



BOARD MEETING AGENDA SUBMITTAL

TO: GCS D Board of Directors

FROM: Peter Kampa, General Manager

DATE: April 22, 2025

SUBJECT: Agenda Item 4B: Adoption of a Resolution Approving Proposition 218 Procedures for Water and Sewer Rates Proposed to be Effective on July 1, 2025

RECOMMENDED ACTION:

I move to adopt Resolution 13-2025 Approving the Water and Sewer Utility Rate Report and setting the date and time of a public hearing as part of the Water and Sewer Rate approval process and direct staff to complete the proceeding.

BACKGROUND:

On March 15, 2023, GCS D entered into a professional services agreement with NBS to conduct water and sewer rate studies. The project progressed, however some delays in finalizing capital improvement plans cause delays in the rate studies. On January 14, 2025, GCS D executed a contract amendment to finalize the water and sewer rate studies.

The draft water and sewer rate studies have been presented to GCS D staff and presented to the GCS D Board. Both staff and the Board provided input into the development of the water and sewer rates, and the District will proceed with the necessary steps to approve the proposed rates.

The approval proceeding is to hold a noticed public hearing. Notices will be mailed no later than May 2 to all rate payers and property owners who are subject to the water and sewer rates. A public hearing will be held on June 18 to afford rate payers and property owners to hear and be heard, as well as submit a written protest to the water and sewer rates if they so desire. The written protests will be counted and if a majority of the rate payers and property owners subject to the water and sewer rates submit a written protest, the process will stop there. If protest of a majority of rate payers and property owners subject to the water and sewer is not received, the District Board of Directors may consider adopting the water and sewer rates.

FINANCIAL IMPACT:

The water and sewer rate study were previously approved. This project is fully funded by the previous approval and taking this action will not require an additional allocation of funding.

If the rates are approved, the additional funding will be budgeted and allocated according to the projects and operating costs identified within the water and sewer rate studies. Staff will return to the Board for budget approval if the rates are approved.

ATTACHMENTS:

1. Resolution 13-2025
2. Water and Sewer Rate Study Report
3. Proposition 218 Notice/ Notice of Intent

RESOLUTION 13-2025

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE GROVELAND COMMUNITY SERVICES DISTRICT APPROVING PROPOSITION 218 PROCEDURES FOR WATER AND SEWER RATES PROPOSED TO BE EFFECTIVE ON JULY 1, 2025

WHEREAS, the Groveland Community Services District (“District”) imposes on water and sewer customers the requirement to pay water and sewer rates to cover the District’s costs of providing water and sewer service; and

WHEREAS, the District determined a rate study was needed for the water and sewer enterprise funds; and

WHEREAS, following a Request for Proposal process, the District engaged NBS to prepare the rate study for the water and sewer enterprise funds and approved a contract for such work on March 15, 2023, and a contract amendment on January 15, 2025; and

WHEREAS, on November 5, 1996, California voters approved Proposition 218, compelling specific substantive and procedural requirements to be followed with regard to property related fees; and

WHEREAS, the District’s Board of Directors and staff have reviewed and provided input to the process of developing the rate study for the water and sewer enterprise funds and recommended that the rate study be brought forward to this Board of Directors; and

WHEREAS, NBS has prepared and filed with this Board of Directors the Groveland Community Services District Water and Sewer Rate Study Report dated April 2025 (“Fee Study Report”), which details the basis of the fee, fee methodology, cost of service analysis and the specific charges proposed to be imposed on each affected customer; and

WHEREAS, the Board of Directors has carefully examined and reviewed the Fee Study Report as presented and is satisfied with the proposed water and sewer rates, the financial plan, cost of service analysis and rate setting, and is satisfied that the water and sewer rates do not exceed the funds required to provide the property related service and the amount of the water and sewer rates do not exceed the proportional cost of the service attributable to each parcel; and

WHEREAS, pursuant to AB 2257, if the District complies with the requirements in Government Code section 53759.1, then ratepayers must bring an objection regarding the proposed water and sewer rates to the Board of Director’s attention prior to the deadline established by the Board as part of the ratemaking process and any judicial action or proceeding to review, invalidate, challenge, set aside, rescind, void, or annul the water and sewer rates shall be subject to the requirements set forth in Government Code section 53759.2; and

WHEREAS, to comply with the requirements in Government Code section 53759.1, the District must do the following as part of the Proposition 218 process to consider the water rates:

- 1) Establish a deadline for any ratepayer or property owner to submit an objection to the proposed water and sewer rates that is at least 45 days after the Proposition 218 Notice has been sent; and
- 2) Make the proposed water and sewer rates and the Fee Study Report available to the public no less than 45 days before the deadline for a ratepayer or property owner to submit an objection; and
- 3) Post on its internet website the Fee Study Report Water Rate Study, which is a written basis for the proposed water rates, and the Proposition 218 Notice and include a link to the Fee Study Report in the Proposition 218 Notice; and
- 4) Mail the Fee Study Report to a ratepayer or property owner on request; and
- 5) Provide at least 45 days for a ratepayer or property owner to review the proposed water and sewer rates and to timely submit to the Secretary of the Board a written objection to the water and sewer rates that specifies the grounds for alleging noncompliance; and
- 6) Include in the Proposition 218 Notice:
 - a. A statement that all written objections must be submitted to the Secretary of the Board by the deadline and that failure to timely object in writing bars any right to challenge the proposed water rates in court and that any such action will be limited to issues identified in such objections; and
 - b. All substantive and procedural requirements for submitting an objection to the proposed water and sewer rates; and
- 7) Before or during the hearing, the Board of Directors shall consider and the District shall respond in writing to, any timely written objections. The District's responses shall explain the substantive basis for retaining or altering the proposed water and sewer rates in response to written objections, including any reasons to reject requested amendments. In exercising its legislative discretion, the Council shall determine whether:
 - a. The written objections and the District's response warrant clarifications to the proposed water and sewer rates;
 - b. To reduce the proposed water and sewer rates;
 - c. To further review the proposed water and sewer rates before determining whether clarification or reduction is needed; or
 - d. To proceed with the hearing and absent a majority protest, adopt the rates; and

WHEREAS, if the District adopts the proposed water and sewer rates in compliance with the requirements of Government Code section 53759.1, no person may bring a judicial action or proceeding alleging that the water and sewer rates do not comply with the California Constitution or other applicable law, unless that person submitted to the Secretary of the Board a timely, written objection to the water and sewer rates specifying the grounds for alleging noncompliance. The issues raised in any such action or proceeding shall be limited to those raised in such an objection unless a court finds the issue could not have been raised in such an objection by those exercising reasonable diligence; and

WHEREAS, the District desires to initiate proceedings under Proposition 218, and in compliance with Government Code section 53759.1, to consider the adoption of the proposed water and sewer rates.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE GROVELAND COMMUNITY SERVICES DISTRICT AS FOLLOWS:

1. The above recitals are true and correct.
2. The Fee Study Report is hereby approved and ordered to be filed in the Office of the Secretary of the Board as a permanent record and to remain open to public inspection.
3. The District shall initiate the process for the Board of Directors to consider the proposed water and sewer rates, in compliance with Proposition 218 and Government Code section 53759.1.
4. The District shall send a Proposition 218 Notice, substantially in the form attached hereto as Exhibit A, which complies with the Proposition 218 and contains the information required by Government Code section 53759.1.
5. All objections to the proposed water and sewer rates shall satisfy the requirements set forth in the Proposition 218 Notice and shall be received by the District by June 18, 2025.
6. The Secretary of the Board shall post the Fee Study Report and the Proposition 218 Notice to its website and shall include a link to the Fee Study Report in the Proposition 218 Notice. The District shall mail the Fee Study Report to any person upon request.
7. The Board of Directors hereby approves the Notice of Intent, attached to this resolution, to hold a public hearing on June 18, 2025 to consider the proposed water and sewer rates. Before or during the hearing, the Board of Directors shall consider, and the District shall respond in writing to, any timely written objection in accordance with Government Code section 53759.1.
8. This resolution shall take effect immediately.

FURTHERMORE, BE IT RESOLVED THAT THE BOARD OF DIRECTORS OF THE GROVELAND COMMUNITY SERVICES DISTRICT DOES HEREBY
Adopt Resolution 13-2025 Approving the Water and Sewer Utility Rate Report and setting the date and time of a public hearing as part of the Water and Sewer Rate approval process and direct staff to complete the proceeding.

WHEREFORE, this Resolution is passed and adopted by the Board of Directors of the Groveland Community Services District on April 22, 2025, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

APPROVE:

Nancy Mora, Board President

ATTEST:

Rachel Pearlman, Board Secretary

CERTIFICATE OF SECRETARY

I, Rachel Pearlman, the duly appointed and acting Secretary of the Board of Directors of the Groveland Community Services District, do hereby declare that the foregoing Resolution was duly passed and adopted at a Regular Meeting of the Board of Directors of the Groveland Community Services District, duly called and held on April 22, 2025.

DATED: _____

GROVELAND COMMUNITY SERVICES DISTRICT

Water and Sewer Rate Study Report

Rates Effective July 1, 2025

DRAFT Report

April 2025



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1. Introduction

1.1 Purpose

Groveland Community Services District (District) retained NBS to conduct a comprehensive utility rate study for its water and sewer enterprise funds. The District had several objectives and goals in mind for this study including meeting revenue requirements, reviewing the rising costs of providing services, funding capital improvements and changes in costs, and complying with applicable legal requirements (e.g., California Constitution Article XIII D, Section 6, which is commonly referred to as Proposition 218 [Prop 218]). The District's broader objectives in this study include ensuring adequate funding for operating and capital costs, maintaining reasonable reserves and ensuring revenue stability in utility rates. The rates resulting from this study were developed in a manner that is consistent with industry standard cost-of-service principles. In addition to documenting the rate study methodology, this report is provided with the intent to assist the District in its continuing effort to maintain transparent communications with the residents and community it serves.

In developing new rates for the District's enterprise funds, NBS worked cooperatively with District staff and the District's Board of Directors (Board) in selecting the appropriate rate alternatives that address the District's goals and objectives. Based on input provided by District staff and the Board, NBS proposes the rates summarized in this report. The District's Board of Directors (Board) has the final decision regarding the adoption of the proposed rates and whether to proceed with the Prop 218 approval process.

1.2 Overview of the Study

Comprehensive rate studies, such as this one, typically include three components: (1) preparation of a financial plan that identifies the net revenue requirements for the utility; (2) analysis of the cost to serve each customer class, and (3) the rate structure design. These steps are shown in Figure 1 and are intended to follow industry standards and reflect the fundamental principles of cost-of-service rate making embodied in the American Water Works Association's (AWWA) *Principles of Water Rates, Fees, and Charges*,¹ also referred to as Manual M1, and the Water Environment Federation's *Financing and Charges for Wastewater Systems* (Manual of Practice No. 27).²

Rate studies also address requirements under Prop 218 that rates not exceed the cost of providing the service and be proportionate to the cost of providing service for all customers. In terms of the chronology of the study, the three steps shown in Figure 1 represent the order in which they were performed in this study.

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

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

Figure 1. Primary Components of a Rate Study



NBS projected revenues and expenditures, developed net revenue requirements, performed cost-of-service rate analyses, and developed new water and sewer rates for the District using this approach. The following sections in this report present an overview of the methodologies, assumptions, and data used along with the financial plans and rates developed. Detailed tables and figures documenting the development of the proposed rates are provided in the Appendices.

The District provided NBS with the data necessary to conduct the study, including historical, current, and projected revenues and expenditures, number of customer accounts, and water consumption data along with other operational and capital cost information.

FINANCIAL PLAN

As a part of the rate study, NBS projected revenues and expenditures on a cash-flow basis for the next five (5) years. The amount of rate revenue required, that will allow reserves to be maintained at the recommended levels, is known as the net revenue requirement. As current rate revenue falls short of the net revenue requirement, rate adjustments – or more accurately, adjustments in the total revenue collected from rates – are recommended. This report presents an overview of the methodologies, assumptions, and data used along with the financial plan and proposed rates developed in this study.³

COST-OF-SERVICE ANALYSIS

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

- Commodity related costs
- Capacity related costs
- Customer service-related costs
- Fire protection related costs

³ The complete financial plans are available in the *Appendices*.

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

- Volume related costs
- Strength related costs
- Customer service-related costs

Together, these three allocation factors represent the cost allocation classifications used in the cost-of-service analysis. Further details are discussed below and documented in the *Appendices*.

RATE DESIGN ANALYSIS

During the rate design phase of the study, NBS and District staff worked together to develop rate alternatives that will meet the District's objectives. It is important for the District to send proper price signals to its customers about the actual cost of providing service. This objective is typically addressed through both the magnitude of the rate adjustments and the rate structure design. In other words, both the amount of revenue collected and the way in which the revenue is collected from customers are important.

Several criteria are typically considered in setting rates and developing sound rate structures. The fundamentals of this process have been well documented in several rate-setting manuals, such as AWWA's Manual M1. The foundation for evaluating rate structures is generally credited to James C. Bonbright in *Principles of Public Utility Rates*,⁴ which outlines pricing policies, theories, and economic concepts along with various rate designs. The following is a simplified list of the attributes of a sound rate structure:

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

RATE STRUCTURE TERMINOLOGY

This section covers basic rate design criteria that NBS and District staff considered as a part of their review of the rate structure alternatives. One of the most fundamental points in considering rate structures is the relationship between fixed and variable costs. Fixed costs, such as debt service and personnel costs, typically do not vary with the amount of water consumed or sewage treated. In contrast, variable costs, such as the cost of purchased water, chemicals, and electricity, tend to change with the quantity of water sold or the quantity and strength of sewage treated. Most rate structures contain a fixed, or minimum, charge in combination with a volumetric charge.

⁴ James C. Bonbright, Albert L. Danielsen, and David R. Kamerschen, *Principles of Public Utility Rates*, Arlington, VA: Public Utilities Report, Inc., Second Edition, 1988, pp. 383-384.

Fixed Charges – Fixed charges can be called base charges, minimum monthly charges, customer charges, fixed meter charges, etc. Fixed charges for water utilities typically increase by meter size. For example, a customer with a 2-inch meter has a fixed meter charge that is more than five times greater than the typical residential customer based on the safe operating capacity of the meter.⁵ Since a large portion of utility costs are typically related to meeting capacity requirements, individual capacity demands are important in establishing equitable rates for customers. Fixed charges for sewer utilities typically increase by equivalent dwelling unit (EDU) for residential customers.

Variable (Consumption-Based) Charges – In contrast to fixed charges, variable costs, such as purchased water, groundwater replenishment costs, and the cost of electricity used in pumping water and chemicals for treatment, tend to change with the quantity of water produced. For a water utility, variable charges are calculated based on a metered consumption per unit price (e.g., per 100 cubic feet, or HCF). For a sewer utility, variable charges are calculated based on strength which is comprised of factors measuring the biochemical oxygen demand and total suspended solids of the influent wastewater as those affect the cost of treatment.

Uniform (Single-Tier) Water Rates – There are significant variations in the basic philosophy of variable charge rate structure alternatives. Under a uniform (single tier) rate structure, the cost per unit does not change with consumption and, therefore, provides a simple and straightforward approach from the customer’s perspective and in terms of rate administration.

Tiered Water Charges – The 2015 San Juan Capistrano court decision held that water agencies may only charge tiered rates if they can show that the tiered rates are proportionate to the agency’s higher costs to serve those customers, meaning that caution must be used to ensure that customers are appropriately allocated costs that meet legal requirements.

KEY FINANCIAL ASSUMPTIONS

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

Funding of Capital Projects – The capital improvement costs will be funded with a combination of cash in reserves, new debt financing, and the additional revenue generated from the proposed rate increases. The capital projects listed in the financial plan are from the District’s capital improvement program. The analysis assumes:

- Capital costs attributable to existing customers are funded using rate revenue.
- Capital costs attributable to growth are funded by revenue from the impact fee reserves.

Reserve Targets – For each utility (i.e., water and sewer), the District maintains reserves for operations, capital, and other specific needs. The details of each utility’s reserve targets are covered in their respective sections of this report.

⁵ *Principles of Water Rates, Fees, and Charges*, Manual of Water Supply Practices, Manual M1, AWWA, 7th Edition, 2017, pp. 151-152.

Inflation and Growth Projections – Assumptions were made in the analysis regarding cost inflation to project future revenues and expenses for the study period. The following inflation factors were used in the analysis:

- Customer growth is estimated at 0.32% each year.
- General cost inflation is estimated at 3.46% annually.
- Labor cost inflation is estimated at 3.50% annually.
- Energy cost inflation is estimated at 10.84% annually.
- Electricity cost inflation is estimated at 8.35% annually.
- Fuel & Utilities cost inflation is estimated at 7.08% annually.

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

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2. Water Rate Study

2.1 Key Water Rate Study Issues

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

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

NBS developed various water rate alternatives as requested by District staff over the course of this study. All rate structure alternatives relied on industry standards and cost-of-service principles. The rate alternative that will ultimately be implemented is the decision of the District's Board of Directors. The fixed and volume-based charges were calculated based on the net revenue requirements, number of customer accounts, water consumption and estimated water discharge, and other relevant data provided by the District.

The following are the basic components included in this analysis:

Developing Cost Allocations – The water revenue requirements were “functionalized” into four categories: (1) commodity (or volume-based) costs; (2) fixed capacity costs; (3) customer service costs and (4) fire protection costs. These functionalized costs were then used to develop unit costs based on various factors, such as water consumption, peaking factors, and number of accounts by meter size.

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

Evaluating Rate Design (Fixed vs. Variable Charges) – The revenue requirements for each customer class are collected through a combination of fixed monthly service charges and volumetric rates. Based on direction from District staff and the District Board, the rates proposed in this report will collect 55% of the rate revenue from the fixed charge and 45% from the variable charges.

2.2 Financial Plan

It is important for municipal utilities to not only collect sufficient revenues every year, but to also maintain reasonable reserves to handle emergencies, fund working capital, maintain a good credit rating, and generally follow sound financial management practices. Rate adjustments are governed by the need to

meet operating and capital costs as well as maintain reasonable reserve levels. The current state of the District's water utility, regarding these objectives, is as follows:

Meeting Net Revenue Requirements: For FY 2025/26 through FY 2029/30, the projected net revenue requirement (that is, total annual expenses plus debt service and rate-funded capital costs, less non-rate revenues) for the water system is projected to increase from \$4.0 to \$4.6 million annually. Based on the District's FY 2024/25, there is a budget deficit in the water fund of \$1.1 million for this fiscal year. If no rate adjustments are implemented, the District is projected to run an annual deficit of ranging from \$1.4 to \$2.0 million in the water fund during the 5-year rate period.

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

- The District's existing reserves are currently underfunded, and the challenge is to meet future revenue requirements and build adequate reserves. NBS, together with District staff, have chosen to set the following reserve targets:
 - **Operating Reserve** equal to 90 days of operating and maintenance expenses, or approximately \$1.03 million in FY 2025/26. An operating reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures, such as those caused by weather patterns, the natural inflow and outflow of cash during billing cycles, natural variability in demand-based revenue streams (e.g., volumetric charges), and – particularly in periods of economic distress – changes or trends in the age of receivables. NBS considers a 90 day operating reserve to be in line with most municipal water utilities operating reserve targets.
 - **Capital Rehabilitation & Replacement Reserve** equal to 3% of the net capital assets, or capital assets less depreciation, which is \$1.4 million in 2025/26. This reserve is intended to be a cash resource set aside to address long-term capital system replacement and rehabilitation needs. Many utilities aim for 3% to 6% of net assets, and the District is at the low end of this norm.

Funding Capital Improvement Projects: The District must fund necessary capital improvements to maintain current service levels. District staff have identified roughly \$33.2 million in expected capital expenditures over the next five years (FY 2025/26 through FY 2029/30) which is an average of \$6.7 million in capital expenditures annually. This rate study assumes the District will be securing a loan in the amount of \$7.7 million in FY 2025/26. Proceeds from the loan along with the recommended rate increases, enable the District to fund 20% of the identified capital expenditure projects over the five year period.

Inflation and Growth Projections: Cost inflation and growth assumptions are necessary to project future revenues and expenses for the study period. Customer growth is estimated to increase annually by 0.32% through 2029/30. This factor was used in the analysis for rate revenues while inflation factors, including the Consumer Price Index,⁶ were used in projecting expenses.

⁶ Consumer Price Index for all urban consumers in the San Francisco area. Source: Website: <https://www.bls.gov/cpi/>.

Maintaining Adequate Bond Coverage: The water utility currently has existing debt obligations, as shown in Table 13 of Appendix A. Additionally, this analysis assumes that the District will obtain a new loan in the amount of \$7.7 million to fund capital projects over the five year rate implementation period.

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

Figure 2. Summary of Water Revenue Requirements

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget	5-Year Projected Rate Period				
	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Sources of Water Funds						
Rate Revenue Under Prevailing Rates	\$ 2,584,484	\$ 2,592,754	\$ 2,601,051	\$ 2,609,375	\$ 2,617,725	\$ 2,626,101
Non-Rate Revenues	713,395	841,870	519,747	948,990	686,612	686,880
Interest Earnings	110,350	32,054	33,082	36,615	42,948	43,580
Total Sources of Funds	\$ 3,408,229	\$ 3,466,679	\$ 3,153,880	\$ 3,594,980	\$ 3,347,284	\$ 3,356,562
Uses of Water Funds						
Operating Expenses	\$ 3,953,833	\$ 4,120,317	\$ 4,270,670	\$ 4,426,694	\$ 4,624,214	\$ 4,756,663
Existing Debt Service	626,638	754,836	432,434	280,657	17,998	17,985
New Debt Service	-	-	-	580,741	580,741	580,741
Rate-Funded Capital Expenses	-	-	-	-	-	-
Total Use of Funds	\$ 4,580,471	\$ 4,875,153	\$ 4,703,104	\$ 5,288,092	\$ 5,222,953	\$ 5,355,390
Surplus (Deficiency) before Rate Increase	\$ (1,172,242)	\$ (1,408,474)	\$ (1,549,224)	\$ (1,693,112)	\$ (1,875,668)	\$ (1,998,828)
Additional Revenue from Rate Increases ¹	-	907,464	1,823,337	2,273,026	2,770,102	3,319,473
Surplus (Deficiency) after Rate Increase	\$ (1,172,242)	\$ (501,010)	\$ 274,112	\$ 579,914	\$ 894,434	\$ 1,320,646
Projected Annual Rate Increase	0.00%	35.00%	26.00%	10.00%	10.00%	10.00%
Net Revenue Requirement²	\$ 3,756,726	\$ 4,001,229	\$ 4,150,276	\$ 4,302,487	\$ 4,493,393	\$ 4,624,929

1. Assumes new rates are implemented July 1, 2025.

2. Total use of funds less non-rate revenues and interest earnings.

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

Figure 3. Summary of Unrestricted Water Reserve Funds

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budget	5-Year Projected Rate Period				
	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Operating Reserve						
Ending Balance	\$ 842,549	\$ 341,539	\$ 615,651	\$ 1,107,000	\$ 1,156,000	\$ 1,189,000
<i>Recommended Minimum Target</i>	<i>988,000</i>	<i>1,030,000</i>	<i>1,068,000</i>	<i>1,107,000</i>	<i>1,156,000</i>	<i>1,189,000</i>
Capital Rehabilitation & Replacement Reserve						
Ending Balance	\$ -	\$ -	\$ -	\$ 88,565	\$ 933,999	\$ 2,221,645
<i>Recommended Minimum Target</i>	<i>660,200</i>	<i>768,900</i>	<i>878,700</i>	<i>935,400</i>	<i>980,000</i>	<i>1,020,800</i>
Total Ending Balance	\$ 842,549	\$ 341,539	\$ 615,651	\$ 1,195,565	\$ 2,089,999	\$ 3,410,645
<i>Total Recommended Minimum Target</i>	<i>\$ 1,648,200</i>	<i>\$ 1,798,900</i>	<i>\$ 1,946,700</i>	<i>\$ 2,042,400</i>	<i>\$ 2,136,000</i>	<i>\$ 2,209,800</i>

2.3 Cost-of-Service Analysis

Once the net revenue requirements are determined, the cost-of-service analysis (COSA) proportionately distributes the revenue requirements to each of the customer classes. The COSA consists of two major components: (1) the classification of expenses, and (2) the allocation of costs to each customer class. Costs

are classified according to the function they serve. All costs in the District's budget are allocated to each component of the rate structure in proportion to the level of service required by customers.

The level of service is related to the volume of the water treated, infrastructure capacity, and customer service. These costs are based on allocation factors, such as water consumption, number of meters, and customer class. Ultimately, a COSA is intended to result in rates that are proportional to the cost of providing service to each customer class.

FUNCTIONALIZATION AND CLASSIFICATION OF COSTS

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

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

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

FIXED AND VARIABLE COSTS

Ideally, utilities should recover all of their fixed costs from fixed charges and all of their variable costs from volumetric charges. When this is the case, fluctuations in water sales revenues would be directly offset by reductions or increases in variable expenses, which provides greater revenue stability for the utility. However, other factors are often considered when designing water rates, such as community values, water conservation goals, ease of understanding, and ease of administration.⁷

NBS functionalized the District's costs into categories that represent fixed and variable costs. This analysis resulted in a cost distribution that is approximately 34% fixed and 66% variable (i.e., volumetric). However, the District's current rates collect revenue from customers in proportions of approximately 65% fixed and 35% variable. District staff expressed a desire for a proposed rate structure that provides continuity for the District's rate design while also encouraging water conservation. Therefore, the proposed new rates are

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

based on 55% fixed and 45% variable allocations in order to give customers more opportunity to control costs through water conservation.

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

Figure 4. Allocation Percentages of Revenue Requirements

Classification Components	Cost-of-Service Net Revenue Requirements (FY 2025/26)	
Commodity-Related Costs	\$ 2,310,144	66.0%
Fixed Capacity - Related Costs	813,159	23.2%
Customer-Related Costs	342,015	9.8%
Fire Protection-Related Costs	34,900	1.0%
Net Revenue Requirement	\$ 3,500,218	100.0%

Figure 5. Allocated Net Revenue Requirements – Preferred Rate Alternative

Customer Classes	Classification Components				Cost of Service Net Rev. Req'ts	% of COS Net Revenue Req'ts
	VARIABLE	FIXED				
	Commodity-Related Costs	Fixed Capacity - Related Costs	Customer - Related Costs	Fire Protection - Related Costs		
Residential	\$ 2,167,691	\$ 744,404	\$ 329,840	\$ -	\$ 3,241,935	93.7%
Other Residential	1,591	218	101	-	1,910	0.1%
Commercial	140,862	27,807	10,450	-	179,119	5.2%
Fire Service	-	-	1,623	34,900	36,523	1.1%
Total Net Revenue Requirement	\$ 2,310,144	\$ 772,429	\$ 342,015	\$ 34,900	\$ 3,459,488	100%

2.4 Characteristics of Water Customers by Customer Class

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

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

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

Figure 6. Water Consumption by Customer Class

Development of the Volumetric/Variable Allocation Factor ¹			
Customer Class	FY 2023/24 Consumption (gal)	Conservation Factor	FY 2023/24 % of Total Volume
Residential	78,835,738	5.0%	93.8%
Other Residential	57,865	5.0%	0.1%
Commercial	5,122,942	5.0%	6.1%
Fire Service	-	5.0%	0.0%
Total	84,016,545	5.0%	100.0%

1. Consumption data is based on District's billing data.

Figure 7 shows the capacity allocation factors for each customer class.

Figure 7. Capacity Allocation Factors by Customer Class

Development of the CAPACITY Allocation Factors					
Customer Class	Meter Size ¹	No. of Meters	Hydraulic Capacity Factors ²	Total Equivalent Meters	% of EDUs
Residential		3,251		3,418	91.5%
	5/8 inch	3,110	1.00	3,110	
	3/4 inch	52	1.00	52	
	1 inch	69	1.67	115	
	1.5 inch	8	3.33	27	
	2 inch	6	5.33	32	
	3 inch	3	10.67	32	
	4 inch	3	16.67	50	
Other Residential	6 inch	0	33.33	0	0.0%
		1		1	
	5/8 inch	1	1.00	1	
	3/4 inch	0	1.00	0	
	1 inch	0	1.67	0	
	1.5 inch	0	3.33	0	
	2 inch	0	5.33	0	
	3 inch	0	10.67	0	
Commercial	4 inch	0	16.67	0	3.4%
	6 inch	0	33.33	0	
		103		128	
	5/8 inch	42	1.00	42	
	3/4 inch	57	1.00	57	
	1 inch	0	1.67	0	
	1.5 inch	2	3.33	7	
	2 inch	1	5.33	5	
Fire Service	3 inch	0	10.67	0	5.0%
	4 inch	1	16.67	17	
	6 inch	0	33.33	0	
		16		187	
	5/8 inch	5	1.00	5	
	3/4 inch	0	1.00	0	
	1 inch	2	1.67	3	
	1.5 inch	2	3.33	7	
Total	2 inch	1	5.33	5	100.0%
	3 inch	0	10.67	0	
	4 inch	2	16.67	33	
	6 inch	4	33.33	133	
		3,371		3,733	

1. Meter by class and size are based on June 2024 customer billing data.

2. Source: *Principles of Water Rates, Fees, and Charges*, Manual M1, AWWA, Table B-1.

Both operating costs and capital infrastructure costs incurred to accommodate peak system capacity events are generally allocated to each meter size according to its contribution to peak capacity events. These capacity allocation factors are used to allocate the capacity-related costs to each customer class and are described in more detail later in this study.

Figure 8 shows the number of meters for each customer class. The percentage of total customers by customer class is then used to develop the customer allocation factors to allocate customer costs. Customer costs are those costs associated with having customers connected to the water system and include costs related to meter reading, postage, and billing.

Figure 8. Number of Meters by Customer Class

Development of the Customer Allocation Factor		
Customer Class	No. of Meters FY 2023/24	Percent of Total
Residential	3,251	96.4%
Other Residential	1	0.0%
Commercial	103	3.1%
Fire Service	16	0.5%
Total	3,371	100.0%

1. Meter count as of June 30, 2024.

2.5 Rate Design Analysis

Evaluating the water rate structure includes reviewing rate-design objectives and policies, including continuity of rate design, revenue stability, equity among customers, and water conservation. Ultimately, District staff selected the 55% fixed/45% rate alternative, as it maintains continuity with the existing rate revenue collection structure while providing customers opportunity to control costs based on water conservation. The preferred rate structure maintains the two tier variable rate structure for all customers. The following section describes how the proposed water rates were determined.

DEVELOPMENT OF PROPOSED RATES

Fixed Service Charges

The fixed meter charge recognizes that the water utility incurs fixed costs regardless of whether customers use water. Two components comprise the fixed meter charge: (1) the capacity component, and (2) the customer component. The capacity component recovers costs associated with sizing the water system to ensure there is sufficient capacity in the system to meet peak demand. A user class with higher-peaking ratio is allocated a proportionately higher share of the capacity-related costs compared to customer classes with lower peaking ratios. The customer component includes those costs related to reading and maintaining meters, customer billing and collection, and other customer service-related costs.

Fixed charges also vary based on meter sizes because larger meters have higher capacity requirements and reflect their potential to use more of the system’s capacity.⁸ The potential capacity demands (peaking) is

⁸ System capacity is the system’s ability to supply water to all delivery points at the time when demanded.

proportional to the maximum hydraulic flow through each meter size based on the hydraulic capacity ratios established by AWWA.⁹ The AWWA capacity ratios used for this report are shown in **Figure 9**.

Figure 9. Hydraulic Capacity Factors

Meter Size	Standard Meters	
	Meter Capacity (gpm) ¹	Equivalency to 3/4 inch
	<i>Displacement Meters</i>	
5/8 inch	20	1.00
3/4 inch	30	1.00
1 inch	50	1.67
1 1/2 inch	100	3.33
2 inch	160	5.33
	<i>Compound Class I Meters</i>	
3 inch	320	10.67
4 inch	500	16.67
6 inch	1,000	33.33
8 inch	1,600	53.33
	<i>Turbine Class II Meters</i>	
10 inch	4,200	140.00
12 inch	5,300	176.67

1. Per AWWA, M1 Manual, Table B-1.

The actual number of meters by size is multiplied by the corresponding capacity ratios to calculate “equivalent” meters. The number of equivalent meters is used as a proxy for the potential demand that each customer can place on the water system. **Figure 10** summarizes the number of meters, the hydraulic capacity factors, and the number of equivalent meters (i.e., the number of meters multiplied by the hydraulic capacity factor) by customer class and meter size.

Figure 10. Equivalent Meters

Number of Meters by Class and Size ¹	FY 2024/25									Total
	5/8 inch	3/4 inch	1 inch	1.5 inch	2 inch	3 inch	4 inch	6 inch		
Residential	3,110	52	69	8	6	3	3	0	0	3,251
Other Residential	1	0	0	0	0	0	0	0	0	1
Commercial	42	57	0	2	1	0	1	0	0	103
Total Meters/Accounts	3,153	109	69	10	7	3	4	0	0	3,355
<i>Hydraulic Capacity Factor²</i>	<i>1.00</i>	<i>1.00</i>	<i>1.67</i>	<i>3.33</i>	<i>5.33</i>	<i>10.67</i>	<i>16.67</i>	<i>33.33</i>		
Total Equivalent Meters	3,153	109	115	33	37	32	67	0	0	3,546

Using the costs allocated to each customer class from Figure 5, **Figure 11** shows the calculation of the fixed monthly service charges for all customer classes based on meter size. As previously mentioned, the customer service charge is calculated by dividing the customer service-related costs by the total number of meters, whereas the fixed capacity charge is calculated by dividing the capacity-related costs by the total number of equivalent meters for each meter size.

⁹ *Principles of Water Rates, Fees and Charges, Manual of Water Supply Practices, Manual M1, AWWA, 7th Edition, 2017, p. 386. Water Meters – Selection, Installation, Testing and Maintenance, Manual M6, AWWA, 5th Edition, 2012, pp. 63-65.*

Figure 11. Calculation of Fixed Service Charges

Number of Meters by Class and Size ¹	FY 2024/25									Total
	5/8 inch	3/4 inch	1 inch	1.5 inch	2 inch	3 inch	4 inch	6 inch		
Residential	3,110	52	69	8	6	3	3	0	0	3,251
Other Residential	1	0	0	0	0	0	0	0	0	1
Commercial	42	57	0	2	1	0	1	0	0	103
Total Meters/Accounts	3,153	109	69	10	7	3	4	0	0	3,355
Hydraulic Capacity Factor ²	1.00	1.00	1.67	3.33	5.33	10.67	16.67	33.33		
Total Equivalent Meters	3,153	109	115	33	37	32	67	0	0	3,546
Monthly Fixed Service Charges										
Customer Costs (\$/Acct/month) ³	\$8.50	\$8.50	\$8.50	\$8.50	\$8.50	\$8.50	\$8.50	\$8.50	\$8.50	\$8.50
Capacity Costs (\$/Acct/month) ⁴	\$37.06	\$37.06	\$61.77	\$123.53	\$197.65	\$395.31	\$617.67	\$1,235.34		
Total Monthly Meter Charge	\$45.56	\$45.56	\$70.26	\$132.03	\$206.15	\$403.81	\$626.17	\$1,243.84	\$0.00	\$0.00
Annual Fixed Costs Allocated to Monthly Meter Charges										
Customer Costs	\$ 342,015									
Capacity Costs	1,577,138									
Total Fixed Meter Costs	\$ 1,919,154									
Annual Revenue from Monthly Meter Charges										
Customer Charges	\$ 321,423	\$ 11,112	\$ 7,034	\$ 1,019	\$ 714	\$ 306	\$ 408	\$ -	\$ -	\$ 342,015
Capacity Charges	\$ 1,402,213	\$ 48,475	\$ 51,143	\$ 14,824	\$ 16,603	\$ 14,231	\$ 29,648	\$ -	\$ -	\$ 1,577,138
Total Revenue from Monthly Meter Charge	\$ 1,723,637	\$ 59,587	\$ 58,177	\$ 15,844	\$ 17,317	\$ 14,537	\$ 30,056	\$ -	\$ -	\$ 1,919,154

1. Meter by Class and Size are based on June 30, 2022 customer billing data.
2. Source: *Principles of Water Rates, Fees, and Charges*, Manual M1, AWWA, Table B-1.
3. Customer costs are allocated to each customer by dividing the total customer costs by the total number of customers.
4. Capacity costs are allocated by meter size and the hydraulic capacity of the meter.

Volumetric Rates

The proposed rates maintain the District’s existing, two-tier variable rate structure. The calculation of the variable tiered rates are shown below in **Figure 12** for all customers.

Figure 12. Tier Rates for FY 2025/26

Source of Supply	Source of Supply Costs ¹	Supply Costs Allocated	Total Costs Allocated ²	FY 2023/24 Consumption ³	Volumetric Rates (\$/gal) ⁴
Usage Type	(1)	(2)	(3)	(4)	(5)
Baseline Usage	\$ 625,903	34.0%	\$ 523,714	42,008,272	\$0.0125
Peak Demand Usage	1,214,989	66.0%	1,016,621	42,008,272	\$0.0242
Total Costs	\$ 1,840,892	100.0%	\$ 1,540,334	84,016,545	

1. See Table 39.
2. Total variable costs allocated to all customers less their source of supply costs. NBS assumed these other costs are proportionally allocated to the usage tiers.
3. Water consumption is actual consumption for FY 2023/24. See *Allocation Factors* tab, Table 24.

2.6 Proposed Water Rates

Since the District’s water rates were last adjusted, the underlying cost factors (e.g., consumption by class, number of meters, peaking factors) have changed. The cost-of-service analysis by nature “re-balances” how costs are allocated between customer classes and, as a result, there are uneven adjustments in the first year of the 5-year rate adoption period. In contrast, in the subsequent four years of the rate planning period, proposed charges are simply adjusted by the proposed adjustment in total rate revenue needed to meet projected revenue requirements.

Figure 13 provides a comparison of the current and proposed water rates for FY 2025/26 through 2029/30 for each customer class and meter size. Projected rates for each fiscal year¹⁰ reflect adjustments based on the cost-of-service analysis, the 55% fixed/45% variable rate design structure, and the recommended percent increases in rate revenue planned for each year. More detailed tables on the development of the proposed water rates are documented in Appendix A.

¹⁰ First year rate adjustments are scheduled to be effective on January 1, 2025.

Figure 13. Current and Proposed Water Rates

Water Rate Schedule	Current Rates	Proposed Rates				
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
<i>Projected Increase in Rate Revenue</i>		35.00%	26.00%	10.00%	10.00%	10.00%
Monthly Fixed Service Charges (in \$/mo)						
<i>Monthly Fixed Charges:</i>						
5/8 x 3/4 inch	\$39.64	\$45.56	\$57.40	\$63.14	\$69.45	\$76.40
3/4 inch	\$39.64	\$45.56	\$57.40	\$63.14	\$69.45	\$76.40
1 inch	\$63.43	\$70.26	\$88.53	\$97.38	\$107.12	\$117.83
1 1/2 inch	\$103.07	\$132.03	\$166.36	\$182.99	\$201.29	\$221.42
2 inch	\$138.74	\$206.15	\$259.75	\$285.72	\$314.30	\$345.73
3 inch	\$218.02	\$403.81	\$508.79	\$559.67	\$615.64	\$677.21
4 inch	\$309.19	\$626.17	\$788.97	\$867.87	\$954.65	\$1,050.12
6 inch	n/a	\$1,243.84	\$1,567.24	\$1,723.96	\$1,896.36	\$2,085.99
<i>Monthly Fire Service Charges:</i>						
5/8 x 3/4 inch	\$7.50	\$24.01	\$30.25	\$33.27	\$36.60	\$40.26
3/4 inch	\$7.50	\$24.01	\$30.25	\$33.27	\$36.60	\$40.26
1 inch	\$10.00	\$34.38	\$43.31	\$47.64	\$52.41	\$57.65
1 1/2 inch	\$15.00	\$60.30	\$75.97	\$83.57	\$91.93	\$101.12
2 inch	\$20.00	\$91.40	\$115.17	\$126.68	\$139.35	\$153.28
3 inch	\$30.00	\$174.35	\$219.68	\$241.64	\$265.81	\$292.39
4 inch	\$40.00	\$267.66	\$337.25	\$370.98	\$408.08	\$448.88
6 inch	\$60.00	\$526.87	\$663.85	\$730.24	\$803.26	\$883.59
Existing Debt Service Charge	\$15.57	\$15.57	\$15.57	\$15.57	\$0.00	\$0.00
New Debt Service Charge	n/a	\$0.00	\$0.00	\$14.36	\$14.36	\$14.36
Variable Charges for All Water Consumed (in \$/gal)						
0 to 3,300 - Baseline Usage	\$0.00765	\$0.01247	\$0.01571	\$0.01728	\$0.01901	\$0.02091
> 3,300 - Peak Demand Usage	\$0.01514	\$0.02420	\$0.03049	\$0.03354	\$0.03690	\$0.04059

2.7 Comparison of Current and Proposed Water Bills

Figure 14 and Figure 15 compare a range of monthly water bills under the current and proposed water rates for residential and commercial customers. These monthly bills are based on typical meter sizes and highlight the average consumption levels for each customer.

Figure 14. Monthly Water Bill Comparison for Residential Customers

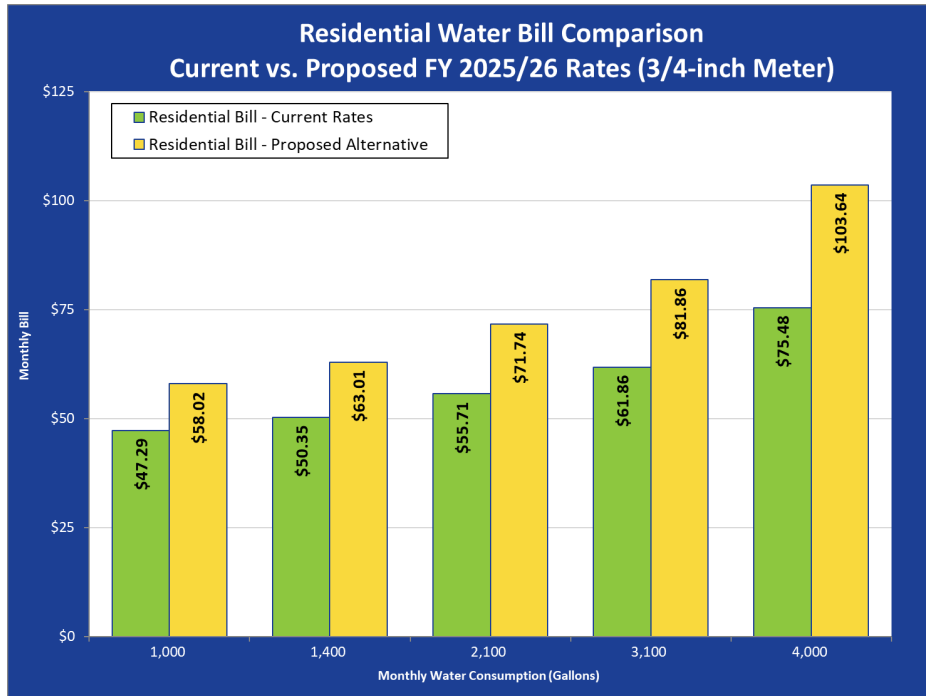


Figure 15. Monthly Water Bill Comparison for Commercial Customers

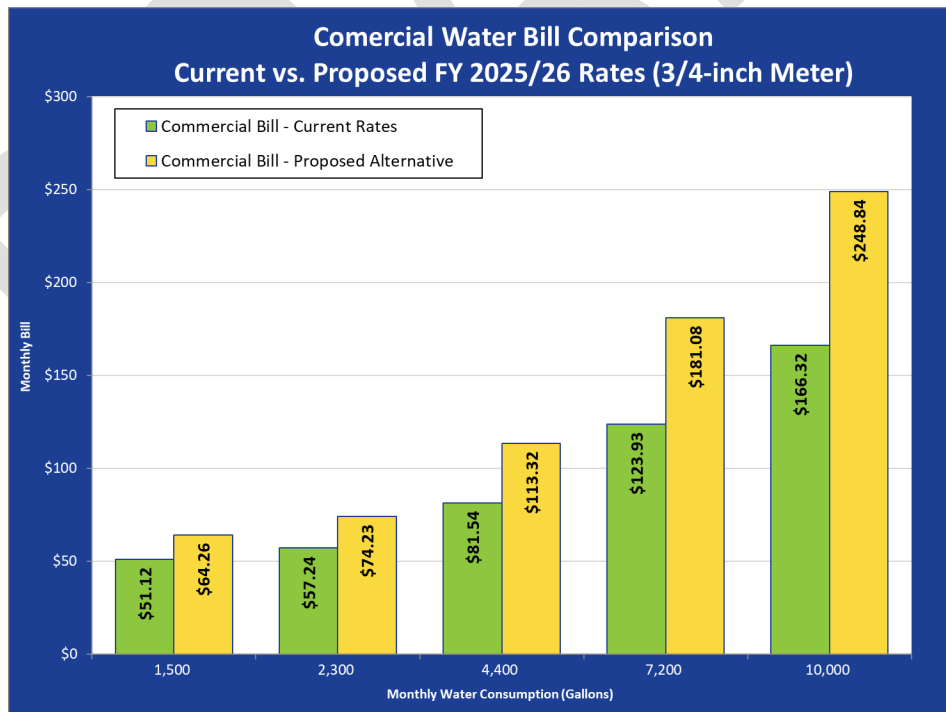
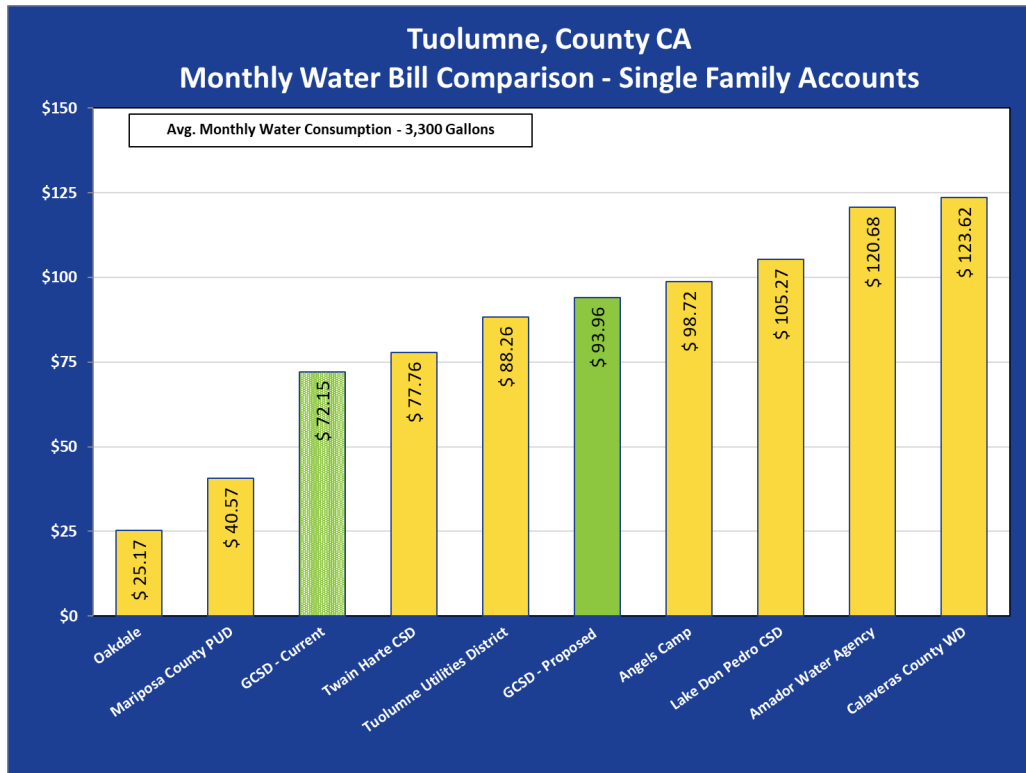


Figure 16 presents a comparison of residential water rates for similar communities.

Figure 16. Residential Bills Comparison for Similar Communities



3. Sewer Rate Study

3.1 Key Sewer Rate Study Issues

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

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

3.2 Financial Plan

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

Meeting Net Revenue Requirements: For FY 2025/26 through FY 2029/30, the projected net revenue requirements (that is, total operating expenses plus rate-funded capital costs less non-rate revenues) for the District increases from approximately \$3.1 million to \$4.2 million annually. Based on the District's current budget for FY 2024/25, the sewer utility is facing an existing \$404 thousand deficit this fiscal year. If no rate increases are implemented, the District is projected to run an annual deficit of approximately \$747 thousand beginning in FY 2025/26 but increasing to \$1.8 million by FY 2029/30, and the utility would not meet its debt service coverage requirements.

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

- **Operating Reserve:** The target ending fund balance for the operating reserve is equal to 90 days of operating expenses, or approximately \$741,000 in FY 2025/26. An operating reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures. Fluctuations in revenue can be caused by weather patterns, the natural inflow and outflow of cash during billing cycles, natural variability in demand-based revenue streams (such as volumetric charges), and – particularly in periods of economic distress – changes or trends in age of receivables.
- **Capital Rehabilitation & Replacement Reserve** equal to 3% of net assets which is approximately \$280,000 in FY 2025/26. This reserve is set aside to address long-term capital system replacement and rehabilitation needs.

Maintaining Adequate Bond Coverage: The sewer utility currently has existing debt obligations, as shown in Table 13 of Appendix B. Additionally, this analysis assumes that the District will obtain a new loan in the amount of \$3.7 million to fund capital projects over the five year rate implementation period.

The recommended rate revenue increases 30% in FY 2025/26, 15% in FY 2026/27 and 10% each year through 2029/30. **Figure 17** summarizes the sources and uses of funds, net revenue requirements, and the recommended annual increases in sewer rate revenue proposed for the next five years. **Figure 18** summarizes the projected reserve fund balances and reserve targets for the sewer utility’s unrestricted funds.

Figure 17. Summary of Sewer Revenue Requirements

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget		5-Year Projected Rate Period			
	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Sources of Sewer Funds						
Rate Revenue Under Prevailing Rates	\$ 2,325,447	\$ 2,332,888	\$ 2,340,354	\$ 2,347,843	\$ 2,355,356	\$ 2,362,893
Non-Rate Revenues	435,297	438,680	566,318	418,799	418,907	419,015
Interest Earnings	147,487	22,268	14,996	15,043	15,092	15,140
Total: Sources of Funds	\$ 2,908,231	\$ 2,793,836	\$ 2,921,668	\$ 2,781,686	\$ 2,789,354	\$ 2,797,048
Uses of Sewer Funds						
Operating Expenses	\$ 2,777,916	\$ 2,964,800	\$ 3,084,012	\$ 3,209,051	\$ 3,375,819	\$ 3,478,174
Existing Debt Service	534,272	575,952	420,914	273,280	141,048	141,040
Future Debt Service	-	-	279,391	279,391	279,391	279,391
Rate-Funded Capital Expenses	-	-	-	-	409,596	739,973
Total: Use of Funds	\$ 3,312,188	\$ 3,540,752	\$ 3,784,317	\$ 3,761,723	\$ 4,205,854	\$ 4,638,577
Surplus (Deficiency) before Rate Increase	\$ (403,957)	\$ (746,916)	\$ (862,650)	\$ (980,037)	\$ (1,416,500)	\$ (1,841,530)
Additional Revenue from Rate Increases ¹	-	699,867	1,158,475	1,513,185	1,905,365	2,338,898
Surplus (Deficiency) after Rate Increase	\$ (403,957)	\$ (47,049)	\$ 295,826	\$ 533,148	\$ 488,866	\$ 497,368
Projected Increases in Rate Revenue	0.00%	30.00%	15.00%	10.00%	10.00%	10.00%
Net Revenue Requirement²	\$ 2,729,404	\$ 3,079,804	\$ 3,203,003	\$ 3,327,880	\$ 3,771,856	\$ 4,204,423

1. Assumes new rates are implemented July 1, 2025.

2. Total use of funds less non-rate revenues and interest earnings.

Figure 18. Summary of Unrestricted Sewer Reserve Funds

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budget		5-Year Projected Rate Period			
	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
Unrestricted Reserves						
Operating Reserve						
Ending Balance	\$ 694,000	\$ 655,897	\$ 779,455	\$ 812,047	\$ 854,467	\$ 881,014
<i>Recommended Minimum Target</i>	<i>694,000</i>	<i>741,000</i>	<i>771,000</i>	<i>802,000</i>	<i>844,000</i>	<i>870,000</i>
Capital Rehabilitation & Replacement Reserve						
Ending Balance	\$ 1,033,535	\$ 1,033,535	\$ 1,214,257	\$ 1,206,047	\$ 979,913	\$ 1,070,835
<i>Recommended Minimum Target</i>	<i>214,000</i>	<i>280,000</i>	<i>348,000</i>	<i>460,000</i>	<i>523,000</i>	<i>589,000</i>
Total Ending Balance	\$ 1,727,535	\$ 1,689,432	\$ 1,993,712	\$ 2,018,094	\$ 1,834,380	\$ 1,951,849
Total Recommended Minimum Target	\$ 908,000	\$ 1,021,000	\$ 1,119,000	\$ 1,262,000	\$ 1,367,000	\$ 1,459,000

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

3.3 Cost-of-Service Analysis

Once the net revenue requirements are determined, the cost-of-service analysis (COSA) proportionately distributes the revenue requirements to each of the customer classes. The COSA consists of the classification of expenses and then the allocation of those expenses to customer classes based on allocation

factors, such as water consumption and number of equivalent dwelling units (EDUs), or accounts. Ultimately, a COSA is intended to result in rates that are proportional to the cost of providing service to each customer class.

CUSTOMER CLASSES AND ALLOCATION FACTORS

Customer classes are determined by combining customers with similar demand characteristics and types of use into categories that reflect the cost differentials to serve each type of customer. The most recent water consumption data was the basis for estimating the amount of flow that each customer class sends to the treatment plant. **Figure 19** shows the development of the flow/volume allocation factors by customer class calculated by taking the lowest consecutive 3-month water usage for FY 2023/24 for residential customers, annualizing that usage, and using the annual consumption for non-residential customer classes.

Figure 19. Development of the Flow Allocation Factor

Development of the VOLUME Allocation Factor ¹						
Customer Class	Number of Accounts	Consumption (gal/yr)	Winter Consumption (Feb.-Apr '24)	Annualized Winter Consumption (gal)	Adjusted Annual Volume ² (gal)	Percentage of Volume
Residential	1,558	39,769,489	6,739,808	26,959,231	37,080,624	89.8%
Commercial	94	4,921,375	712,498	2,849,992	3,919,974	9.5%
Standby	213	0	0	0	0	0.0%
Sewer Only	13	331,838	56,237	224,949	309,402	0.7%
Total:	1,878	45,022,703	7,508,543	30,034,172	41,310,000	100.0%
					41,310,000	Flow (gal/yr.)
					1.38	Flow Adj. Factor

1. Customer data provided by the District for FY 2023/24.

2. Adjusted annual volume based on sewer treatment plant influent data for 2024 flow. Source file: *Item 13 System Operations.xlsx*.

Volumetric charges for non-residential customer classes were based on the annual consumption and their estimated effluent strengths. **Figure 20** summarizes the development of the strength allocation factors by customer class. These strength-related percentages were used to allocate strength-related costs (their strengths, and their estimated pounds of BOD and TSS, are used to allocate capacity-related costs to residential and commercial customers.)

Figure 20. Development of the Strength Allocation Factor

Development of the STRENGTH Allocation Factor ¹							
Customer Class	Adjusted Annual Flow (gal)	Biochemical Oxygen Demand (BOD)			Total Suspended Solids (TSS)		
		Average Strength Factor ³ (mg/l)	Calculated BOD (lbs./yr.)	Percent of Total	Average Strength Factor ³ (mg/l)	Calculated TSS (lbs./yr.)	Percent of Total
Residential	37,080,624	250	77,313,101	91.5%	250	77,313,101	91.5%
Commercial	3,919,974	200	6,538,517	7.7%	200	6,538,517	7.7%
Standby	0	n/a	0	0.0%	n/a	0	0.0%
Sewer Only	309,402	250	645,103	0.8%	250	645,103	0.8%
Total	41,310,000		84,496,721	100.0%		84,496,721	100.0%

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

Figure 21 summarizes the development of the customer allocation factor.

Figure 21. Development of the Customer Allocation Factor

Development of the CUSTOMER Allocation Factor		
Customer Class	Number of Accounts ¹	Percent of Total
Residential	1,558	83.0%
Commercial	94	5.0%
Standby	213	11.3%
Sewer Only	13	0.7%
Total:	1,878	100.0%

1. District customers as of July 1, 2024.

CLASSIFICATION AND ALLOCATION OF COSTS

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

Figure 22 summarizes the allocation of the net revenue requirements to each cost causation component for the proposed rates.

Figure 22. Allocation of Revenue Requirements by Customer Class

Customer Class	Cost Classification Components				Cost-of-Service Revenue Req't.	% of COS Revenue Req't.
	Volume	Treatment		Customer Related		
		BOD	TSS			
Net Revenue Requirements¹	\$ 1,607,360	\$ 658,108	\$ 658,108	\$ 121,310	\$ 3,044,886	--
	52.8%	21.6%	21.6%	4.0%	100.0%	
Residential	\$ 1,442,796	\$ 602,158	\$ 602,158	\$ 100,640	\$ 2,747,752	90.2%
Commercial	152,525	50,926	50,926	6,072	260,448	8.6%
Standby	-	-	-	13,759	13,759	0.5%
Sewer Only	12,039	5,024	5,024	840	22,927	0.8%
Total	\$ 1,607,360	\$ 658,108	\$ 658,108	\$ 121,310	\$ 3,044,886	100.0%

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

3.4 Rate Design Analysis

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

FIXED CHARGES

The fixed charge recognizes that the sewer utility incurs fixed costs regardless of whether customers send any sewer into the District’s collection system. There are three factors used to develop the fixed charge: 1) the number of dwelling units for residential customers, 2) the number of accounts for non-residential customers, and 3) the annual revenue requirement. The monthly fixed charge is calculated by taking 100% of total revenue requirements for residential customer classes and dividing by the number of dwelling units (for residential) and by the number of accounts (for non-residential).

The residential and non-residential charge calculations are summarized in **Figure 23**.

Figure 23. Development of Fixed and Variable Charges

Customer Class	Cost-of-Service Net Revenue Requirements		Net Revenue Allocation			
	FY 2025/26 COS Rev. Req't	% of COS Rev. Req't.	% Fixed Revenue	% Variable Revenue	Revenue from Fixed Charges	Revenue from Volumetric Charges
Residential	\$ 2,747,752	90.2%	100%	0%	\$ 2,747,752	\$ -
Commercial	260,448	8.6%	100%	0%	260,448	-
Standby	13,759	0.5%	100%	0%	13,759	-
Sewer Only	22,927	0.8%	100%	0%	22,927	-
Total	\$ 3,044,886	100.0%			\$ 3,044,886	\$ -

3.5 Proposed Sewer Rates

The proposed sewer rates are similar to existing rates in terms of the rate design and rate methodology, with the exception that all revenue is now collected through a fixed charge based on customer class. **Figure 24** compares the current and proposed rates for FY 2025/26 through FY 2029/30 by customer class. While proposed rates in the first year (FY 2025/26) reflect the cost-of-service adjustments that must occur when they have not been updated in over a decade, the projected rates for future years are strictly tied to annual rate increase in an “across-the-board” adjustment. More detailed tables on the development of the proposed rates are documented in Appendix B.

Figure 24. Current vs. Proposed Sewer Rates

Sewer Rate Schedule ¹	Current Rates	Proposed Sewer Rates				
		FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
		30.00%	15.00%	10.00%	10.00%	10.00%
Monthly Fixed Service Charge						
Residential	\$88.68	\$146.97	\$169.02	\$185.92	\$204.51	\$224.96
Commercial	\$88.68	\$230.89	\$265.53	\$292.08	\$321.29	\$353.42
Standby	\$2.00	\$5.38	\$6.19	\$6.81	\$7.49	\$8.24
Sewer Only	\$124.82	\$146.97	\$169.02	\$185.92	\$204.51	\$224.96
Existing Debt Service Charge ²	\$20.42	\$20.42	\$11.25	\$4.70	\$4.70	\$4.70
New Debt Service Charge	n/a	\$0.00	\$12.40	\$12.40	\$12.40	\$12.40
Monthly Volume Usage Charge (in \$/gallon)						
Residential	\$0.01166	n/a	n/a	n/a	n/a	n/a
Commercial	\$0.01872	n/a	n/a	n/a	n/a	n/a

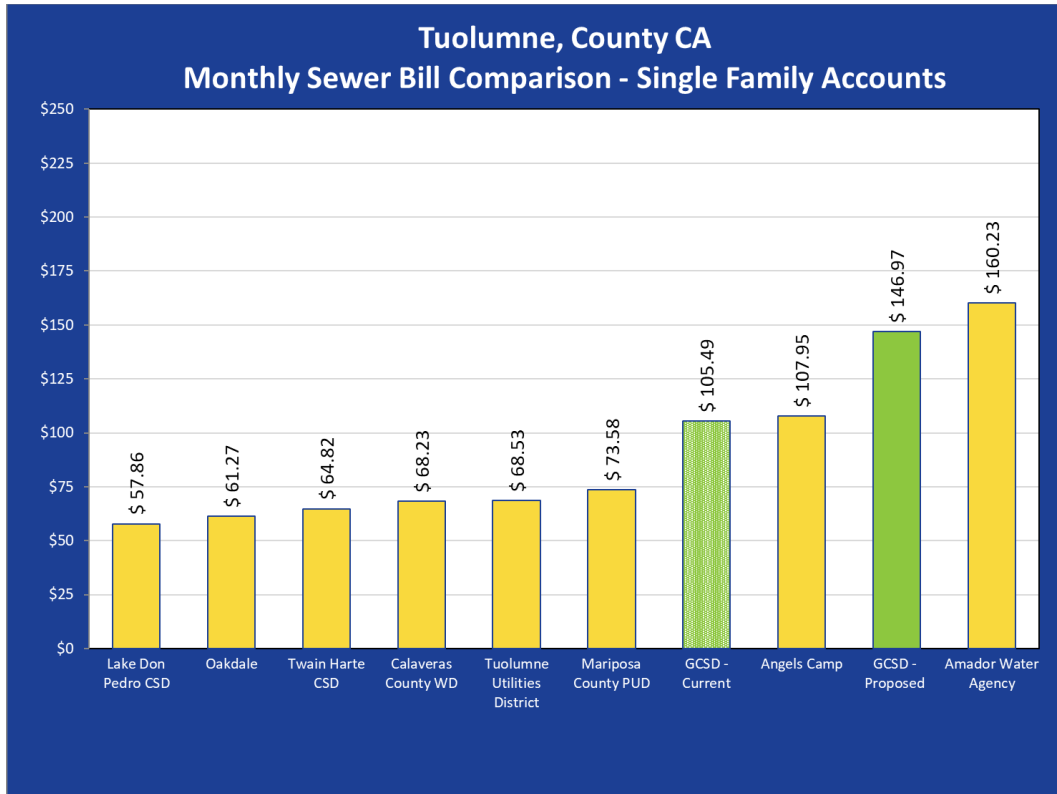
1. Source: <https://www.gcsd.org/water-rates-fiscal-year-2022-2023>.

2. Monthly charge to repay the 2019 Wastewater Debt Service issued to refinance the 2014 wastewater revenue refunding bonds.

3.6 Comparison of Current and Proposed Sewer Bills

Figure 25 presents a comparison of residential sewer rates for similar communities.

Figure 25. Single-Family Residential Regional Sewer Bill Comparison



4. Recommendations and Next Steps

4.1 Consultant Recommendations

NBS recommends the District take the following actions:

- **Approve and Accept this Study:** NBS recommends the District Board of Directors formally approve and adopt this Study and its recommendations and proceed with the next steps outlined below to implement the proposed rates. This will provide documentation of the rate study analyses and the basis for analyzing potential changes to future rates.
- **Implement Recommended Levels of Rate Increases and Proposed Rates:** Based on successfully meeting the Prop 218 procedural requirements, the District should proceed with implementing the 5-year schedule of proposed rates and rate increases previously shown in Figure 13 and Figure 24. This will help ensure the continued financial health of District's utilities.

4.2 Next steps

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

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

4.3 NBS' Principal Assumptions and Considerations

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

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

Technical Appendices

These Appendices contain:

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

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Appendix A. Water Rate Study Tables and Figures

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Appendix B. Sewer Rate Study Tables and Figures

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BASIS FOR THE RATE CALCULATIONS

The rates proposed herein were developed through the Comprehensive Water and Sewer Rate Study (Rate Study) designed to meet all legal requirements and fairly and proportionally recover the necessary revenue from all customer classes. The Rate Study is available for your review at: <https://www.gcsd.org/>. Questions can be directed to the Groveland Community Services District at 209-962-7161 or the District's website at <https://www.gcsd.org/>.

PROTEST PROCEDURE

As the owner or ratepayer of a parcel subject to the imposition of the proposed rate adjustments, you may submit a written protest against the proposed rate changes. If the District receives written protests against proposed rates by the majority of the affected owners or customers of record prior to the end of the hearing, the Board will not approve the proposed rates. Only one written protest will be counted per identified parcel.

You have the right to withdraw a written protest that you previously submitted prior to the conclusion of the Public Hearing. The District will count all written, complete protests received by the Board Secretary's office by 4:00 p.m. on June 18, 2025, or submitted in person at the Public Hearing, prior to the close of the hearing. The Board Secretary will not count written protests submitted after the conclusion of the Public Hearing.

A written protest must include (1) your name; (2) identification of the parcel by address or assessor's parcel number; (3) whether you are the owner of the parcel or the person receiving the service for which the fee is charged; (4) a statement that you are protesting the proposed rate increases; and (5) your original signature. Written protests will not be accepted by e-mail or by fax. Verbal protests will not be counted. Written protests may be submitted by mail or in person to:

Groveland Community Services District
Attn: Water and Sewer Rate Protest
18966 Ferretti Road
Groveland, CA 95321

At the Public Hearing, the Board of Directors will hear and consider all written and oral protests to the proposed rate adjustments. Oral comments at the Public Hearing, however, will not qualify as formal protests unless accompanied by a written protest. At the conclusion of the Public Hearing, the Board of Directors will consider adoption of the resolution authorizing the rate adjustments to the water and sewer service rates as described herein.

For more information, please visit: <https://www.gcsd.org/>.



GROVELAND COMMUNITY
SERVICES DISTRICT
18966 FERRETTI ROAD
GROVELAND, CA 95321

**IMPORTANT
NOTIFICATION OF
PROPOSED FEE
ADJUSTMENTS FOR
WATER & SEWER RATES**

Proposition 218 Notification

NOTICE OF PUBLIC HEARING REGARDING WATER AND SEWER RATE ADJUSTMENTS

PUBLIC HEARING DATE, TIME, LOCATION

Wednesday, June 18, 2025, at 5:30 p.m.
Groveland Community Resilience Center
18986 Ferretti Road, Groveland CA 95321

The Board of Directors of the Groveland Community Services District will hold a Public Hearing on June 18, 2025, at 5:30 p.m., or soon thereafter, in the Groveland Community Resilience Center located at 18986 Ferretti Road, Groveland CA 95321 to consider adjustments to the water and sewer rates imposed on all customers. If approved, the rate adjustments will commence with the service period beginning July 1, 2025, and will be adjusted annually thereafter on July 1 for a five-year period.

This notice is being sent to all impacted property owners in compliance with California Constitution Article XIII D, Section 6 (Proposition 218), which requires mailed notice at least 45 days prior to the Public Hearing at which the Board of Directors will consider the proposed rates. Proposition 218 also establishes a protest process for the public to follow if they wish to oppose the proposed rates.

Pursuant to Government Code section 53759, you are hereby notified that there is a 120-day statute of limitations for challenging the water and sewer rates. As such, if the proposed water and sewer rates are adopted, any judicial action or proceeding to attack, review, set aside, void, validate, or annul the ordinance, resolution, or motion adopting the updated sewer rates must 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.

The District must collect revenues sufficient to cover the costs of operating the water and sewer systems. These revenues allow the District to ensure that the water and sewer systems continually meet or exceed all public health and environmental standards. Costs that must be recovered through rate revenue include treatment, distribution, collection, wastewater treatment, electricity, equipment, supplies and services, debt service, and personnel. Additionally, revenues generated from utility rates are used to finance the repair and renovation of aging infrastructure and maintain reserve funds.

If approved, the first rate adjustment will be effective the service period beginning July 1, 2025, and adjusted annually every July 1 thereafter for a five-year period.

PROPOSED WATER AND SEWER RATES

The proposed water and sewer rate adjustments are necessary to meet ongoing operational and maintenance needs of the District's aging water and sewer infrastructure, provide adequate funding for critical capital improvement projects and to maintain minimum reserve levels for the water and sewer utilities. The current water and sewer rates have not kept pace with the significant increases in operational costs for the water and sewer utilities. Additionally, adjustments to the water and sewer rates are necessary to support critical infrastructure investments, such as necessary system repairs and renovations to meet new regulations. The current and proposed water and sewer rates charges for the next five years are presented in the Tables below.



NOTE THAT VERBAL PROTESTS OR PROTESTS SUBMITTED BY EMAIL, FAX, OR PHOTOCOPY DO NOT COUNT AS FORMAL WRITTEN PROTESTS

Water Rate Schedule ¹	Current Rates		Proposed Rates				
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30		
Monthly Fixed Service Charges (in \$/mo)							
<i>Monthly Fixed Charges:</i>							
5/8 x 3/4 inch	\$45.56	\$57.40	\$63.14	\$69.45	\$76.40	\$76.40	\$76.40
3/4 inch	\$45.56	\$57.40	\$63.14	\$69.45	\$76.40	\$76.40	\$76.40
1 inch	\$70.26	\$88.53	\$97.38	\$107.12	\$117.83	\$117.83	\$117.83
1 1/2 inch	\$132.03	\$166.36	\$182.99	\$201.29	\$221.42	\$221.42	\$221.42
2 inch	\$206.15	\$259.75	\$285.72	\$314.30	\$345.73	\$345.73	\$345.73
3 inch	\$403.81	\$508.79	\$559.67	\$615.64	\$677.21	\$677.21	\$677.21
4 inch	\$626.17	\$788.97	\$867.87	\$954.65	\$1,050.12	\$1,050.12	\$1,050.12
6 inch	\$1,243.84	\$1,567.24	\$1,723.96	\$1,896.36	\$2,085.99	\$2,085.99	\$2,085.99
<i>Monthly Fire Service Charges:</i>							
5/8 x 3/4 inch	\$24.01	\$30.25	\$33.27	\$36.60	\$40.26	\$40.26	\$40.26
3/4 inch	\$24.01	\$30.25	\$33.27	\$36.60	\$40.26	\$40.26	\$40.26
1 inch	\$34.38	\$43.31	\$47.64	\$52.41	\$57.65	\$57.65	\$57.65
1 1/2 inch	\$60.30	\$75.97	\$83.57	\$91.93	\$101.12	\$101.12	\$101.12
2 inch	\$91.40	\$115.17	\$126.68	\$139.35	\$153.28	\$153.28	\$153.28
3 inch	\$174.35	\$219.68	\$241.64	\$265.81	\$292.39	\$292.39	\$292.39
4 inch	\$267.66	\$337.25	\$370.98	\$408.08	\$448.88	\$448.88	\$448.88
6 inch	\$526.87	\$663.85	\$730.24	\$803.26	\$883.59	\$883.59	\$883.59
Existing Debt Service Charge	\$15.57	\$15.57	\$15.57	\$0.00	\$0.00	\$0.00	\$0.00
New Debt Service Charge	n/a	\$0.00	\$14.36	\$14.36	\$14.36	\$14.36	\$14.36
Variable Charges for All Water Consumed (in \$/gal)							
0 to 3,300 - Baseline Usage	\$0.00765	\$0.01571	\$0.01728	\$0.01901	\$0.02091	\$0.02091	\$0.02091
> 3,300 - Peak Demand Usage	\$0.01514	\$0.03049	\$0.03354	\$0.03690	\$0.04059	\$0.04059	\$0.04059

Drought Rate Surcharge Schedule (in \$/gal)	Current Rates		Proposed Sewer Rates				
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30		
Up to 10%	\$0.00246	\$0.00324	\$0.00361	\$0.00904	\$0.00447	\$0.00447	\$0.00447
Up to 20%	\$0.00552	\$0.00728	\$0.00812	\$0.01550	\$0.01007	\$0.01007	\$0.01007
Up to 30%	\$0.00947	\$0.01248	\$0.01391	\$0.02411	\$0.01726	\$0.01726	\$0.01726
Up to 40%	\$0.01473	\$0.01941	\$0.02164	\$0.03617	\$0.02685	\$0.02685	\$0.02685
Up to 50%	\$0.02210	\$0.02912	\$0.03246	\$0.05425	\$0.04027	\$0.04027	\$0.04027
>50%	\$0.03315	\$0.04368	\$0.04869	\$0.00000	\$0.06041	\$0.06041	\$0.06041

The Drought Surcharge will NOT be added on water bills unless approved by the Board of Directors.

If the surcharge is activated, it will remain in effect as necessary and will be reviewed by the Board at least monthly for a determination of necessity until the surcharge is deactivated.

The drought surcharge is added to the Variable Charges on a per unit basis to cover the cost of water service during times of State mandated conservation and/or extreme water supply shortage, resulting in water consumption below the established baseline.

Sewer Rate Schedule ¹	Current Rates		Proposed Sewer Rates				
	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30		
Monthly Fixed Service Charge							
Residential	\$88.68	\$146.97	\$169.02	\$185.92	\$204.51	\$204.51	\$224.96
Commercial	\$88.68	\$230.89	\$265.53	\$292.08	\$321.29	\$321.29	\$353.42
Standby	\$2.00	\$5.38	\$6.19	\$6.81	\$7.49	\$7.49	\$8.24
Sewer Only	\$124.82	\$146.97	\$169.02	\$185.92	\$204.51	\$204.51	\$224.96
Existing Debt Service Charge ²	\$20.42	\$20.42	\$11.25	\$4.70	\$4.70	\$4.70	\$4.70
New Debt Service Charge	n/a	\$0.00	\$12.40	\$12.40	\$12.40	\$12.40	\$12.40
Monthly Volume Usage Charge (in \$/gallon)							
Residential	\$0.01166	n/a	n/a	n/a	n/a	n/a	n/a
Commercial	\$0.01872	n/a	n/a	n/a	n/a	n/a	n/a

1. Source: <https://www.gcsd.org/water-rates-fiscal-year-2023-2024>.
 2. Monthly charge to repay the 2019 Wastewater Debt Service issued to refinance the 2014 wastewater revenue refunding bonds.