Georgetown Divide Public Utility District

Water and ALT Zone Cost-of-Service and Rate Study

Draft Report – September 2024

Prepared by: Water Resources Economics, LLC

Water Resources Economics

PROMOTING THE VALUE AND PRICE OF WATER SERVICE

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Water Resources Economics
PROMOTING THE VALUE AND PRICE OF WATER SERVICE

September 12, 2024

Nicholas Schneider
General Manager
Georgetown Divide Public Utility District
6425 Main Street
Georgetown, CA 95634

Subject: Georgetown Divide Public Utility District Rate Study Report

Dear Mr. Schneider,

Water Resources Economics, LLC (WRE) is pleased to submit this Water and ALT Zone Cost-of-Service and Rate Study Report to the Georgetown Divide Public Utility District (District). This report documents the results and recommendations of the District's water and ALT Zone rate study. The goal of the study was to develop a five-year schedule of water and ALT Zone rates that will sufficiently fund the District's water and ALT Zone system expenses, allow the District to meet its financial goals within the study period, and comply with cost-of-service principles.

This study utilized industry-standard rate-setting methodology in accordance with guidelines developed by the American Water Works Association and incorporates guidance provided by the District's Board of Directors. Our project team has a proven track record of developing fair and equitable rates for numerous public utility agencies in California over the past 25 years. We are confident in our ability to develop sound rates that satisfy the requirements of Proposition 218.

It has been a pleasure assisting the District, and we appreciate the support provided by yourself, the Board of Directors, and other District staff during this study.

Sincerely,

Sanjay Gaur
Founder / President

Nancy Phan
Principal Consultant

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1. EXECUTIVE SUMMARY

1.1 SYSTEM OVERVIEW

The Georgetown Divide Public Utility District (District) provides treated water, raw water, and wastewater disposal services to communities across approximately 72,000 acres in western El Dorado County. The District's service population is approximately 10,000 people across 3,800 connections. Treated and raw water service is available to communities within District boundaries. The District's main source of water is from Pilot Creek and from other tributary water rights; water is stored in the Stumpy Meadows Reservoir. Wastewater disposal service is available to communities within the Auburn Lake Trails (ALT) Zone. For the purposes of this report, "water" refers to treated and raw water service, and "ALT Zone" refers to wastewater disposal service.

1.2 RATE STUDY OVERVIEW

Public retail water agencies in California typically conduct a cost-of-service study every five years to ensure that customers are appropriately charged for utility service and to reestablish the cost-of-service nexus that is required by Proposition 218. The District's existing water rate structure was developed in a 2017 study, and the existing ALT Zone rate structure was developed in a 2019 study.

The District engaged Water Resources Economics, LLC (WRE) in 2024 to conduct a comprehensive Water and ALT Zone Cost-of-Service and Rate Study, which included the following objectives:

- Project a five-year financial plan to meet financial performance targets for Fiscal Year (FY) 2025[1] through FY 2029
- Conduct a cost-of-service analysis based on the operating budget, capital improvement plan (CIP), and customer data to equitably allocate costs to the District's customers
- Evaluate potential water and ALT Zone rate structure changes to meet the District's policy objectives
- Develop a five-year water and ALT Zone rate schedule for FY 2025 through FY 2029, with implementation in January of each year

1.3 LEGAL REQUIREMENTS

Legal considerations relating to retail water rates in California focus heavily on Proposition 218, which was enacted in 1996 and is now reflected in Article XIII C and Article XIII D of the California Constitution. Proposition 218 states that "property related fees and charges" (which include retail water and wastewater rates) may not exceed the proportional cost of providing the service to the customer and may not be used for any purpose other than providing said service. The practical implication is that public retail water and wastewater agencies in California must demonstrate a sufficient nexus between the costs incurred by the agency to provide service and the rates charged to customers. The primary means by which retail agencies address this requirement is by conducting a "cost-of-service analysis."

[1] FY 2025 is the year starting July 1, 2024 and ending June 30, 2025.

Proposition 218 also affects the rate adoption process by requiring agencies to hold a public hearing to adopt rates. The agency must mail public hearing notices to all customers no fewer than 45 days prior to the public hearing. The public hearing notices must clearly show all proposed rate changes, provide information on the public hearing date/time/location, and provide instructions on how customers may protest the proposed rate changes. If a majority of customers submit a protest, the proposed rate changes cannot be adopted.

1.4 RATE-SETTING METHODOLOGY

This study was conducted using industry-standard methodology outlined by the American Water Works Association (AWWA) in its *Manual of Water Supply Practices M1: Principles of Water Rates, Fees and Charges, Seventh Edition* (M1 Manual). The rate study process includes the following steps:

1. **Financial Plan**: Annual revenues and expenses are projected over the rate-setting period to determine the magnitude of rate increases needed to maintain financial sufficiency. Financial policies, such as reserve targets, are also evaluated and updated if necessary.
2. **Cost-of-Service Analysis**: Costs are allocated to customers in proportion to use of and burden on the system. The overall goal is to establish a robust nexus between the costs incurred by an agency and the rates charged to customers, as required by Proposition 218.
3. **Rate Design**: The existing rate structure is evaluated, and potential changes are identified. A multi-year proposed rate schedule is then calculated directly from the results of the financial plan and cost-of-service analysis.
4. **Rate Study Documentation**: A rate study report is developed to document the proposed rate development process. This provides transparency and enhances legal defensibility in light of Proposition 218 requirements. This document serves as the report for this rate study.

1.5 ADDITIONAL INFORMATION AND DISCLAIMERS

This report summarizes the data, analyses, processes, and results of the District's water and ALT Zone rate study. Some important information to keep in mind when reading the report includes the following:

- All study projections are based on the best available data as of September 2024.
- All table values are rounded to the nearest digit shown unless stated otherwise. However, all calculations are based on precise values. Attempting to manually recreate the calculations described in this report from the values displayed in tables may therefore produce slightly different results.
- All current and proposed rates and charges in this report are shown on a monthly basis for water and on a bi-monthly basis for ALT Zone (wastewater).

1.6 CURRENT WATER RATES

Table 1-1 shows the District's current treated water rates, which include the following components:

- Fixed monthly base charges, by meter size
- Fixed discounted monthly base charges for low income customers, by meter size
- Fixed monthly supplemental charge, by customer
- Variable usage rate, by cubic feet (CF) of water use

Table 1-1: Current Treated Water Rates

Current Treated Water Rates	As of 1/1/2019
Monthly Base Charge	
5/8 inch	$30.88
3/4 inch	$30.88
1 inch	$30.88
1.5 inch	$102.92
2 inch	$164.67
3 inch	$329.34
4 inch	$514.60
Low Income Base Charge	
5/8 inch	$15.44
3/4 inch	$15.44
1 inch	$15.44
Supplemental Charge	
All Customers	$15.08
Usage Rate (per CF)	
All Customers	$0.0268

Table 1-2 shows the District's current raw water rates, which are charged to Irrigation customers that use untreated water. The raw water rates consist of a fixed monthly base charge per miner's inch (MI); raw water service is available to Irrigation customers for five months of the year, from May 1 to September 30.

Table 1-2: Current Raw Water Rates

Current Raw Water Rates	As of 1/1/2018
Monthly Base Charge	
1/2 Miner's Inch (per bill)	$77.00
Per 1 Miner's Inch (per MI/bill)	$154.20

1.7 WATER FINANCIAL PLAN

WRE worked closely with District staff and the District's Board of Directors to determine the financial plan scenario that best suits the needs of the District's water system. The results and recommendations of the rate study are driven by the District's financial performance, input from District staff, and feedback and direction from the Board.

FACTORS AFFECTING FINANCIAL PERFORMANCE

The water system's financial performance is driven by the ability of the current water rates to meet the District's funding needs. To maintain financial sufficiency, water rates must fully fund operations and maintenance (O&M) costs, capital improvement plan (CIP) expenditures, and any relevant financial policies, which typically include target reserve balances and debt coverage.

The key factors affecting financial performance include:

- **Capital investments from FY 2025 to FY 2029** – The District plans to invest approximately $3.9 million into its capital program in the next five years to repair, replace, and improve key water system infrastructure. Key projects include the Distribution Tank Coating, Vehicle Replacement, Raw Water Reliability, and Distribution Facility Reliability projects.
- **Debt coverage requirements**: The District's existing debt covenants require a coverage ratio of 120% (net operating revenues to annual debt service payments). Without additional water rate revenues, the District will fall under this requirement and be in technical default.
- **Reserve policy targets**: Reserves allow the District to maintain cash on hand to meet short-term or unexpected cash flow requirements, to execute CIP projects, to meet debt covenants, and to be prepared for potential emergencies. **Table 1-3** shows the District's water reserve policy, which include targets for operating, capital, and emergency reserves. Although the District's reserves are greater than the policy targets at the end of FY 2025, they will be depleted by the end of FY 2029 without additional water rate revenues.

Table 1-3: Water Reserve Policy Targets

Reserve Policy	Policy Targets	FY 2025
Operating	33% of operating expenses	$1,855,743
Capital Replacement	5-year average replacement CIP	$606,238
Emergency	est. cost of replacing major asset	$2,000,000
Total Reserves		**$4,461,981**
Projected Reserves (Before Increases)		**$4,692,576**

STATUS QUO FINANCIAL PLAN

The first step in evaluating the District's financial position is to develop a "status quo" financial plan, which is the scenario in which the District does not increase its water rate revenues. This exercise is to determine whether the District's current water rates are sufficient to meet key financial performance metrics, such as fund balances and debt coverage.

Figure 1-1 shows the projected fund balances under the status quo scenario. The green bars represent the ending balances for unrestricted funds, and the dashed line represents the reserve policy targets detailed in **Table 1-3**. In this scenario, the District will not meet its reserve targets at the end of FY 2026, and fund balances will be negative at the end of FY 2029.

Figure 1-1: Water Fund Balance Projections (Status Quo)

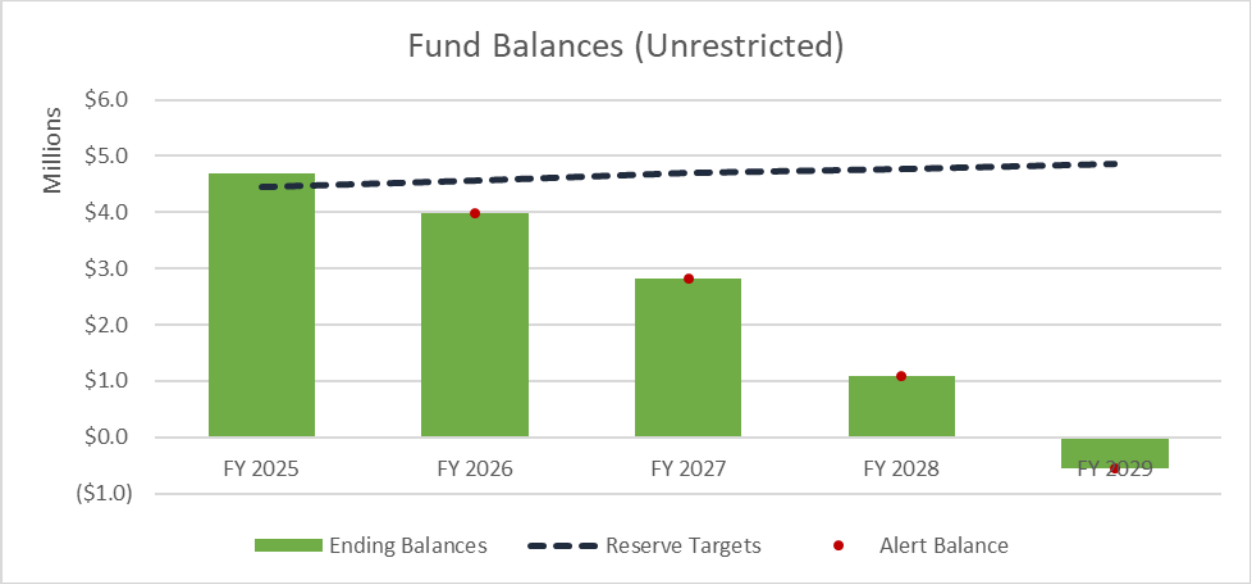
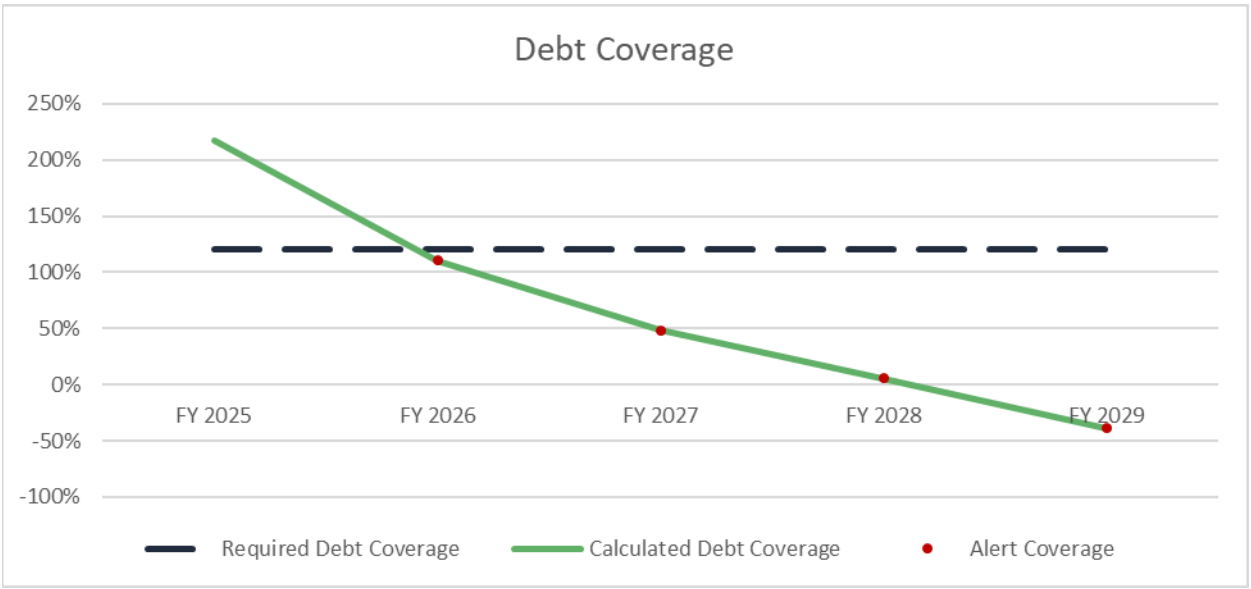


Figure 1-2 shows the projected debt coverage under the status quo scenario. Debt coverage is calculated by dividing the net operating revenue (revenues less O&M expenses) by annual debt service payments. The green line represents the calculated debt coverage of 120%; the dashed line represents the required debt coverage. In this scenario, the District will not meet its debt coverage requirements in FY 2026 and will be in technical default.

Figure 1-2: Water Debt Coverage Projections (Status Quo)



PROPOSED REVENUE ADJUSTMENTS

Overall annual increases in water rate revenues resulting from rate increases are referred to as "revenue adjustments." WRE worked closely with the Board and District staff to determine the most appropriate financial plan scenario, which is shown in **Table 1-4**. The proposed financial plan scenario includes five years of revenue adjustments, which are required to maintain financial sufficiency, to meet reserve policy targets, and to meet debt coverage requirements. The proposed revenue adjustments are effective in January of each FY.

Table 1-4: Water Revenue Adjustments (Proposed)

Fiscal Year	Revenue Adjustments	Effective Month
FY 2025	15%	January
FY 2026	10%	January
FY 2027	10%	January
FY 2028	10%	January
FY 2029	10%	January

PROPOSED FINANCIAL PLAN

The proposed financial plan applies the revenue adjustments in **Table 1-4** to reevaluate the District's financial performance based on the same two metrics: fund balances and debt coverage.

Figure 1-3 shows the projected water fund balances under the proposed scenario. In this scenario, the District is expected to meet its reserve policy targets for all years of the study period.

Figure 1-3: Water Fund Balance Projections (Proposed)

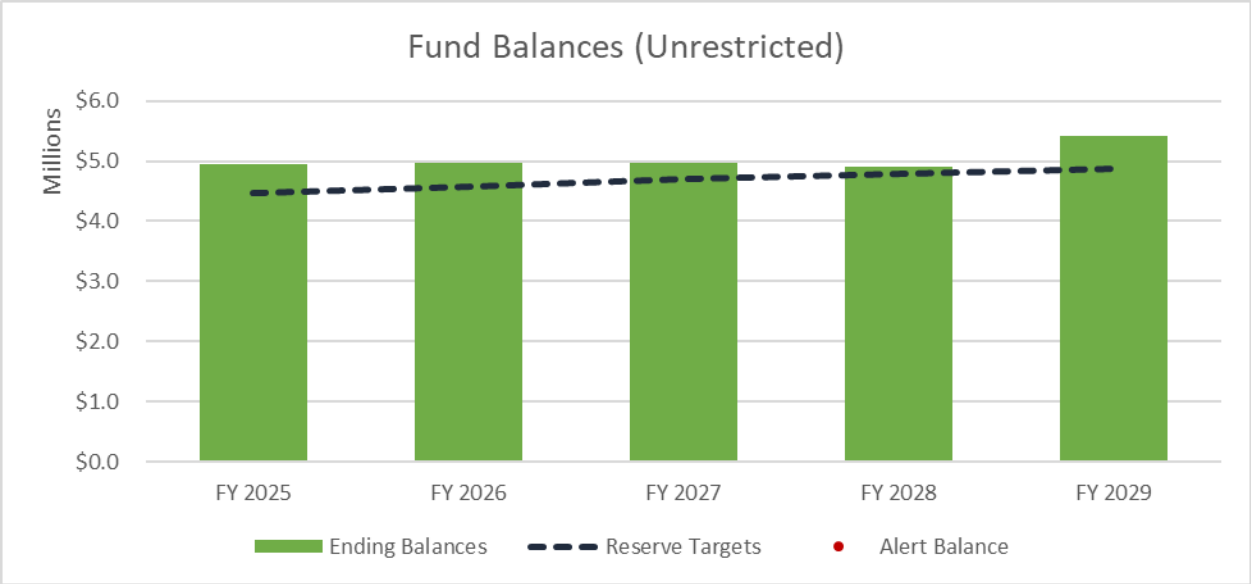
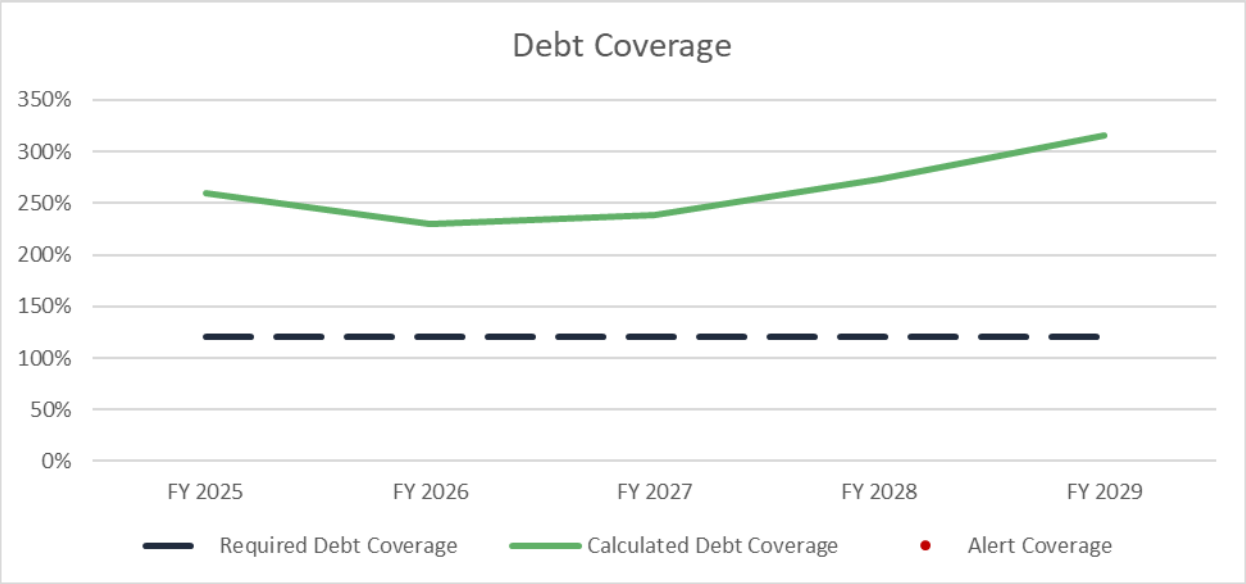


Figure 1-4 shows the projected debt coverage under the proposed scenario. In this scenario, the District is expected to meet its required debt coverage for all years of the study period.

Figure 1-4: Water Debt Coverage Projections (Proposed)



1.8 PROPOSED WATER RATES

The proposed water rates that were developed in this study are the result of technical analyses (proposed financial plan scenario analysis and cost-of-service analysis) and policy objectives prioritized by the Board and District staff. WRE worked closely with the Board and District staff to determine the most appropriate water rate structure that best meets the District's needs and objectives.

The cost-of-service analysis is a technical process used to determine the cost of providing water service to the District's customers based on each customer's use of and burden on the water system. The cost-of-service analysis is the basis of the nexus between the costs incurred by the utility to provide water service and the water rates charged to customers, which is a requirement of Proposition 218.

PROPOSED RATE STRUCTURE CHANGES

The main objectives of the study are to conduct a cost-of-service analysis that clearly and equitably allocates water system costs to the District's customers and to evaluate recommended modifications to the existing water rate structure.

The District's current treated water rates include:

- **Monthly base charge**: Currently, meters that are 1" and smaller are charged the same monthly base charge. WRE recommends that the District separate the 1" meters and keep the 5/8" and 3/4" meters combined for the monthly base charges. 1" meters typically require

more capacity in the water system. Within the District's water system, 5/8" and 3/4" meters serve similar customers with similar water demands.

- **Monthly low income base charge**: Currently, low income customers receive a 50% discount on their monthly base charges. WRE recommends that the District maintain the current 50% discount for low income customers.
- **Supplemental charge**: Currently, all treated water customers are charged a flat supplemental charge, which funds the District's State Revolving Fund (SRF) Loan for the Sweetwater Treatment Plant (SWTP) project. WRE recommends that the District change its supplemental charge to be based on meter size. Larger meters require more capacity in the water system (especially as it pertains to treatment plant capacity), which should be reflected in the supplemental charges.
- **Uniform usage rate**: Currently, the usage rate is a uniform rate that is charged based on CF of usage. WRE does not recommend a change to the uniform usage rate structure.

The District's current raw water rates include:

- **Monthly base charge per MI**: Currently, all raw water customers pay the same rates based on MI per monthly bill for five months of each year. WRE recommends that the District maintain billing based on MI, but charge differentiated raw water rates for customers Inside District and Outside District. Outside District customers do not pay property taxes to the District but still receive water service. Since Outside District customers do not pay property taxes, they should not receive the benefit from revenue offsets that are derived from property tax revenues.

PROPOSED FIVE-YEAR WATER RATE SCHEDULE

The proposed five-year water rate schedules in this section are based on the proposed water rate structure and methodology changes, the results of the cost-of-service analysis, and the proposed revenue adjustments in **Table 1-4**.

Table 1-5, **Table 1-6**, and **Table 1-7** show the current and proposed treated water rates for the monthly base charges, supplemental charges, and usage rates, respectively. Note that the proposed supplemental charges do not increase throughout the five-year study period; the supplemental charge funds the District's SRF Loan payment, which does not increase annually. The rate schedule shows the proposed treated water rates to be implemented in January 2025 through January 2029.

Table 1-5: Proposed Treated Water Monthly Base Charges

Proposed Treated Water Rates	As of 1/1/2019	Effective 1/1/2025	Effective 1/1/2026	Effective 1/1/2027	Effective 1/1/2028	Effective 1/1/2029
Monthly Base Charge						
5/8 inch	$30.88	$36.16	$39.78	$43.76	$48.14	$52.96
3/4 inch	$30.88	$36.16	$39.78	$43.76	$48.14	$52.96
1 inch	$30.88	$56.44	$62.09	$68.30	$75.13	$82.65
1.5 inch	$102.92	$107.10	$117.81	$129.60	$142.56	$156.82
2 inch	$164.67	$167.92	$184.72	$203.20	$223.52	$245.88
3 inch	$329.34	$360.50	$396.55	$436.21	$479.84	$527.83
4 inch	$514.60	$644.28	$708.71	$779.59	$857.55	$943.31
Low Income Base Charge						
5/8 inch	$15.44	$18.08	$19.89	$21.88	$24.07	$26.48
3/4 inch	$15.44	$18.08	$19.89	$21.88	$24.07	$26.48
1 inch	$15.44	$28.22	$31.05	$34.15	$37.57	$41.33

Table 1-6: Proposed Treated Water Supplemental Charges

Proposed Treated Water Rates	As of 1/1/2019	Effective 1/1/2025	Effective 1/1/2026	Effective 1/1/2027	Effective 1/1/2028	Effective 1/1/2029
Supplemental Charge						
5/8 inch	$15.08	$11.82	$11.82	$11.82	$11.82	$11.82
3/4 inch	$15.08	$11.82	$11.82	$11.82	$11.82	$11.82
1 inch	$15.08	$19.69	$19.69	$19.69	$19.69	$19.69
1.5 inch	$15.08	$39.38	$39.38	$39.38	$39.38	$39.38
2 inch	$15.08	$63.00	$63.00	$63.00	$63.00	$63.00
3 inch	$15.08	$137.82	$137.82	$137.82	$137.82	$137.82
4 inch	$15.08	$248.06	$248.06	$248.06	$248.06	$248.06

Table 1-7: Proposed Treated Water Usage Rate

Proposed Treated Water Rates	As of 1/1/2019	Effective 1/1/2025	Effective 1/1/2026	Effective 1/1/2027	Effective 1/1/2028	Effective 1/1/2029
Usage Rate (per CF)						
All Customers	$0.0268	$0.0309	$0.0340	$0.0374	$0.0412	$0.0454

Table 1-8 shows the current and proposed raw water rates for Inside and Outside District customers. The rate schedule shows the proposed raw water rates to be implemented in January 2025 through January 2029.

Table 1-8: Proposed Raw Water Irrigation Rates

Proposed Raw Water Rates	As of 1/1/2018	Effective 1/1/2025	Effective 1/1/2026	Effective 1/1/2027	Effective 1/1/2028	Effective 1/1/2029
Inside District						
1/2 Miner's Inch (per bill)	$77.00	$91.87	$101.06	$111.17	$122.29	$134.52
Per 1 Miner's Inch (per MI/bill)	$154.20	$183.73	$202.11	$222.33	$244.57	$269.03
Outside District						
1/2 Miner's Inch (per bill)	$77.00	$151.18	$166.30	$182.93	$201.23	$221.36
Per 1 Miner's Inch (per MI/ bill)	$154.20	$302.35	$332.59	$365.85	$402.44	$442.69

CUSTOMER IMPACTS

Table 1-9 shows the customer impacts of the proposed treated water rate changes for a customer with a 5/8" meter using various amounts of water in CF per month. The District's customer base is mostly residential, and over 80% of customers have a 5/8" meter. An average customer using 1,300 CF per month of water will see a $7.35 increase in their monthly bill starting in January 2025.

Table 1-9: Treated Water Customer Impacts

Treated Water Customer (5/8")	CF per month	Current Bill	Proposed Bill	Difference ($)	Difference (%)
Very Low Usage (10th Percentile)	119	$49.15	$51.66	$2.51	5.1%
Low Usage (25th Percentile)	335	$54.94	$58.33	$3.39	6.2%
Median Usage	660	$63.65	$68.37	$4.73	7.4%
Average Usage	1,300	$80.80	$88.15	$7.35	9.1%
High Usage (75th Percentile)	1,320	$81.34	$88.77	$7.43	9.1%
Very High Usage (90th Percentile)	2,633	$116.52	$129.34	$12.82	11.0%

Table 1-10 shows the customer impacts of the proposed raw water rate changes for Inside and Outside District customers. Approximately 99% of raw water customers are Inside District; these customers will see an increase of $29.53 per monthly bill per MI starting in January 2025.

Table 1-10: Raw Water Customer Impacts

Raw Water Customer	MI per month	Current Bill	Proposed Bill	Difference ($)	Difference (%)
Inside District	1	$154.20	$183.73	$29.53	19.2%
Outside District	1	$154.20	$302.35	$148.15	96.1%

1.9 CURRENT ALT ZONE RATES

The Community Disposal System (CDS) is a shared system that collects wastewater from individual septic tanks and pumps it to a leach field for disposal. Non-CDS customers have their own septic tanks and are responsible for their own wastewater disposal. The District's current ALT Zone rates, shown in **Table 1-11**, includes the following components:

- Bi-monthly fee for Community Disposal System (CDS) customers on developed and undeveloped lots
- Bi-monthly fee for non-CDS customers on developed and undeveloped lots

Table 1-11: Current ALT Zone Rates

Current ALT Zone Rates	As of 7/1/2022
Bi-Monthly Fees - CDS	
Developed Lot	$99.77
Undeveloped Lot	$35.20
Bi-Monthly Fees - Non-CDS	
Developed Lot	$22.19
Undeveloped Lot	$19.35

1.10 ALT ZONE FINANCIAL PLAN

WRE worked closely with District staff and the District's Board of Directors to determine the financial plan scenario that best suits the needs of the District's ALT Zone system. The results and recommendations of the rate study are driven by the District's financial performance, input from District staff, and feedback and direction from the Board.

FACTORS AFFECTING FINANCIAL PERFORMANCE

The ALT Zone system's financial performance is driven by the ability of the current ALT Zone rates to meet the District's funding needs. To maintain financial sufficiency, ALT Zone rates must fully fund O&M costs, CIP expenditures, and any relevant financial policies, which typically include target reserve balances.

The key factors affecting financial performance include:

- **Insufficient revenues for operating expenses**: The District's current ALT Zone revenues can fund, on average, approximately 45% of annual O&M expenses. Without an increase in ALT Zone rate revenues, the District cannot afford to operate its wastewater disposal system.
- **Reserve policy targets**: Reserves allow the District to maintain cash on hand to meet short-term or unexpected cash flow requirements, to execute CIP projects, to meet debt covenants, and to be prepared for potential emergencies. **Table 1-12** shows the District's ALT Zone reserve policy, which include targets for operating, capital, and emergency reserves. Although the District's reserves are greater than the policy targets at the end of FY 2025, they will be depleted by the end of FY 2027 without additional ALT Zone rate revenues.

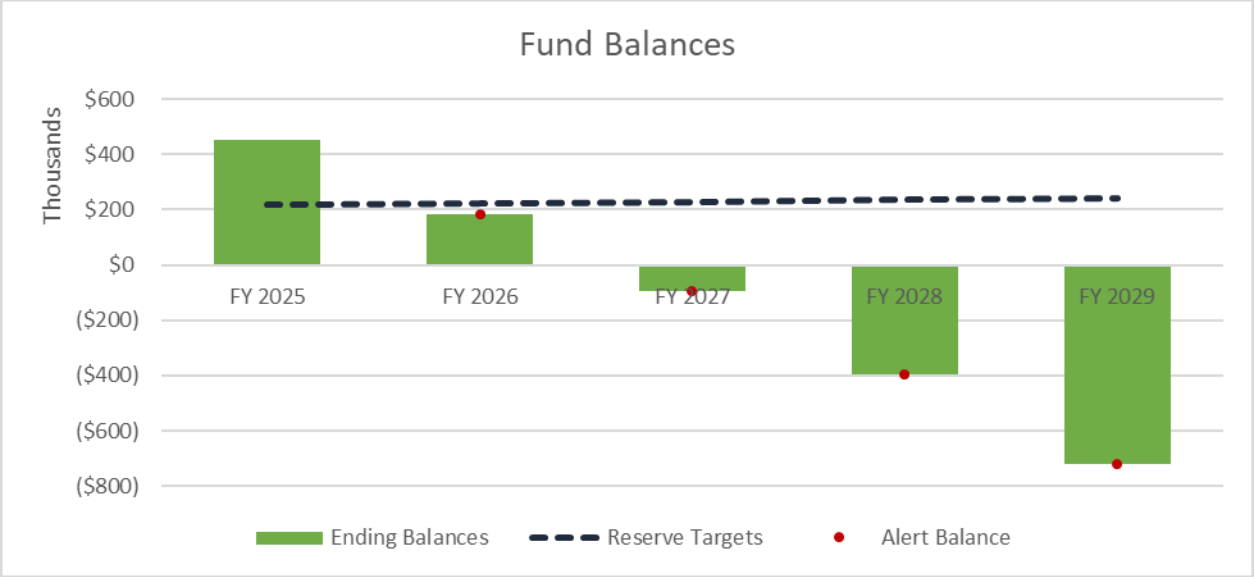
Table 1-12: ALT Zone Reserve Policy Targets

Reserve Policy	Policy Targets	FY 2025
Operating	33% of operating expenses	$153,098
Capital Replacement	5-year average replacement CIP	$12,875
Emergency	est. cost of replacing major asset	$50,000
Total Reserves		**$215,973**
Projected Reserves (Before Increases)		**$453,840**

STATUS QUO FINANCIAL PLAN

Figure 1-5 shows the projected fund balances under the status quo scenario. The green bars represent the ending balances for ALT Zone funds, and the dashed line represents the reserve policy targets detailed in **Table 1-12**. In this scenario, the District will not meet its reserve targets at the end of FY 2026, and fund balances will be negative at the end of FY 2027.

Figure 1-5: ALT Zone Fund Balance Projections (Status Quo)



PROPOSED REVENUE ADJUSTMENTS

WRE worked closely with the Board and District staff to determine the most appropriate financial plan scenario, which is shown in **Table 1-13**. The proposed financial plan scenario includes five years of revenue adjustments, which are required to maintain financial sufficiency, to meet reserve policy targets, and to meet debt coverage requirements. The proposed revenue adjustments are effective in January of each FY.

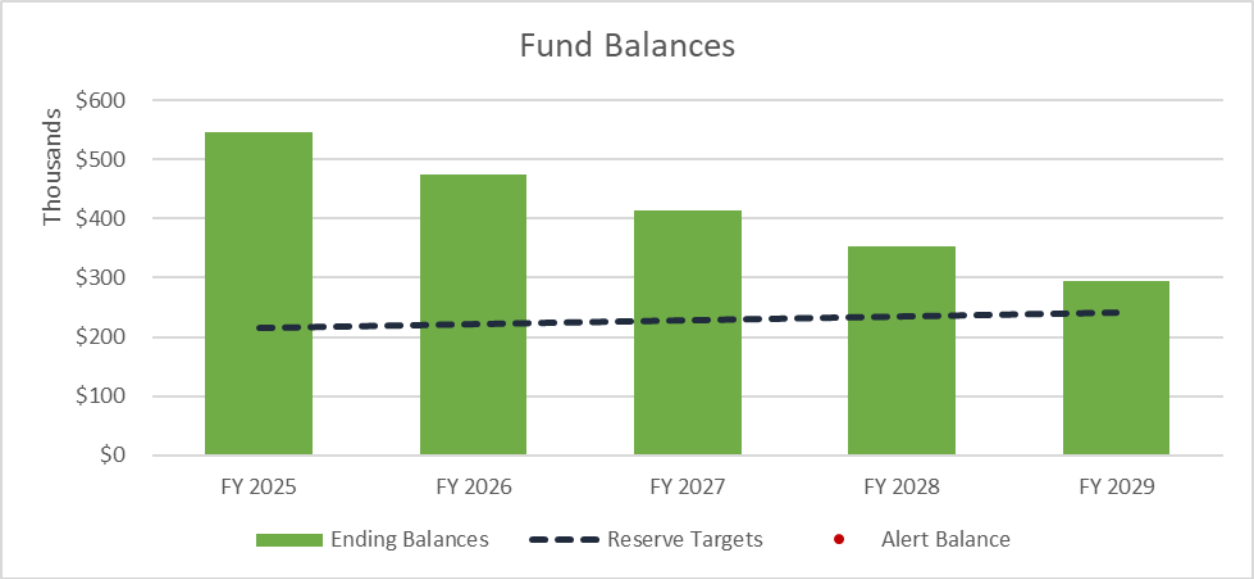
Table 1-13: ALT Zone Revenue Adjustments (Proposed)

Fiscal Year	Revenue Adjustments	Effective Month
FY 2025	90%	January
FY 2026	5%	January
FY 2027	5%	January
FY 2028	5%	January
FY 2029	5%	January

PROPOSED FINANCIAL PLAN

Figure 1-6 shows the projected fund balances under the proposed scenario. In this scenario, the District will meet its reserve policy targets for every year of the study period.

Figure 1-6: ALT Zone Fund Balance Projections (Proposed)



1.11 PROPOSED ALT ZONE RATES

WRE worked closely with the Board and District staff to determine the most appropriate ALT Zone rate structure that meets the District's needs.

PROPOSED RATE STRUCTURE CHANGES

The proposed ALT Zone rates will be updated based on the results of the financial plan and cost-of-service analysis. However, WRE does not recommend any changes to the District's ALT Zone rate structure, which consists of bi-monthly fees for CDS and non-CDS customers that are on developed and undeveloped lots.

PROPOSED FIVE-YEAR ALT ZONE RATE SCHEDULE

Table 1-14 shows the current and proposed ALT Zone rates for CDS and non-CDS customers. The rate schedule shows the proposed ALT Zone rates to be implemented in January 2025 through January 2029.

Table 1-14: Proposed ALT Zone Rates

Proposed ALT Zone Rates	As of 7/1/2022	Effective 1/1/2025	Effective 1/1/2026	Effective 1/1/2027	Effective 1/1/2028	Effective 1/1/2029
Bi-Monthly Fees - CDS						
Developed Lot	$99.77	$146.11	$153.42	$161.10	$169.16	$177.62
Undeveloped Lot	$35.20	$30.37	$31.89	$33.49	$35.17	$36.93
Bi-Monthly Fees - Non-CDS						
Developed Lot	$22.19	$50.18	$52.69	$55.33	$58.10	$61.01
Undeveloped Lot	$19.35	$18.55	$19.48	$20.46	$21.49	$22.57

CUSTOMER IMPACTS

Table 1-15 shows the customer impacts of the proposed ALT Zone rates for CDS and non-CDS customers. Approximately 82% of ALT Zone customers are non-CDS customers on developed lots; these customers will see an increase of $27.99 per bi-monthly bill starting in January 2025.

Table 1-15: ALT Zone Customer Impacts

ALT Zone Impacts	Proposed Bill	Current Bill	Difference ($)	Difference (%)
CDS Customer				
Developed Lot	$146.11	$99.77	$46.34	46%
Undeveloped Lot	$30.37	$35.20	($4.83)	-14%
Non-CDS Customer				
Developed Lot	$50.18	$22.19	$27.99	126%
Undeveloped Lot	$18.55	$19.35	($0.80)	-4%

2. WATER FINANCIAL PLAN

2.1 FINANCIAL PLAN METHODOLOGY

The purpose of a financial plan is to project revenues, expenses, cash flows, reserve balances, and debt coverage over a multi-year period to assess financial sufficiency and performance and to determine the amount of required rate revenue to meet those performance metrics. For this study, the planning period is from FY 2025 through FY 2029; data for FY 2024 are shown when needed to represent budgeted data inputs. The key steps in developing a financial plan are below:

- **Revenue projections:** Annual revenues from rates and other miscellaneous sources are projected over the planning period. Rate revenues are projected based on current rates to establish baseline revenues from which the need for additional rate increases can be evaluated.
- **Expense projections:** Annual expenses are projected over the study period, including O&M expenses, debt service, and CIP costs. CIP funding options (grants, debt, etc.) are evaluated.
- **Financial policy evaluation:** Key financial policies include debt coverage requirements and reserve targets. Debt coverage requirements are typically explicitly stated in official agreements on outstanding debt issuances. Reserve targets are typically set by an agency's elected officials and may need to be periodically evaluated and updated.
- **Status quo financial plan projections:** Cash flow, reserve balances, and debt coverage are projected over the study period in the absence of additional rate increases (this scenario is called the "status quo"). Projected reserve balances and debt coverage are then compared to the agency's financial policy requirements and targets. The status quo financial plan provides a baseline to evaluate the need for rate increases.
- **Proposed financial plan projections:** The magnitude and timing of annual proposed revenue increases over the study period are evaluated and determined based on the agency's financial policies, financial performance, and policy objectives. Proposed rate increases (referred to as "revenue adjustments") should generate sufficient revenue to recover the agency's expenses, maintain adequate reserves, and meet all debt coverage requirements. The proposed financial plan determines the total annual rate revenue requirement over the study period.

2.2 REVENUES

CURRENT WATER RATES

The District's current treated water rates, shown in **Table 2-1**, include a monthly base charge based on meter size, a discounted monthly low income base charge based on meter size, a flat supplemental charge for all customers, and a uniform usage rate per CF of water usage.

Table 2-1: Current Treated Water Rates

Current Treated Water Rates	As of 1/1/2019
Monthly Base Charge	
5/8 inch	$30.88
3/4 inch	$30.88
1 inch	$30.88
1.5 inch	$102.92
2 inch	$164.67
3 inch	$329.34
4 inch	$514.60
Low Income Base Charge	
5/8 inch	$15.44
3/4 inch	$15.44
1 inch	$15.44
Supplemental Charge	
All Customers	$15.08
Usage Rate (per CF)	
All Customers	$0.0268

The District's current raw water rates, shown in **Table 2-2**, include a monthly base charge per MI in 1/2 inch or 1 inch increments. Raw water customers are charged for five months of each year, from May to September.

Table 2-2: Current Raw Water Rates

Current Raw Water Rates	As of 1/1/2018
Monthly Base Charge	
1/2 Miner's Inch (per bill)	$77.00
Per 1 Miner's Inch (per MI/bill)	$154.20

CUSTOMER ACCOUNTS AND USAGE

Table 2-3 shows the projected treated water meters and water usage for the study period. WRE received customer data from District staff for FY 2024; the District does not expect any growth in treated water customer accounts or usage during the study period.

Table 2-3: Treated Water Customer Accounts and Usage

Customer Data (Treated Water)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Accounts						
5/8 inch	2,909	2,909	2,909	2,909	2,909	2,909
3/4 inch	415	415	415	415	415	415
1 inch	266	266	266	266	266	266
1.5 inch	13	13	13	13	13	13
2 inch	6	6	6	6	6	6
3 inch	2	2	2	2	2	2
4 inch	5	5	5	5	5	5
Total	**3,616**	**3,616**	**3,616**	**3,616**	**3,616**	**3,616**
Low Income						
5/8 inch	137	137	137	137	137	137
3/4 inch	24	24	24	24	24	24
1 inch	7	7	7	7	7	7
Total	**168**	**168**	**168**	**168**	**168**	**168**
Usage (CF)						
All Customers	59,529,286	59,529,286	59,529,286	59,529,286	59,529,286	59,529,286
Total	**59,529,286**	**59,529,286**	**59,529,286**	**59,529,286**	**59,529,286**	**59,529,286**

Table 2-4 shows the projected raw water customers for the study period, differentiated between customers that are Inside District and Outside District. WRE received customer data from District staff for FY 2024; the District does not expect any growth in raw water customer accounts during the study period.

Table 2-4: Raw Water Customer Data

Customer Data (Raw Water)	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Inside District						
1/2 Miner's Inch (per bill)	63	63	63	63	63	63
Per 1 Miner's Inch (per MI/bill)	452	452	452	452	452	452
Total	**515**	**515**	**515**	**515**	**515**	**515**
Outside District						
1/2 Miner's Inch (per bill)	1	1	1	1	1	1
Per 1 Miner's Inch (per MI/bill)	7	7	7	7	7	7
Total	**8**	**8**	**8**	**8**	**8**	**8**

REVENUES FROM CURRENT RATES

Table 2-5 shows the calculated water rate revenues, based on the current treated water and raw water rates in **Table 2-1** and **Table 2-2** and customer data from **Table 2-3** and **Table 2-4**.

Monthly base charge revenues (Line 2-3) are calculated by multiplying the monthly base charge by the treated water accounts for 12 months out of the year. Raw water base charge revenues (Line 4) are calculated by multiplying the raw water base charge by the raw water customer accounts for 5 months out of the year. Supplemental charge revenues (Line 5) are calculated by multiplying the supplemental charges by the total number of treated water accounts, including low income accounts by 12 months. Usage rate revenues (Line 6) are calculated by multiplying the treated water usage in CF by the usage rate. Treated water revenues (Line 10) consist of the monthly base charge (Line 2), low income base charge (Line 3), and usage rate revenues (Line 6).

Table 2-5: Calculated Water Rate Revenues

Line	Calculated Revenues	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	**Rate Revenues**						
2	Monthly Base Charge	$1,397,002	$1,397,002	$1,397,002	$1,397,002	$1,397,002	$1,397,002
3	Low Income Base Charge	$31,127	$31,127	$31,127	$31,127	$31,127	$31,127
4	Raw Water Base Charge	$378,529	$378,529	$378,529	$378,529	$378,529	$378,529
5	Supplemental Charge	$684,753	$684,753	$684,753	$684,753	$684,753	$684,753
6	Usage Rate (per CF)	$1,595,385	$1,595,385	$1,595,385	$1,595,385	$1,595,385	$1,595,385
7	**Total**	**$4,086,796**	**$4,086,796**	**$4,086,796**	**$4,086,796**	**$4,086,796**	**$4,086,796**
8							
9	**Rate Revenue Summary**						
10	Treated Water	$3,023,514	$3,023,514	$3,023,514	$3,023,514	$3,023,514	$3,023,514
11	Raw Water (Irrigation)	$378,529	$378,529	$378,529	$378,529	$378,529	$378,529
12	Supplemental Charge	$684,753	$684,753	$684,753	$684,753	$684,753	$684,753
13	**Total**	**$4,086,796**	**$4,086,796**	**$4,086,796**	**$4,086,796**	**$4,086,796**	**$4,086,796**

REVENUE PROJECTIONS

Table 2-6 shows the water revenue projections for the study period. Water sales (Lines 1-3) and supplemental charges (Lines 15-16) are equal to the calculated treated water, raw water, and supplemental charge revenues (**Table 2-5**, Lines 10, 11, and 12), respectively. District staff provided budgeted revenue data for FY 2024 and FY 2025. Non-operating revenues (Lines 4-14) are projected to remain level after FY 2025, with the exception of interest income (Line 8), which is calculated using projected fund balances and a 1% interest rate.

Table 2-6: Water Revenue Projections

Line	Revenues	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	**Water Sales**						
2	Treated Water	$3,023,514	$3,023,514	$3,023,514	$3,023,514	$3,023,514	$3,023,514
3	Raw Water (Irrigation)	$378,529	$378,529	$378,529	$378,529	$378,529	$378,529
4	**Non-Operating**						
5	Penalties	$68,000	$80,000	$80,000	$80,000	$80,000	$80,000
6	Property Taxes	$2,000,000	$2,100,000	$2,100,000	$2,100,000	$2,100,000	$2,100,000
7	Leases	$80,000	$100,000	$100,000	$100,000	$100,000	$100,000
8	Interest Income	$250,000	$350,000	$49,369	$49,442	$49,092	$51,341
9	Meter Materials & Labor	$1,854	$5,000	$5,000	$5,000	$5,000	$5,000
10	Construction Meter Rental	$768	$2,500	$2,500	$2,500	$2,500	$2,500
11	New Meter Installation	$13,368	$20,000	$20,000	$20,000	$20,000	$20,000
12	Sale of Assets	$40,191	$20,000	$20,000	$20,000	$20,000	$20,000
13	SMUD	$110,000	$135,000	$135,000	$135,000	$135,000	$135,000
14	Hydro	$55,000	$55,000	$55,000	$55,000	$55,000	$55,000
15	**Supplemental Charge**						
16	Supplemental Charge	$684,753	$684,753	$684,753	$684,753	$684,753	$684,753
17	**Total - Revenues**	**$6,705,977**	**$6,954,296**	**$6,653,665**	**$6,653,738**	**$6,653,388**	**$6,655,637**

Table 2-7 provides a summary of water revenues for the study period, based on the detailed revenue projections (**Table 2-6**).

Table 2-7: Water Revenue Summary

Line	Revenue Summary	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	Water Sales	$3,402,043	$3,402,043	$3,402,043	$3,402,043	$3,402,043	$3,402,043
2	Hydro Revenues	$55,000	$55,000	$55,000	$55,000	$55,000	$55,000
3	Property Taxes	$2,000,000	$2,100,000	$2,100,000	$2,100,000	$2,100,000	$2,100,000
4	Non-Operating	$314,181	$362,500	$362,500	$362,500	$362,500	$362,500
5	Supplemental Charge	$684,753	$684,753	$684,753	$684,753	$684,753	$684,753
6	Interest Income	$250,000	$350,000	$49,369	$49,442	$49,092	$51,341
7	**Total - Revenues**	**$6,705,977**	**$6,954,296**	**$6,653,665**	**$6,653,738**	**$6,653,388**	**$6,655,637**

2.3 OPERATING EXPENSES

INFLATIONARY ASSUMPTIONS

WRE worked with District staff to determine the annual inflationary assumptions to apply to the District's O&M expense budget. District staff provided the budgeted O&M expenses for FY 2024 and FY 2025; all other years are projected based on the inflationary assumptions shown in **Table 2-8**.

Table 2-8: Water Expense Inflationary Assumptions

Expense Inflation	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
General	*Budgeted*	*Budgeted*	3%	3%	3%	3%
Salaries	*Budgeted*	*Budgeted*	8%	8%	4%	4%
Health Benefits	*Budgeted*	*Budgeted*	5%	5%	5%	5%
Utilities	*Budgeted*	*Budgeted*	5%	5%	5%	5%
Capital	*Budgeted*	*Budgeted*	4%	4%	4%	4%
Non-Inflated	*Budgeted*	*Budgeted*	0%	0%	0%	0%

OPERATING EXPENSE PROJECTIONS

Table 2-9 shows the summary of O&M expenses for each department from FY 2024 through FY 2029. Detailed O&M expenses are shown in **Table 6-1** in the Appendix.

Table 2-9: Water Operating Expense Summary

Line	Expense Summary	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	Source of Supply	$666,717	$725,456	$769,130	$815,827	$846,612	$878,589
2	Raw Water	$668,546	$670,878	$719,467	$771,770	$802,173	$833,785
3	Water Treatment	$851,897	$948,080	$1,005,803	$1,067,383	$1,112,513	$1,159,601
4	Treated Water T&D	$1,143,549	$1,181,142	$1,257,244	$1,338,796	$1,390,987	$1,445,258
5	Admin & Customer Service	$2,036,566	$2,118,997	$2,241,342	$2,371,939	$2,460,254	$2,551,948
6	**Total - Expenses**	**$5,367,275**	**$5,644,552**	**$5,992,986**	**$6,365,715**	**$6,612,539**	**$6,869,180**

2.4 DEBT SERVICE

EXISTING AND PROPOSED DEBT SERVICE

Table 2-10 shows the District's existing annual debt service payments. The District's water enterprise has two outstanding loans, both from the State Water Resources Control Board (SWRCB). One of the SRF Loans (Line 1) was used to fund projects related to advanced meter reading (AMR) and the Sweetwater Treatment Plant; these debt payments are funded via the supplemental charge and the restricted SWTP Supplemental Charge Fund. The other loan (Line 2) was used to fund projects related to the Walton Lake plant; these debt payments are funded via the State Revolving Fund.

Table 2-10: Existing Water Debt Service

Line	Existing Debt Service	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	SWRCB Loan (AMR and SWTP)	$587,357	$587,357	$587,357	$587,357	$587,357	$587,357
2	SWRCB Loan (Walton)	$25,058	$25,058	$25,058	$25,058	$25,058	$25,058
3	**Total - Existing Debt Service**	**$612,414**	**$612,414**	**$612,414**	**$612,414**	**$612,414**	**$612,414**

The District is not issuing new debt during the study period.

2.5 CAPITAL IMPROVEMENT PLAN

CAPITAL EXPENSE PROJECTIONS

Table 2-11 shows the projected CIP expenses for the study period, based on project type. Priority 1-3 projects are replacement CIP; reliability study CIP (Line 4) consists of raw water and distribution facility projects that were identified as part of the District's water reliability study. A detailed capital project list is included in **Table 6-2** in the Appendix. Capital projects are inflated for future years based on the Capital escalation factor (**Table 2-8**) starting in FY 2025. The District plans to cash-fund all capital projects, using water rates and/or reserves.

Table 2-11: Water Capital Expense Projections

Line	CIP Summary	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	Priority 1	$555,982	$446,004	$232,544	$101,238	$46,794	$0
2	Priority 2	$14,500	$215,280	$229,299	$412,825	$292,465	$0
3	Priority 3	$10,500	$10,400	$227,136	$236,221	$0	$0
4	Reliability Study CIP	$0	$0	$0	$0	$702,386	$702,386
5	**Total**	**$580,982**	**$671,684**	**$688,979**	**$750,284**	**$1,041,645**	**$702,386**

2.6 FINANCIAL POLICIES

RESERVE POLICY

The District's reserve policy maintains cash on hand to meet short-term cash imbalances, to execute CIP projects, and to respond to potential emergencies. The reserve target for the study period ranges from approximately $4.5 to $4.9 million in the District's unrestricted reserve funds.

The District's recommended reserve policy consists of the following components:

- Operating Reserve Target: 33% of annual operating expenses
- Capital Replacement Reserve Target: 100% of five-year average replacement CIP costs (Priority 1-3 projects)
- Emergency Reserve Target: $2 million

DEBT COVERAGE REQUIREMENT

The District's debt coverage requirement is 120% of annual debt service. To meet coverage requirements, net revenues (revenues less operating expenses) must be 120% or more of annual debt service.

2.7 STATUS QUO FINANCIAL PLAN

STATUS QUO FINANCIAL PLAN SCENARIO

Table 2-12 shows the status quo financial plan scenario, which assumes no revenue adjustments for the study period. This scenario is used to evaluate the ability of the current water rates to meet the District's financial targets and to determine the need for revenue adjustments[2].

Table 2-12: Water Revenue Adjustments (Status Quo)

Fiscal Year	Revenue Adjustments	Effective Month
FY 2025	0%	January
FY 2026	0%	January
FY 2027	0%	January
FY 2028	0%	January
FY 2029	0%	January

STATUS QUO CASH FLOW PROJECTIONS

Table 2-13 shows the cash flow projections for the status quo financial plan. Revenues[3] (Lines 1-9) are from **Table 2-7**. O&M expenses (Lines 11-17) are from **Table 2-9**. Net operating revenue (Line 19) is equal to revenues (Line 9) less O&M expenses (Line 17). Debt service (Lines 21-23) is from **Table 2-10**. Capital projects (Lines 25-27) are from **Table 2-11**. Net cash flow (Line 29) is equal to net operating revenue (Line 19) less debt service (Line 23) and capital projects (Line 27). Net cash flow is negative from FY 2026 to FY 2029, meaning that the District will draw from its reserves to fund its operating, debt, and capital costs.

[2] Note that revenue adjustments are not applied to supplemental charge revenues, which fund fixed SRF Loan payments, and thus do not need to be increased.

[3] Interest income (Line 8) is different in the status quo financial plan scenario because it is based on projected fund balances. The status quo scenario results in lower fund balances; therefore, the District has less projected interest income. **Table 2-7** shows the interest income for the proposed financial plan scenario.

Table 2-13: Water Cash Flow Projections (Status Quo)

Line	Cash Flow Projections	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	**Revenues**						
2	Rate Revenues at Existing Rates	$3,402,043	$3,402,043	$3,402,043	$3,402,043	$3,402,043	$3,402,043
3	Revenue Adjustments	$0	$0	$0	$0	$0	$0
4	Hydro Revenues	$55,000	$55,000	$55,000	$55,000	$55,000	$55,000
5	Property Taxes	$2,000,000	$2,100,000	$2,100,000	$2,100,000	$2,100,000	$2,100,000
6	Non-Operating	$314,181	$362,500	$362,500	$362,500	$362,500	$362,500
7	Supplemental Charge	$684,753	$684,753	$684,753	$684,753	$684,753	$684,753
8	Interest Income	$250,000	$370,668	$64,712	$56,288	$42,919	$27,138
9	**Subtotal - Revenues**	**$6,705,977**	**$6,974,964**	**$6,669,008**	**$6,660,584**	**$6,647,214**	**$6,631,434**
10							
11	**Expenses**						
12	Source of Supply	$666,717	$725,456	$769,130	$815,827	$846,612	$878,589
13	Raw Water	$668,546	$670,878	$719,467	$771,770	$802,173	$833,785
14	Water Treatment	$851,897	$948,080	$1,005,803	$1,067,383	$1,112,513	$1,159,601
15	Treated Water T&D	$1,143,549	$1,181,142	$1,257,244	$1,338,796	$1,390,987	$1,445,258
16	Admin & Customer Service	$2,036,566	$2,118,997	$2,241,342	$2,371,939	$2,460,254	$2,551,948
17	**Subtotal - Expenses**	**$5,367,275**	**$5,644,552**	**$5,992,986**	**$6,365,715**	**$6,612,539**	**$6,869,180**
18							
19	**Net Operating Revenue**	**$1,338,702**	**$1,330,412**	**$676,021**	**$294,868**	**$34,675**	**($237,746)**
20							
21	**Debt Service**						
22	Existing Debt Service	$612,414	$612,414	$612,414	$612,414	$612,414	$612,414
23	**Subtotal - Debt Service**	**$612,414**	**$612,414**	**$612,414**	**$612,414**	**$612,414**	**$612,414**
24							
25	**Capital Projects**						
26	Rate Funded CIP	$580,982	$671,684	$688,979	$750,284	$1,041,645	$702,386
27	**Subtotal - Capital Projects**	**$580,982**	**$671,684**	**$688,979**	**$750,284**	**$1,041,645**	**$702,386**
28							
29	**Net Cash Flow**	**$145,305**	**$46,313**	**($625,372)**	**($1,067,830)**	**($1,619,384)**	**($1,552,546)**

STATUS QUO FUND BALANCE PROJECTIONS

Table 2-14 shows the projected unrestricted water fund balances for the status quo scenario. Based on the sources (revenues) and uses (O&M expenses, debt service, and CIP) of funds, the District's fund balances will be negative at the end of FY 2029.

Table 2-14: Water Unrestricted Fund Balance Projections (Status Quo)

Line	Fund Balance Projections	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	**Unrestricted Water Funds**						
2	**Beginning Balance**	**$4,666,302**	**$4,739,269**	**$4,692,576**	**$3,973,268**	**$2,810,562**	**$1,095,354**
3							
4	**Sources of Funds**						
5	Rate Revenues at Existing Rates	$3,402,043	$3,402,043	$3,402,043	$3,402,043	$3,402,043	$3,402,043
6	Revenue Adjustments	$0	$0	$0	$0	$0	$0
7	Hydro Revenues	$55,000	$55,000	$55,000	$55,000	$55,000	$55,000
8	Property Taxes	$2,000,000	$2,100,000	$2,100,000	$2,100,000	$2,100,000	$2,100,000
9	Non-Operating	$314,181	$362,500	$362,500	$362,500	$362,500	$362,500
10	Interest Income	$250,000	$350,000	$43,114	$33,750	$19,432	$2,693
11	**Subtotal - Sources of Funds**	**$6,021,224**	**$6,269,543**	**$5,962,657**	**$5,953,294**	**$5,938,976**	**$5,922,237**
12							
13	**Uses of Funds**						
14	Source of Supply	$666,717	$725,456	$769,130	$815,827	$846,612	$878,589
15	Raw Water	$668,546	$670,878	$719,467	$771,770	$802,173	$833,785
16	Water Treatment	$851,897	$948,080	$1,005,803	$1,067,383	$1,112,513	$1,159,601
17	Treated Water T&D	$1,143,549	$1,181,142	$1,257,244	$1,338,796	$1,390,987	$1,445,258
18	Admin & Customer Service	$2,036,566	$2,118,997	$2,241,342	$2,371,939	$2,460,254	$2,551,948
19	Rate Funded CIP	$580,982	$671,684	$688,979	$750,284	$1,041,645	$702,386
20	**Subtotal - Uses of Funds**	**$5,948,257**	**$6,316,236**	**$6,681,965**	**$7,116,000**	**$7,654,184**	**$7,571,566**
21							
22	**Ending Balance**	**$4,739,269**	**$4,692,576**	**$3,973,268**	**$2,810,562**	**$1,095,354**	**($553,975)**

Table 2-15 shows the projected restricted water fund balances for the status quo scenario. The District's restricted water funds include the SWP Supplemental Charge Fund and the State Revolving Fund, which pay for the SWTP SWRCB Loan and the Walton SWRCB Loan, respectively.

Table 2-15: Water Restricted Fund Balance Projections (Status Quo)

Line	Fund Balance Projections	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	**SWTP Supplemental Charge Fund**						
2	**Beginning Balance**	**$811,476**	**$908,872**	**$1,015,844**	**$1,123,885**	**$1,233,007**	**$1,343,220**
3							
4	**Sources of Funds**						
5	Supplemental Charge	$684,753	$684,753	$684,753	$684,753	$684,753	$684,753
6	Interest Income	$0	$9,576	$10,645	$11,726	$12,817	$13,919
7	**Uses of Funds**						
8	SWRCB Loan (AMR and SWTP)	($587,357)	($587,357)	($587,357)	($587,357)	($587,357)	($587,357)
9							
10	**Ending Balance**	**$908,872**	**$1,015,844**	**$1,123,885**	**$1,233,007**	**$1,343,220**	**$1,454,535**
11							
12	**State Revolving Fund**						
13	**Beginning Balance**	**$1,146,817**	**$1,121,760**	**$1,107,794**	**$1,093,689**	**$1,079,443**	**$1,065,055**
14							
15	**Sources of Funds**						
16	Interest Income	$0	$11,092	$10,953	$10,812	$10,669	$10,525
17	**Uses of Funds**						
18	SWRCB Loan (Walton)	($25,058)	($25,058)	($25,058)	($25,058)	($25,058)	($25,058)
19							
20	**Ending Balance**	**$1,121,760**	**$1,107,794**	**$1,093,689**	**$1,079,443**	**$1,065,055**	**$1,050,522**

STATUS QUO FINANCIAL PERFORMANCE

The District's financial performance is evaluated based on the reserve policy targets and debt coverage requirements, as shown in **Table 2-16**. In the status quo scenario, the District will not meet its reserve target or its debt coverage requirement from FY 2026 to FY 2029.

Table 2-16: Water Financial Performance (Status Quo)

Line	Financial Performance	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	**Reserve Policy**						
2	Operating	$1,764,584	$1,855,743	$1,970,297	$2,092,838	$2,173,985	$2,258,361
3	Capital Replacement	$606,238	$606,238	$606,238	$606,238	$606,238	$606,238
4	Emergency	$2,000,000	$2,000,000	$2,000,000	$2,000,000	$2,000,000	$2,000,000
5	Combined Target	$4,370,821	$4,461,981	$4,576,535	$4,699,076	$4,780,223	$4,864,598
6	Unrestricted Reserves	$4,739,269	$4,692,576	$3,973,268	$2,810,562	$1,095,354	($553,975)
7	Meets Target?	Yes	Yes	No	No	No	No
8							
9	**Debt Coverage**						
10	Required Coverage	120%	120%	120%	120%	120%	120%
11	Calculated Coverage	219%	217%	110%	48%	6%	-39%
12	Meets Target?	Yes	Yes	No	No	No	No

Figure 2-1 shows the revenue requirements and revenues for the status quo scenario. The stacked bars represent the revenue requirements (costs). The solid line represents the current revenues without additional revenue adjustments. Current revenues are lower than revenue requirements, meaning that revenues are insufficient to fund necessary costs.

Figure 2-1: Water Revenue Requirements and Revenues (Status Quo)

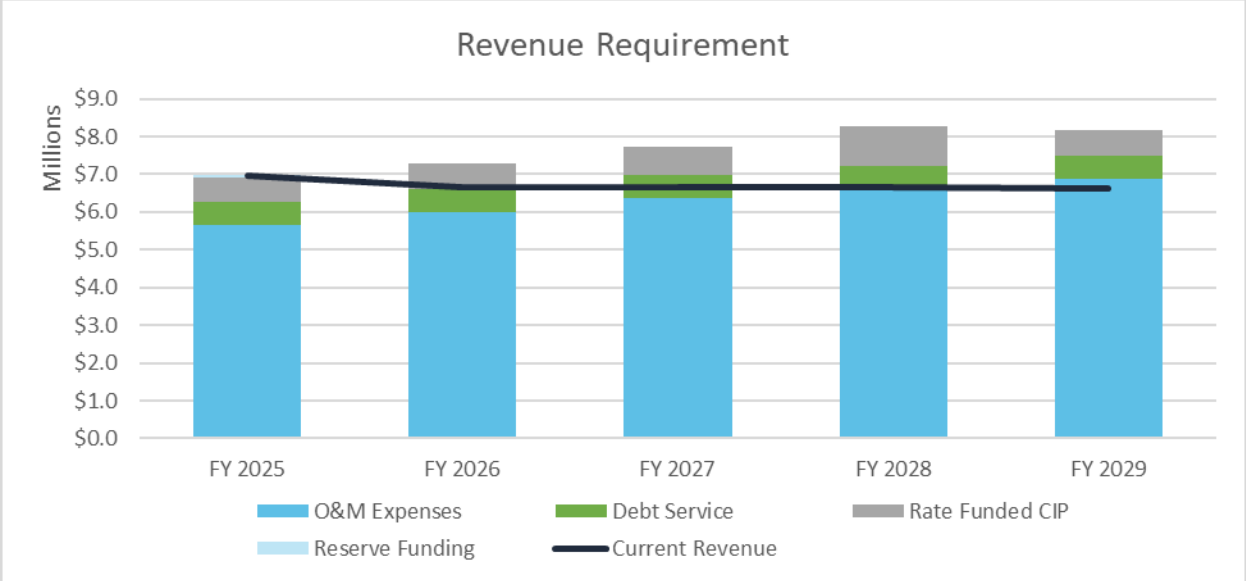


Figure 2-2 shows the projected debt coverage under the status quo scenario. Debt coverage is calculated by dividing the net operating revenue (revenues less O&M expenses) by annual debt service payments. The green line represents the calculated debt coverage of 120%; the dashed line represents the required debt coverage. In this scenario, the District will not meet its debt coverage requirements in FY 2026 and will be in technical default.

Figure 2-2: Water Debt Coverage Projections (Status Quo)

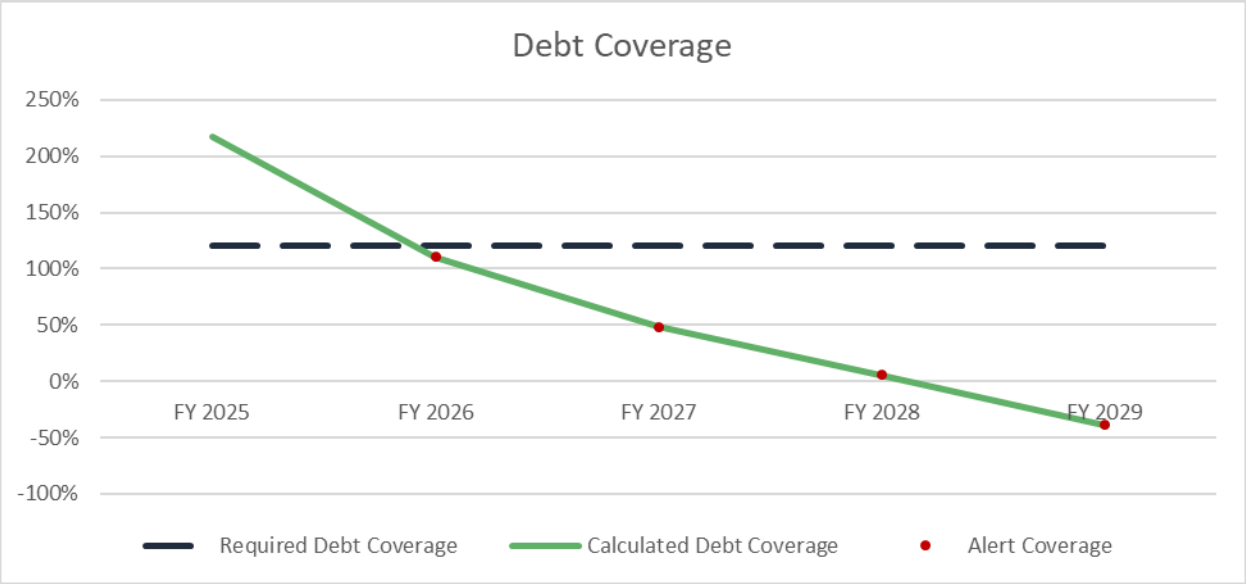
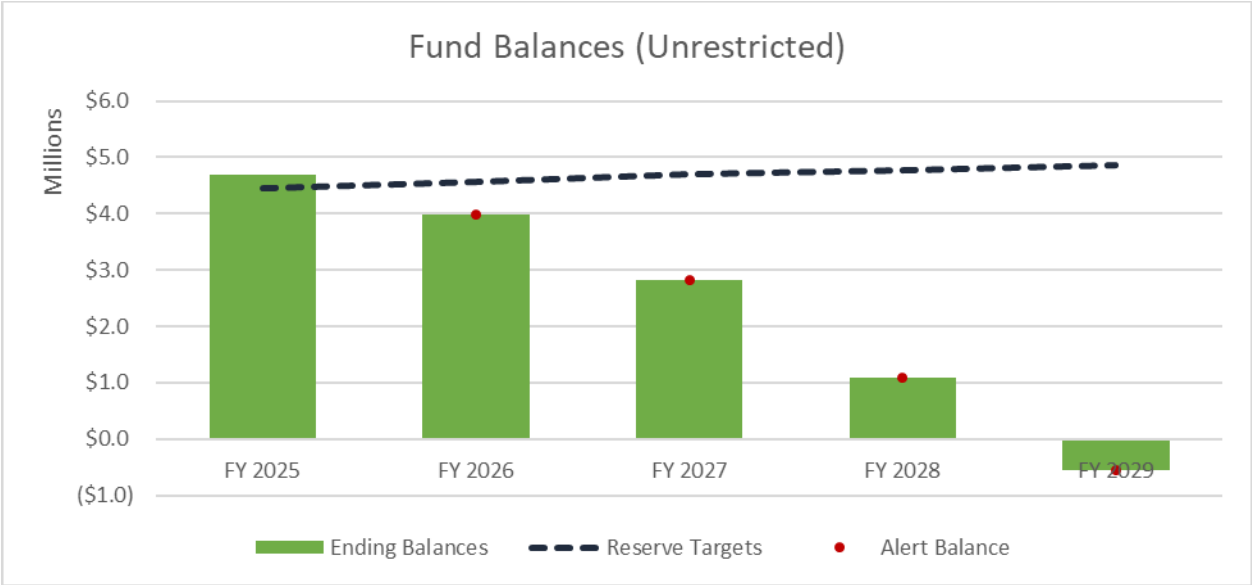


Figure 2-3 shows the projected fund balances under the status quo scenario. The green bars represent the ending balances for unrestricted funds, and the dashed line represents the reserve policy targets. In this scenario, the District will not meet its reserve targets at the end of FY 2026, and fund balances will be negative at the end of FY 2029.

Figure 2-3: Water Fund Balance Projections (Status Quo)



2.8 PROPOSED FINANCIAL PLAN

PROPOSED FINANCIAL PLAN SCENARIO

The proposed financial plan includes five years of revenue adjustments, as shown in **Table 2-17**. These adjustments are needed to maintain the District's financial sufficiency and were developed based on input and direction from the Board and District staff.

Table 2-17: Water Revenue Adjustments (Proposed)

Fiscal Year	Revenue Adjustments	Effective Month
FY 2025	15%	January
FY 2026	10%	January
FY 2027	10%	January
FY 2028	10%	January
FY 2029	10%	January

PROPOSED CASH FLOW PROJECTIONS

Table 2-18 shows the cash flow projections for the proposed financial plan. Revenues (Lines 1-9) are from **Table 2-7**. Revenue adjustments are based on **Table 2-17**. O&M expenses (Lines 11-17) are from **Table 2-9**. Net operating revenue (Line 19) is equal to revenues (Line 9) less O&M expenses (Line 17). Debt service (Lines 21-23) is from **Table 2-10**. Capital projects (Lines 25-27) are from **Table 2-11**. Net cash flow (Line 29) is equal to net operating revenue (Line 19) less debt service (Line 23) and capital projects (Line 27). Net cash flow is positive for all years, meaning that the District will add to its reserves to meet its policy targets.

Table 2-18: Water Cash Flow Projections (Proposed)

Line	Cash Flow Projections	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	**Revenues**						
2	Rate Revenues at Existing Rates	$3,402,043	$3,402,043	$3,402,043	$3,402,043	$3,402,043	$3,402,043
3	Revenue Adjustments	$0	$262,458	$726,134	$1,148,691	$1,613,504	$2,124,798
4	Hydro Revenues	$55,000	$55,000	$55,000	$55,000	$55,000	$55,000
5	Property Taxes	$2,000,000	$2,100,000	$2,100,000	$2,100,000	$2,100,000	$2,100,000
6	Non-Operating	$314,181	$362,500	$362,500	$362,500	$362,500	$362,500
7	Supplemental Charge	$684,753	$684,753	$684,753	$684,753	$684,753	$684,753
8	Interest Income	$250,000	$370,668	$70,967	$71,980	$72,578	$75,786
9	**Subtotal - Revenues**	**$6,705,977**	**$7,237,422**	**$7,401,396**	**$7,824,966**	**$8,290,378**	**$8,804,880**
10							
11	**Expenses**						
12	Source of Supply	$666,717	$725,456	$769,130	$815,827	$846,612	$878,589
13	Raw Water	$668,546	$670,878	$719,467	$771,770	$802,173	$833,785
14	Water Treatment	$851,897	$948,080	$1,005,803	$1,067,383	$1,112,513	$1,159,601
15	Treated Water T&D	$1,143,549	$1,181,142	$1,257,244	$1,338,796	$1,390,987	$1,445,258
16	Admin & Customer Service	$2,036,566	$2,118,997	$2,241,342	$2,371,939	$2,460,254	$2,551,948
17	**Subtotal - Expenses**	**$5,367,275**	**$5,644,552**	**$5,992,986**	**$6,365,715**	**$6,612,539**	**$6,869,180**
18							
19	**Net Operating Revenue**	**$1,338,702**	**$1,592,870**	**$1,408,410**	**$1,459,251**	**$1,677,839**	**$1,935,700**
20							
21	**Debt Service**						
22	Existing Debt Service	$612,414	$612,414	$612,414	$612,414	$612,414	$612,414
23	**Subtotal - Debt Service**	**$612,414**	**$612,414**	**$612,414**	**$612,414**	**$612,414**	**$612,414**
24							
25	**Capital Projects**						
26	Rate Funded CIP	$580,982	$671,684	$688,979	$750,284	$1,041,645	$702,386
27	**Subtotal - Capital Projects**	**$580,982**	**$671,684**	**$688,979**	**$750,284**	**$1,041,645**	**$702,386**
28							
29	**Net Cash Flow**	**$145,305**	**$308,771**	**$107,017**	**$96,552**	**$23,780**	**$620,900**

PROPOSED FUND BALANCE PROJECTIONS

Table 2-19 shows the projected unrestricted water fund balances for the proposed scenario. Based on the sources (revenues) and uses (O&M expenses, debt service, and CIP) of funds, the District's fund balances will grow to approximately $5.4 million by the end of FY 2029.

Table 2-19: Water Unrestricted Fund Balance Projections (Proposed)

Line	Fund Balance Projections	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	**Unrestricted Water Funds**						
2	**Beginning Balance**	**$4,666,302**	**$4,739,269**	**$4,955,034**	**$4,968,115**	**$4,969,791**	**$4,897,747**
3							
4	**Sources of Funds**						
5	Rate Revenues at Existing Rates	$3,402,043	$3,402,043	$3,402,043	$3,402,043	$3,402,043	$3,402,043
6	Revenue Adjustments	$0	$262,458	$726,134	$1,148,691	$1,613,504	$2,124,798
7	Hydro Revenues	$55,000	$55,000	$55,000	$55,000	$55,000	$55,000
8	Property Taxes	$2,000,000	$2,100,000	$2,100,000	$2,100,000	$2,100,000	$2,100,000
9	Non-Operating	$314,181	$362,500	$362,500	$362,500	$362,500	$362,500
10	Interest Income	$250,000	$350,000	$49,369	$49,442	$49,092	$51,341
11	**Subtotal - Sources of Funds**	**$6,021,224**	**$6,532,001**	**$6,695,046**	**$7,117,676**	**$7,582,139**	**$8,095,683**
12							
13	**Uses of Funds**						
14	Source of Supply	$666,717	$725,456	$769,130	$815,827	$846,612	$878,589
15	Raw Water	$668,546	$670,878	$719,467	$771,770	$802,173	$833,785
16	Water Treatment	$851,897	$948,080	$1,005,803	$1,067,383	$1,112,513	$1,159,601
17	Treated Water T&D	$1,143,549	$1,181,142	$1,257,244	$1,338,796	$1,390,987	$1,445,258
18	Admin & Customer Service	$2,036,566	$2,118,997	$2,241,342	$2,371,939	$2,460,254	$2,551,948
19	Rate Funded CIP	$580,982	$671,684	$688,979	$750,284	$1,041,645	$702,386
20	**Subtotal - Uses of Funds**	**$5,948,257**	**$6,316,236**	**$6,681,965**	**$7,116,000**	**$7,654,184**	**$7,571,566**
21							
22	**Ending Balance**	**$4,739,269**	**$4,955,034**	**$4,968,115**	**$4,969,791**	**$4,897,747**	**$5,421,864**

Table 2-20 shows the projected restricted water fund balances for the proposed scenario. The District's restricted water funds include the SWP Supplemental Charge Fund and the State Revolving Fund, which pay for the SWTP SWRCB Loan and the Walton SWRCB Loan, respectively. The restricted fund balance projections are the same in the status quo and the proposed scenarios because supplemental charge revenues (Line 5) are not subject to revenue adjustments.

Table 2-20: Water Restricted Fund Balance Projections (Proposed)

Line	Fund Balance Projections	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	**SWTP Supplemental Charge Fund**						
2	**Beginning Balance**	**$811,476**	**$908,872**	**$1,015,844**	**$1,123,885**	**$1,233,007**	**$1,343,220**
3							
4	**Sources of Funds**						
5	Supplemental Charge	$684,753	$684,753	$684,753	$684,753	$684,753	$684,753
6	Interest Income	$0	$9,576	$10,645	$11,726	$12,817	$13,919
7	**Uses of Funds**						
8	SWRCB Loan (AMR and SWTP)	($587,357)	($587,357)	($587,357)	($587,357)	($587,357)	($587,357)
9							
10	**Ending Balance**	**$908,872**	**$1,015,844**	**$1,123,885**	**$1,233,007**	**$1,343,220**	**$1,454,535**
11							
12	**State Revolving Fund**						
13	**Beginning Balance**	**$1,146,817**	**$1,121,760**	**$1,107,794**	**$1,093,689**	**$1,079,443**	**$1,065,055**
14							
15	**Sources of Funds**						
16	Interest Income	$0	$11,092	$10,953	$10,812	$10,669	$10,525
17	**Uses of Funds**						
18	SWRCB Loan (Walton)	($25,058)	($25,058)	($25,058)	($25,058)	($25,058)	($25,058)
19							
20	**Ending Balance**	**$1,121,760**	**$1,107,794**	**$1,093,689**	**$1,079,443**	**$1,065,055**	**$1,050,522**

PROPOSED FINANCIAL PERFORMANCE

The District's financial performance is evaluated based on the reserve policy targets and debt coverage requirements, as shown in **Table 2-21**. In the proposed scenario, the District will meet its reserve target and its debt coverage requirement for all years of the study period.

Table 2-21: Water Financial Performance (Proposed)

Line	Financial Performance	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	**Reserve Policy**						
2	Operating	$1,764,584	$1,855,743	$1,970,297	$2,092,838	$2,173,985	$2,258,361
3	Capital Replacement	$606,238	$606,238	$606,238	$606,238	$606,238	$606,238
4	Emergency	$2,000,000	$2,000,000	$2,000,000	$2,000,000	$2,000,000	$2,000,000
5	Combined Target	$4,370,821	$4,461,981	$4,576,535	$4,699,076	$4,780,223	$4,864,598
6	Unrestricted Reserves	$4,739,269	$4,955,034	$4,968,115	$4,969,791	$4,897,747	$5,421,864
7	Meets Target?	Yes	Yes	Yes	Yes	Yes	Yes
8							
9	**Debt Coverage**						
10	Required Coverage	120%	120%	120%	120%	120%	120%
11	Calculated Coverage	219%	260%	230%	238%	274%	316%
12	Meets Target?	Yes	Yes	Yes	Yes	Yes	Yes

Figure 2-4 shows the revenue requirements and revenues for the proposed scenario. The stacked bars represent the revenue requirements (costs). The solid line represents the current revenues without additional revenue adjustments. Current revenues are lower than revenue requirements, meaning that current revenues are insufficient to fund necessary costs. The dashed line represents the proposed revenues with the adjustments from **Table 2-17**, which are sufficient to fund costs.

Figure 2-4: Water Revenue Requirements and Revenues (Proposed)

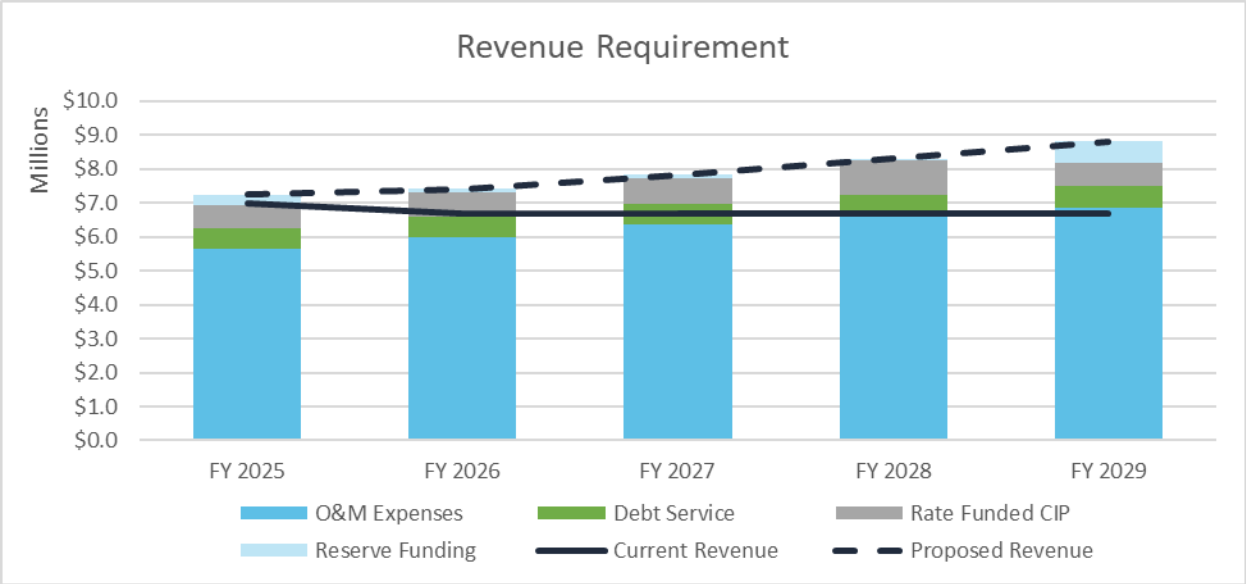


Figure 2-5 shows the projected debt coverage under the proposed scenario. In this scenario, the District will meet its debt coverage requirements each year.

Figure 2-5: Water Debt Coverage Projections (Proposed)

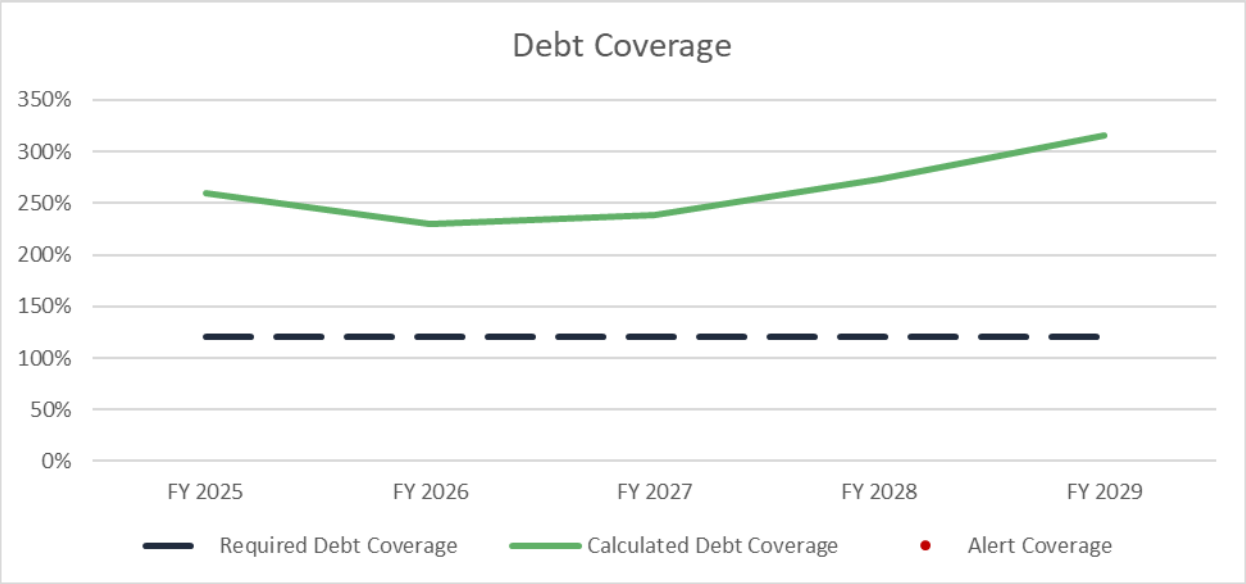
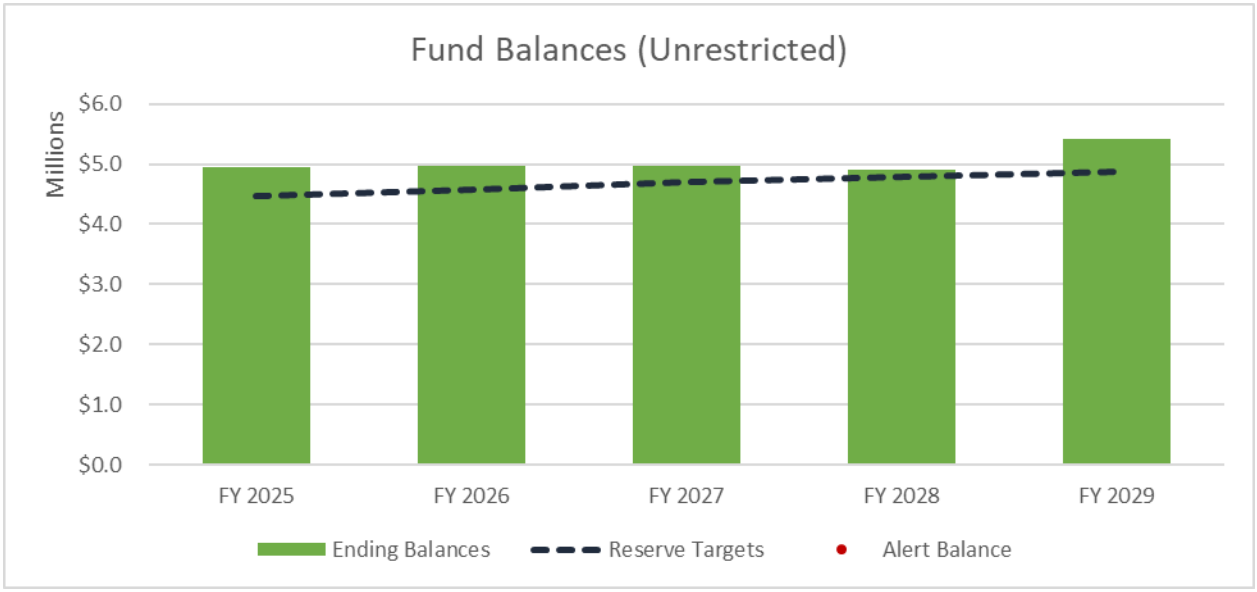


Figure 2-6 shows the projected fund balances under the proposed scenario. In this scenario, the District will meet its reserve targets for all years of the study period.

Figure 2-6: Water Fund Balance Projections (Proposed)



3. WATER COST-OF-SERVICE AND RATES

3.1 COST-OF-SERVICE METHODOLOGY

A cost-of-service analysis was conducted to allocate the proposed FY 2024 rate revenue requirement to customers in proportion to use of and burden on the District's water system. The overall goal of the cost-of-service analysis is to develop "unit costs," which provide the basis from which proposed rates are directly calculated from. Note that although the study period spans five years, the cost-of-service analysis is limited to a single representative year referred to as the "test year." The test year in this study is FY 2024.

The cost-of-service analysis is "revenue neutral," meaning that the resulting cost-of-service based rates collect the same amount of revenue as the District expects to collect in FY 2024. The revenue neutral unit costs determine revenue neutral rates, which are then adjusted based on the proposed financial plan increases to arrive at the proposed water rates for five years. All values presented in this section pertain to FY 2024 and are revenue neutral unless stated otherwise.

The key steps in conducting a cost-of-service analysis are outlined below:

- **Revenue requirement determination**: The total rate revenue requirement for the test year is determined based on the results of the proposed financial plan, allocated between treated and raw water based on the appropriate allocation bases, and divided into primary sub-components (operating, capital, etc.).
- **Cost functionalization**: Operating and capital costs are evaluated and assigned to "functional categories" in the water system (e.g., customer service, water supply, distribution, etc.). This provides a proportional breakdown of system costs by functional category.
- **Revenue requirement allocation to cost causation components**: Functionalized costs are allocated to "cost causation components" (e.g., water supply, meter, customer, etc.), which is used to attribute customers' use of the system to the costs incurred by the District.
- **Unit cost development**: The rate revenue requirement allocation for each individual cost causation component is divided by the appropriate units of service to establish unit costs for the test year. Unit costs provide the basis from which proposed rates are calculated.

3.2 REVENUE REQUIREMENT

OVERALL REVENUE REQUIREMENT

Table 3-1 shows the overall revenue requirement in FY 2024 for both treated and raw water combined. Operating requirement (Line 1) is equal to O&M expenses (**Table 2-18**, Line 17). Operating revenue offset (Line 2) is equal to non-rate revenues, except hydro and property taxes (**Table 2-18**, Line 6 and 8). Walton debt service (Line 4) and SWTP debt service (Line 5) is equal to existing debt service (**Table 2-10**). Hydro revenue offset (Line 6) and property tax revenue offset (Line 7) is equal to the correlating revenues (**Table 2-18**, Line 4 and 5). Capital requirement (Line 3) is equal to the

remaining revenue requirement. The total revenue requirement (Line 8) is equal to the rate revenues at current rates (**Table 2-5**).

Table 3-1: Water Overall Revenue Requirement (FY 2024)

Line	Revenue Requirement	FY 2024
1	Operating Requirement	$5,367,275
2	Operating Revenue Offset	($564,181)
3	Capital Requirement	$726,287
4	Walton Debt Service	$25,058
5	SWTP Debt Service	$587,357
6	Hydro Revenue Offset	($55,000)
7	Property Tax Revenue Offset	($2,000,000)
8	**Total - Revenue Requirement**	**$4,086,796**

ALLOCATION BASES

Table 3-2 shows the water usage for treated and raw water customers converted to acre-feet[4] (AF). Raw water MI is calculated based on 154 service days to get the total MI per year.

Table 3-2: Water Usage in AF

Annual Water Usage (AF)	Treated	Raw	Total
Treated Water (CF)	59,529,286	0	59,529,286
Raw Water (MI)	0	75,614	75,614
Conversion to AF			
Treated Water	1,367	0	1,367
Raw Water	0	3,749	3,749
Total - Water Usage (AF)	**1,367**	**3,749**	**5,116**

Table 3-3 shows the allocation bases used to allocate the various revenue requirement components between treated and raw water customers. The allocation bases include:

- **Number of connections**: number of accounts associated with each service
- **Annual water usage**: annual water usage in AF from **Table 3-2**
- **Reliable usage**: annual water usage with a reliability factor applied to treated water. Treated water customers receive a reliable source of water from the District, whereas raw water service can be turned off during periods of low water supply. Raw water customers typically receive water for five months of each year; the reliability factor that is applied to treated water customers is seven, which represents the number of months in a year that treated water has access to water compared to raw water customers. The reliability factor is a policy decision that is used to quantify reduced reliability in water deliveries to each type of customer.

[4] 1 AF = 43,560 CF or 20.17 MI

Table 3-3: Water Cost Allocation Bases

Allocation Basis	Treated	Raw	Total
Number of Connections	3,784	539	4,323
Annual Water Usage (AF)	1,367	3,749	5,116
Reliable Usage (AF)	9,566	3,749	13,316
Percent Allocation			
Number of Connections	88%	12%	100%
Annual Water Usage (AF)	27%	73%	100%
Reliable Usage (AF)	72%	28%	100%

O&M EXPENSE ALLOCATION

Table 3-4 shows the O&M expense allocation between treated and raw water. Source of supply and raw water (Lines 1-2) are allocated based on reliable usage. Water treatment and treatment transmission and distribution (T&D) (Lines 3-4) are allocated entirely to treated, since raw water customers do not use treated water. Administrative and customer service costs (Line 5) are allocated based on number of connections, since these costs do not often vary with water usage.

Table 3-4: Water O&M Expense Allocation

Line	O&M Expenses	FY 2024	Alloc. Basis	Treated	Raw	Total
1	Source of Supply	$666,717	Reliable Usage	72%	28%	100%
2	Raw Water	$668,546	Reliable Usage	72%	28%	100%
3	Water Treatment	$851,897	All Treated	100%	0%	100%
4	Treated Water T&D	$1,143,549	All Treated	100%	0%	100%
5	Admin & Customer Service	$2,036,566	Connections	88%	12%	100%
6	**Total - O&M Expenses**	**$5,367,275**		**88%**	**12%**	**100%**
7						
8	Source of Supply	$666,717	Reliable Usage	$478,981	$187,735	$666,717
9	Raw Water	$668,546	Reliable Usage	$480,296	$188,250	$668,546
10	Water Treatment	$851,897	All Treated	$851,897	$0	$851,897
11	Treated Water T&D	$1,143,549	All Treated	$1,143,549	$0	$1,143,549
12	Admin & Customer Service	$2,036,566	Connections	$1,782,643	$253,923	$2,036,566
13	**Total - O&M Expenses**	**$5,367,275**		**$4,737,366**	**$629,909**	**$5,367,275**

CAPITAL ASSET ALLOCATION

Table 3-5 shows the capital asset allocation between treated and raw water. It is standard practice in most water cost-of-service studies to functionalize current capital assets rather than planned CIP costs, since the latter can fluctuate more significantly from year to year. The current capital asset base provides a more stable representation of long-term capital needs and their associated costs. The asset valuation methodology used in this study is Replacement Cost Less Depreciation (RCLD), which takes both inflation and depreciation of the District's water system into account.

General and administrative assets (Line 1) are allocated based on the number of connections. Hydroelectric assets (Line 2) are allocated based on water usage, since these assets do not vary with level of reliability in water service. Source of supply and raw water T&D assets (Lines 3-4) are allocated based on reliable usage. Treated water T&D and treatment assets are allocated entirely to treated water.

Table 3-5: Water Capital Asset Allocation

Line	Capital Assets	FY 2024	Alloc. Basis	Treated	Raw	Total
1	General & Administration	$670,039	Connections	88%	12%	100%
2	Hydroelectric	$135,360	Water Usage	27%	73%	100%
3	Source & Supply	$38,351,901	Reliable Usage	72%	28%	100%
4	Raw Water T&D	$4,439,506	Reliable Usage	72%	28%	100%
5	Treated Water T&D	$10,806,718	All Treated	100%	0%	100%
6	Treatment	$18,385,899	All Treated	100%	0%	100%
7	**Total - Capital Assets**	**$72,789,422**		**83%**	**17%**	**100%**
8						
9	General & Administration	$670,039	Connections	$586,497	$83,542	$670,039
10	Hydroelectric	$135,360	Water Usage	$36,157	$99,203	$135,360
11	Source & Supply	$38,351,901	Reliable Usage	$27,552,703	$10,799,197	$38,351,901
12	Raw Water T&D	$4,439,506	Reliable Usage	$3,189,422	$1,250,084	$4,439,506
13	Treated Water T&D	$10,806,718	All Treated	$10,806,718	$0	$10,806,718
14	Treatment	$18,385,899	All Treated	$18,385,899	$0	$18,385,899
15	**Total - Capital Assets**	**$72,789,422**		**$60,557,397**	**$12,232,026**	**$72,789,422**

REVENUE REQUIREMENT ALLOCATION

Table 3-6 shows the overall revenue requirement (**Table 3-1**) allocated between treated and raw water. The operating requirement and revenue offset (Lines 1-2) are allocated by the O&M expense allocation percentage (**Table 3-4**, Line 6). The capital requirement (Line 3) is allocated by the capital asset allocation percentage (**Table 3-5**, Line 7). Walton and SWTP debt service (Lines 4-5) are allocated entirely to treated water. Hydro revenue offsets (Line 6) are allocated to water usage, and property tax revenue offsets (Line 7) are allocated based on number of connections.

The overall water revenue requirement, by applying these allocation bases, is then allocated between treated water and raw water service (Line 17), which represents the amount of rate revenue that must be recovered from the cost-of-service (revenue neutral) rates calculated for the two services.

Table 3-6: Water Revenue Requirement Allocation

Line	Revenue Requirement	FY 2024	Alloc. Basis	Treated	Raw	Total
1	Operating Requirement	$5,367,275	Operating	88%	12%	100%
2	Operating Revenue Offset	($564,181)	Operating	88%	12%	100%
3	Capital Requirement	$726,287	Capital	83%	17%	100%
4	Walton Debt Service	$25,058	All Treated	100%	0%	100%
5	SWTP Debt Service	$587,357	All Treated	100%	0%	100%
6	Hydro Revenue Offset	($55,000)	Water Usage	27%	73%	100%
7	Property Tax Revenue Offset	($2,000,000)	Connections	88%	12%	100%
8	**Total - Revenue Requirement**	**$4,086,796**		**90%**	**10%**	**100%**
9						
10	Operating Requirement	$5,367,275	Operating	$4,737,366	$629,909	$5,367,275
11	Operating Revenue Offset	($564,181)	Operating	($497,968)	($66,213)	($564,181)
12	Capital Requirement	$726,287	Capital	$604,237	$122,050	$726,287
13	Walton Debt Service	$25,058	All Treated	$25,058	$0	$25,058
14	SWTP Debt Service	$587,357	All Treated	$587,357	$0	$587,357
15	Hydro Revenue Offset	($55,000)	Water Usage	($14,692)	($40,308)	($55,000)
16	Property Tax Revenue Offset	($2,000,000)	Connections	($1,750,636)	($249,364)	($2,000,000)
17	**Total - Revenue Requirement**	**$4,086,796**		**$3,690,722**	**$396,074**	**$4,086,796**

3.3 TREATED WATER REVENUE REQUIREMENT

Table 3-7 shows the treated water revenue requirement (**Table 3-6**), which is then allocated between different categories. Operating requirements and revenue offsets (Lines 1-2) are under Operating. Capital requirements and Walton debt service (Lines 3-4) are under Capital. SWTP debt service (Line 5) is under SWTP debt. Finally, hydro and property tax revenue offsets (Line 6-7) are under Revenue Offsets.

Table 3-7: Treated Water Revenue Requirement (FY 2024)

Line	Revenue Requirement	Operating	Capital	SWTP Debt	Revenue Offsets	Treated Water
1	Operating Requirement	$4,737,366	$0	$0	$0	$4,737,366
2	Operating Revenue Offset	($497,968)	$0	$0	$0	($497,968)
3	Capital Requirement	$0	$604,237	$0	$0	$604,237
4	Walton Debt Service	$0	$25,058	$0	$0	$25,058
5	SWTP Debt Service	$0	$0	$587,357	$0	$587,357
6	Hydro Revenue Offset	$0	$0	$0	($14,692)	($14,692)
7	Property Tax Revenue Offset	$0	$0	$0	($1,750,636)	($1,750,636)
8	**Total - Revenue Requirement**	**$4,239,398**	**$629,295**	**$587,357**	**($1,765,328)**	**$3,690,722**

3.4 TREATED WATER COST ALLOCATION

FUNCTIONAL CATEGORIES

The next step in the cost-of-service analysis is to allocate treated water costs into various functional categories. These categories include:

- **Source of Supply**: costs of supplying local water to serve the District's customers
- **Raw Water**: costs of transmission and distribution of raw water supply
- **Water Treatment**: costs of treating water to potable standards
- **Treated Water T&D**: costs of transmission and distribution of treated water
- **Administrative & Customer**: costs related to administrative functions and customer service
- **Hydroelectric**: costs related to hydroelectric assets
- **SWTP Debt Service**: costs of annual SWTP debt service
- **Revenue Offset**: hydroelectric revenues and property tax revenues
- **General**: costs that are not directly attributable to any other functional category

FUNCTIONAL COST ALLOCATION

While the functional categories represent the costs of system functions, cost causation components represent the reasons for why and how those costs are incurred within the system (thus, cost causation). Cost causation components will be referred to as cost components in this report. The next step of the cost-of-service analysis is to allocate the Operating, Capital, SWTP Debt, and Revenue Offsets in the functional categories between the cost components, most of which directly correspond to a single functional category.

The cost components for treated water, shown in **Table 3-8**, include the following:

- **Meter**: a portion of treated water T&D costs is related to meter maintenance and capacity (based on asset listing)
- **Customer**: a portion of administrative and customer costs is related to customer service and billing
- **SWTP Debt**: directly corresponds with SWTP debt service costs
- **Supply**: directly corresponds with the Source of Supply functional category
- **Base**[5]: directly corresponds with raw water and water treatment category
- **Revenue Offset**: directly corresponds with Revenue Offset category
- **General**: directly corresponds with General category

[5] The Base cost component is typically defined as a cost associated with delivering water to customers during average water demand conditions. Since the District does not have tiers (and therefore does not require a peaking analysis), most of the costs associated with delivering water to customers (raw water T&D, water treatment) are allocated to Base.

Table 3-8: Treated Water Functional Cost Allocation

Line	System Functions	Allocation	Meter	Customer	SWTP Debt	Supply	Base	Revenue Offset	General	Total
1	Source of Supply	Supply				100%				100%
2	Raw Water	Base					100%			100%
3	Water Treatment	Base					100%			100%
4	Treated Water T&D	Meter/Base	19%				81%			100%
5	Admin & Customer	Customer/Gen		10%					90%	100%
6	Hydroelectric	General							100%	100%
7	SWTP Debt Service	SWTP			100%					100%
8	Revenue Offset	Rev. Offset						100%		100%
9	General	General							100%	100%

O&M EXPENSE ALLOCATION

Table 3-9 shows the O&M expense allocation for treated water to the various cost components. Treated water O&M expenses (matches allocated values from **Table 3-4**) are allocated to the cost components based on the system function and the functional cost allocation from **Table 3-8**.

Table 3-9: Treated Water O&M Expense Allocation

Line	O&M Expenses	Function	Meter	Customer	SWTP Debt	Supply	Base	Revenue Offset	General	Treated Water
1	Source of Supply	Source of Supply				$478,981				$478,981
2	Raw Water	Raw Water					$480,296			$480,296
3	Water Treatment	Water Treatment					$851,897			$851,897
4	Treated Water T&D	Treated Water T&D	$220,507				$923,042			$1,143,549
5	Admin & Customer Service	Admin & Customer		$178,264					$1,604,379	$1,782,643
6	**Total - O&M Expenses**		**$220,507**	**$178,264**	**$0**	**$478,981**	**$2,255,235**	**$0**	**$1,604,379**	**$4,737,366**
7	***Operating Allocation***		***5%***	***4%***	***0%***	***10%***	***48%***	***0%***	***34%***	***100%***

CAPITAL ASSET ALLOCATION

Table 3-10 shows the capital asset allocation for treated water to the various cost components. Treated water assets (matches allocated values from **Table 3-5**) are allocated to the cost components based on the system function and the functional cost allocation from **Table 3-8**.

Table 3-10: Treated Water Capital Asset Allocation

Line	Capital Assets	Function	Meter	Customer	SWTP Debt	Supply	Base	Revenue Offset	General	Treated Water
1	General & Admin	Admin & Customer		$58,650					$527,847	$586,497
2	Hydroelectric	Hydroelectric							$36,157	$36,157
3	Source & Supply	Source of Supply				$27,552,703				$27,552,703
4	Raw Water T&D	Raw Water					$3,189,422			$3,189,422
5	Treated Water T&D	Treated Water T&D	$2,083,823				$8,722,895			$10,806,718
6	Treatment	Water Treatment					$18,385,899			$18,385,899
7	**Total - Capital Assets**		**$2,083,823**	**$58,650**	**$0**	**$27,552,703**	**$30,298,216**	**$0**	**$564,005**	**$60,557,397**
8	***Capital Allocation***		***3%***	***0%***	***0%***	***45%***	***50%***	***0%***	***1%***	***100%***

REVENUE OFFSET ALLOCATION

Table 3-11 shows the allocation of hydro and property tax revenues into the cost components. The Revenue Offset component is used to offset certain rates based on policy objectives. Based on Proposition 218 requirements, not all revenues can be used in this capacity; property taxes are often used as revenue offsets since they are not derived from a specific treated water-related service provided by the District. Hydro revenues are allocated to the General cost component, which will be indirectly reallocated to the other cost components.

Table 3-11: Treated Water Revenue Offset Allocation

Line	Revenue Offset	Allocation	Meter	Customer	SWTP Debt	Supply	Base	Revenue Offset	General	Treated Water
1	Hydro Revenues	General							($14,692)	($14,692)
2	Property Taxes	Rev. Offset						($1,750,636)		($1,750,636)
3	**Total - Revenue Offsets**		**$0**	**$0**	**$0**	**$0**	**$0**	**($1,750,636)**	**($14,692)**	**($1,765,328)**

REVENUE REQUIREMENT ALLOCATION

Table 3-12 shows the treated water revenue requirement allocation based on cost component. The revenue requirement was previously allocated between Operating, Capital, SWTP Debt Service, and Revenue Offsets in **Table 3-7**. The operating requirement (Line 1) is allocated based on the O&M expense allocation percentage (**Table 3-9**, Line 7). The capital requirement (Line 2) is allocated based on the capital asset allocation percentage (**Table 3-10**, Line 8). SWTP debt service is allocated entirely to SWTP Debt (Line 3). Revenue Offsets (Line 4) were allocated to the cost components in **Table 3-11**.

General costs (Line 6) are then proportionately reallocated to the other cost components. Finally, 30% of Base costs are reallocated to Meter (Line 8). This allocation is to maintain the same percentage of fixed revenue recovery (currently 57% fixed revenues), which will provide a similar level of financial and rate stability for the District.

Table 3-12: Treated Water Revenue Requirement Allocation

Line	Revenue Requirement	Meter	Customer	SWTP Debt	Supply	Base	Revenue Offset	General	Treated Water
1	Operating Requirement	$197,328	$159,526	$0	$428,633	$2,018,176	$0	$1,435,735	$4,239,398
2	Capital Requirement	$21,654	$609	$0	$286,320	$314,850	$0	$5,861	$629,295
3	SWTP Debt Service	$0	$0	$587,357	$0	$0	$0	$0	$587,357
4	Revenue Offsets	$0	$0	$0	$0	$0	($1,750,636)	($14,692)	($1,765,328)
5	**Subtotal**	**$218,983**	**$160,136**	**$587,357**	**$714,953**	**$2,333,026**	**($1,750,636)**	**$1,426,904**	**$3,690,722**
6	General Reallocation	$91,175	$66,674	$0	$297,677	$971,377	$0	($1,426,904)	$0
7	**Subtotal**	**$310,158**	**$226,809**	**$587,357**	**$1,012,630**	**$3,304,403**	**($1,750,636)**	**$0**	**$3,690,722**
8	Base to Meter Reallocation	$1,004,539	$0	$0	$0	($1,004,539)	$0	$0	$0
9	**Total**	**$1,314,697**	**$226,809**	**$587,357**	**$1,012,630**	**$2,299,865**	**($1,750,636)**	**$0**	**$3,690,722**

3.5 TREATED WATER UNIT COSTS

EQUIVALENT METER UNITS

Costs related to meter capacity increase based on meter size. Therefore, equivalent meter units are calculated to provide a basis from which to allocate costs in proportion to meter size. Equivalent meter calculations are shown in **Table 3-13**.

Equivalent meters (EMUs) are calculated based on meter capacity ratios, which represent the safe operating capacity of a water meter relative to the base meter size. For this study, the base meter size is a 5/8" or 3/4" meter, which is the most common meter size in the District's system. Capacity in gallons per minute (gpm) is derived from the AWWA M1 Manual. EMUs are calculated by multiplying the number of meters in each meter size by the meter ratio. The annual units for meters and EMUs are based on 12 months in a year.

Table 3-13: Treated Water Equivalent Meter Units

Line	Meter Size	Capacity (gpm)	Meter Ratio	Meters	EMUs
1	5/8 inch	30	1.00	3,046	3,046
2	3/4 inch	30	1.00	439	439
3	1 inch	50	1.67	273	455
4	1.5 inch	100	3.33	13	43
5	2 inch	160	5.33	6	32
6	3 inch	350	11.67	2	23
7	4 inch	630	21.00	5	105
8	**Total - Treated Water**			**3,784**	**4,144**
9	**Annual Units**			**45,408**	**49,724**

WATER USAGE

Water usage in CF is derived from **Table 2-3** and is used to derive unit costs for the Supply and Base cost components.

UNIT COST CALCULATION

Table 3-14 shows the calculation of treated water unit costs based on cost component. The revenue requirement by cost component is derived from **Table 3-12**. The units of service for Meter and SWTP Debt (Lines 1 and 3) are annual EMUs (**Table 3-13**), since these costs will vary based on meter size. The units of service for Customer are bills per year (**Table 3-13**). The units of service for Supply and Base (Lines 4-5) are based on water usage in CF (**Table 2-3**). The unit cost for Revenue Offsets is determined in a later section.

Table 3-14: Treated Water Unit Costs

Line	Cost Component	Cost of Service	Units of Service	Units	Unit Cost
1	Meter	$1,314,697	49,724	EMUs/yr	$26.44
2	Customer	$226,809	45,408	bills/yr	$4.99
3	SWTP Debt	$587,357	49,724	EMUs/yr	$11.81
4	Supply	$1,012,630	59,529,286	CF	$0.0170
5	Base	$2,299,865	59,529,286	CF	$0.0386
6	Revenue Offset	($1,750,636)			
7	**Total - Revenue Requirement**	**$3,690,722**			

3.6 TREATED WATER RATE CALCULATION

PROPOSED RATE STRUCTURE CHANGES

Evaluating proposed modifications to the treated water rate structure involves analyzing the rate structure already in place. The District's current treated water rates include:

- **Monthly base charge**: Currently, meters that are 1" and smaller are charged the same monthly base charge. WRE recommends that the District separate the 1" meters and keep the 5/8" and 3/4" meters combined for the monthly base charges. 1" meters typically require more capacity in the water system. Within the District's water system, 5/8" and 3/4" meters serve similar customers with similar water demands.
- **Monthly low income base charge**: Currently, low income customers receive a 50% discount on their monthly base charges. WRE recommends that the District maintain the current 50% discount for low income customers.
- **Supplemental charge**: Currently, all treated water customers are charged a flat supplemental charge, which funds the District's SRF Loan for the SWTP project. WRE recommends that the District change its supplemental charge to be based on meter size. Larger meters require more capacity in the water system (especially as it pertains to treatment plant capacity), which should be reflected in the supplemental charges.
- **Uniform usage rate**: Currently, the usage rate is a uniform rate that is charged based on CF of usage. WRE does not recommend a change to the uniform usage rate structure.

MONTHLY BASE CHARGE

Table 3-15 shows the calculation for revenue neutral treated water monthly base charges. Revenue neutral rates are based on the FY 2024 revenue requirement and do not include the proposed revenue adjustments from the financial plan. The monthly base charge includes the Meter and Customer unit costs from **Table 3-14**. Meter costs vary based on meter size, so the Meter unit cost is multiplied by the meter ratio for each meter size. Customer costs do not vary based on meter size.

Table 3-15: Treated Water Monthly Base Charge (Revenue Neutral)

Line	Monthly Base Charge	Meter Ratio	Meter	Customer	Revenue Neutral Charge	Current Charge	Difference ($)	Difference (%)
1	5/8 inch	1.00	$26.44	$4.99	**$31.44**	$30.88	$0.56	1.8%
2	3/4 inch	1.00	$26.44	$4.99	**$31.44**	$30.88	$0.56	1.8%
3	1 inch	1.67	$44.07	$4.99	**$49.07**	$30.88	$18.19	58.9%
4	1.5 inch	3.33	$88.13	$4.99	**$93.13**	$102.92	($9.79)	-9.5%
5	2 inch	5.33	$141.01	$4.99	**$146.01**	$164.67	($18.66)	-11.3%
6	3 inch	11.67	$308.47	$4.99	**$313.47**	$329.34	($15.87)	-4.8%
7	4 inch	21.00	$555.24	$4.99	**$560.24**	$514.60	$45.64	8.9%

Table 3-16 shows the calculation for revenue neutral treated water low income monthly base charges. Revenue neutral rates are based on the FY 2024 revenue requirement and do not include the proposed revenue adjustments from the financial plan. The District's current low income discount is equal to 50% of the monthly base charges; the proposed rate structure maintains this discount percentage. The reduced revenue from the low income discount will be funded using revenue offsets.

Table 3-16: Treated Water Low Income Base Charge (Revenue Neutral)

Line	Low Income Base Charge	Base Charge	Discount	Revenue Neutral Charge	Current Charge	Meter Counts	Revenue Reduction
1	5/8 inch	$31.44	($15.72)	**$15.72**	$15.44	137	$25,839
2	3/4 inch	$31.44	($15.72)	**$15.72**	$15.44	24	$4,527
3	1 inch	$49.07	($24.53)	**$24.54**	$15.44	7	$2,061
4	**Total**						**$32,427**

SUPPLEMENTAL CHARGE

Table 3-17 shows the calculation for revenue neutral treated water supplemental charges, which include the SWTP Debt unit cost (**Table 3-14**). The SWTP Debt unit cost is multiplied by the meter ratio for each meter size.

Table 3-17: Treated Water Supplemental Charge (Revenue Neutral)

Line	Supplemental Charge	Meter Ratio	SWTP Debt	Revenue Neutral Charge	Current Charge	Difference ($)	Difference (%)
1	5/8 inch	1.00	$11.82	**$11.82**	$15.08	($3.26)	-21.6%
2	3/4 inch	1.00	$11.82	**$11.82**	$15.08	($3.26)	-21.6%
3	1 inch	1.67	$19.69	**$19.69**	$15.08	$4.61	30.6%
4	1.5 inch	3.33	$39.38	**$39.38**	$15.08	$24.30	161.1%
5	2 inch	5.33	$63.00	**$63.00**	$15.08	$47.92	317.8%
6	3 inch	11.67	$137.82	**$137.82**	$15.08	$122.74	813.9%
7	4 inch	21.00	$248.06	**$248.06**	$15.08	$232.98	1545.0%

USAGE RATE

Table 3-18 shows the calculation for revenue offsets that are available to be used to offset the usage rate. The total revenue offset (Line 1) is from **Table 3-14**, and then reduced by the low income discount from **Table 3-16**. The remaining revenue offset (Line 3) is divided by the treated water usage in CF (Line 4) to determine the revenue offset that is applied to the usage rate (Line 5).

Table 3-18: Treated Water Revenue Offset Calculation

Line	Revenue Offset	Calculation
1	Total Revenue Offset	($1,750,636)
2	Low Income Discount	$32,427
3	Remaining Revenue Offset	($1,718,210)
4	Treated Water Usage (CF)	59,529,286
5	**Revenue Offset for Usage Rate**	**($0.0289)**

Table 3-19 shows the revenue neutral treated water usage rate calculation. Revenue neutral rates are based on the FY 2024 revenue requirement and do not include the proposed revenue adjustments from the financial plan. The treated water usage rate includes the Supply and Base unit costs from **Table 3-14** and the Revenue Offset from **Table 3-18**.

Table 3-19: Treated Water Usage Rate (Revenue Neutral)

Usage Rate per CF	Supply	Base	Revenue Offset	Revenue Neutral Charge	Current Charge	Difference ($)	Difference (%)
Treated Water	$0.0170	$0.0386	($0.0289)	**$0.0268**	$0.0268	0.0%	0.0%

PROPOSED FIVE-YEAR RATE SCHEDULE

Table 3-20 shows the proposed revenue adjustments to be applied to the revenue neutral treated water rates, based on the proposed financial plan scenario. Note that the revenue adjustments are not applied to the supplemental charges, which recover fixed debt service costs for SWTP debt.

Table 3-20: Treated Water Revenue Adjustments

Fiscal Year	Revenue Adjustments	Effective Month
FY 2025	15%	January
FY 2026	10%	January
FY 2027	10%	January
FY 2028	10%	January
FY 2029	10%	January

Table 3-21, **Table 3-22**, and **Table 3-23** show the proposed five-year treated water rate schedules for the monthly base charges, supplemental charges, and usage rates, respectively. The revenue neutral rates for monthly base charges are from **Table 3-15** and are increased based on the revenue adjustments from **Table 3-20**. Supplemental charges do not change throughout the five-year period.

The revenue neutral usage rates are from **Table 3-19** and are increased by the revenue adjustments from **Table 3-20**.

Table 3-21: Proposed Treated Water Monthly Base Charges

Proposed Treated Water Rates	Rev. Neutral	Effective 1/1/2025	Effective 1/1/2026	Effective 1/1/2027	Effective 1/1/2028	Effective 1/1/2029
Monthly Base Charge						
5/8 inch	$31.44	$36.16	$39.78	$43.76	$48.14	$52.96
3/4 inch	$31.44	$36.16	$39.78	$43.76	$48.14	$52.96
1 inch	$49.07	$56.44	$62.09	$68.30	$75.13	$82.65
1.5 inch	$93.13	$107.10	$117.81	$129.60	$142.56	$156.82
2 inch	$146.01	$167.92	$184.72	$203.20	$223.52	$245.88
3 inch	$313.47	$360.50	$396.55	$436.21	$479.84	$527.83
4 inch	$560.24	$644.28	$708.71	$779.59	$857.55	$943.31
Low Income Base Charge						
5/8 inch	$15.72	$18.08	$19.89	$21.88	$24.07	$26.48
3/4 inch	$15.72	$18.08	$19.89	$21.88	$24.07	$26.48
1 inch	$24.54	$28.22	$31.05	$34.15	$37.57	$41.33

Table 3-22: Proposed Treated Water Supplemental Charges

Proposed Treated Water Rates	Rev. Neutral	Effective 1/1/2025	Effective 1/1/2026	Effective 1/1/2027	Effective 1/1/2028	Effective 1/1/2029
Supplemental Charge						
5/8 inch	$11.82	$11.82	$11.82	$11.82	$11.82	$11.82
3/4 inch	$11.82	$11.82	$11.82	$11.82	$11.82	$11.82
1 inch	$19.69	$19.69	$19.69	$19.69	$19.69	$19.69
1.5 inch	$39.38	$39.38	$39.38	$39.38	$39.38	$39.38
2 inch	$63.00	$63.00	$63.00	$63.00	$63.00	$63.00
3 inch	$137.82	$137.82	$137.82	$137.82	$137.82	$137.82
4 inch	$248.06	$248.06	$248.06	$248.06	$248.06	$248.06

Table 3-23: Proposed Treated Water Usage Rate

Proposed Treated Water Rates	Rev. Neutral	Effective 1/1/2025	Effective 1/1/2026	Effective 1/1/2027	Effective 1/1/2028	Effective 1/1/2029
Usage Rate (per CF)						
All Customers	$0.0268	$0.0309	$0.0340	$0.0374	$0.0412	$0.0454

CUSTOMER IMPACTS

Table 3-24 shows the customer impacts of the proposed treated water rate changes for a customer with a 5/8" meter using various amounts of water in CF per month. The District's customer base is mostly residential, and over 80% of customers have a 5/8" meter. An average customer using 1,300 CF per month of water will see a $7.35 increase in their monthly bill starting in January 2025.

Table 3-24: Treated Water Customer Impacts

Treated Water Customer	CF per month	Current Bill	Proposed Bill	Difference ($)	Difference (%)
Very Low Usage (10th Percentile)	119	$49.15	$51.66	$2.51	5.1%
Low Usage (25th Percentile)	335	$54.94	$58.33	$3.39	6.2%
Median Usage	660	$63.65	$68.37	$4.73	7.4%
Average Usage	1,300	$80.80	$88.15	$7.35	9.1%
High Usage (75th Percentile)	1,320	$81.34	$88.77	$7.43	9.1%
Very High Usage (90th Percentile)	2,633	$116.52	$129.34	$12.82	11.0%

3.7 RAW WATER REVENUE REQUIREMENT

Table 3-25 shows the raw water revenue requirement (**Table 3-6**), which is then allocated between different categories. Operating requirements and revenue offsets (Lines 1-2) are under Operating. Capital requirements (Line 3) are under Capital. Hydro and property tax revenue offsets (Line 4-5) are under Revenue Offsets.

Table 3-25: Raw Water Revenue Requirement (FY 2024)

Line	Revenue Requirement	Operating	Capital	Revenue Offset	Raw Water
1	Operating Requirement	$629,909	$0	$0	$629,909
2	Operating Revenue Offset	($66,213)	$0	$0	($66,213)
3	Capital Requirement	$0	$122,050	$0	$122,050
4	Hydro Revenue Offset	$0	$0	($40,308)	($40,308)
5	Property Tax Revenue Offset	$0	$0	($249,364)	($249,364)
6	**Total - Revenue Requirement**	**$563,696**	**$122,050**	**($289,672)**	**$396,074**

3.8 RAW WATER COST ALLOCATION

MINER'S INCHES ALLOCATION

Table 3-26 shows the allocation of MI demand for each customer type per year (equal to five months of demand for raw water customers). Customer data is from **Table 2-4**. For customers that are charged based on 1/2 miner's inches (Lines 2 and 7), the number of customers is multiplied by 0.5 to determine the demand in miner's inches. MI per year is calculated by multiplying the miner's inches by five months, which is equal to the number of months that raw water service is available to the District's customers.

Table 3-26: Raw Water Miner's Inches Allocation

Line	Raw Water Units of Service	Customers	Miner's Inches	MI/Year	Allocation
1	**Inside District**				
2	1/2 Miner's Inch (per bill)	63	31.5	157.5	6%
3	Per 1 Miner's Inch (per MI/bill)		452.0	2,260.0	92%
4	**Subtotal - Inside District**		**483.5**	**2,417.5**	**98%**
5					
6	**Outside District**				
7	1/2 Miner's Inch (per bill)	1	0.5	2.5	0%
8	Per 1 Miner's Inch (per MI/bill)		7.0	35.0	1%
9	**Subtotal - Outside District**		**7.5**	**37.5**	**2%**
10					
11	**Total - Miner's Inches**		**491.0**	**2,455.0**	**100%**

REVENUE REQUIREMENT ALLOCATION

Table 3-27 shows the raw water revenue requirement allocation between Inside District and Outside District customers. All revenue requirements except for property taxes (Lines 1-4) are allocated between the two customer types based on the percentage allocation of MI per year (**Table 3-26**). Outside District customers do not pay property taxes to the District, and thus do not receive an allocation for the property tax revenue offset Line 5).

Table 3-27: Raw Water Revenue Requirement Allocation

Line	Revenue Requirement	Raw Water	Alloc. Basis	Inside District	Outside District	Total Units
1	Operating Requirement	$629,909	MI/year	98%	2%	100%
2	Operating Revenue Offset	($66,213)	MI/year	98%	2%	100%
3	Capital Requirement	$122,050	MI/year	98%	2%	100%
4	Hydro Revenue Offset	($40,308)	MI/year	98%	2%	100%
5	Property Tax Revenue Offset	($249,364)	Inside only	100%	0%	100%
6	**Total - Revenue Requirement**	**$396,074**				
7						
8	Operating Requirement	$629,909	MI/year	$620,287	$9,622	$629,909
9	Operating Revenue Offset	($66,213)	MI/year	($65,201)	($1,011)	($66,213)
10	Capital Requirement	$122,050	MI/year	$120,186	$1,864	$122,050
11	Hydro Revenue Offset	($40,308)	MI/year	($39,693)	($616)	($40,308)
12	Property Tax Revenue Offset	($249,364)	Inside only	($249,364)	$0	($249,364)
13	**Total - Revenue Requirement**	**$396,074**		**$386,215**	**$9,859**	**$396,074**

3.9 RAW WATER UNIT COSTS

MINER'S INCHES

The units of service for raw water are based on miner's inches charged to each customer per month, which is from **Table 3-26**.

UNIT COST CALCULATION

Table 3-28 shows the raw water unit cost calculation for Inside District and Outside District customers. The revenue requirement for each customer type is from **Table 3-27**. The units of service are miner's inches, which are from **Table 3-26**. The unit cost per MI per month is equal to the revenue requirement (Line 6) divided by miner's inches (Line 8) divided by five months.

Table 3-28: Raw Water Unit Costs

Line	Revenue Requirement	Inside District	Outside District	Raw Water
1	Operating Requirement	$620,287	$9,622	$629,909
2	Operating Revenue Offset	($65,201)	($1,011)	($66,213)
3	Capital Requirement	$120,186	$1,864	$122,050
4	Hydro Revenue Offset	($39,693)	($616)	($40,308)
5	Property Tax Revenue Offset	($249,364)	$0	($249,364)
6	**Total - Revenue Requirement**	**$386,215**	**$9,859**	**$396,074**
7				
8	Miner's Inches	483.5	7.5	
9	**Unit Cost per MI per month**	**$159.76**	**$262.91**	

3.10 RAW WATER RATE CALCULATION

PROPOSED RATE STRUCTURE CHANGES

Evaluating proposed modifications to the raw water rate structure involves analyzing the rate structure already in place. The District's current raw water rates include:

- **Monthly base charge per MI**: Currently, all raw water customers pay the same rates based on MI per monthly bill for five months of each year. WRE recommends that the District maintain billing based on MI, but charge differentiated raw water rates for customers Inside District and Outside District. Outside District customers do not pay property taxes to the District but still receive water service. Since Outside District customers do not pay property taxes, they should not receive the benefit from revenue offsets that are derived from property tax revenues.

RAW WATER RATE

Table 3-29 shows the calculation of revenue neutral raw water rates for Inside District and Outside District customers. Revenue neutral rates are based on the FY 2024 revenue requirement and do not include the proposed revenue adjustments from the financial plan. The monthly charge per miner's

inch (Lines 3 and 6) are equal to the unit costs derived in **Table 3-28**. The charges for 1/2 miner's inches are equal to the unit cost divided by two.

Table 3-29: Raw Water Rates (Revenue Neutral)

Line	Raw Water Rates	Revenue Neutral Charge	Current Charge	Difference ($)	Difference (%)
1	**Inside District**				
2	1/2 Miner's Inch (per bill)	**$79.88**	$77.00	$2.88	3.7%
3	Per 1 Miner's Inch (per MI/bill)	**$159.76**	$154.20	$5.56	3.6%
4	**Outside District**				
5	1/2 Miner's Inch (per bill)	**$131.46**	$77.00	$54.46	70.7%
6	Per 1 Miner's Inch (per MI/bill)	**$262.91**	$154.20	$108.71	70.5%

PROPOSED FIVE-YEAR RATE SCHEDULE

Table 3-30 shows the proposed revenue adjustments to be applied to the revenue neutral raw water rates, based on the proposed financial plan scenario.

Table 3-30: Raw Water Revenue Adjustments

Fiscal Year	Revenue Adjustments	Effective Month
FY 2025	15%	January
FY 2026	10%	January
FY 2027	10%	January
FY 2028	10%	January
FY 2029	10%	January

Table 3-31 shows the proposed five-year rate schedule for raw water rates. The revenue neutral rates from **Table 3-29** are multiplied by the revenue adjustments in **Table 3-30** for each year of the study.

Table 3-31: Proposed Raw Water Rates

Proposed Raw Water Rates	Rev. Neutral	Effective 1/1/2025	Effective 1/1/2026	Effective 1/1/2027	Effective 1/1/2028	Effective 1/1/2029
Inside District						
1/2 Miner's Inch (per bill)	$79.88	$91.87	$101.06	$111.17	$122.29	$134.52
Per 1 Miner's Inch (per MI/bill)	$159.76	$183.73	$202.11	$222.33	$244.57	$269.03
Outside District						
1/2 Miner's Inch (per bill)	$131.46	$151.18	$166.30	$182.93	$201.23	$221.36
Per 1 Miner's Inch (per MI/bill)	$262.91	$302.35	$332.59	$365.85	$402.44	$442.69

CUSTOMER IMPACTS

Table 3-32 shows the customer impacts of the proposed raw water rate changes for Inside and Outside District customers. Approximately 99% of raw water customers are Inside District; these customers will see an increase of $29.53 per monthly bill per MI starting in January 2025.

Table 3-32: Raw Water Customer Impacts

Raw Water Customer	MI per month	Current Bill	Proposed Bill	Difference ($)	Difference (%)
Inside District	1	$154.20	$183.73	$29.53	19.2%
Outside District	1	$154.20	$302.35	$148.15	96.1%

4. ALT ZONE FINANCIAL PLAN

4.1 FINANCIAL PLAN METHODOLOGY

The purpose of a financial plan is to project revenues, expenses, cash flows, reserve balances, and debt coverage over a multi-year period to assess financial sufficiency and performance and to determine the amount of required rate revenue to meet those performance metrics. For this study, the planning period is from FY 2025 through FY 2029; data for FY 2024 are shown when needed to represent budgeted data inputs. The key steps in developing a financial plan are below:

- **Revenue projections:** Annual revenues from rates and other miscellaneous sources are projected over the planning period. Rate revenues are projected based on current rates to establish baseline revenues from which the need for additional rate increases can be evaluated.
- **Expense projections:** Annual expenses are projected over the study period, including O&M expenses, and CIP costs. CIP funding options (grants, debt, etc.) are evaluated.
- **Financial policy evaluation:** Key financial policies include debt coverage requirements and reserve targets. Debt coverage requirements are typically explicitly stated in official agreements on outstanding debt issuances. Reserve targets are typically set by an agency's elected officials and may need to be periodically evaluated and updated.
- **Status quo financial plan projections:** Cash flow, reserve balances, and debt coverage are projected over the study period in the absence of additional rate increases (this scenario is called the "status quo"). Projected reserve balances and debt coverage are then compared to the agency's financial policy requirements and targets. The status quo financial plan provides a baseline to evaluate the need for rate increases.
- **Proposed financial plan projections:** The magnitude and timing of annual proposed revenue increases over the study period are evaluated and determined based on the agency's financial policies, financial performance, and policy objectives. Proposed rate increases (referred to as "revenue adjustments") should generate sufficient revenue to recover the agency's expenses, maintain adequate reserves, and meet all debt coverage requirements. The proposed financial plan determines the total annual rate revenue requirement over the study period.

4.2 REVENUES

CURRENT ALT ZONE RATES

Table 4-1 shows the current ALT Zone rates, which include bi-monthly fees for CDS and non-CDS customers on developed and undeveloped lots.

Table 4-1: Current ALT Zone Rates

Current ALT Zone Rates	As of 7/1/2022
Bi-Monthly Fees - CDS	
Developed Lot	$99.77
Undeveloped Lot	$35.20
Bi-Monthly Fees - Non-CDS	
Developed Lot	$22.19
Undeveloped Lot	$19.35

CUSTOMER ACCOUNTS

Table 4-2 shows the projected ALT Zone customers for the study period, differentiated between CDS and non-CDS customers. WRE received customer data from District staff for FY 2024; the District does not expect any growth in ALT Zone customer accounts during the study period.

Table 4-2: ALT Zone Customer Accounts

Customer Accounts	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
CDS Customer						
Developed Lot	135	135	135	135	135	135
Undeveloped Lot	3	3	3	3	3	3
Total - CDS Customer	**138**	**138**	**138**	**138**	**138**	**138**
Non-CDS Customer						
Developed Lot	886	886	886	886	886	886
Undeveloped Lot	61	61	61	61	61	61
Total - Non-CDS Customer	**947**	**947**	**947**	**947**	**947**	**947**

REVENUES FROM CURRENT RATES

Table 4-3 shows the calculated ALT Zone rate revenues based on current rates. The current ALT Zone rates in **Table 4-1** are multiplied by the customer accounts in **Table 4-2** for six bi-monthly bills per year.

Table 4-3: Calculated ALT Zone Rate Revenues

Line	Calculated Revenues	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	CDS Customer	$81,447	$81,447	$81,447	$81,447	$81,447	$81,447
2	Non-CDS Customer	$125,044	$125,044	$125,044	$125,044	$125,044	$125,044
3	**Total - Rate Revenues**	**$206,491**	**$206,491**	**$206,491**	**$206,491**	**$206,491**	**$206,491**

REVENUE PROJECTIONS

Table 4-4 shows the projected ALT Zone revenues for the study period. District staff provided budgeted revenues for FY 2024 and FY 2025. Zone charges (Line 1) are from the calculations shown in **Table 4-3**. All non-rate revenue remain level from FY 2026 to FY 2029, with the exception of interest income (Line 3), which is calculated using projected fund balances and a 1% interest rate.

Table 4-4: ALT Zone Revenue Projections

Line	Revenues	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	Zone Charges	$206,491	$206,491	$206,491	$206,491	$206,491	$206,491
2	Escrow and Septic Design Fees	$15,500	$15,000	$15,000	$15,000	$15,000	$15,000
3	Interest Income	$10,000	$10,000	$5,081	$4,418	$3,817	$3,227
4	**Total - Revenues**	**$231,991**	**$231,491**	**$226,572**	**$225,909**	**$225,308**	**$224,718**

4.3 OPERATING EXPENSES

INFLATIONARY ASSUMPTIONS

WRE worked with District staff to determine the annual inflationary assumptions to apply to the District's O&M expense budget. District staff provided the budgeted O&M expenses for FY 2024 and FY 2025; all other years are projected based on the inflationary assumptions shown in **Table 4-5**.

Table 4-5: ALT Zone Expense Inflationary Assumptions

Expense Inflation	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
General	*Budgeted*	*Budgeted*	3%	3%	3%	3%
Salaries	*Budgeted*	*Budgeted*	4%	4%	4%	4%
Benefits	*Budgeted*	*Budgeted*	5%	5%	5%	5%
Utilities	*Budgeted*	*Budgeted*	5%	5%	5%	5%
Capital	*Budgeted*	*Budgeted*	4%	4%	4%	4%
Non-Inflated	*Budgeted*	*Budgeted*	0%	0%	0%	0%

OPERATING EXPENSE PROJECTIONS

Table 4-6 shows the O&M expense projections for the study period, which are inflated based on the assumptions in **Table 4-5**.

Table 4-6: ALT Zone Operating Expense Projections

Line	Expenses	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	**ALT Wastewater Zone**						
2	Salaries	$132,360	$168,209	$174,937	$181,935	$189,212	$196,781
3	Overtime	$1,272	$400	$416	$433	$450	$468
4	Payroll Taxes	$12,574	$15,980	$16,619	$17,284	$17,975	$18,694
5	Health Insurance	$38,850	$39,795	$41,785	$43,874	$46,068	$48,372
6	Insurance - Workers Comp.	$1,360	$2,435	$2,557	$2,685	$2,819	$2,960
7	PERS Retirement Expense	$9,884	$13,289	$13,953	$14,651	$15,384	$16,153
8	PERS UAL	$34,873	$45,518	$47,794	$50,183	$52,693	$55,327
9	Materials & Supplies	$5,800	$5,800	$5,974	$6,153	$6,338	$6,528
10	Durables/Rentals/Leases	$1,600	$1,200	$1,236	$1,273	$1,311	$1,351
11	Safety/PPE Supplies	$3,500	$2,900	$2,987	$3,077	$3,169	$3,264
12	Software/Licenses	$1,651	$715	$736	$759	$781	$805
13	Vehicle Maintenance	$1,550	$3,900	$4,017	$4,138	$4,262	$4,389
14	Vehicle Operating - Fuel	$5,000	$7,000	$7,210	$7,426	$7,649	$7,879
15	Professional Services	$99,000	$73,500	$75,705	$77,976	$80,315	$82,725
16	Insurance - General Liability	$5,309	$5,162	$5,317	$5,476	$5,641	$5,810
17	Staff Development/Training	$2,000	$2,669	$2,749	$2,832	$2,916	$3,004
18	Utilities	$12,250	$11,500	$12,075	$12,679	$13,313	$13,978
19	Government Regulation Fees	$56,250	$65,700	$67,671	$69,701	$71,792	$73,946
20	Capital Expense	$5,000	$0	$0	$0	$0	$0
21	**Total - Expenses**	**$430,083**	**$465,672**	**$483,739**	**$502,534**	**$522,088**	**$542,433**

4.4 CAPITAL IMPROVEMENT PLAN

CAPITAL EXPENSE PROJECTIONS

Table 4-7 shows the ALT Zone CIP costs for the study period. Starting in FY 2025, CIP costs are inflated by the Capital factor in **Table 4-5**. All ALT Zone projects are related to the CDS.

Table 4-7: ALT Zone Capital Expense Projections

Line	Capital Projects	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	**ALT Zone**						
2	Installation of Water Line to CDS Field	$0	$0	$10,816	$0	$0	$0
3	CDS Garage	$0	$13,520	$0	$0	$0	$0
4	Geo Pump	$0	$7,800	$0	$0	$0	$0
5	Water Trailer	$0	$11,440	$0	$0	$0	$0
6	Backhoe Attachment & Mini Excavator	$0	$20,800	$0	$0	$0	$0
7	**Total - Capital Projects**	**$0**	**$53,560**	**$10,816**	**$0**	**$0**	**$0**

4.5 FINANCIAL POLICIES

RESERVE POLICY

The District's reserve policy maintains cash on hand to meet short-term cash imbalances, to execute CIP projects, and to respond to potential emergencies. The reserve target for the study period ranges from approximately $200 to $240 thousand in the District's ALT Zone reserve funds.

The District's recommended reserve policy consists of the following components:

- Operating Reserve Target: 33% of annual operating expenses
- Capital Replacement Reserve Target: 100% of five-year average replacement CIP costs
- Emergency Reserve Target: $50 thousand

4.6 STATUS QUO FINANCIAL PLAN

STATUS QUO FINANCIAL PLAN SCENARIO

Table 4-8 shows the status quo financial plan scenario, which assumes no revenue adjustments for the study period. This scenario is used to evaluate the ability of the current ALT Zone rates to meet the District's financial targets and to determine the need for revenue adjustments.

Table 4-8: ALT Zone Revenue Adjustments (Status Quo)

Fiscal Year	Revenue Adjustments	Effective Month
FY 2025	0%	January
FY 2026	0%	January
FY 2027	0%	January
FY 2028	0%	January
FY 2029	0%	January

STATUS QUO CASH FLOW PROJECTIONS

Table 4-9 shows the cash flow projections for the status quo financial plan. Revenues[6] (Lines 1-6) are from **Table 4-4**. O&M expenses (Lines 8-10) are from **Table 4-6**. Net operating revenue (Line 12) is equal to revenues (Line 6) less O&M expenses (Line 10). Capital projects (Lines 14-16) are from **Table 4-7**. Net cash flow (Line 18) is equal to net operating revenue (Line 12) less capital projects (Line 16). Net cash flow is negative for all years, meaning that the District will draw from its reserves to fund its operating and capital costs.

[6] Interest income (Line 5) is different in the status quo financial plan scenario because it is based on projected fund balances. The status quo scenario results in lower fund balances; therefore, the District has less projected interest income. **Table 4-4** shows the interest income for the proposed financial plan scenario.

Table 4-9: ALT Zone Cash Flow Projections (Status Quo)

Line	Cash Flow Projections	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	**Revenues**						
2	Rate Revenues at Existing Rates	$206,491	$206,491	$206,491	$206,491	$206,491	$206,491
3	Revenue Adjustments	$0	$0	$0	$0	$0	$0
4	Escrow and Septic Design Fees	$15,500	$15,000	$15,000	$15,000	$15,000	$15,000
5	Interest Income	$10,000	$10,000	$3,173	$434	$0	$0
6	**Subtotal - Revenues**	**$231,991**	**$231,491**	**$224,665**	**$221,926**	**$221,491**	**$221,491**
7							
8	**Expenses**						
9	ALT Wastewater Zone	$430,083	$465,672	$483,739	$502,534	$522,088	$542,433
10	**Subtotal - Expenses**	**$430,083**	**$465,672**	**$483,739**	**$502,534**	**$522,088**	**$542,433**
11							
12	**Net Operating Revenue**	**($198,091)**	**($234,181)**	**($259,074)**	**($280,608)**	**($300,597)**	**($320,941)**
13							
14	**Capital Projects**						
15	Rate Funded CIP	$0	$53,560	$10,816	$0	$0	$0
16	**Subtotal - Capital Projects**	**$0**	**$53,560**	**$10,816**	**$0**	**$0**	**$0**
17							
18	**Net Cash Flow**	**($198,091)**	**($287,741)**	**($269,890)**	**($280,608)**	**($300,597)**	**($320,941)**

STATUS QUO FUND BALANCE PROJECTIONS

Table 4-10 shows the projected ALT Zone fund balances for the status quo scenario. Based on the sources (revenues) and uses (O&M expenses and CIP) of funds, the District's fund balances will be negative at the end of FY 2027.

Table 4-10: ALT Zone Fund Balance Projections (Status Quo)

Line	Fund Balance Projections	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	**Unrestricted Funds**						
2	**Beginning Balance**	**$939,672**	**$741,581**	**$453,840**	**$183,950**	**($96,659)**	**($397,256)**
3							
4	**Sources of Funds**						
5	Rate Revenues at Existing Rates	$206,491	$206,491	$206,491	$206,491	$206,491	$206,491
6	Revenue Adjustments	$0	$0	$0	$0	$0	$0
7	Escrow and Septic Design Fees	$15,500	$15,000	$15,000	$15,000	$15,000	$15,000
8	Interest Income	$10,000	$10,000	$3,173	$434	$0	$0
9	**Subtotal - Sources of Funds**	**$231,991**	**$231,491**	**$224,665**	**$221,926**	**$221,491**	**$221,491**
10							
11	**Uses of Funds**						
12	ALT Wastewater Zone	$430,083	$465,672	$483,739	$502,534	$522,088	$542,433
13	Rate Funded CIP	$0	$53,560	$10,816	$0	$0	$0
14	**Subtotal - Uses of Funds**	**$430,083**	**$519,232**	**$494,555**	**$502,534**	**$522,088**	**$542,433**
15							
16	**Ending Balance**	**$741,581**	**$453,840**	**$183,950**	**($96,659)**	**($397,256)**	**($718,197)**

STATUS QUO FINANCIAL PERFORMANCE

The District's financial performance is evaluated based on the reserve policy targets, as shown in **Table 4-11**. In the status quo scenario, the District will not meet its reserve target from FY 2026 to FY 2029.

Table 4-11: ALT Zone Financial Performance (Status Quo)

Line	Financial Performance	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	**Reserve Policy**						
2	Operating	$141,397	$153,098	$159,037	$165,217	$171,645	$178,334
3	Capital Replacement	$12,875	$12,875	$12,875	$12,875	$12,875	$12,875
4	Emergency	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000
5	Combined Target	$204,272	$215,973	$221,913	$228,092	$234,521	$241,209
6	Unrestricted Reserves	$741,581	$453,840	$183,950	($96,659)	($397,256)	($718,197)
7	Meets Target?	Yes	Yes	No	No	No	No

Figure 4-1 shows the revenue requirements and revenues for the status quo scenario. The stacked bars represent the revenue requirements (costs). The solid line represents the current revenues without additional revenue adjustments. Current revenues are lower than revenue requirements, meaning that revenues are insufficient to fund necessary costs.

Figure 4-1: ALT Zone Revenue Requirements and Revenues (Status Quo)

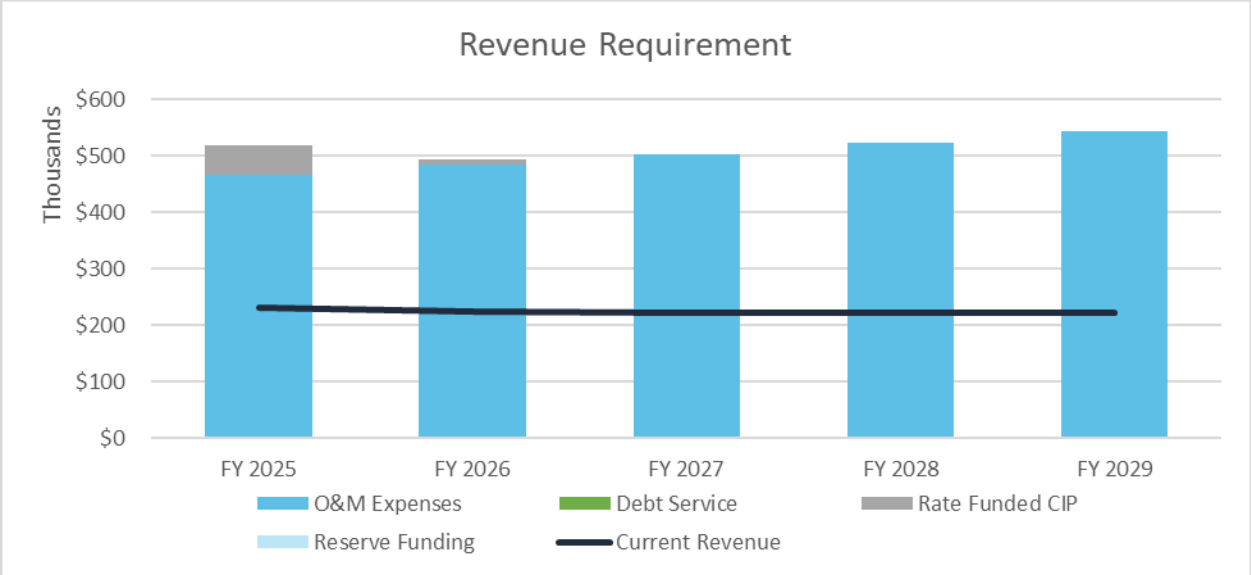
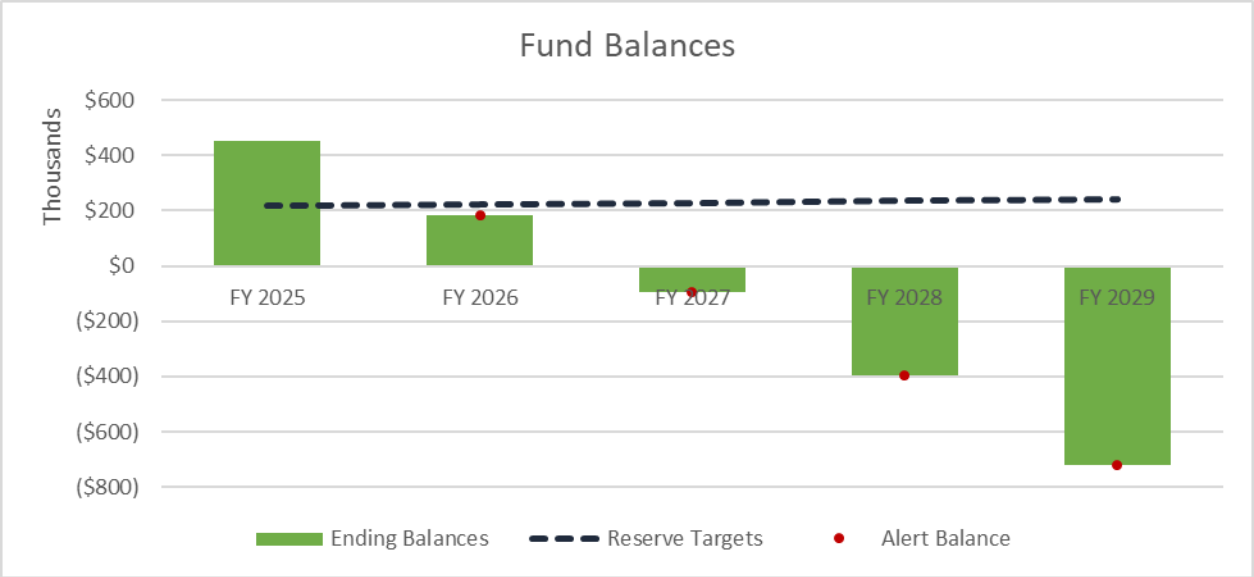


Figure 4-2 shows the projected fund balances under the status quo scenario. The green bars represent the ending balances for ALT Zone funds, and the dashed line represents the reserve policy targets. In this scenario, the District will not meet its reserve targets at the end of FY 2026, and fund balances will be negative at the end of FY 2027.

Figure 4-2: ALT Zone Fund Balance Projections (Status Quo)



4.7 PROPOSED FINANCIAL PLAN

PROPOSED FINANCIAL PLAN SCENARIO

The proposed financial plan includes five years of revenue adjustments, as shown in **Table 4-12**. These adjustments are needed to maintain the District's financial sufficiency and were developed based on input and direction from the Board and District staff.

Table 4-12: ALT Revenue Adjustments (Proposed)

Fiscal Year	Revenue Adjustments	Effective Month
FY 2025	90%	January
FY 2026	5%	January
FY 2027	5%	January
FY 2028	5%	January
FY 2029	5%	January

PROPOSED CASH FLOW PROJECTIONS

Table 4-13 shows the cash flow projections for the proposed financial plan. Revenues (Lines 1-6) are from **Table 4-4**. O&M expenses (Lines 8-10) are from **Table 4-6**. Net operating revenue (Line 12) is equal to revenues (Line 6) less O&M expenses (Line 10). Capital projects (Lines 14-16) are from **Table 4-7**. Net cash flow (Line 18) is equal to net operating revenue (Line 12) less capital projects (Line 16). Net cash flow is negative for all years. Despite the significant revenue adjustment in the first year, reserves are projected to be drawn down to cover operating and capital costs.

Table 4-13: ALT Zone Cash Flow Projections (Proposed)

Line	Cash Flow Projections	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	**Revenues**						
2	Rate Revenues at Existing Rates	$206,491	$206,491	$206,491	$206,491	$206,491	$206,491
3	Revenue Adjustments	$0	$92,921	$195,651	$215,758	$236,870	$259,038
4	Escrow and Septic Design Fees	$15,500	$15,000	$15,000	$15,000	$15,000	$15,000
5	Interest Income	$10,000	$10,000	$5,081	$4,418	$3,817	$3,227
6	**Subtotal - Revenues**	**$231,991**	**$324,413**	**$422,223**	**$441,667**	**$462,179**	**$483,757**
7							
8	**Expenses**						
9	ALT Wastewater Zone	$430,083	$465,672	$483,739	$502,534	$522,088	$542,433
10	**Subtotal - Expenses**	**$430,083**	**$465,672**	**$483,739**	**$502,534**	**$522,088**	**$542,433**
11							
12	**Net Operating Revenue**	**($198,091)**	**($141,260)**	**($61,516)**	**($60,867)**	**($59,910)**	**($58,676)**
13							
14	**Capital Projects**						
15	Rate Funded CIP	$0	$53,560	$10,816	$0	$0	$0
16	**Subtotal - Capital Projects**	**$0**	**$53,560**	**$10,816**	**$0**	**$0**	**$0**
17							
18	**Net Cash Flow**	**($198,091)**	**($194,820)**	**($72,332)**	**($60,867)**	**($59,910)**	**($58,676)**

PROPOSED FUND BALANCE PROJECTIONS

Table 4-14 shows the projected ALT Zone fund balances for the status quo scenario. Based on the sources (revenues) and uses (O&M expenses and CIP) of funds, the District's fund balances are projected to be positive for all years of the study period.

Table 4-14: ALT Zone Fund Balance Projections (Proposed)

Line	Fund Balance Projections	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	**Unrestricted Funds**						
2	**Beginning Balance**	**$939,672**	**$741,581**	**$546,761**	**$474,429**	**$413,562**	**$353,652**
3							
4	**Sources of Funds**						
5	Rate Revenues at Existing Rates	$206,491	$206,491	$206,491	$206,491	$206,491	$206,491
6	Revenue Adjustments	$0	$92,921	$195,651	$215,758	$236,870	$259,038
7	Escrow and Septic Design Fees	$15,500	$15,000	$15,000	$15,000	$15,000	$15,000
8	Interest Income	$10,000	$10,000	$5,081	$4,418	$3,817	$3,227
9	**Subtotal - Sources of Funds**	**$231,991**	**$324,413**	**$422,223**	**$441,667**	**$462,179**	**$483,757**
10							
11	**Uses of Funds**						
12	ALT Wastewater Zone	$430,083	$465,672	$483,739	$502,534	$522,088	$542,433
13	Rate Funded CIP	$0	$53,560	$10,816	$0	$0	$0
14	**Subtotal - Uses of Funds**	**$430,083**	**$519,232**	**$494,555**	**$502,534**	**$522,088**	**$542,433**
15							
16	**Ending Balance**	**$741,581**	**$546,761**	**$474,429**	**$413,562**	**$353,652**	**$294,976**

PROPOSED FINANCIAL PERFORMANCE

The District's financial performance is evaluated based on the reserve policy targets, as shown in **Table 4-15**. In the proposed scenario, the District will meet its reserve target for all years of the study period.

Table 4-15: ALT Zone Financial Performance (Proposed)

Line	Financial Performance	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	**Reserve Policy**						
2	Operating	$141,397	$153,098	$159,037	$165,217	$171,645	$178,334
3	Capital Replacement	$12,875	$12,875	$12,875	$12,875	$12,875	$12,875
4	Emergency	$50,000	$50,000	$50,000	$50,000	$50,000	$50,000
5	Combined Target	$204,272	$215,973	$221,913	$228,092	$234,521	$241,209
6	Unrestricted Reserves	$741,581	$546,761	$474,429	$413,562	$353,652	$294,976
7	Meets Target?	Yes	Yes	Yes	Yes	Yes	Yes

Figure 4-3 shows the revenue requirements and revenues for the proposed scenario. The stacked bars represent the revenue requirements (costs). The solid line represents the current revenues without additional revenue adjustments. Current revenues are lower than revenue requirements, meaning that current revenues are insufficient to fund necessary costs. The dashed line represents the proposed revenues with the adjustments from **Table 4-12**, which can fund more costs than current revenues.

Figure 4-3: ALT Zone Revenue Requirements and Revenues (Proposed)

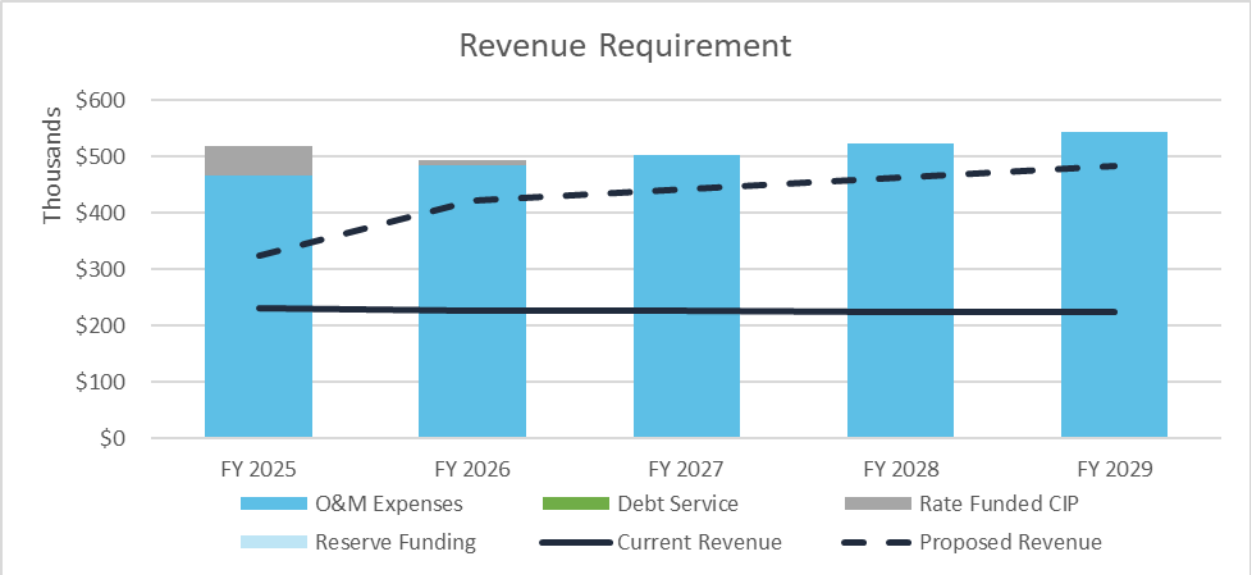
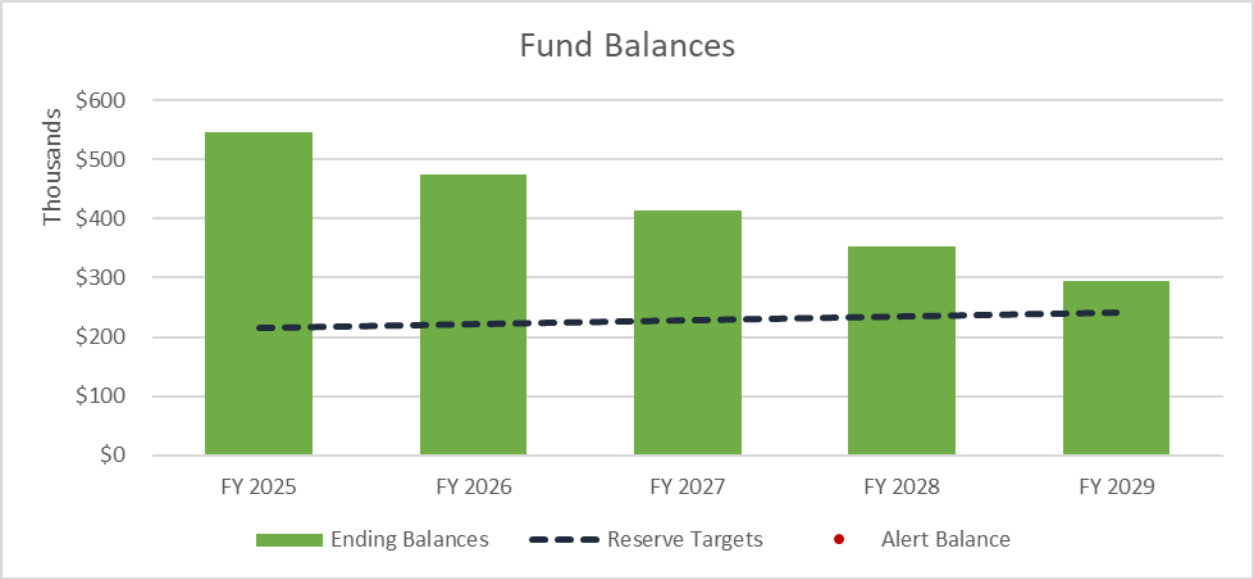


Figure 4-4 shows the projected fund balances under the proposed scenario. In this scenario, the District will meet its reserve targets for all years of the study period.

Figure 4-4: ALT Zone Fund Balance Projections (Proposed)



5. ALT ZONE COST-OF-SERVICE AND RATES

5.1 COST-OF-SERVICE METHODOLOGY

A cost-of-service analysis was conducted to allocate the proposed FY 2024 rate revenue requirement to customers in proportion to use of and burden on the District's ALT Zone system. The overall goal of the cost-of-service analysis is to develop "unit costs," which provide the basis from which proposed rates are directly calculated from. Note that although the study period spans five years, the cost-of-service analysis is limited to a single representative year referred to as the "test year." The test year in this study is FY 2024.

The cost-of-service analysis is "revenue neutral," meaning that the resulting cost-of-service based rates collect the same amount of revenue as the District expects to collect in FY 2024. The revenue neutral unit costs determine revenue neutral rates, which are then adjusted based on the proposed financial plan increases to arrive at the proposed ALT Zone rates for five years. All values presented in this section pertain to FY 2024 and are revenue neutral unless stated otherwise.

The key steps in conducting a cost-of-service analysis are outlined below:

- **Revenue requirement determination**: The total rate revenue requirement for the test year is determined based on the results of the proposed financial plan and divided into primary sub-components (operating, capital, etc.).
- **Cost functionalization**: Operating and capital costs are evaluated and assigned to "functional categories" in the ALT Zone system. This provides a proportional breakdown of system costs by functional category.
- **Revenue requirement allocation to cost causation components**: Functionalized costs are allocated to "cost causation components," which are used to attribute customers' use of the system to the costs incurred by the District.
- **Unit cost development**: The rate revenue requirement allocation for each individual cost causation component is divided by the appropriate units of service to establish unit costs for the test year. Unit costs provide the basis from which proposed rates are calculated.

5.2 ALT ZONE COST ALLOCATION

REVENUE REQUIREMENT

Table 5-1 shows the ALT Zone revenue requirement for FY 2024 allocated between Operating and Capital. The percentage allocation between Operating and Capital is based on the five-year average ALT Zone expenses, from FY 2025 to FY 2029. Five-year average costs are used to allocate the FY 2024 revenue requirement because there are no CIP costs in FY 2024. The five-year average represents the average annual costs for capital investment, which should be recovered through the ALT Zone rate structure. The total revenue requirement for FY 2024 (Line 8) is equal to the rate revenues for that year (**Table 4-14**, Line 5).

Table 5-1: ALT Zone Revenue Requirement (FY 2024)

Line	Revenue Requirement	Operating	Capital	Total
1	**5-Year Average Expenses (FY 2025-29)**			
2	O&M Expenses	$503,293	$0	$503,293
3	Debt Service	$0	$0	$0
4	Rate Funded CIP	$0	$12,875	$12,875
5	**Total**	**$503,293**	**$12,875**	**$516,168**
6	***% of Costs***	***98%***	***2%***	***100%***
7				
8	**Revenue Requirement - FY 2024**	**$201,341**	**$5,151**	**$206,491**

COST COMPONENTS

The functional categories and cost components for the ALT Zone system are the same (meaning that all functional categories correlate to the same cost component) and include the following:

- **CDS O&M**: O&M costs associated with CDS customers
- **Non-CDS O&M**: O&M costs associated with non-CDS customers
- **Permit Management**: O&M costs associated with permit management and regulatory compliance for the entire ALT Zone system
- **CIP**: costs associated with CDS-related CIP

OPERATING EXPENSE ALLOCATION

Table 5-2 shows the allocation of O&M Expenses between the O&M-related cost components (CDS O&M, Non-CDS O&M, and Permit Management). WRE worked closely with District staff to determine the percentage allocation of each expense line item between the three cost components based on staff's understanding of the ALT Zone system functions. To maintain consistency with the revenue requirement in **Table 5-1**, the five-year average expenses from FY 2025 through FY 2029 are used to determine the operating allocation (Line 22).

Table 5-2: ALT Zone Operating Expense Allocation

Line	Expenses	5-year Average	CDS O&M	Non-CDS O&M	Permit Mgmt.	Total
1	**ALT Wastewater Zone (Dept. 6100)**					
2	Salaries	$182,215	20%	65%	15%	100%
3	Overtime	$433	100%	0%	0%	100%
4	Payroll Taxes	$17,311	20%	65%	15%	100%
5	Health Insurance	$43,979	20%	65%	15%	100%
6	Insurance - Workers Comp.	$2,691	20%	65%	15%	100%
7	PERS Retirement Expense	$14,686	20%	65%	15%	100%
8	PERS UAL	$50,303	20%	65%	15%	100%
9	Materials & Supplies	$6,159	13%	87%	0%	100%
10	Durables/Rentals/Leases	$1,274	0%	0%	100%	100%
11	Safety/PPE Supplies	$3,079	13%	87%	0%	100%
12	Software/Licenses	$759	13%	87%	0%	100%
13	Vehicle Maintenance	$4,141	75%	25%	0%	100%
14	Vehicle Operating - Fuel	$7,433	75%	25%	0%	100%
15	Professional Services	$78,044	25%	0%	75%	100%
16	Insurance - General Liability	$5,481	13%	87%	0%	100%
17	Staff Development/Training	$2,834	13%	87%	0%	100%
18	Utilities	$12,709	100%	0%	0%	100%
19	Government Regulation Fees	$69,762	25%	0%	75%	100%
20	Capital Expense	$0	100%	0%	0%	100%
21	**Total - Expenses**	**$503,293**	**$123,340**	**$221,146**	**$158,807**	**$503,293**
22	***Operating Allocation***		***25%***	***44%***	***32%***	***100%***

REVENUE REQUIREMENT ALLOCATION

Table 5-3 shows the revenue requirement allocation to all cost components, based on the Operating and Capital revenue requirements from **Table 5-1**. The Operating revenue requirement is allocated based on the operating percentage allocation in **Table 5-2** to the three O&M cost components. The Capital revenue requirement is allocated entirely to the CIP cost component.

Table 5-3: ALT Zone Revenue Requirement Allocation

Line	Revenue Requirement	CDS O&M	Non-CDS O&M	Permit Mgmt.	CIP	Total
1	Operating Revenue Requirement	25%	44%	32%	0%	100%
2	Capital Revenue Requirement	0%	0%	0%	100%	100%
3						
4	Operating Revenue Requirement	$49,342	$88,469	$63,530	$0	$201,341
5	Capital Revenue Requirement	$0	$0	$0	$5,151	$5,151
6	**Total**	**$49,342**	**$88,469**	**$63,530**	**$5,151**	**$206,491**

5.3 ALT ZONE UNIT COSTS

UNITS OF SERVICE

The units of service used to calculate ALT Zone unit costs and rates are based on number of customers in each group, as shown in **Table 5-4**. The District serves four types of customers in the ALT Zone system: CDS customers with developed lots, CDS customers with undeveloped lots, non-CDS customers with developed lots, and non-CDS customers with undeveloped lots.

Table 5-4: ALT Zone Customers

Line	Customer Accounts	No. of Customers
1	**CDS Customer**	
2	Developed Lot	135
3	Undeveloped Lot	3
4	**Total - CDS Customer**	**138**
5		
6	**Non-CDS Customer**	
7	Developed Lot	886
8	Undeveloped Lot	61
9	**Total - Non-CDS Customer**	**947**
10		
11	**Total - Customers**	**1,085**

UNIT COST CALCULATION

Table 5-5 shows the calculation of ALT Zone unit costs for each cost component. The revenue requirement allocated to each cost component is from **Table 5-3**. The unit costs are calculated by dividing the revenue requirement in each cost component by the units of service and by six bi-monthly billing periods per year.

CDS O&M costs are divided by the number of CDS customers with developed lots (**Table 5-4**, Line 2), since CDS customers with undeveloped lots do not incur CDS-related O&M costs. Non-CDS O&M costs are divided by the number of non-CDS customers with developed lots (**Table 5-4**, Line 7), since non-CDS customers with undeveloped lots do not incur non-CDS related O&M costs. Permit management costs are allocated between all customers (**Table 5-4**, Line 11), since the District incurs these costs to manage the entire ALT Zone system, regardless of customer type. CIP costs are divided by the number of CDS customers (**Table 5-4**, Line 4), since all CDS customers benefit from capital investment into the CDS.

Table 5-5: ALT Zone Unit Cost Calculation

Line	Revenue Requirement	CDS O&M	Non-CDS O&M	Permit Mgmt.	CIP	Total
1	Operating Revenue Requirement	$49,342	$88,469	$63,530	$0	$201,341
2	Capital Revenue Requirement	$0	$0	$0	$5,151	$5,151
3	**Total**	**$49,342**	**$88,469**	**$63,530**	**$5,151**	**$206,491**
4						
5	Units of Service	135	886	1,085	138	
6	**Unit Cost**	**$60.92**	**$16.64**	**$9.76**	**$6.22**	
7		per bill/year	per bill/year	per bill/year	per bill/year	

5.4 ALT ZONE RATE CALCULATION

ALT ZONE RATE

Table 5-6 shows the calculation of revenue neutral ALT Zone rates based on the unit costs in **Table 5-5**. Revenue neutral rates are based on the FY 2024 revenue requirement and do not include the proposed revenue adjustments from the financial plan.

Table 5-6: ALT Zone Rates (Revenue Neutral)

Line	Rate Calculation	CDS O&M	Non-CDS O&M	Permit Mgmt.	CIP	Revenue Neutral Charge
1	**Bi-Monthly Fees - CDS**					
2	Developed Lot	$60.92	$0.00	$9.76	$6.22	**$76.90**
3	Undeveloped Lot	$0.00	$0.00	$9.76	$6.22	**$15.98**
4						
5	**Bi-Monthly Fees - Non-CDS**					
6	Developed Lot	$0.00	$16.64	$9.76	$0.00	**$26.40**
7	Undeveloped Lot	$0.00	$0.00	$9.76	$0.00	**$9.76**

PROPOSED FIVE-YEAR RATE SCHEDULE

Table 5-7 shows the proposed revenue adjustments to be applied to the revenue neutral ALT Zone rates, based on the proposed financial plan scenario.

Table 5-7: ALT Zone Revenue Adjustments

Fiscal Year	Revenue Adjustments	Effective Month
FY 2025	90%	January
FY 2026	5%	January
FY 2027	5%	January
FY 2028	5%	January
FY 2029	5%	January

Table 5-8 shows the proposed five-year rate schedule for ALT Zone rates. The revenue neutral rates from **Table 5-6** are multiplied by the revenue adjustments in **Table 5-7** for each year of the study.

Table 5-8: Proposed ALT Zone Rates

Proposed ALT Zone Rates	Rev. Neutral	Effective 1/1/2025	Effective 1/1/2026	Effective 1/1/2027	Effective 1/1/2028	Effective 1/1/2029
Bi-Monthly Fees - CDS						
Developed Lot	$76.90	$146.11	$153.42	$161.10	$169.16	$177.62
Undeveloped Lot	$15.98	$30.37	$31.89	$33.49	$35.17	$36.93
Bi-Monthly Fees - Non-CDS						
Developed Lot	$26.41	$50.18	$52.69	$55.33	$58.10	$61.01
Undeveloped Lot	$9.76	$18.55	$19.48	$20.46	$21.49	$22.57

CUSTOMER IMPACTS

Table 5-9 shows the customer impacts of the proposed ALT Zone rates for CDS and non-CDS customers. Approximately 82% of ALT Zone customers are non-CDS customers on developed lots; these customers will see an increase of $27.99 per bi-monthly bill starting in January 2025.

Table 5-9: ALT Zone Customer Impacts

ALT Zone Impacts	Proposed Bill	Current Bill	Difference ($)	Difference (%)
CDS Customer				
Developed Lot	$146.11	$99.77	$46.34	46%
Undeveloped Lot	$30.37	$35.20	($4.83)	-14%
Non-CDS Customer				
Developed Lot	$50.18	$22.19	$27.99	126%
Undeveloped Lot	$18.55	$19.35	($0.80)	-4%

6. APPENDICES

Table 6-1: Water Detailed Operating Expenses

Line	Expenses	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	**Source of Supply (Dept. 5100)**						
2	Salaries	$213,320	$251,403	$271,515	$293,236	$304,966	$317,165
3	Overtime	$14,000	$14,000	$15,120	$16,330	$16,983	$17,662
4	Standby Pay	$13,150	$17,625	$19,035	$20,558	$21,380	$22,235
5	Payroll Taxes	$20,265	$23,883	$25,794	$27,857	$28,971	$30,130
6	Health Insurance	$52,966	$58,034	$60,936	$63,982	$67,182	$70,541
7	Insurance - Workers Comp.	$6,336	$7,563	$8,168	$8,821	$9,174	$9,541
8	PERS Retirement Expense	$16,808	$24,620	$26,590	$28,717	$29,865	$31,060
9	PERS UAL	$54,800	$71,528	$77,250	$83,430	$86,767	$90,238
10	Materials & Supplies	$17,100	$21,600	$22,248	$22,915	$23,603	$24,311
11	Durables/Rentals/Leases	$7,400	$5,900	$6,077	$6,259	$6,447	$6,641
12	Safety/PPE Supplies	$6,600	$6,800	$7,004	$7,214	$7,431	$7,653
13	Software Licenses	$271	$0	$0	$0	$0	$0
14	Vehicle Maintenance	$4,850	$9,200	$9,476	$9,760	$10,053	$10,355
15	Vehicle Operating - Fuel	$9,150	$13,700	$14,111	$14,534	$14,970	$15,419
16	Professional Services	$91,800	$75,500	$77,765	$80,098	$82,501	$84,976
17	Staff Development/Certifications	$1,250	$1,000	$1,030	$1,061	$1,093	$1,126
18	Utilities	$10,250	$10,950	$11,498	$12,072	$12,676	$13,310
19	Government Regulation Fees	$118,000	$112,000	$115,360	$118,821	$122,385	$126,057
20	Membership/Subscriptions	$150	$150	$155	$159	$164	$169
21	Capital Expenses	$8,250	$0	$0	$0	$0	$0
22	**Raw Water (Dept. 5200)**						
23	Salaries	$323,240	$319,292	$344,835	$372,422	$387,319	$402,812
24	Part-time/Temp Wages	$5,000	$5,000	$5,400	$5,832	$6,065	$6,308
25	Overtime	$24,800	$24,800	$26,784	$28,927	$30,084	$31,287
26	Standby Pay	$21,550	$28,125	$30,375	$32,805	$34,117	$35,482
27	Payroll Taxes	$30,708	$30,333	$32,760	$35,380	$36,796	$38,267
28	Health Insurance	$77,835	$34,069	$35,772	$37,561	$39,439	$41,411

Line	Expenses	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
29	Insurance - Workers Comp.	$7,250	$10,604	$11,452	$12,369	$12,863	$13,378
30	PERS Retirement Expense	$38,412	$33,039	$35,682	$38,537	$40,078	$41,681
31	PERS UAL	$79,709	$104,041	$112,364	$121,353	$126,207	$131,255
32	Materials & Supplies	$14,500	$17,250	$17,768	$18,301	$18,850	$19,415
33	Durables/Rentals/Leases	$1,450	$0	$0	$0	$0	$0
34	Safety/PPE Supplies	$3,250	$8,950	$9,219	$9,495	$9,780	$10,073
35	Software Licenses	$542	$150	$155	$159	$164	$169
36	Vehicle Maintenance	$8,900	$11,275	$11,613	$11,962	$12,320	$12,690
37	Vehicle Operating - Fuel	$21,000	$29,300	$30,179	$31,084	$32,017	$32,977
38	Professional Services	$5,000	$10,000	$10,300	$10,609	$10,927	$11,255
39	Staff Development/Training	$750	$1,000	$1,050	$1,103	$1,158	$1,216
40	Utilities	$2,750	$3,500	$3,605	$3,713	$3,825	$3,939
41	Membership/Subscriptions	$150	$150	$155	$159	$164	$169
42	Capital Expenses	$1,750	$0	$0	$0	$0	$0
43	**Water Treatment (Dept. 5300)**						
44	Salaries	$229,802	$252,584	$272,791	$294,614	$306,399	$318,654
45	Overtime	$34,496	$28,000	$30,240	$32,659	$33,966	$35,324
46	Standby Pay	$15,720	$21,050	$22,734	$24,553	$25,535	$26,556
47	Payroll Taxes	$21,831	$23,995	$25,915	$27,988	$29,107	$30,272
48	Health Insurance	$63,996	$58,405	$61,325	$64,392	$67,611	$70,992
49	Insurance - Workers Comp.	$4,722	$5,426	$5,860	$6,329	$6,582	$6,845
50	PERS Retirement Expense	$31,777	$32,089	$34,656	$37,429	$38,926	$40,483
51	PERS UAL	$59,781	$78,030	$84,273	$91,015	$94,655	$98,442
52	Materials & Supplies	$82,500	$85,500	$88,065	$90,707	$93,428	$96,231
53	Durables/Rentals/Leases	$250	$0	$0	$0	$0	$0
54	Safety/PPE Supplies	$2,750	$3,850	$3,966	$4,084	$4,207	$4,333
55	Software Licenses	$271	$750	$773	$796	$820	$844
56	Vehicle Maintenance	$6,500	$4,450	$4,584	$4,721	$4,863	$5,009
57	Vehicle Operating - Fuel	$7,750	$8,750	$9,013	$9,283	$9,561	$9,848
58	Building Maintenance	$7,500	$5,000	$5,150	$5,305	$5,464	$5,628
59	Professional Services	$32,250	$28,000	$28,840	$29,705	$30,596	$31,514
60	Staff Development/Training	$1,250	$1,250	$1,288	$1,326	$1,366	$1,407

Line	Expenses	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
61	Utilities	$222,500	$302,700	$317,835	$333,727	$350,413	$367,934
62	Government Regulation Fees	$6,500	$8,250	$8,498	$8,752	$9,015	$9,285
63	Capital Expenses	$19,750	$0	$0	$0	$0	$0
64	**Treated Water T&D (Dept. 5400)**						
65	Salaries	$440,075	$455,504	$491,944	$531,300	$552,552	$574,654
66	Overtime	$46,800	$32,000	$34,560	$37,325	$38,818	$40,371
67	Standby Pay	$15,720	$21,050	$22,734	$24,553	$25,535	$26,556
68	Payroll Taxes	$41,807	$43,273	$46,735	$50,474	$52,493	$54,592
69	Health Insurance	$109,881	$129,526	$136,002	$142,802	$149,943	$157,440
70	Insurance - Workers Comp.	$5,207	$10,445	$11,281	$12,183	$12,670	$13,177
71	PERS Retirement Expense	$52,768	$49,588	$53,555	$57,839	$60,153	$62,559
72	PERS UAL	$109,599	$143,056	$154,500	$166,860	$173,535	$180,476
73	Materials & Supplies	$158,500	$144,500	$148,835	$153,300	$157,899	$162,636
74	Durables/Rentals/Leases	$12,250	$0	$0	$0	$0	$0
75	Safety/PPE Supplies	$8,500	$9,000	$9,270	$9,548	$9,835	$10,130
76	Software Licenses	$542	$0	$0	$0	$0	$0
77	Vehicle Maintenance	$31,750	$22,250	$22,918	$23,605	$24,313	$25,043
78	Vehicle Operating - Fuel	$31,250	$42,250	$43,518	$44,823	$46,168	$47,553
79	Building Maintenance	$1,250	$1,250	$1,288	$1,326	$1,366	$1,407
80	Professional Services	$10,000	$11,000	$11,330	$11,670	$12,020	$12,381
81	Staff Development/Training	$3,250	$3,250	$3,348	$3,448	$3,551	$3,658
82	Utilities	$11,500	$16,600	$17,430	$18,302	$19,217	$20,177
83	Government Regulation Fees	$42,350	$46,500	$47,895	$49,332	$50,812	$52,336
84	Membership/Subscriptions	$100	$100	$103	$106	$109	$113
85	Capital Expenses	$10,450	$0	$0	$0	$0	$0
86	**Admin & Customer Service (Dept. 5600)**						
87	Salaries	$649,530	$727,176	$785,350	$848,178	$882,105	$917,389
88	Part-time/Temp Wages	$15,000	$15,000	$16,200	$17,496	$18,196	$18,924
89	Overtime	$0	$100	$108	$117	$121	$126
90	Automobile Allowance	$7,600	$7,600	$7,828	$8,063	$8,305	$8,554
91	Retiree Benefit	$0	$0	$0	$0	$0	$0
92	Director Compensation	$24,000	$24,000	$24,720	$25,462	$26,225	$27,012

Line	Expenses	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
93	Moving Expenses	$0	$0	$0	$0	$0	$0
94	Payroll Taxes	$60,981	$69,082	$74,609	$80,577	$83,800	$87,152
95	Health Insurance	$96,397	$129,238	$135,700	$142,485	$149,609	$157,090
96	Insurance - Workers Comp.	$3,021	$3,657	$3,950	$4,266	$4,436	$4,614
97	PERS Retirement	$60,215	$62,863	$67,892	$73,323	$76,256	$79,307
98	PERS UAL	$159,417	$208,081	$224,728	$242,706	$252,414	$262,511
99	Def. Comp Ret. Exp.	$9,450	$10,250	$11,070	$11,956	$12,434	$12,931
100	Materials & Supplies	$15,350	$13,275	$13,673	$14,083	$14,506	$14,941
101	Durable/Rentals/Leases	$8,525	$6,800	$7,004	$7,214	$7,431	$7,653
102	Office Supplies	$21,400	$23,600	$24,308	$25,037	$25,788	$26,562
103	Safety/PPE Supplies	$1,000	$1,000	$1,030	$1,061	$1,093	$1,126
104	Software Licenses	$48,230	$68,750	$70,813	$72,937	$75,125	$77,379
105	Vehicle Maintenance	$3,250	$3,250	$3,348	$3,448	$3,551	$3,658
106	Vehicle Operating - Fuel	$3,250	$3,250	$3,348	$3,448	$3,551	$3,658
107	Building Maintenance	$10,000	$0	$0	$0	$0	$0
108	Professional Services	$335,700	$130,350	$134,261	$138,288	$142,437	$146,710
109	Insurance - General Liability	$100,000	$93,300	$96,099	$98,982	$101,951	$105,010
110	Legal	$80,000	$85,000	$87,550	$90,177	$92,882	$95,668
111	Audit	$22,200	$20,000	$20,600	$21,218	$21,855	$22,510
112	Board Training/Travel	$17,500	$17,500	$18,025	$18,566	$19,123	$19,696
113	Accounting	$80,000	$160,000	$164,800	$169,744	$174,836	$180,081
114	Staff Development/Travel	$24,200	$29,600	$30,488	$31,403	$32,345	$33,315
115	Utilities	$62,175	$68,960	$72,408	$76,028	$79,830	$83,821
116	Bank Charges	$500	$1,800	$1,854	$1,910	$1,967	$2,026
117	Payroll Processing	$26,400	$30,000	$30,900	$31,827	$32,782	$33,765
118	Government Regulation Fees	$8,955	$11,250	$11,588	$11,935	$12,293	$12,662
119	Elections	$0	$9,500	$9,785	$10,079	$10,381	$10,692
120	Other Miscellaneous Expense	$1,500	$1,500	$1,545	$1,591	$1,639	$1,688
121	Membership/Subscriptions	$43,320	$45,265	$46,623	$48,022	$49,462	$50,946
122	Low-Income Rate Assistance Program	$35,000	$35,000	$36,050	$37,132	$38,245	$39,393
123	Recruitment	$2,500	$3,000	$3,090	$3,183	$3,278	$3,377
124	**Total - Expenses**	**$5,367,275**	**$5,644,552**	**$5,992,986**	**$6,365,715**	**$6,612,539**	**$6,869,180**

Table 6-2: Water Detailed Capital Projects

Line	Capital Projects	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	**Priority 1**						
2	Tunnel Inspection and Lining	$65,000	$67,600	$0	$0	$0	$0
3	Infrastructure Replacement/HQ Building	$0	$19,760	$0	$56,243	$0	$0
4	Distribution Tank Coating	$0	$182,000	$189,280	$0	$0	$0
5	Paving	$0	$41,600	$43,264	$44,995	$46,794	$0
6	Vehicle Replacements	$175,000	$0	$0	$0	$0	$0
7	Mosquito Fire Mitigation	$228,000	$0	$0	$0	$0	$0
8	Master Meters	$87,982	$0	$0	$0	$0	$0
9	Tracked Barrow (5100-5200)	$0	$3,120	$0	$0	$0	$0
10	Snow Survey Equipment (5100)	$0	$2,600	$0	$0	$0	$0
11	Water Quality Sensors (5300)	$0	$10,400	$0	$0	$0	$0
12	Vibratory Plate (5400)	$0	$2,756	$0	$0	$0	$0
13	Flushing Equipment (5400)	$0	$3,120	$0	$0	$0	$0
14	Hydraulic Jack Hammer (5400)	$0	$3,328	$0	$0	$0	$0
15	eCorp (CEQA Compliance 5600)	$0	$7,800	$0	$0	$0	$0
16	Bennett (Engineering Consultant 5600)	$0	$31,200	$0	$0	$0	$0
17	Vectis (Federal Advocacy 5600)	$0	$49,920	$0	$0	$0	$0
18	Zanjero (Grant Writing 5600)	$0	$20,800	$0	$0	$0	$0
19	**Priority 2**						
20	Pump Station Retrofit	$12,000	$12,480	$12,979	$13,498	$0	$0
21	Repair Safety Walkways	$2,500	$5,200	$5,408	$5,624	$0	$0
22	Treated Water line Replacement	$0	$67,600	$75,712	$84,365	$0	$0
23	Vehicle Replacements	$0	$104,000	$108,160	$281,216	$292,465	$0
24	Pressure Regulating Valves	$0	$26,000	$27,040	$28,122	$0	$0
25	**Priority 3**						
26	Annual Canal Lining/Canal Improvements	$8,000	$0	$108,160	$0	$0	$0
27	Replace Air Release Valves	$2,500	$10,400	$10,816	$11,249	$0	$0
28	VFD Replacement Sweetwater Treatment Plant	$0	$0	$0	$112,486	$0	$0
29	SCADA Upgrades	$0	$0	$108,160	$112,486	$0	$0
30	**Reliability Study CIP**						

Line	Capital Projects	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
31	Raw Water	$0	$0	$0	$0	$246,575	$246,575
32	Distribution Facilities	$0	$0	$0	$0	$455,811	$455,811
33	**Total - Capital Projects**	**$580,982**	**$671,684**	**$688,979**	**$750,284**	**$1,041,645**	**$702,386**

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