



Water and Sewer Rate Study for the Fresno County Service Area 44D (Monte Verdi)

**FINAL REPORT
April 2025**



LECHOWICZ + TSENG
MUNICIPAL CONSULTANTS

909 Marina Village Parkway #135
Alameda, CA 94501
(510) 545-3182
www.LTmuniconsultants.com

TABLE OF CONTENTS

SECTION 1:	INTRODUCTION AND EXECUTIVE SUMMARY	1
1.1	Background	1
1.2	Requirements of Proposition 218	2
1.3	Rate Study Process	3
1.4	Proposed Rates	4
SECTION 2:	CUSTOMER BASE AND CURRENT RATE REVENUES	7
2.1	Current Rates	7
2.2	Current Rate Revenues	8
2.3	Typical Utility Bills	10
SECTION 3:	WATER COST OF SERVICE	11
3.1	Revenues	11
3.2	Expenses	12
3.3	Water Cash Flow	13
SECTION 4:	WATER COST ALLOCATION	15
4.1	Methodology	15
4.2	Estimated Water Usage of the Irrigation System	15
4.3	Proposed Cost Allocation	18
SECTION 5:	WATER RATE DESIGN	20
5.1	Rate Calculation	20
5.2	Proposed Monthly Water Rates	21
5.3	Residential Water Bill Impacts	22
5.4	Irrigation Bill Impacts	24
SECTION 6:	SEWER COST OF SERVICE	25
6.1	Revenues	25
6.2	Expenses	26
6.3	Cash Flow	26
SECTION 7:	PROPOSED SEWER RATES & COMBINED BILLS	28
7.1	Proposed Sewer Rates	28
7.2	Combined Water and Sewer Monthly Utility Bills	28

LIST OF TABLES

Table 1: Current and Proposed Monthly Rates.....	5
Table 2: Current and Proposed Typical Monthly Bill	6
Table 3: Current Monthly Water and Sewer Rates.....	7
Table 4: Historical Water Rate Revenues.....	9
Table 5: Typical Monthly Utility Bills Under Current Rates.....	10
Table 6: Proposed Water Rate Revenue	12
Table 7: Projected Water System Operating Expenditures	12
Table 8: Water Cash Flow Projection.....	14
Table 9: Estimated Well Water Usage for Irrigation (AF)	17
Table 10: Water System Operating Cost Allocation.....	19
Table 11: Water Rate Calculation	20
Table 12: Proposed Monthly Water Rates.....	21
Table 13: Water Bill Impacts	23
Table 14: Irrigation Water Bills Under Current and Proposed Rates.....	24
Table 15: Proposed Sewer Rate Revenue	25
Table 16: Projected Sewer System Operating Expenditures	26
Table 17: Sewer Cash Flow Projection	27
Table 18: Proposed Monthly Sewer Rates.....	28
Table 19: Proposed Monthly Utility Bills.....	29

SECTION 1: INTRODUCTION AND EXECUTIVE SUMMARY

1.1 Background

The Fresno County Service Area 44 Zone D (CSA 44D) was established in 1999 to provide water and sewer service for the Monte Verdi Estates Subdivision. Water service is provided to two classes of customers consisting of 1) 125 single family residential homes and 2) an irrigation system serving common areas. The irrigation system is managed by the subdivision's Homeowner's Association (HOA) and takes recycled water service in addition to raw water service from CSA 44D's well. Recycled water delivery began in August 2023 and is provided at no cost. It is assumed that as more recycled water is available, the HOA will shift a greater portion of its usage from well water to recycled water. CSA 44D also provides sewer service to Monte Verdi Estates' residents.

The current rate structure was adopted pursuant to Proposition 218 requirements on November 5, 2013, with monthly service fees having become effective on January 1, 2014. The most recent rate increase was July 1, 2018. CSA 44D's residential rate structure consists of a base fee which includes the first 25,000 gallons of monthly water use. Use above the first 25,000 gallons is billed based on a tiered water rate structure charged to each 1,000 gallons. The irrigation system is charged a fixed monthly water rate of \$769.21 regardless of consumption or water source (well water or recycled water). In addition, residential customers pay a monthly sewer rate of \$165.58 and an annual sewer assessment of \$1,492 per parcel. The assessment funds debt service costs for wastewater facility improvements. This rate study recommends changes to the water and sewer monthly rates. The sewer assessment is proposed to remain the same.

In recent years, CSA 44D has spent down its existing reserves and is not collecting sufficient revenue to fund annual expenses. One goal of this study is to determine a rate plan to cover CSA 44D's cost of service for the next five years. The cost of service includes operations, maintenance, and the accumulation of reserves. A second goal of this rate study is to revise the rate structure to recover costs more fairly from customers. The proposed rate structure redefines CSA 44D's water usage rates and, if adopted, would bill customers for each 1,000 gallons of consumption. The irrigation water charges are proposed to include a base fee plus a raw water usage rate for well water consumption. The irrigation water rates are proportional to the rates charged to residential customers but exclude the cost of treatment. Recycled water is proposed to be offered for irrigation at no cost. It is proposed that the residential sewer rate continue to be billed as a fixed monthly fee but at a higher amount to reflect the cost of providing service.

1.2 Requirements of Proposition 218

The implementation of public agency utility rates in California is governed by the substantive and procedural requirements of Proposition 218 the “Right to Vote on Taxes Act” which is codified as Articles XIII C and XIII D of the California Constitution. CSA 44D must follow the procedural requirements of Proposition 218 for all utility rate increases. These requirements include:

1. **Noticing Requirement** – CSA 44D must mail a notice of the proposed rate increases to all affected property owners or ratepayers. The notice must specify the amount of the fees, the basis upon which they were calculated, the reason for the fees, and the date/time/location of a public rate hearing at which the proposed rates will be considered/adopted.
2. **Public Hearing** – CSA 44D must hold a public hearing prior to adopting the proposed rate increases. The public hearing must be held not less than 45 days after the required notices are mailed.
3. **Rate Increases Subject to Majority Protest** – At the public hearing, the proposed rate increases are subject to majority protest. If more than 50% of affected property owners or ratepayers submit written protests against the proposed rate increases, the increases cannot be adopted.

Proposition 218 also established substantive requirements that apply to water and sewer rates and charges, including:

1. **Cost of Service** – Revenues derived from the fee or charge cannot exceed the funds required to provide the service. In essence, fees cannot exceed the “cost of service”.
2. **Intended Purpose** – Revenues derived from the fee or charge can only be used for the purpose for which the fee was imposed.
3. **Proportional Cost Recovery** – The amount of the fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of service attributable to that parcel.
4. **Availability of Service** – No fee or charge may be imposed for a service unless that service is used by, or immediately available to, the owner of the property.
5. **General Government Services** – No fee or charge may be imposed for general governmental services where the service is available to the public at large.

Charges for water and sewer service are exempt from additional voting requirements of Proposition 218, provided the charges do not exceed the cost of providing service and are adopted pursuant to the procedural requirements of Proposition 218.

1.3 Rate Study Process

A summary of the rate study process is provided in Figure 1

Figure 1: Rate Study Process



The following is a brief description of the rate study process:

- **Revenue Requirement** – Revenue requirements are analyzed via a cash flow projection based on the best information currently available such as historical operating results, budgets, audits, and input from County staff. The cash flow serves as a roadmap for funding future operating costs and capital expenditures while maintaining long-term fiscal stability, all of which is calculated in this study to produce rates that will be necessary to recover only the actual cost of the water and sewer service per parcel under these proposed water and sewer rates.
- **Cost of Service Allocation** - The cost of service process builds on the revenue requirement analysis and assigns water costs to functional cost components: *metering and customer service*, *base demand*, and *extra demand*. Sewer costs are allocated based on the sewage flow and pollutant strength of a typical single family dwelling.
- **Rate Design** - Rate design involves developing a rate structure that fairly recovers costs from customers but does not exceed the proportional cost of the service attributable to the parcel. Final rate recommendations are designed to fund CSA 44D's short- and long-term costs of providing service and fairly allocate costs to all customers.

The rates developed in this report are based on the best available information gathered from budgets, audits, and input from staff. The cost allocations proposed herein are based on American Water Works Association methodologies and industry standard practice. The proposed rates are based on the reasonable cost of providing service and do not exceed the proportional cost of the service attributable to each parcel.

1.4 Proposed Rates

Current and proposed rates are provided in Table 1 on the following page. It is proposed that the new rates go into effect July 1, 2025. Further rate increases of 3% annually are proposed to go into effect July 1 of 2026, 2027, 2028, and 2029. It is proposed that the base water charge decrease and no longer include the first 25,000 gallons of water consumption. All residential usage is proposed to be charged a usage rate per 1,000 gallons.

The current, all-inclusive irrigation rate of \$769.21 is proposed to be eliminated. Instead, the irrigation customer will pay the same base fee as residential customers plus a usage rate for all well water consumed. Recycled water will be provided at no additional charge.

The sewer rates are proposed to increase on the same schedule as the proposed water rates and will continue to be billed as a fixed charge. The existing sewer annual assessment is not proposed to change. Based on the analysis in this report, the water and sewer service rates do not exceed the proportional cost of the service attributable to each parcel.

Table 1: Current and Proposed Monthly Rates

Fee Description	Current	Projected: Proposition 218					
		Fee Description	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
			July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029
Residential Base Fee	\$81.04	Residential Base Fee	\$58.26	\$60.03	\$61.83	\$63.71	\$65.62
<u>Overuse Rate</u>	<u>Charge per 1,000 gal</u>	<u>Usage Rate</u>			<u>Charge per 1,000 gal</u>		
0 - 25,000 gallons	\$0.00	All usage	\$1.65	\$1.70	\$1.75	\$1.81	\$1.86
25,001 - 35,000 gals	\$0.58						
35,001 - 45,000 gals	\$0.70						
Above 45,001 gals	\$0.80						
<u>Irrigation Fees</u>		<u>Irrigation Water</u>					
Base Fee	\$769.21	Base Fee	\$58.26	\$60.03	\$61.83	\$63.71	\$65.62
Irrigation Usage Rate	NA	Well Water Untreated Usage Rate (charge per 1,000 gal) [1]	\$1.53	\$1.58	\$1.63	\$1.68	\$1.73
<u>Residential Sewer Service</u>	\$165.58	<u>Residential Sewer Service</u>	\$283.47	\$291.91	\$300.66	\$309.72	\$319.03

FY – fiscal year

1 – Recycled water will be provided at no charge

Table 2 provides the current and proposed combined monthly water and sewer bill of a typical customer using 38,000 gallons (average monthly water use). Under the proposed rates, the average bill will increase by about \$149.91 which is about 59%.

Table 2: Current and Proposed Typical Monthly Bill

AVERAGE MONTHLY BILL (38,000 gallons)

Fee Description	Current		# of Units	Total Charges	Fee Description	Current		# of Units	Total Charges	
<u>Base Fee</u>	\$81.04	X	1	\$81.04	<u>Base Fee</u>	\$58.26	X	1	\$58.26	
	<u>\$/1,000</u>					<u>\$/1,000</u>				
<u>Overuse Rate</u>	<u>gal</u>				<u>Usage Rate</u>	<u>gal</u>				
0 - 25,000 gal	\$0.00	X	25	\$0.00	All Usage	\$1.65	X	38	\$62.70	
25,001 - 35,000 gal	\$0.58	X	10	\$5.80						
35,001 - 45,000 gal	\$0.70	X	3	\$2.10						
Above 45,001 gal	\$0.80	X	<u>0</u>	<u>\$0.00</u>						
			38	\$7.90						
<u>Residential Sewer Service</u>				\$165.58	<u>Residential Sewer Service</u>				\$283.47	
Total Monthly Bill				\$254.52	Total Monthly Bill				\$404.43	Increase \$149.91 59%

SECTION 2: CUSTOMER BASE AND CURRENT RATE REVENUES

2.1 Current Rates

CSA 44D's current water and sewer rates are provided in Table 3. The current rate structure was adopted pursuant to Proposition 218 requirements on November 5, 2013, with monthly service fees having become effective on January 1, 2014. The most recent rate adjustment (which is still in effect) occurred on July 1, 2018. CSA 44D's rate structure consists of a base fee which includes the first 25,000 gallons of monthly water use. Use above the first 25,000 gallons is billed based on a tiered water rate structure charged to each 1,000 gallons. The irrigation system is charged a fixed monthly water rate of \$769.21 regardless of consumption or water source (well water or recycled water). In addition, residential customers pay a monthly sewer rate of \$165.58 and an annual sewer assessment of \$1,492 per parcel to fund debt service costs for wastewater facility improvements.

Table 3: Current Monthly Water and Sewer Rates

Fee Description	Effective Date [1]
	7/1/2018
<u>Residential Water Base Fee</u> Monthly Fee	<u>Charge per Dev. Parcel</u> \$81.04
<u>Overuse Rate [2]</u>	<u>Charge per 1,000 gal</u>
0 - 25,000 gallons	\$0.00
25,001 - 35,000 gallons	\$0.58
35,001 - 45,000 gallons	\$0.70
Above 45,001 gallons	\$0.80
<u>Irrigation Fees</u> Monthly Fee	<u>Charge per Common Lot</u> \$769.21
<u>Residential Sewer Service</u> Monthly Fee	<u>Charge per Dev. Parcel</u> \$165.58

Note: The annual sewer assessment of \$1,492 per parcel is not included in the table above and is not proposed to be adjusted in this study

1 - The most recent rate increase was July 1, 2018.

2 - The first 25,000 gallons of water use are included in the base fee.

2.2 Current Rate Revenues

CSA 44D currently serves 125 single family residential customers and an irrigation system serving common areas. Table 4 provides historic customer counts, water usage data, and annual water rate revenues. With 125 residential customers, current water rates generate about \$139,000 annually from single family residential customers. About 55% of residential water consumption occurs in the first tier of up to 25,000 gallons which is included in the base fee and about 45% of water consumption falls in the upper tiers. An additional \$9,200 annually is collected from the irrigation customer. Current water rate revenues from all customers total about \$148,000 annually. The current monthly sewer fee is \$165.58 and generates about \$248,400 in revenue annually.

Table 4: Historical Water Rate Revenues

Rate Description	Charge	2019/20			2020/21		
		# of Units	Annual Revenue	% of Revenue	# of Units	Annual Revenue	% of Revenue
<u>Base Fee</u>	<u>per month</u>	<u>accounts</u>			<u>accounts</u>		
All Customers	\$81.04	124	\$120,588	81.8%	124	\$120,588	80.7%
<u>Overuse Rate</u>	<u>per 1,000 gal</u>	<u>1,000 gal</u>			<u>1,000 gal</u>		
0 - 25,000 gallons	\$0.00	32,198	\$0	0.0%	32,277	\$0	0.0%
25,001 - 35,000 gallons	\$0.58	8,496	\$4,928	3.3%	8,938	\$5,184	3.5%
35,001 - 45,000 gallons	\$0.70	3,605	\$2,524	1.7%	3,895	\$2,727	1.8%
Above 45,001 gallons	\$0.80	<u>12,732</u>	<u>\$10,186</u>	<u>6.9%</u>	<u>14,596</u>	<u>\$11,677</u>	<u>7.8%</u>
Overuse Subtotal		57,031	\$17,637	12.0%	59,706	\$19,587	13.1%
<u>Irrigation Fees</u>	<u>per lot</u>	<u>lots</u>			<u>lots</u>		
Monthly Fee	\$769.21	1	\$9,231	6.3%	1	\$9,231	6.2%
Treated Water Rate Revenues			\$147,455	100%		\$149,405	100%
Rate Description	Charge	2021/22			2022/23		
		# of Units	Annual Revenue	% of Revenue	# of Units	Annual Revenue	% of Revenue
<u>Base Fee</u>	<u>per month</u>	<u>accounts</u>			<u>accounts</u>		
All Customers	\$81.04	125	\$121,560	81.3%	125	\$121,560	81.9%
<u>Overuse Rate</u>	<u>per 1,000 gal</u>	<u>1,000 gal</u>			<u>1,000 gal</u>		
0 - 25,000 gallons	\$0.00	30,682	\$0	0.0%	29,857	\$0	0.0%
25,001 - 35,000 gallons	\$0.58	8,287	\$4,806	3.2%	7,413	\$4,300	2.9%
35,001 - 45,000 gallons	\$0.70	3,549	\$2,484	1.7%	3,250	\$2,275	1.5%
Above 45,001 gallons	\$0.80	<u>14,226</u>	<u>\$11,381</u>	<u>7.6%</u>	<u>13,725</u>	<u>\$10,980</u>	<u>7.4%</u>
Overuse Subtotal		56,744	\$18,672	12.5%	54,245	\$17,555	11.8%
<u>Irrigation Fees</u>	<u>per lot</u>	<u>lots</u>			<u>lots</u>		
Monthly Fee	\$769.21	1	\$9,231	6.2%	1	\$9,231	6.2%
Treated Water Rate Revenues			\$149,462	100%		\$148,345	100%

2.3 Typical Utility Bills

Table 5 provides example monthly utility bills under current rates. Average monthly use is 38,000 gallons which results in a bill of \$254.52. Typical winter usage is 11,000 gallons per month which is fully included in the water base fee of \$81.04. The total combined water and sewer winter bill is \$246.62. Although average usage is more than triple the winter usage, the average bill is only \$7.90 more than the winter bill. CSA 44D's current rate structure results in very little difference in price between low and average water usage because such a large amount of usage (25,000 gallons) is included in the base fee. Typical summer usage is 67,000 gallons and results in a bill of \$277.02.

Table 5: Typical Monthly Utility Bills Under Current Rates

AVERAGE MONTHLY BILL (38,000 gallons)					TYPICAL WINTER MONTHLY BILL (11,000 gallons)				
Fee Description	Current		# of Units	Total Charges	Fee Description	Current		# of Units	Total Charges
<u>Base Fee</u>	\$81.04	X	1	\$81.04	<u>Base Fee</u>	\$81.04	X	1	\$81.04
<u>Overuse Rate</u>	<u>\$/1,000 gal</u>				<u>Overuse Rate</u>	<u>\$/1,000 gal</u>			
0 - 25,000 gal	\$0.00	X	25	\$0.00	0 - 25,000 gal	\$0.00	X	11	\$0.00
25,001 - 35,000 gal	\$0.58	X	10	\$5.80	25,001 - 35,000 gal	\$0.58	X	0	\$0.00
35,001 - 45,000 gal	\$0.70	X	3	\$2.10	35,001 - 45,000 gal	\$0.70	X	0	\$0.00
Above 45,001 gal	\$0.80	X	<u>0</u>	<u>\$0.00</u>	Above 45,001 gal	\$0.80	X	<u>0</u>	<u>\$0.00</u>
			38	\$7.90				11	\$0.00
<u>Residential Sewer Service</u>				\$165.58	<u>Residential Sewer Service</u>				\$165.58
Total Monthly Bill				\$254.52	Total Monthly Bill				\$246.62

TYPICAL SUMMER MONTHLY BILL (67,000 gallons)				
Fee Description	Current		# of Units	Total Charges
<u>Base Fee</u>	\$81.04	X	1	\$81.04
<u>Overuse Rate</u>	<u>\$/1,000 gal</u>			
0 - 25,000 gal	\$0.00	X	25	\$0.00
25,001 - 35,000 gal	\$0.58	X	10	\$5.80
35,001 - 45,000 gal	\$0.70	X	10	\$7.00
Above 45,001 gal	\$0.80	X	<u>22</u>	<u>\$17.60</u>
			67	\$30.40
<u>Residential Sewer Service</u>				\$165.58
Total Monthly Bill				\$277.02

SECTION 3: WATER COST OF SERVICE

This section provides an analysis of water revenues and expenses to determine the total cost of service to be recovered via water rates. The cost of service is expressed in a cash flow table that illustrates revenue increases needed to keep up with expenses and maintain financial health. Over the five-year rate study period, rate increases are proposed so that CSA 44D can pay for operating costs and accumulate reasonable reserves, all of which is calculated in this study to produce rates that will be necessary to recover only the actual cost of the water service per parcel under these proposed water rates.

In recent years, CSA 44D has operated at a deficit meaning that expenses are greater than revenues. Due to deficit spending, CSA 44D has exhausted its reserves and accumulated unpaid charges with the County. These unpaid charges are owed to the County for expenses incurred by CSA 44D that it could not pay. The financial plan recommended in this report includes repayment of these past charges as well as funding future projected costs to produce rates that will be necessary to recover only the actual cost of the water service per parcel under these proposed water rates.

3.1 Revenues

CSA 44D's revenues consist of water service charges and interest. It is assumed that interest revenue will remain the same over the next five years. Water service charges at current rates generate about \$148,000 annually (see Table 4). The first of a series of rate increases is proposed to go into effect on July 1, 2025 to fund the costs described in the sections below. Proposed rate revenues over the next five years are provided in Table 6. In addition to rate increases to cover operations and maintenance, CSA 44D is proposed to generate revenues to accumulate \$89,300 in reserves as well as pay back about \$73,700 in unpaid charges and interest over the next five years.

Payback of unpaid charges is prioritized in FY2025/26 through FY2027/28 (i.e. years 1 to 3 of the 5 year rate plan) and accumulation of reserves is prioritized in FY2027/28 to FY2029/30 (i.e. years 3 to 5 of the rate plan) as funds are available. For rate design purposes, the cost of repayment and accumulation of reserves is amortized over all five years.

Table 6: Proposed Water Rate Revenue

	Current FY2024/25	Proposed					5-Year Total
		FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	
O&M [1]	148,300	162,900	167,800	172,800	178,100	183,500	865,100
Repayment of unpaid charges		13,887	14,304	14,733	15,175	15,630	73,729
Reserves		<u>16,820</u>	<u>17,325</u>	<u>17,844</u>	<u>18,380</u>	<u>18,931</u>	<u>89,300</u>
	\$148,300	\$193,607	\$199,428	\$205,377	\$211,655	\$218,061	\$1,028,129
Total Revenue Increase		30.5%	3.0%	3.0%	3.1%	3.0%	

1 – Operating expenses less \$400 of annual interest earnings

3.2 Expenses

3.2.1 Operating Costs

In FY2025/26, CSA 44D expects to incur about \$163,300 in expenses to operate and maintain the water system. Operating costs over the course of the rate study period were estimated by escalating past actual cost data by 3% annually to account for inflation as shown in Table 7. For FY2025/26, operating costs are expected to consist of \$33,200 for administration and overhead, \$96,900 for operations and maintenance, and \$33,200 for utilities.

Table 7: Projected Water System Operating Expenditures

	Estimate	Escalation Factor	PROJECTED				
			FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
Services & Supplies							
Admin & Overhead	\$32,268	3.0%	\$33,200	\$34,200	\$35,200	\$36,300	\$37,400
Operations & Maintenance	\$94,060	3.0%	\$96,900	\$99,800	\$102,800	\$105,900	\$109,100
Utilities	<u>\$32,256</u>	3.0%	<u>\$33,200</u>	<u>\$34,200</u>	<u>\$35,200</u>	<u>\$36,300</u>	<u>\$37,400</u>
Subtotal Services & Supplies	\$158,585		\$163,300	\$168,200	\$173,200	\$178,500	\$183,900

3.2.2 Repayment of Unpaid Charges

As of July 1, 2024, CSA 44D's water system owes Fresno County \$70,200 in prior unpaid charges. For financial planning purposes, the County's internal interest rate is estimated as 2.8% annually. Through payoff of the unpaid charges, it is projected that CSA 44D will accrue about \$3,500 of interest. The total payoff amount of about \$73,700 is recovered in the base fee.

3.2.3 Reserves

The Fresno County Board of Supervisors adopted a policy on November 7, 2006 requiring special districts providing water service and governed by the Fresno County Board of Supervisors to maintain a reserve equal to 50% of a three year rolling average of annual operating costs (excluding extraordinary infrastructure or fixed asset projects). The rate plan developed in this report includes the accumulation of about \$89,500 in reserves by the end of FY2029/30 which is in-line with the County's target.

3.3 Water Cash Flow

Table 8 provides the five-year cash flow spanning from FY2025/26 to FY2029/30. July 1, 2025, it is proposed that the CSA implement a 30.5% rate revenue increase. This rate change will increase annual rate revenues from about \$148,300 to \$193,600. For future years, rate increases of 3% are proposed to keep up with inflationary cost increases.

Table 8: Water Cash Flow Projection

	Projected: Proposition 218				
	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
Rate Increase Effective	+30.5% July 1, 2025	+3% July 1, 2026	+3% July 1, 2027	+3% July 1, 2028	+3% July 1, 2029
BEGINNING FUND BALANCE	\$0	\$0	\$0	\$21,265	\$54,865
REVENUES					
Water Service Charges	193,600	199,400	205,400	211,700	218,100
<u>Interest</u>	<u>400</u>	<u>400</u>	<u>400</u>	<u>400</u>	<u>400</u>
Total Revenues	194,000	199,800	205,800	212,100	218,500
EXPENSES					
Services & Supplies					
Admin & Overhead	33,200	34,200	35,200	36,300	37,400
Operations & Maintenance	96,900	99,800	102,800	105,900	109,100
<u>Utilities</u>	<u>33,200</u>	<u>34,200</u>	<u>35,200</u>	<u>36,300</u>	<u>37,400</u>
Subtotal Operating Expenses	163,300	168,200	173,200	178,500	183,900
Non-Operating Costs					
<u>Repayment to County</u>	<u>30,700</u>	<u>31,600</u>	<u>11,335</u>	<u>0</u>	<u>0</u>
Subtotal Non-Operating Costs	30,700	31,600	11,335	0	0
Total Expenses	194,000	199,800	184,535	178,500	183,900
NET REVENUES	0	0	21,265	33,600	34,600
ENDING FUND BALANCE	0	0	21,265	54,865	89,465
Reserve Funds					
Proposed Reserve Target (50% of O&M) [1]	81,650	82,900	84,100	86,700	89,300
<i>Target Met</i>	<i>no</i>	<i>no</i>	<i>no</i>	<i>no</i>	<i>yes</i>

1 - Board policy adopted November 7, 2006; 3 year rolling average equal to 50% O&M

Beginning Outstanding Balance	(\$70,200)	(\$41,466)	(\$11,027)	\$0	\$0
Additional Accrual	0	0	0	0	0
Payments	30,700	31,600	11,335	0	0
Annual Interest Accrued (2.8%)	<u>(1,966)</u>	<u>(1,161)</u>	<u>(309)</u>	<u>\$0</u>	<u>\$0</u>
Ending Outstanding Balance	(\$41,466)	(\$11,027)	\$0	\$0	\$0

SECTION 4: WATER COST ALLOCATION

The prior section determined the total cost of providing service to customers. In this section, the cost of service is allocated to rates to fairly recover costs based on how customers use the system, and in any event not to exceed the proportional cost of the water service attributable to each parcel.

4.1 Methodology

The American Water Works Association (AWWA) recommends methods to classify costs among various customers. Using the Base-Extra Capacity Method as recommended by the AWWA, water operating expenses are allocated to the following categories: (a) Base, (b) Extra, (c) Meters and Services, and (d) Customer Service. The Base and Extra categories are intended to recover the costs to deliver water to customers, while the Customer Service and Meters and Services categories are intended to recover expenses related to maintaining infrastructure and capacity in the system to supply water at all times under the proposed water service fee rates in this study. A summary of the cost allocation categories is provided below:

- *Base*: Base costs include the expenses related to providing water under average, “base” demand conditions.
- *Extra*: The extra category includes costs related to providing water above the system average demand (i.e., related to peak, “extra” usage).
- *Meters and Services*: These include costs related to maintaining infrastructure and operating capacity to provide service at any time under the proposed water service fee rates in this study.
- *Customer Service*: This category contains costs associated with serving customers, such as billing and answering customer inquiries.

4.2 Estimated Water Usage of the Irrigation System

The *Base* and *Extra* cost categories are proposed to be combined and recovered via new usage rates. As a first step in rate design, the water usage of residential customers and the irrigation customer is estimated. The irrigation customer takes both recycled water and untreated well water service from CSA 44D. For this service, the irrigation customer currently pays a monthly charge of \$769.21 including all water usage from either source. It is proposed that the irrigation customer pay a smaller monthly fixed charge that includes no water usage plus a rate per 1,000 gallons of well water. It is proposed that recycled water be provided at no cost. Due to the new volume rate for well water, it is assumed that the irrigation customer will take as much recycled water as possible to offset well water usage and to minimize its water bill.

Table 9 estimates annual recycled water and well water usage of the irrigation customer. Currently, the irrigation customer does not optimize recycled water usage but is likely to do so when the new rates go into effect. Current irrigation water use is estimated as the sum of 1) current (non-optimized) recycled water use, 2) metered well water use plus 3) currently unmetered well water use. In conducting the rate study process, the CSA reviewed well production records and discovered a large amount of currently unmetered well water consumption. CSA 44D intends to install meters and fully bill all irrigation water use into the future.

Column D in the table below estimates total irrigation consumption as about 81.4 acre feet (AF) throughout the year. Columns A, B, and C provide the breakdown of use between recycled water, metered well water, and unmetered well water, respectively, over the past year when recycled water usage was not optimized. The HOA intends to implement conservation measures and intends to reduce total irrigation consumption by 30%, see Column E.

Columns F and G are used to estimate the irrigation customer's use of recycled water and well water into the future. Column F estimates the total potential supply of recycled water that is likely to be available. Irrigation demand in excess of recycled water supply will be provided by well water (Column G; calculated as Column E minus Column F). Well water in Column G is proposed to be charged a new, untreated water rate per 1,000 gallons of use. Table 9 projects that the irrigation customer will need supplemental well water during most months of the year besides the winter months.

Table 9: Estimated Well Water Usage for Irrigation (AF)

	A	B	C	D = A+B+C	E = D x 70%	F	G = E - F	
	Recycled (Reclaim)	Well	Currently	Total	70%	Total	Irrigation Demand in Excess of	
Month	Irrigation Water	Water	Unmetered Water Use	Irrigation Use	Irrigation Use	Potential Reclaimed Water Supply	Reclaimed flow	1,000
							AF	Gallons
Jul-23	0.137	5.788	3.857	9.782	6.847	2.724	4.123	1,344
Aug-23	0.423	5.555	0.000	5.978	4.185	3.183	1.002	326
Sep-23	1.849	1.360	0.000	3.209	2.246	3.478	0.000	0
Oct-23	0.494	2.317	4.961	7.772	5.441	3.090	2.351	766
Nov-23	0.354	0.804	6.769	7.927	5.549	2.787	2.762	900
Dec-23	0.163	0.304	2.972	3.439	2.408	2.966	0.000	0
Jan-24	0.119	0.252	0.000	0.371	0.260	2.973	0.000	0
Feb-24	0.000	0.000	0.000	0.000	0.000	2.869	0.000	0
Mar-24	0.000	0.008	0.000	0.008	0.006	2.874	0.000	0
Apr-24	0.004	0.208	8.432	8.644	6.051	2.660	3.391	1,105
May-24	0.480	2.869	8.575	11.924	8.347	2.800 [1]	5.547	1,807
Jun-24	<u>1.097</u>	<u>2.931</u>	<u>18.347</u>	<u>22.375</u>	<u>15.663</u>	2.800 [1]	<u>12.863</u>	<u>4,191</u>
	5.120	22.396	53.914	81.430	57.001		32.038	10,439

AF – acre feet

1 – Estimate due to a rock in the pipeline

4.3 Proposed Cost Allocation

Table 10 allocates CSA 44D's FY2025/26 operating expenses to the Base, Extra, Meters and Services, and Customer Service categories. It is proposed that the Meters and Services and Customer Service categories be combined as each parcel (including the irrigation parcel) have the same fixed cost of service. This combined, fixed cost category is intended to recover operations and maintenance costs incurred to provide service to all customers regardless of the amount of water they use. Fixed and variable operating costs were determined based on an analysis of the CSA's expenses over the past five years.

Variable O&M costs are proposed to be recovered from new water rates that do not exceed the proportional cost of the water service attributable to each parcel. Water delivery costs consist of operating the system and delivering water to all customers (residential and irrigation). Treatment costs are applicable to all residential customers. Treatment costs are excluded from the irrigation water rates.

Table 10: Water System Operating Cost Allocation

O&M	Total FY2025/26 O&M Expense	Meters & Cust. Serv (Non-water delivery O&M)	All Use (water delivery O&M)	Treated Water Use (treatment)
Admin & Overhead	33,200	100%	0%	0%
Building Maintenance	2,200	100%	0%	0%
Staffing	8,800	100%	0%	0%
Treatment Costs	6,300	0%	0%	100%
Water Delivery Costs	66,000	0%	100%	0%
All Other O&M	13,600	100%	0%	0%
<u>Utilities</u>	<u>33,200</u>	<u>0%</u>	<u>100%</u>	<u>0%</u>
TOTAL	163,300	57,800	99,200	6,300
<div> <div> BASE FEE Non-water delivery O&M Net of interest Subtotal O&M Repayment of unpaid charges <u>Reserves</u> Total Base Fee </div> <div> \$57,800 (\$400) \$57,400 \$13,887 <u>\$16,820</u> \$88,107 </div> <div> Table 6 Table 6 </div> </div>				
<div> <div> USAGE RATE Water delivery O&M Treatment Total Usage Rates </div> <div> \$99,200 <u>\$6,300</u> \$105,500 </div> </div>				
<div> <div> Base Fee Usage Rate TOTAL REVENUE REQUIREMENT (Base Fee + Usage Rate) </div> <div> \$88,107 <u>\$105,500</u> \$193,607 </div> </div>				

SECTION 5: WATER RATE DESIGN

5.1 Rate Calculation

Table 11 provides the calculation of the base fee and usage rate components. For FY2025/26, the revenue requirement for the base fee is \$88,107 (see Table 10) and is divided by 126 customers to equal a proposed monthly base fee of \$58.26. 126 customers is equivalent to the existing number of single family residences plus the irrigation customer.

The revenue requirements for each usage rate component (shown in Table 10) are divided by the estimated water use for each (shown in Table 11) to calculate the rate per 1,000 gallons. Estimated water usage is based on historical billing data from FY2022/23 for residential customers (see Table 4) and from FY2023/24 for the irrigation customer (see Table 9).

Table 11: Water Rate Calculation

	PROJECTED - RATE STUDY PERIOD				
	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
REVENUE REQUIREMENT					
Meters & Services	\$88,107	\$90,700	\$93,400	\$96,300	\$99,200
All Use	\$99,200	\$102,200	\$105,300	\$108,500	\$111,800
All Treated Water Use	<u>\$6,300</u>	<u>\$6,500</u>	<u>\$6,700</u>	<u>\$6,900</u>	<u>\$7,100</u>
Total	\$193,607	\$199,400	\$205,400	\$211,700	\$218,100
METER CHARGE					
Meter Charge Revenue	\$88,107	\$90,700	\$93,400	\$96,300	\$99,200
<u>Number of Meters</u>	<u>126</u>	<u>126</u>	<u>126</u>	<u>126</u>	<u>126</u>
Meter Charge	\$58.26	\$60.03	\$61.83	\$63.71	\$65.62
USAGE CHARGES [2]					
All Use	\$99,200	\$102,200	\$105,300	\$108,500	\$111,800
Irrigation & TW Use	<u>64,685</u>	<u>64,685</u>	<u>64,685</u>	<u>64,685</u>	<u>64,685</u>
Rate (\$/1,000)	\$1.53	\$1.58	\$1.63	\$1.68	\$1.73
Treatment	\$6,300	\$6,500	\$6,700	\$6,900	\$7,100
All Treated Water Use	<u>54,245</u>	<u>54,245</u>	<u>54,245</u>	<u>54,245</u>	<u>54,245</u>
Rate (\$/1,000)	\$0.12	\$0.12	\$0.12	\$0.13	\$0.13

5.2 Proposed Monthly Water Rates

Table 12 provides the schedule of proposed water rates including a break-out of the base fee between operations, repayment of unpaid charges, and reserves, all of which is calculated in this study to produce rates that will be necessary to recover only the actual cost of the water service per parcel under these proposed water rates.

July 1, 2025, it is proposed that the base fee decrease. However, the base fee will no longer include a base allotment of water consumption. The water usage rates will be charged to all levels of water consumption. The current fixed irrigation fee of \$769.21 is proposed to be eliminated. Instead, the irrigation customer is proposed to be charged the same base fee as all other customers plus the irrigation (untreated) water usage rate for all well water consumed. The irrigation usage rate is not proposed to be charged to recycled water usage which will be provided to the irrigation system at no additional charge. The domestic, treated water usage rate is the sum of the untreated water rate plus the treatment rate.

If additional connections are built out in CSA 44D, then the rates for the increased water services fees in this study will apply to them.

Table 12: Proposed Monthly Water Rates

Projected: Proposition 218					
Fee Description	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
	July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029
Non-water delivery O&M	\$37.96	\$39.11	\$40.29	\$41.51	\$42.76
Repayment	\$9.18	\$9.46	\$9.74	\$10.04	\$10.34
Reserves	<u>\$11.12</u>	<u>\$11.46</u>	<u>\$11.80</u>	<u>\$12.16</u>	<u>\$12.52</u>
Total Base Fee (\$/month) [1]	\$58.26	\$60.03	\$61.83	\$63.71	\$65.62
Usage Rate (Treated Water)	<u>Charge per 1,000 gal</u>				
All usage	\$1.65	\$1.70	\$1.75	\$1.81	\$1.86
Well Water					
Untreated Irrigation	\$1.53	\$1.58	\$1.63	\$1.68	\$1.73
Usage Rate [2]					

1 – Residential and irrigation customers; total may not sum exactly due to rounding

2 – Recycled water will be provided at no charge

5.3 Residential Water Bill Impacts

Table 13 provides sample water bill impacts for the typical single family residential monthly bill, winter bill, and summer bill under the proposed rates in comparison to the bills for the same levels of water usage under current rates. As shown in the table, bill impacts for the typical residential customer will vary throughout the year as water consumption varies seasonally. The typical summer bill is proposed to increase to a greater extent than the typical winter bill which reflects that a higher percentage of the CSA's water rate revenues are proposed to be recovered through usage rates.

Table 13: Water Bill Impacts

AVERAGE MONTHLY BILL (38,000 gallons)

Fee Description	Current		# of Units	Total Charges	Fee Description	Current		# of Units	Total Charges	
<u>Base Fee</u>	\$81.04	X	1	\$81.04	<u>Base Fee</u>	\$58.26	X	1	\$58.26	
<u>Overuse Rate</u>	<u>\$/1,000 gal</u>				<u>Usage Rate</u>	<u>\$/1,000 gal</u>				
0 - 25,000 gal	\$0.00	X	25	\$0.00	All use	\$1.65	X	38	\$62.70	
25,001 - 35,000 gal	\$0.58	X	10	\$5.80						
35,001 - 45,000 gal	\$0.70	X	3	\$2.10						
Above 45,001 gal	\$0.80	X	<u>0</u>	<u>\$0.00</u>						
			38	\$7.90						
Total Monthly Bill				\$88.94	Total Monthly Bill				\$120.96	Increase \$32.02 36%

TYPICAL WINTER MONTHLY BILL (11,000 gallons)

Fee Description	Current		# of Units	Total Charges	Fee Description	Current		# of Units	Total Charges	
<u>Base Fee</u>	\$81.04	X	1	\$81.04	<u>Base Fee</u>	\$58.26	X	1	\$58.26	
<u>Overuse Rate</u>	<u>\$/1,000 gal</u>				<u>Usage Rate</u>	<u>\$/1,000 gal</u>				
0 - 25,000 gal	\$0.00	X	11	\$0.00	All use	\$1.65	X	11	\$18.15	
25,001 - 35,000 gal	\$0.58	X	0	\$0.00						
35,001 - 45,000 gal	\$0.70	X	0	\$0.00						
Above 45,001 gal	\$0.80	X	<u>0</u>	<u>\$0.00</u>						
			11	\$0.00						
Total Monthly Bill				\$81.04	Total Monthly Bill				\$76.41	Increase (\$4.63) -6%

TYPICAL SUMMER MONTHLY BILL (67,000 gallons)

Fee Description	Current		# of Units	Total Charges	Fee Description	Current		# of Units	Total Charges	
<u>Base Fee</u>	\$81.04	X	1	\$81.04	<u>Base Fee</u>	\$58.26	X	1	\$58.26	
<u>Overuse Rate</u>	<u>\$/1,000 gal</u>				<u>Usage Rate</u>	<u>\$/1,000 gal</u>				
0 - 25,000 gal	\$0.00	X	25	\$0.00	All use	\$1.65	X	67	\$110.55	
25,001 - 35,000 gal	\$0.58	X	10	\$5.80						
35,001 - 45,000 gal	\$0.70	X	10	\$7.00						
Above 45,001 gal	\$0.80	X	<u>22</u>	<u>\$17.60</u>						
			67	\$30.40						
Total Monthly Bill				\$111.44	Total Monthly Bill				\$168.81	Increase \$57.37 51%

5.4 Irrigation Bill Impacts

Table 14 provides sample monthly bill impacts for the irrigation customer under the proposed July 1, 2025 rates. As described in Section 5.2, the current irrigation fixed fee is proposed to be eliminated and irrigation water is proposed to be charged under a rate structure which includes a fixed base fee plus a usage rate for each unit of well water consumed. Table 14 uses estimated irrigation demand in excess of reclaimed flow to calculate bill impacts. Using these parameters, the annual irrigation water cost would increase by about \$7,400 under the proposed rates.

Table 14: Irrigation Water Bills Under Current and Proposed Rates

Month	Estimated well water use (1,000 gal)	Proposed Bills		
		Current Bills	FY2025/26	Change
July	1,344	\$769.21	\$2,114.58	\$1,345.37
August	326	\$769.21	\$557.04	(\$212.17)
September	0	\$769.21	\$58.26	(\$710.95)
October	766	\$769.21	\$1,230.24	\$461.03
November	900	\$769.21	\$1,435.26	\$666.05
December	0	\$769.21	\$58.26	(\$710.95)
January	0	\$769.21	\$58.26	(\$710.95)
February	0	\$769.21	\$58.26	(\$710.95)
March	0	\$769.21	\$58.26	(\$710.95)
April	1,105	\$769.21	\$1,748.91	\$979.70
May	1,807	\$769.21	\$2,822.97	\$2,053.76
June	<u>4,191</u>	<u>\$769.21</u>	<u>\$6,470.49</u>	<u>\$5,701.28</u>
Total Annual	10,439	\$9,230.52	\$16,670.79	\$7,440.27

SECTION 6: SEWER COST OF SERVICE

This section provides an analysis of sewer revenues and expenses to determine the total cost of service to be recovered via sewer rates. The cost of service is expressed in a cash flow table that illustrates revenue increases needed to keep up with expenses and maintain financial health. Over the five-year rate study period, rate increases are proposed so that CSA 44D can pay for operating costs, a capital project, and accumulate reasonable reserves, all of which are calculated in this study to produce rates that will be necessary to recover only the actual cost of the sewer service per parcel under these proposed sewer rates.

In recent years, CSA 44D has operated at a deficit meaning that expenses are greater than revenues. Due to deficit spending, CSA 44D has exhausted its reserves and accumulated unpaid charges with the County. These unpaid charges are owed to the County for expenses incurred by CSA 44D that it could not pay. The financial plan recommended in this report includes repayment of these past charges as well as funding future projected costs to produce rates that will be necessary to recover only the actual cost of the sewer service per parcel under these proposed sewer rates.

6.1 Revenues

CSA 44D's revenues consist of sewer service charges and interest. Interest is estimated at \$400 per year. Table 15 provides the proposed sewer rate revenues over the next five years. The sewer rates are proposed to be implemented on the same schedule as the water rates – on July 1 over the next five years. The O&M portion of the rate revenue recovers the O&M cost shown in Table 16 and is net of interest earnings. The repayment portion of the rate revenues will recover about \$161,500 over the next five years which is equal to the sewer utility's outstanding unpaid charge balance of \$153,600 plus additional accrued interest through payoff. The reserve portion of rate revenues will generate about \$195,000 by the end of the fifth year of the rate plan which is equal to the proposed reserve target. The cost of a sewer capital project is also amortized over the five years of the rate plan.

Table 15: Proposed Sewer Rate Revenue

	Current FY2024/25	Proposed					5-Year Total
		FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	
O&M [1]	248,400	\$356,400	\$367,000	\$378,000	\$389,400	\$401,100	\$1,891,900
Repayment of unpaid charges		\$30,418	\$31,330	\$32,270	\$33,238	\$34,235	\$161,492
Reserves		\$36,729	\$37,831	\$38,966	\$40,135	\$41,339	\$195,000
Capital		<u>\$1,658</u>	<u>\$1,707</u>	<u>\$1,758</u>	<u>\$1,811</u>	<u>\$1,866</u>	<u>\$8,800</u>
	\$248,400	\$425,204	\$437,869	\$450,995	\$464,584	\$478,540	\$2,257,192
Total Revenue Increase		71.2%	3.0%	3.0%	3.0%	3.0%	

1 – Operating expenses less \$400 of annual interest earnings

6.2 Expenses

6.2.1 Operating Costs

In FY2025/26, CSA 44D expects to incur about \$356,800 in expenses to operate and maintain the sewer system. Operating costs are expected to consist of \$31,200 for administration and overhead, \$237,600 for operations and maintenance, and \$88,000 for utilities. Table 16 shows the CSA's projected annual sewer operating costs through FY2029/30. The costs were estimated by taking past actual cost data and escalating costs by 3% annually based on estimated inflation.

Table 16: Projected Sewer System Operating Expenditures

	Estimate	Escalation Factor	PROJECTED				
			FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
Services & Supplies							
Admin & Overhead	\$30,279	3.0%	\$31,200	\$32,100	\$33,100	\$34,100	\$35,100
Operations & Maintenance	\$230,652	3.0%	\$237,600	\$244,700	\$252,000	\$259,600	\$267,400
Utilities	\$85,450	3.0%	\$88,000	\$90,600	\$93,300	\$96,100	\$99,000
Subtotal Services & Supplies	\$346,381		\$356,800	\$367,400	\$378,400	\$389,800	\$401,500

6.2.2 Capital Costs

CSA 44D expects to fund an air conditioning unit at the wastewater treatment plant which will cost \$8,800. No additional rate-funded projects are anticipated in this study.

6.2.3 Repayment of Unpaid Charges

As of July 1, 2024, CSA 44D's sewer system owes Fresno County \$153,600 in prior unpaid charges. Through payoff (estimated in FY2027/28) CSA 44D is estimated to accrue about \$7,900 in additional interest costs.

6.2.4 Reserves

The Fresno County Board of Supervisors adopted a policy on November 7, 2006 requiring special districts providing sewer service and governed by the Fresno County Board of Supervisors to maintain a reserve equal to 50% of a three year rolling average of annual operating costs (excluding extraordinary infrastructure or fixed asset projects). The rate plan developed in this report includes the accumulation of about \$195,000 in reserves by the end of FY2029/30 which is in line with the County's target.

6.3 Cash Flow

The five-year cash flow spanning from FY2025/26 to FY2029/30 is provided in Table 17.

Table 17: Sewer Cash Flow Projection

	Projected: Proposition 218				
	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
Rate Increase Effective	71.2% July 1, 2025	3.0% July 1, 2026	3.0% July 1, 2027	3.0% July 1, 2028	3.0% July 1, 2029
BEGINNING FUND BALANCE	\$0	\$0	\$0	\$42,425	\$117,625
REVENUES					
Sewer Service Charges	425,200	437,900	451,000	464,600	478,500
<u>Interest</u>	<u>400</u>	<u>400</u>	<u>400</u>	<u>400</u>	<u>400</u>
Total Revenues	425,600	438,300	451,400	465,000	478,900
EXPENSES					
Services & Supplies					
Admin & Overhead	31,200	32,100	33,100	34,100	35,100
Operations & Maintenance	237,600	244,700	252,000	259,600	267,400
<u>Utilities</u>	<u>88,000</u>	<u>90,600</u>	<u>93,300</u>	<u>96,100</u>	<u>99,000</u>
Subtotal Operating Expenses	356,800	367,400	378,400	389,800	401,500
Non-Operating Costs					
Capital Project (AC Unit)	8,800	0	0	0	0
<u>Repayment to County</u>	<u>60,000</u>	<u>70,900</u>	<u>30,575</u>		<u>0</u>
Subtotal Non-Operating Costs	68,800	70,900	30,575	0	0
Total Expenses	425,600	438,300	408,975	389,800	401,500
NET REVENUES	0	0	42,425	75,200	77,400
ENDING FUND BALANCE	0	0	42,425	117,625	195,025
Reserve Funds					
Proposed Reserve Target (50% of O&M) [1]	178,400	181,100	183,800	189,300	195,000
<i>Target Met</i>	<i>no</i>	<i>no</i>	<i>no</i>	<i>no</i>	<i>yes</i>

1 - Board policy adopted November 7, 2006; 3 year rolling average equal to 50% O&M

Beginning Outstanding Balance	(\$153,600)	(\$97,901)	(\$29,742)	\$0	\$0
Additional Accrual	0	0	0	0	0
Payments	60,000	70,900	30,575	0	0
Annual Interest Accrued (2.8%)	<u>(\$4,301)</u>	<u>(\$2,741)</u>	<u>(\$833)</u>	<u>\$0</u>	<u>\$0</u>
Ending Outstanding Balance	(\$97,901)	(\$29,742)	\$0	\$0	\$0

SECTION 7: PROPOSED SEWER RATES & COMBINED BILLS

7.1 Proposed Sewer Rates

A summary of the proposed monthly rates for the next five years is provided below in Table 18. Similar to the current rate, the proposed monthly rate is a fixed fee per dwelling unit per month. Included in the table is a break-out of the proposed monthly rate between operations and maintenance, repayment of unpaid charges, reserves, and capital. The break-out is used to show that the proposed rates will be necessary to recover only the actual proportional cost of sewer service attributable to each parcel.

The proposed rates were calculated by dividing the total annual sewer rate revenue requirement (from Table 17) by 125 customers then dividing that by 12 months to generate a monthly rate. It is proposed that the new rates go into effect July 1 of each year. Under the proposed July 1, 2025 rate, the monthly sewer bill will increase by \$117.89. Further rate increases of 3% annually are proposed to go into effect July 1 of 2026, 2027, 2028, and 2029. If additional connections are built out in CSA 44D, then the rates for the increased sewer services fees in this study will apply to them.

Table 18: Proposed Monthly Sewer Rates

	Current	Projected: Proposition 218				
		FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
		July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029
O&M		\$237.60	\$244.67	\$252.00	\$259.60	\$267.40
Repayment of unpaid charges		\$20.28	\$20.89	\$21.51	\$22.16	\$22.82
Reserves		\$24.49	\$25.22	\$25.98	\$26.76	\$27.56
Capital		<u>\$1.11</u>	<u>\$1.14</u>	<u>\$1.17</u>	<u>\$1.21</u>	<u>\$1.24</u>
Total monthly fee	\$165.58	\$283.47	\$291.91	\$300.66	\$309.72	\$319.03
		71.2%	3.0%	3.0%	3.0%	3.0%

Totals may not sum exactly due to rounding.

7.2 Combined Water and Sewer Monthly Utility Bills

Table 19 provides combined water and sewer monthly bills under the current and proposed July 1, 2025 rates.

Table 19: Proposed Monthly Utility Bills

AVERAGE MONTHLY BILL (38,000 gallons)					PROPOSED RATES					
Fee Description	Current		# of Units	Total Charges	Fee Description	Current		# of Units	Total Charges	
<u>Base Fee</u>	\$81.04	X	1	\$81.04	<u>Base Fee</u>	\$58.26	X	1	\$58.26	
<u>Overuse Rate</u>	<u>\$/1,000 gal</u>				<u>Usage Rate</u>	<u>\$/1,000 gal</u>				
0 - 25,000 gal	\$0.00	X	25	\$0.00	All Use	\$1.65	X	38	\$62.70	
25,001 - 35,000 gal	\$0.58	X	10	\$5.80						
35,001 - 45,000 gal	\$0.70	X	3	\$2.10						
Above 45,001 gal	\$0.80	X	<u>0</u>	<u>\$0.00</u>						
			38	\$7.90						
<u>Residential Sewer Service</u>				\$165.58	<u>Residential Sewer Service</u>				\$283.47	
Total Monthly Bill				\$254.52	Total Monthly Bill				\$404.43	Increase \$149.91 59%

TYPICAL WINTER MONTHLY BILL (11,000 gallons)					PROPOSED RATES					
Fee Description	Current		# of Units	Total Charges	Fee Description	Current		# of Units	Total Charges	
<u>Base Fee</u>	\$81.04	X	1	\$81.04	<u>Base Fee</u>	\$58.26	X	1	\$58.26	
<u>Overuse Rate</u>	<u>\$/1,000 gal</u>				<u>Usage Rate</u>	<u>\$/1,000 gal</u>				
0 - 25,000 gal	\$0.00	X	11	\$0.00	All Use	\$1.65	X	11	\$18.15	
25,001 - 35,000 gal	\$0.58	X	0	\$0.00						
35,001 - 45,000 gal	\$0.70	X	0	\$0.00						
Above 45,001 gal	\$0.80	X	<u>0</u>	<u>\$0.00</u>						
			11	\$0.00						
<u>Residential Sewer Service</u>				\$165.58	<u>Residential Sewer Service</u>				\$283.47	
Total Monthly Bill				\$246.62	Total Monthly Bill				\$359.88	Increase \$113.26 46%

TYPICAL SUMMER MONTHLY BILL (67,000 gallons)					PROPOSED RATES					
Fee Description	Current		# of Units	Total Charges	Fee Description	Current		# of Units	Total Charges	
<u>Base Fee</u>	\$81.04	X	1	\$81.04	<u>Base Fee</u>	\$58.26	X	1	\$58.26	
<u>Overuse Rate</u>	<u>\$/1,000 gal</u>				<u>Usage Rate</u>	<u>\$/1,000 gal</u>				
0 - 25,000 gal	\$0.00	X	25	\$0.00	All Use	\$1.65	X	67	\$110.55	
25,001 - 35,000 gal	\$0.58	X	10	\$5.80						
35,001 - 45,000 gal	\$0.70	X	10	\$7.00						
Above 45,001 gal	\$0.80	X	<u>22</u>	<u>\$17.60</u>						
			67	\$30.40						
<u>Residential Sewer Service</u>				\$165.58	<u>Residential Sewer Service</u>				\$283.47	
Total Monthly Bill				\$277.02	Total Monthly Bill				\$452.28	Increase \$175.26 63%