Serrano Water District

2026 Water Rate Study

Final Report – March 17, 2026

Prepared by: Water Resources Economics, LLC

Water Resources Economics

PROMOTING THE VALUE AND PRICE OF WATER SERVICE

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March 17, 2026

Jerry Vilander
General Manager
Serrano Water District
18021 Lincoln Street
Villa Park, CA 92861-6446

Subject: Serrano Water District 2026 Water Rate Study Report

Dear Mr. Vilander,

Water Resources Economics, LLC (WRE) is pleased to submit this 2026 Water Rate Study Report to Serrano Water District (District). This report documents the results and recommendations of the 2026 Water Rate Study. The goal of the study was to develop an updated five-year schedule of water rates that will sufficiently fund the District's expenses, help the District meet its financial goals, and comply with cost-of-service principles.

This study utilized industry-standard rate-setting methodology in accordance with guidelines developed by the American Water Works Association. Our project team has a proven record of developing fair and equitable water rates for numerous public water agencies in California over the past 25 years. We are confident in our ability to develop sound water rates that satisfy the requirements of Proposition 218.

It has been a pleasure assisting the District, and we appreciate the support provided by District staff during this study.

Sincerely,

Sanjay Gaur
Founder / President
Water Resources Economics, LLC

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LIST OF ABBREVIATIONS

AF: Acre-feet
AFY: Acre-feet per year
CIP: Capital improvement plan
District: Serrano Water District
FY: Fiscal year (July 1st – June 30th)
HCF: One hundred cubic feet (*equal to 748 gallons*)
IRWD: Irvine Ranch Water District
MWD: Metropolitan Water District of Southern California
MWDOC: Municipal Water District of Orange County
O&M: Operations and maintenance
OCWD: Orange County Water District
WRE: Water Resources Economics, LLC

1. EXECUTIVE SUMMARY

RATE STUDY OVERVIEW

Public retail water agencies in California typically conduct a rate study approximately every five years to ensure that rates are sufficient to meet funding requirements and that customers are appropriately charged for water service. Serrano Water District (District) adopted its current five-year rate schedule in June 2021, which established rates through Fiscal Year (FY) 2025/26. The District engaged Water Resources Economics, LLC (WRE) in October 2025 to conduct a rate study to establish a new five-year proposed rate schedule from FY 2026/27 through FY 2030/31. The primary purpose of this updated rate study was to evaluate the District's near-term funding requirements and to calculate proposed rates that will comply with all applicable laws while ensuring financial stability.

LEGAL REQUIREMENTS

Legal considerations relating to retail water rates in California focus heavily on Proposition 218, which was enacted in 1996 and is now reflected in Article XIII C and Article XIII D of the California Constitution. Proposition 218 states that "property related fees and charges" (which include retail water rates) may not exceed the proportional cost of providing the service to the customer and may not be used for any purpose other than providing said service. The practical implication is that public retail water agencies in California must demonstrate a sufficient nexus between the costs incurred by the agency to provide service and the rates charged to customers.

RATE-SETTING METHODOLOGY

This study was conducted using industry-standard methodology outlined by the American Water Works Association in its *Manual of Water Supply Practices M1: Principles of Water Rates, Fees and Charges, Seventh Edition*. The rate study process includes the following steps:

1. **Financial Plan**: Annual revenues and expenses are projected over the rate-setting period to determine the magnitude of rate increases needed to maintain financial sufficiency.
2. **Cost-of-Service Analysis**: Costs are allocated to customers in proportion to use of and burden on the water system. The overall goal is to establish a robust nexus between the costs incurred by an agency and the rates charged to customers.
3. **Rate Design**: The existing rate structure is evaluated, and potential changes are considered. A multi-year proposed rate schedule is then calculated directly from the results of the financial plan and cost-of-service analysis.
4. **Rate Study Documentation**: A rate study report is developed to document the proposed rate development process. This provides transparency and enhances legal defensibility in light of Proposition 218 requirements.

FINANCIAL PLAN

Proposed Revenue Adjustments

Revenue adjustments represent additional revenue generated by proposed rate increases. Various revenue adjustment scenarios were considered and refined based on input from District staff. During a Board meeting on January 27, 2026, the Board of Directors instructed District staff

and WRE to proceed with proposed revenue adjustments of 9% per year over the next five years (see **Table 1-1** below).

Table 1-1: Proposed Revenue Adjustments

Line	Fiscal Year	Effective Date	Revenue Adjustment
1	FY 2026/27	July 1, 2026	9.0%
2	FY 2027/28	July 1, 2027	9.0%
3	FY 2028/29	July 1, 2028	9.0%
4	FY 2029/30	July 1, 2029	9.0%
5	FY 2030/31	July 1, 2030	9.0%

Key factors driving the need for the proposed revenue adjustments include:

- **Substantial capital improvements:** Projected capital improvement plan (CIP) project costs total $47.9 million over the five-year rate-setting period. Although nearly 70% of five-year CIP is expected to be debt funded, revenue adjustments are necessary to cover cash funded CIP projects and to meet debt obligations. Projects include new well construction, Smith Reservoir replacement, and other critical projects.
- **Water supply cost increases:** The proposed revenue adjustments account for projected cost increases in imported water purchased from the Municipal Water District of Orange County (MWDOC) and groundwater pumping assessments collected by Orange County Water District (OCWD). The District has little to no control over these costs, which are projected to increase by 13.7% per year on average over the rate-setting period.
- **Inflationary cost increases:** Other operations and maintenance (O&M) expenses are projected to increase by 4.6% annually on average over the next five years due to cost inflation. In particular, the cost of electricity is expected to rise substantially.
- **Reduced water demand:** The currently adopted rate schedule was designed to generate sufficient revenue based on water demands of about 2,600 acre-feet per year (AFY). Water demand over the next five years is now projected at 2,400 AFY due to recent periods of drought and improved conservation/efficiency. Revenue losses tend to exceed cost savings when water demand declines. This results in the need for higher rate increases to offset the associated financial impacts.

Financial Plan Projections

Annual revenues and expenses were projected to evaluate cash flow, cash reserve levels, and debt service coverage over a five-year planning horizon. A "status quo financial plan" scenario was first developed to evaluate what would occur if no rate increases were implemented over the rate-setting period. This provided a baseline scenario from which the need for proposed revenue adjustments was evaluated. A "proposed financial plan" scenario was then developed by incorporating the 9% proposed revenue adjustments (from **Table 1-1**). The comparisons of the status quo and proposed financial plan scenarios on the following pages demonstrate a clear need for proposed revenue adjustments.

Status Quo vs. Proposed Financial Plans: Projected Cash Reserves

Water agencies need to maintain sufficient cash reserves to cover ongoing expenses and mitigate financial risks. Under the status quo financial plan, cash reserves are projected to fall below the minimum reserve level (as set by District policy) beginning in FY 2028/29 and fully deplete in FY 2030/31 (see **Figure 1-1**). Under the proposed financial plan, cash reserves are projected to meet the minimum reserve level in all years, even as cash reserves are projected to be drawn down each year to cover a portion of CIP expenditures (see **Figure 1-2**).

Figure 1-1: Status Quo Financial Plan – Projected Cash Reserves

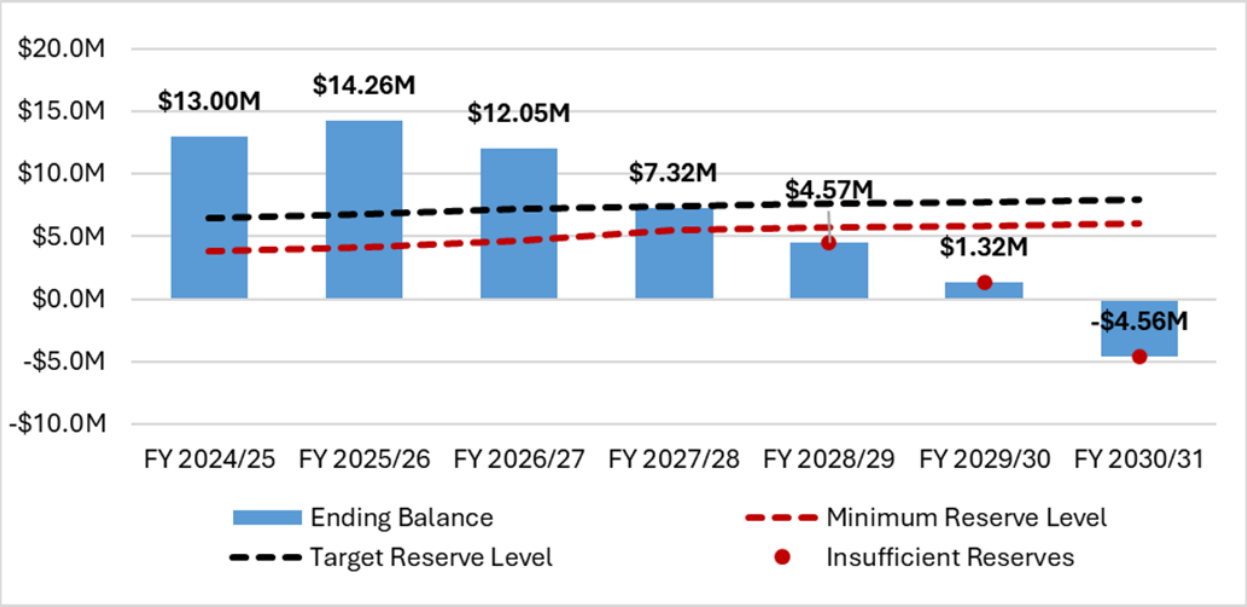
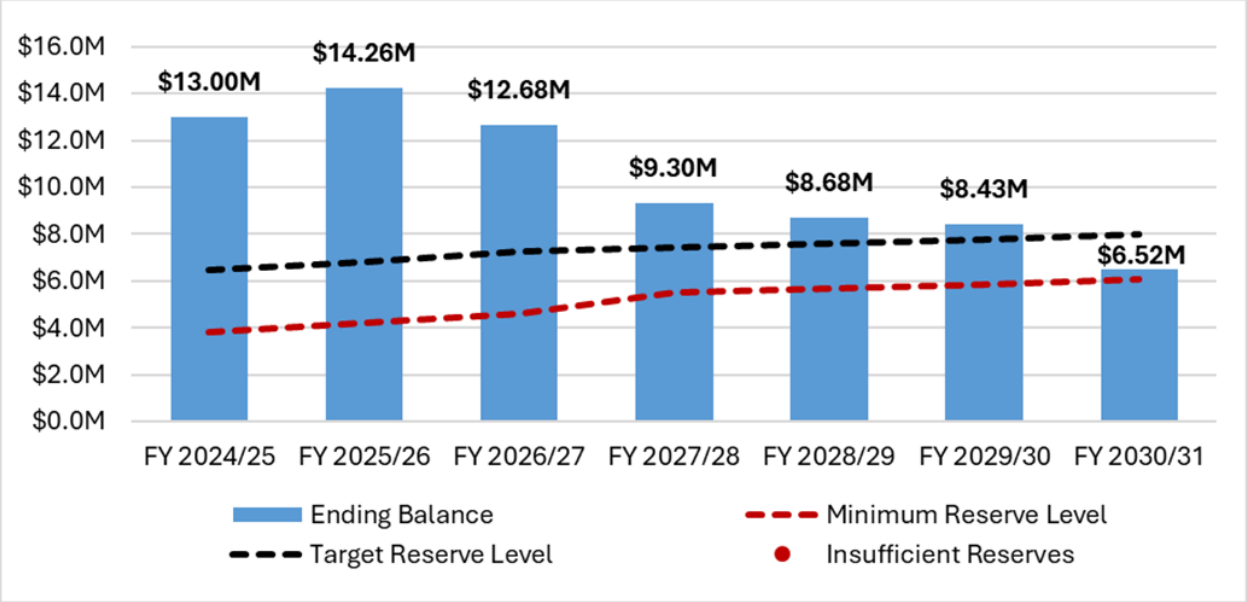


Figure 1-2: Proposed Financial Plan – Projected Cash Reserves



Status Quo vs. Proposed Financial Plans: Projected Debt Service Coverage

Debt service coverage measures the ability of a borrower to meet its debt obligations. Formal debt service coverage requirements associated with a planned bond issue over the rate-setting period are not yet finalized. Therefore, a conservative target debt service coverage ratio of 1.20x was used based on typical bond requirements. Under the status quo financial plan, debt service coverage is projected to fall below the target level beginning in FY 2027/28 (see **Figure 1-3**). Under the proposed financial plan, debt service coverage is projected to meet the target ratio each year (see **Figure 1-4**).

Figure 1-3: Status Quo Financial Plan – Projected Debt Service Coverage

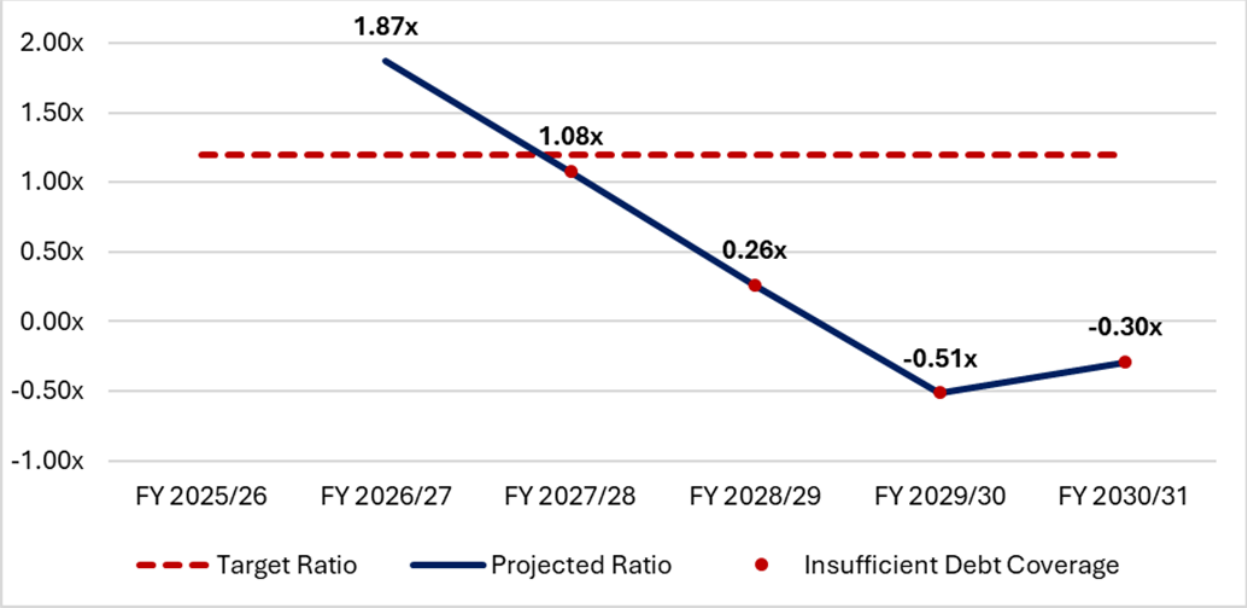
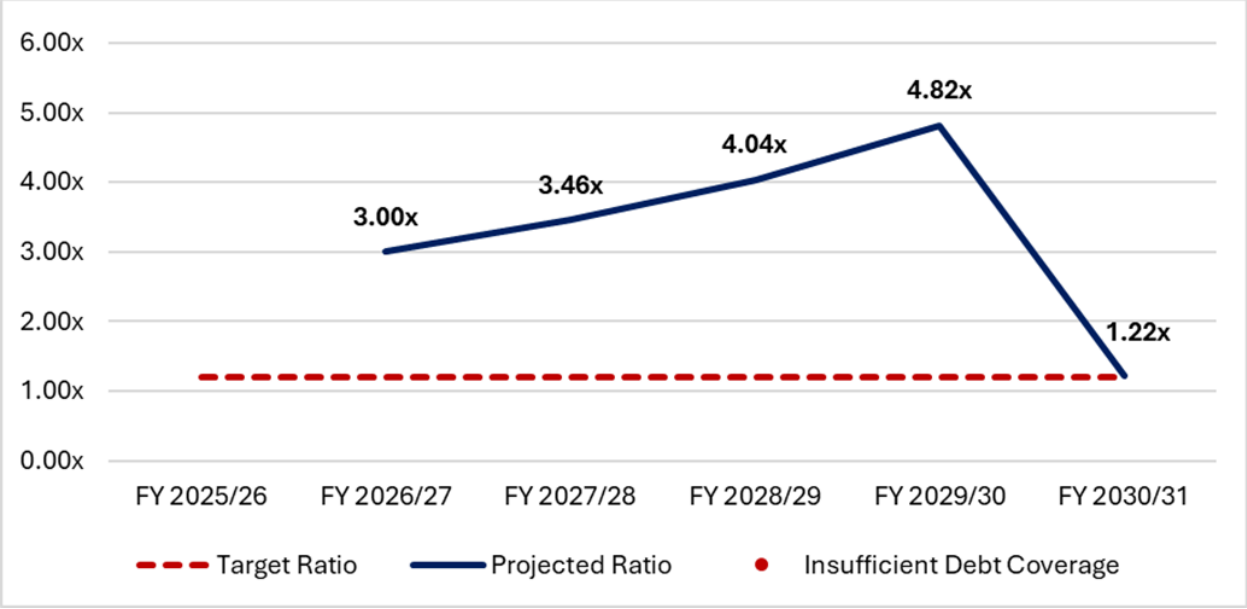


Figure 1-4: Proposed Financial Plan – Projected Debt Service Coverage



COST-OF-SERVICE ANALYSIS

A cost-of-service analysis was conducted to allocate the overall rate revenue requirement to customers in proportion to their use of and burden on the District's water system. The overall goal of the cost-of-service analysis was to develop "unit costs," which were used to calculate proposed rates. Unit costs provide the underlying basis to attribute customers' utilization of the water system to the District's incurrence of costs. This is necessary to maintain a robust proportionality between the costs incurred by the District to provide water service and the rates charged to customers. A cost-of-service analysis effectively recalibrates rates based on updated costs, which inevitably produces distributional impacts to customers in the first year of the proposed rate schedule.

RATE DESIGN

Current Water Rates

The District's currently adopted five-year rate schedule extends through FY 2025/26. Year four of the adopted five-year rate schedule has been in effect since July 2024, as the District opted not to implement the fifth year of adopted increases, which were scheduled to become effective in July 2025 (see **Table 1-2**).

The District's current rate structure consists of the following two components:

1. **Readiness to Serve Charge**: Each metered connection is subject to a fixed monthly charge based on meter size.
2. **Volumetric Rate**: The first one hundred cubic feet (HCF) of water used per month by each customer is covered by the Readiness to Serve Charge. Each additional HCF of metered water use is then subject to a Volumetric Rate.

Table 1-2: Current Water Rates

Current Water Rates	Effective July 1, 2024
Readiness to Serve Charge (per Month)	
1-inch and under	$45.23
1.5-inch	$50.12
2-inch	$54.94
3-inch	$64.61
4-inch	$74.32
6-inch	$132.33
Volumetric Rate (per HCF)	
All water use exceeding one HCF per month	$5.58

Rate Structure Evaluation

The District's existing rate structure was evaluated and potential changes were considered. Based on input from District staff and the Board of Directors, it was determined that no changes to the existing rate structure were warranted. WRE presented potential alternative volumetric

rate structures for consideration by District staff and the Board of Directors, including tiered rate options. However, the District's existing uniform volumetric rate structure was deemed preferable due to its simplicity and stronger legal defensibility with regard to Proposition 218 legal requirements.

Proposed Five-Year Water Rate Schedule

A proposed five-year rate schedule was developed directly from the results of the proposed financial plan and cost-of-service analysis (see **Table 1-3** on the following page). The proposed water rates are consistent with the existing rate structure, as no rate structure changes were recommended as part of this rate study. Proposed rates are assumed to be implemented in July of each fiscal year. Note that differential impacts to Readiness to Serve Charges for meter sizes larger than 1-inch result from the use of updated meter capacity assumptions in the proposed rate calculations. These assumptions are necessary to appropriately allocate costs to customers on a proportional basis and to maintain alignment with Proposition 218-related legal requirements. This will impact the approximately 2.5% of customer connections with meters larger than 1-inch.

Proposed Water Supply Pass-Through Provision

The proposed rate schedule incorporates projected cost increases in imported water purchases and groundwater pumping assessments that the District pays to outside agencies. The District has little to no control over these costs. Per California Government Code Section 53756, the District reserves the right to adjust the proposed rates in **Table 1-3** during the five-year rate-setting period to directly pass through actual cost increases in imported water purchases and groundwater pumping assessments that exceed the projected costs presented in this report. Costs eligible for pass-through include:

- MWDOC rates, fees, and charges imposed on the District by MWDOC for imported water purchases and other MWDOC charges.
- The entirety of any increase in replenishment assessments, basin equity assessments, and other charges and fees adopted or imposed by OCWD relating to groundwater produced by the District.

No water supply pass-through adjustment shall increase rates in a manner that results in the District exceeding its cost of providing water service. Prior to implementing pass-through adjustments, the District must provide written notice to customers at least 30 days in advance.

Proposed Inflation Pass-Through Provision

Additionally, Government Code 53756 authorizes a water supplier to pass through the costs of inflation where actual inflation exceeds projected inflation. The District therefore proposes to authorize, but not require, annual adjustments to the proposed rates in **Table 1-3** for inflation, as measured by the Labor Consumer Price Index, All Urban Consumers, for the Los Angeles Region, where the District determines that inflation during the prior twelve months, as measured by the CPI, was higher than projected inflation presented in this report. No inflation pass-through adjustment shall increase rates in a manner that results in the District exceeding its cost of providing water service. Prior to implementing pass-through adjustments, the District must provide written notice to customers at least 30 days in advance.

Table 1-3: Proposed Five-Year Water Rate Schedule

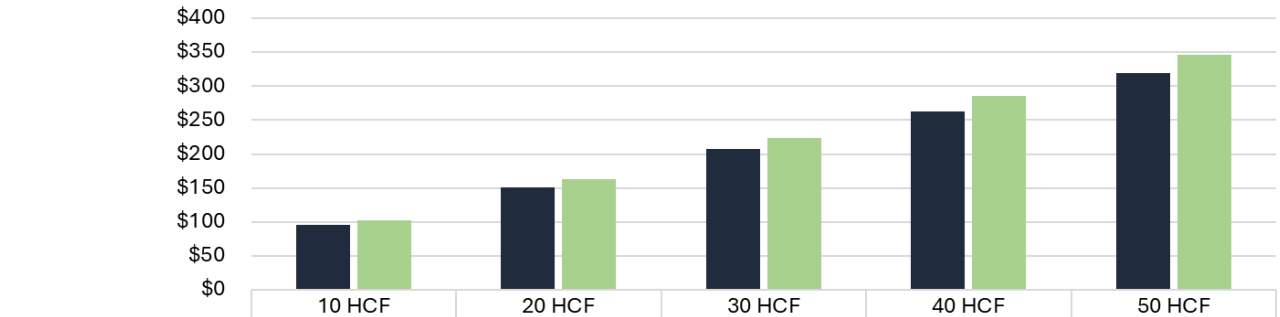
Line	Proposed Five-Year Rate Schedule	Current	Proposed FY 2026/27 (July 2026)	Proposed FY 2027/28 (July 2027)	Proposed FY 2028/29 (July 2028)	Proposed FY 2029/30 (July 2029)	Proposed FY 2030/31 (July 2030)
1	**Readiness to Serve Charge (per Month)**						
2	1-inch and under	$45.23	$47.72	$52.02	$56.71	$61.82	$67.39
3	1.5-inch	$50.12	$74.03	$80.70	$87.97	$95.89	$104.53
4	2-inch	$54.94	$105.60	$115.11	$125.47	$136.77	$149.08
5	3-inch	$64.61	$189.79	$206.88	$225.50	$245.80	$267.93
6	4-inch	$74.32	$284.50	$310.11	$338.02	$368.45	$401.62
7	6-inch	$132.33	$547.59	$596.88	$650.60	$709.16	$772.99
8							
9	**Volumetric Rate (per HCF)**						
10	All water use exceeding one HCF per month	$5.58	$6.08	$6.63	$7.23	$7.89	$8.61

CUSTOMER BILL IMPACT ANALYSIS

Single-Family Residential Monthly Bill Impacts

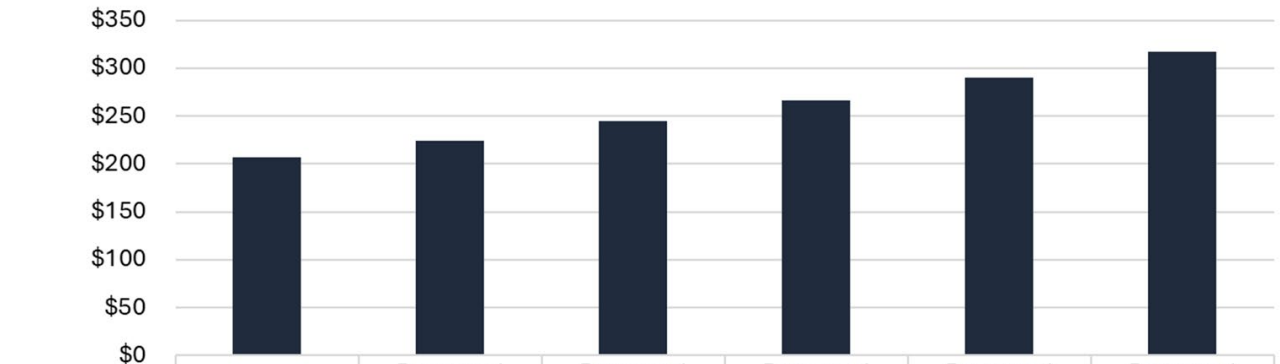
Sample monthly bills were calculated to evaluate impacts to single-family residential customers.[1] A comparison of single-family residential bills at varying levels of water use under current rates (effective July 2024) and proposed FY 2026/27 rates (effective July 2026) is provided in **Figure 1-5**. Monthly bills for a single-family residential customer with average water use (30 HCF per month) are shown over the entire five-year rate-setting period in **Figure 1-6**. Differential impacts occur in FY 2026/27 due to the updated cost-of-service analysis. Beginning in FY 2027/28, all bills increase uniformly by 9%[2] in line with proposed revenue adjustments.

Figure 1-5: Sample Residential Monthly Bill Impacts - FY 2026/27



	10 HCF (Very Low)	20 HCF (Low)	30 HCF (Medium)	40 HCF (High)	50 HCF (Very High)
Current Monthly Bill	$95.45	$151.25	$207.05	$262.85	$318.65
Proposed Monthly Bill	$102.44	$163.24	$224.04	$284.84	$345.64
Difference ($)	$6.99	$11.99	$16.99	$21.99	$26.99
Difference (%)	7.3%	7.9%	8.2%	8.4%	8.5%

Figure 1-6: Five-Year Monthly Bill Impacts for Typical Residential Customer



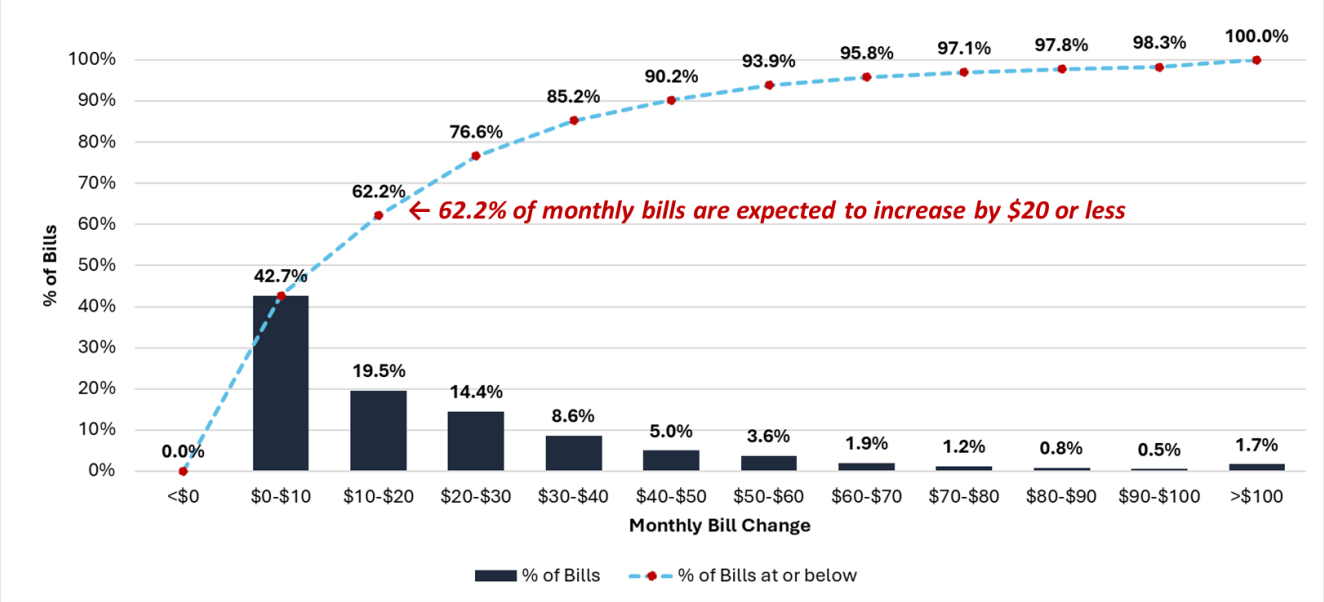
	Current	Proposed FY 2026/27	Proposed FY 2027/28	Proposed FY 2028/29	Proposed FY 2029/30	Proposed FY 2030/31
Monthly Bill	$207.05	$224.04	$244.29	$266.38	$290.63	$317.08
Change ($)		$16.99	$20.25	$22.09	$24.25	$26.45
Change (%)		8.2%	9.0%	9.0%	9.1%	9.1%

[1] All bills include Readiness to Serve Charges for a meter size of 1-inch and under (about 97.5% of all customers).
[2] Or slightly higher than 9% due to rounding.

Estimated Monthly Bill Impacts for All Customer Classes

Account-level water use and billing data for all customers over the last five years was used to generate a distribution of estimated monthly bill increases in FY 2026/27 (relative to current rates) in **Figure 1-7**. It is estimated that 42.7% of customer bills will increase by no more than $10 and that 62.2% of bills will increase by no more than $20 in FY 2026/27. Customers with larger meter sizes and/or very high water use will likely experience higher monthly bill increases.

Figure 1-7: Estimated Monthly Bill Impacts - FY 2026/27



2. INTRODUCTION

2.1 WATER SYSTEM OVERVIEW

Serrano Water District (District) provides potable water service to 2,355 metered connections within the City of Villa Park and a small portion of the City of Orange. The District serves an overall population of about 6,500 people within a 4.7 square mile service area. Over 95% of metered connections serve single-family residences, with remaining connections serving commercial, institutional, and multi-family residential customers.

The District's water supply currently consists of local groundwater produced from the District's wells, imported water purchased from the Municipal Water District of Orange County (MWDOC), and purchased local surface water from Irvine Lake, as the District's share of ownership of Irvine Lake and Santiago Dam was transferred to Irvine Ranch Water District (IRWD) in January 2025. The District's current infrastructure includes two wells equipped with PFAS filtration, two reservoirs, two booster pump stations, 43 miles of distribution pipelines, and two pressure zones.

2.2 RATE STUDY OVERVIEW

The District is primarily funded by customer rates. Public retail water agencies in California typically conduct a rate study every five years to ensure that customers are appropriately charged for water service and to reestablish the cost-of-service nexus that is required by Proposition 218. The District's current five-year rate schedule was adopted in June 2021 and established rates through Fiscal Year (FY) 2025/26.[3]

The District engaged Water Resources Economics, LLC (WRE) in October 2025 to conduct a rate study to establish a new five-year proposed rate schedule from FY 2026/27 through FY 2030/31. The primary purpose of this updated rate study was to evaluate the District's near-term funding requirements, conduct an updated cost-of-service analysis, and to calculate proposed rates that will comply with all applicable laws while ensuring financial stability.

2.3 LEGAL REQUIREMENTS

Legal considerations relating to retail water rates in California focus heavily on Proposition 218, which was enacted in 1996 and is now reflected in Article XIII C and Article XIII D of the California Constitution. Proposition 218 states that "property related fees and charges" (which include retail water rates) may not exceed the proportional cost of providing the service to the customer and may not be used for any purpose other than providing said service. The practical implication is that public retail water agencies in California must demonstrate a sufficient nexus between the costs incurred by the agency to provide water service and the rates charged to customers. The primary means by which retail water agencies address this requirement is by conducting a "cost-of-service analysis."

[3] FY 2025/26 is the fiscal year starting July 1, 2025 and ending June 30, 2026.

Proposition 218 also requires agencies to hold a public hearing before adopting rates. The agency must mail public hearing notices to all customers no fewer than 45 days prior to the public hearing. The public hearing notices must clearly show all proposed rate changes, provide information on the public hearing date/time/location, and provide instructions on how customers may protest the proposed rate changes. If a majority of customers submit a protest, the proposed rate changes cannot be adopted.

2.4 RATE-SETTING METHODOLOGY

This study was conducted using industry-standard methodology outlined by the American Water Works Association in its *Manual of Water Supply Practices M1: Principles of Water Rates, Fees and Charges, Seventh Edition*. The rate study process includes the following steps:

1. **Financial Plan**: Annual revenues and expenses are projected over the rate-setting period to determine the magnitude of rate increases needed to maintain financial sufficiency.
2. **Cost-of-Service Analysis**: Costs are allocated to customers in proportion to use of and burden on the water system. The overall goal is to establish a robust nexus between the costs incurred by an agency and the rates charged to customers, as required by Proposition 218.
3. **Rate Design**: The existing rate structure is evaluated, and potential changes are identified. A multi-year proposed rate schedule is then calculated directly from the results of the financial plan and cost-of-service analysis.
4. **Rate Study Documentation**: A rate study report is developed to document the proposed rate development process. This provides transparency and enhances legal defensibility in light of Proposition 218 requirements. This document serves as the report for this study.

2.5 ADDITIONAL INFORMATION AND DISCLAIMERS

- All study projections are based on the best available data provided by District staff to WRE between October 2025 and January 2026.
- All table values are rounded to the nearest digit shown unless stated otherwise. However, all calculations are based on precise values. Attempting to manually recreate the calculations described in this report from the values displayed in tables may therefore produce slightly different results.
- All current and proposed rates, charges, and sample customer bills are shown on a monthly basis.
- The proposed results rely upon current and future year projections based on historical trends, District staff input, and WRE's professional judgement.
- If formally adopted, the proposed rates will represent the maximum amount that customers may be charged in each year over the five-year rate-setting period. The District may implement lower rates over the rate-setting period without needing to undergo a new formal rate adoption process.

3. FINANCIAL PLAN

3.1 FINANCIAL PLAN METHODOLOGY

A financial plan was developed to project revenues, expenses, cash reserves, and debt service coverage over the next five years through FY 2030/31. The primary goal of the financial plan was to quantify the annual revenue required from water rates to support the District's financial needs. The key steps in developing the financial plan were:

- **Revenue projections**: Annual revenues from rates and other miscellaneous sources were projected over the study period. Rate revenues were projected based on current rates to establish baseline revenues. From here, the need for additional rate increases were evaluated.
- **Expense projections**: Annual expenses were projected over the study period. Expenses include operations and maintenance (O&M) expenses, debt service, and capital improvement plan (CIP) project costs. CIP funding options such as new debt financing were also evaluated.
- **Review of financial policies**: Relevant financial policies were reviewed, including debt service coverage and reserve targets. Note that while debt service coverage requirements are typically stated in official agreements on outstanding debt issuances, reserve targets are typically set by an agency's policymakers and may need to be periodically evaluated and updated.
- **Status quo financial plan projections**: Cash flow, reserve balances, and debt service coverage were projected over the study period in the absence of any additional rate increases (i.e., the status quo). Projected reserve balances and debt service coverage were then compared to the financial policy requirements and targets. The status quo financial plan established a baseline scenario from which the need for rate increases could be evaluated.
- **Proposed financial plan projections**: The magnitude and timing of annual proposed rate increases over the study period were evaluated and determined. Proposed rate increases (referred to as "revenue adjustments") must generate sufficient revenue to recover the agency's expenses, maintain adequate reserves, and meet debt service coverage requirements. Other factors affecting revenue adjustments may include agency-specific policy objectives such as minimizing bill impacts to customers. The proposed financial plan established the total annual rate revenue requirement over the rate-setting period.

3.2 REVENUES

CURRENT WATER RATES

The District's currently adopted five-year rate schedule extends from FY 2021/22 through FY 2025/26. Year four of the adopted five-year rate schedule has been in effect since July 2024, as the District opted not to implement the fifth year of adopted increases, which were scheduled to become effective in July 2025 (see **Table 3-1**). All rates and charges are shown on a monthly basis, as the District bills its customers monthly.

The District's current rate structure consists of the following two components:

1. **Readiness to Serve Charge**: Each metered connection is subject to a fixed monthly charge based on meter size.
2. **Volumetric Rate**: The first one hundred cubic feet (HCF) of water used per month by each customer is covered by the Readiness to Serve Charge. Each additional HCF of metered water use is then subject to a Volumetric Rate. For example, a typical customer using 30 HCF per month would be subject to the Volumetric Rate based on 29 units.

Table 3-1: Current Water Rates

Current Water Rates	Effective July 1, 2024
Readiness to Serve Charge (per Month)	
1-inch and under	$45.23
1.5-inch	$50.12
2-inch	$54.94
3-inch	$64.61
4-inch	$74.32
6-inch	$132.33
Volumetric Rate (per HCF)	
All water use exceeding one HCF per month	$5.58

UNITS OF SERVICE

Metered Water Connections

Units of service represent the quantity of billing units subject to rates and charges. The number of customer water meters represents the units of service for the Readiness to Serve Charge. Metered water connections were projected over the study period based on current actuals as of FY 2025/26 (see **Table 3-2**). No increase in the number of customer connections was assumed over the study period in order to ensure sufficiently conservative revenue projections, as no new significant development is anticipated in the near term.

Table 3-2: Projected Number of Water Meters

Line	Meter Size	FY 2025/26 Actual	FY 2026/27 Projected	FY 2027/28 Projected	FY 2028/29 Projected	FY 2029/30 Projected	FY 2030/31 Projected
1	1-inch and under	2,297	2,297	2,297	2,297	2,297	2,297
2	1.5-inch	8	8	8	8	8	8
3	2-inch	45	45	45	45	45	45
4	3-inch	0	0	0	0	0	0
5	4-inch	2	2	2	2	2	2
6	6-inch	3	3	3	3	3	3
7	**Total**	**2,355**	**2,355**	**2,355**	**2,355**	**2,355**	**2,355**

Water Use

Volumetric Rates are charged based on metered customer water use in HCF. Total annual water use was projected over the study period based on an evaluation of actual water demand over the past five years (see **Figure 3-1**). Per direction from District staff, water demand was projected to remain level at 2,400 acre-feet per year (AFY) over the study period, which is about 1.7 percent below the five-year actual annual average. For the purposes of a rate study, it is critical to conservatively project future water use to reduce the risk of overestimating revenues from Volumetric Rates.

Projected water use in HCF over the study period is shown in **Table 3-3**. Customer water use within the one HCF monthly base allotment (covered by the Readiness to Serve Charge) was conservatively estimated based on the assumption that each metered connection will use at least one HCF per month. All additional water use is subject to Volumetric Rates. Note that the projected water use only includes metered water use delivered to the District's customers and does not account for water losses.

Figure 3-1: Customer Water Demand (Acre-Feet per Year)

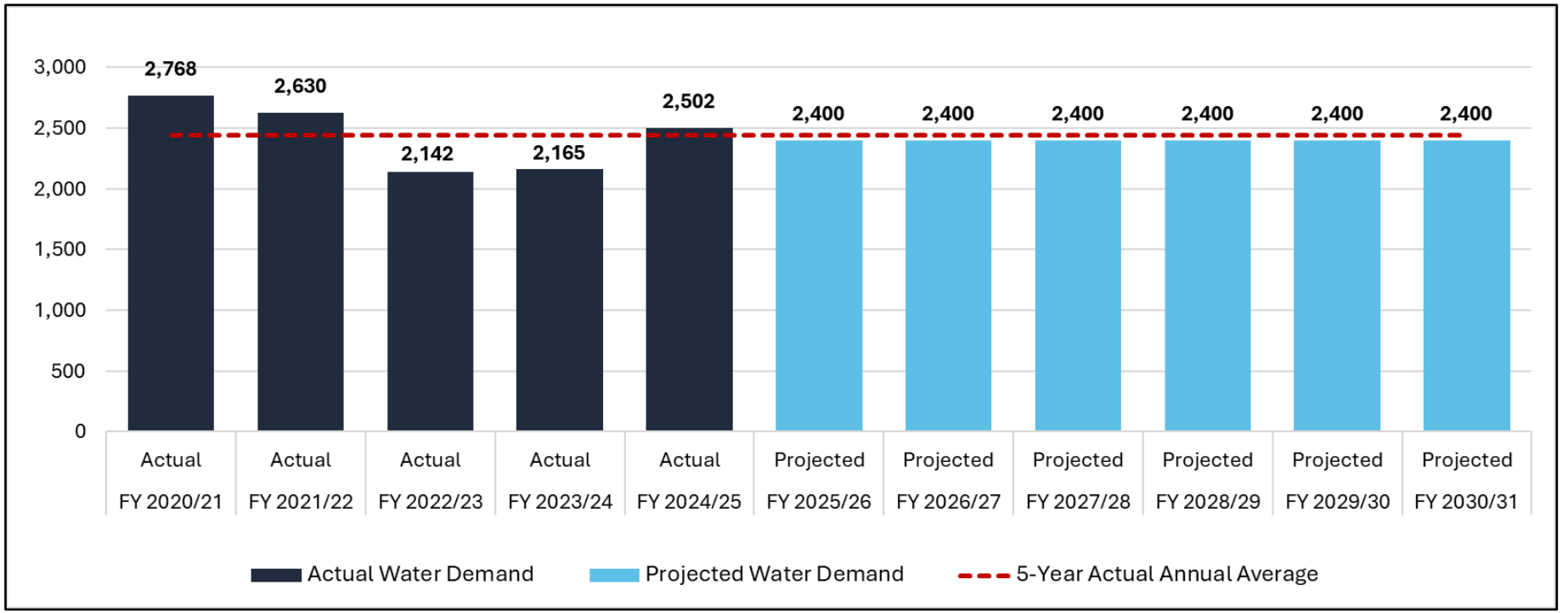


Table 3-3: Projected Customer Water Demand (HCF)

Line	Customer Water Demand	FY 2025/26 Projected	FY 2026/27 Projected	FY 2027/28 Projected	FY 2028/29 Projected	FY 2029/30 Projected	FY 2030/31 Projected
1	Water Use within 1 HCF Base Allotment	28,260	28,260	28,260	28,260	28,260	28,260
2	Water Use subject to Volumetric Rates	1,017,180	1,017,180	1,017,180	1,017,180	1,017,180	1,017,180
3	**Total (HCF)**	**1,045,440**	**1,045,440**	**1,045,440**	**1,045,440**	**1,045,440**	**1,045,440**
4							
5	***Total (AF)***	***2,400***	***2,400***	***2,400***	***2,400***	***2,400***	***2,400***

REVENUES FROM CURRENT RATES

Annual revenues from current rates (effective July 2024) were projected over the study period (see **Table 3-4**). Readiness to Serve Charge revenues were calculated by multiplying the current monthly charges (from **Table 3-1**) by the respective number of meters (from **Table 3-2**) and then multiplying by 12 months to annualize. Volumetric Rate revenues were calculated by multiplying the current rate per HCF (from **Table 3-1**) by the units of water use subject to Volumetric Rates (from **Table 3-3**).

Table 3-4: Revenue from Current Rates

Line	Description	FY 2025/26 Projected	FY 2026/27 Projected	FY 2027/28 Projected	FY 2028/29 Projected	FY 2029/30 Projected	FY 2030/31 Projected
1	**Readiness to Serve Charges**						
2	1-inch and under	$1,246,720	$1,246,720	$1,246,720	$1,246,720	$1,246,720	$1,246,720
3	1.5-inch	$4,812	$4,812	$4,812	$4,812	$4,812	$4,812
4	2-inch	$29,668	$29,668	$29,668	$29,668	$29,668	$29,668
5	3-inch	$0	$0	$0	$0	$0	$0
6	4-inch	$1,784	$1,784	$1,784	$1,784	$1,784	$1,784
7	6-inch	$4,764	$4,764	$4,764	$4,764	$4,764	$4,764
8	**Subtotal**	**$1,287,746**	**$1,287,746**	**$1,287,746**	**$1,287,746**	**$1,287,746**	**$1,287,746**
9							
10	**Volumetric Rates**						
11	Volumetric Rates	$5,675,864	$5,675,864	$5,675,864	$5,675,864	$5,675,864	$5,675,864
12	**Subtotal**	**$5,675,864**	**$5,675,864**	**$5,675,864**	**$5,675,864**	**$5,675,864**	**$5,675,864**
13							
14	**Total**	**$6,963,611**	**$6,963,611**	**$6,963,611**	**$6,963,611**	**$6,963,611**	**$6,963,611**

NON-RATE REVENUES

The District also collects revenue from miscellaneous non-rate sources, which were projected over the study period (see **Table 3-5**). These projected revenues were held constant at FY 2025/26 budgeted amounts over the next five years to ensure sufficiently conservative revenue projections, with the following exceptions:

- Interest revenue was projected beginning in FY 2026/27 based on projected annual cash reserve levels and an assumed 2.5% annual interest rate.
- Cell tower lease revenues were projected to increase by 2% per year per direction from District staff.

Table 3-5: Non-Rate Revenues

Line	Description	FY 2025/26 Budget	FY 2026/27 Projected	FY 2027/28 Projected	FY 2028/29 Projected	FY 2029/30 Projected	FY 2030/31 Projected
1	**Other Operating Revenues**						
2	Water Sales - City of Orange[4]	$0	$0	$0	$0	$0	$0
3	Reimbursed - Cost, Overhead & Labor	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000
4	**Subtotal**	**$20,000**	**$20,000**	**$20,000**	**$20,000**	**$20,000**	**$20,000**
5							
6	**Non-Operating Revenues**						
7	Interest Revenue	$363,300	$332,547	$271,378	$221,980	$211,203	$184,595
8	Cell Tower Lease Revenue	$55,800	$56,916	$58,054	$59,215	$60,400	$61,608
9	Late Payment & Other Fees	$3,600	$3,600	$3,600	$3,600	$3,600	$3,600
10	Door Hanger Fees	$4,100	$4,100	$4,100	$4,100	$4,100	$4,100
11	**Subtotal**	**$426,800**	**$397,163**	**$337,133**	**$288,896**	**$279,303**	**$253,902**
12							
13	**Total**	**$446,800**	**$417,163**	**$357,133**	**$308,896**	**$299,303**	**$273,902**

REVENUE SUMMARY

A summary of total projected revenues over the study period is shown in **Table 3-6,** which includes both revenue from current rates (from **Table 3-4**) and non-rate revenues (from **Table 3-5**). For FY 2025/26, revenue from current rates was projected by WRE, but all other revenues for that year are budgeted amounts provided by the District. The projected decrease in non-operating revenues is due to reduced interest earnings as reserve levels progressively decline over the study period.

Table 3-6: Revenue Summary

Line	Description	FY 2025/26 Budget/ Projected	FY 2026/27 Projected	FY 2027/28 Projected	FY 2028/29 Projected	FY 2029/30 Projected	FY 2030/31 Projected
1	Current Water Rates	$6,963,611	$6,963,611	$6,963,611	$6,963,611	$6,963,611	$6,963,611
2	Other Operating Revenues	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000
3	Non-Operating Revenues	$426,800	$397,163	$337,133	$288,896	$279,303	$253,902
4	**Total**	**$7,410,411**	**$7,380,774**	**$7,320,743**	**$7,272,506**	**$7,262,914**	**$7,237,513**

[4] The District previously sold wholesale water to the City Orange. It is assumed that the District will not sell any wholesale water over the study period.

3.3 OPERATIONS AND MAINTENANCE EXPENSES

VARIABLE SOURCE OF SUPPLY COSTS

The District's O&M expenses include significant variable source of supply costs based on annual water supply requirements. Variable source of supply costs in FY 2025/26 equal the adopted budget. Over the next five years, these costs were projected based on assumptions outlined below and shown in **Table 3-7** on the following page. Note that these costs are projected to increase significantly beginning in FY 2026/27 due to changes in water supply sources and their associated cost structures.

Total projected annual water supply requirements were based on projected customer water use and an assumed water loss factor of 5% (per direction from District staff). Over the next five years, it is anticipated that the District will obtain 85% of its water supply from local groundwater[5] and the remaining 15% from imported water purchased from MWDOC. Each acre-foot (AF) of groundwater produced by the District is subject to a Replenishment Assessment collected by OCWD. Each AF of imported water purchased by the District is subject to MWDOC's Full Service Treated Tier 1 Rate. However, the District's Water Service Reliability Agreement with IRWD (dated December 2024) entitles the District to purchase imported water from MWDOC via IRWD at 90% of the Full Service Treated Tier 1 Rate for 30 years.

Groundwater replenishment costs were projected over the next five years based on projected groundwater production in AF and the projected OCWD Replenishment Assessment per AF. The Replenishment Assessment per AF was projected to increase by 5% annually per direction from District staff. Purchased water costs were projected over the next five years based on projected imported water purchases in AF and 90% of the MWDOC's Full Service Treated Tier 1 Rate. Projected increases in MWDOC's Full Service Treated Tier 1 Rate amount to 5.9% per year on average. These were based on the ten-year rate forecast from the adopted biennial budget for FY 2024/25 - FY 2025/26 for the Metropolitan Water District of Southern California (MWD).

[5] Per OCWD's current Basin Production Percentage.

Table 3-7: Projected Variable Source of Supply Costs

Line	Description	FY 2026/27 Projected	FY 2027/28 Projected	FY 2028/29 Projected	FY 2029/30 Projected	FY 2030/31 Projected
1	**Required Water Supply (AF)**					
2	Customer Water Demand[6]	2,400	2,400	2,400	2,400	2,400
3	Plus 5% Water Losses	126	126	126	126	126
4	**Total**	**2,526**	**2,526**	**2,526**	**2,526**	**2,526**
5						
6	**Water Supply by Source (AF)**					
7	Groundwater (85%)	2,147	2,147	2,147	2,147	2,147
8	Imported Water (15%)	379	379	379	379	379
9	**Total**	**2,526**	**2,526**	**2,526**	**2,526**	**2,526**
10						
11	**Unit Costs**					
12	OCWD Replenishment Assessment (per AF)[7]	$728.00	$764.40	$802.62	$842.75	$884.89
13	MWDOC Full Service Treated Tier 1 Rate (10% Discount)[8]	$1,456.65	$1,600.65	$1,690.65	$1,755.45	$1,829.25
14						
15	**Variable Source of Supply Costs**					
16	Groundwater Replenishment[9]	$1,563,284	$1,641,448	$1,723,521	$1,809,697	$1,900,182
17	Purchased Water[10]	$551,994	$606,562	$640,667	$665,223	$693,189
18	**Total**	**$2,115,278**	**$2,248,011**	**$2,364,188**	**$2,474,920**	**$2,593,371**

[6] Per **Table 3-3**.
[7] The current Replenishment Assessment of $711 per AF in FY 2025/26 was projected by District staff to increase to $728 per AF in FY 2026/27.
[8] MWDOC Full Service Treated Tier 1 rates were converted from a calendar year basis to a fiscal year basis by averaging the rates from the two corresponding calendar years. The projected FY 2026/27 rate of $1,456.65 equals the average of the actual calendar year 2026 rate ($1,528 per AF) and projected calendar year 2027 rate ($1,709 per AF) multiplied by the 90% reduced price factor (per the District's Water Service Reliability Agreement with IRWD).
[9] Line 16 = Line 7 x Line 12.
[10] Line 17 = Line 8 x Line 13.

OTHER O&M EXPENSE PROJECTIONS

Nearly all other O&M expenses were projected over the study period based on the inflationary assumptions shown in **Table 3-8**. The "Purchased Water – Capacity Charge" and "Purchased Water – RTS Fee" categories pertain to fixed charges paid by the District to MWDOC for imported water and were based on the ten-year rate forecast from MWD's adopted biennial budget for FY 2024/25 - FY 2025/26. Other inflationary assumptions shown are based on an evaluation of historical cost increases, anticipated increases per direction from District staff, as well as inflationary trends across the water utility industry and broader economy. The inflationary assumptions shown represent projected annual increases in various inflationary categories relative to the District's FY 2025/26 adopted budget.

O&M expenses were projected over the next five years by increasing budgeted FY 2025/26 expenses by the inflationary increases shown in **Table 3-8**, with the exception of:

- Variable source of supply costs, which were calculated previously in **Table 3-7.**
- IRWD Native Water Treatment costs, which do not recur beyond FY 2025/26 due to the District's changing water supply cost structure.
- Professional consultant costs, which were projected to decrease from $300,000 to $200,000 in FY 2026/27 per direction from District staff (before accounting for inflation).

Table 3-8: O&M Expense Inflationary Assumptions

Line	Description	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
1	General	3.0%	3.0%	3.0%	3.0%	3.0%
2	Salaries/Benefits	5.0%	5.0%	5.0%	5.0%	5.0%
3	Electricity	10.0%	10.0%	10.0%	10.0%	10.0%
4	Chemicals	5.0%	5.0%	5.0%	5.0%	5.0%
5	Purchased Water - Capacity Charge	7.6%	18.6%	24.2%	15.8%	11.1%
6	Purchased Water - RTS Fee	4.3%	15.3%	18.2%	8.6%	3.3%

O&M EXPENSE SUMMARY

A summary of projected O&M expenses is shown in **Table 3-9**.[11] Total O&M expenses over the next five years are projected to increase by 7.2% per year on average relative to the FY 2025/26 adopted budget. Direct source of supply costs are projected to increase by 13.7% per year on average due to anticipated increases in groundwater assessments paid to OCWD, increases in imported water rates and charges paid to MWDOC, and the District's changing water supply cost structure. All other O&M is projected to increase by 4.6% per year on average.

[11] See **Appendix A** for detailed projections on a line item basis.

Table 3-9: O&M Expense Summary

Line	O&M Expenses	FY 2025/26 Budget	FY 2026/27 Projected	FY 2027/28 Projected	FY 2028/29 Projected	FY 2029/30 Projected	FY 2030/31 Projected
1	Source of Supply - Groundwater Replenishment	$758,500	$1,563,284	$1,641,448	$1,723,521	$1,809,697	$1,900,182
2	Source of Supply - Purchased Water	$0	$551,994	$606,562	$640,667	$665,223	$693,189
3	Source of Supply - Other	$159,500	$167,089	$193,410	$230,250	$252,332	$263,648
4	Pumping	$703,400	$768,091	$839,082	$916,997	$1,002,524	$1,096,418
5	Water Treatment	$918,800	$275,493	$284,589	$294,000	$303,737	$313,812
6	Transmission & Distribution	$911,100	$949,461	$989,524	$1,031,368	$1,075,076	$1,120,733
7	General & Administration	$2,057,700	$2,037,541	$2,120,867	$2,207,841	$2,298,632	$2,393,421
8	Water Conservation	$2,000	$2,060	$2,122	$2,185	$2,251	$2,319
9	Non-Operating Expenses (excluding Debt Service)	$4,000	$4,120	$4,244	$4,371	$4,502	$4,637
10	**Total**	**$5,515,000**	**$6,319,133**	**$6,681,848**	**$7,051,200**	**$7,413,973**	**$7,788,359**
11	*% Change*		*14.6%*	*5.7%*	*5.5%*	*5.1%*	*5.0%*

3.4 DEBT SERVICE

DEBT SERVICE

Estimated annual debt service payments over the study period were provided by District staff (see **Table 3-10**). Debt repayment associated with a loan from OCWD to finance $8 million in new well construction costs is scheduled to commence in FY 2026/27.[12] Additionally, a new bond is assumed to be issued in FY 2026/27 to finance $26 million in Smith Reservoir replacement costs. Debt service repayment associated with the new bond issue is assumed to commence in FY 2030/31, with interest capitalized for the first four years.[13]

[12] Debt service was estimated by District staff assuming a 20-year term and 3.5% interest rate.
[13] Debt service was estimated by District staff assuming a 30-year term and 5.0% interest rate.

Table 3-10: Debt Service

Line	Debt Service	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
1	OCWD Loan for New Well	$0	$562,889	$562,889	$562,889	$562,889	$562,889
2	Bond Issue for Smith Reservoir	$0	$0	$0	$0	$0	$2,064,353
3	**Total**	**$0**	**$562,889**	**$562,889**	**$562,889**	**$562,889**	**$2,627,242**

3.5 CAPITAL IMPROVEMENT PLAN

Planned CIP expenditures over the study period were provided by District staff and are shown in **Table 3-11.** Total CIP over the study period amounts to $49.3 million (about $8.2 million per year on average). Major projects include construction of a new well ($8 million), the replacement of Smith Reservoir ($27 million), and coating of Lockett Reservoir ($2 million). Additional repair and replacement of water mains and other miscellaneous infrastructure amount to $12.3 million over the study period and include inflationary adjustments of 3% per year. New well construction is assumed to be fully funded by the loan from OCWD (from **Table 3-10**). The new bond issue (from **Table 3-10**) is assumed to finance $26 million of the $27 million total cost to replace Smith Reservoir. All other CIP is assumed to be fully cash funded by rates and reserves. The planned CIP projects represent critical investments in the District's infrastructure that are necessary for continuing to provide clean and reliable water service to customers.

Table 3-11: Planned CIP Expenditures

Line	CIP Expenditures	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
1	**CIP Expenditures by Project**						
2	New Well	$800,000	$7,200,000	$0	$0	$0	$0
3	Smith Reservoir	$0	$13,500,000	$13,500,000	$0	$0	$0
4	Lockett Reservoir Coating & Corrosion	$0	$0	$2,000,000	$0	$0	$0
5	Main-Line Replacements	$500,000	$2,000,000	$2,060,000	$2,121,800	$2,185,454	$2,251,018
6	Miscellaneous Capital Replacements	$140,000	$200,000	$206,000	$212,180	$218,545	$225,102
7	**Total**	**$1,440,000**	**$22,900,000**	**$17,766,000**	**$2,333,980**	**$2,403,999**	**$2,476,119**
8							
9	**CIP Expenditures by Funding Source**						
10	Debt Funded	$800,000	$20,200,000	$13,000,000	$0	$0	$0
11	Cash Funded	$640,000	$2,700,000	$4,766,000	$2,333,980	$2,403,999	$2,476,119
12	**Total**	**$1,440,000**	**$22,900,000**	**$17,766,000**	**$2,333,980**	**$2,403,999**	**$2,476,119**

3.6 FINANCIAL POLICIES

RESERVE POLICY

Water agencies need to maintain sufficient cash reserves to cover ongoing expenses and mitigate financial risks. It is common practice for water utilities to establish reserve minimum and target levels to ensure that cash reserves are maintained at responsible and reasonable levels. The District recently revised its reserve policy in 2025. No changes were recommended as part of this rate study. It is recommended that the District continue to periodically reevaluate its policy to ensure appropriate reserve levels and alignment with industry standards.

The District's reserve policy includes three components, which are summarized below in **Table 3-12**. The operating reserve is intended to maintain sufficient cash on hand to meet short-term cash flow imbalances. The capital project reserve is intended to provide sufficient cash on hand to award construction contracts and execute CIP projects. The emergency reserve is intended to mitigate the risk of an unexpected critical asset failure (e.g., total well failure). Projected minimum and target reserve levels over the study period are shown in **Table 3-13**.

Table 3-12: Reserve Policy

Reserve	Minimum Reserve Level	Target Reserve Level
Operating Reserve	6 months of operating expenses	6 months of operating expenses
Capital Project Reserve	Annual depreciation	Annual average of 10-year CIP
Emergency Reserve	5% of capital assets net of depreciation	$1.5 million

Table 3-13: Projected Minimum and Target Reserve Levels

Line	Description	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
1	**Minimum Reserve Level**						
2	Operating Reserve	$2,755,500	$3,157,507	$3,338,802	$3,523,415	$3,704,736	$3,891,861
3	Capital Project Reserve	$675,000	$675,000	$675,000	$675,000	$675,000	$675,000
4	Emergency Reserve	$765,630	$805,630	$1,500,000	$1,500,000	$1,500,000	$1,500,000
5	**Total**	**$4,196,130**	**$4,638,137**	**$5,513,802**	**$5,698,415**	**$5,879,736**	**$6,066,861**
6							
7	**Target Reserve Level**						
8	Operating Reserve	$2,755,500	$3,157,507	$3,338,802	$3,523,415	$3,704,736	$3,891,861
9	Capital Project Reserve[14]	$2,580,027	$2,580,027	$2,580,027	$2,580,027	$2,580,027	$2,580,027
10	Emergency Reserve	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000
11	**Total**	**$6,835,527**	**$7,237,533**	**$7,418,829**	**$7,603,442**	**$7,784,763**	**$7,971,888**

[14] Based on ten-year projected CIP expenditures excluding Smith Reservoir replacement, which represents a significant, infrequent expenditure in addition to regularly recurring capital renewal and replacement.

DEBT SERVICE COVERAGE

Debt service coverage measures the ability of a borrower to meet its debt obligations. A debt service coverage ratio is typically calculated by dividing net revenues (revenues less operating expenses) by debt service on an annual basis. When a public water agency issues a revenue bond, a formal debt service coverage ratio requirement is typically stipulated. No official debt service coverage ratio requirement has yet been established for either the OCWD loan or new bond issue. Therefore, a conservative target debt service coverage ratio of 1.20x was used in this rate study as a metric to evaluate debt service coverage. This figure is based on typical requirements associated with revenue bonds.

3.7 STATUS QUO FINANCIAL PLAN

STATUS QUO FINANCIAL PLAN PROJECTIONS

Status quo financial plan projections were developed to evaluate whether current rates will generate sufficient revenue over the study period to meet the District's financial needs (see **Table 3-14**). The status quo financial plan combines revenues (from **Table 3-6**), O&M expenses (from **Table 3-9**), debt service (from **Table 3-10**), and CIP expenditures (from **Table 3-11**) to project annual cash flow, reserve balances, and debt service coverage. Projected cash reserve ending balances were compared to minimum and target levels (from **Table 3-13**). Debt service coverage ratios were compared to a target level of 1.20x (per **Section 3.6**). A graphical summary of the status quo financial plan is provided in **Figure 3-2** through **Figure 3-4**.

STATUS QUO FINANCIAL PLAN RESULTS

Under the status quo financial plan, cash reserves are projected to fall below the minimum reserve level beginning in FY 2028/29 and fully deplete in FY 2030/31. This demonstrates that current revenues are insufficient to satisfy the District's reserve policy over the study period. Debt service coverage is projected to fall below the target level beginning in FY 2027/28. Beyond FY 2027/28, revenues are insufficient to cover annual debt service after accounting for O&M expense cost recovery. Revenues under the status quo financial plan are therefore insufficient to meet anticipated debt obligations.

Overall, the status quo financial plan clearly demonstrates that rate increases are necessary over the next five years to recover costs, maintain sufficient reserves, and ensure adequate debt service coverage.

Table 3-14: Status Quo Financial

Line	Description	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
1	**Revenues**						
2	Current Water Rates	$6,963,611	$6,963,611	$6,963,611	$6,963,611	$6,963,611	$6,963,611
3	Revenue Adjustments[15]	$0	$0	$0	$0	$0	$0
4	Other Operating Revenues	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000
5	Non-Operating Revenues[16]	$426,800	$389,329	$304,895	$213,799	$140,821	$29,248
6	**Total Revenues**	**$7,410,411**	**$7,372,940**	**$7,288,506**	**$7,197,409**	**$7,124,432**	**$7,012,859**
7							
8	**Expenses**						
9	O&M Expenses	$5,515,000	$6,319,133	$6,681,848	$7,051,200	$7,413,973	$7,788,359
10	Debt Service	$0	$562,889	$562,889	$562,889	$562,889	$2,627,242
11	Cash Funded CIP	$640,000	$2,700,000	$4,766,000	$2,333,980	$2,403,999	$2,476,119
12	**Total Expenses**	**$6,155,000**	**$9,582,022**	**$12,010,737**	**$9,948,069**	**$10,380,861**	**$12,891,720**
13							
14	**Cash Reserves**						
15	Beginning Balance[17]	$13,000,000	$14,255,411	$12,046,329	$7,324,098	$4,573,438	$1,317,009
16	Net Cash Flow[18]	$1,255,411	($2,209,082)	($4,722,231)	($2,750,660)	($3,256,429)	($5,878,861)
17	**Ending Balance**	**$14,255,411**	**$12,046,329**	**$7,324,098**	**$4,573,438**	**$1,317,009**	**($4,561,852)**
18	*Minimum Reserve Level*	*$4,196,130*	*$4,638,137*	*$5,513,802*	*$5,698,415*	*$5,879,736*	*$6,066,861*
19	*Target Reserve Level*	*$6,835,527*	*$7,237,533*	*$7,418,829*	*$7,603,442*	*$7,784,763*	*$7,971,888*
20							
21	**Debt Service Coverage**						
22	Projected Ratio[19]	N/A	1.87x	1.08x	0.26x	-0.51x	-0.30x
23	*Target Ratio*	*1.20x*	*1.20x*	*1.20x*	*1.20x*	*1.20x*	*1.20x*

[15] Revenue adjustments represent additional revenue generated by proposed rate increases and are thus equal to zero under the status quo financial plan.
[16] Non-operating revenues differ from totals shown in **Table 3-5** because interest revenue is lower under the status quo financial plan (due to lower cash reserve levels).
[17] The FY 2025/26 cash reserves beginning balance of $13 million was provided by District staff based on cash reserve levels as of 6/30/2025.
[18] Line 16 = Line 6 – Line 12.
[19] Line 22 = [Line 6 – Line 9] ÷ Line 10.

Figure 3-2: Status Quo Financial Plan – Revenues vs. Expenses

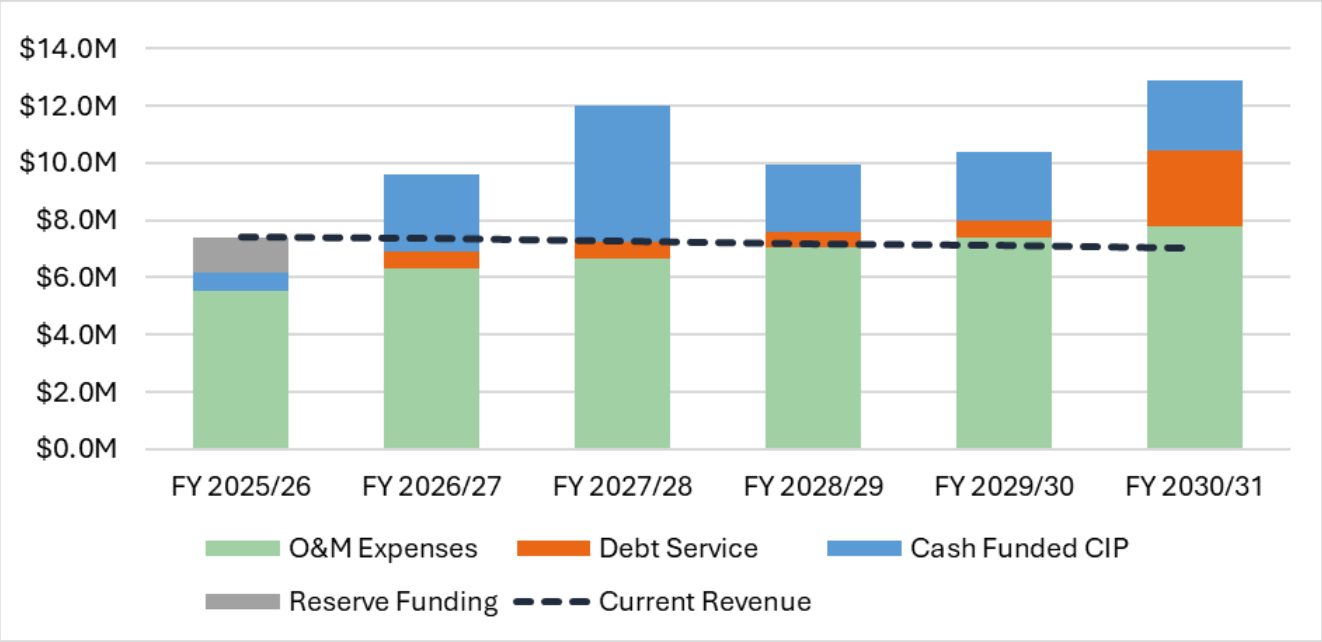


Figure 3-3: Status Quo Financial Plan - Cash Reserves

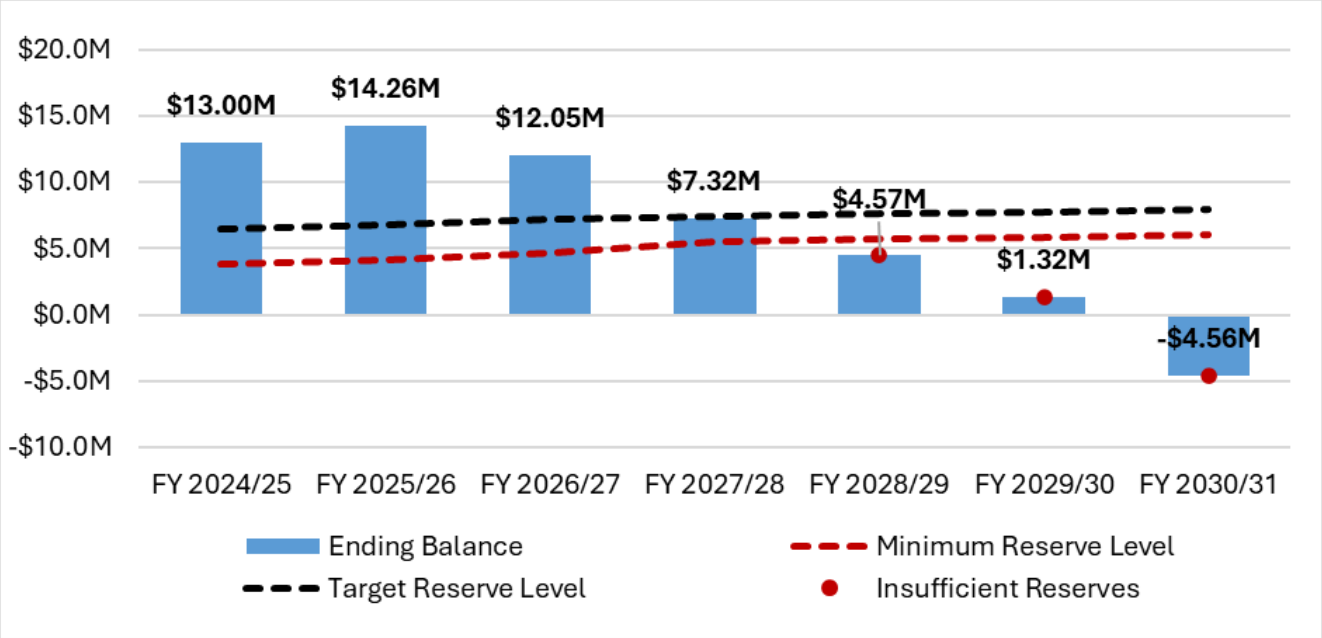
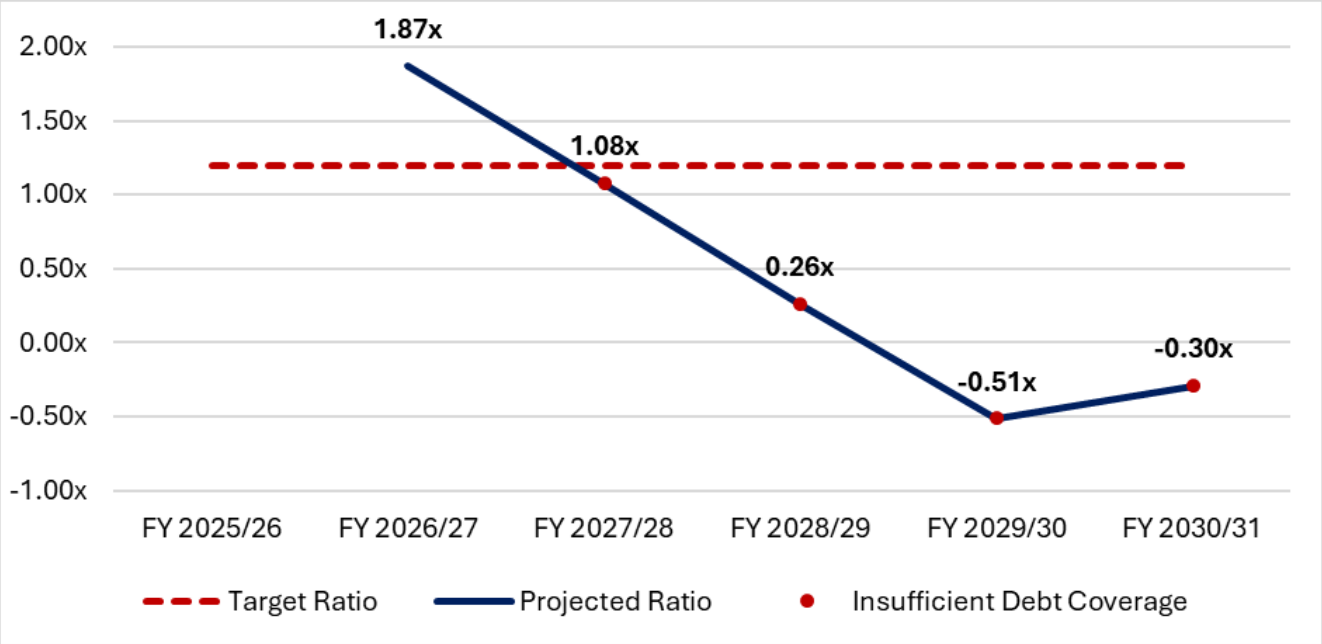


Figure 3-4: Status Quo Financial Plan - Debt Service Coverage



3.8 PROPOSED FINANCIAL PLAN

PROPOSED REVENUE ADJUSTMENTS

Revenue adjustments represent additional revenue generated by proposed rate increases. Various revenue adjustment scenarios over the next five years were considered and refined based on input from District staff. During a Board meeting on January 27, 2026, the Board of Directors instructed District staff and WRE to proceed with the proposed revenue adjustments shown in **Table 3-15**. The proposed financial plan includes revenue adjustments of 9% each year from FY 2026/27 through FY 2030/31. All adjustments are proposed to be implemented in July of each fiscal year.

Table 3-15: Proposed Revenue Adjustments

Line	Fiscal Year	Effective Date	Revenue Adjustment
1	FY 2026/27	July 1, 2026	9.0%
2	FY 2027/28	July 1, 2027	9.0%
3	FY 2028/29	July 1, 2028	9.0%
4	FY 2029/30	July 1, 2029	9.0%
5	FY 2030/31	July 1, 2030	9.0%

KEY REVENUE ADJUSTMENT DRIVERS

The proposed revenue adjustments are intended to sufficiently meet the District's funding requirements while minimizing customer bill impacts. These adjustments are needed for the following reasons:

- **Substantial capital improvements:** Projected CIP project costs total $47.9 million over the five-year rate-setting period. Although nearly 70% of five-year CIP is expected to be debt funded, revenue adjustments are necessary to cover cash funded CIP projects and to generate sufficient revenue to meet debt obligations. Projects include new well construction, Smith Reservoir replacement, and other critical repair and replacement projects needed to guarantee safe and reliable water service.
- **Water supply cost increases:** The proposed revenue adjustments account for projected cost increases in imported water purchases from MWDOC and groundwater pumping assessments collected by OCWD. The District has little to no control over these costs, which are projected to increase by 13.7% per year on average due to anticipated increases in imported water costs and groundwater assessments, as well as the District's changing water supply cost structure.
- **Inflationary cost increases:** Other O&M expenses are projected to increase by 4.6% annually on average over the next five years due to cost inflation. The cost of electricity is expected to rise substantially above the general rate of inflation.
- **Reduced water demand:** The currently adopted rate schedule was designed to generate sufficient revenue based on water demand of 2,622 AFY. Water demand over the next five years is now projected at 2,400 AFY (about 8.5% lower) due to increasingly constrained water supply availability and subsequent conservation/efficiency efforts. When water demand declines, revenue losses tend to significantly exceed cost savings, leading to negative financial impacts. This results in the need for higher rate increases to offset the associated financial impacts.

PROPOSED FINANCIAL PLAN PROJECTIONS

Proposed financial plan projections were developed to evaluate the sufficiency of the proposed revenue adjustments over the study period (see **Table 3-16**). The proposed financial plan projections were calculated by applying the same methodology described previously for the status quo financial plan projections in **Table 3-14**. Revenue adjustments under the proposed financial plan substantially increase total revenues relative to the status quo financial plan (see **Table 3-16**, Line 3)**.** A graphical summary of the status quo financial plan is provided in **Figure 3-5** through **Figure 3-7**.

PROPOSED FINANCIAL PLAN RESULTS

Under the proposed financial plan, cash reserves are projected to meet the minimum reserve level in all years. The proposed revenue adjustments generate sufficient revenues to recover all O&M expenses and debt service each year. However, cash reserves are projected to be drawn down each year to cover a portion of cash funded CIP. As a result, the target reserve level is not achieved in FY 2030/31. Debt service coverage is projected to meet the target ratio each year, though the projected ratio decreases significantly in FY 2030/31 when debt service associated with the new bond issue for Smith Reservoir is assumed to commence. Overall, the proposed financial plan demonstrates that the proposed revenue adjustments are sufficient to meet the District's funding requirements, maintain sufficient reserves, and ensure adequate debt service coverage over the next five years.

Table 3-16: Proposed Financial Plan

Line	Description	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31
1	**Revenues**						
2	Current Water Rates	$6,963,611	$6,963,611	$6,963,611	$6,963,611	$6,963,611	$6,963,611
3	Revenue Adjustments[20]	$0	$626,725	$1,309,855	$2,054,467	$2,866,094	$3,750,768
4	Other Operating Revenues	$20,000	$20,000	$20,000	$20,000	$20,000	$20,000
5	Non-Operating Revenues	$426,800	$397,163	$337,133	$288,896	$279,303	$253,902
6	**Total Revenues**	**$7,410,411**	**$8,007,499**	**$8,630,599**	**$9,326,974**	**$10,129,008**	**$10,988,281**
7							
8	**Expenses**						
9	O&M Expenses	$5,515,000	$6,319,133	$6,681,848	$7,051,200	$7,413,973	$7,788,359
10	Debt Service	$0	$562,889	$562,889	$562,889	$562,889	$2,627,242
11	Cash Funded CIP	$640,000	$2,700,000	$4,766,000	$2,333,980	$2,403,999	$2,476,119
12	**Total Expenses**	**$6,155,000**	**$9,582,022**	**$12,010,737**	**$9,948,069**	**$10,380,861**	**$12,891,720**
13							
14	**Cash Reserves**						
15	Beginning Balance	$13,000,000	$14,255,411	$12,680,888	$9,300,749	$8,679,654	$8,427,800
16	Net Cash Flow[21]	$1,255,411	($1,574,523)	($3,380,138)	($621,095)	($251,854)	($1,903,439)
17	**Ending Balance**	**$14,255,411**	**$12,680,888**	**$9,300,749**	**$8,679,654**	**$8,427,800**	**$6,524,362**
18	*Minimum Reserve Level*	*$4,196,130*	*$4,638,137*	*$5,513,802*	*$5,698,415*	*$5,879,736*	*$6,066,861*
19	*Target Reserve Level*	*$6,835,527*	*$7,237,533*	*$7,418,829*	*$7,603,442*	*$7,784,763*	*$7,971,888*
20							
21	**Debt Service Coverage**						
22	Projected Ratio[22]	N/A	3.00x	3.46x	4.04x	4.82x	1.22x
23	*Target Ratio*	*1.20x*	*1.20x*	*1.20x*	*1.20x*	*1.20x*	*1.20x*

[20] Additional revenue generated by the proposed revenue adjustments of 9% per year.
[21] Line 16 = Line 6 – Line 12.
[22] Line 22 = [Line 6 – Line 9] ÷ Line 10.

Figure 3-5: Proposed Financial Plan – Revenues vs. Expenses

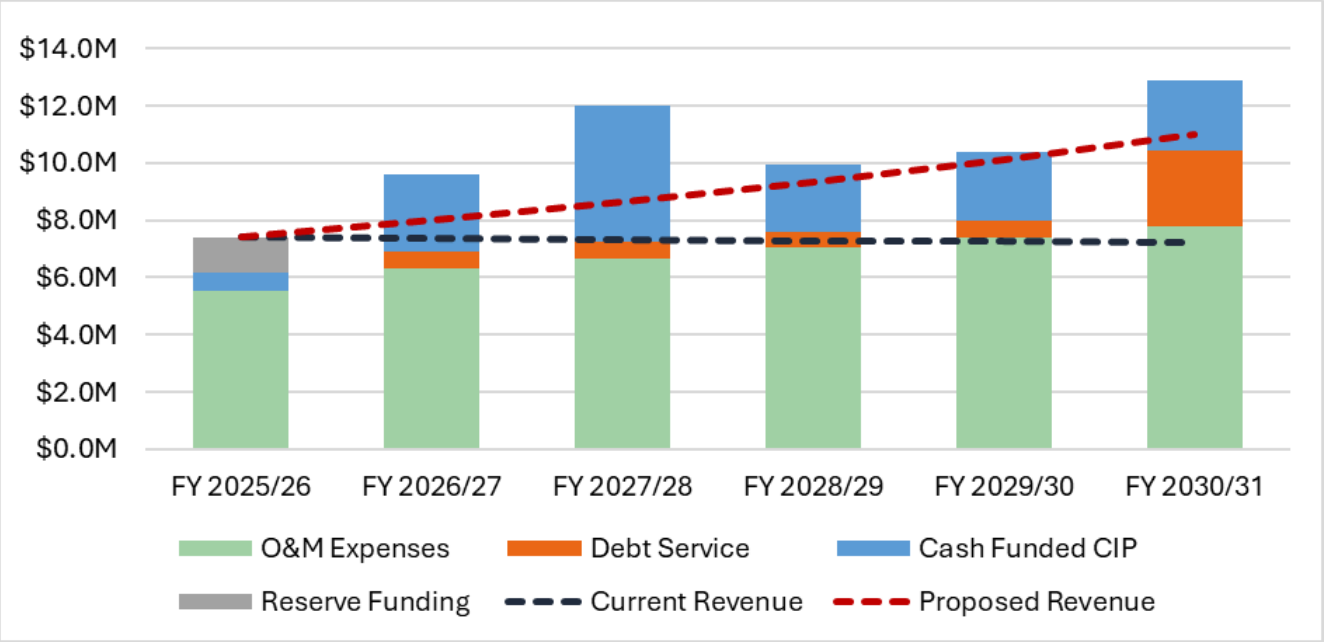


Figure 3-6: Proposed Financial Plan - Cash Reserves

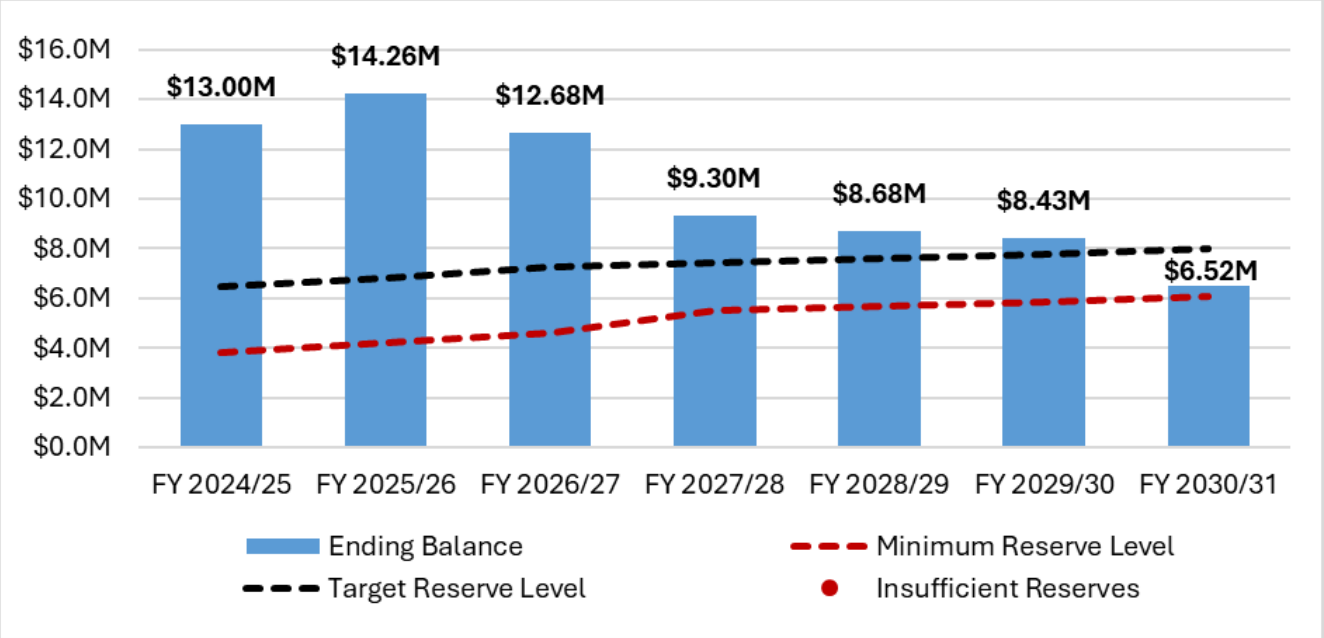
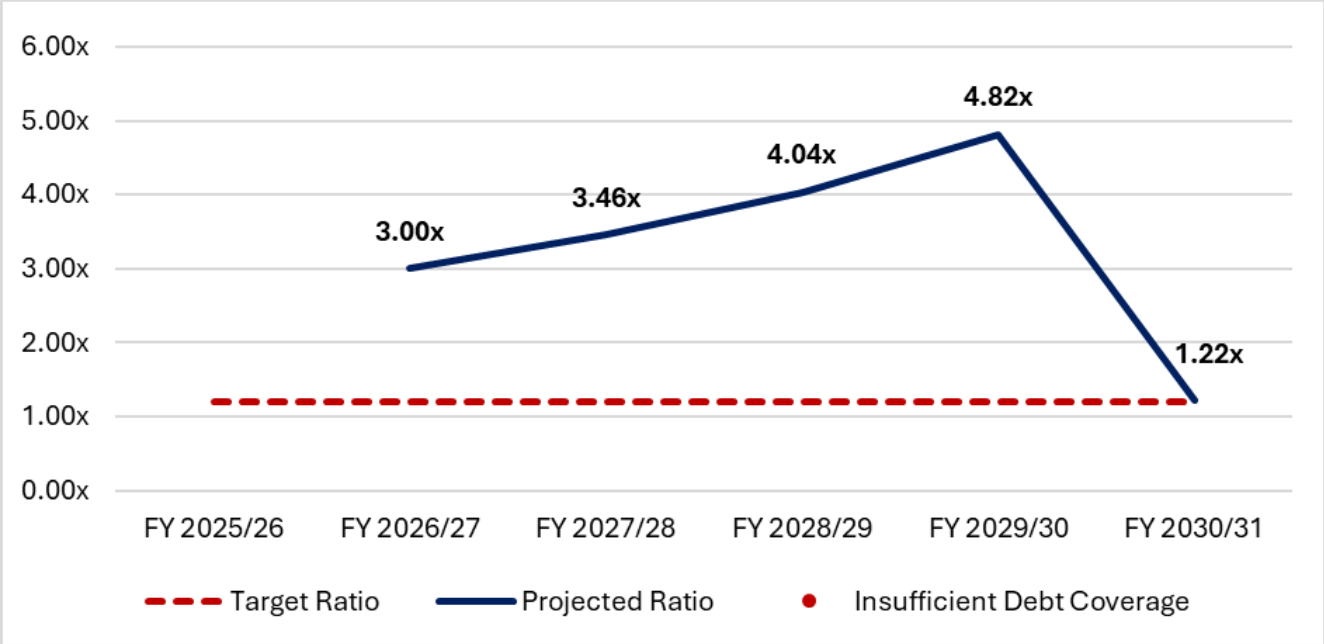


Figure 3-7: Proposed Financial Plan - Debt Service Coverage



4. COST-OF-SERVICE ANALYSIS

4.1 COST-OF-SERVICE METHODOLOGY

A cost-of-service analysis was conducted to allocate the rate revenue requirement to customers in proportion to their use of and burden on the District's water system. The overall goal of the cost-of-service analysis was to develop "unit costs," which were used to calculate proposed rates. Although the rate-setting period in this study spans five years, the cost-of-service analysis is limited to a single representative year referred to as the "test year." The test year in this study is FY 2026/27. All values presented in **Section 4** pertain to FY 2026/27 unless stated otherwise. The key steps in conducting the cost-of-service analysis were:

- **Revenue requirement determination**: The total rate revenue requirement for the test year was determined based on the results of the proposed financial plan and divided into primary sub-components (operating, capital, and non-rate revenues).
- **Cost functionalization**: Operating and capital costs were evaluated and assigned to "functional categories" in the water system (e.g., billing and customer service, treatment, etc.). This established a proportional breakdown of system costs by function.
- **Revenue requirement allocation to cost causation components**: Functionalized costs were then allocated to "cost causation components" (e.g., water supply, base delivery, etc.), which were used to proportionally attribute customers' utilization of the water system to the District's incurrence of costs.
- **Unit cost development**: The rate revenue requirement allocation for each individual cost causation component was divided by the appropriate units of service to establish unit costs for the test year. Unit costs provided the basis from which proposed rates were calculated.

4.2 REVENUE REQUIREMENT DETERMINATION

The total rate revenue requirement for FY 2026/27 was based on the proposed financial plan projections from **Table 3-16** and was allocated to three primary sub-components (see **Table 4-1**):

- The **Operating revenue requirement** consists solely of projected FY 2026/27 O&M expenses (Line 1).
- The **Capital revenue requirement** consists of FY 2026/27 debt service (Line 3),[23] cash funded CIP project costs (Line 4), and an adjustment to account for the projected draw from reserves to cover a portion of cash funded CIP in FY 2026/27 (Line 13).[24]
- **Non-rate revenues** include all other operating revenues (Line 8) and non-operating revenues (Line 9) that contribute to the District's total revenue requirement. Because non-rate revenues offset a portion of the total revenue requirement, they reduce the total revenue required from rates.

[23] Debt service is allocated to the capital sub-component because it is associated with debt financing CIP projects.
[24] I.e., net cash flow in FY 2026/27.

Table 4-1: FY 2026/27 Revenue Requirement

Line	Description	Operating	Capital	Non-Rate Revenues	Total
1	**Revenue Requirements**				
2	O&M Expenses	$6,319,133	$0	$0	$6,319,133
3	Debt Service	$0	$562,889	$0	$562,889
4	Cash Funded CIP	$0	$2,700,000	$0	$2,700,000
5	**Subtotal**	**$6,319,133**	**$3,262,889**	**$0**	**$9,582,022**
6					
7	**Non-Rate Revenues**				
8	Other Operating Revenues	$0	$0	($20,000)	($20,000)
9	Non-Operating Revenues	$0	$0	($397,163)	($397,163)
10	**Subtotal**	**$0**	**$0**	**($417,163)**	**($417,163)**
11					
12	**Adjustments**				
13	Cash to/ (from) Reserves	$0	($1,574,523)	$0	($1,574,523)
14	**Subtotal**	**$0**	**($1,574,523)**	**$0**	**($1,574,523)**
15					
16	**Total**	**$6,319,133**	**$1,688,366**	**($417,163)**	**$7,590,336**

4.3 COST FUNCTIONALIZATION

FUNCTIONAL CATEGORY DEFINITIONS

Costs were evaluated and assigned to various functional categories in the District's water system. The functional categories include the following:

- **Billing & Customer Service:** Related to customer service and billing activities.
- **Meter Maintenance & Replacement:** Related to the maintenance and replacement of water meters.
- **OCWD Replenishment Assessment:** Solely related to Replenishment Assessments payable to OCWD based on the quantity of groundwater production.
- **MWDOC Fixed Charges:** Solely related to fixed Capacity Charges and RTS Fees payable to MWDOC for imported water.
- **MWDOC Volumetric Rates:** Solely related to Full Service Treated Tier 1 Charges payable to MWDOC based on the quantity of imported water purchased.
- **Electricity/Chemicals:** Related to the cost of electricity (for pump stations, wells, etc.), treatment chemicals, and water quality analysis.
- **Treatment:** Related to the treatment of water to potable standards.
- **Wells:** Related to the operation and maintenance of groundwater wells.
- **Pumping:** Related to the operation and maintenance of booster pump stations used to transport water across elevation gradients.

- **Storage:** Related to water storage in tanks and/or reservoirs.
- **Transmission/Distribution:** Related to the delivery of treated water to customers through water mains and other pipelines.
- **Conservation:** Related to water efficiency and conservation programs and/or efforts.
- **General:** Related to administrative/overhead activities and general costs that are not directly attributable to other specific functional categories.

O&M EXPENSE FUNCTIONALIZATION

Projected FY 2026/27 O&M expenses were evaluated and allocated to the most closely associated functional categories (see **Table 4-2** below for a summary and **Appendix B** for detailed allocations on a line item basis). Expenses were carefully evaluated to ensure that costs were allocated in an accurate and appropriate manner.

Table 4-2: O&M Expense Allocation to Functional Categories

Line	Functional Category	FY 2026/27 O&M Expenses	Percent of Total
1	Billing & Customer Service	$367,935	5.82%
2	Meter Maintenance & Replacement	$10,300	0.16%
3	OCWD Replenishment Assessment	$1,563,284	24.74%
4	MWDOC Fixed Charges	$167,089	2.64%
5	MWDOC Volumetric Rates	$551,994	8.74%
6	Electricity/Chemicals	$948,103	15.00%
7	Treatment	$12,360	0.20%
8	Wells	$25,338	0.40%
9	Pumping	$45,423	0.72%
10	Storage	$12,360	0.20%
11	Transmission/Distribution	$1,441,175	22.81%
12	Conservation	$2,060	0.03%
13	General	$1,171,712	18.54%
14	**Total**	**$6,319,133**	**100.00%**

CAPITAL ASSET FUNCTIONALIZATION

Current capital assets were evaluated and allocated to the most closely associated functional category (see **Table 4-3** for a summary and **Appendix C** for detailed allocations for each individual asset listing). It is standard practice in water cost-of-service studies to functionalize existing capital assets rather than planned CIP project costs. This is because the breakdown of planned CIP projects by functional category can fluctuate significantly from year to year. The existing capital asset base provides a much more stable representation of long-term capital investment in the water system. Capital asset values shown are based on the estimated replacement cost of each asset. WRE estimated the replacement of each asset by escalating the original cost to current dollars using the Engineering News-Record Construction Cost Index (20-city average).

Table 4-3: Capital Asset Allocation to Functional Categories

Line	Functional Category	Replacement Cost of Capital Assets	Percent of Total
1	Billing & Customer Service	$25,328	0.07%
2	Meter Maintenance & Replacement	$131,842	0.37%
3	OCWD Replenishment Assessment	$0	0.00%
4	MWDOC Fixed Charges	$0	0.00%
5	MWDOC Volumetric Rates	$0	0.00%
6	Electricity/Chemicals	$0	0.00%
7	Treatment	$8,962,949	25.36%
8	Wells	$4,863,937	13.76%
9	Pumping	$0	0.00%
10	Storage	$7,124,531	20.16%
11	Transmission/Distribution	$13,070,475	36.98%
12	Conservation	$0	0.00%
13	General	$1,161,971	3.29%
14	**Total**	**$35,341,033**	**100.00%**

4.4 REVENUE REQUIREMENT ALLOCATION TO COST CAUSATION COMPONENTS

COST CAUSATION COMPONENTS DEFINITIONS

Cost causation components were used to group costs into categories based on what proportional basis they are incurred. The total rate revenue requirement was allocated to various cost causation components, some of which directly correspond to a single functional category. The cost causation components include the following:

- **Billing & Customer Service:** Directly corresponds to the "billing & customer service" functional category.
- **Meter Capacity:** Pertains to system costs that are generally incurred in proportion to the flow capacity of customers' water meters.
- **Water Supply:** Pertains solely to variable source of supply costs, which include OCWD Replenishment Assessments and MWDOC volumetric rates.
- **Base Delivery:** Pertains to water system costs associated with delivering water to customers during average water demand conditions.
- **Max Day Delivery:** Pertains to water system costs associated with delivering water to customers during maximum day demand conditions.
- **Max Hour Delivery:** Pertains to water system costs associated with delivering water to customers during maximum hour demand conditions.
- **Conservation:** Directly corresponds to the "conservation" functional category.
- **General:** Directly corresponds to the "general" functional category.

WATER SYSTEM CAPACITY

Systemwide capacity factors for the District's water system were used to allocate costs associated with the treatment, wells, pumping, storage, and transmission/distribution functional categories to the base delivery, max day delivery, and max hour delivery cost causation components (see **Table 4-4**). Capacity factors represent the ratio of maximum to average water demand. This forms a basis from which to identify the costs of providing water service during average demand conditions (base delivery) and the costs of providing additional system capacity during peak demand conditions (max day delivery and max hour delivery).

Table 4-4: System Capacity Allocation

Line	Description	Capacity Factor[25]	Base Delivery	Max Day Delivery	Max Hour Delivery	Total
1	Average Day Demand	1.00	100.00%[26]	0.00%	0.00%	**100.00%**
2	Max Day Demand	1.63	61.48%[27]	38.52%[28]	0.00%	**100.00%**
3	Max Hour Demand	2.44	40.98%[29]	25.68%[30]	33.33%[31]	**100.00%**

ALLOCATION OF FUNCTIONAL CATEGORIES TO COST CAUSATION COMPONENTS

Each functional category was allocated across the various cost causation components (see **Table 4-5**). Most functional categories were fully allocated to a single cost causation component based on what proportional basis the associated costs are generally incurred. The treatment, wells, pumping, and storage functional categories were allocated to the base delivery and max day delivery cost causation components based on max day demand allocations (from **Table 4-4**, Line 2). The transmission/distribution functional category was allocated to the base delivery, max day delivery, and max hour delivery cost causation components based on max hour demand allocations (from **Table 4-4**, Line 3). This is because transmission/distribution pipelines are typically sized based on maximum hour demand, while all other system infrastructure is typically sized based on maximum day demand.

[25] Per data provided in the District's 2022 Water Distribution System Master Plan.
[26] = 1.00 ÷ 1.00
[27] = 1.00 ÷ 1.63
[28] = (1.63 -1.00) ÷ 1.63
[29] = 1.00 ÷ 2.44
[30] = (1.63 - 1.00) ÷ 2.44
[31] = (2.44 - 1.63) ÷ 2.44

Table 4-5: Allocation of Functional Categories to Cost Causation Components

Line	Functional Category	Billing & Customer Service	Meter Capacity	Water Supply	Base Delivery	Max Day Delivery	Max Hour Delivery	Conser-vation	General	Total
1	Billing & Customer Service	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**100.00%**
2	Meter Maintenance & Replacement	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**100.00%**
3	OCWD Replenishment Assessment	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**100.00%**
4	MWDOC Fixed Charges	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**100.00%**
5	MWDOC Volumetric Rates	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	0.00%	**100.00%**
6	Electricity/Chemicals	0.00%	0.00%	0.00%	100.00%	0.00%	0.00%	0.00%	0.00%	**100.00%**
7	Treatment	0.00%	0.00%	0.00%	61.48%	38.52%	0.00%	0.00%	0.00%	**100.00%**
8	Wells	0.00%	0.00%	0.00%	61.48%	38.52%	0.00%	0.00%	0.00%	**100.00%**
9	Pumping	0.00%	0.00%	0.00%	61.48%	38.52%	0.00%	0.00%	0.00%	**100.00%**
10	Storage	0.00%	0.00%	0.00%	61.48%	38.52%	0.00%	0.00%	0.00%	**100.00%**
11	Transmission/ Distribution	0.00%	0.00%	0.00%	40.98%	25.68%	33.33%	0.00%	0.00%	**100.00%**
12	Conservation	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	0.00%	**100.00%**
13	General	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	100.00%	**100.00%**

ALLOCATION OF OPERATING REVENUE REQUIREMENT TO COST CAUSATION COMPONENTS

Functionalized FY 2026/27 O&M expenses from **Table 4-2** were allocated to the various cost causation components based on the allocation percentages from **Table 4-5** (see **Table 4-6** below). This results in a breakdown of the operating revenue requirement, which is equal to FY 2026/27 O&M expenses, by cost causation component in Line 14 below.

Table 4-6: Allocation of Operating Revenue Requirement to Cost Causation Components

Line	Functional Category	Billing & Customer Service	Meter Capacity	Water Supply	Base Delivery	Max Day Delivery	Max Hour Delivery	Conservation	General	Total
1	Billing & Customer Service	$367,935	$0	$0	$0	$0	$0	$0	$0	**$367,935**
2	Meter Maintenance & Replacement	$0	$10,300	$0	$0	$0	$0	$0	$0	**$10,300**
3	OCWD Replenishment Assessment	$0	$0	$1,563,284	$0	$0	$0	$0	$0	**$1,563,284**
4	MWDOC Fixed Charges	$0	$167,089	$0	$0	$0	$0	$0	$0	**$167,089**
5	MWDOC Volumetric Rates	$0	$0	$551,994	$0	$0	$0	$0	$0	**$551,994**
6	Electricity /Chemicals	$0	$0	$0	$948,103	$0	$0	$0	$0	**$948,103**
7	Treatment	$0	$0	$0	$7,598	$4,762	$0	$0	$0	**$12,360**
8	Wells	$0	$0	$0	$15,577	$9,761	$0	$0	$0	**$25,338**
9	Pumping	$0	$0	$0	$27,924	$17,499	$0	$0	$0	**$45,423**
10	Storage	$0	$0	$0	$7,598	$4,762	$0	$0	$0	**$12,360**
11	Transmission/ Distribution	$0	$0	$0	$590,646	$370,138	$480,392	$0	$0	**$1,441,175**
12	Conservation	$0	$0	$0	$0	$0	$0	$2,060	$0	**$2,060**
13	General	$0	$0	$0	$0	$0	$0	$0	$1,171,712	**$1,171,712**
14	**Total**	**$367,935**	**$177,389**	**$2,115,278**	**$1,597,446**	**$406,922**	**$480,392**	**$2,060**	**$1,171,712**	**$6,319,133**
15										
16	***Total (%)***	***5.82%***	***2.81%***	***33.47%***	***25.28%***	***6.44%***	***7.60%***	***0.03%***	***18.54%***	***100.00%***

ALLOCATION OF CAPITAL REVENUE REQUIREMENT TO COST CAUSATION COMPONENTS

Functionalized capital asset values from **Table 4-3** were allocated to the various cost causation components based on the allocation percentages from **Table 4-5** (see **Table 4-7** below). The capital revenue requirement in Line 18 below (from **Table 4-1**) was then allocated based on the percentage of capital assets within each cost causation component, shown in Line 16 below.

Table 4-7: Allocation of Capital Revenue Requirement to Cost Causation Components

Line	Functional Category	Billing & Customer Service	Meter Capacity	Water Supply	Base Delivery	Max Day Delivery	Max Hour Delivery	Conser-vation	General	Total
1	Billing & Customer Service	$25,328	$0	$0	$0	$0	$0	$0	$0	**$25,328**
2	Meter Maintenance & Replacement	$0	$131,842	$0	$0	$0	$0	$0	$0	**$131,842**
3	OCWD Replenishment Assessment	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
4	MWDOC Fixed Charges	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
5	MWDOC Volumetric Rates	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
6	Electricity/ Chemicals	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
7	Treatment	$0	$0	$0	$5,510,010	$3,452,939	$0	$0	$0	**$8,962,949**
8	Wells	$0	$0	$0	$2,990,125	$1,873,812	$0	$0	$0	**$4,863,937**
9	Pumping	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
10	Storage	$0	$0	$0	$4,379,834	$2,744,696	$0	$0	$0	**$7,124,531**
11	Transmission/ Distribution	$0	$0	$0	$5,356,752	$3,356,898	$4,356,825	$0	$0	**$13,070,475**
12	Conservation	$0	$0	$0	$0	$0	$0	$0	$0	**$0**
13	General	$0	$0	$0	$0	$0	$0	$0	$1,161,971	**$1,161,971**
14	**Total Assets ($)**	**$25,328**	**$131,842**	**$0**	**$18,236,721**	**$11,428,345**	**$4,356,825**	**$0**	**$1,161,971**	**$35,341,033**
15										
16	***Total Assets (%)***	***0.07%***	***0.37%***	***0.00%***	***51.60%***	***32.34%***	***12.33%***	***0.00%***	***3.29%***	***100.00%***
17										
18	***Capital Revenue Requirement ($)***	**$1,210**	**$6,299**	**$0**	**$871,232**	**$545,972**	**$208,141**	**$0**	**$55,511**	***$1,688,366***

PRELIMINARY COST-OF-SERVICE ALLOCATION

The three sub-components of the total FY 2026/27 rate revenue requirement (from **Table 4-1**) were allocated to the various cost causation components to establish preliminary cost-of-service allocations (see **Table 4-8** below). The operating and capital revenue requirement allocations were established in **Table 4-6** and **Table 4-7**, respectively. Because non-rate revenues include miscellaneous revenues not typically attributable to any specific system function, they were fully allocated to the general cost causation component.

Table 4-8: Preliminary Cost-of-Service Allocation

Line	Cost Causation Component	Operating Revenue Requirement	Capital Revenue Requirement	Non-Rate Revenues	Total
1	Billing & Customer Service	$367,935	$1,210	$0	**$369,145**
2	Meter Capacity	$177,389	$6,299	$0	**$183,688**
3	Water Supply	$2,115,278	$0	$0	**$2,115,278**
4	Base Delivery	$1,597,446	$871,232	$0	**$2,468,678**
5	Max Day Delivery	$406,922	$545,972	$0	**$952,894**
6	Max Hour Delivery	$480,392	$208,141	$0	**$688,533**
7	Conservation	$2,060	$0	$0	**$2,060**
8	General	$1,171,712	$55,511	($417,163)	**$810,060**
9	**Total**	**$6,319,133**	**$1,688,366**	**($417,163)**	**$7,590,336**

GENERAL COST REALLOCATION

General costs are not attributable to specific system functions and were therefore proportionally reallocated to all other cost causation components, except for water supply (see **Table 4-9** below). The water supply cost causation component is excluded from the general cost reallocation because it is restricted to variable source of supply costs, which only include OCWD Replenishment Assessments and MWDOC volumetric rates.

Table 4-9: General Cost Reallocation

Line	Cost Causation Component	Preliminary Allocation	General Cost Reallocation	Total
1	Billing & Customer Service	$369,145	$64,101	**$433,246**
2	Meter Capacity	$183,688	$31,897	**$215,585**
3	Water Supply	$2,115,278	N/A	**$2,115,278**
4	Base Delivery	$2,468,678	$428,677	**$2,897,356**
5	Max Day Delivery	$952,894	$165,467	**$1,118,360**
6	Max Hour Delivery	$688,533	$119,561	**$808,094**
7	Conservation	$2,060	$358	**$2,418**
8	General	$810,060	($810,060)	**$0**
9	**Total**	**$7,590,336**	**$0**	**$7,590,336**

FINAL ADJUSTED COST-OF-SERVICE ALLOCATION

Under current rates, about 18.5% of total rate revenues are generated by fixed Readiness to Serve Charges and 81.5% from Volumetric Rates. Based on the updated cost-of-service analysis, and without any further adjustments, the proportion of total rate revenues from fixed charges would decline to 11%. This would result in significantly decreased revenue stability for the District, as Volumetric Rate revenues fluctuate in proportion to water demand and represent a less stable revenue source compared to Readiness to Serve Charges.

To mitigate these adverse impacts to revenue stability, approximately 30.4% of previously allocated max day delivery and max hour delivery costs, which are recovered by Volumetric Rates, were reallocated to the Meter Capacity cost causation component, which is recovered by Readiness to Serve Charges (see **Table 4-10**).[32] This adjustment intends to maintain fixed charge revenues at 18.5% of total rate revenues.

No further adjustments were incorporated into the cost-of-service allocations. Thus, **Table 4-10** provides the final cost-of-service allocation of the FY 2026/27 rate revenue requirement to each cost causation component.

Table 4-10: Final Adjusted Cost-of-Service Allocation

Line	Cost Causation Component	Preliminary Allocation after General Cost Reallocation	Extra Capacity Cost Reallocation	Total
1	Billing & Customer Service	$433,246	N/A	**$433,246**
2	Meter Capacity	$215,585	$585,353	**$800,938**
3	Water Supply	$2,115,278	N/A	**$2,115,278**
4	Base Delivery	$2,897,356	N/A	**$2,897,356**
5	Max Day Delivery	$1,118,360	($339,814)	**$778,547**
6	Max Hour Delivery	$808,094	($245,539)	**$562,555**
7	Conservation	$2,418	N/A	**$2,418**
8	**Total**	**$7,590,336**	**$0**	**$7,590,336**

4.5 UNIT COST DEVELOPMENT

EQUIVALENT METER UNITS

Meter capacity costs generally increase with meter size in proportion to the flow capacity of the meter. Therefore, “equivalent meter units” were calculated to provide a basis from which to allocate costs to various meter sizes in proportion to meter capacity (see **Table 4-11**). Equivalent meter units were calculated based on meter capacity ratios, which represent the safe operating capacity of a water meter relative to a 1-inch meter.

[32] Max day delivery and max hour deliver costs generally vary in proportion to both water use as well as meter capacity. Therefore, it is appropriate to recover max day delivery and max hour delivery costs from customers in proportion to either water use (via Volumetric Rates) or meter capacity (via Readiness to Serve Charges).

Table 4-11: Equivalent Meter Units

Line	Meter Size	Safe Operating Capacity (gallons per minute)[33]	Meter Capacity Ratio[34]	Number of Meters[35]	Number of Equivalent Meter Units[36]
1	1-inch and under	50	1.00	2,297	2,297
2	1.5-inch	100	2.00	8	16
3	2-inch	160	3.20	45	144
4	3-inch	320	6.40	0	0
5	4-inch	500	10.00	2	20
6	6-inch	1,000	20.00	3	60
7	**Total**			**2,355**	**2,537**

UNITS OF SERVICE

The appropriate units of service were established for each cost causation component based on which units most closely vary in proportion to costs (see **Table 4-12**). Cost causation components to be recovered by fixed Readiness to Serve Charges were assigned units of service based on the number of water meters or equivalent meter units (from **Table 4-11**). Fixed charge units of service were annualized based on 12 monthly billing periods per year. Cost causation components to be recovered by Volumetric Rates were assigned units of service based on annual projected water use in HCF (from **Table 3-3**).

Table 4-12: Units of Service

Line	Cost Causation Components	Units of Service	Units of Service Definition
1	**Recovered by Fixed Charges:**		
2	Billing & Customer Service	28,260	Number of water meters x 12 months
3	Meter Capacity	30,444	Number of equivalent meter units x 12 months
4			
5	**Recovered by Volumetric Rates:**		
6	Water Supply	1,045,440	Annual water use in HCF
7	Base Delivery	1,045,440	Annual water use in HCF
8	Max Day Delivery	1,045,440	Annual water use in HCF
9	Max Hour Delivery	1,045,440	Annual water use in HCF
10	Conservation	1,045,440	Annual water use in HCF

[33] Per Table B-2 from the American Water Works Association's *Manual of Water Supply Practices M1: Principles of Water Rates, Fees and Charges, Seventh Edition*.
[34] Equal to the safe operating capacity in gallons per minute divided by 50.
[35] Equal to the projected number of water meters in FY 2026/27 (from **Table 3-2**).
[36] Equal to the meter capacity ratio multiplied by the number of meters.

UNIT COST CALCULATION

Unit costs for each cost causation component were calculated in **Table 4-13** below by dividing the final adjusted cost-of-service allocations (from **Table 4-10**) by the annualized units of service (from **Table 4-12**). The unit costs shown below provide the direct basis from which proposed rates were subsequently calculated in **Section 5**.

Table 4-13: Unit Costs

Line	Cost Causation Component	Revenue Requirement	Units of Service	Unit Cost
1	Billing & Customer Service	$433,246	28,260	**$15.331**
2	Meter Capacity	$800,938	30,444	**$26.309**
3	Water Supply	$2,115,278	1,045,440	**$2.023**
4	Base Delivery	$2,897,356	1,045,440	**$2.771**
5	Max Day Delivery	$778,547	1,045,440	**$0.745**
6	Max Hour Delivery	$562,555	1,045,440	**$0.538**
7	Conservation	$2,418	1,045,440	**$0.002**
8	**Total**	**$7,590,336**		

5. WATER RATE DESIGN

5.1 RATE DESIGN METHODOLOGY

A five-year proposed water rate schedule was developed based on the results of the proposed financial plan and cost-of-service analysis. The key steps in developing the proposed water rates were:

- **Rate structure evaluation**: The existing rate structure was reviewed and the need for potential changes was evaluated. Proposed rate structure changes typically intend to address specific policy objectives or maintain alignment with changing industry standards.
- **Test year rate development**: Proposed rates were first calculated for the cost-of-service test year (FY 2026/27). Test year rate calculations directly incorporated the unit costs developed in the cost-of-service analysis.
- **Proposed five-year water rate schedule development**: Proposed rates for the five-year rate-setting period were calculated by increasing the test year rates by the annual revenue adjustment percentages specified in the proposed water financial plan detailed in **Section 3.8**).
- **Customer bill impact analysis**: Sample bills were calculated under current and proposed rates to evaluate the impacts of the proposed rate schedule on customers.

5.2 RATE STRUCTURE EVALUATION

The District's existing rate structure was evaluated and potential changes were considered. Based on input from District staff and the Board of Directors, it was determined that no changes to the existing rate structure were warranted. Rate structure considerations typically focus on volumetric rate structures, as fixed charges varying by meter size are standard practice among public retail water agencies in California. WRE presented potential alternative volumetric rate structures for consideration by District staff and the Board of Directors, including tiered rate options. However, the District's existing uniform volumetric rate structure was deemed preferable to any tiered rate alternative due to its simplicity and stronger legal defensibility with regard to Proposition 218 legal requirements.

5.3 TEST YEAR RATE DEVELOPMENT

PROPOSED FY 2026/27 READINESS TO SERVE CHARGES

Proposed Readiness to Serve Charges were calculated for the test year directly from billing & customer service and meter capacity unit costs from **Table 4-13** (see **Table 5-1**). Billing & customer service unit costs were applied uniformly to all meter sizes because cost causation of billing and customer service-related activities does not vary by meter size. Meter capacity unit costs were applied based on meter capacity ratios (from **Table 4-11**) to ensure that associated costs were allocated in proportion to the capacity of each meter size. Under the existing rate structure, the first unit[37] of water used per month is covered by the Readiness to Serve Charge.

[37] One unit is equal to one HCF.

To maintain consistency with this practice, the proposed Volumetric Rate (calculated subsequently in **Table 5-3**) for one unit of water is included in the proposed Readiness to Serve Charge calculation (referred to as the "first unit of water"). Proposed Readiness to Serve Charges equal the sum of the billing and customer service component, meter capacity component, and first unit of water rounded up to the nearest cent to ensure adequate revenue recovery.

Table 5-1: Proposed FY 2026/27 Readiness to Serve Charge Calculation

Line	Meter Size	Meter Capacity Ratio	Billing & Customer Service	Meter Capacity[38]	First Unit of Water	Total Monthly Charge
1	1-inch and under	1.00	$15.331	$26.309	$6.080	**$47.72**
2	1.5-inch	2.00	$15.331	$52.617	$6.080	**$74.03**
3	2-inch	3.20	$15.331	$84.187	$6.080	**$105.60**
4	3-inch	6.40	$15.331	$168.375	$6.080	**$189.79**
5	4-inch	10.00	$15.331	$263.086	$6.080	**$284.50**
6	6-inch	20.00	$15.331	$526.171	$6.080	**$547.59**

COMPARISON TO CURRENT READINESS TO SERVE CHARGES

A comparison of the current and proposed Readiness to Serve Charges is provided in **Table 5-2**. Differential impacts to meter sizes larger than 1-inch result from the use of updated meter capacity ratios in the development of the proposed charges. These assumptions are necessary to appropriately allocate costs to customers on a proportional basis and to maintain alignment with Proposition 218-related legal requirements. This will impact the approximately 2.5% of customer connections with meters larger than 1-inch.

Table 5-2: Comparison to Current Readiness to Serve Charges

Line	Meter Size	Number of Meters	Current Monthly Charge	Proposed FY 2026/27 Monthly Charge	Difference ($)	Difference (%)
1	1-inch and under	2,297	$45.23	**$47.72**	*$2.49*	*5.5%*
2	1.5-inch	8	$50.12	**$74.03**	*$23.91*	*47.7%*
3	2-inch	45	$54.94	**$105.60**	*$50.66*	*92.2%*
4	3-inch	0	$64.61	**$189.79**	*$125.18*	*193.7%*
5	4-inch	2	$74.32	**$284.50**	*$210.18*	*282.8%*
6	6-inch	3	$132.33	**$547.59**	*$415.26*	*313.8%*
7	**Total**	**2,355**				

PROPOSED FY 2026/27 VOLUMETRIC RATE CALCULATION

The proposed Volumetric Rate was calculated for the test year based on the water supply, base delivery, max day delivery, max hour delivery, and conservation unit costs from **Table 4-13** (see

[38] Equal to the meter capacity unit cost of $26.309 multiplied by the corresponding meter capacity ratio.

Table 5-3). The proposed rate per HCF equals the sum of the five individual unit costs rounded up to the nearest cent to ensure adequate revenue recovery.

Table 5-3: Proposed FY 2026/27 Volumetric Rate Calculation

Line	Cost Causation Component	Unit Cost
1	Water Supply	$2.023
2	Base Delivery	$2.771
3	Max Day Delivery	$0.745
4	Max Hour Delivery	$0.538
5	Conservation	$0.002
6	**Proposed FY 2026/27 Volumetric Rate (per HCF)**	**$6.08**

COMPARISON TO CURRENT VOLUMETRIC RATE

A comparison of the current and proposed Volumetric Rate is provided in **Table 5-4**. The proposed Volumetric Rate is 50 cents higher than the current rate, which is a 9% increase.

Table 5-4: Comparison to Current Volumetric Rate

Line	Description	Value
1	Current Rate (per HCF)	$5.58
2	Proposed FY 2026/27 Rate (per HCF)	$6.08
3	*Difference ($)*	*$0.50*
4	*Difference (%)*	*9.0%*

5.4 PROPOSED FIVE-YEAR WATER RATE SCHEDULE DEVELOPMENT

PROPOSED FIVE-YEAR RATE SCHEDULE

A proposed five-year rate schedule was calculated directly from the results of the proposed financial plan and the test year rate calculations (see **Table 5-5** on the following page). Proposed FY 2026/27 rates simply equal the test year rates previously calculated in **Table 5-1** and **Table 5-3**. Proposed rates in FY 2027/28 through FY 2030/31 were calculated by increasing the proposed FY 2026/27 rates by the 9% annual revenue adjustments specified in the proposed financial plan (from **Table 3-15**). This step is necessary to establish proposed rates that will sufficiently recover the annual rate revenue requirement (identified in the proposed financial plan) over the five-year rate-setting period. All proposed rates were rounded up to the nearest cent. All rates are proposed to become effective in July of each fiscal year.

Table 5-5: Proposed Five-Year Water Rate Schedule

Line	Proposed Five-Year Rate Schedule	Current	Proposed FY 2026/27 (July 2026)	Proposed FY 2027/28 (July 2027)	Proposed FY 2028/29 (July 2028)	Proposed FY 2029/30 (July 2029)	Proposed FY 2030/31 (July 2030)
1	**Readiness to Serve Charge (per Month)**						
2	1-inch and under	$45.23	$47.72	$52.02	$56.71	$61.82	$67.39
3	1.5-inch	$50.12	$74.03	$80.70	$87.97	$95.89	$104.53
4	2-inch	$54.94	$105.60	$115.11	$125.47	$136.77	$149.08
5	3-inch	$64.61	$189.79	$206.88	$225.50	$245.80	$267.93
6	4-inch	$74.32	$284.50	$310.11	$338.02	$368.45	$401.62
7	6-inch	$132.33	$547.59	$596.88	$650.60	$709.16	$772.99
8							
9	**Volumetric Rate (per HCF)**						
10	All water use exceeding one HCF per month	$5.58	$6.08	$6.63	$7.23	$7.89	$8.61

PROPOSED WATER SUPPLY PASS-THROUGH PROVISION

The proposed rate schedule incorporates projected cost increases in imported water purchases and groundwater pumping assessments that the District pays to outside agencies. The District has little to no control over these costs. Per California Government Code Section 53756, the District reserves the right to adjust the proposed rates in **Table 5-5** during the five-year rate-setting period to directly pass through actual cost increases in imported water purchases and groundwater pumping assessments that exceed the projected costs presented in **Section 3.3** of this rate study report. Costs eligible for pass-through include:

- MWDOC rates, fees, and charges imposed on the District by MWDOC for imported water purchases and other MWDOC charges.
- The entirety of any increase in replenishment assessments, basin equity assessments, and other charges and fees adopted or imposed by OCWD relating to groundwater produced by the District.

No pass-through adjustment shall increase rates in a manner that results in the District exceeding its cost of providing water service. Prior to implementing pass-through adjustments, the District must provide written notice to customers at least 30 days in advance.

PROPOSED INFLATION PASS-THROUGH PROVISION

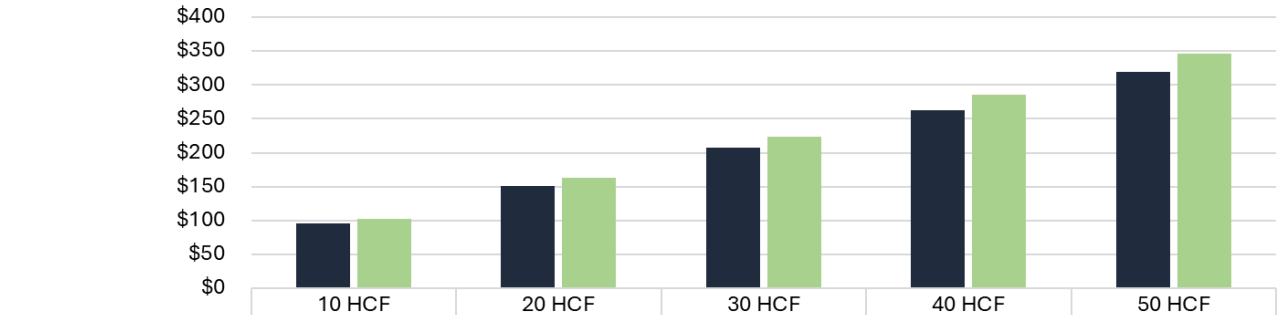
Additionally, Government Code 53756 authorizes a water supplier to pass through the costs of inflation where actual inflation exceeds projected inflation. The District therefore proposes to authorize, but not require, annual adjustments to the proposed rates in **Table 5-5** for inflation, as measured by the Labor Consumer Price Index, All Urban Consumers, for the Los Angeles Region, where the District determines that inflation during the prior twelve months, as measured by the CPI, was higher than projected inflation presented in **Section 3.3** of this report. No inflation pass-through adjustment shall increase rates in a manner that results in the District exceeding its cost of providing water service. Prior to implementing pass-through adjustments, the District must provide written notice to customers at least 30 days in advance.

5.5 CUSTOMER BILL IMPACT ANALYSIS

SINGLE-FAMILY RESIDENTIAL MONTHLY BILL IMPACTS

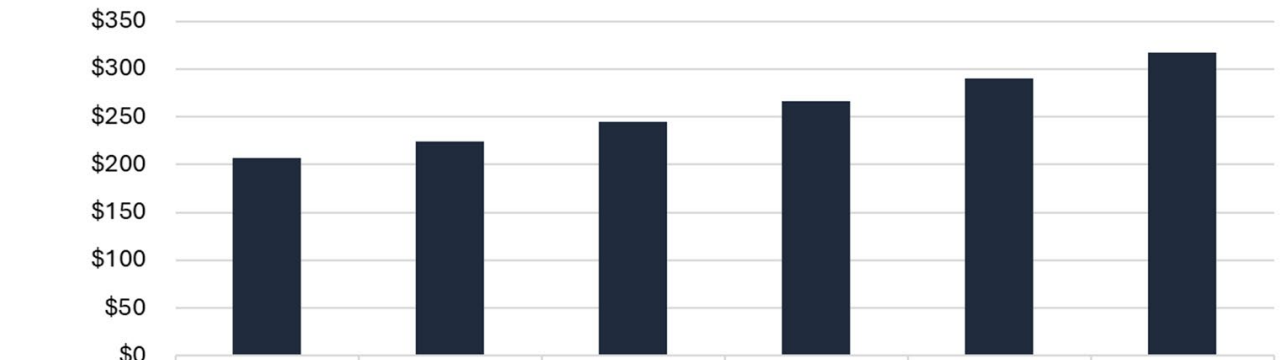
Sample monthly bills were calculated to evaluate impacts to single-family residential customers. A comparison of single-family residential bills at varying levels of water use under current rates (effective July 2024) and proposed FY 2026/27 rates (effective July 2026) is provided in **Figure 5-1**. Monthly bills for a single-family residential customer with average water use (30 HCF per month) are shown over the entire five-year rate-setting period in **Figure 5-2**. All bills shown incorporate Readiness to Serve Charges for a meter size of 1-inch and under (about 97.5% of all customers). Differential impacts occur in FY 2026/27 due to the updated cost-of-service allocations. Beginning in FY 2027/28, all customer bills increase uniformly by 9% (or slightly higher due to rounding) in line with proposed revenue adjustments.

Figure 5-1: Sample Residential Monthly Bill Impacts - FY 2026/27



	10 HCF (Very Low)	20 HCF (Low)	30 HCF (Medium)	40 HCF (High)	50 HCF (Very High)
Current Monthly Bill	$95.45	$151.25	$207.05	$262.85	$318.65
Proposed Monthly Bill	$102.44	$163.24	$224.04	$284.84	$345.64
Difference ($)	$6.99	$11.99	$16.99	$21.99	$26.99
Difference (%)	7.3%	7.9%	8.2%	8.4%	8.5%

Figure 5-2: Five-Year Monthly Bill Impacts for Typical Residential Customer

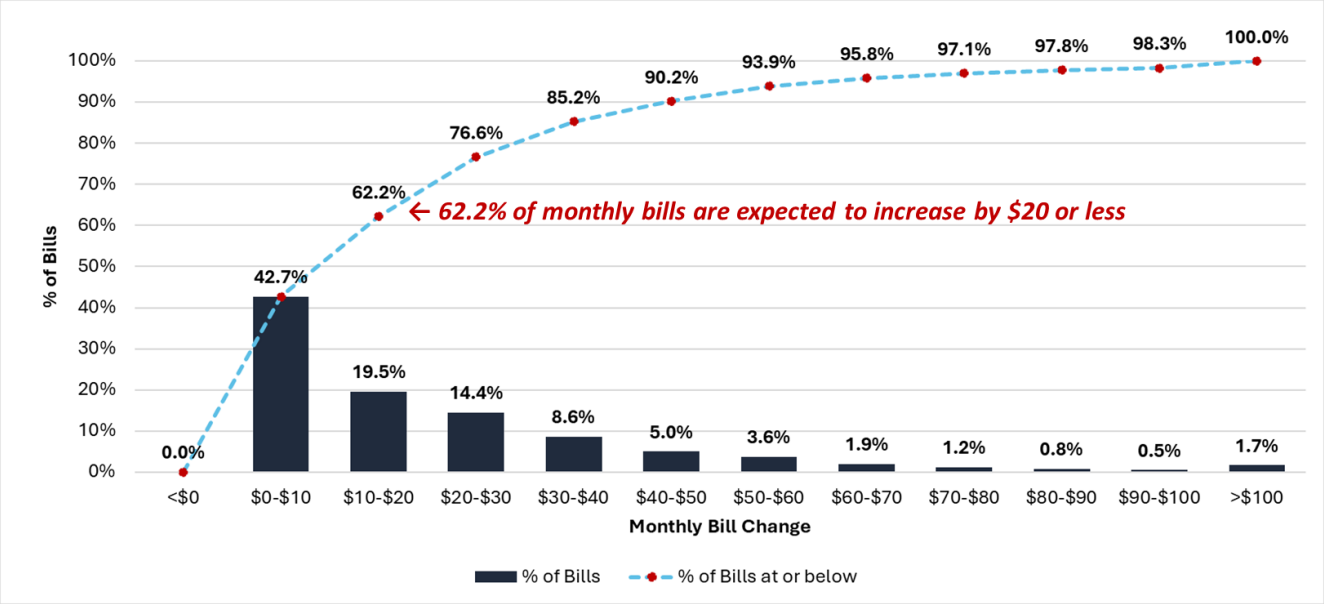


	Current	Proposed FY 2026/27	Proposed FY 2027/28	Proposed FY 2028/29	Proposed FY 2029/30	Proposed FY 2030/31
Monthly Bill	$207.05	$224.04	$244.29	$266.38	$290.63	$317.08
Change ($)		$16.99	$20.25	$22.09	$24.25	$26.45
Change (%)		8.2%	9.0%	9.0%	9.1%	9.1%

ESTIMATED MONTHLY BILL IMPACTS FOR ALL CUSTOMER CLASSES

Account-level water use and billing data for all customers over the last five years was used to generate a distribution of estimated monthly bill increases in FY 2026/27 (relative to current rates) in **Figure 5-3**. It is estimated that 42.7% of customer bills will increase by no more than $10 and that 62.2% of bills will increase by no more than $20 in FY 2026/27 (the first year of the proposed rate schedule). Customers with larger meter sizes and/or very high water use will likely experience higher monthly bill increases.

Figure 5-3: Estimated Monthly Bill Impacts - FY 2026/27



6. APPENDICES

6.1 APPENDIX A: DETAILED O&M EXPENSE PROJECTIONS

Line	O&M Expenses	Inflationary Category	FY 2025/26 Budget	FY 2026/27 Projected	FY 2027/28 Projected	FY 2028/29 Projected	FY 2029/30 Projected	FY 2030/31 Projected
1	**Source of Supply**							
2	Purchased Water[39]	N/A	$0	$551,994	$606,562	$640,667	$665,223	$693,189
3	Purchased Water - Capacity Charge	Purchased Water - Capacity Charge	$20,400	$21,958	$26,038	$32,343	$37,462	$41,616
4	Purchased Water - RTS Fee	Purchased Water - RTS Fee	$139,100	$145,131	$167,372	$197,907	$214,870	$222,032
5	Ground Water Replenishment[40]	N/A	$758,500	$1,563,284	$1,641,448	$1,723,521	$1,809,697	$1,900,182
6	**Subtotal**		**$918,000**	**$2,282,367**	**$2,441,421**	**$2,594,438**	**$2,727,252**	**$2,857,019**
7								
8	**Pumping**							
9	Maintenance Pumping-Cerro Villa	General	$9,100	$9,373	$9,654	$9,944	$10,242	$10,549
10	Maintenance Structure Lockett	General	$12,000	$12,360	$12,731	$13,113	$13,506	$13,911
11	Maintenance Smith Pump Station	General	$35,000	$36,050	$37,132	$38,245	$39,393	$40,575
12	Maintenance Pumping Well #3	General	$12,300	$12,669	$13,049	$13,441	$13,844	$14,259
13	Maintenance Pumping Well #5	General	$12,300	$12,669	$13,049	$13,441	$13,844	$14,259
14	Electricity-Cerro Villa	Electricity	$5,400	$5,940	$6,534	$7,187	$7,906	$8,697
15	Electricity-Smith Reservoir	Electricity	$330,400	$363,440	$399,784	$439,762	$483,739	$532,113
16	Electricity-Wells	Electricity	$286,900	$315,590	$347,149	$381,864	$420,050	$462,055
17	**Subtotal**		**$703,400**	**$768,091**	**$839,082**	**$916,997**	**$1,002,524**	**$1,096,418**
18								
19	**Water Treatment**							
20	Testing Equipment	General	$2,000	$2,060	$2,122	$2,185	$2,251	$2,319

[39] See detailed variable source of supply cost projections in **Table 3-7**.
[40] See detailed variable source of supply cost projections in **Table 3-7**.

Line	O&M Expenses	Inflationary Category	FY 2025/26 Budget	FY 2026/27 Projected	FY 2027/28 Projected	FY 2028/29 Projected	FY 2029/30 Projected	FY 2030/31 Projected
21	IRWD Native Water Treatment[41]	Non-Recurring	$652,100	$0	$0	$0	$0	$0
22	Water Treatment Wells - Chlorine	Chemicals	$29,700	$31,185	$32,744	$34,381	$36,101	$37,906
23	Water Treatment Wells - Ammonia	Chemicals	$9,900	$10,395	$10,915	$11,460	$12,034	$12,635
24	Water Treatment Wells - PFOS	General	$192,100	$197,863	$203,799	$209,913	$216,210	$222,697
25	Water Treatment Equipment	General	$5,000	$5,150	$5,305	$5,464	$5,628	$5,796
26	Water Treatment Maintenance	General	$5,000	$5,150	$5,305	$5,464	$5,628	$5,796
27	Analysis Compliance	General	$18,000	$18,540	$19,096	$19,669	$20,259	$20,867
28	Misc. Analysis	General	$5,000	$5,150	$5,305	$5,464	$5,628	$5,796
29	**Subtotal**		**$918,800**	**$275,493**	**$284,589**	**$294,000**	**$303,737**	**$313,812**
30								
31	**Transmission & Distribution**							
32	Salaries & Wages	Salaries/Benefits	$497,200	$522,060	$548,163	$575,571	$604,350	$634,567
33	Salaries & Wages On-Call OT	Salaries/Benefits	$18,600	$19,530	$20,507	$21,532	$22,608	$23,739
34	Salaries & Wages Rounds OT	Salaries/Benefits	$26,000	$27,300	$28,665	$30,098	$31,603	$33,183
35	Salaries & Wages Pager, Certification	Salaries/Benefits	$9,600	$10,080	$10,584	$11,113	$11,669	$12,252
36	Maintenance	General	$0	$0	$0	$0	$0	$0
37	Asphalt Patching	General	$75,000	$77,250	$79,568	$81,955	$84,413	$86,946
38	Supplies Main Line	General	$9,400	$9,682	$9,972	$10,272	$10,580	$10,897
39	Meter Repair	General	$10,000	$10,300	$10,609	$10,927	$11,255	$11,593
40	Maintenance & Emergency	General	$200,000	$206,000	$212,180	$218,545	$225,102	$231,855
41	Safety	General	$2,500	$2,575	$2,652	$2,732	$2,814	$2,898
42	Small Tools	General	$1,500	$1,545	$1,591	$1,639	$1,688	$1,739
43	Fuel & Oil	General	$26,000	$26,780	$27,583	$28,411	$29,263	$30,141
44	Vehicle Expense	General	$5,800	$5,974	$6,153	$6,338	$6,528	$6,724
45	Heavy Equipment Maintenance	General	$20,000	$20,600	$21,218	$21,855	$22,510	$23,185

[41] IRWD Native Water Treatment costs will not recur beyond FY 2025/26 due to the District's changing water supply cost structure.

Line	O&M Expenses	Inflationary Category	FY 2025/26 Budget	FY 2026/27 Projected	FY 2027/28 Projected	FY 2028/29 Projected	FY 2029/30 Projected	FY 2030/31 Projected
46	Uniforms	General	$6,000	$6,180	$6,365	$6,556	$6,753	$6,956
47	Boots	General	$2,000	$2,060	$2,122	$2,185	$2,251	$2,319
48	Uncollectable Accounts	General	$1,500	$1,545	$1,591	$1,639	$1,688	$1,739
49	**Subtotal**		**$911,100**	**$949,461**	**$989,524**	**$1,031,368**	**$1,075,076**	**$1,120,733**
50								
51	**General & Administration**							
52	Salaries, Wages	Salaries/Benefits	$303,300	$318,465	$334,388	$351,108	$368,663	$387,096
53	Salaries, Wages OT	Salaries/Benefits	$2,000	$2,100	$2,205	$2,315	$2,431	$2,553
54	Office Supplies	General	$15,200	$15,656	$16,126	$16,609	$17,108	$17,621
55	Printing & Postage	General	$40,000	$41,200	$42,436	$43,709	$45,020	$46,371
56	Utilities - Gas	General	$700	$721	$743	$765	$788	$811
57	Utilities - Electricity	Electricity	$9,800	$10,780	$11,858	$13,044	$14,348	$15,783
58	Phones, Answering Service & Cable	General	$17,600	$18,128	$18,672	$19,232	$19,809	$20,403
59	Gasoline & Oil	General	$4,500	$4,635	$4,774	$4,917	$5,065	$5,217
60	Auto Expense & Mileage	General	$14,000	$14,420	$14,853	$15,298	$15,757	$16,230
61	Dues & Subscription	General	$69,300	$71,379	$73,520	$75,726	$77,998	$80,338
62	Travel & Meeting	General	$17,200	$17,716	$18,247	$18,795	$19,359	$19,940
63	Travel, Out of Town	General	$17,100	$17,613	$18,141	$18,686	$19,246	$19,824
64	Insurance - Liability	General	$84,400	$86,932	$89,540	$92,226	$94,993	$97,843
65	Employee Benefits - Medical	Salaries/Benefits	$316,200	$332,010	$348,611	$366,041	$384,343	$403,560
66	Employee Benefits - Retiree Medical	Salaries/Benefits	$120,500	$126,525	$132,851	$139,494	$146,469	$153,792
67	Employee Benefits - Vision	Salaries/Benefits	$2,100	$2,205	$2,315	$2,431	$2,553	$2,680
68	Employee Benefits - Dental	Salaries/Benefits	$18,200	$19,110	$20,066	$21,069	$22,122	$23,228
69	Employee Benefits - Life Insurance	Salaries/Benefits	$1,900	$1,995	$2,095	$2,199	$2,309	$2,425
70	Employee Benefits - Pension Plans	Salaries/Benefits	$177,100	$185,955	$195,253	$205,015	$215,266	$226,029
71	Employee Benefits - Workers Comp	Salaries/Benefits	$12,900	$13,545	$14,222	$14,933	$15,680	$16,464

Line	O&M Expenses	Inflationary Category	FY 2025/26 Budget	FY 2026/27 Projected	FY 2027/28 Projected	FY 2028/29 Projected	FY 2029/30 Projected	FY 2030/31 Projected
72	Employee Benefits - Payroll Tax	Salaries/Benefits	$64,000	$67,200	$70,560	$74,088	$77,792	$81,682
73	Employee Benefits - Disability Ins.	Salaries/Benefits	$3,000	$3,150	$3,308	$3,473	$3,647	$3,829
74	General & Admin - Other	General	$50,000	$51,500	$53,045	$54,636	$56,275	$57,964
75	Computer, Systems	General	$110,500	$113,815	$117,229	$120,746	$124,369	$128,100
76	Bank Charges	General	$2,700	$2,781	$2,864	$2,950	$3,039	$3,130
77	District Security	General	$9,800	$10,094	$10,397	$10,709	$11,030	$11,361
78	Payroll Processing Fees	General	$5,700	$5,871	$6,047	$6,229	$6,415	$6,608
79	Professional Fees Legal	General	$150,000	$154,500	$159,135	$163,909	$168,826	$173,891
80	Professional Fees Engineering	General	$30,000	$30,900	$31,827	$32,782	$33,765	$34,778
81	Professional Fees Audit	General	$40,000	$41,200	$42,436	$43,709	$45,020	$46,371
82	Professional Fees Directors	General	$48,000	$49,440	$50,923	$52,451	$54,024	$55,645
83	Professional Fees Consultants[42]	General	$300,000	$206,000	$212,180	$218,545	$225,102	$231,855
84	**Subtotal**		**$2,057,700**	**$2,037,541**	**$2,120,867**	**$2,207,841**	**$2,298,632**	**$2,393,421**
85								
86	**Water Conservation**							
87	MWDOC Choice Program	General	$2,000	$2,060	$2,122	$2,185	$2,251	$2,319
88	**Subtotal**		**$2,000**	**$2,060**	**$2,122**	**$2,185**	**$2,251**	**$2,319**
89								
90	**Non-Operating Expenses (excl. Debt Service)**							
91	PR Water Quality	General	$4,000	$4,120	$4,244	$4,371	$4,502	$4,637
92	**Subtotal**		**$4,000**	**$4,120**	**$4,244**	**$4,371**	**$4,502**	**$4,637**
93								
94	**Total**		**$5,515,000**	**$6,319,133**	**$6,681,848**	**$7,051,200**	**$7,413,973**	**$7,788,359**

[42] Professional consultant fees were projected to decrease from $300,000 to $200,000 in FY 2026/27 before accounting for inflation (per direction from District staff).

6.2 APPENDIX B: DETAILED ALLOCATION OF FY 2026/27 O&M EXPENSES TO FUNCTIONAL CATEGORIES

Line	O&M Expenses	FY 2026/27 Projection	Allocation to Functional Categories
1	**Source of Supply**		
2	Purchased Water	$551,994	*100% MWDOC Volumetric Rates*
3	Purchased Water - Capacity Charge	$21,958	*100% MWDOC Fixed Charges*
4	Purchased Water - RTS Fee	$145,131	*100% MWDOC Fixed Charges*
5	Ground Water Replenishment	$1,563,284	*100% OCWD Replenishment Assessment*
6	**Subtotal - Source of Supply**	**$2,282,367**	
7			
8	**Pumping**		
9	Maintenance Pumping-Cerro Villa	$9,373	*100% Pumping*
10	Maintenance Structure Lockett	$12,360	*100% Storage*
11	Maintenance Smith Pump Station	$36,050	*100% Pumping*
12	Maintenance Pumping Well #3	$12,669	*100% Wells*
13	Maintenance Pumping Well #5	$12,669	*100% Wells*
14	Electricity-Cerro Villa	$5,940	*100% Electricity/Chemicals*
15	Electricity-Smith Reservoir	$363,440	*100% Electricity/Chemicals*
16	Electricity-Wells	$315,590	*100% Electricity/Chemicals*
17	**Subtotal - Pumping**	**$768,091**	
18			
19	**Water Treatment**		
20	Testing Equipment	$2,060	*100% Treatment*
21	Water Treatment Wells - Chlorine	$31,185	*100% Electricity/Chemicals*
22	Water Treatment Wells - Ammonia	$10,395	*100% Electricity/Chemicals*
23	Water Treatment Wells - PFOS	$197,863	*100% Electricity/Chemicals*
24	Water Treatment Equipment	$5,150	*100% Treatment*
25	Water Treatment Maintenance	$5,150	*100% Treatment*
26	Analysis Compliance	$18,540	*100% Electricity/Chemicals*
27	Misc. Analysis	$5,150	*100% Electricity/Chemicals*
28	**Subtotal - Water Treatment**	**$275,493**	

Line	O&M Expenses	FY 2026/27 Projection	Allocation to Functional Categories
29			
30	**Transmission & Distribution**		
31	Salaries & Wages	$522,060	*100% Transmission/Distribution*
32	Salaries & Wages On-Call OT	$19,530	*100% Transmission/Distribution*
33	Salaries & Wages Rounds OT	$27,300	*100% Transmission/Distribution*
34	Salaries & Wages Pager, Certification	$10,080	*100% Transmission/Distribution*
35	Asphalt Patching	$77,250	*100% Transmission/Distribution*
36	Supplies Main Line	$9,682	*100% Transmission/Distribution*
37	Meter Repair	$10,300	*100% Meter Maintenance & Replacement*
38	Maintenance & Emergency	$206,000	*100% Transmission/Distribution*
39	Safety	$2,575	*100% Transmission/Distribution*
40	Small Tools	$1,545	*100% Transmission/Distribution*
41	Fuel & Oil	$26,780	*100% Transmission/Distribution*
42	Vehicle Expense	$5,974	*100% Transmission/Distribution*
43	Heavy Equipment Maintenance	$20,600	*100% Transmission/Distribution*
44	Uniforms	$6,180	*100% Transmission/Distribution*
45	Boots	$2,060	*100% Transmission/Distribution*
46	Uncollectable Accounts	$1,545	*100% Transmission/Distribution*
47	**Subtotal - Transmission & Distribution**	**$949,461**	
48			
49	**General & Administration**		
50	Salaries, Wages	$318,465	*50% Billing & Customer Service* *50% General*
51	Salaries, Wages OT	$2,100	*50% Billing & Customer Service* *50% General*
52	Office Supplies	$15,656	*50% Billing & Customer Service* *50% General*
53	Printing & Postage	$41,200	*100% Billing & Customer Service*
54	Utilities - Gas	$721	*100% General*
55	Utilities - Electricity	$10,780	*100% General*

Line	O&M Expenses	FY 2026/27 Projection	Allocation to Functional Categories
56	Phones, Answering Service & Cable	$18,128	*100% Billing & Customer Service*
57	Gasoline & Oil	$4,635	*100% General*
58	Auto Expense & Mileage	$14,420	*100% Transmission/Distribution*
59	Dues & Subscription	$71,379	*100% General*
60	Travel & Meeting	$17,716	*100% General*
61	Travel, Out of Town	$17,613	*100% General*
62	Insurance - Liability	$86,932	*100% General*
63	Employee Benefits - Medical	$332,010	*17.8% Billing & Customer Service* *64.4% Transmission/Distribution* *17.8% General*
64	Employee Benefits - Retiree Medical	$126,525	*17.8% Billing & Customer Service* *64.4% Transmission/Distribution* *17.8% General*
65	Employee Benefits - Vision	$2,205	*17.8% Billing & Customer Service* *64.4% Transmission/Distribution* *17.8% General*
66	Employee Benefits - Dental	$19,110	*17.8% Billing & Customer Service* *64.4% Transmission/Distribution* *17.8% General*
67	Employee Benefits - Life Insurance	$1,995	*17.8% Billing & Customer Service* *64.4% Transmission/Distribution* *17.8% General*
68	Employee Benefits - Pension Plans	$185,955	*17.8% Billing & Customer Service* *64.4% Transmission/Distribution* *17.8% General*
69	Employee Benefits - Workers Comp	$13,545	*17.8% Billing & Customer Service* *64.4% Transmission/Distribution* *17.8% General*
70	Employee Benefits - Payroll Tax	$67,200	*17.8% Billing & Customer Service* *64.4% Transmission/Distribution* *17.8% General*

Line	O&M Expenses	FY 2026/27 Projection	Allocation to Functional Categories
71	Employee Benefits - Disability Ins.	$3,150	*17.8% Billing & Customer Service* *64.4% Transmission/Distribution* *17.8% General*
72	General & Admin - Other	$51,500	*100% General*
73	Computer, Systems	$113,815	*100% General*
74	Bank Charges	$2,781	*50% Billing & Customer Service* *50% General*
75	District Security	$10,094	*100% General*
76	Payroll Processing Fees	$5,871	*17.8% Billing & Customer Service* *64.4% Transmission/Distribution* *17.8% General*
77	Professional Fees Legal	$154,500	*100% General*
78	Professional Fees Engineering	$30,900	*100% General*
79	Professional Fees Audit	$41,200	*100% General*
80	Professional Fees Directors	$49,440	*100% General*
81	Professional Fees Consultants	$206,000	*100% General*
82	**Subtotal - General & Administration**	**$2,037,541**	
83			
84	**Water Conservation**		
85	MWDOC Choice Program	$2,060	*100% Conservation*
86	**Subtotal - Water Conservation**	**$2,060**	
87			
88	**Non-Operating Expenses (excl. Debt Service)**		
89	PR Water Quality	$4,120	*100% Billing & Customer Service*
90	**Subtotal - Non-Operating Expenses (excl. Debt Service)**	**$4,120**	
91			
92	**Total O&M Expenses**	**$6,319,133**	

Appendix B Notes:

- All employee benefits and related expenses were allocated in proportion to the overall allocation of total salaries and wages.

6.3 APPENDIX C: DETAILED ALLOCATION OF CAPITAL ASSETS TO FUNCTIONAL CATEGORIES

Line	Asset Description	Asset Account	Replacement Cost	Functional Category
1	LAND	LAND	$466,282	*Excluded*
2	SANTIAGO DAM APPURTENCES	1112& 1112SAN	$122,671	*Excluded*
3	Level Recorder	1112& 1112SAN	$3,738	*Excluded*
4	New Valves at Vault	1112& 1112SAN	$20,866	*Excluded*
5	Garage	1112& 1112SAN	$8,663	*Excluded*
6	Painting	1112& 1112SAN	$4,386	*Excluded*
7	Miscellaneous	1112& 1112SAN	$29,609	*Excluded*
8	1995 Additions	1112& 1112SAN	$72,727	*Excluded*
9	1997 Additions	1112& 1112SAN	$44,309	*Excluded*
10	2001 Additions	1112& 1112SAN	$26,270	*Excluded*
11	2002 Additions	1112& 1112SAN	$66,933	*Excluded*
12	2003 Additions	1112& 1112SAN	$42,586	*Excluded*
13	2008 Additions	1112& 1112SAN	$18,617	*Excluded*
14	2010 Additions	1112& 1112SAN	$24,883	*Excluded*
15	2015 Additions	1112& 1112SAN	$8,881	*Excluded*
16	2016 Additions	1112& 1112SAN	$16,506	*Excluded*
17	Lagoon	1112& 1112SAN	$110,930	*Excluded*
18	SANTIAGO DAM	1113	$18,464,238	*Excluded*
19	SANTIAGO LATERAL EXTENSION	1114	$81,311	*Excluded*
20	SWD-CID Irvine Park Meter	1116	$12,757	*Meter Maintenance & Replacement*
21	Meter Replacement Project	1116	$49,950	*Meter Maintenance & Replacement*
22	Meter Replacement Project	1116	$41,532	*Meter Maintenance & Replacement*
23	Meter Replacement Project - McCall's	1116	$27,604	*Meter Maintenance & Replacement*
24	FILTER PLANT/APPURTENCES (1968)	1130	$603,333	*Treatment*
25	FILTER PLANT EQUIPMENT	1130	$71,152	*Treatment*
26	Lifting Beam for C12	1130	$1,145	*Treatment*
27	Chemical Tank	1130	$1,486	*Treatment*
28	Improvements	1130	$33,103	*Treatment*
29	Improvements	1130	$5,230	*Treatment*

Line	Asset Description	Asset Account	Replacement Cost	Functional Category
30	Improvements	1130	$10,256	*Treatment*
31	1995 Additions	1130	$14,188	*Treatment*
32	1998 Additions	1130	$23,968	*Treatment*
33	1999 Additions	1130	$61,293	*Treatment*
34	2000 Additions	1130	$78,473	*Treatment*
35	2001 Additions	1130	$15,466	*Treatment*
36	2005 Additions	1130	$154,909	*Treatment*
37	2006 Additions	1130	$211,150	*Treatment*
38	2007 Additions	1130	$56,568	*Treatment*
39	2008 Additions	1130	$68,741	*Treatment*
40	2009 Additions	1130	$57,773	*Treatment*
41	2010 Additions	1130	$120,372	*Treatment*
42	2011 Additions	1130	$236,378	*Treatment*
43	2012 Additions	1130	$38,201	*Treatment*
44	2013 Additions	1130	$37,087	*Treatment*
45	2014 Additions	1130	$49,492	*Treatment*
46	2015 Additions	1130	$2,444	*Treatment*
47	2016 Additions	1130	$1,725	*Treatment*
48	Water Treatment Plant - Dependable Graham A/C (AC unit)	1130	$9,622	*Treatment*
49	Water Treatment Plant - Riv-Or Counties Pump (Pump)	1130	$7,315	*Treatment*
50	Water Treatment Pump - Booster Pump repair/Replacement (Inv#26707)	1130	$46,492	*Treatment*
51	Treatment Plant - Upgrade - HACH (Inv. 11014272) Turbidity Meter Service July 2018	1130	$10,284	*Treatment*
52	Treatment Plant - New AC unit for Treatment plant Ozone Generator	1130	$10,543	*Treatment*
53	Treatment Plant - R&B Automation Inc Actuators/motors	1130	$28,984	*Treatment*
54	Wells - Conceptual Design/Scada Project-11288	1130	$3,495	*Treatment*

Line	Asset Description	Asset Account	Replacement Cost	Functional Category
55	Wells - Conceptual Design/Scada Project-11486	1130	$11,066	*Treatment*
56	Water Treatment Pump - Inv# 3556C88553 Ozone Generator 33% Pmt XYLEM Water Solutions	1130	$28,415	*Treatment*
57	TREATMENT BUILDING AT PARK	1131	$15,479	*Treatment*
58	PIPELINES CONCRETE	1145+1146	$170,939	*Transmission/Distribution*
59	PIPELINES DELIVERY	1148	$2,046,330	*Transmission/Distribution*
60	Pipeline-Taft & Sycamore	1148	$25,770	*Transmission/Distribution*
61	Mains & Trans	1148	$1,489,347	*Transmission/Distribution*
62	Mains & Trans	1148	$1,801,742	*Transmission/Distribution*
63	Santiago Blvd. 2" Blowoffs	1148	$128,851	*Transmission/Distribution*
64	Creek Cross to Windes Dr. 24" water line	1148	$180,036	*Transmission/Distribution*
65	Creek Cross to Windes Dr. 24" water line	1148	$4,627	*Transmission/Distribution*
66	Villa Park Road 4"	1148	$140,653	*Transmission/Distribution*
67	Cerro Villa/Loma	1148	$42,943	*Transmission/Distribution*
68	Nicholson	1148	$12,973	*Transmission/Distribution*
69	Cerro Villa-Mesa Drive Water Main	1148	$309,676	*Transmission/Distribution*
70	Improvements - Cerro Villa, Mesa, Valley	1148	$132,325	*Transmission/Distribution*
71	1995 Additions	1148	$464,673	*Transmission/Distribution*
72	1996 Additions	1148	$106,845	*Transmission/Distribution*
73	1997 Additions	1148	$238,100	*Transmission/Distribution*
74	1998 Additions	1148	$75,657	*Transmission/Distribution*
75	1999 Additions	1148	$4,405	*Transmission/Distribution*
76	1999 Additions	1148	$91,540	*Transmission/Distribution*
77	2000 Additions	1148	$414,362	*Transmission/Distribution*
78	2001 Additions	1148	$82,837	*Transmission/Distribution*
79	2001 Additions	1148	$13,770	*Transmission/Distribution*
80	2001 Additions	1148	$27,208	*Transmission/Distribution*
81	2001 Additions	1148	$303,671	*Transmission/Distribution*
82	2001 Additions	1148	$89,161	*Transmission/Distribution*

Line	Asset Description	Asset Account	Replacement Cost	Functional Category
83	2002 Additions	1148	$135,915	*Transmission/Distribution*
84	2003 Additions	1148	$96,180	*Transmission/Distribution*
85	2004 Additions	1148	$6,705	*Transmission/Distribution*
86	2005 Additions	1148	$7,561	*Transmission/Distribution*
87	2006 Additions	1148	$33,432	*Transmission/Distribution*
88	2007 Additions	1148	$80,700	*Transmission/Distribution*
89	2008 Additions	1148	$19,227	*Transmission/Distribution*
90	2009 Additions	1148	$49,878	*Transmission/Distribution*
91	2010 Additions	1148	$118,449	*Transmission/Distribution*
92	2011 Additions	1148	$209,881	*Transmission/Distribution*
93	2012 Additions	1148	$85,877	*Transmission/Distribution*
94	2013 Additions	1148	$66,541	*Transmission/Distribution*
95	2014 Additions	1148	$36,970	*Transmission/Distribution*
96	2015 Additions	1148	$103,538	*Transmission/Distribution*
97	2017 Additions	1148	$63,577	*Transmission/Distribution*
98	Easement Valves Improvement 000000043 /IN: 1132459-0001	1148	$289	*Transmission/Distribution*
99	Easement Valves Improvement 000000653 /IN: 58596	1148	$721	*Transmission/Distribution*
100	Easement Valves Improvement C. WELLS PIPELINE MATERIALS IN	1148	$932	*Transmission/Distribution*
101	Easement Valves Improvement CALIFORNIA CONCRETE /IN: 17-10	1148	$1,078	*Transmission/Distribution*
102	Easement Valves Improvement 000000891 /IN: 18-0230	1148	$1,257	*Transmission/Distribution*
103	Easement Valves Improvement C. WELLS PIPELINE MATERIALS IN	1148	$1,338	*Transmission/Distribution*
104	Easement Valves Improvement C. WELLS PIPELINE MATERIALS IN	1148	$1,348	*Transmission/Distribution*
105	Easement Valves Improvement C. WELLS PIPELINE MATERIALS IN	1148	$1,393	*Transmission/Distribution*

Line	Asset Description	Asset Account	Replacement Cost	Functional Category
106	Easement Valves Improvement C. WELLS PIPELINE MATERIALS IN	1148	$1,366	*Transmission/Distribution*
107	Easement Valves Improvement C. WELLS PIPELINE MATERIALS IN	1148	$2,156	*Transmission/Distribution*
108	Easement Valves Improvement 000000653 /IN: 58596	1148	$3,778	*Transmission/Distribution*
109	Easement Valves Improvement BEN'S ASPHALT, INC. /IN: 17883	1148	$9,611	*Transmission/Distribution*
110	Pipeline Delivery Center - Lockett Reservoir HUNTER ELECTRIC SERVICE INC	1148	$14,674	*Transmission/Distribution*
111	3" Neptune Fire Hydrant Meter S/N 70380594-95	1148	$4,421	*Transmission/Distribution*
112	LOCKETT RESERVOIR	1150	$3,010,299	*Storage*
113	GENERAL PUMP /IN: 26423 Locket	1150	$1,867	*Storage*
114	DIVE/COR, INC. /IN: 1843 Inspect	1150	$2,262	*Storage*
115	HUNTER ELECTRIC SERVICE INC. /	1150	$4,684	*Storage*
116	GENERAL PUMP /IN: 25996	1150	$18,168	*Storage*
117	SCADA System Updating / PLC Cabinet	1150	$9,413	*Storage*
118	Lockett Tank - Cathodic Protection system	1150	$21,573	*Storage*
119	Well #4	1151	$30,461	*Wells*
120	Well #4	1151	$1,313,496	*Wells*
121	Well #4	1151	$229,653	*Wells*
122	Well #3	1151	$50,774	*Wells*
123	1995 Additions	1151	$4,906	*Wells*
124	Well #5	1151	$8,616	*Wells*
125	1998 Additions	1151	$802,408	*Wells*
126	1999 Additions	1151	$270,588	*Wells*
127	2006 Additions	1151	$50,559	*Wells*
128	2007 Additions	1151	$70,758	*Wells*
129	2008 Additions	1151	$3,593	*Wells*
130	2009 Additions	1151	$9,572	*Wells*
131	2010 Additions	1151	$1,713	*Wells*

Line	Asset Description	Asset Account	Replacement Cost	Functional Category
132	2011 Additions	1151	$30,659	*Wells*
133	2012 Additions	1151	$66,478	*Wells*
134	2013 Additions	1151	$39,343	*Wells*
135	2014 Additions	1151	$110,201	*Wells*
136	2015 Additions	1151	$175,847	*Wells*
137	2016 Additions	1151	$281,099	*Wells*
138	2017 Additions	1151	$4,118	*Wells*
139	Well #3 Mag Meter	1151	$5,364	*Wells*
140	Well Pump new Motor GENERAL PUMP /IN: 26548 AP-000362	1151	$43,828	*Wells*
141	Well #5 000000460 /IN: 020818 WELL#5 S Pump/Motor	1151	$7,551	*Wells*
142	Well #5 GENERAL PUMP /IN: 26204 Pump/Motor	1151	$67,376	*Wells*
143	Well #5 000000343 /IN: 26325 Pump/Motor	1151	$101,256	*Wells*
144	Well #5 000000878 /IN: 2018-0032 VFD Pump/Motor	1151	$123,585	*Wells*
145	Conceptual Design/In:012719 Scada Project	1151	$11,066	*Wells*
146	Conceptual Design/In:052919 Scada Project	1151	$11,217	*Wells*
147	Conceptual Design/Scada Project-11704	1151	$11,106	*Wells*
148	Well #3 Sound Acoustical System	1151	$6,558	*Wells*
149	Well #5 Sound Acoustical System	1151	$10,612	*Wells*
150	General Pump Rehab Inv 30143 AP-000537	1151	$371,251	*Wells*
151	General Pump /IN: 30302	1151	$2,852	*Wells*
152	AP-000546 Hunter Electric Service	1151	$17,574	*Wells*
153	General Pump Rehab Inv 31112 $$52,309.61/Inv 31142 $1,451.94 Sand Separator AP-000573	1151	$55,068	*Wells*
154	Well 5 Flush Project	1151	$462,830	*Wells*
155	SMITH RESERVOIR #1 (1970)	1160	$1,054,950	*Storage*
156	SMITH RESERVOIR-APPURTENANCES	1160	$879,042	*Storage*
157	SMITH RESERVOIR-refurbish	1160	$8,957	*Storage*
158	Reservoir 1 & Gate	1160	$79,169	*Storage*

Line	Asset Description	Asset Account	Replacement Cost	Functional Category
159	Gate/Wall	1160	$63,244	*Storage*
160	Southwest Pump & Drilling	1160	$19,440	*Storage*
161	Southwest Pump & Drilling	1160	$40,405	*Storage*
162	Additions	1160	$192,270	*Storage*
163	Additions	1160	$160,600	*Storage*
164	Additions	1160	$155,917	*Storage*
165	GENERAL PUMP /IN: 26055 Motor	1160	$7,609	*Storage*
166	GENERAL PUMP /IN: 26185 Motor	1160	$54,602	*Storage*
167	Smith U1(Upper Zone) Booster Pump Replacement (Inv#28162)	1160	$43,919	*Storage*
168	Smith Reservoir Booster U-1 Replacement Motor	1160	$21,258	*Storage*
169	Smith Reservoir Booster L3 Replacement Motor	1160	$20,974	*Storage*
170	Smith Reservoir Booster U-2 Motor Rebuild	1160	$17,220	*Storage*
171	SMITH RESERVOIR #2	1161	$1,236,690	*Storage*
172	MASTER PLAN	1169, 1165, 1166	$71,084	*Excluded*
173	1995 Additions	1169, 1165, 1166	$1,032,777	*Excluded*
174	1996 Additions	1169, 1165, 1166	$8,910,973	*Excluded*
175	1997 Additions	1169, 1165, 1166	$1,343,585	*Excluded*
176	1998 Additions	1169, 1165, 1166	$86,130	*Treatment*
177	1999 Additions	1169, 1165, 1166	$1,872	*Treatment*
178	2006 Additions	1169, 1165, 1166	$91,118	*Treatment*
179	2007 Additions	1169, 1165, 1166	$11,968	*Treatment*
180	2008 Additions	1169, 1165, 1166	$258,279	*Excluded*
181	2009 Additions	1169, 1165, 1166	$88,636	*Excluded*
182	2010 Additions	1169, 1165, 1166	$379,452	*Excluded*
183	2011 Additions	1169, 1165, 1166	$687,227	*Excluded*
184	2012 Additions	1169, 1165, 1166	$3,678,328	*Excluded*
185	2013 Additions	1169, 1165, 1166	$2,051,342	*Excluded*
186	2014 Additions	1169, 1165, 1166	$533,904	*Excluded*
187	2015 Additions	1169, 1165, 1166	$29,035	*Excluded*

Line	Asset Description	Asset Account	Replacement Cost	Functional Category
188	Electrical Conduit for Generator Hunter Electric	1169, 1165, 1166	$18,703	*Treatment*
189	Security System for PFOS plant AP-000517	1169, 1165, 1166	$7,158	*Treatment*
190	Contributed Capital from OCWD	1169, 1165, 1166	$6,385,834	*Treatment*
191	Contributed Capital from OCWD	1169, 1165, 1166	$234,539	*Treatment*
192	2001 Additions (Int'l 4700 Dump)	1170	$113,343	*Transmission/Distribution*
193	2006 Additions	1170	$75,876	*Transmission/Distribution*
194	2010 Additions	1170	$68,096	*Transmission/Distribution*
195	2012 Additions	1170	$52,643	*Transmission/Distribution*
196	2016 Additions GMC Truck	1170	$84,557	*Transmission/Distribution*
197	2017 - Sons ray Machinery LLC Backhoe	1170	$124,576	*Transmission/Distribution*
198	2016 250 Ford	1170	$36,314	*Transmission/Distribution*
199	Select Equipment/In: 11000258 Nissan Forklift (Model CF50LP 5K LB)	1170	$33,050	*Transmission/Distribution*
200	New marine Engine	1170	$12,650	*Transmission/Distribution*
201	2019 Ford Ranger	1170	$35,230	*Transmission/Distribution*
202	2022 2500 RAM Truck 139167	1170	$59,865	*Transmission/Distribution*
203	BUILDING & IMPROVEMENTS	1171	$184,957	*General*
204	1995 Additions	1171	$17,654	*General*
205	1996 Additions	1171	$224,903	*General*
206	2010 Additions	1171	$47,059	*General*
207	2012 Additions	1171	$3,308	*General*
208	2013 Additions	1171	$15,257	*General*
209	2014 Additions	1171	$7,983	*General*
210	Planters and Window improvements	1171	$10,585	*General*
211	Interior Remodeling	1171	$8,575	*General*
212	Electrical Conduit for HQ _Vendor: CED, F&M Credit	1171	$9,481	*General*
213	New Asphalt surface HQ Ben's Asphalt Inv# 22175	1171	$111,465	*General*
214	Bill Master Software	1174	$17,217	*Billing & Customer Service*
215	2009 Additions	1174	$46,276	*General*

Line	Asset Description	Asset Account	Replacement Cost	Functional Category
216	2010 Additions	1174	$79,146	*General*
217	2012 Additions	1174	$25,078	*General*
218	2014 Additions	1174	$24,303	*General*
219	2015 Additions	1174	$68,889	*General*
220	2016 Additions	1174	$4,354	*General*
221	2017 Additions	1174	$27,732	*General*
222	Office Equipment 000000768 /IN: 193623 AP-000325	1174	$12,071	*General*
223	Office Equipment A/C System	1174	$8,524	*General*
224	Pitney Bowes Stuffing Machine In#1018412590R	1174	$16,545	*General*
225	Office Furniture GM 2010 Office Furniture	1174	$13,273	*General*
226	HP LaserJet M555 AP-000488	1174	$2,961	*General*
227	ACS Route Manager 4.0 CRS Software	1174	$8,111	*Billing & Customer Service*
228	2012 Additions	1176	$7,301	*Transmission/Distribution*
229	2014 Additions	1176	$1,858	*Transmission/Distribution*
230	2015 Additions	1176	$10,394	*Transmission/Distribution*
231	2016 Additions	1176	$7,554	*Transmission/Distribution*
232	2017 Additions	1176	$3,418	*Transmission/Distribution*
233	Rand I Holding AP-000474	1176	$29,738	*Transmission/Distribution*
234	Viva Metrotech RTK Receiver/Transmitter Leak Detection	1176	$11,648	*Transmission/Distribution*
235	Steel Trench Plates (3 - 6'x10', 1 - 8'x10')	1176	$24,257	*Transmission/Distribution*
236	PARK MUTUAL WATER COMPANY	1162	$191,592	*General*
237	PIPELINES-CONTRIBUTED	1149	$2,533,536	*Transmission/Distribution*
238	Water System Contributed	1149	$187,337	*Transmission/Distribution*
239	**Total Capital Assets**		**$74,040,058**	

Appendix C Notes:

- Capital assets related to land acquisition were excluded as they do not reflect typical water system CIP needs.
- Capital assets related to Irvine Lake, Santiago Dam, and Howiler Water Treatment Plant were excluded due to the transfer of ownership to IRWD in 2025.

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