Town of Windsor
CALIFORNIA

2025 Comprehensive Water and Wastewater Rate Study Report

March 5, 2025

HILDEBRAND CONSULTING



Shannon Cotulla, Director of Public Works
Town of Windsor
8400 Windsor Road
P.O. Box 100
Windsor CA 95492

Re: 2025 Water and Wastewater Rate Study Report

Dear Mr. Cotulla,

Hildebrand Consulting LLC is pleased to present this 2025 Water and Wastewater Rate Study (Study) for the Town of Windsor's Water and Water Reclamation (wastewater) utility services. We appreciate the fine assistance provided by you and all of the members of the Windsor staff who participated in the Study, as well as the input and guidance provided by the Town Council.

If you or others at the Town of Windsor have any questions, please do not hesitate to contact us at:

mhildebrand@hildco.com
(510) 316-0621

We appreciate the opportunity to be of continued service.

Sincerely,



Mark Hildebrand
Hildebrand Consulting, LLC

Enclosure

TABLE OF CONTENTS

SECTION 1. INTRODUCTION AND GENERAL INFORMATION 4

1.1 Utility Background 4
1.2 Scope & Objectives of Studys 5
1.3 Study Methodology 5
1.4 Planning and Adoption Process 7
1.5 Rate Setting Objectives 8
1.6 Report Organization 9
1.7 General Assumptions 9
1.7.1 Utility Fund Structure 9
1.7.2 Cash Reserve Policies 10
1.7.3 Cost Escalation 11
1.7.4 Customer Growth and Water Demand Projections 12

SECTION 2. WATER RATE STUDY 14

2.1 Water Utility Financial Plan 14
2.1.1 Water Utility Fund Balances 14
2.1.2 Water Utility Rate Revenue 15
2.1.3 Water Utility Non-Rate Revenues 15
2.1.4 Water Utility Operating Expenses and Existing Debt 16
2.1.5 Water Utility Capital Spending Projections and Debt Strategy 18
2.1.6 Proposed Water Rate Revenue Increases 19
2.2 Water Cost of Service and Rate Structure 22
2.2.1 Current Water Rates 22
2.2.2 Current Recycled Water Rates 25
2.2.3 Customer Account Data and Water Use Estimates 27
2.2.4 Cost-of-Service Analysis 28
2.2.5 Water Rate Design 31
2.2.6 Pressure Zones and Related Pumping Charges 37
2.2.7 Proposed Water and Recycled Water Rate Schedules 38

SECTION 3. WASTEWATER RATE STUDY 39

3.1 Water Reclamation Financial Plan 39
3.1.1 Water Reclamation Utility Fund Balances 39
3.1.2 Wastewater Rate Revenue 40
3.1.3 Wastewater Non-Rate Revenues 40
3.1.4 Water Reclamation Utility Operating Expenses and Existing Debt 41
3.1.5 Water Reclamation Utility Capital Spending Projection and Debt Strategy 43
3.1.6 Proposed Wastewater Rate Revenue Increases 45
3.2 Wastewater Cost of Service & Rate Structure 47
3.2.1 Current Wastewater Rates 47
3.2.2 Customer Account Data and Wastewater Flow and Loading Estimates 49
3.2.3 Wastewater Cost-of-Service Analysis and Rate Design 52

3.2.4 Lift Stations and Related Pumping Costs 57
3.2.5 Customized Wastewater Usage Rates for Special Situations 57
3.2.6 Proposed Wastewater Rate Schedule 59

SECTION 4. CONCLUSION 60

LIST OF SCHEDULES

Schedule W-1: Water Utility Cash Flow Proforma

Schedule W-2: Water Utility Capital Spending Budget

Schedule W-3: Five-Year Schedule of Proposed Water Rates

Schedule W-4: Five-Year Schedule of Proposed Recycled Water Rates

Schedule WW-1: Water Reclamation Fund Cash Flow Proforma

Schedule WW-2: Water Reclamation Utility Capital Spending Budget

Schedule WW-3: Five-year Schedule of Proposed Wastewater Rates

List of Acronyms & Defined Terms

AF	acre-feet (measure of water volume)
AWWA	American Water Works Association
BOD	biochemical oxygen demand
CIP	capital improvement program
COSA	cost-of-service analysis
DCR	debt service coverage ratio
DU	dwelling unit
ESFD	equivalent single-family dwellings
FY	fiscal year (which ends on June 30 for the Town of Windsor)
O&M	operations and maintenance
PayGo	“pay-as-you-go” (i.e., cash appropriations for capital projects)
RRWF	Russian River Well Field
SWRCB	California State Water Resources Control Board
TGAL	thousand gallons
SS	suspended solids

Section 1. INTRODUCTION AND GENERAL INFORMATION

Hildebrand Consulting has been retained by the Town of Windsor to develop five-year rate plans for the Water and Water Reclamation (a.k.a. wastewater) utilities. Hildebrand Consulting has assisted the Town of Windsor on a variety of utility rate services over the past 5 years.

The purpose of this 2025 Water and Wastewater Rate Study ("2025 Rate Study") is to develop ten-year financial plans and to update associated rate schedules for the Town's Water and Water Reclamation utility services for the next five years. The financial plans will help ensure that each utility will meet financial obligations for ongoing operation and maintenance, debt service and capital improvements while maintaining prudent financial reserves. The financial plans provide an opportunity to assess the potential implications of future operating and maintenance costs, capital improvement program needs, current and future debt obligations, changing customer demands and other variables. The proposed rate schedules are based on updated cost-of-service analyses and utilize the same rate design as previously adopted by Windsor. This report describes in detail the assumptions, procedures, and results of the Study, including conclusions and recommendations.

The last comprehensive rate study was completed in 2020 by The Reed Group ("2020 Rate Study") and the most recent adjustments to the water and wastewater rates occurred in July 2024. In the most recent adjustment, water rates were increased by 5 percent and wastewater rates were increased by 7 percent.

1.1 UTILITY BACKGROUND

The Town Council sits as the Board of Directors for the Windsor Water District, which owns and operates the two utilities. The Water utility provides water service within the Town, in the Airport area and in the Shiloh-Mayacama area. The Water Reclamation

utility directly provides wastewater collection services within the Town. In addition, the Town provides wastewater service to Sonoma Water's Airport-Larkfield-Wikiup Sanitation Zone service area through an agreement for wastewater services.

Windsor delivers over 900 million gallons of drinking water each year to over 9,000 customer accounts and provides water reclamation services to nearly 9,000 customer accounts.

1.2 SCOPE & OBJECTIVES OF STUDYS

The scope of this Study is to prepare multi-year financial plans for the water and wastewater enterprises, review and update the water and wastewater cost of service analysis (COSA) and rate structures and to propose five-year rate plans for the Water and Water Reclamation utilities in compliance with California's Proposition 218 (California Constitution, Article XIIID).

The primary objectives of this Study are to:

i. Develop multi-year Water and Water Reclamation financial plans that integrate operational and capital project funding needs with a funding strategy
ii. Identify future annual adjustments to water and wastewater rates to help ensure adequate revenues to meet each utility's ongoing financial obligations
iii. Determine the proportional cost of providing water and wastewater services
iv. Recommend specific updates to Windsor's existing rate structures to ensure that Windsor is proportionately recovering the cost of service and comporting with California's legal requirements

1.3 STUDY METHODOLOGY

This Study applied methodologies that are aligned with applicable law, including California Constitution Article XIII D, Section 6(b), commonly known as Proposition 218. The methodologies are also consistent with industry standard practices for rate setting as laid out in the American Water Works Association (AWWA) M1 Manual.

The Study began with a review of the financial dynamics of both utilities and the latest available data for the utilities' operations. Multi-year financial management plans were then developed to determine the level of annual rate revenue required to cover projected annual operating expenses, debt service (including coverage targets) and capital cost requirements while maintaining adequate reserves. The financial plans were developed through analyses using an annual cash flow planning model developed for each utility. As a cash flow model, it differs from standard accounting income statements and balance sheets. The financial plan models reflect sources and uses of funds into, out of, and between the various funds and reserves of each utility.

This portion of the Study was conducted using MS Excel©-based financial planning models which were customized to reflect financial dynamics and the latest available data for Windsor's operations to develop a long-term financial management plan, inclusive of projected annual revenue requirements and corresponding annual rate adjustments.

The financial plan models reflect each utility's current fund and reserve structure and incorporate specific reserve recommendations. The fund and reserve structure common to both utilities are depicted in Figure 1 below, which shows the funds, reserves, and major cash flows associated with the financial plan models. This structure provides a helpful framework for evaluating the financial needs of both utilities and for clearly demonstrating how operating and maintenance costs, debt service obligations, and capital program needs are addressed for the duration of the planning period.

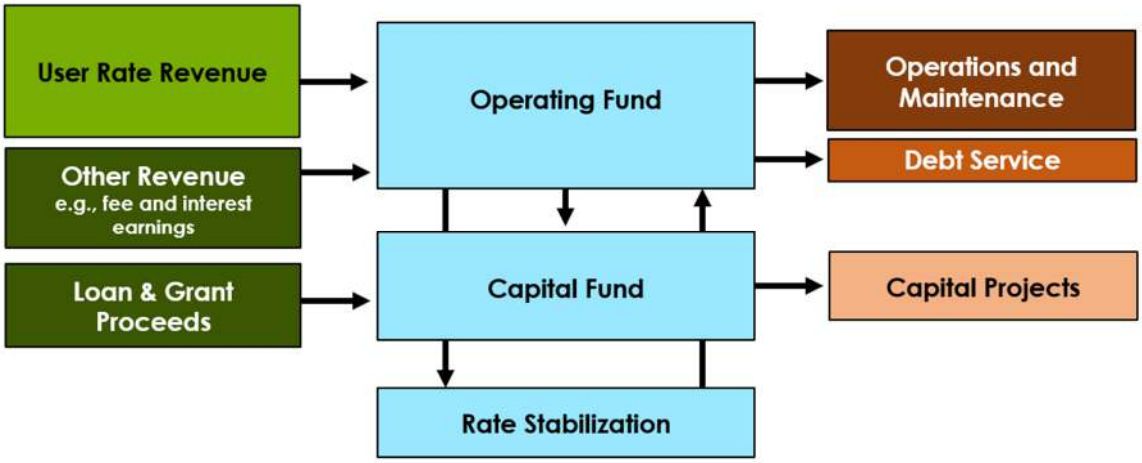


Figure 1 – Schematic Drawing of Water and Water Reclamation Fund Structures and Cash Flows

The COSA and rate structure design were conducted based upon principles that comply with the requirements of applicable law and generally accepted industry practices. The COSA approach used herein is commensurate with the available data, the requirements contained in the California Constitution, Article XIIID (Proposition 218), relevant court decisions, and other requirements. The primary provisions of Article XIIID that affect water and wastewater rate calculations include:

- Section 6(b)(1) – Revenues derived from the fee or charge shall not exceed the funds required to provide the service.
- Section 6(b)(3) – The amount of a fee or charge imposed upon any parcel or person shall not exceed the proportional cost of the service attributable to the parcel.

1.4 PLANNING AND ADOPTION PROCESS

This Study recommends five-year rate schedules based on ten-year financial plans. The ten-year planning horizon enables greater confidence in making near-term decisions, improves rate certainty and stability over time, and reduces financial risk. The five-year rate adoption period provides customers with adequate notice regarding the level of

rates in the future, while also acknowledging that financial conditions may change with time and that regular rate updates are prudent for managing the utilities' revenue needs and reserve balances. Annually, during the budget process, Windsor staff will evaluate the adopted rate adjustment for each utility.

1.5 RATE SETTING OBJECTIVES

The rate setting process was guided by the following considerations:

Legal Requirements – Based on the California Constitution, Article XIIID (Proposition 218) and relevant case law that water and wastewater rates not exceed the cost of providing service, and that rates reflect a proportionate share of costs attributable to each parcel.

Financial sufficiency and sustainability – Water and wastewater rates should generate sufficient revenues to meet each utility's service and financial obligations including covering operating and maintenance costs, funding capital improvements, meeting debt service obligations, and rehabilitating and upgrading the respective systems to provide high quality utility services to customers.

Fiduciary Responsibility – Windsor seeks to minimize the amount of rate increases and limit the need for issuance of debt.

Rate Structure - Utility rates should strike a reasonable balance between fixed and usage-based charges, with consideration of:

- Revenue stability for the utilities
- Affordability for basic usage
- Customer understanding
- Administrative simplicity

1.6 REPORT ORGANIZATION

This report contains two major sections: Section 2 is the water rate study and Section 3 is the wastewater rate study. By design there is considerable redundancy in the language between Section 2 and Section 3; they are meant to stand alone to minimize the need to cross-reference between them.

1.7 GENERAL ASSUMPTIONS

The following subsections describe some financial assumptions that apply to both utilities.

1.7.1 Utility Fund Structure

The basic structure of both the Water and the Water Reclamation Funds is depicted previously in Figure 1, which shows three primary elements: an Operating Fund, a Capital Fund, and a Rate Stabilization Fund.

Operating Fund – The Operating Fund is each utility's primary fund. Most revenues, including user rates, miscellaneous charge and other service revenues, flow into this fund. All operating and maintenance expenditures, including administrative costs and debt service payment obligations, are paid out of the Operating Fund.

Capital Fund – The Capital Fund account for all capital project expenditures. The Capital Funds are supported through annual transfers from the respective Operating Funds and from proceeds from debt and grants. Capital projects that expand, rehabilitate, and/or upgrade the utility systems are paid for from these funds. With this structure, contributions to the fund are made with consideration of annual capital program needs. Impact fee revenue, paid by new development, accrues to the Capital Funds and is available for any capital improvement project, or related debt service.

Rate Stabilization Funds – The Rate Stabilization Funds are authorized in the bond documents related to the 2012D bonds, which is a joint obligation of both utilities. The

rate stabilization fund can be used to transfer money in order to help meet debt service coverage requirements. This financial plan recommends that these funds be actively managed in order to exceed debt coverage obligations. The 10-year financial plan developed in this study reflects deposits and transfers from this fund while seeking to maintain a minimum balance of $1.25 million.

The financial plans treat the Operating Reserve target as a "minimum" reserve that is never planned to be expended (so that it is always available in the event of unforeseen circumstances). On the other hand, the Rate Stabilization Funds and the Capital Reserves are treated as "target" reserves that the financial plan draws down in some years and replenishes in other years.

1.7.2 Cash Reserve Policies

Windsor's reserve policies help protect its utilities and customers from financial risk and unplanned events, including the risk of long-term drought. Cash reserve policies are reserve balance targets that are retained for specific needs. The reserve targets are an important component when developing a multi-year financial plan for both the Water utility and the Water Reclamation utility, and maintaining prudent reserves is an essential component of any sound financial management strategy. Utilities rely on reserves to provide working capital and manage cash flow needs, mitigate financial risk, maintain financial stability, address the interests of credit rating agencies regarding adherence to formally adopted reserve targets and satisfy debt covenants that require utilities to maintain specific debt reserves for outstanding loans. These financial plans include three reserve targets: an Operating Reserve, a Capital Reserve and a Debt Service Reserve.

Operating Reserve - The Town's financial management policies state that "[t]he Town's enterprise funds will strive to maintain a minimum balance of retained earnings of at least 25 percent of operating expenses. The primary purpose of this balance is to set aside funds to maintain cash balances sufficient to pay expenses as needed and to

provide for unanticipated or emergency expenditures that could not be reasonably foreseen during the preparation of the budget." The financial plan model maintains the minimum Operating Reserves throughout the planning period.

Capital Reserve – The capital reserve serves the dual purpose of (a) providing cash reserves in the event of unexcepted failure of critical infrastructure and (b) providing a "cushion" to help absorb spikes in capital spending needs (because capital spending is, by nature, lumpy). By providing this cushion, the capital reserve mitigates the need for rate "spikes" to meet capital program funding needs and also helps to reduce the need for new debt. This financial plan recommends that the Capital Reserve target be set at fifty percent of the projected average annual cash-funded ("pay-as-you-go" or "PayGo") capital budget.

Debt Service Reserve – The debt service reserve ensures that the utilities always have enough cash on hand to meet one year of debt service. Debt service reserves are a best practice and are often required by bond covenant.

1.7.3 Cost Escalation

Annual cost escalation factors for the various types of expenses were developed based upon a review of historical inflation trends, industry experience and discussions with Windsor staff. During the projection period, expenses are projected to increase at the inflation rates listed in Table 1, which are reasonable for the planning period.

- Near-term inflation for salaries and benefits is based on Staff's understanding of recently negotiated employee contract terms.
- Utility inflation assumptions are based on recent inflation trends which have been consistently higher than the long-term historical averages.
- Sonoma County Water Agency's ("Sonoma Water") announced FY 2025/26 rate for water from the Santa Rosa Aqueduct is $1,426.55 per acre-foot (AF), which is a 10.67 percent increase over the current rates. The Santa Rosa Aqueduct rate is

assumed to increase at 10.0 percent annually for the remainder of the planning period.

- The sub-charges for Russian River Diversions are currently $99.59 per AF. These charges for Russian River Diversions are assumed to increase by 6.0 percent annually for the remainder of the planning period.
- The cost of biosolids processing is expected to increase by 40 percent in FY 2024/25. Those costs are assumed to continue increasing by 10.0 percent annually until FY 2028/29 at which time those costs will be eliminated (as a result of the new biosolids handling facility, see Section 3.1.5).

Table 1: Assumed Cost Inflation Rates

	FY2026	Thereafter
Salaries & Benefits	6%	3%
Utilities	8%	8%
Sonoma Water Rates	10.7%	10%
Russian River Diversion Rate	6%	6%
Biosolids	10%	10%
All other costs	3%	3%

1.7.4 Customer Growth and Water Demand Projections

In the past two years, Windsor has collected an approximately $400 thousand per year in Water Impact Fee revenue and just over $1.0 million per year in Wastewater Impact Fee revenue from new customers connecting to the respective systems. This equates to growth rates of approximately 0.9 percent per year. This Study assumes that this growth rate will continue for the duration of the next 10 years and that the entirety of this revenue will be made available for funding water and wastewater capital projects (respectively).

The state of California emerged from a historical drought in 2022. During that drought and since, Windsor customers have used considerably less water than during historical peaks. That being said, it is unclear how per capita water usage will trend going forward.

As such, the financial plan assumes that average customer water demands over the planning period will remain stable.

It is important to recognize that water demand can (and does) fluctuate by material amounts based on weather, economic conditions and other factors. There are fluctuations in both revenues and expenses as demand fluctuates, which may result in financial deficits, underlining the importance of robust reserve policies (see Section 1.7.2). Future water demand and wastewater flows are uncertain and may be influenced by emerging drought conditions, conservation and environmental ethics of customers, economic conditions, State water conservation regulations, weather patterns and other factors. The assumptions used in the financial analysis are reasonable and are based on the best available information.

Section 2. WATER RATE STUDY

The following subsections include the Water utility's financial plan, cost of service, rate design and proposed rates schedule.

2.1 WATER UTILITY FINANCIAL PLAN

Windsor's Water utility is a self-supporting, independent enterprise of the Town. That is, the Water utility is expected to generate sufficient revenues (through user charges, impact fees, and other revenues) to cover the ongoing costs of operations, maintenance, administration, regulatory compliance, debt service, capital improvements, and maintenance of prudent financial reserves.

This section presents the Water utility's ten-year financial plan, including a description of the source data, assumptions and Windsor's financial policies. Windsor provided historical and budgeted financial information, including historical and budgeted operating costs, a multi-year capital improvement program (CIP) and outstanding debt service obligations. Windsor staff also assisted in providing other assumptions and policies, such as cash reserve targets and escalation rates for operating costs.

2.1.1 Water Utility Fund Balances

The financial plan begins with a starting cash balance from which future cash balances are estimated based on forecasted revenues and expenditures for each year. The actual fund balance for the Water utility as of June 30, 2023 is provided below in Table 2.

Table 2: Water Utility Cash Reserves, beginning FY 2023/24

Water Operating Reserves	$7,009,000
Water Capital Fund	$10,497,000
Water Rate Stabilization Fund	$1,228,000
Total Reserves:	**$18,734,000**

2.1.2 Water Utility Rate Revenue

Rate revenue is the revenue generated from customers for water service. Windsor collects rate revenue from water customers based on a fixed "Service Charge" (assessed based on meter sizes) and water "Usage Rates" (applied to each gallon of water use). The Water utility financial plan estimates the FY 2024/25 rate revenue based on actual revenue in FY 2023/24 (updated to reflect the adopted FY 2024/25 rate increases). Other than demand increases associated with customer growth, water demand is anticipated to remain constant. Budgeted and projected rate revenues (including proposed rate adjustments) are listed in **Schedule W-1** (cash flow proforma), at the end of this report.

Consistent with policies adopted by the Town Council in 2014, the distribution of **recycled water** within the Town's water service area (urban reuse) is a Water utility function. The Water utility buys recycled water from the Water Reclamation utility for urban reuse, and revenue from the sale of this recycled water (to urban users only) accrues to the Water utility.

2.1.3 Water Utility Non-Rate Revenues

In addition to rate revenue, the Water utility receives additional "non-rate revenue" from sources such as miscellaneous service fees/charges, fire line service charges, penalties, leases, impact fees[1], and interest revenue on investments. Projections of all non-rate revenues were based on FY 2024/25 budgeted revenues with the exception of interest income which was calculated annually based upon projected fund balances and an assumed interest rate of 1.0 percent, which is consistent with Windsor's historical interest earnings relative to its total reserve levels (combined average of all Water and Water Reclamation funds).

Budgeted water rate and non-rate revenues are depicted in Figure 2 below and listed in more detail in Schedule W-1.

[1] Windsor's "impact fees" are also known as "Capacity Charges" per Government Code Section 66013.

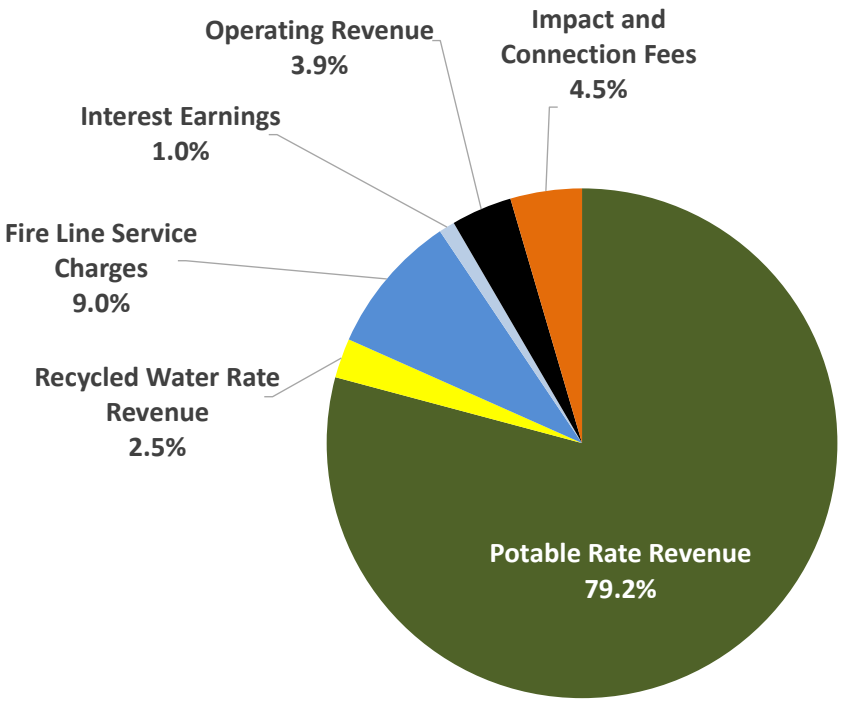


Figure 2: Water Utility Revenue (Actuals FY 2023/24)

2.1.4 Water Utility Operating Expenses and Existing Debt

The financial plan model is based on current operating and maintenance costs as established by actual expenditures in FY 2023/24. Projections of future costs are based on cost escalation assumptions, as summarized in Section 1.7.3.

Major budgeted expense categories for FY 2024/25 are depicted in **Figure 3**. Budgeted and projected operating and maintenance costs as well as debt service expenses are listed in **Schedule W-1**.

The Water utility has existing outstanding long-term debt obligations as summarized below.

- *2009 Safe Drinking Water State Revolving Fund (SDWSRF) loan* – Annual payments for this loan to the Water utility are $35,160 and continue through FY 2028/29.

- *2012D Water and Wastewater Revenue Bond* – This California Statewide Communities Development Authority pooled bond is related to financing for the Town's corporation yard. Annual payments total $655,000 annually through FY 2027/28, which is split between the Water and Water Reclamation utilities. In addition, 20 percent of this debt obligation is paid by the General Fund and 12 percent from the Public Facilities Fund. Ultimately this results in an approximate $328 thousand annual payment by the Water utility through FY 2027/28.
- In addition to the debt obligations within the utilities, the Water utility pays 11.5 percent of the Town's 2012A Lease Revenue Bonds related to the Town Civic Center. The last payment of $25 thousand will occur during the current fiscal year (FY 2024/25).

Existing bond covenants require the Town to maintain Water utility revenues such that total revenues are sufficient to pay all operating and maintenance costs, plus 1.20 times annual debt service (the "debt service coverage ratio" or DCR). In the current fiscal year, the Water utility is expected to meet this requirement with a DCR of 2.26. If necessary, bond documents from the 2012 bonds authorized the use of Rate Stabilization funds to assist with meeting the debt service coverage obligation.

Major budgeted expense categories for FY 2024/25 are depicted in **Figure 3**. Budgeted and projected operating and maintenance costs as well as debt service expenses are listed in detail in Schedule **W-1**.

Capital spending is addressed separately in Section 2.1.5.

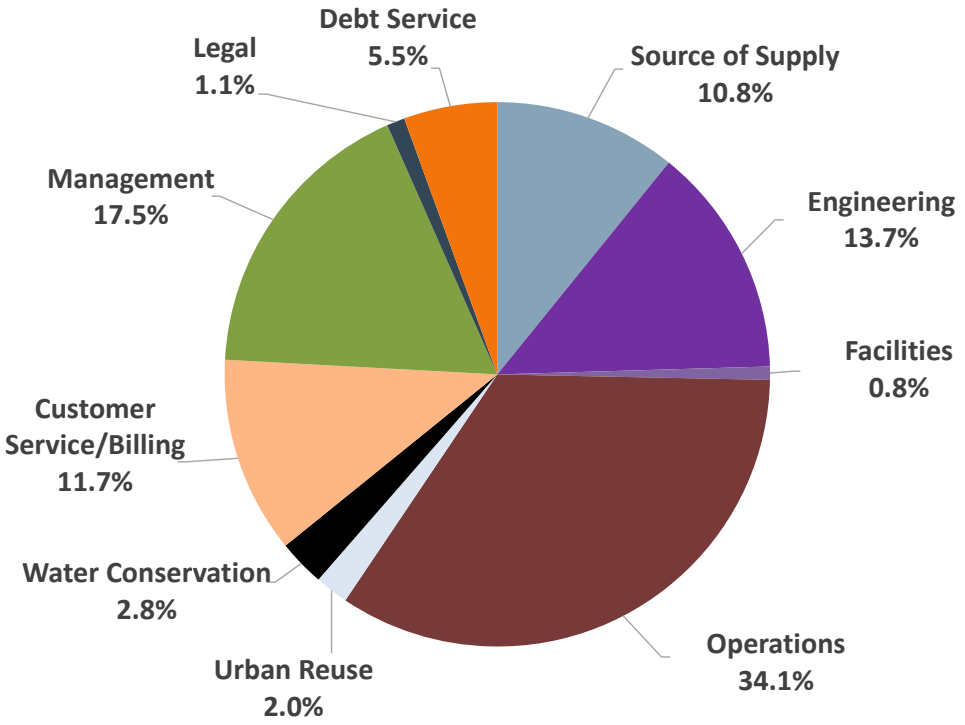


Figure 3: Water Operating and Debt Expense (Actual FY 2023/24)

2.1.5 Water Utility Capital Spending Projections and Debt Strategy

The financial plan models reflect capital project spending identified by an eleven-year capital improvement plan (CIP) FY 2025-2035, which is based on the 2024 Groundwater Management Plan and associated reports. The 11-year capital improvement program reflected in the financial plan model for the Water utility totals is $29.3 million. The majority of this spending is focused to occur between FY2024/25 and FY2027/28 (see Figure 4), which would result in the depletion of the Water utility's reserves if cash funded (also known as "PayGo"). As such, this Study recommends using a debt issue to fund the $8.4 million Corrosion Inhibitor System project (see **Schedule W-2,** Row 3) in order to avoid the need for a rate spike. The financial plan assumes that the debt for the Corrosion Inhibitor project will have an interest rate of 4.5 percent and a repayment term of 25 years.

Figure 4 and Schedule W-2 summarize the scheduled annual capital spending included in the financial plan model.

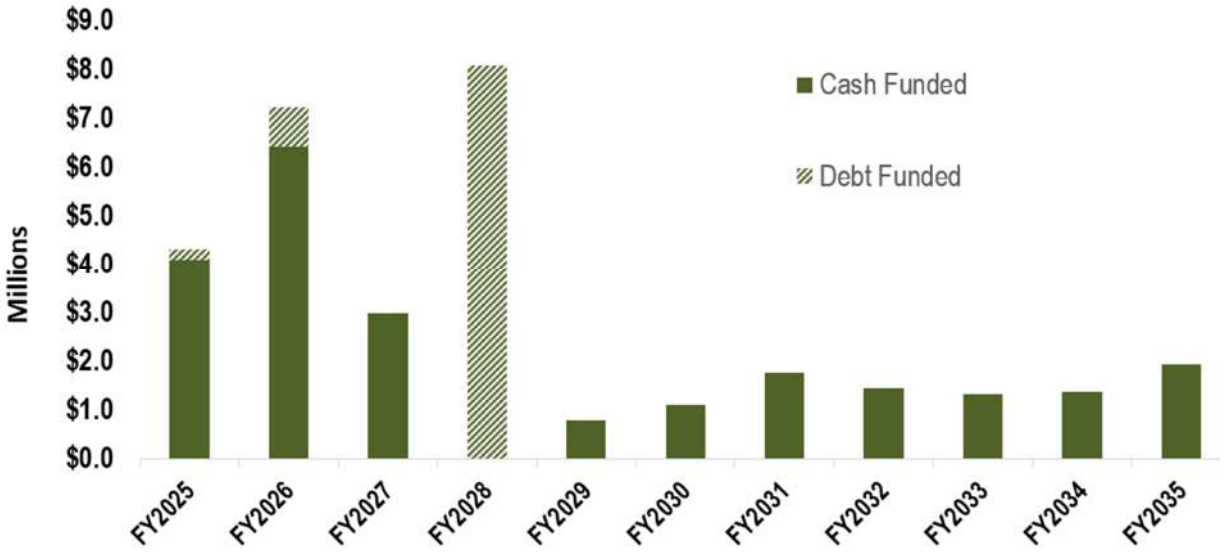


Figure 4: Projected Water Utility Capital Spending

This Water utility financial plan assumes that Impact Fee revenues can be used to contribute towards paying for all Water utility capital projects. This is appropriate given that the "buy-in" methodology was used to calculate Impact Fees (see *Water and Wastewater Capacity Fee Study*, The Reed Group, Inc., February 7, 2017).

2.1.6 Proposed Water Rate Revenue Increases

All of the above information was entered into a financial planning model to produce a ten-year projection of the sufficiency of current rate revenues to meet projected financial requirements and determine the level of rate revenue increases necessary in each year of the projection period. Specific findings and recommendations pertaining to the Water utility's financial plan are presented below, beginning with a description of the current situation.

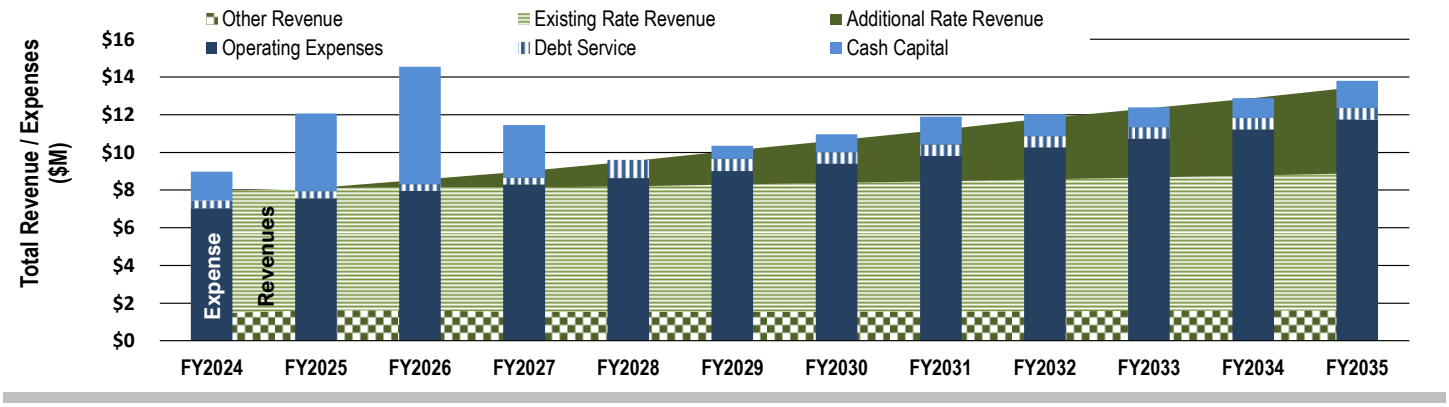
- The water rate increases proposed by this study for the next five years are intended to financially position the Water utility to systematically and proactively replace aging infrastructure before it fail0 and to diversify water supply sources and supply needs.
- The Water utility's existing reserves are able to absorb most, but not all, of the "spike" in capital spending that is scheduled for the next several years. As such, additional debt is proposed. The Water utility's current debt service obligations of about $386 thousand per year will be replaced with an annual obligation of about $611 thousand per year.

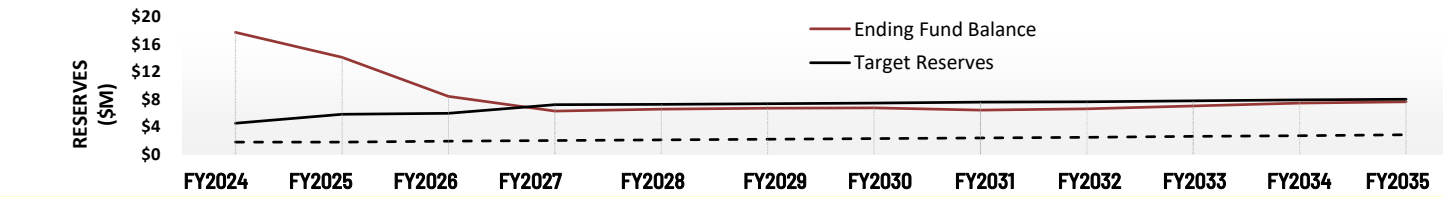
Based upon the previously discussed financial data, assumptions, policies, and debt strategy, this Study proposes a five-year schedule of annual rate adjustments as shown in Table 3 and detailed in Schedule W-3. Schedule W-4 provides a five-year schedule of recycled water rates, which are set based on water rates (per Agency policy).

Table 3: Proposed Water Rate Revenue Increases

Rate Adjustment Date	Proposed Rate Increase
July 1, 2025	6.0%
July 1, 2026	6.0%
July 1, 2027	6.0%
July 1, 2028	6.0%
July 1, 2029	5.0%

The numbers provided in Schedule W-1 (cash flow proforma) are summarized graphically in Figure 5, which shows that the reserves are maintained at, or near, targets levels over the course of the planning period and the DCR remains above minimum levels throughout the planning period. It should be noted that the DCR value should be bolstered in FY 2028 with Rate Stabilization Fund reserves in order to keep the value above 1.5 (see Row 29 in Schedule W-1).





	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
Proposed Revenue Increases:		6.0%	6.0%	6.0%	6.0%	6.0%	5.0%	5.0%	5.0%	4.0%	4.0%	4.0%
Debt Coverage Ratio:	2.26	2.57	2.90	1.89	1.81	2.18	2.94	3.22	3.36	3.49	3.62	
Net Debt Proceeds:	$8.4M											

Figure 5: Water Utility Financial Projection with Recommended Rate Increases

Proposed rate structure changes are presented in Section 2.2 of this report.

2.2 WATER COST OF SERVICE AND RATE STRUCTURE

This section of the report provides the COSA and design of water rates to comply with Proposition 218 and meet the Water utility's service and financial obligations for FY 2025/26 and beyond. The proposed water rates are intended to meet the Water utility's financial needs, satisfy legal requirements, and achieve other rate-setting objectives. The water rate analyses and related recommendations address each of the following:

- Identification of water rate-setting objectives
- Evaluation of customer account and water usage data
- The allocation of costs to each customer class in proportion with service demands
- Design of a water rate structure to meet revenue needs, satisfy legal requirements, and achieve rate-setting objectives in a fair and reasonable manner

The Water utility ten-year financial plan was used to identify the water rate revenue required to meet financial obligations for each fiscal year of the planning period. Once the annual water rate revenue requirement is determined, the next step in the rate-setting process is to evaluate the cost of providing service. The COSA is the process of allocating the costs of providing water service to customers in proportion to the extent to which each customer contributes to the utility's incursion of costs. The COSA evaluates the cost of providing water and allocates those costs to rate structure components to ensure the proposed rates are proportionate with the costs to provide service.

2.2.1 Current Water Rates

Windsor's current water rates are presented in Table 4, which include a fixed service charge for all connections based on size of the water meter and a usage rate component. Within the Town service area, the usage rates are tiered for residential customers, uniform for commercial customers, and seasonal for irrigation accounts. There is an additional pumping charge for customers located in higher elevations. In the Airport service area, the usage rates are uniform for both commercial and

residential customers and seasonal for irrigation accounts. Water rates in the Airport area are higher than within the Town due to the higher cost of purchased water from the Santa Rosa Aqueduct, which supplies the Airport area.

The difference in the tiered rates for residential customers is based on the difference of the cost of water supply as well as the cost of water conservation. The first tier rates are based on the cost of groundwater from the Town's Russian River Well Field (RRWF), whereas the rates in the second and third tiers also incorporate the costs of water from the Santa Rosa Aqueduct (sold by Sonoma Water), the cost of the water conservation program and the cost of the urban water reuse program. Water from the Santa Rosa Aqueduct represents the marginal cost for additional water delivered to the Town's customers. For this reason, the higher tier rates incorporate the cost of this water supply.

Single family accounts receive 7,000 gallons per month of Tier 1 water and 10,000 gallons per month of Tier 2 water. Multi-family customers receive 3,000 gallons of Tier 1 water and 2,500 gallons of Tier 2 water per dwelling unit (DU). Commercial accounts are subject to uniform water usage rates for all water usage and irrigation accounts subject to seasonal water usage rates.

Water for customers located in the Airport area is based on the (higher) cost of Santa Rosa Aqueduct water. In agreeing to provide water service to this area, the decision was made to charge Airport area customers for the cost of this more expensive water supply. In addition to customers in the Airport area there are two commercial accounts and six single family accounts that are customers of Sonoma Water. These customers receive water directly from Sonoma Water but are charged for water service by the Town. The Town charges these customers Airport commercial water rates plus a Sonoma Water service charge.

Water delivered to homes in Shiloh Meadows, the Mayacama subdivision, and on Vinecrest Road must have water pumped up to them. Because of this additional pumping requirement, the Town previously established additional service charges and an additional pumping charge applicable to water service in these areas. These charges

help ensure that these customers are bearing the estimated additional costs associated with providing service to the higher elevations.

Table 4: Current Water Rate Schedule

Water Usage Rates ($/gallon)			
Single Family Residential			
	1st Tier	0-7,000 gal/mo	$0.003550
	2nd Tier	7,001-17,000 gal/mo	$0.006510
	3rd Tier	Over 17,000 gal/mo	$0.007610
Multi-Family Residential (per dwelling unit)			
	1st Tier	0-3,000 gal/mo/DU	$0.003550
	2nd Tier	3,001-5,500 gal/mo/DU	$0.006510
	3rd Tier	Over 5,500 gal/mo/DU	$0.007610
Town Commercial		All usage	$0.004540
Town Irrigation - Winter		Nov-May	$0.003550
Town Irrigation - Summer		Jun-Oct	$0.004810
Airport Commercial & Residential		All usage	$0.008220
Airport Irrigation - Winter		Nov-May	$0.007340
Airport Irrigation - Summer		Jun-Oct	$0.008520
Additional Usage Charge for Pumping			
Shiloh Meadows - Zone 2		All usage	$0.001260
- Zone 3		All usage	$0.003220
- Zone 4		All usage	$0.004780
Mayacama		All usage	$0.003220
Vinecrest		All usage	$0.003110
Monthly Service Charges ($/month)			
All Water Services including Airport Area			
		Up to 3/4" meter	$13.95
		1" meter	$22.09
		1 1/2" meter	$42.23
		2" meter	$66.51
		3" meter	$123.17
		4" meter	$204.10
		6" meter	$406.22
		8" meter	$648.89
		10" meter	$932.06
Additional Service Charges for Pumping			
Shiloh Meadows - Zone 2		1" meter	$9.03
- Zone 3		1" meter	$27.31
- Zone 4		1" meter	$53.55
Mayacama		1" meter	$27.31
		1 1/2" meter	$54.47
		2" meter	$87.22
Vinecrest		Up to 1" meter	$33.85

Current rates for recycled water are presented in **Table 5.** The Water utility purchases recycled water (i.e., treated wastewater) from the Water Reclamation utility and then sells that recycled water to urban customers at a rate of 80 percent of Town Commercial

rates. These lower rates reflect the benefit that the use of recycled water confers on potable water customers by avoiding the use of limited potable water resources.

2.2.2 Current Recycled Water Rates

In 2012 the Town established pricing policies for recycled water customers that are intended to encourage recycled water usage in order to assist the Water Reclamation utility with its treated wastewater disposal operations in order to avoid the cost and environmental impact of discharging treated wastewater into the Laguna De Santa Rosa. Beyond the need to dispose of treated wastewater, the Town's Water utility distributes recycled water to urban users for its water supply benefits. The use of recycled water offsets the use of potable water and helps to firm up the Town's supply reliability. In addition to the above, the restrictions on the use of recycled water, as well as the additional water management efforts required when using recycled water[2] were deemed, by the Town Council, to justify charging urban users of recycled water reduced water rates (relative to potable water service).

The Town's recycled water pricing policies are as follows:

- Urban (Priority) Customers – Recycled water rates and service charges are equal to 80 percent of potable water rates. This rate reflects the value of recycled water use to other water customers by providing both water supply diversification as well as wastewater disposal benefits.

[2] In California, the use of recycled water is regulated by the Regional Water Quality Control Board and the State Department of Public Health. Regulatory requirements have been incorporated into the Town's Municipal Code and users of recycled water are required to obtain a permit from the Town governing the use of recycled water. Among other obligations, users of recycled water are required to: (1) designate a Site Supervisor with certified training in the rules, regulations, and standards for recycled water use, (2) comply with all requirements of applicable federal, state and local statutes, ordinances, regulations including the Recycling Criteria, and other requirements, (3) comply with additional restrictions on the use and application of recycled water.

- Vineyard Customers – Recycled water rates and service charges are equal to 25 percent of potable water rates. This rate reflects the value of vineyard water use to wastewater disposal operations. These rates are necessary to encourage the use of recycled water by this particular customer class.
- Pasture and Non-Vineyard Agriculture Customers – Recycled water rates and service charges are equal to 12.5 percent of potable water rates. This rate reflects the value of non-vineyard water use to wastewater disposal operations. These rates are necessary to encourage the use of recycled water by this particular customer class. The relatively lower rate also reflects the fact that pasture and non-vineyard users have the ability to take high volumes of water, thereby being more helpful for the Town's disposal needs.
- Discretionary Lands – These are agricultural lands either owned or controlled by the Windsor Water District to facilitate efficient wastewater disposal operations. The Town only provides water to these lands when all other demands have been met. Nevertheless, it must also maintain a certain amount of disposal capability in order to ensure all disposal needs can be met during periods of high-water volumes, but low demand. No charges are applied for water disposed on discretionary lands.
- Wholesale Recycled Water - The Town sets a "fair market value" for the wholesale rate of recycled water sold by the Water Reclamation utility to the Water utility at 50 percent of the rate charged to the Town by Sonoma Water for Santa Rosa Aqueduct water. This is considered both a reasonable cost for the Water utility as well as reasonable compensation to the Water Reclamation utility.

These recycled water rates continue to reflect the preferences expressed by the Town Council through prior direction to staff while complying with the requirement of Proposition 218. The current Recycled Water rates are show in Table 5.

Table 5: Current Recycled Water Rate Schedule

Urban Recycled Water Customers [1]		
Water Usage Rate ($/gallon)	All Usage	$0.003630
Monthly Service Charge	Up to 3/4" meter	$11.16
	1" meter	$17.67
	1 1/2" meter	$33.78
	2" meter	$53.21
	3" meter	$98.54
	4" meter	$163.28
	6" meter	$324.98
	8" meter	$519.11
	10" meter	$745.65
Vineyards [2]		
Water Usage Rate ($/gallon)	All Usage	$0.001140
Monthly Service Charge	2" meter	$16.63
	3" meter	$30.79
	4" meter	$51.03
	6" meter	$101.56
	8" meter	$162.22
	10" meter	$233.02
Pasture and Other Non-Vineyard Agriculture [2]		
Water Usage Rate ($/gallon)	All Usage	$0.000570
Monthly Service Charge	2" meter	$8.31
	3" meter	$15.40
	4" meter	$25.51
	6" meter	$50.78
	8" meter	$81.11
	10" meter	$116.51

Notes:

[1] Urban customers include parks, schools, and commercial and residences using recycled water for landscapes in the Vintage Greens subdivision. Dual plumbed homes using recycled water for landscapes

[2] Revenue from agricultural accounts accrues to the Water Reclamation utility.

2.2.3 Customer Account Data and Water Use Estimates

Table 6 summarizes customer account and water usage data used in water rate calculations for this report. Account information is based on the utility billing data from FY 2023/24.

Table 6: Summary of Water Accounts for 2025/26 Rate Calculations

	Meter Sizes										Annual Water Usage
	Up to 3/4"	1"	1.5"	2"	3"	4"	6"	8"	10"	Totals	
Number of Accounts											(TGALs)
Town Service Area											
Single Family Residential	7,111	833	-	-	-	-	-	-	-	7,944	581,000
Multi-Family Residential	67	23	7	13	14	-	-	-	-	124	45,000
Commercial	-	10	-	1	3	-	-	-	-	14	3,000
Irrigation	80	349	65	175	16	7	1	-	-	693	201,000
Sub-Total	**7,258**	**1,215**	**72**	**189**	**33**	**7**	**1**	**-**	**-**	**8,775**	**830,000**
Airport Service Area											
Commercial & Residential	16	95	26	55	19	5	1	-	2	219	68,000
Irrigation	4	65	15	42	-	-	-	-	-	126	35,000
Sub-Total	**20**	**160**	**41**	**97**	**19**	**5**	**1**	**-**	**2**	**345**	**103,000**
Total Potable Water Accounts	**7,278**	**1,375**	**113**	**286**	**52**	**12**	**2**	**-**	**2**	**9,120**	Grand Total:
Hydraulic Capacity Factor[1]	1.00	1.67	3.33	5.33	10.00	16.67	33.33	53.33	76.67		**933,000**
No. of 3/4" Equivalent Meters	**7,278**	**2,296**	**376**	**1,524**	**520**	**200**	**67**	**-**	**153**	**12,415**	

[1] Source: AWWA M1 Manual 7th Edition, Table B-2

Water rate calculations are based on several factors related to Windsor's customer base. Factors include the number of customers, customer classes, meter size and monthly water usage. Windsor Water provides water service through 9,120 water service connections, as summarized in Table 6. Single-family customers comprise about 87 percent of the customer accounts and about 62 percent of annual water usage.

Larger meters have the capacity to place higher demands on the water system than smaller meters. This means that larger (more costly) infrastructure is needed in order to serve accounts with larger meters. The hydraulic capacity factor of water meters (based on the meter's rated flow capacity) is used to relate the potential demands on the water system from customers with different size water meters. Table 6 (second row from the bottom) presents the hydraulic capacity factors used in this study. For purposes of rate analysis, a 3/4" meter is assigned a hydraulic capacity factor of 1.0. The ratios of rated flow capacities of the various meter sizes to the capacity of a 3/4" meter are used to determine the capacity factors for other meter sizes. This capacity relationship across meter sizes is used to allocate capacity-related fixed costs to various customers, a common rate-setting practice used in the water industry.

2.2.4 Cost-of-Service Analysis

There are three steps to determining water rates. These are:

- Determine annual water rate revenue requirements
- Allocate costs to functions
- Design water rates to proportionately recover costs from each customer

The Water utility 10-year financial plan (see Section 2.1) was used to identify the water rate revenue required to meet financial obligations for each fiscal year of the planning period. As presented in Section 2.1.6 of this report, a water rate revenue increase of 6 percent is proposed for FY 2025/26. The cost-of-service analysis and rate structure updates that are proposed by this study are based on the revenue requirements FY 2025/26 ("test year").

Once the annual water rate revenue requirement is determined, the next step in the rate-setting process is to evaluate the cost of providing service. The COSA allocates the costs of providing water service to customers in proportion to their respective demands on the system. The COSA evaluates the cost of providing water and allocates those costs to rate structure components to ensure that the proposed rates are aligned with the cost to provide service.

The cost allocation methodology used herein follows the same basic principles of the COSA methodology that was developed for Windsor in the 2020 Rate Study. The goal of the methodology is to allocate costs in a manner that both satisfies all cost-of-service (proportionality) requirements and also meets Windsor's objectives of revenue sufficiency and revenue stability.

The cost allocation methodology begins by assigning all costs to one of three categories. The cost allocation process is performed with data available in the Water utility's detailed budget and related financial documents. The three categories include:

- Customer costs, such as meter reading and billing, are fixed costs that tend to vary as a function of the number of customers being served, but do not vary depending on meter size or water usage. Customer costs are allocated to customers based on the number of accounts. That is, every customer will pay an equal share of customer-related costs.

- Capacity costs are also fixed costs; however, these tend to vary in relation to the capacity of the water system and the ability to serve the demands of active customers. Customers that place greater or lesser burdens on the capacity of the water system should bear greater or lesser shares of these costs. The sizing of the water system is based on the potential demand that each customer could place on the water system. Capacity costs are allocated to customers based on the hydraulic capacity of their water meter (see 2.2.3). Capacity costs include costs associated with the water system's capacity including contributions to the capital program, debt service, maintenance, and certain fixed operating costs.
- Commodity costs are variable costs that vary entirely or substantially in response to the amount of actual water use or are reasonably allocated based on water use. Water acquisition and treatment costs and energy costs are typical examples. However, some fixed costs are frequently included in commodity components such that a larger portion of cost is recovered on the basis of usage. Even though some commodity costs are fixed rather than variable, it is reasonable to allocate these costs to customers based on usage, rather than the capacity relationship expressed by meter size and hydraulic capacity. A significant portion of the Water utility's fixed costs is currently recovered through water usage charges. Proposed water rates continue this practice to a similar degree.

Table 7.

Table 7 summarizes how the water rate revenue requirement of $6.87 million is comprised of various functional categories of operating and maintenance costs, debt service obligations and capital program appropriations with offsetting revenues and the application of available reserves. It also illustrates how the functional cost categories that make up the revenue requirement are each assigned to one or more of the three cost components, as previously described.

The costs within each of the functional categories were derived from the detailed cost forecast for FY 2025/26. Once functional cost categories are allocated to the components, the total for each component is divided by the number of units to arrive

at total unit costs for each component. The units of demand include the number of customer accounts (service connections), number of 5/8" equivalent meters, and annual water sales for the customer, capacity, and commodity components, respectively. The allocation of costs to the customer, capacity and commodity components is shown to be 2.7 percent, 28.0 percent, and 69.3 percent, respectively, in Row 17 of Table 7.

Table 7: Allocation to Cost Categories

			Cost Categories					
			Allocation Percentages			Allocation of Costs		
	Category	Cost	Customer	Capacity	Commodity	Customer	Capacity	Commodity
1	Aqueduct Supply	$744,000			100%	$0	$0	$744,000
2	Ground Water Supply	$253,000			100%	$0	$0	$253,000
3	Pumping	$680,000			100%	$0	$0	$680,000
4	Operations	$2,094,000		20.0%	80%	$0	$418,800	$1,675,200
5	Administration	$2,357,000	5.0%	40.0%	55.0%	$117,900	$942,800	$1,296,400
6	Recycled Water	$161,000			100%	$0	$0	$161,000
7	Water Conservation	$303,000			100%	$0	$0	$303,000
8	Customer Service	$215,000	100%			$215,000	$0	$0
9	Debt Service	$362,000		50%	50%	$0	$181,000	$181,000
10	Engineering	$1,135,000		50%	50%	$0	$567,500	$567,500
11	Cash Capital	$6,229,000		50%	50%	$0	$3,114,500	$3,114,500
12	Recycled Water Revenue	-$220,000		100%		$0	-$220,000	$0
13	Fire Line Revenue	-$726,000		100%		$0	-$726,000	$0
14	Pressure Zone Revenue	-$173,600			100%	$0	$0	-$173,600
15	Other Revenue	-$870,000	2.3%	35.9%	61.8%	-$20,000	-$313,000	-$537,000
16	Use of Reserves	-$5,672,000	2.3%	35.9%	61.8%	-$130,000	-$2,039,000	-$3,503,000
						$0	$0	$0
17	**Total Revenue Requirement:**	**$6,871,400**				**$182,900**	**$1,926,600**	**$4,762,000**
						2.7%	28.0%	69.3%

2.2.5 Water Rate Design

The third step in the rate setting process is the design of water rates to proportionately recover costs from each customer. The Town's water rates include both fixed service charges and water usage rates. The calculation of each of these is described below.

2.2.5.1 SERVICE CHARGES

Service charges are intended to recover the Water utility's customer and capacity costs (see Table 7). Service charges apply to all customer water bills, regardless of the amount of water actually used. The service charges are calculated by allocating customer costs

equally to each customer account and allocating capacity costs based on each customer's respective meter size.

Table 8 presents the calculation of service charges for the water rates proposed for July 2025. The customer costs from Table 7 ($182,900) are divided by 9,120 accounts to yield a monthly rate of $1.67 per account. The capacity costs from Table 7 ($1,926,600) are divided by 12,415 equivalent meters to yield a monthly rate of $12.93 per equivalent meter (i.e., ¾" meters).

Table 8: Monthly Water Service Charge Calculations

	No. of Accounts by Meter Size									
	Up to 3/4"	**1"**	**1 1/2"**	**2"**	**3"**	**4"**	**6"**	**8"**	**10"**	**Totals**
No. of Potable Water Accounts	7,278	1,375	113	286	52	12	2	-	2	**9,120**
No. of 3/4" Equiv. Meters	7,278	2,296	376	1,524	520	200	67	-	153	**12,415**
Monthly Service Charges										
Customer Costs	$1.67	$1.67	$1.67	$1.67	$1.67	$1.67	$1.67	$1.67	$1.67	
Capacity Costs	$12.93	$21.59	$43.06	$68.92	$129.30	$215.54	$430.96	$689.56	$991.34	
Total Water Service Charge	**$14.60**	**$23.26**	**$44.73**	**$70.59**	**$130.97**	**$217.21**	**$432.63**	**$691.23**	**$993.01**	

2.2.5.2 WATER USAGE RATES

As shown at the bottom of Table 7, the commodity costs to be recovered from water usage charges in FY 2025/26 is $4,762,000. As previously described, water sold to the Airport area is based on the cost of Santa Rosa Aqueduct water, which is more costly than groundwater produced at the Town's well fields. Based on the costs to be recovered through the water usage charges, the costs for water from both the Santa Rosa Aqueduct and the RRWF, and the annual volumes of water delivered to both the Airport and Town service areas, the average water usage rate in each area was determined to be $0.00789 per gallon in the Airport service area and $0.00478 per gallon in the Town service area. These amounts include both water supply costs, as well as other costs to be recovered on the basis of water usage.

The above rates are recommended to apply to water use by commercial and residential customers in the Airport service area and commercial customers in the Town service area, respectively. However, the Town's residential customers are subject to tiered water rates and dedicated irrigation accounts in both service areas are subject to seasonal rates. In both instances the weighted average water rate within these

structures, for each customer class, is the average rate for the service area. In this way, the different rate structures are equitable across the various customer classes as well as across service areas. In addition, individual tier rates for residential customers, as well as the seasonal rates for irrigation accounts, each reflect specific proportionate allocations of water supply and other commodity costs, as presented herein. That is, each individual water usage rate has its own cost basis. The Town's various usage rates are made up the following cost components: (1) water supply, (2) water resource management, and (3) base water usage costs.

Water Supply - The Airport area is provided water via the Santa Rosa Aqueduct, whereas the Town is provided groundwater primarily from the RRWF. The cost of water from the Santa Rosa Aqueduct is much more expensive than the groundwater supply. In calculating water rates, the higher cost of Santa Rosa Aqueduct water is factored into the rates for the Airport area. The balance of water supply costs is assigned to the rates for customers within the Town.

The financial plan reflects that estimated water supplies for FY 2025/26 will include 521 AF of water from the Santa Rosa Aqueduct and about 2,395 AF of groundwater from the Town's well field on the Russian River. Cost of groundwater supply includes the Town's well water pumping costs as well as Russian River Diversion sub-charges imposed by Sonoma Water.

The FY 2025/26 cost of water from the Santa Rosa Aqueduct is estimated to be $1,426.56 per AF, and the Sonoma Water charge for Russian River Diversions is estimated to be $105.57 per AF. The estimated electricity cost for the Town to pump groundwater is about $211.78 per AF. This brings the total variable cost for RRWF production to $317.35 per AF.

Water Resource Management Costs - The Water utility has budgeted about $303,000 in water conservation program costs in FY 2025/26. In addition, the costs of the urban recycled water program are about $161,000. Water conservation program costs and recycled water program costs are recovered through the uniform rate (all commercial and Airport residential customers), through the second and third tier rates (Town

residential customers), and through the summer seasonal rate (irrigation customers). It is reasonable to allocate these costs to the Tier 2 users, Tier 3 users, and summer irrigators because those customers drive the need for water resource management. Potable water customers pay for a portion of recycled water costs because potable water customers benefit from the diversification of the Town's water supply.

Base Water Usage Costs - In addition to water supply, water conservation, and recycled water costs, water usage rates also reflect other commodity costs associated with water system operation, maintenance, and capital program. These other costs are recovered through a base usage charge, which is included in all water usage rates, as further described below.

2.2.5.3 RESIDENTIAL TIER RATES

The water usage tier allocations for single family and multi-family customers are summarized below. The first tier water allocation generally represents indoor water usage needs for single family homes and multi-family dwelling units, respectively. The second tier generally encompasses water for outdoor irrigation needs or other more discretionary uses. The third tier represents the highest level of water usage where marginal supply costs become a significant factor in providing service. Only a small percentage of the total residential water demand occurs in this highest tier.

	Single Family	**Multi-Family**
Tier 1	0 – 7,000 gal/mo	0 – 3,000 gal/mo
Tier 2	7,001 – 17,000 gal/mo	3,001 – 5,500 gal/mo
Tier 3	>17,001 gal/mo	>5,501 gal/mo

Tiered rate structures for single family and multi-family customers have been designed to meet cost-of-service requirements as follows:

- The rate for the first tier reflects the cost of groundwater from the Town's Russian River Well Field and base water usage costs (see above) but does not include the

costs of water conservation and recycled water, which have been allocated across the second and third tiers.

- The rate for the second tier reflects the blended cost of groundwater and Santa Rosa Aqueduct water purchased from Sonoma Water in addition to base water usage costs and half of the customer classes' portion of water conservation and recycled water costs.
- The rate for the third (and highest) tier also reflects the blended cost of groundwater and Santa Rosa Aqueduct water purchased from Sonoma Water in addition to base water usage costs and half of the customer classes' portion of water conservation and recycled water costs.

Based on the procedures and rationale described above, the proposed residential water use tier rates for FY 2025/26 are shown in Table 9. While the tiered rates paid by Town residential customer differ from the uniform rate paid by Town commercial customers, the weighted average water usage rate across all tiers is equal to the uniform rate to provide equity between customer classes.

2.2.5.4 SEASONAL IRRIGATION RATES

The Town's seasonal rates are intended to reflect the impact of the peak irrigation season on the Town's water resources. Seasonal rates include the five-month peak summer period (June through October) and the seven-month off-peak winter period (November through May). More than 62 percent of annual irrigation water usage occurs during the summer period.

The calculation of seasonal rates is similar to that of the residential tier rates. The Town winter usage rate (i.e., in the Town service area) is comprised of base water usage costs and the cost of groundwater. The Town summer rate is comprised of a blend of groundwater and Santa Rosa Aqueduct water, base water usage costs, as well as water conservation and recycled water costs.

Since the water supply cost in the Airport area is comprised entirely of Santa Rosa Aqueduct water, the difference between the winter and summer rates in the Airport

area is based entirely on the cost of water conservation and reuse. Based on the procedures and rationale described above, the proposed irrigation seasonal water usage rates for FY 2025/26 are shown in Table 9.

Table 9: Water Usage Rate Calculations

Volumetric Cost Components	**FY 2025/26**	
Santa Rosa Aqueduct	$0.004400	per gallon delivered
RRWF Water & Pumping	$0.000979	per gallon delivered
Town Supply Blend	$0.001284	per gallon delivered
Water Resource Management	$0.000496	per gallon delivered
Base Usage Charge	$0.002996	per gallon delivered
Airport Uniform Rate	$0.007892	per gallon delivered
Town Uniform Rate	$0.004777	per gallon delivered

Water Usage Rate Calculations ($/gallon)

	Town Single Family & Multi-Family			
	Tier 1	**Tier 2**	**Tier 3**	**Total**
Annual Water Use (TGALs)	454,200	118,700	52,300	**625,200**
	72.6%	19.0%	8.4%	
Water Supply Component	$0.000979	$0.002095	$0.002095	
Water Resource Mngmt. Component	$0.000000	$0.001306	$0.002967	
Base Usage Component	$0.002996	$0.002996	$0.002996	
Total Usage Rates	**$0.00397**	**$0.00640**	**$0.00806**	
		161%	126%	

	Town Commercial	**Town Irrigation**		
	All Usage	**Winter**	**Summer**	**Total**
Annual Water Use (TGALs)	3,000	76,000	125,000	**201,000**
	100%	37.8%	62.2%	
Water Supply Component	$0.001284	$0.000979	$0.001470	
Water Resource Mngmt. Compone	$0.000496	$0.000000	$0.000798	
Base Usage Component	$0.002996	$0.002996	$0.002996	
Total Usage Rates	**$0.00478**	**$0.00397**	**$0.00526**	

	Airport Comm. & Resid.	**Airport Irrigation**		
	All Usage	**Winter**	**Summer**	**Total**
Annual Water Use (TGALs)	68,000	7,800	27,200	**35,000**
	100%	22.3%	77.7%	
Water Supply Component	$0.00440	$0.00440	$0.00440	
Water Resource Mngmt. Compone	$0.00050	$0.00000	$0.00064	
Base Usage Component	$0.00300	$0.00300	$0.00300	
Total Usage Rates	**$0.00789**	**$0.00740**	**$0.00803**	

2.2.5.5 UNIFORM COMMERCIAL RATES

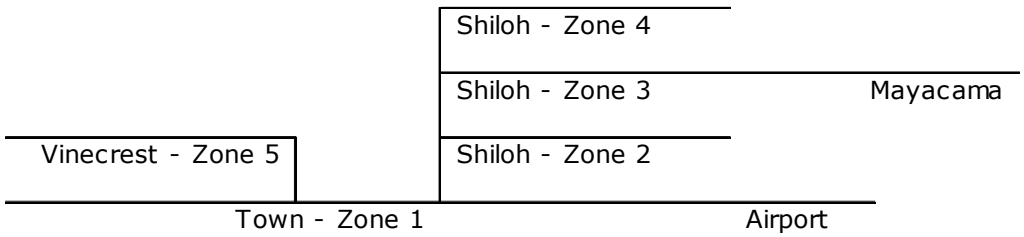
The Town charges a uniform water usage rate for commercial customers both in the Town and in the Airport service areas, as well as the small number of residential accounts in the Airport area. The commercial rate in the Town service areas and the

commercial/residential rate in the Airport service[3] area are both shown in **Table 9**. The uniform rate in the Town service area reflects the water supply blend of primarily groundwater (91 percent RRWF and 9 percent Santa Rosa Aqueduct), as well as base water usage costs, water conservation costs, and recycled water costs. The uniform rate in the Airport area reflects the cost of aqueduct water, as well as base water usage costs, water conservation costs, and recycled water costs.

2.2.6 Pressure Zones and Related Pumping Charges

The Town's current water rates include additional charges for customers served by pressure zones located above the main pressure zone serving the Town (Zone 1). **Figure 6** schematically illustrates the relative relationship between the various pressure zones. Water delivered beyond Zone 1 to Zones 2 and 5 must be pumped once. Water delivered to Zone 3 is pumped twice from Zone 1. That water can also be delivered to the Mayacama subdivision. Water delivered to Zone 4 must be pumped three times from Zone 1.

Figure 6 – Pressure Zone Schematic Diagram



Additional charges associated with delivering water to higher pressure zones reflect the estimated costs associated with energy, labor, materials and supplies, and replacement of pump stations. Calculation of these charges is summarized in Table 10. The analysis relied upon historical electric utility costs, as well as budget and other financial information associated with specific pump stations, as provided by Town staff.

[3] The Airport area commercial rate is also applied to the few customers served directly by Sonoma Water but billed by the Town for water service.

By including the additional service charges and water usage charges for pumping to higher elevations in the rates paid by customers living in higher elevation zones, the additional costs of delivering water to these customers are not borne by the Town's other customers.

Table 10: Pressure Zone Service and Usage Charges

	Pump Station to Zone 2	Pump Station to Zone 3	Mayacama Subdivision	Pump Station to Zone 4	Booster Station to Zone 5
Pressure Zone Costs					
Energy	$57,600	$8,100	$0	$600	$1,700
Labor	$7,300	$7,300	$11,000	$11,000	$3,700
Materials and Supplies	$3,700	$2,500	$2,700	$3,300	$1,000
Capital Replacement	$15,600	$15,600	$0	$15,600	$5,300
Total Annual Cost	**$84,200**	**$33,500**	**$13,700**	**$30,500**	**$11,700**

	Shiloh Meadows Zone 2	Shiloh Meadows Zone 3	Mayacama Subdivision	Shiloh Meadows Zone 4	Vinecrest Road
No. of Accounts	13	13	34	41	13
No. of 3/4" Equiv. Meters	21.7	21.7	60.4	68.5	21.7
Annual Water Use (tg)	3,906	2,945	11,151	12,693	1,657
Pressure Zone Charges					
Additional Usage Charge ($/gal)	$0.002370	$0.003193	$0.003929	$0.004548	$0.004345
Additional Service Charge ($/mo.)					
Up to 1" meter	$9.25	$19.83	$32.49	$46.86	$28.85
1 1/2" meter			$64.79		
2" meter			$103.70		

2.2.7 Proposed Water and Recycled Water Rate Schedules

Schedule W-3 summarizes the proposed schedule of water rates for implementation each July from 2025 through 2029. The rate schedule for July 2025 reflects the COSA and rate design described in this section and is intended to generate $6.87 million in annual revenue from potable water customers based on customer account and water use information provided by the Town. The water rate increases from July 2026 through July 2029 (as summarized in Table 3) will be treated as across-the-board adjustments to usage rates, monthly service charges, and pumping charges.

Schedule W-4 summarizes the proposed recycled water rate schedules for implementation each July from 2025 through 2029.

Section 3. WASTEWATER RATE STUDY

The following subsections include the Water Reclamation utility's financial plan, cost of service, rate design and proposed 5-year rates schedule. As previously mentioned, the following information is somewhat redundant with Section 2. The following is meant to stand alone to avoid the need to cross-reference.

3.1 WATER RECLAMATION FINANCIAL PLAN

Windsor's Water Reclamation utility is a self-supporting, independent enterprise of the Town. That is, the Water Reclamation utility is expected to generate sufficient revenues (through user charges, impact fees, and other revenues) to cover the ongoing costs of operations, maintenance, administration, regulatory compliance, debt service, capital improvements, and maintenance of prudent financial reserves.

This section presents the Water Reclamation utility ten-year financial plan, including a description of the source data, assumptions and Windsor's financial policies. Windsor provided historical and budgeted financial information, including historical and budgeted operating costs, a multi-year CIP and outstanding debt service obligations. Windsor staff also assisted in providing other assumptions and policies, such as cash reserve targets and escalation rates for operating costs.

3.1.1 Water Reclamation Utility Fund Balances

The financial plan begins with a starting cash balance from which future cash balances are estimated based on forecasted revenues and expenditures for each year. The actual fund balance for the Water Reclamation utility as of June 30, 2023 is provided below in Table 11.

Table 11: Water Reclamation Utility Cash Reserves, beginning FY 2023/24

Water Reclamation Operating Reserves	$4,307,000
Water Reclamation Capital Fund	$14,812,000 *
Water Reclamation Rate Stabilization Fund	$4,307,000
Total Reserves:	**$23,426,000**

* Includes proceeds from 2024 $10.25 million debt.

3.1.2 Wastewater Rate Revenue

Rate revenue is the revenue generated from customers for wastewater service. Windsor collects rate revenue from wastewater customers based on a fixed "Service Charge" for each connection and a wastewater Usage Rate applied to estimates of wastewater flow generated by each customer. The Water Reclamation utility financial plan estimates FY 2024/25 rate revenue based on actual rate revenue from FY 2023/2024 and adjusted to reflect the adopted FY 2024/25 rate increases). Budgeted and projected rate revenues (including proposed rate adjustments) are listed in **Schedule WW-1** (cash flow proforma)

In addition, the Water Reclamation utility receives revenue from the sale of recycled water to the Water utility as well as agricultural users (such as vineyards and pastures). In effect, all recycled water revenue to Water Reclamation represents supplemental revenue that is used to offset wastewater disposal costs that would otherwise be borne by wastewater customers. Both the rates applicable to agricultural recycled water sales and the rate for the wholesale sale of recycled water to the Water utility are believed to provide reasonable compensation to the Water Reclamation utility.

3.1.3 Wastewater Non-Rate Revenues

In addition to rate revenue, the Water Reclamation utility receives additional "non-rate revenue" from sources such as miscellaneous service fees/charges, charges, penalties,

rentals, impact fees[4], and interest revenue on investments. Projections of all non-rate revenues were based on FY 2024/25 budgeted revenues with the exception of interest income which was calculated annually based upon projected fund balances and an assumed interest rate of 1.0 percent, which is consistent with Windsor's historical interest earnings relative to its total reserve levels (combined average of all Water and Water Reclamation funds). Actual wastewater rate and non-rate revenues for FY 2023/24 are depicted in Figure 7 below and listed in more detail in **Schedule WW-1**.

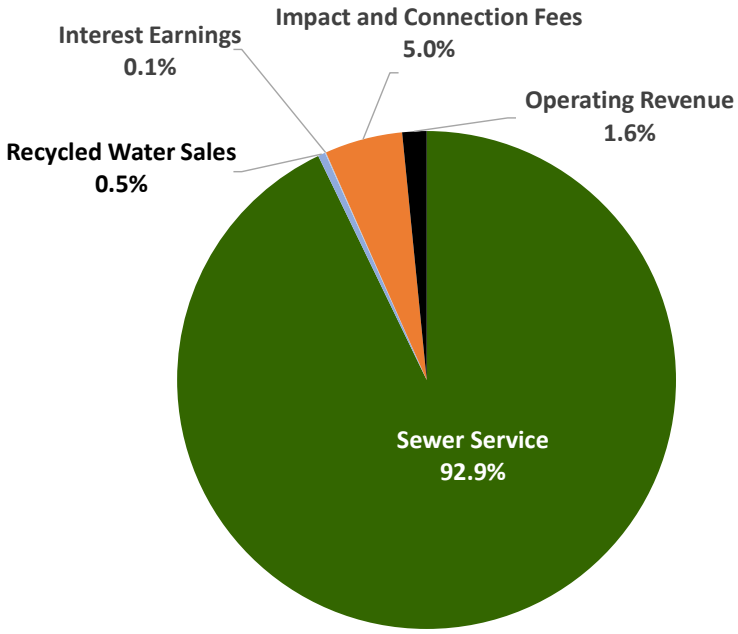


Figure 7: Water Reclamation Utility Revenue (Actuals FY 2023/24)

3.1.4 Water Reclamation Utility Operating Expenses and Existing Debt

The financial plan model is based on current operating and maintenance costs as established by actual expenditures in FY 2023/24. Projections of future costs are based on cost escalation assumptions, as summarized in Section 1.7.3.

[4] Windsor's "impact fees" are also known as "Capacity Charges" per Government Code Section 66013.

Major budgeted expense categories for FY 2023/2024 are depicted in **Figure 8**. Budgeted and projected operating and maintenance costs as well as debt service expenses are listed in detail in **Schedule WW-1**.

Significantly, it is forecasted that biosolids removal costs (currently $1.4 million per year, associated with a service contract) will be eliminated starting in FY 2028/29 as a result of the construction of the Biosolids Handling Facility (see Section 3.1.5).

The Water Reclamation utility has existing outstanding long-term debt obligations as summarized below.

- *2012D Water and Wastewater Revenue Bond* – This California Statewide Communities Development Authority pooled bond is related to financing for the Town's corporation yard. Annual payments total $655,000 annually through FY 2027/28, which is split between the Water and Water Reclamation utilities. In addition, 20 percent of this debt obligation is paid by the General Fund and 12 percent from the Public Facilities Fund. Ultimately this results in an approximate $328 thousand annual payment by the Water Reclamation utility through FY 2027/28.
- In addition to the debt obligations within the utilities, the Water Reclamation utility pays 11.5 percent of the Town's 2012A Lease Revenue Bonds related to the Town Civic Center. The last payment of $25 thousand will occur during the current fiscal year (FY 2024/25).
- In 2024, the Water Reclamation utility issue a new debt of $10.25 million. This debt will require annual debt service payments of approximately $847,000 through FY 2043/44.

Existing bond covenants require the Town to maintain Water Reclamation revenues such that total revenues are sufficient to pay all operating and maintenance costs, plus 1.20 times annual debt service (the "debt service coverage ratio" or DCR). In the current fiscal year, the Water Reclamation utility is expected to meet this requirement with a DCR of 1.93. If necessary, bond documents from the 2012 bonds authorized the use of Rate Stabilization funds to assist with meeting the debt service coverage obligation.

Major budgeted expense categories for FY 2024/25 are depicted in **Figure 3**. Budgeted and projected operating and maintenance costs as well as debt service expenses are listed in detail in Schedule WW-1.

Capital spending is addressed separately in Section 3.1.5.

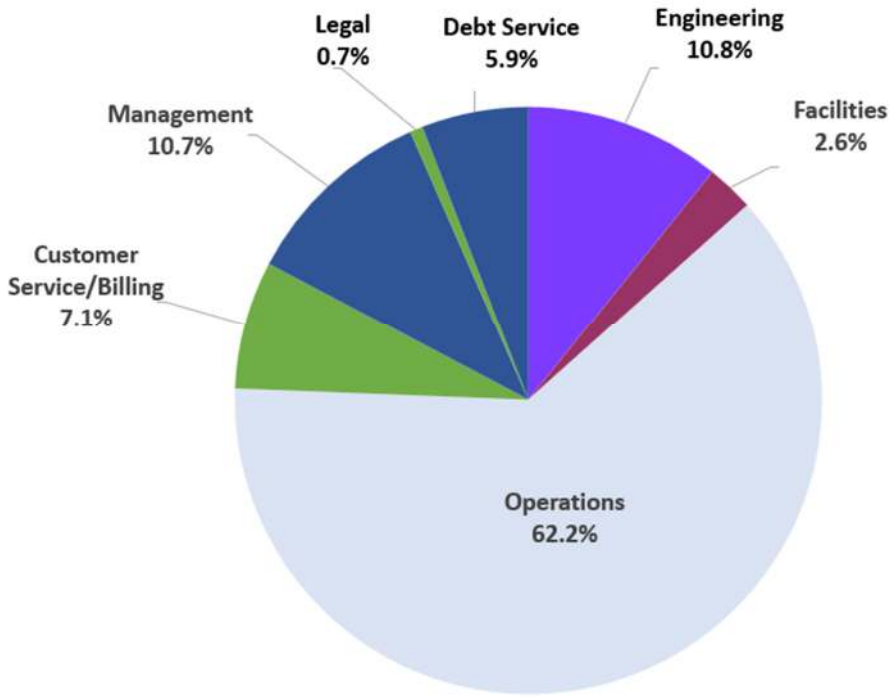


Figure 8: Water Reclamation Operating & Debt Expense (Act. FY 2023/24)

3.1.5 Water Reclamation Utility Capital Spending Projection and Debt Strategy

The financial plan models reflect capital project spending identified by an eleven-year capital improvement plan (CIP) FY 2025-2035, which is based on the 2019 Modernization Study and associated reports. The capital improvement program reflected in the financial plan model for the Water Reclamation utility totals is $175.5 million. The majority of this spending is focused to occur between FY2024/25 and FY2027/28 (see Figure 9), which would result in the depletion of the Water Reclamation utility's reserves if funded by PayGo. As such, the Town recommends issuing two separate debts to help

fund the $71.6 million Secondary Treatment System Upgrades, the $60.5 million Biosolids Handling Facility, and the $5.5 million Main Switchboard Replacement at Water Reclamation Facility (see **Schedule WW-2,** Rows 8, 9, & 13). The proposed debt would be in the form of a WIFIA (Water Infrastructure Finance and Innovation Act) loan and a bond (type to be determined). The assumed terms of these loans are summarized in Table 12.

Table 12: Summary of Water Reclamation Loan Assumptions

	WIFIA	Bond
Par Amount	$84,823,000	$67,392,000
Net Proceeds	$68,226,000	$58,512,000
Interest Rate	5.25%	4.50%
Term	35 Years	30 Years
Annual Payment	$5,345,000	$4,137,000
Loan Date	2025	2026
Initial Debt Payment	2029	2028

Figure 4 and Schedule W-2 summarize the scheduled annual capital spending included in the financial plan model.

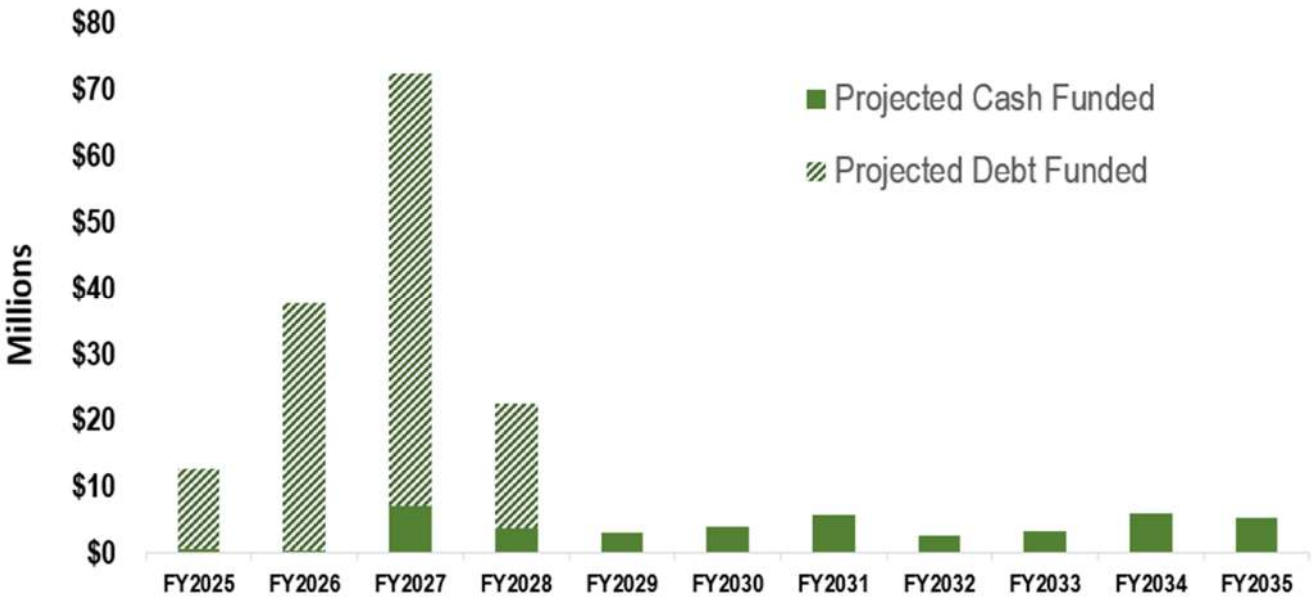


Figure 9: Projected Water Reclamation Utility Capital Spending

This Water Reclamation utility financial plan assumes that Impact Fee revenues can be used to contribute towards paying for all Water Reclamation capital projects. This is appropriate given that the "buy-in" methodology was used to calculate Impact Fees (see *Water and Wastewater Capacity Fee Study*, The Reed Group, Inc., February 7, 2017).

3.1.6 Proposed Wastewater Rate Revenue Increases

All of the above information was entered into a financial planning model to produce a ten-year projection of the sufficiency of current rate revenues to meet projected financial requirements and determine the level of rate revenue increases necessary in each year of the projection period. Specific findings and recommendations pertaining to the Water Reclamation utility's financial plan are presented below, beginning with a description of the current situation.

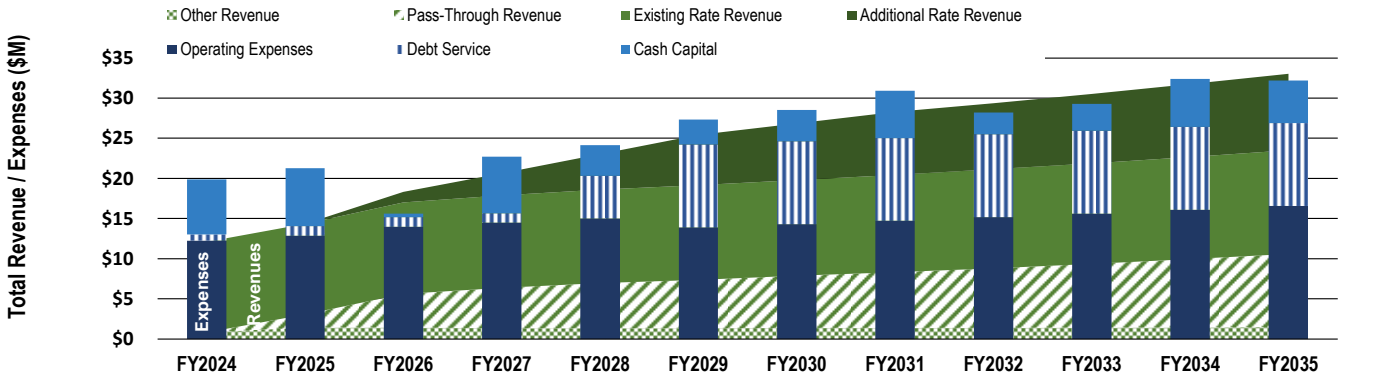
- The wastewater rate increases proposed by this study for the next five years are intended to financially position the Water Reclamation utility to proactively address infrastructure needs.
- The Water Reclamation utility is facing a significant "spike" in capital spending which exceeds the current reserves and will necessitate the issuance of significant new debt. The proposed strategy will increase the Water Reclamation utility's debt service obligations from the current level of about $1.2 million per year to about $10.3 million per year starting in FY 2028/29.

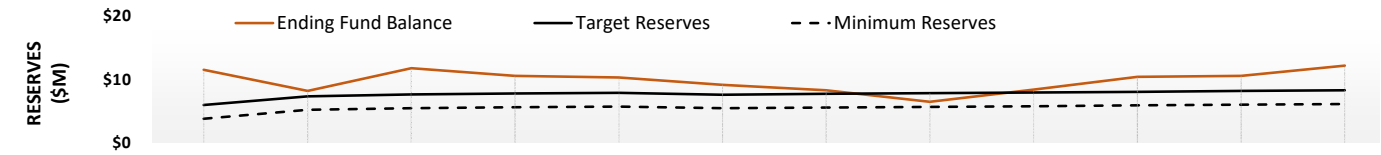
Based upon the previously discussed financial data, assumptions, policies, and debt strategy, this Study proposes a five-year schedule of annual rate adjustments as shown in Table 13 and detailed in Schedule WW-3.

Table 13: Proposed Wastewater Rate Revenue Increases

Rate Adjustment Date	Proposed Rate Increase
July 1, 2025	11.0%
July 1, 2026	11.0%
July 1, 2027	11.0%
July 1, 2028	11.0%
July 1, 2029	4.0%

The numbers provided in Schedule WW-1 (cash flow proforma) are summarized graphically in Figure 5, which shows that the target reserves are maintained over the course of the planning period and the DCR remains at adequate levels throughout the planning period. It should be noted that the DCR value should be actively managed every year with transfers into and out of the Rate Stabilization Fund in order to keep the value above 1.5 (see Row 28 in Schedule WW-1).





	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
Proposed Revenue Increases:			11.0%	11.0%	11.0%	11.0%	4.0%	4.0%	2.0%	2.0%	2.0%	2.0%
Water Reclamation DCR:		1.51	1.87	3.42	1.48	1.48	1.48	1.48	1.55	1.52	1.55	1.58
Bond Debt Proceeds:			$0.5M	$39.3M	$18.7M							
WIFIA Debt Proceeds:		$5.4M	$36.7M	$26.1M								

Figure 10: Water Reclamation Financial Projection with Proposed Rate Increases

Proposed rate structure changes and rate schedules for the next five years are presented in Section 3.2 of this report.

3.2 WASTEWATER COST OF SERVICE & RATE STRUCTURE

This section of the report provides the COSA and design of wastewater rates intended to meet the Water Reclamation utility's service and financial obligations for FY 2025/26 and beyond. Proposed wastewater rates are intended to meet the utility's financial needs, satisfy legal requirements, and achieve other rate-setting objectives. The wastewater rate analyses and related recommendations address each of the following:

- Identification of wastewater rate-setting objectives
- Evaluation of customer account and wastewater production data
- A COSA used to allocate costs to each customer and customer class in proportion with service demands
- Design of a wastewater rate structure to meet revenue needs, satisfy legal requirements, and achieve rate-setting objectives in a fair and reasonable manner

The Water Reclamation utility ten-year financial plan was used to identify the wastewater rate revenue required to meet financial obligations for each fiscal year of the planning period. Once the annual wastewater rate revenue requirement is determined, the next step in the rate-setting process is to evaluate the cost of providing service. COSA is the process of allocating the costs of providing wastewater service to customers in proportion to the extent to which each customer contributes to the utility's incursion of costs. The COSA evaluates the cost of providing wastewater and allocates those costs to rate structure components to ensure the proposed rates are proportionate with the costs to provide service.

3.2.1 Current Wastewater Rates

Residential customers are subject to a fixed monthly service charge per dwelling unit and a usage charge based on winter usage described below. Non-residential customers are subject to a fixed monthly service charge based on meter size and a usage charge based on actual monthly water usage. Non-residential usage rates vary for low,

medium, and high strength customers commensurate with the treatment requirements of wastewater of various strengths.

Residential usage for residential customers is based on the lesser of winter water usage (i.e., sewer cap) or actual monthly water use. Each year, the Town monitors water usage during the winter months (which should have minimal outdoor water usage) to estimate indoor water usage for each residential customer. To do this, the Town averages the monthly water usage from the three lowest use months during the period from December through March. In July of each year, the Town updates the assigned water use value for each residential customer, based on the most recent data.

Non-residential wastewater customers are subject to usage rates based on actual water use within each billing cycle. Non-residential customers are first assigned to low, medium, or high-strength category depending on the type of business and therefore the strength of wastewater generated. The rates are determined based on standard strength characteristics for each category. A separate rate applies to schools. Non-residential wastewater rates apply to actual water usage, however, in determining the rates it is assumed that ninety percent of the water usage results in wastewater flow.

Customers that do not receive water service from the Town pay flat monthly wastewater charges based on average winter water use (for residential) or number of equivalent single-family dwellings (for non-residential).

Table 14 provides a summary of the current wastewater rates.

Table 14: Current Wastewater Rate Schedule

Wastewater Usage Rates ($/gallon)	
Single Family [2]	$0.021130
Multi-Family / Mobile Homes [2]	$0.021130
Commercial [3]	
Low strength	$0.019020
Medium strength	$0.026110
High strength	$0.046650
Schools [3]	$0.018620
Monthly Service Charges	
Single Family	$15.52
Multi-Family / Mobile Homes (per DU)	$12.20
Commercial	
Up to 3/4" meter	$15.52
1" meter	$24.40
1 1/2" meter	$46.43
2" meter	$72.96
3" meter	$134.94
4" meter	$223.46
Additional Monthly Lift Station Charges	
Greens Subdivision	$20.01
Vintage Greens Subdivision	$15.74
Wastewater-Only Accounts	
Single Family	$89.53
Mobile Homes (per DU)	$67.76
Commercial (per ESFD) [4]	$89.53
WW Usage Rate Components for Special Situations [5]	
Flow Volume ($/TGAL)	$14.55
BOD ($/lb)	$2.69
SS ($/lb)	$3.86

Notes:

[1] Effective July 1, 2024

[2] Residential usage charges determined based on the lower of: (1) actual monthly water usage, or (2) average winter water usage determined from the three lowest use months during the prior period from December through March. Bill adjustments based on winter water usage occur in July each year.

[3] Non-residential wastewater usage rates apply to actual monthly water usage.

[4] Each equivalent single family dwelling (ESFD) is equivlent to 20 fixture units.

[5] Applicable to situations with unique wastewater discharge characteristics, as determined by the Director of Public Works.

3.2.2 Customer Account Data and Wastewater Flow and Loading Estimates

Wastewater rate calculations are based on a number of factors related to the Town's customers. Factors include the number of customers, customer classes, water usage

and wastewater flows, and strength characteristics of wastewater as determined by biochemical oxygen demand (BOD) and suspended solids (SS). **Table 15** summarizes customer account and water usage data obtained from the Town's utility billing system from FY 2023/24, as well as estimates of resulting wastewater flow and loading characteristics. The relative capacity demands of customers is measured by "equivalent single-family dwellings" (ESFD) which treats single family accounts as a "common denominator" so to speak. Based on billing data wastewater flow analysis, multi-family dwelling units produce approximately 72 percent of the wastewater flow from single family dwelling units, therefore multi-family dwelling units are assigned a value of 0.72 ESFDs. Non-residential accounts are assigned an ESFD value based on the size of their water meter relative to a ¾" meter, which is assigned a value of 1.0 ESFDs (using the meter equivalency factors shown in Table 6).

Residential wastewater flows are estimated based on winter water usage, as previously described. Non-residential wastewater flows are based on ninety percent of annual water usage. The ninety percent rate of return factors were used in prior rate analyses and appear reasonable as most non-residential irrigation occurs through separate dedicated irrigation water service connections.

Wastewater customers are all classified into user groups with similar wastewater strength characteristics of BOD and SS. A comprehensive rate study performed for the Town in 2004 contained recommendations to make low, medium, and high strength distinctions between its commercial customers. The distinctions developed at that time were based on consultant recommendations and guidelines published by the California State Water Resources Control Board (SWRCB). The strength factors were subsequently refined to better match estimated wastewater flow and strength with treatment plant inflow and loading characteristics. The changes made resulted in a better match to estimated loading into the water reclamation facility with actual sampling done of wastewater influent at the treatment plant. The strength assumptions remain consistent with the SWRCB guidelines.

Table 15: Customer Account Data and Estimated Wastewater Flows and Loadings

Customer Class	Number of Accounts	Number Dwelling Units	No. of ESFDs [2]	Annual Water Usage	Rate of Return	Estimated Annual Wastewater Flow [3]	Estimated Annual Wastewater Flow	BOD Strength [4]	Annual BOD Loading	SS Strength [4]	Annual SS Loading
				TGAL		TGAL	MG	mg/l	lbs	mg/l	lbs
Residential											
Single Family	8,325	8,325	8,325	541,800	56%	305,000	305.00	150	381,555	100	254,370
Single Family - Sewer Only	130	130	130	8,500	56%	4,763	4.76	150	5,958	100	3,972
Multi-Family / Mobile Homes	118	1,248	901	42,100	78%	33,000	33.00	150	41,283	100	27,522
Mobile Home - Sewer Only	5	686	495	23,100	78%	18,139	18.14	150	22,692	100	15,128
Non-Residential											
Low Strength	183	183	426	19,900	90%	17,910	17.91	150	22,405	100	14,937
Medium Strength	88	88	309	44,600	90%	40,140	40.14	300	100,430	240	80,344
High Strength	43	43	129	15,300	90%	13,770	13.77	800	91,873	600	68,905
Schools	10	10	53	3,500	90%	3,150	3.15	130	3,415	100	2,627
Commercial - Sewer Only	9	9	11	400	90%	330	0.33	150	412	100	275
Totals	**8,911**	**10,722**	**10,779**	**699,200**		**436,202**	**436.20**		**670,025**		**468,081**

Notes:

[1] From Town's utility billing system for FY 2023/24.

[2] ESFDs = equivalent single family dwellings. Multi-family dwellings are equivalent to 72 percent of single family dwelling, based on wastewater flow. Non-residential ESFDs based on meter size.

[3] Wastewater flow for residential customers based on the lesser of actual monthly usage or the average of the three lowest use months during the period from December through March. Wastewater flow for non-residential customers is estimated at 90 percent of annual water usage.

[4] Based on previous water reclamation rate analyses and SWRCB guidelines.

3.2.3 Wastewater Cost-of-Service Analysis and Rate Design

There are three steps to determining wastewater rates. These are:

- Determine annual wastewater rate revenue requirements
- Allocate costs to functions and customer classes
- Design water rates to proportionately recover costs from each customer

The Water Reclamation utility ten-year financial plan (see Section 3.1) identified the wastewater rate revenue required to meet financial obligations for each fiscal year of the planning period. As presented in Table 13, a wastewater rate revenue increase of 11 percent is proposed for FY 2025/26. The COSA and rate structure updates that are proposed by this study are based on the revenue requirements FY 2025/26 ("test year").

The next step in the rate setting process is the COSA, which determines the cost of providing service to each customer class.

Table 16 shows the allocation of the test year wastewater rate revenue requirement (totaling $13.07 million) to various Water Reclamation functions. The revenue requirements are made up of operating and maintenance costs, administrative costs, debt service obligations, capital costs, offsetting non-rate revenues, and the (offsetting) use of available reserves. Each of these costs and offsetting credits has been assigned to one or more of the following functions:

- Customer costs, such as meter reading and billing, are fixed costs that tend to vary as a function of the number of customers being served. Customer costs will later be allocated to customers based on the number of accounts. In other words, every customer account (regardless of size) pays an equal share of customer-related costs.
- Capacity costs are also fixed costs; however, these vary in relation to the size of the wastewater system. Customers that place greater or lesser burdens on the capacity of the wastewater system should bear greater or lesser shares of these costs. Capacity costs are allocated to wastewater customers based on the hydraulic capacity of the water meter. The hydraulic capacity of the customer's water meter reflects the potential demand that a customer could place on the wastewater system at any given time and is a general indicator of each customer's

capacity requirement. Capacity costs will be allocated among the customer classes based on the number of ESFDs.

- Collection costs include costs associated with operating and maintaining the collection system. Collection costs will be allocated to customer classes based on wastewater flow.
- Treatment costs are those costs associated with operating the water reclamation facility. Treatment costs will be allocated to customers based on wastewater flow, BOD loading, and SS loading.
- Capital costs are cost that are similar to the capacity costs of the wastewater system (see above) but will be allocated to customer classes based on actual wastewater flow, BOD loading, and SS loading (rather than ESFDs which is a more static metric).

Table 17 shows how the functionalized costs from Table 16 are converted to unit costs by dividing the costs by the total number of respective units in the utility (as quantified in Table 15). For example, the $374,990 in customer costs is divided by the 8,911 accounts to derive a unit cost of $42.42 per account.

Table 18 shows how the unit costs developed in Table 17 are used to calculate the cost responsibility of each customer class according to their respective demands placed on the water reclamation system (as quantified in Table 15).

Table 19 presents the final wastewater service charges and usage rates for each customer class. The fixed Service Charge paid by residential customers is based on the total account and capacity costs divided by the number of dwelling units in each customer class. For example, single family homes are responsible for $353,147 in account costs and $1,257,408 in capacity costs for a total of $1,610,555. This is divided by the number of single-family dwelling units (8,325) to derive a Service Charge of $16.12 per month. Service charges for non-residential customers are based on meter size with the ¾" meter being equal to a single-family account.

Usage rates are calculated by summing all of the other cost categories (collection, treatment and capital) and dividing by the total wastewater flow per customer class.

The final column in Table 19 shows fixed monthly charges that have been calculated for sewer-only accounts applicable when water usage data is unavailable.

Table 16: Functionalization of Costs

		Cost Categories									
		Allocation Percentages					Allocation of Costs				
Water Reclamation System Costs	**Total**	**Customer**	**Capacity**	**Collections**	**Treatment**	**Capital**	**Customer**	**Capacity**	**Collect/ Recyc Wtr**	**Treatment**	**Capital**
Adminstration	$2,564,000	3.0%	97.0%				$76,900	$2,487,100	$0	$0	$0
Customer Service	$317,000	100%					$317,000	$0	$0	$0	$0
Operation & Maintenance	$374,000			100%			$0	$0	$374,000	$0	$0
Collection	$929,000			100%			$0	$0	$929,000	$0	$0
Treatment	$7,666,000				100%		$0	$0	$0	$7,666,000	$0
Recycled Water	$451,000			100%			$0	$0	$451,000	$0	$0
Engineering	$1,556,000					100%	$0	$0	$0	$0	$1,556,000
Cash Capital	$450,000					100%	$0	$0	$0	$0	$450,000
Debt Service	$1,174,000					100%	$0	$0	$0	$0	$1,174,000
Lift Station Revenue	($75,600)		100%				$0	($75,600)	$0	$0	$0
Recycled Water Revenue	($76,000)		100%				$0	($76,000)	$0	$0	$0
Other Revenue	($1,518,000)		40.0%			60.0%	$0	($607,200)	$0	$0	($910,800)
ALW Pass-Through Revenue	($4,200,000)	2.5%	16.1%	11.3%	49.5%	20.5%	($106,870)	($674,750)	($475,860)	($2,079,790)	($862,730)
Addition To/(Use of) Reserves	$3,576,000	2.5%	16.1%	11.3%	49.5%	20.5%	$90,990	$574,500	$405,160	$1,770,790	$734,560
Total Rate Revenue Requirement:	**$13,187,400**						**$378,020**	**$1,628,050**	**$1,683,300**	**$7,357,000**	**$2,141,030**
							2.9%	12.3%	12.8%	55.8%	16.2%

Table 17: Determination of Unit Costs

Cost Category	Allocation Method	Component Allocation Percentages	Annual Cost Allocated to Each Parameter	Quantities for Each Parameter		Unit Cost for Each Parameter	
Customer Costs	*per account*	**2.9%**	**$378,020**	8,911	Accounts	$42.42	per account
Capacity Costs	*per ESFD*	**12.3%**	**$1,628,050**	10,779	ESFDs	$151.04	per ESFD
Collection Costs	per MG	**12.8%**	**$1,683,300**	436.20	MG	$3,858.99	per MG
Treatment Costs		**55.8%**	**$7,357,000**				
Flow (MG)	Flow (MG)	50.0%	$3,678,500	436.20	MG	$8,433.02	per MG
BOD (lbs)	BOD (lbs)	25.0%	$1,839,250	670,025	lbs	$2.75	per lb of BOD
SS (lbs)	SS (lbs)	25.0%	$1,839,250	468,081	lbs	$3.93	per lb of SS
Capital Costs		**16.2%**	**$2,141,030**				
Flow (MG)	Flow (MG)	70.0%	$1,498,721	436.20	MG	$3,435.84	per MG
BOD (lbs)	BOD (lbs)	15.0%	$321,155	670,025	lbs	$0.48	per lb of BOD
SS (lbs)	SS (lbs)	15.0%	$321,155	468,081	lbs	$0.69	per lb of SS
	Total Revenue Requirement:		**$13,187,400**				

Table 18: Wastewater Allocation of Annual Costs to Users

	Cost Type:	Account	Capacity	Collection	Treatment			Capital			
No. of Accounts	Customer Class	Customer Unit Cost = *$42.42 per account*	Capacity Unit Cost = *$151.04 per ESFD*	Flow Unit Cost = *$3,858.99 per MG*	Flow Unit Cost = *$8,433.02 per MG*	BOD Unit Cost = *$2.75 per lbs*	SS Unit Cost = *$3.93 per lbs*	Flow Unit Cost = *$3,435.84 per MG*	BOD Unit Cost = *$0.48 per lbs*	SS Unit Cost = *$0.69 per lbs*	Allocation *of Total Costs*
	Residential										
8,325	Single Family	$353,147	$1,257,408	$1,176,992	$2,572,071	$1,049,276	$999,674	$1,047,931	$183,146	$175,515	$8,815,161
130	Single Family - Sewer Only	$5,515	$19,635	$18,379	$40,164	$16,385	$15,611	$16,364	$2,860	$2,741	$137,654
118	Multi-Family / Mobile Homes	$5,006	$136,047	$127,347	$278,290	$113,528	$108,161	$113,383	$19,816	$18,990	$920,568
5	Mobile Home - Sewer Only	$212	$74,782	$70,000	$152,970	$62,404	$59,454	$62,324	$10,892	$10,439	$503,478
	Non-Residential										
183	Low Strength	$7,763	$64,343	$69,115	$151,035	$61,615	$58,702	$61,536	$10,755	$10,306	$495,170
88	Medium Strength	$3,733	$46,671	$154,900	$338,501	$276,183	$315,753	$137,915	$48,207	$55,438	$1,377,300
43	High Strength	$1,824	$19,484	$53,138	$116,123	$252,652	$270,797	$47,312	$44,099	$47,545	$852,973
10	Schools	$424	$8,005	$12,156	$26,564	$9,392	$10,325	$10,823	$1,639	$1,813	$81,140
9	Commercial - Sewer Only	$382	$1,661	$1,272	$2,781	$1,134	$1,081	$1,133	$198	$190	$9,832
8,911	**Totals**	**$378,005**	**$1,628,038**	**$1,683,299**	**$3,678,499**	**$1,842,570**	**$1,839,557**	**$1,498,720**	**$321,612**	**$322,976**	**$13,193,277**

Notes:
[1] Unit costs at the top of each column are multiplied by the number of accounts, wastewater flow, ESFD, BOD loading, or the SS loading for each customer class

Table 19: Wastewater Rate Determination

No. of DUs/ Accounts	Customer Class	Estimated Annual Wastewater Flow	BOD Strength	SS Strength	Monthly Service Charges	Usage Rates [1]	Total Service Charge Revenue	Total Usage Charge Revenue	Total Annual Wastewater Rate Revenue	Monthly Flat Rate per DU or ESFD [2]
		TGAL	mg/l	mg/l	$/DU	$/gallon				
	Residential									
8,325	Single Family	305,000	150	100	$16.12	$0.02362	1,610,555	7,204,100	8,814,655	
130	Single Family - Sewer Only	4,763	150	100	$16.12	$0.02362	25,150	112,496	137,646	**$88.30**
1,248	Multi-Family / Mobile Homes	33,000	150	100	$9.42	$0.02362	141,053	779,460	920,513	
686	Mobile Home - Sewer Only	18,139	150	100	$9.11	$0.02362	74,995	428,453	503,448	**$61.20**
	Non-Residential									
183	Low Strength	17,910	150	100	Varies by	$0.02126	72,106	423,034	495,140	
88	Medium Strength	40,140	300	240	Meter	$0.02975	50,404	1,327,028	1,377,433	
43	High Strength	13,770	800	600	Size	$0.05436	21,308	831,708	853,016	
10	Schools	3,150	130	100	(see below)	$0.02077	8,429	72,702	81,131	
9	Commercial - Sewer Only	330	150	100	$ 18.92	$0.02126	2,043	8,503	10,546	**$79.90**
10,722	**Totals**	**436,202**					**2,006,043**	**11,187,485**	**13,193,528**	

Notes:

[1] For residential customers, the usage rate applies to the lesser of: (1) average winter water usage determined as the average of the three lowest use months during the period from December through March of each year, or (2) actual monthly water use. For non-residential customers, the usage rate applies to actual monthly water usage.

[2] Flat rate monthly wastewater charges for wastewater-only accounts are applied to each dwelling unit for residential accounts, and to each ESFD for non-residential accounts.

3.2.4 Lift Stations and Related Pumping Costs

Wastewater accounts in The Greens and Vintage Greens subdivisions are located at lower elevations and must have wastewater pumped through lift stations to convey wastewater to the Town's water reclamation facility. Because of this additional pumping requirement, the Town has established additional service charges applicable to wastewater service in these areas. These charges help ensure that these customers are bearing the costs associated with lift station operation, maintenance, and replacement.

The additional lift station service charges are intended to recover the estimated energy, material, labor, and capital replacement costs associated with lift station facilities based on information provided by the Town and through prior rate analyses. The resulting charges, shown in **Table 20,** are added to the monthly wastewater charges applicable to each customer. The updated cost analysis results in a reduction in the lift station charges, primarily due to a reduction in labor costs.

Table 20: Lift Station Service Charges

	The Greens	Vintage Greens
Lift Station Costs		
Energy	$4,300	$6,300
Labor	$7,100	$7,100
Materials and Supplies	$9,800	$9,800
Capital Replacement	$15,600	$15,600
Total Annual Cost	**$36,800**	**$38,800**
No. of Accounts	192	242
Pressure Zone Charges		
Additional Service Charge ($/mo.)	$15.97	$13.36

3.2.5 Customized Wastewater Usage Rates for Special Situations

Occasionally, the Town receives requests for wastewater service from businesses with special wastewater characteristics. These may include wineries, breweries, food processors or other unique and/or significant wastewater discharge characteristics that

fall outside of the strength ranges for standard low, medium, and high strength categories. In some cases, waste discharge volumes may not correlate with water usage (e.g., when a significant amount of water goes into products produced, such as beverage manufacturing). In these situations, it is reasonable and appropriate to calculate a special wastewater usage rate based on the specific wastewater flow and strength characteristics of each special situation. Wastewater strength characteristics may initially be developed through an engineer's estimate. However, once active, the customer's waste characteristics should be estimated or determined through sampling.

Table 17 presents unit costs for the volumetric portion of wastewater collection and treatment in terms of flow volume, pounds of BOD, and pounds of SS. These unit costs for collection and treatment are building blocks for wastewater usage rates and are comprised of three elements, as listed below.

Flow Volume	$15.73 per 1,000 gallons (TGAL)
Biochemical Oxygen Demand	$3.23 per pound of BOD
Suspended Solids	$4.62 per pound of SS

For illustrative purposes, an example calculation for a customer-specific wastewater usage rate for a hypothetical special situation (a large winery) is shown below. The customized wastewater usage rate would be used in place of a standard (low, medium, or high) wastewater usage rate. The standard fixed service charge, based on meter size, would also be part of the wastewater bill.

Sample Special Wastewater Usage Calculation

For this sample calculation, BOD is assumed to be 2,500 mg/l and SS is assumed to be 1,000 mg/l. A conversion factor of 0.00834 is required to convert milligrams to pounds and liters to TGALs.

Usage Fee = $15.73/TGAL + [BOD x $3.23/lb + SS x $4.62/lb] x 0.00834
= $15.73/TGAL + [2,500 mg/l x $3.23/lb + 1,000 mg/l x $4.62/lb] x 0.00834
= $15.73/TGAL + [$8,075/TGAL + $4,620/TGAL] x 0.00834
= $15.73/TGAL + $67.35/TGAL + $38.53/TGAL
= $121.60/TGAL of wastewater flow

The customized wastewater usage rate would apply to the wastewater flow volume. To apply the wastewater usage rate to metered water usage a rate-of-return factor should also be applied. For example, if it is determined that 80 percent of the water usage returns to the wastewater system as wastewater, then the appropriate wastewater usage rate for the above example would be $97.28/TGAL of water usage ($121.60 x 80 percent). The standard fixed service charge, based on meter size, would also be part of the wastewater bill.

3.2.6 Proposed Wastewater Rate Schedule

Schedule WW-3 summarizes proposed wastewater rate schedules for FY 2025/26 through FY 2028/29, reflecting the percent adjustments in wastewater rate revenue recommended in Table 13.

Section 4. CONCLUSION

This 2025 Comprehensive Water and Wastewater Rate Study report proposes updated utility rates for the Town's Water and Water Reclamation utilities. The report recommends modest annual increases in water and wastewater rates over the next five years, as well as minimal updates to the existing rate structures. The rate increases are driven primarily by an increase in reinvestment into the utility infrastructure as well as general cost inflation, including the escalating costs of wholesale water purchases.

This Study used methodologies that are aligned with all applicable laws, including California's Proposition 218, as well as industry standard practices for rate setting as promulgated by AWWA. The water and wastewater rates will need to be adopted in accordance with Proposition 218, which will require a detailed notice describing the proposed charges to be mailed to each affected property owner or customer at least 45 days prior to conducting a public hearing to adopt the rates.

SCHEDULES

Schedule W-1: Water Utility Cash Flow Pro Forma

Schedule W-2: Water Utility Capital Spending Budget

Schedule W-3: 5-Year Schedule of Proposed Water Rates

Schedule W-4: 5-Year Schedule of Proposed Recycled Water Rates

Schedule WW-1: Water Reclamation Fund Cash Flow Pro Forma

Schedule WW-2: Water Reclamation Utility Capital Spending Budget

Schedule WW-3: 5-Year Schedule of Proposed Wastewater Rates

Schedule W-1: Water Utility Cash Flow Proforma

		Budget FY 2025	Forecast FY 2026	Forecast FY 2027	Forecast FY 2028	Forecast FY 2029	Forecast FY 2030	Forecast FY 2031	Forecast FY 2032	Forecast FY 2033	Forecast FY 2034	Forecast FY 2035
1	**Rate Revenue Increases:**	**6.0%**	**6.0%**	**6.0%**	**6.0%**	**5.0%**	**5.0%**	**5.0%**	**4.0%**	**4.0%**	**4.0%**	
	Rate Revenue											
2	**Water Rate Revenue**	$6,600,000	$6,600,000	$7,055,000	$7,541,000	$8,061,000	$8,617,000	$9,125,000	$9,663,000	$10,233,000	$10,734,000	$11,259,000
3	Change due to growth & use		$59,000	$63,000	$68,000	$72,000	$77,000	$82,000	$87,000	$92,000	$96,000	$101,000
4	Increase due to rate adjustments		$396,000	$423,000	$452,000	$484,000	$431,000	$456,000	$483,000	$409,000	$429,000	$450,000
5	**Urban Recycled Water Sales**	$208,000	$208,000	$232,000	$260,000	$292,000	$328,000	$360,000	$396,000	$436,000	$470,000	$508,000
6	Change due to growth & use		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
7	Increase due to rate adjustments		$12,000	$14,000	$16,000	$18,000	$16,000	$18,000	$20,000	$17,000	$19,000	$20,000
	Non-Rate Revenues											
8	Fire Line Service Charges	$719,000	$726,000	$733,000	$740,000	$748,000	$755,000	$763,000	$770,000	$778,000	$786,000	$794,000
9	Interest Earnings	$177,000	$141,000	$84,000	$63,000	$65,000	$67,000	$67,000	$64,000	$66,000	$70,000	$75,000
10	Operating Revenue	$336,000	$338,000	$330,000	$332,000	$335,000	$337,000	$339,000	$342,000	$344,000	$346,000	$349,000
11	Impact Fees	$391,000	$391,000	$391,000	$391,000	$391,000	$391,000	$391,000	$391,000	$391,000	$391,000	$391,000
12	**Total Revenue**	**$8,431,000**	**$8,871,000**	**$9,325,000**	**$9,863,000**	**$10,466,000**	**$11,019,000**	**$11,601,000**	**$12,216,000**	**$12,766,000**	**$13,341,000**	**$13,947,000**
	O&M Costs											
13	Source of Supply	$902,000	$996,000	$1,086,000	$1,184,000	$1,291,000	$1,408,000	$1,536,000	$1,676,000	$1,829,000	$1,997,000	$2,180,000
14	Engineering	$1,055,000	$1,107,000	$1,140,000	$1,174,000	$1,210,000	$1,246,000	$1,283,000	$1,322,000	$1,362,000	$1,403,000	$1,445,000
15	Facilities	$113,000	$62,000	$64,000	$66,000	$68,000	$70,000	$72,000	$75,000	$77,000	$79,000	$81,000
16	Operations	$2,707,000	$2,860,000	$2,977,000	$3,101,000	$3,231,000	$3,368,000	$3,513,000	$3,666,000	$3,828,000	$3,998,000	$4,179,000
17	Urban Reuse	$153,000	$161,000	$166,000	$171,000	$176,000	$181,000	$186,000	$192,000	$198,000	$204,000	$210,000
18	Water Conservation	$288,000	$302,000	$311,000	$320,000	$330,000	$340,000	$350,000	$361,000	$371,000	$383,000	$394,000
19	General Administration	$2,256,000	$2,369,000	$2,443,000	$2,519,000	$2,599,000	$2,681,000	$2,765,000	$2,853,000	$2,944,000	$3,037,000	$3,134,000
20	Legal	$83,000	$85,000	$88,000	$90,000	$93,000	$96,000	$99,000	$102,000	$105,000	$108,000	$111,000
21	Affordability Program	$0	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000	$10,000
22	***Total Operating Expenses***	**$7,557,000**	**$7,952,000**	**$8,285,000**	**$8,635,000**	**$9,008,000**	**$9,400,000**	**$9,814,000**	**$10,257,000**	**$10,724,000**	**$11,219,000**	**$11,744,000**
	Capital Costs											
23	**Total Capital Spending**	**$4,315,000**	**$7,028,518**	**$2,800,000**	**$7,400,000**	**$695,564**	**$948,078**	**$1,473,389**	**$1,165,428**	**$1,046,428**	**$1,046,428**	**$1,432,615**
24	**Bond Proceeds**	**$8,400,000**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
25	Existing Debt Service	$386,000	$362,000	$362,000	$364,000	$35,000	$0	$0	$0	$0	$0	$0
26	Cash Funded Capital Projects	$4,115,000	$6,229,000	$2,800,000	$0	$696,000	$948,000	$1,473,000	$1,165,000	$1,046,000	$1,046,000	$1,433,000
27	New Debt Service	$0	$0	$0	$611,000	$611,000	$611,000	$611,000	$611,000	$611,000	$611,000	$611,000
28	***Total Capital Expenses***	**$4,501,000**	**$6,591,000**	**$3,162,000**	**$975,000**	**$1,342,000**	**$1,559,000**	**$2,084,000**	**$1,776,000**	**$1,657,000**	**$1,657,000**	**$2,044,000**
	Transfers											
29	Transfer into (out of) Rate Stabilization	$0	$0	$0	($600,000)	$300,000	$300,000	$0	$0	$0	$0	$0
30	**Total Expenses**	**$12,058,000**	**$14,543,000**	**$11,447,000**	**$9,610,000**	**$10,350,000**	**$10,959,000**	**$11,898,000**	**$12,033,000**	**$12,381,000**	**$12,876,000**	**$13,788,000**
31	**Beginning Year Balance**	**$17,713,000**	**$14,086,000**	**$8,414,000**	**$6,292,000**	**$6,545,000**	**$6,661,000**	**$6,721,000**	**$6,424,000**	**$6,607,000**	**$6,992,000**	**$7,457,000**
32	**Surplus/(Shortfall)**	**($3,627,000)**	**($5,672,000)**	**($2,122,000)**	**$253,000**	**$116,000**	**$60,000**	**($297,000)**	**$183,000**	**$385,000**	**$465,000**	**$159,000**
33	**End of Year Balance**	**$14,086,000**	**$8,414,000**	**$6,292,000**	**$6,545,000**	**$6,661,000**	**$6,721,000**	**$6,424,000**	**$6,607,000**	**$6,992,000**	**$7,457,000**	**$7,616,000**
34	*Target Operating Reserve*	$1,761,000	$1,889,000	$1,988,000	$2,071,000	$2,159,000	$2,252,000	$2,350,000	$2,454,000	$2,564,000	$2,681,000	$2,805,000
35	*Target Rate Stabilization Fund*	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000	$1,250,000
36	*Target Capital Fund*	$2,811,000	$2,811,000	$3,950,000	$3,950,000	$3,950,000	$3,950,000	$3,950,000	$3,950,000	$3,950,000	$3,950,000	$3,950,000
37	***Total Reserve Target***	**$5,822,000**	**$5,950,000**	**$7,188,000**	**$7,271,000**	**$7,359,000**	**$7,452,000**	**$7,550,000**	**$7,654,000**	**$7,764,000**	**$7,881,000**	**$8,005,000**
38	*Ending Rate Stabilization Fund Level**	$1,228,000	$1,228,000	$1,228,000	$628,000	$928,000	$1,228,000	$1,228,000	$1,228,000	$1,228,000	$1,228,000	$1,228,000
39	**Debt Coverage Ratio (min. 1.20)**	**2.26**	**2.57**	**2.90**	**1.89**	**1.81**	**2.18**	**2.94**	**3.22**	**3.36**	**3.49**	**3.62**

* The Rate Stabilization Fund is a subset of the End of Year Balance (Row 33)

Schedule W-2: Water Utility Capital Spending Budget*

		FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	TOTALS
1	ALWSZ Recycled Water Pump Station Upgrades		$785,000										$785,000
2	Wild Oak Water Service Replacements	$2,000,000	$2,344,000										$4,344,000
3	Corrosion Inhibiter System	$200,000	$800,000		$7,400,000								$8,400,000
4	Los Amigos Groundwater Wells (was North Windsor Well)	$1,100,000	$1,850,000	$800,000									$3,750,000
5	Turnberry Court Pipe Improvements					$696,000	$731,000						$1,427,000
6	Esposti Park Well Treatment System	$885,000	$1,000,000	$2,000,000									$3,885,000
7	New Well at Russian River Well Field						$217,000	$1,407,000					$1,624,000
8	Mitchell Lane Recycled Water Transfer Pipeline							$66,000	$1,165,000				$1,231,000
9	Savannah Way and Merner Drive Pipe Construction											$573,000	$573,000
10	Water Transmission Reliability at Russian River Well Field West of Eastside Road									$1,046,000	$1,046,000		$2,092,000
11	Century Court Pipe Improvements (From 2019 Rate Study)											$860,000	$860,000
12	EV Fleet Charging	$130,000	$250,000										$380,000
13	**Total Capital Spending ***	**$4,315,000**	**$7,029,000**	**$2,800,000**	**$7,400,000**	**$696,000**	**$948,000**	**$1,473,000**	**$1,165,000**	**$1,046,000**	**$1,046,000**	**$1,433,000**	**$29,351,000**

* Values account for inflation (3% is assumed)

Schedule W-3: 5-Year Water Rate Schedule

		July 2025	July 2026	July 2027	July 2028	July 2029
Water Usage Rates ($/gallon)						
Single Family Residential						
1st Tier	0-7,000 gal/mo	$0.003975	$0.004210	$0.004460	$0.004730	$0.004970
2nd Tier	7,001-17,000 gal/mo	$0.006397	$0.006780	$0.007190	$0.007620	$0.008000
3rd Tier	Over 17,000 gal/mo	$0.008058	$0.008540	$0.009050	$0.009590	$0.010070
Multi-Family Residential (per dwelling unit)						
1st Tier	0-3,000 gal/mo/DU	$0.003975	$0.004210	$0.004460	$0.004730	$0.004970
2nd Tier	3,001-5,500 gal/mo/DU	$0.006397	$0.006780	$0.007190	$0.007620	$0.008000
3rd Tier	Over 5,500 gal/mo/DU	$0.008058	$0.008540	$0.009050	$0.009590	$0.010070
Town Commercial	All usage	$0.004777	$0.005060	$0.005360	$0.005680	$0.005960
Town Irrigation - Winter	Nov-May	$0.003975	$0.004210	$0.004460	$0.004730	$0.004970
Town Irrigation - Summer	Jun-Oct	$0.005264	$0.005580	$0.005910	$0.006260	$0.006570
Airport Commercial & Residential	All usage	$0.007892	$0.008370	$0.008870	$0.009400	$0.009870
Airport Irrigation - Winter	Nov-May	$0.007396	$0.007840	$0.008310	$0.008810	$0.009250
Airport Irrigation - Summer	Jun-Oct	$0.008035	$0.008520	$0.009030	$0.009570	$0.010050
Additional Usage Charge for Pumping						
Shiloh Meadows - Zone 2	All usage	$0.002370	$0.002510	$0.002660	$0.002820	$0.002960
- Zone 3	All usage	$0.003193	$0.003380	$0.003580	$0.003790	$0.003980
- Zone 4	All usage	$0.004548	$0.004820	$0.005110	$0.005420	$0.005690
Mayacama	All usage	$0.003929	$0.004160	$0.004410	$0.004670	$0.004900
Vinecrest	All usage	$0.004345	$0.004610	$0.004890	$0.005180	$0.005440
Monthly Service Charges ($/month)						
All Water Services including Airport Area						
	Up to 3/4" meter	$14.60	$15.48	$16.41	$17.39	$18.26
	1" meter	$23.26	$24.66	$26.14	$27.71	$29.10
	1 1/2" meter	$44.73	$47.42	$50.27	$53.29	$55.95
	2" meter	$70.59	$74.83	$79.32	$84.08	$88.28
	3" meter	$130.97	$138.83	$147.16	$155.99	$163.79
	4" meter	$217.21	$230.24	$244.05	$258.69	$271.62
	6" meter	$432.63	$458.59	$486.11	$515.28	$541.04
	8" meter	$691.23	$732.71	$776.67	$823.27	$864.43
	10" meter	$993.01	$1,052.59	$1,115.75	$1,182.70	$1,241.84
Additional Service Charges for Pumping						
Shiloh Meadows - Zone 2	1" meter	$9.25	$9.80	$10.39	$11.01	$11.56
- Zone 3	1" meter	$19.83	$21.02	$22.28	$23.62	$24.80
- Zone 4	1" meter	$46.86	$49.67	$52.65	$55.81	$58.60
Mayacama	1" meter	$32.49	$34.44	$36.51	$38.70	$40.64
	1 1/2" meter	$64.79	$68.67	$72.79	$77.16	$81.02
	2" meter	$103.70	$109.92	$116.52	$123.51	$129.69
Vinecrest	Up to 1" meter	$28.85	$30.58	$32.41	$34.35	$36.07

Schedule W-4: 5-Year Recycled Water Rate Schedule

		July 2025	July 2026	July 2027	July 2028	July 2029
Urban Recycled Water Customers [1]						
Water Usage Rate ($/gallon)	All Usage	$0.003820	$0.004050	$0.004290	$0.004540	$0.004770
Monthly Service Charge	Up to 3/4" meter	$11.68	$12.38	$13.13	$13.91	$14.61
	1" meter	$18.61	$19.73	$20.91	$22.17	$23.28
	1 1/2" meter	$35.78	$37.94	$40.22	$42.63	$44.76
	2" meter	$56.47	$59.86	$63.46	$67.26	$70.62
	3" meter	$104.78	$111.06	$117.73	$124.79	$131.03
	4" meter	$173.77	$184.19	$195.24	$206.95	$217.30
	6" meter	$346.10	$366.87	$388.89	$412.22	$432.83
	8" meter	$552.98	$586.17	$621.34	$658.62	$691.54
	10" meter	$794.41	$842.07	$892.60	$946.16	$993.47
Vineyards [2]						
Water Usage Rate ($/gallon)	All Usage	$0.001190	$0.001270	$0.001340	$0.001420	$0.001490
Monthly Service Charge	2" meter	$17.65	$18.71	$19.83	$21.02	$22.07
	3" meter	$32.74	$34.71	$36.79	$39.00	$40.95
	4" meter	$54.30	$57.56	$61.01	$64.67	$67.91
	6" meter	$108.16	$114.65	$121.53	$128.82	$135.26
	8" meter	$172.81	$183.18	$194.17	$205.82	$216.11
	10" meter	$248.25	$263.15	$278.94	$295.68	$310.46
Pasture and Other Non-Vineyard Agriculture [2]						
Water Usage Rate ($/gallon)	All Usage	$0.000600	$0.000630	$0.000670	$0.000710	$0.000750
Monthly Service Charge	2" meter	$8.82	$9.35	$9.92	$10.51	$11.04
	3" meter	$16.37	$17.35	$18.40	$19.50	$20.47
	4" meter	$27.15	$28.78	$30.51	$32.34	$33.95
	6" meter	$54.08	$57.32	$60.76	$64.41	$67.63
	8" meter	$86.40	$91.59	$97.08	$102.91	$108.05
	10" meter	$124.13	$131.57	$139.47	$147.84	$155.23

Notes:

[1] Urban customers include parks, schools, and commercial and residences using recycled water for landscapes in the Vintage Greens subdivision. Dual plumbed homes using recycled water for landscapes are exempt from the recycled water monthly service charges. Revenue from urban recycled water accounts accrues to the Water utility.

[2] Revenue from agricultural accounts accrues to the Water Reclamation utility.

Schedule WW-1: Water Reclamation Fund Cash Flow Pro Forma

		Budget FY2025	Forecast FY2026	Forecast FY2027	Forecast FY2028	Forecast FY2029	Forecast FY2030	Forecast FY2031	Forecast FY2032	Forecast FY2033	Forecast FY2034	Forecast FY2035
1	**Rate Revenue Increases:**		**11.0%**	**11.0%**	**11.0%**	**11.0%**	**4.0%**	**4.0%**	**2.0%**	**2.0%**	**2.0%**	**2.0%**
	Rate Revenue											
2	**Sewer Rate Revenue**	$11,958,000	$11,958,000	$13,380,000	$14,972,000	$16,753,000	$18,746,000	$19,664,000	$20,627,000	$21,225,000	$21,840,000	$22,473,000
3	Change due to growth & use		$107,000	$120,000	$134,000	$150,000	$168,000	$176,000	$185,000	$190,000	$196,000	$202,000
4	Increase due to rate adjustments		$1,315,000	$1,472,000	$1,647,000	$1,843,000	$750,000	$787,000	$413,000	$425,000	$437,000	$449,000
5	**Recycled Water Rate Rev. (Agr & Vin)**	$72,000	$76,000	$80,000	$85,000	$90,000	$95,000	$100,000	$105,000	$109,000	$113,000	$118,000
	Non-Rate Revenues											
6	Wholesale RW Revenue	$90,000	$100,000	$110,000	$121,000	$133,000	$146,000	$161,000	$177,000	$194,000	$214,000	$235,000
7	Interest Earnings	$116,000	$82,000	$118,000	$106,000	$103,000	$92,000	$83,000	$65,000	$84,000	$104,000	$106,000
8	Impact Fees	$1,115,000	$1,115,000	$1,115,000	$1,115,000	$1,115,000	$1,115,000	$1,115,000	$1,115,000	$1,115,000	$1,115,000	$1,115,000
9	Operating Revenue	$117,000	$118,000	$1,000	$2,000	$3,000	$4,000	$6,000	$7,000	$8,000	$9,000	$10,000
10	Sonoma Wate Intertie	$2,732,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
11	ALW Pass-Through Revenue	$1,600,000	$4,200,000	$5,000,000	$5,600,000	$6,000,000	$6,500,000	$6,955,000	$7,442,000	$7,963,000	$8,520,000	$9,117,000
12	**Total Revenue**	**$17,800,000**	**$19,071,000**	**$21,396,000**	**$23,782,000**	**$26,190,000**	**$27,616,000**	**$29,047,000**	**$30,136,000**	**$31,313,000**	**$32,548,000**	**$33,825,000**
	O&M Costs											
13	Engineering	$1,448,000	$1,512,000	$1,557,000	$1,604,000	$1,652,000	$1,701,000	$1,752,000	$1,805,000	$1,859,000	$1,915,000	$1,972,000
14	Facilities	$352,000	$372,000	$383,000	$394,000	$406,000	$419,000	$431,000	$444,000	$457,000	$471,000	$485,000
15	Operations	$8,563,000	$9,148,000	$9,506,000	$9,885,000	$8,602,000	$8,856,000	$9,118,000	$9,388,000	$9,667,000	$9,954,000	$10,250,000
16	General Administration	$2,401,000	$2,727,000	$2,812,000	$2,900,000	$2,991,000	$3,084,000	$3,181,000	$3,281,000	$3,385,000	$3,492,000	$3,602,000
17	Legal	$94,000	$97,000	$100,000	$103,000	$106,000	$109,000	$112,000	$116,000	$119,000	$123,000	$126,000
18	Affordability Program	$0	$118,000	$118,000	$118,000	$118,000	$118,000	$118,000	$118,000	$118,000	$118,000	$118,000
19	***Total Operating Expenses***	**$12,858,000**	**$13,974,000**	**$14,476,000**	**$15,004,000**	**$13,875,000**	**$14,287,000**	**$14,712,000**	**$15,152,000**	**$15,605,000**	**$16,073,000**	**$16,553,000**
	Capital Costs											
20	**Total Capital Program Spending**	**$12,608,000**	**$37,650,000**	**$72,500,000**	**$22,500,000**	**$3,109,000**	**$3,894,000**	**$5,852,000**	**$2,720,000**	**$3,357,000**	**$5,969,000**	**$5,314,000**
21	Funded with WIFIA Proceeds	$5,396,000	$36,700,000	$26,130,000	$0	$0	$0	$0	$0	$0	$0	$0
22	Funded with Bond Proceeds	$0	$500,000	$39,337,000	$18,675,000	$0	$0	$0	$0	$0	$0	$0
23	Existing Debt Service	$1,198,000	$1,174,000	$1,175,000	$1,176,000	$848,000	$848,000	$847,000	$847,000	$847,000	$847,000	$848,000
24	Cash Funded Capital Projects	$7,212,000	$450,000	$7,033,000	$3,825,000	$3,109,000	$3,894,000	$5,852,000	$2,720,000	$3,357,000	$5,969,000	$5,314,000
25	New Debt Service	$0	$0	$0	$4,137,000	$9,482,000	$9,482,000	$9,482,000	$9,482,000	$9,482,000	$9,482,000	$9,482,000
26	***Total Capital Expenses***	**$8,410,000**	**$1,624,000**	**$8,208,000**	**$9,138,000**	**$13,439,000**	**$14,224,000**	**$16,181,000**	**$13,049,000**	**$13,686,000**	**$16,298,000**	**$15,644,000**
27	Transfer In	$103,000	$103,000	$103,000	$103,000	$0	$0	$0	$0	$0	$0	$0
28	Transfer into (out of) Rate Stabilization	$500,000	$3,000,000	$3,000,000	$1,000,000	($3,000,000)	($2,000,000)	($1,000,000)	($1,000,000)	$0	$500,000	$1,000,000
29	**Total Expenses**	**$21,165,000**	**$15,495,000**	**$22,581,000**	**$24,039,000**	**$27,314,000**	**$28,511,000**	**$30,893,000**	**$28,201,000**	**$29,291,000**	**$32,371,000**	**$32,197,000**
30	**Beginning Year Balance**	**$11,566,000**	**$8,201,000**	**$11,777,000**	**$10,592,000**	**$10,335,000**	**$9,211,000**	**$8,316,000**	**$6,470,000**	**$8,405,000**	**$10,427,000**	**$10,604,000**
31	**Surplus/(Shortfall)**	**($3,365,000)**	**$3,576,000**	**($1,185,000)**	**($257,000)**	**($1,124,000)**	**($895,000)**	**($1,846,000)**	**$1,935,000**	**$2,022,000**	**$177,000**	**$1,628,000**
32	**End of Year Balance**	**$8,201,000**	**$11,777,000**	**$10,592,000**	**$10,335,000**	**$9,211,000**	**$8,316,000**	**$6,470,000**	**$8,405,000**	**$10,427,000**	**$10,604,000**	**$12,232,000**
33	*Target Operating Reserve (3 months)*	$3,215,000	$3,494,000	$3,619,000	$3,751,000	$3,469,000	$3,572,000	$3,678,000	$3,788,000	$3,901,000	$4,018,000	$4,138,000
34	*Target Rate Stabilization Fund*	$2,000,000	$2,000,000	$2,000,000	$2,000,000	$2,000,000	$2,000,000	$2,000,000	$2,000,000	$2,000,000	$2,000,000	$2,000,000
35	*Target Capital Fund*	$2,163,000	$2,163,000	$2,163,000	$2,163,000	$2,163,000	$2,163,000	$2,163,000	$2,163,000	$2,163,000	$2,163,000	$2,163,000
36	***Total Reserve Target***	$7,378,000	$7,657,000	$7,782,000	$7,914,000	$7,632,000	$7,735,000	$7,841,000	$7,951,000	$8,064,000	$8,181,000	$8,301,000
37	*Ending Rate Stabilization Fund Level**	$536,300	$3,536,300	$6,536,300	$7,536,300	$4,536,300	$2,536,300	$1,536,300	$536,300	$536,300	$1,036,300	$2,036,300
38	**Debt Coverage Ratio (DCR)**	**1.51**	**1.87**	**3.42**	**1.48**	**1.48**	**1.48**	**1.48**	**1.55**	**1.52**	**1.55**	**1.58**

* The Rate Stabilization Fund is a subset of the End of Year Balance (Row 32)

WW-2: Water Reclamation Utility Capital Spending Budget*

		FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034	FY 2035	TOTALS	WIFIA DEBT	OTHER DEBT
1	Vehicle Acquisition	$239,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$239,000		
2	Aeration Basin	$295,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$295,000		
3	Data Acquisition	$26,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$26,000		
4	Recycled Water Expansion Design (Airport)	$650,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$650,000		
5	WWD ALWSZ Intertie	$2,082,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$2,082,000		
6	Influent Wet Well Screen at WRF	$846,000	$150,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$996,000		
7	Ultraviolet (UV) System Replacement	$3,073,000	$50,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$3,123,000		
8	Secondary Treatment System Upgrades	$4,396,000	$33,700,000	$33,500,000	$0	$0	$0	$0	$0	$0	$0	$0	$71,596,000	89.7%	8.5%
9	Biosolids Handling Facility	$1,000,000	$3,000,000	$34,000,000	$22,500,000	$0	$0	$0	$0	$0	$0	$0	$60,500,000	6.6%	77.5%
10	SS-1 Windsor River Road to Water Reclamation Facility	$0	$0	$0	$0	$0	$1,330,000	$5,852,000	$0	$0	$0	$0	$7,182,000		
11	AWT Filter Replacements	$0	$0	$0	$0	$2,609,000	$2,564,000	$0	$2,720,000	$0	$0	$0	$7,893,000		
12	SS-3 Hembree Lane	$0	$0	$0	$0	$0	$0	$0	$0	$434,000	$1,789,000	$0	$2,223,000		
13	Main Switchgear Replacement at Water Reclamation Facility	$0	$500,000	$5,000,000	$0	$0	$0	$0	$0	$0	$0	$0	$5,500,000		100.0%
14	SS-2 Starr Road	$0	$0	$0	$0	$0	$0	$0	$0	$922,000	$2,180,000	$2,314,000	$5,416,000		
15	Micro Grid and Energy Resiliance Study	$0	$0	$0	$0	$500,000	$0	$0	$0	$0	$0	$0	$500,000		
16	EV Charging Infrastucture (Phase 1)	$0	$250,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$250,000		
17	Secondary Clarifer Rehab - Recoat	$0	$0	$0	$0	$0	$0	$0	$0	$1,000,000	$1,000,000	$0	$2,000,000		
18	AWT Clarifier - Recoat	$0	$0	$0	$0	$0	$0	$0	$0	$1,000,000	$1,000,000	$1,000,000	$3,000,000		
19	Micro Grid Construction	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$2,000,000	$2,000,000		
17	**Total**	**$12,607,000**	**$37,650,000**	**$72,500,000**	**$22,500,000**	**$3,109,000**	**$3,894,000**	**$5,852,000**	**$2,720,000**	**$3,356,000**	**$5,969,000**	**$5,314,000**	**$175,471,000**	**$68.2M**	**$58.5M**

* Values account for inflation (3% is assumed)

WW-3: Five-Year Wastewater Rates Schedule

	July 2025	July 2026	July 2027	July 2028	July 2029
Wastewater Usage Rates ($/gallon)					
Single Family [1]	$0.02362	$0.02622	$0.02910	$0.03230	$0.03359
Multi-Family / Mobile Homes [1]	$0.02362	$0.02622	$0.02910	$0.03230	$0.03359
Commercial [2]					
Low strength	$0.02126	$0.02360	$0.02620	$0.02908	$0.03024
Medium strength	$0.02975	$0.03303	$0.03666	$0.04069	$0.04232
High strength	$0.05436	$0.06034	$0.06698	$0.07435	$0.07732
Schools [2]	$0.02077	$0.02306	$0.02560	$0.02842	$0.02956
Monthly Service Charges					
Single Family	$16.12	$17.90	$19.87	$22.06	$22.94
Multi-Family / Mobile Homes (per DU)	$9.42	$10.45	$11.60	$12.88	$13.40
Commercial					
Up to 3/4" meter	$16.12	$17.90	$19.87	$22.06	$22.94
1" meter	$24.55	$27.26	$30.26	$33.59	$34.93
1 1/2" meter	$45.45	$50.45	$56.00	$62.16	$64.65
2" meter	$70.62	$78.39	$87.01	$96.58	$100.44
3" meter	$129.40	$143.64	$159.44	$176.98	$184.06
4" meter	$213.35	$236.82	$262.87	$291.79	$303.46
Additional Monthly Lift Station Charges					
Greens Subdivision	$15.97	$17.73	$19.68	$21.84	$22.71
Vintage Greens Subdivision	$13.36	$14.83	$16.46	$18.27	$19.00
Wastewater-Only Accounts					
Single Family (per DU)	$88.30	$98.01	$108.79	$120.76	$125.59
Mobile Homes (per DU)	$61.20	$67.93	$75.40	$83.69	$87.04
Commercial (per ESFD) [3]	$79.90	$88.69	$98.45	$109.28	$113.65
WW Usage Rate Components for Special Situations [4]					
Flow Volume ($/TGAL)	$15.73	$17.46	$19.38	$21.51	$22.37
BOD ($/lb)	$3.23	$3.59	$3.98	$4.42	$4.60
SS ($/lb)	$4.62	$5.13	$5.69	$6.32	$6.57

Notes:

[1] Residential usage charges determined based on the lower of: (1) actual monthly water usage, or (2) average winter water usage determined from the three lowest use months during the prior period from December through March. Bill adjustments based on winter water usage occur in July each year.

[2] Non-residential wastewater usage rates apply to actual monthly water usage.

[3] Each equivalent single family dwelling (ESFD) is equivlent to 20 fixture units.

[4] Applicable to situations with unique wastewater discharge characteristics, as determined by the Director of Public Works. Standard Service Charges still apply.