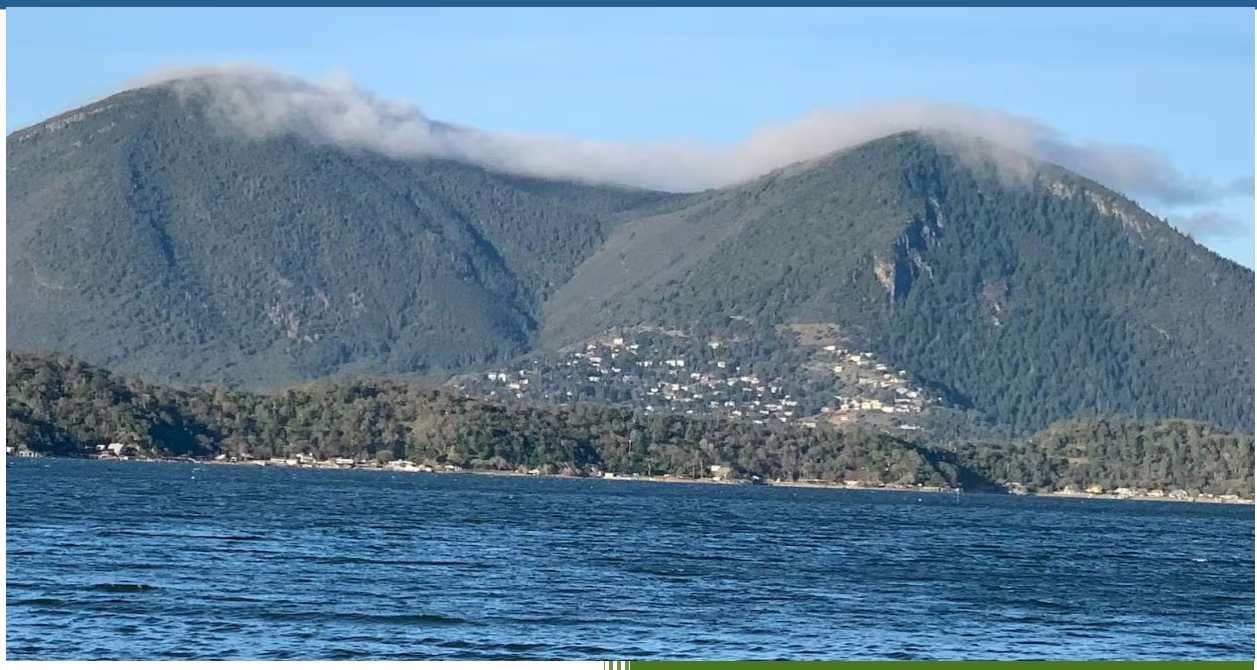
Clearlake Oaks County Water District
Draft Water Rate Study



RCAC is an equal opportunity provider and employer.

Prepared by: Samantha Ryan

May 2026

Rural Community Assistance Corporation
3120 Freeboard Drive, Suite 201
West Sacramento, CA 95691

May 14, 2026

USDA Department of Agriculture
1400 Independence Avenue SW
Stop 9410
Washington DC 20250

Subject: CLEARLAKE OAKS COUNTY WATER DISTRICT (CA1710001) WATER RATE STUDY

Dear USDA,

Enclosed please find the final report for the Clearlake Oaks County Water District water rate study.

The report consists of a discussion of the water system's current financial condition, projected financial condition, and recommended rate option(s).

The rate study process typically includes the following key milestones, though not all steps may be applicable in every instance:

- Preliminary Rate Discussions – Engaged with water system staff to review initial findings and discuss potential rate adjustments.
- Initial Rate Findings Presentation – An overview of the preliminary rate study results was presented to the board on April 16, 2026.
- Final Rate Recommendations – The final proposed rates, reflecting any revisions from initial discussions. The Board had no requested revisions at the April 16, 2026, meeting and the initial rates became the final rate recommendations.
- Proposition 218 Hearing – If applicable, a Proposition 218 hearing is being held on June 18, 2026, to allow for public input and formal consideration of the proposed rates.

If you have additional questions, please feel free to contact me at (916) 508-3031.

Sincerely,

Kim Bennett

Kim Bennett
Regional Field Manager
RCAC Community & Environmental Services

Enclosure: Clearlake Oaks County Water District Water Rate Study
Dianna Mann, General Manager, Clearlake Oaks County Water District
Olivia Mann, Board Secretary, Clearlake Oaks County Water District
Samantha Ryan, Assistant Field Manager, RCAC – Community & Environmental Services

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Submittal Details

Final Report Date

May 14, 2026

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Executive Summary

The industry standard is to conduct a water rate study every five years to ensure revenues are covering expenses and costs are being applied to customer classes in a fair and equitable manner. Public entity water systems must ensure rate structures are consistent with current Proposition 218 case law, which has specific guidance on what is considered fair and equitable ways to distribute costs to customers.

RCAC conducted this water rate study on behalf of Clearlake Oaks County Water District (CLOCWD) to establish rates that allow CLOCWD to operate and maintain the water system for the next five years and collect the necessary reserves for emergencies and capital improvements. RCAC analyzed data for fiscal year ending 2023 (FYE 2023), FYE 2024, FYE 2025 and budgeted data for FYE 2026 to set rates for FYE 2027 through FYE 2031.

CLOCWD requested a water rate analysis to evaluate for the following reasons:

- To follow industry standards for rate study timing. The last rate study conducted by RCAC was conducted in March 2021 and set rates from FYE 2022 through FYE 2026.

- In FYE 2025, the water fund had a net loss of $99,418 once loan payments were made. It is expected that in FYE 2026 the water fund will have a net loss of $134,569

- In FYE 2025, the CRP water fund had a net gain of $38,763. However, it is expected to have a net loss of $11,404 in FYE 2026. Additionally, discussions with CLOCWD indicate that annual project delivery is constrained by available funding, and staff routinely adjust project scopes and timing to maintain a balanced budget.

During the rate study analysis, RCAC found

- Revenue requirement analysis - both the water fund and CRP fund revenues are not covering the true cost of water service.
- Cost of service analysis – CLOCWD is currently charging 5/8” meters and 1” meters the same base rate but usage data supports using AWWA standard meter ratios.
- Rate design analysis – the usage rate is recommended to decrease due to updated cost allocations and increased water consumption since the last water rate study. Total billed water usage increased from approximately # to #, allowing a greater volume of usage to recover system costs and resulting in a lower recommended volumetric rate.

RCAC recommends CLOCWD

- Adopt the new rate schedule to ensure that CLOCWD is collecting enough revenue to support operation and maintenance costs, as well as capital replacement costs .

Proposed Rate Schedule					
Standard Rates					
Meter Size	**2027**	**2028**	**2029**	**2030**	**2031**
5/8"	$69.00	$72.67	$76.02	$79.52	$83.19
3/4"	$103.50	$109.02	$114.04	$119.29	$124.79
1	$172.50	$181.69	$190.06	$198.82	$207.98
1.5	$345.00	$363.37	$380.11	$397.62	$415.94
2	$552.00	$581.40	$608.18	$636.20	$665.51
3	$1,103.98	$1,162.78	$1,216.34	$1,272.39	$1,331.01
4	$1,724.97	$1,816.84	$1,900.54	$1,988.09	$2,079.70
Rate per 1 Gallon	$0.00287	$0.00303	$0.00316	$0.00330	$0.00345
Rate per HCF	$2.15	$2.27	$2.36	$2.47	$2.58

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- Select a rate option that ensures a sustainable water system while also assessing the affordability to your customers.

    - The State Water Resources Control Board drinking water needs assessment measures affordability by dividing the annual bill (assuming 600 cubic feet or 4,388 gallons of water usage per month) by the median household income (MHI). Based on the %MHI, water system bills are categorized as no risk, medium risk, or high risk for affordability.

State Water Resources Control Board Needs Assessment: Affordability as %MHI		
No Risk	Medium Risk	High Risk
<1.5%	1.5% - 2.5 %	>2.5%

    - RCAC's rate model calculates affordability by taking the average residential bill for the water system and divides it by the MHI.

- Review revenues versus expenditures every year to ensure that the rates cover all costs to the system.

- Strive to be transparent. Successful utilities are those that are transparent to their customers regarding their day-to-day operations, including successes and struggles. Promote your services to your customers and continuously educate them on why it is necessary to raise and adjust rates.

- Consider increasing non-operational revenue. For example, CIP reserves could be moved to and maintained in the highest interest-bearing accounts available to offset inflation unless the cost of doing so is more than the interest earned on the account.

Introduction

About RCAC

Founded in 1978, RCAC provides training, technical, and financial resources, and advocacy so rural communities can achieve their goals. Since 1978, our dedicated staff and active board, coupled with our key values: leadership, collaboration, commitment, quality, and integrity, have helped effect positive change in rural communities across the West.

RCAC's work includes environmental infrastructure (water, wastewater, and solid waste facilities); affordable housing development; economic and leadership development; and community development finance. These services are available to communities with populations of fewer than 50,000, other nonprofit groups, tribal organizations, farm workers, colonias and other specific populations. Headquartered in West Sacramento, California, RCAC's employees serve rural communities in 13 western states and the Pacific islands.

This rate study was funded by Safe and Affordable Funding for Equity and Resilience (SAFER) Program, for which RCAC is a Technical Assistance Provider. This rate study was performed under the capacity development program at RCAC (SAFERTRAIN). This study was provided at no cost to the CLOCWD due to their distinction as a disadvantaged community.

Purpose of a Rate Study

An accurate and useful rate analysis not only identifies the total annual revenue required by a utility to conduct its normal day-to-day operations, but it also anticipates and plans for future operating and capital needs. Furthermore, the analysis attempts to determine whether the projected revenue under existing rates will satisfy those needs. The primary objective of this process is to ensure that the utility can obtain sufficient funds to develop, construct, operate, maintain, and manage its water system on a continuing basis, in full compliance with federal, state, and local requirements.

Governing Body Responsibilities

Governing body responsibilities for the water system include maintaining sufficient revenue and reserves to provide for ongoing maintenance for the foreseeable future. The ultimate responsibility of the governing body is to ensure preserved public health and compliance with environmental regulations.

All findings and conclusions of this rate study are RCAC's professional assessment and are not a directive for action to the community. Whereas RCAC strongly recommends its finding to the community, the governing body must act in accordance with the water system's governing documents as well as state and federal laws to enact RCAC recommendations in whole or in part.

Disclaimer

The findings, recommendations and conclusions contained in this rate analysis are based on financial information provided to RCAC by the water system. Although reasonable care was taken to ensure the reliability of this information, no warranty is expressed or implied as to the correctness, accuracy or completeness of the information contained herein. Any action taken on the basis of such findings, recommendations or conclusions is undertaken at the discretion of the

water system. In no event will RCAC or its partners, employees or agents be liable for any decision made or action taken in reliance on the information contained in this analysis.

Guiding Principles in a Rate Study

Rates should be:

- **Sustainable** - Rates should cover the costs of the system to provide safe drinking water into the foreseeable future. This includes operations, repairs, interest, loan principal, capital replacement, and all other costs related to providing safe drinking water.

- **Fair** - Rates should be fair to all rate payers. While the costs should not exceed the costs of providing the service, they do need to capture the true costs of service. Low rates for current customers will require high rates for future customers.

- **Justifiable** - Rates must be based on actual needs of the water enterprise system. The water enterprise system expenses and revenue should be tracked separately from other funds.

- **Water conservation** - Water conservation is a key element of rate studies. Clean and safe water is limited, and inappropriate use of this resource negatively impacts community members.

- **State or funder specific requirements** – Some water systems may have state or funder requirements to maintain certain financial indicators and reserve levels. Regardless of any requirements, the governing body is obligated by its responsibilities to provide for sufficient reserves and long-term sustainability.

Rate Setting Process

A water rate study typically consists of three to four main components:

- **Revenue Requirement** – This component calculates the total revenue needed to cover the utility's operating costs and debt obligations.

- **Cost of Service Analysis** – This component evaluates the cost allocations associated with providing water services, including fixed and variable costs. It ensures that rates are aligned with the actual way a water system incurs costs when providing water service.

- **Rate Design and Rate Setting** – This step involves determining how to structure the rates based on the cost-of-service analysis. It considers factors like customer classes (residential, commercial, etc.), water usage patterns, and equity, aiming to create a fair and sustainable rate system. Based on this, the appropriate rates are set to ensure financial stability and regulatory compliance.

- **Proposition 218 Process (applicable for public entities in California)** – This process ensures transparency and public participation in the decision-making surrounding water rate changes.

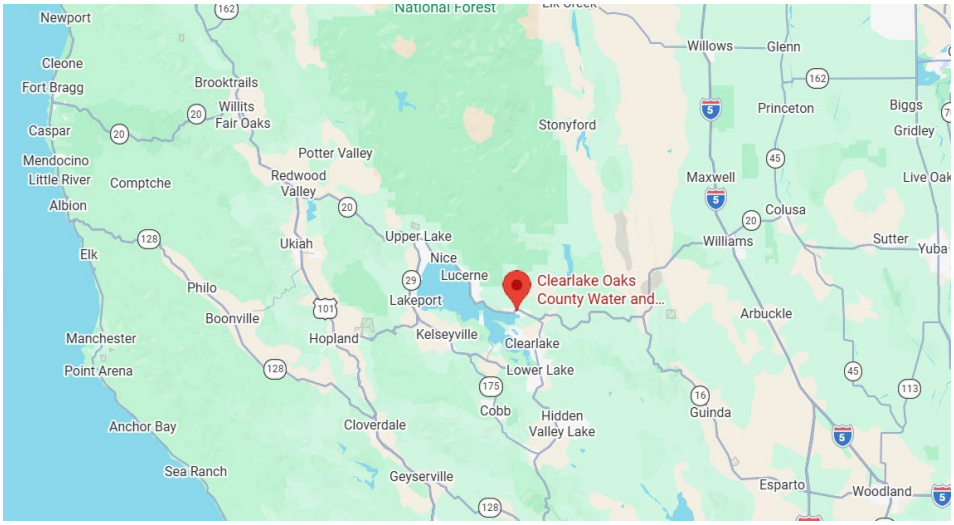
Together, these components help ensure that a water system can provide reliable service through fair and equitable rates while maintaining financial sustainability.

RCAC uses a cash-needs approach to develop revenue requirements to ensure there is sufficient revenue to recover total cash requirements for the 5-year time period of this rate study. This approach uses a format very similar to how many water systems develop an annual budget. While there are several methods to allocate costs, since RCAC works with small, disadvantaged water systems, it is typical for RCAC to use a fixed vs variable cost allocation. The revenue requirement approach and cost allocation methodology used in this rate study can be found in the Rate Design and Options Section under Key Assumptions.

Water System Basic Statistics

Community

Clearlake Oaks is a census designated place in Lake County, California. This area is known for offering a rural, fish village atmosphere with local vineyards and close proximity to hiking Mount Konocti.



CLOCWD was established in 1960 and provides water and sewer services throughout the unincorporated area of the Clearlake Oaks community. CLOCWD is governed by an elected five-member Board of Directors that acts as the authoritative and legislative body of the entity. CLOCWD currently serves slightly over 2,000 water connections. According to the SAFER Dashboard, the water system has an estimated median household income (MHI) of $31,169.

System Description

The CLOCWD is a public water system classified as a Community Water System and operates as a public entity.

CLOCWD provides potable water service to residential and commercial metered connections through its distribution pipeline by its Clearlake watershed. The district has eight holding tanks totaling 967,000 gallons of water, with the water plant capable of producing an average of 640,000 gallons of water per day.

Since the last rate study, CLOCWD has constructed a new 205,000-gallon tank on Harvey Boulevard, replaced the old redwood Cerrito Tank with a new 100,000-gallon bolted steel tank, and installed automated meter reading equipment that have cut time spent on monthly meter reading from 2 days to 4 hours. Additionally, the CLOCWD has been able to purchase a crane truck, water truck, and Vac-con truck that increase operational efficiency and reduce response times.

Current Water Rate Structure

The last rate study for the CLOCWD occurred in 2021. The rates were adopted and set rates from FYE 2022 through FYE 2026. The CLOCWD has two distinct rate structures; the water fund rate which funds the annual operation and maintenance costs and the CRP water fund rate which funds the capital infrastructure maintenance, repair, and improvements.

The water fund rate structure is composed of a base rate and usage rate. The base rate is determined by meter size using the AWWA meter capacity ratios, with the exception of 3/4" meters which uses the 5/8" meter rate. The usage rate is a uniform volumetric rate in which a certain dollar amount is charged for every hundred cubic feet that is used.

The CRP water fund rate structure is composed only of a base rate since infrastructure needs to be maintained regardless of usage. The base rate is determined by meter size using the AWWA meter capacity ratios, with the exception of 3/4" meters which uses the 5/8" meter rate.

The current rate structure can be seen in Exhibit A.

The affordability of these rates for the average residential customer as a % of MHI is 2.55%, which represents the percent of the average residential customer's annual income that goes toward paying the average annual residential water bill in the water system. This is considered high risk for affordability according to the State Water Resources Control Board.

Customer Water Use Statistics

Water use can vary between month, meter size, and customer class. The CLOCWD averages 9.8 million gallons of water usage per month, with June through October having higher than average usage. Water usage peaks in September at almost 14 million gallons per month. Looking at average usage per meter size compared to the average 5/8" meter size usage, most meters falls within 10% of the AWWA meter capacity ratios, except for the 3" & 4" meters. Because of this it is recommended that ¾" meters no longer share the same base rate as a 5/8" meter. CLOCWD may want to consider if their larger customers have the appropriate size meters based on plumbing code or local code.

Water usage trends can be seen in Exhibit B.

Future Population and Usage Projections

The United States Census shows a growth rate in the area as -0.6% percent per year, from April 2020 through July 2025.

Financial Condition and Analysis

Current Financial Policies

The financial policies of a public water system play a crucial role in ensuring the system's sustainability and effectiveness. These policies provide a framework for budgeting, revenue generation, expenditure control, debt management, and financial reporting. They help maintain financial stability, promote transparency, and ensure that the water system can meet current and future needs. By adhering to these policies, a public water system can effectively manage its resources, maintain the trust of its stakeholders, and continue to provide reliable and high-quality services to the community.

RCAC did not do a policy review as part of this rate study.

Current Financial Indicators

Water Fund Balance

In the combined audit (water, wastewater, and other funds), CLOCWD had $1.8 million in current assets in FYE 2024. As of June 2025, according to budget documents produced by CLOWCD staff, the total amount in various accounts totaled $1.2 million. The water reserve account has $67,918 in it. Other funds related to the water system include a restricted USDA fund required for loans held by the water system, Local Area Investment fund where surplus funds can be stored in a high-quality, liquid, interest-bearing account, and the general ledger. These accounts have $386,395, $4,821, and $87,171, respectively.

Operating Cash Flow

The operating cash flow for the CLOCWD has shown downward trend in FYE 2025. This is due to large cost increases to the budget line items of treatment chemicals and utilities. Additionally, inflation has been an issue online item costs across the board. Expenses have increased to the point that operating revenues are not covering operating expenses. Additionally, the water system has pared back its capital replacement projects based on incoming revenue. Underfunding capital replacement is not considered a financially sustainable method for managing a water system.

Revenue Requirement

A revenue requirement for a water system refers to the total amount of money a utility must collect from its customers to cover all its costs. This includes operating expenses, taxes, debt payments, and costs to replace capital assets.

Current Budget

The objective of a budget is to ensure that the utility generates adequate revenue to cover the anticipated costs as they occur. The basic components of the budget include combined cash balances, operating and non-operating revenue, operation and maintenance expense, debt service (principal and interest payments) on borrowed funds, capital costs, reserves, and other cash payments (such as payments in lieu of taxes). Because debt covenants may impact the cash needs of the utility, it is also important to examine these restrictions as well.

A water system should develop and adopt an annual budget every fiscal year prior to the start of the fiscal year. The CLOCWD was able to provide actuals for FYE 2023, FYE 2024, and FYE 2025 and an adopted budget for FYE 2026.

The water operating budget is typically developed based on prior-year actual expenditures, adjusted for expected changes in operating conditions. This includes anticipated cost increases due to inflation, contractual escalations, utilities, chemicals, labor, and other recurring operating expenses. CLOCWD has managed their budget well since the last rate study, but inflation, heavy equipment loans, and the desire to move away from non-water sales revenue balancing the budget has caused the water fund to begin to fall short. In FYE 2026 the water fund is expected to fall $134,569 short.

The capital reserve budget is effectively structured around the projects that can be completed within available staffing capacity and current revenue constraints. In FYE 2024, capital replacement expenses were cut 49% or $388,688. Costs went back up 12% in FYE 2025 and this could be felt with the water reserve dropping approximately $110,000 in one year. Capital reserve expenses are budgeted to increase 5% in FYE 2026 due to construction cost escalation forecasted at between 4% - 6%.

Over the past several years revenues have not covered expenses. In FYE 2026 and FYE 2027 the net loss is expected to increase from prior years. Costs have been increasing due to inflation and have been especially high with utilities and treatment chemicals. The actuals and current budget can be seen as part of the rate study budget projections in Exhibit D.

Current Dedicated Reserves

Reserves are an accepted way to stabilize and support a utility's fiscal management. Small systems usually fund the operating expenses but often do not consider putting money aside for a specific upcoming financial need or project, or for an amount that can be used to provide rate stabilization in years when revenues are unusually low, or expenditures are unusually high. The rationale for maintaining adequate reserve levels is twofold. First, it helps to ensure that the utility will have adequate funds available to meet its financial obligations in times of varying needs. Second, it provides a framework around which financial decisions can be made to determine when reserve balances are inadequate or excessive and what specific actions need to be taken to remedy the situation.

Utility reserve levels can be thought of as a savings account. Reserve balances are funds that are set aside for a specific cash flow requirement, financial need, project, task, or legal covenant. Common reserve balances are established around the following four areas: operating reserve, capital improvements and replacement, emergency, and debt service reserve. These balances are maintained to meet short-term cash flow requirements, and at the same time, minimize the risk associated with meeting financial obligations and continued operational needs under adverse conditions.

The annual reserve goals can be seen in the general & administrative expenses in Exhibit D.

General Reserve

The General Reserve is established to support ongoing operations and provide funding for unexpected expenses, emergencies, and revenue fluctuations. It is recommended that CLOWCD maintain a general reserve for water of $442,000. The recommended reserve target was determined by considering reasonable funding levels for both operating reserves and emergency reserves. Maintaining this reserve helps promote financial stability, operational continuity, and the ability to respond to unplanned system needs without significant rate volatility.

Operating Reserve

Operating reserves are established to provide the utility with the ability to withstand short-term cash flow fluctuations. There can be a significant length of time between when a system provides a service and when a customer pays for that service. In addition, a system's cash flow can be affected by weather and seasonal demand patterns.

The State of California Water Resources Control Board conducted a needs assessment in 2024. The results of their findings are outlined in the table below.

State Water Resources Control Board Needs Assessment: Cash on Hand Valuation		
No Risk	Medium Risk	High Risk
>90 Days	30 – 90 Days	< 30 Days

Because of potential delays in collecting payment, many utilities attempt to keep an amount of cash equal to at least 90 days or 25 percent of their annual cash O&M expenses in an operating reserve to mitigate potential cash flow problems. CLOCWD needs approximately $412,000 in reserves to meet this goal and will build this up over the 5-year rate study period

Emergency Reserve

Emergency reserves are intended to help utilities deal with short-term emergencies which arise from time to time, such as main breaks or pump failures. The appropriate amount of emergency reserves will vary with the size of the utilities and should depend on major infrastructure assets. An emergency reserve is intended to fund the immediate replacement or reconstruction of the system's single most critical asset, an asset whose failure will result in an immediate water outage or threat to public safety. To replace a 25 horsepower, variable frequency drive source water pump, costs could range from $15,000 to $30,000 or more. CLOCWD will set aside $30,000 over the 5-year rate study period.

Capital Replacement Reserve

A capital replacement reserve (also called a repair and replacement reserve) is intended to be used for replacing system assets that have become worn out or obsolete. Unlike the emergency reserve fund, these reserves are intended to be used for planned replacements and improvements. Annual depreciation is frequently used to estimate the minimum level of funding for this capital reserve. But it is important to understand that depreciation expense is an accounting concept for estimating the decline of an asset's useful life and does not represent the current or future replacement cost of that asset.

To initiate a capital improvement plan, a small water or sewer system will start with a list of assets that includes the remaining service life, theoretical replacement costs in today's dollars and the remaining service life. It then calculates the monthly and annual reserve that must be collected from each customer to fully capitalize the replacement cost of each asset. In reality, the assets will fail and be replaced gradually, but the replacement cost of water system assets is often a shock to small systems that are struggling to keep rates reasonable.

CLOCWD would benefit from developing a comprehensive Capital Improvement Plan (CIP) to ensure that asset replacement is occurring at a sufficient pace to replace infrastructure as it reaches the end of its useful life. However, preparation of a comprehensive CIP was outside the scope of this rate study. To date, CLOCWD has not completed a CIP due to the associated costs,

which can exceed $35,000. In the future, CLOCWD may wish to pursue State or Federal technical assistance funding to support development of a CIP.

For purposes of a high-level estimate CIP reserve planning, only the distribution pipe (the largest individual asset group) was considered. With approximately 35 miles of pipeline, the rough order-of-magnitude replacement value is estimated at $11.2 million. This figure is intended as a simplified screening-level approximation for long-term financial planning purposes and is conservative in nature, as it excludes other significant system assets such as treatment facilities, tanks, pump stations, valves, meters, and related infrastructure, and does not account for variation in pipe material, diameter, installation conditions, or current construction costs.

A commonly used utility planning guideline is to maintain capital reserves at 1%–3% of total system asset value to support ongoing renewal and replacement needs. Applying this benchmark to the pipeline-only estimate yields an indicative reserve range of $111,000 to $335,000. This range would increase if the full asset base were included in a comprehensive valuation.

If CLOCWD is not generating sufficient revenue through rates to fund the timely replacement of assets at the end of their useful life, the District will need to rely more heavily on external financing sources, such as low-interest loans and grant funding, to support its capital improvement needs.

- Loans - Obtaining loans will come with debt service payments and debt reserve requirements that may increase the expenses in future years

- Grants - During this current economic climate, it is not advised to assume grants in the budgeting process

CLOCWD has the equipment and staff to complete some capital repair and replacement projects in-house and have an established annual budget to ensure work is continually being done. This established budget was used in the rate study. Additionally, $113,968 is being set aside over the next 5 years to build a capital replacement/maintenance reserve.

Debt Payments and Reserve

Water utilities that have issued debt to pay for capital assets will often have required reserves that are specifically defined to meet the legal covenants of the debt. Normally, debt service reserve represents an amount equal to at least one full annual loan payment and can be accumulated to this level over a period of 5 to 10 years.

The CLOCWD has 3 loans to support the water system:

- USDA loan to finance construction of water system improvements. This loan matures in 2061 and has annual payments of $100,000+ per year.
- Capital Lease, Inc. loan for a water truck. This loan matures in 2027 with payments decreasing from approximately $19,000 in FYE 2026 to $8,500 in FYE 2027.
- A loan for a crane truck. The water fund is paying for a portion of the crane truck with the water fund being responsible for $23,724 in payments annually.

Analysis and Recommendations for Financial Condition

CLOCWD has a strong budget process and ongoing capital replacement program. It is recommended that CLOCWD review its financial policies and develop a more robust capital

improvement program to ensure all assets can be replaced as they reach the end of their useful life. CLOCWD can pursue grants and loans to assist with these projects.

Applying for grants or loans will take staff time and financial resources. Additionally,

- Loans – Obtaining loans will come with debt service payments and debt reserve requirements that may increase the expenses in future years
- Grants - During this current economic climate, it is not advised to assume grants in the budgeting process

A rate increase is recommended to ensure that CLOCWD can cover all their costs, including funding reserves. Several rate options are included in this report to provide a range of pricing structures to allow the governing body to select the most fair, sustainable, and financially viable approach for their community.

Cost-of-Service and Rate Design

Fixed and Variable Costs

Water must be available to customers at all times whether the customer is using the water or not. A large share of water system costs are associated with bringing the first drop of water to the customer's tap, regardless of whether any water is used. Other costs are incurred as customers use water. Fixed costs are those that must be recovered by a water system to ensure that drinking water is available to its customers, while variable costs are more directly related to how much water is being pumped, treated, stored, and distributed. The identification of costs as fixed costs, varied costs, or some percentage of both is a determination that each utility must make for itself. It is done by reviewing the budget and each line item closely. The allocation for CLOCWD is in Exhibit E.

Fixed costs are typically collected through a base rate, which is a fixed monthly charge. Variable costs are typically collected through a usage rate, which is a dollar amount per unit of water used by the customer.

Base Rate and Usage Rates

Base Rates

Fixed costs are typically collected through a base rate. These base rates can be calculated using several different methods including:

- Flat base rate – all customers pay the same amount regardless of service connection size.
- American Water Works Association Meter Ratios - standard meter ratios that are used to estimate the equivalent cost of service based on the capacity of a water meter.

Meter Size	Operating Capacity (GPM)	Meter Ratio
1/2"	15	0.75
5/8"	20	1.00
3/4"	30	1.50
1"	50	2.50
1.5"	100	5.00
2"	160	8.00

Meter Size	Operating Capacity (GPM)	Meter Ratio
3"	320	16.00
4"	500	25.00
6"	1000	50.00
8"	1600	80.00
10"	2400	120.00
12"	3375	168.75

- Meter ratios based on actual usage seen in water system – custom meter ratios that are calculated on historical usage data of different meter sizes.

Usage Rates

Variable expenses are typically collected through the usage rate. These usage rates can be calculated using several different methods including:

- Uniform usage rate - customers are charged a single, constant rate for each unit of service.

- Tiered usage rate - the cost per unit of service changes as a customer's consumption exceeds certain thresholds or "tiers." Variations of tiered rates include increasing block rate and decreasing block rate. Tiered usage rates are not recommended for public entity water systems due to current Proposition 218 case law.

Assumptions

In a rate study, assumptions are critical because they help frame the calculations and projections that determine pricing or rates. Assumptions details used in this rate study can be seen in Exhibits C-F and include:

Financial Assumptions

- **Return on Investment Rates** – Capital improvement reserves are often in a savings account that accrues interest. It is assumed this rate of return can reduce the annual reserve required from water sales for additional capital assets.

- **Past Inflation Rates** - Allows the current cost of assets to be calculated when only historic costs are available.

- **Future Inflation Rates** – Allows the future cost of asset replacement to be calculated as well as helps to project the budget forward.

- **Future Loan Rates and Fees** – Important for calculating the debt service payment that will be required if a water system chooses to fund assets in need of replacement over the next 5 years through loan.

- **Existing Debt** – Annual payment and reserve requirements for current debt

- **Existing Reserves** – The water fund balance which can be made up of cash, investments, and other liquid assets. Typically, operating reserves are in a checking account and capital reserves are in an interest-bearing savings account

- **Reserve Targets** – established dollar amounts to maintain in operating, emergency, debt, and capital reserves along with the number of years to build to this amount

- **Median Household Income** – average income for residential customers, this can come from several sources such as the SAFER Dashboard or U.S. Census

Usage and Billing Assumptions

- **Conservation Factor** – Accounts for the typical reduction in water use seen after a rate increase. Study by the Department of Interior in California states price elasticity of water is -0.1%. RCAC also sometimes uses from -1.0% up to -5.0% from experience with working rural, disadvantage communities. This factor can also include any water system specific concerns for reduction in water use.

- **Community Growth Factor** – Growth factor to account for an increasing or decreasing population in the area. This data can come from the U.S. Census, the water system's master plan, or other source

- **Receivable Write-Offs** – RCAC assumes a 0.2% write-off unless otherwise state by the water system. This write-off accounts for non-payment of water bills

Capital Improvement Plan Assumptions

- **Default Funding Assumptions** – The funding assumptions made to many of the capital assets in the model. While it is always recommended to fund with 100% cash, often times RCAC will adjust these to assist with affordability while giving a roadmap to smaller water systems on next steps in their capital improvement plan. During this current economic climate, it is not advised to assume grants in the budgeting process. Also understand that applying for grants or loans will take staff time and financial resources.

- **Capitalization Threshold** - Any asset purchased below this value is not included in the CIP. It assumed that this purchase was included in the annual maintenance budget. This is usually a policy decision by the water board and varies based on the size of the water system. RCAC will often use $5,000 if the water system has no threshold established.

- **Short-Lived Assets** – Some funders only require water systems to create reserves for short-lived assets (5–15-year useful life). This is not recommended by the SWRCB and is not used in California.

Customized Assumptions

- **Budget projections** – While future inflation is a tool used to project many budget line items forward. A detailed review of each budget was completed and line items that needed further adjustments were changed. Budget line items with custom assumptions are:

- CalPERS was split into the wages portion and the unfunded liability portion. The wages portion used standard inflation while the unfunded liability used numbers provided directly from CalPERS

- Utilities assumed 7% inflation, based on previous electricity increases

- The CRP Water fund expenses assumed 5% inflation, to reflect the higher inflation seen in the construction industry than in the Consumer Price Index.

- **Capital Improvement Plan** –A detailed review of CLOCWD's CIP was not conducted.

    - A commonly used utility planning guideline is to maintain capital reserves at 1%–3% of total system asset value to support ongoing renewal and replacement needs. Applying this benchmark to the 35-miles of pipeline conservatively estimated at a value of $11.2 million, produces an indicative reserve range of $111,000 to $335,000. This range would increase if the full asset base were included in a comprehensive valuation. To date, CLOCWD has not completed a CIP due to the associated costs, which can exceed $35,000. In the future, CLOCWD may wish to pursue State or Federal technical assistance funding to support development of a CIP.

- **Cost Allocation** – RCAC uses the identification of fixed and variable costs to allocate costs to base rates and usage rates. The identification of fixed and variable costs is best left with the water system to identify. RCAC does advise that any debt service be considered a fixed cost and that many of the pumping and chemical costs be assigned to variable.

    - Treatment chemicals and utilities were considered variable expenses, and all other budget line items were considered fixed.

Rate Options and Recommendation

This rate study has analyzed various pricing structures for the water utility, considering the financial needs of the system, equitable distribution of costs among customers, and the promotion of water conservation. After careful evaluation, the top rate option is being included in this report for the governing body's vote.

When considering rates, it is crucial for the governing body to consider not only the immediate financial implications but also the long-term sustainability and fairness of the rates. The following recommendation aimed to produce a rate structure that supports the community's needs while promoting fiscal responsibility and transparency.

RCAC values affordability when drafting rate options for small water systems. However, governing body responsibilities for the water system include maintaining sufficient revenue and reserves to provide for ongoing maintenance for the foreseeable future. The ultimate responsibility of the governing body is to ensure preserved public health and compliance with environmental regulations.

Proposed Rate Option

The proposed rates use AWWA meter capacity ratios to spread fixed costs amount meter sizes. The usage rate is a uniform rate that collects the variable costs of CLOCWD. It collects for the true cost of water by establishing a 3-month operating reserve, an emergency reserve, and a maintenance reserve over the 5-year rate study period. The rate schedule and results can be seen below and in Exhibit F.

Proposed Rate Schedule					
Standard Rates					
Meter Size	**2027**	**2028**	**2029**	**2030**	**2031**
5/8"	$69.00	$72.67	$76.02	$79.52	$83.19
3/4"	$103.50	$109.02	$114.04	$119.29	$124.79
1	$172.50	$181.69	$190.06	$198.82	$207.98
1.5	$345.00	$363.37	$380.11	$397.62	$415.94
2	$552.00	$581.40	$608.18	$636.20	$665.51
3	$1,103.98	$1,162.78	$1,216.34	$1,272.39	$1,331.01
4	$1,724.97	$1,816.84	$1,900.54	$1,988.09	$2,079.70
Rate per 1 Gallon	$0.00287	$0.00303	$0.00316	$0.00330	$0.00345
Rate per HCF	$2.15	$2.27	$2.36	$2.47	$2.58

Proposed Rate Financial Results						
	2027	**2028**	**2029**	**2030**	**2031**	**5 Years**
Total Expenses	$2,244,440	$2,362,545	$2,469,293	$2,580,946	$2,697,733	$12,354,957
Total Revenue	$2,244,440	$2,362,545	$2,469,293	$2,580,946	$2,697,733	$12,354,957
Net Loss or Gain	$0	$0	$0	$0	$0	$0
Net Cash Flow	$111,204	$139,050	$147,381	$153,788	$162,244	$713,667
Affordability of average residential bill	3.15%	3.32%	3.47%	3.63%	3.80%	3.15%
In Simple Terms:						
Are you putting enough $ into reserves?	Yes	Yes	Yes	Yes	Yes	
Positive Annual Cash Flow?	Yes	Yes	Yes	Yes	Yes	

Implementation Remarks & Conclusion

Recommendations for the current financial condition and rate option selection have been discussed. Below are some additional recommendations for CLOCWD.

General Implementation Advice

Key points to remember with this rate adjustment are:

- Every year revenues versus expenditures should be reviewed to ensure that the rates cover all costs to the system.
- Rates should be reviewed every 5 years or whenever the water system is at risk of expenditures exceeding revenue.
- Successful utilities are those that strive to be transparent. In day-to-day operations, the CLOCWD should strive to promote its services (highlights and the low points) and continuously educate residents on why it is necessary to raise and adjust rates.
- If possible and not already done, CIP reserves should be moved to and maintained in the highest interest-bearing accounts available to offset inflation unless the cost of doing so is more than the interest earned on the account.

Proposition 218 Overview

When the governing body selects a rate option, this triggers Proposition 218 process. Proposition 218 is a voter-approved initiative in California that restricts the authority of government agencies to charge certain taxes or fees. This proposition regulates property-related fees and charges that are imposed on a parcel. Following a California Supreme Court decision, water and sewer rates are now also subject to Proposition 218. Therefore, the water system needs to follow Proposition 218 guidelines and related activities to legally pass new rates, which include sending out a public notice and holding a public hearing.

To be in compliance with Proposition 218, the public notice needs to contain certain information. This information includes how and why the rate increase was proposed, the consequences of not raising rates, how charges are allocated among different types of users, and the date, time, and location of the public hearing. Proposition 218 requires that a public hearing be held at least 45 days after the public notice has been sent out. After the public hearing, the governing board can adopt the new rates through a resolution if there is no majority protest (50% plus one) from the property owners/rate payers. All protests are required to be in writing with the protester's name and affected parcel number. Proposition 218 does not apply to connection charges, capacity charges, wholesale rates, groundwater pumping fees, and conservation penalties.

Additionally, the letter should include "In accordance with Senate Bill 323, any judicial action or proceeding to attack, review, set aside, void, validate, or annul an ordinance, resolution, or motion adopting a fee or charge for water service, or modifying or amending an existing fee or charge for water service, shall be commenced within 120 days of the effective date or of the date of the final passage, adoption, or approval of the ordinance, resolution, or motion, whichever is later."

Compliance with Assembly bill 2257 may prohibit a person or entity from bringing judicial action or proceeding with Prop 218 unless person/entity has timely submitted to the local agency a written objection that specifies grounds for noncompliance. Part of this compliance is to ensure a

written basis for the rate increase is posted on the system's external website and include a link to the public notice.

For full Proposition 218 compliance, always consult with your water system's legal advisor.

Conclusion

In conclusion, this rate study provides a fair and effective approach to maintaining the financial health of the water system, while ensuring equitable access to clean water for all customers. The recommended rates will allow the utility to continue providing high-quality service in a financially sustainable manner, meeting the needs of the community for years to come.

The attached Exhibits A through F provide detailed information and analysis supporting the findings and recommendation of this water rate study. Each exhibit has been prepared to illustrate the key components of the study, including cost of service, customer demand, rate structure options, and the financial impact of the proposed rates. These exhibits are designed to offer transparency and allow for a clear understanding of the methodologies used to determine the recommended rate structure

Exhibit A:
Current Rates

Sewer				Water			
Residential							
Classification	**Rate**	**Fixed**	**CRP**	**Classification**	**Rate**	**Fixed**	**CRP**
This classification will now include all SFD/MFD/MHD	$74.47	50.52	23.95	This classification will now include all SFD/MFD/MHD	$51.37	34.34	17.03
Commercial							
Classification	**Rate**	**Fixed**	**CRP**	**Classification**	**Rate**	**Fixed**	**CRP**
School - Per Student	$2.17	1.59	0.58	5/8 x 3/4 "	$51.37	34.34	17.03
RV/Campsite - Per Space	$22.11	14.44	7.67	1	$144.94	107.52	37.42
Hotel/Motel	$34.04	23.42	10.62	1 1/2	$285.80	214.92	70.88
Laundromat-Per Machine	$45.56	32.08	13.48	2	$456.44	343.75	112.69
Church	$68.75	49.52	19.23	3	$853.75	644.56	209.19
Service/Gas Station- Per Restroom	$45.56	32.08	13.48	4	$1,421.51	1074.31	347.20
Beauty/Barber Shop	$89.00	69.77	19.23				
Restaurant	$102.05	74.57	27.48	No Allowance			
Restaurant w/Bar	$170.90	126.36	44.54	**Usage Rates**			
Bar	$98.89	72.21	26.68				
Service Club	$68.78	49.55	19.23	**0-999,999,999 CF**	**$2.23**		
Service Club w/Kitchen/Food Service	$94.91	69.77	25.14				
Commercial Office Space	$68.78	49.55	19.23				
Community Beach - Per Restroom	$68.78	49.55	19.23				

2024-2025 WATER AND SEWER RATES

2025-2026 RATE INCREASE TO TAKE EFFECT ON JULY 1, 2025

7/1/2024 \\Server\clowd\Admin\Customer Service\Base Rates\2024-2025 Rates Breakdown.xlsx

Exhibit B:
Water System Use Characteristic

Sales in FYE 2024 by Meter Size								Billing Cycle		Monthly, Gallons		
Meter Size	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
5/8"	9,824,449	10,827,098	11,681,987	9,547,133	7,894,877	6,574,237	5,745,394	7,707,584	6,346,056	5,730,252	8,191,118	9,036,043
3/4"	256,343	271,118	302,557	241,036	2,783	2,618	6,418	7,070	8,670	7,256	7,480	10,307
1"	280,958	309,147	332,674	272,763	198,569	162,939	167,264	174,656	207,651	160,368	310,538	255,047
1.5"	49,110	55,483	61,782	53,007	56,059	51,766	47,838	63,166	51,242	40,290	53,538	47,666
2"	339,031	382,448	441,499	467,621	423,673	476,418	332,411	493,907	331,364	377,257	559,093	594,565
3"	578,983	706,399	879,654	629,013	419,970	240,289	210,247	260,311	218,922	238,371	400,955	643,435
4"	258,982	343,288	256,768	419,806	271,176	295,517	355,630	279,823	269,762	104,428	265,386	285,882

Sales in FYE 2024 by Customer Class		
Current Class ID	Name of Class	Total Annual Usage
1	SFD/MFD/MHD	92,445,739
2	Commercial	24,175,634
2	CLOCWD Mtrs	561,531

Exhibit C:
Assumptions

Key Assumptions						
Financial Assumptions						
Inflation and Loan Rates						
Return on Invested Funds	0.50	%				
Past Inflation	3.50	%				
Future Inflation	4.00	%	5.00% for CRP- Water Fund			
Future Loan Interest Rate	2.00	%				
Future Loan fees, legal, costs	1.00	%				
Existing Debt						
Description	Annual Payment	Maturity	Reserve Required	Reserve Allocated	Make Up Period	
See Exhibit D						
Total						
Existing Reserves						
Debt Reserve	$386,395	For water and wastewater loans				
Operating Reserve	$0	As of June 2025, $67,918 but assuming $0 due to net loss expectation in FYE 2026				
Emergency Reserve	$0	As of June 2025, General and LAIF total of $91,992. Assume 0 since it is not earmarked for water fund				
Capital Reserve	$0					
Total	$1,208,734.05	Total for all accounts, not all necessarily for water and water CRP fund				

Reserve Targets						
	Amount	Make Up Period	First Year Reserve Addition	Excess funds to be transferred to CIP	Goal	
Debt Reserve	-	-	-	-	As per lending agreement(s)	
Operating Reserve	$412,000	5	$82,400	$0	3 times the expenses during a billing cycle	
Emergency Reserve	$30,000	5	$6,000	$0	Well pump	
Available for Capital Reserve	$0					
Median Household Income						
MHI	$31,169		MHI Source	SAFER Dashboard		
Usage and Billing Assumptions						
Growth of Consumption over Base year						
		Year 1	Year 2	Year 3	Year 4	Year 5
Conservation Factor		0.0%	0.0%	0.0%	0.0%	0.0%
Community Growth Factor		0.0%	0.0%	0.0%	0.0%	0.0%
Total Consumption Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%
Receivable write off						
Percent of Billing		0.20%	0.20%	0.20%	0.20%	0.20%
Billing Details						
Unit of Service	1	Gallons				
Billing Cycles	Currently	Proposed				
Billing Cycle	M	M				

Billings per year	12	12				
Capital Improvement Planning Assumptions						
Default Funding of Asset Replacements						
Replacement Value From	To	Cash	Grant	Loan		
$0	$20,000	100%	0%	0%		
$20,001	$100,000	100%	0%	0%		
$100,001	$500,000	100%	0%	0%		
$500,001	$9,999,999	20%	0%	80%		
$10,000,000	$9,999,999	20%	0%	80%		
Capitalization Threshold						
Capitalization Threshold	$5,000	Any asset purchased below this value is not included in the CIP. It assumed that this purchase was included in the annual maintenance budget.				
Short-Lived Assets						
If you want to reserve for Short-Lived Asset only, how many years is your definition of a "Short-Lived Asset?"		15	(USDA-RD is 5 years. Some states require 15 years.)			

Exhibit D:
Rate Study Budget Projections

Key:		Other Notes:	Standard Assumptions	
Line items that vary based on rate options		This Budget is a combination of the Water and CRP – Water Budget	Inflation Factor (%)	4.00-5.00
Line items that vary from standard assumptions			Loan Interest Rate (%)	2.00

Budget Projections for Clearlake Oaks County Water District – Water & CRP Water Funds

	Actual	Actual	Budgeted		Projected	Projected	Projected	Projected	Projected
EXPENSES AND SOURCES OF FUNDS									
OPERATIONS & MAINTENANCE EXPENSES									
	2024	2025	2026	% Water	2027	2028	2029	2030	2031
Salaries & Wages	$658,658	$660,103	$689,818	100%	$719,790	$751,079	$783,745	$817,849	$853,455
FICA - District Share	$50,897	$51,423	$56,204	100%	$58,647	$61,198	$63,862	$66,642	$69,545
Medical Ins - District Share	$103,790	$96,531	$104,964	100%	$109,504	$114,244	$119,190	$124,354	$129,743
PERS - District Share	$42,271	$38,907	$43,231	100%	$45,123	$47,099	$49,163	$51,318	$53,569
Unemployment	$0	#VALUE!	$5,000	100%	$5,200	$5,408	$5,624	$5,849	$6,083
Workers Comp Ins	$19,622	$20,932	$51,470	100%	$53,746	$56,123	$58,608	$61,203	$63,915
PERS UNFUNDED LIABILITY	$39,434	$56,422	$62,567	100%	$67,500	$73,000	$73,500	$74,000	$75,500
Advertising	$0	$208	$200	100%	$208	$216	$225	$234	$243
Bank Fees	$22,011	$22,891	$21,790	100%	$22,662	$23,568	$24,511	$25,491	$26,511
Communications & Internet	$19,755	$23,453	$22,500	100%	$23,435	$24,409	$25,424	$26,482	$27,583
Board Exp	$2,056	$3,640	$3,500	100%	$3,640	$3,786	$3,937	$4,095	$4,258
Equip - Field ($300-$4999)	$1,250	$3,919	$3,750	100%	$3,913	$4,082	$4,259	$4,444	$4,637
Equip - Office	$1,661	$1,727	$2,000	100%	$2,080	$2,163	$2,250	$2,340	$2,433
Fuel & Oil	$22,910	$31,000	$34,824	100%	$36,381	$38,009	$39,710	$41,489	$43,348
Insurance	$43,781	$45,532	$44,100	100%	$45,864	$47,699	$49,607	$51,591	$53,654
Interest	$6,014	$9,450	$8,000	100%	$8,380	$8,778	$9,195	$9,633	$10,091
Lab	$28,498	$29,683	$27,200	100%	$28,338	$29,524	$30,760	$32,048	$33,391

Memberships & Subscriptions	$45,343	$47,156	$46,000	100%	$47,840	$49,754	$51,744	$53,813	$55,966
Mileage Reimb	$70	$780	$500	100%	$520	$541	$562	$585	$608
Postage & Shipping	$11,026	$13,520	$13,000	100%	$13,520	$14,061	$14,623	$15,208	$15,816
Professional Services	$31,192	$32,439	$30,000	100%	$31,200	$32,448	$33,746	$35,096	$36,500
Rents	$7,529	$7,830	$7,500	100%	$7,800	$8,112	$8,436	$8,774	$9,125
Safety & Security	$8,663	$9,009	$10,250	100%	$10,710	$11,191	$11,694	$12,219	$12,769
Tools & Instruments	$5,020	$5,958	$5,700	100%	$5,948	$6,207	$6,477	$6,759	$7,054
Supplies - Clothing & Personal	$3,232	$4,495	$5,600	100%	$5,844	$6,099	$6,365	$6,643	$6,933
Supplies - Office	$4,620	$4,805	$4,000	100%	$4,160	$4,326	$4,499	$4,679	$4,867
Treatment Chemicals	$79,989	$125,250	$125,250	100%	$130,260	$135,470	$140,889	$146,525	$152,386
Supplies - Operating - Other	$12,135	$12,665	$11,600	100%	$12,130	$12,685	$13,265	$13,872	$14,507
Taxes - Licenses	$0	$0	$0	100%	$0	$0	$0	$0	$0
Training	$3,794	$3,953	$4,250	100%	$4,425	$4,607	$4,797	$4,995	$5,201
Travel	$136	$1,040	$2,000	100%	$2,080	$2,163	$2,250	$2,340	$2,433
Utilities	$288,751	$308,964	$285,394	100%	$305,372	$326,748	$349,620	$374,093	$400,280
Waste Disposal	$13,563	$14,106	$15,350	100%	$15,964	$16,603	$17,267	$17,957	$18,676
Yolo Co	$38,596	$40,140	$61,000	100%	$63,440	$65,978	$68,617	$71,361	$74,216
Misc.	$467	$1,820	$1,750	100%	$1,820	$1,893	$1,969	$2,047	$2,129
R&R Buildings & Grounds	$5,344	$9,405	$9,000	100%	$9,390	$9,797	$10,222	$10,666	$11,129
R & R Damage Claims	$1,413	$1,470	$1,413	100%	$1,470	$1,528	$1,589	$1,653	$1,719
R&R Lift Stations	$0	$0	$0	100%	$0	$0	$0	$0	$0
R&R Equipment	$35,000	$36,925	$35,076	100%	$36,829	$38,670	$40,602	$42,632	$44,762
R&R Mains/Service Lines	$50,000	$52,750	$50,014	100%	$52,515	$55,140	$57,897	$60,792	$63,831
R&R Vehicles ($2k/vehicle)	$18,000	$22,110	$21,000	100%	$22,020	$23,090	$24,212	$25,389	$26,623

Maintenance Reserve Account	$0	$0	$0	100%	$22,827	$50,663	$58,982	$65,377	$73,818
Hydrants	$0	$0	$0	100%	$10,000	$10,000	$10,000	$10,000	$10,000
Total Operations & Maintenance Expenses	$1,726,486	$1,852,410	$1,926,765	100%	$2,029,666	$2,127,495	$2,224,912	$2,327,158	$2,435,489
GENERAL & ADMINISTRATIVE EXPENSES									
	2024	2025	2026	% Belonging to Water	2027	2028	2029	2030	2031
Operating Reserve Funding	$0	$0	$0	100%	$71,480	$82,400	$82,400	$82,400	$82,400
Emergency Reserve Funding	$0	$0	$0	100%	$6,000	$6,000	$6,000	$6,000	$6,000
Maintenance Reserve Account	$18,000	$18,990	$18,000	100%	$0	$16,926	$25,257	$31,665	$40,120
USDA Loan	$101,000	$102,000	$103,000	100%	$105,000	$106,000	$107,000	$110,000	$110,000
Vac-con Loan	$0	$43,533	$0	100%	$0	$0	$0	$0	$0
Water Truck Loan	$0	$19,225	$19,996	100%	$8,570	$0	$0	$0	$0
Crane Truck Loan	$0	$0	$0	100%	$23,724	$23,724	$23,724	$23,724	$23,724
Total General and Administrative Expenses:	$101,000	$164,758	$122,996	100%	$214,774	$235,050	$244,381	$253,789	$262,244
TOTAL EXPENSES	$1,827,486	$2,017,168	$2,049,761	$2	$2,244,440	$2,362,545	$2,469,293	$2,580,947	$2,697,733
SOURCE OF FUNDS / REVENUES RECEIVED									
Sales Revenue (Base + Usage)	$1,779,427	$1,926,635	$1,870,787	100%	$2,214,549	$2,332,891	$2,439,852	$2,551,730	$2,668,750
Penalty and Interest	$40,422	$29,878	$33,000	100%	$34,320	$34,320	$34,320	$34,320	$34,320
Uncollectable Receivables	$0	$0	$0	100%	-$4,960	-$4,429	-$4,666	-$4,880	-$5,103
TOTAL REVENUE	$1,819,849	$1,956,513	$1,903,787	100%	$2,244,440	$2,362,545	$2,469,293	$2,580,946	$2,697,733
NET LOSS OR GAIN:	-$7,637	-$60,655	-$145,974	100%	$0	$0	$0	$0	$0
NET CASH FLOW (Contribution to Reserves)	$0	$0	$0	100%	$77,480	$105,326	$113,657	$120,065	$128,520

Exhibit E:
Cost Allocations

Fixed vs. Variable Allocation	Notes:			
Budget Line Item	5-Year Avg	% Fixed	$ Fixed	$ Variable
Salaries & Wages	$785,184	100%	$785,184	
FICA - District Share	$63,979	100%	$63,979	
Medical Ins - District Share	$119,407	100%	$119,407	
PERS - District Share	$49,255	100%	$49,255	
Unemployment	$5,633	100%	$5,633	
Workers Comp Ins	$58,719	100%	$58,719	
PERS UNFUNDED LIABILITY	$72,700	100%	$72,700	
Advertising	$225	100%	$225	
Bank Fees	$24,549	100%	$24,549	
Communications & Internet	$25,467	100%	$25,467	
Board Exp	$3,943	100%	$3,943	
Equip - Field ($300-$4999)	$4,267	100%	$4,267	
Equip - Office	$2,253	100%	$2,253	
Fuel & Oil	$39,787	100%	$39,787	
Insurance	$49,683	100%	$49,683	
Interest	$9,215	100%	$9,215	
Lab	$30,812	100%	$30,812	
Memberships & Subscriptions	$51,823	100%	$51,823	
Mileage Reimb	$563	100%	$563	
Postage & Shipping	$14,646	100%	$14,646	
Professional Services	$33,798	100%	$33,798	
Rents	$8,449	100%	$8,449	
Safety & Security	$11,717	100%	$11,717	
Tools & Instruments	$6,489	100%	$6,489	
Supplies - Clothing & Personal	$6,377	100%	$6,377	
Supplies - Office	$4,506	100%	$4,506	
Treatment Chemicals	$141,106	0%	$0	$141,106
Supplies - Operating - Other	$13,292	100%	$13,292	
Taxes - Licenses	$0	100%	$0	
Training	$4,805	100%	$4,805	
Travel	$2,253	100%	$2,253	
Utilities	$351,222	0%	$351,222	$351,222
Waste Disposal	$17,293	100%	$17,293	
Yolo Co	$68,722	100%	$68,722	
Misc.	$1,972	100%	$1,972	
R&R Buildings & Grounds	$10,241	100%	$10,241	
R & R Damage Claims	$1,592	100%	$1,592	
R&R Lift Stations	$0	100%	$0	
R&R Equipment	$40,699	100%	$40,699	
R&R Mains/Service Lines	$58,035	100%	$58,035	
R&R Vehicles ($2k/vehicle)	$24,267	100%	$24,267	
Maintenance Reserve Account	$22,794	100%	$22,794	
Hydrants	$10,000	100%	$10,000	
USDA Loan	$107,600	100%	$107,600	
Vac-con Loan	$0	100%	$0	

Fixed vs. Variable Allocation	Notes:			
Budget Line Item	5-Year Avg	% Fixed	$ Fixed	$ Variable
Water Truck Loan	$8,570	100%	$8,570	
Crane Truck	$23,724	100%	$23,724	
Operating Reserve	$80,216	100%	$82,400	
Emergency Reserve	$6,000	100%	$6,000	
Total All Expenses	**$2,477,398**		**$1,985,070**	**$492,328**
Fixed-Variable as % of all Expenses			**80.1%**	**19.9%**

Exhibit F:
Proposed Rate Option

Proposed Rate Schedule					
Standard Rates					
Meter Size	2027	2028	2029	2030	2031
5/8"	$69.00	$72.67	$76.02	$79.52	$83.19
3/4"	$103.50	$109.02	$114.04	$119.29	$124.79
1	$172.50	$181.69	$190.06	$198.82	$207.98
1.5	$345.00	$363.37	$380.11	$397.62	$415.94
2	$552.00	$581.40	$608.18	$636.20	$665.51
3	$1,103.98	$1,162.78	$1,216.34	$1,272.39	$1,331.01
4	$1,724.97	$1,816.84	$1,900.54	$1,988.09	$2,079.70
Rate per 1 Gallon	$0.00287	$0.00303	$0.00316	$0.00330	$0.00345
Rate per HCF	$2.15	$2.27	$2.36	$2.47	$2.58

Proposed Rate Financial Results						
	2027	2028	2029	2030	2031	**5 Years**
Total Expenses	$2,244,440	$2,362,545	$2,469,293	$2,580,947	$2,697,733	$12,354,957
Total Revenue	$2,244,440	$2,362,545	$2,469,293	$2,580,946	$2,697,733	$12,354,957
Net Loss or Gain (Short/Over to Reserves)	$0	$0	$0	$0	$0	$0
Net Cash Flow (Contribution to Reserves)	$77,480	$105,326	$113,657	$120,065	$128,520	$713,667
Affordability of average residential bill	3.15%	3.32%	3.47%	3.63%	3.80%	3.15%
In Simple Terms:						
Are you putting enough $ into reserves?	Yes	Yes	Yes	Yes	Yes	
Positive Annual Cash Flow?	Yes	Yes	Yes	Yes	Yes	