

# **ROSAMOND COMMUNITY SERVICES DISTRICT**

**2026 Water and Sewer Rate Study**

**Final Report**

**March 11, 2026**



**ROSAMOND COMMUNITY SERVICES DISTRICT  
2026 WATER AND SEWER RATE STUDY**

**FINAL REPORT**

Prepared for:

Rosamond Community Services District  
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RDN Project Number 397

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March 11, 2026



Kim Domingo  
General Manager  
Rosamond Community Services District  
3179 35<sup>th</sup> Street West  
Rosamond, CA 93560

**Subject: 2026 Water and Sewer Rate Study**

Dear Mr. Domingo,

Robert D. Niehaus, Inc. is pleased to provide this Financial Planning, Revenue Requirements, Cost of Service, and Rate Setting Analysis report to the Rosamond Community Services District for its Water and Sewer services. This rate study includes a financial plan to determine the revenue requirements for the next five years and a comprehensive review of the District's current rates based on the cost of service principles. This report outlines the approach, methodology, findings, and recommendations of the study. Each of the components of this study has enhanced the equitability of the rates we propose.

The proposed rates were developed utilizing the District's customer usage data, billing records, accounting, operating and management records, capital plans, and reserve policies. Based on the District-provided data, key assumptions were made for the study using appropriate resources and our econometric and financial expertise. We are confident that the rates proposed in this report are cost-based and are fully compliant with Proposition 218 and other legal requirements.

It has been an absolute pleasure and honor to work with your District. We thank you and all additional staff who helped complete this report.

Respectfully submitted,

A handwritten signature in blue ink that reads "Robert D. Niehaus".

Robert D. Niehaus, Ph.D.  
Managing Director/Principal Economist - RDN

A handwritten signature in blue ink that reads "Anthony Elowsky".

Anthony Elowsky  
Project Manager - RDN

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# EXECUTIVE SUMMARY

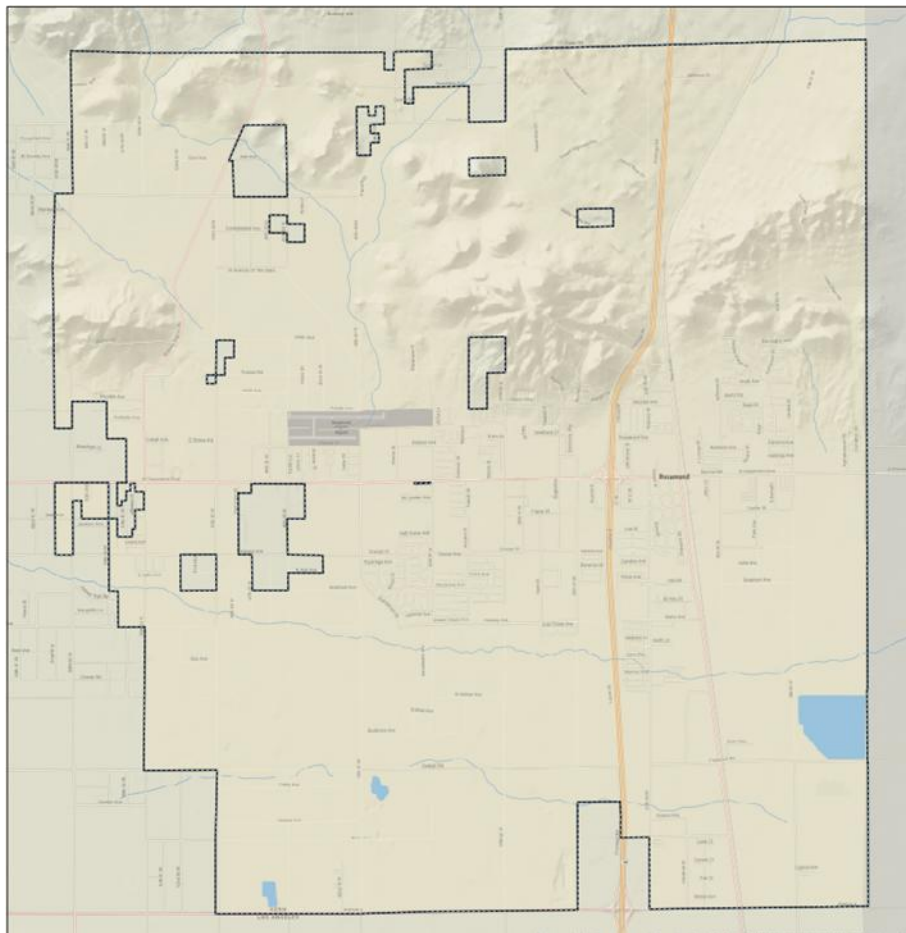
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## 1.1 Background

Rosamond is an unincorporated community in Kern County located in the northern section of the Antelope Valley Region. It is situated on the south slope of the Rosamond Hills, southeast of the Tehachapi Mountains, approximately 75 miles north of Los Angeles and 70 miles southeast of Bakersfield. RCSD was formed in 1966 and provides water and sewer service to Residential and Commercial customers for domestic, commercial, irrigation, and fire protection uses. Additionally, RCSD provides street lighting and graffiti abatement services. RCSD's service area boundary encompasses approximately 31 square miles of unincorporated residential, commercial, and undeveloped land.

**Figure 1** presents the limits of the Rosamond Community Services District.

*Figure 1. Rosamond Community Services District Boundary*



RCSD currently serves over 5,500 water and sewer accounts, of which approximately 98 percent are Residential. Growth in the Rosamond area was minimal from the mid-sixties through the early part of the

eighties. As the California economy started expanding in the early eighties, Rosamond started to feel a similar growth.

RCSD's water supply comes from local groundwater and imported water from Antelope Valley East Kern Water Agency (AVEK). AVEK is one of 29 State Water Contractors for the importation of water from the State Water Project (SWP). The District currently maintains two wells, a wastewater treatment facility (with a capacity of 1.27 million gallons per day (mgd), and over 550 streetlights.

## **1.2 Purpose of Study**

The purpose of this analysis is to conduct a rate study which evaluates the District's current utility rates and financial data and propose new rates for its Water and Sewer services, if necessary, to meet the District's financial and strategic goals. Strategic goals include funding critical capital improvements and increasing system resilience.

The primary objectives of this Study include:

- Projecting revenues and expenses for a ten-year study period
- Proposing a 5-year revenue adjustment schedule to fund the District's operational and capital plans to ensure long-term performance of the systems
- Proposing rates that aim to minimize the impact on customers
- Producing an administrative record which effectively summarizes all findings
- Supporting the District through the Proposition 218 process

### 1.3 Rate Recommendations and Proposed Rates

#### Water

- Adjusting rates annually by the recommended revenue adjustments of 3.0 percent in Fiscal Years 2027 through 2031
- Combining all customers into a single customer class
- Performing a cost of service analysis
- Billing all meters based on American Water Works Association (AWWA) ratios
- Adjusting tier widths to reflect combined water use patterns

#### Sewer

- Adjusting rates annually by the recommended revenue adjustment of 2.0 percent in Fiscal Years 2027 through 2031
- Performing a cost of service analysis

#### Current Water Rates

Currently, the District’s water customers pay a monthly fixed charge corresponding to their customer class and meter size. Customers also pay monthly variable charges based on water use, which is billed per hundred cubic feet (hcf) with tiers that vary by customer class. Water customers’ variable charges are assessed under a three-tiered rate structure, with different tier widths defined for each customer class. The current rates and tiers as described are displayed in **Table 1** and **Table 2**.

*Table 1. Current Monthly Water Service Charges*

Meter Size	Residential	Commercial I	Commercial II
5/8"	\$42.66	\$49.08	\$54.20
3/4"	\$42.66	\$49.08	\$54.20
1"	\$67.44	\$78.14	\$86.67
1 1/2"	\$129.37	\$150.78	\$167.84
2"	\$203.69	\$237.96	\$265.24
3"	\$377.11	\$441.35	\$492.53
4"	\$624.86	\$731.91	\$817.21
6"	\$1,244.21	\$1,458.35	\$1,628.93

**Table 2. Current Monthly Tier Widths and Variable Usage Rates**

Customer Class	Tier	Width	Rate (per hcf)
<b>Residential</b>	Tier 1	1-7 hcf	\$4.07
	Tier 2	8-21 hcf	\$4.49
	Tier 3	>21 hcf	\$5.64
<b>Commercial 1</b>	Tier 1	1-10 hcf	\$4.15
	Tier 2	11-40 hcf	\$4.89
	Tier 3	>40 hcf	\$5.98
<b>Commercial 2</b>	Tier 1	1-30 hcf	\$4.15
	Tier 2	31-94 hcf	\$4.89
	Tier 3	>95 hcf	\$5.98

**Proposed Water Rates**

RDN proposes the following rate and revenue adjustments to accomplish the District’s financial goals of capital and reserve funding as well as maintaining the balance between operating expenses and revenue. To achieve the proposed financial plan, RDN recommends that the District raise water revenues by 3.0 percent for each of the next five fiscal years (FYs).

**Table 3. Proposed Revenue Adjustments FY 2027 to FY 2031**

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
<b>Revenue Adjustment</b>	3.0%	3.0%	3.0%	3.0%	3.0%

Costs were allocated equitably between all customers during the cost of service analysis. Costs of providing water service are allocated to each customer class based on two factors: (a) the specific services and costs they cause the District to incur; and (b) the proportional share attributable to the meter size based on that meter’s potential demand on the system. The rates for each meter size represent an equitable portion of the total cost of service for each class allocated to the respective meter based on the calculations shown in the Cost of Service Analysis. Variable rates are based on the costs allocated to variable rates and variable rates are offset by non-operating revenues. Tier widths are based on average use patterns across all customers. The proposed rates which result from these adjustments are shown in **Table 4** and **Table 5**.

**Table 4. Proposed Fixed Charges for All Customers by Meter Size, FY 2027 to FY 2031**

Meter Size	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
5/8"	\$45.49	\$46.85	\$48.26	\$49.71	\$51.20
3/4"	\$60.90	\$62.73	\$64.61	\$66.55	\$68.55
1"	\$92.85	\$95.64	\$98.51	\$101.47	\$104.51
1 1/2"	\$168.82	\$173.88	\$179.10	\$184.47	\$190.00
2"	\$266.90	\$274.91	\$283.16	\$291.65	\$300.40
3"	\$586.14	\$603.72	\$621.83	\$640.48	\$659.69
4"	\$877.03	\$903.34	\$930.44	\$958.35	\$987.10
6"	\$1,670.19	\$1,720.30	\$1,771.91	\$1,825.07	\$1,879.82

**Table 5. Proposed Tier Widths and Variable Rates for All Customers, FY 2027 to FY 2031**

	Width	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Tier 1	1-10 hcf	\$3.22	\$3.32	\$3.42	\$3.52	\$3.63
Tier 2	11-20 hcf	\$3.46	\$3.56	\$3.67	\$3.78	\$3.89
Tier 3	>20 hcf	\$5.57	\$5.74	\$5.91	\$6.09	\$6.27

### Current Sewer Rates

Currently, the District’s sewer customers pay a fixed monthly base charge per connection based on customer class. Additionally, each customer class pays a variable charge based on each hcf of their winter average water usage. Residential variable rates are capped at 20 hcf. Residential and Commercial I sewer customers that are not connected to the District’s water system are assumed to use 9 hcf per month and are billed a variable charge based on that usage level. Similarly, Schools not connected to the water system are assumed to use 391 hcf of water per month. The current sewer rates are displayed in **Table 6**.

**Table 6. Current Sewer Charges**

Customer Class	Base Charge	HCF Charge
Residential	\$65.78	\$0.52
Commercial I	\$132.62	\$1.03
Commercial II	\$132.61	\$4.59

### Proposed Sewer Rates

The recommended sewer rates include a revenue adjustment schedule designed to maintain the District’s reserves and fund significant capital improvements. RDN, working with District staff, determined that an annual revenue adjustment of 2.0 percent per year would be sufficient. No changes were made to the

structure of the proposed rates. The proposed revenue adjustments, the proposed fixed rates, and the proposed variable rates for FY 2027 – FY 2031 are shown in **Table 7**, **Table 8**, and **Table 9** respectively.

*Table 7. Proposed Revenue Adjustments FY 2027 to FY 2031*

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
<b>Revenue Adjustment</b>	2.0%	2.0%	2.0%	2.0%	2.0%

*Table 8. Proposed Fixed Monthly Base Charges FY 2027 to FY 2031*

Customer Class	Base Charges				
	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Residential	\$64.25	\$65.54	\$66.85	\$68.19	\$69.55
Commercial I	\$143.78	\$146.66	\$149.59	\$152.58	\$155.63
Commercial II	\$143.78	\$146.66	\$149.59	\$152.58	\$155.63

*Table 9. Proposed Sewer Monthly Usage Charges*

Customer Class	Usage Charges				
	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Residential	\$0.87	\$0.89	\$0.91	\$0.93	\$0.95
Commercial I	\$0.87	\$0.89	\$0.91	\$0.93	\$0.95
Commercial II	\$6.36	\$6.49	\$6.62	\$6.75	\$6.89

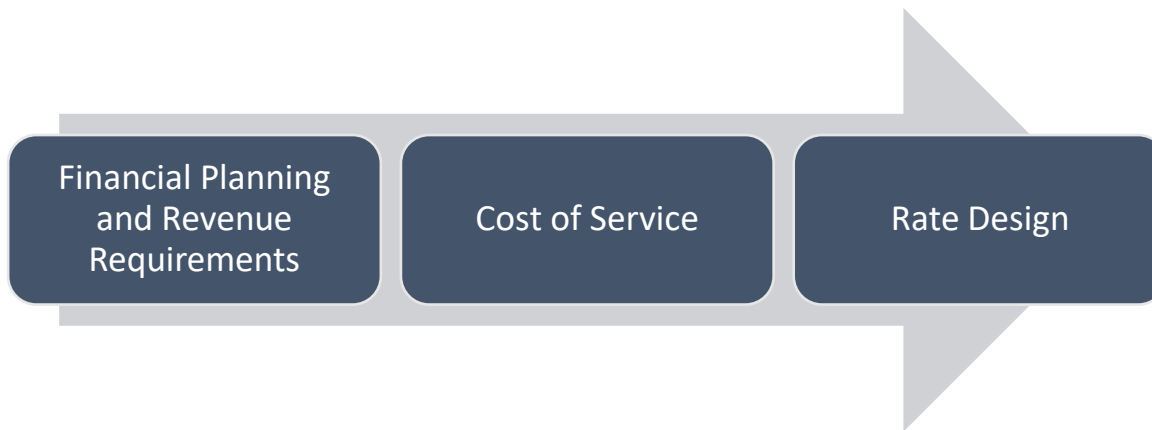
# METHODOLOGY

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## 2.1 General Methodology

The Water and Sewer rates were developed using requirements set forth in article XIII D, Section 6 of the California Constitution. Where appropriate and to the extent consistent with the California Constitution, RDN looked to guidance provided by principles set forth by the American Water Works Association (AWWA) and the Water Environment Federation (WEF). RDN rate-making practices incorporate methods described in the AWWA Manual 1 (M1)<sup>1</sup> for Water Systems and the WEF Financing and Charges for Sewer Systems<sup>2</sup> wherever possible. **Figure 2** presents the steps taken to develop the District's proposed rates.

*Figure 2. Water and Sewer Rate Study Process*



- **Financial Planning and Revenue Requirements:** Develop a ten-year financial plan based on the projected revenues and annual costs which include operating, debt service, and capital expenses. The District's target reserve level should also be considered as part of the financial planning. Based on the financial planning, revenue requirements are determined for each year of the study period.
- **Cost of Service:** Evaluate the customer classifications and allocate costs based on their service requirements.
- **Rate Design:** Design rates to equitably recover the rate revenue requirements from each customer.

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<sup>1</sup> Principles of Water Rates, Fees, and Charges, Seventh Edition, Manual of Water Supply Practices, American Water Works Association

<sup>2</sup> Financing and Charges for Sewer Systems, WEF Manual of Practice Number 27, Water Environment Federation

## 2.2 Key Assumptions

A test year, FY 2026, was selected for which costs are to be analyzed and rates to be established for this study. The financial plan was built for the next ten years, including the five-year rate setting period with a detailed revenue adjustment plan. The cost of service rates are adjusted each year by the determined revenue adjustments based on the financial plan. The District's fiscal year starts on July 1 and ends on June 30.

### Escalation Factors

The financial plan was built based on an assumption in the projected escalation of revenues and expenses associated with both operations and maintenance (O&M) and capital improvement projects (CIPs). Bureau of Labor Statistics (BLS) Los Angeles-Long Beach-Anaheim Consumer Price Index (CPI), Federal Reserve Bank of St. Louis (FRED) Economic Research Division, Quarterly Census of Employment and Wages (QCEW), and Engineering News Record (ENR) Building Cost Index (BCI). Escalation factors for FY 2027 are shown in **Figure 3**. The Los Angeles-Long Beach-Anaheim statistical area was chosen due to the geographic proximity to the District.

The overall escalation factor is derived solely from the All Items series of the BLS Los Angeles-Long Beach-Anaheim CPI. The All Items series represents a broad measure of the average change in prices over time for a wide array of goods and services. The market basket includes categories such as food and beverage, housing, apparel, transportation, medical, and other goods and services.

The utilities escalation factor is derived from the Fuels and utilities and Energy series of the BLS Los Angeles-Long Beach-Anaheim CPI. RDN takes a weighted average of the Energy and Fuels and Utilities data sets to form a combined utilities inflation factor. This escalation factor accurately captures the costs associated with energy consumption and utility service.

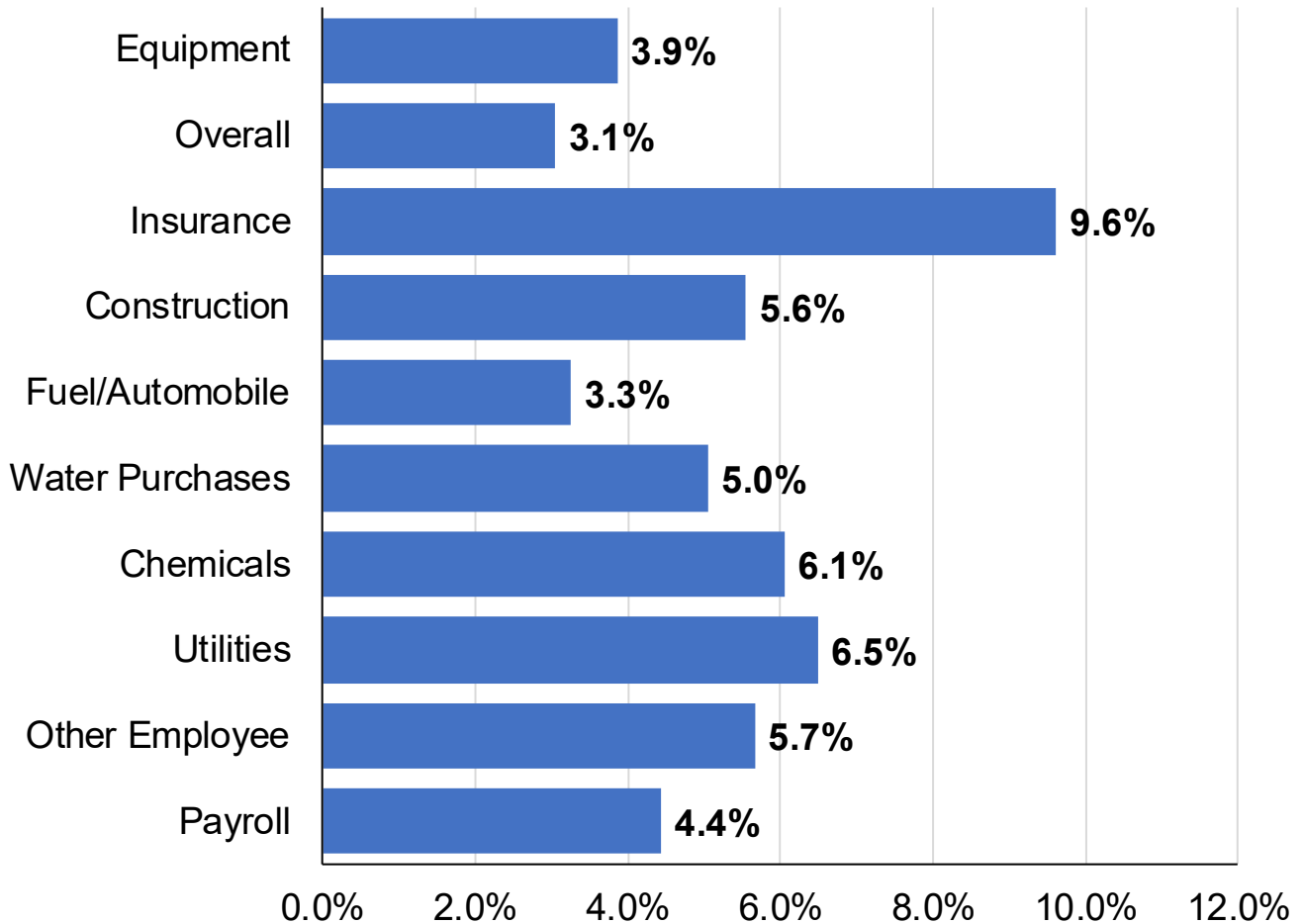
The payroll escalation factor was provided by District Staff based on historical actual costs and unknown impacts of employee bargaining unit negotiations.

The fuels and automobile escalation factor is derived from the Private Transportation, Fuels and Utilities, and Motor Fuel series of the BLS Los Angeles-Long Beach-Anaheim CPI. RDN takes a weighted average of the Private Transportation, Fuels and utilities, and Motor Fuel data sets to form a combined Fuels and Automobile inflation factor.

The Construction escalation factor is derived using ENR's BCI for the selected geography. ENR publishes a building cost index for Los Angeles, San Francisco, California, and the National level. RDN analyzed all four indices and, in coordination with staff, ultimately selected the index which best represents the building cost environment in the Agency, the Los Angeles BCI.

The insurance escalation factor is derived solely from the Federal Reserve Bank of St. Louis' Producer Price Index for insurance premiums. This index tracks the insurance costs for both liability and property coverage for businesses in the United States.

*Figure 3. Expense Escalation Factors*



### Customer Growth

Customer growth projections were developed based on an analysis of historical billing records and long-term growth trends observed within the District. Additionally, per-account water use was assumed to remain stable throughout the study period.

### Water

There are currently approximately 5,514 water meters connected to the District's water system, which includes Residential, Commercial I, and Commercial II customer accounts. In ten years, 5,840 meters are projected. A total of 163 new Water Service connections are projected to join the water system during

the five-year planning period, approximately 32 per year. **Table 10** shows the projected number of meters by meter size and customer classes during the rate setting period.

*Table 10. Annual Meter Count FY 2026 to FY 2031*

Meter Size	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
5/8"	5,222	5,222	5,222	5,222	5,222	5,222
3/4"	120	151	183	214	246	277
1"	74	74	74	74	74	74
1 1/2"	34	35	35	35	35	35
2"	46	47	48	49	50	51
3"	5	5	5	5	5	5
4"	9	9	9	9	9	9
6"	4	4	4	4	4	4
Customer Class	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Residential	5,362	5,394	5,427	5,459	5,492	5,524
Commercial I	114	114	114	114	114	114
Commercial II	38	39	39	39	39	39
<b>Total</b>	<b>5,514</b>	<b>5,547</b>	<b>5,580</b>	<b>5,612</b>	<b>5,645</b>	<b>5,677</b>

## Sewer

During the five-year study period, a total of 194 new sewer customer units are expected. Growth was projected for sewer customers based on an analysis of historical billing records and District growth trends. The number of sewer customers include some customers who are not connected to the water system, as well as additional units per water connection, which leads to a higher overall customer count. **Table 11** shows the projected number of billing units from each customer class during the rate setting period.

*Table 11. Annual Sewer Customer Counts, FY 2026 to FY 2031*

Number of Sewer Connections						
Customer Class	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Residential	6,407	6,445	6,484	6,521	6,559	6,596
Commercial I	116	117	117	118	119	119
Commercial II	66	66	66	67	67	68
<b>Total</b>	<b>6,589</b>	<b>6,628</b>	<b>6,667</b>	<b>6,705</b>	<b>6,745</b>	<b>6,783</b>

## Reserve Policy

The District’s reserve policy includes reserves for each utility. The total water fund reserve target for FY 2026 is \$24.1 million. The total sewer fund reserve target for FY 2026 is \$12.3 million. **Table 12** and **Table 13** show the reserve targets for the Water and Sewer utilities for FY 2026, respectively, as well as the reserve policy for each individual reserve. Connection fee revenues are included in the financial plan

for the purpose of calculating debt service coverage. All connection fee revenue is passed directly to the Capacity/Connection Fee Reserve and has no impact on customer rates or the cost of service analysis.

**Table 12. Water Reserve Policies and FY 2026 target<sup>3</sup>**

Reserve	Policy	FY 2026 Target
O&M Reserve	3 Months of O&M Expenses	\$804,438
Debt Service Reserve	Defined by Debt Agreements	\$1,485,773
Repair Replacement Reserve	25% of Annual Accumulated Depreciation	\$10,969,893
Rate Stabilization Reserve	10% of Water Rate Revenue	\$769,985
Capacity/Connection Fee Reserve	Capacity Fee Revenue Designated for Capital Projects	\$6,757,547
Emergency Reserve	Balance of \$500,000	\$500,000
Water Acquisition Reserve	Designated For Future Purchases of Water Rights	\$3,189,996
<b>Total</b>		<b>\$24,477,632</b>

**Table 13. Sewer Reserve Policies and FY 2026 target**

Reserve	Policy	FY 2026 Target
O&M Reserve	3 Months O&M Expenses	\$1,353,130
Debt Service Reserve	Defined by Debt Agreements	\$2,491,691
Repair Replacement Reserve	25% of Annual Accumulated Depreciation	\$3,369,433
Rate Stabilization Reserve	10% of Water Rate Revenue	\$579,142
Capacity/Connection Fee Reserve	Capacity Fee Revenue Designated for Capital Projects	\$4,604,740
Emergency Reserve	Balance of \$500,000	\$500,000
<b>Total</b>		<b>\$12,898,136</b>

## Equivalent Meter Size

When designing fixed water service charges, the potential demand or capacity requirements placed on the water system can be measured by the size of installed meters which receive services from the system. The safe operating flow (or capacity) of a particular size of the meter is essentially the limiting factor in terms of the demand that can be exerted on the water system through the meter. Larger meters typically pay a higher cost to join the system, and higher fixed rates. The ratio of the safe operating capacity of various sizes of meters relative to the capacity of a base meter may be used to determine appropriate charges for the larger meter sizes<sup>4</sup>. The District considers 5/8" and 3/4" meters as the base meter capacity. The capacity ratio is calculated using the meter capacities in gallons per minute (gpm) provided in the AWWA M1 for meters. For meter-specific costs, the AWWA Investment ratio was used. The investment ratio is based on the relative installed cost of meters by size and more accurately reflects the utility's direct capital investment in metering infrastructure. **Table 14** show the equivalent water meter ratios used in this study.

<sup>3</sup> Rosamond Community Services District. 3036 Reserves Policy, February, 2018.

<sup>4</sup> From "Principles of Water Rates, Fees, and Charges" by American Water Works Association, 2017, Seventh Edition, Appendix B, p. 385.

*Table 14. AWWA Equivalent Meter Ratios<sup>5</sup>*

<b>Meter Size</b>	<b>Capacity Ratio</b>	<b>Investment Ratio</b>
5/8"	1.00	1.00
3/4"	1.50	1.10
1"	2.50	1.40
1 1/2"	5.00	1.80
2"	8.00	2.90
3"	16.00	11.00
4"	25.00	14.00
6"	50.00	21.00

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<sup>5</sup> Meter capacity is measured in maximum gallon per minute (gpm) capacity of each meter size.

# FINANCIAL PLAN

## 3.1 Water Utility

RDN built a 10-year financial model for the water utility to meet the District’s long-term financial goals.

### Demand Projections

Using historical billing records, RDN first calculated aggregate water usage to establish a baseline for demand projections. We then determined per-account usage for each customer class by dividing total usage by the number of accounts. For the purposes of this study, per-account usage was assumed to remain constant over the forecast period. This assumption allows projected changes in water demand to be driven solely by changes in the number of accounts. Finally, projected account counts were multiplied by per-account usage to estimate total water demand by customer class

**Table 15** shows the annual water use projection by customer class for the rate setting period.

*Table 15. Annual Water Use by Customer Class in hcf, FY 2026 to FY 2031<sup>6</sup>*

Customer Class	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
<b>Residential</b>						
Tier 1	375,162	377,401	379,710	381,949	384,258	386,497
Tier 2	278,103	279,763	281,474	283,134	284,846	286,505
Tier 3	236,827	238,240	239,697	241,111	242,568	243,982
<b>Commercial I</b>						
Tier 1	8,084	8,084	8,084	8,084	8,084	8,084
Tier 2	12,400	12,400	12,400	12,400	12,400	12,400
Tier 3	61,824	61,824	61,824	61,824	61,824	61,824
<b>Commercial II</b>						
Tier 1	9,104	9,344	9,344	9,344	9,344	9,344
Tier 2	6,867	7,048	7,048	7,048	7,048	7,048
Tier 3	3,181	3,265	3,265	3,265	3,265	3,265
<b>Total</b>	<b>991,552</b>	<b>997,368</b>	<b>1,002,846</b>	<b>1,008,158</b>	<b>1,013,636</b>	<b>1,018,948</b>

### Revenues

Based on the account growth and water demand projections, RDN forecasted revenues generated from customer rates using the current water rates for the study period, which total approximately \$7.8 to \$8.0 million annually.

<sup>6</sup> Use projections derived from historical monthly customer billing records provided by the District and trends in water use

**Table 16. Water Rate Revenue by Source, FY 2026 to FY 2031**

Base Charge Revenue						
Customer Class	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Residential	\$2,899,064	\$2,917,377	\$2,936,203	\$2,954,517	\$2,973,343	\$2,991,656
Commercial I	\$199,121	\$199,121	\$199,121	\$199,121	\$199,121	\$199,121
Commercial II	\$51,209	\$53,223	\$53,223	\$53,223	\$53,223	\$53,223
Variable Charge Revenue						
Customer Class	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
<b>Residential</b>						
Tier 1	\$1,526,911	\$1,536,024	\$1,545,421	\$1,554,533	\$1,563,931	\$1,573,043
Tier 2	\$1,248,683	\$1,256,135	\$1,263,820	\$1,271,272	\$1,278,957	\$1,286,409
Tier 3	\$1,335,702	\$1,343,673	\$1,351,893	\$1,359,865	\$1,368,085	\$1,376,057
<b>Commercial I</b>						
Tier 1	\$33,547	\$33,547	\$33,547	\$33,547	\$33,547	\$33,547
Tier 2	\$60,637	\$60,637	\$60,637	\$60,637	\$60,637	\$60,637
Tier 3	\$369,710	\$369,710	\$369,710	\$369,710	\$369,710	\$369,710
<b>Commercial II</b>						
Tier 1	\$37,781	\$38,776	\$38,776	\$38,776	\$38,776	\$38,776
Tier 2	\$33,581	\$34,464	\$34,464	\$34,464	\$34,464	\$34,464
Tier 3	\$19,021	\$19,522	\$19,522	\$19,522	\$19,522	\$19,522
<b>Total Rate Revenue</b>	<b>\$7,814,966</b>	<b>\$7,862,208</b>	<b>\$7,906,337</b>	<b>\$7,949,186</b>	<b>\$7,993,315</b>	<b>\$8,036,164</b>

Other operating income and non-operating revenue are estimated to provide supplemental revenue each year. **Table 17** shows the projected other operating and non-operating revenue for the water utility by source for FY 2026 to FY 2031.

**Table 17. Annual Other Revenue by Source, FY 2026 to FY 2031<sup>7</sup>**

Other Operating Revenue	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Late Charges/Bank Charges	\$56,000	\$56,000	\$56,000	\$56,000	\$56,000	\$56,000
Plan Check/Will Serve/Inspection Fees	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
Administration/Reconnection	\$47,000	\$47,000	\$47,000	\$47,000	\$47,000	\$47,000
User Fees	\$27,950	\$27,950	\$27,950	\$27,950	\$27,950	\$27,950
Non-Operating Revenue	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Miscellaneous Income	\$762,850	\$785,733	\$809,313	\$833,613	\$858,655	\$884,460
System Connection Fees	\$1,315,932	\$1,315,932	\$1,315,932	\$1,315,932	\$1,315,932	\$1,315,932
Investment Revenue	\$810,743	\$810,743	\$694,966	\$834,496	\$915,900	\$1,048,382
<b>Total Other Revenue</b>	<b>\$3,027,475</b>	<b>\$3,050,358</b>	<b>\$2,958,162</b>	<b>\$3,121,991</b>	<b>\$3,228,436</b>	<b>\$3,386,724</b>

## Operating and Maintenance (O&M) Expense

The water utility’s budget includes \$4.4 million in operating expenses for FY 2026. Total operating expenses are expected to increase approximately 4.8 percent per year based on the application of specific inflation factors to each budget line item. By the end of the five-year rate setting period, total

<sup>7</sup> Connection Fee revenue is directly applied to the connection fee reserve balance and cannot be used for operating expenses

operating expenses are expected to reach \$5.5 million. **Table 18** shows projected operating expenses for the rate setting period by budget category.

*Table 18. Operating Expenses by Expense Category, FY 2026 to FY 2031<sup>8</sup>*

Expense Category	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Personnel Expenses	\$2,406,603	\$2,520,949	\$2,640,797	\$2,766,415	\$2,898,085	\$3,036,102
Direct Operating Expenses	\$942,199	\$994,493	\$1,049,790	\$1,108,269	\$1,170,114	\$1,224,275
Admin and General	\$1,006,518	\$1,052,858	\$1,100,349	\$1,144,715	\$1,191,091	\$1,238,827
<b>Total Operating</b>	<b>\$4,355,320</b>	<b>\$4,568,300</b>	<b>\$4,790,936</b>	<b>\$5,019,399</b>	<b>\$5,259,289</b>	<b>\$5,499,203</b>

## Other Obligations

Other obligations included in the financial plan are capital improvement projects funded by PAYGO (Pay As You Go), debt service obligations, and reserve contributions made from rates.

## Capital Improvement Projects

The District plans to spend an average of \$3.8 million a year on capital projects during the rate setting period. **Table 19** shows capital expenditure by funding source. The District plans to use customer rates and grant proceeds to accomplish the proposed capital plan. Only PAYGO funded expenditure will impact customer rates.

*Table 19. Rate Study CIP Expenses by Funding Source, FY 2026 to FY 2031<sup>9</sup>*

Capital Project Funding Source	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Rate Funded	\$6,445,531	\$8,408,990	\$962,850	\$2,575,493	\$1,050,517	\$2,745,768
Grant Funded	\$750,000	\$0	\$0	\$0	\$0	\$0
<b>Total Capital Spending</b>	<b>\$7,195,531</b>	<b>\$8,408,990</b>	<b>\$962,850</b>	<b>\$2,575,493</b>	<b>\$1,050,517</b>	<b>\$2,745,768</b>

## Debt Service and Coverage Ratios

The water utility has one outstanding debt issuances that is currently being paid by rates: the First Foundation Bank Note. Total annual debt payments are around \$1.2 million a year. **Table 20** shows the water utility's annual debt payments used in this study.

*Table 20. Rate Study Debt Service Expenses, FY 2026 to FY 2031<sup>10</sup>*

Description	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Principal	\$791,000	\$811,000	\$833,000	\$853,000	\$875,000	\$897,000
Interest	\$397,618	\$377,559	\$356,983	\$335,866	\$314,231	\$292,043
<b>Total Debt Service</b>	<b>\$1,188,618</b>	<b>\$1,188,559</b>	<b>\$1,189,983</b>	<b>\$1,188,866</b>	<b>\$1,189,231</b>	<b>\$1,189,043</b>

<sup>8</sup> District staff provided current year operating expenses by category; projections are based on individual line-item inflationary factors shown in Table 13.

<sup>9</sup> District's 10-year CIP budget as well as input from staff was used for project cost.

<sup>10</sup> Debt service payment schedules taken from original loan agreements provided by District staff

Debt issued by the water utility also includes a requirement for revenues to exceed operating expenses. The District’s debt service coverage requirement under its current covenants is 125 percent, or 1.25 times the operating expenses. Maintaining a healthy debt coverage ratio will help the District keep a good credit rating and will allow the District to issue debt at lower rates. **Table 21** shows the current debt service coverage calculation based on the revenues and expenses under current rates.

*Table 21. Projected Debt Service Coverage, FY 2026 to FY 2031*

Category	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Total Revenue	\$10,842,441	\$10,912,566	\$10,864,498	\$11,071,177	\$11,221,751	\$11,422,889
Total Operating Expense	\$4,355,320	\$4,568,300	\$4,790,936	\$5,019,399	\$5,259,289	\$5,499,203
Total Debt Service	\$1,188,618	\$1,188,559	\$1,189,983	\$1,188,866	\$1,189,231	\$1,189,043
<b>Debt Service Coverage Ratio</b>	<b>5.46</b>	<b>5.34</b>	<b>5.10</b>	<b>5.09</b>	<b>5.01</b>	<b>4.98</b>

**Reserves**

The District must maintain an appropriate reserve balance to ensure the day-to-day operation will continue during emergencies and guarantee the future stability of the system. The District’s financial goal is to build an appropriate level of cash reserves for each reserve fund included in the financial plan of this Study. The reserve target for the water utility is described below:

- **Operating Reserve:** three months of operating expenses
- **Debt Service Reserve:** 125 percent of annual debt service obligation
- **Repair Replacement Reserve:** 25 percent of annual accumulated depreciation
- **Rate Stabilization Reserve:** 10 percent of water rate revenue
- **Capacity/Connection Fee Reserve:** tracks balance of capacity fee revenue fund
- **Emergency Reserve:** maintain balance of \$500,000
- **Water Acquisition Reserve:** funds future water right acquisition

The reserve target at the end of the study period reaches \$33.1 million. **Table 22** shows the District’s reserve targets for FY 2026 through FY 2031 based on the current reserve policy. Reserve targets are based on reserve policy shown in **Table 12**.

**Table 22. Water Reserve Target, FY 2026 to FY 2031**

Reserve Fund	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
O&M Reserve	\$804,438	\$1,142,075	\$1,197,734	\$1,254,850	\$1,314,822	\$1,374,801
Debt Service Reserve	\$1,485,773	\$1,485,699	\$1,487,479	\$1,486,082	\$1,486,539	\$1,486,304
Repair Replacement Reserve	\$10,969,893	\$11,264,981	\$11,560,068	\$11,855,156	\$12,150,243	\$12,445,331
Rate Stabilization Reserve	\$769,985	\$786,221	\$790,634	\$794,919	\$799,331	\$803,616
Capacity/Connection Fee Reserve	\$6,757,547	\$8,073,479	\$9,389,411	\$10,705,343	\$12,021,275	\$13,337,207
Emergency Reserve	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
Water Acquisition Reserve	\$3,189,996	\$3,189,996	\$3,189,996	\$3,189,996	\$3,189,996	\$3,189,996
<b>Total</b>	<b>\$24,477,632</b>	<b>\$26,442,450</b>	<b>\$28,115,322</b>	<b>\$29,786,345</b>	<b>\$31,462,207</b>	<b>\$33,137,254</b>

## Financial Plan

Based on the projected total revenue and necessary costs to be recovered during the study period, RDN built a financial plan that will generate sufficient revenues for the day-to-day operation and annual PAYGO and make appropriate contributions to reserves. The District’s ending cash balance was \$23.9 million in FY 2025, which constitutes the beginning balance for FY 2026. **Table 23** shows the status quo water pro forma with no revenue adjustments and the resulting ending balances based on the revenues and expenses outlined in this section.

**Table 23. Status Quo Financial Pro Forma for Rosamond Community Services District Water System, FY 2026 to FY 2031**

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
<b>Cash Position Opening Balance</b>	<b>\$23,928,632</b>	<b>\$22,781,604</b>	<b>\$19,528,321</b>	<b>\$23,449,049</b>	<b>\$25,736,470</b>	<b>\$29,459,183</b>
Revenues						
Water Rate Revenue	\$7,814,966	\$7,862,208	\$7,906,337	\$7,949,186	\$7,993,315	\$8,036,164
Other Operating Revenue	\$137,950	\$137,950	\$137,950	\$137,950	\$137,950	\$137,950
Non-Operating Revenue	\$2,078,782	\$2,101,665	\$2,125,245	\$2,149,545	\$2,174,587	\$2,200,392
Investment Revenue	\$810,743	\$810,743	\$694,966	\$834,496	\$915,900	\$1,048,382
<b>Total Revenues</b>	<b>\$10,842,441</b>	<b>\$10,912,566</b>	<b>\$10,864,498</b>	<b>\$11,071,177</b>	<b>\$11,221,751</b>	<b>\$11,422,889</b>
<b>Operating Expenses</b>	<b>\$4,355,320</b>	<b>\$4,568,300</b>	<b>\$4,790,936</b>	<b>\$5,019,399</b>	<b>\$5,259,289</b>	<b>\$5,499,203</b>
<b>Net Operating Revenues</b>	<b>\$6,487,121</b>	<b>\$6,344,266</b>	<b>\$6,073,562</b>	<b>\$6,051,779</b>	<b>\$5,962,461</b>	<b>\$5,923,685</b>
<b>Total Rate Funded Debt Service</b>	<b>\$1,188,618</b>	<b>\$1,188,559</b>	<b>\$1,189,983</b>	<b>\$1,188,866</b>	<b>\$1,189,231</b>	<b>\$1,189,043</b>
<b>Capital Expenditure</b>	<b>\$7,195,531</b>	<b>\$8,408,990</b>	<b>\$962,850</b>	<b>\$2,575,493</b>	<b>\$1,050,517</b>	<b>\$2,745,768</b>
Grants	\$750,000	\$0	\$0	\$0	\$0	\$0
Cash	\$6,445,531	\$8,408,990	\$962,850	\$2,575,493	\$1,050,517	\$2,745,768
<b>Net Income</b>	<b>-\$1,147,028</b>	<b>-\$3,253,283</b>	<b>\$3,920,728</b>	<b>\$2,287,421</b>	<b>\$3,722,713</b>	<b>\$1,988,874</b>
<b>Ending Balance</b>	<b>\$22,781,604</b>	<b>\$19,528,321</b>	<b>\$23,449,049</b>	<b>\$25,736,470</b>	<b>\$29,459,183</b>	<b>\$31,448,057</b>

**Table 24** shows the proposed water pro forma for the study period with the recommended revenue adjustments per year.

**Table 24. Proposed Financial Pro Forma for Rosamond Community Services District Water System, FY 2026 to FY 2031<sup>11</sup>**

<b>Proposed Rate Adjustment</b>	<b>0.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>	<b>3.0%</b>
	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>	<b>FY 2030</b>	<b>FY 2031</b>
<b>Cash Position Opening Balance</b>	<b>\$23,928,632</b>	<b>\$22,781,604</b>	<b>\$19,764,187</b>	<b>\$24,174,805</b>	<b>\$27,225,158</b>	<b>\$32,004,081</b>
<b>Revenues</b>						
Water Rate Revenue	\$7,814,966	\$7,862,208	\$7,906,337	\$7,949,186	\$7,993,315	\$8,036,164
Adjusted Water Rate Revenue	\$0	\$235,866	\$481,496	\$737,104	\$1,003,231	\$1,279,953
Other Operating Revenue	\$137,950	\$137,950	\$137,950	\$137,950	\$137,950	\$137,950
Non-Operating Revenue	\$2,078,782	\$2,101,665	\$2,125,245	\$2,149,545	\$2,174,587	\$2,200,392
Investment Revenue	\$810,743	\$810,743	\$703,360	\$860,324	\$968,879	\$1,138,949
<b>Total Revenues</b>	<b>\$10,842,441</b>	<b>\$11,148,432</b>	<b>\$11,354,388</b>	<b>\$11,834,109</b>	<b>\$12,277,961</b>	<b>\$12,793,408</b>
<b>Operating Expenses</b>	<b>\$4,355,320</b>	<b>\$4,568,300</b>	<b>\$4,790,936</b>	<b>\$5,019,399</b>	<b>\$5,259,289</b>	<b>\$5,499,203</b>
<b>Net Operating Revenues</b>	<b>\$6,487,121</b>	<b>\$6,580,132</b>	<b>\$6,563,451</b>	<b>\$6,814,711</b>	<b>\$7,018,672</b>	<b>\$7,294,205</b>
<b>Total Rate Funded Debt Service</b>	<b>\$1,188,618</b>	<b>\$1,188,559</b>	<b>\$1,189,983</b>	<b>\$1,188,866</b>	<b>\$1,189,231</b>	<b>\$1,189,043</b>
<b>Capital Expenditure</b>	<b>\$7,195,531</b>	<b>\$8,408,990</b>	<b>\$962,850</b>	<b>\$2,575,493</b>	<b>\$1,050,517</b>	<b>\$2,745,768</b>
Grants	\$750,000	\$0	\$0	\$0	\$0	\$0
Cash	\$6,445,531	\$8,408,990	\$962,850	\$2,575,493	\$1,050,517	\$2,745,768
<b>Net Income</b>	<b>-\$1,147,028</b>	<b>-\$3,017,417</b>	<b>\$4,410,618</b>	<b>\$3,050,353</b>	<b>\$4,778,923</b>	<b>\$3,359,394</b>
<b>Ending Balance</b>	<b>\$22,781,604</b>	<b>\$19,764,187</b>	<b>\$24,174,805</b>	<b>\$27,225,158</b>	<b>\$32,004,081</b>	<b>\$35,363,475</b>

<sup>11</sup> The 10-year financial plan under proposed rates is shown in the Appendix

## Revenue Requirements

**Table 25** displays the water utility’s revenue requirements for FY 2026. In the rate design section, the proposed revenue adjustments will be applied to the cost of service-based rates which were designed considering the FY 2026 revenues and expenses. The total expense for each year is offset by other operating revenues and non-operating revenues to compute a pure portion of revenue requirements that need to be recovered from customers’ rates. RDN proposes annual revenue adjustments in FY 2026 through FY 2031 to reach the financial goals set by the District.

*Table 25. Revenue Requirements for Rosamond Community Services District Water Utility, FY 2026*

<b>Category</b>	<b>FY 2026</b>
Total Operating Expense	\$4,355,320
Total Debt Service	\$1,188,618
PAYGO Funded Capital Improvements	\$6,445,531
Reserve Contributions	\$1,315,932
Other Operating Revenue	-\$137,950
Non-Operating Revenue	-\$2,078,782
Investment Returns	-\$810,743
Net Balance	-\$2,462,960
<b>Rate Revenue Requirement</b>	<b>\$7,814,966</b>

### 3.2 Sewer Utility

RDN built a 10-year financial model for the Rosamond Community Services District’s sewer system to meet the system’s long-term financial goals. The detailed rate analysis was performed for the first five years.

#### Revenues

RDN conducted a revenue analysis using the current sewer rates. The District currently collects fixed and variable revenues from all customers. Fixed and variable revenue forecasts are based on the customer growth assumptions described in the Methodology Section. **Table 26** and **Table 27** show the projected fixed-rate and variable-rate revenue under the current rates, respectively.

*Table 26. Sewer System Fixed Revenue Forecast, FY 2026 to FY 2031*

Number of Sewer Connections						
Customer Class	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Residential	6,407	6,445	6,484	6,521	6,559	6,596
Commercial I	116	117	117	118	119	119
Commercial II	66	66	66	67	67	68
<b>Total</b>	<b>6,589</b>	<b>6,628</b>	<b>6,667</b>	<b>6,705</b>	<b>6,745</b>	<b>6,783</b>
Fixed Revenue by Class						
Customer Class	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Residential	\$5,057,430	\$5,087,637	\$5,117,844	\$5,147,136	\$5,177,343	\$5,206,635
Commercial I	\$6,407	\$6,445	\$6,484	\$6,521	\$6,559	\$6,596
Commercial II	\$184,607	\$185,710	\$186,812	\$187,882	\$188,984	\$190,053
<b>Total</b>	<b>\$5,248,444</b>	<b>\$5,279,792</b>	<b>\$5,311,140</b>	<b>\$5,341,538</b>	<b>\$5,372,886</b>	<b>\$5,403,285</b>

*Table 27. Sewer System Variable Revenue Forecast, FY 2026 to FY 2031<sup>12</sup>*

Sewer Flow (hcf)						
Customer Class	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Residential	403,641	406,052	408,463	410,801	413,211	415,549
Commercial I	27,227	27,388	27,549	27,706	27,867	28,024
Commercial II	40,615	40,858	41,101	41,336	41,579	41,814
Variable Revenue by Class						
Customer Class	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Residential	\$209,893	\$211,147	\$212,401	\$213,616	\$214,870	\$216,086
Commercial I	\$28,043	\$28,210	\$28,376	\$28,537	\$28,703	\$28,864
Commercial II	\$186,425	\$187,539	\$188,652	\$189,732	\$190,845	\$191,925
<b>Total</b>	<b>\$424,362</b>	<b>\$426,895</b>	<b>\$429,429</b>	<b>\$431,885</b>	<b>\$434,419</b>	<b>\$436,875</b>

The revenue analysis also includes other operating and non-operating revenues such as late charges and Connection Fee revenues. These revenues are used to offset the revenue requirements that need

<sup>12</sup> Sewer flows are calculated by averaging winter water use

to be recovered from customers' rates. **Table 28** shows the projected other operating and non-operating revenue for the sewer utility by source for FY 2026 to FY 2031.

*Table 28. Annual Other Revenue by Source, FY 2026 to FY 2031<sup>13</sup>*

Other Operating Revenue	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Late Charges/Bank Charges	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000	\$14,000
Plan Check/Will Serve/Inspection Fees	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000	\$7,000
Administration/Reconnection	\$11,000	\$11,000	\$11,000	\$11,000	\$11,000	\$11,000
Conservation Fees	\$165,000	\$165,000	\$165,000	\$165,000	\$165,000	\$165,000
Non-Operating Revenue	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Miscellaneous Income	\$450	\$450	\$450	\$450	\$450	\$450
System Connection Fees	\$927,419	\$927,419	\$927,419	\$927,419	\$927,419	\$927,419
Investment Revenue	\$991,213	\$991,213	\$893,911	\$901,980	\$932,509	\$977,723
<b>Total Other Revenue</b>	<b>\$2,116,082</b>	<b>\$2,116,082</b>	<b>\$2,018,780</b>	<b>\$2,026,849</b>	<b>\$2,057,378</b>	<b>\$2,102,592</b>

**Operating and Maintenance (O&M) Expense**

The itemized O&M expenses were carefully reviewed by the District and forecast for the study period using escalation factors discussed in the Key Assumptions section. **Table 29** shows the District's projected O&M expenses for the sewer utility during the study period. O&M Expenses are expected to increase by 4.8 percent on average annually.

*Table 29. Sewer System O&M Expense Forecast, FY 2026 to FY 2031*

Expense Category	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Personnel Expenses	\$1,839,957	\$1,926,962	\$2,018,131	\$2,113,667	\$2,213,780	\$2,318,694
Direct Operating Expenses	\$932,274	\$982,716	\$1,036,020	\$1,092,353	\$1,151,893	\$1,204,673
Admin and General	\$793,215	\$830,810	\$869,402	\$905,619	\$943,522	\$982,449
<b>Total Operating</b>	<b>\$3,565,446</b>	<b>\$3,740,488</b>	<b>\$3,923,553</b>	<b>\$4,111,639</b>	<b>\$4,309,195</b>	<b>\$4,505,816</b>

**Other Obligations**

Other obligations included in the financial plan are capital improvement projects funded by PAYGO (Pay As You Go), debt service obligations, and reserve contributions made from rates.

**Capital Improvement Projects**

The District plans to spend an average of \$2.0 million a year on sewer rate funded capital expenditures during the rate setting period. **Table 30** shows capital expenditure by funding source. The District plans to use customer rates and current debt proceeds to accomplish the proposed capital plan. Only PAYGO funded expenditure will impact customer rates.

<sup>13</sup> Connection Fee revenue is directly applied to the connection fee reserve balance and cannot be used for operating expenses

**Table 30. Rate Study Sewer CIP Expenses by Expense Type, FY 2026 to FY 2031**

Capital Project Funding Source	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Rate Funded	\$6,015,951	\$4,105,807	\$1,115,400	\$383,670	\$402,854	\$422,996
Debt Funded	\$2,766,667	\$2,766,667	\$2,766,667	\$0	\$0	\$0
<b>Total Capital Spending</b>	<b>\$8,782,618</b>	<b>\$6,872,474</b>	<b>\$3,882,067</b>	<b>\$383,670</b>	<b>\$402,854</b>	<b>\$422,996</b>

### Debt Service and Coverage Ratios

The Sewer utility currently makes annual debt service payments on three outstanding loans: the State Water Pollution Control Note, Pacific Premier Bank Note, and the Webster Bank Note. **Table 31** shows the Sewer utility’s annual debt payments used in this study. **Table 32** shows the projected debt service coverage ratios under the current rates.

**Table 31. Rate Study Debt Service Expenses, FY 2026 to FY 2031**

Debt Service	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
State Water Pollution Control Note	\$534,536	\$534,536	\$534,536	\$534,536	\$0	\$0
Pacific Premier Bank Note	\$842,584	\$842,917	\$842,814	\$842,277	\$842,290	\$842,828
Webster Bank	\$616,233	\$1,232,193	\$1,232,048	\$1,232,663	\$1,232,943	\$1,231,870
<b>Total Principal</b>	<b>\$1,486,536</b>	<b>\$1,991,536</b>	<b>\$2,040,536</b>	<b>\$2,091,536</b>	<b>\$1,610,000</b>	<b>\$1,664,000</b>
<b>Total Interest</b>	<b>\$506,817</b>	<b>\$618,110</b>	<b>\$568,863</b>	<b>\$517,940</b>	<b>\$465,234</b>	<b>\$410,698</b>
<b>Total Debt Service</b>	<b>\$1,993,353</b>	<b>\$2,609,645</b>	<b>\$2,609,398</b>	<b>\$2,609,476</b>	<b>\$2,075,234</b>	<b>\$2,074,698</b>

**Table 32. Rate Study Debt Service Coverage Ratios, FY 2026 to FY 2031**

Category	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Total Revenue	\$7,886,903	\$7,921,370	\$7,858,535	\$7,900,026	\$7,965,023	\$8,043,658
Total Operating Expense	\$3,565,446	\$3,740,488	\$3,923,553	\$4,111,639	\$4,309,195	\$4,505,816
Total Debt Service	\$1,993,353	\$2,609,645	\$2,609,398	\$2,609,476	\$2,075,234	\$2,074,698
<b>Debt Service Coverage Ratio</b>	<b>2.17</b>	<b>1.60</b>	<b>1.51</b>	<b>1.45</b>	<b>1.76</b>	<b>1.71</b>

### Reserves

The District must maintain an appropriate reserve balance to ensure the day-to-day operation will continue during emergencies and guarantee the future stability of the system. The District’s financial goal is to build an appropriate level of cash reserves for each reserve fund included in the financial plan of this Study. The reserve target for the sewer utility is described below:

- **Operating Reserve:** three months of operating expenses
- **Debt Service Reserve:** 125 percent of annual debt service obligation
- **Repair Replacement Reserve:** 25 percent of annual accumulated depreciation
- **Rate Stabilization Reserve:** 10 percent of sewer rate revenue
- **Capacity/Connection Fee Reserve:** tracks balance of capacity fee revenue fund
- **Emergency Reserve:** maintain balance of \$500,000

The reserve target at the end of the study period reaches \$19.4 million. **Table 33** shows the District's reserve targets for FY 2026 through FY 2031 based on the current reserve policy. Reserve targets are based on reserve policy shown in **Table 13**.

**Table 33. Sewer Reserve Target, FY 2026 to FY 2031**

Reserve Fund	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
O&M Reserve	\$1,353,130	\$935,122	\$980,888	\$1,027,910	\$1,077,299	\$1,126,454
Debt Service Reserve	\$2,491,691	\$3,262,056	\$3,261,748	\$3,261,844	\$2,594,042	\$2,593,372
Repair Replacement Reserve	\$3,369,433	\$3,757,459	\$4,145,485	\$4,533,511	\$4,921,537	\$5,309,563
Rate Stabilization Reserve	\$579,142	\$580,529	\$583,975	\$587,318	\$590,764	\$594,107
Capacity/Connection Fee Reserve	\$4,604,740	\$5,532,159	\$6,459,578	\$7,386,997	\$8,314,416	\$9,241,835
Emergency Reserve	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
<b>Total</b>	<b>\$12,898,136</b>	<b>\$14,567,325</b>	<b>\$15,931,675</b>	<b>\$17,297,580</b>	<b>\$17,998,058</b>	<b>\$19,365,331</b>

## Financial Plan

Based on the projected total revenue and necessary costs to be recovered during the study period, RDN built a financial plan that will generate sufficient revenues for the day-to-day operation and annual PAYGO and make appropriate contributions to reserves. The District currently has a projected ending cash balance of \$29.5 million in FY 2025, which is the beginning balance for FY 2026. **Table 34** shows the status quo sewer pro forma with no revenue adjustments and the resulting ending balances based on the revenues and expenses outlined in this section.

**Table 34. Status Quo Financial Pro Forma for Rosamond Community Services District Sewer System, FY 2026 to FY 2031**

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
<b>Cash Position Opening Balance</b>	<b>\$29,507,482</b>	<b>\$25,819,636</b>	<b>\$23,285,065</b>	<b>\$23,495,249</b>	<b>\$24,290,491</b>	<b>\$25,468,231</b>
<b>Revenues</b>						
Sewer Rate Revenue	\$5,770,821	\$5,805,288	\$5,839,755	\$5,873,177	\$5,907,644	\$5,941,067
Other Operating Revenue	\$197,000	\$197,000	\$197,000	\$197,000	\$197,000	\$197,000
Non-Operating Revenue	\$927,869	\$927,869	\$927,869	\$927,869	\$927,869	\$927,869
Investment Revenue	\$991,213	\$991,213	\$893,911	\$901,980	\$932,509	\$977,723
<b>Total Revenues</b>	<b>\$7,886,903</b>	<b>\$7,921,370</b>	<b>\$7,858,535</b>	<b>\$7,900,026</b>	<b>\$7,965,023</b>	<b>\$8,043,658</b>
<b>Operating Expenses</b>	<b>\$3,565,446</b>	<b>\$3,740,488</b>	<b>\$3,923,553</b>	<b>\$4,111,639</b>	<b>\$4,309,195</b>	<b>\$4,505,816</b>
<b>Net Operating Revenues</b>	<b>\$4,321,457</b>	<b>\$4,180,882</b>	<b>\$3,934,982</b>	<b>\$3,788,388</b>	<b>\$3,655,827</b>	<b>\$3,537,842</b>
<b>Total Rate Funded Debt Service</b>	<b>\$1,993,353</b>	<b>\$2,609,645</b>	<b>\$2,609,398</b>	<b>\$2,609,476</b>	<b>\$2,075,234</b>	<b>\$2,074,698</b>
<b>Capital Expenditure</b>	<b>\$8,782,618</b>	<b>\$6,872,474</b>	<b>\$3,882,067</b>	<b>\$383,670</b>	<b>\$402,854</b>	<b>\$422,996</b>
Debt Proceeds	\$2,766,667	\$2,766,667	\$2,766,667	\$0	\$0	\$0
Cash	\$6,015,951	\$4,105,807	\$1,115,400	\$383,670	\$402,854	\$422,996
<b>Net Income</b>	<b>-\$3,687,847</b>	<b>-\$2,534,570</b>	<b>\$210,184</b>	<b>\$795,242</b>	<b>\$1,177,740</b>	<b>\$1,040,148</b>
<b>Ending Balance</b>	<b>\$25,819,636</b>	<b>\$23,285,065</b>	<b>\$23,495,249</b>	<b>\$24,290,491</b>	<b>\$25,468,231</b>	<b>\$26,508,380</b>

**Table 35** shows the proposed sewer pro forma for the study period with the recommended revenue adjustments per year. All revenue adjustments will occur in July of the Fiscal Year.

**Table 35. Proposed Financial Pro Forma for Rosamond Community Services District Sewer System, FY 2026 to FY 2031<sup>14</sup>**

<b>Proposed Rate Adjustment</b>	<b>0.0%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.0%</b>	<b>2.0%</b>
	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>	<b>FY 2030</b>	<b>FY 2031</b>
<b>Cash Position Opening Balance</b>	<b>\$29,507,482</b>	<b>\$25,819,636</b>	<b>\$23,401,171</b>	<b>\$23,851,738</b>	<b>\$25,020,151</b>	<b>\$26,712,883</b>
<b>Revenues</b>						
Sewer Rate Revenue	\$5,770,821	\$5,805,288	\$5,839,755	\$5,873,177	\$5,907,644	\$5,941,067
Adjusted Sewer Rate Revenue	\$0	\$116,106	\$235,926	\$359,485	\$486,980	\$618,351
Other Operating Revenue	\$197,000	\$197,000	\$197,000	\$197,000	\$197,000	\$197,000
Non-Operating Revenue	\$927,869	\$927,869	\$927,869	\$927,869	\$927,869	\$927,869
Investment Revenue	\$991,213	\$991,213	\$898,368	\$915,666	\$960,521	\$1,025,505
<b>Total Revenues</b>	<b>\$7,886,903</b>	<b>\$8,037,476</b>	<b>\$8,098,918</b>	<b>\$8,273,197</b>	<b>\$8,480,014</b>	<b>\$8,709,791</b>
<b>Operating Expenses</b>	<b>\$3,565,446</b>	<b>\$3,740,488</b>	<b>\$3,923,553</b>	<b>\$4,111,639</b>	<b>\$4,309,195</b>	<b>\$4,505,816</b>
<b>Net Operating Revenues</b>	<b>\$4,321,457</b>	<b>\$4,296,987</b>	<b>\$4,175,365</b>	<b>\$4,161,559</b>	<b>\$4,170,819</b>	<b>\$4,203,975</b>
<b>Total Rate Funded Debt Service</b>	<b>\$1,993,353</b>	<b>\$2,609,645</b>	<b>\$2,609,398</b>	<b>\$2,609,476</b>	<b>\$2,075,234</b>	<b>\$2,074,698</b>
<b>Capital Expenditure</b>	<b>\$8,782,618</b>	<b>\$6,872,474</b>	<b>\$3,882,067</b>	<b>\$383,670</b>	<b>\$402,854</b>	<b>\$422,996</b>
Debt Proceeds	\$2,766,667	\$2,766,667	\$2,766,667	\$0	\$0	\$0
Cash	\$6,015,951	\$4,105,807	\$1,115,400	\$383,670	\$402,854	\$422,996
<b>Net Income</b>	<b>-\$3,687,847</b>	<b>-\$2,418,465</b>	<b>\$450,567</b>	<b>\$1,168,413</b>	<b>\$1,692,732</b>	<b>\$1,706,281</b>
<b>Ending Balance</b>	<b>\$25,819,636</b>	<b>\$23,401,171</b>	<b>\$23,851,738</b>	<b>\$25,020,151</b>	<b>\$26,712,883</b>	<b>\$28,419,164</b>

## Revenue Requirements

**Table 36** displays the sewer utility’s revenue requirements FY 2026. The total expense for each year is offset by other operating revenues and non-operating revenues to compute a pure portion of revenue requirements that need to be recovered from customers’ rates. RDN proposes adjusting rates annually by the recommended revenue adjustment of 2.0 percent in July of 2026 through July 2031.

<sup>14</sup> The 10-year financial plan under proposed rates is shown in the Appendix

*Table 36. Revenue Requirements for Rosamond Community Services District Sewer Utility, FY 2026*

<b>Category</b>	<b>FY 2026</b>
Total Operating Expense	\$3,565,446
Total Debt Service	\$1,993,353
PAYGO Funded Capital Projects	\$6,015,951
Reserve Contributions	\$927,419
Other Operating Revenue	-\$197,000
Non-Operating Revenue	-\$927,869
Investment Revenue	-\$991,213
Net Balance	-\$4,615,266
<b>Rate Revenue Requirement</b>	<b>\$5,770,821</b>

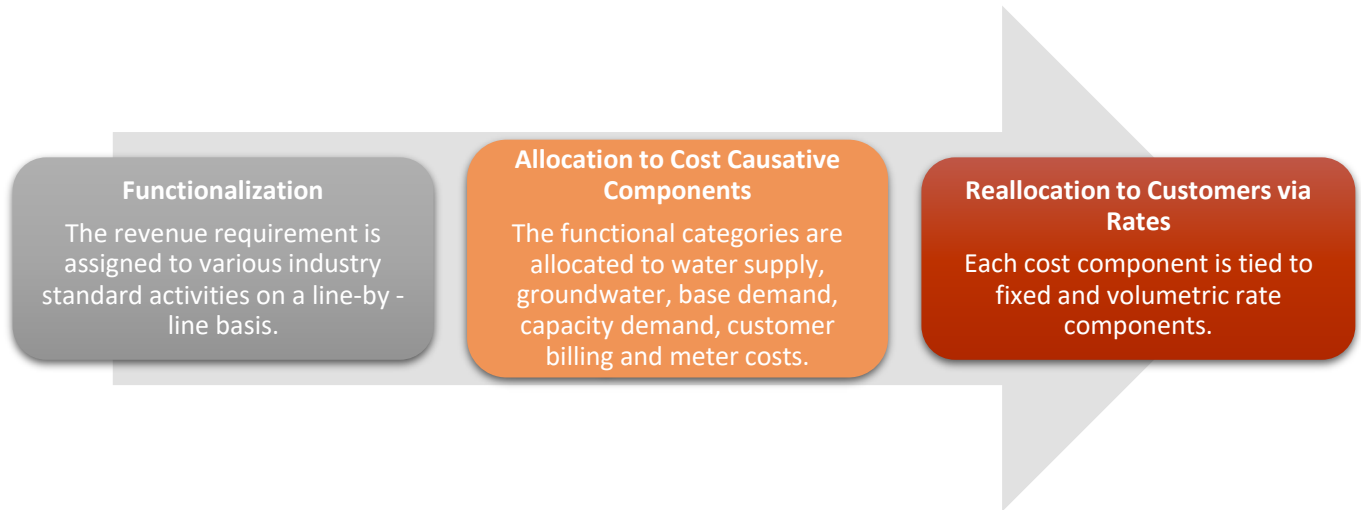
# COST OF SERVICE

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## 4.1 Water Cost of Service Analysis

The purpose of a Cost of Service (COS) analysis is to allocate costs among customers commensurate with their service requirements. RDN employed the “commodity-demand” cost-of-service method promulgated in AWWA’s M1, whereby costs are first allocated to individual functions, which are typical industry standard activities, then the costs of each function are distributed to appropriate cost causative components, which are defined by the cost driving elements. **Figure 4** displays a typical process for the COS analysis.

*Figure 4. A Typical Flow for Water Cost of Service Analysis Process*



### Functionalization of Costs

Operating and capital costs are functionalized based on operating categories used in the District’s budget and input from District staff with expertise on the system and utility industry knowledge. The functionalization of non-operating expenses is based on total water asset values, which represents a better overall estimate of systemwide needs versus just one year of capital expenditure. The non-operating expenses for the test year are made up of debt service payments and capital expenditures totaling approximately \$7.6 million. The functions of the water system for both operating and non-operating expenses include:

- Water Supply – costs associated with water procurement and purchases
- Storage – costs associated with water storage for distribution
- Transmission and Distribution – costs associated with transmitting and distributing water to customers

- Pumping – costs associated with general pumping and energy use
- Treatment – costs associated with treating water
- Meters – costs associated with the reading and maintenance of meters
- Customer – costs associated with customer service and billing related tasks
- Hydrants – costs associated with maintaining public fire hydrants
- Conservation – Costs associated with the conservation program
- Administrative and General – costs associated with administrative and general functions

Costs and assets were functionalized based on the District’s standard budget determinations and input from staff on a line-item basis. **Table 37** shows the amount and percentage of the test year’s operating expenses allocated to each function. **Table 38** shows the amount and percentage of the District’s fixed assets allocated to each function. Total assets were used as a proxy for the allocation of non-operating expenses because they represent the long-term investment in the system made by the District. A single year of non-operating expenses typically does not reflect an adequate ratio of overall system investments.

**Table 37. Percentage of Operating Costs Allocated to Standard Functions**

<b>Operating Function</b>	<b>Allocation</b>	<b>Percent</b>
<b>Total O&amp;M</b>	<b>\$4,355,320</b>	<b>100.0%</b>
Water Supply	\$322,633	7.4%
Storage	\$184,050	4.2%
Transmission and Distribution	\$184,050	4.2%
Pumping	\$161,065	3.7%
Treatment	\$3,790	0.1%
Meters	\$10,000	0.2%
Customer	\$29,000	0.7%
Conservation	\$4,581	0.1%
Administrative and General	\$3,456,151	79.4%

**Table 38. Percentage of Assets Costs Allocated to Standard Functions**

<b>Asset Function</b>	<b>Allocation</b>	<b>Percent</b>
<b>Total Assets</b>	<b>\$41,650,659</b>	<b>100.0%</b>
Water Supply	\$29,712,019	71.3%
Storage	\$330,792	0.8%
Transmission and Distribution	\$5,898,369	14.2%
Hydrants	\$5,848	0.0%
Meters	\$943,581	2.3%
Administrative and General	\$4,760,049	11.4%

A COS analysis considers both the average quantity of water consumed (base costs) and the highest rate at which it is consumed (peaking or capacity costs as identified by maximum demands compared to

base demands). Capacity costs are costs that are incurred during peak times of consumption. There are additional costs associated with designing, constructing, operating, and maintaining facilities to meet the highest capacity of use. All current and future water facilities, including water mains, pump stations, reservoirs, wells, and treatment plants, are designed and constructed to meet this capacity. If deficiencies are found, the existing facilities get upsized, or a secondary line or pump is installed. These peak demand costs should be allocated to those customers whose potential use generates additional costs for the utility, such as larger meters. In other words, not all customers share the same responsibility for capacity related costs. The percent of delivery capacity over an average day or base delivery was determined by using actual customer billing records. **Table 39** shows actual potable customer water use by billing period, and total annual water use. **Table 40** shows the average and the highest monthly water use divided by the number of days included in the period. The August billing period includes 31 days, so to calculate the daily use during the peak billing period, the total use in that period is divided by the increment.

**Table 39. System-Wide Potable Water Use by Billing Period in hcf<sup>15</sup>**

Billing Month	Total Use	Percent of Use
July	97,928	10%
August	111,615	11%
September	109,687	11%
October	101,382	10%
November	77,403	8%
December	58,166	6%
January	63,427	6%
February	65,339	7%
March	58,985	6%
April	75,493	8%
May	85,004	9%
June	87,124	9%
<b>Total</b>	<b>991,552</b>	<b>100%</b>

**Table 40. Potable Water Use Divided by Billing Days in hcf**

<b>Total Use</b>		<b>Days</b>		<b>Average Day</b>
991,552	÷	365	=	2,717
<b>Maximum Monthly Use</b>		<b>Days</b>		<b>Maximum Day</b>
111,633	÷	31		3,601

<sup>15</sup> Total potable water use is based on FY 2025 billing records

**Table 41** shows the systemwide capacity factors based on customer use patterns as described. Delivery capacity is equal to max day divided by average day. The percentage of delivery capacity over base delivery represents the additional capacity demands which create the need for upsizing system assets to provide service under the highest water use conditions. The peak capacity costs are applied only to the fixed charges. Base costs are applied to both fixed and variable rates because a portion of those costs can be attributable to increased water demand such as treatment costs and the occurrence of water leaks, which require maintenance as well as development of additional storage to provide water availability.

*Table 41. System-Wide Delivery Factors*

Cost Component	Factor	Percent at Base	Percent at Capacity
Base Delivery	1.00	100.0%	0.0%
Delivery Capacity	1.33	75.4%	24.6%

The cost causative components include:

- **Source of Supply** – water purchase costs, groundwater procurement, and pumping costs
- **Base Delivery** – delivering water to customers under average demand conditions
- **Delivery Capacity**– the costs of delivering water to customers with the highest demand
- **Meters** – the costs of servicing and reading meters
- **Customer Service** – billing and other customer service-related costs
- **Conservation** – costs directly allocated to conservation programs

Water supply and treatment costs are allocated 100 percent to the supply component as they relate to purchasing water from other agencies as well as procuring and treating groundwater. Pumping costs are also allocated 100 percent to the supply component as pumping occurs to procure groundwater. Storage, Transmission and Distribution costs are proportionally allocated between base and delivery capacity based on annual water demand patterns shown in **Table 41** since all infrastructure is constructed to meet base and capacity water use requirements. The Storage, and Transmission and Distribution categories include costs that may either increase with water use (base delivery) or are fixed based on the capacity of system assets (delivery capacity). Meter, customer, and conservation costs are allocated directly to those categories. Hydrant costs are allocated to meters as all meters benefit from hydrant fire protection. Administrative and general costs are allocated to cost components based on the percentage of the functions allocated to the other cost categories excluding source of supply costs. **Table 42** through **Table 45** show the percent and total value of functionalized operating costs and assets allocated to the cost causative components. Meter and customer service costs were allocated directly to their respective component.

**Table 42. Percent of Operating Function Categories Allocated to Cost Components**

O&M Expense							
Category	Total Allocation	Source of Supply	Base Delivery	Delivery Capacity	Meters	Customer Service	Conservation
Water Supply	\$322,633	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Storage	\$184,050	0.0%	75.4%	24.6%	0.0%	0.0%	0.0%
Transmission and Distribution	\$184,050	0.0%	75.4%	24.6%	0.0%	0.0%	0.0%
Pumping	\$161,065	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Treatment	\$3,790	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Meters	\$10,000	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%
Customer	\$29,000	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%
Conservation	\$4,581	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Administrative and General	\$3,456,151	0.0%	61.0%	19.9%	4.4%	12.7%	2.0%

**Table 43. Total of Operating Functional Categories Allocated to Cost Components**

O&M Expense							
Category	Total Allocation	Source of Supply	Base Delivery	Delivery Capacity	Meters	Customer Service	Conservation
Water Supply	\$322,633	\$322,633	\$0	\$0	\$0	\$0	\$0
Storage	\$184,050	\$0	\$138,844	\$45,206	\$0	\$0	\$0
Transmission and Distribution	\$184,050	\$0	\$138,844	\$45,206	\$0	\$0	\$0
Pumping	\$161,065	\$161,065	\$0	\$0	\$0	\$0	\$0
Treatment	\$3,790	\$3,790	\$0	\$0	\$0	\$0	\$0
Meters	\$10,000	\$0	\$0	\$0	\$10,000	\$0	\$0
Customer	\$29,000	\$0	\$0	\$0	\$0	\$29,000	\$0
Conservation	\$4,581	\$0	\$0	\$0	\$0	\$0	\$4,581
Administrative and General	\$3,456,151	\$0	\$2,108,084	\$686,371	\$151,831	\$440,311	\$69,554
<b>Percent of Total</b>		<b>11.2%</b>	<b>54.8%</b>	<b>17.8%</b>	<b>3.7%</b>	<b>10.8%</b>	<b>1.7%</b>

**Table 44. Percent of Non-Operating Function Categories Allocated to Cost Components**

Non-Operating Expense							
Category	Total Allocation	Source of Supply	Base Delivery	Delivery Capacity	Meters	Customer Service	Conservation
Water Supply	\$29,712,019	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Storage	\$330,792	0.0%	75.4%	24.6%	0.0%	0.0%	0.0%
Transmission and Distribution	\$5,898,369	0.0%	75.4%	24.6%	0.0%	0.0%	0.0%
Meters	\$943,581	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%
Hydrants	\$5,848	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%
Administrative and General	\$4,760,049	0.0%	19.5%	6.3%	74.2%	0.0%	0.0%

**Table 45. Total of Non-Operating Functional Categories Allocated to Cost Components**

Non-Operating Expense							
Category	Total Allocation	Source of Supply	Base Delivery	Delivery Capacity	Meters	Customer Service	Conservation
Water Supply	\$29,712,019	\$29,712,019	\$0	\$0	\$0	\$0	\$0
Storage	\$330,792	\$0	\$249,544	\$81,249	\$0	\$0	\$0
Transmission and Distribution	\$5,898,369	\$0	\$4,449,618	\$1,448,752	\$0	\$0	\$0
Meters	\$943,581	\$0	\$0	\$0	\$943,581	\$0	\$0
Hydrants	\$5,848	\$0	\$0	\$0	\$5,848	\$0	\$0
Administrative and General	\$4,760,049	\$0	\$927,839	\$302,095	\$3,530,115	\$0	\$0
<b>Percent of Total</b>		<b>71.3%</b>	<b>13.5%</b>	<b>4.4%</b>	<b>10.8%</b>	<b>0.0%</b>	<b>0.0%</b>

The non-operating expenses for the test year are made up of debt service payments and capital expenditures totaling approximately \$7.6 million. Those costs are distributed to the cost components based on the final percentages shown in **Table 45**, above, which are based on the total asset values of water assets owned by the District. Water asset values represent the long-term investment in the District's water system and serve as a proxy value for how a single year of non-operating expenses should be allocated. Asset values do not fluctuate significantly year over year as annual capital expenditures do, which ensures that cost categories are accurately represented. Operating allocations are based on the projected test year expenses and the total for each cost component reflects the percentages in **Table 43**. **Table 46** shows the projected test year expenses allocated to each cost component based on the percentages in **Table 43** and **Table 45**.

**Table 46. Operating and Non-Operating Cost Allocation to Cost Components**

Cost Component	Operating Percentage	Operating Costs	Non-Operating Percentage	Non-Operating Costs
<b>Total</b>	<b>100.0%</b>	<b>\$4,355,320</b>	<b>100.0%</b>	<b>\$7,634,149</b>
Source of Supply	11.2%	\$487,488	71.3%	\$5,445,916
Base Delivery	54.8%	\$2,385,771	13.5%	\$1,031,373
Delivery Capacity	17.8%	\$776,784	4.4%	\$335,805
Meters	3.7%	\$161,831	10.8%	\$821,056
Customer Service	10.8%	\$469,311	0.0%	\$0
Conservation	1.7%	\$74,135	0.0%	\$0

**Table 47** shows the cost allocation by cost causative components under the proposed financial plan before adjustments. Revenue offsets made up of non-operating revenues for FY 2026 shown in **Table 25** will be used to offset water supply costs in the rate design section. Other operating revenues are allocated to each cost component based on the overall cost allocation percentages shown in the “percent of total” row.

**Table 47. Rate Revenue Requirements for Test Year, FY 2026**

	Total Allocation	Source of Supply	Base Delivery	Delivery Capacity	Meters	Customer Service	Conservation
O&M Expenses	<b>\$4,355,320</b>	11.2%	54.8%	17.8%	3.7%	10.8%	1.7%
O&M Allocation		\$487,488	\$2,385,771	\$776,784	\$161,831	\$469,311	\$74,135
Non-Operating Expenses	<b>\$7,634,149</b>	71.3%	13.5%	4.4%	10.8%	0.0%	0.0%
Non-Operating Allocation		\$5,445,916	\$1,031,373	\$335,805	\$821,056	\$0	\$0
<b>Total Allocation</b>	<b>\$11,989,469</b>	<b>\$5,933,404</b>	<b>\$3,417,144</b>	<b>\$1,112,588</b>	<b>\$982,887</b>	<b>\$469,311</b>	<b>\$74,135</b>
Percent of Total		49.5%	28.5%	9.3%	8.2%	3.9%	0.6%

**Table 48** shows the total cost allocation by cost category that will be used to allocate costs to each customer. Other operating revenue and net balances are applied based on the overall percentages allocated to each cost category in the percent of total line. Non-operating revenues are added to Reserve Contributions and applied directly to offset the cost of variable rates for water customers.

**Table 48. Cost of Service Allocations with Other Operating, Non-Operating, and Net Balance Adjustments**

	<b>Total Allocation</b>	<b>Source of Supply</b>	<b>Base Delivery</b>	<b>Delivery Capacity</b>	<b>Meters</b>	<b>Customer Service</b>	<b>Conservation</b>	<b>Revenue Offset</b>
O&M Expenses	<b>\$4,355,320</b>	11.2%	54.8%	17.8%	3.7%	10.8%	1.7%	0.0%
O&M Allocation		\$487,488	\$2,385,771	\$776,784	\$161,831	\$469,311	\$74,135	\$0
Non-Operating Expenses	<b>\$7,634,149</b>	71.3%	13.5%	4.4%	10.8%	0.0%	0.0%	0.0%
Non-Operating Allocation		\$5,445,916	\$1,031,373	\$335,805	\$821,056	\$0	\$0	\$0
<b>Total Allocation</b>	<b>\$11,989,469</b>	<b>\$5,933,404</b>	<b>\$3,417,144</b>	<b>\$1,112,588</b>	<b>\$982,887</b>	<b>\$469,311</b>	<b>\$74,135</b>	<b>\$0</b>
Percent of Total		49.5%	28.5%	9.3%	8.2%	3.9%	0.6%	0.0%
Other Operating Revenue	<b>-\$137,950</b>	-\$68,269	-\$39,317	-\$12,801	-\$11,309	-\$5,400	-\$853	\$0
Non-Operating Revenue	<b>-\$2,889,525</b>							-\$2,889,525
Reserve Contributions	<b>\$1,315,932</b>							\$1,315,932
Net Revenue (Expense)	<b>-\$2,462,960</b>	-\$1,218,881	-\$701,974	-\$228,556	-\$201,911	-\$96,409	-\$15,229	\$0
<b>Rate Revenue Requirement</b>	<b>\$7,814,966</b>	<b>\$4,646,253</b>	<b>\$2,675,853</b>	<b>\$871,231</b>	<b>\$769,666</b>	<b>\$367,502</b>	<b>\$58,053</b>	<b>-\$1,573,593</b>

## Allocation to Customers

All customers are billed based on their meter size and water use level. The total revenue requirements reflect the final cost allocation in **Table 48**. These totals will be applied to customers based on the corresponding number of units allocated to that customer in the rate design.

## Allocation to Units

The final step of the COS analysis is to allocate the cost causative components back to the customers. In order to perform this, unit values were determined for each cost component.

- Source of supply costs, conservation costs, and revenue offsets will be further subdivided in the rate design stage based on internal parameters, so those costs are wholly applied to their respective category in one unit.
- The number of equivalent meters will be used to distribute fixed base and capacity delivery related service costs.
- The total potable water use will be used to distribute the portion of base delivery related service costs which were allocated to the variable rate.
- The number of Investment equivalent meters will be used to distribute meter related service costs.
- The number of bills in one year (the number of accounts multiplied by 12) serves as the basis for distributing billing and customer service costs associated with customer billing and collection, and other customer services costs.

**Table 49** shows the total cost allocation by cost component divided by the corresponding unit values to develop a unit cost for each.

*Table 49. Rate Revenue Requirements Divided by the Corresponding Units<sup>16</sup>*

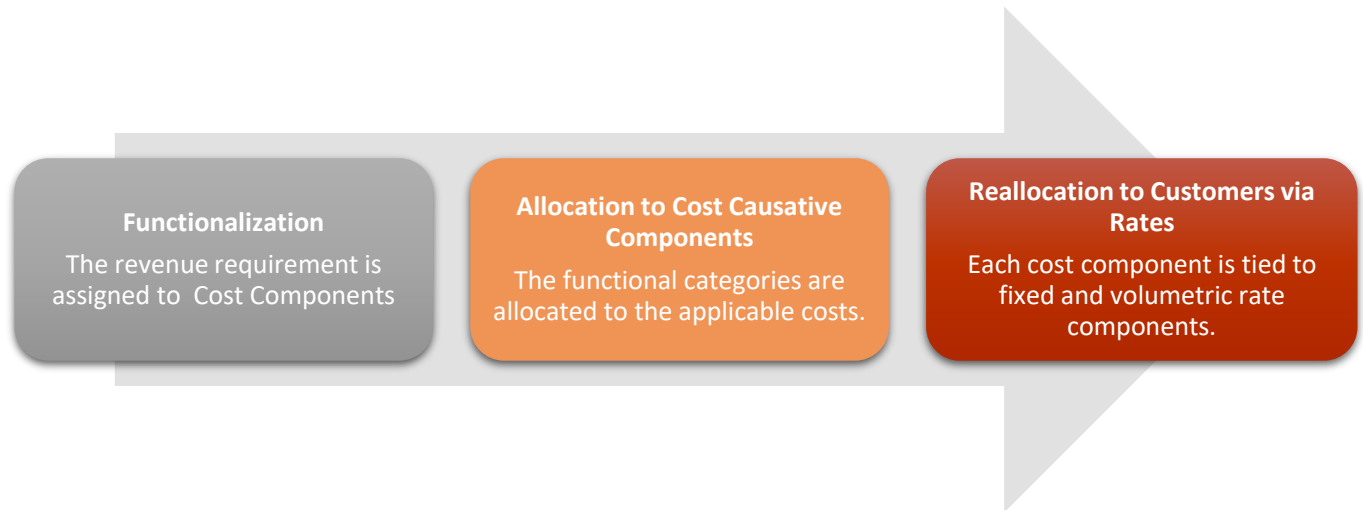
Cost Category	Unit Category	Cost Allocation	Units	Unit Cost
Source of Supply*	<b>Source of Supply</b>	\$4,646,253	1	\$4,646,253.40
Fixed Base Delivery	<b>Water EMs</b>	\$1,337,927	6,630	\$201.80
Variable Base Delivery	<b>Water Use</b>	\$1,337,927	991,552	\$1.35
Fixed Capacity Delivery	<b>Water EMs</b>	\$871,231	6,630	\$131.41
Fixed Meter Costs	<b>Investment EMs</b>	\$769,666	5,917	\$130.07
Customer Service Costs	<b>Water Bills</b>	\$367,502	66,168	\$5.55
Conservation Costs*	<b>Conservation</b>	\$58,053	1	\$58,052.61
Revenue Offsets*	<b>Revenue Offsets</b>	-\$1,573,593	1	-\$1,573,593.00

<sup>16</sup> Source of Supply costs, Conservation costs, and Revenue Offsets will be further subdivided in the Rate Design section

## 4.2 Sewer Cost of Service Analysis

In the same way as the water system's Cost of Service analysis was performed, a sewer system's COS analysis also utilizes a three-step approach to allocate costs proportionally among different customers. These steps include 1) functionalization of costs, 2) cost classification, and 3) cost allocation to customers. Provided below is a detailed discussion of the sewer COS analysis conducted for the District, and the specific steps taken for the analysis.

*Figure 5. A Typical Flow for Sewer Cost of Service Analysis Process*



### Functionalization of Costs

To allocate the cost of service among the different customer classes, costs first must be allocated to the appropriate sewer parameters. The following sections describe the allocation of the operating and capital costs of service to the appropriate parameters of the sewer system.

The total cost of sewer service is analyzed by system function in order to equitably distribute costs of service to the various classes of customers. For this analysis, sewer utility costs of service are developed consistent with the guidelines for allocating costs detailed in the Water Environment Federation (WEF) Manual of Practice No. 27, Financing and Charges for Sewer Systems.

A cost of service analysis distributes the revenue requirements (costs) to each customer class. After determining the revenue requirements, the next step is to functionalize the O&M costs based on the District's O&M classification:

- **Flow** – costs that vary with the volume of wastewater conveyed and treated, such as pumping energy, treatment, and volume-based chemical costs
- **BOD** – costs that vary with organic strength, including aeration and biological treatment

- **TSS** – costs that vary with suspended solids, including solids removal and sludge handling
- **Fixed** – costs that do not vary with flow or strength, such as routine system-wide operations and maintenance
- **Customer Service** – costs that are incurred for customer service related tasks

For the purposes of the cost of service analysis and rate design operating and capital costs were allocated between the five categories described, Flow Costs, BOD/TSS Costs, Fixed Costs, and Service Costs. **Table 50** and **Table 51** show the allocation of costs into the sewer functional categories.

*Table 50. Total of Operating Costs Allocated to Functional Categories*

Operating Function	Allocation	Percent
<b>Total O&amp;M</b>	<b>\$3,565,446</b>	<b>100.0%</b>
Flow	\$502,378	14.1%
BOD	\$146,149	4.1%
TSS	\$146,149	4.1%
Customer	\$105,855	3.0%
Fixed	\$2,664,916	74.7%

*Table 51. Total of Non-Operating Costs Allocation to Functional Categories*

Asset Function	Allocation	Percent
<b>Total Assets</b>	<b>\$36,582,275</b>	<b>100.0%</b>
Flow	\$731,501	2.0%
BOD	\$11,800,929	32.3%
TSS	\$11,800,929	32.3%
Customer	\$0	0.0%
Fixed	\$12,248,915	33.5%

Functionalized costs are further synthesized into cost-causative components, which mirror the functional categories; however, a portion of BOD and TSS costs is allocated to Flow to reflect the variable nature of these components. Because certain BOD and TSS costs vary with wastewater volume, they are partially assigned to the Flow component. The O&M costs and asset values shown in **Table 50** and **Table 51** are multiplied by the percentages in **Table 55** to allocate costs to each component.

**Table 52. Cost Allocation Percentages by Cost-Causative Component**

Category	Flow	BOD	TSS	Customer	Fixed	Total
Flow	100%	0%	0%	0%	0%	<b>100%</b>
BOD	60%	40%	0%	0%	0%	<b>100%</b>
TSS	60%	0%	40%	0%	0%	<b>100%</b>
Customer	0%	0%	0%	100%	0%	<b>100%</b>
Fixed	0%	0%	0%	0%	100%	<b>100%</b>

**Tables 53 and 54** present the results of applying the cost-causative component allocation percentages to the functionalized O&M costs and non-operating asset values. The resulting totals reflect the distribution of costs to the Flow, BOD, TSS, Customer, and Fixed components. The “Percent of Total” row in each table represents each component’s share of total O&M and non-operating costs and is subsequently applied to the respective revenue requirements to allocate them among the cost-causative components.

**Table 53. Total of Operating Functional Categories Allocated to Cost Components**

Category	Total	Flow	BOD	TSS	Customer	Fixed
Flow	\$502,378	\$502,378	\$0	\$0	\$0	\$0
BOD	\$146,149	\$87,689	\$58,460	\$0	\$0	\$0
TSS	\$146,149	\$87,689	\$0	\$58,460	\$0	\$0
Customer	\$105,855	\$0	\$0	\$0	\$105,855	\$0
Fixed	\$2,664,916	\$0	\$0	\$0	\$0	\$2,664,916
<b>Total O&amp;M</b>	<b>\$3,565,446</b>	<b>\$677,757</b>	<b>\$58,460</b>	<b>\$58,460</b>	<b>\$105,855</b>	<b>\$2,664,916</b>
<b>Percent of Total</b>		<b>19.0%</b>	<b>1.6%</b>	<b>1.6%</b>	<b>3.0%</b>	<b>74.7%</b>

**Table 54. Total of Non-Operating Functional Categories Allocated to Cost Components**

Category	Total	Flow	BOD	TSS	Customer	Fixed
Flow	\$731,501	\$731,501	\$0	\$0	\$0	\$0
BOD	\$11,800,929	\$7,080,558	\$4,720,372	\$0	\$0	\$0
TSS	\$11,800,929	\$7,080,558	\$0	\$4,720,372	\$0	\$0
Customer	\$0	\$0	\$0	\$0	\$0	\$0
Fixed	\$12,248,915	\$0	\$0	\$0	\$0	\$12,248,915
<b>Total Assets</b>	<b>\$36,582,275</b>	<b>\$14,892,617</b>	<b>\$4,720,372</b>	<b>\$4,720,372</b>	<b>\$0</b>	<b>\$12,248,915</b>
<b>Percent of Total</b>		<b>40.7%</b>	<b>12.9%</b>	<b>12.9%</b>	<b>0.0%</b>	<b>33.5%</b>

**Table 55** displays the rate revenue requirements for the sewer system. The non-operating expenses for the test year are made up of planned PAYGO capital expenditures and debt service payments. The total O&M and non-operating revenue requirements are multiplied by each components value in the “Percent of Total” row from **Table 53** and **Table 54**, respectively. Other operating expenses, non-operating

expense, and net balance adjustments are allocated to each category based on the total percent of that category.

**Table 55. Revenue Requirement Cost Allocation by Cost Component**

Category	Total	Flow	BOD	TSS	Customer	Fixed
O&M Revenue Requirements	\$3,565,446	\$677,757	\$58,460	\$58,460	\$105,855	\$2,664,916
Non-Operating Revenue Requirements	\$8,009,304	\$3,260,581	\$1,033,476	\$1,033,476	\$0	\$2,681,771
<b>Total</b>	<b>\$11,574,750</b>	<b>\$3,938,338</b>	<b>\$1,091,935</b>	<b>\$1,091,935</b>	<b>\$105,855</b>	<b>\$5,346,686</b>
Other Operating Revenue	-\$197,000	-\$67,030	-\$18,585	-\$18,585	-\$1,802	-\$91,000
Non-Operating Revenue	-\$1,919,082	-\$652,973	-\$181,042	-\$181,042	-\$17,551	-\$886,475
Contribution to Reserves	\$927,419	\$315,557	\$87,491	\$87,491	\$8,482	\$428,400
Net Balance From Operations	-\$4,615,266	-\$1,570,356	-\$435,394	-\$435,394	-\$42,208	-\$2,131,915
<b>Rate Revenue Requirement</b>	<b>\$8,436,517</b>	<b>\$1,963,537</b>	<b>\$544,406</b>	<b>\$544,406</b>	<b>\$52,776</b>	<b>\$2,665,696</b>

### Allocation to Units

In developing equitable rate structures, revenue requirements are allocated to customers commensurate with customer demand and services rendered. Impacts on the sewer system are determined based on the total sewer flow and strength for each customer category. Total sewer flow is reflective of use of the system. Total sewer strength is calculated by assigning BOD and TSS levels to each customer class commensurate with their level of required treatment. **Table 56** presents the BOD and TSS concentrations (mg/L) for each customer class, which are multiplied by annual flow to determine the annual pounds of BOD and TSS generated by each class.

**Table 56. Sewer Strength Concentrations by Customer Class<sup>17</sup>**

Customer Class	Annual Flow (hcf)	BOD (mg/l)	TSS (mg/l)	LBS/Year BOD	LBS/Year TSS
Residential	403,641	250	250	629,962	629,962
Commercial I	27,227	250	250	42,493	42,493
Commercial II	40,615	485	485	122,974	122,974

Annual sewer flow is used to determine the Flow unit cost. Wastewater strength concentrations are used to determine the BOD and TSS unit costs. Customer count and annual bills per customer are used to determine the Fixed and Customer unit costs, respectively. **Table 57** displays the total number of units for each category by customer class.

<sup>17</sup> Sewer flows are calculated based on winter water use

*Table 57. Total Sewer Units by Customer Class*

Customer Class	Customer Count	Annual Flow (hcf)	LBS/Year BOD	LBS/Year TSS	Customer Bills
Residential	6,407	403,641	629,962	629,962	76,884
Commercial I	116	27,227	42,493	42,493	1,392
Commercial II	66	40,615	122,974	122,974	787
<b>Total Units</b>	<b>6,589</b>	<b>471,483</b>	<b>795,429</b>	<b>795,429</b>	<b>79,063</b>

Costs allocated to each cost component were divided by the number of units to determine a unit cost (Table 58). To allocate costs back to customers, the unit costs displayed in Table 58 are multiplied by each customer classes corresponding number of units for each category (Table 57). The resulting cost allocation for each customer class is shown in Table 59.

*Table 58. Cost of Service Unit Cost*

Category	Flow	BOD	TSS	Customer	Fixed
Rate Revenue Requirement	1,963,537	\$544,406	\$544,406	\$52,776	\$2,665,696
Total Units	471,483	795,429	795,429	79,063	6,589
<b>Unit Cost</b>	<b>\$4.16</b>	<b>\$0.68</b>	<b>\$0.68</b>	<b>\$0.67</b>	<b>\$404.59</b>

*Table 59. Cost Allocation to Customer Class*

Customer Class	Total	Flow	BOD	TSS	Customer	Fixed
Residential	\$5,186,853	\$1,681,001	\$431,158	\$431,158	\$51,321	\$2,592,215
Commercial I	\$219,415	\$113,388	\$29,083	\$29,083	\$929	\$46,933
Commercial II	\$364,553	\$169,147	\$84,166	\$84,166	\$526	\$26,549

# RATE DESIGN

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## 5.1 Water Rate Design

RDN proposes the following adjustments to customer water rate structures:

- Adjusting rates annually by the recommended revenue adjustments of 3.0 percent in July 2026 through July 2031
- Combining all customers into a single customer class
- Billing all meters based on AWWA ratio
- Adjusting tier widths to reflect combined water use patterns

The water rates currently have two components: 1) a fixed monthly service charge and 2) volumetric rates. Customers must pay the fixed charge regardless of the water use. In addition, the customers pay volumetric rates based on the volume of water use.

The proposed rates will include the following components:

1. **Fixed monthly service charge:** the rates are established based on the size of the meter at the property receiving water service and are calculated to recover a portion of the District's fixed costs, such as water facilities repairs and replacements, the capacity of that meter, meter reading, and customer service.
2. **Variable rates:** the rates are calculated based on the cost of water supplies, the cost of managing the District's water resources at regular levels and distributing water throughout the system to customers. The remaining fixed costs (base delivery) that are not recovered via fixed charges are also recovered from variable charges. These fixed costs are incurred based on the total volume of water used and include water storage, treatment, and engineering and maintenance of the transmission system. The variable rates are billed per hundred cubic feet based on two tiers.

Together, the two components (fixed and variable) are calculated to recover the proportionate cost of providing water service attributable to each customer.

### Monthly Fixed Charge

Two different meter ratios were applied in the development of fixed charges. The AWWA meter capacity ratio was used to allocate system-wide capacity-related costs, as it reflects the relative demand potential associated with each meter size. Capacity-related costs include delivery capacity and some base delivery

costs. This approach aligns fixed cost responsibility with each customer’s ability to place demand on the system.

For meter-specific costs, the AWWA Investment ratio was used. The investment ratio is based on the relative installed cost of meters by size and more accurately reflects the utility’s direct capital investment in metering infrastructure. Applying the investment ratio to meter-related costs ensures that charges correspond to the actual cost of providing and maintaining meters of different sizes. Meter ratios are multiplied by the number of meters of each size to determine the total equivalent meters. **Table 60** displays the Investment and Capacity ratios, and the total equivalent meters under each ratio.

**Table 60. AWWA Ratios and Equivalent Meter Unit Counts**

Meter Size	Meter Count	Investment Ratio	Investment EMs	Capacity Ratio	Capacity EMs
5/8"	5,222	1.00	5,222.00	1.00	5,222.00
3/4"	120	1.10	132.00	1.50	180.00
1"	74	1.40	103.60	2.50	185.00
1 1/2"	34	1.80	61.20	5.00	170.00
2"	46	2.90	133.40	8.00	368.00
3"	5	11.00	55.00	16.00	80.00
4"	9	14.00	126.00	25.00	225.00
6"	4	21.00	84.00	50.00	200.00
<b>Total</b>	<b>5,514</b>		<b>5,917.20</b>		<b>6,630.00</b>

Costs are divided by their corresponding number of equivalent meters using the AWWA ratios discussed above to compute the unit cost for each cost component. Customer service costs are simply divided by the number of bills since the service requirements of this cost type are the same regardless of the meter size installed on a property. **Table 61** shows the total costs allocated to each cost category, the number of units for the category, and the cost for a year and a monthly period of service for each cost unit for water customers. The resulting monthly unit costs are used to calculate the fixed customer rates.

**Table 61. Fixed Cost Components Divided by Number of Units for Potable Retail Customers**

Cost Category	Cost Allocation	Units	Unit Cost	Monthly Unit Cost
Fixed Meter Costs	\$769,666	5,917	\$130.07	\$10.84
Fixed Base Delivery	\$1,337,927	6,630	\$201.80	\$16.82
Fixed Delivery Capacity	\$871,231	6,630	\$131.41	\$10.95
Customer Service Costs	\$367,502	5,514	\$66.65	\$5.55
<b>Base Meter Charge</b>				<b>\$44.16</b>

**Table 62** shows the monthly fixed charge calculation by meter size for potable retail water customer connections.

**Table 62. Monthly Water Service Fixed Charge Calculation<sup>18</sup>**

Meter Size	Meter Charge	Investment Ratio	Total Meter	Capacity Charge	Capacity Ratio	Total Capacity	Customer Service	Fixed Charge
5/8"	\$10.84 x	1.00 =	<b>\$10.84</b> +	\$27.77 x	1.00 =	<b>\$27.77</b> +	<b>\$5.55</b> =	<b>\$44.16</b>
3/4"	\$10.84 x	1.10 =	<b>\$11.92</b> +	\$27.77 x	1.50 =	<b>\$41.65</b> +	<b>\$5.55</b> =	<b>\$59.13</b>
1"	\$10.84 x	1.40 =	<b>\$15.18</b> +	\$27.77 x	2.50 =	<b>\$69.42</b> +	<b>\$5.55</b> =	<b>\$90.15</b>
1 1/2"	\$10.84 x	1.80 =	<b>\$19.51</b> +	\$27.77 x	5.00 =	<b>\$138.84</b> +	<b>\$5.55</b> =	<b>\$163.90</b>
2"	\$10.84 x	2.90 =	<b>\$31.43</b> +	\$27.77 x	8.00 =	<b>\$222.14</b> +	<b>\$5.55</b> =	<b>\$259.13</b>
3"	\$10.84 x	11.00 =	<b>\$119.23</b> +	\$27.77 x	16.00 =	<b>\$444.28</b> +	<b>\$5.55</b> =	<b>\$569.06</b>
4"	\$10.84 x	14.00 =	<b>\$151.75</b> +	\$27.77 x	25.00 =	<b>\$694.18</b> +	<b>\$5.55</b> =	<b>\$851.49</b>
6"	\$10.84 x	21.00 =	<b>\$227.63</b> +	\$27.77 x	50.00 =	<b>\$1,388.36</b> +	<b>\$5.55</b> =	<b>\$1,621.54</b>

The proposed monthly fixed charge before revenue adjustments for the base equivalent meter (5/8 inch) is \$44.16.

The proposed five-year monthly fixed charges with revenue adjustments applied for all water customers are shown in **Table 63**. FY 2027 rates are based on the cost of service rate times the revenue adjustment.

**Table 63. Proposed 5-Year Fixed Charge Schedule**

	1-Jul 2026	1-Jul 2027	1-Jul 2028	1-Jul 2029	1-Jul 2030
Revenue Adjustment	3.0%	3.0%	3.0%	3.0%	3.0%
Meter Size	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
5/8"	\$45.49	\$46.85	\$48.26	\$49.71	\$51.20
3/4"	\$60.90	\$62.73	\$64.61	\$66.55	\$68.55
1"	\$92.85	\$95.64	\$98.51	\$101.47	\$104.51
1 1/2"	\$168.82	\$173.88	\$179.10	\$184.47	\$190.00
2"	\$266.90	\$274.91	\$283.16	\$291.65	\$300.40
3"	\$586.14	\$603.72	\$621.83	\$640.48	\$659.69
4"	\$877.03	\$903.34	\$930.44	\$958.35	\$987.10
6"	\$1,670.19	\$1,720.30	\$1,771.91	\$1,825.07	\$1,879.82

### Variable Water Rates

Variable rates are designed based on variable costs such as water supply and base delivery costs. The current rate structure assesses variable charges using a tiered rate structure, with unique widths and rates designed for each customer class. RDN proposes combining all customers into a single class and designing tier widths based on combined customer use patterns. The variable rates are made up of a

<sup>18</sup> Note that some calculations may be impacted by rounding to two decimal points

number of cost components, all derived based on actual customer use data: Water Supply, Base Costs, and Conservation Costs. Water supply costs are offset by the District's non-operating revenues.

### **Tier Widths**

The study evaluated water consumption patterns across the entire customer base to develop volumetric rate tiers that are data-driven, equitable, and tied to actual usage characteristics. RDN recommends consolidating all customers into a single customer class, and designing a three-tiered rate structure applied to all customers. This will increase equity by focusing on system-wide usage behavior rather than class-specific consumption patterns.

The objective of the tier design is to:

- Establish a Tier 1 allocation that reflects essential, baseline water use.
- Define a Tier 2 allocation that encompasses typical usage above baseline levels, including seasonal and discretionary consumption patterns observed across the system.
- Assign incremental usage above the Tier 2 allocation to Tier 3.

To determine appropriate tier widths, monthly billing data for all active customer accounts were analyzed over a representative 12-month period. For each billing month, total consumption and account-level usage were reviewed to calculate system-wide average usage statistics.

First, RDN calculated the lowest consumption month within the 12-month period for each account. The minimum-month values were averaged across all accounts to determine the system-wide average minimum month usage, 10 hcf. This metric serves as a proxy for essential indoor water use, as minimum monthly consumption typically reflects non-seasonal demand and accounts for baseline household or business needs.

Next, for each account, RDN calculated the highest consumption month within the 12-month period. The maximum month values were then averaged across all accounts to determine the system-wide average maximum month usage, 20 hcf. This metric reflects typical peak usage conditions, which may include seasonal outdoor irrigation and other discretionary uses.

Based on the statistical analysis described above, the Tier 1 upper limit is set to equal the system-wide average minimum month usage. This threshold is intended to encompass essential water use for the average customer. The minimum average monthly usage across all customers was calculated to be 10 hcf per month. The Tier 2 upper limit is set equal to the system-wide average maximum monthly usage. This threshold reflects the upper range of typical usage under peak conditions for the average customer. The average maximum monthly usage across all customers was calculated to be 20 hcf. All usage above the Tier 2 cutoff is assigned to Tier 3.

The proposed tier widths were then applied to each individual customer bill to estimate the percentage of test year water usage in each tier. The total projected water use for FY 2026 is 991,552 hcf. **Table 64** shows the proposed tier widths, and the percentage of total usage estimated to fall under each tier.

*Table 64. Water Use by Tier*

	<b>Tier Width</b>	<b>Tiered Use</b>	<b>% of Total Use</b>
Tier 1	1-10 hcf	270,048	27.2%
Tier 2	11-20 hcf	136,386	13.8%
Tier 3	21+ hcf	585,118	59.0%
<b>Total</b>		<b>991,552</b>	<b>100.0%</b>

**Allocating Costs to Tiers**

With the tiered widths determined, the next step is to allocate costs to tiers. The costs not allocated to the fixed charge need to be collected through the variable charge. These costs include Water Supply, Base Delivery, and Conservation costs. Finally, the tiered rates are offset by the District’s non-operating revenues. The subsequent sections describe how each of these cost categories are allocated to tiers.

**Water Supply and Base Delivery Costs**

The District’s primary water supply source is local groundwater. As a result, water supply costs are largely driven by electricity expenses associated with groundwater pumping. When necessary, the District supplements groundwater production with purchased water, and the cost of purchased water is included in total water supply costs.

Water supply and base delivery costs vary with the volume of water produced and delivered. Accordingly, these costs are treated as volumetric in nature and allocated uniformly on a per-unit basis across total projected water sales.

Accordingly, the calculated unit cost for water supply and base delivery is applied equally to all consumption tiers. Each unit of water sold bears the same underlying production and delivery cost, regardless of the tier in which it is billed. This approach reflects the proportional relationship between production and delivery costs and total water demand and ensures that these costs are recovered consistently across all usage levels.

The unit cost for water supply and base delivery is calculated by dividing the projected total cost in each category by projected total water use. **Table 65** presents the total water supply and base delivery costs, projected water demand, and the resulting unit cost for each component.

*Table 65. Water Supply and Base Delivery Unit Costs*

<b>Cost Category</b>	<b>Total Cost</b>	<b>Units</b>	<b>Unit Cost</b>
Water Supply	\$4,646,253	991,552	<b>\$4.69</b>
Base Delivery	\$1,337,927	991,552	<b>\$1.35</b>

### Conservation Costs

Conservation program costs are associated with managing demand levels beyond baseline essential use. Consistent with this relationship, conservation costs are allocated to Tier 2 and Tier 3 usage, with 50 percent assigned to each tier.

After allocating costs between the two tiers, the assigned amount in each tier is divided by the projected water use within that tier to calculate a conservation unit cost. This results in a per-unit conservation cost applicable to Tier 2 and Tier 3 consumption, although Tier 1 usage does not bear conservation program costs. **Table 66** displays the conservation unit cost applied to Tier 1 and Tier 2.

*Table 66. Water Conservation Unit Cost*

<b>Tier</b>	<b>Conservation Cost</b>	<b>Tier Allocation %</b>	<b>Tier Allocation \$</b>	<b>Units</b>	<b>Unit Cost</b>
Tier 1		0%	<b>\$0</b>	270,048	<b>\$0.00</b>
Tier 2	\$58,053	50%	<b>\$29,026</b>	136,386	<b>\$0.21</b>
Tier 3		50%	<b>\$29,026</b>	585,118	<b>\$0.05</b>

### Revenue Offset

Revenue offsets consist of non-operating revenues that are used to reduce the amount of revenue recovered through volumetric rates. For rate design purposes, the total revenue offset is allocated across the consumption tiers, with 50 percent assigned to Tier 1 and 25 percent assigned to each of Tier 2 and Tier 3.

After allocation, the revenue offset amount assigned to each tier is divided by the projected water use within that tier to calculate a per-unit revenue offset. These per-unit offsets are then applied within each respective tier, reducing the volumetric rate required to recover the remaining cost of service. **Table 67** shows the calculation to determine unit values for the revenue offset.

**Table 67. Water Revenue Offset Unit Credit**

Tier	Revenue Offset	Tier Allocation %	Tier Allocation \$	Units	Unit Cost
Tier 1		50%	<b>-\$786,797</b>	270,048	<b>-\$2.91</b>
Tier 2	<b>-\$1,573,593</b>	25%	<b>-\$393,398</b>	136,386	<b>-\$2.88</b>
Tier 3		25%	<b>-\$393,398</b>	585,118	<b>-\$0.67</b>

**Table 68** shows the calculation used to determine the variable rates. Supply and Base Delivery costs are added to Conservation costs to calculate the variable rates. Rates are then reduced by revenue offsets, which were set aside in the cost of service analysis.

**Table 68. Water Variable Rate Calculation**

Tier	Water Supply	Base Delivery	Conservation	Revenue Offset	COS Rate
Tier 1	\$4.69 +	\$1.35 +	\$0.00 +	-\$2.91 =	<b>\$3.12</b>
Tier 2	\$4.69 +	\$1.35 +	\$0.21 +	-\$2.88 =	<b>\$3.36</b>
Tier 3	\$4.69 +	\$1.35 +	\$0.05 +	-\$0.67 =	<b>\$5.41</b>

The rates will be escalated by the revenue adjustments, and the five-year rate schedule is shown in **Table 69**. Each adjustment will occur in July, the start of the fiscal year.

**Table 69. Proposed 5-Year Water Variable Rate Schedule**

	1-Jul 2026	1-Jul 2027	1-Jul 2028	1-Jul 2029	1-Jul 2030
Revenue Adjustment	3.0%	3.0%	3.0%	3.0%	3.0%
	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Tier 1	\$3.22	\$3.32	\$3.42	\$3.52	\$3.63
Tier 2	\$3.46	\$3.56	\$3.67	\$3.78	\$3.89
Tier 3	\$5.57	\$5.74	\$5.91	\$6.09	\$6.27

## 5.2 Sewer Rate Calculation

In developing the rates, costs are first allocated to either the Fixed Charge or the Variable Charge. Customer-related and other fixed costs are fully allocated to the Fixed Charge, as these costs do not vary with sewer flow. No changes to the overall rate structure are proposed.

Flow and Strength (BOD and TSS) costs are allocated between the Fixed and Variable Charges based on the estimated proportion of costs that are fixed versus variable in nature. A portion of Flow and Strength costs is assigned to the Fixed Charge to reflect costs incurred regardless of actual sewer flow volume. The remaining Flow and Strength costs are recovered through the Variable Charge. Consistent with industry practice, the majority of sewer system costs are fixed.

Residential and Commercial I customers are assigned the same proportion of Flow and Strength costs between the Fixed and Variable Charges. Commercial II customers are assessed the same Fixed Charge as Commercial I; therefore, the remaining costs not recovered through the Fixed Charge are collected through the Variable Charge. **Table 70** presents the cost allocation for each cost category to the Fixed and Variable charges.

*Table 70. Sewer Fixed and Variable Charge Allocation*

Customer Class	Flow	BOD	TSS	Customer	Fixed
<b>Residential</b>					
Fixed	86%	86%	86%	100%	100%
Variable	14%	14%	14%	0%	0%
<b>Commercial I</b>					
Fixed	86%	86%	86%	100%	100%
Variable	14%	14%	14%	0%	0%
<b>Commercial II</b>					
Fixed	25%	25%	25%	100%	100%
Variable	75%	75%	75%	0%	0%

The cost share allocated to each customer class (**Table 59**) is multiplied by the percentages shown in **Table 70** to determine the share of costs collected from Fixed and Variable charges. The results of this multiplication are shown in **Table 71**.

*Table 71. Sewer Fixed and Variable Revenue Requirements*

Customer Class	Flow	BOD	TSS	Customer	Fixed	Total
<b>Residential</b>						
Fixed	\$1,453,696	\$372,857	\$372,857	\$51,321	\$2,592,215	<b>\$4,842,945</b>
Variable	\$227,305	\$58,301	\$58,301	\$0	\$0	<b>\$343,907</b>
<b>Commercial I</b>						
Fixed	\$98,056	\$25,150	\$25,150	\$929	\$46,933	<b>\$196,218</b>
Variable	\$15,332	\$3,933	\$3,933	\$0	\$0	<b>\$23,197</b>
<b>Commercial II</b>						
Fixed	\$42,064	\$20,931	\$20,931	\$526	\$26,549	<b>\$111,001</b>
Variable	\$127,083	\$63,235	\$63,235	\$0	\$0	<b>\$253,552</b>

### Monthly Fixed Charge

The monthly Fixed Charge for each customer class is calculated by dividing the total Fixed revenue requirement allocated to that class by the number of sewer connections. The resulting annual per-connection amount is then divided by 12 to determine the monthly Fixed Charge (**Table 72**).

*Table 72. Monthly Sewer Fixed Rate Calculation*

Customer Class	Total Fixed	Units	Months	Monthly Fixed Rate
Residential	\$4,842,945 ÷	6,407 ÷	12 =	<b>\$62.99</b>
Commercial I	\$196,218 ÷	116 ÷	12 =	<b>\$140.96</b>
Commercial II	\$111,001 ÷	66 ÷	12 =	<b>\$140.96</b>

**Table 72** shows the proposed five-year monthly fixed charges with revenue adjustments applied for all sewer customers. FY 2027 rates are based on the cost of service rate multiplied by the proposed revenue adjustment.

*Table 73. Proposed 5-Year Sewer Fixed Rate Schedule*

	1-Jul 2026	1-Jul 2027	1-Jul 2028	1-Jul 2029	1-Jul 2030
Revenue Adjustment	2.0%	2.0%	2.0%	2.0%	2.0%
Customer Class	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Residential	\$64.25	\$65.54	\$66.85	\$68.19	\$69.55
Commercial I	\$143.78	\$146.66	\$149.59	\$152.58	\$155.63
Commercial II	\$143.78	\$146.66	\$149.59	\$152.58	\$155.63

## Variable Sewer Rates

The Variable Charge for each customer class is calculated by dividing the total Variable revenue requirement allocated to that class by the projected sewer flow (**Table 74**). Sewer flow is calculated based on average winter water use.

*Table 74. Sewer Variable Rate Calculation*

<b>Custosmer Class</b>	<b>Total Variable</b>		<b>Units</b>		<b>Variable Rate</b>
Residential	\$343,907 ÷		403,641 =		<b>\$0.85</b>
Commercial I	\$23,197 ÷		27,227 =		<b>\$0.85</b>
Commercial II	\$253,552 ÷		40,615 =		<b>\$6.24</b>

**Table 75** shows the proposed five-year variable charges with revenue adjustments applied for all sewer customers. FY 2027 rates are based on the cost of service rate multiplied by the revenue adjustment.

*Table 75. Proposed 5-Year Sewer Variable Rate Schedule*

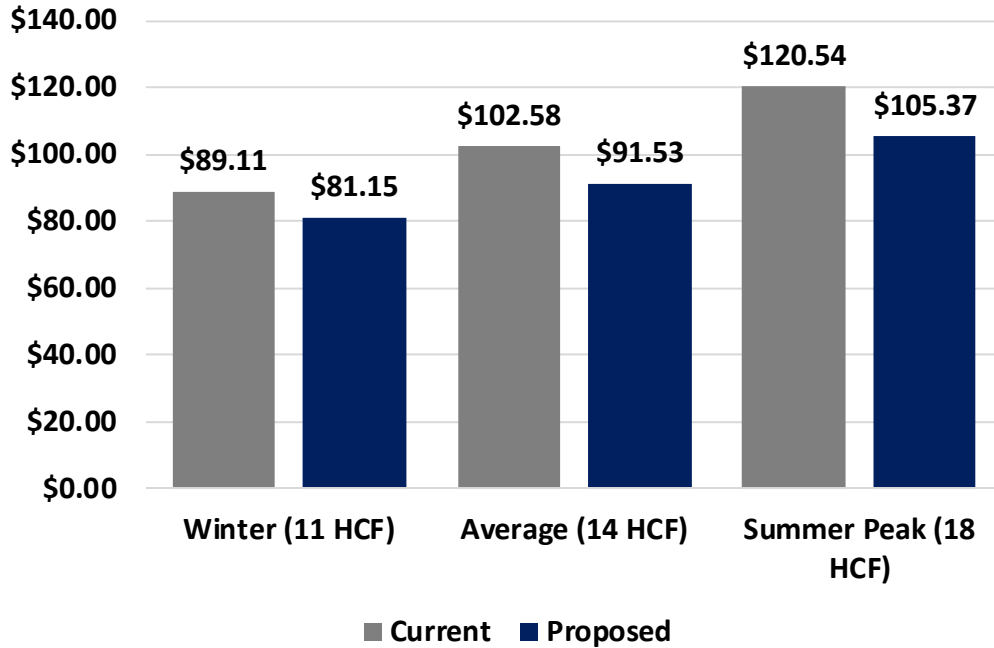
	<b>1-Jul 2026</b>	<b>1-Jul 2027</b>	<b>1-Jul 2028</b>	<b>1-Jul 2029</b>	<b>1-Jul 2030</b>
Revenue Adjustment	2.0%	2.0%	2.0%	2.0%	2.0%
<b>Customer Class</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>	<b>FY 2030</b>	<b>FY 2031</b>
Residential	\$0.87	\$0.89	\$0.91	\$0.93	\$0.95
Commercial I	\$0.87	\$0.89	\$0.91	\$0.93	\$0.95
Commercial II	\$6.36	\$6.49	\$6.62	\$6.75	\$6.89

## 5.3 Bill Impact Analysis

This analysis compares water customers' bills under current and proposed rates.

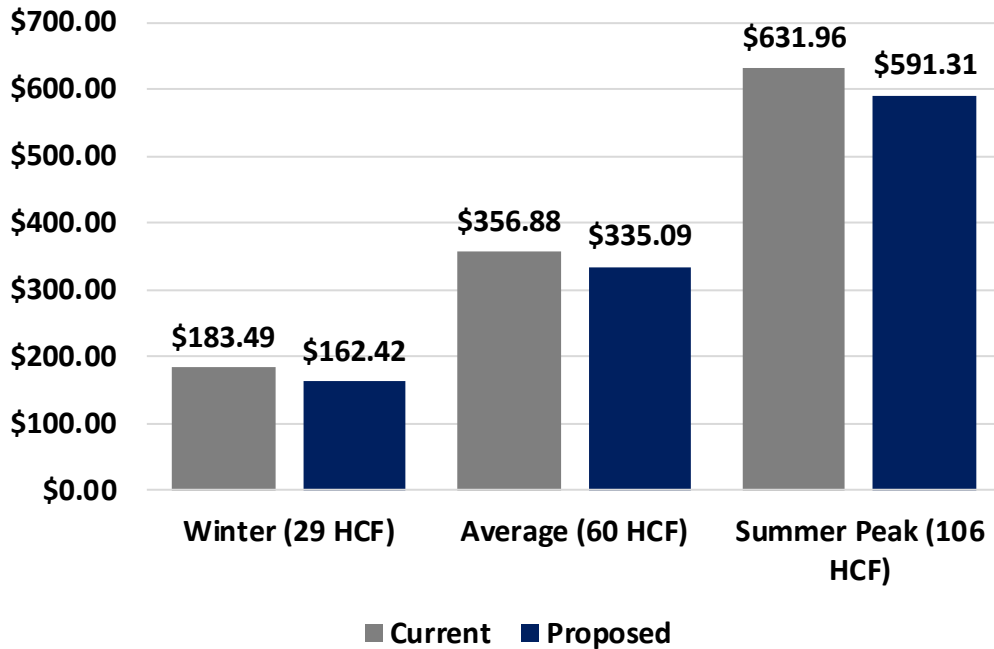
**Figure 6** shows the dollar change in the bill based on 5/8" Residential customers use at selected usage points. The District's average 5/8" Residential customer uses 14 hcf of water monthly. Additionally, the average summer peak use for a 5/8" Residential customer is 18 hcf per billing period.

**Figure 6. Residential Water Customer Impact by Usage for 5/8”**



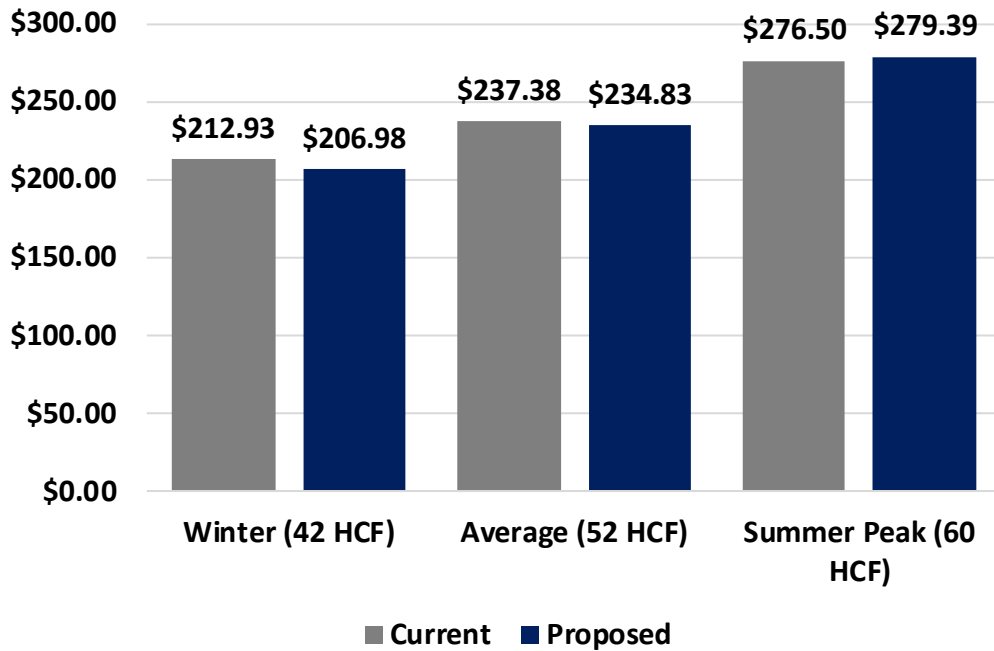
**Figure 7** shows the dollar change in the bill based on 5/8” Commercial I customers use at selected usage points. The District’s average 5/8” Commercial I customer uses 60 hcf of water monthly. Additionally, the average summer peak use for a 5/8” Commercial I customer is 106 hcf per billing period.

**Figure 7. Commercial I Water Customer Impact by Usage for 5/8”**



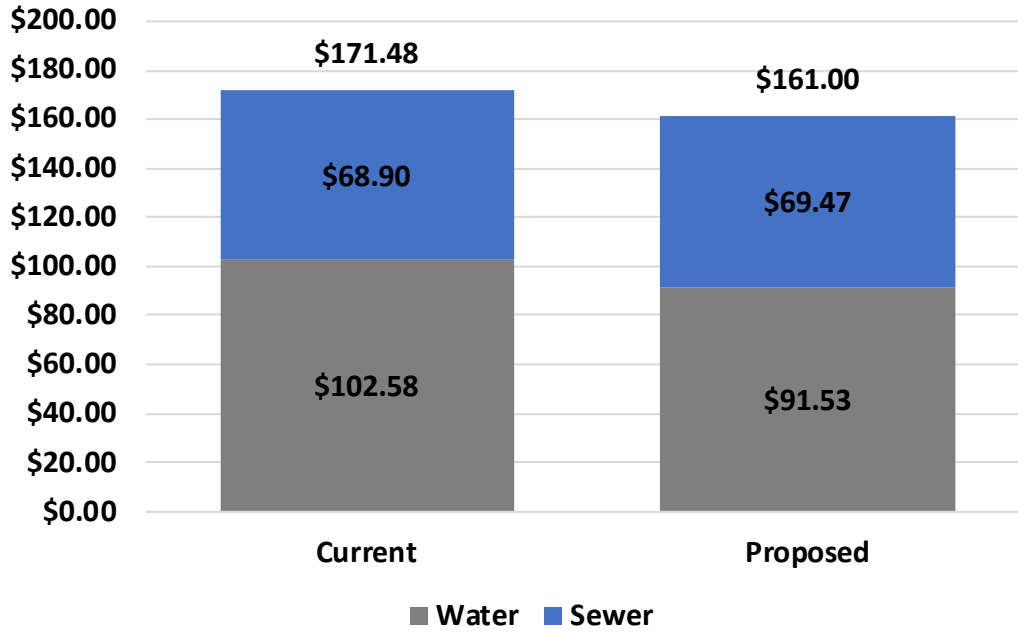
**Figure 8** shows the dollar change in the bill based on 5/8" Commercial II customers use at selected usage points. The District's average 5/8" Commercial II customer uses 52 hcf of water monthly. Additionally, the average summer peak use for a 5/8" Commercial I customer is 60 hcf per billing period.

*Figure 8. Commercial II Water Customer Impact by Usage for 5/8"*

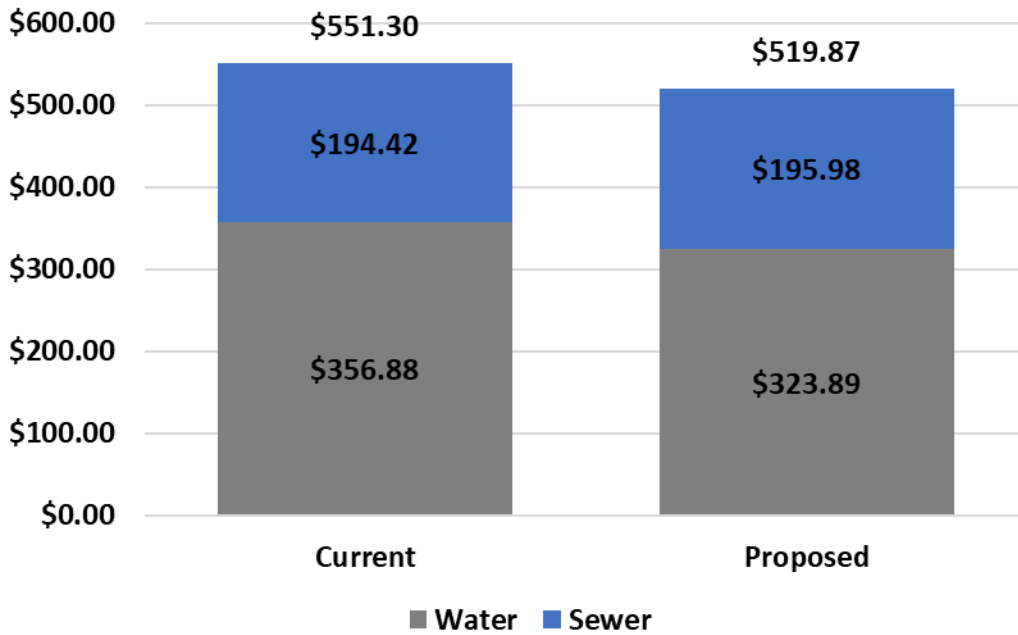


**Figure 9, Figure 10, and Figure 11** show the dollar change in the combined water and sewer bill based on 5/8" customers use at the average water use levels identified in the above figures. Average monthly sewer flow for 5/8" customers are 6 hcf, 60 hcf, and 52 hcf for Residential, Commercial I, and Commercial II customers, respectively.

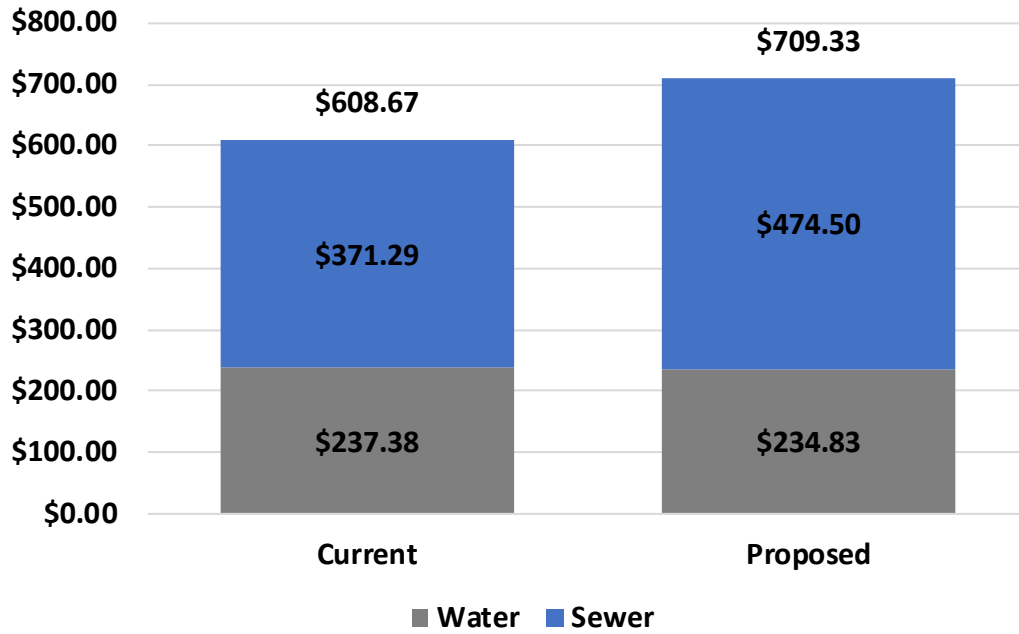
**Figure 9. Combined Bill Impact for Average 5/8" Residential Customer**



**Figure 10. Combined Bill Impact for Average 5/8" Commercial I Customer**



**Figure 11. Combined Bill Impact for Average 5/8" Commercial II Customer**



# CONCLUSION

## 5.4 Summary of Recommendations and Financial Results

### Recommendations:

#### Water

- Adjust rates annually by the recommended revenue adjustments of 3.0 percent in Fiscal Years 2027 through 2031
- Combine all customers into a single customer class
- Bill all meters based on AWWA ratios
- Adjust tier widths to reflect combined water use patterns

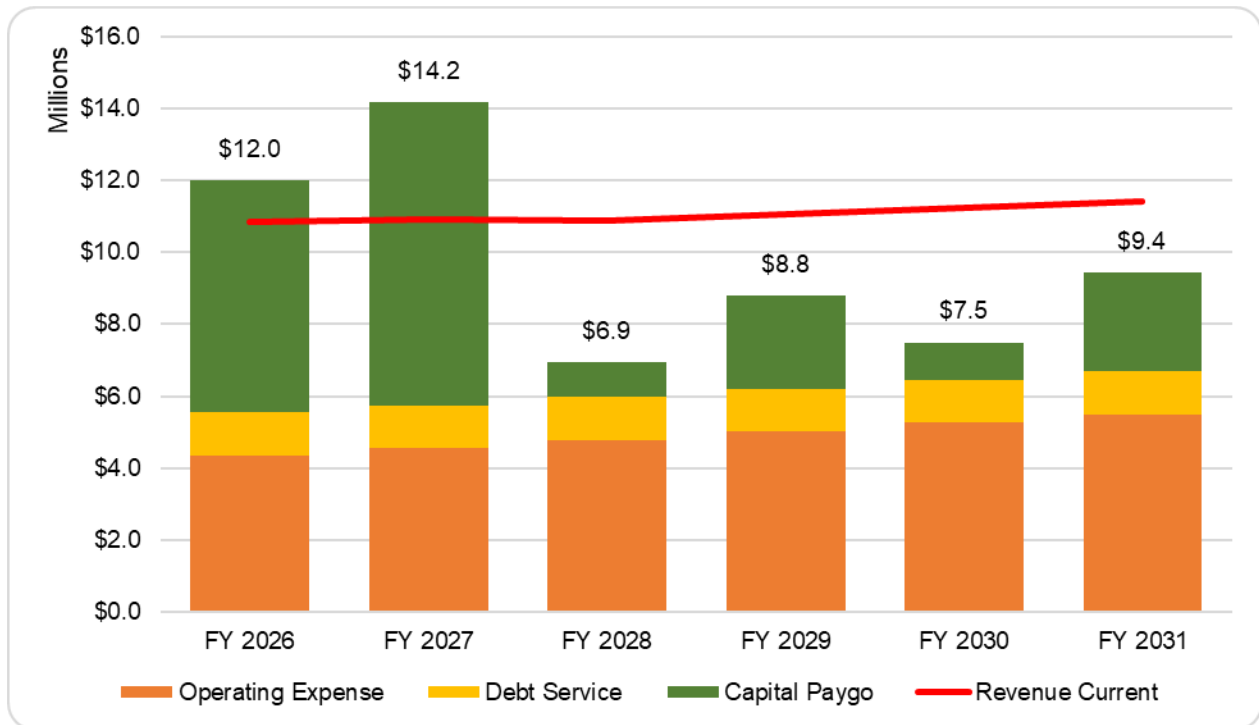
#### Sewer

- Adjust rates annually by the recommended revenue adjustment of 2.0 percent in Fiscal Years 2027 through 2031

The following figures summarize the recommendations of this report:

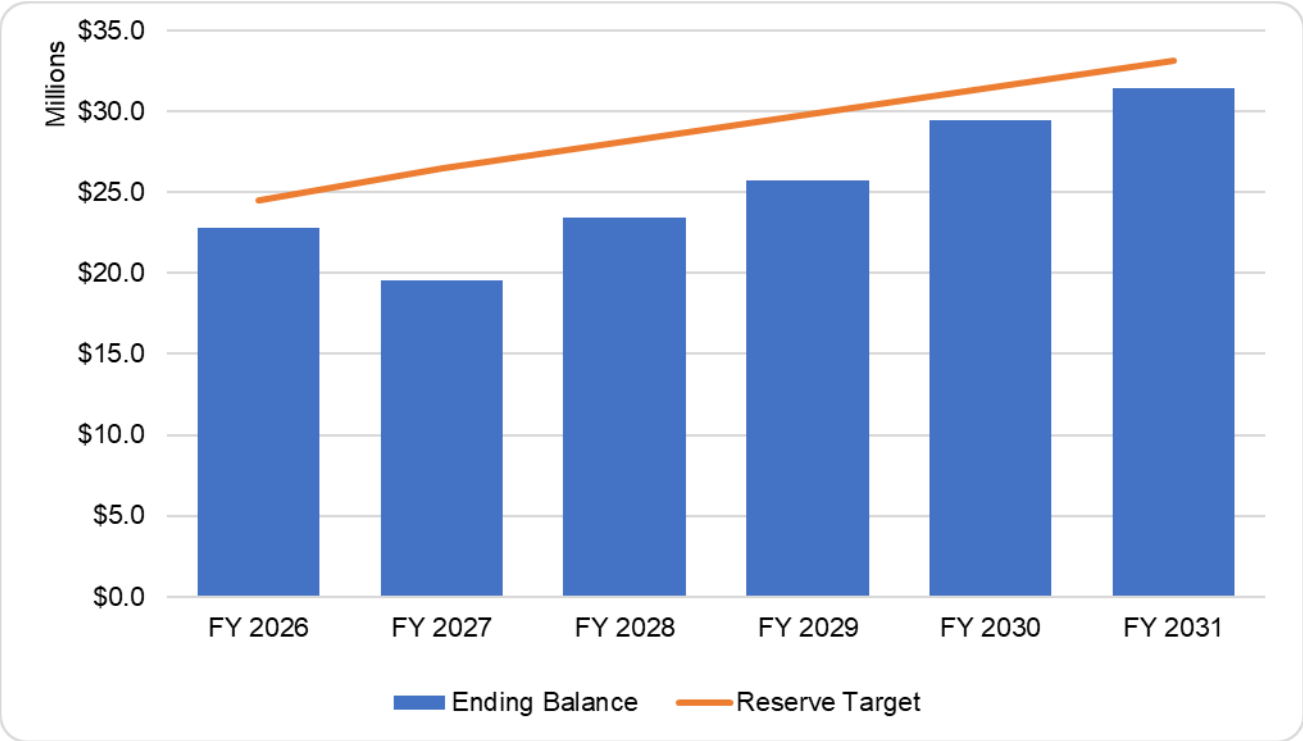
**Figure 12** shows the status quo water financial plan used for this study.

*Figure 12. Rate Study Water Status Quo Financial Plan*



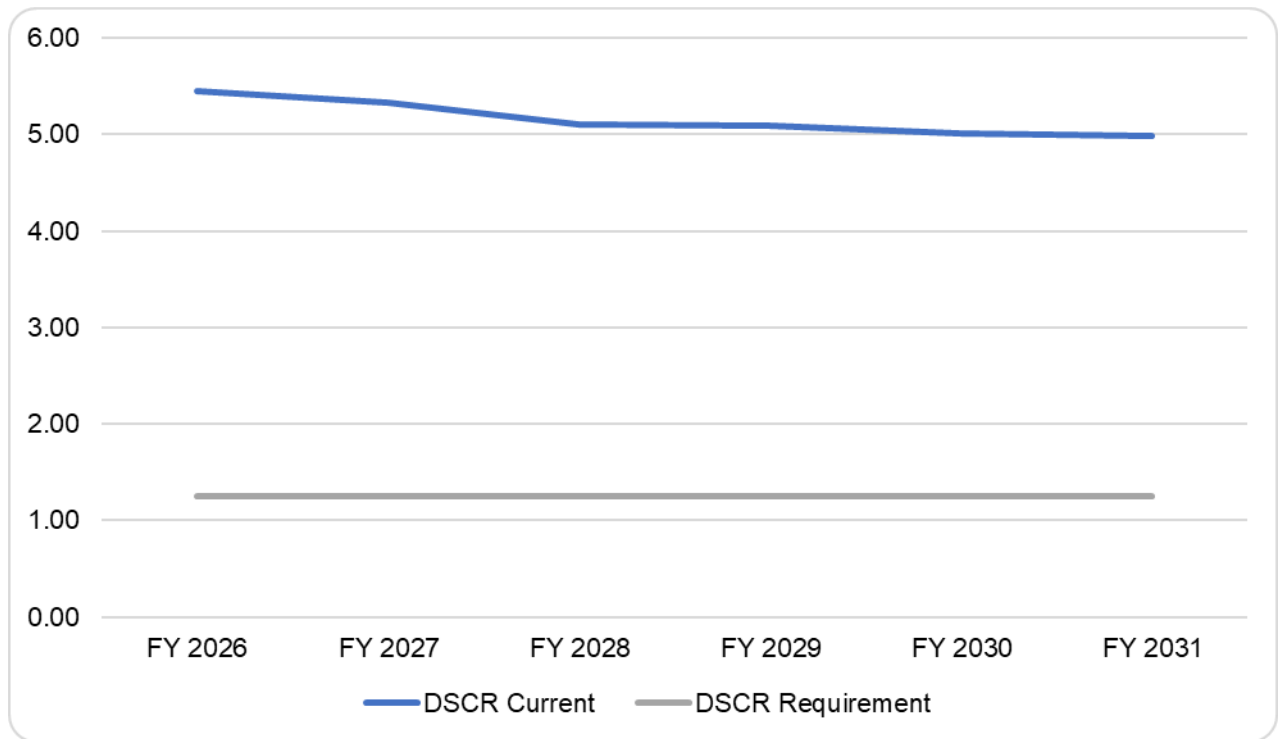
**Figure 13** shows the District’s water utility ending cash balances with no adjustments to the revenue requirements.

*Figure 13. Ending Water Cash Balances with No Revenue Adjustment*



**Figure 14** shows the District's water utility debt service coverage ratio with no adjustments to the revenue requirements.

*Figure 14. Water Debt Service Coverage Ratio with No Revenue Adjustment*



**Figure 15** shows the recommended annual water revenue adjustments for each year of the rate setting period.

*Figure 15. Recommended Water Revenue Adjustment*

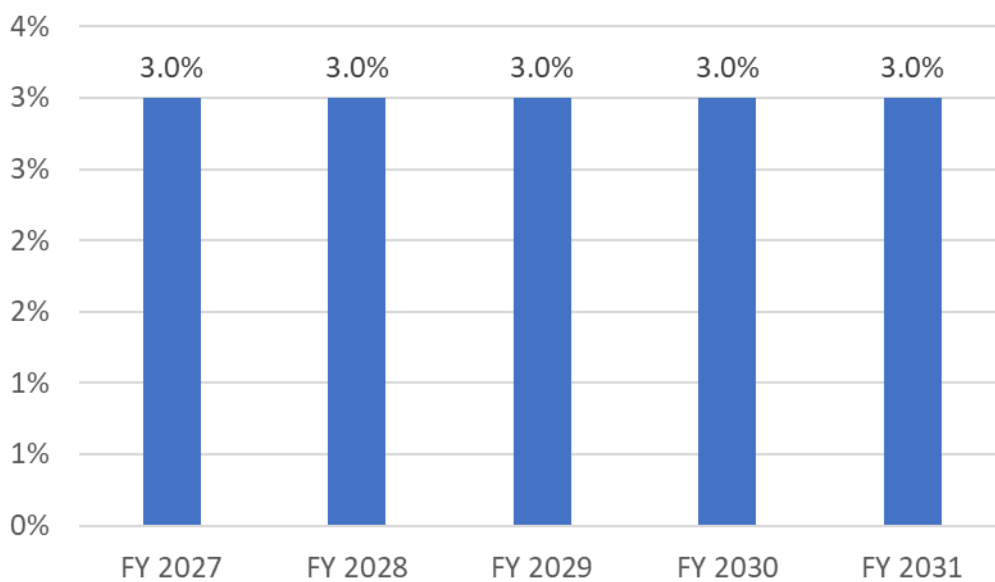


Figure 16 shows the proposed financial plan with revenue adjustments used for this study.

Figure 16. Recommended Rate Study Adjusted Water Financial Plan

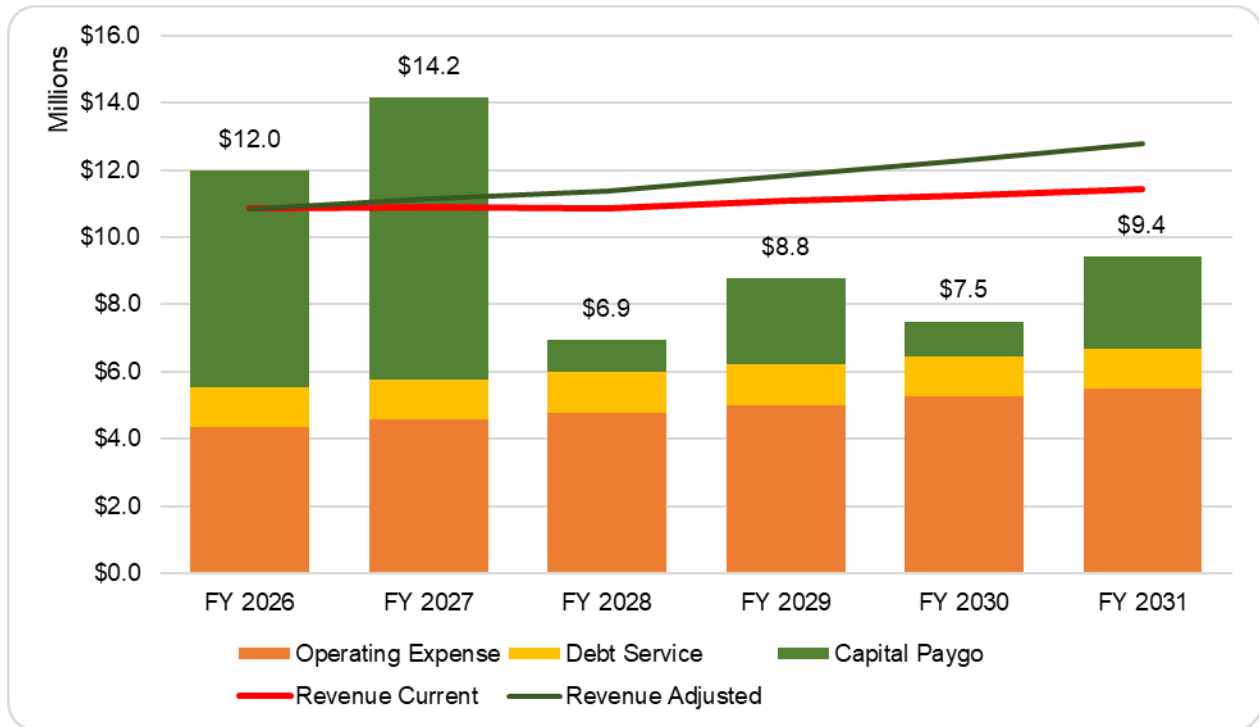


Table 76 and Table 77 show the proposed fixed rates and variable rates based on the proposed revenue adjustments and cost of service analysis for each year of the rate setting period, respectively.

Table 76. Proposed Fixed Rates for 2027 to 2031

Meter Size	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
5/8"	\$45.49	\$46.85	\$48.26	\$49.71	\$51.20
3/4"	\$60.90	\$62.73	\$64.61	\$66.55	\$68.55
1"	\$92.85	\$95.64	\$98.51	\$101.47	\$104.51
1 1/2"	\$168.82	\$173.88	\$179.10	\$184.47	\$190.00
2"	\$266.90	\$274.91	\$283.16	\$291.65	\$300.40
3"	\$586.14	\$603.72	\$621.83	\$640.48	\$659.69
4"	\$877.03	\$903.34	\$930.44	\$958.35	\$987.10
6"	\$1,670.19	\$1,720.30	\$1,771.91	\$1,825.07	\$1,879.82

Table 77. Proposed Variable Rates for 2027 to 2031

Tier	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Tier 1	\$3.22	\$3.32	\$3.42	\$3.52	\$3.63
Tier 2	\$3.46	\$3.56	\$3.67	\$3.78	\$3.89
Tier 3	\$5.57	\$5.74	\$5.91	\$6.09	\$6.27

Figure 17 shows the District's ending cash balances after revenue and rate adjustments are made.

Figure 17. Ending Water Cash Balances with Recommended Revenue Adjustments

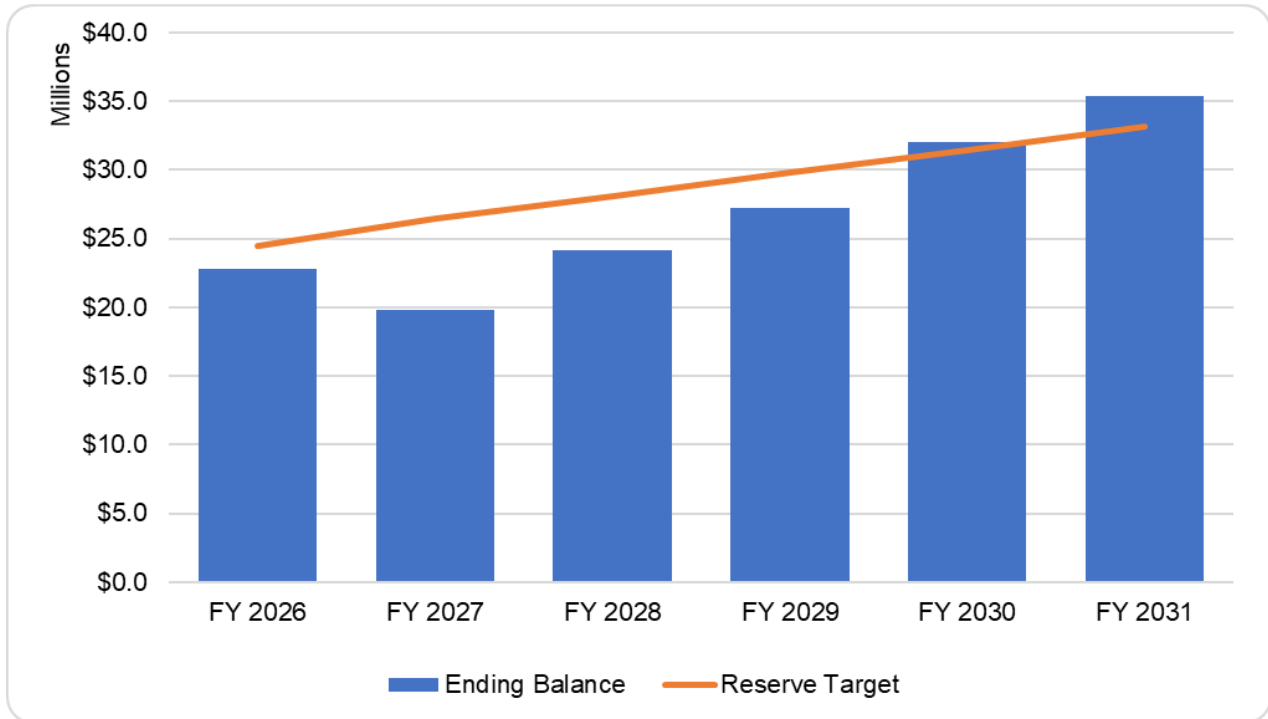


Figure 18 shows the District's debt service coverage ratios after revenue and rate adjustments are made.

**Figure 18. Water Debt Service Coverage Ratios with Recommended Revenue Adjustments**

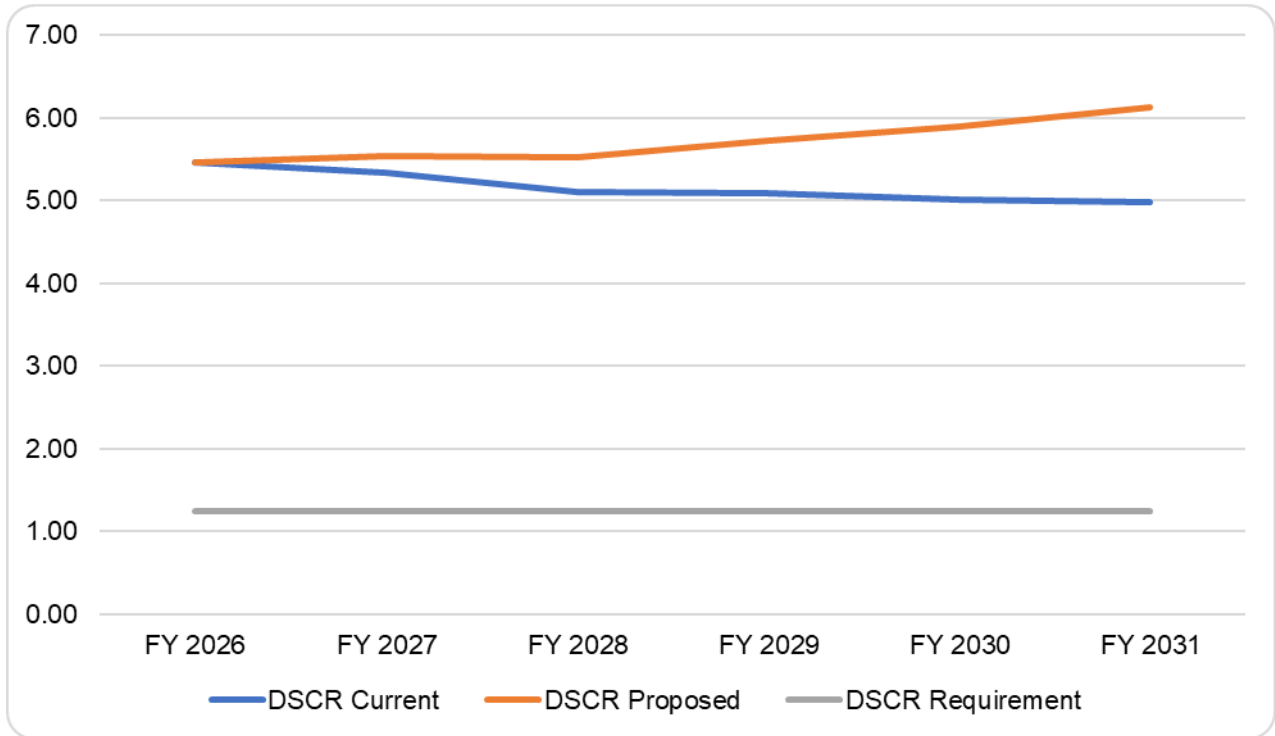
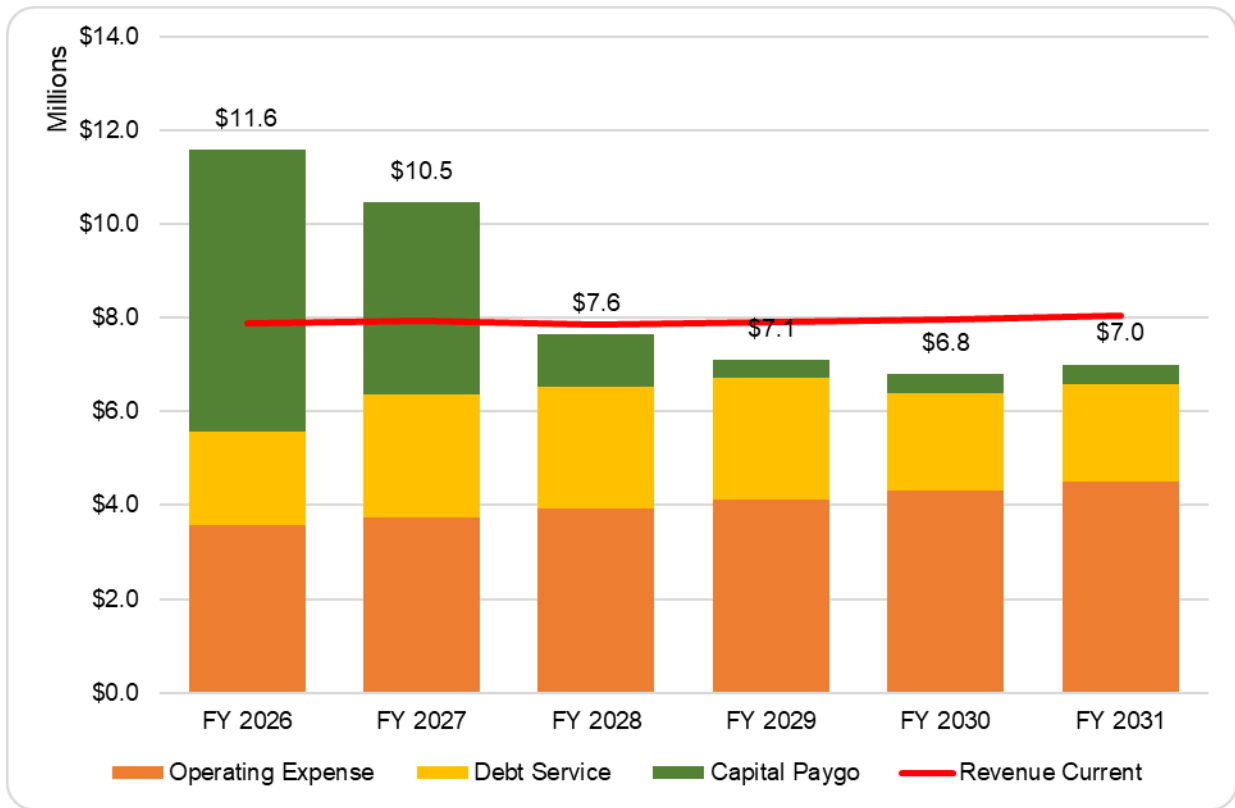


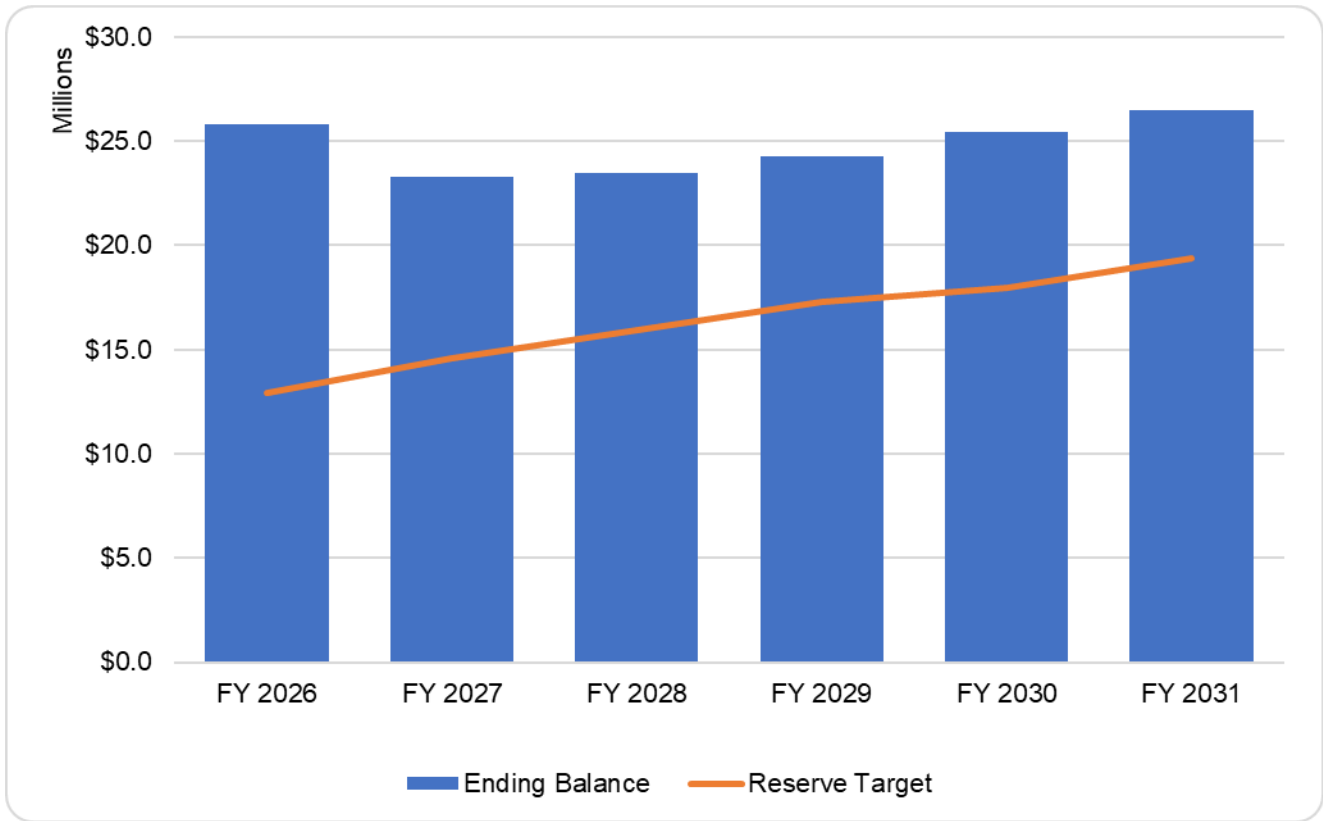
Figure 19 shows the status quo sewer financial plan used for this study.

Figure 19. Rate Study Sewer Status Quo Financial Plan



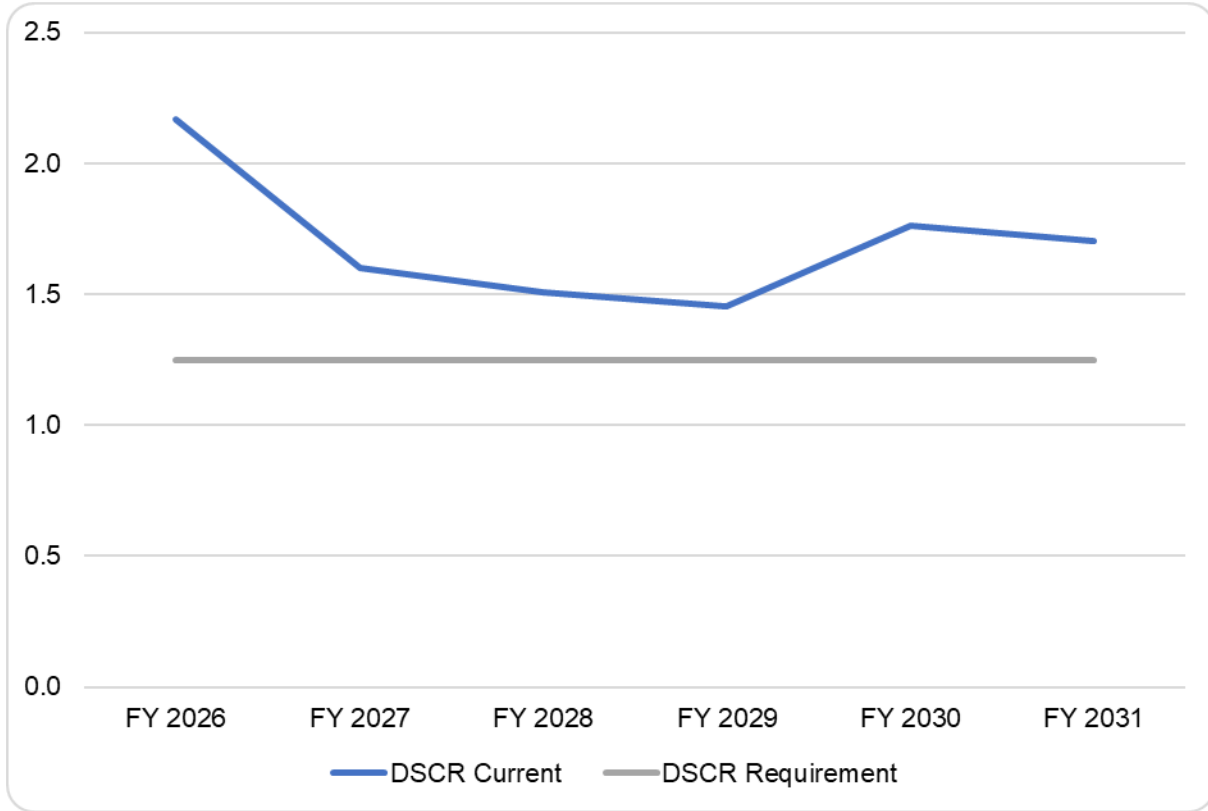
**Figure 20** shows the District’s sewer utility ending cash balances with no adjustments to the revenue requirements.

*Figure 20. Ending Sewer Cash Balances with No Revenue Adjustment*



**Figure 21** shows the District’s sewer debt service coverage ratios without revenue and rate adjustments are made.

**Figure 21. Sewer Debt Service Coverage Ratios without Recommended Revenue Adjustments**



**Figure 22** shows the recommended annual sewer revenue adjustments for each year of the rate setting period.

**Figure 22. Recommended Sewer Revenue Adjustment**

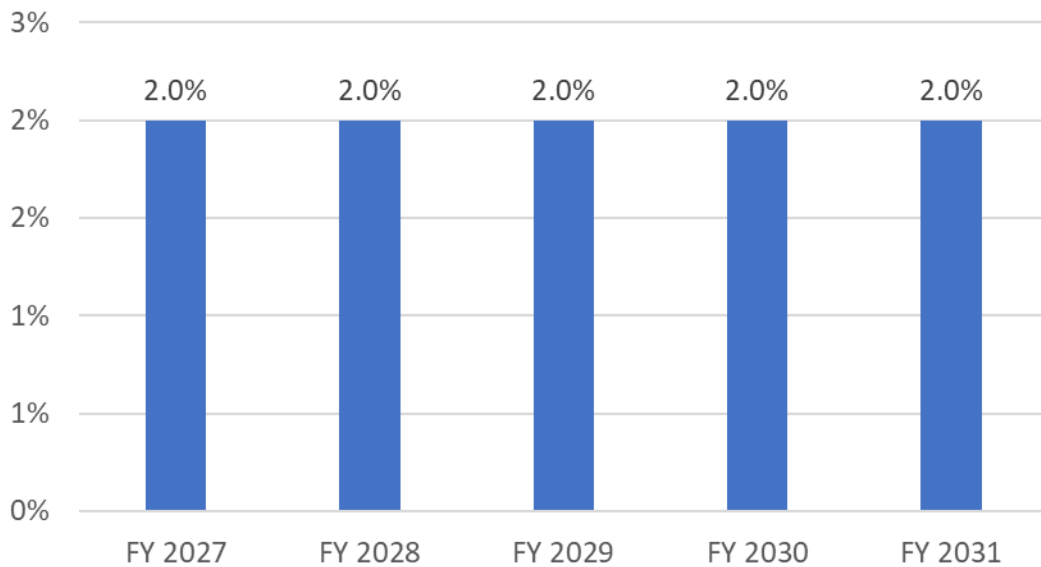


Table 78 and Table 79 show the resulting Sewer rates based on the proposed revenue adjustments and cost of service analysis for each year of the rate setting period, respectively.

Table 78. Proposed Sewer Fixed Rates Based on the Proposed Revenue Adjustment

Customer Class	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Residential	\$64.25	\$65.54	\$66.85	\$68.19	\$69.55
Commercial I	\$143.78	\$146.66	\$149.59	\$152.58	\$155.63
Commercial II	\$143.78	\$146.66	\$149.59	\$152.58	\$155.63

Table 79. Proposed Sewer Variable Rates Based on the Proposed Revenue Adjustment

Customer Class	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Residential	\$0.87	\$0.89	\$0.91	\$0.93	\$0.95
Commercial I	\$0.87	\$0.89	\$0.91	\$0.93	\$0.95
Commercial II	\$6.36	\$6.49	\$6.62	\$6.75	\$6.89

Figure 23 shows the proposed financial plan with revenue adjustments used for this study.

Figure 23. Rate Study Adjusted Sewer Financial Plan

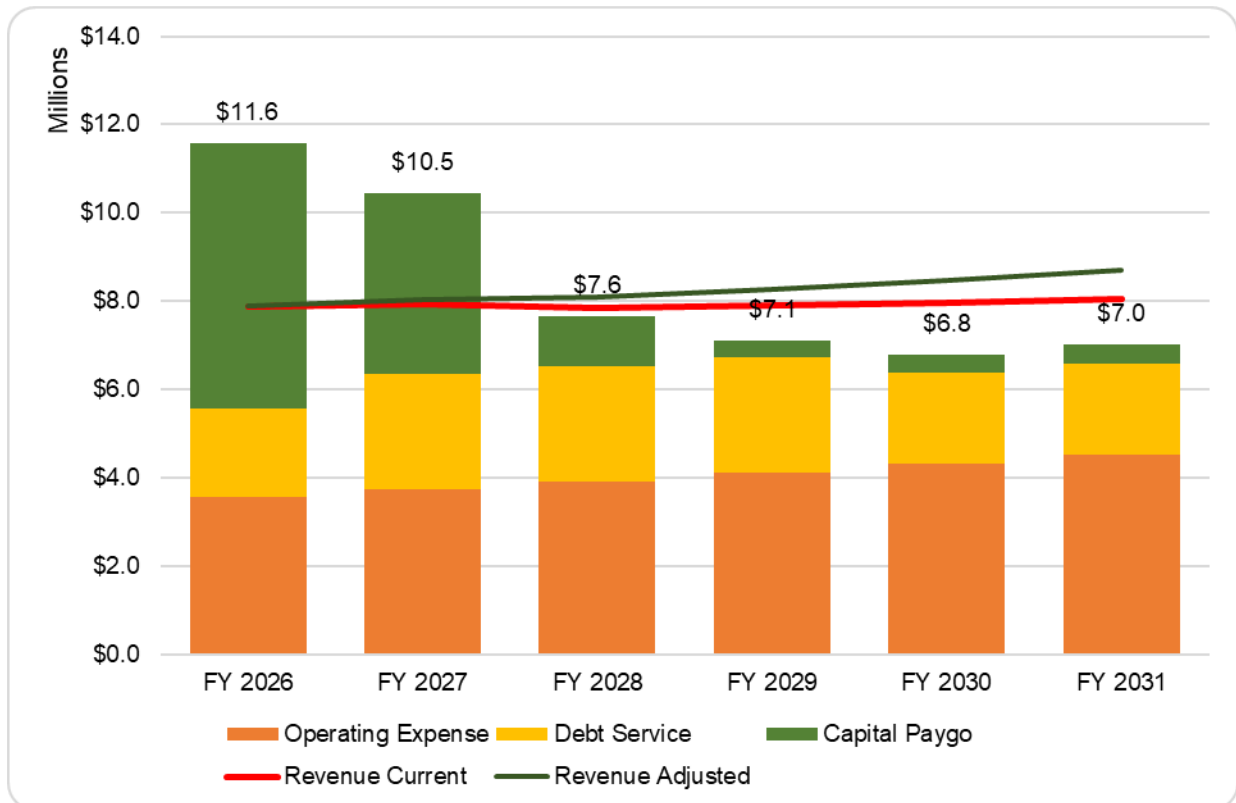
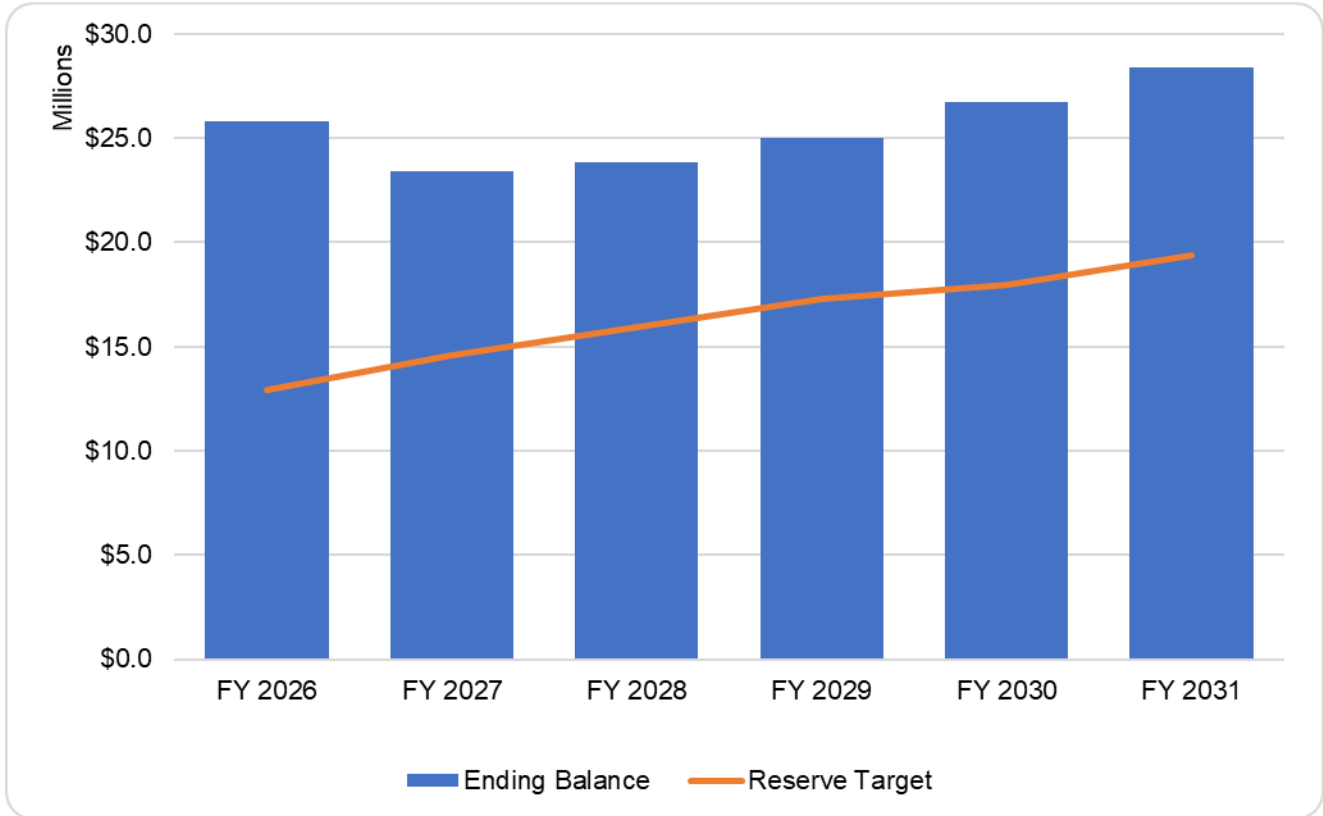


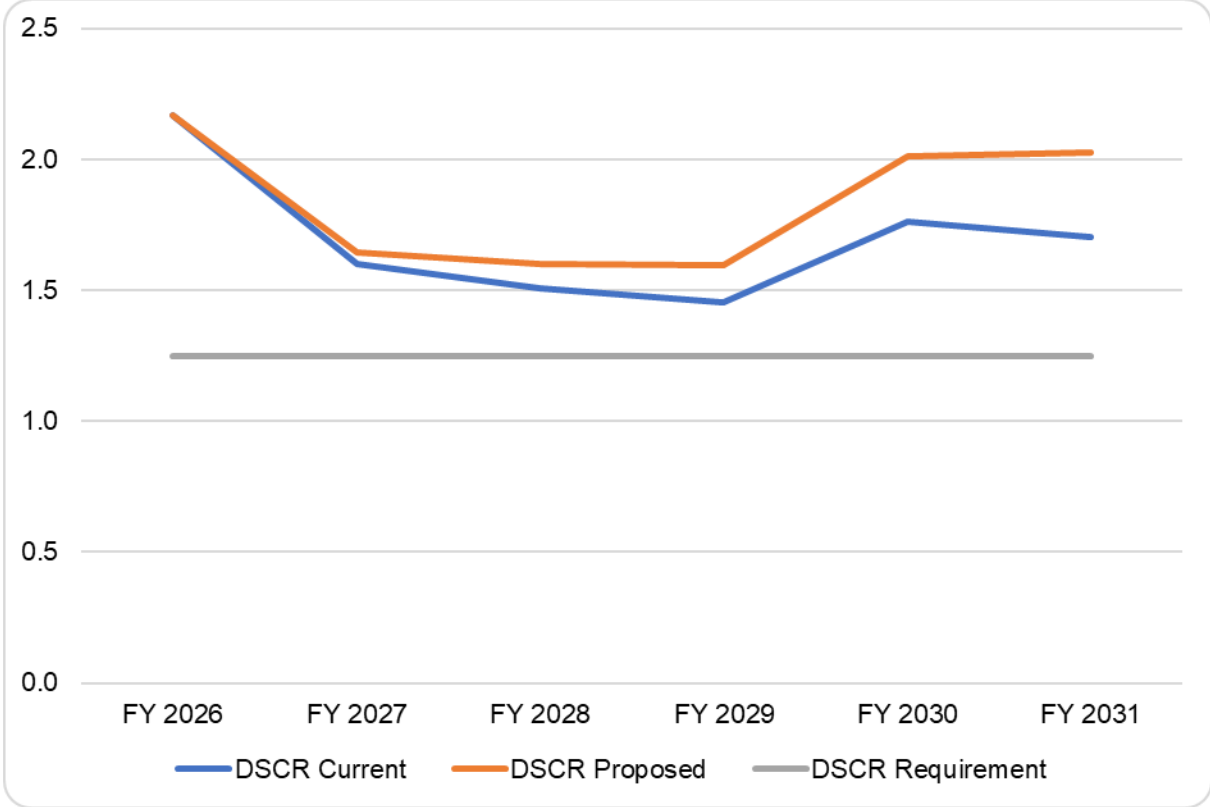
Figure 24 shows the District’s ending cash balances after revenue and rate adjustments are made.

**Figure 24. Recommended Ending Sewer Cash Balances with Revenue Adjustment**



**Figure 25** shows the District’s sewer debt service coverage ratios with revenue and rate adjustments are made.

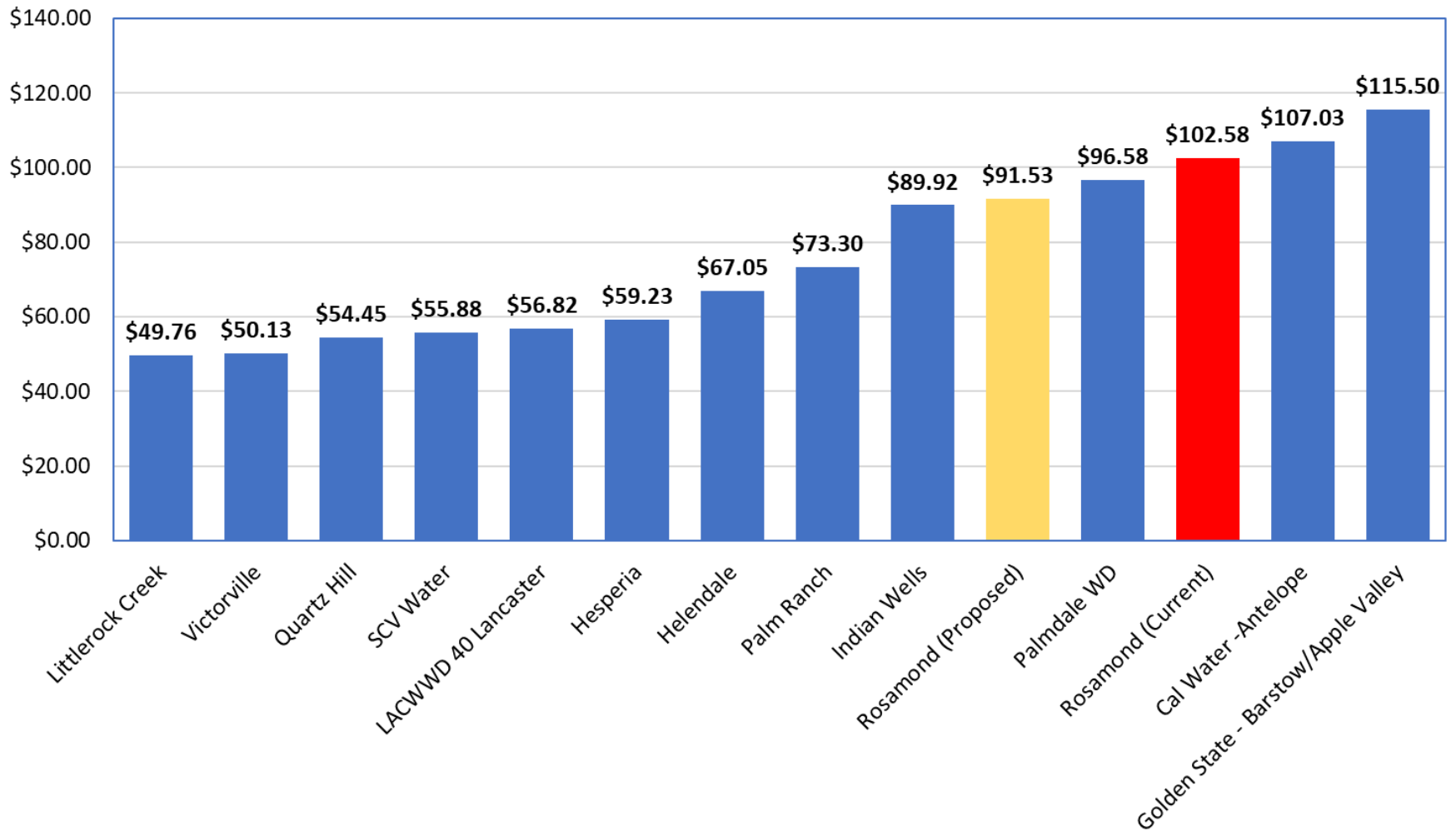
Figure 25. Sewer Debt Service Coverage Ratios with Recommended Revenue Adjustments



## 5.5 Water Rate Comparison

Figure 26 shows current and proposed rates for an average residential customer compared to the rates of other utilities in the surrounding area.

Figure 26. Single Family Residential 5/8” Water Rate Comparison at 14 hcf a Month



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# APPENDIX

## Water Operating Costs

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
<b>Total Operating Expense</b>	<b>\$4,355,320</b>	<b>\$4,568,300</b>	<b>\$4,790,936</b>	<b>\$5,019,399</b>	<b>\$5,259,289</b>	<b>\$5,499,203</b>
Salaries	\$1,453,500	\$1,517,963	\$1,585,284	\$1,655,592	\$1,729,017	\$1,805,699
Overtime Pay	\$48,601	\$50,756	\$53,008	\$55,358	\$57,814	\$60,378
Oncall/Pager Pay	\$44,482	\$46,455	\$48,515	\$50,667	\$52,914	\$55,260
Degree/Certification Pay	\$42,391	\$44,271	\$46,234	\$48,285	\$50,426	\$52,663
Holiday Pay	\$80,957	\$84,547	\$88,297	\$92,213	\$96,303	\$100,574
Vacation Pay	\$78,803	\$82,298	\$85,948	\$89,760	\$93,740	\$97,898
Sick Pay	\$60,994	\$63,699	\$66,524	\$69,474	\$72,556	\$75,774
Directors Pay	\$33,300	\$34,777	\$36,319	\$37,930	\$39,612	\$41,369
Payroll Tax Expense	\$130,081	\$135,850	\$141,875	\$148,167	\$154,738	\$161,601
Health Insurance	\$386,031	\$407,868	\$430,941	\$455,319	\$481,076	\$508,289
Workers Compensation	\$52,394	\$55,358	\$58,489	\$61,798	\$65,294	\$68,988
Other Benefits (Education Reimburse)	\$0	\$0	\$0	\$0	\$0	\$0
PERS Contribution	\$184,631	\$195,075	\$206,111	\$217,770	\$230,089	\$243,105
Less Capitalized Labor/Benefits	-\$189,562	-\$197,969	-\$206,749	-\$215,918	-\$225,494	-\$235,495
Meters	\$10,000	\$10,386	\$10,787	\$11,203	\$11,636	\$12,085
Engineering	\$2,500	\$2,576	\$2,655	\$2,736	\$2,819	\$2,905
Electricity Expense	\$322,130	\$343,019	\$365,264	\$388,950	\$414,173	\$430,912
Utilities - Water	\$25,198	\$26,832	\$28,572	\$30,425	\$32,398	\$33,707
Utilities - Other Than Water	\$10,847	\$11,550	\$12,299	\$13,097	\$13,946	\$14,510
Equipment Leases	\$11,700	\$12,057	\$12,425	\$12,804	\$13,195	\$13,597
Operating Expenses	\$3,747	\$3,861	\$3,979	\$4,101	\$4,226	\$4,355
Purchased Water	\$90,333	\$94,850	\$99,592	\$104,572	\$109,800	\$115,290
Billing Expense	\$29,000	\$29,885	\$30,797	\$31,736	\$32,704	\$33,702
Operating Supplies	\$200	\$208	\$216	\$224	\$233	\$242
Parks Supplies & Maintenance	\$0	\$0	\$0	\$0	\$0	\$0
Pool Supplies & Maintenance	\$0	\$0	\$0	\$0	\$0	\$0
Security Services	\$0	\$0	\$0	\$0	\$0	\$0
Safety Supplies & Training	\$11,000	\$11,425	\$11,866	\$12,324	\$12,800	\$13,294
System Repair & Maintenance	\$365,600	\$385,891	\$407,308	\$429,913	\$453,774	\$478,958
System Tests	\$18,170	\$18,724	\$19,296	\$19,884	\$20,491	\$21,116
Uniforms	\$5,800	\$5,977	\$6,159	\$6,347	\$6,541	\$6,740
Auto & Truck Expense	\$32,184	\$33,232	\$34,314	\$35,432	\$36,585	\$37,777
Banked Water Expense	\$0	\$0	\$0	\$0	\$0	\$0
Testing Supplies & Equipment	\$3,790	\$4,019	\$4,262	\$4,520	\$4,794	\$5,084
Accounting Consultants	\$201,753	\$207,908	\$214,252	\$220,789	\$227,525	\$234,467
Public Affairs	\$0	\$0	\$0	\$0	\$0	\$0
Legal Fees	\$12,085	\$12,454	\$12,834	\$13,225	\$13,629	\$14,045
Adjudication	\$27,867	\$28,717	\$29,593	\$30,496	\$31,427	\$32,386
Outside Services	\$236,979	\$244,209	\$251,660	\$259,338	\$267,251	\$275,404
Conservation Program	\$4,581	\$4,721	\$4,865	\$5,013	\$5,166	\$5,324
Advertising/Promotion	\$1,000	\$1,031	\$1,062	\$1,094	\$1,128	\$1,162
Bad Debt Expense	\$180	\$185	\$191	\$197	\$203	\$209
Building & Grounds Maintenance	\$34,827	\$36,760	\$38,800	\$40,953	\$43,226	\$45,625
Security Services	\$1,115	\$1,149	\$1,184	\$1,220	\$1,257	\$1,296
Computer Hardware	\$3,000	\$3,116	\$3,236	\$3,361	\$3,491	\$3,626
Computer Software	\$25,045	\$26,012	\$27,016	\$28,059	\$29,142	\$30,267
Computer Services/Consulting	\$27,935	\$29,013	\$30,134	\$31,297	\$32,505	\$33,760
Computer Licenses & Software	\$14,808	\$15,380	\$15,973	\$16,590	\$17,231	\$17,896
Election Expense	\$0	\$0	\$0	\$0	\$0	\$0
Dues & Subscriptions	\$92,466	\$95,287	\$98,194	\$101,190	\$104,278	\$107,459
Recruitment	\$2,500	\$2,576	\$2,655	\$2,736	\$2,819	\$2,905
Employment Costs	\$2,350	\$2,422	\$2,496	\$2,572	\$2,650	\$2,731
Employee Retention	\$2,500	\$2,576	\$2,655	\$2,736	\$2,819	\$2,905
Education - Conferences & Seminars	\$12,700	\$13,087	\$13,487	\$13,898	\$14,322	\$14,759
Training/Certification	\$8,475	\$8,734	\$9,000	\$9,275	\$9,558	\$9,849
Resource Material	\$0	\$0	\$0	\$0	\$0	\$0
Director Training/Seminars	\$25,000	\$25,763	\$26,549	\$27,359	\$28,193	\$29,054
Insurance - Liability	\$197,956	\$216,979	\$236,181	\$251,249	\$267,278	\$284,330
Office Expense	\$23,563	\$24,473	\$25,417	\$26,399	\$27,418	\$28,476
Office Supplies	\$2,061	\$2,141	\$2,223	\$2,309	\$2,398	\$2,491
Business Expense	\$20,500	\$21,291	\$22,113	\$22,967	\$23,854	\$24,775
Office Furniture & Equipment	\$1,395	\$1,449	\$1,505	\$1,563	\$1,623	\$1,686
Emergency Preparedness	\$0	\$0	\$0	\$0	\$0	\$0
Utilities	\$23,877	\$25,425	\$27,074	\$28,830	\$30,699	\$31,940
Discounts	\$0	\$0	\$0	\$0	\$0	\$0

## Water Operating Cost Allocation

	Test Year 2026	Water Supply	Storage	Transmiss ion and Distributi on	Pumping	Treatme nt	Meters	Hydrants	Customer	Conserv ation	Recycl ed	Administra tive and General	Total
O&M Expense													
Total	\$4,355,320	\$322,633	\$184,050	\$184,050	\$161,065	\$3,790	\$10,000	\$0	\$29,000	\$4,581	\$0	\$3,456,151	\$4,355,320
Percent		7%	4%	4%	4%	0%	0%	0%	1%	0%	0%	79%	100%
Salaries	\$1,453,500											100%	100%
Overtime Pay	\$48,601											100%	100%
Oncall/Pager Pay	\$44,482											100%	100%
Degree/Certification Pay	\$42,391											100%	100%
Holiday Pay	\$80,957											100%	100%
Vacation Pay	\$78,803											100%	100%
Sick Pay	\$60,994											100%	100%
Directors Pay	\$33,300											100%	100%
Payroll Tax Expense	\$130,081											100%	100%
Health Insurance	\$386,031											100%	100%
Workers Compensation	\$52,394											100%	100%
Other Benefits (Education Reimburse)	\$0											100%	100%
PERS Contribution	\$184,631											100%	100%
Less Capitalized Labor/Benefits	-\$189,562											100%	100%
Meters	\$10,000						100%						100%
Engineering	\$2,500		50%	50%									100%
Electricity Expense	\$322,130	50%			50%								100%
Utilities - Water	\$25,198	100%											100%
Utilities - Other Than Water	\$10,847											100%	100%
Equipment Leases	\$11,700											100%	100%
Operating Expenses	\$3,747											100%	100%
Purchased Water	\$90,333	100%											100%
Billing Expense	\$29,000								100%				100%
Operating Supplies	\$200											100%	100%
Parks Supplies & Maintenance	\$0											100%	100%
Pool Supplies & Maintenance	\$0											100%	100%
Security Services	\$0											100%	100%
Safety Supplies & Training	\$11,000											100%	100%
System Repair & Maintenance	\$365,600		50%	50%									100%
System Tests	\$18,170	100%											100%
Uniforms	\$5,800											100%	100%
Auto & Truck Expense	\$32,184											100%	100%
Banked Water Expense	\$0	100%											100%
Testing Supplies & Equipment	\$3,790						100%						100%
Accounting Consultants	\$201,753											100%	100%
Public Affairs	\$0											100%	100%
Legal Fees	\$12,085											100%	100%
Adjudication	\$27,867	100%											100%
Outside Services	\$236,979											100%	100%
Conservation Program	\$4,581								100%				100%
Advertising/Promotion	\$1,000											100%	100%
Bad Debt Expense	\$180											100%	100%
Building & Grounds Maintenance	\$34,827											100%	100%
Security Services	\$1,115											100%	100%
Computer Hardware	\$3,000											100%	100%
Computer Software	\$25,045											100%	100%
Computer Services/Consulting	\$27,935											100%	100%
Computer Licenses & Software	\$14,808											100%	100%
Election Expense	\$0											100%	100%
Dues & Subscriptions	\$92,466											100%	100%
Recruitment	\$2,500											100%	100%
Employment Costs	\$2,350											100%	100%
Employee Retention	\$2,500											100%	100%
Education - Conferences & Seminars	\$12,700											100%	100%
Training/Certification	\$8,475											100%	100%
Resource Material	\$0											100%	100%
Director Training/Seminars	\$25,000											100%	100%
Insurance - Liability	\$197,956											100%	100%
Office Expense	\$23,563											100%	100%
Office Supplies	\$2,061											100%	100%
Business Expense	\$20,500											100%	100%
Office Furniture & Equipment	\$1,395											100%	100%
Emergency Preparedness	\$0											100%	100%
Utilities	\$23,877											100%	100%
Discounts	\$0											100%	100%

## Sewer Operating Costs

	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
<b>Total</b>	<b>\$3,565,446</b>	<b>\$3,740,488</b>	<b>\$3,923,553</b>	<b>\$4,111,639</b>	<b>\$4,309,195</b>	<b>\$4,505,816</b>
Salaries	\$1,032,342	\$1,078,126	\$1,125,941	\$1,175,877	\$1,228,027	\$1,282,490
Overtime Pay	\$43,099	\$45,010	\$47,007	\$49,091	\$51,269	\$53,542
Oncall/Pager Pay	\$27,118	\$28,321	\$29,577	\$30,888	\$32,258	\$33,689
Degree/Certification Pay	\$3,661	\$3,823	\$3,993	\$4,170	\$4,355	\$4,548
Holiday Pay	\$60,559	\$63,245	\$66,050	\$68,979	\$72,038	\$75,233
Vacation Pay	\$56,597	\$59,107	\$61,728	\$64,466	\$67,325	\$70,311
Sick Pay	\$43,806	\$45,749	\$47,778	\$49,897	\$52,110	\$54,421
Directors Pay	\$33,300	\$34,777	\$36,319	\$37,930	\$39,612	\$41,369
Payroll Tax Expense	\$101,143	\$105,629	\$110,313	\$115,206	\$120,315	\$125,651
Health Insurance	\$274,169	\$289,678	\$306,065	\$323,379	\$341,672	\$361,000
Workers Compensation	\$36,115	\$38,158	\$40,317	\$42,597	\$45,007	\$47,553
Other Benefits (Education Reimburse)	\$0	\$0	\$0	\$0	\$0	\$0
PERS Contribution	\$131,886	\$139,347	\$147,229	\$155,558	\$164,358	\$173,655
Less Capitalized Labor/Benefits	-\$3,838	-\$4,008	-\$4,186	-\$4,372	-\$4,566	-\$4,768
Meters	\$0	\$0	\$0	\$0	\$0	\$0
Engineering	\$2,500	\$2,576	\$2,655	\$2,736	\$2,819	\$2,905
Electricity Expense	\$269,901	\$287,404	\$306,041	\$325,887	\$347,020	\$361,046
Utilities - Water	\$32,633	\$34,749	\$37,003	\$39,402	\$41,957	\$43,653
Utilities - Other Than Water	\$20,717	\$22,060	\$23,491	\$25,014	\$26,637	\$27,713
Equipment Leases	\$11,900	\$12,263	\$12,637	\$13,023	\$13,420	\$13,830
Operating Expenses	\$40,515	\$41,751	\$43,025	\$44,338	\$45,690	\$47,084
Purchased Water	\$0	\$0	\$0	\$0	\$0	\$0
Billing Expense	\$30,000	\$30,915	\$31,859	\$32,831	\$33,832	\$34,864
Operating Supplies	\$1,000	\$1,039	\$1,079	\$1,120	\$1,164	\$1,209
Parks Supplies & Maintenance	\$0	\$0	\$0	\$0	\$0	\$0
Pool Supplies & Maintenance	\$0	\$0	\$0	\$0	\$0	\$0
Security Services	\$0	\$0	\$0	\$0	\$0	\$0
Safety Supplies & Training	\$11,000	\$11,425	\$11,866	\$12,324	\$12,800	\$13,294
System Repair & Maintenance	\$417,200	\$440,355	\$464,794	\$490,590	\$517,818	\$546,557
System Tests	\$41,192	\$42,449	\$43,744	\$45,079	\$46,454	\$47,871
Uniforms	\$5,039	\$5,193	\$5,351	\$5,514	\$5,683	\$5,856
Auto & Truck Expense	\$38,804	\$40,068	\$41,372	\$42,720	\$44,111	\$45,547
Banked Water Expense	\$0	\$0	\$0	\$0	\$0	\$0
Testing Supplies & Equipment	\$9,873	\$10,470	\$11,104	\$11,776	\$12,488	\$13,244
Accounting Consultants	\$191,576	\$197,421	\$203,444	\$209,651	\$216,048	\$222,639
Public Affairs	\$0	\$0	\$0	\$0	\$0	\$0
Legal Fees	\$9,810	\$10,109	\$10,418	\$10,736	\$11,063	\$11,401
Adjudication	\$0	\$0	\$0	\$0	\$0	\$0
Outside Services	\$133,439	\$137,510	\$141,706	\$146,029	\$150,484	\$155,076
Conservation Program	\$0	\$0	\$0	\$0	\$0	\$0
Advertising/Promotion	\$1,000	\$1,031	\$1,062	\$1,094	\$1,128	\$1,162
Bad Debt Expense	\$180	\$185	\$191	\$197	\$203	\$209
Building & Grounds Maintenance	\$56,324	\$59,450	\$62,749	\$66,232	\$69,908	\$73,788
Security Services	\$5,000	\$5,153	\$5,310	\$5,472	\$5,639	\$5,811
Computer Hardware	\$4,000	\$4,154	\$4,315	\$4,481	\$4,654	\$4,834
Computer Software	\$23,580	\$24,490	\$25,436	\$26,418	\$27,438	\$28,497
Computer Services/Consulting	\$27,971	\$29,051	\$30,172	\$31,337	\$32,547	\$33,804
Computer Licenses & Software	\$14,362	\$14,916	\$15,492	\$16,090	\$16,712	\$17,357
Election Expense	\$0	\$0	\$0	\$0	\$0	\$0
Dues & Subscriptions	\$39,482	\$40,687	\$41,928	\$43,207	\$44,525	\$45,884
Recruitment	\$2,500	\$2,576	\$2,655	\$2,736	\$2,819	\$2,905
Employment Costs	\$2,330	\$2,401	\$2,474	\$2,550	\$2,628	\$2,708
Employee Retention	\$2,500	\$2,576	\$2,655	\$2,736	\$2,819	\$2,905
Education - Conferences & Seminars	\$12,700	\$13,087	\$13,487	\$13,898	\$14,322	\$14,759
Training/Certification	\$18,355	\$18,915	\$19,492	\$20,087	\$20,700	\$21,331
Resource Material	\$0	\$0	\$0	\$0	\$0	\$0
Director Training/Seminars	\$25,000	\$25,763	\$26,549	\$27,359	\$28,193	\$29,054
Insurance - Liability	\$156,331	\$171,354	\$186,518	\$198,418	\$211,076	\$224,542
Office Expense	\$24,398	\$25,340	\$26,318	\$27,334	\$28,389	\$29,485
Office Supplies	\$2,359	\$2,450	\$2,545	\$2,643	\$2,745	\$2,851
Business Expense	\$14,746	\$15,315	\$15,907	\$16,521	\$17,158	\$17,821
Office Furniture & Equipment	\$1,395	\$1,449	\$1,505	\$1,563	\$1,623	\$1,686
Emergency Preparedness	\$0	\$0	\$0	\$0	\$0	\$0
Utilities	\$23,877	\$25,425	\$27,074	\$28,830	\$30,699	\$31,940
Discounts	\$0	\$0	\$0	\$0	\$0	\$0

## Sewer Operating Cost Allocation

	Test Year 2026	Flow	BOD	TSS	Customer	Fixed	Total
O&M Expense							
Total	\$3,565,446	\$502,378	\$146,149	\$146,149	\$105,855	\$2,664,916	\$3,565,446
Percent		14.1%	4.1%	4.1%	3.0%	74.7%	100%
Salaries	\$1,032,342					100%	100%
Overtime Pay	\$43,099					100%	100%
Oncall/Pager Pay	\$27,118					100%	100%
Degree/Certification Pay	\$3,661					100%	100%
Holiday Pay	\$60,559					100%	100%
Vacation Pay	\$56,597					100%	100%
Sick Pay	\$43,806					100%	100%
Directors Pay	\$33,300					100%	100%
Payroll Tax Expense	\$101,143					100%	100%
Health Insurance	\$274,169					100%	100%
Workers Compensation	\$36,115					100%	100%
Other Benefits (Education Reimburse)	\$0					100%	100%
PERS Contribution	\$131,886					100%	100%
Less Capitalized Labor/Benefits	-\$3,838					100%	100%
Meters	\$0					100%	100%
Engineering	\$2,500					100%	100%
Electricity Expense	\$269,901	100%					100%
Utilities - Water	\$32,633		50%	50%			100%
Utilities - Other Than Water	\$20,717					100%	100%
Equipment Leases	\$11,900					100%	100%
Operating Expenses	\$40,515					100%	100%
Purchased Water	\$0					100%	100%
Billing Expense	\$30,000				100%		100%
Operating Supplies	\$1,000					100%	100%
Parks Supplies & Maintenance	\$0					100%	100%
Pool Supplies & Maintenance	\$0					100%	100%
Security Services	\$0					100%	100%
Safety Supplies & Training	\$11,000					100%	100%
System Repair & Maintenance	\$417,200	50%	25%	25%			100%
System Tests	\$41,192		50%	50%			100%
Uniforms	\$5,039					100%	100%
Auto & Truck Expense	\$38,804					100%	100%
Banked Water Expense	\$0					100%	100%
Testing Supplies & Equipment	\$9,873		50%	50%			100%
Accounting Consultants	\$191,576					100%	100%
Public Affairs	\$0					100%	100%
Legal Fees	\$9,810					100%	100%
Adjudication	\$0					100%	100%
Outside Services	\$133,439					100%	100%
Conservation Program	\$0					100%	100%
Advertising/Promotion	\$1,000					100%	100%
Bad Debt Expense	\$180					100%	100%
Building & Grounds Maintenance	\$56,324					100%	100%
Security Services	\$5,000					100%	100%
Computer Hardware	\$4,000					100%	100%
Computer Software	\$23,580				50%	50%	100%
Computer Services/Consulting	\$27,971				50%	50%	100%
Computer Licenses & Software	\$14,362				50%	50%	100%
Election Expense	\$0					100%	100%
Dues & Subscriptions	\$39,482					100%	100%
Recruitment	\$2,500					100%	100%
Employment Costs	\$2,330					100%	100%
Employee Retention	\$2,500					100%	100%
Education - Conferences & Seminars	\$12,700					100%	100%
Training/Certification	\$18,355					100%	100%
Resource Material	\$0					100%	100%
Director Training/Seminars	\$25,000					100%	100%
Insurance - Liability	\$156,331					100%	100%
Office Expense	\$24,398				100%		100%
Office Supplies	\$2,359				100%		100%
Business Expense	\$14,746				100%		100%
Office Furniture & Equipment	\$1,395				100%		100%
Emergency Preparedness	\$0				100%		100%
Utilities	\$23,877	100%					100%
Discounts	\$0					100%	100%

### Water Financial Plan Under Proposed Rates

Category	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Fixed Revenue	\$3,474,880	\$3,606,228	\$3,742,129	\$3,883,590	\$4,029,126	\$4,059,054	\$4,088,982	\$4,118,088	\$4,146,691	\$4,175,796
Variable Revenue	\$4,625,203	\$4,794,668	\$4,963,912	\$5,141,494	\$5,322,612	\$5,351,227	\$5,379,842	\$5,407,590	\$5,435,338	\$5,465,719
Other Operating Revenue	\$137,950	\$137,950	\$137,950	\$137,950	\$137,950	\$137,950	\$137,950	\$137,950	\$137,950	\$137,950
Non-Operating Revenue	\$2,912,408	\$2,828,677	\$3,010,408	\$3,144,726	\$3,341,663	\$3,489,159	\$3,692,756	\$3,833,702	\$4,032,406	\$4,164,130
<b>Total Revenue</b>	<b>\$11,150,441</b>	<b>\$11,367,523</b>	<b>\$11,854,398</b>	<b>\$12,307,760</b>	<b>\$12,831,351</b>	<b>\$13,037,390</b>	<b>\$13,299,530</b>	<b>\$13,497,330</b>	<b>\$13,752,385</b>	<b>\$13,943,595</b>
Operating Expense	\$4,568,300	\$4,790,936	\$5,019,399	\$5,259,289	\$5,499,203	\$5,750,507	\$6,013,759	\$6,289,550	\$6,578,497	\$6,881,252
<b>Net Operating Revenue</b>	<b>\$6,582,141</b>	<b>\$6,576,586</b>	<b>\$6,835,000</b>	<b>\$7,048,470</b>	<b>\$7,332,147</b>	<b>\$7,286,883</b>	<b>\$7,285,771</b>	<b>\$7,207,780</b>	<b>\$7,173,887</b>	<b>\$7,062,343</b>
Debt Service	\$1,188,559	\$1,189,983	\$1,188,866	\$1,189,231	\$1,189,043	\$1,189,300	\$1,189,965	\$1,190,025	\$1,189,480	\$1,189,330
PayGo	\$8,408,990	\$962,850	\$2,575,493	\$1,050,517	\$2,745,768	\$1,146,619	\$2,928,811	\$1,251,992	\$3,125,696	\$3,125,696
<b>Net Revenue</b>	<b>-\$3,015,408</b>	<b>\$4,423,753</b>	<b>\$3,070,642</b>	<b>\$4,808,722</b>	<b>\$3,397,337</b>	<b>\$4,950,965</b>	<b>\$3,166,995</b>	<b>\$4,765,763</b>	<b>\$2,858,711</b>	<b>\$2,747,317</b>
Loan Proceeds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Beginning Balance	\$22,781,604	\$19,766,196	\$24,189,949	\$27,260,590	\$32,069,312	\$35,466,649	\$40,417,613	\$43,584,609	\$48,350,371	\$51,209,083
<b>Ending Balance</b>	<b>\$19,766,196</b>	<b>\$24,189,949</b>	<b>\$27,260,590</b>	<b>\$32,069,312</b>	<b>\$35,466,649</b>	<b>\$40,417,613</b>	<b>\$43,584,609</b>	<b>\$48,350,371</b>	<b>\$51,209,083</b>	<b>\$53,956,400</b>
<b>Reserve Target</b>	<b>\$33,137,254</b>	<b>\$33,137,254</b>	<b>\$33,137,254</b>	<b>\$33,137,254</b>	<b>\$33,137,254</b>	<b>\$34,518,509</b>	<b>\$36,200,419</b>	<b>\$37,884,731</b>	<b>\$39,571,974</b>	<b>\$41,262,817</b>
Over/-Under	-\$13,371,059	-\$8,947,306	-\$5,876,664	-\$1,067,942	\$2,329,394	\$5,899,104	\$7,384,190	\$10,465,640	\$11,637,109	\$12,693,582
DSCR	5.54	5.53	5.75	5.93	6.17	6.13	6.12	6.06	6.03	5.94

### Sewer Financial Plan Under Proposed Rates

Category	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	FY 2036
Fixed Revenue	\$5,284,533	\$5,422,626	\$5,562,666	\$5,707,451	\$5,854,232	\$6,005,875	\$6,040,518	\$6,074,112	\$6,108,755	\$6,142,348
Variable Revenue	\$636,950	\$654,794	\$672,685	\$690,858	\$709,491	\$728,417	\$732,617	\$736,691	\$740,891	\$744,964
Other Operating Revenue	\$197,000	\$197,000	\$197,000	\$197,000	\$197,000	\$197,000	\$197,000	\$197,000	\$197,000	\$197,000
Non-Operating Revenue	\$1,919,082	\$1,826,241	\$1,843,605	\$1,888,566	\$1,953,698	\$2,019,380	\$2,085,389	\$2,146,302	\$2,201,440	\$2,250,096
Total Revenue	\$8,037,565	\$8,100,662	\$8,275,956	\$8,483,875	\$8,714,421	\$8,950,672	\$9,055,525	\$9,154,104	\$9,248,086	\$9,334,409
Operating Expense	\$3,740,488	\$3,923,553	\$4,111,639	\$4,309,195	\$4,505,816	\$4,711,782	\$4,927,553	\$5,153,614	\$5,390,473	\$5,638,665
<b>Net Operating Revenue</b>	<b>\$4,297,077</b>	<b>\$4,177,109</b>	<b>\$4,164,317</b>	<b>\$4,174,680</b>	<b>\$4,208,605</b>	<b>\$4,238,890</b>	<b>\$4,127,972</b>	<b>\$4,000,490</b>	<b>\$3,857,613</b>	<b>\$3,695,743</b>
Debt Service	\$2,609,645	\$2,609,398	\$2,609,476	\$2,075,234	\$2,074,698	\$2,075,300	\$2,074,927	\$2,074,547	\$2,076,057	\$1,459,369
PayGo	\$4,105,807	\$1,115,400	\$383,670	\$402,854	\$422,996	\$444,146	\$466,353	\$489,671	\$514,154	\$514,154
<b>Net Revenue</b>	<b>-\$2,418,375</b>	<b>\$452,310</b>	<b>\$1,171,172</b>	<b>\$1,696,592</b>	<b>\$1,710,911</b>	<b>\$1,719,444</b>	<b>\$1,586,692</b>	<b>\$1,436,273</b>	<b>\$1,267,402</b>	<b>\$1,722,220</b>
Debt Proceeds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Beginning Balance	\$25,819,636	\$23,401,261	\$23,853,571	\$25,024,743	\$26,721,335	\$28,432,247	\$30,151,691	\$31,738,382	\$33,174,655	\$34,442,057
<b>Ending Balance</b>	<b>\$23,401,261</b>	<b>\$23,853,571</b>	<b>\$25,024,743</b>	<b>\$26,721,335</b>	<b>\$28,432,247</b>	<b>\$30,151,691</b>	<b>\$31,738,382</b>	<b>\$33,174,655</b>	<b>\$34,442,057</b>	<b>\$36,164,276</b>
<b>Reserve Target</b>	<b>\$19,365,331</b>	<b>\$19,365,331</b>	<b>\$19,365,331</b>	<b>\$19,365,331</b>	<b>\$19,365,331</b>	<b>\$20,736,466</b>	<b>\$22,108,835</b>	<b>\$23,483,662</b>	<b>\$24,863,657</b>	<b>\$25,473,632</b>
Over/-Under	\$4,035,930	\$4,488,240	\$5,659,412	\$7,356,004	\$9,066,916	\$9,415,224	\$9,629,547	\$9,690,993	\$9,578,400	\$10,690,644
DSCR	1.65	1.60	1.60	2.01	2.03	2.04	1.99	1.93	1.86	2.53

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