Florin County Water District

Water Rate Study

December 4th, 2025

BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

Florin CWD

Water Rate Study

December 2025

Prepared by:

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Mr. Edmund Leggette, General Manager
Florin County Water District
7090 McComber Street
Sacramento, CA 95828

Re: FY 2026-2030 Water Rate Study

Bartle Wells Associates (BWA) is pleased to submit the attached *FY 2026-2030 Water Rate Study* to Florin County Water District (District). The study develops long-term financial projections for the District's water utility and recommends rates designed to fund the District's projected costs of providing water service.

The proposed rates incorporate both overall rate increases needed to maintain the water enterprises' financial stability and meet future funding needs. The proposed rates also include some adjustments to the water rate structures designed to keep the District's rates aligned with the costs of providing service.

We enjoyed working with the District on this assignment and appreciate the ongoing collaboration, input and assistance received from District staff. Please contact us anytime if you have questions about this report or other issues related to utility rates and finance.

Sincerely,

BARTLE WELLS ASSOCIATES

Michael DeGroot

Michael DeGroot
Vice President

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1 BACKGROUND, OBJECTIVES AND PROPOSED RATES

1.1 Background

Florin County Water District ("District") is an independent special district formed on October 19, 1959 under the California Water Code. The District provides retail water service to the Old Florin Town area in unincorporated Sacramento County, covering approximately 2.5 square miles generally bounded by Florin Road (north), Gerber Road (south), Power Inn Road (west), and Gardner Avenue (east). The service area population is roughly 7,800 residents[1] and has 2,447 connections[2]. See Table 2 for the breakdown of customers by category.

The District's water supply is produced from ten (10) groundwater wells within the service area. Water is conveyed through the District's distribution system to residential and non-residential customers. System governance is provided by an elected Board of Directors.

The District is responsible for funding its own operations, maintenance, and capital improvements. Revenue is generated primarily through water rates, which provide funding for day-to-day system operations, routine maintenance, and the rehabilitation and replacement of aging infrastructure.

Like many small water agencies in California, the District faces ongoing challenges associated with maintaining reliable service, replacing aging assets, and ensuring financial stability considering rising operating costs and regulatory requirements. The District has also detected per- and polyfluoroalkyl substances (PFAS) in several of its groundwater wells, requiring future treatment investments to meet emerging state and federal water quality standards.

The District historically maintained a flat bimonthly rate structure, which provided customers with unlimited water use for a fixed charge. The District's current rate of $40.00 bimonthly was established in September 2011. Subsequent increases were adopted beginning in 2017, reflecting efforts to address financial sustainability and system reinvestment needs:

- January 2017 – $60.00
- July 2017 – $80.00
- July 2018 – $100.00
- July 2019 – $120.00

These rates were later challenged by an apartment complex owner and ultimately reversed, restoring the bimonthly flat rate to $40.00 in September 2021, where it has remained unchanged since. The reversion significantly reduced the District's revenues, creating challenges in covering the full costs of operations and capital improvements.

[1] Population estimated by the California State Water Resources Control Board. Population served is estimated based on the number of residential service connections multiplied by an average household size (3.3 persons per connection), with adjustments for facilities such as schools, apartments, or seasonal users as reported to the State.
[2] Number of connections provided by District July 2024 and utilized within the study to estimate 2024/25 rate revenue.

The current rate study is being undertaken to evaluate the District's revenue needs, ensure rates are aligned with the cost of providing service, and establish a legally sound rate structure that meets the requirements of Proposition 218 while supporting the District's long-term financial stability.

1.2 Policy Goals & Objectives

Key policy goals and objectives of the water rate study include:

1. Develop water rates that:
    a. recover the District's costs of providing water service
    b. are fair and equitable to all customers
    c. are easy to understand and implement
    d. comply with the legal requirements of Proposition 218 and other California law
    e. provide adequate funding for capital improvement needs identified in this study including near-term funding priorities and transitioning the District to meters[3].
2. Recommend rates that maintain long-term financial sustainability of the water utility and put the enterprise on course for balanced budgets.
3. Maintain a prudent level of fund reserves.

1.3 Current and Proposed Rates

Table 1 shows the schedule of current and proposed water rates. Proposed rates account for both overall rate increases as well as rate structure adjustments to keep rates aligned with the cost of providing service. The first proposed water rate increase is effective March 1, 2026, with all other increases effective on July 1st at the beginning of each fiscal year. The District's rates are currently billed bimonthly and would continue to be billed bimonthly if the District adopts the proposed rates.

Florin County Water District's existing rate structure includes:

1. Unmetered Customers

- Customers are billed a flat, bimonthly charge.
- This charge applies whether any water is used during the billing period.
- Unmetered customers include almost all residential customers and some commercial customers of various categories such as retail and office customers.
- Multi-unit residential properties without separate meters are billed per unit[4].

[3] A separate Capital Improvements Study is currently underway. The CIP included in this rate study is focused primarily on CIP items with well understood and defined scopes and costs such as well treatment and meter replacement projects, rather than system-wide aging infrastructure

[4] For multi-unit residential properties without individual meters, the District bills the property owner based on the number of dwelling units. Tenants do not receive individual bills from the District.

2. Metered Customers

Most nonresidential accounts are metered, and the bulk of the unmetered accounts are residential, with less than 20 residential accounts metered. These accounts pay:

- A volumetric consumption charge based on actual metered water use (per thousand gallon, denoted kgal) subject to a Minimum Charge based on meter size.
    - The Minimum Charges are detailed in Table 1 under the "Current" column of the "Proposed Bimonthly Metered Rates."
    - The Minimum Charge for the base 1" meter includes 17 kgals bimonthly which can be used without additional cost. If the accounts use above the included 17 kgals, each additional kgal is charged at a rate of $2.35 per kgal. The minimum charge, and therefore the number of included units, scales based on the size of the meter.

3. Private Fire Protection Charges

- Separate fire protection charges are applied to private fire accounts to support the operation and maintenance of hydrants and fire suppression infrastructure. Private fire protection refers to water service connections that supply water exclusively for fire suppression systems on private property. These services are separate from a customer's regular domestic water meter and are typically installed to serve on-site fire sprinklers, private hydrants, or other fire protection infrastructure required by building and fire codes.
- These flat charges are assessed based on meter size or fire service connections that require capacity to maintain fire flows.

The proposed rate structure (Table 1) eliminates the current Minimum Charge structure for metered customers; instead, customers currently on meters will be charged a combination of fixed rates by meter size plus a volumetric rate. For customers who are not yet metered, the existing flat rate will transition to a hybrid charge that includes a fixed component based on fixed system costs plus a fixed component for water use based on the estimated consumption of a typical customer[5]. This approach ensures equity during the transition period while gradually moving all accounts toward a fully metered rate structure by ensuring unmetered customers are charged the same as the typical metered customer when factoring in average usage[6]. The basis for the unmetered customer rate calculation is further described in Section 4.1.

Pursuant to California Water Code § 10609.62(e) (SB 552, 2021), all small water suppliers (Water Code § 10609.51(j)) must meter every service connection by January 1, 2032. As a result, Florin CWD's existing flat-rate structure will be fully replaced with the new metered rate structure over time. The meters are estimated to be installed over the next 5 years. The exact installation timeline is estimated to be revenue neutral because the unmetered rate takes into account the average usage of a typical metered customer.

[5] These costs are further described in Chapter 4 and identified and allocated on Table 7.

[6] BWA used the available residential metered average usage data provided by the District as of July 2024, which included 19 residential accounts. BWA removed the outlier data of one customer from a suspected leak and calculated an arithmetic average of their bimonthly usage.

Table 1 – Current and Proposed Water Rates[7]

PROPOSED BIMONTHLY UNMETERED RATES

Effective Date	Current	3/1/2026	7/1/2026	7/1/2027	7/1/2028	7/1/2029
			Bimonthly Charge			
Flat Rate per Unit[1]	$40.00	$90.65	$108.78	$112.61	$116.52	$120.65

PROPOSED BIMONTHLY METERED RATES

Effective Date	Current[2]	3/1/2026	7/1/2026	7/1/2027	7/1/2028	7/1/2029
Category / Meter Size			Bimonthly Charge[3]			
Multifamily Unit	$40.00	$60.10	$72.12	$74.65	$77.26	$79.96
1 inch and below	40.00	60.10	72.12	74.65	77.26	79.96
1-1/2 inch	93.00	120.21	144.25	149.30	154.52	159.93
2 inch	146.00	192.33	230.79	238.87	247.23	255.89
3 inch	320.00	360.62	432.74	447.89	463.56	479.79
4 inch	586.00	601.03	721.23	746.48	772.60	799.64
6 inch	1,330.00	1,202.06	1,442.47	1,492.95	1,545.21	1,599.29
Volumetric Rate ($/kgal)	$2.35	$2.35	$2.82	$2.92	$3.02	$3.13

1 Proposed rates based on 1" and below rate plus 13 kgal of usage bimonthly for typical customer.
2 Current water meter charge is a minimum and not in addition to the volumetric rate.
3 Proposed water meter charge is in addition to volumetric rate (not a minimum charge).

PROPOSED BIMONTHLY FIRE RATES

Effective Date	Current	3/1/2026	7/1/2026	7/1/2027	7/1/2028	7/1/2029
Size			Bimonthly Charge			
2”	$26.00	$26.11	$31.33	$32.43	$33.56	$34.74
3”	54.00	48.95	58.74	60.80	62.93	65.13
4”	80.00	81.59	97.90	101.33	104.88	108.55
6”	106.00	163.17	195.81	202.66	209.76	217.10
8”	133.00	261.08	313.30	324.26	335.61	347.36
10"	160.00	375.30	450.36	466.13	482.44	499.33
Fire Hydrant[4]	8.00	163.17	195.81	202.66	209.76	217.10

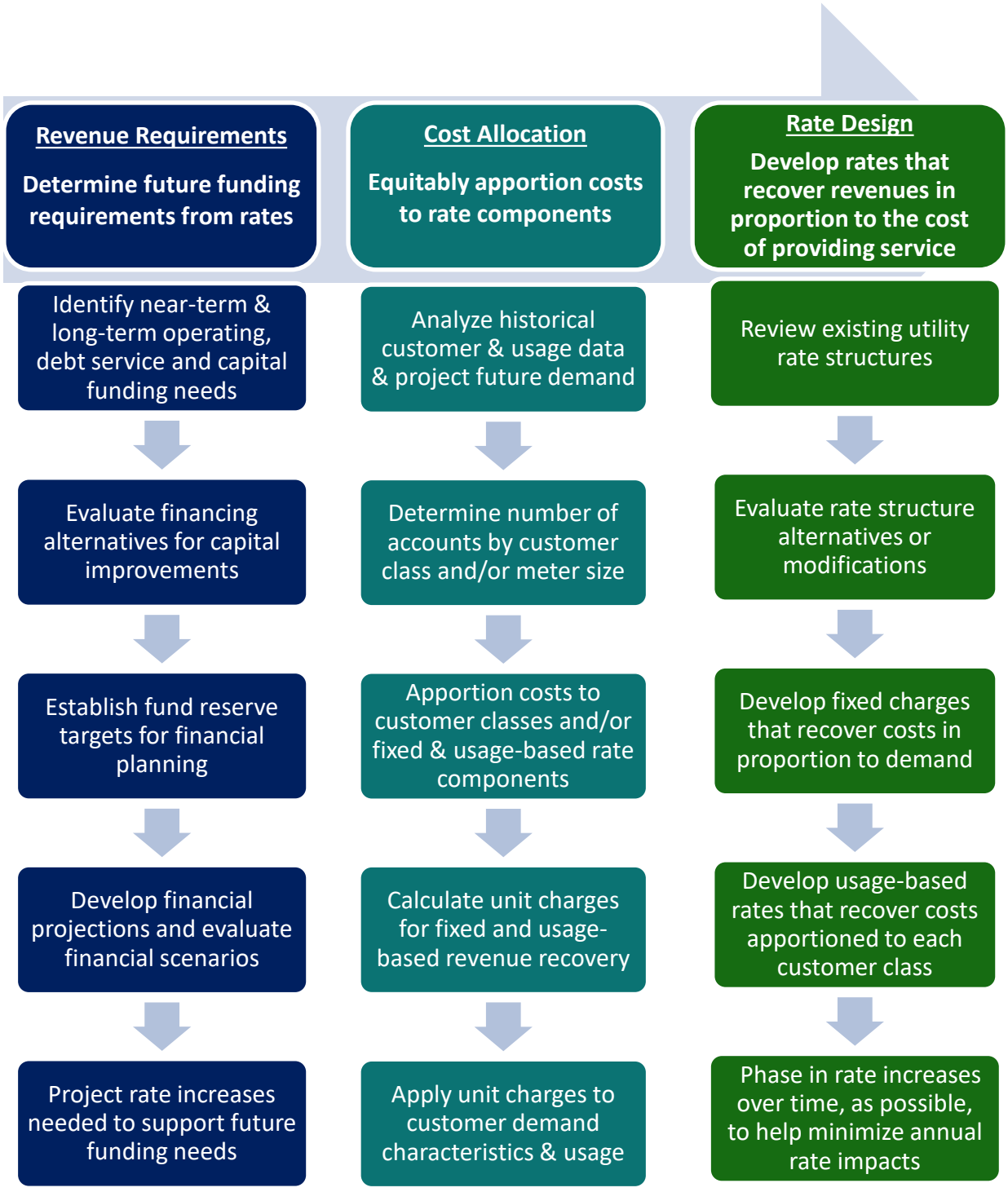
4 Fire hydrants recommended to be charged the same as 6" given they have 6" lines.

[7] This table does not include recalculated rates based on AWWA Methodology, as described in Chapters 3 and 4.

2 LEGAL REQUIREMENTS AND RATE METHODOLOGY

2.1 General Cost of Service Methodology

The rates developed in this report use a straightforward methodology to establish an equitable system of fixed and variable charges that recover the cost of providing service and fairly apportion costs to each rate component. The general methodology used in this study is summarized in the diagram below:



2.2 Constitutional Rate Requirements

The California Constitution includes two key articles that directly govern or impact the District's water rates: Article XIII C and Article XIII D. These are supplemented by the Proposition 218 Omnibus Implementation Act – Government Code section 53750 *et seq*. The rates developed in this study were designed to comply with both constitutional mandates as well as various provisions of the California law that support and add further guidance for implementing these constitutional requirements. In accordance with the constitutional provisions, the proposed rates are designed to a) recover the District's cost of providing water service, and b) equitably recover revenues in proportion to the cost for serving each customer.

2.2.1 Article XIII D, Section 6

Proposition 218 was adopted by California voters in 1996 and added Articles XIII C and XIII D to the California Constitution. Article XIII D, Section 6 governs property-related charges, which the California Supreme Court subsequently ruled includes ongoing utility service charges such as water, sewer, and garbage rates. Article XIII D, Section 6 establishes a) procedural requirements for imposing or increasing property-related charges, and b) substantive requirements for those charges. Article XIII D also requires voter approval for new or increased property-related charges but exempts rate increases for water, sewer, and garbage services from requiring voter approval as these rates support essential services.

The substantive requirements of Article XIII D, Section 6 require the District's water rates to meet the following conditions:

1) Revenues derived from the fee or charge shall not exceed the funds required to provide the property-related service.
2) Revenues derived from the fee or charge shall not be used for any purpose other than that for which the fee or charge was imposed.
3) The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel.
4) No fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question.
5) No fee or charge may be imposed for general governmental services, such as police or fire services, where the service is available to the public at large in substantially the same manner as it is to property owners.

Numerous court decisions over the past 20 years have added some legal clarification regarding these substantive rate requirements. The water rates derived in this report are based on cost-of-service methodologies that are designed to equitably recover costs from customers and comply with all legal requirements.

3 WATER FINANCES & CASH FLOW PROJECTIONS

3.1 Water Accounts and Use

Table 2 summarizes customer counts by meter size and compares the District's current meter ratios to the American Water Works Association (AWWA) recommended meter capacity ratios. 'Meter ratios' reflect the relative capacity of larger meters compared to the District's base 1-inch meter. These ratios are used to normalize different meter sizes into a common unit of measure called 'meter equivalents,' which allows revenues and costs to be fairly allocated among customers with different meter sizes. The AWWA ratios are widely used industry standards that reflect the hydraulic capacity of meters. For purposes of this study, the District applied the AWWA ratios in its analysis. The table is split into two parts: Regular Meters (domestic water service) and Private Fire Meters and Hydrants (dedicated fire protection services).

Regular Meters

- Each meter size is expressed as a ratio relative to a standard 1-inch meter. Under the current system, ratios increase with meter size (e.g., 1.00 for 1", 3.65 for 2", 14.65 for 4").
- The proposed AWWA ratios adjust these values to better reflect meter capacity in gallons per minute (GPM). For example, a 2" meter ratio changes from 3.65 to 3.20, and a 6" meter changes from 33.25 to 20.00. Table 2 provides the District's current meter ratio compared to the AWWA meter ratio.

Regular Meter Customers & Equivalents

1. There are 111 customers with 1" meters (111 equivalents).
2. 40 customers with 1-1/2" meters translate into 80 equivalents under the proposed ratios.
3. 64 customers with 2" meters equal 205 equivalents.
4. 9 customers with 3" meters equal 54 equivalents.
5. 6 customers with 4" meters equal 60 equivalents.
6. 3 customers with 6" meters equal 60 equivalents.
7. Flat-rate customers (unmetered) total 2,084 accounts, which are assigned 3,212 equivalents under the proposed methodology to account for customers that provide water to multiple units through a single metered connection to the District's water supply.[8]

Private Fire Customers

Fire meters and hydrants are used exclusively for fire suppression capacity (not domestic use).

- Ratios are based on a 2" fire meter as the standard.
- For example, a 4" fire meter has a current ratio of 3.08 but a proposed AWWA ratio of 3.13.
- Larger fire meters (8", 10") carry much higher ratios (proposed: 10.00 and 14.38 respectively).
- Hydrants are treated as equivalent to a 6.25 ratio under the proposed method, consistent with 6" customers and reflecting the size of hydrant fire lines.

Private Fire Customers & Equivalents:

[8] Unmetered (flat rate) accounts are converted to "equivalent meters" based on the number of dwelling units served. For example, a single family home counts as one equivalent, while a multi-unit property counts as multiple equivalents. Applying this conversion, 2,084 accounts correspond to 3,212 equivalent meters.

1. There are 64 hydrant accounts, representing 400 equivalents.
2. The largest fire meter category is 10" with 1 customer, translating to about 14 equivalents.

For Regular Service the District has 2,317 total accounts[9] and 3,782 1" AWWA equivalents. Private fire meters and hydrants and represent 130 accounts, equal to 822 2" AWWA equivalents under the proposed ratios. The meter equivalents provide the basis for allocating fixed charges in the District's rate structure.

Table 2 – Water Customer Base

REGULAR METERS

Water Meter Size	Current 1" Meter Ratios	AWWA Meter Capacity (GPM)	Proposed AWWA 1" Meter Ratios	# of Customers	# of 1" Meter Equivalents
1 inch	**1.00**	50	**1.00**	111	111
1-1/2 inch	**2.33**	100	**2.00**	40	80
2 inch	**3.65**	160	**3.20**	64	205
3 inch	**8.00**	300	**6.00**	9	54
4 inch	**14.65**	500	**10.00**	6	60
6 inch	**33.25**	1,000	**20.00**	3	60
Flat Customers				2,084	3,212
Subtotal				**2,317**	**3,782**

PRIVATE FIRE METERS & HYDRANTS

Water Meter Size	Current 2" Meter Ratios	AWWA Meter Capacity (GPM)	Proposed AWWA 2" Meter Ratios	# of Customers	# of Meter 2" Fire Equivalents
2"	**1.00**	160	**1.00**	1	1
3"	**2.08**	300	**1.88**	2	4
4"	**3.08**	500	**3.13**	13	41
6"	**4.08**	1,000	**6.25**	34	213
8"	**5.12**	1,600	**10.00**	15	150
10"	**6.15**	2,300	**14.38**	1	14
Hydrant	**0.31**	1,000	**6.25**	64	400
Subtotal				**130**	**822**
Totals				**2,447**	

[9] In most cases, an account corresponds to one physical service connection, although some large or master-metered customers may maintain a single account covering multiple connections.

3.2 Water Revenue Sources

Table 3 summarizes the District's historical and projected operating revenues. Florin CWD does not receive supplemental funding from property taxes or sales taxes, as is the case for the County and nearby cities. As a result, the District relies on revenues from the sale of water to fund both operating expenses and capital improvements. Most revenues come from water service charges, which account for the bulk of the District's annual funding. These include both flat-rate and metered service charges.

Interest income has become an increasingly important source of revenue in recent years, reflecting higher interest rates and improved investment earnings on the District's cash reserves. In prior years, interest earnings were negligible, but as market rates have risen, the District's reserve balances now generate a meaningful revenue stream. Connection fees and miscellaneous charges (such as hydrant use, repairs, and bulk sales) provide additional but variable contributions to annual revenues, depending on development activity and customer needs.

Table 3 – Historical and Budgeted Revenue

Category	Actual FY 2021-22	Actual FY 2022-23	Actual FY 2023-24	Actual FY 2024-25	Budget FY 2025-26
Sale of Water - Flat Rate	$912,059	$702,318	$703,398	$702,953	$725,000
Interest Income	23,098	93,158	237,344	188,602	175,000
Connection Fees/Water	889	0	131,879	73,711	5,000
Hydrant Fees	67,080	58,160	58,486	59,407	60,000
Tap and Footage	0	0	3,500	12,978	5,000
Sale of Water - Bulk	12	9,389	29,251	28,621	15,000
Miscellaneous Income	23,414	19,606	17,646	18,905	12,000
Return Check Fees	416	598	624	260	200
Sale of Water - Metered	765,112	620,041	636,658	789,388	850,000
Income from Repairs	0	1,809	12,282	9,776	4,000
Collections	760	8,430	6,690	7,510	5,000
Refunds	-1,028	-20,898	-3,568	-2,313	-5,000
Total Operating Revenue	**$1,791,812**	**$1,492,611**	**$1,834,190**	**$1,889,798**	**$1,851,200**

Totals by Category	Actual FY 2021-22*	Actual FY 2022-23	Actual FY 2023-24	Actual FY 2024-25	Budget FY 2025-26
Rate Revenues*	$1,744,250	$1,380,519	$1,398,543	$1,551,748	$1,635,000
Connection Fees	889	0	131,879	73,711	5,000
Misc Fees	416	2,407	12,906	10,036	4,200
Interest Income	23,098	93,158	237,344	188,602	175,000
Other	23,159	16,526	53,519	65,700	32,000
Total Revenues	**$1,791,812**	**$1,492,611**	**$1,834,190**	**$1,889,798**	**$1,851,200**

*Rate Revenues were higher in FY 2021-22 due rates being returned to $40 in late 2021.

3.3 Financial Challenges / Key Drivers of Rate Increases

Going forward, the District's water enterprise is facing several continuing financial challenges that will require the District to raise rates over the next five years. Key challenges and drivers of future rate increases are summarized as follows.

3.3.1 Capital Improvements and Replacement of Aging Infrastructure

The District's Capital Improvement Plan (CIP) for FY 2025/26 includes several major projects, the largest of which is the installation of well treatment facilities to address PFAS and related contaminants. The well treatment project represents a significant portion of the planned capital investment identified in this study and is necessary to ensure compliance with evolving state and federal water quality standards while also protecting public health. In addition, the CIP provides funding for the District's Meter Installation Program, vehicle replacements, and other facility upgrades. These investments, totaling about $4.8 million, reflect both regulatory requirements and the District's commitment to maintaining reliable service for its customers.

The identified District's CIP costs have been incorporated into the financial plan based on the District's CIP schedule. As shown in Table 4, the bulk of CIP costs are planned for Fiscal Year 2025/26, reflecting the District's near-term priority projects. The only exception is the Meter Installation Program, which is spread across multiple years to reflect the phased installation of meters[10]. This approach ensures that the District's cost recovery plan matches the timing of anticipated capital expenditures. By concentrating most CIP costs in FY 2025/26, the financial plan captures the near-term funding needs while also recognizing that not all capital projects occur evenly from year to year.

Table 4 – Water Capital Improvement Program

Capital Improvement Plan Projects	Est. 2025-26
Meter Installation Program[1]	$1,560,000
Diesel Truck Replacement (2 Trucks @ $125k Each)	250,000
Well Treatment (5 Wells @ $600k Each)	3,000,000
Encroachment Permit	500
Office Remodel - Parking Lot	2,000
Total Capital Improvement Projects	**$4,812,500**

1 Estimated 5 year funding beginning FY 2026/27

3.3.2 Ongoing Operating Cost Inflation

The District faces annual cost inflation due to annual increases in a range of expenses including employee related, maintenance and operations (M&O), administration, and utilities. For financial planning purposes, the rate study accounts for 3.5% annual cost escalation to account for general inflation. Appendix A shows the detailed line items.

[10] Phasing in meters allows the District meets the California Water Code § 10609.62(e) requirement to have all lines metered by 2032 while balancing operational needs.

To address the compensation disparities identified in the 2024 Florin County Water District Compensation Study, BWA recommends implementing a hybrid compensation adjustment strategy. This approach consists of a one-time 25% increase in salaries and related payroll costs on July 1, 2026 (District's "2025-26 Proposed Budget" compensation related line items were increased by 25% as detailed in Appendix A) followed by an annual 6% adjustment for the next three years. Each of these annual adjustments includes a standard 3.5% cost-of-living allowance to maintain pace with inflation, plus an additional 2.5% market equity adjustment to close the remaining compensation gap. The financial projections incorporate the District's adopted budget, which includes funding for all authorized staff positions. This means that the cost of filling currently vacant positions is already reflected in the operating expense assumptions[11].

This strategy directly responds to the compensation study's findings, which concluded total District compensation was, on average[12], 47.5% below the labor market 50th percentile, and 26.3% below in base salary alone. The hybrid method provides an immediate correction to address salary competitiveness, while phasing in remaining market adjustments over time to ease budgetary impact and allow for responsible rate planning. By the end of the five-year period, this plan will bring total compensation levels more in line with comparable agencies, supporting both employee retention and recruitment.

- **25% Initial Adjustment (July 1, 2026):** This across-the-board increase is applied to total compensation and moves employee classifications to approximately the labor market 50th percentile for base salary. This step is necessary to close the substantial wage gap identified in the compensation study and to ensure the District can remain competitive in recruiting and retaining qualified staff.

- **2.5% Above-COLA Adjustments (Annually for Three Years):** Although the 25% increase closes most of the salary gap, the compensation study also showed that the District's overall benefit package lags well behind peer agencies. Florin contributes significantly less toward health insurance and does not provide dental, vision, life, or long-term disability coverage, all of which are common among comparable agencies. As a result, even after applying the 25% increase across total compensation, the District remains over 30 percentage points below market in terms of total compensation. To help offset this structural disadvantage, the plan includes an additional 2.5% increase above cost-of-living adjustments (COLA) each year. This phased approach narrows the remaining total compensation gap over time while balancing fiscal responsibility. The District will need to continue escalating District compensation above COLA in future years (for example by adding additional benefits) to catch up to median total market compensation. Figure 1 shows the District compensation adjustment graphically.

[11] A hiring freeze is currently in effect pending a rate increase

[12] 'On average' reflects the arithmetic mean across the surveyed job classifications for base salary, total cash, or total compensation as presented in the 2024 Florin County Water District Compensation Study.

Figure 1 – District Compensation Adjustment

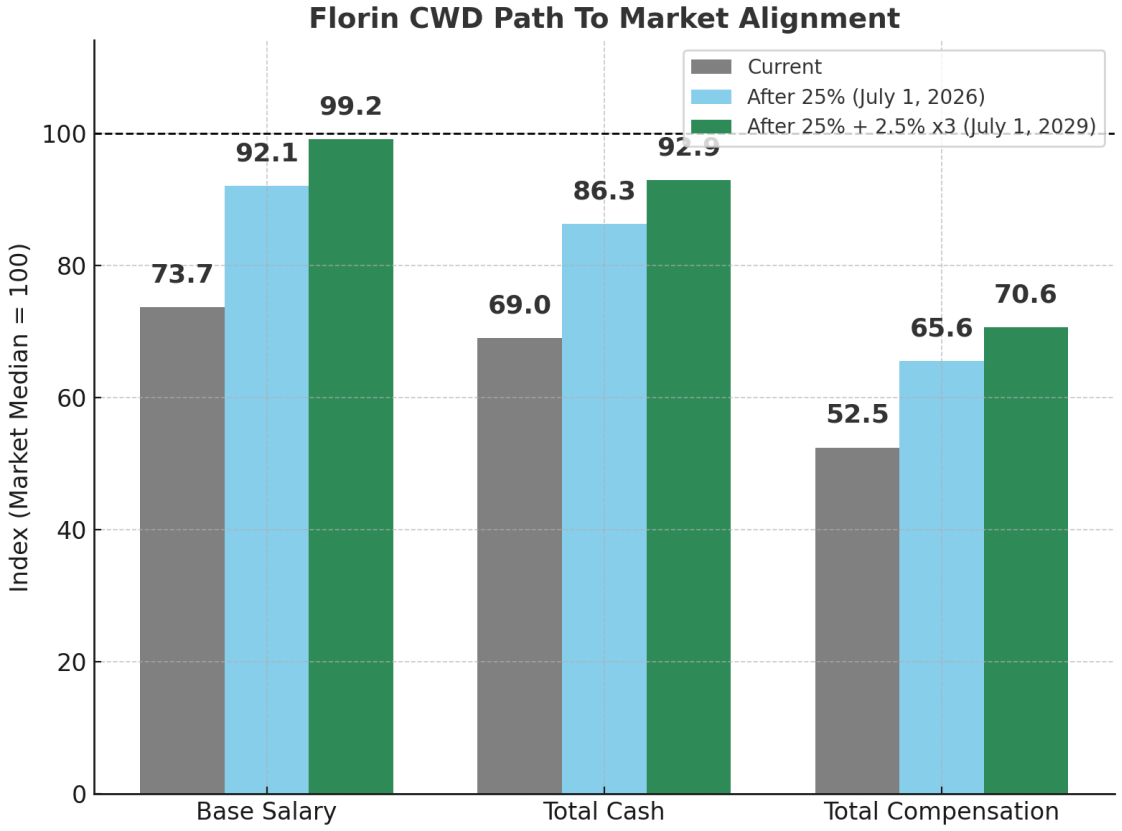


Table 5 – Water Operating Expense Projection

	Actual	Budget	Projected			
Totals by Category	**2024-2025**	**2025-2026**	**2026-27***	**2027-28**	**2028-29**	**2029-30**
Employee Related*	$1,213,944	$1,604,400	$1,960,909	$2,073,197	$2,192,035	$2,317,808
M & O Expenses	300,114	304,500	315,158	326,188	337,605	349,421
Administration Expenses	475,983	318,900	330,062	341,614	353,570	365,945
Utilities	247,250	257,000	265,995	275,305	284,940	294,913
Total	**$2,237,291**	**$2,484,800**	**$2,872,123**	**$3,016,304**	**$3,168,150**	**$3,328,087**

**See Appendix A for the detailed compensation related line items that were adjusted.*

3.4 Water Enterprise Financial Projections

Table 6 presents ten-year cash flow projections for the District's water enterprise. The projections incorporate planned rate adjustments, operating and capital expenditures, and reserve targets to assess the District's long-term financial position.

The District's current rates are inadequate to fully fund the cost of service. In FY 2024/25, the District generated $1.89 million of revenue. However, operating costs alone amounted to $2.24 million, resulting in an operating loss of approximately $347,500. Capital improvement expenditures amounted to about $190,000 resulting in a total loss of approximately $537,000 for FY 2024/25.

Projected Revenues

Frontloaded rate increases are necessary to close the annual funding gap and ensure that the District can operate sustainably. Projected operating revenues increase sharply in FY 2025/26 and FY 2026/27 due to the two-step rate adjustments: an 85% increase from the recalculated rates,[13] effective March 1, 2026, followed by a 20% increase effective July 1, 2026.[14] Thereafter, rates escalate by 3.5% annually. Resulting rate revenues grow from approximately $2 million in FY 2025/26 to $3.4 million in FY 2026/27 and ultimately to $3.8 million by FY 2029/30. Non-operating revenues, primarily from investment income, remain a smaller but steady funding source, contributing about $75,000 annually. The financial plan factors in 1% growth based on a review of new customers as of July 1, 2025; thereafter the projections assume 0% growth based on discussions with District staff and to keep the projections conservative in case of a negative shock such as a recession or cutback in usage.

Projected Expenses

Operating expenses rise steadily with compensation adjustments and inflation, increasing from $2.5 million in FY 2025/26 to $3.3 million by FY 2029/30. Employee-related costs are the largest expense category, followed by maintenance, administration, and utilities. Non-operating expenses include $3.3 million in FY 2025/26 to fund well treatment and other capital priorities, as well as a one-time CalPERS contribution of $914,663 in FY 2029/30.

The District participates in the CalPERS pension system. The District's financial plan references the District's net pension liability, reported at approximately $1 million in the most recent actuarial valuation. This liability represents the gap between pension benefits already earned by employees and the assets currently held in the CalPERS system to fund those benefits. The Study projections show a discretionary payment in FY 2029/30 to help reduce future required contributions and improve long-term rate stability, recognizing that the liability fluctuates over time with investment performance and actuarial assumptions. Because pension obligations are a required cost of providing water service, payments must be funded through water rates.

Reserve Targets – Baseline

Credit rating agencies and industry standards recommend maintaining healthy reserves to ensure financial stability. Moody's, for example, views total reserves (operating plus capital) equal to 50% of annual O&M as the line between weak and strong credit quality for water utilities. Operating reserves cover day-to-day expenses and revenue fluctuations, while capital reserves provide funding for major projects and help reduce reliance on new debt.

Florin's Projected Reserves Under Proposed Rates

The proposed two-step rate increases and ongoing 3.5% annual adjustments allow the District to maintain operating reserves at or above 50% of O&M in all years of the financial plan. Although a $3.5 million deficit is

[13] The rate recalculation is described in-depth in Chapter 4. In short, rather than using the current rates as the basis for the proposed increase, this report determines the cost of service, which provides the technical basis and justification for the proposed rates.

[14] Although an 85% rate revenue increase appears substantial, the District's current rates date back to 2011. The District would have kept pace with the 85% increase by implementing gradual 4.5% annual rate revenue increases since 2011.

projected in FY 2025/26 due to a large upfront CIP investment (Table 4), positive net income resumes in FY 2026/27. Over the study period, the District sustains strong reserves to help fund projects, positioning it well for credit strength and future financing.

Financial Outlook

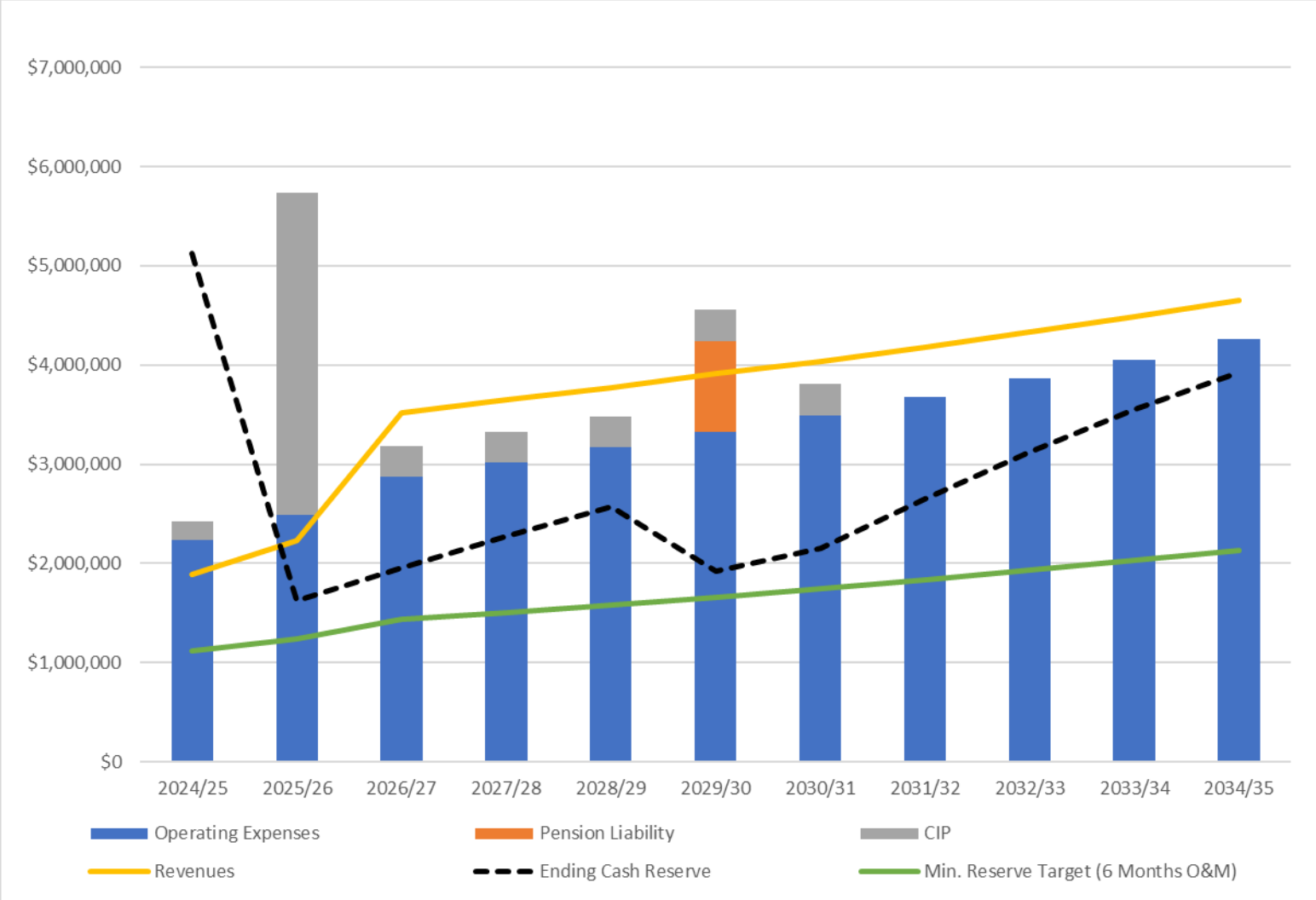
The projections confirm that with the proposed rate increases, the District will be positioned to cover operating costs, fund ongoing capital improvements, fund outstanding pension liabilities and maintain prudent reserves. While short-term deficits are anticipated during years of significant capital spending, the overall financial trajectory supports long-term stability and sustainability of the water enterprise.

Table 6 – 10-Year Water Cash Flow Projections

	Actual	Projected					Extended Projection				
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/34	2034/35
Beginning Fund Balance		**$5,130,802**	**$1,621,026**	**$1,955,405**	**$2,272,861**	**$2,569,611**	**$1,926,854**	**$2,151,106**	**$2,652,706**	**$3,120,524**	**$3,548,846**
% Rate Revenue Increase*		*85.00%*	*20.00%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
Growth - %		*1.0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
***Assumes March 1, 2026 first rate increase effective date & July 1 thereafter**											
REVENUES											
Operating Revenue											
Rate Revenues*	1,551,748	2,011,324	3,444,881	3,565,452	3,690,243	3,819,401	3,953,080	4,091,438	4,234,638	4,382,851	4,536,250
Connection Fees	73,711	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000
Misc Fees	10,036	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200	4,200
Total Operating Revenues	1,635,496	2,020,524	3,454,081	3,574,652	3,699,443	3,828,601	3,962,280	4,100,638	4,243,838	4,392,051	4,545,450
Non-Operating Revenue											
Interest Income	188,602	175,000	32,421	39,108	45,457	51,392	38,537	43,022	53,054	62,410	70,977
Other	65,700	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000	32,000
Total Non-Operating Revenue	254,303	207,000	64,421	71,108	77,457	83,392	70,537	75,022	85,054	94,410	102,977
Total Revenues	1,889,798	2,227,524	3,518,502	3,645,760	3,776,900	3,911,993	4,032,817	4,175,660	4,328,892	4,486,461	4,648,427
EXPENSES											
Operating Expenses											
Employee Related	1,213,944	1,604,400	1,960,909	2,073,197	2,192,035	2,317,808	2,450,927	2,591,824	2,740,960	2,898,821	3,065,922
M & O Expenses	300,114	304,500	315,158	326,188	337,605	349,421	361,650	374,308	387,409	400,968	415,002
Administration Expenses	475,983	318,900	330,062	341,614	353,570	365,945	378,753	392,010	405,730	419,930	434,628
Utilities	247,250	257,000	265,995	275,305	284,940	294,913	305,235	315,919	326,976	338,420	350,265
Total Operating Expenses	2,237,291	2,484,800	2,872,123	3,016,304	3,168,150	3,328,087	3,496,566	3,674,060	3,861,074	4,058,139	4,265,817
Net Revenues	(347,493)	(257,276)	646,379	629,456	608,750	583,906	536,252	501,600	467,818	428,322	382,610
Non-Operating Expenses											
CalPERS Prefunding Trust	0	0	0	0	0	914,663	0	0	0	0	0
CIP	189,711	3,252,500	312,000	312,000	312,000	312,000	312,000	0	0	0	0
Total Non-Operating Expenses	189,711	3,252,500	312,000	312,000	312,000	1,226,663	312,000	0	0	0	0
Net Income	(537,204)	(3,509,776)	334,379	317,456	296,750	(642,757)	224,252	501,600	467,818	428,322	382,610
Ending Fund Balance	**$5,130,802**	**$1,621,026**	**$1,955,405**	**$2,272,861**	**$2,569,611**	**$1,926,854**	**$2,151,106**	**$2,652,706**	**$3,120,524**	**$3,548,846**	**$3,931,457**
Min Reserve Target: 50% of O&M	$1,118,646	$1,242,400	$1,436,062	$1,508,152	$1,584,075	$1,664,044	$1,748,283	$1,837,030	$1,930,537	$2,029,070	$2,132,908
Target Met	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*

The following chart shows a 10-year projection of water enterprise revenues and expenses. The proposed rate increases are designed to put the District on a long-term path toward supporting balanced budgets while providing adequate funding for operations, maintenance, and ongoing rehabilitation to support safe and reliable service. Only the first five years of rates are being considered (FY 2025/26 to FY 2029/30) and capital improvement costs beyond year 5 are still in development and have not been factored into the 10 year plan.

Figure 2 – Water Utility Projected Revenues & Expenses



4 WATER RATE ANALYSIS

4.1 Functional Cost Components

In Table 7 the District's annual revenue requirement was allocated across fixed customer charges, variable usage ("volumetric") charges, and private fire protection in a manner consistent with the proportionality requirements of Proposition 218. Each major cost category was reviewed for its underlying cost drivers and assigned to one or more components based on whether the costs (1) occur regardless of customer demand, (2) scale with water production and consumption, or (3) support dedicated private fire flow capacity. The allocation of capital costs in this study follows the principles outlined in AWWA's Manual M1: Principles of Water Rates, Fees, and Charges, which focuses on the functional relationship between costs and service, rather than on specific projects.

The M1 allows utilities to use reasonable engineering and financial judgment to distinguish between costs that provide overall system reliability ("fixed") and those that scale with total water production or demand ("variable"). The allocations applied in this study reflect this balance and are consistent with accepted cost-of-service practice for small groundwater-based systems. While the District's CIP currently includes meter installation and PFAS treatment projects, those specific investments are part of the broader system capacity and reliability framework and are not individually determinative of the fixed/variable allocation. In Bartle Wells Associate's professional opinion, the resulting allocations appropriately represent the District's actual cost causation and service relationships.

Employee Related, Maintenance, Operation, and Administration

These categories include staffing, billing, overhead, and general operations. A portion of these costs is fixed because staff, maintenance, and administrative functions must be provided regardless of the volume of water sold. At the same time, a share of these activities varies with customer demand (e.g., additional operator hours during peak pumping, incremental maintenance from higher usage). Accordingly, these costs were allocated 50% to fixed and 45% to 50% to usage. A 5% allocation to private fire protection reflects staff and administrative time dedicated to hydrants and fire flow infrastructure and is estimated based on the percentage of total customer accounts that are private fire.

Utilities (Power and Related Costs)

These costs primarily scale with water production and therefore were assigned 85% to usage. A small portion of utility expense, 15%, is fixed to reflect baseline system operation, including minimum pumping and treatment activities that occur even at low demand levels.

Capital Improvement Program (CIP)

CIP costs were allocated 50% to fixed and 45% to usage, with 5% to private fire protection. This reflects the dual role of capital investments:

- Fixed: Renewal and replacement projects (e.g., wells, pipelines, storage) that all customers rely on, regardless of usage.

- Usage: Capacity-related projects (e.g., treatment and pumping facilities) that scale with the volume of water delivered.
- Fire: A portion of CIP addresses capacity reserved for firefighting, such as fire service lines and storage required to provide private fire flow.

A 50/45/5 allocation provides a balanced representation of these multiple drivers. Allocating 100% of CIP to either fixed or variable would overstate one cost driver at the expense of the other. This approach is consistent with California industry practice and provides a reasonable and supportable allocation under Proposition 218.

Summary

This allocation methodology results in approximately 47.5% of costs assigned to fixed charges, 48% to variable usage charges, and 4.5% to fire protection. While precise functional splits cannot be determined with engineering certainty, the allocations represent a reasonable and widely accepted industry practice, and ensure revenues are proportionally assigned to the cost of serving each parcel.

Allocation Units

Fixed costs are distributed across 3,782 meter equivalents, while variable costs are spread across a projected 586,467 kgal of estimated total annual District consumption (FY 2024/25 billed use plus 13 kgal bimonthly per flat rate unit.) Private fire protection costs are allocated to 822 fire meter equivalents.

Rate Derivation

Based on these allocations, the resulting recalculated[15] bimonthly rates are:

- Fixed Service Charge: $32.49 per equivalent 1" meter
- Volumetric Charge: $1.27 per kgal of water use
- Fire Protection Charge: $14.11 per 2" fire meter equivalent

For unmetered customers, the Fixed Service Charge plus Volumetric Charge combine into a flat bimonthly rate of $49.00, which reflects the cost of a 1" meter equivalent and an allowance of 13 kgal[16] bimonthly.

[15] The "recalculated rates" recover the same amount of rate revenue generated by existing rates in FY 2024/25. The purpose of Table 7 is to cost justify the rates.

[16] Estimated based on water usage data from the District's metered residential customers.

Table 7 – Water Cost Allocation[17]

Functional Allocation Allocation Category	5 Year Average	Fixed	Base Usage	Fire	Total
Employee Related	$2,029,670	50%	45%	5%	100%
M & O Expenses	$326,574	50%	50%		100%
Administration Expenses	$342,018	50%	45%	5%	100%
Utilities	$275,631	15%	85%		100%
Capital Projects	$900,100	50%	45%	5%	100%
	Functional Allocation $	$1,840,526	$1,859,649	$173,818	$3,873,993
	Functional Allocation %	47.5%	48.0%	4.5%	100%
	Revenue Requirement[1]	**$737,232**	**$744,892**	**$69,624**	**$1,551,748**

Allocation Units	Fixed	Base	Fire
Units	*Regular 1" Meter Equivalents*	*Projected kgal (including unmetered)*	*$/Fire 2" Meter Equiv*
Total	3,782	586,467	822
Bimonthly Rates	**$32.49**	**$1.27**	**$14.11**

Flat Rate - (1" Meter Equiv &13 kgals bimonthly)	**$49.00**

1 The revenue requirement is the annual amount the water rates generate.

4.2 Proposed Water Rates

Table 8 shows a 5-year schedule of proposed water rates. The proposed rates are calculated by escalating the rate components from Table 7 by the rate revenue increase percentages determined in Table 6. Rate increases are scheduled to become effective on July 1 at the beginning of each fiscal year, apart from the first increase effective on March 1. The final proposed rate table is shown on Table 1.

Figure 3 shows how the first step of the proposed rates compares to regional agencies for a typical single family user. Importantly, the proposed rates eliminate the minimum charge structure for metered customers. The proposed meter charges are charged in addition to the volumetric rate.

[17] AWWA's M1 Manual of Water Supply Practices recognizes that these allocations are not determined by a precise formula but instead rely on engineering analysis, cost causation, and reasonable judgment by rate analysts.

Table 8 – Proposed Water Rates

PROPOSED BIMONTHLY UNMETERED RATES

Effective Date	Current	3/1/2026	7/1/2026	7/1/2027	7/1/2028	7/1/2029
			Bimonthly Charge			
Flat Rate per Unit[1]	$40.00	$90.65	$108.78	$112.61	$116.52	$120.65
$ Increase per Month		*$25.33*	*$9.07*	*$1.92*	*$1.96*	*$2.06*

PROPOSED BIMONTHLY METERED RATES

Effective Date	Current[2]	3/1/2026	7/1/2026	7/1/2027	7/1/2028	7/1/2029
Category / Meter Size			**Bimonthly Charge[3]**			
Multifamily Unit	$40.00	$60.10	$72.12	$74.65	$77.26	$79.96
1 inch and below	40.00	60.10	72.12	74.65	77.26	79.96
1-1/2 inch	93.00	120.21	144.25	149.30	154.52	159.93
2 inch	146.00	192.33	230.79	238.87	247.23	255.89
3 inch	320.00	360.62	432.74	447.89	463.56	479.79
4 inch	586.00	601.03	721.23	746.48	772.60	799.64
6 inch	1,330.00	1,202.06	1,442.47	1,492.95	1,545.21	1,599.29
Volumetric Rate ($/kgal)	$2.35	$2.35	$2.82	$2.92	$3.02	$3.13

EXAMPLES OF PROPOSED BIMONTHLY METERED BILL IMPACTS

1" Total Bimonthly Bill (13 kgal Bimonthly)	$40.00	$90.65	$108.78	$112.61	$116.52	$120.65
1" $ Increase per Month (13 kgal Bimonthly)		*$25.33*	*$9.07*	*$1.92*	*$1.96*	*$2.06*
1" Total Bimonthly Bill (17 kgal Bimonthly)	$40.00	$100.05	$120.06	$124.29	$128.60	$133.17
1" $ Increase per Month (17 kgal Bimonthly)		*$30.03*	*$10.01*	*$2.12*	*$2.16*	*$2.28*

1 Proposed rates based on 1" and below rate plus 13 kgal of usage bimonthly for typical customer.
2 Current water meter charge is a minimum and not in addition to the volumetric rate.
3 Proposed water meter charge is in addition to volumetric rate (not a minimum charge).

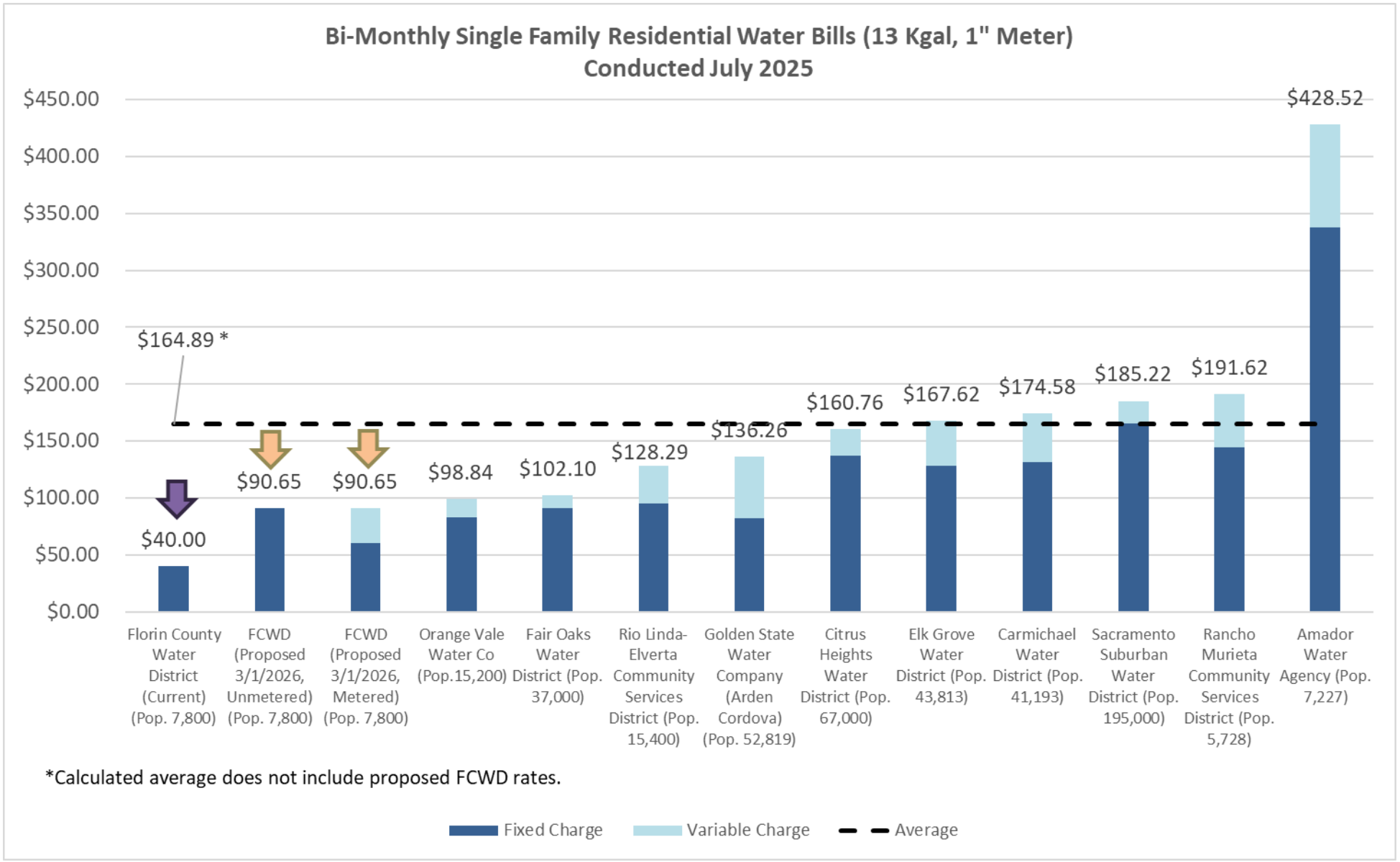
PROPOSED BIMONTHLY FIRE RATES

Effective Date	Current	3/1/2026	7/1/2026	7/1/2027	7/1/2028	7/1/2029
Size			**Bimonthly Charge**			
2”	$26.00	$26.11	$31.33	$32.43	$33.56	$34.74
3”	54.00	48.95	58.74	60.80	62.93	65.13
4”	80.00	81.59	97.90	101.33	104.88	108.55
6”	106.00	163.17	195.81	202.66	209.76	217.10
8”	133.00	261.08	313.30	324.26	335.61	347.36
10"	160.00	375.30	450.36	466.13	482.44	499.33
Fire Hydrant[4]	8.00	163.17	195.81	202.66	209.76	217.10

4 Fire hydrants recommended to be charged the same as 6" given they have 6" lines.

4.3 Water Rate Survey

Figure 3 – Bi-Monthly Single Family Residential Rate Survey



5 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

This rate study provides a comprehensive evaluation of the District's water enterprise revenue requirements and rate structure. The financial projections demonstrate the necessity of annual water rate adjustments to address cost inflation, fund the identified District capital improvement projects, and maintain prudent reserve levels. Although temporary budget deficits are anticipated during the phase-in of rate increases, the proposed adjustments are structured to restore long-term financial balance. Over time, the recommended rates will generate a stable and sufficient funding stream to ensure a financially viable operation of the District

5.2 Recommendations

Bartle Wells Associates recommends that the District adopt the proposed water rates presented in this report to ensure adequate funding for both operating and capital needs. In addition, the District should periodically review and update its rate study at least every five years, or sooner if significant changes occur, such as adoption of new Master Plans or material shifts in operating or capital costs. Regular updates will help the District maintain financial stability, comply with regulatory requirements, and ensure that rates remain fair, equitable, and aligned with the cost of service.

APPENDIX A – DETAILED OPERATING COST PROJECTION

OPERATING EXPENDITURES	Actual	Budget	Projection Year				
Expenditure Category	**2024-2025**	**2025-2026**	**Escalation**	**2026-27***	**2027-28**	**2028-29**	**2029-30**
Employee Related							
Salaries and Wages*	$770,427	$1,147,000	6.0%	$1,433,750	$1,519,775	$1,610,962	$1,707,619
Directors Fees	872	14,400	3.5%	14,904	15,426	15,966	16,524
Payroll Taxes*	59,003	75,000	6.0%	93,750	99,375	105,338	111,658
Pension Expense*	103,009	120,000	6.0%	150,000	159,000	168,540	178,652
Medical Expense	139,889	140,000	3.5%	144,900	149,972	155,221	160,653
Insurance - Work Comp*	74,209	50,000	6.0%	62,500	66,250	70,225	74,439
EDD - Unemployment Insurance*	10,758	5,000	6.0%	6,250	6,625	7,023	7,444
Pre-employment Screening	437	3,000	3.5%	3,105	3,214	3,326	3,443
Safety & Uniform Equipment	43,173	35,000	3.5%	36,225	37,493	38,805	40,163
Training/Education	12,168	15,000	3.5%	15,525	16,068	16,631	17,213
M & O Expenses							
Maintenance - Well Sites	1,470	6,000	3.5%	6,210	6,427	6,652	6,885
Repairs & Maintenance - Proactive	4,230	10,000	3.5%	10,350	10,712	11,087	11,475
Repairs & Maintenance - Reactive	37,217	60,000	3.5%	62,100	64,274	66,523	68,851
Small Tools/Equipment	6,780	10,000	3.5%	10,350	10,712	11,087	11,475
Shop & Field Supplies	55,949	50,000	3.5%	51,750	53,561	55,436	57,376
Emergency Operation Contengencies	0	5,000	3.5%	5,175	5,356	5,544	5,738
Lab Fees/Water	5,812	6,000	3.5%	6,210	6,427	6,652	6,885
Large Equipment	77,750	25,000	3.5%	25,875	26,781	27,718	28,688
Electric - Pumps	243,157	250,000	3.5%	258,750	267,806	277,179	286,881
Technical Services	10,320	5,000	3.5%	5,175	5,356	5,544	5,738
Purchase of Chemicals	13,128	25,000	3.5%	25,875	26,781	27,718	28,688
Well Testing Program	39,227	40,000	3.5%	41,400	42,849	44,349	45,901
Auto Repair & Fuel	33,757	35,000	3.5%	36,225	37,493	38,805	40,163
Security Equipment	8,912	10,000	3.5%	10,350	10,712	11,087	11,475
Equipment Repair & Maintenance	5,562	15,000	3.5%	15,525	16,068	16,631	17,213
Equipment	0	2,500	3.5%	2,588	2,678	2,772	2,869
Administration Expenses							
Miscellaneous Expense	11,457	1,500	3.5%	1,553	1,607	1,663	1,721
Billable Expense	5,746	500	3.5%	518	536	554	574
Maintenance - District Office	0	5,000	3.5%	5,175	5,356	5,544	5,738
Electric - Office	2,525	3,000	3.5%	3,105	3,214	3,326	3,443
Utilities - Office - Miscellaneous	1,569	4,000	3.5%	4,140	4,285	4,435	4,590
Office Expense	33,522	30,000	3.5%	31,050	32,137	33,262	34,426
Fees/Miscellaneous	109,066	10,000	3.5%	10,350	10,712	11,087	11,475
Membership/Dues	15,580	20,000	3.5%	20,700	21,425	22,174	22,950
Subscriptions	17,550	20,000	3.5%	20,700	21,425	22,174	22,950
LAFCo	510	500	3.5%	518	536	554	574
Postage	10,320	12,000	3.5%	12,420	12,855	13,305	13,770
Legal/Accounting Fees	198,885	150,000	3.5%	155,250	160,684	166,308	172,128
Insurance - Office/Autos	26,022	30,000	3.5%	31,050	32,137	33,262	34,426
Computer Maintenance	16,150	7,500	3.5%	7,763	8,034	8,315	8,606
Telecommunications	9,935	10,000	3.5%	10,350	10,712	11,087	11,475
Water System Fees- Dept. Health Services	20,614	21,000	3.5%	21,735	22,496	23,283	24,098
Property Tax	259	500	3.5%	518	536	554	574
Encroachment Permit	366	400	3.5%	414	428	443	459
Total Operating Expenses	**$2,237,291**	**$2,484,800**		**$2,872,123**	**$3,016,304**	**$3,168,150**	**$3,328,087**

**Line items adjusted: 25% one time on July 1st, 2026 & extra 2.5% above 3.5% cola (6%) annually thereafter.*

APPENDIX B – LIST OF TERMS

Bimonthly Billing
The District bills customers once every two months (six times per year). All charges in this report are shown on a bimonthly basis unless otherwise noted.

Capital Improvement Program (CIP)
The District's multi-year plan for major projects that rehabilitate, replace, or expand water system facilities, such as wells, pipelines, storage tanks, and treatment facilities.

Cost of Service
A rate-setting principle that requires utility charges to be based on the actual costs of providing service. Under Proposition 218, rates must be proportional to the cost of serving each parcel or customer class and cannot exceed the cost of service.

Debt Service
Payments of principal and interest on borrowed funds used to finance major capital projects.

Fire Protection Charge
A separate fixed charge for private fire service connections (such as private fire hydrants or sprinkler systems). This charge recovers costs of maintaining water system capacity for firefighting, including storage, hydrants, and pipelines dedicated to delivering high fire flows. These charges are based on fire meter size or hydrant equivalents and are separate from domestic water charges.

Fixed Customer Charge
A flat bimonthly service charge assessed to each account based on meter size (or assigned meter equivalent for unmetered accounts, where one residential dwelling unit equals one meter equivalent). This charge recovers costs that do not vary with water use, such as customer service, billing, administration, and a portion of system maintenance and capital improvements needed to keep the water system available to serve all customers.

Hydrant Equivalent
A unit used to assign fixed fire protection charges to private fire hydrants. For example, one hydrant is treated as equivalent to a 6" fire service line for cost allocation purposes.

Meter Equivalent
A standardized measure that equates different meter sizes to a 1-inch meter. Larger meters can deliver more water and therefore place greater demand on the system. Using meter equivalents ensures that fixed charges are fairly allocated across customers with different meter sizes.

Minimum Charge (Legacy)
Under the current system, metered accounts pay a minimum bimonthly charge that includes an allowance of water use (e.g., 17 kgals for a 1" meter). Water used above the allowance is billed at the volumetric rate. The proposed structure eliminates this feature, replacing it with a fixed service charge plus volumetric charges for all consumption.

Operating Expenses
Day-to-day costs of running the water system, including staffing, power, treatment, repairs, billing, and administration.

Private Fire Service
A dedicated water connection serving on-site fire sprinklers, hydrants, or other private fire suppression systems. Private fire services are not used for domestic water and are billed separately.

Proposition 218
A California constitutional amendment adopted by voters in 1996 that governs how property-related fees and charges, including water rates, can be imposed or increased. Proposition 218 requires public notice, a protest hearing, and that rates not exceed the cost of providing service.

Reserve Target
The minimum level of operating and capital reserves recommended to maintain financial stability and credit quality. Reserves provide a cushion against revenue fluctuations, emergencies, and unexpected capital needs. Industry benchmarks, such as those from Moody's, typically recommend maintaining reserves equal to at least 50% of annual operating costs.

Unmetered Customer
A customer account without a water meter. Charges for unmetered accounts are based on estimated typical use rather than actual measured consumption. State law requires all water service connections to be metered by January 1, 2032.

Variable Use Charge
A volumetric charge applied to metered water consumption, expressed per thousand gallons (kgal). For example, under the District's current rates, customers pay $2.35 per kgal for usage above the allowance included in the minimum charge. This charge recovers costs that vary with water use, such as pumping, treatment, chemicals, and a share of capital projects that scale with demand.

Volumetric Rate (per kgal)
The unit of measure for water use charges. "kgal" means one thousand gallons. A rate of $2.35 per kgal means a customer pays $2.35 for every 1,000 gallons of water consumed beyond any included allowance.