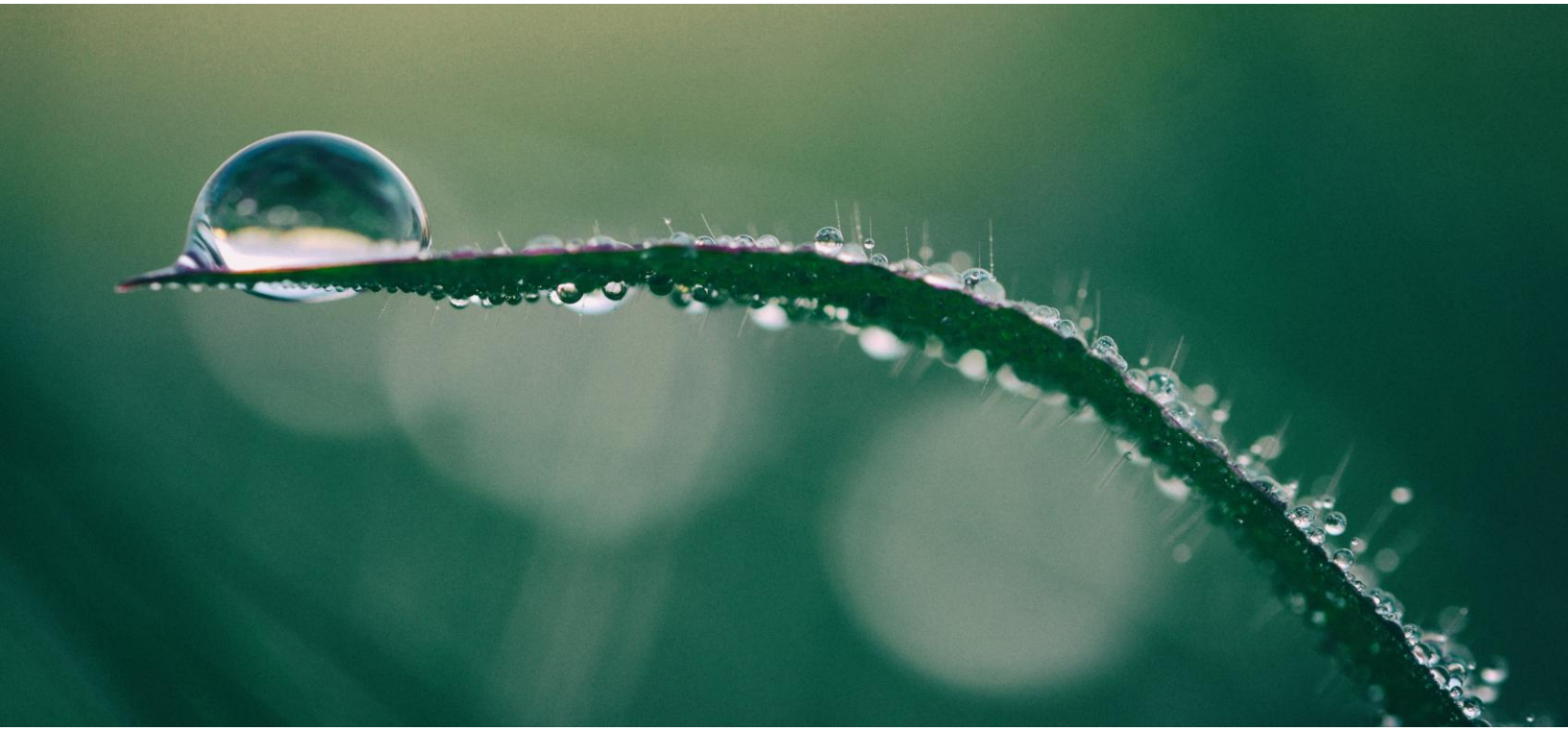
2025 Water Rate Study Report

September 15, 2025

HILDEBRAND CONSULTING



Betsy Howze, Finance Director
City of Rohnert Park
130 Avram Avenue
Rohnert Park, CA 94928-3126

Re: 2025 Water Rate Study

Dear Ms. Howze,

Hildebrand Consulting, LLC is pleased to present this 2025 Water Rate Study for the City of Rohnert Park (City). We appreciate the fine assistance provided by you and all members of City staff who participated in the Study, as well as the input and guidance provided by the City Council.

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

mhildebrand@hildco.com
(510) 316-0621

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

Sincerely,

Mark Hildebrand
Hildebrand Consulting, LLC

Enclosure

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AF	acre-feet (measure of water volume)
AWWA	American Water Works Association
CIP	capital improvement program
CY	calendar year
DCR	debt service coverage ratio
FY	fiscal year (which ends on June 30 for the City)
HMGP	Hazard Mitigation Grant Program (a federal grant program)
mgd	million gallons per day
O&M	operations and maintenance
pay-go	“pay as you go” (i.e., cash financing for capital projects)
SB	Senate Bill
TGAL	thousand gallons
WSCP	water shortage contingency plan

Section 1. INTRODUCTION

Hildebrand Consulting, LLC. has been retained by the City of Rohnert Park (City) to conduct a water rate study (2025 Water Rate Study) for the City's water enterprise. This report describes in detail the assumptions, procedures, and results of the Study, including conclusions and recommendations.

1.1 UTILITY BACKGROUND

The City of Rohnert Park provides water service to its residents. On average, approximately 60 percent of the City's water supply is produced by the Sonoma County Water Agency (Sonoma Water) which supplies treated Russian River water to multiple jurisdictions throughout Sonoma and Marin counties. The remainder of the City's potable water supply originates from deep ground water wells located throughout the City. These combined sources supply an average of 1.5 billion gallons of drinking water annually and a daily production average of 4.1 million gallons per day (mgd). Additionally, Rohnert Park has eight water storage tanks with a total capacity of approximately five million gallons of treated water. City's Water Production Division operates and maintains water storage, pumping, and treatment facilities throughout the water system.

The City's last water rate study was conducted in 2021[1] (2021 Rate Study) and led to the approval of a 5-year schedule of adjusting water rates through January 2026.

1.2 SCOPE & OBJECTIVES OF STUDY

The scope of this Study is to prepare a multi-year financial plan, propose a 5-year rate schedule, and update the City's Water Shortage Surcharge policy. Given the recency of

[1] 2025 Water Rate Study, The Reed Group, Inc, November 30, 2021

the last comprehensive rate study, the scope of this study does not include an update to the cost of service analysis (COSA) nor the current rate structure. The existing rate structure remains valid since the underlying assumptions and analyses have not changed since the recent 2021 Rate Study, and that 2021 Study provides sufficient bases for the reasonable allocation of costs to rate payers set forth herein.

The primary objectives of this Study are to:

i. Develop a multi-year financial plan that integrates operational and capital project funding needs with a funding strategy.
ii. Identify future annual adjustments to water rates to help ensure adequate revenues to meet the City's ongoing financial obligations.
iii. Update the City's existing water shortage surcharge policy.

1.3 STUDY METHODOLOGY

This Study applied methodologies that are aligned with industry standard practices for rate setting as laid out in the AWWA M1 Manual, and all applicable law, including California Constitution Article XIII D, Section 6(b), commonly referred to as Proposition 218.

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

Section 2. FINANCIAL PLAN

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

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

The analysis identifies a revenue shortfall in upcoming years, which leads to a conclusion that revenue adjustments and new debt are required for the water utility**.** The schedules attached to this report include detailed data supporting the Financial Plan discussed herein.

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

2.1 FUND STRUCTURE

The financial plan is an annual cash flow model. As a cash flow model, it differs from standard accounting income statements and balance sheets. The financial plan models

sources and uses of funds into, out of, and between the various funds and reserves of the water utility. The financial plan model is based on the fund structure currently used by the City and incorporates proposed reserve policies for specified purposes. The Water Enterprise's fund structure includes an Operating Fund (Fund 3430), a Capital Preservation Fund (3433), and a Water Capacity Fund (Fund 3436). **Figure 1** provides a schematic diagram of the funds and major cash flows associated with the financial plan model.

An understanding of the fund structure is helpful in understanding the financial plan worksheets that model estimated annual cash flows through the water utility from one year to the next. The fund structure is comprised of:

- **Water Operating Fund (3430)** – The Operating Fund is the primary fund within the Water Enterprise. Most of the water system's revenues, including water rate revenues, flow into the Operating Fund and all operating and maintenance costs, including water purchases and debt service payments, are paid out of this fund. In addition, the Operating Fund also supports part of the water enterprise's capital improvement program.
- **Capital Preservation Fund (3433)** – The Capital Preservation Fund receives a portion of rate revenue to pay for most capital preservation projects. In the past the City assessed a separate Capital Preservation Charge to support this fund but that charge no longer exists and the diversion of revenue to Fund 3433 is an internal process. Capital projects funded from this fund are intended to preserve (rehabilitate and upgrade) the water system (as opposed to expanding the water system to serve new growth).
- **Water Capacity Fund (Fund 3436)** – The City maintains the Water Capacity Fund to account for Water Capacity Charge revenue received from developers. Money in this fund is available for expansion projects needed to meet the infrastructure capacity needs of new development. Because this fund is independent of the issues affecting water rates, it does not play an active role in the financial plan and development of water rate recommendations.

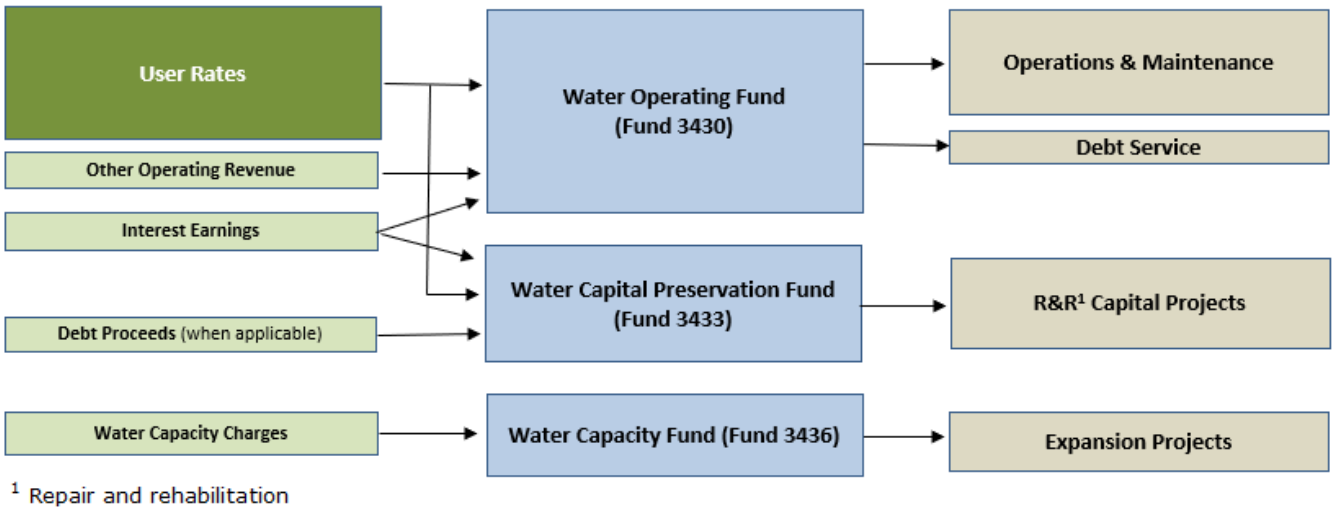


Figure 1: Schematic of Water Funds and Cash Flows

2.2 BEGINNING FUND BALANCES

The combined beginning cash balance for fiscal year (FY) 2024/25 in the Operating Fund (3430) and the Capital Preservation Fund (3433) was approximately $17.4 million[2]. The previous year capital project encumbrances amount to $10.7 million, therefore the effective starting "available" cash balance for the water utility is $6.7 million. This effective cash balance was used to establish the "starting point" for the reserve levels for this 10-year financial plan. The amount of cash that the City keeps in reserves is a product of its reserve policies (see Section 2.9).

2.3 CUSTOMER GROWTH AND WATER USAGE

Based on the City's General Plan, this Study assumes that growth in Rohnert Park has been, and will continue to average, about 1% over the next 10 years. Per capita water usage is assumed to remain consistent with recent usage patterns.

[2] Both of the beginning cash balance values account for previous year capital project encumbrances.

2.4 RATE REVENUE

Rate revenue is the revenue generated from customers for water service. The City collects rate revenue from water customers in the form of a fixed monthly "Service Charge" assessed based on meter size and a "Usage Rate" assessed based on actual water use (measured in thousands of gallons or "TGAL").

The Financial Plan assumes that the baseline rate revenue in FY 2025/26 will be the same as the budgeted rate revenue in FY 2024/25[3]. The Financial plan assumes that per capita water usage will remain the same for the 10-year planning period. In the event that a water shortage event significantly affects water usage, the City has a water shortage surcharge policy that has been updated by this study (see Section 3).

Estimated future water demand and rate revenues accounts for the small amount of customer growth (see Section 2.3) as well as the annual rate revenue adjustments proposed by this Study. Budgeted and projected rate revenues (including proposed rate adjustments) are listed in **Schedule 3**.

2.5 NON-RATE REVENUES

In addition to rate revenue, the City receives additional "non-rate revenue" from sources such as miscellaneous service fees, OPEB trust distributions, Capacity Charges, penalties, interest revenue on investments and transfers from other City funds (namely the City's vehicle replacement fund). Projections of all non-rate revenues were based on FY 2025/26 budgeted revenues, as directed by City staff, with the exception of interest income which was calculated annually based upon projected fund balances and assumed interest rate of 3 percent in the near term[4] and decreasing to 1.5 percent over the long term. This study does not attempt to account for Water Capacity Charge

[3] The previously adopted 5-percent rate increase scheduled for January 1, 2026 will be superseded by the rate increase proposed by this study.

[4] The Water Utility's recent effective interest earnings rate is above 3 percent.

revenue since it is treated as restricted revenue that does not impact Fund 3430 and 3433 (see Figure 1). Forecasted non-rate revenues are listed in in **Schedule 3**.

Figure 2 below depicts the relative amount of budgeted Water Enterprise revenues for FY 2025/26.

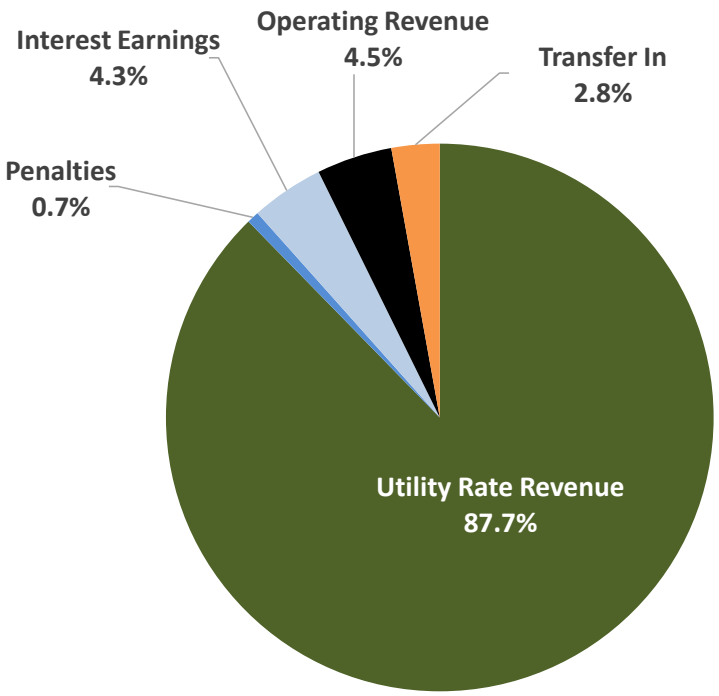


Figure 2: Revenue Categories (FY 2025/26 Budget)

2.6 OPERATING AND DEBT EXPENSES

The City's expenses include operating and maintenance expenses, internal loan repayments, and capital spending. The following section addresses operating expenses and the internal loan, while capital spending is addressed separately in Section 2.8.

This financial plan uses budgeted expenditures for FY 2025/26 as a starting point for projecting future operating and maintenance expenses. Current day expenses were adjusted for inflation over the 10-year planning period (see Section 2.7).

Recently about 45 percent of the City's water supply has been pumped groundwater with the balance purchased from the Sonoma Water. The current ratio of groundwater use is up from 33 percent in 2017. A 2017 financial plan had recommended that the City maximize the use of groundwater (because groundwater is less expensive than purchased water) while continuing to comply with a 2002 settlement agreement which stipulates the City can use no more than 2,576 acre-feet (AF) of groundwater per year (which is a bit more than 50 percent of the City's recent water needs). The City's long-term goal of managing groundwater use sustainably is consistent with the adopted Groundwater Management Plan for the Santa Rosa Plain Groundwater Basin. By definition, managing the groundwater sustainably means limiting long-term groundwater extraction to the amount of recharge, thereby avoiding long-term depletion of the aquifer. Based on recent trends, this Study assumes that 45 percent of the City's water supply will continue to come from groundwater over the next 10 years (about 2,050 AF annually).

The Water Enterprise's current debt obligation is limited to an internal loan, with average repayments of about $300 thousand per year through FY 2028/29.

Major budgeted expense categories for FY 2025/26 are depicted in **Figure 3**. Projected operating and maintenance costs are listed in detail in **Schedule 1**.

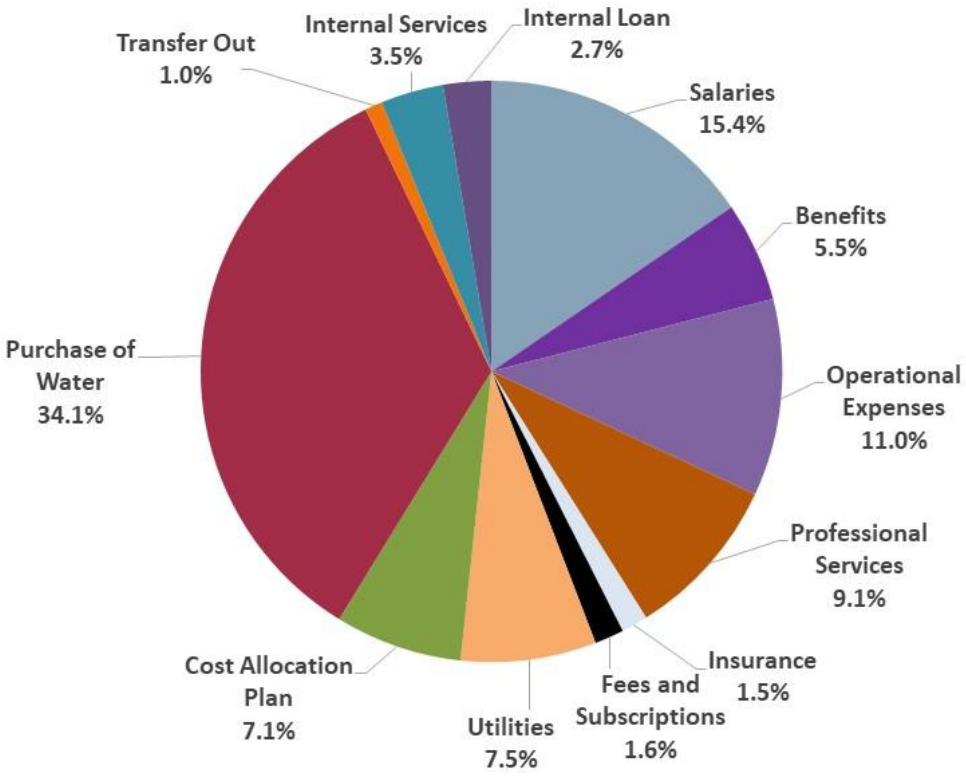


Figure 3: Operating and Debt Expense Categories (FY 2025/26 budget)

2.7 COST ESCALATION

Annual cost escalation factors for the various types of expenses were developed based upon a review of historical inflation trends, published inflation forecasts, industry experience, and discussions with City staff. The study assumed the following inflation rates during the planning period:

- Salaries, benefits, utilities, chemicals and vehicle replacement: 5% per year based on recent historical trends
- Wholesale water: 12% for two years, then 10% thereafter based on recent historical trends and forecasts provided by Sonoma Water
- Insurance: 10% per year based on recent historical trends
- All other costs: 3% per year based on long term historical averages

2.8 CAPITAL IMPROVEMENT PROGRAM

Figure 4 shows that from FY 2021/22 to FY 2023/24 the City averaged $1.7 million in cash financed ("pay-go") capital spending. Going forward (between FY 2024/25 and FY 2030/31), the City is planning to increase its annual spending to an average of $7.0 million per year (not including inflation). The City is increasing its capital spending in order to proactively address water system rehabilitation needs associated with aging pipes, pump stations, water tanks, and other system deficiencies. A 5-year detailed list of capital projects and associated costs is provided in **Schedule 2** (capital spending from FY 2031/32 through FY 2034/35 was assumed to be equal to the average of the previous 4 years, plus inflation).

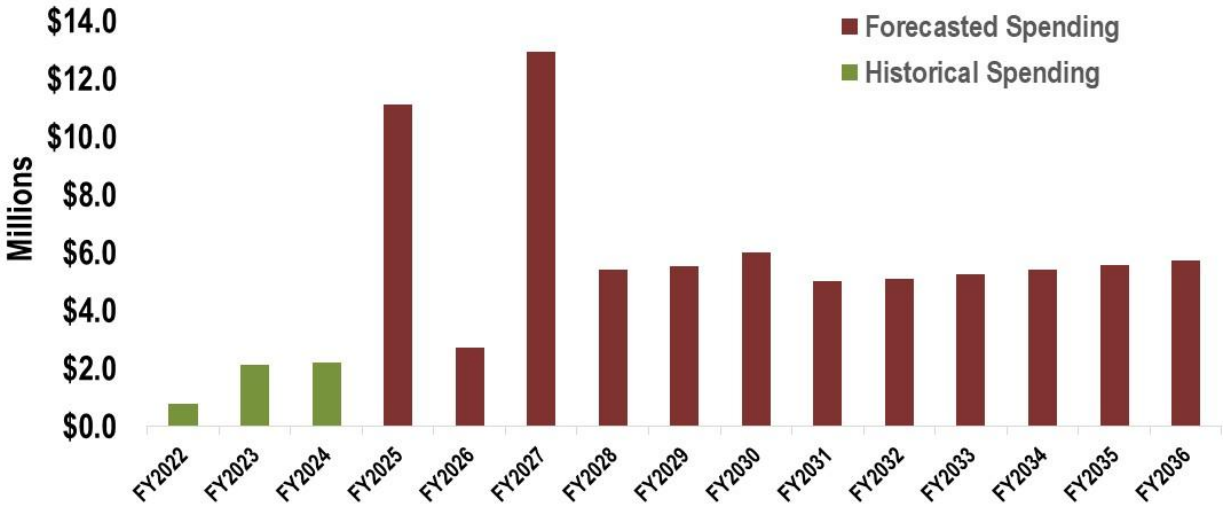


Figure 4: Historic and Projected Capital Spending

2.9 DEBT STRATEGY

As part of this Study, we worked with City staff to evaluate alternative financing approaches for the capital expenses described in Section 2.8. Debt can be a useful tool for managing sudden increases (or "spikes") in capital spending. The spike in capital spending in FY 2025 and FY 2027 shown in Figure 4 is driven primarily by a $13.0 million "Well and Tank Site Improvements" project (formerly referred to as the "Seismic

Upgrades" project). There is a chance that this project will receive grant funding (FEMA's Hazard Mitigation Grant Program) up to 75 percent), however the project must be delivered regardless of whether grant funding is received or not. As such, in order to ensure that the project is adequately funded, this financial plan assumes that the City will increase rate sufficiently to support debt-financing the project. Cash financing is not proposed because it would require more significant near-term rate increases. In the event that a grant is (eventually) received, the City can assess the Water Fund's financial condition, including consideration of reserve levels, and decide whether future (adopted) rate increases can be reduced in order to account for the windfall revenue.

Regarding the terms of the Well and Tank Site Improvements project debt, it is assumed that the $3.6 million that was budgeted for FY 2024/25 will be cash financed while the remaining balance ($9.5 million in 2025 dollars) budgeted for FY 2026/27 will be debt financed. The interest rate is assumed to be 5 percent and the repayment period is 20 years. The cost of debt issuance is assumed to be 1 percent of the debt principal.

One of the requirements associated with debt financing is to maintain revenues at levels sufficient to meet "debt service coverage ratio" (DCR) requirements (a measure of how easily the enterprise can afford its debt obligations). At present, the City is required to maintain water system revenues at a level that covers all ongoing operating and maintenance costs, as well as 1.10 times annual debt service. Based on recently published guidance from Fitch Ratings[5], utility systems with *midrange* financial profiles should maintain a DCR greater than 1.50 times annual debt service.

Figure 5 shows projected capital spending with the proposed debt strategy.

[5] As published on July 31, 2013.

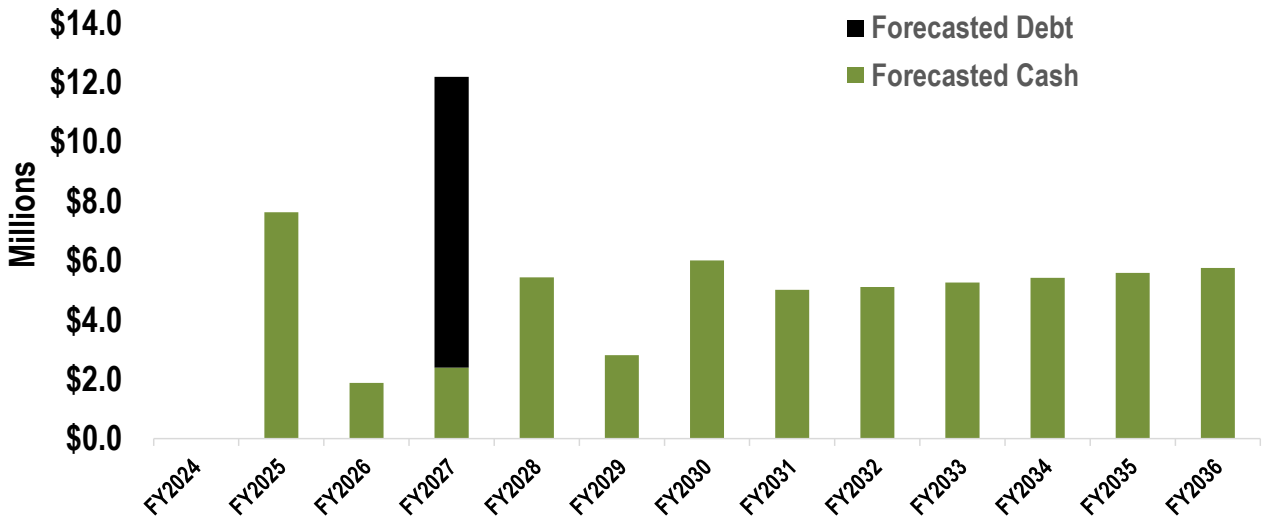


Figure 5: Projected Capital Spending with Proposed Debt

2.10 CASH RESERVE POLICIES

Cash reserve policies are cash balances targets that are retained for specific cash flow needs. The target for reserves is an important component when developing a multi-year Financial Plan and maintaining prudent reserves is an essential component of any sound financial management strategy. Utilities rely on reserves for financial stability; credit rating agencies evaluate utilities in part on their adherence to formally adopted reserve targets; and lending agencies require utility enterprises to maintain specific debt reserves for outstanding loans. The target levels of the policies below are consistent with 1) the City's established policies and practices; 2) the findings of reserve studies conducted by the AWWA; 3) a healthy level of reserves for a utility per the evaluation criteria published by rating agencies (e.g., Fitch, Moody's, and Standard & Poor's); and 4) the consultant's industry experience for similar systems.

The following recommended reserve policies are based on adopted policies (Resolution No. 2020-008). The policy recommendations are intended to help the City mitigate and manage financial risk while meeting service and financial obligations.

- ***Operating Reserve*** – The City maintains an Operating Reserve equal to 50 percent of annual operating and maintenance costs, including debt service when applicable, for the water system. The purpose of the Operating Reserve is to provide working capital and funds for unplanned operating and maintenance expenditures. The reserve target for FY 2025/26 was about $5.6 million.
- **Rate Stabilization Reserve** – The City also maintains Rate Stabilization Reserve of $1.5 million within the Operating Fund. This reserve bolsters financial stability and can be drawn upon for drought or other emergency purposes and would reduce the utility's financial risk.

The balance in the Operating Fund in excess of the target amounts for the Operating Reserve and the Rate Stabilization Reserve can be considered "available balance." The financial plan model generally seeks to reduce any available balance over time. A negative value for the available balance would indicate shortfalls in maintaining the minimum Operating Reserve and Rate Stabilization Reserve.

While not included in the current financial plan, the City may want to eventually consider adoption of a Capital Reserve policy which would serve the dual purpose of protecting the Water Enterprise from catastrophic failure of a major asset as well as providing a financial cash flow "cushion" for funding future spikes in capital spending (although no such spike is forecasted at this time).

2.11 PROPOSED RATE REVENUE INCREASES

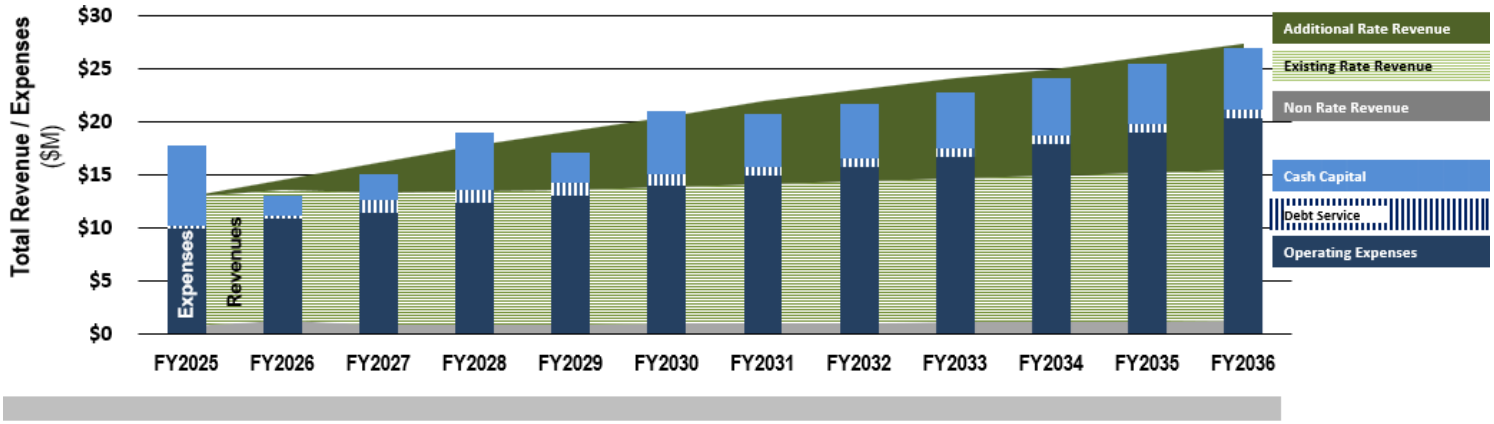
All of the above data and assumptions were entered into an MS Excel© financial planning model to produce a 10-year projection of the sufficiency of current rate revenues to meet projected financial requirements and determine the level of rate revenue increases necessary in each year of the projection period.

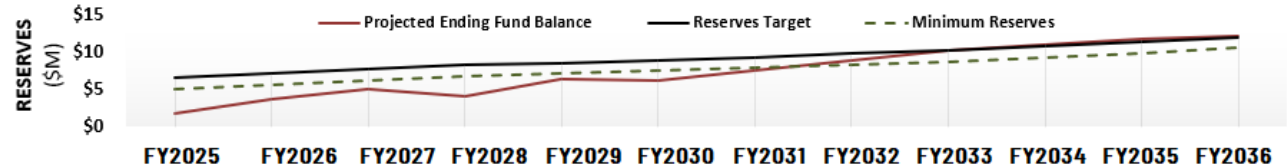
Based upon the previously discussed financial data, assumptions, and policies, this Study proposes a 5-year schedule of annual overall rate revenue adjustments as detailed in **Table 1**.

Table 1: Recommended Water Rate Revenue Increase

Rate Adjustment Date	Proposed Rate Revenue Increase
Jan. 1, 2026	14.0%
July 1, 2026	9.0%
July 1, 2027	9.0%
July 1, 2028	7.0%
July 1, 2029	6.0%

The numbers provided in **Schedule 3** (cash flow pro forma) are summarized graphically in **Figure 6**, which shows that the combined reserves for Fund 3430 and Fund 3433 are maintained over the course of the planning period and the DCR is maintained a healthy levels.





		Proposed					Projected Increases (TBD)					
Rate Revenue Increase:	14.0%	9.0%	9.0%	7.0%	6.0%	6.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Debt Coverage Ratio:	na	5.48	6.36	7.03	7.78	8.53	8.66	8.76	8.29	8.40	8.36
Debt Proceeds:			$9.8M								
Sewer Funded Capital:	$2.1M	$0.9M	$0.8M								

Figure 6: Financial Projection with Recommended Rate Revenue Increases

2.12 CURRENT AND PROPOSED RATES

The structure for the City's current water rates was updated as part of the 2021 Rate Study and follows a common industry practice with a two-part structure that is comprised of a fixed component (the monthly Service Charge) and a consumption-based Usage Rate. The Service Charge is charged based on the individual account's meter size and currently recovers approximately 43 percent of total rate revenue. The Usage Rates primarily recover the Water Enterprise's variable costs, such as water purchase costs and energy costs. The Usage Rates are made up of tiered rates for Single Family Residential and uniform rates for all other customers. Tier 1 rate is charged for the first 3,000 gallons of water per month and the Tier 2 rate is charged for water usage in excess of that amount. The tiered rates are designed such that the average of all tiered water sold to Single Family Residential is equal to the uniform rate. The basis for the difference between Tier 1 versus Tier 2 rates is the fact that Tier 1 rates reflect the cost of providing local groundwater while Tier 2 rates reflect the cost of providing (more expensive) imported water.

The City also charges a fixed monthly charge for dedicated private fire service connections.

The current and proposed rate schedule is summarized in **Table 2**.

Table 2: Current and Proposed Rates

		Proposed				
		January 1, 2026	July 1, 2026 [2]	July 1, 2027	July 1, 2028	July 1, 2029
Rate Revenue Increases:		14.0%	9.0%	9.0%	7.0%	6.0%
	Current					
Single Family Usage Rate ($/gal.)						
Tier 1[1]	**$0.004133**	$0.004712	$0.005136	$0.005598	$0.005990	$0.006349
Tier 2	**$0.005718**	$0.006519	$0.007106	$0.007746	$0.008288	$0.008785
Multi-Family and Non-Residential Usage Rate ($/gal.)						
Uniform Rate	**$0.005013**	$0.005715	$0.006229	$0.006790	$0.007265	$0.007701
Fixed Monthly Service Charges						
Up to 1"	**$34.30**	$39.10	$42.62	$46.46	$49.71	$52.69
1.5"	**$63.99**	$72.95	$79.51	$86.67	$92.74	$98.30
2"	**$99.62**	$113.57	$123.79	$134.93	$144.37	$153.04
3"	**$182.75**	$208.34	$227.09	$247.52	$264.85	$280.74
4"	**$301.52**	$343.73	$374.67	$408.39	$436.98	$463.19
6"	**$598.45**	$682.23	$743.63	$810.56	$867.30	$919.34
8"	**$954.75**	$1,088.42	$1,186.37	$1,293.15	$1,383.67	$1,466.69
Monthly Fire Protection Service Charge						
2"	**$25.80**	$29.41	$32.06	$34.94	$37.39	$39.63
3"	**$32.85**	$37.45	$40.82	$44.49	$47.61	$50.46
4"	**$41.08**	$46.83	$51.05	$55.64	$59.53	$63.11
5"	**$50.47**	$57.54	$62.71	$68.36	$73.14	$77.53
6"	**$55.15**	$62.87	$68.53	$74.70	$79.93	$84.72
8"	**$75.09**	$85.60	$93.31	$101.70	$108.82	$115.35
10"	**$90.35**	$103.00	$112.27	$122.37	$130.94	$138.80
12"	**$105.60**	$120.38	$131.22	$143.03	$153.04	$162.22

[1] For the first 3,000 gallons per month

[2] This marks a change from the current practice of changing rates on the first of the calendar year.

2.12.1 Bill Impacts of Proposed Water Rates

Table 3 summarizes how the proposed water rates for Year 1 would affect a sample of customers. Since there are no structural changes to the rates, every customer will experience the same percentage impact to their bill (assuming there is no change in water usage).

Table 3: Bill Impacts for a Sampling of Customers

	Meter Size	Monthly Water Use (TGAL)	Current Bill	Proposed Bill	Change $	Change %
Single Family						
Low Use	1"	3.4	**$48.39**	**$55.17**	**$6.78**	**14.0%**
Average Use	1"	6.2	**$65.00**	**$74.10**	**$9.10**	**14.0%**
High Use	1"	18.6	**$135.90**	**$154.93**	**$19.03**	**14.0%**
Multifamily						
Example #1	1"	15.0	**$109.50**	**$124.83**	**$15.33**	**14.0%**
Example #2	1.5"	30.0	**$214.38**	**$244.40**	**$30.02**	**14.0%**
Example #3	2"	50.0	**$350.27**	**$399.32**	**$49.05**	**14.0%**
Non-Residential						
Example #1	1"	10.0	**$84.43**	**$96.25**	**$11.82**	**14.0%**
Example #2	2"	50.0	**$350.27**	**$399.32**	**$49.05**	**14.0%**
Example #3	3"	150.0	**$934.70**	**$1,065.59**	**$130.89**	**14.0%**
Example #4	4"	300.0	**$1,805.42**	**$2,058.23**	**$252.81**	**14.0%**
Example #5	6"	600.0	**$3,606.25**	**$4,111.23**	**$504.98**	**14.0%**

2.13 ADOPTION OF PROPOSED RATES

The 5-year schedule of proposed water rates is presented in **Table 2**. The rates in Year 1 are proposed to be effective as of January 1, 2026 (6 months before the end of the fiscal year) and thereafter the rate increases are proposed to occur on July 1 of their respective fiscal year.

Section 3. WATER SHORTAGE SURCHARGE POLICY

This section presents recommended updates to the City's existing Water Shortage Surcharge policy, which are to be overlaid on then-current water usage rates during the time that a water shortage is declared by the City. Water Shortage Surcharges would be temporary and affect only the Usage Rate and not the fixed Service Charge.

The Water Shortage Surcharge is a tool the City would use to reduce the (potentially severe) financial impacts associated with reduced water sales and increases in operating costs during a drought or other water shortage event. The multi-pronged approach includes implementing the temporary surcharge, reducing capital spending, and relying (modestly) on reserves to help bridge the financial deficit created by reduced water sales.

The proposed updates to the City's Water Shortage Surcharges addresses the requirements of Senate Bill (SB) 606 (Statutes of 2018) and the updates to the City's 2022 Water Shortage Contingency Plan (WSCP), which defines six stages of water shortage.

The surcharges are expressed as a percentage of the then-current usage rates and are developed based on a "test year" (in this case, FY 2025/26). **Table 4** presents:

1) The water usage reduction goals by WSCP-defined stage (row 1)
2) The assumed actual water use reduction during each respective stage (rows 2 & 28-30)
3) The proposed Water Shortage Surcharge expressed as a percentage increase to the Usage Charge (row 3)
4) The changes in revenue for each respective stage (rows 4 - 9)
5) The changes in expenditures for each respective stage (row 10 – 26)
6) The financial deficit that will occur even with the mitigating measures (row 27).

The Water Shortage Surcharges have been calibrated to yield an overall deficit between $228 thousand and $307 thousand per year. This means that the surcharge will not totally offset the financial impact of the water shortage event. Given the City's reserve policies, this size of a deficit was deemed sustainable for the duration of an extended drought (up to 6

years). In the event the financial deficits are larger or if reserve levels are already low, the City has the option of reducing capital spending to further mitigate the revenue shortfall.

Table 4: Proposed Water Shortage Surcharges & Financial Strategy

		Normal Supply	Stage 1 Voluntary	Stage 2 Mandatory	Stage 3 Mandatory	Stage 4 Mandatory	Stage 5 Mandatory	Stage 6 Mandatory
	Percent Shortage Range [1] -->	None	Up to 10%	Up to 20%	Up to 30%	Up to 40%	Up to 50%	Over 50%
1	Assumed Demand Reduction -->	None	5%	15%	25%	35%	45%	50%
2	Water Supply from Groundwater [2] -->	45%	48%	53%	61%	70%	83%	91%
3	**Water Shortage Surcharge [3] -->**	**NA**	**None**	**None**	**5%**	**10%**	**17%**	**22%**
	Revenues							
4	Fixed Rate Revenue	$5,415,000	$5,415,000	$5,415,000	$5,415,000	$5,415,000	$5,415,000	$5,415,000
5	Water Usage Charge Revenue [4]	$7,698,000	$7,313,000	$6,543,000	$5,774,000	$5,004,000	$4,234,000	$3,849,000
6	Water Shortage Surcharge Revenue [5]	$0	$0	$0	$288,700	$500,400	$719,780	$846,780
7	Other Operating Revenue	$1,735,000	$1,735,000	$1,735,000	$1,735,000	$1,735,000	$1,735,000	$1,735,000
8	**Total Revenues**	**$14,848,000**	**$14,463,000**	**$13,693,000**	**$13,212,700**	**$12,654,400**	**$12,103,780**	**$11,845,780**
9	% of normal		97%	92%	89%	85%	82%	80%
	Expenditures and Transfers							
10	Salaries & Benefits	$2,357,000	$2,357,000	$2,357,000	$2,357,000	$2,357,000	$2,357,000	$2,357,000
11	Operational Expense	$361,000	$361,000	$361,000	$361,000	$361,000	$361,000	$361,000
12	Water Conservation [6]	$75,000	$75,000	$105,000	$135,000	$165,000	$195,000	$225,000
13	Groundwater Pumping [8]	$795,000	$795,000	$795,000	$795,000	$795,000	$795,000	$795,000
14	Professional Services	$1,025,000	$1,025,000	$1,025,000	$1,025,000	$1,025,000	$1,025,000	$1,025,000
15	Internal Services and transfers	$1,293,000	$1,293,000	$1,293,000	$1,293,000	$1,293,000	$1,293,000	$1,293,000
16	Insurance & Fees	$348,000	$348,000	$348,000	$348,000	$348,000	$348,000	$348,000
17	Purchase of Water [7]	$3,146,000	$2,857,000	$2,281,000	$1,705,000	$1,129,000	$552,000	$264,000
21	Utilities [8]	$846,000	$842,000	$833,000	$825,000	$816,000	$808,000	$804,000
22	Average Capital Spending	$4,279,000	$4,279,000	$4,279,000	$4,279,000	$4,279,000	$4,279,000	$4,279,000
23	Debt Service	$301,000	$301,000	$301,000	$301,000	$301,000	$301,000	$301,000
24	Increase in Reserves [9]	$22,000	$22,000	$22,000	$22,000	$22,000	$22,000	$22,000
25	**Total Expenditures & Transfers**	**$14,848,000**	**$14,555,000**	**$14,000,000**	**$13,446,000**	**$12,891,000**	**$12,336,000**	**$12,074,000**
26	% of normal	100%	98%	94%	91%	87%	83%	81%
27	**Surplus/(Deficit) Due to Shortage [10]**	**$0**	**($92,000)**	**($307,000)**	**($233,300)**	**($236,600)**	**($232,220)**	**($228,220)**
	Estimated Water Production (AF)							
28	Groundwater	2,048	2,048	2,048	2,048	2,048	2,048	2,048
29	SCWA Water	2,461	2,236	1,785	1,334	883	432	207
30	**Total Water Supply**	**4,509**	**4,283**	**3,833**	**3,382**	**2,931**	**2,480**	**2,254**

Notes:

[1] Per the 2020 Water Shortage Contingency Plan

[2] The City has forecasted that groundwater reliance will remain at the same level for the study period, therefore the relative amount of supply from groundwater will increase as total water usage decreases.

[3] Temporary water shortage surcharges are an incremental increase in water usage rates at the percentages shown.

[4] Water usage charge revenue will decline in proportion to water sales volume.

[5] Additional revenue derived from temporary water shortage surcharge during periods of mandatory use restrictions.

[6] Water conservation costs are expected to increase incrementally during periods of water shortage.

[7] SCWA water purchase costs decrease due to reduced demand and reduced purchase volume.

[8] Utility costs are not expected to decrease significantly since groundwater pumping will remain the same.

[9] When compared to this Study's Pro Forma (see Schedule 3), the change in reserves doesn't match the Test Year because this table has been calibrated to account for average capital spending and typical water purchases rather than the Test Year budget.

[10] These deficits have been mitigated by water shortage surcharge revenues sufficiently to be supportable by emergency reserves. While not modeled here, modest decreases in capital spending could be used to further mitigate revenue shortfalls.

The temporary water shortage rate surcharge is not intended to be a penalty for excessive use; rather it represents each customer's fair share of the cost of partially bridging the financial deficit created by reduced water sales during periods of water shortage. Customers would participate in bearing this cost in proportion to their water use.

Water shortage rate surcharges provide revenue increases for addressing water supply shortages and the resulting reduced water demand. **Table 5** provide an example of how the Water Shortage Surcharge would be applied to the rates proposed to be effective January 1, 2026.

As illustrated graphically in **Table 6**, the water shortage rate surcharge revenue only partially replaces lost revenue due to reduced water sales. As a result, even with the water shortage rate surcharges, the proposed water rates for water shortage conditions are less than the total cost of providing water service. The information in Table 6 reflects revenue estimates based on implementation of water shortage rate surcharges in FY 2025/26 (with some costs changed to reflect average costs).

If adopted, the temporary water shortage rate surcharges would depend on the specific stage of shortage, as declared by the City Council. The surcharges are intended to continue only as long as the shortage conditions exist. The water shortage rate surcharges should be discontinued by City Council when the shortage is declared over.

Table 5: Illustration of Water Shortage Surcharge Application

		Normal Supply	Stage 1 Voluntary	Stage 2 Mandatory	Stage 3 Mandatory	Stage 4 Mandatory	Stage 5 Mandatory	Stage 6 Mandatory
2	Assumed Demand Reduction-->	None	5%	15%	25%	35%	45%	50%
3	**Water Shortage Surcharge [1]-->**		**None**	**None**	**5%**	**10%**	**17%**	**22%**
	Water Usage Rate with Surcharge Applied ($/gallon) [2]							
	Single Family Residential							
4	Tier 1 (0 to 3,000 gal/mo)	$0.004712	$0.004712	$0.004712	$0.004950	$0.005180	$0.005510	$0.005750
5	Tier 2 (above 3,000 gal/mo)	$0.006519	$0.006519	$0.006519	$0.006840	$0.007170	$0.007630	$0.007950
6	Multi-Family and Non-Res. (all water)	$0.005715	$0.005715	$0.005715	$0.006000	$0.006290	$0.006690	$0.006970
7	Hydrant Meters	$0.007960	$0.007960	$0.007960	$0.008360	$0.008760	$0.009310	$0.009710
	Fixed Monthly Charge [3]							
8	Service Charge	Varies	---------- No changes to the service charge ----------					

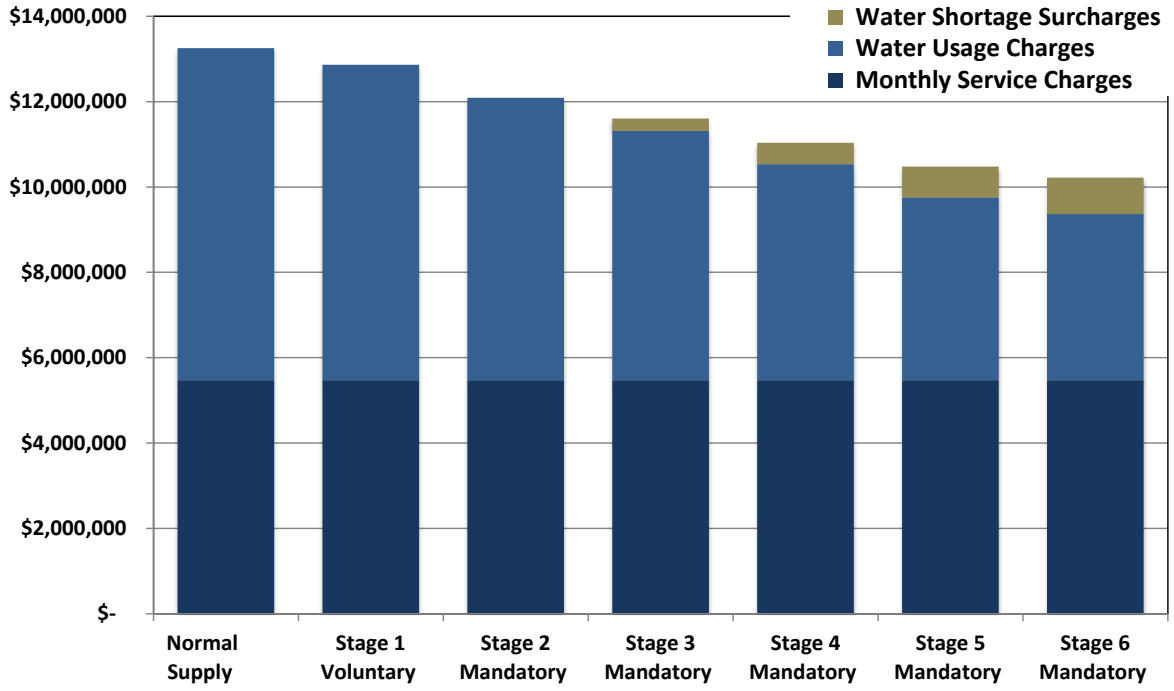
Notes:

[1] Temporary water shortage surcharges are incremntal increases in the normal water usage rates appplied during periods of water shortage, as declared by the City Council.

[2] This table shows the temporary water shortage surcharges applied to the proposed rate increases for FY 2025/26 for illustrative purposes. The percentages shown in this table would be applied to any then-current rates in future years.

[3] No changes to the fixed monthly services charges would be imposed as a result of declared water shortages.

Table 6: Estimated Rate Revenue Under Water Shortage Conditions



Water shortage rate surcharges have been specifically designed such that customers achieving required water use reduction goals will have lower water bills than they would with normal water rates and normal water usage. Customers that do not meet water use

reduction goals may have higher water bills. Because the water shortage rate surcharges apply to all water usage, all customers will participate in bridging the financial gap created by water shortage. Of course, those customers that use the least amount of water or conserve the most will pay less through the water shortage rate surcharges.

Table 7 illustrates how three different single family customers would be affected by the water shortage rate surcharges across various shortage conditions. Comparative monthly water bills are shown for customers that use 6,200 gallons of water (average water usage), 4,000 gallons of water (low water usage), and 10,000 gallons of water (high water usage). Water bills for each stage are then calculated to show the bill impact for customers that reduce their usage in order to meet requested water use reduction goals and the bill impact for customers that do reduce their usage to meet the reduction goals.

Table 7: Sample Single Family Res. Bills with Shortage Rate Surcharges

Water Shortage Level	Water Use Reduction Goal	Monthly Water Use (Gal.)	Service Charge	Usage Charge	Water Shortage Surcharge	Total Water Bill	% Change from Normal Bill
Average Single Family Customer Meeting Reduction Goals							
Normal Supply	None	6,200	$29.63	$26.52	$0.00	$56.15	**0.0%**
Stage 1 Voluntary	Up to 10%	5,890	$29.63	$24.99	$0.00	$54.62	**-2.7%**
Stage 2 Mandatory	Up to 20%	5,270	$29.63	$21.92	$0.00	$51.55	**-8.2%**
Stage 3 Mandatory	Up to 30%	4,650	$29.63	$18.86	$0.94	$49.43	**-12.0%**
Stage 4 Mandatory	Up to 40%	4,030	$29.63	$15.80	$1.58	$47.01	**-16.3%**
Stage 5 Mandatory	Up to 50%	3,410	$29.63	$12.74	$2.17	$44.53	**-20.7%**
Stage 6 Mandatory	Over 50%	3,100	$29.63	$11.20	$2.46	$43.30	**-22.9%**
Average Single Family Customer With No Water Use Reduction							
Normal Supply	None	6,200	$29.63	$26.52	$0.00	$56.15	**0.0%**
Stage 1 Voluntary	Up to 10%	6,200	$29.63	$26.52	$0.00	$56.15	**0.0%**
Stage 2 Mandatory	Up to 20%	6,200	$29.63	$26.52	$0.00	$56.15	**0.0%**
Stage 3 Mandatory	Up to 30%	6,200	$29.63	$26.52	$1.33	$57.47	**2.4%**
Stage 4 Mandatory	Up to 40%	6,200	$29.63	$26.52	$2.65	$58.80	**4.7%**
Stage 5 Mandatory	Up to 50%	6,200	$29.63	$26.52	$4.51	$60.66	**8.0%**
Stage 6 Mandatory	Over 50%	6,200	$29.63	$26.52	$5.83	$61.98	**10.4%**

Water Shortage Stage	Water Use Reduction Goal	Monthly Water Use (Gal.)	Service Charge	Usage Charge	Water Shortage Surcharge	Total Water Bill	% Change from Normal Bill
Low Water-Using Single Family Customer Meeting Reduction Goals							
Normal Supply	None	4,000	$29.63	$15.65	$0.00	$45.28	**0.0%**
Stage 1 Voluntary	Up to 10%	3,800	$29.63	$14.66	$0.00	$44.29	**-2.2%**
Stage 2 Mandatory	Up to 20%	3,400	$29.63	$12.69	$0.00	$42.32	**-6.5%**
Stage 3 Mandatory	Up to 30%	3,000	$29.63	$10.71	$0.54	$40.88	**-9.7%**
Stage 4 Mandatory	Up to 40%	2,600	$29.63	$9.28	$0.93	$39.84	**-12.0%**
Stage 5 Mandatory	Up to 50%	2,200	$29.63	$7.85	$1.34	$38.82	**-14.3%**
Stage 6 Mandatory	Over 50%	2,000	$29.63	$7.14	$1.57	$38.34	**-15.3%**
Low Water-Using Single Family Customer With No Water Use Reduction							
Normal Supply	None	4,000	$29.63	$15.65	$0.00	$45.28	**0.0%**
Stage 1 Voluntary	Up to 10%	4,000	$29.63	$15.65	$0.00	$45.28	**0.0%**
Stage 2 Mandatory	Up to 20%	4,000	$29.63	$15.65	$0.00	$45.28	**0.0%**
Stage 3 Mandatory	Up to 30%	4,000	$29.63	$15.65	$0.78	$46.06	**1.7%**
Stage 4 Mandatory	Up to 40%	4,000	$29.63	$15.65	$1.57	$46.85	**3.5%**
Stage 5 Mandatory	Up to 50%	4,000	$29.63	$15.65	$2.66	$47.94	**5.9%**
Stage 6 Mandatory	Over 50%	4,000	$29.63	$15.65	$3.44	$48.72	**7.6%**

Water Shortage Stage	Water Use Reduction Goal	Monthly Water Use (Gal.)	Service Charge	Usage Charge	Water Shortage Surcharge	Total Water Bill	% Change from Normal Bill
High Water-Using Single Family Customer Meeting Reduction Goals							
Normal Supply	None	10,000	$29.63	$45.29	$0.00	$74.92	**0.0%**
Stage 1 Voluntary	Up to 10%	9,500	$29.63	$42.82	$0.00	$72.45	**-3.3%**
Stage 2 Mandatory	Up to 20%	8,500	$29.63	$37.88	$0.00	$67.51	**-9.9%**
Stage 3 Mandatory	Up to 30%	7,500	$29.63	$32.94	$1.65	$64.22	**-14.3%**
Stage 4 Mandatory	Up to 40%	6,500	$29.63	$28.00	$2.80	$60.43	**-19.3%**
Stage 5 Mandatory	Up to 50%	5,500	$29.63	$23.06	$3.92	$56.61	**-24.4%**
Stage 6 Mandatory	Over 50%	5,000	$29.63	$20.59	$4.53	$54.75	**-26.9%**
High Water-Using Single Family Customer With No Water Use Reduction							
Normal Supply	None	10,000	$29.63	$45.29	$0.00	$74.92	**0.0%**
Stage 1 Voluntary	Up to 10%	10,000	$29.63	$45.29	$0.00	$74.92	**0.0%**
Stage 2 Mandatory	Up to 20%	10,000	$29.63	$45.29	$0.00	$74.92	**0.0%**
Stage 3 Mandatory	Up to 30%	10,000	$29.63	$45.29	$2.26	$77.18	**3.0%**
Stage 4 Mandatory	Up to 40%	10,000	$29.63	$45.29	$4.53	$79.45	**6.0%**
Stage 5 Mandatory	Up to 50%	10,000	$29.63	$45.29	$7.70	$82.62	**10.3%**
Stage 6 Mandatory	Over 50%	10,000	$29.63	$45.29	$9.96	$84.88	**13.3%**

Section 4. CONCLUSION

This Study used methodologies that are aligned with applicable laws (including California's Proposition 218) and are consistent with industry standard practices for rate setting as promulgated by AWWA. The proposed annual adjustments to the water rates are expected to enable the City to continue to provide reliable water service and deliver an increase in capital reinvestment in critical infrastructure.

The water rates, including the Water Shortage Surcharges, will need to be adopted in accordance with Proposition 218, which will require a detailed notice describing the proposed charges to be mailed to each affected property owner or customer at least 45 days prior to conducting a public hearing to adopt the rates. The City should consult with its legal counsel on the appropriate procedures for those fees.

The City Council has adopted Rate Setting Procedures (Resolution No. 2025-066). Those Procedures document the City's compliance with procedural requirements of (a) Proposition 218 (California Constitution Article XIII D, Section 6; as it is implemented by the Legislature at Government Code Sections 53750- 53759.2) as well as (b) the procedures for requiring potential challengers to exhaust administrative remedies by filing timely written objections pursuant to Assembly Bill 2257 ("AB 2257"). Based on those Procedures, members of the public have an opportunity to participate in the public hearing by one or more methods: providing spoken comments during the hearing, a written protest, or a written objection.

As with past practice, the City should monitor financial conditions and needs on an ongoing (annual) basis and update the financial plan model if conditions or plans change sufficiently to warrant an update. Actual future conditions, such as water demand, water sales revenue, water purchase costs, operating and maintenance expenses, capital preservation project costs/timing, project financing, etc., may differ from the financial plan assumptions reflected herein. Material differences affecting the overall financial condition of the water system may warrant closer review and/or an

earlier update. The need for and magnitude of annual water rate increases may also be affected by differences between assumed and actual conditions.

SCHEDULES

Schedule 1 – Projected Operating Expenses

Schedule 2 - Capital Spending Plan

Schedule 3 - Cash Flow Pro Formas (Funds 3430 and 3433)

Budgeted and Projected Operating Expenses

Schedule 1

		FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	FY2031/32	FY2032/33	FY2033/34	FY2034/35
	SALARIES AND WAGES										
1	Salaries & Wages	$1,636,000	$1,718,000	$1,804,000	$1,894,000	$1,989,000	$2,088,000	$2,192,000	$2,302,000	$2,417,000	$2,538,000
2	Overtime	$35,000	$37,000	$39,000	$41,000	$43,000	$45,000	$47,000	$49,000	$52,000	$54,000
3	Annual Admin Pay	$7,000	$8,000	$8,000	$8,000	$9,000	$9,000	$10,000	$10,000	$11,000	$11,000
4	Stipend Pay	$12,000	$13,000	$14,000	$14,000	$15,000	$16,000	$17,000	$17,000	$18,000	$19,000
5	Acting Pay	$8,000	$8,000	$9,000	$9,000	$10,000	$10,000	$11,000	$11,000	$12,000	$12,000
6	Stand-By Weekends	$15,000	$16,000	$17,000	$17,000	$18,000	$19,000	$20,000	$21,000	$22,000	$23,000
7	Stand-By Weekday	$20,000	$21,000	$22,000	$23,000	$24,000	$26,000	$27,000	$28,000	$30,000	$31,000
	BENEFITS										
8	Allowance Auto	$8,000	$8,000	$9,000	$9,000	$10,000	$10,000	$11,000	$11,000	$12,000	$12,000
9	Medicare	$23,000	$24,000	$25,000	$27,000	$28,000	$29,000	$31,000	$32,000	$34,000	$36,000
10	Benefits-Medical	$224,000	$235,000	$247,000	$260,000	$273,000	$286,000	$301,000	$316,000	$331,000	$348,000
11	Benefits-Vision	$2,000	$2,000	$2,000	$2,000	$2,000	$3,000	$3,000	$3,000	$3,000	$3,000
12	Benefits-Life Insurance	$4,000	$4,000	$5,000	$5,000	$5,000	$5,000	$6,000	$6,000	$6,000	$7,000
13	Benefits-Dental	$15,000	$16,000	$17,000	$17,000	$18,000	$19,000	$20,000	$21,000	$22,000	$23,000
14	Benefits-EAP	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000
15	Disability-Long Term	$9,000	$9,000	$9,000	$10,000	$10,000	$11,000	$11,000	$12,000	$13,000	$13,000
16	Disability-Short Term	$5,000	$5,000	$5,000	$6,000	$6,000	$6,000	$6,000	$7,000	$7,000	$7,000
17	PERS-ER	$148,000	$155,000	$163,000	$171,000	$180,000	$189,000	$198,000	$208,000	$218,000	$229,000
18	PERS- ER UAL	$139,000	$146,000	$153,000	$161,000	$169,000	$178,000	$186,000	$196,000	$206,000	$216,000
19	RHSA Plan	$20,000	$21,000	$22,000	$23,000	$24,000	$26,000	$27,000	$28,000	$30,000	$31,000
20	Workers Comp	$26,000	$27,000	$29,000	$30,000	$32,000	$33,000	$35,000	$37,000	$39,000	$41,000
	SERVICES AND SUPPLIES										
21	Postage & Shipping	$66,000	$70,000	$73,000	$77,000	$81,000	$85,000	$89,000	$93,000	$98,000	$103,000
22	Office Expense	$2,000	$2,000	$2,000	$2,000	$2,000	$3,000	$3,000	$3,000	$3,000	$3,000
23	Equipment, Small Office & Tool	$65,000	$68,000	$72,000	$75,000	$79,000	$83,000	$87,000	$91,000	$96,000	$101,000
24	Communication-Phone	$15,000	$16,000	$17,000	$17,000	$18,000	$19,000	$20,000	$21,000	$22,000	$23,000
25	Software Lic. & Sbscrptn Maint	$55,000	$57,000	$58,000	$60,000	$62,000	$64,000	$66,000	$68,000	$70,000	$72,000
26	Rental-Equipment	$10,000	$10,000	$11,000	$11,000	$11,000	$12,000	$12,000	$12,000	$13,000	$13,000
27	Uniform - Purchase	$10,000	$10,000	$11,000	$11,000	$11,000	$12,000	$12,000	$12,000	$13,000	$13,000
28	Dues & Subscriptions	$2,000	$2,000	$2,000	$3,000	$3,000	$3,000	$4,000	$4,000	$4,000	$5,000
29	Hazard Material	$1,000	$1,000	$1,000	$1,000	$1,000	$2,000	$2,000	$2,000	$2,000	$2,000
30	Meter & Supplies Existing	$60,000	$62,000	$64,000	$66,000	$68,000	$70,000	$72,000	$74,000	$76,000	$78,000
31	Meter & SUpplies New	$120,000	$124,000	$127,000	$131,000	$135,000	$139,000	$143,000	$148,000	$152,000	$157,000
32	Conservation Measures	$25,000	$26,000	$27,000	$27,000	$28,000	$29,000	$30,000	$31,000	$32,000	$33,000
33	License & Permit	$70,000	$72,000	$74,000	$76,000	$79,000	$81,000	$84,000	$86,000	$89,000	$91,000
34	Bank & Merchant Fees	$125,000	$129,000	$133,000	$137,000	$141,000	$145,000	$149,000	$154,000	$158,000	$163,000
35	Tax-Property Tax	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$3,000	$3,000	$3,000	$3,000
36	Travel and Training	$15,000	$15,000	$16,000	$16,000	$17,000	$17,000	$18,000	$18,000	$19,000	$20,000
37	Contract Services - Staffing	$25,000	$26,000	$27,000	$27,000	$28,000	$29,000	$30,000	$31,000	$32,000	$33,000
38	Contract - Outside Services	$860,000	$886,000	$912,000	$940,000	$968,000	$997,000	$1,027,000	$1,058,000	$1,089,000	$1,122,000
39	Contracts - Ground WTR	$90,000	$93,000	$95,000	$98,000	$101,000	$104,000	$107,000	$111,000	$114,000	$117,000
40	Professional Legal Fees	$50,000	$52,000	$53,000	$55,000	$56,000	$58,000	$60,000	$61,000	$63,000	$65,000
41	Fuel	$50,000	$52,000	$53,000	$55,000	$56,000	$58,000	$60,000	$61,000	$63,000	$65,000
42	Repair & Maintenance	$40,000	$41,000	$42,000	$44,000	$45,000	$46,000	$48,000	$49,000	$51,000	$52,000
43	Utility-Electric	$795,000	$819,000	$843,000	$869,000	$895,000	$922,000	$949,000	$978,000	$1,007,000	$1,037,000
44	Utility-Water and Sewer	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000	$1,000
45	Water Purchase	$3,830,000	$4,289,000	$4,804,000	$5,284,000	$5,813,000	$6,394,000	$7,033,000	$7,736,000	$8,510,000	$9,361,000
46	Services - Info Tech	$102,000	$105,000	$108,000	$111,000	$115,000	$118,000	$122,000	$125,000	$129,000	$133,000
47	Services - Fleet	$87,000	$90,000	$92,000	$95,000	$98,000	$101,000	$104,000	$107,000	$110,000	$114,000
48	Services - Vehicle Replacement	$202,000	$256,000	$295,000	$321,000	$362,000	$388,000	$425,000	$455,000	$472,000	$472,000
49	Services - Gen Liab ISF	$166,000	$183,000	$201,000	$221,000	$243,000	$267,000	$294,000	$323,000	$356,000	$391,000
50	Special Dept Expense	$95,000	$98,000	$101,000	$104,000	$107,000	$110,000	$113,000	$117,000	$120,000	$124,000
51	Other Exp-Repair System	$175,000	$180,000	$186,000	$191,000	$197,000	$203,000	$209,000	$215,000	$222,000	$228,000
52	Cost Allocation Plan Expense	$794,000	$817,000	$842,000	$867,000	$893,000	$920,000	$947,000	$976,000	$1,005,000	$1,035,000
53	T-Out General Fund CERBT	$108,000	$111,000	$115,000	$118,000	$122,000	$125,000	$129,000	$133,000	$137,000	$141,000
54	Capital Asset-Equipment	$60,000	$62,000	$64,000	$66,000	$68,000	$70,000	$72,000	$74,000	$76,000	$0
55	Capital Asset-Vehicles	$400,000	$200,000	$300,000	$200,000	$275,000	$225,000	$125,000	$0	$0	$0
56	**Total Operating Expenses**	**$10,930,000**	**$11,501,000**	**$12,424,000**	**$13,107,000**	**$14,047,000**	**$14,911,000**	**$15,809,000**	**$16,747,000**	**$17,891,000**	**$19,026,000**

Schedule 2 – 5 Year Capital Improvement Plan*

		FY 2024/25	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	FY2030/31	Funding Notes
1	Water System Controls and Telemetry	$452,000		$125,000	$125,000	$125,000	$125,000	$125,000	
2	Snyder Lane Parallel Pipeline Ph. 2 (RPX to Hinebaugh Creek)			$300,000	$4,000,000				
3	Utilities Office	$250,000	$400,000						
4	Water Meter Replacements	$4,180,000	$1,710,000	$1,500,000					50% funded by Sewer
5	Well and Tank Site Improvements (formerly Seismic Upgrades)	$3,651,000		$9,509,000					Proposed debt funding, potential grant funding (60%)
6	Well/Tank Site Improvements Ph. 2 & Water Quality					$2,000,000	$2,000,000		
7	A Section/Commerce Water Line Replacement Ph 2	$1,184,000							
8	Water Tank #9	$1,397,000				$2,500,000			Funded by capacity charges
9	Tank Interior Recoating			$150,000	$1,000,000	$150,000	$2,000,000		
10	SCADA Upgrade & PRV Integration		$125,000	$500,000					
11	Water Line Replacement Program						$315,000	$4,200,000	
12	Pipe Condition Assessment		$500,000	$500,000					
13	Aqueduct Tie-Ins and Pipe Runs Upsizing					$300,000	$900,000		
14	**Total:**	**$11,114,000**	**$2,735,000**	**$12,584,000**	**$5,125,000**	**$5,075,000**	**$5,340,000**	**$4,325,000**	

* Expressed in 2025 dollars

Schedule 3 - Cash Flow Pro Forma for Water Utility Fund (Funds 3430 and 3433)

		Budget FY2025	Budget FY2026	Forecast FY2027	Forecast FY2028	Forecast FY2029	Forecast FY2030	Forecast FY2031	Forecast FY2032	Forecast FY2033	Forecast FY2034	Forecast FY2035	Forecast FY2036
1	**Rate Revenue Increase:**		**14.00%**	**9.00%**	**9.00%**	**7.00%**	**6.00%**	**6.00%**	**4.00%**	**4.00%**	**4.00%**	**4.00%**	**4.00%**
	Rate Revenue												
2	**Utility Rate Revenue**	$12,142,000	$12,142,000	$13,963,000	$15,360,000	$16,896,000	$18,248,000	$19,525,000	$20,892,000	$21,937,000	$23,033,000	$24,185,000	$25,395,000
3	Change due to growth & use		$121,000	$140,000	$154,000	$169,000	$182,000	$195,000	$209,000	$219,000	$230,000	$242,000	$254,000
4	Increase due to rate adjustments		$850,000	$1,257,000	$1,382,000	$1,183,000	$1,095,000	$1,172,000	$836,000	$877,000	$461,000	$484,000	$508,000
	Non-Rate Revenues												
5	Penalties	$83,000	$101,000	$104,000	$107,000	$110,000	$114,000	$117,000	$120,000	$124,000	$128,000	$132,000	$136,000
6	Interest Earnings	$347,000	$606,000	$106,000	$99,000	$61,000	$95,000	$91,000	$112,000	$133,000	$153,000	$164,000	$174,000
7	Operating Revenue	$361,000	$628,000	$677,000	$714,000	$755,000	$790,000	$824,000	$859,000	$887,000	$915,000	$945,000	$975,000
8	Transfer In	$0	$400,000	$200,000	$300,000	$200,000	$275,000	$225,000	$125,000	$0	$0	$0	$0
9	**Total Revenue**	**$12,933,000**	**$14,848,000**	**$16,447,000**	**$18,116,000**	**$19,374,000**	**$20,799,000**	**$22,149,000**	**$23,153,000**	**$24,177,000**	**$24,920,000**	**$26,152,000**	**$27,442,000**
	O&M Costs												
10	Salaries	$1,835,000	$1,734,000	$1,820,000	$1,911,000	$2,007,000	$2,107,000	$2,213,000	$2,323,000	$2,439,000	$2,561,000	$2,689,000	$2,824,000
11	Benefits	$614,000	$623,000	$655,000	$687,000	$722,000	$758,000	$796,000	$835,000	$877,000	$921,000	$967,000	$1,015,000
12	Operational Expenses	$1,213,000	$1,231,000	$1,059,000	$1,188,000	$1,118,000	$1,224,000	$1,207,000	$1,140,000	$1,049,000	$1,085,000	$1,044,000	$1,080,000
13	Professional Services	$820,000	$1,025,000	$1,056,000	$1,087,000	$1,120,000	$1,154,000	$1,188,000	$1,224,000	$1,261,000	$1,298,000	$1,337,000	$1,378,000
14	Insurance	$322,000	$166,000	$183,000	$201,000	$221,000	$243,000	$267,000	$294,000	$323,000	$356,000	$391,000	$431,000
15	Fees and Subscriptions	$162,000	$182,000	$188,000	$193,000	$199,000	$206,000	$212,000	$218,000	$225,000	$232,000	$240,000	$247,000
16	Utilities	$879,000	$846,000	$871,000	$897,000	$924,000	$952,000	$980,000	$1,010,000	$1,040,000	$1,071,000	$1,103,000	$1,136,000
17	Cost Allocation Plan	$358,000	$794,000	$817,000	$842,000	$867,000	$893,000	$920,000	$947,000	$976,000	$1,005,000	$1,035,000	$1,066,000
18	Purchase of Water	$3,300,000	$3,830,000	$4,289,000	$4,804,000	$5,284,000	$5,813,000	$6,394,000	$7,033,000	$7,736,000	$8,510,000	$9,361,000	$10,297,000
19	Transfer Out	$111,000	$108,000	$111,000	$115,000	$118,000	$122,000	$125,000	$129,000	$133,000	$137,000	$141,000	$145,000
20	Internal Services	$328,000	$391,000	$450,000	$495,000	$528,000	$574,000	$607,000	$650,000	$687,000	$711,000	$718,000	$725,000
21	***Total Operating Expenses***	**$9,942,000**	**$10,930,000**	**$11,499,000**	**$12,420,000**	**$13,108,000**	**$14,046,000**	**$14,909,000**	**$15,803,000**	**$16,746,000**	**$17,887,000**	**$19,026,000**	**$20,344,000**
	Capital and Debt												
22	Total Capital Spending	$11,114,000	$2,735,000	$12,962,000	$5,437,000	$5,546,000	$6,010,000	$5,014,000	$5,109,000	$5,263,000	$5,421,000	$5,583,000	$5,751,000
23	Cash Funded Capital Projects	$7,627,000	$1,880,000	$2,395,000	$5,437,000	$2,814,000	$6,010,000	$5,014,000	$5,109,000	$5,263,000	$5,421,000	$5,583,000	$5,751,000
24	Capacity Charge Funded Capital Projects*	$1,397,028	$0	$0	$0	$2,731,818	$0	$0	$0	$0	$0	$0	$0
25	Debt Funded Capital Projects	$0	$0	$9,795,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
26	Grant Funded Capital Projects	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
27	Sewer Funded Capital Projects	$2,090,000	$855,000	$773,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
28	Existing Internal Loan Repayment	$298,000	$301,000	$298,000	$300,000	$301,000	$152,000	$0	$0	$0	$0	$0	$0
29	New Debt Service		$0	$849,000	$849,000	$849,000	$849,000	$849,000	$849,000	$849,000	$849,000	$849,000	$849,000
30	***Total Capital Expenses***	**$7,925,000**	**$2,181,000**	**$3,542,000**	**$6,586,000**	**$3,964,000**	**$7,011,000**	**$5,863,000**	**$5,958,000**	**$6,112,000**	**$6,270,000**	**$6,432,000**	**$6,600,000**
31	**Total Revenue Requirement**	**$17,867,000**	**$13,111,000**	**$15,041,000**	**$19,006,000**	**$17,072,000**	**$21,057,000**	**$20,772,000**	**$21,761,000**	**$22,858,000**	**$24,157,000**	**$25,458,000**	**$26,944,000**
32	**Beginning Year Balance**	**$6,719,000**	**$1,785,000**	**$3,522,000**	**$4,928,000**	**$4,038,000**	**$6,340,000**	**$6,082,000**	**$7,459,000**	**$8,851,000**	**$10,170,000**	**$10,933,000**	**$11,627,000**
33	**Surplus/(Shortfall)**	**($4,934,000)**	**$1,737,000**	**$1,406,000**	**($890,000)**	**$2,302,000**	**($258,000)**	**$1,377,000**	**$1,392,000**	**$1,319,000**	**$763,000**	**$694,000**	**$498,000**
34	**End of Year Balance**	**$1,785,000**	**$3,522,000**	**$4,928,000**	**$4,038,000**	**$6,340,000**	**$6,082,000**	**$7,459,000**	**$8,851,000**	**$10,170,000**	**$10,933,000**	**$11,627,000**	**$12,125,000**
35	*Combined Reserve Target*	$6,620,000	$7,116,000	$7,823,000	$8,285,000	$8,629,000	$9,024,000	$9,379,000	$9,826,000	$10,298,000	$10,868,000	$11,438,000	$12,097,000
36	**Debt Coverage Ratio**	**na**	**na**	**5.48**	**6.36**	**7.03**	**7.78**	**8.53**	**8.66**	**8.75**	**8.28**	**8.39**	**8.36**

* The sufficiency of capacity charge revenue to fund these projects was not within the scope of this study.