NOTICE OF A SPECIAL MEETING OF
THE BOARD OF DIRECTORS OF THE
OLIVENHAIN MUNICIPAL WATER DISTRICT
1966 Olivenhain Road, Encinitas, CA 92024
Tel: (760) 753-6466 • Fax: (760) 753-5640
VIA TELECONFERENCE AND IN PERSON

Pursuant to AB3035, effective January 1, 2003, any person who requires a disability related modification or accommodation in order to participate in a public meeting shall make such a request in writing to Stephanie Kaufmann, Executive Secretary, for immediate consideration.

DATE: WEDNESDAY, NOVEMBER 6, 2024

TIME: 5:00 P.M.

PLACE: HYBRID REGULAR MEETING VIA ZOOM AND IN-PERSON

The meeting is being held virtually as a convenience to the public. The meeting will not stop or suspend its in-person meeting should a technological interruption occur with respect to the Zoom or call-on options listed on the agenda.

For Zoom Participation:	**For Zoom Call-in Only:**
www.zoom.us/join	Call: (669) 900-9128
Meeting ID: 851 0848 4744	Meeting ID: 851 0848 4744
Passcode: 331433	Passcode: 331433

Public Participation/Comment: Members of the public can participate in the meeting by emailing your comments on an agenda item to the Board Secretary at skaufmann@olivenhain.com or address the board directly in real-time under either of the public comment sections. If you do not receive a confirmation email that your comment has been received, please call (760) 632-4648 or address the board under either of the public comment sections to ensure that your comments are heard in real-time. The subject line of your email should clearly state the item number you are commenting on and should include your name and phone number. All comments will be emailed to the Board of Directors.

NOTE: ITEMS ON THE AGENDA MAY BE TAKEN OUT OF SEQUENTIAL ORDER AS THEIR PRIORITY IS DETERMINED BY THE BOARD OF DIRECTORS

1. CALL TO ORDER

2. PLEDGE OF ALLEGIANCE

3. ROLL CALL

4. DETERMINATION OF A QUORUM

5. ADOPTION OF AGENDA

6. PERSONAL APPEARANCES AND PUBLIC COMMENTS

7. PRESENTATION OF AWARDS AND HONORABLE MENTIONS

2024 Pure Excellence Award winners:
HASA, Inc. – Business of the Year
Begone Graffiti – Business of the Year
Walter Haslop – Volunteer of the Year
Ariel Reed – Educator of the Year
The Grauer School – Customer of the Year
Lawrence A. Watt – Presidential

8. CONSIDER APPROVAL OF THE MINUTES OF THE OCTOBER 16, 2024, REGULAR BOARD OF DIRECTORS MEETING

9. CONSENT CALENDAR

NOTE: ANY ITEM MAY BE REMOVED FROM THE CONSENT CALENDAR FOR DISCUSSION

C-a	CONSIDER ADOPTION OF A MOTION APPROVING THE PAYMENT OF LISTED WARRANTS FROM THE DISTRICT'S REVOLVING AND REGULAR ACCOUNTS; LISTED TRANSFERS OF FUNDS; REIMBURSEMENT OF EXPENSES TO BOARD MEMBERS AND STAFF
C-b	CONSIDER ACCEPTANCE OF THE BERRYMAN CANYON WATER SERVICES AND FIRE HYDRANT INSTALLATION PROJECT (MCCULLOUGH DESIGN & DEVELOPMENT, INC.) INTO OMWD'S SYSTEM AND ORDER A NOTICE OF COMPLETION FILED
C-c	CONSIDER APPROVAL OF THE 2024 POTABLE AND RECYCLED WATER MASTER PLAN UPDATE
C-d	CONSIDER A RESOLUTION APPROVING THE APPLICATION FOR GRANT FUNDS FROM THE COUNTY OF SAN DIEGO COMMUNITY ENHANCEMENT PROGRAM FOR ELFIN FOREST RECREATIONAL RESERVE TRAIL AND EMERGENCY ACCESS ROAD REHABILITATION

10. CONSIDER ADOPTION OF A RESOLUTION HONORING LAWRENCE A. WATT FOR HIS YEARS OF SERVICE REPRESENTING DIVISION 2 ON THE BOARD OF DIRECTORS

11. CONSIDER AND ADOPT AN ORDINANCE REVISING THE OLIVENHAIN MUNICIPAL WATER DISTRICT'S ADMINISTRATIVE AND ETHICS CODE (Article 8 – Water Rates and Charges) TO TAKE EFFECT ON JANUARY 1, 2025 AND AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE OLIVENHAIN MUNICIPAL WATER DISTRICT AUTHORIZING PASS-THROUGH INCREASES IN PURCHASED WATER WHOLESALE COSTS, SAN DIEGO WATER AUTHORITY INFRASTRUCTURE ACCESS CHARGE, INCREASES TO THE DISTRICT'S OPERATIONS AND CAPITAL FACILITIES, AND REVISING ARTICLE 8.4 OF THE DISTRICT'S ADMINISTRATIVE AND ETHICS CODE

12. CONSIDER ADOPTION OF A RESOLUTION MAKING CEQA EXEMPTION FINDINGS FOR THE WATER RATE AND CHARGE INCREASES AND ORDERING A NOTICE OF EXEMPTION FILED WITH THE COUNTY CLERK OF THE COUNTY OF SAN DIEGO AND THE STATE CLEARINGHOUSE

13. CONSIDER ADOPTION OF AN ORDINANCE AMENDING THE OLIVENHAIN MUNICIPAL WATER DISTRICT'S ADMINISTRATIVE AND ETHICS CODE (Article 20 – Employer-Employee Relations)

14. CONSIDER APPROVAL OF CONSTRUCTION CHANGE ORDER 2 WITH CCL CONTRACTING, INC. IN THE AMOUNT OF $158,692 FOR THE CONSTRUCTION OF THE UNIT A RANCHO SANTA FE POTABLE WATER PIPELINE REPLACEMENT PROJECT, ADD 20 ADDITIONAL CONTRACT DAYS, AND AUTHORIZE THE GENERAL MANAGER TO SIGN ON BEHALF OF OMWD

15. CONSIDER APPROVAL OF CONSTRUCTION CHANGE ORDER 11 WITH ORION CONSTRUCTION CORPORATION FOR $81,937 FOR THE 4S RANCH NEIGHBORHOOD 1 SEWER PUMP STATION REPLACEMENT PROJECT, APPROPRIATE AN ADDITIONAL $200,000 TO THE PROJECT, AND AUTHORIZE THE GENERAL MANAGER TO SIGN ON BEHALF OF OMWD

16. RECEIVE ANNUAL REPORT ON THE DISTRICT'S PENSION FUNDING STATUS AND CONSIDER APPROVAL OF THE RECOMMENDED PENSION FUNDING PLAN FOR 2024

17. INFORMATIONAL REPORTS
    - A. PRESIDENT
    - B. GENERAL MANAGER
    - C. CONSULTING ENGINEER
    - D. GENERAL COUNSEL
    - E. SAN DIEGO COUNTY WATER AUTHORITY REPRESENTATIVE
    - F. LEGISLATIVE
    - G. TWELVE MONTH CALENDAR / OTHER MEETINGS / REPORTS BY BOARD MEMBERS PER AB 1234
    - H. BOARD COMMENTS

18. CORRESPONDENCE

19. AUTHORIZATION TO ATTEND UPCOMING MEETINGS / CONFERENCES / SEMINARS

20. FUTURE AGENDA ITEMS

21. CONSIDER PUBLIC COMMENTS

22. CLOSED SESSION

    A) CONSIDER LITIGATION – OLIVENHAIN MUNICIPAL WATER DISTRICT v. COUNTY OF SAN DIEGO [PURSUANT TO GOVERNMENT CODE SECTION 54956.9]

    B) CONSIDER LITIGATION – STANLEY D. JONES ET AL. VS. OLIVENHAIN MUNICIPAL WATER DISTRICT [PURSUANT TO GOVERNMENT CODE SECTION 54956.9]

    C) CONSIDER GENERAL MANAGER PERFORMANCE EVALUATION [PURSUANT TO GOVERNMENT CODE SECTION 54957] • Additional Facts: Receive packet; full review and compensation discussion to be held on November 6, 2024.

23. OPEN SESSION

24. CONSIDER GENERAL MANAGER'S (A) 2024 INCENTIVE AND (B) 2025 COMPENSATION

25. ADJOURNMENT

OLIVENHAIN
Municipal Water District

Memo

To: Board of Directors

From: Stephanie Kaufmann, Executive Secretary

Via: Kimberly A. Thorner, General Manager

Subject: BOARD MEETING MINUTES

Draft minutes of the most recently held Board of Directors meeting will be provided separately. Following board approval, the minutes will be posted on OMWD's website.

OLIVENHAIN
Municipal Water District

Agenda Item C-a

Memo

Date: November 6, 2024

To: Olivenhain Municipal Water District Board of Directors

From: Rainy Selamat, Finance Manager

Via: Kimberly Thorner, General Manager

Subject: **CONSIDER ADOPTION OF A MOTION APPROVING THE PAYMENT OF LISTED WARRANTS FROM THE DISTRICT'S REVOLVING AND REGULAR ACCOUNTS; LISTED TRANSFERS OF FUNDS; REIMBURSEMENT OF EXPENSES TO BOARD MEMBERS AND STAFF**

The following monthly financial reports are enclosed for review and approval by the Board of Directors:

- October 2024 Summary of payment of listed warrants from the District's checking account and listed transfer of funds.

- October 2024 Monthly Summary of Reimbursement Expenses to Board Members and Staff.

The District's June, July, August, and September Financial Statements (typically item C-b) and Monthly Investment Report will be available for review and approval by the Board after the fiscal year 2023/24 financial audit is completed in November 2024.

Olivenhain Municipal Water District
Proposed Motions for November 6, 2024 Board of Directors Meeting
October 2024 Activities
Consent Calendar Item # C-a

Proposed Motions:

I. That the following warrants and transfers be approved:

Regular Account	Warrants - by check	036035	to	036166	$	1,469,633.31
	Warrants - by EFT	EFT000000001708	to	EFT000000001811		1,727,748.52
						3,197,381.83
	ACH Payments - Payroll					231,524.06
	Wire - SDCWA - Monthly Purchased Water Payment					3,687,703.70
	ACH Payments - Payroll					235,098.60
	ACH Payments - SDCWA Capacity Fees					59,759.00
					$	7,411,467.19

Major Category of Disbursements

Total warrants from the District's checking account:

$ 3,197,381.83

Following is a breakdown of this total by major categories:

Category		
Outside services	$	1,832,471.16
Inventory and supplies		585,556.26
Utilities		357,563.87
Repairs and maintanence		237,904.22
Other		11,517.31
Refunds		8,131.36
Insurance		162,102.65
Permit Fees		2,135.00
Total	$	3,197,381.83

Sincerely,

Rainy K. Selamat/Finance Manager

Olivenhain Municipal Water District
Proposed Motions for November 6, 2024 Board of Directors Meeting
October 2024 Activities

California Bank and Trust

Regular Account

Warrants - by check	036035	to	036166	$	1,469,633.31
Warrants - by EFT	EFT000000001708	to	EFT000000001811		1,727,748.52
					3,197,381.83

10/10/2024	ACH Payments - Payroll	231,524.06
10/11/2024	Wire - SDCWA - Monthly Purchased Water Payment	3,687,703.70
10/24/2024	ACH Payments - Payroll	235,098.60
10/30/2024	ACH Payments - SDCWA Capacity Fees	59,759.00
	Total	$ 7,411,467.19

ACH Payments - Payroll

For Board Consideration and Approval

Olivenhain Municipal Water District
October 2024 Warrant List - Check & EFT

Number	Date	Name	Amount	Inv Reference	Multiple Invoices?
036035	10/2/2024	AT & T	705.75	UTILITIES	
036036	10/2/2024	Brian Moore	140.69	REF:1061014_196555	
036037	10/2/2024	CCL Contracting Inc.	415,571.80	Unit A RSF Potable Water Pipeline Replacement Project	Yes
036038	10/2/2024	Cheryl Riess	76.75	REF:1090503_142655	
036039	10/2/2024	Edco Waste & Recycling	660.09	25-4A 861816	Yes
036040	10/2/2024	Firehawk Fire & Safety	472.90	QTRLY FIRE SPRINKLER INSPECT	
036041	10/2/2024	Grangetto's Ag. Supply	21.61	SUPPLIES	
036042	10/2/2024	Gabriel Hernandez	24.00	GYM REIMBURSEMENT	
036043	10/2/2024	Zeller, Jonathan	200.00	SAFETY BOOT EXPENSE REIMBURSE	
036044	10/2/2024	Kelly Douglas	19.34	REF:1056578_201620	
036045	10/2/2024	PTS Communications	78.00	760-489-9971	
036046	10/2/2024	Peterson, Sean	633.35	WATEREUSE CONF EXP REIMB.	
036047	10/2/2024	Rob Northrup	208.84	REF:1085888_159965	
036048	10/2/2024	San Diego County Recorder	50.00	NOE FILING FEE - SAN DIEGUITO	Yes
036049	10/2/2024	San Diego Gas & Electric	4,864.11	UTILITIES	Yes
036050	10/2/2024	Conterra Inc.	4,074.00	4S RANCH RSVR LINER REPAIR	
036051	10/2/2024	Ferguson Enterprises Inc. #1083	3,022.39	SUPPLIES	
036052	10/2/2024	Pacific Pipeline Supply	3,608.69	18X30 Air Vac Enclsr Sandstone	Yes
036053	10/2/2024	RCP Block & Brick Inc	70.79	SUPPLIES	
036054	10/2/2024	Southern Contracting	2,326.96	WRP POND WIRE REMOVAL	
036055	10/2/2024	Teichert Energy & Utilities Group, Inc.	192,227.75	Construction of the RW Pipeline Extensions for CB, Village Park & Summerhill	Yes
036056	10/8/2024	Transwest Truck Center, LLC	126,167.43	Budgeted Vehicle Purchase (Dump Truck)	Yes
036057	10/9/2024	4S Ranch Gasoline & Car Wash	1,262.92	WWTP GASOLINE/CAR WASH	
036058	10/9/2024	American Messaging	65.99	L1-072035	
036059	10/9/2024	Bee Rescue LLC	650.00	FORTUNA DEL ESTE	Yes
036060	10/9/2024	California State Disbursement Unit	123.23	ED100514-10/10/2024	
036061	10/9/2024	Christina Metz	126.60	REF:1088586_127530	
036062	10/9/2024	Coast Waste Mgnt Inc	557.10	19-55615-83004	
036063	10/9/2024	Encinitas Ford	1,956.44	PU66 SUPPLIES	Yes
036064	10/9/2024	Fortuna Del Este Road Maintenance	812.00	DISTRICT PORTION-RD MAINT FEE	
036065	10/9/2024	Harry Friedman	57.46	REF:1047309_208390	
036066	10/9/2024	Infosend	4,031.95	8/24 MAINTENANCE FEE	
036067	10/9/2024	Infrastructure Engineering Corporation	18,074.70	Hydraulic Model/Master Plan, IEC as-needed	Yes
036068	10/9/2024	Interstate Battery Of San Diego Inc	330.24	SHOP SUPPLIES	
036069	10/9/2024	Naumann Hobbs - San Diego	885.84	WTP SERVICES	
036070	10/9/2024	Pacific Pipeline Supply	2,004.09	Saddles and ball valves	Yes
036071	10/9/2024	Republic Services	3,591.75	4-4530-0333405	
036072	10/9/2024	Republic Services #661	3,560.50	3-0661-2000037	Yes
036073	10/9/2024	Safe Hearing America Inc	1,547.70	HEARING TESTS	
036074	10/9/2024	San Diego Gas & Electric	34,843.06	Utilities	Yes
036075	10/9/2024	Special District's	75.00	CSDM ACCREDITIATION RENEWAL	
036076	10/9/2024	Spice Of Life Inc	1,600.00	10/24 HEALTH FAIR	
036077	10/9/2024	Sunbelt Rentals, Inc.	1,354.81	MAN LIFT RENTAL - WWTP	
036078	10/9/2024	Sweetwater Authority	2,204.20	WOMEN IN WATER SPONSORSHIP	
036079	10/9/2024	Tetra Tech Inc	1,470.00	Engineering Support PLC Replacement Project (Potable/Recycled)	Yes
036080	10/9/2024	US Bank	2,190.51	PRINTERS LEASE	
036081	10/9/2024	Verizon Connect Fleet USA, LLC	924.85	UTILITIES	
036082	10/23/2024	AT & T	420.09	9391056562	Yes
036083	10/23/2024	Atp General Engineering Contr	1,497.19	REF:1001364_303230	
036084	10/23/2024	Bee Rescue LLC	550.00	8046 DEL DIOS HWY	Yes
036085	10/23/2024	Bridget Hutches	8.04	REF:1086922_194570	
036086	10/23/2024	CA Municipal Statistics Inc	550.00	6/30/2024 DEBT STATEMENT	
036087	10/23/2024	Chris Barrett	382.43	REF:1045145_119480	
036088	10/23/2024	Corodata Shredding, Inc	35.00	PAPER DESTRUCTION SERVICES	
036089	10/23/2024	D&H Water Systems	3,705.53	WTP SUPPLIES	
036090	10/23/2024	Diversified Manufacturing of CA, Inc.	4,891.68	SUPPLIES	Yes
036091	10/23/2024	Encinitas Ford	122.06	EP06 SUPPLIES	Yes
036092	10/23/2024	Erin O'Brien	15.86	REF:1024766_240110	
036093	10/23/2024	Ferguson Enterprises Inc. #1083	2,538.53	Brass Nuts	Yes
036094	10/23/2024	Firehawk Fire & Safety	247.90	WWTP FIRE SPRINKLER INSPECTION	
036095	10/23/2024	First Choice Technology	163.20	13001474	Yes
036096	10/23/2024	Home Depot/Gecf	3,090.06	9/24 SUPPLIES	Yes
036097	10/23/2024	Infrastructure Engineering Corporation	10,640.63	Recycled water hydraulic model development, calibration and master planning	Yes
036098	10/23/2024	Lincoln Financial Group	300.00	401(A) MAINTENANCE FEE	
036099	10/23/2024	Miller Paving Corporation	1,554.32	REF:1095284_304295	
036100	10/23/2024	Napa Auto Parts	440.56	9/24 SUPPLIES	
036101	10/23/2024	Naumann Hobbs - San Diego	2,488.70	WTP SERVICES	
036102	10/23/2024	Nova Construction Company, Inc.	624.25	REF:1093492_304260	
036103	10/23/2024	Occupational Health Centers of California	197.00	EMPLOYMENT SERVICES	
036104	10/23/2024	Pacific Pipeline Supply	6,609.55	Brass nipples, bolts, nuts, pipe, saddles, etc.	Yes
036105	10/23/2024	PTS Communications	75.00	760-489-9971	
036106	10/23/2024	Ryan Herco	136.71	WTP SUPPLIES	
036107	10/23/2024	San Diego Gas & Electric	610.43	0011700067575	
036108	10/23/2024	Santa Fe Irrigation Dist	5,553.77	008128-009	Yes
036109	10/23/2024	Shane Sullivan	24.00	9/24 GYM REIMBURSEMENT	
036110	10/23/2024	Sunbelt Rentals, Inc.	3,172.13	MINI EXCAVATOR RENTAL	Yes
036111	10/23/2024	University Communications, Inc.	475.00	EDUCATION AWARENESS CAMPAIGN	
036112	10/23/2024	Zhe Lin	68.02	REF:1090771_145930	
036113	10/23/2024	A.M. Ortega Construction, Inc.	1,382.91	REF:1000771_303690	
036114	10/23/2024	Andrew Morton	113.62	REF:1088752_190865	
036115	10/23/2024	Anna Mueller	150.94	REF:1094227_202905	
036116	10/23/2024	AT & T	936.46	UTILITIES	Yes
036117	10/23/2024	Badger Meter Inc	45,135.01	INVENTORY ITEMS - METERS	Yes
036118	10/23/2024	California State Disbursement Unit	123.23	Garnishment	
036119	10/23/2024	City Treasurer	38,280.86	RECYCLED WATER PURCHASES	Yes
036120	10/23/2024	Clean Water SoCal	1,800.00	2024-2025 DUES	
036121	10/23/2024	Corodata	392.52	OFFSITE RECORDS STORAGE	
036122	10/23/2024	D&H Water Systems	23.49	WTP SUPPLIES	
036123	10/23/2024	DXP Enterprises, Inc.	34,334.54	KSB Pump Impeller OMEGA 200-420A 234 IMPLR	Yes
036124	10/23/2024	Ferguson Enterprises Inc. #1083	5,100.00	SUPPLIES	Yes
036125	10/23/2024	Golden State Labor	850.00	Labor Compliance for the Recycled Water Pipeline Extension for CB, VP, & SH Project	Yes
036126	10/23/2024	Grangetto's Ag. Supply	123.38	SUPPLIES	

Olivenhain Municipal Water District
October 2024 Warrant List - Check & EFT

Number	Date	Name	Amount	Inv Reference	Multiple Invoices?
036127	10/23/2024	Hi-Line Electric Company, Inc.	281.26	SHOP SUPPLIES	
036128	10/23/2024	Interstate Battery Of San Diego Inc	815.30	SHOP SUPPLIES	
036129	10/23/2024	Jake Oloughlin	68.21	REF:1092571_194385	
036130	10/23/2024	Jessica Berry	138.41	REF:1062099_194430	
036131	10/23/2024	Julie Harju	42.12	REF:1093056_123400	
036132	10/23/2024	Monisa Ramesh Babu	107.39	REF:1092725_159680	
036133	10/23/2024	Norman A. Traub & Associates	17,775.54	CONSULTING SERVICES	
036134	10/23/2024	Ohad Hecht	606.29	REF:1088500_299005	
036135	10/23/2024	Pacific Pipeline Supply	1,983.79	4" Flange Bolt Kit W/Washer	Yes
036136	10/23/2024	Rancho Santa Fe Community Svs	37,393.34	9/24 45.30 AC/FT RECYCLED WTR	
036137	10/23/2024	RCP Block & Brick Inc	157.32	BLACK CONCRETE DYE	
036138	10/23/2024	Republic Services	2,277.45	4-4530-0333405	
036139	10/23/2024	Rita Orland	67.81	REF:1025145_241545	
036140	10/23/2024	San Diego Building Maintenance	5,396.00	9/24 JANITORIAL SERVICES	
036141	10/23/2024	San Diego Gas & Electric	87,542.42	Utilities	Yes
036142	10/23/2024	State Water Resources	39.00	WW CERT: BARTLETT-MAY	
036143	10/23/2024	Sushell Kumar Yadav Yadagiri	466.64	REF:1092246_303310	
036144	10/23/2024	Tetra Tech Inc	1,347.50	Engineering Support PLC Replacement Project (Potable/Recycled)	Yes
036145	10/23/2024	UniFirst Aid Corp	334.64	FIRST AID SUPPLIES	
036146	10/23/2024	Xylem Water Solutions USA, Inc.	5,800.00	Replacement parts for 4S WRF Digester	Yes
036147	10/30/2024	American Conservation & Billing Solutions, Inc.	3,251.00	11/24 AQUAHAWK SERVICES	
036148	10/30/2024	AT & T	712.89	UTILITIES	
036149	10/30/2024	Bee Rescue LLC	250.00	BEE REMOVAL SERVICES	
036150	10/30/2024	CCL Contracting Inc.	65,015.15	Construction for the Unit A RSF Potable Water Pipeline Replacement Project	Yes
036151	10/30/2024	City Treasurer	173,365.70	8/24, 9/24 Recycled Water	Yes
036152	10/30/2024	Conterra Inc.	3,864.00	4S RANCH RSVR LINER REPAIRS	
036153	10/30/2024	County Of San Diego	2,135.00	7813 CAMINO SIN PUENTE	Yes
036154	10/30/2024	Encinitas Ford	103.91	FB46 SUPPLIES	Yes
036155	10/30/2024	Ferguson Enterprises Inc. #1083	2,005.36	6" Macro FCA	Yes
036156	10/30/2024	Frost Company	9,300.00	WWTP DIGESTER #2 SERVICES	Yes
036157	10/30/2024	Infosend	7,008.98	9/24 WATER BILLING	
036158	10/30/2024	Michael Keller	200.00	20 YEAR SERVICE AWARD	
036159	10/30/2024	Lauren Swauger	34.71	7/24-10/10/24 MILEAGE REIMB	
036160	10/30/2024	Liebert Cassidy Whitmore	11,914.00	9/24 LEGAL SERVICES	
036161	10/30/2024	Occupational Health Centers of California	136.00	EMPLOYEE SERVICES	
036162	10/30/2024	RECON Environmental, Inc.	2,620.50	ELFIN FOREST/CIELO AZUL TRAIL	Yes
036163	10/30/2024	San Diego Gas & Electric	3,217.16	UTILITIES	Yes
036164	10/30/2024	Taylor Bertrand	148.95	REF:1085662_190300	
036165	10/30/2024	US Bank	2,190.51	Printers Lease	
036166	10/30/2024	William Grainger	58.28	REF:1012509_151185	
EFT000000001708	10/2/2024	Southern Counties Lubricants, LLC.	6,230.10	FUEL SUPPLIES	
EFT000000001709	10/2/2024	NexusTek Phoenix	3,961.05	8/24 CLOUD STORAGE	
EFT000000001710	10/2/2024	Traffic Safety Solutions	1,100.00	CHANGEABLE MESSAGE BOARD	
EFT000000001711	10/2/2024	Be Gone Graffiti	2,500.00	GATY RSVR - BROW DITCH RPLCMNT	
EFT000000001712	10/2/2024	Samba Holdings Inc	192.27	7/24 DRIVER RECORD MONITORING	
EFT000000001713	10/2/2024	Nossaman LLP	6,750.00	LOBBYING SERVICES	
EFT000000001714	10/2/2024	Alpha Mechanical, Inc	4,383.66	WWTP HVAC SERVICE	Yes
EFT000000001715	10/2/2024	IKG Environmental	7,958.94	Quarterly Well Monitoring for the San Dieguito Valley Groundwater	Yes
EFT000000001716	10/2/2024	Patriot Environmental	1,276.50	WWTP WASTE DISPOSAL SERVICES	
EFT000000001717	10/2/2024	Rincon Consultants Inc.	2,809.50	NSDWRC GRANT ADMIN SUPPORT	Yes
EFT000000001718	10/9/2024	Watereuse Association	4,770.59	2025 MEMBERSHIP DUES	
EFT000000001719	10/9/2024	Cyber Marketing Network Inc	601.16	Safety Boots	Yes
EFT000000001720	10/9/2024	Southern Counties Lubricants, LLC.	4,748.65	FUEL SUPPLIES	
EFT000000001721	10/9/2024	DLM Engineering Inc	12,360.19	ENGINEER CONSULTING SERVICES	Yes
EFT000000001722	10/9/2024	Mesa Products	4,047.29	SUPPLIES	Yes
EFT000000001723	10/9/2024	B. Weber Consulting LLC	5,135.25	CONSULTING SERVICES	Yes
EFT000000001724	10/9/2024	Hasa	14,682.70	WWTP CHEMICALS	Yes
EFT000000001725	10/9/2024	San Elijo Joint Powers Auth.	59,623.20	9/24 31.20 AC/FT RECYCLED WTR	
EFT000000001726	10/9/2024	Woodard & Curran	4,963.75	NSDWRC GRANT ADMIN SUPPORT	Yes
EFT000000001727	10/9/2024	Volt Management Corp DBA	1,238.78	WTP & FS INTERNS W/E 9/13/24	
EFT000000001728	10/9/2024	Martin Marietta Materials Inc	289.31	YARD MATERIALS	
EFT000000001729	10/9/2024	GEI Consultants, Inc	2,056.28	8/24 WATER QUALITY SERVICES	
EFT000000001730	10/9/2024	Rusty Wallis Inc.	4,550.00	WTP CHEMICALS	
EFT000000001731	10/9/2024	USA Blue Book	1,599.54	WWTP SUPPLIES	
EFT000000001732	10/9/2024	Global Power Group Inc	5,200.97	RED DYED DIESEL-CM SAN THOMAS	Yes
EFT000000001733	10/9/2024	Samba Holdings Inc	209.15	9/24 DRIVER MONITORING	
EFT000000001734	10/9/2024	Nossaman LLP	51,425.33	7/24, 8/24 LEGAL SERVICES	Yes
EFT000000001735	10/9/2024	ESS	672.00	ALARM MONITORING (WWTP)	Yes
EFT000000001736	10/9/2024	Harrington Industrial Plastics Inc	2,586.25	WTP SUPPLIES	Yes
EFT000000001737	10/9/2024	Water for People	63.00	WTRPL 10/10/2024	
EFT000000001738	10/30/2024	VOID	-	VOID	
EFT000000001739	10/16/2024	ACWA - JPIA	4,065.60	DAM FAILURE INSURANCE	
EFT000000001740	10/16/2024	Standard Insurance Co.	6,281.27	10/24 LIFE & LTD PREMIUM	
EFT000000001741	10/16/2024	Hasa	7,534.09	WTP CHEMICALS	
EFT000000001742	10/16/2024	Fallbrook Printing Corp	1,771.85	SUMMERHILL RCYLD PL POSTCARDS	Yes
EFT000000001743	10/16/2024	Radwell International, Inc.	45.72	WWTP SUPPLIES	
EFT000000001744	10/16/2024	Volt Management Corp DBA	1,387.22	WTP & CONSTRUCTION INTERNS	
EFT000000001745	10/16/2024	Transnet Investigative Group Inc.	165.00	PRE-EMPLOYMENT BACKGROUND	
EFT000000001746	10/16/2024	Alpha Mechanical, Inc	7,213.00	4SWRF 2024 HVAC Preventive Maintenance Services	Yes
EFT000000001747	10/16/2024	Be Gone Graffiti	1,600.00	WWTP - POWERWASH BLDG	
EFT000000001748	10/16/2024	BreakAway Promo	45.00	FREIGHT	
EFT000000001749	10/16/2024	USA Blue Book	529.91	SUPPLIES	
EFT000000001750	10/16/2024	Global Power Group Inc	614.58	WWTP PREVENT MAINT SERVICES	
EFT000000001751	10/16/2024	Raftelis Financial Consultant	1,851.25	PUBLIC HEARING PPT	Yes
EFT000000001752	10/16/2024	CDW Government Inc	49,106.00	ARCTIC WOLF SUBSCRIPTION	Yes
EFT000000001753	10/16/2024	NBS	11,732.58	QUARTERLY ADMIN SERVICES	
EFT000000001754	10/16/2024	Rockwell Construction	2,755.00	Construction Mgmt Services PLC Replacement Project (Potable/Recycled)	Yes
EFT000000001755	10/16/2024	Western Hose & Gasket	349.77	WTP SUPPLIES	
EFT000000001756	10/16/2024	Konecranes Inc	657.71	Crane/Hoist PM Service & Inspections at DCMWTP	Yes
EFT000000001757	10/16/2024	Harrington Industrial Plastics Inc	2,638.82	WWTP SUPPLIES	Yes

Olivenhain Municipal Water District
October 2024 Warrant List - Check & EFT

Number	Date	Name	Amount	Inv Reference	Multiple Invoices?
EFT000000001758	10/16/2024	Wageworks	278.00	9/24 ADMIN FEES	
EFT000000001759	10/23/2024	ACWA - JPIA	151,755.78	11/24 GROUP INSURANCE PREM	
EFT000000001760	10/23/2024	Underground Service Alert	318.95	DIG ALERT TICKETS	
EFT000000001761	10/23/2024	Peterson Structural Engineers, Inc.	8,182.80	DCM HYPOCHLORITE GEN RM RPRS	Yes
EFT000000001762	10/23/2024	Encina Wastewater Authority	11,229.64	WATER SAMPLES	Yes
EFT000000001763	10/23/2024	Vallecitos Water District	45,979.27	RECLAIMED WATER SALES	
EFT000000001764	10/23/2024	Southern Counties Lubricants, LLC.	5,094.69	FUEL SUPPLIES	
EFT000000001765	10/23/2024	AG Tech Llc	1,799.60	BIOSOLIDS DISPOSAL SERVICES	
EFT000000001766	10/23/2024	Hasa	18,232.32	WWTP CHEMICALS	Yes
EFT000000001767	10/23/2024	Controlled Entry Specialists	290.00	WWTP GATE SERVICES	
EFT000000001768	10/23/2024	Evoqua Water Technologies	560.27	WWTP PREVENT MAINT SERVICES	Yes
EFT000000001769	10/23/2024	McMaster-Carr Supply Co.	631.16	SUPPLIES	Yes
EFT000000001770	10/23/2024	Sloan Electric	3,376.57	FIREHOUSE PUMP STATION SVCS	Yes
EFT000000001771	10/23/2024	CyberlinkASP Technology	10,345.80	HOSTING SERVICES	
EFT000000001772	10/23/2024	BlueWater Strategies llc	78,000.00	CONSULTING FEE	
EFT000000001773	10/23/2024	Volt Management Corp DBA	1,342.44	WTP & CONSTRUCTION INTERN	
EFT000000001774	10/23/2024	NexusTek Phoenix	6,078.72	CLOUD STORAGE SERVICES	
EFT000000001775	10/23/2024	Traffic Safety Solutions	3,790.00	LA COSTA AVE/LOS COCHES	Yes
EFT000000001776	10/23/2024	Mission Electric Supply, Inc.	507.06	PARKS SUPPLIES	Yes
EFT000000001777	10/23/2024	WREGIS	1.66	RENEW ENERGY FEE	
EFT000000001778	10/23/2024	PWLC I, INC	17,078.00	LANDSCAPE MAINTENANCE	Yes
EFT000000001779	10/23/2024	On-Sight Safety Optics, Inc.	400.00	SAFETY GLASSES	
EFT000000001780	10/23/2024	Parkhouse Tire Inc	374.97	PARK TRAILER	Yes
EFT000000001781	10/23/2024	Orion Construction Corporation	265,150.92	Construction Services - N1SPS	Yes
EFT000000001782	10/23/2024	Ignacio Tool Supply Inc.	22.09	SHOP TOOLS	
EFT000000001783	10/23/2024	Rincon Consultants Inc.	23,132.50	Groundwater Desalination Project Support	Yes
EFT000000001784	10/23/2024	GSE Construction Co., Inc.	176,255.40	Construction of the DCMWTP Stage 4 Upgrades (Centrifuge)	Yes
EFT000000001785	10/23/2024	West Coast Sand & Gravel	2,537.74	YARD MATERIALS	
EFT000000001786	10/23/2024	Patriot Environmental	8,386.50	PICKUP GRIT & OFFLOAD WASTE	Yes
EFT000000001787	10/23/2024	Utility Service Co. Inc	218,323.67	QTRLY TANK MAINTENANCE	Yes
EFT000000001788	10/23/2024	Whitson CM	300.00	9/24 OMWD HQ SITE INSPECTION	
EFT000000001789	10/23/2024	Nossaman LLP	6,750.00	LOBBYING SERVICES	
EFT000000001790	10/23/2024	Western Hose & Gasket	13,218.50	Cam & Groove Materials, supplies	Yes
EFT000000001791	10/23/2024	County of San Diego, RCS	177.00	9/24 RADIO SERVICES	
EFT000000001792	10/23/2024	Harrington Industrial Plastics Inc	7,635.86	WWTP SUPPLIES	Yes
EFT000000001793	10/23/2024	Water for People	63.00	WTRPL 10/24/2024	
EFT000000001794	10/23/2024	Ninyo & Moore	18,722.40	Geotech Observations & Material Testing for Unit A	Yes
EFT000000001795	10/30/2024	TS Industrial Supply	1,484.54	SUPPLIES	Yes
EFT000000001796	10/30/2024	Ababa Bolt Inc	31.12	WTP SUPPLIES	
EFT000000001797	10/30/2024	Traffic Supply Inc	166.19	YARD SUPPLIES	
EFT000000001798	10/30/2024	Ninyo & Moore	15,511.00	RECYCLED WTR PL RPLCMNT PJT	Yes
EFT000000001799	10/30/2024	Fallbrook Printing Corp	6,659.52	Printing Services FY 2025 - Watching Water, return envelopes	Yes
EFT000000001800	10/30/2024	Woodard & Curran	7,340.00	NSDWRC GRANT ADMIN SUPPORT	Yes
EFT000000001801	10/30/2024	Transene Company, Inc.	320.16	WTP SUPPLIES	
EFT000000001802	10/30/2024	Volt Management Corp DBA	1,312.62	WTP & CONSTRUCTION INTERNS	
EFT000000001803	10/30/2024	Traffic Safety Solutions	4,890.00	THORNMINT RD & MESAMI, ELFIN FOREST ROAD, CHANGEABLE MESSAGE SIGN BOARD	Yes
EFT000000001804	10/30/2024	Industrial Solution Services, Inc.	8,787.56	Annual Liquid Ammonium Sulfate Supply	Yes
EFT000000001805	10/30/2024	KDC Inc. dba	73,478.12	PLC Replacement Project Construction (Potable/Recycled)	Yes
EFT000000001806	10/30/2024	Aqua Metric	4,833.49	3/4' METERS (QTY 24)	Yes
EFT000000001807	10/30/2024	Engineered Fluid Inc	75,889.45	Pressure Reducing Station Replacement for the Village Park/Gardendale PRS Project	Yes
EFT000000001808	10/30/2024	Express Services Inc	18,101.58	TEMP LABOR PPE 101324	Yes
EFT000000001809	10/30/2024	Pacific Safety Center	2,190.00	RESPIRATORY FIT TESTING	Yes
EFT000000001810	10/30/2024	Valley Construction Management	81,376.63	Construction Management Services for the DCMWTP Stage 4 Upgrades, recycled pipeline extensions, Unit A	Yes
EFT000000001811	10/30/2024	Harrington Industrial Plastics Inc	723.48	WTP SUPPLIES	Yes
			3,197,381.83		

Olivenhain Municipal Water District
Monthly Directors Fee and Reimbursed Expenses for Directors and Staff
October 2024

Name	Payment Date	Check#/ Credit Card	Meals & Lodging	Travel & Transport	Other	Total Reimbursed Expenses	Directors Fee*
Director Guerin			0.00	0.00	0.00	0.00	600.00
			0.00	0.00	0.00	0.00	600.00
Director Hahn			0.00	0.00	0.00	0.00	300.00
			0.00	0.00	0.00	0.00	300.00
Director Meyers			0.00	0.00	0.00	0.00	750.00
			0.00	0.00	0.00	0.00	750.00
Director San Antonio			0.00	0.00	0.00	0.00	450.00
			0.00	0.00	0.00	0.00	450.00
Director Watt			0.00	0.00	0.00	0.00	450.00
			0.00	0.00	0.00	0.00	450.00
General Manager Thorner			0.00	0.00	0.00	0.00	
			0.00	0.00	0.00	0.00	
Human Resources Manager Joslin			0.00	0.00	0.00	0.00	
			0.00	0.00	0.00	0.00	
Finance Manager Selamat			0.00	0.00	0.00	0.00	
			0.00	0.00	0.00	0.00	
Operations Manager Bartlett-May			0.00	0.00	0.00	0.00	
			0.00	0.00	0.00	0.00	
Engineering Manager Stephenson			0.00	0.00	0.00	0.00	
			0.00	0.00	0.00	0.00	
Assistant General Manager Randall			0.00	0.00	0.00	0.00	
			0.00	0.00	0.00	0.00	
Customer Service Manager Carnegie			0.00	0.00	0.00	0.00	
			0.00	0.00	0.00	0.00	

*Includes September and October 2024 Per Diems.

Notes:
(1) Reviewed and discussed with the Finance Committee (02/05/18).
(2) Reimbursement of expenses are in compliance with Article 19 of the District's Administrative and Ethics Code.
(3) Travel and other expenses charged to District's credit cards and paid by the District are recorded and maintained separately.

OLIVENHAIN
Municipal Water District

Agenda Item C-b

Memo

Date: November 6, 2024

To: Olivenhain Municipal Water District Board of Directors

From: Paul Martinez, Engineering Technician I

Via: Kimberly A. Thorner, General Manager

Subject: **CONSIDER ACCEPTANCE OF THE BERRYMAN CANYON WATER SERVICES AND FIRE HYDRANT INSTALLATION PROJECT (McCULLOUGH DESIGN & DEVELOPMENT, INC.) INTO OMWD'S SYSTEM AND ORDER A NOTICE OF COMPLETION FILED**

Purpose

The purpose of this agenda item is to consider acceptance of the transfer of the facilities constructed by McCullough Design and Development, Inc., (Developer) in the Berryman Canyon Water Service and Fire Hydrant Installation Project (Project) into OMWD's system and authorize the filing of a Notice of Completion with the San Diego County Recorder.

Recommendation

Staff recommends acceptance of the potable water facilities into OMWD's system.

Alternative(s)

None; the Project is complete, and facilities were constructed according to the approved plans and OMWD's Standard Specifications and Drawings per the Development Construction Agreement.

Background

The Project is located on Berryman Canyon, north of Tennis Club Road in Director Division 3 (Director Guerin). The Project consisted of the installation of two 1-inch water services and one fire hydrant .

OMWD entered into an agreement with the Developer in January of 2024 to construct the facilities and dedicate said facilities to OMWD. The facilities are now complete and have been built in accordance with the approved plans and OMWD Standard Specifications and Drawings. The warranty period will terminate one (1) year following the acceptance of the facilities by OMWD's Board.

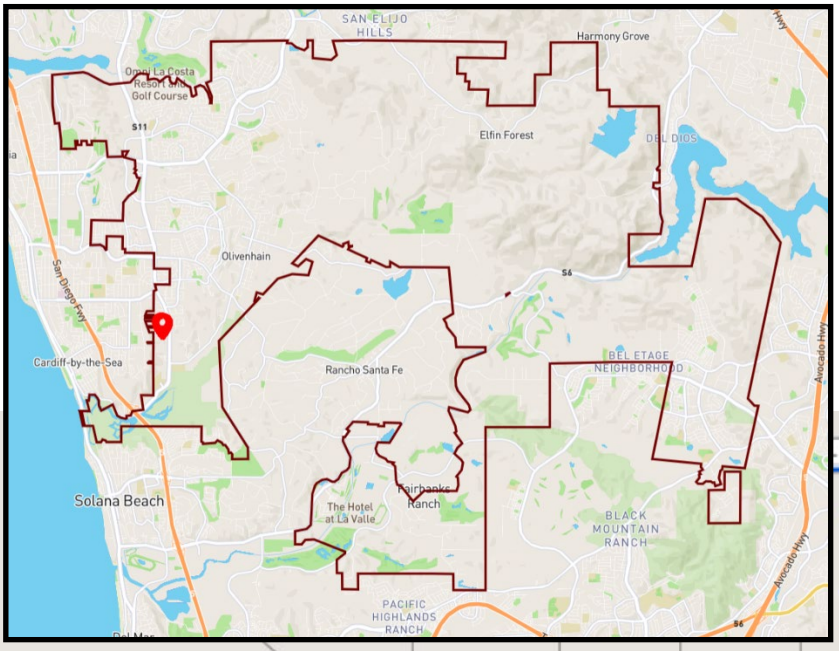
Fiscal Impact

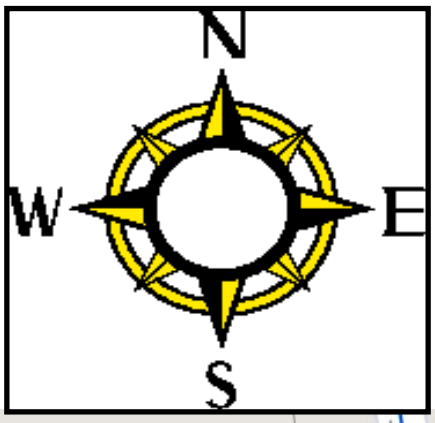
There is no fiscal impact to accepting the facilities into OMWD's system. The new assets will be reported to Finance for capitalization.

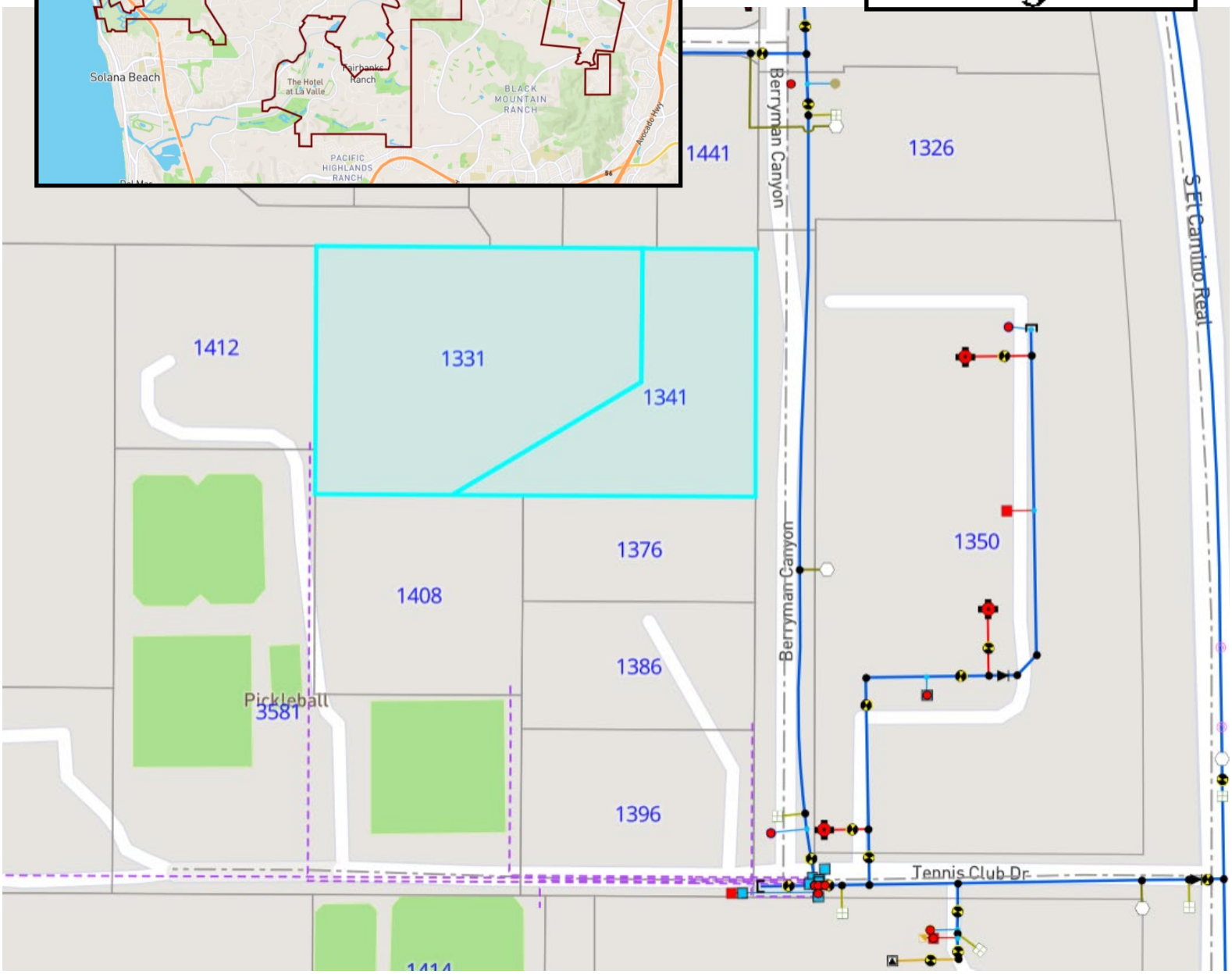
Discussion

Staff is available to answer questions.

Attachments:
Location Map
Notice of Completion







BERRYMAN CANYON WATER SERVICES AND FIRE HYDANT INSTALLATION DISTRICT PROJECT NO. W590242

RECORDING REQUESTED BY &
WHEN RECORDED RETURN TO:

Olivenhain Municipal Water District
1966 Olivenhain Road
Encinitas, California, 92024-5699

(This space for recorder's use)

NOTICE OF COMPLETION

NOTICE IS HEREBY GIVEN that the facilities shown on improvement plans for Parcel 262-080-43-00 and 262-080-42-00 of Map No. 21677, recorded on April 26th, 2019, recorded in the City of Encinitas, State of California for which McCullough Design and Development, Inc., ("Developer") contracted with the OLIVENHAIN MUNICIPAL WATER DISTRICT ("Owner," in fee, of the facilities), headquartered at 1966 Olivenhain Road, Encinitas, CA 92024, have been completed in accordance with the approved plans and standard specifications and drawings as of October 11th, 2024. The facilities have been accepted by the Board of Directors of the OLIVENHAIN MUNICIPAL WATER DISTRICT on this 6th day of November 2024.

In witness whereof this Notice of Completion has been executed under authority from the Board of Directors of said OLIVENHAIN MUNICIPAL WATER DISTRICT by Kimberly A. Thorner, General Manager.

KIMBERLY A. THORNER, being first duly sworn, deposes and says that she is General Manager of the OLIVENHAIN MUNICIPAL WATER DISTRICT and is familiar with the facts stated in the foregoing Notice of Completion executed for and on behalf of said Agency, that she has read the foregoing Notice of Completion and knows the contents thereof and that the same are true.

OLIVENHAIN MUNICIPAL WATER DISTRICT

Date: November _____, 2024 By:_____
Kimberly A. Thorner
General Manager

District Project No. W590242
Berryman Canyon Water Services and Fire Hydrant Installation

OLIVENHAIN
Municipal Water District

Agenda Item C-c

Memo

Date: November 6, 2024

To: Olivenhain Municipal Water District Board of Directors

From: Lindsey Stephenson, Engineering Manager

Via: Kimberly A. Thorner, General Manager

Subject: **CONSIDER APPROVAL OF THE 2024 POTABLE AND RECYCLED WATER MASTER PLAN UPDATE**

Purpose

The purpose of this agenda item is to consider approval of the 2024 Potable and Recycled Master Plan Update. This agenda item relates to 2024 Annual Objectives: #58 to *Update the 10-Year Capital Improvement Plan;* #59 to *Complete Potable Water and Recycled Water Master Plan update;* and #61 to *Incorporate 2023 condition assessment results for DCMWTP, 4S WRF, wastewater system, and pipeline replacement into 2024 budget process, cost of service update, and Proposition 218 notices,* per the recommendation of the Facilities Committee.

Recommendation

Staff recommends the Board accept and approve the 2024 Potable and Recycled Water Master Plan Update. The draft version was presented as an information item to the Board at its August 14, 2024 meeting, and there have been no significant changes since that time.

Alternatives

The Board could instruct staff to modify or reconsider the recommendations made by the 2024 Potable and Recycled Water Master Plan Update.

Background

Long-term capital planning is a dynamic process and is part of OMWD's overall strategic plan and is reviewed as part of the budget process. The potable and recycled water systems are critical and valuable components of OMWD's assets, and infrastructure management needs to be considered as the system ages.

Fiscal Impact

The proposed Capital Improvement Plan (CIP) for the next 2 years was incorporated into the previously approved 2-year CIP Budget for FYs 25 and 26, and were then incorporated into the previously approved Water Cost of Service Rate Study for the next 5 years.

Discussion

A capital planning process involves identifying current and future capital needs and prioritizing those needs to support OMWD's mission. The primary objective of the capital planning process is to create a stable long-range financial plan to support an orderly, efficient program of improvement, expansion, and replacement of its capital needs.

Staff proactively conducts planning and assessment activities to continuously update a comprehensive list of capital projects in OMWD's Long-Term CIP to respond to changing priorities. From that Long-Term CIP Plan, OMWD's 2-year CIP budget appropriations and 10-year CIP are prioritized and reviewed with the Board as part of the budget process. As OMWD's infrastructure ages, one of its goals is to cost effectively sustain reliable and quality service through infrastructure management and replacement.

The Potable and Recycled Master Plan was updated by DLM Engineering as a key component of planning efforts for potable and recycled systems. The Potable and Recycled Master Plan was last updated in 2015. This current master plan was undertaken to update and calibrate the hydraulic models and develop a 10-year prioritized CIP to cost effectively provide reliable potable and recycled service. The current master plan leverages staff input and various studies completed by consultants. The current master plan includes the development of hydraulic models of both the potable and recycled distribution systems, and the use of the models to identify any deficiencies and to evaluate potential scenarios developed by staff. The master plan is also based on a series

of assessments of the condition and performance of various infrastructure in the treatment and distribution system, each of which is summarized in the attachment. The results of these assessments and evaluations drove the proposed projects in the 10-year CIP.

The key condition assessments that were completed and incorporated into the Potable and Recycled Master Plan Update include:

- The Long-Term Pipeline Replacement Budgeting completed by HDR and presented to the Facilities Committee (President Guerin and Director Watt) on September 12, 2023.
- The DCMWTP Condition Assessment completed by Carollo and presented to the Facilities Committee (President Guerin and Director Watt) on December 4, 2023.
- The Wastewater Master Plan Update was completed by Dudek. Recommendations were presented to the Facilities Committee (President Guerin and Director Watt) on December 4, 2023 and March 7, 2024. The draft was presented to the full Board on March 20, 2024 and approved by the Board on April 17, 2024.

An update on the progress of the Potable and Recycled Water Master Plan and proposed 10-year CIP for potable and recycled was presented to the Facilities Committee (President Guerin and Director Watt) on March 7, 2024, and the proposed 10-year CIP for potable and recycled water was incorporated into the FY 25 and 26 budget that was reviewed by the Finance Committee (Directors Meyers and Watt) on April 1, 2024, reviewed by the Board on April 17, 2024 and approved by the Board on June 19, 2024. A draft of this master plan was presented to the Board on August 14, 2024. Should this item be approved, the 2024 Potable and Recycled Water Master Plan Update will be posted to the District's website.

In parallel to the Potable and Recycled Water Master Plan Update progress, the Water Cost of Service Rate Study incorporated the approved CIP budget, with a workshop conducted at the August 2024 Board meeting and a public hearing conducted at the October 2024 Board meeting.

Staff is available to answer any questions.

Attachments:
2024 Potable and Recycled Water Master Plan Update

OLIVENHAIN
Municipal Water District

2024 POTABLE AND RECYCLED WATER MASTER PLAN UPDATE

November 2024

Prepared by:

DLM
ENGINEERING, INC
14220 Sandhill Road
Poway, CA 92064

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Acknowledgements

This 2024 Potable and Recycled Water Master Plan Update for is a result of the combined efforts of the management and staff of the Olivenhain Municipal Water District and DLM Engineering, as well as the contributions of several consultant teams working on behalf of OMWD. In particular, the efforts of the following staff members are acknowledged and appreciated:

Lindsey Stephenson, PE .....Engineering Manager
Rob Kreutzer .....GM Department Assistant

Introduction

Olivenhain Municipal Water District (OMWD) is a retail potable and recycled water purveyor, and wastewater utility for water customers in North San Diego County. OMWD was organized and is operating pursuant to Water Code Sections 71000 et seq., and was incorporated on April 9, 1959. Potable water storage tanks, pipelines, and appurtenant facilities were constructed starting in 1960, to distribute water from connections to the San Diego County Water Authority (CWA) regional aqueduct system. Today the potable distribution system covers the developed portions of OMWD, as shown in Figure 1. A hydraulic schematic of the existing potable system is shown in Figure 2. Raw water is supplied by CWA and is treated at the OMWD-owned and operated David C McCollom Water Treatment Plant (DCMWTP), with a capacity of 34 million gallons per day (MGD). Several treated water interconnections with CWA and other agencies provide water supply redundancy. OMWD serves an average of approximately 17,000 acre-feet per year (15 MGD) of potable water.

OMWD operates two recycled water service areas known as the Northwest Quadrant (including the Mahr Zone, Quail Gardens Zone, Village Park Zone, and the Manchester Avenue Zone) and the Southeast Quadrant (including the 4S and San Dieguito Zones). The entire recycled system is shown in Figure 3, which shows that only portions of the developer areas of OMWD are served by recycled water. The Mahr/Quail Gardens Zone, Village Park Zone, and Southeast Quadrant are shown in more detail in Figures 4, 5, and 6, respectively. Hydraulic schematics of the recycled systems for the Mahr and Quail Gardens Zones, Village Park Zone, and Southeast Quadrant are shown in Figure 7, 8, and 9, respectively. No hydraulic schematic has been developed for Manchester Zone yet, as the system was recently constructed.

On average, 2.5 MGD of recycled water is provided to OMWD customers for the irrigation of homeowner's association common areas, schools, parks, streetscapes, and golf courses, representing approximately 15 percent of total daily demands. In the Northwest Quadrant, recycled water is supplied by Vallecitos Water District and the San Elijo Joint Powers Authority (SEJPA). Recycled water for Manchester Avenue is supplied by SEJPA, and the Southeast Quadrant is supplied by the OMWD 4S Ranch Water Reclamation Facility (WRF), with a capacity of 2.0 MGD, the Rancho Santa Fe Community Services District and two City of San Diego recycled water connections. A summary of the recycled quadrants and associated zones and supply source is provided in Table 1.

Table 1 Recycled Water Services Areas and Sources

Quadrant	Zone	Source
Northwest	Mahr	Vallecitos Water District's (VWD), Mahr Reservoir
	Quail Gardens	San Elijo Joint Powers Authority (SEJPA), Leucadia Boulevard Connection
	Village Park	SEJPA, Wiegand Tank (owned by OMWD)
	Manchester	SEJPA, Manchester Boulevard Connection
Southeast	4S	4S Ranch Water Reclamation Facility
	San Dieguito	Rancho Santa Fe Community Services District's Santa Fe Valley Water Reclamation Facility; City of San Diego Connections 1 and 2

A comprehensive Potable Water Master Plan and Capital Improvement Program (CIP) was completed in 2000 (Boyle, 2000). This master plan included an update of the hydraulic model and water system analysis. Subsequently, the model was maintained by consultants and utilized to evaluate new development and specific operations. In 2006, the Potable Master Plan and CIP was updated (CH2M Hill,

2006) and potable water pipeline rehabilitations and replacements were prioritized based on age, material, and pressure. The 2006 Comprehensive Master Plan also summarized previous studies and evaluated the rehabilitation and replacement of the recycled water facilities and wastewater collection systems. A series of recycled water planning studies were completed for the recycled water systems starting in the 1990s. Focused planning studies were completed for the Village Park recycled water system, in the Northwest Quadrant in the early 2000s. Potable and Recycled Water Master Plans were then completed in 2011 (AECOM,2011) and 2015 (DLM Engineering,2015) but they focused on specific projects, and did not include an update or calibration of the hydraulic model .

As OMWD has approached build out, has a well-developed potable water treatment, conveyance, and distribution system some key infrastructure is approaching the end of its useful life. This current master plan is being undertaken to update and calibrate the hydraulic models and develop a 10-year prioritized CIP to cost effectively provide reliable potable and recycled service to OMWD customers. CIP projects are developed to address the needs of OMWD to reliably serve its customers with potable and recycled water in a cost-effective manner. The projects are developed in response to drivers, such as supply needs, regulatory changes, or infrastructure condition. Projects are prioritized based on risk, reviewing the likelihood of an event and the potential consequence of that event.

This master plan update summarizes efforts in the following areas, cumulating in a 10-year CIP:

1. A brief description of the master planning methodology
2. A summary of supply considerations and regulatory drivers
3. Brief summaries of the hydraulic modeling and planning criteria
4. A summary of results from infrastructure planning and condition assessment programs and needs identified for each system
5. A summary of the 10-year CIP for both the potable and recycled water systems

Methodology

Typically, water utilities update their master plans every five to six years to review and address changes in land use, water use and sewer flows, regulatory requirements, planning criteria, infrastructure condition, and new operational issues. The master plan update is then used to update and re-prioritize the capital improvement plan and to update project costs. The master plans support the Finance Department in cost-of-service-studies, rate setting, calculation of capacity fees, and determination of bonding requirements. The master plan serves as a guide for the District's reference when revisiting the capital improvement budget in future years, and it is expected that project priorities and budgets may change to meet the needs of the District at that budget cycle.

The potable water master plan is fundamentally based on the experience of OMWD staff regarding the water treatment and distribution system condition and performance. OMWD staff input led to several CIP projects, and staff, with assistance from consultants, developed the recurring project budgets in the CIP. OMWD also monitors supply and demand needs, as well as regulatory drivers that may result in changes for OMWD. The current master plan includes the development of a hydraulic model of the distribution system, and use of the model to identify any deficiencies, and to evaluate scenarios developed by staff. The potable master plan is also based on a series of assessments of the condition and performance of various infrastructure in the treatment and distribution system, each of which is summarized in the next section.

The recycled water master plan Is also based on OMWD staff input and the use of a hydraulic model to identify hydraulic deficiencies, and evaluate scenarios developed by staff. The recently completed wastewater master plan identified several components at the 4S Ranch Water Reclamation Facility that are integral to the production, storage, and distribution of recycled water. If any of the facilities which are integral to recycled water delivery required repair or replacement, a portion or all of the project cost was assigned to the recycled water capital improvement plan.

Supply Considerations and Regulatory Drivers

OMWD monitors and evaluates demands and supply needs, as well as regulatory drivers that may result in changes for OMWD.

Supply Considerations

2020 Urban Water Management Plan and Demands

The State of California requires that all water agencies submit an Urban Water Management Plan (UWMP) every five years. OMWD's most recent UWMP was submitted on July 1, 2021 (DLM Engineering, Inc., 2021), and it will be updated again for a July 1, 2026 deadline. The UWMP contains a:

- Description of the OMWD system
- Characterization of potable and non-potable water uses
- Description of water use reduction targets and reports on compliance with the targets in 2020
- Characterization of existing and future water supplies
- Description of water service reliability and drought risk assessment, and
- Water shortage contingency plan.

The 2020 UWMP included a water demand forecast that predicted OMWD's demand would decline slightly over time, due to the small remaining amount of developable land, the cost of water, and a trend of landscape turf conversions. The potable and recycled demands presented in the UWMP are shown in Table 2:

Table 2 Total Water Use, Demand Forecast (Potable and Recycled; AFY)

Type	2020	2025	2030	2035	2040
Potable	17,100	17,410	16,960	16,640	16,310
Recycled	2,482	2,693	2,819	2,834	2,855
Total	19,582	20,103	19,779	19,474	19,165

The reader is referred to the UWMP for a detailed description of the forecast as it will not be covered in this master plan document. The UWMP also summarized OMWD's future sources of water including CWA, recycled water for irrigation, and conceptually the San Dieguito Valley Brackish Groundwater Desalination Project. OMWD's CWA supply is considered highly reliable and the groundwater project, if implemented, would further increase reliability. Again, the reader is referred to the UWMP for details as water supply will not be covered in detail in this master plan document. With the exception of the San Dieguito Brackish Groundwater Desalination Project, there are no CIP projects in the 10-year to expand and diversify the potable water supply.

OMWD planned and expanded its recycled water systems to prioritize service to large users such as homeowner's associations, parks, and golf courses, because it is the most cost-effective approach, with the most demand served for the least infrastructure investment. OMWD has identified additional potential recycled water demands and this is the basis of the forecast. OMWD will expand the distribution system to serve these customers, if grant funding and other resources become available to make the projects more cost effective. The Manchester Avenue Recycled Water Project is an example of a recent recycled system expansion receiving grant funding.

Existing and Potential Development in OMWD, Equivalent Dwelling Units (EDUs)

OMWD uses the EDU to track customers in its billing system. A typical single-family dwelling unit is defined as one EDU. Typically, each multi-family unit is less than one EDU, and large estate-type development may be more than one EDU. In September 2023, an EDU forecast for OMWD was completed by Zone of Benefit based upon the latest San Diego Association of Governments (SANDAG) growth forecast (Gillingham Water, 2023). The Zones of Benefits are shown in Figure 10. This EDU forecast, as well as known developments on the 10-year horizon, are utilized in the calculation of capacity fees for new development and were incorporated into the Water Capacity Fee Study (Raftelis, 2023). The forecast estimated the following, with total buildout predicted in Table 3:

- Approximately 50 EDUs/year up to 2030
- Approximately 35 EDUs/year between 2031 and 2040, and
- Approximately 30 EDUs/year between 2041 and 2050

Table 3 Adjusted Counts of Total Potable EDUs in 2050 by Zone of Benefit

Zone of Benefit	Current EDUs	EDU Projections	Build-Out EDUs
Zone A	16,113	359	16,472
Zone B	4,834	515	5,349
Zone C	590	93	683
Zone D	4,838	126	4,964
Zone E	5,374	87	5,461
Total	**31,749**	**1,180**	**32,929**

Regulatory Drivers

The water industry is governed by a number of State and Federal agencies and their regulations. Their regulations are continually being updated, in response to the identification of new constituents of concern, and governmental mandates. These regulatory updates will drive CIP projects, but OMWD generally does not add them to the CIP until they are relatively certain. Some key regulatory drivers that OMWD is monitoring include fleet electrification, PFAS, and conservation.

Fleet Electrification

The California Air Resources Board has adopted advance clean fleets (ACF) regulations which are intended to:

- Deploy medium- and heavy-duty zero-emissions vehicles (ZEV)
- Compliment the Advanced Clean Trucks (ACT) regulation of which ensures acceleration of large-scale fleet transition to ZEV, and
- Help achieve the State's health protective air quality standards and climate goals.

In response to these regulations, OMWD has selected TerraVerde Energy to evaluate OMWD's fleet and develop a plan to meet the regulations. Preliminary budgets have been included in the CIP for potable water, recycled water, and wastewater, to fund the electrification effort.

PFAS

The U.S. Environmental Protection Agency (EPA) and the State Division of Drinking Water (DDW) regulate the constituents in the water supply and set maximum contaminant levels, or MCLs. Recently, EPA has set MCLs for Per- and Polyfluoroalkyl substances, known collectively as PFAS. Monitoring is required by 2027 and compliance is required by 2029. Setting PFAS standards is a priority for DDW. None of these substances are present in the water supplies OMWD purchases from the Metropolitan Water District of Southern California (MWD), nor have they been detected in the treated water OMWD serves to our customers. OMWD will continue its drinking water supply sampling and monitoring to ensure the continued delivery of safe drinking water to customers. At some point in the future, should PFAS be detected in OMWD's water supply, and exceed the MCLs, CIP projects would be required and would be costly. The best available technology to remove PFAS from water is reverse osmosis membranes. Staff will continue to monitor this issue and a more complete description of water quality can be found in OMWD's Consumer Confidence Report, available on its website. The OMWD Board opted out of PFAS class action settlements in 2023 and preserved its rights to sue in the future if it needs to treat for PFAS.

Conservation

OMWD has been promoting water conservation and water use efficiency for many years. MWD and CWA have been incentivizing conservation through rebates for programs like turf removal, smart irrigation controllers, and low-flush toilets. Recently, the State of California has approved a program known as Making Conservation a Way of Life. The program sets specific water use targets for indoor and outdoor water use and will be effective in the next 10 years. This program may further reduce OMWD's water demands in 2040 and beyond and may impact capital projects, and staff will continue to monitor the impacts.

Hydraulic Modeling and Analyses

The current master plan includes the development and calibration of hydraulic models for both the potable (Potable TM No. 1, February 2024, Ardurra) and recycled distribution systems (Recycled TM No. 1, February 2024, Ardurra; Recycled TM No. 3, April 2024, Ardurra). The hydraulic models are used to identify any deficiencies and to evaluate scenarios developed by staff.

Water System Planning Criteria

The current master plan included the review of the OMWD existing planning criteria, and that of industry associations and local districts, for both potable and recycled water. The planning criteria includes:

- Peaking factors
- Minimum and maximum system pressures
- Minimum pipeline sizes and maximum allowable velocities
- Pump station pumps and capacities
- Pressure reducing station valving, and
- System storage volumes

This planning criteria is the basis for identifying deficiencies in the existing distribution systems. It will also be utilized by developers, as they layout and plan facilities to service their developments. The planning criteria for the potable water system is listed in Table 4, included at the end of the document (Potable TM No. 3, August 2024, Ardurra). The planning criteria for recycled water is shown in Table 5, also included at the end (Recycled TM No. 1, Aug. 2024; Recycled TM No. 4, Oct. 2024, Ardurra).

Hydraulic Model Development and Scenario Analyses

For many years, OMWD has retained IEC (now Ardurra), with expertise in the hydraulic modeling of distribution systems, to maintain and operate a hydraulic model for the analyses of new developments, and specific operational scenarios on the potable system. A hydraulic model of the Northwest Quadrant recycled water system was developed for planning the Village Park recycled water system, and other possible improvements. A hydraulic model was not available for the Southeast Quadrant. A hydraulic model was developed as a part of the Manchester Avenue recycled water system planning. In this year's master plan, Ardurra built new models for both the potable and recycled water systems based on the OMWD geographic information system (GIS). Details of the models, including pump station, pressure reducing station, and other settings were coordinated closely with the OMWD Operations Department. Flow and pressure data was collected on specific days, and the models were successfully calibrated to the data.

The potable system was evaluated by Ardurra under maximum day, peak hour, and maximum day plus fire flow scenarios. The fire flow analysis was based on the more recently updated and adopted criteria of the cities and fire districts that cover OMWD, which has changed over time. The criteria were generally consistent with that of Vallecitos Water District and Vista Irrigation District. The system generally met, or was close to meeting the newly adopted fire department planning criteria. While these analyses did not result in specific CIP projects, they did identify areas within OMWD with deficiencies in meeting the newly adopted fire department planning criteria that should be considered in conjunction with other CIP projects, or new developments, in the vicinity.

OMWD's planning criteria is utilized as a "best practice." Velocities are limited to avoid damage to pipelines, fittings, valves, and appurtenances, especially as infrastructure ages. Head loss limitations are intended to avoid significant pressure decreases, and low pressures. Minimum pressure limitations increase the system ability to fight fires, and also provide customers with adequate pressure to deliver flows, operate irrigation systems, water fixtures and appliances, and other equipment. With the information provided by Ardurra and the hydraulic model, OMWD staff now have a reference for the location of the small diameter pipelines, and their impact on the distribution system. This information

will be used to plan future CIP projects, and new development projects, to improve the system capability efficiently. Developers may be required to upsize pipelines.

For the potable system, specific scenarios involving the replacement of the Palms Tanks with Pressure Reducing Stations (PRS) and the feasibility of a groundwater pump station for the San Dieguito Groundwater Project were evaluated utilizing the model (Potable TM No. 3, August 2024, Ardurra). Replacement of the Palms Tanks with PRS is feasible and the modeling provided PRS locations for design. The groundwater pump station was also feasible, with additional investigations needed, if the San Dieguito Project moves forward.

The recycled system was evaluated under maximum day and peak hour scenarios. The systems generally met the planning criteria, and no capital projects were recommended (Recycled TM No. 2, August 2024, Ardurra), (Recycled TM No. 4, October 2024, Ardurra).

For the Northwest Quadrant recycled system, the model was used to evaluate increasing the water supply from SEJPA, through the use of the Wanket Tank and a connecting pipeline. The analysis concluded that with several facility improvements, the concept could meet the planning criteria. This concept was considered feasible, subject to some additional investigations, after confirming sources of supply and future demands. However, no improvements for this scenario were incorporated in the current CIP, and the option can be further evaluated in the future if needed. In the Southeast Quadrant, the model was used to evaluate theoretical increased demands in the San Dieguito Valley. This analysis provided valuable system capability information, should demands increase, but no additions to the CIP were made.

Infrastructure Planning, Condition Assessments, and Needs by System

The potable and recycled master plan is also based on a series of assessments of the condition and performance of various infrastructure in the treatment and distribution systems, which prioritizes projects based on risk, reviewing the likelihood of an event and the potential consequence of that event. Those planning efforts and condition assessments, as well as other needs identified, are summarized by system in the following section. The 10-year CIP for each system is presented in Tables 7 -16 at the end.

Planning and Water Supply

As described in Supply Considerations, there are no CIP projects in the 10-year to expand and diversify the potable water suppl, with the exception of the San Dieguito Brackish Groundwater Desalination Project. As noted in Methodology, the Potable and Recycled Water Master Plan should be updated approximately every 5-6 years and an update is projected in the 10-year CIP. Planning and supply projects are listed in Table 7.

Site Improvements

Site improvement projects are listed in Table 8 and include parking and access improvement projects, the Elfin Forest Recreational Reserve parking lot expansion, and site asphalt rehabilitation and replacement at facilities throughout OMWD including at Headquarters, pump stations, and tanks.

E&I/Technology System Needs

Electrical and Instrumentation (E&I) and technology needs were identified and proposed projects are listed in Table 9 and include:

- Advanced Metering Infrastructure (AMI) – These replace existing customer meters with meters that can be read remotely.
- CIS Infinity System Upgrade – This includes upgrades to OMWD's customer information and billing systems to bring the software to the latest version.
- District Wide SCADA Upgrades – SCADA stands for supervisory control and data acquisition equipment which can be used to control facilities like pump stations remotely. The equipment also archives data such as pressure and flow at various points throughout OMWD. The software needs to be upgraded to the latest version.
- District Wide PLC Replacements – PLCs are programmable logic controllers or industrial computers for the control of water system equipment such as water treatment processes and pump stations. Many PLCs have reached the end of their useful life and need to be replaced.
- District Wide Physical Security Improvements – Projects include fencing, gates and locks to address security needs.
- Fleet Electrification Projects – as described as a regulatory driver, the State of California Air Resources Board (CARB) has mandated that utilities like OMWD to comply with their Zero-Emission Vehicle (ZEV) requirements. The projects could involve the replacement of gas- and diesel-powered vehicles with zero-emission vehicles. The projects may also include charging or other support facilities.

Distribution System – Pipelines

As noted in the hydraulic modeling section, the distribution system generally met the planning criteria and no specific CIP projects were identified through that effort. OMWD has conducted planning efforts focused on infrastructure management that have recommended improvements, shown in Table 10.

Budgeting for Long-Term Pipeline Replacement

OMWD retained HDR, Inc., who has specialized experience in pipeline asset management, to provide guidance on long-term pipeline replacement budget planning (HDR, 2024). The consultant collected and analyzed OMWD's history of pipeline leaks and breaks, and compared it to more than 20 local and national water agencies. They also reviewed guidance provided by national industry associations. HDR considered three different approaches to establish budgets for pipeline replacements: age-based, OMWD's historical investment levels, and an approach based on the performance of OMWD's pipelines. Overall, they concluded that OMWD had a relatively low rate of pipeline leaks and breaks, and, compared to other agencies, has been budgeting sufficiently to maintain the system. They recommended the performance-based approach for a 50-year pipeline replacement budget forecast at a balanced level. There are two large pipeline replacement projects in the 10-year CIP shown in Table 10, at the end. However, the consultant noted that as the pipelines continue to age, OMWD will have to significantly increase the CIP budget for replacement.

Potable Pipeline Condition Assessment Program

The OMWD potable pipeline condition assessment program was initiated with a pipeline risk prioritization study, prepared by Pure Technologies, that identified 30 pipelines of interest, 11 of which were steel pipelines (Pure, 2017). OMWD then selected PICA, and Pure Technologies to conduct electromagnetic or CCTV inspection of four pipelines including:

- Unit A 12-Inch Pipelines in Rancho Santa Fe Road and Encinitas Boulevard in 2020
- Unit B 24-Inch Pipeline in 2019
- Unit K 27-Inch Pipeline in 2019

The prioritization also recommended assessment procedures for asbestos-cement and polyvinyl chloride (PVC) pipe. OMWD retained HDR, Inc., with specialized experience in pipeline internal inspections and evaluating the results, to plan repair and rehabilitation projects, and lay out the next phase of inspections (HDR, 2020, 2023). Because of its poor condition, the northerly portion of the Unit A Pipeline in Rancho Santa Fe Road has been scheduled for replacement in FY 2025. Staff also identified a stretch of pipe along Dusty Trail to be replaced based on an analysis of recent leaks. Three other inspection and rehabilitation projects have been incorporated into the OMWD 10-Year CIP and are summarized in Table 10.

Distribution System – Tanks and Pressure Management

As noted in the hydraulic modeling section, the distribution system generally met the planning criteria and no specific CIP projects were identified through that effort. OMWD has conducted planning efforts focused on infrastructure management that have recommended improvements.

Program to Maintain Potable and Recycled Water Steel Storage Tanks

OMWD has contracted with Utility Services Company to maintain all of its steel water storage tanks in the distribution system in "like new" condition. The cost of this service is shown in the OMWD annual budget as an operating expense. As a result of this approach, there are no CIP projects for the steel water storage tanks in the distribution system.

Condition Assessments for Potable and Recycled Water Concrete Storage Tanks

In 2021 and 2022, OMWD selected two consultants, Peterson Structural Engineers, and Richard Brady and Associates, with prestressed concrete tank design and assessment experience, to assess the condition of its concrete water storage tanks. The assessment reports (Brady, 2021) (PSE, 2022) identified improvements required in the short term, and recommendations for on-going inspection and assessments. From the reports, a CIP project was developed to address high priority safety improvements at the Gano, Gaty II, and Santa Fe Valley Tanks. The design is in progress and construction is scheduled for FY 2025. On going inspections and lower priority improvements are also scheduled for later in the 10-year CIP, as shown in Table 11, except for the Santa Fe Valley Tank, which is shown in Table 15, because it is for the storage of recycled water.

Pressure Reducing Station (PRS) Replacement Prioritization

Staff from the OMWD Operations Department visit the pressure reducing stations on a regular basis and complete a visual inspection of their condition. Based on this experience and consequences of failure, staff prioritized the replacement of the PRS' in the 10-year CIP, starting with Village Park and Gardendale, which are scheduled to be replaced in FY 2025. Balboa Engineering completed the design of the first two replacements. Del Lago, Southeast #1, Quail Gardens, and Via Valle Verde are scheduled for replacement later in the next 10 -years, as shown in Table 12. Additional replacements are tentatively scheduled in years 11 through 20 and can be re-prioritized. OMWD's existing PRS locations are shown in Figure 1.

DCMWTP Planning Efforts and System Needs

DCMWTP Condition Assessment

In 2023, OMWD selected Carollo Engineers for this work on the DCMWTP (Carollo, 2024). They have specialized expertise in the condition assessment and operation of water treatment plant facilities. Carollo performed a condition assessment of the DCMWTP, which was originally put in operation in 2003, with a scope of work that included:

- Extensive interviews and coordination with OMWD staff
- Review of Plant records
- Physical inspection of Plant facilities
- Concrete testing for the membrane basins
- Various testing of metallic components
- CCTV inspections of pipelines
- Corrosion testing
- Structural analysis

The condition assessment reviewed 2,000 assets and found that less than one percent had a severe risk of failure. The assessment identified $17.3 million dollars in projects over the next ten years, $5.3 million of which are considered high-priority. The projects have been incorporated into the OMWD 10-Year CIP and are summarized at the end in Table 13.

DCMWTP Capacity Reliability Study

In 2017, Hazen and Sawyer was selected to perform a capacity reliability study of the DCMWTP (Hazen, 2018), investigating five specific areas:

- Recovery of backwash waste water from the influent strainers to reduce waste streams
- Addition of one ultrafiltration membrane treatment train to stage 2 of the treatment process to improve reliability and flexibility
- Addition of dissolved air flotation to stage 3 to remove solids
- Addition of a centrifuge to stage 4 to provide reliability, and
- Evaluation of disinfection alternatives and disinfectant by product control.

Staff carefully considered the recommendations in Hazen's 2018 study report and prioritized them. The plant currently has just one centrifuge for dewatering the second stage membrane reject water, and if it is offline for more than one to two days, either an alternative disposal method must be used for the reject water, or the plant must be shut down. Staff recognized this as the most critical project for reliability, completed the design of a second centrifuge, and a construction contract has been awarded. Other improvements in the study report have been prioritized beyond the 10-year CIP. The DCMWTP disinfection system is performing well and meeting all regulations. The evaluation of alternatives was intended to address changing source water quality, or changing regulations. Because these improvements are not currently needed, the other recommended projects have not been scheduled in the 10-year CIP.

Recycled System

Wastewater Master Plan Update – Recycled Water Projects

The recently completed Wastewater Master Plan Update (Dudek, 2024) assessed the condition of the 4S Ranch Water Reclamation Facility (WRF) and required improvements. The WRF not only treats the wastewater to secondary standards, but also treats it to tertiary standards, producing recycled water for irrigation. The Wastewater Master Plan identified improvements that were required to individual facilities that provide both wastewater treatment and recycled water production. These costs were divided between the potable water and recycled water CIPs. The recycled improvements are listed in Table 15.

Potential Recycled Water Extension Projects to Consider in the Future

OMWD's backbone recycled water distribution system was planned and constructed to serve customers with the largest demands and with logical sources of supply. With this approach, the maximum amount of water is delivered for the lowest cost.

As OMWD expands its recycled water distribution systems, it takes the same approach. OMWD staff have identified irrigation customers not located along existing recycled water pipelines. Staff has estimated the customer demands and has organized them into logical pipeline extension projects. Those extension projects with the greatest demand per unit of investment are given the higher priorities. Three of the most potentially viable projects, the Garden View Road Recycled Extension, the Willowspring South Drive Recycled Extension, and the Four Gee Road Recycled Extension, are summarized in Table 6 and shown in the maps in Figures 11, 12, and 13, respectively. The Garden View Road Recycled Extension is in the Northwest Quadrant (Quail Gardens Zone) and would be served by the SEJPA Leucadia Blvd connection. The Willowspring South Drive Recycled Extension is in the Northwest Quadrant (Village Park Zone) and would be served by the SEJPA via the Wiegand Tank. The Four Gee Road Recycled Extension is in the Southeast Quadrant and would be served by the 4S WRF and other existing sources.

These projects are not currently in the CIP, but could be added if funding and staff resources are available. As documented in the Long-Term Budgeting for Pipeline Replacement Report (HDR, January 2024), OMWD's recent pipeline installation costs are approximately $73/inch diameter-LF, plus another 30 percent of soft costs, for a total project cost of approximately $95/inch diameter-LF. These unit prices would provide a planning level cost, and additional alignment studies and preliminary designs could be conducted to better define the projects and their costs. In addition to these more viable projects, OMWD staff also monitors a list of other potential customers that could be considered for further recycled system expansion.

Table 6 – Potential Recycled Water Extensions

Name of Potential Recycled Water Extension	System	Location/Road	Approximate Pipe Length (ft)	Approximate Demand (AF/Y)
Garden View Road	NWQ (Quail Gardens Zone)	Via Cantebria, Garden View, El Camino Real	2,300	47
Willowspring South Drive Extension (aka VP Townhome Corp No 3, Phase 2)	NWQ (Village Park Zone)	Willowspring South Drive	940	12
Four Gee	SEQ	Four Gee Road	1,670	16

NWQ = Northwest Quadrant SEQ = Southeast Quadrant

Annually Recurring Projects

While much of the OMWD CIP relates to specific facility projects, both the potable and recycled water CIPs also include annually recurring projects. These projects address facilities that are likely to need repair or replacement on an annual basis and their budgets are established by considering historical replacement frequency and expenditures, and the condition and age of facilities. Recurring projects include repair or replacement of network security, pumps, motors, meters, short reaches of pipelines, shut off valves and pressure reducing valves, cathodic protection systems, and minor rehabilitation of concrete tanks.

For the DCMWTP, the projects include mechanical and electronic equipment to measure, monitor, and control the Plant and its processes. The information provided by the electronic equipment is vital for making operational adjustments. This equipment also supports regulatory purposes, sampling the effluent water quality and constituents, and compliance with permit conditions. Generally, it is less expensive to replace this equipment, than to repair it. The projects/ equipment include:

- Membrane replacement
- Membrane train control wiring replacement
- Strainer elements/housing
- Hoists/drive systems
- Actuators
- Chemical tanks
- Chemical mixing and feed systems
- Samplers and water quality and other analyzers
- Pressure and indicators
- Level sensors/transmitters/float switches
- Flow meters
- Various gauges

Based on the current DCMWTP condition, the operations staff have identified the following efforts that are likely to need to be completed in the next four years:

1. Replace two free chlorine analyzers, one total chlorine analyzer, and one fluoride analyzer at the Ammonia Feed Injection Facility.
2. Refurbishment of the housings for the three raw water strainers, which have corrosion damage. This is intended to make the housings usable until their planned replacement in 2033.
3. Replace three pH analyzers on the raw water inlet, finish water effluent, and chemical cleaning system.
4. Replace an unknown number of flow meters that will be identified in the calibration planned for this fiscal year.
5. Replace the polyblend chemical mixing system on the solids handling system.

The annually recurring projects for the potable system are listed in Table 14.

The projects for the recycled water system are similar to potable but also include the conversion of potable meters to recycled. At the 4S Ranch Water Reclamation Facility, the projects included physical security upgrades, Plant A rehabilitation projects, miscellaneous equipment replacement, and mechanical and yard piping replacement. The annually recurring projects for the recycled projects are listed in Table 16.

10-Year Capital Improvement Program Projects for Potable Water and Recycled Water

With these initiatives, a 10-year CIP was prioritized for potable and recycled systems based on risk due to likelihood of failure or consequence of failure. The CIP projects developed in the master plan and infrastructure assessments are listed in Tables 7 through 16, by system type, for both potable and recycled water, showing the years in which the expenditures are planned.

The larger projects scheduled for FY 2025 and FY 2026 include:

- DCMWTP 4th Stage Centrifuge Addition
- DCMWTP 2nd Stage Basin Rehabilitation and Beam Replacement
- Rancho Santa Fe Road North Unit A Pipeline Replacement
- PLC Replacements and AMI
- Gardendale and Village Park Pressure Reducing Station Replacements
- Unit B & K Pipeline Rehabilitation
- Palms Tank Replacement
- Calle Barcelona, Village Park, and Summerhill HOA Recycled Water Pipeline Extensions

These larger projects result in most of the CIP cost. There are however many other smaller projects that round out the CIP including:

- Smaller pipeline and facility projects
- SCADA upgrades
- Security improvements
- Smaller projects at DCMWTP
- Planning projects
- Recurring pump, motor, meter, pipeline, valve, tank, and cathodic protection projects
- Smaller projects at the 4S Ranch WRF for recycled water production

These efforts are the basis for the 10-year CIP budget which supports rate studies. The master plan also serves as a guide for OMWD's reference when revisiting the CIP budget in future years. With time, priorities and budgets may need to be modified to meet the immediate needs of OMWD, and these proposed projects and budgets can be re-assessed and re-prioritized.

List of References (in order of reference)

1. OMWD Water Master Plan, January 2000, Boyle Engineering Corporation.
2. OMWD Comprehensive Master Plan, February 2006, CH2MHill.
3. OMWD Update of Potable and Recycled Water Master Plan Capital Improvement Program, March 2011, AECOM.
4. OMWD Potable Water and Recycled Water Master Plan, April 2016, DLM Engineering, Inc.
5. OMWD 2020 Urban Water Management Plan, June 2021, DLM Engineering, Inc.
6. OMWD Revised Draft EDU Forecast Documentation, September 2023, Gillingham Water Planning and Engineering, Inc.
7. OMWD Water Capacity Fee Study, Raftelis, June 2023
8. OMWD Potable Water System Master Plan Support Executive Summary, October 2024, Ardurra; including:
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    - Potable Technical Memorandum No. 2, Demand Analysis & Model Calibration, March 2024, Ardurra.
    - Potable Technical Memorandum No. 3, Hydraulic Evaluation and Development of Capital Improvement Program, September 2024, Ardurra.
9. OMWD Recycled Water System Master Plan Support Executive Summary, October 2024, Ardurra, including:
    - Recycled Technical Memorandum No. 1, Hydraulic Model Development & Calibration, Northwest Quadrant System, February 2024, Ardurra
    - Recycled Technical Memorandum No. 2, Hydraulic Analysis & System Improvements Northwest Quadrant System; Mahr and Quail Gardens Zones, August 2024, Ardurra
    - Recycled Technical Memorandum No. 3, Hydraulic Model Development and Calibration, Southeast Quadrant System, April 2024, Ardurra
    - Recycled Technical Memorandum No. 4, Hydraulic Analysis & System Improvements, Southeast Quadrant System, October 2024, Ardurra
10. OMWD DCMWTP Condition Assessment, May 2024, Carollo Engineers.
11. OMWD DCMWTP Capacity Reliability Study, Final report – Revision 1, January 24, 2018, Hazen.
12. OMWD Long-Term Budgeting for Pipeline Replacement, January 5, 2024, HDR.
13. OMWD Water Main Risk Prioritization, April 2017, Pure Technologies U.S., Inc.
14. OMWD 24-Inch Unit B and 27-Inch Unit K Pipeline Inspection and Condition Assessment Report, HDR, March 26, 2020.
15. OMWD 12-Inch Rancho Santa Fe Pipeline Inspection and Condition Assessment Report, HDR, July 13, 2020.
16. OMWD 12-Inch Unit A Encinitas Blvd. Pipeline Inspection and Condition Assessment Report, HDR, May 2, 2023
17. OMWD Structural Condition Assessment Report, Gaty II Reservoir, January 2021, Brady.
18. OMWD 2.5 MG Berk Reservoir Evaluation, October 28, 2022, Peterson Structural Engineers.
19. OMWD 6.5 MG Gano Reservoir Evaluation, October 28, 2022, Peterson Structural Engineers.
20. 3.0 MG Santa Fe Valley Reservoir Evaluation, December 2022, Peterson Structural Engineers.
21. OMWD 3.0 MG Wanket Reservoir Evaluation, October 28, 2022, Peterson Structural Engineers.
22. OMWD Wastewater Master Plan Update, June 2024, Dudek.

Figure 1 Existing Potable System [REDACTED FOR PUBLIC USE]

Figure 2 Potable Water Hydraulic Schematic

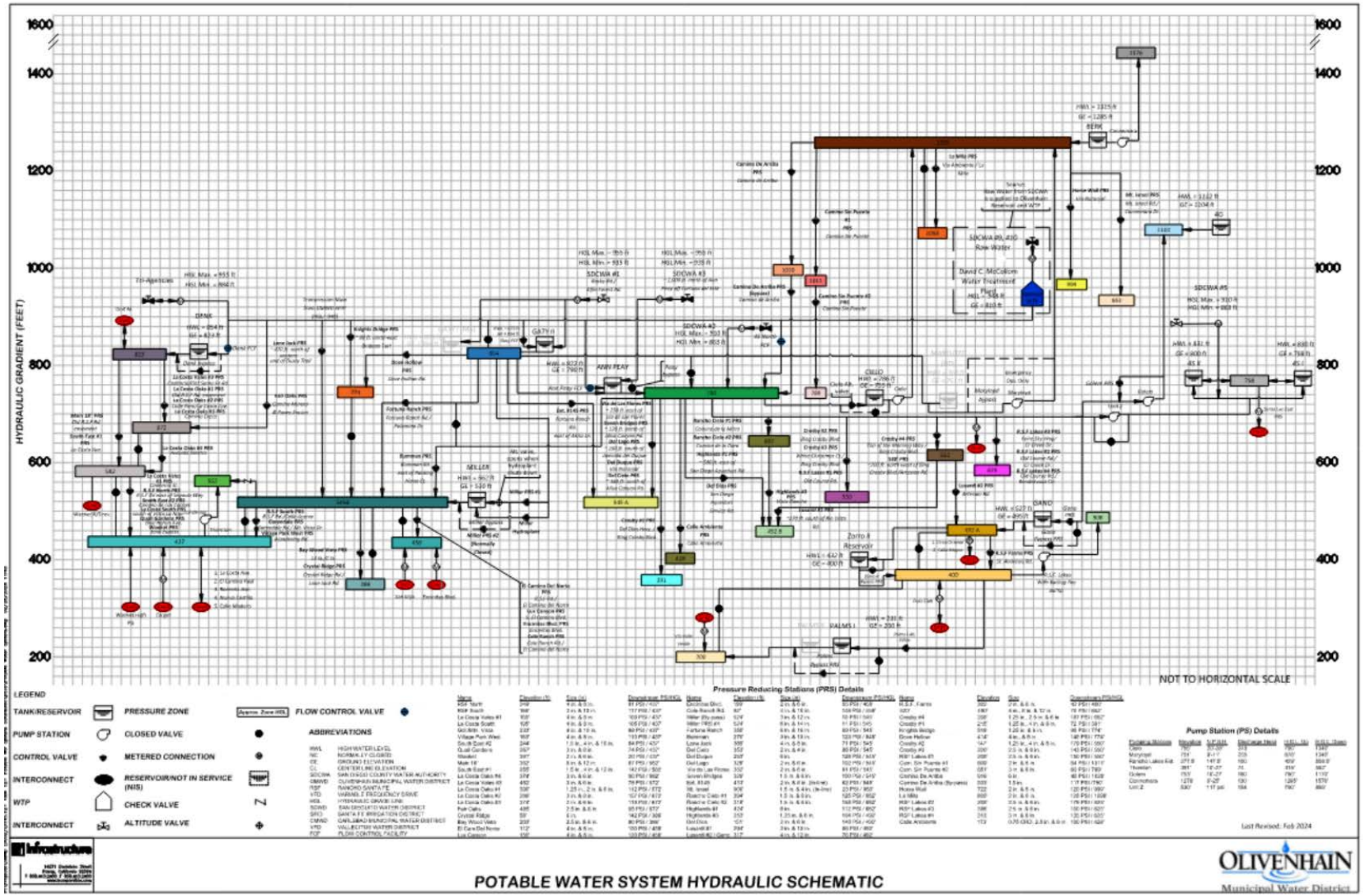

Figure 3 Existing Recycled System

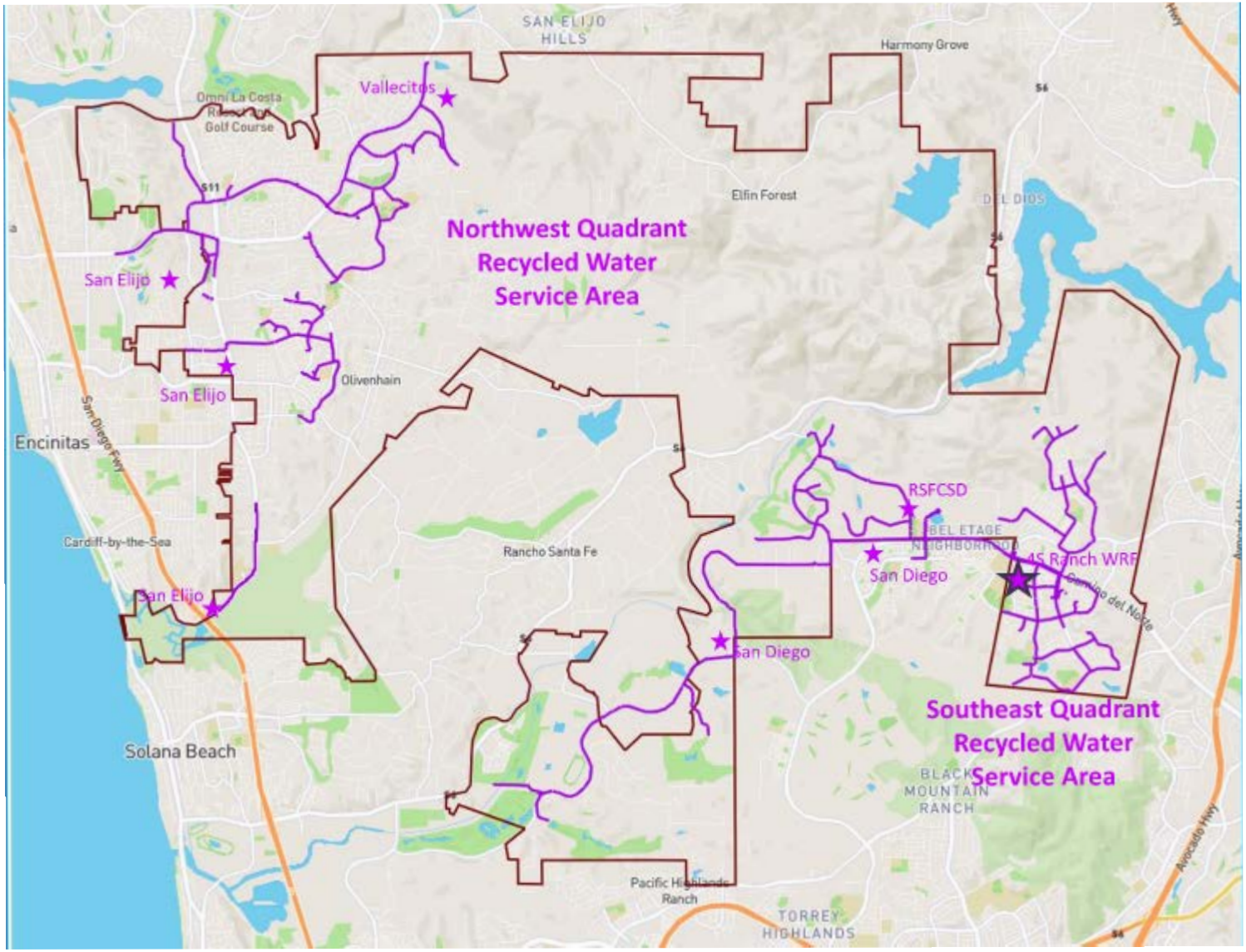

Figure 4 Existing Recycled System – Northwest Quadrant (Mahr Zone, Quail Gardens Zone, and Village Park Zone)

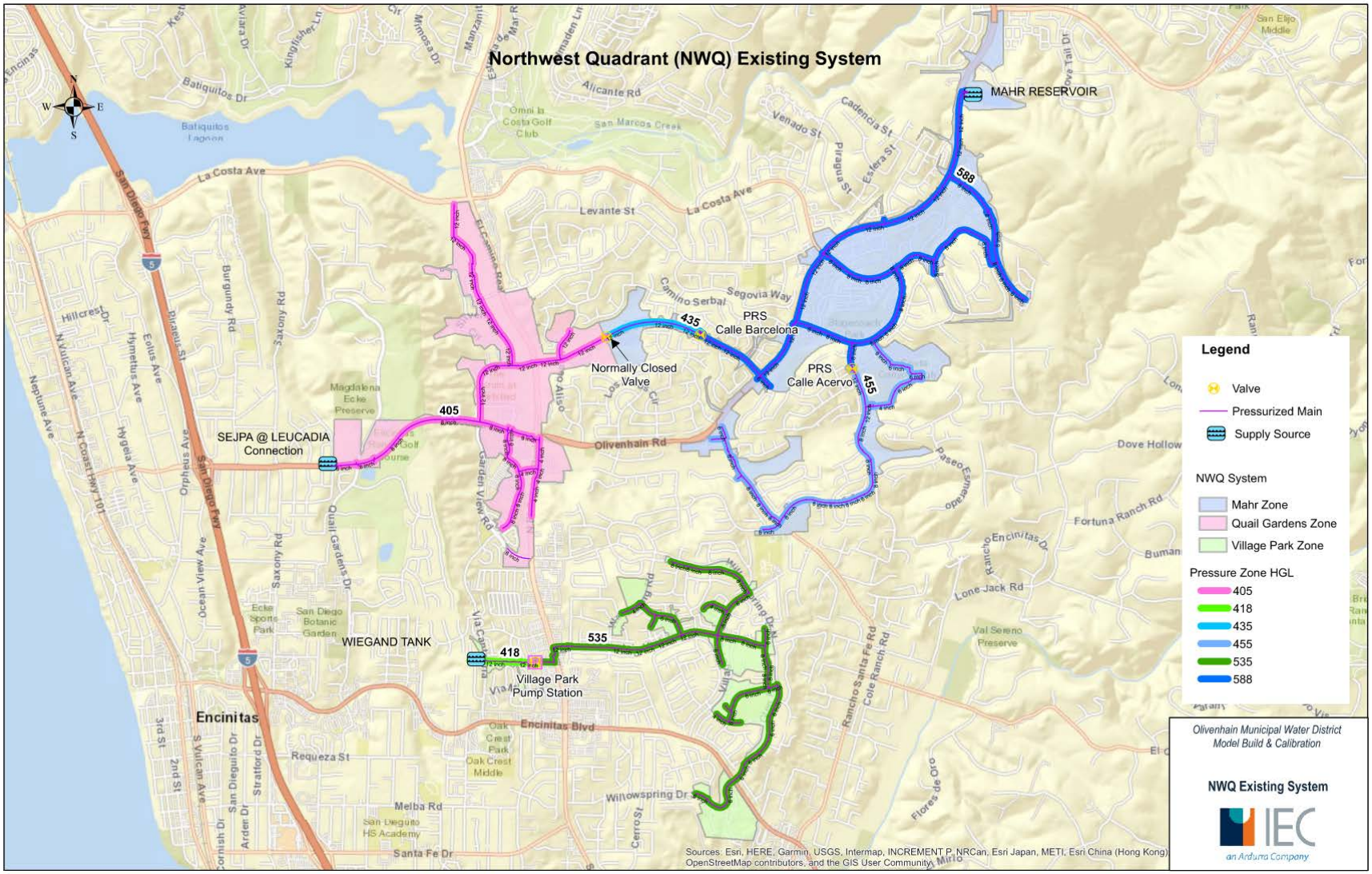

Figure 5 Existing Recycled System – Northwest Quadrant (Manchester Zone)

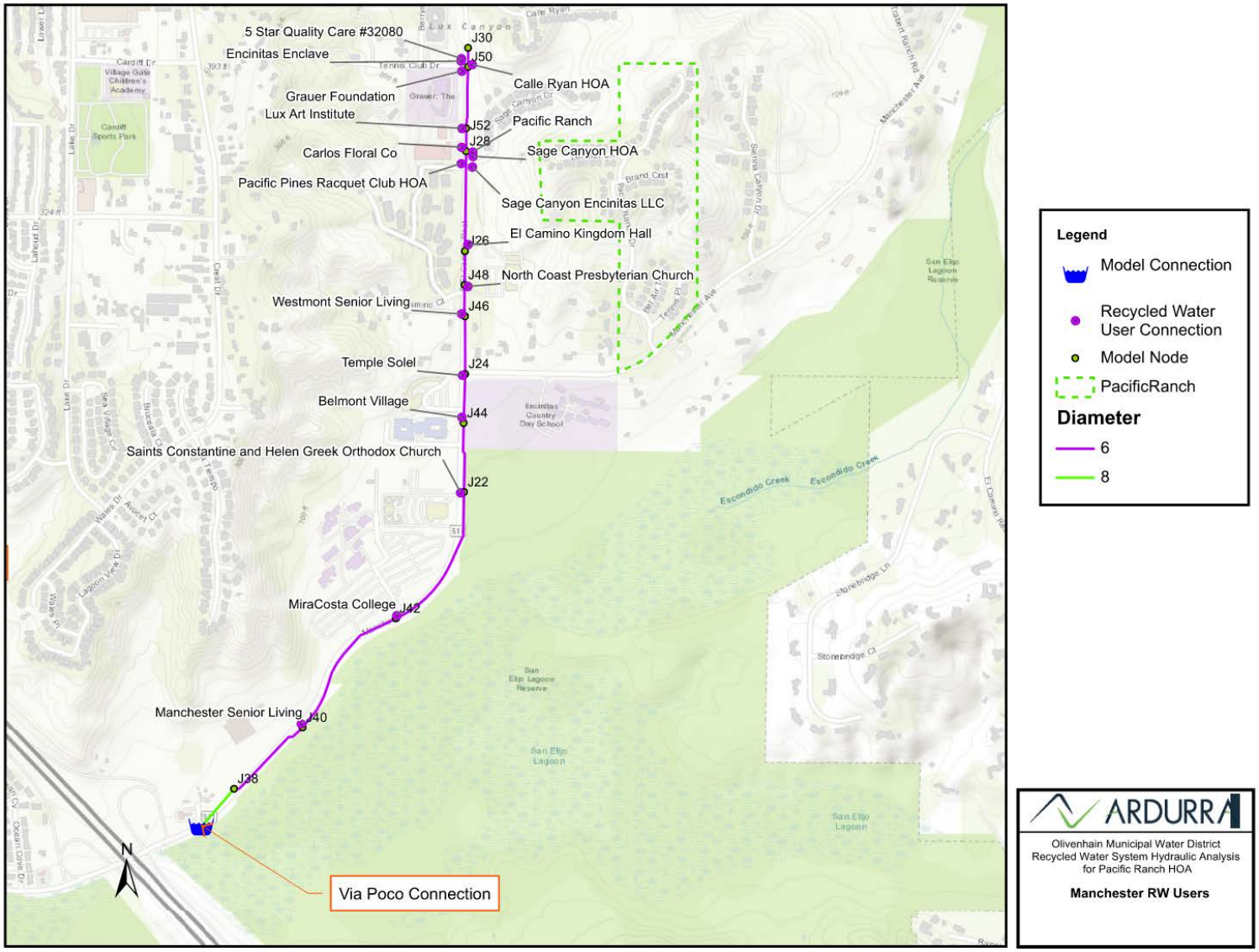

Figure 6 Existing Recycled System – Southeast Quadrant

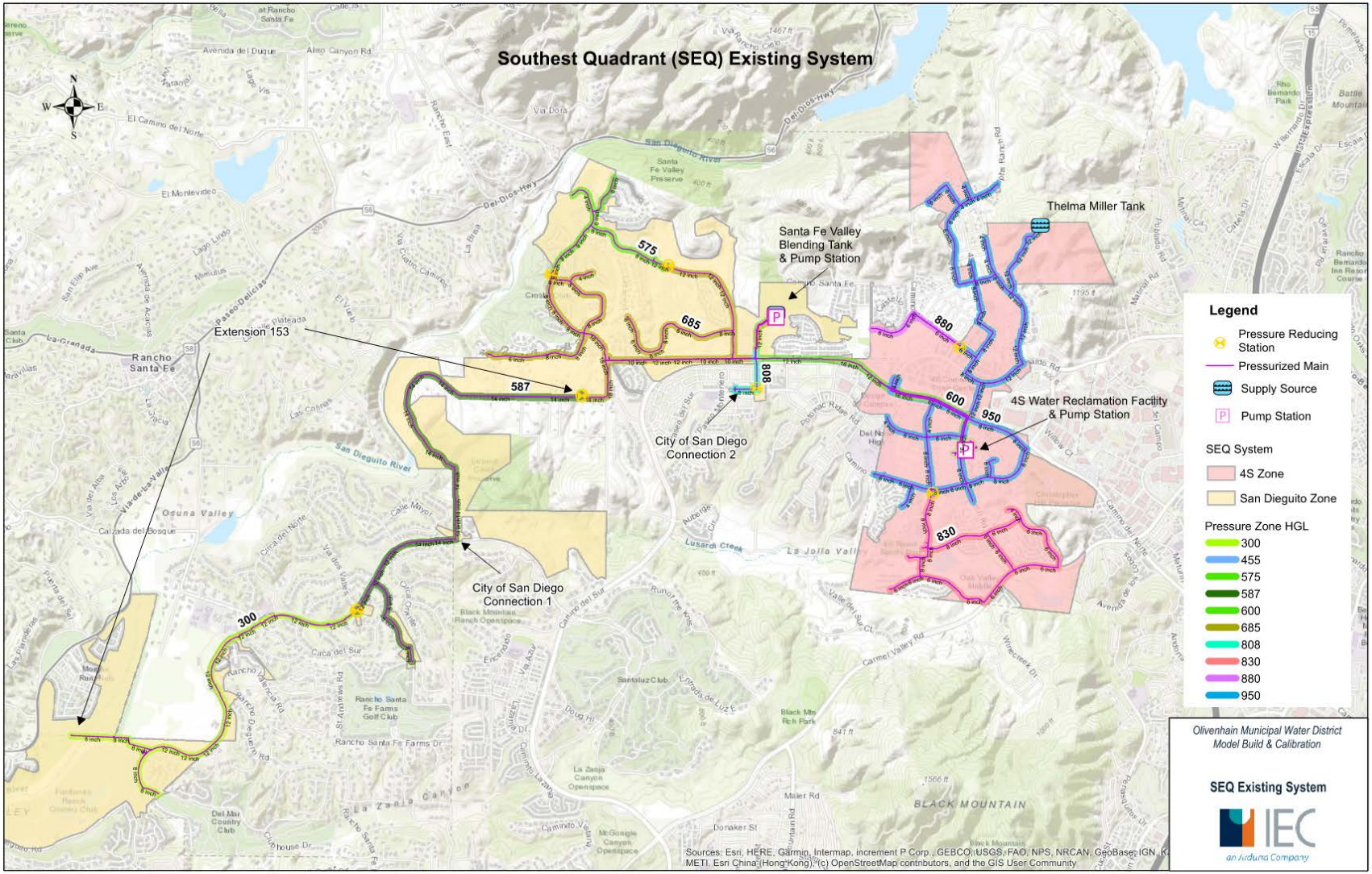

Figure 7 Hydraulic Schematic for Northwest Quadrant (Mahr and Quail Gardens Zones)

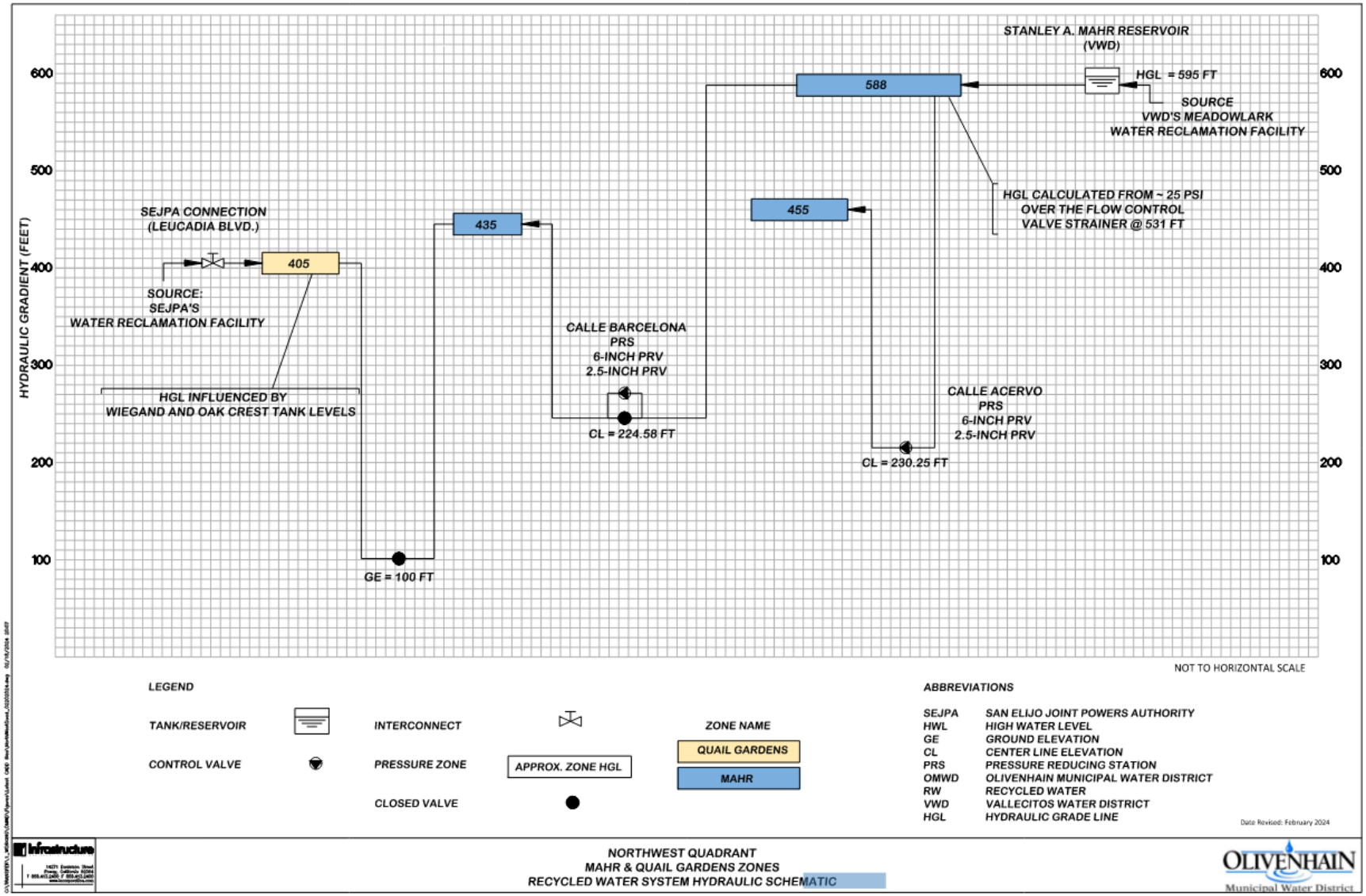

Figure 8 Hydraulic Schematic for Northwest Quadrant (Village Park Zone)

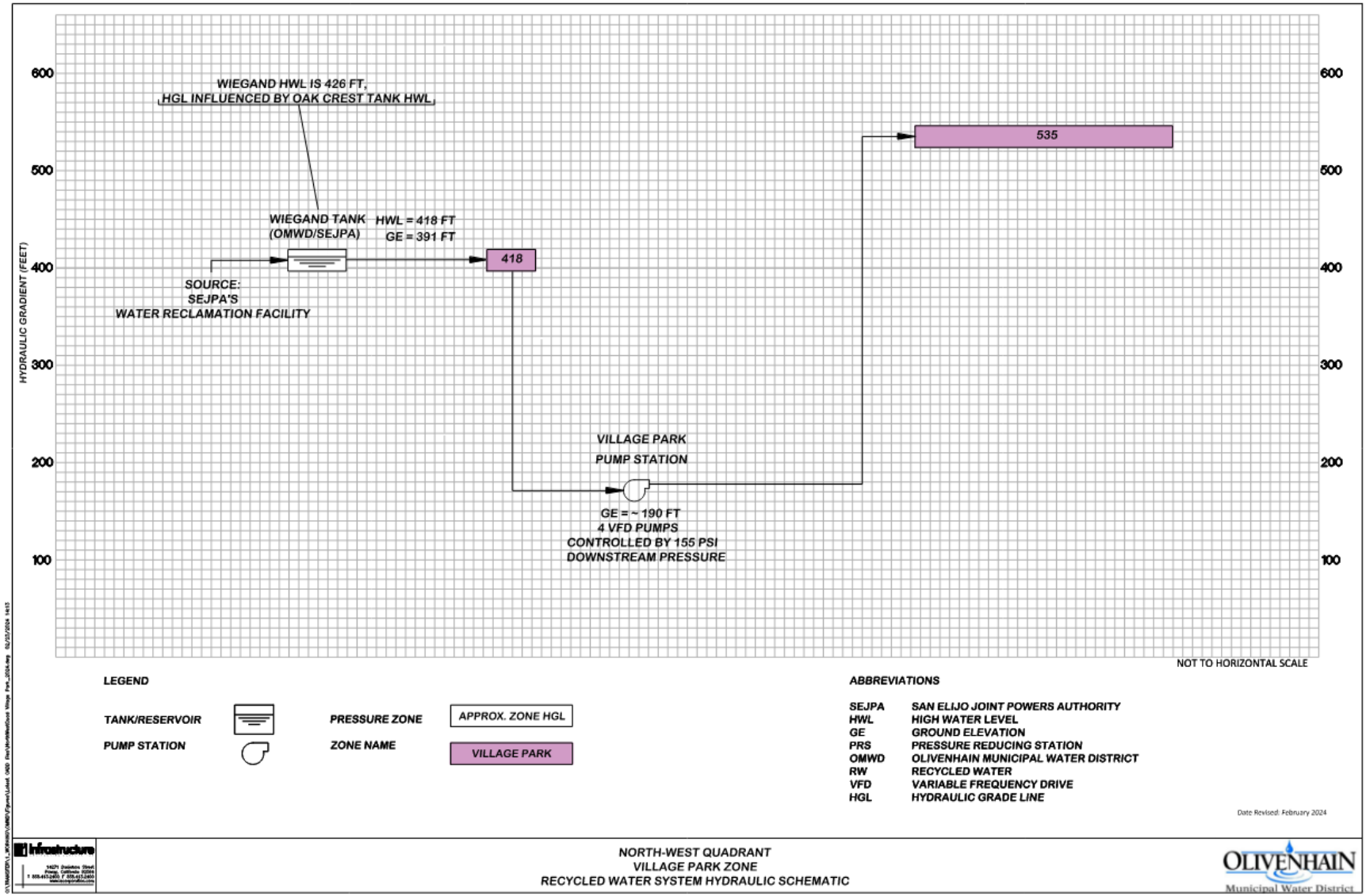

Figure 9 Hydraulic Schematic for Southeast Quadrant

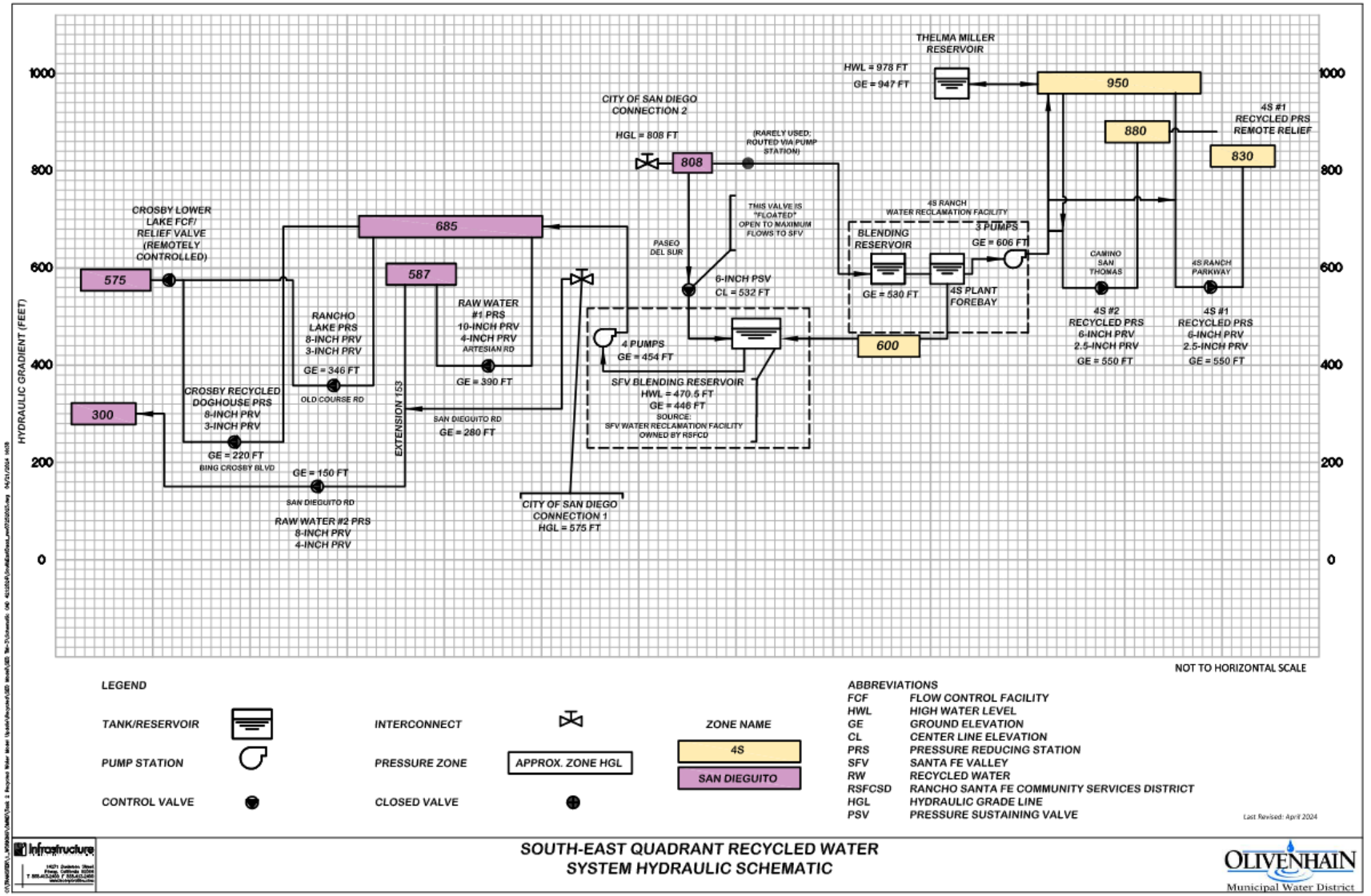

Figure 10 Zones of Benefit

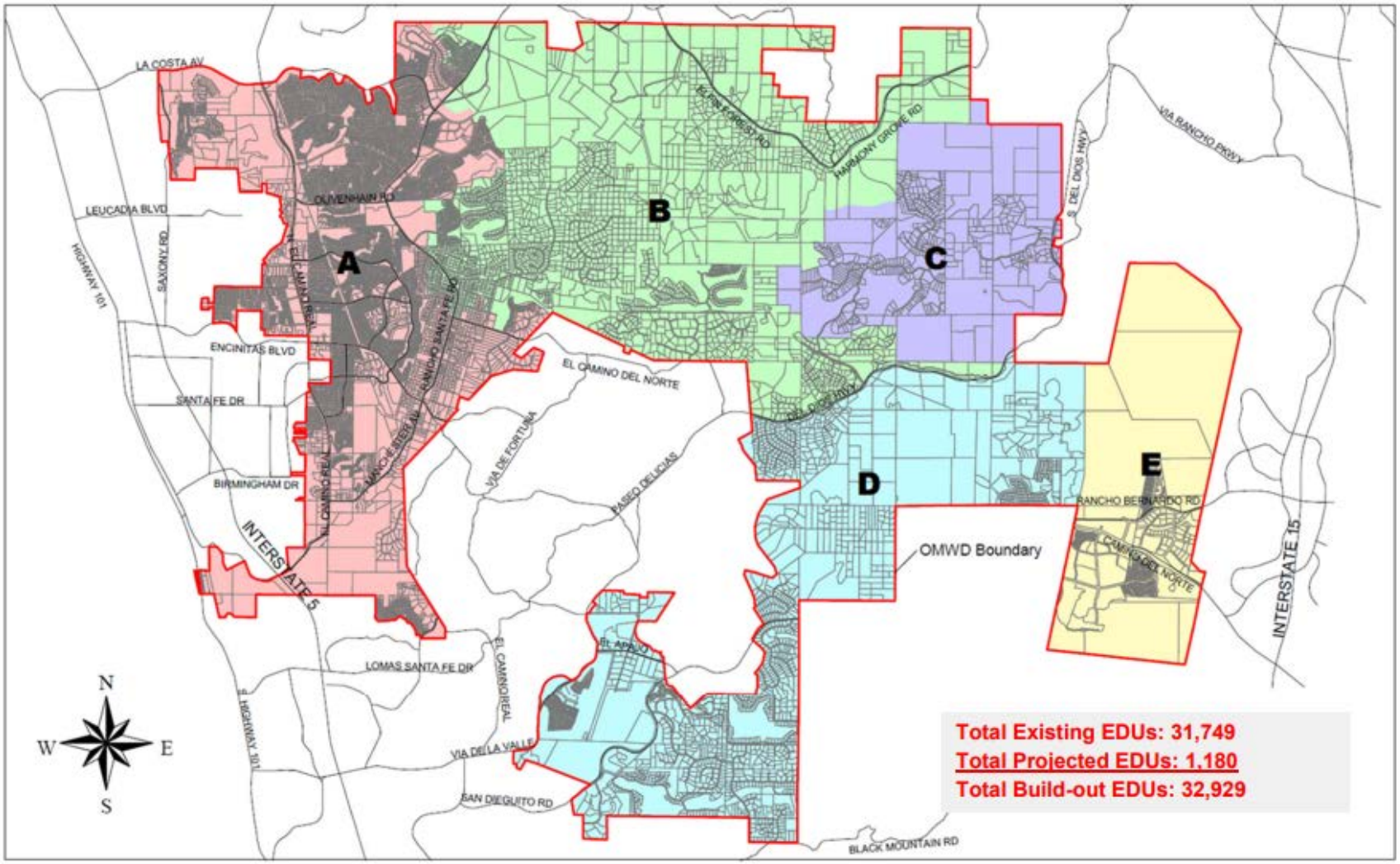

Figure 11 Potential Garden View Road Recycled Extension in the Northwest Quadrant (Quail Gardens Zone)

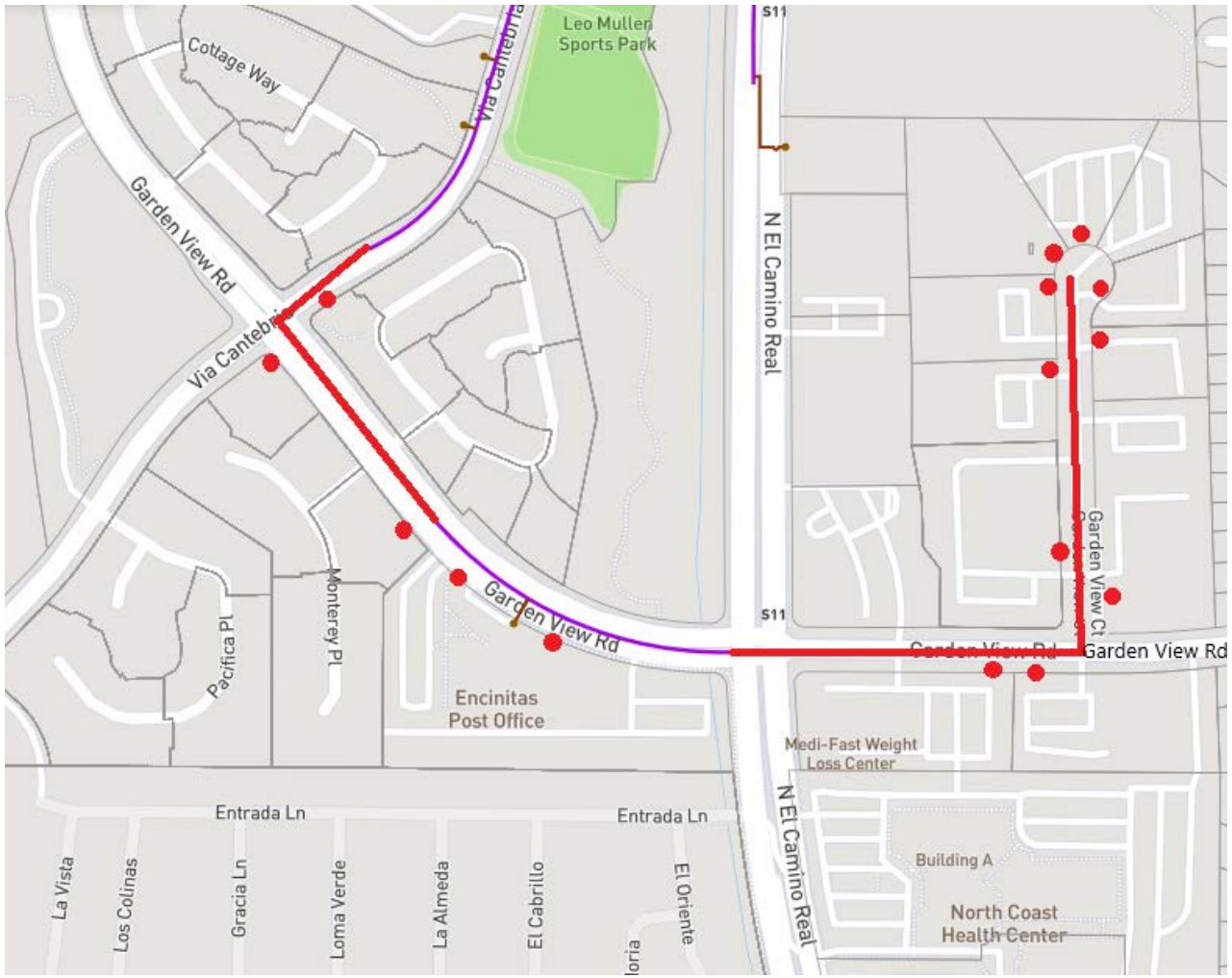

Figure 12 Potential Willowspring South Drive Recycled Extension in the Northwest Quadrant (Village Park Zone)

Figure 13 Potential Four Gee Road Recycled Extension in the Southeast Quadrant

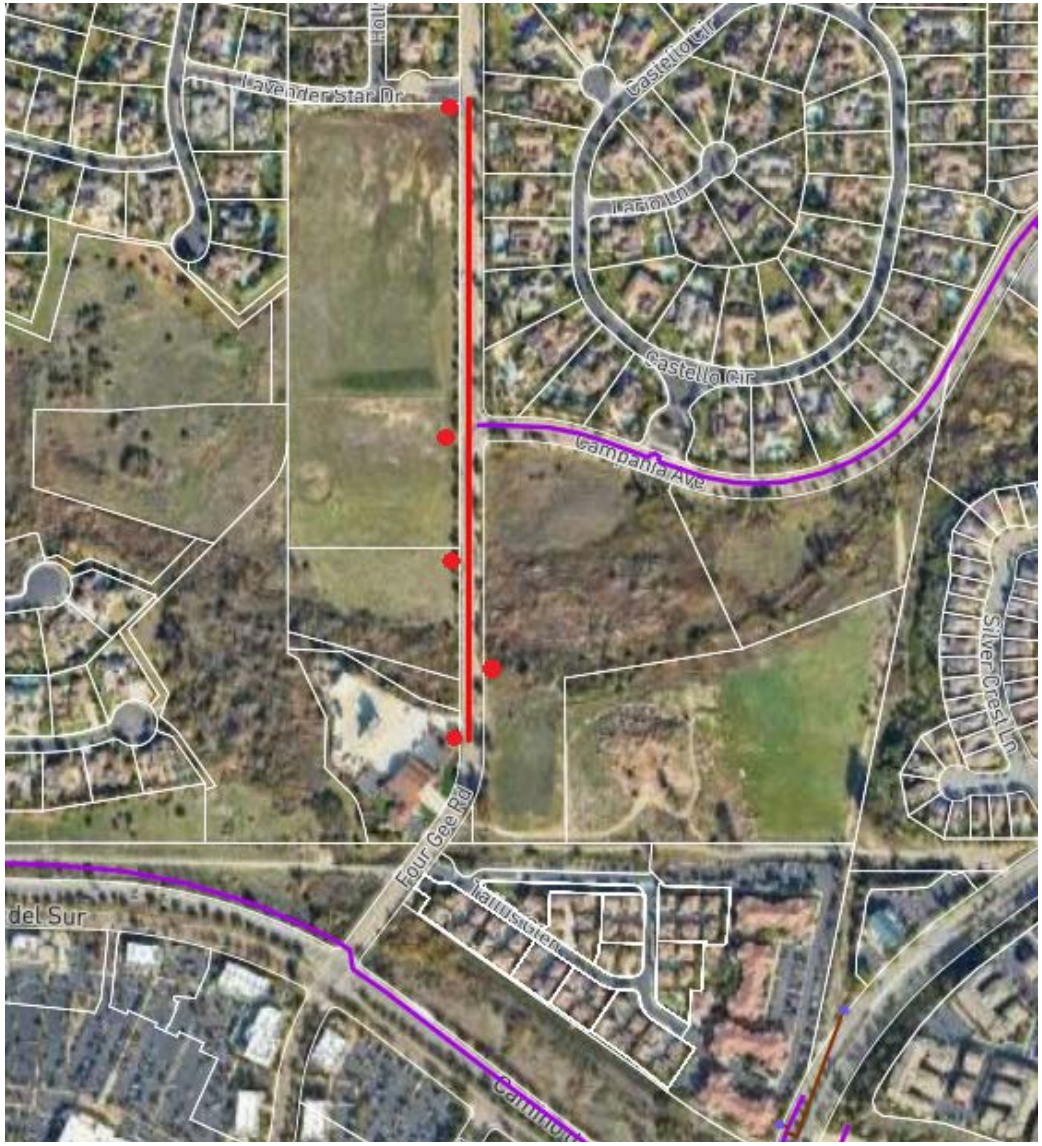

Table 4 Potable System Planning Criteria

Table 1. Distribution System Criteria Comparison and Recommendation

Facility	Criteria	Vallecitos Water District (2018 Water Master Plan)	San Dieguito Water District (2021 Water Master Plan)	Carlsbad Municipal Water District (2019 Water Master Plan)	AWWA Manual M32: Computer Modeling of Water Distribution Systems	Water Agencies Standards	OMWD (Current Standards)[1]	Recommended for OMWD 2024 Water Master Plan
System Pressures	Maximum Desired Pressure (psi)	65	120	125	90	80; 150 (with house regulator)	120	120
	Maximum Allowable Pressure (psi)	150	150	150	110	200	150	150
	Minimum Pressure at Peak Hour Demand (psi)	40	40	40	40-50	40	40	40
	Minimum Pressure at Hydrant Node with Max Day Demands plus Fire Flow (psi)	20	20	20 (with reservoirs half full)[2]	20	20	20	20 (with reservoirs half full)
Pipelines	Minimum Pipe Size for New Construction with Fire Hydrant (in.)	8	8	8	-	-	8	8
	Maximum Allowable Velocity at Peak Flow (fps)	7	7	8	> 4-6	8	7	7
	Maximum Allowable Velocity with Max Day Demands plus Fire Flow (fps)	7	15	15	-	10 (15 fps for hydrant laterals)	7	10 [3]
	Maximum Allowable Head Loss at Peak Flow (ft/1000 ft)	15	10	10	5-7 (<16-inch) 2-3 (16-inch and greater)	-	10	10

[1] Source: 2000 Water Master Plan
[2] Source: City of Carlsbad Engineering Standards (Volume 2 – Potable and Recycled Water Standards, 2016 Edition)
[3] Pipe integrity will be considered on velocity requirements. District may consider variations to velocity requirements based on pipe age, material, and condition.

Table 5 Recycled System Planning Criteria

Parameter	Criteria	Recommended for OMWD Recycled Water Master Plan
Demand Condition	Average Day Demand (ADD)	1.0 x ADD (Average Annual Demand over 24-hrs)
	Maximum Day Demand (MDD)	NWQ : 2.4 – 2.8 x ADD depending on pressure zone SEQ: 2.1 – 4.3 x ADD depending on pressure zone
	Peak Hour Demand (PHD)	NWQ: 5.5 – 7.9 x ADD depending on pressure zone SEQ: 4.0 – 12.7 x ADD depending on pressure zone
	Irrigation Duration	8-hour irrigation (10 pm to 6 am)
System Pressure	Minimum Pressure	60 psi under PHD; 20-40 psi acceptable in areas with private pump
	Maximum Pressure	<200 psi or pressure rating of pipelines
Pipeline	Maximum velocity	10 fps @ PHD
	Maximum head loss of existing pipelines	10 ft/1,000 ft
	Roughness Coefficient (Hazen-Williams)	120 (< 12-inch); 130 (>12-inch)
	Minimum Diameter	6-inch
Storage	Total Pressure Zone Storage	150% MDD (with Seasonal Storage Provided by Suppliers)
Pump Station	Minimum Number of Pumps	3 (1 jockey pump, 1 duty pump, and 1 standby pump)[1]
	For Pressure Zones with Storage	Duty pump(s) to meet MDD with largest pump out of service
	For Pressure Zones without Storage	Duty pump(s) to meet PHD with largest pump out of service

Note:
1. The required number of pumps will need to be verified on a case-by-case basis against proposed demands and peaking factor.

Tables 7 through 16 10-year CIP Budget for Potable and Recycled by System

10-Year CIP Project Description	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32	FY 33	FY 34
Table 7 Planning/Water Supply										
San Dieguito Valley Groundwater Desal	$417,000	$344,000	$1,146,000	$1,921,000	$3,098,000	$2,922,000	$1,814,000	$28,010,000	$29,153,000	
PW and RCW Master Plan Update	$117,000					$550,000				
Subtotal - Planning/Water Supply	$534,000	$344,000	$1,146,000	$1,921,000	$3,098,000	$3,472,000	$1,814,000	$28,010,000	$29,153,000	$0
Table 8 Site Improvements	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**FY 29**	**FY 30**	**FY 31**	**FY 32**	**FY 33**	**FY 34**
OMWD Parking and Access Improvements						$255,000				
EFRR Parking Lot Expansion	$381,000	$909,000								
Site Asphalt Improvements	$60,000	$50,000	$30,000	$30,000	$30,000					
Subtotal - Site Improvements	$441,000	$959,000	$30,000	$30,000	$30,000	$255,000	$0	$0	$0	$0
Table 9 E&I/Technology	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**FY 29**	**FY 30**	**FY 31**	**FY 32**	**FY 33**	**FY 34**
Advanced Metering Infrastructure (AMI)	$715,000									
CIS Infinity System Upgrade	$213,000	$184,000								
District Wide SCADA Upgrades	$127,000									
District-Wide PLC Replacements (PW/RCW)	$1,237,000									
District Wide Physical Security Improve	$52,000									
Fleet Electrification Project (PW/RCW)	$165,000	$750,000	$1,490,000							
Subtotal - E&I/Technology	$2,509,000	$934,000	$1,490,000	$0	$0	$0	$0	$0	$0	$0
Table 10 Distribution System - Pipeline	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**FY 29**	**FY 30**	**FY 31**	**FY 32**	**FY 33**	**FY 34**
RSF Unit A North PL Repl	$1,428,000									
Golem 14" Pipeline Inspection and Rehab	$133,000									
Dusty Trail PL Replacement	$120,000	$710,000	$350,000							
Rancho La Cima/Aliso Canyon PL Relocation	$102,000	$150,000								
Harris Ranch Right-of-Way Acquisition		$150,000								
Unit B & K Rehab	$327,000	$1,000,000	$580,000							
Unit B & K EM CCTV Inspect & Rehab Ph 2				$412,000	$1,838,000					
Encinitas Blvd Pipeline Inspection/ Rehab	$271,000	$403,000								
Encinitas Blvd Pipeline Replacement							$710,000	$5,280,000	$2,110,000	
RSF Rd Pipeline Inspection		$164,000	$524,000							
RSF Rd Pipeline Replacement									$655,000	$675,000
Access improve pipe below Gano to SDR	$20,000	$55,000								
Long-term Pipeline Budget per HDR						$50,000				
Subtotal - Pipeline	$2,401,000	$2,632,000	$1,454,000	$412,000	$1,838,000	$50,000	$710,000	$5,280,000	$2,765,000	$675,000
Table 11 Distribution System - Tanks	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**FY 29**	**FY 30**	**FY 31**	**FY 32**	**FY 33**	**FY 34**
Tank Safety Improvements	$516,000								$200,000	$700,000
Palms I and II Reservoirs Replacemt	$194,000	$303,000	$1,212,000							
Concrete Tank Condition Assessment						$275,000				
Gano Reservoir Improvements									$27,000	$178,000
Gaty I Reservoir Decommissioning				$398,000						
Berk Reservoir Improvements									$9,000	$53,000
Subtotal - Tanks	$710,000	$303,000	$1,212,000	$398,000	$0	$275,000	$0	$0	$236,000	$931,000

Table 12 Distribution System - Pressure Z	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32	FY 33	FY 34
Village Park PRS Replacement	$969,000									
Gardendale PRS Replacement	$984,000									
Del Lago PRS Replacement		$123,000	$846,000							
SE #1 PRS Replacement					$135,000	$936,000				
Quail Gardens PRS Replacement									$152,000	$1,075,000
Via Valle Verde PSR Replacement									$152,000	$1,075,000
Replace Maryloyd Pump Station									$510,000	
Subtotal - Pressure Zones	$1,953,000	$123,000	$846,000	$0	$135,000	$936,000	$0	$0	$814,000	$2,150,000

Table 13 DCMWTP	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32	FY 33	FY 34
DCMWTP 4th Stage Centrifuge Addition	$2,956,000									
DCMWTP Chlorine Gen Rm Lining Rehab	$123,000									
DCMWTP Gen WTP Inspect & Cond Assess						$500,000				
DCMWTP 2nd Stage Mem Train Overhaul	$126,000	$100,000	$100,000							
DCMWTP 2nd Stage Basin Rehab/Beam Rep	$577,000	$1,207,000								
DCMWTP 1st Stage Beam Replacement	$560,000	$980,000	$666,000							
DCMWTP Inlet Strainer MOV Actuator Repl	$63,000									
DCMWTP Combined Filter Influent & Backwash Pipe Replacement	$180,000	$528,000								
DCMWTP Raw Water Equal Tanks Rehab	$668,000									
DCMWTP Fluoride Room, Permeate Pump Stanchion, Bldg Rehab		$142,000								
DCMWTP 1st Stage Basins Rehab			$1,295,000	$1,295,000	$1,295,000	$1,295,000	$1,295,000			
DCMWTP FCV Actuators Replacement			$310,000							
DCMWTP BWWEQ Tank Rehab			$596,000							
DCMWTP Plate Settler Coating Rehab				$123,000						
DCMWTP Brine Area Rehab				$192,000						
DCMWTP Sodium Hypochlorite Rm Rehab					$98,000					
DCMWTP HVAC Replacement					$46,000					
DCMWTP Septic Pipe Relining & Cleaning						$469,000				
DCMWTP RWEQ BFVs Replacement Project						$525,000				
DCMWTP Backpulse Tanks Repl Project							$849,000			
DCMWTP Plate Settlers MOV Act Repl							$33,000			
DCMWTP Sodium Hypochlorite Gen Rehab								$959,000		
DCMWTP WTP Replace Strainer Iso Valves						$90,000				
DCMWTP Replace Chemical Feed Systems						$100,000	$103,000	$106,000		
DCMWTP Replace Chem Storage Systems						$215,000	$222,000	$228,000		
DCMWTP WTP Repl Main Compressors						$194,000				
DCMWTP Replace Strainers									$1,073,000	
DCMWTP Bridge Crane Coating Rehab										$112,000
DCMWTP Bridge Crane Rehab	$65,000									
Subtotal - DCMWTP	$5,318,000	$2,957,000	$2,967,000	$1,610,000	$1,439,000	$3,388,000	$2,502,000	$1,293,000	$1,073,000	$112,000

Table 14 Annually Recurring Projects	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32	FY 33	FY 34
E&I/Technology										
Network Security	$100,000	$104,000	$109,000	$114,000	$119,000	$124,000	$129,000	$133,000	$137,000	$141,000
Replace Pumps and Motors	$175,000	$180,000	$185,000	$191,000	$197,000	$203,000	$209,000	$215,000	$221,000	$228,000
Distribution System - Pipeline	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**FY 29**	**FY 30**	**FY 31**	**FY 32**	**FY 33**	**FY 34**
Replace Potable Meters	$830,000	$927,000	$849,000	$874,000	$900,000	$927,000	$955,000	$984,000	$1,014,000	$1,044,000
Replace Pipelines	$500,000	$515,000	$530,000	$546,000	$562,000	$579,000	$596,000	$614,000	$632,000	$651,000
Replace Valves	$750,000	$773,000	$796,000	$820,000	$845,000	$870,000	$896,000	$923,000	$951,000	$980,000
Steel Mains Protection	$304,000	$313,000	$322,000	$332,000	$342,000	$352,000	$363,000	$374,000	$385,000	$397,000
Impressed current system protection			$74,000	$63,000	$50,000	$135,000	$152,000			
Replace Meter Anodes	$158,000	$163,000	$168,000	$173,000	$178,000	$183,000	$188,000	$194,000	$200,000	$206,000
Distribution System - Tanks	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**FY 29**	**FY 30**	**FY 31**	**FY 32**	**FY 33**	**FY 34**
Rehab Concrete Tanks	$25,000	$26,000	$27,000	$28,000	$29,000	$30,000	$31,000	$32,000	$33,000	$34,000
Distribution System - Pressure Zone	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**FY 29**	**FY 30**	**FY 31**	**FY 32**	**FY 33**	**FY 34**
Replace PRS Valves	$54,000	$56,000	$58,000	$60,000	$62,000	$65,000	$68,000	$71,000	$73,000	$75,000
DCMWTP	**FY 25**	**FY 26**	**FY 27**	**FY 28**	**FY 29**	**FY 30**	**FY 31**	**FY 32**	**FY 33**	**FY 34**
Replace DCM WTP Membranes	$936,000	$973,000	$1,012,000	$1,052,000	$1,094,000	$1,138,000	$1,184,000	$1,231,000	$1,280,000	$1,331,000
Misc Equipment and Instrumentation Repl	$100,000	$106,000	$115,000	$124,000	$134,000	$145,000	$157,000	$170,000	$184,000	$199,000
Membrane Train Control Wiring Repl	$35,000	$36,000	$37,000	$38,000	$39,000	$40,000	$41,000	$42,000	$43,000	$44,000
Subtotal - Potable Annually Recurring	$3,967,000	$4,172,000	$4,282,000	$4,415,000	$4,551,000	$4,791,000	$4,969,000	$4,983,000	$5,153,000	$5,330,000
Total Potable	$17,833,000	$12,424,000	$13,427,000	$8,786,000	$11,091,000	$13,167,000	$9,995,000	$39,566,000	$39,194,000	$9,198,000

Table 15 Recycled	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32	FY 33	FY 34
Manchester Recycled Pipeline Ext.	$129,000									
Calle Barcelona, VP, & Summerhill Exten	$3,298,000									
Wanket RW Reservoir Rehabilitation	$157,000									
Santa Fe Valley RW Reservoir Improve	$150,000									
Off-Spec and High-Flow Diversion Pipeline	$244,000							$10,000	$40,000	
Upgrade Filter Electrical	$17,000	$101,000								
Upgrade Flow Equalization Basins			$382,000	$2,227,000						
Recycled Water Storage Pond Upgrades				$390,000	$2,278,000					
Repl Recycled Water Pump Station VFDs								$243,000		
Site Paving Improvements									$63,000	$134,000
Replace Main Switchboard S (MSB-S) ATS	$75,000	$439,000								
Repl WRF Elect Conduits, Enclose,	$22,000	$125,000								
Rehabilitation of Generator Enclosure Top			$8,000							
Chemical Area Upgrades			$37,000							
Replace Roll-Up Doors						$91,000				
Subtotal - Recycled	$4,092,000	$665,000	$427,000	$2,617,000	$2,278,000	$91,000	$0	$253,000	$103,000	$134,000

Table 16 Annually Recurring Projects	FY 25	FY 26	FY 27	FY 28	FY 29	FY 30	FY 31	FY 32	FY 33	FY 34
Recycled Conversions	$65,000	$80,000	$100,000	$73,000	$76,000	$79,000	$82,000	$85,000	$88,000	$91,000
Replace Recycled Meters	$30,000	$41,000	$52,000	$54,000	$56,000	$58,000	$60,000	$62,000	$64,000	$66,000
Replace Recycled Pipeline	$50,000	$52,000	$54,000	$56,000	$58,000	$60,000	$62,000	$64,000	$66,000	$68,000
Replace Recycled Valves	$75,000	$77,000	$79,000	$81,000	$83,000	$85,000	$88,000	$91,000	$94,000	$97,000
4S WRF Physical Security Upgrades	$12,000	$12,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000	$6,000
Plant A Rehabilitation						$25,000	$26,000	$27,000	$28,000	$28,000
Valve and Gate Replacement Program		$10,000	$20,000	$30,000	$40,000	$52,000	$53,000	$55,000	$56,000	$58,000
Small Pump and Motor Repl Program	$80,000	$85,000	$90,000	$96,000	$101,000	$106,000	$109,000	$113,000	$116,000	$120,000
Instrumentation Replacement Program				$10,000	$16,000	$33,000	$34,000	$36,000	$36,000	$38,000
Misc Equip. Replacement Program	$12,000	$12,000	$14,000	$16,000	$18,000	$7,000	$7,000	$7,000	$7,000	$8,000
Mech and Yard Piping Repl Program				$16,000	$20,000	$77,000	$80,000	$82,000	$84,000	$87,000
Subtotal - Recycled Annually Recurring	$324,000	$369,000	$415,000	$438,000	$474,000	$588,000	$607,000	$628,000	$645,000	$667,000
Total Recycled	$4,416,000	$1,034,000	$842,000	$3,055,000	$2,752,000	$679,000	$607,000	$881,000	$748,000	$801,000
Total Potable and Recycled	$22,249,000	$13,458,000	$14,269,000	$11,841,000	$13,843,000	$13,846,000	$10,602,000	$40,447,000	$39,942,000	$9,999,000

OLIVENHAIN
Municipal Water District

Agenda Item C-d

Memo

Date: November 6, 2024

To: Olivenhain Municipal Water District Board of Directors

From: Jeff Anderson, Park Supervisor

Via: Kimberly A. Thorner, General Manager

Subject: **CONSIDER A RESOLUTION APPROVING THE APPLICATION FOR GRANT FUNDS FROM THE COUNTY OF SAN DIEGO COMMUNITY ENHANCEMENT PROGRAM FOR ELFIN FOREST RECREATIONAL RESERVE TRAIL AND EMERGENCY ACCESS ROAD REHABILITATION**

Purpose

The purpose of this agenda item is to consider approval of a resolution authorizing a grant application to the County of San Diego for funding from the Community Enhancement Program for the Elfin Forest Recreational Reserve Trail and Emergency Access Road Rehabilitation Project. In order to submit this grant application, the County of San Diego requires an adopted resolution.

Recommendation

Staff recommends approval of the resolution.

Alternative(s)

- The board may choose against adoption of the resolution; however, this alternative would preclude the achievement of grant funds tentatively projected at up to $8,779.97.
- The board may direct staff as otherwise deemed appropriate.

Background

The Community Enhancement Program funding comes from a set percent of Transient Occupancy Tax (TOT) revenues. Eligible entities and activities may include cultural activities, museums, visitor and convention bureaus, economic development councils, and other similar institutions/organizations, including County programs and projects. Final award recommendations are made by individual County Board of Supervisors district offices based on the availability of funds, program guidelines, and the submission of all required information and supporting documentation.

Elfin Forest Recreational Reserve is enjoyed by over 115,000 residents each year. For 32 years, EFRR has provided free recreational services to millions of San Diego County residents. Many of EFRR's trails are remote, rugged, long, and incorporate significant elevation gain and loss. For these reasons, these trails are very popular and require regular maintenance.

OMWD was previously the beneficiary of Community Enhancement Program funding in 2023. The board adopted Resolution 2022-21 which authorized staff to submit the grant application to the County of San Diego. The award provided $25,000 to rehabilitate the Equine Incline Trail at Elfin Forest Recreational Reserve. This project was completed in January 2024.

Fiscal Impact

There are no costs associated with adoption of this resolution.

If OMWD is successful in obtaining funding for emergency access road rehabilitation at EFRR, up to $8,779.97 in material and equipment rental expenditures may be offset through grant funding. OMWD will contribute approximately 25 hours of budgeted staff time to complete this project if awarded the grant.

Discussion

Due to its ruggedness and regular vehicle traffic, Ridgeline Maintenance Road, which serves as an emergency access road and multiuse trail, requires regular maintenance. After 32 years of operation and regular maintenance, two sections of this trail will benefit from the use of stabilized decomposed granite to efficiently rehabilitate this trail/emergency access road to support increased public use and mitigate impacts of emergency vehicle traffic.

Investing in safety measures and emergency response infrastructure at EFRR is essential, as these sections of the emergency access road are extremely vulnerable to washouts. This vital route could become impassable for emergency response vehicles, delaying emergency services and putting trail users at greater risk. By focusing on safety improvements, the integrity of the trail/emergency access road is protected and rapid access for emergency responders is also ensured.

Park rangers utilized stabilized decomposed granite to address the lower section of the Way Up Trail in 2019 to test its ability to hold up to heavy foot traffic and erosion. This section of the Way Up Trail has exceeded expectations in its ability to resist erosion caused by foot traffic, bicycles, horses, and rain, such that staff feels this is an appropriate solution for other high-traffic areas like Ridgeline Maintenance Road.

Staff has determined the scope of a 900-foot section of trail/road (see figure 1) is eligible for County of San Diego Community Enhancement Program funding. The proposed project includes the import of stabilized decomposed granite and rental of grading equipment.

In order to submit a complete application, a resolution authorized by the applicant's governing body must be included.

With the board's approval, staff seeks to submit an application for grant funding from the County of San Diego Community Enhancement Program.

(Fig.1. Sections of trail/emergency access road to receive stabilized decomposed granite)

Attachments:

- *County of San Diego Community Enhancement Program Resolution*

RESOLUTION NO. 2024-XX

RESOLUTION OF OLIVENHAIN MUNICIPAL WATER DISTRICT'S BOARD OF DIRECTORS APPROVING THE APPLICATION FOR GRANT FUNDS FROM THE COMMUNITY ENHANCEMENT PROGRAM FOR ELFIN FOREST RECREATIONAL RESERVE TRAIL AND EMERGENCY ACCESS ROAD REHABILITATION

WHEREAS, the County of San Diego Community Enhancement Program provides funding for non-profit corporations and public agencies for certain specified purposes; and

WHEREAS, the Olivenhain Municipal Water District wants to file an application with the County of San Diego for Community Enhancement Program funding.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Olivenhain Municipal Water District that Olivenhain Municipal Water District is a public agency under the laws of the State of California; and

BE IT FURTHER RESOLVED that the Board of Directors of Olivenhain Municipal Water District approves the filing of an application with the County of San Diego for Community Enhancement Program funding during the County's current fiscal year; and

BE IT FURTHER RESOLVED that the Board of Directors of Olivenhain Municipal Water District authorizes the General Manager to sign a grant agreement with the County of San Diego for Community Enhancement funds for the current fiscal year.

PASSED, ADOPTED AND APPROVED at a regular meeting of the Board of Directors of Olivenhain Municipal Water District held on November 6, 2024.

_____

Christy Guerin, President
Board of Directors
Olivenhain Municipal Water District

ATTEST:

_____

Lawrence A. Watt, Secretary
Board of Directors
Olivenhain Municipal Water District

OLIVENHAIN
Municipal Water District

Agenda Item 10

Memo

Date: November 6, 2024

To: Olivenhain Municipal Water District Board of Directors

From: Kimberly A. Thorner, General Manager

Subject: **CONSIDER ADOPTION OF A RESOLUTION HONORING LAWRENCE A. WATT FOR HIS YEARS OF SERVICE REPRESENTING DIVISION 2 ON THE BOARD OF DIRECTORS**

Purpose

The purpose of this item is to adopt the attached Resolution for presentation to Larry Watt honoring his years of service representing Division 2 on the Board of Directors.

Recommendation

Staff recommends that the Board adopt the Resolution to honor Director Watt's years of service.

Background

Director Watt was selected by the Board of Directors in December 2011 and was sworn in to represent Division 2 in January 2012. Director Watt's dedication and years of public service to the customers of the Olivenhain Municipal Water District and leadership on the Board of Directors are greatly appreciated.

Attachment: Resolution 2024-19

RESOLUTION NO. 2024-19

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE OLIVENHAIN MUNICIPAL WATER DISTRICT
HONORING LAWRENCE A. WATT

WHEREAS, LAWRENCE A. WATT has served on the Olivenhain Municipal Water District (District) Board of Directors with dedicated public service in providing safe, reliable, and efficient water service to the communities served by the District; and

WHEREAS, LAWRENCE A. WATT has been in public service for over 40 years, and was selected to serve on the District's Board of Directors in December 2011, representing Division 2; and

WHEREAS, LAWRENCE A. WATT served multiple terms as Board President from 2013-2014, and again with a second term from 2017-2018, and lastly with a third term from 2021-2023; and

WHEREAS, LAWRENCE A. WATT'S understanding of public works has helped the District provide the highest levels of public service and accountability; and

WHEREAS, LAWRENCE A. WATT has been dedicated to the District by participating on its Finance, Facilities, Personnel, Partnership, Conservation, Safety, and Elfin Forest Recreational Reserve Committees; and

WHEREAS, LAWRENCE A. WATT always strived to do what is right for both the ratepayers and the employees with the utmost integrity and thoughtfulness; and

WHEREAS, LAWRENCE A. WATT has provided sound financial direction to staff in the completion of the District's balanced budgets, award-winning financial reports, and multiple debt issuances/refinancings that have saved ratepayers millions; and

WHEREAS, LAWRENCE A. WATT has a mean free throw shot that almost won him the national OMWD HORSE championship title; and

WHEREAS, LAWRENCE A. WATT always showed up for the district and its employees by attending countless luncheons, awards ceremonies, community events, and meetings; and

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE OLIVENHAIN MUNICIPAL WATER DISTRICT DOES HEREBY FIND, DETERMINE, RESOLVE, AND ORDER AS FOLLOWS:

The Board of Directors, on behalf of the citizens of the District, does hereby express its appreciation and honor LAWRENCE A. WATT for his many years of dedicated public service to the customers of Olivenhain Municipal Water District.

PASSED, ADOPTED, AND APPROVED at a regular meeting of the Board of Directors on the 6th day of November 2024.

_____

Christy Guerin, President
Board of Directors
Olivenhain Municipal Water District

ATTEST:

_____

Kimberly A. Thorner, Assistant Secretary
General Manager
Olivenhain Municipal Water District

Agenda Item 11

OLIVENHAIN
Municipal Water District

Memo

Date: November 6, 2024

To: Olivenhain Municipal Water District Board of Directors

From: Rainy Selamat, Finance Manager

Via: Kimberly Thorner, General Manager

Subject: **CONSIDER AND ADOPT AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE OLIVENHAIN MUNICIPAL WATER DISTRICT AMENDING THE DISTRICT'S ADMINISTRATIVE AND ETHICS CODE (Article 8 – Water Rates and Charges) TO TAKE EFFECT ON JANUARY 1, 2025 AND AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE OLIVENHAIN MUNICIPAL WATER DISTRICT AUTHORIZING PASS-THROUGH INCREASES IN PURCHASED WATER WHOLESALE COSTS, SAN DIEGO WATER AUTHORITY INFRASTRUCTURE ACCESS CHARGE, AND INFLATIONARY INCREASES TO THE DISTRICT'S COST OF OPERATIONS AND CAPITAL FACILITIES; AND REVISING ARTICLE 8.4 OF THE DISTRICT'S ADMINISTRATIVE AND ETHICS CODE**

Purpose

The purpose of this item is to consider and adopt an ordinance to amend sections 8.1, 8.2, and 8.3 of Article 8 of the District's Administrative and Ethics Code for water rates and charges effective January 1, 2025 (shown as Exhibit A attached) and an ordinance authorizing the Board to pass through to customers increases in purchased water wholesale costs and inflation costs based on CPI (shown as Exhibit B attached) as

described in the District's Proposition 218 notice and attached (Attachment 3). If the pass-through increases ordinance is adopted by the Board, this ordinance would amend section 8.4, Pass-Through Charges and Adjustments, of the District's Administrative and Ethics Code.

Following the public hearing (October 16, 2024) and after receiving and reviewing public comments, adoption of these ordinances by the Board is required as the final step following the public hearing on water rates.

The proposed changes to Article 8- Water Rates and Charges are calculated based on the 2024 Water Rate Study completed by Raftelis Financial Consultants (Rate Study Report.) A copy of the Rate Study Report is attached (Attachment 4). The District's revenue adjustments and pass-through increases over the next four years (2026-2029) will be considered by the Board annually prior to implementation.

Recommendation

Staff is recommending the Board consider and adopt the ordinances and amendments to Article 8 – Water Rates and Charges of the District's Administrative and Ethics Code.

The 2024 Water Rate Study clearly demonstrates that the District needs to implement necessary increases to its water rates and charges each year over the next five years. The proposed amendments are consistent with the District's Proposition 218 Notice, Board defined policies, industry standards, and applicable legal standards to achieve OMWD's financial stability over the study period (5 years).

Alternative

The Board could decide not to consider and adopt the ordinances. Delaying the proposed increases to water rates and charges, however, will impact the District's financial condition since the District will begin paying more for purchased water wholesale costs effective January 1, 2025.

Various cost cutting measures have been implemented by OMWD to lessen the impact of the 14% increase in purchased water wholesale costs on customer bills, such as delaying certain non-critical capital improvement projects, delaying filling one new position and two vacant positions, pre-buying untreated water from SDCWA at 2024 rates, and renegotiating recycled water purchase agreements. In addition, the Board approved increasing the Rate Reimbursement Credit from the current 11 cents per unit

to 22 cents per unit of water billed, effective January 1, 2025, to further mitigate the impact of increased purchased water wholesale costs on OMWD's customers.

Background

OMWD buys 100% of its untreated water from SDCWA to meet potable water demand. Purchased Water Cost is OMWD's largest operating cost at approximately 60% of OMWD's water operating costs. OMWD's staff was advised that purchased water wholesale costs from SDCWA could go as high as 39% over the next three years based on the most current information available at this time from SDCWA.

About 90% of potable and recycled water sold by OMWD is purchased from San Diego County Water Authority (SDCWA) and Recycled Water Wholesalers (City of San Diego, Vallecitos Water District, San Elijo Joint Powers Authority, and Rancho Santa Fe Community Services District).

The attached Notice of Public Hearing was delivered to the Post Office for mailing to customers on August 27, 2024 to meet Proposition 218 requirements.

A public hearing was held on October 16, 2024 to receive comments on the proposed January 1, 2025 Consumption Charge Base Rates, Demand Reduction Rates, OMWD System Access Charge, OMWD Fire Meter Charge, and SDCWA Infrastructure Access Charge and to authorize the Board over the next four years (January 1, 2026 through December 31, 2029) to implement: (1) the proposed Demand Reduction Rate Adjustments when necessary and depending on the demand reduction levels, (2) a not to exceed 12% per year over the next four-year period (January 1, 2026 through December 31, 2029) to pass through purchased water wholesale charge increases, inflation increases, and SDCWA Infrastructure Access Charge, and (3) OMWD Fire Meter Charge.

At the conclusion of the hearing on October 16, 2024, there were thirteen (13) written protests received prior to the hearing and five (5) members of the public spoke at the hearing, both for and against the proposed rate increase.

Fiscal Impact

The proposed 7.8% rate adjustment recommended by Raftelis and included in the Water Rate Study Report includes pass-through increases in purchased water wholesale costs effective January 1, 2025. San Diego County Water Authority (SDCWA) all-inclusive untreated water wholesale costs will increase by 14% effective January 1, 2025.

Purchased water wholesale costs imposed on the District by SDCWA and by OMWD's Recycled Water Wholesalers make up about 60% of OMWD's water operating cost.

If the pass-through ordinance is adopted, all pass-through increases in each fiscal year will not exceed 12% each year and will not exceed the cost of providing water services to customers. A total revenue adjustment ranging from 4%-8% each year over the next five years, subject to increases in purchased water wholesale costs per year, are forecasted in the 2024 Water Rate Study.

Discussion

The proposed OMWD Water Rates and Charges for January 1, 2025, if approved and adopted by the Board, will remain below the County's average monthly water for a median residential customer using 13 units of water with ¾" meter and an average residential customer using 23 units of water with ¾" meter. **The impact of increases in OMWD's water rates and charges effective January 1, 2025 to OMWD's median and average customers would be about 5%.**

Section 53756 of the Government Code allows agencies, such as the District, that provide water and wastewater services, to pass through increases in wholesale charges for water and annual inflationary adjustments for water and wastewater operations as long as these increases do not exceed the actual cost of providing service.

The Board would still be required to approve staff-proposed pass-through amounts each year; only a public hearing would not be required in each year if the pass-through ordinance is adopted by the Board. Staff will still be required to bring any future changes to OMWD water rates and service charges to the Board for consideration.

Staff will be available at the meeting for discussion.

Attachments:

- Attachment 1: Exhibit A – amendments to Sections 8.1, 8.2, and 8.3
- Attachment 2: Exhibit B – Pass-Through Ordinance
- Attachment 3: Proposition 218 Notice
- Attachment 4: 2024 Water Rate Study

Attachment 1 - Exhibit A

ORDINANCE NO. 5xx

AN ORDINANCE OF THE BOARD OF DIRECTORS OF
THE OLIVENHAIN MUNICIPAL WATER DISTRICT
AMENDING THE DISTRICT'S ADMINISTRATIVE AND ETHICS CODE
(Article 8 – Water Rates and Charges)

BE IT ORDAINED by the Board of Directors of Olivenhain Municipal Water District as follows:

SECTION 1: Sections 8.1, 8.2, and 8.3 of Article 8 of OMWD's Administrative and Ethics Code, Policy for District's Facilities, are hereby revised to read as shown on Exhibit A (attached).

PASSED, APPROVED AND ADOPTED at a special meeting of Olivenhain Municipal Water District's Board of Directors held this 6th day of November 2024.

_____
Christy Guerin, President
Board of Directors
Olivenhain Municipal Water District

ATTEST:

_____
Lawrence A. Watt, Secretary
Board of Directors
Olivenhain Municipal Water District

Exhibit A

ARTICLE 8 WATER RATES & CHARGES

Sec. 8.1. Treated Water Rates.

A. Domestic Rates.

The rates to be charged and collected for water supplied to Domestic users, as defined in Section 9.1.1. shall be charged using a four-step increasing block rate structure as follows:

Base Rates effective ~~March 1, 2024~~January 1, 2025:

No. of Units	Rate
0-6 Units	$~~4.24~~4.43
7-23 units	$~~6.14~~6.47
24-80 Units	$~~6.85~~7.25
Over 80 units	$~~8.14~~8.20

Demand Reduction Rates:
Adjustments to the Base Rates then in effect during declared stages or state mandated reduction in the level of potable water usage during any stage of implementation of the District's Water Shortage Contingency Plan, Ordinance No. 489.

The District's Board of Directors is authorized to implement the Demand Reduction Rates under a Proposition 218 process in order to effectuate an appropriate and desired level of potable water use cutback required by the District's customers.

10% Demand Reduction Rates effective January 1, 2025~~March 1, 2024~~:

No. of Units	Rate
0-6 Units	$~~4.47~~4.73
7-23 units	$~~6.37~~6.77
24-80 Units	$~~7.08~~7.55
Over 80 units	$~~8.37~~8.50

20% Demand Reduction Rates effective January 1, 2025~~March 1, 2024~~:

No. of Units	Rate
0-6 Units	$~~4.74~~5.11
7-23 units	$~~6.64~~7.15
24-80 Units	$~~7.35~~7.93

ARTICLE 8 WATER RATES & CHARGES

Over 80 units	$~~8.64~~8.88

30% Demand Reduction Rates effective January 1, 2025~~March 1, 2024~~:

No. of Units	Rate
0-6 Units	$~~5.09~~5.55
7-23 units	$~~6.99~~7.59
24-80 Units	$~~7.70~~8.37
Over 80 units	$~~8.99~~9.32

1 Unit = 748 gallons = 100 cubic feet

B. Agricultural Treated Water Rate.

Agricultural service shall be defined as water delivered through a single meter for use upon tracts or parcels of land within the boundaries of the District, utilized for agricultural purposes as defined by its wholesaler, San Diego County Water Authority's (SDCWA) Permanent Special Agricultural Water Rate (PSAWR) program. Water received by the user for agricultural purposes shall be charged as follows:

Base Rate effective January 1, 2025~~March 1, 2024~~:

$~~6.75~~6.90 per Unit

10% Demand Reduction Rate effective January 1, 2025~~March 1, 2024~~:
$~~6.98~~7.20 per Unit

20% Demand Reduction Rate effective January 1, 2025~~March 1, 2024~~:
$~~7.25~~7.58 per Unit

30% Demand Reduction Rate effective January 1, 2025~~March 1, 2024~~:
$~~7.60~~8.02 per Unit

SDCWA offers a Permanent Special Agricultural Water Rate (PSAWR) program. A contract must be signed between the District and the property owner providing that the owner will participate in the PSAWR and voluntarily agree to a mandatory water supply reduction in the event of a water supply shortage. When such a contract is approved by the District, a credit of $1.75~~1.34~~ per Unit, of agricultural water used shall be applied to each qualified customer's bill. Customers participating in this program are subject to unannounced inspections by the District to ensure they continue to meet the

requirements of the program. Any accounts determined to be ineligible for the PSAWR program will be reclassified to a residential, commercial, or irrigation rate and charged accordingly. SDCWA reserves the right to cancel the PSAWR program at any time.

In the event of a water supply shortage, SDCWA may develop an allocation and penalty rate system for PSAWR accounts. A PSAWR penalty rate is a pass-through penalty for customers who participate in the PSAWR and use over a contractual allocation during a water supply shortage. The PSAWR penalty rate is subject to change by SDCWA.

C. Combination Agricultural/Domestic Accounts Water Rate.

The rates to be charged and collected for water supplied to accounts where a portion of water is used for agricultural purposes and a portion of water is used for domestic purposes shall be as follows:

RATES PER UNIT

a. Same rates as Domestic for first 23 units of water consumed.
b. Same rates as Agricultural for consumption greater than 23 units.

D. Commercial and Industrial Water Rates.

The rates to be charged and collected for water supplied to commercial and industrial users, as defined in Sections 9.1.2 and 9.1.3 of the District's Administrative and Ethics Code, shall be as follows:

Base Rate effective January 1, 2025~~March 1, 2023~~: $~~5.78~~6.14 per Unit

10% Demand Reduction Rate effective January 1, 2025~~March 1, 2024~~: $~~6.01~~6.44 per Unit

20% Demand Reduction Rate effective January 1, 2025~~March 1, 2024~~: $~~6.28~~6.82 per Unit

30% Demand Reduction Rate effective January 1, 2025~~March 1, 2024~~: $~~6.63~~7.26 per Unit

E. Irrigation Water Rates.

ARTICLE 8 WATER RATES & CHARGES

The rates to be charged and collected for water supplied to potable water irrigation users, as defined in Sections 9.1.2 and 9.1.3 of the District's Administrative and Ethics Code, shall be as follows:

Base Rates effective January 1, 2025~~March 1, 2024~~:

Winter	Summer		(Nov 1-Apr 30)	(May 1-Oct 31)
Tier 1	Tier 2	Meter Size	Unit Allotment	Unit Allotment
$~~6.50~~6.91	$~~6.94~~7.80	5/8"	10	15
Per Unit	Per Unit	3/4"	20	30
		1"	35	50
		1-1/2"	50	110
		2"	100	200
		3"	200	500
		4"	600	3,500
		6"	3,100	11,800
		8"	5,600	21,300

10% Demand Reduction Rates effective January 1, 2025~~March 1, 2024~~:

Tier 1	$~~6.73~~7.21
Tier 2	$~~7.17~~8.10

20% Demand Reduction Rates effective January 1, 2025~~March 1, 2024~~:

Tier 1	$~~7.00~~7.59
Tier 2	$~~7.44~~8.48

30% Demand Reduction Rates effective January 1, 2025~~March 1, 2024~~:

Tier 1	$~~7.35~~8.03
Tier 2	$~~7.79~~8.92

F. Construction Water Rates.

The rates to be charged and collected for water supplied to construction users, as defined in Section 9.1.5 of the District's Administrative and Ethics Code, shall be charged as follows:

Base Rate effective January 1, 2025~~March 1, 2024~~:

ARTICLE 8 WATER RATES & CHARGES

$~~8.21~~8.60 per Unit

10% Demand Reduction Rate effective January 1, 2025~~March 1, 2024~~: $~~8.44~~8.90 per Unit

20% Demand Reduction Rate effective January 1, 2025~~March 1, 2024~~: $~~8.71~~9.28 per Unit

30% Demand Reduction Rate effective January 1, 2025~~March 1, 2024~~: $~~9.06~~9.72 per Unit

G. Rate Reimbursement Credit.

A 22~~11~~ cent credit per unit of potable water billed will be applied to customer accounts beginning with January 1, 2025~~March 1, 2024~~ water consumption to reimburse OMWD's potable water customers for settlement amounts received by OMWD from San Diego County Water Authority for overcharges on potable water wholesale costs from 2011 to 2017.

The Rate Reimbursement Credit is applied to potable water consumption and subject to change as determined solely by OMWD Board of Directors. The Rate Reimbursement Credit does not apply to construction or recycled water usage.

Sec. 8.1.1 Recycled and Non-imported Water Rates.
The water rates to be charged and collected for recycled water or non-imported sources supplied for agricultural, commercial, construction, industrial and irrigation purposes:

RATES PER UNIT

Rates Effective with January 1, 2025~~March 1, 2024~~, water bills:

Base rate
$~~4.29~~4.68 per Unit

Wet Weather Incentive Program may be offered in accordance with Article 25.7.

ARTICLE 8 WATER RATES & CHARGES

Sec. 8.2. System Access Charges.

A. The minimum monthly System Access Charge for each meter shall be as follows, and shall apply to all meters regardless of use:

Rates effective January 1, 2025~~March 1, 2024~~:

5/8”	$~~34.25~~37.16	**2 ½”**	$~~336.33~~363.05
3/4”	$~~44.79~~48.53	**3”**	$~~367.94~~397.16
1”	$~~76.41~~82.64	**4”**	$~~610.30~~658.63
1 ½”	$~~118.54~~128.11	**6”**	$~~1,274.14~~1,374.83
2”	$~~185.30~~200.11	**8”**	$~~2,292.73~~2,473.76

B. Meters installed solely for automatic fire sprinkler service shall be charged a monthly System Access Charge as follows:

Rates effective January 1, 2025~~March 1, 2024~~:

5/8”	$~~5.85~~6.13	**2 ½”**	$~~12.55~~12.89
3/4”	$~~5.85~~6.13	**3”**	$~~13.27~~13.62
1”	$~~6.57~~6.87	**4”**	$~~18.85~~19.24
1 ½”	$~~7.54~~7.84	**6”**	$~~34.13~~34.63
2”	$~~9.08~~9.39	**8”**	$~~57.56~~58.23

Sec. 8.3. San Diego County Water Authority Infrastructure Access Charge.

The minimum monthly SDCWA Infrastructure Access Charge shall be as follows and shall apply to active retail water meters certain exclusions apply:

ARTICLE 8 WATER RATES & CHARGES

~~The minimum monthly SDCWA Infrastructure Access Charge shall be as follows and shall apply to active retail water meters certain exclusions apply:~~

Rates effective January 1, 2025~~March 1, 2024~~:

5/8”	$~~4.41~~4.55	**2 ½”**	$~~41.10~~42.32
3/4	$~~4.41~~4.55	**3”**	$~~45.08~~46.41
1”	$~~8.39~~8.65	**4”**	$~~75.58~~77.81
1 ½”	$~~13.70~~14.11	**6”**	$~~159.10~~163.80
2”	$~~22.09~~22.75	**8”**	$~~287.29~~295.75

Attachment 2 - Exhibit B

ORDINANCE NO. 5xx

AN ORDINANCE OF THE BOARD OF DIRECTORS OF THE OLIVENHAIN MUNICIPAL WATER DISTRICT AUTHORIZING PASS-THROUGH INCREASES IN PURCHASED WATER WHOLESALE COSTS, SAN DIEGO WATER AUTHORITY INFRASTRUCTURE ACCESS CHARGE, AND INFLATIONARY INCREASES TO THE DISTRICT'S COST OF OPERATIONS AND CAPITAL FACILITIES; AND REVISING ARTICLE 8.4 OF THE DISTRICT'SADMINISTRATIVE AND ETHICS CODE

WHEREAS, the Olivenhain Municipal Water District (District) provides potable and recycled water services to about 87,000 customers in portions of Encinitas, Carlsbad, Solana Beach, Rancho Santa Fe, San Marcos, Elfin Forest, 4S Ranch, San Diego and the Olivenhain Valley; and

WHEREAS, the District purchases all of its potable water supply from San Diego County Water Authority ("SDCWA") to meet potable water demand. SDCWA in turn purchases a substantial portion of its water supplies from the Metropolitan Water District of Southern California ("MWD"); and

WHEREAS, the District purchases a substantial portion of its recycled water supply from Vallecitos Water District, San Elijo Joint Powers Authority, Rancho Santa Fe Community Services District, and City of San Diego (collectively "Recycled Water Wholesalers") to meet recycled water demand; and

WHEREAS, the District has determined the cost of the wholesale potable and recycled water costs from SDCWA and Recycled Water Wholesalers will continue to increase each year; and

WHEREAS, the District experienced increases in its operating costs and capital costs from high inflation especially for the past three years; and

WHEREAS, the District anticipates increases in operation and maintenance and capital costs of its water operations will continue over the next five years; and

WHEREAS, the District will need to increase water rates and charges to keep pace with annual inflationary adjustment and to pay for increases in its water operation costs and capital costs due to inflation; and

WHEREAS, pursuant to Resolution No. 98-26, SDCWA Board of Directors established SDCWA Infrastructure Access Charge to provide SDCWA with a more appropriate balance of fixed and commodity revenues; and

WHEREAS, the SDCWA Infrastructure Access Charge is a fixed meter fee imposed on District's customer potable water meters by SDCWA and passed-through to customers by the District; and

WHEREAS, the District has determined to pass through to its customers: (1) increases in purchased water wholesale charges from SDCWA, and any other purchased water wholesale water charges increases imposed on the District, including by Recycled Water Wholesalers (collectively, the "Purchased Water Wholesale Pass-Through"); (2) increases to SDCWA fixed monthly meter fees collected on water meters (the "SDCWA Infrastructure Access Charge Pass-Through"); (3) increases to the District's Costs of Operations and Maintenance and Capital Facility based on June end to June end percent change in the San Diego-Carlsbad Consumer Price Index for all Urban Customers ("CPI") (the "Inflationary Pass-Through"); and

WHEREAS, any future increases in the SDCWA Infrastructure Access Charge will only impact the SDCWA Infrastructure Access Charge; and

WHEREAS, any Purchased Water Wholesale Pass-Through and any Inflationary Pass-Through will impact the District's Water Consumption Charges and System Access Charges; and

WHEREAS, the District's water rates for water service fees are calculated to recover the costs of the District in providing water services and the costs are allocated equitably across customer classes in compliance with Proposition 218; and

WHEREAS, the revenues derived from water rates and charges will not exceed the District's cost of providing water services to its customers, as described in the 2024 Water Rate Study ("Report") prepared by the District's rate consultant, Raftelis Financial Consultants, Inc.; and

WHEREAS, the District determines that the proposed pass-through increases are consistent with California Government Code Section 53756; and

WHEREAS, the District, as the lead agency under the California Environmental Quality Act, Public Resources Code, Section 21000 et seq. ("CEQA"), in consultation with the District's Legal Counsel, prepared a Preliminary Exemption Assessment for the adoption of this Ordinance in order to evaluate its potential impacts. The District determined that this Ordinance is exempt from CEQA review under Public Resources Code section 21080(b)(8) and Section 15273(a)(1)-(4) of the State CEQA Guidelines (California Code of Regulations, Title 14, Division 6, Chapter 3, Section 15000 et seq.) because the water service fees are necessary and reasonable to fund the administration, operation, maintenance, and improvements of the District's water system ("System") and will not result in the expansion of the System; and

WHEREAS, California Constitution article XIII D, section 6 ("Article XIII D") requires that prior to imposing any increase to the water service rates and charges, the District shall provide written notice (the "Notice") by mail of: (1) the proposed increases to such rates and charges to the record owner of each parcel upon which the rates and charges are proposed for imposition

and any tenant directly liable for payment of the rates and charges; (2) the amount of the rates and charges proposed to be imposed on each parcel; (3) the basis upon which the rates and charges were calculated; (4) the reason for the rates and charges; and (5) the date, time, and location of a public hearing (the "Hearing") on the proposed rates and charges; and

WHEREAS, pursuant to Article XIII D such Notice is required to be provided to the affected property owners and any tenant directly liable for the payment of the water service rates and charges not less than forty-five days prior to the Hearing on the proposed rates and charges; and

WHEREAS, the District provided such Notice to the affected property owners and tenants of the proposed rates and charges in compliance with Article XIII D; and

WHEREAS, the Hearing was held on October 16, 2024; and

WHEREAS, at the Hearing the District Board of Directors heard and considered all oral testimony, written materials, and written protests concerning the establishment and imposition of the proposed rate increases, and at the close of the Hearing the District did not receive written protests against the establishment and imposition of the proposed rate increases for water service from a majority of the affected property owners and tenants directly liable for the payment of the water service rates and charges; and

WHEREAS, the Board of Directors of the District wishes to adopt increases to the District's water rates and charges and to authorize the District to pass through to customers increases in purchased water wholesale costs, increases in water operation costs due to inflation, increases in the SDCWA Infrastructure Access Charge, and other cost increases to avoid operational deficits, depletion of reserves and inability to address water capital infrastructure needs for the next five-year period commencing January 1, 2025 and at any time through December 31, 2029.

It is HEREBY ORDAINED by the Board of Directors of the Olivenhain Municipal Water District as follows:

SECTION 1: The District Board of Directors finds and determines that the foregoing Recitals are true and correct and incorporates the Recitals herein.

SECTION 2: As the decision-making body for the District, the Board of Directors has reviewed and considered the information contained in the Preliminary Exemption Assessment and the Administrative Record (defined below). The District Board of Directors finds that the Preliminary Exemption Assessment contains a complete and accurate reporting of the environmental impacts associated with the adoption of this Ordinance and reflects the independent judgment of the Board.

SECTION 3: The District Board of Directors hereby finds that the administration, operation, maintenance, and improvements of the System, which are to be funded by the

water service rates and charges described herein, are necessary to maintain water service within the District's existing service area. The District Board of Directors further finds that the administration, operation, maintenance, and improvements of the System, to be funded by the water service rates and charges described herein, will not expand the System. The District Board of Directors further finds that such water service fees are necessary and reasonable to fund the administration, operation, maintenance, and improvements of the System. Based on these findings, the District Board of Directors hereby determines that this Ordinance is exempt from the requirements of CEQA pursuant to California Public Resources Code section 21080(b)(8) and the CEQA Guidelines section 15273(a)(1)-(4).

SECTION 4: The documents and materials that constitute the record of proceedings on which these findings have been based (the "Administrative Record") are located at the District, 1966 Olivenhain Road, Encinitas, CA 92024. The custodian for these records is the Secretary of the District.

SECTION 5: Article 8, Section 8.4 is hereby amended to the District's Administrative and Ethics Code as follows:

ARTICLE 8. WATER RATES & CHARGES.

Sec. 8.4. Pass-Through Increases and Adjustments:

A. Purchased Water Wholesale Pass-Through
All rate increases for fees and charges for wholesale water and water-related services imposed by the San Diego County Water Authority ("SDCWA") on the District, by itself, or on behalf of the Metropolitan Water District of Southern California ("MWD"), and any other wholesale water charge increases imposed by Recycled Water Wholesalers on the District shall be passed through to customers (the "Purchased Water Wholesale Pass-Through"). The Purchased Water Wholesale Pass-Through shall be calculated by dividing the total billings from SDCWA for usage charges by the quantity of budgeted water sales and water meters of the District. The District will determine whether it is appropriate to increase the Commodity Charge component and/or the Olivenhain Municipal Water District System Access Charge ("OMWD SAC") component of the District's water service fees as a result of such Purchased Water Wholesale Pass-Through. The District will impose an increase on the Commodity Charge and the OMWD SAC components of its water service charges as a result of Purchased Water Wholesale Pass-Through. The District may impose annual future rate increases for Purchased Water Wholesale Pass-Through commencing January 1, 2025, and any time through and including December 31, 2029.

B. Inflationary Pass-Through
The rates for the Commodity Charge component and the OMWD SAC component of the District's water service fees may be adjusted annually based

June end to June end percent change in the San Diego-Carlsbad Consumer Price Index for All Urban Consumers as determined by the U.S Bureau of Labor Statistic for inflation (the "Inflationary Pass-Through".) Commencing January 1, 2025, the District may impose an increase on the Commodity Charge and the OMWD System Access Charge components of its water service fees as a result of the Inflationary Pass-Through. In no event shall such rates for the Commodity Charge component and the OMWD System Access Charge component increase from inflationary cost increases based on the Inflationary Pass-Through be more than the cost of operating and maintaining the water System, including capital facilities. Such rate increases may be imposed annually for a five-year period 2025-2029, with the first such increase on or after January 1, 2025, and any time thereafter through and including December 31, 2029.

C. SDCWA Infrastructure Access Charge Pass-Through

Any increases to SDCWA fixed monthly fees collected on water meters (the "SDCWA Infrastructure Access Charge") shall be directly passed through by the District to its customers. Any future increases in SDCWA Infrastructure Access Charge will only impact the SDCWA Infrastructure Access Charge.

D. Authorized Increases

The Pass-Through Increases (defined below) will be considered by the Board of Directors prior to implementation. Prior to implementing any Pass-Through Increases, the District will provide written notice of proposed changes to customers not less than 30 days prior to the effective date of the Pass-Through Increases for the five-year period commencing January 1, 2025, through December 31, 2029. All Pass-Through Increases shall not exceed 12% per year, and in no event shall any of the Pass-Through Increases result in rates exceeding the District's cost of providing water services to its customers.

E. Notice

Except for the rate increases authorized for Pass-Through Increases commencing January 1, 2025, as set forth in Section 8.4.A-D. hereof, notice of any rate increases to the District water service fees as a result of the Purchased Water Wholesale Pass-Through, the SDCWA Infrastructure Access Charge Pass-Through, the Inflationary Pass-through, (collectively, the "Pass-Through Increases") will be provided to District customers as required by California Government Code Sections 53755 and 53756.

F. Duration

No additional Pass-Through Increases shall be levied after December 31, 2029 as set forth herein.

SECTION 6: The District Board of Directors hereby authorizes and directs the General Manager to implement and take all actions necessary to effectuate the rates for the water

service rates and charges set forth herein and to file a Notice of Exemption with the County Clerk for San Diego County within five (5) working days of the date of the adoption of this Ordinance.

SECTION 7: If any section, subsection, subdivision, sentence, clause, or phrase in this Ordinance or any part thereof is for any reason held to be unconstitutional or invalid, ineffective by any court of competent jurisdiction, such decision shall not affect the validity or effectiveness of the remaining portions of this Ordinance or any part thereof. The District Board of Directors hereby declares that it would have adopted each section irrespective of the fact that any one or more subsections, subdivisions, sentences, clauses, or phrases be declared unconstitutional, invalid, or ineffective.

SECTION 8: This Ordinance shall supersede all other previous District Board of Directors resolutions and ordinances that may conflict with, or be contrary to, this Ordinance.

PASSED, ADOPTED AND APPROVED this 6th day of November, 2024, by the following roll call vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

_____

Christy Guerin, President
Board of Directors
Olivenhain Municipal Water District

ATTEST:

_____

Lawrence Watt, Secretary
Board of Directors
Olivenhain Municipal Water District

Attachment 3

OLIVENHAIN
Municipal Water District

NOTICE OF PUBLIC HEARING

Regarding proposed increases to
Olivenhain Municipal Water District water charges.
OMWD is proposing changes that will affect charges on your water bill.

October 16, 2024 at 5:30 p.m.
Boardroom of OMWD's Administrative Office
1966 Olivenhain Road
Encinitas, California 92024

NOTICE OF PUBLIC HEARING

Regarding Proposed Increases to Olivenhain Municipal Water District Water Charges

OMWD is proposing changes that will affect charges on your water bill.

Olivenhain Municipal Water District ("OMWD") will conduct a public hearing on October 16, 2024, at 5:30 p.m., in the Boardroom of OMWD's administrative office, located at 1966 Olivenhain Road, Encinitas, California 92024. The purpose of the hearing is to receive public comment regarding OMWD staff's proposal to adopt increases to OMWD's water service charges and other water charges (collectively, "Water Charges") beginning on January 1, 2025, and an ordinance that would authorize OMWD to pass through to customers certain increases in purchased water wholesale costs, inflationary costs, and other costs as described in this notice.

For Zoom Participation:

www.zoom.us/join
Meeting ID: 865 5633 4158
Passcode: 257024

For Zoom Call-in Only:

Call: (669) 900-9128
Meeting ID: 865 5633 4158
Passcode: 257024

The public hearing may continue in person even if Zoom access is disrupted or unavailable.

You are receiving this notice in compliance with Proposition 218, which requires OMWD to inform property owners and water customers that OMWD is proposing changes to its Water Charges that will affect your water bill.

This notice includes information about 1) the water system, 2) reasons for the proposed increases, 3) basis upon which the proposed Water Charges are calculated, 4) the proposed Water Charges, 5) pass-through increases, and 6) procedures for protesting the proposed Water Charges.

The basis for allocating costs and calculating the proposed increases to OMWD's Water Charges shown and described in this notice is a comprehensive cost of service water rate study ("Water Rate Study Report") conducted in 2024 by an independent financial consulting firm. A copy of OMWD's Water Rate Study Report is available at **www.olivenhain.com/rates** or at our administrative office.

WATER SYSTEM

OMWD provides water services to approximately 87,000 customers in portions of Encinitas, Carlsbad, Solana Beach, Rancho Santa Fe, San Marcos, Elfin Forest, 4S Ranch, San Diego and the Olivenhain Valley. OMWD's water service area spans about 31,100 acres. OMWD owns and operates two water treatment plants, the David McCollom Water Treatment Plant and the 4S Ranch Water Reclamation Facility. Water is delivered from OMWD's water treatment plants to approximately 29,000 connections through approximately 500 miles of potable and recycled pipes, 10 pump stations, and 17 storage reservoirs.

OMWD purchases all of its potable water supply from San Diego County Water Authority ("SDCWA"). SDCWA in turn purchases a substantial portion of its water supplies from the Metropolitan Water District of Southern California ("MWD"). MWD imports water from two sources: the Colorado River via the Colorado River Aqueduct and the Sacramento-San Joaquin Delta via the California Aqueduct. Water from SDCWA is treated at OMWD's David C. McCollom Water Treatment Plant and distributed to OMWD customers to meet their potable water demand.

The 4S Ranch Water Reclamation Facility produces recycled water to meet irrigation demand in a portion of OMWD's recycled water system. OMWD also purchases recycled water from the following public agencies: Vallecitos Water District, San Elijo Joint Powers Authority, Rancho Santa Fe Community Services District, and City of San Diego (collectively referred to as "Recycled Water Wholesalers") to meet OMWD customers' recycled water demand.

REASONS FOR THE PROPOSED INCREASE

OMWD is committed to providing high-quality and professional water services to its customers while meeting or exceeding all regulatory requirements in a cost-effective and environmentally responsive manner. OMWD charges its customers for these services. Revenues collected from Water Charges are used to fund safe and reliable water service. The costs include purchasing water, operating and maintaining the water system, reinvesting in water system infrastructure, and paying off debt used to finance the David C. McCollom Water Treatment Plant.

The proposed increases to Water Charges are necessary to pay for higher purchased water wholesale costs imposed on OMWD by SDCWA and by Recycled Water Wholesalers and to pay for cost increases to OMWD's water operations, maintenance, and capital infrastructure resulting from inflation.

Purchased Water Wholesale Costs

The potable water wholesalers from which OMWD receives water, MWD and SDCWA, have both recently implemented dramatic increases in their water rates. While OMWD continues to keep the costs of its water operations as low as possible, purchased water wholesale costs are external and non-controllable. Purchased water wholesale costs imposed on OMWD by SDCWA and by Recycled Water Wholesalers (collectively, "Purchased Water Wholesale Costs") make up approximately 60% of OMWD's water operating costs.

Purchased Water Wholesale Costs could increase by as much as 39% over the next five years starting on January 1, 2025. Absorbing these significant increases in Purchased Water Wholesale Costs would negatively impact OMWD's financial stability. Therefore, to avoid these impacts, OMWD is proposing to pass through to customers increases in the Purchased Water Wholesale Costs as a part of the proposed Water Charges.

Rate Reimbursement Credit

OMWD used funds available in its reserves to partially offset increases in purchased water wholesale costs from SDCWA. A rate relief program was approved by OMWD's Board of Directors in 2021. The resulting credit to customers (referred to as "Rate Reimbursement Credit") is a result of money refunded from lawsuits filed by SDCWA that successfully challenged the legality of certain MWD rates and charges, and it helps to offset increases in purchased water wholesale costs from SDCWA.

Inflation

OMWD has been able to control cost increases in its water operations, maintenance, and infrastructure needs through re-evaluation of internal business processes and optimal utilization of its assets for cost savings. OMWD also received grant funds to complete some of its capital infrastructure program, which has helped offset increases in costs that resulted from higher inflation and post-pandemic supply chain issues. However, costs have risen more than 18% due to inflation from January 2021 to June 2024 based on changes in the San Diego-Carlsbad Consumer Price Index for All Urban Customers ("CPI").

OMWD is proposing to increase Water Charges for the next five years to keep pace with inflation in order to operate and maintain its water operations and to replace its aging water infrastructure; many parts of OMWD's Water System are over 50 years old. OMWD needs to continue maintaining and upgrading its water system to minimize water service interruptions. Therefore, OMWD is proposing to pass through to customers inflationary adjustments based on CPI as a part of the proposed increases to its Water Charges.

BASIS UPON WHICH THE PROPOSED WATER CHARGES ARE CALCULATED

OMWD provides both potable (i.e. treated) water and recycled water service. The proposed rate structure for OMWD's Water Charges has seven customer classes: (1) Domestic (single-family and multi-family residential); (2) Agricultural; (3) Permanent Special Agriculture Water Rate ("PSAWR"); (4) Commercial; (5) Irrigation; (6) Construction; and (7) Recycled Water.

The rate structure for all customer classes consists of (1) a volumetric charge known as the Water Consumption Charge, and (2) fixed monthly service charges consisting of the System Access Charge, SDCWA Infrastructure Access Charge, and Fire Meter Charge. OMWD bills monthly for water service.

The basis used to calculate all components of the proposed Water Charges included in this notice are structured to proportionally allocate the costs of providing water service to all customer classes and tiers based on their respective proportion of usage and burden on the water system. The Water Rate Study Report describes the methodology used in calculating the proposed rates, adjustments, and increases to OMWD's Water Charges shown and described in this notice. The Rate Study Report is available at www.olivenhain.com/rates or at our administrative office.

Water Consumption Charge

OMWD assesses a Water Consumption Charge on each unit of water delivered each month. One unit of water equals one hundred (100) cubic feet (HCF) or 748 gallons. Volumetric water rate structures vary by customer class. Domestic customers

are subject to a four-tier volumetric rate structure, while irrigation customers are subject to a two-tier volumetric rate structure. Agricultural, commercial, construction, and recycled water customers are subject to distinct uniform rates.

The Water Consumption Charge for potable water is calculated based on the cost of providing potable water service to each customer and customer class, including the costs of treating water and purchasing water from SDCWA and MWD, and it recovers a portion of OMWD's fixed costs.

The Water Consumption Charge assessed to recycled water customers is calculated based on the cost of providing recycled water service to recycled water customers, including the costs of treating at 4S Ranch Water Reclamation Facility and purchasing recycled water from the Recycled Water Wholesalers, and it recovers a portion of OMWD's fixed costs.

System Access Charge

The System Access Charge is a fixed monthly charge that varies by water meter size and is assessed per water meter, potable and recycled, to recover a portion of OMWD's costs. These costs include, among others, meter reading, billing and collections, customer service, water facilities repairs and maintenance, and certain other costs imposed on OMWD by SDCWA and MWD.

SDCWA Infrastructure Access Charge

All meters, excluding construction, fire, and recycled water meters are subject to a monthly SDCWA Infrastructure Access Charge which varies by water meter size. The SDCWA Infrastructure Access Charge is assessed by SDCWA to recover a portion of costs associated with the construction of county-wide water infrastructure projects. The SDCWA Infrastructure Access Charge is a monthly fixed water meter charge that is passed through by OMWD directly to its customers.

Fire Meter Charge

For customers with a dedicated fire line, the Fire Meter Charge is a monthly fixed charge assessed per meter to recover their proportionate share of OMWD's costs attributable to the system's fire flow demand. It varies by water meter size on certain properties as a condition of extending or initiating water service by (1) the installation of a fire suppression system, and (2) upon the request of the property owner for the delivery of water to the property for the purpose of fire service protection.

Demand Reductions Rates for the Water Consumption Charge

Fluctuating availability of water resulting from drought, water supply emergencies, or other reasons will cause OMWD to experience decreased water sales, and therefore, less water revenue. To help mitigate future losses in revenue from reduced water sales and to ensure that OMWD is able to continue to provide and deliver safe drinking water to its customers, OMWD is proposing to authorize adjustments ("Demand Reduction Rates") to the potable Water Consumption Charge that would only be implemented by OMWD's Board of Directors' action under the terms of OMWD's Water Demand Reduction Condition Ordinance.

OMWD will implement Demand Reduction Rates for the potable Water Consumption Charge, as necessary, depending on the level of potable water use cutbacks, to ensure that OMWD is able to provide safe, reliable drinking water to its customers while meeting or exceeding regulatory requirements and recovering sufficient revenues to meet its expenses, including financial obligations.

OMWD's Water Rate Study Report considered the effects of decreased water sales and developed rates that may be implemented so that OMWD could still maintain safe and reliable water service during decreased sales during the next five years from January 1, 2025, through December 31, 2029. In the event that OMWD activates its Demand Reduction Rates, OMWD will notify its customers in advance of implementation.

The table to the right shows the proposed maximum increases that could be implemented by OMWD during various levels of mandatory reductions in water usage and added to the potable Water Consumption Charge. Water Demand Reduction Rates for reductions in usage that are in between those shown to the right may be prorated.

Demand Reduction Rate Adjustments - $/HCF For Potable Water Commodity Charges	
Demand Reduction Levels	**Increase in Commodity Charges**
10%	$0.30
20%	$0.68
30%	$1.12

PROPOSED WATER SERVICE CHARGES

The proposed maximum Water Charges beginning with January 1, 2025 water consumption for potable water customers and recycled water customers are set forth in the tables below:

CUSTOMER TYPE	CONSUMPTION CHARGE BASE RATES - $/HCF		DEMAND REDUCTION RATES (6)		
			10% DEMAND REDUCTION - $/HCF	20% DEMAND REDUCTION - $/HCF	30% DEMAND REDUCTION - $/HCF
	Current (2)(3)	Proposed 1/1/2025 (5)	Proposed 1/1/2025 (5)	Proposed 1/1/2025 (5)	Proposed 1/1/2025 (5)
Potable: Domestic					
Tier 1: 0-6 Units (1)	$4.24	$4.43	$4.73	$5.11	$5.55
Tier 2: 7-23 Units	$6.14	$6.47	$6.77	$7.15	$7.59
Tier 3: 24-80 Units	$6.85	$7.25	$7.55	$7.93	$8.37
Tier 4: 80+ Units	$8.14	$8.20	$8.50	$8.88	$9.32
Agricultural (4)	$6.75	$6.90	$7.20	$7.58	$8.02
Combined Agricultural/Domestic First 23 Units per month: Follow Domestic rate structure. Over 23 Units per month: Follow Agricultural rate structure.					
Commercial Irrigation	$5.78	$6.14	$6.44	$6.82	$7.26
Tier 1	$6.50	$6.91	$7.21	$7.59	$8.03
Tier 2	$6.94	$7.80	$8.10	$8.48	$8.92
Rate Reimbursement Credit (RRC) (7)	**($0.11)**	**($0.22)**	**($0.22)**	**($0.22)**	**($0.22)**
Construction	$8.21	$8.60	$8.90	$9.28	$9.72
Recycled: Recycled Water	$4.29	$4.68	$4.68	$4.68	$4.68

OMWD System Access Charge ($/Meter Size)		
Meter Size	Current (2)	Proposed 1/1/2025 (5)
5/8″	$34.25	$37.16
3/4″ (*)	$44.79	$48.53
1″	$76.41	$82.64
1-1/2″	$118.54	$128.11
2″	$185.30	$200.11
2-1/2″	$336.33	$363.05
3″	$367.94	$397.16
4″	$610.30	$658.63
6″	$1,274.14	$1,374.83
8″	$2,292.73	$2,473.76

SDCWA Infrastructure Access Charge ($/Meter Size)		
Meter Size	Current (2)	Proposed 1/1/2025 (5)
5/8″	$4.41	$4.55
3/4″ (*)	$4.41	$4.55
1″	$8.39	$8.65
1-1/2″	$13.70	$14.11
2″	$22.09	$22.75
2-1/2″	$41.10	$42.32
3″	$45.08	$46.41
4″	$75.58	$77.81
6″	$159.10	$163.80
8″	$287.29	$295.75

OMWD Fire Meter Charge ($/Meter Size)						
Meter Size	Current (2)	Proposed 1/1/2025 (5)	Proposed 1/1/2026	Proposed 1/1/2027	Proposed 3/1/2028	Proposed 3/1/2029
5/8″	$5.85	$6.13	$6.50	$6.89	$7.24	$7.53
3/4″ (*)	$5.85	$6.13	$6.50	$6.89	$7.24	$7.53
1″	$6.57	$6.87	$7.29	$7.73	$8.12	$8.45
1-1/2″	$7.54	$7.84	$8.32	$8.82	$9.27	$9.65
2″	$9.08	$9.39	$9.96	$10.56	$11.09	$11.54
2-1/2″	$12.55	$12.89	$13.67	$14.50	$15.23	$15.84
3″	$13.27	$13.62	$14.44	$15.31	$16.08	$16.73
4″	$18.85	$19.24	$20.40	$21.63	$22.72	$23.63
6″	$34.13	$34.63	$36.71	$38.92	$40.87	$42.51
8″	$57.56	$58.23	$61.73	$65.44	$68.72	$71.47

Irrigation Unit Allotments Tier 1 Allotment / Based upon water use by meter size		
Meter Size	Winter (Nov 1-Apr 30)	Summer (May 1-Oct 31)
5/8″	10	15
3/4″ (*)	20	30
1″	35	50
1-1/2″	50	110
2″	100	200
3″	200	500
4″	600	3500
6″	3100	11800
8″	5600	21300

Notes to the Rate Table

* Typical residential meter size

(1) One (1) unit of water is equal to one hundred cubic feet (HCF) or 748 gallons.

(2) These rates and charges are currently used to calculate OMWD's monthly water bills in 2024.

(3) Domestic Tier 2 rate currently applies to consumption between 7 and 23 units. Domestic Tier 3 rate currently applies to consumption between 24 units and 80 units. For combined Agricultural/Domestic, Domestic rate structure currently applies to the first 23 units. Over 23 units per month follows Agricultural rate structure. For Irrigation customers, all monthly water usage in excess of Tier 1 allotment shown in the Irrigation Unit Allotments table is charged at the Irrigation Tier 2 rate.

(4) The Agricultural water rate is available only to those who meet the program criteria. Visit **www.olivenhain.com/ag** for details.

(5) The proposed Water Consumption Charges and fixed monthly service fees, if approved, will be effective beginning on January 1, 2025.

(6) Demand Reduction Rates would only be implemented by OMWD's Board of Directors' action under the terms of OMWD's Water Demand Reduction Condition Ordinance.

(7) Rate Reimbursement Credit (RRC) is a temporary rate relief program approved by OMWD's Board of Directors to reduce the impact of increased SDCWA Purchased Water Wholesale costs on OMWD customer water bills.

Below are examples of the bill impact from the Proposed Water Service Charges to be effective January 1, 2025 for Domestic customers.

Low Residential Water Bill
Based on 6 HCF per Month - 3/4" Meter
1 unit=1 HCF

Water Service Charges	Current	Proposed 1/1/2025
Base Rates		
Tier 1 Water	$25.44	$26.58
SDCWA Infrastructure Access Charge	$4.41	$4.55
System Access Charge	$44.79	$48.53
Rate Reimbursement Credit (RRC)	($0.66)	($1.32)
Monthly Total	$73.98	$78.34

Average Residential Water Bill
Based on 23 HCF per Month - 3/4" Meter
1 unit=1 HCF

Water Serviced Charges	Current	Proposed 1/1/2025
Base Rates		
Tier 1 Water	$25.44	$26.58
Tier 2 Water	$104.38	$109.99
SDCWA Infrastructure Access Charge	$4.41	$4.55
System Access Charge	$44.79	$48.53
Rate Reimbursement Credit (RRC)	($2.53)	($5.06)
Monthly Total	$176.49	$184.59

Customers that wish to determine the impact to their monthly bill statement of the proposed rates, increases, and adjustments may visit www.olivenhain.com/estimator for an estimate.

PASS-THROUGH INCREASES

To avoid operational deficits, depletion of reserves, and inability to address water capital infrastructure needs for the next five years, OMWD is proposing to adopt an ordinance that would authorize OMWD, commencing January 1, 2025 and at any time through and including December 31, 2029, to automatically pass through to customers certain cost increases experienced by OMWD ("Pass-Through Increases"). The Pass-Through Increases include: increases in purchased water wholesale charges from SDCWA, and any other purchased water wholesale water charge increases imposed on OMWD, including by Recycled Water Wholesalers (collectively referred to as "Purchased Water Wholesale Pass-Through"); increases imposed by SDCWA to the SDCWA Infrastructure Access Charge; inflationary cost increases based on June end to June end percent change in CPI ("Inflationary Pass-Through").

Any future increases in the SDCWA Infrastructure Access Charge will only impact the SDCWA Infrastructure Access Charge. Any Purchased Water Wholesale Pass-Through and any Inflationary Pass-Through will impact the OMWD Water Consumption Charges and System Access Charge.

If approved by the Board of Directors, Pass-Through Increases will be automatically implemented annually after giving notice to customers and be effective for the five-year period commencing January 1, 2025, through December 31, 2029. All Pass-Through Increases shall not exceed 12% per year, and in no event shall any Pass-Through Increases result in rates exceeding OMWD's cost of providing water services to its customers.

Prior to implementing any Pass-Through Increases, OMWD will provide written notice of proposed changes to customers not less than 30 days prior to the effective date of the Pass-Through Increases.

PROTESTING THE PROPOSED WATER CHARGES

Any property owner of a parcel upon which the water service charges are proposed for imposition or any tenant directly liable for the payment of water service charges (i.e., a water customer who is not a property owner) may submit a written protest to the water rates and rate structure shown and described in this notice; provided, however, only one protest will be counted per identified parcel subject to the water rates. To be used in determining whether there is a majority protest, each protest must: (1) be in writing; (2) state that the identified property owner or tenant is opposed to the proposed water rate adjustments and pass-through increases; (3) provide the location of the identified parcel for which the protest is submitted (by assessor's parcel number or water service address); and (4) include the printed full name and signature of the property owner or tenant submitting the protest. Written protests may be submitted by mail or in person to the Board Secretary at 1966 Olivenhain Road, Encinitas, CA 92024, or at the public hearing on October 16, 2024, so long as they are received by the Board Secretary prior to the close of the public comment portion of the Public Hearing. Any protest submitted via e-mail or other electronic means will not be accepted as a valid written protest. Please indicate "Attn: Rate Hearing" on the outside of any envelope mailed to OMWD.

The Board of Directors will accept and consider all written protests and hear and consider all public comments made at the public hearing. Oral comments at the public hearing will not qualify as the written protests to be used in determining whether there is a majority protest. At the conclusion of the public hearing, the Board of Directors will consider adoption of the proposed rates and rate structure. If written protests against the proposed water rates and rate structure included in this notice are not presented by owners or tenants of a majority of the identified parcels subject to the water service charges, the Board of Directors will be authorized to adopt the rates. If approved, the Board of Directors will be able to impose the rates, which may include Pass-Through Increases and the Demand Reduction Rates described in this notice, for a five-year period commencing January 1, 2025, through December 31, 2029.

California law (Government Code section 53759) provides a 120-day statute of limitations for judicially challenging any new, increased, or extended fee or charge such as these rates.

Attachment 4

OLIVENHAIN MUNICIPAL WATER DISTRICT

Water Rate Study

FINAL DRAFT / AUGUST 16, 2024

OLIVENHAIN
Municipal Water District

RAFTELIS

RAFTELIS

August 16, 2024

Ms. Kimberly A. Thorner
General Manager
Olivenhain Municipal Water District
1966 Olivenhain Road
Encinitas, CA 92029

Subject: 2025 Water Rate Study Report

Dear Ms. Thorner,

Raftelis is pleased to provide this 2025 Water Rate Study Report (Report) to the Olivenhain Municipal Water District (District). The overall goal of the study was to develop updated water rates for the District for FY 2025 that are fair and equitable and in compliance with Proposition 218 requirements.

The major objectives of the study include the following:

- Develop a five-year financial plan through FY 2029 that sufficiently funds the District's operating costs, debt obligations, and necessary capital expenditures
- Review and revise as necessary the current water rate structure
- Perform a cost-of-service analysis to equitably allocate costs across customer classes
- Propose equitable water rates for FY 2025 and rates for the subsequent four years subject to pass-through of water costs and inflation

This Report summarizes the key findings and recommendations related to the development of the financial plan and proposed water rates. It has been a pleasure working with you and we would like to thank Ms. Rainy Selamat, Mr. Jared Graffam, and Ms. Georgeanna Clark for the support provided to Raftelis during this study.

Sincerely,

Sudhir Pardiwala
Executive Vice President

Katelyn Milius
Senior Consultant

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1. Executive Summary

1.1. Study Overview

Olivenhain Municipal Water District (District) provides water service to a population of approximately 86,000 across a 48 square mile service area in northern San Diego County. The District's potable water supply is provided by the San Diego County Water Authority (SDCWA), of which the District has been a member since 1960. The District's potable water system consists of a water treatment plant with 34 MGD of capacity, 13 storage reservoirs, 7 pump stations, and over 400 miles of water pipelines. Additionally, the District operates a water reclamation facility that produces up to 2 MGD of recycled water. The District also purchases recycled water from the City of San Diego, Vallecitos Water District, San Elijo Joint Powers Authority, and Rancho Santa Fe Community Services District. The District's recycled water distribution system includes 5 storage reservoirs, 3 pump stations, and 46 miles of recycled water pipelines that are used to deliver recycled water to non-potable landscape/irrigation water users.

The District engaged Raftelis in 2024 to conduct a comprehensive cost of service water rate study to establish proposed water rates for fiscal years (FY) 2025 to 2029. The District's existing water rate structure consists of the following charges:

1. **OMWD System Access Charge:** This fixed monthly meter charge varies by water meter size and recovers a portion of the District's fixed costs.
2. **SDCWA Infrastructure Access Charge:** All water meters, excluding construction, fire, and recycled water meters, are subject to a monthly SDCWA Infrastructure Access Charge, which varies by water meter size. SDCWA assesses the Infrastructure Access Charge to recover a portion of debt service costs associated with the construction of county-wide water infrastructure projects. The SDCWA Infrastructure Access Charge is treated as a pass-through charge by the District, as charges paid by the District to SDCWA are directly recouped from the District's customers.
3. **Volumetric Rate:** The District assesses volumetric rates per unit (1 unit = 1 hundred cubic feet (HCF)) of water delivered each month. Volumetric water rates vary by customer class and by Water Demand Reduction level. Domestic customers, including single family and multi-family have a four-tier volumetric rate structure, while irrigation customers have a two-tier structure. Agricultural, commercial, construction, and recycled water customers have unique uniform rates.
4. **Fire Meter Charge:** Meters dedicated to automatic fire sprinkler service are not subject to the three charges listed above but are assessed a fixed monthly Fire Service Charge, which varies by meter size. Customers are only assessed this charge if they have a dedicated water meter for automatic fire sprinkler service.

The major objectives of the water rate study include the following:

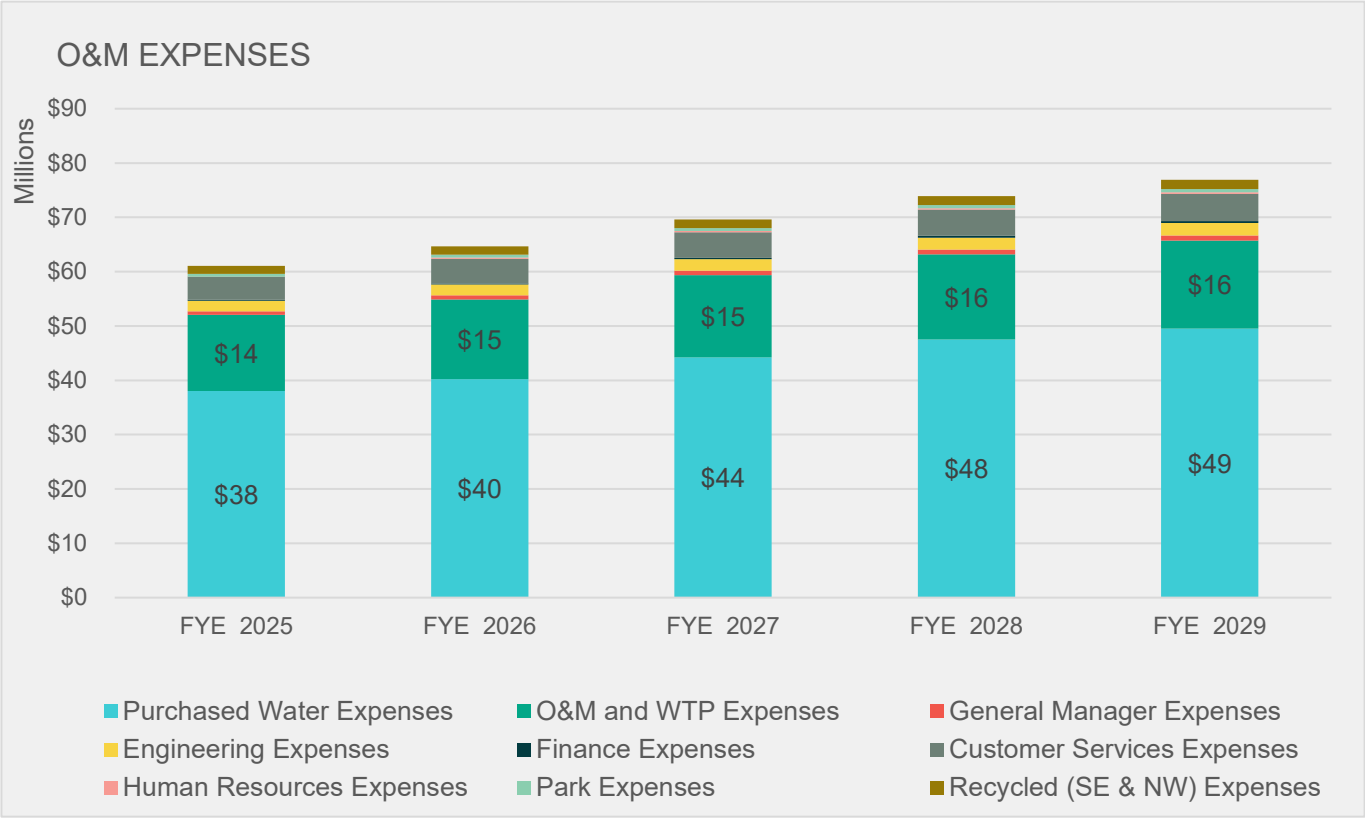
- Develop a five-year financial plan through FY 2029 that generates sufficient revenues to fund the District's operating costs, debt obligations, and necessary capital expenditures
- Review and revise as necessary the current water rate structure
- Perform a cost of service analysis to equitably allocate costs across customer classes in compliance with Proposition 218
- Propose equitable water rates for FY 2025 and for the subsequent four years subject to pass-through increases for water costs and inflation.

1.2. Financial Plan

Before beginning the rate design process, Raftelis first determined the revenue adjustments needed to adequately fund the District's various expenses and to provide fiscal stability over the five-year study period. Raftelis projected the revenue requirements, including operations and maintenance (O&M) expenses, capital improvement plan (CIP) expenditures, debt service costs, and reserve requirements over the study period.

O&M expenses include the cost of purchasing water, operating and maintaining facilities, staff-related costs, and other administrative costs. The O&M projections are based on the District's fiscal year (FY) 2025 budget and are escalated in subsequent years by corresponding inflation factors (except water supply costs which are calculated separately). Water supply costs, which constitute over 60 percent of total O&M expenses, are projected to increase based on anticipated increases in SDCWA rates. A summary of projected O&M expenses is shown below in **Figure 1-1**.

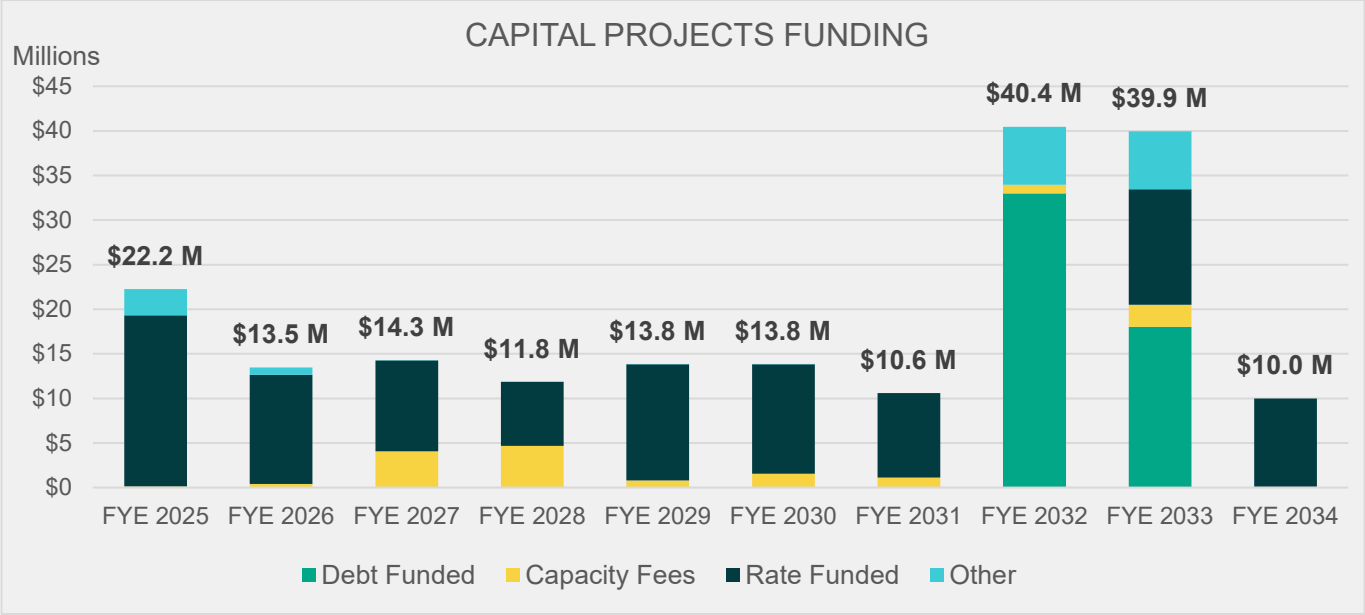
Figure 1-1: Projected O&M Expenses



The District has developed a comprehensive water Capital Improvement Program (CIP) to address current water system needs. The total estimated water CIP for the study period of FY 2025 to FY 2029 is $76.66 million. This study included a 10-year view of the debt and capital project funding, including a $51 million revenue bond issue projected in FY 2032 for the San Dieguito Valley Groundwater Desalination Plant. However, the five-year CIP plan is projected to be funded from rate revenues and capacity fees. The District's existing debt service payments are approximately $5 million annually and are projected to decrease to approximately $2 million in FY 2029. The 10-year CIP by funding source is shown in **Figure 1-2**. Other

revenues include anticipated grant funds, a portion of the property tax revenues, recycled water capacity fee revenues, and proceeds from the sale of the District's parcels.

Figure 1-2: 10-year CIP by Funding Source



The proposed financial plan assumes minimal growth throughout the study period of 50 domestic accounts per year (assumed to be 3/4-inch water meters) and a few larger meters corresponding with planned development in the service area. Per account, water usage is assumed to remain constant over the study period. Under such assumptions, Raftelis proposes the following revenue adjustments[1] over the study period in order to ensure that District exceeds required debt coverage and minimum reserve levels. The proposed revenue adjustment will be effective with water consumption beginning on January 1, 2025. Subsequent years of the study period are estimated revenue adjustments based on expected pass-through rate increases. Actual rate adjustments for FY 2026-2029 will be based on San Diego-Carlsbad Consumer Price Index for All Urban Consumers (CPI) and potable and recycled water supply cost pass-throughs.

[1] A revenue adjustment represents the percent increase in total water rate revenues resulting from a water rate increase.

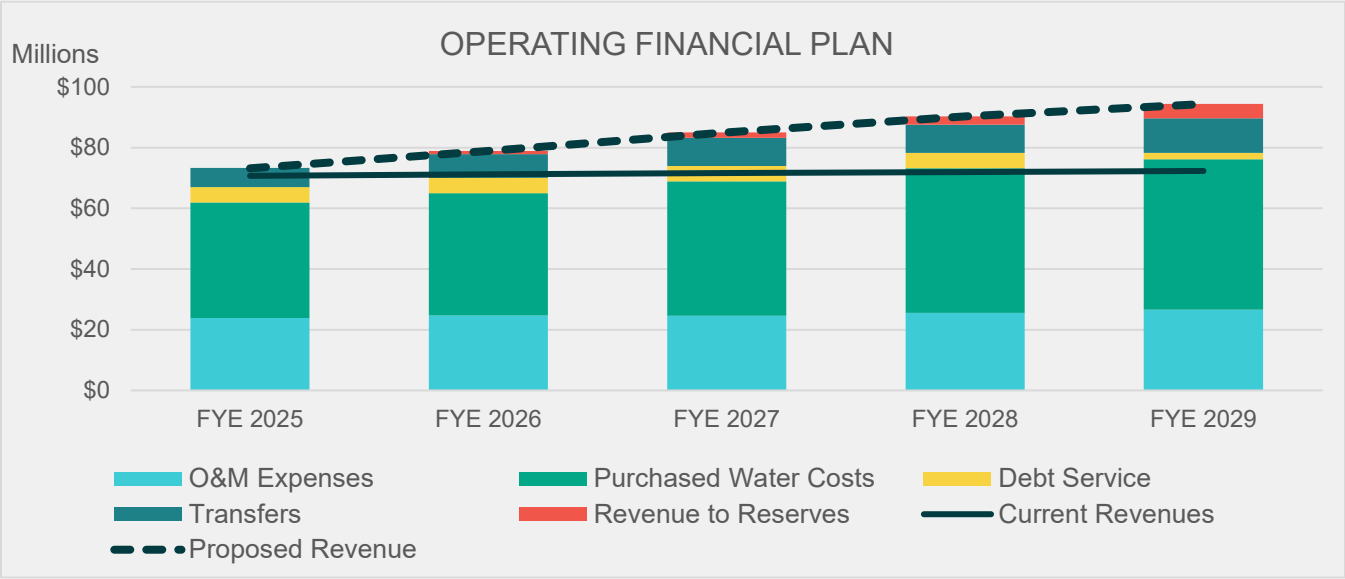
Table 1-1: 5-Year Revenue Adjustments

	FY 2025 Proposed	FY 2026 Estimated	FY 2027 Estimated	FY 2028 Estimated	FY 2029 Estimated
System Access Charges (Inflation/Wholesale Pass-Through)	8.0%	8.0%	8.0%	5.0%	4.0%
Fire Meter Charges	5.0%	6.0%	6.0%	5.0%	4.0%
Commodity Charges including Inflation/Wholesale Pass-Through	8.0%	8.0%	8.0%	5.0%	4.0%
Infrastructure Access Charges SDCWA IAC Pass-Through*	3.2%	8.5%	11.5%	4.0%	4.0%
TOTAL REVENUE ADJUSTMENT	**7.9%**	**8.0%**	**8.1%**	**5.0%**	**4.0%**

*Based on projected increases from SDCWA

Figure 1-3 shows the proposed financial plan that incorporates the proposed revenue adjustments above. Operating Fund revenue requirements are represented by stacked bars. Projected revenues in the absence of any rate increase are represented by the solid line, while projected revenues under the proposed revenue adjustments are represented by the dashed line. **Figure 1-3** demonstrates the need for revenue adjustments, as current rates will not generate sufficient revenues to cover the District's operating revenue requirements.

Figure 1-3: Proposed Financial Plan



1.3. Proposed Water Rates

To calculate fair and equitable rates so that customers pay in proportion to the cost of providing service, Raftelis performed a cost of service analysis in accordance with industry standard principles outlined by the American Water Works Association (AWWA) in its *Principles of Water Rates, Fees, and Charges: Manual of Water Supply Practices M1 Sixth Edition* (M1 Manual). The cost of service analysis considers water usage characteristics of each customer class and tier in order to allocate costs in proportion to the burden each customer class places on the water system.

Raftelis recommends that the District maintains its existing water rate structure. Proposed and estimated system access charges, also called fixed charges, are shown below in **Table 1-2** and proposed volumetric rates are shown in **Table 1-3**. FY 2025 proposed rates were established based on the cost of service analysis. Estimated rates from FY 2026 to FY 2029 were established by increasing the prior fiscal year's proposed or estimated rates by the corresponding revenue adjustment from **Table 1-1**. FY 2026 through FY 2029 are not proposed but estimated because they will ultimately be based on potable and recycled water supply pass-through costs and pass-through costs based on CPI. Fire Meter charges are not dependent on pass-through rates; therefore, they are set from the proposed revenue adjustment. All rates are proposed to become effective with water consumption beginning on January 1 of each year.

Table 1-2: Proposed Monthly Fixed Charges

Effective Date/ Meter Size	Current	January 1, 2025 Proposed	January 1, 2026 Estimated	January 1, 2027 Estimated	January 1, 2028 Estimated	January 1, 2029 Estimated
Monthly OMWD System Access Charge						
5/8"	$34.25	$37.16	$40.14	$43.36	$45.53	$47.36
3/4"	$44.79	$48.53	$52.42	$56.62	$59.46	$61.84
1"	$76.41	$82.64	$89.26	$96.41	$101.24	$105.29
1-1/2"	$118.54	$128.11	$138.36	$149.43	$156.91	$163.19
2"	$185.30	$200.11	$216.12	$233.41	$245.09	$254.90
2-1/2"	$336.33	$363.05	$392.10	$423.47	$444.65	$462.44
3"	$367.94	$397.16	$428.94	$463.26	$486.43	$505.89
4"	$610.30	$658.63	$711.33	$768.24	$806.66	$838.93
6"	$1,274.14	$1,374.83	$1,484.82	$1,603.61	$1,683.80	$1,751.16
8"	$2,292.73	$2,473.76	$2,671.67	$2,885.41	$3,029.69	$3,150.88
Monthly SDCWA Infrastructure Access Charge*						
5/8"	$4.41	$4.55	TBD	TBD	TBD	TBD
3/4"	$4.41	$4.55	TBD	TBD	TBD	TBD
1"	$8.39	$8.65	TBD	TBD	TBD	TBD
1-1/2"	$13.70	$14.11	TBD	TBD	TBD	TBD
2"	$22.09	$22.75	TBD	TBD	TBD	TBD
2-1/2"	$41.10	$42.32	TBD	TBD	TBD	TBD
3"	$45.08	$46.41	TBD	TBD	TBD	TBD
4"	$75.58	$77.81	TBD	TBD	TBD	TBD
6"	$159.10	$163.80	TBD	TBD	TBD	TBD
8"	$287.29	$295.75	TBD	TBD	TBD	TBD
***Note: A fixed charge imposed by SDCWA. Subject to change every year.**						

Effective Date	Current	January 1, 2025 Proposed	January 1, 2026 Proposed	January 1, 2027 Proposed	January 1, 2028 Proposed	January 1, 2029 Proposed
Monthly Fire Meter Charges						
5/8"	$5.85	$6.13	$6.50	$6.89	$7.24	$7.53
3/4"	$5.85	$6.13	$6.50	$6.89	$7.24	$7.53
1"	$6.57	$6.87	$7.29	$7.73	$8.12	$8.45
1-1/2"	$7.54	$7.84	$8.32	$8.82	$9.27	$9.65
2"	$9.08	$9.39	$9.96	$10.56	$11.09	$11.54
2-1/2"	$12.55	$12.89	$13.67	$14.50	$15.23	$15.84
3"	$13.27	$13.62	$14.44	$15.31	$16.08	$16.73
4"	$18.85	$19.24	$20.40	$21.63	$22.72	$23.63
6"	$34.13	$34.63	$36.71	$38.92	$40.87	$42.51
8"	$57.56	$58.23	$61.73	$65.44	$68.72	$71.47

Table 1-3: Proposed Volumetric Rates per Unit

Effective Date	Current	January 1, 2025 Proposed	January 1, 2026 Estimated	January 1, 2027 Estimated	January 1, 2028 Estimated	January 1, 2029 Estimated
Volumetric Rates ($/unit[1])						
Domestic[2]						
Tier 1 (0-6 units)	$4.24	$4.49	$4.85	$5.24	$5.51	$5.74
Tier 2 (7-23 units)	$6.14	$6.53	$7.06	$7.63	$8.02	$8.35
Tier 3 (24-80 units)	$6.85	$7.32	$7.91	$8.55	$8.98	$9.34
Tier 4 (80 + units)	$8.14	$8.27	$8.94	$9.66	$10.15	$10.56
Agriculture	$6.75	$6.97	$7.53	$8.14	$8.55	$8.90
Agriculture w/ Credit[3]	$5.41	$5.62	TBD	TBD	TBD	TBD
Commercial	$5.78	$6.20	$6.70	$7.24	$7.61	$7.92
Irrigation						
Tier 1: "B" Base	$6.50	$6.98	$7.54	$8.15	$8.56	$8.91
Tier 2: "C" Over Base	$6.94	$7.87	$8.50	$9.18	$9.64	$10.03
Construction	$8.21	$8.67	$9.37	$10.12	$10.63	$11.06
Recycled Water	$4.29	$4.68	$5.06	$5.47	$5.75	$5.98

[1] Customers are billed on a per unit of water basis, 1 unit = 1 HCF
[2] Domestic includes single-family and multi-family customers. Multi-family tiers apply per dwelling unit.
[3] Note: Agriculture w/ Credit rate is updated annually by District staff based on SDCWA charges

Combined Agricultural/Domestic customers
First 23 Units per month: Follow Domestic rate structure.
Over 23 Units per month: Follow Agricultural rate structure.

1.4. Water Demand Reduction Rates

Raftelis updated the District's water demand reduction rates as part of this study. Water demand reduction rates are intended to recover reductions in net water revenues resulting from decreased water sales during times of reduced water demand due to drought, water supply emergencies, or other reasons to ensure the District could still collect sufficient water revenues in order to sustain operations, including meeting its financial obligations. Raftelis developed water demand reduction rates for three distinct stages:

- **10 Percent Demand Reduction** below projected FY 2025 water usage
- **20 Percent Demand Reduction** below projected FY 2025 water usage
- **30 Percent Demand Reduction** below projected FY 2025 water usage

In the event that the District activates its Demand Reduction Rates, customers will be notified in advance of implementation. The District's Demand Reduction Rates would only be implemented by the District's Board of Directors' action under the terms of the District's Water Demand Reduction Condition Ordinance and Water Shortage Contingency Plan.

All customers, excluding Recycled Water customers, are subject to a uniform increase in volumetric rates during each of the demand reduction stages that effectively function as a surcharge. **Table 1-4** shows the proposed FY 2025 volumetric rates at each demand reduction stage.

Table 1-4: Proposed FY 2025 Water Demand Reduction Rates per Unit

CUSTOMER TYPE	BASE RATES 1/1/2025	10% DEMAND REDUCTION ($0.30 Surcharge)	20% DEMAND REDUCTION ($0.69 Surcharge)	30% DEMAND REDUCTION ($1.14 Surcharge)
Domestic				
0-6 Units	$4.49	$4.79	$5.18	$5.63
7-23 Units	$6.53	$6.83	$7.22	$7.67
24-80 Units	$7.32	$7.62	$8.01	$8.46
80 + Units	$8.27	$8.57	$8.96	$9.41
Agricultural	$6.97	$7.27	$7.66	$8.11
Agriculture w/ Credit	$5.62	$5.92	$6.31	$6.76
Commercial	$6.20	$6.50	$6.89	$7.34
Irrigation				
Tier 1	$6.98	$7.28	$7.67	$8.12
Tier 2	$7.87	$8.17	$8.56	$9.01
Construction	$8.67	$8.97	$9.36	$9.81
Recycled Water	$4.68	$4.68	$4.68	$4.68

1.5. Rate Reimbursement Credit

A Rate Reimbursement Credit (RRC) has been proposed to directly offset the volumetric rates. SDCWA's refund is given back to ratepayers in the form of a credit on the cost per unit of water used. The current refund is $0.11, but it is proposed to increase to $0.22 to help offset the rate increases proposed. The $0.22 increase would be applied for FY 2025 and decrease to $0.11 in FY 2026. The funding is proposed to be used over the next two fiscal years. The effect on the proposed rates due to the RRC based on the average residential customer using 23 units of water monthly with ¾" meter is shown in **Table 1-5**. The rates assume no changes in the IAC.

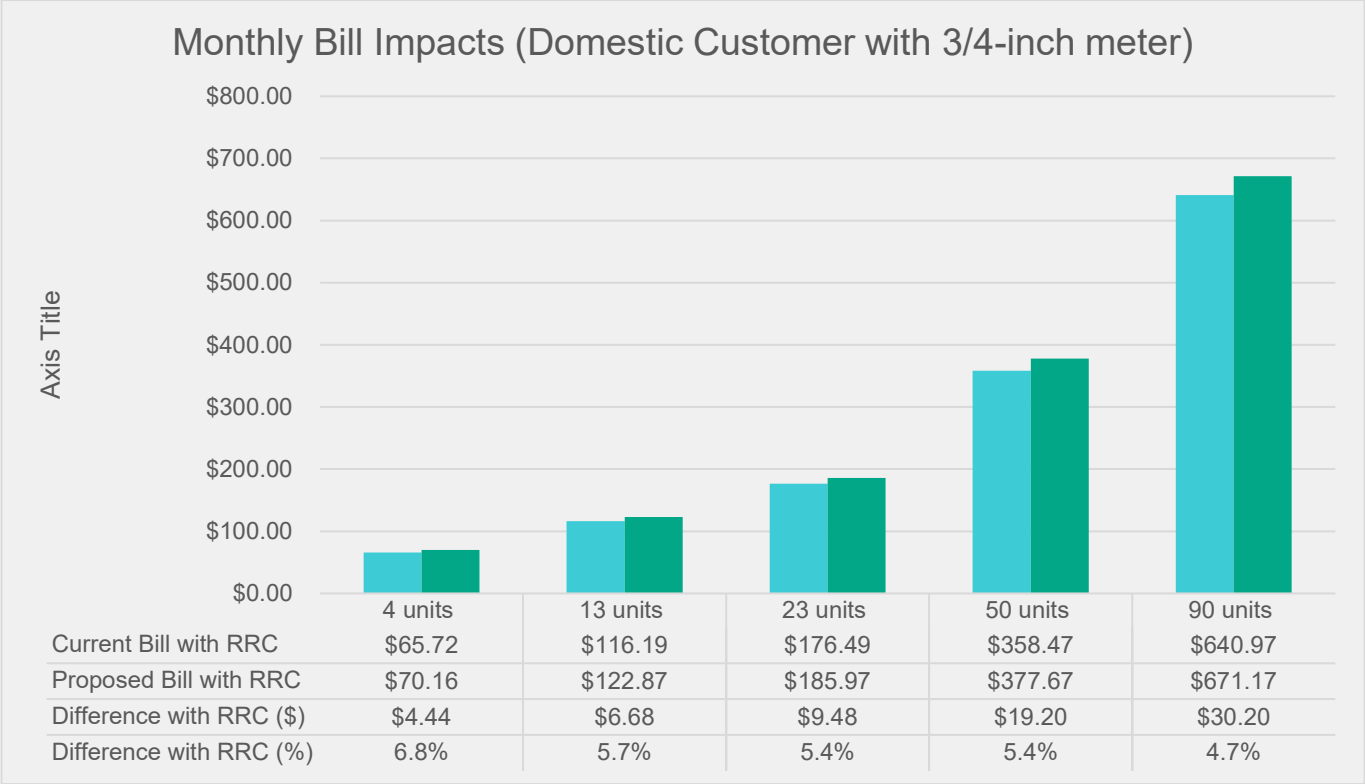
Table 1-5: Projected FY 2025- FY 2027 Average Domestic Bills with RRC

	Current Bill	2025	2026	2027
RRC ($/unit)	$0.11	$0.22	$0.11	$0.00
Average Domestic Bill with RRC	$176.49	$185.97	$203.93	$223.09
Year over Year Difference (%)		*5.4%*	*9.7%*	*9.4%*

1.6. Customer Impacts

Figure 1-4 shows the impacts on a Domestic customer at varying levels of usage, assuming a 3/4" meter. Note that 13 units per month represents the median Domestic monthly usage for FY 2022 and 23 units is the average usage for FY 2022. The bill calculations are shown with the RRC included. The differences listed in the table at the bottom of **Figure 1-4** are between the current and proposed rates.

Figure 1-4: Domestic Bill Impacts at Varying Levels of Usage



	4 units	13 units	23 units	50 units	90 units
Current Bill with RRC	$65.72	$116.19	$176.49	$358.47	$640.97
Proposed Bill with RRC	$70.16	$122.87	$185.97	$377.67	$671.17
Difference with RRC ($)	$4.44	$6.68	$9.48	$19.20	$30.20
Difference with RRC (%)	6.8%	5.7%	5.4%	5.4%	4.7%

2. Introduction

2.1. Water System Overview

Olivenhain Municipal Water District (OMWD or District) is a municipal water district organized and operating pursuant to Water Code Sections 71000 et seq., and was incorporated on April 9, 1959, to develop an adequate water supply for landowners and residents. On June 14, 1960, residents of the District voted to become a member of the San Diego County Water Authority (SDCWA), thus becoming eligible to purchase water transported into San Diego County via the massive aqueducts of SDCWA and its wholesaler, Metropolitan Water District of Southern California. With a service area of over 48 square miles, the District currently serves a population of approximately 86,000 residents in northern San Diego County.

The District treats up to 34 million gallons of water per day at its David C. McCollom Water Treatment Plant (DCMWTP), has a storage capacity of nearly 80 million gallons within 17 storage reservoirs, and maintains a water distribution system with over 400 miles of potable water pipelines. In addition, the District's 4S Ranch Water Reclamation Facility produces up to 2 million gallons per day of recycled water, which is distributed through 46 miles of recycled water pipelines throughout the District for non-potable uses such as irrigation.

The District's existing water rate structure consists of the following charges:

1. **OMWD System Access Charge**: This fixed monthly charge varies by water meter size and is assessed per meter to recover a portion of the District's fixed costs.
2. **SDCWA Infrastructure Access Charge**: All meters excluding construction, fire, and recycled water meters are subject to a monthly SDCWA Infrastructure Access Charge which varies by water meter size. SDCWA assesses the Infrastructure Access Charge to recover a portion of debt service costs associated with the construction of county-wide water infrastructure projects.
3. **Volumetric Rate**: The District assesses volumetric rates per unit (1 unit = one hundred cubic feet (hcf)) of water delivered each month. Volumetric water rates vary by customer class and by Water Demand Reduction level. Domestic customers are subject to a four-tier volumetric rate structure, while irrigation customers are subject to a two-tier volumetric rate structure. Agricultural, commercial, construction, and recycled water customers are subject to unique uniform rates.
4. **Fire Meter Charge:** Meters dedicated to automatic fire sprinkler service are not subject to the three charges listed above but are assessed a fixed monthly Fire Meter Charge, which varies by meter size. Customers are only assessed this charge if they have a dedicated water line for automatic fire sprinkler service.

2.2. Study Objectives

The District engaged Raftelis in 2024 to conduct a water rate study to establish proposed water rates that are compliant with Proposition 218 and consistent with Cost of Service principles. The major objectives of the study include the following:

- Develop a five-year financial plan through FY 2029 that sufficiently funds the District's operating costs, debt obligations, and necessary capital expenditures
- Review and revise as necessary the current water rate structure
- Perform a cost of service analysis to equitably allocate costs across customer classes
- Propose are fair and equitable water rates for FY 2025 that and in compliance with Proposition 218

This Report provides a detailed description of the financial plan development, the cost of service analysis, and the development of the proposed FY 2025 rate schedule and estimated rate schedule for FY 2026 through FY 2029. Assumptions, inputs, and calculations are clearly shown in order to provide a thorough and transparent description of how the proposed water rates were determined.

2.3. Legal Requirements and Rate-Setting Methodology

This water rate study was conducted using industry-standard principles outlined by the American Water Works Association's (AWWA) *Principles of Water Rates, Fees, and Charges: Manual of Water Supply Practices M1 Sixth Edition* (M1 Manual). The general principles of rate structure design and the objectives of the Study are described below.

According to the M1 Manual, the first step in the ratemaking process is to determine the adequate and appropriate level of funding for a given utility. This is referred to as determining the "revenue requirement." This analysis considers the short-term and long-term service objectives of the utility over a given planning horizon, including capital facilities, system operations and maintenance, and financial reserve policies, to determine the adequacy of a utility's existing rates to recover its costs. Several factors may affect these projections, including the number of customers served, water-use trends, extraordinary gains or expenses, weather, conservation, use restrictions, inflation, interest rates, capital finance needs, and other changes in operating and economic conditions.

After determining a utility's revenue requirements, the next step is determining the cost of service. Utilizing a public agency's approved budget, financial reports, operating data, and capital improvement plans, a cost of service study generally categorizes the operating system costs by function (e.g. supply, treatment, storage, pumping, distribution/collection, etc.). Asset costs are similarly functionalized to determine the cost of service of the CIP.

After the assets and the costs of operating those assets are properly categorized by function, these "functionalized costs" are allocated first to cost causation components, and then to the various customer classes (e.g., single-family residential, multi-family residential, and commercial) by determining the service characteristics of those classes and the contribution of each to incurred costs such as supply costs, base delivery costs, peaking costs.

Rate design is the final part of the rate-making procedure and uses the revenue requirement and cost of service analysis to determine appropriate rates for each customer class. Rates utilize "rate components" that build-up to rates for commodity charges, and fixed charges, for the various customer classes and meter sizes servicing customers. In the case of inclining tier water rates, the rate components define the cost of service *within* each class of customer, effectively treating each tier as a sub-class and determining the cost to serve each tier.

2.3.1. California Constitution - Article XIII D, Section 6 (Proposition 218)

Proposition 218, reflected in the California Constitution as Article XIII D, was enacted in 1996 to ensure that rates and fees are reasonable and proportional to the cost of providing service. The principal requirements, as they relate to public water service are as follows:

1. A property-related charge (such as water rates) imposed by a public agency on a parcel shall not exceed the costs required to provide the property related service.
2. Revenues derived by the charge shall not be used for any purpose other than that for which the charge was imposed.
3. The amount of the charge imposed upon any parcel shall not exceed the proportional cost of service attributable to the parcel.
4. No charge may be imposed for a service unless that service is actually used or immediately available to the owner of property.
5. A written notice of the proposed charge shall be mailed to the record owner of each parcel at least 45 days prior to the public hearing when the agency considers all written protests against the charge.

As stated in AWWA's *M1 Manual*, "water rates and charges should be recovered from classes of customers in proportion to the cost of serving those customers." Raftelis follows industry standard rate setting methodologies set forth by the AWWA *M1 Manual* to ensure this Study meets Proposition 218 requirements and creates rates that do not exceed the proportionate cost of providing water services on a parcel basis. The methodology in the M1 Manual is a nationally recognized industry ratemaking standard that courts have recognized is consistent with Proposition 218.

Tiered Rates – "Inclining" tier rate structures (which are synonymous with "increasing" tier rate structures and "tiered" rates) when properly designed and differentiated by customer class meet the requirements of Proposition 218 as long as the tiered rates reasonably reflect the proportionate cost of providing service in each tier.

3. Financial Plan

Section 3 details the development of the five-year financial plan for the District's water utility. This includes the determination of annual revenues required from water rates based on annual cash flow projections. Assumptions and inputs related to projected revenues, operating expenses, and capital expenditures are clearly outlined in the following subsections.

3.1. Existing Water Rates

Currently, District customers pay two types of monthly fixed charges: the OMWD System Access Charge and the SDCWA Infrastructure Access Charge. The OMWD System Access Charge is designed to recover a portion of fixed costs incurred by the District to provide water service. Based on SDCWA's IAC ordinance, the SDCWA Infrastructure Access Charge is assessed by SDCWA to recover a portion of debt service costs associated with the construction of county-wide water infrastructure projects, 80% of SDCWA's operations and maintenance expenses established by SDCWA's Board of Director in the annual budget, and payments to member agencies for generation of reclaimed water. Fixed monthly Fire Meter Charges are levied on water meters dedicated for automatic fire sprinkler service. **Table 3-1** below shows the District's existing monthly rates for each type of fixed charge discussed above.

Table 3-1: Existing Monthly Fixed Charges

Meter Size	OMWD System Access Charge	SDCWA Infrastructure Access Charge	Fire Meter Charge
5/8-inch	$34.25	$4.41	$5.85
3/4-inch	$44.79	$4.41	$5.85
1-inch	$76.41	$8.39	$6.57
1.5-inch	$118.54	$13.70	$7.54
2-inch	$185.30	$22.09	$9.08
2.5-inch	$336.33	$41.10	$12.55
3-inch	$367.94	$45.08	$13.27
4-inch	$610.30	$75.58	$18.85
6-inch	$1,274.14	$159.10	$34.13
8-inch	$2,292.73	$287.29	$57.56

The District recovers its variable costs as well as its remaining fixed costs through Volumetric Rates. Volumetric rates vary by customer class and declared Water Demand Reduction level, and are assessed per unit of water delivered. Domestic customers are charged according to a four-tiered inclining block rate structure, under which the volumetric rate increases as monthly water usage exceeds defined thresholds. Irrigation customers are subject to a two-tiered inclining block rate structure, in which Tier 1 allotments increase with meter size. Agricultural, Commercial, Construction and Recycled customers are subject to distinct uniform volumetric rates. Combined Agricultural/Domestic customers are charged based on the Domestic volumetric rate schedule for the first 23 units of water usage per month and the Agricultural rate

schedule for monthly usage above 23 units. **Table 3-2** below shows the District's existing volumetric rates under the five various Water Demand Reduction levels.

Table 3-2: Existing Volumetric Rates per Unit

Customer Class	Base Rates	Watch/ Level 1 Voluntary	Alert/ Level 2 Mandatory	Critical/ Level 3 Mandatory
Domestic				
Tier 1 (0-6 Units)	$4.24	$4.47	$4.74	$5.09
Tier 2 (7-23 Units)	$6.14	$6.37	$6.64	$6.99
Tier 3 (24-80 units)	$6.85	$7.08	$7.35	$7.70
Tier 4 (80 + units)	$8.14	$8.37	$8.64	$8.99
Agricultural	$6.75	$6.98	$7.25	$7.60
Commercial	$5.78	$6.01	$6.28	$6.63
Irrigation				
Tier 1 (See Table 3-3)	$6.50	$6.73	$7.00	$7.35
Tier 2 (See Table 3-3)	$6.94	$7.17	$7.44	$7.79
Construction	$8.21	$8.44	$8.71	$9.06
Recycled	$4.29	$4.29	$4.29	$4.29

Tier 1 monthly allotments vary by meter size for Irrigation customers and are shown below in **Table 3-3**. Any monthly usage by Irrigation customers above the Tier 1 allotment is billed at the Tier 2 Irrigation rate.

Table 3-3: Tier 1 Monthly Allotments for Irrigation Customers in Units

Meter Size	Winter (Nov 1-Apr 30)	Summer (May 1-Oct 31)
5/8-inch	10	15
3/4-inch	20	30
1-inch	35	50
1.5-inch	50	110
2-inch	100	200
3-inch	200	500
4-inch	600	3,500
6-inch	3,100	11,800
8-inch	5,600	21,300

3.2. Assumptions

Various assumptions are used to project future revenues and expenses. They can be divided into two major groups: (i) assumptions related to economic factors, such as inflation, capital cost, and interest rates and (ii) core business assumptions, such as water sale projections and capital replacement costs.

3.2.1. Inflationary Assumptions

The inflationary assumptions are summarized in **Table 3-4**. General inflation reflects longer-term CPI average inflation. The District provided inflated capital costs by year, so an additional inflation factor was not included.

Table 3-4: Expense and Revenue Escalation Assumptions

Inflation	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
O&M Expenses					
General	3.0%	3.0%	2.0%	2.0%	2.0%
Salary	6.0%	6.0%	4.5%	4.5%	4.5%
Benefits	5.0%	5.0%	4.0%	4.0%	4.0%
Chemicals	6.0%	6.0%	5.0%	5.0%	5.0%
Utilities	5.0%	5.0%	5.0%	5.0%	5.0%
Revenue					
Other Operating Revenues	2.0%	2.0%	2.0%	2.0%	2.0%
Property Tax	2.0%	2.0%	2.0%	2.0%	2.0%
Reserve Interest Rate	3.0%	2.0%	2.0%	1.5%	1.5%

3.2.2. Water Account and Usage Assumptions

District staff provided Raftelis with the number of existing water meters differentiated by customer class as of February of FY 2024 (shown below in **Table** 3-5). Over 93 percent of water meters (excluding Fire Meters) served by the District are classified as Domestic.

Table 3-5: Number of Water Meters by Customer Class (FY 2024)

Meter Size	Domestic	Agri-cultural	Combined Ag/ Domestic	Com-mercial	Irrigation	Con-struction	Recycled	Fire
5/8-inch	1,880	0	0	24	9	0	1	401
3/4-inch	16,280	0	7	76	26	0	1	18
1-inch	2,796	2	21	118	105	17	30	5,464
1.5-inch	497	4	11	140	244	1	116	67
2-inch	149	3	9	70	138	0	162	0
2.5-inch	0	0	0	0	0	38	1	1
3-inch	13	1	0	8	2	0	6	0
4-inch	9	0	1	7	1	0	5	0
6-inch	1	0	0	1	1	0	4	1
8-inch	0	0	0	1	0	0	0	0
Total	**21,625**	**10**	**49**	**445**	**526**	**56**	**326**	**5,952**

Over the five-year study period from FY 2025-FY 2029, the District projects 50 new 3/4-inch Domestic water meters per fiscal year to come online. Other growth accounted for in the model, based on the capacity fee schedule, includes one 1-1/2 inch, 2-inch, and 4-inch meter in FY 2027 and one 2-inch and three 6-inch meters in FY 2028. Based on FY 2024 meter counts and assumed growth, Raftelis projected the number of water meters by fixed charge type (shown below in **Table 3-6**). Note that the OMWD System Access Charge is assessed to all water meters excluding Fire lines, while the SDCWA Infrastructure Access Charge is assessed to all water meters except Construction meters, Recycled Water meters, and Fire lines.

Table 3-6: Number of Water Meters

Meter Size	FY 2024 Actual	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected
Meters subject to OMWD System Access Charge						
5/8-inch	1,914	1,914	1,914	1,914	1,914	1,914
3/4-inch	16,390	16,440	16,490	16,540	16,590	16,640
1-inch	3,089	3,089	3,089	3,089	3,089	3,089
1.5-inch	1,013	1,013	1,013	1,014	1,014	1,014
2-inch	531	531	531	532	533	533
2.5-inch	39	39	39	39	39	39
3-inch	30	30	30	30	30	30
4-inch	23	23	23	24	24	24
6-inch	7	7	7	7	10	10
8-inch	1	1	1	1	1	1
Total	**23,037**	**23,087**	**23,137**	**23,190**	**23,244**	**23,294**
Meters subject to SDCWA Infrastructure Access Charge						
5/8-inch	1,913	1,913	1,913	1,913	1,913	1,913
3/4-inch	16,389	16,439	16,489	16,539	16,589	16,639
1-inch	3,042	3,042	3,042	3,042	3,042	3,042
1.5-inch	896	896	896	897	897	897
2-inch	369	369	369	370	371	371

Meter Size	FY 2024 Actual	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected
2.5-inch	0	0	0	0	0	0
3-inch	24	24	24	24	24	24
4-inch	18	18	18	19	19	19
6-inch	3	3	3	3	6	6
8-inch	1	1	1	1	1	1
Total	**22,655**	**22,705**	**22,755**	**22,808**	**22,862**	**22,912**
Meters subject to Fire Meter Charge						
5/8-inch	401	401	401	401	401	401
3/4-inch	18	18	18	18	18	18
1-inch	5,464	5,464	5,464	5,464	5,464	5,464
1.5-inch	67	67	67	67	67	67
2-inch	0	0	0	0	0	0
2.5-inch	1	1	1	1	1	1
3-inch	0	0	0	0	0	0
4-inch	0	0	0	0	0	0
6-inch	1	1	1	1	1	1
8-inch	0	0	0	0	0	0
Total	**5,952**	**5,952**	**5,952**	**5,952**	**5,952**	**5,952**

Water usage by customer class and tier was projected over the study period based on actual water usage data provided by District staff for FY 2022 and FY 2023. Since 2023 was an unusually wet year, water usage was low. Therefore FY 2025 water usage by customer class was estimated using an average of calendar year (CY) 2022 and CY 2023 consumption data. At the end of the study, FY 2024 actual water usage was available and recorded as a comparison. **Figure 3-1** shows a yearly comparison of water usage. For the purposes of the financial plan, no change in per account water consumption is assumed over the five-year study period. Annual increases in projected water usage shown below in **Table 3-7** are solely due to growth in 3/4-inch Domestic accounts (see **Table 3-6** above). The increase in Domestic water usage over the study period is directly proportional to the increase in total number of Domestic water meters, which is approximately 0.2 percent per fiscal year. Note that any reduction in water sales that might occur over the study period due to a water supply shortage will be accompanied by the activation of Water Demand Reduction rates. This will ensure that any loss in rate revenue resulting from reduced water sales will be offset by higher volumetric rates that increase with each Water Demand Reduction level. Therefore, the water usage projections shown below in **Table 3-7** represent an appropriate baseline scenario for the purposes of the five-year financial plan.

Figure 3-1: Actual and Projected Water Usage in AF

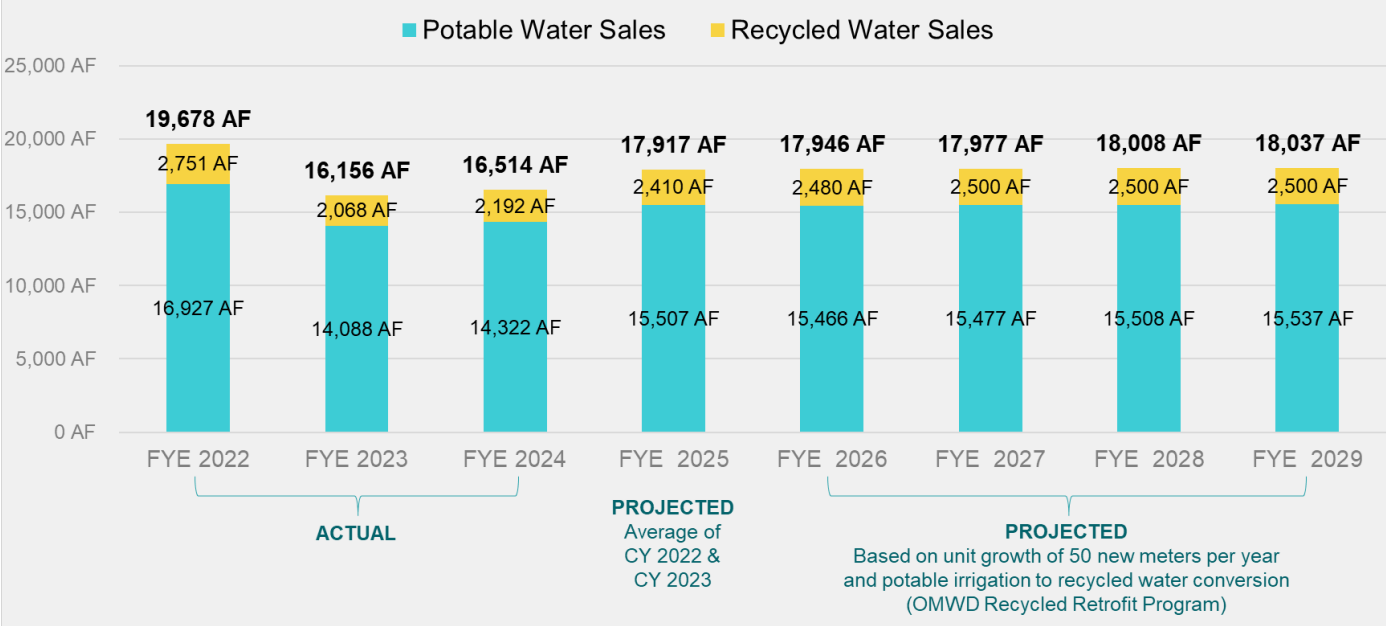


Table 3-7: Projected Water Usage in Units by Customer Class and Accounts[2]

Customer Class	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected
Domestic					
Tier 1 (0-6 units/month)	1,664,738	1,668,570	1,672,632	1,676,771	1,680,603
Tier 2 (7-25 units/month)	1,989,260	1,993,828	1,998,671	2,003,605	2,008,173
Tier 3 (26-80 units/month)	1,344,352	1,347,453	1,350,740	1,354,089	1,357,190
Tier 4 (Over 80 units/month)	489,308	490,436	491,633	492,852	493,980
Agricultural	59,071	59,071	59,071	59,071	59,071
Agricultural with Credit	23,332	23,332	23,332	23,332	23,332
Commercial	296,027	296,027	296,027	296,027	296,027
Irrigation					
Tier 1 (See Table 3-3)	456,070	440,824	436,468	436,468	436,468
Tier 2 (See Table 3-3)	391,191	375,945	371,589	371,589	371,589
Construction	41,669	41,669	41,669	41,669	41,669
Recycled	1,049,621	1,080,113	1,088,825	1,088,825	1,088,825
Total	**7,804,637**	**7,817,267**	**7,830,655**	**7,844,296**	**7,856,927**

3.3. Revenues

The District's water revenues consist of operating revenues (i.e. water rate revenues), other operating revenues, non-operating revenues, and capital revenues (from capacity fees assessed to new water connections). Projected water rate revenues under existing rates are calculated for the years FY 2025-FY 2029 by multiplying current rates (from **Table 3-1** and **Table 3-2**) by the corresponding units of service (from **Table 3-6** and **Table 3-7**).[3] Projecting water rate revenues under existing rates is necessary to evaluate the District's projected baseline financial position in the absence of any proposed rate increases. Note that for FY 2024, operating revenues were calculated based on FY 2023 rates for nine months and FY 2024 rates for three months. This is because FY 2024 rates were implemented in March 2024.[4] Revenues under current rates are shown in Table 3-8 and exclude SDCWA Infrastructure Access Charges.

Table 3-8: Projected Operating Revenues Under Existing Water Rates

Operating Revenues	FY 2024 Projected	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected
Fixed Charges:						
OMWD System Access Charge (Potable)	$14,326,302	$14,987,748	$15,014,622	$15,052,465	$15,127,432	$15,154,306
OMWD System Access Charge (Recycled)	$653,069	$681,991	$681,991	$681,991	$681,991	$681,991
Fire Meter Charges	$452,181	$467,006	$467,006	$467,006	$467,006	$467,006
Volumetric Charges:						
Domestic	$32,447,706	$32,464,313	$32,539,043	$32,618,256	$32,698,964	$32,773,694
Agricultural	$387,924	$398,729	$398,729	$398,729	$398,729	$398,729
Agricultural w/ Credit	$129,963	$126,226	$126,226	$126,226	$126,226	$126,226
Commercial	$1,527,180	$1,711,033	$1,711,033	$1,711,033	$1,711,033	$1,711,033
Irrigation	$5,671,829	$5,679,317	$5,474,411	$5,415,866	$5,415,866	$5,415,866
Construction	$291,851	$342,102	$342,102	$342,102	$342,102	$342,102
Recycled Water	$3,937,754	$4,502,874	$4,633,685	$4,671,059	$4,671,059	$4,671,059
Total	**$59,825,759**	**$61,361,341**	**$61,388,849**	**$61,484,736**	**$61,640,410**	**$61,742,014**

Table 3-9 shows a summary of other operating, non-operating, and capital revenues. SDCWA Infrastructure Access Charges were calculated in the same manner as described previously for operating revenues. Revenues from selling excess treated water to Vallecitos were projected in FY 2025 assuming 2,750 acre-feet per year (AFY) in sales, which is the minimum due to the DCMWTP shutdown. In FY 2026 and after, 3,648 AFY is used, which is the average of FY 2020 and 2021. Investment income was calculated based on projected ending cash balances and an assumed 3 percent annual rate of return in FY 2025, 2 percent annual rate of return FYs 2026-2027 and 1.5 percent annual rate of return in FYs 2028-2029. The majority of other operating and non-operating expenses were projected beyond FY 2025 budgeted amounts by either holding

[2] Note that in all report tables, totals may not add up precisely due to rounding.

[3] Fixed charge revenues = [number of meters assessed] x [monthly rate] x [12 months].
Volumetric charge revenues = [annual usage in CCF] x [volumetric rate per CCF].

[4] The District's fiscal year is from July 1 through June 30. For example, fiscal year 2024 spanned from July 1, 2023 through June 30, 2024.

constant through FY 2029 or by escalating by 2 percent per year. District staff provided five-year estimates for all capital revenues over the study period.

Table 3-9: Projected Other Operating Revenues, Non-Operating Revenues, and Capital Revenues

Description	FY 2024 Estimated	FY 2025 Budget	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected
Other Operating Revenues						
SDCWA Infrastructure Access Charge	$1,467,000	$1,561,057	$1,563,703	$1,567,685	$1,576,324	$1,578,970
Selling Excess Treated Water to Vallecitos	$1,194,000	$918,300	$1,449,308	$1,602,357	$1,728,670	$1,800,671
Other	$510,000	$530,200	$530,404	$530,612	$530,824	$531,041
Subtotal	**$3,171,000**	**$3,009,557**	**$3,543,414**	**$3,700,654**	**$3,835,818**	**$3,910,682**
Non-Operating Revenues						
Property Tax Revenue	$4,800,000	$4,896,000	$4,993,920	$5,093,798	$5,195,674	$5,299,588
Rental Income	$775,200	$790,704	$806,518	$806,518	$806,518	$806,518
Investment Income	$0	$322,108	$225,238	$228,624	$171,035	$200,728
Other	$0	$320,892	$256,762	$316,376	$279,965	$350,272
Subtotal	**$5,575,200**	**$6,329,704**	**$6,283,438**	**$6,445,316**	**$6,453,192**	**$6,658,106**
Capital Revenues						
Potable Capacity Fee	$115,000	$118,000	$412,000	$4,047,000	$4,687,000	$803,000
Anticipated Grants	$3,404,000	$1,772,000	$817,000	$0	$0	$0
Recycled Capacity Fee	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000
Subtotal	**$3,524,000**	**$1,895,000**	**$1,234,000**	**$4,052,000**	**$4,692,000**	**$808,000**

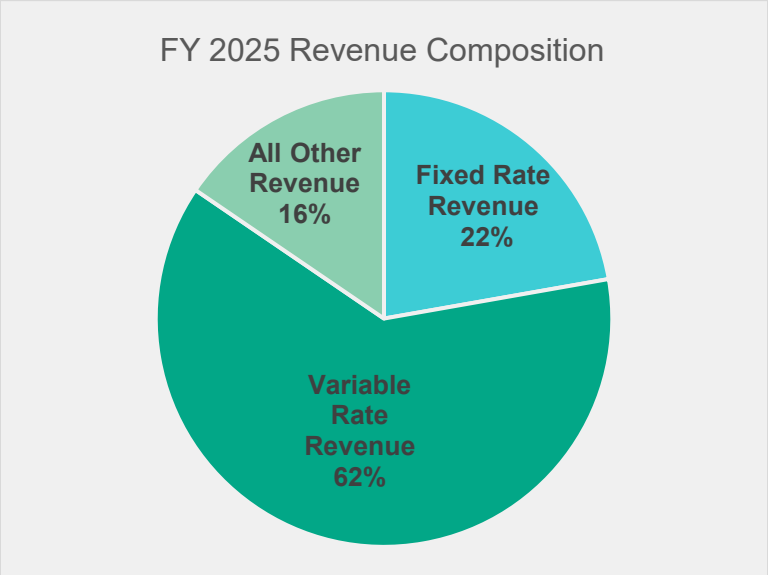
Table 3-10 shows a revenue summary for the study period based on revenues shown previously in **Table 3-8** and **Table 3-9**. Once again, operating revenues shown in this section reflect projected water rate revenues under existing rates in the absence of any rate increases over the study period.

Table 3-10: Revenue Summary

Revenues	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Operating	$59,825,759	$61,361,341	$61,388,849	$61,484,736	$61,640,410	$61,742,014
Other Operating	$3,171,000	$3,009,557	$3,543,414	$3,700,654	$3,835,818	$3,910,682
Non-Operating	$5,575,200	$6,329,704	$6,283,438	$6,445,316	$6,453,192	$6,658,106
Capital	$3,524,000	$1,895,000	$1,234,000	$4,052,000	$4,692,000	$808,000
Total	**$72,095,959**	**$72,595,601**	**$72,449,701**	**$75,682,706**	**$76,621,420**	**$73,118,802**

Figure 3-2 shows FY 2025 revenues broken down into fixed rate revenue (from OMWD System Access Charges and Fire Meter Charges), variable rate revenues (from Volumetric Charges), and all other revenues (including the SDCWA Infrastructure Access Charge). Approximately two-thirds of total revenues are generated by the District's Volumetric Charges.

Figure 3-2: FY 2025 Revenue Composition



3.4. Operations and Maintenance Expenses

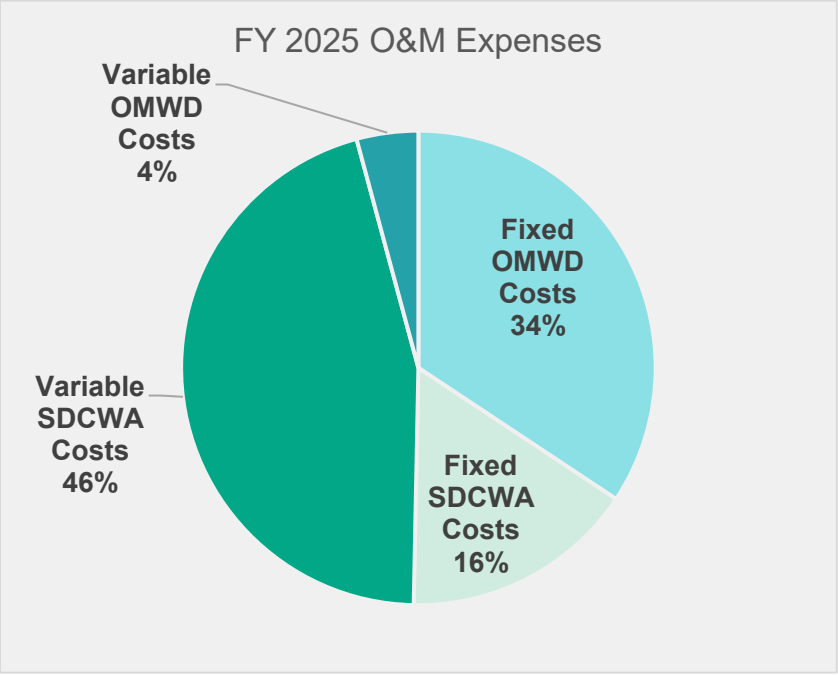
The District's operations and maintenance (O&M) expenses are based on the FY 2025 District budget and projected out through FY 2029. The District's projected purchased water and recycled water expenses were calculated over the study period based on the projected water supply mix and anticipated supply rates from SDCWA and MWD. See Appendix A for detailed calculations of water and recycled water purchase costs over the study period. All other O&M expenses were projected beyond FY 2025 by increasing FY 2025 budgeted expenses by the escalation factors shown in **Table 3-4**. The projected O&M expenses are shown in **Table 3-11**.

Table 3-11: Projected O&M Expenses

O&M Expenses	FY 2024 Estimated	FY 2025 Budget	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected	FY 2029 Projected
Purchased Water Expenses	$33,390,550	$38,004,962	$40,258,159	$44,264,056	$47,602,676	$49,578,639
O&M and WTP Expenses	$13,035,000	$14,028,000	$14,616,000	$15,129,650	$15,663,513	$16,218,444
General Manager Expenses	$485,000	$672,000	$780,000	$828,970	$880,355	$934,265
Engineering Expenses	$2,133,000	$1,944,000	$2,019,000	$2,107,850	$2,200,590	$2,297,391
Finance Expenses	$53,000	$149,000	$190,000	$245,518	$304,316	$366,553
Customer Services Expenses	$4,363,000	$4,232,500	$4,531,000	$4,682,640	$4,839,932	$5,003,101
Human Resources Expenses	$81,300	$30,000	$225,000	$252,205	$280,934	$311,260
Park Expenses	$451,000	$538,000	$510,000	$532,035	$555,020	$578,997
Recycled (SE & NW) Expenses	$1,568,000	$1,490,500	$1,541,000	$1,595,405	$1,651,996	$1,710,867
Total O&M Expenses	**$55,559,850**	**$61,088,962**	**$64,670,159**	**$69,638,328**	**$73,979,333**	**$76,999,517**
Less Depreciation	$802,000	$815,000	$815,000	$831,300	$847,926	$864,885
Total O&M Excluding Depreciation	**$54,757,850**	**$60,273,962**	**$63,855,159**	**$68,807,028**	**$73,131,407**	**$76,134,632**

Figure 3-3 shows FY 2025 O&M expenses broken down as fixed versus variable and District-related (OMWD) versus SDCWA-related. Approximately 62 percent of FY 2025 O&M expenses are projected to be associated with water supply costs from SDCWA, some of which are fixed. Approximately 50 percent of FY 2025 O&M expenses are projected to be fixed in nature. This demonstrates a common challenge faced by municipal water suppliers, in which the majority of O&M expenses are fixed while a majority of revenues are variable (see **Figure 3-2**). This results in susceptibility to revenue instability during periods of reduced water supply/demand.

Figure 3-3: FY 2025 O&M Expenses Composition



3.5. Debt Service

Debt service requirements consist of principal and interest payments on existing and proposed debt. The District currently has debt service obligations associated with the outstanding 2015A Water Revenue Bonds, 2016A Water Revenue Bonds, 2013 State Revolving Fund Loan, and 2021B Wastewater (Sewer) Revenue Bonds. The debt service payments shown for the 2021B Wastewater (Sewer) Revenue Bonds represent the water system's allocated portion of the debt issue. Principal and interest payments associated with each existing debt issue for the water utility are shown below in **Table 3-12**.

Table 3-12: Existing Debt Service Payments

Description	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
2015A Water Revenue Bonds	$2,410,375	$2,413,625	$2,406,875	$2,405,375	$2,403,625	$0
2016A Water Revenue Bonds	$977,000	$978,000	$977,000	$975,000	$978,000	$974,000
2013 State Revolving Fund Loan	$1,070,000	$1,070,000	$1,070,000	$1,070,000	$1,070,000	$1,070,000
2021B Wastewater (Sewer) Revenue Bonds	$610,000	$609,000	$609,000	$609,000	$609,000	$0

The 2015A Water Revenue Bonds and the 2021B Wastewater (Sewer) Revenue Bonds will be paid off in FY 2028. There are no new proposed debt issues in the five-year plan period. Total existing and proposed debt service payments in each year throughout the study period (from **Table 3-12)** are summarized below in **Table 3-13**.

Table 3-13: Total Debt Service

Debt Service	FY 2025	FY 2021	FY 2022	FY 2023	FY 2029
Existing Debt	$5,070,625	$5,062,875	$5,059,375	$5,060,625	$2,044,000
Proposed Debt	$0	$0	$0	$0	$0
Total Debt Service	**$5,070,625**	**$5,062,875**	**$5,059,375**	**$5,060,625**	**$2,044,000**

3.6. Capital Improvement Plan

The District has developed a capital improvement plan (CIP) to address ongoing water system needs in each year throughout the study period. Detailed CIP expenditures in each year are shown at the individual project level for the potable water system in **Table 3-14** and the recycled water system in **Table 3-15**. Inflated project costs in all years throughout the study period were provided by District Engineering staff from the results of the District's Condition Assessment and Pipeline Replacement Assessment studies.

Table 3-14: Potable Water CIP Projects

#	Potable Water CIP	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	San Dieguito Valley Groundwater Desalination Plant	$417,000	$344,000	$1,146,000	$1,921,000	$3,098,000
2	PW and RCW Master Plan Update	$117,000	$0	$0	$0	$0
3	EFRR Parking Lot Expansion	$381,000	$909,000	$0	$0	$0
4	Site Asphalt Improvements	$60,000	$50,000	$30,000	$30,000	$30,000
5	Advanced Metering Infrastructure (AMI)	$715,000	$0	$0	$0	$0
6	CIS Infinity System Upgrade	$213,000	$184,000	$0	$0	$0
7	District Wide Scada Upgrades	$127,000	$0	$0	$0	$0
8	District-Wide PLC Replacements (PW/RCW)	$1,237,000	$0	$0	$0	$0
9	District Wide Physical Security Improvements	$52,000	$0	$0	$0	$0
10	Fleet Electrification Project (PW/RCW)	$165,000	$750,000	$1,490,000	$0	$0
11	RSF Unit A North PL Repl	$1,428,000	$0	$0	$0	$0
12	Golem 14" Pipeline Inspection and Rehab	$133,000	$0	$0	$0	$0
13	Dusty Trail PL Replacement	$120,000	$710,000	$350,000	$0	$0
14	Rancho La Cima/Aliso Canyon PL Relocation	$102,000	$150,000	$0	$0	$0
15	Harris Ranch Right-of-Way Acquisition	$0	$150,000	$0	$0	$0
16	Unit B & K Rehab	$327,000	$1,000,000	$580,000	$0	$0
17	Unit B & K EM CCTV Inspect & Rehab Phase 2	$0	$0	$0	$412,000	$1,838,000
18	Encinitas Blvd Pipeline Inspection and Rehab	$271,000	$403,000	$0	$0	$0
19	RSF Rd Pipeline Inspection	$0	$164,000	$524,000	$0	$0
20	Access improvements to pipe below Gano to San Dieguito Road	$20,000	$55,000	$0	$0	$0
21	Tank Safety Improvements	$516,000	$0	$0	$0	$0
22	Palms I and II Reservoirs Replacemt	$194,000	$303,000	$1,212,000	$0	$0
23	Gaty I Reservoir Decommissioning	$0	$0	$0	$398,000	$0
24	Village Park PRS Replacement	$969,000	$0	$0	$0	$0
25	Gardendale PRS Replacement	$984,000	$0	$0	$0	$0
26	Del Lago PRS Replacement	$0	$123,000	$846,000	$0	$0
27	SE #1 PRS Replacement	$0	$0	$0	$0	$135,000
28	DCMWTP 4th Stage Centrifuge Addition	$2,956,000	$0	$0	$0	$0
29	DCMWTP Chlorine Gen Rm Lining Rehab	$123,000	$0	$0	$0	$0
30	DCMWTP 2nd Stage Membrane Train Overhaul	$126,000	$100,000	$100,000	$0	$0
31	DCMWTP 2nd Stage Basin Rehab and Beam Replacement	$577,000	$1,207,000	$0	$0	$0
32	DCMWTP 1st Stage Beam Replacement	$560,000	$980,000	$666,000	$0	$0
33	DCMWTP Inlet Strainer MOV Actuator Replacement	$63,000	$0	$0	$0	$0

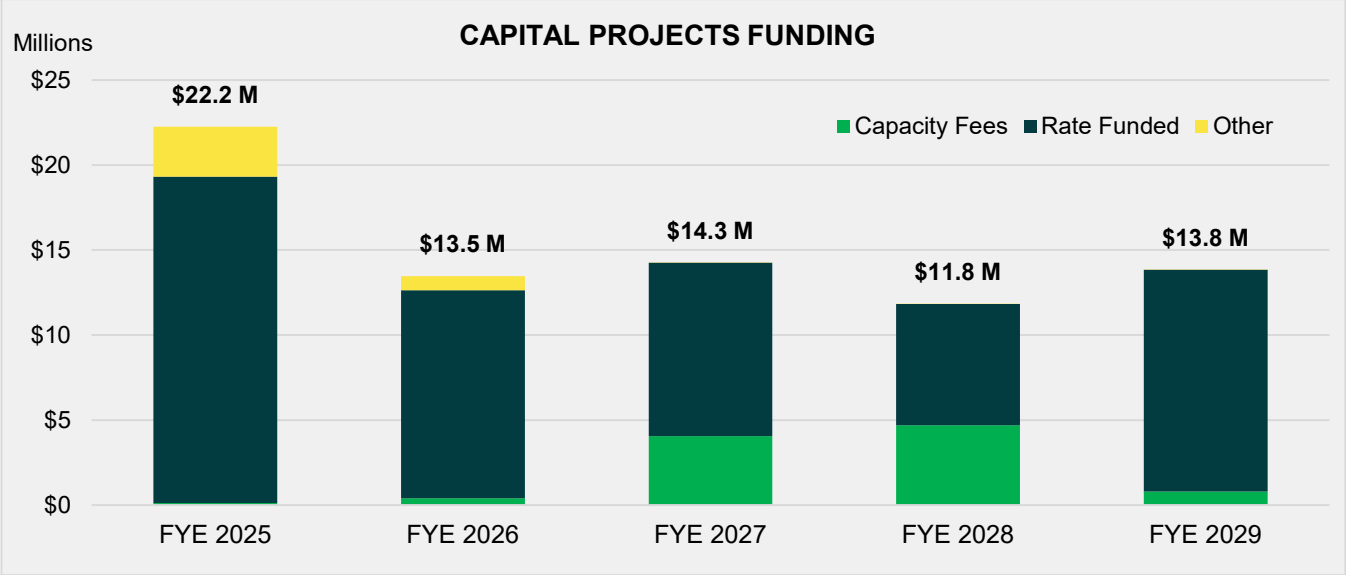
34	DCMWTP Combined Filter Influent & Backwash Pipe Replacement	$180,000	$528,000	$0	$0	$0
35	DCMWTP Raw Water Equal (RWEQ) Tanks Rehab	$668,000	$0	$0	$0	$0
36	DCMWTP Fluoride Room, Permeate Pump Stanchion, Bldg Rehab	$0	$142,000	$0	$0	$0
37	DCMWTP 1st Stage Basins Rehab	$0	$0	$1,295,000	$1,295,000	$1,295,000
38	DCMWTP FCV Actuators Replacement	$0	$0	$310,000	$0	$0
39	DCMWTP BWWEQ Tank Rehab	$0	$0	$596,000	$0	$0
40	DCMWTP Plate Settler Coating Rehab	$0	$0	$0	$123,000	$0
41	DCMWTP Brine Area Rehab	$0	$0	$0	$192,000	$0
42	DCMWTP Sodium Hypochlorite Room Rehab	$0	$0	$0	$0	$98,000
43	DCMWTP HVAC Replacement	$0	$0	$0	$0	$46,000
44	Bridge Crane Rehabilitation and Mods	$65,000	$0	$0	$0	$0
45	Network Security	$100,000	$104,000	$109,000	$114,000	$119,000
46	Replace Pumps and Motors	$175,000	$180,000	$185,000	$191,000	$197,000
47	Replace Potable Meters	$830,000	$927,000	$849,000	$874,000	$900,000
48	Replace Pipelines	$500,000	$515,000	$530,000	$546,000	$562,000
49	Replace Valves	$750,000	$773,000	$796,000	$820,000	$845,000
50	Steel Mains Protection	$304,000	$313,000	$322,000	$332,000	$342,000
51	Replace Meter Anodes	$158,000	$163,000	$168,000	$173,000	$178,000
52	Rehab Concrete Tanks	$25,000	$26,000	$27,000	$28,000	$29,000
53	Replace PRS Valves	$54,000	$56,000	$58,000	$60,000	$62,000
54	Replace DCM WTP Membranes	$936,000	$973,000	$1,012,000	$1,052,000	$1,094,000
55	WTP Misc Equipment and Instrumentation Replacement	$100,000	$106,000	$115,000	$124,000	$134,000
56	WTP Membrane Train Control Wiring Replacement	$35,000	$36,000	$37,000	$38,000	$39,000
57	Impressed current system protection	$0	$0	$74,000	$63,000	$50,000
	Total Potable Water CIP	**$17,833,000**	**$12,424,000**	**$13,427,000**	**$8,786,000**	**$11,091,000**

Table 3-15: Recycled Water CIP Projects

#	Recycled Water CIP	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	Manchester Recycled Pipeline Ext.	$3,298,000	$0	$0	$0	$0
2	Calle Barcelona, VP, & Summerhill HOA Exten	$244,000	$0	$0	$0	$0
3	Wanket RW Reservoir Rehabilitation	$157,000	$0	$0	$0	$0
4	Santa Fe Valley RW Reservoir Improvements	$150,000	$0	$0	$0	$0
5	Off-Spec and High Flow Diversion Pipeline	$129,000	$0	$0	$0	$0
6	Upgrade Filter Electrical	$75,000	$439,000	$0	$0	$0
7	Upgrade Flow Equalization Basins	$22,000	$125,000	$0	$0	$0
8	Recycled Water Storage Pond Upgrades	$17,000	$101,000	$0	$0	$0
9	Replace Existing Recycled Water Pump Station VFDs	$0	$0	$37,000	$0	$0
10	Site Paving Improvements	$0	$0	$8,000	$0	$0
11	Replace Main Switchboard S (MSB-S) and Automatic Transfer Switch	$0	$0	$382,000	$2,227,000	$0
12	Replace WRF Electrical Conduits, Enclosures, and Lighting	$0	$0	$0	$390,000	$2,278,000
13	Chemical Area Upgrades	$65,000	$80,000	$100,000	$73,000	$76,000
14	Replace Roll-up doors	$30,000	$41,000	$52,000	$54,000	$56,000
15	Recycled Conversions (formerly Retrofit Potable to Recycled)	$50,000	$52,000	$54,000	$56,000	$58,000
16	Replace Recycled Meters	$75,000	$77,000	$79,000	$81,000	$83,000
17	Replace Recycled Pipeline	$12,000	$12,000	$6,000	$6,000	$6,000
18	Replace Recycled Valves	$80,000	$85,000	$90,000	$96,000	$101,000
19	4S WRF Physical Security Upgrades	$12,000	$12,000	$14,000	$16,000	$18,000
20	Plant A Rehabilitation	$0	$10,000	$20,000	$30,000	$40,000
21	Valve and Gate Replacement Program	$0	$0	$0	$10,000	$16,000
22	Small Pump and Motor Replacement Program	$0	$0	$0	$16,000	$20,000
	Total Recycled Water CIP	**$4,416,000**	**$1,034,000**	**$842,000**	**$3,055,000**	**$2,752,000**

Total CIP expenditures over the study period are shown below in **Figure 3-4**. Potable water capacity fee revenues are anticipated to be available to fund the District's CIP and range from $118,000 in FY 2025 to over $4 million in FY 2028. "Other" funds include anticipated grant funds, recycled water capacity fee revenues, and land sale proceeds. All other CIP during the study period is projected to be funded by water rate revenues, there is no proposed debt funding.

Figure 3-4: CIP by Funding Source



3.7. Financial Policies

3.7.1. Debt Coverage

The District must meet its debt service coverage requirements on its outstanding bond issues. The District's required debt coverage is 125 percent, meaning that the District's net revenues must amount to at least 125 percent of annual debt service. The District is currently rated "AAA" by Fitch Ratings. To get a lower borrowing cost for any debt issuance in the future, it has been the District's goal to maintain at least 2.5 net water system revenue to debt service coverage ratio. The proposed financial plan, therefore, incorporates a debt coverage target of 250 percent. Net revenues include funds from water rates and charges, miscellaneous service charges, revenues received from contracts, and interest income. Annual debt service includes annual principal and interest payments on outstanding debt.

3.7.2. Reserve Policies

The District maintains four separate funds. The Operating Fund is designed to provide working capital and mitigate the impact of fluctuations in O&M expenditures. The Capital Improvement Fund is designed to ensure adequate construction funds are maintained to approve construction contracts. The Rate Stabilization Fund is designed to mitigate the impact of reduced water sales on the District's financial condition and, lastly, the Pension Stabilization Fund is designed to help stabilize pension costs by making additional contributions to its pension plan to minimize fluctuations in District's Unfunded Accrued Liability (UAL). Raftelis recommends that the District maintains its current reserve policies, which define the minimum and maximum reserve balances for each of the three funds. The existing reserve policies are appropriate given industry norms as well as the District's unique attributes. The current reserve targets are:

1. **Operating Fund**
    - Minimum Level: 60 days of annual O&M expenditures *($9.91 million in FY 2025)*
    - Maximum Level: 120 days of annual O&M expenditures *($19.82 million in FY 2025)*

2. **Capital Improvement Fund**
    - Minimum Level: average annual CIP expenditures over the next 10 years *($17.32 million in FY 2025)*
    - Maximum Level: five years of average annual 10-year CIP expenditures *($86.59 million in FY 2025)*
3. **Rate Stabilization Fund**
    - Minimum Level: 25 percent of estimated net water sales[5] in the current fiscal year *($6.84 million in FY 2025)*
    - Maximum Level: 50 percent of estimated net water sales for the next two fiscal years *($13.68 million in FY 2025)*
4. **Pension Stabilization Fund**
    - Minimum Level: 1 year of projected employee retirement (ER) contribution for unfunded accrued liability (UAL) over the next 5 years *($0.96 million in FY 2025)*
    - Maximum Level: 2 years of projected ER contribution for UAL over the next 5 years *($1.91 million in FY 2025)*

3.8. Status Quo Financial Plan

The status quo financial plan illustrates what would occur in the absence of any water rate increases over the study period. Current water rates in effect as of FY 2024 are assumed to remain unchanged over the study period under the status quo. Raftelis and District staff first evaluated the District's cash flow and fund balance over the study period under the status quo before considering any revenue adjustments.

Figure 3-5 shows the projected ending cash balance in each year over the study period under the status quo for all three funds combined (Operating, Capital Improvement, and Rate Stabilization). Under the status quo financial plan, the District's reserves are steadily drawn down over the five-year study period until the minimum reserve balance is no longer met in FY 2028. Furthermore, **Figure 3-6** shows that the District is projected to fail to meet minimum required debt coverage beginning in FY 2028 under the status quo. This clearly demonstrates the need for rate revenue increases over the study period to ensure that the District meets its debt coverage obligations and exceeds the minimum reserve balance as established by District policy. For detailed cash flow and fund balance projections under the status quo, please refer to **Appendix B**.

[5] Net water sales are defined as total annual revenues from rates and charges less annual water purchase expenses.

Figure 3-5: Total Fund Balance Under Status Quo Financial Plan

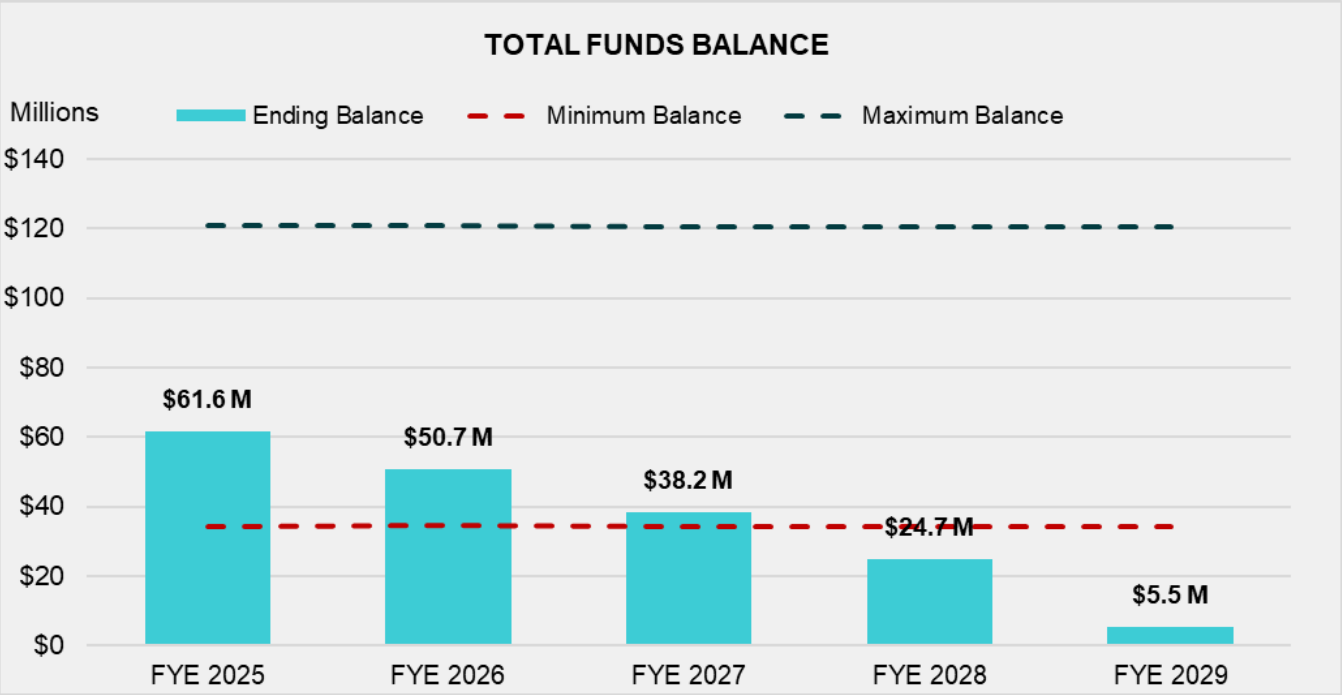
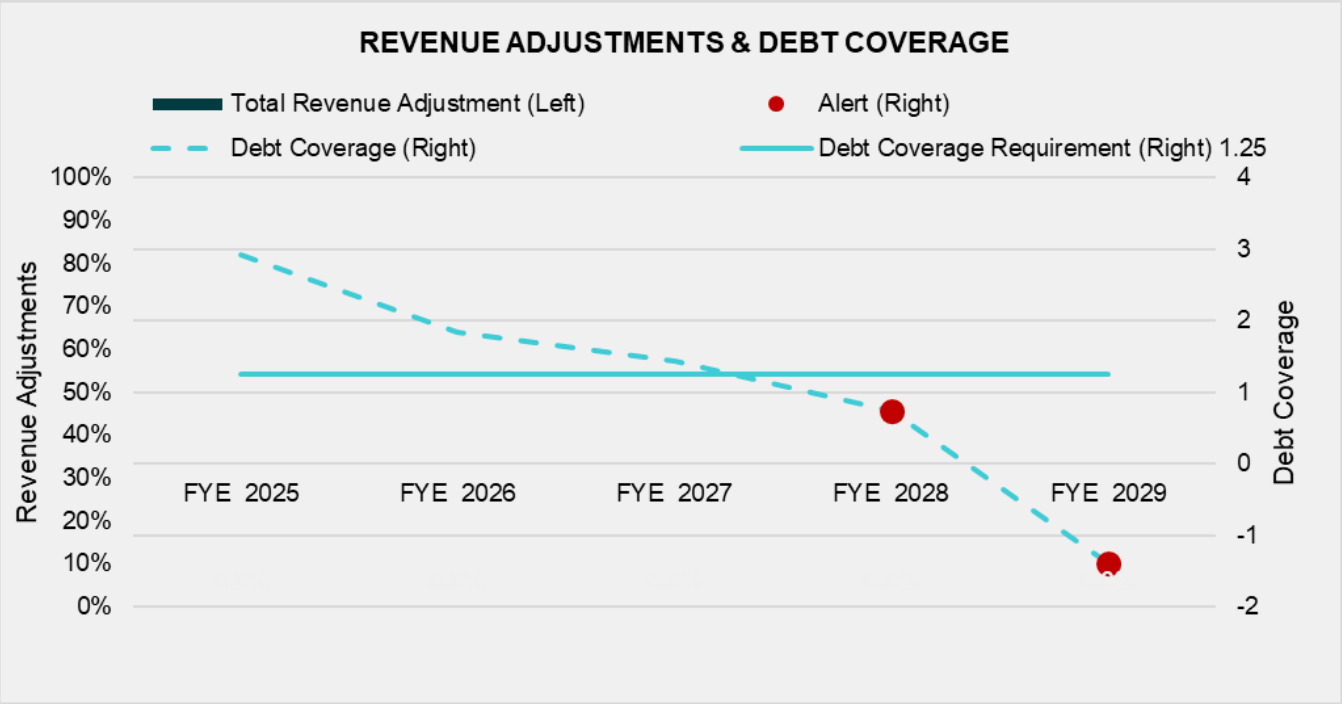


Figure 3-6: Projected Debt Coverage Under Status Quo Financial Plan



3.9. Proposed Financial Plan

The status quo financial plan demonstrates that the District must increase its revenues from water rates over the five-year study period in order to meet required debt coverage and minimum reserve levels. Raftelis therefore proposed annual revenue adjustments in each year through FY 2029 to ensure that the District meets its debt obligations and maintains healthy reserve levels in accordance with District policy. The term "revenue adjustment" specifically refers to a percent increase in water revenues (from Volumetric Charges, OMWD System Access Charges, and Fire Meter Charges) relative to the amount of water rate revenues that would be collected under the prior year's rates. Note that revenue adjustments are used only to project total water rate revenues. Allocation of the total water rate revenue requirement across the various water charges is included in the cost of service analysis in **Section 4**. District staff and the Board of Directors approved the recommendations of the proposed revenue adjustments each year developed by Raftelis. **Table 3-16** shows the proposed revenue adjustments over the study period.

Table 3-16: Proposed 5-Year Revenue Adjustments

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
System Access Charges including Inflation/Wholesale Pass-Through	8.0%	8.0%	8.0%	5.0%	4.0%
Fire Meter Charges	5.0%	6.0%	6.0%	5.0%	4.0%
Commodity Charges including Inflation/Wholesale Pass-Through	8.0%	8.0%	8.0%	5.0%	4.0%
Infrastructure Access Charges SDCWA IAC Pass-Through	3.2%	8.5%	11.5%	4.0%	4.0%
TOTAL REVENUE ADJUSTMENT	**7.9%**	**8.0%**	**8.1%**	**5.0%**	**4.0%**

Table 3-17 shows the proposed five-year financial plan in proforma format. Revenues and expenses were shown previously in **Section 3**. Rate revenue under existing rates is shown in Line 2, while Line 3 represents additional revenue resulting from the proposed revenue adjustments. Other operating revenues in Line 4 include the SDCWA Infrastructure Access Charge, excess treated water sales to Vallecitos, rental income, and other miscellaneous revenues. Non-operating revenue in Line 6 includes property tax and other miscellaneous revenues. Capital Revenues from **Table 3-9** are excluded from the operating cash flow in **Table 3-17** (which excludes capital expenditures and revenues), but are accounted for when projecting total ending balances (**Figure 3-9**). Transfers from the Operating Fund were initiated to ensure that each fund met at least the minimum required reserve level. Net annual cash balance (Line 28) is calculated by subtracting total expenses (Line 15) and total transfers (Line 26) from total revenues (Line 7). Calculated debt coverage is shown in Line 30 and is outlined in greater detail in Appendix C. More detailed cash flow and ending balance projections are also included in Appendix C. The net annual cash balance in FY 2025 is slightly negative, indicating that the District will draw from reserves to meet the Operating Fund revenue requirement. Beginning in FY 2026, the net annual cash balance becomes positive again through the end of the study period.

Table 3-17: Proposed Financial Plan

	Description	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	**REVENUES**					
2	Revenues from Current Rates (excludes IAC)	$61,361,341	$61,388,849	$61,484,736	$61,640,410	$61,742,014
3	Revenue Adjustments (excludes IAC)	$2,449,784	$7,548,442	$13,073,657	$17,917,100	$21,522,961
4	Other Operating Revenue	$3,034,335	$3,661,623	$3,988,814	$4,266,381	$4,422,378
5	Investment & Interest Income	$643,000	$483,000	$545,000	$451,000	$552,000
6	Non-Operating Revenue	$5,686,704	$5,800,438	$5,900,316	$6,002,192	$6,106,106
7	**TOTAL REVENUES**	**$73,175,164**	**$78,882,352**	**$84,992,523**	**$90,277,084**	**$94,345,459**
8						
9	**EXPENSES**					
10	O&M Expenses without Depreciation	$22,269,000	$23,597,000	$24,542,973	$25,528,731	$26,555,994
11	Purchased Water (potable & recycled)	$38,004,962	$40,258,159	$44,264,056	$47,602,676	$49,578,639
12	Other Operating Expenses (potable & recycled)	$50,000	$50,000	$50,000	$50,000	$50,000
13	Non-Operating Expenses (potable & recycled)	$1,570,927	$1,043,507	$12,000	$10,000	$10,000
14	Existing Debt Service	$5,070,625	$5,062,875	$5,059,375	$5,060,625	$2,044,000
15	**TOTAL EXPENSES**	**$66,965,515**	**$70,011,541**	**$73,928,403**	**$78,252,032**	**$78,238,632**
16						
17	**TRANSFERS**					
18	Transfer Potable Operating to Potable Capital - PAYGO	$6,000,000	$7,000,000	$7,500,000	$7,500,000	$9,500,000
19	Transfer to Wastewater (Sewer) Fund - 2018/2021B Bonds	($121,800)	($121,800)	($121,800)	($121,800)	$0
20	Transfer to 2012 SRF Reserve	$107,000	$107,000	$0	$0	$0
21	Transfer to/(from) Rate Stabilization Fund	($1,560,927)	($1,033,507)	($2,000)	$0	$0
22	Transfer to/(from) Pension Stabilization Fund	$220,000	$220,000	$220,000	$220,000	$220,000
23	Potable OMWD Option 2 (reduce to CPI)	$0	$0	$0	$0	$0
24	Transfer Recycled Oper. to Recycled Capital	$200,000	$200,000	$200,000	$200,000	$200,000
25	Transfer Recycled Oper. to Potable Capital	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000
26	**TOTAL TRANSFERS**	**$6,344,273**	**$7,871,693**	**$9,296,200**	**$9,298,200**	**$11,420,000**
27						
28	**Net Annual Cash Balance**	**($134,624)**	**$999,118**	**$1,767,920**	**$2,726,852**	**$4,686,827**
29						
30	Calculated Debt Coverage	342%	338%	417%	445%	963%
31	Target Debt Coverage	125%	125%	125%	125%	125%

Figure 3-7 summarizes the tabular results from **Table 3-17** in graphical format. O&M expenses, purchased water costs, debt service, transfers, and revenues to (or from) reserves are represented by stacked bars. Revenues under current rates are represented by the solid line, while revenues inclusive of the proposed revenue adjustments are represented by the dashed line. **Figure 3-7** clearly demonstrates although current rates are sufficient to cover operating costs, the proposed revenue adjustments are necessary to provide sufficient funding for transfers from the Operating Fund to cover CIP expenditures and other needs.

Figure 3-7: Proposed Operating Financial Plan

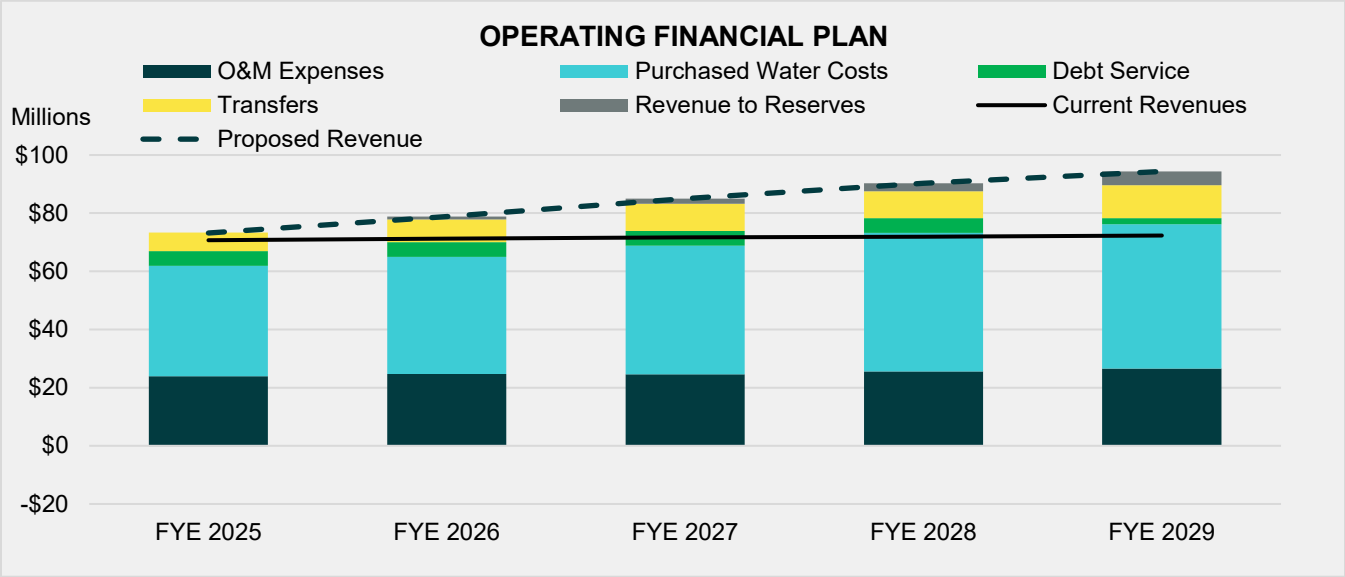


Figure 3-8 illustrates how the proposed revenue adjustments, represented by the bars (left axis), will ensure that the District's projected debt coverage (dashed line) (right axis) exceeds its 125% debt coverage requirement (solid blue line). The District targets robust debt coverage of at least 250 percent to help the District maintain its AAA credit rating by Fitch, which can minimize the costs associated with any future debt issues.

Figure 3-8: Projected Debt Coverage Ratios under Proposed Revenue Adjustments

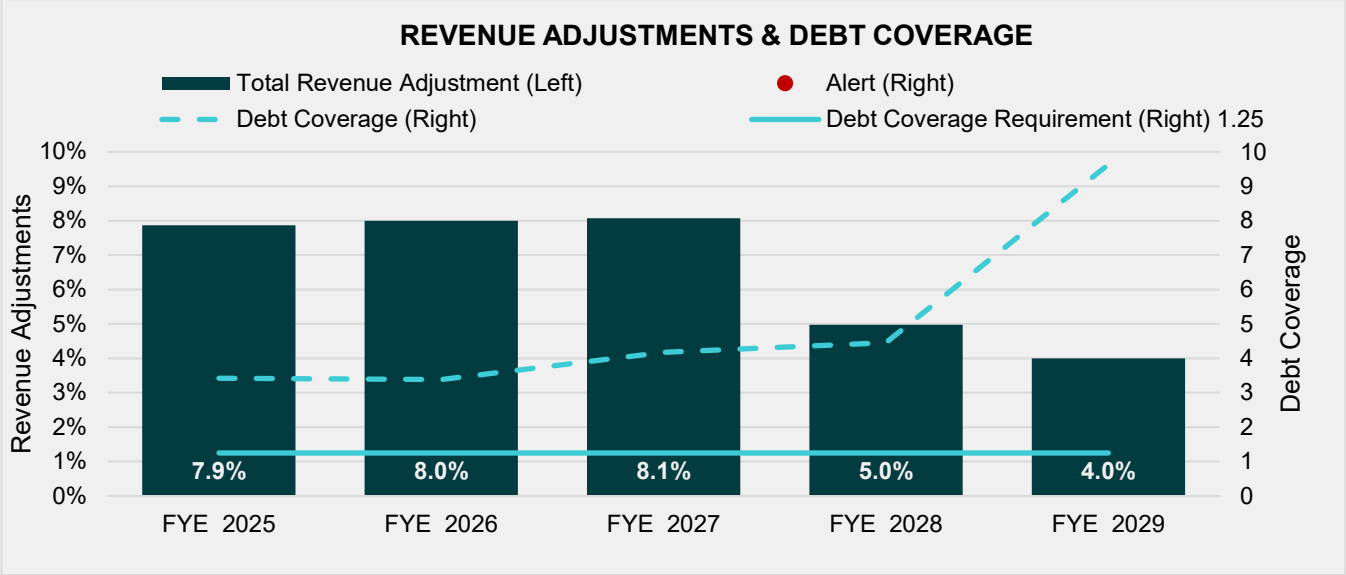
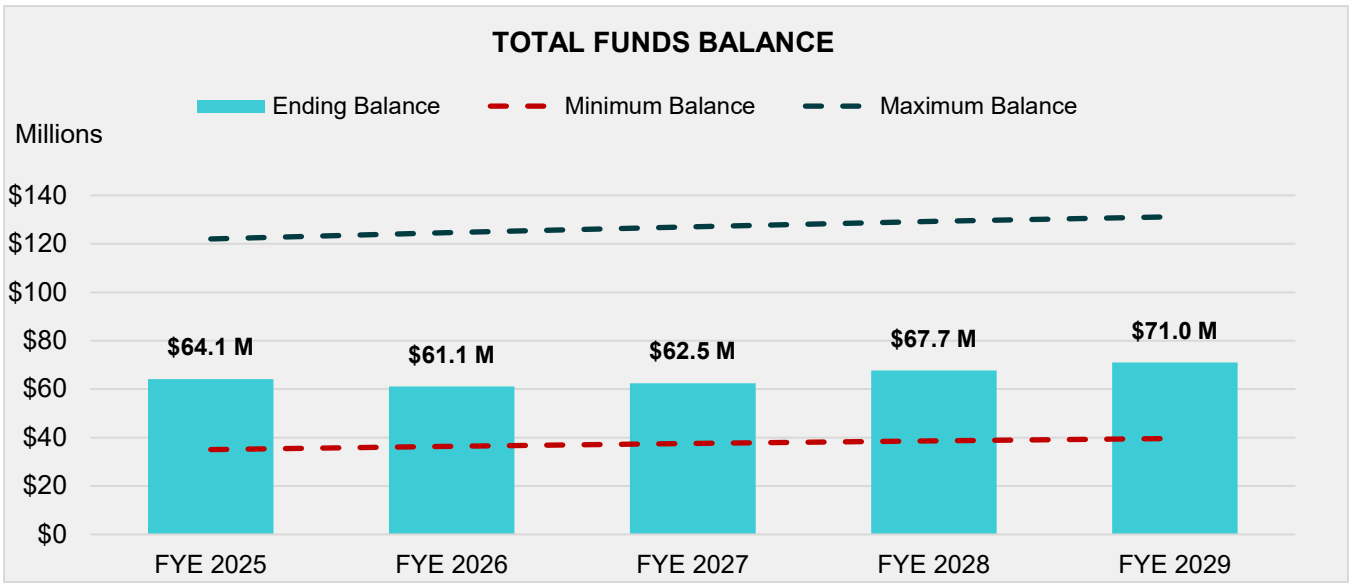


Figure 3-9 demonstrates that the District will exceed the minimum reserve target in all years under the proposed financial plan. Ending Balances and minimum/maximum targets shown below include all three funds combined (Operating, Capital Improvement, and Rate Stabilization). The projected total ending funds balance shown in **Figure 3-9** remain steady over the study period between minimum and maximum reserve targets.

Figure 3-9: Projected Ending Balances Under Proposed Financial Plan



4. Cost of Service

Section 4 of the report provides a detailed description of the cost-of-service (COS) analysis performed for the District's water system. The goal of a COS analysis is to allocate the overall rate revenue requirement to all customer classes and tiers based on their proportion of usage and burden on the system. The numbers shown in this section of the report are rounded. Therefore, hand calculations based on the displayed numbers, such as summing or multiplying, may not equal the exact results shown in this report.

4.1. Process and Approach

The first step in the COS analysis process is to determine the revenue requirement, which is based on the results of the financial plan and the proposed revenue adjustments. The framework and methodology utilized to develop the COS analysis and to apportion the revenue requirement to each customer class and tier is informed by the processes outlined in the M1 Manual.

COS analyses are tailored specifically to meet the unique needs of each water system. However, there are four distinct steps in every analysis to recover costs from customer classes in an accurate, equitable, and defensible manner:

1. **Cost functionalization:** O&M expenses and capital assets are categorized by their system function. Functions include supply, treatment, storage, distribution, customer service, etc.
2. **Cost causation component allocation:** The functionalized costs are then allocated to cost causation components based on their burden on the system. The cost causation components include supply, base delivery, peaking, meter, customer, etc. The revenue requirement is allocated accordingly to the cost causation components, resulting in the total revenue requirement for each cost causation component.
3. **Unit cost development:** the revenue requirement for each cost causation component is divided by the appropriate units of service of each customer class and tier to determine the unit cost for each cost causation component.
4. **Revenue requirement distribution:** the unit cost is utilized to distribute the revenue requirement for each cost causation component to customer classes and tiers based on their individual service units. The District's customer classes include Domestic, Agricultural, Commercial, Irrigation, Construction, and Recycled.

4.2. Revenue Requirement

Table 4-1 shows the revenue requirement, which is equal to the total revenue required from rates for FY 2025 (also referred to as the test year or rate-setting year). The revenue requirement is divided into the Operating and Capital categories (Columns C and D), which are to be later allocated based on O&M expenses and capital assets respectively.

The revenue requirement is calculated using the FY 2025 expenses (Lines 2-6), which includes O&M expenses, purchased water costs, other operating expenses, non-operating expenses, and existing debt service. The revenue offsets (Lines 10-24) include the various miscellaneous, non-rate revenues that are applied as offsets to the revenue requirement. The cash balance adjustment (Line 28) is determined by calculating the negative sum of total transfers (**Table 3-17**, Line 24) and net annual cash balance (**Table 3-17**, Line 26). The final revenue requirement (Line 31) is calculated as follows:

Total revenue required from rates (Line 31) = Revenue requirements (Line 7) - Revenue offsets (Line 25) - Adjustments (Line 30)

Table 4-1: Proposed Revenue Requirement

A	B	C	D	E
Line	Revenue Requirement (FY 2025)	Operating Revenue Requirements	Capital Revenue Requirements	Total Revenue Requirements
1	**Revenue Requirements**			
2	O&M Expenses without Depreciation	$22,269,000	$0	$22,269,000
3	Purchased Water (potable & recycled)	$38,004,962	$0	$38,004,962
4	Other Operating Expenses (potable & recycled)	$0	$50,000	$50,000
5	Non-Operating Expenses (potable & recycled)	$0	$1,570,927	$1,570,927
6	Existing Debt Service	$0	$5,070,625	$5,070,625
7	**Total Revenue Requirements**	**$60,273,962**	**$6,691,552**	**$66,965,515**
8				
9	**Revenue Offsets**			
10	CWA Infrastructure Access Charge	$1,585,835		$1,585,835
11	Selling Excess Treated Water to Vallecitos	$918,300	$0	$918,300
12	Misc. Water Sales	$10,000	$0	$10,000
13	Meter Installations	$15,000	$0	$15,000
14	Hydro-electric Plant Revenues	$110,000	$0	$110,000
15	Turn Off/On Fees and NSF Charges	$20,000	$0	$20,000
16	Delinquency Charges	$120,000	$0	$120,000
17	Transfer Fee	$30,000	$0	$30,000
18	Cross Connection/Inspection	$205,000	$0	$205,000
19	Outside District Boundary Charges	$10,000	$0	$10,000
20	Other operating	$10,200	$0	$10,200
21	Investment Income (Potable)	$0	$322,108	$322,108
22	Property Tax Revenue	$3,056,000	$1,840,000	$4,896,000
23	Rental Income	$0	$790,704	$790,704
24	Investment Income (Recycled)	$0	$320,892	$320,892
25	**Total Revenue Offsets**	**$6,090,335**	**$3,273,704**	**$9,364,039**
26				
27	**Less Adjustments**			
28	Adjustment for Cash Balance	$0	($6,209,649)	($6,209,649)
29	Adjustment for Mid-year Increase	($2,449,784)	$0	($2,449,784)
30	**Total Less Adjustments**	**($2,449,784)**	**($6,209,649)**	**($8,659,432)**
31	**Cost of Service to be Recovered from Rates**	**$56,633,411**	**$9,627,497**	**$66,260,908**

4.3. Functionalization and Allocation of Expenses

After determining the revenue requirement, the next step of the COS analysis is to allocate the O&M expenses and capital assets to the following functions:

- **Supply** – represents costs of procuring water supplies from SDCWA
- **Treatment** – represents costs of water treatment
- **Reservoir** – represents costs of storing water
- **Distribution** – represents costs pertaining to the District's water distribution system
- **Pump Stations** – represents costs of pumping water to customers
- **Meters** – represents costs relating to maintenance and capital costs of water meters as well as a portion of costs related to water system capacity
- **Hydrants** – represents costs of providing capacity for public fire protection
- **Customer** – represents costs of meter reading, billing, and other customer services
- **Recycled Water** – represents costs related to the District's recycled water system
- **General -** represents costs for general operational expenses which cannot be categorized under any of the above

The functionalization of costs allows for the allocation of costs to the cost causation components, which include:

- **Supply** – costs associated with procuring water supplies from SDCWA
- **Base Delivery** – costs associated with providing water under average conditions
- **Peaking** (Max Day and Max Hour) – costs associated with providing water under peak demand conditions
- **Recycled Water** – costs associated with the District's recycled water system
- **Fire Protection** – costs associated with providing capacity for fire protection
- **Meters** – costs associated with purchasing, maintaining, and servicing water meters as well as some costs related to system capacity
- **Customer** – costs associated with customer service and billing
- **General** – costs that do not have any direct cost causation
- **Revenue Offsets** – non-rate revenues (such as property taxes and interest income) with no direct association with specific expenses or services

4.4. Peaking Factors

Peaking costs are divided into maximum day (Max Day) and maximum hour (Max Hour) demand. The Max Day demand is the maximum amount of water used in a single day in a year, and the Max Hour demand is the maximum usage in an hour on the Max Day. Different facilities, such as distribution and storage facilities, are designed to meet customers' peaking demands. Therefore, peaking costs, also known as extra capacity costs, are associated with meeting peak customer demand.

Table 4-2 shows the system-wide peaking factors used to derive the cost component allocation bases for Base Delivery, Max Day, and Max Hour costs. The Base Delivery, or Base use is considered average daily demand over one year, which has been normalized to a factor of 1.00 (Column C, Line 1). The Max Day peaking factor (Column C, Line 2) indicates that the Max Day demand is 1.88 times greater than the average daily demand based on average usage. Similarly, the Max Hour peaking factor (Column C, Line 3) shows that the Max Hour demand is 2.82 times greater than average demand.

The allocation bases (Columns D to F) are calculated using the equations outlined below. Columns are represented in these equations as letters, and rows are represented as numbers. For example, Column D, Line 2 is shown as D2.

The Max Day allocations are calculated as follows:

- Base Delivery: *C1 / C2 x 100% = D2*
- Max Day: *(C2 - C1) / C2 x 100% = E2*

The Max Hour allocations are calculated as follows:

- Base Delivery: *C1 / C3 x 100% = D3*
- Max Day: *(C2 - C1) / C3 x 100% = E3*
- Max Hour: *(C3 - C2) / C3 x 100% = F3*

Table 4-2: System Peaking Factor Allocations

A	B	C	D	E	F	G
Line	Allocation Factor	Peaking Factor	Base	Max Day	Max Hour	Total
1	**Base**	1.00	100.0%	0.0%	0.0%	100.0%
2	**Max Day**	1.88	53.1%	46.9%	0.0%	100.0%
3	**Max Hour**	2.82	35.4%	31.2%	33.3%	100.0%

Table 4-3 shows the peaking factors by customer class. Raftelis used the fiscal year (FY) 2022 water usage data to determine peaking factors, as 2023 was an unusually wet year, driving down usage. Each Max Month factor (Column E) is calculated by dividing FY 2022 maximum monthly usage by FY 2022 average monthly usage. Max Day factors (Column F) peaking factors are estimated by multiplying each tier-specific Max Month factor (Column C) by 1.42, which is the ratio of the system-wide Max Day factor to the system-wide Max Month factor. Max Hour factors (Column E) are calculated by multiplying each tier-specific Max Day factor (Column D) by 1.5, which represents the ratio of the system-wide Max Hour factor to the system-wide Max Day factor. It is noted that the peaking factors relative to each other are important and not the values themselves; therefore, the Max Month factors are a proxy for the Max day and Max Hour peaks. Note that recycled water volumetric rates do not incorporate peaking costs because the recycled water supply and distribution system is separate from the potable water system. Therefore, recycled water usage is excluded from **Table 4-3**.

Table 4-3: Peaking Factors by Customer Class

A Line	B Customer Class	C Max Month Factor	D Max Day Factor	E Max Hour Factor
1	**Domestic**			
2	Tier 1	1.03	1.46	2.19
3	Tier 2	1.26	1.77	2.66
4	Tier 3	1.54	2.17	3.26
5	Tier 4	1.94	2.75	4.13
6	**Agricultural**	1.60	2.27	3.40
7	**Commercial**	1.19	1.69	2.53
8	**Irrigation**			
9	Tier 1	1.60	2.27	3.40
10	Tier 2	2.02	2.87	4.30
11	**Construction**[6]	N/A	3.00	4.50

4.5. Allocation of Functional Categories to Cost Causation Components

Table 4-4 shows the allocation of functional categories to each cost causation component. The percentages shown for each functional category are to be used in the following subsections to allocate O&M expenses and capital assets to the various cost causation components.

Some functional categories are simply allocated 100 percent to the corresponding cost causation component or allocated evenly between two corresponding cost causation components. Others are based on the system peaking factor allocations shown previously in **Table 4-2**. Below is a verbal description of the allocation of functional categories shown in **Table 4-4**:

1. The **Supply** functional category is fully allocated to the **Supply** cost causation component, which is to be applied to the volumetric rates (excluding recycled water) to recover costs associated with procuring water from SDCWA.
2. The **Treatment** functional category is allocated to the cost causation components based on the Max Day allocation in Line 2 of **Table 4-2** (as treatment facilities are generally designed for Max Day demands).
3. The **Reservoir** is designed to meet max day demands plus fire flow, and 10 percent of the reservoir functional category is allocated to the **Fire Protection** cost causation component based on ISO standards with the remaining 90 percent allocated to the cost causation components based on the Max Day allocation in Line 2 of **Table 4-2**.
4. The **Distribution** system is designed to meet peak hour demands plus fire flow, and this functional category is allocated 10 percent to the **Fire Protection** cost causation component, with the remaining 90 percent allocated to the cost causation components based on the Max Hour allocation in Line 3 of **Table 4-2**.

[6] Due to the temporary and variable nature of Construction water usage, the Max Month factor is estimated at 3.00, which is consistent with the value used in the prior water COS study.

5. The **Pump Stations** functional category is allocated to the cost causation components based on the Max Hour allocation in Line 3 of **Table 4-2** (as pumping facilities are generally designed to withstand Max Hour demands).
6. The **Meters** functional category is fully allocated to the **Meters** cost causation component, which is to be recovered by the OMWD System Access Charge.
7. The **Hydrants** functional category is fully allocated to the **Fire Protection** cost causation component, which is to be recovered by the OMWD System Access.
8. The SDCWA **Customer** functional category is fully allocated to the **Customer** cost causation component, which is to be recovered by the OMWD System Access Charge.
9. The **Recycled Water** functional category is fully allocated to the **Recycled Water** cost causation component, which is to be recovered by the recycled water volumetric rate.
10. The District **Customer** functional category is allocated 45 percent to the **Customer** cost causation component and 55 percent to the **Meters** cost causation component to recognize the costs associated with meters and customer service.
11. The **General** functional category is fully allocated to the **General** cost causation component, which will later be distributed proportionally to the other cost causation components.

Table 4-4: Allocation of Functional Categories to Cost Causation Components

A	B	C	D	E	F	G	H	I	J	K	L
Line	Functional Category	Supply	Base	Max Day	Max Hour	Recycled Water	Fire Protection	Meters	Customer	General	Total
1	**Supply**	100%									100%
2	**Treatment**		53%	47%							100%
3	**Transmission**		53%	47%							100%
4	**Reservoir**		48%	42%			10%				100%
5	**Distribution**		32%	28%	30%		10%				100%
6	**Pump Stations**		35%	31%	33%						100%
7	**Meters**							100%			100%
8	**Hydrants**						100%				100%
9	**Customer**								100%		100%
10	**Recycled Water**					100%					100%
11	**Customer/Meter**							55%	45%		100%
12	**General**									100%	100%

4.6. O&M Allocation

Table 4-5 shows the allocation of O&M expenses to each cost causation component. O&M expenses are used in subsequent steps of the COS analysis to allocate the Operating revenue requirement. The percentages in Columns D-L of **Table 4-5** are determined by the assigned functional category in Column C and associated allocations shown above in **Table 4-4**. FY 2025 O&M expenses are shown in Column M, Lines 1-20 in millions of dollars. Purchased water expenses are broken down in Lines 1-10 to provide for more precise functionalization in Column C. The remaining O&M expenses less depreciation in Lines 11-20 are based on totals shown for FY 2025 in **Table 3-11**. Note that total O&M expenses in Column M, Line 21 of **Table 4-5** equals total FY 2025 O&M expenses excluding depreciation from **Table 3-11.**

The percentages for each cost causation component (Columns D-L) are multiplied by the FY 2025 O&M costs in Column for each individual line and then summed in Columns D-L of Line 21 to determine the total allocation of O&M expenses to each cost causation component. The proportion of total FY 2025 O&M expenses allocated to each cost causation component in Line 21 is shown in percentages in Line 23. The percentages in Line 23 represent the O&M allocation basis to be used in subsequent steps of the COS analysis. Note that the total O&M cost is equal to the sum of O&M expenses (excluding depreciation) and purchased water expenses from the revenue requirement determination (**Table 4-1**, Column E, Lines 2-3).

Table 4-5: O&M Cost Allocation

A	B	C	D	E	F	G	H	I	J	K	L	M
	O&M Expenses	**Functional Category**	**Supply**	**Base Delivery**	**Max Day**	**Max Hour**	**Recycled Water**	**Fire Protection**	**Meters**	**Customer**	**General**	**Total ($M)**
1	Purchased Water - Potable	*Supply*	100%	0%	0%	0%	0%	0%	0%	0%	0%	**$21.4 M**
2	Treatment Rate	*Treatment*	0%	53%	47%	0%	0%	0%	0%	0%	0%	**$1.1 M**
3	Capacity Reservation Charge	*Meters*	0%	0%	0%	0%	0%	0%	100%	0%	0%	**$0.4 M**
4	Readiness to Serve Charge	*Meters*	0%	0%	0%	0%	0%	0%	100%	0%	0%	**$0.7 M**
5	Infrastructure Access Charge	*Meters*	0%	0%	0%	0%	0%	0%	100%	0%	0%	**$1.5 M**
6	Customer Service Charge	*Customer*	0%	0%	0%	0%	0%	0%	0%	100%	0%	**$1.4 M**
7	Transportation Volumetric Charge	*Trans-mission*	0%	53%	47%	0%	0%	0%	0%	0%	0%	**$2.7 M**
8	Transportation Fixed Charge	*Meters*	0%	0%	0%	0%	0%	0%	100%	0%	0%	**$0.7 M**
9	Storage Charge	*Meters*	0%	0%	0%	0%	0%	0%	100%	0%	0%	**$3.2 M**
10	Supply Reliability Charge	*Meters*	0%	0%	0%	0%	0%	0%	100%	0%	0%	**$2.4 M**
11	Purchased Water - Recycled	*Recycled Water*	0%	0%	0%	0%	100%	0%	0%	0%	0%	**$2.0 M**
12	Operations and Maintenance	*Distribution*	0%	32%	28%	30%	0%	10%	0%	0%	0%	**$13.7 M**
13	General Manager	*General*	0%	0%	0%	0%	0%	0%	0%	0%	100%	**$0.6 M**
14	Engineering	*Capital*	0%	30%	26%	13%	12%	6%	2%	0%	11%	**$1.9 M**
15	Finance	*General*	0%	0%	0%	0%	0%	0%	0%	0%	100%	**$0.0 M**
16	Customer Services	*Customer+Meter*	0%	0%	0%	0%	0%	0%	55%	45%	0%	**$4.1 M**
17	Human Resources	*General*	0%	0%	0%	0%	0%	0%	0%	0%	100%	**$0.0 M**
18	Park	*General*	0%	0%	0%	0%	0%	0%	0%	0%	100%	**$0.5 M**
19	Recycled	*Recycled Water*	0%	0%	0%	0%	100%	0%	0%	0%	0%	**$1.5 M**
20	Lost Revenue (Pass-through)	*Supply*	100%	0%	0%	0%	0%	0%	0%	0%	0%	**$0.4 M**
21	**Total O&M**		**$21.9 M**	**$7.0 M**	**$6.1 M**	**$4.4 M**	**$3.7 M**	**$1.5 M**	**$11.2 M**	**$3.2 M**	**$1.4 M**	**$60.3 M**
22												
23	**O&M Allocation**		***36.3%***	***11.6%***	***10.1%***	***7.2%***	***6.1%***	***2.4%***	***18.6%***	***5.3%***	***2.3%***	**100.0%**

4.7. Capital Allocation

Table 4-6 shows the allocation of capital assets to each cost component. Capital assets are utilized in COS analyses to allocate capital costs because annual capital project costs can fluctuate greatly from year to year. Capital assets remain relatively stable and are more representative of the District's investments in its water system. District staff provided Raftelis with a detailed asset listing that included the Original Cost of each individual fixed asset. Raftelis calculated the Replacement Cost Less Depreciation (RCLD) of each asset based on Original Cost, year purchased, and useful life using the Engineering News-Record's 20-City Average Cost Construction Index (CCI) to account for capital cost inflation. RCLD is often utilized in capital asset analyses because it takes into consideration inflation and depreciation when valuing assets. As part of the capital asset analysis, Raftelis also assigned each individual asset to a functional category. Total asset value (RCLD) by functional category is shown in Column J, Lines 2-15 of **Table 4-6**.

Table 4-6 shows the capital assets allocated to the various cost causation components in a similar manner to the O&M expenses: asset value by functional category (Column J) is allocated to each cost causation component (Columns C-I) based on percentages from **Table 4-4.** Allocation percentages for each cost causation component are multiplied by the capital asset value for each functional category and summed to determine the capital asset value allocated to each cost causation component (Columns C-I, Line 17). The capital allocation in Line 19 represents the proportion of total asset value within each cost causation component and is to be used subsequently in the COS analysis to allocate capital revenue requirements.

Table 4-6: Capital Cost Allocation

A	B	C	D	E	F	G	H	I	J
Line	Functional Category	Base Delivery	Max Day	Max Hour	Recycled Water	Fire Protection	Meters	General	Total
1	**Potable Water Assets**								
2	Treatment	53%	47%	0%	0%	0%	0%	0%	**$85,831,940**
3	Reservoir	48%	42%	0%	0%	10%	0%	0%	**$62,400,509**
4	Distribution	32%	28%	30%	0%	10%	0%	0%	**$202,488,983**
5	Pump Stations	35%	31%	33%	0%	0%	0%	0%	**$11,394,004**
6	Meters	0%	0%	0%	0%	0%	100%	0%	**$7,901,335**
7	General	0%	0%	0%	0%	0%	0%	100%	**$51,606,503**
8									
9	**Recycled Water Assets**								
10	Treatment	0%	0%	0%	0%	100%	0%	0%	**$2,148,771**
11	Reservoir	0%	0%	0%	0%	100%	0%	0%	**$8,074,121**
12	Distribution	0%	0%	0%	0%	100%	0%	0%	**$36,851,765**
13	Pump Stations	0%	0%	0%	0%	100%	0%	0%	**$3,550,980**
14	Meters	0%	0%	0%	0%	100%	0%	0%	**$4,726,955**
15	General	0%	0%	0%	0%	100%	0%	0%	**$3,869,826**
16									
17	**Total Assets**	**$144,822,420**	**$126,259,371**	**$64,544,696**	**$59,222,418**	**$26,488,949**	**$7,901,335**	**$51,606,503**	**$480,845,693**
18									
19	**Capital Allocation**	***30.1%***	***26.3%***	***13.4%***	***12.3%***	***5.5%***	***1.6%***	***10.7%***	**100.0%**

4.8. Revenue Offset Allocation

Table 4-7 shows the revenue offset allocation to each cost causation component. Revenue offsets are miscellaneous, non-rate revenues that are used to offset the revenue requirement. Rather than assigning a functional category to each individual revenue offset, revenue offsets are allocated directly to cost causation components by either the O&M allocation (**Table 4-5**, Line 21), capital allocation (**Table 4-6**, Line 19), or full allocation to the most closely associated cost causation component. The methodology as described previously for the O&M and capital allocations was utilized to determine the amount of revenue offsets allocated to each cost causation component (**Table 4-7**, Line 27) and the final revenue offset allocation percentages to be utilized in the next step of the COS analysis (**Table 4-7**, Line 29).

Some revenues, including investment income and a portion of property taxes, are not directly linked to any service that the District provides to its water customers. These revenues can therefore be allocated to the Revenue Offsets cost causation component (Column M), which can be utilized at the District's discretion to provide offsets to specific customer classes and tiers. The Revenue Offsets cost causation component was not included in the O&M or capital allocations, as it only applies to revenues.

Table 4-7: Revenue Offset Allocation

A	B	C	D	E	F	G	H	I	J	K	L	M	N
	Revenue Offsets	**Rationale**	**Supply**	**Base Delivery**	**Max Day**	**Max Hour**	**Recycle-d Water**	**Fire Protecti-on**	**Meters**	**Custom-er**	**General**	**Revenue Offsets**	**Total**
1	CWA Infrastructure Access Charge	100% Meters	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%	$1,585,835
2	Selling Excess Treated Water to Vallecitos	100% Base	0%	100%	0%	0%	0%	0%	0%	0%	0%	0%	$918,300
3	Misc. Water Sales	100% Base	0%	100%	0%	0%	0%	0%	0%	0%	0%	0%	$10,000
4	Meter Installations	100% Meters	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%	$15,000
5	Hydro-electric Plant Revenues	100% Base	0%	100%	0%	0%	0%	0%	0%	0%	0%	0%	$110,000
6	Turn Off/On Fees and NSF Charges	100% Customer	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%	$20,000
7	Delinquency Charges	100% Customer	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%	$120,000
8	Transfer Fee	Capital Allocation	0%	30%	26%	13%	12%	6%	2%	0%	11%	0%	$30,000
9	Cross Connection/In spection	Capital Allocation	0%	30%	26%	13%	12%	6%	2%	0%	11%	0%	$205,000
10	Outside District Boundary Charges	Capital Allocation	0%	30%	26%	13%	12%	6%	2%	0%	11%	0%	$10,000
11	Rental Income	Capital Allocation	0%	30%	26%	13%	12%	6%	2%	0%	11%	0%	$790,704
12	Other operating	O&M Allocation	36%	12%	10%	7%	6%	2%	19%	5%	2%	0%	$10,200
13	Investment Income (Potable)	100% Offsets	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%	$322,108
14	Property Tax Revenue	Capital Allocation	0%	11%	10%	5%	5%	2%	1%	0%	4%	62%	$4,896,000

A	B	C	D	E	F	G	H	I	J	K	L	M	N
	Revenue Offsets	**Rationale**	**Supply**	**Base Delivery**	**Max Day**	**Max Hour**	**Recycle-d Water**	**Fire Protecti-on**	**Meters**	**Custom-er**	**General**	**Revenue Offsets**	**Total**
15	Gain on Sale of Fixed Assets	Capital Allocation	0%	30%	26%	13%	12%	6%	2%	0%	11%	0%	$0
16	Other Non-Operating	Capital Allocation	0%	30%	26%	13%	12%	6%	2%	0%	11%	0%	$0
17	Investment Income (Recycled)	100% Recycled	0%	0%	0%	0%	100%	0%	0%	0%	0%	0%	$320,892
18	Interest income rec loans	100% Recycled	0%	0%	0%	0%	100%	0%	0%	0%	0%	0%	$0
19	Total Revenue Offsets		$3,703	$1,905,599	$756,130	$386,747	$675,694	$158,666	$1,649,984	$140,544	$308,864	$3,378,108	$9,364,039
20													
21	**Revenue Offset Allocation**		**30%**	**15%**	**13%**	**8%**	**7%**	**3%**	**16%**	**4%**	**4%**	**0%**	**100.00%**

4.9. Allocation of Revenue Requirements to Cost Causation Components

Table 4-8 shows the allocation of revenue requirements from **Table 4-1.** The total operating revenue requirement in Column M, Line 1 of **Table 4-8** is equal to the operating revenue requirement (Column C, Line 7) less adjustments (Column C, Line 33) from **Table 4-1**.

The total operating revenue requirement is allocated among the various cost causation components in Columns C-L, Line 1 of **Table 4-8** based on the O&M allocation percentages from Line 23 of **Table 4-5**. The total Capital revenue requirement in Column M, Line 2 of **Table 4-8** is equal to the capital revenue requirement (Column D, Line 7) less operating adjustments (Column D, Line 33) from **Table 4-1**. The total capital revenue requirement is allocated among the various cost causation components in Columns C-L, Line 2 of **Table 4-8** based on the capital allocation percentages from Line 19 of **Table 4-6**. Total revenue offsets in Column M, Line 3 of **Table 4-8** is equal to the revenue offsets in Column E, Line 28 of **Table 4-1**. Total revenue offsets are allocated among the various cost causation components in Columns C-L, Line 3 of **Table 4-8** based on the revenue offset allocation percentages from Line 21 of **Table 4-7**.

Lines 1-3 in **Table 4-8** are summed to determine the preliminary COS allocation to each cost causation component in Line 4. General costs are then proportionally reallocated to all other cost causation components (excluding Revenue Offsets) in Line 6. Line 7 shows the reallocation of 95 percent of Fire Protection costs (Column H, Line 7) to the Meters cost causation component (Column I, Line 7) to account for public fire protection capacity costs. The purpose is to equitably allocate fire protection capacity costs between private fire meters and public fire hydrants proportional to the capacity of each.

Line 10 in **Table 4-8** shows a final adjustment to the cost causation component allocations, in which 5 percent of Max Day costs (Column E, Line 10) and Max Hour costs (Column F, Line 10) are reallocated to the Meters cost causation component (Column I, Line 10). Peaking costs represent the additional costs incurred to provide capacity to meet peak demands and based on the meters therefore, the final adjustment is intended to allocate some of those costs to meter capacity and provide revenue stability for the District by ensuring that approximately 26 percent of rate revenues are from fixed charges (OMWD System Access charges and Fire Meter Charges). This retains the existing fixed versus variable revenue split under current water rates. Line 12 shows the final adjusted COS by cost causation component, which is to be used to develop unit costs in the following subsections.

Table 4-8: Allocation of Revenue Requirement to Cost Causation Components

A	B	C	D	E	F	G	H	I	J	K	L	M
	Description	Supply	Base Delivery	Max Day	Max Hour	Recycled Water	Fire Protection	Meters	Customer	General	Revenue Offsets	Total
1	**Operating**	$22,773,669	$7,295,126	$6,357,996	$4,529,128	$3,820,239	$1,530,098	$11,650,250	$3,346,477	$1,420,763	$0	**$62.7M**
2	**Capital**	$0	$3,885,619	$3,387,568	$1,731,749	$1,588,951	$710,705	$211,995	$0	$1,384,614	$0	**$12.9M**
3	**Revenue Offsets**	($3,703)	($1,905,599)	($756,130)	($386,747)	($675,694)	($158,666)	($1,649,984)	($140,544)	($308,864)	($3,378,108)	**($9.4M)**
4	**Preliminary COS**	**$22,769,966**	**$9,275,147**	**$8,989,434**	**$5,874,130**	**$4,733,496**	**$2,082,136**	**$10,212,261**	**$3,205,933**	**$2,496,513**	**($3,378,108)**	**$66.3M**
5												
6	**Allocation of General Cost**	$846,640	$344,871	$334,248	$218,414	$176,002	$77,419	$379,715	$119,204	($2,496,513)	$0	**$0**
7	**Allocation of Public Fire Costs**	$0	$0	$0	$0	$0	($2,051,577)	$2,051,577	$0	$0	$0	**$0**
8	**Allocated COS**	**$23,616,605**	**$9,620,018**	**$9,323,682**	**$6,092,543**	**$4,909,499**	**$107,978**	**$12,643,553**	**$3,325,137**	**$0**	**($3,378,108)**	**$66.3M**
9												
10	**Final Adjustment – Peaking to Mtrs**	$0	$0	($932,368)	($609,254)	$0	$0	$1,372,717	$0	$0	$168,905	**$0**
11												
12	**Final Adjusted COS**	**$23,616,605**	**$9,620,018**	**$8,391,314**	**$5,483,289**	**$4,909,499**	**$107,978**	**$14,016,270**	**$3,325,137**	**$0**	**($3,209,202)**	**$66.3M**

4.10. Units of Service

This subsection describes the next step in the COS analysis, which is to determine the appropriate units of service to be used to calculate the unit costs for each cost causation component.

4.10.1. Equivalent Meters

Equivalent meter units are used to allocate meter and capacity-related costs appropriately and equitably. Larger meters impose larger demands, are more expensive to install, maintain, and replace than smaller meters, and require greater capacity in the water system.

Equivalent meter units are based on meter hydraulic capacity and are calculated to represent the potential demand on the water system compared to a base meter size. A ratio of hydraulic capacity is calculated by dividing larger meter capacities by the base meter capacity. The base meter in this study is the 3/4" meters.

Table 4-9 shows the equivalent potable and recycled water meters for the test year FY 2025. The number of meters (Column D) is equal to the projected number of meters subject to the OMWD System Access Charge from (**Table 3-6**). Meter capacity ratios (Column C) were provided by the District's Engineering Department and are consistent with ratios used in the prior water COS study conducted in 2019 and consistent with the demand of each meter size on the water system. The number of meters (Column D) is multiplied by the meter capacity ratios (Column C) to determine the number of equivalent meters (Column E).

Table 4-9: Equivalent Meter Units (FY 2025)

A Line	B Meter Size	C Meter Capacity Ratio	D Number of Water Meters	E = C X D Equivalent Meter Units
1	**5/8"**	0.7	1,914	1,340
2	**3/4"**	1	16,440	16,440
3	**1"**	1.9	3,089	5,869
4	**1-1/2"**	3.1	1,013	3,140
5	**2"**	5	531	2,655
6	**2-1/2"**	9.3	39	363
7	**3"**	10.2	30	306
8	**4"**	17.1	23	393
9	**6"**	36	7	252
10	**8"**	65	1	65
11	**Total**		**23,087**	**30,823**

Table 4-10 shows the determination of equivalent meter units in FY 2025 for fire meters. The number of projected fire meters in FY 2025 was determined previously in **Table 3-5**. Meter capacity ratios match the values used above in **Table 4-9** for potable and recycled water meters with the exception of the 5/8-inch fire meter, which is set equal to 1.00. The actual number of fire meters (Column D) is multiplied by the meter capacity ratios (Column C) to determine the number of equivalent fire meters (Column E).

Table 4-10: Equivalent Fire Meter Units (FY 2025)

A Line	B Meter Size	C Meter Capacity Ratio	D Number of Fire Meters	E = C X D Equivalent Fire Meter Units
1	**5/8"**	1	401	401
2	**3/4"**	1	18	18
3	**1"**	1.9	5,464	10,382
4	**1-1/2"**	3.1	67	208
5	**2"**	5	0	0
6	**2-1/2"**	9.3	1	9
7	**3"**	10.2	0	0
8	**4"**	17.1	0	0
9	**6"**	36	1	36
10	**8"**	65	0	0
11	**Total**		**5,952**	**11,054**

4.10.2. Customer Bills

The number of total projected customer bills in FY 2025 is used as the unit of service for the Customer cost causation component. The sum of total water meters (**Table 4-9**, Column D, Line 11) and total fire meters (**Table 4-10**, Column D, Line 11) is multiplied by twelve monthly billing periods per year to determine total bills in **Table 4-11** Column C, Line 7.

Table 4-11: Projected Annual Customer Bills (FY 2025)

A Line	B Description	C Value	D Notes
1	Number of Water Meters	23,087	
2	Number of Fire Meters	5,952	
3	**Total Meters**	**29,039**	
4			
5	Billing Periods per Year	12	
6			
7	**Total Bills**	**348,468**	= [Line 3] x [Line 5]

Peaking Units of Service

Peaking units of service in units per day are used to develop Max Day and Max Hour unit costs. **Table 4-12** shows the development of total Max Day units (Column G, Line 13). Projected usage by tier and customer class in Column C is divided by 365 days to determine average daily usage in Column D. Average daily usage in Column D is then multiplied by the Max Day factor in Column E (from **Table 4-3**, Column F) to determine Max Day units. Max Day requirements (Column G) in units per day, which is the unit of service for Max Day costs, is determined by subtracting average daily usage in Column D from Max Day units in Column F. Max Hour requirements are similarly calculated in **Table 4-13**. Please note, however, that Max Hour requirements (Column G) are calculated by subtracting Max Day units (**Table 4-12,** Column F) from Max Hour units (**Table 4-13**, Column F).

Table 4-12: Max Day Units of Service

A	B	C	D	E	F	G
	Customer Class	FY 2025 Projected Annual Usage (units)	FY 2025 Average Daily Usage (units)	Max Day Factor	Max Day Units (units/day)	Max Day Requirements (units/day)
1	**Domestic**					
2	Tier 1	1,511,998	4,142	1.46	6,031	1,888
3	Tier 2	1,986,076	5,441	1.79	9,719	4,277
4	Tier 3	1,433,314	3,927	2.19	8,589	4,662
5	Tier 4	556,269	1,524	2.76	4,201	2,677
7	**Agricultural**	82,403	226	2.27	512	286
8	**Commercial**	296,027	811	1.69	1,369	558
9	**Irrigation**					
10	Tier 1	411,926	1,129	2.27	2,561	1,433
11	Tier 2	435,335	1,193	2.87	3,418	2,225
12	**Construction**	41,669	114	3.00	342	228
13	**Total**	**6,755,016**	**18,507**			**18,235**

Table 4-13: Max Hour Units of Service

A	B	C	D	E	F	G
Line	Customer Class	FY 2025 Projected Usage (units)	FY 2025 Average Daily Usage (units)	Max Hour Factor	Max Hour Units (units/day)	Max Hour Requirements (units/day)
1	**Domestic**					
2	Tier 1	1,511,998	4,142	2.18	9,046	3,015
3	Tier 2	1,986,076	5,441	2.68	14,578	4,859
4	Tier 3	1,433,314	3,927	3.28	12,883	4,294
5	Tier 4	556,269	1,524	4.13	6,302	2,101
7	**Agricultural**	82,403	226	3.40	768	256
8	**Commercial**	296,027	811	2.53	2,054	685
9	**Irrigation**					
10	Tier 1	411,926	1,129	3.40	3,842	1,281
11	Tier 2	435,335	1,193	4.30	5,126	1,709
12	**Construction**	41,669	114	4.50	514	171
13	**Total**	**6,755,016**	**18,507**			**18,371**

Table 4-14 shows a summary of the relevant units of service for each cost causation component. Total revenue requirements by cost causation components are divided by the relevant units of service to determine a unit cost for each cost causation component in the following subsection. Fire Protection, Meters, and Customer unit costs are used to develop fixed monthly charges (OMWD System Access Charges and Fire Meter Charges), and are therefore based off number of equivalent meter units or customer bills from **Table 4-9** through **Table 4-11**. Supply, Base Delivery, Max Day, Max Hour, Recycled Water, and Revenue Offsets unit costs are used to develop proposed volumetric rates and, therefore, are based on projected annual water usage or peaking requirements in units per day from **Table 4-12** and **Table 4-13.**

Table 4-14: Summary of Units of Service by Cost Causation Component

A	B	C		D
Line	Cost Causation Component	Units of Service		Basis
1	**Supply**	6,755,016	units	Total projected FY 2025 usage excluding recycled water
2	**Base Delivery**	6,755,016	units	Total projected FY 2025 usage excluding recycled water
3	**Max Day**	18,235	units/day	Projected Max Day requirements in FY 2025
4	**Max Hour**	18,371	units/day	Projected Max Hour requirements in FY 2025
5	**Recycled Water**	1,049,621	units	Projected recycled water usage in FY 2025
7	**Fire Protection**	11,054	EMUs	Equivalent fire meter units
8	**Meters**	30,823	EMUs	Equivalent potable and recycled water meter units
9	**Customer**	312,756	bills	Total annual customer bills
10	**Revenue Offsets**	6,755,016	units	Total projected FY 2025 usage excluding recycled and construction water

4.11. Units Cost Development

Table 4-15 shows the calculation of unit costs for each cost causation component. Unit costs are used in **Section 5** to derive the proposed rates for FY 2025. The unit cost in Column E for each cost causation component is calculated by dividing the FY 2025 revenue requirement in Column C (from **Table 4-8,** Line 12) by the units of service in Column D (from **Table 4-14**, Column C).

Table 4-15: Calculation of Unit Costs by Cost Causation Component

A	B	C	D		E = C / D
Line	Cost Causation Component	FY 2025 Revenue Requirement	FY 2025 Units of Service		Unit Cost
1	**Supply**	$23,616,605	6,755,016	units	$3.50
2	**Base Delivery**	$9,620,018	6,755,016	units	$1.42
3	**Max Day**	$8,391,314	18,235	units/day	$460.18
4	**Max Hour**	$5,483,289	18,371	units/day	$298.48
5	**Recycled Water**	$4,909,499	1,049,621	units	$4.68
7	**Fire Protection**	$107,978	11,054	EMUs (Monthly)	$0.81
8	**Meters**	$14,016,270	30,823	EMUs (Monthly)	$37.89
9	**Customer**	$3,325,137	312,756	bills	$10.63
10	**Revenue Offsets**	($3,209,202)	6,755,016	units	($0.48)

4.12. Cost of Service by Customer Class

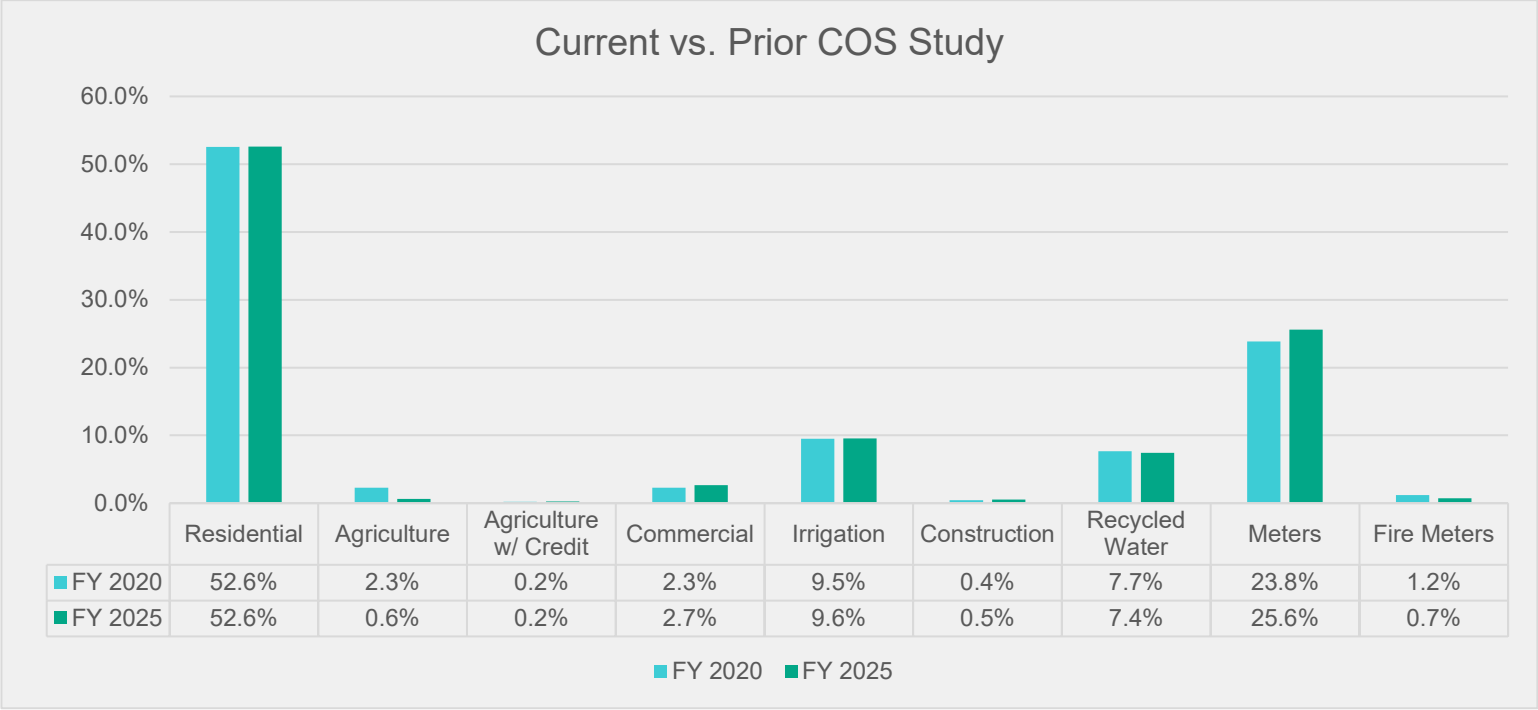
Table 4-16 shows the distribution of each cost causation component's revenue requirement to volumetric rates by customer class and to each fixed charge. The dollar amount attributed to each customer class for each cost causation component is determined by multiplying the unit costs (from **Table 4-15)** by the relevant units of service for each customer class (from **Table 4-9** through **Table 4-13**). **Figure 4-1** shows a comparison of the distribution of costs to each customer class from the current COS analysis presented in this study and the prior

COS analysis conducted in 2019. The changes shown are a result of changes in water usage patterns by customer class, O&M cost structure, capital needs, and other factors.

Table 4-16: Proposed Cost of Service by Customer Class

A	B	C	D	E	F	G	H	I	J	K	L
	Description	**Supply**	**Base**	**Max Day**	**Max Hour**	**Recycled Water**	**Fire Protect-ion**	**Meters**	**Customer**	**Revenue Offsets**	**Total**
1	Volumetric Rates										
2	Domestic	$19,185,717	$7,815,134	$6,214,564	$4,259,170	$0	$0	$0	$0	($2,623,282)	$34,851,304
3	Agriculture	$288,094	$117,353	$131,632	$76,381	$0	$0	$0	$0	($39,391)	$574,069
4	Commercial	$1,034,956	$421,580	$256,797	$204,318	$0	$0	$0	$0	($141,510)	$1,776,141
5	Irrigation	$2,962,157	$1,206,609	$1,683,249	$892,308	$0	$0	$0	$0	($405,019)	$6,339,304
6	Construction	$145,681	$59,342	$105,070	$51,112	$0	$0	$0	$0	$0	$361,206
7	Recycled Water	$0	$0	$0	$0	$4,909,499	$0	$0	$0	$0	$4,909,499
8											
9	Fixed Charges										
10	OMWD System Access Charges	$0	$0	$0	$0	$0	$0	$14,016,270	$2,945,457	$0	$16,961,727
11	Fire Meter Charges	$0	$0	$0	$0	$0	$107,978	$0	$379,680	$0	$487,658
12											
13	**Total**	**$23,616,605**	**$9,620,018**	**$8,391,314**	**$5,483,289**	**$4,909,499**	**$107,978**	**$14,016,270**	**$3,325,137**	**($3,209,202)**	**$66,260,908**

Figure 4-1: Cost of Service Comparison: Current and Prior Studies



	Residential	Agriculture	Agriculture w/ Credit	Commercial	Irrigation	Construction	Recycled Water	Meters	Fire Meters
FY 2020	52.6%	2.3%	0.2%	2.3%	9.5%	0.4%	7.7%	23.8%	1.2%
FY 2025	52.6%	0.6%	0.2%	2.7%	9.6%	0.5%	7.4%	25.6%	0.7%

5. Rate Design

This section of the report details the calculation of the proposed water rates for FY 2025. All rates shown in this section are rounded up to the nearest cent. Other numbers shown in the tables in this section of the report are also rounded. Therefore, hand calculations based on the displayed numbers, such as summing or multiplying, may not equal the exact results shown. Note that the SDCWA Infrastructure Access Charge shown in this section was not developed by Raftelis but rather represents a direct pass-through of the CY 2025 rate established by SDCWA.

5.1. Rate Structure Overview

Based on discussions with District staff as well as evaluation of water usage characteristics by customer class, Raftelis recommends that the District maintain its existing water rate structure. Below is a summary of the District's existing rate structure by charge and customer class:

- **Monthly Fixed Charges:**
  - **OMWD System Access Charge** which varies by meter size
  - **Fire Meter Charge** which varies by fire meter size
  - **SDCWA Infrastructure Access Charge** which varies by meter size
- **Volumetric Rates** per unit of water delivered, which varies by the following customer classes/tiers
  - **Domestic**: four tier structure with defined monthly tier allotments
  - **Agricultural**: uniform rate per unit
  - **Combined Agricultural/Domestic:** follows the Domestic rate structure for monthly usage up to the Domestic Tier 2 limit and the Agricultural rate structure for monthly usage in excess of the Domestic Tier 2 limit.
  - **Commercial:** uniform rate per unit
  - **Irrigation:** two tier structure with defined monthly tier allotments that vary by both meter size and season (November 1-April 30 and May 1-October 31)
  - **Construction:** uniform rate per unit
  - **Recycled:** uniform rate per unit

Raftelis proposes to maintain the current Irrigation tier definitions, which vary by meter size and season. For Irrigation customers, all monthly water usage more than the Tier 1 allotment is charged at the Irrigation Tier 2 rate, as shown in **Table 5-1**.

Table 5-1: Irrigation Tier Definitions

Meter Size	Winter Tier 1 Allotment (Nov 1-Apr 30)	Summer Tier 1 Allotment (May 1-Oct 31)
5/8"	10 Units	15 Units
3/4"	20 Units	30 Units
1"	35 Units	50 Units
1-1/2"	50 Units	110 Units
2"	100 Units	200 Units
3"	200 Units	500 Units
4"	600 Units	3,500 Units
6"	3,100 Units	11,800 Units
8"	5,600 Units	21,300 Units

5.2. OMWD System Access Charge Calculation

Table 5-2 shows the calculation of proposed FY 2025 monthly OMWD System Access Charges, which are comprised of the Meters and Customer unit costs previously developed in **Table 4-15**. The Meter unit cost (**Table 4-15**, Column E, Line 8) is multiplied by the capacity ratio for each meter size (Column C) to determine the Meter component of the OMWD System Access Charge for each meter size (Column D). The Customer component of the charge is equal to the Customer unit cost (**Table 4-15**, Column E, Line 9) and is the same for all meter sizes, as customer service-related costs are not dependent on meter size. The proposed OMWD System Access Charge (Column F) is equal to the sum of the Meter and Customer components of the charge (Columns D and E) for each meter size.

Table 5-2: Monthly OMWD System Access Charge Calculation

A	B	C	D = C x $37.89	E	F = D + E	G	H = F - G
Line	Meter Size	Capacity Ratio	Meter	Customer	Proposed Charge	Current Charge	Difference
1	5/8"	0.7	$26.53	$10.63	**$37.16**	$34.25	$2.91
2	3/4"	1.0	$37.89	$10.63	**$48.53**	$44.79	$3.74
3	1"	1.9	$72.00	$10.63	**$82.64**	$76.41	$6.23
4	1-1/2"	3.1	$117.47	$10.63	**$128.11**	$118.54	$9.57
5	2"	5.0	$189.47	$10.63	**$200.11**	$185.30	$14.81
6	2-1/2"	9.3	$352.42	$10.63	**$363.05**	$336.33	$26.72
7	3"	10.2	$386.52	$10.63	**$397.16**	$367.94	$29.22
8	4"	17.1	$647.99	$10.63	**$658.63**	$610.30	$48.33
9	6"	36.0	$1,364.19	$10.63	**$1,374.83**	$1,274.14	$100.69
10	8"	65.0	$2,463.13	$10.63	**$2,473.76**	$2,292.73	$181.03

5.3. Fire Meter Charge Calculation

Table 5-3 shows the calculation of proposed FY 2025 Fire Meter Charges, which are comprised of the Fire Protection and Customer unit costs previously developed in **Table 4-15**. The Fire Protection unit cost (**Table 4-15**, Column E, Line 7) is multiplied by the capacity ratio for each meter size (Column C) to determine the

Fire Protection component for each meter size (Column D). The Customer component of the charge is equal to one-half of the Customer unit cost (**Table 4-15**, Column E, Line 9) and is the same for all meter sizes, as customer service-related costs are not dependent on meter size. Based on feedback from District staff, Raftelis recommends that Fire Meter Charges are subject to half of the Customer unit cost since these charges are billed on the same water bill and require significantly less customer service support than regular meters. The proposed Fire Meter Charge (Column F) is equal to the sum of the Fire Protection and Customer components (Columns D and E) for each meter size.

Table 5-3: Monthly Fire Meter Charge Calculation

A	B	C	D = C x $0.81	E	F = D + E	G	H = F - G
Line	Meter Size	Capacity Ratio	Fire Protection	Customer	Proposed Charge	Current Charge	Difference
1	5/8"	1.0	$0.81	$5.32	**$6.13**	$5.85	$0.28
2	3/4"	1.0	$0.81	$5.32	**$6.13**	$5.85	$0.28
3	1"	1.9	$1.55	$5.32	**$6.87**	$6.57	$0.30
4	1-1/2"	3.1	$2.52	$5.32	**$7.84**	$7.54	$0.30
5	2"	5.0	$4.07	$5.32	**$9.39**	$9.08	$0.31
6	2-1/2"	9.3	$7.57	$5.32	**$12.89**	$12.55	$0.34
7	3"	10.2	$8.30	$5.32	**$13.62**	$13.27	$0.35
8	4"	17.1	$13.92	$5.32	**$19.24**	$18.85	$0.39
9	6"	36.0	$29.31	$5.32	**$34.63**	$34.13	$0.50
10	8"	65.0	$52.91	$5.32	**$58.23**	$57.56	$0.67

5.4. SDCWA Infrastructure Access Charges

Table 5-4 shows the SDCWA Infrastructure Access Charges that will go into effect on January 1, 2025. The SDCWA Infrastructure Access Charge per meter equivalent is developed by SDCWA and passed through by the District to its customers. SDCWA has proposed to increase the SDCWA Infrastructure Access Charge from $4.41 to $4.55 per meter equivalent for CY 2025. **Table 5-4** shows the calculation of CY 2025 SDCWA Infrastructure Access Charges, which are determined by multiplying the $4.55 rate per meter equivalent by the capacity ratio (Column C) for each meter size.

Table 5-4: Monthly SDCWA Infrastructure Access Charge

A Line	B Meter Size	C Capacity Ratio	D Charge per Meter Equivalent	E = C x D Proposed Charge	F Current Charge	G Difference
1	5/8"	1.0	$4.55	**$4.55**	$4.41	$0.14
2	3/4"	1.0	$4.55	**$4.55**	$4.41	$0.14
3	1"	1.9	$4.55	**$8.65**	$8.39	$0.26
4	1-1/2"	3.1	$4.55	**$14.11**	$13.70	$0.41
5	2"	5.0	$4.55	**$22.75**	$22.09	$0.66
6	2-1/2"	9.3	$4.55	**$42.32**	$41.10	$1.22
7	3"	10.2	$4.55	**$46.41**	$45.08	$1.33
8	4"	17.1	$4.55	**$77.81**	$75.58	$2.23
9	6"	36.0	$4.55	**$163.80**	$159.10	$4.70
10	8"	65.0	$4.55	**$295.75**	$287.29	$8.46

5.5. Volumetric Rate Calculations

Proposed volumetric rates are comprised of unit costs for the Supply, Base Delivery, Max Day, Max Hour, Recycled Water, and Revenue Offsets cost causation components. The Recycled volumetric rate is comprised solely of the Recycled Water unit cost, while all other volumetric rates are comprised of the other cost causation component unit costs listed above. Unit costs from **Table 4-15** are used to provide the basis for the calculation of volumetric rates. However, peaking unit rates and Revenue Offset unit rates must first be differentiated by customer class, as these unit costs are not applied uniformly to each customer class and tier.

5.5.1. Peaking Unit Rates

Peaking unit costs, which vary by customer class and tier, must first be converted from units per day peaking requirements into unit rates per unit. The Max Day unit rate calculations are shown in **Table 5-5**. Max Day requirements in Column C (from **Table 4-12,** Column G) are multiplied by the Max Day unit cost in units per day in Column D (from **Table 4-15**, Column E, Line 3) to determine the Max Day revenue requirement by customer class and tier. This result in Column E is then divided by projected FY 2025 usage by class and tier in Column F (from **Table 4-12,** Column C) to determine the Max Day unit rate by customer class in Column G.

The Max Day unit rates are utilized to differentiate volumetric rates for each customer class and tier based on specific water usage characteristics.

Table 5-5: Max Day Unit Rates by Customer Class

A Line	B Customer Class	C Max Day Requirements (Units/day)	D Max Day Unit Cost (Units/day)	E = C x D Max Day Revenue Requirement	F FY 2025 Projected Usage (Units)	G = E / F Max Day Unit Rate ($/unit)
1	Domestic					
2	Tier 1	1,888	$460.18	$868,934	1,511,998	$0.57
3	Tier 2	4,277	$460.18	$1,968,429	1,986,076	$0.99
4	Tier 3	4,662	$460.18	$2,145,204	1,433,314	$1.50
5	Tier 4	2,677	$460.18	$1,231,997	556,269	$2.21
7	Agricultural	286	$460.18	$131,632	82,403	$1.60
8	Commercial	558	$460.18	$256,797	296,027	$0.87
9	Irrigation					
10	Tier 1	1,433	$460.18	$659,388	411,926	$1.60
11	Tier 2	2,225	$460.18	$1,023,862	435,335	$2.35
12	Construction	228	$460.18	$105,070	41,669	$2.52
13	**Total**	**18,235**		**$8,391,314**	**6,755,016**	

Max Hour unit rates by customer class are calculated in **Table 5-6** in the same manner as described above for Max Day unit rates. Max Hour requirements in Column C (from **Table 4-13,** Column G) are multiplied by the Max Hour unit cost in units per day in Column D (from **Table 4-15**, Column E, Line 4) to determine the Max Hour revenue requirement by customer class and tier. This result in Column E is then divided by projected FY 2025 usage by class and tier in Column F (from **Table 4-13,** Column C) to determine the Max Hour unit rate by customer class in Column G.

Table 5-6: Max Hour Unit Rates by Customer Class

A Line	B Customer Class	C Max Hour Requirements (Units/day)	D Max Hour Unit Cost (Units/day)	E = C x D Max Hour Revenue Requirement	F FY 2025 Projected Usage (Units)	G = E / F Max Hour Unit Rate ($/unit)
1	Domestic					
2	Tier 1	3,015	$298.48	$900,016	1,511,998	$0.60
3	Tier 2	4,859	$298.48	$1,450,425	1,986,076	$0.73
4	Tier 3	4,294	$298.48	$1,281,744	1,433,314	$0.89
5	Tier 4	2,101	$298.48	$626,986	556,269	$1.13
7	Agricultural	256	$298.48	$76,381	82,403	$0.93
8	Commercial	685	$298.48	$204,318	296,027	$0.69
9	Irrigation					
10	Tier 1	1,281	$298.48	$382,268	411,926	$0.93
11	Tier 2	1,709	$298.48	$510,040	435,335	$1.17
12	Construction	171	$298.48	$51,112	41,669	$1.23
13	**Total**	**18,371**		**5,483,289**	**6,755,016**	

5.5.2. Revenue Offsets

Non-rate revenue sources that are not directly related to any specific District function or expense may be utilized at the District's discretion to offset various rates. These revenues are included within the Revenue Offsets cost causation component. **Table 4-15** shows the Revenue Offsets unit rate of $0.48 if applied evenly to each unit of water usage (excluding Construction and Recycled usage). To provide for affordability for essential water use by Domestic customers, Raftelis recommends that the majority ($1.60) of revenue offsets allocated to the Domestic customer class (**Table 4-16**, Column K, Line 2) be applied to Domestic Tier 1 water usage (**Table 4-12,** Column C, Line 2), and $0.11 of revenue offsets be allocated to Tier 2 to minimize customer impacts from the large increases in SDCWA water rates. All residential users will benefit from the Tier 1 rates since they all have to use water in Tier 1.

Table 5-7 shows a summary of Revenue Offset unit rates per unit by customer class and tier. In an effort to have equitable rate increases across classes, some of the revenue offset from classes with little increase were redirected to classes that had a disproportional increase. Irrigation Tier 2 had additional revenue offset applied and volumetric rates are still increasing by 13 percent, the most of any class. **Table 4-15** shows the revenue offsets applied by class and **Table 5-8** shows the resulting differences between the proposed and current rates.

Table 5-7: Revenue Offsets by Customer Class and Tier

A Line	B Customer Class	C Revenue Offset Unit Rate ($/unit)
1	Domestic	
2	Tier 1	($1.60)
3	Tier 2	($0.11)
4	Tier 3	$0.00
5	Tier 4	$0.00
7	Agricultural	($0.48)
8	Agricultural with Credit	($0.24)
9	Commercial	($0.28)
10	Irrigation	
11	Tier 1	($0.48)
12	Tier 2	($0.58)

5.5.3. Proposed FY 2025 Volumetric Rates

Table 5-8 shows the calculation of proposed FY 2025 volumetric rates per unit by customer class and tier. Supply (Column C), Base Delivery (Column D), and Recycled Water (Column G) unit rates are directly from **Table 4-15**. Max Day (Column E), Max Hour (Column F), and Revenue Offset (Column H) unit rates were established in **Table 5-5**, **Table 5-6,** and **Table 5-7** respectively. The Recycled Water volumetric rate consists solely of the Recycled Water unit rate in Column G. The difference between the proposed FY 2025 and current volumetric rates is shown in Column L.

Table 5-8: Calculation of Proposed FY 2025 Volumetric Rates per Unit

A	B	C	D	E	F	G	H	I	J	K	L
Line	Customer Class	Supply Unit Rate	Base Unit Rate	Max Day Unit Rate	Max Hour Unit Rate	Recycled Water Unit Rate	Revenue Offsets Unit Rate	Ag Credit Unit Rate	Proposed Base Rate	Current Base Rate	Difference ($)
1	Domestic										
2	Tier 1 (0-6 units)	$3.50	$1.42	$0.57	$0.60	N/A	($1.60)	N/A	**$4.49**	$4.24	$0.25
3	Tier 2 (7-23 units)	$3.50	$1.42	$0.99	$0.73	N/A	($0.11)	N/A	**$6.53**	$6.14	$0.39
4	Tier 3 (24-80 units)	$3.50	$1.42	$1.50	$0.89	N/A	$0.00	N/A	**$7.32**	$6.85	$0.47
5	Tier 4 (80 + units)	$3.50	$1.42	$2.21	$1.13	N/A	$0.00	N/A	**$8.27**	$8.14	$0.13
6											
7	Agriculture	$3.50	$1.42	$1.60	$0.93	N/A	($0.48)	N/A	**$6.97**	$6.75	$0.22
8	Agriculture w/ Credit	$3.50	$1.42	$1.60	$0.93	N/A	($0.24)	($1.59)	**$5.62**	$5.41	$0.21
9	Commercial	$3.50	$1.42	$0.87	$0.69	N/A	($0.28)	N/A	**$6.20**	$5.78	$0.42
10	Irrigation										
11	Tier 1: “B” Base	$3.50	$1.42	$1.60	$0.93	N/A	($0.48)	N/A	**$6.98**	$6.50	$0.48
12	Tier 2: “C” Over Base	$3.50	$1.42	$2.35	$1.17	N/A	($0.58)	N/A	**$7.87**	$6.94	$0.93
13											
14	Construction	$3.50	$1.42	$2.52	$1.23	N/A	N/A	N/A	**$8.67**	$8.21	$0.46
15	Recycled Water	N/A	N/A	N/A	N/A	$4.68	N/A	N/A	**$4.68**	$4.29	$0.39

5.6. Proposed Water Rates

Proposed monthly fixed charges and volumetric rates through FY 2029 are shown in **Table 5-9** and **Table 5-10** respectively. Proposed FY 2025 rates proposed to become effective on January 1, 2025, were developed previously in **Table 5-2, Table 5-3,** and **Table 5-8**. All rates and charges shown beyond FY 2025 are increased by the percentages of the estimated revenue adjustments shown in **Table 3-16,** and are rounded up to the nearest cent. The charges shown from January 1, 2026, through January 1, 2029, are estimated and will ultimately be determined by pass-through adjustments to the rates based on increases in, among other things, wholesale water supply costs and CPI.

Table 5-9: Proposed Monthly Fixed Charges

Effective Date/ Meter Size	Current	January 1, 2025 Proposed	January 1, 2026 Estimated	January 1, 2027 Estimated	January 1, 2028 Estimated	January 1, 2029 Estimated
Monthly OMWD System Access Charge						
5/8"	$34.25	$37.16	$40.14	$43.36	$45.53	$47.36
3/4"	$44.79	$48.53	$52.42	$56.62	$59.46	$61.84
1"	$76.41	$82.64	$89.26	$96.41	$101.24	$105.29
1-1/2"	$118.54	$128.11	$138.36	$149.43	$156.91	$163.19
2"	$185.30	$200.11	$216.12	$233.41	$245.09	$254.90
2-1/2"	$336.33	$363.05	$392.10	$423.47	$444.65	$462.44
3"	$367.94	$397.16	$428.94	$463.26	$486.43	$505.89
4"	$610.30	$658.63	$711.33	$768.24	$806.66	$838.93
6"	$1,274.14	$1,374.83	$1,484.82	$1,603.61	$1,683.80	$1,751.16
8"	$2,292.73	$2,473.76	$2,671.67	$2,885.41	$3,029.69	$3,150.88
Monthly SDCWA Infrastructure Access Charge*						
5/8"	$4.41	$4.55	TBD	TBD	TBD	TBD
3/4"	$4.41	$4.55	TBD	TBD	TBD	TBD
1"	$8.39	$8.65	TBD	TBD	TBD	TBD
1-1/2"	$13.70	$14.11	TBD	TBD	TBD	TBD
2"	$22.09	$22.75	TBD	TBD	TBD	TBD
2-1/2"	$41.10	$42.32	TBD	TBD	TBD	TBD
3"	$45.08	$46.41	TBD	TBD	TBD	TBD
4"	$75.58	$77.81	TBD	TBD	TBD	TBD
6"	$159.10	$163.80	TBD	TBD	TBD	TBD
8"	$287.29	$295.75	TBD	TBD	TBD	TBD

Effective Date	Current	January 1, 2025 Proposed	January 1, 2026 Proposed	January 1, 2027 Proposed	January 1, 2028 Proposed	January 1, 2029 Proposed
Monthly Fire Meter Charges						
5/8"	$5.85	$6.13	$6.50	$6.89	$7.24	$7.53
3/4"	$5.85	$6.13	$6.50	$6.89	$7.24	$7.53
1"	$6.57	$6.87	$7.29	$7.73	$8.12	$8.45
1-1/2"	$7.54	$7.84	$8.32	$8.82	$9.27	$9.65
2"	$9.08	$9.39	$9.96	$10.56	$11.09	$11.54
2-1/2"	$12.55	$12.89	$13.67	$14.50	$15.23	$15.84
3"	$13.27	$13.62	$14.44	$15.31	$16.08	$16.73
4"	$18.85	$19.24	$20.40	$21.63	$22.72	$23.63
6"	$34.13	$34.63	$36.71	$38.92	$40.87	$42.51
8"	$57.56	$58.23	$61.73	$65.44	$68.72	$71.47

***Note: A fixed charge imposed by SDCWA. Subject to change every year.**

Table 5-10: Proposed Volumetric Rates per Unit

Effective Date	Current	January 1, 2025 Proposed	January 1, 2026 Estimated	January 1, 2027 Estimated	January 1, 2028 Estimated	January 1, 2029 Estimated
Volumetric Rates ($/unit[1])						
Domestic[2]						
Tier 1 (0-6 units)	$4.24	$4.49	$4.85	$5.24	$5.51	$5.74
Tier 2 (7-23 units)	$6.14	$6.53	$7.06	$7.63	$8.02	$8.35
Tier 3 (24-80 units)	$6.85	$7.32	$7.91	$8.55	$8.98	$9.34
Tier 4 (80 + units)	$8.14	$8.27	$8.94	$9.66	$10.15	$10.56
Agriculture	$6.75	$6.97	$7.53	$8.14	$8.55	$8.90
Agriculture w/ Credit[3]	$5.41	$5.62	TBD	TBD	TBD	TBD
Commercial	$5.78	$6.20	$6.70	$7.24	$7.61	$7.92
Irrigation						
Tier 1: "B" Base	$6.50	$6.98	$7.54	$8.15	$8.56	$8.91
Tier 2: "C" Over Base	$6.94	$7.87	$8.50	$9.18	$9.64	$10.03
Construction	$8.21	$8.67	$9.37	$10.12	$10.63	$11.06
Recycled Water	$4.29	$4.68	$5.06	$5.47	$5.75	$5.98

[1] Customers are billed on a per unit of water basis, 1 unit = 1 HCF
[2] Domestic includes single-family and multi-family customers. Multi-family tiers apply per dwelling unit.
[3] Note: Agriculture w/ Credit rate is updated annually by District staff based on SDCWA charges

Combined Agricultural/Domestic customers
First 23 Units per month: Follow Domestic rate structure.
Over 23 Units per month: Follow Agricultural rate structure.

5.7. Rate Reimbursement Credit

To minimize rate impacts on customers due to large increases in water purchase costs from SDCWA, a rate reimbursement credit (RRC) has been proposed to offset volumetric rates directly. SDCWA credited its member agencies for the funds it received from litigation with MWD. SDCWA's refund is given back to ratepayers in the form of a credit per unit of water used. The current refund is $0.11, but is proposed to increase to $0.22 to help offset the rate increases proposed by SDCWA. The $0.22 increase would be applied for FY 2025 and decrease to $0.11 in FY 2026. The funding is proposed to be used over the next two fiscal years. The effect on the proposed rates due to the RRC is shown in **Table 5-11** for an average customer with a ¾" meter using 23 units monthly.

Table 5-11: Projected FY 2025- FY 2027 Average Domestic Bills with RRC

	Current Bill	2025	2026	2027
RRC ($/unit)	$0.11	$0.22	$0.11	$0.00
Average Domestic Bill with RRC	$176.49	$185.97	$203.93	$223.09
Year over Year Difference (%)		*5.4%*	*9.7%*	*9.4%*

5.8. Water Rates for Largest Users

Recent regulatory changes detailed in AB 755 passed in 2023 and codified in Water Code, §§ 390 & 390.1 require us to identify the costs to serve the largest 10 percent of the users in the District. Proposition 218 requires rates that allocate costs of service proportionately, not special rates for the top 10% of consumers regardless of other factors.

The District currently has 22,761 accounts; the top 10% of users represent 2,276 accounts and 45% of total water use. These large users are primarily domestic and irrigation customers. The District sells water purchased from SDCWA. These large customers all have higher peaking factors, and their rates reflect the cost they impose on the system. Based on the preceding factors, it is our professional judgment that the rates proposed in **Table 5-10** are the most efficient and fairest way to allocate the District's costs among those who create those costs, consistent with Proposition 218.

5.9. Proposed Potable Water Demand Reduction Rates

Raftelis updated the District's water demand reduction rates as part of this study. Water demand reduction rates are intended to recover reductions in net revenues resulting from decreased water sales during times of reduced water demand due to drought or demand reduction emergencies, or other reasons. Raftelis developed water demand reduction rates for three distinct stages:

- **10 Percent Demand Reduction** below projected FY 2025 water usage
- **20 Percent Demand Reduction** below projected FY 2025 water usage
- **30 Percent Demand Reduction** below projected FY 2025 water usage

In the event that the District activates its water demand reduction rates, the District would notify customers before implementation. The District's water demand reduction rates would only be implemented by General Manager after District Board action under the terms of the District's Water Demand Reduction Condition Ordinance. Such action by the District is generally triggered by SDCWA and/or Metropolitan Water District of Southern California's (MWD) declaration of a specific level of water shortage.

Table 5-12 shows the estimated water usage (excluding Recycled customers) for each demand reduction stage. To estimate water usage at the customer class and tiered level, Raftelis assumed that not all customer classes reduce their usage equally. Typically, customers have greater flexibility to cut irrigation use, which is considered nonessential. Therefore, single family residential use and irrigation use bear higher burdens to cut back use during drought phases. For customer classes with uniform rates, this results in a percentage reduction equal to the overall reduction (i.e. 10%/20%/30%). For Domestic and Agricultural customers with

tiered rates however, a disproportional amount of the overall customer class water usage reduction typically occurs within the higher tiers. Raftelis analyzed FY 2022 account level water usage data by billing period to estimate the percent reduction by tier for Domestic (Lines 1-4) and Irrigation customers (Lines 8-9) if total customer class water usage was to decrease by 10 percent, 20 percent, and 30 percent.

Table 5-12: Percent Reduction in Water Usage by Customer Class and Tier

A	B	C	D	E
Line	Description	10% Demand Reduction	20% Demand Reduction	30% Demand Reduction
1	Domestic Tier 1	2.5%	2.7%	6.9%
2	Domestic Tier 2	10.0%	19.0%	29.7%
3	Domestic Tier 3	15.8%	29.9%	42.3%
4	Domestic Tier 4	26.3%	49.1%	63.4%
5	Agriculture	5.0%	8.0%	25.0%
6	Agriculture w/ Credit	4.0%	8.0%	25.0%
7	Commercial	3.5%	8.0%	15.0%
8	Irrigation Tier 1	2.0%	8.2%	10.1%
9	Irrigation Tier 2	9.7%	36.7%	57.8%
10	Construction	0.0%	10.0%	30.0%
11	**Total Reduction**	**10.0%**	**20.0%**	**30.0%**

Table 5-13 shows FY 2025 volumetric base rates (previously determined in **Table 5-10**) in Column C and assumed FY 2025 water usage at each demand reduction stage in Columns D-G. Projected usage by customer class and tier in Columns E-G, Lines 1-10 is determined by reducing the base demand in Column D by the percentage reduction at each stage from **Table 5-12**, Columns C-E, Lines 1-10.

Table 5-13: Projected Water Usage by Stage

	B	C	D	E	F	G
Line	Description	FY 2025 Proposed Base Rates	FY 2025 Base Demand	10% Demand Reduction	20% Demand Reduction	30% Demand Reduction
1	Domestic Tier 1	$4.49	1,511,998 hcf	1,474,707 hcf	1,471,692 hcf	1,407,297 hcf
2	Domestic Tier 2	$6.53	1,986,076 hcf	1,786,790 hcf	1,608,193 hcf	1,397,015 hcf
3	Domestic Tier 3	$7.32	1,433,314 hcf	1,206,372 hcf	1,004,124 hcf	827,420 hcf
4	Domestic Tier 4	$8.27	556,269 hcf	409,776 hcf	283,014 hcf	203,700 hcf
5	Agriculture	$6.97	59,071 hcf	56,117 hcf	54,345 hcf	44,303 hcf
6	Agriculture w/ Credit	$5.62	23,332 hcf	22,399 hcf	21,465 hcf	17,499 hcf
7	Commercial	$6.20	296,027 hcf	285,666 hcf	272,344 hcf	251,623 hcf
8	Irrigation Tier 1	$6.98	411,926 hcf	403,497 hcf	378,306 hcf	370,231 hcf
9	Irrigation Tier 2	$7.87	435,335 hcf	392,928 hcf	275,612 hcf	183,557 hcf
10	Construction	$8.67	41,669 hcf	41,668 hcf	37,502 hcf	29,168 hcf
11	**Total**		**6,755,016 hcf**	**6,079,920 hcf**	**5,406,599 hcf**	**4,731,813 hcf**

Table 5-14 shows the determination of the uniform surcharge to be added to all potable volumetric rates (excluding Recycled Water) during each demand reduction stage for FY 2025. Projected volumetric rate revenues at each demand reduction stage (Line 2) is determined by multiplying projected water usage for each customer class and tier (**Table 5-13**, Columns D-G, Lines 1-10) by the FY 2025 proposed base rates (**Table**

5-13, Column C, Lines 1-10), and then summing across all customer classes and tiers. Line 3 shows the reduction in rate revenues relative to baseline (Column C, Line 2). Avoided water supply costs at each demand reduction stage are then calculated in Lines 5-12. Projected water usage (excluding Recycled) at each stage in Line 6 was determined previously in **Table 5-13**, Columns D-G, Line 11. The required water supply in units is shown in Line 8, assuming a 6.5 percent water loss (Line 7). Required water supply is shown in Line 9 by converting Line 8 to AF[7]. Line 10 shows the reduction in required water purchases relative to baseline (Column C, Line 9), which is then multiplied by the FY 2025 Untreated M&I rate per AF (Line 11) to estimate avoided water supply costs (Line 12). Net revenue loss in Line 14 is calculated by subtracting avoided water supply costs (Line 12) from the total rate revenue reduction (Line 3). The net revenue loss is then divided by projected potable water demand at each demand reduction level (Line 6) to determine the uniform surcharges at each stage (Line 16).

Table 5-14: Calculation of Water Demand Reduction Rate Surcharges

A	B	C	D	E	F
	Description	**Base Demand**	**10% Demand Reduction**	**20% Demand Reduction**	**30% Demand Reduction**
1	**Reduction in Rate Revenues**				
2	Projected Volumetric Rate Revenue	$43,890,959	$39,066,822	$34,122,859	$29,431,477
3	**Total Rate Revenue Reduction**	**N/A**	**$4,824,136**	**$9,768,100**	**$14,459,482**
4					
5	**Avoided Water Supply Costs**				
6	Projected FY 2025 Water Usage	6,755,016	6,079,920	5,406,599	4,731,813
7	Assumed Water Loss	6.50%	6.50%	6.50%	6.50%
8	Required Water Purchases (units)	7,224,616	6,502,588	5,782,459	5,060,762
9	Required Water Purchases (AF)	16,585	14,928	13,275	11,618
10	Reduction in Required Water Purchases (AF)	N/A	1,658	3,311	4,968
11	FY 2025 Untreated M&I Rate ($/AF)	$1,834	$1,834	$1,834	$1,834
12	**Total Avoided Water Supply Costs**	**N/A**	**$3,040,423**	**$6,072,852**	**$9,111,881**
13					
14	**Net Revenue Loss**	**N/A**	**$1,783,713**	**$3,695,248**	**$5,347,601**
15					
16	**$/Unit Surcharge**	**N/A**	**$0.30**	**$0.69**	**$1.14**

Table 5-15 shows FY 2025 volumetric rates under each demand reduction stage. Base volumetric rates were determined previously in **Table 5-11**. The effective rate at each of the three demand reduction stages is determined by simply adding the corresponding surcharge (**Table 5-14**, Line 16) to the FY 2025 base rate for customer class and tier. Note that Recycled Water customers are not subject to any rate increases during the three demand reduction stages which are targeted to potable water and there is little impact on wastewater generated and recycled water production. Water demand reduction rates for reductions in usage that are in between those shown above may be prorated. For example, the demand reduction rate for a 14% reduction in use would be 0.30+ 0.4*(0.69-0.30) = $0.46 per unit.

[7] One AF = 435.6 Units.

Table 5-15: Proposed FY 2025 Water Demand Reduction Rates

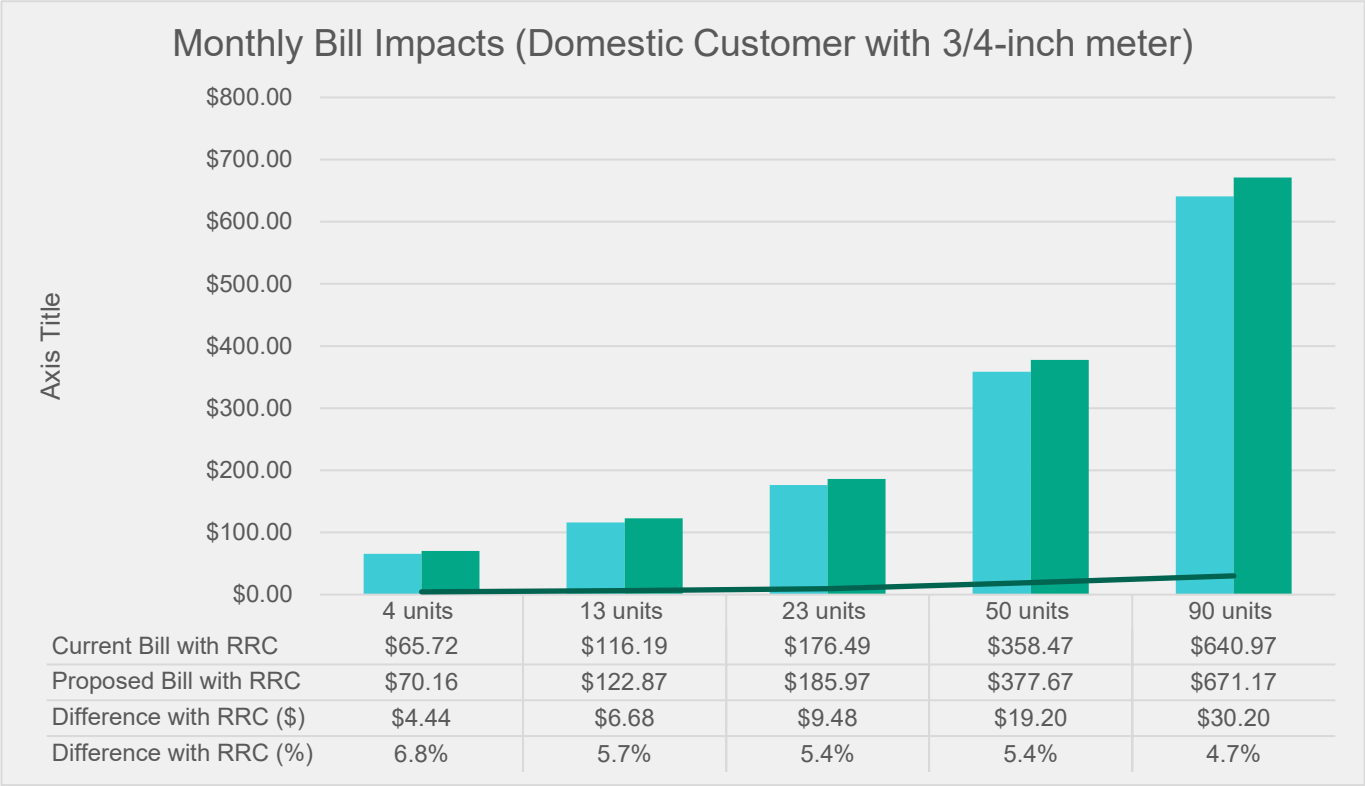
CUSTOMER TYPE	BASE RATES 1/1/2025	10% DEMAND REDUCTION ($0.30 Surcharge)	20% DEMAND REDUCTION ($0.69 Surcharge)	30% DEMAND REDUCTION ($1.14 Surcharge)
Domestic				
0-6 Units	$4.49	$4.79	$5.18	$5.63
7-23 Units	$6.53	$6.83	$7.22	$7.67
24-80 Units	$7.32	$7.62	$8.01	$8.46
80 + Units	$8.27	$8.57	$8.96	$9.41
Agricultural	$6.97	$7.27	$7.66	$8.11
Agriculture w/ Credit	$5.62	$5.92	$6.31	$6.76
Commercial	$6.20	$6.50	$6.89	$7.34
Irrigation				
Tier 1	$6.98	$7.28	$7.67	$8.12
Tier 2	$7.87	$8.17	$8.56	$9.01
Construction	$8.67	$8.97	$9.36	$9.81
Recycled Water	$4.68	$4.68	$4.68	$4.68

6. Customer Impacts

6.1. Monthly Bill Impacts

Figure 6-1 shows estimated monthly bills under current rates and proposed FY 2025 rates for Domestic customers with a ¾-inch water meter at varying levels of monthly water usage. **Table 6-1** shows the bill impacts both with and without the RRC included. The base rate comparison with no RRC applied is shown in Columns A-D. The current RRC of $0.11 is applied to the bills in Column E and the proposed RRC of $0.22 is applied in Column F. Note that 13 units and 23 units per month, respectively, represent the median and average Domestic monthly water usage in FY 2022. High-use customers see a smaller percentage increase in monthly bills under the proposed FY 2025 rates due to the decreased differentiation in peaking costs between lower and higher Domestic tiers relative to the prior water rate study in 2019. The monthly bill impacts **with the RRC** included are shown graphically in **Figure 6-1**.

Figure 6-1: Domestic Bill Impacts at Varying Levels of Usage



	4 units	13 units	23 units	50 units	90 units
Current Bill with RRC	$65.72	$116.19	$176.49	$358.47	$640.97
Proposed Bill with RRC	$70.16	$122.87	$185.97	$377.67	$671.17
Difference with RRC ($)	$4.44	$6.68	$9.48	$19.20	$30.20
Difference with RRC (%)	6.8%	5.7%	5.4%	5.4%	4.7%

Table 6-1: Domestic Monthly Bill Impacts at Varying Levels of Usage

Usage Level	Monthly Usage (Units)	A Current Bill: Base Rate	B Difference ($)	C Difference (%)	D Current Bill with RRC	E Proposed Bill with RRC	F Difference with RRC ($)	G Difference with RRC (%)
Very Low	4	$66.16	$4.88	7.4%	$65.72	$70.16	$4.44	6.8%
Low	13	$117.62	$8.11	6.9%	$116.19	$122.87	$6.68	5.7%
Average	23	$179.02	$12.01	6.7%	$176.49	$185.97	$9.48	5.4%
High	50	$363.97	$24.70	6.8%	$358.47	$377.67	$19.20	5.4%
Very High	90	$650.87	$40.10	6.2%	$640.97	$671.17	$30.20	4.7%

Table 6-2 This table shows estimated monthly bills under current rates and proposed FY 2025 rates for Commercial customers with a 1-inch water meter and varying monthly water usage. **Table 6-3** shows estimated monthly bills under current rates and proposed FY 2025 rates for Irrigation customers with a 1.5-inch water meter at varying levels of monthly water usage during the winter and summer (due to different tier allotment definitions and usage patterns during the winter and summer periods for Irrigation customers).

Table 6-2: Commercial Monthly Bill Impacts at Varying Levels of Usage (1" Meter Size)

Usage Level	Monthly Usage (Units)	Current Bill: with RRC	Proposed Bill: with RRC	Difference ($)	Difference (%)
Low	30	$254.90	$270.69	$15.79	6.2%
Average	60	$425.00	$450.09	$25.09	5.9%
High	90	$595.10	$629.49	$34.39	5.8%

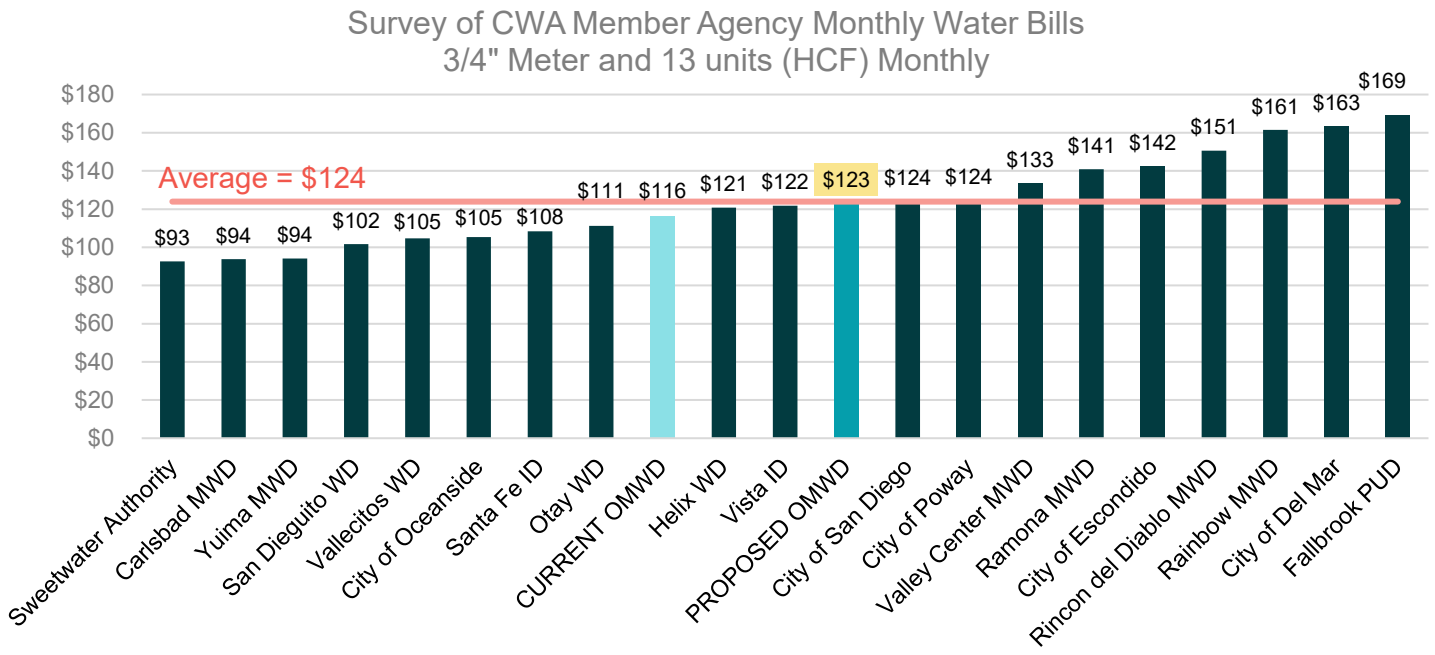
Table 6-3: Irrigation Monthly Bill Impacts at Varying Levels of Usage (1-1/2" Meter Size)

Usage Level	Monthly Usage (Units)	Current Bill: with RRC	Proposed Bill: with RRC	Difference ($)	Difference (%)
Low - Winter	51	$458.57	$487.87	$29.30	6.4%
Avg - Winter	102	$806.90	$878.02	$71.12	8.8%
High - Winter	153	$1,155.23	$1,268.17	$112.94	9.8%
Low - Summer	89	$700.95	$743.86	$42.91	6.1%
Avg - Summer	178	$1,299.58	$1,406.02	$106.44	8.2%
High - Summer	266	$1,907.45	$2,086.87	$179.42	9.4%

6.2. Monthly Bill Comparison

Figure 6-2 shows a comparison of the District's current and FY 2025 proposed Domestic bills to neighboring water utilities assuming a ¾-inch water meter and median Domestic monthly water usage (13 units). A District customer's bill under current rates is represented by the light blue bar and under proposed FY 2025 rates by the teal bar. The current and proposed bills include the RRC. The District's proposed FY 2025 rates result in a monthly bill that is approximately equal to the overall average across all agencies shown. While such comparisons can provide insights into a water utility's pricing policies, please also note that differences in water rates and bills are heavily influenced by factors such as geographic location, customer usage characteristics, source of water supply, water treatment, grant funding, and the age of system infrastructure.

Figure 6-2: Domestic Monthly Bill Comparison



Survey of posted rates as of May 2024
Does not include all 24 SDCWA member agencies for comparative purpose.

APPENDIX A:

Water Purchase Expenses

Table A-1: Recycled Water Purchase Expenses

Calculated Recycled Water Purchases Expenses	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Recycled Water from Vallecitos	$705,979	$557,100.00	$585,000	$614,250	$644,963	$677,211
Recycled Water from SEJPA	$291,690	$333,225	$354,825	$369,018	$383,779	$399,130
Recycled Water from City of SD	$337,089	$328,967	$342,126	$355,811	$370,043	$384,845
Recycled Water from RSFCSD	$192,107	$207,873	$225,481	$243,520	$259,208	$270,904
Recycled Water from SEJPA - Take or Pay	$0	$500,000	$0	$0	$0	$0
Total Calculated Recycled Water Purchases Expenses	**$1,526,865**	**$1,927,165**	**$1,507,432**	**$1,582,598**	**$1,657,992**	**$1,732,089**

Table A-2: Potable Water Purchase Expenses

Purchased Potable Water Expenses	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Tier 1 Melded Untreated M&I Supply Rate	$19,657,805	$21,436,675	$23,883,767	$26,304,995	$28,347,236	$29,536,245
Tier 2 Untreated Supply Rate Surcharge	$0	$0	$0	$0	$0	$0
Treatment Rate	$258,089	$1,119,517	$344,892	$379,856	$409,346	$426,516
Capacity Reservation Charge	$360,000	$441,000	$510,000	$561,000	$604,000	$628,000
Readiness to Serve Charge (FY Basis)	$617,000	$664,382	$720,854	$803,753	$835,903	$869,339
Infrastructure Access Charge	$1,475,000	$1,530,000	$1,647,161	$1,816,992	$1,958,693	$2,041,680
Customer Service Charge	$1,265,000	$1,380,000	$1,498,000	$1,648,000	$1,773,000	$1,843,000
Transportation Charge (Volume)	$3,114,278	$2,736,597	$2,431,488	$2,677,981	$2,885,892	$3,006,939
Transportation Charge (Fixed)	$0	$718,000	$1,498,000	$1,648,000	$1,773,000	$1,843,000
Storage Charge	$3,033,000	$3,176,000	$3,395,000	$3,736,000	$4,018,000	$4,179,000
Supply Reliability Charge	$2,050,000	$2,391,000	$2,777,000	$3,056,000	$3,287,000	$3,418,000
IAWP/SAWR Credit	$33,512	$37,098	$44,564	$48,881	$52,614	$54,830
Recycled Water	$1,526,865	$1,927,165	$1,507,432	$1,582,598	$1,657,992	$1,732,089
Recycled Credit	$0	$0	$0	$0	$0	$0
Lost Revenue From >9% Increase	$0	$447,530	$0	$0	$0	$0
Total Purchased Water Expenses	**$33,390,550**	**$38,004,962**	**$40,258,159**	**$44,264,056**	**$47,602,676**	**$49,578,639**

APPENDIX B:

Status Quo Financial Plan Cash Flow

Operating Cash Flow						
	Description	**FYE 2025**	**FYE 2026**	**FYE 2027**	**FYE 2028**	**FYE 2029**
	REVENUE					
	Revenue Under Existing Rates					
	System Access Charge Revenue Under Existing Rates	$15,669,739	$15,696,613	$15,734,457	$15,809,423	$15,836,297
	Fire Meter Charge Under Existing Rates	$467,006	$467,006	$467,006	$467,006	$467,006
	Commodity Charge Revenue Under Existing Rates	$45,224,595	$45,225,230	$45,283,273	$45,363,981	$45,438,710
	Infrastructure Access Charge Revenue Under Existing Rates	$1,561,057	$1,563,703	$1,567,685	$1,576,324	$1,578,970
	Total Rate Revenue Under Existing Rates	$62,922,397	$62,952,551	$63,052,421	$63,216,734	$63,320,984
	Revenue Summary					
	Total Rate Revenue (incl. revenue adjustments)	$61,361,341	$61,388,849	$61,484,736	$61,640,410	$61,742,014
	Other Operating Revenue	$3,009,557	$3,543,414	$3,700,654	$3,835,818	$3,910,682
	Investment & Interest Income	$569,000	$278,000	$70,000	$0	$0
	Non-Operating Revenue	$5,686,704	$5,800,438	$5,900,316	$6,002,192	$6,106,106
	TOTAL REVENUE	**$70,626,601**	**$71,010,701**	**$71,155,706**	**$71,478,420**	**$71,758,802**
	EXPENSES					
	O&M Expenses without Depreciation	$22,269,000	$23,597,000	$24,542,973	$25,528,731	$26,555,994
	Purchased Water (potable & recycled)	$38,004,962	$40,249,486	$44,237,344	$47,560,276	$49,524,543
	Other Operating Expenses (potable & recycled)	$50,000	$50,000	$50,000	$50,000	$50,000
	Non-Operating Expenses (potable & recycled)	$1,570,927	$1,043,507	$12,000	$10,000	$10,000
	Existing Debt Service	$5,070,625	$5,062,875	$5,059,375	$5,060,625	$2,044,000
	Proposed SRF Loan Payment	$0	$0	$0	$0	$0
	Proposed Debt Service	$0	$0	$0	$0	$0
	TOTAL EXPENSES	**$66,965,515**	**$70,002,867**	**$73,901,692**	**$78,209,632**	**$78,184,536**

TRANSFERS						
Transfer Potable Oper. to Potable Capital - PAYGO	$6,000,000	$7,000,000	$7,500,000	$7,500,000	$9,500,000
Transfer for Equipment Replc.	$500,000	$500,000	$500,000	$500,000	$500,000
Transfer for Future Infrastructure Replc.	$5,500,000	$6,500,000	$7,000,000	$7,000,000	$9,000,000
Transfer from Wastewater (Sewer) Fund - 2018/2021B Bonds	($121,800)	($121,800)	($121,800)	($121,800)	$0
Transfer to 2012 SRF Reserve	$107,000	$107,000	$0	$0	$0
Transfer to/(from) Rate Stabilization Fund	($1,560,927)	($1,033,507)	($2,000)	$0	$0
Transfer to/(from) Pension Stabilization Fund	$220,000	$220,000	$220,000	$220,000	$220,000
Potable OMWD Option 2 (reduce to CPI)	$0	$0	$0	$0	$0
Transfer Recycled Oper. to Recycled Capital	$200,000	$200,000	$200,000	$200,000	$200,000
Transfer Recycled Oper. to Potable Capital	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000
LESS TRANSFERS	**$6,344,273**	**$7,871,693**	**$9,296,200**	**$9,298,200**	**$11,420,000**
Net Annual Cash Balance	**($2,683,186)**	**($6,863,860)**	**($12,042,186)**	**($16,029,411)**	**($17,845,735)**
Calculated Debt Coverage	292.0%	183.1%	144.1%	74.5%	-139.3%
Required Debt Coverage	125.0%	125.0%	125.0%	125.0%	125.0%
Fund Balances					
Reserve Interest Rate	3.0%	2.0%	2.0%	1.5%	1.5%
Operating Fund (Potable & Recycled)	**FYE 2025**	**FYE 2026**	**FYE 2027**	**FYE 2028**	**FYE 2029**
Beginning Balance	$15,874,000	$13,190,814	$6,326,954	($5,715,232)	($21,744,643)
Net Annual Cash Balance	($2,683,186)	($6,863,860)	($12,042,186)	($16,029,411)	($17,845,735)
Ending Balance - Operating Fund (Potable & Recycled)	**$13,190,814**	**$6,326,954**	**($5,715,232)**	**($21,744,643)**	**($39,590,378)**
Minimum Target Balance	*$9,908,049*	*$10,495,313*	*$11,306,353*	*$12,014,631*	*$12,506,390*
Maximum Target Balance	*$19,816,097*	*$20,990,626*	*$22,612,707*	*$24,029,263*	*$25,012,779*
Interest Income	*$569,000*	*$278,000*	*$70,000*	*$0*	*$0*

Capital Improvement Fund (Potable & Recycled)	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Beginning Balance	$47,736,000	$36,854,000	$33,434,000	$32,601,000	$34,710,000
Plus:					
Interest Income	$1,073,000	$656,000	$639,000	$513,000	$486,000
Transfer from Potable Operating Fund to Potable Capital	$6,000,000	$7,000,000	$7,500,000	$7,500,000	$9,500,000
Transfer from Recycled Operating Fund to Recycled Capital	$200,000	$200,000	$200,000	$200,000	$200,000
Transfer from Recycled Capital Fund to Potable Capital	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000
Capacity Fee Revenues	$118,000	$412,000	$4,047,000	$4,687,000	$803,000
Anticipated Grant Funds	$1,772,000	$817,000	$0	$0	$0
Recyled Capacity Fee Revenues	$5,000	$5,000	$5,000	$5,000	$5,000
Land Sales Proceeds	$1,150,000	$0	$0	$0	$0
New Loan - State Revolving Fund (SRF) Proceeds	$0	$0	$0	$0	$0
New Bond Proceeds	$0	$0	$0	$0	$0
Less:					
Capital Item Purchases - Water Potable	$372,000	$473,000	$400,000	$400,000	$400,000
Capital Item Purchases - Water Recycled	$49,000	$49,000	$25,000	$25,000	$25,000
Capital Projects	$22,249,000	$13,458,000	$14,269,000	$11,841,000	$13,843,000
Other Expenditures - Water Potable	$25,000	$25,000	$25,000	$25,000	$25,000
Other Expenditures - Water Recycled	$5,000	$5,000	$5,000	$5,000	$5,000
Ending Balance - Capital Improvement Fund (Potable & Recycled)	**$36,854,000**	**$33,434,000**	**$32,601,000**	**$34,710,000**	**$32,906,000**
Minimum Target Balance	*$17,317,818*	*$17,317,818*	*$17,317,818*	*$17,317,818*	*$17,317,818*
Maximum Target Balance	*$86,589,091*	*$86,589,091*	*$86,589,091*	*$86,589,091*	*$86,589,091*
Net capital Expense	$10,882,000				

Rate Stabilization Fund (Potable)	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Beginning Balance	$11,840,000	$10,587,073	$9,744,566	$9,937,418	$10,086,479
Interest Income	$308,000	$191,000	$194,851	$149,061	$151,297
Transfer (to)/from Operating Fund	($1,560,927)	($1,033,507)	($2,000)	$0	$0
Ending Balance - Rate Stabilization Fund (Potable)	**$10,587,073**	**$9,744,566**	**$9,937,418**	**$10,086,479**	**$10,237,776**
Minimum Target Balance	*$6,229,359*	*$5,675,766*	*$4,703,769*	*$3,914,114*	*$3,449,110*
Maximum Target Balance	*$12,458,717*	*$11,351,533*	*$9,407,538*	*$7,828,229*	*$6,898,221*

Pension Stabilization Fund (Potable)	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Beginning Balance	$676,055	$923,055	$1,166,055	$1,413,776	$1,658,283
Interest Income	$27,000	$23,000	$27,721	$24,507	$28,174
Transfer (to)/from Operating Fund	$220,000	$220,000	$220,000	$220,000	$220,000
Ending Balance - Pension Stabilization Fund (Potable)	**$923,055**	**$1,166,055**	**$1,413,776**	**$1,658,283**	**$1,906,457**
Minimum Target Balance	*$956,562*	*$956,562*	*$956,562*	*$956,562*	*$956,562*
Maximum Target Balance	*$1,913,124*	*$1,913,124*	*$1,913,124*	*$1,913,124*	*$1,913,124*

Debt Coverage Calculation

Description	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Revenue Applicable for Debt Coverage Calculation					
Total Service Charge Revenue	$61,361,341	$61,388,849	$61,484,736	$61,640,410	$61,742,014
Other Operating Revenue	$3,009,557	$3,543,414	$3,700,654	$3,835,818	$3,910,682
Interest Income	$1,977,000	$1,148,000	$931,572	$686,568	$665,471
Non-Operating Revenue	$5,686,704	$5,800,438	$5,900,316	$6,002,192	$6,106,106
Capacity Fee Revenues	$118,000	$412,000	$4,047,000	$4,687,000	$803,000
Anticipated Grant Funds	$1,772,000	$817,000	$0	$0	$0
Recyled Capacity Fee Revenues	$5,000	$5,000	$5,000	$5,000	$5,000
Land Sales Proceeds	$1,150,000	$0	$0	$0	$0
Total Revenue	**$75,079,601**	**$73,114,701**	**$76,069,278**	**$76,856,988**	**$73,232,273**
Expenses					
O&M Expenses	$22,269,000	$23,597,000	$24,542,973	$25,528,731	$26,555,994
Purchased Water Expenses (potable & recycled)	$38,004,962	$40,249,486	$44,237,344	$47,560,276	$49,524,543
Total Expenses	**$60,273,962**	**$63,846,486**	**$68,780,317**	**$73,089,007**	**$76,080,536**
Total Funds Available for Debt Service	$14,805,639	$9,268,215	$7,288,962	$3,767,981	($2,848,263)
Total Debt Service	$5,070,625	$5,062,875	$5,059,375	$5,060,625	$2,044,000
Revenue to Debt Service Coverage Ratio	292.0%	183.1%	144.1%	74.5%	-139.3%

Recycled Water Operating Cash Flow

Description	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Recycled Water Revenue	$5,184,865	$5,315,676	$5,353,051	$5,353,051	$5,353,051
Recycled Water Additional Revenue	($128,633)	($132,038)	($133,094)	($133,480)	($133,483)
Recycled Water Interest Income	$283,962	$171,648	$70,000	$0	$0
Recycled Water Expenses	$3,417,665	$3,039,759	$3,151,292	$3,267,588	$3,388,861
Recycled Water Transfers	$1,700,000	$1,700,000	$1,700,000	$1,700,000	$1,700,000
Net Cash Flow	**$222,531**	**$615,528**	**$438,665**	**$251,983**	**$130,706**
Beginning Balance	$7,922,000	$8,144,531	$8,760,058	$9,198,723	$9,450,706
Net Cash Flow	$222,531	$615,528	$438,665	$251,983	$130,706
Ending Balance	**$8,144,531**	**$8,760,058**	**$9,198,723**	**$9,450,706**	**$9,581,412**
Interest Income	*$287,000*	*$205,768*	*$216,574*	*$167,261*	*$169,221*

Interest Allocation between Potable Water and Recycled Water operations					
Description	**FYE 2025**	**FYE 2026**	**FYE 2027**	**FYE 2028**	**FYE 2029**
Beginning Fund Balance					
Potable Water Operations	50.1%	38.3%	0.0%	261.0%	143.5%
Recycled Water Operations	49.9%	61.7%	100.0%	-161.0%	-43.5%
Total Beginning Fund Balance	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Interest Allocation					
Potable Water Operations	$285,038	$106,352	$0	$0	$0
Recycled Water Operations	$283,962	$171,648	$70,000	$0	$0
Total Interest Allocation	**$569,000**	**$278,000**	**$70,000**	**$0**	**$0**

APPENDIX C:

Proposed Financial Plan Cash Flow

Operating Cash Flow

Description	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
REVENUE					
Revenue Under Existing Rates					
System Access Charge Revenue Under Existing Rates	$15,669,739	$15,696,613	$15,734,457	$15,809,423	$15,836,297
Fire Meter Charge Under Existing Rates	$467,006	$467,006	$467,006	$467,006	$467,006
Commodity Charge Revenue Under Existing Rates	$45,224,595	$45,225,230	$45,283,273	$45,363,981	$45,438,710
Infrastructure Access Charge Revenue Under Existing Rates	$1,561,057	$1,563,703	$1,567,685	$1,576,324	$1,578,970
Total Rate Revenue Under Existing Rates	$62,922,397	$62,952,551	$63,052,421	$63,216,734	$63,320,984
Revenue Adjustments					
System Access Charge Revenue Adjustment	$626,790	$1,933,823	$3,352,320	$4,603,780	$5,529,268
Fire Meter Charge Revenue Adjustments	$14,010	$42,871	$73,464	$103,111	$128,697
Commodity Charge Revenue Adjustments	$1,808,984	$5,571,748	$9,647,873	$13,210,209	$15,864,996
Infrastructure Access Charge Revenue Adjustments	$24,779	$118,208	$288,160	$430,564	$511,697
Total Revenue Adjustments	$2,474,562	$7,666,651	$13,361,817	$18,347,664	$22,034,657
Revenue Summary					
Total Rate Revenue (incl. revenue adjustments)	$63,811,124	$68,937,291	$74,558,393	$79,557,510	$83,264,975
Other Operating Revenue	$3,034,335	$3,661,623	$3,988,814	$4,266,381	$4,422,378
Investment & Interest Income	$643,000	$483,000	$545,000	$451,000	$552,000
Non-Operating Revenue	$5,686,704	$5,800,438	$5,900,316	$6,002,192	$6,106,106
TOTAL REVENUE	**$73,175,164**	**$78,882,352**	**$84,992,523**	**$90,277,084**	**$94,345,459**
EXPENSES					
O&M Expenses without Depreciation	$22,269,000	$23,597,000	$24,542,973	$25,528,731	$26,555,994
Purchased Water (potable & recycled)	$38,004,962	$40,258,159	$44,264,056	$47,602,676	$49,578,639
Other Operating Expenses (potable & recycled)	$50,000	$50,000	$50,000	$50,000	$50,000
Non-Operating Expenses (potable & recycled)	$1,570,927	$1,043,507	$12,000	$10,000	$10,000
Existing Debt Service	$5,070,625	$5,062,875	$5,059,375	$5,060,625	$2,044,000
Proposed SRF Loan Payment	$0	$0	$0	$0	$0
Proposed Debt Service	$0	$0	$0	$0	$0
TOTAL EXPENSES	**$66,965,515**	**$70,011,541**	**$73,928,403**	**$78,252,032**	**$78,238,632**

TRANSFERS						
Transfer Potable Oper. to Potable Capital - PAYGO	$6,000,000	$7,000,000	$7,500,000	$7,500,000	$9,500,000
Transfer for Equipment Replc.	$500,000	$500,000	$500,000	$500,000	$500,000
Transfer for Future Infrastructure Replc.	$5,500,000	$6,500,000	$7,000,000	$7,000,000	$9,000,000
Transfer from Wastewater (Sewer) Fund - 2018/2021B Bonds	($121,800)	($121,800)	($121,800)	($121,800)	$0
Transfer to 2012 SRF Reserve	$107,000	$107,000	$0	$0	$0
Transfer to/(from) Rate Stabilization Fund	($1,560,927)	($1,033,507)	($2,000)	$0	$0
Transfer to/(from) Pension Stabilization Fund	$220,000	$220,000	$220,000	$220,000	$220,000
Potable OMWD Option 2 (reduce to CPI)	$0	$0	$0	$0	$0
Transfer Recycled Oper. to Recycled Capital	$200,000	$200,000	$200,000	$200,000	$200,000
Transfer Recycled Oper. to Potable Capital	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000
LESS TRANSFERS	**$6,344,273**	**$7,871,693**	**$9,296,200**	**$9,298,200**	**$11,420,000**
Net Annual Cash Balance	**($134,624)**	**$999,118**	**$1,767,920**	**$2,726,852**	**$4,686,827**
Calculated Debt Coverage	342.2%	338.4%	417.0%	445.1%	963.0%
Required Debt Coverage	125.0%	125.0%	125.0%	125.0%	125.0%

Fund Balances						
Reserve Interest Rate	3.0%	2.0%	2.0%	1.5%	1.5%
Operating Fund (Potable & Recycled)	**FYE 2025**	**FYE 2026**	**FYE 2027**	**FYE 2028**	**FYE 2029**
Beginning Balance	$15,874,000	$15,739,376	$16,738,494	$18,506,414	$21,233,266
Net Annual Cash Balance	($134,624)	$999,118	$1,767,920	$2,726,852	$4,686,827
Ending Balance - Operating Fund (Potable & Recycled)	**$15,739,376**	**$16,738,494**	**$18,506,414**	**$21,233,266**	**$25,920,092**
Minimum Target Balance	*$9,908,049*	*$10,496,738*	*$11,310,744*	*$12,021,601*	*$12,515,282*
Maximum Target Balance	*$19,816,097*	*$20,993,477*	*$22,621,489*	*$24,043,202*	*$25,030,564*
Interest Income	*$643,000*	*$483,000*	*$545,000*	*$451,000*	*$552,000*
Capital Improvement Fund (Potable & Recycled)	**FYE 2025**	**FYE 2026**	**FYE 2027**	**FYE 2028**	**FYE 2029**
Beginning Balance	$47,736,000	$36,854,000	$33,434,000	$32,601,000	$34,710,000
Plus:					
Interest Income	$1,073,000	$656,000	$639,000	$513,000	$486,000
Transfer from Potable Operating Fund to Potable Capital	$6,000,000	$7,000,000	$7,500,000	$7,500,000	$9,500,000
Transfer from Recycled Operating Fund to Recycled Capital	$200,000	$200,000	$200,000	$200,000	$200,000
Transfer from Recycled Capital Fund to Potable Capital	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000
Capacity Fee Revenues	$118,000	$412,000	$4,047,000	$4,687,000	$803,000
Anticipated Grant Funds	$1,772,000	$817,000	$0	$0	$0
Recyled Capacity Fee Revenues	$5,000	$5,000	$5,000	$5,000	$5,000
Land Sales Proceeds	$1,150,000	$0	$0	$0	$0
New Loan - State Revolving Fund (SRF) Proceeds	$0	$0	$0	$0	$0
New Bond Proceeds	$0	$0	$0	$0	$0
Less:					
Capital Item Purchases - Water Potable	$372,000	$473,000	$400,000	$400,000	$400,000
Capital Item Purchases - Water Recycled	$49,000	$49,000	$25,000	$25,000	$25,000
Capital Projects	$22,249,000	$13,458,000	$14,269,000	$11,841,000	$13,843,000
Other Expenditures - Water Potable	$25,000	$25,000	$25,000	$25,000	$25,000
Other Expenditures - Water Recycled	$5,000	$5,000	$5,000	$5,000	$5,000
Ending Balance - Capital Improvement Fund (Potable & Recycled)	**$36,854,000**	**$33,434,000**	**$32,601,000**	**$34,710,000**	**$32,906,000**
Minimum Target Balance	*$17,317,818*	*$17,317,818*	*$17,317,818*	*$17,317,818*	*$17,317,818*
Maximum Target Balance	*$86,589,091*	*$86,589,091*	*$86,589,091*	*$86,589,091*	*$86,589,091*

Pension Stabilization Fund (Potable)	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Beginning Balance	$676,055	$923,055	$1,166,055	$1,413,776	$1,658,283
Interest Income	$27,000	$23,000	$27,721	$24,507	$28,174
Transfer (to)/from Operating Fund	$220,000	$220,000	$220,000	$220,000	$220,000
Ending Balance - Pension Stabilization Fund (Potable)	**$923,055**	**$1,166,055**	**$1,413,776**	**$1,658,283**	**$1,906,457**
Minimum Target Balance	*$956,562*	*$956,562*	*$956,562*	*$956,562*	*$956,562*
Maximum Target Balance	*$1,913,124*	*$1,913,124*	*$1,913,124*	*$1,913,124*	*$1,913,124*

Debt Coverage Calculation

Description	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Revenue Applicable for Debt Coverage Calculation					
Total Service Charge Revenue	$63,811,124	$68,937,291	$74,558,393	$79,557,510	$83,264,975
Other Operating Revenue	$3,034,335	$3,661,623	$3,988,814	$4,266,381	$4,422,378
Interest Income	$2,051,000	$1,353,000	$1,406,572	$1,137,568	$1,217,471
Non-Operating Revenue	$5,686,704	$5,800,438	$5,900,316	$6,002,192	$6,106,106
Capacity Fee Revenues	$118,000	$412,000	$4,047,000	$4,687,000	$803,000
Anticipated Grant Funds	$1,772,000	$817,000	$0	$0	$0
Recyled Capacity Fee Revenues	$5,000	$5,000	$5,000	$5,000	$5,000
Land Sales Proceeds	$1,150,000	$0	$0	$0	$0
Total Revenue	**$77,628,164**	**$80,986,352**	**$89,906,096**	**$95,655,652**	**$95,818,931**
Expenses					
O&M Expenses	$22,269,000	$23,597,000	$24,542,973	$25,528,731	$26,555,994
Purchased Water Expenses (potable & recycled)	$38,004,962	$40,258,159	$44,264,056	$47,602,676	$49,578,639
Total Expenses	**$60,273,962**	**$63,855,159**	**$68,807,028**	**$73,131,407**	**$76,134,632**
Total Funds Available for Debt Service	$17,354,201	$17,131,193	$21,099,067	$22,524,245	$19,684,298
Total Debt Service	$5,070,625	$5,062,875	$5,059,375	$5,060,625	$2,044,000
Revenue to Debt Service Coverage Ratio	342.2%	338.4%	417.0%	445.1%	963.0%

Recycled Water Operating Cash Flow						
	Description	**FYE 2025**	**FYE 2026**	**FYE 2027**	**FYE 2028**	**FYE 2029**
	Recycled Water Revenue	$5,184,865	$5,315,676	$5,353,051	$5,353,051	$5,353,051
	Recycled Water Additional Revenue	$73,232	$505,348	$976,839	$1,383,700	$1,686,032
	Recycled Water Interest Income	$320,892	$257,262	$316,258	$279,799	$350,644
	Recycled Water Expenses	$3,417,665	$3,048,432	$3,178,003	$3,309,988	$3,442,957
	Recycled Water Transfers	$1,700,000	$1,700,000	$1,700,000	$1,700,000	$1,700,000
	Net Cash Flow	**$461,325**	**$1,329,854**	**$1,768,144**	**$2,006,562**	**$2,246,769**
	Beginning Balance	$7,922,000	$8,383,325	$9,713,180	$11,481,324	$13,487,885
	Net Cash Flow	$461,325	$1,329,854	$1,768,144	$2,006,562	$2,246,769
	Ending Balance	**$8,383,325**	**$9,713,180**	**$11,481,324**	**$13,487,885**	**$15,734,654**
	Interest Income	*$293,000*	*$223,118*	*$257,301*	*$223,621*	*$256,260*

Interest Allocation between Potable Water and Recycled Water operations						
	Description	**FYE 2025**	**FYE 2026**	**FYE 2027**	**FYE 2028**	**FYE 2029**
	Beginning Fund Balance					
	Potable Water Operations	50.1%	46.7%	42.0%	38.0%	36.5%
	Recycled Water Operations	49.9%	53.3%	58.0%	62.0%	63.5%
	Total Beginning Fund Balance	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
	Interest Allocation					
	Potable Water Operations	$322,108	$225,738	$228,742	$171,201	$201,356
	Recycled Water Operations	$320,892	$257,262	$316,258	$279,799	$350,644
	Total Interest Allocation	**$643,000**	**$483,000**	**$545,000**	**$451,000**	**$552,000**

APPENDIX D:

Revised Water Consumption Charge with Adopted SDCWA Rates

Revised Water Consumption Charge

The water supply component has been updated to reflect the CY 2025 rates and charges adopted by SDCWA at their board meeting that occurred after completion of this Study.

The Melded Supply Rate in the model was set to the original rate of $1,385 per AF based on the best information available at the time. The SDCWA Board instead adopted a Melded Supply Rate of $1,355 per AF, which is $30 per AF less than what was modeled. To account for this decrease, the $30 per AF decrease was converted to units, and that discount was applied directly to the cost per unit of water for potable water customers. The full breakdown is shown in **Table D-1**. The reduction of $0.07 per unit of water is shown in Column C.

The revised rate table is shown in **Table D-2**.

With the change in supply cost, the drought rates also had to be adjusted to properly reflect costs and revenue loss during drought. **Table D-3** shows the calculation for the surcharge in commodity rates at each drought stage, and **Table D-4** shows the corresponding demand reduction shortage rates at each stage.

Table D-1. Breakdown of the Volumetric Charge Components

A	B	C	D	E	F	G	H	I	J	K	L
Customer Class	**Supply Unit Rate**	**Change in Supply based on Adopted SDCWA Rates**	**Base Unit Rate**	**Max Day Unit Rate**	**Max Hour Unit Rate**	**Recycled Water Unit Rate**	**Revenue Offsets Unit Rate**	**Ag Credit Unit Rate**	**Revised Proposed Base Rate**	**Current FY 2024 Base Rate**	**Difference ($)**
Domestic											
Tier 1 (0-6 units)	$3.50	($0.07)	$1.42	$0.57	$0.60	N/A	($1.60)	N/A	**$4.43**	$4.24	$0.19
Tier 2 (7-23 units)	$3.50	($0.07)	$1.42	$0.99	$0.73	N/A	($0.11)	N/A	**$6.47**	$6.14	$0.33
Tier 3 (24-80 units)	$3.50	($0.07)	$1.42	$1.50	$0.89	N/A	$0.00	N/A	**$7.25**	$6.85	$0.40
Tier 4 (80 + units)	$3.50	($0.07)	$1.42	$2.21	$1.13	N/A	$0.00	N/A	**$8.20**	$8.14	$0.06
Agriculture	$3.50	($0.07)	$1.42	$1.60	$0.93	N/A	($0.48)	N/A	**$6.90**	$6.75	$0.15
Agriculture w/ Credit	$3.50	($0.07)	$1.42	$1.60	$0.93	N/A	($0.24)	($1.59)	**$5.55**	$5.41	$0.14
Commercial	$3.50	($0.07)	$1.42	$0.87	$0.69	N/A	($0.28)	N/A	**$6.14**	$5.78	$0.36
Irrigation											
Tier 1: “B” Base	$3.50	($0.07)	$1.42	$1.60	$0.93	N/A	($0.48)	N/A	**$6.91**	$6.50	$0.41
Tier 2: “C” Over Base	$3.50	($0.07)	$1.42	$2.35	$1.17	N/A	($0.58)	N/A	**$7.80**	$6.94	$0.86
Construction	$3.50	($0.07)	$1.42	$2.52	$1.23	N/A	N/A	N/A	**$8.60**	$8.21	$0.39
Recycled Water	N/A	N/A	N/A	N/A	N/A	$4.68	N/A	N/A	**$4.68**	$4.29	$0.39

Table D-2: Revised Proposed Volumetric Rates

Effective Date	Current FY 2024	January 1, 2025 Proposed	January 1, 2026 Estimated	January 1, 2027 Estimated	January 1, 2028 Estimated	January 1, 2029 Estimated
Volumetric Rates ($/unit[1])						
Domestic[2]						
Tier 1 (0-6 units)	$4.24	$4.43	$4.79	$5.18	$5.44	$5.66
Tier 2 (7-23 units)	$6.14	$6.47	$6.99	$7.55	$7.93	$8.25
Tier 3 (24-80 units)	$6.85	$7.25	$7.83	$8.46	$8.89	$9.25
Tier 4 (80 + units)	$8.14	$8.20	$8.86	$9.57	$10.05	$10.46
Agriculture	$6.75	$6.90	$7.46	$8.06	$8.47	$8.81
Agriculture w/ Credit[3]	$5.41	$5.55	TBD	TBD	TBD	TBD
Commercial	$5.78	$6.14	$6.64	$7.18	$7.54	$7.85
Irrigation						
Tier 1: "B" Base	$6.50	$6.91	$7.47	$8.07	$8.48	$8.82
Tier 2: "C" Over Base	$6.94	$7.80	$8.43	$9.11	$9.57	$9.96
Construction	$8.21	$8.60	$9.29	$10.04	$10.55	$10.98
Recycled Water	$4.29	$4.68	$5.06	$5.47	$5.75	$5.98

[1] Customers are billed on a per unit of water basis, 1 unit = 1 HCF
[2] Domestic includes single-family and multi-family customers. Multi-family tiers apply per dwelling unit.
[3] Note: Agriculture w/ Credit rate is updated annually by District staff based on SDCWA charges

Combined Agricultural/Domestic customers
First 23 Units per month: Follow Domestic rate structure.
Over 23 Units per month: Follow Agricultural rate structure.

Table D-3: FY 2025 Water Demand Reduction Rates Calculation

A	B	C	D	E	F
Line	Description	Base Demand	10% Demand Reduction	20% Demand Reduction	30% Demand Reduction
1	**Reduction in Rate Revenues**				
2	Projected Volumetric Rate Revenue	$43,456,049	$38,676,700	$33,777,920	$29,130,810
3	**Total Rate Revenue Reduction**	**N/A**	**$4,779,349**	**$9,678,129**	**$14,325,239**
4	**Avoided Water Supply Costs**				
5	Projected FY 2025 Water Usage	6,755,016	6,079,920	5,406,599	4,731,813
6	Assumed Water Loss	6.50%	6.50%	6.50%	6.50%
7	Required Water Purchases (units)	7,224,616	6,502,588	5,782,459	5,060,762
8	Required Water Purchases (AF)	16,585	14,928	13,275	11,618
9	Reduction in Required Water Purchases (AF)	N/A	1,658	3,311	4,968
10	FY 2025 Untreated M&I Rate ($/AF)	$1,819	$1,819	$1,819	$1,819
11	**Total Avoided Water Supply Costs**	**N/A**	**$3,015,560**	**$6,023,191**	**$9,037,368**
12	**Net Revenue Loss**	**N/A**	**$1,763,789**	**$3,654,939**	**$5,287,872**
13	**$/Unit Surcharge**	**N/A**	**$0.30**	**$0.68**	**$1.12**

Table D-4: Revised Proposed FY 2025 Water Demand Reduction Rates

Volumetric Rates ($/Unit)	FY 2025 Proposed Base Rate	10% Demand Reduction ($0.30 Surcharge)	20% Demand Reduction ($0.68 Surcharge)	30% Demand Reduction ($1.12 Surcharge)
Domestic				
Tier 1 (0-6 units)	$4.43	$4.73	$5.11	$5.55
Tier 2 (7-23 units)	$6.47	$6.77	$7.15	$7.59
Tier 3 (24-80 units)	$7.25	$7.55	$7.93	$8.37
Tier 4 (80+ units)	$8.20	$8.50	$8.88	$9.32
Agriculture	$6.90	$7.20	$7.58	$8.02
Agriculture w/ Credit	$5.55	$5.85	$6.23	$6.67
Commercial	$6.14	$6.44	$6.82	$7.26
Irrigation				
Tier 1 ("B" Base)	$6.91	$7.21	$7.59	$8.03
Tier 2 ("C" Over Base)	$7.80	$8.10	$8.48	$8.92
Construction	$8.60	$8.90	$9.28	$9.72
Recycled Water	$4.68	$4.68	$4.68	$4.68

OLIVENHAIN
Municipal Water District

Agenda Item 12

Memo

Date: November 6, 2024

To: Olivenhain Municipal Water District Board of Directors

From: Rainy Selamat, Finance Manager

Via: Kimberly A. Thorner, General Manager

Subject: **CONSIDER ADOPTION OF A RESOLUTION MAKING CEQA EXEMPTION FINDINGS FOR THE WATER RATE AND CHARGE INCREASES AND ORDERING A NOTICE OF EXEMPTION BE FILED WITH THE COUNTY CLERK OF THE COUNTY OF SAN DIEGO AND THE STATE CLEARINGHOUSE**

Purpose

The purpose of this item is to consider and adopt a resolution making CEQA exemption findings for the water rate and charge increases adopted by the Board on November 6, 2024 pursuant to California Environmental Quality Act (CEQA), State of California CEQA guidelines, and order a Notice of Exemption (NOE) to be filed with the County Clerk of the County of San Diego and the State Clearinghouse.

The attached resolution and NOE have been reviewed by the District's General Counsel, Mr. Alfred Smith.

Recommendation

Staff is recommending the Board consider and adopt the resolution making water rate and charge increases for 2025 exempt from California Environmental Quality Act

(CEQA), State of California CEQA guidelines section 15273(a) (1)-(4) and order a notice of the exemption be filed with the County Clerk of the County of San Diego and the State Clearinghouse.

Alternative

Although CEQA does not require approval of rates by public agencies when the rates are for the purpose of meeting operating expenses and financial reserve needs and requirements, and necessary to maintain service within the existing service areas, the Board may decide to adopt the resolution and direct staff to not file the NOE, which would increase the Statute of Limitations for filing protests from 35 days to 180 days.

Background

At the October 16, 2024 public rate hearing, Staff made a presentation to the Board requesting Board consideration of increases and adjustments to the District's water rates and charges to pay for increases to the District's water operating and maintenance expenditures, including purchased water costs, and increases to the District's costs of capital facility, not to exceed 12% per year for a five-year period commencing January 1, 2025 through December 31, 2029 and to implement Demand Reduction Rates for Water Commodity Charge so that the District can continue providing services to its customers.

By adopting the attached resolution, the Board is making CEQA exemption findings that the water rates and charges will be used to meet anticipated operating expenses, financial reserve needs and requirements, and to fund necessary capital projects in order to maintain service within the District's existing service areas.

Fiscal Impact

There is a $50 fee to file the NOE with the County Clerk.

Discussion

By adopting the resolution and filing a notice of exemption, the Board is making CEQA exemption findings that water rates and charges are used to meet anticipated operating expenses, to meet financial reserve needs and requirements, and to fund necessary capital projects in order to maintain service within the District's existing service areas.

The District is required to send a rate change notice to customers no less than 30 days prior to implementing changes to the District's water rates. District water customers were notified of the proposed changes to OMWD water rates and charges, including Demand Reduction Rate Adjustments and Rate Reimbursement Credit, in a Proposition 218 notice mailed to all District customers and property owners, and a public hearing was held on October 16, 2024 to receive comments on the proposed January 1, 2025 increases. At the conclusion of the hearing there were thirteen (13) written protests received prior to the hearing and five (5) members of the public spoke at the hearing.

Attachments: Attachment 1 - Resolution
Attachment 2 - Water Rate Study Report (as Exhibit "A" of the Resolution)
Attachment 3 - Notice of Exemption (as Exhibit "B" of the Resolution)
Attachment 4 - Proposition 218 Notice

Attachment 1

RESOLUTION NO. 2024-XX

RESOLUTION OF THE BOARD OF DIRECTORS OF THE OLIVENHAIN MUNICIPAL WATER DISTRICT MAKING CEQA EXEMPTION FINDINGS FOR WATER RATE INCREASES AND ORDERING A NOTICE OF EXEMPTION BE FILED WITH THE COUNTY CLERK OF THE COUNTY OF SAN DIEGO AND THE STATE CLEARING HOUSE

WHEREAS, the Olivenhain Municipal Water District (District) Board of Directors intends, by ordinance, to modify and increase water rates and charges for 2025; and

WHEREAS, the project is to increase water rates and charges to customers and development within the area already served by the Olivenhain Municipal Water District. The purpose of the project is to raise essential funds to meet anticipated operating expenses, to meet financial reserve needs and requirements, and to maintain service within existing service areas; and

WHEREAS, pursuant to the California Environmental Quality Act (CEQA, Public Resources Code, Section 21000 et seq.) Guidelines (California Code of Regulations, Title 14, Division 6, Chapter 3, Section 15000 et seq.), the Olivenhain Municipal Board of Directors has caused to be prepared a Notice of Exemption according to the CEQA Guidelines section 15273(a) (1)-(4); and

WHEREAS, the 2024 Water Rate Study (Report) prepared by the District's rate consultant, Raftelis Financial Consultants, Inc., attached hereto and incorporated herein as Exhibit "A," recommended the needs for increasing water rates and charges; and

WHEREAS, the Report on the potential increase of water rates and charges was approved by the Olivenhain Municipal Water District Board of Directors; and

WHEREAS, following the review of the Report on the potential increase of water rates and charges, the Board of Directors held a public hearing in accordance with California Constitution article XIIID, Section 6 on Wednesday, October 16, 2024; and

WHEREAS, having heard, considered, and reviewed the Report, the water rates and charges are incorporated into Article 8 of the Olivenhain Municipal Water District's Administrative and Ethics Code, it is in the interest of the Olivenhain Municipal Water District and the people it serves to order a Notice of Exemption be filed with the County Clerk of the County of San Diego and the State Clearinghouse, and approve the appropriate water charge increases by ordinance.

NOW, THEREFORE, the Board of Directors of the Olivenhain Municipal Water District does hereby find, determine, resolve and order as follows:

SECTION 1: The foregoing facts are found and determined to be true and correct.

SECTION 2: The District's water rates and service charges shall be increased to raise essential funds for meeting anticipated operating expenses, meeting the reserve needs of the District, and to maintain service within existing service areas in order to provide and deliver water to the customers of the Olivenhain Municipal Water District.

SECTION 3: Pursuant to the CEQA Guidelines section 15273(a) (1)-(4), the Board of Directors finds and determines that increasing water rates and service charges is exempt from CEQA for each of the following reasons:

1) The increases of water rates and charges are not a "Project" as defined by the Guidelines, Section 15378 (b) (4).

2) The Project is exempt in accordance with the Guidelines, Section 15273 (a) (1)-(4).

3) The activity will not have any significant effect on the environment.

SECTION 4: The Board of Directors of the Olivenhain Municipal Water District finds and determines that increases of water rates and charges is exempt for the following reasons:

1) No Project. The project is a continuing administrative activity of the District which will not result in any physical change in the environment. The increase of water rates and charges is not being considered in conjunction with the approval of any specific project and will be used solely to meet anticipated operating expenses, to meet financial reserve needs and requirements, and to maintain service within existing service areas.

2) Exemption. The documents and materials that constitute the record of proceedings on which these findings have been based are located at the District, 1966 Olivenhain Road, Encinitas, California 92024. The custodian for these records is the Secretary of the District.

3) No Significant Effect. The activity will not have significant effect on the environment. The modifications of rates and charges have been set to maintain service within existing service areas and not to expand the system. The fees and charges are not being considered in conjunction with any specific development activity.

4) Justification and Reasons. The Board finds that the reasons and justification for the increased water rates and charges being exempt as set forth in the Notice of Exemption attached hereto and incorporated herein as Exhibit "B."

SECTION 5: The Olivenhain Municipal Water District Board of Directors orders and directs that the foregoing exemptions and reasons be made a part of the Notice of Exemption and that the Notice of Exemption be filed with the County Clerk of the County of San Diego and the State Clearing House.

PASSED, ADOPTED AND APPROVED at a regular meeting of the Board of Directors of the Olivenhain Municipal Water District held on Wednesday, November 6, 2024 by the following roll call vote:

_____

Christy Guerin, President
Board of Directors
Olivenhain Municipal Water District

ATTEST:

_____

Lawrence A. Watt, Secretary
Board of Directors
Olivenhain Municipal Water District

OLIVENHAIN MUNICIPAL WATER DISTRICT

Water Rate Study

FINAL DRAFT / AUGUST 16, 2024

OLIVENHAIN
Municipal Water District

RAFTELIS

RAFTELIS

August 16, 2024

Ms. Kimberly A. Thorner
General Manager
Olivenhain Municipal Water District
1966 Olivenhain Road
Encinitas, CA 92029

Subject: 2025 Water Rate Study Report

Dear Ms. Thorner,

Raftelis is pleased to provide this 2025 Water Rate Study Report (Report) to the Olivenhain Municipal Water District (District). The overall goal of the study was to develop updated water rates for the District for FY 2025 that are fair and equitable and in compliance with Proposition 218 requirements.

The major objectives of the study include the following:

- Develop a five-year financial plan through FY 2029 that sufficiently funds the District's operating costs, debt obligations, and necessary capital expenditures
- Review and revise as necessary the current water rate structure
- Perform a cost-of-service analysis to equitably allocate costs across customer classes
- Propose equitable water rates for FY 2025 and rates for the subsequent four years subject to pass-through of water costs and inflation

This Report summarizes the key findings and recommendations related to the development of the financial plan and proposed water rates. It has been a pleasure working with you and we would like to thank Ms. Rainy Selamat, Mr. Jared Graffam, and Ms. Georgeanna Clark for the support provided to Raftelis during this study.

Sincerely,

Sudhir Pardiwala
Executive Vice President

Katelyn Milius
Senior Consultant

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1. Executive Summary

1.1. Study Overview

Olivenhain Municipal Water District (District) provides water service to a population of approximately 86,000 across a 48 square mile service area in northern San Diego County. The District's potable water supply is provided by the San Diego County Water Authority (SDCWA), of which the District has been a member since 1960. The District's potable water system consists of a water treatment plant with 34 MGD of capacity, 13 storage reservoirs, 7 pump stations, and over 400 miles of water pipelines. Additionally, the District operates a water reclamation facility that produces up to 2 MGD of recycled water. The District also purchases recycled water from the City of San Diego, Vallecitos Water District, San Elijo Joint Powers Authority, and Rancho Santa Fe Community Services District. The District's recycled water distribution system includes 5 storage reservoirs, 3 pump stations, and 46 miles of recycled water pipelines that are used to deliver recycled water to non-potable landscape/irrigation water users.

The District engaged Raftelis in 2024 to conduct a comprehensive cost of service water rate study to establish proposed water rates for fiscal years (FY) 2025 to 2029. The District's existing water rate structure consists of the following charges:

1. **OMWD System Access Charge:** This fixed monthly meter charge varies by water meter size and recovers a portion of the District's fixed costs.
2. **SDCWA Infrastructure Access Charge:** All water meters, excluding construction, fire, and recycled water meters, are subject to a monthly SDCWA Infrastructure Access Charge, which varies by water meter size. SDCWA assesses the Infrastructure Access Charge to recover a portion of debt service costs associated with the construction of county-wide water infrastructure projects. The SDCWA Infrastructure Access Charge is treated as a pass-through charge by the District, as charges paid by the District to SDCWA are directly recouped from the District's customers.
3. **Volumetric Rate:** The District assesses volumetric rates per unit (1 unit = 1 hundred cubic feet (HCF)) of water delivered each month. Volumetric water rates vary by customer class and by Water Demand Reduction level. Domestic customers, including single family and multi-family have a four-tier volumetric rate structure, while irrigation customers have a two-tier structure. Agricultural, commercial, construction, and recycled water customers have unique uniform rates.
4. **Fire Meter Charge:** Meters dedicated to automatic fire sprinkler service are not subject to the three charges listed above but are assessed a fixed monthly Fire Service Charge, which varies by meter size. Customers are only assessed this charge if they have a dedicated water meter for automatic fire sprinkler service.

The major objectives of the water rate study include the following:

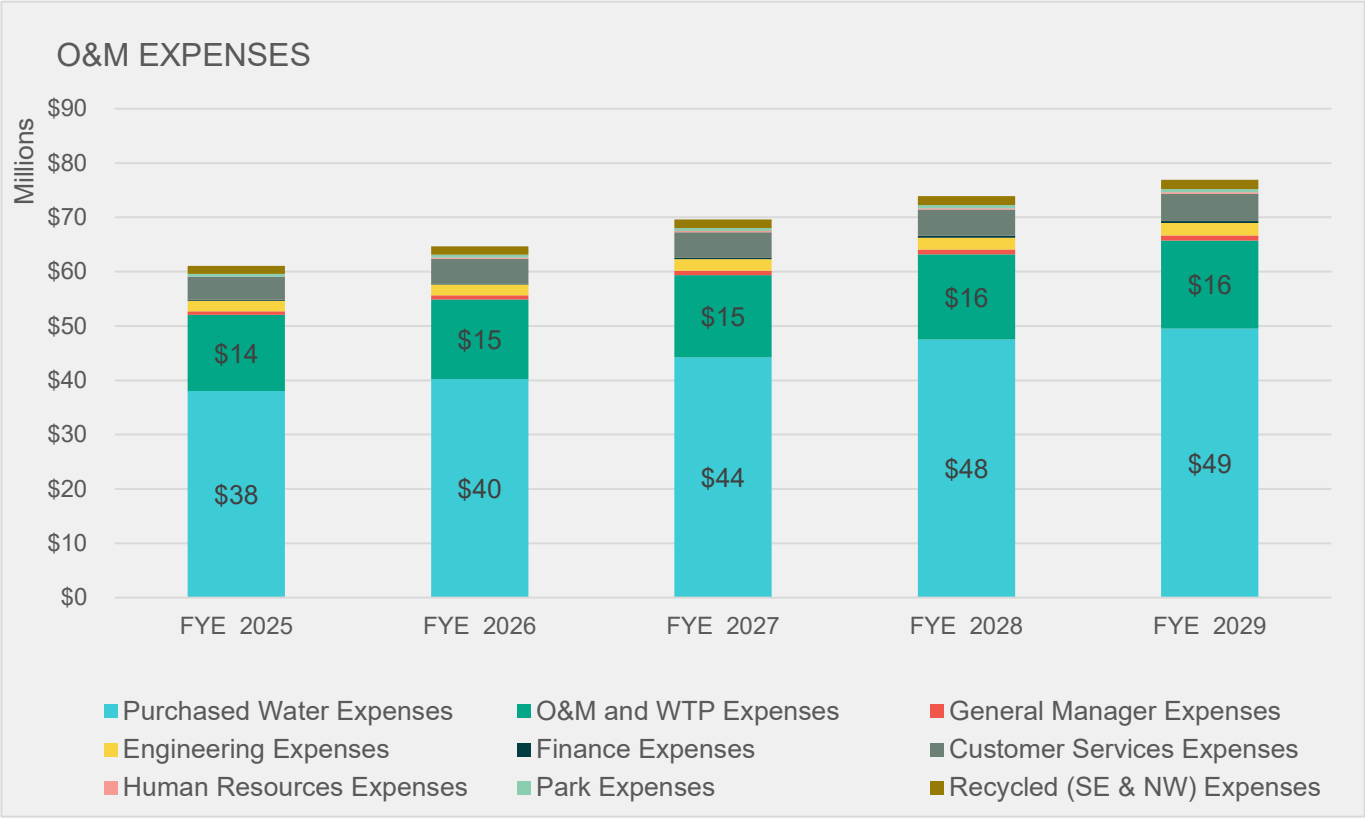
- Develop a five-year financial plan through FY 2029 that generates sufficient revenues to fund the District's operating costs, debt obligations, and necessary capital expenditures
- Review and revise as necessary the current water rate structure
- Perform a cost of service analysis to equitably allocate costs across customer classes in compliance with Proposition 218
- Propose equitable water rates for FY 2025 and for the subsequent four years subject to pass-through increases for water costs and inflation.

1.2. Financial Plan

Before beginning the rate design process, Raftelis first determined the revenue adjustments needed to adequately fund the District's various expenses and to provide fiscal stability over the five-year study period. Raftelis projected the revenue requirements, including operations and maintenance (O&M) expenses, capital improvement plan (CIP) expenditures, debt service costs, and reserve requirements over the study period.

O&M expenses include the cost of purchasing water, operating and maintaining facilities, staff-related costs, and other administrative costs. The O&M projections are based on the District's fiscal year (FY) 2025 budget and are escalated in subsequent years by corresponding inflation factors (except water supply costs which are calculated separately). Water supply costs, which constitute over 60 percent of total O&M expenses, are projected to increase based on anticipated increases in SDCWA rates. A summary of projected O&M expenses is shown below in **Figure 1-1**.

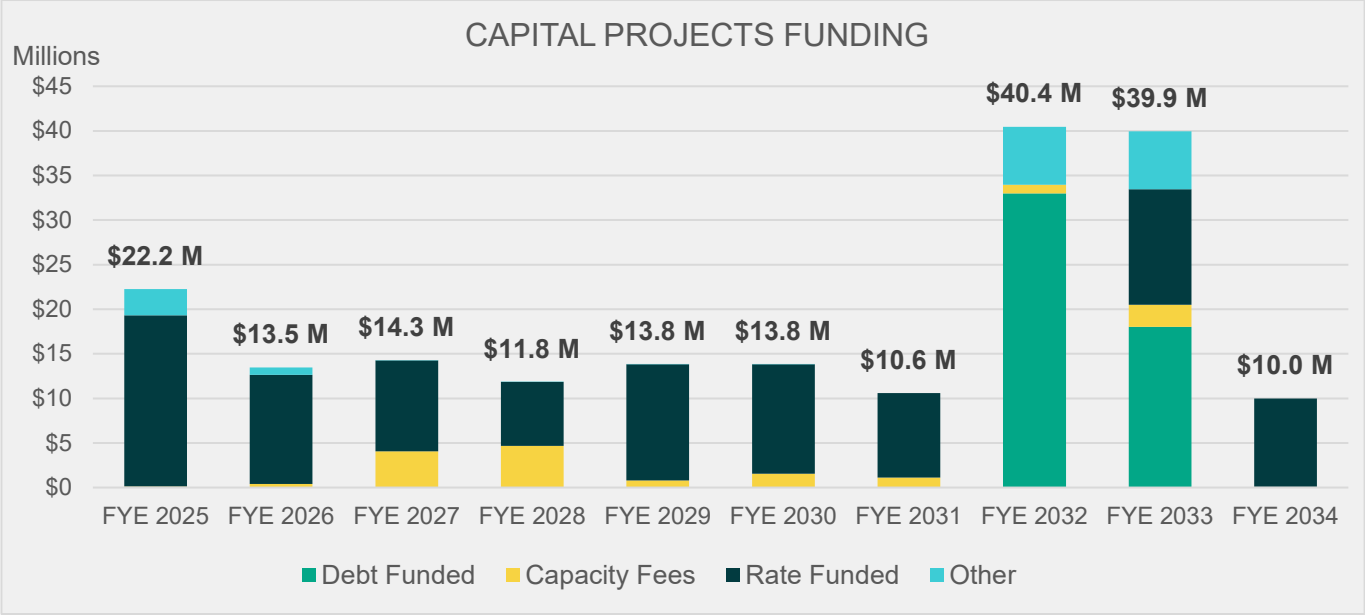
Figure 1-1: Projected O&M Expenses



The District has developed a comprehensive water Capital Improvement Program (CIP) to address current water system needs. The total estimated water CIP for the study period of FY 2025 to FY 2029 is $76.66 million. This study included a 10-year view of the debt and capital project funding, including a $51 million revenue bond issue projected in FY 2032 for the San Dieguito Valley Groundwater Desalination Plant. However, the five-year CIP plan is projected to be funded from rate revenues and capacity fees. The District's existing debt service payments are approximately $5 million annually and are projected to decrease to approximately $2 million in FY 2029. The 10-year CIP by funding source is shown in **Figure 1-2**. Other

revenues include anticipated grant funds, a portion of the property tax revenues, recycled water capacity fee revenues, and proceeds from the sale of the District's parcels.

Figure 1-2: 10-year CIP by Funding Source



The proposed financial plan assumes minimal growth throughout the study period of 50 domestic accounts per year (assumed to be 3/4-inch water meters) and a few larger meters corresponding with planned development in the service area. Per account, water usage is assumed to remain constant over the study period. Under such assumptions, Raftelis proposes the following revenue adjustments[1] over the study period in order to ensure that District exceeds required debt coverage and minimum reserve levels. The proposed revenue adjustment will be effective with water consumption beginning on January 1, 2025. Subsequent years of the study period are estimated revenue adjustments based on expected pass-through rate increases. Actual rate adjustments for FY 2026-2029 will be based on San Diego-Carlsbad Consumer Price Index for All Urban Consumers (CPI) and potable and recycled water supply cost pass-throughs.

[1] A revenue adjustment represents the percent increase in total water rate revenues resulting from a water rate increase.

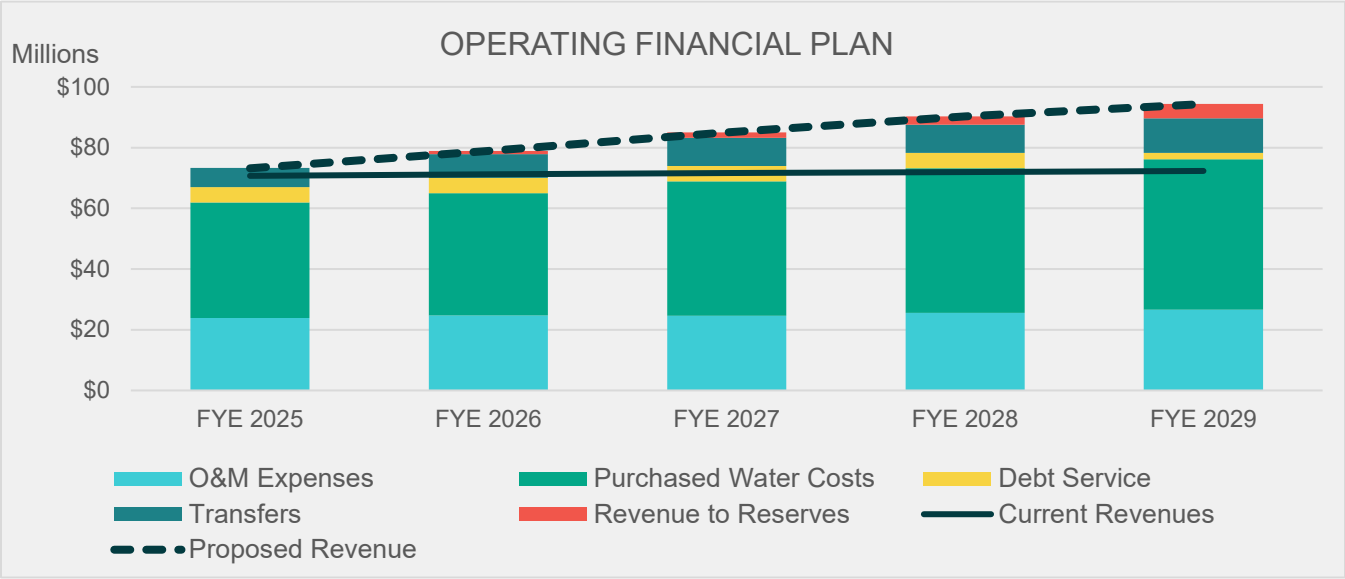
Table 1-1: 5-Year Revenue Adjustments

	FY 2025 Proposed	FY 2026 Estimated	FY 2027 Estimated	FY 2028 Estimated	FY 2029 Estimated
System Access Charges (Inflation/Wholesale Pass-Through)	8.0%	8.0%	8.0%	5.0%	4.0%
Fire Meter Charges	5.0%	6.0%	6.0%	5.0%	4.0%
Commodity Charges including Inflation/Wholesale Pass-Through	8.0%	8.0%	8.0%	5.0%	4.0%
Infrastructure Access Charges SDCWA IAC Pass-Through*	3.2%	8.5%	11.5%	4.0%	4.0%
TOTAL REVENUE ADJUSTMENT	**7.9%**	**8.0%**	**8.1%**	**5.0%**	**4.0%**

*Based on projected increases from SDCWA

Figure 1-3 shows the proposed financial plan that incorporates the proposed revenue adjustments above. Operating Fund revenue requirements are represented by stacked bars. Projected revenues in the absence of any rate increase are represented by the solid line, while projected revenues under the proposed revenue adjustments are represented by the dashed line. **Figure 1-3** demonstrates the need for revenue adjustments, as current rates will not generate sufficient revenues to cover the District's operating revenue requirements.

Figure 1-3: Proposed Financial Plan



1.3. Proposed Water Rates

To calculate fair and equitable rates so that customers pay in proportion to the cost of providing service, Raftelis performed a cost of service analysis in accordance with industry standard principles outlined by the American Water Works Association (AWWA) in its *Principles of Water Rates, Fees, and Charges: Manual of Water Supply Practices M1 Sixth Edition* (M1 Manual). The cost of service analysis considers water usage characteristics of each customer class and tier in order to allocate costs in proportion to the burden each customer class places on the water system.

Raftelis recommends that the District maintains its existing water rate structure. Proposed and estimated system access charges, also called fixed charges, are shown below in **Table 1-2** and proposed volumetric rates are shown in **Table 1-3**. FY 2025 proposed rates were established based on the cost of service analysis. Estimated rates from FY 2026 to FY 2029 were established by increasing the prior fiscal year's proposed or estimated rates by the corresponding revenue adjustment from **Table 1-1**. FY 2026 through FY 2029 are not proposed but estimated because they will ultimately be based on potable and recycled water supply pass-through costs and pass-through costs based on CPI. Fire Meter charges are not dependent on pass-through rates; therefore, they are set from the proposed revenue adjustment. All rates are proposed to become effective with water consumption beginning on January 1 of each year.

Table 1-2: Proposed Monthly Fixed Charges

Effective Date/ Meter Size	Current	January 1, 2025 Proposed	January 1, 2026 Estimated	January 1, 2027 Estimated	January 1, 2028 Estimated	January 1, 2029 Estimated
Monthly OMWD System Access Charge						
5/8"	$34.25	$37.16	$40.14	$43.36	$45.53	$47.36
3/4"	$44.79	$48.53	$52.42	$56.62	$59.46	$61.84
1"	$76.41	$82.64	$89.26	$96.41	$101.24	$105.29
1-1/2"	$118.54	$128.11	$138.36	$149.43	$156.91	$163.19
2"	$185.30	$200.11	$216.12	$233.41	$245.09	$254.90
2-1/2"	$336.33	$363.05	$392.10	$423.47	$444.65	$462.44
3"	$367.94	$397.16	$428.94	$463.26	$486.43	$505.89
4"	$610.30	$658.63	$711.33	$768.24	$806.66	$838.93
6"	$1,274.14	$1,374.83	$1,484.82	$1,603.61	$1,683.80	$1,751.16
8"	$2,292.73	$2,473.76	$2,671.67	$2,885.41	$3,029.69	$3,150.88
Monthly SDCWA Infrastructure Access Charge*						
5/8"	$4.41	$4.55	TBD	TBD	TBD	TBD
3/4"	$4.41	$4.55	TBD	TBD	TBD	TBD
1"	$8.39	$8.65	TBD	TBD	TBD	TBD
1-1/2"	$13.70	$14.11	TBD	TBD	TBD	TBD
2"	$22.09	$22.75	TBD	TBD	TBD	TBD
2-1/2"	$41.10	$42.32	TBD	TBD	TBD	TBD
3"	$45.08	$46.41	TBD	TBD	TBD	TBD
4"	$75.58	$77.81	TBD	TBD	TBD	TBD
6"	$159.10	$163.80	TBD	TBD	TBD	TBD
8"	$287.29	$295.75	TBD	TBD	TBD	TBD
***Note: A fixed charge imposed by SDCWA. Subject to change every year.**						

Effective Date	Current	January 1, 2025 Proposed	January 1, 2026 Proposed	January 1, 2027 Proposed	January 1, 2028 Proposed	January 1, 2029 Proposed
Monthly Fire Meter Charges						
5/8"	$5.85	$6.13	$6.50	$6.89	$7.24	$7.53
3/4"	$5.85	$6.13	$6.50	$6.89	$7.24	$7.53
1"	$6.57	$6.87	$7.29	$7.73	$8.12	$8.45
1-1/2"	$7.54	$7.84	$8.32	$8.82	$9.27	$9.65
2"	$9.08	$9.39	$9.96	$10.56	$11.09	$11.54
2-1/2"	$12.55	$12.89	$13.67	$14.50	$15.23	$15.84
3"	$13.27	$13.62	$14.44	$15.31	$16.08	$16.73
4"	$18.85	$19.24	$20.40	$21.63	$22.72	$23.63
6"	$34.13	$34.63	$36.71	$38.92	$40.87	$42.51
8"	$57.56	$58.23	$61.73	$65.44	$68.72	$71.47

Table 1-3: Proposed Volumetric Rates per Unit

Effective Date	Current	January 1, 2025 Proposed	January 1, 2026 Estimated	January 1, 2027 Estimated	January 1, 2028 Estimated	January 1, 2029 Estimated
Volumetric Rates ($/unit[1])						
Domestic[2]						
Tier 1 (0-6 units)	$4.24	$4.49	$4.85	$5.24	$5.51	$5.74
Tier 2 (7-23 units)	$6.14	$6.53	$7.06	$7.63	$8.02	$8.35
Tier 3 (24-80 units)	$6.85	$7.32	$7.91	$8.55	$8.98	$9.34
Tier 4 (80 + units)	$8.14	$8.27	$8.94	$9.66	$10.15	$10.56
Agriculture	$6.75	$6.97	$7.53	$8.14	$8.55	$8.90
Agriculture w/ Credit[3]	$5.41	$5.62	TBD	TBD	TBD	TBD
Commercial	$5.78	$6.20	$6.70	$7.24	$7.61	$7.92
Irrigation						
Tier 1: "B" Base	$6.50	$6.98	$7.54	$8.15	$8.56	$8.91
Tier 2: "C" Over Base	$6.94	$7.87	$8.50	$9.18	$9.64	$10.03
Construction	$8.21	$8.67	$9.37	$10.12	$10.63	$11.06
Recycled Water	$4.29	$4.68	$5.06	$5.47	$5.75	$5.98

[1] Customers are billed on a per unit of water basis, 1 unit = 1 HCF
[2] Domestic includes single-family and multi-family customers. Multi-family tiers apply per dwelling unit.
[3] Note: Agriculture w/ Credit rate is updated annually by District staff based on SDCWA charges

Combined Agricultural/Domestic customers
First 23 Units per month: Follow Domestic rate structure.
Over 23 Units per month: Follow Agricultural rate structure.

1.4. Water Demand Reduction Rates

Raftelis updated the District's water demand reduction rates as part of this study. Water demand reduction rates are intended to recover reductions in net water revenues resulting from decreased water sales during times of reduced water demand due to drought, water supply emergencies, or other reasons to ensure the District could still collect sufficient water revenues in order to sustain operations, including meeting its financial obligations. Raftelis developed water demand reduction rates for three distinct stages:

- **10 Percent Demand Reduction** below projected FY 2025 water usage
- **20 Percent Demand Reduction** below projected FY 2025 water usage
- **30 Percent Demand Reduction** below projected FY 2025 water usage

In the event that the District activates its Demand Reduction Rates, customers will be notified in advance of implementation. The District's Demand Reduction Rates would only be implemented by the District's Board of Directors' action under the terms of the District's Water Demand Reduction Condition Ordinance and Water Shortage Contingency Plan.

All customers, excluding Recycled Water customers, are subject to a uniform increase in volumetric rates during each of the demand reduction stages that effectively function as a surcharge. **Table 1-4** shows the proposed FY 2025 volumetric rates at each demand reduction stage.

Table 1-4: Proposed FY 2025 Water Demand Reduction Rates per Unit

CUSTOMER TYPE	BASE RATES 1/1/2025	10% DEMAND REDUCTION ($0.30 Surcharge)	20% DEMAND REDUCTION ($0.69 Surcharge)	30% DEMAND REDUCTION ($1.14 Surcharge)
Domestic				
0-6 Units	$4.49	$4.79	$5.18	$5.63
7-23 Units	$6.53	$6.83	$7.22	$7.67
24-80 Units	$7.32	$7.62	$8.01	$8.46
80 + Units	$8.27	$8.57	$8.96	$9.41
Agricultural	$6.97	$7.27	$7.66	$8.11
Agriculture w/ Credit	$5.62	$5.92	$6.31	$6.76
Commercial	$6.20	$6.50	$6.89	$7.34
Irrigation				
Tier 1	$6.98	$7.28	$7.67	$8.12
Tier 2	$7.87	$8.17	$8.56	$9.01
Construction	$8.67	$8.97	$9.36	$9.81
Recycled Water	$4.68	$4.68	$4.68	$4.68

1.5. Rate Reimbursement Credit

A Rate Reimbursement Credit (RRC) has been proposed to directly offset the volumetric rates. SDCWA's refund is given back to ratepayers in the form of a credit on the cost per unit of water used. The current refund is $0.11, but it is proposed to increase to $0.22 to help offset the rate increases proposed. The $0.22 increase would be applied for FY 2025 and decrease to $0.11 in FY 2026. The funding is proposed to be used over the next two fiscal years. The effect on the proposed rates due to the RRC based on the average residential customer using 23 units of water monthly with ¾" meter is shown in **Table 1-5**. The rates assume no changes in the IAC.

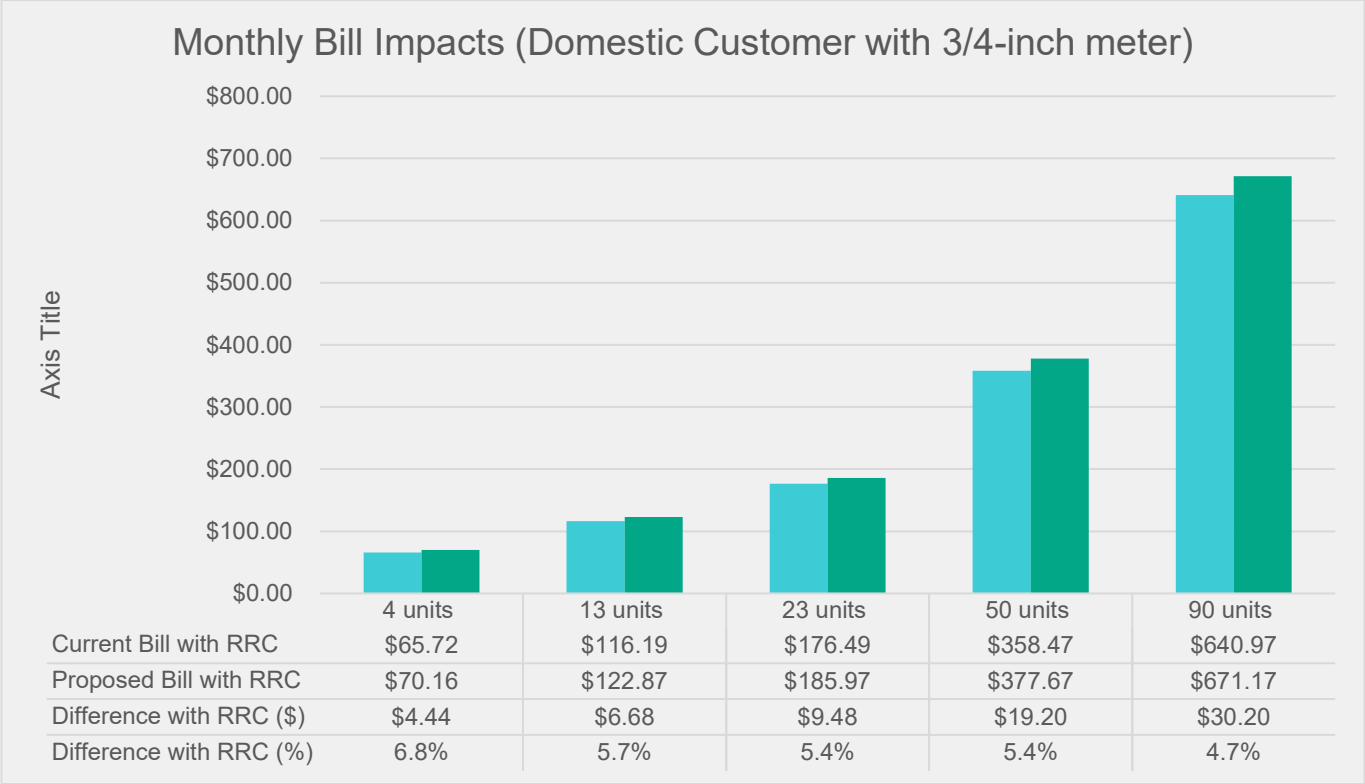
Table 1-5: Projected FY 2025- FY 2027 Average Domestic Bills with RRC

	Current Bill	2025	2026	2027
RRC ($/unit)	$0.11	$0.22	$0.11	$0.00
Average Domestic Bill with RRC	$176.49	$185.97	$203.93	$223.09
Year over Year Difference (%)		*5.4%*	*9.7%*	*9.4%*

1.6. Customer Impacts

Figure 1-4 shows the impacts on a Domestic customer at varying levels of usage, assuming a 3/4" meter. Note that 13 units per month represents the median Domestic monthly usage for FY 2022 and 23 units is the average usage for FY 2022. The bill calculations are shown with the RRC included. The differences listed in the table at the bottom of **Figure 1-4** are between the current and proposed rates.

Figure 1-4: Domestic Bill Impacts at Varying Levels of Usage



	4 units	13 units	23 units	50 units	90 units
Current Bill with RRC	$65.72	$116.19	$176.49	$358.47	$640.97
Proposed Bill with RRC	$70.16	$122.87	$185.97	$377.67	$671.17
Difference with RRC ($)	$4.44	$6.68	$9.48	$19.20	$30.20
Difference with RRC (%)	6.8%	5.7%	5.4%	5.4%	4.7%

2. Introduction

2.1. Water System Overview

Olivenhain Municipal Water District (OMWD or District) is a municipal water district organized and operating pursuant to Water Code Sections 71000 et seq., and was incorporated on April 9, 1959, to develop an adequate water supply for landowners and residents. On June 14, 1960, residents of the District voted to become a member of the San Diego County Water Authority (SDCWA), thus becoming eligible to purchase water transported into San Diego County via the massive aqueducts of SDCWA and its wholesaler, Metropolitan Water District of Southern California. With a service area of over 48 square miles, the District currently serves a population of approximately 86,000 residents in northern San Diego County.

The District treats up to 34 million gallons of water per day at its David C. McCollom Water Treatment Plant (DCMWTP), has a storage capacity of nearly 80 million gallons within 17 storage reservoirs, and maintains a water distribution system with over 400 miles of potable water pipelines. In addition, the District's 4S Ranch Water Reclamation Facility produces up to 2 million gallons per day of recycled water, which is distributed through 46 miles of recycled water pipelines throughout the District for non-potable uses such as irrigation.

The District's existing water rate structure consists of the following charges:

1. **OMWD System Access Charge**: This fixed monthly charge varies by water meter size and is assessed per meter to recover a portion of the District's fixed costs.
2. **SDCWA Infrastructure Access Charge**: All meters excluding construction, fire, and recycled water meters are subject to a monthly SDCWA Infrastructure Access Charge which varies by water meter size. SDCWA assesses the Infrastructure Access Charge to recover a portion of debt service costs associated with the construction of county-wide water infrastructure projects.
3. **Volumetric Rate**: The District assesses volumetric rates per unit (1 unit = one hundred cubic feet (hcf)) of water delivered each month. Volumetric water rates vary by customer class and by Water Demand Reduction level. Domestic customers are subject to a four-tier volumetric rate structure, while irrigation customers are subject to a two-tier volumetric rate structure. Agricultural, commercial, construction, and recycled water customers are subject to unique uniform rates.
4. **Fire Meter Charge:** Meters dedicated to automatic fire sprinkler service are not subject to the three charges listed above but are assessed a fixed monthly Fire Meter Charge, which varies by meter size. Customers are only assessed this charge if they have a dedicated water line for automatic fire sprinkler service.

2.2. Study Objectives

The District engaged Raftelis in 2024 to conduct a water rate study to establish proposed water rates that are compliant with Proposition 218 and consistent with Cost of Service principles. The major objectives of the study include the following:

- Develop a five-year financial plan through FY 2029 that sufficiently funds the District's operating costs, debt obligations, and necessary capital expenditures
- Review and revise as necessary the current water rate structure
- Perform a cost of service analysis to equitably allocate costs across customer classes
- Propose are fair and equitable water rates for FY 2025 that and in compliance with Proposition 218

This Report provides a detailed description of the financial plan development, the cost of service analysis, and the development of the proposed FY 2025 rate schedule and estimated rate schedule for FY 2026 through FY 2029. Assumptions, inputs, and calculations are clearly shown in order to provide a thorough and transparent description of how the proposed water rates were determined.

2.3. Legal Requirements and Rate-Setting Methodology

This water rate study was conducted using industry-standard principles outlined by the American Water Works Association's (AWWA) *Principles of Water Rates, Fees, and Charges: Manual of Water Supply Practices M1 Sixth Edition* (M1 Manual). The general principles of rate structure design and the objectives of the Study are described below.

According to the M1 Manual, the first step in the ratemaking process is to determine the adequate and appropriate level of funding for a given utility. This is referred to as determining the "revenue requirement." This analysis considers the short-term and long-term service objectives of the utility over a given planning horizon, including capital facilities, system operations and maintenance, and financial reserve policies, to determine the adequacy of a utility's existing rates to recover its costs. Several factors may affect these projections, including the number of customers served, water-use trends, extraordinary gains or expenses, weather, conservation, use restrictions, inflation, interest rates, capital finance needs, and other changes in operating and economic conditions.

After determining a utility's revenue requirements, the next step is determining the cost of service. Utilizing a public agency's approved budget, financial reports, operating data, and capital improvement plans, a cost of service study generally categorizes the operating system costs by function (e.g. supply, treatment, storage, pumping, distribution/collection, etc.). Asset costs are similarly functionalized to determine the cost of service of the CIP.

After the assets and the costs of operating those assets are properly categorized by function, these "functionalized costs" are allocated first to cost causation components, and then to the various customer classes (e.g., single-family residential, multi-family residential, and commercial) by determining the service characteristics of those classes and the contribution of each to incurred costs such as supply costs, base delivery costs, peaking costs.

Rate design is the final part of the rate-making procedure and uses the revenue requirement and cost of service analysis to determine appropriate rates for each customer class. Rates utilize "rate components" that build-up to rates for commodity charges, and fixed charges, for the various customer classes and meter sizes servicing customers. In the case of inclining tier water rates, the rate components define the cost of service *within* each class of customer, effectively treating each tier as a sub-class and determining the cost to serve each tier.

2.3.1. California Constitution - Article XIII D, Section 6 (Proposition 218)

Proposition 218, reflected in the California Constitution as Article XIII D, was enacted in 1996 to ensure that rates and fees are reasonable and proportional to the cost of providing service. The principal requirements, as they relate to public water service are as follows:

1. A property-related charge (such as water rates) imposed by a public agency on a parcel shall not exceed the costs required to provide the property related service.
2. Revenues derived by the charge shall not be used for any purpose other than that for which the charge was imposed.
3. The amount of the charge imposed upon any parcel shall not exceed the proportional cost of service attributable to the parcel.
4. No charge may be imposed for a service unless that service is actually used or immediately available to the owner of property.
5. A written notice of the proposed charge shall be mailed to the record owner of each parcel at least 45 days prior to the public hearing when the agency considers all written protests against the charge.

As stated in AWWA's *M1 Manual*, "water rates and charges should be recovered from classes of customers in proportion to the cost of serving those customers." Raftelis follows industry standard rate setting methodologies set forth by the AWWA *M1 Manual* to ensure this Study meets Proposition 218 requirements and creates rates that do not exceed the proportionate cost of providing water services on a parcel basis. The methodology in the M1 Manual is a nationally recognized industry ratemaking standard that courts have recognized is consistent with Proposition 218.

Tiered Rates – "Inclining" tier rate structures (which are synonymous with "increasing" tier rate structures and "tiered" rates) when properly designed and differentiated by customer class meet the requirements of Proposition 218 as long as the tiered rates reasonably reflect the proportionate cost of providing service in each tier.

3. Financial Plan

Section 3 details the development of the five-year financial plan for the District's water utility. This includes the determination of annual revenues required from water rates based on annual cash flow projections. Assumptions and inputs related to projected revenues, operating expenses, and capital expenditures are clearly outlined in the following subsections.

3.1. Existing Water Rates

Currently, District customers pay two types of monthly fixed charges: the OMWD System Access Charge and the SDCWA Infrastructure Access Charge. The OMWD System Access Charge is designed to recover a portion of fixed costs incurred by the District to provide water service. Based on SDCWA's IAC ordinance, the SDCWA Infrastructure Access Charge is assessed by SDCWA to recover a portion of debt service costs associated with the construction of county-wide water infrastructure projects, 80% of SDCWA's operations and maintenance expenses established by SDCWA's Board of Director in the annual budget, and payments to member agencies for generation of reclaimed water. Fixed monthly Fire Meter Charges are levied on water meters dedicated for automatic fire sprinkler service. **Table 3-1** below shows the District's existing monthly rates for each type of fixed charge discussed above.

Table 3-1: Existing Monthly Fixed Charges

Meter Size	OMWD System Access Charge	SDCWA Infrastructure Access Charge	Fire Meter Charge
5/8-inch	$34.25	$4.41	$5.85
3/4-inch	$44.79	$4.41	$5.85
1-inch	$76.41	$8.39	$6.57
1.5-inch	$118.54	$13.70	$7.54
2-inch	$185.30	$22.09	$9.08
2.5-inch	$336.33	$41.10	$12.55
3-inch	$367.94	$45.08	$13.27
4-inch	$610.30	$75.58	$18.85
6-inch	$1,274.14	$159.10	$34.13
8-inch	$2,292.73	$287.29	$57.56

The District recovers its variable costs as well as its remaining fixed costs through Volumetric Rates. Volumetric rates vary by customer class and declared Water Demand Reduction level, and are assessed per unit of water delivered. Domestic customers are charged according to a four-tiered inclining block rate structure, under which the volumetric rate increases as monthly water usage exceeds defined thresholds. Irrigation customers are subject to a two-tiered inclining block rate structure, in which Tier 1 allotments increase with meter size. Agricultural, Commercial, Construction and Recycled customers are subject to distinct uniform volumetric rates. Combined Agricultural/Domestic customers are charged based on the Domestic volumetric rate schedule for the first 23 units of water usage per month and the Agricultural rate

schedule for monthly usage above 23 units. **Table 3-2** below shows the District's existing volumetric rates under the five various Water Demand Reduction levels.

Table 3-2: Existing Volumetric Rates per Unit

Customer Class	Base Rates	Watch/ Level 1 Voluntary	Alert/ Level 2 Mandatory	Critical/ Level 3 Mandatory
Domestic				
Tier 1 (0-6 Units)	$4.24	$4.47	$4.74	$5.09
Tier 2 (7-23 Units)	$6.14	$6.37	$6.64	$6.99
Tier 3 (24-80 units)	$6.85	$7.08	$7.35	$7.70
Tier 4 (80 + units)	$8.14	$8.37	$8.64	$8.99
Agricultural	$6.75	$6.98	$7.25	$7.60
Commercial	$5.78	$6.01	$6.28	$6.63
Irrigation				
Tier 1 (See Table 3-3)	$6.50	$6.73	$7.00	$7.35
Tier 2 (See Table 3-3)	$6.94	$7.17	$7.44	$7.79
Construction	$8.21	$8.44	$8.71	$9.06
Recycled	$4.29	$4.29	$4.29	$4.29

Tier 1 monthly allotments vary by meter size for Irrigation customers and are shown below in **Table 3-3**. Any monthly usage by Irrigation customers above the Tier 1 allotment is billed at the Tier 2 Irrigation rate.

Table 3-3: Tier 1 Monthly Allotments for Irrigation Customers in Units

Meter Size	Winter (Nov 1-Apr 30)	Summer (May 1-Oct 31)
5/8-inch	10	15
3/4-inch	20	30
1-inch	35	50
1.5-inch	50	110
2-inch	100	200
3-inch	200	500
4-inch	600	3,500
6-inch	3,100	11,800
8-inch	5,600	21,300

3.2. Assumptions

Various assumptions are used to project future revenues and expenses. They can be divided into two major groups: (i) assumptions related to economic factors, such as inflation, capital cost, and interest rates and (ii) core business assumptions, such as water sale projections and capital replacement costs.

3.2.1. Inflationary Assumptions

The inflationary assumptions are summarized in **Table 3-4**. General inflation reflects longer-term CPI average inflation. The District provided inflated capital costs by year, so an additional inflation factor was not included.

Table 3-4: Expense and Revenue Escalation Assumptions

Inflation	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
O&M Expenses					
General	3.0%	3.0%	2.0%	2.0%	2.0%
Salary	6.0%	6.0%	4.5%	4.5%	4.5%
Benefits	5.0%	5.0%	4.0%	4.0%	4.0%
Chemicals	6.0%	6.0%	5.0%	5.0%	5.0%
Utilities	5.0%	5.0%	5.0%	5.0%	5.0%
Revenue					
Other Operating Revenues	2.0%	2.0%	2.0%	2.0%	2.0%
Property Tax	2.0%	2.0%	2.0%	2.0%	2.0%
Reserve Interest Rate	3.0%	2.0%	2.0%	1.5%	1.5%

3.2.2. Water Account and Usage Assumptions

District staff provided Raftelis with the number of existing water meters differentiated by customer class as of February of FY 2024 (shown below in **Table** 3-5). Over 93 percent of water meters (excluding Fire Meters) served by the District are classified as Domestic.

Table 3-5: Number of Water Meters by Customer Class (FY 2024)

Meter Size	Domestic	Agri-cultural	Combined Ag/ Domestic	Com-mercial	Irrigation	Con-struction	Recycled	Fire
5/8-inch	1,880	0	0	24	9	0	1	401
3/4-inch	16,280	0	7	76	26	0	1	18
1-inch	2,796	2	21	118	105	17	30	5,464
1.5-inch	497	4	11	140	244	1	116	67
2-inch	149	3	9	70	138	0	162	0
2.5-inch	0	0	0	0	0	38	1	1
3-inch	13	1	0	8	2	0	6	0
4-inch	9	0	1	7	1	0	5	0
6-inch	1	0	0	1	1	0	4	1
8-inch	0	0	0	1	0	0	0	0
Total	**21,625**	**10**	**49**	**445**	**526**	**56**	**326**	**5,952**

Over the five-year study period from FY 2025-FY 2029, the District projects 50 new 3/4-inch Domestic water meters per fiscal year to come online. Other growth accounted for in the model, based on the capacity fee schedule, includes one 1-1/2 inch, 2-inch, and 4-inch meter in FY 2027 and one 2-inch and three 6-inch meters in FY 2028. Based on FY 2024 meter counts and assumed growth, Raftelis projected the number of water meters by fixed charge type (shown below in **Table 3-6**). Note that the OMWD System Access Charge is assessed to all water meters excluding Fire lines, while the SDCWA Infrastructure Access Charge is assessed to all water meters except Construction meters, Recycled Water meters, and Fire lines.

Table 3-6: Number of Water Meters

Meter Size	FY 2024 Actual	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected
Meters subject to OMWD System Access Charge						
5/8-inch	1,914	1,914	1,914	1,914	1,914	1,914
3/4-inch	16,390	16,440	16,490	16,540	16,590	16,640
1-inch	3,089	3,089	3,089	3,089	3,089	3,089
1.5-inch	1,013	1,013	1,013	1,014	1,014	1,014
2-inch	531	531	531	532	533	533
2.5-inch	39	39	39	39	39	39
3-inch	30	30	30	30	30	30
4-inch	23	23	23	24	24	24
6-inch	7	7	7	7	10	10
8-inch	1	1	1	1	1	1
Total	**23,037**	**23,087**	**23,137**	**23,190**	**23,244**	**23,294**
Meters subject to SDCWA Infrastructure Access Charge						
5/8-inch	1,913	1,913	1,913	1,913	1,913	1,913
3/4-inch	16,389	16,439	16,489	16,539	16,589	16,639
1-inch	3,042	3,042	3,042	3,042	3,042	3,042
1.5-inch	896	896	896	897	897	897
2-inch	369	369	369	370	371	371

Meter Size	FY 2024 Actual	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected
2.5-inch	0	0	0	0	0	0
3-inch	24	24	24	24	24	24
4-inch	18	18	18	19	19	19
6-inch	3	3	3	3	6	6
8-inch	1	1	1	1	1	1
Total	**22,655**	**22,705**	**22,755**	**22,808**	**22,862**	**22,912**
Meters subject to Fire Meter Charge						
5/8-inch	401	401	401	401	401	401
3/4-inch	18	18	18	18	18	18
1-inch	5,464	5,464	5,464	5,464	5,464	5,464
1.5-inch	67	67	67	67	67	67
2-inch	0	0	0	0	0	0
2.5-inch	1	1	1	1	1	1
3-inch	0	0	0	0	0	0
4-inch	0	0	0	0	0	0
6-inch	1	1	1	1	1	1
8-inch	0	0	0	0	0	0
Total	**5,952**	**5,952**	**5,952**	**5,952**	**5,952**	**5,952**

Water usage by customer class and tier was projected over the study period based on actual water usage data provided by District staff for FY 2022 and FY 2023. Since 2023 was an unusually wet year, water usage was low. Therefore FY 2025 water usage by customer class was estimated using an average of calendar year (CY) 2022 and CY 2023 consumption data. At the end of the study, FY 2024 actual water usage was available and recorded as a comparison. **Figure 3-1** shows a yearly comparison of water usage. For the purposes of the financial plan, no change in per account water consumption is assumed over the five-year study period. Annual increases in projected water usage shown below in **Table 3-7** are solely due to growth in 3/4-inch Domestic accounts (see **Table 3-6** above). The increase in Domestic water usage over the study period is directly proportional to the increase in total number of Domestic water meters, which is approximately 0.2 percent per fiscal year. Note that any reduction in water sales that might occur over the study period due to a water supply shortage will be accompanied by the activation of Water Demand Reduction rates. This will ensure that any loss in rate revenue resulting from reduced water sales will be offset by higher volumetric rates that increase with each Water Demand Reduction level. Therefore, the water usage projections shown below in **Table 3-7** represent an appropriate baseline scenario for the purposes of the five-year financial plan.

Figure 3-1: Actual and Projected Water Usage in AF

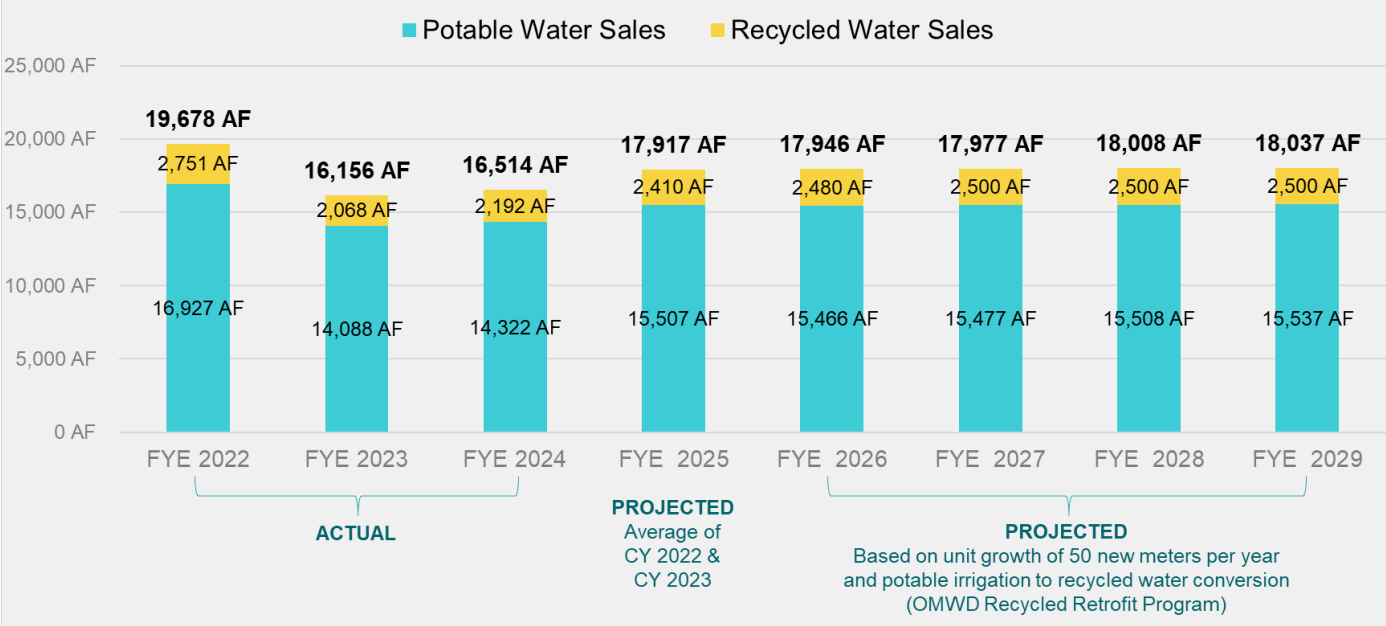


Table 3-7: Projected Water Usage in Units by Customer Class and Accounts[2]

Customer Class	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected
Domestic					
Tier 1 (0-6 units/month)	1,664,738	1,668,570	1,672,632	1,676,771	1,680,603
Tier 2 (7-25 units/month)	1,989,260	1,993,828	1,998,671	2,003,605	2,008,173
Tier 3 (26-80 units/month)	1,344,352	1,347,453	1,350,740	1,354,089	1,357,190
Tier 4 (Over 80 units/month)	489,308	490,436	491,633	492,852	493,980
Agricultural	59,071	59,071	59,071	59,071	59,071
Agricultural with Credit	23,332	23,332	23,332	23,332	23,332
Commercial	296,027	296,027	296,027	296,027	296,027
Irrigation					
Tier 1 (See Table 3-3)	456,070	440,824	436,468	436,468	436,468
Tier 2 (See Table 3-3)	391,191	375,945	371,589	371,589	371,589
Construction	41,669	41,669	41,669	41,669	41,669
Recycled	1,049,621	1,080,113	1,088,825	1,088,825	1,088,825
Total	**7,804,637**	**7,817,267**	**7,830,655**	**7,844,296**	**7,856,927**

3.3. Revenues

The District's water revenues consist of operating revenues (i.e. water rate revenues), other operating revenues, non-operating revenues, and capital revenues (from capacity fees assessed to new water connections). Projected water rate revenues under existing rates are calculated for the years FY 2025-FY 2029 by multiplying current rates (from **Table 3-1** and **Table 3-2**) by the corresponding units of service (from **Table 3-6** and **Table 3-7**).[3] Projecting water rate revenues under existing rates is necessary to evaluate the District's projected baseline financial position in the absence of any proposed rate increases. Note that for FY 2024, operating revenues were calculated based on FY 2023 rates for nine months and FY 2024 rates for three months. This is because FY 2024 rates were implemented in March 2024.[4] Revenues under current rates are shown in Table 3-8 and exclude SDCWA Infrastructure Access Charges.

Table 3-8: Projected Operating Revenues Under Existing Water Rates

Operating Revenues	FY 2024 Projected	FY 2025 Projected	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected
Fixed Charges:						
OMWD System Access Charge (Potable)	$14,326,302	$14,987,748	$15,014,622	$15,052,465	$15,127,432	$15,154,306
OMWD System Access Charge (Recycled)	$653,069	$681,991	$681,991	$681,991	$681,991	$681,991
Fire Meter Charges	$452,181	$467,006	$467,006	$467,006	$467,006	$467,006
Volumetric Charges:						
Domestic	$32,447,706	$32,464,313	$32,539,043	$32,618,256	$32,698,964	$32,773,694
Agricultural	$387,924	$398,729	$398,729	$398,729	$398,729	$398,729
Agricultural w/ Credit	$129,963	$126,226	$126,226	$126,226	$126,226	$126,226
Commercial	$1,527,180	$1,711,033	$1,711,033	$1,711,033	$1,711,033	$1,711,033
Irrigation	$5,671,829	$5,679,317	$5,474,411	$5,415,866	$5,415,866	$5,415,866
Construction	$291,851	$342,102	$342,102	$342,102	$342,102	$342,102
Recycled Water	$3,937,754	$4,502,874	$4,633,685	$4,671,059	$4,671,059	$4,671,059
Total	**$59,825,759**	**$61,361,341**	**$61,388,849**	**$61,484,736**	**$61,640,410**	**$61,742,014**

Table 3-9 shows a summary of other operating, non-operating, and capital revenues. SDCWA Infrastructure Access Charges were calculated in the same manner as described previously for operating revenues. Revenues from selling excess treated water to Vallecitos were projected in FY 2025 assuming 2,750 acre-feet per year (AFY) in sales, which is the minimum due to the DCMWTP shutdown. In FY 2026 and after, 3,648 AFY is used, which is the average of FY 2020 and 2021. Investment income was calculated based on projected ending cash balances and an assumed 3 percent annual rate of return in FY 2025, 2 percent annual rate of return FYs 2026-2027 and 1.5 percent annual rate of return in FYs 2028-2029. The majority of other operating and non-operating expenses were projected beyond FY 2025 budgeted amounts by either holding

[2] Note that in all report tables, totals may not add up precisely due to rounding.

[3] Fixed charge revenues = [number of meters assessed] x [monthly rate] x [12 months].
Volumetric charge revenues = [annual usage in CCF] x [volumetric rate per CCF].

[4] The District's fiscal year is from July 1 through June 30. For example, fiscal year 2024 spanned from July 1, 2023 through June 30, 2024.

constant through FY 2029 or by escalating by 2 percent per year. District staff provided five-year estimates for all capital revenues over the study period.

Table 3-9: Projected Other Operating Revenues, Non-Operating Revenues, and Capital Revenues

Description	FY 2024 Estimated	FY 2025 Budget	FY 2026 Projected	FY 2027 Projected	FY 2028 Projected	FY 2029 Projected
Other Operating Revenues						
SDCWA Infrastructure Access Charge	$1,467,000	$1,561,057	$1,563,703	$1,567,685	$1,576,324	$1,578,970
Selling Excess Treated Water to Vallecitos	$1,194,000	$918,300	$1,449,308	$1,602,357	$1,728,670	$1,800,671
Other	$510,000	$530,200	$530,404	$530,612	$530,824	$531,041
Subtotal	**$3,171,000**	**$3,009,557**	**$3,543,414**	**$3,700,654**	**$3,835,818**	**$3,910,682**
Non-Operating Revenues						
Property Tax Revenue	$4,800,000	$4,896,000	$4,993,920	$5,093,798	$5,195,674	$5,299,588
Rental Income	$775,200	$790,704	$806,518	$806,518	$806,518	$806,518
Investment Income	$0	$322,108	$225,238	$228,624	$171,035	$200,728
Other	$0	$320,892	$256,762	$316,376	$279,965	$350,272
Subtotal	**$5,575,200**	**$6,329,704**	**$6,283,438**	**$6,445,316**	**$6,453,192**	**$6,658,106**
Capital Revenues						
Potable Capacity Fee	$115,000	$118,000	$412,000	$4,047,000	$4,687,000	$803,000
Anticipated Grants	$3,404,000	$1,772,000	$817,000	$0	$0	$0
Recycled Capacity Fee	$5,000	$5,000	$5,000	$5,000	$5,000	$5,000
Subtotal	**$3,524,000**	**$1,895,000**	**$1,234,000**	**$4,052,000**	**$4,692,000**	**$808,000**

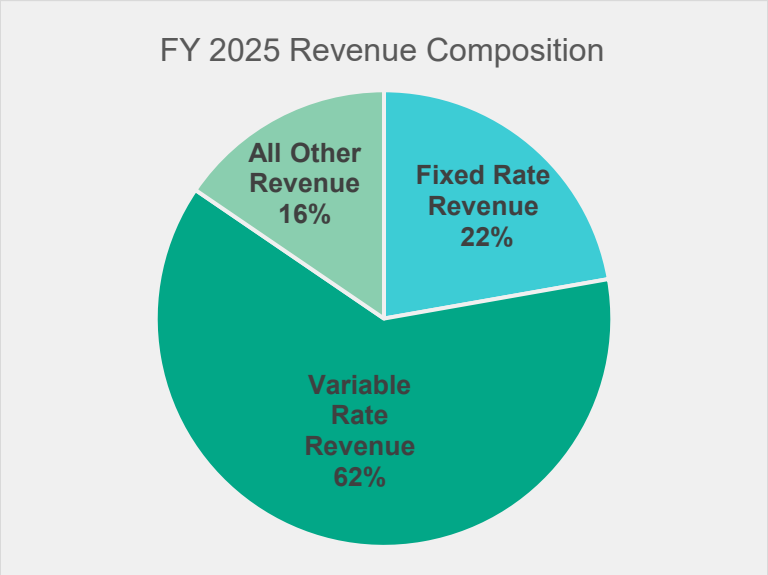
Table 3-10 shows a revenue summary for the study period based on revenues shown previously in **Table 3-8** and **Table 3-9**. Once again, operating revenues shown in this section reflect projected water rate revenues under existing rates in the absence of any rate increases over the study period.

Table 3-10: Revenue Summary

Revenues	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Operating	$59,825,759	$61,361,341	$61,388,849	$61,484,736	$61,640,410	$61,742,014
Other Operating	$3,171,000	$3,009,557	$3,543,414	$3,700,654	$3,835,818	$3,910,682
Non-Operating	$5,575,200	$6,329,704	$6,283,438	$6,445,316	$6,453,192	$6,658,106
Capital	$3,524,000	$1,895,000	$1,234,000	$4,052,000	$4,692,000	$808,000
Total	**$72,095,959**	**$72,595,601**	**$72,449,701**	**$75,682,706**	**$76,621,420**	**$73,118,802**

Figure 3-2 shows FY 2025 revenues broken down into fixed rate revenue (from OMWD System Access Charges and Fire Meter Charges), variable rate revenues (from Volumetric Charges), and all other revenues (including the SDCWA Infrastructure Access Charge). Approximately two-thirds of total revenues are generated by the District's Volumetric Charges.

Figure 3-2: FY 2025 Revenue Composition



3.4. Operations and Maintenance Expenses

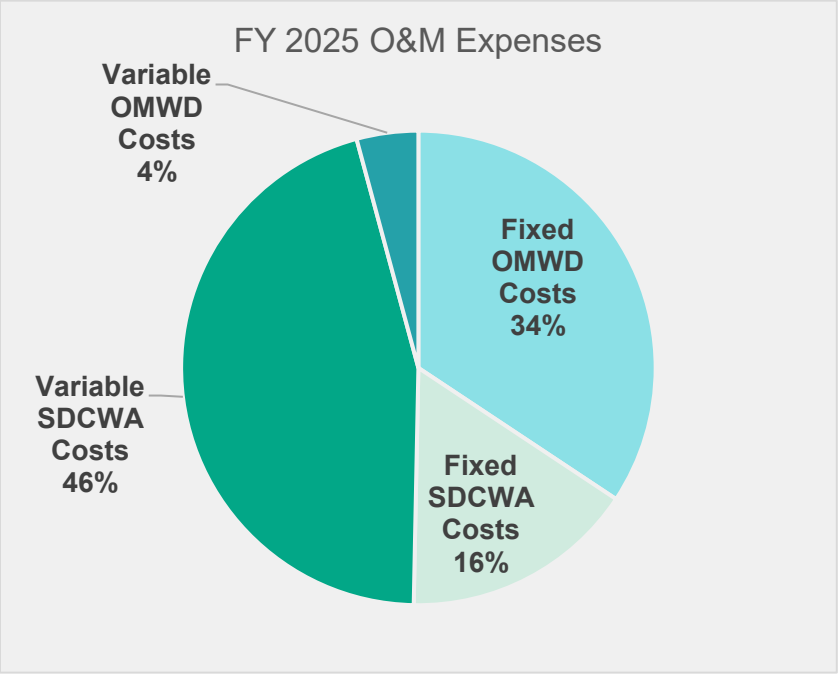
The District's operations and maintenance (O&M) expenses are based on the FY 2025 District budget and projected out through FY 2029. The District's projected purchased water and recycled water expenses were calculated over the study period based on the projected water supply mix and anticipated supply rates from SDCWA and MWD. See Appendix A for detailed calculations of water and recycled water purchase costs over the study period. All other O&M expenses were projected beyond FY 2025 by increasing FY 2025 budgeted expenses by the escalation factors shown in **Table 3-4**. The projected O&M expenses are shown in **Table 3-11**.

Table 3-11: Projected O&M Expenses

O&M Expenses	FY 2024 Estimated	FY 2025 Budget	FY 2021 Projected	FY 2022 Projected	FY 2023 Projected	FY 2029 Projected
Purchased Water Expenses	$33,390,550	$38,004,962	$40,258,159	$44,264,056	$47,602,676	$49,578,639
O&M and WTP Expenses	$13,035,000	$14,028,000	$14,616,000	$15,129,650	$15,663,513	$16,218,444
General Manager Expenses	$485,000	$672,000	$780,000	$828,970	$880,355	$934,265
Engineering Expenses	$2,133,000	$1,944,000	$2,019,000	$2,107,850	$2,200,590	$2,297,391
Finance Expenses	$53,000	$149,000	$190,000	$245,518	$304,316	$366,553
Customer Services Expenses	$4,363,000	$4,232,500	$4,531,000	$4,682,640	$4,839,932	$5,003,101
Human Resources Expenses	$81,300	$30,000	$225,000	$252,205	$280,934	$311,260
Park Expenses	$451,000	$538,000	$510,000	$532,035	$555,020	$578,997
Recycled (SE & NW) Expenses	$1,568,000	$1,490,500	$1,541,000	$1,595,405	$1,651,996	$1,710,867
Total O&M Expenses	**$55,559,850**	**$61,088,962**	**$64,670,159**	**$69,638,328**	**$73,979,333**	**$76,999,517**
Less Depreciation	$802,000	$815,000	$815,000	$831,300	$847,926	$864,885
Total O&M Excluding Depreciation	**$54,757,850**	**$60,273,962**	**$63,855,159**	**$68,807,028**	**$73,131,407**	**$76,134,632**

Figure 3-3 shows FY 2025 O&M expenses broken down as fixed versus variable and District-related (OMWD) versus SDCWA-related. Approximately 62 percent of FY 2025 O&M expenses are projected to be associated with water supply costs from SDCWA, some of which are fixed. Approximately 50 percent of FY 2025 O&M expenses are projected to be fixed in nature. This demonstrates a common challenge faced by municipal water suppliers, in which the majority of O&M expenses are fixed while a majority of revenues are variable (see **Figure 3-2**). This results in susceptibility to revenue instability during periods of reduced water supply/demand.

Figure 3-3: FY 2025 O&M Expenses Composition



3.5. Debt Service

Debt service requirements consist of principal and interest payments on existing and proposed debt. The District currently has debt service obligations associated with the outstanding 2015A Water Revenue Bonds, 2016A Water Revenue Bonds, 2013 State Revolving Fund Loan, and 2021B Wastewater (Sewer) Revenue Bonds. The debt service payments shown for the 2021B Wastewater (Sewer) Revenue Bonds represent the water system's allocated portion of the debt issue. Principal and interest payments associated with each existing debt issue for the water utility are shown below in **Table 3-12**.

Table 3-12: Existing Debt Service Payments

Description	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
2015A Water Revenue Bonds	$2,410,375	$2,413,625	$2,406,875	$2,405,375	$2,403,625	$0
2016A Water Revenue Bonds	$977,000	$978,000	$977,000	$975,000	$978,000	$974,000
2013 State Revolving Fund Loan	$1,070,000	$1,070,000	$1,070,000	$1,070,000	$1,070,000	$1,070,000
2021B Wastewater (Sewer) Revenue Bonds	$610,000	$609,000	$609,000	$609,000	$609,000	$0

The 2015A Water Revenue Bonds and the 2021B Wastewater (Sewer) Revenue Bonds will be paid off in FY 2028. There are no new proposed debt issues in the five-year plan period. Total existing and proposed debt service payments in each year throughout the study period (from **Table 3-12)** are summarized below in **Table 3-13**.

Table 3-13: Total Debt Service

Debt Service	FY 2025	FY 2021	FY 2022	FY 2023	FY 2029
Existing Debt	$5,070,625	$5,062,875	$5,059,375	$5,060,625	$2,044,000
Proposed Debt	$0	$0	$0	$0	$0
Total Debt Service	**$5,070,625**	**$5,062,875**	**$5,059,375**	**$5,060,625**	**$2,044,000**

3.6. Capital Improvement Plan

The District has developed a capital improvement plan (CIP) to address ongoing water system needs in each year throughout the study period. Detailed CIP expenditures in each year are shown at the individual project level for the potable water system in **Table 3-14** and the recycled water system in **Table 3-15**. Inflated project costs in all years throughout the study period were provided by District Engineering staff from the results of the District's Condition Assessment and Pipeline Replacement Assessment studies.

Table 3-14: Potable Water CIP Projects

#	Potable Water CIP	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	San Dieguito Valley Groundwater Desalination Plant	$417,000	$344,000	$1,146,000	$1,921,000	$3,098,000
2	PW and RCW Master Plan Update	$117,000	$0	$0	$0	$0
3	EFRR Parking Lot Expansion	$381,000	$909,000	$0	$0	$0
4	Site Asphalt Improvements	$60,000	$50,000	$30,000	$30,000	$30,000
5	Advanced Metering Infrastructure (AMI)	$715,000	$0	$0	$0	$0
6	CIS Infinity System Upgrade	$213,000	$184,000	$0	$0	$0
7	District Wide Scada Upgrades	$127,000	$0	$0	$0	$0
8	District-Wide PLC Replacements (PW/RCW)	$1,237,000	$0	$0	$0	$0
9	District Wide Physical Security Improvements	$52,000	$0	$0	$0	$0
10	Fleet Electrification Project (PW/RCW)	$165,000	$750,000	$1,490,000	$0	$0
11	RSF Unit A North PL Repl	$1,428,000	$0	$0	$0	$0
12	Golem 14" Pipeline Inspection and Rehab	$133,000	$0	$0	$0	$0
13	Dusty Trail PL Replacement	$120,000	$710,000	$350,000	$0	$0
14	Rancho La Cima/Aliso Canyon PL Relocation	$102,000	$150,000	$0	$0	$0
15	Harris Ranch Right-of-Way Acquisition	$0	$150,000	$0	$0	$0
16	Unit B & K Rehab	$327,000	$1,000,000	$580,000	$0	$0
17	Unit B & K EM CCTV Inspect & Rehab Phase 2	$0	$0	$0	$412,000	$1,838,000
18	Encinitas Blvd Pipeline Inspection and Rehab	$271,000	$403,000	$0	$0	$0
19	RSF Rd Pipeline Inspection	$0	$164,000	$524,000	$0	$0
20	Access improvements to pipe below Gano to San Dieguito Road	$20,000	$55,000	$0	$0	$0
21	Tank Safety Improvements	$516,000	$0	$0	$0	$0
22	Palms I and II Reservoirs Replacemt	$194,000	$303,000	$1,212,000	$0	$0
23	Gaty I Reservoir Decommissioning	$0	$0	$0	$398,000	$0
24	Village Park PRS Replacement	$969,000	$0	$0	$0	$0
25	Gardendale PRS Replacement	$984,000	$0	$0	$0	$0
26	Del Lago PRS Replacement	$0	$123,000	$846,000	$0	$0
27	SE #1 PRS Replacement	$0	$0	$0	$0	$135,000
28	DCMWTP 4th Stage Centrifuge Addition	$2,956,000	$0	$0	$0	$0
29	DCMWTP Chlorine Gen Rm Lining Rehab	$123,000	$0	$0	$0	$0
30	DCMWTP 2nd Stage Membrane Train Overhaul	$126,000	$100,000	$100,000	$0	$0
31	DCMWTP 2nd Stage Basin Rehab and Beam Replacement	$577,000	$1,207,000	$0	$0	$0
32	DCMWTP 1st Stage Beam Replacement	$560,000	$980,000	$666,000	$0	$0
33	DCMWTP Inlet Strainer MOV Actuator Replacement	$63,000	$0	$0	$0	$0

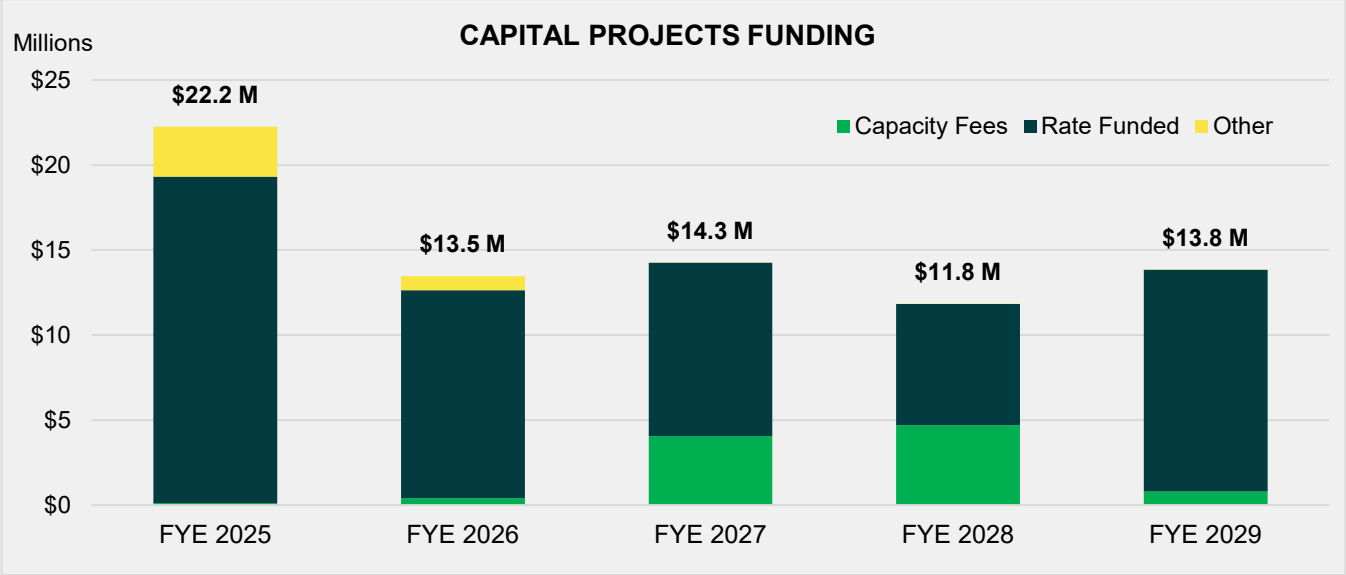
34	DCMWTP Combined Filter Influent & Backwash Pipe Replacement	$180,000	$528,000	$0	$0	$0
35	DCMWTP Raw Water Equal (RWEQ) Tanks Rehab	$668,000	$0	$0	$0	$0
36	DCMWTP Fluoride Room, Permeate Pump Stanchion, Bldg Rehab	$0	$142,000	$0	$0	$0
37	DCMWTP 1st Stage Basins Rehab	$0	$0	$1,295,000	$1,295,000	$1,295,000
38	DCMWTP FCV Actuators Replacement	$0	$0	$310,000	$0	$0
39	DCMWTP BWWEQ Tank Rehab	$0	$0	$596,000	$0	$0
40	DCMWTP Plate Settler Coating Rehab	$0	$0	$0	$123,000	$0
41	DCMWTP Brine Area Rehab	$0	$0	$0	$192,000	$0
42	DCMWTP Sodium Hypochlorite Room Rehab	$0	$0	$0	$0	$98,000
43	DCMWTP HVAC Replacement	$0	$0	$0	$0	$46,000
44	Bridge Crane Rehabilitation and Mods	$65,000	$0	$0	$0	$0
45	Network Security	$100,000	$104,000	$109,000	$114,000	$119,000
46	Replace Pumps and Motors	$175,000	$180,000	$185,000	$191,000	$197,000
47	Replace Potable Meters	$830,000	$927,000	$849,000	$874,000	$900,000
48	Replace Pipelines	$500,000	$515,000	$530,000	$546,000	$562,000
49	Replace Valves	$750,000	$773,000	$796,000	$820,000	$845,000
50	Steel Mains Protection	$304,000	$313,000	$322,000	$332,000	$342,000
51	Replace Meter Anodes	$158,000	$163,000	$168,000	$173,000	$178,000
52	Rehab Concrete Tanks	$25,000	$26,000	$27,000	$28,000	$29,000
53	Replace PRS Valves	$54,000	$56,000	$58,000	$60,000	$62,000
54	Replace DCM WTP Membranes	$936,000	$973,000	$1,012,000	$1,052,000	$1,094,000
55	WTP Misc Equipment and Instrumentation Replacement	$100,000	$106,000	$115,000	$124,000	$134,000
56	WTP Membrane Train Control Wiring Replacement	$35,000	$36,000	$37,000	$38,000	$39,000
57	Impressed current system protection	$0	$0	$74,000	$63,000	$50,000
	Total Potable Water CIP	**$17,833,000**	**$12,424,000**	**$13,427,000**	**$8,786,000**	**$11,091,000**

Table 3-15: Recycled Water CIP Projects

#	Recycled Water CIP	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	Manchester Recycled Pipeline Ext.	$3,298,000	$0	$0	$0	$0
2	Calle Barcelona, VP, & Summerhill HOA Exten	$244,000	$0	$0	$0	$0
3	Wanket RW Reservoir Rehabilitation	$157,000	$0	$0	$0	$0
4	Santa Fe Valley RW Reservoir Improvements	$150,000	$0	$0	$0	$0
5	Off-Spec and High Flow Diversion Pipeline	$129,000	$0	$0	$0	$0
6	Upgrade Filter Electrical	$75,000	$439,000	$0	$0	$0
7	Upgrade Flow Equalization Basins	$22,000	$125,000	$0	$0	$0
8	Recycled Water Storage Pond Upgrades	$17,000	$101,000	$0	$0	$0
9	Replace Existing Recycled Water Pump Station VFDs	$0	$0	$37,000	$0	$0
10	Site Paving Improvements	$0	$0	$8,000	$0	$0
11	Replace Main Switchboard S (MSB-S) and Automatic Transfer Switch	$0	$0	$382,000	$2,227,000	$0
12	Replace WRF Electrical Conduits, Enclosures, and Lighting	$0	$0	$0	$390,000	$2,278,000
13	Chemical Area Upgrades	$65,000	$80,000	$100,000	$73,000	$76,000
14	Replace Roll-up doors	$30,000	$41,000	$52,000	$54,000	$56,000
15	Recycled Conversions (formerly Retrofit Potable to Recycled)	$50,000	$52,000	$54,000	$56,000	$58,000
16	Replace Recycled Meters	$75,000	$77,000	$79,000	$81,000	$83,000
17	Replace Recycled Pipeline	$12,000	$12,000	$6,000	$6,000	$6,000
18	Replace Recycled Valves	$80,000	$85,000	$90,000	$96,000	$101,000
19	4S WRF Physical Security Upgrades	$12,000	$12,000	$14,000	$16,000	$18,000
20	Plant A Rehabilitation	$0	$10,000	$20,000	$30,000	$40,000
21	Valve and Gate Replacement Program	$0	$0	$0	$10,000	$16,000
22	Small Pump and Motor Replacement Program	$0	$0	$0	$16,000	$20,000
	Total Recycled Water CIP	**$4,416,000**	**$1,034,000**	**$842,000**	**$3,055,000**	**$2,752,000**

Total CIP expenditures over the study period are shown below in **Figure 3-4**. Potable water capacity fee revenues are anticipated to be available to fund the District's CIP and range from $118,000 in FY 2025 to over $4 million in FY 2028. "Other" funds include anticipated grant funds, recycled water capacity fee revenues, and land sale proceeds. All other CIP during the study period is projected to be funded by water rate revenues, there is no proposed debt funding.

Figure 3-4: CIP by Funding Source



3.7. Financial Policies

3.7.1. Debt Coverage

The District must meet its debt service coverage requirements on its outstanding bond issues. The District's required debt coverage is 125 percent, meaning that the District's net revenues must amount to at least 125 percent of annual debt service. The District is currently rated "AAA" by Fitch Ratings. To get a lower borrowing cost for any debt issuance in the future, it has been the District's goal to maintain at least 2.5 net water system revenue to debt service coverage ratio. The proposed financial plan, therefore, incorporates a debt coverage target of 250 percent. Net revenues include funds from water rates and charges, miscellaneous service charges, revenues received from contracts, and interest income. Annual debt service includes annual principal and interest payments on outstanding debt.

3.7.2. Reserve Policies

The District maintains four separate funds. The Operating Fund is designed to provide working capital and mitigate the impact of fluctuations in O&M expenditures. The Capital Improvement Fund is designed to ensure adequate construction funds are maintained to approve construction contracts. The Rate Stabilization Fund is designed to mitigate the impact of reduced water sales on the District's financial condition and, lastly, the Pension Stabilization Fund is designed to help stabilize pension costs by making additional contributions to its pension plan to minimize fluctuations in District's Unfunded Accrued Liability (UAL). Raftelis recommends that the District maintains its current reserve policies, which define the minimum and maximum reserve balances for each of the three funds. The existing reserve policies are appropriate given industry norms as well as the District's unique attributes. The current reserve targets are:

1. **Operating Fund**
    - Minimum Level: 60 days of annual O&M expenditures *($9.91 million in FY 2025)*
    - Maximum Level: 120 days of annual O&M expenditures *($19.82 million in FY 2025)*

2. **Capital Improvement Fund**
    - Minimum Level: average annual CIP expenditures over the next 10 years *($17.32 million in FY 2025)*
    - Maximum Level: five years of average annual 10-year CIP expenditures *($86.59 million in FY 2025)*
3. **Rate Stabilization Fund**
    - Minimum Level: 25 percent of estimated net water sales[5] in the current fiscal year *($6.84 million in FY 2025)*
    - Maximum Level: 50 percent of estimated net water sales for the next two fiscal years *($13.68 million in FY 2025)*
4. **Pension Stabilization Fund**
    - Minimum Level: 1 year of projected employee retirement (ER) contribution for unfunded accrued liability (UAL) over the next 5 years *($0.96 million in FY 2025)*
    - Maximum Level: 2 years of projected ER contribution for UAL over the next 5 years *($1.91 million in FY 2025)*

3.8. Status Quo Financial Plan

The status quo financial plan illustrates what would occur in the absence of any water rate increases over the study period. Current water rates in effect as of FY 2024 are assumed to remain unchanged over the study period under the status quo. Raftelis and District staff first evaluated the District's cash flow and fund balance over the study period under the status quo before considering any revenue adjustments.

Figure 3-5 shows the projected ending cash balance in each year over the study period under the status quo for all three funds combined (Operating, Capital Improvement, and Rate Stabilization). Under the status quo financial plan, the District's reserves are steadily drawn down over the five-year study period until the minimum reserve balance is no longer met in FY 2028. Furthermore, **Figure 3-6** shows that the District is projected to fail to meet minimum required debt coverage beginning in FY 2028 under the status quo. This clearly demonstrates the need for rate revenue increases over the study period to ensure that the District meets its debt coverage obligations and exceeds the minimum reserve balance as established by District policy. For detailed cash flow and fund balance projections under the status quo, please refer to **Appendix B**.

[5] Net water sales are defined as total annual revenues from rates and charges less annual water purchase expenses.

Figure 3-5: Total Fund Balance Under Status Quo Financial Plan

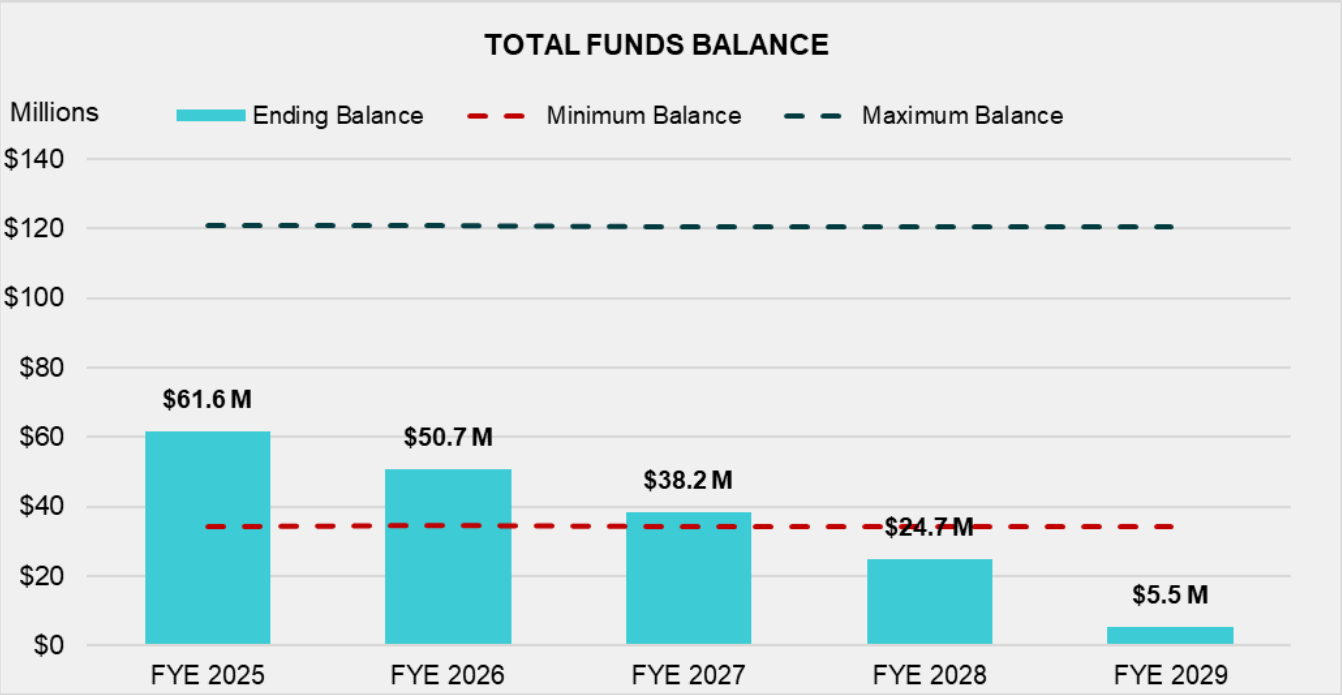
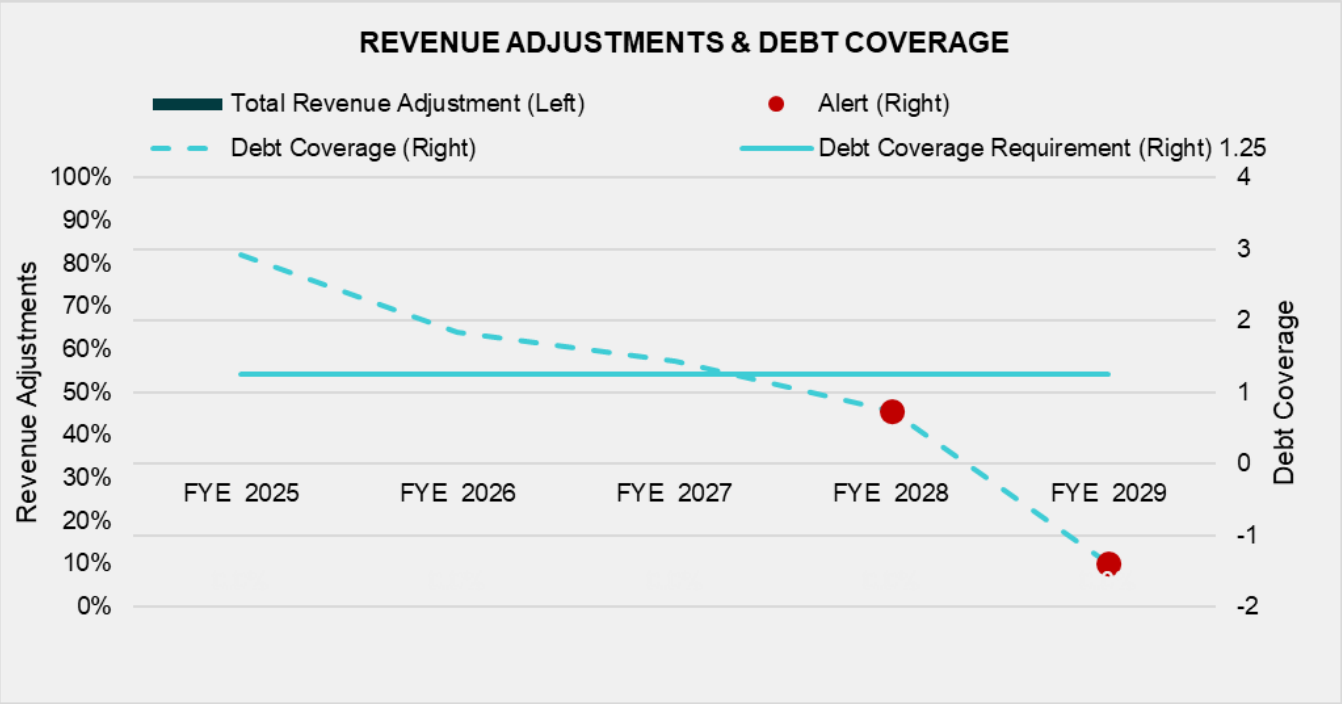


Figure 3-6: Projected Debt Coverage Under Status Quo Financial Plan



3.9. Proposed Financial Plan

The status quo financial plan demonstrates that the District must increase its revenues from water rates over the five-year study period in order to meet required debt coverage and minimum reserve levels. Raftelis therefore proposed annual revenue adjustments in each year through FY 2029 to ensure that the District meets its debt obligations and maintains healthy reserve levels in accordance with District policy. The term "revenue adjustment" specifically refers to a percent increase in water revenues (from Volumetric Charges, OMWD System Access Charges, and Fire Meter Charges) relative to the amount of water rate revenues that would be collected under the prior year's rates. Note that revenue adjustments are used only to project total water rate revenues. Allocation of the total water rate revenue requirement across the various water charges is included in the cost of service analysis in **Section 4**. District staff and the Board of Directors approved the recommendations of the proposed revenue adjustments each year developed by Raftelis. **Table 3-16** shows the proposed revenue adjustments over the study period.

Table 3-16: Proposed 5-Year Revenue Adjustments

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
System Access Charges including Inflation/Wholesale Pass-Through	8.0%	8.0%	8.0%	5.0%	4.0%
Fire Meter Charges	5.0%	6.0%	6.0%	5.0%	4.0%
Commodity Charges including Inflation/Wholesale Pass-Through	8.0%	8.0%	8.0%	5.0%	4.0%
Infrastructure Access Charges SDCWA IAC Pass-Through	3.2%	8.5%	11.5%	4.0%	4.0%
TOTAL REVENUE ADJUSTMENT	**7.9%**	**8.0%**	**8.1%**	**5.0%**	**4.0%**

Table 3-17 shows the proposed five-year financial plan in proforma format. Revenues and expenses were shown previously in **Section 3**. Rate revenue under existing rates is shown in Line 2, while Line 3 represents additional revenue resulting from the proposed revenue adjustments. Other operating revenues in Line 4 include the SDCWA Infrastructure Access Charge, excess treated water sales to Vallecitos, rental income, and other miscellaneous revenues. Non-operating revenue in Line 6 includes property tax and other miscellaneous revenues. Capital Revenues from **Table 3-9** are excluded from the operating cash flow in **Table 3-17** (which excludes capital expenditures and revenues), but are accounted for when projecting total ending balances (**Figure 3-9**). Transfers from the Operating Fund were initiated to ensure that each fund met at least the minimum required reserve level. Net annual cash balance (Line 28) is calculated by subtracting total expenses (Line 15) and total transfers (Line 26) from total revenues (Line 7). Calculated debt coverage is shown in Line 30 and is outlined in greater detail in Appendix C. More detailed cash flow and ending balance projections are also included in Appendix C. The net annual cash balance in FY 2025 is slightly negative, indicating that the District will draw from reserves to meet the Operating Fund revenue requirement. Beginning in FY 2026, the net annual cash balance becomes positive again through the end of the study period.

Table 3-17: Proposed Financial Plan

	Description	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
1	**REVENUES**					
2	Revenues from Current Rates (excludes IAC)	$61,361,341	$61,388,849	$61,484,736	$61,640,410	$61,742,014
3	Revenue Adjustments (excludes IAC)	$2,449,784	$7,548,442	$13,073,657	$17,917,100	$21,522,961
4	Other Operating Revenue	$3,034,335	$3,661,623	$3,988,814	$4,266,381	$4,422,378
5	Investment & Interest Income	$643,000	$483,000	$545,000	$451,000	$552,000
6	Non-Operating Revenue	$5,686,704	$5,800,438	$5,900,316	$6,002,192	$6,106,106
7	**TOTAL REVENUES**	**$73,175,164**	**$78,882,352**	**$84,992,523**	**$90,277,084**	**$94,345,459**
8						
9	**EXPENSES**					
10	O&M Expenses without Depreciation	$22,269,000	$23,597,000	$24,542,973	$25,528,731	$26,555,994
11	Purchased Water (potable & recycled)	$38,004,962	$40,258,159	$44,264,056	$47,602,676	$49,578,639
12	Other Operating Expenses (potable & recycled)	$50,000	$50,000	$50,000	$50,000	$50,000
13	Non-Operating Expenses (potable & recycled)	$1,570,927	$1,043,507	$12,000	$10,000	$10,000
14	Existing Debt Service	$5,070,625	$5,062,875	$5,059,375	$5,060,625	$2,044,000
15	**TOTAL EXPENSES**	**$66,965,515**	**$70,011,541**	**$73,928,403**	**$78,252,032**	**$78,238,632**
16						
17	**TRANSFERS**					
18	Transfer Potable Operating to Potable Capital - PAYGO	$6,000,000	$7,000,000	$7,500,000	$7,500,000	$9,500,000
19	Transfer to Wastewater (Sewer) Fund - 2018/2021B Bonds	($121,800)	($121,800)	($121,800)	($121,800)	$0
20	Transfer to 2012 SRF Reserve	$107,000	$107,000	$0	$0	$0
21	Transfer to/(from) Rate Stabilization Fund	($1,560,927)	($1,033,507)	($2,000)	$0	$0
22	Transfer to/(from) Pension Stabilization Fund	$220,000	$220,000	$220,000	$220,000	$220,000
23	Potable OMWD Option 2 (reduce to CPI)	$0	$0	$0	$0	$0
24	Transfer Recycled Oper. to Recycled Capital	$200,000	$200,000	$200,000	$200,000	$200,000
25	Transfer Recycled Oper. to Potable Capital	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000
26	**TOTAL TRANSFERS**	**$6,344,273**	**$7,871,693**	**$9,296,200**	**$9,298,200**	**$11,420,000**
27						
28	**Net Annual Cash Balance**	**($134,624)**	**$999,118**	**$1,767,920**	**$2,726,852**	**$4,686,827**
29						
30	Calculated Debt Coverage	342%	338%	417%	445%	963%
31	Target Debt Coverage	125%	125%	125%	125%	125%

Figure 3-7 summarizes the tabular results from **Table 3-17** in graphical format. O&M expenses, purchased water costs, debt service, transfers, and revenues to (or from) reserves are represented by stacked bars. Revenues under current rates are represented by the solid line, while revenues inclusive of the proposed revenue adjustments are represented by the dashed line. **Figure 3-7** clearly demonstrates although current rates are sufficient to cover operating costs, the proposed revenue adjustments are necessary to provide sufficient funding for transfers from the Operating Fund to cover CIP expenditures and other needs.

Figure 3-7: Proposed Operating Financial Plan

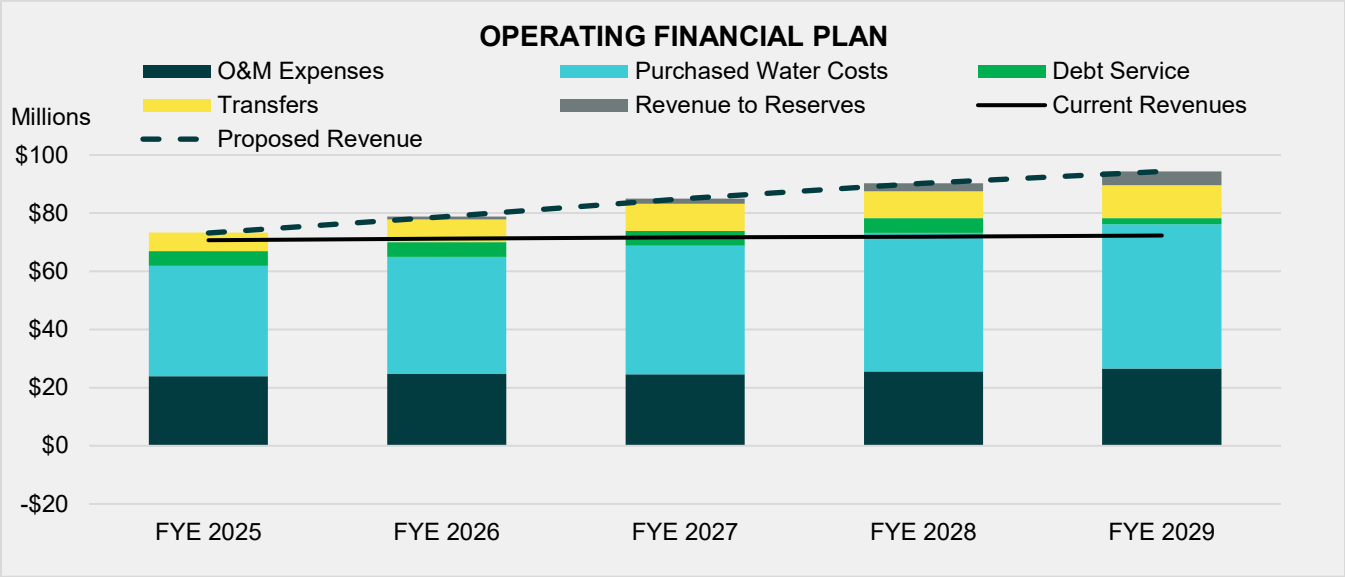


Figure 3-8 illustrates how the proposed revenue adjustments, represented by the bars (left axis), will ensure that the District's projected debt coverage (dashed line) (right axis) exceeds its 125% debt coverage requirement (solid blue line). The District targets robust debt coverage of at least 250 percent to help the District maintain its AAA credit rating by Fitch, which can minimize the costs associated with any future debt issues.

Figure 3-8: Projected Debt Coverage Ratios under Proposed Revenue Adjustments

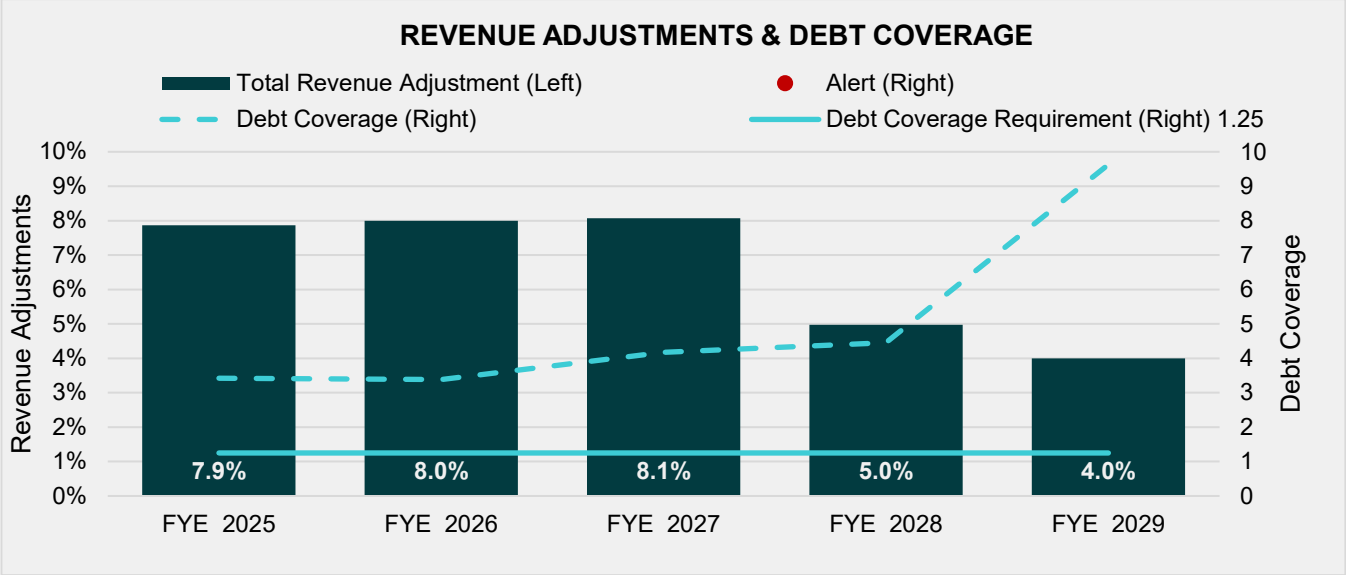
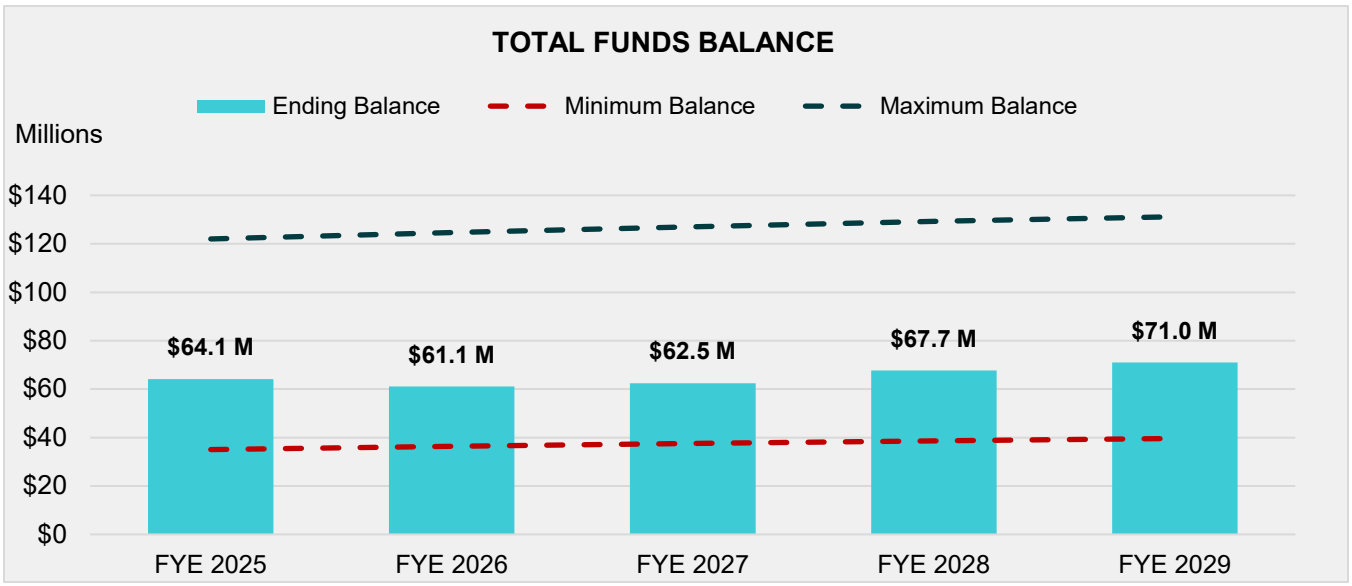


Figure 3-9 demonstrates that the District will exceed the minimum reserve target in all years under the proposed financial plan. Ending Balances and minimum/maximum targets shown below include all three funds combined (Operating, Capital Improvement, and Rate Stabilization). The projected total ending funds balance shown in **Figure 3-9** remain steady over the study period between minimum and maximum reserve targets.

Figure 3-9: Projected Ending Balances Under Proposed Financial Plan



4. Cost of Service

Section 4 of the report provides a detailed description of the cost-of-service (COS) analysis performed for the District's water system. The goal of a COS analysis is to allocate the overall rate revenue requirement to all customer classes and tiers based on their proportion of usage and burden on the system. The numbers shown in this section of the report are rounded. Therefore, hand calculations based on the displayed numbers, such as summing or multiplying, may not equal the exact results shown in this report.

4.1. Process and Approach

The first step in the COS analysis process is to determine the revenue requirement, which is based on the results of the financial plan and the proposed revenue adjustments. The framework and methodology utilized to develop the COS analysis and to apportion the revenue requirement to each customer class and tier is informed by the processes outlined in the M1 Manual.

COS analyses are tailored specifically to meet the unique needs of each water system. However, there are four distinct steps in every analysis to recover costs from customer classes in an accurate, equitable, and defensible manner:

1. **Cost functionalization:** O&M expenses and capital assets are categorized by their system function. Functions include supply, treatment, storage, distribution, customer service, etc.
2. **Cost causation component allocation:** The functionalized costs are then allocated to cost causation components based on their burden on the system. The cost causation components include supply, base delivery, peaking, meter, customer, etc. The revenue requirement is allocated accordingly to the cost causation components, resulting in the total revenue requirement for each cost causation component.
3. **Unit cost development:** the revenue requirement for each cost causation component is divided by the appropriate units of service of each customer class and tier to determine the unit cost for each cost causation component.
4. **Revenue requirement distribution:** the unit cost is utilized to distribute the revenue requirement for each cost causation component to customer classes and tiers based on their individual service units. The District's customer classes include Domestic, Agricultural, Commercial, Irrigation, Construction, and Recycled.

4.2. Revenue Requirement

Table 4-1 shows the revenue requirement, which is equal to the total revenue required from rates for FY 2025 (also referred to as the test year or rate-setting year). The revenue requirement is divided into the Operating and Capital categories (Columns C and D), which are to be later allocated based on O&M expenses and capital assets respectively.

The revenue requirement is calculated using the FY 2025 expenses (Lines 2-6), which includes O&M expenses, purchased water costs, other operating expenses, non-operating expenses, and existing debt service. The revenue offsets (Lines 10-24) include the various miscellaneous, non-rate revenues that are applied as offsets to the revenue requirement. The cash balance adjustment (Line 28) is determined by calculating the negative sum of total transfers (**Table 3-17**, Line 24) and net annual cash balance (**Table 3-17**, Line 26). The final revenue requirement (Line 31) is calculated as follows:

Total revenue required from rates (Line 31) = Revenue requirements (Line 7) - Revenue offsets (Line 25) - Adjustments (Line 30)

Table 4-1: Proposed Revenue Requirement

A	B	C	D	E
Line	Revenue Requirement (FY 2025)	Operating Revenue Requirements	Capital Revenue Requirements	Total Revenue Requirements
1	**Revenue Requirements**			
2	O&M Expenses without Depreciation	$22,269,000	$0	$22,269,000
3	Purchased Water (potable & recycled)	$38,004,962	$0	$38,004,962
4	Other Operating Expenses (potable & recycled)	$0	$50,000	$50,000
5	Non-Operating Expenses (potable & recycled)	$0	$1,570,927	$1,570,927
6	Existing Debt Service	$0	$5,070,625	$5,070,625
7	**Total Revenue Requirements**	**$60,273,962**	**$6,691,552**	**$66,965,515**
8				
9	**Revenue Offsets**			
10	CWA Infrastructure Access Charge	$1,585,835		$1,585,835
11	Selling Excess Treated Water to Vallecitos	$918,300	$0	$918,300
12	Misc. Water Sales	$10,000	$0	$10,000
13	Meter Installations	$15,000	$0	$15,000
14	Hydro-electric Plant Revenues	$110,000	$0	$110,000
15	Turn Off/On Fees and NSF Charges	$20,000	$0	$20,000
16	Delinquency Charges	$120,000	$0	$120,000
17	Transfer Fee	$30,000	$0	$30,000
18	Cross Connection/Inspection	$205,000	$0	$205,000
19	Outside District Boundary Charges	$10,000	$0	$10,000
20	Other operating	$10,200	$0	$10,200
21	Investment Income (Potable)	$0	$322,108	$322,108
22	Property Tax Revenue	$3,056,000	$1,840,000	$4,896,000
23	Rental Income	$0	$790,704	$790,704
24	Investment Income (Recycled)	$0	$320,892	$320,892
25	**Total Revenue Offsets**	**$6,090,335**	**$3,273,704**	**$9,364,039**
26				
27	**Less Adjustments**			
28	Adjustment for Cash Balance	$0	($6,209,649)	($6,209,649)
29	Adjustment for Mid-year Increase	($2,449,784)	$0	($2,449,784)
30	**Total Less Adjustments**	**($2,449,784)**	**($6,209,649)**	**($8,659,432)**
31	**Cost of Service to be Recovered from Rates**	**$56,633,411**	**$9,627,497**	**$66,260,908**

4.3. Functionalization and Allocation of Expenses

After determining the revenue requirement, the next step of the COS analysis is to allocate the O&M expenses and capital assets to the following functions:

- **Supply** – represents costs of procuring water supplies from SDCWA
- **Treatment** – represents costs of water treatment
- **Reservoir** – represents costs of storing water
- **Distribution** – represents costs pertaining to the District's water distribution system
- **Pump Stations** – represents costs of pumping water to customers
- **Meters** – represents costs relating to maintenance and capital costs of water meters as well as a portion of costs related to water system capacity
- **Hydrants** – represents costs of providing capacity for public fire protection
- **Customer** – represents costs of meter reading, billing, and other customer services
- **Recycled Water** – represents costs related to the District's recycled water system
- **General -** represents costs for general operational expenses which cannot be categorized under any of the above

The functionalization of costs allows for the allocation of costs to the cost causation components, which include:

- **Supply** – costs associated with procuring water supplies from SDCWA
- **Base Delivery** – costs associated with providing water under average conditions
- **Peaking** (Max Day and Max Hour) – costs associated with providing water under peak demand conditions
- **Recycled Water** – costs associated with the District's recycled water system
- **Fire Protection** – costs associated with providing capacity for fire protection
- **Meters** – costs associated with purchasing, maintaining, and servicing water meters as well as some costs related to system capacity
- **Customer** – costs associated with customer service and billing
- **General** – costs that do not have any direct cost causation
- **Revenue Offsets** – non-rate revenues (such as property taxes and interest income) with no direct association with specific expenses or services

4.4. Peaking Factors

Peaking costs are divided into maximum day (Max Day) and maximum hour (Max Hour) demand. The Max Day demand is the maximum amount of water used in a single day in a year, and the Max Hour demand is the maximum usage in an hour on the Max Day. Different facilities, such as distribution and storage facilities, are designed to meet customers' peaking demands. Therefore, peaking costs, also known as extra capacity costs, are associated with meeting peak customer demand.

Table 4-2 shows the system-wide peaking factors used to derive the cost component allocation bases for Base Delivery, Max Day, and Max Hour costs. The Base Delivery, or Base use is considered average daily demand over one year, which has been normalized to a factor of 1.00 (Column C, Line 1). The Max Day peaking factor (Column C, Line 2) indicates that the Max Day demand is 1.88 times greater than the average daily demand based on average usage. Similarly, the Max Hour peaking factor (Column C, Line 3) shows that the Max Hour demand is 2.82 times greater than average demand.

The allocation bases (Columns D to F) are calculated using the equations outlined below. Columns are represented in these equations as letters, and rows are represented as numbers. For example, Column D, Line 2 is shown as D2.

The Max Day allocations are calculated as follows:

- Base Delivery: *C1 / C2 x 100% = D2*
- Max Day: *(C2 - C1) / C2 x 100% = E2*

The Max Hour allocations are calculated as follows:

- Base Delivery: *C1 / C3 x 100% = D3*
- Max Day: *(C2 - C1) / C3 x 100% = E3*
- Max Hour: *(C3 - C2) / C3 x 100% = F3*

Table 4-2: System Peaking Factor Allocations

A	B	C	D	E	F	G
Line	Allocation Factor	Peaking Factor	Base	Max Day	Max Hour	Total
1	**Base**	1.00	100.0%	0.0%	0.0%	100.0%
2	**Max Day**	1.88	53.1%	46.9%	0.0%	100.0%
3	**Max Hour**	2.82	35.4%	31.2%	33.3%	100.0%

Table 4-3 shows the peaking factors by customer class. Raftelis used the fiscal year (FY) 2022 water usage data to determine peaking factors, as 2023 was an unusually wet year, driving down usage. Each Max Month factor (Column E) is calculated by dividing FY 2022 maximum monthly usage by FY 2022 average monthly usage. Max Day factors (Column F) peaking factors are estimated by multiplying each tier-specific Max Month factor (Column C) by 1.42, which is the ratio of the system-wide Max Day factor to the system-wide Max Month factor. Max Hour factors (Column E) are calculated by multiplying each tier-specific Max Day factor (Column D) by 1.5, which represents the ratio of the system-wide Max Hour factor to the system-wide Max Day factor. It is noted that the peaking factors relative to each other are important and not the values themselves; therefore, the Max Month factors are a proxy for the Max day and Max Hour peaks. Note that recycled water volumetric rates do not incorporate peaking costs because the recycled water supply and distribution system is separate from the potable water system. Therefore, recycled water usage is excluded from **Table 4-3**.

Table 4-3: Peaking Factors by Customer Class

A Line	B Customer Class	C Max Month Factor	D Max Day Factor	E Max Hour Factor
1	**Domestic**			
2	Tier 1	1.03	1.46	2.19
3	Tier 2	1.26	1.77	2.66
4	Tier 3	1.54	2.17	3.26
5	Tier 4	1.94	2.75	4.13
6	**Agricultural**	1.60	2.27	3.40
7	**Commercial**	1.19	1.69	2.53
8	**Irrigation**			
9	Tier 1	1.60	2.27	3.40
10	Tier 2	2.02	2.87	4.30
11	**Construction**[6]	N/A	3.00	4.50

4.5. Allocation of Functional Categories to Cost Causation Components

Table 4-4 shows the allocation of functional categories to each cost causation component. The percentages shown for each functional category are to be used in the following subsections to allocate O&M expenses and capital assets to the various cost causation components.

Some functional categories are simply allocated 100 percent to the corresponding cost causation component or allocated evenly between two corresponding cost causation components. Others are based on the system peaking factor allocations shown previously in **Table 4-2**. Below is a verbal description of the allocation of functional categories shown in **Table 4-4**:

1. The **Supply** functional category is fully allocated to the **Supply** cost causation component, which is to be applied to the volumetric rates (excluding recycled water) to recover costs associated with procuring water from SDCWA.
2. The **Treatment** functional category is allocated to the cost causation components based on the Max Day allocation in Line 2 of **Table 4-2** (as treatment facilities are generally designed for Max Day demands).
3. The **Reservoir** is designed to meet max day demands plus fire flow, and 10 percent of the reservoir functional category is allocated to the **Fire Protection** cost causation component based on ISO standards with the remaining 90 percent allocated to the cost causation components based on the Max Day allocation in Line 2 of **Table 4-2**.
4. The **Distribution** system is designed to meet peak hour demands plus fire flow, and this functional category is allocated 10 percent to the **Fire Protection** cost causation component, with the remaining 90 percent allocated to the cost causation components based on the Max Hour allocation in Line 3 of **Table 4-2**.

[6] Due to the temporary and variable nature of Construction water usage, the Max Month factor is estimated at 3.00, which is consistent with the value used in the prior water COS study.

5. The **Pump Stations** functional category is allocated to the cost causation components based on the Max Hour allocation in Line 3 of **Table 4-2** (as pumping facilities are generally designed to withstand Max Hour demands).
6. The **Meters** functional category is fully allocated to the **Meters** cost causation component, which is to be recovered by the OMWD System Access Charge.
7. The **Hydrants** functional category is fully allocated to the **Fire Protection** cost causation component, which is to be recovered by the OMWD System Access.
8. The SDCWA **Customer** functional category is fully allocated to the **Customer** cost causation component, which is to be recovered by the OMWD System Access Charge.
9. The **Recycled Water** functional category is fully allocated to the **Recycled Water** cost causation component, which is to be recovered by the recycled water volumetric rate.
10. The District **Customer** functional category is allocated 45 percent to the **Customer** cost causation component and 55 percent to the **Meters** cost causation component to recognize the costs associated with meters and customer service.
11. The **General** functional category is fully allocated to the **General** cost causation component, which will later be distributed proportionally to the other cost causation components.

Table 4-4: Allocation of Functional Categories to Cost Causation Components

A	B	C	D	E	F	G	H	I	J	K	L
Line	Functional Category	Supply	Base	Max Day	Max Hour	Recycled Water	Fire Protection	Meters	Customer	General	Total
1	**Supply**	100%									100%
2	**Treatment**		53%	47%							100%
3	**Transmission**		53%	47%							100%
4	**Reservoir**		48%	42%			10%				100%
5	**Distribution**		32%	28%	30%		10%				100%
6	**Pump Stations**		35%	31%	33%						100%
7	**Meters**							100%			100%
8	**Hydrants**						100%				100%
9	**Customer**								100%		100%
10	**Recycled Water**					100%					100%
11	**Customer/Meter**							55%	45%		100%
12	**General**									100%	100%

4.6. O&M Allocation

Table 4-5 shows the allocation of O&M expenses to each cost causation component. O&M expenses are used in subsequent steps of the COS analysis to allocate the Operating revenue requirement. The percentages in Columns D-L of **Table 4-5** are determined by the assigned functional category in Column C and associated allocations shown above in **Table 4-4**. FY 2025 O&M expenses are shown in Column M, Lines 1-20 in millions of dollars. Purchased water expenses are broken down in Lines 1-10 to provide for more precise functionalization in Column C. The remaining O&M expenses less depreciation in Lines 11-20 are based on totals shown for FY 2025 in **Table 3-11**. Note that total O&M expenses in Column M, Line 21 of **Table 4-5** equals total FY 2025 O&M expenses excluding depreciation from **Table 3-11.**

The percentages for each cost causation component (Columns D-L) are multiplied by the FY 2025 O&M costs in Column for each individual line and then summed in Columns D-L of Line 21 to determine the total allocation of O&M expenses to each cost causation component. The proportion of total FY 2025 O&M expenses allocated to each cost causation component in Line 21 is shown in percentages in Line 23. The percentages in Line 23 represent the O&M allocation basis to be used in subsequent steps of the COS analysis. Note that the total O&M cost is equal to the sum of O&M expenses (excluding depreciation) and purchased water expenses from the revenue requirement determination (**Table 4-1**, Column E, Lines 2-3).

Table 4-5: O&M Cost Allocation

A	B	C	D	E	F	G	H	I	J	K	L	M
	O&M Expenses	**Functional Category**	**Supply**	**Base Delivery**	**Max Day**	**Max Hour**	**Recycled Water**	**Fire Protection**	**Meters**	**Customer**	**General**	**Total ($M)**
1	Purchased Water - Potable	*Supply*	100%	0%	0%	0%	0%	0%	0%	0%	0%	**$21.4 M**
2	Treatment Rate	*Treatment*	0%	53%	47%	0%	0%	0%	0%	0%	0%	**$1.1 M**
3	Capacity Reservation Charge	*Meters*	0%	0%	0%	0%	0%	0%	100%	0%	0%	**$0.4 M**
4	Readiness to Serve Charge	*Meters*	0%	0%	0%	0%	0%	0%	100%	0%	0%	**$0.7 M**
5	Infrastructure Access Charge	*Meters*	0%	0%	0%	0%	0%	0%	100%	0%	0%	**$1.5 M**
6	Customer Service Charge	*Customer*	0%	0%	0%	0%	0%	0%	0%	100%	0%	**$1.4 M**
7	Transportation Volumetric Charge	*Trans-mission*	0%	53%	47%	0%	0%	0%	0%	0%	0%	**$2.7 M**
8	Transportation Fixed Charge	*Meters*	0%	0%	0%	0%	0%	0%	100%	0%	0%	**$0.7 M**
9	Storage Charge	*Meters*	0%	0%	0%	0%	0%	0%	100%	0%	0%	**$3.2 M**
10	Supply Reliability Charge	*Meters*	0%	0%	0%	0%	0%	0%	100%	0%	0%	**$2.4 M**
11	Purchased Water - Recycled	*Recycled Water*	0%	0%	0%	0%	100%	0%	0%	0%	0%	**$2.0 M**
12	Operations and Maintenance	*Distribution*	0%	32%	28%	30%	0%	10%	0%	0%	0%	**$13.7 M**
13	General Manager	*General*	0%	0%	0%	0%	0%	0%	0%	0%	100%	**$0.6 M**
14	Engineering	*Capital*	0%	30%	26%	13%	12%	6%	2%	0%	11%	**$1.9 M**
15	Finance	*General*	0%	0%	0%	0%	0%	0%	0%	0%	100%	**$0.0 M**
16	Customer Services	*Customer+Meter*	0%	0%	0%	0%	0%	0%	55%	45%	0%	**$4.1 M**
17	Human Resources	*General*	0%	0%	0%	0%	0%	0%	0%	0%	100%	**$0.0 M**
18	Park	*General*	0%	0%	0%	0%	0%	0%	0%	0%	100%	**$0.5 M**
19	Recycled	*Recycled Water*	0%	0%	0%	0%	100%	0%	0%	0%	0%	**$1.5 M**
20	Lost Revenue (Pass-through)	*Supply*	100%	0%	0%	0%	0%	0%	0%	0%	0%	**$0.4 M**
21	**Total O&M**		**$21.9 M**	**$7.0 M**	**$6.1 M**	**$4.4 M**	**$3.7 M**	**$1.5 M**	**$11.2 M**	**$3.2 M**	**$1.4 M**	**$60.3 M**
22												
23	**O&M Allocation**		***36.3%***	***11.6%***	***10.1%***	***7.2%***	***6.1%***	***2.4%***	***18.6%***	***5.3%***	***2.3%***	**100.0%**

4.7. Capital Allocation

Table 4-6 shows the allocation of capital assets to each cost component. Capital assets are utilized in COS analyses to allocate capital costs because annual capital project costs can fluctuate greatly from year to year. Capital assets remain relatively stable and are more representative of the District's investments in its water system. District staff provided Raftelis with a detailed asset listing that included the Original Cost of each individual fixed asset. Raftelis calculated the Replacement Cost Less Depreciation (RCLD) of each asset based on Original Cost, year purchased, and useful life using the Engineering News-Record's 20-City Average Cost Construction Index (CCI) to account for capital cost inflation. RCLD is often utilized in capital asset analyses because it takes into consideration inflation and depreciation when valuing assets. As part of the capital asset analysis, Raftelis also assigned each individual asset to a functional category. Total asset value (RCLD) by functional category is shown in Column J, Lines 2-15 of **Table 4-6**.

Table 4-6 shows the capital assets allocated to the various cost causation components in a similar manner to the O&M expenses: asset value by functional category (Column J) is allocated to each cost causation component (Columns C-I) based on percentages from **Table 4-4.** Allocation percentages for each cost causation component are multiplied by the capital asset value for each functional category and summed to determine the capital asset value allocated to each cost causation component (Columns C-I, Line 17). The capital allocation in Line 19 represents the proportion of total asset value within each cost causation component and is to be used subsequently in the COS analysis to allocate capital revenue requirements.

Table 4-6: Capital Cost Allocation

A	B	C	D	E	F	G	H	I	J
Line	Functional Category	Base Delivery	Max Day	Max Hour	Recycled Water	Fire Protection	Meters	General	Total
1	**Potable Water Assets**								
2	Treatment	53%	47%	0%	0%	0%	0%	0%	**$85,831,940**
3	Reservoir	48%	42%	0%	0%	10%	0%	0%	**$62,400,509**
4	Distribution	32%	28%	30%	0%	10%	0%	0%	**$202,488,983**
5	Pump Stations	35%	31%	33%	0%	0%	0%	0%	**$11,394,004**
6	Meters	0%	0%	0%	0%	0%	100%	0%	**$7,901,335**
7	General	0%	0%	0%	0%	0%	0%	100%	**$51,606,503**
8									
9	**Recycled Water Assets**								
10	Treatment	0%	0%	0%	0%	100%	0%	0%	**$2,148,771**
11	Reservoir	0%	0%	0%	0%	100%	0%	0%	**$8,074,121**
12	Distribution	0%	0%	0%	0%	100%	0%	0%	**$36,851,765**
13	Pump Stations	0%	0%	0%	0%	100%	0%	0%	**$3,550,980**
14	Meters	0%	0%	0%	0%	100%	0%	0%	**$4,726,955**
15	General	0%	0%	0%	0%	100%	0%	0%	**$3,869,826**
16									
17	**Total Assets**	**$144,822,420**	**$126,259,371**	**$64,544,696**	**$59,222,418**	**$26,488,949**	**$7,901,335**	**$51,606,503**	**$480,845,693**
18									
19	**Capital Allocation**	***30.1%***	***26.3%***	***13.4%***	***12.3%***	***5.5%***	***1.6%***	***10.7%***	**100.0%**

4.8. Revenue Offset Allocation

Table 4-7 shows the revenue offset allocation to each cost causation component. Revenue offsets are miscellaneous, non-rate revenues that are used to offset the revenue requirement. Rather than assigning a functional category to each individual revenue offset, revenue offsets are allocated directly to cost causation components by either the O&M allocation (**Table 4-5**, Line 21), capital allocation (**Table 4-6**, Line 19), or full allocation to the most closely associated cost causation component. The methodology as described previously for the O&M and capital allocations was utilized to determine the amount of revenue offsets allocated to each cost causation component (**Table 4-7**, Line 27) and the final revenue offset allocation percentages to be utilized in the next step of the COS analysis (**Table 4-7**, Line 29).

Some revenues, including investment income and a portion of property taxes, are not directly linked to any service that the District provides to its water customers. These revenues can therefore be allocated to the Revenue Offsets cost causation component (Column M), which can be utilized at the District's discretion to provide offsets to specific customer classes and tiers. The Revenue Offsets cost causation component was not included in the O&M or capital allocations, as it only applies to revenues.

Table 4-7: Revenue Offset Allocation

A	B	C	D	E	F	G	H	I	J	K	L	M	N
	Revenue Offsets	**Rationale**	**Supply**	**Base Delivery**	**Max Day**	**Max Hour**	**Recycle-d Water**	**Fire Protecti-on**	**Meters**	**Custom-er**	**General**	**Revenue Offsets**	**Total**
1	CWA Infrastructure Access Charge	100% Meters	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%	$1,585,835
2	Selling Excess Treated Water to Vallecitos	100% Base	0%	100%	0%	0%	0%	0%	0%	0%	0%	0%	$918,300
3	Misc. Water Sales	100% Base	0%	100%	0%	0%	0%	0%	0%	0%	0%	0%	$10,000
4	Meter Installations	100% Meters	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%	$15,000
5	Hydro-electric Plant Revenues	100% Base	0%	100%	0%	0%	0%	0%	0%	0%	0%	0%	$110,000
6	Turn Off/On Fees and NSF Charges	100% Customer	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%	$20,000
7	Delinquency Charges	100% Customer	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%	$120,000
8	Transfer Fee	Capital Allocation	0%	30%	26%	13%	12%	6%	2%	0%	11%	0%	$30,000
9	Cross Connection/In spection	Capital Allocation	0%	30%	26%	13%	12%	6%	2%	0%	11%	0%	$205,000
10	Outside District Boundary Charges	Capital Allocation	0%	30%	26%	13%	12%	6%	2%	0%	11%	0%	$10,000
11	Rental Income	Capital Allocation	0%	30%	26%	13%	12%	6%	2%	0%	11%	0%	$790,704
12	Other operating	O&M Allocation	36%	12%	10%	7%	6%	2%	19%	5%	2%	0%	$10,200
13	Investment Income (Potable)	100% Offsets	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%	$322,108
14	Property Tax Revenue	Capital Allocation	0%	11%	10%	5%	5%	2%	1%	0%	4%	62%	$4,896,000

A	B	C	D	E	F	G	H	I	J	K	L	M	N
	Revenue Offsets	**Rationale**	**Supply**	**Base Delivery**	**Max Day**	**Max Hour**	**Recycle-d Water**	**Fire Protecti-on**	**Meters**	**Custom-er**	**General**	**Revenue Offsets**	**Total**
15	Gain on Sale of Fixed Assets	Capital Allocation	0%	30%	26%	13%	12%	6%	2%	0%	11%	0%	$0
16	Other Non-Operating	Capital Allocation	0%	30%	26%	13%	12%	6%	2%	0%	11%	0%	$0
17	Investment Income (Recycled)	100% Recycled	0%	0%	0%	0%	100%	0%	0%	0%	0%	0%	$320,892
18	Interest income rec loans	100% Recycled	0%	0%	0%	0%	100%	0%	0%	0%	0%	0%	$0
19	Total Revenue Offsets		$3,703	$1,905,599	$756,130	$386,747	$675,694	$158,666	$1,649,984	$140,544	$308,864	$3,378,108	$9,364,039
20													
21	**Revenue Offset Allocation**		**30%**	**15%**	**13%**	**8%**	**7%**	**3%**	**16%**	**4%**	**4%**	**0%**	**100.00%**

4.9. Allocation of Revenue Requirements to Cost Causation Components

Table 4-8 shows the allocation of revenue requirements from **Table 4-1.** The total operating revenue requirement in Column M, Line 1 of **Table 4-8** is equal to the operating revenue requirement (Column C, Line 7) less adjustments (Column C, Line 33) from **Table 4-1**.

The total operating revenue requirement is allocated among the various cost causation components in Columns C-L, Line 1 of **Table 4-8** based on the O&M allocation percentages from Line 23 of **Table 4-5**. The total Capital revenue requirement in Column M, Line 2 of **Table 4-8** is equal to the capital revenue requirement (Column D, Line 7) less operating adjustments (Column D, Line 33) from **Table 4-1**. The total capital revenue requirement is allocated among the various cost causation components in Columns C-L, Line 2 of **Table 4-8** based on the capital allocation percentages from Line 19 of **Table 4-6**. Total revenue offsets in Column M, Line 3 of **Table 4-8** is equal to the revenue offsets in Column E, Line 28 of **Table 4-1**. Total revenue offsets are allocated among the various cost causation components in Columns C-L, Line 3 of **Table 4-8** based on the revenue offset allocation percentages from Line 21 of **Table 4-7**.

Lines 1-3 in **Table 4-8** are summed to determine the preliminary COS allocation to each cost causation component in Line 4. General costs are then proportionally reallocated to all other cost causation components (excluding Revenue Offsets) in Line 6. Line 7 shows the reallocation of 95 percent of Fire Protection costs (Column H, Line 7) to the Meters cost causation component (Column I, Line 7) to account for public fire protection capacity costs. The purpose is to equitably allocate fire protection capacity costs between private fire meters and public fire hydrants proportional to the capacity of each.

Line 10 in **Table 4-8** shows a final adjustment to the cost causation component allocations, in which 5 percent of Max Day costs (Column E, Line 10) and Max Hour costs (Column F, Line 10) are reallocated to the Meters cost causation component (Column I, Line 10). Peaking costs represent the additional costs incurred to provide capacity to meet peak demands and based on the meters therefore, the final adjustment is intended to allocate some of those costs to meter capacity and provide revenue stability for the District by ensuring that approximately 26 percent of rate revenues are from fixed charges (OMWD System Access charges and Fire Meter Charges). This retains the existing fixed versus variable revenue split under current water rates. Line 12 shows the final adjusted COS by cost causation component, which is to be used to develop unit costs in the following subsections.

Table 4-8: Allocation of Revenue Requirement to Cost Causation Components

A	B	C	D	E	F	G	H	I	J	K	L	M
	Description	Supply	Base Delivery	Max Day	Max Hour	Recycled Water	Fire Protection	Meters	Customer	General	Revenue Offsets	Total
1	**Operating**	$22,773,669	$7,295,126	$6,357,996	$4,529,128	$3,820,239	$1,530,098	$11,650,250	$3,346,477	$1,420,763	$0	**$62.7M**
2	**Capital**	$0	$3,885,619	$3,387,568	$1,731,749	$1,588,951	$710,705	$211,995	$0	$1,384,614	$0	**$12.9M**
3	**Revenue Offsets**	($3,703)	($1,905,599)	($756,130)	($386,747)	($675,694)	($158,666)	($1,649,984)	($140,544)	($308,864)	($3,378,108)	**($9.4M)**
4	**Preliminary COS**	**$22,769,966**	**$9,275,147**	**$8,989,434**	**$5,874,130**	**$4,733,496**	**$2,082,136**	**$10,212,261**	**$3,205,933**	**$2,496,513**	**($3,378,108)**	**$66.3M**
5												
6	**Allocation of General Cost**	$846,640	$344,871	$334,248	$218,414	$176,002	$77,419	$379,715	$119,204	($2,496,513)	$0	**$0**
7	**Allocation of Public Fire Costs**	$0	$0	$0	$0	$0	($2,051,577)	$2,051,577	$0	$0	$0	**$0**
8	**Allocated COS**	**$23,616,605**	**$9,620,018**	**$9,323,682**	**$6,092,543**	**$4,909,499**	**$107,978**	**$12,643,553**	**$3,325,137**	**$0**	**($3,378,108)**	**$66.3M**
9												
10	**Final Adjustment – Peaking to Mtrs**	$0	$0	($932,368)	($609,254)	$0	$0	$1,372,717	$0	$0	$168,905	**$0**
11												
12	**Final Adjusted COS**	**$23,616,605**	**$9,620,018**	**$8,391,314**	**$5,483,289**	**$4,909,499**	**$107,978**	**$14,016,270**	**$3,325,137**	**$0**	**($3,209,202)**	**$66.3M**

4.10. Units of Service

This subsection describes the next step in the COS analysis, which is to determine the appropriate units of service to be used to calculate the unit costs for each cost causation component.

4.10.1. Equivalent Meters

Equivalent meter units are used to allocate meter and capacity-related costs appropriately and equitably. Larger meters impose larger demands, are more expensive to install, maintain, and replace than smaller meters, and require greater capacity in the water system.

Equivalent meter units are based on meter hydraulic capacity and are calculated to represent the potential demand on the water system compared to a base meter size. A ratio of hydraulic capacity is calculated by dividing larger meter capacities by the base meter capacity. The base meter in this study is the 3/4" meters.

Table 4-9 shows the equivalent potable and recycled water meters for the test year FY 2025. The number of meters (Column D) is equal to the projected number of meters subject to the OMWD System Access Charge from (**Table 3-6**). Meter capacity ratios (Column C) were provided by the District's Engineering Department and are consistent with ratios used in the prior water COS study conducted in 2019 and consistent with the demand of each meter size on the water system. The number of meters (Column D) is multiplied by the meter capacity ratios (Column C) to determine the number of equivalent meters (Column E).

Table 4-9: Equivalent Meter Units (FY 2025)

A Line	B Meter Size	C Meter Capacity Ratio	D Number of Water Meters	E = C X D Equivalent Meter Units
1	**5/8"**	0.7	1,914	1,340
2	**3/4"**	1	16,440	16,440
3	**1"**	1.9	3,089	5,869
4	**1-1/2"**	3.1	1,013	3,140
5	**2"**	5	531	2,655
6	**2-1/2"**	9.3	39	363
7	**3"**	10.2	30	306
8	**4"**	17.1	23	393
9	**6"**	36	7	252
10	**8"**	65	1	65
11	**Total**		**23,087**	**30,823**

Table 4-10 shows the determination of equivalent meter units in FY 2025 for fire meters. The number of projected fire meters in FY 2025 was determined previously in **Table 3-5**. Meter capacity ratios match the values used above in **Table 4-9** for potable and recycled water meters with the exception of the 5/8-inch fire meter, which is set equal to 1.00. The actual number of fire meters (Column D) is multiplied by the meter capacity ratios (Column C) to determine the number of equivalent fire meters (Column E).

Table 4-10: Equivalent Fire Meter Units (FY 2025)

A Line	B Meter Size	C Meter Capacity Ratio	D Number of Fire Meters	E = C X D Equivalent Fire Meter Units
1	**5/8"**	1	401	401
2	**3/4"**	1	18	18
3	**1"**	1.9	5,464	10,382
4	**1-1/2"**	3.1	67	208
5	**2"**	5	0	0
6	**2-1/2"**	9.3	1	9
7	**3"**	10.2	0	0
8	**4"**	17.1	0	0
9	**6"**	36	1	36
10	**8"**	65	0	0
11	**Total**		**5,952**	**11,054**

4.10.2. Customer Bills

The number of total projected customer bills in FY 2025 is used as the unit of service for the Customer cost causation component. The sum of total water meters (**Table 4-9**, Column D, Line 11) and total fire meters (**Table 4-10**, Column D, Line 11) is multiplied by twelve monthly billing periods per year to determine total bills in **Table 4-11** Column C, Line 7.

Table 4-11: Projected Annual Customer Bills (FY 2025)

A Line	B Description	C Value	D Notes
1	Number of Water Meters	23,087	
2	Number of Fire Meters	5,952	
3	**Total Meters**	**29,039**	
4			
5	Billing Periods per Year	12	
6			
7	**Total Bills**	**348,468**	= [Line 3] x [Line 5]

Peaking Units of Service

Peaking units of service in units per day are used to develop Max Day and Max Hour unit costs. **Table 4-12** shows the development of total Max Day units (Column G, Line 13). Projected usage by tier and customer class in Column C is divided by 365 days to determine average daily usage in Column D. Average daily usage in Column D is then multiplied by the Max Day factor in Column E (from **Table 4-3**, Column F) to determine Max Day units. Max Day requirements (Column G) in units per day, which is the unit of service for Max Day costs, is determined by subtracting average daily usage in Column D from Max Day units in Column F. Max Hour requirements are similarly calculated in **Table 4-13**. Please note, however, that Max Hour requirements (Column G) are calculated by subtracting Max Day units (**Table 4-12,** Column F) from Max Hour units (**Table 4-13**, Column F).

Table 4-12: Max Day Units of Service

A	B	C	D	E	F	G
	Customer Class	FY 2025 Projected Annual Usage (units)	FY 2025 Average Daily Usage (units)	Max Day Factor	Max Day Units (units/day)	Max Day Requirements (units/day)
1	**Domestic**					
2	Tier 1	1,511,998	4,142	1.46	6,031	1,888
3	Tier 2	1,986,076	5,441	1.79	9,719	4,277
4	Tier 3	1,433,314	3,927	2.19	8,589	4,662
5	Tier 4	556,269	1,524	2.76	4,201	2,677
7	**Agricultural**	82,403	226	2.27	512	286
8	**Commercial**	296,027	811	1.69	1,369	558
9	**Irrigation**					
10	Tier 1	411,926	1,129	2.27	2,561	1,433
11	Tier 2	435,335	1,193	2.87	3,418	2,225
12	**Construction**	41,669	114	3.00	342	228
13	**Total**	**6,755,016**	**18,507**			**18,235**

Table 4-13: Max Hour Units of Service

A	B	C	D	E	F	G
Line	Customer Class	FY 2025 Projected Usage (units)	FY 2025 Average Daily Usage (units)	Max Hour Factor	Max Hour Units (units/day)	Max Hour Requirements (units/day)
1	**Domestic**					
2	Tier 1	1,511,998	4,142	2.18	9,046	3,015
3	Tier 2	1,986,076	5,441	2.68	14,578	4,859
4	Tier 3	1,433,314	3,927	3.28	12,883	4,294
5	Tier 4	556,269	1,524	4.13	6,302	2,101
7	**Agricultural**	82,403	226	3.40	768	256
8	**Commercial**	296,027	811	2.53	2,054	685
9	**Irrigation**					
10	Tier 1	411,926	1,129	3.40	3,842	1,281
11	Tier 2	435,335	1,193	4.30	5,126	1,709
12	**Construction**	41,669	114	4.50	514	171
13	**Total**	**6,755,016**	**18,507**			**18,371**

Table 4-14 shows a summary of the relevant units of service for each cost causation component. Total revenue requirements by cost causation components are divided by the relevant units of service to determine a unit cost for each cost causation component in the following subsection. Fire Protection, Meters, and Customer unit costs are used to develop fixed monthly charges (OMWD System Access Charges and Fire Meter Charges), and are therefore based off number of equivalent meter units or customer bills from **Table 4-9** through **Table 4-11**. Supply, Base Delivery, Max Day, Max Hour, Recycled Water, and Revenue Offsets unit costs are used to develop proposed volumetric rates and, therefore, are based on projected annual water usage or peaking requirements in units per day from **Table 4-12** and **Table 4-13.**

Table 4-14: Summary of Units of Service by Cost Causation Component

A	B	C		D
Line	Cost Causation Component	Units of Service		Basis
1	**Supply**	6,755,016	units	Total projected FY 2025 usage excluding recycled water
2	**Base Delivery**	6,755,016	units	Total projected FY 2025 usage excluding recycled water
3	**Max Day**	18,235	units/day	Projected Max Day requirements in FY 2025
4	**Max Hour**	18,371	units/day	Projected Max Hour requirements in FY 2025
5	**Recycled Water**	1,049,621	units	Projected recycled water usage in FY 2025
7	**Fire Protection**	11,054	EMUs	Equivalent fire meter units
8	**Meters**	30,823	EMUs	Equivalent potable and recycled water meter units
9	**Customer**	312,756	bills	Total annual customer bills
10	**Revenue Offsets**	6,755,016	units	Total projected FY 2025 usage excluding recycled and construction water

4.11. Units Cost Development

Table 4-15 shows the calculation of unit costs for each cost causation component. Unit costs are used in **Section 5** to derive the proposed rates for FY 2025. The unit cost in Column E for each cost causation component is calculated by dividing the FY 2025 revenue requirement in Column C (from **Table 4-8,** Line 12) by the units of service in Column D (from **Table 4-14**, Column C).

Table 4-15: Calculation of Unit Costs by Cost Causation Component

A	B	C	D		E = C / D
Line	Cost Causation Component	FY 2025 Revenue Requirement	FY 2025 Units of Service		Unit Cost
1	**Supply**	$23,616,605	6,755,016	units	$3.50
2	**Base Delivery**	$9,620,018	6,755,016	units	$1.42
3	**Max Day**	$8,391,314	18,235	units/day	$460.18
4	**Max Hour**	$5,483,289	18,371	units/day	$298.48
5	**Recycled Water**	$4,909,499	1,049,621	units	$4.68
7	**Fire Protection**	$107,978	11,054	EMUs (Monthly)	$0.81
8	**Meters**	$14,016,270	30,823	EMUs (Monthly)	$37.89
9	**Customer**	$3,325,137	312,756	bills	$10.63
10	**Revenue Offsets**	($3,209,202)	6,755,016	units	($0.48)

4.12. Cost of Service by Customer Class

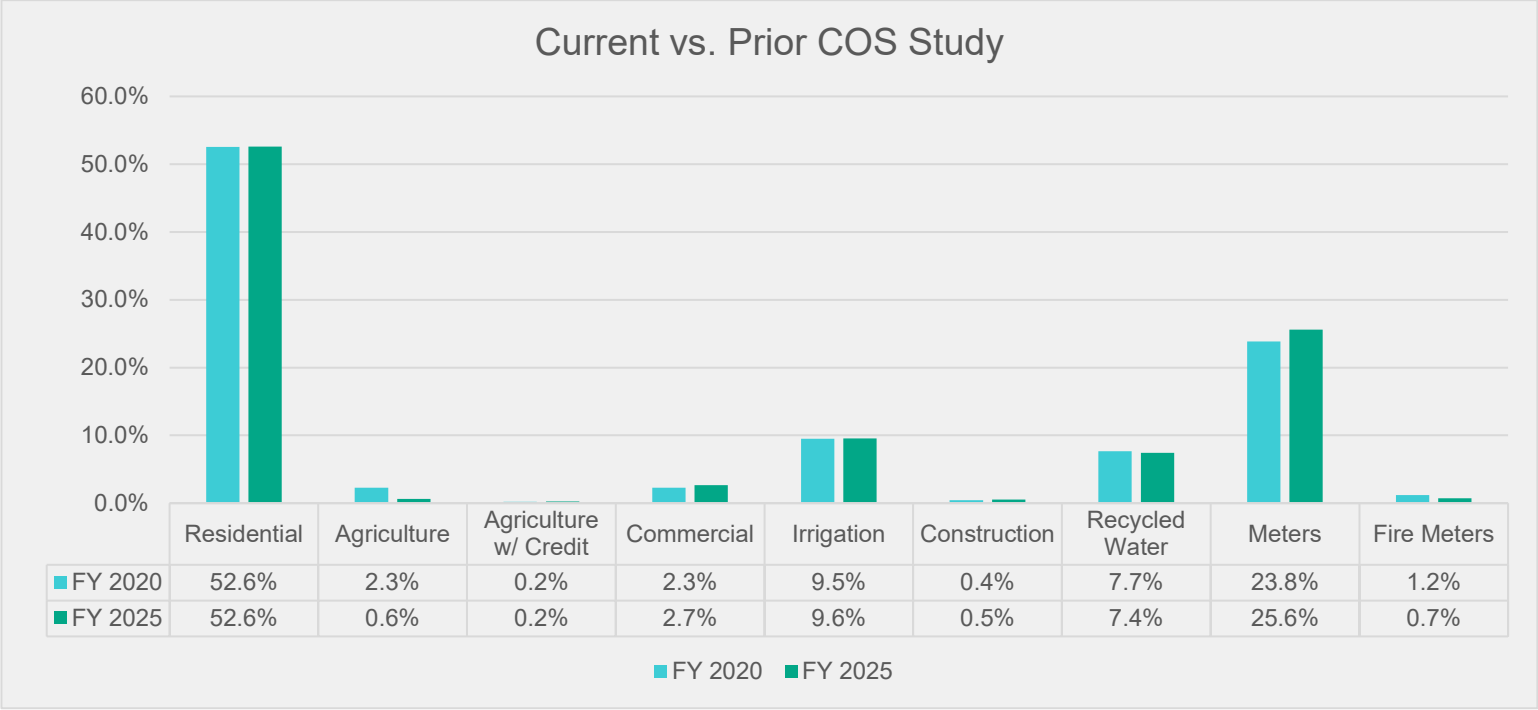
Table 4-16 shows the distribution of each cost causation component's revenue requirement to volumetric rates by customer class and to each fixed charge. The dollar amount attributed to each customer class for each cost causation component is determined by multiplying the unit costs (from **Table 4-15)** by the relevant units of service for each customer class (from **Table 4-9** through **Table 4-13**). **Figure 4-1** shows a comparison of the distribution of costs to each customer class from the current COS analysis presented in this study and the prior

COS analysis conducted in 2019. The changes shown are a result of changes in water usage patterns by customer class, O&M cost structure, capital needs, and other factors.

Table 4-16: Proposed Cost of Service by Customer Class

A	B	C	D	E	F	G	H	I	J	K	L
	Description	**Supply**	**Base**	**Max Day**	**Max Hour**	**Recycled Water**	**Fire Protect-ion**	**Meters**	**Customer**	**Revenue Offsets**	**Total**
1	Volumetric Rates										
2	Domestic	$19,185,717	$7,815,134	$6,214,564	$4,259,170	$0	$0	$0	$0	($2,623,282)	$34,851,304
3	Agriculture	$288,094	$117,353	$131,632	$76,381	$0	$0	$0	$0	($39,391)	$574,069
4	Commercial	$1,034,956	$421,580	$256,797	$204,318	$0	$0	$0	$0	($141,510)	$1,776,141
5	Irrigation	$2,962,157	$1,206,609	$1,683,249	$892,308	$0	$0	$0	$0	($405,019)	$6,339,304
6	Construction	$145,681	$59,342	$105,070	$51,112	$0	$0	$0	$0	$0	$361,206
7	Recycled Water	$0	$0	$0	$0	$4,909,499	$0	$0	$0	$0	$4,909,499
8											
9	Fixed Charges										
10	OMWD System Access Charges	$0	$0	$0	$0	$0	$0	$14,016,270	$2,945,457	$0	$16,961,727
11	Fire Meter Charges	$0	$0	$0	$0	$0	$107,978	$0	$379,680	$0	$487,658
12											
13	**Total**	**$23,616,605**	**$9,620,018**	**$8,391,314**	**$5,483,289**	**$4,909,499**	**$107,978**	**$14,016,270**	**$3,325,137**	**($3,209,202)**	**$66,260,908**

Figure 4-1: Cost of Service Comparison: Current and Prior Studies



	Residential	Agriculture	Agriculture w/ Credit	Commercial	Irrigation	Construction	Recycled Water	Meters	Fire Meters
FY 2020	52.6%	2.3%	0.2%	2.3%	9.5%	0.4%	7.7%	23.8%	1.2%
FY 2025	52.6%	0.6%	0.2%	2.7%	9.6%	0.5%	7.4%	25.6%	0.7%

5. Rate Design

This section of the report details the calculation of the proposed water rates for FY 2025. All rates shown in this section are rounded up to the nearest cent. Other numbers shown in the tables in this section of the report are also rounded. Therefore, hand calculations based on the displayed numbers, such as summing or multiplying, may not equal the exact results shown. Note that the SDCWA Infrastructure Access Charge shown in this section was not developed by Raftelis but rather represents a direct pass-through of the CY 2025 rate established by SDCWA.

5.1. Rate Structure Overview

Based on discussions with District staff as well as evaluation of water usage characteristics by customer class, Raftelis recommends that the District maintain its existing water rate structure. Below is a summary of the District's existing rate structure by charge and customer class:

- **Monthly Fixed Charges:**
  - **OMWD System Access Charge** which varies by meter size
  - **Fire Meter Charge** which varies by fire meter size
  - **SDCWA Infrastructure Access Charge** which varies by meter size
- **Volumetric Rates** per unit of water delivered, which varies by the following customer classes/tiers
  - **Domestic**: four tier structure with defined monthly tier allotments
  - **Agricultural**: uniform rate per unit
  - **Combined Agricultural/Domestic:** follows the Domestic rate structure for monthly usage up to the Domestic Tier 2 limit and the Agricultural rate structure for monthly usage in excess of the Domestic Tier 2 limit.
  - **Commercial:** uniform rate per unit
  - **Irrigation:** two tier structure with defined monthly tier allotments that vary by both meter size and season (November 1-April 30 and May 1-October 31)
  - **Construction:** uniform rate per unit
  - **Recycled:** uniform rate per unit

Raftelis proposes to maintain the current Irrigation tier definitions, which vary by meter size and season. For Irrigation customers, all monthly water usage more than the Tier 1 allotment is charged at the Irrigation Tier 2 rate, as shown in **Table 5-1**.

Table 5-1: Irrigation Tier Definitions

Meter Size	Winter Tier 1 Allotment (Nov 1-Apr 30)	Summer Tier 1 Allotment (May 1-Oct 31)
5/8"	10 Units	15 Units
3/4"	20 Units	30 Units
1"	35 Units	50 Units
1-1/2"	50 Units	110 Units
2"	100 Units	200 Units
3"	200 Units	500 Units
4"	600 Units	3,500 Units
6"	3,100 Units	11,800 Units
8"	5,600 Units	21,300 Units

5.2. OMWD System Access Charge Calculation

Table 5-2 shows the calculation of proposed FY 2025 monthly OMWD System Access Charges, which are comprised of the Meters and Customer unit costs previously developed in **Table 4-15**. The Meter unit cost (**Table 4-15**, Column E, Line 8) is multiplied by the capacity ratio for each meter size (Column C) to determine the Meter component of the OMWD System Access Charge for each meter size (Column D). The Customer component of the charge is equal to the Customer unit cost (**Table 4-15**, Column E, Line 9) and is the same for all meter sizes, as customer service-related costs are not dependent on meter size. The proposed OMWD System Access Charge (Column F) is equal to the sum of the Meter and Customer components of the charge (Columns D and E) for each meter size.

Table 5-2: Monthly OMWD System Access Charge Calculation

A	B	C	D = C x $37.89	E	F = D + E	G	H = F - G
Line	Meter Size	Capacity Ratio	Meter	Customer	Proposed Charge	Current Charge	Difference
1	5/8"	0.7	$26.53	$10.63	**$37.16**	$34.25	$2.91
2	3/4"	1.0	$37.89	$10.63	**$48.53**	$44.79	$3.74
3	1"	1.9	$72.00	$10.63	**$82.64**	$76.41	$6.23
4	1-1/2"	3.1	$117.47	$10.63	**$128.11**	$118.54	$9.57
5	2"	5.0	$189.47	$10.63	**$200.11**	$185.30	$14.81
6	2-1/2"	9.3	$352.42	$10.63	**$363.05**	$336.33	$26.72
7	3"	10.2	$386.52	$10.63	**$397.16**	$367.94	$29.22
8	4"	17.1	$647.99	$10.63	**$658.63**	$610.30	$48.33
9	6"	36.0	$1,364.19	$10.63	**$1,374.83**	$1,274.14	$100.69
10	8"	65.0	$2,463.13	$10.63	**$2,473.76**	$2,292.73	$181.03

5.3. Fire Meter Charge Calculation

Table 5-3 shows the calculation of proposed FY 2025 Fire Meter Charges, which are comprised of the Fire Protection and Customer unit costs previously developed in **Table 4-15**. The Fire Protection unit cost (**Table 4-15**, Column E, Line 7) is multiplied by the capacity ratio for each meter size (Column C) to determine the

Fire Protection component for each meter size (Column D). The Customer component of the charge is equal to one-half of the Customer unit cost (**Table 4-15**, Column E, Line 9) and is the same for all meter sizes, as customer service-related costs are not dependent on meter size. Based on feedback from District staff, Raftelis recommends that Fire Meter Charges are subject to half of the Customer unit cost since these charges are billed on the same water bill and require significantly less customer service support than regular meters. The proposed Fire Meter Charge (Column F) is equal to the sum of the Fire Protection and Customer components (Columns D and E) for each meter size.

Table 5-3: Monthly Fire Meter Charge Calculation

A	B	C	D = C x $0.81	E	F = D + E	G	H = F - G
Line	Meter Size	Capacity Ratio	Fire Protection	Customer	Proposed Charge	Current Charge	Difference
1	5/8"	1.0	$0.81	$5.32	**$6.13**	$5.85	$0.28
2	3/4"	1.0	$0.81	$5.32	**$6.13**	$5.85	$0.28
3	1"	1.9	$1.55	$5.32	**$6.87**	$6.57	$0.30
4	1-1/2"	3.1	$2.52	$5.32	**$7.84**	$7.54	$0.30
5	2"	5.0	$4.07	$5.32	**$9.39**	$9.08	$0.31
6	2-1/2"	9.3	$7.57	$5.32	**$12.89**	$12.55	$0.34
7	3"	10.2	$8.30	$5.32	**$13.62**	$13.27	$0.35
8	4"	17.1	$13.92	$5.32	**$19.24**	$18.85	$0.39
9	6"	36.0	$29.31	$5.32	**$34.63**	$34.13	$0.50
10	8"	65.0	$52.91	$5.32	**$58.23**	$57.56	$0.67

5.4. SDCWA Infrastructure Access Charges

Table 5-4 shows the SDCWA Infrastructure Access Charges that will go into effect on January 1, 2025. The SDCWA Infrastructure Access Charge per meter equivalent is developed by SDCWA and passed through by the District to its customers. SDCWA has proposed to increase the SDCWA Infrastructure Access Charge from $4.41 to $4.55 per meter equivalent for CY 2025. **Table 5-4** shows the calculation of CY 2025 SDCWA Infrastructure Access Charges, which are determined by multiplying the $4.55 rate per meter equivalent by the capacity ratio (Column C) for each meter size.

Table 5-4: Monthly SDCWA Infrastructure Access Charge

A Line	B Meter Size	C Capacity Ratio	D Charge per Meter Equivalent	E = C x D Proposed Charge	F Current Charge	G Difference
1	5/8"	1.0	$4.55	**$4.55**	$4.41	$0.14
2	3/4"	1.0	$4.55	**$4.55**	$4.41	$0.14
3	1"	1.9	$4.55	**$8.65**	$8.39	$0.26
4	1-1/2"	3.1	$4.55	**$14.11**	$13.70	$0.41
5	2"	5.0	$4.55	**$22.75**	$22.09	$0.66
6	2-1/2"	9.3	$4.55	**$42.32**	$41.10	$1.22
7	3"	10.2	$4.55	**$46.41**	$45.08	$1.33
8	4"	17.1	$4.55	**$77.81**	$75.58	$2.23
9	6"	36.0	$4.55	**$163.80**	$159.10	$4.70
10	8"	65.0	$4.55	**$295.75**	$287.29	$8.46

5.5. Volumetric Rate Calculations

Proposed volumetric rates are comprised of unit costs for the Supply, Base Delivery, Max Day, Max Hour, Recycled Water, and Revenue Offsets cost causation components. The Recycled volumetric rate is comprised solely of the Recycled Water unit cost, while all other volumetric rates are comprised of the other cost causation component unit costs listed above. Unit costs from **Table 4-15** are used to provide the basis for the calculation of volumetric rates. However, peaking unit rates and Revenue Offset unit rates must first be differentiated by customer class, as these unit costs are not applied uniformly to each customer class and tier.

5.5.1. Peaking Unit Rates

Peaking unit costs, which vary by customer class and tier, must first be converted from units per day peaking requirements into unit rates per unit. The Max Day unit rate calculations are shown in **Table 5-5**. Max Day requirements in Column C (from **Table 4-12,** Column G) are multiplied by the Max Day unit cost in units per day in Column D (from **Table 4-15**, Column E, Line 3) to determine the Max Day revenue requirement by customer class and tier. This result in Column E is then divided by projected FY 2025 usage by class and tier in Column F (from **Table 4-12,** Column C) to determine the Max Day unit rate by customer class in Column G.

The Max Day unit rates are utilized to differentiate volumetric rates for each customer class and tier based on specific water usage characteristics.

Table 5-5: Max Day Unit Rates by Customer Class

A Line	B Customer Class	C Max Day Requirements (Units/day)	D Max Day Unit Cost (Units/day)	E = C x D Max Day Revenue Requirement	F FY 2025 Projected Usage (Units)	G = E / F Max Day Unit Rate ($/unit)
1	Domestic					
2	Tier 1	1,888	$460.18	$868,934	1,511,998	$0.57
3	Tier 2	4,277	$460.18	$1,968,429	1,986,076	$0.99
4	Tier 3	4,662	$460.18	$2,145,204	1,433,314	$1.50
5	Tier 4	2,677	$460.18	$1,231,997	556,269	$2.21
7	Agricultural	286	$460.18	$131,632	82,403	$1.60
8	Commercial	558	$460.18	$256,797	296,027	$0.87
9	Irrigation					
10	Tier 1	1,433	$460.18	$659,388	411,926	$1.60
11	Tier 2	2,225	$460.18	$1,023,862	435,335	$2.35
12	Construction	228	$460.18	$105,070	41,669	$2.52
13	**Total**	**18,235**		**$8,391,314**	**6,755,016**	

Max Hour unit rates by customer class are calculated in **Table 5-6** in the same manner as described above for Max Day unit rates. Max Hour requirements in Column C (from **Table 4-13,** Column G) are multiplied by the Max Hour unit cost in units per day in Column D (from **Table 4-15**, Column E, Line 4) to determine the Max Hour revenue requirement by customer class and tier. This result in Column E is then divided by projected FY 2025 usage by class and tier in Column F (from **Table 4-13,** Column C) to determine the Max Hour unit rate by customer class in Column G.

Table 5-6: Max Hour Unit Rates by Customer Class

A Line	B Customer Class	C Max Hour Requirements (Units/day)	D Max Hour Unit Cost (Units/day)	E = C x D Max Hour Revenue Requirement	F FY 2025 Projected Usage (Units)	G = E / F Max Hour Unit Rate ($/unit)
1	Domestic					
2	Tier 1	3,015	$298.48	$900,016	1,511,998	$0.60
3	Tier 2	4,859	$298.48	$1,450,425	1,986,076	$0.73
4	Tier 3	4,294	$298.48	$1,281,744	1,433,314	$0.89
5	Tier 4	2,101	$298.48	$626,986	556,269	$1.13
7	Agricultural	256	$298.48	$76,381	82,403	$0.93
8	Commercial	685	$298.48	$204,318	296,027	$0.69
9	Irrigation					
10	Tier 1	1,281	$298.48	$382,268	411,926	$0.93
11	Tier 2	1,709	$298.48	$510,040	435,335	$1.17
12	Construction	171	$298.48	$51,112	41,669	$1.23
13	**Total**	**18,371**		**5,483,289**	**6,755,016**	

5.5.2. Revenue Offsets

Non-rate revenue sources that are not directly related to any specific District function or expense may be utilized at the District's discretion to offset various rates. These revenues are included within the Revenue Offsets cost causation component. **Table 4-15** shows the Revenue Offsets unit rate of $0.48 if applied evenly to each unit of water usage (excluding Construction and Recycled usage). To provide for affordability for essential water use by Domestic customers, Raftelis recommends that the majority ($1.60) of revenue offsets allocated to the Domestic customer class (**Table 4-16**, Column K, Line 2) be applied to Domestic Tier 1 water usage (**Table 4-12,** Column C, Line 2), and $0.11 of revenue offsets be allocated to Tier 2 to minimize customer impacts from the large increases in SDCWA water rates. All residential users will benefit from the Tier 1 rates since they all have to use water in Tier 1.

Table 5-7 shows a summary of Revenue Offset unit rates per unit by customer class and tier. In an effort to have equitable rate increases across classes, some of the revenue offset from classes with little increase were redirected to classes that had a disproportional increase. Irrigation Tier 2 had additional revenue offset applied and volumetric rates are still increasing by 13 percent, the most of any class. **Table 4-15** shows the revenue offsets applied by class and **Table 5-8** shows the resulting differences between the proposed and current rates.

Table 5-7: Revenue Offsets by Customer Class and Tier

A Line	B Customer Class	C Revenue Offset Unit Rate ($/unit)
1	Domestic	
2	Tier 1	($1.60)
3	Tier 2	($0.11)
4	Tier 3	$0.00
5	Tier 4	$0.00
7	Agricultural	($0.48)
8	Agricultural with Credit	($0.24)
9	Commercial	($0.28)
10	Irrigation	
11	Tier 1	($0.48)
12	Tier 2	($0.58)

5.5.3. Proposed FY 2025 Volumetric Rates

Table 5-8 shows the calculation of proposed FY 2025 volumetric rates per unit by customer class and tier. Supply (Column C), Base Delivery (Column D), and Recycled Water (Column G) unit rates are directly from **Table 4-15**. Max Day (Column E), Max Hour (Column F), and Revenue Offset (Column H) unit rates were established in **Table 5-5**, **Table 5-6,** and **Table 5-7** respectively. The Recycled Water volumetric rate consists solely of the Recycled Water unit rate in Column G. The difference between the proposed FY 2025 and current volumetric rates is shown in Column L.

Table 5-8: Calculation of Proposed FY 2025 Volumetric Rates per Unit

A	B	C	D	E	F	G	H	I	J	K	L
Line	Customer Class	Supply Unit Rate	Base Unit Rate	Max Day Unit Rate	Max Hour Unit Rate	Recycled Water Unit Rate	Revenue Offsets Unit Rate	Ag Credit Unit Rate	Proposed Base Rate	Current Base Rate	Difference ($)
1	Domestic										
2	Tier 1 (0-6 units)	$3.50	$1.42	$0.57	$0.60	N/A	($1.60)	N/A	**$4.49**	$4.24	$0.25
3	Tier 2 (7-23 units)	$3.50	$1.42	$0.99	$0.73	N/A	($0.11)	N/A	**$6.53**	$6.14	$0.39
4	Tier 3 (24-80 units)	$3.50	$1.42	$1.50	$0.89	N/A	$0.00	N/A	**$7.32**	$6.85	$0.47
5	Tier 4 (80 + units)	$3.50	$1.42	$2.21	$1.13	N/A	$0.00	N/A	**$8.27**	$8.14	$0.13
6											
7	Agriculture	$3.50	$1.42	$1.60	$0.93	N/A	($0.48)	N/A	**$6.97**	$6.75	$0.22
8	Agriculture w/ Credit	$3.50	$1.42	$1.60	$0.93	N/A	($0.24)	($1.59)	**$5.62**	$5.41	$0.21
9	Commercial	$3.50	$1.42	$0.87	$0.69	N/A	($0.28)	N/A	**$6.20**	$5.78	$0.42
10	Irrigation										
11	Tier 1: “B” Base	$3.50	$1.42	$1.60	$0.93	N/A	($0.48)	N/A	**$6.98**	$6.50	$0.48
12	Tier 2: “C” Over Base	$3.50	$1.42	$2.35	$1.17	N/A	($0.58)	N/A	**$7.87**	$6.94	$0.93
13											
14	Construction	$3.50	$1.42	$2.52	$1.23	N/A	N/A	N/A	**$8.67**	$8.21	$0.46
15	Recycled Water	N/A	N/A	N/A	N/A	$4.68	N/A	N/A	**$4.68**	$4.29	$0.39

5.6. Proposed Water Rates

Proposed monthly fixed charges and volumetric rates through FY 2029 are shown in **Table 5-9** and **Table 5-10** respectively. Proposed FY 2025 rates proposed to become effective on January 1, 2025, were developed previously in **Table 5-2, Table 5-3,** and **Table 5-8**. All rates and charges shown beyond FY 2025 are increased by the percentages of the estimated revenue adjustments shown in **Table 3-16,** and are rounded up to the nearest cent. The charges shown from January 1, 2026, through January 1, 2029, are estimated and will ultimately be determined by pass-through adjustments to the rates based on increases in, among other things, wholesale water supply costs and CPI.

Table 5-9: Proposed Monthly Fixed Charges

Effective Date/ Meter Size	Current	January 1, 2025 Proposed	January 1, 2026 Estimated	January 1, 2027 Estimated	January 1, 2028 Estimated	January 1, 2029 Estimated
Monthly OMWD System Access Charge						
5/8"	$34.25	$37.16	$40.14	$43.36	$45.53	$47.36
3/4"	$44.79	$48.53	$52.42	$56.62	$59.46	$61.84
1"	$76.41	$82.64	$89.26	$96.41	$101.24	$105.29
1-1/2"	$118.54	$128.11	$138.36	$149.43	$156.91	$163.19
2"	$185.30	$200.11	$216.12	$233.41	$245.09	$254.90
2-1/2"	$336.33	$363.05	$392.10	$423.47	$444.65	$462.44
3"	$367.94	$397.16	$428.94	$463.26	$486.43	$505.89
4"	$610.30	$658.63	$711.33	$768.24	$806.66	$838.93
6"	$1,274.14	$1,374.83	$1,484.82	$1,603.61	$1,683.80	$1,751.16
8"	$2,292.73	$2,473.76	$2,671.67	$2,885.41	$3,029.69	$3,150.88
Monthly SDCWA Infrastructure Access Charge*						
5/8"	$4.41	$4.55	TBD	TBD	TBD	TBD
3/4"	$4.41	$4.55	TBD	TBD	TBD	TBD
1"	$8.39	$8.65	TBD	TBD	TBD	TBD
1-1/2"	$13.70	$14.11	TBD	TBD	TBD	TBD
2"	$22.09	$22.75	TBD	TBD	TBD	TBD
2-1/2"	$41.10	$42.32	TBD	TBD	TBD	TBD
3"	$45.08	$46.41	TBD	TBD	TBD	TBD
4"	$75.58	$77.81	TBD	TBD	TBD	TBD
6"	$159.10	$163.80	TBD	TBD	TBD	TBD
8"	$287.29	$295.75	TBD	TBD	TBD	TBD

Effective Date	Current	January 1, 2025 Proposed	January 1, 2026 Proposed	January 1, 2027 Proposed	January 1, 2028 Proposed	January 1, 2029 Proposed
Monthly Fire Meter Charges						
5/8"	$5.85	$6.13	$6.50	$6.89	$7.24	$7.53
3/4"	$5.85	$6.13	$6.50	$6.89	$7.24	$7.53
1"	$6.57	$6.87	$7.29	$7.73	$8.12	$8.45
1-1/2"	$7.54	$7.84	$8.32	$8.82	$9.27	$9.65
2"	$9.08	$9.39	$9.96	$10.56	$11.09	$11.54
2-1/2"	$12.55	$12.89	$13.67	$14.50	$15.23	$15.84
3"	$13.27	$13.62	$14.44	$15.31	$16.08	$16.73
4"	$18.85	$19.24	$20.40	$21.63	$22.72	$23.63
6"	$34.13	$34.63	$36.71	$38.92	$40.87	$42.51
8"	$57.56	$58.23	$61.73	$65.44	$68.72	$71.47

***Note: A fixed charge imposed by SDCWA. Subject to change every year.**

Table 5-10: Proposed Volumetric Rates per Unit

Effective Date	Current	January 1, 2025 Proposed	January 1, 2026 Estimated	January 1, 2027 Estimated	January 1, 2028 Estimated	January 1, 2029 Estimated
Volumetric Rates ($/unit[1])						
Domestic[2]						
Tier 1 (0-6 units)	$4.24	$4.49	$4.85	$5.24	$5.51	$5.74
Tier 2 (7-23 units)	$6.14	$6.53	$7.06	$7.63	$8.02	$8.35
Tier 3 (24-80 units)	$6.85	$7.32	$7.91	$8.55	$8.98	$9.34
Tier 4 (80 + units)	$8.14	$8.27	$8.94	$9.66	$10.15	$10.56
Agriculture	$6.75	$6.97	$7.53	$8.14	$8.55	$8.90
Agriculture w/ Credit[3]	$5.41	$5.62	TBD	TBD	TBD	TBD
Commercial	$5.78	$6.20	$6.70	$7.24	$7.61	$7.92
Irrigation						
Tier 1: "B" Base	$6.50	$6.98	$7.54	$8.15	$8.56	$8.91
Tier 2: "C" Over Base	$6.94	$7.87	$8.50	$9.18	$9.64	$10.03
Construction	$8.21	$8.67	$9.37	$10.12	$10.63	$11.06
Recycled Water	$4.29	$4.68	$5.06	$5.47	$5.75	$5.98

[1] Customers are billed on a per unit of water basis, 1 unit = 1 HCF
[2] Domestic includes single-family and multi-family customers. Multi-family tiers apply per dwelling unit.
[3] Note: Agriculture w/ Credit rate is updated annually by District staff based on SDCWA charges

Combined Agricultural/Domestic customers
First 23 Units per month: Follow Domestic rate structure.
Over 23 Units per month: Follow Agricultural rate structure.

5.7. Rate Reimbursement Credit

To minimize rate impacts on customers due to large increases in water purchase costs from SDCWA, a rate reimbursement credit (RRC) has been proposed to offset volumetric rates directly. SDCWA credited its member agencies for the funds it received from litigation with MWD. SDCWA's refund is given back to ratepayers in the form of a credit per unit of water used. The current refund is $0.11, but is proposed to increase to $0.22 to help offset the rate increases proposed by SDCWA. The $0.22 increase would be applied for FY 2025 and decrease to $0.11 in FY 2026. The funding is proposed to be used over the next two fiscal years. The effect on the proposed rates due to the RRC is shown in **Table 5-11** for an average customer with a ¾" meter using 23 units monthly.

Table 5-11: Projected FY 2025- FY 2027 Average Domestic Bills with RRC

	Current Bill	2025	2026	2027
RRC ($/unit)	$0.11	$0.22	$0.11	$0.00
Average Domestic Bill with RRC	$176.49	$185.97	$203.93	$223.09
Year over Year Difference (%)		*5.4%*	*9.7%*	*9.4%*

5.8. Water Rates for Largest Users

Recent regulatory changes detailed in AB 755 passed in 2023 and codified in Water Code, §§ 390 & 390.1 require us to identify the costs to serve the largest 10 percent of the users in the District. Proposition 218 requires rates that allocate costs of service proportionately, not special rates for the top 10% of consumers regardless of other factors.

The District currently has 22,761 accounts; the top 10% of users represent 2,276 accounts and 45% of total water use. These large users are primarily domestic and irrigation customers. The District sells water purchased from SDCWA. These large customers all have higher peaking factors, and their rates reflect the cost they impose on the system. Based on the preceding factors, it is our professional judgment that the rates proposed in **Table 5-10** are the most efficient and fairest way to allocate the District's costs among those who create those costs, consistent with Proposition 218.

5.9. Proposed Potable Water Demand Reduction Rates

Raftelis updated the District's water demand reduction rates as part of this study. Water demand reduction rates are intended to recover reductions in net revenues resulting from decreased water sales during times of reduced water demand due to drought or demand reduction emergencies, or other reasons. Raftelis developed water demand reduction rates for three distinct stages:

- **10 Percent Demand Reduction** below projected FY 2025 water usage
- **20 Percent Demand Reduction** below projected FY 2025 water usage
- **30 Percent Demand Reduction** below projected FY 2025 water usage

In the event that the District activates its water demand reduction rates, the District would notify customers before implementation. The District's water demand reduction rates would only be implemented by General Manager after District Board action under the terms of the District's Water Demand Reduction Condition Ordinance. Such action by the District is generally triggered by SDCWA and/or Metropolitan Water District of Southern California's (MWD) declaration of a specific level of water shortage.

Table 5-12 shows the estimated water usage (excluding Recycled customers) for each demand reduction stage. To estimate water usage at the customer class and tiered level, Raftelis assumed that not all customer classes reduce their usage equally. Typically, customers have greater flexibility to cut irrigation use, which is considered nonessential. Therefore, single family residential use and irrigation use bear higher burdens to cut back use during drought phases. For customer classes with uniform rates, this results in a percentage reduction equal to the overall reduction (i.e. 10%/20%/30%). For Domestic and Agricultural customers with

tiered rates however, a disproportional amount of the overall customer class water usage reduction typically occurs within the higher tiers. Raftelis analyzed FY 2022 account level water usage data by billing period to estimate the percent reduction by tier for Domestic (Lines 1-4) and Irrigation customers (Lines 8-9) if total customer class water usage was to decrease by 10 percent, 20 percent, and 30 percent.

Table 5-12: Percent Reduction in Water Usage by Customer Class and Tier

A	B	C	D	E
Line	Description	10% Demand Reduction	20% Demand Reduction	30% Demand Reduction
1	Domestic Tier 1	2.5%	2.7%	6.9%
2	Domestic Tier 2	10.0%	19.0%	29.7%
3	Domestic Tier 3	15.8%	29.9%	42.3%
4	Domestic Tier 4	26.3%	49.1%	63.4%
5	Agriculture	5.0%	8.0%	25.0%
6	Agriculture w/ Credit	4.0%	8.0%	25.0%
7	Commercial	3.5%	8.0%	15.0%
8	Irrigation Tier 1	2.0%	8.2%	10.1%
9	Irrigation Tier 2	9.7%	36.7%	57.8%
10	Construction	0.0%	10.0%	30.0%
11	**Total Reduction**	**10.0%**	**20.0%**	**30.0%**

Table 5-13 shows FY 2025 volumetric base rates (previously determined in **Table 5-10**) in Column C and assumed FY 2025 water usage at each demand reduction stage in Columns D-G. Projected usage by customer class and tier in Columns E-G, Lines 1-10 is determined by reducing the base demand in Column D by the percentage reduction at each stage from **Table 5-12**, Columns C-E, Lines 1-10.

Table 5-13: Projected Water Usage by Stage

	B	C	D	E	F	G
Line	Description	FY 2025 Proposed Base Rates	FY 2025 Base Demand	10% Demand Reduction	20% Demand Reduction	30% Demand Reduction
1	Domestic Tier 1	$4.49	1,511,998 hcf	1,474,707 hcf	1,471,692 hcf	1,407,297 hcf
2	Domestic Tier 2	$6.53	1,986,076 hcf	1,786,790 hcf	1,608,193 hcf	1,397,015 hcf
3	Domestic Tier 3	$7.32	1,433,314 hcf	1,206,372 hcf	1,004,124 hcf	827,420 hcf
4	Domestic Tier 4	$8.27	556,269 hcf	409,776 hcf	283,014 hcf	203,700 hcf
5	Agriculture	$6.97	59,071 hcf	56,117 hcf	54,345 hcf	44,303 hcf
6	Agriculture w/ Credit	$5.62	23,332 hcf	22,399 hcf	21,465 hcf	17,499 hcf
7	Commercial	$6.20	296,027 hcf	285,666 hcf	272,344 hcf	251,623 hcf
8	Irrigation Tier 1	$6.98	411,926 hcf	403,497 hcf	378,306 hcf	370,231 hcf
9	Irrigation Tier 2	$7.87	435,335 hcf	392,928 hcf	275,612 hcf	183,557 hcf
10	Construction	$8.67	41,669 hcf	41,668 hcf	37,502 hcf	29,168 hcf
11	**Total**		**6,755,016 hcf**	**6,079,920 hcf**	**5,406,599 hcf**	**4,731,813 hcf**

Table 5-14 shows the determination of the uniform surcharge to be added to all potable volumetric rates (excluding Recycled Water) during each demand reduction stage for FY 2025. Projected volumetric rate revenues at each demand reduction stage (Line 2) is determined by multiplying projected water usage for each customer class and tier (**Table 5-13**, Columns D-G, Lines 1-10) by the FY 2025 proposed base rates (**Table**

5-13, Column C, Lines 1-10), and then summing across all customer classes and tiers. Line 3 shows the reduction in rate revenues relative to baseline (Column C, Line 2). Avoided water supply costs at each demand reduction stage are then calculated in Lines 5-12. Projected water usage (excluding Recycled) at each stage in Line 6 was determined previously in **Table 5-13**, Columns D-G, Line 11. The required water supply in units is shown in Line 8, assuming a 6.5 percent water loss (Line 7). Required water supply is shown in Line 9 by converting Line 8 to AF[7]. Line 10 shows the reduction in required water purchases relative to baseline (Column C, Line 9), which is then multiplied by the FY 2025 Untreated M&I rate per AF (Line 11) to estimate avoided water supply costs (Line 12). Net revenue loss in Line 14 is calculated by subtracting avoided water supply costs (Line 12) from the total rate revenue reduction (Line 3). The net revenue loss is then divided by projected potable water demand at each demand reduction level (Line 6) to determine the uniform surcharges at each stage (Line 16).

Table 5-14: Calculation of Water Demand Reduction Rate Surcharges

A	B	C	D	E	F
	Description	**Base Demand**	**10% Demand Reduction**	**20% Demand Reduction**	**30% Demand Reduction**
1	**Reduction in Rate Revenues**				
2	Projected Volumetric Rate Revenue	$43,890,959	$39,066,822	$34,122,859	$29,431,477
3	**Total Rate Revenue Reduction**	**N/A**	**$4,824,136**	**$9,768,100**	**$14,459,482**
4					
5	**Avoided Water Supply Costs**				
6	Projected FY 2025 Water Usage	6,755,016	6,079,920	5,406,599	4,731,813
7	Assumed Water Loss	6.50%	6.50%	6.50%	6.50%
8	Required Water Purchases (units)	7,224,616	6,502,588	5,782,459	5,060,762
9	Required Water Purchases (AF)	16,585	14,928	13,275	11,618
10	Reduction in Required Water Purchases (AF)	N/A	1,658	3,311	4,968
11	FY 2025 Untreated M&I Rate ($/AF)	$1,834	$1,834	$1,834	$1,834
12	**Total Avoided Water Supply Costs**	**N/A**	**$3,040,423**	**$6,072,852**	**$9,111,881**
13					
14	**Net Revenue Loss**	**N/A**	**$1,783,713**	**$3,695,248**	**$5,347,601**
15					
16	**$/Unit Surcharge**	**N/A**	**$0.30**	**$0.69**	**$1.14**

Table 5-15 shows FY 2025 volumetric rates under each demand reduction stage. Base volumetric rates were determined previously in **Table 5-11**. The effective rate at each of the three demand reduction stages is determined by simply adding the corresponding surcharge (**Table 5-14**, Line 16) to the FY 2025 base rate for customer class and tier. Note that Recycled Water customers are not subject to any rate increases during the three demand reduction stages which are targeted to potable water and there is little impact on wastewater generated and recycled water production. Water demand reduction rates for reductions in usage that are in between those shown above may be prorated. For example, the demand reduction rate for a 14% reduction in use would be 0.30+ 0.4*(0.69-0.30) = $0.46 per unit.

[7] One AF = 435.6 Units.

Table 5-15: Proposed FY 2025 Water Demand Reduction Rates

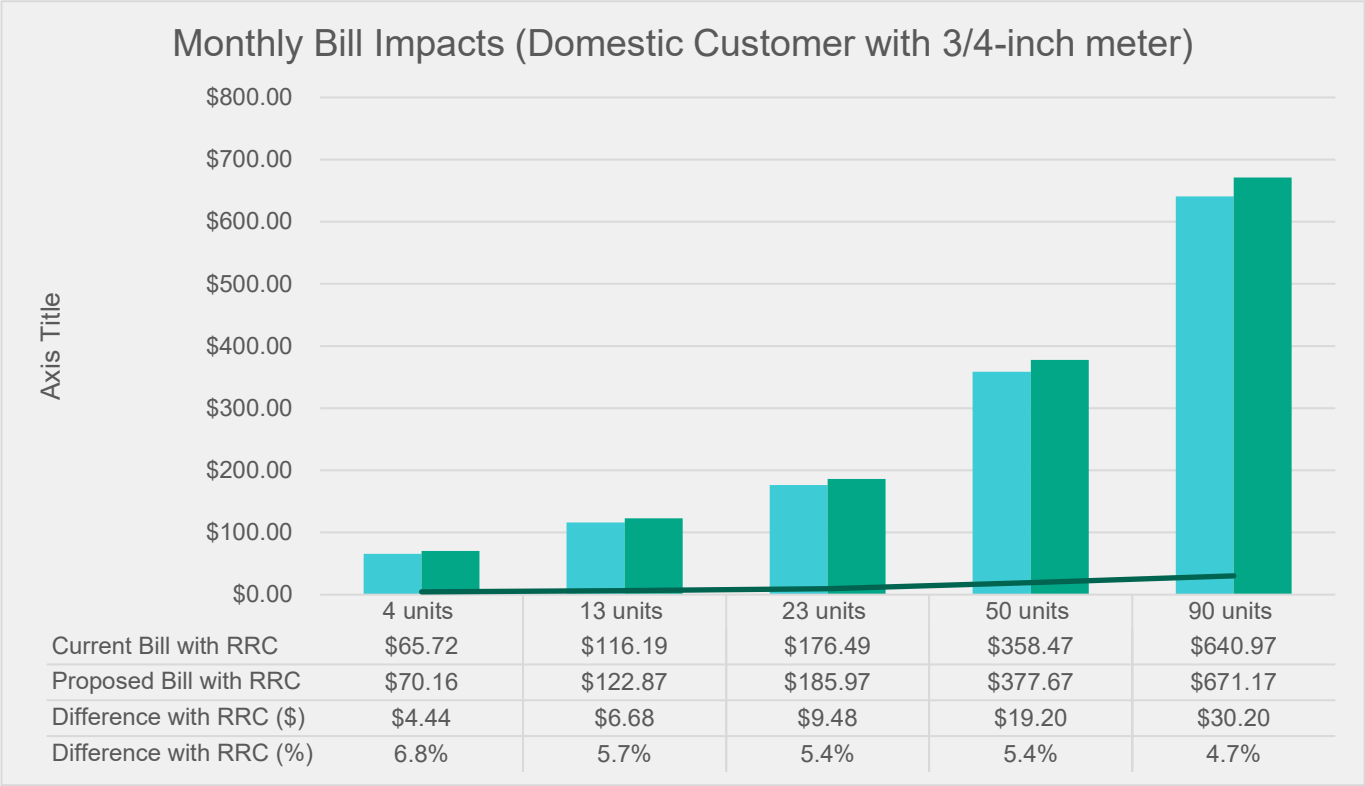
CUSTOMER TYPE	BASE RATES 1/1/2025	10% DEMAND REDUCTION ($0.30 Surcharge)	20% DEMAND REDUCTION ($0.69 Surcharge)	30% DEMAND REDUCTION ($1.14 Surcharge)
Domestic				
0-6 Units	$4.49	$4.79	$5.18	$5.63
7-23 Units	$6.53	$6.83	$7.22	$7.67
24-80 Units	$7.32	$7.62	$8.01	$8.46
80 + Units	$8.27	$8.57	$8.96	$9.41
Agricultural	$6.97	$7.27	$7.66	$8.11
Agriculture w/ Credit	$5.62	$5.92	$6.31	$6.76
Commercial	$6.20	$6.50	$6.89	$7.34
Irrigation				
Tier 1	$6.98	$7.28	$7.67	$8.12
Tier 2	$7.87	$8.17	$8.56	$9.01
Construction	$8.67	$8.97	$9.36	$9.81
Recycled Water	$4.68	$4.68	$4.68	$4.68

6. Customer Impacts

6.1. Monthly Bill Impacts

Figure 6-1 shows estimated monthly bills under current rates and proposed FY 2025 rates for Domestic customers with a ¾-inch water meter at varying levels of monthly water usage. **Table 6-1** shows the bill impacts both with and without the RRC included. The base rate comparison with no RRC applied is shown in Columns A-D. The current RRC of $0.11 is applied to the bills in Column E and the proposed RRC of $0.22 is applied in Column F. Note that 13 units and 23 units per month, respectively, represent the median and average Domestic monthly water usage in FY 2022. High-use customers see a smaller percentage increase in monthly bills under the proposed FY 2025 rates due to the decreased differentiation in peaking costs between lower and higher Domestic tiers relative to the prior water rate study in 2019. The monthly bill impacts **with the RRC** included are shown graphically in **Figure 6-1**.

Figure 6-1: Domestic Bill Impacts at Varying Levels of Usage



	4 units	13 units	23 units	50 units	90 units
Current Bill with RRC	$65.72	$116.19	$176.49	$358.47	$640.97
Proposed Bill with RRC	$70.16	$122.87	$185.97	$377.67	$671.17
Difference with RRC ($)	$4.44	$6.68	$9.48	$19.20	$30.20
Difference with RRC (%)	6.8%	5.7%	5.4%	5.4%	4.7%

Table 6-1: Domestic Monthly Bill Impacts at Varying Levels of Usage

Usage Level	Monthly Usage (Units)	A Current Bill: Base Rate	B Difference ($)	C Difference (%)	D Current Bill with RRC	E Proposed Bill with RRC	F Difference with RRC ($)	G Difference with RRC (%)
Very Low	4	$66.16	$4.88	7.4%	$65.72	$70.16	$4.44	6.8%
Low	13	$117.62	$8.11	6.9%	$116.19	$122.87	$6.68	5.7%
Average	23	$179.02	$12.01	6.7%	$176.49	$185.97	$9.48	5.4%
High	50	$363.97	$24.70	6.8%	$358.47	$377.67	$19.20	5.4%
Very High	90	$650.87	$40.10	6.2%	$640.97	$671.17	$30.20	4.7%

Table 6-2 This table shows estimated monthly bills under current rates and proposed FY 2025 rates for Commercial customers with a 1-inch water meter and varying monthly water usage. **Table 6-3** shows estimated monthly bills under current rates and proposed FY 2025 rates for Irrigation customers with a 1.5-inch water meter at varying levels of monthly water usage during the winter and summer (due to different tier allotment definitions and usage patterns during the winter and summer periods for Irrigation customers).

Table 6-2: Commercial Monthly Bill Impacts at Varying Levels of Usage (1" Meter Size)

Usage Level	Monthly Usage (Units)	Current Bill: with RRC	Proposed Bill: with RRC	Difference ($)	Difference (%)
Low	30	$254.90	$270.69	$15.79	6.2%
Average	60	$425.00	$450.09	$25.09	5.9%
High	90	$595.10	$629.49	$34.39	5.8%

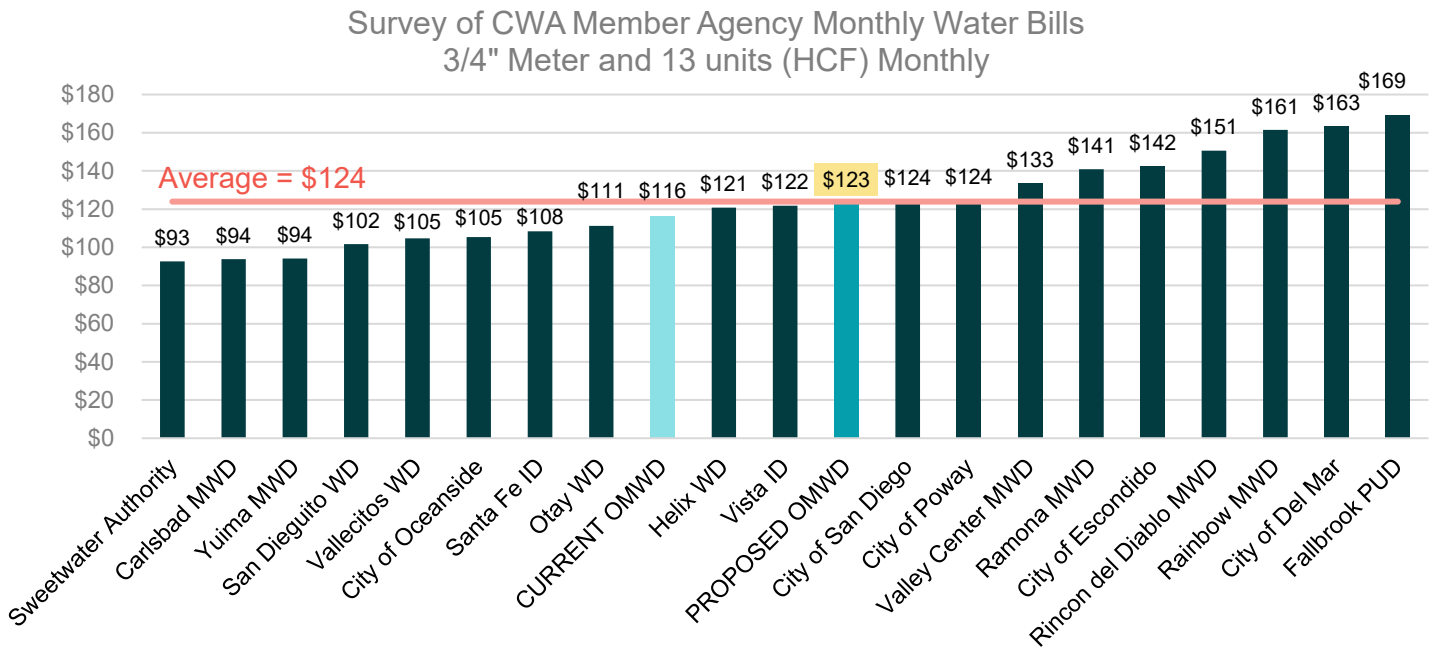
Table 6-3: Irrigation Monthly Bill Impacts at Varying Levels of Usage (1-1/2" Meter Size)

Usage Level	Monthly Usage (Units)	Current Bill: with RRC	Proposed Bill: with RRC	Difference ($)	Difference (%)
Low - Winter	51	$458.57	$487.87	$29.30	6.4%
Avg - Winter	102	$806.90	$878.02	$71.12	8.8%
High - Winter	153	$1,155.23	$1,268.17	$112.94	9.8%
Low - Summer	89	$700.95	$743.86	$42.91	6.1%
Avg - Summer	178	$1,299.58	$1,406.02	$106.44	8.2%
High - Summer	266	$1,907.45	$2,086.87	$179.42	9.4%

6.2. Monthly Bill Comparison

Figure 6-2 shows a comparison of the District's current and FY 2025 proposed Domestic bills to neighboring water utilities assuming a ¾-inch water meter and median Domestic monthly water usage (13 units). A District customer's bill under current rates is represented by the light blue bar and under proposed FY 2025 rates by the teal bar. The current and proposed bills include the RRC. The District's proposed FY 2025 rates result in a monthly bill that is approximately equal to the overall average across all agencies shown. While such comparisons can provide insights into a water utility's pricing policies, please also note that differences in water rates and bills are heavily influenced by factors such as geographic location, customer usage characteristics, source of water supply, water treatment, grant funding, and the age of system infrastructure.

Figure 6-2: Domestic Monthly Bill Comparison



Survey of posted rates as of May 2024
Does not include all 24 SDCWA member agencies for comparative purpose.

APPENDIX A:

Water Purchase Expenses

Table A-1: Recycled Water Purchase Expenses

Calculated Recycled Water Purchases Expenses	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Recycled Water from Vallecitos	$705,979	$557,100.00	$585,000	$614,250	$644,963	$677,211
Recycled Water from SEJPA	$291,690	$333,225	$354,825	$369,018	$383,779	$399,130
Recycled Water from City of SD	$337,089	$328,967	$342,126	$355,811	$370,043	$384,845
Recycled Water from RSFCSD	$192,107	$207,873	$225,481	$243,520	$259,208	$270,904
Recycled Water from SEJPA - Take or Pay	$0	$500,000	$0	$0	$0	$0
Total Calculated Recycled Water Purchases Expenses	**$1,526,865**	**$1,927,165**	**$1,507,432**	**$1,582,598**	**$1,657,992**	**$1,732,089**

Table A-2: Potable Water Purchase Expenses

Purchased Potable Water Expenses	FYE 2024	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Tier 1 Melded Untreated M&I Supply Rate	$19,657,805	$21,436,675	$23,883,767	$26,304,995	$28,347,236	$29,536,245
Tier 2 Untreated Supply Rate Surcharge	$0	$0	$0	$0	$0	$0
Treatment Rate	$258,089	$1,119,517	$344,892	$379,856	$409,346	$426,516
Capacity Reservation Charge	$360,000	$441,000	$510,000	$561,000	$604,000	$628,000
Readiness to Serve Charge (FY Basis)	$617,000	$664,382	$720,854	$803,753	$835,903	$869,339
Infrastructure Access Charge	$1,475,000	$1,530,000	$1,647,161	$1,816,992	$1,958,693	$2,041,680
Customer Service Charge	$1,265,000	$1,380,000	$1,498,000	$1,648,000	$1,773,000	$1,843,000
Transportation Charge (Volume)	$3,114,278	$2,736,597	$2,431,488	$2,677,981	$2,885,892	$3,006,939
Transportation Charge (Fixed)	$0	$718,000	$1,498,000	$1,648,000	$1,773,000	$1,843,000
Storage Charge	$3,033,000	$3,176,000	$3,395,000	$3,736,000	$4,018,000	$4,179,000
Supply Reliability Charge	$2,050,000	$2,391,000	$2,777,000	$3,056,000	$3,287,000	$3,418,000
IAWP/SAWR Credit	$33,512	$37,098	$44,564	$48,881	$52,614	$54,830
Recycled Water	$1,526,865	$1,927,165	$1,507,432	$1,582,598	$1,657,992	$1,732,089
Recycled Credit	$0	$0	$0	$0	$0	$0
Lost Revenue From >9% Increase	$0	$447,530	$0	$0	$0	$0
Total Purchased Water Expenses	**$33,390,550**	**$38,004,962**	**$40,258,159**	**$44,264,056**	**$47,602,676**	**$49,578,639**

APPENDIX B:

Status Quo Financial Plan Cash Flow

Operating Cash Flow						
	Description	**FYE 2025**	**FYE 2026**	**FYE 2027**	**FYE 2028**	**FYE 2029**
	REVENUE					
	Revenue Under Existing Rates					
	System Access Charge Revenue Under Existing Rates	$15,669,739	$15,696,613	$15,734,457	$15,809,423	$15,836,297
	Fire Meter Charge Under Existing Rates	$467,006	$467,006	$467,006	$467,006	$467,006
	Commodity Charge Revenue Under Existing Rates	$45,224,595	$45,225,230	$45,283,273	$45,363,981	$45,438,710
	Infrastructure Access Charge Revenue Under Existing Rates	$1,561,057	$1,563,703	$1,567,685	$1,576,324	$1,578,970
	Total Rate Revenue Under Existing Rates	$62,922,397	$62,952,551	$63,052,421	$63,216,734	$63,320,984
	Revenue Summary					
	Total Rate Revenue (incl. revenue adjustments)	$61,361,341	$61,388,849	$61,484,736	$61,640,410	$61,742,014
	Other Operating Revenue	$3,009,557	$3,543,414	$3,700,654	$3,835,818	$3,910,682
	Investment & Interest Income	$569,000	$278,000	$70,000	$0	$0
	Non-Operating Revenue	$5,686,704	$5,800,438	$5,900,316	$6,002,192	$6,106,106
	TOTAL REVENUE	**$70,626,601**	**$71,010,701**	**$71,155,706**	**$71,478,420**	**$71,758,802**
	EXPENSES					
	O&M Expenses without Depreciation	$22,269,000	$23,597,000	$24,542,973	$25,528,731	$26,555,994
	Purchased Water (potable & recycled)	$38,004,962	$40,249,486	$44,237,344	$47,560,276	$49,524,543
	Other Operating Expenses (potable & recycled)	$50,000	$50,000	$50,000	$50,000	$50,000
	Non-Operating Expenses (potable & recycled)	$1,570,927	$1,043,507	$12,000	$10,000	$10,000
	Existing Debt Service	$5,070,625	$5,062,875	$5,059,375	$5,060,625	$2,044,000
	Proposed SRF Loan Payment	$0	$0	$0	$0	$0
	Proposed Debt Service	$0	$0	$0	$0	$0
	TOTAL EXPENSES	**$66,965,515**	**$70,002,867**	**$73,901,692**	**$78,209,632**	**$78,184,536**

TRANSFERS						
Transfer Potable Oper. to Potable Capital - PAYGO	$6,000,000	$7,000,000	$7,500,000	$7,500,000	$9,500,000
Transfer for Equipment Replc.	$500,000	$500,000	$500,000	$500,000	$500,000
Transfer for Future Infrastructure Replc.	$5,500,000	$6,500,000	$7,000,000	$7,000,000	$9,000,000
Transfer from Wastewater (Sewer) Fund - 2018/2021B Bonds	($121,800)	($121,800)	($121,800)	($121,800)	$0
Transfer to 2012 SRF Reserve	$107,000	$107,000	$0	$0	$0
Transfer to/(from) Rate Stabilization Fund	($1,560,927)	($1,033,507)	($2,000)	$0	$0
Transfer to/(from) Pension Stabilization Fund	$220,000	$220,000	$220,000	$220,000	$220,000
Potable OMWD Option 2 (reduce to CPI)	$0	$0	$0	$0	$0
Transfer Recycled Oper. to Recycled Capital	$200,000	$200,000	$200,000	$200,000	$200,000
Transfer Recycled Oper. to Potable Capital	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000
LESS TRANSFERS	**$6,344,273**	**$7,871,693**	**$9,296,200**	**$9,298,200**	**$11,420,000**
Net Annual Cash Balance	**($2,683,186)**	**($6,863,860)**	**($12,042,186)**	**($16,029,411)**	**($17,845,735)**
Calculated Debt Coverage	292.0%	183.1%	144.1%	74.5%	-139.3%
Required Debt Coverage	125.0%	125.0%	125.0%	125.0%	125.0%
Fund Balances					
Reserve Interest Rate	3.0%	2.0%	2.0%	1.5%	1.5%
Operating Fund (Potable & Recycled)	**FYE 2025**	**FYE 2026**	**FYE 2027**	**FYE 2028**	**FYE 2029**
Beginning Balance	$15,874,000	$13,190,814	$6,326,954	($5,715,232)	($21,744,643)
Net Annual Cash Balance	($2,683,186)	($6,863,860)	($12,042,186)	($16,029,411)	($17,845,735)
Ending Balance - Operating Fund (Potable & Recycled)	**$13,190,814**	**$6,326,954**	**($5,715,232)**	**($21,744,643)**	**($39,590,378)**
Minimum Target Balance	*$9,908,049*	*$10,495,313*	*$11,306,353*	*$12,014,631*	*$12,506,390*
Maximum Target Balance	*$19,816,097*	*$20,990,626*	*$22,612,707*	*$24,029,263*	*$25,012,779*
Interest Income	*$569,000*	*$278,000*	*$70,000*	*$0*	*$0*

Capital Improvement Fund (Potable & Recycled)	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Beginning Balance	$47,736,000	$36,854,000	$33,434,000	$32,601,000	$34,710,000
Plus:					
Interest Income	$1,073,000	$656,000	$639,000	$513,000	$486,000
Transfer from Potable Operating Fund to Potable Capital	$6,000,000	$7,000,000	$7,500,000	$7,500,000	$9,500,000
Transfer from Recycled Operating Fund to Recycled Capital	$200,000	$200,000	$200,000	$200,000	$200,000
Transfer from Recycled Capital Fund to Potable Capital	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000
Capacity Fee Revenues	$118,000	$412,000	$4,047,000	$4,687,000	$803,000
Anticipated Grant Funds	$1,772,000	$817,000	$0	$0	$0
Recyled Capacity Fee Revenues	$5,000	$5,000	$5,000	$5,000	$5,000
Land Sales Proceeds	$1,150,000	$0	$0	$0	$0
New Loan - State Revolving Fund (SRF) Proceeds	$0	$0	$0	$0	$0
New Bond Proceeds	$0	$0	$0	$0	$0
Less:					
Capital Item Purchases - Water Potable	$372,000	$473,000	$400,000	$400,000	$400,000
Capital Item Purchases - Water Recycled	$49,000	$49,000	$25,000	$25,000	$25,000
Capital Projects	$22,249,000	$13,458,000	$14,269,000	$11,841,000	$13,843,000
Other Expenditures - Water Potable	$25,000	$25,000	$25,000	$25,000	$25,000
Other Expenditures - Water Recycled	$5,000	$5,000	$5,000	$5,000	$5,000
Ending Balance - Capital Improvement Fund (Potable & Recycled)	**$36,854,000**	**$33,434,000**	**$32,601,000**	**$34,710,000**	**$32,906,000**
Minimum Target Balance	*$17,317,818*	*$17,317,818*	*$17,317,818*	*$17,317,818*	*$17,317,818*
Maximum Target Balance	*$86,589,091*	*$86,589,091*	*$86,589,091*	*$86,589,091*	*$86,589,091*
Net capital Expense	$10,882,000				

Rate Stabilization Fund (Potable)	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Beginning Balance	$11,840,000	$10,587,073	$9,744,566	$9,937,418	$10,086,479
Interest Income	$308,000	$191,000	$194,851	$149,061	$151,297
Transfer (to)/from Operating Fund	($1,560,927)	($1,033,507)	($2,000)	$0	$0
Ending Balance - Rate Stabilization Fund (Potable)	**$10,587,073**	**$9,744,566**	**$9,937,418**	**$10,086,479**	**$10,237,776**
Minimum Target Balance	*$6,229,359*	*$5,675,766*	*$4,703,769*	*$3,914,114*	*$3,449,110*
Maximum Target Balance	*$12,458,717*	*$11,351,533*	*$9,407,538*	*$7,828,229*	*$6,898,221*

Pension Stabilization Fund (Potable)	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Beginning Balance	$676,055	$923,055	$1,166,055	$1,413,776	$1,658,283
Interest Income	$27,000	$23,000	$27,721	$24,507	$28,174
Transfer (to)/from Operating Fund	$220,000	$220,000	$220,000	$220,000	$220,000
Ending Balance - Pension Stabilization Fund (Potable)	**$923,055**	**$1,166,055**	**$1,413,776**	**$1,658,283**	**$1,906,457**
Minimum Target Balance	*$956,562*	*$956,562*	*$956,562*	*$956,562*	*$956,562*
Maximum Target Balance	*$1,913,124*	*$1,913,124*	*$1,913,124*	*$1,913,124*	*$1,913,124*

Debt Coverage Calculation

Description	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Revenue Applicable for Debt Coverage Calculation					
Total Service Charge Revenue	$61,361,341	$61,388,849	$61,484,736	$61,640,410	$61,742,014
Other Operating Revenue	$3,009,557	$3,543,414	$3,700,654	$3,835,818	$3,910,682
Interest Income	$1,977,000	$1,148,000	$931,572	$686,568	$665,471
Non-Operating Revenue	$5,686,704	$5,800,438	$5,900,316	$6,002,192	$6,106,106
Capacity Fee Revenues	$118,000	$412,000	$4,047,000	$4,687,000	$803,000
Anticipated Grant Funds	$1,772,000	$817,000	$0	$0	$0
Recyled Capacity Fee Revenues	$5,000	$5,000	$5,000	$5,000	$5,000
Land Sales Proceeds	$1,150,000	$0	$0	$0	$0
Total Revenue	**$75,079,601**	**$73,114,701**	**$76,069,278**	**$76,856,988**	**$73,232,273**
Expenses					
O&M Expenses	$22,269,000	$23,597,000	$24,542,973	$25,528,731	$26,555,994
Purchased Water Expenses (potable & recycled)	$38,004,962	$40,249,486	$44,237,344	$47,560,276	$49,524,543
Total Expenses	**$60,273,962**	**$63,846,486**	**$68,780,317**	**$73,089,007**	**$76,080,536**
Total Funds Available for Debt Service	$14,805,639	$9,268,215	$7,288,962	$3,767,981	($2,848,263)
Total Debt Service	$5,070,625	$5,062,875	$5,059,375	$5,060,625	$2,044,000
Revenue to Debt Service Coverage Ratio	292.0%	183.1%	144.1%	74.5%	-139.3%

Recycled Water Operating Cash Flow

Description	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Recycled Water Revenue	$5,184,865	$5,315,676	$5,353,051	$5,353,051	$5,353,051
Recycled Water Additional Revenue	($128,633)	($132,038)	($133,094)	($133,480)	($133,483)
Recycled Water Interest Income	$283,962	$171,648	$70,000	$0	$0
Recycled Water Expenses	$3,417,665	$3,039,759	$3,151,292	$3,267,588	$3,388,861
Recycled Water Transfers	$1,700,000	$1,700,000	$1,700,000	$1,700,000	$1,700,000
Net Cash Flow	**$222,531**	**$615,528**	**$438,665**	**$251,983**	**$130,706**
Beginning Balance	$7,922,000	$8,144,531	$8,760,058	$9,198,723	$9,450,706
Net Cash Flow	$222,531	$615,528	$438,665	$251,983	$130,706
Ending Balance	**$8,144,531**	**$8,760,058**	**$9,198,723**	**$9,450,706**	**$9,581,412**
Interest Income	*$287,000*	*$205,768*	*$216,574*	*$167,261*	*$169,221*

Interest Allocation between Potable Water and Recycled Water operations					
Description	**FYE 2025**	**FYE 2026**	**FYE 2027**	**FYE 2028**	**FYE 2029**
Beginning Fund Balance					
Potable Water Operations	50.1%	38.3%	0.0%	261.0%	143.5%
Recycled Water Operations	49.9%	61.7%	100.0%	-161.0%	-43.5%
Total Beginning Fund Balance	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Interest Allocation					
Potable Water Operations	$285,038	$106,352	$0	$0	$0
Recycled Water Operations	$283,962	$171,648	$70,000	$0	$0
Total Interest Allocation	**$569,000**	**$278,000**	**$70,000**	**$0**	**$0**

APPENDIX C:

Proposed Financial Plan Cash Flow

Operating Cash Flow

Description	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
REVENUE					
Revenue Under Existing Rates					
System Access Charge Revenue Under Existing Rates	$15,669,739	$15,696,613	$15,734,457	$15,809,423	$15,836,297
Fire Meter Charge Under Existing Rates	$467,006	$467,006	$467,006	$467,006	$467,006
Commodity Charge Revenue Under Existing Rates	$45,224,595	$45,225,230	$45,283,273	$45,363,981	$45,438,710
Infrastructure Access Charge Revenue Under Existing Rates	$1,561,057	$1,563,703	$1,567,685	$1,576,324	$1,578,970
Total Rate Revenue Under Existing Rates	$62,922,397	$62,952,551	$63,052,421	$63,216,734	$63,320,984
Revenue Adjustments					
System Access Charge Revenue Adjustment	$626,790	$1,933,823	$3,352,320	$4,603,780	$5,529,268
Fire Meter Charge Revenue Adjustments	$14,010	$42,871	$73,464	$103,111	$128,697
Commodity Charge Revenue Adjustments	$1,808,984	$5,571,748	$9,647,873	$13,210,209	$15,864,996
Infrastructure Access Charge Revenue Adjustments	$24,779	$118,208	$288,160	$430,564	$511,697
Total Revenue Adjustments	$2,474,562	$7,666,651	$13,361,817	$18,347,664	$22,034,657
Revenue Summary					
Total Rate Revenue (incl. revenue adjustments)	$63,811,124	$68,937,291	$74,558,393	$79,557,510	$83,264,975
Other Operating Revenue	$3,034,335	$3,661,623	$3,988,814	$4,266,381	$4,422,378
Investment & Interest Income	$643,000	$483,000	$545,000	$451,000	$552,000
Non-Operating Revenue	$5,686,704	$5,800,438	$5,900,316	$6,002,192	$6,106,106
TOTAL REVENUE	**$73,175,164**	**$78,882,352**	**$84,992,523**	**$90,277,084**	**$94,345,459**
EXPENSES					
O&M Expenses without Depreciation	$22,269,000	$23,597,000	$24,542,973	$25,528,731	$26,555,994
Purchased Water (potable & recycled)	$38,004,962	$40,258,159	$44,264,056	$47,602,676	$49,578,639
Other Operating Expenses (potable & recycled)	$50,000	$50,000	$50,000	$50,000	$50,000
Non-Operating Expenses (potable & recycled)	$1,570,927	$1,043,507	$12,000	$10,000	$10,000
Existing Debt Service	$5,070,625	$5,062,875	$5,059,375	$5,060,625	$2,044,000
Proposed SRF Loan Payment	$0	$0	$0	$0	$0
Proposed Debt Service	$0	$0	$0	$0	$0
TOTAL EXPENSES	**$66,965,515**	**$70,011,541**	**$73,928,403**	**$78,252,032**	**$78,238,632**

TRANSFERS						
Transfer Potable Oper. to Potable Capital - PAYGO	$6,000,000	$7,000,000	$7,500,000	$7,500,000	$9,500,000
Transfer for Equipment Replc.	$500,000	$500,000	$500,000	$500,000	$500,000
Transfer for Future Infrastructure Replc.	$5,500,000	$6,500,000	$7,000,000	$7,000,000	$9,000,000
Transfer from Wastewater (Sewer) Fund - 2018/2021B Bonds	($121,800)	($121,800)	($121,800)	($121,800)	$0
Transfer to 2012 SRF Reserve	$107,000	$107,000	$0	$0	$0
Transfer to/(from) Rate Stabilization Fund	($1,560,927)	($1,033,507)	($2,000)	$0	$0
Transfer to/(from) Pension Stabilization Fund	$220,000	$220,000	$220,000	$220,000	$220,000
Potable OMWD Option 2 (reduce to CPI)	$0	$0	$0	$0	$0
Transfer Recycled Oper. to Recycled Capital	$200,000	$200,000	$200,000	$200,000	$200,000
Transfer Recycled Oper. to Potable Capital	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000
LESS TRANSFERS	**$6,344,273**	**$7,871,693**	**$9,296,200**	**$9,298,200**	**$11,420,000**
Net Annual Cash Balance	**($134,624)**	**$999,118**	**$1,767,920**	**$2,726,852**	**$4,686,827**
Calculated Debt Coverage	342.2%	338.4%	417.0%	445.1%	963.0%
Required Debt Coverage	125.0%	125.0%	125.0%	125.0%	125.0%

Fund Balances						
Reserve Interest Rate	3.0%	2.0%	2.0%	1.5%	1.5%
Operating Fund (Potable & Recycled)	**FYE 2025**	**FYE 2026**	**FYE 2027**	**FYE 2028**	**FYE 2029**
Beginning Balance	$15,874,000	$15,739,376	$16,738,494	$18,506,414	$21,233,266
Net Annual Cash Balance	($134,624)	$999,118	$1,767,920	$2,726,852	$4,686,827
Ending Balance - Operating Fund (Potable & Recycled)	**$15,739,376**	**$16,738,494**	**$18,506,414**	**$21,233,266**	**$25,920,092**
Minimum Target Balance	*$9,908,049*	*$10,496,738*	*$11,310,744*	*$12,021,601*	*$12,515,282*
Maximum Target Balance	*$19,816,097*	*$20,993,477*	*$22,621,489*	*$24,043,202*	*$25,030,564*
Interest Income	*$643,000*	*$483,000*	*$545,000*	*$451,000*	*$552,000*
Capital Improvement Fund (Potable & Recycled)	**FYE 2025**	**FYE 2026**	**FYE 2027**	**FYE 2028**	**FYE 2029**
Beginning Balance	$47,736,000	$36,854,000	$33,434,000	$32,601,000	$34,710,000
Plus:					
Interest Income	$1,073,000	$656,000	$639,000	$513,000	$486,000
Transfer from Potable Operating Fund to Potable Capital	$6,000,000	$7,000,000	$7,500,000	$7,500,000	$9,500,000
Transfer from Recycled Operating Fund to Recycled Capital	$200,000	$200,000	$200,000	$200,000	$200,000
Transfer from Recycled Capital Fund to Potable Capital	$1,500,000	$1,500,000	$1,500,000	$1,500,000	$1,500,000
Capacity Fee Revenues	$118,000	$412,000	$4,047,000	$4,687,000	$803,000
Anticipated Grant Funds	$1,772,000	$817,000	$0	$0	$0
Recyled Capacity Fee Revenues	$5,000	$5,000	$5,000	$5,000	$5,000
Land Sales Proceeds	$1,150,000	$0	$0	$0	$0
New Loan - State Revolving Fund (SRF) Proceeds	$0	$0	$0	$0	$0
New Bond Proceeds	$0	$0	$0	$0	$0
Less:					
Capital Item Purchases - Water Potable	$372,000	$473,000	$400,000	$400,000	$400,000
Capital Item Purchases - Water Recycled	$49,000	$49,000	$25,000	$25,000	$25,000
Capital Projects	$22,249,000	$13,458,000	$14,269,000	$11,841,000	$13,843,000
Other Expenditures - Water Potable	$25,000	$25,000	$25,000	$25,000	$25,000
Other Expenditures - Water Recycled	$5,000	$5,000	$5,000	$5,000	$5,000
Ending Balance - Capital Improvement Fund (Potable & Recycled)	**$36,854,000**	**$33,434,000**	**$32,601,000**	**$34,710,000**	**$32,906,000**
Minimum Target Balance	*$17,317,818*	*$17,317,818*	*$17,317,818*	*$17,317,818*	*$17,317,818*
Maximum Target Balance	*$86,589,091*	*$86,589,091*	*$86,589,091*	*$86,589,091*	*$86,589,091*

Pension Stabilization Fund (Potable)	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Beginning Balance	$676,055	$923,055	$1,166,055	$1,413,776	$1,658,283
Interest Income	$27,000	$23,000	$27,721	$24,507	$28,174
Transfer (to)/from Operating Fund	$220,000	$220,000	$220,000	$220,000	$220,000
Ending Balance - Pension Stabilization Fund (Potable)	**$923,055**	**$1,166,055**	**$1,413,776**	**$1,658,283**	**$1,906,457**
Minimum Target Balance	*$956,562*	*$956,562*	*$956,562*	*$956,562*	*$956,562*
Maximum Target Balance	*$1,913,124*	*$1,913,124*	*$1,913,124*	*$1,913,124*	*$1,913,124*

Debt Coverage Calculation

Description	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029
Revenue Applicable for Debt Coverage Calculation					
Total Service Charge Revenue	$63,811,124	$68,937,291	$74,558,393	$79,557,510	$83,264,975
Other Operating Revenue	$3,034,335	$3,661,623	$3,988,814	$4,266,381	$4,422,378
Interest Income	$2,051,000	$1,353,000	$1,406,572	$1,137,568	$1,217,471
Non-Operating Revenue	$5,686,704	$5,800,438	$5,900,316	$6,002,192	$6,106,106
Capacity Fee Revenues	$118,000	$412,000	$4,047,000	$4,687,000	$803,000
Anticipated Grant Funds	$1,772,000	$817,000	$0	$0	$0
Recyled Capacity Fee Revenues	$5,000	$5,000	$5,000	$5,000	$5,000
Land Sales Proceeds	$1,150,000	$0	$0	$0	$0
Total Revenue	**$77,628,164**	**$80,986,352**	**$89,906,096**	**$95,655,652**	**$95,818,931**
Expenses					
O&M Expenses	$22,269,000	$23,597,000	$24,542,973	$25,528,731	$26,555,994
Purchased Water Expenses (potable & recycled)	$38,004,962	$40,258,159	$44,264,056	$47,602,676	$49,578,639
Total Expenses	**$60,273,962**	**$63,855,159**	**$68,807,028**	**$73,131,407**	**$76,134,632**
Total Funds Available for Debt Service	$17,354,201	$17,131,193	$21,099,067	$22,524,245	$19,684,298
Total Debt Service	$5,070,625	$5,062,875	$5,059,375	$5,060,625	$2,044,000
Revenue to Debt Service Coverage Ratio	342.2%	338.4%	417.0%	445.1%	963.0%

Recycled Water Operating Cash Flow						
	Description	**FYE 2025**	**FYE 2026**	**FYE 2027**	**FYE 2028**	**FYE 2029**
	Recycled Water Revenue	$5,184,865	$5,315,676	$5,353,051	$5,353,051	$5,353,051
	Recycled Water Additional Revenue	$73,232	$505,348	$976,839	$1,383,700	$1,686,032
	Recycled Water Interest Income	$320,892	$257,262	$316,258	$279,799	$350,644
	Recycled Water Expenses	$3,417,665	$3,048,432	$3,178,003	$3,309,988	$3,442,957
	Recycled Water Transfers	$1,700,000	$1,700,000	$1,700,000	$1,700,000	$1,700,000
	Net Cash Flow	**$461,325**	**$1,329,854**	**$1,768,144**	**$2,006,562**	**$2,246,769**
	Beginning Balance	$7,922,000	$8,383,325	$9,713,180	$11,481,324	$13,487,885
	Net Cash Flow	$461,325	$1,329,854	$1,768,144	$2,006,562	$2,246,769
	Ending Balance	**$8,383,325**	**$9,713,180**	**$11,481,324**	**$13,487,885**	**$15,734,654**
	Interest Income	*$293,000*	*$223,118*	*$257,301*	*$223,621*	*$256,260*

Interest Allocation between Potable Water and Recycled Water operations						
	Description	**FYE 2025**	**FYE 2026**	**FYE 2027**	**FYE 2028**	**FYE 2029**
	Beginning Fund Balance					
	Potable Water Operations	50.1%	46.7%	42.0%	38.0%	36.5%
	Recycled Water Operations	49.9%	53.3%	58.0%	62.0%	63.5%
	Total Beginning Fund Balance	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
	Interest Allocation					
	Potable Water Operations	$322,108	$225,738	$228,742	$171,201	$201,356
	Recycled Water Operations	$320,892	$257,262	$316,258	$279,799	$350,644
	Total Interest Allocation	**$643,000**	**$483,000**	**$545,000**	**$451,000**	**$552,000**

APPENDIX D:

Revised Water Consumption Charge with Adopted SDCWA Rates

Revised Water Consumption Charge

The water supply component has been updated to reflect the CY 2025 rates and charges adopted by SDCWA at their board meeting that occurred after completion of this Study.

The Melded Supply Rate in the model was set to the original rate of $1,385 per AF based on the best information available at the time. The SDCWA Board instead adopted a Melded Supply Rate of $1,355 per AF, which is $30 per AF less than what was modeled. To account for this decrease, the $30 per AF decrease was converted to units, and that discount was applied directly to the cost per unit of water for potable water customers. The full breakdown is shown in **Table D-1**. The reduction of $0.07 per unit of water is shown in Column C.

The revised rate table is shown in **Table D-2**.

With the change in supply cost, the drought rates also had to be adjusted to properly reflect costs and revenue loss during drought. **Table D-3** shows the calculation for the surcharge in commodity rates at each drought stage, and **Table D-4** shows the corresponding demand reduction shortage rates at each stage.

Table D-1. Breakdown of the Volumetric Charge Components

A	B	C	D	E	F	G	H	I	J	K	L
Customer Class	**Supply Unit Rate**	**Change in Supply based on Adopted SDCWA Rates**	**Base Unit Rate**	**Max Day Unit Rate**	**Max Hour Unit Rate**	**Recycled Water Unit Rate**	**Revenue Offsets Unit Rate**	**Ag Credit Unit Rate**	**Revised Proposed Base Rate**	**Current FY 2024 Base Rate**	**Difference ($)**
Domestic											
Tier 1 (0-6 units)	$3.50	($0.07)	$1.42	$0.57	$0.60	N/A	($1.60)	N/A	**$4.43**	$4.24	$0.19
Tier 2 (7-23 units)	$3.50	($0.07)	$1.42	$0.99	$0.73	N/A	($0.11)	N/A	**$6.47**	$6.14	$0.33
Tier 3 (24-80 units)	$3.50	($0.07)	$1.42	$1.50	$0.89	N/A	$0.00	N/A	**$7.25**	$6.85	$0.40
Tier 4 (80 + units)	$3.50	($0.07)	$1.42	$2.21	$1.13	N/A	$0.00	N/A	**$8.20**	$8.14	$0.06
Agriculture	$3.50	($0.07)	$1.42	$1.60	$0.93	N/A	($0.48)	N/A	**$6.90**	$6.75	$0.15
Agriculture w/ Credit	$3.50	($0.07)	$1.42	$1.60	$0.93	N/A	($0.24)	($1.59)	**$5.55**	$5.41	$0.14
Commercial	$3.50	($0.07)	$1.42	$0.87	$0.69	N/A	($0.28)	N/A	**$6.14**	$5.78	$0.36
Irrigation											
Tier 1: “B” Base	$3.50	($0.07)	$1.42	$1.60	$0.93	N/A	($0.48)	N/A	**$6.91**	$6.50	$0.41
Tier 2: “C” Over Base	$3.50	($0.07)	$1.42	$2.35	$1.17	N/A	($0.58)	N/A	**$7.80**	$6.94	$0.86
Construction	$3.50	($0.07)	$1.42	$2.52	$1.23	N/A	N/A	N/A	**$8.60**	$8.21	$0.39
Recycled Water	N/A	N/A	N/A	N/A	N/A	$4.68	N/A	N/A	**$4.68**	$4.29	$0.39

Table D-2: Revised Proposed Volumetric Rates

Effective Date	Current FY 2024	January 1, 2025 Proposed	January 1, 2026 Estimated	January 1, 2027 Estimated	January 1, 2028 Estimated	January 1, 2029 Estimated
Volumetric Rates ($/unit[1])						
Domestic[2]						
Tier 1 (0-6 units)	$4.24	$4.43	$4.79	$5.18	$5.44	$5.66
Tier 2 (7-23 units)	$6.14	$6.47	$6.99	$7.55	$7.93	$8.25
Tier 3 (24-80 units)	$6.85	$7.25	$7.83	$8.46	$8.89	$9.25
Tier 4 (80 + units)	$8.14	$8.20	$8.86	$9.57	$10.05	$10.46
Agriculture	$6.75	$6.90	$7.46	$8.06	$8.47	$8.81
Agriculture w/ Credit[3]	$5.41	$5.55	TBD	TBD	TBD	TBD
Commercial	$5.78	$6.14	$6.64	$7.18	$7.54	$7.85
Irrigation						
Tier 1: "B" Base	$6.50	$6.91	$7.47	$8.07	$8.48	$8.82
Tier 2: "C" Over Base	$6.94	$7.80	$8.43	$9.11	$9.57	$9.96
Construction	$8.21	$8.60	$9.29	$10.04	$10.55	$10.98
Recycled Water	$4.29	$4.68	$5.06	$5.47	$5.75	$5.98

[1] Customers are billed on a per unit of water basis, 1 unit = 1 HCF
[2] Domestic includes single-family and multi-family customers. Multi-family tiers apply per dwelling unit.
[3] Note: Agriculture w/ Credit rate is updated annually by District staff based on SDCWA charges

Combined Agricultural/Domestic customers
First 23 Units per month: Follow Domestic rate structure.
Over 23 Units per month: Follow Agricultural rate structure.

Table D-3: FY 2025 Water Demand Reduction Rates Calculation

A	B	C	D	E	F
Line	Description	Base Demand	10% Demand Reduction	20% Demand Reduction	30% Demand Reduction
1	**Reduction in Rate Revenues**				
2	Projected Volumetric Rate Revenue	$43,456,049	$38,676,700	$33,777,920	$29,130,810
3	**Total Rate Revenue Reduction**	**N/A**	**$4,779,349**	**$9,678,129**	**$14,325,239**
4	**Avoided Water Supply Costs**				
5	Projected FY 2025 Water Usage	6,755,016	6,079,920	5,406,599	4,731,813
6	Assumed Water Loss	6.50%	6.50%	6.50%	6.50%
7	Required Water Purchases (units)	7,224,616	6,502,588	5,782,459	5,060,762
8	Required Water Purchases (AF)	16,585	14,928	13,275	11,618
9	Reduction in Required Water Purchases (AF)	N/A	1,658	3,311	4,968
10	FY 2025 Untreated M&I Rate ($/AF)	$1,819	$1,819	$1,819	$1,819
11	**Total Avoided Water Supply Costs**	**N/A**	**$3,015,560**	**$6,023,191**	**$9,037,368**
12	**Net Revenue Loss**	**N/A**	**$1,763,789**	**$3,654,939**	**$5,287,872**
13	**$/Unit Surcharge**	**N/A**	**$0.30**	**$0.68**	**$1.12**

Table D-4: Revised Proposed FY 2025 Water Demand Reduction Rates

Volumetric Rates ($/Unit)	FY 2025 Proposed Base Rate	10% Demand Reduction ($0.30 Surcharge)	20% Demand Reduction ($0.68 Surcharge)	30% Demand Reduction ($1.12 Surcharge)
Domestic				
Tier 1 (0-6 units)	$4.43	$4.73	$5.11	$5.55
Tier 2 (7-23 units)	$6.47	$6.77	$7.15	$7.59
Tier 3 (24-80 units)	$7.25	$7.55	$7.93	$8.37
Tier 4 (80+ units)	$8.20	$8.50	$8.88	$9.32
Agriculture	$6.90	$7.20	$7.58	$8.02
Agriculture w/ Credit	$5.55	$5.85	$6.23	$6.67
Commercial	$6.14	$6.44	$6.82	$7.26
Irrigation				
Tier 1 ("B" Base)	$6.91	$7.21	$7.59	$8.03
Tier 2 ("C" Over Base)	$7.80	$8.10	$8.48	$8.92
Construction	$8.60	$8.90	$9.28	$9.72
Recycled Water	$4.68	$4.68	$4.68	$4.68

Attachment 3 - Exhibit B

Print Form

Notice of Exemption

Appendix E

To: Office of Planning and Research
P.O. Box 3044, Room 113
Sacramento, CA 95812-3044

County Clerk
County of: San Diego
1600 Pacific Highway, Room 260
San Diego, CA 92101

From: (Public Agency): Olivenhain Municipal Water District
1966 Olivenhain Road
Encinitas, CA 92024
(Address)

Project Title: The Olivenhain MWD intends, by ordinance, to increase water rates and charges, and implement drought rates for calendar year 2025

Project Applicant: Olivenhain Municipal Water District (OMWD)

Project Location - Specific:
OMWD service area which covers approximately 31,000 acres in NW San Diego

Project Location - City: _____ Project Location - County: San Diego

Description of Nature, Purpose and Beneficiaries of Project:
The Project is to increase water rates and charges within the area already served by the Olivenhain Municipal Water District. The purpose of the Project is to raise essential funds to meet anticipated operating expenses, to provide adequate reserve funds, and to maintain service within the existing service areas in compliance with the Government Code Section 66016. The increased fees and charges are not tied to any development project.

Name of Public Agency Approving Project: Olivenhain Municipal Water District

Name of Person or Agency Carrying Out Project: Olivenhain Municipal Water District

Exempt Status: **(check one):**

- ☐ Ministerial (Sec. 21080(b)(1); 15268);
- ☐ Declared Emergency (Sec. 21080(b)(3); 15269(a));
- ☐ Emergency Project (Sec. 21080(b)(4); 15269(b)(c));
- ☐ Categorical Exemption. State type and section number: _____
- ☒ Statutory Exemptions. State code number: 15273(a)(1)-(4)

Reasons why project is exempt:
1) No Project per Section 15378(b)(4) - The Project is a continuing administrative activity of the District which will not result in any physical change in the environment. The increase of water rates and charges is not being considered in conjunction with the approval of any specific project and will be used solely to meet anticipated operating expenses, to provide adequate reserve funds, and to maintain service in existing service areas.
(2) Exemption - the new increase in water rates and charges are being set based on accounting evaluations of the District's operating expenses and capital costs necessary to maintain service in existing areas.
(3) No Significant Effect - the activity will not have any significant effect on the environment.

Lead Agency Contact Person: Kimberly Thorner, General Manager Area Code/Telephone/Extension: (760) 753-6466

If filed by applicant:
1. Attach certified document of exemption finding.
2. Has a Notice of Exemption been filed by the public agency approving the project? ☐ Yes ☐ No

Signature: _____ Date: _____ Title: _____

☐ Signed by Lead Agency ☐ Signed by Applicant

Authority cited: Sections 21083 and 21110, Public Resources Code.
Reference: Sections 21108, 21152, and 21152.1, Public Resources Code.

Date Received for filing at OPR: _____

Attachment 4

OLIVENHAIN
Municipal Water District

NOTICE OF PUBLIC HEARING

Regarding proposed increases to
Olivenhain Municipal Water District water charges.
OMWD is proposing changes that will affect charges on your water bill.

October 16, 2024 at 5:30 p.m.
Boardroom of OMWD's Administrative Office
1966 Olivenhain Road
Encinitas, California 92024

NOTICE OF PUBLIC HEARING

Regarding Proposed Increases to Olivenhain Municipal Water District Water Charges

OMWD is proposing changes that will affect charges on your water bill.

Olivenhain Municipal Water District ("OMWD") will conduct a public hearing on October 16, 2024, at 5:30 p.m., in the Boardroom of OMWD's administrative office, located at 1966 Olivenhain Road, Encinitas, California 92024. The purpose of the hearing is to receive public comment regarding OMWD staff's proposal to adopt increases to OMWD's water service charges and other water charges (collectively, "Water Charges") beginning on January 1, 2025, and an ordinance that would authorize OMWD to pass through to customers certain increases in purchased water wholesale costs, inflationary costs, and other costs as described in this notice.

For Zoom Participation:

www.zoom.us/join
Meeting ID: 865 5633 4158
Passcode: 257024

For Zoom Call-in Only:

Call: (669) 900-9128
Meeting ID: 865 5633 4158
Passcode: 257024

The public hearing may continue in person even if Zoom access is disrupted or unavailable.

You are receiving this notice in compliance with Proposition 218, which requires OMWD to inform property owners and water customers that OMWD is proposing changes to its Water Charges that will affect your water bill.

This notice includes information about 1) the water system, 2) reasons for the proposed increases, 3) basis upon which the proposed Water Charges are calculated, 4) the proposed Water Charges, 5) pass-through increases, and 6) procedures for protesting the proposed Water Charges.

The basis for allocating costs and calculating the proposed increases to OMWD's Water Charges shown and described in this notice is a comprehensive cost of service water rate study ("Water Rate Study Report") conducted in 2024 by an independent financial consulting firm. A copy of OMWD's Water Rate Study Report is available at **www.olivenhain.com/rates** or at our administrative office.

WATER SYSTEM

OMWD provides water services to approximately 87,000 customers in portions of Encinitas, Carlsbad, Solana Beach, Rancho Santa Fe, San Marcos, Elfin Forest, 4S Ranch, San Diego and the Olivenhain Valley. OMWD's water service area spans about 31,100 acres. OMWD owns and operates two water treatment plants, the David McCollom Water Treatment Plant and the 4S Ranch Water Reclamation Facility. Water is delivered from OMWD's water treatment plants to approximately 29,000 connections through approximately 500 miles of potable and recycled pipes, 10 pump stations, and 17 storage reservoirs.

OMWD purchases all of its potable water supply from San Diego County Water Authority ("SDCWA"). SDCWA in turn purchases a substantial portion of its water supplies from the Metropolitan Water District of Southern California ("MWD"). MWD imports water from two sources: the Colorado River via the Colorado River Aqueduct and the Sacramento-San Joaquin Delta via the California Aqueduct. Water from SDCWA is treated at OMWD's David C. McCollom Water Treatment Plant and distributed to OMWD customers to meet their potable water demand.

The 4S Ranch Water Reclamation Facility produces recycled water to meet irrigation demand in a portion of OMWD's recycled water system. OMWD also purchases recycled water from the following public agencies: Vallecitos Water District, San Elijo Joint Powers Authority, Rancho Santa Fe Community Services District, and City of San Diego (collectively referred to as "Recycled Water Wholesalers") to meet OMWD customers' recycled water demand.

REASONS FOR THE PROPOSED INCREASE

OMWD is committed to providing high-quality and professional water services to its customers while meeting or exceeding all regulatory requirements in a cost-effective and environmentally responsive manner. OMWD charges its customers for these services. Revenues collected from Water Charges are used to fund safe and reliable water service. The costs include purchasing water, operating and maintaining the water system, reinvesting in water system infrastructure, and paying off debt used to finance the David C. McCollom Water Treatment Plant.

The proposed increases to Water Charges are necessary to pay for higher purchased water wholesale costs imposed on OMWD by SDCWA and by Recycled Water Wholesalers and to pay for cost increases to OMWD's water operations, maintenance, and capital infrastructure resulting from inflation.

Purchased Water Wholesale Costs

The potable water wholesalers from which OMWD receives water, MWD and SDCWA, have both recently implemented dramatic increases in their water rates. While OMWD continues to keep the costs of its water operations as low as possible, purchased water wholesale costs are external and non-controllable. Purchased water wholesale costs imposed on OMWD by SDCWA and by Recycled Water Wholesalers (collectively, "Purchased Water Wholesale Costs") make up approximately 60% of OMWD's water operating costs.

Purchased Water Wholesale Costs could increase by as much as 39% over the next five years starting on January 1, 2025. Absorbing these significant increases in Purchased Water Wholesale Costs would negatively impact OMWD's financial stability. Therefore, to avoid these impacts, OMWD is proposing to pass through to customers increases in the Purchased Water Wholesale Costs as a part of the proposed Water Charges.

Rate Reimbursement Credit

OMWD used funds available in its reserves to partially offset increases in purchased water wholesale costs from SDCWA. A rate relief program was approved by OMWD's Board of Directors in 2021. The resulting credit to customers (referred to as "Rate Reimbursement Credit") is a result of money refunded from lawsuits filed by SDCWA that successfully challenged the legality of certain MWD rates and charges, and it helps to offset increases in purchased water wholesale costs from SDCWA.

Inflation

OMWD has been able to control cost increases in its water operations, maintenance, and infrastructure needs through re-evaluation of internal business processes and optimal utilization of its assets for cost savings. OMWD also received grant funds to complete some of its capital infrastructure program, which has helped offset increases in costs that resulted from higher inflation and post-pandemic supply chain issues. However, costs have risen more than 18% due to inflation from January 2021 to June 2024 based on changes in the San Diego-Carlsbad Consumer Price Index for All Urban Customers ("CPI").

OMWD is proposing to increase Water Charges for the next five years to keep pace with inflation in order to operate and maintain its water operations and to replace its aging water infrastructure; many parts of OMWD's Water System are over 50 years old. OMWD needs to continue maintaining and upgrading its water system to minimize water service interruptions. Therefore, OMWD is proposing to pass through to customers inflationary adjustments based on CPI as a part of the proposed increases to its Water Charges.

BASIS UPON WHICH THE PROPOSED WATER CHARGES ARE CALCULATED

OMWD provides both potable (i.e. treated) water and recycled water service. The proposed rate structure for OMWD's Water Charges has seven customer classes: (1) Domestic (single-family and multi-family residential); (2) Agricultural; (3) Permanent Special Agriculture Water Rate ("PSAWR"); (4) Commercial; (5) Irrigation; (6) Construction; and (7) Recycled Water.

The rate structure for all customer classes consists of (1) a volumetric charge known as the Water Consumption Charge, and (2) fixed monthly service charges consisting of the System Access Charge, SDCWA Infrastructure Access Charge, and Fire Meter Charge. OMWD bills monthly for water service.

The basis used to calculate all components of the proposed Water Charges included in this notice are structured to proportionally allocate the costs of providing water service to all customer classes and tiers based on their respective proportion of usage and burden on the water system. The Water Rate Study Report describes the methodology used in calculating the proposed rates, adjustments, and increases to OMWD's Water Charges shown and described in this notice. The Rate Study Report is available at www.olivenhain.com/rates or at our administrative office.

Water Consumption Charge

OMWD assesses a Water Consumption Charge on each unit of water delivered each month. One unit of water equals one hundred (100) cubic feet (HCF) or 748 gallons. Volumetric water rate structures vary by customer class. Domestic customers

are subject to a four-tier volumetric rate structure, while irrigation customers are subject to a two-tier volumetric rate structure. Agricultural, commercial, construction, and recycled water customers are subject to distinct uniform rates.

The Water Consumption Charge for potable water is calculated based on the cost of providing potable water service to each customer and customer class, including the costs of treating water and purchasing water from SDCWA and MWD, and it recovers a portion of OMWD's fixed costs.

The Water Consumption Charge assessed to recycled water customers is calculated based on the cost of providing recycled water service to recycled water customers, including the costs of treating at 4S Ranch Water Reclamation Facility and purchasing recycled water from the Recycled Water Wholesalers, and it recovers a portion of OMWD's fixed costs.

System Access Charge

The System Access Charge is a fixed monthly charge that varies by water meter size and is assessed per water meter, potable and recycled, to recover a portion of OMWD's costs. These costs include, among others, meter reading, billing and collections, customer service, water facilities repairs and maintenance, and certain other costs imposed on OMWD by SDCWA and MWD.

SDCWA Infrastructure Access Charge

All meters, excluding construction, fire, and recycled water meters are subject to a monthly SDCWA Infrastructure Access Charge which varies by water meter size. The SDCWA Infrastructure Access Charge is assessed by SDCWA to recover a portion of costs associated with the construction of county-wide water infrastructure projects. The SDCWA Infrastructure Access Charge is a monthly fixed water meter charge that is passed through by OMWD directly to its customers.

Fire Meter Charge

For customers with a dedicated fire line, the Fire Meter Charge is a monthly fixed charge assessed per meter to recover their proportionate share of OMWD's costs attributable to the system's fire flow demand. It varies by water meter size on certain properties as a condition of extending or initiating water service by (1) the installation of a fire suppression system, and (2) upon the request of the property owner for the delivery of water to the property for the purpose of fire service protection.

Demand Reductions Rates for the Water Consumption Charge

Fluctuating availability of water resulting from drought, water supply emergencies, or other reasons will cause OMWD to experience decreased water sales, and therefore, less water revenue. To help mitigate future losses in revenue from reduced water sales and to ensure that OMWD is able to continue to provide and deliver safe drinking water to its customers, OMWD is proposing to authorize adjustments ("Demand Reduction Rates") to the potable Water Consumption Charge that would only be implemented by OMWD's Board of Directors' action under the terms of OMWD's Water Demand Reduction Condition Ordinance.

OMWD will implement Demand Reduction Rates for the potable Water Consumption Charge, as necessary, depending on the level of potable water use cutbacks, to ensure that OMWD is able to provide safe, reliable drinking water to its customers while meeting or exceeding regulatory requirements and recovering sufficient revenues to meet its expenses, including financial obligations.

OMWD's Water Rate Study Report considered the effects of decreased water sales and developed rates that may be implemented so that OMWD could still maintain safe and reliable water service during decreased sales during the next five years from January 1, 2025, through December 31, 2029. In the event that OMWD activates its Demand Reduction Rates, OMWD will notify its customers in advance of implementation.

The table to the right shows the proposed maximum increases that could be implemented by OMWD during various levels of mandatory reductions in water usage and added to the potable Water Consumption Charge. Water Demand Reduction Rates for reductions in usage that are in between those shown to the right may be prorated.

Demand Reduction Rate Adjustments - $/HCF For Potable Water Commodity Charges	
Demand Reduction Levels	**Increase in Commodity Charges**
10%	$0.30
20%	$0.68
30%	$1.12

PROPOSED WATER SERVICE CHARGES

The proposed maximum Water Charges beginning with January 1, 2025 water consumption for potable water customers and recycled water customers are set forth in the tables below:

CUSTOMER TYPE	CONSUMPTION CHARGE BASE RATES - $/HCF		DEMAND REDUCTION RATES (6)		
			10% DEMAND REDUCTION - $/HCF	20% DEMAND REDUCTION - $/HCF	30% DEMAND REDUCTION - $/HCF
	Current (2)(3)	Proposed 1/1/2025 (5)	Proposed 1/1/2025 (5)	Proposed 1/1/2025 (5)	Proposed 1/1/2025 (5)
Potable: Domestic					
Tier 1: 0-6 Units (1)	$4.24	$4.43	$4.73	$5.11	$5.55
Tier 2: 7-23 Units	$6.14	$6.47	$6.77	$7.15	$7.59
Tier 3: 24-80 Units	$6.85	$7.25	$7.55	$7.93	$8.37
Tier 4: 80+ Units	$8.14	$8.20	$8.50	$8.88	$9.32
Agricultural (4)	$6.75	$6.90	$7.20	$7.58	$8.02
Combined Agricultural/Domestic First 23 Units per month: Follow Domestic rate structure. Over 23 Units per month: Follow Agricultural rate structure.					
Commercial Irrigation	$5.78	$6.14	$6.44	$6.82	$7.26
Tier 1	$6.50	$6.91	$7.21	$7.59	$8.03
Tier 2	$6.94	$7.80	$8.10	$8.48	$8.92
Rate Reimbursement Credit (RRC) (7)	**($0.11)**	**($0.22)**	**($0.22)**	**($0.22)**	**($0.22)**
Construction	$8.21	$8.60	$8.90	$9.28	$9.72
Recycled: Recycled Water	$4.29	$4.68	$4.68	$4.68	$4.68

OMWD System Access Charge ($/Meter Size)		
Meter Size	Current (2)	Proposed 1/1/2025 (5)
5/8″	$34.25	$37.16
3/4″ (*)	$44.79	$48.53
1″	$76.41	$82.64
1-1/2″	$118.54	$128.11
2″	$185.30	$200.11
2-1/2″	$336.33	$363.05
3″	$367.94	$397.16
4″	$610.30	$658.63
6″	$1,274.14	$1,374.83
8″	$2,292.73	$2,473.76

SDCWA Infrastructure Access Charge ($/Meter Size)		
Meter Size	Current (2)	Proposed 1/1/2025 (5)
5/8″	$4.41	$4.55
3/4″ (*)	$4.41	$4.55
1″	$8.39	$8.65
1-1/2″	$13.70	$14.11
2″	$22.09	$22.75
2-1/2″	$41.10	$42.32
3″	$45.08	$46.41
4″	$75.58	$77.81
6″	$159.10	$163.80
8″	$287.29	$295.75

OMWD Fire Meter Charge ($/Meter Size)						
Meter Size	Current (2)	Proposed 1/1/2025 (5)	Proposed 1/1/2026	Proposed 1/1/2027	Proposed 3/1/2028	Proposed 3/1/2029
5/8″	$5.85	$6.13	$6.50	$6.89	$7.24	$7.53
3/4″ (*)	$5.85	$6.13	$6.50	$6.89	$7.24	$7.53
1″	$6.57	$6.87	$7.29	$7.73	$8.12	$8.45
1-1/2″	$7.54	$7.84	$8.32	$8.82	$9.27	$9.65
2″	$9.08	$9.39	$9.96	$10.56	$11.09	$11.54
2-1/2″	$12.55	$12.89	$13.67	$14.50	$15.23	$15.84
3″	$13.27	$13.62	$14.44	$15.31	$16.08	$16.73
4″	$18.85	$19.24	$20.40	$21.63	$22.72	$23.63
6″	$34.13	$34.63	$36.71	$38.92	$40.87	$42.51
8″	$57.56	$58.23	$61.73	$65.44	$68.72	$71.47

Irrigation Unit Allotments Tier 1 Allotment / Based upon water use by meter size		
Meter Size	Winter (Nov 1-Apr 30)	Summer (May 1-Oct 31)
5/8″	10	15
3/4″ (*)	20	30
1″	35	50
1-1/2″	50	110
2″	100	200
3″	200	500
4″	600	3500
6″	3100	11800
8″	5600	21300

Notes to the Rate Table

* Typical residential meter size

(1) One (1) unit of water is equal to one hundred cubic feet (HCF) or 748 gallons.

(2) These rates and charges are currently used to calculate OMWD's monthly water bills in 2024.

(3) Domestic Tier 2 rate currently applies to consumption between 7 and 23 units. Domestic Tier 3 rate currently applies to consumption between 24 units and 80 units. For combined Agricultural/Domestic, Domestic rate structure currently applies to the first 23 units. Over 23 units per month follows Agricultural rate structure. For Irrigation customers, all monthly water usage in excess of Tier 1 allotment shown in the Irrigation Unit Allotments table is charged at the Irrigation Tier 2 rate.

(4) The Agricultural water rate is available only to those who meet the program criteria. Visit **www.olivenhain.com/ag** for details.

(5) The proposed Water Consumption Charges and fixed monthly service fees, if approved, will be effective beginning on January 1, 2025.

(6) Demand Reduction Rates would only be implemented by OMWD's Board of Directors' action under the terms of OMWD's Water Demand Reduction Condition Ordinance.

(7) Rate Reimbursement Credit (RRC) is a temporary rate relief program approved by OMWD's Board of Directors to reduce the impact of increased SDCWA Purchased Water Wholesale costs on OMWD customer water bills.

Below are examples of the bill impact from the Proposed Water Service Charges to be effective January 1, 2025 for Domestic customers.

Low Residential Water Bill
Based on 6 HCF per Month - 3/4" Meter
1 unit=1 HCF

Water Service Charges	Current	Proposed 1/1/2025
Base Rates		
Tier 1 Water	$25.44	$26.58
SDCWA Infrastructure Access Charge	$4.41	$4.55
System Access Charge	$44.79	$48.53
Rate Reimbursement Credit (RRC)	($0.66)	($1.32)
Monthly Total	$73.98	$78.34

Average Residential Water Bill
Based on 23 HCF per Month - 3/4" Meter
1 unit=1 HCF

Water Serviced Charges	Current	Proposed 1/1/2025
Base Rates		
Tier 1 Water	$25.44	$26.58
Tier 2 Water	$104.38	$109.99
SDCWA Infrastructure Access Charge	$4.41	$4.55
System Access Charge	$44.79	$48.53
Rate Reimbursement Credit (RRC)	($2.53)	($5.06)
Monthly Total	$176.49	$184.59

Customers that wish to determine the impact to their monthly bill statement of the proposed rates, increases, and adjustments may visit www.olivenhain.com/estimator for an estimate.

PASS-THROUGH INCREASES

To avoid operational deficits, depletion of reserves, and inability to address water capital infrastructure needs for the next five years, OMWD is proposing to adopt an ordinance that would authorize OMWD, commencing January 1, 2025 and at any time through and including December 31, 2029, to automatically pass through to customers certain cost increases experienced by OMWD ("Pass-Through Increases"). The Pass-Through Increases include: increases in purchased water wholesale charges from SDCWA, and any other purchased water wholesale water charge increases imposed on OMWD, including by Recycled Water Wholesalers (collectively referred to as "Purchased Water Wholesale Pass-Through"); increases imposed by SDCWA to the SDCWA Infrastructure Access Charge; inflationary cost increases based on June end to June end percent change in CPI ("Inflationary Pass-Through").

Any future increases in the SDCWA Infrastructure Access Charge will only impact the SDCWA Infrastructure Access Charge. Any Purchased Water Wholesale Pass-Through and any Inflationary Pass-Through will impact the OMWD Water Consumption Charges and System Access Charge.

If approved by the Board of Directors, Pass-Through Increases will be automatically implemented annually after giving notice to customers and be effective for the five-year period commencing January 1, 2025, through December 31, 2029. All Pass-Through Increases shall not exceed 12% per year, and in no event shall any Pass-Through Increases result in rates exceeding OMWD's cost of providing water services to its customers.

Prior to implementing any Pass-Through Increases, OMWD will provide written notice of proposed changes to customers not less than 30 days prior to the effective date of the Pass-Through Increases.

PROTESTING THE PROPOSED WATER CHARGES

Any property owner of a parcel upon which the water service charges are proposed for imposition or any tenant directly liable for the payment of water service charges (i.e., a water customer who is not a property owner) may submit a written protest to the water rates and rate structure shown and described in this notice; provided, however, only one protest will be counted per identified parcel subject to the water rates. To be used in determining whether there is a majority protest, each protest must: (1) be in writing; (2) state that the identified property owner or tenant is opposed to the proposed water rate adjustments and pass-through increases; (3) provide the location of the identified parcel for which the protest is submitted (by assessor's parcel number or water service address); and (4) include the printed full name and signature of the property owner or tenant submitting the protest. Written protests may be submitted by mail or in person to the Board Secretary at 1966 Olivenhain Road, Encinitas, CA 92024, or at the public hearing on October 16, 2024, so long as they are received by the Board Secretary prior to the close of the public comment portion of the Public Hearing. Any protest submitted via e-mail or other electronic means will not be accepted as a valid written protest. Please indicate "Attn: Rate Hearing" on the outside of any envelope mailed to OMWD.

The Board of Directors will accept and consider all written protests and hear and consider all public comments made at the public hearing. Oral comments at the public hearing will not qualify as the written protests to be used in determining whether there is a majority protest. At the conclusion of the public hearing, the Board of Directors will consider adoption of the proposed rates and rate structure. If written protests against the proposed water rates and rate structure included in this notice are not presented by owners or tenants of a majority of the identified parcels subject to the water service charges, the Board of Directors will be authorized to adopt the rates. If approved, the Board of Directors will be able to impose the rates, which may include Pass-Through Increases and the Demand Reduction Rates described in this notice, for a five-year period commencing January 1, 2025, through December 31, 2029.

California law (Government Code section 53759) provides a 120-day statute of limitations for judicially challenging any new, increased, or extended fee or charge such as these rates.

OLIVENHAIN
Municipal Water District

Agenda Item 13

Memo

Date: November 6, 2024

To: Olivenhain Municipal Water District Board of Directors

From: Jennifer Joslin, Human Resources Manager

Via: Kimberly A. Thorner, General Manager

Subject: **CONSIDER ADOPTION OF AN ORDINANCE AMENDING THE DISTRICT'S ADMINISTRATIVE AND ETHICS CODE (Article 20 – Employer-Employee Relations)**

Purpose

The purpose of this item is to consider adoption of the attached Ordinance amending the District's Administrative and Ethics Code to revise Article 20 – Section 20.7 Sexual Harassment and to add a new section 20.13, Title VI Compliance.

Recommendation

Adoption of this Ordinance is a housekeeping item to update the District's Administrative and Ethics Code. Staff recommends the Board adopt the Ordinance updating the current Sexual Harassment policy found in Section 20.7 to instead be the Discrimination, Harassment, and Retaliation policy and to add Section 20.13 describing the District's Title IV nondiscrimination compliance statement and grievance procedure.

Alternative(s)

The Board could choose not to adopt the Ordinance and direct staff to make further revisions.

Background

The Article 20 Section 20.7 revisions reflect updated language for our Discrimination, Harassment, and Retaliation policy and procedures. The District participates in a local labor relations training consortium with other public agencies through Liebert Cassidy Whitmore (LCW). The language was suggested by an employment attorney from LCW then reviewed by District counsel. LCW will be conducting on-site harassment prevention training sessions for non-supervisory staff as well as managers/supervisors in late November. California law (Government Code section 12950.1) requires that all employers with five or more employees to provide training for their employees every two years regarding sexual harassment and abusive conduct prevention. The proposed revisions are a result of the LCW review of our current policy prior to conducting the in-person training sessions. LCW suggested broadening the scope of the policy to include more emphasis on discrimination and retaliation as the current policy was too focused on harassment of a sexual nature. If approved by the Board, the revised policy will be provided to staff at the training sessions.

If receiving federal funds, the District is required to comply with Title VI of the Civil Rights Act of 1964 and ensure that services and benefits are provided on a nondiscriminatory basis. The Administrative and Ethics Code Section 20.13 addition helps put the District into Title VI compliance by providing a Title VI written notice to the public, establishing a grievance procedure, and designating a required Title VI Coordinator. This addition is being made to finalize the District's grant application to hopefully receive federal Environment Protection Agency (EPA) funding for the San Dieguito Valley Brackish Groundwater Desalination Project. The language is based on EPA guidance for applicants and recipients of financial assistance.

Fiscal Impact

There is no fiscal impact associated with the adoption of the ordinance.

Discussion

Staff will be available to answer any questions.

Attachment:
Ordinance

ORDINANCE NO. 5xx

AN ORDINANCE OF THE BOARD OF DIRECTORS OF
OLIVENHAIN MUNICIPAL WATER DISTRICT
AMENDING THE DISTRICT'S ADMINISTRATIVE AND ETHICS CODE
(Article 20 – Employer-Employee Relations)

BE IT ORDAINED by the Board of Directors of the Olivenhain Municipal Water District as follows:

SECTION 1: Article 20, Employer-Employee Relations, of the District's Administrative and Ethics Code is hereby amended to read as shown on Exhibit A (attached).

PASSED, APPROVED AND ADOPTED at a regular meeting of Olivenhain Municipal Water District's Board of Directors held this 6th day of November 2024 by the following roll call vote:

AYES:
NOES:
ABSTAIN:
ABSENT:

_____
Christy Guerin, President
Board of Directors
Olivenhain Municipal Water District

ATTEST:

_____
Lawrence A. Watt, Secretary
Board of Directors
Olivenhain Municipal Water District

ARTICLE 20. EMPLOYER-EMPLOYEE RELATIONS

Sec. 20.1 revised via Ordinance No. 509 / August 16, 2023

Sec. 20.1 revised via Ordinance No. 463 / February 13, 2019

Sec. 20.1. revised via Ordinance No. 320 / July 27, 2005

Sec. 20.1. Equal Employment Opportunity. It is and shall be the continuing policy of the Olivenhain Municipal Water District that all persons are entitled to equal employment opportunity regardless of sex, race, color, ancestry, religious creed, national origin, mental or physical disability, medical condition, genetic information, pregnancy, reproductive health decision making (including the decision to use or access a particular drug, device, product, or medical service for reproductive health), gender identity, gender expression, sexual orientation, political affiliation, veteran status, age, marital status, registered domestic partner status, or any other legally protected status as defined in California Family Code, Section 297, complaints filed with the Department of Fair Employment, birth or adoption of a child, domestic partner's child or leave for the care of an immediate family member (spouse, registered domestic partner as defined in California Family Code, Section 297, child, domestic partner's child or parent) with a serious health condition pursuant to all applicable state and federal laws.

A. Employment opportunities are and shall be open to all qualified applicants solely on the basis of their experience, aptitudes, and abilities.

B. Advancement is and shall be based entirely on the individual's achievement, performance, ability, attitude and potential for promotion.

C. All relations and decisions pertaining to employment, promotions, demotion, transfer, recruiting, Reductions-in-Workforce (RIW), terminations, training, rates of pay and benefits will be executed without regard to gender, race, color, ancestry, religious creed, national origin, mental or physical disability, age, marital status, registered domestic partner status, or any other legally protected status, complaints filed with the Department of Fair Employment, birth or adoption of a child, registered domestic partner's child or leave for the care of an immediate family member (spouse, registered domestic partner as defined in California Family Code, Section 297, child, domestic partner's child or parent) with a serious health condition pursuant to all applicable state and federal laws.

ARTICLE 20. EMPLOYER-EMPLOYEE RELATIONS

Sec. 20.2. revised via Ordinance No. 509 / August 16, 2023
Sec~~tion~~ 20.2. revised via Ordinance No. 463 / February 13, 2019
Sec~~tion~~ 20.2. revised via Ordinance No. 320 / July 27, 2005

Sec. 20.2. Affirmative Action Program. It is the personnel policy of the Olivenhain Municipal Water District to utilize available personnel resources in selecting the best qualified person for the job to be performed on the basis of qualifications which are essential in order that an employee may perform well, including such factors as ability, availability, capability, aptitude, experience, education, and willingness to work and serve. The object is to use qualified personnel in such a manner so as not to discriminate against any person, employee or job applicant for employment because of sex, race, color, ancestry, religious creed, national origin, mental or physical disability, age, marital status, registered domestic partner status, or any other legally protected status, complaints filed with the Department of Fair Employment, birth or adoption of a child, registered domestic partner's child or leave for the care of an immediate family member (spouse, registered domestic partner as defined in California Family Code, Section 297, child, registered domestic partner's child or parent) with a serious health condition pursuant to all applicable state and federal laws.

A. Recruitment. The Olivenhain Municipal Water District will consider all qualified applicants for vacancies in all job classifications on the basis of individual qualifications and job performance.

B. Job Placement and Promotions. The Olivenhain Municipal Water District will provide promotional and upgrading opportunities when they become available to all qualified employees on the basis of individual qualifications and essential job performance.

C. Training and Development. All training and educational programs conducted on the job, and all outside training and educational seminars for employees will be made available to all employees.

D. Compensation and Employee Benefits. The District will pay all personnel fairly according to their job classification. The District-supported benefit programs for employees will be made equally available to all personnel.

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E. Working Conditions and Facilities. District facilities, except restrooms and dressing rooms, will not be segregated on the basis of gender.

F. RIW and Terminations. Whenever necessary to reduce the District workforce, RIW or recall to work decisions will be made without regard to gender, race, color, ancestry, religious creed, national origin, mental or physical disability, age, marital status, registered domestic partner status, or any other legally protected status, complaints filed with the Department of Fair Employment, birth or adoption of a child, registered domestic partner's child or leave for the care of an immediate family member (spouse, registered domestic partner as defined in California Code Section 297, child, domestic partner's child, or parent) with a serious health condition pursuant to all applicable state and federal laws.

When it becomes necessary to terminate any employees, such termination will be without discrimination due to gender, race, color, ancestry, religious creed, national origin, mental or physical disability, medical condition, genetic information, pregnancy, reproductive health decision making (including the decision to use or access a particular drug, device, product, or medical service for reproductive health), gender identity, gender expression, sexual orientation, political affiliation, veteran status, age, marital status, registered domestic partner status, or any other legally protected status, complaints filed with the Department of Fair Employment, birth or adoption of a child, registered domestic partner's child or leave for the care of an immediate family member (spouse, registered domestic partner as defined in California Code Section 297, child, domestic partner's child, or parent) with a serious health condition pursuant to all applicable state and federal laws.

Sec. 20.3. District Employee Relations Officer. The Board of Directors shall appoint an Employee Relations Officer to serve at the pleasure of the Board in matters relating to Employee-Employer Relations. Unless otherwise appointed by the Board of Directors, the General Manager is the Employee Relations Officer.

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Sec. 20.4 revised via Ordinance No. 451 / July 19, 2017
Sec. 20.4. revised via Ordinance No. 382 / August 25, 2010
Sec~~tion~~ 20.4. revised via Ordinance No. 375 / March 24, 2010
Sec. 20.4. revised via Ordinance No. 320 / July 27, 2005

Sec. 20.4. Board of Directors Personnel Committee. The Board of Directors shall create and maintain a Personnel Committee in accordance with Sec. 2.2. of this Administrative Code. The Personnel Committee shall consider matters referred to it by the Board of Directors, or matters within the scope of its duties, which are presented by its members or by the District's Employee Relations Officer or his/her designee. The Committee shall have authority only to submit recommendations to the Board of Directors. A meeting may be called at any time for consideration of matters requiring immediate attention.

A. Duties and Functions of the Personnel Committee.

(1) The form of the District's organization, including the flow of authority and responsibility; salaries, special benefits, hours of work; personnel working conditions, disagreements and problems; the employment of consultants, advisors and specialists and the conditions of their employment.

(2) The organization and classification of positions, job duties, salaries, employees' organizations, and pension plans.

(3) The District's Equal Employment Opportunity Policies, Affirmative Action Program and District employee-employer relations policies.

(4) Interviewing and recommending individuals to serve as General Manager, General Counsel, Treasurer, and any other employee who may not be subject directly to the supervision of the General Manager.

(5) The acknowledgement and honoring of Board Directors, employees, and others for services rendered.

(6) Changes in the Administrative Code based upon experience and the best administrative practices.

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Sec. 20.5. revised via Ordinance No. 463 / February 13, 2019
Sec. 20.5. revised via Ordinance No. 403 / December 12, 2012
Sec. 20.5. revised via Ordinance No. 320 / July 27, 2005

Sec. 20.5. Employment Requirements. The following requirements must be completed for employment in conformance with the time stipulations:

A. Physical Examinations. Successful applicants for employment, physically capable for the job requirements, are required to have a pre-placement medical examination given by a doctor of the District's choice. The examination shall be made after the job offer and prior to commencement of employment. The examination will be made at District expense. (See Article 4, Section 4.1.)

B. Loyalty Oath. Each new employee will be required to sign a loyalty oath, pursuant to State Law, prior to employment.

LOYALTY OATH / AFFIRMATION

I, _____, do solemnly swear (or affirm) that I will support and defend the Constitution of the United States and the Constitution of the State of California against all enemies, foreign and domestic; that I will bear true faith and allegiance to the Constitution of the United States and the Constitution of the State of California; that I take this obligation freely, without any mental reservation or purpose of evasion; and that I will well and faithfully discharge the duties upon which I am about to enter.

(1) This Loyalty Oath is required by the California Constitution and Government Code sections 3101 and 3102 to administer a loyalty oath to all employees, except legally employed aliens.
(2) State law also requires that public employees sign the loyalty oath. It is a prerequisite to compensation and reimbursement for expenses incurred. One who cannot take the oath, in effect, is rendered ineligible for public employment.
(3) OMWD has granted authority to administer the oath to the General Manager. The General Manager may appoint any person authorized in writing by his/her appointing power. The Loyalty Oath does not need to be notarized.
(4) OMWD will not permit changes or alterations to the loyalty oath; however, an employee could sign the oath and add a separate note to their personal file that expresses his/her views. Thus, attachments or addenda will be allowed with the following caveats:

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i. Attachments or addenda that are incompatible, inconsistent, and negate the meaning of the loyalty oath will not be accepted.

ii. Attachments or addenda will need to be approved by the General Manager and the General Counsel before being allowed to be attached to the Loyalty Oath.

(5) If an employee did not take and sign a loyalty oath before they began their employment with the District, the oath may be done so retroactively and the employee will be considered as fulfilling the requirement from the first day of employment. This must be done within 7 workings days of the finding of the error by either the employee or District.

C. Political Activity. Public employees may be restricted in accordance with State Law.

D. Conflict of Interest. A conflict of interest statement may be required pursuant to current State and County statutes and District rules (See Article 27 of the District's Administrative Code and the Conflict of Interest Code of the Olivenhain Municipal Water District).

Sec. 20.6. revised via Ordinance No. 463 / February 13, 2019

Sec. 20.6. revised via Ordinance No. 451 / July 19, 2017

Sec. 20.6. revised via Ordinance No. 320 / July 27, 2005

Sec. 20.6. Selection Process.

A. Announcement. Positions, which become vacant or are newly created, shall be publicized by posting announcements via email and by such other methods deemed necessary by the General Manager. The announcements shall include the title and pay of the position; the position specification including: the nature of the work required by the position, the manner of making application, and the application deadline; and other pertinent information, including that the District is an equal opportunity employer.

B. Application Forms. Applications shall be made as prescribed on the announcement. Application forms shall require information, which may include certificates, references and work history. All applications, applicant releases, and

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authorizations must be signed by the person applying, and will remain the property of the District.

C. Disqualifications. The General Manager shall reject any application which indicates on its face that the applicant does not possess the minimum qualifications required for the position, has misrepresented any factual information requirement or is not a citizen of the United States, except when citizenship is not required by law. All applicants shall be notified of the job placement, whether successful or not.

D. Examination. ~~—~~Selection techniques may require an examination which will be impartial, of a practical nature and shall relate to those subjects which, in the opinion of the General Manager, fairly measure the relative capabilities of the persons examined to execute the duties and responsibilities of the position to which applicants seek appointment. The test may include, but not be limited to, achievement and aptitude tests, other written tests, personal interviews, performance tests, work samples or any one or combination of these or other tests.

E. Appointment. If the General Manager does not consider it in the best interest to fill the position by promotion, transfer, reinstatement, reemployment or demotion, a position will be filled externally. After interview and background investigation, the General Manager shall make appointments. The persons accepting appointment shall present themselves on the date of appointment and present themselves for duty within such period of time as prescribed, otherwise, they shall be deemed to have declined the appointment.

Sec. 20.7. revised via Ordinance No. 5XX/November 6, 2024

Sec. 20.7. revised via Ordinance No. 509 / August 16, 2023

Sec. 20.7. revised via Ordinance No. 320 / July 27, 2005

Sec. 20.7. ~~Sexual Harassment. Sexual harassment in employment violates the provisions of both federal and state laws.~~

~~The Fair Employment and Housing Act defines harassment because of sex as including sexual harassment, gender harassment, and harassment based on pregnancy, childbirth or related medical conditions. California regulations define sexual harassment as unwanted sexual advances or visual, verbal or physical conduct of a~~

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~~sexual nature. This definition includes many forms of offensive behavior and includes sexual harassment of a person of the same sex as the harasser. The following is a partial list: unwanted sexual advances or request for sexual favors made a condition of getting, keeping or advancing a job, making or threatening reprisals after a negative response to sexual advances, visual forms of sexual harassment e.g. derogatory posters, cartoons, photographs, pictures or drawings based on sex, verbal harassment e.g. epithets, derogatory comments or slurs based on sex and physical harassment e.g. assault, impeding or blocking movement or any physical interference with normal work or movement when directed at an individual based on sex. Consensual sexual conduct does not constitute sexual harassment.~~

~~The District maintains a strict policy prohibiting all forms of sexual harassment at the workplace. Regular training about this policy is conducted and reviewed annually for all employees. This policy applies to ALL employees, supervisors, agents and non-employees who have contact with employees during working hours. Disciplinary action will be taken promptly against any employee, supervisory or otherwise, who engages in unlawful sexual harassment as defined by the Fair Employment and Housing Act. There may be personal liability for a person who commits the harassment or aids and abets in the harassment, depending on the circumstances.~~

~~Anyone who is subject to or witnesses sexual harassment as defined by the Fair Employment and Housing Act at the Olivenhain Municipal Water District is expected to promptly contact any Manager. If the complaint involves a Manager, it shall be immediately reported to the General Manager of the District. Retaliation for complaining about harassment is illegal, even if it cannot be demonstrated that the harassment actually occurred.~~

~~Sexual harassment is a violation of Title VII of the Civil Rights Act of 1964 and will not be tolerated by this District.~~

~~If employees are aware of any violation of this law, they are expected to report the circumstances to any Manager. If the complaint involves a Manager, it shall be immediately reported to the General Manager of the District. Reports may be submitted verbally or in writing.~~

~~The District considers accusations of harassment in the workplace serious and will conduct an immediate, thorough, objective and complete investigation. All persons with information regarding the~~

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~~matter will be interviewed and a determination made. The results will be communicated to the complainant, the alleged harasser, and as appropriate to all others directly concerned.~~

~~Employees of the District who believe they have been subjected to sexual harassment as defined by the Fair Employment and Housing Act may also file a complaint with the California Civil Rights Department (CRD). Complaint forms may be obtained from CRD by calling (800) 884-1684.~~

~~All District supervisors or managers informed of any sexual harassment or harassment, as defined by the Fair Employment and Housing Act, are required to immediately report any claims to the Human Resources Manager, or General Manager.~~

~~All employees of the District are advised that the District will not tolerate any conduct on the part of any employee accused of sexual harassment that might be construed as retaliatory in nature. Retaliatory conduct or actions by any District employee following a claim of harassment are separate and independent grounds for disciplinary action and/or termination by the District.~~

~~If the results of the District's investigation confirm the offense, immediate disciplinary action up to and including discharge and appropriate legal action will be taken against the person violating this policy.~~

Discrimination, Harassment and Retaliation. The District is committed to preventing discrimination, harassment and retaliation in the workplace even when the conduct occurs away from District premises if the conduct is connected to the covered individual's job, such as while working remotely, while on a business trip, or at a work-related social function. The District has zero tolerance for any conduct that violates this policy. A single act by a District employee may constitute a violation of this policy and provide sufficient grounds for the General Manager to discipline the District employee.

This policy establishes a complaint procedure by which the District will investigate and resolve complaints of discrimination, harassment and retaliation by and against District covered individuals. The District encourages all covered individuals to report any conduct that they believe violates this policy as soon as possible.

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The District expressly prohibits any retaliation against an employee because they filed or supported a complaint or because they participated in the investigation or complaint resolution process. Individuals found to have retaliated against an employee in violation of this policy will be subject to appropriate disciplinary action, up to and including termination.

This policy also covers the following individuals: applicants for employment at the District; all District employees regardless of rank or title; elected or appointed officials of the District; interns; volunteers; and contractors.

This policy applies to all terms and conditions of employment, internships, and volunteer opportunities, including, but not limited to, selection, hiring, placement, promotion, disciplinary action, layoff, recall, transfer, leave of absence, compensation, and training.

Protected Classification. This policy prohibits discrimination, harassment or retaliation because of an individual's protected classification.

"Protected Classification" includes race, religion, creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender (including pregnancy, childbirth, breastfeeding, or related medical conditions), gender identity, gender expression, age (40 and over), sexual orientation, military and veteran status, reproductive health decision making, or any other basis protected by law.

This policy prohibits discrimination, harassment, or retaliation for the following reasons: (1) an individual's protected classification; (2) the perception that an individual has a protected classification; or (3) the individual associates with a person who has or is perceived to have a protected classification.

Protected Activity. This policy prohibits discrimination, harassment, and retaliation because of an individual's protected activity.

Protected activity includes, but is not limited to, the following activity: (1) making a request for an accommodation for a disability; (2) making a request for accommodation for religious beliefs; (3) making a complaint under this policy; (4) opposing violations of this policy; or (5) participating in an investigation under this policy.

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Discrimination. This policy prohibits treating a covered individual differently and adversely because of the individual's actual or perceived protected classification; because the individual associates with a person who is or is perceived to be a member of a protected classification; or because the individual participates in a protected activity as defined in this policy.

Harassment. This policy prohibits harassment of a covered individual because of the individual's actual or perceived protected classification. Harassment includes, but is not limited to, the following conduct:

(a) Derogatory, offensive or inappropriate speech, such as epithets, slurs or stereotypical comments, or verbal propositions made on the basis of the individual's protected classification. This includes, but is not limited to, comments, stories, and jokes about appearance, dress, physical features, gender identification, and race.

(b) Physical acts, such as assault, impeding or blocking movement, offensive touching, or physical interference with normal work or movement. This includes, but is not limited to, pinching, grabbing, patting, or making explicit or implied job threats or promises in return for submission to physical acts.

(c) Visual acts, such as derogatory, offensive or inappropriate, posters, cartoons, emails, pictures or drawings related to a protected classification.

(d) Unwanted sexual advances, requests for sexual favors and other acts of a sexual nature, where submission is made a term or condition of employment, where submission to or rejection of the conduct is used as the basis for employment decisions, or where the conduct is intended to or actually does unreasonably interfere with an individual's work performance or create an intimidating, hostile, or offensive working environment.

Harassment includes conduct that another individual who is a member of the protected classification would find unwelcome or unwanted.

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Retaliation. Retaliation occurs when an employer takes adverse employment action against a covered individual because of the individual's protected activity as defined in this policy.

The District takes a proactive approach to potential policy violations and will conduct an investigation if its supervisory or management employees become aware that harassment, discrimination or retaliation occurred or may be occurring, regardless of whether the recipient or third party reports a potential violation.

Complaint Procedure. Any employee or applicant who experiences or witnesses behavior that they in good faith believe violates this policy is encouraged to immediately tell the offending individual to stop and that the behavior is inappropriate, but only if they feel comfortable doing so. A covered individual who believes they have been subjected to discrimination, harassment or retaliation may make a complaint, either orally or in writing, to any supervisor, manager, the Human Resources Manager or to the General Manager, without regard to any chain of command.

Any supervisory or management employee who observes, learns of, or receives a harassment complaint is required to immediately notify the Human Resources Manager and must follow any instructions provided by the Human Resources Manager. Upon receiving notification of a complaint regarding discrimination, harassment or retaliation, the Human Resources Manager or their designee will complete and/or delegate the following steps:

1. Authorize and supervise the investigation of the complaint and/or investigate the complaint. The investigation will usually include interviews with the following individuals: (1) the complainant; (2) the respondent (e.g., the subject of the investigation); (3) potential witnesses to the conduct at issue; and (4) other persons who may have relevant knowledge concerning the allegations in the complaint.

2. Review the factual information gathered during the investigation to determine whether the alleged conduct violated this policy giving consideration to all factual information, the totality of the circumstances, including the nature of the conduct, and the context in which the alleged incidents occurred.

3. Prepare a summary report of the determination as to whether the conduct violated this policy and provide such report to the General

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Manager. If discipline is imposed by the General Manager, the level of discipline or sanctions will not be communicated to the complainant.

4. If conduct in violation of this policy occurred, recommend to the General Manager prompt and effective remedial action.

5. Take prompt, reasonable steps designed to protect the complainant from harassment, discrimination or retaliation which, on occasion, may require initial, interim protective measures until the investigation has been completed.

If the Human Resources Manager is the respondent, or a witness to the events at issue, an individual with higher authority will complete and/or delegate the above enumerated steps. If the General Manager is the respondent, the investigation will be outsourced, outside legal counsel will serve the role of the Human Resources Manager, and the Board of Directors will serve in the role of the General Manager.

Right to File. An individual possesses the right to report workplace harassment, discrimination or retaliation to the Equal Employment Opportunity Commission (EEOC) and/or the California Civil Rights Department (CRD). These administrative agencies provide a complaint process as well as certain legal remedies if the applicable agency determines that a violation of the law occurred. The nearest EEOC and CRD offices are listed on the internet. Employees may also check the posters that are located on District bulletin boards for EEOC and CRD office locations and telephone numbers.

Confidentiality. To the extent possible, the District will endeavor to keep the reporting of complaints confidential. However, complete confidentiality cannot be guaranteed because of the District's need to investigate the complaint and comply with its obligations pursuant to this policy and the law.

All employees are required to cooperate fully with any investigation. Failure to do so, intentional dishonest and/or the intentional withholding of information could result in disciplinary action. This includes, but is not limited to, maintaining an appropriate level of discretion regarding the investigation and disclosing any and all information that may be pertinent to the investigation. The District expressly prohibits an employee who is interviewed during the

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course of an investigation from attempting to influence other employees, including employees who may have witnessed the underlying conduct at issue, while the investigation is open and ongoing.

An employee may discuss their interview with a designated association representative (i.e. BUMA or OMWDEA) and/or the employee's legal representative. The District will not disclose a completed investigation report except as it deems necessary to support a disciplinary action, to take remedial action, to defend itself in adversarial proceedings, or to comply with the law or court order.

Responsibilities. Each non-supervisor or non-manager is responsible for the following:

1. Treating all individuals in the workplace or on District worksites with respect and consideration.

2. Modeling behavior that conforms to this policy.

3. Participating in periodic trainings on personnel matters.

4. Cooperating with the District's investigations pursuant to this policy by responding fully and truthfully and in a timely manner to all questions posed during the investigation.

5. Taking no actions to influence the complainant or any potential witness while the District's investigation is ongoing.

6. Reporting any act they believe in good faith constitutes harassment, discrimination or retaliation as defined in this policy, to their immediate supervisor or manager, the Human Resources Manager, or the General Manager.

In addition to the responsibilities listed above, each manager and supervisor is responsible for:

1. Informing employees under their supervision of this policy.

2. Taking all steps necessary to prevent harassment, discrimination and, retaliation from occurring including, but not limited to, monitoring the work environment and taking immediate and appropriate action to stop violations (e.g., removing inappropriate pictures or correcting inappropriate language).

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3. Receiving, responding to, and reporting to the Human Resources Manager all observations, knowledge, and/or complaints of conduct that may violate this policy in a uniformly fair and serious manner

4. Documenting the steps taken to resolve such complaints.

5. Following up with those who have complained to ensure that the offensive conduct about which they complained has stopped and that there have been no reprisals or retaliation or threats of reprisal or retaliation.

6. Informing those who complain about harassment and/or discrimination of their option to contact the EEOC or CRD and file a complaint about such activity.

7. Assisting and/or advising employees regarding this policy.

8. Assisting in the investigation of complaints involving subordinate employee(s).

9. Where a complaint is substantiated, assisting in the development of a recommendation concerning an appropriate corrective or disciplinary action in accordance with these policies.

10. Implementing appropriate corrective or disciplinary actions.

11. Reporting potential violations of this policy to the Human Resources Manager, regardless of whether an employee complained about such conduct.

12. Participating in periodic training and scheduling employees for training.

Sec. 20.8. added via Ordinance No.509/August 16, 2023

Sec. 20.8. Employment of Relatives. The District seeks to create a work environment that avoids even the appearance of favoritism, conflicts of interest, or management disruptions. The District recognizes the employment of relatives can cause various problems including, but not limited to, charges of favoritism and conflicts of interest.

The District allows existing family working relationships to be maintained, and may employ individuals with family relationships to current District employees, provided that:

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(1) Relatives do not have a supervisor/subordinate relationship with one another;
(2) The relationship does not create an adverse impact on work productivity or performance; and
(3) The relationship does not create an actual or perceived conflict of interest.

Should relationships be identified with either applicants or current employees, the matter should be reported to the Human Resources Manager or General Manager immediately. The District will make a determination as to whether the relationship is subject to this policy, and appropriate action will be taken, which may include not hiring a candidate, transferring an existing employee, or terminating the employment of one or both employees with family relationships.
For the purposes of this policy, relatives include, but are not limited to, relationships established by blood, marriage, or legal action—e.g., spouse, domestic partners, parents, children, siblings, grandchildren, in-laws, stepparents or other stepfamily members, aunts, uncles, nieces, nephews, cousins.

Sec. 20.9. added via Ordinance No. 509 / August 16, 2023

Sec. 20.9. Other Employment. Employees are expected to devote their energies to their job with the District. The following types of additional employment elsewhere are strictly prohibited.

(1) Additional employment that conflicts with an employee's work schedule, duties, and responsibilities at the District;
(2) Additional employment that creates a conflict of interest or is incompatible with the employee's position with the District;
(3) Additional employment that impairs or has a detrimental effect on the employee's work performance with the District; and/or
(4) Additional employment that requires the employee to conduct work or related activities for that other employment on the District's property, during the employee's working hours, or using the District's resources, facilities, and/or equipment for the benefit of that other employment.

Employees wishing to engage in part-time employment or self-employment while working for the District must have such employment approved in advance by the General Manager.

Sec. 20.10. added via Ordinance No. 509 / August 16, 2023

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Sec. 20.10. Open Door Policy. The District has an open-door policy and encourages employees to come forward with their questions, suggestions, concerns, and observations.

The District encourages you to speak with your supervisor first. If, for any reason, you feel you cannot discuss the issue with your supervisor, or if the situation is not resolved satisfactorily, you may present the problem to your Manager. If not successfully resolved by your Manager, then see the Human Resources Manager or General Manager for assistance.

Sec. 20.11. added via Ordinance No. 509 / August 16, 2023

Sec. 20.11. Reasonable Accommodation. Consistent with the District's commitment to providing equal employment opportunities for all applicants and employees, the District will provide reasonable accommodation for qualified individuals with mental and/or physical disabilities, in accordance with all applicable laws, provided the accommodation does not cause an undue hardship on business operations or pose a direct threat to the health or safety of participants or other employees.

The District also provides reasonable accommodation for individuals whose needs regarding religious observances or practices are made known, provided the accommodation does not cause undue hardship on business operations. The District also provides reasonable accommodation for employees affected by pregnancy, as medically advisable. Upon being notified of an employee's need for a reasonable accommodation, the District will engage, in good faith, in a timely and interactive process with the employee to determine an effective reasonable accommodation. The District prohibits discrimination, discharge, retaliation, or any other unlawful acts against an individual because such person requests or receives an accommodation under this (or another applicable) policy, or because such individual engaged in any other conduct protected by law.

Sec. 20.12. added via Ordinance No. 509 / August 16, 2023

Sec. 20.12. Lactation Accommodation. The District provides accommodations to lactating employees who need to express breast milk during work hours in accordance with applicable law. Specifically, the District will make available a lactation room or other location (that is not a bathroom) for employees to express breast milk in private. The District will ensure that the lactation location:

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(1) is in close proximity to the employee's work area, shielded from view, and free from intrusion while the employee is expressing milk;
(2) is safe, clean, and free of hazardous materials;
(3) contains a surface to place a breast pump and personal items;
(4) contains a place to sit; and
(5) has access to electricity or alternative devices, including, but not limited to, extension cords or charging stations, needed to operate an electric or battery-powered breast pump.

In addition, the District will provide access to a sink with running water and a refrigerator suitable for storing milk (or other cooling device suitable for storing milk) in close proximity to the employee's workspace. In the event that more than one employee needs to use the lactation location to express breast milk, the District will discuss alternative options with the employees to determine what arrangement addresses their needs, such as finding an alternative space or creating a schedule for use.

The District provides a reasonable amount of break time for an employee to express breast milk each time the employee requires it. If possible, the break time should run concurrently with any break time already provided to the employee. Break time for a nonexempt employee that does not run concurrently with rest time already authorized for the employee is unpaid.

Employees who are nursing have a right to request a lactation accommodation and may make such requests verbally or in writing, to the Human Resources Manager.

The District will respond to such requests in a reasonably prompt manner, not exceeding five (5) business days. If the District cannot provide break time, location, or other reasonable accommodations in accordance with this policy, it will inform the requesting employee in writing.

The District prohibits any form of retaliation or discrimination against an employee for exercising or attempting to exercise any rights provided under this policy. Any such conduct or other violations of the above policies should be reported to the Human Resources Manager.

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Employees also have the right to file a complaint with the California Labor Commissioner for violation of a lactation accommodation right described in the policy above.

Sec. 20.13 added via Ordinance No. 5XX/November 6, 2024

Sec. 20.13. Title VI Compliance. In accordance with Title VI of the Civil Rights Act of 1964 and all related acts and statutes (Title VI), the District operates its programs and services without regard to race, color, national origin, sex, age or disability. Title VI and related statutes prohibits discrimination in federally assisted programs requires that no person in the United States of American shall, on the grounds of race, color, national origin, sex, age or disability be excluded from the participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity receiving federal assistance.

Any person who believes she or he has been aggrieved by any unlawful discriminatory practice under Title VI may file a complaint with the District. Any such grievance must be in writing and submitted to the District's Title VI Compliance Coordinator within 180 days following the date of the alleged occurrence. The Human Resources Manager serves as the designated Title VI Compliance Coordinator. For more information on the District civil rights program, and the procedures to file a complaint, contact the Human Resources Manager.

Title VI Grievance Procedures. As a recipient of federal funds, the District is required to comply with Title VI of the Civil Rights Act of 1964 and ensure that services and benefits are provided on a nondiscriminatory basis. This procedure describes the process for local disposition of Title VI grievances.

Any person who believes she or he has been discriminated against on the basis of race, color, or national origin, sex, religion, disability, or age by the District may file a Title VI grievance by completing and submitting the Title VI Grievance Form. The Grievance Form should be submitted to the Human Resources Manager by the complainant or his/her authorized representative as soon as possible but no later than 180 calendar days after the alleged violation.

Within 15 calendar days after receipt of the complaint, the Human Resources Manager or her designee will meet with the complainant to discuss the complaint and possible resolutions. Within 15 calendar

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days of the meeting, the Human Resources Manager or her designee will respond in writing, and when appropriate, in a format accessible to the complainant, such as large print or audio file. The response will explain the position of the District and offer options for substantive resolution of the complaint.

If the response by the Human Resources Manager does not satisfactorily resolve the issue, the complainant and/or his or her designee may appeal the decision within 15 calendar days after receipt of the response to the General Manager. Within 15 calendar days after receipt of the appeal, the General Manager or their designee will meet with the complainant to discuss the complaint and possible resolutions. Within 15 calendar days after the meeting, the General Manager or designee will respond in writing, and when appropriate, in a format accessible to the complainant with a final resolution. All written complaints, appeals, and responses shall be retained by the District for three years. Any grievant has the right to file grievances directly to the appropriate state or federal agency providing federal financial assistance to the District.

OLIVENHAIN
Municipal Water District

Agenda Item 14

Memo

Date: November 6, 2024

To: Olivenhain Municipal Water District Board of Directors

From: Steven Weddle, Engineering Services Supervisor

Via: Kimberly A. Thorner, General Manager

Subject: **CONSIDER APPROVAL OF CONSTRUCTION CHANGE ORDER 2 WITH CCL CONTRACTING, INC. IN THE AMOUNT OF $158,692 FOR THE CONSTRUCTION OF THE UNIT A RANCHO SANTA FE POTABLE WATER PIPELINE REPLACEMENT PROJECT, ADD 20 ADDITIONAL CONTRACT DAYS, AND AUTHORIZE THE GENERAL MANAGER TO SIGN ON BEHALF OF OMWD**

Purpose

The purpose of this agenda item is to consider Construction Change Order 2 (CCO 2) with CCL Contracting, Inc. (CCL) for changed conditions encountered on the Unit A Rancho Santa Fe Potable Water Pipeline Replacement Project (Project) in the amount of $158,692, add 20 additional contract days, and authorize the General Manager to sign on behalf of Olivenhain Municipal Water District (OMWD).

Recommendation

Staff recommends approval of CCO 2 with CCL and authorization for the General Manager to sign on behalf of OMWD.

Alternative(s)

The Board could elect to:

- Direct Staff to re-negotiate the Change order; or
- Proceed in a manner as otherwise directed by the Board.

Background

The Project installs approximately 1,600 feet of new 12-inch PVC pipe to replace the existing cement mortar lined and coated (CMLC) steel pipeline located along Rancho Santa Fe Road between Las Olas Court and Calle Acervo, within Director Division 3 (Guerin) and Director Division 5 (Meyers). The existing 12-inch potable water pipeline was installed in 1961 as part of a larger construction project including several miles of pipeline known as the Unit A pipeline, and was nearing the end of its useful lifespan. The Board awarded the construction contract to CCL in the amount of $1,090,000 in December 2023. CCL received their traffic control permit in June 2024 and mobilized to the site. As the work progressed, CCL encountered unforeseen conditions that needed to be addressed.

Fiscal Impact

The Project (CIP D120093) has sufficient appropriations available for FY 25 to authorize the proposed CCO 2.

Is this a Multi Fiscal Year Project? **Yes**

In which FY did this capital project first appear in the CIP budget? **2021**

Total Project Budget: **$2,094,000**

Current Fiscal Year Appropriation: **$1,428,096**

To Date Approved Appropriations: **$1,936,000**

Target Project Completion Date: **Late 2024/Early 2025**

Expenditures and Encumbrances as of October 17, 2024: **$1,721,434.42**

Is this change order within the appropriation of this fiscal year? **YES**

Discussion

CCO 1 for $67,464 was approved by the General Manager in March of 2024 to add additional recycled water appurtenances to the nearby Manchester Recycled Water Pipeline, that was recently completed by CCL and commissioned into OMWD's system and still under CCL's warranty. These changes were necessary to optimize the system functionality with recent pump station changes enacted by SEJPA on OMWD's connection to their recycled water supply. As CCL completed the aforementioned project that remains under their warranty, CCL was selected to perform the necessary work under CCO, with costs incurred to the associated recycled water project.

During the course of construction of the Unit A Pipeline Replacement, unforeseen conditions were encountered that needed to be addressed for the Project to progress. The initial design incorporated an alignment that required trenching through both South bound lanes of travel on RSF Road. Prior to construction, CCL proposed that the alignment could be changed to install the majority of the pipeline in only one of the lanes of travel. This resulted in a net zero impact to the project cost and timeline, but significantly reduced traffic impacts and additional paving restoration at the completion of the work. CCL has been a very responsible partner, and did considerable research to incorporate creative ideas to minimize community and traffic impacts.

Additionally, the bid documents inaccurately showed the ROW jurisdiction split approximately 60% Carlsbad and 40% Encinitas on the alignment of the Project. During the permitting phase, Carlsbad confirmed they had jurisdiction over the entire length of the pipeline and Encinitas agreed. Unfortunately, Carlsbad has significantly higher paving restoration requirements, which resulted in the necessary change of additional paving efforts and costs to complete the work.

During the course of work, modifications were made to the proposed installation of Manual Air Release (MAR) and Blow Off (BO) appurtenance assemblies necessary for the functionality of the pipeline. These changes were made to reduce the impact and restoration requirements due to their placement within the Carlsbad ROW, increase efficiency of installation and reduce construction time, add additional appurtenances where needed for system operation, and resulted in a net credit to the District.

As the pipeline construction was nearing approximately 70% completion in September 2024, the City of Carlsbad imposed significant reductions to authorized work hours on the contractor through the re-issuance of their approved Traffic Control Permit. This reduced CCL's production by 2 hours of work per day, with nearly a 30% estimated reduction in total production, as the amount of time for daily start up and take down remains the

same. This was the most impactful changed condition encountered through the project, increasing the project duration an additional 20 work days, and increasing the costs to OMWD in the amount of $116,000. According to the City, this was done to address increased concerns over traffic congestion in the area. OMWD completed an extensive public outreach campaign to inform the community ahead of and during construction. Staff requested Carlsbad provide those concerns to OMWD on multiple occasions. To date, OMWD has received no such complaints or documentation from Carlsbad to substantiate these community "concerns." After several discussions over many weeks with Carlsbad staff, Staff was successful in recovering a portion of the reduced hours, but approximately 3 weeks of costs and delays had already been incurred by CCL against the Project.

The following table provides a breakdown of the individual Proposed Change Orders (PCO) that comprise CCO 2. PCOs are reviewed individually and then typically bundled into a larger CCO for OMWD's consideration:

Proposed Change Order # (PCO) and Description	**Date**	**Initiated by**	**Value**	**Time (Consecutive Calendar Days)**
PCO-05 Reduced Work Hours-Carlsbad	September 2024	CCL	$116,493.39	20
PCO-03 Additional Paving Restoration-Carlsbad	April 2024	District	$56,650.00	0
PCO-01 Manchester RCW Paving Deletion	February 2024	District	-$13,492.80	0
PCO-02 MAR Modifications/Deletions	April 2024	District	-$11,394.00	0
PCO-02 BO Modifications/Deletions	April 2024	District	-$15,934.00	0
PCO-02 MAR/BO Modifications/Additions	April2024	District	$26,369	0
PCO-04 Alignment Modifications	April 2024	District	$0	0
Proposed PCO Total	**--**	**--**	**$158,691.59**	**20**

The Project is now nearing completion and the new potable line is providing reliable service to OMWD ratepayers. Staff has worked closely with CCL through these unforeseen conditions to keep the cost and impact to the Project as low as possible and recommends approval of CCO 02 in the amount of $158,692.

Staff is available to answer questions.

Attachment(s):
Proposed CCO 2

CONTRACT CHANGE ORDER

Owner: **OLIVENHAIN MUNICIPAL WATER DISTRICT** OMWD PN: D120093

Project Name: Unit A-Rancho Santa Fe Road Potable Water Pipeline Replacement Project

Contractor: CCL Contracting, Inc.

CONTRACT CHANGE ORDER NO. 02 Date: October 8, 2024

The Contractor is hereby authorized and directed to make the herein described changes from the Plans and Specifications or do the following work not included in the Plans and Specifications for the construction of this project. Payment to the contractor for these change order items shall provide full compensation for all equipment, materials, labor, field and home office overhead, indirect and consequential costs, mark-ups and profit necessary to complete the work. By executing this contract change order, the contractor agrees to proceed with this work as a change order per the contract documents and waives any rights to additional compensation arising out of work listed in this change order, including without limitation, any claims relating to any cumulative effect of change orders, delays, productivity impact or interruption.

DESCRIPTION OF CHANGE:

1. The City of Carlsbad reduced the allowable work hours from 8:30am-3:30pm to 9:00am-2:00pm during the final third of the Project. These reduced hours were not included in the bid documents and resulted in production delays and additional time and costs to complete the work. The cost of this work is $116,493.39. Twenty (20) days are added for this work. See PCO #5 for details.

2. The project plans showed the project splitting ROW jurisdiction between the City of Carlsbad and City of Encinitas. After bid, the City of Carlsbad affirmed their jurisdiction of Rancho Santa Fe Road for the entire length of the pipeline and required the contractor to comply with the City of Carlsbad paving requirements which were significantly more stringent than the City of Encinitas paving requirements in the bid documents. The cost of this work is $56,650.00. Zero (0) days are added for this work. See PCO #3 for details.

3. The City of Encinitas did not require final cap paving for the work included on El Camino Real in Change Order #1. The cost of this work is a CREDIT of $13,492.80. Zero (0) days are added for this work. See PCO #1 for details.

4. Change the following MARs from OMWD Std Dwg A2.1 to A2.2 with the valve cans being in the travel way at the pipeline trench and not off the side of the road per A2.1:
   - Sta. 1+05 Avenida La Cima
   - Sta. 9+20 RSF Road
   - Sta. 17+00 RSF Road

   The cost of this work is a CREDIT of 3 each @ <$3,798.00>/each= <$11,394.00>. Zero (0) days are added to the contract for this work. See PCO #2 for details.

5. Change the following s Blow-Offs from OMWD Std Dwg A1.1 to A1.2 with the valve cans being in the travel way at the pipeline trench and not off the side of the road per A2.1:
   - Sta. 9+32 RSF Road
   - Sta. 17+00 RSF Road

   The cost of this work is a CREDIT of 2 each @ <$7,967.00.00>/each= <$15,934.00>. Zero (0) days are added to the contract for this work. See PCO #2 for details.

6. Add one (1) blow-off per OMWD Std Dwg A1.2 and two (2) MARs per OMWD Std Dwg A2.2 at the tee at Las Olas. The cost of this work is 1 each @ $8,949.00 = $8,949.00 and 2 each @ $8,710.00 = $17,420.00 totaling $26,369.00. Zero (0) days are added to the contract for this work. See PCO #2 for details.

7. Modify the alignment per Submittal #7 to provide significantly reduced imp\act to the traveling public while maintaining operations efficiency of the original design. The cost of this work is $0.00. Zero (0) days are added to the contract. See PCO #4 for details.

Original Contract Amount: $1,090,000.00
Total Previous Change Orders (Through CCO #1): $66,505.00
Total This Change Order: $158,691.59
Revised Contract Amount: $1,316,155.59

Original Contract Duration: 300 Calendar Days
Original Contract Completion Date: 12.03.2024
Total Calendar Days Added from Previous Change Orders (Through CCO #1): 0
Total Calendar Days Added This Change Order: 20
Revised Contract Duration: 320 Calendar Days
Revised Contract Completion Date: 12.23.2024
TOTAL COST for this CHANGE ORDER is One-Hundred Fifty-Eight Thousand Six-Hundred Ninety-One DOLLARS and 59 cents INCREASE.

It is agreed that 20 consecutive calendar day(s) extension of time will be allowed by reason of this change. The original completion date was 12/03/2024 and the revised completion date is 12/23/2024 (including weather delays).

Prepared by Project Manager

Steve Weddle

Accepted by CONTRACTOR

By: _____

Date: 10/14/2024

Approved by OWNER

By: _____

Date: _____

NOTE: Attention is called to the sections in the General Provisions on Scope of Work and Estimates and Payments.

☐ THIS CHANGE ORDER IS NOT EFFECTIVE UNTIL APPROVED BY OWNER.

☐ IF ACCEPTABLE TO THE CONTRACTOR, THIS CHANGE ORDER IS EFFECTIVE IMMEDIATELY.

Distribution: ☐ Owner ☐ Contractor ☐ Engineer ☐ Finance

OLIVENHAIN
Municipal Water District

Agenda Item 15

Memo

Date: November 6, 2024

To: Olivenhain Municipal Water District Board of Directors

From: Steven Weddle, Engineering Services Supervisor

Via: Kimberly A. Thorner, General Manager

Subject: **CONSIDER APPROVAL OF CONSTRUCTION CHANGE ORDER 11 WITH ORION CONSTRUCTION CORPORATION FOR $81,937 FOR THE 4S RANCH NEIGHBORHOOD 1 SEWER PUMP STATION REPLACEMENT PROJECT, APPROPRIATE AN ADDITIONAL $200,000 TO THE PROJECT, AND AUTHORIZE THE GENERAL MANAGER TO SIGN ON BEHALF OF OMWD**

Purpose

The purpose of this agenda item is to consider approval of Construction Change Order (CCO) 11 for the 4S Ranch Neighborhood 1 Sewer Pump Station Replacement Project (Project) with Orion Construction Corporation (Orion) in the amount of $81,937, and authorize the General Manager to sign on behalf of Olivenhain Municipal Water District (OMWD). Staff requests an additional $200,000 be appropriated to the Project to provide the necessary funding for Project closeout.

Recommendation

Staff recommends approval of CCO 11 and authorization for the General Manager to sign on behalf of OMWD. Staff recommends approval of an additional appropriation of $200,000 to the Project.

Alternative(s)

The Board could elect to:

- Direct staff to re-negotiate the change order; or
- Proceed in a manner as otherwise directed by the Board.

Background

The 4S Ranch Neighborhood 1 Sewer Pump Station (NBHD1 SPS) is located at the south end of 4S Ranch Parkway near the 4S Ranch Sports Park/Boys & Girls Club of Greater San Diego and Stone Ranch Elementary School in Director Division 4 (Hahn). The facility was constructed in 2000 by 4S Kelwood and dedicated to OMWD in 2002 as a part of the 4S Ranch Water Reclamation Facility (4S WRF) expansion. The NBHD1 SPS collects tributary flows from customers in the south end of the 4S Ranch development, including Black Mountain Ranch East Clusters, Heritage Bluffs, and the Avion developments. NBHD1 SPS pumps the effluent up 4S Ranch Parkway and over to the 4S Water Reclamation Facility on Dove Canyon Road through sewer force mains. The pump station consists of two (2) pumps: one (1) submersible pump in a wet well and one (1) centrifuge pump located in an above-ground, previously unconditioned structure along with the electrical equipment.

Following a successful bid in Fall of 2021, the Board awarded the contract to Orion in February 2022 for $6,123,000 to begin work on replacement of this critical asset.

Fiscal Impact

The Project (CIP D700004) does not have sufficient budget available for Fiscal Year (FY) 25 to accommodate CCO 11, and an additional $200,000 will need to be added to the overall Project budget and appropriated to the Project in FY 25 to complete the work. In addition to the construction change orders included in this memorandum significant legal fees have been expensed against the Project, that are accounted for in the requested appropriation.

To maintain the same FY appropriations for wastewater, staff is requesting that the Board transfer $200,000 in FY 25 from the Wastewater Capital Reserves Fund to the Neighborhood 1 SPS Rehab Project.

Is this a Multi Fiscal Year Project? **Yes**

In which FY did this capital project first appear in the CIP budget? **FY 2014**

Total Project Budget: **$8,382,000**

Current Fiscal Year Appropriation: **$1,595,392**

To Date Approved Appropriations: **$8,382,000**

Target Project Completion Date: **November 2024**

Expenditures and Encumbrances as of (June 20, 2024): **$8,482,890**

Is this change order within the appropriation of this fiscal year? **No**

If this change order is outside of the appropriation, Source of Fund: **Wastewater Capital Reserves Fund**

Discussion

Following award in February 2022, the Project was delayed by supply chain materials procurement issues on large electrical equipment. In accordance with Administrative and Ethics Code Section 6.8C, CCO 1, a no-cost time extension was signed by the General Manager in August 2022 to account for that delay and extend the contract completion date to September 20, 2023. The Project then broke ground in October of 2022, where Orion unexpectedly encountered excessive groundwater. CCO 2 was approved by the Board in February 2023, in the amount of $141,650, and extended the contract completion to November 2023. The work completed under CCO 2 largely accounted for excess dewatering and unsuitable, oversaturated soils encountered onsite through mid-January 2023.

Following the Board action in February 2023 on CCO 2, construction progressed where additional unsuitable, oversaturated soils were encountered, excess dewatering continued, and additional unforeseen conditions were encountered requiring modifications to the scope of work. This accounted for CCO 3 and CCO 4 approved by the Board in May 2023, in the combined amount of $223,344. Construction continued

to progress where more unfavorable soils conditions were encountered. Excess dewatering continued, primarily related to the dry pit – the largest excavation on-site. CCO 5 was approved by the Board in November 2023, to account for these changed conditions.

CCO 6, approved by the Board in February 2024, accounted for additional imported fill for the dry pit excavation, backfilling and replacement of the unsuitable saturated onsite soils due to the infiltration water. In addition, changes in electrical equipment and conduit placement were accounted for to accommodate the new pump station alignment and meet SDG&E requirements for service.

CCO 7 and 8 were approved by the Board in July 2024 to account for several miscellaneous construction items and the critical replacement of the existing wet well liner to ensure reliable service for the sewer pump station.

CCO 9 and 10 were approved by the General Manager in August 2024 and October 2024, respectively, to account for additional infiltration water and unsuitable materials encountered, additional concrete and grading changes, startup delays in schedule, and miscellaneous construction items necessary for Project completion. Both Change Orders were under the General Manger authority in concurrence with the Administration and Ethics Code.

Proposed close out CCO 11 is comprised of additional costs and delays associated with startup configuration and calibration, that resulted in the necessity of an additional 4 weeks of bypass pumping costs, for which 2.5 weeks were attributable to changed work. The Contractor took ownership of issues under their concurrent delay, and reduced their price to OMWD accordingly. The time associated with this work was accounted for under CCO 10, but the costs were quantified separately as the work was completed, to ensure the fairest pricing possible. Additionally, damaged paving requiring replacement and restoration, identified during the Project for the access road to the sewer pump station, has now been fully quantified and priced accordingly with the Project nearing completion.

The following table gives a breakdown of the individual tasks and proposed change orders that comprise CCO 11. Proposed Change Orders (PCO) are reviewed individually and then typically bundled into a larger CCO for OMWD consideration.

Proposed Change Order # (PCO) and Description	Date	Initiated by	Value	Time (Consecutive Calendar Days)	Caused by Excessive Infiltration Water
PCO# 34 Additional bypass pumping and station calibration	October 2024	Orion	$33,395.16	0	N/A
PCO# 33 AC Repair and Restoration	October 2024	District	$48,542.25	0	N/A
Proposed PCO Total	--	--	**$81,937.41**	**0**	--

A summary of the contract and change orders to date is presented in the following table. If approved, the approximate cumulative change order value through CCO 11 amounts to 13% of the total construction contract and the new completion date will be November 12, 2024. Approximately 47% of approved and proposed change orders to date are affiliated with the excess infiltration water conditions present on site.

Authorization	Date	Authorized by	Value	Time (Consecutive Calendar Days)
Original Contract	Feb. 16, 2022	Board	**$6,123,000**	300
Issued Notice to Proceed	April 20, 2022	--	**--**	--
CCO No. 1	Aug. 3, 2022	General Manager	**$0**	218
CCO No. 2	Feb. 15, 2023	Board Approved	**$141,650**	68
CCO No. 3	May 17, 2023	Board Approved	**$44,325**	41
CCO No. 4	May 17, 2023	Board Approved	**$179,019**	58
CCO No. 5	Nov. 15, 2023	Board Approved	**$106,763**	0
CCO No. 6	Feb. 21, 2024	Board Approved	**$72,071**	178
CCO No. 7	July 17, 2024	Board Approved	**$26,960**	7
CCO No. 8	July 17, 2024	Board Approved	**$198,835**	14

CCO No. 9	August 29, 2024	General Manager	**$55,891**	21
CCO No. 10	October 10, 2024	General Manager	**$17,726.00**	31
CCO No. 11	November 6, 2024	Pending Board Approval	**$81,937**	0
Total Previous Approved CCOs	**--**	**Board/ General Manager**	**$843,240**	**636**
Total Proposed CCOs	**--**	**Pending Board**	**$81,937**	**0**
Total CCOs to Date (If Approved)	**--**	**Pending Board**	**$925,177**	**636**
New Contract Value (if approved)	**--**	**--**	**$7,048,177**	**936**

Staff recommends approval of CCO 11 to Orion in the combined amount of $81,937.41 to account for additional changed work to date and Project closeout necessary to complete this critical wastewater project. Staff plans to return to the December 2024 Board meeting for consideration of Notice of Completion.

The appropriation of an additional $200,000 should also cover legal fees on this project, which have been discussed with the Board in Closed Session.

Staff is available to answer any questions.

Attachments:
CCO 11

CONTRACT CHANGE ORDER

Owner: **OLIVENHAIN MUNICIPAL WATER DISTRICT** OMWD File No. D-700004

Project: 4S Ranch Neighborhood 1 Sewer Pump Station Replacement Project

Contractor: Orion Construction Corporation

CONTRACT CHANGE ORDER NO. 11 Date 10/17/24

The Contractor is hereby authorized and directed to make the herein described changes from the Plans and Specifications or do the following work not included in the Plans and Specifications for the construction of this project. Payment to the contractor for these change order items shall provide full compensation for all equipment, materials, labor, field and home office overhead, indirect and consequential costs, mark-ups, and profit necessary to complete the work. By executing this contract change order, the contractor agrees to proceed with this work as a change order per the contract documents and waives any rights to additional compensation arising out of work listed in this change order, including without limitation, any claims relating to any cumulative effect of change orders, delays, productivity impact or interruption.

DESCRIPTION OF CHANGE

1. On 8/26/24 RFI #101 the Contractor identified a problem with no fail safe for the pumps in the programing which required rewiring and programming changes, during initial stages of pre-startup testing. On 9/12/24 RFI #105 noted that the pressure switches called out in the specifications are set too high for the station operating parameters, the fix was to remove the switches change out with lower value switches and have them resealed and reinstalled. Due to these 2 required changes it was necessary for the contractor to keep the bypass pumps in services an extra 2.5 weeks to procure materials and make the required modifications. The cost of this additional work to change out the switches, make changes for the fail safe and to keep the bypass running is $33,395.16. Zero (0) calendar days are added for this work. See PCO #34 for details.
2. On 07/19/23 in Progress meeting #19 the contractor noted that the driveway to the station was starting to deteriorate due to the groundwater issues, unanticipated excess haul off of unsuitable soils, and the heavy equipment traffic from extended construction duration. The contractor covered as much as they could with plates to try and inhibit the paving from deterring more. It was agreed at that time that the District would wait until the project was finished to determine what would be need to be repaired or replaced for the asphalt site access road. The District walked the site and determined the limits of the pavement restoration with Orion at the close out of the project in October 2024. The cost of this additional asphalt restoration work is $48,542.25. Zero (0) calendar day is added for this work. See PCO #33 for details.

Original Contract Amount: $6,123,000.00
Total Previous Change Orders (Through CCO #10): $843,240.13
Total This Change Order: $81,937.41
Revised Contract Amount: $7,048,177.54
Original Contract Duration: 300 Calendar Days
Original Contract Completion Date: February 14, 2023
Total Calendar Days Added from Previous Change Orders (Through CCO #10): 936 Calendar Days
Total Calendar Days Added This Change Order: 0 Calendar Days
Revised Contract Duration: 936 Calendar Days
Revised Contract Completion Date: November 12, 2024
TOTAL COST for this CHANGE ORDER is Eighty-one thousand nine hundred thirty-seven dollars and forty-one cents INCREASE.

It is agreed that 0 consecutive calendar day(s) extension of time will be allowed by reason of this change. The latest completion date is November 12, 2024 (including weather delays).

Prepared by Construction Manager

Paul Mochel

Paul Mochel, Valley Construction Management

Accepted by CONTRACTOR

By: _____

Date: 10/17/2024

Approved by OWNER

By: _____

Date: _____

NOTE: Attention is called to the sections in the General Provisions on Scope of Work and Estimates and Payments. THIS CHANGE ORDER IS NOT EFFECTIVE UNTIL APPROVED BY OWNER.

Distribution: ☐ Owner ☐ Contractor ☐ Engineer ☐ Finance

Agenda Item 16

OLIVENHAIN
Municipal Water District

Memo

Date: November 6, 2024

To: Olivenhain Municipal Water District Board of Directors

From: Rainy Selamat, Finance Manager

Via: Kimberly A. Thorner, General Manager

Subject: **RECEIVE ANNUAL REPORT ON THE DISTRICT'S PENSION FUNDING STATUS AND CONSIDER APPROVAL OF THE RECOMMENDED PENSION FUNDING PLAN FOR 2024**

Purpose

The purpose of this item is to provide a report on the District's pension funding status based on California Public Employees' Retirement Plan (CalPERS) Actuarial Valuation as of June 30, 2023 to the Board as stated in the District's Pension Funding Policy (Policy), and to seek approval from the Board to continue with the recommended pension funding plan for 2024.

Recommendation

The recommended pension funding plan is based on the most recent CalPERS Actuarial Valuation (June 30, 2023) and consistent with the Pension Funding Policy adopted by the Board in June 2022.

The recommended pension funding plan is to:

1. Make an annual Additional Discretionary Payment (ADP) to CalPERS in the amount of $311,000 from the District's Pension Stabilization Fund by December 31, 2024 to reduce the District's Unfunded Accrued Liability (UAL), and

2. Transfer $550,000 from the Water Operating Fund ($500,000) and Wastewater Operating Fund ($50,000) to the Water Pension Stabilization Fund and Wastewater Pension Stabilization Fund, respectively.

The recommended pension funding plan was proposed and discussed with the Finance Committee (Director Meyers and Director Watt) at its regular meeting on November 4, 2024. The verbal report of the committee will be provided at the Board meeting.

Alternative

The Board can instruct staff to do otherwise. The recommended pension plan for 2024 is consistent with the Policy approved by the Board in 2022.

Background

The District has two (2) pension plans through CalPERS that employees currently have vested pension benefits in: Classic Plan (2.5% @ 55) and Public Employment Pension Reform Act (PEPRA) Plan (2% @ 62)- enacted by California Legislation for employees hired after January 1, 2013.

The goal of a defined benefit pension plan is to fund the long-term cost of benefits provided to the plan members. CalPERS is a defined benefit pension plan that pays retirees a benefit based on a formula (for example 2% @ 62). The minimum targeted funded ratio included in the Policy is 85% based on the most current CalPERS annual actuarial report.

The Board approved District Pension Funding Policy (Policy) in June 2022. The Policy requires staff to review and report the District's pension plans funding status to the Board in December each year after the most current CalPERS actuarial report is released and the District's financial audit is completed. CalPERS released its Actuarial Valuation as of June 30, 2023 in August 2024. The District completed fiscal year 2023/24 financial audits last month (October 2024).

The minimum targeted funded ratio for the District's Classic Plan and PEPRA Plan set in the Policy is 85%. The Board approved the same recommended pension funding plan mentioned above last year (2023).

Fiscal Impact

With the recommended $311,000 ADP to CalPERS in 2024 and interest payment through June 30,2025, the District's unfunded pension liability for the Classic Miscellaneous Plan will be reduced from $19,388,983 to $18,955,877 or $433,106 based on CalPERS' actuarial report as of June 30,2023. The unfunded pension liability for the District's PEPRA Miscellaneous Plan was $474,100 based on CalPERS' actuarial report as of June 30, 2023.

The District's Water Operating and Wastewater Operating Funds will continue to be in compliance with the District's reserve policy following the recommended contribution of $550,000 from the Water Operating Fund ($500,000) and Wastewater Operating Fund ($50,000) to the Water Pension Stabilization Fund and Wastewater Pension Stabilization Funds, respectively. The $311,000 ADP is proposed to be funded from monies available the Pension Stabilization Funds.

Consistent with current practice, in July 2025, the District will continue with pre-payment of its annual required UAL to CalPERS for interest savings of $51,520.

Discussion

The District's funded status for its Classic Plan and PEPRA Plan, based on CalPERS' Annual Valuation Report as of June 30, 2023, was 71.8% and 86.6%, respectively. CalPERS reported a decrease in the District's pension funding ratio compared to the prior year (72.2% and 87.2%, respectively) due to higher inflation rates than expected inflation of 2.3% per year included in CalPERS' actuarial assumptions. CalPERS' investment gain was 9.3% in fiscal year 2025, which was higher than their discount rate of 6.8%.

The goal of the recommended pension funding plan is to continue with the District's funding plan and goal as stated in the Policy in order to achieve the minimum targeted funded ratio of 85%.

The recommended pension funding plan was discussed with the District's Finance Committee (Director Meyer and Director Watt) at its November 4th regular meeting and will be verbally provided at the Board meeting as the committee meeting occurs after the posting of the Board agenda.

Staff will be available for discussion at the meeting.

Attachments:
1. Staff's presentation and report on the District's pension funding status and progress
2. CalPERS letter regarding the Additional Discretionary Payment (ADP) to reduce its Unfunded Accrued Liability (UAL)

Attachment 1

ANNUAL REVIEW OF PENSION FUNDING STATUS

2024

OLIVENHAIN
Municipal Water District

Pension Review

- Purpose: Report the District's pension funding status to the Board after OMWD financial audit is completed with the most current CalPERS actuarial report
  - CalPERS' Actuarial Valuation as of June 30, 2023

- Pension Goal: Achieve the minimum target funded ratio of 85% set by the Board in District Pension Funding Policy
  - Classic Miscellaneous Plan – didn't meet Policy Target
  - PEPRA Miscellaneous Plan – Policy Target was met

CalPERS Returns on Investment

CalPERS Timing difference: Reporting vs. Contribution

- Every August, CalPERS releases a new actuarial report, based on values as of June 30th of the previous fiscal year.
  - June 30, 2023 report was issued in August 2024
- The required contributions are due to be paid two years after the new released report
  - June 30, 2023 report determined how much UAL for 7/25 payment
  - Options to prepay or make monthly installments
    - Prepayment option at 6.8% discount rate

Component - Pension Contributions

- Normal Cost
  - As a percentage of total active payroll. The calculations are based on CalPERS actuarial assumptions on demographic (mortality, retirement, termination, disability) and economic (future investment earnings, inflation, and salary growth rates)
- Minimum Required Unfunded Accrued Liability (UAL) payment
  - A **minimum** dollar amount billed by CalPERS each year based on a 20 year or less amortization schedule
  - The District prepays this amount in July of each year

Contributions- Classic Plan

Member Contribution Rates — page 9

	Fiscal Year 2024-25	Fiscal Year 2025-26
Member Contribution Rate	8.00%	8.00%

Projected Employer Contributions — page 14

Fiscal Year	Normal Cost (% of payroll)	Annual UAL Payment
2026-27	13.5%	$1,783,000
2027-28	13.5%	$1,967,000
2028-29	13.5%	$2,151,000
2029-30	13.5%	$2,159,000
2030-31	13.5%	$2,159,000

Source: CalPERS Actuarial Valuation as of June 30, 2023

Contributions -PEPRA Plan

Member Contribution Rates — page 9

	Fiscal Year 2024-25	Fiscal Year 2025-26
Member Contribution Rate	7.75%	7.75%

Projected Employer Contributions — page 14

Fiscal Year	Normal Cost (% of payroll)	Annual UAL Payment
2026-27	8.0%	$35,000
2027-28	8.0%	$44,000
2028-29	8.0%	$53,000
2029-30	8.0%	$53,000
2030-31	8.0%	$53,000

Source: CalPERS Actuarial Valuation as of June 30, 2023

OMWD Funded Status - Current and Prior Years

CLASSIC

Funded Status — Funding Policy Basis — page 12

	June 30, 2022	June 30, 2023
Entry Age Accrued Liability (AL)	$65,815,113	$68,731,842
Market Value of Assets (MVA)	47,515,404	49,342,859
Unfunded Accrued Liability (UAL) [AL – MVA]	$18,299,709	$19,388,983
Funded Ratio [MVA ÷ AL]	72.2%	71.8%

PEPRA

Funded Status — Funding Policy Basis — page 12

	June 30, 2022	June 30, 2023
Entry Age Accrued Liability (AL)	$2,646,659	$3,544,479
Market Value of Assets (MVA)	2,307,595	3,070,379
Unfunded Accrued Liability (UAL) [AL – MVA]	$339,064	$474,100
Funded Ratio [MVA ÷ AL]	87.2%	86.6%

Pension Valuation

CLASSIC

Summary of Valuation Data — Page 26

	June 30, 2022	June 30, 2023
Active Member Count	41	40
Annual Covered Payroll	$4,527,310	$4,726,516
Transferred Member Count	28	24
Separated Member Count	21	20
Retired Members and Beneficiaries Count	89	94

PEPRA

Summary of Valuation Data — Page 26

	June 30, 2022	June 30, 2023
Active Member Count	48	51
Annual Covered Payroll	$3,201,839	$3,791,435
Transferred Member Count	17	21
Separated Member Count	15	18
Retired Members and Beneficiaries Count	0	0

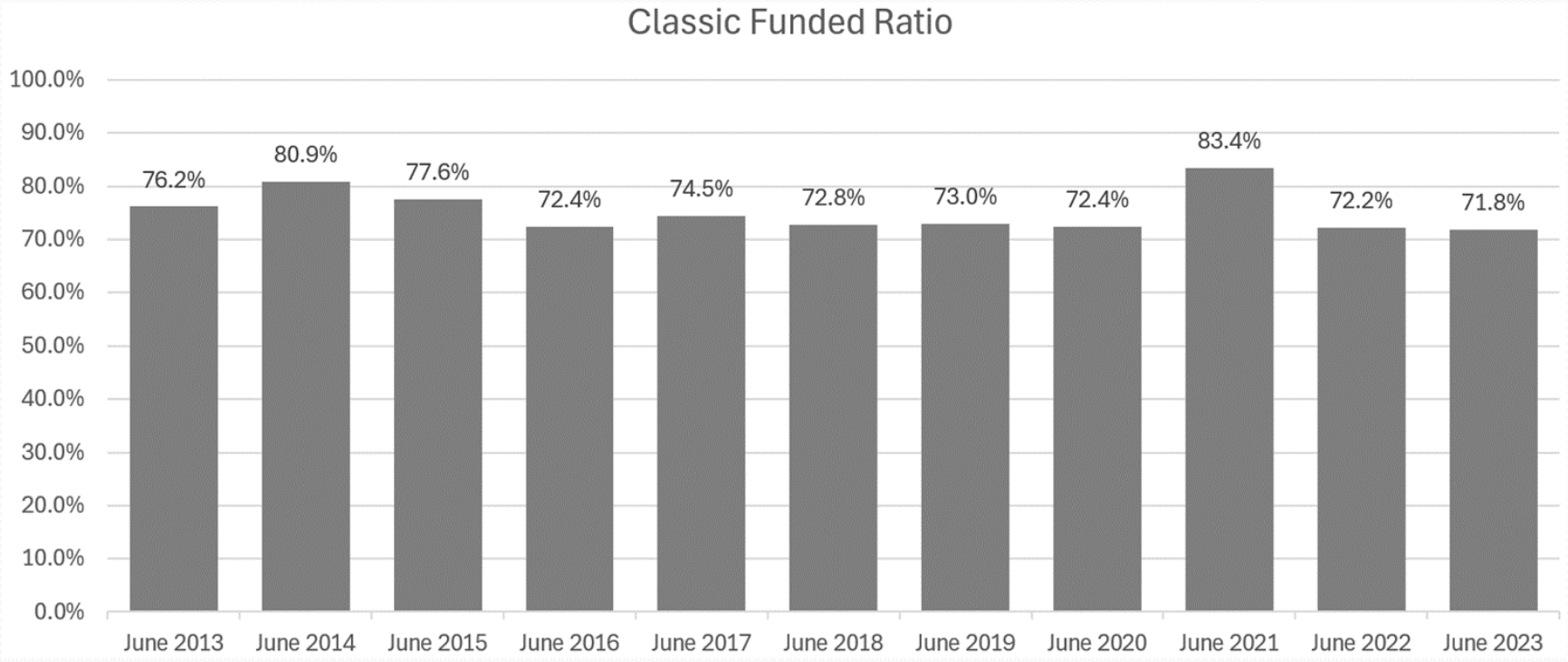
OMWD's Additional Discretionary Payments History

The following table provides a recent history of actual ADPs made to the plan.

Fiscal Year	ADP	Fiscal Year	ADP
2019-20	$300,000	2022-23	$311,000
2020-21	$485,000	2023-24[2]	$311,000
2021-22	$0		

[2] Excludes payments made after April 30, 2024

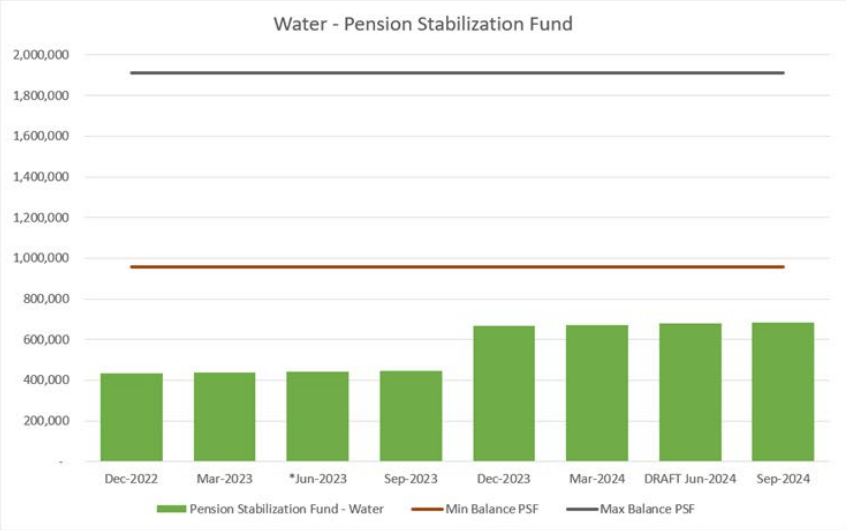
10 Year History of OMWD Funded Ratio and CalPERS Discount Rate – Classic Plan

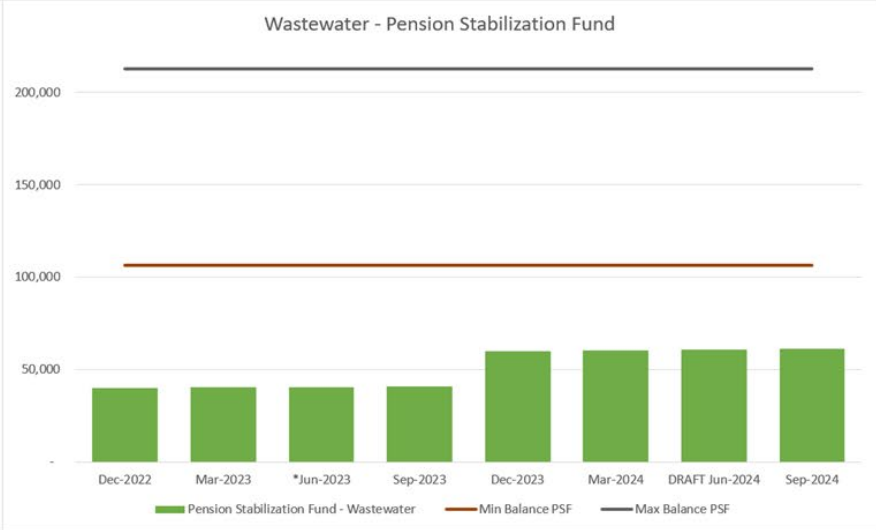


OMWD Pension Funding Policy

- Policy Goal: to achieve a minimum target funded ratio of 85%
- Make regular annual Additional Discretionary Payment (ADP) of $311,000 to CalPERS before December 31st
  - To reduce UAL and long-term savings
- Make supplemental payments from the District's Operating Reserves to the District's Pension Stabilization Fund
  - Use to pay ADP, if needed
  - The Board has full discretion

Pension Stabilization Fund Balances





Staff's Recommendations

- Continue making Additional Discretionary Payment (ADP) of $311,000 in 2024 per the Policy from the District's Pension Stabilization Fund
- Proposed Pension Funding for 2024 to pay for $311,000 ADP to CalPERS:
  - A $ 500,000 transfer from Water (Potable and Recycled) Operating Fund to Pension Stabilization Fund – Water as planned
  - A $50,000 transfer from Sewer Operating Fund to Pension Stabilization Fund – Wastewater as planned

Questions

OLIVENHAIN
Municipal Water District

Attachment 2

California Public Employees' Retirement System
Actuarial Office
400 Q Street, Sacramento, CA 95811 | Phone: (916) 795-3000 | Fax: (916) 795-2744
888 CalPERS (or **888**-225-7377) | TTY: (877) 249-7442 | www.calpers.ca.gov

October 3, 2024

CalPERS ID: 7505210944
Employer Name: Olivenhain Municipal Water District
Rate Plan: Miscellaneous Plan [799]

Re: Lump Sum Payment to reduce the Unfunded Accrued Liability

Dear Requestor:

As requested, information on the fiscal year 2025-26 employer contribution requirement following your lump sum payment is shown below.

If you are aware of others interested in this information (e.g., payroll staff, county court employees, port districts), please inform them.

The information is based on the June 30, 2023 Actuarial Valuation and assumes payment by *November 30, 2024* and no further contractual or financing changes taking effect before June 30, 2025. The Unfunded Accrued Liability (UAL) will be reduced or eliminated by an additional payment in the amount of **$311,000**. The payment will be applied to the Investment (Gain)/Loss 06/30/2023 base(s).

There will be no change to your FY 2024-25 contributions.

1)	Projected June 30, 2025 UAL	$19,278,982
2)	Payment on November 30, 2024	311,000
3)	Interest on Payment through June 30, 2025	12,105
4)	Revised June 30, 2025 UAL [(1) – (2) – (3)]	$18,955,877

Valuation as of June 30, 2023	Pre-Payment	Post-Payment
Projected 6/30/2025 Total Unfunded Liability	$19,278,982	$18,955,877
FY 2025-26 Employer Contributions		
Base Total Normal Cost for Formula	21.43%	21.43%
Surcharges for Class 1 Benefit		
None	0.00%	0.00%
Phase out of Normal Cost Difference	0.00%	0.00%
Plan's Total Normal Cost	21.43%	21.43%
Offset Due to Employee Contributions	7.97%	7.97%
Employer Normal Cost Rate	13.46%	13.46%
Payment on Investment (Gain)/Loss 06/30/2023	$7,858	$913
Payment on all other bases	$1,591,228	$1,591,228
Employer Unfunded Liability Payment	$1,599,086	$1,592,141

The attached schedule of the plan's amortization bases includes the additional discretionary payment(s) listed above.

Required Employer Contribution	Fiscal Year 2025-26
Employer Normal Cost Rate	**13.46%**
Plus	
Unfunded Accrued Liability (UAL) Contribution Amount	
Paid either as	
1) Monthly Payment	**$132,678.42**
Or	
2) Annual Prepayment Option*	**$1,540,621**

*The total minimum required employer contribution is the **sum** of the Plan's Employer Normal Cost Rate (expressed as a percentage of payroll) **plus** the Employer Unfunded Accrued Liability (UAL) Contribution Amount (billed monthly (1) or prepaid annually (2) in dollars).*

** Only the UAL portion of the employer contribution can be prepaid **(which must be received in full no later than July 31)**.*

To initiate this payment, the enclosed Lump Sum Payment Request must be completed and returned to the CalPERS Fiscal Services Division with payment by Electronic Funds Transfer (EFT) or wire transfer by November 30, 2024. A copy should be sent to us.

If you have questions, please call 888 CalPERS (or 888-225-7377).

David Clement, ASA, MAAA, EA
Senior Actuary, CalPERS

Schedule of Amortization Bases

Reason for Base	Date Est.	Ramp Level 2025-26	Ramp Shape	Escala-tion Rate	Amort. Period	Balance 6/30/23	Expected Payment 2023-24	Balance 6/30/24	Expected Payment 2024-25	Balance 6/30/25	Minimum Required Payment 2025-26
Fresh Start	06/30/21	No Ramp		0.00%	11	9,043,731	1,035,237	8,588,848	1,035,237	8,103,033	1,035,237
Non-Investment (Gain)/Loss	06/30/22	No Ramp		0.00%	19	987,855	0	1,055,029	94,872	1,028,726	94,872
Investment (Gain)/Loss	06/30/22	40%	Up Only	0.00%	19	7,976,848	311,638	8,197,214	176,197	8,572,535	352,393
Non-Investment (Gain)/Loss	06/30/23	No Ramp		0.00%	20	1,060,024	0	1,132,106	0	1,209,089	108,726
Investment (Gain)/Loss	06/30/23	20%	Up Only	0.00%	20	320,525	0	342,321	312,650	42,494	913
Total						**19,388,983**	**1,346,875**	**19,315,518**	**1,618,956**	**18,955,877**	**1,592,141**

This schedule assumes an additional discretionary payment is made in the amount and by the date stated on page 1 of this letter.

Additional UAL Payment Request

Please complete and return this form by either mail or e-mail.

Mail	CalPERS – FRAS Cash and Payments Processing Unit P.O. Box 942703 Sacramento, CA 94229-2703
E-mail	FCSD_public_agency_wires@calpers.ca.gov

Payment may be made by EFT or wire transfer.

Payments may be made by Electronic Funds Transfer (EFT) through myCalPERS or by wire transfer through the State Treasurer's Office. Contact a CalPERS actuary before making a payment.

EFT through myCalPERS: Email FCSD_public_agency_wires@calpers.ca.gov at least two business days prior to the payment date. A receivable in the amount of the payment will be established. Once notified that the receivable has been established, sign in to myCalPERS and submit payment via EFT.

Wire transfer: Email FCSD_public_agency_wires@calpers.ca.gov on the day of the payment to ensure timely crediting to the correct rate plan. Any individual wire of $5 million or more requires 72-hour notice.

Visit **Managing the Unfunded Accrued Liability** for payment instructions which are located on our website **www.calpers.ca.gov** under the **Employers** tab and **Actuarial Resources** section. CalPERS will never request agencies wire funds for additional payments. An election for additional payments must come from the agency before a receivable is created.

Employer Name: Olivenhain Municipal Water District
CalPERS ID: 7505210944
Member Group or Plan: Miscellaneous Plan
Rate Plan ID: 799
Amount: **$311,000**

Purpose:	Pay Down Unfunded Liability
Base(s) to which payment is applied:	Investment (Gain)/Loss 06/30/2023

In recognition of our payment please revise our required employer contribution effective July 1, 2025:

Name and Title (Please Print): _____

Signature: _____Date:_____

Mailing Address: _____

City/State/Zip: _____

Telephone Number: _____Fax Number: _____

E-mail Address: _____

Memo

A

To: Olivenhain Municipal Water District Board of Directors

Subject: INFORMATIONAL REPORTS

PRESIDENT

Any report will be oral at the time of the Board meeting.

Memo

B

To: Olivenhain Municipal Water District Board of Directors

Subject: INFORMATIONAL REPORTS

GENERAL MANAGER

The written report for October will be included in the December Board packet as the packet was published prior to the end of October due to the earlier meeting date.

Memo

C

To: Olivenhain Municipal Water District Board of Directors

Subject: INFORMATIONAL REPORTS

CONSULTING ENGINEER

Any written report will be attached; any oral report will be provided at the time of the Board Meeting.

Memo

D

To: Olivenhain Municipal Water District Board of Directors

Subject: INFORMATIONAL REPORTS

GENERAL COUNSEL

An oral report will be provided at the time of the Board Meeting.

NOSSAMAN LLP | Memorandum

TO: Olivenhain Municipal Water District

FROM: Alfred Smith

DATE: November 6, 2024

RE: Attorney Report: Election and Political Activity Law Update
150152-0005

I. INTRODUCTION.

This attorney report provides an update regarding recent laws involving public agency election and political activities, including amendments to the Levine Act under Senate Bill ("SB") 1439. This report also provides a refresher on common legal issues governing election and political activities by water district officers and employees.

II. THE LEVINE ACT.

A. BACKGROUND.

The California Legislature recently amended SB 1439, which updated Government Code Section 84308 (also known as the Levine Act) to apply certain restrictions to local elected officials who are running for any local, state or federal elected office. Previously, the Levine Act, first adopted in 1982 only applied to appointed officials. The California Fair Political Practices Commission ("FPPC") adopted implementing regulations for these updates.

The Levine Act sets forth certain requirements for disclosure of contributions of more than $250 from certain donors and procedures for curing such violations.[1] Under the Levine Act, elected and appointed officials have the following responsibilities when receiving contributions from parties with contracts or entitlements pending before the agency:

- **Contribution Limits** – A local elected official cannot accept, solicit, or direct a campaign contribution of more than $250 – for any candidate or campaign – from a party or participant involved in a proceeding for a license, permit, or other entitlement for use, including a contract award, that is pending before their agency and for 12 months following the final decision in the proceeding.[2]

[1] Gov. Code § 84308(c)-(e)
[2] Gov. Code § 84308(b).

- **Disqualification and Recusal** - A local official cannot make, participate in making, or in any way attempt to use their official position to influence the decision in a proceeding involving a license, permit, or other entitlement for use if the official has received a campaign contribution of more than $250 – for any candidate or campaign – from a party or participant involved in the proceeding within the past 12 months.[3]

- **Return** - If a director accepts, solicits or directs a contribution of more than $250 during the 12 months after the date a final decision is rendered in the proceeding, the director may cure the violation by returning the contribution, or the portion of the contribution that exceeds $250, within 14 days of accepting, soliciting or directing the contribution, whichever comes latest. This opportunity to cure is only available if the director did not knowingly and willfully accept, solicit or direct the prohibited contribution, and the director keeps a record of curing the violation.

B. AMENDMENTS.

The Legislature recently adopted SB 1243 (Dodd, 2024) and SB 1181 (Glazer, 2024), which made amendments to the Levine Act that will become effective on January 1, 2025. Among other things, some of the changes that will be effective next year include:

(1) Increasing the threshold for covered contributions to public officials from $250 to $500;

(2) Extending the period during which a public official may cure a prohibited contribution from 14 days to 30 days;

(3) Establishing that the term “participant” excludes individuals whose only financial interest results from a change in membership dues;

(4) Codifying that the term “pending,” as it relates to an official, is when:

- The item involving the license, permit, or other entitlement for use is placed on the agenda; or

- The officer knows such license, permit, or other entitlement for use is within the jurisdiction of the official’s agency, and it is reasonably foreseeable that the decision will come before the official for a decision.

(5) Excluding the following contracts from the definition of “licenses, permits, or other entitlements for use” for the purposes of the Act:

[3] Gov. Code § 84308(c).

- Contracts under $50,000;
- Contracts between two or more government agencies;
- Contracts where no party receives financial compensation; and
- Periodic review or renewal of development agreements or competitively bid contracts with non-material modifications.

However, the current provisions of the Levine Act, including the $250 contribution amount, remain in effect through 2024; and certain prohibitions or requirements arising from existing law may continue for up to 12 months after the law is updated as of January 1, 2025.

III. RESTRICTIONS ON INDIVIDUAL DISTRICT OFFICERS AND EMPLOYEES.

State law prohibits District officers or employees from expending or authorizing the expenditure of District resources on political campaign activities.[4] This restriction applies to campaigns supporting or opposing the approval or rejection of a ballot measure, or the election or defeat of a candidate by the voters. Thus, any use of District resources for campaign activities is prohibited, including the use of District land, buildings, facilities, funds, equipment, supplies, telephones, computers, vehicles, travel, and District employees' work time.[5] Here are a few specific examples of how that prohibition is applied:

- **Restrictions on Use of District Property** - District officers and employees may not participate in political activities of any kind while on District-owned or controlled property, other than property that the District specifically makes available to the general public to use for such purposes – this broad prohibition applies even when the officers and employees are "off duty."
- **Restrictions on Use of District Uniform** - District officers and employees may not participate in political activities of any kind while in District uniform, even when off-duty and away from District property.[6] District uniforms include anything worn by an individual with a District logo, identifying patch, embroidered badge, or any other identifying clothing which is routinely worn at work and has been provided by the District.

[4] Gov. Code § 54964 ("An officer, employee, or consultant of a local agency may not expend or authorize the expenditure of any of the funds of the local agency to support or oppose the approval or rejection of a ballot measure, or the election or defeat of a candidate, by the voters."); Gov. Code § 8314 ("It is unlawful for any elected state or local officer, including any state or local appointee, employee, or consultant, to use or permit others to use public resources for a campaign activity, or personal or other purposes which are not authorized by law.").
[5] Gov. Code § 8314(b)(3).
[6] Gov. Code § 3206.

- **Restrictions on District Meetings and Events** – Members of the District Board of Directors and other District committees may not use District meetings and events for political campaign purposes. While such public officials can generally urge citizens to be engaged, informed and to vote in an election, they should refrain from making advocacy statements about a specific measure or candidate during a District meeting. This means that distribution of campaign literature at District events or including campaign literature in official communications to District employees or members of the public is prohibited.

- **Restrictions on Use of Official Position** – District officers and employees may not use their authority or influence in exchange for a campaign contribution or vote, for themselves or any other candidate or ballot measure.[7] Nor may they promise a gift, money, a promotion, a job, or any other form of compensation to anyone in return for a contribution or a vote.[8] Moreover, District officers and employees may not directly or indirectly solicit political contributions from other District officers or employees or from persons on District employment lists.[9]

However, in accordance with rights under the First Amendment, District officers, employees, or consultants may participate in political campaign activities so long as they do so on their *own* time and do *not* use any District resources.[10] Permissible off-duty activities include things like participating in advocacy groups, making appearances at events held by local organizations, writing editorials, posting on social media, fundraising, and meeting with local leaders. As a general rule, District officers and employees may take public positions on candidates or ballot measures and may list their official title on campaign materials solely for identification purposes, but must make clear that they are speaking in their personal capacity and not as a representative of the District. To avoid confusion, it is generally recommended that any printed campaign

[7] Gov. Code § 3204 ("No one who holds, or who is seeking election or appointment to, any office or employment in a state or local agency shall, directly or indirectly, use, promise, threaten or attempt to use, any office, authority, or influence, whether then possessed or merely anticipated, to confer upon or secure for any individual person, or to aid or obstruct any individual person in securing, or to prevent any individual person from securing, any position, nomination, confirmation, promotion, or change in compensation or position, within the state or local agency, upon consideration or condition that the vote or political influence or action of such person or another shall be given or used on behalf of, or withheld from, any candidate, officer, or party, or upon any other corrupt condition or consideration. This prohibition shall apply to urging or discouraging the individual employee's action.").
[8] Gov. Code § 3205.5.
[9] Gov. Code § 3205. A District officer or employee can request campaign contributions from other District officers or employees only if the request is part of a solicitation made to a significant segment of the public that may include officers or employees of the District. If the District officer or employee is aware that a distribution list includes other District officers or employees, the officer or employee should make reasonable efforts to remove those individuals from that distribution list, even if they are being contacted through a non-District, personal e-mail address. In no event can the requestor use District resources in making any solicitation.
[10] State and local enforcement agencies and the courts may impose considerable penalties for violating the laws discussed in this memorandum. The conduct of District officers and employees also could result in fines or liability for the District.

materials including official titles expressly state that the references to such titles are "for identification purposes only."

IV. RESTRICTIONS ON THE DISTRICT ACTING AS AN ORGANIZATION.

The prohibition on using District resources to advocate for or against ballot measures or candidates extends to the District as an organization as well. The District may not expend or authorize the expenditure of District funds "to support or oppose the approval or rejection of a ballot measure, or the election or defeat of a candidate by the voters."[11]

However, the District may "provide information to the public about the possible effects of a ballot measure on the activities, operations, or policies of the local agency," only if both of the following conditions are met:[12]

(1) The informational activities are not otherwise prohibited by the Constitution or laws of this state.

(2) The information provided constitutes an accurate, fair, and impartial presentation of relevant facts to aid the voters in reaching an informed judgment regarding the ballot measure.

District officers and employees may lawfully use District resources (where budgeted for such a purpose and otherwise authorized) to investigate and evaluate objectively the potential impact of a ballot measure on District operations. Local legislative bodies like the Board of Directors, acting as a body, may take a position on behalf of the District on ballot measures – such a decision should only be made during a regular Board of Directors meeting that is open to the public and where members of the public may express their views.[13]

Spending District funds on communications that "expressly advocate" for or against a clearly identified ballot measure or candidate is explicitly prohibited.[14] But even material that avoids express advocacy may be considered promotional rather than informational depending on factors including the "style, tenor and timing" of the communication.[15] Thus, whether certain materials are permissible or not is a case-specific analysis.

In preparing informational material regarding a ballot measure, the District should present factual information, avoid one-sided or inflammatory rhetoric or campaign

[11] Gov. Code § 54964(a).
[12] Gov. Code § 54964(c).
[13] *League of Women Voters v. Countywide Crim. Just. Coordination Com.*, 203 Cal. App. 3d 529, 560 (Ct. App. 1988); *Vargas v. City of Salinas*, 46 Cal. 4th 1, 36 (2009).
[14] Gov. Code § 54964(b)(3).
[15] *Vargas v. City of Salinas*, 46 Cal. 4th 1, 33 (2009).

slogans, and not urge a vote in one way or another. District officers and employees may respond to public requests for information, including requests to participate in public discussions about ballot measures, if the officers' or employees' statements are limited to an objective and impartial presentation of relevant facts to aid the voters in reaching an informed judgment regarding the effects of the measure on the District.[16] However, District officers and employees should not participate in any campaign event on District time, even to provide an impartial informational presentation on the District's behalf, if the purpose of the event is to support or oppose ballot measures or candidates. Lastly, the District may not use public money to print or send non-political newsletters or mass mailings that feature or make reference to an elected official if such materials meet certain statutory criteria.[17]

V. BROWN ACT and SOCIAL MEDIA.

Assembly Bill 992 (AB 992) was the first amendment to the Brown Act to address the use of social media by locally elected officials. Under AB 992, board members may not respond *directly* to any communications posted on the internet *by other members of the same board.* Under this prohibition*, e*ven giving a "thumbs up" to another board member's social media post on a topic within the District's subject matter jurisdiction could violate the Brown Act.

Key take-aways pursuant to AB 992 include:

- Section 54952.2 of the Brown Act is now amended to address the use of social media by board members.
- The new law adopts the same standard as is currently in place under the "community meetings exception" to the Brown Act. This allows board members to freely use social media, as long as board members do not discuss among themselves specific business within the agency's subject matter jurisdiction.
- Board members may use social media to answer questions, provide information to the public, or to solicit feedback from the public.

[16] *Vargas v. City of Salinas*, 46 Cal. 4th 1, 25 (2009).

[17] Gov. Code §§ 89001-89003. With certain exceptions specified in statute, a mailing is prohibited if all of the following criteria are met:
(1) An item sent is delivered, by any means, to the recipient at the recipient's residence, place of employment or business, or post office box. The item delivered to the recipient must be a tangible item, such as a videotape, record, or button, or a written document.
(2) The item sent either: (A) Features an elected officer affiliated with the agency that produces or sends the mailing. (B) Includes the name, office, photograph, or other reference to an elected officer affiliated with the agency that produces or sends the mailing, and is prepared or sent in cooperation, consultation, coordination, or concert with the elected officer.
(3) Any of the costs of distribution are paid for with public money or the costs of design, production, and printing exceeding fifty dollars ($50) are paid with public moneys, and the design, production, or printing is done with the intent of sending the item other than as permitted by this section.
(4) More than 200 substantially similar items are sent in a single calendar month, excluding any item sent in response to an unsolicited request and any item described in subdivision (b).

- Board members may not respond directly on social media to other members on the same board – doing so could be considered a serial meeting in violation of the Brown Act.
- AB 992 affects social media commenting, retweeting, liking, disliking, responding with positive or negative emojis and/or screenshotting (photographing) and reposting. The scope of AB 992 is therefore quite broad -- implicating simple actions such as “liking,” giving a “thumbs up,” or other such written or visual comments on social media to other directors.

AES

Memo

E

To: Olivenhain Municipal Water District Board of Directors

Subject: INFORMATIONAL REPORTS

SAN DIEGO COUNTY WATER AUTHORITY REPRESENTATIVE

Any report will be oral at the time of the Board meeting.

SUMMARY OF FORMAL BOARD OF DIRECTORS' MEETING
OCTOBER 24, 2024

1. Monthly Treasurer's Report on Investments and Cash Flow.
   The Board noted and filed the Treasurer's report.

2. Establish 2025 Board meeting dates.
   The Board combined the November and December Board meeting dates to November 20, 2025 and approved the 2025 Board meeting dates calendar.

3. Ordinance making amendments to Chapter 4.08 of the Administrative Code.
   The Board adopted Ordinance No. 2024-06, an Ordinance of the Board of Directors of the San Diego County Water Authority making amendments to Chapter 4.08, Section 4.08.040(d) of the Administrative Code.

4. Amendment with Cameron-Daniel P.C. for Legal Services.
   The Board approved Amendment 2, with such non-material modifications as approved by the General Manager or General Counsel, to the legal services contract with Cameron-Daniel P.C. in the amount of $150,000, increasing the contract amount from $150,000 to $300,000, and authorized the General Counsel, or designee, to execute the amendment.

5. Design professional services contract with Wood Rodgers, Inc. for as-needed civil and traffic engineering services.
   The Board awarded a design professional services contract, with such non-material modifications as approved by the General Manager or General Counsel, to Wood Rodgers, Inc. for a not-to-exceed amount of $3 million, to provide as-needed civil and traffic engineering services for a period of three years, with the option to extend one year, and authorized the General Manager, or designee, to execute the contract.

6. Adopt positions on various bills.
   The Board adopted a position of Support on the federal bill S. 5012 "Lower Colorado River Multi-Species Conservation Program Amendment Act of 2024," authored by Senator Alex Padilla.

7. Consideration to Approve Federal Advocacy Contract.
   The Board awarded a professional services contract, with such non-material modifications as approved by the General Manager or General Counsel, to Pace Government Relations for a 24-month contract (from November 1, 2024 through October 31, 2026) with the option to renew for an additional 24-months for federal advocacy services for a total compensable contract amount not to exceed $357,000 (inclusive of reimbursable expense allowance) over the contract term.

8. Approval of Minutes
   The Board approved the minutes of the Formal Board of Directors' meeting of September 19, 2024.

9. Retirement of Director Gary Hurst, Ramona MWD representative.
The Board adopted Resolution No. 2024-20, a resolution of the Board of Directors of the San Diego County Water Authority, honoring Gary Hurst upon his retirement from the Board of Directors.

10. Biennial Review of the Representatives to the Metropolitan Water District of Southern California.
The Board approved MWD Delegates representatives Lois Fong-Sakai, Marty Miller, Gail Goldberg, and Mel Katz for the next two years.

Memo

F

To: Olivenhain Municipal Water District Board of Directors

Subject: INFORMATIONAL REPORTS

LEGISLATIVE REPORT

Any written report will be attached; any oral report will be provided at the time of the Board Meeting.

NOSSAMAN LLP | Memorandum

TO:	Olivenhain Municipal Water District
FROM:	Ashley Walker, Senior Policy Advisor, Nossaman LLP
	Jennifer Capitolo, Jennifer M. Capitolo and Associates LLC
DATE:	October 23, 2024
RE:	November 2024 Public Policy Report

State Legislative Updates:

Status of the Legislature: The governor's special session has now officially adjourned. On September 21, the Assembly passed AB X2-1, a measure that is aimed at controlling gas price surges in California. The bill was quickly moved to the governor's desk whereby he signed the measure within hours of receipt.

The legislature will reconvene to swear in new members on December 2. Members can begin introducing bills on that day, and again when they reconvene in January which is the start of the two-year session.

Throughout the fall, the Assembly and Senate have been and will continue to be hosting informational and oversight committee hearings on various topics. Should they be relevant to OMWD, we will monitor and report on those hearings.

Additionally, the California State Constitution requires that the governor submit a budget proposal to the legislature annually by January 10. The director of finance, as the chief financial advisor to the governor, leads this effort and issues instructions and guidelines for budget preparation to agencies and departments. Therefore, planning for the 2025 budget is already underway and will continue through the fall and winter.

Legislation: There are no active bills before the legislature currently. We have been working on two legislative items while the legislature is on recess. These items include:

- **SDCWA and OMWD Public Contract Code Joint Proposal:** Nossaman is engaging statewide organizations to gather feedback and gauge interest in the Public Contract Code legislation proposed by OMWD to SDCWA in 2024. The organizations consulted include Association of California Water Agencies, League of California Cities, Rural County Representatives of California, California State Association of Counties, and California Special Districts Association. This legislation seeks to amend Section 20642 of the State of California Public Contract Code, by increasing the monetary threshold from $35,000 to $70,000, where it

states: “When work is not to be done by the district itself by force account, and the amount involved is thirty-five thousand dollars ($35,000), or more, any contract for the doing of the work shall be let to the lowest responsible bidder…”. This proposal would also amend the State of California Public Contract Code by increasing the dollar amount from “$35,000” to “$70,000” in Section 10108 where it states: “In no event shall the amount of work performed by day labor under this section exceed the sum of fifty thousand dollars ($50,000) in the case of district agricultural association fair projects, or thirty-five thousand dollars ($35,000) in other cases.” Nossaman will continue to assist OMWD by refining the potential strategy for introducing this legislative bill in 2025.

- **SB 1255 (Durazo) Follow-Up:** Although this bill did not advance to the governor’s desk this year, in anticipation of a possible reintroduction by Senator Durazo next year, we have been meeting with many state organizations and opposition coalition members to discuss alternatives and strategies for implementing a workable Low Income Rate Assistance (LIRA) program. There is interest in revisiting the AB 401 (Dodd, 2015) report that was completed by the State Water Resources Control Board in 2020, which outlines a framework where SWRCB administers LIRA. However, given that the state budget is likely to be in a deficit again in 2025, the state may not be in a position to support such a program. There is no dispute that a LIRA program would be valuable to all, however finding a funding source for such a program continues to be the main challenge. Nossaman has met with SWRCB, CMUA, and others to discuss next steps and to prepare for a possible bill next year. It has been shared that CMUA is planning to introduce a LIRA bill of its own. Nossaman will report all updates and proposed language once it is available.

Governor’s Actions and Executive Orders: The following actions have been taken by the state since the last report. This list is compiled from CalOES, California Health and Human Services, California Department of Public Health, and FEMA.

- October 14 – Governor Newsom today issued a proclamation declaring October 14, 2024, as “Indigenous Peoples’ Day.”
- October 9 - Governor Newsom announced the deployment of an additional 70 California-based firefighters to Florida to assist with search and rescue efforts following Hurricane Milton.
- October 7 - Governor Newsom announced the deployment of emergency personnel to Florida in advance of Hurricane Milton. The deployed personnel include 144 firefighters and ground support personnel from three California Urban Search and Rescue Task Force teams and will assist with incident management, emergency operations, and search and rescue efforts response efforts.
- October 4 – Governor Newsom signed an executive order to support ongoing response and recovery efforts for the Thompson Fire in Butte County; the Park Fire in Butte and Tehama counties; the Borel Fire in Kern County; the Line Fire in San Bernardino County; the Bridge Fire in Los Angeles and San Bernardino counties; and the Airport Fire in Orange and Riverside counties.
- September 29 – Governor Newsom proclaimed a state of emergency in Lake County to support communities recovering from the Boyles Fire.

- September 29 – Governor Newsom and Director Nancy Ward expressed heartfelt condolences and support for the members of the California/FEMA Urban Search and Rescue Task Force 8 injured while en route to support rescue efforts to Hurricane Helene. The firefighters are currently receiving medical care.

Regulatory Updates:

State Water Resources Control Board:

Long-term Water Conservation Standards Rulemaking and Implementation: On September 30, Office of Administrative Law approved the Long-term Water Conservation Standards "Framework" Regulation, as it was submitted by State Water Resources Control Board. It will be effective January 1, 2025. SWRCB is expected to post the final adopted rule to its website shortly.

The first compliance deadline for this new regulation is also January 1, 2025. This deadline applies to annual reports that must be submitted by urban water suppliers to Department of Water Resources and SWRCB. These reports are to include the supplier's calculated water use objective and supporting data, the volume of water associated with the residential indoor budget, the residential service area population, and the actual urban water use for the previous fiscal year.

SWRCB staff recently released a template for this report which has been beta-tested in consultation with a pilot group of water suppliers. A webinar is also to be scheduled to present this reporting template for urban water suppliers to ask questions and receive feedback.

Water Quality, Water Rights, Drinking Water and Environmental Laboratory Accreditation Program (ELAP) Fees Stakeholder Process: The proposed FY 2025 Drinking Water, ELAP, Water Quality, and Water Rights fee schedule changes were adopted at the September 18 SWRCB meeting. The fee regulation packages are currently undergoing internal reviews and approvals prior to being submitted to Office of Administrative Law.

Advanced Clean Fleets Regulation: California Air Resources Board held a second workshop on October 3 on targeted amendments to the Advanced Clean Fleets regulation that implements the requirements of Assembly Bill 1594. The ACF regulation complements CARB's Advanced Clean Trucks regulation and will help advance the introduction of zero-emission technologies into California's truck and bus fleets. We will continue to monitor and engage, as necessary, on these changes.

Memo

G, H

To: Olivenhain Municipal Water District Board of Directors

Subject: INFORMATIONAL REPORTS

TWELVE MONTH CALENDAR / OTHER MEETINGS /

REPORTS / BOARD COMMENTS

Any report will be oral at the time of the Board meeting. Please refer to the TWELVE MONTH Calendar (attached) for meetings attended.

TWELVE MONTH CALENDAR OF EVENTS (AS OF 10/29/24)

Date(s)	Event	Time	Location	Attending Board Member(s)	Additional Information (Speakers' Topic, Cohosts, etc.)
OCTOBER 2024					
19-Oct	Volunteer Appreciation BBQ	4:00 - 6:00 PM	TECC	Meyers	
21-Oct	Document Signing			Watt	
24-Oct	Conference Call with the General Manager RE: SDCWA & Customer			Meyers	
30-Oct	Water for People Luncheon	11:30 AM - 1:30 PM	The Admiral Baker	Guerin, Meyers	
NOVEMBER 2024					
4-Nov	Finance Committee Meeting	10:00 AM	Boardroom	Meyers, Watt	
4-Nov	Board Meeting Pre-Briefing	1:30 PM	OMWD	Guerin	

Memo

To: Olivenhain Municipal Water District Board of Directors

Subject: INFORMATIONAL REPORTS

CORRESPONDENCE

Any correspondence is attached.

October 8 VIP Tour – Feedback

Sent: Wednesday, October 9, 2024 11:00 AM
Thank you so much for that wonderfully informative tour! You have an especially beautiful water district; both Morgan and I found it to be a really lovely day of learning.

I look forward to seeing you next week at the CUW luncheon!

Best,

Ashley
SD Community Power

Sent: Thursday, October 10, 2024 10:23 AM
Hi Teresa!

Thank you so much for this message, and for sending over the photo. We loved the tour and were so glad we were able to join! Thank you for everything that you and Kim do to serve your district. Hope to see you around soon! 😊

Sincerely,

Meghan
San Diego Local Agency Formation Commission (LAFCO)

Sent: Thursday, October 10, 2024 10:55 AM
Hi Teresa,

Thank you so much for your kind message! It was a wonderful tour and I'm grateful we got the chance to learn so much from your team. We really appreciate your time and hope to see you again soon!

Best regards,

Aiden
San Diego Local Agency Formation Commission (LAFCO)

Sent: Thursday, October 10, 2024 9:56 AM
Hi Teresa,

Love the picture. Thank you so much for including me in your tour. I learned so much and it definitely has provided me with more understanding of everything that is involved in the water world. I work with many electrical engineers who design for wastewater and water projects just like this 😊

I appreciate it so much and I think everything was perfect!!! If you ever have any need for LED lighting specifically for your sites, I am happy to assist.

Thank you

Denise
Holophane Sales Channel

October 10 Public Tour – Customer Feedback

Sent: Friday, October 11, 2024 8:33 AM
Subject: Re: OMWD Tour This Thursday

Thanks a million Teresa and team! I can't stop talking about how interesting and great the tour was! Your employees are each so bright and passionate and knowledgeable! It's so heartening to meet the real people doing the hard important work every day! Please send them my compliments and I will do a little write up in the next couple days! Happy Friday!

With thanks and Best wishes,

Jeanne [redacted]

Sent: Friday, October 11, 2024 7:06 AM
Subject: Re: OMWD Tour This Thursday

Good morning Teresa,

Thank you for having me. It was a great tour. I enjoyed the diversity of the different stops. I can't really think of anything that would make it better.

Thanks again,

Kyle

From: [redacted]
Sent: Tuesday, October 29, 2024 12:50 PM
Subject: Contact Form: Kudos to you!!

Name: [redacted]
Email: [redacted]

Message:
Hello to all the OMWD staff,
I just want to commend you on your excellent work and recent (and much deserved) award! I read your monthly newsletter and am always appreciative of how you keep us up to date on issues and projects, but I also very much appreciate your advocacy on behalf of us rate-payers in managing our resources efficiently and well, while also managing the budget responsibly, too. We are fortunate and blessed with your stewardship of our water resources and our environment!

[redacted] (part of the [redacted] HOA in Encinitas)

Memo

To: Olivenhain Municipal Water District Board of Directors

Subject: AUTHORIZATION TO ATTEND UPCOMING MEETINGS / CONFERENCES / SEMINARS

The Board may desire to attend a meeting that requires Board approval.

Memo

To: Olivenhain Municipal Water District Board of Directors

Subject: FUTURE AGENDA ITEMS

The Board may have items to be considered at a Future Board meeting.

Memo

To: Olivenhain Municipal Water District Board of Directors

Subject: CONSIDER PUBLIC COMMENTS

There may be public comments before the Board meeting is adjourned.

Memo

To: Olivenhain Municipal Water District Board of Directors

Subject: CLOSED SESSION

It may be necessary to go into Closed Session.

Memo

To: Olivenhain Municipal Water District Board of Directors

Subject: OPEN SESSION

Memo

To: Olivenhain Municipal Water District Board of Directors

Subject: ADJOURNMENT

We are adjourned.

Students learn about job opportunities at Water Career Day

sandiegouniontribune.com/2024/10/19/students-learn-about-job-opportunities-at-water-career-day/

News Release October 19, 2024

Chris Kokotos/San Elijo Joint Powers Authority
A Mission Hills High School engineering student turns a valve by hand before an Olivenhain Municipal Water District technician demonstrates equipment that turns valves with a push of a button.

By News Release
PUBLISHED: October 19, 2024 at 3:46 a.m.

From delivering potable water to collecting wastewater, nearly 100 high school and college students got an up-close look at opportunities Oct. 10 during Water Career Day at the San Elijo Joint Powers Authority Water Campus in Encinitas, according to a news release.

Engineering students from Mission Hills High School and students from Palomar College's Water and Wastewater Technology programs toured the campus, stopping at stations staffed by workers from San Elijo JPA, Leucadia Wastewater District and Olivenhain Municipal Water District.

The technicians demonstrated the equipment that keeps their systems running—remote-controlled cameras for inspecting sewer lines and the Vaccon truck that cleans them, valves large and small and the machines and computers that open and close them, microscopes that identify the microbes that digest wastewater.

The Water Campus itself—which processes wastewater from and delivers recycled water to Encinitas, Solana Beach, Del Mar and Rancho Santa Fe—served as a supersized display of critical infrastructure the jobs required to keep it running.

“It seems like a really good place to work,” said Tristan Manibusan, a junior at Mission Hills in San Marcos, in the news release. He said he would gravitate toward working in the lab.

“Helping the community and the environment,” Tristan said, “that’s nice.”

From the water agencies, top executives and frontline technicians got students thinking about careers in their industry.

Curney Russell, a field services technician for Leucadia Wastewater District, showed students how a wheeled camera travels through sewer lines to identify intrusions of roots and other possible points of failure.

Nearly everything he learned about wastewater collection was on the job, Russell said in the news release, adding that a willingness to work hard and a good attitude are crucial traits.

While many positions do not require two- or four-year degrees, Palomar College’s Water and Wastewater Technology Program and MiraCosta College’s Technical Career Institute offer relevant training and coursework.

“We’re teaching the skills that would be a good fit for their workforces,” said Chris Ing of the Technical Career Institute, in the news release.

Palomar College student Phlavia Oryem is setting herself up for a career as a plant operator. In addition to her coursework, she completed internships at the City of San Diego Public Utilities Department and at Vallecitos Water District. At an Olivenhain Municipal Water District booth, Phlavia shot videos and got into the minutiae of computerized water meters with one of the presenters.

“These are their kinds of jobs,” said Kim Thorner, Olivenhain’s general manager in the news release. “I have three open positions right now, all of them entry level.”

Another longtime water industry executive, San Elijo JPA General Manager Mike Thornton, said in the news release that Water Career Day supports secession planning in an industry where many workers are retiring.

“We want young people to understand there are opportunities here,” Thornton said.

Water Career Day was organized in cooperation with Rising Tide Partners. Learn more at www.sejpa.org.