CASTROVILLE COMMUNITY SERVICES DISTRICT

2026 Water and Sewer Rate and Fee Study

Final Report

September 25, 2026

CASTROVILLE COMMUNITY SERVICES DISTRICT
2026 WATER AND SEWER RATE STUDY

DRAFT REPORT

Prepared for:

Castroville Community Services District
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RDN Project Number 401

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September 25, 2026

James Derbin
General Manager
11499 Geil Street
Castroville, CA 95012

Subject: 2026 Water and Sewer Rate and Fee Study

Dear Mr. Derbin,

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

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

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

Respectfully submitted,

Robert D. Niehaus, Ph.D.

Managing Director/Principal Economist - RDN

Anthony Elowsky

Project Manager - RDN

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EXECUTIVE SUMMARY

1.1 Background

Castroville is an unincorporated community surrounded by artichokes, located at the foot of the Salinas Valley in Northern Monterey County. Castroville is about 104 miles south of San Francisco and halfway between Monterey and Santa Cruz. Two major highways serve the area.

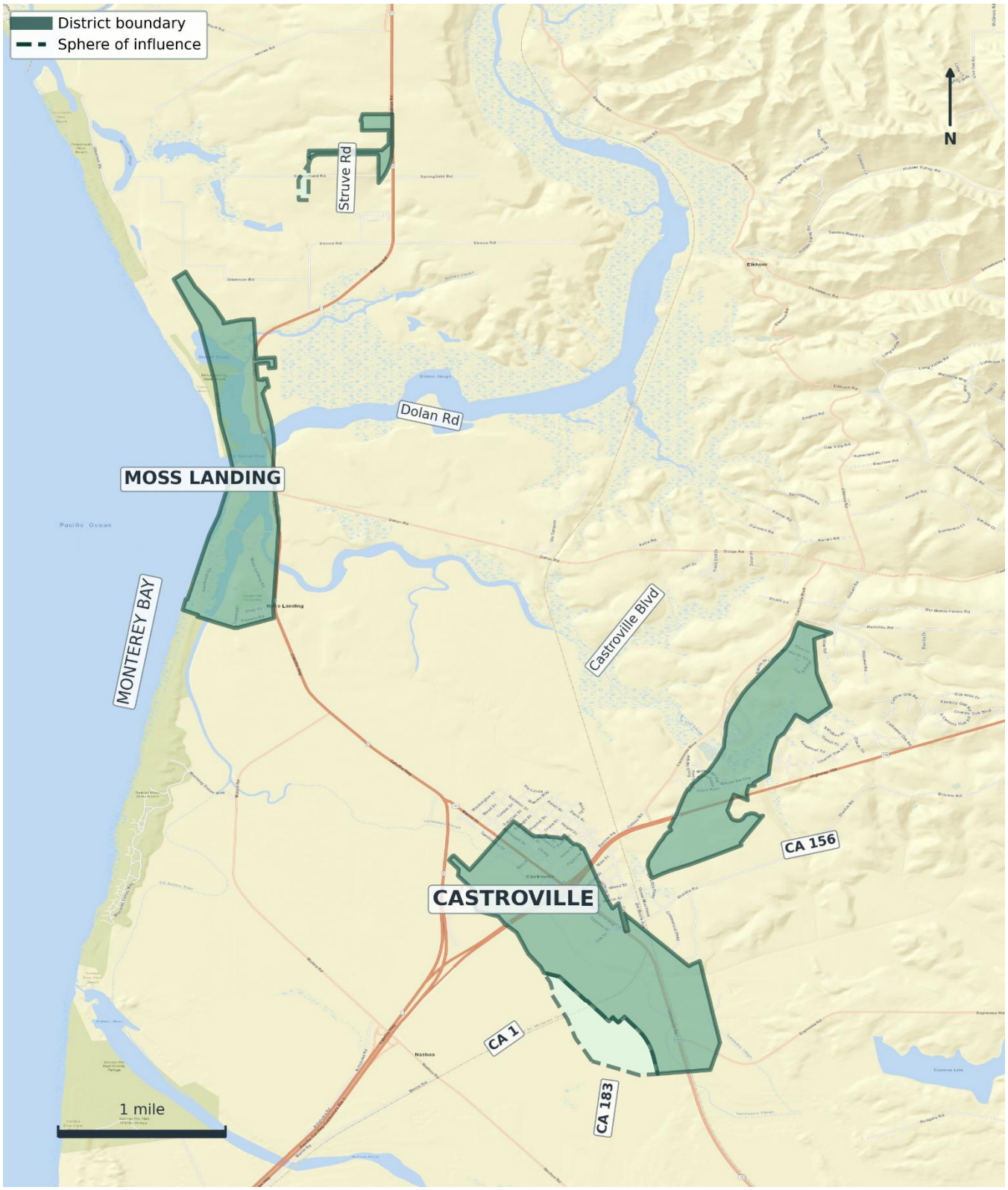
The Castroville Community Services District (CCSD) was created by LAFCO action in 2007 to assume the boundaries and responsibilities of the Castroville Water District and County Service Area 14 (CSA 14) after their dissolutions. The District provides potable water, wastewater, stormwater, recreation facilities, community recreation, street lighting, street maintenance, pest control, and open space/habitat maintenance services to the unincorporated communities of Castroville, a nearby residential area (Moro Cojo), North Monterey County High School, and Moss Landing.

The District currently serves over 7,000 customers to approximately 2,145 units in the Castroville community, providing around 780 acre-feet of water annually to residential, industrial, commercial, and government users. The District operates three domestic water production wells with a combined capacity of more than 3.88 million gallons per day. The water system includes approximately 13 miles of pipeline and two water storage tanks, totaling a capacity of 1.1 million gallons. Currently, the District sources 72 percent of its water from the 400-foot aquifer and 28 percent from Site #2, which draws from the deeper 900-foot aquifer. The District is located entirely within the 180/400-foot aquifer, a groundwater basin that has been critically over drafted due to seawater intrusion.

The sewer system consists of 18 miles of main lines and five lift stations, three located in Castroville (Zone 1) and two in the Moro Cojo subdivision (Zone 2). In 2014, the District took over the Moss Landing (Zone 3) Wastewater system which includes four lift stations.

Figure 1 presents the limits of the Castroville Community Services District.

Figure 1. Castroville Community Services District Boundary



1.2 Purpose of Study

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

The primary objectives of this Study include:

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

The District developed an extensive review of the capital replacement needs of each utility. The rate study results will fund needed capital expenditures while having the least impact on District customers.

1.3 Recommendations and Proposed Rates and Fees

Water

- Adjusting rates annually by the recommended revenue adjustments of 8.0 percent in Fiscal Years 2027 through 2031
- Issuing a $9.0 million bond in FY 2028 to offset capital PAYGO
- Adjusting meter rates to reflect industry standard meter ratio calculations
- Removing the monthly fee for units above the first connected to each meter

Sewer Zone 1

- Make no changes to the rates

Sewer Zone 2

- Make no changes to the rates

Sewer Zone 3

- Adjusting rates annually by the recommended revenue adjustment of 8.0 percent in Fiscal Years 2028 through 2032
- Issuing a $6.75 million bond in FY 2029 to offset capital PAYGO

Connection Fees

- Adjusting fees to include the actual value of the utility system
- Developing fees the equitably charge customers with different service requirements

Proposed Water Financial Plan Adjustments

RDN proposes the following revenue adjustments and debt issuances to accomplish the District's financial goals of capital and reserve funding as well as maintaining the balance between operating expenses and revenue. To achieve the proposed financial plan, RDN recommends that the District raise water revenues by 8.0 percent for each of the next five fiscal years (FYs). Additionally, RDN recommends that the District offset planned water rate funded capital expenditures (PAYGO) with a debt issuance in FY 2028 of $9.0 million.

Table 1. Proposed Revenue Adjustments and Debt Issuances FY 2027 to FY 2031

Category	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenue Adjustment	8.0%	8.0%	8.0%	8.0%	8.0%
Proposed Debt Issuance	$0	$9,000,000	$0	$0	$0

Proposed Water Rates

Costs were allocated equitably between all customers during the cost of service analysis. Costs of providing water service are allocated to each customer class based on two factors: (a) the specific

services and costs they cause the District to incur; and (b) the proportional share attributable to the meter size based on that meter's potential demand on the system. The monthly rates for each meter size represent an equitable portion of the total cost of service for each class allocated to the respective meter based on the calculations shown in the Cost of Service Analysis**.** Variable rates are based on the costs allocated to variable rates and variable rates are offset by non-operating revenues. Variable rates are billed by cubic foot (cf) of water used. The proposed rates which result from these adjustments are shown in **Table 2.**

Table 2. Proposed Water Rates for All Customers, FY 2027 to FY 2031

Monthly Fixed Rate					
Base	1-Jan-2027	1-Jul-2027	1-Jul-2028	1-Jul-2029	1-Jul-2030
3/4"	$31.34	$33.87	$36.58	$39.51	$42.67
1"	$41.81	$45.17	$48.79	$52.69	$56.90
1 1/2"	$67.96	$73.42	$79.30	$85.64	$92.49
2"	$99.35	$107.32	$115.91	$125.18	$135.19
3"	$198.74	$214.67	$231.84	$250.39	$270.42
4"	$329.53	$355.91	$384.39	$415.14	$448.35
6"	$721.88	$779.66	$842.03	$909.39	$982.14
Fire	1-Jan-2027	1-Jul-2027	1-Jul-2028	1-Jul-2029	1-Jul-2030
2"	$38.74	$41.84	$45.19	$48.81	$52.71
3"	$46.44	$50.16	$54.17	$58.50	$63.18
4"	$71.06	$76.74	$82.88	$89.51	$96.67
6"	$123.40	$133.27	$143.93	$155.44	$167.88
8"	$184.97	$199.77	$215.75	$233.01	$251.65
10"	$231.15	$249.64	$269.61	$291.18	$314.47
12"	$385.10	$415.91	$449.18	$485.11	$523.92
Variable Rate					
All Use	1-Jan-2027	1-Jul-2027	1-Jul-2028	1-Jul-2029	1-Jul-2030
per cf	$0.025	$0.027	$0.029	$0.031	$0.033

Proposed Sewer Zone 3 Financial Plan Adjustments

The recommended sewer rates include a revenue adjustment schedule designed to fund significant capital improvements. To achieve the proposed financial plan, RDN recommends that the District raise Sewer Zone 3 revenues by 8.0 percent for each of the next five fiscal years (FYs). Additionally, RDN recommends that the District offset planned sewer rate funded capital expenditures (PAYGO) with a debt issuance in FY 2029 of $6.75 million.

Table 3. Proposed Revenue Adjustments FY 2028 to FY 2032

Category	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Revenue Adjustment	8.0%	8.0%	8.0%	8.0%	8.0%
Proposed Debt Issuance	$0	$6,750,000	$0	$0	$0

Proposed Sewer Zone 3 Rates

Sewer Zone 3 customers are billed an annual fee on their property tax bill. Costs of providing sewer service are allocated to each customer class based on the number of equivalent dwelling units (EDUs) which are assigned to that customer. All customers are assigned EDU counts when they connect to the sewer system. EDU counts are based on engineering staff estimates of the relative impact each customer has on the sewer system. The cost of service analysis was based on the total number of EDUs and assigned costs equally to each EDU. The proposed variable rates for FY 2028 – FY 2032 are shown in **Table 4**.

Table 4. Proposed Annual Charges per EDU FY 2028 to FY 2032

Annual Fixed Rates					
All Customers	1-Jul-2027	1-Jul-2028	1-Jul-2029	1-Jul-2030	1-Jul-2031
Per EDU	$286.80	$309.75	$334.53	$361.29	$390.19

Capacity Charges

In addition to developing new water and sewer rates, this study also recommends changes to the District's current Connection Fees. Impact Fees, Connection Fees, Capacity Fees, and Capacity Charges are all synonyms which refer to a fee charged by a utility to maintain and produce additional system capacity which can be used by new customers joining the system. This report will refer to the proposed fee as "Capacity Charges."

Table 5 shows the proposed Sewer Capacity Charges which are designed to both reimburse current customers for the additional carried capacity, which is being carried in the sewer system, as well as ensure that new customers are paying for their fare share of the additional capacity produced by future rate funded capital improvement projects.

Table 5. Proposed Capacity Charges

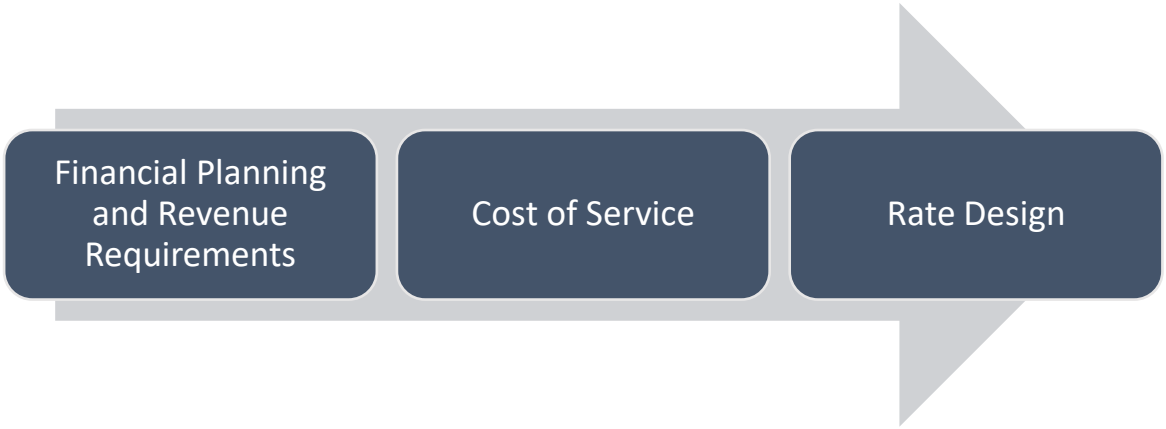
Water Capacity Charges				
	Outside Industrial Park		Inside Industrial Park	
Meter Size	Base	Fire	Base	Fire
3/4"	$4,476.14		$2,238.07	
1"	$7,460.24		$3,730.12	
1 1/2"	$14,920.48		$7,460.24	
2"	$23,872.76	$4,721.21	$11,936.38	$2,360.60
3"	$52,221.67	$6,294.94	$26,110.84	$3,147.47
4"	$89,522.87	$11,330.90	$44,761.43	$5,665.45
6"	$201,426.45	$22,032.30	$100,713.23	$11,016.15
8"		$34,622.19		$17,311.09
10"		$44,064.60		$22,032.30
12"		$75,539.31		$37,769.66
Sewer Capacity Charges				
Residential	$5,160.09	Per Dwelling		
Commercial	$5,160.09	Per EDU		

METHODOLOGY

2.1 General Methodology

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

Figure 2. Water and Sewer Rate Study Process



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

[1] Principles of Water Rates, Fees, and Charges, Seventh Edition, Manual of Water Supply Practices, American Water Works Association

[2] Financing and Charges for Sewer Systems, WEF Manual of Practice Number 27, Water Environment Federation

The Capacity Charge was developed using guidelines set forth by the AWWA M1[3]. The two primary methods outlined in the M1 used to calculate Capacity Charges are the Buy-in and the Incremental Cost methods. The Buy-in method recovers the cost of capacity in those portions of the existing system in which there is still capacity available. The Incremental Cost method is a calculation of the Incremental Costs of additional system capacity needed to add to serve new development. There is also a hybrid approach in which these two methods are combined. The combined approach is most often used when the system has some capacity left to take on new customers, but additional capacity is also needed to serve projected growth in the planning horizon. RDN used the following methods to determine capacity charge requirements:

- **Buy-in Method -** Under the Buy-in Method, new development purchases a share of capacity proportionate to the development's estimated demand. This method is typically used when the existing system has the capacity to accommodate increased demand without large investment in capital projects.
- **Original Cost less Depreciation** – original cost subtracting the accumulated depreciation of system assets.

This proposed method rests on the premise that existing customers have been maintaining not only their share of the system capacity that they use but also for the extra capacity that is not currently being used. New customers therefore should reimburse existing customers for the additional contribution they have made to maintain the extra capacity but takes into account the wear and tear on system assets.

2.2 Key Assumptions

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

Escalation Factors

The financial plan was built based on an assumption in the projected escalation of revenues and expenses associated with both operations and maintenance (O&M) and capital improvement projects (CIPs). Escalation factors were calculated for nine independent variables using historical Consumer Price Index (CPI) data from the West – Size Class B/C, between the year 2000 and the most current calendar

[3] American Water Works Association. M1 Principles of Water Rates, Fees and Charges, Seventh Edition

year[4], and projections by the Federal Reserve Bank of St. Louis (FRED) Economic Research Division, Quarterly Census of Employment and Wages (QCEW), and Engineering News Record (ENR) Building Cost Index (BCI). All escalation factors were developed by calculating an average rate of change and projecting that rate into future years. Escalation factors are shown in **Figure 3**.

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

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

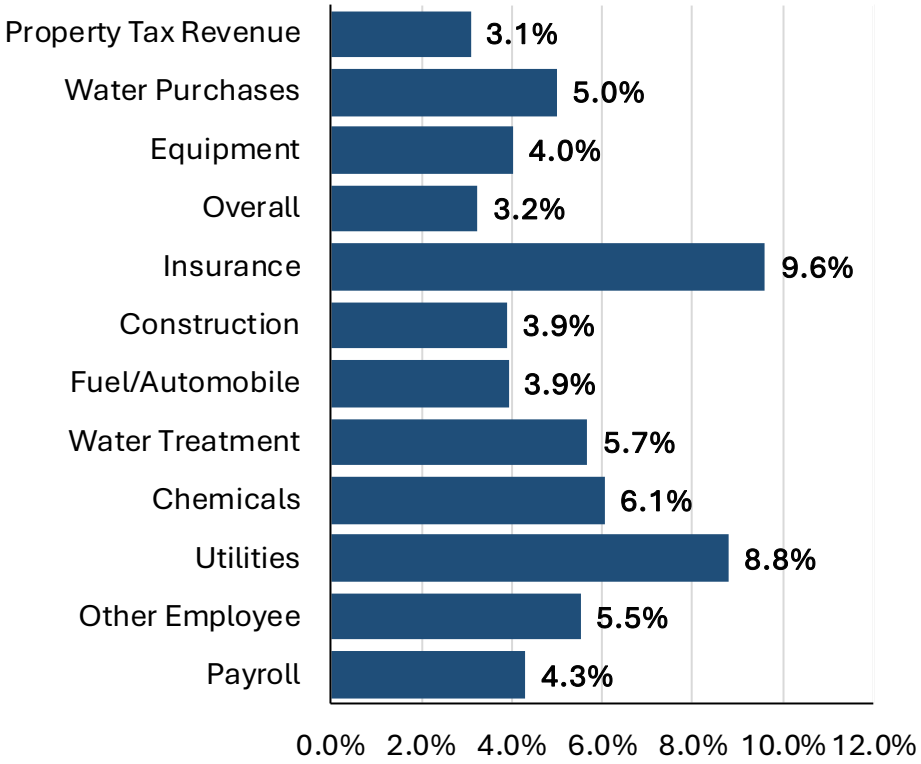
The fuels and automobile escalation factor is derived from the Private Transportation, Fuels and Utilities, and Motor Fuel series of the BLS CPI. RDN takes a weighted average of the Private Transportation, Fuels and utilities, and Motor Fuel data sets to form a combined Fuels and Automobile inflation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

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

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

[4] Bureau of Labor Statistics (2026) *Consumer Price Indices West – Size Class B/C, Not Seasonally Adjusted.*

Figure 3. Expense Escalation Factors



Customer Growth and Water Use

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

Water

There are currently approximately 1,512 water meters connected to the District's water system, which includes monthly base and fire service customer accounts. In ten years, 1,585 meters are projected. The number of Monthly Base meters is projected to increase by 0.6% per year. For connections with multiple units beyond the first connection a growth rate of 2.4% is projected. No growth in the number of Fire Service meters is projected. A total of 35 new Water Service connections is projected to join the water system during the five-year planning period, approximately 7 per year. Per account use is projected to decrease at a rate of 0.3% per year. In FY 2026, the average monthly base meter use 1,722 cf per month. By FY 2036, per account water use is expected to decline to 1,654 cf per month.

Sewer

There are currently 3,099 sewer EDUs serviced by the District, 1,816 in Zone 1, 577 in Zone 2, and 706 in Zone 3. During the five-year study period, a total of 67 new sewer customer EDUs are expected. Growth was projected for sewer customers based on an analysis of historical billing records and District growth trends. A growth rate of 0.6% per year was calculated for Zone 1 and Zone 2. No growth is projected in Zone 3. The number of sewer customers include some customers who are not connected to the water system, as well as additional units per water connection, which leads to a higher overall customer count. In zone 2, the North Monterey County High School (NMCHS) is billed per student, no growth in the 1,100 person student population is projected.

Reserve Policy

The District's does not have a formal reserve policy. To ensure sufficient reserves for future capital and emergency needs, this study recommends reserve targets to be funded by customer rates. Financial reserves allow the District to maintain uninterrupted operations during emergencies, manage seasonal cash flow, respond to unexpected infrastructure failures, and reduce reliance on borrowing for routine capital expenditures. Each of the utilities has unique reserve needs. For example, because the sewer utilities only receive revenue from the tax roll and not monthly billing, they must have sufficient cash on hand to fund annual expenses. **Table 6** shows the recommended reserve policy developed by RDN that will ensure that each utility maintains sufficient reserves at the end of the 5-year rate planning period. The financial plan recommendations are designed to fully fund operational needs and capital expenditures and reach the target reserve level at the end of five years of adjustments.

Table 6. Recommended Reserve Policy

Reserve Type	Water	Sewer Zone 1
Operating Reserve	6 months of operating expenses	6 months of operating expenses
Capital Reserve	10% of asset replacement costs	10% of asset replacement costs
Emergency Reserve	—	—
Rate Stabilization Reserve	—	Sufficient reserves to fund operations
Reserve Type	**Sewer Zone 2**	**Sewer Zone 3**
Operating Reserve	6 months of operating expenses	6 months of operating expenses
Capital Reserve	10% of asset replacement costs	10% of asset replacement costs
Emergency Reserve	3 months of operating expenses	3 months of operating expenses
Rate Stabilization Reserve	—	—

Equivalent Meter Size

When designing fixed water service charges, the potential demand or capacity requirements placed on the water system can be measured by the size of installed meters which receive services from the system. The safe operating flow (or capacity) of a particular size of the meter is essentially the limiting factor in

terms of the demand that can be exerted on the water system through the meter. Larger meters typically pay a higher cost to join the system, and higher fixed rates. The ratio of the safe operating capacity of various sizes of meters relative to the capacity of a base meter may be used to determine appropriate charges for the larger meter sizes[5]. The District considers 3/4" meters as the base meter capacity for Monthly Base customers, and 2" meters as the base meter capacity for Fire Service customers. The capacity ratio is calculated using the meter capacities in gallons per minute (gpm) provided in the AWWA M1 for meters. **Table 7** show the equivalent water meter ratios used in this study.

Table 7. AWWA Equivalent Meter Ratios[6]

Meter Size	Monthly Base	Fire Service /Base	Fire Service /2" Fire
3/4"	1.00		
1"	1.67		
1 1/2"	3.33		
2"	5.33	25.00	1.00
3"	11.67	33.33	1.33
4"	20.00	60.00	2.40
6"		116.67	4.67
8"		183.33	7.33
10"		233.33	9.33
12"		400.00	16.00

[5] From "Principles of Water Rates, Fees, and Charges" by American Water Works Association, 2017, Seventh Edition, Appendix B, p. 385.

[6] Meter capacity is measured in maximum gallon per minute (gpm) capacity of each meter size.

FINANCIAL PLAN

3.1 Water Utility

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

Current Water Rates

Currently, the District's water customers pay a monthly fixed charge corresponding to their customer meter size. Customers also pay monthly variable charges based on water use, which is billed per cubic foot (cf). Customers with more than one individual unit connected to a meter, for example apartment complexes, are billed an additional monthly flat rate per unit over the first. The current rates as described are displayed in **Table 8.**

Table 8. Current Monthly Water Rates

Fixed Rate		
Meter Size	Monthly Base	Fire Service
3/4"	$20.81	
1"	$34.77	
1 1/2"	$67.96	
2"	$110.43	$11.65
3"	$220.94	$21.92
4"	$344.65	$43.70
6"	$692.74	$98.29
8"		$131.04
10"		$175.40
12"		$245.43
Surcharge		
Per Unit	$20.81	
Variable Rate		
Per cf	$0.0218	$0.0218

Demand Projections

Using historical billing records, RDN first calculated aggregate water usage to establish a baseline for demand projections. We then determined per-account usage for each customer class by dividing total usage by the number of accounts. Customer growth was also projected based on historical billing records. Finally, projected account counts were multiplied by per-account usage to estimate total water demand by customer class

Table 9 shows the annual customer growth and water use projection by customer class for the rate setting period.

Table 9. Annual Customer Growth and Water Use by Customer Class in cf, FY 2027 to FY 2031[7]

Monthly Base					
Meter Size	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
3/4"	1,148	1,154	1,160	1,166	1,172
1"	171	172	173	174	175
1 1/2"	63	63	63	63	63
2"	50	50	50	50	50
3"	12	12	12	12	12
4"	2	2	2	2	2
Fire Service					
Meter Size	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
2"	8	8	8	8	8
4"	20	20	20	20	20
6"	25	25	25	25	25
8"	18	18	18	18	18
12"	2	2	2	2	2
Total Meters	**1,519**	**1,526**	**1,533**	**1,540**	**1,547**
Additional Units					
Type	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Surcharge	580	594	608	623	638
Water Use					
Customer Class	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Monthly Base	29,460,284	29,521,545	29,582,806	29,644,067	29,705,328
Fire Service	19,413	20,829	22,245	23,661	25,077

Revenues

Based on the account growth and water demand projections, RDN forecasted revenues generated from customer rates using the current water rates for the study period, which total approximately $1.4 million annually. **Table 10** shows annual projected water rate revenue.

[7] Use projections derived from historical monthly customer billing records provided by the District and trends in water use

Table 10. Water Rate Revenue by Source, FY 2027 to FY 2031

Monthly Base					
Meter Size	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
3/4"	$286,678.56	$288,176.88	$289,675.20	$291,173.52	$292,671.84
1"	$71,348.04	$71,765.28	$72,182.52	$72,599.76	$73,017.00
1 1/2"	$51,377.76	$51,377.76	$51,377.76	$51,377.76	$51,377.76
2"	$66,258.00	$66,258.00	$66,258.00	$66,258.00	$66,258.00
3"	$31,815.36	$31,815.36	$31,815.36	$31,815.36	$31,815.36
4"	$8,271.60	$8,271.60	$8,271.60	$8,271.60	$8,271.60
Fire Service					
Meter Size	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
2"	$1,118.40	$1,118.40	$1,118.40	$1,118.40	$1,118.40
4"	$10,488.00	$10,488.00	$10,488.00	$10,488.00	$10,488.00
6"	$29,487.00	$29,487.00	$29,487.00	$29,487.00	$29,487.00
8"	$28,304.64	$28,304.64	$28,304.64	$28,304.64	$28,304.64
12"	$5,890.32	$5,890.32	$5,890.32	$5,890.32	$5,890.32
Additional Units					
Type	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Surcharge	$144,837.60	$148,333.68	$151,829.76	$155,575.56	$159,321.36
Water Use					
Customer Class	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Monthly Base	$642,234.19	$643,569.68	$644,905.17	$646,240.66	$647,576.16
Fire Service	$423.21	$454.07	$484.94	$515.80	$546.67
Total Revenue	**$1,378,532.68**	**$1,385,310.68**	**$1,392,088.67**	**$1,399,116.39**	**$1,406,144.10**

Other operating income and non-operating revenue are estimated to provide supplemental revenue each year. **Table 11** shows the projected other operating and non-operating revenue for the water utility by source for FY 2027 to FY 2031.

Table 11. Annual Other Revenue by Source, FY 2027 to FY 2031[8]

Other Operating Revenue	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
4020 · Hydrant Water Sales	$8,200.00	$8,200.00	$8,200.00	$8,200.00	$8,200.00
4040 · Backflow Revenue	$330.00	$330.00	$330.00	$330.00	$330.00
4050 · Misc. Revenue-Other	$5,000.00	$5,000.00	$5,000.00	$5,000.00	$5,000.00
4053 · Reconnect Charges	$120.00	$120.00	$120.00	$120.00	$120.00
4054 · NSF Charges	$140.00	$140.00	$140.00	$140.00	$140.00
4057 · Trip Fee Charges	$2,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00
Non-Operating Revenue	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**
4030 · New Service Installation	$29,416.00	$29,416.00	$29,416.00	$29,416.00	$29,416.00
Property Tax	$253,584.18	$261,402.18	$269,461.21	$277,768.70	$286,332.31
Investment Returns	$200,000.00	$162,132.47	$144,244.46	$0.00	$0.00
Total Revenue	**$499,290.18**	**$469,240.65**	**$459,411.67**	**$323,474.70**	**$332,038.31**

[8] Property tax revenues represent a 14% share of all property taxes collected by the District. Investment returns reflect an average 3.2% rate of return on the utilities total projected fund balances.

Operating and Maintenance (O&M) Expense

The water utility's budget includes $1.2 million in operating expenses for FY 2027. Total operating expenses are expected to increase approximately 5.3 percent per year based on the application of specific inflation factors to each budget line item. By the end of the five-year rate setting period, total operating expenses are expected to reach $1.5 million. **Table 12** shows projected operating expenses for the rate setting period by budget category.

Table 12. Operating Expenses by Expense Category, FY 2027 to FY 2031[9]

Category	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
General	$37,000.00	$38,670.34	$40,421.47	$42,257.53	$44,182.91
Wells	$237,400.00	$256,285.16	$276,757.55	$298,953.97	$314,113.13
Valves	$7,500.00	$7,788.83	$8,088.79	$8,400.33	$8,723.89
Meter	$11,000.00	$11,436.61	$11,890.55	$12,362.52	$12,853.22
Hydrant	$7,500.00	$7,795.50	$8,102.64	$8,421.88	$8,753.71
Water Line	$35,000.00	$36,397.35	$37,850.50	$39,361.68	$40,933.22
Automobile	$13,500.00	$14,029.38	$14,579.51	$15,151.22	$15,745.34
Operation Payroll	$168,539.00	$175,794.60	$183,362.56	$191,256.32	$199,489.90
Billing	$29,877.43	$30,848.15	$31,850.40	$32,885.22	$33,953.66
Utilities	$7,580.00	$8,245.83	$8,970.14	$9,758.08	$10,275.84
Insurance	$24,525.00	$26,695.39	$28,398.49	$30,210.25	$32,137.59
Office	$63,600.00	$65,741.62	$67,955.81	$70,245.05	$72,611.88
Payroll	$473,232.00	$502,878.45	$529,831.34	$558,271.62	$588,283.58
Consulting	$91,075.00	$94,034.03	$97,089.19	$100,243.62	$103,500.54
Total Operating	**$1,207,328.43**	**$1,276,641.23**	**$1,345,148.95**	**$1,417,779.29**	**$1,485,558.41**

Other Obligations

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

Capital Improvement Projects

The District plans to spend an average of $2.5 million a year on capital projects during the rate setting period. **Table 13** shows PAYGO capital expenditures.

[9] District staff provided current year operating expenses by category; projections are based on individual line-item inflationary factors shown in Figure 3.

Table 13. Rate Study PAYGO CIP Expenses, FY 2027 to FY 2031[10]

Project	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
New Vehicles (S)	$0.00	$0.00	$27,000.00	$0.00	$27,000.00
District Office (S)	$39,375.00	$5,000.00	$5,000.00	$5,000.00	$5,000.00
Dump Truck (S)	$54,000.00	$0.00	$0.00	$0.00	$0.00
Bobcat Loader (S)	$13,500.00	$0.00	$0.00	$0.00	$0.00
Jet/Vac Replacment (S)	$0.00	$0.00	$337,500.00	$0.00	$0.00
New Sampling Stations (8)	$15,000.00	$0.00	$0.00	$0.00	$0.00
Tank Cathodic Protection	$60,000.00	$0.00	$0.00	$0.00	$0.00
Service Line Replacement	$250,000.00	$200,000.00	$200,000.00	$200,000.00	$200,000.00
Valve & Main Repairs/Replacment	$250,000.00	$300,000.00	$300,000.00	$300,000.00	$300,000.00
Chlorine Generators	$10,000.00	$10,000.00	$10,000.00	$12,500.00	$12,500.00
Well Motors & Pumping Equipment	$25,000.00	$25,000.00	$25,000.00	$25,000.00	$25,000.00
SCADA Upgrades	$7,500.00	$2,500.00	$2,500.00	$2,500.00	$2,500.00
Meters	$5,000.00	$5,000.00	$5,000.00	$5,000.00	$5,000.00
Well Site #4/6 Site Civil Improvements	$250,000.00	$3,000,000.00	$3,000,000.00	$0.00	$0.00
CalAm Connection	$0.00	$0.00	$0.00	$1,400,000.00	$1,400,000.00
Well #3 (GSA?)	$0.00	$0.00	$0.00	$0.00	$0.00
Total PAYGO	**$979,375.00**	**$3,547,500.00**	**$3,912,000.00**	**$1,950,000.00**	**$1,977,000.00**

Debt Service and Coverage Ratios

The District currently has no outstanding debt obligations.

Reserves

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

- **Operating Reserve**: six months of operating expenses
- **Capital Reserve**: 10 percent of the total replacement cost of water assets

The reserve target at the end of the study period reaches $4.4 million. **Table 14** shows the District's reserve targets for FY 2027 through FY 2031 based on the proposed reserve policy.

Table 14. Water Reserve Target, FY 2027 to FY 2031

Reserve	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
O&M Reserve	$603,664.22	$638,320.61	$672,574.48	$708,889.64	$742,779.21
Capital Reserve	$3,640,727.20	$3,640,727.20	$3,640,727.20	$3,640,727.20	$3,640,727.20
Total Reserve	**$4,244,391.41**	**$4,279,047.81**	**$4,313,301.67**	**$4,349,616.84**	**$4,383,506.40**

[10] District's 10-year CIP budget as well as input from staff was used for project cost.

Financial Plan

Based on the projected total revenue and necessary costs to be recovered during the study period, RDN built a financial plan that will generate sufficient revenues for the day-to-day operation and annual PAYGO and make appropriate contributions to reserves. The District's ending cash balance was $5.1 million in FY 2026, which constitutes the beginning balance for FY 2027. **Table 15** shows the status quo water pro forma with no revenue adjustments and the resulting ending balances based on the revenues and expenses outlined in this section.

Table 15. Status Quo Financial Pro Forma for Castroville Community Services District Water System, FY 2027 to FY 2031[11]

Category	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Opening Cash Balance	**$5,098,041**	**$4,789,160**	**$1,819,570**	**($1,586,078)**	**($3,231,267)**
Revenues					
Rate Revenue	$1,378,533	$1,385,311	$1,392,089	$1,399,116	$1,406,144
Non-Rate Revenue	$499,290	$469,241	$459,412	$323,475	$332,038
Total Revenue	**$1,877,823**	**$1,854,551**	**$1,851,500**	**$1,722,591**	**$1,738,182**
Operating Expenses	$1,207,328	$1,276,641	$1,345,149	$1,417,779	$1,485,558
PAYGO	$979,375	$3,547,500	$3,912,000	$1,950,000	$1,977,000
Net Revenue	**($308,881)**	**($2,969,590)**	**($3,405,649)**	**($1,645,188)**	**($1,724,376)**
Ending Cash Balance	**$4,789,160**	**$1,819,570**	**($1,586,078)**	**($3,231,267)**	**($4,955,643)**
Reserve Target	$4,244,391	$4,279,048	$4,313,302	$4,349,617	$4,383,506

To ensure sufficient funding for operation and PAYGO, and to meet proposed reserve targets the District must make adjustments to their financial plan. The status quo financial plan indicates that revenues need to be adjusted by 8.0 percent per year and the District should seek debt funding of $9.0 million in FY 2028 to accomplish major PAYGO projects. **Table 16** shows the proposed revenue adjustments and debt issuances.

Table 16. Proposed Revenue Adjustments and Debt Issuances FY 2027 to FY 2031

Category	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenue Adjustment	8.0%	8.0%	8.0%	8.0%	8.0%
Proposed Debt Issuance	$0	$9,000,000	$0	$0	$0

As directed by District staff, the debt issuance was modeled based on a 30 year repayment term at an interest rate of 2.5 percent. Debt repayment was modeled to begin the year after issuance, or FY 2029.

[11] Investment returns reflect an average 3.2% rate of return on the utilities total projected fund balances.

The proposed financial plan maintains a positive operating position which will allow the District to achieve potential debt service coverage requirements (DSCR) above 120 percent (1.2 times revenue over operating expense).

Table 17 shows the proposed water pro forma for the study period with the recommended revenue adjustments per year. Under the proposed financial plan, the first rate adjustment will occur in FY 2027, in January 2027, followed by adjustments at the beginning of each subsequent fiscal year (July 1).

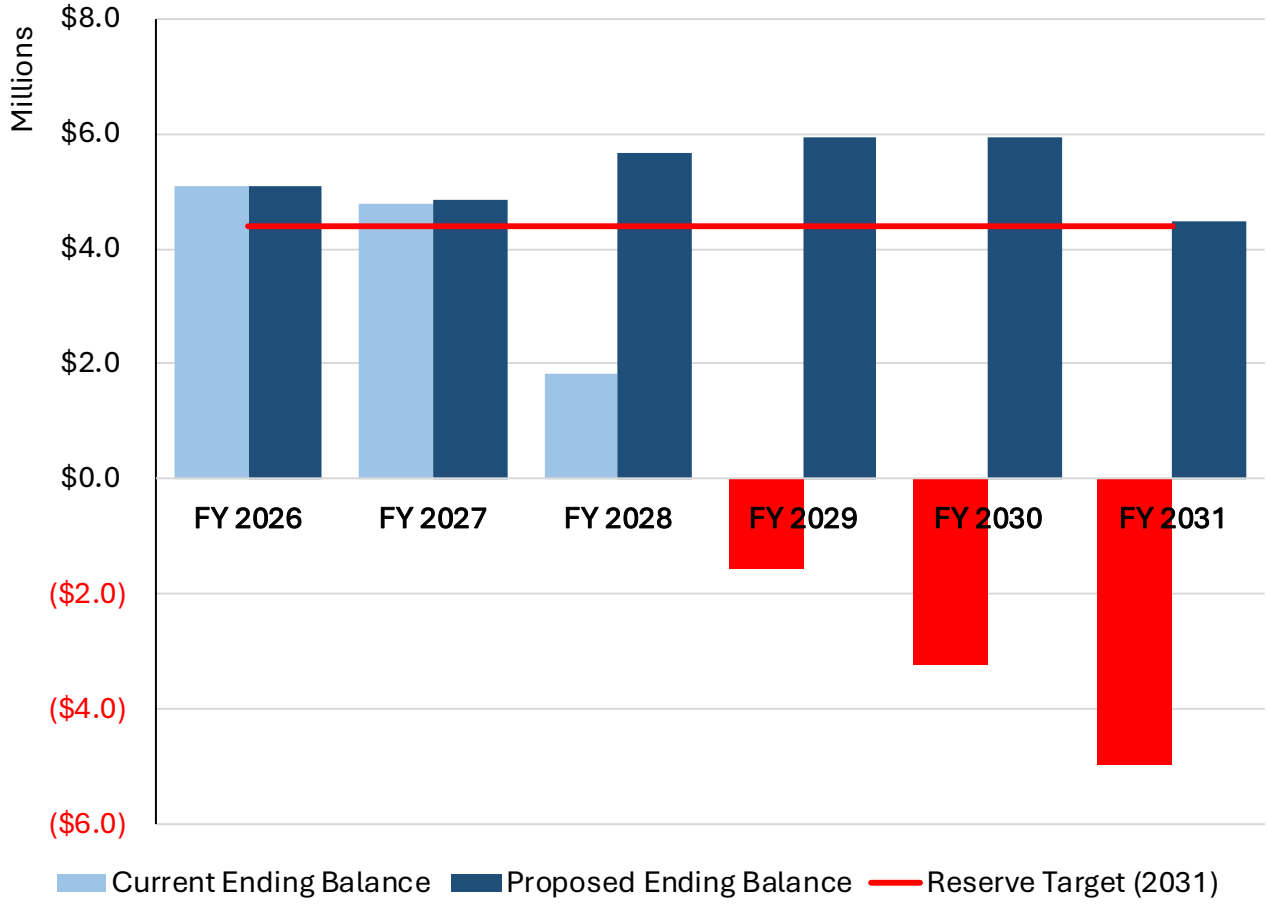
Table 17. Proposed Financial Pro Forma for Castroville Community Services District Water System, FY 2026 to FY 2031[12]

Revenue Adjustment	8.0%	8.0%	8.0%	8.0%	8.0%
Category	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**
Opening Cash Balance	**$5,098,041**	**$4,844,301**	**$5,652,727**	**$5,944,976**	**$5,938,964**
Revenues					
Rate Revenue	$1,378,533	$1,385,311	$1,392,089	$1,399,116	$1,406,144
Adjusted Rate Revenue	$55,141	$230,516	$361,542	$504,366	$659,943
Non Rate Revenue	$499,290	$469,241	$469,230	$503,248	$521,106
Total Revenue	**$1,932,964**	**$2,085,067**	**$2,222,861**	**$2,406,730**	**$2,587,193**
Operating Expenses	$1,207,328	$1,276,641	$1,345,149	$1,417,779	$1,485,558
Debt Service	$0	$0	$585,463	$585,463	$585,463
Total CIP	**$979,375**	**$3,547,500**	**$3,912,000**	**$1,950,000**	**$1,977,000**
PAYGO	$979,375	$0	$0	$409,500	$1,977,000
Debt Funded CIP	$0	$3,547,500	$3,912,000	$1,540,500	$0
Net Revenue	**($253,739)**	**$808,426**	**$292,249**	**($6,012)**	**($1,460,829)**
DSCR	-	-	1.50	1.69	1.88
Ending Cash Balance	**$4,844,301**	**$5,652,727**	**$5,944,976**	**$5,938,964**	**$4,478,136**
Reserve Target	$4,244,391	$4,279,048	$4,313,302	$4,349,617	$4,383,506

Figure 4 shows the ending fund balances under the status quo and proposed financial plan compared to the proposed reserve target in FY 2031.

[12] Investment returns reflect an average 3.2% rate of return on the utilities total projected fund balances.

Figure 4. Status Quo and Proposed Ending Fund Balance Calculation



3.2 Sewer Zone 1 Utility

RDN built a 10-year financial model for the Castroville Community Services District's zone 1 sewer system to meet the system's long-term financial goals.

Current Sewer Rates

Currently, the District's Zone 1 sewer customers pay no rates. All operating and capital expenditures are funded through other operating and non-operating revenues.

Revenues

The revenue analysis relies on other operating and non-operating revenues such as connection fee revenues, investment income, and property taxes. These revenues are used to offset the revenue requirements that need to be recovered from customers' rates. **Table 18** shows the projected other operating and non-operating revenue for the sewer utility by source for FY 2026 to FY 2031.

Table 18. Annual Revenue by Source, FY 2027 to FY 2031[13]

Other Operating Revenue	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
4105 · User fees - Storm Drain #75301	$65,000.00	$65,000.00	$65,000.00	$65,000.00	$65,000.00
4130 · Misc Revenue	$1,000.00	$1,000.00	$1,000.00	$1,000.00	$1,000.00
Non-Operating Revenue	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**
4125 · Sewer Connection Fees	$6,336.00	$6,336.00	$6,336.00	$6,336.00	$6,336.00
Property Tax	$1,014,336.72	$1,045,608.72	$1,077,844.84	$1,111,074.79	$1,145,329.23
Investment Returns	$330,000.00	$348,179.50	$361,412.46	$288,276.16	$287,184.89
Total Revenue	**$1,416,672.72**	**$1,466,124.22**	**$1,511,593.30**	**$1,471,686.96**	**$1,504,850.12**

Operating and Maintenance (O&M) Expense

The itemized O&M expenses were reviewed by the District and forecast for the study period using escalation factors discussed in the Key Assumptions section of this report. **Table 19** shows the District's projected O&M expenses for the sewer utility during the study period. O&M Expenses are expected to increase by 4.9 percent on average annually.

[13] Property tax revenues represent a 56% share of all property taxes collected by the District. Investment returns reflect an average 3.2% rate of return on the utilities total projected fund balances.

Table 19. Zone 1 Sewer System O&M Expense Forecast, FY 2027 to FY 2031

Category	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
General	$6,960.00	$7,240.61	$7,532.54	$7,836.24	$8,152.18
Lift Station	$14,500.00	$15,390.04	$16,343.47	$17,365.26	$18,160.85
Automobile	$9,100.00	$9,456.84	$9,827.67	$10,213.04	$10,613.53
Operation Payroll	$131,086.00	$136,729.25	$142,615.45	$148,755.04	$155,158.95
Sewer Line	$2,500.00	$2,597.35	$2,698.49	$2,803.57	$2,912.74
Storm Drain	$5,300.00	$5,508.25	$5,724.69	$5,949.63	$6,183.41
Office Expense	$40,400.00	$41,834.68	$43,320.86	$44,860.41	$46,455.26
Payroll	$440,285.00	$467,057.60	$492,135.74	$518,593.00	$546,506.88
Utilities	$4,810.00	$5,232.51	$5,692.13	$6,192.13	$6,520.69
Consulting	$49,665.00	$51,278.62	$52,944.66	$54,664.83	$56,440.89
Insurance	$19,075.00	$19,694.75	$20,334.63	$20,995.30	$21,677.44
Bond,Loan Expense	$2,050.00	$2,050.00	$2,050.00	$2,050.00	$2,050.00
Storm Drain Consulting	$19,289.00	$19,915.70	$20,562.76	$21,230.84	$21,920.63
Total Operating	**$745,020.00**	**$783,986.21**	**$821,783.08**	**$861,509.29**	**$902,753.44**

Other Obligations

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

Capital Improvement Projects

The District plans to spend an average of $800,000 a year on sewer rate funded capital expenditures during the rate setting period. **Table 20** shows PAYGO capital expenditures.

Table 20. Rate Study Sewer Zone 1 PAYGO CIP Expenses by Expense Type, FY 2027 to FY 2031

Project	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
New Vehicles (S)	$0.00	$0.00	$21,000.00	$21,000.00	$21,000.00
District Office (S)	$30,625.00	$10,000.00	$10,000.00	$10,000.00	$10,000.00
Dump Truck (S)	$42,000.00	$0.00	$0.00	$0.00	$0.00
Bobcat (S)	$10,500.00	$0.00	$0.00	$0.00	$0.00
Jet/Vac Replacment (S)	$0.00	$0.00	$262,500.00	$0.00	$0.00
Lift Station Pumps	$10,000.00	$10,000.00	$10,000.00	$10,000.00	$10,000.00
Washington Sewer Bypass	$150,000.00	$2,900,000.00	$0.00	$0.00	$0.00
Sewer Mains/Manholes	$20,000.00	$20,000.00	$20,000.00	$20,000.00	$20,000.00
Cypress Alley	$0.00	$0.00	$400,000.00	$0.00	$0.00
Total PAYGO	**$263,125.00**	**$2,940,000.00**	**$723,500.00**	**$61,000.00**	**$61,000.00**

Debt Service and Coverage Ratios

The Zone 1 Sewer utility currently has no outstanding debt service requirements.

Reserves

The District must maintain an appropriate reserve balance to ensure the day-to-day operation will continue during emergencies and guarantee the future stability of the system. The District's financial goal is to build an appropriate level of cash reserves for each reserve fund included in the financial plan of this Study. The reserve target for the zone 1 sewer utility is described below:

- **Operating Reserve**: six months of operating expenses
- **Repair Replacement Reserve**: 10 percent of the total replacement cost of zone 1 sewer assets
- **Rate Stabilization Reserve**: $9.5 million

The reserve target at the end of the study period reaches $10.3 million. **Table 21** shows the District's reserve targets for FY 2027 through FY 2031 based on the proposed reserve policy. Reserve targets are based on reserve policy shown in **Table 6.**

Table 21. Zone 1 Sewer Reserve Target, FY 2027 to FY 2031

Reserve	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
O&M Reserve	$372,510.00	$391,993.10	$410,891.54	$430,754.65	$451,376.72
Capital Reserve	$412,279.70	$412,279.70	$412,279.70	$412,279.70	$412,279.70
Rate Stabilization Reserve	$9,458,375.03	$9,458,375.03	$9,458,375.03	$9,458,375.03	$9,458,375.03
Total Reserve Target	**$10,243,164.72**	**$10,262,647.83**	**$10,281,546.27**	**$10,301,409.37**	**$10,322,031.45**

Financial Plan

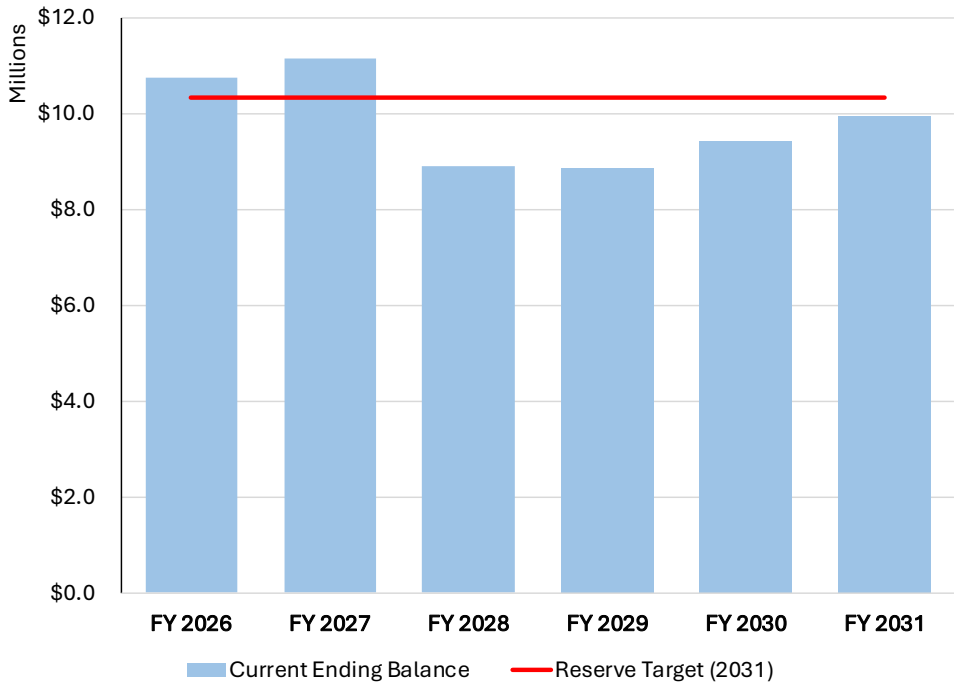
Based on the projected total revenue and necessary costs to be recovered during the study period, RDN built a financial plan that will generate sufficient revenues for the day-to-day operation and annual PAYGO and make appropriate contributions to reserves. The District currently has a projected ending cash balance of $10.7 million in FY 2026, which is the beginning balance for FY 2027. **Table 22** shows the status quo sewer pro forma with no revenue adjustments and the resulting ending balances based on the revenues and expenses outlined in this section. After reviewing the status quo financial plan, it was determined that no revenue adjustments were needed to accomplish the District's financial goals.

Table 22. Status Quo Financial Pro Forma for Castroville Community Services District Sewer System, FY 2027 to FY 2031

Category	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Opening Cash Balance	**$10,748,989**	**$11,157,517**	**$8,899,655**	**$8,865,965**	**$9,415,143**
Revenues					
Rate Revenue	$0	$0	$0	$0	$0
Non-Rate Revenue	$1,416,673	$1,466,124	$1,511,593	$1,471,687	$1,504,850
Total Revenue	**$1,416,673**	**$1,466,124**	**$1,511,593**	**$1,471,687**	**$1,504,850**
Operating Expenses	$745,020	$783,986	$821,783	$861,509	$902,753
PAYGO	$263,125	$2,940,000	$723,500	$61,000	$61,000
Net Revenue	**$408,528**	**($2,257,862)**	**($33,690)**	**$549,178**	**$541,097**
Ending Cash Balance	**$11,157,517**	**$8,899,655**	**$8,865,965**	**$9,415,143**	**$9,956,240**
Reserve Target	$10,243,165	$10,262,648	$10,281,546	$10,301,409	$10,322,031

Figure 5 shows the ending fund balances under the status quo financial plan compared to the proposed reserve target in FY 2031.

Figure 5. Status Quo Ending Fund Balance Calculation



3.3 Sewer Zone 2 Utility

RDN built a 10-year financial model for the Castroville Community Services District's zone 2 sewer system to meet the system's long-term financial goals. The detailed rate analysis was performed for the first five years.

Current Sewer Rates

Currently, the District's zone 2 sewer customers pay an annual fixed charge corresponding to the associated Equivalent Dwelling Unit count on their property tax bill. The rate per EDU is the same regardless of the customer type. Additionally, North Monterey County High School is billed per student. The current rates as described are displayed in **Table 23.**

Table 23. Current Annual Zone 2 Sewer Rates

Fixed Rate	
Category	Annual Charge
1 EDU	$248.99
1 Student	$12.12

Demand Projections

Customer growth was also projected based on historical billing records. **Table 24** shows the annual customer growth for the rate setting period.

Table 24. Annual Customer Growth by Customer Class, FY 2027 to FY 2031[14]

Category	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
EDUs	580	583	587	590	593
Students	1,100	1,100	1,100	1,100	1,100

Revenues

Based on the account growth and water demand projections, RDN forecasted revenues generated from customer rates using the current zone 2 sewer rates for the study period, which total approximately $160,000 annually**. Table 25** shows annual projected sewer rate revenue.

Table 25. Sewer Zone 2 Rate Revenue by Source, FY 2027 to FY 2031

Fixed Revenue					
Category	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
EDUs	$144,457.88	$145,252.89	$146,052.26	$146,856.04	$147,664.24
Students	$13,332.00	$13,332.00	$13,332.00	$13,332.00	$13,332.00
Total Revenue	**$157,789.88**	**$158,584.89**	**$159,384.26**	**$160,188.04**	**$160,996.24**

Other operating income and non-operating revenue are estimated to provide supplemental revenue each year. **Table 26** shows the projected other operating and non-operating revenue for the sewer zone 2 utility by source for FY 2027 to FY 2031.

Table 26. Annual Other Revenue by Source, FY 2027 to FY 2031[15]

Non-Operating Revenue	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Property Tax	$177,302.76	$182,769.00	$188,403.77	$194,212.26	$200,199.82
Investment Returns	$9,500.00	$12,451.10	$14,332.63	$17,867.24	$21,102.97
Total Revenue	**$186,802.76**	**$195,220.10**	**$202,736.40**	**$212,079.50**	**$221,302.80**

Operating and Maintenance (O&M) Expense

The itemized O&M expenses were reviewed by the District and forecast for the study period using escalation factors discussed in the Key Assumptions section of this report. **Table 27** shows the District's projected O&M expenses for the sewer utility during the study period. O&M Expenses are expected to increase by 5.1 percent on average annually.

[14] Growth projections derived from historical monthly customer billing records provided by the District

[15] Property tax revenues represent a 10% share of all property taxes collected by the District. Investment returns reflect an average 3.2% rate of return on the utilities total projected fund balances.

Table 27. Zone 2 Sewer System O&M Expense Forecast, FY 2027 to FY 2031

Category	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
General	$2,610.00	$2,715.23	$2,824.70	$2,938.59	$3,057.07
Lift Station	$21,700.00	$23,289.66	$25,006.56	$26,861.40	$28,185.23
Automobile	$5,700.00	$5,923.51	$6,155.79	$6,397.18	$6,648.03
Operations Payroll	$37,453.00	$39,065.35	$40,747.12	$42,501.28	$44,330.96
Sewer Line	$2,000.00	$2,077.88	$2,158.79	$2,242.86	$2,330.19
Storm Drain	$1,500.00	$1,559.10	$1,620.53	$1,684.38	$1,750.74
Office	$14,410.00	$14,878.18	$15,361.57	$15,860.67	$16,375.98
Payroll	$105,095.00	$111,601.65	$117,561.09	$123,848.01	$130,480.89
Utilities	$1,705.00	$1,854.77	$2,017.69	$2,194.92	$2,311.39
Consulting	$20,133.00	$20,787.12	$21,462.49	$22,159.81	$22,879.78
Insurance	$5,450.00	$5,932.31	$6,310.78	$6,713.39	$7,141.69
Total Operating	**$217,756.00**	**$229,684.75**	**$241,227.11**	**$253,402.49**	**$265,491.95**

Other Obligations

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

Capital Improvement Projects

The District plans to spend an average of $30,000 a year on sewer rate funded capital expenditures in zone 2 during the rate setting period. **Table 28** shows PAYGO capital expenditures.

Table 28. Rate Study Sewer Zone 2 PAYGO CIP Expenses by Expense Type, FY 2027 to FY 2031

Project	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
New Vehicles/Dump Truck (S)	$0.00	$0.00	$6,000.00	$0.00	$6,000.00
Dump Truck (S)	$12,000.00	$0.00	$0.00	$0.00	$0.00
District Office (S)	$8,750.00	$0.00	$0.00	$0.00	$0.00
Bobcat (S)	$3,000.00	$0.00	$0.00	$0.00	$0.00
Lift Station Pumps-Impellers	$15,000.00	$15,000.00	$15,000.00	$20,000.00	$20,000.00
New ATS Moro Cojo Generator	$30,000.00	$0.00	$0.00	$0.00	$0.00
Total PAYGO	**$68,750.00**	**$15,000.00**	**$21,000.00**	**$20,000.00**	**$26,000.00**

Debt Service and Coverage Ratios

The Zone 2 Sewer utility currently has no outstanding debt service requirements.

Reserves

The District must maintain an appropriate reserve balance to ensure the day-to-day operation will continue during emergencies and guarantee the future stability of the system. The District's financial goal is to build an appropriate level of cash reserves for each reserve fund included in the financial plan of this Study. The reserve target for the zone 2 sewer utility is described below:

- **Operating Reserve**: six months of operating expenses
- **Repair Replacement Reserve**: 10 percent of the total replacement cost of zone 2 sewer assets
- **Emergency Reserve**: three months of operating expenses

The reserve target at the end of the study period is $650,000**. Table 29** shows the District's reserve targets for FY 2027 through FY 2031 based on the proposed reserve policy. Reserve targets are based on reserve policy shown in **Table 6.**

Table 29. Zone 2 Sewer Reserve Target, FY 2027 to FY 2031

Reserve	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
O&M Reserve	$108,878.00	$114,842.38	$120,613.56	$126,701.24	$132,745.97
Capital Reserve	$448,902.95	$448,902.95	$448,902.95	$448,902.95	$448,902.95
Emergency Reserve	$54,439.00	$57,421.19	$60,306.78	$63,350.62	$66,372.99
Total Reserve Target	**$612,219.95**	**$621,166.51**	**$629,823.28**	**$638,954.81**	**$648,021.91**

Financial Plan

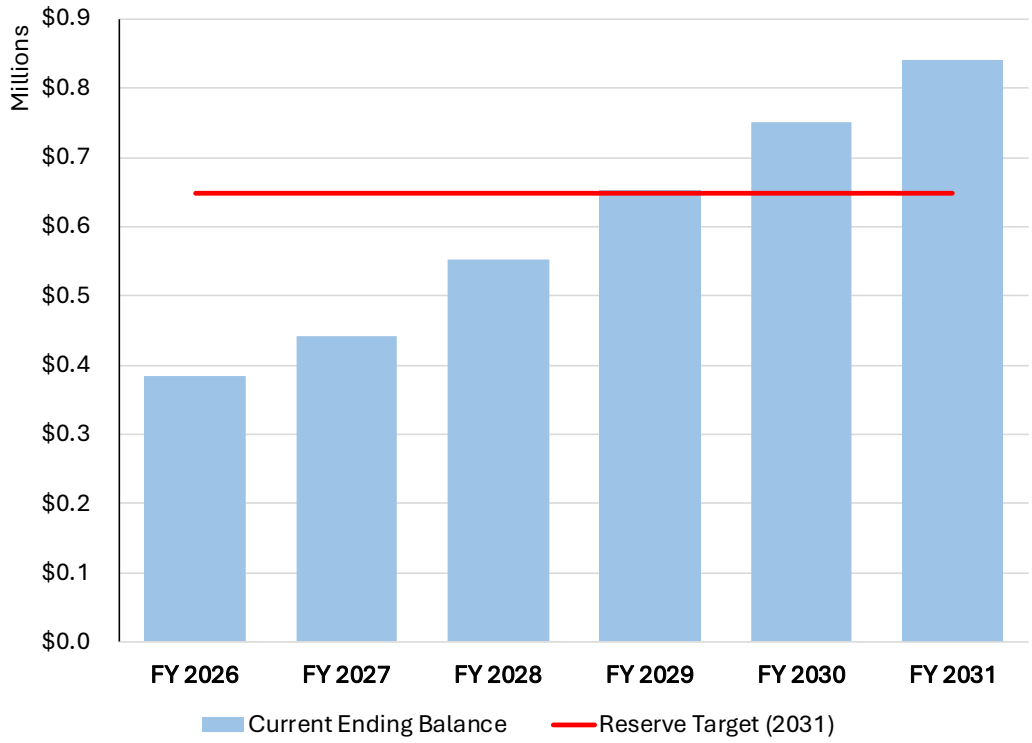
Based on the projected total revenue and necessary costs to be recovered during the study period, RDN built a financial plan that will generate sufficient revenues for the day-to-day operation and annual PAYGO and make appropriate contributions to reserves. The District currently has a projected ending cash balance of $384,390 in FY 2026, which is the beginning balance for FY 2027. **Table 30** shows the status quo sewer pro forma with no revenue adjustments and the resulting ending balances based on the revenues and expenses outlined in this section. After reviewing the status quo financial plan, it was determined that no revenue adjustments were needed to accomplish the District's financial goals.

Table 30. Status Quo Financial Pro Forma for Castroville Community Services District Sewer System, FY 2027 to FY 2031

Category	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Opening Cash Balance	**$384,390**	**$442,477**	**$551,597**	**$651,490**	**$750,355**
Revenues					
Rate Revenue	$157,790	$158,585	$159,384	$160,188	$160,996
Non-Rate Revenue	$186,803	$195,220	$202,736	$212,079	$221,303
Total Revenue	**$344,593**	**$353,805**	**$362,121**	**$372,268**	**$382,299**
Operating Expenses	$217,756	$229,685	$241,227	$253,402	$265,492
PAYGO	$68,750	$15,000	$21,000	$20,000	$26,000
Net Revenue	**$58,087**	**$109,120**	**$99,894**	**$98,865**	**$90,807**
Ending Cash Balance	**$442,477**	**$551,597**	**$651,490**	**$750,355**	**$841,163**
Reserve Target	$612,220	$621,167	$629,823	$638,955	$648,022

Figure 6 shows the ending fund balances under the status quo financial plan compared to the proposed reserve target in FY 2031.

Figure 6. Status Quo Ending Fund Balance Calculation



3.4 Sewer Zone 3 Utility

RDN built a 10-year financial model for the Castroville Community Services District's zone 3 sewer system to meet the system's long-term financial goals. The detailed rate analysis was performed for the first five years.

Current Sewer Rates

Currently, the District's zone 3 sewer customers pay an annual fixed charge corresponding to the associated Equivalent Dwelling Unit count on their property tax bill. The rate per EDU is the same regardless of the customer type. The current rates as described are displayed in **Table 31.**

Table 31. Current Annual Zone 3 Sewer Rates

Fixed Rate	
Category	Annual Charge
1 EDU	$265.56

Demand Projections

Customer growth was also projected based on historical billing records. **Table 32** shows the annual customer growth for the rate setting period.

Table 32. Annual Customer Growth by Customer Class, FY 2027 to FY 2032[16]

Category	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
EDUs	706	706	706	706	706	706

Revenues

Based on the account growth and water demand projections, RDN forecasted revenues generated from customer rates using the current zone 3 sewer rates for the study period, which total approximately $188,000 annually**. Table 33** shows annual projected sewer rate revenue.

Table 33. Sewer Zone 3 Rate Revenue by Source, FY 2027 to FY 2032

Category	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
EDUs	$187,538.47	$187,538.47	$187,538.47	$187,538.47	$187,538.47	$187,538.47
Total Revenue	**$187,538.47**	**$187,538.47**	**$187,538.47**	**$187,538.47**	**$187,538.47**	**$187,538.47**

Other operating income and non-operating revenue are estimated to provide supplemental revenue each year. **Table 34** shows the projected other operating and non-operating revenue for the sewer zone 3 utility by source for FY 2027 to FY 2031.

Table 34. Annual Other Revenue by Source, FY 2027 to FY 2032[17]

Other Operating Revenue	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
4309 · Misc Revenue	$500.00	$500.00	$500.00	$500.00	$500.00	$500.00
Non-Operating Revenue	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**	**FY 2032**
4306 · Sewer Connection Fees	$3,168.00	$3,168.00	$3,168.00	$3,168.00	$3,168.00	$3,168.00
Property Tax	$364,913.82	$376,164.11	$387,761.25	$399,715.93	$412,039.17	$424,742.34
Investment Returns	$70,000.00	$82,410.36	$92,681.37	$0.00	$0.00	$0.00
Total Revenue	**$438,581.82**	**$462,242.47**	**$484,110.63**	**$403,383.93**	**$415,707.17**	**$428,410.34**

Operating and Maintenance (O&M) Expense

The itemized O&M expenses were reviewed by the District and forecast for the study period using escalation factors discussed in the Key Assumptions section of this report. **Table 35** shows the District's projected O&M expenses for the sewer utility during the study period. O&M Expenses are expected to increase by 5.1 percent on average annually.

[16] Growth projections derived from historical monthly customer billing records provided by the District

[17] Property tax revenues represent a 20% share of all property taxes collected by the District. Investment returns reflect an average 3.2% rate of return on the utilities total projected fund balances.

Table 35. Zone 3 Sewer System O&M Expense Forecast, FY 2027 to FY 2032

Category	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
General	$2,710.00	$2,819.26	$2,932.93	$3,051.18	$3,174.20	$3,302.17
Lift Station	$32,300.00	$34,410.62	$36,678.02	$39,114.84	$40,960.19	$42,894.41
Automobile	$5,700.00	$5,923.51	$6,155.79	$6,397.18	$6,648.03	$6,908.72
Operations Payroll	$37,453.00	$39,065.35	$40,747.12	$42,501.28	$44,330.96	$46,239.41
Sewer Line	$2,000.00	$2,077.88	$2,158.79	$2,242.86	$2,330.19	$2,420.93
Storm Drain	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Office	$14,300.00	$14,802.00	$15,321.81	$15,860.07	$16,417.45	$16,994.62
Payroll	$105,095.00	$111,601.65	$117,561.09	$123,848.01	$130,480.89	$137,479.24
Utilities	$1,560.00	$1,697.03	$1,846.10	$2,008.26	$2,114.82	$2,227.03
Consulting	$18,600.00	$19,204.31	$19,828.26	$20,472.48	$21,137.63	$21,824.40
Insurance	$5,450.00	$5,932.31	$6,310.78	$6,713.39	$7,141.69	$7,597.31
Total Operating	**$225,168.00**	**$237,533.93**	**$249,540.69**	**$262,209.55**	**$274,736.04**	**$287,888.23**

Other Obligations

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

Capital Improvement Projects

The District plans to spend an average of $2.0 million a year on sewer rate funded capital expenditures in zone 3 during the rate setting period. **Table 36** shows PAYGO capital expenditures.

Table 36. Rate Study Sewer Zone 3 PAYGO CIP Expenses by Expense Type, FY 2027 to FY 2032

Project	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
District Office (S)	$8,750.00	$1,000.00	$1,000.00	$1,000.00	$1,000.00	$0.00
New Vehicles/Dump Truck (S)	$0.00	$0.00	$6,000.00	$0.00	$6,000.00	$0.00
Dump Truck (S)	$12,000.00	$0.00	$0.00	$0.00	$0.00	$0.00
Bobcat (S)	$3,000.00	$0.00	$0.00	$0.00	$0.00	$0.00
New Jet/Vac	$0.00	$0.00	$75,000.00	$0.00	$0.00	$0.00
Lift Stations-Pumps	$5,000.00	$5,000.00	$5,000.00	$5,000.00	$5,000.00	$0.00
Moss Landing WW Replacement	$1,000.00	$0.00	$5,000,000.00	$5,000,000.00	$0.00	$0.00
Sewer Main/ Manhole Rehabilitation	$80,000.00	$5,000.00	$5,000.00	$5,000.00	$5,000.00	$0.00
Total Paygo	**$109,750.00**	**$11,000.00**	**$5,092,000.00**	**$5,011,000.00**	**$17,000.00**	**$0.00**

Debt Service and Coverage Ratios

The Zone 3 Sewer utility currently has no outstanding debt service requirements.

Reserves

The District must maintain an appropriate reserve balance to ensure the day-to-day operation will continue during emergencies and guarantee the future stability of the system. The District's financial goal is to build an appropriate level of cash reserves for each reserve fund included in the financial plan of this Study. The reserve target for the zone 3 sewer utility is described below:

- **Operating Reserve**: six months of operating expenses
- **Repair Replacement Reserve**: 10 percent of the total replacement cost of zone 3 sewer assets
- **Emergency Reserve**: three months of operating expenses

The reserve target at the end of the study period reaches $380,000**. Table 37** shows the District's reserve targets for FY 2027 through FY 2032 based on the proposed reserve policy. Reserve targets are based on reserve policy shown in **Table 6.**

Table 37. Zone 3 Sewer Reserve Target, FY 2027 to FY 2032

Reserve	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
O&M Reserve	$112,584.00	$118,766.96	$124,770.34	$131,104.77	$137,368.02	$143,944.12
Capital Reserve	$167,021.95	$167,021.95	$167,021.95	$167,021.95	$167,021.95	$167,021.95
Emergency Reserve	$56,292.00	$59,383.48	$62,385.17	$65,552.39	$68,684.01	$71,972.06
Total Reserve Target	**$335,897.95**	**$345,172.39**	**$354,177.46**	**$363,679.10**	**$373,073.98**	**$382,938.12**

Financial Plan

Based on the projected total revenue and necessary costs to be recovered during the study period, RDN built a financial plan that will generate sufficient revenues for the day-to-day operation and annual PAYGO and make appropriate contributions to reserves. The District's ending cash balance was $2.3 million in FY 2026, which constitutes the beginning balance for FY 2027. **Table 38** shows the status quo sewer pro forma with no revenue adjustments and the resulting ending balances based on the revenues and expenses outlined in this section.

Table 38. Status Quo Financial Pro Forma for Castroville Community Services District Zone 3 Sewer System, FY 2027 to FY 2032[18]

Category	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Opening Cash Balance	**$2,336,485**	**$2,627,688**	**$3,028,935**	**($1,640,957)**	**($6,323,244)**	**($6,011,734)**
Revenues						
Rate Revenue	$187,538	$187,538	$187,538	$187,538	$187,538	$187,538
Non-Rate Revenue	$438,582	$462,242	$484,111	$403,384	$415,707	$428,410
Total Revenue	**$626,120**	**$649,781**	**$671,649**	**$590,922**	**$603,246**	**$615,949**
Operating Expenses	$225,168	$237,534	$249,541	$262,210	$274,736	$287,888
PAYGO	$109,750	$11,000	$5,092,000	$5,011,000	$17,000	$0
Net Revenue	**$291,202**	**$401,247**	**($4,669,892)**	**($4,682,287)**	**$311,510**	**$328,061**
Ending Cash Balance	**$2,627,688**	**$3,028,935**	**($1,640,957)**	**($6,323,244)**	**($6,011,734)**	**($5,683,674)**
Reserve Target	$335,898	$345,172	$354,177	$363,679	$373,074	$382,938

[18] Investment returns reflect an average 3.2% rate of return on the utilities total projected fund balances.

To ensure sufficient funding for operation and PAYGO, and to meet proposed reserve targets the District must make adjustments to their financial plan. The status quo financial plan indicates that revenues need to be adjusted by 8.0 percent per year and the District should seek debt funding of $6.75 million in FY 2029 to accomplish major PAYGO projects. **Table 39** shows the proposed revenue adjustments and debt issuances.

Table 39. Proposed Revenue Adjustments and Debt Issuances FY 2028 to FY 2032

Category	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Revenue Adjustment	8.0%	8.0%	8.0%	8.0%	8.0%
Proposed Debt Issuance	$0	$6,750,000	$0	$0	$0

As directed by District staff, the debt issuance was modeled based on a 30 year repayment term at an interest rate of 2.5 percent. Debt repayment was modeled to begin the year after issuance, or FY 2029. The proposed financial plan maintains a positive operating position which will allow the District to achieve potential debt service coverage requirements (DSCR) above 120 percent (1.2 times revenue over operating expense).

Table 40 shows the proposed sewer zone 3 pro forma for the study period with the recommended revenue adjustments per year. Under the proposed financial plan rate adjustments will occur at the beginning of each fiscal year (July 1).

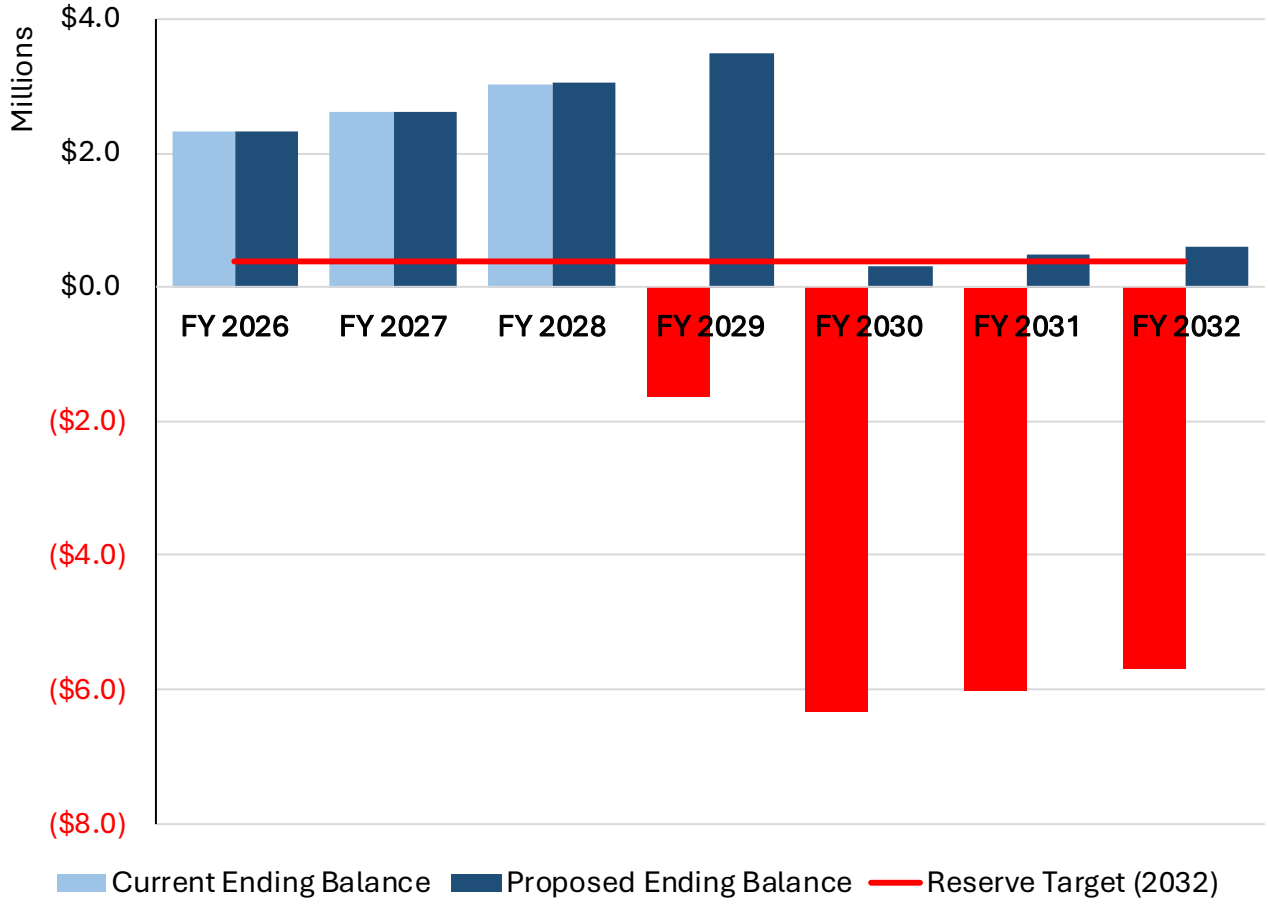
Table 40. Proposed Financial Pro Forma for Castroville Community Services District Zone 3 Sewer System, FY 2026 to FY 2032[19]

Revenue Adjustment	0.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Category	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**	**FY 2032**
Opening Cash Balance	**$2,336,485**	**$2,627,688**	**$3,043,938**	**$3,497,253**	**$306,535**	**$486,503**
Revenues						
Rate Revenue	$187,538	$187,538	$187,538	$187,538	$187,538	$187,538
Adjusted Rate Revenue	$0	$15,003	$31,206	$48,706	$67,606	$88,017
Non Rate Revenue	$438,582	$462,242	$484,111	$510,747	$539,059	$439,222
Total Revenue	**$626,120**	**$664,784**	**$702,856**	**$746,991**	**$794,203**	**$714,778**
Operating Expenses	$225,168	$237,534	$249,541	$262,210	$274,736	$287,888
Debt Service	$0	$0	$0	$322,499	$322,499	$322,499
Total CIP	**$109,750**	**$11,000**	**$5,092,000**	**$5,011,000**	**$17,000**	**$0**
PAYGO	$109,750	$11,000	$0	$3,353,000	$17,000	$0
Debt Funded CIP	$0	$0	$5,092,000	$1,658,000	$0	$0
Net Revenue	**$291,202**	**$416,250**	**$453,315**	**($3,190,717)**	**$179,968**	**$104,390**
DSCR	-	-	-	1.50	1.61	1.32
Ending Cash Balance	**$2,627,688**	**$3,043,938**	**$3,497,253**	**$306,535**	**$486,503**	**$590,894**
Reserve Target	$335,898	$345,172	$354,177	$363,679	$373,074	$382,938

Figure 7 shows the ending fund balances under the status quo and proposed financial plan compared to the proposed reserve target in FY 2032.

[19] Investment returns reflect an average 3.2% rate of return on the utilities total projected fund balances.

Figure 7. Status Quo and Proposed Ending Fund Balance Calculation

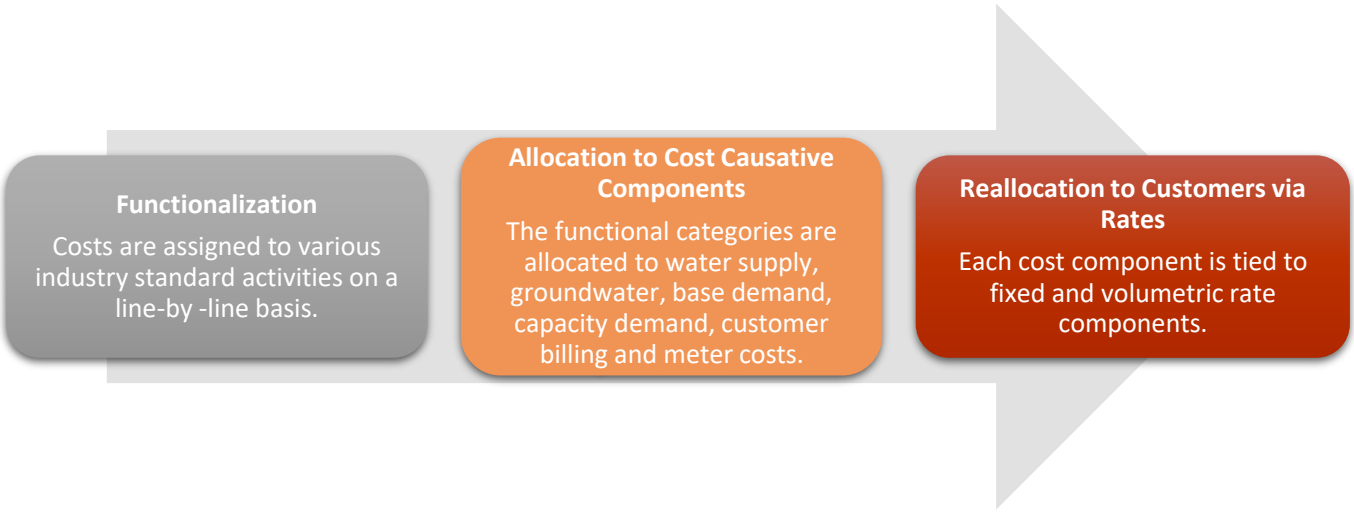


COST OF SERVICE

4.1 Water Cost of Service Analysis

The purpose of a Cost of Service (COS) analysis is to allocate costs among customers commensurate with their service requirements. RDN employed the "commodity-demand" cost-of-service method promulgated in AWWA's M1, whereby costs are first allocated to individual functions, which are typical industry standard activities, then the costs of each function are distributed to appropriate cost causative components, which are defined by the cost driving elements. **Figure 8** displays a typical process for the COS analysis.

Figure 8. A Typical Flow for Water Cost of Service Analysis Process



Revenue Requirement

Table 41 displays the water utility's revenue requirements for FY 2027. In the rate design section, the proposed revenue adjustments will be applied to the cost of service-based rates which were designed considering the FY 2027 revenues and expenses. The total expense for each year is offset by other operating revenues and non-operating revenues to compute a pure portion of revenue requirements that need to be recovered from customers' rates.

Table 41. FY 2027 Revenue Requirements for the Water Utility

Revenue Requirements	FY 2027
O&M Expenses	$1,207,328
Capital Expenditures	$979,375
Other Operating Revenue	($16,290)
Non-Operating Revenue	($29,416)
Property Tax Revenue	**($253,584)**
Investment Returns	($200,000)
Net Balance From Operations	($308,881)
Rate Revenue Requirement	**$1,378,533**

Functionalization of Costs

Operating and capital costs are functionalized based on operating categories used in the District's budget and input from District staff with expertise on the system and utility industry knowledge. The functionalization of non-operating expenses is based on total water asset values, which represents a better overall estimate of systemwide needs versus just one year of capital expenditure. The non-operating expenses for the test year are made up of capital expenditures totaling approximately $1.0 million. The functions of the water system for both operating and non-operating expenses include:

- Water Supply – costs associated with water procurement and purchases
- Storage – costs associated with water storage for distribution
- Transmission and Distribution – costs associated with transmitting and distributing water to customers
- Pumping – costs associated with general pumping and energy use
- Treatment – costs associated with treating water
- Meters – costs associated with the reading and maintenance of meters
- Customer – costs associated with customer service and billing related tasks
- Hydrants – costs associated with maintaining public fire hydrants
- Administrative and General – costs associated with administrative and general functions

Costs and assets were functionalized based on the District's standard budget determinations and input from staff on a line-item basis. **Table 42** shows the amount and percentage of the test year's operating expenses allocated to each function. **Table 43** shows the amount and percentage of the District's fixed assets allocated to each function. Total assets were used as a proxy for the allocation of non-operating expenses because they represent the long-term investment in the system made by the District. A single year of non-operating expenses typically does not reflect an adequate ratio of overall system investments.

Table 42. Percentage of Operating Costs Allocated to Standard Functions

Operating Function	Allocation	Percent
Water Supply	$6,400	0.5%
Storage	$1,000	0.1%
Transmission and Distribution	$47,500	3.9%
Pumping	$226,500	18.8%
Treatment	$19,500	1.6%
Meters	$11,000	0.9%
Hydrants	$7,500	0.6%
Customer	$33,077	2.7%
Administrative and General	$854,851	70.8%
Total	**$1,207,328**	**100.0%**

Table 43. Percentage of Assets Costs Allocated to Standard Functions

Asset Function	Allocation	Percent
Water Supply	$6,312,580	62.8%
Storage	$208,895	2.1%
Transmission and Distribution	$1,278,113	12.7%
Pumping	$170,640	1.7%
Treatment	$1,081,110	10.7%
Meters	$636,067	6.3%
Hydrants	$96,279	1.0%
Administrative and General	$273,332	2.7%
Total	**$10,057,015**	**100.0%**

A COS analysis considers both the average quantity of water consumed (base costs) and the highest rate at which it is consumed (peaking or capacity costs as identified by maximum demands compared to base demands). Capacity costs are costs that are incurred during peak times of consumption. There are additional costs associated with designing, constructing, operating, and maintaining facilities to meet the highest capacity of use. All current and future water facilities, including water mains, pump stations, reservoirs, wells, and treatment plants, are designed and constructed to meet this capacity. If deficiencies are found, the existing facilities get upsized, or a secondary line or pump is installed. These peak demand costs should be allocated to those customers whose potential use generates additional costs for the utility, such as larger meters. In other words, not all customers share the same responsibility for capacity related costs. The percent of delivery capacity over an average day or base delivery was determined by using actual customer billing records. **Table 44** shows actual potable customer water use by billing period, and total annual water use. **Table 45** shows the average and the highest monthly water use divided by the number of days included in the period. The August billing period includes 31 days, so to calculate the daily use during the peak billing period, the total use in that period is divided by the increment.

Table 44. System-Wide Potable Water Use by Billing Period in cf[20]

Billing Month	Total Use (cf)	Percent of Use
January	2,005,910	6.8%
February	2,151,267	7.3%
March	1,884,325	6.4%
April	2,592,084	8.8%
May	2,100,595	7.1%
June	2,265,810	7.7%
July	2,924,149	9.9%
August	3,008,848	10.2%
September	2,916,536	9.9%
October	2,750,853	9.3%
November	2,653,291	9.0%
December	2,206,617	7.5%
Total	**29,460,284**	**100.0%**

Table 45. Potable Water Use Divided by Billing Days in cf

Total Use (cf)		Days		Average Day
29,460,284	÷	365	=	80,713

Max Month		Days		Max Day
3,008,848	÷	31	=	97,060

Table 46 shows the systemwide capacity factors based on customer use patterns as described. Delivery capacity is equal to max day divided by average day. The percentage of delivery capacity over base delivery represents the additional capacity demands which create the need for upsizing system assets to provide service under the highest water use conditions. The peak capacity costs are applied only to the fixed charges. Base costs are applied to both fixed and variable rates because a portion of those costs can be attributable to increased water demand such as treatment costs and the occurrence of water leaks, which require maintenance as well as development of additional storage to provide water availability.

Table 46. System-Wide Delivery Factors

Cost Component	Factor	Base	Max Day
Use		80,766	97,124
Base Delivery	1.00	100%	0%
Delivery Capacity	1.20	83%	17%

The cost causative components include:

[20] Total potable water use projection is based on FY 2024 through FY 2026 billing records

- **Source of Supply** – water purchase costs, groundwater procurement, and pumping costs
- **Base Delivery** – delivering water to customers under average demand conditions
- **Delivery Capacity**– the costs of delivering water to customers with the highest demand
- **Meters** – the costs of servicing and reading meters
- **Hydrants** – the costs of maintaining public fire hydrants
- **Customer Service** – billing and other customer service-related costs

Water supply, pumping, and treatment costs are allocated 100 percent to the supply component as they relate to procuring and treating groundwater. Storage, Transmission and Distribution costs are proportionally allocated between base and delivery capacity based on annual water demand patterns shown in **Table 46** since all infrastructure is constructed to meet base and capacity water use requirements. The Storage, and Transmission and Distribution categories include costs that may either increase with water use (base delivery) or are fixed based on the capacity of system assets (delivery capacity). Meter, customer, and hydrant costs are allocated directly to those categories. Administrative and general costs are allocated to cost components based on the percentage of the functions allocated to the other cost categories excluding source of supply costs. **Table 47** through **Table 50** show the percent and total value of functionalized operating costs and assets allocated to the cost causative components. Meter and customer service costs were allocated directly to their respective component.

Table 47. Percent of Operating Function Categories Allocated to Cost Components

O&M Function	Total Allocation	Source of Supply	Base Delivery	Delivery Capacity	Meters	Hydrants	Customer Service
Water Supply	$6,400	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Storage	$1,000	0.0%	83.2%	16.8%	0.0%	0.0%	0.0%
Transmission and Distribution	$47,500	0.0%	83.2%	16.8%	0.0%	0.0%	0.0%
Pumping	$226,500	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Treatment	$19,500	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Meters	$11,000	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%
Hydrants	$7,500	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%
Customer	$33,077	0.0%	0.0%	0.0%	30.0%	0.0%	70.0%
Administrative and General	$854,851	0.0%	1.6%	0.3%	39.8%	14.3%	44.0%

Table 48. Total of Operating Functional Categories Allocated to Cost Components

O&M Function	Total Allocation	Source of Supply	Base Delivery	Delivery Capacity	Meters	Hydrants	Customer Service
Water Supply	$6,400	$6,400	$0	$0	$0	$0	$0
Storage	$1,000	$0	$832	$168	$0	$0	$0
Transmission and Distribution	$47,500	$0	$39,500	$8,000	$0	$0	$0
Pumping	$226,500	$226,500	$0	$0	$0	$0	$0
Treatment	$19,500	$19,500	$0	$0	$0	$0	$0
Meters	$11,000	$0	$0	$0	$11,000	$0	$0
Hydrants	$7,500	$0	$0	$0	$0	$7,500	$0
Customer	$33,077	$0	$0	$0	$9,923	$0	$23,154
Administrative and General	$854,851	$0	$13,521	$2,738	$340,189	$121,942	$376,462
Total Allocation	**$1,207,328**	**$252,400**	**$53,852**	**$10,907**	**$361,112**	**$129,442**	**$399,616**
Percent of Total	**100.0%**	**20.9%**	**4.5%**	**0.9%**	**29.9%**	**10.7%**	**33.1%**

Table 49. Percent of Non-Operating Function Categories Allocated to Cost Components

Asset Function	Total Allocation	Source of Supply	Base Delivery	Delivery Capacity	Meters	Hydrants
Water Supply	$6,312,580	100.0%	0.0%	0.0%	0.0%	0.0%
Storage	$208,895	0.0%	83.2%	16.8%	0.0%	0.0%
Transmission and Distribution	$1,278,113	0.0%	83.2%	16.8%	0.0%	0.0%
Pumping	$170,640	100.0%	0.0%	0.0%	0.0%	0.0%
Treatment	$1,081,110	100.0%	0.0%	0.0%	0.0%	0.0%
Meters	$636,067	0.0%	0.0%	0.0%	100.0%	0.0%
Hydrants	$96,279	0.0%	0.0%	0.0%	0.0%	100.0%
Administrative and General	$273,332	0.0%	18.5%	3.7%	67.6%	10.2%

Table 50. Total of Non-Operating Functional Categories Allocated to Cost Components

Asset Function	Total Allocation	Source of Supply	Base Delivery	Delivery Capacity	Meters	Hydrants
Water Supply	$6,312,580	$6,312,580	$0	$0	$0	$0
Storage	$208,895	$0	$173,713	$35,181	$0	$0
Transmission and Distribution	$1,278,113	$0	$1,062,857	$215,256	$0	$0
Pumping	$170,640	$170,640	$0	$0	$0	$0
Treatment	$1,081,110	$1,081,110	$0	$0	$0	$0
Meters	$636,067	$0	$0	$0	$636,067	$0
Hydrants	$96,279	$0	$0	$0	$0	$96,279
Administrative and General	$273,332	$0	$50,446	$10,217	$184,711	$27,959
Total Allocation	**$10,057,015**	**$7,564,330**	**$1,287,015**	**$260,654**	**$820,778**	**$124,237**
Percent of Total	**100.0%**	**75.2%**	**12.8%**	**2.6%**	**8.2%**	**1.2%**

The non-operating expenses for the test year are made up of capital expenditures totaling approximately $980,000. Those costs are distributed to the cost components based on the final percentages shown in **Table 50,** above, which are based on the total asset values of water assets owned by the District. Water asset values represent the long-term investment in the District's water system and serve as a proxy value for how a single year of non-operating expenses should be allocated. Asset values do not fluctuate significantly year over year as annual capital expenditures do, which ensures that cost categories are accurately represented. Operating allocations are based on the projected test year expenses and the total for each cost component reflects the percentages in **Table 48**.

Table 51 shows the cost allocation by cost causative components under the proposed financial plan before adjustments. Revenue offsets made up of non-operating revenues for FY 2027 shown in **Table 41** will be used to offset water supply costs in the rate design section. Other operating revenues are allocated to each cost component based on the overall cost allocation percentages shown in the "percent of total" row. Property tax revenues are used to mitigate rate impacts on all customers.

Table 51. Rate Revenue Requirements for Test Year, FY 2026

Category	Total Allocation	Source of Supply	Base Delivery	Delivery Capacity	Meters	Hydrants	Customer Service
O&M Expenses	$1,207,328	20.9%	4.5%	0.9%	29.9%	10.7%	33.1%
O&M Allocation		$252,400	$53,852	$10,907	$361,112	$129,442	$399,616
Non-Operating Expenses	$979,375	75.2%	12.8%	2.6%	8.2%	1.2%	0.0%
Non-Operating Allocation		$736,632	$125,332	$25,383	$79,929	$12,099	$0
Total Allocation	**$2,186,703**	**$989,032**	**$179,185**	**$36,290**	**$441,041**	**$141,540**	**$399,616**
Percent of Total		45.2%	8.2%	1.7%	20.2%	6.5%	18.3%

Table 52 shows the total cost allocation by cost category that will be used to allocate costs to each customer. Other operating revenue and net balances are applied based on the overall percentages allocated to each cost category in the percent of total line. Non-operating revenues are added to Reserve Contributions and applied directly to offset the cost of variable rates for water customers.

Table 52. Cost of Service Allocations with Other Operating, Non-Operating, and Net Balance Adjustments

Category	Total Allocation	Source of Supply	Base Delivery	Delivery Capacity	Meters	Hydrants	Customer Service	Variable Rate Offset
O&M Expenses	$1,207,328	20.9%	4.5%	0.9%	29.9%	10.7%	33.1%	0.0%
O&M Allocation		$252,400	$53,852	$10,907	$361,112	$129,442	$399,616	$0
Non-Operating Expenses	$979,375	75.2%	12.8%	2.6%	8.2%	1.2%	0.0%	0.0%
Non-Operating Allocation		$736,632	$125,332	$25,383	$79,929	$12,099	$0	$0
Total Allocation	**$2,186,703**	**$989,032**	**$179,185**	**$36,290**	**$441,041**	**$141,540**	**$399,616**	**$0**
Percent of Total		45.2%	8.2%	1.7%	20.2%	6.5%	18.3%	0.0%
Other Operating Revenue	($16,290)	($7,368)	($1,335)	($270)	($3,286)	($1,054)	($2,977)	$0
Non-Operating Revenue	($29,416)	$0	$0	$0	$0	$0	$0	($29,416)
Property Tax Revenue	($253,584)	$0	$0	$0	($76,075)	$0	($76,075)	($101,434)
Investment Returns	($200,000)	$0	$0	$0	$0	$0	$0	($200,000)
Net Balance From Operations	($308,881)	($139,705)	($25,311)	($5,126)	($62,299)	($19,993)	($56,447)	$0
Rate Revenue Requirement	**$1,378,533**	**$841,959**	**$152,539**	**$30,893**	**$299,381**	**$120,493**	**$264,116**	**($330,850)**

Allocation to Customers

All customers are billed based on their meter size and water use level. The total revenue requirements reflect the final cost allocation in **Table 52**. These totals will be applied to customers based on the corresponding number of units allocated to that customer in the rate design.

Units were developed using projected FY 2027 water use customer counts shown in **Table 9**. Equivalent meters were determined using the AWWA ratios shown in **Table 7. Table 53** shows meter flow capacity in gallons per minute (gpm) and the resulting capacity ratio.

Table 53. AWWA Meter Flow Capacity (gpm) and Resulting Capacity Ratios

Meter Size	Base Flow	Fire Flow	Base Ratio	Fire Ratio	2" Fire Ratio
3/4"	30		1.00		
1"	50		1.67		
1 1/2"	100		3.33		
2"	160	750	5.33	25.00	1.00
3"	350	1,000	11.67	33.33	1.33
4"	600	1,800	20.00	60.00	2.40
6"	1,350	3,500	45.00	116.67	4.67
8"		5,500		183.33	7.33
10"		7,000		233.33	9.33
12"		12,000		400.00	16.00

According to District planning documents, the District maintains 160 public fire hydrants in its water service area. The cost to service these hydrants is spread between base customers based on the capacity ratio of their connection. To determine systemwide EMs, the count of meters is multiplied by the equivalent meter ratio for each meter size. **Table 54** shows the calculation used to determine systemwide meter equivalents.

Table 54. Systemwide Equivalent Meter Calculation

Meter Size	Monthly Base	Monthly Base EM	Fire Service	Fire Service EM	Hydrants	Hydrant EMs	Total EMs
3/4"	1,148	1,148	0	0	0	0	**1,148**
1"	171	285	0	0	0	0	**285**
1 1/2"	63	210	0	0	0	0	**210**
2"	50	267	8	200	0	0	**467**
3"	12	140	0	0	0	0	**140**
4"	2	40	20	1,200	0	0	**1,240**
6"	0	0	25	2,917	160	18,667	**21,583**
8"	0		18	3,300	0	0	**3,300**
10"	0		0	0	0	0	**0**
12"	0		2	800	0	0	**800**
Total	**1,446**	**2,090**	**73**	**8,417**	**160**	**18,667**	**29,173**

Allocation to Units

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

- Total water use will be used to distribute source of supply costs, delivery costs, and revenue offsets, so those costs are wholly applied to their respective category in one unit.
- The number of equivalent base meters will be used to distribute capacity delivery and hydrant related service costs.
- The total number of equivalent meters, including private and public fire, will be used to distribute meter related service costs.
- The number of bills in one year (the number of accounts multiplied by 12) serves as the basis for distributing billing and customer service costs associated with customer billing and collection, and other customer services costs.

Table 55 shows the total cost allocation by cost component divided by the corresponding unit values to develop a unit cost for each.

Table 55. Rate Revenue Requirements Divided by the Corresponding Units[21]

Cost Category	Cost		Units	Unit		Unit Cost
Source of Supply	$841,959	÷	29,479,697	cf	=	$0.029
Base Delivery	$152,539	÷	29,479,697	cf	=	$0.005
Delivery Capacity	$30,893	÷	2,090	EM	=	$14.78
Meters	$299,381	÷	29,173	EM	=	$10.26
Hydrants	$120,493	÷	2,090	EM	=	$57.66
Customer Service	$264,116	÷	18,228	bills	=	$14.49
Variable Rate Offset	($330,850)	÷	29,479,697	cf	=	($0.011)

[21] Source of Supply costs, Conservation costs, and Revenue Offsets will be further subdivided in the Rate Design section

RATE DESIGN

5.1 Water Rate Design

RDN proposes the following adjustments to customer water rate structures:

- Adjusting rates annually by the recommended revenue adjustments of 8.0 percent in Fiscal Years 2027 through 2031
- Issuing a $9.0 million bond in FY 2028 to offset capital PAYGO
- Adjusting meter rates to reflect industry standard meter ratio calculations
- Removing the monthly fee for units above the first connected to each meter

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

The proposed rates will include the following components:

1. **Fixed monthly service charge**: the rates are established based on the size of the meter at the property receiving water service and are calculated to recover a portion of the District's fixed costs, such as water facilities repairs and replacements, the capacity of that meter, meter reading, and customer service.

2. **Variable rates**: the rates are calculated based on the cost of water supplies, the cost of managing the District's water resources at regular levels and distributing water throughout the system to customers. The remaining fixed costs (base delivery) that are not recovered via fixed charges are also recovered from variable charges. These fixed costs are incurred based on the total volume of water used and include water storage, treatment, and engineering and maintenance of the transmission system. The variable rates are billed per cubic foot in a single tier.

Together, the two components (fixed and variable) are calculated to recover the proportionate cost of providing water service attributable to each customer. Based on the Cost of Service analysis and cost of service units the following costs were allocated to each customer category.

Table 56. Cost of Service by Customer Class and Rate Category

Rate Category	Monthly Base	Fire Service	Total
Fixed Charge	$615,817	$99,067	**$714,884**
Variable Charge	$663,212	$437	**$663,649**
Total Rate Recovery	**$1,279,029**	**$99,504**	**$1,378,533**

Monthly Fixed Charge

The AWWA meter capacity ratio was used to allocate system-wide capacity-related costs, as it reflects the relative demand potential associated with each meter size. Capacity-related costs include delivery capacity and some base delivery costs. This approach aligns fixed cost responsibility with each customer's ability to place demand on the system.

Costs are divided by their corresponding number of equivalent meters using the AWWA ratios discussed above to compute the unit cost for each cost component. Customer service costs are simply divided by the number of bills since the service requirements of this cost type are the same regardless of the meter size installed on a property. **Table 57** shows the monthly fixed charge calculation by meter size for base meter customer connections.

Table 57. Monthly Water Service Fixed Charge Calculation[22]

Monthly Base											
Meter Size	Meter Component		Meter Ratio		Meter		Months		Monthly Meter		Customer Service		COS Rate
3/4"	$174.38	x	1.00	=	$174.38	÷	12	=	$14.53	+	$14.49	=	$29.02
1"	$174.38	x	1.67		$290.63	÷	12	=	$24.22	+	$14.49	=	$38.71
1 1/2"	$174.38	x	3.33		$581.26	÷	12	=	$48.44	+	$14.49	=	$62.93
2"	$174.38	x	5.33		$930.02	÷	12	=	$77.50	+	$14.49	=	$91.99
3"	$174.38	x	11.67		$2,034.42	÷	12	=	$169.53	+	$14.49	=	$184.02
4"	$174.38	x	20.00		$3,487.57	÷	12	=	$290.63	+	$14.49	=	$305.12
6"	$174.38	x	45.00		$7,847.04	÷	12	=	$653.92	+	$14.49	=	$668.41

The proposed monthly fixed charge before revenue adjustments for the base equivalent meter (3/4 inch) is $29.02.

The proposed five-year monthly fixed charges with revenue adjustments applied for all water customers are shown in **Table 58.** FY 2027 rates are based on the cost of service rate times the revenue adjustment.

Table 58. Proposed 5-Year Fixed Charge Schedule

Revenue Adjustment	8.0%	8.0%	8.0%	8.0%	8.0%
Base Meter Size	1-Jan-2027	1-Jul-2027	1-Jul-2028	1-Jul-2029	1-Jul-2030
3/4"	$31.34	$33.85	$36.56	$39.48	$42.64
1"	$41.81	$45.15	$48.76	$52.66	$56.87
1 1/2"	$67.96	$73.40	$79.27	$85.61	$92.46
2"	$99.35	$107.30	$115.88	$125.15	$135.16
3"	$198.74	$214.64	$231.81	$250.35	$270.38
4"	$329.53	$355.89	$384.36	$415.11	$448.32
6"	$721.88	$779.63	$842.00	$909.36	$982.11

Table 59 shows the monthly fixed charge calculation by meter size for fire service customer connections.

[22] Note that some calculations may be impacted by rounding to two decimal points

Table 59. Monthly Water Service Fixed Charge Calculation[23]

Fire Service												
Meter Size	Meter Component		Meter Ratio		Meter		Months		Monthly Meter		Customer Service		COS Rate
2"	$256.56	x	1.00	=	$256.56	÷	12	=	$21.38	+	$14.49	=	$35.87
3"	$256.56	x	1.33		$342.08	÷	12	=	$28.51	+	$14.49	=	$43.00
4"	$256.56	x	2.40		$615.74	÷	12	=	$51.31	+	$14.49	=	$65.80
6"	$256.56	x	4.67		$1,197.27	÷	12	=	$99.77	+	$14.49	=	$114.26
8"	$256.56	x	7.33		$1,881.42	÷	12	=	$156.78	+	$14.49	=	$171.27
10"	$256.56	x	9.33		$2,394.53	÷	12	=	$199.54	+	$14.49	=	$214.03
12"	$256.56	x	16.00		$4,104.91	÷	12	=	$342.08	+	$14.49	=	$356.57

The proposed monthly fixed charge before revenue adjustments for the base equivalent meter (2 inch) is $35.87.

The proposed five-year monthly fixed charges with revenue adjustments applied for all water customers are shown in **Table 60 .** FY 2027 rates are based on the cost of service rate times the revenue adjustment.

Table 60. Proposed 5-Year Fixed Charge Schedule

Revenue Adjustment	8.0%	8.0%	8.0%	8.0%	8.0%
Fire service Meter	1-Jan-2027	1-Jul-2027	1-Jul-2028	1-Jul-2029	1-Jul-2030
2"	$38.74	$41.84	$45.19	$48.81	$52.71
3"	$46.44	$50.16	$54.17	$58.50	$63.18
4"	$71.06	$76.74	$82.88	$89.51	$96.67
6"	$123.40	$133.27	$143.93	$155.44	$167.88
8"	$184.97	$199.77	$215.75	$233.01	$251.65
10"	$231.15	$249.64	$269.61	$291.18	$314.47
12"	$385.10	$415.91	$449.18	$485.11	$523.92

Variable Water Rates

Variable rates are designed based on variable costs such as water supply and base delivery costs. The variable rates are made up of a number of cost components, all derived based on actual customer use data: Water Supply and Base Costs. Water supply costs are offset by the District's non-operating revenues.

Table 61 shows the calculation used to determine the variable rates. Supply and Base Delivery costs are added to calculate the variable rates. Rates are then reduced by revenue offsets, which were set aside in the cost of service analysis.

Table 61. Water Variable Rate Calculation

Variable Rate							
Unit	Source of Supply		Base Delivery		Variable Rate Offset		COS Rate per cf
Per cf	$0.029	+	$0.005	+	-$0.011	=	$0.023

[23] Note that some calculations may be impacted by rounding to two decimal points

The rates will be escalated by the revenue adjustments, and the five-year rate schedule is shown in **Table 62**.

Table 62. Proposed 5-Year Water Variable Rate Schedule

Revenue Adjustment	8.0%	8.0%	8.0%	8.0%	8.0%
Unit	1-Jan-2027	1-Jul-2027	1-Jul-2028	1-Jul-2029	1-Jul-2030
Per cf	$0.025	$0.027	$0.029	$0.031	$0.033

5.2 Sewer Zone 3 Rate Calculation

The current sewer rates are assigned to each customer based on their respective equivalent dwelling units. Since an EDU is designed to reflect equal service requirements, the number of EDUs is representative of each customer's total impact on the system. RDN recommends no changes to the rate structure for Zone 3 sewer customers. The financial plan does require adjustments to the revenue collected, however. The following lists the recommendations of this report:

- Adjusting rates annually by the recommended revenue adjustment of 8.0 percent in Fiscal Years 2028 through 2032
- Issuing a $6.75 million bond in FY 2029 to offset capital PAYGO

Annual Charge

The annual Fixed Charge for each customer class is calculated by dividing the total Fixed revenue requirement allocated to that class by the number of sewer EDUs. (**Table 63**).

Table 63. Sewer Fixed Rate Calculation

Category	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Rate Revenue Requirement	$202,541.55	$218,744.87	$236,244.46	$255,144.02	$275,555.54
EDUs	$706.20	$706.20	$706.20	$706.20	$706.20
Rate per EDU	**$286.80**	**$309.75**	**$334.53**	**$361.29**	**$390.19**

5.3 Capacity Charge Calculation

Capacity Charges are designed to ensure that current customers are not paying to maintain or develop capacity for new customers joining the Water and Sewer systems. To develop capacity charges, system asset value is divided by the corresponding system capacity (number of current units) The following section describes these steps in detail.

System Demand

The Buy-in approach uses current system demand as the denominator in the Capacity Charge calculation. For the Sewer system, demand was determined by counting the number of current billed units. **Table 64** shows the total number of customer and corresponding units for each customer class.

Table 64. Current Water and Sewer Units

Service Category	EM	EDU
Base Service	2,090	
Fire Service	8,417	
Zone 1 Sewer		1,826
Zone 2 Sewer		580
Zone 3 Sewer		706
Total	**10,506**	**3,112**

System Valuation

The water and sewer system asset list consists of assets purchased and depreciating since 1950. The total original cost of assets is $20.3 million. The assets have accumulated approximately $12.2 million in depreciation since they were originally built, leaving the net book value (original cost less depreciation, OCLD) of system assets at $8.1 million. To ensure equity between current and future customers, adjustments are made to the total buy-in value of the system. Generally speaking, asset values include any reserves held by a utility. Total reserve balances are added to the system value to calculate the total OCLD Asset value Water and sewer system valuation details are shown in **Table 65**.

Table 65. Water and Sewer System Asset and Reserve Valuation

Value Category	Water	Sewer
System Assets	$5,845,080.00	$2,590,246.32
Reserve Balance	$5,098,040.65	$13,469,864.70
Total OCLD Asset Value	**$10,943,120.65**	**$16,060,111.02**

Buy-in Fee Calculation

Water customers are made up of Base and Fire service connections. The total capacity allocated to each of those customers is determined by the flow capacity of meters. **Table 66** shows the capacity ratio for current customers which will be used to allocate asset values.

Table 66. Base and Fire Service Capacity Percentages

Service Category	EM	Capacity Percent
Base Service	2,090	19.9%
Fire Service	8,417	80.1%

Assets were divided based on their description in the asset list. Water lines were allocated to each type of service based on the percentages of capacity shown above. The total value of assets allocated to each type of service is shown in **Table 67.**

Table 67. Base and Fire Asset Values

Fire Asset Calculation	Value
Total Water Assets	**$5,845,080**
Fire Assets	$65,554
Total Lines	$977,945
Percent of Capacity	80.1%
Fire Line Assets	$783,436
Total Fire Assets	**$848,990**
Base Asset Calculation	**Value**
Non-Fire Assets	**$4,996,090**

Reserve values are added to the asset values of both fire and base service values based on the percentage of total assets allocated to each category. **Table 68** shows the total system value allocated to each service type.

Table 68. Total Asset Allocation by Service Type

Asset Category	Value	Percent	Reserve Allocation		Total Asset Value
Non Fire Assets	$4,996,090	85.5%	$4,357,557	=	**$9,353,648**
Fire Assets	$848,990	14.5%	$740,483	=	**$1,589,473**
Total	**$5,845,080**	**100.0%**	**$5,098,041**		**$10,943,121**

To calculate the Buy-in portion of the Sewer Capacity Charge RDN divided the OCLD sewer system value in **Table 68** by the total units shown in **Table 64**. This calculation yields a buy-in per unit equivalent Capacity Charge shown in **Table 69**.

Table 69. Buy-in Fee Calculation for Sewer System (per EM)

Customer Category	Total Asset Value		EM		Charge per EM
Base Meter	$9,353,648	÷	2,090	=	$4,476.14
Fire Service	$1,589,473	÷	8,417	=	$188.85

Capacity charges for each meter size are determined by multiplying the respective meter ratio by the charge per EM. **Table 70** and **Table 71** show the calculations for Base Service and Fire Service Capacity Charges, respectively.

Table 70. Base Service Capacity Charge Calculation

Base Service			
Meter Size	Charge Per EM	Meter Ratio	Capacity Charge
3/4"	$4,476.14	1.00	**$4,476.14**
1"	$4,476.14	1.67	**$7,460.24**
1 1/2"	$4,476.14	3.33	**$14,920.48**
2"	$4,476.14	5.33	**$23,872.76**
3"	$4,476.14	11.67	**$52,221.67**
4"	$4,476.14	20.00	**$89,522.87**
6"	$4,476.14	45.00	**$201,426.45**

Table 71. Fire Service Capacity Charge Calculation

Fire Service			
Meter Size	Charge Per EM	Meter Ratio	Capacity Charge
2"	$188.85	25.00	**$4,721.21**
3"	$188.85	33.33	**$6,294.94**
4"	$188.85	60.00	**$11,330.90**
6"	$188.85	116.67	**$22,032.30**
8"	$188.85	183.33	**$34,622.19**
10"	$188.85	233.33	**$44,064.60**
12"	$188.85	400.00	**$75,539.31**

Sewer Capacity Charges are determined by summing the total asset value and total sewer reserves and dividing by the current EDU count. **Table 72** shows the calculation used to determine sewer capacity charges.

Table 72. Sewer Capacity Charge Calculation

Sewer Assets		Sewer Reserves		Sewer EDU		Sewer Capacity Charge
$2,590,246	+	$13,469,865	÷	3,112	=	$5,160.09

Table 73 shows the proposed water and sewer capacity charges developed in this study. It is District policy to charge customers within industrial parks half of the standard capacity charge to account for the assets that were contributed as part of the development. Commercial sewer customers pay a capacity charge based on their total EDU count, which is determined when they join the system.

Table 73. Proposed Water and Sewer Capacity Charges

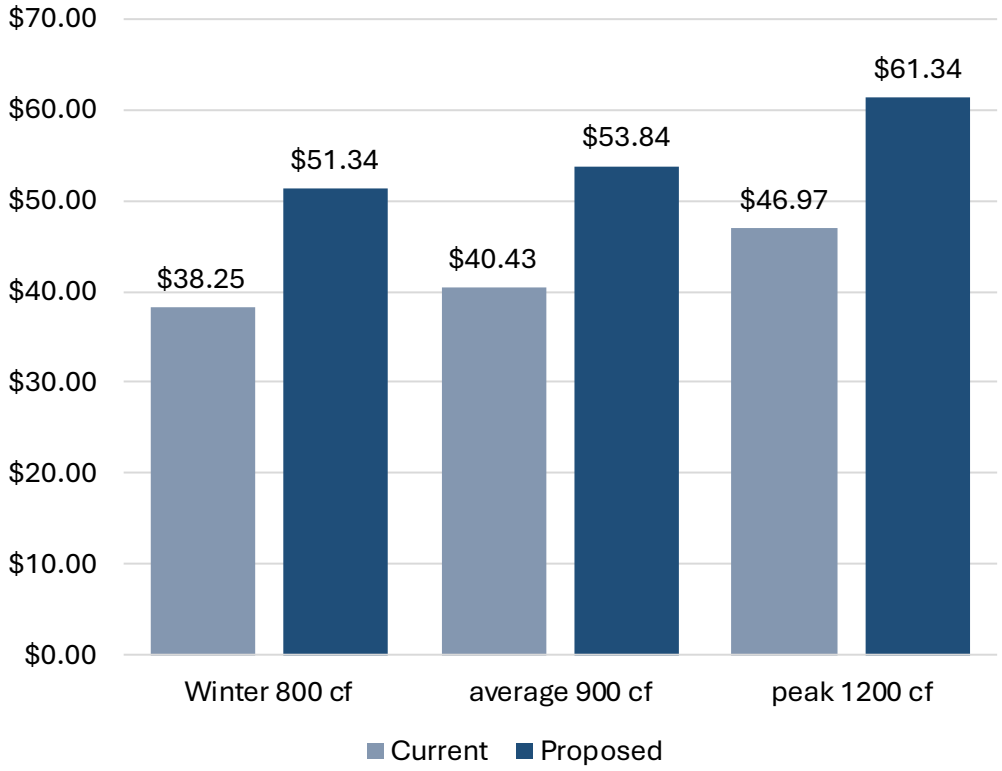
Water Capacity Charges				
	Outside Industrial Park		Inside Industrial Park	
Meter Size	Base	Fire	Base	Fire
3/4"	$4,476.14		$2,238.07	
1"	$7,460.24		$3,730.12	
1 1/2"	$14,920.48		$7,460.24	
2"	$23,872.76	$4,721.21	$11,936.38	$2,360.60
3"	$52,221.67	$6,294.94	$26,110.84	$3,147.47
4"	$89,522.87	$11,330.90	$44,761.43	$5,665.45
6"	$201,426.45	$22,032.30	$100,713.23	$11,016.15
8"		$34,622.19		$17,311.09
10"		$44,064.60		$22,032.30
12"		$75,539.31		$37,769.66
Sewer Capacity Charges				
Residential	$5,160.09	Per Dwelling		
Commercial	$5,160.09	Per EDU		

5.4 Bill Impact Analysis

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

Figure 9 shows the dollar change in the bill based on 3/4" Residential customers use at selected usage points. The District's average 3/4" Residential customer uses 900 cf of water monthly. Additionally, the average summer peak use for a 3/4" Residential customer is 1200 hcf per billing period.

Figure 9. Base Meter Customer Impact by Usage for 3/4" in FY 2027



5.5 Rate comparison

RDN also compared the District's current and proposed rates at the average use level with other water and sewer agencies in the surrounding area. **Figure 10** shows the District's current and proposed monthly water rate with FY 2027 rate adjustments for an average user with a ¾" meter. The District's rates are currently the lowest in the region. With the proposed adjustments, the District's rates will remain well below the regional average for a similar customer. **Figure 11** shows the same comparison for sewer customers across the District's three service areas.

Figure 10. Water Rate Comparison for a ¾" Base Meter Customer who Uses 900cf a Month

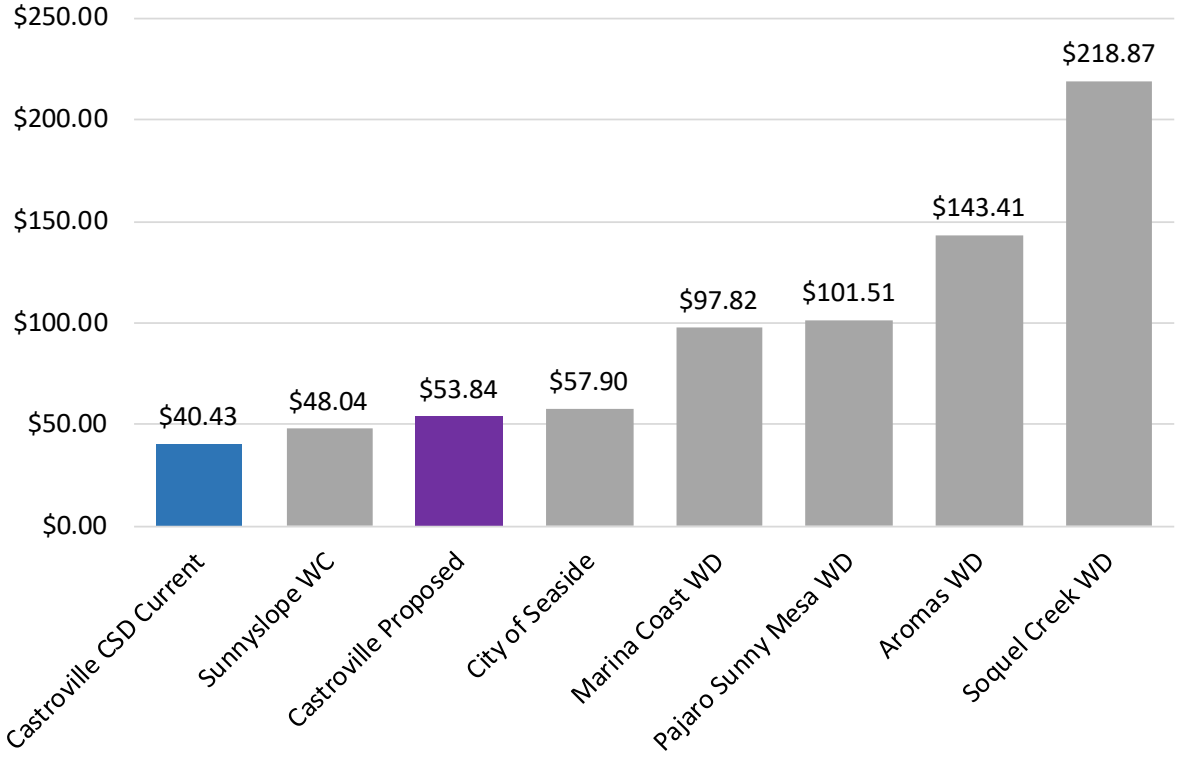
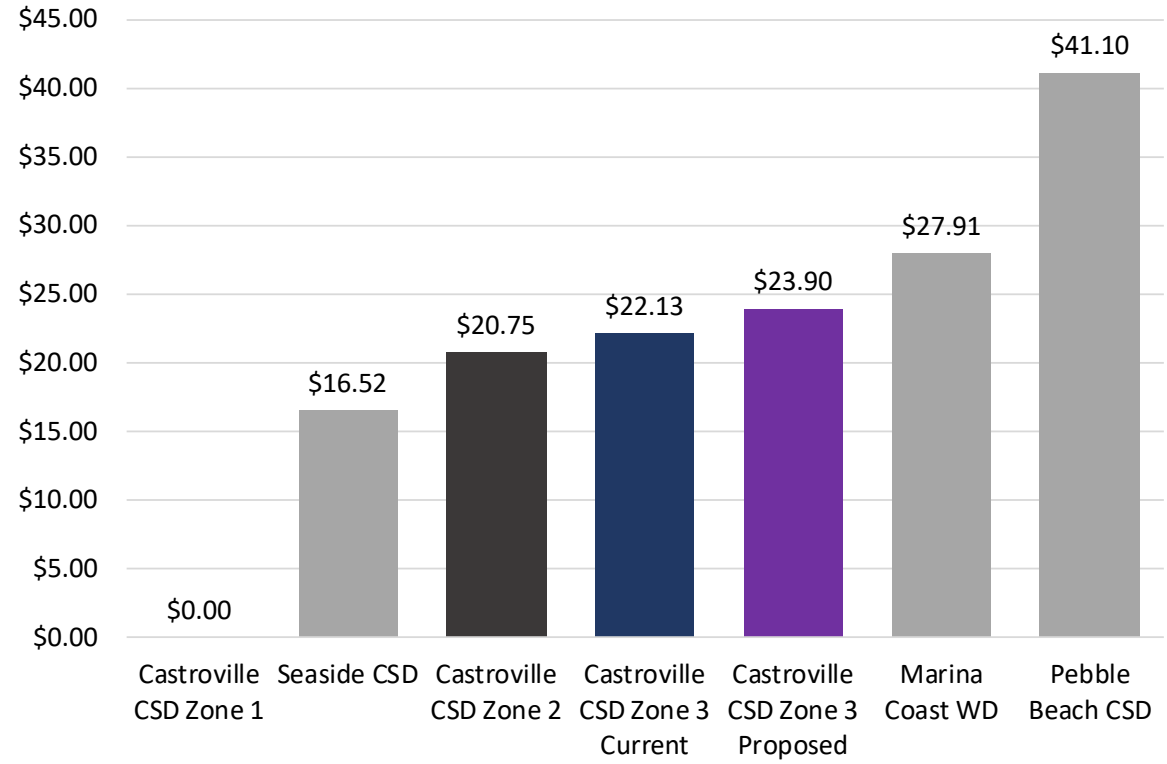


Figure 11. Monthly Sewer Rate Comparison for one EDU



CONCLUSION

5.6 Summary of Recommendations and Financial Results

Recommendations:

Water

- Adjusting rates annually by the recommended revenue adjustments of 8.0 percent in Fiscal Years 2027 through 2031
- Issuing a $9.0 million bond in FY 2028 to offset capital PAYGO
- Adjusting meter rates to reflect industry standard meter ratio calculations
- Removing the monthly fee for units above the first connected to each meter

Sewer Zone 1

- Make no changes to the rates

Sewer Zone 2

- Make no changes to the rates

Sewer Zone 3

- Adjusting rates annually by the recommended revenue adjustment of 8.0 percent in Fiscal Years 2027 through 2031
- Issuing a $6.75 million bond in FY 2029 to offset capital PAYGO

Connection Fees

- Adjusting fees to include the value of the utility system
- Developing fees the equitably charge customers with different service requirements

The following figures summarize the recommendations of this report:

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

Figure 12. Rate Study Water Status Quo Financial Plan

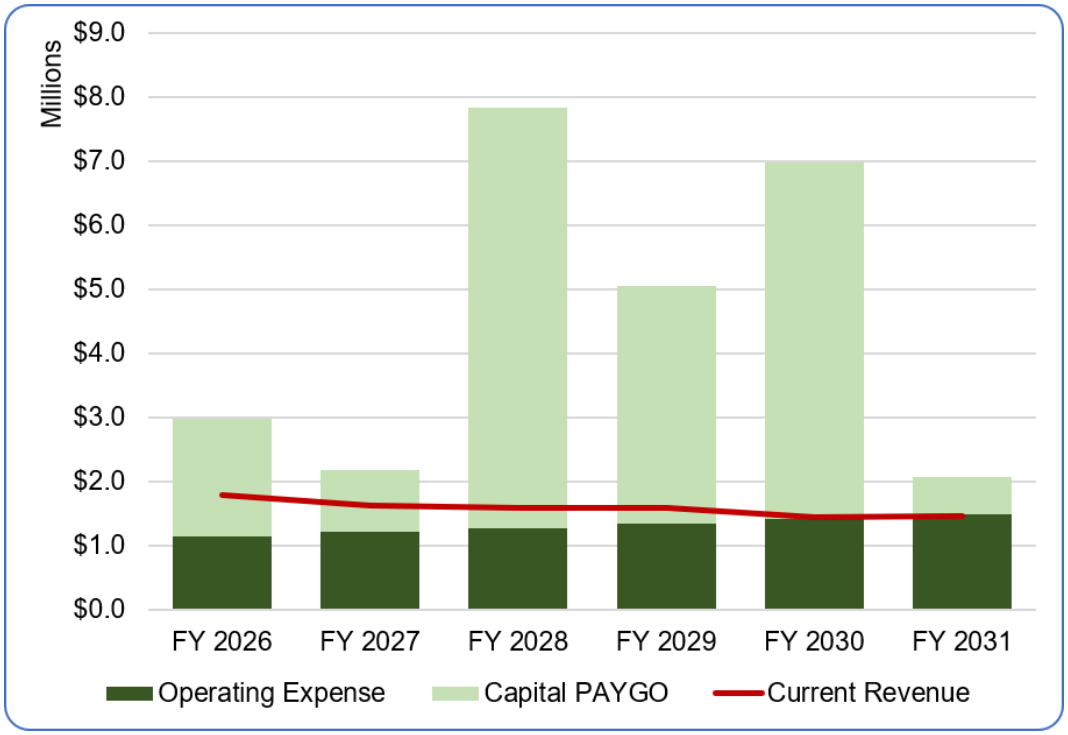


Figure 13 shows the District's water utility ending cash balances with no adjustments to the revenue requirements.

Figure 13. Ending Water Cash Balances with No Revenue Adjustment

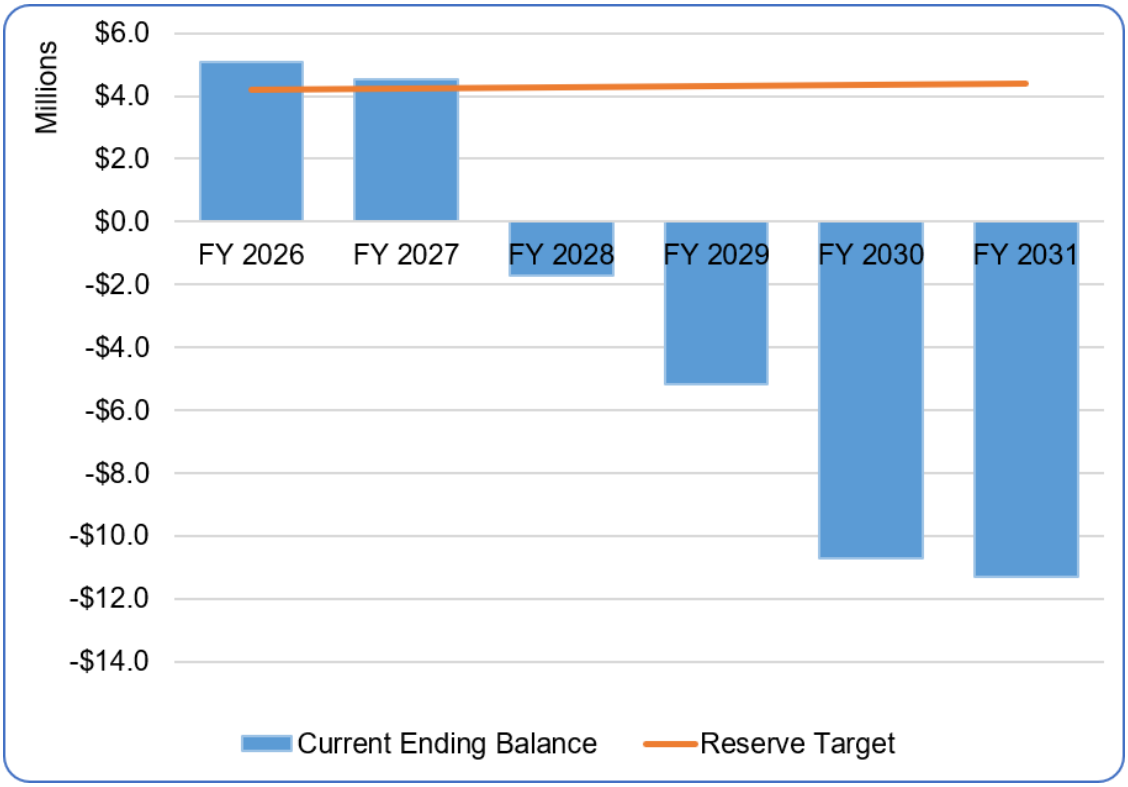


Table 74 shows the recommended annual water revenue adjustments and debt issuance for each year of the rate setting period.

Table 74. Recommended Water Rate Adjustments and Debt Issuance

Category	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenue Adjustment	8.0%	8.0%	8.0%	8.0%	8.0%
Proposed Debt Issuance	$0	$9,000,000	$0	$0	$0

Figure 14 shows the proposed financial plan with revenue adjustments used for this study.

Figure 14. Recommended Rate Study Adjusted Water Financial Plan

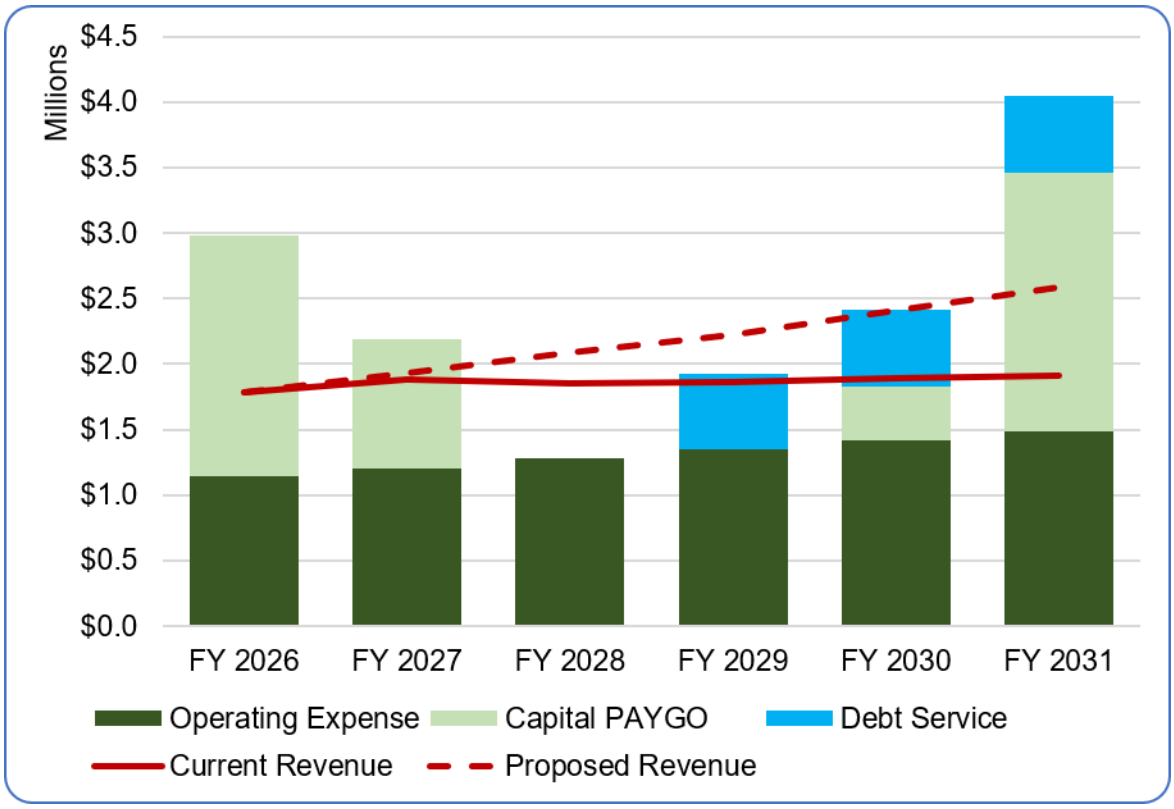


Table 75 shows the proposed fixed rates and variable rates based on the proposed revenue adjustments and cost of service analysis for each year of the rate setting period, respectively.

Table 75. Proposed Fixed Rates for 2027 to 2031

Monthly Fixed Rate					
Base	**1-Jan-2027**	**1-Jul-2027**	**1-Jul-2028**	**1-Jul-2029**	**1-Jul-2030**
3/4"	$31.34	$33.87	$36.58	$39.51	$42.67
1"	$41.81	$45.17	$48.79	$52.69	$56.90
1 1/2"	$67.96	$73.42	$79.30	$85.64	$92.49
2"	$99.35	$107.32	$115.91	$125.18	$135.19
3"	$198.74	$214.67	$231.84	$250.39	$270.42
4"	$329.53	$355.91	$384.39	$415.14	$448.35
6"	$721.88	$779.66	$842.03	$909.39	$982.14
Fire	**1-Jan-2027**	**1-Jul-2027**	**1-Jul-2028**	**1-Jul-2029**	**1-Jul-2030**
2"	$38.74	$41.84	$45.19	$48.81	$52.71
3"	$46.44	$50.16	$54.17	$58.50	$63.18
4"	$71.06	$76.74	$82.88	$89.51	$96.67
6"	$123.40	$133.27	$143.93	$155.44	$167.88
8"	$184.97	$199.77	$215.75	$233.01	$251.65
10"	$231.15	$249.64	$269.61	$291.18	$314.47
12"	$385.10	$415.91	$449.18	$485.11	$523.92
Variable Rate					
All Use	**1-Jan-2027**	**1-Jul-2027**	**1-Jul-2028**	**1-Jul-2029**	**1-Jul-2030**
per cf	$0.025	$0.027	$0.029	$0.031	$0.033

Figure 15 shows the District's ending cash balances after revenue and rate adjustments are made.

Figure 15. Ending Water Cash Balances with Recommended Revenue Adjustments

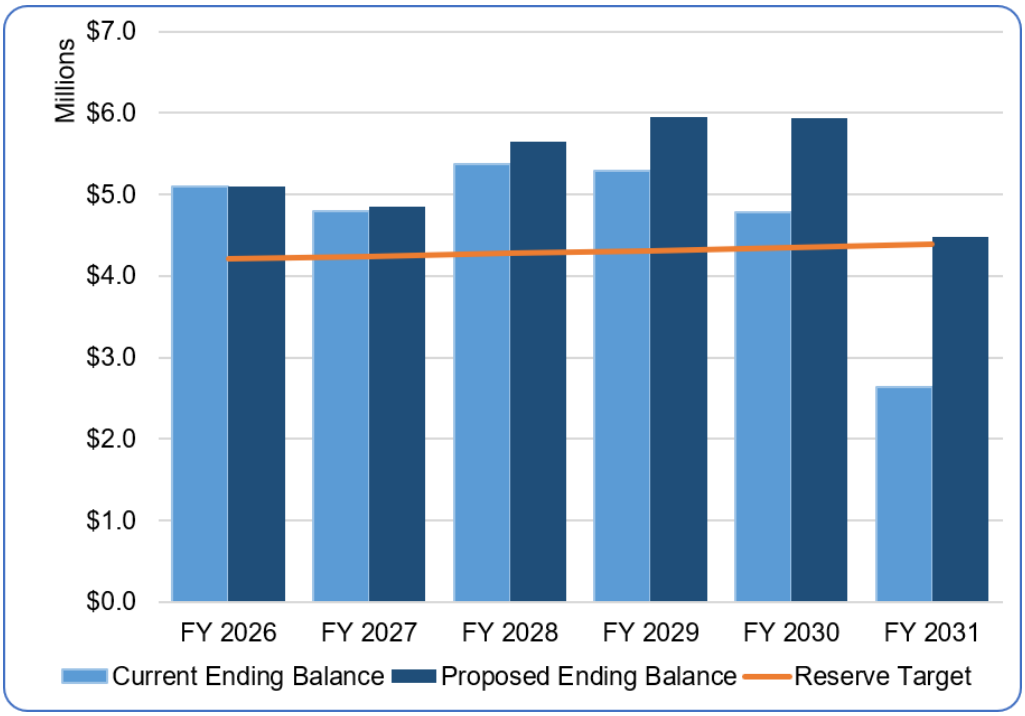


Figure 16 shows the District's debt service coverage ratios after revenue and rate adjustments are made.

Figure 16. Water Debt Service Coverage Ratios with Recommended Revenue Adjustments

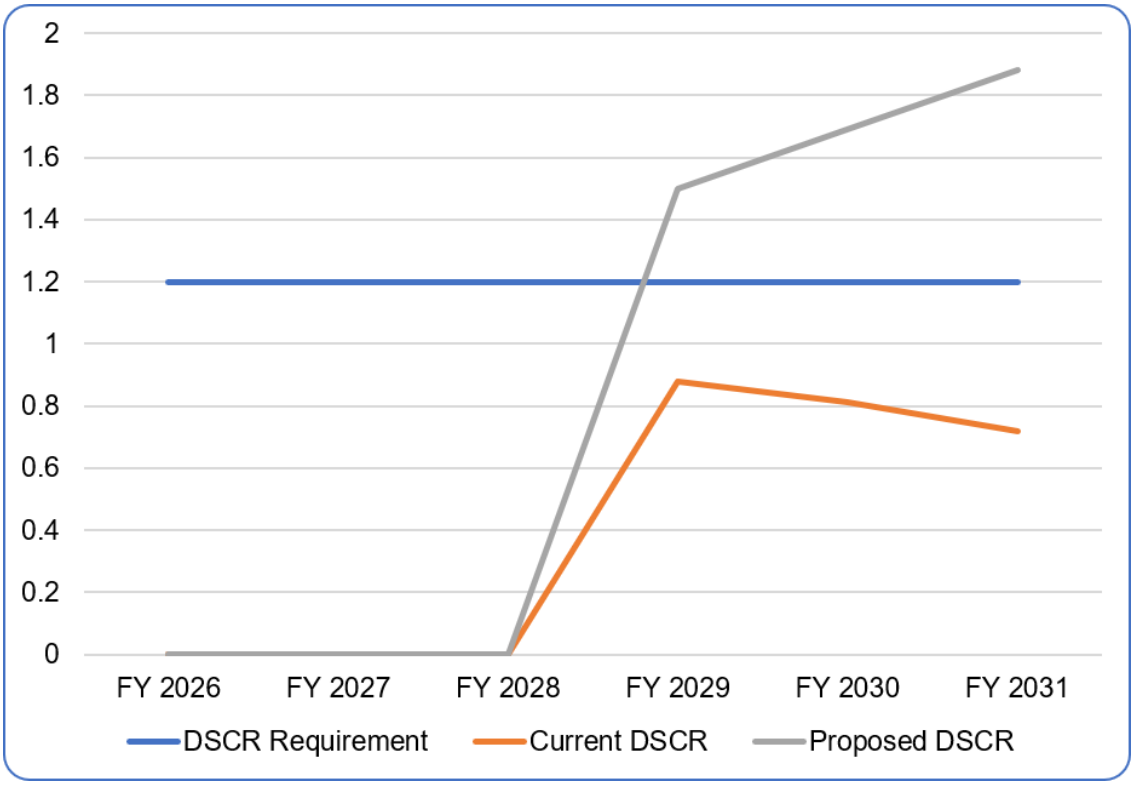


Figure 17 shows the status quo zone 1 sewer financial plan used for this study.

Figure 17. Rate Study Zone 1 Sewer Status Quo Financial Plan

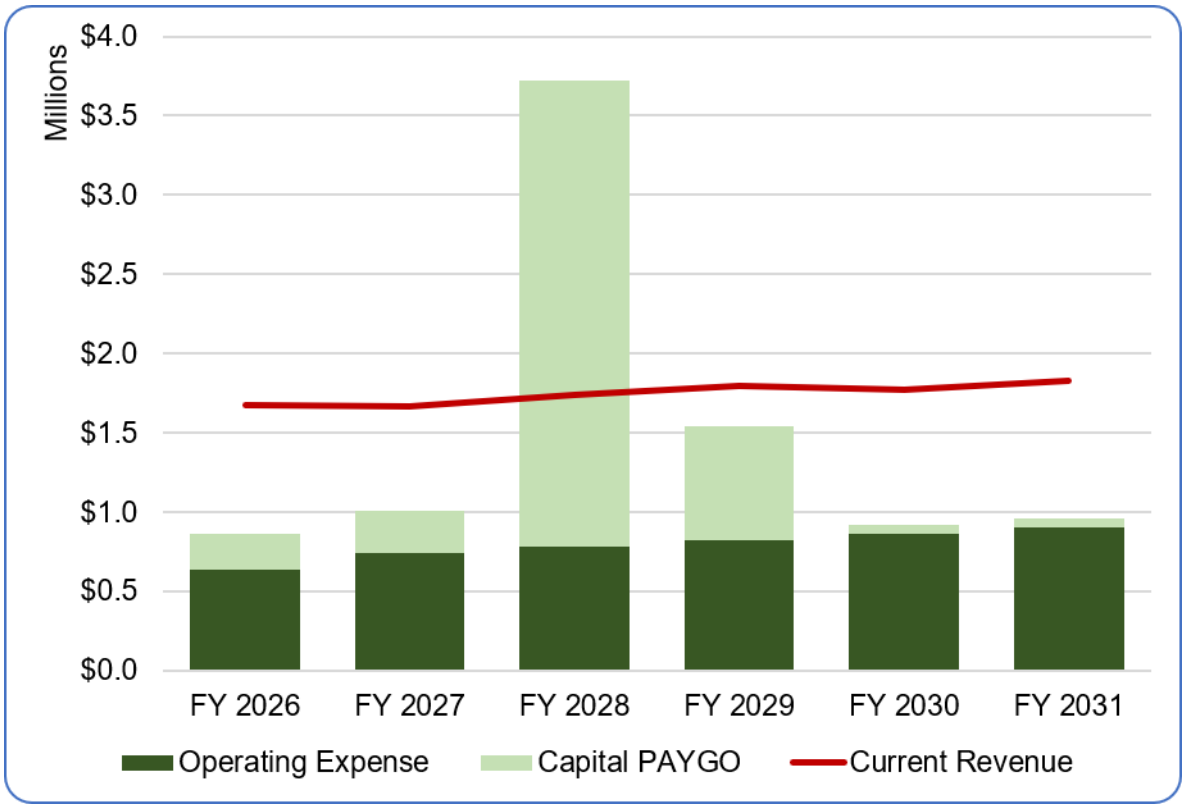
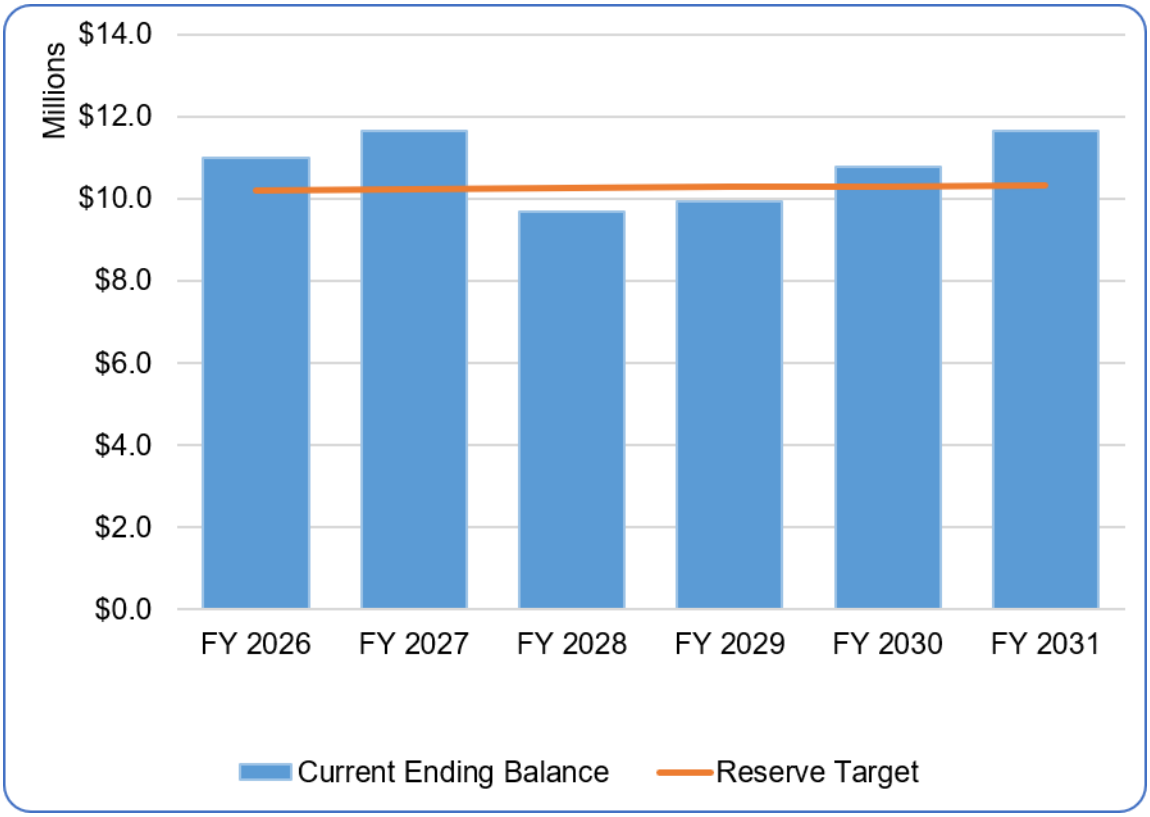


Figure 18 shows the District's Zone 1 sewer utility ending cash balances with no adjustments to the revenue requirements.

Figure 18. Ending Zone 1 Sewer Cash Balances with No Revenue Adjustment



RDN recommends no annual zone 1 sewer revenue adjustments for the rate setting period.

Figure 19 shows the status quo zone 2 sewer financial plan used for this study.

Figure 19. Rate Study Zone 2 Sewer Status Quo Financial Plan

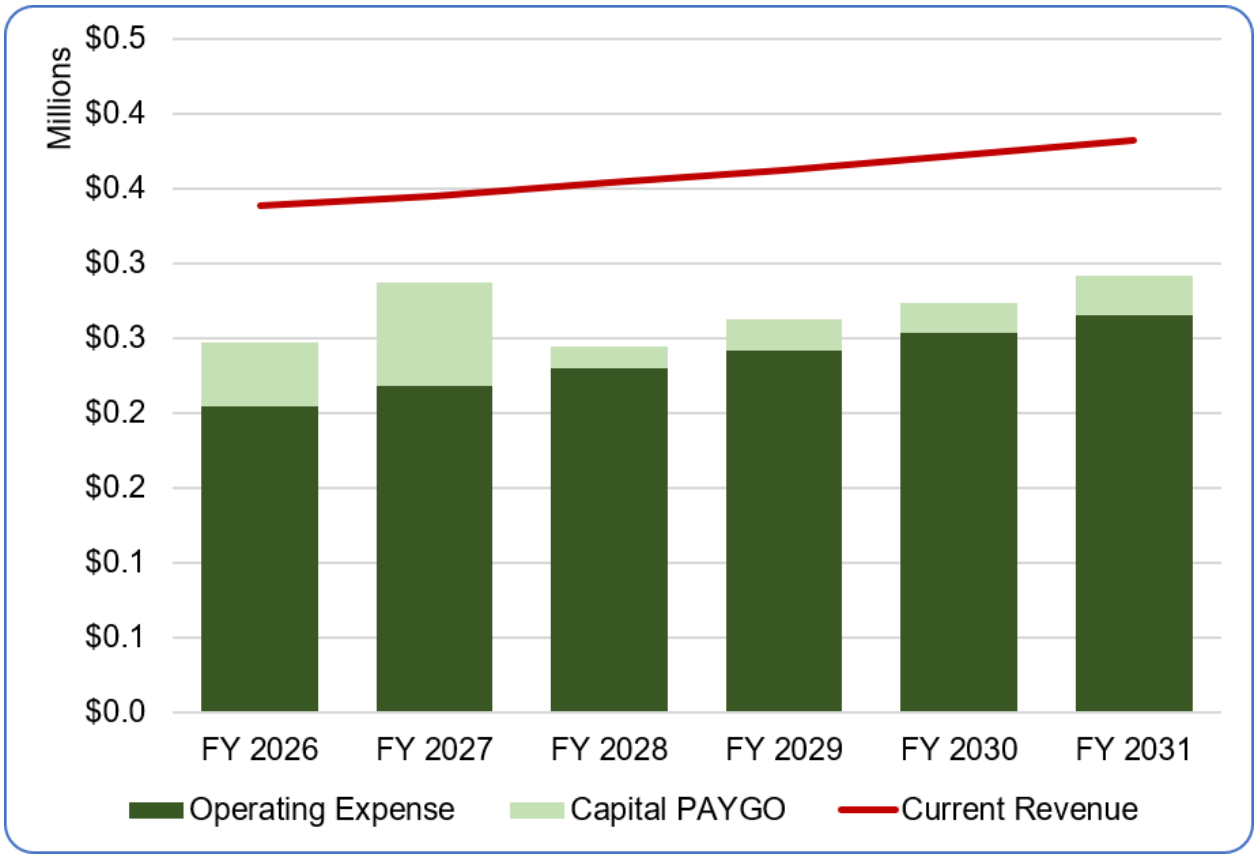
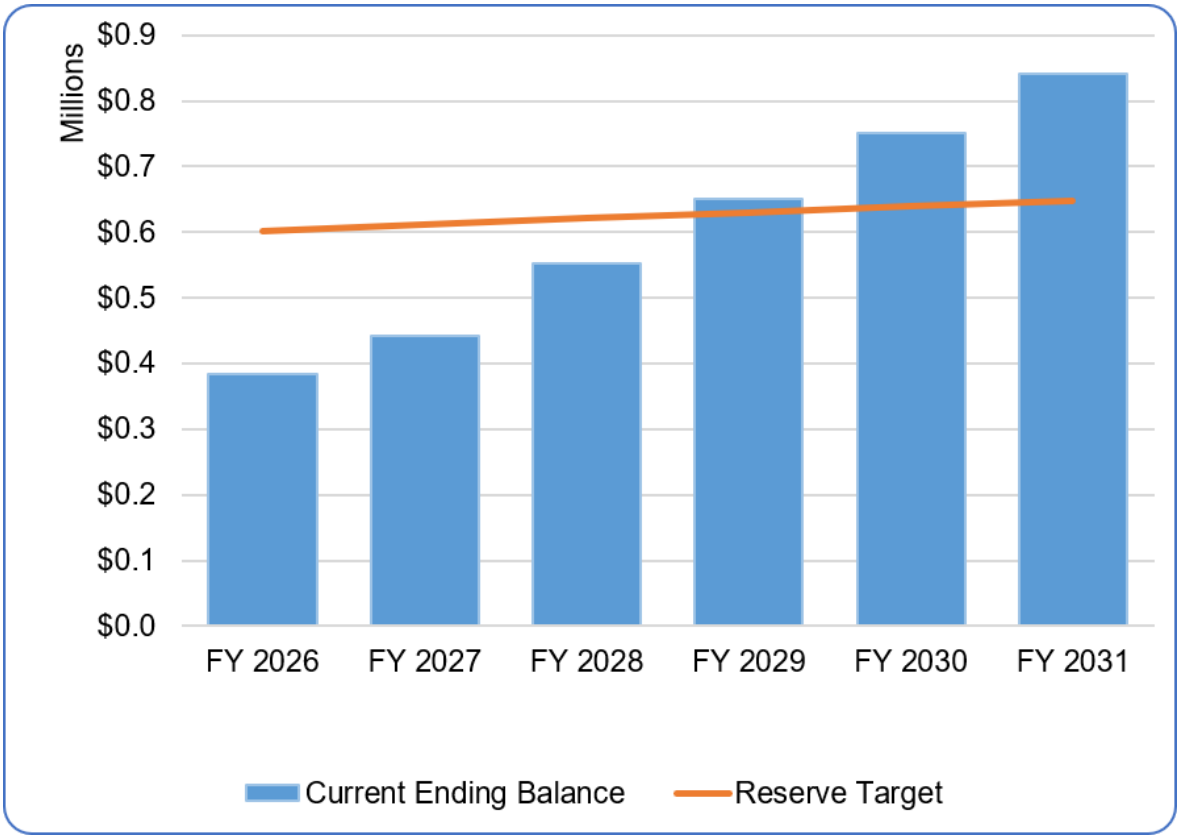


Figure 20 shows the District's Zone 2 sewer utility ending cash balances with no adjustments to the revenue requirements.

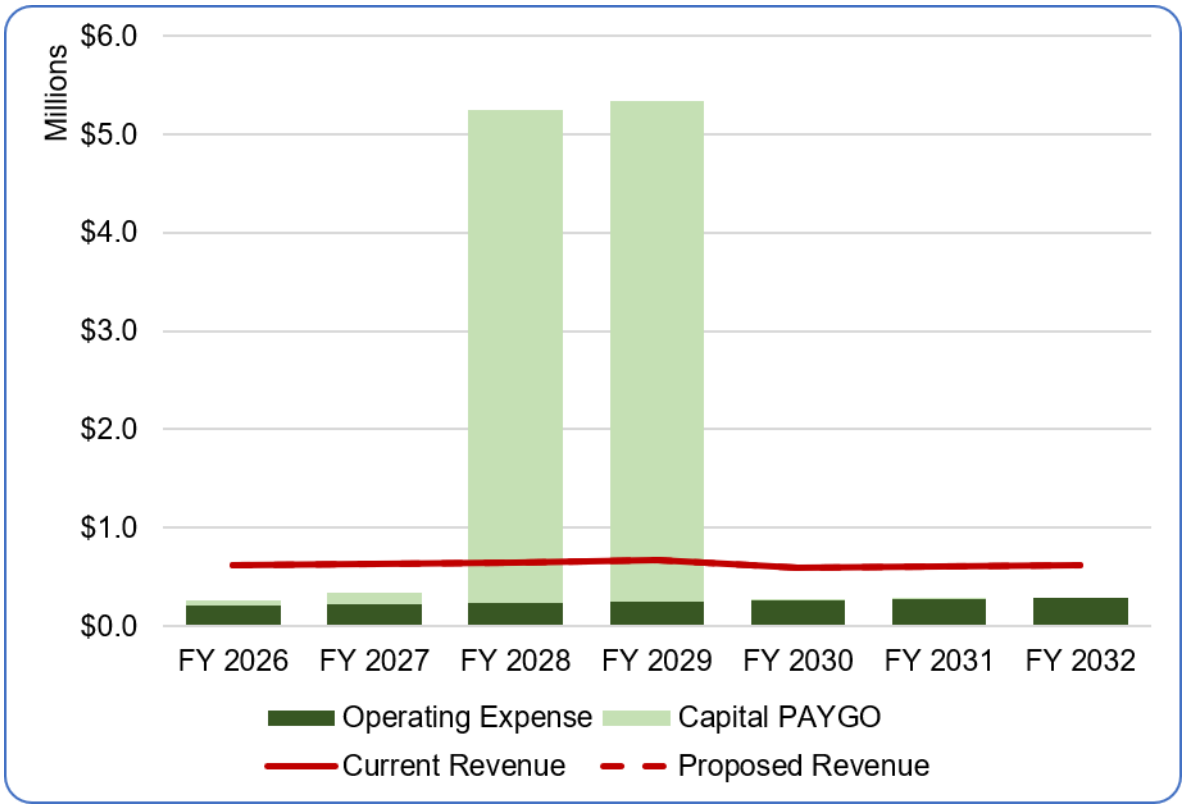
Figure 20. Ending Zone 2 Sewer Cash Balances with No Revenue Adjustment



RDN recommends no annual zone 2 sewer revenue adjustments for the rate setting period.

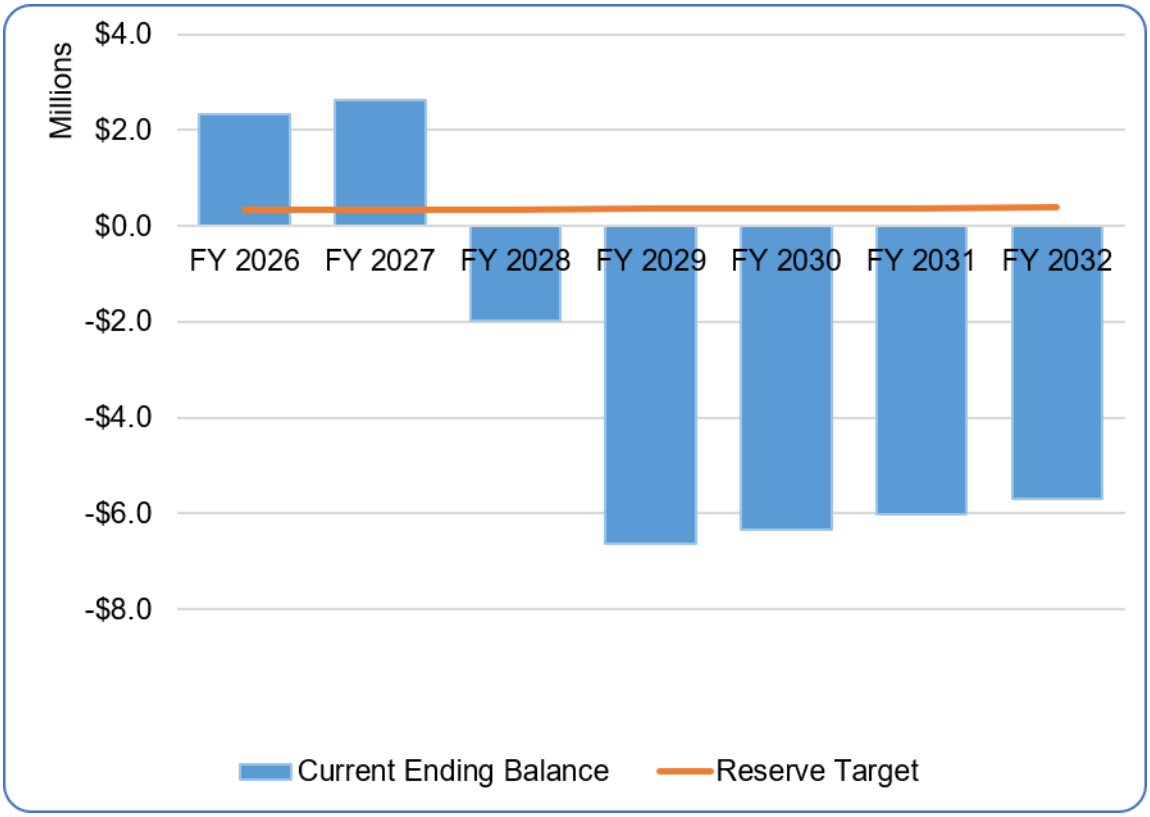
Figure 21 shows the status quo zone 3 sewer financial plan used for this study.

Figure 21. Rate Study Zone 3 Sewer Status Quo Financial Plan



Plan shows the District's Zone 3 sewer utility ending cash balances with no adjustments to the revenue requirements.

Figure 22. Ending Zone 3 Sewer Cash Balances with No Revenue Adjustment



RDN recommends the following revenue adjustments and debt issuance for the zone 3 sewer rate setting period.

Table 76. Recommended Sewer Revenue Adjustment and Debt Issuance

Category	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Revenue Adjustment	8.0%	8.0%	8.0%	8.0%	8.0%
Proposed Debt Issuance	$0	$6,750,000	$0	$0	$0

Table 77 shows the resulting zone 3 sewer rates based on the proposed revenue adjustments and cost of service analysis for each year of the rate setting period, respectively.

Table 77. Proposed Zone 3 Sewer Fixed Rates Based on the Proposed Revenue Adjustment

Annual Fixed Rates					
All Customers	1-Jul-2027	1-Jul-2028	1-Jul-2029	1-Jul-2030	1-Jul-2031
Per EDU	$286.80	$309.75	$334.53	$361.29	$390.19

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

Figure 23. Rate Study Adjusted Zone 3 Sewer Financial Plan

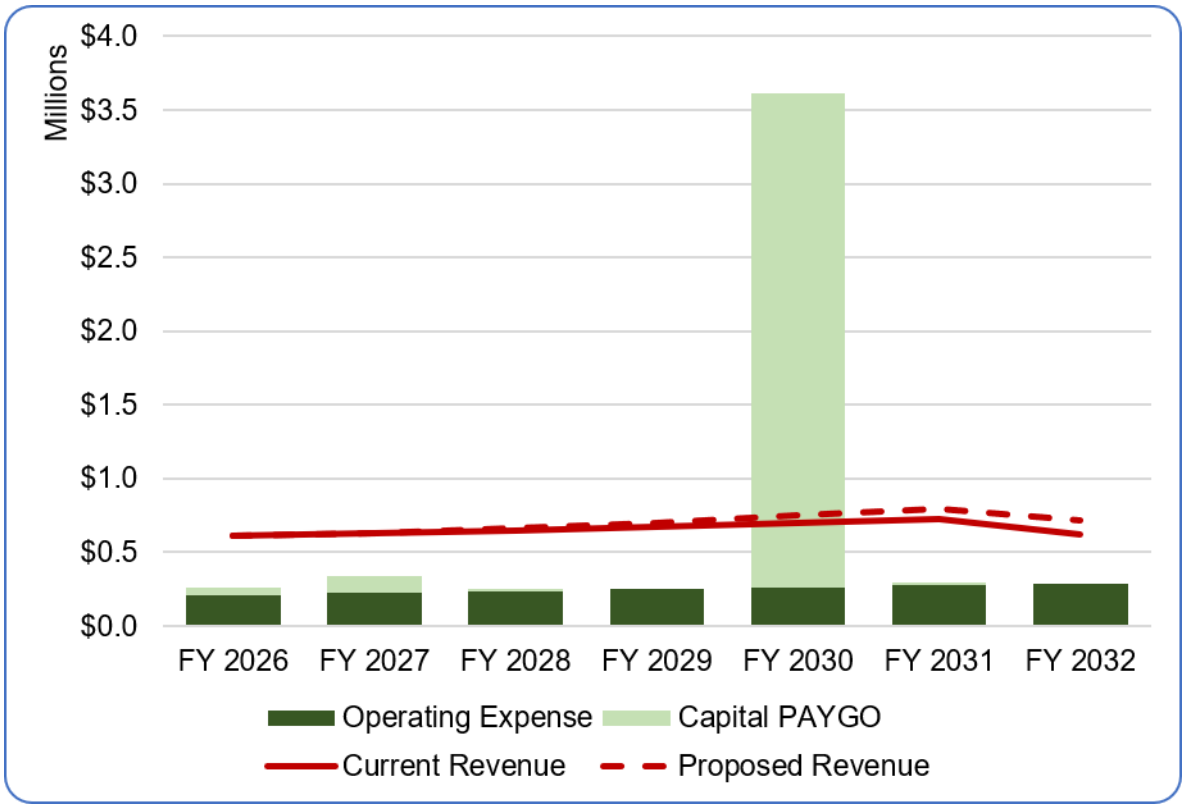


Figure 24 shows the District's ending cash balances after revenue and rate adjustments are made.
Figure 25 shows the District's debt service coverage ratio with and without proposed adjustments.

Figure 24. Ending Zone 3 Sewer Cash Balances with Proposed Revenue Adjustment

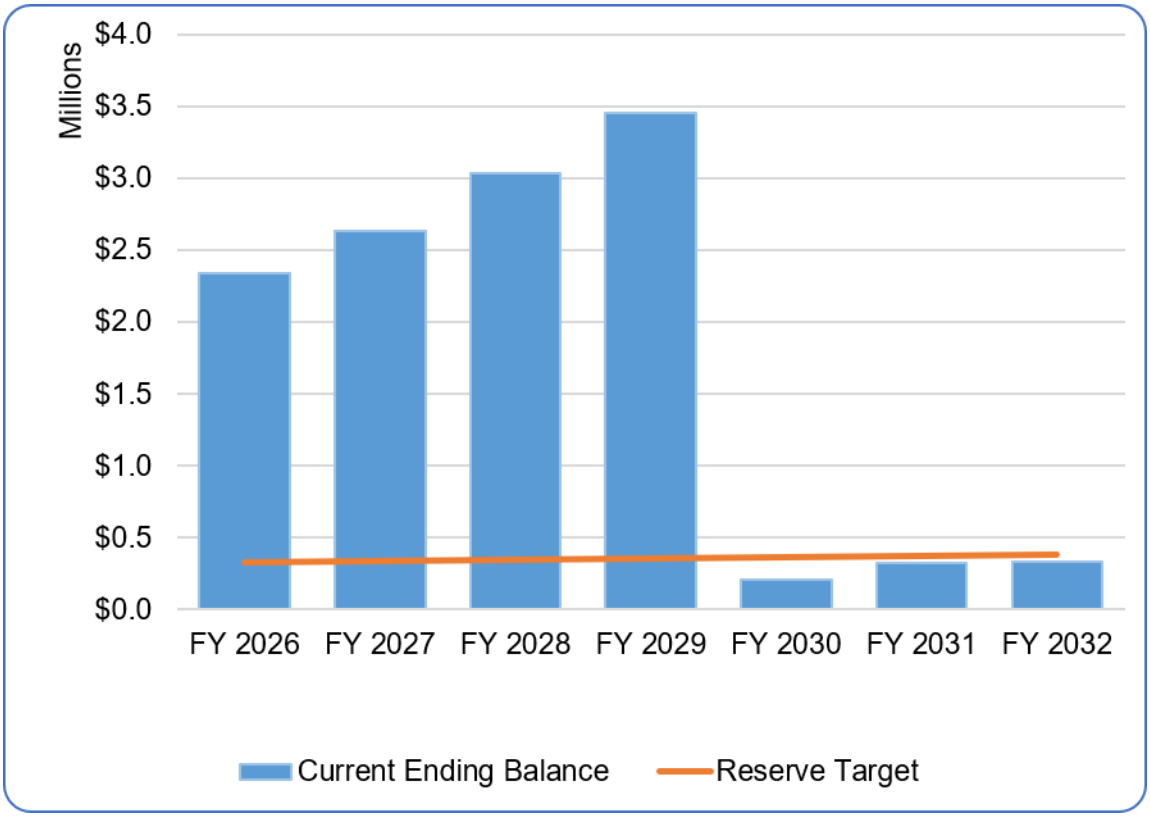


Figure 25. Sewer Debt Service Coverage Ratios with Recommended Revenue Adjustments

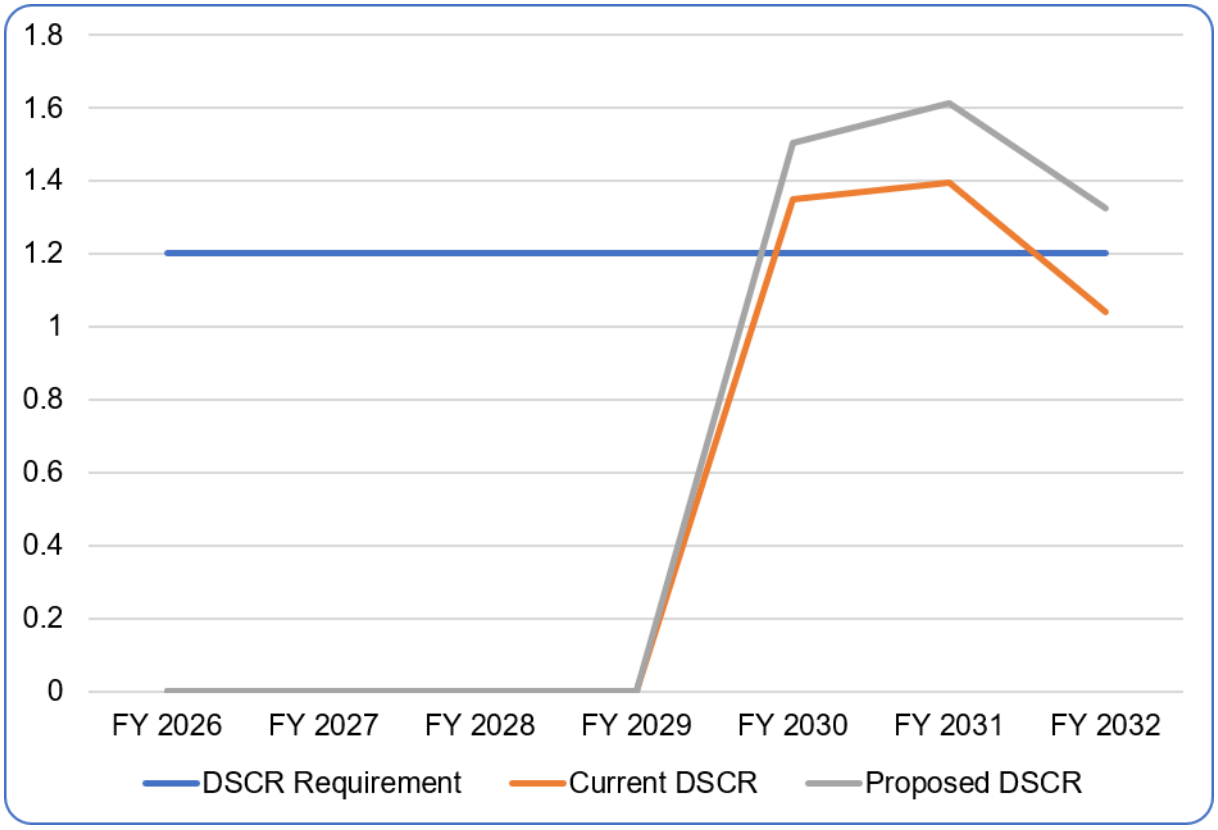


Table 78 shows the proposed water and sewer capacity Charges.

Table 78. Proposed Water and Sewer Capacity Charges

Water Capacity Charges				
	Outside Industrial Park		Inside Industrial Park	
Meter Size	Base	Fire	Base	Fire
3/4"	$4,476.14		$2,238.07	
1"	$7,460.24		$3,730.12	
1 1/2"	$14,920.48		$7,460.24	
2"	$23,872.76	$4,721.21	$11,936.38	$2,360.60
3"	$52,221.67	$6,294.94	$26,110.84	$3,147.47
4"	$89,522.87	$11,330.90	$44,761.43	$5,665.45
6"	$201,426.45	$22,032.30	$100,713.23	$11,016.15
8"		$34,622.19		$17,311.09
10"		$44,064.60		$22,032.30
12"		$75,539.31		$37,769.66
Sewer Capacity Charges				
Residential	$5,160.09	Per Dwelling		
Commercial	$5,160.09	Per EDU		

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