TO: BOARD OF DIRECTORS

FROM: RAY DIENZO, P.E. R.D.
GENERAL MANAGER

DATE: SEPTEMBER 4, 2025

AGENDA ITEM
E-1
SEPTEMBER 10, 2025

REVIEW AND CONSIDER ACTIONS FOR DRAFT WATER SYSTEM WATER RATE STUDY

ITEM

Review and consider actions for draft Nipomo Community Services District Water Rate Study ("Rate Study") and direct staff [RECOMMEND REVIEW RATE STUDY, PROVIDE FEEDBACK TO STAFF AND CONSULTANT, AND DIRECT STAFF TO PREPARE THE FINAL RATE STUDY]

BACKGROUND

The Nipomo Community Services District Water Enterprise is solely funded by rates and charges collected from users who are connected to and benefit from the use of the Water System ("System"). Funds collected from users are applied to the operations and maintenance of the System. The cost to operate and maintain the System increases over time due to inflation and system improvements/replacements. To continue a program that ensures uninterrupted operations, compliance with state regulations, and cost recovery to sustain the System, is fair and equitable to all System users, the cost of service is evaluated and determined in the Rate Study.

The last Water Rate Study was completed in August 2020. It is typical and prudent to conduct rate studies on a regular basis to ensure proper and adequate funding of the enterprise. Evaluating the cost of service in a regularly scheduled rate study and adjusting rates to match an average inflationary factor provides for minimal adjustments on an annual basis. This method of rate management provides a responsible approach in meeting the financial needs of the enterprise, while keeping in mind the financial concerns of users.

At your February 26, 2025 Board Meeting, your Board directed staff to draft a water rate study with the aid of our Consultant to inform the proposed water rates for current District rate payers as of January 2026, as well as the water rates to be paid by customers in annexation areas that are annexed to the District as of November 2024 and later. The District's Annexation Policy requires that customers on property annexed to the District can be served only by Supplemental Water, which is imported at a higher cost, justifying a different rate. Additionally, the Consultant was tasked to build a rate structure that would address the financial needs of the Water Enterprise as it moved through Fiscal Year 2029-30.

Tuckfield & Associates was retained to prepare the Water Rate Study. The study includes a review and analysis of the Water enterprise funds, user classifications, and current rate structure. Mr. Clayton Tuckfield presented the Water Cost of Service and Rates to the Finance and Audit Committee ("Committee") on August 14, 2025. The Committee received and considered Mr. Tuckfield's presentation and directed him to advance his efforts to draft the Rate Study for Board consideration.

STRATEGIC PLAN

Goal 4. Finance: Maintain conservative, long-term financial management to minimize rate impacts on customers while meeting program financial needs.

B.1 Evaluate, plan for and maintain finances that are adequate for all needs, stable, and reliable over the long-term.

FISCAL IMPACT

The cost of the Rate Study was included in this year's budget.

RECOMMENDATION

It is recommended that your Board review the draft report and provide direction to staff.

ATTACHMENT

A. Draft Report: Water Rate Study
B. Water Rate Study Presentation

SEPTEMBER 10, 2025

ITEM E-1

ATTACHMENT A

DRAFT

Report On

Water Rate Study

August 2025

For:

Nipomo Community Services District
148 S Wilson Street
Nipomo, CA 93444
(805) 929-1133

Submitted By:

Tuckfield & Associates
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August 28, 2025

Mr. Raymond Dienzo
General Manager
Nipomo Community Services District
148 South Wilson Street
Nipomo, CA 93444

Dear Mr. Dienzo:

Tuckfield & Associates is pleased to provide this Water Rate Study (Study) report to the Nipomo Community Services District (District). The water rates presented in this report have been developed based on cost of service principles and industry methods that result in fair and equitable rates in compliance with Proposition 218 for the users of the water system.

This study included review and analysis of the water enterprise revenue and revenue requirements, number of customers, volumes, and current rate structure. The Study develops a five-year financial plan that determines the revenue needs annually for the Study period and designs water rates based on cost of service analyses. The water rates follow industry trade guidelines of the American Water Works Association as well as state legislation.

The report documents the approach, methodology, and findings for the financial plan and rates for the District's water enterprise. Tables and figures throughout the report are provided to demonstrate the calculations and to support the defense of the water rates.

It has been a pleasure to work with District staff during the performance of this study. If there are any questions, please contact me at (949) 760-9454.

Very Truly Yours,

TUCKFIELD & ASSOCIATES

G. Clayton Tuckfield
Principal Consultant

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Water Rate Study

Nipomo Community Services District

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Executive Summary

The Nipomo Community Services District (District) engaged Tuckfield & Associates in March 2025 to conduct a Water Rate Study (Study) for its water enterprise. The purpose of this Study is to evaluate the sufficiency of water revenues being received to meet the operating expenses, capital improvement spending, and reserve policy on an annual basis and design new water rates for implementation to meet future financial needs.

This Study includes development of a financial plan of revenues and revenue requirements of the District's water system and supplemental water system (together the "System"), determining the costs of providing water service to its customers, and designing proposed water rates and charges.

Financial Plan

The revenue and revenue requirements of the System were identified and projected to create a forward-looking financial plan for the water enterprise. Annual costs of the System include operation and maintenance (O&M) expenses, supplemental water purchases, debt service, and annual capital improvement spending.

The District's FY 2025-26 budget expenses are included in the financial plan and future expenses were projected through application of inflation factors to the budgeted expenses to complete a five-year plan. Supplemental water system expenses are included and are take-or-pay expenses, dependent upon the City of Santa Maria Tier 1 water rate. Debt service payments of the 2024 Certificates of Participation (COPs) are also included in the financial plan, however, are offset by property tax revenue received by the District.

The District has prepared a Capital Improvement Program (CIP) for FY 2025-26 through FY 2029-30. Costs related to water system replacement in this five-year period total about $8.9 million. Costs for the replacement projects are met through a combination of reserves, revenue from rates, and a proposed $6.3 million debt issue in FY 26-27. Certain other capital improvements have been identified as capacity related and these projects are funded by reserves and capacity fee revenue from the Water Capacity Fund (700) and Supplemental Water Capacity Fund (Fund 500).

The financial plan combines all of the District water related funds to evaluate the sufficiency of revenue being generated by the current water rates to meet the projected revenue requirements (costs) of the System. The analyses indicated that the current revenue being received is not sufficient to meet the System's costs and that 13.8 percent annual revenue increases are necessary for the next three years. The increases are necessary to meet the projected O&M expenses, projected take-or-pay Supplemental Water expenses, capital improvement spending needs, while also meeting Target reserve levels and debt service coverage requirements for the System. The annual revenue Increases of 13.8 percent begin January 1, 2026 and continue through January 1, 2028. The financial plan is presented in Table 13.

Current Water Rates

The current water rates for the District's customers consist of fixed and variable charges. Current fixed charges consist of monthly charges by meter size and are applicable to all customers. Variable charges include a uniform

volume charge where all water consumed by the District's customers are charged at the same rate. The current water rates are summarized in Table 3 and below in Table ES-1.

Proposed Water Rate Structure and Rates

The proposed water rate structure is the same structure as is currently used by the District. However, variable rates now consist of separate rates for current District customers and new annexation customers.

The fixed charges consist of monthly fixed charges based on the meter size installed at the customer's premises. Details of the design of the fixed charges can be found in the section of this Water Rate Study Report (Report) titled Proposed Fixed Charges on page 25. The proposed fixed charges generate about 26 percent of the revenue received from water rates initially, then increases to 35 percent in FY 27-28.

The proposed variable rates include a uniform volume rate charged separately to District customers and to annexation customers at different prices. Water supplied to annexation customers is entirely from supplemental water whereas District customers are supplied by a blend of supplemental water and less expensive groundwater. The result is a lower variable rate for District customers. Details regarding the calculation of the variable rates may be found beginning on page 27. Table ES-1 presents the proposed rate structure and fixed and variable charges for the System.

Table ES-1
Proposed Monthly Fixed and Variable Charges

	Current Rate	January 1, 2026	January 1, 2027	January 1, 2028	January 1, 2029	January 1, 2030
Meter Size	Fixed Charge ($ per month)					
5/8 thru 1 inch	$41.56	$47.22	$65.69	$81.16	$81.16	$81.16
1-1/2 inch	$57.19	$64.47	$89.71	$111.00	$111.00	$111.00
2 inch	$79.45	$89.92	$125.14	$154.96	$154.96	$154.96
3 inch	$167.87	$197.33	$274.63	$340.22	$340.22	$340.22
4 inch	$232.94	$271.39	$377.72	$468.16	$468.16	$468.16
6 inch	$459.73	$523.65	$728.91	$904.29	$904.29	$904.29
8 inch	$718.92	$811.97	$1,130.27	$1,402.72	$1,402.72	$1,402.72
Fireline Size	Fixed Charge ($ per month)					
2 inch	$2.30	$1.92	$2.68	$3.36	$3.39	$3.40
3 inch	$6.69	$5.59	$7.78	$9.75	$9.86	$9.87
4 inch	$14.26	$11.91	$16.59	$20.77	$21.02	$21.03
6 inch	$41.43	$34.58	$48.19	$60.35	$61.05	$61.09
8 inch	$88.28	$73.70	$102.69	$128.60	$130.09	$130.19
10 inch	$158.77	$132.54	$184.68	$231.27	$233.94	$234.13
	Variable Charge ($ per HCF)					
District Rate ($/HCF)	$8.45	$9.09	$10.07	$10.94	$10.94	$10.94
Annex Rate ($/HCF)	n/a	$10.46	$11.55	$12.41	$12.41	$12.41

Single-family Residential Bill Impacts

Table ES-2 presents the impacts to District single-family residential bills from the proposed water rates using the January 1, 2026 rates. The table shows that the water bill of an average single-family residential customer with a 1-inch or smaller water meter using 12 hundred cubic feet (HCF) monthly will increase from $142.96 to $156.30, an increase of $13.34, or 9.3 percent. The increase of 9.3 percent is different from the overall increase of 13.8 percent stated in the water financial plan because of the differences in the level of water consumed and the costs recovered in different sizes of the water meter.

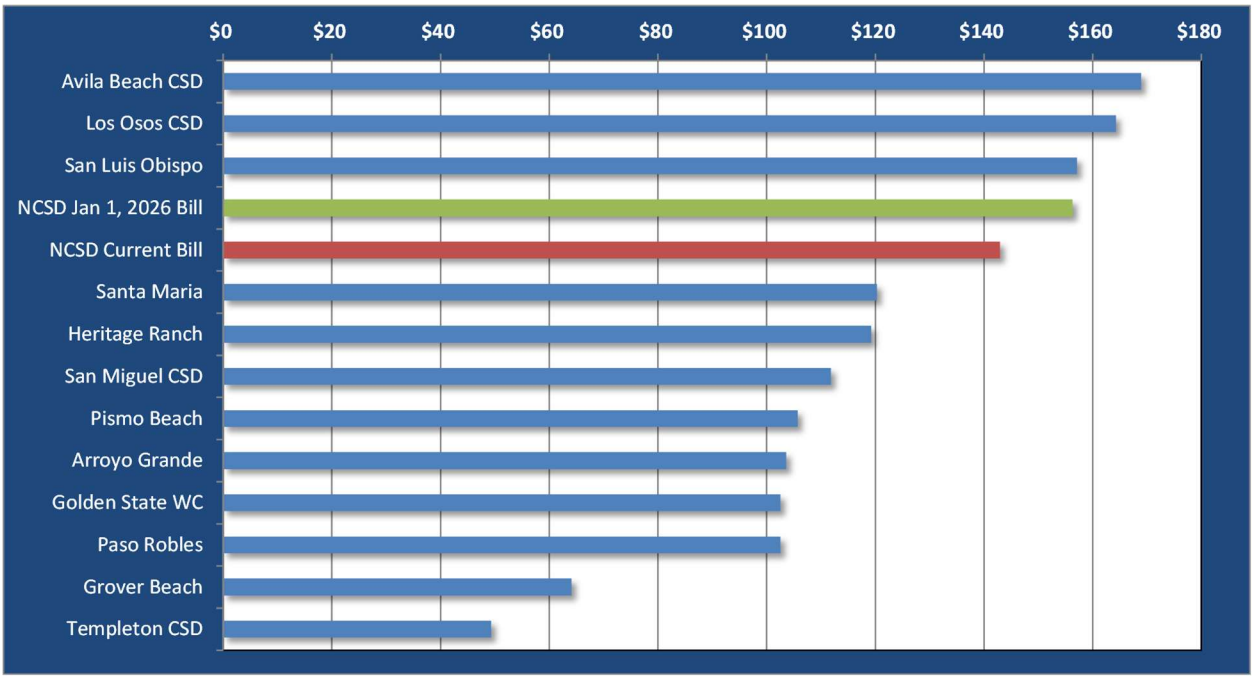
Table ES-2
Comparison of Current District Single-family Residential Monthly Bill with a 1-inch or Smaller Meter Size with Proposed Monthly Bill Using January 2026 Rates

Single-family Residential									
		Current Bill			Proposed January 1, 2026 Rates				
Description	Use (HCF)	Service Charge	Volume Charge	Current Bill	Service Charge	Volume Charge	January 1, 2026 Bill	Dollar Difference	Percent Change
	0	$41.56	$0.00	$41.56	$47.22	$0.00	$47.22	$5.66	13.6%
Very Low	5	$41.56	$42.25	$83.81	$47.22	$45.45	$92.67	$8.86	10.6%
Low	8	$41.56	$67.60	$109.16	$47.22	$72.72	$119.94	$10.78	9.9%
Median	11	$41.56	$92.95	$134.51	$47.22	$99.99	$147.21	$12.70	9.4%
Average	12	$41.56	$101.40	$142.96	$47.22	$109.08	$156.30	$13.34	9.3%
High	30	$41.56	$253.50	$295.06	$47.22	$272.70	$319.92	$24.86	8.4%
Very High	50	$41.56	$422.50	$464.06	$47.22	$454.50	$501.72	$37.66	8.1%

Water Rate Survey

Chart ES-1 compares the District's single-family residential water bill with the water bills of other communities. The chart indicates that a District single-family residential customer with a 1-inch or smaller meter size with a monthly consumption of 12 hundred cubic feet (HCF) will experience a bill that is in the upper range of the communities listed.

Chart ES-1
Survey of Single-family Residential Monthly Water Bills Using 12 HCF
For Rates in Effect July 2025



Note: Above table uses a ¾-inch meter and water rates in effect July 2025. District January 2026 bill is based on the rate structure and rates in Tables ES-1.

Introduction

The Nipomo Community Services District (District) engaged Tuckfield & Associates in March 2025 to conduct a Water Rate Study (Study) for its water enterprise. This Study includes development of a financial plan that includes revenues and revenue requirements of the water enterprise System, various analyses to determine the cost of providing water service, and new water rates and charges for implementation.

Background

The Nipomo Community Services District was formed in 1965 and covers an area of approximately 3,917 acres. The District is located in the central coastal region of the state of California in San Luis Obispo County, north of Los Angeles by approximately 175 miles. The District serves a population of 13,771 (from 2020 Decennial Census) and provides water service within the District's service area. Water service is accounted for in several enterprise funds of the District and relies upon user charges to meet all O&M expenses and capital improvement needs.

Currently, the District obtains its water supply from four active wells and from supplemental water supply from the City of Santa Maria. The four wells have a capacity of 2,100 gallons per minute (gpm) and extract water primarily from the Nipomo Mesa Management Area (NMMA) of the Santa Maria Groundwater Basin (Basin).

The District has an agreement with the City of Santa Maria to receive water that is supplemental to the District's groundwater supply (Supplemental Water). The agreement states that the District must take-or-pay 2,500 acre-feet per year (AFY) of Supplemental Water beginning in FY 2025-26 and beyond. The District's share of the Supplemental Water is 66.67 percent, or 1,667 AFY, of the annual volume and associated costs.

In addition to water supply facilities, the water system includes five above ground storage reservoirs (tanks) and approximately 85 miles of distribution mains. The tanks have a storage capacity of 4 million gallons while the distribution system consists of piping ranging in size from 6 inches to 24 inches, valves, fire hydrants, and over 4,000 service connections.

Purpose

The purpose of this Study is to (1) review the current and future financial status of the District's water enterprise including supplemental water expenses, (2) determine new revenue increases required to meet current and future revenue requirements, (3) provide for adequate reserves and debt service coverage, and (4) design water rates that generate the required revenue while being fair and equitable for its customers and meeting the requirements of Proposition 218.

Scope of the Study

This Study includes the findings and recommendations of analyzing the water enterprise financial status and related CIP of the System. Historical trends were analyzed from data supplied by the District showing the number of customers, water consumption volumes, revenue, and revenue requirements.

Revenue requirements of the System include operation and maintenance expenses, supplemental water purchases, capital improvements and routine capital outlays, debt service, and additions to reserves. Changing conditions such

as additional facilities, system growth, employee additions, and non-recurring maintenance expenditures are recognized. Inflation for ongoing expenditures is included to reflect cost escalation.

The financial plan and rates developed herein are based on funding of the capital improvement plan as stated as well as estimates of operation and maintenance expenses developed from information provided by the District. Deviation from the financial plans, construction cost estimates and funding requirements, major operational changes, or other financial policy changes that were not foreseen, may result in the need for lower or higher revenue than anticipated. It is suggested that the District conduct an update to the rate study at least every three to five years for prudent rate planning.

Assumptions

Several assumptions were used to conduct the Study for the period FY 2025-26 to FY 2029-30. The assumptions included growth rates in customer accounts, interest earnings on fund reserves, and expense inflation factors. The assumptions for financial planning are provided in Table 1.

Table 1
Assumptions and Planning Factors

Description	Value
Annual Account & Demand growth [1]	
Single-family Residential	0.5%
All Other	0.0%
Interest earnings on fund reserves (annual)	4.0%
Cost Escalation	
Purchased Water	5.0%
Personnel Services [2]	5.0%
Benefits	8.0%
Electrical Power	10.0%
All Other Operations & Maintenance	3.0%
Chemicals	5.0%
Capital	3.5%

[1] Annualized growth in water accounts is based on historical information provided by staff.
[2] Personnel Services growth in promotions and inflation is 5.0% annually.

Water Funds and Reserve Policy

The District has a written water system reserve policy provided in Resolution No. 2018-1489 (Reserve Policy). The Reserve Policy provides a basis to deal with unanticipated loss in revenues, changes in the costs of providing services, spending on fixed asset repair and replacement, natural disaster recovery, and other issues. It also provides guidelines

to maintain the financial health and stability of the enterprise funds. The District's water system funds, reserve types, and the amount of the reserves are discussed below.

Water Fund #125 Operating Reserve – The purpose of this reserve is to ensure sufficient cash resources are available to fund daily administration, operations, and maintenance of providing water service. The target balance to be maintained, including Water Fund #128 Rate Stabilization Reserves, is equal to or greater than 12 months (360 days) of annual budgeted operation and maintenance expense, not including funded replacement.

Water Fund #128 Rate Stabilization Reserve – The rate stabilization reserve is intended to serve as a buffer to water rates during any period where there are unexpected increases in operating costs or decreases in revenue. This reserve is also intended to absorb revenue losses due to severe drought or heavy rainfall. The reserve may be drawn into Fund 125 to stabilize water rates and may provide level increases to water rates. The minimum target reserve is established at $400,000.

Supplemental Water Fund #500 – Revenue generated from Supplemental Water Capacity Charges are accumulated into this fund and their use is restricted to projects, programs, and expenditures that reduce the District's reliance on groundwater. No minimum target reserve level has been established.

Water Capacity Charges Fund #700 – Revenue generated form Water Capacity Charges are accumulated into this fund and is used to offset development related capital improvement as outlined by the District's Capital Improvement plan. No minimum target reserve level has been established.

Water Replacement Fund #805 Reserve – The Water Replacement Reserve is used to fund current and future replacement of capital assets as they reach the end of their useful lives. This fund also helps to normalize the impact of capital asset replacements on future water rates. No minimum target is established by District Policy, however, a goal of reserving an amount equal to depreciation expense is included in this Study.

Beginning Balances and Reserve Targets

The District's goal is to maintain operating and capital reserves as discussed above. As of June 30, 2025, the District's beginning water system reserve balances are listed in Table 2 below. The reserve balances are used in the development of the financial plans for the System with the intent to meet the Target Reserves established in Resolution 2018-1489 during or by the end of a 10-year planning period.

Table 2
Reserve Balances and Targets As of June 30, 2025

Reserve Type	Reserve Balance	Reserve Target
Fund 125 Water Operating Reserve	$4,200,000	$5,651,000
Fund 128 Rate Stabilization	$476,000	$400,000
Fund 500 SWP Capital Project	$3,000,000	n/a
Fund 700 Water Capacity Fund	$2,000,000	n/a
Fund 805 Water Replacement Fund	$3,500,000	$1,320,000
Total	**$13,176,000**	**$7,371,000**

Financial Planning

Financial planning for the System includes identifying and projecting revenues and revenue requirements for a five-year planning period. Estimates of revenue from various sources are compared with the projected revenue requirements of the System. This comparison allows the review of the adequacy of revenue from current rates to meet annual System obligations and provide the basis for any rate adjustments. New water rates and charges are created to recover the District's annual operating expenses, capital spending, and reserve policy associated with the System.

Current Water Rates

The current water rates consist of fixed and variable charges to residential and non-residential customers of the System. All customers are charged monthly fixed charges by meter size with the 5/8-inch, 3/4-inch, and 1-inch meters exhibiting the same charge. Private fire protection service is charged by fire line size to those customers receiving the private fire protection benefit.

Variable rates include a uniform volume charge where all customers are charged at the same rate for water consumption. The uniform volume charge includes both groundwater and Supplemental Water. Current monthly fixed and variable charges of the District are provided in Table 3.

Table 3
Current Monthly Fixed and Variable Charges

Meter Size	Fixed Charge ($/mo)	Fireline Charge ($/mo)
5/8, 3/4, 1-inch	$33.86	$0.37
1-1/2 inch	$47.03	$1.08
2 inch	$65.60	$2.30
3 inch	$138.20	$6.69
4 inch	$192.58	$14.26
6 inch	$383.17	$41.43
8 inch	$601.00	$88.28

Classification	Variable Rate ($/HCF)
All Customers	$8.45

Water User Classifications

Number of Customers

The District currently classifies customers as Single-family Residential (SFR), Multifamily Residential (MFR), Commercial, Irrigation, Agriculture, and Construction Hydrant. SFR customers account for about 85 percent of the

total customers served by the System in FY 2025-26. Growth in the District customer base is projected only in SFR accounts at the rate of 0.50 percent annually or about 20 accounts added each year, following the assumptions in Table 1. Table 4 provides the historical and projected number of customers by classification.

Dana Reserve Customer Additions

This Study assumes that the recently annexed Dana Reserve residential and commercial development will begin to connect to the System starting July 1, 2027. The type of customer and the rate at which the connections occur in Table 4 below are from the Final Dana Reserve Phasing Study Report dated March 5, 2024, although the date when customers first begin to connect has been delayed from fiscal year 2024 to 2027.

Table 4
Historical and Projected Number of Water Customers by Classification

	Historical	Projected				
Customer Class	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
District						
Single-family Residential [1]	3,835	3,854	3,873	3,892	3,911	3,931
Multifamily Residential	467	469	471	473	475	477
Commercial	117	117	117	117	117	117
Irrigation	108	108	108	108	108	108
Agriculture	1	1	1	1	1	1
Construction/Hydrant	8	8	8	8	8	8
Dana Reserve						
Single-family Residential				83	202	367
Multifamily Residential				36	198	248
Commercial				3	6	24
Total Number of Accounts	4,536	4,557	4,578	4,721	5,026	5,281
Fire Protection						
Public Fire Protection Hydrants	721	721	721	721	721	721
Private Fire Protection Firelines	75	75	75	75	75	75
Total Fire Protection Hydrants	796	796	796	796	796	796
Number of Dwelling Units						
Single-family Residential [1]	3,835	3,854	3,873	3,892	3,911	3,931
Multifamily Residential	841	845	849	853	857	861

[1] Residential accounts are forecast to increase based on the assumed growth rate of 0.5% annually.

Number of Water Meters

Nearly all SFR and MFR residential customers have either 5/8-inch, 3/4-inch, or 1-inch meters installed at the service location. Currently, SFR has one 1.5-inch and two 2-inch meter sizes installed. MFR has two 1.5-inch, three 2-inch, two 3-inch, and four 4-inch meter sizes installed. For new construction, the minimum size for installation of a SFR

dwelling unit is a 1-inch meter size and the projected growth in SFR customers is this meter size. Commercial and Irrigation customers have a range of meters sizes from 5/8-inch to 4-inch. Table 5 provides a summary of the number of current and projected meters by size.

Table 5
Historical and Projected Number of Water Meters By Size

Description	Historical	Projected				
	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Number of Meters [1]						
5/8 & 3/4 inch	3,177	3,177	3,177	3,177	3,177	3,177
1 inch	1,275	1,296	1,317	1,460	1,765	2,020
1-1/2 inch	41	41	41	41	41	41
2 inch	32	32	32	32	32	32
3 inch	6	6	6	6	6	6
4 inch	5	5	5	5	5	5
Total Meters	4,536	4,557	4,578	4,721	5,026	5,281

[1] Historical water meters for FY 24-25 were provided through District billing records.

Water Sales Volumes

Table 6 provides the historical and projected water sales volume by customer classification. Water sales volumes were projected by recognizing the growth in the number of accounts and the FY 2024-25 use per customer. Dana Reserve consumption is from estimates provided by the Final Dana Reserve Phasing Study Report.

Table 6
Historical and Projected Water Sales Volume

Description	Historical	Projected				
	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
District						
Single-family Residential	541,877	544,562	547,246	549,931	552,616	555,442
Multifamily Residential	53,561	53,816	54,070	54,325	54,580	54,835
Commercial	49,345	49,345	49,345	49,345	49,345	49,345
Irrigation	99,548	99,548	99,548	99,548	99,548	99,548
Agriculture	5,417	5,417	5,417	5,417	5,417	5,417
Construction/Hydrant	2,600	2,600	2,600	2,600	2,600	2,600
Dana Reserve						
Single-family Residential	-	-	-	11,718	28,488	51,793
Multifamily Residential	-	-	-	2,309	12,589	15,769
Commercial	-	-	-	1,176	2,352	10,193
Total Water Sales Volume	752,348	755,288	758,226	776,369	807,535	844,942

Top Ten Water Users

Table 7 provides the list of the District's top ten water consumers of the System for FY 2024-25. The Table indicates that largest user consumes about 3.3 percent of the total water consumption for the same year.

Table 7
FY 2024-25 Top Ten Water Users

Rank	Customer Name	FY 24-25 Consumption HCF
1	Lucia Mar School District	24,881
2	San Luis Bay Apts	20,404
3	SLO County Regional Park	16,107
4	Black Lake Management	6,288
5	Crown Pointe Owners Association	5,819
6	750 Grande Associates	5,810
7	Brassica Nursery	5,417
8	Fairways Blacklake	3,751
9	La Placita Plaza	4,181
10	Cider Village Associates	3,870

Water Financial Plan

The financial plan provides the means of analyzing the revenue and revenue requirements of the System. The analysis determines the ability to fund on-going operation and maintenance expense, capital infrastructure requirements, debt service payments, and the impact on reserves. The financial plan includes the projection of revenue, operation and maintenance expenses, Supplemental Water expenses, capital improvement needs of the System and its financing, debt service requirements, and revenue adjustments needed to maintain a sustainable water enterprise.

Revenues

The District receives operating and capital revenue from several sources. Operating revenue is received from rates and charges for water service. Table 8 presents the projected fixed and variable charge revenue from current water rates of the System. The revenue is projected by applying the current water rates to the projected number of accounts and consumption volume.

Table 8
Projected Rate-based Revenue Using Current Rates

Description	Projected				
	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Water Service Revenues					
Fixed Charges [1]	$2,205,926	$2,325,957	$2,397,274	$2,549,384	$2,676,557
Variable Charges [2]	6,136,715	6,407,010	6,560,319	6,823,670	7,139,762
Subtotal Revenues From Current Rates	$8,342,641	$8,732,967	$8,957,593	$9,373,054	$9,816,319
Private Fire Protection Revenues	30,692	40,114	40,114	40,114	40,114
Total Revenues From Current Rates	$8,373,333	$8,773,081	$8,997,707	$9,413,168	$9,856,433

[1] FY 25-26 and forecast revenue calculated by multiplying current water service rate by the number of projected meters.
[2] FY 25-26 and forecast revenue calculated by multiplying projected water sales by the current variable rates.

Additionally, miscellaneous revenue is received that includes penalties/late fees, meter connection fees, water turn on fees, plan check and inspection fees, and miscellaneous other sources. Capital revenue from capacity charges is received directly into the appropriate capital funds. Table 9 provides the projected miscellaneous revenue for the Study period. Interest income is included in the financial plan and is not shown in Table 9.

Table 9
Projected Miscellaneous Revenue

Description	Budget	Projected			
	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Miscellaneous Revenue					
Fees and Penalties	$129,000	$120,000	$120,000	$120,000	$120,000
Meter and Connection Fees	20,000	20,000	20,000	20,000	20,000
Plan Check and Inspection Fees	1,000	1,000	1,000	1,000	1,000
Miscellaneous Income	55,000	55,000	55,000	55,000	55,000
Total Miscellaneous Revenues	$205,000	$196,000	$196,000	$196,000	$196,000

Revenue Requirements

Revenue requirements of the System include operation and maintenance expense, Supplemental Water expenses, and existing debt service payments. Each of these items are discussed below.

Operation and Maintenance Expense

Operation and maintenance expenses (O&M) are an on-going obligation of the water system and such costs are normally met from water service revenue. O&M includes the cost to operate and maintain the water supply, reservoirs, and distribution system facilities. Costs also include technical services and other general and administrative expenses. Table 10 provides a summary of the O&M expenses for the Study period.

Table 10
Projected Operation and Maintenance Expenses

Desription	Budget FY 25-26	Projected FY 26-27	FY 27-28	FY 28-29	FY 29-30
Operation and Maintenance Expense					
Personal Services	$1,507,935	$1,700,672	$1,806,366	$1,918,998	$2,039,046
Electricty - Pumping	315,000	346,500	381,150	419,265	535,628
Chemicals	78,500	21,901	22,996	24,146	29,446
Lab Tests and Sampling	62,000	63,860	65,776	67,749	69,781
Operating Supplies	273,000	281,190	289,626	298,315	307,264
Repairs and Maintenance	182,000	187,460	193,084	198,877	204,843
Engineering	70,000	72,100	74,263	76,491	78,786
Meter Replacement Program	491,460	506,204	521,390	537,032	553,143
Water Conservation/Recycle Program	47,000	48,410	49,862	51,358	52,899
Fixed Asset Purchases	0	50,000	51,500	53,045	54,636
All Other	324,510	222,446	189,119	164,793	149,737
Subtotal	$3,351,405	$3,500,743	$3,645,132	$3,810,069	$4,075,209
General and Administrative					
Personal Services	$711,832	$754,792	$800,489	$849,107	$900,844
Computer Expense	180,940	186,368	191,959	197,718	203,650
Insurance - Liability	249,531	257,017	264,728	272,670	280,850
Legal Services	93,000	95,790	98,664	101,624	104,673
Professional Services	174,960	180,209	185,615	191,183	196,918
Operating Transfer Out - Admin	495,962	510,841	526,166	541,951	558,210
Fixed Asset Purchases	198,000	203,940	210,058	216,360	222,851
All Other	195,640	204,566	204,522	216,659	216,979
Subtotal	$2,299,865	$2,393,523	$2,482,201	$2,587,272	$2,684,975
Total Water System O&M Expense	$5,651,270	$5,894,266	$6,127,333	$6,397,341	$6,760,184

O&M has been projected recognizing the major expense categories of personnel services, electric power expense, chemicals, all other expenses, and capital outlay. Personnel costs consist of salaries and benefits expense of those personnel directly involved with providing water service. O&M expenses increase in future years following the inflation factors provided in Table 1.

Supplemental Water Expense

This District purchases Supplemental Water from the City of Santa Maria and must take-or-pay 1,667 AFY beginning in FY 2025-26. The expenses include purchased water, electricity, chemicals, overhead, and other expenses. Purchased water expense increases with the Santa Maria Tier 1 water rate and the volume purchased. Electricity and chemicals expenses increase with inflation and the volume purchased. Overhead is charged at 15 percent of the total of the electricity, chemicals, and other expenses. Overall, the Supplemental Water O&M expense increases between 4 and 5 percent annually, generally following the rate increases in Santa Maria's Tier 1 water rates. Table 11 provides a summary of the Supplemental Water purchased water expenses for the Study period.

Table 11
Projected Supplemental Water Expenses

Description	Estimated FY 25-26	Projected FY 26-27	FY 27-28	FY 28-29	FY 29-30
Supplemental Water Purchases Expense	$4,571,964	$4,752,767	$5,000,667	$5,265,853	$5,540,224
Subtotal Supplemetal Water O&M Expense	264,119	277,325	291,191	305,751	321,039
Supplemental Water Overhead @ 15%	39,618	41,599	43,679	45,863	48,156
Supplemental Water Replacement	$149,439	$149,439	$149,439	$149,439	$149,439

Capital Replacement

The District plans for annual water line replacements in its capital planning and these replacements occur from time to time during the fiscal year. An annual amount is transferred from the operating fund (Fund 125) to the Water Replacement Fund (Fund 805) to aid in funding these replacements. An annual amount of $566,000 was established from the Board of Directors policy from a replacement study performed for the District in 2007 (2007 Replacement Study). The transfer amount inflates annually, and the replacement transfer is about $700,000 in FY 25-26 though the District has chosen not to make this transfer this year. The transfer increases at the rate of 3 percent annually during the Study period.

An annual amount for capital replacement for the supplemental water facilities has also been established. This amount changes with capital additions to the Supplemental Water Project and is currently calculated as the value of the facilities divided by a 100-year life multiplied by the District's capacity share of 72.24 percent. The current amount is $149,400 annually as shown in Table 11.

Debt Service

The District has one outstanding debt issue consisting of the 2024 Certificates of Participation (COPs) which refunded the 2013 COPs and the 2013A Revenue Refunding Bond (Bonds) obligations. The 2013 COPs partially financed the Supplemental Water Project while the 2013A Bonds refinanced a prior debt issue related to the water system. The 2024 COPs have annual debt service payments of about $899,000 and will be retired in 2054.

New Debt is proposed in the amounts of $2.6 million in FY 2026-27 and $3.7 million in FY 2027-28 to finance Fund 805 capital improvements in those years. The new debt is estimated to have annual payments of $224,100 and $382,200 respectively, for a total payment of $606,300, both with interest rates of 5.5 percent and a 20 year term, debt service reserve funds, and issuance costs.

Water Capital Improvement Program

The District has developed a CIP that lists capital expenditures for Fund 805, Fund 500, and Fund 700 for FY 2025-26 through FY 2029-30. Over this period the District projects that it will spend approximately $21.9 million from all funds, with about $8.9 million from Fund 805 (replacement fund). Fund 805 improvements include Eureka well, Foothill Tank Rehabilitation, water line replacements, blow-off and air-vac valve repair/replacements, fire hydrant repair/replacements, and other replacements. Fund 805 improvements are met from reserves and water rate revenue. Capital expenditures of Fund 500 and Fund 700 and are met from capital reserves and capital revenue. Table 12 presents the capital improvements of the System and include Fund 500 and 700 for completeness of the CIP.

Table 12
Water Capital Improvement Program

Description	Budget FY 25-26	Projected FY 26-27	FY 27-28	FY 28-29	FY 29-30
Current Capital Improvement Projects (CIP) [1]					
Fund 805 Replacement					
Mallagh Street Waterline Replacement	$250,000	$0	$0	$0	$0
Eureka Well	-	-	2,999,400	-	-
Chlorine Analyzer Replacement	100,000	103,500	107,100	-	-
Blow-Off Replacement	20,000	21,300	22,700	24,200	25,800
Air Vac Replacement	20,000	21,300	22,700	24,200	25,800
Fire Hydrant Replacement	50,000	53,300	56,800	60,600	64,600
Valve Replacement	100,000	106,600	113,600	121,200	129,200
Well Refurbishment	100,000	106,600	113,600	121,200	129,200
Large Meter Replacement Program	50,000	53,300	56,800	60,600	64,600
Foothill Tank Rehabilitation	100,000	1,552,500	-	-	-
Tefft Street Nipomo Creek Utility Crossings	25,000	258,800	-	-	-
SCADA System Improvements	100,000	103,500	-	110,900	-
Service Line Replacement	100,000	106,600	113,600	121,200	129,200
Angle Stop Replacement	100,000	106,600	113,600	121,200	129,200
Fund 500 Supplemental Water Capacity Fund					
Supplemental Water Project Interconnects-carryover	120,000	-	-	-	-
Pomeroy Water Line -carryover	200,000	-	-	-	-
Summit Station Booster Pump Station	-	207,000	1,928,200	-	-
Fund 700 Water Capacity Fund					
Third Connection to Blacklake Pressure Zone-carryover	20,000	-	-	-	-
New Foothill Water Storage Tank	500,000	3,105,000	1,071,200	-	-
Dana Reserve Water Project 1 - Oak Glen Watermain	800,000	3,560,400	-	-	-
Dana Reserve Water Project 2 - HWY 101 Crossing	280,000	1,252,400	-	-	-
Total Water CIP	**$3,035,000**	**$10,718,700**	**$6,719,300**	**$765,300**	**$697,600**

[1] CIP Source: FY 25-26 District Capital Improvement Plan.

Water Financial Plan

A financial plan has been prepared for the System that includes all water funds. The combined financial plan is presented in Table 13. Using the financial plan, a revenue sufficiency analysis was performed to identify if any revenue adjustments to water rates are needed.

The sufficiency analysis incorporates specific planning criteria or goals to provide guidance to maintain the financial health of the System on an on-going basis. The criteria included the following.

- Generate positive levels of income in each year of the Study period
- Maintain the operating and capital reserves at or greater than target levels
- Maintain debt service coverage ratios at or greater than the minimum required
- Meet annual capital replacement spending from annual revenue and capital reserves

Proposed Revenue Adjustments

The revenue sufficiency analysis indicated that the current level of revenue being received should be increased to meet future obligations of the System during the Study period. The recommended revenue increases include 13.8 percent increases for the next three years beginning January 1, 2026, and on each January 1 through January 1, 2028.

Table 13
Water Financial Plan

Description	Projected				
	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Proposed Revenue Increase (January 1)	**13.8%**	**13.8%**	**13.8%**	**0.0%**	**0.0%**
GROSS REVENUES					
Charges for Services [1]	$8,373,333	$8,773,081	$8,997,707	$9,413,168	$9,856,433
Total Additional Water Sales Revenue [2]	481,467	1,784,752	3,324,735	4,459,583	4,669,585
Pledge of Property Tax Revenue (Fund 600)	899,075	898,450	897,075	894,950	896,950
Water Capacity Charge Revenue (Fund 700)	1,080,000	4,650,000	-	-	-
WM and GS P&I Cap Recovery Payments (Fund 500)	421,917	427,017	474,717	474,717	474,717
WM and GS Replacement Charge (Fund 915)	57,426	57,426	56,852	51,498	51,498
Miscellaneous	205,000	196,000	196,000	196,000	196,000
Interest Income [3]	504,150	317,056	306,698	424,063	485,733
Total Gross Revenues	$12,022,368	$17,103,782	$14,253,784	$15,913,979	$16,630,916
OPERATING EXPENSES					
O&M and Capital Outlay	$5,651,270	$5,894,266	$6,127,333	$6,397,341	$6,760,184
Replacement Transfer to Fund 805	-	707,000	725,000	743,000	762,000
Supplemental Water Purchases	4,571,964	4,752,767	5,000,667	5,265,853	5,540,224
Supplemental Water O&M	264,119	277,325	291,191	305,751	321,039
Supplemental Water Overhead	39,618	41,599	43,679	45,863	48,156
Supplemental Water Replacement	149,439	149,439	149,439	149,439	149,439
Total Operating Expenses	$10,676,410	$11,822,396	$12,337,309	$12,907,247	$13,581,042
CAPITAL IMPROVEMENT PROJECT EXPENDITURES					
Replacement Transfer from Fund 805	$0	($707,000)	($725,000)	($743,000)	($697,600)
Bond Proceeds from Refinance	(500,000)	(3,000,000)	(930,898)	-	-
New Bond Proceeds	-	(2,593,900)	(3,719,900)	-	-
Fund 500 Supplemental Water Capacity CIP	320,000	207,000	1,928,200	-	-
Fund 700 Water Capacity CIP	1,600,000	7,917,800	1,071,200	-	-
Fund 805 Replacement CIP	$1,115,000	2,593,900	3,719,900	765,300	697,600
Total Capital Improvement Expenditures [4]	$2,535,000	$4,417,800	$1,343,502	$22,300	$0
Total Net Funds Available for Debt Service	($1,189,042)	$863,586	$572,973	$2,984,432	$3,049,874
DEBT SERVICE					
2024 COPs Debt Service	$899,075	$898,450	$897,075	$894,950	$896,950
Bond Administration	4,000	4,000	4,000	4,000	4,000
New Bond Debt Service [4]	-	249,100	606,300	606,300	606,300
Total Debt Service Costs	$903,075	$1,151,550	$1,507,375	$1,505,250	$1,507,250
Total Net Funds Available After Debt Service	($2,092,117)	($287,964)	($934,402)	$1,479,182	$1,542,624
Debt Service Coverage	150%	588%	214%	336%	340%
BEGINNING FUND BALANCES [5]	$8,176,000	$5,751,921	$5,298,916	$5,731,560	$6,509,280
ENDING FUND BALANCES	$5,751,921	$5,298,916	$5,731,560	$6,509,280	$7,386,267
Reserve Target	$7,371,000	$7,700,000	$8,160,000	$8,754,000	$9,151,000

[1] Projected using the current rates from Table 3.
[2] Additional revenue from proposed rate adjustments.
[3] Includes interest on Funds 125, 128, 500, 700, and 805. Interest earnings calculated on the average fund balance at 4.0%.
[4] Both debt issues assume an interest of 5.5% and a 20 year term. Includes debt reserve fund and issuance costs.
[5] FY 25-26 beginning balances from District FY 25-26 Budget.

A graphical depiction of the revenue and revenue requirements from Table 13 are presented in Figure 1, however, has been extended for a 10-year period. Revenue using the current rates is shown as the black line while revenue with revenue adjustments is shown as the red line. Water system O&M expenses, supplemental water costs, capital spending including replacement spending, and debt service are shown as columns in the figure.

Figure 1
Water Financial Plan
Comparison of Revenue with Revenue Requirements

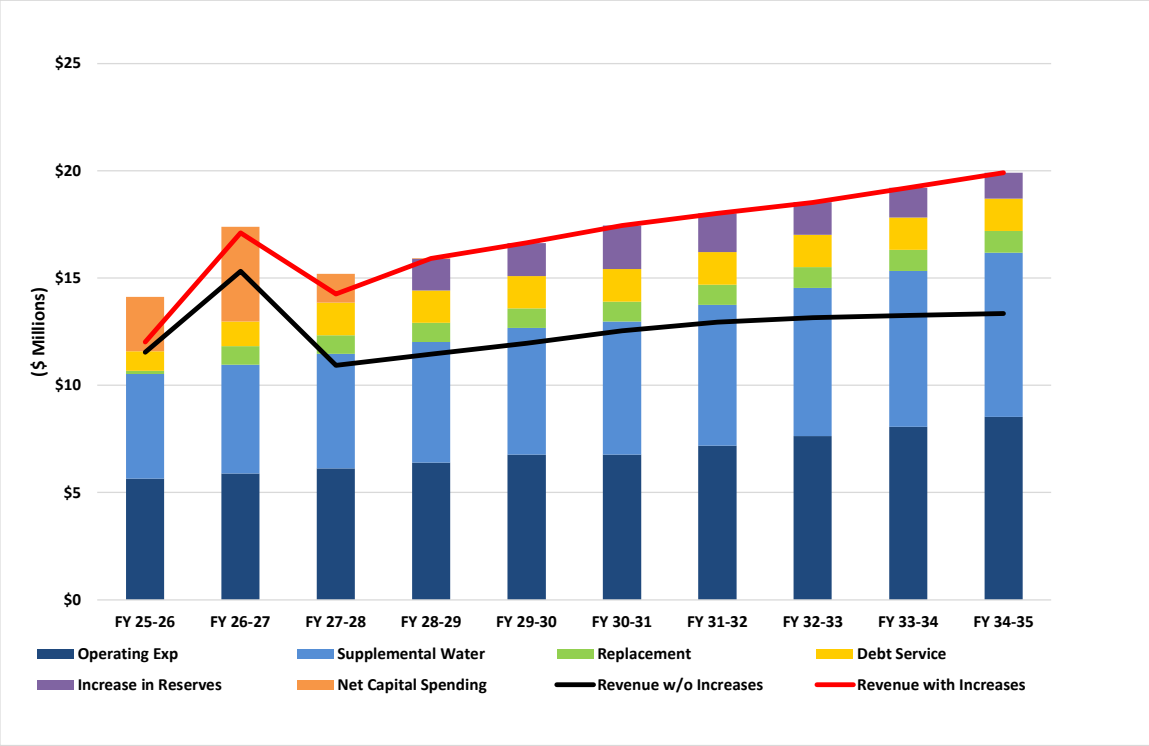
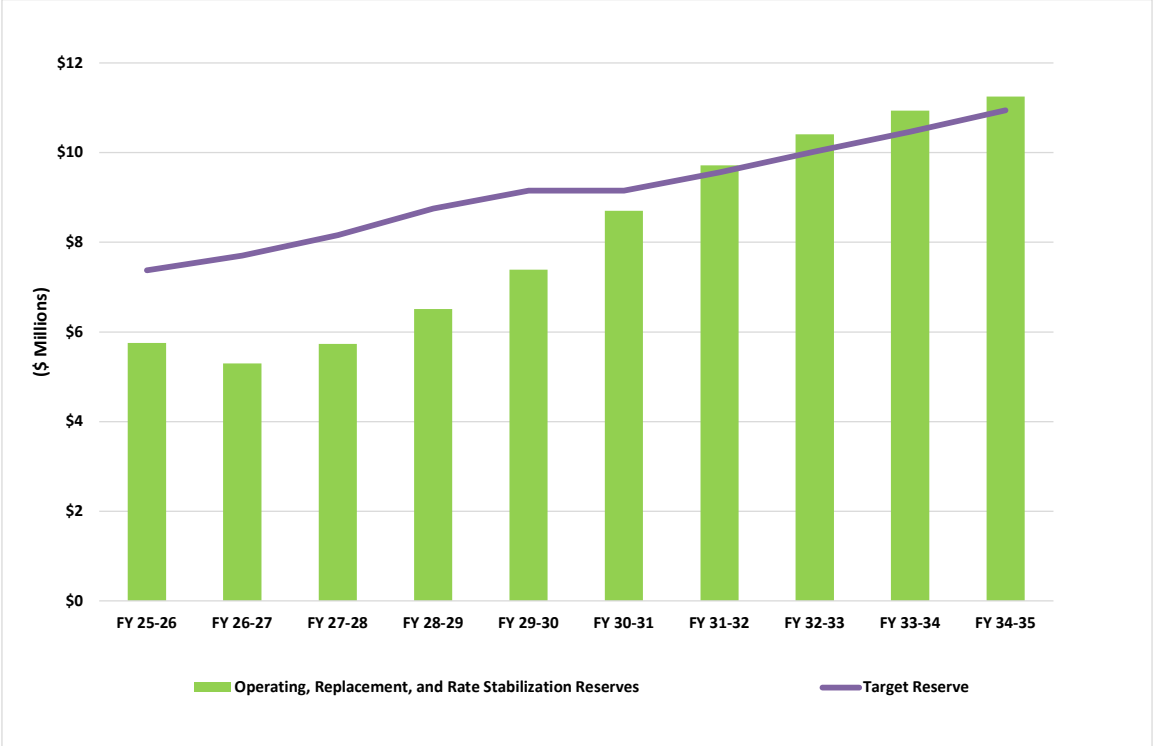


Figure 1 shows that the revenue received from the current rates (black line) is not sufficient to meet annual expenses and fund the CIP program and would thereby decrease System reserves. The revenue increases from Table 13 of 13.8 percent annually for three years, shown as the red line in Figure 1, will provide sufficient revenue to meet the O&M expenses, Supplemental Water expenses, capital spending, and increase reserves during the Study period. For years after FY 29-30, Figure 1 assumes future additional revenue increases of 3.5 percent beginning in FY 2032-33.

Figure 2 provides the end of year level of reserves compared with the Target reserves established for the System for the expanded 10-year financial plan. The purple line represents the Target reserve level for the operating, capital, and rate stabilization reserves, while the green column indicates the annual cash reserve level at the end of year. The figure shows that the reserve balance (green column) declines in the early years of the Study but returns to meet the Target reserve (purple line) by the seventh year of the plan.

Figure 2
Water Reserves vs. Target Reserves



Cost of Service

Establishing rates in California requires that the agency responsible for imposing property-related fees create a nexus, or connection, between the cost of providing service and the rates to be imposed. The connection is created through employing industry methodology with application to the District's unique water system characteristics.

Industry Methodology

This Study uses methodologies from the American Water Works Association (AWWA) to determine costs of service for the System. AWWA is an industry trade organization that provides guidance on operations and management of water utilities. Through their Manual M1, general guidelines and principles are provided to assist agencies with the design of water rates such that the rates may be consistent with local requirements while also recognizing state laws and legal framework. The guidelines and principles in the AWWA Manual M1 have been used to conduct this Study and to design the District's water rates while also following Proposition 218.

The annual costs of providing water service from the financial plan are allocated to cost components according to industry standards provided in the AWWA Manual M1 in an effort to provide a defensible cost allocation. The methodology provides the basis to design fixed and variable rates and charges to recover the costs under the

methodology such that adequate revenue is generated to meet the estimated annual revenue requirements from the financial plan.

Costs of Service to be Allocated

The annual cost of service consists of O&M expenses and capital costs of the System. O&M expenses include costs related to water distribution, maintenance of the facilities, and general and administrative costs. Capital costs include annual capital spending and debt service discussed in the financial plan.

The System costs first need to be allocated to cost components based on the operating characteristics and design of the System facilities. Cost allocations consider the average quantity of water consumed as well as the peak rate at which water is consumed. The System is designed to serve average and peak demands, and costs that are related to serving average and peak demands are allocated in a manner such that they may be recovered appropriately.

For this Study, the cost components include Supplemental Water, Groundwater, Delivery, Peaking (capacity), Meters and Services, Customer, Direct Fire Protection, and Conservation. Supplemental Water costs include the purchased water cost and O&M expenses from the City of Santa Maria. Groundwater costs include electricity and chemicals cost associated with pumping groundwater.

The Delivery component includes District costs related to facilities that meet average-day water demand and includes certain labor, materials, and supplies including some electric power and chemicals expense. The Peaking component includes District costs related to facilities that meet peak demands. The Meters and Services component includes District costs related to maintaining meters and service lines. The Customer component included District costs related to serving the customer and include billing, collecting, and meter reading costs. The Fire Protection component includes direct District costs to operate and maintain fire hydrants. The Conservation component includes District costs related to its water conservation program.

Operating and capital costs from each year of the financial plan are assigned to each of these parameters resulting in total annual costs of service by cost component. A summary of the total cost to be recovered from the users of the water system by cost component for FY 2025-26 through FY 2029-30 are presented in Table 14. A detailed allocation for FY 2025-26 is provided in Appendix A Table A-1. The costs of service for each future year of the financial plan are allocated in the same manner as shown in Table 14.

Table 14
Summary of Allocated Costs of Service

Year	Total Revenue Requirement	Suppl Water	Groundwater	Delivery	Peaking	Customer		Direct Fire Protection	Conservation
						Meters/Serv	Customer		
FY 25-26	$9,528,853	$5,025,140	$299,000	$1,753,991	$1,410,361	$602,965	$364,676	$30,040	$42,680
FY 26-27	11,361,526	5,221,130	264,451	2,451,144	1,970,932	842,623	509,622	41,979	59,644
FY 27-28	13,260,461	5,484,976	289,801	3,122,645	2,510,877	1,073,464	649,236	53,480	75,984
FY 28-29	13,872,751	5,766,906	317,631	3,248,845	2,612,352	1,116,847	675,474	55,641	79,055
FY 29-30	$14,526,017	$6,058,858	$404,385	$3,363,377	$2,704,446	$1,156,219	$699,287	$57,603	$81,841

Rate Design

The cost of service allocations described in the previous section provides the basis for water rate design. The goal of the design of rates is to achieve equity and fairness and ensure that each customer class reasonably pays its fair share of costs. Rates should be simple to administer, easy to understand, and comply with regulatory requirements.

Proposed Fixed Charges

The proposed fixed charges are designed to recover certain costs identified in Table 14. The fixed charges include Customer, Meters and Services, and a portion of Peaking and Delivery costs of service. Peaking costs included in the fixed charges are 75 percent of the peaking costs identified in Table 14 and are recovered based on equivalent meter capacity defined by AWWA. Meters and Services costs are recovered based on equivalent meter and services defined by AWWA. Bothe of these capacity ratios are provided by AWWA in their Manual M1. Customer costs include Customer costs, 30 percent of Delivery costs, and public fire protection costs including a portion of capacity costs developed in Appendix A-4. Customer costs are recovered based on the number of bills issued.

Tables 15 below presents the design of the proposed monthly fixed charges for the Study period. The current fixed charges generate about 25 percent of revenue from water rates; however, the proposed fixed charges generate approximately 26 percent of the revenue from water rates and increases to 35 percent by FY 2027-28.

Table 15
Design of Fixed Charges

Customer Service Cost	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Customer	$364,676	$509,622	$649,236	$675,474	$699,287
30% of Delivery Costs	526,197	735,343	936,793	974,654	1,009,013
Public Fire Protection	329,263	458,909	575,602	583,804	586,177
Customer Cost	$1,220,137	$1,703,875	$2,161,631	$2,233,932	$2,294,477
Number of Bills	54,684	54,936	56,652	60,312	63,372
Customer Cost per Unit	$22.31	$17.63	$21.62	$20.88	$20.28

Meters and Services Cost	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Meters and Services	$602,965	$842,623	$1,073,464	$1,116,847	$1,156,219
Number of Equivalent Meters & Services	56,270	56,522	58,238	61,898	64,958
Meters and Services Cost per Unit	$10.72	$14.91	$18.43	$18.04	$17.80

Peaking Cost	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Meter Capacity	$0	$0	$0	$0	$0
75% of Peaking Costs Less Pub Fire Protect	$808,237	$1,130,505	$1,447,739	$1,518,809	$1,587,536
0% of Conservation Costs	0	0	0	0	0
Peaking Costs	$808,237	$1,130,505	$1,447,739	$1,518,809	$1,587,536
Number of Equivalent Meters	56,950	57,202	58,918	62,578	65,638
Peaking Cost per Unit	$14.19	$19.76	$24.57	$24.27	$24.19

Monthly Base Fixed Charge -1" and smaller	$47.22	$52.30	$64.62	$63.19	$62.27

Fixed charges for meter sizes greater than 1-inch are increased as shown below in Table 16 for FY 2025-26. The total fixed monthly charges by meter size reflect increases in the Meter and Services and Peaking charges from application of the appropriate meter and service and capacity ratios to the base fixed charge for 1-inch and smaller meter sizes. Fixed charges for futures years were calculated in a similar manner.

Table 16
Design of FY 2025-26 Fixed Charges by Meter Size

Meter Size	Meter & Service Ratio	Meters & Services Charge	Meter Capacity Ratio	Peaking Charge	Public Fire Protection Charge	Delivery Charge	Customer Charge	Total Monthly Charge
inches								
5/8 thru 1 inch	1.00	$10.72	1.00	$14.19	$6.02	$9.62	$6.67	$47.22
1-1/2 inch	1.29	$13.78	2.00	$28.38	$6.02	$9.62	$6.67	$64.47
2 inch	2.07	$22.20	3.20	$45.41	$6.02	$9.62	$6.67	$89.92
3 inch	7.86	$84.19	6.40	$90.83	$6.02	$9.62	$6.67	$197.33
4 inch	10.00	$107.16	10.00	$141.92	$6.02	$9.62	$6.67	$271.39
6 inch	15.00	$160.73	24.00	$340.61	$6.02	$9.62	$6.67	$523.65
8 inch	20.71	$221.97	40.00	$567.69	$6.02	$9.62	$6.67	$811.97

Private Fire Protection Fixed Charges

Annual costs allocated to the Fire Protection cost component are separated into Public and Private Fire Protection costs. Fire Protection costs were determined from Table 14 and allocated as shown in Appendix A-4 for FY 2025-26. Allocations for future years are performed in a similar manner.

Public fire protection costs are included in the monthly service charges as shown in Tables 15 and 16. Private Fire Protection costs are recovered from those customers that receive the direct private fire protection benefit. The monthly cost by equivalent fireline size is provided in Table 17.

Table 17
Design of Private Fire Protection Charges

Fire Protection Cost	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Private Fire Protection	$33,488	$46,662	$58,435	$59,111	$59,157
Private Fire Protection Eq. Fireline	968	968	968	968	968
Private Fire Protection	$34.58	$48.19	$60.35	$61.05	$61.09

The monthly private fire protection charges from Table 17 are increased with fireline size based on fireline ratios provided by AWWA. The proposed private fire protection fixed charges are shown in Table 18.

Table 18
Proposed Monthly Private Fire Protection Charges

Fireline Size	Fireline Ratio	January 1, 2026	January 1, 2027	January 1, 2028	January 1, 2029	January 1, 2030
inches						
2 inch	0.06	$1.92	$2.68	$3.36	$3.39	$3.40
3 inch	0.16	$5.59	$7.78	$9.75	$9.86	$9.87
4 inch	0.34	$11.91	$16.59	$20.77	$21.02	$21.03
6 inch	1.00	$34.58	$48.19	$60.35	$61.05	$61.09
8 inch	2.13	$73.70	$102.69	$128.60	$130.09	$130.19
10 inch	3.83	$132.54	$184.68	$231.27	$233.94	$234.13

Proposed Variable Rates

District Variable Rate Structure

The variable rate for District customers is designed to recover the District customers' share of Supplemental Water costs, Groundwater costs, and costs common to both District and Annexed customers. The District's share of Supplemental Water plus the groundwater costs are divided by the consumption to determine a blended water rate of the two water supply sources. The common costs include 70 percent of Delivery costs, 25 percent of Peaking costs, and Conservation costs divided by the water consumption. The sum of the blended water supply rate and the common costs rate is the rate charged to District customers and is shown in Table 19 for each projected year of the financial plan. The proposed variable rate in Table 19 applies only to District customers of the System.

Table 19
Design of District Uniform Variable Charges

District Volume Charge	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
District Customers					
District Supplemental Water Cost	$5,025,140	$5,221,130	$5,350,002	$5,380,989	$5,345,916
District Groundwater Cost	299,000	264,451	289,801	317,631	404,385
Total Water Supply Cost	$5,324,140	$5,485,581	$5,639,803	$5,698,620	$5,750,301
Units of Service (HCF)	755,288	758,226	761,166	764,106	767,187
Blended Water Rate ($/HCF)	$7.05	$7.23	$7.41	$7.46	$7.50
Common to All Customers					
70% of Delivery Costs	1,227,794	1,715,801	2,185,851	2,274,192	2,354,364
25% of Peaking Less Pub Fire Protection	269,412	376,835	482,580	506,270	529,179
100% of Conservation Costs	42,680	59,644	75,984	79,055	81,841
Total Variable Cost	$1,539,886	$2,152,280	$2,744,415	$2,859,516	$2,965,384
Units of Service (HCF)	755,288	758,226	776,369	807,535	844,942
Common to All Volume Charge ($/HCF)	$2.04	$2.84	$3.53	$3.54	$3.51
District Customer Rate ($/HCF)	$9.09	$10.07	$10.94	$11.00	$11.00

Annexed Variable Rate Structure

The variable rate for Annexed customers is designed to use Supplemental Water as the only source of water supply. In addition, costs common to both District and Annexed customers are added into the Annexed variable rate and include 70 percent of Delivery costs, 25 percent of Peaking costs, and Conservation costs and is shown in Table 20. The proposed variable rate is designed to apply only to Annexed customers of the District. The variable rate is shown in Table 20 for each projected year of the financial plan.

Table 20
Design of Annexed Uniform Variable Charges

Annexed Volume Charge	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Annexed Customers Only					
Supplemental Water Cost	$5,025,140	$5,221,130	$5,484,976	$5,766,906	$6,058,858
Supplemental Water Consumption (HCF)	596,730	599,668	617,811	648,977	660,792
Supplemental Water Cost ($/HCF)	$8.42	$8.71	$8.88	$8.89	$9.17
Common to All Customers					
70% of Delivery Costs	$1,227,794	$1,715,801	$2,185,851	$2,274,192	$2,354,364
25% of Peaking Less Pub Fire Protection	269,412	376,835	482,580	506,270	529,179
100% of Conservation Costs	42,680	59,644	75,984	79,055	81,841
Total All Other Variable Cost	$1,539,886	$2,152,280	$2,744,415	$2,859,516	$2,965,384
Units of Service (HCF)	755,288	758,226	776,369	807,535	844,942
Common to All Volume Charge ($/HCF)	$2.04	$2.84	$3.53	$3.54	$3.51
Annexed Rate ($/HCF)	$10.46	$11.55	$12.41	$12.43	$12.68

Proposed Rates

Table 21 presents the proposed fixed and variable charges for the System for the next five years. Table 21 includes both the current charges and the proposed future charges. The fixed and variable charges are proposed to be effective beginning on January 1, 2026 and each January 1 through FY 2029-30.

Table 21
Proposed Monthly Fixed and Variable Charges

	Current Rate	January 1, 2026	January 1, 2027	January 1, 2028	January 1, 2029	January 1, 2030
Meter Size			Fixed Charge ($ per month)			
5/8 thru 1 inch	$41.56	$47.22	$65.69	$81.16	$81.16	$81.16
1-1/2 inch	$57.19	$64.47	$89.71	$111.00	$111.00	$111.00
2 inch	$79.45	$89.92	$125.14	$154.96	$154.96	$154.96
3 inch	$167.87	$197.33	$274.63	$340.22	$340.22	$340.22
4 inch	$232.94	$271.39	$377.72	$468.16	$468.16	$468.16
6 inch	$459.73	$523.65	$728.91	$904.29	$904.29	$904.29
8 inch	$718.92	$811.97	$1,130.27	$1,402.72	$1,402.72	$1,402.72
Fireline Size			Fixed Charge ($ per month)			
2 inch	$2.30	$1.92	$2.68	$3.36	$3.39	$3.40
3 inch	$6.69	$5.59	$7.78	$9.75	$9.86	$9.87
4 inch	$14.26	$11.91	$16.59	$20.77	$21.02	$21.03
6 inch	$41.43	$34.58	$48.19	$60.35	$61.05	$61.09
8 inch	$88.28	$73.70	$102.69	$128.60	$130.09	$130.19
10 inch	$158.77	$132.54	$184.68	$231.27	$233.94	$234.13
			Variable Charge ($ per HCF)			
District Rate ($/HCF)	$8.45	$9.09	$10.07	$10.94	$10.94	$10.94
Annex Rate ($/HCF)	n/a	$10.46	$11.55	$12.41	$12.41	$12.41

Customer Bill Impacts

A bill impact analysis was performed to evaluate the change in the District's SFR customer bills that would occur from the implementation of the proposed rates for January 1, 2026. For a District single-family customer with a 1-inch or smaller meter using 12 hundred cubic feet (HCF) monthly, the bill will increase from $142.96 to $156.30, an increase of $13.34 or 9.3 percent. The bill impacts are provided in Table 22 below for various water use.

Table 22
Comparison of Current District Single-family Residential Monthly Bill with a 1-inch or Smaller Meter Size With Proposed Monthly Bill Using January 2026 Rates

Single-family Residential									
		Current Bill			Proposed January 1, 2026 Rates				
Description	Use (HCF)	Service Charge	Volume Charge	Current Bill	Service Charge	Volume Charge	January 1, 2026 Bill	Dollar Difference	Percent Change
	0	$41.56	$0.00	$41.56	$47.22	$0.00	$47.22	$5.66	13.6%
Very Low	5	$41.56	$42.25	$83.81	$47.22	$45.45	$92.67	$8.86	10.6%
Low	8	$41.56	$67.60	$109.16	$47.22	$72.72	$119.94	$10.78	9.9%
Median	11	$41.56	$92.95	$134.51	$47.22	$99.99	$147.21	$12.70	9.4%
Average	12	$41.56	$101.40	$142.96	$47.22	$109.08	$156.30	$13.34	9.3%
High	30	$41.56	$253.50	$295.06	$47.22	$272.70	$319.92	$24.86	8.4%
Very High	50	$41.56	$422.50	$464.06	$47.22	$454.50	$501.72	$37.66	8.1%

Water Rate Survey

A water rate survey was conducted for neighboring communities to the District for rate schedules in effect July 2025. Chart 1 includes water bills for the District using the current rates and the proposed January 1, 2026 rates from Table 21. The chart indicates that a District single-family residential customer with a 1-inch or smaller meter and a monthly consumption of 12 hundred cubic feet (HCF) will experience a bill that is in the upper range of the communities listed.

Chart 1
Survey of Single-family Residential Monthly Water Bills Using 12 HCF
For Rates in Effect July 2025

Note: Above table uses a ¾-inch meter and water rates in effect July 2025. District January 2026 bill is based on the rate structure and rates in Table 21.

Pass-Through Provision

Though the variable charges designed in this Study reflect projected costs, this Study proposes a Pass-Through Adjustment for the costs of purchased Supplemental Water. Under a Pass-Through Adjustment, the District may pass-through any increase in the cost of purchased Supplemental Water at any time that such costs are increased to the District during the five-year period from January 1, 2026 to January 1, 2030.

The pass-through of costs are allowed under section 53756 of the California Government Code. For each change in purchased Supplemental Water supply rates and costs to the District, the District may calculate a revised variable charge and pass this change through to the customer's bill. The District will provide 30-day notice of any pass-through charge.

The date of these rate changes is January 1 of each fiscal year, and this has been included into the rates proposed in this Study. The only expected pass-through cost in the District's water rates is the change in Supplemental Water energy cost from what is projected in this Study versus the actual cost experienced.

Impact of Water Sales Volume Reduction

An analysis was performed to determine the impact to revenue if the District were to experience a reduction in water consumption. The analysis indicates that if the District experienced a twenty (20) percent reduction in water consumption, the result would be a loss of about $1,300,000 in revenue for FY 25-26. The District has operating and rate stabilization reserves that total about $4.6 million as shown in Table 2 and will be able to absorb this revenue loss for one year.

Appendix A

Technical Appendix

Appendix A-1
Allocation of Revenue Requirement to Cost Component FY 2025-26

Description	Total FY 25-26	Supplemental Water Variable	Supplemental Water Fixed	Groundwater	Delivery	Peaking Max Day	Customer Meters/Serv	Customer Customer	Direct Fire Protection	Conservation
Operation and Maintenance Expense										
Maintenance Personnel Services	$1,507,935	$0	$0	$0	$670,992	$553,525	$150,794	$120,635	$11,989	$0
Maintenance	1,449,970	0	0	0	439,827	362,824	491,460	101,000	7,859	47,000
Electricty - Pumping	315,000	0	0	220,500	55,588	38,912	0	0	0	0
Chemicals	78,500	0	0	78,500	0	0	0	0	0	0
Maintenance Capital Outlay	0	0	0	0	0	0	0	0	0	0
Total Maintenance	$3,351,405	$0	$0	$299,000	$1,166,407	$955,261	$642,254	$221,635	$19,848	$47,000
General and Administrative										
Admin Personnel Services	$711,832	$0	$0	$0	$240,495	$165,392	$115,921	$177,959	$3,582	$8,483
Admin Maintenance	1,390,033	0	0	0	553,282	445,653	209,881	156,206	9,652	15,359
Admin Capital Outlay	198,000	0	0	0	67,975	46,748	32,765	49,500	1,013	0
Total General and Administration	$2,299,865	$0	$0	$0	$861,752	$657,792	$358,566	$383,665	$14,247	$23,842
Supplemental Water										
Supplemental Water Purchases Expense	$4,571,964	$4,571,964	$0	$0	$0	$0	$0	$0	$0	$0
Supplemental Water O&M	264,119	264,119	0	0	0	0	0	0	0	0
Supplemental Water Overhead @ 15%	39,618	39,618	0	0	0	0	0	0	0	0
Total Supplemental Water Costs	$4,875,701	$4,875,701	$0	$0	$0	$0	$0	$0	$0	$0
Total Operation and Maintenance Expense	$10,526,971	$4,875,701	$0	$299,000	$2,028,159	$1,613,053	$1,000,820	$605,300	$34,095	$70,842
Capital Costs										
Replacement Transfer to Fund 805	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Supplemental Water Replacement	149,439	149,439	0	0	0	0	0	0	0	0
Replacement Transfer from Fund 805	0	0	0	0	0	0	0	0	0	0
Bond Proceeds from Refinance	(500,000)	0	0	0	(271,326)	(223,826)	0	0	(4,848)	0
New Bond Proceeds	0	0	0	0	0	0	0	0	0	0
Fund 500 Supplemental Water Capacity CIP	320,000	0	0	0	173,649	143,249	0	0	3,103	0
Fund 700 Water Capacity CIP	1,600,000	0	0	0	868,244	716,243	0	0	15,513	0
Fund 805 Replacement CIP	1,115,000	0	0	0	605,058	499,132	0	0	10,811	0
2024 COPs Debt Service	899,075	0	899,075	0	0	0	0	0	0	0
Bond Administration	4,000	0	0	0	2,171	1,791	0	0	39	0
New Bond Debt Service [4]	0	0	0	0	0	0	0	0	0	0
Total Capital Costs	$3,587,514	$149,439	$899,075	$0	$1,377,795	$1,136,587	$0	$0	$24,617	$0
Adjustments										
Revenue Offsets	($3,167,568)	$0	($899,075)	$0	($1,108,995)	($914,632)	($134,382)	($81,275)	($19,697)	($9,512)
Adjustments for Annual Cash Balance	(2,092,117)	0	0	0	(792,775)	(630,517)	(391,205)	(236,602)	(13,327)	(27,691)
Adjustments to Annualize Rate Increase [1]	674,053	0	0	0	249,807	205,869	127,732	77,253	4,351	9,041
Total Adjustments	($4,585,632)	$0	($899,075)	$0	($1,651,963)	($1,339,280)	($397,855)	($240,624)	($28,673)	($28,162)
Total Costs to be Recovered	$9,528,853	$5,025,140	$0	$299,000	$1,753,991	$1,410,361	$602,965	$364,676	$30,040	$42,680

Appendix A-2
Units of Service FY 2025-26

Customer Class	FY 25-26 Annual Use	Average Daily Use	Max Month Requirements Capacity Factor	Max Month Requirements Total Capacity	Meter Capacity	Meters & Services	Customer	Direct Fire Protection	Conservation
	HCF	HCF		HCF/day	Eq. Mtr	Eq. Mtr/Srv	Bills	Eq. Hyd	HCF
Single-family Residential	544,562	1,492	123%	1,836	46,313	46,277	46,248		544,562
Multifamily Residential	53,816	147	104%	154	6,293	6,270	5,628		53,816
Commercial	49,345	135	113%	153	2,069	1,844	1,404		49,345
Irrigation	99,548	273	153%	418	1,930	1,655	1,296		99,548
Agriculture	5,417	15	128%	19	38	25	12		5,417
Construction/Hydrant	2,600	7	276%	20	307	199	96		2,600
Fire Protection									
Public Fire Protection Hydrants				722				8,652	
Private Fire Protection Firelines				81					
Total System	755,288	2,069		3,403	56,950	56,270	54,684	8,652	755,288

Appendix A-3
Unit Costs of Service FY 2025-26

Description	FY 25-26 Total Costs	Supplemental Water	Groundwater	Delivery	Peaking	Customer Meters/Serv	Customer Customer	Fire Protection	Conservation
Total Costs of Service	$9,528,853	$5,025,140	$299,000	$1,753,991	$1,410,361	$602,965	$364,676	$30,040	$42,680
Units of Service		596,730	158,558	755,288	3,403	56,270	54,684	8,652	755,288
Unit Costs of Service		$8.42	$1.89	$2.32	$414.48	$10.72	$6.67	$3.47	$0.06
Units of Measure		HCF	HCF	HCF	HCF/day	Eq. Mtr/Srv	Bills	Eq. Hyd	HCF

Appendix A-4
Distribution of Costs to Public and Private Fire Protection FY 2025-26

Description	Allocated Total Cost	Supplemental Water	Groundwater	Delivery	Peaking Max Day	Customer Meters/Serv	Customer Customer	Direct Fire Protection	Conservation
Unit Costs of Service		$8.42	$1.89	$2.32	$414.48	$10.72	$6.67	$3.47	$0.06
Units of Measure		HCF	HCF	HCF	HCF/day	Eq. Mtr/Srv	Bills	Eq. Hyd	HCF
Public Fire Protection Hydrants									
Units of Service					722	0	0	8,652	0
Allocated Cost of Service	$329,263	$0	$0	$0	$299,224	$0	$0	$30,040	$0
Private Fire Protection									
Units of Service					81	0	0	0	0
Allocated Cost of Service	$33,488	$0	$0	$0	$33,488	$0	$0	$0	$0

SEPTEMBER 10, 2025

ITEM E-1

ATTACHMENT B

WATER RATE STUDY

NIPOMO COMMUNITY SERVICES DISTRICT

Presenter:
G. Clayton Tuckfield PE
Tuckfield & Associates

September 10, 2025

Rate Study Objectives

that follow industry practice and
ding sufficient revenues.

plan that …

l improvements, debt service payments, and
ell as increase reserves to target levels

rates that …

atepayers

Complies with Proposition 218

Major Assumptions

connecting July 1, 2027.

occurs as developed by the District.

pital escalate as planned below or

annually
annually
– 5% annually
annually
annually
annually
% annually

- Current District SFR growth occurs at 0.5% annually.
- Interest earnings rate is 4% on average fund balances.

Water Customers

s connecting July 1, 2027.

	al	Projected				
	5	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
	35	3,854	3,873	3,892	3,911	3,931
	67	469	471	473	475	477
	17	117	117	117	117	117
	08	108	108	108	108	108
	1	1	1	1	1	1
	8	8	8	8	8	8
				83	202	367
				36	198	248
Commercial				3	6	24
Total Number of Accounts	4,536	4,557	4,578	4,721	5,026	5,281

Water Sales Volume (HCF)

s connecting July 1, 2027.

	al	Projected				
	5	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
	77	544,562	547,246	549,931	552,616	555,442
	61	53,816	54,070	54,325	54,580	54,835
	45	49,345	49,345	49,345	49,345	49,345
	48	99,548	99,548	99,548	99,548	99,548
	17	5,417	5,417	5,417	5,417	5,417
	00	2,600	2,600	2,600	2,600	2,600
	-	-	-	11,718	28,488	51,793
[illegible]	-	-	-	2,309	12,589	15,769
Commercial	-	-	-	1,176	2,352	10,193
Total Water Sales Volume	752,348	755,288	758,226	776,369	807,535	844,942

Water Production (HCF)

		Projected				
Y 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
286,162	312,132	174,240	174,240	174,240	174,240	202,362
493,914	512,393	655,747	658,975	678,913	713,161	726,145
780,076	824,525	829,987	833,215	853,153	887,401	928,508

Maxed out Supplemental Water, pump more groundwater

assumes 400 acre-feet per year
n previous GM, minimum to just keep
ng condition.

ter projection is total projected
losses of 9%, less well production.

- =1,667 acre-feet per year is 726,145 HCF/year.

CURRENT RESERVES

As of June 30, 2025, for financial planning

Reserve Type	Reserve Balance	Reserve Target
Fund 125 Water Operating Reserve	$4,200,000	$5,651,000
Fund 128 Rate Stabilization	$476,000	$400,000
Fund 805 Water Replacement Fund	$3,500,000	$1,320,000
Total	**$8,176,000**	**$7,371,000**

Target Reserves defined in Resolution No. 2018-1489.

Capital Improvement Plan

Description	Budget FY 25-26	Projected FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	FY 34-35
Current Capital Improvement Projects (CIP) [1]										
Fund 805 Replacement										
Mallagh Street Waterline Replacement	$250,000	$0	$0	$0	$0	$0	-	-	-	-
Eureka Well	-	-	2,999,400	-	-	-	-	-	-	-
Chlorine Analyzer Replacement	100,000	103,500	107,100	-	-		-	-	-	-
Blow-Off Replacement	20,000	21,300	22,700	24,200	25,800	27,500	-	-	-	-
Air Vac Replacement	20,000	21,300	22,700	24,200	25,800	27,500	-	-	-	-
Fire Hydrant Replacement	50,000	53,300	56,800	60,600	64,600	68,800	-	-	-	-
Valve Replacement	100,000	106,600	113,600	121,200	129,200	137,700	-	-	-	-
Well Refurbishment	100,000	106,600	113,600	121,200	129,200	137,700	-	-	-	-
Large Meter Replacement Program	50,000	53,300	56,800	60,600	64,600	68,800		-	-	-
Foothill Tank Rehabilitation	100,000	1,552,500	-	-	-	-	-	-	-	-
Tefft Street Nipomo Creek Utility Crossings	25,000	258,800	-	-	-	-	-	-	-	-
SCADA System Improvements	100,000	103,500	-	110,900	-	-	-	-	-	-
Service Line Replacement	100,000	106,600	113,600	121,200	129,200	137,700	-	-	-	-
Angle Stop Replacement	100,000	106,600	113,600	121,200	129,200	137,700	-	-	-	-
Fund 500 Supplemental Water Capacity Fund										
Supplemental Water Project Interconnects-carryover	120,000	-	-	-	-	-		-	-	-
Pomeroy Water Line -carryover	200,000	-	-	-	-	-	-	-	-	-
Summit Station Booster Pump Station	-	207,000	1,928,200	-	-	-	-	-	-	-
Fund 700 Water Capacity Fund										
Third Connection to Blacklake Pressure Zone-carryover	20,000	-	-	-	-	-		-	-	-
New Foothill Water Storage Tank	500,000	3,105,000	1,071,200	-	-	-	-	-	-	-
Dana Reserve Water Project 1 - Oak Glen Watermain	800,000	3,560,400	-	-	-	-	-	-	-	-
Dana Reserve Water Project 2 - HWY 101 Crossing	280,000	1,252,400	-	-	-	-	-	-	-	-
Fund 805 Replacement										
Proposed Asset Replacement Projects [2]	-	-	-	-	-	-	801,000	821,000	842,000	863,000
Total Water CIP	**$3,035,000**	**$10,718,700**	**$6,719,300**	**$765,300**	**$697,600**	**$743,400**	**$801,000**	**$821,000**	**$842,000**	**$863,000**

$8.9 million

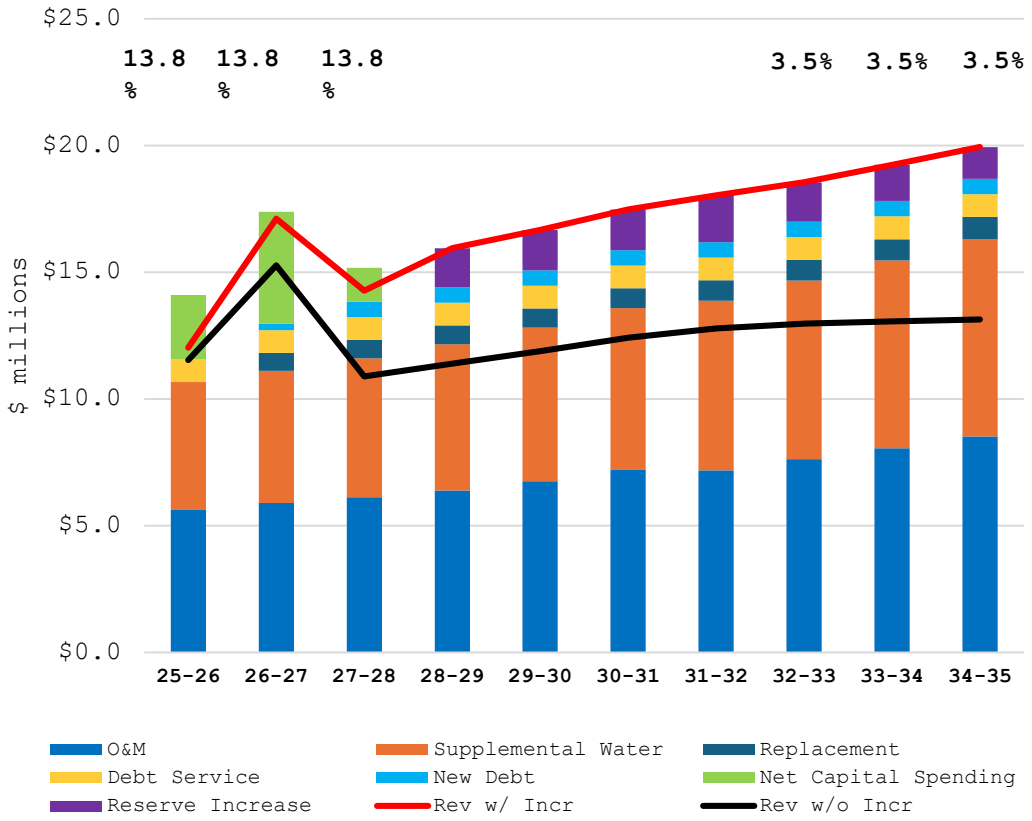
[1] CIP Source: FY 25-26 District Captail Improvement Plan.

Water Financial Plan – Finance Fund

805 $6.3M in FY 26-27

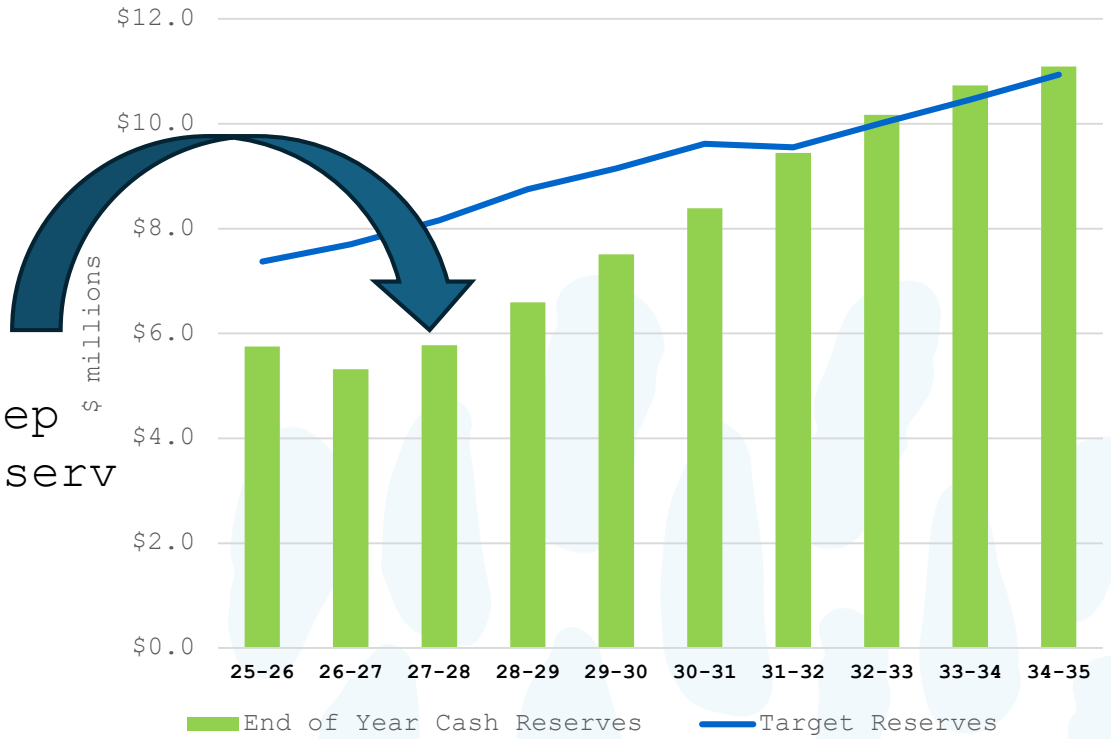
13.8% increase for 3 years. No Rate Reduction.

Financial Plan



End of Year Reserves vs. Target Reserves

Keep Reserves



Reserves include Operating, Rate Stabilization, and Fund 805.

Water Cost of Service

(13.8% Increases for 3 Years)

of service to water cost component
on which follows AWWA methodology.

undwater costs are water supply costs
ner costs are included.

Delivery	Peaking	Customer		Direct Fire Protection	Conservation
		Meters/Serv	Customer		
1,753,991	$1,410,361	$602,965	$364,676	$30,040	$42,680
2,451,144	1,970,932	842,623	509,622	41,979	59,644
3,122,645	2,510,877	1,073,464	649,236	53,480	75,984
3,248,845	2,612,352	1,116,847	675,474	55,641	79,055
3,363,377	$2,704,446	$1,156,219	$699,287	$57,603	$81,841

- Suppl Water cost increases by 5% annually though overall revenue increase is 13.8%.

Fixed Charges by Meter Size

(13.8% Increases for 3 Years)

Customer Service Cost	FY 25-26	FY 26-27	FY 27-28	
Customer	$364,676	$509,622	$649,236	
30% of Delivery Costs	526,197	735,343	936,794	
Public Fire Protection	329,263	458,909	575,602	
Customer Cost	$1,220,137	$1,703,874	$2,161,632	
Number of Bills	54,684	54,936	56,652	
Customer Cost per Unit	$22.31	$17.63	$21.62	Line A

Meters and Services Cost	FY 25-26	FY 26-27	FY 27-28	
Meters and Services	$602,966	$842,625	$1,073,465	
Number of Equivalent Meters & Services	56,270	56,522	58,238	
Meters and Services Cost per Unit	$10.72	$14.91	$18.43	Line B

Peaking Cost	FY 25-26	FY 26-27	FY 27-28	
75% of Peaking Costs Less Pub Fire Protect	$808,237	$1,130,505	$1,447,739	
Peaking Costs	$808,237	$1,130,505	$1,447,739	
Number of Equivalent Meters	56,950	57,202	58,918	
Peaking Cost per Unit	$14.19	$19.76	$24.57	Line C

Monthly Base Fixed Charge -1" and smaller	$47.22	$52.30	$64.62	Line A + B + C

District and Annexation Variable Rate

(13.8% Increases for 3 Years)

District Volume Charge	FY 25-26	FY 26-27	FY 27-28
District Customers			
District Supplemental Cost	$5,025,140	$5,221,130	$5,350,002
District Groundwater Cost	299,000	264,451	289,801
Total Water Supply Cost	$5,324,140	$5,485,581	$5,639,803
Units of Service (HCF)	755,288	758,226	761,166
Blended Water Rate ($/HCF)	$7.05	$7.23	$7.41
Common to All Customers			
70% of Delivery Costs	1,227,794	1,715,800	2,185,852
25% of Peaking Less Pub Fire Protection	269,412	376,835	482,580
100% of Conservation Costs	42,680	59,644	75,984
Total Variable Cost	$1,539,886	$2,152,279	$2,744,415
Units of Service (HCF)	755,288	758,226	776,369
Common to All Volume Charge ($/HCF)	$2.04	$2.84	$3.53
District Customer Rate ($/HCF)	$9.09	$10.07	$10.94

Annexed Volume Charge	FY 25-26	FY 26-27	FY 27-28
Annexed Customers Only			
Supplemental Water Cost ($/HCF)	$8.42	$8.71	$8.88
Common to All Customers			
70% of Delivery Costs	$1,227,794	$1,715,800	$2,185,852
25% of Peaking Less Pub Fire Protection	269,412	376,835	482,580
100% of Conservation Costs	42,680	59,644	75,984
Total All Other Variable Cost	$1,539,886	$2,152,279	$2,744,415
Units of Service (HCF)	755,288	758,226	776,369
Common to All Volume Charge ($/HCF)	$2.04	$2.84	$3.53
Annexed Rate ($/HCF)	$10.46	$11.55	$12.41

Water Rates

(13.8% Increases for 3 Years)

overed in fixed charges, 72.5% of all costs in
ever, increases to 35% fixed / 65% variable in

Current Rate	January 1, 2026	January 1, 2027	January 1, 2028
Fixed Charge ($ per month)			
$41.56	$47.22	$65.69	$81.16
$57.19	$64.47	$89.71	$111.00
$79.45	$89.92	$125.14	$154.96
$167.87	$197.33	$274.63	$340.22
$232.94	$271.39	$377.72	$468.16
$459.73	$523.65	$728.91	$904.29
$718.92	$811.97	$1,130.27	$1,402.72
Variable Charge ($ per HCF)			
District Rate ($/HCF)	$8.45	$9.09	$10.07	$10.94
Annex Rate ($/HCF)	n/a	$10.46	$11.55	$12.41

Water Rate Revenue Proof

(13.8% Increases for 3 Years)

	FY 2025-26			FY 2026-27			FY 2027-28		
	Meters/ Volume	Proposed Rates	Calculated Revenue	Meters/ Volume	Proposed Rates	Calculated Revenue	Meters/ Volume	Proposed Rates	Calculated Revenue
Meter Size									
3/4 inch	3,177	$47.22	$1,800,215	3,177	$65.69	$2,504,366	3,177	$81.16	$3,094,144
1 inch	1,296	$47.22	$734,365	1,317	$65.69	$1,038,165	1,460	$81.16	$1,421,923
1-1/2 inch	41	$64.47	$31,719	41	$89.71	$44,137	41	$111.00	$54,612
2 inch	32	$89.92	$34,529	32	$125.14	$48,054	32	$154.96	$59,505
3 inch	6	$197.33	$14,208	6	$274.63	$19,773	6	$340.22	$24,496
4 inch	5	$271.39	$16,283	5	$377.72	$22,663	5	$468.16	$28,090
6 inch	-	$523.65	$0	-	$728.91	$0	-	$904.29	$0
8 inch	-	$811.97	$0	-	$1,130.27	$0	-	$1,402.72	$0
District Rate ($/HCF)	755,288	$9.09	$6,864,026	758,226	$10.07	$7,637,861	761,166	$10.94	$8,330,477
Annex Rate ($/HCF)	-	$10.46	$0	-	$11.55	$0	15,203	$12.41	$188,715
Private Fire Revenue			$33,488			$46,662			$58,435
Total Rate Revenue			**$9,528,835**			**$11,361,681**			**$13,260,396**
Cost of Service			**$9,528,853**			**$11,361,526**			**$13,260,461**

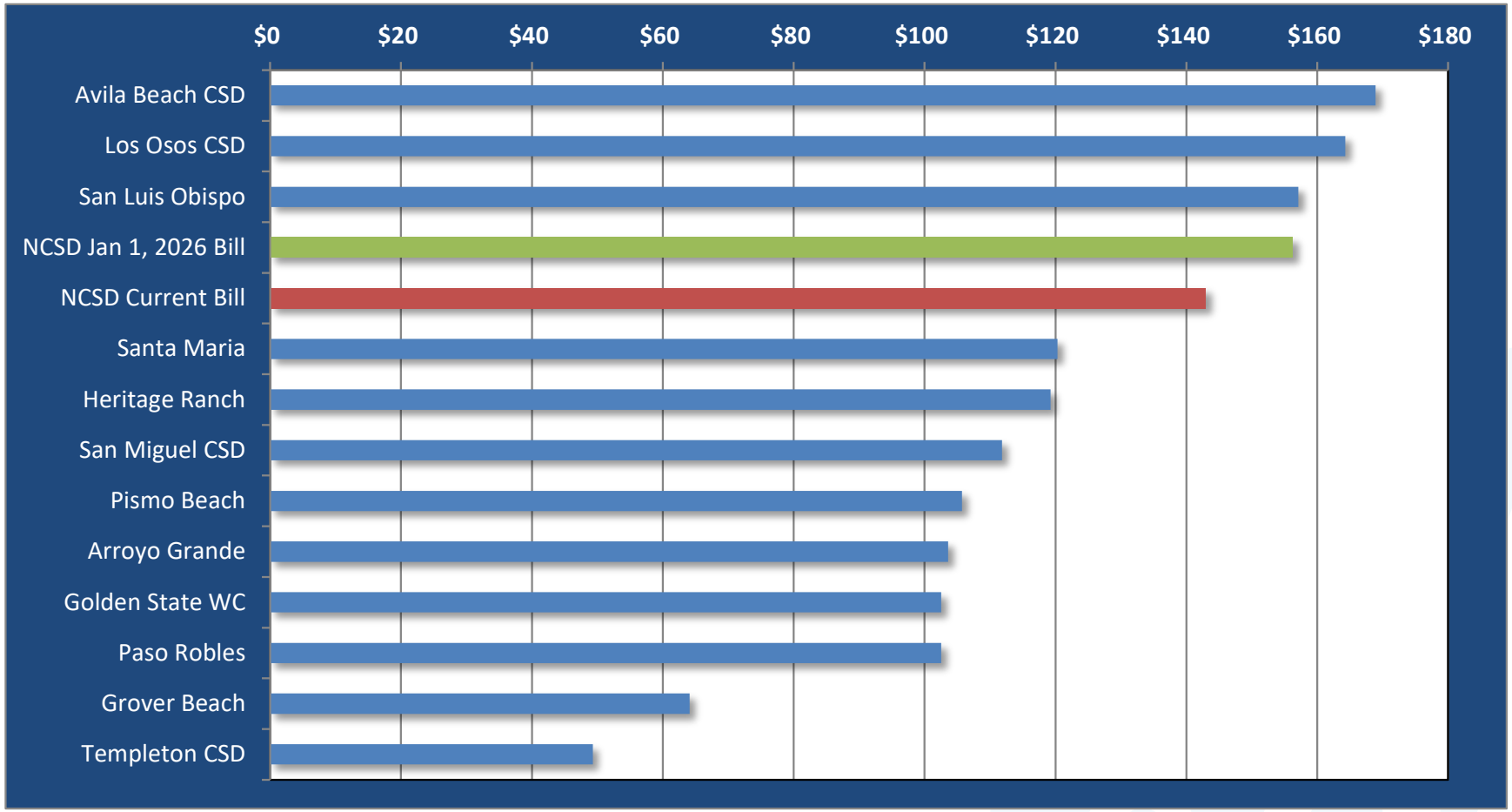
Example District Water Bills

¾-inch meter

Description	Use (HCF)	Current Water Bill	Jan 2026 Water Bill	Jan 2027 Water Bill	Jan 2028 Water Bill
	0	$41.56	$47.22	$65.69	$81.16
Very Low	5	$83.81	$92.67	$116.04	$135.86
Low	8	$109.16	$119.94	$146.25	$168.68
Median	11	$134.51	$147.21	$176.46	$201.50
Average	12	$142.96	$156.30	$186.53	$212.44
High	30	$295.06	$319.92	$367.79	$409.36
Very High	50	$464.06	$501.72	$569.19	$628.16

Water Monthly Bill Comparison

¾-inch meter using 12 HCF per month



Summary

1. Fund 805 CIP project dollars for 5 years of this Study are higher than the last rate study ($8.9M vs. $4M).

2. Dana Reserve was delayed 2 years due to Covid, and NCSD must absorb those Supplemental Water take-or-pay costs.

3. Proposed rates cure the current budget deficit of over $2M and add about $3M to reserves over the next 7 years.

4. 35% of costs recovered in fixed charges and 65% of costs

QUESTIONS

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