

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT

Water and Wastewater Rate Study

Final Report

November 2025



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1. Introduction

1.1 Purpose

The Hidden Valley Lake Community Services District (“District”) retained NBS to review and update the District’s 2020 Water and Wastewater Utility Rate Study. The District’s broader objectives in this study included ensuring adequate funding for operating and capital costs, capital improvement, maintaining reasonable reserves, and ensuring revenue stability in utility rates. The rates resulting from this study are consistent with industry standard cost-of-service principles. This report documents the study methodology and provides one means of making the rate adoption process transparent to the District’s customers.

This was a joint effort of NBS and District staff, with review and input from the District’s Finance Committee and the District Board (“Board”). This cooperative effort has resulted in the proposed rates summarized in this report and provides the basis upon which the Board can make a final decision regarding the adoption of the proposed rates and whether to proceed with the Proposition 218 approval process.

1.2 Overview of the Study

There are three basic components addressed in this study: (1) a financial plan identifies the net revenue requirements for the utility as a whole; (2) a cost-of-service analysis focuses on allocating costs to each customer class, and (3) the rate design, specifically the amount of rate revenue collected from fixed and variable charges. These steps are shown in **Figure 1** and are intended to follow industry standards and reflect the fundamental principles of cost-of-service rate making embodied in the American Water Works Association’s (AWWA) *Principles of Water Rates, Fees, and Charges*,¹ and the Water Environment Federation’s *Financing and Charges for Wastewater Systems* (Manual of Practice No. 27).²

Figure 1. Primary Components of a Rate Study



Rate studies also address the State Constitution’s Prop 218 requirements³ that rates not exceed the actual cost of providing the service and that they be proportionate to the cost of providing service for all customers. To conduct the study, the District provided NBS with the necessary data, including historical,

¹ *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, Manual M1, American Water Works Association (AWWA), 7th Edition, 2017.

² *Financing and Charges for Wastewater Systems*, Manual of Practice No. 27, Water Environment Federation, Fourth Edition, 2018.

³ California Constitution Article XIII D, Section 6, commonly referred to as Proposition 218 [Prop 218].

current, and projected revenues and expenditures, number of customer accounts, and water consumption data along with other operational and capital cost information.

The following sections in this report present an overview of the methodologies, assumptions, and data used along with the financial plans and rates developed. More detailed tables and figures documenting the development of the proposed rates are provided in the Appendices.

FINANCIAL PLAN

Working with District staff, NBS developed projections of revenues and expenditures on a cash-basis for the next five (5) years, including the amount of rate revenue needed to maintain reserves at reasonable levels. This is known as the net revenue requirement. The District’s current rate revenue falls short of the net revenue requirement. Because of this, rate adjustments – or more accurately, adjustments in the total revenue collected from rates – are recommended for both the water and sewer utilities.

COST-OF-SERVICE ANALYSIS

The basic purpose of the cost-of-service analysis (COSA) is to fairly and equitably allocate costs to customer classes. The cost-of-service analysis consists of two major components: (1) the classification of expenses, and (2) the allocation of costs to customer classes. For example, a key task is the “classification” of the water revenue requirements into the following categories:

- Commodity-related, or consumption-based costs
- Capacity-related, or infrastructure project costs
- Customer-related costs, such as billing, administration, and customer service

For the wastewater utility, the normal classification of sewer revenue requirements uses the following categories:

- Flow-related (volume of effluent) costs
- Strength-related costs (which increase the cost of treating effluent)
- Customer-related costs
- Recycled water-related costs

Unlike previous rate studies, the District is adding a new “variable grade” sewer rate for connections which have septic system-related holding tanks which must be maintained by the customer. These customers contribute lower-strength effluent to the treatment system, and therefore should pay less than typical single-family residential customers. Further details are discussed below and documented in the Technical Appendices.

RATE DESIGN ANALYSIS

Several criteria are typically considered in setting rates and developing sound rate structures. The fundamentals of this process have been documented in industry references, such as AWWA’s Manual M1. Some of the basic pricing policies, theories, and economic concepts that contribute to a sound rate structure include:

- Rates should be easy to understand from the customer’s perspective.
- Rates should be easy to administer from the utility’s perspective.
- Rates should be equitable and non-discriminating (i.e., cost-based).
- Rates should promote the efficient allocation of the resource.
- There should be continuity in the rate making philosophy over time.
- Rates should address other utility policies (e.g., conservation and economic development).
- Rates should provide month-to-month and year-to-year revenue stability.

In previous rate studies, the District evaluated various rate design alternatives with different amounts of revenue being collected from fixed and variable charges. The District’s current rate design was selected for several reasons, but primarily because it was perceived as being the most fair and equitable approach to charging customers. While NBS and District staff considered this previous evaluation, consensus was that the current rate design continues to be fair and equitable approach and sends the proper price signals to customers about the actual cost of providing service (with the exception of adding the variable-grade rate).

2. Water Rate Study

2.1 Key Water Rate Study Issues

The District's water rate analysis was undertaken with a few specific objectives, including:

- Funding necessary capital improvement projects for the next five years.
- Generating sufficient revenue to meet anticipated operating and maintenance costs.
- Continuing a rate design that promotes revenue stability.
- Verifying the cost-of-service basis of the current rate structure and the proposed water rates.
- Maintaining adequate reserve levels to ensure continuity in operations.
- Complying with the legal requirements of Prop 218 to ensure the cost of providing service is properly allocated amongst user classifications.

The District's current rate design using fixed and volume-based charges were calculated based on the net revenue requirements, number of customer accounts, water consumption, and other relevant data provided by the District. Since these system characteristics have changed since the 2020 rate study, the adjustments to the various fixed and variable charges result in specific adjustments to these rates in the first year. That is, cost of service adjustments result in changes that are not evenly, across-the-board, the same for all customers. However, after these first-year adjustments, years two through five adjustments are uniformly applied to individual rates.

The following are the basic components included in this analysis:

Developing Cost Allocations – The water revenue requirements were “functionalized” into three categories: (1) commodity (or volume-based) costs; (2) fixed capacity costs; and (3) customer service costs. These functionalized costs were then used to allocate costs based on various factors, such as water consumption (for volumetric-related costs), peaking factors (for capacity-related costs), and number of accounts by meter size (for customer-related costs).

Determining Revenue Requirements by Customer Class – The total revenue that needs to be collected from each customer class was determined using the functional costs and allocation factors. For example, customer costs are allocated based on the number of meters, while volume-related costs are allocated based on the water consumption of each customer class. Once the costs are allocated and the net revenue requirement for each customer class is determined, collecting the revenue requirements from each customer class through fixed and variable charges is addressed within the rate design.

Evaluating Rate Design (Fixed vs. Variable Charges) – The revenue requirements for each customer class are collected through a combination of fixed monthly service charges and volumetric rates. Based on direction from District staff, the rates proposed in this report will collect about two-thirds of the rate revenue from the fixed charge and one-third from variable charges.

KEY FINANCIAL ASSUMPTIONS

The following is a summary of the key financial assumptions used in the analyses. The following capital and operational fund targets reflect input from District staff to meet specific utility objectives.

Funding of Capital Projects – The capital improvement costs will be funded with a combination of grants, remaining revenue bond proceeds and cash reserves. The capital projects listed in the financial plan are from the District’s capital improvement program.

Reserve Targets – For the water utility, the District maintains reserves for operations, capital, and other specific needs. The operating reserve aims to maintain about 90-days of annual operating and maintenance costs in reserves. The capital project reserve target is estimated based on three-percent of the capital assets. The debt reserve obligation is actually a coverage requirement of 110% of the annual debt service. The details of the reserve balances and targets are included in the financial plan.

Inflation and Growth Projections – Assumptions regarding cost inflation to project future revenues and expenses for the five-year study period included the following inflation factors:

- Negligible customer growth is expected to occur during the study period.
- General cost inflation is set at 3% annually.
- Labor cost inflation is set at 3% annually with the exception of a one-time 10% increase in 2026/27 related to the District’s recent compensation and classification study.
- Chemicals and energy cost inflation is set at 2% annually.
- Health Benefits cost inflation is set at 13.8% initially and 5% annually thereafter.
- Retirement benefits are set at 10% per year.
- Insurance cost inflation is set at 25% annually.

These inflation factors are based on long-term trends; therefore, the District should re-examine these factors in another year to assess the impacts on utility costs and whether projected rate increases will be sufficient for the remainder of the rate adoption period.

2.2 Financial Plan

It is important for the water utility to not only collect sufficient revenues every year, but to also maintain reasonable reserves to handle emergencies, fund working capital, maintain a good credit rating, and follow sound financial management practices. Rate adjustments are governed by the need to meet operating and capital costs as well as maintain reasonable reserve levels. The current state of the District’s water utility, regarding these objectives, is as follows:

Meeting Net Revenue Requirements: For FY 2025/26 through FY 2029/30, the projected net revenue requirement (that is, total annual expenses plus debt service and rate-funded capital costs, less non-rate revenues) for the water system averages \$2.7 million to \$3.4 million annually. If no rate adjustments are implemented, the District’s reserves are expected to decline each year. Modest increases year over year help adequately fund capital and operating costs and minimize the need for larger rate hikes later on.

Maintaining Reserve Funds: Reserve funds provide a basis for a utility to cope with fiscal emergencies, such as revenue shortfalls, asset failure, and natural disasters, among other events. Reserve policies provide guidelines for sound financial management, with an overall long-range perspective to maintain financial solvency and mitigate financial risks associated with revenue instability, volatile capital costs, and unexpected emergencies.

- The District’s existing reserves are healthy, and put the District in a good position to meet future revenue requirements and still maintain adequate reserves. The District has a reserve policy that requires the following reserve targets:
 - **Operating Reserve** equal to 90-days of operating and maintenance expenses, or approximately \$650,000 in FY 2026/27. An operating reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures. NBS recommends a 90-day operating reserve, which is consistent with industry standards of a 3-month target for the operating reserve.
 - **Capital Rehabilitation & Replacement Reserve** equal to 3% of the of net capital assets, so the target reserve is \$1.1 million in FY 2026/27. This reserve is a cash resource to address long-term capital system replacement and rehabilitation needs. NBS considers a 3% capital reserve target to be reasonable; most utilities aim for 3% to 6% of net assets.

Funding Capital Improvement Projects: The District must fund necessary capital improvements to maintain current service levels. District staff has identified roughly \$12.5 million in expected capital expenditures over the next five years (FY 2025/26 through FY 2029/30) which is an average of \$2.5 million in capital expenditures annually. Available grant funds, remaining revenue bond proceeds and use of existing capital reserve funds enable the District to fund these capital expenditures without large rate increases or exhausting the existing reserves.

Inflation and Growth Projections: Cost inflation and growth assumptions are necessary to project future revenues and expenses for the study period. Customer growth is expected to be negligible. Inflation factors, including historical inflation from the District and other factors, were used in projecting expenses.

Maintaining Adequate Bond Coverage: The water utility currently has two existing debt issuances. The rate covenants of the existing debt require 110% coverage. The benefit of maintaining a higher coverage ratio is that it strengthens the District’s credit rating which can help lower interest rates for debt-funded capital projects and, in turn, reduce annual debt service payments.

Figure 2 summarizes the sources and uses of funds, net revenue requirements, and the annual percent adjustments in total rate revenue recommended for the next five years.

Figure 2. Summary of Water Revenue Requirements

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget		Projected			
	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Sources of Water Funds						
Rate Revenue Under Current Rates	\$ 3,313,106	\$ 3,427,832	\$ 3,427,832	\$ 3,427,832	\$ 3,422,832	\$ 3,427,832
Non-Rate Revenues	109,445	119,698	119,698	119,698	124,698	119,698
Interest Earnings ¹	5,985	8,000	8,000	8,000	8,000	8,000
Total Sources of Potable Funds	\$ 3,428,536	\$ 3,555,530	\$ 3,555,530	\$ 3,555,530	\$ 3,555,530	\$ 3,555,530
Uses of Water Funds						
Salaries & Benefits	\$ 1,082,869	\$ 1,198,166	\$ 1,301,959	\$ 1,360,600	\$ 1,379,050	\$ 1,488,285
Water Rights	15,000	15,000	15,450	15,914	16,391	16,883
Repair & Replacement	180,000	180,000	185,400	190,962	196,691	202,592
Electricity	220,000	240,000	244,800	249,696	254,690	259,784
All Other Expenses	768,500	805,601	864,772	934,566	1,061,093	1,116,785
Debt Service	440,980	444,801	443,410	442,004	445,585	443,951
Rate-Funded Capital Expenses	-	-	-	-	-	-
Total Use of Potable Water Funds	\$ 2,707,349	\$ 2,883,568	\$ 3,055,790	\$ 3,193,742	\$ 3,353,500	\$ 3,528,279
Surplus/(Deficiency) before Rate Increase	\$ 721,187	\$ 671,962	\$ 499,740	\$ 361,788	\$ 202,030	\$ 27,251
Additional Revenue from Rate Increases	-	-	137,113	279,711	427,388	582,247
Surplus/(Deficiency) after Rate Increase	\$ 721,187	\$ 671,962	\$ 636,853	\$ 641,499	\$ 629,419	\$ 609,498
Projected Annual Potable Rate Revenue Increase	0.00%	0.00%	4.00%	4.00%	4.00%	4.00%
Net Revenue Requirement - Potable System²	\$ 2,591,919	\$ 2,755,870	\$ 2,928,092	\$ 3,066,044	\$ 3,220,802	\$ 3,400,581
Overall Debt Coverage Ratio	7.99	8.32	8.67	8.93	9.32	9.71

1. Historical interest earning rates provided by the District at 3% annually.

2. "Total Use of Potable Water Funds" less "Other Operating Revenue" and "Interest Earnings".

Figure 3 summarizes the projected reserve fund balances and reserve targets for the District’s unrestricted funds. A detailed version of the proposed 5-year financial plan is included in *Appendix A. Water Rate Study Tables and Figures*. The tables in the appendix include the revenue requirement, reserve funds, revenue sources, capital improvement costs, and the proposed rate adjustments needed to meet the District’s funding requirements.

Figure 3. Summary of Primary Water Reserve Funds

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budget		Projected			
	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Operating Reserve						
Ending Balance	\$ 2,592,799	\$ 610,000	\$ 653,000	\$ 688,000	\$ 727,000	\$ 771,000
<i>Target Ending Balance (90-days of O&M Costs)</i>	<i>567,000</i>	<i>610,000</i>	<i>653,000</i>	<i>688,000</i>	<i>727,000</i>	<i>771,000</i>
Water Capital Fund						
Ending Balance	\$ 2,575,890	\$ 5,690,747	\$ 5,432,832	\$ 5,127,005	\$ 4,657,595	\$ 4,634,629
<i>Target Ending Balance (3% of Net Capital Assets)</i>	<i>618,200</i>	<i>1,108,900</i>	<i>1,181,400</i>	<i>1,266,800</i>	<i>1,372,400</i>	<i>1,398,700</i>
Debt Reserve						
Ending Balance	\$ 186,291	\$ 185,874	\$ 185,444	\$ 184,997	\$ 184,536	\$ 184,059
<i>Target Ending Balance (Annual Debt Service)</i>	<i>186,291</i>	<i>185,874</i>	<i>185,444</i>	<i>184,997</i>	<i>184,536</i>	<i>184,059</i>
Total Ending Balance	\$ 5,354,980	\$ 6,486,621	\$ 6,271,276	\$ 6,000,001	\$ 5,569,131	\$ 5,589,687
Total Recommended Minimum Target	1,371,491	1,904,774	2,019,844	2,139,797	2,283,936	2,353,759

2.3 Cost-of-Service Analysis

Once the net revenue requirements are determined, the cost-of-service analysis (COSA) proportionately distributes the revenue requirements to each of the customer classes. The COSA consists of two major components: (1) the classification of expenses, and (2) the allocation of costs to each customer class. Costs are classified according to the function they serve. All costs in the District’s budget are allocated to each component of the rate structure in proportion to the level of service required by customers.

The level of service is related to the volume and strength of the water treated, infrastructure capacity, and customer-related service. These costs are based on allocation factors, such as water consumption, number

of meters, and customer class. Ultimately, a COSA is intended to result in rates that are proportional to the cost of providing service to each customer class.

FUNCTIONALIZATION AND ALLOCATION OF COSTS

Most costs are not typically allocated just to fixed or variable categories but rather allocated to multiple functions of water service. The functionalization process provides the basis for allocating costs to various customer classes based on the cost causation components described below:

- **Commodity-related costs** are costs associated with the change in the volume of water produced and delivered. These commonly include the costs of water quality testing, energy related to pumping for transmission and distribution, and source of supply.
- **Capacity-related costs** are costs associated with sizing facilities to meet the maximum, or peak, demand. This includes both operating costs and capital infrastructure costs incurred to accommodate peak system capacity events.
- **Customer-related costs** are costs associated with having a customer connected to the water system, such as meter reading, postage, billing, and other administrative duties.

The District's budgeted costs were reviewed and allocated to these cost causation components which are used as the basis for establishing new water rates and translated into fixed and variable charges. Tables in the Technical Appendices show how the District's expenses were classified and allocated to these cost causation components. In the analysis, these cost causation components are also considered to be either fixed or variable.

FIXED AND VARIABLE COSTS

Ideally, utilities would recover most, if not all, of their fixed costs from fixed charges and all of their variable costs from volumetric charges. When this is the case, fluctuations in water sales revenues would be directly offset by reductions or increases in variable expenses, which provides greater revenue stability for the utility. However, other factors are often considered when designing water rates, such as community values, water conservation goals, ease of understanding, and ease of administration.⁴ However, recent court decisions (e.g., *City of San Diego v. Patz* and *Otay Water District v. Coziahr*), have underscored the importance of following the cost-basis in setting rates, particularly tiered volumetric rates. Because the District uses a uniform tier for volumetric rates, the concern over these issues is minimal.

NBS functionalized the District's costs into categories that represent fixed and variable costs. This analysis resulted in a cost distribution that is approximately two thirds fixed and one third variable (i.e., volumetric). Due to actual water consumption, the District's current rates actually collected approximately 60% of rate revenue from fixed and 40% from variable rates in 2024. District staff agrees with NBS that the current rate design of about two thirds fixed and one-third volumetric is preferred and provides continuity for the District's rate design.

Figure 4 summarizes how costs are allocated to each cost component and used to establish new water rates. **Figure 5** shows the resulting cost allocation to each cost classification component.

⁴ *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, Manual M1, AWWA, 7th Edition, 2017, pp. 6 and 96.

Figure 4. Allocation Percentages of Revenue Requirements

Classification Components	COSA Results		Rate Alternative	
	Unadjusted Net Revenue Requirements (2025/26) 68% Fixed / 32% Variable		Adjusted Net Revenue Requirements (2025/26) 64% Fixed / 36% Variable	
Variable Costs				
Volumetric Costs				
Commodity	\$ 1,098,839	32.1%	\$ 1,098,839	32.1%
Capacity-Related Costs (Volumetric Allocation)	-	0.0%	65,976	1.9%
Subtotal: Volumetric Costs	\$ 1,098,839	32.1%	\$ 1,164,815	34.0%
Fixed Costs				
Capacity-Related Costs (Fixed Allocation)	\$ 2,199,196	64.2%	\$ 2,133,220	62.2%
Customer-Related Costs	129,797	3.8%	129,797	3.8%
Subtotal: Capacity Costs	\$ 2,328,993	67.9%	\$ 2,263,017	66.0%
Net Revenue Requirement	\$ 3,427,832	100%	\$ 3,427,832	100%

Figure 5. Allocated Net Revenue Requirements – Preferred Rate Alternative

Customer Class	Cost Classification Components				Cost of Service Net Rev. Req't	% of COS Net Revenue Req't
	Commodity Related Costs	Capacity Related Costs - Volumetric Allocation	Capacity Related Costs - Fixed Allocation	Customer Related Costs		
Single Family Residential	\$ 997,393	\$ 58,880	\$ 1,903,790	\$ 126,840	\$ 3,086,903	90.1%
Multi-Family Residential	\$ 13,344	\$ 707	\$ 22,853	\$ 1,314	\$ 38,218	1.1%
Commercial	\$ 87,569	\$ 6,343	\$ 205,086	\$ 1,549	\$ 300,547	8.8%
Subtotal	\$ 1,098,307	\$ 65,930	\$ 2,131,729	\$ 129,703	\$ 3,425,669	100.0%
AG	\$ 133	\$ 11	\$ 349	\$ 47	\$ 540	0.0%
Total	\$ 1,098,440	\$ 65,941	\$ 2,132,078	\$ 129,750	\$ 3,426,208	100%

2.4 Characteristics of Water Customers by Customer Class

Customer classes are typically determined by grouping customers with similar demand characteristics into categories that reflect the cost differentials to serve each type of customer. Customer classes are most often identified as single-family, multi-family, commercial, landscape, etc., and the District follows this common methodology. The rates proposed in this report follow a similar structure where the fixed charges within each customer class vary by meter size while all customers are charged a uniform volumetric rate.

The amount of consumption, the peaking factors, and the number of meters by size are used to allocate costs to customer classes and determine the appropriate rate structures for each. These components of the COSA are presented in the following figures.

Commodity-related costs are costs associated with the total annual consumption of water by customer class. **Figure 6** below summarizes the most recent consumption data by customer class and represents the expected percent of consumption over the 5-year rate period.

Figure 6. Water Consumption by Customer Class

Customer Class	2024 Volume (hcf) ¹	Percent of Total Volume
Single Family Residential	225,715	90.8%
Multi-Family Residential	3,020	1.2%
Commercial	19,817	8.0%
AG	30	0.01%
Government No Charge (CSD)	90	0.04%
Total	248,673	100%
Recycled ²	1,237,730	100%
Total in Acre Feet	3,412 AF	

1. Consumption in hcf and customer class from Source file: #15 Monthly Bill Con (July 21 - Dec 24).xlsx

2. Recycled Water excluded from potable water consumption. One customer only in the District.

Figure 7 shows the peaking factors for each customer class. A “peaking factor” is the relationship between the average use by meter size to its peak use.

Figure 7. Peaking Factors by Customer Class

Customer Class	Average Monthly Use (hcf)	Peak Monthly Use (hcf) ¹	Peak Month Factor	Max Month Capacity Factor
Single Family Residential	18,810	28,961	1.54	89.2%
Multi-Family Residential	252	348	1.38	1.1%
Commercial	1,651	3,120	1.89	9.6%
AG	3	5	2.12	0.02%
Government No Charge (CSD)	8	17	2.31	0.05%
Total	20,715	32,451	1.57	100.0%
Recycled ²	103,144	314,340	3.05	
Total in Acre Feet	284 AF	33,173 AF		

1. Based on peak monthly / monthly data (peak day data not available).

2. Recycled Water excluded from potable water consumption. One customer only in the District.

Both operating costs and capital infrastructure costs incurred to accommodate peak system capacity events are generally allocated to each meter size according to their contribution to peak capacity events. These peaking factors are used to allocate the capacity-related costs to each customer class. **Figure 8** shows the number of meters for each customer class.

Figure 8. Number of Meters by Customer Class

Customer Class	Number of Meters ¹	Percent of Total
Single Family Residential	2,702	97.72%
Multi-Family Residential	28	1.01%
Commercial	33	1.19%
AG	1	0.04%
Government No Charge (CSD)	1	0.04%
Total	2,765	100%
Recycled ²	1	N.A.

1. Meter counts and customer class from 2024. Source file: #15 Monthly Bill Con (July 21 - Dec 24).xlsx . The number of meters as of April 2025 is 2,531. The counts differ due to customer changes and data discrepancies.

2. Recycled Water excluded from potable water consumption. One customer only in the District.

The percentage of total customers by customer class is then used to develop the customer allocation factors to allocate customer costs. Customer costs are those costs associated with having customers connected to the water system and include costs related to meter reading, postage, and billing.

2.5 Rate Design Analysis

Evaluating the water rate structure includes reviewing rate-design objectives and policies, including continuity of rate design, revenue stability, equity among customers, and water conservation. As mentioned previously, NBS and District staff agree that the two-thirds fixed and one-third variable rate alternative is close to the actual cost of service, provides continuity of the historical rate design, and is considered a fair and equitable rate design. The following section describes how the proposed water rates were determined.

DEVELOPMENT OF PROPOSED RATES

Fixed Charges

The fixed charges recognize that the water utility incurs fixed costs regardless of whether customers use water. Two components comprise the fixed meter charge: (1) the capacity component, and (2) the customer component. The capacity component recovers infrastructure costs, which reflect the size of the water system based on the amount of capacity needed to meet peak demand. A user class with higher-peaking ratio is allocated a proportionately higher share of the capacity-related costs compared to customer classes with lower peaking ratios. The customer component includes those costs related to reading and maintaining meters, customer billing and collection, and other customer-related costs.

Fixed charges also increase based on meter size because larger meters have higher potential demands on the system’s capacity. A customer classes’ peaking factor is their peak monthly use divided by their average annual use. The maximum hydraulic flow through each meter size is based on the hydraulic capacity ratios established by AWWA. The AWWA capacity ratios, which are proportional to the typical residential meter, are shown in **Figure 9**.

Figure 9. Hydraulic Capacity Factors

Meter Size	Standard Meters ¹	
	Meter Capacity (gpm)	Equivalency to 5/8- inch
<i>Displacement Meters</i>		
5/8 inch	20	1.00
3/4 inch	30	1.00
1 inch	50	2.50
1.5 inch	100	5.00
2 inch	160	8.00
<i>Compound Class I Meters</i>		
3 inch	320	16.00
4 inch	500	25.00
6 inch	1,000	50.00
<i>Turbine Class II Meters</i>		
8 inch	2,800	140.00
10 inch	4,200	210.00
12 inch	5,300	265.00

1. Meter flow rates from AWWA M-1 (7th Edition) Table B-2.
2. District building requirement is 3/4" meter; 5/8" and 3/4" meters are considered equivalent for this study.

The actual number of meters by size is multiplied by the corresponding capacity ratios to calculate the number of “equivalent” meters, which is used as a proxy for the potential demand that each customer places on the water system. As previously mentioned, the customer service charge is calculated by dividing the customer service-related costs by the total number of meters, whereas the fixed capacity charges are calculated by dividing the capacity-related costs by the total number of *equivalent* meters for each meter size. Using these capacity factors and the costs allocated to each customer class previously shown in Figure 5, the calculation of fixed monthly service charges by customer classes are shown in Figure 10.

Figure 10. Equivalent Meters and Fixed Charge Calculations

Number of Meters by Class and Size ¹	5/8 inch	3/4 inch	1 inch	1.5 inch	2 inch	3 inch	4 inch	6 inch	8 inch	10 inch	12 inch	Total
Single Family Residential	533	2,167	2	-	-	-	-	-	-	-	-	2,702
Multi-Family Residential	28	-	-	-	-	-	-	-	-	-	-	28
Commercial	13	3	6	2	9	-	-	-	-	-	-	33
AG	1	-	-	-	-	-	-	-	-	-	-	1
Total Meters/Accounts	574	2,170	8	2	9	-	-	-	-	-	-	2,763
Hydraulic Capacity Factor ²	1.00	1.00	2.50	5.00	8.00	16.00	25.00	50.00	140.00	210.00	265.00	-
Total Equivalent Meters	574	2,170	20	10	72	-	-	-	-	-	-	2,846
Monthly Fixed Service Charges												
Customer Costs (\$/Acct/mo.) ³	\$3.91	\$3.91	\$3.91	\$3.91	\$3.91	\$3.91	\$3.91	\$3.91	\$3.91	\$3.91	\$3.91	\$3.91
Capacity Costs (\$/Acct/mo.) ⁴	\$62.42	\$62.42	\$156.05	\$312.09	\$499.35	\$998.70	\$1,560.47	\$3,120.94	\$8,738.64	\$13,107.96	\$16,541.00	-
Total Monthly Meter Charge	\$66.33	\$66.33	\$159.96	\$316.01	\$503.26	\$1,002.61	\$1,564.38	\$3,124.85	\$8,742.55	\$13,111.87	\$16,544.91	-

1. Meter counts and customer class from 2024. Source file: #15 Monthly Bill Con (July 21 - Dec 24).xlsx. Total is inflated due to data discrepancies. The number of meters as of April 2025 is 2,531.
 2. Meter flow rates are from AWWA M-1 (Seventh Edition) Table B-2. Assumes displacement meters for 5/8 through 2 inch meters.
 3. Customer costs are allocated to each customer by dividing the total customer costs by the total number of customers.
 4. Capacity costs are allocated by meter size and the hydraulic capacity of the meter.

Volumetric Rates

Currently, the District uses a uniform, or single tier, volumetric rate for all customers; the proposed rates maintain this uniform rate. Figure 11 shows the calculation of the uniform tier rate per unit of water for all customers.

Figure 11. Uniform Tier Rates for FY 2023/24

Customer Class	Number of Meters ¹	Water Consumption (hcf/yr.)	Water Consump. w/ Conservation ² (hcf/yr.)	Commodity Assigned Costs	Other Volumetric Assigned Costs	Total Target Rev. Reqt from Vol. Charges	% of Total Rate Revenue	Uniform Commodity Rates (\$/hcf)	Proposed Rate Structure
Single Family Residential	2,702	225,715	214,430	\$ 997,393	\$ 58,880	\$ 1,056,273	30.8%	\$ 4.93	Uniform
Multi-Family Residential	28	3,020	2,869	13,344	707	14,051	0.4%	4.93	
Commercial	34	120	114	87,569	6,343	93,912	2.7%	821.26	Uniform
Total	2,764	228,856	217,413	\$ 1,098,307	\$ 65,930	\$ 1,164,237	34%		
Uniform Rate (All Classes)								\$ 5.35	Uniform

1. Meter counts and customer class from 2024. Source file: #15 Monthly Bill Con (July 21 - Dec 24).xlsx. The number of meters as of April 2025 is 2,531. The counts differ due to customer changes and data discrepancies.
 2. Assumed Conservation = 5.00%

2.6 Proposed Water Rates

The cost-of-service analysis by nature “re-balances” how costs are allocated between customer classes and, as a result, there are uneven adjustments in the first year of the 5-year rate adoption period. In contrast, in the subsequent four years, proposed charges are simply adjusted by the proposed adjustment in total rate revenue needed to meet projected revenue requirements. **Figure 12** provides a comparison of the current and proposed water rates for FY 2024/25 through 2029/30 for each customer class and meter size.

Figure 12. Current and Proposed Water Rates

Water Rate Schedule	Current Rates ('24/25)	Proposed Water Rates				
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Fixed Service Charge						
<i>Monthly Fixed Service Charge:</i>						
5/8 inch	\$66.25	\$66.33	\$68.98	\$71.74	\$74.61	\$77.60
3/4 inch	66.25	66.33	68.98	71.74	74.61	77.60
1 inch	159.69	159.96	166.36	173.01	179.93	187.13
1.5 inch	315.43	316.01	328.65	341.79	355.46	369.68
2 inch	502.31	503.26	523.39	544.33	566.10	588.75
Water Commodity Charges per hundred cubic feet (HCF)						
Uniform Rate (All Classes)	\$5.28	\$5.35	\$5.57	\$5.79	\$6.02	\$6.26

Water Rate Schedule	Current Rates ('24/25)	Proposed Drought Water Rates				
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Fixed Service Charge						
<i>Monthly Fixed Service Charge: (Same as Non-Drought Fixed Service Charges)</i>						
Commodity Charges for All Water Consumed per hundred cubic feet (HCF)						
All Customer Classes:						
Drought Stage 1	\$5.75	\$5.95	\$6.18	\$6.43	\$6.69	\$6.96
Drought Stage 2	6.52	6.83	7.10	7.39	7.68	7.99
Drought Stage 3	7.52	7.96	8.28	8.61	8.96	9.32
Drought Stage 4	8.84	9.48	9.86	10.25	10.66	11.09

Projected rates for each fiscal year⁵ reflect adjustments based on (1) the cost-of-service analysis, (2) the 66% fixed/34% variable rate design, and (3) the recommended percent increases in rate revenue planned

⁵ The FY'25/26 rate adjustment is effective on January 1, 2026; following years are scheduled to be effective on July 1 each year, beginning on July 1, 2026 for FY'26/27.

for each year. More detailed tables of the proposed water rates are documented in *Appendix A. Water Rate Study Tables and Figures*.

2.7 Comparison of Current and Proposed Water Bills

Figure 13 and **Figure 14** compare a range of monthly water bills under the current and proposed water rates for residential and commercial customers. These monthly bills are based on typical meter sizes and highlight the average annual consumption levels for each customer.

Figure 15 presents a comparison of residential water rates for similar communities.

Figure 13. Monthly Water Bill Comparison for Residential Customers

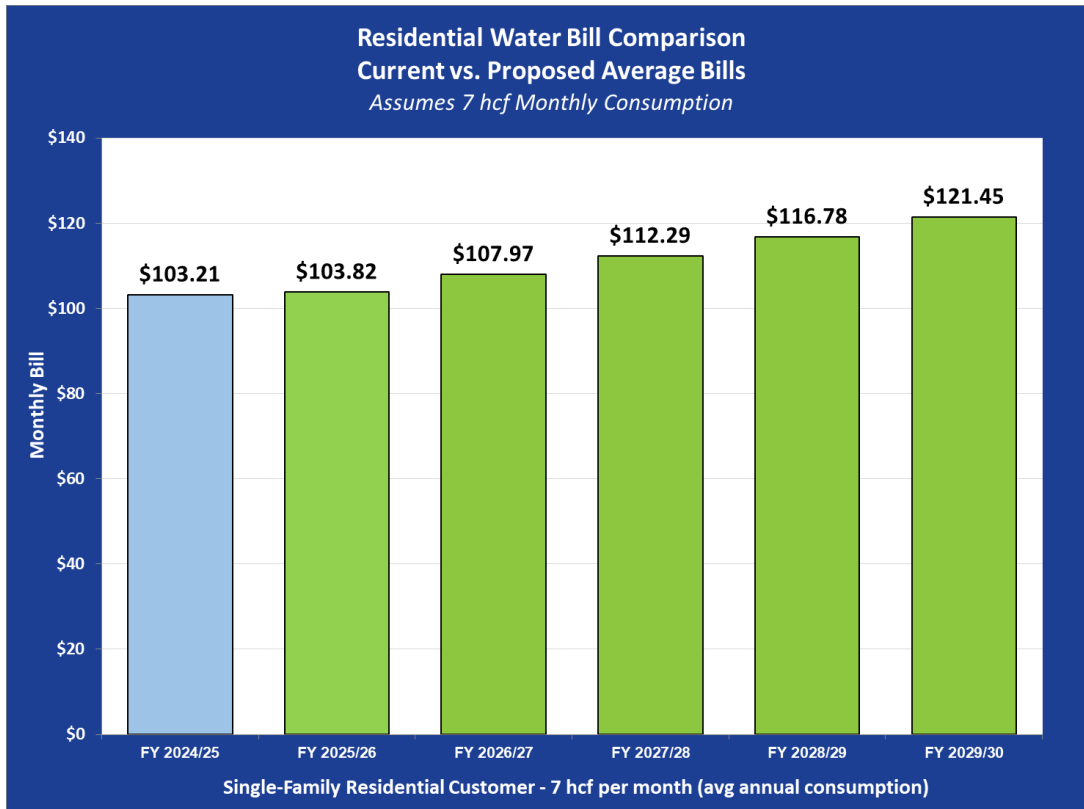


Figure 14. Monthly Water Bill Comparison for Commercial Customers

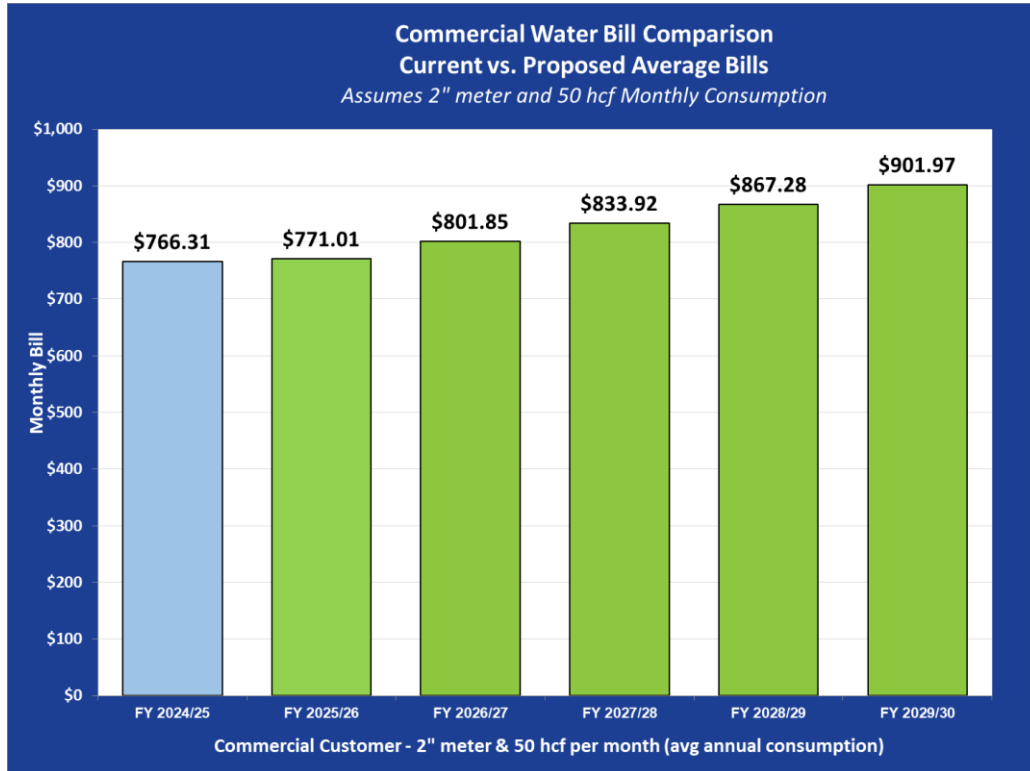
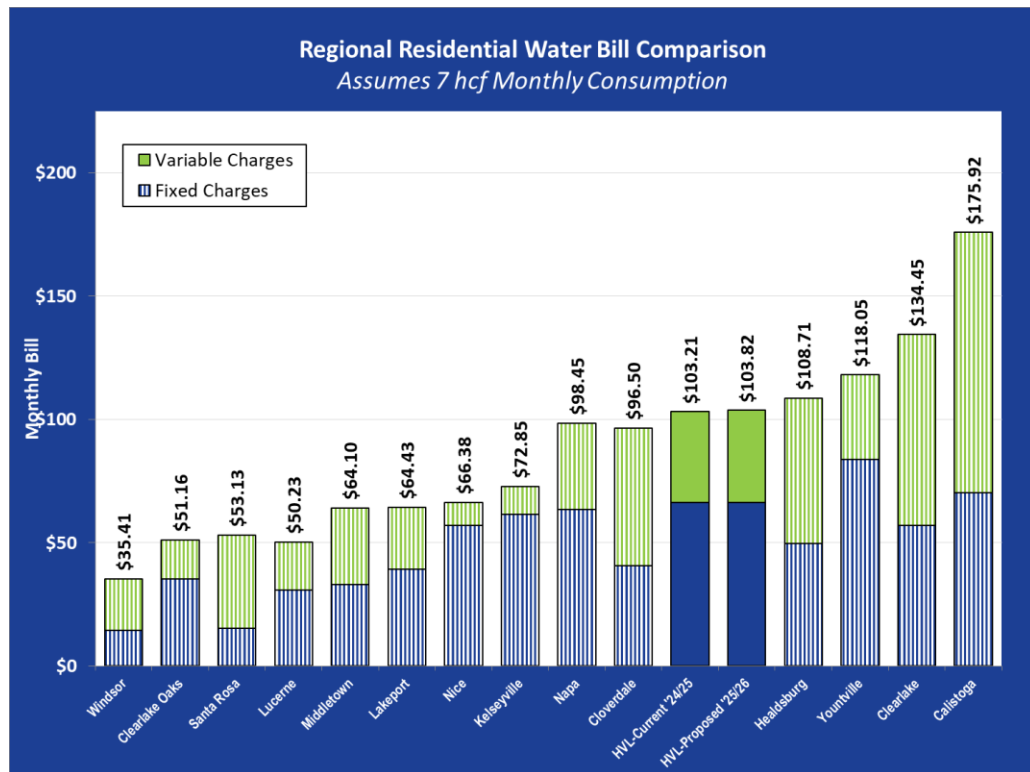


Figure 15. Residential Bills Comparison for Similar Communities



3. Wastewater Rate Study

3.1 Key Wastewater Rate Study Issues

The District's wastewater rate analysis was undertaken with a few specific objectives, including:

- Ensure adequate funding for the utility's capital projects, due to the level of capital investment planned over the next five years.
- Maintain adequate reserve levels to ensure continuity in operations.
- Ensuring equity among customer classes by collecting rate revenue through the cost-of-service based rates using both fixed monthly charges and volumetric rates.
- Comply with Prop 218 requirements to ensure costs are properly allocated between user classifications.

KEY FINANCIAL ASSUMPTIONS

The following is a summary of the key financial assumptions used in the analyses that reflect input from District staff.

Funding of Capital Projects – The capital improvement costs will be funded with a combination of cash in reserves and available grant revenue. The capital projects listed in the financial plan are from the District's capital improvement program.

Reserve Targets – For the wastewater utility, the District maintains reserves for operations, capital, and other specific needs. The details of the reserve balances and targets are included in the financial plan.

Inflation and Growth Projections – The assumptions regarding cost inflation to project future revenues and expenses for the study period are the same as used in the water rate analysis:

- Negligible customer growth is expected to occur during the study period.
- General cost inflation is set at 3% annually.
- Labor cost inflation is set at 3% annually with the exception of a one-time 10% increase in 2026/27 related to the District's recent compensation and classification study.
- Chemicals and energy cost inflation is set at 2% annually.
- Health Benefits cost inflation is set at 13.8% initially and 5% annually thereafter.
- Retirement benefits are set at 10% per year.
- Insurance cost inflation is set at 25% annually.

These inflation factors are based on long-term trends; therefore, the District should re-examine these factors in another year to assess the impacts on utility costs and whether projected rate increases will be sufficient for the remainder of the rate adoption period.

3.2 Financial Plan

Like the water utility, it is important for the wastewater utility to ensure rates provide sufficient funding to cover operating and maintenance costs, planned capital expenditures, and maintain reasonable reserves. The wastewater utility's rate increases are governed by these needs, and the current state of the District's wastewater utility is as follows:

Meeting Net Revenue Requirements: For FY 2025/26 through FY 2029/30, the projected net revenue requirements (that is, total operating expenses plus rate-funded capital costs less non-rate revenues) for the District averages approximately \$2.36 million to \$3.03 million annually. If no rate increases are implemented, the District is projected to run an annual deficit of approximately \$94,000 in FY 2026/27 but increasing to \$486,000 by FY 2029/30.

Maintaining Reserve Funds: Reserve funds provide a basis for a utility to cope with fiscal emergencies such as revenue shortfalls, asset failure, and natural disasters, among other events. The reserve funds for the wastewater utility are considered unrestricted reserves and consist of the following:

- **Operating Reserve:** The target ending fund balance for the operating reserve is equal to 90-days of operating expenses, or approximately \$604,000 in FY 2025/26. An operating reserve is intended to promote financial viability in the event of fluctuations in revenue that can be caused by weather patterns, the natural inflow and outflow of cash during billing cycles, natural variability in demand-based revenue streams (such as volumetric charges), and – particularly in periods of economic distress – changes or trends in age of receivables.
- **Capital Rehabilitation & Replacement Reserve:** The target ending fund balance for the capital reserve is equal to 3% of the net capital assets, or approximately \$565,000 in FY 2025/26. This reserve is intended to be a cash resource set aside to address long-term capital system replacement and rehabilitation needs. NBS considers a 3% capital reserve target to be reasonable in light of the utility’s limited cash available; most utilities aim for 3% to 6% of net capital assets.

Maintaining Adequate Bond Coverage: The District has covenanted to charge and collect from sewer rates, an amount equal to a minimum of 110% of the maximum annual debt service payment for the 2011 Solar Loan. The benefit of maintaining a coverage ratio is that it strengthens the District credit rating which helps lower interest rates for debt-funded capital projects and can reduce annual debt service payments. The District is projected to meet the debt coverage requirement for the five-year rate adoption period ending in FY 2029/30.

The recommended rate revenue increases are 8% for years one and two, and then 6% annually throughout the remaining three years of the rate adoption period. **Figure 16** summarizes the sources and uses of funds, net revenue requirements, and the recommended annual increases in wastewater rate revenue proposed for the next five years. **Figure 17** summarizes the projected reserve fund balances and reserve targets for the wastewater utility’s unrestricted funds.

Figure 16. Summary of Wastewater Revenue Requirements

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budgeted		Projected			
	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Sources of Sewer Funds						
Rate Revenue Under Current Rates - Sewer	\$ 2,145,769	\$ 2,163,434	\$ 2,163,434	\$ 2,163,434	\$ 2,163,434	\$ 2,163,434
Rate Revenue Under Current Rates - RW	183,611	245,611	250,523	255,534	260,644	265,857
Non-Rate Revenues	45,500	84,877	82,991	78,935	74,263	74,055
Total Sources of Funds	\$ 2,374,880	\$ 2,493,922	\$ 2,496,948	\$ 2,497,902	\$ 2,498,342	\$ 2,503,347
Uses of Sewer Funds						
Operating Expenses	\$ 2,331,119	\$ 2,414,427	\$ 2,556,235	\$ 2,709,924	\$ 2,881,638	\$ 3,074,866
Existing Debt Service	32,095	32,310	32,173	32,020	32,350	32,148
New Debt Service	-	-	-	-	-	-
Rate Funded Capital Expenses	-	-	-	-	-	-
Total Use of Funds	\$ 2,363,214	\$ 2,446,737	\$ 2,588,407	\$ 2,741,944	\$ 2,913,988	\$ 3,107,013
Surplus (Deficiency) before Rate Increase	\$ 11,666	\$ 47,185	\$ (91,459)	\$ (244,042)	\$ (415,646)	\$ (603,667)
Additional Revenue from Rate Increases (Sewer) ¹	-	86,537	359,995	511,401	671,891	842,011
Additional Revenue from Rate Increases (Recycled) ¹	-	9,824	41,687	60,404	80,948	103,472
Surplus (Deficiency) after Rate Increase	\$ 11,666	\$ 133,722	\$ 310,223	\$ 327,763	\$ 337,193	\$ 341,816
Projected Annual Rate Revenue Adjustment - Sewer¹		8.00%	8.00%	6.00%	6.00%	6.00%
Net Revenue Requirement²	\$ 2,317,714	\$ 2,361,568	\$ 2,505,169	\$ 2,663,300	\$ 2,839,547	\$ 3,032,830

1. The FY 205/26 rate increase is assumed to be implemented on January 1, 2026, and future increases are implemented July 1 each year.
 2. Total Use of Funds less non-rate revenues and interest earnings. This is the annual amount needed from rates.

Figure 17. Summary of Wastewater Reserve Funds

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budgeted		Projected			
	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Operating Reserve						
Ending Balance	\$ 688,650	\$ 604,000	\$ 639,000	\$ 427,000	\$ 370,000	\$ 411,944
<i>Target Ending Balance (90-days of O&M Costs)</i>	<i>583,000</i>	<i>604,000</i>	<i>639,000</i>	<i>677,000</i>	<i>720,000</i>	<i>769,000</i>
Sewer Capital Fund						
Transfer In of Operating Reserve Surplus	\$ 154,075	\$ 313,687	\$ 275,471	\$ 539,473	\$ 394,370	\$ 300,000
Use of Reserves for Capital Projects	(428,875)	(206,704)	(445,683)	(483,183)	(344,298)	(290,000)
Ending Balance	\$ 312,025	\$ 642,364	\$ 472,152	\$ 528,442	\$ 578,514	\$ 588,514
<i>Target Ending Balance (3% of Net Capital Assets)</i>	<i>565,000</i>	<i>565,000</i>	<i>561,000</i>	<i>559,000</i>	<i>555,000</i>	<i>547,000</i>
Debt Reserve						
Ending Balance	\$ 32,339	\$ 33,309	\$ 34,308	\$ 35,338	\$ 36,398	\$ 37,490
<i>Target Ending Balance (Annual Debt Service)</i>	<i>32,350</i>	<i>32,350</i>	<i>32,350</i>	<i>32,350</i>	<i>32,350</i>	<i>32,350</i>
Total Ending Balance	\$ 1,033,014	\$ 1,279,673	\$ 1,145,460	\$ 990,780	\$ 984,912	\$ 1,037,947
<i>Total Recommended Minimum Target</i>	<i>\$ 1,180,350</i>	<i>\$ 1,201,350</i>	<i>\$ 1,232,350</i>	<i>\$ 1,268,350</i>	<i>\$ 1,307,350</i>	<i>\$ 1,348,350</i>

A more detailed version of the utility’s proposed five-year financial plan is included in *Appendix B*. The appendix tables include revenue requirements, reserve funds, revenue sources, proposed rate increases, and the District’s capital improvement program.

3.3 Cost-of-Service Analysis

Once the net revenue requirements are determined, the cost-of-service analysis (COSA) proportionately distributes the revenue requirements to each of the customer classes. The COSA consists of the classification of expenses and then the allocation of those expenses to customer classes based on allocation factors, such as water consumption and number of Housing Equivalency Units (HEUs), or accounts. Since the 2020 rate study, HEUs have been reevaluated to more accurately reflect commercial wastewater contributions which includes excluding irrigation figures from the calculations. Ultimately, a COSA is intended to result in rates that are proportional to the cost of providing service to each customer class.

CUSTOMER CLASSES AND ALLOCATION FACTORS

Customer classes are determined by combining customers with similar demand characteristics and types of use into categories that reflect the cost differentials to serve each type of customer. The most recent water consumption data was used as a proxy for estimating the amount of flow that each customer class sends to the wastewater treatment plant.

Figure 18 shows the development of the flow/volume allocation factors by customer class calculated by taking the average winter consumption for residential customers, annualizing that usage, and using the annual consumption for non-residential customer classes.

Figure 18. Development of the Flow Allocation Factor

Customer Class	Number of HEUs ¹	Annual Volume (hcf)	Percentage of Adjusted Volume	Adjusted Annual Volume (hcf)	Avg Winter Mo. Consumption ² (hcf)	Ann. Winter Vol. (Commercial is Monthly) (in hcf) ⁵
Single Family Residential ³	1,463	82,484	84.9%	100,633	6,801	81,611
SFR - Variable Grade	149	8,398	8.6%	10,246	771	9,256
Multi-Family Residential	56	2,443	2.5%	2,981	210	2,524
Commercial ⁴	37	3,832	3.9%	4,675	N.A.	3,832
Total ⁵	1,705	97,158	100.0%	118,535	7,783	--

1. Consumption and Meters from source files: *Copy of Customer Data.xlsx and Monthly Bill Con.xlsx* (data combined and summarized in pivot tables). The number of HEUs as of April 2025 is 1,533. The counts differ due to customer changes and data discrepancies.

2. Includes months of January 2024 through March 2024 and December 2024.

3. Includes Municipal but has been reduced by 149 variable grade customers that are now treated separately.

4. Commercial will be billed based on monthly consumption, not winter average.

5. Recycled Water excluded from flow allocation factor. One customer only in the District, volumetric rate only.

Volumetric charges for all customer classes were based on the annual consumption and their estimated effluent strengths. Figure 19 summarized the strength allocation factors by customer class. These strength-related percentages were used to allocate strength-related costs to the customer classes based on their estimated pounds of biochemical oxygen demand (BOD) and total suspended solids (TSS).

Figure 19. Development of the Strength Allocation Factor

Customer Class	Adjusted Annual Flow (hcf)	Biochemical Oxygen Demand (BOD)				Total Suspended Solids (TSS)			
		Average Strength Factor (mg/l) ²	Calculated BOD (lbs./yr.)	Adjusted BOD (lbs./yr.)	Percent of Total	Average Strength Factor (mg/l) ²	Calculated TSS (lbs./yr.)	Adjusted TSS (lbs./yr.)	Percent of Total
Single Family Residential	100,633	250	156,945	82,483	87.2%	250	156,945	161,424	94.3%
SFR - Variable Grade	10,246	250	15,980	8,398	8.9%	20	1,278	1,315	0.8%
Multi Family Residential	2,981	250	4,649	2,443	2.6%	250	4,649	4,782	2.8%
Commercial ¹	4,675	80	2,333	1,226	1.3%	120	3,499	3,599	2.1%
Total	118,535		179,907	94,551	100%		166,372	171,120	100%

1. Commercial is billed on monthly water use.

2. Typical strength factors for BOD and TSS are derived from the State Water Resources Control Board Revenue Program Guidelines, Appendix G.

Figure 20 summarizes the development of the customer allocation factor.

Figure 20. Development of the Customer Allocation Factor

Customer Class	Number of Accounts ¹	Percentage of Accounts ²	Adjusted % of Accounts ³
Single Family Residential ⁴	1,463	88.40%	92.57%
SFR - Variable Grade	149	9.00%	4.71%
Multi-Family Residential	28	1.69%	1.77%
Commercial	15	0.91%	0.95%
Total	1,655	100.0%	100.0%

1. Consumption and Meters from source files: *Copy of Customer Data.xlsx and Monthly Bill Con.xlsx* (data combined and summarized in pivot tables). The number of accounts as of April 2025 is 1,506. The counts differ due to customer changes and data discrepancies.

2. Recycled Water excluded from customer allocation factor. One customer only in the District, volumetric rate only. HEU stands for housing equivalent unit, which is equal to one single family residential home (SFR = 1 HEU)

3. SFR - Variable Grade was reduced by 50% because they have fewer customer service demands than the typical residential or commercial account.

4. Includes Municipal.

FUNCTIONALIZATION AND ALLOCATION OF COSTS

As previously noted, costs are classified into the following four functional categories: (1) flow-related costs, (2) strength-related costs (BOD and TSS), (3) customer-related costs, and (4) recycled water costs. The District’s budgeted costs were allocated to these four categories which serve as the basis for calculating the fixed and variable charges. Tables in *Appendix B. Wastewater Rate Study Tables and Figures* show how the District’s expenses were classified and allocated to these cost-causation components.

The analysis of the functionalization of costs indicated that 41% of cost should be collected from volumetric charges, 51% from fixed charges, and 8% from recycled water volumetric charges. To maintain consistency with the District’s current rate design, adjustments were made to these allocation percentages. **Figure 21** summarizes the cost-of-service allocation of the net revenue requirements to each cost causation component for the proposed rates.

Figure 21. Allocation of Revenue Requirements by Customer Class

Customer Class	Cost Classification Components					Cost-of-Service Net Revenue Req't.	% of COS Net Revenue Req't.
	Volume	Treatment		Customer Related	Recycled Water		
		BOD	TSS				
Net Revenue Requirements ¹	\$ 1,067,592	\$ 518,757	\$ 518,757	\$ 280,888	\$ 215,773	\$ 2,601,769	--
	41.0%	19.9%	19.9%	10.8%	8.3%	100.0%	
Single-, Multi-Family & Municipal	\$ 933,207	\$ 465,953	\$ 503,860	\$ 264,982	\$ -	\$ 2,168,002	83.3%
SFR - Variable Grade	\$ 92,283	\$ 46,077	\$ 3,986	\$ 13,240	\$ -	\$ 155,586	5.98%
Commercial	42,103	6,727	10,912	2,666	-	62,408	2.4%
Recycled Irrigation	-	-	-	-	215,773	215,773	8.3%
Total	\$ 1,067,592	\$ 518,757	\$ 518,757	\$ 280,888	\$ 215,773	\$ 2,601,769	100%
Total Excluding Recycled Water						\$ 2,385,995	

1. Revenue requirement for each customer class is determined by multiplying the revenue requirement from each cost classification by the allocation factors for each customer class.

3.4 Rate Design Analysis

During this rate study, NBS discussed with District staff the rate design alternatives and how costs are collected via revenue from fixed vs. volumetric charges. Ultimately, the rate alternative selected by District staff is one similar to the existing rate design. The reasons for selecting this alternative are (1) it maintains the existing rate design developed during the last study which utilize wastewater strengths for various customer types based on values in the State Water Resources Control Board guidelines, (2) it provides continuity for sewer customers, and (3) it is easy to understand from a customer’s perspective and easy to administrate from District staff’s perspective.

This entailed adjusting the percentage allocations to fixed and variable charges; 72% of the revenue requirements for the single family, multi-family and municipal class were collected from fixed charges and 28% from volumetric rates. For the commercial class, 59% of revenue was collected from fixed charges and 41% from volumetric rates.

FIXED CHARGES

The fixed charge recognizes that the wastewater utility incurs fixed costs regardless of whether customers send any wastewater into the District’s collection system. The two factors used to develop the fixed charge are: (1) the number of HEUs for each customer class and (2) the percent of annual revenue requirements allocated to each customer class. The monthly fixed charge is calculated by taking 72% of the residential

revenue requirements and dividing by the number of residential HEUs and 59% of the commercial revenue requirements and dividing by the number of commercial HEUs.

VOLUMETRIC CHARGES

There are three factors used to develop the volumetric charges: (1) the annualized winter water consumption for residential customers, (2) the annualized monthly consumption for commercial customers, and (3) the percent of annual revenue requirement collected from volumetric rates. The monthly volumetric charge is calculated by taking 28% of total revenue requirements for residential customer classes and dividing by the residential annualized *winter* water consumption and by taking 41% of the total revenue requirement for the commercial customer class and dividing by the commercial annualized *monthly* water consumption.

Additionally, the District has decided to create a new “variable grade” sewer rate for customers with a separate holding tank for their independently maintained partial septic systems. This type of effluent has very low solids and a lower strength compared to typical residential customers. Therefore, their fixed and volumetric rate is lower than residential rates. The residential, variable grade, and commercial fixed and variable charge calculations are summarized in **Figure 22**.

Figure 22. Calculation of Fixed and Variable Charges

Customer Class	No. of Billing Units (HEU) ¹	Annualized Winter Consumption (hcf) ²	Annual Rev. Req't			Monthly Fixed Charge Per HEU	Volumetric Charge Per hcf
			Total	Fixed ^{2,3}	Volumetric		
Single-, Multi-Family & Municipal	1,519	84,135	\$2,168,002	\$1,560,961	\$607,040	\$85.65	\$7.22
SFR - Variable Grade	149	9,256	\$155,586	\$112,022	\$43,564	\$62.65	\$4.71
Commercial	37	3,832	\$62,408	\$36,871	\$25,537	\$83.27	\$6.66
Total	1,705	97,223	\$2,385,995	\$1,709,854	\$676,142	--	--

1. Sewer customers are charged on the basis of their number of assigned Housing Equivalent Units (HEUs). Consumption and Meters from source files: Copy of Customer Data.xlsx and Monthly Bill Con.xlsx (data combined and summarized in pivot tables). The number of HEUs as of April 2025 is 1,533. The counts differ due to customer changes and data discrepancies.

2. Average monthly consumption is used for commercial customers.

3.5 Proposed Wastewater Rates

The proposed wastewater rates are similar to existing rates in terms of the rate design. **Figure 23** compares the current and proposed rates for FY 2025/26 through FY 2029/30 by customer class.

Figure 23. Current vs. Proposed Wastewater and Recycled Rates

Sewer Rate Schedule	Current Rates ('24/25)	Proposed Sewer Rates ¹				
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Fixed Service Charge per HEU²						
Residential & Municipal	\$79.89	\$85.65	\$92.50	\$98.05	\$103.94	\$110.17
SFR - Variable Grade	N.A.	\$62.65	\$67.66	\$71.72	\$76.03	\$80.59
Commercial	\$79.89	\$83.27	\$89.93	\$95.32	\$101.04	\$107.11
Volumetric Charge (\$/hcf)³						
Residential & Municipal (Applied to Average Winter Water Use)	\$6.76	\$7.22	\$7.79	\$8.26	\$8.76	\$9.28
SFR - Variable Grade (Applied to Average Winter Water Use)	N.A.	\$4.71	\$5.08	\$5.39	\$5.71	\$6.05
Commercial (Applied to Average Monthly Water Use)	\$8.53	\$6.66	\$7.20	\$7.63	\$8.09	\$8.57

1. Implementation date of FY 2025/26 rates is January 1, 2026.

2. Sewer customers are charged on the basis of their number of assigned Housing Equivalent Units (HEUs).

3. Proposed volumetric rates after FY 2025/26 are increased by the annual increase in rate revenue shown in the financial plan.

Note: Variable Grade Residential customer's rates are Residential & Municipal rates adjusted by the adjustment factor of: 73.1%

Recycled Water Rate Schedule	Current Rates	Proposed Recycled Water Rates				
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Fixed Service Charge per Acre Foot (AF)						
Recycled Irrigation (\$/AF)	\$486.80	\$525.74	\$567.80	\$601.87	\$637.98	\$676.26

3.6 Comparison of Current and Proposed Wastewater Bills

The following figures compare monthly wastewater bills under current and proposed rates for various customers over the 5-year rate period. These bill comparisons are calculated at typical levels of consumption. The last figure presents a comparison of residential sewer rates for similar communities.

Figure 24. Single-Family Residential Wastewater Bill Comparison

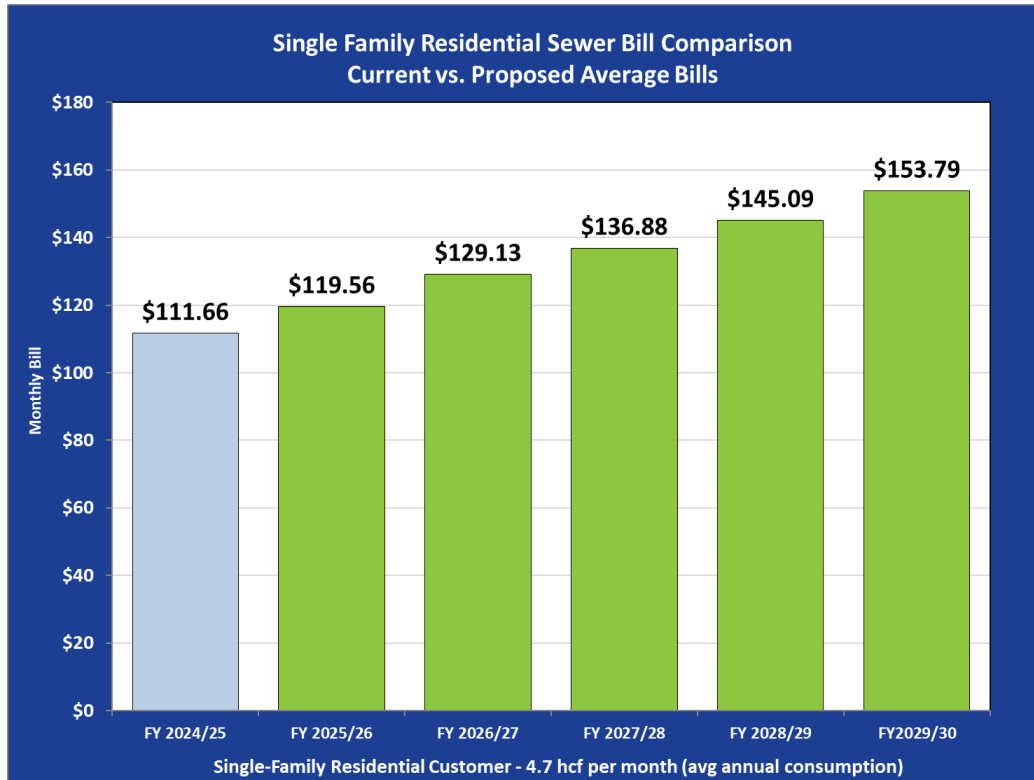


Figure 25. Commercial Wastewater Bill Comparison

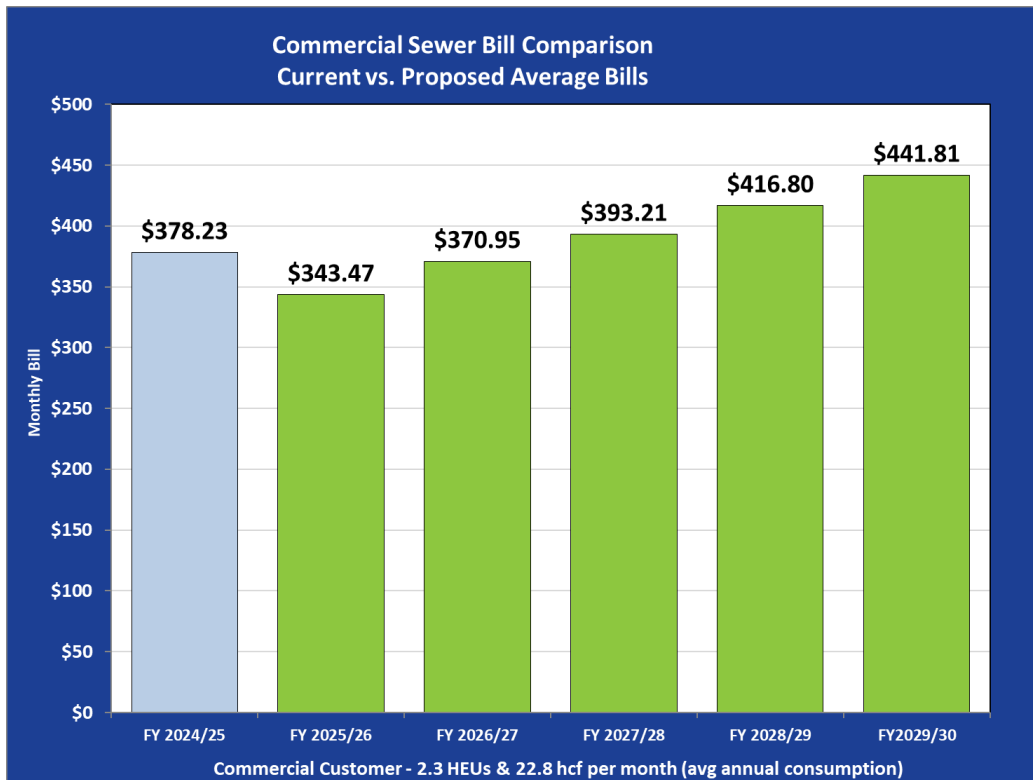
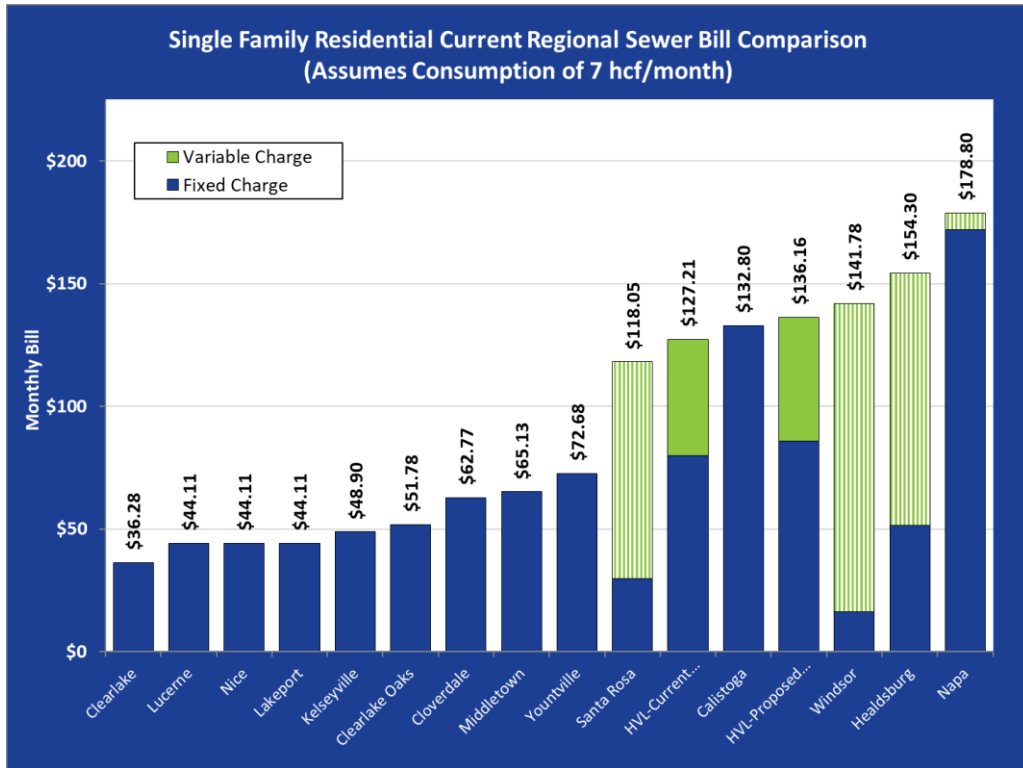


Figure 26. Residential Bills Comparison for Similar Communities



4. Recommendations and Next Steps

4.1 Consultant Recommendations

NBS recommends the District take the following actions:

- **Approve and Accept this Study:** NBS recommends the District Board formally approve and adopt this Study and its recommendations as the basis for the new rates and proceed with the next steps outlined below to implement the proposed rates. This will provide documentation of the rate study analyses and the basis for analyzing potential changes to future rates.
- **Implement Recommended Levels of Rate Increases and Proposed Rates:** Based on successfully meeting the Prop 218 procedural requirements, the District should proceed with implementing the 5-year schedule of proposed rates and rate increases previously shown in **Figure 12** and **Figure 23**. This will help ensure the continued financial health of the District's utilities.

4.2 Next steps

Annually Review Rates and Revenue – Any time an agency adopts new utility rates or rate structures, those new rates should be closely monitored over the next several years to ensure the revenue generated is sufficient to meet the annual revenue requirements. Changing economic and water consumption patterns underscore the need for this review, as well as potential and unseen changing revenue requirements — particularly those related to environmental regulations that can significantly affect capital improvements and repair and replacement costs.

Note: The attached Technical Appendices provide more detailed information on the analysis of the financial plan, revenue requirements, cost-of-service, and the rate design analyses that have been summarized in this report.

4.3 NBS' Principal Assumptions and Considerations

In preparing this report and the opinions and recommendations included herein, NBS has relied on several principal assumptions and considerations regarding financial matters, conditions, and events that may occur in the future. This information and these assumptions, including the District's budgets, capital improvement costs, customer accounts and consumption, and information from District staff were provided by sources we believe to be reliable, although NBS has not independently verified this data.

While we believe NBS' use of such information and assumptions is reasonable for the purpose of this report and its recommendations, some assumptions will invariably not materialize as stated herein and may vary significantly due to unanticipated events and circumstances. Therefore, the actual results can be expected to vary from those projected to the extent that actual future conditions differ from those assumed by us or provided to us by others.

Technical Appendices

These Appendices contain:

- Appendix A: Water Rate Study Tables and Figures
- Appendix B: Wastewater Rate Study Tables and Figures

Appendix A. Water Rate Study Tables and Figures

TABLE 1 : FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

RATE REVENUE REQUIREMENTS SUMMARY	Budget	Projected 5 Year Rate Period				
	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Sources of Potable Water Funds						
Rate Revenue Under Current Rates	\$ 3,313,106	\$ 3,427,832	\$ 3,427,832	\$ 3,427,832	\$ 3,427,832	\$ 3,427,832
Non-Rate Revenues	109,445	119,698	119,698	119,698	119,698	119,698
Interest Earnings	5,985	8,000	8,000	8,000	8,000	8,000
Total Sources of Funds	\$ 3,428,536	\$ 3,555,530	\$ 3,555,530	\$ 3,555,530	\$ 3,555,530	\$ 3,555,530
Uses of Potable Water Funds						
Operating Expenses:						
Salaries & Benefits	\$ 1,082,869	\$ 1,198,166	\$ 1,301,959	\$ 1,360,600	\$ 1,379,050	\$ 1,488,285
Water Rights	15,000	15,000	15,450	15,914	16,391	16,883
Repair & Replacement	180,000	180,000	185,400	190,962	196,691	202,592
Electricity	220,000	240,000	244,800	249,696	254,690	259,784
All Other Expenses	768,500	805,601	864,772	934,566	1,061,093	1,116,785
<i>Subtotal: Operating Expenses</i>	<i>\$ 2,266,369</i>	<i>\$ 2,438,767</i>	<i>\$ 2,612,380</i>	<i>\$ 2,751,738</i>	<i>\$ 2,907,915</i>	<i>\$ 3,084,328</i>
Other Expenditures:						
Existing Debt Service	\$ 440,980	\$ 444,801	\$ 443,410	\$ 442,004	\$ 445,585	\$ 443,951
New Debt Service	-	-	-	-	-	-
Rate-Funded Capital Expenses	-	-	-	-	-	-
<i>Subtotal: Other Expenditures</i>	<i>\$ 440,980</i>	<i>\$ 444,801</i>	<i>\$ 443,410</i>	<i>\$ 442,004</i>	<i>\$ 445,585</i>	<i>\$ 443,951</i>
Total Uses of Water Funds	\$ 2,707,349	\$ 2,883,568	\$ 3,055,790	\$ 3,193,742	\$ 3,353,500	\$ 3,528,279
plus: Revenue from Rate Increases ¹	-	-	137,113	279,711	428,013	582,247
Annual Surplus/(Deficit)	\$ 721,187	\$ 671,962	\$ 636,853	\$ 641,499	\$ 630,043	\$ 609,498
Net Rev. Req't. (Total Uses less Non-Rate Rev.)	\$ 2,591,919	\$ 2,755,870	\$ 2,928,092	\$ 3,066,044	\$ 3,225,802	\$ 3,400,581
Projected Annual % Rate Revenue Increases	0.00%	0.00%	4.00%	4.00%	4.00%	4.00%
Cumulative Increase		0.00%	4.00%	8.16%	12.49%	16.99%
<i>Debt Coverage Without Rate Revenue Increase</i>	<i>7.77</i>	<i>7.99</i>	<i>8.01</i>	<i>8.04</i>	<i>7.97</i>	<i>8.00</i>
<i>Debt Coverage After Rate Revenue Increase</i>	<i>7.77</i>	<i>7.99</i>	<i>8.32</i>	<i>8.67</i>	<i>8.94</i>	<i>9.32</i>

1. Revenue from rate increases may not accrue as projected due to discrepancies in the number of connections used.

TABLE 2 : WATER RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY	Budget	Projected 5 Year Rate Period				
	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Total Beginning Unrestricted Cash	\$ 417,175	\$ 655,000				
Operating Reserve						
Beginning Reserve Balance	\$ 180,318	\$ 655,000	\$ 610,000	\$ 653,000	\$ 688,000	\$ 727,000
Plus: Net Cash Flow (After Rate Increases)	721,187	671,962	636,853	641,499	630,043	609,498
Plus: Transfer In	1,274,119	6,006	6,006	6,010	6,011	6,013
Less: Transfer Out	-	(722,968)	(599,859)	(612,509)	(597,054)	(571,511)
Ending Operating Reserve Balance¹	\$ 2,592,799	\$ 610,000	\$ 653,000	\$ 688,000	\$ 727,000	\$ 771,000
Target Ending Balance (90-days of O&M Costs)	\$ 567,000	\$ 610,000	\$ 653,000	\$ 688,000	\$ 727,000	\$ 771,000
Water Capital Fund						
Beginning Reserve Balance	\$ 2,575,890	\$ 5,000,000	\$ 5,690,747	\$ 5,432,832	\$ 5,127,005	\$ 4,658,219
Plus: Grant Proceeds	-	-	-	-	-	-
Plus: Transfer of Operating Reserve Surplus	-	722,968	599,859	612,509	597,054	571,511
Less: Use of Reserves for Capital Projects	-	(32,221)	(857,774)	(918,337)	(1,065,839)	(594,477)
Ending Water Capital Fund Balance²	\$ 2,575,890	\$ 5,690,747	\$ 5,432,832	\$ 5,127,005	\$ 4,658,219	\$ 4,635,253
Target Ending Balance (3% of Net Capital Assets)	\$ 618,200	\$ 1,108,900	\$ 1,181,400	\$ 1,266,800	\$ 1,372,400	\$ 1,398,700
Ending Balance	\$ 5,168,689	\$ 6,300,747	\$ 6,085,832	\$ 5,815,005	\$ 5,385,219	\$ 5,406,253
Suggested Minimum Target Ending Balance	\$ 1,185,200	\$ 1,718,900	\$ 1,834,400	\$ 1,954,800	\$ 2,099,400	\$ 2,169,700
Ending Surplus/(Deficit)						
Compared to Minimum Reserve Targets	\$ 3,983,489	\$ 4,581,847	\$ 4,251,432	\$ 3,860,205	\$ 3,285,819	\$ 3,236,553
Days Cash on Hand	697	798	727	665	587	560

1. Source File: #5 - HVL CSD June 30, 2024 Audit, Page 27

2. Source File: #5 - HVL CSD June 30, 2024 Audit, Page 27

TABLE 3 : RESERVE FUND SUMMARY, CONT.

Restricted Reserves:						
	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
CIEDB Debt Reserve						
Beginning Balance ³	\$ 281,808	\$ 186,291	\$ 185,874	\$ 185,444	\$ 184,997	\$ 184,536
Plus: Interest Earnings	8,454	5,589	5,576	5,563	5,550	5,536
Less: Transfer of Surplus to Operating Reserve	(103,972)	(6,006)	(6,006)	(6,010)	(6,011)	(6,013)
Ending Debt Reserve Balance	\$ 186,291	\$ 185,874	\$ 185,444	\$ 184,997	\$ 184,536	\$ 184,059
Target Ending Balance	\$ 186,291	\$ 185,874	\$ 185,444	\$ 184,997	\$ 184,536	\$ 184,059
FEMA/CalOES Grants						
Beginning Reserve Balance	\$ -	\$ 3,822,358	\$ 3,937,029	\$ 4,055,140	\$ 4,176,794	\$ 4,302,098
Plus: Interest Earnings	-	114,671	118,111	121,654	125,304	129,063
Plus: FEMA/CalOES Revenue	3,822,358	-	-	-	-	-
Less: Use of Reserves for Capital Projects	-	-	-	-	-	-
Ending FEMA/CalOES Grants Balance	\$ 3,822,358	\$ 3,937,029	\$ 4,055,140	\$ 4,176,794	\$ 4,302,098	\$ 4,431,161
Grants						
Beginning Reserve Balance	\$ -	\$ 121,875	\$ 125,531	\$ 129,297	\$ 133,176	\$ 137,171
Plus: Interest Earnings	-	3,656	3,766	3,879	3,995	4,115
Plus: Grants Revenue	121,875	-	-	-	-	-
Less: Use of Reserves for Capital Projects	-	-	-	-	-	-
Ending Grants Balance	\$ 121,875	\$ 125,531	\$ 129,297	\$ 133,176	\$ 137,171	\$ 141,287
Hydrant Meter Use Deposit						
Beginning Reserve Balance	\$ -	\$ 3,240	\$ 3,337	\$ 3,437	\$ 3,540	\$ 3,647
Plus: Interest Earnings	-	97	100	103	106	109
Plus: Hydrant Revenue	3,240	-	-	-	-	-
Less: Use of Reserves for Capital Projects	-	-	-	-	-	-
Ending Hydrant Balance	\$ 3,240	\$ 3,337	\$ 3,437	\$ 3,540	\$ 3,647	\$ 3,756
Annual Interest Earnings Rate⁴	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

3. Source File: #5 - HVL CSD June 30, 2024 Audit, Page 27

4. Per District Staff email (sent June 6, 2025, "RE: HVLCS Rate Study-Additional Data Request")

CHART 1

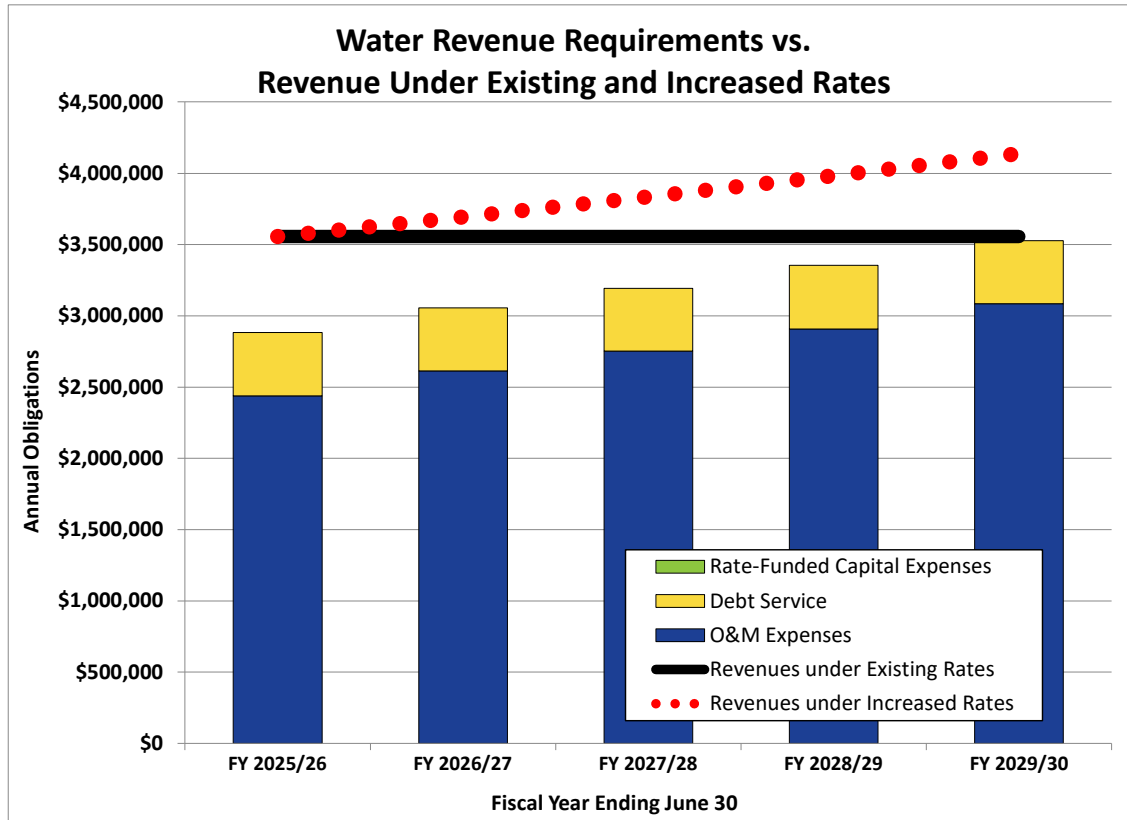
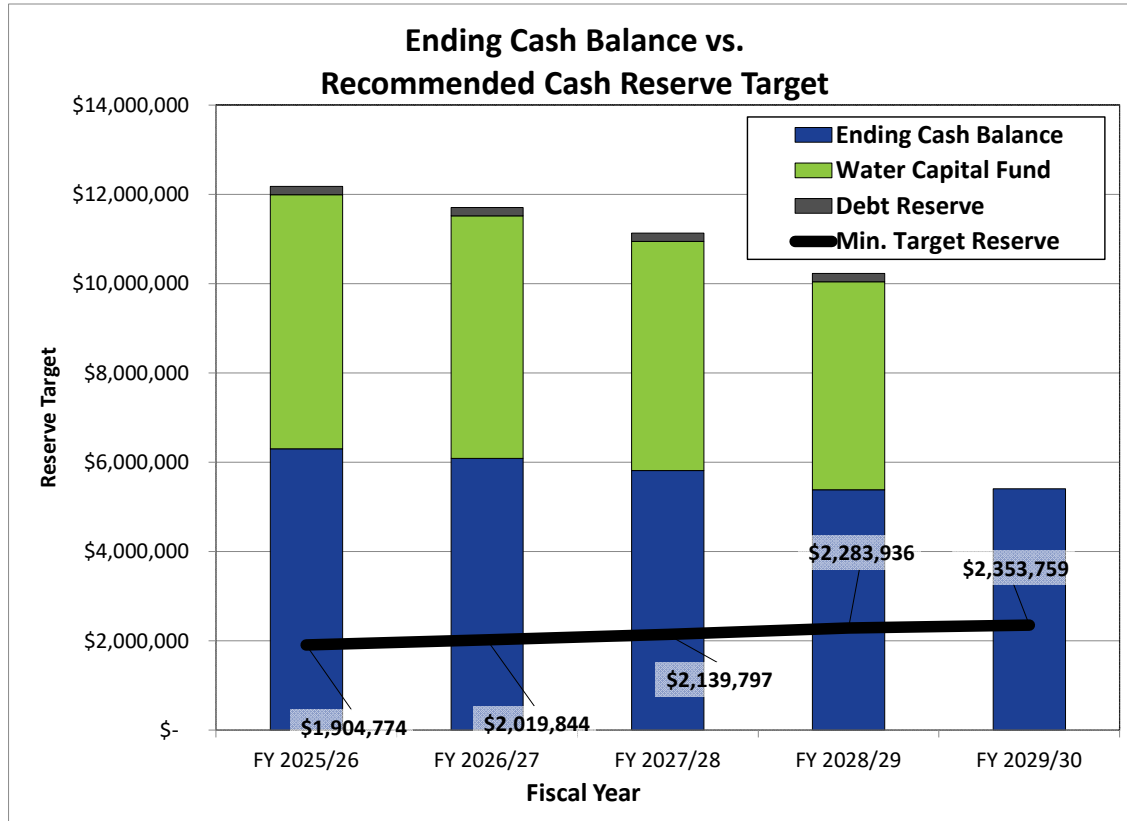


CHART 2



HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
WATER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1 Total Budget

TABLE 4 : REVENUE FORECAST ¹:

SOURCES OF WATER REVENUE	Basis	Budgeted		Projected			
		FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
130-4035 Reconnect Fees	1	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
130-4039 Water Meter Installation	1	1,645	658	658	658	658	658
130-4040 Recording Fee Income	1	1,200	1,200	1,200	1,200	1,200	1,200
130-4045 Availability Fees ²	10	32,000	32,000	32,000	32,000	32,000	32,000
130-4110 Commercial Water Use	1	168,824	168,824	168,824	168,824	168,824	168,824
130-4111 Bulk Water Sales	1	32,000	5,000	5,000	5,000	5,000	5,000
130-4112 Government Water Use	1	7,400	7,400	7,400	7,400	7,400	7,400
130-4115 Water Use Charges	1	3,104,882	3,246,608	3,246,608	3,246,608	3,246,608	3,246,608
130-4210 Late Fee	1	57,000	65,000	65,000	65,000	65,000	65,000
130-4215 Returned Check Fee	1	1,000	1,000	1,000	1,000	1,000	1,000
130-4300 Misc. Income	1	1,500	100	100	100	100	100
130-4310 Other Income	1	100	1,500	1,500	1,500	1,500	1,500
130-4660 Hydrant Meter Use Deposit	1	-	3,240	3,240	3,240	3,240	3,240
130-4550 Interest Income	1	5,985	8,000	8,000	8,000	8,000	8,000
TOTAL: WATER REVENUE		\$ 3,428,536	\$3,555,530	\$ 3,555,530	\$ 3,555,530	\$ 3,555,530	\$ 3,555,530

1. Revenues and Expenditures budgeted for FY 2024/25 found in source file: 2024-2025 Budget
2. Availability Fees are collections on vacant lots through the Lake County tax roll, per District staff.

TABLE 5 : SUMMARY OF REVENUES

REVENUE SUMMARY	Basis	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Water Rate Revenue		\$ 3,313,106	\$3,427,832	\$ 3,427,832	\$ 3,427,832	\$ 3,427,832	\$ 3,427,832
Other Operating Revenue		109,445	119,698	119,698	119,698	119,698	119,698
Interest Income		5,985	8,000	8,000	8,000	8,000	8,000
Connection Fees				-	-		-
TOTAL: REVENUE		\$ 3,428,536	\$3,555,530	\$ 3,555,530	\$ 3,555,530	\$ 3,555,530	\$ 3,555,530

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
WATER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1 Total Budget

TABLE 6 : OPERATING EXPENSE FORECAST ^{1,3}:

EXPENSES	Basis	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
130-5010 Salary & Wages	4	\$ 600,605	\$ 675,813	\$ 743,394	\$ 765,696	\$ 788,667	\$ 812,327
130-5020 Employee Benefits	5	230,942	256,005	268,805	282,246	296,358	311,176
130-5021 Retirement Benefits	6	135,063	149,844	164,828	181,311	199,442	219,387
130-5022 Clothing Allowance	3	2,500	2,500	2,575	2,652	2,732	2,814
130-5024 Workers' Comp Insurance	4	35,000	35,000	38,500	39,655	40,845	42,070
130-5025 Retiree Health Benefits	6	19,007	18,028	19,831	21,814	23,995	26,395
130-5030 Director Health Benefits	5	59,752	60,976	64,025	67,226	70,587	74,117
130-5040 Election Expense	3	2,500	2,500	2,575	2,652	2,732	2,814
130-5060 Gasoline, Oil & Fuel	9	30,000	28,000	28,560	29,131	29,714	30,308
130-5061 Vehicle Maintenance	3	35,000	15,000	15,450	15,914	16,391	16,883
130-5062 Taxes & Licenses	3	1,200	1,200	1,236	1,273	1,311	1,351
130-5063 Certifications	3	1,200	1,200	1,236	1,273	1,311	1,351
130-5064 Generator Maintenance	3	-	12,000	12,360	12,731	13,113	13,506
130-5074 Insurance	7	157,500	161,000	201,250	251,563	314,453	393,066
130-5075 Bank Fees	3	35,000	35,000	36,050	37,132	38,245	39,393
130-5080 Membership & Subscriptions	3	35,000	35,000	36,050	37,132	38,245	39,393
130-5090 Office Supplies	3	5,000	6,000	6,180	6,365	6,556	6,753
130-5092 Postage & Shipping	3	9,500	13,500	13,905	14,322	14,752	15,194
130-5110 Contractual Services	3	-	15,000	15,450	15,914	16,391	16,883
130-5121 Legal Services	3	75,000	75,000	77,250	79,568	81,955	84,413
130-5122 Engineering Services	3	50,000	50,000	51,500	53,045	54,636	56,275
130-5123 Other Professional Services	3	25,000	38,300	39,449	40,632	41,851	43,107
130-5124 Water Rights	3	15,000	15,000	15,450	15,914	16,391	16,883
130-5125 OPEB	3	13,000	13,500	13,905	14,322	14,752	15,194
130-5126 Audit Services	3	7,500	8,825	9,090	9,362	9,643	9,933
130-5130 Printing & Publication	3	7,500	8,500	8,755	9,018	9,288	9,567
130-5135 Newsletter	3	1,200	1,200	1,236	1,273	1,311	1,351
130-5145 Equipment Rental	3	35,000	6,500	6,695	6,896	7,103	7,316
130-5148 Operating Supplies	3	10,000	20,000	20,600	21,218	21,855	22,510
130-5150 Repair & Replace	3	180,000	180,000	185,400	190,962	196,691	202,592
130-5155 Maintenance Building & Grounds	3	15,500	45,000	46,350	47,741	49,173	50,648
130-5156 Custodial Services	3	18,500	18,500	19,055	19,627	20,215	20,822
130-5157 Security	3	5,000	9,116	9,389	9,671	9,961	10,260
130-5170 Travel & Meetings	3	21,000	21,000	21,630	22,279	22,947	23,636
130-5175 Education & Seminars	3	25,000	25,000	25,750	26,523	27,318	28,138
130-5176 Director Training	3	5,000	5,000	5,150	5,305	5,464	5,628
130-5179 Admin Miscellaneous Expense	3	1,200	1,500	1,545	1,591	1,639	1,688
130-5191 Telephone	3	19,000	15,000	15,450	15,914	16,391	16,883
130-5192 Electricity	9	220,000	240,000	244,800	249,696	254,690	259,784
130-5193 Other Utilities	9	4,000	4,000	4,080	4,162	4,245	4,330
130-5194 IT Services	3	55,000	60,820	62,645	64,524	66,460	68,453
130-5195 Env./Monitoring	3	20,000	25,000	25,750	26,523	27,318	28,138
130-5198 Annual Operating Fees	3	30,000	12,000	12,360	12,731	13,113	13,506
130-5315 Safety Equipment	3	5,000	5,000	5,150	5,305	5,464	5,628
130-5505 Water Conservation	3	7,500	7,500	7,725	7,957	8,195	8,441
130-5520 Hydrant Deposit Refund	1	-	3,240	3,240	3,240	3,240	3,240
130-5545 Recording Fees	3	700	700	721	743	765	788
TOTAL: EXPENSES		\$ 2,266,369	\$2,438,767	\$ 2,612,380	\$ 2,751,738	\$ 2,907,915	\$ 3,084,328

1. Revenues and Expenditures budgeted for FY 2024/25 found in source file: 2024-2025 Budget

3. Inflationary factors are applied to these expenses to project costs in FY 2025/26 and beyond.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
WATER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1 Total Budget

TABLE 7 : SUMMARY OF EXPENSES

EXPENSE SUMMARY	Basis	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Salaries & Benefits		\$ 1,082,869	\$1,198,166	\$ 1,301,959	\$ 1,360,600	\$ 1,379,050	\$ 1,488,285
Water Rights		15,000	15,000	15,450	15,914	16,391	16,883
Repair & Replacement		180,000	180,000	185,400	190,962	196,691	202,592
Electricity		220,000	240,000	244,800	249,696	254,690	259,784
All Other Expenses		768,500	805,601	864,772	934,566	1,061,093	1,116,785
TOTAL: EXPENSES		\$ 2,266,369	\$2,438,767	\$ 2,612,380	\$ 2,751,738	\$ 2,907,915	\$ 3,084,328

Budgeted items not included in analysis:

Annual Debt Service Expense/Advance	Basis	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
DEBT SERVICE EXPENSE - CIEDB	10	\$ 169,355	\$ 168,976	\$ 168,585	\$ 168,179	\$ 167,760	\$ 167,326
WATER BOND 2023A	10	271,625	275,825	274,825	273,825	277,825	276,625
320-4115 WATER CAPITAL FUND (7%) ⁴	10		672,401	548,000	595,000	631,000	676,000
325-4115 WATER OP RESERVE (5%)			0	97,000	104,000	111,000	120,000
ADVANCES FROM OTHER FUNDS	10						
Total: Annual Debt Service Expense/Advance		\$ 440,980	\$1,117,202	\$ 1,088,410	\$ 1,141,004	\$ 1,187,585	\$ 1,239,951

4. Water Capital Fund consists of 7% of the water revenue from all accounts. Used for capital improvements.
Money used from O&M budget for Water Capital Fund is treated as a transfer of funds. See Financial Plan Table 1 and 2.

TABLE 8 : FORECASTING ASSUMPTIONS⁵⁻⁹:

ECONOMIC VARIABLES ⁷	Basis	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Potable Customer Growth ⁶	1	--	0.00%	0.00%	0.00%	0.00%	0.00%
Recycled Water Customer Growth ⁶	2	--	0.00%	0.00%	0.00%	0.00%	0.00%
General Cost Inflation ⁶	3	--	3.00%	3.00%	3.00%	3.00%	3.00%
Labor Cost Inflation ⁶	4	--	3.00%	10.00%	3.00%	3.00%	3.00%
Health Benefits Cost Inflation ⁷	5	--	13.83%	5.00%	5.00%	5.00%	5.00%
Retirement Benefits Cost Inflation ⁶	6	--	10.00%	10.00%	10.00%	10.00%	10.00%
Insurance ⁸	7	--	25.00%	25.00%	25.00%	25.00%	25.00%
Chemicals ⁹	8	--	2.00%	2.00%	2.00%	2.00%	2.00%
Energy ⁹	9	--	2.00%	2.00%	2.00%	2.00%	2.00%
No Escalation	10	--	0.00%	0.00%	0.00%	0.00%	0.00%

5. Inflation Factors provided by District staff.
6. Per District Staff email (sent June 6, 2025, "RE: HVLCSD Rate Study-Additional Data Request")
7. Per District Staff email (sent June 11, 2025,), Health Benefits inflation is expected to increase 13.83% in 2026 and 5% annually thereafter.
8. Per District Staff email (sent June 6, 2025, "RE: HVLCSD Rate Study-Additional Data Request"; Insurance Increases.xlsx)
9. Per District Staff email (sent June 6, 2025, "RE: HVLCSD Rate Study-Additional Data Request"; Cost Increase)

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
WATER RATE STUDY
Capital Improvement Plan Expenditures

EXHIBIT 2

TABLE 9 : CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST	Projected				
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Funding Sources:					
Grants ¹	\$ 3,373,399	\$ 1,041,221	\$ 1,332,430	\$ 1,750,555	\$ 769,930
Loan Funding	-	-	-	-	-
Use of Remaining Revenue Bond Proceeds	612,169	38,146	38,146	-	-
Use of New Revenue Bond Proceeds	-	-	-	-	-
Use of Connection Fee Reserve	-	-	-	-	-
Use of Capital Rehabilitation and Replacement Reserve	32,221	857,774	918,337	1,065,839	594,477
Transfer Out Of O&M	-	-	-	-	-
Total Sources of Capital Funds	\$ 4,017,789	\$ 1,937,141	\$ 2,288,913	\$ 2,816,394	\$ 1,364,407
Uses of Capital Funds:					
Total Project Costs	\$ 4,017,788	\$ 1,810,090	\$ 2,067,463	\$ 2,459,073	\$ 1,151,573
Capital Funding Surplus (Deficiency)	\$ 0	\$ 127,051	\$ 221,450	\$ 357,321	\$ 212,834
Bank/SRF Loan Funding	\$ -	\$ -	\$ -	\$ -	\$ -
New Revenue Bond Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -

1. PG&E and CalOES grant revenue. Source: CIP List.xlsx

CAPITAL IMPROVEMENT PROGRAM

TABLE 10 : Capital Improvement Program Costs (in Current-Year Dollars):

Project Description ²	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Regulatory Compliance/Chromium-6	-	50,000	-	-	-
Regulatory Compliance/Advanced Clean Fleet	-	37,500	75,000	-	-
Wildfire Resilience/Wooden Tank Replacement	150,000	150,000	750,000	750,000	-
Wildfire Resilience/Defensive Space and Ignition Resistant Construction Project	650,315	650,315	650,315	650,315	650,315
Firemain Linked Auxiliary Supply Hydraulic Energy Storage Project	2,760,663	553,485	-	-	-
Wildfire Resilience/Backup Power Supply	100,000	-	-	450,000	-
Reliable Water Supply/Distribution System Intertie	-	-	376,258	376,258	376,258
Reliable Water Supply/Isolation Valve Installations	78,250	78,250	-	-	-
HMGP Eligibility/LHMP Update	-	-	-	107,500	-
Disaster mitigation/SCADA Upgrade	125,000	150,000	150,000	125,000	125,000
Regulatory Compliance/Cross-Connection Control	153,560	140,540	65,890	-	-
Future Projects ³	-	-	-	-	-
Total: Capital Improvement Program Costs (Current-Year Dollars)	\$ 4,017,788	\$ 1,810,090	\$ 2,067,463	\$ 2,459,073	\$ 1,151,573

2. CIP expenses found in source file: CIP List

3. Future projects, beyond the initial 5-year rate period are estimated to be half of the average CIP costs from 2025/26 through 2029/30.

TABLE 11 : Capital Improvement Program Costs (in Future-Year Dollars) :

Project Description	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
--	\$ -	\$ -	\$ -	\$ -	\$ -
Regulatory Compliance/Chromium-6	-	53,510	-	-	-
Regulatory Compliance/Advanced Clean Fleet	-	40,132	83,033	-	-
Wildfire Resilience/Wooden Tank Replacement	155,175	160,529	830,334	858,980	-
Wildfire Resilience/Defensive Space and Ignition Resistant Construction Project	672,751	695,961	719,972	744,811	770,507
Firemain Linked Auxiliary Supply Hydraulic Energy Storage Project	2,855,906	592,334	-	-	-
Wildfire Resilience/Backup Power Supply	103,450	-	-	515,388	-
Reliable Water Supply/Distribution System Intertie	-	-	416,560	430,931	445,798
Reliable Water Supply/Isolation Valve Installations	80,950	83,742	-	-	-
HMGP Eligibility/LHMP Update	-	-	-	123,121	-
Disaster mitigation/SCADA Upgrade	129,313	160,529	166,067	143,163	148,103
Regulatory Compliance/Cross-Connection Control	158,858	150,405	72,948	-	-
Future Projects	-	-	-	-	-
Total: Capital Improvement Program Costs (Future-Year Dollars)	\$ 4,156,402	\$ 1,937,141	\$ 2,288,913	\$ 2,816,394	\$ 1,364,407

TABLE 12 : FORECASTING ASSUMPTIONS ⁴:

Economic Variables	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Annual Construction Cost Inflation, Per Engineering News Record	3.45%	3.45%	3.45%	3.45%	3.45%
Cumulative Construction Cost Multiplier from FY 2025/26	1.03	1.07	1.11	1.15	1.18

4. For reference purposes, the annual Construction Cost Inflation percentage is the 10-year average change in the Construction Cost Index from 2013 to 2023 (3.45%).

Source: Engineering News Record website (<http://enr.construction.com>).

TABLE 13 : EXISTING DEBT OBLIGATIONS

EXISTING DEBT OBLIGATIONS HVLCSD WATER DISTRICT - POTABLE W Annual Repayment Schedules:	Budget	Projected				
	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
FUND 218 - CIEDB: Hidden Valley Lake Water System Improvements Project, \$3,000,000 issued in 2002						
Principal Payment ¹	\$ 126,204	\$ 130,596	\$ 135,141	\$ 139,844	\$ 144,711	\$ 149,747
Interest Payment	39,726	35,334	30,790	26,086	21,220	16,184
Annual Fee	3,425	3,046	2,654	2,249	1,829	1,395
Subtotal: Annual Debt Service	\$ 169,355	\$ 168,976	\$ 168,585	\$ 168,179	\$ 167,760	\$ 167,326
Coverage Requirement (\$ Amnt. above annual payment) ²	186,291	185,874	185,444	184,997	184,536	184,059
Reserve Requirement (total fund balance) ²	169,355	168,976	168,585	168,179	167,760	167,326
Fund 223 - Water Revenue Bonds, Series 2023A, \$5,000,000 issued in 2023						
Principal Payment	\$ 20,000	\$ 25,000	\$ 25,000	\$ 25,000	\$ 30,000	\$ 30,000
Interest Payment	251,625	250,825	249,825	248,825	247,825	246,625
Subtotal: Annual Debt Service	\$ 271,625	\$ 275,825	\$ 274,825	\$ 273,825	\$ 277,825	\$ 276,625
Coverage Requirement (\$-Amnt. above annual payment) ³	509,850	509,850	509,850	509,850	509,850	509,850
Reserve Requirement (total fund balance) ³	0					

1. Fund 218 Loan Doc found in Source File: #8 - Loan Docs Fund 218 - CIEDB 2002.pdf

2. Coverage is 110% and the Reserve Requirement in future years is equal to the lesser of: the maximum annual debt service payment, or the maximum amount then permitted under the Code.

3. Coverage is 110% and there is no Reserve Fund.

TABLE 14 : EXISTING DEBT OBLIGATIONS SUMMARY

Grand Total: Existing Annual Debt Service	\$ 440,980	\$ 444,801	\$ 443,410	\$ 442,004	\$ 445,585	\$ 443,951
Grand Total: Existing Annual Coverage Requirement	\$ 696,141	\$ 695,724	\$ 695,294	\$ 694,847	\$ 694,386	\$ 693,909
Grand Total: Existing Debt Reserve Target	\$ 169,355	\$ 168,976	\$ 168,585	\$ 168,179	\$ 167,760	\$ 167,326

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
WATER RATE STUDY
Existing Water Rates Schedule**

TABLE 15 : CURRENT WATER RATES

Potable Water Service Charge ¹	Current Fixed Monthly Charge
Residential and Commercial: Monthly Per Unit Rate - Meter Size	FY 2024/25
5/8"	\$66.25
3/4"	\$66.25
1"	\$159.69
1.5"	\$315.43
2"	\$502.31
Monthly Variable Rate per HCF ²	
SFR and MFR:	\$5.28
Commercial	\$5.28
Municipal	\$5.28

1. Rates are effective rates as of January 1, 2020/21 then July 1 each year thereafter, Source File: *new rate schedule for 2020/21 through 2024-25.pdf*

2. One hundred cubic feet (hcf) is equal to 748 gallons.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
WATER RATE STUDY
Cost of Service Analysis

TABLE 16 : CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS

Classification of Expenses Budget Items	Total	Volumetric	Fixed		Allocation %'s to Classifications		
	Revenue	Commodity	Capacity	Customer			
	Repts FY 2025/26	COM	CAP	CA	COM	CAP	CA
130-5010 Salary & Wages	\$ 675,813	\$ 216,260	\$ 425,762	\$ 33,791	32%	63%	5%
130-5020 Employee Benefits	256,005	81,922	161,283	12,800	32%	63%	5%
130-5021 Retirement Benefits	149,844	47,950	94,402	7,492	32%	63%	5%
130-5022 Clothing Allowance	2,500	800	1,575	125	32%	63%	5%
130-5024 Workers' Comp Insurance	35,000	11,200	22,050	1,750	32%	63%	5%
130-5025 Retiree Health Benefits	18,028	5,769	11,358	901	32%	63%	5%
130-5030 Director Health Benefits	60,976	19,512	38,415	3,049	32%	63%	5%
130-5040 Election Expense	2,500	800	1,575	125	32%	63%	5%
130-5060 Gasoline, Oil & Fuel	28,000	8,960	17,640	1,400	32%	63%	5%
130-5061 Vehicle Maintenance	15,000	4,800	9,450	750	32%	63%	5%
130-5062 Taxes & Licenses	1,200	384	756	60	32%	63%	5%
130-5063 Certifications	1,200	384	756	60	32%	63%	5%
130-5064 Generator Maintenance	12,000	3,840	7,560	600	32%	63%	5%
130-5074 Insurance	161,000	51,520	101,430	8,050	32%	63%	5%
130-5075 Bank Fees	35,000	11,200	22,050	1,750	32%	63%	5%
130-5080 Membership & Subscriptions	35,000	11,200	22,050	1,750	32%	63%	5%
130-5090 Office Supplies	6,000	1,920	3,780	300	32%	63%	5%
130-5092 Postage & Shipping	13,500	4,320	8,505	675	32%	63%	5%
130-5110 Contractual Services	15,000	4,800	9,450	750	32%	63%	5%
130-5121 Legal Services	75,000	24,000	47,250	3,750	32%	63%	5%
130-5122 Engineering Services	50,000	16,000	31,500	2,500	32%	63%	5%
130-5123 Other Professional Services	38,300	12,256	24,129	1,915	32%	63%	5%
130-5124 Water Rights	15,000	15,000	-	-	100%	0%	0%
130-5125 OPEB	13,500	4,050	8,775	675	30%	65%	5%
130-5126 Audit Services	8,825	2,648	5,736	441	30%	65%	5%
130-5130 Printing & Publication	8,500	2,550	5,525	425	30%	65%	5%
130-5135 Newsletter	1,200	360	780	60	30%	65%	5%
130-5145 Equipment Rental	6,500	1,950	4,225	325	30%	65%	5%
130-5148 Operating Supplies	20,000	6,000	13,000	1,000	30%	65%	5%
130-5150 Repair & Replace	180,000	57,600	113,400	9,000	32%	63%	5%
130-5155 Maintenance Building & Grounds	45,000	14,400	28,350	2,250	32%	63%	5%
130-5156 Custodial Services	18,500	5,550	12,025	925	30%	65%	5%
130-5157 Security	9,116	2,735	5,925	456	30%	65%	5%
130-5170 Travel & Meetings	21,000	6,300	13,650	1,050	30%	65%	5%
130-5175 Education & Seminars	25,000	7,500	16,250	1,250	30%	65%	5%
130-5176 Director Training	5,000	1,500	3,250	250	30%	65%	5%
130-5179 Admin Miscellaneous Expense	1,500	450	975	75	30%	65%	5%
130-5191 Telephone	15,000	4,500	9,750	750	30%	65%	5%
130-5192 Electricity	240,000	216,000	24,000	-	90%	10%	0%
130-5193 Other Utilities	4,000	1,200	2,600	200	30%	65%	5%
130-5194 IT Services	60,820	18,246	39,533	3,041	30%	65%	5%
130-5195 Env./Monitoring	25,000	7,500	16,250	1,250	30%	65%	5%
130-5198 Annual Operating Fees	12,000	3,600	7,800	600	30%	65%	5%
130-5315 Safety Equipment	5,000	1,500	3,250	250	30%	65%	5%
130-5505 Water Conservation	7,500	2,250	4,875	375	30%	65%	5%
130-5520 Hydrant Deposit Refund	3,240	972	2,106	162	30%	65%	5%
130-5545 Recording Fees	700	210	455	35	30%	65%	5%
Sub-Total:	\$ 2,438,767	\$ 924,367	\$ 1,405,211	\$ 109,188	37.9%	57.6%	4.5%

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
WATER RATE STUDY
Cost of Service Analysis

TABLE 17 : CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS, CONT.

Classification of Expenses, continued		Volumetric	Fixed		Allocation %'s to Classifications		
Budget Categories	Total Revenue Reqts	Base Commodity	Capacity	Customer			
	FY 2025/26	COM	CAP	CA	COM	CAP	CA
Debt Service Payments							
Existing Debt Service	444,801	\$ -	\$ 444,801	\$ -	0%	100%	0%
Capital Expenditures							
Rate Funded Capital Expenses	-	\$ -	\$ -	\$ -	0%	100%	0%
TOTAL REVENUE REQUIREMENTS	\$ 2,883,568	\$ 924,367	\$ 1,850,012	\$ 109,188	32%	64%	4%
130-4035 Reconnect Fees	\$ (15,000)	\$ (4,808)	\$ (9,624)	\$ (568)	32%	64%	4%
130-4039 Water Meter Installation	\$ (658)	(211)	(422)	(25)	32%	64%	4%
130-4040 Recording Fee Income	\$ (1,200)	(385)	(770)	(45)	32%	64%	4%
130-4045 Availability Fees	\$ (32,000)	(10,258)	(20,530)	(1,212)	32%	64%	4%
130-4210 Late Fee	\$ (65,000)	(20,837)	(41,702)	(2,461)	32%	64%	4%
130-4215 Returned Check Fee	\$ (1,000)	(321)	(642)	(38)	32%	64%	4%
130-4300 Misc. Income	\$ (100)	(32)	(64)	(4)	32%	64%	4%
130-4310 Other Income	\$ (1,500)						
130-4660 Hydrant Meter Use Deposit	\$ (3,240)	(1,039)	(2,079)	(123)	32%	64%	4%
130-4550 Interest Income	\$ (8,000)	(2,565)	(5,133)	(303)	32%	64%	4%
NET REVENUE REQUIREMENTS	\$ 2,755,870	\$ 886,477	\$ 1,774,180	\$ 104,713			
<i>Allocation of Revenue Requirements</i>	<i>100.0%</i>	<i>32.2%</i>	<i>64.4%</i>	<i>3.8%</i>			

TABLE 18 : CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS, CONT. FY 2025/26

Classification of Expenses, continued				
Adjustments to Classification of Expenses				
Adjustment for Current Rate Level:	Total Rev Reqts	COM	CAP	CA
Target Rate Rev. After Rate Increases ¹	\$ 3,427,832			
Projected Rate Revenue at Current Rates	\$ 3,427,832			
Rate Increase	0.0%			
Target Rate / Adjusted Net Revenue - Requirement	\$ 3,427,832	\$ 1,098,839	\$ 2,199,196	\$ 129,797

1. Revenue from rate increases may not accrue as projected due to discrepancies in the number of connections used.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
 WATER RATE STUDY
 Water Cost of Service Analysis

TABLE 19 : COMMODITY ALLOCATION FACTOR

Development of the COMMODITY Allocation Factor		
Customer Class	2024 Volume (hcf) ¹	Percent of Total Volume
Single Family Residential	225,715	90.8%
Multi-Family Residential	3,020	1.2%
Commercial	19,817	8.0%
AG	30	0.01%
Government No Charge (CSD)	90	0.04%
Total	248,673	100%
Recycled ²	1,237,730	100%
Total in Acre Feet	3,412 AF	

1. Consumption in hcf and customer class from Source file: #15 Monthly Bill Con (July 21 - Dec 24).xlsx
 2. Recycled Water excluded from potable water consumption. One customer only in the District.

TABLE 20 : CAPACITY ALLOCATION FACTOR

Development of the PEAK CAPACITY (MAX MONTH) Allocation Factors				
Customer Class	2024 Average Monthly Use (hcf)	Peak Monthly Use (hcf) ³	Peak Month Factor	Max Month Capacity Factor
Single Family Residential	18,810	28,961	1.54	89.2%
Multi-Family Residential	252	348	1.38	1.1%
Commercial	1,651	3,120	1.89	9.6%
AG	3	5	2.12	0.02%
Government No Charge (CSD)	8	17	2.31	0.05%
Total	20,715	32,451	1.57	100.0%
Recycled ⁴	103,144	314,340	3.05	
Total in Acre Feet	284 AF	33,173 AF		

3. Based on peak monthly / monthly data (peak day data not available) January - December 2024.
 4. Recycled Water excluded from potable water consumption. One customer only in the District.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
 WATER RATE STUDY
 Water Cost of Service Analysis

TABLE 21 : CUSTOMER ALLOCATION FACTOR

Development of the CUSTOMER ALLOCATION Factor		
Customer Class	Number of Meters ⁵	Percent of Total
Single Family Residential	2,702	97.72%
Multi-Family Residential	28	1.01%
Commercial	33	1.19%
AG	1	0.04%
Government No Charge (CSD)	1	0.04%
Total	2,765	100%
Recycled ⁶	1	N.A.

5. Meter counts and customer class from 2024. Source file: #15 Monthly Bill Con (July 21 - Dec 24).xlsx . The number of meters as of April 2025 is 2,531. The counts differ due to customer changes and data discrepancies.

6. Recycled Water excluded from potable water consumption. One customer only in the District.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
WATER RATE STUDY
Water Cost of Service Analysis/Rate Design

TABLE 22: ALLOCATION OF WATER REVENUE REQUIREMENTS

FY 2025/26

Classification Components	COSA Results		Rate Alternative	
	Unadjusted Net Revenue Requirements (2025/26) 68% Fixed / 32% Variable		Adjusted Net Revenue Requirements (2025/26) 64% Fixed / 36% Variable	
Variable Costs				
Volumetric Costs				
Commodity	\$ 1,098,839	32.1%	\$ 1,098,839	32.1%
Capacity-Related Costs (Volumetric Allocation)	-	0.0%	65,976	1.9%
Subtotal: Volumetric Costs	\$ 1,098,839	32.1%	\$ 1,164,815	34.0%
Fixed Costs				
Capacity-Related Costs (Fixed Allocation)	\$ 2,199,196	64.2%	\$ 2,133,220	62.2%
Customer-Related Costs	129,797	3.8%	129,797	3.8%
Subtotal: Capacity Costs	\$ 2,328,993	67.9%	\$ 2,263,017	66.0%
Net Revenue Requirement	\$ 3,427,832	100%	\$ 3,427,832	100%

TABLE 23 : ALLOCATION OF WATER REVENUE REQUIREMENTS

FY 2025/26

Customer Class	Cost Classification Components				Cost of Service Net Rev. Req't	% of COS Net Revenue Req't
	Commodity Related Costs	Capacity Related Costs - Volumetric Allocation	Capacity Related Costs - Fixed Allocation	Customer Related Costs		
Single Family Residential	\$ 997,393	\$ 58,880	\$ 1,903,790	\$ 126,840	\$ 3,086,903	90.1%
Multi-Family Residential	\$ 13,344	\$ 707	\$ 22,853	\$ 1,314	\$ 38,218	1.1%
Commercial	\$ 87,569	\$ 6,343	\$ 205,086	\$ 1,549	\$ 300,547	8.8%
Subtotal	\$ 1,098,307	\$ 65,930	\$ 2,131,729	\$ 129,703	\$ 3,425,669	100.0%
AG	\$ 133	\$ 11	\$ 349	\$ 47	\$ 540	0.0%
Total	\$ 1,098,440	\$ 65,941	\$ 2,132,078	\$ 129,750	\$ 3,426,208	100%

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
 WATER RATE STUDY
 Water Cost of Service Analysis/Rate Design

TABLE 24 : CALCULATION OF MONTHLY FIXED METER SERVICE CHARGES

FY 2025/26

Number of Meters by Class and Size ¹	5/8 inch	3/4 inch	1 inch	1.5 inch	2 inch	3 inch	4 inch	6 inch	8 inch	10 inch	12 inch	Total
Single Family Residential	533	2,167	2	-	-	-	-	-	-	-	-	2,702
Multi-Family Residential	28	-	-	-	-	-	-	-	-	-	-	28
Commercial	13	3	6	2	9	-	-	-	-	-	-	33
AG	1	-	-	-	-	-	-	-	-	-	-	1
Total Meters/Accounts	574	2,170	8	2	9	-	-	-	-	-	-	2,763
<i>Hydraulic Capacity Factor</i> ²	1.00	1.00	2.50	5.00	8.00	16.00	25.00	50.00	140.00	210.00	265.00	
Total Equivalent Meters	574	2,170	20	10	72	-	-	-	-	-	-	2,846
Monthly Fixed Service Charges												
Customer Costs (\$/Acct/mo.) ³	\$3.91	\$3.91	\$3.91	\$3.91	\$3.91	\$3.91	\$3.91	\$3.91	\$3.91	\$3.91	\$3.91	
Capacity Costs (\$/Acct/mo.) ⁴	\$62.42	\$62.42	\$156.05	\$312.09	\$499.35	\$998.70	\$1,560.47	\$3,120.94	\$8,738.64	\$13,107.96	\$16,541.00	
Total Monthly Meter Charge	\$66.33	\$66.33	\$159.96	\$316.01	\$503.26	\$1,002.61	\$1,564.38	\$3,124.85	\$8,742.55	\$13,111.87	\$16,544.91	

1. Meter counts and customer class from 2024. Source file: #15 Monthly Bill Con (July 21 - Dec 24).xlsx. Total is inflated due to data discrepancies. The number of meters as of April 2025 is 2,531.
2. Meter flow rates are from AWWA M-1 (Seventh Edition) Table B-2. Assumes displacement meters for 5/8 through 2 inch meters.
3. Customer costs are allocated to each customer by dividing the total customer costs by the total number of customers.
4. Capacity costs are allocated by meter size and the hydraulic capacity of the meter.

Meter Size	Standard Meters ⁵	
	Meter Capacity (gpm)	Equivalency to 5/8-inch ⁶
	<i>Displacement Meters</i>	
5/8 inch	20	1.00
3/4 inch	30	1.00
1 inch	50	2.50
1.5 inch	100	5.00
2 inch	160	8.00
	<i>Compound Class I Meters</i>	
3 inch	320	16.00
4 inch	500	25.00
6 inch	1,000	50.00
	<i>Turbine Class II Meters</i>	
8 inch	2,800	140.00
10 inch	4,200	210.00
12 inch	5,300	265.00

5. Meter flow rates from AWWA M-1 (7th Edition) Table B-2.
6. District building requirement is 3/4"

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
WATER RATE STUDY
Water Cost of Service Analysis/Rate Design

TABLE 25 : RATE ALTERNATIVE, CALCULATION OF VOLUMETRIC CHARGES

FY 2025/26

Customer Class	Number of Meters ¹	Water Consumption (hcf/yr.)	Water Consump. w/ Conservation ² (hcf/yr.)	Commodity Assigned Costs	Other Volumetric Assigned Costs	Total Target Rev. Req't from Vol. Charges	% of Total Rate Revenue	Uniform Commodity Rates (\$/hcf)	Proposed Rate Structure
Single Family Residential	2,702	225,715	214,430	\$ 997,393	\$ 58,880	\$ 1,056,273	30.8%	\$ 4.93	
Multi-Family Residential	28	3,020	2,869	13,344	707	14,051	0.4%	4.93	Uniform
Commercial	34	120	114	87,569	6,343	93,912	2.7%	821.26	Uniform
Total	2,764	228,856	217,413	\$ 1,098,307	\$ 65,930	\$ 1,164,237	34%		
Uniform Rate (All Classes)								\$ 5.35	<i>Uniform</i>

1. Meter counts and customer class from 2024. Source file: #15 Monthly Bill Con (July 21 - Dec 24).xlsx. The number of meters as of April 2025 is 2,531. The counts differ due to customer changes and data discrepancies.

2. Assumed Conservation = 5.00%

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
WATER RATE STUDY
Water Cost of Service Analysis/Rate Design

TABLE 26 : DROUGHT RATES

Drought Rates: Expenses Assumed to Decrease with Lower Consumption	
Expense Name	FY 2025/26
Variable Portion of Operating Costs¹	
Safety Equipment	\$ 1,500
Operating Supplies	\$ 6,000
Total:	\$ 7,500

1. Expenses primarily related volume of water produced.

Level of Conservation	Total Expected SFR/MFR Consumption ²	Percent Change	Reduced Expenses Due to Lower Consumption ³	Additional Drought Expenses ⁴	Revised Target Rev. Req't from Vol. Charges	FY 2025/26 Uniform Rate
Baseline Rate	217,413 ccf	0%	\$ -	\$ -	\$ 1,164,237	\$5.35
Drought Stage 1	195,672 ccf	-10%	\$ (750)	\$ -	\$ 1,163,487	\$5.95
Drought Stage 2	173,930 ccf	-20%	\$ (1,500)	\$ 25,000	\$ 1,187,737	\$6.83
Drought Stage 3	152,189 ccf	-30%	\$ (2,250)	\$ 50,000	\$ 1,211,987	\$7.96
Drought Stage 4	130,448 ccf	-40%	\$ (3,000)	\$ 75,000	\$ 1,236,237	\$9.48

2. Total 2024 for single- and multi-family customer classes.

3. Purchased water and utility expenses related to treatment costs are directly reduced when the District sells less water.

4. Estimated drought-related additional expenses for each stage.

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
 WATER RATE STUDY
 Water Cost of Service Analysis/Rate Design

TABLE 27 : CURRENT VS. PROPOSED WATER RATES

Water Rate Schedule	Current Rates ('24/25)	Proposed Water Rates				
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Fixed Service Charge						
<i>Monthly Fixed Service Charge:</i>						
5/8 inch	\$66.25	\$66.33	\$68.98	\$71.74	\$74.61	\$77.60
3/4 inch	66.25	66.33	68.98	71.74	74.61	77.60
1 inch	159.69	159.96	166.36	173.01	179.93	187.13
1.5 inch	315.43	316.01	328.65	341.79	355.46	369.68
2 inch	502.31	503.26	523.39	544.33	566.10	588.75
Water Commodity Charges per hundred cubic feet (HCF)						
Uniform Rate (All Classes)	\$5.28	\$5.35	\$5.57	\$5.79	\$6.02	\$6.26

Water Rate Schedule	Current Rates ('24/25)	Proposed Drought Water Rates				
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Fixed Service Charge						
<i>Monthly Fixed Service Charge: (Same as Non-Drought Fixed Service Charges)</i>						
Commodity Charges for All Water Consumed per hundred cubic feet (HCF)						
All Customer Classes:						
Drought Stage 1	\$5.75	\$5.95	\$6.18	\$6.43	\$6.69	\$6.96
Drought Stage 2	6.52	6.83	7.10	7.39	7.68	7.99
Drought Stage 3	7.52	7.96	8.28	8.61	8.96	9.32
Drought Stage 4	8.84	9.48	9.86	10.25	10.66	11.09

Appendix B. Wastewater Rate Study Tables and Figures

TABLE 1 : FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

RATE REVENUE REQUIREMENTS SUMMARY ^{2,3}	Budgeted	Projected				
	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Sources of Sewer Funds						
<i>Sewer Rate Revenue:</i>						
Sewer Rate Revenue Under Current Rates	\$ 2,145,769	\$ 2,163,434	\$ 2,163,434	\$ 2,163,434	\$ 2,163,434	\$ 2,163,434
Revenue From Rate Increases ¹	-	86,537	359,995	511,401	671,891	842,011
Subtotal: Rate Revenue After Rate Increases - Sewer	\$ 2,145,769	\$ 2,249,971	\$ 2,523,429	\$ 2,674,835	\$ 2,835,325	\$ 3,005,445
<i>Recycled Water Rate Revenue:</i>						
RW Rate Revenue Under Current Rates	\$ 183,611	\$ 245,611	\$ 250,523	\$ 255,534	\$ 260,644	\$ 265,857
Revenue from Rate Increases	-	9,824	41,687	60,404	80,948	103,472
Subtotal: Rate Revenue After Rate Increases - RW	\$ 183,611	\$ 255,435	\$ 292,210	\$ 315,938	\$ 341,592	\$ 369,329
<i>Non-Rate Revenue:</i>						
Other Non-Rate Revenue	\$ 42,500	\$ 45,600	\$ 45,600	\$ 45,600	\$ 45,600	\$ 45,600
Transfer In From O&M Reserve	-	-	-	-	-	-
Interest Income ⁴	3,000	39,277	37,391	33,335	28,663	28,455
Subtotal: Non-Rate Revenue	\$ 45,500	\$ 84,877	\$ 82,991	\$ 78,935	\$ 74,263	\$ 74,055
Total Sources of Funds	\$ 2,374,880	\$ 2,590,284	\$ 2,898,631	\$ 3,069,707	\$ 3,251,180	\$ 3,448,829
Uses of Sewer Funds						
<i>Operating Expenses:</i>						
Salaries & Benefits Expenses	\$ 1,070,869	\$ 1,198,166	\$ 1,266,418	\$ 1,338,920	\$ 1,415,969	\$ 1,497,885
Other Operating Expenses	1,260,250	1,216,261	1,289,817	1,371,004	1,465,668	1,576,981
Subtotal: Operating Expenses:	\$ 2,331,119	\$ 2,414,427	\$ 2,556,235	\$ 2,709,924	\$ 2,881,638	\$ 3,074,866
<i>Other Expenditures:</i>						
USDA Solar Loan	\$ 32,095	\$ 32,018	\$ 31,925	\$ 32,310	\$ 32,173	\$ 32,020
New Debt	-	-	-	-	-	-
Rate-Funded Capital Expenses	-	-	-	-	-	-
Subtotal: Other Expenditures	\$ 32,095	\$ 32,018	\$ 31,925	\$ 32,310	\$ 32,173	\$ 32,020
Total Uses of Funds	\$ 2,363,214	\$ 2,446,445	\$ 2,588,160	\$ 2,742,234	\$ 2,913,810	\$ 3,106,886
Annual Surplus/(Deficit)	\$ 11,666	\$ 143,839	\$ 310,471	\$ 327,473	\$ 337,370	\$ 341,944
Net Revenue Req't. (Total Uses less Non-Rate Revenue)	\$ 2,317,714	\$ 2,361,568	\$ 2,505,169	\$ 2,663,300	\$ 2,839,547	\$ 3,032,830
Projected Annual % Rate Increases		8.00%	8.00%	6.00%	6.00%	6.00%
Cumulative Increase from Annual Revenue Increases		8.00%	16.64%	23.64%	31.06%	38.92%
Projected Annual Rate Revenue Adjustment - RW		8.00%	8.00%	6.00%	6.00%	6.00%
Cumulative Increase from Annual Revenue Increases		8.00%	16.64%	23.64%	31.06%	38.92%

1. Revenue from rate increases may not accrue as projected due to discrepancies in the number of connections.
2. Budgets and cash values for FY 2024/25 are for informational/comparative purposes only.
3. Revenues and Expenditures budgeted for FY 2024/25 found in source file:#1 Budget Report 2024-2025
4. Calculated interest in FY 2025/26 and after.

TABLE 2 : SEWER RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY UN-RESTRICTED RESERVES	Budget		Projected			
	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Total Beginning Unrestricted Cash	\$ 984,009	\$ 1,309,229				
Operating Reserve (Fund 120)						
Beginning Reserve Balance ⁵	\$ 397,184	\$ 773,848	\$ 604,000	\$ 639,000	\$ 427,000	\$ 370,000
Plus: Net Cash Flow (After Rate Increases) ⁶	11,666	143,839	310,471	327,473	337,370	341,944
Plus: Transfer In of Debt Reserve Surplus	433,875	-	-	-	-	-
Less: Transfer Out to Capital Facilities Reserve	(154,075)	(313,687)	(275,471)	(539,473)	(394,370)	(300,000)
Ending Operating Reserve Balance	\$ 688,650	\$ 604,000	\$ 639,000	\$ 427,000	\$ 370,000	\$ 411,944
<i>Target Ending Balance (90-days of O&M Costs)</i>	\$ 583,000	\$ 604,000	\$ 639,000	\$ 677,000	\$ 720,000	\$ 769,000
Capital Facilities Reserve (Fund 314)						
Beginning Reserve Balance ⁵	\$ 586,825	\$ 535,381	\$ 642,364	\$ 472,152	\$ 528,442	\$ 578,514
Plus: Transfer In of Operating Reserve Surplus	154,075	313,687	275,471	539,473	394,370	300,000
Less: Use of Reserves for Capital Projects	(428,875)	(206,704)	(445,683)	(483,183)	(344,298)	(290,000)
Ending Capital Facilities Reserve Balance	\$ 312,025	\$ 642,364	\$ 472,152	\$ 528,442	\$ 578,514	\$ 588,514
<i>Target Capital Facilities Reserve (4.5% of Assets)</i>	\$ 565,000	\$ 565,000	\$ 561,000	\$ 559,000	\$ 555,000	\$ 547,000
Ending Balance	\$ 1,000,675	\$ 1,246,364	\$ 1,111,152	\$ 955,442	\$ 948,514	\$ 1,000,458
Minimum Target Reserve Balance	\$ 1,148,000	\$ 1,169,000	\$ 1,200,000	\$ 1,236,000	\$ 1,275,000	\$ 1,316,000
Ending Surplus/(Deficit) Compared to Reserve Targets	\$ (147,325)	\$ 77,364	\$ (88,848)	\$ (280,558)	\$ (326,486)	\$ (315,542)
Restricted Reserves:						
Capital Facilities Restricted (Fund 313)						
Beginning Restricted Balance ⁵	\$ 226,540	\$ 233,336	\$ 240,336	\$ 247,546	\$ 254,973	\$ 262,622
Plus: Interest Earnings	6,796	7,000	7,210	7,426	7,649	7,879
Less: Use of Reserves for Capital Projects	-	-	-	-	-	-
Ending Capital Facilities Reserve Balance	\$ 233,336	\$ 240,336	\$ 247,546	\$ 254,973	\$ 262,622	\$ 270,501
<i>Target Capital Facilities Reserve (3% of Assets)</i>	\$ 565,000	\$ 565,000	\$ 561,000	\$ 559,000	\$ 555,000	\$ 547,000
USDA Solar Debt Reserve Fund						
Beginning Reserve Balance ⁵	\$ 31,397	\$ 32,339	\$ 33,309	\$ 34,308	\$ 35,338	\$ 36,398
Plus: Interest Earnings	942	970	999	1,029	1,060	1,092
Plus: Reserve Funding from New Debt Obligations	-	-	-	-	-	-
Less: Transfer Out to Operating Reserve	-	-	-	-	-	-
Ending Debt Reserve Balance	\$ 32,339	\$ 33,309	\$ 34,308	\$ 35,338	\$ 36,398	\$ 37,490
<i>Target Ending Balance ⁵</i>	\$ 32,350	\$ 32,350	\$ 32,350	\$ 32,350	\$ 32,350	\$ 32,350
Annual Interest Earnings Rate ⁷	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%

5. Source File: #5 - HVL CSD June 30,2024 Audit, Page 46

6. Revenue from rate increases may not accrue as projected due to discrepancies in the number of connections used.

7 Per District Staff email (sent June 6, 2025, "RE: HVLCS Rate Study-Additional Data Request")

CHART 1

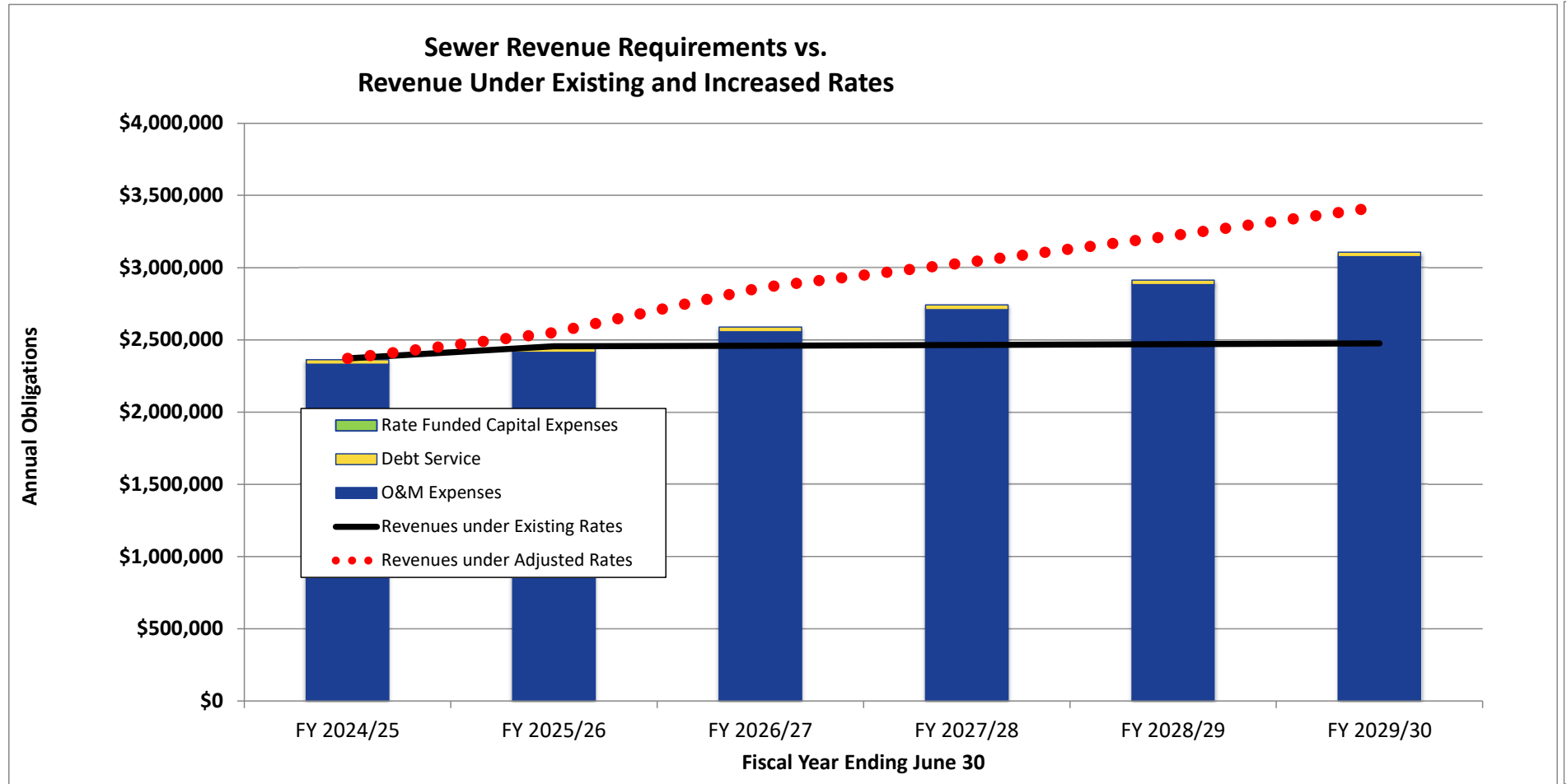
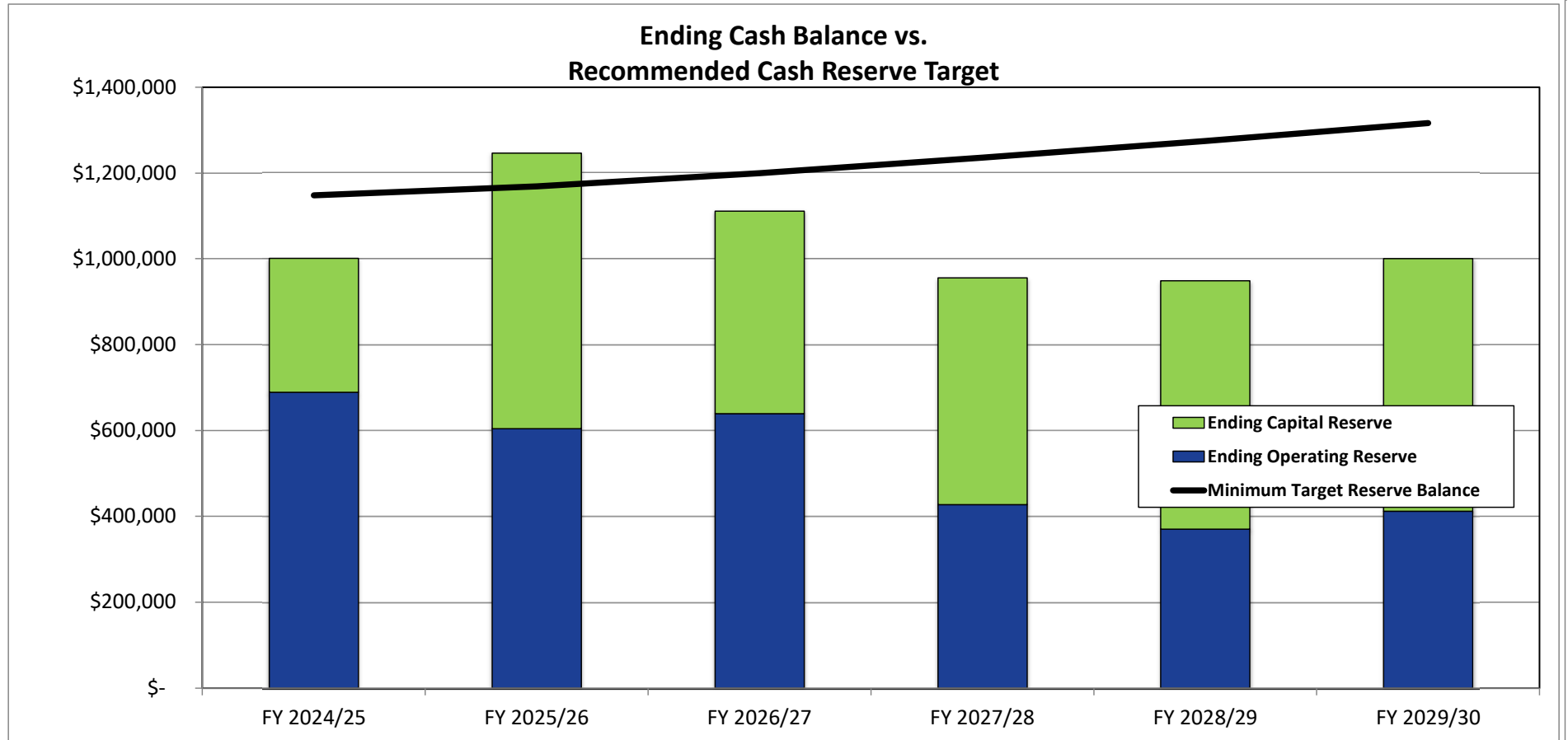


CHART 2



HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
SEWER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1

TABLE 3 : REVENUE FORECAST ¹

SOURCES OF REVENUE	Basis	Budgeted		Projected			
		FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
SEWER OPERATING REVENUE							
120-4020 Permit & Inspection Fees	1	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
120-4036 Developer Sewer Fees	1	-	-	-	-	-	-
120-4045 Availability Fees ²	1	9,000	9,000	9,000	9,000	9,000	9,000
120-4050 Sales of Reclaimed Water	8	183,611	245,611	250,523	255,534	260,644	265,857
120-4111 Commercial Sewer Use	1	85,538	103,204	103,204	103,204	103,204	103,204
120-4112 Government Sewer Use	1	1,200	1,200	1,200	1,200	1,200	1,200
120-4116 Sewer Use Charges	1	2,059,031	2,059,030	2,059,030	2,059,030	2,059,030	2,059,030
120-4210 Late Fee 10%	1	32,000	35,000	35,000	35,000	35,000	35,000
Subtotal: Sewer Operating Revenue		\$2,370,880	\$2,453,545	\$2,458,457	\$2,463,468	\$2,468,578	\$2,473,791
SEWER NON-OPERATING REVENUE							
120-4300 Misc. Income	1	\$ 500	\$ 100	\$ 100	\$ 100	\$ 100	\$ 100
120-4505 Lease Income	1	-	-	-	-	-	-
120-4310 Other Income	1	500	1,000	1,000	1,000	1,000	1,000
120-4550 Interest Income	1	3,000	6,800	6,800	6,800	6,800	6,800
Subtotal: Non-Operating Revenue		\$ 4,000	\$ 7,900	\$ 7,900	\$ 7,900	\$ 7,900	\$ 7,900
Connection Fee Revenue		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL: SEWER REVENUE		\$2,374,880	\$2,461,445	\$2,466,357	\$2,471,368	\$2,476,478	\$2,481,691

1. Revenues and Expenditures budgeted for FY 2024/25 found in source file: 2024-2025 Budget
2. Availability Fees are collections on vacant lots through the Lake County tax roll, per District staff.

TABLE 4 : SUMMARY OF REVENUES

REVENUE SUMMARY	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
RATE REVENUE						
Sewer Rate Revenue	\$2,145,769	\$2,163,434	\$2,163,434	\$2,163,434	\$2,163,434	\$2,163,434
OTHER REVENUE:						
Reclaimed Water Sales	183,611	245,611	250,523	255,534	260,644	265,857
Other Charges for Services	41,500	44,500	44,500	44,500	44,500	44,500
Sewer Non-Operating Revenue	1,000	1,100	1,100	1,100	1,100	1,100
Interest Income	3,000	6,800	6,800	6,800	6,800	6,800
Connection Fee Revenue			-	-	-	-
TOTAL: SEWER REVENUE	\$2,374,880	\$2,461,445	\$2,466,357	\$2,471,368	\$2,476,478	\$2,481,691

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
SEWER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1

TABLE 5 : OPERATING EXPENSE FORECAST ¹

EXPENSES	Basis	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
SEWER OPERATING EXPENSES							
120-5010 Salary & Wages	4	\$ 600,605	\$ 675,813	\$ 709,604	\$ 745,084	\$ 782,338	\$ 821,455
120-5020 Employee Benefits	4	230,942	256,005	268,805	282,246	296,358	311,176
120-5021 Retirement Benefits	5	135,063	149,844	164,828	181,311	199,442	219,387
120-5022 Clothing Allowance	2	2,500	2,500	2,575	2,652	2,732	2,814
120-5024 Workers' Comp Insurance	4	23,000	35,000	36,750	38,588	40,517	42,543
120-5025 Retiree Health Benefits	5	19,007	18,028	19,831	21,814	23,995	26,395
120-5030 Director Health Benefits	4	59,752	60,976	64,025	67,226	70,587	74,117
120-5040 Election Expense	2	2,500	2,500	2,575	2,652	2,732	2,814
120-5060 Gasoline, Oil & Fuel	8	30,000	28,000	28,560	29,131	29,714	30,308
120-5061 Vehicle Maintenance	2	30,000	10,000	10,300	10,609	10,927	11,255
120-5062 Taxes & Licenses	2	800	800	824	849	874	900
120-5063 Certifications	2	2,000	2,000	2,060	2,122	2,185	2,251
120-5064 Generator Maintenance	3	-	21,000	23,100	23,793	24,507	25,242
120-5074 Insurance	6	157,500	161,000	201,250	251,563	314,453	393,066
120-5075 Bank Fees	2	3,500	40,000	41,200	42,436	43,709	45,020
120-5080 Membership & Subscriptions	2	14,000	14,000	14,420	14,853	15,298	15,757
120-5090 Office Supplies	2	5,000	6,000	6,180	6,365	6,556	6,753
120-5092 Postage & Shipping	2	10,000	13,500	13,905	14,322	14,752	15,194
120-5121 Legal Services	2	20,000	20,000	20,600	21,218	21,855	22,510
120-5122 Engineering Services	2	75,000	50,000	51,500	53,045	54,636	56,275
120-5123 Other Professional Services	2	37,000	38,300	39,449	40,632	41,851	43,107
120-5125 OPEB OBLIGATION	4	13,000	13,000	13,650	14,333	15,049	15,802
120-5126 Audit Services	2	75,000	8,825	9,090	9,362	9,643	9,933
120-5130 Printing & Publication	2	8,000	8,500	8,755	9,018	9,288	9,567
120-5135 Newsletter	2	1,000	1,000	1,030	1,061	1,093	1,126
120-5145 Equipment Rental	2	6,500	5,000	5,150	5,305	5,464	5,628
120-5148 Operating Supplies	2	90,000	90,000	92,700	95,481	98,345	101,296
120-5150 Repair & Replace	2	185,000	185,000	190,550	196,267	202,154	208,219
120-5155 Maintenance - Building & Grounds	2	15,500	68,820	70,885	73,011	75,201	77,458
120-5156 Custodial Services	3	18,500	18,500	20,350	20,961	21,589	22,237
120-5157 Security	3	5,000	9,116	10,028	10,328	10,638	10,957
120-5160 Sludge Disposal	2	50,000	50,000	51,500	53,045	54,636	56,275
120-5165 Tertiary Pond Maintenance	2	50,000	-	-	-	-	-
120-5170 Travel & Meetings	2	12,000	13,000	13,390	13,792	14,205	14,632
120-5175 Education/Seminars	2	14,000	16,000	16,480	16,974	17,484	18,008
120-5176 Director Training	2	36,000	3,600	3,708	3,819	3,934	4,052
120-5179 Admin Misc. Expense	2	1,200	1,500	1,545	1,591	1,639	1,688
120-5191 Telephone	2	18,000	15,000	15,450	15,914	16,391	16,883
120-5192 Electricity	8	155,000	170,000	173,400	176,868	180,405	184,013
120-5193 Other Utilities	8	3,500	3,500	3,570	3,641	3,714	3,789
120-5194 IT Services	2	35,000	37,000	38,110	39,253	40,431	41,644
120-5195 Env./Monitoring	2	50,000	52,000	53,560	55,167	56,822	58,526
120-5196 Risk Management	2	-	-	-	-	-	-
120-5198 Annual Operating Fees	2	27,000	35,000	36,050	37,132	38,245	39,393
120-5312 Tools - Field	2	-	-	-	-	-	-
120-5315 Safety Equipment	2	3,500	4,500	4,635	4,774	4,917	5,065
120-5545 Recording Fees	2	250	300	309	318	328	338
TOTAL: SEWER EXPENSES		\$2,331,119	\$2,414,427	\$2,556,235	\$2,709,924	\$2,881,638	\$3,074,866

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
 SEWER RATE STUDY
 Operating Revenue and Expenses

EXHIBIT 1

TABLE 6 : DEBT SERVICE EXPENSES

Annual Debt Service Expense/Advance	Basis	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Debt Payments		\$ 32,095	\$ 32,018	\$ 31,925	\$ 32,310	\$ 32,173	\$ 32,020
ADVANCES TO OTHER FUNDS	10	\$ -	-	-	-	-	-
313-5-00-5580 WW OP RESERVE 3%		71,246	73,843	73,991	74,141	74,294	74,451
314-5-00-5580 WW CIP 3%		71,246	73,843	73,991	74,141	74,294	74,451
Total: Annual Debt Service/Advance Expense		\$ 174,588	\$ 179,704	\$ 179,906	\$ 180,592	\$ 180,761	\$ 180,921

TABLE 7 : FORECASTING ASSUMPTIONS ³

INFLATION FACTORS	Basis	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Customer Growth ⁴	1	--	0.00%	0.00%	0.00%	0.00%	0.00%
General Cost Inflation ⁴	3	--	3.00%	3.00%	3.00%	3.00%	3.00%
Labor Cost Inflation ⁴	4	--	3.00%	10.00%	3.00%	3.00%	3.00%
Health Benefits Cost Inflation ⁴	5	--	13.83%	5.00%	5.00%	5.00%	5.00%
Retirement Benefits Cost Inflation ⁵	6	--	10.00%	10.00%	10.00%	10.00%	10.00%
Insurance ⁴	7	--	25.00%	25.00%	25.00%	25.00%	25.00%
Chemicals ⁴	8	--	2.00%	2.00%	2.00%	2.00%	2.00%
Energy ⁴	9	--	2.00%	2.00%	2.00%	2.00%	2.00%
No Escalation	10	--	0.00%	0.00%	0.00%	0.00%	0.00%

3. Inflation Factors provided by District staff.

4. Per District Staff email (sent June 6, 2025, "RE: HVLCSD Rate Study-Additional Data Request")

5. Per District Staff email (sent June 11, 2025), Retirement Benefits inflation is expected to increase 13.83% in 2026 and 5% annually thereafter.

TABLE 8 : CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST	Projected				
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Funding Sources:					
FEMA/CalOES Grants	\$ 125,000	\$ -	\$ -	\$ 80,625	\$ -
Use of Capital Facilities Reserve (Fund 314)	206,704	445,683	483,183	344,298	290,000
Use of Capital Facilities Restricted Reserves	-	-	-	-	-
Use of Bond Project Fund	-	-	-	-	-
Rate Revenue	-	-	-	-	-
Use of New Revenue Bond Proceeds	-	-	-	-	-
Total Sources of Capital Funds	\$ 331,704	\$ 445,683	\$ 483,183	\$ 424,923	\$ 290,000
Uses of Capital Funds:					
Total Project Costs¹	\$ 331,704	\$ 445,683	\$ 483,183	\$ 424,923	\$ 290,000
Capital Funding Surplus (Deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -
New SRF Loan Proceeds.	\$ -	\$ -	\$ -	\$ -	\$ -
New Revenue Bond Proceeds (Amount set here -->)	\$ -	\$ -	\$ -	\$ -	\$ -
			\$0		

1. CIP expenses found in source file: CIP List

CAPITAL IMPROVEMENT PROGRAM

Capital Improvement Program Costs (in Current-Year Dollars)²

Project Description	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Regulatory Compliance/Advanced Clean Fleet	\$ -	\$ 37,500	\$ 75,000	\$ -	\$ -
Regulatory Compliance/Reclamation Pond Modifications	56,704	-	-	27,423	-
Wastewater System Resilience/Backup Power Supply	-	118,183	118,183	-	-
Disaster mitigation/SCADA Upgrade	125,000	125,000	125,000	125,000	125,000
Stormwater Mitigation Planning	-	15,000	15,000	15,000	15,000
I/I Mitigation/Manhole Rehabilitation/Regulatory Compliance	100,000	100,000	100,000	100,000	100,000
Wastewater System Resilience/General Improvements	50,000	50,000	50,000	50,000	50,000
HMGP Eligibility/LHMP Update	-	-	-	107,500	-
Total: CIP Program Costs (Current-Year Dollars)	\$ 331,704	\$ 445,683	\$ 483,183	\$ 424,923	\$ 290,000

2. CIP expenses found in source file: CIP List

TABLE 10 : EXISTING DEBT OBLIGATIONS

DISTRICT DEBT OBLIGATIONS Annual Repayment Schedules:	Budgeted	Projected				
	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
USDA Solar Loan ¹						
Principal Payment	\$ 19,000	\$ 19,500	\$ 20,000	\$ 21,000	\$ 21,500	\$ 22,000
Interest Payment	13,095	12,518	11,925	11,310	10,673	10,020
Subtotal: Annual Debt Service	\$ 32,095	\$ 32,018	\$ 31,925	\$ 32,310	\$ 32,173	\$ 32,020
Coverage Requirement (\$-Amnt. above annual payment) ²	35,585	35,585	35,585	35,585	35,585	35,585
Reserve Requirement (total fund balance) ³	32,350	32,350	32,350	32,350	32,350	32,350

1. Info for Fund 219 Loan in source file: #9 - Loan Docs Fund 219 - Solar 2011.pdf

2. The District is required to fix, charge and collect from sewer rates, equal to a minimum of 110% of the maximum annual debt service payment.

3. The Reserve Requirement in future years is equal to the lesser of: the maximum annual debt service payment, or the maximum amount then permitted under the Code

TABLE 11 : EXISTING ANNUAL DEBT OBLIGATIONS TO BE SATISFIED BY SEWER RATES

<i>Existing Annual Debt Service</i>	\$ 32,095	\$ 32,018	\$ 31,925	\$ 32,310	\$ 32,173	\$ 32,020
<i>Existing Annual Coverage Requirement</i>	35,585	35,585	35,585	35,585	35,585	35,585
<i>Existing Debt Reserve Target</i>	32,350	32,350	32,350	32,350	32,350	32,350

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
 SEWER RATE STUDY
 Projected Water Rates Under Existing Rate Schedule

EXHIBIT 4

TABLE 12 : CURRENT SEWER RATE SCHEDULE

Current Monthly Sewer Rates ¹		Current FY 2024/25
Sewer Fixed	All Customers (per HEU)	\$79.89
Sewer Volumetric	Residential (per HCF)	\$6.76
	Commercial (per HCF)	\$8.53
Recycled Water Charge	Rate per Acre Foot ²	
Reclaimed Water		\$486.80

1. File Source: new rate schedule for 2015-2020.pdf.

2. One acre foot equals 435.599 hcf

TABLE 13 : CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS

Classification of Expenses ¹												
Budget Categories	Total Revenue Requirements	Flow	Strength		Customer	Recycled Water	Allocation %'s to Classifications					
	FY 2025/26	(VOL)	(BOD)	(TSS)	(CA)	(RW)	(VOL)	(BOD)	(TSS)	(CA)	(RW)	
Sewer Fund												
120-5010 Salary & Wages	\$ 675,813	\$ 279,995	\$ 135,163	\$ 135,163	\$ 67,581	\$ 57,912	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5020 Employee Benefits	256,005	106,065	51,201	51,201	25,601	21,937	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5021 Retirement Benefits	149,844	62,082	29,969	29,969	14,984	12,840	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5022 Clothing Allowance	2,500	1,036	500	500	250	214	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5024 Workers' Comp Insurance	35,000	14,501	7,000	7,000	3,500	2,999	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5025 Retiree Health Benefits	18,028	7,469	3,606	3,606	1,803	1,545	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5030 Director Health Benefits	60,976	25,263	12,195	12,195	6,098	5,225	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5040 Election Expense	2,500	1,036	500	500	250	214	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5060 Gasoline, Oil & Fuel	28,000	11,601	5,600	5,600	2,800	2,399	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5061 Vehicle Maintenance	10,000	4,143	2,000	2,000	1,000	857	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5062 Taxes & Licenses	800	331	160	160	80	69	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5063 Certifications	2,000	829	400	400	200	171	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5064 Generator Maintenance	21,000	8,700	4,200	4,200	2,100	1,800	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5074 Insurance	161,000	66,704	32,200	32,200	16,100	13,796	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5075 Bank Fees	40,000	16,572	8,000	8,000	4,000	3,428	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5080 Membership & Subscriptions	14,000	5,800	2,800	2,800	1,400	1,200	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5090 Office Supplies	6,000	-	-	-	6,000	-	0.0%	0.0%	0.0%	100.0%	0.0%	
120-5092 Postage & Shipping	13,500	-	-	-	13,500	-	0.0%	0.0%	0.0%	100.0%	0.0%	
120-5121 Legal Services	20,000	8,286	4,000	4,000	2,000	1,714	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5122 Engineering Services	50,000	20,715	10,000	10,000	5,000	4,285	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5123 Other Professional Services	38,300	15,868	7,660	7,660	3,830	3,282	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5125 OPEB OBLIGATION	13,000	5,386	2,600	2,600	1,300	1,114	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5126 Audit Services	8,825	3,656	1,765	1,765	883	756	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5130 Printing & Publication	8,500	-	-	-	8,500	-	0.0%	0.0%	0.0%	100.0%	0.0%	
120-5135 Newsletter	1,000	-	-	-	1,000	-	0.0%	0.0%	0.0%	100.0%	0.0%	
120-5145 Equipment Rental	5,000	2,072	1,000	1,000	500	428	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5148 Operating Supplies	90,000	37,288	18,000	18,000	9,000	7,712	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5150 Repair & Replace	185,000	76,647	37,000	37,000	18,500	15,853	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5155 Maintenance - Building & Grounds	68,820	28,513	13,764	13,764	6,882	5,897	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5156 Custodial Services	18,500	7,665	3,700	3,700	1,850	1,585	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5157 Security	9,116	3,777	1,823	1,823	912	781	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5160 Sludge Disposal	50,000	20,715	10,000	10,000	5,000	4,285	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5165 Tertiary Pond Maintenance	-	-	-	-	-	-	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5170 Travel & Meetings	13,000	5,386	2,600	2,600	1,300	1,114	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5175 Education/Seminars	16,000	6,629	3,200	3,200	1,600	1,371	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5176 Director Training	3,600	1,492	720	720	360	308	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5179 Admin Misc. Expense	1,500	621	300	300	150	129	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5191 Telephone	15,000	-	7,500	7,500	-	-	0.0%	50.0%	50.0%	0.0%	0.0%	
120-5192 Electricity	170,000	70,432	34,000	34,000	17,000	14,568	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5193 Other Utilities	3,500	1,450	700	700	350	300	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5194 IT Services	37,000	15,329	7,400	7,400	3,700	3,171	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5195 Env./Monitoring	52,000	21,544	10,400	10,400	5,200	4,456	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5196 Risk Management	-	-	-	-	-	-	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5198 Annual Operating Fees	35,000	19,751	5,250	5,250	1,750	2,999	56.4%	15.0%	15.0%	5.0%	8.6%	
120-5312 Tools - Field	-	-	-	-	-	-	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5315 Safety Equipment	4,500	1,864	900	900	450	386	41.4%	20.0%	20.0%	10.0%	8.6%	
120-5545 Recording Fees	300	124	60	60	30	26	41.4%	20.0%	20.0%	10.0%	8.6%	
TOTAL: SEWER EXPENSES	\$ 2,414,427	\$ 987,338	\$ 479,835	\$ 479,835	\$ 264,293	\$ 203,126	40.9%	19.9%	19.9%	10.9%	8.4%	

1. Revenues and Expenditures budgeted for FY 2024/25 found in Customer Data from District records.

TABLE 14 : CLASSIFICATION OF EXPENSES FOR COST OF SERVICE ANALYSIS

Classification of Expenses Continued ¹											
Budget Categories	Total Revenue Requirements	Flow	Strength		Customer	Recycled Water	Allocation %'s to Classifications				
	FY 2025/26	(VOL)	(BOD)	(TSS)	(CA)	(RW)	(VOL)	(BOD)	(TSS)	(CA)	(RW)
Debt Services											
Existing Debt Service	\$ 32,018	\$ 16,009	\$ 8,004	\$ 8,004	\$ -	\$ -	50.0%	25.0%	25.0%	0.0%	0.0%
Capital Expenditures											
Rate Funded Capital Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	50.0%	25.0%	25.0%	0.0%	0.0%
TOTAL REVENUE REQUIREMENTS	\$ 2,446,445	\$ 1,003,346	\$ 487,840	\$ 487,840	\$ 264,293	\$ 203,126	41.0%	19.9%	19.9%	10.8%	8.3%
Less: Non-Rate Revenues											
Other Non-Rate Revenue	\$ (45,600)	\$ (18,436)	\$ (9,120)	\$ (9,120)	\$ (5,016)	\$ (3,908)	40.4%	20.0%	20.0%	11.0%	8.6%
Interest Income	(39,277)	(15,880)	(7,855)	(7,855)	(4,320)	(3,366)	40.4%	20.0%	20.0%	11.0%	8.6%
NET REVENUE REQUIREMENTS	\$ 2,361,568	\$ 969,030	\$ 470,864	\$ 470,864	\$ 254,956	\$ 195,853					
Allocation of Revenue Requirements	100.0%	41.0%	19.9%	19.9%	10.8%	8.3%					

Adjustments to Classification of Expenses	FY 2025/26					
Adjustment to Current Rate Level:	Total	(VOL)	(BOD)	(TSS)	(CA)	(RW)
Projected Sewer Rate Revenue at Current Rates	\$2,163,434					
Projected Sewer Rate Increase 8.00%						
Projected Sewer Rate Increase (\$) ²	\$173,075					
Total Rate revenue (Excluding RW)	\$2,336,509					
Projected RW Rate Revenue at Current Rates	\$245,611					
Projected RW Rate Increase 8.00%						
Projected RW Rate Increase (\$)	\$19,649					
Target Rate Rev. After Rate Increases ³	\$2,601,769					
Adjusted Net Revenue Req't	\$ 2,601,769	\$ 1,067,592	\$ 518,757	\$ 518,757	\$ 280,888	\$ 215,773
<i>Percent of Revenue</i>	<i>100.0%</i>	<i>41.0%</i>	<i>19.9%</i>	<i>19.9%</i>	<i>10.8%</i>	<i>8.3%</i>

1. Revenues and Expenditures budgeted for FY 2024/25 found in Customer Data from District records.
2. Revenue from rate increases may not accrue as projected due to discrepancies in the number of connections used.
3. Revenue from rate increases assumes an implementation date of January 1, 2026 and July 1 each year thereafter.

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
SEWER RATE STUDY
Cost of Service Analysis**

TABLE 15 : FLOW ALLOCATION FACTOR

FY 2025/26

Development of the FLOW Allocation Factor						
Customer Class	Number of HEUs ¹	Annual Volume (hcf)	Percentage of Adjusted Volume	Adjusted Annual Volume (hcf)	Avg Winter Mo. Consumption ² (hcf)	Ann. Winter Vol. (Commercial is Monthly) (in hcf) ⁵
Single Family Residential ³	1,463	82,484	84.9%	100,633	6,801	81,611
SFR - Variable Grade	149	8,398	8.6%	10,246	771	9,256
Multi-Family Residential	56	2,443	2.5%	2,981	210	2,524
Commercial ⁴	37	3,832	3.9%	4,675	N.A.	3,832
Total ⁵	1,705	97,158	100.0%	118,535	7,783	--

1. Consumption and Meters from source files: *Copy of Customer Data.xlsx* and *Monthly Bill Con.xlsx* (data combined and summarized in pivot tables). The number of HEUs as of April 2025 is 1,533. The counts differ due to customer changes and data discrepancies.

2. Includes months of January 2024 through March 2024 and December 2024.

3. Includes Municipal but has been reduced by 149 variable grade customers that are now treated separately.

4. Commercial will be billed based on monthly consumption, not winter average.

5. Recycled Water excluded from flow allocation factor. One customer only in the District, volumetric rate only

TABLE 16 : STRENGTH ALLOCATION FACTOR

FY 2025/26

Development of the STRENGTH Allocation Factor									
Customer Class	Adjusted Annual Flow (hcf)	Biochemical Oxygen Demand (BOD)				Total Suspended Solids (TSS)			
		Average Strength Factor (mg/l) ⁷	Calculated BOD (lbs./yr.)	Adjusted BOD (lbs./yr.)	Percent of Total	Average Strength Factor (mg/l) ²	Calculated TSS (lbs./yr.)	Adjusted TSS (lbs./yr.)	Percent of Total
Single Family Residential	100,633	250	156,945	82,483	87.2%	250	156,945	161,424	94.3%
SFR - Variable Grade	10,246	250	15,980	8,398	8.9%	20	1,278	1,315	0.8%
Multi Family Residential	2,981	250	4,649	2,443	2.6%	250	4,649	4,782	2.8%
Commercial ⁶	4,675	80	2,333	1,226	1.3%	120	3,499	3,599	2.1%
Total	118,535		179,907	94,551	100%		166,372	171,120	100%

6. Commercial is billed on monthly water use.

7. Typical strength factors for BOD and TSS are derived from the State Water Resources Control Board Revenue Program Guidelines, Appendix G

**HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
SEWER RATE STUDY
Cost of Service Analysis**

TABLE 17 : CUSTOMER ALLOCATION FACTOR

FY 2025/26

Development of the CUSTOMER Allocation Factor			
Customer Class	Number of Accounts⁸	Percentage of Accounts⁹	Adjusted % of Accounts¹⁰
Single Family Residential ¹¹	1,463	88.40%	92.57%
SFR - Variable Grade	149	9.00%	4.71%
Multi-Family Residential	28	1.69%	1.77%
Commercial	15	0.91%	0.95%
Total	1,655	100.0%	100.0%

8. Consumption and Meters from source files: Copy of Customer Data.xlsx and Monthly Bill Con.xlsx (data combined and summarized in pivot tables). The number of accounts as of April 2025 is 1,506. The counts differ due to customer changes and data discrepancies.

9. Recycled Water excluded from customer allocation factor. One customer only in the District, volumetric rate only. HEU stands for housing equivalent unit, which is equal to one single family residential home (SFR = 1 HEU)

10. SFR - Variable Grade was reduced by 50% because they have fewer customer service demands than the typical residential or commercial account.

11. Includes Municipal.

TABLE 18 : 2024/25 CUSTOMER REVENUE

Total Revenue by Customer Class¹²						
Customer Class	Fixed Charges FY'24/25	% of Total Revenue	Var. Charges FY'24/25	% of Total Revenue	Total Revenue FY'24/25	% of Total Revenue
Single Family Residential	\$ 1,344,421	97.1%	\$ 590,246	66.0%	\$ 1,934,666	84.9%
Multi Family Residential	24,895	1.8%	\$ 42,360	4.7%	67,255	3.0%
Commercial & Industrial	13,639	1.0%	\$ 78,980	8.8%	92,619	4.1%
Municipal	919	0.1%	\$ 654	0.1%	1,573	0.1%
Recycled Irrigation	-	0.0%	\$ 182,339	20.4%	182,339	8.0%
Total	\$ 1,383,873	100.0%	\$ 894,579	100.0%	\$ 2,278,452	100.0%

12. Commercial Customer rates and customer class from Source files: HEU Commercial.xlsx and #15 Monthly Bill Con (Jul 21-Dec 24).xlsx
Residential and Multi-Family from Source files: #15 Monthly Bill Con (Jul 21-Dec 24).xlsx

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
SEWER RATE STUDY
Sewer Cost of Service Analysis

TABLE 18: ALLOCATION OF REVENUE REQUIREMENTS

FY 2025/26

Customer Class	Cost Classification Components					Cost-of-Service Net Revenue Req't.	% of COS Net Revenue Req't.
	Volume	Treatment		Customer Related	Recycled Water		
		BOD	TSS				
Net Revenue Requirements ¹	\$ 1,067,592	\$ 518,757	\$ 518,757	\$ 280,888	\$ 215,773	\$ 2,601,769	--
	41.0%	19.9%	19.9%	10.8%	8.3%	100.0%	
Single-, Multi-Family & Municipal	\$ 933,207	\$ 465,953	\$ 503,860	\$ 264,982	\$ -	\$ 2,168,002	83.3%
SFR - Variable Grade	\$ 92,283	\$ 46,077	\$ 3,986	\$ 13,240	\$ -	\$ 155,586	5.98%
Commercial	42,103	6,727	10,912	2,666	-	62,408	2.4%
Recycled Irrigation	-	-	-	-	215,773	215,773	8.3%
Total	\$1,067,592	\$ 518,757	\$ 518,757	\$ 280,888	\$ 215,773	\$ 2,601,769	100%
Total Excluding Recycled Water						\$ 2,385,995	

1. Revenue requirement for each customer class is determined by multiplying the revenue requirement from each cost classification by the allocation factors for each customer class.

TABLE 19 : PROPOSED SEWER RATES

FY 2025/26

Customer Class	No. of Billing Units (HEU) ²	Annualized Winter Consumption (hcf) ³	Annual Rev. Req't			Monthly Fixed Charge Per HEU	Volumetric Charge Per hcf
			Total	Fixed	Volumetric		
Single-, Multi-Family & Municipal	1,519	84,135	\$2,168,002	\$1,560,961	\$607,040	\$85.65	\$7.22
SFR - Variable Grade	149	9,256	\$155,586	\$112,022	\$43,564	\$62.65	\$4.71
Commercial	37	3,832	\$62,408	\$36,871	\$25,537	\$83.27	\$6.66
Total	1,705	97,223	\$2,385,995	\$1,709,854	\$676,142	--	--

2. Sewer customers are charged on the basis of their number of assigned Housing Equivalent Units (HEUs). Consumption and Meters from source files: Copy of Customer Data.xlsx and Monthly Bill Con.xlsx (data combined and summarized in pivot tables). The number of HEUs as of April 2025 is 1,533.

The counts differ due to customer changes and data discrepancies.

3. Average monthly consumption is used for commercial customers.

TABLE 20 : PROPOSED RECYCLED WATER RATES FOR FY 2025/26:

FY 2025/26

Customer Class	Annual RW Use ⁴	Annual Rev. Req't			Monthly Fixed Charge	Volumetric Charge
		Total	Fixed	Adjusted Volumetric ⁵		
Recycled Irrigation (AF)	377	\$215,773	\$0	\$198,300	\$0.00	\$525.74/AF

4. 2024 consumption derived from annual revenue divided by RW rate (\$/AF).

5. Adjusted to current revenue plus 8%. This is a more realistic budget projection (O&M budget was too high).

HIDDEN VALLEY LAKE COMMUNITY SERVICES DISTRICT
SEWER RATE STUDY
Sewer Rate Development

TABLE 21 : CURRENT VS. PROPOSED SEWER & RECYCLED WATER RATES (MONTHLY)

Sewer Rate Schedule	Current Rates ('24/25)	Proposed Sewer Rates ¹				
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Fixed Service Charge per HEU²						
Residential & Municipal	\$79.89	\$85.65	\$92.50	\$98.05	\$103.94	\$110.17
SFR - Variable Grade	N.A.	\$62.65	\$67.66	\$71.72	\$76.03	\$80.59
Commercial	\$79.89	\$83.27	\$89.93	\$95.32	\$101.04	\$107.11
Volumetric Charge (\$/hcf)³						
Residential & Municipal (Applied to Average Winter Water Use)	\$6.76	\$7.22	\$7.79	\$8.26	\$8.76	\$9.28
SFR - Variable Grade (Applied to Average Winter Water Use)	N.A.	\$4.71	\$5.08	\$5.39	\$5.71	\$6.05
Commercial (Applied to Average Monthly Water Use)	\$8.53	\$6.66	\$7.20	\$7.63	\$8.09	\$8.57

1. Implementation date of FY 2025/26 rates is January 1, 2026.

2. Sewer customers are charged on the basis of their number of assigned Housing Equivalent Units (HEUs).

3. Proposed volumetric rates after FY 2025/26 are increased by the annual increase in rate revenue shown in the financial plan.

Note: Variable Grade Residential customer's rates are Residential & Municipal rates adjusted by the adjustment factor of: 73.1%

Recycled Water Rate Schedule	Current Rates	Proposed Recycled Water Rates				
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Fixed Service Charge per Acre Foot (AF)						
Recycled Irrigation (\$/AF)	\$486.80	\$525.74	\$567.80	\$601.87	\$637.98	\$676.26