Report On

Water and Wastewater Rate Study

February 2026

For:

Hilmar County Water District

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Submitted By:

Tuckfield & Associates

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FINANCIAL CONSULTING
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MANAGEMENT CONSULTING

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February 27, 2026

Mr. Curtis Jorritsma
General Manager
Hilmar County Water District
8319 Lander Avenue
Hilmar, CA 95324

Dear Mr. Jorritsma:

I am pleased to present this Water and Wastewater Rate Study (Study) report for the Hilmar County Water District (District). The water and wastewater rates presented in this report have been developed based on cost of service principles and industry methods that result in fair and equitable rates for the users of the water and wastewater systems.

This study included a review and analysis of the water and wastewater revenue and revenue requirements, number of customers, volumes, and current rate structures. Financial planning objectives of the Study included the following.

- Generate positive levels of income in the Study period
- Maintain operating and capital reserves at or greater than target levels
- Maintain debt service coverage ratios at or greater than the minimum required
- Meet annual capital replacement spending from the reserves and rates and charges

Water and wastewater rates were designed using methodologies from the American Water Works Association and the Water Environment Federation manuals of practice, reflecting industry practice. This report presents the findings and recommendations for the financial plans and rates for the District's water and wastewater systems. Tables and figures throughout the report are provided to demonstrate the calculations.

It has been a pleasure to work with District staff during the performance of this study. If there are any questions, please contact me at (949) 760-9454.

Very Truly Yours,

TUCKFIELD & ASSOCIATES

G. Clayton Tuckfield
President/Project Consultant

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Executive Summary

In December of 2025, the Hilmar County Water District (District) retained Tuckfield & Associates to conduct a comprehensive Water and Wastewater Rate Study (Study). The objectives of the Study included determining water and wastewater rates for FY 2026-27 to FY 2030-31 (the "Study Period") through development of pro forma statements of revenues and revenue requirements for each system and analyses to determine the costs of providing service.

Water Enterprise Financial Plan

A forward-looking financial plan was developed for the water system that projected water revenue and revenue requirements (costs) of the system. Annual costs of the water system include operation and maintenance (O&M) expenses, debt service, and annual capital improvement spending. The District's FY 2025-26 budget expenses are included in the financial plan and future expenses were projected through application of inflation factors to the budgeted expenses to complete a five-year plan. Debt service payments from a recent loan have been allocated to the water and wastewater financial plans separately. Capital spending includes costs related to a water system Capital Improvement Program (CIP) developed by the District for FY 2025-26 through FY 2030-31. Water system CIP includes replacement projects with costs met through a combination of water reserves and revenue from rates.

The financial plan combines all of the District's water funds to evaluate the sufficiency of revenue being generated by the current rates to meet the projected revenue requirements (costs) of each system. The analyses indicated that the current revenue being received is not sufficient to meet the water system's costs and that 8.5 percent annual revenue increases are necessary for the first two years, followed by revenue increases of 2 percent for the next three years. The increases are necessary to meet the projected O&M expenses, debt service, and capital improvement spending needs, while also meeting Target reserve levels and debt service coverage requirements for the System. The annual revenue Increases begin July 1, 2026 and continue on each July 1 through July 1, 2030. The water financial plan is presented in Table 11.

Proposed Water Rate Structure and Rates

The proposed water rate structure is a uniform volume structure and consists of fixed and variable charges for District water customers. The District moved to this structure with the last rate study approval. The current rates and the proposed rates for the next five years are provided in Table ES-1 for implementation beginning July 1, 2026 and each July 1 thereafter.

Included in the proposed water rates is a meter size labeled as ¾" x 1" that is intended to include residences that could have a ¾-inch meter but have a 1-inch meter due to fire code requirements. Additional fixed charges include a separate monthly charge for backflow devices for those customers requiring this device. The charge does not include the District replacing the device upon failure.

A separate private fire protection charge is also included in the proposed fixed charges for those customers that have a fireline from the water main directly into a building for the purpose of fire suppression.

Table ES-1
Proposed Water Fixed and Variable Charges

	Current Rate	July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029	July 1, 2030
Meter Size			**Fixed Charge ($ per month)**			
3/4"	$23.31	$23.22	$25.19	$25.69	$26.20	$26.72
3/4" x 1"	$23.31	$23.22	$25.19	$25.69	$26.20	$26.72
1"	$25.82	$25.54	$27.71	$28.26	$28.83	$29.41
1.5"	$29.13	$28.64	$31.07	$31.69	$32.32	$32.97
2"	$38.28	$37.16	$40.32	$41.13	$41.95	$42.79
3"	$105.64	$99.90	$108.39	$110.56	$112.77	$115.03
4"	$130.58	$123.14	$133.61	$136.28	$139.01	$141.79
6"	$188.80	$177.35	$192.42	$196.27	$200.20	$204.20
8"	n/a	$239.32	$259.66	$264.85	$270.15	$275.55
Backflow	$8.44	$10.98	$11.91	$12.15	$12.39	$12.64
Private Fireline Size						
3"	$6.85	$8.62	$9.35	$9.54	$9.73	$9.92
4"	$14.58	$18.36	$19.92	$20.32	$20.73	$21.14
6"	$42.38	$53.33	$57.86	$59.02	$60.20	$61.40
8"	$90.30	$113.65	$123.31	$125.78	$128.30	$130.87
			Variable Charge ($ per 1,000 gal)			
All Consumption	$2.12	$2.45	$2.66	$2.71	$2.76	$2.82

Water Bill Impacts

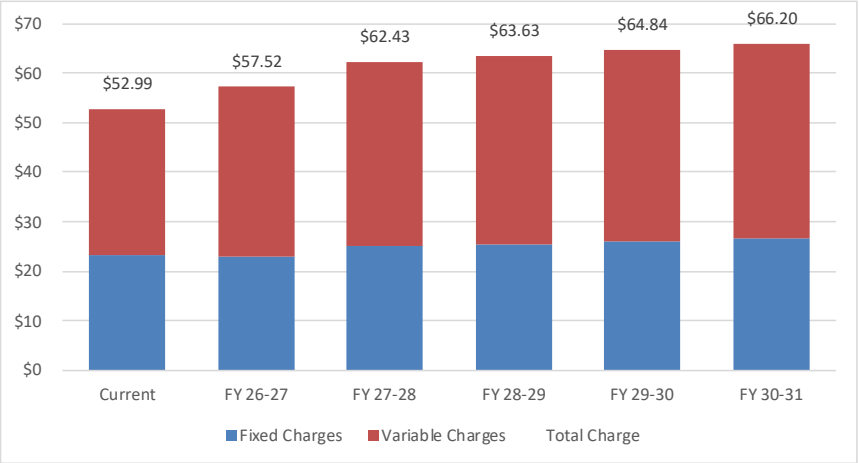
Table ES-2 presents the impacts to single-family residential (SFR) water bills from the implementation of the proposed July 1, 2026 water rates. For a SFR customer with a 3/4-inch meter using the FY 2024-25 average consumption of 14 KGAL monthly, the monthly bill will increase from $52.99 to $57.52, an increase of $4.53.

Table ES-2
Comparison of Current Single-family Residential Monthly Bill with 3/4 -inch Meter with Proposed Bill Using July 2026 Water Rates

		Current Bill			Proposed FY 26-27 Bill				
Description	Use (Kgal)	Service Charge	Volume Charge	Current Bill	Service Charge	Volume Charge	Proposed Bill	Dollar Difference	Percent Change
	0	$23.31	$0.00	$23.31	$23.22	$0.00	$23.22	($0.09)	-0.4%
Very Low	5	$23.31	$10.60	$33.91	$23.22	$12.25	$35.47	$1.56	4.6%
Low	8	$23.31	$16.96	$40.27	$23.22	$19.60	$42.82	$2.55	6.3%
Median	10	$23.31	$21.20	$44.51	$23.22	$24.50	$47.72	$3.21	7.2%
Average	14	$23.31	$29.68	$52.99	$23.22	$34.30	$57.52	$4.53	8.5%
High	20	$23.31	$42.40	$65.71	$23.22	$49.00	$72.22	$6.51	9.9%
Very High	30	$23.31	$63.60	$86.91	$23.22	$73.50	$96.72	$9.81	11.3%
	50	$23.31	$106.00	$129.31	$23.22	$122.50	$145.72	$16.41	12.7%

Table ES-3 illustrates how SFR water bills with a 3/4-inch meter using 14 KGAL monthly will change over time with implementation of the proposed water rates from Table ES-2. Initially, the monthly bill will increase by $4.53 per month, but then the increase in the later years is 2 percent.

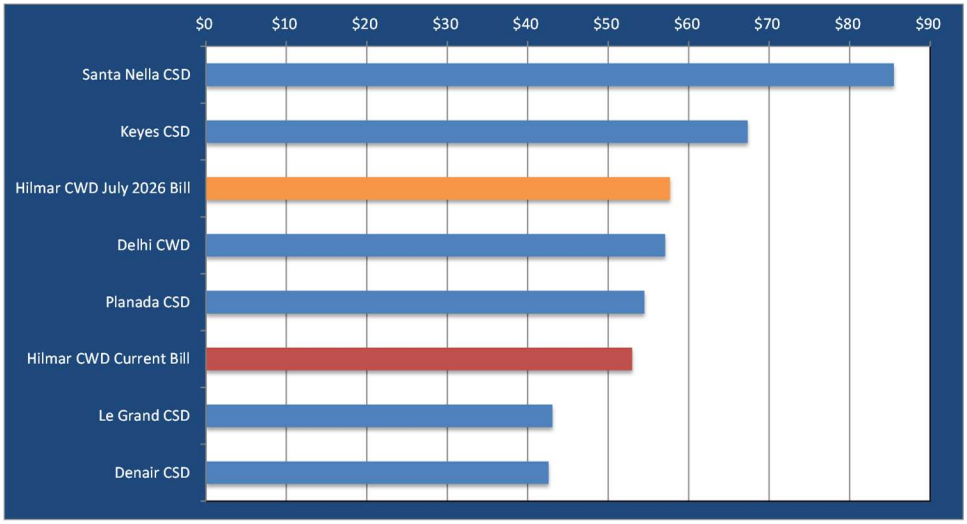
Table ES-3
Single-family Residential Monthly Water Bill Impacts with 3/4-inch Meter
at 14 KGAL Monthly



		Proposed				
SFR Charges	Current	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
Fixed Charges	$23.31	$23.22	$25.19	$25.69	$26.20	$26.72
Variable Charges	$29.68	$34.30	$37.24	$37.94	$38.64	$39.48
Total Charges	$52.99	$57.52	$62.43	$63.63	$64.84	$66.20
Dollar Change		$4.53	$4.91	$1.20	$1.21	$1.36

Chart ES-1 has been prepared to compare the District's average SFR water bill with those of other communities at the same consumption. The chart indicates that with the July 1, 2026 rates, a District SFR customer with a 3/4-inch meter and a monthly consumption of 14 KGAL will experience a bill that will increase to the upper half of the communities listed.

Chart ES-1
Single-family Residential Monthly Water Bills Using 14 KGAL



Note: Above table uses water rates in effect March 2026. Hilmar July 2026 bill is based on the rate structure and rates in Table ES-1.

Wastewater Enterprise Financial Plan

Similar to the water system, a forward-looking financial plan was developed for the wastewater system that projected water revenue and revenue requirements (costs) of the system. Annual costs of the wastewater system include operation and maintenance (O&M) expenses, debt service, and annual capital improvement spending. The District's FY 2025-26 budget expenses are included in the financial plan and future expenses were projected through application of inflation factors to the budgeted expenses to complete a five-year plan. Debt service payments from a recent loan have been allocated to the water and wastewater financial plans separately. Capital spending includes costs related to a wastewater system Capital Improvement Program (CIP) developed by the District for FY 2025-26 through FY 2030-31. The wastewater system CIP includes the Echo Lift Station, lift station generators, South Side Sewer, Vactor truck, and others. Costs are met through a combination of reserves and revenue from rates.

The financial plan combines all of the District's wastewater funds to evaluate the sufficiency of revenue being generated by the current rates to meet the projected revenue requirements (costs) of each system. The analyses indicated that the current revenue being received is not sufficient to meet the wastewater system's costs and that revenue increases of 3 percent are required for the next five years. The increases are necessary to meet the projected O&M expenses, capital improvement spending needs, while also meeting Target reserve levels and debt service coverage requirements for the System. The annual revenue Increases begin July 1, 2026 and continue on each July 1 through July 1, 2030. The wastewater financial plan is presented in Table 29.

Proposed Wastewater Rate Structure and Rates

The proposed wastewater rate structure is the same as the current structure. The current rate structure accounts for allocating District's costs to customers on a flow and strength basis. Table ES-4 presents the current rates and the proposed rates for the next five years.

Table ES-4
Proposed Wastewater Fixed and Variable Charges

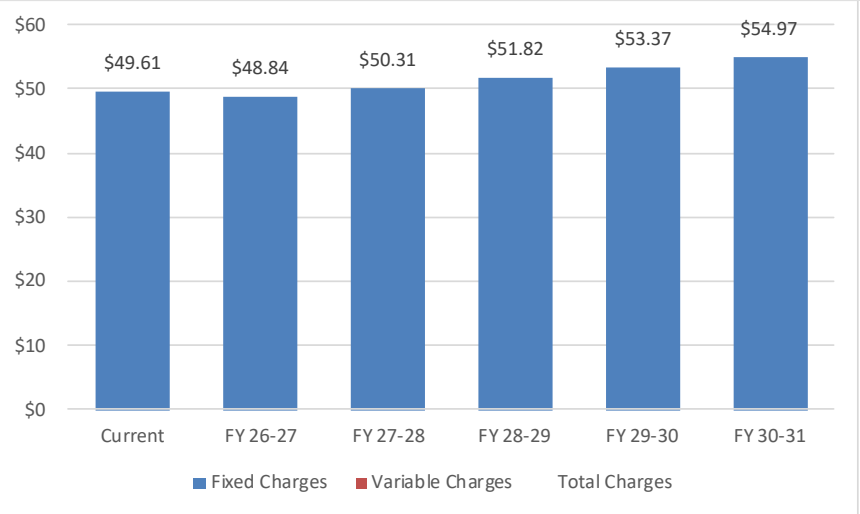
Meter Size	Current Rate	July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029	July 1, 2030
	Fixed Charge ($ per month)					
Single-family Residential [1]	$49.61	$48.84	$50.31	$51.82	$53.37	$54.97
Multifamily Residential [1]	$44.56	$43.96	$45.28	$46.64	$48.04	$49.48
Mobile Home [1]	$38.42	$36.62	$37.72	$38.85	$40.02	$41.22
Commercial	$49.61	$48.84	$50.31	$51.82	$53.37	$54.97
Schools	$49.61	$48.84	$50.31	$51.82	$53.37	$54.97
	Variable Charge ($ per 1,000 gal)					
Commercial [2]	$4.09	$5.10	$5.25	$5.41	$5.57	$5.74
Schools [2]	$3.47	$4.14	$4.26	$4.39	$4.52	$4.66

[1] Fixed charge per month per account/dwelling unit.
[2] Charged based on water consumption.

Wastewater Bill Impacts

Table ES-5 below provides how wastewater bills will change over time with the implementation of the proposed wastewater rates from Table ES-4. Initially, the July 1, 2026 wastewater bill will decrease from $49.61 to $48.84, a decrease of $0.77 per month, then increase at 3 percent annually.

Table ES-5
Single-family Residential Monthly Wastewater Bill Impacts



		Proposed				
SFR Charges	Current	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
Fixed Charges	$49.61	$48.84	$50.31	$51.82	$53.37	$54.97
Variable Charges	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total Charges	$49.61	$48.84	$50.31	$51.82	$53.37	$54.97
Dollar Change		($0.77)	$1.47	$1.51	$1.55	$1.60

Chart ES-2 has been prepared to compare the District's average SFR wastewater bill using 14 KGAL per month with those of other communities at the same consumption. The chart indicates that the District's SFR wastewater bill is among the lowest of the communities listed.

Chart ES-2
Single-family Residential Monthly Wastewater Bills at 14 KGAL

Note: Above table uses wastewater rates in effect March 2026. Hilmar July 2026 bill is based on the rates in Table ES-4.

Introduction

The Hilmar County Water District (District) retained Tuckfield & Associates to conduct a comprehensive Water and Wastewater Rate Study (Study) for its water and wastewater enterprise systems. This Study develops pro forma statements of revenues and revenue requirements for each enterprise, determines the cost of providing service to customers, and designs new water and wastewater rates and charges for implementation.

Background

The Hilmar County Water District (District) was formed in 1965 and provides water service and wastewater collection and treatment service to a population of approximately 5,200 residents. The District's service area consists of approximately 625 acres in the unincorporated community of Hilmar in northern Merced County.

Water is supplied from three wells, extracting water from the Turlock Groundwater Basin. The District's water peak water demand approaches 2 MGD during the summer months. To meet future demands and water quality issues, development of additional water supply and storage facilities will be required. The District is planning to develop these facilities in the future, beyond the planning period of this Study.

The District's wastewater system consists of five lift stations, two pump stations, and various sewers for wastewater collection and provides wastewater treatment form the construction of a wastewater treatment plant in July of 2003. The wastewater plant has a capacity of 0.55 mgd with current wastewater flows in FY 2024-25 of approximately 0.30 mgd.

Objectives

The objectives of this Study are to (1) review the financial status of each of the water and wastewater enterprises, (2) make any adjustments to the revenue being received to ensure that the financial obligations are being met now and in the future, including adequate reserves and debt service coverage, and (3) design water and wastewater rates that generate the required revenue while being fair and equitable for its customers.

Scope of the Study

This Study includes the findings and recommendations of analyzing each of the water and wastewater system's financial status and related CIP projects. Historical trends were analyzed from data supplied by the District showing the number of customers, volumes, revenue, and revenue requirements.

Revenue requirements of each enterprise include operation and maintenance (O&M) expenses, routine capital outlays, CIP funding, debt service, and additions to reserves. Changing conditions such as additional facilities, system growth, employee additions/reductions, and non-recurring maintenance expenditures are recognized. Inflation for ongoing expenditures is included to reflect cost escalation.

The financial plan and rates developed herein are based on funding of the CIP and estimates of O&M expenses provided by the District. Deviation from the financial plans, construction cost estimates and funding requirements, major operational changes, or other financial policy changes that were not foreseen, may result in the need for lower

or higher revenue than anticipated. It is suggested that the District conduct an update to the rate study at least every three years for prudent rate planning.

Assumptions

Several assumptions were used to conduct the Study for the period FY 2026-27 to FY 2030-31. The assumptions included growth rates in customer accounts and related consumption, expense inflation factors, financing and other assumptions used for projecting revenue and expense and estimating debt service payments. The financial planning assumptions are provided in Table 1.

Table 1
Assumptions and Planning Factors

Description	Value
Annual Account & Demand growth [1]	
Residential	0.25%
All Other	0.0%
Property Taxes and Interest Income	
Property Tax Revenue Increase	2.0%
Interest earnings on fund reserves (annual)	3.5%
Cost Escalation	
Personnel Services [2]	4.0%
Benefits	8.0%
Electrical Power	3.0%
Chemicals	3.0%
All Other Operations & Maintenance	2.0%
Capital	3.0%
New Revenue Bond Debt	
Interest Rate	4.5%
Repayment Period (Term) - years	20

[1] Annualized growth in accounts is based on historical information provided by staff.
[2] Personnel services growth in staffing, promotions, and inflation.

Reserve Policy

The District has reserve policy goals that include maintaining reserves at reasonable levels necessary for proper management of the systems. The reserve goals provide a means to meet unanticipated reductions in revenues, meet changes in the costs of providing services, provide for fixed asset repair and replacement, natural disaster needs, and other issues. The reserves also provide guidelines to maintain the financial health and stability of the enterprise funds. The reserve types and the amount of the reserves used in this Study are discussed below.

Operating Reserve

The purpose of the Operating Reserve is to provide working capital to meet cash flow needs during normal operations and support the operation, maintenance and administration of the utility. This reserve ensures that operations can continue should there be significant events that impact cash flow. The target balance to be maintained is 180 days (50 percent) of the current annual operating expense budget.

Capital Replacement Reserve

The purpose of the Capital Replacement Reserve is to fund future replacement of assets and CIP projects. The capital reserves are used to fund replacement of system assets as they reach their useful life or reach obsolescence. The reserve target has been established as an annual replacement spending amount.

Emergency Capital Reserve

The purpose of the Emergency Capital Reserve is to provide protection against catastrophic loss and to provide a cushion for inaccuracy in the long-range replacement program. The Target reserve is established at 3 percent of the value of current capital fixed asset value. The system values will increase as CIP is booked into fixed assets.

Capital Improvement and Facility Reserves

The District currently collects a Capital Improvement Fee and a Facility Fee from new customers connecting to the water and wastewater systems. The Capital Improvement Fee is collected from new customers for future acquisitions, construction and/or completion of additions and improvements to the water and wastewater systems. The Facility Fee is collected from properties annexing to the District to partially equalize the investment made by existing customers in the water and wastewater systems. The funds received from both fees are accumulated and/or are spent towards capital improvements of the water and wastewater systems. These reserves may be viewed as sub accounts within the overall Capital Replacement Reserve discussed above.

Beginning Balances and Reserve Targets

As of June 30, 2025, the District's beginning reserve balances are listed in the table below. The reserves are used in developing the financial plans for the water and wastewater utility systems. The Target Reserves are also provided in the table.

Table 2
June 30, 2025 Beginning Reserve Balances and Reserve Targets

Reserve Type	Water		Wastewater	
	Reserve Balance	Reserve Target	Reserve Balance	Reserve Target
Operating Reserve	$124,450	$487,000	$134,588	$432,000
Capital Replacement Reserve	$85,675	$179,000	$106,307	$192,000
Emergency Capital Reserve	$0	$7,000	$0	$14,000
Capital Improvement Reserve	$1,731,288	n/a	$692,986	n/a
Facility Reserve	$515,773	n/a	$458,904	n/a
Total	$2,457,186	$673,000	$1,392,785	$638,000

Water Financial Planning

Financial planning for the water system includes identifying and projecting revenues and revenue requirements for a five-year planning period. This section discusses current water rates, current user classifications, projected revenues and revenue requirements, capital improvement expenditures and financing sources, and proposed revenue adjustments.

Current Water Rates

Table 3 provides the current rates of the water system. The current rate structure was established with the District's last rate study in 2021. The water rates consist of fixed and variable charges to residential and non-residential customers. Fixed charges are shown in the table as monthly charges and bills are mailed to customers monthly. All customers are charged a fixed charge that varies by meter size.

All customers are charged for consumption using a uniform volume rate structure. Customers are charged uniformly for all water consumed in terms of dollars per thousand gallons ($/kgal).

Table 3
Current Water Rates

Meter/Fireline Size	Fixed Charge ($/mo)	Fire Protection ($/mo)	Customer Class	Variable Rate ($/kgal)
3/4"	$23.31		Single Family	$2.12
3/4" x 1" [1]	$23.31		Multifamily	$2.12
1"	$25.82		Mobile Home	$2.12
1.5"	$29.13		Commercial	$2.12
2"	$38.28		Institutional	$2.12
3"	$105.64	$6.85	School	$2.12
4"	$130.58	$14.58		
6"	$188.80	$42.38		
8"	$188.80	$90.30		
Backflow Charge	$8.44			

[1] Includes 1-inch meters only.

Water User Classifications

Number of Customers

The District classifies water customers as SFR, MFR, MHP, Commercial, and Institutional, and School. SFR customers account for about 86 percent of the total customers (excluding fire protection and backflow accounts) served by the water system. Growth is projected to occur only in SFR accounts at a rate of 0.25 percent annually or about 4 SFR

accounts added each year, following the assumptions listed in Table 1. Table 4 provides the historical and projected average number of customers by classification.

Table 4
Historical and Projected Average Number of Water Customers by Classification

	Historical	Projected					
Customer Class	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
Number of Accounts							
Single Family [1]	1,470	1,474	1,478	1,482	1,486	1,490	1,494
Multifamily [1]	143	143	143	143	143	143	143
Mobile Home [1]	2	2	2	2	2	2	2
Commercial	55	55	55	55	55	55	55
Institution	9	9	9	9	9	9	9
Schools	13	13	13	13	13	13	13
Backflow	103	103	103	103	103	103	103
Total Accounts	1,795	1,799	1,803	1,807	1,811	1,815	1,819
Fire Protection							
Public Fire Protection	191	191	191	191	191	191	191
Private Fire Protection	18	18	18	18	18	18	18
Total Fire Protection Accounts	209	209	209	209	209	209	209
Number of Dwelling Units							
Single Family [1]	1,470	1,474	1,478	1,482	1,486	1,490	1,494
Multifamily [1]	203	204	204	205	205	206	206
Mobile Home [1]	176	176	176	176	176	176	176

[1] Residential classifications are projected to increase based on the assumed growth rate of 0.25% from Table 1.

Number of Water Meters

Table 5 provides a summary of the current and projected average number of water meters by meter size. Eighty eight (88) percent of customers have a 3/4" meter installed at the service location. Meters listed as 3/4" x 1" are SFR customers with a 1" meter installed at the premises. It is assumed that all new SFR construction will have 1-inch meters installed and this is the minimum size for new SFR meter installations.

Table 5
Historical and Projected Average Number of Water Meters by Size

Description	Historical	Projected					
	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
Active Water Meters/Accounts [1]							
3/4"	1,491	1,491	1,491	1,491	1,491	1,491	1,491
3/4" x 1"	13	17	21	25	29	33	37
1"	150	150	150	150	150	150	150
1.5"	8	8	8	8	8	8	8
2"	19	19	19	19	19	19	19
3"	3	3	3	3	3	3	3
4"	6	6	6	6	6	6	6
6"	1	1	1	1	1	1	1
8"	1	1	1	1	1	1	1
Total Number of Meters	1,692	1,696	1,700	1,704	1,708	1,712	1,716
Backflow	103	103	103	103	103	103	103
Private Fire Protection							
3"	1	1	1	1	1	1	1
4"	4	4	4	4	4	4	4
8"	11	11	11	11	11	11	11
10"	2	2	2	2	2	2	2
Fire Protection Accounts	18	18	18	18	18	18	16

[1] Historical water meters/accounts for FY 24-25 were provided through District billing records.

Water Sales Volumes

Table 6 provides the historical and projected water sales volume by customer classification. Water sales volumes were projected by recognizing the growth in the number of accounts and the FY 2024-25 water use per customer.

Table 6
Historical and Projected Water Consumption (in1,000 gallons)

Description	Historical	Projected [1]					
	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
Water Consumption							
Single Family	239,780	232,017	232,647	233,276	233,906	234,535	235,165
Multifamily	25,935	25,151	25,151	25,274	25,274	25,397	25,397
Mobile Home	8,075	7,793	7,793	7,793	7,793	7,793	7,793
Commercial	11,960	11,541	11,541	11,541	11,541	11,541	11,541
Institution	1,248	1,205	1,205	1,205	1,205	1,205	1,205
Schools	4,347	4,195	4,195	4,195	4,195	4,195	4,195
Total Projected Consumption	291,346	281,902	282,532	283,284	283,914	284,666	285,296

[1] Forecast assumes that the use per customer from FY 24-25 is applied to the number of customers..

Water Financial Plan

The financial plan provides a means of analyzing the revenue and revenue requirements of the water system and its impact on reserves as well as the ability to fund on-going O&M expenses and capital infrastructure requirements. This section of the Report discusses the projection of revenue, O&M expenses, debt service requirements, capital improvement needs of the water system and its financing, and revenue adjustments needed to maintain a sustainable water enterprise.

Revenues

The Water Fund receives revenue from several sources. Operating revenue is received from rates and charges for water service. Revenue from water rates is projected by applying the current water rates to the projected number of accounts and consumption volume. Table 7 presents the projected revenue from current water rates of the water system.

Table 7
Projected Rate-based Revenue Using Current Rates

	Projected					
Description	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
Water Service Revenues						
Fixed Charges [1]	$497,554	$498,673	$499,792	$500,911	$502,030	$503,148
Variable Charges [2]	597,632	598,967	600,561	601,898	603,492	604,827
Backflow Charge	10,432	10,432	10,432	10,432	10,432	10,432
Subtotal Revenues From Current Rates	$1,105,618	$1,108,072	$1,110,785	$1,113,241	$1,115,954	$1,118,407
Private Fire Line Revenues	8,543	8,543	8,543	8,543	8,543	8,543
Total Revenues From Current Rates	$1,114,161	$1,116,615	$1,119,328	$1,121,784	$1,124,497	$1,126,950

[1] Forecast fixed revenue calculated from current water rates applied to the number of projected meters.
[2] Forecast variable revenue calculated by applying current water variable rates to the projected water sales volume.

Miscellaneous Revenue

Miscellaneous revenues are received from several sources including meter installations, late payment fees, property taxes and other sources. Table 8 below provides sources of miscellaneous revenue.

Table 8
Projected Miscellaneous Revenue

	Budget	Projected				
Description	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
Water Meter Connection Fees	$0	$1,200	$1,200	$1,200	$1,200	$1,200
Late Charges	11,750	12,100	12,500	12,900	13,300	13,700
Other	9,400	9,700	10,000	10,300	10,600	10,900
Property Taxes	94,000	95,900	97,800	99,800	101,800	103,800
Total Miscellaneous Revenues	$115,150	$118,900	$121,500	$124,200	$126,900	$129,600

Revenue Requirements

Revenue requirements of the water system include O&M expenses, capital replacement funding, and debt service. Each of these items are discussed below.

Operation and Maintenance Expense

O&M expenses are an on-going obligation of the water system and such costs are normally met from water service revenue. O&M includes the cost to operate and maintain the water supply, reservoirs, and distribution system facilities. Costs also include technical services and other general and administrative expenses. Table 9 provides a summary of the O&M expenses for the Study period.

Table 9
Budget and Projected Operation and Maintenance Expense

	Budget	Projected				
Description	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
Salaries and Benefits	$350,856	$366,805	$383,546	$401,120	$419,572	$438,955
Water Operations						
Shop Building Rental	$5,358	$0	$0	$0	$0	$0
Water Testing	25,000	25,500	26,010	26,530	27,061	27,602
Water Maintenance	181,700	185,334	189,041	192,822	196,678	200,612
Wells Maintenance	30,000	30,600	31,212	31,836	32,473	33,122
SCADA Annual Fees	23,370	23,837	24,314	24,800	25,296	25,802
Wells - TID	75,000	76,500	78,030	79,591	81,183	82,807
Administration - TID	2,115	2,157	2,200	2,244	2,289	2,335
Water Vehicle - Fuel	20,000	20,400	20,808	21,224	21,648	22,081
Water Vehicle - Maintenance	10,000	10,200	10,404	10,612	10,824	11,040
Water Annual Fees - Conf Report	23,000	23,460	23,929	24,408	24,896	25,394
Postage	8,460	8,629	8,802	8,978	9,158	9,341
Shop Supplies	8,930	9,109	9,291	9,477	9,667	9,860
Office Supplies	9,400	9,588	9,780	9,976	10,176	10,380
IT - Information Tech	11,750	11,985	12,225	12,470	12,719	12,973
Property Taxes	2,397	2,445	2,494	2,544	2,595	2,647
Bank Fees	47	48	49	50	51	52
Telephone	4,700	4,794	4,890	4,988	5,088	5,190
Uniforms	2,820	2,876	2,934	2,993	3,053	3,114
PG&E	1,645	1,694	1,745	1,797	1,851	1,907
Garbage	940	959	978	998	1,018	1,038
Backflow Maintenance	13,300	13,566	13,837	14,114	14,396	14,684
Subtotal	$459,932	$463,681	$472,973	$482,452	$492,120	$501,981
Capital Outlay	$7,050	$7,262	$7,480	$7,704	$7,935	$8,173
General and Administrative	$155,885	$159,005	$162,186	$165,429	$168,737	$172,111
Transfers	$178,800	$178,800	$178,800	$178,800	$178,800	$178,800
Total Water System O&M Expense	$1,152,523	$1,175,553	$1,204,985	$1,235,505	$1,267,164	$1,300,020

O&M expenses have been projected recognizing the major expense categories of personnel services, electric power expense, chemicals, all other expenses, and capital outlay. Projections of O&M expenses increase annually following the inflation assumptions from Table 1.

Capital Replacement Funding

The Water Fund makes an annual contribution for annual capital replacement needs. The amount is accumulated in the Capital Replacement Fund to be spent on replacements as they are identified. The annual amount for replacement is identified in Table 2 as $178,800.

Holman Loan Debt Service

The District entered into an installment purchase agreement with Holman Capital Corporation to obtain funding for construction of a corporate maintenance and operations yard facility and to complete Well #8 expansion. The annual debt service payments are allocated to both water and wastewater systems, to recognize that the corporate yard is utilized by both systems. The loan requires a minimum debt service coverage ratio of 1.25.

Water Capital Improvement Program

The District has developed a CIP plan shown in Table 10 that lists capital expenditures for FY 2025-26 through FY 2030-31. Appendix A-1 provides an expanded 10-year CIP used for this Study. The District does not have any significant capital spending planned for the near future other than a couple of annual replacement projects.

Table 10
Water Capital Improvement Program

	Budget	Projected				
Description	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
Capital Improvement Program (CIP)						
Proposed Asset Replacement Projects [1]	94,000	-	-	-	-	178,800
Total Water CIP	**$94,000**	**$0**	**$0**	**$0**	**$0**	**$178,800**

[1] FY 30-31 assumes annual replacement spending equal to District's goal.

Water Financial Plan

A financial plan has been prepared that includes the revenues and revenue requirements that were identified for the water system. The financial plan, presented in Table 11, incorporates specific financial planning goals to provide guidance to maintain the health of the water utility on an on-going basis. The goals included the following.

- Generate positive levels of income in each year of the Study period
- Maintain the operating and capital reserves at or greater than target levels
- Maintain debt service coverage ratios at or greater than the minimum required
- Maintain the annual capital funding goal

Proposed Revenue Adjustments

Analysis of the financial plan indicated that revenue increases are required to provide a sustainable path for the water enterprise going forward. Annual revenue increases are included in Table 11 to meet the financial planning criteria for the five-year Study Period. Revenue increases of 8.5 percent for two years, followed by increases of 2 percent for three years are shown beginning on July 1, 2026 and on each July 1 thereafter for the Study Period.

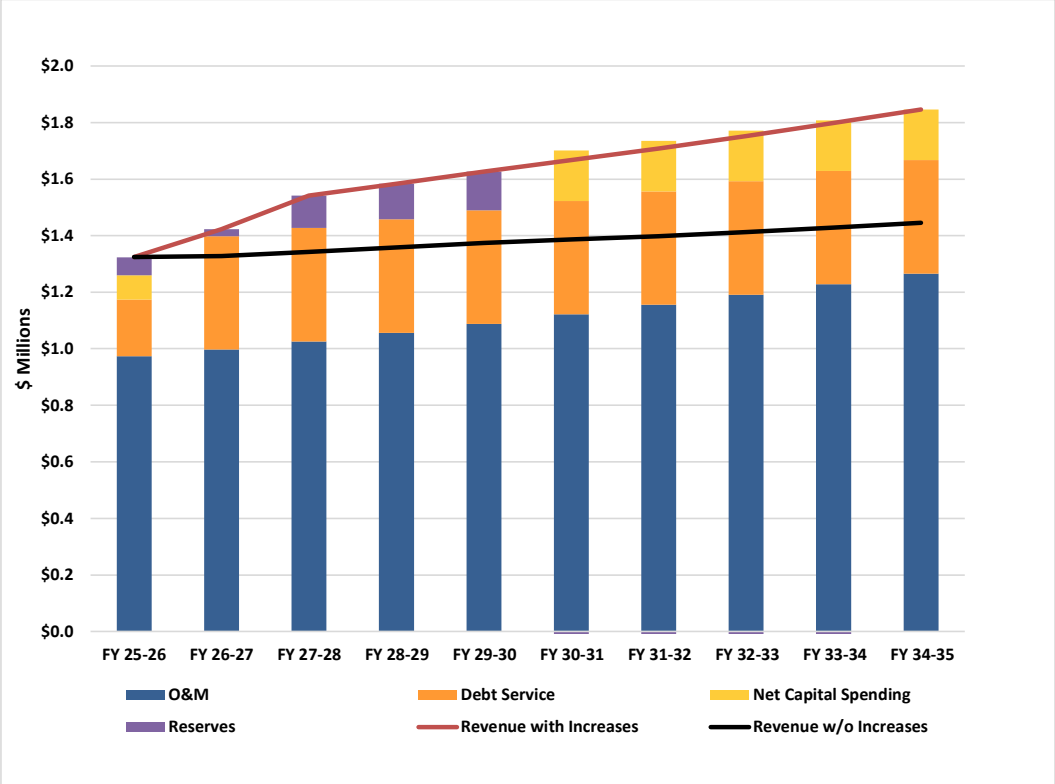
Table 11
Water Financial Plan

Description	Projected					
	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
Proposed Revenue Increase (July 1)		**8.5%**	**8.5%**	**2.0%**	**2.0%**	**2.0%**
Water Operations						
Revenue						
Revenues from Existing Water Rates [1]	$1,114,161	$1,116,615	$1,119,328	$1,121,784	$1,124,497	$1,126,950
Total Additional Water Sales Revenue [2]	-	94,912	198,373	225,221	252,770	280,926
Property Taxes	94,000	95,900	97,800	99,800	101,800	103,800
Water Meter Connection Fees	-	1,200	1,200	1,200	1,200	1,200
Other	21,150	21,800	22,500	23,200	23,900	24,600
Interest Income [3]	2,228	-	-	-	-	-
Total Revenues	$1,231,539	$1,330,427	$1,439,201	$1,471,205	$1,504,167	$1,537,476
Revenue Requirements						
Salary and Benefits	$350,856	$366,805	$383,546	$401,120	$419,572	$438,955
Water Operations	459,932	463,681	472,973	482,452	492,120	501,981
Capital Outlay	7,050	7,262	7,480	7,704	7,935	8,173
General and Administrative	155,885	159,005	162,186	165,429	168,737	172,111
Transfer to Water Capital Replacement	36,000	36,000	36,000	36,000	36,000	36,000
Transfer to Water Projects Fund	142,800	142,800	142,800	142,800	142,800	142,800
Holman Capital Loan	200,578	401,156	401,156	401,156	401,156	401,156
Total Revenue Requirements	$1,353,101	$1,576,709	$1,606,141	$1,636,661	$1,668,320	$1,701,176
Net Funds Before Capital	($121,562)	($246,282)	($166,940)	($165,456)	($164,153)	($163,700)
Water Capital						
Capital Sources of Funds						
Water Capacity Improvement Fees	$7,555	$0	$0	$0	$0	$0
Transfer to Water Capital Replacement	36,000	36,000	36,000	36,000	36,000	36,000
Transfer to Water Projects Fund	142,800	142,800	142,800	142,800	142,800	142,800
Interest Income [3]	84,600	92,600	102,200	112,200	122,600	130,200
Total Capital Sources of Funds	$270,955	$271,400	$281,000	$291,000	$301,400	$309,000
Capital Uses of Funds						
Proposed Asset Replacement Projects	$94,000	$0	$0	$0	$0	$178,800
Total Capital Uses of Funds	$94,000	$0	$0	$0	$0	$178,800
Net Capital Sources Less Uses	$176,955	$271,400	$281,000	$291,000	$301,400	$130,200
Net Funds After Capital	$55,393	$25,118	$114,060	$125,544	$137,247	($33,500)
Available Operating and Capital Reserves						
Total Beginning Reserves [4]	$2,457,186	$2,512,579	$2,537,697	$2,651,757	$2,777,301	$2,914,548
Total Additions (Reductions)	$55,393	$25,118	$114,060	$125,544	$137,247	($33,500)
Total Ending Reserves	$2,512,579	$2,537,697	$2,651,757	$2,777,301	$2,914,548	$2,881,048
Target Reserves [5]	$873,600	$1,146,200	$1,158,200	$1,169,200	$1,182,200	$1,196,200
Above (below) Target	$1,638,979	$1,391,497	$1,493,557	$1,608,101	$1,732,348	$1,684,848
Debt Service Coverage						
Net Revenues [6]	$349,971	$426,274	$515,216	$526,700	$538,403	$546,456
Annual Debt Service	200,578	401,156	401,156	401,156	401,156	401,156
Coverage [7]	174%	106%	128%	131%	134%	136%

[1] Projected using the existing rates.
[2] Additional revenue from proposed rate adjustments.
[3] Interest earnings on the average fund balance calculated at 3.5%.
[4] The beginning FY 25-26 reserves includes all reserves of the District from Table 2.
[5] Includes Target Reserves from Table 2.
[6] Includes all water revenue of the District.
[7] Minimum coverage is 125 percent.

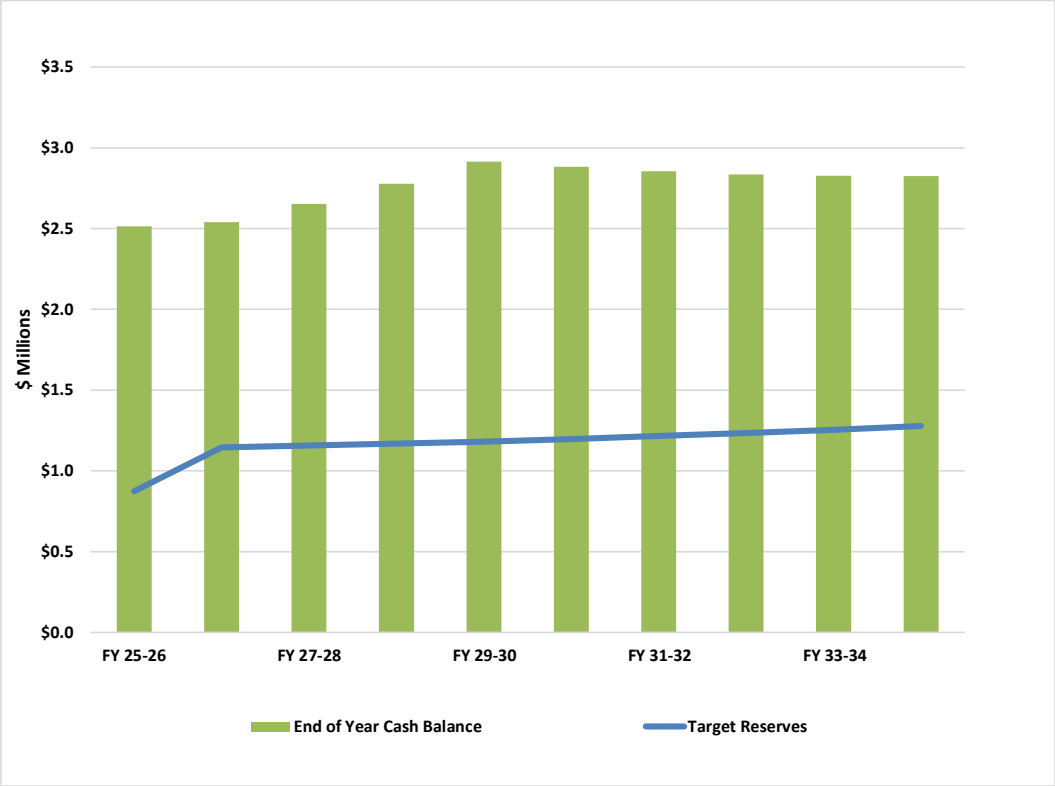
A graphical depiction of the revenue and revenue requirements from Table 11 are presented in Figure 1. Revenue using the current rates is shown as the black line while revenue with revenue adjustments is shown as the red line. Figure 1 shows that the revenue increases in Table 11 will allow the water utility to meet annual O&M expenses, capital needs, debt service, and debt service coverage ratio requirements. When the red line is above requirements, it indicates that the District is accumulating reserves to meet Target Reserve levels, shown as the purple column.

Figure 1
Water Financial Plan
Comparison of Revenue with Revenue Requirements



The District's reserves at the end of each fiscal year are provided in Figure 2. The green columns represent the end of year reserve level including all funds while the blue line indicates the Target Reserve level for these reserves. The figure shows that the reserve balance is above the Target reserve level in all years of the 10-year period. While the District has sufficient reserves, revenue increases are necessary in part to meet the minimum annual debt service coverage ratio requirement of 125 percent, shown at the bottom of Table 11.

Figure 2
Comparison of End of Year Water Reserves with Target Reserves



Water Cost of Service

This section of the report discusses the allocation of the water system's operating and capital costs for use in designing water rates. The agency responsible for imposing property-related fees in California is required to establish rates that create a nexus between the cost of providing service and the rates to be imposed.

Industry Methodology

This Study uses methodologies from the American Water Works Association (AWWA) to allocate costs in an appropriate manner. AWWA is an industry trade organization that provides guidance on operations and management of water utilities. AWWA provides general principles to assist agencies in the design of water rates such that they are consistent with local requirements as well as recognizing state laws. The AWWA guidelines have been used to conduct this Study and have been used in the design of the District's water rates, while also following Proposition 218.

The annual costs of providing water service from the financial plan are allocated to cost components following guidelines provided in the AWWA Manual M1. The methodology provides the basis to design rates to generate sufficient revenue to meet estimated annual revenue requirements from the financial plan. Costs are then recovered through fixed charges and variable charges to water system users.

Costs of Service to be Allocated

The annual water cost of service consists of the O&M expenses and capital costs of the water system. O&M expenses include costs related to water supply, water distribution, operation and maintenance of the facilities, and general and administrative costs. Capital costs include capital improvement program funding discussed in the financial plan and debt service payments.

Costs are first allocated to water system cost component based on the operating characteristics and design of the water system facilities. Cost allocations consider the average quantity of water consumed as well as the peak rate at which water is consumed. The water system is designed to serve average and peak demands, and costs that are related to serving average and peak demands are allocated in a manner such that they may be recovered appropriately.

The cost allocation components for water service for this Study are Water Supply (groundwater), Delivery, Peaking, Meters and Services, Customer, Direct Fire Protection, and Backflow. FY 2026-27 was used as the Test Year for assigning the operating and capital costs of the water system to each of these parameters. The total cost to be recovered from the users of the water system by cost component for FY 2026-27 is presented in Table 12. Appendix A-2 provides a detailed allocation.

Table 12
Allocation of Water Revenue Requirement to Cost Component

Description	Total FY 26-27	Groundwater	Delivery	Peaking	Customer		Direct Fire Protection	Backflow
					Meters/Serv	Customer		
Total Cost of Service	$1,211,527	$132,254	$431,363	$260,502	$196,153	$158,928	$18,762	$13,566

Water Rate Design

The cost of service analyses described in the previous section provide the basis for water rate design. The intent of the rate design is to achieve fairness and ensure that each customer classification pays its fair share of costs. Rates should be simple to administer, easy to understand, and comply with regulatory requirements. This section describes how water rates and charges are designed and includes the proposed schedule of water rates for implementation.

Proposed Rate Structure

The recommended water rate structure is a fixed charge by meter size and a uniform variable charge where both are applicable to all customers. This is the current structure used by the District and is representative of current industry practice.

Proposed Fixed Charges

The proposed meter fixed charges recover Customer and Meters and Services costs from Table 12 and allocated Public Fire Protection costs from Appendix A-3. Customer costs are recovered based on the number of bills issued. Meters and Services costs are recovered based on meter and service ratios provided by AWWA. Public fire protection costs are determined based on reserve capacity in the water system for such fire protection purposes and are a portion of the Peaking costs. Public fire protection is available to all customers and these costs are recovered based on the number of bills issued.

Tables 13 below presents the design of the proposed monthly fixed charges for customers for FY 2026-27 for a 3/4-inch meter. The proposed fixed charges generate approximately 43 percent of the revenue from water rates.

Table 13
Design of Fixed Charges

Customer Service Cost	FY 26-27
Customer	$158,928
Number of Bills	20,400
Customer Cost per Unit	$7.79
Public Fire Protection	$140,992
Number of Bills	20,400
Public Fire Protection Cost per Unit	$6.91
Meters and Services Cost	**FY 26-27**
Meters and Services	$196,153
Number of Equivalent Meters & Services	23,015
Meters and Services Cost per Unit	$8.52
Monthly Base Fixed Charge - 3/4"	$23.22

Fixed charges for meter sizes greater than 3/4-inch are increased as shown below in Table 14 for FY 2026-27. The Meter and Services charge increase with meter and service cost ratios whereas Customer and Public Fire Protection charges do not increase with meter size.

Table 14
Design of Fixed Charges by Meter Size

Meter Size	Meter & Service Ratio	Meters & Services Charge	Public Fire Protection Charge	Customer Charge	Total Monthly Charge
inches					
3/4"	1.00	$8.52	$6.91	$7.79	$23.22
3/4" x 1"	1.00	$8.52	$6.91	$7.79	$23.22
1"	1.27	$10.84	$6.91	$7.79	$25.54
1.5"	1.64	$13.94	$6.91	$7.79	$28.64
2"	2.64	$22.46	$6.91	$7.79	$37.16
3"	10.00	$85.20	$6.91	$7.79	$99.90
4"	12.73	$108.44	$6.91	$7.79	$123.14
6"	19.09	$162.65	$6.91	$7.79	$177.35
8"	26.36	$224.62	$6.91	$7.79	$239.32

Proposed Private Fire Protection Fixed Charges

Annual costs allocated to the Peaking cost component are separated into Public and Private Fire Protection and other system costs shown in Appendix A-3. Public Fire Protection costs are included in the monthly service charges as shown in Table 13. Private Fire Protection costs are recovered from those customers that receive the direct fire protection benefit. The monthly cost by equivalent hydrant (fireline) size is provided in Table 15. Table 16 provides the monthly private fire protection charges, designed by multiplying the AWWA hydrant ratio by the private fire protection 6" charge from Table 15.

Table 15
Design of Private Fire Protection Charges

Fire Protection	FY 26-27
Private Fire Protection Cost	$10,752
Private Fire Protection Eq. 6" Hydrants	202
Private Fire Protection 6" Charge	$53.33

Table 16
Proposed Monthly Private Fire Protection Charges

Size	Demand Factor	Hydrant Ratio	Monthly Charge
	$size^{2.63}$		
3"	38.32	0.16	$8.62
4"	111.31	0.34	$18.36
6"	237.21	1.00	$53.33
8"	426.58	2.13	$113.65

Proposed Backflow Fixed Charges

The District charges for the operation and maintenance expense associated with Backflow devices installed at a customer's premises. Table 17 provides the charge for backflow devices based on the cost allocation provided in Table 12. The backflow charge does not include the cost of replacing the backflow device.

Table 17
Proposed Monthly Backflow Charge

Description	FY 26-27
Backflow Annual Allocated Costs	$13,566
Backflow Device Annual Bills	1,236
Backflow Monthly Charge	$10.98

Proposed Variable Charges

Variable charges are designed to recover the costs that were allocated to the Groundwater, Delivery, and Peaking (excluding fire protection) cost components shown in Table 12. The total of these costs is divided by the total water sales projected for FY 2026-27 from Table 6. Table 18 provides the uniform volume rate applicable to all customers for FY 2026-27.

Table 18
Design of Uniform Volume Charge

Description	FY 26-27
Groundwater	$132,254
Peaking [1]	127,520
Delivery	431,363
Total Allocated Costs	$691,137
Units of Service (KGAL)	282,532
Uniform Volume Charge ($/kgal)	$2.45

[1] Peaking costs of $260,502 from Table 12 less Peaking costs assigned to fire protection of $132,982. See Appendix A-2 and A-3.

Proposed Water Rates

Table 19 presents the proposed fixed charges and variable charges for the water system for the next five years. The table includes the current fixed and variable rates as well as proposed water rates for implementation beginning on July 1, 2026. Future rates and charges beyond FY 2026-27 are increased each July 1 of the fiscal year by the percentage identified in the water financial plan in Table 11.

Table 19
Proposed Water Fixed and Variable Charges

	Current Rate	July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029	July 1, 2030
Meter Size	**Fixed Charge ($ per month)**					
3/4"	$23.31	$23.22	$25.19	$25.69	$26.20	$26.72
3/4" x 1"	$23.31	$23.22	$25.19	$25.69	$26.20	$26.72
1"	$25.82	$25.54	$27.71	$28.26	$28.83	$29.41
1.5"	$29.13	$28.64	$31.07	$31.69	$32.32	$32.97
2"	$38.28	$37.16	$40.32	$41.13	$41.95	$42.79
3"	$105.64	$99.90	$108.39	$110.56	$112.77	$115.03
4"	$130.58	$123.14	$133.61	$136.28	$139.01	$141.79
6"	$188.80	$177.35	$192.42	$196.27	$200.20	$204.20
8"	n/a	$239.32	$259.66	$264.85	$270.15	$275.55
Backflow	$8.44	$10.98	$11.91	$12.15	$12.39	$12.64
Private Fireline Size						
3"	$6.85	$8.62	$9.35	$9.54	$9.73	$9.92
4"	$14.58	$18.36	$19.92	$20.32	$20.73	$21.14
6"	$42.38	$53.33	$57.86	$59.02	$60.20	$61.40
8"	$90.30	$113.65	$123.31	$125.78	$128.30	$130.87
	Variable Charge ($ per 1,000 gal)					
All Consumption	$2.12	$2.45	$2.66	$2.71	$2.76	$2.82

Water Bill Impact Analysis

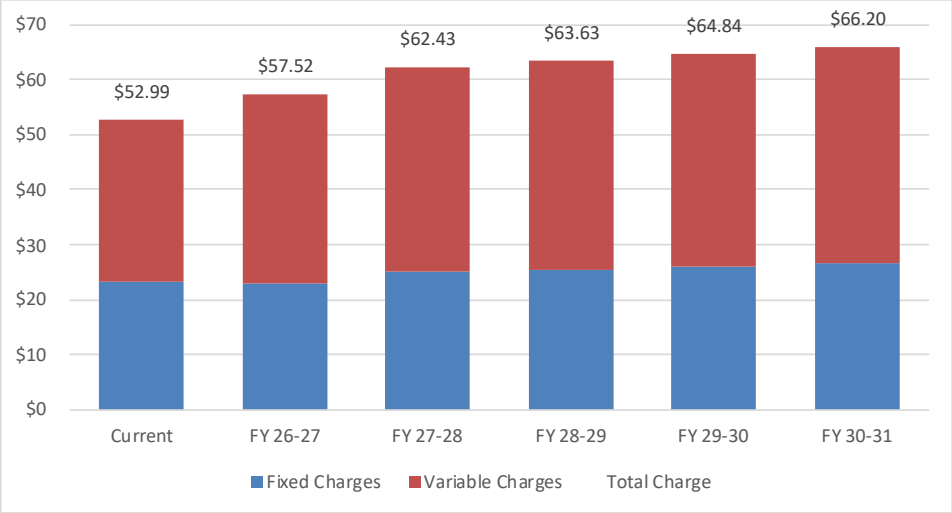
An impact analysis was performed to evaluate the change in SFR customer water bills that would occur from the implementation of the proposed water rates for July 1, 2026. As shown in Table 20, a SFR customer with a 3/4-inch meter using the FY 2024-25 average consumption of 14 KGAL monthly will experience a bill that will increase from $52.99 to $57.52, an increase of $4.53 monthly.

Table 20
Comparison of Current Single-family Residential Monthly Water Bill with 3/4-inch Meter Size with Proposed Bill Using July 2026 Water Rates

		Current Bill			Proposed FY 26-27 Bill				
Description	Use (Kgal)	Service Charge	Volume Charge	Current Bill	Service Charge	Volume Charge	Proposed Bill	Dollar Difference	Percent Change
	0	$23.31	$0.00	$23.31	$23.22	$0.00	$23.22	($0.09)	-0.4%
Very Low	5	$23.31	$10.60	$33.91	$23.22	$12.25	$35.47	$1.56	4.6%
Low	8	$23.31	$16.96	$40.27	$23.22	$19.60	$42.82	$2.55	6.3%
Median	10	$23.31	$21.20	$44.51	$23.22	$24.50	$47.72	$3.21	7.2%
Average	14	$23.31	$29.68	$52.99	$23.22	$34.30	$57.52	$4.53	8.5%
High	20	$23.31	$42.40	$65.71	$23.22	$49.00	$72.22	$6.51	9.9%
Very High	30	$23.31	$63.60	$86.91	$23.22	$73.50	$96.72	$9.81	11.3%
	50	$23.31	$106.00	$129.31	$23.22	$122.50	$145.72	$16.41	12.7%

Table 21 provides how the District's SFR monthly bills will increase over time using the proposed rates in Table 19 and the District's FY 2024-25 average consumption of 14 KGAL monthly.

Table 21
Single-family Residential Monthly Water Bill Impacts with a 3/4-inch Meter Using at 14 KGAL Monthly



		Proposed				
SFR Charges	Current	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
Fixed Charges	$23.31	$23.22	$25.19	$25.69	$26.20	$26.72
Variable Charges	$29.68	$34.30	$37.24	$37.94	$38.64	$39.48
Total Charges	$52.99	$57.52	$62.43	$63.63	$64.84	$66.20
Dollar Change		$4.53	$4.91	$1.20	$1.21	$1.36

Water Rate Survey

A water rate survey was conducted for similar neighboring communities to the Hilmar County Water District. Chart 1 compares the District's SFR monthly water bill with those of neighboring communities at the same consumption of 14 KGAL monthly. The rate survey includes rate schedules in effect March 2026. Water bills for the District are shown using the current rates and the proposed July 1, 2026 rates. The chart indicates that with the July 1, 2026 water rate increase, a District SFR customer using the average monthly consumption of 14 KGAL will experience a bill that is in the upper half of the communities listed.

Chart 1
Single-family Residential Monthly Water Bills Using 14 KGAL

Note: Above table uses water rates in effect March 2026. Hilmar July 2026 bill is based on the rate structure and rates in Table 19.

Wastewater Financial Planning

Financial planning for the wastewater enterprise includes identifying and projecting revenues and revenue requirements of the wastewater system for a five-year planning period. Estimates of revenue from various sources are compared with the projected revenue requirements. This comparison allows the review of the adequacy of existing revenue to meet annual obligations and provides the basis for revenue adjustments. New wastewater rates and charges are created to recover the District's annual operating and capital costs associated with the wastewater system.

This section discusses the assumptions, current wastewater rates, user classifications, revenues and revenue requirements, planned CIP projects and financing sources, and proposed revenue adjustments.

Current Wastewater Rates

The current wastewater rates consist of fixed and variable charges to residential and non-residential customers. SFR, MFR, and MHP customers are charged a fixed charge per month. Non-residential customers are charged the same fixed charge as a SFR customer and are also charged variable rates based on water consumption. The current rates are presented in Table 22.

Table 22
Current Wastewater Fixed and Variable Charges

Classification	Fixed Charges	Variable Charges
	$/month	$/kgal
Single-family Residential	$49.61	
Multifamily Residential	$44.56	
Mobile Home	$38.42	
Commercial	$49.61	$4.09
Schools	$49.61	$3.47

Wastewater User Classifications

Number of Customers

The District currently classifies wastewater customers as SFR, MFR, MHP, Commercial, and Schools. Residential customers, including SFR, MFR, and MHP, account for about 96 percent of the total accounts served by the wastewater system. Growth is projected to occur in residential accounts at a rate of 0.25 percent annually or about 4 SFR accounts added each year, following the assumptions listed in Table 1. Table 23 provides the historical and projected average number of customers by classification.

Table 23
Historical and Projected Average Number of Wastewater Customers

Customer Class	Historical	Projected					
	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
Number of Accounts							
Single-family Residential [1]	1,540	1,544	1,548	1,552	1,555	1,559	1,563
Multifamily Residential [1]	49	49	49	49	49	50	50
Mobile Home [1]	2	2	2	2	2	2	2
Commercial	63	63	63	63	63	63	63
Schools	4	4	4	4	4	4	4
Total Accounts	1,658	1,662	1,666	1,670	1,673	1,678	1,682
Number of Units							
Single-family Residential [1]	1,540	1,544	1,548	1,552	1,555	1,559	1,563
Multifamily Residential [1]	203	204	204	205	205	206	206
Mobile Home [1]	176	176	177	177	178	178	179
Total Number of Units	1,986	1,991	1,996	2,001	2,005	2,010	2,015

[1] Accounts/units are forecast to increase based on the assumed growth rate of 0.25% annually.

Water Sales Volumes of Wastewater Customers

Table 24 provides the historical and projected water sales volumes of wastewater customers by classification. Water sales volumes were projected by recognizing the growth in the number of accounts and the FY 2024-25 use per customer. Residential (SFR, MFR, and MHP) customers account for about 94 percent of the water sales volumes of wastewater customers.

The water sales volumes of wastewater customers are used to calculate projected wastewater revenue and estimate wastewater discharge volumes. The wastewater discharge volumes are used for cost allocation purposes to assign cost responsibility based on wastewater flow of each class.

Table 24
Historical and Projected Water Consumption of Wastewater Customers (in 1,000 gallons)

Description	Historical	Projected [1]					
	FY 24-25	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
Water Consumption of Wastewater Customers							
Single-family Residential	239,780	231,393	231,992	232,592	233,041	233,641	234,240
Multifamily Residential	25,935	25,086	25,086	25,209	25,209	25,332	25,332
Mobile Home	8,075	7,773	7,817	7,817	7,861	7,861	7,905
Commercial	13,208	12,713	12,713	12,713	12,713	12,713	12,713
Schools	4,347	4,184	4,184	4,184	4,184	4,184	4,184
Total Projected Consumption	291,346	281,149	281,792	282,515	283,008	283,731	284,374

[1] Forecast based on application of FY 24-25 water use per customer to the number of customers.

Wastewater Financial Plan

The financial plan provides a means of analyzing the revenue and revenue requirements of the wastewater system and its impact on reserves as well as the ability to fund on-going O&M expenses and capital infrastructure requirements. This section of the report discusses the projection of revenue, O&M expenses, CIP needs of the wastewater system and its financing, debt service, and revenue adjustments needed to maintain a sustainable wastewater enterprise.

Revenues

The Sewer Fund receives revenue from several sources. Operating revenue is received from rates and charges for wastewater service. Table 25 presents the projected fixed and variable rate revenue from current wastewater rates of the wastewater system. The revenue is projected by applying the current wastewater rates from Table 22 to the projected number of accounts and consumption volume.

Table 25
Projected Rate-based Wastewater Revenue Using Current Rates

Description	Projected					
	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
Wastewater Service Revenues						
Fixed Charge Revenue [1]	$1,149,286	$1,152,129	$1,155,045	$1,157,292	$1,160,208	$1,163,050
Variable Consumption Revenue [2]	26,628	26,628	26,628	26,628	26,628	26,628
Total Revenues From Current Rates	$1,175,914	$1,178,757	$1,181,673	$1,183,920	$1,186,836	$1,189,678

[1] Current fixed charges multiplied by the number of customers.
[2] Current non-residential variable rates multiplied by projected non-residential water volumes.

Miscellaneous Revenue

Miscellaneous revenues are received from connections, late charges, property taxes, and other sources. Table 26 below provides sources of miscellaneous revenue.

Table 26
Projected Wastewater Miscellaneous Revenue

Description	Budget	Projected				
	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
Connection Fees	$6,875	$1,000	$1,000	$800	$1,000	$1,000
Late Charges	11,750	12,100	12,500	12,900	13,300	13,700
Other	9,400	9,700	10,000	10,300	10,600	10,900
Property Taxes	94,000	95,900	97,800	99,800	101,800	103,800
Total Miscellaneous Revenues	$122,025	$118,700	$121,300	$123,800	$126,700	$129,400

Revenue Requirements

Revenue requirements of the wastewater system include O&M expenses, capital replacement funding, and debt service payments. Each of these items are discussed below.

Operation and Maintenance Expense

O&M are an on-going obligation of the wastewater system and such costs are normally met from wastewater service revenue. O&M includes the cost to operate and maintain the wastewater collection system, lift stations, and treatment and disposal facilities. Costs also include technical services and other general and administrative expenses.

O&M expenses have been projected recognizing the major expense categories of personnel services, electric power expense, chemicals, all other expenses, and capital outlay. Projections of O&M expenses increase annually following the inflation assumptions from Table 1. Table 27 provides the wastewater O&M expenses for the Study period.

Table 27
Budget and Projected Wastewater Operation and Maintenance Expense

	Budget	Projected				
Desription	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
Salaries and Benefits	$350,881	$366,829	$383,570	$401,146	$419,610	$438,999
Wastewater Operations						
Sewer Testing	$28,500	$29,070	$29,651	$30,244	$30,849	$31,466
Sewer Maintenance	40,000	40,800	41,616	42,448	43,297	44,163
WWTF Maintenance	45,000	45,900	46,818	47,754	48,709	49,683
SCADA Annual Fees	31,705	32,339	32,986	33,646	34,319	35,005
Sewer - TID	12,500	12,750	13,005	13,265	13,530	13,801
WWTF - TID	19,000	19,380	19,768	20,163	20,566	20,977
Administration - TID	2,115	2,157	2,200	2,244	2,289	2,335
Sewer Vehicle - Fuel	20,000	20,400	20,808	21,224	21,648	22,081
Sewer Vehicle - Maintenance	10,000	10,200	10,404	10,612	10,824	11,040
Sewer Annual Fees - Conf Report	35,000	35,700	36,414	37,142	37,885	38,643
Property Taxes	2,397	2,445	2,494	2,544	2,595	2,647
PG&E	1,645	1,678	1,712	1,746	1,781	1,817
All other	52,405	53,453	54,523	55,615	56,729	57,863
Subtotal Operations	$300,267	$306,272	$312,399	$318,647	$325,021	$331,521
Capital Outlay	$72,050	$74,212	$76,439	$78,732	$81,094	$83,527
General and Administrative	$140,885	$143,705	$146,580	$149,511	$152,501	$155,550
Transfers	$192,000	$192,000	$192,000	$192,000	$192,000	$192,000
Total Wastewater O&M Expense	$1,056,083	$1,083,018	$1,110,988	$1,140,036	$1,170,226	$1,201,597

Capital Replacement Funding

The Wastewater Fund makes an annual contribution towards system replacement for annual replacement needs or the wastewater system as identified in the District's CIP plan. The amount is spent on capital improvements or is

accumulated in the Capital Replacement Reserve to be spent on replacements as they are identified. The annual amount for replacement is set as the District's goal of $192,000.

Holman Loan Debt Service

As discussed in the water system debt service section of this report, the District entered into an installment purchase agreement with Holman Capital Corporation to obtain funding for construction of a corporate maintenance and operations yard facility and to complete Well #8 expansion. The annual debt service payments are allocated to both water and wastewater systems, to recognize that the corporate yard is utilized by both systems. The loan requires a minimum debt service coverage ratio of 125 percent.

New debt in the amount of $1.3 million is proposed in FY 2027-28 that includes financing the Echo Lift Station identified below in the wastewater CIP. Additionally, another loan in the amount of $1.3 million in FY 2030-31 is proposed to finance South Side Sewer project. The loans assume an interest rate of 4.5 percent with 20 year terms.

Wastewater Capital Improvement Program

The District has developed a CIP plan that lists wastewater capital expenditures for FY 2025-26 through FY 2030-31, presented in Table 28. Appendix B-1 provides an expanded 10-year CIP used for this Study. Major projects include the Echo Lift Station, South Side Sewer, and Vactor Truck. The CIP is funded through rate revenue, wastewater reserves, capital improvement fees, facility fees, and the new debt proceeds.

Table 28
Wastewater Capital Improvement Program

Description	Fiscal Year					
	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
Capital Improvement Program (CIP) [1]						
Cube Inspection System	$175,000	$0	$0	$0	$0	$0
Update Master Plans	-	120,000	-	-	-	-
Vactor Truck	-	-	-	495,000	-	-
SCADA improvements	27,000	-	-	-	-	-
Solids Removal from AFP 1	-	-	-	-	-	-
Solids Removal from AFP 2	-	-	-	-	-	-
South Side Sewer	-	-	-	-	-	1,295,000
Generators at Lift Station	-	402,500	-	-	-	-
New Backhoe	94,000	-	-	-	-	-
Echo Lift Station	-	-	1,300,000	-	-	-
Proposed Asset Replacement Projects [2]	-	-	-	-	-	192,000
Total Wastewater CIP	**$296,000**	**$522,500**	**$1,300,000**	**$495,000**	**$0**	**$1,487,000**

[1] CIP Source: FY 25-26 City District document.
[2] Assumed annual replacement equal to District goal.

Wastewater Financial Plan

A financial plan has been prepared for the wastewater utility that includes the revenues and revenue requirements that were identified for the wastewater system. The plan is presented in Table 29 and incorporates specific financial planning goals to provide guidance to maintain the health of the wastewater utility on an on-going basis. The goals included the following items.

- Generate positive levels of income in each year of the Study period
- Maintain the operating and capital reserves at or greater than target levels
- Maintain debt service coverage ratios at or greater than the minimum required
- Meet the annual capital funding requirement

Proposed Revenue Adjustments

Analysis of the financial plan indicated that revenue increases are required to provide a sustainable path for the wastewater enterprise going forward. Annual revenue increases are included in Table 29 to meet the financial planning criteria for the five-year Study Period. Revenue increases of 3.0 percent annually are shown beginning on July 1, 2026 and on each July 1 thereafter for the Study Period.

Table 29
Wastewater Financial Plan

Description	Projected					
	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
Proposed Revenue Increase (July 1)		**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**
Wastewater Operations						
Revenue						
Rate-based Revenues, Existing Rates [1]	$1,175,914	$1,178,757	$1,181,673	$1,183,920	$1,186,836	$1,189,678
Total Additional Wastewater Revenue [2]	-	35,363	71,964	109,782	148,958	189,485
Property Taxes	94,000	95,900	97,800	99,800	101,800	103,800
Other	21,150	21,800	22,500	23,200	23,900	24,600
Interest Income [3]	8,400	15,500	20,800	24,700	29,300	34,600
Total Revenue	$1,299,464	$1,347,320	$1,394,737	$1,441,402	$1,490,794	$1,542,163
Revenue Requirements						
Salaries and Benefits	$350,881	$366,829	$383,570	$401,146	$419,610	$438,999
Wastewater Operations	300,267	306,272	312,399	318,647	325,021	331,521
Capital Outlay	72,050	74,212	76,439	78,732	81,094	83,527
General and Administrative	140,885	143,705	146,580	149,511	152,501	155,550
Transfer to WWTF Fund	168,000	168,000	168,000	168,000	168,000	168,000
Transfer to Sewer Replacement Fund	24,000	24,000	24,000	24,000	24,000	24,000
Holman Capital Loan	33,430	66,860	66,860	66,860	66,860	66,860
New Bond Debt Service [4]	-	-	113,200	113,200	113,200	113,200
Total Revenue Requirements	$1,089,513	$1,149,878	$1,291,048	$1,320,096	$1,350,286	$1,381,657
Net Funds Before Capital	**$209,951**	**$197,442**	**$103,689**	**$121,306**	**$140,508**	**$160,506**
Wastewater Capital						
Capital Sources of Funds						
Transfer to WWTF Fund	$168,000	$168,000	$168,000	$168,000	$168,000	$168,000
Transfer to Sewer Replacement Fund	24,000	24,000	24,000	24,000	24,000	24,000
Loan proceeds	-	-	1,300,000	-	-	-
Interest Income [3]	44,000	51,600	59,400	67,500	75,900	84,600
Total Capital Sources of Funds	$236,000	$243,600	$1,551,400	$259,500	$267,900	$276,600
Capital Uses of Funds	$296,000	$522,500	$1,300,000	$495,000	$0	$1,487,000
Net Capital Sources Less Uses	($60,000)	($278,900)	$251,400	($235,500)	$267,900	($1,210,400)
Net Funds After Capital	**$149,951**	**($81,458)**	**$355,089**	**($114,194)**	**$408,408**	**($1,049,894)**
Available Operating and Capital Reserves						
Beginning Available Reserves [5]	$1,392,785	$1,542,736	$1,461,278	$1,816,367	$1,702,173	$2,110,581
Total Additions (Reductions)	149,951	(81,458)	355,089	(114,194)	408,408	(1,049,894)
Total Ending Reserves	$1,542,736	$1,461,278	$1,816,367	$1,702,173	$2,110,581	$1,060,687
Target Operating Reserve [6]	$671,000	$744,000	$909,000	$939,000	$954,000	$1,014,000
Above (below) Target	$871,736	$717,278	$907,367	$763,173	$1,156,581	$46,687
Debt Service Coverage						
Net Revenues [7]	$479,381	$507,902	$535,149	$560,866	$588,468	$617,166
Annual Debt Service	$33,430	$66,860	$180,060	$180,060	$180,060	$180,060
Coverage [8]	1434%	760%	297%	311%	327%	343%

[1] Projected using the current rates.
[2] Additional revenue from rate adjustments.
[3] Interest earnings on the average fund balance calculated at 3.5%.
[4] Payments on loans include an interest rate of 4.5% and a 20 year term.
[5] The beginning FY 25-26 reserves includes all reserves of the District from Table 2.
[6] Includes all Target Reserves from Table 2.
[7] Includes all revenues of the wastewater system.
[8] Minimum coverage is 125 percent.

A graphical depiction of the revenue and revenue requirements from Table 29 are presented in Figure 3. Revenue using the current rates is shown as the black line while revenue with increases is shown as the red line. The figure shows that the revenue received from the current rates needs to be increased to meet annual obligations, fund the CIP program, make debt service payments, meet minimum debt service coverage ratios, and maintain reserves. When the red line is above requirements, it indicates that the District is accumulating reserves to meet Target Reserve levels, shown as the purple column.

Figure 3
Wastewater Financial Plan
Comparison of Revenue with Revenue Requirements

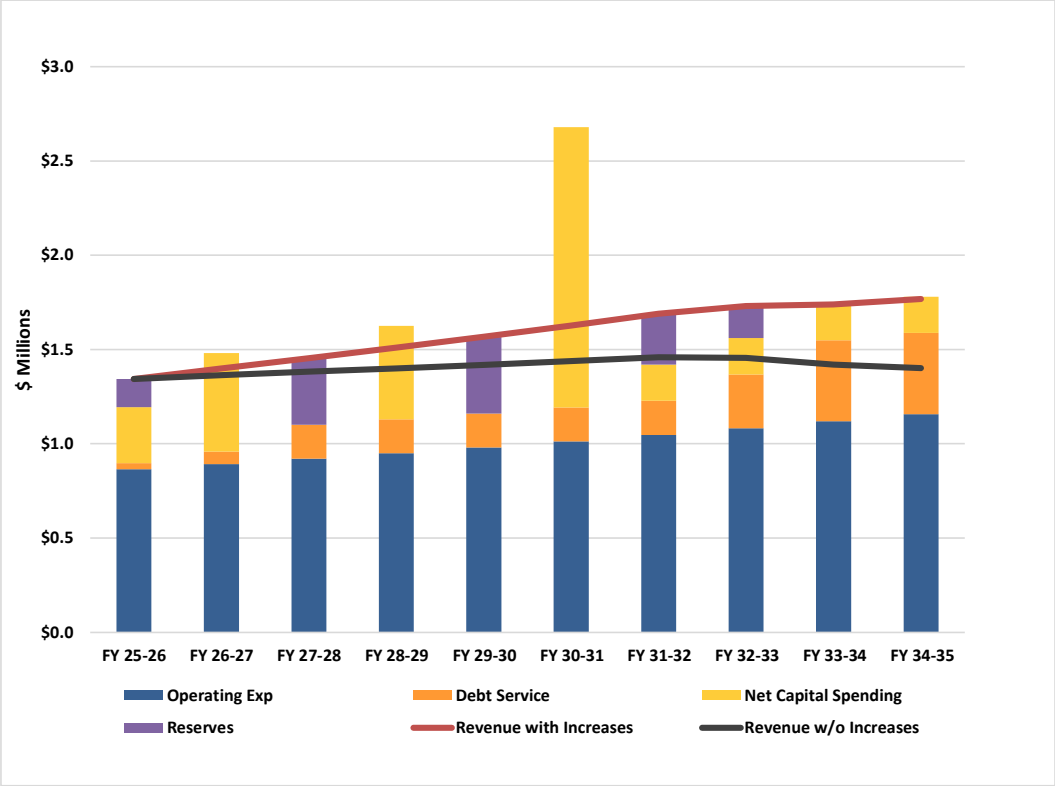
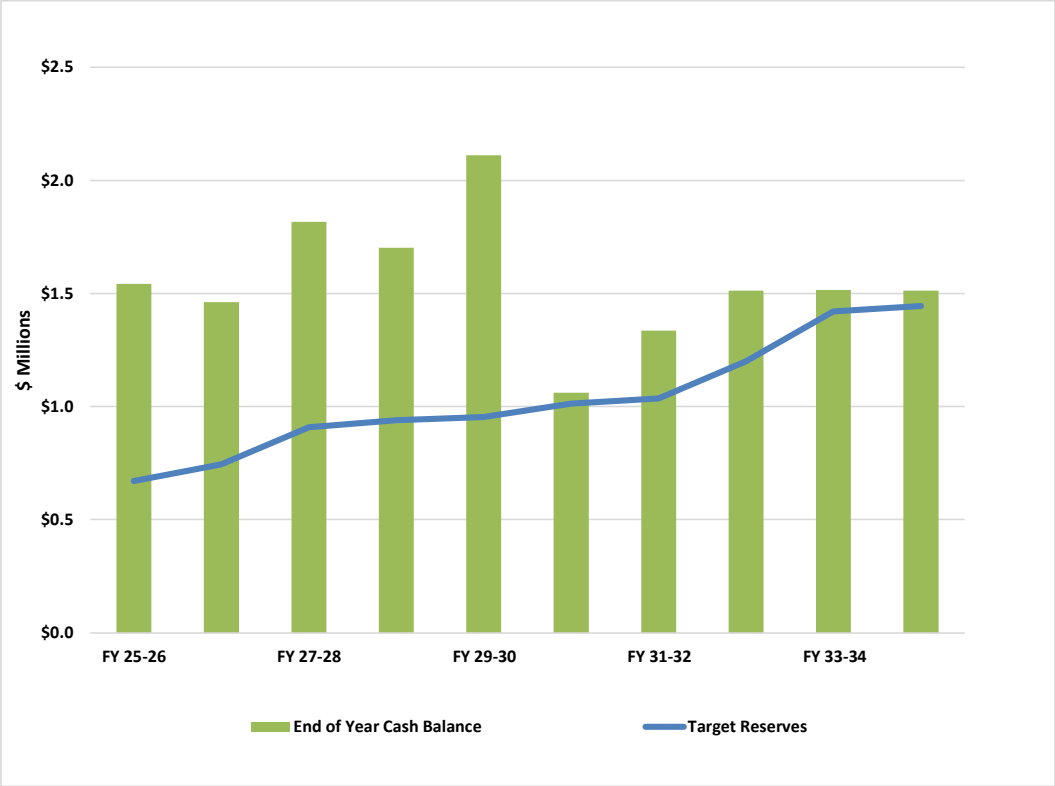


Figure 4 compares the end of year reserves with Target Reserves. The green column represents the annual reserve level at the end of year while the blue line represents the Target Reserve level. The figure shows that the reserve balance (green column) meets the Target Reserve level each year, which increases annually because of the booking of CIP into fixed assets. In some years, reserves are used to meet annual obligations (column is above the red line) when revenue is not sufficient while in other years reserves increase (purple column) when revenue is greater than the annual obligations.

Figure 4
Comparison of End of Year Wastewater Reserves with Target Reserves



Wastewater Cost of Service

This section of the report discusses how the wastewater system's operating and capital costs are allocated for use in designing rates. Establishing rates in California requires that the agency responsible for imposing property-related fees create a nexus between the cost of providing service and the rates to be imposed.

Industry Methodology

Methodology from the Water Environment Federation (WEF) is used in this Study to allocate wastewater costs in an appropriate manner. Similar to AWWA, WEF is an industry trade organization that provides guidance on operations, technical training, education, and management of wastewater utilities. General principles are provided to assist agencies with the design of wastewater rates and charges that are consistent with local requirements while also recognizing state laws and legal framework.

Costs of Service to be Allocated

The annual revenue requirement for FY 2026-27 is defined as the Test Year and is the cost of providing service for wastewater rate setting. The annual costs for this year will be used to evaluate the fairness and equity of the current wastewater rates and will form the basis for the proposed rates.

The cost of service consists of O&M expenses, capital funding needs, and debt service. To establish the cost of providing service to the users of the wastewater system, costs need to first be allocated to wastewater parameters.

Cost Allocation to Wastewater Parameters

For the approach used for this Study, the cost allocation components for wastewater service are Flow, Bio-chemical Oxygen Demand (BOD), Suspended Solids (SS), and Customer. Operating and capital costs are assigned to each parameter based on the functional operation and design of the facilities.

The total cost to be recovered in FY 2026-27 from the users of the wastewater system is presented in Table 30. The cost of service is allocated to each wastewater parameter based on a detailed review of expenses and capital requirements and is used in calculating the unit costs of service. A detailed allocation is provided in Appendix B-2.

Table 30
Allocation of Revenue Requirement to Cost Component

Description	Total FY 26-27	Flow	Strength BOD	Strength SS	Customer
Total Cost of Service	$1,214,120	$560,081	$119,298	$119,298	$415,443

Unit Costs of Service

Each customer classification's responsibility for a portion of the cost of service in Table 30 is established by first developing unit costs of service for each of the wastewater parameters described above. Unit costs are calculated by dividing the costs by for each component from Table 30 by the total flow, strength, and customers of the system, or the units of service.

A wastewater mass balance was performed that reconciled estimated wastewater flow from District customers to the influent flow received at the wastewater treatment plant. The units of service for wastewater flow, BOD, and SS for each customer classification were identified from an analysis of the estimated influent flow received into the wastewater treatment plant for FY 2024-25. Appendix B-3 provides a summary of the units of service.

Costs of service from Table 30 are then distributed to each user classification by applying the unit costs to each customer classification's units of service, whereby the cost of service by customer class is established. Table 31 presents the calculation of the unit costs of service for the wastewater system. By applying the unit costs to each customer class's units of service, the cost of service by customer class is established.

Table 31
Development of Unit Costs

Description	FY 26-27 Total Costs	Flow	Strength BOD	Strength SS	Customer
Total Costs of Service	$1,214,120	$560,081	$119,298	$119,298	$415,443
Units of Service		134,944	138,200	184,199	23,952
Unit Costs of Service		$4.15	$0.8632	$0.6477	$17.34
Units of Measure		KGAL	lb	lb	Bills

User Class Costs

The unit costs from Table 31 are applied to each customer classifications' flow, BOD, SS, and customer units of service from Appendix B-3 to establish user class costs. The cost of service responsibility of each class is provided in Table 32.

Table 32
Distribution of Costs to Customer Classifications

Description	Allocated Total Cost	Flow	Strength BOD	Strength SS	Customer
Unit Costs of Service		$4.15	$0.8632	$0.6477	$17.34
Units of Measure		KGAL	lb	lb	Bills
Single-family Residential					
Units of Service		102,250	91,011	126,842	18,576
Allocated Cost of Service	$907,294	$424,384	$78,563	$82,150	$322,197
Multifamily Residential					
Units of Service		11,386	10,135	14,125	2,448
Allocated Cost of Service	$107,614	$47,258	$8,749	$9,148	$42,460
Mobile Home					
Units of Service		7,155	6,369	8,876	2,124
Allocated Cost of Service	$77,784	$29,697	$5,498	$5,749	$36,840
Commercial					
Units of Service		10,806	27,054	31,563	756
Allocated Cost of Service	$101,759	$44,850	$23,354	$20,442	$13,113
Schools					
Units of Service		3,347	3,631	2,793	48
Allocated Cost of Service	$19,669	$13,892	$3,135	$1,809	$833
Total Costs of Service	$1,214,120	$560,081	$119,298	$119,298	$415,443

Wastewater Rate Design

The goal of the rate design is to achieve fairness while ensuring that each customer class pays its fair share of costs. Rates should be simple to administer, easy to understand, and comply with regulatory requirements. This section describes how wastewater rates and charges are designed and includes the proposed schedule of wastewater rates for implementation.

Proposed Wastewater Rate Structure

It is proposed to use the current rate structure as the basis for the wastewater rates for the next five years. The rate structure consists of monthly fixed charges for all customers and non-residential class variable charges based on their water consumption.

Proposed Wastewater Fixed Charges

Fixed charges for the residential classifications are designed to recover the total costs of service on a fixed charge basis. Total costs for flow, BOD, SS, and Customer allocations are summed together for these classes and divided by the number of bills issued. Table 33 provides the calculations of the residential classes fixed charges. Fixed charges for Commercial and Schools customers are charged the SFR monthly charge.

Table 33
Design of Residential Fixed Charge

Classification	Flow Cost [1]	BOD Cost [1]	SS Cost [1]	Customer Cost [1]	Total Costs	Number of Bills	Fixed Charge
						Bills per DU	$/mo
Single-family Residential	$424,384	$78,563	$82,150	$322,197	$907,294	18,576	$48.84
Multifamily Residential	47,258	8,749	9,148	42,460	107,614	2,448	$43.96
Mobile Home	$29,697	$5,498	$5,749	$36,840	$77,784	2,124	$36.62

[1] From Table 32.

Proposed Wastewater Variable Charges

Variable charges are designed for non-residential customers only. The variable charges are designed by subtracting the revenue that will be received from the fixed charges of each of Commercial and Schools from their total cost of service, then dividing the remaining cost by metered water consumption to establish the variable rate. Table 34 provides calculations to establish the variable rates for Commercial and Schools classifications individually. A summary of the fixed and variable rates for implementation is provided in Table 34.

Table 34
Design of Non-Residential Variable Charge

Classification	Flow Cost [1]	BOD Cost [1]	SS Cost [1]	Customer Cost [1]	Total Costs	Revenue Fixed Charges [2]	Revenue Variable Charges [3]	Water Sales Volume [4]	Variable Rate [5]
								KGAL	$/KGAL
Commercial	$44,850	$23,354	$20,442	$13,113	$101,759	$36,925	$64,834	12,713	$5.10
Schools	13,892	3,135	1,809	833	19,669	2,344	17,324	4,184	$4.14

[1] From Table 32.
[2] Number of bills of the classification multiplied by the single-family residential fixed charge.
[3] Total costs less revenue from fixed charges.
[4] From Appendix B-3.
[5] Revenue variable charges divided by water sales volume.

Proposed Wastewater Rates

Table 35 presents the proposed fixed charges and variable charges for the wastewater system for the next five years. Table 35 also includes the current fixed and variable rates as well as the proposed future water rates for implementation beginning on July 1, 2026. Future rates and charges beyond FY 2026-27 are increased each July 1 of the fiscal year by the percentages identified in the wastewater financial in Table 29.

Table 35
Current and Proposed Wastewater Fixed and Variable Charges

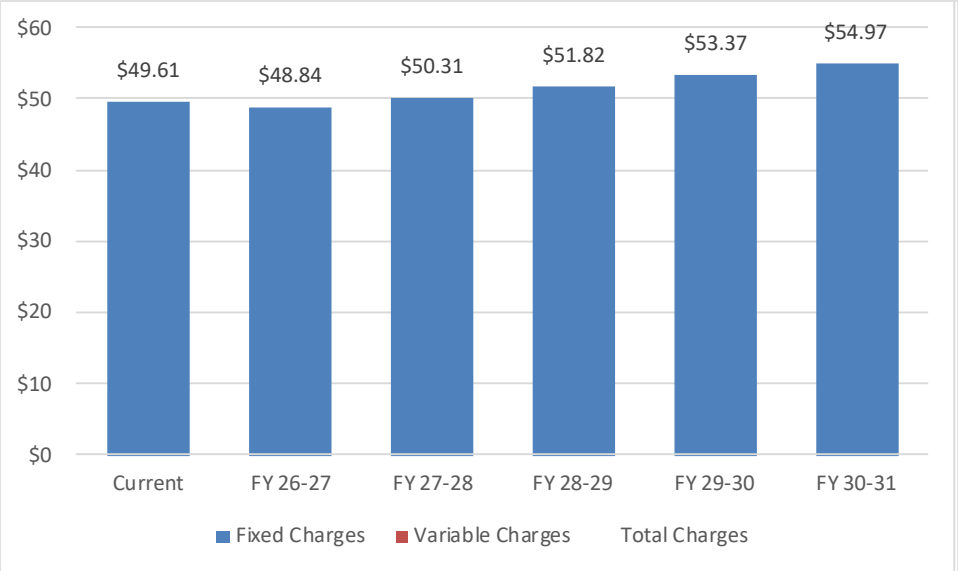
Meter Size	Current Rate	July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029	July 1, 2030
	Fixed Charge ($ per month)					
Single-family Residential [1]	$49.61	$48.84	$50.31	$51.82	$53.37	$54.97
Multifamily Residential [1]	$44.56	$43.96	$45.28	$46.64	$48.04	$49.48
Mobile Home [1]	$38.42	$36.62	$37.72	$38.85	$40.02	$41.22
Commercial	$49.61	$48.84	$50.31	$51.82	$53.37	$54.97
Schools	$49.61	$48.84	$50.31	$51.82	$53.37	$54.97
	Variable Charge ($ per 1,000 gal)					
Commercial [2]	$4.09	$5.10	$5.25	$5.41	$5.57	$5.74
Schools [2]	$3.47	$4.14	$4.26	$4.39	$4.52	$4.66

[1] Fixed charge per month per account/dwelling unit.
[2] Charged based on water consumption.

Wastewater Bill Impact Analysis

An impact analysis was performed to evaluate the change in SFR customer wastewater bills that would occur from the implementation of the proposed wastewater rates for the July 1, 2026 increase. As shown in Table 36, a District SFR customer will experience a bill that will decrease from $49.61 to $48.84, a decrease of $0.77 per month.

Table 36
Single-family Residential Monthly Wastewater Bill Impacts at 14 KGAL Monthly



		Proposed				
SFR Charges	Current	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31
Fixed Charges	$49.61	$48.84	$50.31	$51.82	$53.37	$54.97
Variable Charges	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total Charges	$49.61	$48.84	$50.31	$51.82	$53.37	$54.97
Dollar Change		($0.77)	$1.47	$1.51	$1.55	$1.60

Wastewater Rate Survey

A wastewater rate survey was conducted for neighboring communities to the Hilmar County Water District. Chart 2 compares the District's SFR monthly wastewater bill using 14 KGAL with those of neighboring communities. The rate survey includes rate schedules in effect March 2026. Wastewater bills for the District are shown using the current rates and the proposed rates for implementation July 1, 2026. The chart indicates that a District SFR customer will experience a bill that is among the lowest of the communities listed.

Chart 2
Single-family Residential Monthly Wastewater Bills at 14 KGAL

Note: Above table uses wastewater rates in effect March 2026. Hilmar July 2026 bill is based on the rate structure and rates in Table 35.

Appendix A

Water System Cost of Service Allocation is provided in Appendix A.

Appendix A-1
Water Capital Improvement Program

Description	Budget	Projected								
	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	FY 34-35
Capital Improvement Program (CIP)										
Proposed Asset Replacement Projects [1]	94,000	-	-	-	-	178,800	178,800	178,800	178,800	178,800
Total Water CIP	**$94,000**	**$0**	**$0**	**$0**	**$0**	**$178,800**	**$178,800**	**$178,800**	**$178,800**	**$178,800**

[1] Source: FY 25-26 District CIP.

Appendix A-2
FY 2026-27 Allocation of Water Revenue Requirements to Cost Component

Description	Total FY 26-27	Groundwater	Delivery	Peaking	Customer Meters/Serv	Customer Customer	Direct Fire Protection	Backflow
Operation and Maintenance Expense [1]	$996,753	$132,254	$280,449	$201,085	$151,414	$203,503	$14,482	$13,566
Capital Costs [1]								
Holman Capital Loan	$401,156	$0	$212,340	$103,461	$77,904	$0	$7,451	$0
Total Capital Costs	$401,156	$0	$212,340	$103,461	$77,904	$0	$7,451	$0
Adjustments								
Revenue Offsets	($211,500)	$0	($69,705)	($49,980)	($37,634)	($50,582)	($3,599)	$0
Adjustments for Annual Cash Balance	25,118	-	8,279	5,936	4,469	6,007	427	-
Total Adjustments	($186,382)	$0	($61,426)	($44,044)	($33,165)	($44,575)	($3,172)	$0
Total Cost of Service	$1,211,527	$132,254	$431,363	$260,502	$196,153	$158,928	$18,762	$13,566

[1] Allocated based on American Water Works Association (AWWA) example allocation.

Appendix A-3
FY 2026-27 Distribution of Costs to Fire Protection

Description	Allocated Total Cost	Peaking	Direct Fire Protection	Backflow
Unit Costs of Service		$311.07	$8.19	$10.98
Units of Measure		1,000 gal/day	Eq. Hyd	Bills
Public Fire Protection				
Units of Service		393	2,292	0
Allocated Cost of Service	$140,992	$122,231	$18,762	$0
Private Fire Protection				
Units of Service		35	0	0
Allocated Cost of Service	$10,752	$10,752	$0	$0

Appendix B

Wastewater System Cost of Service Allocation and Units of Service are provided in Appendix B.

Appendix B-1
Wastewater Capital Improvement Program

Description	Fiscal Year									
	FY 25-26	FY 26-27	FY 27-28	FY 28-29	FY 29-30	FY 30-31	FY 31-32	FY 32-33	FY 33-34	FY 34-35
Capital Improvement Program (CIP) [1]										
Cube Inspection System	$175,000	$0	$0	$0	$0	$0	$0	$0	$0	$0
Update Master Plans	-	120,000	-	-	-	-	-	-	-	-
Vactor Truck	-	-	-	495,000	-	-	-	-	-	-
SCADA improvements	27,000	-	-	-	-	-	-	-	-	-
Solids Removal from AFP 1	-	-	-	-	-	-	-	1,201,000	-	-
Solids Removal from AFP 2	-	-	-	-	-	-	-	-	1,692,000	-
South Side Sewer	-	-	-	-	-	1,295,000	-	-	-	-
Generators at Lift Station	-	402,500	-	-	-	-	-	-	-	-
New Backhoe	94,000	-	-	-	-	-	-	-	-	-
Echo Lift Station	-	-	1,300,000	-	-	-	-	-	-	-
Proposed Asset Replacement Projects [2]	-	-	-	-	-	192,000	192,000	192,000	192,000	192,000
Total Wastewater CIP	**$296,000**	**$522,500**	**$1,300,000**	**$495,000**	**$0**	**$1,487,000**	**$192,000**	**$1,393,000**	**$1,884,000**	**$192,000**

[1] Source: FY 25-26 District CIP.

Appendix B-2

FY 2026-27 Allocation of Wastewater Revenue Requirements to Cost Component

Description	FY 26-27	Common to All				
		Flow	Strength BOD	Strength SS	Customer	General
Salaries and Benefits						
Salaries and Benefits	$366,829	$0	$0	$0	$366,829	$0
Wastewater Operations						
Sewer Testing	$29,070	$0	$0	$0	$29,070	$0
Sewer Maintenance	40,800	36,720	-	-	4,080	-
WWTF Maintenance	45,900	15,300	15,300	15,300	-	-
SCADA Annual Fees	32,339	-	-	-	-	32,339
Sewer - TID	12,750	12,750	-	-	-	-
WWTF - TID	19,380	6,460	6,460	6,460	-	-
Administration - TID	2,157	-	-	-	-	2,157
Sewer Vehicle - Fuel	20,400	-	-	-	-	20,400
Sewer Vehicle - Maintenance	10,200	-	-	-	-	10,200
Sewer Annual Fees - Conf Report	35,700	-	-	-	-	35,700
Postage	8,629	-	-	-	8,629	-
Shop Supplies	9,109	-	-	-	9,109	-
Office Supplies	9,588	-	-	-	9,588	-
IT - Information Tech	11,985	-	-	-	11,985	-
All Other	18,265	1,678	-	-	10,259	6,328
Total Wastewater Operation and Maintenance Exp	$673,101	$72,908	$21,760	$21,760	$449,549	$107,124
Capital Outlay	74,212	49,238	10,514	10,514	3,945	-
General and Administrative	143,705	85,639	10,008	10,008	38,050	-
Total Operation and Maintenance Expense	$891,018	$241,906	$50,716	$50,716	$547,679	$0
Capital Costs						
Holman Capital Loan	$66,860	$44,296	$9,500	$9,500	$3,565	$0
Capital Uses of Funds	522,500	346,166	74,238	74,238	27,858	-
Total Capital Costs	$589,360	$390,462	$83,737	$83,737	$31,423	$0
Adjustments						
Property Taxes	($95,900)	($26,036)	($5,459)	($5,459)	($58,947)	$0
Other	(21,800)	(5,919)	(1,241)	(1,241)	(13,400)	-
Interest Income	(67,100)	(18,217)	(3,819)	(3,819)	(41,244)	-
Adjustments for Annual Cash Balance	(81,458)	(22,115)	(4,637)	(4,637)	(50,070)	-
Total Adjustments	($266,258)	($72,288)	($15,155)	($15,155)	($163,660)	$0
Total Cost of Service	$1,214,120	$560,081	$119,298	$119,298	$415,443	$0

Appendix B-3
FY 2026-27 Wastewater Units of Service

Customer Class	FY 26-27 Annual Use	Overall Return Factor	Contributed Wastewater Volume	Strength BOD	Strength SS	Strength BOD	Strength SS	Bills
	KGAL		KGAL	mg/l	mg/l	lb	lb	Bills
Single-family Residential	231,992	44%	102,250	107	149	91,011	126,842	18,576
Multifamily Residential	25,086	45%	11,386	107	149	10,135	14,125	2,448
Mobile Home	7,817	92%	7,155	107	149	6,369	8,876	2,124
Commercial	12,713	85%	10,806	300	350	27,054	31,563	756
Schools	4,184	80%	3,347	130	100	3,631	2,793	48
Total System	281,792		134,944			138,200	184,199	23,952