

WATER RATE STUDY

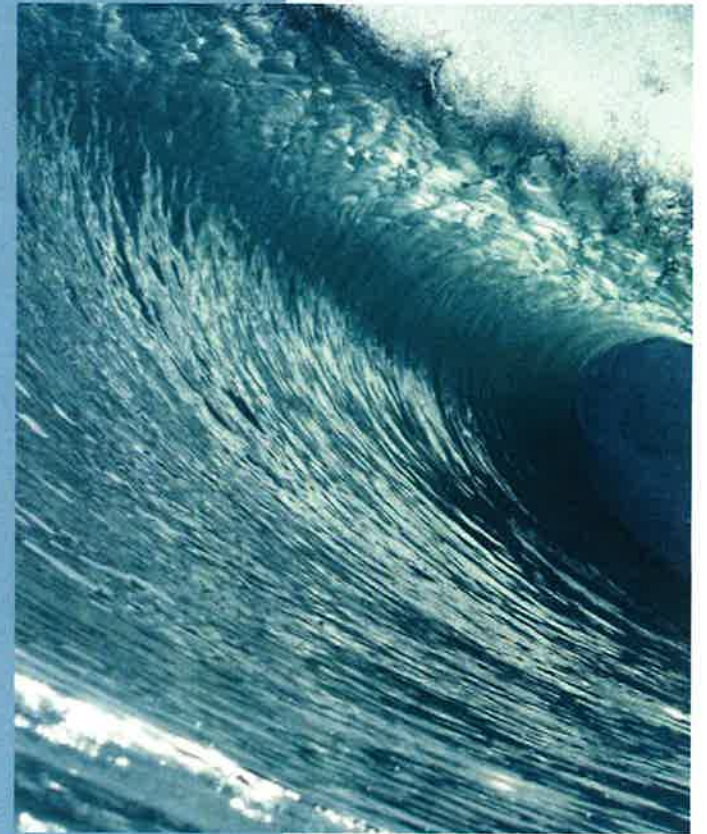
NIPOMO COMMUNITY SERVICES DISTRICT

Presenter:

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Tuckfield & Associates

September 10, 2025



Rate Study Objectives

- Goal is to establish rates that follow industry practice and legal framework while providing sufficient revenues.
- Develop ten-year financial plan that ...
 - Funds O&M expenses, capital improvements, debt service payments, and coverage requirements as well as increase reserves to target levels
- Create a schedule of water rates that ...
 - Is fair and equitable to ratepayers
 - Provides stable revenue
 - Complies with Proposition 218

Major Assumptions

- Dana Reserve Project begins connecting July 1, 2027.
- Capital improvement program occurs as developed by the District.
- Inflation in expenses and capital escalate as planned below or better.
 - Salaries and wages – 5% annually
 - Benefits – 8% annually
 - Purchased Water – 5% annually
 - Electricity – 10% annually
 - Chemicals – 5% annually
 - All Other – 3% annually
 - Capital – 3.5% annually
- Current District SFR growth occurs at 0.5% annually.
- Interest earnings rate is 4% on average fund balances.

Water Customers

- Dana Reserve Project begins connecting July 1, 2027.

Customer Class	Historical	Projected				
	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

Water Sales Volume (HCF)

- Dana Reserve Project begins connecting July 1, 2027.

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

Water Production (HCF)

Description	Actual					Projected				
	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30
Well Production	462,814	390,761	284,229	286,162	312,132	174,240	174,240	174,240	174,240	202,362
Imported Water	456,596	479,179	484,497	493,914	512,393	655,747	658,975	678,913	713,161	726,145
Total Production	919,410	869,940	768,726	780,076	824,525	829,987	833,215	853,153	887,401	928,508

Maxed out Supplemental Water, pump more groundwater



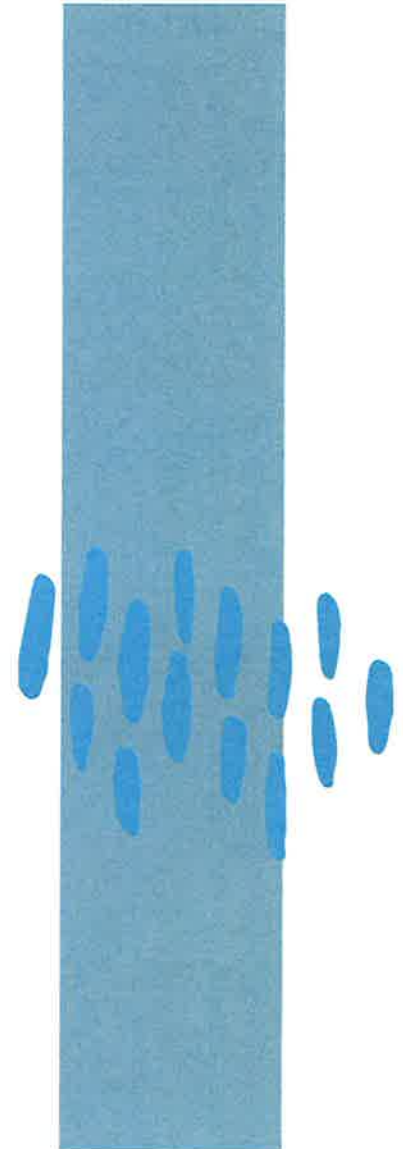
- Well production projection assumes 400 acre-feet per year beginning in FY 25-26, from previous GM, minimum to just keep everything in good operating condition.
- Imported (supplemental) water projection is total projected consumption including water losses of 9%, less well production.
- =1,667 acre-feet 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					Projected				
	FY 25-26	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

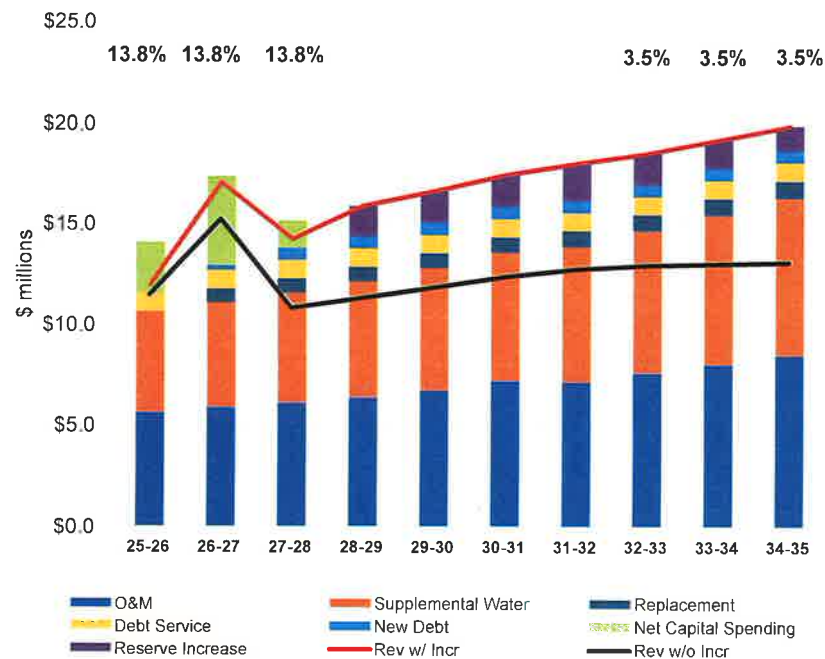
[1] CIP Source: FY 25-26 District Capital Improvement Plan.

Water Financial Plan – Finance Fund 805 \$6.3M in FY

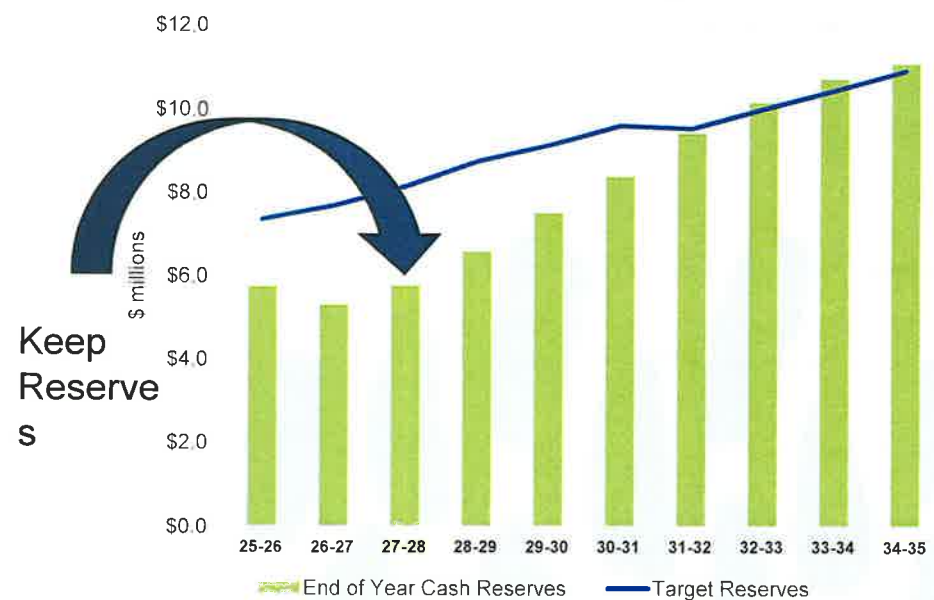
26-27

13.8% increase for 3 years. No Rate Reduction.

Financial Plan



End of Year Reserves vs. Target Reserves



Reserves include Operating, Rate Stabilization, and Fund 805.

Water Cost of Service

(13.8% Increases for 3 Years)

- Allocate each year's cost of service to water cost component based on FY 25-26 allocation which follows AWWA methodology.
- Supplemental water and groundwater costs are water supply costs only, meaning no G&A or other costs are included.

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

- 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
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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)

- Results in 27.5% of all costs recovered in fixed charges, 72.5% of all costs in variable rates in FY 25-26. However, increases to 35% fixed / 65% variable in FY 27-28.

	Current Rate	January 1, 2026	January 1, 2027	January 1, 2028
Meter Size	Fixed Charge (\$ per month)			
5/8 thru 1 inch	\$41.56	\$47.22	\$65.69	\$81.16
1-1/2 inch	\$57.19	\$64.47	\$89.71	\$111.00
2 inch	\$79.45	\$89.92	\$125.14	\$154.96
3 inch	\$167.87	\$197.33	\$274.63	\$340.22
4 inch	\$232.94	\$271.39	\$377.72	\$468.16
6 inch	\$459.73	\$523.65	\$728.91	\$904.29
8 inch	\$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
<u>Meter Size</u>									
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

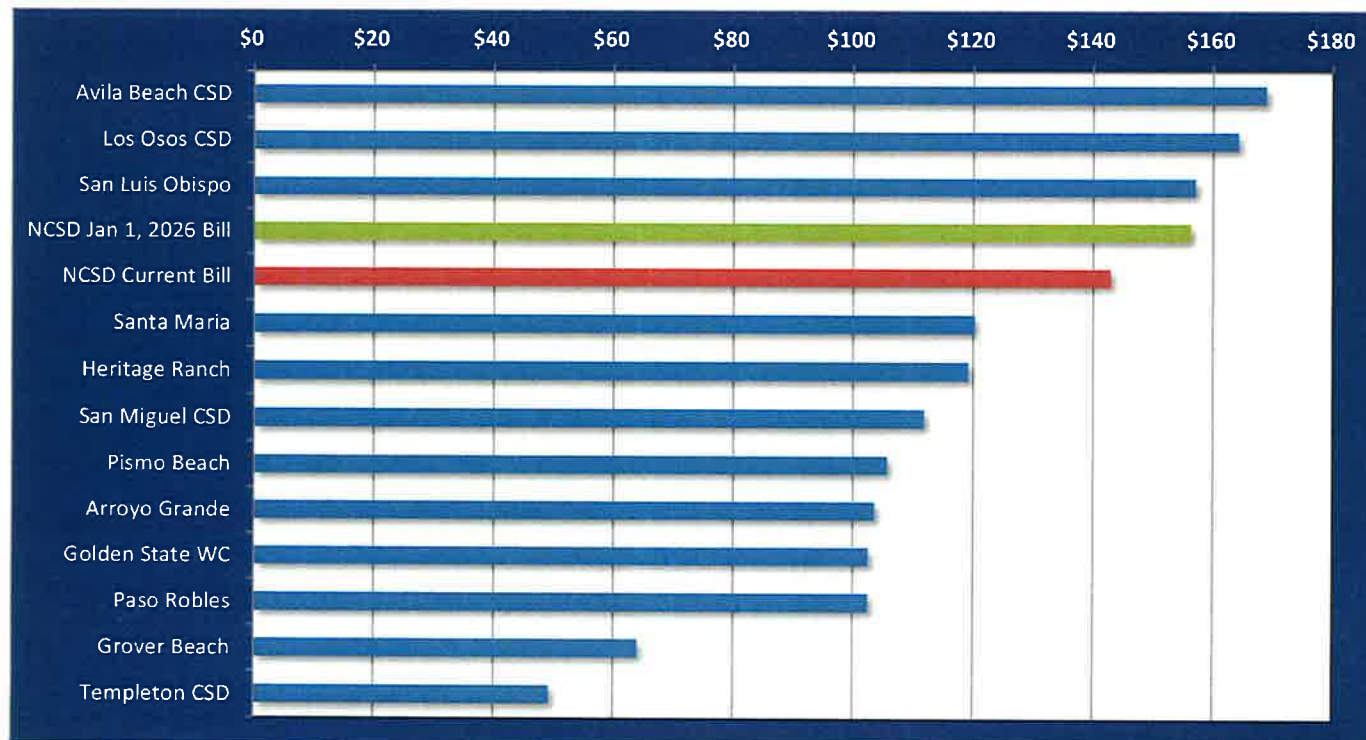
Example District Water Bills

$\frac{3}{4}$ -inch meter

Description	Use (HCF)	Current Water Bill	Jan 2026	Jan 2027	Jan 2028
			Water Bill	Water Bill	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

$\frac{3}{4}$ -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 recovered in variable rates by FY 27-28.

QUESTIONS

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