Amador Water Agency

2025 Wastewater Rate Study

Draft Report – September 2025

Prepared by: Water Resources Economics, LLC

Water Resources Economics

PROMOTING THE VALUE AND PRICE OF WATER SERVICE

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September 19, 2025

Larry McKenney
General Manager
Amador Water Agency
12800 Ridge Road
Sutter Creek, CA 95685

Subject: Amador Water Agency Wastewater Rate Study Report

Dear Mr. McKenney,

Water Resources Economics, LLC (WRE) is pleased to submit this 2025 Wastewater Rate Study Report to the Amador Water Agency (Agency). This report documents the results and recommendations of the Agency's comprehensive wastewater rate study.

The goal of the study was to develop a five-year schedule of wastewater rates that will sufficiently fund the wastewater system expenses, allow the Agency to meet its financial goals within the study period, and comply with the cost-of-service principles set forth in Proposition 218.

This study utilizes industry-standard rate-setting methodology in accordance with guidelines developed by the Water Environment Federation and incorporates guidance provided by the Agency's Board of Directors as part of the rate study process.

Our project team has a proven track record of developing fair and equitable wastewater rates for numerous public utility agencies in California over the past 25 years. We are confident in our ability to develop sound wastewater rates that satisfy the requirements of Proposition 218.

It has been a pleasure assisting the Agency, and we appreciate the support provided by you, the Board of Directors, and other Agency staff during this study.

Sincerely,

Sanjay Gaur
Founder / President

Nancy Phan
Principal Consultant

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1. EXECUTIVE SUMMARY

1.1 SYSTEM OVERVIEW

The Amador Water Agency (Agency) provides wastewater service to the communities of Fairway Pines, Tiger Creek Estates, Gayla Manor, Wildwood Estates, Surrey Junction, Jackson Pines, Pine Grove, Martell, Viewpoint Estates, Eagles Nest, and Lake Camanche Village Unit 6. The Agency owns and operates 11 small community wastewater systems, which consist of a collection systems, subsurface leach fields, and spray disposal fields.

1.2 RATE STUDY OVERVIEW

Public retail wastewater agencies in California typically conduct a cost-of-service study every five years to ensure that customers are appropriately charged for wastewater service, which involves reestablishing the cost-of-service nexus that is required by Proposition 218. The Agency's most recent Wastewater Rate Study was conducted in 2021 and provided wastewater rates up to July 2025.

The Agency engaged Water Resources Economics (WRE) in early 2025 to conduct a comprehensive Wastewater Rate Study with the following objectives:

- Develop a five-year wastewater rate schedule from Fiscal Year (FY) 2027[1] through FY 2031
- Evaluate financial plan scenarios to meet financial performance targets for the study period
- Conduct an updated cost-of-service analysis based on the most recent financial and customer data, while utilizing the allocation methodology developed in the prior study

1.3 LEGAL REQUIREMENTS[2]

Legal considerations relating to retail wastewater 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 wastewater 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 utility agencies in California must demonstrate a sufficient nexus between the costs incurred by the agency to provide wastewater service, and the rates charged to customers. The primary means by which retail agencies address this requirement is by conducting a "cost-of-service analysis." Proposition 218 also affects the rate adoption process by requiring agencies to hold a public hearing to adopt 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.

[1] FY 2027 is the year starting July 1, 2026 and ending June 30, 2027.
[2] Although this section is named "Legal Requirements" and discusses Proposition 218, WRE is not a law firm and does not provide legal advice.

1.4 RATE-SETTING METHODOLOGY

This study was conducted using industry-standard methodology outlined by the Water Environment Federation (WEF) in its *Manual of Practice No. 27, Financing and Charges for Wastewater Systems* (Manual of Practice 27).

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. Financial policies, such as reserve targets, are also evaluated and updated if necessary.
2. **Cost-of-Service Analysis**: Costs are allocated to customers in proportion to use of and burden on the wastewater 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 rate study.

1.5 ADDITIONAL INFORMATION AND DISCLAIMERS

This report summarizes the data, analyses, processes, and results of the Agency's wastewater rate study. Some important information to keep in mind when reading the report includes the following:

- All study projections are based on the best available data as of September 2025.
- 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 and charges in this report are shown on a monthly basis, unless otherwise noted.

1.6 CURRENT WASTEWATER RATES

The Agency's current wastewater rates were effective starting July 1, 2025 and include a monthly fixed service charge for Residential and Commercial customers, a commodity rate per hundred cubic feet[3] (hcf) of billed consumption for the Commercial class based on strength, and a monthly debt service charge based on service area.

Table 1-1 shows the current wastewater rates, which include the monthly fixed service charges, commodity rates, and monthly debt service charges.

[3] One hundred cubic feet is equal to approximately 748 gallons.

Table 1-1: Current Wastewater Rates and Debt Service Charges

Line	Wastewater Rates	Current 7/1/2025
1	**Monthly Fixed Service Charges**	
2	Residential	$164.28
3	Commercial	$49.43
4		
5	**Commodity Rates ($/hcf)**	
6	Low Strength	$19.47
7	Medium Strength	$24.85
8	High Strength	$43.67
9		
10	**Monthly Debt Service Charges**	
11	ID #1	$8.65
12	Lake Camanche	$14.44
13	General	$1.84

1.7 WASTEWATER FINANCIAL PERFORMANCE AND POLICIES

WRE worked closely with Agency staff and the Board to determine the financial plan scenario that is most appropriate to meet the Agency's needs. The results and recommendations of the rate study are driven by the financial performance of the wastewater enterprise, input from Agency staff, and direction from the Board. The wastewater system's financial performance is driven by the ability of the currently adopted wastewater rates to meet the Agency's funding needs over the study period. To maintain financial sufficiency and sustainability of the enterprise, wastewater rates must fully fund O&M costs, CIP expenditures, and any relevant financial policies, such as reserve policy targets and debt coverage requirements.

The key factors affecting the financial performance of the wastewater enterprise include:

- **Inflationary cost adjustments for O&M:** Operating costs will increase on average by 3% based on inflationary adjustments provided by Agency staff. Although the Agency does not anticipate significant O&M cost increases over the study period, rate revenue adjustments are often needed to keep up with inflationary pressures over time.
- **Reserve policy targets:** The Agency's current reserve policy, which is shown in **Table 1-2**, includes minimum and maximum target levels for the operating reserve, and target levels for the capital, rate stabilization, and emergency reserves. The reserve policy in place allows the Agency to maintain cash on hand to meet short-term cash flow needs and respond to emergencies.

Table 1-2: Wastewater Reserve Policy

Line	Reserve Policy	Policy Target	FY 2026
1	Operating Reserve Minimum	25% of annual O&M expenses	$713,075
2	Operating Reserve Maximum	50% of annual O&M expenses	$1,426,150
3	Capital Reserve	1% of net capital assets	$95,681
4	Rate Stabilization Reserve	$0.1 million	$100,000
5	Emergency Reserve	$0.5 million	$500,000
6	**Combined Reserve Targets - Minimum**		**$1,408,756**
7	**Combined Reserve Targets - Maximum**		**$2,121,831**

1.8 WASTEWATER FINANCIAL PLAN (STATUS QUO)

The first step in evaluating the financial performance of the wastewater enterprise is to develop a "status quo financial plan," which is the scenario in which the Agency does not increase its wastewater rate revenues and does not make any changes to the existing capital plan. This exercise is to determine whether the Agency's current wastewater rates are sufficient to meet fund balances. Debt coverage is not a financial performance metric in the wastewater enterprise, since all debts are internal loans that are not subject to a debt coverage requirement.

Table 1-3 shows the financial plan adjustments for the wastewater enterprise under the status quo scenario.

Table 1-3: Wastewater Financial Plan Adjustments (Status Quo)

Line	Fiscal Year	Revenue Adjustments	CIP Execution Rate
1	FY 2027	0.0%	100%
2	FY 2028	0.0%	100%
3	FY 2029	0.0%	100%
4	FY 2030	0.0%	100%
5	FY 2031	0.0%	100%

Figure 1-1 shows the wastewater CIP by funding source under the status quo scenario, which assumes that the Agency will execute the full capital plan of $23.7 million over the six-year period.

Figure 1-1: Wastewater Capital Projects by Funding Source (Status Quo)

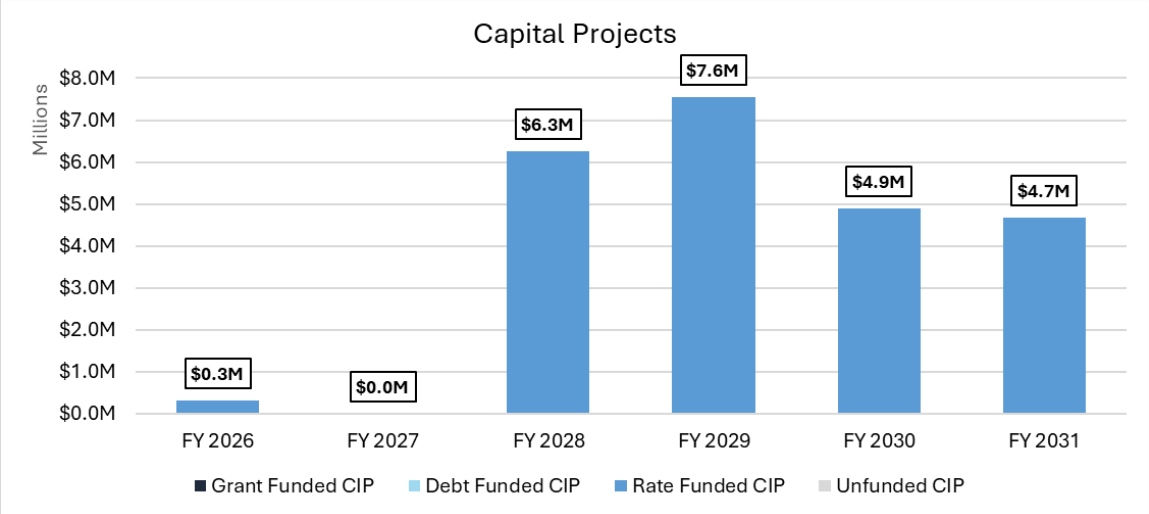
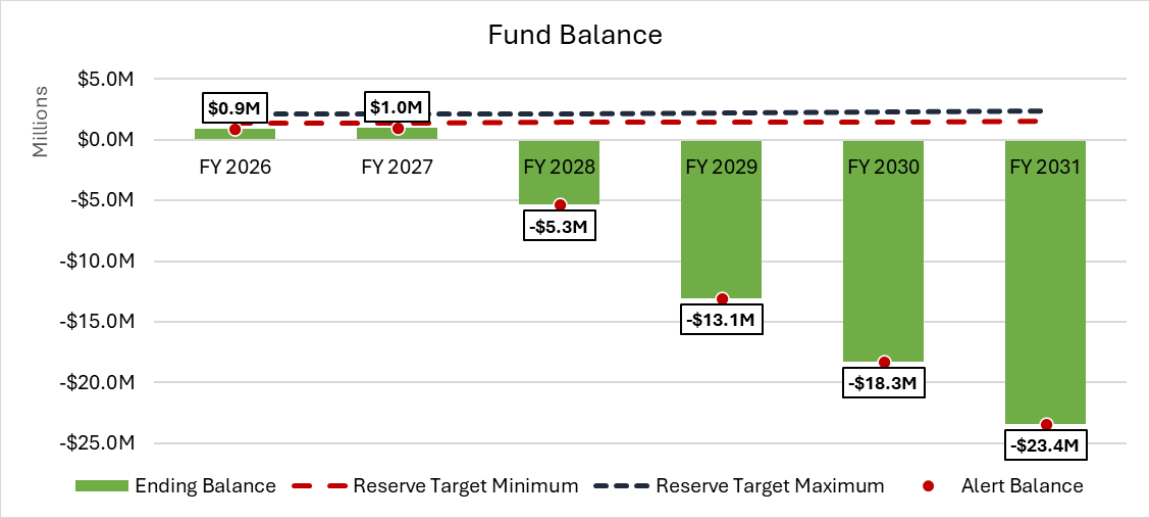


Figure 1-2 shows the projected ending fund balances of the wastewater enterprise fund under the status quo scenario. The reserve target minimum (shown as a dashed red line) is equal to the operating reserve minimum plus capital, rate stabilization, and emergency reserve policy targets, and the reserve target maximum (shown as a dashed black line) is equal to the operating reserve maximum plus capital, rate stabilization, and emergency reserve policy targets from **Table 1-2**. Without additional wastewater rate revenues, the wastewater enterprise fund balances will not meet targets starting in FY 2026 and will be negative starting in FY 2028.

Figure 1-2: Wastewater Fund Balance Projections (Status Quo)



The status quo financial plan scenario shows that the Agency requires additional wastewater rate revenues and a change to the CIP execution rate in order to fully fund the costs of the wastewater system and meet reserve policy targets.

1.9 WASTEWATER FINANCIAL PLAN (PROPOSED)

WRE worked with the Board and Agency staff to determine the most appropriate financial plan scenario to meet the Agency's needs over the study period. Overall annual increases in wastewater rate revenues resulting from rate increases are referred to as "revenue adjustments." The proposed financial plan scenario includes five years of revenue adjustments and no CIP execution (as directed by the Board), as shown in **Table 1-4**.

Table 1-4: Wastewater Financial Plan Adjustments (Proposed)

Line	Fiscal Year	Revenue Adjustments	CIP Execution Rate
1	FY 2027	3.0%	0%
2	FY 2028	3.0%	0%
3	FY 2029	3.0%	0%
4	FY 2030	3.0%	0%
5	FY 2031	3.0%	0%

Figure 1-3 shows the wastewater CIP by funding source under the proposed scenario, which assumes that the Agency will defer all CIP over the six-year study period, as directed by the Board. If the Agency receives any grant proceeds over the next six years, the Board and Agency staff can elect to fund portions of the deferred CIP with those grant proceeds. For the purposes of this study, all CIP is assumed to be deferred until after FY 2031.

Figure 1-3: Wastewater Capital Projects by Funding Source (Proposed)

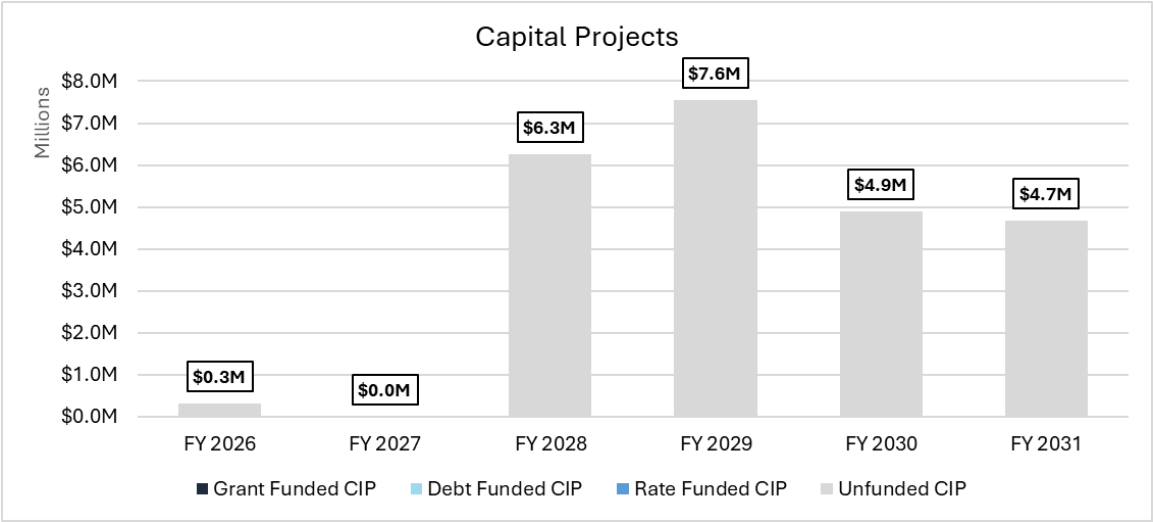
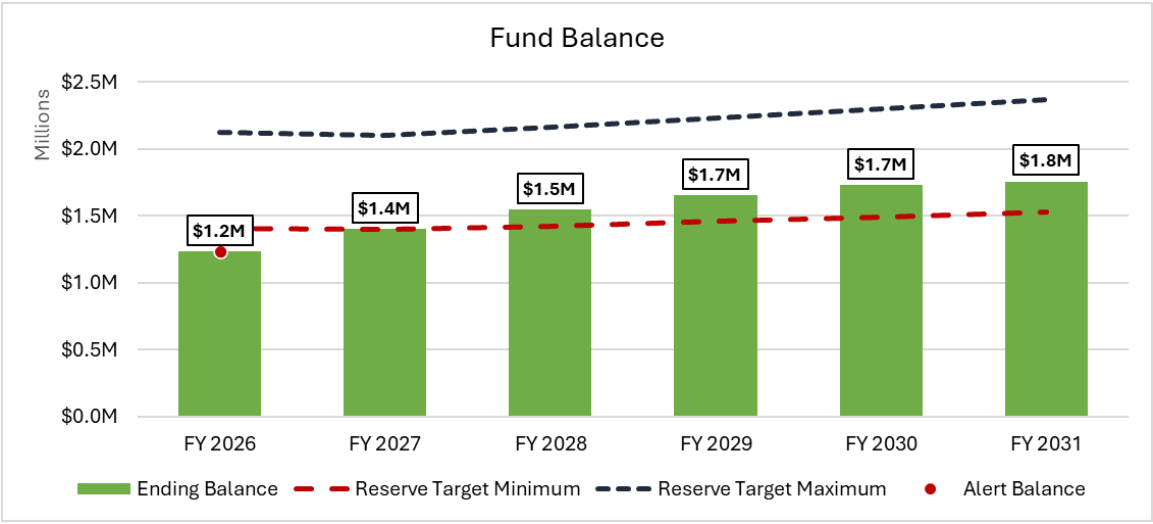


Figure 1-4 shows the projected fund balances under the proposed scenario. With the proposed revenue adjustments, the Agency is projected to meet its minimum reserve targets starting in FY 2027.

Figure 1-4: Wastewater Fund Balance Projections (Proposed)



1.10 PROPOSED CHANGES TO WASTEWATER RATE STRUCTURE

There are no changes to the wastewater rate structure as part of this study, beyond the revenue adjustments deemed necessary in the financial plan and the reestablishment of the cost-of-service "nexus" as required by Proposition 218. WRE maintained the cost-of-service allocation and rate calculation methodologies that were determined in the prior rate study to the extent possible, while updating financial and customer data to reflect the most up-to-date information on the operational and infrastructure costs of the Agency's wastewater system.

1.11 PROPOSED WASTEWATER RATES

The proposed five-year schedule of wastewater rates in this section is based on the updated cost-of-service analysis and the proposed revenue adjustments for the five-year study period. The rate schedule shows the proposed wastewater rates to be implemented on July 1, 2026 for the first year and on July 1, 2030 for the final year. Proposition 218 allows agencies to adopt up to five years of rates at a time.

Table 1-5 shows the current and proposed wastewater rates.

Table 1-5: Proposed Wastewater Rates and Debt Service Charges

Line	Wastewater Rates	Current 7/1/2025	Proposed 7/1/2026	Proposed 7/1/2027	Proposed 7/1/2028	Proposed 7/1/2029	Proposed 7/1/2030
1	**Monthly Fixed Service Charges**						
2	Residential	$164.28	$171.19	$176.50	$181.96	$187.59	$193.39
3	Commercial	$49.43	$39.06	$40.27	$41.52	$42.80	$44.13
4							
5	**Commodity Rates ($/hcf)**						
6	Low Strength	$19.47	$22.44	$23.14	$23.85	$24.59	$25.35
7	Medium Strength	$24.85	$28.68	$29.57	$30.48	$31.43	$32.40
8	High Strength	$43.67	$49.99	$51.54	$53.14	$54.78	$56.47
9							
10	**Monthly Debt Service Charges**						
11	ID #1	$8.65	$6.01	$6.01	$6.01	$6.01	$6.01
12	Lake Camanche	$14.44	$9.79	$9.79	$9.79	$9.79	$9.79
13	General	$1.84	$1.67	$1.67	$1.67	$1.67	$1.67

1.12 WASTEWATER CUSTOMER IMPACTS

WRE evaluated the financial impacts to monthly wastewater bills based on customer class as part of the rate study. **Table 1-6** shows the proposed monthly bill impacts for Residential and Commercial wastewater customers in each service area. ID#1 does not have any Commercial customers. For Commercial customers, the average billed consumption is equal to 4 hcf per month.

Table 1-6: Proposed Wastewater Customer Impacts

Line	Customer Class	Service Area	Monthly Use (hcf)	Current Monthly Bill	Proposed Monthly Bill	Difference ($)	Difference (%)
1	Residential	ID #1	N/A	$174.77	$178.87	$4.10	2.3%
2	Residential	Lake Camanche	N/A	$180.56	$182.65	$2.09	1.2%
3	Residential	General	N/A	$166.12	$172.86	$6.74	4.1%
4	Commercial - Low Strength	Lake Camanche	4	$143.59	$140.28	($3.31)	-2.3%
5	Commercial - Medium Strength	Lake Camanche	4	$165.11	$165.24	$0.13	0.1%
6	Commercial - High Strength	Lake Camanche	4	$240.39	$250.48	$10.09	4.2%
7	Commercial - Low Strength	General	4	$129.15	$130.49	$1.34	1.0%
8	Commercial - Medium Strength	General	4	$150.67	$155.45	$4.78	3.2%
9	Commercial - High Strength	General	4	$225.95	$240.69	$14.74	6.5%

2. WASTEWATER FINANCIAL PLAN

2.1 FINANCIAL PLAN METHODOLOGY

The purpose of a financial plan is to project revenues, expenses, cash flows, reserve balances, and debt coverage over a multi-year period to assess financial sufficiency and performance and to determine the amount of required rate revenues. For this study, the planning period is from FY 2026 through FY 2031. The key steps in developing a financial plan for the wastewater enterprise are below:

- **Revenue projections:** Annual revenues from rates and other miscellaneous sources are projected over the planning period. Rate revenues are projected based on current rates to establish baseline revenues from which the need for additional rate increases can be evaluated.
- **Expense projections:** Annual expenses are projected over the study period, including O&M expenses, debt service, and CIP costs. CIP funding options (grants, debt, etc.) are also evaluated as part of the financial plan.
- **Financial policy evaluation:** Key financial policies include reserve targets, which are typically set by an agency's elected officials and may need to be periodically evaluated and updated.
- **Status quo financial plan projections:** Cash flow and reserve balances are projected over the study period in the absence of additional rate increases (this scenario is called the "status quo"). Projected reserve balances are then compared to the agency's financial policy requirements and targets. The status quo financial plan provides a baseline to evaluate the need for rate increases.
- **Proposed financial plan projections:** The magnitude and timing of annual proposed revenue increases over the study period are evaluated and determined based on the agency's financial policies, financial performance, and policy objectives. Proposed rate increases (referred to as "revenue adjustments") should generate sufficient revenue to recover the agency's expenses and maintain adequate reserves. The proposed financial plan determines the total annual rate revenue requirement over the study period.

2.2 CURRENT RATES

The Agency's current wastewater rates were effective starting July 1, 2025 and include a monthly fixed service charge for Residential and Commercial customers, a commodity rate per hcf of billed consumption for the Commercial class based on strength, and a monthly debt service charge based on service area.

Table 2-1 shows the current wastewater rates, which include the monthly fixed service charges, commodity rates, and monthly debt service charges.

Table 2-1: Current Wastewater Rates and Debt Service Charges

Line	Wastewater Rates	Current 7/1/2025

1	**Monthly Fixed Service Charges**	
2	Residential	$164.28
3	Commercial	$49.43
4		
5	**Commodity Rates ($/hcf)**	
6	Low Strength	$19.47
7	Medium Strength	$24.85
8	High Strength	$43.67
9		
10	**Monthly Debt Service Charges**	
11	ID #1	$8.65
12	Lake Camanche	$14.44
13	General	$1.84

2.3 ACCOUNTS AND CONSUMPTION

This section details the customer accounts and consumption for all years of the study, which are referred to as the units of service. Units of service represent the quantity of billing units that are subject to the Agency's wastewater rates.

Agency staff provided actual data customer data for FY 2024, which was the most recent full year of actual data that was available during the study. Growth in the Agency's service area is minimal, and the timeline in which growth occurs can vary significantly based on planning documents. To ensure that the Agency recovers sufficient revenues to fund wastewater enterprise costs during periods of no growth or slow growth, this study assumes no change in accounts or consumption throughout the study period.

Table 2-2 shows the projected number of wastewater equivalent dwelling units (EDUs) by customer class and service area for the study period.

Table 2-2: Projected Wastewater Equivalent Dwelling Units

Line	Wastewater EDUs	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	**Residential**							
2	ID #1	285	285	285	285	285	285	285

3	Lake Camanche	340	340	340	340	340	340	340
4	General	68	68	68	68	68	68	68
5	**Subtotal**	**693**	**693**	**693**	**693**	**693**	**693**	**693**
6								
7	**Commercial**							
8	ID #1	0	0	0	0	0	0	0
9	Lake Camanche	10	10	10	10	10	10	10
10	General	659	659	659	659	659	659	659
11	**Subtotal**	**669**	**669**	**669**	**669**	**669**	**669**	**669**
12								
13	**Customer Class**							
14	Residential	693	693	693	693	693	693	693
15	Commercial	669	669	669	669	669	669	669
16	**Total - EDUs**	**1,362**	**1,362**	**1,362**	**1,362**	**1,362**	**1,362**	**1,362**

Table 2-3 shows the projected consumption for Commercial customers in hcf based on strength.

Table 2-3: Projected Wastewater Consumption

Line	Consumption (hcf)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	**Commercial**							
2	Low Strength	10,632	10,632	10,632	10,632	10,632	10,632	10,632
3	Medium Strength	5,604	5,604	5,604	5,604	5,604	5,604	5,604
4	High Strength	10,824	10,824	10,824	10,824	10,824	10,824	10,824
5	**Total - Commercial**	**27,060**	**27,060**	**27,060**	**27,060**	**27,060**	**27,060**	**27,060**

2.4 RATE REVENUES AT EXISTING RATES

Table 2-4 shows the calculated wastewater rate revenues at existing rates from FY 2026 through FY 2031. The current monthly fixed service charges (**Table 2-1**, Line 2-3) are multiplied by the wastewater customer EDUs by class (**Table 2-2**, Line 14-15) for 12 months. The current commodity rates (**Table 2-1**, Line 6-8) are multiplied by the Commercial consumption by strength (**Table 2-3**, Line 2-4). The current monthly debt service charges (**Table 2-1**, Line 11-13) are multiplied by the wastewater customer EDUs by class and service area (**Table 2-2**, Lines 2-4 and 8-10) for 12 months.

Table 2-4: Calculated Wastewater Rate Revenues at Existing Rates

Line	Wastewater Calculated Revenues	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	**Monthly Fixed Service Charges**						
2	Residential	$1,366,152	$1,366,152	$1,366,152	$1,366,152	$1,366,152	$1,366,152
3	Commercial	$396,824	$396,824	$396,824	$396,824	$396,824	$396,824
4	**Subtotal**	**$1,762,977**	**$1,762,977**	**$1,762,977**	**$1,762,977**	**$1,762,977**	**$1,762,977**
5							

6	**Commodity Rates ($/hcf)**						
7	Low Strength	$207,005	$207,005	$207,005	$207,005	$207,005	$207,005
8	Medium Strength	$139,259	$139,259	$139,259	$139,259	$139,259	$139,259
9	High Strength	$472,684	$472,684	$472,684	$472,684	$472,684	$472,684
10	**Subtotal**	**$818,949**	**$818,949**	**$818,949**	**$818,949**	**$818,949**	**$818,949**
11							
12	**Monthly Debt Service Charges**						
13	ID #1	$29,591	$29,591	$29,591	$29,591	$29,591	$29,591
14	Lake Camanche	$58,901	$58,901	$58,901	$58,901	$58,901	$58,901
15	General	$15,305	$15,305	$15,305	$15,305	$15,305	$15,305
16	**Subtotal**	**$103,796**	**$103,796**	**$103,796**	**$103,796**	**$103,796**	**$103,796**
17							
18	**Total - Wastewater**	**$2,685,721**	**$2,685,721**	**$2,685,721**	**$2,685,721**	**$2,685,721**	**$2,685,721**

2.5 REVENUES

Table 2-5 shows the inflationary assumptions used to project future non-rate revenues over the study period, which were developed with Agency staff. Agency staff provided budgeted revenues from FY 2026 through FY 2030; the inflationary assumptions are only used for FY 2031 revenues.

Table 2-5: Wastewater Revenue Assumptions

Line	Revenue Assumptions	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	**Inflationary Assumptions**						
2	Misc. Income	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
3	Interest Income	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
4	Property Tax	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
5	Cell Tower	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

Table 2-6 shows the projected wastewater revenue summary for the study period. The wastewater service charge revenues (Line 1) are equal to the sum of monthly service charge and commodity rate revenues (**Table 2-4**, Line 4 and 10). General debt service charge revenues (Line 2) are equal to the sum of the monthly debt service charge revenues for ID #1 and General (**Table 2-4**, Line 13 and 15). Camanche debt service charge revenues (Line 3) are equal to the monthly debt service charge revenues for Lake Camanche (**Table 2-4**, Line 14). Interest revenue (Line 6) is calculated based on projected fund balances and interest income assumptions (**Table 2-5**, Line 3). All other revenues are derived from the Agency's budget and projections based on the inflationary assumptions (**Table 2-5**).

Table 2-6: Wastewater Revenue Summary

Line	Revenue Summary	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	WW Service Charges	$2,581,925	$2,581,925	$2,581,925	$2,581,925	$2,581,925	$2,581,925
2	Debt Service Charges - General	$44,896	$44,896	$44,896	$44,896	$44,896	$44,896
3	Debt Service Charges - Camanche	$58,901	$58,901	$58,901	$58,901	$58,901	$58,901
4	Customer Fees	$6,400	$6,400	$6,400	$6,400	$6,400	$6,400
5	Developer Fees	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
6	Interest Revenue	$39,000	$38,942	$43,598	$47,355	$50,066	$51,555
7	Property Tax	$39,160	$39,940	$40,740	$41,550	$42,380	$43,228

8	Other Non-Operating Revenue	$900	$900	$900	$900	$900	$900
9	Outside Service Contracts	$195,300	$201,740	$208,400	$215,270	$222,380	$224,604
10	Standby Charges	$16,000	$16,000	$16,000	$16,000	$16,000	$16,000
11	**Total - Revenues**	**$2,992,481**	**$2,999,644**	**$3,011,760**	**$3,023,196**	**$3,033,847**	**$3,038,408**

2.6 EXPENSES

Table 2-7 shows the inflationary assumptions used to project future operating expenses over the study period, which were developed with Agency staff. Agency staff provided budgeted expenses from FY 2026 through FY 2030; the inflationary assumptions are only used for FY 2031 expenses.

Table 2-7: Wastewater Expense Assumptions

Line	Expense Assumptions	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	**Inflationary Assumptions**						
2	General	2.6%	2.6%	2.6%	2.6%	2.6%	2.6%
3	Salaries	3.3%	3.3%	3.3%	3.3%	3.3%	3.3%
4	Benefits	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
5	Capital	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
6	Health Insurance	12.0%	12.0%	12.0%	12.0%	12.0%	12.0%
7	Energy (PG&E)	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
8	Chemicals	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
9	Fuel	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
10	Regulatory Fees	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%

Table 2-8 shows the projected wastewater operating expenses over the study period, which are derived from the Agency's budget and projections based on the inflationary assumptions from **Table 2-7**. The decrease in operating expenses from FY 2026 to FY 2027 are due to capital purchases (Line 41); all other operating expenses are expected to increase by the inflationary assumptions each year.

Table 2-8: Projected Wastewater Expenses

Line	Operating Expenses	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	Employee Wages	$840,700	$868,440	$897,110	$926,710	$957,300	$988,891
2	Board of Directors (Salaries)	$11,100	$11,470	$11,850	$12,240	$12,640	$13,057
3	Board of Directors (Health/Life Insurance)	$0	$0	$0	$0	$0	$0
4	Board of Directors (FICA)	$800	$830	$860	$890	$920	$950
5	Board of Directors (Workers Comp)	$100	$100	$100	$100	$100	$103
6	Board of Directors (Director Travel/Meals)	$300	$310	$320	$330	$340	$351
7	Board of Directors (Software Licensing)	$300	$310	$320	$330	$340	$351
8	Board of Directors (Office Equipment)	$1,100	$1,130	$1,160	$1,190	$1,220	$1,260
9	Other Benefits	$25,500	$27,030	$28,710	$30,560	$32,600	$33,904
10	Health Benefits	$202,300	$226,600	$253,770	$284,230	$318,310	$356,507
11	Miscellaneous Expense	$1,000	$1,030	$1,060	$1,090	$1,120	$1,149
12	CalPERS Unfunded Accrued Liability	$62,200	$67,600	$71,900	$81,700	$83,400	$86,152
13	CalPERS Retirement	$73,500	$75,930	$78,430	$81,020	$83,700	$86,462
14	Payroll Taxes	$62,700	$64,770	$66,910	$69,110	$71,410	$73,267
15	Insurance (All Other)	$26,300	$29,460	$33,000	$36,960	$41,400	$46,368
16	Insurance (Property/Liability)	$21,900	$22,480	$23,080	$23,690	$24,320	$24,952
17	Distribution and Collection	$64,100	$65,770	$67,480	$69,240	$71,040	$72,887
18	Disposal	$71,900	$73,770	$75,690	$77,660	$79,680	$81,752
19	Treatment Expense (Chemicals)	$23,200	$24,590	$26,070	$27,630	$29,290	$31,047
20	Treatment Expense (All Other)	$382,300	$392,240	$402,430	$412,890	$423,620	$434,634
21	Wastewater System Maintenance (Water Tests)	$27,400	$28,110	$28,840	$29,590	$30,360	$31,149
22	Wastewater System Maintenance (All Other)	$55,000	$55,130	$55,260	$55,400	$55,540	$56,984
23	Vehicles and Equipment (Equipment Fuel & Oil)	$55,800	$59,150	$62,700	$66,460	$70,450	$74,677
24	Vehicles and Equipment (All Other)	$50,200	$39,810	$40,850	$41,910	$43,000	$44,118
25	Operating Facilities	$52,700	$54,100	$55,540	$57,020	$58,540	$60,062
26	Operating Electricity	$172,000	$177,160	$182,470	$187,940	$193,580	$199,387
27	Safety, Training and Conferences	$9,400	$9,660	$9,920	$10,190	$10,460	$10,732
28	System Fees and Permits	$88,000	$96,800	$106,480	$117,120	$128,830	$141,713
29	Administrative Office Maintenance	$35,700	$36,630	$37,580	$38,560	$39,560	$40,589
30	Repair & Replacement Expense	$69,500	$71,310	$73,160	$75,060	$77,010	$79,012
31	Office Equipment, Supplies and Software	$28,700	$29,440	$30,190	$30,980	$31,780	$32,606
32	Outreach, Publications and Advertising	$4,000	$4,110	$4,220	$4,330	$4,440	$4,555
33	Information Technology	$16,600	$17,150	$17,720	$18,300	$18,900	$19,391

Line	Operating Expenses	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
34	Customer Service and Billing	$27,200	$27,900	$28,620	$29,360	$30,120	$30,903
35	Professional Services	$72,900	$75,130	$77,430	$79,790	$82,220	$84,358
36	Dues and Memberships	$7,200	$7,390	$7,580	$7,780	$7,980	$8,187
37	Uncollectable Accounts	$6,200	$6,220	$6,240	$6,260	$6,280	$6,443
38	Retiree Health	$37,500	$42,000	$47,040	$52,680	$59,000	$66,080
39	Grant Consulting	$25,300	$25,960	$26,640	$27,330	$28,040	$28,965
40	Legal Fees	$6,300	$6,510	$6,720	$6,940	$7,170	$7,407
41	Capital Purchases	$133,400	$0	$0	$0	$0	$0
42	**Total - Expenses**	**$2,852,300**	**$2,823,530**	**$2,945,450**	**$3,080,570**	**$3,216,010**	**$3,361,366**

Table 2-9 summarizes the wastewater operating expense projections from **Table 2-8**.

Table 2-9: Wastewater Expense Summary

Line	Operating Expense Summary	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	Salaries	$1,021,700	$1,058,590	$1,095,410	$1,138,780	$1,175,170	$1,213,951
2	Benefits	$25,500	$27,030	$28,710	$30,560	$32,600	$33,904
3	Health Insurance	$266,100	$298,060	$333,810	$373,870	$418,710	$468,955
4	General	$1,200,000	$1,082,150	$1,109,800	$1,138,210	$1,167,380	$1,197,732
5	Chemicals	$23,200	$24,590	$26,070	$27,630	$29,290	$31,047
6	Fuel	$55,800	$59,150	$62,700	$66,460	$70,450	$74,677
7	Energy (PG&E)	$172,000	$177,160	$182,470	$187,940	$193,580	$199,387
8	Regulatory Fees	$88,000	$96,800	$106,480	$117,120	$128,830	$141,713
9	**Total - Expenses**	**$2,852,300**	**$2,823,530**	**$2,945,450**	**$3,080,570**	**$3,216,010**	**$3,361,366**

2.7 DEBT SERVICE

Table 2-10 shows the Agency's wastewater debt service payments throughout the study period. The annual debt payment amounts were provided by Agency staff and the Agency's municipal advisors. All existing wastewater debt is for internal loans, which do not have a debt coverage requirement. The Agency does not plan on issuing new debt during the study period.

Table 2-10: Wastewater Debt Service

Line	Debt Service	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	**Internal Loans**						
2							
3	**2010-09, 2014-09**						
4	Principal	$13,854	$13,854	$13,854	$13,854	$13,854	$13,854
5	Interest	$6,676	$6,163	$5,649	$5,135	$4,621	$4,107
6	**Subtotal**	**$20,531**	**$20,017**	**$19,503**	**$18,989**	**$18,475**	**$17,961**
7							
8	**2005-64**						
9	Principal	$16,719	$16,719	$16,719	$16,719	$16,719	$16,719
10	Interest	$10,543	$9,923	$9,303	$8,682	$8,062	$7,442
11	**Subtotal**	**$27,262**	**$26,642**	**$26,021**	**$25,401**	**$24,781**	**$24,161**
12							
13	**2010-22, 2014-05**						
14	Principal	$25,791	$25,791	$25,791	$25,791	$25,791	$25,791
15	Interest	$15,307	$14,351	$13,394	$12,437	$11,480	$10,524
16	**Subtotal**	**$41,099**	**$40,142**	**$39,185**	**$38,228**	**$37,272**	**$36,315**
17							
18	**Total - Internal Loans**	**$88,891**	**$86,800**	**$84,710**	**$82,619**	**$80,528**	**$78,437**
19							
20	**Total - Debt Service**	**$88,891**	**$86,800**	**$84,710**	**$82,619**	**$80,528**	**$78,437**

2.8 CAPITAL IMPROVEMENT PLAN

Table 2-11 shows the Agency's wastewater CIP from FY 2026 through FY 2031. Current year CIP costs were provided by Agency staff. Capital costs are inflated from FY 2027 and onward based on the capital inflationary assumption (**Table 2-7**, Line 5).

Table 2-11: Wastewater Capital Improvement Plan

Line	Capital Improvement Plan	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	Sewer Budget Analysis and Rate Review	$34,760	$0	$0	$0	$0	$0
2	Lift Station A, B, and D Security Fencing	$33,200	$0	$0	$0	$0	$0
3	Camanche WWTP Eng. & Environmental Report	$0	$0	$312,514	$0	$0	$0
4	Lift Station A, B, and D Corrosion Mitigation	$0	$0	$600,296	$0	$0	$0
5	Lift Station A, B, and D Controls and SCADA Integration	$75,000	$0	$162,240	$84,365	$87,739	$0
6	Lift Station 2 Security Fencing	$12,650	$0	$0	$0	$0	$0
7	Regional Lift Station Engineering Analysis	$0	$0	$0	$106,736	$0	$0
8	Regional Lift Station and Collection System Improvements	$0	$0	$0	$0	$2,924,646	$2,725,303
9	Backup Power for Lift Station 1, Walmart LS & Kmart LS	$0	$0	$667,343	$0	$0	$0
10	Sierra West Lift Station Capacity Improvements	$0	$0	$0	$2,667,969	$0	$0
11	Collection System Capacity Upgrades	$0	$0	$0	$1,360,703	$0	$0
12	Hwy 49 Gravity Sewer Pipeline Replacement	$0	$0	$0	$1,528,836	$0	$0
13	Lift Station Security Fencing	$11,400	$0	$0	$0	$0	$0
14	Lift Station Electrical Stand and Shade Structure Replacement	$0	$0	$48,875	$0	$0	$0
15	Storage Pond Dam Geotechnical Investigation and Engineering Evaluation	$0	$0	$65,795	$0	$0	$0
16	Storage Pond Dam Repair	$0	$0	$1,493,846	$0	$0	$0
17	Lift Station Controls and SCADA Integration	$0	$0	$55,142	$0	$0	$0
18	Lift Station Capacity Upgrades	$0	$0	$1,681,705	$0	$0	$0
19	Mace Meadows Phase 2 Leach Field Expansion	$0	$0	$0	$1,808,602	$1,880,946	$1,956,184
20	HWY 88 Sewer Relocation Project	$146,400	$0	$1,055,092	$0	$0	$0
21	Lift Station Security Fencing	$0	$0	$66,543	$0	$0	$0
22	Lift Station Controls and SCADA Integration	$0	$0	$55,142	$0	$0	$0
23	**Total - Capital Improvement Plan**	**$313,410**	**$0**	**$6,264,534**	**$7,557,211**	**$4,893,332**	**$4,681,486**

Table 2-12 shows the capital funding plan based on the proposed financial plan scenario. Based on direction from the Board, the Agency has elected to defer all capital projects over the study period. If the Agency receives any grant proceeds over the next six years, the Board and Agency staff can elect to fund portions of the deferred CIP with those grant proceeds. For the purposes of this study, all CIP is assumed to be deferred until after FY 2031.

Table 2-12: Wastewater Capital Funding Plan (Proposed)

Line	Capital Funding Plan	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	Total CIP	$313,410	$0	$6,264,534	$7,557,211	$4,893,332	$4,681,486
2	CIP Execution	0%	0%	0%	0%	0%	0%
3	**Executed CIP**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
4							
5	**CIP Funding Sources**						
6	Grant Funding	$0	$0	$0	$0	$0	$0
7	Debt Funding	$0	$0	$0	$0	$0	$0
8							
9	**Capital Funding by Source**						
10	Grant Funded	$0	$0	$0	$0	$0	$0
11	Debt Funded	$0	$0	$0	$0	$0	$0
12	Rate Funded	$0	$0	$0	$0	$0	$0
13	*Unfunded*	*$313,410*	*$0*	*$6,264,534*	*$7,557,211*	*$4,893,332*	*$4,681,486*
14	**Total - Capital Funding**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

2.9 FINANCIAL POLICIES

The financial performance of the wastewater enterprise is evaluated based on the ability of the currently adopted wastewater rates to meet the Agency's funding needs and financial performance metrics over the study period. For the wastewater enterprise, WRE evaluated financial performance based on the Agency's reserve policies.

All existing debt service for the wastewater enterprise is for internal loans, which do not have a debt coverage requirement. Since the Agency does not anticipate issuing new debt during the study period, WRE did not evaluate financial performance based on debt coverage.

The wastewater enterprise fund balances must meet the targets outlined in the Agency's reserve policy. Adequate fund balances allow the Agency to meet short-term cash flow needs for operating costs, award contracts for capital projects, and respond to emergencies. The current policy includes:

- Operating reserve: 25% (minimum) to 50% (maximum) of annual O&M expenses
- Capital reserve: 1% of net capital assets
- Rate stabilization reserve: $0.1 million
- Emergency reserve: $0.5 million

2.10 STATUS QUO FINANCIAL PLAN

The first step in evaluating the financial performance of the wastewater enterprise is to develop a "status quo financial plan," which is the scenario in which the Agency does not increase its wastewater rate revenues and

does not make any changes to the existing capital plan. This exercise is to determine whether the Agency's current wastewater rates are sufficient to meet its reserve policy targets.

Table 2-13 shows the financial plan adjustments for the wastewater enterprise under the status quo scenario.

Table 2-13: Wastewater Financial Plan Adjustments (Status Quo)

Line	Fiscal Year	Revenue Adjustments	CIP Execution Rate
1	FY 2027	0.0%	100%
2	FY 2028	0.0%	100%
3	FY 2029	0.0%	100%
4	FY 2030	0.0%	100%
5	FY 2031	0.0%	100%

Table 2-14 shows the cash flow projections for the wastewater enterprise under the status quo scenario. Revenues[4] are from **Table 2-6**, expenses are from **Table 2-9**, debt service is from **Table 2-10**, and rate funded CIP[5] is from **Table 2-12**. Net operating revenue (Line 24) is equal to revenues (Line 11) less operating expenses (Line 22). Net cash flow (Line 32) is equal to net operating revenue (Line 24) less debt service (Line 28) less rate funded CIP (Line 30). Net cash flow under the status quo scenario is projected to be negative for all years except FY 2027, meaning that the Agency will draw down its reserves to fund the costs of the wastewater enterprise.

Table 2-14: Wastewater Cash Flow Projections (Status Quo)

Line	Cash Flow Projections	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031

[4] Revenues in the status quo scenario differ due to the Interest Revenue (Line 6), which is calculated based on the projected fund balances. Since the fund balances are lower in the status quo scenario compared to the proposed scenario, the projected Interest Revenue is lower. **Table 2-6** reflects the revenues under the proposed scenario.
[5] Rate Funded CIP in the status quo scenario differs due to the CIP execution rate. Since the CIP execution for the status quo scenario is 100% in all years, the projected rate funded CIP is higher in the status quo scenario compared to the proposed scenario. **Table 2-12** reflects the capital funding plan under the proposed scenario.

1	**Revenues**						
2	Rate Revenues	$2,685,721	$2,685,721	$2,685,721	$2,685,721	$2,685,721	$2,685,721
3	Rate Revenue Adjustments	$0	$0	$0	$0	$0	$0
4	Customer Fees	$6,400	$6,400	$6,400	$6,400	$6,400	$6,400
5	Developer Fees	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
6	Interest Revenue	$39,000	$28,332	$0	$0	$0	$0
7	Property Tax	$39,160	$39,940	$40,740	$41,550	$42,380	$43,228
8	Other Non-Operating Revenue	$900	$900	$900	$900	$900	$900
9	Outside Service Contracts	$195,300	$201,740	$208,400	$215,270	$222,380	$224,604
10	Standby Charges	$16,000	$16,000	$16,000	$16,000	$16,000	$16,000
11	**Subtotal**	**$2,992,481**	**$2,989,033**	**$2,968,161**	**$2,975,841**	**$2,983,781**	**$2,986,853**
12							
13	**Expenses**						
14	Salaries	$1,021,700	$1,058,590	$1,095,410	$1,138,780	$1,175,170	$1,213,951
15	Benefits	$25,500	$27,030	$28,710	$30,560	$32,600	$33,904
16	Health Insurance	$266,100	$298,060	$333,810	$373,870	$418,710	$468,955
17	General	$1,200,000	$1,082,150	$1,109,800	$1,138,210	$1,167,380	$1,197,732
18	Chemicals	$23,200	$24,590	$26,070	$27,630	$29,290	$31,047
19	Fuel	$55,800	$59,150	$62,700	$66,460	$70,450	$74,677
20	Energy (PG&E)	$172,000	$177,160	$182,470	$187,940	$193,580	$199,387
21	Regulatory Fees	$88,000	$96,800	$106,480	$117,120	$128,830	$141,713
22	**Subtotal**	**$2,852,300**	**$2,823,530**	**$2,945,450**	**$3,080,570**	**$3,216,010**	**$3,361,366**
23							
24	**Net Operating Revenue**	**$140,181**	**$165,503**	**$22,711**	**($104,729)**	**($232,229)**	**($374,514)**
25							
26	**Debt Service**						
27	Internal Loans	$88,891	$86,800	$84,710	$82,619	$80,528	$78,437
28	**Subtotal**	**$88,891**	**$86,800**	**$84,710**	**$82,619**	**$80,528**	**$78,437**
29							
30	**Rate Funded CIP**	**$313,410**	**$0**	**$6,264,534**	**$7,557,211**	**$4,893,332**	**$4,681,486**
31							
32	**Net Cash Flow**	**($262,120)**	**$78,703**	**($6,326,532)**	**($7,744,559)**	**($5,206,088)**	**($5,134,437)**

Table 2-15 shows the projected wastewater enterprise fund balances under the status quo scenario. Agency staff provided estimated beginning fund balances for FY 2026. The sources of funds include revenues. Rate revenues, rate revenue adjustments, and all other revenues (Lines 4-6) are equal to the total revenues in **Table 2-14** (Line 11). The uses of funds include operating expenses, debt service, and rate funded CIP. Operating expenses (Line 12) are equal to the total expenses in **Table 2-14**(Line 22).Debt service (Line 13) is equal to the total debt service in **Table 2-14** (Line 28). Rate funded CIP (Line 16) is based on full execution of CIP under the status quo scenario. Based on the projected ending balances, the Agency will run out of money in FY 2028 under this scenario.

Table 2-15: Wastewater Fund Balance Projections (Status Quo)

Line	Fund Balance Projections	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	**Beginning Balance**	**$1,181,318**	**$919,198**	**$997,901**	**($5,328,631)**	**($13,073,190)**	**($18,279,278)**

2							
3	**Sources of Funds**						
4	Rate Revenues	$2,685,721	$2,685,721	$2,685,721	$2,685,721	$2,685,721	$2,685,721
5	Rate Revenue Adjustments	$0	$0	$0	$0	$0	$0
6	All Other Revenues	$306,760	$303,312	$282,440	$290,120	$298,060	$301,131
7	Grant Proceeds	$0	$0	$0	$0	$0	$0
8	Debt Proceeds	$0	$0	$0	$0	$0	$0
9	**Subtotal**	**$2,992,481**	**$2,989,033**	**$2,968,161**	**$2,975,841**	**$2,983,781**	**$2,986,853**
10							
11	**Uses of Funds**						
12	Expenses	$2,852,300	$2,823,530	$2,945,450	$3,080,570	$3,216,010	$3,361,366
13	Debt Service	$88,891	$86,800	$84,710	$82,619	$80,528	$78,437
14	Grant Funded CIP	$0	$0	$0	$0	$0	$0
15	Debt Funded CIP	$0	$0	$0	$0	$0	$0
16	Rate Funded CIP	$313,410	$0	$6,264,534	$7,557,211	$4,893,332	$4,681,486
17	**Subtotal**	$3,254,601	$2,910,330	$9,294,694	$10,720,400	$8,189,870	$8,121,290
18							
19	**Ending Balance**	**$919,198**	**$997,901**	**($5,328,631)**	**($13,073,190)**	**($18,279,278)**	**($23,413,715)**

Table 2-16 shows the financial performance of the wastewater enterprise under the status quo scenario. Financial performance is determined based on the Agency's reserve policy targets as discussed in a previous section. The reserve policy targets define a minimum and maximum target based on the operating, capital, rate stabilization, and emergency reserve targets. Under the status quo scenario, the wastewater enterprise fund will not meet the minimum combined reserve targets starting in FY 2026.

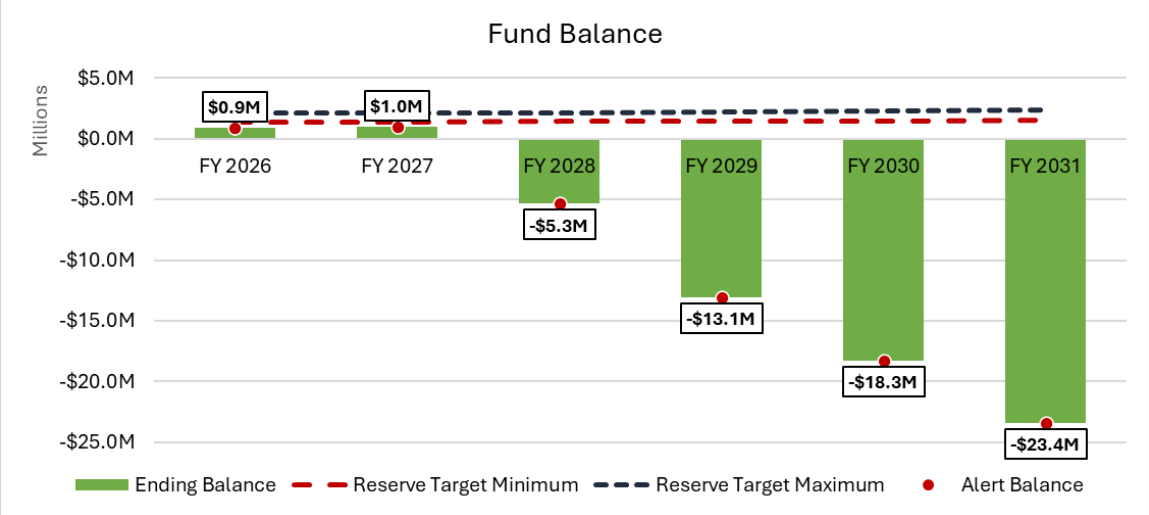
Table 2-16: Wastewater Financial Performance (Status Quo)

Line	Financial Performance	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	**Reserve Policy**						
2	Operating Reserve Minimum	$713,075	$705,883	$736,363	$770,143	$804,003	$840,342
3	Operating Reserve Maximum	$1,426,150	$1,411,765	$1,472,725	$1,540,285	$1,608,005	$1,680,683
4	Capital Reserve	$95,681	$91,904	$88,159	$92,988	$89,870	$86,549
5	Rate Stabilization Reserve	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000
6	Emergency Reserve	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000
7	***Reserve Target Minimum***	***$1,408,756***	***$1,397,787***	***$1,424,522***	***$1,463,130***	***$1,493,873***	***$1,526,890***
8	***Reserve Target Maximum***	***$2,121,831***	***$2,103,669***	***$2,160,884***	***$2,233,273***	***$2,297,875***	***$2,367,232***
9	**Combined Reserves**	**$919,198**	**$997,901**	**($5,328,631)**	**($13,073,190)**	**($18,279,278)**	**($23,413,715)**
10	Meets Target Minimum?	No	No	No	No	No	No
11	Meets Target Maximum?	No	No	No	No	No	No

Figure 2-1 shows the projected ending fund balances of the wastewater enterprise fund under the status quo scenario. The reserve target minimum (shown as a dashed red line) is equal to the operating reserve minimum plus capital, rate stabilization, and emergency reserve policy targets, and the reserve target maximum (shown as a dashed black line) is equal to the operating reserve maximum plus capital, rate stabilization, and

emergency reserve policy targets. Without additional wastewater rate revenues, the wastewater enterprise fund balances will not meet targets starting in FY 2026 and will be negative starting in FY 2028.

Figure 2-1: Wastewater Fund Balance Projections (Status Quo)



2.11 PROPOSED FINANCIAL PLAN

WRE worked with the Board and Agency staff to determine the most appropriate financial plan scenario to meet the Agency's needs over the study period. Overall annual increases in wastewater rate revenues resulting from rate increases are referred to as "revenue adjustments." The proposed financial plan scenario includes five years of revenue adjustments and reduced CIP execution rates resulting from deferral of capital projects, as shown in **Table 2-17**.

Based on direction from the Board, the Agency has elected to defer all capital projects over the study period. If the Agency receives any grant proceeds over the next six years, the Board and Agency staff can elect to fund portions of the deferred CIP with those grant proceeds. For the purposes of this study, all CIP is assumed to be deferred until after FY 2031.

Table 2-17: Wastewater Financial Plan Adjustments (Proposed)

Line	Fiscal Year	Revenue Adjustments	CIP Execution Rate
1	FY 2027	3.0%	0%
2	FY 2028	3.0%	0%
3	FY 2029	3.0%	0%
4	FY 2030	3.0%	0%
5	FY 2031	3.0%	0%

Table 2-18 shows the cash flow projections for the wastewater enterprise under the proposed scenario. Revenues are from **Table 2-6**, rate revenue adjustments are based on the proposed adjustments in **Table 2-17**, expenses are from **Table 2-9**, debt service is from **Table 2-10**, and rate funded CIP is from **Table 2-12**. Net operating revenue (Line 24) is equal revenues (Line 11) less operating expenses (Line 22). Net cash flow (Line 32) is equal to net operating revenue (Line 24) less debt service (Line 28) less rate funded CIP (Line 30). Net

cash flow under the proposed scenario is projected to be positive for all years of the study, meaning that the Agency will maintain or replenish its reserves to while funding the costs of the wastewater enterprise.

Table 2-18: Wastewater Cash Flow Projections (Proposed)

Line	Cash Flow Projections	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	**Revenues**						
2	Rate Revenues	$2,685,721	$2,685,721	$2,685,721	$2,685,721	$2,685,721	$2,685,721
3	Rate Revenue Adjustments	$0	$80,572	$163,560	$249,039	$337,082	$427,766
4	Customer Fees	$6,400	$6,400	$6,400	$6,400	$6,400	$6,400
5	Developer Fees	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
6	Interest Revenue	$39,000	$38,942	$43,598	$47,355	$50,066	$51,555
7	Property Tax	$39,160	$39,940	$40,740	$41,550	$42,380	$43,228
8	Other Non-Operating Revenue	$900	$900	$900	$900	$900	$900
9	Outside Service Contracts	$195,300	$201,740	$208,400	$215,270	$222,380	$224,604
10	Standby Charges	$16,000	$16,000	$16,000	$16,000	$16,000	$16,000
11	**Subtotal**	**$2,992,481**	**$3,080,216**	**$3,175,320**	**$3,272,235**	**$3,370,929**	**$3,466,174**
12							
13	**Expenses**						
14	Salaries	$1,021,700	$1,058,590	$1,095,410	$1,138,780	$1,175,170	$1,213,951
15	Benefits	$25,500	$27,030	$28,710	$30,560	$32,600	$33,904
16	Health Insurance	$266,100	$298,060	$333,810	$373,870	$418,710	$468,955
17	General	$1,200,000	$1,082,150	$1,109,800	$1,138,210	$1,167,380	$1,197,732
18	Chemicals	$23,200	$24,590	$26,070	$27,630	$29,290	$31,047
19	Fuel	$55,800	$59,150	$62,700	$66,460	$70,450	$74,677
20	Energy (PG&E)	$172,000	$177,160	$182,470	$187,940	$193,580	$199,387
21	Regulatory Fees	$88,000	$96,800	$106,480	$117,120	$128,830	$141,713
22	**Subtotal**	**$2,852,300**	**$2,823,530**	**$2,945,450**	**$3,080,570**	**$3,216,010**	**$3,361,366**
23							
24	**Net Operating Revenue**	**$140,181**	**$256,686**	**$229,870**	**$191,665**	**$154,919**	**$104,807**
25							
26	**Debt Service**						
27	Internal Loans	$88,891	$86,800	$84,710	$82,619	$80,528	$78,437
28	**Subtotal**	**$88,891**	**$86,800**	**$84,710**	**$82,619**	**$80,528**	**$78,437**
29							
30	**Rate Funded CIP**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
31							
32	**Net Cash Flow**	**$51,290**	**$169,885**	**$145,161**	**$109,047**	**$74,391**	**$26,370**

Table 2-19 shows the projected wastewater enterprise fund balances under the proposed scenario. Agency staff provided estimated beginning fund balances for FY 2026. The sources of funds include revenues. Rate revenues, rate revenue adjustments, and all other revenues (Lines 4-6) are equal to the total revenues in **Table 2-18** (Line 11). The uses of funds include operating expenses and debt service. Operating expenses (Line 12) are equal to the total expenses in **Table 2-18** (Line 22). Debt service (Line 13) is equal to the total debt service in **Table 2-18** (Line 28). Rate funded CIP (Line 16) is equal to zero, based on the capital funding plan in **Table**

2-12. Under the proposed financial plan scenario, the Agency will maintain a positive fund balance in all years of the study.

Table 2-19: Wastewater Fund Balance Projections (Proposed)

Line	Fund Balance Projections	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	**Beginning Balance**	**$1,181,318**	**$1,232,608**	**$1,402,494**	**$1,547,654**	**$1,656,701**	**$1,731,092**
2							
3	**Sources of Funds**						
4	Rate Revenues	$2,685,721	$2,685,721	$2,685,721	$2,685,721	$2,685,721	$2,685,721
5	Rate Revenue Adjustments	$0	$80,572	$163,560	$249,039	$337,082	$427,766
6	All Other Revenues	$306,760	$313,922	$326,038	$337,475	$348,126	$352,686
7	Grant Proceeds	$0	$0	$0	$0	$0	$0
8	Debt Proceeds	$0	$0	$0	$0	$0	$0
9	**Subtotal**	**$2,992,481**	**$3,080,216**	**$3,175,320**	**$3,272,235**	**$3,370,929**	**$3,466,174**
10							
11	**Uses of Funds**						
12	Expenses	$2,852,300	$2,823,530	$2,945,450	$3,080,570	$3,216,010	$3,361,366
13	Debt Service	$88,891	$86,800	$84,710	$82,619	$80,528	$78,437
14	Grant Funded CIP	$0	$0	$0	$0	$0	$0
15	Debt Funded CIP	$0	$0	$0	$0	$0	$0
16	Rate Funded CIP	$0	$0	$0	$0	$0	$0
17	**Subtotal**	$2,941,191	$2,910,330	$3,030,160	$3,163,189	$3,296,538	$3,439,804
18							
19	**Ending Balance**	**$1,232,608**	**$1,402,494**	**$1,547,654**	**$1,656,701**	**$1,731,092**	**$1,757,462**

Table 2-20 shows the financial performance of the wastewater enterprise under the proposed scenario. Financial performance is determined based on the Agency's reserve policy targets as discussed in a previous section. The reserve policy targets define a minimum and maximum target based on the operating, capital, rate stabilization, and emergency reserve targets. Under the proposed scenario, the wastewater enterprise fund will meet the minimum combined reserve targets starting in FY 2027.

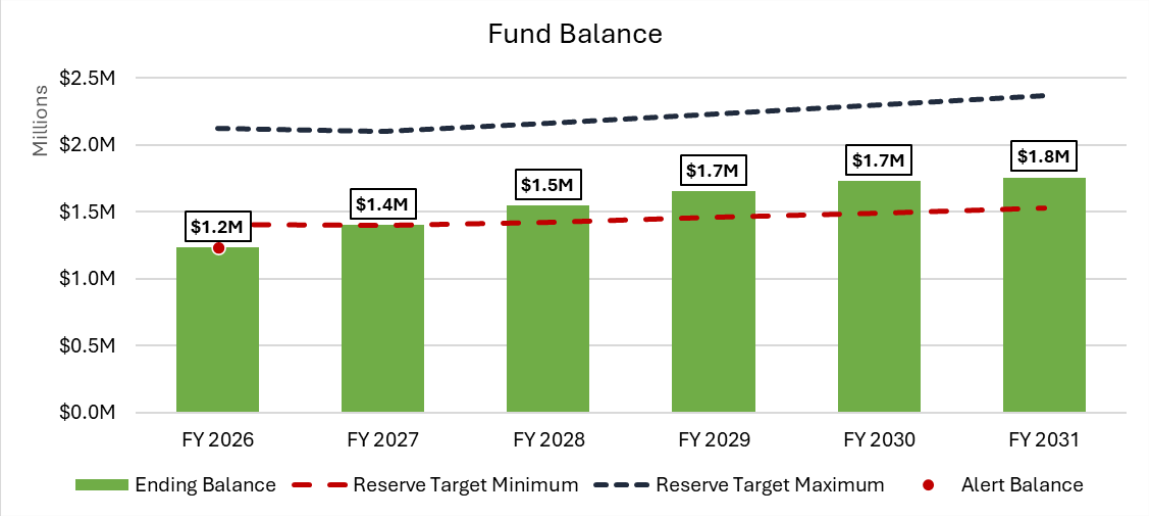
Table 2-20: Wastewater Financial Performance (Proposed)

Line	Financial Performance	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	**Reserve Policy**						
2	Operating Reserve Minimum	$713,075	$705,883	$736,363	$770,143	$804,003	$840,342
3	Operating Reserve Maximum	$1,426,150	$1,411,765	$1,472,725	$1,540,285	$1,608,005	$1,680,683
4	Capital Reserve	$95,681	$91,904	$88,159	$92,988	$89,870	$86,549

5	Rate Stabilization Reserve	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000
6	Emergency Reserve	$500,000	$500,000	$500,000	$500,000	$500,000	$500,000
7	***Reserve Target Minimum***	***$1,408,756***	***$1,397,787***	***$1,424,522***	***$1,463,130***	***$1,493,873***	***$1,526,890***
8	***Reserve Target Maximum***	***$2,121,831***	***$2,103,669***	***$2,160,884***	***$2,233,273***	***$2,297,875***	***$2,367,232***
9	**Combined Reserves**	**$1,232,608**	**$1,402,494**	**$1,547,654**	**$1,656,701**	**$1,731,092**	**$1,757,462**
10	Meets Target Minimum?	No	Yes	Yes	Yes	Yes	Yes
11	Meets Target Maximum?	No	No	No	No	No	No

Figure 2-2 shows the projected fund balances under the proposed scenario. With the proposed revenue adjustments, the Agency is projected to meet its minimum reserve targets starting in FY 2027.

Figure 2-2: Wastewater Fund Balance Projections (Proposed)



3. WASTEWATER COST-OF-SERVICE ANALYSIS

3.1 COST-OF-SERVICE METHODOLOGY

A cost-of-service analysis was conducted as part of the rate study to allocate the rate revenue requirement between the Agency's wastewater customers in proportion to their use of and burden on the wastewater system. The overall goal of the cost-of-service analysis is to develop "unit costs," which provide the basis from which proposed wastewater rates are directly calculated from. Note that although the study period 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.

The cost-of-service analysis is "revenue neutral," meaning that the resulting cost-of-service based rates collect the same amount of revenue as the Agency expects to collect in FY 2026. The revenue neutral unit costs determine revenue neutral rates, which are then adjusted based on the proposed financial plan increases to arrive at the proposed wastewater rates for five years. All values presented in this section pertain to FY 2026 and are revenue neutral unless stated otherwise.

The key steps in conducting a wastewater cost-of-service analysis are outlined below:

- **Revenue requirement determination**: The total rate revenue requirement for the test year is determined based on the results of the proposed financial plan and divided into primary sub-components (operating, capital, etc.).
- **Cost functionalization**: Operating and capital costs are evaluated and assigned to "functional categories" in the wastewater system (e.g., customer service, treatment, etc.). This provides a proportional breakdown of system costs by functional category.
- **Revenue requirement allocation to cost causation components**: Functionalized costs are allocated to "cost causation components," or cost components (e.g., flow, strength, billing, etc.), which are used to attribute customers' use of the system to the Agency's incursion of costs.
- **Unit cost development**: The rate revenue requirement allocation for each individual cost component is divided by the appropriate units of service to establish unit costs for the test year. Unit costs provide the basis from which proposed rates are calculated.

3.2 REVENUE REQUIREMENT

The wastewater rate revenue requirement for the test year, FY 2026, is shown in **Table 3-1**. The revenue requirement is based on the financial plan projections (**Table 2-18**) and is allocated between the Operating, Debt Service, and Revenue Offset components. The Operating revenue requirement consists of O&M expenses (Line 2; from **Table 2-18**, Line 22), other non-rate revenues (Line 8; from **Table 2-18**, Lines 4-6 and 8-10), and adjustments for cash balance which is equal to the net cash flow for FY 2026 (Line 13; from **Table 2-18**, Line 32). The Debt Service revenue requirement consists of annual debt service (Line 3; from **Table 2-18**, Line 28). Revenue offsets include property tax revenues (Line 9; from **Table 2-18**, Line 7). Revenue offsets are revenues that can be used to offset rates at the Agency's discretion under Proposition 218 requirements, since they are not generated by specific customer classes or for payment of services provided by the Agency. The total revenue required from rates (Line 16) is equal to the amount of wastewater rate revenues collected in FY 2026 (**Table 2-18**, Line 2).

Table 3-1: Wastewater Revenue Requirement

Line	Revenue Requirement (FY 2026)	Operating	Debt Service	Revenue Offsets	Total
1	**Revenue Requirements**				
2	O&M Expenses	$2,852,300	$0	$0	$2,852,300
3	Debt Service	$0	$88,891	$0	$88,891
4	Rate Funded CIP	$0	$0	$0	$0
5	**Subtotal**	**$2,852,300**	**$88,891**	**$0**	**$2,941,191**
6					
7	**Revenue Offsets**				
8	Other Revenues	($267,600)	$0	$0	($267,600)
9	Property Tax	$0	$0	($39,160)	($39,160)
10	**Subtotal**	**($267,600)**	**$0**	**($39,160)**	**($306,760)**
11					
12	**Adjustments**				
13	Adjustment for Cash Balance	$51,290	$0	$0	$51,290
14	**Subtotal**	**$51,290**	**$0**	**$0**	**$51,290**
15					
16	**Total - Revenue Required from Rates**	**$2,635,990**	**$88,891**	**($39,160)**	**$2,685,721**

3.3 MASS BALANCE

The next step in the cost-of-service analysis is to complete a mass balance, which is detailed in this section. Wastewater flow data is not typically metered, which means that a mass balance must be completed to estimate the wastewater flow and strength for each customer class. Wastewater flow and strength estimates are based on known data, such as total flows into the wastewater treatment plant[6], inflow and infiltration (I&I), Commercial billed consumption, and Commercial and Residential customer EDUs.

Table 3-2 shows the mass balance based on the contributed flows from Residential and Commercial customers, I&I, and the total plant inflows. Contributed flows for Residential customers are estimated using the methodology developed in the prior rate study, which assumes 2 people per household and 55 gallons per capita per day (gpcd) in indoor water consumption multiplied by the number of Residential EDUs converted to hcf (Line 2). Contributed flows for Commercial customers are based on billed consumption (**Table 2-3**). The total wastewater flow to the treatment plant in hcf (Line 11) is derived from the Agency's most recent Master Plan conducted in 2022. Estimated I&I is calculated by subtracting the total contributed flows from the total plant inflow (Line 9). I&I represents the amount of water that enters into the wastewater treatment system that is not from customer usage, such as stormwater entering the system when it rains.

Wastewater strength is measured in biochemical oxygen demand (BOD) and total suspended solids (TSS). The strength in milligrams per liter (mg/L) are based on data provided by Agency staff, which is consistent with the assumptions in the prior rate study. The pounds (lbs) of BOD and TSS for contributed flows and I&I are calculated based on the estimated wastewater flow and the strength assumptions in mg/L converted to pounds.

[6] The term "wastewater treatment plant" is used in this report to generally refer to a treatment or disposal site. The Agency operates two wastewater treatment plants and nine community leach fields and pays for treatment at a third wastewater treatment plant.

Table 3-2: Wastewater Mass Balance

Line	Mass Balance	EDUs	WW Flow (hcf)	WW Flow (gal)	BOD (mg/L)	BOD (lbs)	TSS (mg/L)	TSS (lbs)
1	**Contributed Flows**							
2	Residential	693	37,198	27,823,950	325	75,417	300	69,616
3	Commercial	669						
4	Low Strength		10,632	7,952,736	225	14,923	200	13,265
5	Medium Strength		5,604	4,191,792	300	10,488	300	10,488
6	High Strength		10,824	8,096,352	600	40,514	600	40,514
7	**Subtotal**		**64,258**	**48,064,830**		**141,342**		**133,883**
8								
9	**I&I**		**11,865**	**8,875,170**	**10**	**740**	**100**	**7,402**
10								
11	**Plant Total**		**76,123**	**56,940,000**		**142,082**		**141,285**

3.4 FUNCTIONAL COST ALLOCATIONS

After determining the revenue requirement and the units of service based on the mass balance, the next step is to allocate the Agency's costs into various functional categories. These categories represent the main functions of the wastewater system.

Table 3-3 shows the wastewater operating expenses and their corresponding category. Note that the total expenses (Line 43) are equal to the total O&M expenses for FY 2026 (**Table 2-18**, Line 22).

Based on direction from Agency staff, the O&M expense structure has not changed significantly from the prior study to this current study. Thus, the corresponding functions and functional allocation percentages are based on the methodology developed in the prior rate study.

The O&M expense categories and their corresponding functional cost allocations include the following:

- Labor – costs related to salary and benefits of Agency staff
- Board of Directors – costs related to the Board of Directors
- Admin – costs related to the administration of various Agency functions
- Collection – costs related to the wastewater collection system
- Disposal – costs related to the disposal of wastewater
- Treatment – costs related to the treatment of wastewater
- Vehicles – costs related to vehicles and equipment
- Operating – costs related to the operations and maintenance of the wastewater system, such as staffing, repairs, operating facilities, etc.
- Power – costs related to electricity
- Billing – costs related to customer service and billing
- General – costs not attributable to other functions, such as legal fees

Table 3-3: Wastewater Operating Expense Functions

Line	Operating Expense Allocations	Allocation Methodology	FY 2026
1	**Expenses**		
2	Employee Wages	Labor	$840,700

3	Board of Directors (Salaries)	Board of Directors	$11,100
4	Board of Directors (Health/Life Insurance)	Board of Directors	$0
5	Board of Directors (FICA)	Board of Directors	$800
6	Board of Directors (Workers Comp)	Board of Directors	$100
7	Board of Directors (Director Travel/Meals)	Board of Directors	$300
8	Board of Directors (Software Licensing)	Board of Directors	$300
9	Board of Directors (Office Equipment)	Board of Directors	$1,100
10	Other Benefits	Labor	$25,500
11	Health Benefits	Labor	$202,300
12	Miscellaneous Expense	Labor	$1,000
13	CalPERS Unfunded Accrued Liability	Labor	$62,200
14	CalPERS Retirement	Labor	$73,500
15	Payroll Taxes	Operating	$62,700
16	Insurance (All Other)	Operating	$26,300
17	Insurance (Property/Liability)	Operating	$21,900
18	Distribution and Collection	Collection	$64,100
19	Disposal	Disposal	$71,900
20	Treatment Expense (Chemicals)	Treatment	$23,200
21	Treatment Expense (All Other)	Treatment	$382,300
22	Wastewater System Maintenance (Water Tests)	Treatment	$27,400
23	Wastewater System Maintenance (All Other)	Treatment	$55,000
24	Vehicles and Equipment (Equipment Fuel & Oil)	Vehicles	$55,800
25	Vehicles and Equipment (All Other)	Vehicles	$50,200
26	Operating Facilities	Operating	$52,700
27	Operating Electricity	Power	$172,000
28	Safety, Training and Conferences	Operating	$9,400
29	System Fees and Permits	Operating	$88,000
30	Administrative Office Maintenance	Admin	$35,700
31	Repair & Replacement Expense	Operating	$69,500
32	Office Equipment, Supplies and Software	Admin	$28,700
33	Outreach, Publications and Advertising	Admin	$4,000
34	Information Technology	Admin	$16,600
35	Customer Service and Billing	Billing	$27,200
36	Professional Services	Operating	$72,900
37	Dues and Memberships	Admin	$7,200
38	Uncollectable Accounts	General	$6,200
39	Retiree Health	Labor	$37,500
40	Grant Consulting	Operating	$25,300
41	Legal Fees	General	$6,300
42	Capital Purchases	Operating	$133,400
43	**Total - Expenses**		**$2,852,300**

3.5 COST ALLOCATIONS BY COMPONENT

While the functional categories represent the costs of system functions, cost causation components represent the reasons for why and how those costs are incurred within the system (thus, cost causation). Cost causation components will be referred to as cost components in this report. The next step of the cost-of-service analysis

is to allocate the Operating, Debt Service, and Revenue Offsets in the functional categories between the cost components, most of which directly correspond to a single functional category.

The cost components in this study include the following:

- Flow – costs related to the flow of wastewater into the system
- BOD – costs related to wastewater strength for BOD
- TSS – costs related to wastewater strength for TSS
- Customer – costs that directly correspond to the Billing function
- Debt Service – costs that directly correspond to the Debt Service expenses
- General – costs that are not directly attributable to the other components

Table 3-4 shows the factors that are used to allocate the cost functions to the cost components. Labor costs (Line 1) are allocated between the cost components using the labor cost allocation methodology developed in the prior rate study. Costs for the Board of Directors, Disposal, and Billing (Lines 2, 5, and 10) are allocated entirely to Customer. Operating costs (Line 3) are allocated between the cost components using the operating cost allocation methodology developed in the prior rate study. Collection costs (Line 4) are allocated entirely to Flow. Treatment costs (Line 6) are allocated between wastewater strength in BOD and TSS. Vehicles and Power costs (Lines 7-8) are allocated between Flow, BOD, and TSS based on the prior study's allocation methodology. Admin costs (Line 9) are allocated between the cost components using the total cost allocation methodology developed in the prior rate study. General costs (Line 11) are allocated entirely to General.

Table 3-5 shows the allocation of debt service and other non-rate revenues between the cost components. Debt service costs (Line 2) are allocated entirely to the Debt Service component. All other revenues and adjustments (Line 4-6) are allocated entirely to the General component.

Table 3-4: Wastewater Operating Expenses by Cost Component

Line	Operating Expenses	FY 2026	Flow	BOD	TSS	Customer	Debt Service	General	Total
1	Labor	$1,242,700	11.8%	20.5%	20.5%	37.1%	0.0%	10.2%	100.0%
2	Board of Directors	$13,700	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%
3	Operating	$562,100	17.9%	31.1%	31.1%	4.6%	0.0%	15.4%	100.0%
4	Collection	$64,100	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
5	Disposal	$71,900	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%
6	Treatment	$487,900	0.0%	50.0%	50.0%	0.0%	0.0%	0.0%	100.0%
7	Vehicles	$106,000	50.0%	25.0%	25.0%	0.0%	0.0%	0.0%	100.0%
8	Power	$172,000	50.0%	25.0%	25.0%	0.0%	0.0%	0.0%	100.0%
9	Admin	$92,200	13.9%	24.1%	24.1%	25.9%	0.0%	12.0%	100.0%
10	Billing	$27,200	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%
11	General	$12,500	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
12	**Total - Expenses**	**$2,852,300**	**$462,350**	**$764,901**	**$764,901**	**$623,678**	**$0**	**$236,472**	**$2,852,300**

Table 3-5: Wastewater Debt Service and Revenue Offsets by Cost Component)

Line	Other Requirements	FY 2026	Flow	BOD	TSS	Customer	Debt Service	General	Total
1	**Expenses/Revenue Offsets**								
2	Debt Service	$88,891	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	100.0%
3	Rate Funded CIP	$0	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
4	Other Revenues	($267,600)	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
5	Property Tax	($39,160)	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
6	Adjustment for Cash Balance	$51,290	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
7	**Total - Expenses/Revenue Offsets**	**($166,579)**	**$0**	**$0**	**$0**	**$0**	**$88,891**	**($255,470)**	**($166,579)**

3.6 WASTEWATER COST-OF-SERVICE

Table 3-6 shows the cost-of-service allocations between cost components for the wastewater system. The operating expense allocations are from **Table 3-4**, and the expenses and revenue offset allocations are from **Table 3-5**. Note that the total cost-of-service (Line 3) is equal to the revenue requirement in FY 2026 (**Table 3-1**, Line 16). General costs are then reallocated to all cost components except for Debt Service (Line 4), since the debt service charges should collect the exact cost of debt service payments.

Table 3-6: Wastewater Cost-of-Service Allocations

Line	COS Allocations	Flow	BOD	TSS	Customer	Debt Service	General	Total
1	Operating Expenses	$462,350	$764,901	$764,901	$623,678	$0	$236,472	$2,852,300
2	Expenses/Revenue Offsets	$0	$0	$0	$0	$88,891	($255,470)	($166,579)
3	**Total - COS**	**$462,350**	**$764,901**	**$764,901**	**$623,678**	**$88,891**	**($18,998)**	**$2,685,721**
4	General Cost Reallocation	($3,358)	($5,555)	($5,555)	($4,530)		$18,998	$0
5	**Total - Final COS**	**$458,992**	**$759,345**	**$759,345**	**$619,148**	**$88,891**	**$0**	**$2,685,721**

Table 3-7 shows the wastewater unit costs by cost component and the cost-of-service of each class. The final cost-of-service (COS) is from **Table 3-6**. The units of service for all cost components are from the mass balance in **Table 3-2**. The units of service for Flow, BOD, and TSS are based on contributed flows and strength loadings for all customer classes. The units for Customer are based on number of EDUs for each class multiplied by 12 months. The unit cost (Line 11) is calculated by dividing the final COS (Line 1) by the units of service for each component. The unit costs for all components are multiplied by the units of service for each class to determine the cost-of-service for each customer class and strength.

Table 3-7: Wastewater Unit Costs by Cost Component

Line	Unit Costs	Flow	BOD	TSS	Customer	Debt Service	Total
1	**Final COS**	**$458,992**	**$759,345**	**$759,345**	**$619,148**	**$88,891**	**$2,685,721**
2							
3	**Units of Service**						
4	Residential	37,198	75,417	69,616	8,316		
5	Commercial				8,028		
6	Low Strength	10,632	14,923	13,265	0		
7	Medium Strength	5,604	10,488	10,488	0		
8	High Strength	10,824	40,514	40,514	0		
9	**Total**	**64,258**	**141,342**	**133,883**	**16,344**		
10							
11	**Unit Cost**	**$7.14**	**$5.37**	**$5.67**	**$37.88**		
12							
13	**Cost of Service by Class**						
14	Debt Service					$88,891	$88,891
15	Residential	$265,703	$405,169	$394,840	$315,029		$1,380,740
16	Commercial				$304,119		$304,119
17	Low Strength	$75,944	$80,174	$75,236			$231,354
18	Medium Strength	$40,029	$56,345	$59,484			$155,858
19	High Strength	$77,316	$217,658	$229,785			$524,758
20	**Total**	**$458,992**	**$759,345**	**$759,345**	**$619,148**	**$88,891**	**$2,685,721**

4. WASTEWATER RATE DESIGN

4.1 RATE DESIGN METHODOLOGY

A proposed five-year wastewater 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 rate schedule are outlined below:

- **Test year rate development**: Rates are calculated for the proposed rate structure for the cost-of-service test year (FY 2026). Rate calculations directly incorporate the unit costs developed in the cost-of-service analysis. The test year rates are revenue neutral, then are increased based on the proposed financial plan revenue adjustments. Although total rate revenues in the first year of adjustments (FY 2027) are designed to increase by the proposed revenue adjustment percentage (3% in FY 2027), the proposed percentage increase to each rate/charge varies due to the results of the cost-of-service analysis.
- **Five-year rate schedule development**: Proposed rates for the full five-year period are calculated by increasing the revenue neutral cost-of-service rates by the proposed annual revenue adjustment percentages from the proposed financial plan.

4.2 PROPOSED RATE INCREASES

Table 4-1 shows the projected wastewater rate increases over the five-year study period. The total revenue adjustment (Line 1) is based on the proposed financial plan scenario from **Table 2-17**. The combined rate revenues (Line 3) represent the annual rate revenue requirement for each year based on the proposed financial plan (**Table 2-18**, Lines 2-3). Since debt service charges are designed to collect the exact cost of debt service payments and thus do not increase each year, the remaining rate components (monthly service charges and commodity rates) must increase by the net difference in annual rate revenues less debt service (Line 6) in order to maintain an overall revenue adjustment equal to the those shown in the financial plan (Line 1).

Table 4-1: Wastewater Proposed Rate Increases

Line	Proposed Rate Increases	FY 2026 (Current)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	**Total Revenue Adjustment**		**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**
2							
3	Combined Rate Revenues	$2,685,721	$2,766,293	$2,849,282	$2,934,760	$3,022,803	$3,113,487
4	Less Debt Service Revenues	($88,891)	($88,891)	($88,891)	($88,891)	($88,891)	($88,891)
5	Net Revenues	$2,596,830	$2,677,402	$2,760,391	$2,845,869	$2,933,912	$3,024,596
6	***Difference (%)***		***3.1%***	***3.1%***	***3.1%***	***3.1%***	***3.1%***

4.3 WASTEWATER RATES

Table 4-2 shows the revenue neutral COS charges for the wastewater monthly fixed service charges. The cost-of-service and units of service for Residential and Commercial customers is from **Table 3-7**. The COS charge is calculated by dividing the cost-of-service by the number of EDUs per year for Residential and Commercial customers.

Table 4-2: Revenue Neutral Wastewater Monthly Fixed Service Charges

Line	Monthly Fixed Service Charges	COS	EDUs/ year	COS Charge
1	Residential	$1,380,740	8,316	**$166.03**
2	Commercial	$304,119	8,028	**$37.88**

Table 4-3 shows the proposed wastewater monthly fixed service charges based on the revenue neutral COS charge (**Table 4-2**) and the projected rate increases for the first year of proposed rates, FY 2027 (**Table 4-1**, Line 6), rounded up to the nearest cent.

Table 4-3: Proposed Wastewater Monthly Fixed Service Charges

Line	Monthly Fixed Service Charges	Proposed Charge	Current Charge	Difference ($)	Difference (%)
1	Residential	**$171.19**	$164.28	$6.91	4%
2	Commercial	**$39.06**	$49.43	($10.37)	-21%

Table 4-4 shows the revenue neutral COS charges for the Commercial commodity rates by strength. The cost-of-service and units of service are from **Table 3-7**. The COS charge is calculated by dividing the cost-of-service by billed consumption in hcf per year for each Commercial class strength.

Table 4-4: Revenue Neutral Wastewater Commodity Rates

Line	Commodity Rates	COS	hcf/year	COS Charge
1	**Commercial**			
2	Low Strength	$231,354	10,632	**$21.76**
3	Medium Strength	$155,858	5,604	**$27.81**
4	High Strength	$524,758	10,824	**$48.48**

Table 4-5 shows the proposed Commercial commodity rates by strength based on the revenue neutral COS charge (**Table 4-4)** and the projected rate increases for the first year of proposed rates, FY 2027 (**Table 4-1**, Line 6), rounded up to the nearest cent.

Table 4-5: Proposed Wastewater Commodity Rates

Line	Commodity Rates	Proposed Charge	Current Charge	Difference ($)	Difference (%)
1	**Commercial**				
2	Low Strength	**$22.44**	$19.47	$2.97	15%
3	Medium Strength	**$28.68**	$24.85	$3.83	15%
4	High Strength	**$49.99**	$43.67	$6.32	14%

Table 4-6 shows the wastewater debt service by service area, based on data provided by Agency staff.

Table 4-6: Wastewater Debt Service by Service Area

Line	Wastewater Internal Loans	Loan To	FY 2026
1	2010-09, 2014-09	ID #1	$20,531
2	2005-64	General	$27,262
3	2010-22, 2014-05	Lake Camanche	$41,099
4	**Total**		**$88,891**

Table 4-7 shows the proposed wastewater monthly debt service charges by service area. The total cost-of-service by service area is from **Table 4-6**. The number of EDUs per year for each service area is based on the customer data in **Table 2-2** multiplied by 12 months. The proposed charge is calculated by dividing the cost-of-service by the number of EDUs per year for each service area, rounded up to the nearest cent.

Table 4-7: Proposed Wastewater Monthly Debt Service Charges

Line	Monthly Debt Service Charges	COS	EDUs/ year	Proposed Charge	Current Charge	Difference ($)	Difference (%)
1	ID #1	$20,531	3,421	**$6.01**	$8.65	($2.64)	-31%
2	Lake Camanche	$41,099	4,199	**$9.79**	$14.44	($4.65)	-32%
3	General	$27,262	16,344	**$1.67**	$1.84	($0.17)	-9%

4.4 PROPOSED FIVE-YEAR RATE SCHEDULE

The proposed five-year schedule of wastewater rates in this section is based on the updated cost-of-service analysis and the proposed revenue adjustments for the five-year study period. The rate schedule shows the proposed wastewater rates to be implemented on July 1, 2026 for the first year and on July 1, 2030 for the final year. Proposition 218 allows agencies to adopt up to five years of rates at a time.

Table 4-8 shows the current and proposed wastewater rates. The first year of rates is based on the proposed rates from **Table 4-3**, **Table 4-5**, and **Table 4-6**. All subsequent years is based on the prior proposed year adjusted by the rate increases in **Table 4-1**.

Table 4-8: Proposed Wastewater Rates and Debt Service Charges

Line	Wastewater Rates	Current 7/1/2025	Proposed 7/1/2026	Proposed 7/1/2027	Proposed 7/1/2028	Proposed 7/1/2029	Proposed 7/1/2030
1	**Monthly Fixed Service Charges**						
2	Residential	$164.28	$171.19	$176.50	$181.96	$187.59	$193.39
3	Commercial	$49.43	$39.06	$40.27	$41.52	$42.80	$44.13
4							
5	**Commodity Rates ($/hcf)**						
6	Low Strength	$19.47	$22.44	$23.14	$23.85	$24.59	$25.35
7	Medium Strength	$24.85	$28.68	$29.57	$30.48	$31.43	$32.40
8	High Strength	$43.67	$49.99	$51.54	$53.14	$54.78	$56.47
9							
10	**Monthly Debt Service Charges**						
11	ID #1	$8.65	$6.01	$6.01	$6.01	$6.01	$6.01
12	Lake Camanche	$14.44	$9.79	$9.79	$9.79	$9.79	$9.79
13	General	$1.84	$1.67	$1.67	$1.67	$1.67	$1.67

4.5 PROPOSED CUSTOMER IMPACTS

WRE evaluated the financial impacts to monthly wastewater bills based on customer class as part of the rate study. **Table 4-9** shows the proposed monthly bill impacts for Residential and Commercial wastewater customers in each service area. ID#1 does not have any Commercial customers. For Commercial customers, the average billed consumption is equal to 4 hcf per month.

Table 4-9: Proposed Wastewater Customer Impacts

Line	Customer Class	Service Area	Monthly Use (hcf)	Current Monthly Bill	Proposed Monthly Bill	Difference ($)	Difference (%)
1	Residential	ID #1	N/A	$174.77	$178.87	$4.10	2.3%
2	Residential	Lake Camanche	N/A	$180.56	$182.65	$2.09	1.2%
3	Residential	General	N/A	$166.12	$172.86	$6.74	4.1%
4	Commercial - Low Strength	Lake Camanche	4	$143.59	$140.28	($3.31)	-2.3%
5	Commercial - Medium Strength	Lake Camanche	4	$165.11	$165.24	$0.13	0.1%
6	Commercial - High Strength	Lake Camanche	4	$240.39	$250.48	$10.09	4.2%
7	Commercial - Low Strength	General	4	$129.15	$130.49	$1.34	1.0%
8	Commercial - Medium Strength	General	4	$150.67	$155.45	$4.78	3.2%
9	Commercial - High Strength	General	4	$225.95	$240.69	$14.74	6.5%

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