MEINERS OAKS WATER DISTRICT

2026 Water Rate Study

Final Report

April 22, 2026

MEINERS OAKS WATER DISTRICT
2026 WATER RATE STUDY

FINAL REPORT

Prepared for:

Meiners Oaks Water District
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Ojai, CA 93023

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RDN Project Number 393

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April 22, 2026

Summer Ward
Assistant General Manager
Meiners Oaks Water District
202 West El Roblar Drive
Ojai, CA 93023

Subject: 2026 Water Rate Study

Dear Ms. Ward,

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

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

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

Respectfully submitted,

Robert D. Niehaus, Ph.D.
Managing Director/Principal Economist - RDN

Anthony Elowsky
Project Manager - RDN

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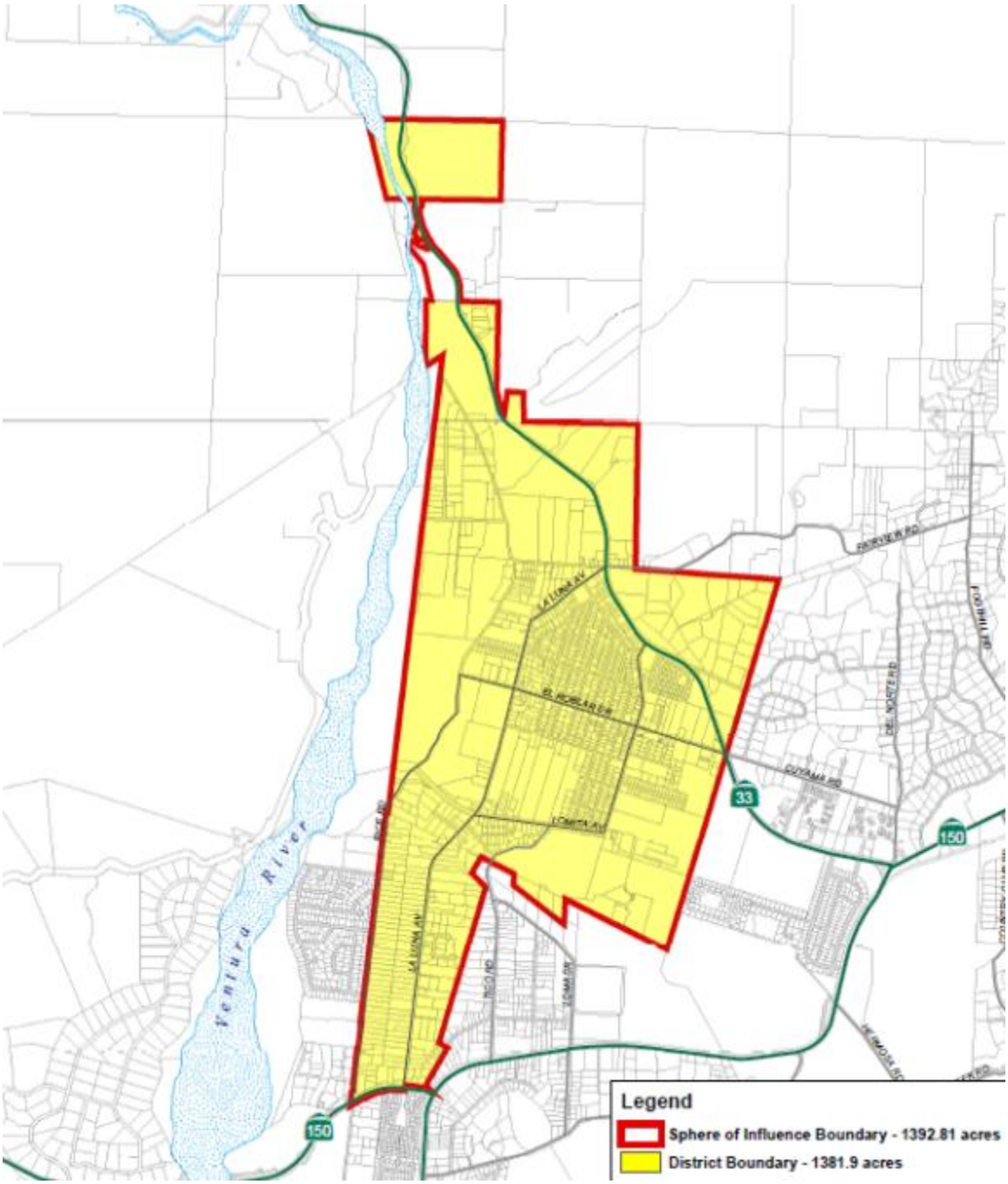
EXECUTIVE SUMMARY

1.1 Background

The Meiners Oaks Water District (MOWD, District) provides potable water to the unincorporated community of Meiners Oaks, immediately west of the City of Ojai. MOWD's jurisdiction area is entirely within the boundaries of the Casitas Municipal Water District (CMWD). At its southern jurisdictional boundary in the vicinity of Rice Road and Baldwin Road, the MOWD overlaps the jurisdictional area of the Ventura River Water District (VRWD). The area of overlap is limited to right-of-way within Rice Road and Baldwin Road, within which both districts own water pipelines. The District has two water sources: (1) groundwater (pumped from the Upper Ventura River Groundwater Basin and (2) surface water (supplied by the CMWD, as a water wholesaler, from its reservoir known as Lake Casitas). MOWD's water distribution system consists of 19 miles of pipeline that serves 1,704 customers. It owns and operates four wells, three pump stations, and three reservoirs, and has two independent connections to the CMWD distribution system. The District's total available storage capacity is 1.75 million gallons; however, actual storage volume fluctuates and averages 1.3 million gallons. In an effort to ensure adequate back-up water supply and improve system reliability, the District also plans to pursue replacement of a 500,000-gallon storage tank with a 750,000-gallon storage tank. The District relies on groundwater whenever possible but supplements its supply with surface water provided by the CMWD when necessary, during well repair/maintenance activities, and when groundwater wells are unable to meet water demand. According to the District, the estimated population within the District's jurisdictional boundary is 4,200. Given the trend of a low growth rate and limited opportunities for development within its service area and sphere of influence, the District estimates that the maximum future population will be around 5,000.

Figure 1 presents the limits of the Meiners Oaks Water District.

Figure 1. Meiners Oaks Water District Boundary



1.2 Purpose of Study

The purpose of this analysis is to conduct a rate study which evaluates the District's current utility rates and financial data and propose new rates for its Water services, if necessary, to meet the District's

financial and strategic goals. Strategic goals include funding critical capital improvements and increasing system resilience.

The primary objectives of this Study include:

- Assess the impacts of issuing debt to complete the $2.5 million Tank # 2 Project
- Proposing a five-year revenue adjustment schedule to fund the District's operational and capital plans to ensure long-term performance of the systems
- Proposing rates that aim to minimize the impact on customers
- Producing an administrative record which effectively summarizes all findings

1.3 Rate Recommendations and Proposed Rates

Water

- Adjusting rates annually by the recommended revenue adjustments of 15.0 percent in Fiscal Year 2027, 10.0 percent in FY 2028, 10.0 percent inf FY 2029, 10.0 percent in FY 2030, and 5.0 percent in FY 2031
- Simplifying the rate structure by reducing the rate categories to only include a monthly fixed charge based on meter size and a variable charge for all water use
- Performing a cost of service analysis
- Billing all meters based on AWWA ratios

Current Water Rates

Currently, the District's water customers pay a monthly fixed charge called the monthly water availability charge (MWAC) based on the number of connected meters or units on a connection. Customers with meters larger than ¾" may also be billed a monthly meter capacity charge (MCC) which increases based on the customers meter size. Customers pay a monthly variable charge based on water use, which is billed per hundred cubic feet (hcf). Customers also pay a standby fee for access to Casitas Municipal Water District's (CMWD) supply. When the District switches from their groundwater source to Casitas Municipal Water District water, customers are also assessed a per hcf charge called the "Casitas Surcharge" which is designed to account for the cost difference between groundwater and CMWD water. The current rates as described are displayed in **Table 1.**

Table 1. Current Water Rates

Current Rates	
Fixed Charge	
Monthly Water Availability Charge	$36.00
Monthly Meter Capacity Charge	
Meter Size	**Monthly Rate**
5/8"	$0.00
3/4"	$0.00
1"	$17.60
1 1/2"	$39.70
2"	$114.70
3"	$282.20
4"	$855.50
6"	$1,737.50
Variable Charge	**Unit Rate**
1 hcf	$3.95
Casitas Standby Fee	**Unit Rate**
Per Meter	$2.75
Casitas Surcharge	**Unit Rate**
1 hcf	$1.00

Proposed Water Rates

RDN proposes the following rate and revenue adjustments to accomplish the District's financial goals of capital and reserve funding as well as maintaining the balance between operating expenses and revenue.

Table 2. Proposed Revenue Adjustments FY 2027 to FY 2031

	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenue Adjustment	15.0%	10.0%	10.0%	10.0%	5.0%

Costs were allocated equitably between all customers during the cost of service analysis. The proposed rates simplify the District's current rate structure by reducing the rate categories to only include a monthly fixed charge based on meter size and a variable charge for all water use. The proposed rates will no longer include passthrough charges based on water source. The proposed rates reduce complexity and should increase customer understanding, allow for better revenue and bill predictability, and ease administrative burden. The rates for each meter size represent an equitable portion of the total cost of service for each customer allocated to the respective meter. Variable rates are based on the costs allocated to variable rates and variable rates are offset by non-operating revenues. The proposed rates which result from these adjustments are shown in **Table 3.**

Table 3. Proposed Water Rates for All Customers, FY 2027 to FY 2031

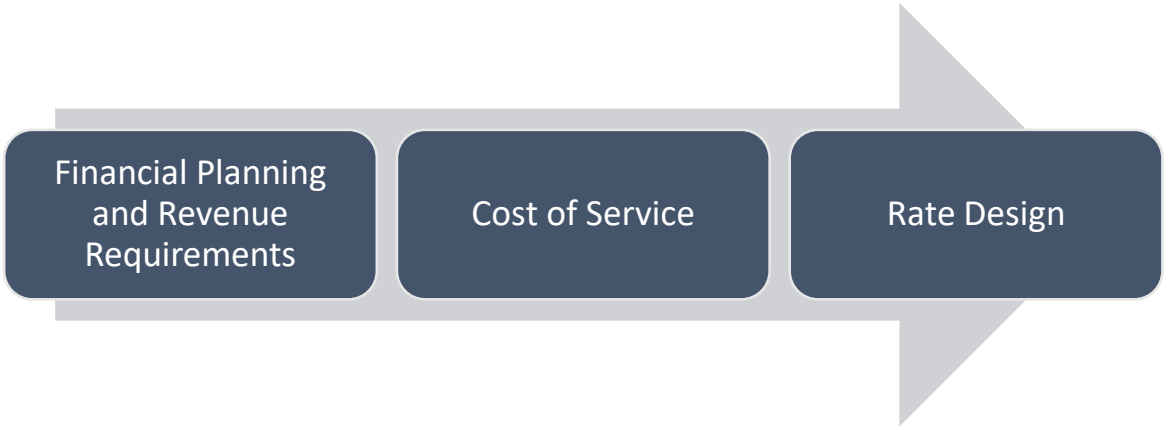
Meter Charge					
Meter Size	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**
5/8"	$43.33	$47.66	$52.43	$57.67	$60.55
3/4"	$64.39	$70.83	$77.91	$85.70	$89.99
1"	$106.48	$117.13	$128.84	$141.72	$148.81
1 1/2"	$211.72	$232.89	$256.18	$281.80	$295.89
2"	$338.00	$371.80	$408.98	$449.88	$472.37
3"	$737.87	$811.66	$892.83	$982.11	$1,031.22
4"	$1,327.19	$1,459.91	$1,605.90	$1,766.49	$1,854.81
6"	$2,737.32	$3,011.05	$3,312.16	$3,643.38	$3,825.55
Variable Charge	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**
1 hcf	$4.70	$5.17	$5.69	$6.26	$6.57

METHODOLOGY

2.1 General Methodology

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

Figure 2. Water Rate Study Process



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

2.2 Key Assumptions

A test year, FY 2027, was selected for which costs are to be analyzed and rates to be established for this study. The financial plan was built for the next ten years, including the five-year rate setting period with a detailed revenue adjustment plan. The cost of service rates are adjusted each year by the determined

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

revenue adjustments based on the financial plan. The District's fiscal year starts on July 1 and ends on June 30.

Escalation Factors

The financial plan was built based on an assumption in the projected escalation of revenues and expenses associated with both operations and maintenance (O&M) and capital improvement projects (CIPs). Bureau of Labor Statistics (BLS) Los Angeles-Long Beach-Anaheim Consumer Price Index (CPI), Federal Reserve Bank of St. Louis (FRED) Economic Research Division, Quarterly Census of Employment and Wages (QCEW), and Engineering News Record (ENR) Building Cost Index (BCI). Escalation factors for FY 2027 are shown in **Figure 3**. The Los Angeles-Long Beach-Anaheim statistical area was chosen due to the geographic proximity to the District.

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

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

The payroll escalation factor was provided by District Staff based on historical actual costs and unknown impacts of employee bargaining unit negotiations.

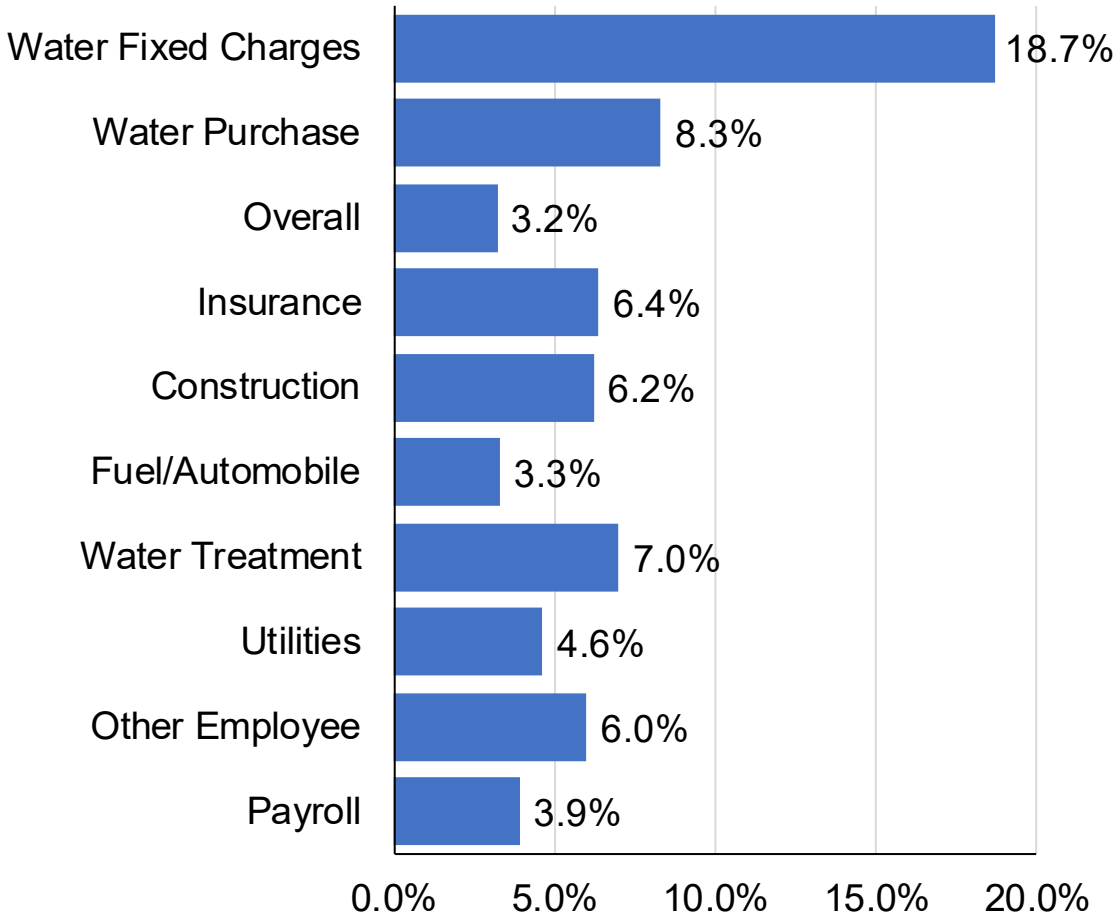
The fuels and automobile escalation factor is derived from the Private Transportation, Fuels and Utilities, and Motor Fuel series of the BLS Los Angeles-Long Beach-Anaheim CPI. RDN takes a weighted average of Private Transportation, Fuels and utilities, and Motor Fuel data sets to form a combined Fuels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

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

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

Water purchase costs are based on planned future increases published by the CMWD.

Figure 3. Expense Escalation Factors



Customer Growth

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

There are currently approximately 1,300 water meters connected to the District's water system, which includes Residential, Commercial, Agricultural customer accounts. In ten years, 1,318 meters are projected. A total of 9 new Water Service connections are projected to join the water system during the 5-year planning period, approximately 2 per year. **Table 4** shows the projected number of meters by meter size and customer classes during the rate setting period.

Table 4. Annual Meter Count FY 2026 to FY 2031

Meter Size	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
5/8"	1,066	1,068	1,070	1,071	1,073	1,075
3/4"	10	10	10	10	10	10
1"	191	191	191	191	191	191
1 1/2"	9	9	9	9	9	9
2"	18	18	18	18	18	18
3"	3	3	3	3	3	3
4"	2	2	2	2	2	2
6"	1	1	1	1	1	1
Total	**1,300**	**1,302**	**1,304**	**1,305**	**1,307**	**1,309**
Residential	1,230	1,232	1,234	1,235	1,237	1,239
Commercial	51	51	51	51	51	51
Agricultural	19	19	19	19	19	19

Reserve Policy

The total water fund reserve target for FY 2026 is $1.4 million. **Table 5** shows the reserve targets for the Water utility for FY 2026, as well as the reserve policy for each individual reserve. According to the District's reserve policy, the emergency fund is the sum of the other reserve funds.

Table 5. Water Reserve Policies and FY 2026 target[2]

Reserve	Policy	FY 2026 Target
Operating Reserve	2 Months of Operating Expenses	$363,401
Capital Replacement Fund	Annual Contributions of $200,000	$1,000,000
Total (Emergency Fund)		**$1,363,401**

Equivalent Meter Ratio

When designing fixed water service charges, the potential demand or capacity requirements placed on the water system can be measured by the size of installed meters which receive services from the system. The safe operating flow (or capacity) of a particular size of the meter is essentially the limiting factor in terms of the demand that can be exerted on the water system through the meter. Larger meters typically pay a higher cost to join the system, and higher fixed rates. The ratio of the safe operating capacity of various sizes of meters relative to the capacity of a base meter may be used to determine appropriate charges for the larger meter sizes[3]. The capacity ratio is calculated using the meter capacities in gallons

[2] Meiners Oaks Water District Resolution 21908-1 Reserve Fund Policies. February 19, 2008.
[3] From "Principles of Water Rates, Fees, and Charges" by American Water Works Association, 2017, Seventh Edition, Appendix B, p. 385.

per minute (gpm) provided in the AWWA M1 for meters. **Table 6** shows the equivalent water meter ratios used in this study.

Table 6. AWWA Equivalent Meter Ratios[4]

Meter Size	Meter Ratio
5/8"	1.00
3/4"	1.50
1"	2.50
1 1/2"	5.00
2"	8.00
3"	17.50
4"	31.50
6"	65.00

Water Supply

The District has two water sources: (1) groundwater (pumped from the Upper Ventura River Groundwater Basin and (2) surface water supplied by the CMWD. The mix of water directly impacts the costs associated with the District's water supply, pumping, groundwater sustainability agency (GSA), and treatment costs. Historically, the District has purchased an average of approximately 71 acre feet (AF) of their total annual water use, 600 AF, from the CMWD. In FY 2026, the District is expecting to use around 250 AF of CMWD water due to infrastructure disruptions. As part of the current analysis, RDN projected that Meiner's Oaks Water District's need for Casitas Water would increase beginning if FY 2030 due to a reduction in treatment plant capacity. **Table 7** shows the projected water supply by source for FY 2026 through FY 2031.

Table 7. Projected Water Supply by Source

Source of Supply	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Groundwater (AF)	345	527	528	529	400	401
Surface Water (AF)	253	71	71	71	200	200
Total Water (AF)	**598**	**598**	**599**	**600**	**600**	**601**

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

FINANCIAL PLAN

3.1 Water Utility

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

Current Rate Revenue Categories

Using historical billing records, RDN projected each of the billing categories used by the District. For the purposes of this study, per-account usage was assumed to remain constant over the forecast period. This assumption allows projected changes in water demand to be driven solely by changes in the number of accounts. Finally, projected accounts were multiplied by per-account usage to estimate total water demand by customer class. Casitas surcharges were use levels were based on the District's internal projection of CMWD water needs.

Table 8 shows the annual water use projection by customer class for the rate setting period.

Table 8. Annual Water Use by Customer Rate Classification in hcf, FY 2026 to FY 2031[5]

Rate Category	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
MWAC	1,687	1,689	1,691	1,693	1,695	1,697
MMC by Meter Size						
1"	161	161	161	161	161	161
1 1/2"	7	7	7	7	7	7
2"	18	18	18	18	18	18
3"	2	2	2	2	2	2
4"	0	0	0	0	0	0
6"	1	1	1	1	1	1
Standby Fee	1,300	1,300	1,300	1,300	1,300	1,300
Water Use (hcf)	260,438	260,694	260,950	261,206	261,462	261,718
Casitas Surcharge (hcf)	110,369	30,983	30,983	30,983	87,120	87,120

Revenues

Based on the account growth and water demand projections, RDN forecasted revenues generated from customer rates using the current water rates for the study period, which total approximately $2.0 million annually.

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

Table 9. Water Rate Revenue by Source, FY 2026 to FY 2031

Rate Category	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
MWAC	$728,784	$729,648	$730,512	$731,376	$732,240	$733,104
MMC by Meter Size						
1"	$34,003	$34,003	$34,003	$34,003	$34,003	$34,003
1 1/2"	$3,335	$3,335	$3,335	$3,335	$3,335	$3,335
2"	$24,775	$24,775	$24,775	$24,775	$24,775	$24,775
3"	$6,773	$6,773	$6,773	$6,773	$6,773	$6,773
4"	$0	$0	$0	$0	$0	$0
6"	$20,850	$20,850	$20,850	$20,850	$20,850	$20,850
Standby Fee	$42,900	$50,932	$60,481	$71,773	$85,052	$93,557
Water Use (hcf)	$1,028,729	$1,029,741	$1,030,752	$1,031,763	$1,032,774	$1,033,785
Casitas Surcharge (hcf)	$110,369	$30,983	$30,983	$30,983	$87,120	$87,120
Total Rate Revenue	**$2,000,519**	**$1,931,039**	**$1,942,464**	**$1,955,631**	**$2,026,921**	**$2,037,302**

Other operating income and non-operating revenue are estimated to provide supplemental revenue each year. **Table 10** shows the projected other operating and non-operating revenue for the water utility by source for FY 2026 to FY 2031.

Table 10. Annual Other Revenue by Source, FY 2026 to FY 2031[6]

Revenue Category	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Other Operating Revenue						
Late Fees	$40,000	$40,000	$40,000	$40,000	$40,000	$40,000
Fire	$1,607	$1,607	$1,607	$1,607	$1,607	$1,607
Zone 1 Pumping Charges	$168	$168	$168	$168	$168	$168
Zone 2 Pumping Charges	$4,621	$4,621	$4,621	$4,621	$4,621	$4,621
Non-Operating Revenue						
Administrative Fees	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000
Property Tax Revenue	$215,000	$221,764	$228,741	$235,937	$243,359	$251,015
Interest Income	$60,000	$60,000	$36,242	$10,476	$0	$0
Total Non-Rate Revenue	**$327,396**	**$334,159**	**$317,378**	**$298,808**	**$295,755**	**$303,411**

Operating and Maintenance (O&M) Expense

The water utility's budget includes $1.9 million in operating expenses for FY 2026. Total operating expenses are expected to increase approximately 4.6 percent per year based on the application of specific inflation factors to each budget line-item. By the end of the five-year rate setting period, total operating expenses are expected to reach $2.4 million. **Table 11** shows projected operating expenses for the rate setting period by budget category.

[6] Fire and zone pumping charges are direct passthrough of energy costs to customers within each zone and are based on the actual costs incurred by the District. Interest income is based on available fund balances, which deplete to $0 by FY 2030 under the status quo financial plan, resulting in $0 interest income.

Table 11. Operating Expenses by Expense Category, FY 2026 to FY 2031[7]

Operating Expense	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Water Purchases	$298,506	$91,532	$99,552	$107,547	$309,957	$334,123
Salaries	$708,000	$735,676	$764,433	$794,315	$825,365	$857,628
Payroll Taxes	$56,500	$59,890	$63,483	$67,292	$71,330	$75,610
Retirement Contributions	$98,000	$103,880	$110,113	$116,720	$123,723	$131,146
Group Insurance	$110,000	$116,600	$123,596	$131,012	$138,872	$147,205
Company Uniforms	$3,500	$3,612	$3,728	$3,848	$3,971	$4,099
Phone Office	$3,500	$3,612	$3,728	$3,848	$3,971	$4,099
Janitorial Service	$7,500	$7,741	$7,989	$8,245	$8,510	$8,783
Refuse Disposal	$5,000	$5,232	$5,475	$5,729	$5,994	$6,207
Liability Insurance	$88,000	$93,614	$99,587	$103,859	$108,315	$112,962
Workers Compensation	$30,000	$31,800	$33,708	$35,730	$37,874	$40,147
Wells	$10,000	$10,621	$11,281	$11,982	$12,727	$13,345
Truck Maintenance	$5,000	$5,165	$5,335	$5,511	$5,693	$5,880
Office Equip. Maintenance	$5,500	$5,676	$5,859	$6,046	$6,240	$6,441
Cell Phones	$4,500	$4,644	$4,793	$4,947	$5,106	$5,270
System Maintenance	$60,000	$63,728	$67,687	$71,893	$76,359	$80,068
Safety Equipment	$15,000	$15,481	$15,978	$16,490	$17,019	$17,565
Security	$2,000	$2,064	$2,130	$2,199	$2,269	$2,342
Laboratory Services	$14,500	$14,965	$15,445	$15,941	$16,452	$16,980
Membership and Dues	$10,000	$10,321	$10,652	$10,994	$11,346	$11,710
Printing and Binding	$1,000	$1,032	$1,065	$1,099	$1,135	$1,171
Office Supplies	$6,000	$6,192	$6,391	$6,596	$6,808	$7,026
Postage and Express	$13,000	$13,417	$13,847	$14,292	$14,750	$15,223
B.O.D. Fees	$25,000	$26,750	$28,623	$30,626	$32,770	$35,064
Engineering & Technical Services	$60,000	$61,925	$63,911	$65,962	$68,078	$70,262
Computer Services	$30,000	$30,962	$31,956	$32,981	$34,039	$35,131
Other Prof. & Regulatory Fees	$80,000	$82,566	$85,215	$87,949	$90,770	$93,682
Public and Legal Notices	$2,000	$2,064	$2,130	$2,199	$2,269	$2,342
Attorney Fees	$20,000	$20,642	$21,304	$21,987	$22,693	$23,421
GSA Fees	$80,000	$82,566	$85,215	$87,949	$90,770	$93,682
VR/SBC/City of VTA Law Suit	$30,000	$30,000	$30,000	$30,000	$30,000	$30,000
Rental Equipment	$10,000	$10,321	$10,652	$10,994	$11,346	$11,710
Audit Fees	$22,000	$22,706	$23,434	$24,186	$24,962	$25,763
Small Tools	$5,000	$5,160	$5,326	$5,497	$5,673	$5,855
Election Supplies	$1,000	$1,032	$1,065	$1,099	$1,135	$1,171
Treatment Plant	$12,000	$12,840	$13,739	$14,701	$15,730	$16,831
Fuel	$20,000	$20,659	$21,340	$22,044	$22,771	$23,521
Travel Exp./Seminars	$2,000	$2,064	$2,130	$2,199	$2,269	$2,342
Utilities	$3,500	$3,662	$3,832	$4,010	$4,196	$4,345
Power and Pumping	$97,000	$101,500	$106,208	$111,135	$116,290	$120,411
CMWD Standby Passthrough Fees	$42,900	$50,932	$60,481	$71,773	$85,052	$93,557
Meters	$50,000	$51,604	$53,259	$54,968	$56,731	$58,551
Backflow Program	$25,000	$25,802	$26,630	$27,484	$28,366	$29,276
Online Bill AutoPay Transaction Fees	$8,000	$8,257	$8,522	$8,795	$9,077	$9,368
Total Operating	**$2,180,406**	**$2,060,511**	**$2,160,829**	**$2,264,671**	**$2,568,772**	**$2,691,312**

[7] District staff provided current year operating expenses by category; projections are based on individual line-item inflationary factors shown in Figure 3. Water Purchase costs are projected to fluctuate based on the District's need for CMWD supplies, with an increased reliance beginning in FY 2030 which occurs due to a projected reduction in treatment

Capital Improvement Projects

The District plans to spend an average of $1.1 million a year on capital projects during the rate setting period. **Table 12** shows the District's scheduled capital improvement projects for the next five years. All capital Projects will be rate funded (PAYGO) except the planned replacement of Tank #2, which the District will issue debt for in FY 2028.

Table 12. Rate Study CIP Expenses by Funding Source, FY 2026 to FY 2031[8]

Captial Project	Funding Source	Total Cost	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Meiners Rd Zone	PAYGO	**$275,000**	$0	$0	$50,000	$0	$225,000	$0
Replace Tank #2	Financing	**$2,500,000**	$0	$0	$2,500,000	$0	$0	$0
Old Well 4 Rehab	PAYGO	**$350,000**	$0	$175,000	$175,000	$0	$0	$0
Tico Booster Relocate Electricity	PAYGO	**$15,000**	$0	$15,000	$0	$0	$0	$0
District Office Rehab	PAYGO	**$60,000**	$0	$60,000	$0	$0	$0	$0
New Well Replace Well 1	PAYGO	**$200,000**	$50,000	$150,000	$0	$0	$0	$0
Chloramination Trailer	PAYGO	**$130,000**	$0	$0	$130,000	$0	$0	$0
Replace Mains	PAYGO	**$0**	$0	$0	$0	$0	$0	$0
Replace Valves	PAYGO	**$815,000**	$65,000	$75,000	$75,000	$75,000	$75,000	$75,000
AMI Meters	PAYGO	**$250,000**	$50,000	$50,000	$50,000	$50,000	$50,000	$0
Truck Replace - Ford Ranger	PAYGO	**$60,000**	$0	$60,000	$0	$0	$0	$0
Truck Replace - 2013 Dodge	PAYGO	**$75,000**	$0	$0	$75,000	$0	$0	$0
Other	PAYGO	**$340,000**	$40,000	$30,000	$30,000	$30,000	$30,000	$30,000
Replace Tank #2 - Engineering	PAYGO	**$30,000**	$0	$30,000	$0	$0	$0	$0
Appropriations for Contingencies	PAYGO	**$1,100,000**	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000
Blending Station	PAYGO	**$500,000**	$0	$0	$0	$500,000	$0	$0
Total Capital Expenditures		**$6,700,000**	**$305,000**	**$745,000**	**$3,185,000**	**$755,000**	**$480,000**	**$205,000**

Debt Service and Coverage Ratios

The water utility currently has no outstanding debt. As part of the financial planning process, an analysis was completed which evaluated the customer impact of completing the Tank #2 Replacement Project with customer rate increases or with debt service. The District's Board of Directors determined that debt financing would have the least impact on customer rates while spreading the cost of critical infrastructure between current and future customers, thus creating generational equity in system investment. The proposed debt service assumed a 30-year issuance at 2.5 percent interest which will be issued in FY 2028 and will have a 1.0 percent debt issuance fee. **Table 13** shows the water utility's annual debt payments used in this study.

plant capacity. Additionally, water purchase costs are offset by a reduction in pumping electricity and GSA Fees, which are reduced when less groundwater is used.

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

Table 13. Rate Study Debt Service Expenses, FY 2026 to FY 2031[9]

Description	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Tank #2 Loan Principal	$0	$0	$0	$56,944	$57,743	$59,186
Tank #2 Loan Interest	$0	$0	$0	$62,500	$61,701	$60,258
Total Debt Service	**$0**	**$0**	**$0**	**$119,444**	**$119,444**	**$119,444**

Generally, as a condition of debt issuance, a coverage requirement for revenues to exceed operating expenses is included in debt covenants. The proposed debt service coverage requirement under the debt issuance scenario is 125 percent, or 1.25 times the operating expenses, which is standard for municipal loans. Maintaining a healthy debt coverage ratio will help the District keep a good credit rating and will allow the District to issue debt at lower rates. **Table 14** shows the current debt service coverage calculation based on the revenues and expenses under current rates.

Table 14. Projected Debt Service Coverage, FY 2026 to FY 2031

Category	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Total Revenue	$2,327,914	$2,265,199	$2,259,842	$2,254,439	$2,322,676	$2,340,713
Total Operating	$2,180,406	$2,060,511	$2,160,829	$2,264,671	$2,568,772	$2,691,312
Total Debt Service	$0	$0	$0	$119,444	$119,444	$119,444
Debt Service Coverage Ratio	**0.00**	**0.00**	**0.00**	**-0.09**	**-2.06**	**-2.94**

Reserves

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

- **Operating Reserve**: two months of operating expenses
- **Capital Replacement Fund**: Annual Contribution of $200,000
- **Emergency Reserve**:[10] The sum of the total reserve target

The reserve target at the end of the study period reaches $2.4 million. **Table 15** shows the District's reserve targets for FY 2026 through FY 2031 based on the current reserve policy. Reserve targets are based on reserve policy shown in **Table 5**.

[9] Debt service payment schedules are based on the issuance of a 30-year loan at 2.5 percent interest
[10] The Emergency Reserve is not a specific reserve target, but a naming convention for total reserves

Table 15. Water Reserve Target, FY 2026 to FY 2031

Reserve Target	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Operating Reserve	$363,401	$343,419	$360,138	$377,445	$428,129	$448,552
Capital Replacement Fund	$1,000,000	$1,200,000	$1,400,000	$1,600,000	$1,800,000	$2,000,000
Emergency Reserve	**$1,363,401**	**$1,543,419**	**$1,760,138**	**$1,977,445**	**$2,228,129**	**$2,448,552**

Financial Plan

Based on the projected total revenue and necessary costs to be recovered during the study period, RDN built a financial plan that will generate sufficient revenues for the day-to-day operation and annual PAYGO and make appropriate contributions to reserves. The District's ending cash balance was $1.5 million in FY 2025, which constitutes the beginning balance for FY 2026. **Table 16** shows the status quo water pro forma with no revenue adjustments and the resulting ending balances based on the revenues and expenses outlined in this section.

Table 16. Status Quo Financial Pro Forma for Meiners Oaks Water District Water System, FY 2026 to FY 2031

Category	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Cash Position Opening Balance	**$1,522,029**	**$1,364,537**	**$824,225**	**$238,237**	**-$646,439**	**-$1,491,979**
Revenues						
Rate Revenue	$2,000,519	$1,931,039	$1,942,464	$1,955,631	$2,026,921	$2,037,302
Other Operating Revenue	$46,396	$46,396	$46,396	$46,396	$46,396	$46,396
Non-Operating Revenue	$281,000	$287,764	$270,983	$252,412	$249,359	$257,015
Total Revenue	**$2,327,914**	**$2,265,199**	**$2,259,842**	**$2,254,439**	**$2,322,676**	**$2,340,713**
Operating Expense	**$2,180,406**	**$2,060,511**	**$2,160,829**	**$2,264,671**	**$2,568,772**	**$2,691,312**
Net Operating Revenues	**$147,508**	**$204,687**	**$99,012**	**-$10,232**	**-$246,096**	**-$350,600**
Debt Service	**$0**	**$0**	**$0**	**$119,444**	**$119,444**	**$119,444**
Total Caplital Expenditures	**$305,000**	**$745,000**	**$3,185,000**	**$755,000**	**$480,000**	**$205,000**
Debt Funded	$0	$0	$2,500,000	$0	$0	$0
PAYGO	$305,000	$745,000	$685,000	$755,000	$480,000	$205,000
Net Income	**-$157,492**	**-$540,313**	**-$585,988**	**-$884,676**	**-$845,540**	**-$675,044**
Ending Balance	**$1,364,537**	**$824,225**	**$238,237**	**-$646,439**	**-$1,491,979**	**-$2,167,023**
Reserve Target	**$1,363,401**	**$1,543,419**	**$1,760,138**	**$1,977,445**	**$2,228,129**	**$2,448,552**
Debt Service Coverage Ratio	0.00	0.00	0.00	-0.09	-2.06	-2.94

Table 17 shows the proposed water pro forma for the study period with the recommended revenue adjustments per year.

Table 17. Proposed Financial Pro Forma for Meiners Oaks Water District Water System, FY 2026 to FY 2031

Category	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Cash Position Opening Balance	**$1,522,029**	**$1,364,537**	**$1,113,881**	**$1,055,382**	**$972,266**	**$1,245,064**
Revenues	**Adjustment**	15.0%	10.0%	10.0%	10.0%	5.0%
Rate Revenue	$2,000,519	$1,931,039	$1,942,464	$1,955,631	$2,026,921	$2,037,302
Additional Rate Revenue	$0	$289,656	$514,753	$765,630	$1,075,586	$1,237,014
Other Operating Revenue	$46,396	$46,396	$46,396	$46,396	$46,396	$46,396
Non-Operating Revenue	$281,000	$287,764	$283,719	$288,343	$292,111	$311,762
Total Revenue	**$2,327,914**	**$2,554,855**	**$2,787,331**	**$3,055,999**	**$3,441,014**	**$3,632,473**
Operating Expense	**$2,180,406**	**$2,060,511**	**$2,160,829**	**$2,264,671**	**$2,568,772**	**$2,691,312**
Net Operating Revenues	**$147,508**	**$494,343**	**$626,502**	**$791,328**	**$872,241**	**$941,161**
Debt Service	**$0**	**$0**	**$0**	**$119,444**	**$119,444**	**$119,444**
Total Caplital Expenditures	**$305,000**	**$745,000**	**$3,185,000**	**$755,000**	**$480,000**	**$205,000**
Debt Funded	$0	$0	$2,500,000	$0	$0	$0
PAYGO	$305,000	$745,000	$685,000	$755,000	$480,000	$205,000
Net Income	**-$157,492**	**-$250,657**	**-$58,498**	**-$83,116**	**$272,797**	**$616,717**
Ending Balance	**$1,364,537**	**$1,113,881**	**$1,055,382**	**$972,266**	**$1,245,064**	**$1,861,780**
Reserve Target	**$1,363,401**	**$1,543,419**	**$1,760,138**	**$1,977,445**	**$2,228,129**	**$2,448,552**
Debt Service Coverage Ratio	0.00	0.00	0.00	6.63	7.30	7.88

Revenue Requirements

Table 18 displays the water utility's revenue requirements for FY 2027. In the rate design section, the proposed revenue adjustments will be applied to the cost of service-based rates which were designed considering the FY 2027 revenues and expenses, as this represents a typical year of CMWD purchases versus FY 2026. The total expense for each year is offset by other operating revenues and non-operating revenues to compute a pure portion of revenue requirements that need to be recovered from customers' rates. RDN proposes annual revenue adjustments in FY 2027 through FY 2031 to reach the financial goals set by the District.

Table 18. Revenue Requirements for Meiners Oaks Water District Water Utility, FY 2027

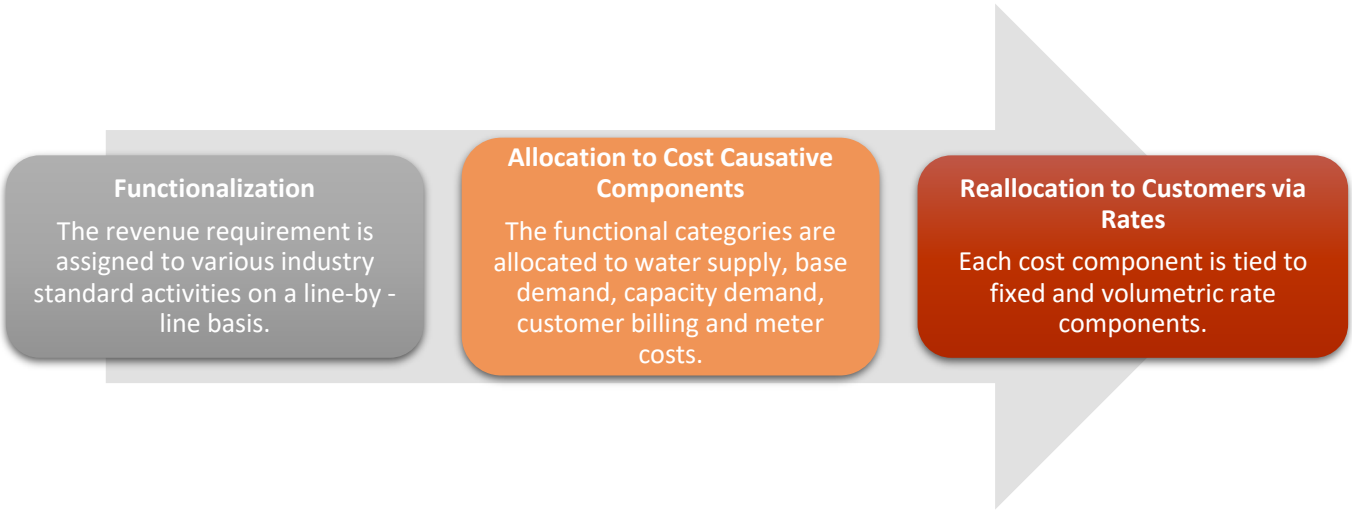
Category	FY 2027
Operating Expense	$2,060,511
PAYGO	$745,000
Other Operating Revenue	-$46,396
Non-Operating Revenue	-$287,764
Net Income	-$540,313
Rate Revenue Requirement	**$1,931,039**

COST OF SERVICE

4.1 Water Cost of Service Analysis

The purpose of a Cost of Service (COS) analysis is to allocate costs among customers commensurate with their service requirements. RDN employed the "commodity-demand" cost-of-service method promulgated in AWWA's M1, whereby costs are first allocated to individual functions, which are typical industry standard activities, then the costs of each function are distributed to appropriate cost causative components, which are defined by the cost driving elements. **Figure 4** displays a typical process for the COS analysis.

Figure 4. A Typical Flow for Cost of Service Analysis Process



Functionalization of Costs

Operating and capital costs are functionalized based on operating categories used in the District's budget and input from District staff with expertise on the system and utility industry knowledge. The functionalization of non-operating expenses is based on total water asset values, which represents a better overall estimate of systemwide needs versus just one year of capital expenditure. The non-operating expenses for the test year are made up capital expenditures totaling approximately $745,000. The functions of the water system for both operating and non-operating expenses include:

- Water Supply – costs associated with water procurement and purchases
- Pumping – costs associated with general pumping and energy use
- Storage – costs associated with water storage for distribution
- Transmission and Distribution – costs associated with transmitting and distributing water to customers

- Fire – costs associated with public fire protection
- Treatment – costs associated with treating water
- Meters – costs associated with the reading and maintenance of meters
- Customer Service – costs associated with customer service and billing related tasks
- Administrative and General – costs associated with administrative and general functions

Costs and assets were functionalized based on the District's standard budget determinations and input from staff on a line-item basis. **Table 19** shows the amount and percentage of the test year's operating expenses allocated to each function. **Table 20** shows the amount and percentage of the District's fixed assets allocated to each function. Total assets were used as a proxy for the allocation of non-operating expenses because they represent the long-term investment in the system made by the District. A single year of non-operating expenses typically does not reflect an adequate ratio of overall system investments.

Table 19. Percentage of Operating Costs Allocated to Standard Functions

Operating Function	Allocation	Percent
Total O&M	**$2,060,511**	**100%**
Water Supply	$253,180	12%
Pumping	$133,364	6%
Transmission and Distribution	$31,864	2%
Treatment	$54,555	3%
Customer Service	$3,096	0%
Meters	$85,663	4%
Administrative and General	$1,498,790	73%

Table 20. Percentage of Assets Costs Allocated to Standard Functions

Asset Function	Allocation	Percent
Total Assets	**$2,589,036**	**100%**
Water Supply	$1,254,097	48%
Pumping	$70,657	3%
Storage	$452,856	17%
Transmission and Distribution	$298,210	12%
Fire	$89,204	3%
Treatment	$4,207	0%
Meters	$3,379	0%
Administrative and General	$416,426	16%

A COS analysis considers both the average quantity of water consumed (base costs) and the highest rate at which it is consumed (peaking or capacity costs as identified by maximum demands compared to base demands). Capacity costs are costs that are incurred during peak times of consumption. There are additional costs associated with designing, constructing, operating, and maintaining facilities to meet the

highest capacity of use. All current and future water facilities, including water mains, pump stations, reservoirs, wells, and treatment plants, are designed and constructed to meet this capacity. If deficiencies are found, the existing facilities get upsized, or a secondary line or pump is installed. These peak demand costs should be allocated to those customers whose potential use generates additional costs for the utility, such as larger meters. In other words, not all customers share the same responsibility for capacity related costs. The percent of delivery capacity over an average day or base delivery was determined by using actual customer billing records. **Table 21** shows actual potable customer water use by billing period, and total annual water use. **Table 22** shows the average and the highest monthly water use divided by the number of days included in the period. The August billing period includes 31 days, so to calculate the daily use during the peak billing period, the total use in that period is divided by the increment.

Table 21. System-Wide Potable Water Use by Billing Period in hcf[11]

Month	Use (hcf)	Percent of Use
July	25,714	10%
August	27,773	11%
September	30,507	12%
October	26,584	10%
November	23,557	9%
December	16,738	6%
January	22,461	9%
February	12,658	5%
March	11,701	4%
April	19,122	7%
May	18,914	7%
June	24,964	10%
Total FY 2027 Use	**260,694**	**100%**

Table 22. Water Use Divided by Billing Days in hcf

Category	Use (hcf)	Days	Daily Use
Total FY 2027 Use	260,694	365	714
Maximum Month	30,507	30	1,017

Table 23 shows the systemwide capacity factors based on customer use patterns as described. Delivery capacity is equal to the max day average use divided by annual average day use. The percentage of delivery capacity over base delivery represents the additional capacity demands which create the need

[11] Total potable water use is based on FY 2025 billing records

for upsizing system assets to provide service under the highest water use conditions. The peak capacity costs are applied only to the fixed charges.

Table 23. System-Wide Delivery Factors

Cost Component	Factor	Percent at Base	Percent at Capacity
Base Delivery	1.00	100.0%	0.0%
Delivery Capacity	1.42	70.2%	29.8%

The cost causative components include:

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

Water supply and treatment costs are allocated 100 percent to the Supply component as they relate to purchasing water from other agencies as well as procuring and treating groundwater. Pumping, Storage, and Transmission and Distribution costs are proportionally allocated between base and delivery capacity based on annual water demand patterns shown in **Table 23** since all infrastructure is constructed to meet base and capacity water use requirements. Meter, customer, and conservation costs are allocated directly to those categories. Fire costs are allocated to meters as all meters benefit from fire protection. Administrative and general costs are allocated to cost components based on the percentage of the functions allocated to the other cost categories excluding source of supply costs. **Table 24** through **Table 27** show the percent and total value of functionalized operating costs and assets allocated to the cost causative components. Meter and customer service costs were allocated directly to their respective component.

Table 24. Percent of Operating Function Categories Allocated to Cost Components

Operating Function	Total Allocation	Source of Supply	Base	Capacity	Meters	Customer Service
Water Supply	**$253,180**	100.0%	0.0%	0.0%	0.0%	0.0%
Pumping	**$133,364**	0.0%	70.2%	29.8%	0.0%	0.0%
Storage	**$0**	0.0%	70.2%	29.8%	0.0%	0.0%
Transmission and Distribution	**$31,864**	0.0%	70.2%	29.8%	0.0%	0.0%
Fire	**$0**	0.0%	0.0%	0.0%	100.0%	0.0%
Treatment	**$54,555**	100.0%	0.0%	0.0%	0.0%	0.0%
Customer Service	**$3,096**	0.0%	0.0%	0.0%	0.0%	100.0%
Meters	**$85,663**	0.0%	0.0%	0.0%	100.0%	0.0%
Administrative and General	**$1,498,790**	0.0%	45.7%	19.4%	33.7%	1.2%

Table 25. Total of Operating Functional Categories Allocated to Cost Components

Operating Function	Total Allocation	Source of Supply	Base	Capacity	Meters	Customer Service
Water Supply	**$253,180**	$253,180	$0	$0	$0	$0
Pumping	**$133,364**	$0	$93,668	$39,696	$0	$0
Storage	**$0**	$0	$0	$0	$0	$0
Transmission and Distribution	**$31,864**	$0	$22,380	$9,484	$0	$0
Fire	**$0**	$0	$0	$0	$0	$0
Treatment	**$54,555**	$54,555	$0	$0	$0	$0
Customer Service	**$3,096**	$0	$0	$0	$0	$3,096
Meters	**$85,663**	$0	$0	$0	$85,663	$0
Administrative and General	**$1,498,790**	$0	$684,805	$290,213	$505,501	$18,271
Total Allocation	**$2,060,511**	**$307,735**	**$800,853**	**$339,393**	**$591,164**	**$21,367**

Table 26. Percent of Non-Operating Function Categories Allocated to Cost Components

Asset Function	Total Allocation	Source of Supply	Base	Capacity	Meters	Customer Service
Water Supply	$1,254,097	100.0%	0.0%	0.0%	0.0%	0.0%
Pumping	$70,657	0.0%	70.2%	29.8%	0.0%	0.0%
Storage	$452,856	0.0%	70.2%	29.8%	0.0%	0.0%
Transmission and Distribution	$298,210	0.0%	70.2%	29.8%	0.0%	0.0%
Fire	$89,204	0.0%	0.0%	0.0%	100.0%	0.0%
Treatment	$4,207	100.0%	0.0%	0.0%	0.0%	0.0%
Customer Service	$0	0.0%	0.0%	0.0%	0.0%	100.0%
Meters	$3,379	0.0%	0.0%	0.0%	100.0%	0.0%
Administrative and General	$416,426	0.0%	63.1%	26.8%	10.1%	0.0%

Table 27. Total of Non-Operating Functional Categories Allocated to Cost Components

Asset Function	Total Allocation	Source of Supply	Base	Capacity	Meters	Customer Service
Water Supply	**$1,254,097**	$1,254,097	$0	$0	$0	$0
Pumping	**$70,657**	$0	$49,626	$21,031	$0	$0
Storage	**$452,856**	$0	$318,063	$134,792	$0	$0
Transmission and Distribution	**$298,210**	$0	$209,448	$88,762	$0	$0
Fire	**$89,204**	$0	$0	$0	$89,204	$0
Treatment	**$4,207**	$4,207	$0	$0	$0	$0
Customer Service	**$0**	$0	$0	$0	$0	$0
Meters	**$3,379**	$0	$0	$0	$3,379	$0
Administrative and General	**$416,426**	$0	$262,860	$111,398	$42,168	$0
Total Allocation	**$2,589,036**	**$1,258,304**	**$839,998**	**$355,982**	**$134,751**	**$0**
Percent of Allocation	100.0%	48.6%	32.4%	13.7%	5.2%	0.0%

The non-operating expenses for the test year are made up of capital expenditures totaling approximately $745,000. Those costs are distributed to the cost components based on the final percentages shown in **Table 27,** above, which are based on the total asset book values of water assets owned by the District. Water asset values represent the long-term investment in the District's water system and serve as a proxy value for how a single year of non-operating expenses should be allocated. Asset values do not fluctuate significantly year over year as annual capital expenditures do, which ensures that cost categories are accurately represented. Operating allocations

are based on the projected test year expenses and the total for each cost component reflects the percentages in **Table 25**. **Table 28** shows the projected test year expenses allocated to each cost component based on the percentages in **Table 25** and **Table 27**.

Table 28. Operating and Non-Operating Cost Allocation to Cost Components

Cost Component	Operating Cost	Operating Percentage	Non Operating Costs	Non Operating Percentage
Total	**$2,060,511**	**100.0%**	**$745,000**	**100.0%**
Source of Supply	$307,735	14.9%	$362,079	48.6%
Base	$800,853	38.9%	$241,711	32.4%
Capacity	$339,393	16.5%	$102,435	13.7%
Meters	$591,164	28.7%	$38,775	5.2%
Customer Service	$21,367	1.0%	$0	0.0%

Table 29 shows the cost allocation by cost causative components under the proposed financial plan before adjustments. Revenue offsets made up of non-operating revenues for FY 2027 shown in **Table 18** will be used to offset water supply costs in the rate design section. Other operating revenues are allocated to each cost component based on the overall cost allocation percentages shown in the "percent of total" row.

Table 29. Rate Revenue Requirements for Test Year, FY 2027

Category	Total Allocation	Source of Supply	Base	Capacity	Meters	Customer Service
Operating Expense	**$2,060,511**	14.9%	$0	16.5%	28.7%	1.0%
O&M Allocation		$307,735	$800,853	$339,393	$591,164	$21,367
Non-Operating Costs	**$745,000**	48.6%	$0	13.7%	5.2%	0.0%
Non-Operating Allocation		$362,079	$241,711	$102,435	$38,775	$0
Total Allocation	**$2,805,511**	**$669,814**	**$1,042,564**	**$441,828**	**$629,939**	**$21,367**
Percent of Total		**23.9%**	**37.2%**	**15.7%**	**22.5%**	**0.8%**

Table 30 shows the total cost allocation by cost category that will be used to allocate costs to each customer. Other operating revenue and net balances are applied based on the overall percentages allocated to each cost category in the percent of total line. Non-operating revenues are applied directly to the source of supply category to offset the cost of variable rates for water customers.

Table 30. Cost of Service Allocations with Other Operating, Non-Operating, and Net Balance Adjustments

Category	Total Allocation	Source of Supply	Base	Capacity	Meters	Customer Service
Operating Expense	**$2,060,511**	14.9%	$0	16.5%	28.7%	1.0%
O&M Allocation		$307,735	$800,853	$339,393	$591,164	$21,367
Non-Operating Costs	**$745,000**	48.6%	$0	13.7%	5.2%	0.0%
Non-Operating Allocation		$362,079	$241,711	$102,435	$38,775	$0
Total Allocation	**$2,805,511**	**$669,814**	**$1,042,564**	**$441,828**	**$629,939**	**$21,367**
Percent of Total		**23.9%**	**37.2%**	**15.7%**	**22.5%**	**0.8%**
Other Operating Revenue	**-$46,396**	-$11,077	-$17,241	-$7,307	-$10,417	-$353
Non-Operating Revenue	**-$287,764**	-$287,764				
Net Income	**-$540,313**	-$128,999	-$200,787	-$85,091	-$121,320	-$4,115
Rate Revenue Requirement	**$1,931,039**	$241,974	$824,535	$349,430	$498,201	$16,899

Allocation to Customers

All customers are billed based on their meter size and water use level. The total revenue requirements reflect the final cost allocation in **Table 30**. These totals will be applied to customers based on the corresponding number of units allocated to that customer in the rate design. **Table 31** shows the calculation of systemwide units used to allocate costs to each customer class.

Table 31. Systemwide Units

Category			Units (hcf)
Water Use			260,694
Meters	**Count**	**Ratio**	**Equivalent Meters**
5/8"	1,068	1.00	1,068
3/4"	10	1.50	15
1"	191	2.50	478
1 1/2"	9	5.00	45
2"	18	8.00	144
3"	3	17.50	53
4"	2	31.50	63
6"	1	65.00	65
Total	**1,302**		**1,930**
Customer Bills	**Count**	**Months**	**Total**
All	1,302	12	15,621

Allocation to Units

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

- Source of supply costs are divided by the total projected water use.
- Total water use will be used to distribute the portion of base delivery related service costs which were allocated to the variable rate.
- The number of equivalent meters will be used to distribute capacity delivery related service costs.
- The number of equivalent meters will be used to distribute meter related service costs.
- The number of bills in one year (the number of accounts multiplied by 12) serves as the basis for distributing billing and customer service costs associated with customer billing and collection, and other customer services costs.

Table 32 shows the total cost allocation by cost component divided by the corresponding unit values to develop a unit cost for each.

Table 32. Rate Revenue Requirements Divided by the Corresponding Units

Category	Total Cost	Units	Cost per Unit
Source of Supply	**$241,974**	260,694	$0.93
Base	**$824,535**	260,694	$3.16
Capacity	**$349,430**	1,930	$181.07
Meters	**$498,201**	1,930	$258.16
Customer Service	**$16,899**	15,621	$1.08

RATE DESIGN

5.1 Water Rate Design

RDN proposes the following adjustments to customer water rate structures:

- Adjusting rates annually by the recommended revenue adjustments of 15.0 percent in Fiscal Year 2027, 10.0 percent in FY 2028, 10.0 percent inf FY 2029, 10.0 percent in FY 2030, and 5.0 percent in FY 2031
- Simplifying the rate structure by reducing the rate categories to only include a monthly fixed charge based on meter size and a variable charge for all water use
- Billing all meters based on AWWA ratios

The proposed rates will include the following components:

1. **Fixed monthly service charge**: the rates are established based on the size of the meter at the property receiving water service and are calculated to recover a portion of the District's fixed costs, such as water facilities repairs and replacements, the capacity of that meter, meter reading, and customer service.
2. **Variable rates**: the rates are calculated based on the cost of water supplies, the cost of managing the District's water resources at regular levels and distributing water throughout the system to customers. The variable rates are billed per hundred cubic feet.

Together, the two components (fixed and variable) are calculated to recover the proportionate cost of providing water service attributable to each customer.

Monthly Fixed Charge

Two different meter ratios were applied in the development of fixed charges. The AWWA meter capacity ratio was used to allocate system-wide capacity-related costs, as it reflects the relative demand potential associated with each meter size. Capacity-related costs include delivery capacity and some base delivery costs. This approach aligns fixed cost responsibility with each customer's ability to place demand on the system. **Table 33** shows the calculation which was used to determine the cost for one equivalent meter, monthly.

Table 33. Monthly Meter Cost Calculation

Meter Charge Component	Annual Cost	Months	Monthly Meter Charge
Capacity	$181.07	12	$15.09
Meters	$258.16	12	$21.51
Total	**$439.24**		**$36.60**

Table 34 shows the monthly fixed charge calculation by meter size for potable retail water customer connections.

Table 34. Monthly Water Service Fixed Charge Calculation[12]

Meter size	Meter Charge		Meter Ratio		Total Meter		Customer Service		COS Fixed Charge
5/8"	$36.60	x	1.00	=	$36.60	+	$1.08	=	**$37.68**
3/4"	$36.60	x	1.50	=	$54.90	+	$1.08	=	**$55.99**
1"	$36.60	x	2.50	=	$91.51	+	$1.08	=	**$92.59**
1 1/2"	$36.60	x	5.00	=	$183.01	+	$1.08	=	**$184.10**
2"	$36.60	x	8.00	=	$292.82	+	$1.08	=	**$293.91**
3"	$36.60	x	17.50	=	$640.55	+	$1.08	=	**$641.63**
4"	$36.60	x	31.50	=	$1,152.99	+	$1.08	=	**$1,154.08**
6"	$36.60	x	65.00	=	$2,379.19	+	$1.08	=	**$2,380.28**

The proposed monthly fixed charge before revenue adjustments for the base equivalent meter (5/8 inch) is $37.68.

The proposed five-year monthly fixed charges with revenue adjustments applied for all water customers are shown in **Table 35.**

Table 35. Proposed 5-year Fixed Charge Schedule

Meter Charge					
Meter Size	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
5/8"	$43.33	$47.66	$52.43	$57.67	$60.55
3/4"	$64.39	$70.83	$77.91	$85.70	$89.99
1"	$106.48	$117.13	$128.84	$141.72	$148.81
1 1/2"	$211.72	$232.89	$256.18	$281.80	$295.89
2"	$338.00	$371.80	$408.98	$449.88	$472.37
3"	$737.87	$811.66	$892.83	$982.11	$1,031.22
4"	$1,327.19	$1,459.91	$1,605.90	$1,766.49	$1,854.81
6"	$2,737.32	$3,011.05	$3,312.16	$3,643.38	$3,825.55

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

Variable Water Rates

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

Table 36 shows the calculation used to determine the variable rates. Supply and Base Delivery costs are added to Conservation costs to calculate the variable rates. Rates are then reduced by revenue offsets, which were set aside in the cost of service analysis.

Table 36. Water Variable Rate Calculation

	Source of Supply		Base		Variable Rate
Rate per hcf	$0.93	+	3.16	=	**$4.09**

The rates will be escalated by the revenue adjustments, and the five-year rate schedule is shown in **Table 37**. Each adjustment will occur in July, the start of the fiscal year.

Table 37. Proposed 5-Year Water Variable Rate Schedule

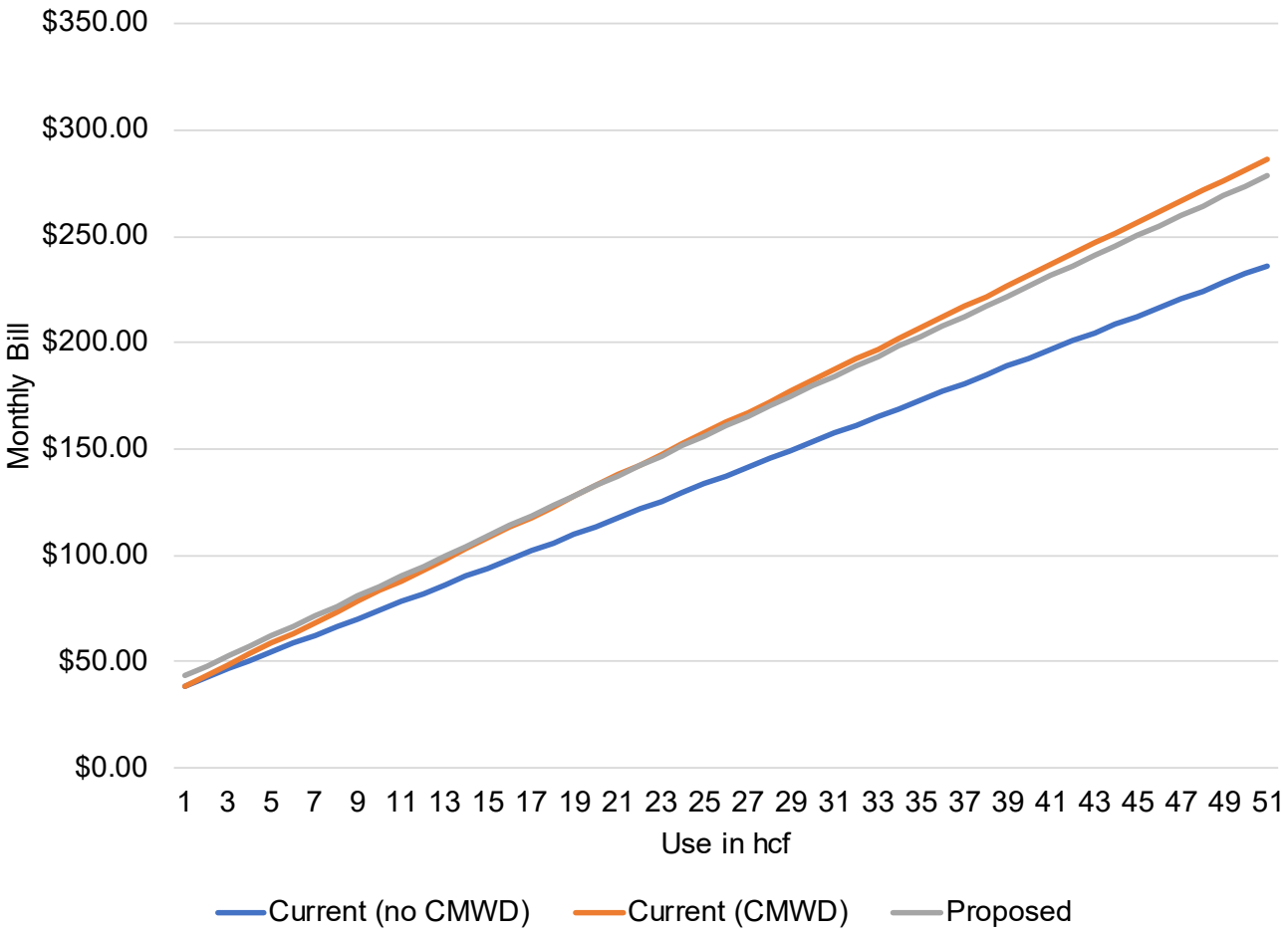
Variable Charge	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1 hcf	$4.70	$5.17	$5.69	$6.26	$6.57

5.2 Bill Impact Analysis

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

Figure 5 shows the dollar change in the bill based on 5/8" Residential customers use at selected usage points. The District's average 5/8" Residential customer uses 14 hcf of water monthly. The impact at 14 hcf of water use is $15.08.

Figure 5. Residential Water Customer Impact by Usage for 5/8”



CONCLUSION

5.3 Summary of Recommendations and Financial Results

Recommendations:

Water

- Adjust rates annually by the recommended revenue adjustments of 15.0 percent in Fiscal Year 2027, 10.0 percent in FY 2028, 10.0 percent inf FY 2029, 10.0 percent in FY 2030, and 5.0 percent in FY 2031
- Simplify the rate structure by reducing the rate categories to only include a monthly fixed charge based on meter size and a variable charge for all water use
- Bill all meters based on AWWA ratios

The following figures summarize the recommendations of this report:

Figure 6 shows the status quo water financial plan used for this study.

Figure 6. Rate Study Water Status Quo Financial Plan

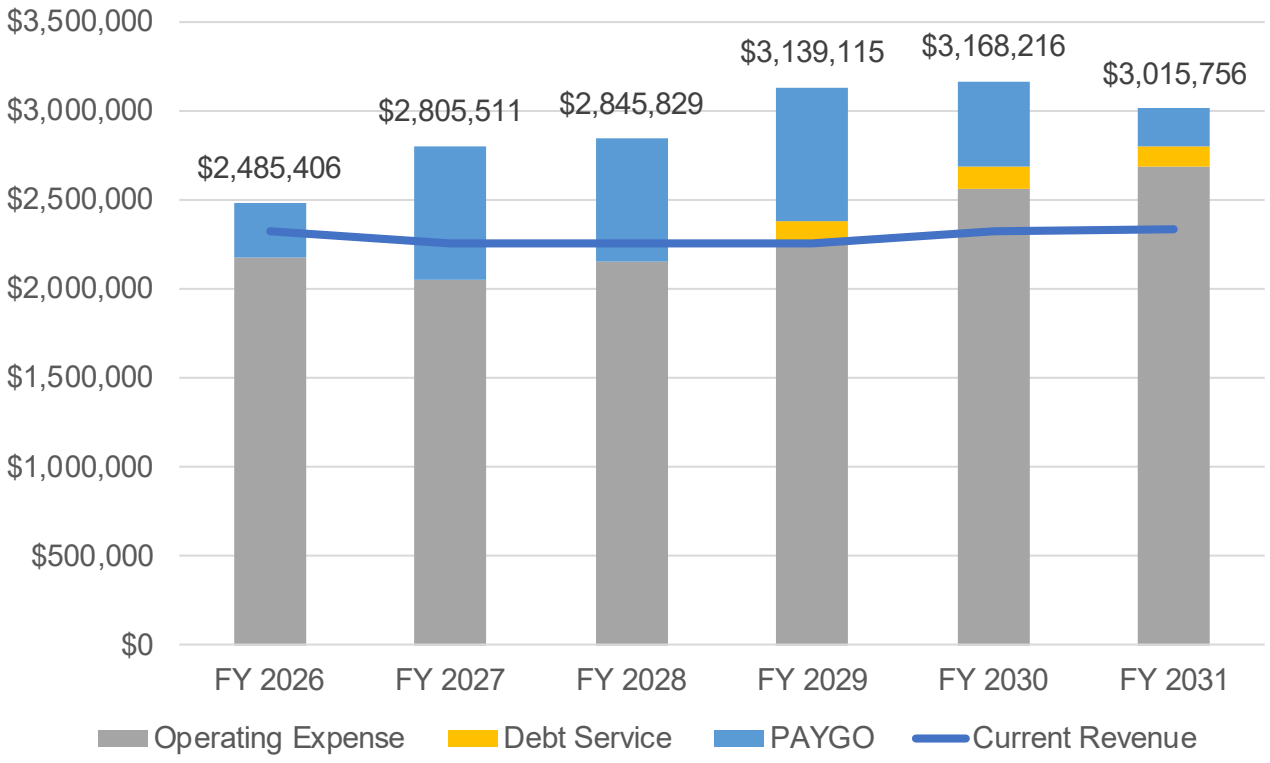


Figure 7 shows the recommended annual water revenue adjustments for each year of the rate setting period.

Figure 7. Recommended Water Revenue Adjustment

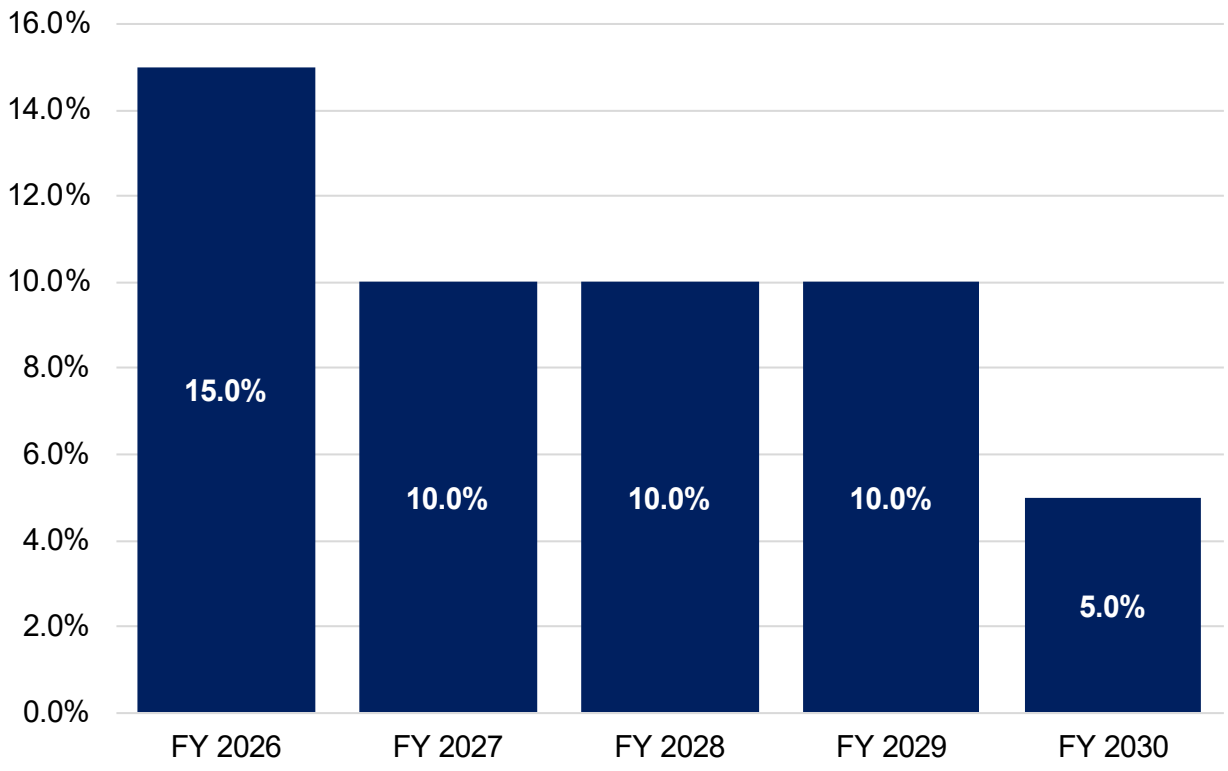


Figure 8 shows the proposed financial plan with revenue adjustments used for this study.

Figure 8. Recommended Rate Study Adjusted Water Financial Plan

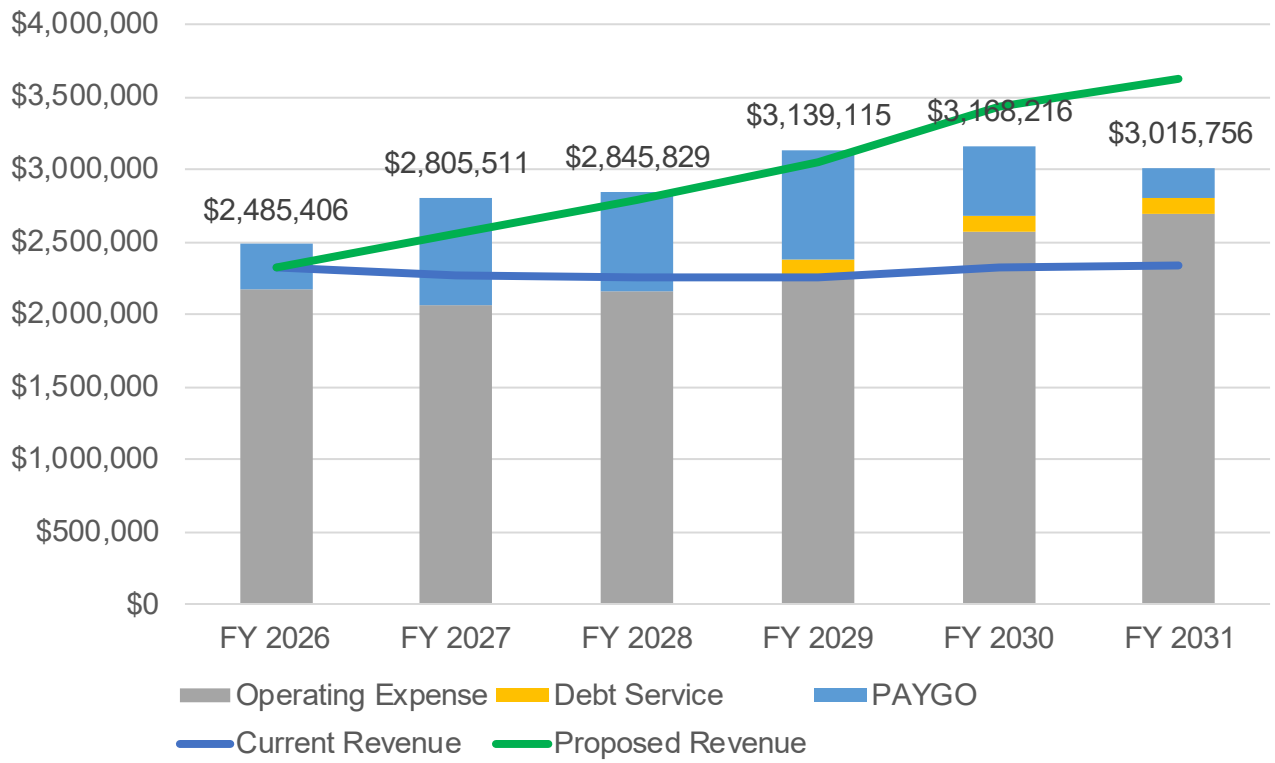


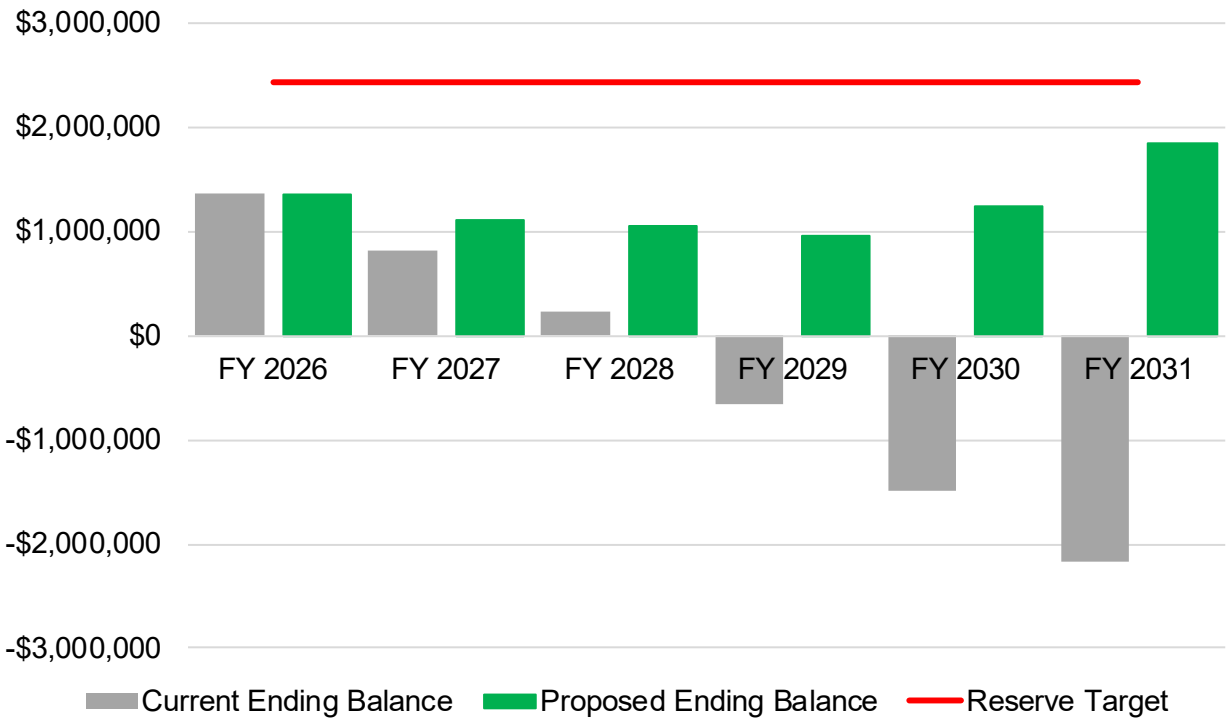
Table 38 shows the proposed fixed rates and variable rates based on the proposed revenue adjustments and cost of service analysis for each year of the rate setting period, respectively.

Table 38. Proposed Fixed Rates for FY 2027 to FY 2031

Meter Charge					
Meter Size	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**
5/8"	$43.33	$47.66	$52.43	$57.67	$60.55
3/4"	$64.39	$70.83	$77.91	$85.70	$89.99
1"	$106.48	$117.13	$128.84	$141.72	$148.81
1 1/2"	$211.72	$232.89	$256.18	$281.80	$295.89
2"	$338.00	$371.80	$408.98	$449.88	$472.37
3"	$737.87	$811.66	$892.83	$982.11	$1,031.22
4"	$1,327.19	$1,459.91	$1,605.90	$1,766.49	$1,854.81
6"	$2,737.32	$3,011.05	$3,312.16	$3,643.38	$3,825.55
Variable Charge	**FY 2027**	**FY 2028**	**FY 2029**	**FY 2030**	**FY 2031**
1 hcf	$4.70	$5.17	$5.69	$6.26	$6.57

Figure 9 shows the District's ending cash balances before and after revenue and rate adjustments are made.

Figure 9. Ending Water Cash Balances Before and After Recommended Revenue Adjustments



5.4 Water Rate Comparison

Figure 10 shows current and proposed rates for an average residential customer compared to the rates of other utilities in the surrounding area.

Figure 10. Single Family Residential 5/8" Water Rate Comparison at 14 hcf a Month

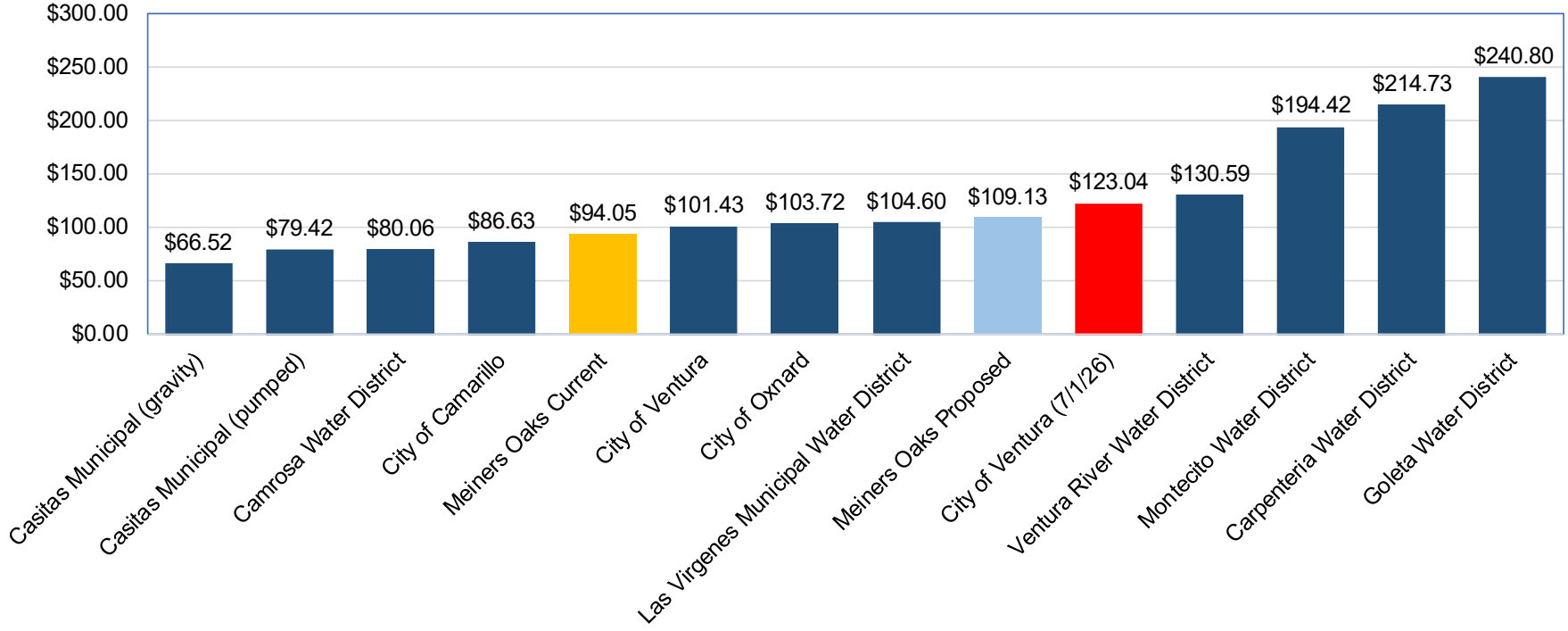
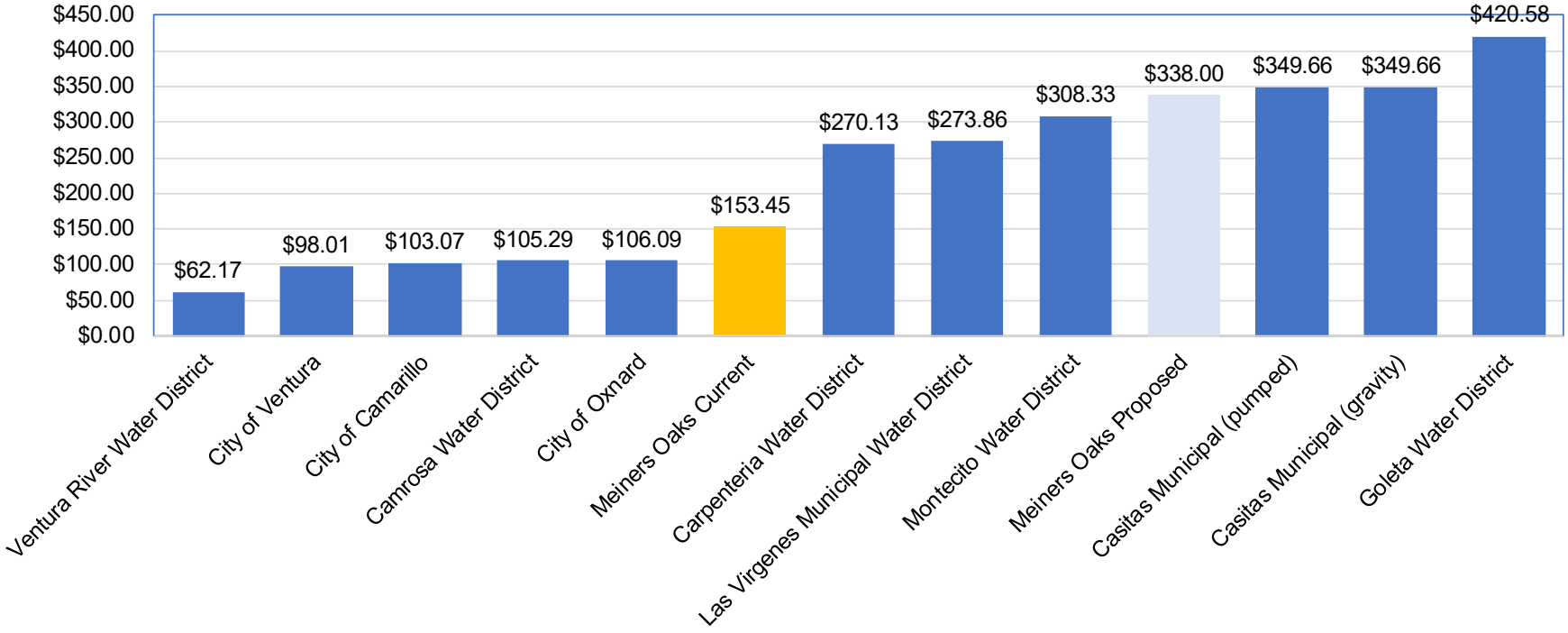


Figure 11 shows current and proposed rates for an average residential customer's fixed rate with a 2" meter compared to the rates of other utilities in the surrounding area.

Figure 11. Single Family Residential 2" Monthly Fixed Rate



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APPENDIX

Operating Allocation

	Test Year 2027	Water Supply	Pumping	Storage	Transmission and Distribution	Fire	Treatment	Customer Service	Meters	Administrative and General
O&M Expense										
Total	$2,060,511	$253,180	$133,364	$0	$31,864	$0	$54,555	$3,096	$85,663	$1,498,790
Percent		12%	6%	0%	2%	0%	3%	0%	4%	73%
Salaries	$735,676									100%
Payroll Taxes	$59,890									100%
Retirement Contributions	$103,880									100%
Group Insurance	$116,600									100%
Company Uniforms	$3,612									100%
Phone Office	$3,612									100%
Janitorial Service	$7,741									100%
Refuse Disposal	$5,232									100%
Liability Insurance	$93,614									100%
Workers Compensation	$31,800									100%
Wells	$10,621	100%								
Truck Maintenance	$5,165									100%
Office Equip. Maintenance	$5,676									100%
Cell Phones	$4,644									100%
System Maintenance	$63,728		50%		50%					
Safety Equipment	$15,481									100%
Security	$2,064									100%
Laboratory Services	$14,965						100%			
Membership and Dues	$10,321									100%
Printing and Binding	$1,032							100%		
Office Supplies	$6,192									100%
Postage and Express	$13,417									100%
B.O.D. Fees	$26,750						100%			
Engineering & Technical Services	$61,925									100%
Computer Services	$30,962									100%
Other Prof. & Regulatory Fees	$82,566									100%
Public and Legal Notices	$2,064							100%		
Attorney Fees	$20,642									100%
GSA Fees	$82,566	100%								
VR/SBC/City of VTA Law Suit	$30,000									100%
Rental Equipment	$10,321									100%
Audit Fees	$22,706									100%
Small Tools	$5,160									100%
Election Supplies	$1,032									100%
Treatment Plant	$12,840						100%			
Fuel	$20,659									100%
Travel Exp./Seminars	$2,064									100%
Utilities	$3,662									100%
Power and Pumping	$101,500		100%							
CMWD Standby Passthrough Fees	$50,932	100%								
Meters	$51,604								100%	
Backflow Program	$25,802								100%	
Online Bill AutoPay Transaction Fees	$8,257								100%	
Casitas Water Purchase	$109,060	100%								
Cost Savings From Casitas Water	-$17,528									100%

Asset Allocation

	Test Year 2027	Water Supply	Pumping	Storage	Transmission and Distribution	Fire	Treatment	Customer Service	Meters	Administrative and General
Non-Operating Expense										
Total	$2,589,036	$1,254,097	$70,657	$452,856	$298,210	$89,204	$4,207	$0	$3,379	$416,426
Percent		48%	3%	17%	12%	3%	0%	0%	0%	16%
Service on Kenton	$174				100%					
Steel Tanks	$528			100%						
500,000 Gallon Water Tank	$15,685			100%						
500,000 Gallon Water Tank	$18,320			100%						
BR2000 6 Turbo Series Meter Well"	$0	100%								
Hydropneumatic System	$0									100%
Line & Vault @ Meiners Road	$7,755				100%					
Well #7 Pump	$0		100%							
Booster Pump Station	$0		100%							
Meter for Oak Grove	$0								100%	
BSN Construction Project	$5,773									100%
Replace 12 Fire Hydrants & 6 new	$59,678					100%				
Pressure Sys Impr - Zone 2	$55,394		100%							
Repair to Well #8	$77,037	100%								
Construction for Well #8 repair	$33,970	100%								
Remove & replace valves Lomita & El	$8,301				100%					
Valve Replac for Arnaz & Mesa	$19,027				100%					
Replace pump panel Zone 3 Fire boos	$0		100%							
WREA-Water Compliance Report	$0									100%
WREA-engineering services for tank	$0									100%
Earth Systems Testing- 2 water tank	$0									100%
Oilfield Site 4 Opt Pump Station	$4,091		100%							
Tank Site Engineering & Structual D	$23,366			100%						
Myer Bridge Water Main Replacement	$9,455				100%					
Fairview Rd Engineering	$2,295									100%
Lomita Ave Pipeline Replacement	$9,740				100%					
Stockbridge Pipe Replacement	$3,583				100%					
Fairview & Hwy 33 Pipe Replacement	$12,299				100%					
N Alvardo Street Pipe Replacement	$2,842				100%					
N Poli Street Pipe Replacement	$2,796				100%					
.75M Gallon Water Tank	$767,569	50%		50%						
CMWD Emergency Connection	$5,273									100%
Fairview Pipe Replacement	$6,607				100%					
Well #4	$41,513	100%								
Well #4	$212,160	100%								
2 Badger 6 Meters"	$1,993								100%	
FY19 Well #4 Improvements	$55,908	100%								
FY19 Well #2 Improvements	$68,763	100%								
FY19 Well #1 Improvements	$61,775	100%								
FY19 Well #7 Improvements	$19,257	100%								
Valve @ El Sol & Pala	$4,544				100%					
6 Valve LaLuna/Lomita"	$13,017				100%					
12 Valve - Maricopa Hwy"	$3,502				100%					
FY20 Well #4 Improvements	$68,429	100%								
Pipe Relocations	$4,770				100%					
Hwy 33 Meiners Rd Line Rep	$132,758				100%					
Meiners Road Tank Line	$2,268				100%					
Valve Upgrade - 578 El Sol	$29,228				100%					
990 Fairview 6 valve/hydrant/lat"	$29,526					100%				
Valve Replacement	$25,545				100%					
300 Liner Feet of 8' Chainlink Fenc	$0				100%					
Shed at Meiners Road	$0									100%
Tank Railings & Pump House Extensio	$22,344		50%	50%						
NuLine Fence around Well #8	$0									100%
Shed at Wells $4 & #7	$0									100%
Fence installed from NuLine	$0									100%
Fence installed from Bob's Fence	$0									100%
Easement road to well #8	$5,392									100%
GN Concrete-Driveway to tanks	$14,006									100%
Merriman paving for driveway to tan	$12,043									100%
Fencing	$24,148									100%
New Air Conditioner unit	$15,829									100%
MOWD Back-up Generator	$9,187									100%
Ford Ranger Truck	$0									100%
Carson Trailer	$0									100%
Dodge Truck Ram Pickup 2013	$0									100%
Utility Truck Bed Installed	$0									100%
Dodge Ram Truck & Bed	$8,021									100%
Crane for Dodge Ram	$9,186									100%
2022 Ford F-250 with Utility Bed Installed	$43,263									100%
Diesel Generator	$110,648									100%
Added Well 8 to SCADA system	$0									100%
Telemetry Panel @ Fire Booster	$0					100%				
Communication Equip on Tank	$0									100%
Control System	$677									100%
Radio Control System	$36,886									100%
Atenna Tower Project - FY21	$6,998									100%
Badger Meter Reading Program	$1,386								100%	
Antenna Tower Project - FY22	$25,276									100%
SCADA with no detail	$0									100%
Typer Software Incode	$0									100%
Treatment Computer & System	$4,207						100%			
Treatment Plan Computer & Software	$0						100%			
Scada Upgrade 2023	$10,098									100%
Handheld Valve Excerciser w Telesco	$0									100%
Cylinder Scales	$4,106									100%
Server - Mitec	$10,285									100%
Land	$57,035									100%
Water Rights	$231,500	100%								
Building	$0									100%


RDN