and Charges 12
1.7. Single Family Residential Customer Bill Impacts 13
1.8. Water and Sewer Rates for Largest Users 14

2. Financial Planning 15

2.1. Projected Customer Accounts and Meters 15
2.2. Projected Billed Water Consumption 15
2.3. Projected Revenues at Existing Rates 18
2.4. Projected Non-Rate Revenues 18
2.5. Expense Inflation Factors 19
2.6. Projected Operating Expenses 20
2.7. Projected Capital Improvement Expenditures 20
2.8. Projected Debt Service 21
2.9. Financial Policies 21
2.10. Status Quo Financial Plan 21
2.11. Recommended Financial Plan 22
2.12. Projected Revenue Requirement from Rates 26

3. Cost of Service Analysis 28

3.1. Process and Approach 28
3.2. FY 2026 Revenue Requirement 28
3.3. System Demand Ratios 29
3.4. Revenue Requirement Functionalization 31
3.5. Allocation to Cost Causation Components 31
3.6. Meter Equivalencies 34
3.7. Private Fire Line and Public Hydrant Equivalencies 34
3.8. Summary Units of Service 35

3.9. Unit Cost of Service 35
3.10. Summary Cost of Service for Rate Components 36

4. Proposed Rates and Charges 39

4.1. Monthly Service Charges 39
4.2. Monthly Private Fire Line Charges 39
4.3. Usage Rates – Recommended Change in Consumption Thresholds 40
4.4. Usage Rates – $/HCF Source of Supply Costs 40
4.5. Usage Rates – $/HCF Electric Power Costs 41
4.6. Usage Rates – $/HCF Base Demand Costs 41
4.7. Usage Rates – $/HCF Maximum Day Demand Costs 42
4.8. Usage Rates – $/HCF Maximum Hour Demand Costs 42
4.9. Usage Rates – $/HCF Summary Calculation 43
4.10. Proposed FY 2026 – FY 2030 Rates 45
4.11. FY 2026 Single Family Residential Bill Impacts 46

Tables

Table 1-1: Current Monthly Service Charges ($/meter size) 10
Table 1-2: Current Usage Rates ($/HCF) 11
Table 1-3: Current Private Fire Line Charges 11
Table 1-4: Proposed Total System Rate Revenue Increases 12
Table 1-5: Proposed Monthly Fixed Charges ($/meter size) 13
Table 1-6: Proposed Usage Rates ($/HCF) 13
Table 1-7: Estimated Bill Impacts Under Proposed FY 2026 Rates 14
Table 2-1: Projected FY 2026 – FY 2030 Customer Accounts and Meters 16
Table 2-2: Projected FY 2026 – FY 2030 Billed Water Consumption (HCF) 17
Table 2-3: Projected FY 2026 – FY 2030 Revenues at Existing Rates 18
Table 2-4: Projected FY 2026 – FY 2030 Non-Rate Revenues 19
Table 2-5: Projected FY 2026 – FY 2030 Expense Inflation Factors 20
Table 2-6: Projected FY 2026 – FY 2030 Operating Expenses 20
Table 2-7: Projected FY 2026 – FY 2030 Capital Improvement Expenditures 21
Table 2-8: Projected FY 2026 – FY 2030 Debt Service Expenditures 21
Table 2-9: FY 2026 – FY 2030 Status Quo Financial Plan (Not Recommended) 23
Table 2-10: FY 2026 – FY 2030 Recommended Financial Plan (Note 1) 24
Table 2-11: Projected FY 2026 – FY 2030 Annual Revenue Requirement from Rates 27
Table 3-1: FY 2026 Revenue Requirement by Operating and Capital Component 29
Table 3-2: System Demand Factors 30
Table 3-3: System Demand Ratios Used in Cost Allocations 30
Table 3-4: Capital Cost Functionalization Allocation 31
Table 3-5: Allocation of FY 2026 Operating Expenses to Cost Causation Components 32
Table 3-6: Allocation of FY 2026 Capital Costs to Cost Causation Components 33
Table 3-7: Allocation of FY 2026 Non-Rate Revenue Offsets to Cost Causation Components 33
Table 3-8: Meter Flow Equivalencies 34
Table 3-9: Private Fire Line and Public Hydrant Equivalent 6” Connections 35
Table 3-10: Allocation of Fire Flows 35
Table 3-11: Summary of FY 2026 Total System Units of Service 37
Table 3-12: Calculated FY 2026 Unit Cost of Service 37
Table 3-13: Summary of FY 2026 Cost of Service for Rate Components 38
Table 4-1: Proposed FY 2026 Monthly Service Charge 39
Table 4-2: Proposed FY 2026 Monthly Private Fire Line Charge 39
Table 4-3: Recommended Usage Rate Consumption Thresholds 40

Table 4-4: FY 2026 Source of Supply Unit Cost of Service ($/HCF)..... 41
Table 4-5: FY 2026 $/HCF Electric Powe Cost Unit Cost of Service 41
Table 4-6: FY 2026 $/HCF Base Demand Costs..... 42
Table 4-7: FY 2026 $/HCF Maximum Day Demand Costs 42
Table 4-8: FY 2026 $/HCF Maximum Day Demand Costs 43
Table 4-9: Summary Calculation of Proposed FY 2026 Usage Rates ($/HCF)..... 44
Table 4-10: Proposed FY 2026 – FY 2030 Usage Rates ($/HCF)..... 45
Table 4-11: Proposed FY 2026 – FY 2030 Monthly Service Charges..... 45
Table 4-12: Proposed FY 2026 – FY 2030 Monthly Private Fire Line Charges..... 45
Table 4-13: Estimated Bill Impacts Under Proposed FY 2026 Rates..... 46

Figures

Figure 2-1: FY 2026 – FY 2030 Projected Financial Plan 25
Figure 2-2: FY 2026 – FY 2030 Projected Ending Operating and Capital Cash Reserves 25
Figure 2-3: FY 2026 – FY 2030 Projected Debt Service Coverage 26
Figure 2-4: FY 2026 – FY 2030 Projected Capital Improvement Expenditures 26

Appendices

Appendix A: 10-Year Financial Plan for the Period FY 2026 – FY 2035

THIS PAGE INTENTIONALLY LEFT BLANK

1. Executive Summary

1.1. Study Background

In January 2023, the West Valley Water District (District) retained the services of Raftelis to complete a Comprehensive Cost of Service and Rate Structure Study. The objectives of the study included:

- **Financial Planning**: Development of a 10-year financial plan and associated revenue requirement forecast that is sufficient to successfully fund the District's operational needs, capital improvement expenditures, target cash reserves, and target debt service coverage requirements.

- **Cost of Service**: The completion of an agency-specific cost of service analysis, using industry-standard methodologies applied to District-specific data and circumstances, that identifies the variable and fixed costs incurred to serve the District's customers based on the proportional demands they impose on the water system.

- **Rate Structure:** A comprehensive assessment of the effectiveness of the District's current water rate structure in light of current costs of service and the consideration of alternative rate structures.

- **5-Year Projection of Rate Increases**: A projection of proposed annual water rate increases for the period FY 2026 – FY 2030 developed in compliance with Proposition 218.

This Executive Summary outlines the proposed financial plans and resulting rates and contains a description of the rate study process, methodology, and recommendations for the District's rates.

1.2. Current Rates

The District's current rates include a monthly service charge based on meter size and tiered usage rates billed on a per hundred cubic feet (HCF) basis for all customers. Table 1-1 shows current monthly service charges, and Table 1-2 shows the tiered usage rates.

Table 1-1: Current Monthly Service Charges ($/meter size)

	A	B
Line	Meter Size	Fixed Monthly Charge
1	5/8"	$22.21
2	3/4"	$22.21
3	1"	$33.07
4	1 1/2"	$48.77
5	2"	$67.18
6	3"	$97.52
7	4"	$128.56
8	6"	$195.02
9	8"	$261.48

Table 1-2: Current Usage Rates ($/HCF)

	A	B	C
Line	Customer Class	Tier Thresholds (HCF)	Flow Charges per HCF
1	All Customers		
2	Tier 1	0 - 10	$2.13
3	Tier 2	11 - 50	$2.30
4	Tier 3	> 50	$2.53

The District also delivers water to building sprinkler systems and other private fire suppression infrastructure through private fire lines. Rates for private fire lines are charged based on the size of the private fire line connection as shown in Table 1-3.

Table 1-3: Current Private Fire Line Charges

	A	B
Line	Private Fire Line Size	Fixed Monthly Charge
1	5/8" and 3/4"	$10.54
2	1"	$10.54
3	1 1/2"	$15.81
4	2"	$21.08
5	3"	$31.62
6	4"	$42.16
7	6"	$63.24
8	8"	$84.32
9	10"	$105.40
10	12"	$126.48

1.3. Process and Approach

During the study, Raftelis met with District staff to discuss various assumptions, inputs, and scenario analyses that were utilized to determine the financial plans presented to the District's Board of Directors. The financial plan was based on the 10-year period from fiscal year (FY) 2026[1] to FY 2035. The tables in the body of this report focus on the 5-year period FY 2026 - FY 2030. Appendix A shows the projected financial plan for the full 10-year period FY 2026 - FY 2035. The proposed rates were developed for implementation on January 1, 2026, with increases scheduled for each January 1st thereafter through and including January 1, 2030.

The cost of service analysis followed the guidelines for allocating costs as outlined in the American Water Works Association (AWWA) publication, *Manual of Water Supply Practices M1, Principles of Water Rates, Fees, and Charges*, 6th edition (AWWA M1 Manual), as adjusted to meet the particular circumstances of the District's water system and customer base. Key steps in the cost of service analysis included:

1. Determination of the revenue requirement, which equals the amount of revenue necessary to cover the costs of the water system.
2. Assignment of operating expenses and capital costs into functional categories such as supply, distribution, treatment, storage, pumping, transmission, etc.
3. Allocation of the functionalized costs into the appropriate cost causation components such as supply, base demand, peak demands, meters, and customer service.
4. Development of customer units of service for each cost causation component.
5. Calculation of the unit cost of service for each cost causation component.
6. Calculation of the cost of service for monthly fixed charges and usage rates.
7. Development of proposed rates to recover the cost of service and meet the District's objectives.

[1] FY 2025 is the period from July 1, 2025, to June 30, 2026.

1.4. Results and Recommendations

Raftelis worked closely with District staff to define the results and recommendations of the Comprehensive Cost of Service and Rate Structure Study. The recommendations presented in this report include:

1. Raftelis recommends that total system rate revenues be increased by 7.5% each year during the period FY 2026 through FY 2030. Projected rate revenue increases from FY 2031 - FY 2035 are 4.5% annually. Actual customer bills may be higher or lower than 7.5% depending on each customer's unique demand characteristics.
2. The District plans to spend approximately $168.9 million (inflation adjusted) on capital projects during the period of FY 2025 - FY 2030. This includes a planned expenditure of $70 million for a new headquarters building. The new headquarters building will be partially funded using $50.8 million in external debt financing which will provide $50 million in net debt proceeds. Projected inflation adjusted capital project expenditures for the period FY 2031 - FY 2035 are $73.5 million.
3. Raftelis recommends the District continue to use a 3-tier volumetric rate structure that applies to all customer types. However, for reasons discussed later in this report, we recommend that the Tier 2 consumption threshold be modified from 11 – 50 HCF to 11 – 30 HCF. This modification will change the Tier 3 consumption threshold from greater than 50 HCF to greater than 30 HCF.

1.5. Proposed Total System Rate Revenue Increases

Table 1-4 shows the annual increase percentage increase in rate revenues for the period FY 2026 – FY 2030. recommended as an outcome of the financial planning process. The actual increase in the water bills of individual customers will not necessarily match the percentages shown in Table 1-4. Actual water bill increases will depend on the unique water consumption characteristics and the meter size of each customer. Appendix A shows the full 10-year financial plan for the period FY 2026 – FY 2035.

Table 1-4: Proposed Total System Rate Revenue Increases

	A	B	C	D	E	F
Line	Description	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Effective Date	January 1	January 1	January 1	January 1	January 1
2	Percentage Increase	7.5%	7.5%	7.5%	7.5%	7.5%

1.6. Proposed Rates and Charges

Table 1-5 shows the proposed monthly service charges and the proposed monthly private fire line charges for the period FY 2026 – FY 2030. The proposed FY 2026 charges (Column C) were determined as part of the cost of service analysis. The proposed charges for FY 2027 - FY 2030 (Columns D - G) reflect the annual total system revenue increases projected as part of the financial planning process (7.5% each year).

Table 1-5: Proposed Monthly Fixed Charges ($/meter size)

	A	B	C	D	E	F	G
Line	Monthly Service Charge ($/Meter Size)	Existing	January FY 2026	January FY 2027	January FY 2028	January FY 2029	January FY 2030
1	5/8"	$22.21	$23.82	$25.60	$27.52	$29.59	$31.80
2	3/4"	$22.21	$23.82	$25.60	$27.52	$29.59	$31.80
3	1"	$33.07	$33.07	$35.55	$38.22	$41.08	$44.16
4	1 1/2"	$48.77	$56.21	$60.42	$64.95	$69.83	$75.06
5	2"	$67.18	$83.97	$90.27	$97.04	$104.32	$112.14
6	3"	$97.52	$171.89	$184.78	$198.64	$213.54	$229.55
7	4"	$128.56	$287.57	$309.14	$332.33	$357.25	$384.05
8	6"	$195.02	$588.35	$632.48	$679.91	$730.91	$785.72
9	8"	$261.48	$842.85	$906.07	$974.02	$1,047.07	$1,125.61
10	Monthly Private Fire Line ($/Line Size)	Existing	January FY 2026	January FY 2027	January FY 2028	January FY 2029	January FY 2030
11	5/8"	$10.54	$10.09	$10.85	$11.66	$12.53	$13.47
12	3/4"	$10.54	$10.18	$10.95	$11.77	$12.65	$13.60
13	1"	$10.54	$10.47	$11.25	$12.10	$13.00	$13.98
14	1 1/2"	$15.81	$11.49	$12.35	$13.28	$14.27	$15.34
15	2"	$21.08	$13.25	$14.24	$15.31	$16.46	$17.69
16	3"	$31.62	$19.56	$21.02	$22.60	$24.30	$26.12
17	4"	$42.16	$30.44	$32.73	$35.18	$37.82	$40.66
18	6"	$63.24	$69.51	$74.73	$80.33	$86.36	$92.83
19	8"	$84.32	$136.90	$147.17	$158.21	$170.07	$182.83
20	10"	$105.40	$238.27	$256.14	$275.35	$296.00	$318.20
21	12"	$126.48	$378.76	$407.16	$437.70	$470.53	$505.82

Table 1-6 shows proposed $/HCF usage rates for the period FY 2026 – FY 2030. These usage rates are applicable to all customers, regardless of their specific land use type. The proposed FY 2026 usage rates (Column D) were determined as part of the cost of service analysis. The proposed rates for FY 2027 - FY 2030 (Columns E - H) reflect the annual total system revenue increases projected as part of the financial planning process (7.5% each year).

Table 1-6: Proposed Usage Rates ($/HCF)

	A	B	C	D	E	F	G	H
Line	Usage Rates ($/HCF)	Existing Consumption Tiers (HCF)	Existing	January FY 2026	January FY 2027	January FY 2028	January FY 2029	January FY 2030
1	Tier 1	0 – 10	$2.13	----	----	----	----	----
2	Tier 2	11 – 50	$2.30	----	----	----	----	----
3	Tier 3	> 50	$2.53	----	----	----	----	----
4	Usage Rates ($/HCF)	Proposed Consumption Tiers (HCF)	Existing	January FY 2026	January FY 2027	January FY 2028	January FY 2029	January FY 2030
5	Tier 1	0 – 10	----	$2.33	$2.50	$2.69	$2.89	$3.11
6	Tier 2	11 – 30	----	$2.54	$2.73	$2.93	$3.15	$3.39
7	Tier 3	> 30	----	$2.73	$2.93	$3.15	$3.39	$3.65

1.7. Single Family Residential Customer Bill Impacts

Table 1-7 shows the estimated FY 2026 bill impacts for Single Family Residential customer from the proposed FY 2026 monthly fixed charges and $/HCF usage rates. The average monthly consumption for Single Family Residential customers is 17 HCF. The average summer consumption for Single Family Residential customers is 21 HCF.

Table 1-7: Estimated Bill Impacts Under Proposed FY 2026 Rates

	A	B	D	E	F
Line	Customer Description	Existing Bill	FY 2026 Bill	$ Difference	% Difference
1	Single Family Residential, 5/8" or 3/4" Meter Average Monthly Consumption – 17 HCF	$59.61	$64.90	$5.29	8.9%
2	Single Family Residential, 5/8" or 3/4" Meter Average Summer Consumption – 21 HCF	$68.81	$75.06	$6.25	9.1%
5	Single Family Residential, 1" Meter Average Monthly Consumption – 17 HCF	$70.47	$74.15	$3.68	5.2%
6	Single Family Residential, 1" Meter Average Summer Consumption – 21 HCF	$79.67	$84.31	$4.64	5.8%

1.8. Water and Sewer Rates for Largest Users

Assembly Bill 755 (AB 755) passed in 2023 and is codified in Water Code, §§ 390 & 390.1. AB 755 require the identification of the costs to serve the largest 10 percent of the users in the District. Proposition 218 requires rates that allocate costs of service proportionately, not special rates for the top 10% of consumers, regardless of other factors.

In FY 2025, the District had 24,478 potable water accounts; the top 10% of users represent 2,448 accounts and 29.2% of total potable water use. These large users are primarily industrial and commercial customers. Based on the analysis completed, data and information provided by the client, the resulting rates are an efficient and fair way to allocate water utility costs among those who create those costs, consistent with Proposition 218.

2. Financial Planning

This section of the report discusses the results of the two primary financial planning scenarios developed as part of the Comprehensive Cost of Service and Rate Structure Study.

- **Status Quo Financial Planning Scenario**: The status quo scenario begins with a projection of future inflation adjusted operating expenses and capital improvement costs but assumes there are no future rate revenue increases and no external debt financing. The status quo scenario quantifies the "funding gap" which is the difference between projected rate revenue and projected costs.

- **Recommended Financial Planning Scenario**: The recommended scenario also develops a projection of future inflation adjusted operating expenses and capital improvement costs. However, it then determines the optimal combination of increased rate revenues and external debt financing to pay for these costs in a manner that maintains District revenue adequacy and financial sufficiency. In effect, the recommended financial scenario determines the optimal funding strategy to bridge the funding gap.

2.1. Projected Customer Accounts and Meters

Table 2-1 shows the projected number of customer accounts by class and meter size. Actual customer account and meter data for FY 2024 and FY 2025 were provided by the District. The projections shown for FY 2026 – FY 2030 were developed in consultation with District staff based on an analysis of projected growth by customer type and meter size during each year of the FY 2026 – FY 2030 planning horizon. The District does not charge customer class specific rates. The information on projected account growth by customer types shown in Lines 1-10 in Table 2-1 was provided solely for informational purposes.

2.2. Projected Billed Water Consumption

Table 2-2 shows the projected billed water consumption by customer type. The District does not charge customer class specific rates. The information on projected billed consumption by customer type shown in Table 2-2 was provided solely for informational purposes. Water demand, expressed on a per capita or average consumption per account basis, is expected to decrease at an annual rate of 0.5% (one half of one percent) during the period FY 2026 – FY 2035.

Actual billed consumption data for FY 2024 and FY 2025 was provided by the District. The projections for FY 2026 – FY 2030 were developed in consultation with District staff based on the projected customer account ad usage growth. Note that the projections shown in Table 2-2 reflect the District's existing Tier 2 consumption threshold (11 – 50 HCF) and the existing Tier 3 consumption threshold of greater than 50 HCF. These consumption thresholds were used to calculate usage rate revenues at existing rates (Table 2-3).

Table 2-1: Projected FY 2026 – FY 2030 Customer Accounts and Meters

Line	A Customer Class	B Estimated FY 2025	C Projected FY 2026	D Projected FY 2027	E Projected FY 2028	F Projected FY 2029	G Projected FY 2030
1	Accounts						
2	Single Family Residential	22,873	23,821	24,172	24,388	24,723	25,067
3	Multi-Family Residential	187	186	186	186	195	200
4	Commercial	581	604	623	642	658	674
5	Industrial	73	198	198	198	203	209
6	Institutional	99	5	5	5	5	6
7	Landscape Irrigation	544	520	556	591	607	624
8	Private Fire Line Service	419	420	420	420	433	446
9	Hydrant Service	121	121	121	121	125	128
10	Total Accounts	24,897	25,875	26,281	26,551	26,949	27,354
11							
12	Total Connections by Meter Size *(Excluding Private Fire Lines)*						
13	5/8"	3,005	2,985	2,985	2,985	2,985	2,985
14	3/4"	10,417	10,452	10,454	10,456	10,456	10,456
15	1"	9,859	10,981	11,349	11,582	11,929	12,287
16	1 1/2"	190	325	336	346	356	367
17	2"	401	506	529	552	569	586
18	3"	293	137	139	141	145	150
19	4"	280	56	56	56	57	59
20	6"	19	9	9	9	12	12
21	8"	14	4	4	4	6	6
22	10"	0	0	0	0	0	0
23	12"	0	0	0	0	0	0
24	Total	24,478	25,455	25,861	26,131	26,516	26,908
25							
26	Private Fire Line Service						
27	5/8"	5	8	8	8	8	8
28	3/4"	0	0	0	0	0	0
29	1"	0	0	0	0	0	0
30	1 1/2"	1	1	1	1	1	1
31	2"	1	1	1	1	1	1
32	3"	0	0	0	0	0	0
33	4"	32	31	31	31	32	33
34	6"	94	93	93	93	96	99
35	8"	133	132	132	132	136	140
36	10"	143	144	144	144	148	153
37	12"	11	10	10	10	10	11
38	Total	419	420	420	420	433	446
39							
40	Total	24,897	25,875	26,281	26,551	26,949	27,354
41	Annual Percentage Change	----	3.9%	1.6%	1.0%	1.5%	1.5%

Table 2-2: Projected FY 2026 – FY 2030 Billed Water Consumption (HCF)

Line	A Customer Class	B Estimated FY 2025	C Projected FY 2026	D Projected FY 2027	E Projected FY 2028	F Projected FY 2029	G Projected FY 2030
1	Single Family						
2	Tier 1 (0 – 10 HCF)	2,235,391	2,235,391	2,290,941	2,347,871	2,406,215	2,466,010
3	Tier 2 (11 – 50 HCF)	2,661,545	2,661,545	2,727,684	2,795,467	2,864,935	2,936,128
4	Tier 3 (> 50HCF)	255,792	255,792	262,148	268,662	275,339	282,181
5	Total	5,152,728	5,152,728	5,280,773	5,412,001	5,546,489	5,684,319
6							
7	Multi-Family						
8	Tier 1 (0 – 10 HCF)	21,943	21,943	22,489	23,047	23,620	24,207
9	Tier 2 (11 – 50 HCF)	52,591	52,591	53,898	55,237	56,610	58,017
10	Tier 3 (> 50 HCF)	156,805	156,805	160,702	164,696	168,788	172,983
11	Total	231,340	231,340	237,089	242,980	249,019	255,207
12							
13	Commercial						
14	Tier 1 (0 – 10 HCF)	47,830	47,830	49,018	50,236	51,485	52,764
15	Tier 2 (11 – 50 HCF)	116,803	116,803	119,706	122,680	125,729	128,853
16	Tier 3 (> 50 HCF)	648,737	648,737	664,858	681,380	698,312	715,665
17	Total	813,370	813,370	833,582	854,297	875,526	897,283
18							
19	Industrial						
20	Tier 1 (0 – 10 HCF)	5,251	5,251	5,382	5,516	5,653	5,793
21	Tier 2 (11 – 50 HCF)	15,053	15,053	15,427	15,811	16,204	16,606
22	Tier 3 (> 50 HCF)	194,051	194,051	198,873	203,815	208,880	214,070
23	Total	214,355	214,355	219,682	225,141	230,736	236,470
24							
25	Institutional						
26	Tier 1 (0 – 10 HCF)	9,074	9,074	9,300	9,531	9,768	10,010
27	Tier 2 (11 – 50 HCF)	30,268	30,268	31,020	31,791	32,581	33,390
28	Tier 3 (> 50 HCF)	336,303	336,303	344,660	353,225	362,003	370,999
29	Total	375,645	375,645	384,980	394,547	404,351	414,399
30							
31	Landscape Irrigation						
32	Tier 1 (0 – 10 HCF)	49,507	49,507	50,737	51,998	53,290	54,614
33	Tier 2 (11 – 50 HCF)	158,634	158,634	162,576	166,616	170,757	175,000
34	Tier 3 (> 50 HCF)	946,104	946,104	969,615	993,710	1,018,403	1,043,711
35	Total	1,154,245	1,154,245	1,182,928	1,212,324	1,242,450	1,273,325
36							
37	Private Fire Line Service						
38	Tier 1 (0 – 10 HCF)	2,933	2,933	3,006	3,081	3,157	3,236
39	Tier 2 (11 – 50 HCF)	0	0	0	0	0	0
40	Tier 3 (> 50 HCF)	0	0	0	0	0	0
41	Total	2,933	2,933	3,006	3,081	3,157	3,236
42							
43	Hydrant Service						
44	Tier 1 (0 – 10 HCF)	153,900	153,900	157,724	161,644	165,661	169,777
45	Tier 2 (11 – 50 HCF)	0	0	0	0	0	0
46	Tier 3 (> 50 HCF)	0	0	0	0	0	0
47	Total	153,900	153,900	157,724	161,644	165,661	169,777
48							
49	Total	8,098,516	8,098,516	8,299,764	8,506,014	8,717,388	8,934,015
50	Annual Percentage Change	----	2.5%	2.5%	2.5%	2.5%	0.0%

2.3. Projected Revenues at Existing Rates

Table 2-3 shows projected revenues at existing rates during the period FY 2026 – FY 2030. The District does not charge customer class specific rates. The projection of revenues at existing rates shown in Table 2-3 is presented by customer types solely for informational purposes. The monthly fixed charges shown in Lines 1-10 are based on the projection of customer accounts presented in Table 2-1. The projected revenue from usage rates shown in Lines 12-21 are based on the projection of billed consumption presented in Table 2-2. The projection of revenues at existing rates is compared to projected inflation adjusted expenditures as part of the financial planning process to determine the projected funding gap (i.e., the difference between revenues at existing rates and projected inflation adjusted expenditures).

Table 2-3: Projected FY 2026 – FY 2030 Revenues at Existing Rates

	A	B	C	D	E	F	G
		Estimated	Projected				
Line	Revenue Source	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Monthly Fixed Charges						
2	Single-Family	$7,569,591	$7,737,100	$7,877,164	$7,963,655	$8,096,719	$8,233,774
3	Multi-Family	$115,834	$118,398	$118,398	$118,398	$132,433	$135,605
4	Commercial	$367,342	$375,471	$389,168	$402,864	$414,054	$425,580
5	Industrial	$125,809	$128,593	$128,593	$128,593	$132,259	$136,035
6	Institutional	$2,167	$2,215	$2,240	$2,265	$2,315	$2,367
7	Landscape Irrigation	$299,159	$305,779	$325,616	$345,453	$355,400	$365,647
8	Private Fire Line Service	$207,227	$211,813	$211,813	$211,813	$218,167	$224,712
9	Hydrant Service	$146,696	$149,942	$149,942	$149,942	$154,440	$159,074
10	Total	$8,833,825	$9,029,310	$9,202,932	$9,322,982	$9,505,788	$9,682,794
11							
12	Revenue from Usage Rates						
13	Single-Family	$11,181,894	$11,530,090	$11,816,613	$12,110,256	$12,411,195	$12,719,614
14	Multi-Family	$547,372	$564,417	$578,443	$592,817	$607,548	$622,646
15	Commercial	$1,951,075	$2,011,829	$2,061,823	$2,113,060	$2,165,569	$2,219,384
16	Industrial	$520,547	$536,756	$550,094	$563,764	$577,774	$592,131
17	Institutional	$1,367,115	$1,409,686	$1,444,717	$1,480,618	$1,517,411	$1,555,119
18	Landscape Irrigation	$2,777,463	$2,863,951	$2,935,120	$3,008,058	$3,082,808	$3,159,416
19	Private Fire Line Service	$302,931	$312,365	$320,127	$328,082	$336,235	$344,590
20	Hydrant Service	$411,937	$424,764	$435,319	$446,137	$457,224	$468,586
21	Total	$19,060,334	$19,653,858	$20,142,257	$20,642,792	$21,155,765	$21,681,486
22							
23	Total	$27,894,159	$28,683,169	$29,345,189	$29,965,773	$30,661,553	$31,364,280

2.4. Projected Non-Rate Revenues

Table 2-4 shows projected non-rate revenues during the period FY 2026 – 2030 which was developed in consultation with District staff. Revenues from non-rate sources reduce the amount of rate revenue that must be collected from customers. Other operating revenues in Lines 1 -29 were projected under the assumption of no annual increase. Non-operating revenues in Lines 31-37 were projected based on specific growth assumptions. For example, property taxes receipts shown in Line 32 assume a 2.0% annual growth rate. Receipts from grants and reimbursements shown in Line 34 are based on District staff's estimate of the grants that have a high probability of being received during each year of the FY 2026 – FY 2030 planning horizon. The interest and investment earnings shown on Line 34 are based on projected cash reserve balances during each year of the planning horizon and assume 4.0% interest earnings. The amount of $2.1 million shown in Line 36, Column C, reflects the favorable outcome of environmental litigation with the 3M Corporation related to per- and polyfluoroalkyl substances – known as PFAS. The amounts received from this settlement

were not used to offset a specific cost. Instead, they were used to reduce the overall revenue requirement from rates.

Table 2-4: Projected FY 2026 – FY 2030 Non-Rate Revenues

	A	B	C	D	E	F	G
		Estimated	Projected				
Line	Non-Rate Revenue Source	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Other Operating Revenues						
2	Delinquent Charges	$639,930	$645,000	$645,000	$645,000	$645,000	$645,000
3	Backflow Install Charges	$60	$60	$60	$60	$60	$60
4	After Hours/Same Day Turn On Charges	$6,100	$6,000	$6,000	$6,000	$6,000	$6,000
5	Turn On/Turn Offs For Non-Payment	$13,050	$13,000	$13,000	$13,000	$13,000	$13,000
6	Lien Fee	$120	$60	$60	$60	$60	$60
7	Water Service Application Fee	$43,400	$42,000	$42,000	$42,000	$42,000	$42,000
8	Fire Flow Testing	$9,600	$10,000	$10,000	$10,000	$10,000	$10,000
9	Copies	$15	$40	$40	$40	$40	$40
10	Revenue / Cash Variance	$98	$0	$0	$0	$0	$0
11	Plan Check Fees	$21,372	$30,000	$30,000	$30,000	$30,000	$30,000
12	Returned Payment Charges	$10,850	$10,000	$10,000	$10,000	$10,000	$10,000
13	Inspection Fees	$349	$115,000	$115,000	$115,000	$115,000	$115,000
14	Revenue / Meter Installation Charge	$252,726	$240,000	$240,000	$240,000	$240,000	$240,000
15	Fines For Unauthorized Water Use	$6,475	$6,000	$6,000	$6,000	$6,000	$6,000
16	Revenue / Miscellaneous	$4,177	$5,000	$5,000	$5,000	$5,000	$5,000
17	Revenue / Unclaimed Customer Refund	$6,982	$9,000	$9,000	$9,000	$9,000	$9,000
18	3A1 Pump from City of Rialto	$117,629	$120,000	$120,000	$120,000	$120,000	$120,000
19	Reimbursement From City Of Rialto - Opr Plant	$532,881	$550,000	$550,000	$550,000	$550,000	$550,000
20	Reimbursement From UTC - Routine Costs FBR	$1,007,988	$1,600,000	$1,600,000	$1,600,000	$1,600,000	$1,600,000
21	Reimbursement From UTC - Non-Routine Costs	$0	$0	$0	$0	$0	$0
22	Baseline Feeder Operations	$1,220,512	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000
23	Document Prep Fees	$10	$20	$20	$20	$20	$20
24	Administration Fees (Section 2017)	$232,173	$300,000	$300,000	$300,000	$300,000	$300,000
25	Utility Users Tax Administration	$45,813	$5,000	$5,000	$5,000	$5,000	$5,000
26	Reimbursement From Residents For Damages Done	$142,947	$150,000	$150,000	$150,000	$150,000	$150,000
27	Energy Demand Response Programs	$9,559	$0	$0	$0	$0	$0
28	Conservation Rebate Reimb	$96,229	$0	$0	$0	$0	$0
29	Total Miscellaneous Operating Revenues	$4,421,044	$5,106,180	$5,106,180	$5,106,180	$5,106,180	$5,106,180
30							
31	Non-Operating Revenues						
32	Property Taxes	$3,069,567	$4,229,527	$4,314,117	$4,400,400	$4,488,408	$4,578,176
33	Grants and Reimbursements	$127,892	$2,095,000	$2,159,757	$1,000,000	$50,000	$50,000
34	Interest and Investment Earnings	$2,523,572	$1,373,878	$1,444,845	$1,188,676	$834,316	$620,334
35	Rental Income - Cellular Antennas	$36,303	$39,828	$39,828	$39,828	$39,828	$39,828
36	Other Non-Operating (Includes 3M Settlement)	$15,783	$2,144,322	$194,514	$226,933	$202,619	$137,781
37	Total Non-Operating Revenues	$5,773,116	$9,882,555	$8,153,061	$6,855,836	$5,615,171	$5,426,119
38							
39	Total	$10,194,160	$14,988,735	$13,259,241	$11,962,016	$10,721,351	$10,532,299

2.5. Expense Inflation Factors

Table 2-5 shows the expense inflation factors, which are used to project future operating and capital project expenses during the period FY 2026 – FY 2030. These factors were determined with input from District staff based on information such as existing contracts, existing memoranda of understanding, and historical analysis.

Table 2-5: Projected FY 2026 – FY 2030 Expense Inflation Factors

Line	A Expense Inflation Factors	B FY 2026	C FY 2027	D FY 2028	E FY 2029	F FY 2030
1	General Inflation	3.0%	3.0%	3.0%	3.0%	3.0%
2	Salary	4.0%	4.0%	4.0%	4.0%	4.0%
3	Benefits	5.0%	5.0%	5.0%	5.0%	5.0%
4	Water Supply	5.0%	5.0%	5.0%	5.0%	5.0%
5	Energy	5.0%	5.0%	5.0%	5.0%	5.0%
6	Non-inflated	0.0%	0.0%	0.0%	0.0%	0.0%
7	Construction Cost Inflation	4.0%	4.0%	4.0%	4.0%	4.0%

2.6. Projected Operating Expenses

Table 2-6 shows projected operating expenses for the period FY 2026 – FY 2030. The estimated expenses show for FY 2025 (Column B) were provided by District staff. Projected expenses for FY 2026 (Column C) are based on the District's adopted FY 2026 budget. The projections for FY 2027 – FY 2030 (Columns D – G) were projected for using the inflation factors shown in Table 2-5. The adopted FY 2026 budget for operating expenses is $36,105,730 (Line 23, Column C). In contrast, the FY 2025 estimated actual operating expenses are $30,380,311 (Line 23, Column B). The FY 2026 increase was due to projected inflation and a memorandum of understanding between the District and its employees that increased projected labor costs by 7.0%.

Table 2-6: Projected FY 2026 – FY 2030 Operating Expenses

	A	B	C	D	E	F	G
		Estimated	Adopted	Projected			
Line	Type of Expense	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Source of Supply - 5110	$1,913,572	$2,360,380	$2,478,399	$2,602,319	$2,732,435	$2,869,057
2	Production Pumping - 5210	$4,911,536	$5,585,050	$5,843,300	$6,113,706	$6,396,850	$6,693,340
3	Water Quality Department - 5310	$704,075	$835,900	$870,043	$905,619	$942,690	$981,320
4	Water Treatment - Perchlorate - 5320	$270,558	$605,000	$628,150	$652,245	$677,324	$703,432
5	Water Treatment - FBR - 5350	$2,038,860	$2,077,721	$2,160,974	$2,247,720	$2,338,112	$2,432,311
6	Water Treatment - Roemer/Arsenic - 5390	$2,399,995	$2,736,685	$2,849,240	$2,966,632	$3,089,078	$3,216,804
7	Maintenance – Trans. and Distribution - 5410	$2,639,621	$3,043,000	$3,158,161	$3,277,841	$3,402,224	$3,531,501
8	Customer Service - 5510	$1,608,163	$1,218,300	$1,270,140	$1,324,230	$1,380,670	$1,439,563
9	Meter Reading – 5520	$910,189	$1,026,200	$1,066,881	$1,109,228	$1,153,311	$1,199,203
10	Billing – 5530	$550,738	$677,100	$703,475	$730,914	$759,461	$789,162
11	Administration – 5610	$2,036,731	$2,664,425	$2,767,526	$2,874,752	$2,986,275	$3,102,271
12	General Operations	$2,956,236	$3,295,919	$3,412,090	$3,532,611	$3,657,655	$3,787,404
13	Accounting – 5620	$1,027,531	$1,174,150	$1,221,135	$1,270,054	$1,320,990	$1,374,028
14	Engineering – 5630	$1,767,634	$2,786,875	$2,899,601	$3,017,007	$3,139,293	$3,266,667
15	Information Technology - 5640	$1,418,823	$1,890,830	$1,961,483	$2,034,878	$2,111,126	$2,190,342
16	GIS – 5645	$205,375	$291,200	$303,445	$316,213	$329,527	$343,411
17	Board of Directors - 5650	$295,313	$347,000	$362,661	$379,041	$396,173	$414,093
18	Human Resources/Risk Management - 5660	$870,455	$940,300	$978,429	$1,018,149	$1,059,529	$1,102,640
19	Purchasing	$569,235	$792,900	$826,881	$862,336	$899,329	$937,928
20	Government / Public Affairs - 5710	$1,208,653	$1,616,795	$1,674,511	$1,734,365	$1,796,439	$1,860,819
21	Grants & Rebates - 5720	$77,037	$140,000	$144,200	$148,526	$152,982	$157,571
22	Future Full-Time Equivalents	$0	$0	$0	$108,160	$224,973	$233,972
23	Total Operating Expenses	$30,380,331	$36,105,730	$37,580,722	$39,226,546	$40,946,447	$42,626,838
24	Annual % Change		18.8%	4.1%	4.4%	4.4%	4.1%

2.7. Projected Capital Improvement Expenditures

Table 2-7 shows projected inflation-adjusted capital expenditures for the period FY 2026 – FY 2030 segregated by major function. The projected capital expenditures shown in Table 2-7 were developed by District staff based on their analysis of long-term infrastructure needs.

Table 2-7: Projected FY 2026 – FY 2030 Capital Improvement Expenditures

	A	C	D	E	F	G	H
		Projected					Total
Line	Function	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2026 – 2030
1	Source of Supply	$6,250,000	$5,251,747	$4,715,776	$584,929	$409,450	$17,211,903
2	Storage	$9,502,905	$7,696,000	$2,996,032	$9,536,426	$3,520,434	$33,251,797
3	Pump Station	$350,000	$442,000	$43,264	$3,700,803	$3,890,983	$8,427,050
4	Treatment	$2,136,000	$1,485,120	$1,620,237	$1,674,922	$1,799,242	$8,715,522
5	Pipeline	$7,169,238	$4,844,615	$2,875,200	$224,973	$1,591,008	$16,705,034
6	Miscellaneous	$5,188,211	$2,329,600	$2,225,933	$2,362,214	$2,515,196	$14,621,154
7	Headquarters Building	$0	$1,000,000	$1,000,000	$21,000,000	$47,000,000	$70,000,000
8	Total	$30,596,354	$23,049,083	$15,476,442	$39,084,268	$60,726,314	$168,932,460

2.8. Projected Debt Service

Table 2-8 shows projected debt service expenditures for the period FY 2026 – FY 2030. Line 8 reflects the debt service associated with the $50.8 million in external debt financing ($50 million net proceeds) used to partially fund the projected capital expenditure of $70 million for a new headquarters building. The debt terms associated with this proposed external debt financing assume a 4.0% interest rate, a 30-year repayment term, and issuance costs of 1.5%.

Table 2-8: Projected FY 2026 – FY 2030 Debt Service Expenditures

	A	B	C	D	E	F	G
		Actual	Projected				
Line	Debt Issue	2025	2026	2027	2028	2029	2030
1	Existing Debt						
2	Bond Series 2016A	$1,303,300	$1,302,600	$1,304,000	$1,297,250	$1,297,125	$1,296,490
3	Hydroelectric Plant	$331,100	$331,100	$331,100	$331,100	$331,100	$330,251
4	Water Rights	$321,529	$321,529	$321,529	$321,529	$321,529	$321,529
5	Drinking Water State Revolving Fund	$147,934	$499,091	$1,834,711	$1,834,711	$1,834,711	$1,834,711
6	Total	$2,103,863	$2,454,320	$3,791,340	$3,784,590	$3,784,465	$3,782,981
7							
8	Proposed Debt Issue						
9	New Headquarters Building	$0	$0	$0	$0	$2,935,538	$2,935,538
10	Total	$0	$0	$0	$0	$2,935,538	$2,935,538
11							
12	Total	$2,103,863	$2,454,320	$3,791,340	$3,784,590	$6,720,003	$6,718,519

2.9. Financial Policies

In addition to projected operating, capital improvement, and debt service coverage expenditures, the financial planning process requires the consideration of cash reserve and debt service coverage targets to ensure utility revenue adequacy and financial sufficiency. The District's financial policies establish target cash reserves equal to 50% of annual operating expenses and 25% of the subsequent year's cash and grant funded capital improvement program expenditures. The District also seeks to achieve a projected target debt service coverage ratio of 1.75x. Debt service coverage is calculated pursuant to the following formula:

Revenue less Connection Fees – Operating Expenses / Debt Service = Debt Service Coverage

2.10. Status Quo Financial Plan

The status quo financial planning scenario compares future inflation adjusted operating expenses and capital improvement costs but assumes there are no future rate revenue increases or external debt financing. The

status quo scenario quantifies the "funding gap" which is the difference between projected revenue and projected costs. Table 2-9 shows the outcome of the status quo financial plan during the period FY 2026 – FY 2030. It assumes District incurs capital improvement expenditures of $70 million for a new headquarters building but no rate revenue increases or external debt financing. Key outcomes that demonstrate concerns with the status quo financial plan include:

1. The net operating cash flow shown on Line 16 is significantly negative during each year of the period FY 2026 – FY 2030
2. Debt service coverage falls below 0.0x beginning in FY 2029 (Line 18). Debt service coverage in FY 2027 – FY 2030 falls below the target of 1.75x (Line 20). It is also important to note that the District's 2016 water revenue bonds require the maintenance of a 1.2x minimum coverage ratio after obtaining additional external debt financing. Under the status quo financial plan, the District would not be allowed to fund the new headquarters because it would be unable to meet the additional debt test under the 2016 bonds.
3. The Operating Fund ending balance falls to ($61.9) million in FY 2030 (Line 26, Column G).
4. Projected combined operating and capital cash reserves at the end of FY 2030 are ($60.5) million (Line 42, Column G)

2.11. Recommended Financial Plan

Table 2-10 shows the recommended financial plan for the period FY 2026 – FY 2030. It assumes annual 7.5% rate revenue increases during each year of the planning horizon. The recommended financial plan also includes $50.8 million in external debt financing ($50 million net proceeds) in FY 2029 used to partially fund the projected capital expenditure of $70 million for a new headquarters building. Key outcomes that demonstrate the feasibility of moving forward with the recommended financial plan include:

1. There is a significant improvement in net operating cash flow as shown in Line 16. Although net operating cash flow is negative in FY 2026 – FY 2030, the projected Operating Fund ending cash balance always remains above $0 (Line 26). Further, the Operating Fund ending cash balance is projected to remain above the 180-day target in all years except FY 2029 and FY 2030.
2. Debt service coverage remains above 0.0x in all years (Line 18). Debt service coverage also remains above the 1.75 target in all years except in FY 2029 and FY 2030 (Line 29).
3. Projected combined operating and capital cash reserves at the end of FY 2030 are $18.7 million (Line 42, Column G)

Appendix A shows the full 10-year recommended financial plan for the period FY 2026 – FY 2035.

Table 2-9: FY 2026 – FY 2030 Status Quo Financial Plan (Not Recommended)

	A	B	C	D	E	F	G
		Estimated			Projected		
Line	Description	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Rate Revenue Percentage Increases	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2							
3	Revenue at Existing Rates	$27,894,159	$28,683,169	$29,345,189	$29,965,773	$30,661,553	$31,364,280
4	Revenues from Rate Increases	$0	$0	$0	$0	$0	$0
5	Total Rate Revenues	$27,894,159	$28,683,169	$29,345,189	$29,965,773	$30,661,553	$31,364,280
6							
7	Other Operating Revenue	$4,421,044	$5,106,180	$5,106,180	$5,106,180	$5,106,180	$5,106,180
8	Non-Operating Revenue	$5,773,116	$9,860,603	$8,010,010	$6,505,711	$5,047,919	$4,805,784
9	Total Revenues	$38,088,319	$43,649,952	$42,461,378	$41,577,664	$40,815,652	$41,276,244
10							
11	Operating Expenses	$30,380,331	$36,105,730	$37,580,722	$39,226,546	$40,946,447	$42,626,838
12	Debt Service	$2,103,863	$2,454,320	$3,791,340	$3,784,590	$3,784,465	$3,782,981
13	Rate Funded Capital	$4,815,592	$14,277,116	$7,426,710	$7,031,962	$11,534,974	$6,381,882
14	Total Expenditures	$37,299,785	$52,837,166	$48,798,773	$50,043,097	$56,265,886	$52,791,702
15							
16	Net Operating Cash Flow	$788,534	($9,187,214)	($6,337,394)	($8,465,433)	($15,450,234)	($11,515,457)
17							
18	Debt Service Coverage	3.66	3.07	1.29	0.62	(0.03)	(0.36)
19	Target Debt Service Coverage	1.75	1.75	1.75	1.75	1.75	1.75
20	Variance from Target	1.91	1.32	(0.46)	(1.13)	(1.78)	(2.11)
21							
22	Water Operating Fund						
23	Beginning Balance	$64,905,549	$40,944,867	$31,757,653	$25,420,259	$16,954,826	($3,559,419)
24	Sources of Funds	$37,448,389	$43,649,952	$42,461,378	$41,577,664	$40,815,652	$41,276,244
25	Uses of Funds	$37,299,785	$52,837,166	$48,798,773	$50,043,097	$61,329,897	$99,659,040
26	Ending Balance	$40,944,867	$31,757,653	$25,420,259	$16,954,826	($3,559,419)	($61,942,214)
27							
28	Target	$15,190,165	$18,052,865	$18,790,361	$19,613,273	$20,473,223	$21,313,419
29	Variance from Target	$25,754,702	$13,704,788	$6,629,898	($2,658,447)	($24,032,642)	($83,255,633)
30							
31	Water Capital Fund						
32	Beginning Balance	$8,706,655	$21,932,897	$20,690,362	$18,510,630	$17,316,746	$1,607,971
33	Sources of Funds	$26,018	$852,465	$980,025	$806,116	$5,341,225	$46,867,338
34	Uses of Funds	$16,138,408	$2,095,000	$3,159,757	$2,000,000	$21,050,000	$47,050,000
35	Ending Balance	$21,932,897	$20,690,362	$18,510,630	$17,316,746	$1,607,971	$1,425,309
36							
37	Target	$4,093,029	$2,396,617	$2,007,990	$2,896,244	$1,607,971	$1,425,309
38	Variance from Target	$17,839,868	$18,293,745	$16,502,640	$14,420,502	$0	$0
39							
40	Total Operating and Capital Reserves						
41	Beginning	$73,612,204	$62,877,764	$52,448,015	$43,930,889	$34,271,572	($1,951,448)
42	Ending	$62,877,764	$52,448,015	$43,930,889	$34,271,572	($1,951,448)	($60,516,905)

Table 2-10: FY 2026 – FY 2030 Recommended Financial Plan (Note 1)

	A	B	C	D	E	F	G
		Estimated	Projected				
Line	Description	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Rate Revenue Percentage Increases	0.0%	7.5%	7.5%	7.5%	7.5%	7.5%
2							
3	Revenue at Existing Rates	$27,894,159	$28,683,169	$29,345,189	$29,965,773	$30,661,553	$31,364,280
4	Revenues from Rate Increases	$0	$1,075,619	$3,383,867	$5,962,018	$8,857,602	$12,092,474
5	Total Rate Revenues	$27,894,159	$29,758,787	$32,729,056	$35,927,792	$39,519,155	$43,456,754
6							
7	Other Operating Revenue	$4,421,044	$5,106,180	$5,106,180	$5,106,180	$5,106,180	$5,106,180
8	Non-Operating Revenue	$5,773,116	$9,882,555	$8,153,061	$6,855,836	$5,615,171	$5,426,119
9	Total Revenues	$38,088,319	$44,747,522	$45,988,297	$47,889,808	$50,240,506	$53,989,053
10							
11	Operating Expenses	$30,380,331	$36,105,730	$37,580,722	$39,226,546	$40,946,447	$42,626,838
12	Debt Service	$2,103,863	$2,454,320	$3,791,340	$3,784,590	$6,720,003	$6,718,519
13	Rate Funded Capital	$4,815,592	$14,277,116	$7,426,710	$7,031,962	$11,534,974	$6,381,882
14	Total Expenditures	$37,299,785	$52,837,166	$48,798,773	$50,043,097	$59,201,424	$55,727,240
15							
16	Net Operating Cash Flow	$788,534	($8,089,644)	($2,810,476)	($2,153,289)	($8,960,919)	($1,738,187)
17							
18	Debt Service Coverage	3.66	3.52	2.22	2.29	1.38	1.69
19	Target Debt Service Coverage	1.75	1.75	1.75	1.75	1.75	1.75
20	Variance from Target	1.91	1.77	0.47	0.54	(0.37)	(0.06)
21							
22	Water Operating Fund						
23	Beginning Balance	$64,905,549	$40,944,867	$32,855,223	$30,044,748	$27,891,458	$18,930,540
24	Sources of Funds	$37,448,389	$44,747,522	$45,988,297	$47,889,808	$50,240,506	$53,989,053
25	Uses of Funds	$37,299,785	$52,837,166	$48,798,773	$50,043,097	$59,201,424	$55,727,240
26	Ending Balance	$40,944,867	$32,855,223	$30,044,748	$27,891,458	$18,930,540	$17,192,353
27							
28	Target	$15,190,165	$18,052,865	$18,790,361	$19,613,273	$20,473,223	$21,313,419
29	Variance from Target	$25,754,702	$14,802,358	$11,254,386	$8,278,185	($1,542,684)	($4,121,066)
30							
31	Water Capital Fund						
32	Beginning Balance	$8,706,655	$21,932,897	$20,690,362	$18,510,630	$17,316,746	$47,564,368
33	Sources of Funds	$26,018	$852,465	$980,025	$806,116	$51,297,622	$981,199
34	Uses of Funds	$16,138,408	$2,095,000	$3,159,757	$2,000,000	$21,050,000	$47,050,000
35	Ending Balance	$21,932,897	$20,690,362	$18,510,630	$17,316,746	$47,564,368	$1,495,567
36							
37	Target	$4,093,029	$2,396,617	$2,007,990	$2,896,244	$1,607,971	$1,425,309
38	Variance from Target	$17,839,868	$18,293,745	$16,502,640	$14,420,502	$45,956,398	$70,258
39							
40	Total Operating and Capital Reserves						
41	Beginning	$73,612,204	$62,877,764	$53,545,585	$48,555,378	$45,208,204	$66,494,908
42	Ending	$62,877,764	$53,545,585	$48,555,378	$45,208,204	$66,494,908	$18,687,920

Note 1: Appendix A shows the full 10-year recommended financial plan for the period FY 2026 – FY 2035.

Figures 2-1, 2-2, 2-3 and 2-4 provide a visual representation of the recommended financial plan discussed above.

Figure 2-1: FY 2026 – FY 2030 Projected Financial Plan

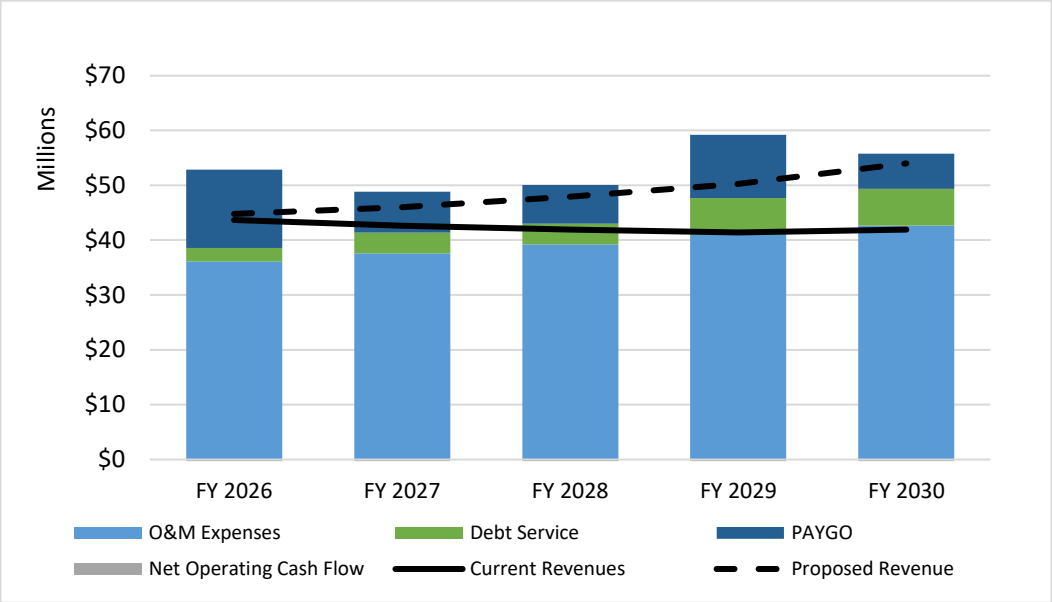


Figure 2-2: FY 2026 – FY 2030 Projected Ending Operating and Capital Cash Reserves

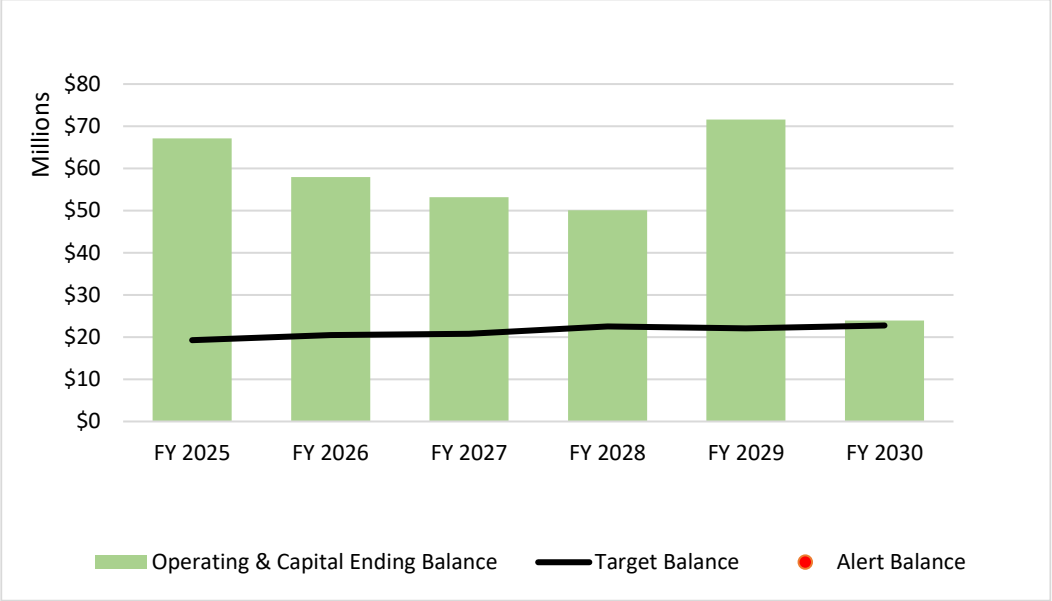


Figure 2-3: FY 2026 – FY 2030 Projected Debt Service Coverage

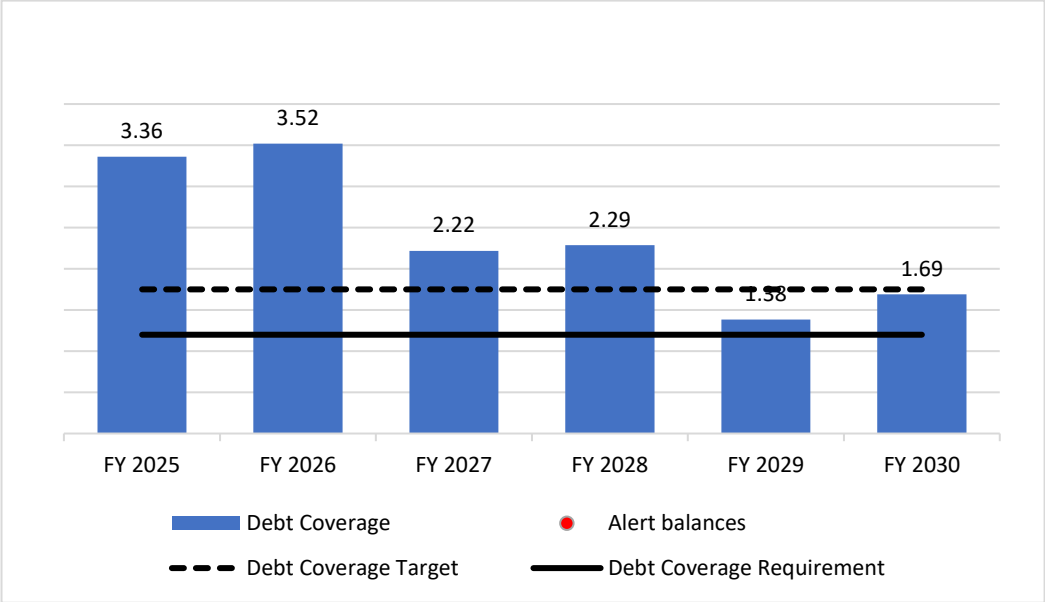
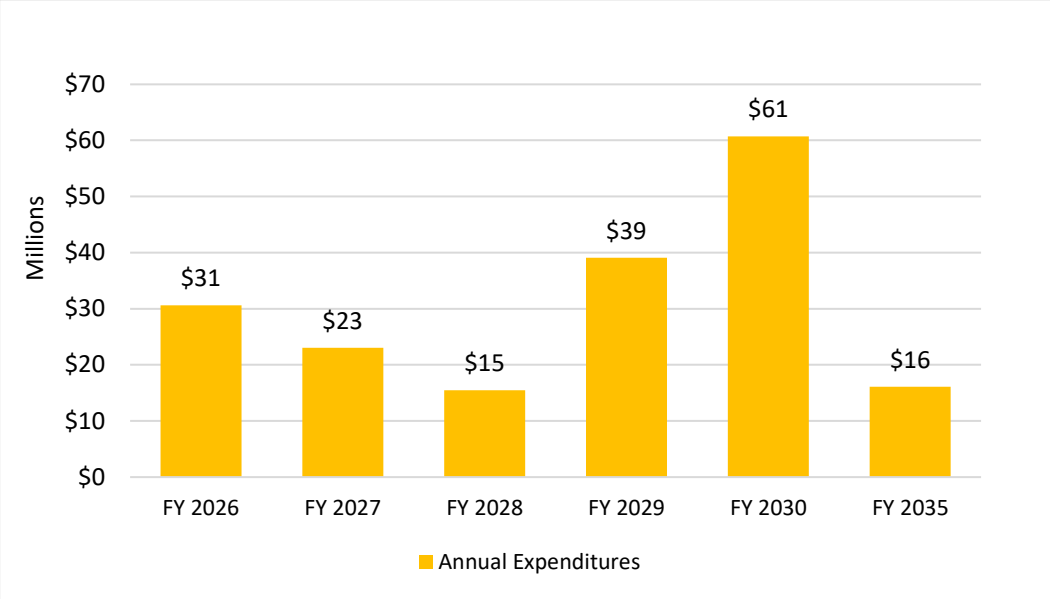


Figure 2-4: FY 2026 – FY 2030 Projected Capital Improvement Expenditures



2.12. Projected Revenue Requirement from Rates

The primary outcome of the financial planning process is a determination of the projected annual revenue requirement from rates (i.e., the amount of rate revenue that must be earned from customers). Line 5 of Table 2-10 labeled "Total Rate Revenues" reflects the projected amount that must be collected from customers for the period FY 2026 – FY 2030. Line 5, Column C, of Table 2-10 shows that in FY 2026, total projected rate revenues are $29,758,787. This amount is the FY 2026 revenue requirement from rates.

Table 2-11 shows the derivation of the annual revenue requirement in an alternative format. The amounts shown for FY 2026 (Column B) will be used in the cost allocation process discussed in Section 3 of this report. The "Net Revenue Requirement from Rates" shown on Line 14, Column B, of Table 2-11 matches the

FY 2026 value for Total Rate Revenues shown on Line 5, Column B of Table 2-10. Note that the FY 2026 revenue requirement does not reflect a mid-year adjustment as shown in Table 3-1.

Table 2-11: Projected FY 2026 – FY 2030 Annual Revenue Requirement from Rates

	A	B	C	D	E	F
		Projected				
Line	Description	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	O&M Expenses	$36,105,730	$37,580,722	$39,226,546	$40,946,447	$42,626,838
2	Debt Service	$2,454,320	$3,791,340	$3,784,590	$6,720,003	$6,718,519
3	Cash Funded CIP	$14,277,116	$7,426,710	$7,031,962	$11,534,974	$6,381,882
4	Total Expenditures	$52,837,166	$48,798,773	$50,043,097	$59,201,424	$55,727,240
5						
6	Net Operating Cash Flow (Change in Cash)	($8,089,644)	($2,810,476)	($2,153,289)	($8,960,919)	($1,738,187)
7	Gross Revenue Requirement	$44,747,522	$45,988,297	$47,889,808	$50,240,506	$53,989,053
8						
9	Less:					
10	Other Operating Revenue	$5,106,180	$5,106,180	$5,106,180	$5,106,180	$5,106,180
11	Non-Operating Revenue	$9,882,555	$8,153,061	$6,855,836	$5,615,171	$5,426,119
12	Total Rate Revenue Offsets	$14,988,735	$13,259,241	$11,962,016	$10,721,351	$10,532,299
13						
14	Net Revenue Requirement from Rates	$29,758,787	$32,729,056	$35,927,792	$39,519,155	$43,456,754

3. Cost of Service Analysis

This section of the report details the cost of service analysis used to determine the revenue requirement from monthly fixed charges and usage-based rates billed on a $/HCF basis. This section of the report discusses the process used in the cost of service analysis on a step-by-step basis.

3.1. Process and Approach

The cost of service analysis completed by Raftelis followed industry standard guidelines outlined in the AWWA M1 Manual, adjusted where appropriate to meet the District's circumstances and to ensure compliance with Proposition 218. The cost-of-service and rate design principles discussed in the M1 Manual require proposed rates to reflect the proportionate cost that customers place on the water utility system given their unique demand characteristics. The cost of service analysis process includes the following steps:

1. **Revenue Requirement Functionalization**: Revenue requirement components (e.g., operating costs, cash-financed capital costs, and non-rate revenue offsets) are assigned to functional categories such as supply, treatment, storage, pumping, transmission, distribution, customer service, and billing, etc. This answers the question, what water system functions are being paid for via the annual revenue requirement?

2. **Allocation of Revenue Requirement to Cost Causation Components**: Functionalized costs are then allocated to specific cost causation components such as water supply, electric power, base demand, peak demand, customer service, and billing. This answers the question, what types of demand are being met by specific water system functions?

3. **Determine Units of Service**: Total system units of service are estimated for each cost causation component (e.g., the billed consumption in each tier or the number of equivalent meters).

4. **Calculate the Unit Cost of Service**: The unit cost of service is calculated for each cost causation component by dividing the total revenue requirement for each cost component (Step 2) by the total units of service for that component (Step 3). For example, base demand costs are divided by the annual water demand and customer billing costs are divided by the annual number of bills.

5. **Allocate Costs to Rate Components**: The total system unit cost of service for each cost causation component (Step 4) is multiplied by units of service for each rate component to determine the annual cost of service for monthly fixed charges and usage rates.

3.2. FY 2026 Revenue Requirement

Table 3-1 shows the allocation of the FY 2026 revenue requirement to operating and capital components. The revenue to be recovered from rates (Line 24) is divided between operating (Column B) and capital (Column C) based on the function of each line item. For example, debt service (Line 3) is allocated to capital, while O&M expenses (Line 2) are allocated to operating.

Line 18 reflects the revenue requirement of $29,758,787 determined as part of the financial planning process (See Table 2-10, Line 5, Column C and Table 2-11, Line 14, Column B). A key item to note is the negative net operating cash flow of ($8,089,644) shown on Line 5, Column C of Table 3-1. This negative amount is

because projected FY 2026 revenues are less than projected FY 2026 expenses. Table 2-10 shows this outcome. The negative operating cash flow of ($8,089,644) is shown in Table 2-10, Line 16, Column C. It is the result of projected FY 2026 total revenues of $44,747,522 (Table 2-10, Line 9, Column C) being ($8,089,644) less than projected total FY 2026 expenditures of $52,837,166 (Table 2-10, Line 14, Column C). The negative net operating cash flow results in a reduction in the District's projected FY 2026 ending cash reserves.

The revenue requirement of $29,758,787 shown in Tables 2-10 (Line 5) and 2-11 (Line 14) represent the partial year impact of a 7.5% revenue adjustment taking effect halfway through FY 2026. Specifically, the rate adjustment will be implemented on January 1, 2026, halfway through FY 2026 which runs from July 1, 2025, and June 30, 2026. The total amount of rate revenue generated from this partial year adjustment is $29,758,787 as shown Table 2-10 (Line 5) and Table 2-11 (Line 14). Line 21 of Table 3-1 introduces a mid-year adjustment to normalize the revenue requirement for a full year, ensuring it reflects the total amount of rate revenue that would have been collected if the 7.5% financial planning increase had been in effect for all 12 months of FY 2026. The FY 2026 financial planning increase of 7.5% will become effective on January 1, 2026, halfway through the fiscal year. Thus, a mid-year adjustment is required. The mid-year adjustment allows for an accurate comparison of annualized rate revenue needs and aligns the FY 2026 revenue requirement with a full-year rate implementation.

Table 3-1: FY 2026 Revenue Requirement by Operating and Capital Component

	A	B	C	D
Line	Revenue Requirement	Operating	Capital	Total
1	Revenue Requirement			
2	Operating Costs	$36,105,730		$36,105,730
3	Debt Service		$2,454,320	$2,454,320
4	Cash Funded CIP		$14,277,116	$14,277,116
5	Net Operating Cash Flow (Change in Cash)		($8,089,644)	($8,089,644)
6	Gross Revenue Requirement	$36,105,730	$8,641,792	$44,747,522
7				
8	Revenue Offsets			
9	Other Operating Revenue	$5,106,180		$5,106,180
10	Property Taxes	$4,229,527		$4,229,527
11	Grants and Reimbursements	$2,095,000		$2,095,000
12	Interest and Investment Earnings	$1,373,878		$1,373,878
13	Rental Income - Cellular Antennas	$39,828		$39,828
14	Other Non-Operating Revenues	$2,144,322		$2,144,322
16	Total Revenue Offsets	$14,988,735	$0	$14,988,735
17				
18	Net Revenue Requirement Before Adjustments	$21,116,995	$8,641,792	$29,758,787
19				
20	Adjustments			
21	Adjustment for Mid-Year Increase		$1,075,619	$1,075,619
22	Total Adjustments	$0	$1,075,619	$1,075,619
23				
24	Net Revenue Requirement	$21,116,995	$9,717,411	$30,834,406

3.3. System Demand Ratios

A key factor in the allocation of the revenue requirement to cost causation components is the determination of system demand ratios. Maximum day demand is the maximum amount of water used in a single day in a year. Maximum hour demand is the maximum usage in one hour on the maximum day. The system demand ratios are used to allocate functionalized costs to specific cost causation components. The system demand

ratios shown in Table 3-2 are based on an analysis of the District's FY 2022 billed water consumption in each of the recommended FY 2026 consumption tiers.

Table 3-2: System Demand Factors

	A	B
Line	Allocation Factor	System Peaking Factor
1	Base	1.06
2	Maximum Day	1.52
3	Maximum Hour	2.29

The system-wide demand ratios shown Table 3-2 are used to derive the cost causation component allocation factors shown in Table 3-3. The derivation of the allocation factors shown in Table 3-3 are as follows:

Line 1: "Base" represents the average day demand throughout the year and is assigned a factor of 100%
» Base = 1.06 / 1.06 = 100%

Line 2: "Max Day" is the ratio of maximum day demand relative to base demand. The percentage allocated to maximum day is the incremental usage above base demand.
» Base = 1.06 / 1.52 = 70%
» Max Day = (1.52 – 1.06) / 1.52 = 30%

Line 3: "Max Hour" is the ratio of maximum hour demand, on the maximum day, relative to base demand.
» Base = 1.06 / 2.29 = 46%
» Max Day = (1.52 – 1.06) / 2.29 = 20%
» Max Hour = (2.29 – 1.52) / 2.29 = 34%

The factors shown in Table 3-3 indicate how much additional capacity is required to meet demand above average daily use. As demand increases the size of the water system infrastructure must also increase. This causes utilities to incur greater costs to design, construct, maintain, and replace system facilities. For example, water treatment facilities are often used to provide water to meet both base and maximum day demand. Thus, the operating and capital costs associated with the water treatment function are allocated between base and maximum day demand using the percentages shown in Line 2, Columns C and D (70% and 30%). Similarly, pumping, transmission, and distribution facilities are often used to meet base, maximum day, and maximum hour demands. Thus, the operating and capital costs for these functions would be allocated as shown Line 3, Columns C, D, and F (46%, 20%, and 34%).

Table 3-3: System Demand Ratios Used in Cost Allocations

	A	B	C	D	E	F
Line	Allocation Factor	System Demand Factor	Base	Max Day	Max Hour	Total
1	Base	1.06	100%	0%	0%	100%
2	Max Day	1.52	70%	30%	0%	100%
3	Max Hour	2.29	46%	20%	34%	100%

3.4. Revenue Requirement Functionalization

The District's financial accounting and budgeting systems make a detailed assignment of operating costs to functional categories. This is shown in the projection of FY 2026 operating expenses shown in Tables 2-6 and 3-5. The allocation of the FY 2026 capital costs is based on the estimated net book value of the District's assets as of June 30, 2022. Table 3-4 shows this allocation.

Table 3-4: Capital Cost Functionalization Allocation

Line	Function	% of Assets	FY 2026 Capital Cost Revenue Requirement
1	Buildings & Improvements	5%	$454,442
2	Distribution	26%	$2,516,955
3	Equipment & Vehicles	1%	$113,846
4	Fire	3%	$302,851
5	General & Admin	0%	$6,992
6	Land & Easement	1%	$91,403
7	Meters	1%	$140,300
8	Pumping	4%	$436,610
9	Source Of Supply	7%	$663,985
10	Storage	11%	$1,042,113
11	Transmission	16%	$1,514,063
12	Treatment	25%	$2,433,850
13	Total	100%	$9,717,411

3.5. Allocation to Cost Causation Components

The next step in the cost of service analysis is to allocate the functionalized FY 2026 revenue determine to cost causation components. The cost causation components used in the study included:

- Water Supply
- Base Demand
- Maximum Day Demand
- Maximum Hour Demand
- Meters
- Customer and Billing
- Direct Fire
- Private Fire
- General and Administrative

Table 3-5 shows the final allocation of the FY 2026 operating expense revenue requirement to cost causation components. Most allocations are based on the system demand ratios shown in Table 3-3.

Table 3-6 shows the final allocation of the FY 2026 capital cost revenue requirement to cost causation components. Most allocations are based on the system demand ratios shown in Table 3-3.

Table 3-7 shows the final allocation of FY 2026 non-rate offsets to cost causation components. The allocations are based on the outcome of the operating expense allocations in Table 3-5 and the capital cost allocations shown in Table 3-6.

Table 3-5: Allocation of FY 2026 Operating Expenses to Cost Causation Components

	A	B	C	D	E	F	G	H	I	J
Line	Operating Expense	Supply	Base Delivery (Note 1)	Max Day	Max Hour	Meters	Customer	General	Direct Fire	Total
1	Source of Supply – 5110	$2,360,380	$0	$0	$0	$0	$0	$0	$0	$2,360,380
2	Production Pumping – 5210	$0	$4,362,421	$457,130	$765,499	$0	$0	$0	$0	$5,585,050
3	Water Quality Department – 5310	$0	$584,434	$251,466	$0	$0	$0	$0	$0	$835,900
4	Water Treatment - Perchlorate – 5320	$0	$422,997	$182,003	$0	$0	$0	$0	$0	$605,000
5	Water Treatment - FBR – 5350	$0	$1,618,133	$459,588	$0	$0	$0	$0	$0	$2,077,721
6	Water Treatment - Roemer/Arsenic – 5390	$0	$2,184,151	$552,534	$0	$0	$0	$0	$0	$2,736,685
7	Maintenance - Transmission and Distribution – 5410	$0	$2,127,568	$915,432	$0	$0	$0	$0	$0	$3,043,000
8	Customer Service – 5510	$0	$0	$0	$0	$0	$1,218,300	$0	$0	$1,218,300
9	Meter Reading – 5520	$0	$0	$0	$0	$1,026,200	$0	$0	$0	$1,026,200
10	Billing – 5530	$0	$0	$0	$0	$0	$677,100	$0	$0	$677,100
11	Administration – 5610	$0	$0	$0	$0	$985,837	$399,664	$1,278,924	$0	$2,664,425
12	General Operations	$0	$64,000	$0	$0	$1,195,810	$484,788	$1,551,321	$0	$3,295,919
13	Accounting – 5620	$0	$0	$0	$0	$434,436	$176,123	$563,592	$0	$1,174,150
14	Engineering – 5630	$0	$0	$0	$0	$1,031,144	$418,031	$1,337,700	$0	$2,786,875
15	Information Technology – 5640	$0	$0	$0	$0	$699,607	$283,625	$907,598	$0	$1,890,830
16	GIS – 5645	$0	$0	$0	$0	$107,744	$43,680	$139,776	$0	$291,200
17	Board of Directors – 5650	$0	$0	$0	$0	$128,390	$52,050	$166,560	$0	$347,000
18	Human Resources/Risk Management – 5660	$0	$0	$0	$0	$347,911	$141,045	$451,344	$0	$940,300
19	Purchasing	$0	$0	$0	$0	$293,373	$118,935	$380,592	$0	$792,900
20	Government / Public Affairs – 5710	$0	$0	$0	$0	$598,214	$242,519	$776,062	$0	$1,616,795
21	Grants & Rebates – 5720	$0	$0	$0	$0	$51,800	$21,000	$67,200	$0	$140,000
22	Future Full-Time Equivalents	$0	$0	$0	$0	$0	$0	$0	$0	$0
23	Total Operating Expenses	$2,360,380	$11,363,704	$2,818,153	$765,499	$6,900,466	$4,276,859	$7,620,669	$0	$36,105,730
24	Percentage Allocation	6.5%	31.5%	7.8%	2.1%	19.1%	11.8%	21.1%	0.0%	100.0%

Note 1: Base Delivery Costs Include $4,814,000 of electric power costs

Table 3-6: Allocation of FY 2026 Capital Costs to Cost Causation Components

	A	B	C	D	E	F	G	H	I	J
Line	Capital Cost	Supply	Base Delivery (Note 1)	Max Day	Max Hour	Meters	Customer	General	Direct Fire	Total
1	Total Capital Costs	$663,985	$4,618,022	$1,987,004	$1,338,565	$386,973	$100,002	$320,008	$302,851	$9,717,411
2	Percentage Allocation	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Note 1: Base Delivery Costs Include $4,814,000 of electric power costs

Table 3-7: Allocation of FY 2026 Non-Rate Revenue Offsets to Cost Causation Components

	A	B	C	D	E	F	G	H	I	J
Line	Capital Cost	Supply	Base Delivery (Note 1)	Max Day	Max Hour	Meters	Customer	General	Direct Fire	Total
1	Other Operating Revenue	$333,812	$1,607,089	$398,552	$108,259	$975,884	$604,846	$1,077,738	$0	$5,106,180
2	Non-Operating Revenue	$979,993	$4,723,858	$1,174,948	$322,427	$2,858,596	$1,771,164	$3,156,508	$1,241	$14,988,735
3	Total Non-Rate Revenue Offsets	$1,313,805	$6,330,947	$1,573,499	$430,686	$3,834,480	$2,376,010	$4,234,246	$1,241	$20,094,915
4	Percentage Allocation	6.5%	31.5%	7.8%	2.1%	19.1%	11.8%	21.1%	0.006%	100.0%

Note 1: Base Delivery Costs Include $4,814,000 of electric power costs

3.6. Meter Equivalencies

To calculate the revenue requirement for monthly service charges, the number of 3/4" meter equivalent connections must be determined. This is done by using meter flow rate equivalencies based on meter size. Table 3-8 shows the water meter flow equivalencies used in the cost allocation and rate design process based on the District's actual inventory of meters. The flow assumptions and resulting flow equivalencies are based on information from the American Water Works Association. The meter flow equivalencies show in Table 3-8 were reviewed and approved by District staff.

Table 3-8: Meter Flow Equivalencies

	A	B	C	D	E	F
Line	Meter Size	Flow Capacity (gpm)	Flow Equivalency Ratio	Number of Meters	Number of Equivalent Meters	Annual Bills
1	5/8"	30	1.00	2,985	2,985	35,820
2	3/4"	30	1.00	10,452	10,452	125,425
3	1"	50	1.67	10,981	18,302	131,772
4	1 1/2"	100	3.33	325	1,083	3,900
5	2"	160	5.33	506	2,699	6,072
6	3"	350	11.67	137	1,601	1,647
7	4"	600	20.00	56	1,110	666
8	6"	1,250	41.67	9	385	111
9	8"	1,800	60.00	4	240	48
	Total			25,455	38,857	305,461

3.7. Private Fire Line and Public Hydrant Equivalencies

Water systems provide water supplies for two types of fires. Fires that are fought using public fire hydrants and fires that are fought using private fire lines, which provide fire flows to sprinkler systems in buildings and other structures. To determine the share of total fire-related costs attributable to public versus private, Raftelis performed an analysis of the system capacity demanded by public hydrants and private fire lines.

The standard connection for a public hydrant is 6". Therefore, private fire connections are expressed on an equivalent 6" basis. Table 3-9 shows the steps required to calculate 6" equivalents. Each fire connection size has a fire flow demand ratio, similar to a hydraulic capacity factor of a water meter. The diameter of the connection is raised by exponent 2.63 to determine the fire flow demand factor for each connection size. This value comes from the Hazen-Williams equation, an empirical formula used to calculate friction head loss and flow velocity in water distribution systems. The number of connections of a specific size is then multiplied by the fire flow demand factor to derive total equivalent 6" fire connections.

The analysis shown in Table 3-9 indicates that approximately 55% of 6" equivalent connections are for public hydrants (Line 19) and 45.0% of 6" equivalent connections are for private fire lines (Line 20). This information is used in the cost allocation process to determine the proportion of maximum day and maximum hour costs that should be allocated to public hydrants and private fire lines.

Table 3-9: Private Fire Line and Public Hydrant Equivalent 6" Connections

	A	B	C	D	E
Line	Fire Connection	Fire Demand Ratio	Number of Connections	Equivalent Connections	Annual Bills
1	Private Fire Connection Size				
2	5/8"	0.29	8	2.32	96
3	3/4"	0.47	0	0.00	0
4	1"	1.00	0	0.00	0
5	1 1/2"	2.90	1	2.90	12
6	2"	6.19	1	6.19	12
7	3"	17.98	0	0.00	0
8	4"	38.32	31	1,187.90	372
9	6"	111.31	93	10,351.92	1116
10	8"	237.21	132	31,311.26	1584
11	10"	426.58	144	61,427.45	1728
12	12"	689.04	10	6,890.44	120
13	Total			111,180.38	
14					
15	Public Hydrant Size	Fire Demand Ratio	Number of Connections	Equivalent Connections	
16	6"	38.32	3,550	136,034	
17					
18	Total Equivalent Fire Connections			247,214	
19	Percentage Public Hydrants			55.0%	
20	Percentage Private Fire Lines			45.0%	

Having established the number of 6" equivalent public and private fire connections, the next step in the process of allocating fire-related costs is to assume the maximum day and maximum hour units of service for a hypothetical fire event. The District's 2020 Water Facilities Engineering Master Plan provided fire flow estimates ranging from 1,500 gallons per minute (gpm) over a 2-hour duration for a low density single family residential fire to 4,000 gpm over a 4-hour duration for a heavy industry fire. Table 3-10 shows the allocation of maximum hour and maximum day fire flows for a 5,000-gpm fire with a 4-hour duration which reflects the hypothetical fire flows for two simultaneous fire events.

Table 3-10: Allocation of Fire Flows

	A	B	C
Line	Fire Estimate	Max Day	Max Hour
1	Hours for Fire	4.0	4.0
2	Gallons per Minute (Thousands)	5.0	5.0
3			
4	Cost to Public Fire	55%	55%
5	Capacity Demanded for Fire (hcf)	1,604	9,625
6	Public Fire (55% from Table 3-10)	883	5,296
7	Private Fire (45% from Table 3-10)	721	4,329

3.8. Summary Units of Service

Table 3-11 provides a summary of the units of service used in the cost of service analysis.

3.9. Unit Cost of Service

Having established the total system units of service as shown in Table 3-11, the next step in the cost of service analysis is to calculate the unit cost of service for each cost causation component. This is accomplished by diving the revenue requirement for each cost causation component by the total system units of service

associated with that component. Table 3-12 shows the calculation of the unit cost of service. Key things to note include:

1. Electric power costs (Line 2, Column C) have been stated separately from other operating expenses. This allows the District to implement a pass-through adjustment to usage rates each year if desired.
2. General and administrative costs are allocated to other cost causation components (Line 8).
3. Maximum day and maximum hour public fire hydrant costs (Line 12, Columns D and E) are allocated to the meter cost causation component (Line 12, Column F).
4. Maximum day and maximum hour private fire line costs (Line 13, Columns D and E) are allocated to the private fire cost causation component (Line 13, Column I).
5. The final FY 2026 revenue requirement of $30,834,406 (Line 14, Column K) matches the revenue requirement previously shown in Table 3-1, Line 24, Column D.

3.10. Summary Cost of Service for Rate Components

As noted previously, the District has no specific customer classes. Instead, customers pay $/HCF usage rates using a 3-tier rate structure that applies to all customer types. Table 3-13 provides a summary of the FY 2026 cost of service for each rate component. This information is used in the development of proposed rates as discussed in Section 4 of this report.

1. Columns B - G show the components of the usage cost of service which total $20,563,047 (Line 5, Column G). This is 66.7% of the total revenue requirement of $30,834,406.
2. Columns H - J show the components of the monthly service charge cost of service which total $9,557,222 (Line 5, Column J). This is 31% of the total revenue requirement of $30,834,406.
3. Column K shows the private fire line revenue requirement of $714,137 (Line 5, Column K). This is 2.3% of the total revenue requirement of $30,834,406.

Table 3-11: Summary of FY 2026 Total System Units of Service

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
Line	Customer Class	Percent in Tier	Annual Use (hcf)	Average Daily Use (hcf/day)	Max Day Peaking	Total Capacity (hcf/day)	Max Day Extra Capacity (hcf/day)	Max Hour Peaking	Total Capacity (hcf/day)	Extra Capacity (hcf/day)	Equivalent Meters	Public Hydrants	Private Fire Equivalent Connections	Number of Customers	Annual Bills
1	All Customers														
2	Tier 1 (0 - 10 HCF)	30.4%	2,461,151	6,743	1.52	10,268	3,525	2.29	15,441	5,173	38,857	0	111,180	25,455	305,461
3	Tier 2 (11 - 30 HCF)	35.4%	2,866,392	7,853	1.52	11,959	4,106	2.29	17,984	6,025	0	0	0	0	0
4	Tier 3 (>30 HCF)	34.2%	2,770,974	7,592	1.52	11,561	3,969	2.29	17,385	5,824	0	0	0	0	0
5	Total All Customers	100.0%	8,098,516	22,188		33,788	11,601		50,810	17,021	38,857	0	0	25,455	305,461
6															
7	Public Fire Hydrants						883		5,296	4,414	0	136,034	0	0	0
8	Private Fire Lines						721		4,329	3,607	0	0	111,180	420	5,040
9	Total System		8,098,516	22,188		33,788	13,205		60,435	25,042	38,857	136,034	111,180	25,875	310,501

Table 3-12: Calculated FY 2026 Unit Cost of Service

	A	B	C	D	E	F	G	H	I	J	K
Line	Revenue Requirement Component	Supply	Base Delivery	Max Day	Max Hour	Meters	Customer	Direct Fire	Private Fire	General	Total
1	Operating Expenses	$2,360,380	$6,549,704	$2,818,153	$765,499	$6,900,466	$4,276,859	$0	$0	$7,620,669	$31,291,730
2	Electric Power	$0	$4,814,000	$0	$0	$0	$0	$0	$0	$0	$4,814,000
3	Capital Costs	$663,985	$4,618,022	$1,987,004	$1,338,565	$386,973	$100,002	$302,851	$0	$320,008	$9,717,411
4	Non-Rate Revenue Offsets	($979,993)	($4,723,858)	($1,174,948)	($322,427)	($2,858,596)	($1,771,164)	($1,241)	$0	($3,156,508)	($14,988,735)
5	Revenue Requirement Before Adjustment	$2,044,372	$11,257,868	$3,630,209	$1,781,637	$4,428,843	$2,605,698	$301,610	$0	$4,784,169	$30,834,406
7											
8	Allocation of General Cost	$375,452	$2,067,526	$666,694	$327,201	$813,364	$478,541	$55,391	$0	($4,784,169)	$0
9	Adjusted Revenue Requirement	$2,419,825	$13,325,393	$4,296,903	$2,108,838	$5,242,207	$3,084,238	$357,001	$0	$0	$30,834,406
10											
11	Allocation of Fire Costs										
12	Public Fire Hydrants			($326,961)	($546,814)	$1,230,777		($357,001)			
13	Private Fire Lines	-	-	($267,225)	($446,912)	-	-	-	$714,137	-	-
14	Final Revenue Requirement	$2,419,825	$13,325,393	$3,702,717	$1,115,112	$6,472,984	$3,084,238	$0	$714,137	$0	$30,834,406
15	Units of Service	8,098,516	8,098,516	9,997	9,001	38,857	310,501		111,180		
16											
17	Final Unit Cost of Service	$0.30	$1.65	$370.40	$123.89	$13.88	$9.93		$0.54		
18	Unit of Measure	hcf	hcf	hcf/day	hcf/day	equiv. meter/yr	bills/yr		Equivalent Connections/ Bills		

Table 3-13: Summary of FY 2026 Cost of Service for Rate Components

	A	B	C	D	E	F	G	H	I	J	K	L
		Usage Cost of Service						Monthly Service Charge Cos of Service			Private Fire	Total
Line	Revenue Requirement Component	TIER	Supply	Base Delivery	Max Day	Max Hour	Total	Meters	Customer	Total	Cost of Svc.	Cost of Svc.
1	All Users											
2	Tier 1 (10 hcf)	0 - 10 HCF	$735,388	$4,049,606	$1,125,261	$338,884	$6,249,140	$6,472,984	$3,084,238	$9,557,222	$714,137	$16,520,499
3	Tier 2 (11-30 hcf)	11 - 30 HCF	$856,474	$4,716,394	$1,310,541	$394,683	$7,278,092	$0		$0		$7,278,092
4	Tier 3	> 30 HCF	$827,963	$4,559,393	$1,266,915	$381,545	$7,035,815	$0	$0	$0		$7,035,815
5	Total		$2,419,825	$13,325,393	$3,702,717	$1,115,112	$20,563,047	$6,472,984	$3,084,238	$9,557,222	$714,137	$30,834,406

4. Proposed Rates and Charges

4.1. Monthly Service Charges

Table 4-1 shows the calculation of proposed FY 2026 monthly service charges. Column F shows the final proposed FY 2026 monthly service charges by meter size. The increase in the monthly service charges for larger meter sizes (Lines 6 - 9) is caused by the use of meter flow rate information that reflects the capacity demand that the District's current actual large meters can place on the District's water system (Column D).

Table 4-1: Proposed FY 2026 Monthly Service Charge

	A	B	C	D	E	F = D+E	G	H	I
Line	Meter Size	Flow Capacity (gpm)	Meter Flow Equivalency	Monthly Capacity Component	Monthly Billing Component	Proposed FY 2026 Monthly Service Charge	Existing Monthly Service Charge	$ Difference	% Difference
1	5/8"	30	1.00	$13.88	$9.93	$23.82	$22.21	$1.61	7.2%
2	3/4"	30	1.00	$13.88	$9.93	$23.82	$22.21	$1.61	7.2%
3	1"	50	1.67	$23.14	$9.93	$33.07	$33.07	($0.00)	0.0%
4	1 1/2"	100	3.33	$46.27	$9.93	$56.21	$48.77	$7.44	15.2%
5	2"	160	5.33	$74.04	$9.93	$83.97	$67.18	$16.79	25.0%
6	3"	350	11.67	$161.96	$9.93	$171.89	$97.52	$74.37	76.3%
7	4"	600	20.00	$277.64	$9.93	$287.57	$128.56	$159.01	123.7%
8	6"	1,250	41.67	$578.42	$9.93	$588.35	$195.02	$393.33	201.7%
9	8"	1,800	60.00	$832.92	$9.93	$842.85	$261.48	$581.37	222.3%

4.2. Monthly Private Fire Line Charges

Table 4-2 shows the calculation of proposed FY 2026 monthly private fire line charges. Column E shows the final proposed FY 2026 monthly private fire line charges by connection size. The increase in the monthly private fire line charge for larger connections (Lines 10 – 11) is caused by the use of fire flow demand ratios that reflect the capacity demand that large connections can place on the District's water system (Column C).

Table 4-2: Proposed FY 2026 Monthly Private Fire Line Charge

	A	B	C	D	E = C + D	F	G	H
Line	Private Fire Line Size	Fire Demand Ratio	Monthly Capacity Component	Monthly Billing Component	Proposed Monthly Service Charge	Existing	$ Difference	% Difference
1	5/8"	0.29	$0.16	$9.93	$10.09	$10.54	($0.45)	(4.3%)
2	3/4"	0.47	$0.25	$9.93	$10.18	$10.54	($0.36)	(3.4%)
3	1"	1.00	$0.54	$9.93	$10.47	$10.54	($0.07)	(0.7%)
4	1 1/2"	2.90	$1.55	$9.93	$11.49	$15.81	($4.32)	(27.3%)
5	2"	6.19	$3.31	$9.93	$13.25	$21.08	($7.83)	(37.2%)
6	3"	17.98	$9.63	$9.93	$19.56	$31.62	($12.06)	(38.1%)
7	4"	38.32	$20.51	$9.93	$30.44	$42.16	($11.72)	(27.8%)
8	6"	111.31	$59.58	$9.93	$69.51	$63.24	$6.27	9.9%
9	8"	237.21	$126.97	$9.93	$136.90	$84.32	$52.58	62.4%
10	10"	426.58	$228.33	$9.93	$238.27	$105.40	$132.87	126.1%
11	12"	689.04	$368.82	$9.93	$378.76	$126.48	$252.28	199.5%

4.3. Usage Rates – Recommended Change in Consumption Thresholds

As part of the rate design process, Raftelis analyzed customer usage patterns in each of the District's current consumption tiers (Column B of Table 4-3). Based on this analysis, we recommend modifying the District's existing consumption thresholds to those shown in Column C of Table 4-3. Specifically, we recommend that the Tier 2 consumption threshold be lowered from 50 HCF to 30 HCF and the Tier 3 consumption threshold be lowered from greater than 50 HCF to greater than 30 HCF.

This recommendation was made to better align the District's consumption thresholds with the water supply costs projected to be incurred in FY 2026. Table 4-4 shows the projected FY 2026 water supply unit cost of service under the proposed modified consumption thresholds. As shown in Line 17, Columns F - H, under the recommended modified consumption thresholds, there is a distinct cost to service each consumption tier (Tier 1 = $0.09/HCF, Tier 2 = $0.30/HCF, and Tier 3 = $0.49/HCF). These outcomes provide cost-based support for the recommended change in the District's current consumption tiers

Table 4-3: Recommended Usage Rate Consumption Thresholds

	A	B	C
Line	Consumption Tier	Existing Threshold	Recommended Threshold
1	Tier 1	0-10 HCF	0-10 HCF
2	Tier 2	11-50 HCF	11-30 HCF
3	Tier 3	> 50 HCF	>30 HCF

4.4. Usage Rates – $/HCF Source of Supply Costs

Source of supply costs are a component of the District's operating expense revenue requirement. The District has a diverse water supply portfolio. District staff projects that eight separate sources of water will be used to meet demand FY 2026. The total estimated cost of these supplies is projected to be $2,019,466 in FY 2026. In addition to this volume-related cost, a total of $400,358 in non-volume-related costs are also associated with the source of supply function. Thus, the total FY 2026 source of supply revenue requirement is $2,419,825

Table 4-4 shows the allocation of water supply costs to each of the District's three recommended consumption tiers. Demand-related costs are allocated to each tier based on the adequacy, reliability, and cost of each specific supply source. Specifically, the District has an adequate amount of the lowest cost water supply to serve all the projected FY 2026 Tier 1 demand and this low cost supply is fully allocated to Tier 1. Only a partial amount of the lowest cost supply is available to meet projected FY 2026 Tier 2 demand. As a result, higher cost supplies must also be allocated to Tier 2. Finally, Tier 3 demand is projected to be served by a combination of the remaining water supply sources with the highest average cost. Source of supply costs not related to volume are allocated to each tier based on the projected FY 2026 billed consumption in each tier.

Line 17 of Table 4-4 shows the $/HCF source of supply unit cost for each consumption tier.

Table 4-4: FY 2026 Source of Supply Unit Cost of Service ($/HCF)

	A	B	C	D	F	G	H	I
Line	Supply Source	Acre Feet (AF)	$/AF	Total Cost	Tier 1 Cost (0 – 10 HCF)	Tier 2 Cost (11 – 30 HCF)	Tier 3 Cost (> 30 HCF)	Total Cost
1	Water Supply Costs (Supply Volumes)							
2	GW-Lytle Creek (all other wells)	3,214	$46	$148,651	$96,870	$51,782		$148,651
3	GW-BH	1,704	$46	$78,794		$78,794		$78,794
4	GW-Lytle Creek (Well 2)	100	$46	$4,608		$4,608		$4,608
5	Roemer (Lytle Creek)	6,302	$126	$792,792		$569,213	$223,578	$792,792
6	Roemer (San Bernardino's Lytle Creek)	2,245	$126	$282,421			$282,421	$282,421
7	Roemer (SWP-Valley District)	2,520	$126	$317,016			$317,016	$317,016
8	GW-BH / BLF	337	$306	$103,345			$103,345	$103,345
9	Roemer (SWP-IEUA)	320	$912	$291,840			$291,840	$291,840
10	Total Water Supply Costs			$2,019,466	$96,870	$704,396	$1,218,200	$2,019,466
11								
12	FY 2026 Non-Volume Source of Supply Costs Allocated Based on Recommended FY 2026 Consumption Tiers			$400,358	$121,670	$141,703	$136,986	$400,358
13	Percentage Usage by Tier				30.4%	35.4%	34.2%	
14								
15	Total Water Supply Costs			$2,419,825	$218,539	$846,099	$1,355,186	$2,419,825
16	Projected FY 2026 Billed Consumption by TIER				2,461,151	2,866,392	2,770,974	
17	Calculated FY 2026 Unit Cost per HCF by Consumption Tier				$0.09	$0.30	$0.49	

4.5. Usage Rates – $/HCF Electric Power Costs

Electric power costs are a component of the District's operating expense revenue requirement. The estimated FY 2026 revenue requirement for electric power costs is $4,814,000. Table 4-5 shows the allocation of electric power costs to each of the recommended consumption tiers. The unit cost of service for electric power does not vary by consumption tier. As shown in Column E, the unit cost of service for electric power is $0.59/HCF in each of the recommended consumption tiers.

Table 4-5: FY 2026 $/HCF Electric Powe Cost Unit Cost of Service

	A	B	C	D	E
Line	Consumption Tier	FY 2026 Billed Consumption (HCF)	% of Total	FY 2026 Electric Power Costs	FY 2026 $/HCF Unit Cost of Service
1	Tier 1 (0 - 10 HCF)	2,461,151	30.4%	$1,462,982	$0.59
2	Tier 2 (11 - 30 HCF)	2,866,392	35.4%	$1,703,869	$0.59
3	Tier 3 (> 30 HCF)	2,770,974	34.2%	$1,647,150	$0.59
4	Total	8,098,516	100.0%	$4,814,000	

4.6. Usage Rates – $/HCF Base Demand Costs

The FY 2026 operating expense revenue requirement for base demand, net of electric power costs, is $8,511,393. Table 4-6 shows the allocation of base demand costs to each of the recommended consumption tiers. There is no difference in the cost of system capacity to serve base demand in each consumption tier. As shown in Column E, the unit cost of service for base demand is $1.05/HCF in each of the recommended consumption tiers.

Table 4-6: FY 2026 $/HCF Base Demand Costs

	A	B	C	D	E
Line	Consumption Tier	FY 2026 Billed Consumption (HCF)	% of Total	FY 2026 Base Demand Costs	FY 2026 $/HCF Unit Cost of Service
1	Tier 1 (0 - 10 HCF)	2,461,151	30.4%	$2,586,625	$1.05
2	Tier 2 (11 - 30 HCF)	2,866,392	35.4%	$3,012,525	$1.05
3	Tier 3 (> 30 HCF)	2,770,974	34.2%	$2,912,243	$1.05
4	Total	8,098,516	100.0%	$8,511,393	

4.7. Usage Rates – $/HCF Maximum Day Demand Costs

Maximum day demand costs are a component of the District's projected FY 2026 revenue requirement. As noted in Section 3.3 in this report, a key factor in the allocation of the revenue requirement to cost causation components is the relationship between base, maximum day, and maximum hour demand. Maximum day demand is the maximum amount of water used in a single day in a year. Maximum hour demand is the maximum usage in one hour on the maximum day. To meet maximum day and maximum hour demands, utilities must incur greater system capacity costs to design, construct, maintain, and replace system facilities. For example, water treatment facilities are often used to provide water to meet both base and maximum day demand. Similarly, pumping, transmission, and distribution facilities are often used to meet base, maximum day, and maximum hour demands.

The estimated FY 2026 revenue requirement for maximum day demand is $3,702,717. Table 4-7 shows the allocation of maximum day demand costs to each of the District's three recommended consumption tiers. There is no difference in the cost of system capacity to serve maximum day demand in each consumption tier. As shown in Column E, the unit cost of service for maximum day demand is $0.46/HCF in each of the recommended consumption tiers.

Table 4-7: FY 2026 $/HCF Maximum Day Demand Costs

	A	B	C	D	E
Line	Consumption Tier	FY 2026 Billed Consumption (HCF)	% of Total	FY 2026 Maximum Day Demand Costs	FY 2026 $/HCF Unit Cost of Service
1	Tier 1 (0 - 10 HCF)	2,461,151	30.4%	$1,125,261	$0.46
2	Tier 2 (11-- 30 HCF)	2,866,392	35.4%	$1,310,541	$0.46
3	Tier 3 (> 30 HCF)	2,770,974	34.2%	$1,266,915	$0.46
4	Total	8,098,516	100.0%	$3,702,717	

4.8. Usage Rates – $/HCF Maximum Hour Demand Costs

Maximum hour demand costs are a component of the District's projected FY 2026 revenue requirement. The estimated FY 2026 revenue requirement for maximum hour demand is $1,115,112. Table 4-8 shows the allocation of maximum hour demand costs to each of the recommended consumption tiers. There is no difference in the cost of system capacity to serve maximum hour demand in each consumption tier. As shown in Column E, the unit cost of service for maximum hour demand is $0.14/HCF in each of the recommended consumption tiers.

Table 4-8: FY 2026 $/HCF Maximum Day Demand Costs

	A	B	C	D	E
Line	Consumption Tier	FY 2026 Billed Consumption (HCF)	% of Total	FY 2026 Maximum Day Demand Costs	FY 2026 $/HCF Unit Cost of Service
1	Tier 1 (0 - 10 HCF)	2,461,151	30.4%	$338,884	$0.14
2	Tier 2 (11 0- 30 HCF)	2,866,392	35.4%	$394,683	$0.14
3	Tier 3 (> 30 HCF)	2,770,974	34.2%	$381,545	$0.14
4	Total	8,098,516	100.0%	$1,115,112	

4.9. Usage Rates – $/HCF Summary Calculation

Table 4-9 shows the summary calculation of proposed FY 2026 usage rates. Proposed FY 2026 usage rates are shown in Column G. Note that the only differentiator in the final calculated $/HCF usage rates (Column G) is associated with the water supply costs (Column B). The $/HCF unit cost of service for electric power does not vary by tier (Column C). Further, the $/HCF unit cost of service for the capacity costs to meet base demand (Column D), maximum day demand (Column E), and maximum hour demand (Column F) also do not vary by tier.

Table 4-9: Summary Calculation of Proposed FY 2026 Usage Rates ($/HCF)

	A	B	C	D	E	F	G = (Sum of B through F)	H	I	J
Line	Tier	Supply	Power	Base	Max Day	Max Hour	Proposed FY 2026	Existing	$ Difference	% Difference
1	Tier 1 (10 hcf)	$0.09	$0.59	$1.05	$0.46	$0.14	$2.33	$2.13	$0.20	9.3%
2	Tier 2 (11-30 hcf)	$0.30	$0.59	$1.05	$0.46	$0.14	$2.54	$2.30	$0.24	10.2%
3	Tier 3 (>30hcf)	$0.49	$0.59	$1.05	$0.46	$0.14	$2.73	$2.53	$0.20	7.9%

4.10. Proposed FY 2026 – FY 2030 Rates

Tables 4-10, 4-11, and 4-12 show a projection of proposed rates for the period FY 2026 – FY 2030. The FY 2026 rates shown in these tables are based on the FY 2026 cost of service analysis described in this report. The proposed rates for FY 2027 – FY 2030 are based on the financial planning rate revenue increases shown in Table 1-4 (Line 2) and Table 2-10 (Line 1).

Table 4-10: Proposed FY 2026 – FY 2030 Usage Rates ($/HCF)

	A	B	C	D	E	FY 2029	G
Line	Consumption Tier	Current	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Existing Tiers						
2	Tier 1 (0 - 10 HCF)	$2.13					
3	Tier 2 (11 - 50 HCF)	$2.30					
4	Tier 3 (> 50 HCF)	$2.53					
5							
6	Recommended Tiers						
7	Tier 1 (0 - 10 HCF)		$2.33	$2.50	$2.69	$2.89	$3.11
8	Tier 2 (11 - 30 HCF)		$2.54	$2.73	$2.93	$3.15	$3.39
9	Tier 3 (> 30 HCF)		$2.73	$2.93	$3.15	$3.39	$3.65

Table 4-11: Proposed FY 2026 – FY 2030 Monthly Service Charges

	A	B	C	D	E	F	G
Line	Meter Size	Current	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	5/8"	$22.21	$23.82	$25.60	$27.52	$29.59	$31.80
2	3/4"	$22.21	$23.82	$25.60	$27.52	$29.59	$31.80
3	1"	$33.07	$33.07	$35.55	$38.22	$41.08	$44.16
4	1 1/2"	$48.77	$56.21	$60.42	$64.95	$69.83	$75.06
5	2"	$67.18	$83.97	$90.27	$97.04	$104.32	$112.14
6	3"	$97.52	$171.89	$184.78	$198.64	$213.54	$229.55
7	4"	$128.56	$287.57	$309.14	$332.33	$357.25	$384.05
8	6"	$195.02	$588.35	$632.48	$679.91	$730.91	$785.72
9	8"	$261.48	$842.85	$906.07	$974.02	$1,047.07	$1,125.61

Table 4-12: Proposed FY 2026 – FY 2030 Monthly Private Fire Line Charges

	A	B	C	D	E	F	G
Line	Connection Size	Current	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	5/8"	$10.54	$10.09	$10.85	$11.66	$12.53	$13.47
2	3/4"	$10.54	$10.18	$10.95	$11.77	$12.65	$13.60
3	1"	$10.54	$10.47	$11.25	$12.10	$13.00	$13.98
4	1 1/2"	$15.81	$11.49	$12.35	$13.28	$14.27	$15.34
5	2"	$21.08	$13.25	$14.24	$15.31	$16.46	$17.69
6	3"	$31.62	$19.56	$21.02	$22.60	$24.30	$26.12
7	4"	$42.16	$30.44	$32.73	$35.18	$37.82	$40.66
8	6"	$63.24	$69.51	$74.73	$80.33	$86.36	$92.83
9	8"	$84.32	$136.90	$147.17	$158.21	$170.07	$182.83
10	10"	$105.40	$238.27	$256.14	$275.35	$296.00	$318.20
11	12"	$126.48	$378.76	$407.16	$437.70	$470.53	$505.82

4.11. FY 2026 Single Family Residential Bill Impacts

Table 4-13 shows the estimated FY 2026 bill impacts for Single Family Residential customer from the proposed FY 2026 monthly fixed charges and $/HCF usage rates. Note that the average monthly consumption for Single Family Residential customers is 17 HCF. The average summer consumption for Single Family Residential customers is 21 HCF.

Table 4-13: Estimated Bill Impacts Under Proposed FY 2026 Rates

	A	B	D	E	F
Line	Customer Description	Existing Bill	FY 2026 Bill	$ Difference	% Difference
1	Single Family Residential, 5/8" or 3/4" Meter Average Monthly Consumption – 17 HCF	$59.61	$64.90	$5.29	8.9%
2	Single Family Residential, 5/8" or 3/4" Meter Average Summer Consumption – 21 HCF	$68.81	$75.06	$6.25	9.1%
5	Single Family Residential, 1" Meter Average Monthly Consumption – 17 HCF	$70.47	$74.15	$3.68	5.2%
6	Single Family Residential, 1" Meter Average Summer Consumption – 21 HCF	$79.67	$84.31	$4.64	5.8%

Appendix A

10-Year Financial Plan for the Period FY 2026 – FY 2035

10-Year Financial Plan for the Period FY 2026 – FY 2035

	A	B	C	D	E	F	G	H	I	J	K	L
Line	Description	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2025
		Estimated	Projected									
1	Rate Revenue % Increases	0.0%	7.5%	7.5%	7.5%	7.5%	7.5%	4.5%	4.5%	4.5%	4.5%	4.5%
2												
3	Revenue at Existing Rates	$27,894,159	$28,683,169	$29,345,189	$29,965,773	$30,661,553	$31,364,280	$32,096,337	$32,837,330	$33,597,710	$34,377,986	$35,178,684
4	Revenues from Rate Increases	$0	$1,075,619	$3,383,867	$5,962,018	$8,857,602	$12,092,474	$15,018,871	$17,534,736	$20,260,001	$23,210,404	$26,402,834
5	Total Rate Revenues	$27,894,159	$29,758,787	$32,729,056	$35,927,792	$39,519,155	$43,456,754	$47,115,208	$50,372,067	$53,857,711	$57,588,391	$61,581,518
6												
7	Other Operating Revenue	$4,421,044	$5,106,180	$5,106,180	$5,106,180	$5,106,180	$5,106,180	$5,106,180	$5,106,180	$5,106,180	$5,106,180	$5,106,180
8	Non-Operating Revenue	$5,773,116	$9,882,555	$8,153,061	$6,855,836	$5,615,171	$5,426,119	$5,509,161	$5,579,934	$5,743,801	$5,925,502	$6,160,356
9	Total Revenues	$38,088,319	$44,747,522	$45,988,297	$47,889,808	$50,240,506	$53,989,053	$57,730,549	$61,058,181	$64,707,693	$68,620,073	$72,848,054
10												
11	Operating Expenses	$30,380,331	$36,105,730	$37,580,722	$39,226,546	$40,946,447	$42,626,838	$44,378,903	$46,332,332	$48,242,426	$50,234,311	$52,311,604
12	Debt Service	$2,103,863	$2,454,320	$3,791,340	$3,784,590	$6,720,003	$6,718,519	$6,388,268	$6,388,268	$6,388,268	$6,388,268	$6,383,978
13	Rate Funded Capital	$4,815,592	$14,277,116	$7,426,710	$7,031,962	$11,534,974	$6,381,882	$5,651,236	$8,637,680	$5,941,437	$6,233,101	$11,789,108
14	Total Expenditures	$37,299,785	$52,837,166	$48,798,773	$50,043,097	$59,201,424	$55,727,240	$56,418,406	$61,358,280	$60,572,132	$62,855,680	$70,484,690
15												
16	Net Operating Cash Flow	$788,534	($8,089,644)	($2,810,476)	($2,153,289)	($8,960,919)	($1,738,187)	$1,312,143	($300,099)	$4,135,561	$5,764,393	$2,363,364
17												
18	Debt Service Coverage	3.66	3.52	2.22	2.29	1.38	1.69	2.09	2.31	2.58	2.88	3.22
19	Target Debt Service Coverage	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75	1.75
20	Variance from Target	1.91	1.77	0.47	0.54	(0.37)	(0.06)	0.34	0.56	0.83	1.13	1.47
21												
22	Water Operating Fund											
23	Beginning Balance	$64,905,549	$40,944,867	$32,855,223	$30,044,748	$27,891,458	$18,930,540	$17,192,353	$17,838,166	$17,538,066	$21,673,627	$26,767,722
24	Sources of Funds	$37,448,389	$44,747,522	$45,988,297	$47,889,808	$50,240,506	$53,989,053	$57,730,549	$61,058,181	$64,707,693	$68,620,073	$72,848,054
25	Uses of Funds	$37,299,785	$52,837,166	$48,798,773	$50,043,097	$59,201,424	$55,727,240	$57,084,736	$61,358,280	$60,572,132	$63,525,978	$71,548,155
26	Ending Balance	$40,944,867	$32,855,223	$30,044,748	$27,891,458	$18,930,540	$17,192,353	$17,838,166	$17,538,066	$21,673,627	$26,767,722	$28,067,621
27												
28	Target	$15,190,165	$18,052,865	$18,790,361	$19,613,273	$20,473,223	$21,313,419	$22,189,451	$23,166,166	$24,121,213	$25,117,156	$26,155,802
29	Variance from Target	$25,754,702	$14,802,358	$11,254,386	$8,278,185	($1,542,684)	($4,121,066)	($4,351,286)	($5,628,100)	($2,447,586)	$1,650,566	$1,911,819
30												
31	Water Capital Fund											
32	Beginning Balance	$8,706,655	$21,932,897	$20,690,362	$18,510,630	$17,316,746	$47,564,368	$1,495,567	$2,171,920	$2,209,549	$2,248,715	$2,959,777
33	Sources of Funds	$26,018	$852,465	$980,025	$806,116	$51,297,622	$981,199	$726,353	$87,629	$89,165	$761,062	$1,183,252
34	Uses of Funds	$16,138,408	$2,095,000	$3,159,757	$2,000,000	$21,050,000	$47,050,000	$50,000	$50,000	$50,000	$50,000	$50,000
35	Ending Balance	$21,932,897	$20,690,362	$18,510,630	$17,316,746	$47,564,368	$1,495,567	$2,171,920	$2,209,549	$2,248,715	$2,959,777	$4,093,029
36												
37	Target	$4,093,029	$2,396,617	$2,007,990	$2,896,244	$1,607,971	$1,425,309	$2,171,920	$1,497,859	$1,570,775	$2,959,777	$4,093,029
38	Variance from Target	$17,839,868	$18,293,745	$16,502,640	$14,420,502	$45,956,398	$70,258	$0	$711,690	$677,940	$0	$0
39												
40	Total Operating and Capital Reserves											
41	Beginning	$73,612,204	$62,877,764	$53,545,585	$48,555,378	$45,208,204	$66,494,908	$18,687,920	$20,010,086	$19,747,616	$23,922,342	$29,727,499
42	Ending	$62,877,764	$53,545,585	$48,555,378	$45,208,204	$66,494,908	$18,687,920	$20,010,086	$19,747,616	$23,922,342	$29,727,499	$32,160,650