

HEBER PUBLIC UTILITY DISTRICT REPORT TO BOARD OF DIRECTORS

MEETING DATE: December 18, 2025

FROM: Madeline Dessert, General Manager

SUBJECT: Award Water and Sanitary Sewer Rate Study Services to the Lowest, Responsive and Responsible Bidder, LT Municipal Consultants

BACKGROUND

The Heber Public Utility District would like to award professional services for the Water and Sanitary Sewer Rate Study to the lowest, responsive, and responsible bidder, LT Municipal Consultants. The District solicited proposals to conduct a comprehensive rate study to evaluate current water and sewer rates, assess revenue requirements, and ensure long-term financial sustainability of utility operations.

Following a thorough review of all submissions, LT Municipal Consultants was determined to meet all required qualifications and demonstrated the necessary experience, technical expertise, and understanding of public utility rate structures. Their proposal was found to be complete, cost-effective, and fully comprehensive to the District's scope of work. The rate study will provide critical analysis and recommendations to support informed decision-making, compliance with regulatory requirements, and the equitable allocation of costs to ratepayers.

Rank	Firm	Bid Amount
1	LT Municipal Consultants	\$ 42,660.00
2	Bartle Wells Associates	\$ 49,000.00

RECOMENDATION:

1. Award Water and Sanitary Sewer Rate Study Services to the Lowest, Responsive and Responsible Bidder, LT Municipal Consultants
2. Alternative: Do Not Award Water and Sanitary Sewer Rate Study Services to the Lowest, Responsive and Responsible Bidder, LT Municipal Consultants, and Provide Direction To Staff.

Respectfully,

Madeline Dessert,
General Manager



LT MUNICIPAL
CONSULTANTS

November 17, 2025

Heber Public Utility District Proposal for Water & Sanitary Sewer Rate Study Services

909 Marina Village Parkway #135 | Alameda, CA 94501 | (510) 545-3182



Contact Person:

Alison Lechowicz, Principal 909 Marina Village Parkway #135
(510) 545-3182 Alameda, CA 94501
alison@ltmunicconsultants.com LTmunicconsultants.com

November 17, 2025

Heber Public Utility District
1078 Dogwood Rd., Suite 103
Heber, CA 92249

Dear Heber Public Utility District,

LT Municipal Consultants (LTMC) is pleased to submit this Proposal for Water and Sanitary Sewer Rate Study Services to Heber Public Utility District (HPUD or District). LTMC is a woman-owned firm that focuses on financial planning, rate and fee studies, and management consulting for California public agencies. Firm Principal Alison Lechowicz has nearly 20 years of experience in municipal consulting and public finance. Our staff have completed over 150 studies compliant with Propositions 218 and 26, with a focus on agencies serving populations of 30,000 or fewer. We are currently working on several studies in your area including a water and sewer rate study for the City of Westmorland and sewer rate studies for the Niland County Sanitation District and Cady Poe Colonia County Service Area. In 2024, we completed a water rate study for Chiriaco Summit Water District in southern Riverside County. We will bring this local experience to our work with HPUD.

LTMC's technical approach is as follows:

- **Financial Analysis:** LTMC analyzes revenue streams to meet immediate cash flow needs as well as plan for future capital projects and deferred maintenance. We understand the District approved a new Capital Improvement Plan in August. We will provide the District with a financial roadmap that clearly illustrates how various considerations such as high vs. low capital improvement costs and various funding assumptions (grant vs. loan funding) will impact utility cash flows.
- **Rate Design:** For the water and sewer rates, we will review rate design considerations based on Proposition 218 requirements and industry best practices. There have been several recent court rulings regarding tiered water rates and base water allotments. Most likely, we will recommend that the District eliminate or reduce the water allotment included in the base fee. For the sewer rates, LTMC will provide options for transitioning to a more commonly used rate structure such as a fixed fee plus estimated sewer flow. For any proposed changes, we will work with the project team to evaluate the advantages and disadvantages of each option and develop an implementation plan to phase-in adjustments.
- **Public Outreach:** Building consensus for our recommendations will be a key component of this study. LTMC will assist staff with conducting outreach to the Board of Directors and community members, providing a script for the public hearing, and preparing social media

postings. Our final documents will stress the value of the District's infrastructure, explain why costs are increasing, and describe cost saving measures.

We would very much like to work with the District, and we hope this proposal will constitute a suitable basis for our selection. If you have any questions, please contact us.

Sincerely,
LT Municipal Consultants

A handwritten signature in blue ink, appearing to read "Alison Lechowicz". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Alison Lechowicz, Principal and Authorized Representative
alison@LTmuniconsultants.com
(510) 545-3182



TABLE OF CONTENTS

Executive Summary	1
Firm Qualifications	2
Firm Background	2
History of the Firm	2
Services	3
Organizational Chart.....	3
Project Organization & Key Personnel.....	4
Representative Studies & References	8
Recent Project List.....	8
Client References.....	9
Study Understanding & Methodology.....	12
Scope of Work	15
Tasks.....	15
Rate Study Deliverables.....	20
Requested Participation from the District.....	20
Work Schedule	21
Proposed Fee Schedule	22
Total All-inclusive Maximum Price.....	22
Billing Rate Schedule 2025/2026.....	22

EXECUTIVE SUMMARY

FIRM BACKGROUND AND EXPERIENCE

LT Municipal Consultants (LTMC) is a women-owned utility rate and financial consulting firm. We have five staff members – one principal, three financial analysts, and one office manager. Firm principal Alison Lechowicz has over 18 years of consulting experience and our staff have completed over 150 studies. Ms. Lechowicz has an ongoing engagement as an expert witness and regularly testifies before the CA Public Utilities Commission regarding electric rates.

We enjoy working with smaller agencies and the majority of our clients serve populations of 30,000 or fewer. Recent examples of our work include water and/or sewer rate studies for the Cities of Gonzales and Kingsburg and the Root Creek Water District. In your area, we are currently conducting studies for the City of Westmorland, the Niland County Sanitation District, and the Cady Poe Colonia County Service Area. LTMC understands the administrative challenges of implementing a rate study and can guide you through each step including scheduling public meetings, drafting the notice of public hearing, and developing a script for the hearing. We remain flexible to take on additional tasks to meet your needs throughout the study.

APPROACH

Based on our experience with similar agencies, our scope of work includes the following tasks:

- Data Gathering and Project Management: Provide the project team with a data needs list to understand the District's existing rates, costs, and financial standing. Conduct a virtual meeting with team members to review the data. Provide action items and status reports throughout the study.
- Financial Plan: Determine the District's cost of water and sewer service by projecting budgeted operating expenses and capital costs over the next ten years. Evaluate the impacts of debt, capital funding, and accumulation of reserves.
- Rate Design: Provide two options for both water and sewer rates. We will fully document the assumptions used to establish the cost-basis for each customer category.
- Reports: Provide draft and final reports that fully document rate study materials and all assumptions used to calculate rates. We strive to produce reports that are easy to understand.
- Public Approval/Proposition 218: Early in the study, we will work with staff to identify targeted dates for public presentations and the Proposition 218 hearing. We will then schedule intermediate deadlines such as initial submittal of draft calculations, the draft report, and the Board of Directors acceptance of the report. We commit to a rate implementation date on or before July 1, 2026.

FIRM QUALIFICATIONS

FIRM BACKGROUND

LT Municipal Consultants was built on the expertise of its female founders Alison Lechowicz and Catherine Tseng and is now owned solely by principal Alison Lechowicz.

Our objective is to provide financial consulting and management services to local governments. Alison has nearly 20 years of experience in municipal consulting and public finance. She also has experience working for a civil engineering firm and a background in public administration.

LTMC is committed to providing professional services with superior value and responsiveness. By utilizing a small team approach, our clients receive greater one-on-one attention and can be assured that the work is conducted by highly qualified professionals. Our clients are provided direct communication with the principal consultant who guides the project through each step.

Nature of firm: Women-owned firm founded in 2017 and organized as an LLC

Services: Impact Fee Studies, Utility Rate & Fee Studies, Financial Planning, Utility Appraisal, Expert Witness, Public Approval Process

Size of firm: Five staff members consisting of four consultants and one office manager

Location of office: Alameda, CA

Years in business: 8 years

Other languages spoken by staff: Spanish

HISTORY OF THE FIRM

LT Municipal Consultants (LTMC) was founded in 2017 as Lechowicz & Tseng Municipal Consultants. Effective July 2025, the name of the firm was changed to LT Municipal Consultants.

SERVICES

Utility Rate & Fee Studies

Utility rate studies deriving both traditional and innovative rate structures that comply with cost of service principles and Proposition 218 requirements.

Impact Fee/Capacity Charge Studies

Development impact fees and capacity charge studies that offset the cost of expanding infrastructure to serve new development without placing a burden on existing customers.

Financial Planning & Modeling

Comprehensive financial plans focused on immediate needs as well as the long-term viability of agencies. Our financial models are flexible and user-friendly to allow for cash flow sensitivity analysis and to illustrate the impacts of policy decisions.

Public Approval Process

Lead informational workshops to educate the public about municipal finance. We provide start-to-finish assistance in the rate and fee approval process, including presentations to decision makers, publication of reports, and printing and mailing of notices (as applicable).

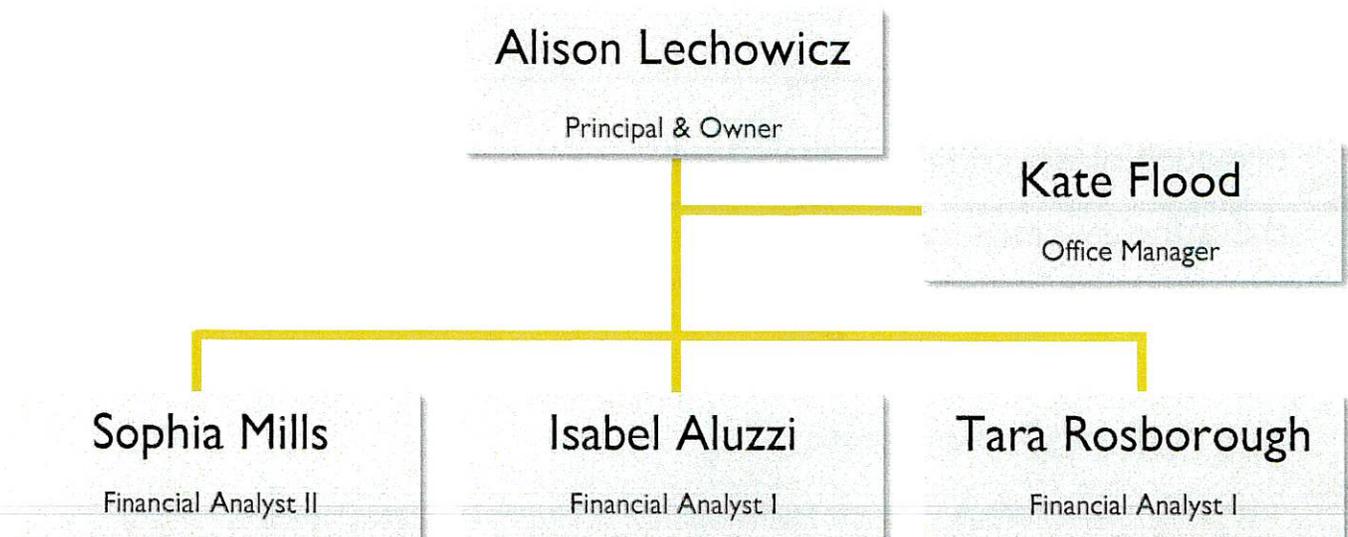
Utility Appraisal

Develop an inventory of utility assets and determine fair market value. We assist public agencies with negotiating the purchase or sale of utility property.

Expert Witness

Testify on behalf of public agencies to defend against lawsuits. We also represent public agencies as streetlight customers of California's electric utility providers in rate cases at the CA Public Utilities Commission.

ORGANIZATIONAL CHART



PROJECT ORGANIZATION & KEY PERSONNEL

Alison Lechowicz will serve as the Principal-in-Charge and main contact person. She will manage the day-to-day aspects of the project to ensure it is within budget and on schedule. Sophia Mills will provide peer review, assist with financial modeling, and act as a substitute for Ms. Lechowicz if needed. Isabel Aluzzi will serve as financial analyst. Resumes are provided on the following pages.

Alison Lechowicz

PROJECT MANAGER, LEAD FINANCIAL ANALYST



QUALIFICATIONS

- ✓ 18 years consulting experience
- ✓ Master of Public Administration
- ✓ Testified as an expert witness at the CA Public Utilities Commission

RESPONSIBILITIES

Financing alternatives and cash flow projection
Rate recommendations
Public presentations

Sophia Mills

PEER REVIEW



QUALIFICATIONS

- ✓ 5 years consulting experience
- ✓ Bachelor of Economics and Bachelor of Spanish
- ✓ Fluent in Spanish
- ✓ Specializes in financial modeling

RESPONSIBILITIES

Methodological Review
Review of draft and final reports
Substitute as needed
Spanish translations

Isabel Aluzzi

FINANCIAL ANALYST



QUALIFICATIONS

- ✓ Master of Business Management
- ✓ Local government experience
- ✓ Specializes in financial modeling

RESPONSIBILITIES

Data gathering
Financial modeling
Draft and final report

Alison Lechowicz



alison@LTmuniconsultants.com



(510) 545-3182 (office)
(209) 747-3106 (cell)



909 Marina Village Parkway #135
Alameda, CA 94501

EXPERIENCE

- 18 years consulting experience: 8 years Co-founder and Principal at LT Municipal Consultants, 7 years as Principal and Financial Analyst at Bartle Wells Associates, 3 years as Financial Analyst at Carollo Engineers
- Testified as an expert witness at the CA Public Utilities Commission in electric rate cases of Pacific Gas & Electric, Southern California Edison, and San Diego Gas & Electric

EDUCATION

- **Columbia University**
Master of Public Administration
- **University of California, Berkeley**
Bachelor of Science
Conservation & Resource Studies

REPRESENTATIVE ASSIGNMENTS

City of Gonzales (Monterey County):

Conducted a water and sewer rate study with a focus on industrial customers who use the majority of water in the City. Also completed a technical memorandum documenting best practices for addressing industrial wastewater permit violations.

Root Creek Water District (Madera County):

Financial plan for the District's groundwater basin and agricultural water service. Water, sewer, and storm drain rates and development fees for municipal service.

City of Wasco (Kern County):

Completed a water and wastewater rate study for the City. Worked to phase out free water allotments included in the meter fees and document sewer flow and loading assumptions as the basis of the sewer rates. Assisted the City in providing cash flow analysis to state funding programs to secure grants.

City of Kingsburg (Fresno County): Updated and modernized the City's water rate structure by adding metered fees by meter size, eliminating a free water allotment, and eliminating tiers that were not cost justified.

Calaveras Public Utility District (Calaveras County):

In 2023, conducted a water rate study for the District. Conducted two ratepayer outreach meetings. Focused on bringing the District's rates into compliance with recent court cases.

Maywood Mutual Water Company #1 (Los Angeles County):

Conducted long over-due financial planning for the non-profit water company. Educated the Board regarding rate design principles and best practices. Assisted the company in adopting rate increases that will generate funds for increased reserves and emergency repairs.

Sophia Mills



sophia@LTmuniconsultants.com



(510) 529-8056



909 Marina Village Parkway #135
Alameda, CA 94501

EXPERIENCE

- 5 years at LT Municipal Consultants

EDUCATION

- **Davidson College**
Bachelor of Arts
Economics, Spanish

OTHER SKILLS

- Fluent in Spanish

REPRESENTATIVE ASSIGNMENTS

Town of Discovery Bay CSD (Contra Costa County): Water and sewer rate study. Assisted the Town in rate updates to accommodate new wastewater regulatory requirements and capital project funding. Also completed a water and sewer capacity fee study.

City of Gonzales (Monterey County): Conducted a water and sewer rate study with a focus on industrial customers who use the majority of water in the City. Also completed a technical memorandum documenting best practices for addressing industrial wastewater permit violations.

City of Rio Dell (Humboldt County): Conducted a water and sewer rate study to fund mandated capital projects and eliminate operating deficit. Analyzed impacts of alternative rate structures for each utility.

Terra Bella SMD (Tulare County): Sewer Rate Study. Rates had not been adjusted in over two decades and a comprehensive analysis was needed to review the cost allocation between customer classes and fund deferred maintenance.

City of Brisbane (San Mateo County): Conducted a water and sewer rate study. The City had not done a comprehensive cost of service analysis since 2001. The update simplified the water and sewer rate structures to reflect actual costs.

City of Wasco (Kern County): Completed a water and sewer rate study. Designed a new water rate structure and documented sewer flow and loading assumptions as the basis of the sewer rates.

Isabel Aluzzi



isabel@LTmuniconsultants.com



(925) 784-6476



909 Marina Village Parkway #135
Alameda, CA 94501

EXPERIENCE

- City of Phoenix Summer Finance Intern: Prepared standard operating procedures for the Treasury department for standardized reporting. Worked with Investment Operations team to forecast cash flow needs and make investments. Assisted in preparation of debt service reports.
- Certifications:
 - Advanced Excel (Wall Street Prep)
 - Financial Accounting (Harvard Business Publishing)

EDUCATION

- **Thunderbird School of Global Management**
Master of Business Management
- **Arizona State University**
Bachelor of Business Management

REPRESENTATIVE ASSIGNMENTS

Bear Valley CSD (Kern County): Water, Sewer, and Solid Waste Study. Assisting the District in designing a new water and sewer rate structures to cover operating costs and fund needed maintenance and repairs on the District's water system.

City of Ridgecrest (Kern County): Sewer rate study for the City. Analyzing the City's sewer operating and capital costs, to ensure sufficient revenue for ongoing operations and the planned construction of a new wastewater treatment plant. Also accounting for the City's largest customer, the nearby Navy base, whose rate is composed of different operating costs than other customers.

Yosemite Spring Park Utility Company (Madera County): Water rate study for the company. Preparing a general rate case application to the California Public Utilities Commission. The company has not received a general rate increase since 2004 and is currently facing financial challenges. The project involves compiling detailed financial documentation, analyzing operating costs, and ensuring compliance with CPUC filing requirements.

Mokelumne Hill Sanitary District (Calaveras County): Sewer rate study for the District to provide an update to current rate structure, provide compliance with legal requirements, and ensure that the District is self-sufficient. The District last completed a rate study in 2012.

REPRESENTATIVE STUDIES & REFERENCES

RECENT PROJECT LIST

Provided below is a selection of LTMC's recent projects. We enjoy working with small agencies similar in size to Heber PUD. We specialize in helping agencies serving populations of 30,000 or fewer.

CLIENT	ACCOUNTS OR PARCELS	PROJECT
Graton CSD	450	Sewer Rate Study (2025)
Summerland Sanitary District	480	Sewer Rate Study (2023 & 2025)
Terra Bella SMD	500	Sewer Rate Study (2025)
City of Westmorland	550	Water and Sewer Rate Study (ongoing)
Nipomo CSD (Blacklake)	560	Blacklake Sewer Rate Study (2018) Blacklake Streetlight Rate Study (2022)
Christian Valley Park CSD	630	Water Rate Study (2024)
Quail Lakes Estates (Fresno CSA 47)	710	Water and Sewer Rate Study (2025)
Jamestown Sanitary District	850	Sewer Rate Study (2025)
McMullin Area GSA	1,150	Groundwater Fee Study (2018 & 2023)
City of Bishop	1,200	Water and Sewer Rate Study (ongoing)
Kelseyville Waterworks District	1,200	Water and Sewer Rate Study (2024)
Maywood Mutual Water Co.	1,200	Water Rate Study (2022)
City of Rio Dell	1,300	Water and Sewer Rate Study (2022)
Yosemite Spring Park Utility Co.	1,900	Water Rate Study (ongoing)
City of Brisbane	2,000	Water and Sewer Rate Study (2023)
City of Gonzales	2,000	Water and Sewer Rate Study (2023)
Calaveras Public Utility District	2,100	Water Rate Study (2023)
City of Live Oak	2,500	Water Rate Study (2025)
City of Waterford	2,600	Sewer Rate Study (2019 & 2024) Water Rate study (ongoing)
City of Fort Bragg	2,800	Impact Fee Nexus Study (2024) Water and Sewer Rate Study (ongoing)
City of Kerman	3,900	Water and Sewer Rate Study (2018) Water, Sewer, and Storm Drain Rate Study (2024)
City of Kingsburg	4,000	Solid Waste Rate Study (2022) Water Rate Study (2025)

CSA – County Service Area; CSD – Community Services District; GSA – Groundwater Sustainability Agency; SMD – Sewer Maintenance District

CLIENT REFERENCES

Provided below are three detailed project references. LTMC Principal Alison Lechowicz served as project manager for all three assignments. Additional references can be provided upon request.

City of Gonzales

Water and Sewer Utility Rate Study (2023)

Sewer Rate Study Update (2025)

The City of Gonzales is an agricultural-focused City of about 9,000 people located on Highway 101 in Monterey County. September 2023, LTMC submitted a final Water and Sewer Rate Study Report to the City and a successful Proposition 218 public hearing was held in November 2023. Alison Lechowicz served as project manager for the project and Sophia Mills served as Financial Analyst.



The City's existing wastewater treatment plant is at capacity and the City is facing capital funding needs of \$30 million to construct a new industrial treatment plant and make improvements to its domestic treatment stream. LTMC worked extensively with City staff, outside engineers, and State Revolving Fund loan officers to determine a financial plan and rate schedule that will meet the City's needs.

Patrick Dobbins
Director of Public Works
pdobbins@ci.gonzales.ca.us
(831) 324-2320

Decades had passed since the City conducted a comprehensive rate study. The City had implemented inflationary increases to keep up with costs, but these increases were not sufficient to fund upcoming debt service costs for the new treatment plant. LTMC provided options to the City for increasing the cost of service as well as adjusting its rate structure. We reviewed winter water use statistics to determine typical residential sewer flows and analyzed the metered effluent records of industrial customers. As part of our study, we held two workshops with industrial customers to explain the need for rate adjustments and provide sample bill impacts.

Ms. Lechowicz provided two presentations to City Council to summarize our rate recommendations. Ms. Sophia Mills provided Spanish translations of our materials. Proposition 218 outreach was included in our scope of services. We drafted the notice of public hearing, coordinated with the City Attorney for legal review, and conducted the printing and mailing of the notices. The study was conducted November 2022 to November 2023.

In 2025, we provided ongoing support to the City. LTMC provided updated sewer cash flow projections to assist the City Council in securing bridge financing for its wastewater treatment plant expansion. We also provided a sewer industrial permitting fee memorandum.

City of Kingsburg

Solid Waste and Street Sweeping Rate Study (2022)

Water Rate Study (2025)



Kingsburg is a city of about 12,000 people located in Fresno County about 20 miles southwest of the City of Fresno. LTMC completed a solid waste rate study for the City in 2022 and a water rate study in 2025. Prior to our work, the Water Fund was operating at a slight deficit as the last rate study did not include costs for higher levels of water treatment or recharge projects for Sustainable Groundwater Management Act (SGMA) compliance. LTMC's study provided funding for these items as well as deferred capital projects.

We also updated the City's rates to include fees based on meter size and a volume rate that is better reflective of water supply costs. The City's prior tiered water rate structure was out of compliance with Proposition 218 and was not indicative of actual costs to provide service. Our recommended fee structure more fairly recovers costs from large commercial water users within the City. The City received few protests and held a successful Proposition 218 hearing in May 2025. The study spanned from September 2024 to May 2025.

Daniel Galvez
Public Works Director
dgalvez@cityofkingsburg-ca.gov
(559) 852-0065

In 2022, LTMC completed a solid waste and street sweeping rate study for the City. Goals of the study consisted of bringing rates up to actual costs and to comply with new organics recycling regulations. The City franchises its solid waste disposal service to Mid Valley Disposal (MVD) and Central Valley Sweeping (CVS) provides street sweeping. MVD is permitted to increase rates for each of its customer service categories annually by inflation. However, the City may only increase rates to residents as permitted by the Proposition 218 approval process.

Another major aspect of the solid waste rate study was that additional costs are expected into the future for compliance with Senate Bill (SB) 1383 – Bill to Reduce Organic Waste. MVD is offering new categories of service for commercial organics waste recycling and the City has new direct expenses for procurement of biofuels and compost. LTMC designed the rate adjustments to cover these increasing costs.

Root Creek Water District

Utility Rate Studies, Connection Fees, Financial Plan, and Fiscal Policy Manual



The Root Creek Water District (RCWD or District) is located in Madera County and was formed to manage groundwater supplies within its basin and provide new utility services for a development area of about 7,100 planned homes.

Julia Berry
General Manager
julia@rootcreekwd.com
(559) 255-2305

Ms. Lechowicz has provided a wide range of financial and utility rate consulting services to RCWD since 2014. She has served as project manager and lead financial analyst providing rate studies, financial planning, development impact fee studies, and public approval assistance to the District. She developed a financial master plan that included a portfolio of financial tools for funding capital projects and operating costs: loans, community facilities district bonds, acreage assessments, connection fees, and utility rates (including funding of projected early year deficits). It was determined that RCWD needed each of these mechanisms to fund various elements of District expenses. Ms. Lechowicz also provided public approval assistance to the District by explaining requirements to the Board, developing a schedule, drafting public notices, and certifying the results.

August 8, 2022, LTMC completed an update of the 2016 financial plan, rates, and connection fees. Since the prior study, RCWD had encountered increased construction costs, lower water supply costs, and increased administrative and staffing costs. LTMC worked to provide a new cost of service projection and assist the District in adopting a new 5-year rate plan. Ms. Lechowicz wrote outreach materials for the District, provided a presentation at the Proposition 218 hearing, and answered questions from the agricultural and municipal ratepayers.

STUDY UNDERSTANDING & METHODOLOGY

This section summarizes LTMC's understanding of the study and proposed methodology to complete the project. We have highlighted our approach to project management, financial planning, rate design, and public outreach.

Project Management

Our approach to our work is simple – we roll up our sleeves and get the job done. When initiating a project, it's impossible to know every twist and turn an assignment may take. Unexpected issues may arise, out of scope tasks may be required, and political sensitivities may become uncovered. LTMC strives to be flexible and responsive to our clients. What sets us apart is that we provide a high degree of administrative support to our clients. We will provide start-to-finish project management from data collection, organizing meetings, providing minutes, drafting preliminary and final documents, conducting internal and external outreach, and managing the project schedule. LT Municipal Consultants maintains high client satisfaction because we take responsibility for all aspects of our assignments.

LTMC employs a small team consisting of one principal, three staff analysts, and one office manager. Principal Alison Lechowicz will serve as the project manager and main contact person. We understand that the District would like to implement the first water and sewer rate increase July 1, 2026. During project initiation, we will finalize the schedule and set deliverables by working backwards from the desired Proposition 218 hearing date, likely in June 2026.

Financial Planning

The fundamental objective for this rate study is to provide compliance with legal requirements while ensuring that the District's water and sewer utilities are self-sufficient. We are proponents of simplicity and respecting the current financial and political climate. Our approach is to analyze revenue streams to meet immediate cash flow needs as well as plan for future capital projects. The District's last water and sewer rate study was completed in 2017 with the last rate increases implemented in fiscal year (FY) 2021/22. Like many other California utilities, the District is facing more stringent regulations and has aging infrastructure that requires increased operating expenses and capital investment. We understand that funding the District's Five-Year Capital Improvement Plan (CIP) is a high priority for the rate study.



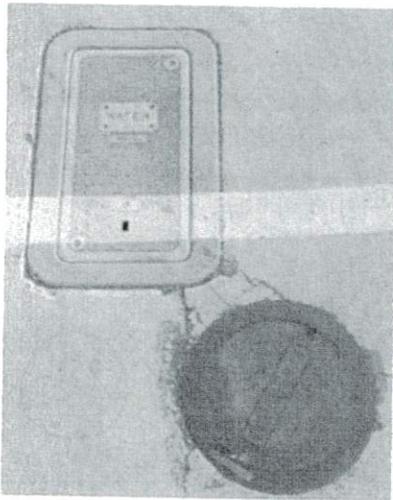
Our study will include a comprehensive review of each utility's finances, including projected deferred maintenance and capital funding needs, operating costs, debt service coverage, and reserve funds to ensure that the proposed rates cover the full cost of providing service. We will provide the District with multiple cash flow alternatives that clearly illustrate how various considerations such as grant vs. loan funding, high vs. low inflation, and high vs. low capital improvement costs, among others, will impact

utility cash flows and funding for infrastructure improvements. LTMC will work closely with the District to determine which financial parameters are most important (rate impacts, accumulating reserves, funding capital projects, etc.) and incorporate them into our alternatives.

It is key that our final deliverables are easy for the District to understand and implement. We propose to organize our cash flows based on existing budget categories to allow for the easy import or export of data between documents. LTMC also structures our reports with reader-friendly executive summaries to allow the general public to grasp key concepts.

Rate Design

LTMC promotes flexibility in rate design. We will work with the District early in the process to determine policy concerns and desired rate structure changes. Ultimately, any changes that we make to the rates must be politically palatable to the District's elected officials. However, the proposed rates must also comply with Proposition 218 requirements and industry best practices. A few initial considerations are listed below.



Water Rates

The District's current water rate structure includes a fixed meter charge that covers a base allotment of water for each meter size plus a uniform volumetric charge for consumption over the base. This rate structure may no longer reflect current consumption patterns or current costs of service. Additionally, tiered water rates and water allotments are highly litigious in California. Recent court cases such as *Patz v. City of San Diego* have handed down very specific requirements for cost-based tiered rates. LTMC will review the District's water system operations, sources of water, cost of water, and usage patterns to determine if the District's base allotment of water can meet new legal requirements.

We will provide options to potentially phase-out or reduce the base allotments based on the results of our analysis. We are very familiar with this process, having recently completed water rate studies for the Cities of Kingsburg and Wasco, the Calaveras Public Utility District, and several districts served by Lake County to eliminate or reduce their base allotments.

Sewer Rates

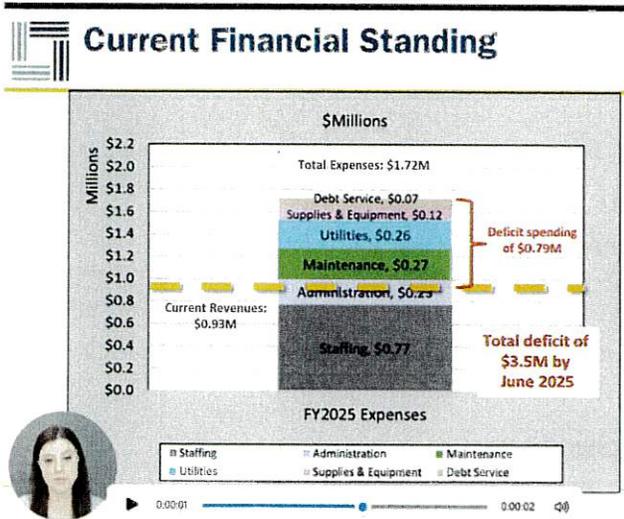
The District's current rate structure includes fixed charges for residential customers, and a combination of fixed and volumetric charges for commercial customers. The District's current residential fixed charge is a monthly charge of \$61.28 for a 4" connection or \$133.44 for a 6" connection. LTMC recommends that all single family residential customers be billed uniform fixed charges. Based on recent court rulings, LTMC also strongly recommends a reduced multifamily rate for apartments, condominiums, and accessory dwelling units. We will base the new multifamily rate on estimated winter

water use as a proxy for sewer flows. Typically, multifamily flows are 50% to 85% of single family households.

For commercial customers, LTMC will review the District's current allocation of costs between fixed and volumetric rate categories. We will also evaluate adding a strength component to the volumetric charges for commercial customers.

Public Outreach

We understand that the District's prior rate increase was controversial and the proposed rate increases for FY 2017/18 were reduced from the full cost of service rates due to public comment and protests. LTMC proposes to manage the public approval process to hopefully gain broader ratepayer support, engage the public throughout the process, and streamline the Proposition 218 hearing.



Recorded presentation with thumbnail overlay provided by LTMC for a social media posting.

We will work with the District to gain an understanding of the objections to the prior rate study and to identify specific customer groups who have a high level of engagement with the District. LTMC will prepare and provide clear, informative, and visually appealing public materials to support transparency and build support from ratepayers. These materials will be tailored for distribution through the District's website, printed handouts, presentation decks, mailers, etc.

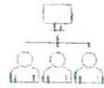
Typical public materials include Presentation Slides, Reports, Rate Surveys, Frequently Asked Questions (FAQs), Ballots, or Notices of Public Hearing. During project kickoff, we will work with the District to develop a communication plan. LTMC will determine a list of key stakeholders including Board members, building industry groups, and other stakeholders such as developers or

business groups. As a second step, we'll determine appropriate outreach via social media, print media, and community meetings. LTMC has conducted a wide range of outreach activities and will bring our experience to the District.

SCOPE OF WORK

TASKS

Provided below is our suggested scope of services based on the scope outlined in the District's Request for Proposals. LTMC will work with the District to finalize a scope tailored to meet your needs.



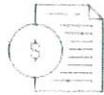
Task 1:
Kickoff and
Data Gathering



Task 2:
Financial Plan



Task 3:
Cost Allocation



Task 4:
Rate Design



Task 5:
Draft & Final
Reports



Task 6:
Meetings &
Outreach

Task 1 – Project Kickoff and Data Gathering

Kickoff Meeting

LTMC will conduct a kickoff meeting with District staff to review study goals, milestones, identify project team members, determine roles and responsibilities, and discuss data needs.

Data Gathering

Assemble the necessary data to complete the study. Wherever possible, LTMC will aggregate available information from the District's website and other public sources. The goal is to understand the District's financial standing, current rate structure, and utility billing information. A data needs list will be provided to the District prior to the kickoff call.

Task 2 – Financial Plan

Annual Revenue Requirements

With staff input, we will estimate future operating and capital expenditures to estimate annual revenue needs. We will factor in projections of growth, repairs and replacements, cost escalation, water use,

sewer flows, regulatory compliance, and operational changes to ensure that all future expenses are included. LTMC will work with the District to determine appropriate inflationary increases.

Review Reserve Fund Targets

This subtask involves reviewing the current operating and capital reserve balances for each utility and evaluating reserve targets for emergency reserves, rate stability reserves, long term capital reserves, short term capital reserves, or other categories as appropriate. At minimum, our analysis will review the age and condition of the systems, annual depreciation costs, and expenses related to emergencies.

Evaluate Debt Service Coverage

LTMC will review budgets, audits, and disclosure documents to understand current debt obligations. We will determine current coverage ratios based on net operating revenues compared to annual debt service expenses. We will also evaluate if the utilities have capacity to take on additional debt at the current revenues. Our final rate recommendations will include projections to meet coverage requirements in the years to come.



Review Capital Improvement Needs

Our cash flow analysis will isolate the impacts of capital funding separate from increases needed to fund other utility expenses. Typically, LTMC suggests three capital funding scenarios: 1) bare bones: fund only critical improvements, 2) priority funding: fund critical projects plus high-priority, level of service improvements, and 3) full funding: fund all proposed projects. We will work with the District to determine project affordability and

adjust our rate recommendations accordingly. LTMC will review various financing options to fund capital needs, including pay-as-you-go/cash funding and other debt financing alternatives, such as State loans/grants, bank loans, and certificates of participation/bonds.

Cash Flow Projections

Annual revenue requirements and capital funding needs will be used to develop long-term cash flow projections summarizing the financial position of each utility over the next 10 years. The cash flow projections will estimate rate increases needed to meet annual revenue requirements, debt obligations, and reserve fund targets.

Sensitivity Analysis

Based on input from the project team, LTMC will incorporate rate sensitivity analysis to determine affordability. We will determine rate impacts under various scenarios, possibly including cash funding of projects, debt funding of projects, water cutbacks, increased regulatory costs, etc. Sensitivity analysis can often become an iterative process. LTMC is flexible to run additional scenarios as needed.

Task 3 – Cost Allocation

Evaluate Customer Billing Data

We will evaluate historical and current water consumption, wastewater flow, pollutant loading, and other billing data to estimate future water demands and sewer flows. For the water system, a key aspect of this task is to determine the amount of water use and revenue collected from meter charges and volume rates. For the sewer system, we will update the pollutant loadings and strength characteristics of each customer class to determine whether modifications are warranted.

Functionalize Costs

Functionalization is the allocation of expenses by major operating activities for the utilities, including water supply, peak pumping, treatment, storage, transmission, overhead, and administration. Sewer categories will consist of customer service, flow, BOD, and TSS to provide the District with a mass balanced rate structure.

Allocation to Customer Classes

After costs have been categorized by function, costs are then allocated to each customer class based on water demand and sewer flow and loading characteristics. The result produces revenue requirements for each customer class which can be recovered via fixed charges and volume rates. The allocation to customer classes will be based on American Water Works Association best practices and meet the proportionality requirements of Proposition 218.

Task 4 – Rate Design

Assess Current Rate Structure and Customer Classifications

Review the current rate structures and customer classifications to assess the advantages and disadvantages of the existing systems and to determine compliance with industry standards and court rulings. While compliance with Proposition 218 will guide all our recommendations, additional criteria may include: the impact on customer bills, public understanding, revenue stability, ease of implementation, compatibility with the existing billing system, and staff effort needed for administration.

Rate Alternatives

Based on the criteria developed with staff and the cost allocation, we will identify alternative rate structures or modifications to the current rate structures as appropriate. Our primary goal for this task is to update the District's rate structures to comply with new legal requirements.

For the water rates, LTMC will ensure that any tiered water rate options are cost-justified and based on the District's operation of the water system, cost of water supply, and consumption patterns. If tiered rates are not viable, LTMC will develop an appropriate uniform rate for all customer classes. We will also evaluate surcharges or other fees to fund capital improvements, regulatory requirements, and Sustainable Groundwater Management Act (SGMA) costs as needed.

For our sewer recommendations, we will fully document all underlying flow and pollutant estimates used in our analysis. We will evaluate whether any modifications to the rate structure such as a reduction in the multifamily sewer rate is appropriate.

If modifications to the current rate structures are needed or desired, we will work with the project team to minimize the impact on ratepayers and clearly explain why the changes are needed. We will outline the advantages and disadvantages of each option. Additionally, we will take into consideration staff's time and capabilities to administer any changes and will ensure the District's billing system can accommodate proposed rate structure adjustments.

This task includes a legal review of current and proposed rate design alternatives. As needed, we will coordinate with legal counsel. For the final study, we will present rate structure options that both meet the District's needs and relevant legal requirements. LTMC will compare all our estimates and recommendations with those used by other local entities.

Survey of Local Rates

We will prepare a survey comparing the District's current and proposed residential utility bills to nearby agencies. The survey will be summarized in tables and charts that can be used for outreach, presentations, and the final report. We will also prepare bill comparisons for different customer classes if requested. The final list of surveyed agencies will be determined by the District.

Bill Impacts and Rate Affordability

Based on the recommended rates, calculate the bill impacts for a sample of typical customers including both residential and non-residential customer classifications. If needed, LTMC will develop an implementation plan to phase-in adjustments to ease the impact on customers.

Finalize Recommendations

Our final rate recommendations will include a five-year plan of proposed rates for each utility to cover service and debt payments. The final plan will show projected monthly rates for each customer class for each year. We can also provide an extended ten-year projection.

Review and Update Other Fees

LTMC can also update administrative fees (including fees for shut-down activities, fire hydrant fees, service shut-offs, etc.) as needed to address existing fee issues. Administrative fees for miscellaneous services are subject to Proposition 26 and should be based on the reasonable cost of service. LTMC will review the District's current services and update the charges based on current costs. If warranted, LTMC will interview staff to determine staff time and materials needed to provide each service. We will calculate fully burdened hourly rates, vehicle and equipment expenses (if applicable), and administrative overhead. We can also provide a survey of surrounding agencies to gauge whether miscellaneous fees are in line with other utilities.

Task 5 – Draft & Final Reports

Submit a draft summary report for review and feedback. The report will summarize findings and recommendations and discuss key alternatives when applicable. We will then incorporate all staff comments and update recommendations accordingly. The final report will reflect input received from staff and the Board of Directors. Our reports are intended to serve as the administrative record and will be compliant with Propositions 218 and 26. All study materials including the draft and final reports will be submitted to the District in their native format (Word, PowerPoint, etc.) as well as PDF format. LTMC does not use any specialized software.

Task 6 – Meetings, Presentations & Public Outreach

To begin the study, LTMC will hold a virtual kickoff meeting with the project team as described in Task 1. As needed throughout the study, LTMC proposes to conduct virtual progress meetings with the project team to review progress, answer questions, and revise the calculations. Additional virtual meetings will include three (3) public meetings with the District's Board of Directors, community groups, and/or building industry groups as requested in the RFP. Our project team will provide comprehensive meeting management including preparing agendas and submitting minutes and action items. Before each public meeting, LTMC will provide draft PowerPoint files to staff for review before our presentation materials are made public.

LTMC understands the District is comfortable conducting virtual meetings instead of in-person meetings. We remain flexible to conduct meetings in-person if desired at an additional cost. In-person trips to the District could include multiple functions such as meetings with staff + community outreach + Board meetings.

RATE STUDY DELIVERABLES

- Data request list
- Virtual kickoff meeting
- Cash flows with anticipated funding sources and cost recovery (10 Year Long-Range Financial Forecast)
- Debt coverage projection and analysis of future debt capital
- Rate design alternatives
- Review of prudent reserves and recommended reserve fund levels
- Review of recent Proposition 218-related court cases with the District
- Analysis of fixed and variable operating and capital costs
- Evaluation of customer characteristics including water use, sewer flow, and number of accounts
- Two rate design alternatives and evaluation of customer classifications for each utility
- Final five-year rate increase plan for water and sewer
- Sample bill impacts and rate survey of local agencies
- Growth projection and water supply analysis
- Review of the District's water supply policy for non-agricultural projects
- Recommended miscellaneous fees such as water meter fees, late payment fees, and fire line fees
- Preliminary and final drafts of the rate study report
- Three (3) virtual meetings/presentations with the District's Board, community groups, and/or building industry groups
- Virtual progress meetings with staff; action items distributed to the project team
- Proposition 218 public notice and/or educational materials with Spanish translations

REQUESTED PARTICIPATION FROM THE DISTRICT

LTMC understands that the rate study process can be burdensome for public agencies. Our goal is to take on as many administrative tasks as possible to streamline the study. LTMC will be responsible for all project analysis and the preparation of meeting and presentation materials for project team and Board of Directors meetings. Expected time commitment and information required from District staff can be estimated based on the following tasks:

- Respond to LTMC's data request consisting of items such as: budgets, audits, utility billing data, and capital improvement plans
- Attend kickoff and progress meetings (agenda and materials will be provided in advance)
- Review and comment upon draft and final reports
- Review by the District's legal counsel on recommendations, reports, and procedures
- Discuss any political sensitivities or issues that may hinder fee adoption
- Coordinate and schedule meetings with the Board of Directors and/or the public

PROPOSED FEE

TOTAL ALL-INCLUSIVE MAXIMUM PRICE

Provided below is LT Municipal Consultants' budget to provide HPUD's Water and Sanitary Sewer Rate Study Services. LTMC will invoice the District monthly for time and materials up to the not-to-exceed fee shown below. No in-person meetings are budgeted for this study. In-person meetings can be added at a cost of \$2,000 per meeting (if not combined with LTMC travel to other clients in the area). LTMC's budget is valid for 90 days following November 17, 2025.

PROJECT TASKS	HOURS			Total	BUDGET
	Lechowicz Project \$230/hour	Mills Financial Analyst \$150/hr	Aluzzi Financial Analyst \$120/hour		
1. Kickoff & Data Gathering	6	2	10	18	\$2,880
2. Financial Plan	16	16	32	64	\$9,920
3. Cost Allocation	18	8	20	46	\$7,740
4. Rate Design	24	8	22	54	\$9,360
5. Draft & Final Reports	10	8	28	46	\$6,860
6. Meetings & Outreach	16	2	16	34	\$5,900
TOTAL PROJECT	90	44	128	262	\$42,660

Additional Cost for In-Person Meetings

Cost per meeting for each in-person meeting \$2,000

BILLING RATE SCHEDULE 2025/2026

LTMC's hourly rates are \$230 for principals, \$150 for financial analyst II, and \$120 for financial analyst I. No subconsultants are needed for this assignment. The professional time rate includes all overhead and indirect costs. Direct expenses incurred on behalf of the client will be billed at cost. Direct expenses include, but are not limited to:

- Travel, meals, lodging
- Printing and report binding
- Outside computer services or software development
- Automobile mileage
- Courier services and mailing costs
- Special legal services

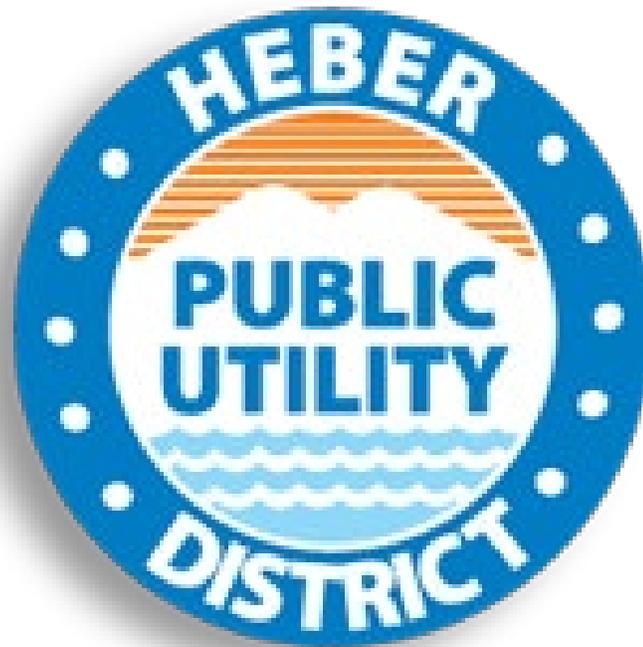
LTMC's hourly rate schedule is part of the quote for use in invoicing for progress payments and for any work that is requested by the District in addition to this scope of services.



THANK YOU



Proposal to Heber Public Utility District for a Water and Wastewater Rate and Fee Study



November 14, 2025



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

2625 Alcatraz Ave, #602
Berkeley, CA 94705
Tel 510 653 3399
www.bartlewells.com

November 14, 2025

Madeline Dessert, General Manager
Heber Public Utility District
1078 Dogwood Road
Heber, CA 92249

Re: Proposal to Conduct a Water and Wastewater Rate and Fee Study

Bartle Wells Associates (“BWA”) is pleased to submit this proposal to develop a water and wastewater rate and fee study to Heber Public Utility District (the District). Established in 1964 as a corporation, BWA has over 60 years of experience providing independent financial and utility rate consulting services to more than 600 water and wastewater agencies across California.

Our overall goal for this project would be to work closely with the District’s project team to evaluate alternatives and their impacts, gain ongoing input, and build consensus for final recommendations. We have helped numerous agencies develop strategic financial plans to address escalating costs related to operations and long-term infrastructure needs. We have also assisted many agencies in modifying their existing rate structures to provide a better balance of revenue stability, customer equity, and compliance with the evolving interpretations of Proposition 218. Our rate studies are based on a comprehensive analysis of each agency’s costs, customer base characteristics, and demands to ensure rate structure recommendations reflect local needs and objectives.

We propose to assign Michael DeGroot as project manager for this project. Michael DeGroot is a Vice President with twelve years of experience conducting water and wastewater rate and capacity fee studies in California. Michael has helped numerous agencies successfully implement rate increases needed to support the long-term operating and capital funding needs of their water and sewer utilities.

We are very interested in working with the District on this project and are available to start working at the District’s direction. Please do not hesitate to contact us if you have any questions or need additional information.

Sincerely,

Michael DeGroot,
Project Manager/Vice-President
Tel: 510.653.3399 (x114)
E-mail: michael@bartlewells.com

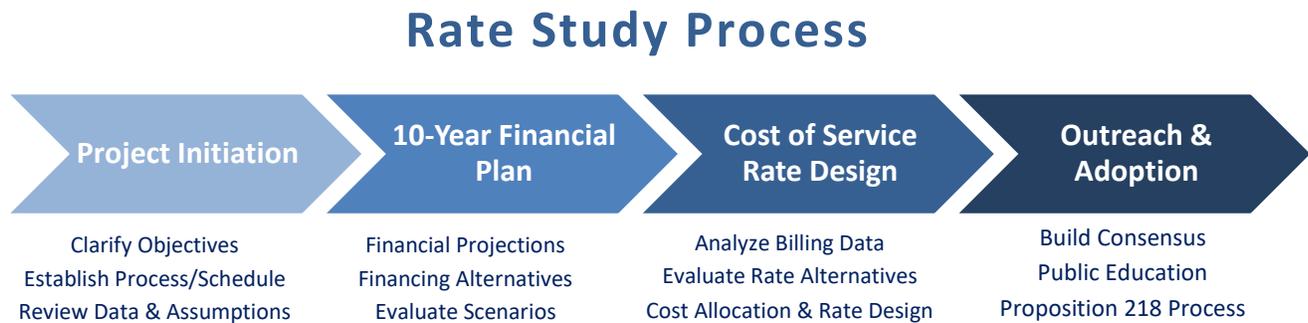
Table of Contents

EXECUTIVE SUMMARY	1
Project Understanding & Objectives	1
Collaborative Project Approach & Process.....	1
STUDY UNDERSTANDING	2
METHODOLOGY.....	3
SCOPE	4
Task 1. Project Management	4
Task 2. Financial Model	4
Task 3. Cost of Service Rate Design	6
Task 4. Facility and Other Fee Analysis.....	8
Task 5. Meetings, Reports, Presentations, Model and Rate Implementation.....	9
PROJECT ORGANIZATION & KEY PERSONNEL	10
PROJECT TEAM.....	10
RESUMES.....	11
REFERENCE PROJECTS	13
WORK SCHEDULE.....	15
PROPOSED FEE SCHEDULE.....	16
AVAILABILITY & FEES	17
INSURANCE.....	19
APPENDIX	20

EXECUTIVE SUMMARY

Project Understanding & Objectives

- **Water and Wastewater Rate and Fee Study:** BWA will develop comprehensive water and wastewater rates and fees with the goal of helping the District implement a series of rates for upcoming years that a) fund the District’s projected costs of providing service, b) maintain financial stability, and c) are fair to all customers. Our general rate study process is summarized in the following graphic:



- **Build Consensus for Final Recommendations:** BWA has a strong track record of building consensus and public acceptance for final recommendations. Rate and fee adjustments can be controversial. We have found that ratepayers are more accepting of rate increases when they both understand the need for the increases and believe they are being treated fairly. BWA will draft the required Proposition 218 rate notice, present a summary of recommendations at the required Public Rate Hearing, and can assist with public outreach efforts. Our goal will be to build consensus and public acceptance for final recommendations.

Collaborative Project Approach & Process

BWA uses a collaborative project approach to ensure final recommendations reflect the policy preferences and objectives of the agencies we serve. Our general approach will be to work closely with the District’ project team to identify objectives, evaluate alternatives and their impacts, gain ongoing input, and remain flexible to resolve unanticipated issues.

BWA will assist the District in all phases of the study, from project initiation through final adoption and implementation. Rate and fee increases can be controversial. BWA has extensive experience helping agencies build consensus for final recommendations and has assisted many agencies with public outreach efforts aimed at fostering understanding and acceptance for rate and fee increases. BWA also has substantial experience working with citizen advisory groups, community groups, and other stakeholders, and has a long track record of completing projects on time and on budget. We have helped many agencies successfully adopt rate increases in challenging political environments.

STUDY UNDERSTANDING

This section includes our general understanding of the rate study and the District's needs. BWA can work with the District to finalize a scope of services and budget that achieve the District's objectives. Key elements of our proposal include:

Develop Long-Term Water and Wastewater Financial Plans: Develop 10-year financial plans to serve as financial roadmaps for funding the District's operating and capital programs while maintaining long-term financial health.

- BWA will evaluate financing alternatives for capital improvement projects and recommend the lowest cost and most appropriate approaches. We will develop 10-year financial models for the water and wastewater enterprise that can be used to evaluate financial and rate scenarios and their impacts on District finances and ratepayers. The financial plan will recommend a strategy for funding the District's capital improvement plan (CIP) and capital equipment plan.

Cost of Service Rate Derivation

Develop utility rates designed to reflect the costs of providing service, be fair and equitable to all customers, and comply with Proposition 218 and other legal requirements. A key component of this task includes allocating operating, maintenance, capital, and debt service expenses for cost recovery from appropriate rate components.

Develop Facility Fee Recommendations and Report

Based on appropriate and technically sound methodology, develop new facilities fees to recover the costs of water distribution and sewer collection system infrastructure that benefits new development as well as redevelopment projects that increase demand on the water and sewer system. These facility fees would be levied in addition to any facility fees levied for water and wastewater service.

Assist District in Implementation of Rate & Fee Recommendations: BWA will work with the District to develop an implementation plan for the rate and fee recommendations. BWA will draft the required Proposition 218 notification, assist with any public outreach efforts, and help draft rate and fee resolutions/ordinances if needed. Our goal will be to build consensus and public acceptance of final rate and fee recommendations.

METHODOLOGY

BWA is committed to delivering a successful Water and Wastewater Rate Study for the District. We follow a structured approach that emphasizes effective scheduling, time loss prevention, and resource allocation. Below, we outline our methodology and provide a sample project status report and schedule.

Project Management Approach

Scheduling and Timeline

1. **Project Kickoff:**
 - Define project scope, objectives, and deliverables.
 - Identify key milestones and deadlines.
2. **Data Collection and Analysis:**
 - Allocate sufficient time for data gathering (historical billing data, consumption patterns, financial records).
 - Rigorous analysis of cost components and revenue requirements.
3. **Cost-of-Service Analysis and Rate Design:**
 - Schedule in-depth analysis sessions.
 - Engage with financial analysts, rate specialists, and legal consultants.
4. **Public Engagement:**
 - Plan workshops, hearings, and community outreach.
 - Allow time for stakeholder input and adjustments.
5. **Final Report and Recommendations:**
 - Compile findings and proposed rates.
 - Prepare the comprehensive report for client review.

Time Loss Prevention

1. **Risk Assessment:**
 - Identify potential risks (e.g., data availability, legal challenges).
 - Develop mitigation strategies and contingency plans.
2. **Regular Progress Tracking:**
 - Weekly status meetings to assess progress.
 - Address any delays promptly.

Resource Allocation

- **Project Team:**
 - Assign roles and responsibilities.
 - Ensure adequate staffing for data analysis, legal compliance, and public engagement.
- **Budget Management:**
 - Monitor expenses throughout the project.
 - Allocate funds for workshops, legal reviews, and consultant fees.

SCOPE

The following section presents a draft work plan and scope of services that we believe forms a sound basis for completing a comprehensive Water and Wastewater Rate Study. Bartle Wells Associates can work with the District to finalize a scope of services that meets the District’s objectives. Our general project approach is to work closely with staff and other members of the project team, identify objectives, set milestones, have frequent communication, and remain flexible to resolve unanticipated issues.

Task 1. Project Management

1. Project Team Orientation

To initiate our work, hold a conference call or meeting with District staff and others as appropriate, to accomplish the following:

- Identify members of Staff, Board of Supervisors, engineering consultants, and other consultants/advisors who will participate in the project.
- Determine the roles and responsibilities of all project participants.
- Identify other parties that may have a significant interest in the project, such as community groups, business organizations, and large customers.
- Establish project schedule and key milestone dates.
- Confirm the key goals and expectations of the project team.

BWA recommends holding the kickoff meeting after we have reviewed preliminary information. This will enable the kickoff meeting to be more substantive and facilitate more in-depth discussion of key issues and preliminary observations and potential alternatives.

2. Investigation and Data Collection

Assemble the information necessary to understand finances, customers and usage, rate and fee structures, and legal agreements with other agencies. Assistance and cooperation of Staff will be needed to assemble the relevant background information. The objectives of investigation and data collection are to develop a complete understanding of the enterprises and their finances, and to reach an agreement on basic assumptions to be used in the studies.

Task 1 Deliverables Include:

- Project kickoff meeting
- Identification of project goals and objectives
- Project schedule
- Project team contact list
- Identification of key assumptions and alternatives for evaluation

Task 2. Financial Model

1. Develop Forecasts and Projections

Based on evaluation of the data assembled and input provided by the District, prepare forecasts and projections to be used in the development of financial models for the District’s utilities. Develop projections for the following areas (and others as appropriate). Review projections and alternatives with District staff for agreements on assumptions, interpretation of data, and completeness of approach.

- **Capital Improvements Including Long-Term Repairs & Replacements:** Based on input from District staff, identify future capital improvement program costs or alternatives to include in the financial analysis and determine a reasonable amount to include for future, ongoing capital repairs and replacements. BWA often recommends that agencies phase in funding for long-term system rehabilitation. BWA will also consider funding of past and future depreciation of the District’s assets.
- **Projected Demand:** With District input, forecast water, recycled water, and wastewater demand. Identify future demand scenarios for evaluation.
- **Growth & New Development:** Work with the District to identify levels of growth to incorporate in the financial projections. Evaluate financial impacts under different levels of growth.
- **Projected Water Supply Costs:** Review historical and projected costs of water supply. Work with District to develop projections or a range of projections for inclusion in the water rate study.
- **Cost Escalation Factors:** Review historical cost trends and work with project team to develop reasonable cost escalation factors for both operating and capital expenditures. Work with District staff to identify any anticipated changes in future staffing, benefits, and/or other operating costs.

2. Water Supply Review

Address availability of water supply and the Imperial Irrigation District Interim. Review Water Supply Policy for Non-Agricultural Projects.

3. Evaluate Financing Alternatives for Capital Improvements

Evaluate options for financing capital improvement projects. Our evaluation will:

- Allocate capital improvement costs to existing customers and new development based on the share of each project benefiting current vs. future customers.
- Estimate the amount and timing of any debt, if needed, to finance capital projects.
- Evaluate the alternative borrowing methods available including bonds, COPs, state, and federal loan programs (including the State Revolving Fund Financing Program), bank loans and lines of credit, and other options.
- Recommend the appropriate type of debt, its term and structure.
- As needed, develop debt service estimates to incorporate in the financial projections.



The 10-year financial plans will serve as financial roadmaps for funding future operating and capital programs while supporting long-term financial stability.

4. Establish Prudent Minimum Fund Reserve Targets

Evaluate the adequacy of the District’s current utility fund reserves. Establish prudent minimum fund reserve targets based on the District’s operating and capital funding projections. Develop an implementation plan for achieving and maintaining the recommended reserve fund levels.

5. Develop 10-Year Financial Projections & Evaluate Scenarios

Develop 10-year cash flow projections showing the financial position of the water, recycled water, and wastewater utilities over the next 10 years. The cash flows will project fund balances, revenues, expenses, and debt service coverage, and will incorporate the forecasts developed with staff input. After developing a

base-case cash flow scenario, we can model alternatives for additional evaluation such as capital improvement alternatives, project financing alternatives, the impacts of various levels of water demand, etc. During this phase, BWA will work closely with the project team to evaluate financial and rate projections under alternative scenarios.

6. Financial Planning Models

BWA will provide user-friendly models customized to the needs of the District. BWA has developed numerous rate and financial models for utility enterprises. We have found that keeping a model as straightforward as possible, without unnecessary complexity, can increase the model's usability and improve effectiveness as an in-house planning tool. BWA's philosophy is that models should flow in a way that is easy to understand, reliable, and provides relevant outputs.

7. Evaluate Rate Increase Options

Based on the cash flow projections, determine future annual revenue requirements from rates and project the overall level of required rate increases. Evaluate rate adjustment alternatives, such as gradually phasing in required rate increases over a number of years. If appropriate, evaluate different levels of rate increases and their impacts on the District's ability to fund future operating and capital needs.

Task 2 Deliverables Include:

- Summary of 10-year capital improvement plans and/or key alternatives
- Evaluation of financing alternatives for capital improvements
- Minimum fund reserve target recommendations
- 10-year financial projections with supporting tables
- Evaluation of alternative financial scenarios as needed
- Financial Planning Models
- Evaluation of rate increase options
- Meet with the District's project team to present findings, discuss alternatives, and gain input

Task 3. Cost of Service Rate Design

1. Identify Rate Structure Alternatives

Review the District's current water and wastewater rate structure and discuss advantages and disadvantages compared to other rate approaches. Create a minimum of two alternative scenarios for water rate structures and two for sewer rate structures. Identify potential alternatives and modifications that could help improve rate equity, address District concerns, or help achieve other District objectives. Each proposed rate structure should clearly allocate revenue to key funding areas such as operations and maintenance, capital improvements, and debt service obligations. Additionally, the proposed models should be designed with administrative simplicity and ease of comprehension for ratepayers in mind. Rate structure options can be refined as the study progresses based on input from the project team.

2. Conduct Survey of Regional Rates and Utilities

Review and summarize rates of other regional agencies. Compare customer groups and cost of service with neighboring agencies of a comparable size, type of treatment, and level of service. Summarize results in tables and charts.

3. Analyze Consumption & Utility Billing Data

Analyze current and historical usage and utility billing data to determine reasonable and conservative estimates of water demand to use in developing financial projections and rates. Water use can fluctuate from year to year depending on various factors such as weather and local and regional conservation efforts. Ideally, we would prefer to analyze multiple years of utility billing data to determine slightly conservative demand projections and evaluate water and sewer demands under various normal year and water shortage scenarios.

4. Cost of Service Rate Derivation

BWA has helped many agencies develop utility rates designed to reflect the costs of providing service, be fair and equitable to all customers, and comply with Proposition 218 and other legal requirements. In recent years, we have worked collaboratively with several legal experts to ensure our recommendations account for the latest legal understanding of Proposition 218. For this task, we will derive proposed rates based on a defensible cost of service methodology. A key component of this task includes allocating operating, maintenance, capital, and debt service expenses for cost recovery from appropriate rate components.

- Water rates will be based on a) an allocation of costs to be recovered from fixed vs. variable charges, b) fixed charge apportioned based on meter size and capacity, and c) a cost-based justification to support the District's water usage charges.
- Wastewater rates will be based on cost allocations to wastewater flow and strength (as measured by BOD and SS) to develop underlying unit costs for flow, BOD and SS. These unit costs are then applied to the wastewater discharge characteristics of each customer class to ensure rates reflect the proportional cost of providing service to each class.



Rates will be developed based on a cost-of-service approach designed to equitably recover the cost of providing service to all customers and comply with Proposition 218.

5. Develop Preliminary & Final Rate Recommendations with District Input

Based on evaluation of rate structure alternatives and the overall level of rate increases identified in the financial plans, develop draft rate recommendations for District input. The recommendations may include a multi-year phase in of both overall rate increases and proposed rate structure adjustments to help mitigate the annual impact on ratepayers. Revise recommendations based on input received. Final rate recommendations will be designed to:

- a) fund the costs of providing service, including operating, capital, and debt service funding needs
- b) be fair and equitable to all customers,
- c) provide a prudent balance of conservation incentive and revenue stability,
- d) be easy to understand and administer, and
- e) comply with the substantive requirements of Proposition 218

It is important to recognize that some rate design objectives e.g., revenue stability and conservation incentives, can be conflicting and it is crucial to find rates which strike a balance between competing objectives that are right for the District.

6. Evaluate Rate Impacts on a Range of District Customers

Calculate the impact of the proposed rates on a range of District customers. Discuss additional rate structure adjustments that may reduce the impact on certain customers if warranted.

Task 3 Deliverables Include:

- Evaluation of current utility rates and potential rate structure modifications
- Regional utility rate surveys
- Analysis of historical consumption and utility billing data
- Cost of service analysis to support equitable and legally defensible rates
- Development of draft rate alternatives for District evaluation and input
- Meet with District to discuss findings and alternatives, gain input, and develop recommendations

Task 4. Facility and Other Fee Analysis

1. Project Team/Progress Meetings (online meetings as needed)

Attend Project Team/Progress Meetings to present findings, discuss alternatives and preliminary recommendations, and gain ongoing input. BWA will participate in conference calls and online meetings as needed to the extent allowable within the project budget.

2. Review Current Facility Fees & Procedures for Applying Fees

Review the District's current fees as well as related policies and procedures for applying the fees to new development. As appropriate, identify potential modifications to the fees, fee structure, or how fees are applied. BWA has developed capacity charges under a wide range of methodologies and has assisted many agencies in improving fee equity and administration.

3. Other Fee Analysis

Review and evaluate other fees such as water meter fees, late payment fees, and fire hydrant fees etc.

4. Conduct Survey of Regional Facility Fees

Review and summarize facility fees of other regional and comparable agencies. Summarize results in easily understandable tables and/or charts.

5. Evaluate Alternative Facility Fee Methodologies

Identify and evaluate alternative methods for calculating facility fees for new development. Discuss advantages and disadvantages with the District's project team and determine a recommended approach.

6. Develop Preliminary Facility Fee Recommendations

Based on appropriate and technically sound methodology, and evaluation of alternative approaches, recommend updated facility fees. Updated fees will be designed to comply with Government Code Section 66013 (established by AB1600).

7. Recommend a Method for Future Fee Updates

Recommend a method to annually or periodically adjust facility fees to keep the fees aligned with future costs. For example, facility fees can be adjusted annually based on the change in the Engineering News-Record's Construction Cost Index, a widely used measure of construction cost inflation.

Task 5. Meetings, Reports, Presentations, Model and Rate Implementation

1. Board of Supervisors Meetings (3 meetings with District staff and Board, including public hearing)

Attend virtual meetings with the District staff and Board to present findings, recommendations, and alternatives, as well as to receive input. Incorporate input as warranted to ensure final recommendations reflect staff and Board's preferences.

2. Prepare Draft & Final Reports

Develop a draft report summarizing study objectives, findings, and draft recommendations. The report will provide an administrative record supporting the proposed utility rates and will be developed to demonstrate compliance with applicable legal requirements of Proposition 218, Proposition 26, and Government Code 66013. The report will be written for a non-technical audience and will clearly explain the rationale for recommendations and key alternatives when applicable. Submit a draft report for District review and feedback. Incorporate input into a revised report and ultimately provide the District with printed and electronic copies as needed. The report will be provided in PDF format and can also be provided in editable Word and Excel files.

3. Proposition 218 Rate Notice

Develop a draft Proposition 218 notice for District review. Incorporate revisions and develop a final notice. BWA recommends the notice goes beyond the minimum legal requirements and provides a clear and concise explanation of the reasons for any rate adjustments. BWA has helped many agencies adopt rates via the Proposition 218 process. We have found that ratepayers are generally much more accepting of rate increases or rate structure modification when they understand the reasons underlying the adjustments. BWA also helps agencies coordinate the printing and mailing of the Proposition 218 notices and will remain available to assist the District with these services on a time and materials basis as needed.

4. Proposition 218 Rate Hearing

Attend the Proposition 218 Public Rate Hearing and remain available to present a summary of findings and recommendations and respond to Board and public comments. BWA has extensive experience presenting financial and rate recommendations to non-technical audiences, dealing with challenging questions, and building acceptance for final recommendations.

5. Public Education and Consensus-Building

Rate and fee adjustments are often controversial. BWA has helped many agencies with their public education and outreach efforts regarding rate and fee increases. We understand the importance of building consensus and public acceptance for our recommendations and can assist the District in any outreach and public education efforts.

Task 5 Deliverables Include:

- (3) Workshops/Meetings with the Board, including Public Hearing
- Draft and final reports summarizing key findings and recommendations and demonstrating compliance with legal requirements for rates
- Draft of the required Proposition 218 Notice of proposed rate increases

PROJECT ORGANIZATION & KEY PERSONNEL

PROJECT TEAM

BWA uses a **team approach** for most projects, typically assigning two consultants to each assignment, including at least one principal consultant. Our general project approach is to work closely with staff and other members of the project team to identify objectives, set milestones, have frequent communication, and remain flexible to resolve unanticipated issues.

Bartle Wells Associates has a highly qualified professional team. Our education and backgrounds include finance, civil engineering, business, public administration, public policy, and economics. Bartle Wells Associates has a long track record of completing projects on time and on or under budget.

Our consulting staff is available to assist on this project as needed to ensure all project work and deliverables are completed on schedule.

Michael DeGroot, Project Manager

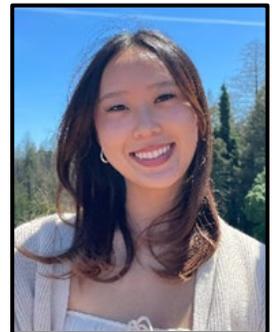
Vice President & Project Manager

Michael DeGroot is a Vice President and registered Municipal Advisor with Bartle Wells Associates. He specializes in developing long-term financial plans, water and wastewater rates, and capacity fees for cities and special districts. Mr. DeGroot has twelve years of experience working with a wide range of California public agencies. He works closely with City staff, engineers, lawyers, and other consultants to develop financial projections and rate recommendations including equitable rate structures for water and sewer enterprises.



Ashli Wong, Financial Analyst

Ashli Wong is a financial analyst for BWA and will provide analytical support for this assignment. She has over two years of experience working on water and wastewater rate and capacity fee studies and has prior experience working in the internal audit office of a public agency.



RESUMES

MICHAEL DEGROOT



Vice President & Project Manager

Michael DeGroot is a Vice President and registered Municipal Advisor with Bartle Wells Associates. He specializes in developing long-term financial plans, water and wastewater rates, and capacity fees for cities and special districts. Mr. DeGroot has twelve years of experience working with a wide range of California public agencies. He works closely with City staff, engineers, lawyers, and other consultants to develop financial projections and rate recommendations including equitable rate structures for water and sewer enterprises.

Education

B.S., Business Administration – U.C. Berkeley Walter A. Haas School of Business, Berkeley, CA

Representative Projects

- **City of Simi Valley:** Water and sewer rate and capacity fee study.
- **Casitas Municipal Water District:** Water rate study.
- **North of River Sanitary District:** Sewer rate study and capacity fees.
- **Santa Clarita Valley Water District:** Water capacity fee.
- **City of Santa Clarita:** Feasibility study of the City's takeover and operation of its sewer enterprise from LACSD.
- **City of Santa Barbara:** Water rate study and water and sewer capacity fees.
- **Thermalito Water and Sewer District:** Water and sewer rate study and sewer capacity fees.
- **Sewerage Commission – Oroville Region:** Sewer rate study.
- **Mariposa County:** Water and sewer financial plans for six utilities and funding plan for roads.
- **City of Patterson:** Water rate study and water, wastewater, and stormwater capacity fee studies.
- **City of Foster City:** Water and sewer rate study and analysis of alternative rate structures.
- **City of Colma:** Sewer rate study and evaluation of fixed and volumetric rate structure alternatives.
- **Fairfield-Suisun Sewer District:** Sewer rate and capacity fee study.
- **West Valley Sanitation District:** Detailed financial plan, including debt funding alternatives for significant expenditure projections related to the \$2 billion wastewater facility upgrade.
- **City of Benicia:** Sewer rate analysis and drought rate alternatives.
- **Stege Sanitary District:** Sewer rate study.
- **Palmdale Water District:** Water rate study.
- **City of Fresno:** Water capacity fees.
- **Crestline Sanitation District:** Sewer rate study.
- **City of Hughson:** Water rate study and SRF loan support.
- **Grizzly Flats CSD:** Water rate study.
- **City of Pacifica:** Sewer rate and capacity fee study.
- **City of Placerville:** Water and wastewater rate study.
- **City of Angels Camp:** Water and wastewater rate study.

ASHLI WONG



Financial Analyst

Ashli Wong is a Financial Analyst with Bartle Wells Associates. She works closely with agency staff, engineers, lawyers, and other consultants to develop long-range financial plans, cost analyses and utility rate structures.

Education

B.A., Economics – University of California, Santa Barbara

Representative Projects

- **City of Simi Valley, CA:** Water and sewer rate and capacity fee study.
- **City of San Leandro, CA:** Sewer rate study.
- **City of Davis, CA:** Analyst supporting the wastewater rate study.
- **City of Monterey, CA:** Analyst supporting the wastewater rate and capacity fee study.
- **Oro Loma Sanitary District, CA:** Analytical support for wastewater financial plan and rate studies.
- **South Feather Water and Power Agency, CA:** Analyst supporting the water rate study.
- **Fresno County Waterworks District #18, CA:** Analytical support for water and wastewater financial plans and rate studies.
- **City of Oroville, CA:** Analytical support for water and wastewater financial plans and rate studies.
- **Madera County, CA:** Analyst supporting financial plans and rate studies.
- **City of Modesto, CA:** Analytical support for water and wastewater financial plans and rate studies
- **Malaga County Water District, CA:** Analytical support for water and wastewater financial plans and rate studies.
- **Mariposa County, CA:** Analytical support for water and wastewater financial plans and rate studies.
- **Eastern Sierra CSD, CA:** Analyst supporting the wastewater rate and capacity fee study.
- **City of Willits, CA:** Analytical support for water and wastewater financial plans and rate studies.
- **Sewerage Commission – Oroville Region, CA:** Analyst supporting the wastewater rate and capacity fee study.

Public Agency Experience

Auditor-Controller, Santa Barbara, CA:

Internal Audit Intern – Prior to joining Bartle Wells, Ashli spent a year working at the Auditor-Controller's Office at the County of Santa Barbara as an intern in the Internal Audit department. She assisted in audit reviews and reconciliations on financial accounts for Santa Barbara public departments to minimize risks and ensure financial accuracy. By evaluating business practices, she consulted several agencies through suggesting internal controls to improve operational effectiveness. She also analyzed and interpreted business data to discover information that may be of use to administration to support their decision-making.

REFERENCE PROJECTS

City of Angels Camp

The City of Angels Camp (“the City”) provides water and wastewater services to a population of approximately 3,800 residents. The City retained Bartle Wells Associates (“BWA”) in 2023/24 to develop a financial plan and cost of service study for the City’s water and wastewater enterprise funds to ensure their financial stability over the next five-year period.



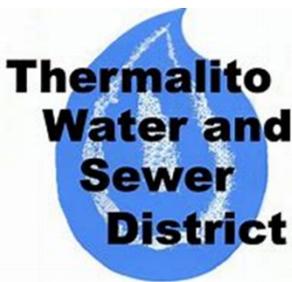
The proposed rates outlined passthrough fees for the City’s share of costs under its Joint Powers Agreement (JPA) with the Utica Water and Power Authority (UWPA) under an average water year (water year 2.5). In early 2024, the UWPA developed a financial model for their projected revenues and expenses over the next five and ten years. The purpose of this analysis was to develop sound budget projections that could be provided to the JPA member agencies to use as a planning tool for future contributions. A total of six funding scenarios were developed. All six scenarios assumed Water Year 2.5, which is based on the average water year UWPA has experienced over the past 10 years. Should costs come in higher than projected, such as if the UWPA declare a water year 3, 4, 5, or 6, the City has the option to automatically pass through the additional cost through water rates under Government Code 53756.

A completed report is included in the Appendix.

Reference:

Michelle Gonzalez, Finance Director
P: 209-736-2181 ext 104
michellegonzalez@angelscamp.gov

Thermalito Water and Sewer District



Thermalito Water and Sewer District (“The District”) retained Bartle Wells Associates (“BWA”) to develop a financial plan and cost of service study for the District’s water and wastewater rates to ensure financial stability over the next five years (FY 2023/24 to FY 2027/28).

The District provides water treatment, distribution services, and wastewater collection to residents within the area of the City of Oroville north and west of the Feather River as well as within the adjacent unincorporated areas of Butte County. The Wastewater Enterprise contracts with the Sewerage Commission – Oroville Region (SCOR) to provide wastewater treatment. Treatment charges are collected by the District and passed on to SCOR. The District implemented the rates on January 1, 2024.

Reference:

Chris Heindell, P.E.
P: 530-533-0740

Los Alamos Community Services District

Los Alamos Community Services District (“The District”) retained Bartle Wells Associates (“BWA”) to develop a financial plan and cost of service study for the District’s water and wastewater rates to ensure financial stability over the next five years (FY 2025/26 to FY 2029/30).

The District is located in Santa Barbara County, provides water and wastewater service to over 600 connections. The District implemented 5 years of rates on October 1, 2025.

A completed report is included in the Appendix.

Reference:

Jennifer DeMars, Office Manager/Treasurer

P: 805-344-4195

jdemars@losalamoscscsd.com

WORK SCHEDULE

Provided below is a tentative timeframe for completion of the Project. BWA will work with the District to develop a final schedule designed to meet the District’s objectives.

Project Task	Jan-Feb				Mar-Apr				May-Jun			
Kickoff Meeting & Research	■	■										
Financial Plan		■	■	■	■	■						
Cost of Service Analysis			■	■	■	■	■					
Rate Design				■	■	■	■	■				
Capacity Fee Study					■	■	■	■				
Draft & Final Reports								■				■
Meetings & Workshops								■	■			■
Prop. 218 Notice & Hearing									■	■	■	

PROPOSED FEE SCHEDULE

This section presents a proposed budget. *A final budget can be developed with input from the District to ensure the project cost is in line with District objectives and expectations.*

PROJECT TASK	Michael DeGroot Project Manager \$285/hr	Ashli Wong Financial Analyst \$150/hr	Total Hours	Project Cost
TASK 1. PROJECT INITIATION & DATA COLLECTION	5	15	20	\$3,675
1. Project Team Orientation / Kickoff Meeting				
2. Investigation & Data Collection				
TASK 2. COST OF SERVICE RATE DESIGN	15	45	60	\$11,025
1. Develop Financial Plans				
2. Cost of Service Analysis				
3. Rate Design				
4. Rate Survey				
5. Model Development				
TASK 3. 10-YEAR FINANCIAL PLAN	15	45	60	\$11,025
1. Develop Forecasts & Projections				
2. Evaluating Financing Alternatives for Capital Improvements				
3. Establish Prudent Financial Planning Fund Reserve Targets				
4. Develop 10-Year Financial Projections & Evaluate Scenarios				
5. Evaluate Rate Increase Options				
TASK 4. FACILITY & OTHER FEE STUDY	15	45	60	\$11,025
1. Project Team Meetings				
2. Fee Survey				
3. Develop Facility and Other Fee Recommendations				
4. Prepare Draft & Final Reports				
TASK 5. MEETINGS, REPORTS & ADOPTION	15	45	40	\$11,025
1. Board of Supervisors Meetings/Presentations				
2. Prepare Draft & Final Reports				
3. Prepare & Provide Financial Planning Models for Use				
4. Proposition 218 Rate Notice				
5. Public Hearing				
TOTAL ESTIMATED HOURS	65	195	240	\$47,775
ESTIMATED EXPENSES				\$1,225
TOTAL PROJECT BUDGET				\$49,000

AVAILABILITY & FEES

1. Bartle Wells Associates is prepared to begin work upon authorization to proceed.
2. During the project development period, Bartle Wells Associates will be available at all reasonable times and on reasonable notice for meetings and for consultation with staff, attorneys, consulting engineers, and others as necessary.
3. Bartle Wells Associates will perform all work related to the assignment. Michael DeGroot will serve as project manager and be the lead contact person for BWA and will be involved with the project on a day-to-day basis. This project team may be assisted by other BWA consultants as needed.
4. The fees for services outlined in this proposal will not exceed \$49,000. The fee is based on the following assumptions:
 - a. All necessary information will be provided by the client agency in a timely manner.
 - b. Development of a draft, final draft, and final version of tables, presentations, and reports. Time and expenses involved in revising tables and assumptions or developing additional versions of documents may constitute additional services if not achievable within the budget.
5. Progress payments and direct expenses are payable on a time and materials basis as the work proceeds as provided in our Billing Rate Schedule 2025, which will remain in effect through the duration of this assignment.
6. Bartle Wells Associates will maintain in force, during the full term of the assignment, insurance as provided in the Certificate of Insurance attached.
7. If the project is terminated for any reason, Bartle Wells Associates is to be reimbursed for professional services and direct expenses incurred up to the time we receive notification of such termination.
8. This proposal may be withdrawn or amended if not accepted within 90 days of its date.
9. We will not require a formal contract of employment and will consider a letter or e-mail from an appropriate official as sufficient authority to proceed.



BARTLE WELLS ASSOCIATES
BILLING RATE SCHEDULE 2025
 Rates Effective 1/1/2025

Professional Services

Financial Analyst I	\$130 per hour
Financial Analyst II	\$150 per hour
Associate Consultant.....	\$170 per hour
Consultant	\$195 per hour
Senior Consultant.....	\$220 per hour
Project Manager/Technical Expert	\$250 per hour
Principal Consultant	\$285 per hour

The hourly rates for professional services include all overhead and indirect expenses. Bartle Wells Associates does not charge for administrative support services. Expert witness, legal testimony, or other special limited assignments will be billed at one and one-half times the consultant’s hourly rate.

The above rates will remain in effect through December 31, 2025, at which point they will be subject to adjustment.

Direct Expenses

Subconsultants will be billed at cost plus ten percent. Other reimbursable direct expenses incurred on behalf of the agency will be billed at cost. These reimbursable costs include, but are not limited to:

- Travel, meals, lodging
- Printing and photocopying
- Special statistical analysis
- Outside computer services
- Bond ratings
- Automobile mileage
- Messenger services and mailing costs
- Graphic design and photography
- Special legal services
- Legal advertisements

Insurance

Bartle Wells Associates maintains insurance in the amounts and coverage as provided in the attached schedule of insurance. Additional or special insurance, licensing, or permit requirements beyond what is shown on the schedule of insurance are billed in addition to the contract amount.

Payment

Fees are typically billed monthly or bimonthly for the preceding work period and are due and payable within 30 days of the date of the invoice. A late charge of 1.0 percent per month may be applied to balances unpaid after 60 days.

INSURANCE



CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)
05/30/2025

THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

IMPORTANT: If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must have ADDITIONAL INSURED provisions or be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER Mason-McBride, Inc./Hudson & Muma, Inc. 3155 West Big Beaver Road Suite 125 Troy MI 48084		CONTACT NAME: David P Muma PHONE (A/C No, Ext): (248) 822-7170 FAX (A/C, No): (248) 822-7150 E-MAIL ADDRESS: dmuma@mason-mcbride.com	
		INSURER(S) AFFORDING COVERAGE NAIC #	
INSURED Bartle Wells Associates 2625 Alcatraz Ave #602 Berkeley CA 94705 (510) 653-3399		INSURER B: Sentinel Ins. Co. LTD (Hartford) INSURER C: Hartford Accident & Indemnity Co 11000 INSURER D: Axis Surplus Ins. Co. INSURER E: INSURER F:	

COVERAGES **DM** **CERTIFICATE NUMBER:** Cert ID 10910 (1) **REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
C	<input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS-MADE <input checked="" type="checkbox"/> OCCUR GENL AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input checked="" type="checkbox"/> PROJECT <input type="checkbox"/> LOC OTHER:	Y	Y	35SBABB5UCE	06/01/2025	06/01/2026	EACH OCCURRENCE \$ 2,000,000 DAMAGE TO RENTED PREMISES (Ea occurrence) \$ 1,000,000 MED EXP (Any one person) \$ 10,000 PERSONAL & ADV INJURY \$ 2,000,000 GENERAL AGGREGATE \$ 4,000,000 PRODUCTS - COMP/OP AGG \$ 4,000,000 Empl Benefits Liab \$ 4,000,000
B	AUTOMOBILE LIABILITY <input type="checkbox"/> ANY AUTO <input type="checkbox"/> OWNED AUTOS ONLY <input checked="" type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS ONLY <input checked="" type="checkbox"/> NON-OWNED AUTOS ONLY	Y	Y	35UBCVU2842	06/01/2025	06/01/2026	COMBINED SINGLE LIMIT (Ea accident) \$ 1,000,000 BODILY INJURY (Per person) \$ BODILY INJURY (Per accident) \$ PROPERTY DAMAGE (Per accident) \$ \$
C	<input checked="" type="checkbox"/> UMBRELLA LIAB <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> EXCESS LIAB <input type="checkbox"/> CLAIMS-MADE DED RETENTION \$	Y	Y	35SBABB5UCE	06/01/2025	06/01/2026	EACH OCCURRENCE \$ 1,000,000 AGGREGATE \$ 1,000,000 \$ 10,000
C	WORKERS COMPENSATION AND EMPLOYERS LIABILITY AN/PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH) If yes, describe under DESCRIPTION OF OPERATIONS below	Y/N	N/A	35WECFG7858	06/01/2025	06/01/2026	<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER E.L EACH ACCIDENT \$ 1,000,000 E.L DISEASE - EA EMPLOYEE \$ 1,000,000 E.L DISEASE - POLICY LIMIT \$ 1,000,000
D	Professional Liability (Claims Made)			BNN610916 (Retro Date 6/1/2012)	06/01/2025	06/01/2026	Errors & Omissions Occurrence \$ 2,000,000 Errors & Omissions Aggregate \$ 2,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)
 Those usual to the Insured's Operations. Certificate Holder and its officials, officers, employees, agents and volunteers, as applicable, shall be named as Additional Insured with respects to Business Liability, (form SS00080405 on blanket basis or form SS41700611 and/or IH12001185 if specific required) and Automobile liability (form CA20481013) as listed on form CA20481013 or IH1201185. Umbrella Coverage is Following Form. Waiver of Subrogation applies to General Liability(form SS00080405), Work Comp (Form WC 990303B), and Commercial Auto coverage (form HA99160312 on Blanket Basis or on form CA04441013 if specific requested). Coverage written on a Primary and Non-Contributory basis. Thirty (30)day notice of cancellation applies to GL and Auto and Professional liability, except for non-payment of premium. The Am Best Rating of the insurance

CERTIFICATE HOLDER	CANCELLATION
	SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.
	AUTHORIZED REPRESENTATIVE

© 1988-2015 ACORD CORPORATION. All rights reserved.

ACORD 25 (2016/03)

The ACORD name and logo are registered marks of ACORD

Appendix

CITY OF ANGELS CAMP

FOUNDED 1848 - EST 1912



2024 Water and Wastewater Rates Cost of Service Study

February 4, 2025



BARTLE WELLS ASSOCIATES

Independent Public Finance Consultants

2625 Alcatraz Avenue #602

Berkeley, California 94703

www.bartlewells.com

Tel: (510) 653-3399

Table of Contents

- 1. Executive Summary..... 4
- 2. Background and Objectives 6
 - 2.1. Background 6
 - 2.2. Rate Study Objectives 6
- 3. Legal Requirements 7
 - 3.1. Constitutional Rate Requirements..... 7
 - 3.2. Use of Generally Accepted Rate-Making Principles 8
- 4. Water System Overview 9
 - 4.1. Water Supply..... 9
 - 4.2. City Water Distribution 9
 - 4.3. Current Water Rates 9
 - 4.4. Water Enterprise Debt..... 10
 - 4.5. Capital Improvement Plan 10
 - 4.6. Cash Flow Projection..... 11
 - 4.7. Current Customer Base & Revenue Estimate 13
 - 4.8. Cost Allocation to Billing Components 14
 - 4.9. Current Meter Charges 15
 - 4.10. Current and Projected UWPA Passthrough Fees..... 15
 - 4.11. Proposed City Water Rates 17
 - 4.12. Proposed UWPA Passthrough Fees 18
 - 4.13. Water Bill Impacts..... 19
 - 4.14. Regional Water Rate Survey 20
- 5. Wastewater System Overview..... 21
 - 5.1. Wastewater Treatment and Collection 21
 - 5.2. Current Wastewater Rates 21
 - 5.3. Wastewater Enterprise Debt 22
 - 5.4. Capital Improvement Plan 23
 - 5.5. Cash Flow Projection..... 23
 - 5.6. Cost Allocation 25
 - 5.7. Proposed Wastewater Rates & Bill Impacts 28
 - 5.8. Regional Wastewater Rate Survey..... 29
- 6. Low Income Discount..... 30

Tables

Table 1. Current and Proposed Rates	5
Table 2. Current Water Rates	10
Table 3. Water Enterprise Capital Improvement Plan	11
Table 4. Water Cashflow Projections.....	12
Table 5. Current Water Rate Revenue	13
Table 6. Water Cost Allocation.....	14
Table 7. Current Water Meter Cost Allocation.....	15
Table 8. UWPA Passthrough Fees Allocation	16
Table 9. Current and Proposed Water Rates.....	17
Table 10. Current and Proposed Passthrough Fees	18
Table 11. Water Bill Impacts	19
Table 12. Current Wastewater Rates.....	21
Table 13. Current Wastewater Enterprise Debt Schedules.....	22
Table 14. Wastewater Enterprise Capital Improvement Plan	23
Table 15. Wastewater Cash Flow Projections	24
Table 16. Flows and Loadings.....	25
Table 17. Wastewater Cost Allocation.....	26
Table 18. Wastewater Rate Calculation.....	27
Table 19. Proposed Wastewater Rates	28

Figures

Figure 1: Regional Water Rate Survey	20
Figure 2: Regional Wastewater Rate Survey	29

1. EXECUTIVE SUMMARY

The City of Angels Camp (“the City”) provides water and wastewater services to a population of approximately 3,800 residents. The City retained Bartle Wells Associates (“BWA”) to develop a financial plan and cost of service study for the City’s water and wastewater enterprise funds to ensure their financial stability over the next five-year period. The rates developed in this study represent maximum annual rate increases. Actual annual rate increases implemented may be less than the proposed rates developed in this study, as approved by the City Council each year.

The proposed rates also outline passthrough fees for the City’s share of costs under its Joint Powers Agreement (JPA) with the Utica Water and Power Authority (UWPA) under an average water year (water year 2.5). In early 2024, the UWPA developed a financial model for their projected revenues and expenses over the next five and ten years. The purpose of this analysis was to develop sound budget projections that could be provided to the JPA member agencies to use as a planning tool for future contributions. A total of six funding scenarios were developed. All six scenarios assumed Water Year 2.5, which is based on the average water year UWPA has experienced over the past 10 years. After consideration of all member funding scenarios, the City selected into a five year funding agreement. The agreement assumes member contributions under a water year 2.5, contribution for FY 24/25 set at \$370,000, and 10% increases each year beginning in FY 25/26 and ending in FY 28/29. Any wholesale water cost increases, such as in the case of a water year 3, 4, 5, or 6, may be passed through via Government Code 53756. Any future passthrough of wholesale water cost increases will require formal action by the City Council. The City Council will review and consider any proposed passthrough adjustments, ensuring transparency and accountability in rate-setting decisions. Property owners and customers will have the opportunity to provide input before any changes take effect.

Water Issues

The water system is a self-supporting enterprise that includes water supply, treatment, storage, and distribution facilities. Water supply is provided through a JPA between the City of Angels and Union Public Utility District (UPUD). The JPA, known as UWPA, has served the City and its partner agency since 1995.

Proposed water rate increases are needed to fund:

- Ongoing JPA Obligations - Member agency costs are increasing by 10% annually. BWA recommends that these costs are gradually phased in over the five year period.
- Ongoing cost inflation - Projected 5% annual operating costs increases.
- Capital Projects - near-term capital improvement program totaling ~\$15.6 million in water projects.

Wastewater Issues

The wastewater system is a self-supporting enterprise comprised of six pump stations, 4.5 miles of forced main lines, and 22.5 miles of gravity sewer lines.

Proposed wastewater rate increases are needed to fund:

- Debt Obligations - The wastewater enterprise needs to fund annual debt obligations of ~\$348,000.
- Ongoing cost inflation - Projected 5% annual operating costs increases.
- Capital Projects - near-term capital improvement program totaling ~\$7 million in wastewater projects. The projects aim to increase the safety and security of the system and to promote regulatory compliance.

Table 1 on the following page shows the current and proposed rates developed in this study.

Table 1. Current and Proposed Rates

Current & Proposed Water Rates

<u>Monthly Fixed Rates</u>		<u>Meter Charges</u>				
Effective Date	Current	6/21/2025	6/21/2026	6/21/2027	6/21/2028	6/21/2029
Proposed Maximum Increase (%)¹		3%	3%	3%	3%	3%
<u>Meter Size</u>						
5/8"	\$46.93	\$48.34	\$49.79	\$51.28	\$52.82	\$54.40
3/4"	\$70.40	\$72.51	\$74.69	\$76.92	\$79.23	\$81.60
1"	\$117.33	\$120.85	\$124.48	\$128.20	\$132.05	\$136.00
1 1/2"	\$234.65	\$241.70	\$248.95	\$256.40	\$264.10	\$272.00
2"	\$375.44	\$386.72	\$398.32	\$410.24	\$422.56	\$435.20
3"	\$703.95	\$725.10	\$746.85	\$769.20	\$792.30	\$816.00
4"	\$1,173.25	\$1,208.50	\$1,244.75	\$1,282.00	\$1,320.50	\$1,360.00
6"	\$2,346.51	\$2,417.00	\$2,489.50	\$2,564.00	\$2,641.00	\$2,720.00
Construction Meter	\$70.40	\$72.51	\$74.69	\$76.92	\$79.23	\$81.60
<u>Volumetric Rates</u>						
All use, \$ / hcf ²	\$1.69	\$1.74	\$1.79	\$1.84	\$1.90	\$1.96
<u>Monthly Fixed Rates</u>		<u>UWPA Fees (Water Year 2.5)</u>				
Proposed Maximum Increase (%) ³		6.22%	6.22%	6.22%	6.22%	5.00%
<u>Meter Size</u>						
5/8"	\$13.91	\$14.78	\$15.70	\$16.67	\$17.71	\$18.60
3/4"	\$20.86	\$22.16	\$23.54	\$25.01	\$26.57	\$27.89
1"	\$34.77	\$36.94	\$39.24	\$41.68	\$44.28	\$46.49
1 1/2"	\$69.55	\$73.88	\$78.48	\$83.36	\$88.55	\$92.98
2"	\$111.27	\$118.20	\$125.56	\$133.38	\$141.68	\$148.76
3"	\$208.64	\$221.63	\$235.43	\$250.08	\$265.65	\$278.93
4"	\$347.73	\$369.39	\$392.38	\$416.81	\$442.75	\$464.89
6"	\$695.46	\$738.77	\$784.76	\$833.61	\$885.51	\$929.78
Construction Meter	\$20.86	\$22.16	\$23.54	\$25.01	\$26.57	\$27.89

Current & Proposed Wastewater Rates

<u>Monthly Fixed Rates</u>						
Effective Date	Current	6/21/2025	6/21/2026	6/21/2027	6/21/2028	6/21/2029
Proposed Maximum Increase (%)¹		2%	2%	2%	2%	2%
Residential Users	\$107.95	\$110.11	\$112.31	\$114.56	\$116.85	\$119.19
Non-Residential Minimum Charges ⁴	\$136.30	\$139.03	\$141.81	\$144.65	\$147.54	\$150.49
<u>Volumetric Rates</u>						
Non-Residential Users, \$ / hcf, winter use ⁵	Various	\$0.0212	\$0.0216	\$0.0220	\$0.0224	\$0.0228

¹ Represents maximum annual % increases, actual annual % increases implemented may be less than proposed as approved by City Council each year.

² HCF = hundred cubic feet or approximately 748 gallons.

³ Should UWPA declare a water year 3, 4, 5, or 6, the City may automatically recalculate rates for passthrough fees under Government Code 53756. Any future passthrough of wholesale water cost increases will require formal action by the City Council.

⁴ Mixed class users are subject to one minimum commercial charge per commercial account plus one residential charge per residential dwelling unit.

⁵ Winter use is calculated as the monthly use from January - April of the prior year divided by four.

2. BACKGROUND AND OBJECTIVES

2.1. Background

In 2023, the City engaged BWA to perform a rate study analyzing the capital and operating costs associated with the City's water and wastewater utilities and to determine recovery of costs for providing water and wastewater utility services. This report presents BWA's analysis of the operating and non-operating expenses of the City's water and wastewater enterprises. The goals of this study were to analyze the City's enterprise funds, make recommendations that enhance the financial sustainability of each enterprise, and to review utility rates to ensure that they adhere to the State's legal requirements.

2.2. Rate Study Objectives

Key goals and objectives of the financial plans and rate studies for the water and wastewater enterprises include developing rates that:

- Capture enough revenues to move forward with and complete capital projects that will provide City of Angels Camp water rate payers with clean and safe drinking water.
- Capture enough revenues to move forward with and complete capital projects and that will ensure reliable wastewater collection and treatment for City of Angels Camp wastewater rate payers.
- Recover the costs of providing utility services including operating costs, capital costs, and build prudent reserves to ensure the water and wastewater funds continue to operate as financially self-sustaining Enterprise Funds.
- Are fair and equitable to all customers.
- Are easy to understand and implement.
- Comply with the substantive cost-of-service requirements of the California Constitution, Article 13D, Section 6 (established by Proposition 218) and the general mandate of Article 10, Section 2 that prohibits the wasteful use of water.
- Support the City's long-term operational and financial stability.

This report summarizes key findings and recommendations for overall rate revenue increases over the next five years.

3. LEGAL REQUIREMENTS

3.1. Constitutional Rate Requirements

The California Constitution includes two key articles that directly govern or impact the City's water and wastewater rates: Article 10 and Article 13D. The rates developed in this study were designed to comply with both constitutional mandates as well as various provisions of the California Water Code and Government Code that support and add further guidance for implementing these constitutional requirements. In accordance with the constitutional provisions, the proposed rates are designed to a) recover the City's cost of providing water and wastewater service; b) allocate costs in proportion to the cost for serving each customer class; and c) promote conservation and discourage waste.

Article 10, Section 2

Article 10, Section 2 of the California Constitution was established by voter-approval in 1976 and requires public agencies to maximize the beneficial use of water, prevent waste, and encourage conservation. Section 2 states that:

It is hereby declared that because of the conditions prevailing in this State the general welfare requires that the water resources of the State be put to beneficial use to the fullest extent of which they are capable, and that the waste or unreasonable use or unreasonable method of use of water be prevented, and that the conservation of such waters is to be exercised with a view to the reasonable and beneficial use thereof in the interest of the people and for the public welfare.

Article 13D, Section 6

Proposition 218 was adopted by California voters in 1996 and added Articles 13C and 13D to the California Constitution. Article 13D, Section 6 governs property-related charges, which the California Supreme Court subsequently ruled includes ongoing utility service charges such as water, sewer, and garbage rates. Article 13D, Section 6 establishes a) procedural requirements for imposing or increasing property-related charges, and b) substantive requirements for those charges. Article 13D also requires voter approval for new or increased property-related charges but exempts from this voting requirement rates for water, sewer, and garbage service.

The substantive requirements of Article 13D, Section 6 require the City's water and wastewater rates to meet the following conditions:

- 1) Revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service.
- 2) Revenues derived from the fee or charge shall not be used for any purpose other than that for which the fee or charge was imposed.
- 3) The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel.
- 4) No fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question.

Pursuant to California Government Code 53759, there is a 120-day statute of limitations for challenging any new, increased, or extended fees. This statute of limitations applies to the water and wastewater rates proposed in this rate study and is included in the Proposition 218 Notice.

3.2. Use of Generally Accepted Rate-Making Principles

The rates developed in this report use a straightforward methodology to establish an equitable system of fixed and variable charges that recover the cost of providing service and fairly apportion costs to each rate component. The rates were developed using generally accepted cost-based principles and methodologies for establishing water rates, charges, and fees contained and discussed in the AWWA M1 Manual. In developing water rates, it is important to know that there is no “one-size-fits-all” approach for establishing cost-based water rates, “the (M1 Manual) is aimed at outlining the basic elements involved in water rates and suggesting alternative rules of procedure for formulating rates, thus permitting the exercise of judgment and preference to meet local conditions and requirements.”¹

BWA uses a straightforward methodology to establish equitable charges that recover the cost of providing service and fairly apportion costs.

Key elements of this study include:

- 1) **Project Initiation and Data Collection** – Review financial policies; collect financial and other relevant data; and review rate structures;
- 2) **Demand Analysis** – Analyze past customer demands and customer characteristics to forecast future demands;
- 3) **Long Range Financial Plans** – Develop financial projections to evaluate annual revenue requirements from rates and the overall level of rate increases needed to fund the costs of providing service and support long term financial stability;
- 4) **Cost Allocation** – Group the City’s costs in terms of the function they serve as a basis to proportionally allocate the revenue requirement from rates;
- 5) **Cost-of-Service Rate Design** – Develop rates that proportionately recover costs; and
- 6) **Prop 218 Process** – Ensure compliance with the substantive and procedural requirements of Proposition 218.

¹ AWWA Manual M1 Manual, Principles of Water Rates, Fees, and Charges, Sixth Edition, 2012, page 5.

4. WATER SYSTEM OVERVIEW

4.1. Water Supply

The City's water supply is provided through a Joint Powers Agreement (JPA) between the City of Angels and Union Public Utility District (UPUD). The JPA, known as Utica Water and Power Authority (UWPA), has served the City and its partner agency since 1995 when local officials purchased the 27-mile-long flumes, ditches, and two powerhouses from PG&E. The purchase, led by Calaveras County Water District (CCWD), was meant to secure the valuable 1914 water rights for the residents of Angels Camp. The original JPA included CCWD, the City, and UPUD. CCWD left the partnership in 2004 over concerns about the financial costs of participating in the partnership.

From 1995 to 2013 communities served by the UWPA received water from the North Fork Stanislaus River at little to no cost. The UWPA further elected to offset water costs by utilizing its hydro-power generation revenues in efforts to keep water costs low. While residents had enjoyed a low-cost water source for decades, the model built to sustain this commodity has now become outmoded. The system experienced unprecedented dry years between the years of 2012-2015. Less water results in less power generation resulting in less revenue available to offset low to no cost water to customers, and maintenance deferral has become less and less of an option for savings. The UWPA is further burdened by the impending FERC relicensing, which requires funding additional financial investments and reserves.

These financial challenges coupled with the changing energy markets have chipped away at what was once a low-cost water supply. Member agencies hold the responsibility to ensure the financial viability of the JPA.

4.2. City Water Distribution

The City acquired the water treatment plant in 1984 from PG&E. A 2.5 million gallon tank located at the plant is the only existing storage tank within the City water system. Water to the City is fed by the original PG&E transmission line and is assumed to be greater than 50 years old. City staff maintains 167,000 linear feet of pipelines with diameters ranging from 2-14". The system includes 300 hydrants, 30 air relieve valves, 14 blow-off valves, ten pressure reducing valves, and one surge valve. In certain locations, pipe is reasonably estimated to be greater than 50 years in use.

4.3. Current Water Rates

As shown in **Table 2**, the current rate structure includes a uniform volumetric rate based on usage, a monthly meter service charge, and a monthly UWPA passthrough fee.

Table 2. Current Water Rates

All water users	\$/hcf		
All use	\$1.69		
		UWPA Fee	
Meter Size	Meter Charge	(Water Year 2.5)	Total Monthly Fixed Charge
5/8"	\$46.93	\$13.91	\$60.84
3/4"	70.40	20.86	91.26
1"	117.33	34.77	152.10
1 1/2"	234.65	69.55	304.20
2"	375.44	111.27	486.71
3"	703.95	208.64	912.59
4"	1,173.25	347.73	1,520.98
6"	2,346.51	695.46	3,041.97
Construction meter	70.40	20.86	91.26

4.4. Water Enterprise Debt

The water enterprise does not have any outstanding debt service as of FY 2024/25.

4.5. Capital Improvement Plan

Table 3 shows the water enterprise near term capital improvement program. The Capital Improvement Plan (CIP) has identified project costs in the amount of \$15.67 million. The projects aim to increase the safety and security of the system and to promote regulatory compliance. In an effort to help keep water rates low for their customers, the City plans to use financial reserves to help fund proposed water projects.

Table 3. Water Enterprise Capital Improvement Plan

Project Name & Description	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Totals
WTP 1 & 2							
Backwash Handling Improvements		\$3,330,000	\$3,330,000				\$6,660,000
Treated Water Transmission Main Replacement				2,180,000			2,180,000
WTM 1 & 2							
SR-49 Transmission Main Upgrade				1,015,000			1,015,000
Murphys Grade Rd Transmission Main Upgrade					2,300,000		2,300,000
WDP 1, 2, & 3							
Mark Twain Road Water System Improvements	680,000						680,000
Hillcrest, Gold Cliff, McCauley Ranch Rd Water System Improvements	590,000						590,000
Pressure Relief Valve Replacement	980,000						980,000
Automatic Meter Reading Project	152,000	152,000	152,000	152,000	152,000		760,000
Capital Projects						<u>500,000</u>	<u>500,000</u>
Total	\$2,402,000	\$3,482,000	\$3,482,000	\$3,347,000	\$2,452,000	\$500,000	\$15,665,000

4.6. Cash Flow Projection

The City is anticipating several manageable financial challenges that will require gradual rate increases in the upcoming years. Annual rate increases are needed to keep revenues in line with inflation and to prevent rates from falling behind the cost of providing water services.

BWA determined that the City needs to raise rate revenue (excluding the UWPA passthrough fees) by 3% per year to meet the goal of funding the City’s operating and capital needs. The UWPA passthrough fees are recommended to be gradually phased in and fully cover projected UWPA contributions.

Table 4 shows the water enterprise 10-year cash flow projection.

Table 4. Water Cashflow Projections

Fiscal Year	Projected										
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
Beginning Fund Balance	\$7,559,047	\$5,710,330	\$6,109,148	\$6,482,412	\$3,746,948	\$1,832,102	\$1,850,225	\$1,847,020	\$1,820,035	\$1,767,973	\$1,686,724
% Rate Revenue Increase	0.00%	3.00%									
Growth - %	2.7%	1.7%	0.00%								
REVENUES											
Water Rate Revenue											
Water Service Charges	\$1,926,235	\$2,017,261	\$2,077,778	\$2,140,112	\$2,204,315	\$2,270,445	\$2,338,558	\$2,408,715	\$2,480,976	\$2,555,405	\$2,632,068
UWPA Charges	<u>418,456</u>	<u>451,952</u>	<u>480,086</u>	<u>509,971</u>	<u>541,717</u>	<u>568,803</u>	<u>597,243</u>	<u>627,105</u>	<u>658,460</u>	<u>691,383</u>	<u>725,953</u>
Total Rate Revenues	2,344,691	2,469,213	2,557,865	2,650,083	2,746,032	2,839,248	2,935,801	3,035,820	3,139,437	3,246,789	3,358,020
Misc Operating Revenues											
Water Connection Fees	0	0	0	0	0	0	0	0	0	0	0
Misc. Revenue ¹	28,600	3,338,600	3,338,600	68,600	28,600	28,600	28,600	28,600	28,600	28,600	28,600
Interest	<u>34,000</u>	<u>35,020</u>	<u>36,071</u>	<u>37,153</u>	<u>38,267</u>	<u>39,415</u>	<u>40,598</u>	<u>41,816</u>	<u>43,070</u>	<u>44,362</u>	<u>45,693</u>
Total Misc Operating Revenues	62,600	3,373,620	3,374,671	105,753	66,867	68,015	69,198	70,416	71,670	72,962	74,293
Total Revenues	2,407,291	5,842,833	5,932,535	2,755,836	2,812,899	2,907,263	3,004,999	3,106,236	3,211,107	3,319,751	3,432,313
EXPENSES											
Operating Expenses											
Personnel Costs	642,162	674,270	707,983	743,382	780,551	819,579	860,558	903,586	948,765	996,203	1,046,013
Water UL	88,889	93,333	98,000	102,900	108,045	113,447	119,120	125,076	131,330	137,896	144,791
Utica Water and Power Contribution	370,000	407,000	447,700	492,470	541,717	568,803	597,243	627,105	658,460	691,383	725,953
Utilities	35,690	37,475	39,348	41,316	43,381	45,550	47,828	50,219	52,730	55,367	58,135
Repairs & Maintenance	60,500	63,525	66,701	70,036	73,538	77,215	81,076	85,130	89,386	93,855	98,548
Tools & Equipment	6,000	6,300	6,615	6,946	7,293	7,658	8,041	8,443	8,865	9,308	9,773
Professional Services	214,700	225,435	236,707	248,542	260,969	274,018	287,719	302,104	317,210	333,070	349,724
Materials & Supplies	91,357	95,925	100,721	105,757	111,045	116,597	122,427	128,548	134,976	141,724	148,811
Other Services & Charges	130,825	137,366	144,235	151,446	159,019	166,970	175,318	184,084	193,288	202,953	213,100
O&M Cost Allocations	<u>150,000</u>	<u>157,500</u>	<u>165,375</u>	<u>173,644</u>	<u>182,326</u>	<u>191,442</u>	<u>201,014</u>	<u>211,065</u>	<u>221,618</u>	<u>232,699</u>	<u>244,334</u>
Total Operating Expenses	1,790,122	1,898,128	2,013,385	2,136,439	2,267,884	2,381,279	2,500,343	2,625,360	2,756,628	2,894,459	3,039,182
Non Operating Expenses											
Vehicle Replacement Set Aside	63,886	63,886	63,886	7,861	7,861	7,861	7,861	7,861	6,541	6,541	6,541
Projected Loan Debt Service				0	0	0	0	0	0	0	0
Existing Debt Service	0	0	0	0	0	0	0	0	0	0	0
Capital Improvement Projects	<u>2,402,000</u>	<u>3,482,000</u>	<u>3,482,000</u>	<u>3,347,000</u>	<u>2,452,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
Total Non Operating Expenses	2,465,886	3,545,886	3,545,886	3,354,861	2,459,861	507,861	507,861	507,861	506,541	506,541	506,541
Total Expenses	4,256,008	5,444,014	5,559,271	5,491,300	4,727,745	2,889,140	3,008,204	3,133,221	3,263,169	3,401,000	3,545,723
Net Revenues for Debt Service/Capital	617,169	3,944,704	3,919,150	619,397	545,015	525,984	504,656	480,876	454,479	425,292	393,131
Net Income	(1,848,717)	398,818	373,264	(2,735,464)	(1,914,846)	18,123	(3,205)	(26,985)	(52,062)	(81,249)	(113,410)
Ending Fund Balance	\$5,710,330	\$6,109,148	\$6,482,412	\$3,746,948	\$1,832,102	\$1,850,225	\$1,847,020	\$1,820,035	\$1,767,973	\$1,686,724	\$1,573,315
Total Unrestricted Fund Target (25% O&M)											
Target Met	yes										
Debt Service Coverage (Minimum 1.20x)											
Target Met	yes										

1 - Connection Fees, Inspections, Water Meter Charge, Utility Processing Fee, Door Hanger Fee, Restoration Fee, Utility Late Fee, Other

4.7. Current Customer Base & Revenue Estimate

Table 5 shows the water enterprise’s current number of customers by meter size and projected rate revenue under current rates. The meter cost ratio is based on American Water Works Association (AWWA) standard ratios. Excluding UWPA passthrough fees, the water enterprise currently collects approximately 71% of rate revenue from fixed meter charges and 29% from volumetric charges. Total water usage amounted to 326,031 hundred cubic feet in FY 2023/24.

Table 5. Current Water Rate Revenue

Meter Size	Number of Customers	Monthly Meter Rate	Monthly Meter Revenue	Current Meter Cost Ratio	5/8" Meter Equivalents
5/8"	1,656	\$46.93	\$77,716.08	1	1,656
3/4"	36	70.40	2,534.40	1.5	54
1"	59	117.33	6,922.47	2.5	148
1 1/2"	21	234.65	4,927.65	5	105
2"	35	375.44	13,140.40	8	280
3"	8	703.95	5,631.60	15	120
4"	1	1,173.25	1,173.25	25	25
6"	1	2,346.51	2,346.51	50	50
Construction Meter	<u>3</u>	70.40	<u>211.20</u>	1.5	<u>5</u>
	1,820		\$114,603.56		2,442
Current Water Rate Revenue Estimate					
Total Annual Rate Revenue	\$1,926,235		100%		
Annual Meter Revenue	1,375,243		71%		
Annual Volumetric Rate Revenue	550,992		29%		
Total Use (HCF)	326,031				
\$/hcf	\$1.69				

4.8. Cost Allocation to Billing Components

In **Table 6**, BWA allocated FY 2023/24 costs (excluding UWPA costs) to billing components (meter versus usage). Costs are allocated more toward the fixed meter charges to represent that they are more recurrent regardless of water usage. BWA recommends collecting approximately 70% of rate revenue based on meter charges and 30% based on usage charges based on this analysis.

Table 6. Water Cost Allocation

	2023/24		Meter Charge		Usage Charge	
Operating Expenses						
Personnel Costs	\$566,221	70%	\$397,793	30%	\$168,428	
Water UL	98,943	70%	69,511	30%	29,432	
Utilities	46,400	70%	32,598	30%	13,802	
Repairs & Maintenance	76,500	70%	53,744	30%	22,756	
Tools & Equipment	6,000	70%	4,215	30%	1,785	
Professional Services	142,300	70%	99,971	30%	42,329	
Materials & Supplies	77,139	70%	54,193	30%	22,946	
Other Services & Charges	131,750	70%	92,560	30%	39,190	
O&M Cost Allocations	<u>150,000</u>	70%	<u>105,381</u>	30%	<u>44,619</u>	
Total Operating Expenses	1,295,253		909,967		385,286	
Non Operating Expenses						
Vehicle Replacement Set Aside	63,886	70%	44,882	30%	19,004	
Debt Service	37,234	70%	26,158	30%	11,076	
Capital Improvement Projects	<u>2,165,000</u>	70%	<u>1,520,999</u>	30%	<u>644,001</u>	
Total Non Operating Expenses	2,266,120		1,592,039		674,081	
Total Expenses	3,561,373		2,502,006		1,059,367	
Adjustments						
Less: Non Rate Revenue	62,600	70%	43,979	30%	18,621	
Less: Use of Reserves	<u>1,541,251</u>	70%	<u>1,082,790</u>	30%	<u>458,461</u>	
Total Adjustments	1,603,851		1,126,769		477,082	
Angel's Camp Revenue Requirements	\$1,957,522	70%	\$1,375,237	30%	\$582,285	

4.9. Current Meter Charges

Table 7 shows the development of the meter charges. The \$1,375,237 of costs allocated to meter charges in **Table 6** is divided by estimated 5/8" meter equivalents of 2,442 to get an annual charge of \$563.16, or \$46.93 per month. Customers with meters larger than the 5/8" base would pay proportionally more based on the capacity of the meter.

Table 7. Current Water Meter Cost Allocation

Meter Charge Allocation	\$1,375,237
5/8" AWWA Meter Equivalents	<u>2,442</u>
Annual \$ per 5/8" Meter Equivalent	\$563.16
Monthly \$/per 5/8" Meter Equivalent	\$46.93

Meter Size	AWWA Meter Ratio	Current	Proposed
5/8"	1	\$46.93	\$46.93
3/4"	1.5	70.40	70.40
1"	2.5	117.33	117.33
1 1/2"	5	234.65	234.65
2"	8	375.44	375.44
3"	15	703.95	703.95
4"	25	1,173.25	1,173.25
6"	50	2,346.51	2,346.50

4.10. Current and Projected UWPA Passthrough Fees

Table 8 shows the development of the UWPA passthrough fees under an average water year 2.5. Projected Utica Water and Power Contributions are divided by total meter equivalents to get a cost per 5/8" meter. Larger meters pay proportionally more based on their metered capacity. The fee is designed to cover the costs of the City's water supply based on projected annual contribution amounts. The projected costs utilized to develop these fees are based on Utica Water and Power projected contributions based on an average water year and do not account for additional wholesale cost increases beyond 10% per year.

BWA recommends implementing passthrough fees based on UWPA's average water year, water year 2.5. Should contribution amounts be less than average, such as in the case of a water year 1 or 2, the City is recommended to save any additional amount in a balancing account that can be used to offset fee increases in bad years (water years 4, 5 or 6). Any increases, such as in the case of a water year 3, 4, 5, or 6, may be passed through via Government Code 53756. Any future passthrough of wholesale water cost increases will require formal action by the City Council. The City Council will review and consider any proposed passthrough adjustments, ensuring transparency and accountability in rate-setting decisions. Property owners and customers will have the opportunity to provide input before any changes take effect.

Table 8. UWPA Passthrough Fees Allocation

Water Year 2.5		2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
Utica Water And Power Contribution		\$370,000	\$407,000	\$447,700	\$492,470	\$541,717	\$568,803
Growth		65	42	0	0	0	0
Projected 5/8" Meter Equivalents		2,507	2,549	2,549	2,549	2,549	2,549
Meter Size	AWWA Meter Ratio						
5/8"	1	\$13.91	\$14.78	\$15.70	\$16.67	\$17.71	\$18.60
3/4"	1.5	20.86	22.16	23.54	25.01	26.57	27.89
1"	2.5	34.77	36.94	39.24	41.68	44.28	46.49
1 1/2"	5	69.55	73.88	78.48	83.36	88.55	92.98
2"	8	111.28	118.20	125.56	133.38	141.68	148.76
3"	15	208.64	221.63	235.43	250.08	265.65	278.93
4"	25	347.74	369.39	392.38	416.81	442.75	464.89
6"	50	695.48	738.77	784.76	833.61	885.51	929.78
Construction Meter	1.5	20.86	22.16	23.54	25.01	26.57	27.89

4.11. Proposed City Water Rates

Table 9 shows the current and proposed water rates for the City. The proposed rates incorporate the cost allocation developed in Table 6 and the annual projected costs over the next five-year period.

Table 9. Current and Proposed Water Rates

			Fiscal Year	2025/26	2026/27	2027/28	2028/29	2029/30
			Effective Date	6/21/2025	6/21/2026	6/21/2027	6/21/2028	6/21/2029
			Proposed Increase	3.0%	3.0%	3.0%	3.0%	3.0%
Monthly Use			Current Rate					
All use, \$/hcf			\$1.69	\$1.74	\$1.79	\$1.84	\$1.90	\$1.96
Meter Size	Meter Cost Ratio	Current Meter Rates						
5/8"	1	46.93	48.34	49.79	51.28	52.82	54.40	
3/4"	1.5	70.40	72.51	74.69	76.92	79.23	81.60	
1"	2.5	117.33	120.85	124.48	128.20	132.05	136.00	
1 1/2"	5	234.65	241.70	248.95	256.40	264.10	272.00	
2"	8	375.44	386.72	398.32	410.24	422.56	435.20	
3"	15	703.95	725.10	746.85	769.20	792.30	816.00	
4"	25	1,173.25	1,208.50	1,244.75	1,282.00	1,320.50	1,360.00	
6"	50	2,346.51	2,417.00	2,489.50	2,564.00	2,641.00	2,720.00	
Construction Meter	1.5	70.40	72.51	74.69	76.92	79.23	81.60	

4.12. Proposed UWPA Passthrough Fees

Table 10 shows the current and proposed passthrough fees for annual UWPA contributions based on an average water year.

Table 10. Current and Proposed Passthrough Fees

Water Year 2.5 (Average Contribution)			2025/26	2026/27	2027/28	2028/29	2029/30
Fiscal Year			6/21/2025	6/21/2026	6/21/2027	6/21/2028	6/21/2029
Effective Date							
Proposed Increase			6.22%	6.22%	6.22%	6.22%	5.00%
Meter Size	Meter Cost Ratio	Current UWPA Passthrough Fee					
5/8"	1	\$13.91	\$14.78	\$15.70	\$16.67	\$17.71	\$18.60
3/4"	1.5	20.86	\$22.16	\$23.54	\$25.01	\$26.57	\$27.89
1"	2.5	34.77	\$36.94	\$39.24	\$41.68	\$44.28	\$46.49
1 1/2"	5	69.55	\$73.88	\$78.48	\$83.36	\$88.55	\$92.98
2"	8	111.27	\$118.20	\$125.56	\$133.38	\$141.68	\$148.76
3"	15	208.64	\$221.63	\$235.43	\$250.08	\$265.65	\$278.93
4"	25	347.73	\$369.39	\$392.38	\$416.81	\$442.75	\$464.89
6"	50	695.46	\$738.77	\$784.76	\$833.61	\$885.51	\$929.78
Construction Meter	1.5	20.86	\$22.16	\$23.54	\$25.01	\$26.57	\$27.89

4.13. Water Bill Impacts

Table 11 shows the bill impacts of the proposed water rates on a variety of usage levels for a typical residential user.

Table 11. Water Bill Impacts

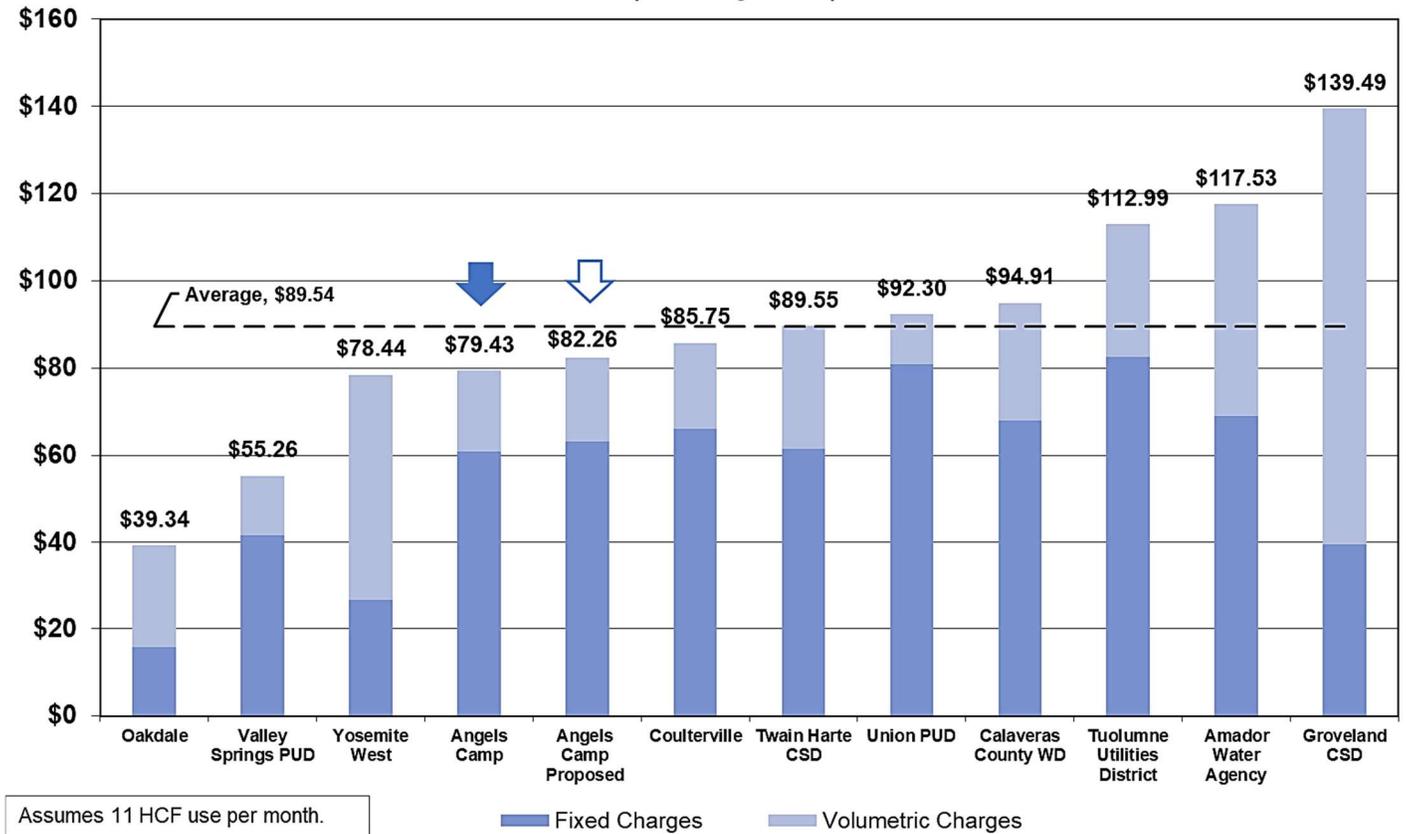
Single Family Residential - 5/8" Meter							
Monthly Use	hcf	Current Billing	Projected 2025/26	Projected 2026/27	Projected 2027/28	Projected 2028/29	Projected 2029/30
Low	7	\$72.67	\$75.30	\$78.02	\$80.83	\$83.83	\$86.72
Average	11	79.43	82.26	85.18	88.19	91.43	94.56
Moderate	15	86.19	89.22	92.34	95.55	99.03	102.40
High	40	128.44	132.72	137.09	141.55	146.53	151.40

4.14. Regional Water Rate Survey

Figure 1 compares the water bills for a typical single family home to those of other regional agencies.

Figure 1: Regional Water Rate Survey

Single Family Residential Monthly Water Rate Survey
(January 2024)



5. WASTEWATER SYSTEM OVERVIEW

5.1. Wastewater Treatment and Collection

The existing wastewater system is comprised of six lift stations, 4.5 miles of forced main lines, and 22.5 miles of gravity sewer lines. The system is comprised of three district sub-systems: Altaville, Downtown, and Angel Oaks/Greenhorn.

The Water Treatment Plant consists of headworks, an equalization basin, three sequencing batch reactors, an intermediate storage basin, four filters ultraviolet disinfection facilities, a diversion storage basin, two aerobic digesters, belt filter press, eight sludge drying beds, and a storage reservoir. Recycled water is used for irrigation of a 136-acre sprayfield adjacent to Holman Reservoir and the 110-acre Golf Course at Greenhorn Creek.

5.2. Current Wastewater Rates

Table 12 shows the City’s current wastewater rates. Current residential rates are based on dwelling units and commercial rates are based on connections per commercial establishment. Current wastewater rates for Other Institutions are per gallon of winter use, and per gallon of use for Six Mile Village (Outside Agency). BWA recommends updating the City’s current rate structure to include fixed charges for all user groups receiving wastewater services from the City.

Table 12. Current Wastewater Rates

<u>Residential</u>	<u>\$ / Dwelling Unit / Month</u>
Single Family	\$107.95
Mobile Home	107.95
Multi-Family	107.95
<u>Commercial & Industrial</u>	<u>\$ / Establishment / Month</u>
Commercial & Industrial	136.30
<u>Other Institutional</u>	<u>\$ / gallon , winter use</u>
Other Institutional	0.0208
<u>Six Mile Village (Outside Agency)</u>	<u>\$ / gallon</u>
Domestic-Strength	0.0144

5.3. Wastewater Enterprise Debt

Table 13 shows the wastewater enterprise’s current debt obligation schedules.

Table 13. Current Wastewater Enterprise Debt Schedules

2017 USDA Refinancing Loan Agreement (Wastewater)			
Repayment Date	Loan	Interest	Total Repayment
Sept. 1, 2017	\$119,510.00	\$35,877.95	\$155,387.95
Mar. 1, 2018	\$119,511.00	\$53,565.53	\$173,076.53
Sept. 1, 2018	\$113,769.00	\$51,934.21	\$165,703.21
Mar. 1, 2019	\$113,768.00	\$50,381.26	\$164,149.26
Sept. 1, 2019	\$114,970.00	\$48,828.33	\$163,798.33
Mar. 1, 2020	\$114,970.00	\$47,258.99	\$162,228.99
Sept. 1, 2020	\$118,722.00	\$45,689.65	\$164,411.65
Mar. 1, 2021	\$118,722.00	\$44,069.09	\$162,791.09
Sept. 1, 2021	\$122,469.00	\$42,448.54	\$164,917.54
Mar. 1, 2022	\$122,470.00	\$40,776.84	\$163,246.84
Sept. 1, 2022	\$126,213.00	\$39,105.12	\$165,318.12
Mar. 1, 2023	\$126,214.00	\$37,382.31	\$163,596.31
Sept. 1, 2023	\$129,953.00	\$35,659.49	\$165,612.49
Mar. 1, 2024	\$129,954.00	\$33,885.63	\$163,839.63
Sept. 1, 2024	\$133,690.00	\$32,111.76	\$165,801.76
Mar. 1, 2025	\$133,689.00	\$30,286.89	\$163,975.89
Sept. 1, 2025	\$137,420.00	\$28,462.04	\$165,882.04
Mar. 1, 2026	\$137,421.00	\$26,586.26	\$164,007.26
Sept. 1, 2026	\$141,147.00	\$24,710.46	\$165,857.46
Mar. 1, 2027	\$141,148.00	\$22,783.80	\$163,931.80
Sept. 1, 2027	\$144,870.00	\$20,857.13	\$165,727.13
Mar. 1, 2028	\$144,870.00	\$18,879.66	\$163,749.66
Sept. 1, 2028	\$148,587.00	\$16,902.18	\$165,489.18
Mar. 1, 2029	\$148,589.00	\$14,873.97	\$163,462.97
Sept. 1, 2029	\$152,301.00	\$12,845.73	\$165,146.73
Mar. 1, 2030	\$152,301.00	\$10,766.82	\$163,067.82
Sept. 1, 2030	\$156,009.00	\$8,687.91	\$164,696.91
Mar. 1, 2031	\$156,009.00	\$6,558.39	\$162,567.39
Sept. 1, 2031	\$162,230.00	\$4,428.87	\$166,658.87
Mar. 1, 2032	\$162,229.00	\$2,214.43	\$164,443.43
TOTALS:	\$4,043,725.00	\$888,819.24	\$4,932,544.24

State Department of Water Resources (Wastewater)			
Fiscal Year Ended June 30,	Principal	Interest	Total Repayment
2018	\$13,858	\$2,071	\$15,929
2019	\$13,996	\$1,933	\$15,929
2020	\$14,136	\$1,793	\$15,929
2021	\$14,278	\$1,651	\$15,929
2022	\$14,420	\$1,509	\$15,929
2023 - 2027	\$74,294	\$5,351	\$79,645
2028 - 2031	<u>\$62,155</u>	<u>\$1,561</u>	<u>\$63,716</u>
Totals	\$207,137	\$15,869	\$223,006

5.4. Capital Improvement Plan

As shown on **Table 14**, the near term CIP has identified capital project costs in the amount of \$7.00 million. The projects aim to increase the safety and security of the system and to promote regulatory compliance. The City estimates the wastewater enterprise will obtain a \$567,000 loan in FY 2026/27 to fund the projected capital program.

Table 14. Wastewater Enterprise Capital Improvement Plan

<u>Project Name & Description</u>	<u>2024/25</u>	<u>2025/26</u>	<u>2026/27</u>	<u>2027/28</u>	<u>2028/29</u>	<u>2029/30</u>	<u>Totals</u>
WWTP 1							
Emergency Storage Basin Improvements				\$275,000	\$275,000		\$550,000
WWTP 2							
Grit Removal Systems		350,000	350,000				\$700,000
WWCS 1 & 2							
Booster Way Sewerline	1,950,000	950,000					\$2,900,000
WWCS 3							
Main Street Sewer Replacement			700,000				\$700,000
WWCS 4							
Murphys Grade Rd Sewer Rehabilitation				380,000	380,000		\$760,000
I & I Projects				300,000			\$300,000
Capital Projects	<u>95,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,000,000</u>	\$1,095,000
Total Sewer CIP	\$2,045,000	\$1,300,000	\$1,050,000	\$955,000	\$655,000	\$1,000,000	\$7,005,000

5.5. Cash Flow Projection

Table 15 shows the wastewater enterprise 10-year cash flow projection. BWA determined that the City needs to raise rate revenues by 2% per year for the next 5 years to meet the goal of funding the City’s operating and capital needs.

Table 15. Wastewater Cash Flow Projections

Fiscal Year	Projected										
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2032/34	2032/35
Beginning Fund Balance	\$5,830,442	\$5,280,531	\$5,531,513	\$6,534,449	\$7,104,499	\$7,953,053	\$8,431,815	\$8,751,536	\$8,914,773	\$9,236,990	\$9,373,603
% Rate Revenue Increase	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Growth - %	3.1%	1.9%	0.0%								
REVENUES											
Operating Revenue											
Sewer Service Fee - O&M	\$3,587,146	\$3,728,996	\$3,803,575	\$3,879,647	\$3,957,240	\$4,036,385	\$4,036,385	\$4,036,385	\$4,036,385	\$4,036,385	\$4,036,385
Sewer Connection Fee	0	0	0	0	0	0	0	0	0	0	0
Misc. Revenue	0	0	0	0	0	0	0	0	0	0	0
Interest Earnings	<u>122,400</u>	<u>126,072</u>	<u>129,854</u>	<u>133,750</u>	<u>137,762</u>	<u>141,895</u>	<u>146,152</u>	<u>150,537</u>	<u>155,053</u>	<u>159,704</u>	<u>164,495</u>
Total Operating Revenues	3,709,546	3,855,068	3,933,430	4,013,397	4,095,002	4,178,280	4,182,537	4,186,921	4,191,437	4,196,089	4,200,880
Non Operating Revenues											
Projected Loan (6%, 20 Years)	0	0	<u>566,500</u>	0	0	0	0	0	0	0	0
Total Non Operating Revenues	0	0	566,500	0							
Total Revenues	3,709,546	3,855,068	4,499,930	4,013,397	4,095,002	4,178,280	4,182,537	4,186,921	4,191,437	4,196,089	4,200,880
EXPENSES											
Operating Expenses											
Personnel Costs	611,316	641,882	673,976	707,675	743,059	780,212	819,222	860,184	903,193	948,352	995,770
Sewer UL	62,721	65,857	69,150	72,607	76,237	80,049	84,052	88,254	92,667	97,300	102,165
Utilities	226,417	237,738	249,625	262,106	275,211	288,972	303,420	318,591	334,521	351,247	368,809
Repairs & Maintenance	178,625	187,556	196,934	206,781	217,120	227,976	239,375	251,343	263,910	277,106	290,961
Tools & Equipment	10,000	10,500	11,025	11,576	12,155	12,763	13,401	14,071	14,775	15,513	16,289
Professional Services	173,805	182,495	191,620	201,201	211,261	221,824	232,915	244,561	256,789	269,629	283,110
Materials & Supplies	139,236	146,198	153,507	161,183	169,242	177,704	186,589	195,919	205,715	216,000	226,800
Other Services & Charges	188,200	197,610	207,491	217,865	228,758	240,196	252,206	264,816	278,057	291,960	306,558
O&M Cost Allocations	<u>200,000</u>	<u>210,000</u>	<u>220,500</u>	<u>231,525</u>	<u>243,101</u>	<u>255,256</u>	<u>268,019</u>	<u>281,420</u>	<u>295,491</u>	<u>310,266</u>	<u>325,779</u>
Total Operating Expenses	1,790,320	1,879,836	1,973,828	2,072,519	2,176,145	2,284,952	2,399,200	2,519,160	2,645,118	2,777,374	2,916,242
Non Operating Expenses											
Vehicle Replacement	78,431	78,431	78,431	21,406	21,406	21,406	21,406	21,406	17,086	17,086	17,086
Projected Loan Debt Service			49,016	49,016	49,016	49,016	49,016	49,016	49,016	49,016	49,016
Existing Debt Service	345,707	345,818	345,718	345,406	344,881	344,144	343,193	331,102	0	0	0
Capital	<u>2,045,000</u>	<u>1,300,000</u>	<u>1,050,000</u>	<u>955,000</u>	<u>655,000</u>	<u>1,000,000</u>	<u>1,050,000</u>	<u>1,103,000</u>	<u>1,158,000</u>	<u>1,216,000</u>	<u>1,277,000</u>
Total Non Operating Expenses	2,469,138	1,724,249	1,523,166	1,370,828	1,070,303	1,414,566	1,463,616	1,504,525	1,224,102	1,282,102	1,343,102
Total Expenses	4,259,458	3,604,085	3,496,993	3,443,347	3,246,448	3,699,518	3,862,815	4,023,684	3,869,220	4,059,476	4,259,345
Net Revenues for Debt Service / Capital	1,919,226	1,975,232	2,526,102	1,940,878	1,918,857	1,893,328	1,783,337	1,667,761	1,546,320	1,418,715	1,284,638
Net Income	(549,911)	250,982	1,002,936	570,050	848,554	478,762	319,721	163,237	322,217	136,613	(58,465)
Ending Fund Balance	\$5,280,531	\$5,531,513	\$6,534,449	\$7,104,499	\$7,953,053	\$8,431,815	\$8,751,536	\$8,914,773	\$9,236,990	\$9,373,603	\$9,315,138
Total Unrestricted Fund Target (25% O&M)	447,580	469,959	493,457	518,130	544,036	571,238	599,800	629,790	661,279	694,343	729,061
Target Met	yes										
Debt Service Coverage (Min. 1.3x)	5.6	5.7	6.4	4.9	4.9	4.8	4.5	4.4	31.5	28.9	26.2
Target Met	yes										

5.6. Cost Allocation

Table 16 shows the projected wastewater flows and loadings of the City’s wastewater customers by equivalent dwelling units (EDUs). BWA estimates total flows to the wastewater system of 435,155 gallons per day or 212,327 hundred cubic feet (hcf) annually. Total annual estimated projected biochemical oxygen demand (BOD) amounts to 265,148 pounds and total estimated suspended solids (SS) amounts to 265,148 pounds.

Table 16. Flows and Loadings

	# of Sewer EDUs	Est. Mo Flow (hcf) Per EDU ¹	Projected Wastewater Flow			Strength (mg/l)		Loadings (lbs)	
			hcf	mg	gpd	BOD	SS	BOD	SS
Total Residential	1,942	7	161,681	121	331,358	200	200	201,903	201,903
Total Commercial & Industrial	<u>221</u>	Varies ²	<u>50,646</u>	<u>38</u>	<u>103,797</u>	200	200	<u>63,245</u>	<u>63,245</u>
Total	2,163		212,327	159	435,155			265,148	265,148

¹ Based on analysis of City of Angel's Camp water use billing records from 2019-2024.

² A typical commercial account uses approximately 9 hcf per account per month.

Table 17 shows an allocation of the various cost categories of the wastewater enterprise in FY 2023/24. BWA recommends recovering 75% of wastewater costs based on flow and 25% based on strength components. Excluding the additional revenue generated from minimum charges, rate revenue requirement in FY 2023/24 is \$3,303,690, with a cost of \$11.67 per hcf of flow, \$1.56 per pound of BOD and \$1.56 per pound of SS.

Table 17. Wastewater Cost Allocation

Costs Allocated to All Customers	2023/24	Allocation %			Allocation \$			Projected Loadings (lbs)		
		Flow	BOD	SS	Flow	BOD	SS	Flow (hcf)	BOD	SS
								237,078	414,470	374,999
Operating Cost Component										
Personnel Costs	\$461,953	75.0%	12.5%	12.5%	\$346,465	\$57,744	\$57,744	\$1.46	\$0.14	\$0.15
Sewer UL	66,836	75.0%	12.5%	12.5%	50,127	8,355	8,355	0.21	0.02	0.02
Utilities	302,000	75.0%	12.5%	12.5%	226,500	37,750	37,750	0.96	0.09	0.10
Repairs & Maintenance	150,500	75.0%	12.5%	12.5%	112,875	18,813	18,813	0.48	0.05	0.05
Tools & Equipment	11,000	75.0%	12.5%	12.5%	8,250	1,375	1,375	0.03	0.00	0.00
Professional Services	174,200	75.0%	12.5%	12.5%	130,650	21,775	21,775	0.55	0.05	0.06
Materials & Supplies	154,379	75.0%	12.5%	12.5%	115,784	19,297	19,297	0.49	0.05	0.05
Other Services & Charges	190,600	75.0%	12.5%	12.5%	142,950	23,825	23,825	0.60	0.06	0.06
O&M Cost Allocations	<u>150,000</u>	75.0%	12.5%	12.5%	<u>112,500</u>	<u>18,750</u>	<u>18,750</u>	<u>0.47</u>	<u>0.05</u>	<u>0.05</u>
Total Operating Expenses	1,661,468				1,246,101	207,684	207,684	5.26	0.50	0.55
Capital Cost Component										
Vehicle Replacement	78,431	75.0%	12.5%	12.5%	58,823	9,804	9,804	0.25	0.02	0.03
Existing Debt Service	345,381	75.0%	12.5%	12.5%	259,036	43,173	43,173	1.09	0.10	0.12
Capital	<u>2,595,000</u>	75.0%	12.5%	12.5%	<u>1,946,250</u>	<u>324,375</u>	<u>324,375</u>	<u>8.21</u>	<u>0.78</u>	<u>0.87</u>
Total Capital Expenses	3,018,812				2,264,109	377,352	377,352	9.55	0.91	1.01
Total Expenses	4,680,280				3,510,210	585,035	585,035	14.81	1.41	1.56
Adjustments										
Less: Non-Rate Operating Revenue	(120,000)	75.0%	12.5%	12.5%	(90,000)	(15,000)	(15,000)	(0.38)	(0.04)	(0.04)
Less: Minimum Charges	(177,085)	75.0%	12.5%	12.5%	(132,814)	(22,136)	(22,136)	(0.63)	(0.08)	(0.08)
Less: Use of Reserves	<u>(1,079,505)</u>	75.0%	12.5%	12.5%	<u>(809,628)</u>	<u>(134,938)</u>	<u>(134,938)</u>	<u>(3.42)</u>	<u>(0.33)</u>	<u>(0.36)</u>
Total adjustments	(1,376,590)				(1,032,442)	(172,074)	(172,074)	(4.86)	(0.65)	(0.65)
Revenue Requirement	\$3,303,690				\$2,477,768	\$412,961	\$412,961	\$11.67	\$1.56	\$1.56

Table 18 shows the calculation of costs for each customer class.

BWA divided the total costs allocated to residential users by total residential dwelling units to derive a rate of \$107.95 per month per residential dwelling unit.

For all non-residential users, BWA divided total costs allocated to Commercial and Industrial customers to determine a rate of \$0.0208 per gallon of estimated winter use flow. Winter use is calculated as the monthly use from January – April of the prior year divided by four. BWA recommends establishing minimum charges per account per month based on typical use for commercial accounts, approximately 9 hcf per month. The minimum charge is recommended for non-residential accounts because the costs of operating the wastewater system are largely fixed regardless of customer usage. The minimum charge ensures that customers are paying to maintain their share of the system capacity. Mixed use customer minimum charges are recommended to be one commercial account minimum charge plus one residential charge per dwelling unit.

Table 18. Wastewater Rate Calculation

	# of Sewer EDUs	Est. Mo Flow (hcf) Per EDU	Projected Wastewater Flow			Loadings (lbs)		FY 2023/24 Unit Rate Per Class			FY 2023/24 Cost Recovery			FY 2023/24 Recalculated
			hcf	mg	gpd	BOD	SS	\$/hcf	\$/lb BOD	\$/lb SS	\$/hcf	\$/lb BOD	\$/lb SS	
Total Residential	1,942	7	161,681	121	331,358	201,903	201,903	\$11.67	\$1.56	\$1.56	\$1,886,750	\$314,458	\$314,458	\$107.95
Total Commercial & Industrial	<u>221</u>	Varies ¹	<u>50,646</u>	<u>38</u>	<u>103,797</u>	<u>63,245</u>	<u>63,245</u>	\$11.67	\$1.56	\$1.56	<u>\$591,018</u>	<u>\$98,503</u>	<u>\$98,503</u>	\$0.0208 ²
Totals	2,163		212,327	159	435,155	265,148	265,148				\$2,477,768	\$412,961	\$412,961	
													\$3,303,690	

¹ A typical commercial account uses approximately 9 hcf per account per month.

² Users subject to minimum charges per account per month, based on typical monthly use for commercial users (~9 hcf).

5.7. Proposed Wastewater Rates & Bill Impacts

Table 19 shows the proposed wastewater rates. The first year of the proposed rates includes a one-time update to the rate structure, where all residential users are billed per dwelling unit, and all non-residential users are charged based on their winter usage, with a minimum charge per account. The wastewater utility will also require 2% annual rate increases to keep revenues in line with inflation and prevent rates from falling behind the cost of providing services.

The proposed rates represent the maximum annual increases. Actual annual increases implemented may be less than proposed, as approved by the City Council each year. BWA recommends that the City continue to perform regular rate studies to ensure future wastewater rates are aligned with the cost of service.

Table 19. Proposed Wastewater Rates

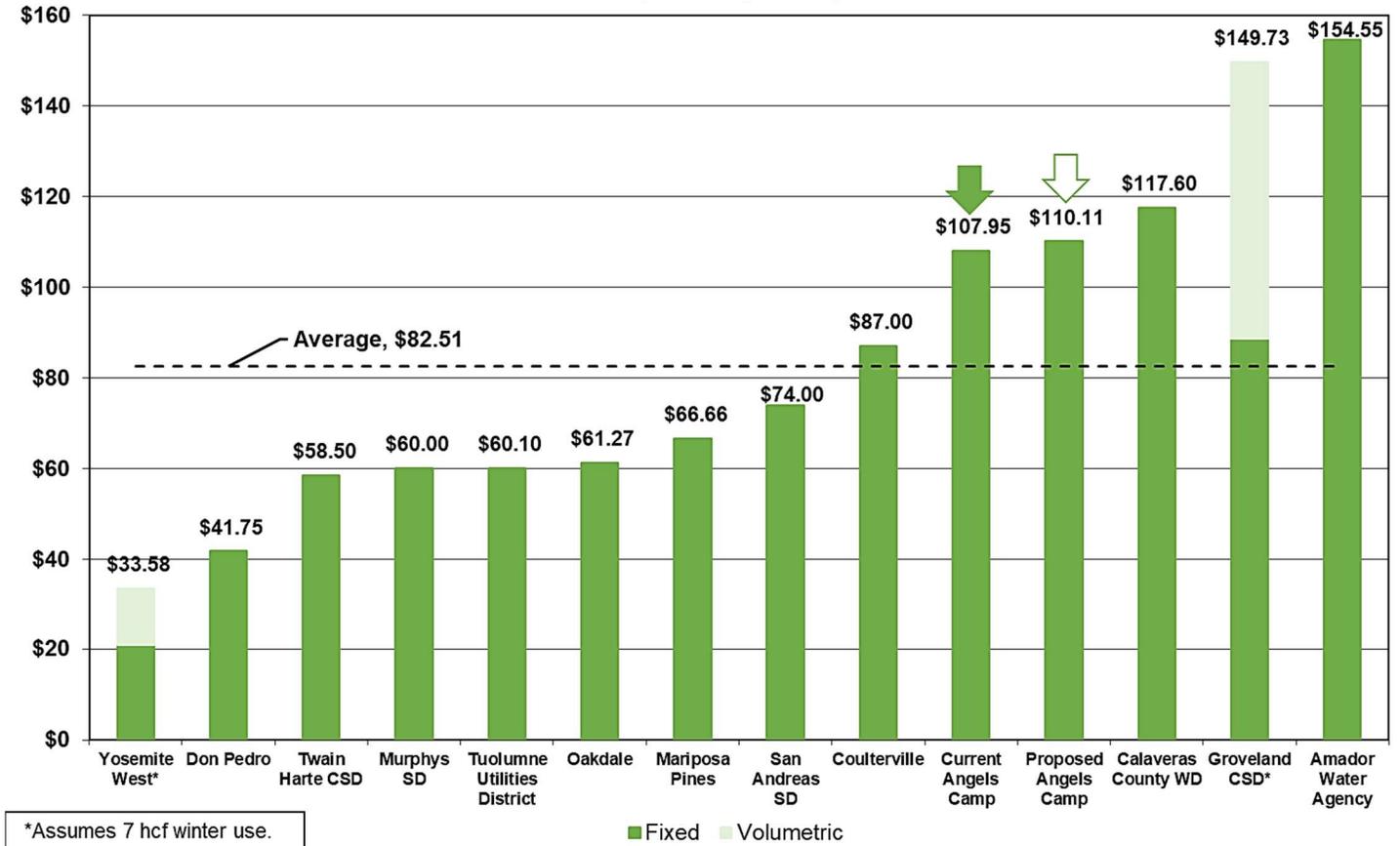
		Fiscal Year	2025/26	2026/27	2027/28	2028/29	2029/30
		Effective Date	6/21/2025	6/21/2026	6/21/2027	6/21/2028	6/21/2029
		Proposed Increase	2.0%	2.0%	2.0%	2.0%	2.0%
User Class	Current Rates	Proposed Monthly Fixed Rate					
Residential							
Single Family, Mobile Home, Multi-Family	\$/month \$107.95	\$110.11	\$112.31	\$114.56	\$116.85	\$119.19	
Six Mile Village - Residential	\$/gallon 0.0144	110.11	112.31	114.56	116.85	119.19	
Non - Residential¹		Proposed Volumetric Rate (\$ / gallon, winter use)					
Commercial & Industrial	\$ / Establishment 136.30	0.0212	0.0216	0.0220	0.0224	0.0228	
Other Institutional	\$ / gallon, winter use 0.0208	0.0212	0.0216	0.0220	0.0224	0.0228	
Six Mile Village - Non Residential	\$/gallon 0.0144	0.0212	0.0216	0.0220	0.0224	0.0228	
¹ Minimum Wastewater Charges (\$/ month)		139.03	141.81	144.65	147.54	150.49	

5.8. Regional Wastewater Rate Survey

Figure 2 compares the wastewater bills for a typical single family home to those of other regional agencies.

Figure 2: Regional Wastewater Rate Survey

Single Family Residential Monthly Wastewater Rate Survey (January 2024)



6. LOW INCOME DISCOUNT

To help offset the impact of rate increases for low-income customers, the City has established a low-income discount program utilizing non-rate sources of revenue (late payment fees), estimated at approximately \$20,000 per year for water and \$20,000 per year for wastewater. The applicant may only apply for their permanent residence, must be the bill payer of record, and must provide a copy of a current PG&E bill showing participation in the PG&E CARE Program or required documentation verifying a household income at or below 200% of the federal poverty guidelines.

Once applicants are approved by City staff, they would receive the following credits (as funds are available):

- Water only customers: \$2.68 per monthly billing period
- Wastewater only customers: \$2.68 per monthly billing period
- Water & Wastewater customers: \$5.36 per monthly billing period

Los Alamos Community Services District



DRAFT Water and Sewer Rate Study

July 23, 2025



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

Los Alamos CSD

Draft Water and Sewer Rate Study

July 2025

Prepared by:



Bartle Wells Associates
2625 Alcatraz Ave, #602
Berkeley, CA 94705
Tel: 510.653.3399
www.bartlewells.com



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

2625 Alcatraz Ave, #602
Berkeley, CA 94705
Tel 510 653 3399
www.bartlewells.com

July 23, 2025

Los Alamos Community Services District
82 North Saint Joseph Street
Los Alamos, CA 93440

Attn: Jenny DeMars, Office Manager

Re: FY 2026-2030 Draft Water and Sewer Rate Study

Bartle Wells Associates (BWA) is pleased to submit the attached *FY 2026-2030 Draft Water and Sewer Rate Study* to Los Alamos Community Services District (District). The study develops long-term financial projections for the District's water and sewer utilities and recommends rates designed to fund the District's projected costs of providing water and sewer service.

The proposed rates incorporate both overall rate increases needed to maintain the water and wastewater enterprises' financial stability and meet future funding needs. The proposed rates also include some minor adjustments to the water and sewer rate structures designed to keep the District's rates aligned with the costs of providing service.

We enjoyed working with the District on this assignment and appreciate the ongoing collaboration, input and assistance received from District staff. Please contact us anytime if you have questions about this report or other issues related to utility rates and finance.

Sincerely,

BARTLE WELLS ASSOCIATES

Michael DeGroot
Vice President

TABLE OF CONTENTS

1	Background, Objectives and Proposed Rates.....	1
1.1	Background.....	1
1.2	Policy Goals & Objectives	1
1.3	Current and Proposed Rates.....	2
2	Legal Requirements and Rate Methodology.....	3
2.1	Constitutional Rate Requirements	3
2.1.1	Article 13D, Section 6	3
3	Water Finances & Cash Flow Projections.....	4
3.1	Water Accounts and Use	4
3.2	Revenue Under Existing Rates	4
3.3	Financial Challenges / Key Drivers of Rate Increases	5
3.3.1	Capital Improvements and Replacement of Aging Infrastructure.....	5
3.3.2	Ongoing Operating Cost Inflation	7
3.4	Outstanding Debt Service	7
3.5	Water Enterprise Financial Projections	7
4	Water Rate Analysis.....	11
4.1	Functional Cost Components.....	11
4.2	Water Rate Design	13
4.2.1	Rate Derivation	13
4.2.2	Drought Rates	14
4.3	Proposed Water Rates.....	14
4.4	Water Bill Impacts	15
4.5	Water Rate Survey.....	16
5	Sewer Finances & Cash Flow Projections.....	17
5.1	Sewer Accounts and Use	17
5.2	Revenue Under Existing Rates	17
5.3	Financial Challenges / Key Drivers of Rate Increases	18
5.3.1	Capital Improvements and Replacement of Aging Infrastructure.....	18
5.3.2	Ongoing Operating Cost Inflation.....	20
5.4	Sewer Enterprise Financial Projections	20
6	Sewer Rate Analysis.....	23
6.1	Functional Cost Components.....	23
6.2	Units of Service	24
6.3	Sewer Rate Design	25
6.4	Proposed Sewer Rates	26
6.5	Sewer Bill Impacts.....	27
6.6	Sewer Rate Survey	28
7	Conclusion and Recommendations	29
7.1	Conclusion.....	29
7.2	Recommendations.....	29

LIST OF TABLES

Table 1 – Current and Proposed Water Rates	2
Table 2 – Current and Proposed Sewer Rates	2
Table 3 – Water Accounts with Existing and Projected Use	4
Table 4 – Water Revenue Estimate.....	5
Table 5 – 10-Year Water Capital Improvement Program.....	6
Table 6 – Outstanding Water Debt Service	7
Table 7 – 10-Year Water Cash Flow Projections.....	9
Table 8 – Water Cost Allocation	11
Table 9 – Water Cost Allocation Revenue Requirement.....	12
Table 10 – Water Rate Derivation	13
Table 11 – Reallocated Water Rate Calculation by Meter Size.....	14
Table 12 – Proposed Water Rates.....	15
Table 13 – Residential Monthly Water Bill Impacts.....	15
Table 14 – Sewer Accounts with Existing and Projected Use	17
Table 15 – Sewer Revenue Estimate.....	17
Table 16 – 10-Year Sewer Capital Improvement Program.....	19
Table 17 – 10-Year Sewer Cash Flow Projections.....	21
Table 18 – Sewer Cost Allocation.....	23
Table 19 – Sewer Cost Allocation Revenue Requirement.....	24
Table 20 – Units of Service	25
Table 21 – Sewer Rate Derivation.....	26
Table 22 – Proposed Sewer Rates.....	26
Table 23 – Residential Monthly Sewer Bill Impacts	27

LIST OF FIGURES

Figure 1 – Water Utility Projected Revenues & Expenses	10
Figure 2 – Single Family Monthly Water Rate Survey.....	16
Figure 3 – Sewer Utility Projected Revenues & Expenses.....	22
Figure 4 – Single Family Monthly Sewer Rate Survey	28

1 BACKGROUND, OBJECTIVES AND PROPOSED RATES

1.1 Background

Los Alamos Community Services District (“District”), located in Santa Barbara County, provides water and wastewater service to over 600 customers. The District was formed on October 29, 1956, under Division 4 of the Street and Highway Code to provide Water Treatment and Water Distribution services to the Community of Los Alamos under the 1958 act.

The District receives its water from the San Antonio Groundwater Basin. The basin is approximately 30 miles long by 7 miles wide. It is cradled between the Solomon-Casmalia Hills to the north, the Purisima Hills to the south, the Burton Mesa to the west, and the westernmost flank of the San Rafael Mountains to the east. The District's watershed is approximately 130 square miles and the Groundwater Basin within the valley is about 110 square miles.

The District expanded the Wastewater Treatment Plant in 1993 and again in 2005, establishing new Waste Discharge Requirements for the Los Alamos CSD Wastewater Treatment Plant, to discharge a maximum of 225,000 gallons per day, averaged over each month.

The District last conducted a rate study in 2016 leading to an adoption of 5 years of water and sewer rate increases and effective August 1, 2016, through June 30, 2021.

1.2 Policy Goals & Objectives

Key policy goals and objectives of the water and sewer rate study include:

1. Develop water and sewer rates that:
 - a. recover the District’s costs of providing water and sewer service
 - b. are fair and equitable to all customers
 - c. are easy to understand and implement
 - d. comply with the legal requirements of Proposition 218 and other California law
 - e. provide adequate funding for capital improvement needs including near-term funding priorities and long-term rehabilitation and replacement of aging infrastructure
2. Recommend rates that maintain long-term financial sustainability of the water and sewer utility and put the enterprises on course for balanced budgets.
3. Aim for steady, gradual annual rate increases to help minimize the annual impact on customers and mitigate the potential for larger, periodic rate spikes.
4. Maintain a prudent level of fund reserves.

1.3 Current and Proposed Rates

The tables below show the schedules of proposed water and sewer rates. Proposed rates account for both overall rate increases as well as some relatively minor rate structure adjustments to keep rates aligned with the cost of providing service. As proposed, water rate increases will continue to become effective on July 1st at the beginning of each fiscal year, excluding this year’s increase on October 1, 2025.

Table 1 – Current and Proposed Water Rates

	Current	Proposed				
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Monthly Service Charges						
Meter Size						
3/4" or less	\$34.17	\$37.40	\$41.14	\$45.26	\$49.78	\$54.76
1"	45.09	49.47	54.41	59.85	65.84	72.42
1.5"	72.41	79.36	87.30	96.03	105.63	116.19
2"	105.21	115.38	126.91	139.60	153.57	168.92
3"	209.01	229.55	252.50	277.75	305.53	336.08
4"	361.99	397.56	437.32	481.05	529.15	582.07
6"	728.03	799.68	879.64	967.61	1,064.37	1,170.81
Commodity Charges (per ccf)						
Usage	\$3.90	\$4.30	\$4.73	\$5.21	\$5.73	\$6.30

Table 2 – Current and Proposed Sewer Rates

	Current	Proposed				
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Monthly Service Charges						
Single Family	\$70.08	\$76.28	\$83.15	\$90.63	\$98.79	\$107.68
Multi-Family	61.27	66.90	72.93	79.49	86.64	94.44
Non-Residential	43.64	48.15	52.48	57.20	62.35	67.96
One Dwelling Unit Equivalent	70.08	76.28	83.15	90.63	98.79	107.68
Non-Residential Commodity Charges (per ccf)						
Usage	\$3.47	\$3.78	\$4.12	\$4.49	\$4.90	\$5.34

2 LEGAL REQUIREMENTS AND RATE METHODOLOGY

2.1 Constitutional Rate Requirements

The California Constitution includes two key articles that directly govern or impact the District's water and sewer rates: Article 10 and Article 13D. The rates developed in this study were designed to comply with both constitutional mandates as well as various provisions of the California law that support and add further guidance for implementing these constitutional requirements. In accordance with the constitutional provisions, the proposed rates are designed to a) recover the District's cost of providing water and sewer service, b) equitably recover revenues in proportion to the cost for serving each customer, and c) promote conservation and discourage waste.

2.1.1 Article 13D, Section 6

Proposition 218 was adopted by California voters in 1996 and added Articles 13C and 13D to the California Constitution. Article 13D, Section 6 governs property-related charges, which the California Supreme Court subsequently ruled includes ongoing utility service charges such as water, sewer, and garbage rates. Article 13D, Section 6 establishes a) procedural requirements for imposing or increasing property-related charges, and b) substantive requirements for those charges. Article 13D also requires voter approval for new or increased property-related charges but exempts rate increases for water, sewer, and garbage services from requiring voter approval as these rates support essential services.

The substantive requirements of Article 13D, Section 6 require the District's water and sewer rates to meet the following conditions:

- 1) Revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service.
- 2) Revenues derived from the fee or charge shall not be used for any purpose other than that for which the fee or charge was imposed.
- 3) The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel.
- 4) No fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question.
- 5) No fee or charge may be imposed for general governmental services, such as police or fire services, where the service is available to the public at large in substantially the same manner as it is to property owners.

Numerous court decisions over the past 20 years have added some legal clarification regarding these substantive rate requirements. The water and sewer rates derived in this report are based on cost-of-service methodologies that are designed to equitably recover costs from water and sewer customers and comply with all legal requirements.

3 WATER FINANCES & CASH FLOW PROJECTIONS

3.1 Water Accounts and Use

Table 3 shows current and projected customer counts by meter size and water use. The District projects adding 59 new connections to its customer base by the end of 2025 for the residential development of Village Square.

Table 3 – Water Accounts with Existing and Projected Use

	2024	2025	2026	2027	2028	2029
Fixed (Meter Size)						
3/4" or less	496	555	555	555	555	555
1"	104	104	104	104	104	104
1.5"	8	8	8	8	8	8
2"	13	13	13	13	13	13
3"	-	-	-	-	-	-
4"	1	1	1	1	1	1
6"	-	-	-	-	-	-
	<u>622</u>	<u>681</u>	<u>681</u>	<u>681</u>	<u>681</u>	<u>681</u>
Variable (hundred cubic feet)						
Usage	105,622	115,641	115,641	115,641	115,641	115,641

3.2 Revenue Under Existing Rates

The following table calculates the annual revenue under existing rates for the current fiscal year. This table was developed to check and validate the revenue assumptions used in the rate study.

Table 4 – Water Revenue Estimate

	Estimated FY 2024/25 Revenue
Fixed	
3/4" or less	\$203,380
1"	56,272
1.5"	6,951
2"	16,413
3"	-
4"	4,344
6"	-
Total Fixed Revenue:	287,360
Estimated FY 2024/25 Revenue	
Variable	
Usage	\$411,926
Total Revenue:	\$699,286

3.3 Financial Challenges / Key Drivers of Rate Increases

Going forward, the District’s water enterprise is facing several continuing financial challenges that will require the District to raise rates over the next five years. Key challenges and drivers of future rate increases are summarized as follows.

3.3.1 Capital Improvements and Replacement of Aging Infrastructure

Several of the District’s water distribution system valves and pump stations are aging and approaching the end of their useful lives. Some valves have significantly exceeded their estimated useful lives and need replacement in upcoming years. To address high-priority water system infrastructure needs, the District anticipates funding over \$2.6 million of capital improvement projects over the next five years to address current deficiencies and support safe and reliable service as shown on the following table.

3.3.2 Ongoing Operating Cost Inflation

The District faces annual cost inflation due to annual increases in a range of expenses including maintenance, utilities, engineering, construction and materials, wages, and administration, etc. Rate increases are therefore needed for capital improvements to keep revenues aligned with cost inflation and prevent rates from falling behind the cost of providing service. Water cost inflation has historically been higher than the Consumer Price Index (CPI) for consumer goods and services. In very recent years, inflation has reached forty-year highs with the CPI and Engineering News Record Construction Cost Index (ENR CCI) exceeding 7% in 2022. However, since hitting a peak in 2022, inflation for this category has trended downwards back toward historical norms. For financial planning purposes, the rate study accounts for 3.5% annual cost escalation for operating and maintenance expenses and 3.5% annual capital cost escalation, which is in line with the average annual CIP and ENR Construction Cost Index increases over the past 15 years.

3.4 Outstanding Debt Service

Table 6 shows a schedule of outstanding water enterprise debt for the next five years. The water enterprise has two outstanding debt obligations from its water well project and an interfund loan. The interfund loan was issued from the District’s Water Connection Fund to finance the FY 2024/25 Reservoir Rehabilitation Project. The loan carries a principal amount of \$482,000, an interest rate of 2%, and is structured for repayment over a 10-year term. The model assumes that repayment will begin midway through the first fiscal year, with a half-year of debt service in the initial year.

Table 6 – Outstanding Water Debt Service

Debt Service	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Water Well Project Debt						
Principal	\$65,155	\$66,978	\$68,855			
Interest	5,628	3,803	1,928			
Interfund Loan	-	26,830	53,659	53,659	53,659	53,659
Total Debt Repayment	70,783	97,611	124,442	53,659	53,659	53,659

3.5 Water Enterprise Financial Projections

BWA developed 10-year water enterprise cash flow projections to identify future funding needs and evaluate water rate increases. Table 7 on the following page shows the 10-year water enterprise cash flow projections. The projections incorporate the latest information available as well as several reasonable and slightly conservative assumptions. Key assumptions include:

- Operating and maintenance costs are based on the 2024/25 budget and escalate at the annual rate of 3.5% to account for future cost inflation, in line with historical cost escalation. A one-time adjustment of 15% is applied to salaries and benefits in FY 2025/26, followed by annual increases of 5% thereafter. This adjustment is informed by the 2023 Salary and Benefit Study conducted for Vandenberg Village Community

Services District. The study indicates that Los Alamos CSD may require compensation adjustments ranging from 15% to 58% to remain competitive with market compensation levels.

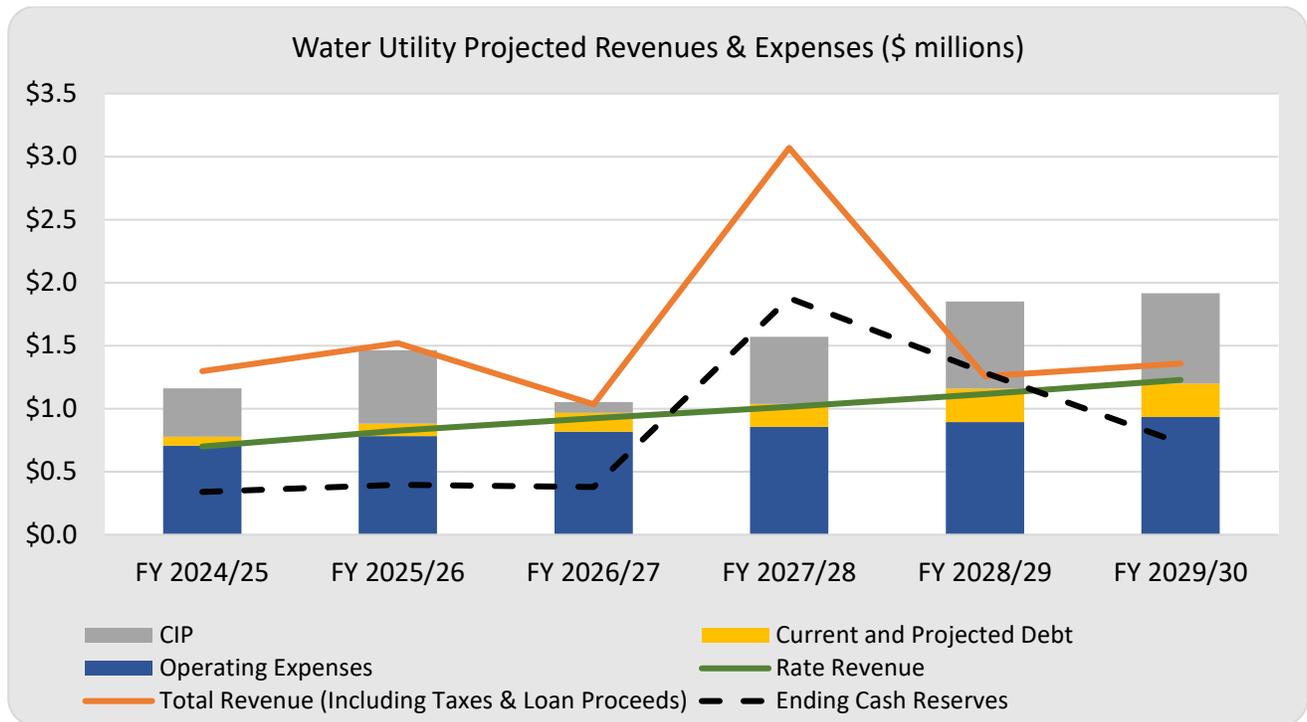
- The District is projected to experience growth of 59 units from new development by the end of 2025.
- Billed water use is projected to increase by 9.49% in FY 2025/26 to reflect the 59 new units.
- Capital improvement costs are based on the District's latest 5-Year Capital Improvement Program with projected capital costs in subsequent years ranging from \$85,000 to over \$700,000 a year with 3.5% annual cost escalation.
- The financial projections include annual debt service for the District's water well project and reservoir rehabilitation. To mitigate the necessity for significant rate increases, the financial projections also assume the District will secure a loan for one year of capital in FY 2025/26 and three years of capital in FY 2027/28 at a 5.5% interest rate and 20-year repayment period.
- For financial planning purposes, the financial projections assume a minimum fund reserve target equal to 25% of annual operating and maintenance costs and the estimated annual asset replacement cost – escalated by 3% annually. Maintaining a prudent minimal level of fund reserves provides a financial cushion for dealing with unanticipated expenses, revenue shortfalls, as well as non-catastrophic and catastrophic emergency capital repairs. The fund reserve target will escalate over time as the District's expenses and infrastructure gradually increase.
- The table also calculates annual debt service coverage on the District's debt. Debt service coverage is calculated based on a) total revenues less operating and maintenance expenses, divided by b) annual debt service.
- The financial projections estimate the District will incur budget deficits within the next five years while rate increases are gradually phased in. The projections show the District will begin to experience positive net revenues and balanced budgets starting FY 2031/32.

Table 7 – 10-Year Water Cash Flow Projections

Water Cash Flow	Current	5-Year Projection					Extended Projection				
	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32	FY 2032/33	FY 2033/34	FY 2034/35
Beginning Unrestricted Fund Balance	\$202,862	\$339,201	\$395,840	\$378,283	\$1,877,316	\$1,284,677	\$727,514	\$724,282	\$825,216	\$954,316	\$1,114,077
% Rate Revenue Increase		10.00%	10.00%	10.00%	10.00%	10.00%	5.00%	5.00%	5.00%	5.00%	5.00%
Growth - %		9.49%	0.00%	0.00%	0.00%	0.00%	0.50%	0.50%	0.50%	0.50%	0.50%
REVENUES											
Rate Revenue											
Water Service Charges	699,286	826,095	922,685	1,014,953	1,116,449	1,228,094	1,295,946	1,367,547	1,443,104	1,522,835	1,606,972
Total Rate Revenues	699,286	826,095	922,685	1,014,953	1,116,449	1,228,094	1,295,946	1,367,547	1,443,104	1,522,835	1,606,972
Non Rate Revenue											
Interest on Investments (est 2%)	3,000	6,784	7,917	7,566	37,546	25,694	14,550	14,486	16,504	19,086	22,282
Interfund Loan	482,000	-	-	-	-	-	-	-	-	-	-
Bank Loans	-	582,705	-	1,942,651	-	-	-	-	-	-	-
Property Tax - General	94,422	94,422	94,422	94,422	94,422	94,422	94,422	94,422	94,422	94,422	94,422
Late Fees	8,300	-	-	-	-	-	-	-	-	-	-
Bulk Water	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Backflow Charge	2,557	2,557	2,557	2,557	2,557	2,557	2,557	2,557	2,557	2,557	2,557
Backflow Admin Fee	2,107	2,107	2,107	2,107	2,107	2,107	2,107	2,107	2,107	2,107	2,107
Total Non Rate Revenues	597,386	693,575	112,002	2,054,302	141,632	129,779	118,636	118,571	120,590	123,172	126,367
Total Revenues	1,296,671	1,519,670	1,034,687	3,069,256	1,258,081	1,357,873	1,414,582	1,486,118	1,563,694	1,646,007	1,733,339
EXPENSES											
Operating Expenses											
Salaries & Benefits	441,415	507,627	533,008	559,659	587,642	617,024	647,875	680,269	714,282	749,996	787,496
Maintenance	5,000	5,175	5,356	5,544	5,738	5,938	6,146	6,361	6,584	6,814	7,053
Utilities	86,000	89,010	92,125	95,350	98,687	102,141	105,716	109,416	113,246	117,209	121,311
Supplies & Services	165,785	171,587	177,593	183,809	190,242	196,901	203,792	210,925	218,307	225,948	233,856
Vehicles	9,000	9,315	9,641	9,978	10,328	10,689	11,063	11,451	11,851	12,266	12,695
Total Operating Expenses	707,200	782,715	817,724	854,339	892,636	932,693	974,593	1,018,422	1,064,270	1,112,234	1,162,412
Net Revenues	589,472	736,955	216,963	2,214,916	365,444	425,180	439,989	467,696	499,423	533,773	570,927
Other Expenses											
Existing Debt Service	70,783	97,611	124,442	53,659	53,659	53,659	53,659	53,659	53,659	53,659	53,659
Projected Loan Debt Service (5.5%, 20 Yrs)	-	-	24,380	130,040	211,320	211,320	211,320	211,320	211,320	211,320	211,320
CIP	382,350	582,705	85,698	532,185	693,104	717,363	178,242	101,782	105,345	109,032	112,848
Total Capital Expenses	453,132	680,316	234,520	715,884	958,083	982,342	443,222	366,762	370,324	374,011	377,827
Total Expenses	1,160,332	1,463,031	1,052,244	1,570,224	1,850,720	1,915,035	1,417,814	1,385,183	1,434,595	1,486,245	1,540,240
Revenues Less Expenses	136,339	56,639	(17,557)	1,499,032	(592,639)	(557,162)	(3,233)	100,935	129,099	159,762	193,099
Ending Fund Balance	339,201	395,840	378,283	1,877,316	1,284,677	727,514	724,282	825,216	954,316	1,114,077	1,307,177
Fund Reserve Target: 25% O&M + R&R Target	562,491	592,940	613,611	635,040	657,258	680,295	704,183	728,957	754,649	781,298	808,939
Target Met	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Debt Service Coverage	8.33	1.58	1.46	1.48	1.38	1.60	1.66	1.77	1.88	2.01	2.15
Target Met	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

The following chart shows a 5-year projection of water enterprise revenues and expenses. The proposed rate increases are designed to put the District on a long-term path toward supporting balanced budgets while providing adequate funding for operations, maintenance, and ongoing rehabilitation and replacement of aging water system infrastructure to support safe and reliable service.

Figure 1 – Water Utility Projected Revenues & Expenses



4 WATER RATE ANALYSIS

4.1 Functional Cost Components

BWA derived updated water rates that account for both a) the overall rate increases identified in the financial projections, and b) proposed rate structure modifications. The proposed rates are designed to equitably apportion and recover costs from the District’s customer base based on a cost-of-service methodology.

The first step in the cost of service analysis is to assign water system costs in each allocation category for revenue recovery via the cost components of customer service, readiness-to-serve, and supply. While there is no single correct approach for cost allocation, BWA believes costs should be allocated within a reasonable range that reflects both a) underlying cost causation, to the extent such causation can reasonably be determined or estimated, and b) the policy preferences of the agency in cases where a range of reasonable approaches can be justified. This process is intended to proportionately allocate costs to each functional component to determine the revenue requirement for that component.

The cost components are described as follows:

- **Customer Service** reflects costs related to billing customers and handling account specific issues.
- **Readiness-to-Serve** reflects costs associated with maintaining system readiness to deliver water.
- **Supply** reflects costs associated with the volume of water provided.

The following tables show a breakdown of the water utility’s expenses, how they are allocated between the cost components, and the revenue requirement for each cost component. The cost allocation uses FY 2024/25 as the sample year for operating and capital expenses.

Table 8 – Water Cost Allocation

Budget Line Items	FY 2024/25 Budget	Customer Service	Meter Charge Readiness-to-Serve	Supply
CITY OPERATING COSTS				
Salaries & Benefits	\$441,415	30%	30%	40%
Maintenance	5,000		50%	50%
Utilities	86,000		5%	95%
Supplies & Services	165,785	5%	25%	70%
Vehicles	9,000	5%	45%	50%
NON-OPERATING COSTS				
Debt Service	70,783		50%	50%
Cash-Funded Capital Spending	382,350		50%	50%
SOURCES				
Use of Reserves	136,339	12%	35%	52%
Interest on Investments	(3,000)	12%	35%	52%
Interfund Loan	(482,000)		50%	50%
Property Tax	(94,422)	25%	60%	15%
Other Revenues	(17,964)	12%	35%	52%
Totals:	699,286			

The percentage allocations derived in the previous table were then multiplied by the revenue to be collected from rates for FY 2024/25 to calculate the revenue requirement for each cost component.

Table 9 – Water Cost Allocation Revenue Requirement

Budget Line Items	FY 2024/25 Budget	Customer Service	Meter Charge Readiness-to-Serve	Supply
CITY OPERATING COSTS				
Salaries & Benefits	\$441,415	\$132,424	\$132,424	\$176,566
Maintenance	5,000		2,500	2,500
Utilities	86,000		4,300	81,700
Supplies & Services	165,785	8,289	41,446	116,050
Vehicles	9,000	450	4,050	4,500
NON-OPERATING COSTS				
Debt Service	70,783		35,391	35,391
Cash-Funded Capital Spending	382,350		191,175	191,175
SOURCES				
Use of Reserves	136,339	16,587	48,326	71,426
Interest on Investments	(3,000)	(365)	(1,063)	(1,572)
Interfund Loan	(482,000)		(241,000)	(241,000)
Property Tax	(94,422)	(23,606)	(56,653)	(14,163)
Other Revenues	(17,964)	(2,185)	(6,367)	(9,411)
Totals:	699,286	131,595	154,529	413,162

4.2 Water Rate Design

4.2.1 Rate Derivation

The rate for each component was derived by dividing the pertinent revenue requirement by the total units of that component. The rates were determined as follows:

- **Account Charge:** Total Customer Service revenue requirement / Total number of accounts.
- **Monthly Meter Charge:** Total Readiness-to-Serve revenue requirement / Total annual meter equivalents.
- **Treated Water Rate:** Total Source of Supply revenue requirement / Total projected annual potable water usage.

All proposed charges are designed to recover the proportional cost of service attributable to each parcel or customer class, in accordance with California Constitution Article XIII D, Section 6. Fixed service charges recover fixed costs, and the uniform volumetric rate recovers variable costs associated with delivering water. The following table displays the recalculated current rates.

Table 10 – Water Rate Derivation

	Customer Service	Readiness-to-Serve	Supply
Rate Revenue Requirement:	\$131,595	\$154,529	\$413,162
	18.82%	22.10%	59.08%
		Account Charge:	\$17.63
		3/4" Meter Charge:	<u>\$16.37</u>
		Total Fixed Charge:	\$34.00
		Treated Water (per ccf):	\$3.91

The fixed charge by meter size was determined by multiplying the meter charge derived for ¾" meter by the meter ratios for each meter size. Table 11 displays the calculated rates by meter size.

Table 11 – Reallocated Water Rate Calculation by Meter Size

Meter Size	Count	Meter Ratios	Annual Meter Ratio Equivalents	FY 2024/25 Meter Charge per Month
3/4" or less	496	1.00	496	\$34.00
1"	104	1.67	174	\$44.97
1.5"	8	3.33	27	\$72.15
2"	13	5.33	69	\$104.89
3"	-	11.67	-	\$208.68
4"	1	21.00	21	\$361.42
6"	-	43.33	-	\$726.98
			787	

The meter charges shown in the table are based on meter capacity ratios, which reflect the potential demand each meter size can place on the water system. Larger meters are capable of drawing more water at a higher rate, thereby requiring the system to maintain a higher state of operational readiness—such as larger infrastructure capacity, higher flow availability, and greater pressure support.

To equitably allocate fixed system costs, the American Water Works Association (AWWA) recommends using meter capacity ratios based on each meter size's maximum flow capacity relative to a standard 5/8" or 3/4" meter. These ratios, shown under the "Meter Ratios" column, are consistent with AWWA Manual M1 standards and widely adopted utility cost-of-service methodologies.

4.2.2 Drought Rates

The proposed rates eliminate the previous drought surcharge structure in favor of a simplified, uniform rate that applies under all supply conditions. This change improves transparency and rate predictability for customers. Projected water usage is based on 2024 consumption data, which reflects relatively low customer demand during a wetter-than-average year, providing a conservative foundation for revenue projections. If actual usage were to fall significantly below these projections, the District may need to reevaluate rates in the future to ensure adequate revenue recovery.

4.3 Proposed Water Rates

The table below shows a 5-year schedule of proposed water rates. The "Reallocated" column displays the rates derived in the previous section. The FY 2025/26 rate is calculated by applying the overall rate revenue requirement increase found in Table 7 to the reallocated rates. Rates for the subsequent four years are determined by applying the annual increase percentage from Table 7 to the prior year's rates.

Rate increases are scheduled to become effective on July 1 at the beginning of each fiscal year, apart from this year's rate increase effective on October 1, 2025.

Table 12 – Proposed Water Rates

	Current	Reallocated	<i>Proposed</i>				
			FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Monthly Service Charges							
Meter Size							
3/4" or less	\$34.17	\$34.00	\$37.40	\$41.14	\$45.26	\$49.78	\$54.76
1"	45.09	44.97	49.47	54.41	59.85	65.84	72.42
1.5"	72.41	72.15	79.36	87.30	96.03	105.63	116.19
2"	105.21	104.89	115.38	126.91	139.60	153.57	168.92
3"	209.01	208.68	229.55	252.50	277.75	305.53	336.08
4"	361.99	361.42	397.56	437.32	481.05	529.15	582.07
6"	728.03	726.98	799.68	879.64	967.61	1,064.37	1,170.81
Commodity Charges (per ccf)							
Usage	\$3.90	\$3.91	\$4.30	\$4.73	\$5.21	\$5.73	\$6.30

4.4 Water Bill Impacts

Table 13 presents the monthly bill impacts for residential customers under existing rates and the proposed rates.

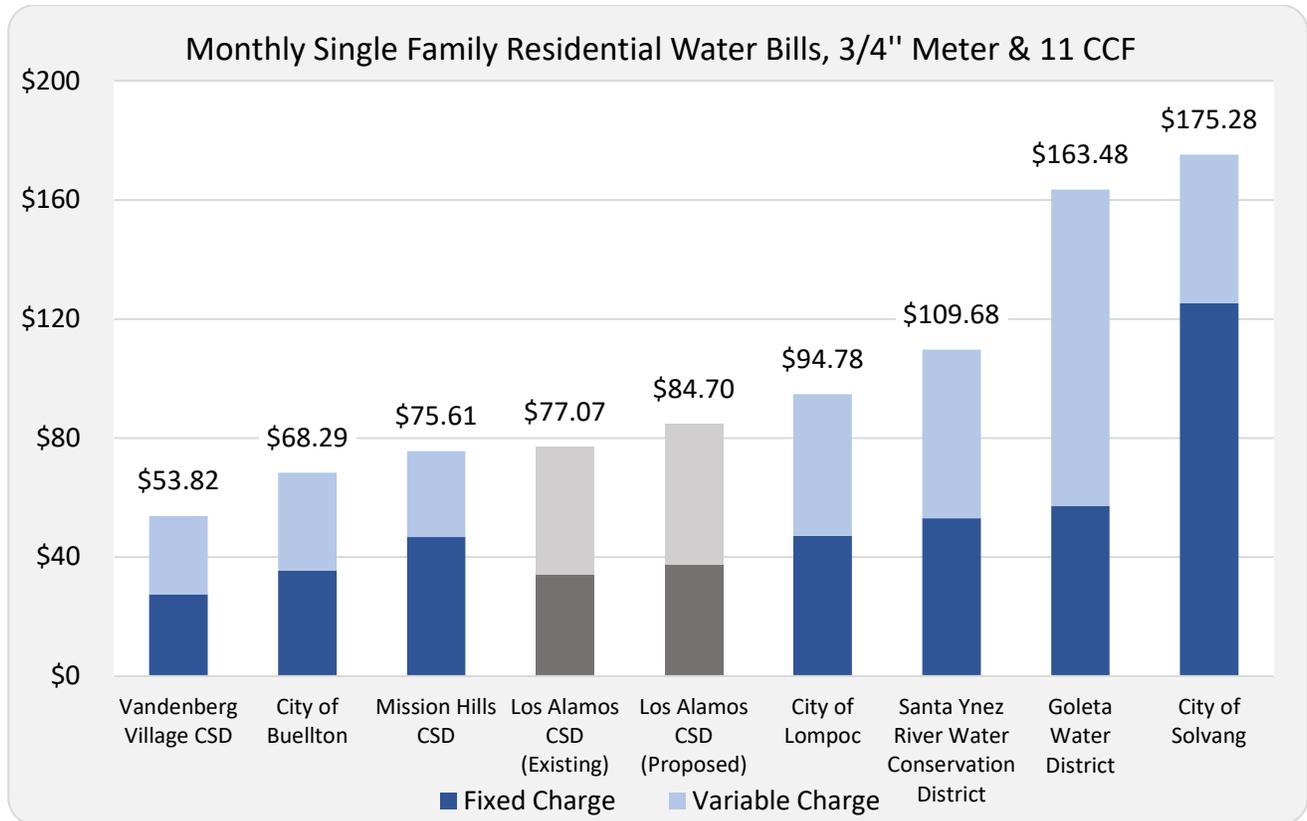
Table 13 – Residential Monthly Water Bill Impacts

Monthly Bill Impacts	Current	<i>Proposed</i>				
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Monthly Residential (\$/month)						
Residential (3/4" Meter, 11 ccf)	\$77.07	\$84.70	\$93.17	\$102.57	\$112.81	\$124.06
\$ Increase		7.63	8.47	9.40	10.24	11.25
% Increase		9.9%	10.0%	10.1%	10.0%	10.0%

4.5 Water Rate Survey

Figure 2 shows a regional survey of monthly water service charges for a typical single family home. The table shows both the District’s current rate as well as the proposed sewer rate effective October 1, 2025. With the proposed rate increases, the District rates are projected to remain in the middle range compared to other regional agencies.

Figure 2 – Single Family Monthly Water Rate Survey



5 SEWER FINANCES & CASH FLOW PROJECTIONS

5.1 Sewer Accounts and Use

The following table shows current and projected customer counts by customer class and water use. The District is projecting adding 59 new connections to its customer base by the end of 2025 for the residential development of Village Square.

Table 14 – Sewer Accounts with Existing and Projected Use

	2024	2025	2026	2027	2028	2029
Fixed (Accounts)						
Single Family	482	541	541	541	541	541
Multi-Family	218	218	218	218	218	218
Non-Residential	41	41	41	41	41	41
	741	800	800	800	800	800
Variable (hundred cubic feet)						
Non-Residential Usage	10,052	10,052	10,052	10,052	10,052	10,052

5.2 Revenue Under Existing Rates

Table 15 calculates the annual revenue under existing rates for the current fiscal year. This table was developed to check and validate the revenue assumptions used in the rate study.

Table 15 – Sewer Revenue Estimate

	Estimated FY 2024/25 Revenue
Fixed	
Single Family	\$405,132
Multi-Family	160,282
Non-Residential	21,340
Total Fixed Revenue:	586,755
Estimated FY 2024/25 Revenue	
Variable	
Usage	\$34,881
Total Revenue:	621,636

5.3 Financial Challenges / Key Drivers of Rate Increases

Going forward, the District’s sewer enterprise is facing several continuing financial challenges that will require the District to raise rates over the next five years. Key challenges and drivers of future rate increases are summarized as follows.

5.3.1 Capital Improvements and Replacement of Aging Infrastructure

The District’s wastewater treatment plant and lift stations are aging and in need of improvements. To address high-priority sewer system infrastructure needs, the District anticipates funding approximately \$812,000 of capital improvement projects over the next five years to address current deficiencies and support safe and reliable service as shown on the following table.

Table 16 – 10-Year Sewer Capital Improvement Program

Project Description	5-Year Projection						Extended Projection				
	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32	FY 2032/33	FY 2033/34	FY 2034/35
SCADA Upgrade @ WWTPPlant	\$25,000										
2024/2025 Water/Sewer Rate Study	25,000										
Bell Street Lift Station Rehabilitation	105,000										
Bell Street Lift Station SCADA Alarm System		21,000									
Wastewater Treatment Plant Upgrade					62,500	62,500	62,500	62,500	62,500	62,500	62,500
Bell Street Lift Station Lining		150,000									
Vacuum Trailer-Truck								180,000			
Short Term WWTP Improvements		416,000									
Wastewater Effluent TDS Reduction						50,000					
Wastewater Effluent TDS Reduction							50,000				
Total	155,000	587,000	-	-	62,500	112,500	112,500	242,500	62,500	62,500	62,500
CIP (Inflated Dollars)	\$155,000	\$607,545	-	-	\$71,720	\$133,615	\$138,291	\$308,528	\$82,301	\$85,181	\$88,162
Total (Inflated Dollars)	155,000	607,545	-	-	71,720	133,615	138,291	308,528	82,301	85,181	88,162
Source:					5-Year Total:	812,880					

5.3.2 Ongoing Operating Cost Inflation

The District faces annual cost inflation due to annual increases in a range of expenses including sewage collection, sewage treatment, engineering, and administration, etc. On top of rate increases needed for capital improvements, annual rate increases are needed to keep revenues aligned with cost inflation and prevent rates from falling behind the cost of providing service. Wastewater cost inflation has historically been higher than the Consumer Price Index (CPI) for consumer goods and services. In recent years, inflation has reached forty-year highs with the CPI and Engineering News Record Construction Cost Index (ENR CCI) exceeding 7% in 2022. However, since hitting a peak in 2022, inflation has trended downwards back toward historical norms. For financial planning purposes, the rate study accounts for 3.5% annual cost escalation for operating and maintenance expenses and 3.5% annual capital cost escalation, in line with the average annual CIP and ENR Construction Cost Index increases over the past 15 years.

5.4 Sewer Enterprise Financial Projections

BWA developed 10-year sewer enterprise cash flow projections to identify future funding needs and evaluate sewer rate increases. Table 17 on the following page shows the 10-year sewer enterprise cash flow projections. The projections incorporate the latest information available as well as several reasonable and slightly conservative assumptions. Key assumptions include:

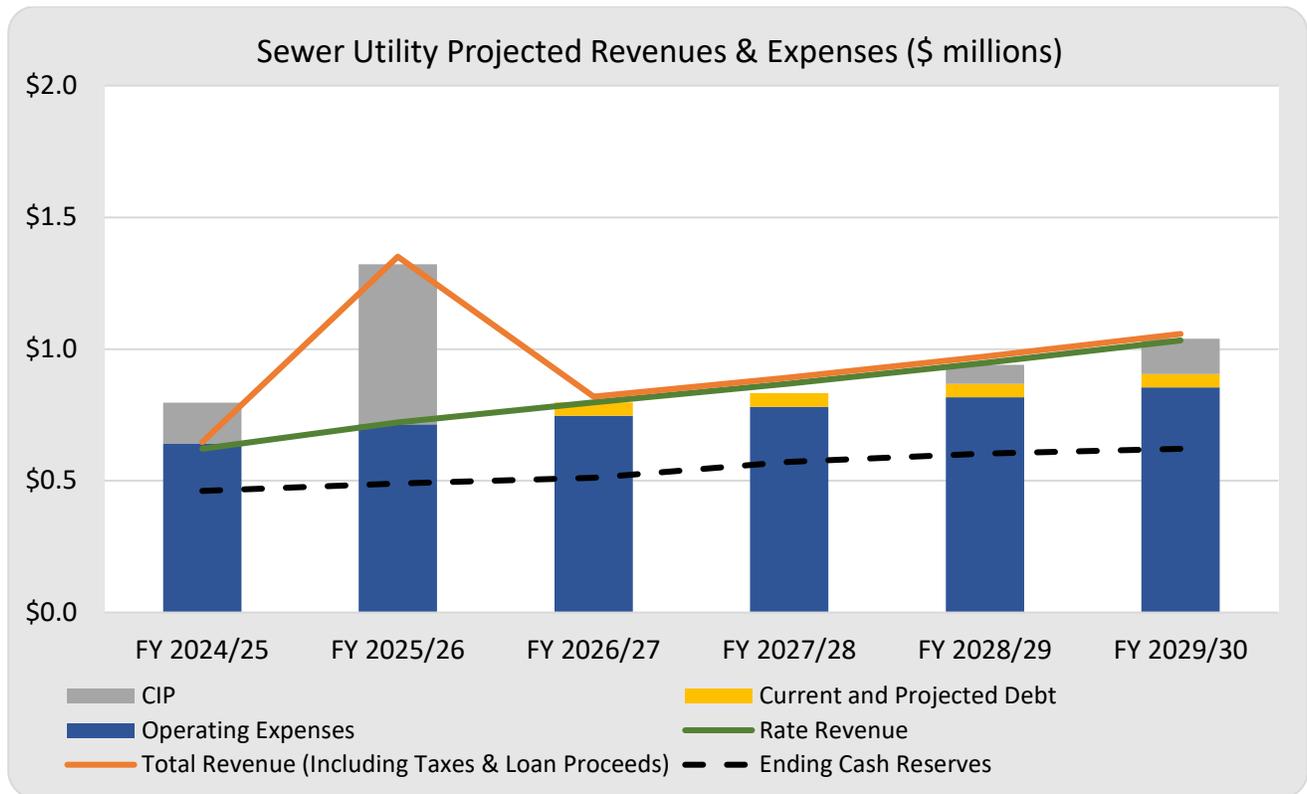
- Operating and maintenance costs are based on the 2024/25 budget and escalate at the annual rate of 3.5% to account for future cost inflation, in line with historical cost escalation. A one-time adjustment of 15% is applied to salaries and benefits in FY 2025/26, followed by annual increases of 5% thereafter. This adjustment is informed by the 2023 Salary and Benefit Study conducted for Vandenberg Village Community Services District. The study indicates that Los Alamos CSD may require compensation adjustments ranging from 15% to 58% to remain competitive with market compensation levels.
- The District is projected to experience growth of 59 units from new development by the end of 2025.
- Billed sewer use is expected to remain unchanged.
- Capital improvement costs are based on the District's latest 5-Year Capital Improvement Program with projected capital costs in subsequent years ranging from over \$71,000 to \$607,000 a year with 3.5% annual cost escalation.
- To mitigate the necessity for significant rate increases, the financial projections assume the District will secure a loan for one year of capital in FY 2025/26 at a 5.5% interest rate and 20-year repayment period.
- For financial planning purposes, the financial projections assume a minimum fund reserve target equal to 25% of annual operating and maintenance costs and the estimated annual asset replacement cost – escalated by 3% annually. Maintaining a prudent minimal level of fund reserves provides a financial cushion for dealing with unanticipated expenses, revenue shortfalls, as well as non-catastrophic and catastrophic emergency capital repairs. The fund reserve target will escalate over time as the District's expenses and infrastructure gradually increase.

Table 17 – 10-Year Sewer Cash Flow Projections

Wastewater Cash Flow	Current	5-Year Projection					Extended Projection				
	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32	FY 2032/33	FY 2033/34	FY 2034/35
Beginning Unrestricted Fund Balance	\$610,977	\$461,506	\$490,142	\$511,800	\$571,513	\$603,187	\$621,457	\$694,532	\$620,016	\$792,920	\$990,681
% Rate Revenue Increase		9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	5.00%	5.00%	5.00%	5.00%
SFR Growth - %		12.25%	0.00%	0.00%	0.00%	0.00%	0.50%	0.50%	0.50%	0.50%	0.50%
REVENUES											
Rate Revenue											
Sewer Service Charges	621,636	721,524	797,435	869,204	947,433	1,032,701	1,130,980	1,193,160	1,258,759	1,327,967	1,400,982
Total Rate Revenues	621,636	721,524	797,435	869,204	947,433	1,032,701	1,130,980	1,193,160	1,258,759	1,327,967	1,400,982
Non Rate Revenue											
Interest on Investments (est 2%)	5,000	9,230	9,803	10,236	11,430	12,064	12,429	13,891	12,400	15,858	19,814
Bank Loan	-	607,545	-	-	-	-	-	-	-	-	-
Property Tax - General	12,442	12,442	12,442	12,442	12,442	12,442	12,442	12,442	12,442	12,442	12,442
Late Fees	7,800	-	-	-	-	-	-	-	-	-	-
Total Non Rate Revenues	25,242	629,217	22,245	22,678	23,873	24,506	24,871	26,333	24,843	28,301	32,256
Total Revenues	646,879	1,350,741	819,680	891,882	971,305	1,057,207	1,155,852	1,219,493	1,283,602	1,356,268	1,433,238
EXPENSES											
Operating Expenses											
Salaries & Benefits	441,415	507,627	533,008	559,659	587,642	617,024	647,875	680,269	714,282	749,996	787,496
Maintenance	17,500	18,113	18,746	19,403	20,082	20,785	21,512	22,265	23,044	23,851	24,685
Utilities	41,000	42,435	43,920	45,457	47,048	48,695	50,399	52,163	53,989	55,879	57,835
Supplies & Services	124,935	129,308	133,833	138,518	143,366	148,384	153,577	158,952	164,516	170,274	176,233
Vehicles	16,500	17,078	17,675	18,294	18,934	19,597	20,283	20,993	21,727	22,488	23,275
Total Operating Expenses	641,350	714,560	747,184	781,330	817,072	854,484	893,646	934,642	977,558	1,022,487	1,069,524
Other Expenses											
Projected Loan Debt Service (5.5%, 20 Yrs)	-	-	50,839	50,839	50,839	50,839	50,839	50,839	50,839	50,839	50,839
CIP	155,000	607,545	-	-	71,720	133,615	138,291	308,528	82,301	85,181	88,162
Total Capital Expenses	155,000	607,545	50,839	50,839	122,559	184,454	189,130	359,367	133,140	136,020	139,001
Total Expenses	796,350	1,322,105	798,023	832,169	939,631	1,038,938	1,082,776	1,294,009	1,110,698	1,158,507	1,208,526
Revenues Less Expenses	(149,471)	28,637	21,657	59,713	31,674	18,270	73,075	(74,516)	172,904	197,760	224,712
Ending Fund Balance	461,506	490,142	511,800	571,513	603,187	621,457	694,532	620,016	792,920	990,681	1,215,393
Fund Reserve Target: 25% O&M + R&R Target	453,049	480,133	497,333	515,186	533,717	552,954	572,924	593,658	615,188	637,544	660,761
Target Met	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Debt Service Coverage	-	-	1.43	2.17	3.03	3.99	5.16	5.60	6.02	6.57	7.15
Target Met	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

The following chart shows a 5-year projection of sewer enterprise revenues and expenses. The proposed rate increases are designed to put the District on a long-term path toward supporting balanced budgets while providing adequate funding for operations, maintenance, and ongoing rehabilitation and replacement of aging sewer system infrastructure to support safe and reliable service.

Figure 3 – Sewer Utility Projected Revenues & Expenses



6 SEWER RATE ANALYSIS

6.1 Functional Cost Components

BWA derived updated sewer rates that account for both a) the overall rate increases identified in the financial projections, and b) proposed rate structure modifications. The proposed rates are designed to equitably apportion and recover costs from the District’s customer base based on a cost-of-service methodology.

The first step in the cost-of-service analysis is to assign sewer system costs in each allocation category for revenue recovery via the functional cost components of flow, BOD (biochemical oxygen demand), and TSS (total suspended solids). This process is intended to proportionately allocate costs to each functional component to determine the revenue requirement for each component.

- **Account Charge** reflects costs related to billing customers and handling account specific issues.
- **Flow** reflects costs associated with the volume of wastewater collected and treated.
- **BOD** reflects costs associated with treating BOD.
- **TSS** reflects costs associated with treating TSS.

The tables below show a breakdown of the sewer utility’s expenses, how they are allocated between the cost components, and the revenue requirement for each cost component. The cost allocation uses FY 2024/25 as the sample year for operating and capital expenses.

Table 18 – Sewer Cost Allocation

Budget Line Items	FY 2024/25 Budget	Account Charge	Flow	BOD	TSS
CITY OPERATING COSTS					
Salaries & Benefits	\$441,415	85%	5%	5%	5%
Maintenance	17,500		80%	10%	10%
Utilities	41,000		80%	10%	10%
Supplies & Services	124,935	85%	5%	5%	5%
Vehicles	16,500	70%	10%	10%	10%
NON-OPERATING COSTS					
Cash-Funded Capital Spending	155,000		80%	10%	10%
SOURCES					
Use of Reserves	(149,471)	62%	25%	6%	6%
Interest on Investments	(5,000)	62%	25%	6%	6%
Property Tax	(12,442)		70%	15%	15%
Other Revenues	(7,800)	62%	25%	6%	6%
Totals:	621,636				

Table 19 – Sewer Cost Allocation Revenue Requirement

Budget Line Items	FY 2024/25 Budget	Account Charge	Flow	BOD	TSS
CITY OPERATING COSTS					
Salaries & Benefits	\$441,415	\$375,203	\$22,071	\$22,071	\$22,071
Maintenance	17,500		14,000	1,750	1,750
Utilities	41,000		32,800	4,100	4,100
Supplies & Services	124,935	106,195	6,247	6,247	6,247
Vehicles	16,500	11,550	1,650	1,650	1,650
NON-OPERATING COSTS					
Cash-Funded Capital Spending	155,000		124,000	15,500	15,500
SOURCES					
Use of Reserves	(149,471)	(92,524)	(37,683)	(9,632)	(9,632)
Interest on Investments	(5,000)	(3,095)	(1,261)	(322)	(322)
Property Tax	(12,442)		(8,710)	(1,866)	(1,866)
Other Revenues	(7,800)	(4,828)	(1,966)	(503)	(503)
Totals:	621,636	392,500	151,148	38,994	38,994

6.2 Units of Service

The following table estimates the flows and loadings of each customer class based on analysis of FY 2023/24 water consumption data and wastewater strength assignments for each customer class.

- Single family residences are estimated to have a flow of 180 gallons per day (gpd), while multi family residences are estimated to have a flow of 120 gpd.
- Commercial wastewater flows are estimated based on FY 2023/24 water use.
- Wastewater strength assignments for customer classes are based on estimates established in the previous wastewater rate study.

The resulting flow and strength projections provide the basis for allocating costs and deriving equitable wastewater rates for each customer class by determining the percent of revenue requirement allocated to each class.

Table 20 – Units of Service

	Projected Units	Percentage	Projected Revenue Requirement
Total			
Units	741	100%	\$392,500
Flow (ccf)	65,124	100%	151,148
BOD (lbs)	135,620	100%	38,994
TSS (lbs)	110,477	100%	38,994
Residential			
Units	700	94%	370,901
Flow (ccf)	55,072	85%	127,817
BOD (lbs)	116,225	86%	33,418
TSS (lbs)	93,530	85%	33,013
Non-Residential			
Units	41	6%	21,599
Flow (ccf)	10,052	15%	23,330
BOD (lbs)	19,394	14%	5,576
TSS (lbs)	16,947	15%	5,982

6.3 Sewer Rate Design

To derive the rate for each customer class, the applicable revenue requirement was divided by the total fixed units for that customer class. For residential customers, the variable portion of the revenue requirement was divided by the total projected residential flow to derive a variable unit rate. The unit rate was then multiplied by the projected monthly water consumption for each residential class to determine a monthly fixed rate to account for their flow. The fixed and variable components were then combined to determine the total monthly sewer service rate for each residential class. For commercial users, their commodity rate was calculated by dividing the variable revenue requirement by their projected flow for the year. The table below displays the process described above.

Table 21 – Sewer Rate Derivation

	FY 2024/25 Revenue Requirement	Total Units	Reallocated FY 2024/25 Rate
Residential			
Fixed Portion	370,901	700	\$44.17
Variable Portion	194,248	55,072	\$3.53
Single Family (ccf)		7.32	\$25.81
Multi Family (ccf)		4.88	\$17.21
Single Family Rate			\$69.98
Multi Family Rate			\$61.38
Non-Residential			
Fixed Portion	21,599	41	\$44.17
Variable Portion	34,888	10,052	\$3.47

6.4 Proposed Sewer Rates

Table 22 shows a 5-year schedule of proposed sewer rates. The “Reallocated” column displays the rates derived in the previous section. The FY 2025/26 rate is calculated by applying the overall rate revenue requirement increase found in Table 7 to the reallocated rates. Rates for the subsequent four years are determined by applying the annual increase percentage from Table 7 to the prior year's rates.

Rate increases are scheduled to become effective on July 1 at the beginning of each fiscal year, excluding this year’s rate increase effective on October 1, 2025.

Table 22 – Proposed Sewer Rates

	Current	Reallocated	<i>Proposed</i>				
			FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Monthly Service Charges							
Single Family	\$70.08	\$69.98	\$76.28	\$83.15	\$90.63	\$98.79	\$107.68
Multi-Family	61.27	61.38	66.90	72.93	79.49	86.64	94.44
Non-Residential	43.64	44.17	48.15	52.48	57.20	62.35	67.96
One Dwelling Unit Equivalent	70.08	69.98	76.28	83.15	90.63	98.79	107.68
Non-Residential Commodity Charges (per ccf)							
Usage	\$3.47	\$3.47	\$3.78	\$4.12	\$4.49	\$4.90	\$5.34

6.5 Sewer Bill Impacts

Table 23 presents the monthly bill impacts for residential customers under existing rates and the proposed rates.

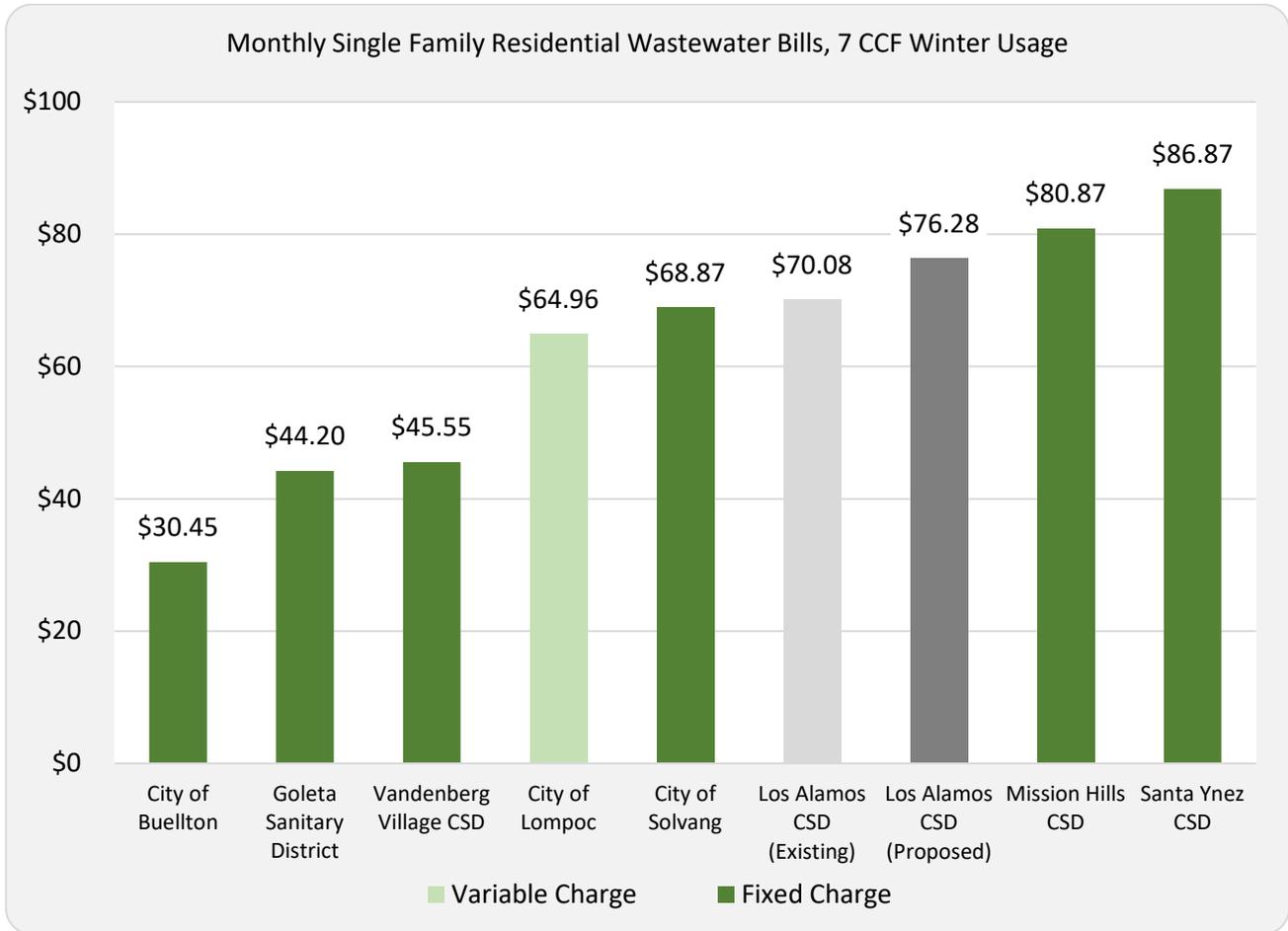
Table 23 – Residential Monthly Sewer Bill Impacts

Monthly Bill Impacts	Current	Proposed				
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Monthly Residential (\$/month)						
Single Family	\$70.08	\$76.28	\$83.15	\$90.63	\$98.79	\$107.68
<i>\$ Increase</i>		6.20	6.87	7.48	8.16	8.89
<i>% Increase</i>		8.8%	9.0%	9.0%	9.0%	9.0%
Multi-Family	\$61.27	\$66.90	\$72.93	\$79.49	\$86.64	\$94.44
<i>\$ Increase</i>		5.63	6.03	6.56	7.15	7.80
<i>% Increase</i>		9.2%	9.0%	9.0%	9.0%	9.0%

6.6 Sewer Rate Survey

Figure 4 shows a regional survey of monthly sewer service charges for a typical single family home. The table shows both the District’s current rate as well as the proposed sewer rate effective October 1, 2025.

Figure 4 – Single Family Monthly Sewer Rate Survey



7 CONCLUSION AND RECOMMENDATIONS

7.1 Conclusion

This rate study report presents a comprehensive review of the District’s water and sewer revenue requirements and rates. Financial projections indicate the need for annual water and sewer rate increases to keep up with cost inflation and support funding for the District’s capital improvement program while maintaining prudent levels of fund reserves. While the water and sewer enterprises are projected to experience temporary budget deficits while rate increases are being phased in, the proposed rates are designed to ultimately support balanced budgets and an adequate ongoing funding stream to enable the District to address future fundings needs of aging infrastructure.

7.2 Recommendations

BWA recommends that the District adopt the rates shown in this report to fund its operating and capital needs. BWA also recommends that the District review and update its water and sewer rate studies every five years and/or concurrent with Master Plan Updates or other major changes to operating and/or capital expenses.