



Cabazon Water District
14618 Broadway Street • P.O. Box 297
Cabazon, California 92230

FINANCE & AUDIT COMMITTEE MEETING

AGENDA

Meeting Location:

Cabazon Water District Office
14618 Broadway Street
Cabazon, California 92230

Teleconference:

Dial-in #: 978-990-5321
Access Code: 117188

Meeting Date:

Tuesday, February 16, 2021 – 5:00 PM

CALL TO ORDER,
PLEDGE OF ALLEGIANCE,
ROLL CALL
FINANCE & AUDIT COMMITTEE

1. Discussion: Finance & Audit Committee Report
 - Balance Sheet
 - Profit and Loss Budget Comparison
2. Finance & Audit Committee District Payables Review and Approval/Signing

PUBLIC COMMENT

Any person may address the Board of Directors at this time on any matter within the subject matter jurisdiction of the Cabazon Water District; however, any matter that requires action will be referred to staff for investigation and reported at a subsequent Board of Directors meeting. The Board of Directors is prohibited by law from discussing or taking immediate action on items during this public comment period. To comment on specific agenda items, please advise the Board secretary prior to the meeting. **Each public comment will be limited to three (3) minutes. Individuals may not give their time away to another spokesperson. After two (2) minutes, the speaker will be notified that he/she has one (1) minute remaining. AB 1234 ORAL REPORTS (Gov. Code Sec. 53232.3(d))**

ADJOURNMENT

ADA Compliance Issues

In compliance with the Americans with Disabilities Act & Government Code Section 54954.2, if special assistance is needed to participate in a Board meeting, please contact the Clerk of the Board at (951) 849-4442. Notification of at least 48 hours prior to meeting time will assist staff in assuring that reasonable arrangements can be made to provide accessibility at the meeting.

February 16, 2021 Regular Board Meeting Agenda



Cabazon Water District
14618 Broadway Street • P.O. Box 297
Cabazon, California 92230

REGULAR BOARD MEETING

AGENDA

Meeting Location:
14618 Broadway St.
Cabazon, CA 92230

Teleconference:
Dial-in #: 978-990-5321
Access Code: 117188
Email: info@cabazonwater.org

Meeting Date:
Tuesday, February 16, 2021 – 6:00 PM

- CALL TO ORDER**
- PLEDGE OF ALLEGIANCE**
- REMEMBRANCE OF OUR SERVICE MEN AND WOMEN**
- ROLL CALL**
- CONSENT CALENDAR**

All matters in this category are considered to be consistent with the Board/District goals, District Policies and Regulations adopted and/or approved by the Board of Directors, and will be enacted in one motion. There will be no separate discussion of these items. If discussion is required, items may be removed from the consent calendar and will be considered separately.

1. **Approval of:**
 - a. Finance and Audit Committee Meeting Minutes and Warrants approved by the committee on January 19, 2021
 - b. Regular Board Meeting Minutes and Warrants of January 19, 2021
2. **Warrants – None**
3. **Awards of Contracts – None**

UPDATES

1. **Update:** **San Gorgonio Pass Regional Water Alliance Update (by Director Israel / Director Morris)**

2. Update: Manager's Operations Report (by GM Louie)
NEW BUSINESS

- 1. Discussion: Mr. Lance Eckhart, General Manager, San Geronio Pass Water Agency -- Introduction, Brief Mission Statement by Mr. Eckhart, and Q&A (by GM Louie)
- 2. Discussion/Action: Affordable Housing, Ownership and Construction Proposal (by developer Victor Diaz)
- 3. Discussion/Action: Transfer from District's LAIF Acct. to District's General Acct. (to pay for Simpson Sandblasting Tank #1 recoating project) (by AGM Lemus)

OLD BUSINESS

- 1. Discussion/Action: NBS Water Rate Study Review and Discussion (by Board)

PUBLIC COMMENTS

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GENERAL MANAGER/BOARD COMMENTS

1. Future Agenda Items

The Board Chair or the majority of the Board may direct staff to investigate and report back to an individual(s) and the Board on matters suggested or direct the General Manager/Board Secretary to place the matter on a future Board meeting.

- Suggested agenda items from the Public.
- Suggested agenda items from Management.
- Suggested agenda items from Board Members.

2. Management Comments

Staff members may speak on items of information not requiring comment or discussion to the Board and public. Topics which may be included on a future meeting agenda may be presented but cannot be discussed. (3 minutes)

3. Board Member Comments

Board members may speak on items of information not requiring comment or discussion to the Board and public. (3 minutes)

MISCELLANEOUS

- 1. Future Board Items/Next Board Meeting Date(s)
 - a. Finance & Audit Workshop – Tuesday – March 16, 2021, 5:00 pm
 - b. Regular Board Meeting – Tuesday – March 16, 2021, 6:00 pm
 - c. Personnel Committee – None
 - d. San Geronio Pass Regional Water Alliance – Alliance Meeting – Wednesday – February 17, 2021

ADJOURNMENT

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Cabazon Water District
14618 Broadway Street • P.O. Box 297
Cabazon, California 92230

FINANCE & AUDIT COMMITTEE MEETING
MINUTES

Meeting Location:
Cabazon Water District Office
14618 Broadway Street
Cabazon, California 92230

Teleconference:
Dial-in #: 978-990-5321
Access Code: 117188

Meeting Date:
Tuesday, January 19, 2021 – 5:00 PM

CALL TO ORDER,
PLEDGE OF ALLEGIANCE,
ROLL CALL
FINANCE & AUDIT COMMITTEE

Director Wargo - Present
Director Sanderson - Present

Calvin Louie (General Manager) - Present
Elizabeth Lemus, Board Secretary - Present
Cindy Byerrum, Financial Consultant - Absent

***Note: This meeting was recorded by the District -**

- 1. Discussion: Finance & Audit Committee Report
 - Balance Sheet
 - Profit and Loss Budget Comparison

Balance Sheet:
The District's combined Cash with Chase and LAIF balance was \$1,223,782 at month end.
The District's total liabilities were approximately \$898,343 at month end.

Profit and Loss: - Year to date is 50% of the year

8. **Penalty Fees:** This account includes late fees, incident fees, door tag fees and other misc. penalty charges. These fees are hard to predict and can trend under or over budget during the year. YTD is trending below budget

- due to penalty fee delays associated with the COVID-19 pandemic.
 - 18. Interest Income: This account includes interest earnings in the District's LAIF and other investment accounts. YTD can trend over/under budget due to timing of interest receipts.
 - 32. Workers Compensation: The district makes worker's compensation installment payments in the first part of the fiscal year. By November, workers compensation will be paid in full through 5/1/21. YTD is at 76% due to timing of workers comp payments.
 - 40. Lab Fees: This account includes the costs of lab fees & water quality testing. YTD is trending below budget at 28%.
 - 58. Copier Lease & Printing Supplies: This account includes the copier lease expense & supply purchases relating to printing. YTD is trending below target at 42%.
 - 69. Temporary Labor: This account includes costs for the NBS rate study. YTD can trend over/under budget due to timing of activity.
 - 81. Vehicle Fuel: This account includes fuel costs for District vehicles. YTD is at 34% due to less fuel purchases than planned and lower fuel prices than anticipated.
 - 86. Service Trucks R&M: This account includes repair & maintenance costs for district vehicles.
 - 102. Well & Tank Repairs: Budget in this account includes Well and Tank #1 rehabilitation. YTD is at 32% due to timing of project expenses.
- As of December 30th, the fiscal year-to-date net income is \$58,560.51.

2. Finance & Audit Committee District Payables Review and Approval/Signing

PUBLIC COMMENT

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ADJOURNMENT

Motion to adjourn at 17:11 Hr. made by Director Sanderson and 2nd by Director Wargo.

Director Wargo - Aye
Director Sanderson - Aye

Meeting adjourned at 17:11 Hr. on Tuesday, January 19, 2021

Robert Lynk, Board Chair
Board of Directors
Cabazon Water District

Elizabeth Lemus, Secretary
Board of Directors
Cabazon Water District

ADA Compliance Issues

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Cabazon Water District
14618 Broadway Street • P.O. Box 297
Cabazon, California 92230

**REGULAR BOARD MEETING
MINUTES**

Meeting Location:

Teleconference:

Dial-in #: 978-990-5321

Access Code: 117188

Email: info@cabazonwater.org

Meeting Date:

Tuesday, January 19, 2021 – 6:00 PM

CALL TO ORDER

PLEDGE OF ALLEGIANCE

REMEMBRANCE OF OUR SERVICE MEN AND WOMEN

ROLL CALL

- Director Martin Sanderson - Present
- Director Diana Morris - Present
- Director Sarah Wargo - Present
- Director Maxine Israel - Present
- Director Robert Lynk - Present

- Calvin Louie, General Manager - Present
- Elizabeth Lemus, Board Secretary - Present
- Cindy Byerrum, Financial Consultant - Present
- Steve Anderson, Best Best & Krieger Law Firm - Absent

Note: This meeting was recorded by the District -

CONSENT CALENDAR

All matters in this category are considered to be consistent with the Board/District goals, District Policies and Regulations adopted and/or approved by the Board of Directors, and will be enacted in one motion. There will be no separate discussion of these items. If discussion is required, items may be removed from the consent calendar and will be considered separately.

- 1. Approval of:
 - a. Finance and Audit Committee Meeting Minutes and Warrants approved by the committee on December 15, 2020
 - b. Regular Board Meeting Minutes and Warrants of December 15, 2020

Motion to approve following consent calendar item(s) (a.) Finance and Audit Committee Meeting Minutes/Warrants of December 15, 2020, and (b.) Regular Board Meeting Minutes/ Warrants of December 15, 2020, made by Director Israel and 2nd by Director Wargo.

Director Sanderson - Aye
 Director Morris - Aye
 Director Wargo - Aye
 Director Israel - Aye
 Director Lynk – Aye

- 2. Warrants – None
- 3. Awards of Contracts – None

UPDATES

1. Update: **San Gorgonio Pass Regional Water Alliance Update (by Director Israel / Director Morris)**

- No updates at this time.

2. Update: **Manager's Operations Report (by GM Louie)**

- SoCal Edison PSPS Events: GM drafted a memo regarding PSPS Event procedures.
- COVID-19: Office still closed to the public. GM will be bringing up whether to resume interest and penalty charges in the near future.
- Public Education Videos on District Website – currently looking into other webhosts, since current vendor has been unresponsive in uploading SCADA video. Anticipated to switch by April 2021.
- 50100 Main St. property – District currently cleaning old Main St. yard and preparing for the move to new yard.
- Miffleton Development project on Hattie Ave. – customer requesting a discount for development; GM informed her that a discount was not in his power to grant.
- Chick-Fil-A Development project on Seminole – District working with legal, engineering, and developers to see about having line from Apache Trail looped to Seminole; a reimbursement agreement may be drafted.
- Dinosaur Eyes at District office stolen. GM recently had lights installed around the perimeter of the District office.
- Well #4 Rehab currently underway.
- Tank #1 and Well #1 rehab currently underway. Tank #1 is almost completed; waiting on Well #1 rehab so that Tank #1 can be flushed/cleaned, and completed.

- FreeConferenceCall services – board to schedule training with AGM if they would like to learn how to use the system on the computer (share screens, face screen, etc.). This system is very comparable to Google Meets, Microsoft Teams, and Zoom, with the exception that it doesn't charge per user or have a time limit on use (unlike the other platforms).

NEW BUSINESS

1. Discussion: **Mr. Lance Eckhart, General Manager, San Gorgonio Pass Water Agency – Introduction, Brief Mission Statement by Mr. Eckhart, and Q&A (by GM Louie)**
 - Mr. Eckhart did not appear during the meeting for an unknown reason. Nothing was discussed regarding this item.
2. Discussion/Action: **Tank #2 exterior roof recoating quote & Tank #4 exterior recoating quote by Simpson Sandblasting (by GM Louie)**
 - The General Manager explained that this was an informational item only at this time, since he would like to speak to the District's accountant before a decision is made. No action taken.
3. Discussion/Action: **Approval of Tank Diving Inspection for Tank 2, Tank 3, and Tank 4; quotes received from Dive/Corr, Inc. & LiquiVision Technology Diving Services (by GM Louie)**
 - The Board requested that DiveCorr provide a new quote which included removal of sediment from the bottom of the tank, since LiquiVision's quote included this service, in order to better compare equitable quotes. The GM said that he would request a new quote. No action taken.
4. Discussion/Action: **Board Training: AB54 & AB240 Ethics Training (by AGM Lemus)**
 - Free online classes for Board Members; Board to contact the AGM to schedule classes for them if needed (Board can either take the classes from home on their computer or take the class from the District office). Class dates are from 1/26/21 at 6pm, 3/17/21 at 10am, or 5/4/21 at 6pm. No action taken.

OLD BUSINESS

1. Discussion: **NBS Water Rate Study Review and Discussion (by Board)**
 - No public was present, and no questions were asked regarding the current water rate study which is anticipated to be approved during the February 16 Board Meeting.

PUBLIC COMMENTS

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staff for investigation and reported at a subsequent Board of Directors meeting. The Board of Directors is prohibited by law from discussing or taking immediate action on items during this public comment period. To comment on specific agenda items, please advise the Board secretary prior to the meeting. Each public comment will be limited to three (3) minutes. Individuals may not give their time away to another spokesperson. After two (2) minutes, the speaker will be notified that he/she has one (1) minute remaining. AB 1234 ORAL REPORTS (Gov. Code Sec. 53232.3(d))

GENERAL MANAGER/BOARD COMMENTS

1. Future Agenda Items

The Board Chair or the majority of the Board may direct staff to investigate and report back to an individual(s) and the Board on matters suggested or direct the General Manager/Board Secretary to place the matter on a future Board meeting.

- Suggested agenda items from the Public.
- Suggested agenda items from Management.
- Suggested agenda items from Board Members.
 - Director Lynk and Director Sanderson: Agenda item - request an amount to be paid to FreeConferenceCalls.com for use of their services for Board Meetings.

2. Management Comments

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3. Board Member Comments

Board members may speak on items of information not requiring comment or discussion to the Board and public. (3 minutes)

MISCELLANEOUS

1. Future Board Items/Next Board Meeting Date(s)

- a. Finance & Audit Workshop – Tuesday – February 16, 2021, 5:00 pm
- b. Regular Board Meeting – Tuesday – February 16, 2021, 6:00 pm
- c. Personnel Committee – None
- d. San Gorgonio Pass Regional Water Alliance – Alliance Meeting – Wednesday – January 27, 2021

ADJOURNMENT

Motion to adjourn at 18:57 hr. made by Director Morris and 2nd by Director Sanderson.

- Director Sanderson - Aye
- Director Morris - Aye
- Director Wargo - Aye
- Director Israel - Aye
- Director Lynk - Aye

Meeting adjourned at 18:57 hr. on Tuesday, January 19, 2021

Robert Lynk, Board Chair
Board of Directors
Cabazon Water District

Elizabeth Lemus, Secretary
Board of Directors
Cabazon Water District

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Cabazon Water District
Balance Sheet
December 31, 2020

		Dec 31, 20
1	ASSETS	
2	Current Assets	
3	Checking/Savings	
4	General Bank Account-Chase	\$ 279,373
5	Payroll Bank Account-Chase	37,526
6	Trust Account-Chase (Cust. Deposits)	6,262
7	Local Petty Cash	100
8	Total Checking/Savings	323,262
9	Accounts Receivable	220,887
10	LAIF	843,648
11	Bank of NY Trustee Accounts	56,872
12	Prepaid Expenses	15,752
13	Inventory	94,015
14	Total Current Assets	1,562,928
15	Fixed Assets	
16	Total Fixed Assets	13,130,969
17	Accumulated Depreciation	(5,993,048)
18	Net Fixed Assets	7,137,921
19	TOTAL ASSETS	\$ 8,700,849
20	LIABILITIES & EQUITY	
21	Liabilities	
22	Current Liabilities	
23	Accounts Payable	\$ 14,183
24	Other Current Liabilities	
25	Misc. Short Term Liability	10,000
26	Customer Deposits - Co 1	7,250
27	Customer Deposits - Co 2	4,386
28	Total Customer Deposits	11,636
29	Accrued Vacation Pay	9,437
30	DWR-HS Payable - Current	40,763
31	Current Portion Zion's Bank Loan	82,872
32	Accrued Payroll	11,311
33	Accrued Payroll Taxes	838
34	Accrued Interest	3,647
35	Accrued Expenses	3,000
36	Total Current Liabilities	188,130
37	Long Term Liabilities	
38	DWR-H Loan Payable (2026)	238,187
39	Zion's Bank Long Term (2023)	172,026
40	RCEDA Loan Payable	300,000
41	Total Long Term Liabilities	710,213
42	Total Liabilities	898,343
43	Total Equity	7,802,505
44	TOTAL LIABILITIES & EQUITY	\$ 8,700,849

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Cabazon Water District
Profit & Loss
 July - December 31, 2020

	Dec-20	Current YTD	FY 20/21 Budget	YTD (50%)
1 REVENUES				
2 OPERATING INCOME				
3 Base Rate - Water Bills	\$ 77,450	\$ 459,165	\$ 939,800	49%
4 Commodity Sales	33,784	239,565	329,700	73%
5 DHPO Contract	13,504	96,703	168,000	58%
6 Fire Sales - Water Bills	461	2,765	5,900	47%
7 Fire Flow Income	-	1,710	-	0%
8 Penalty Fees - Water Bills	-	2,345	31,000	8%
9 New Account Fees - Water Bills	160	1,215	1,600	76%
10 Returned Check Fees	60	120	500	24%
11 Basic Facilities Fee	-	40,152	-	0%
12 Stand By Fees - Tax Revenue	-	-	113,600	0%
13 TOTAL OPERATING INCOME	125,419	843,740	1,590,100	53%
14 NON-OPERATING INCOME				
15 Property Taxes	3,733	4,520	60,900	7%
16 Cell Tower Lease Income	2,129	12,774	25,600	50%
17 Miscellaneous Non-Operating Income	-	-	7,300	0%
18 Interest Income	-	1,526	19,600	8%
19 TOTAL NON-OPERATING INCOME	5,861	18,820	113,400	17%
20 TOTAL REVENUES	131,280	862,559	1,703,500	51%
21 EXPENSES				
22 PAYROLL & BENEFITS				
23 Directors Fees	600	5,200	15,000	35%
24 Management & Customer Service				
25 Customer Accounts	5,776	28,223	54,800	52%
26 Business Admin Manager	5,896	38,238	77,700	49%
27 Office Assistant	915	4,678	7,800	60%
28 General Manager	6,862	44,896	89,200	50%
29 Total Management & Customer Service	19,449	117,213	229,500	51%
30 Field Workers	11,355	64,465	123,000	52%
31 Employee Benefits Expense				
32 Workers Compensation	103	4,739	6,200	76%
33 Employee Health Care	4,465	46,127	94,800	49%
34 Pension	1,914	30,822	77,400	40%
35 Total Employee Benefits Expense	6,481	81,688	178,400	46%
36 Payroll Taxes	2,396	14,854	33,200	45%
37 TOTAL PAYROLL & BENEFITS	40,281	283,420	579,100	49%

*No assurance provided on these financial statements. These financial statements do not include a statement of cash flows. Substantially all disclosures required by accounting principles generally accepted in the United States not included.

Cabazon Water District
Profit & Loss
 July - December 31, 2020

	Dec-20	Current YTD	FY 20/21 Budget	YTD (50%)
38 OPERATIONAL EXPENSES				
39 Facilities, Wells, T&D				
40 Lab Fees	725	2,531	8,900	28%
41 Meters	1,030	1,080	4,800	23%
42 Utilities - Wells	8,528	47,369	96,600	49%
43 Line R&M Materials	394	4,928	72,500	7%
44 Well Maintenance	-	3,544	37,800	9%
45 Security	1,444	9,375	24,800	38%
46 Engineering Services	650	35,812	56,300	64%
47 Facilities, Wells, T&D - Other	501	2,366	12,200	19%
48 Total Facilities, Wells, T&D	13,273	107,006	313,900	34%
49 Utilities - Office				
50 Electricity	142	7,725	15,800	49%
51 Gas	88	210	1,100	19%
52 Telephone	856	5,086	10,200	50%
53 Trash Pickup & Office Cleaning	374	2,644	4,600	57%
54 Total Utilities - Office	1,460	15,665	31,700	49%
55 Office Expenses				
56 Water Billing System	177	1,064	2,100	51%
57 Supplies & Equipment	69	1,404	10,100	14%
58 Copier Lease & Printing Supplies	546	2,098	5,000	42%
59 Dues & Subscriptions	112	112	1,300	9%
60 Postage	872	4,396	8,100	54%
61 Printing & Publications	-	292	6,300	5%
62 Computer Services	2,857	20,603	36,800	56%
63 Office Storage	-	2,500	6,200	40%
64 Air Conditioning Servicing	418	2,508	5,100	49%
65 CA Water Systems Alliance	-	208	2,500	8%
66 Office Expenses - Other	-	136	2,100	6%
67 Total Office Expenses	5,051	35,320	85,600	41%
68 Support Services				
69 Temporary Labor	-	10,563	12,600	84%
70 Financial Audit	1,681	9,322	23,000	41%
71 Accounting	3,000	18,000	35,000	51%
72 Legal Services	5,720	23,205	71,000	33%
73 Bank/Payroll Service	523	2,640	5,200	51%
74 Website Support	-	150	900	17%
75 General Liability Insurance	2,075	12,449	26,100	48%
76 Total Support Services	12,998	76,327	173,800	44%

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Cabazon Water District
Profit & Loss
 July - December 31, 2020

		Dec-20	Current YTD	FY 20/21 Budget	YTD (50%)
77	Training/Travel	212	496	4,500	11%
78	Other Fees/SWRCB	2,500	4,216	8,900	47%
79	Service Tools & Equipment				
80	Shop Supplies and Small Tools	240	3,920	9,300	42%
81	Vehicle Fuel	1,790	5,578	16,300	34%
82	Employee Uniforms	-	-	1,800	0%
83	Safety	-	1,290	500	258%
84	Tractor Expenses	-	-	3,700	0%
85	Equipment Rental	-	1,450	2,000	73%
86	Service Trucks - R&M	247	3,791	14,500	26%
87	Water Ops Phone & Internet	294	1,467	4,800	31%
88	Total Service Tools & Equipment	2,570	17,497	52,900	33%
89	NON-OPERATING EXPENSES				
90	Grant & Loan Processing Fee	-	1,325	1,400	95%
91	DWR Interest Expense	-	4,121	7,900	52%
92	DHPO Interest Expense	-	3,167	5,800	55%
93	Bad Debt Expense	-	-	1,200	0%
94	Miscellaneous	588	2,262	1,100	206%
95	TOTAL NON-OPERATING EXPENSES	588	10,876	17,400	63%
96	TOTAL EXPENSES	78,933	550,823	1,267,800	43%
97	TOTAL INCOME BEFORE CAPITAL & GSA	52,347	311,736	435,700	72%
98	DHPO Capacity Credit	(1,750)	(10,500)	(21,000)	50%
99	CAPITAL PROJECTS				
100	Main Street Improvements (Icehouse Imp.)	-	(4,834)	(20,000)	24%
101	Meter Replacements & Other Capital	-	(20,399)	(35,000)	58%
102	Well & Tank Repairs	(109,825)	(150,393)	(465,000)	32%
103	TOTAL CAPITAL PROJECTS	(109,825)	(175,626)	(520,000)	34%
104	DEBT - PRINCIPAL				
105	Debt Service Principal - DWR	-	(20,224)	(40,800)	50%
106	Debt Service Principal - DHPO (Zion)	-	(41,436)	(82,900)	50%
107	TOTAL DEBT - PRINCIPAL	-	(61,660)	(123,700)	50%
108	SGMA / GSA	-	(5,390)	(35,000)	15%
109	NET INCOME / (LOSS)	\$ (59,228)	\$ 58,561	\$ (264,000)	

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New Business

1. Discussion Item:

Mr. Lance Eckhart, General Manager,
San Geronio Pass Water Agency:
Introduction, Brief Mission Statement by Mr.
Eckhart, and Q&A
(by GM Louie)

New Business

2. Discussion/Action Item:

Affordable Housing, Ownership and Construction
Proposal
(by developer Victor Diaz)

MerkelTEK



Presentation
Cabazon Homes

February 8, 2021

MerkelTEK

- MT was formed by brothers Griffin and Michael Merkel in the late 1990's
- Michael developed and patented a unique processing technology enabling a resin infused composite laminate to be cured out-of-autoclave
- MT offers a patented lower cost manufacturing process of composite materials

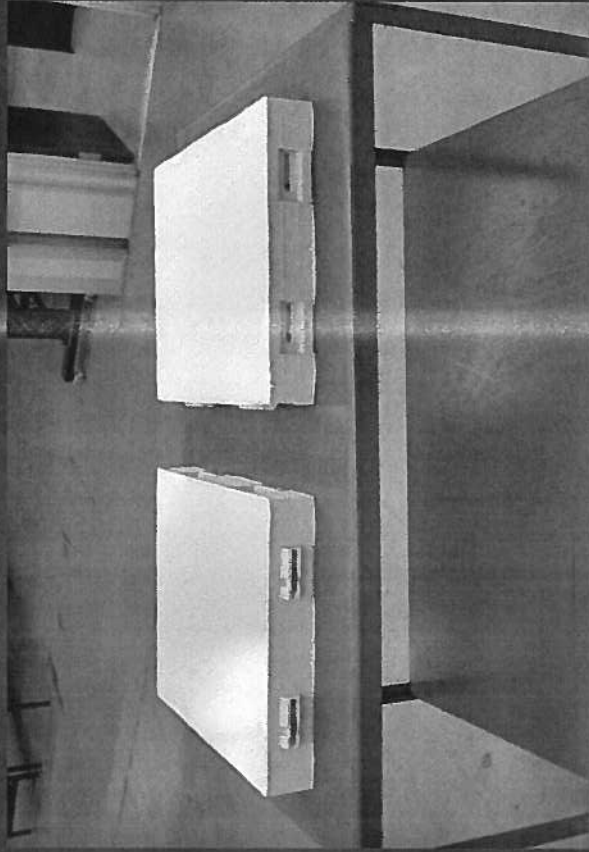
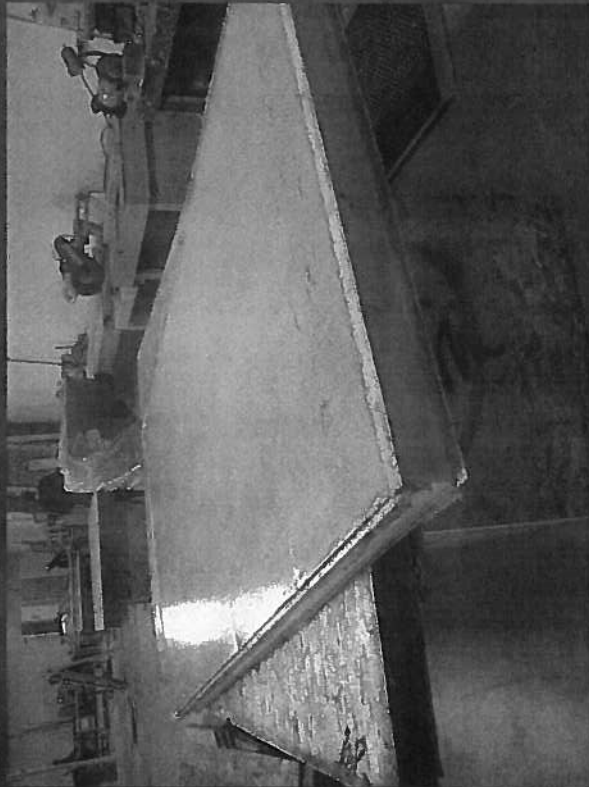
TECHNOLOGY

- ▣ Patent Portfolio
 - ▣ US Patent 6,11,376
 - ▣ One Patent Pending
 - ▣ Trade secrets for EMP protective walls
 - ▣ Product exterior can be made to look like brick, wood or camouflage
 - ▣ Assembled to support the structure or attaches to the outside of an existing structure (see below)

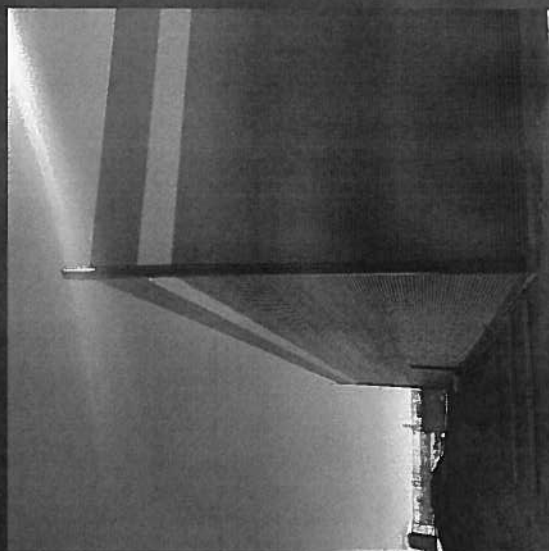


THE PANEL

The panels come with or without camlocks, raw without fixed skins or with our patented nano particle matrix skins.



PROJECT PHOTOS





MT PRODUCTS



- Composite Structural Insulated Panels (CSIP)
 - Residential and Commercial construction
 - Rapid deployment trailers/temporary shelters
 - EMI/RFI and EMP protective structures
 - Composite Containers
 - All utilize high performance fabrics, green polyurethane foam and proprietary nano-particles

ADVANTAGES

- Hurricane as well as seismic protection
- Highest R-Values per inch of any SIP
- Fire resistance of class one
- Termite and pest proof
- Quickly assembled
- Can be custom tailored to provide any exterior style from brick, stucco and siding



ADDITIONAL ATTRIBUTES

GREEN" ATTRIBUTES

- Composed of traditional. soy and even sugar cane based polyurethane.
- No autoclaving means reduced energy consumption in manufacturing.
- Reduced construction waste.
- High Insulating Power: Wall Panels 2x6 R-42 or higher
- Hurricane protection up to Category 4.
- High resistance to termites and other insects, as well as mold and mildew.
- High sound insulation properties.
- Class A fire rating – up to 4 hours.

CONSTRUCTION ADVANTAGES

- Reduced construction/assembly time on site.
- Panels are lightweight at 2.5 pounds per square foot.
- Cost competitive with traditional wood SIP's but with superior performance.
- Cost is much lower than with ICF, CMU and fiber rock SIPs.
- Panel strength can be enhanced up to 210,000 pounds of load.
- Light weight translates into lower shipping cost.
- Anti-microbial and non-VOC coating makes panels ideal for use in health and food service applications.

CABAZON STRATEGY

- ▣ Affordable prices with custom touches
- ▣ Utilize local contractor and labor
- ▣ Work in concert with local officials
- ▣ Secure site approval for homes
- ▣ Build high tech homes second to none
- ▣ Lower electric bills by 40%
- ▣ Reduce carbon footprint
- ▣ Enhance the value of existing homes
- ▣ Promote Positive growth in Cabazon
- ▣ Promote alternative housing solution
- ▣ Give Cabazon the value that deserves demographically

MT ACCOMPLISHMENTS

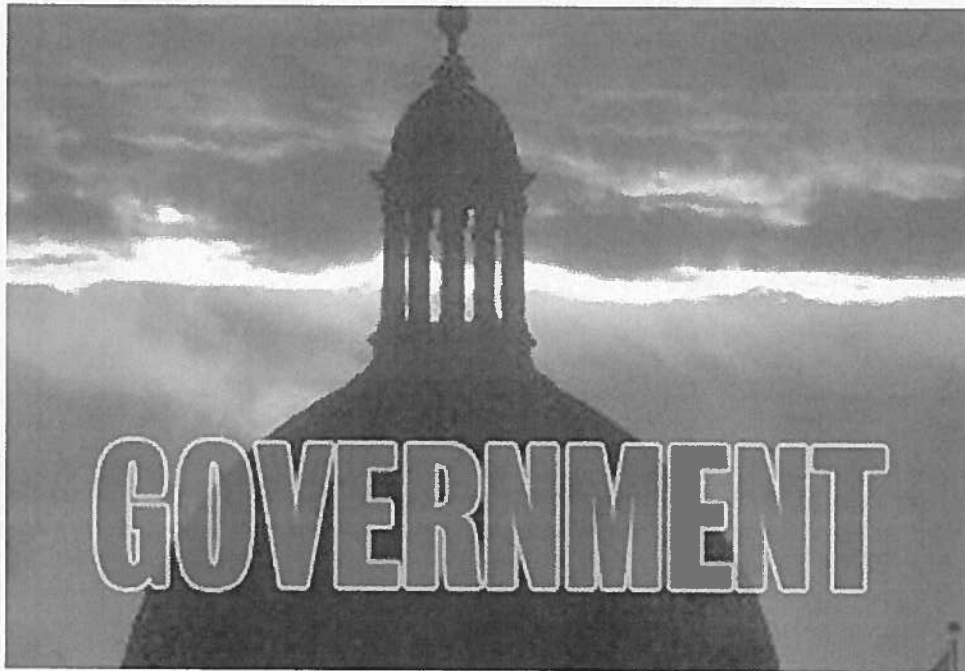
- 2019 Designed, built and managed construction of a 20,000 sqft Cannabis Grow operation in Adelanto, CA.
- In 2013 we built 2 Rapid Deployment buildings for Raytheon and the US Marine Corp
- Designed and built 2,000 sqft home for Spokane Indian Tribe in 2011
- Completed 1,192 square foot home on St. Lucia in 2010
- Won Popular Mechanics "Most Innovative New Product" at SEMA show in 2007
- Passed California HITEC requirements for Seismic retrofitting of concrete structures in 2005

OUR TEAM

- ▣ Griffin Merkel. CEO. Co-founder of MT. Twenty-five years of composite and management experience.
- ▣ John Wilson. CFO. Thirty years in executive management of construction projects in CA.
- ▣ Victor Diaz. Project Proponent, over 2 decades in construction industries in Southern California. Project Management, Permit Processing, Land acquisition, Business owner. Owns multiple properties in Cabazon. And Housing Solution dedicated.
- ▣ Elias Flores. Project Manager with 35 years in construction. From custom homes, historical restoration to mentoring youth in southern CA.
- ▣ Nika Roback- Nineteen years in Interior Design and Project Management of construction projects in NY and CA.
- ▣ Michael Merkel. Founder and Inventor of US Patent 6,117,376 and patent pending. Thirty years in composite manufacturing

LOCAL NEWS

PERRIS: City Council considers container-housing manufacturing operation



PERRIS: City Council considers container-housing manufacturing operation

By **THE PRESS-ENTERPRISE** |
March 29, 2016 at 10:17 p.m.



Victor Diaz of Perris envisions a project that would provide shelter for the city's homeless, jobs for unemployed residents and tax dollars for local government.

Diaz's plan involves bringing a container-based assembling facility to Perris, and he pitched city leaders on his idea at the Tuesday, March 29, City Council meeting.

"Lets build a manufacturing plant here in our city," said Diaz.

Diaz said these container-based structures could be used to shelter the homeless, and serve as affordable homes for veterans, students and first-time home-buyers. He worked for Logical Homes, a container-housing manufacturer.

Holmes Stoner, Chairman and CEO of the Pacific Rim Business Council, also spoke in support of the project. Stoner said he has helped set up container plants around the world in recent years, and said that a facility in Perris could produce over 8,000 containers a month, approximately 100,000 per year.

Craig Hardesty, a teacher at Palms Elementary School in Perris, said the modular containers could be put to practical uses by schools and stoke the curiosity of students.

"I see this as an opportunity to have them motivated and inspired," said Hardesty.

More than a dozen people spoke in support of the plan at Tuesday's meeting. None spoke against it.

Mayor Daryl Busch directed city staff to look into the proposal and bring it back to the City Council.

"And (let's) see what we can do," said Busch. "Whether it be for the homeless. Whether it be for vets. Or whether it be for low-income housing here in our community."

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CITY OF PERRIS**MINUTES:****Date of Meeting:** March 29, 2016

06:30 PM

Place of Meeting: City Council Chambers**CLOSED SESSION****Mayor Busch called the Closed Session to order at 5:45 p.m.****ROLL CALL****Councilmember's Present: Rabb, Rogers, Burke, Busch
Councilmember Yarbrough arrived at 5:48 p.m.****Staff Member's Present: City Manager Belmudez, City Attorney Dunn and City Clerk Salazar**

- A. Conference with Real Property Negotiators " Government Code Section 54956.8
Property: APN #326-071-002-3 City Negotiator: Richard Belmudez, City Manager
Negotiating Parties: Alvin Kurtzman, Jacqueline Kurtzman, Norman Levenson and
Robert Gary Sherman Under Negotiation: Price and terms of payment
- B. Conference with Real Property Negotiators " Government Code Section 54956.8
Property: APN #326-062-017, 326-071-001, 326-072-005 City Negotiator: Richard
Belmudez, City Manager Negotiating Parties: N/A Under Negotiation: Price and terms
of payment
- C. Conference with Real Property Negotiators " Government Code Section 54956.8
Property: City of Perris Water System City Negotiator: Richard Belmudez, City
Manager Negotiating Parties: Eastern Municipal Water Department Under Negotiation:
Price and terms of payment
- D. Conference with Legal Counsel - Potential Litigation - Government Code Section
54956.9 (d)(4) - 1 case

**City Attorney Dunn noted that regarding item C. it should read Eastern
Municipal Water District.****The City Council adjourned to Closed Session at 5:46 p.m.**

1. CALL TO ORDER: 6:30 P.M.

Mayor Busch called the Regular City Council meeting to order at 6:31 p.m.

2. ROLL CALL: Rabb, Rogers, Yarbrough, Burke, Busch

ABSENT:
ABSTAIN:

9. BUSINESS ITEMS:

A. Affordable Quality-Container Based Architectural Solutions Presentation.

This item was presented by Victor Diaz, Logical Homes

The following people spoke at Public comment:

Bob Nielsen

Jorge Galvin

Laura Banks

Frank Lisea

Craig Hardesty

Leslie Cook

Stephanie Diaz

Ramon Martinez

Yolanda Williams

Armando Hurtado

The following Councilmember's spoke:

Yarbrough

Rogers

Bush

Burke

B. Update on the Chamber of Commerce.

This item was presented by Chamber of Commerce President, Matt Johnson and CEO, Cindy Espinoza

Councilmember Rabb left the City Council Chambers at 7:35 p.m. and returned at 7:36 p.m.

Councilmember Rogers left the City Council Chambers at 7:38 p.m. and returned at 7:40 p.m.

The Mayor called for Public Comment. There was no Public Comment.

The following Councilmember spoke:

Busch

New Business

3. Discussion/ Action Item:

Transfer from District's LAIF Acct. to District's
General Acct. (to pay for Simpson Sandblasting
Tank #1 recoating project)
(by AGM Lemus)

Old Business

1. Discussion/Action Item:

NBS Water Rate Study Review and Discussion
(by Board)



**NOTICE OF PUBLIC HEARING AND WORKSHOP ON PROPOSED
ADJUSTMENTS AND INCREASES TO
CABAZON WATER DISTRICT WATER SERVICE CHARGES**

The Cabazon Water District invites the public to attend a public hearing to be held on **Tuesday, February 16, 2021, at 6:00 p.m.**, to consider the adoption of a 5-year schedule of water rates. The public hearing will be held at the District offices located at **14618 Broadway Street, Cabazon, CA 92230**. The purpose of the public hearing is to consider all oral testimony and written protests to, and the adoption of, the proposed rates. If adopted, the new water rates will go into effect for services provided on and after March 1, 2021, and will be adjusted each January 1 thereafter beginning January 1, 2022, and through and including, January 1, 2025.

REASONS FOR THE RATE ADJUSTMENTS AND INCREASES

The District is committed to providing the highest quality water at the lowest possible rates for our customers. To meet this commitment, over the last five years the District has worked to manage operations and maintenance costs and maintain lower water rate increases. Despite these efforts, there are costs that continue to increase that cannot be avoided. The District engaged NBS consultants (NBS) to perform an independent water rate study and evaluate the infrastructure, programs, and operations and maintenance costs of the District's water services and the rates necessary to recover the costs of those services for the next five years. A cost of service and rate study demonstrates what it costs the District to provide water service and the appropriate rates to fairly and appropriately allocate the costs of providing water to our customers. The cost of providing water includes not only the water the District pumps, but the infrastructure that treats and delivers the water to ensure that there is safe and reliable water to meet the demands of all of our water customers twenty-four hours a day, seven days a week.

Based on NBS's evaluation, it has been determined that rate adjustments and increases are necessary for the District's water service charges to enable the District to:

- recover current and long-term projected costs of operating and maintaining the water system;
- fund capital infrastructure improvements needed to repair and update the District's aging water system;
- maintain the operational and financial stability of the water utility;
- comply with State mandated drinking and groundwater water regulatory requirements; and
- avoid operational deficits and depletion of reserves.

PROPOSED RATES AND HOW THE RATES ARE CALCULATED

The proposed rates are calculated to recover the costs of providing water services and to proportionately allocate those costs on a parcel basis among the District's customers. The proposed water rate structure has two customer classes—Single Family Residential (SFR), Non-Single Family Residential (Non-SFR). The District also provides water to one customer pursuant to a contract. The proposed rate structure has three components—a Service Charge, a Volume Charge, and a Fire Service Charge. The proposed rates are described in more detail below.

The proposed Service Charge is a fixed monthly charge calculated to recover a portion of the District's fixed costs, such as meter reading, billings and collections. The proposed rates for the Service Charge are established on the basis of the size of the meter (in inches) serving a property to recover the incremental costs of sizing facilities to sufficiently deliver water to properties served by larger meters. The Volume Charge is a variable charge imposed per unit of delivered water, with one unit equal to one hundred cubic feet (HCF), or 748 gallons, and is calculated to recover a portion of the District's fixed costs

and its variable costs of providing water service. The Fire Service Charge is imposed on Single Family Residential, Non-Single Family Residential, or Commercial customers who are required as a condition of extending or initiating water service to install a private fire suppression system on their property, or where the customer or property owner has requested the delivery of water to the property for the purpose of fire service protection. The Fire Service Charge recovers that District's fixed costs of operating and maintaining infrastructure for private fire service.

For Single Family Residential customers the current rate structure for the Volume Charge has three tiers which impose higher rates as the level of consumption increases. Under the proposed rates, for Single Family Residential customers the Volume Charge will consist of three tiers. The tiers are designed to recover the incremental costs to the District of serving more water to those who place higher demands and greater burdens on the District's water system and resources. These costs include, for example, sizing, operating and maintaining water pipes, reservoirs, pump stations and other related facilities to meet this additional demand. Due to the varying consumption needs among Non-Single Family Residential customers and the contract customer, and the relatively small number of these customers, the Volume Charge is a uniform rate per HCF of water delivered during a billing period.

The amount of the Service Charge and the Fire Service Charge imposed is the same each month. The amount of the Volume Charge imposed varies each month depending on the number of units of water each customer uses during the billing period. The current rates and the proposed maximum rates and effective dates for the Service Charges, Fire Service Charges, and Volume Charges are set forth in the tables below.

CURRENT AND PROPOSED RATES FOR MONTHLY FIXED SERVICE CHARGE (\$/METER SIZE)						
Meter Size	Current Rates as of 12/1/2020	Proposed Rates and Effective Dates				
		3/1/2021	1/1/2022	1/1/2023	1/1/2024	1/1/2025
5/8 inch	\$68.10	\$33.34	\$34.35	\$35.38	\$36.44	\$37.53
3/4 inch	\$98.24	\$47.27	\$48.69	\$50.15	\$51.66	\$53.21
1 inch	\$158.51	\$75.13	\$77.38	\$79.71	\$82.10	\$84.56
1.5 inch	\$309.21	\$144.77	\$149.12	\$153.59	\$158.20	\$162.94
2 inch	\$490.04	\$228.35	\$235.20	\$242.25	\$249.52	\$257.01
3 inch	\$972.27	\$451.20	\$464.74	\$478.68	\$493.04	\$507.84
4 inch	\$1514.77	\$701.92	\$722.98	\$744.67	\$767.01	\$790.02
Contract (10 inch)	\$2233.06	\$2300.05	\$2369.05	\$6,212.13	\$6,398.49	\$6,590.45
Construction Meters (3 inch)	\$286.73	\$473.21	\$487.41	\$502.03	\$517.09	\$532.61

CURRENT AND PROPOSED RATES FOR MONTHLY FIXED FIRE SERVICE CHARGE (\$/METER SIZE)						
Meter Size	Current Rates	Proposed Rates and Effective Dates				
		3/1/2021	1/1/2022	1/1/2023	1/1/2024	1/1/2025
4 inch	\$61.54	\$34.05	\$35.08	\$36.13	\$37.21	\$38.33
6 inch	\$130.62	\$70.78	\$72.91	\$75.09	\$77.35	\$79.67
8 inch	\$212.11	\$119.76	\$123.35	\$127.05	\$130.86	\$134.79

CURRENT AND PROPOSED RATES FOR MONTHLY COMMODITY CHARGE (\$/HCF)						
Customer Class	Current Rates	Proposed Rates and Effective Dates				
		3/1/2021	1/1/2022	1/1/2023	1/1/2024	1/1/2025
<i>Non-SFR</i>	\$2.96	\$6.12	\$6.31	\$5.06	\$5.21	\$5.37
<i>Contract Customer</i>	\$3.83	\$3.94	\$4.06	N/A	N/A	N/A
<i>SFR</i>						
Current Tiers						
Tier 1: 0-7 HCF	\$1.53	\$1.98	\$2.03	\$2.10	\$2.16	\$2.22
Tier 2: 8-14 HCF	\$3.35	\$7.00	\$7.21	\$7.43	\$7.65	\$7.88
Tier 3: 14+ HCF	\$5.12	\$12.84	\$13.22	\$13.62	\$14.03	\$14.45

PUBLIC HEARING AND PROTESTS

Any record owner of a parcel upon which the water service charges are proposed to be imposed and any tenant directly liable for the payment of water service charges (i.e., a customer of record who is not a property owner) may submit a written protest to the proposed rate adjustments and increases to the District's water service charges; however, only one protest will be counted per identified parcel. Any written protest must: (1) state that the identified property owner or tenant is opposed to the proposed water rate adjustments and increases; (2) provide the location of the identified parcel (by street address, assessor's parcel number, or customer account number); and (3) include the name and signature of the property owner or tenant submitting the protest. Written protests may be submitted to the Clerk of the Board by mail or in person at 14618 Broadway Street, PO Box 297, Cabazon, CA 92230, or at the public hearing (date, time, and location noted above). All written protests must be received prior to the close of the public comment portion of the public hearing. Any protest submitted via e-mail or other electronic means will not be accepted as a valid written protest. Please indicate on the outside of any envelope mailed to the District Attn: Rate Hearing.

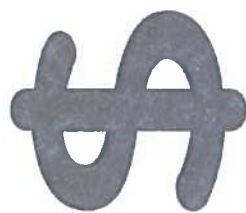
The Board of Directors will accept and consider all written protests and will hear and consider all oral comments to the proposed rate adjustments and increases at the public hearing. Oral comments at the public hearing will not qualify as formal protests unless accompanied by a written protest. Upon the conclusion of the public hearing, the Board of Directors will consider adoption of the proposed rate increases as described in this notice. If written protests against the proposed rates are not presented by a majority of the property owners or tenants of the identified parcels subject to the proposed rate increases, the Board of Directors will be authorized to adopt the rate increases.

**Board of Director's Meeting
September 15, 2020**

Cabazon Water District Water Rate Study



Overview of the Rate Study



Components of a Rate Study

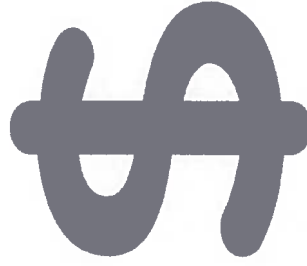
1 FINANCIAL PLAN



2 COST-OF-SERVICE ANALYSIS



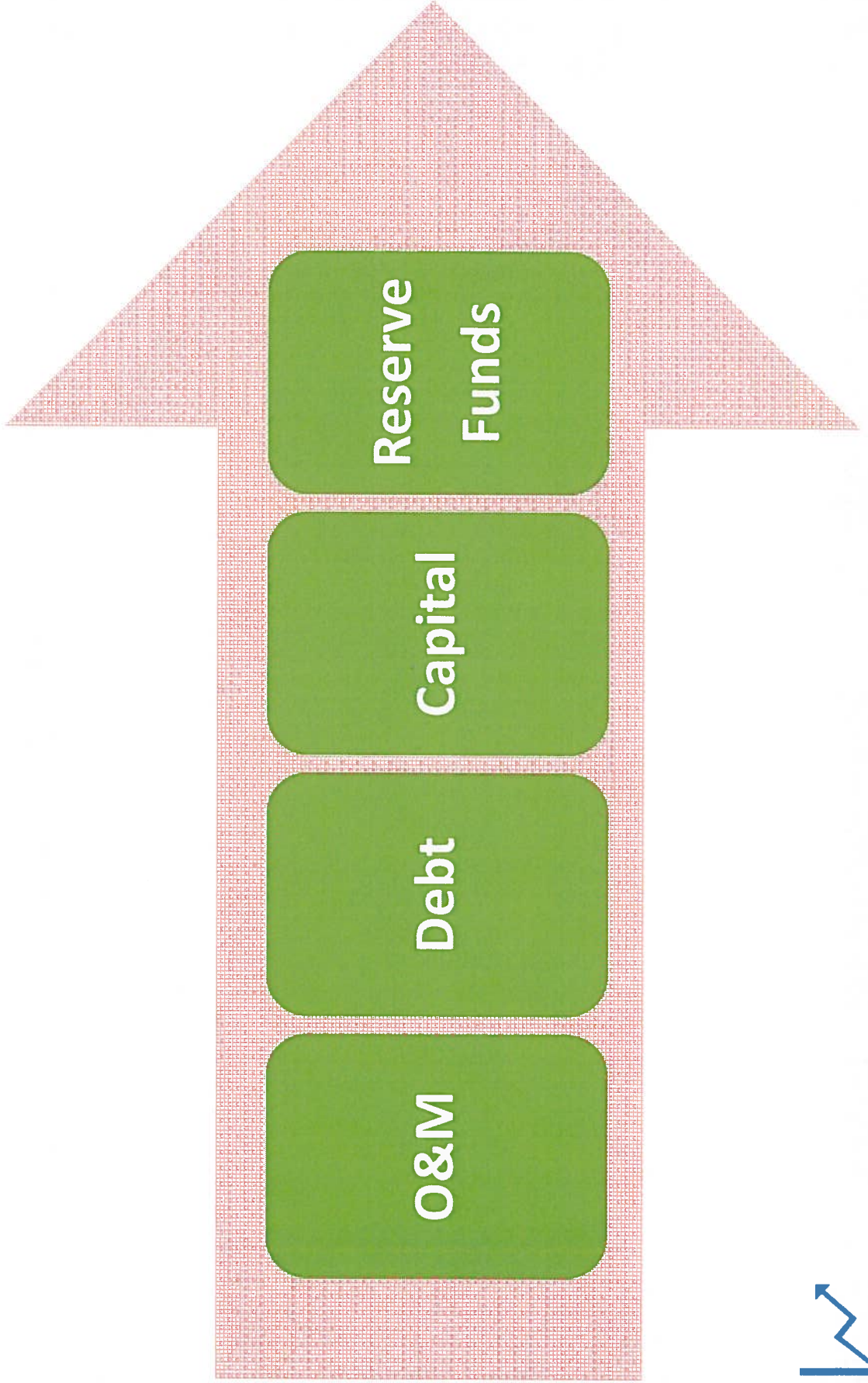
3 RATE DESIGN



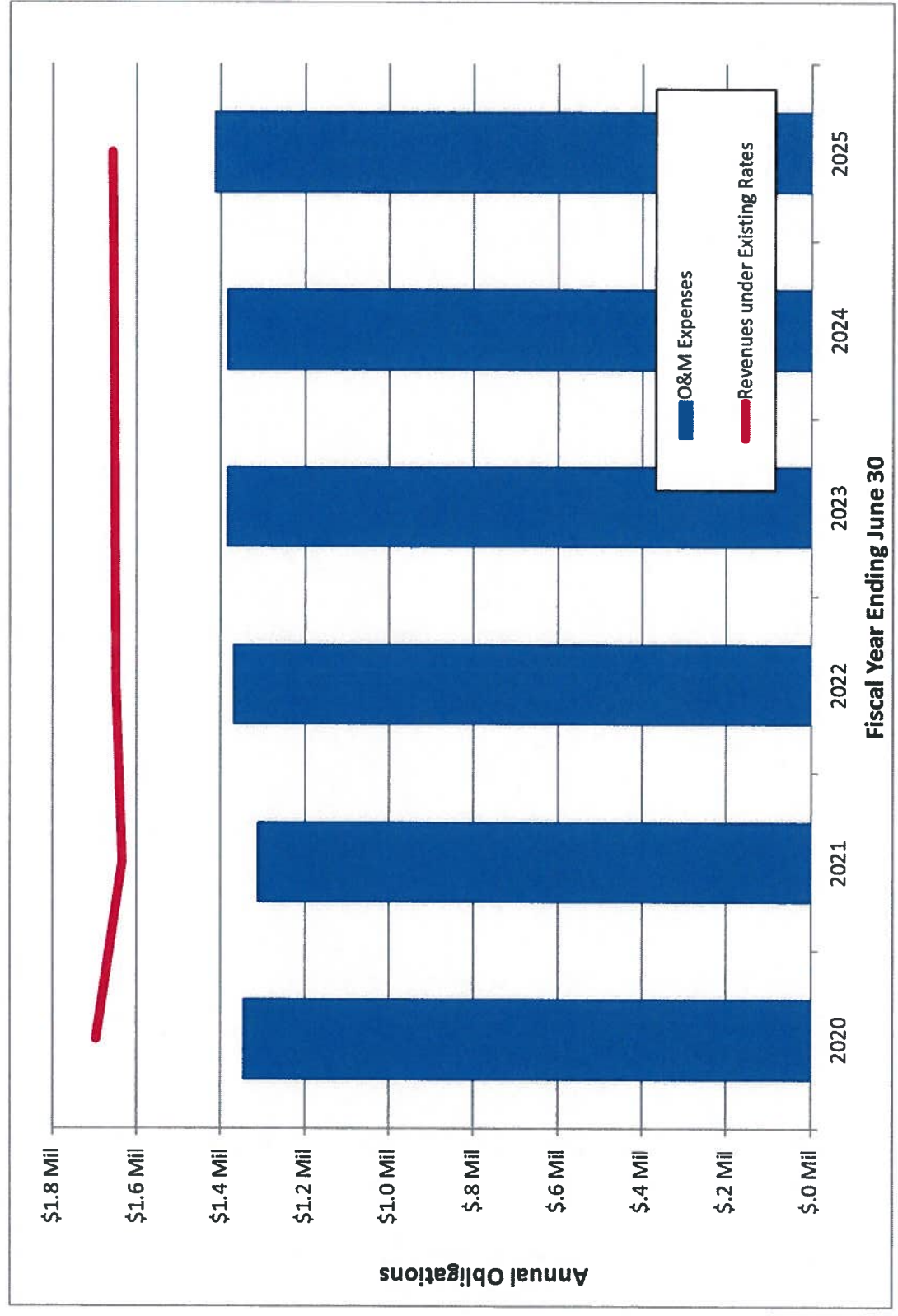
Financial Plan



Financial Plan Funding Priorities



Operations & Maintenance



Debt Service

Debt	Time Frame	Annual Amount
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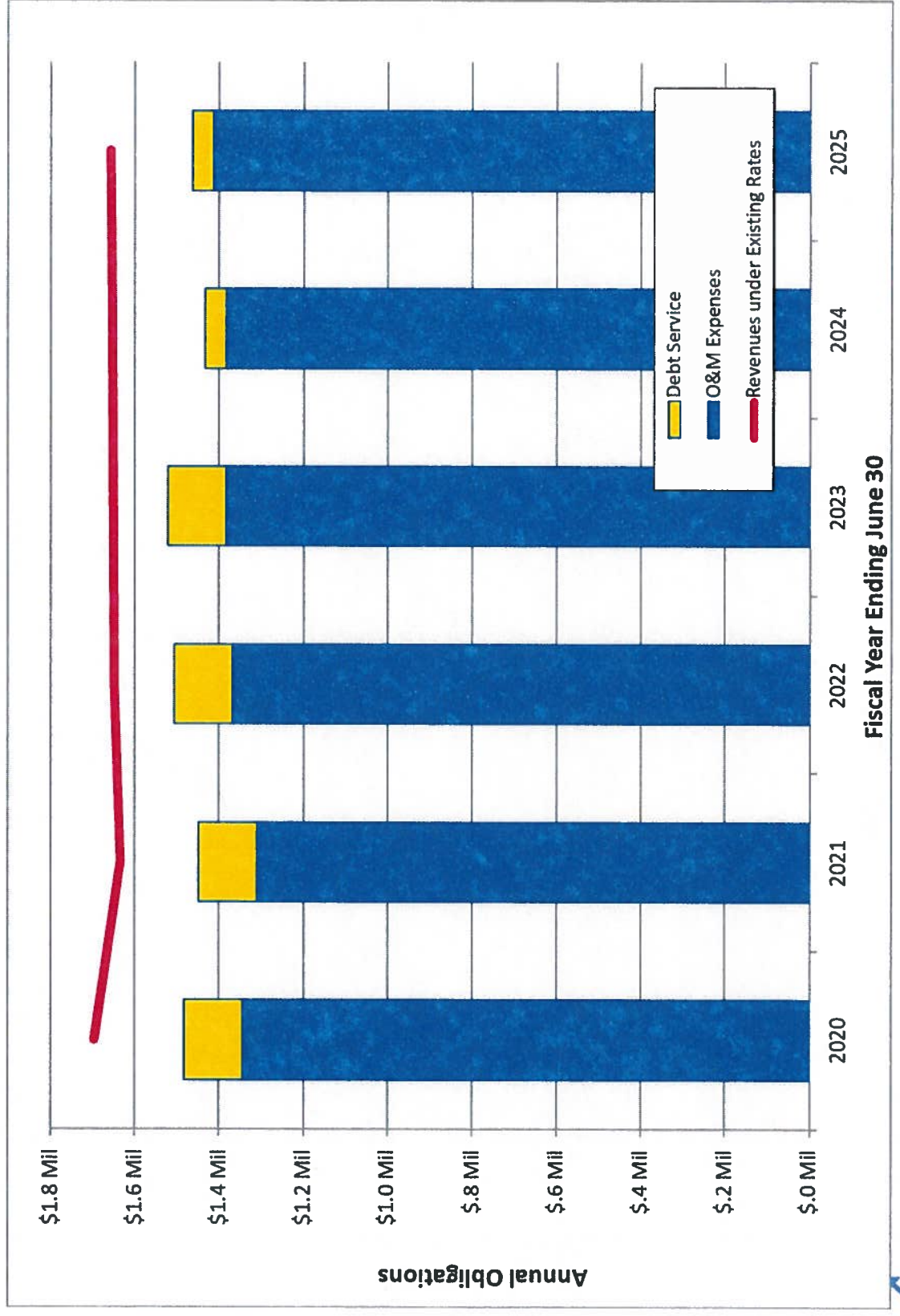
DWR Loan	Through FY 2026/27 ¹	\$48,691
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Zion First National	Through FY 2022/23	\$88,703
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1. Final payment for DWR Loan is \$15,754 in 2026/27.



Debt Service



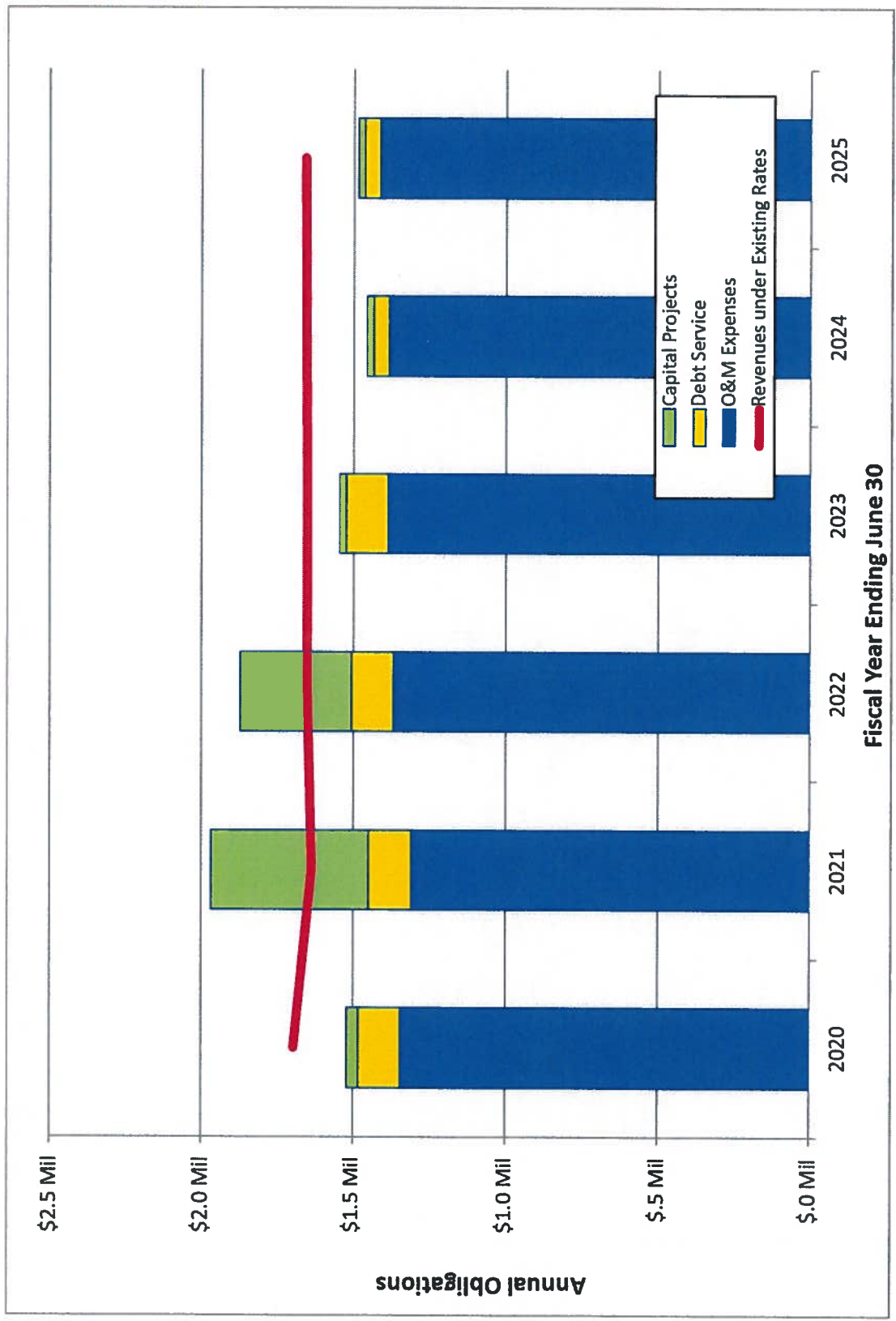
Capital Improvement Program

Project Description	2021	2022	2023	2024	2025
Main Street Property (Icehouse-Impts)	\$ 20,000	\$ 51,500	\$ -	\$ -	\$ -
Relocate Fire Hydrant at Circle K	15,000	-	-	-	-
Water Meter Replacements	20,000	20,600	21,218	21,855	22,510
Detach Section Land Locked by Tribe	-	30,900	-	-	-
Service Utility Truck	-	108,150	-	-	-
Production We11 #1 Rehab	240,000	-	-	-	-
Tank #1 Rehab	150,000	-	-	-	-
Connection & Transfer Box to W1 & W5 for portable generator	75,000	-	-	-	-
Bonita Vault Rehab	-	154,500	-	-	-
Total: CIP Program Costs¹	\$ 520,000	\$ 365,650	\$ 21,218	\$ 21,855	\$ 22,510

1. Includes inflation of 3% per year applied to original cost estimates (per ENR Construction Cost Inflation Index).



Capital Improvement Program



Reserve Funds

Reserve Fund Target

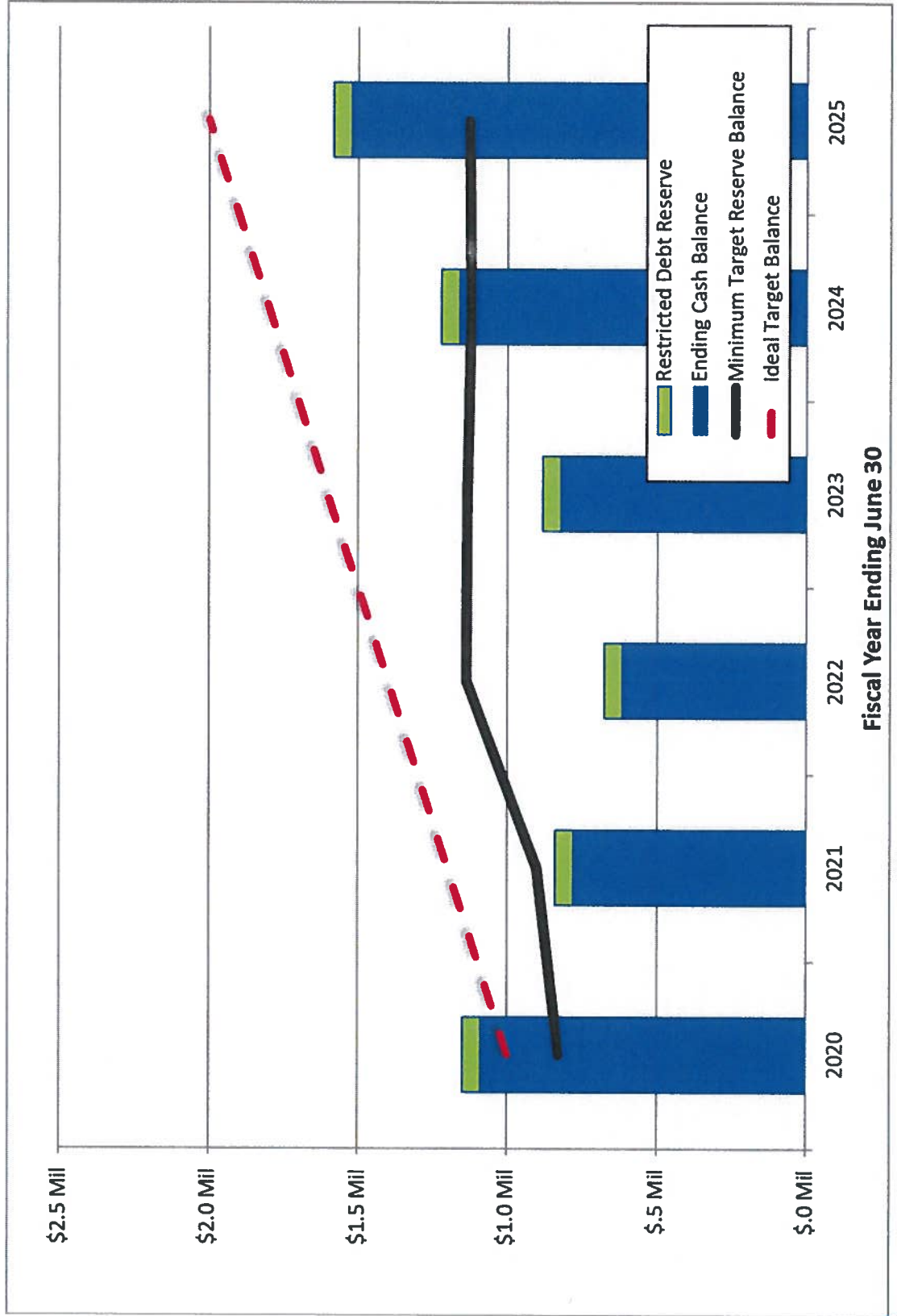
Operating Reserve 180 days of O&M Expenses

Capital Rehab & Replacement 6% of net assets

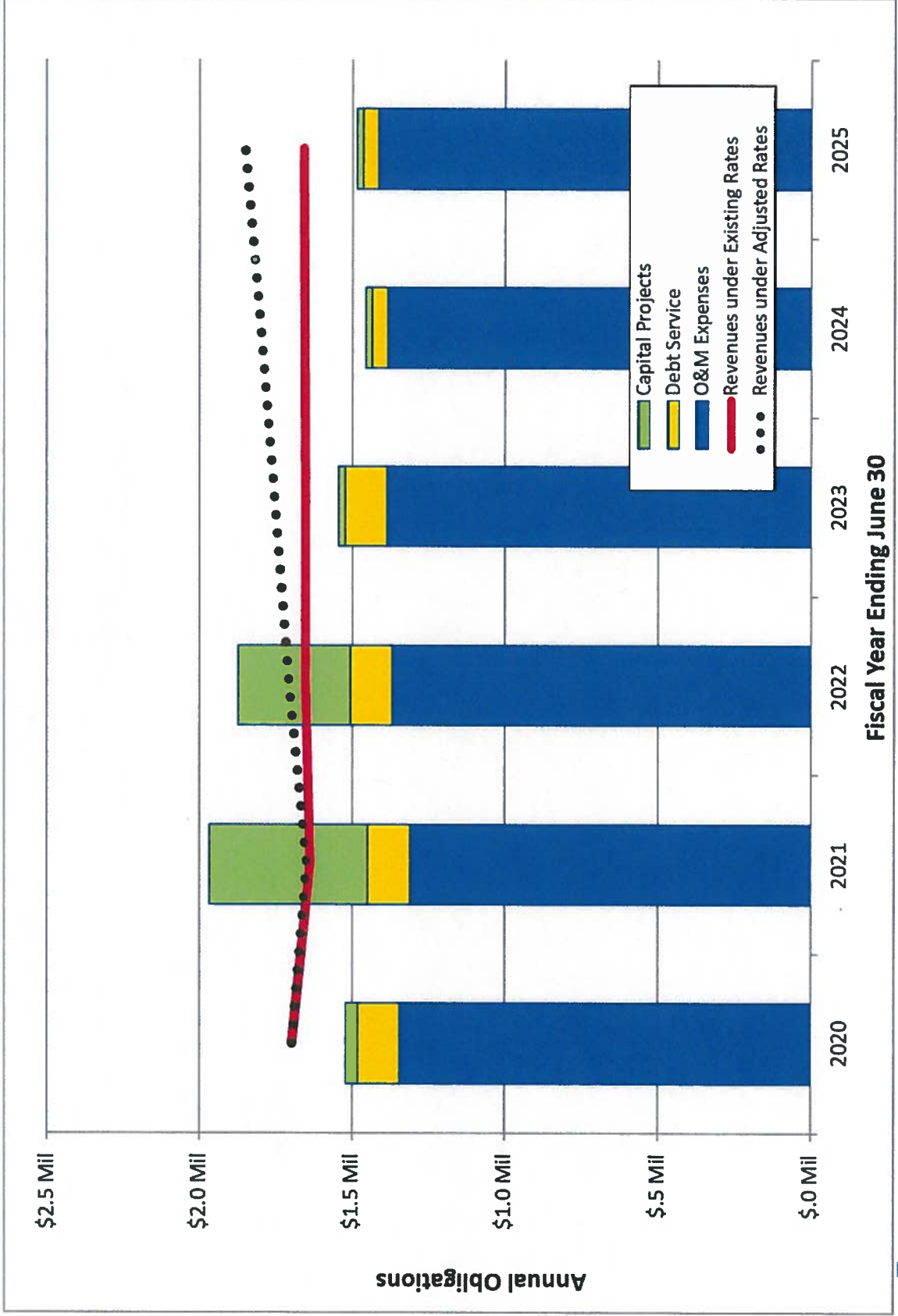


Projected Cash Balance vs. Reserve Target

Under Adjusted Rates



Projected Adjustments to Rate Revenue



Fiscal Year Ending June 30

50/130

Cost of Service Analysis



Functionalization and Classification

Revenue Requirements

Fixed

Capacity
Costs

Customer
Costs

Fire
Protection
Costs

Commodity
Costs

Variable



Functionalization and Classification, cont.

Category	Percentage
Capacity Costs	73.2%
Customer Costs	5.0%
Fire Protection	0.4%
Commodity Costs	21.4%
Fixed	78.6%
Variable	21.4%



Customer Classes

1. Single Family Residential (SFR)
2. Commercial/Non-SFR
3. Contract
4. Construction





Rate Design

Rate Design Components

Rate Design Components	Basis for Cabazon Water District
# of Customer Classes	Four: SFR, Comm/Non-SFR, Construction & Contract
Allocation of Fixed vs. Variable Charges	3 Alternative Fixed/Variable Rate %'s
Fixed Rate Structure	Meter Hydraulic Capacity
Variable Rate Structure	Flat/Uniform and Tiered



Rate Design Alternatives

Functional Category	Rate Alternative A		Rate Alternative B		Rate Alternative C	
	Adjusted Net Revenue Requirements (2020-21) 50% Fixed / 50% Variable	21.4%	Adjusted Net Revenue Requirements (2020-21) 40% Fixed / 60% Variable	21.4%	Adjusted Net Revenue Requirements (2020-21) 30% Fixed / 70% Variable	21.4%
Commodity - Related Costs	\$ 259,786		\$ 259,786		\$ 259,786	
Capacity - Related Costs (volumetric share)	\$ 346,751	28.6%	\$ 468,058	38.6%	\$ 589,365	48.6%
Capacity - Related Costs (fixed share)	\$ 541,057	44.6%	\$ 419,750	34.6%	\$ 298,443	24.6%
Customer - Related Costs	\$ 60,386	5.0%	\$ 60,386	5.0%	\$ 60,386	5.0%
Fire Protection - Related Costs	\$ 5,093	0.4%	\$ 5,093	0.4%	\$ 5,093	0.4%
Total	\$ 1,213,074	100%	\$ 1,213,074	100%	\$ 1,213,074	100%
Revenue from Contract Rates	\$ 203,176		\$ 203,176		\$ 203,176	
Net Revenue Requirement	\$ 1,416,250		\$ 1,416,250		\$ 1,416,250	



Variable Rate

Customer Class	Variable Rate
Single Family Residential	Tiered Tier 1: 7 hcf Tier 2: 14 hcf Tier 3: 15+ hcf
Commercial / Non-SFR / Construction	Uniform
Contract	Uniform

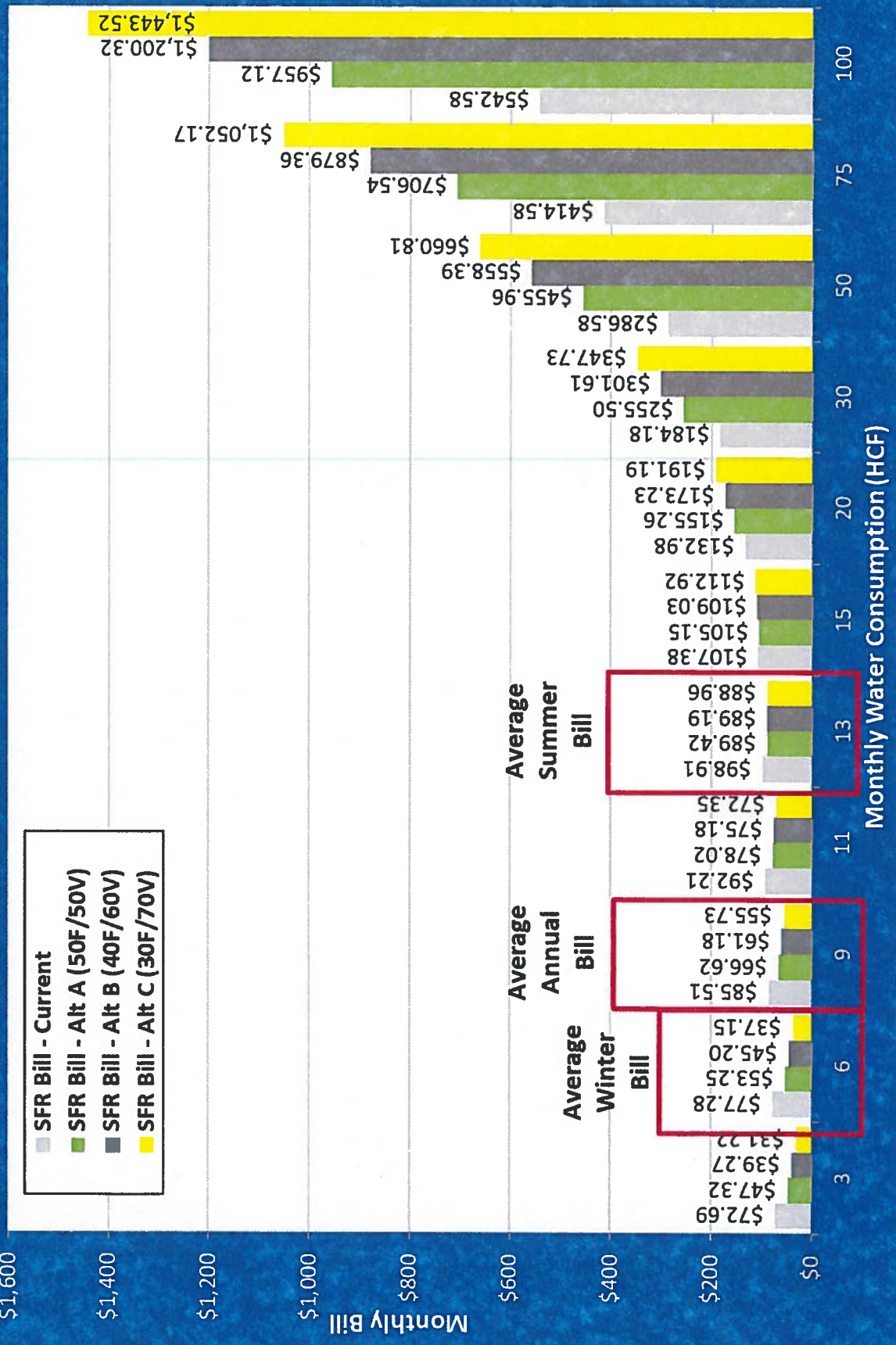


Proposed Rates – (40% Fixed / 60% Variable)

Water Rate Schedule	Proposed Rates					
	Current Rates	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Fixed Meter Charges						
Monthly Fixed Service Charges:						
5/8 inch	\$68.10	\$33.34	\$34.35	\$35.38	\$36.44	\$37.53
3/4 inch	\$98.24	\$47.27	\$48.69	\$50.15	\$51.66	\$53.21
1 inch	\$158.51	\$75.13	\$77.38	\$79.71	\$82.10	\$84.56
1.5 inch	\$309.21	\$144.77	\$149.12	\$153.59	\$158.20	\$162.94
2 inch	\$490.04	\$228.35	\$235.20	\$242.25	\$249.52	\$257.01
3 inch	\$972.27	\$451.20	\$464.74	\$478.68	\$493.04	\$507.84
4 inch	\$1,514.77	\$701.92	\$722.98	\$744.67	\$767.01	\$790.02
Contract (10 inch)	\$2,233.06	\$2,300.05	\$2,369.05	\$6,212.13	\$6,398.49	\$6,590.45
Construction Meters (3 inch)	\$286.73	\$473.21	\$487.41	\$502.03	\$517.09	\$532.61
Monthly Fire Service Charges:						
4 inch	\$61.54	\$34.05	\$35.08	\$36.13	\$37.21	\$38.33
6 inch	\$130.62	\$70.78	\$72.91	\$75.09	\$77.35	\$79.67
8 inch	\$212.11	\$119.76	\$123.35	\$127.05	\$130.86	\$134.79
Commodity Charges						
Rate per hcf of Water Consumed:						
Uniform Rate (Non-SFR + Construction)	\$2.96	\$6.12	\$6.31	\$5.06	\$5.21	\$5.37
Contract Rate	\$3.83	\$3.94	\$4.06	N/A	N/A	N/A
Tiered Rate (SFR Customers):						
			<u>Proposed Break</u>			
Tier 1	\$1.53	\$1.98	\$2.03	\$2.10	\$2.16	\$2.22
Tier 2	\$3.35	\$7.00	\$7.21	\$7.43	\$7.65	\$7.88
Tier 3	\$5.12	\$12.84	\$13.22	\$13.62	\$14.03	\$14.45

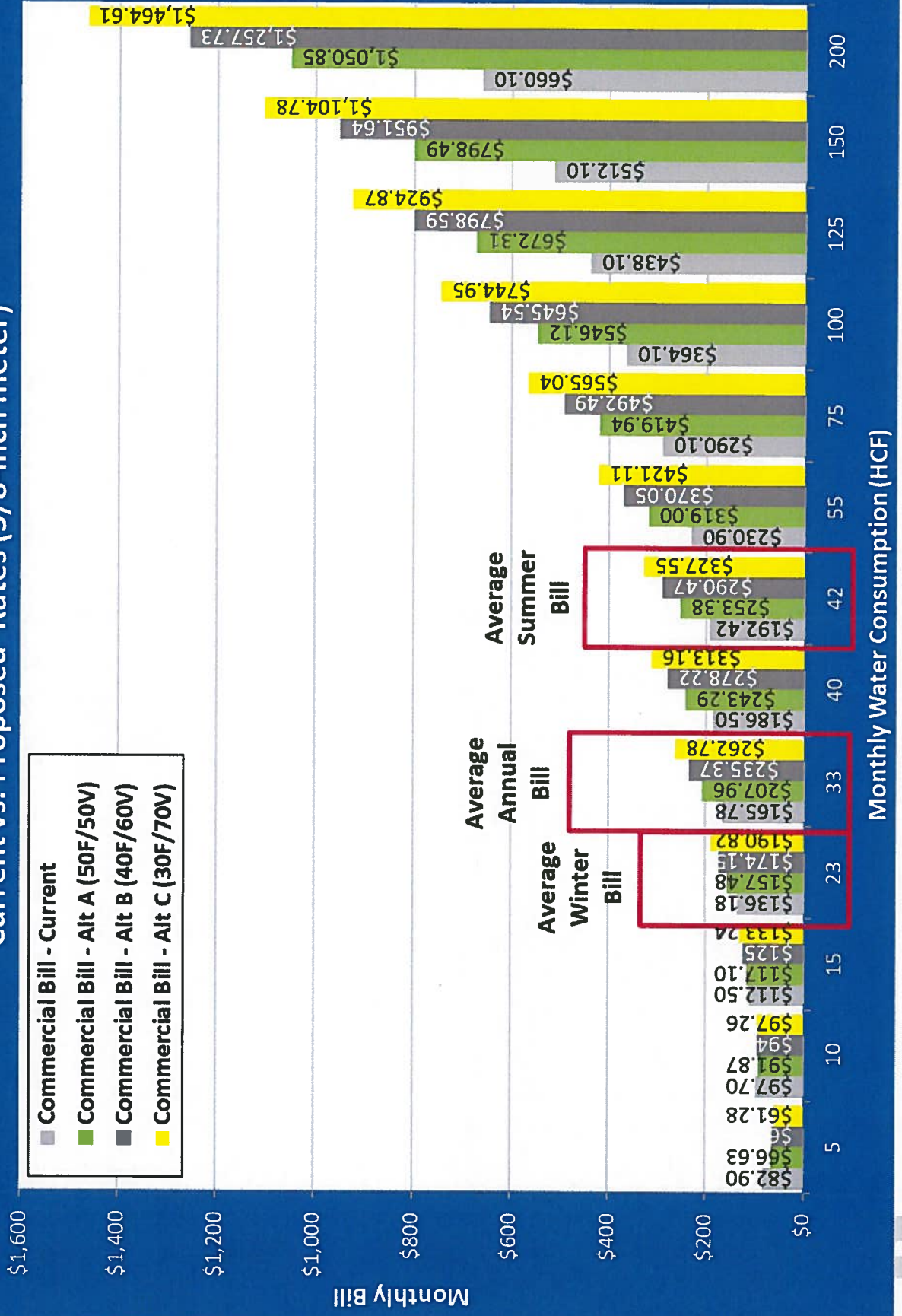


Residential Water Bill Comparison Current vs. Proposed Rates (5/8" meter)



- SFR Bill - Current
- SFR Bill - Alt A (50F/50V)
- SFR Bill - Alt B (40F/60V)
- SFR Bill - Alt C (30F/70V)

Commercial Water Bill Comparison Current vs. Proposed Rates (5/8-inch meter)



Single Family Residential Bill Comparisons

Rate Alternative	Water Consumption					
	3	6	9	11	13	15
Current	\$72.69	\$77.28	\$85.51	\$92.21	\$98.91	\$107.38
Alt A - 50% Fixed / 50% Variable	\$47.32	\$53.25	\$66.62	\$78.02	\$89.42	\$105.15
Alt B - 40% Fixed / 60% Variable	\$39.27	\$45.20	\$61.18	\$75.18	\$89.19	\$109.03
Alt C - 30% Fixed / 70% Variable	\$31.22	\$37.15	\$55.73	\$72.35	\$88.96	\$112.92

Rate Alternative	Water Consumption				
	20	30	50	75	100
Current	\$132.98	\$184.18	\$286.58	\$414.58	\$542.58
Alt A - 50% Fixed / 50% Variable	\$155.26	\$255.50	\$455.96	\$706.54	\$957.12
Alt B - 40% Fixed / 60% Variable	\$173.23	\$301.61	\$558.39	\$879.36	\$1,200.32
Alt C - 30% Fixed / 70% Variable	\$191.19	\$347.73	\$660.81	\$1,052.17	\$1,443.52



Non-Residential Bill Comparisons

Rate Alternative	Water Consumption						
	5	10	15	23	33	40	42
Current	\$82.90	\$97.70	\$112.50	\$136.18	\$165.78	\$186.50	\$192.42
Alt A - 50% Fixed / 50% Variable	\$66.63	\$91.87	\$117.10	\$157.48	\$207.96	\$243.29	\$253.38
Alt B - 40% Fixed / 60% Variable	\$63.95	\$94.56	\$125.17	\$174.15	\$235.37	\$278.22	\$290.47
Alt C - 30% Fixed / 70% Variable	\$61.28	\$97.26	\$133.24	\$190.82	\$262.78	\$313.16	\$327.55

Rate Alternative	Water Consumption					
	55	75	100	125	150	200
Current	\$230.90	\$290.10	\$364.10	\$438.10	\$512.10	\$660.10
Alt A - 50% Fixed / 50% Variable	\$319.00	\$419.94	\$546.12	\$672.31	\$798.49	\$1,050.85
Alt B - 40% Fixed / 60% Variable	\$370.05	\$492.49	\$645.54	\$798.59	\$951.64	\$1,257.73
Alt C - 30% Fixed / 70% Variable	\$421.11	\$565.04	\$744.95	\$924.87	\$1,104.78	\$1,464.61



Questions



Supplementary Material

Inflation Factors

Cost Type	Inflation Factor
Customer Growth	0%
General Cost Inflation	2%
Salary Inflation	3%
Benefits Inflation	6%
Electricity	3.5%
Fuel	3%
Chemicals	3%
Cell Tower Lease	2%
Capital Cost Inflation	3%

Hydraulic Capacity

Meter Size	Capacity Standard Meters	Capacity Fire Meters
5/8 Inch	20 gpm	20 gpm
3/4 Inch	30 gpm	30 gpm
1 Inch	50 gpm	50 gpm
1.5 Inch	100 gpm	100 gpm
2 Inch	160 gpm	160 gpm
3 Inch	320 gpm	350 gpm
4 Inch	500 gpm	700 gpm
6 Inch	1,000 gpm	1,600 gpm
8 Inch	2,800 gpm	2,800 gpm
10 Inch	4,200 gpm	4,400 gpm

Water Consumption by Customer Class

Customer Class	Volume (hcf) ¹	Percent of Total Volume
Single Family Residential	93,915	53.4%
Other Non-SFR/Commercial	35,660	20.3%
Contract	44,507	25.3%
Construction	1,934	1.1%
Total	176,016	100%

1. Consumption is from 2019. CWD bills monthly.

Source files: Cabazon_USAGEREPORT_CO1CO2_Manipulated.xlsx

SFR Tiered Water Consumption

Consumption by Tier			Percentage of Total SFR Consumption
Tier	Monthly Breakpoint ¹	Expected Consumption ²	
Tier 1	7 hcf	53,666	57%
Tier 2	14 hcf	21,430	23%
Tier 3	--	18,819	20%
Total		93,915	100%

1. Tier 1 break point set to average winter consumption, an estimate of average indoor consumption in Cabazon.

Tier 2 break point set to 14 hcf which is average summer consumption.

2. Consumption data is based on the CWD 2019 customer data.

Source files: *Cabazon_FINAN ACCTS SUMMARY_CO1CO2.xlsx and Cabazon_USAGEREPORT_CO1CO2_Manipulated.xlsx*

Peaking by Customer Class

Customer Class	Average Monthly Use (hcf)	Peak Monthly Use (hcf) ¹	Peak Monthly Factor	Max Month Capacity Factor
Single Family Residential	7,826	11,521	1.47	51.9%
Other Non-SFR/Commercial	2,972	5,034	1.69	22.7%
Construction	161	719	4.46	3.2%
Contract	3,709	4,921	1.33	22.2%
Total	14,668	22,195		100%

1. Based on peak monthly data (peak day data not available).

Number of Customers by Class

Customer Class	Number of Meters ¹	Percent of Total
Single Family Residential	854	93.0%
Other Non-SFR/Commercial	52	5.7%
Fire Service Meters	5	0.5%
Construction	6	0.7%
Contract	1	0.1%
Total	918	100.0%

1. Meter Count is from December 2019. CWD bills monthly.

Source files: Cabazon_USAGEREPORT_CO1CO2_Manipulated.xlsx



CABAZON WATER DISTRICT

Final Report
Water Rate Study
Update

December 2020

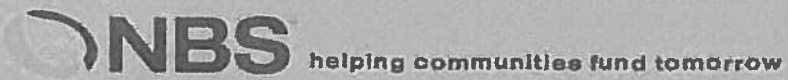
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Section 1. PURPOSE AND OVERVIEW OF THE STUDY

A. Purpose

Cabazon Water District (District, CWD) retained NBS to conduct an update of the 2017 water rate study for a number of reasons, including meeting revenue requirements and updating the water rate structure. The rates resulting from this study were developed in a manner that is consistent with industry standard cost of service principles. In addition to documenting the rate study methodology, this report is provided with the intent of assisting the District to maintain transparent communications with its residents and businesses.

In developing new water rates, NBS worked cooperatively with District staff and the District's Board of Directors (Board) in selecting appropriate rate alternatives. Based on input from District staff and the Board, the proposed water rates are summarized in this report.

B. Overview of the Study

Comprehensive rate studies such as this one typically include the following three components, as outlined in Figure 1:

1. Preparation of a **Financial Plan**, which identifies the net revenue requirements for the utility.
2. **Cost of Service Analysis**, which determines the cost of providing water service to each customer class.
3. **Rate Design Analysis**, which evaluates different rate design alternatives.

Figure 1. Primary Components of a Rate Study



These steps are intended to follow industry standards and reflect the fundamental principles of cost-of-service rate making embodied in the American Water Works Association (AWWA) Principles of Water Rates, Fees, and Charges¹, also referred to as the M1 Manual. They also address requirements under Proposition 218 that rates not exceed the cost of providing the service, and that they be proportionate to the cost of providing service for all customers. In terms of the chronology of the study, these three steps represent the

¹ Principles of Water Rates, Fees, and Charges, Manual of Water Supply Practices, M1, AWWA, seventh edition, 2017.

order they were performed. Detailed tables and figures documenting the development of the proposed rates are provided in the Appendix.

FINANCIAL PLAN

As a part of this rate study, NBS projected revenues and expenditures on a cash flow basis for the next five years. The amount of rate revenue required that will allow capital projects to be funded and reserves to be maintained at the approved levels, is known as the *net revenue requirement*. Although current rate revenue covers all the net revenue requirements, rate adjustments -- or more accurately, adjustments in the total revenue collected from water rates -- are recommended in order to fund planned capital improvement projects and keep reserve funds at healthy levels. This report presents an overview of the methodologies, assumptions, and data used, along with the financial plans and proposed rates developed in this study².

RATE DESIGN ANALYSIS

Rate Design is typically the stage in the study where NBS, staff and the Board must work closely together, to develop rate alternatives that will meet the District's objectives. It is important for the District to send proper price signals to its customers about the actual cost of their water usage. This objective is typically addressed through both the magnitude of the rates, and the rate structure design. In other words, both the amount of revenue collected and the way in which the revenue is collected from customers are important to consider.

Several criteria are typically considered in setting rates and developing sound rate structures. The fundamentals of this process have been documented in several rate-setting manuals, such as the AWWA Manual M1. The foundation for evaluating rate structures is generally credited to James C. Bonbright in the *Principles of Public Utility Rates*³ which outlines pricing policies, theories, and economic concepts along with various rate designs. The following is a simplified list of the attributes of a sound structure:

- Rates should be easy to understand from the customer's perspective.
- Rates should be easy to administer from the utility's perspective.
- Rates should promote the efficient allocation of the resource.
- Rates should be equitable and non-discriminating (that is, cost based).
- There should be continuity in the ratemaking philosophy over time.
- Rates should address other utility policies (for example, encouraging conservation & economic development).
- Rates should provide month-to-month and year-to-year revenue stability.

The following are the basic rate design criteria that were considered in this study:

Rate Structure Basics –The vast majority of water rate structures contain a fixed or minimum charge in combination with a volumetric charge. The revenue requirements for each customer class are collected from both fixed monthly meter charges and variable commodity charges. Based on direction from the Board of Directors, the rates proposed in this report are designed to collect 40 percent of rate revenue from the fixed meter charges and 60 percent from the variable commodity charges.

² The complete financial plan is set forth in the Appendix.

³ James C. Bonbright; Albert L. Danielsen and David R. Kamerschen, *Principles of Public Utility Rates*, (Arlington, VA: Public Utilities Report, Inc., Second Edition, 1988), p. 383-384.

Fixed Charges – Fixed charges can be called base charges, minimum monthly charges, customer charges, fixed meter charges, etc. Fixed charges for water utilities typically increase by meter size based on meter equivalent capacity factors.

Volumetric (Consumption-Based) Charges – In contrast to fixed charges, variable costs such as purchased water, the cost of electricity used in pumping water, and the cost of chemicals for treatment tend to change with the quantity of water produced. For a water utility, variable charges are generally based on metered consumption and charged on a dollar-per-unit cost (for example, per 100 cubic feet, or hcf).

Uniform (Single-Tier) Water Rates – There are significant variations in the basic philosophy of variable charge rate structure alternatives. Under a uniform (single tier) rate structure, the cost per unit does not change with consumption, and provides a simple and straightforward approach from the perspective of customers regarding their understanding of the rates, and for the utility's administration and billing of the rates.

Multi-Tiered Water Rates – In contrast to a uniform tier, an inclining block rate structure attempts to send a price signal to customers that their consumption costs are greater as more water is consumed. Tiered water rates are intended to represent the higher costs for customers that contribute more to peak summertime usage and place greater demands on the system. The types of higher costs reflected, for example, in the *highest* tier of the rate structure may include:

- Conservation program costs: intended to encourage customers to eliminate inefficient and wasteful water use, and otherwise reduce consumption during peak periods.
- Replacement Water costs: when consumption exceeds the amount of the District's allocated water rights, the agency incurs additional costs for replacement water in order to meet that increased demand. That replacement water comes at a higher cost.
- Energy costs: during summer months, the District may pay more in electric charges to pump, treat and deliver water, and have a higher percentage of its energy bill in higher electricity "tiers".
- Higher maintenance costs: peak periods tend to have higher numbers of service calls, capacity costs, and system maintenance issues when the water system is running at peak demand.

Section 2. WATER RATE STUDY

A. Key Water Rate Study Issues

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

- Avoiding operational deficits and further depletion of reserves.
- Generating additional revenue needed to meet projected funding requirements.
- Adjusting the rate structure to collect a greater share of revenue from variable charges and less revenue from fixed charges.
- Continuing to encourage water conservation with a tiered rate structure.

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

B. Financial Plan

It is important for municipal utilities to maintain reasonable reserves in order to handle emergencies, fund working capital, maintain a good credit rating, and generally follow healthy financial management practices. Rate adjustments are governed by the need to meet operating and capital costs, maintain adequate debt coverage, and build reasonable reserve funds. The current state of the District, with regard to these objectives, is as follows:

- **Meeting Net Revenue Requirements:** For FY 2020/21 through FY 2024/25, the projected net revenue requirement (that is, total annual expenses plus debt service and rate-funded capital costs, less non-rate revenues) for the District is approximately \$1.37 million, annually on average. If no rate adjustments are implemented, the District is projected to see a \$280,000 deficit in fiscal year 2020/21. With 3% increases to the net revenue requirement, the deficit drops to \$265,000 for fiscal year 2020/21.
- **Building and Maintaining Reserve Funds:** Reserve funds provide a basis for a utility to cope with fiscal emergencies such as revenue shortfalls, asset failure, and natural disasters, among other events. Reserve policies provide guidelines for sound financial management, with an overall long-range perspective to maintain financial solvency and mitigate financial risks associated with revenue instability, volatile capital costs, and emergencies. The District plans to accumulate approximately \$1,500,000 in reserves by the end of FY 2024/25. These reserve funds for the Utility are considered unrestricted reserves and consist of the following:
 - **The Operating Reserve** should equal approximately 180 days of operating expenses, which is about \$707,000 at the end of FY 2024/25. An Operating Reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures. Fluctuations in revenue can be caused by weather patterns, the natural inflow and outflow of cash during billing cycles, natural variability in demand-based revenue streams (such as volumetric charges), and – particularly in periods of economic distress – changes or trends in age of receivables.

- **The Capital Rehabilitation and Replacement Reserve** should equal at least 6 percent of net capital assets, totaling approximately \$422,000 in FY 2024/25, which is set aside to address long-term capital system replacement and rehabilitation needs.
- **Funding Capital Improvement Projects:** The District must also be able to fund necessary capital improvements in order to maintain current service levels. District staff has identified roughly \$935,000 (current year dollars) in expected capital expenditures for FY 2020/21 through 2024/25. With the recommended rate adjustments, these expenditures can be funded.
- **Inflation and Growth Projections** – Assumptions regarding cost inflation were made in order to project future revenues and expenses for the study period. The following inflation factors were used in the analysis:
 - No Customer growth is expected over the 5-year rate period.
 - Electricity cost inflation is 3.5% annually.
 - General cost inflation is 2% annually.
 - Salary cost inflation is 3% annually.
 - Field Salary cost inflation is 2% annually.
 - Benefits cost inflation is 6% annually.
 - Fuel and Chemicals cost inflation is 3% annually.
 - Cell Tower Lease revenue inflation is 2% annually.
- **Maintaining Adequate Bond Coverage:** The District is required by its bond covenants to maintain a debt service coverage ratio of at least 1.2. Rate adjustments proposed in this study will allow the district to continue to exceed this ratio. The benefit of exceeding the minimum debt coverage ratio is that it strengthens District’s credit rating, which can help lower the interest rates for debt-funded capital projects in the future.
- **Impact of Annual Rate Adjustment Date:** In the current year, the District will only collect three months of the planned revenue increase for FY 2020/21 since rate increases will not be effective until March 1, 2021. However, in future years of the rate plan, the financial plan modeling assumes that rate adjustments occur starting on the January bill of each year. This means that only six months of the planned revenue to be collected from the rate adjustment listed for one fiscal year will be collected in that year. For example, there is a 3 percent adjustment in rate revenue planned for FY 2020/21; meaning, the rates are developed to recover \$1.42 million, which is a 3 percent adjustment over the expected \$1.38 million that would be collected without a rate adjustment. However, because of the timing for when the rates will go into effect, the Financial Plan results in \$1.39 million in rate revenue for FY 2020/21.

Rate adjustments of 3 percent annually in FY 2020/21 through FY 2024/25 will be needed in order to fully fund all operating expenses, planned capital projects, debt service obligations and build reserves to the recommended targets by the end of FY 2024/25⁴. **Figure 2** summarizes the sources and uses of funds, net revenue requirements, and the recommended annual percent adjustments in total rate revenue recommended for the next 5 years for the District.

⁴ Because of the mid-year adjustment to the rates, the full impact of each year’s adjustment does not affect revenue until the following year.

Figure 2. Summary of Water Revenue Requirements

Summary of Sources and Uses of Funds and Net Revenue Requirements	5-Year Prop 218 Rate Period				
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Sources of Water Funds					
Rate Revenue Under Prevailing Rates	\$ 1,375,000	\$ 1,375,000	\$ 1,375,000	\$ 1,375,000	\$ 1,375,000
<i>Additional Revenue from Rate Increases</i> ¹	13,750	62,494	105,619	150,037	195,788
Non-Rate Revenues	240,500	255,800	257,200	258,600	263,600
Interest Earnings	19,600	19,600	19,600	19,600	19,600
Total Sources of Funds	\$ 1,648,850	\$ 1,712,894	\$ 1,757,419	\$ 1,803,237	\$ 1,853,988
Uses of Water Funds					
Operating Expenses	\$ 1,310,100	\$ 1,368,100	\$ 1,384,600	\$ 1,384,000	\$ 1,413,700
Debt Service	137,394	137,394	137,394	48,739	48,691
Rate-Funded Capital Expenses	467,004	365,650	21,218	9,955	-
Total Use of Funds	\$ 1,914,498	\$ 1,871,144	\$ 1,543,212	\$ 1,442,693	\$ 1,462,391
Surplus (Deficiency) after Rate Increase	\$ (265,648)	\$ (158,251)	\$ 214,206	\$ 360,544	\$ 391,597
Projected Annual Rate Increase	3.00%	3.00%	3.00%	3.00%	3.00%
Cumulative Rate Increases	3.00%	6.09%	9.27%	12.55%	15.93%
Surplus (Deficiency) before Rate Increase	\$ (279,398)	\$ (220,744)	\$ 108,588	\$ 210,507	\$ 195,809
Net Revenue Requirement ²	\$ 1,654,398	\$ 1,595,744	\$ 1,266,412	\$ 1,164,493	\$ 1,179,191

1. Revenue from rate increases assume an implementation date of March 1, 2021 and then January 1st, 2022 through 2025.
2. Total Use of Funds less non-rate revenues and interest earnings. This is the annual amount needed from water rates.

Figure 3 summarizes the projected reserve fund balances and reserve targets. A summary of the District's proposed 5-year financial plan is included in Tables 1 and 2 of the Appendix. The appendix tables include revenue requirements, reserve funds, revenue sources, proposed rate adjustments, and the District's capital improvement program. As can be seen in Figure 3, given proposed rate adjustments, reserves meet the minimum target by FY 2023/24.

Figure 3. Summary of Reserve Funds

Beginning Reserve Fund Balances and Recommended Reserve Targets	5-Year Prop 218 Rate Period				
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Operating Reserve					
Ending Balance	\$ 334,352	\$ 176,101	\$ 390,307	\$ 692,000	\$ 706,850
<i>Recommended Minimum Target</i>	458,535	684,050	692,300	692,000	706,850
Capital Rehabilitation & Replacement Reserve					
Ending Balance	\$ 443,800	\$ 443,800	\$ 443,800	\$ 490,751	\$ 844,988
<i>Recommended Minimum Target</i>	443,800	453,300	442,400	431,900	421,800
Debt Reserve					
Ending Balance	\$ 60,928	\$ 60,928	\$ 60,928	\$ 60,928	\$ 60,928
<i>Recommended Minimum Target</i>	-	-	-	-	-
Total Ending Balance	\$ 839,080	\$ 680,829	\$ 895,035	\$ 1,243,679	\$ 1,612,766
Total Recommended Minimum Target	\$ 902,335	\$ 1,137,350	\$ 1,134,700	\$ 1,123,900	\$ 1,128,650

CONTRACT CUSTOMER CHARGES

In January of 2012, the District entered into a contract agreement which set the initial rates and defined the methodology of future rate adjustments for the Desert Hills Premium Outlets (DHPO). As defined by the

terms of the contract, rates can only be adjusted by increasing the current rates (both the fixed meter charge and usage rate) by the percentage adjustment imposed on residential and commercial customers⁵. To account for this restriction, the revenue projected from the contract customer through FY 2021/22 is calculated and netted from the cost of service analysis. The contracted rates end December 31, 2022, in which this customer will switch to the commercial 10-inch meter rates. The calculation through FY 2021/22 is shown in **Figure 4**. The rates for the 10-inch meter past FY 2021/22 will be shown in later sections of this report.

Figure 4. Contract Charges and Projected Revenue

Contract	Current ¹	Proposed Rates	
	FY 2019/20	FY 2020/21	FY 2021/22
<i>Projected Increase in Rate Revenue per Financial Plan:</i>		3.00%	3.00%
Fixed Rate	\$2,233.06	\$2,300.05	\$2,369.05
Variable Rate	\$3.83	\$3.94	\$4.06
Estimated Consumption (hcf)	44,507	44,507	44,507
Estimated Fixed Revenue	\$ 26,797	\$ 27,601	\$ 28,429
Estimated Variable Revenue	170,462	175,576	180,843
Estimated Rate Revenue from Contract Customer	\$ 197,259	\$ 203,176	\$ 209,272
Remaining Rate Revenue	\$1,177,741	\$1,213,074	\$ 1,249,466

1. Current rates found in source file: 10_Cabazon Water District Water Rate Study (4.13.17) Final.pdf, Page 50.

Contract rates end December 31, 2022 in which this customer then switches to 10 inch billing for commercial users.

C. Cost of Service Analysis

Once the net revenue requirements are determined, the cost of service analysis proportionately distributes the revenue requirements to each customer class. The cost of service analysis consists of two major components: (1) the classification of expenses, and (2) the allocation of costs to customer classes. Costs were classified corresponding to the function they serve. All costs in the District’s budget are allocated to each component of the rate structure in proportion to the level of service required by customers. The levels of service are related to volumes of peak and non-peak demand, infrastructure capacity, and customer service. These are based on allocation factors, such as water consumption, peaking factors, and number of accounts by meter size. Ultimately, a cost-of-service analysis is intended to result in rates that are proportional to the cost of providing service to each customer.

CLASSIFICATION OF COSTS

Most costs are not typically allocated 100 percent to fixed or variable categories and, therefore, are allocated to multiple functions of water service. Costs were classified using the commodity-demand method which is found in the AWWA M1 Manual⁶. In accordance with this method, budgeted costs were “classified” into four categories: commodity, capacity, customer and fire protection. The classification process provides

⁵ Per Section 5c(i) and (ii).

⁶ Principles of Water Rates, Fees, and Charges, Manual of Water Supply Practices, M1, AWWA, seventh edition, 2017, p. 83.

the basis for allocating costs to various customer classes based on the cost causation (classification) components described below:

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

The District’s budgeted costs were reviewed and allocated to these cost causation components which are used as the basis for establishing new water rates and translate to fixed and variable charges. Tables 16 through 20 in the Appendix show how the District’s expenses were classified and allocated to these cost causation components. Additionally, each cost causation component is considered fixed or variable, as summarized in Figure 5.

Figure 5. Cost Classification Summary



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

Based on the District’s projected costs, the Cost of Service Analysis (COSA) resulted in a distribution that is approximately 79 percent fixed and 21 percent variable. The District’s current rate structure collects approximately 64 percent of revenue from fixed charges and 36 percent from variable charges. The Board of Directors has chosen to move forward with a rate structure that will collect approximately 40 percent of revenue from fixed charges and 60 percent from variable rates. However, a share of the District’s capacity costs will need to be collected from the variable rates in order to reach this rate structure. Thus, capacity related costs (which are normally considered fixed) will be collected from both fixed and variable rates.

Figure 6 summarizes the allocation of the net revenue requirements to each cost causation component. The projected revenue from the contract customer, as shown in Figure 4, is included Figure 6.

Figure 6. Allocation of Water Revenue Requirements

Functional Category	COSA Results		Proposed Rates	
	Unadjusted Net Revenue Requirements (2020-21) 79% Fixed / 21% Variable		Adjusted Net Revenue Requirements (2020-21) 40% Fixed / 60% Variable	
Commodity - Related Costs	\$ 259,786	21.4%	\$ 259,786	21.4%
Capacity - Related Costs (volumetric share)	\$ -	0.0%	\$ 468,058	38.6%
Capacity - Related Costs (fixed share)	\$ 887,808	73.2%	\$ 419,750	34.6%
Customer - Related Costs	\$ 60,386	5.0%	\$ 60,386	5.0%
Fire Protection - Related Costs	\$ 5,093	0.4%	\$ 5,093	0.4%
Total	\$ 1,213,074	100%	\$ 1,213,074	100%
Revenue from Contract Rates	\$ 203,176		\$ 203,176	
Net Revenue Requirement	\$ 1,416,250		\$ 1,416,250	

CUSTOMER CLASSES

Customer classes are determined by combining customers with similar demand characteristics, types of use and, in this case, the constraints of a contract into categories that reflect the cost differentials to serve each type of customer. This process is limited by the desire to not overcomplicate the District's rate structure.

For Cabazon Water District, four customer classes were analyzed: single-family residential, non-single family residential⁷, private fire and the contract customer⁸. All non-SFR customers (excluding the contract customer) were placed in one customer class because these customers include a wide range of usage characteristics:

1. They are using more water on average per account.
2. They generally have higher peaking factors than single-family residential users.
3. Their water usage varies greatly among these customers based on the specific type of customer and meter size.
4. There are an insufficient number of customers of each specific type to determine general class characteristics.

The amount of consumption, the peaking factors and the number of meters by size are used in the cost-of-service analysis to allocate costs to customer classes and determine the appropriate rate structures for each. The District's most recent consumption is summarized in **Figure 7**, peaking factors in **Figure 8** and **Figure 9**, and number of customers by customer class is shown in **Figure 10**.

Commodity related costs are costs associated with the total annual consumption of water by customer class, as shown in **Figure 7**.

⁷ Non-SFR class consists of multi-family, government, commercial, construction, industrial and irrigation customers.

⁸ The development of rates for the contract customer is described in Section 2-B of this report.

Figure 7. Water Consumption by Customer Class

Customer Class	Volume (hcf) ¹	Percent of Total Volume
Single Family Residential	93,915	71.4%
Non-SFR	1,338	1.0%
Government Meters	2,201	1.7%
Commercial Meters	11,562	8.8%
Industrial Meters	-	0.0%
Irrigation Meters	20,531	15.6%
Fire Service Meters	28	0.0%
Construction	1,934	1.5%
Total	131,509	100%
Contract	44,507	

1. Consumption is from 2019. CWD bills monthly.

Peaking factors for each customer class are shown in Figure 8. A “peaking factor” is the relationship of each customer class’ average water use to peak (generally summer) water use.

Figure 8. Peaking Factors by Customer Class

Customer Class	Average Monthly Use (hcf)	Peak Monthly Use (hcf) ¹	Peak Monthly Factor	Max Month Capacity Factor
Single Family Residential	7,826	11,521	1.47	66.7%
Multi-Family Residential	112	158	1.42	0.9%
Government Meters	183	320	1.74	1.9%
Commercial Meters	964	1,209	1.25	7.0%
Industrial Meters	0	0	N/A	0.0%
Irrigation Meters	1,711	3,338	1.95	19.3%
Fire Service Meters	2	9	3.86	0.1%
Construction	161	719	4.46	4.2%
Total	10,959	17,274		100%
Contract	3,709	4,921	1.33	

1. Based on peak monthly data (peak day data not available).

Additional capacity factors within the single-family residential class are shown in Figure 9. The “additional capacity factor” represents the cumulative peak consumption in each tier. No additional capacity factor is assigned to Tier 1 water use, as this represents a base level of consumption by customers in the lowest tier, therefore no additional capacity costs would be incurred if all customers stayed within the Tier 1 threshold.

Figure 9. Single-Family Residential Peak Capacity Allocation Factors

Tier	Tier Breakpoint ¹	Expected Consumption ² (hcf)	Percentage of Total SFR Consumption
Tier 1	7 hcf	53,666	57%
Tier 2	14 hcf	21,430	23%
Tier 3	--	18,819	20%
Total		93,915	100%

1. Tier 1 break point set to average winter consumption, an estimate of average indoor water consumption in Cabazon. The Tier 2 break point is set to 14 hcf which is average summer consumption.
2. Consumption data is based on the CWD 2019 customer data.

The number of customers for each customer class (also known as customer allocation factors) is shown in Figure 10.

Figure 10. Number of Meters by Customer Class

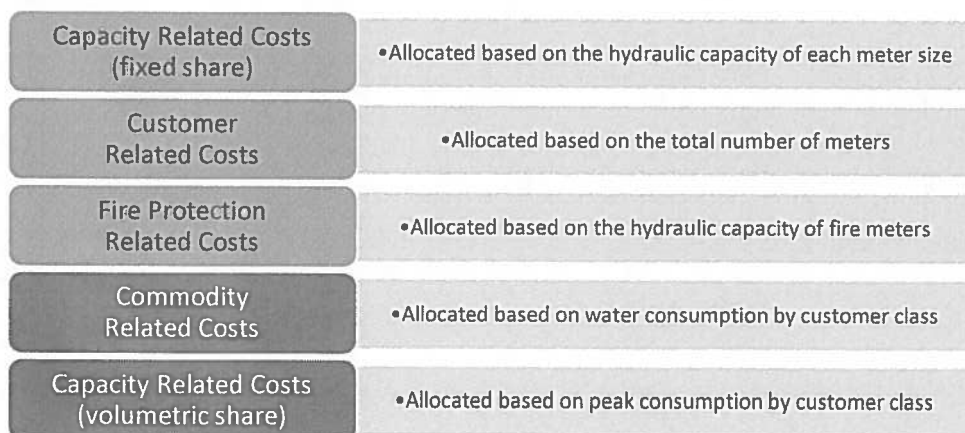
Customer Class	Number of Meters ¹	Percent of Total
Single Family Residential	854	93.0%
Private Fire	5	0.5%
All Other Meters	59	6.4%
Total	918	100.0%

1. Meter Count for December 2019. CWD bills monthly.

COSTS ALLOCATED TO CUSTOMER CLASSES

Costs are allocated to each customer class based on the customer characteristics of each class in order to reflect the cost differentials to serve each type of customer. Figure 11 summarizes how the costs for each cost causation component from Figure 6 are allocated to each customer class.

Figure 11. Cost Allocation Methodology



The costs allocated to each causation component are assigned to each customer class using the cost allocation methodology described in Figure 11. This process is shown in the following sections, in Figure 12 through Figure 16.

Capacity Related Costs

The capacity related costs (fixed share) allocation is summarized in Figure 12. Capacity related costs are those costs associated with constructing and operating the water system to ensure there is enough capacity in the system to meet the demand of each meter connected. Larger meters have the potential to use more of the system's capacity, compared to smaller meters. The potential capacity demanded is proportional to the maximum safe meter capacity each meter size as established by the AWWA⁹. The meter capacity factors used in this study are shown in the second column of Figure 12.

A "hydraulic capacity factor" (column *a* in Figure 12) is calculated by dividing the maximum capacity or flow of large meters by the capacity of the base meter size, which is typically the most common residential meter size (in this case a 5/8-inch meter). For example, Figure 12 shows the hydraulic capacity of a two-inch meter is 8 times that of a 5/8-inch meter and therefore, the capacity component of the fixed meter charge is 8 times that of the 5/8-inch meter.

The actual number of meters by size (column *b* in Figure 12) is multiplied by the corresponding capacity ratios to calculate the total number of equivalent meters (column *c* in Figure 12). The number of equivalent meters is used as a representation for the potential demand that each customer can place on the water system and the percentage of capacity related costs (fixed share) distributed to each meter size by the Percent of Total Hydraulic Capacity.

Figure 12. Capacity Related Costs (fixed share) Allocation

Meter Size	Meter Capacity (gpm) ¹	Hydraulic Capacity Factor	Number of Meters	Total Equivalent Meters	Percent of Total Hydraulic Capacity	Allocated Costs
		<i>a</i>	<i>b</i>	<i>c=a*b</i>		
Standard Meters						
5/8 inch	20	1.00	845	845	67%	\$282,473
3/4 inch	30	1.50	21	32	3%	\$10,530
1 inch	50	2.50	13	33	3%	\$10,864
1.5 inch	100	5.00	5	25	2%	\$8,357
2 inch	160	8.00	17	136	11%	\$45,463
3 inch	320	16.00	10	160	13%	\$53,486
4 inch	500	25.00	1	25	2%	\$8,357
Total			912	1,255	100%	\$419,531

1. Per the Principles of Water Rates, Fees, and Charges, Manual of Water Supply Practices, M1 AWWA, 7th edition, 2017, page 338.

⁹ Principles of Water Rates, Fees, and Charges, Manual of Water Supply Practices, M1, AWWA, seventh edition, 2017, p. 338.

Customer Related Costs

The customer related cost allocation is summarized in **Figure 13**. Customer related costs are comprised of those costs relating to reading and maintaining meters, customer billing and collection, and other customer service related costs. The customer service costs do not differ among the various meter sizes; therefore, these costs are spread equally among all meters. Each customer class is allocated customer related costs based upon the percentage of total meters that are in that class.

Figure 13. Customer Related Cost Allocation

Customer Class	Number of Meters ¹	Percent of Total	Allocated Costs
Standard Meters			
5/8 inch	845	92.1%	\$55,645
3/4 inch	21	2.3%	\$1,383
1 inch	13	1.4%	\$856
1.5 inch	5	0.5%	\$329
2 inch	17	1.9%	\$1,119
3 inch	10	1.1%	\$659
4 inch	1	0.1%	\$66
Fire Protection			
6 inch	3	0.3%	\$198
8 inch	2	0.2%	\$132
Total	917	100%	\$60,386

1. Meter Count as of December 2019.

Fire Protection Related Costs

The fire protection cost allocation is summarized in **Figure 14**. Only Fire Protection meters are allocated this cost component. A direct allocation is made in the functionalization and classification step in the cost of service analysis to represent their share of system capacity and other related operations and maintenance costs. This cost is spread over the fire meters using the same methodology as used in Figure 12.

Figure 14. Fire Protection Cost Allocation

Meter Size	Meter Capacity (gpm) ¹	Hydraulic Capacity Factor	Number of Meters	Total Equivalent Meters	Percent of Total Hydraulic Capacity	Allocated Costs
		<i>a</i>	<i>b</i>	<i>c=a*b</i>		
Fire Protection	<i>Fire Service Type I & II</i>					
6 inch	1,600	80.00	3	240	46%	\$2,351
8 inch	2,800	140.00	2	280	54%	\$2,742
Total			5	520	100%	\$5,093

1. Per the Principles of Water Rates, Fees, and Charges, Manual of Water Supply Practices, M1 AWWA, 7th edition, 2017, page 338.

Commodity Related Costs

The commodity related cost allocation is summarized in **Figure 15**. Commodity related costs are those costs related to the amount of water sold and commonly include the costs of chemicals used in the treatment process, energy related to pumping for transmission and distribution, and source of supply. Each customer class is allocated commodity related costs based upon the percentage of total consumption by that class.

Figure 15. Commodity Related Costs Allocation

Customer Class	Volume (hcf) ¹	Percent of Total Volume	Allocated Costs
Single Family Residential	93,915	71.4%	\$185,522
Other Non-SFR/Commercial	37,594	28.6%	\$74,264
Total	131,509	100%	\$259,786

1. Consumption is from 2019. CWD bills monthly.

Capacity Related Costs (variable share)

The capacity related costs allocated to variable rates for each customer class are shown in **Figure 16**. Capacity related costs collected from the volumetric rate are allocated to each customer class based upon their percentage of peak monthly use.

Figure 16. Capacity Related Costs (variable share)

Customer Class	Average Monthly Use (hcf)	Peak Monthly Use (hcf) ¹	Percent of Total	Allocated Costs
Single Family Residential	7,826	11,521	67%	\$312,174
Other Non-SFR/Commercial	3,133	5,753	33%	\$155,884
Total	10,959	17,274	100%	\$468,058

1. Based on peak monthly data (peak day data not available).

D. Rate Design Analysis

NBS discussed several water rate alternatives and methodologies with District Staff over the course of this study, such as the percentage of revenue collected from fixed vs. variable charges and differentiating rates by customer class. Based on input provided by District staff and the Board of Directors, the proposed rates were developed. The following sections describe this process.

The rates proposed in this study make the following modifications to the water rate structure:

1. Update monthly fixed meter charges to collect 40% of the revenue requirement and update volumetric charges to reflect collecting 60% of revenue.
2. Maintain the volumetric rates for Single Family Residential customers as follows:
 - a. Keep three tier rate structure
 - b. Keep current tier breakpoints
3. Keep all non-residential customers on a uniform volumetric rate, and impose a single charge for all water consumed.

FIXED CHARGES

The fixed meter charge recognizes that the District incurs fixed costs regardless of whether customers use water. There are two components that comprise the fixed meter charge: the customer component and the capacity component, as described in the previous section. Using the costs allocated to each meter size from Figure 12 through Figure 14; Figure 17 calculates the monthly charge for each meter size.

Figure 17. Fixed Meter Charges FY 2020/21

Customer Class	Number of Meters ¹	Allocated Capacity Costs	Allocated Customer Costs	Allocated Fire Protection Costs	Total Costs	Monthly Charge
	<i>a</i>	<i>b</i>	<i>c</i>	<i>d</i>	<i>e = b+c+d</i>	<i>f=e/a/12</i>
Standard Meters						
5/8 inch	845	\$282,473	\$55,645	\$0	\$338,118	\$33.34
3/4 inch	21	\$10,530	\$1,383	\$0	\$11,913	\$47.27
1 inch	13	\$10,864	\$856	\$0	\$11,720	\$75.13
1.5 inch	5	\$8,357	\$329	\$0	\$8,686	\$144.77
2 inch	17	\$45,463	\$1,119	\$0	\$46,583	\$228.35
3 inch	10	\$53,486	\$659	\$0	\$54,145	\$451.20
4 inch	1	\$8,357	\$66	\$0	\$8,423	\$701.92
Fire Protection						
6 inch	3	\$0	\$198	\$2,351	\$2,548	\$70.78
8 inch	2	\$0	\$132	\$2,742	\$2,874	\$119.76
Total	917	\$419,531	\$60,386	\$ 5,093	\$ 485,011	

1. Meter Count as of December 2019.

VARIABLE CHARGES

The District currently has a three-tiered volumetric rate for single family residential customers, and one uniform rate for non-SFR customers.

Tier breakpoints remain the same as current rates and were set in the last rate study in 2017. The goals when setting the tier breakpoints were twofold:

1. The breakpoint for the first tier was set to the 7 hcf¹⁰, which is the average winter consumption for a typical single-family residential customer. Given the limited irrigation that occurs in the winter, this approximates average indoor use.
2. The breakpoint for the second tier was set to 14 hcf, which is equal to average summer consumption for a single-family residential customer. Average summer consumption is when water consumption is highest for a two-month billing period.
3. The third tier includes anything above 14 hcf.

¹⁰ 10 HCF is one hundred cubic feet of water.

The commodity costs (from Figure 15) within the single-family residential class are further allocated to the expected consumption by tier, as shown in Figure 18.

Figure 18. Single Family Residential Commodity Related Costs

Tier	Tier Breakpoint ¹	Expected Consumption ² (hcf)	Percentage of Total SFR Consumption	Allocated Costs
Tier 1	7 hcf	53,666	57%	\$106,013
Tier 2	14 hcf	21,430	23%	\$42,333
Tier 3	--	18,819	20%	\$37,176
Total		93,915	100%	\$185,522

1. Tier 1 break point set to average winter consumption, an estimate of average indoor water consumption in Cabazon. The Tier 2 break point is set to 14 hcf which is average summer consumption.
2. Consumption data is based on the CWD 2019 customer data.

The Capacity Related Costs (variable share) (from Figure 16) within the single-family residential class are further allocated to expected consumption by tier, as shown in Figure 19. The “additional capacity required” represents the cumulative peak consumption in each tier. No additional capacity factor is assigned to Tier 1 water use, as this represents a base level of consumption by customers in the lowest tier, therefore no additional supply costs would be incurred if all customers stayed within the Tier 1 threshold.

Figure 19. Single Family Residential Capacity Related Costs (variable share)

Tier	Description	Monthly Consumption (hcf) ¹	Additional Capacity Required (hcf) ⁴	Percent of Total	Allocated Costs
Tier 1	Max Tier 1 Capacity ²	5,978	0	0.0%	\$0
Tier 2	Peak up to Tier 2 ³	7,891	1,913	34.5%	\$107,738
Tier 3	Peak up to Tier 3 ³	11,521	3,630	65.5%	\$204,437
Total			5,543	100.0%	\$312,174

1. Consumption data is based on the CWD 2019 customer data.
Source files: *Cabazon_FINAN ACCTS SUMMARY_CO1CO2.xlsx* and *Cabazon_USAGEREPORT_CO1CO2_Manipulated.xlsx*
2. Capacity allocated to the first tier represents the tier break multiplied by the number of customers.
3. This is the cumulative peak consumption up to the tier break; it represents capacity required to provide service to a given tier.
4. This is the additional cumulative capacity to meet peak consumption at each tier.

Due to the varying consumption characteristics, non-SFR customers will maintain a uniform volumetric rate because it best represents their cost-of-service. Using the costs allocated to each customer class in Figure 15 – 16 and Figure 18 – 19, Figure 20 calculates the per unit volumetric charge for each customer class and tier.

Figure 20. Calculated Variable Charges for FY 2020/21

Customer Class	Expected Consumption (hcf)	Allocated Commodity Costs	Allocated Capacity Costs	Total Costs	Charge per Unit Sold (\$/hcf)
	<i>a</i>	<i>b</i>	<i>c</i>	<i>d = b+c</i>	<i>e=d/a</i>
Single Family Residential					
Tier 1	53,666	\$ 106,013	\$ -	\$ 106,013	\$1.98
Tier 2	21,430	\$ 42,333	\$ 107,738	\$ 150,071	\$7.00
Tier 3	18,819	\$ 37,176	\$ 204,437	\$ 241,612	\$12.84
All Other Customers	37,594	\$ 74,264	\$ 155,884	\$ 230,148	\$6.12
Total	131,509	\$ 259,786	\$ 468,058	\$ 727,844	

CONSTRUCTION METER FEES

NBS also analyzed the District’s construction rates and updated the meter deposit fee, admin fee and the recalibration fee on top of the monthly meter and water charges. Figure 21 shows the updated construction meter fees. The meter deposit fee is based on the actual cost of the meter. The admin fee was calculated from labor hours needed for application processing, account opening and delivery of the construction meter. Lastly, the meter recalibration fee was also calculated based on labor hours needed to travel and repair the construction meter. These fees are all inflated 3% annually after 2020/21.

Figure 21. Updated Fee Schedule for Construction Customers

Updated Construction Customer Fee Schedule	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	Explanation of Fee
One-Time Fees						
Construction Meter Deposit	\$1,965.14	\$2,024.09	\$2,084.82	\$2,147.36	\$2,211.78	[1]
Administrative Fee	\$152.50	\$157.08	\$161.79	\$166.64	\$171.64	[2]
Meter Recalibration Fee	\$244.00	\$251.32	\$258.86	\$266.63	\$274.62	[3]
<i>Monthly Fees shown in Current & Proposed Rates</i>						

Explanation of Fee:

- [1] Based on cost of replacing the meter in the current year, if it is not returned.
- [2] Based on labor time and cost for: processing application, opening account and installing meter. Assumes 3% inflation per year.
- [3] Based on labor time and cost for repairing a malfunctioning meter. Assumes 3% inflation per year.

E. Current and Proposed Water Rates

The Cost of Service analysis is used to establish the rates for FY 2020/21. In the subsequent four years of the rate study, proposed charges are simply adjusted by the proposed adjustment in total rate revenue needed, to meet projected revenue requirements. Figure provides a comparison of the current and proposed rates for FY 2020/21 through FY 2024/25. More detailed tables on the developed of the proposed charges are documented in the Appendix. It is notable to mention that after the Contract rates are over in 2022, this customer will then switch to the 10-inch fixed meter charge and the uniform commodity rate. Since the

Contract customer uses a large amount of water, the proportion of the variable rate will decrease when this customer joins the other non-SFR customers in FY 2022/23.

Figure 22. Current and Proposed Water Rates

Water Rate Schedule	Current Rates	Proposed Rates					
		FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	
Fixed Meter Charges							
Monthly Fixed Service Charges:							
5/8 inch	\$68.10	\$33.34	\$34.35	\$35.38	\$36.44	\$37.53	
3/4 inch	\$98.24	\$47.27	\$48.69	\$50.15	\$51.66	\$53.21	
1 inch	\$158.51	\$75.13	\$77.38	\$79.71	\$82.10	\$84.56	
1.5 inch	\$309.21	\$144.77	\$149.12	\$153.59	\$158.20	\$162.94	
2 inch	\$490.04	\$228.35	\$235.20	\$242.25	\$249.52	\$257.01	
3 inch	\$972.27	\$451.20	\$464.74	\$478.68	\$493.04	\$507.84	
4 inch	\$1,514.77	\$701.92	\$722.98	\$744.67	\$767.01	\$790.02	
Contract (10 inch)	\$2,233.06	\$2,300.05	\$2,369.05	\$6,212.13	\$6,398.49	\$6,590.45	
Construction Meters (3 inch)	\$286.73	\$473.21	\$487.41	\$502.03	\$517.09	\$532.61	
Monthly Fire Service Charges:							
4 inch	\$61.54	\$34.05	\$35.08	\$36.13	\$37.21	\$38.33	
6 inch	\$130.62	\$70.78	\$72.91	\$75.09	\$77.35	\$79.67	
8 inch	\$212.11	\$119.76	\$123.35	\$127.05	\$130.86	\$134.79	
Commodity Charges							
Rate per hcf of Water Consumed:							
Uniform Rate (Non-SFR + Construction)	\$2.96	\$6.12	\$6.31	\$5.06	\$5.21	\$5.37	
Contract Rate	\$3.83	\$3.94	\$4.06	N/A	N/A	N/A	
Tiered Rate (SFR Customers):							
	<u>Proposed Break</u>						
Tier 1	0-7 hcf	\$1.53	\$1.98	\$2.03	\$2.10	\$2.16	\$2.22
Tier 2	8-14 hcf	\$3.35	\$7.00	\$7.21	\$7.43	\$7.65	\$7.88
Tier 3	14+ hcf	\$5.12	\$12.84	\$13.22	\$13.62	\$14.03	\$14.45

F. Comparison of Current and Proposed Water Bills

Figure 3 and Figure 4 compare a range of monthly water bills for the current and proposed water rates as a result of the initial rate adjustment for single-family residential customers (with a 5/8-inch meter) and non-single family residential customers (the bill comparison for a commercial customer is also a 5/8-inch meter). These monthly bills are based on typical meter sizes at various consumption levels.

Figure 23. Monthly Bill Comparison for Single Family Customers

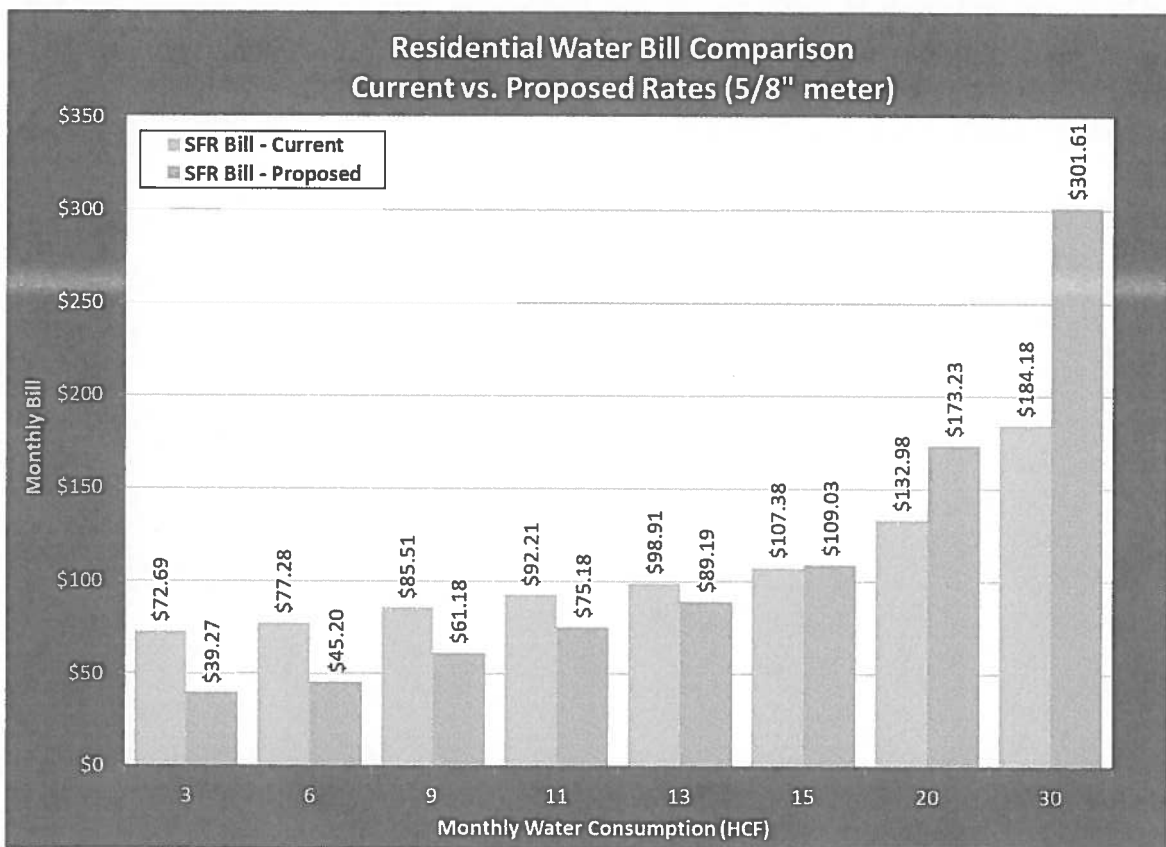
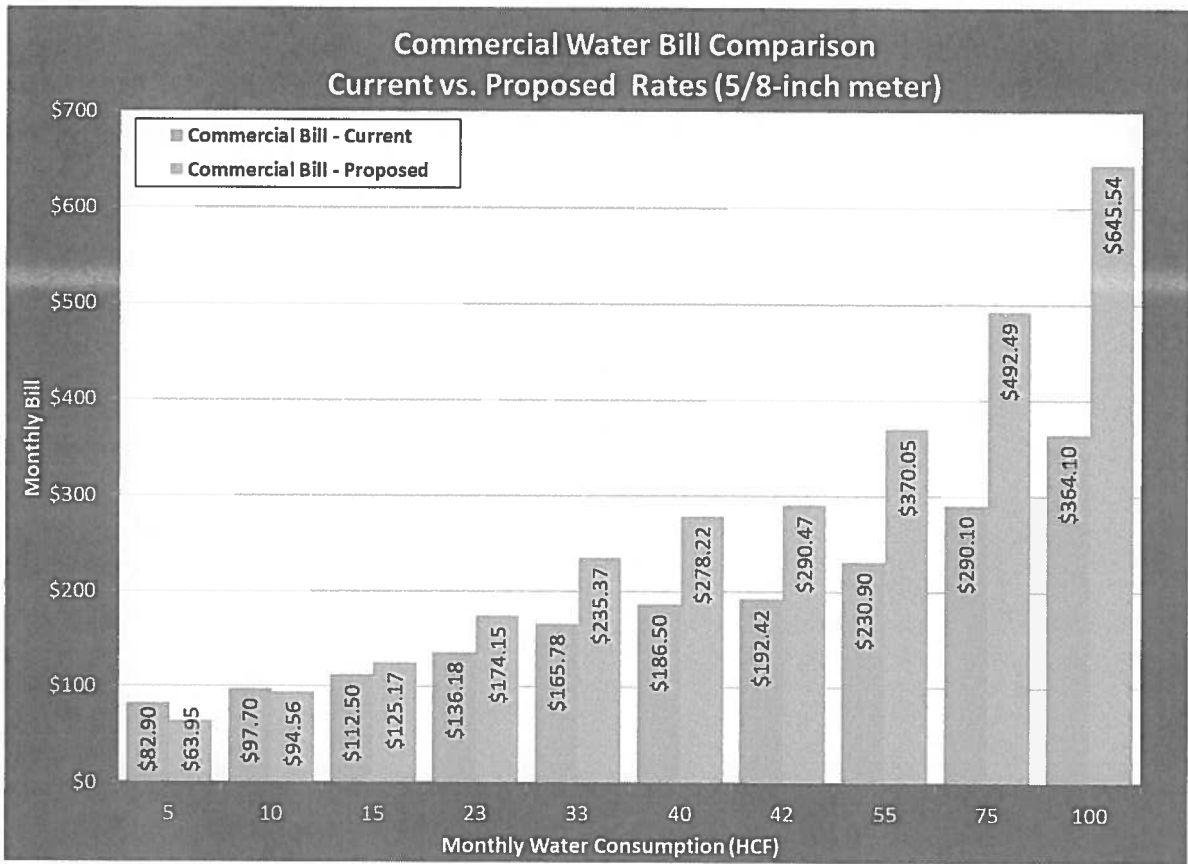


Figure 24. Monthly Water Bill Comparison for Commercial Customers



Section 3. RECOMMENDATIONS AND NEXT STEPS

A. Consultant Recommendations

NBS recommends District take the following actions:

Approve and accept this Study: NBS recommends the District Board formally approve and adopt this Study and its recommendations and proceed with the steps required to implement the proposed rates. This will provide documentation of the rate study analyses and the basis for analyzing potential changes to future rates.

Implement Recommended Levels of Rate Adjustments and Proposed Rates: Based on successfully meeting the Proposition 218 procedural requirements, the District should proceed with implementing the 5-year schedule of proposed rates and rate adjustments previously shown in Figure 22. This will help ensure the continued financial health of District’s water utility.

B. Next Steps

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

Note: The attached Technical Appendix provides more detailed information on the analysis of the water revenue requirements, cost-of-service analysis and cost allocations, and the rate design analyses that have been summarized in this report.

C. NBS’ Principal Assumptions and Considerations

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

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

Appendix: Detailed Water Rate Study Tables and Figures

**CABAZON WATER DISTRICT
WATER RATE STUDY**
Financial Plan and Reserve Projections

TABLE 1 : FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS **5-Year Rate Period**

RATE REVENUE REQUIREMENTS SUMMARY ¹	Budget					Projected	
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	FY 2023/24	FY 2024/25
Sources of Water Funds							
<i>Rate Revenue:</i>							
Water Sales Revenue Under Current Rates	\$ 1,375,000	\$ 1,375,000	\$ 1,375,000	\$ 1,375,000	\$ 1,375,000	\$ 1,375,000	\$ 1,375,000
Revenue from Rate Increases ²	13,750	62,494	105,619	150,037	195,788	150,037	195,788
Subtotal: Rate Revenue After Rate Increases	1,388,750	1,437,494	1,480,619	1,525,037	1,570,788	1,525,037	1,570,788
<i>Non-Rate Revenue:</i>							
Fee Revenue	\$ 146,700	\$ 161,500	\$ 162,400	\$ 163,300	\$ 166,600	\$ 163,300	\$ 166,600
Miscellaneous Revenue	93,800	94,300	94,800	95,300	97,000	95,300	97,000
Interest Income ³	19,600	19,600	19,600	19,600	19,600	19,600	19,600
Subtotal: Non-Rate Revenue	260,100	275,400	276,800	278,200	283,200	278,200	283,200
Total Sources of Funds	\$ 1,648,850	\$ 1,712,894	\$ 1,757,419	\$ 1,803,237	\$ 1,853,988	\$ 1,803,237	\$ 1,853,988
Uses of Water Funds							
<i>Operating Expenses ⁴</i>							
Payroll Expenses	\$ 579,100	\$ 622,700	\$ 638,300	\$ 654,500	\$ 670,900	\$ 654,500	\$ 670,900
Facilities, Wells, Transmission, Distribution	313,900	320,100	326,400	332,900	339,600	332,900	339,600
Utilities - Office	31,700	32,600	33,500	34,400	35,300	34,400	35,300
Office Expenses	85,600	86,700	79,400	81,300	82,400	81,300	82,400
Support Expenses	173,800	177,300	187,600	170,800	174,200	170,800	174,200
Training / Travel	4,500	4,600	4,700	4,800	4,900	4,800	4,900
Other Fees	8,900	9,000	9,100	9,200	9,300	9,200	9,300
Service Tools & Equipment	52,900	55,400	56,400	57,400	58,400	57,400	58,400
Non-Operating Expenses	59,700	59,700	49,200	38,700	38,700	38,700	38,700
Subtotal: Operating Expenses:	\$ 1,310,100	\$ 1,368,100	\$ 1,384,600	\$ 1,384,000	\$ 1,413,700	\$ 1,384,000	\$ 1,413,700
<i>Other Expenditures:</i>							
Existing Debt Service	\$ 137,394	\$ 137,394	\$ 137,394	\$ 137,394	\$ 137,394	\$ 137,394	\$ 137,394
New Debt Service	-	-	-	-	-	-	-
Rate-Funded Capital Expenses	467,004	365,650	21,218	9,955	-	9,955	-
Subtotal: Other Expenditures	\$ 604,398	\$ 503,044	\$ 158,612	\$ 58,693	\$ 48,691	\$ 58,693	\$ 48,691
Total Uses of Water Funds	\$ 1,914,498	\$ 1,871,144	\$ 1,543,212	\$ 1,442,693	\$ 1,462,391	\$ 1,442,693	\$ 1,462,391
Annual Surplus/(Deficit)	\$ (265,648)	\$ (158,251)	\$ 214,206	\$ 360,544	\$ 391,597	\$ 360,544	\$ 391,597
Net Revenue Req't. (Total Uses less Non-Rate Revenue)	\$ 1,654,398	\$ 1,595,744	\$ 1,266,412	\$ 1,164,493	\$ 1,179,191	\$ 1,164,493	\$ 1,179,191
Projected Annual Rate Revenue Adjustment	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Cumulative Increase from Annual Revenue Increases	3.00%	6.09%	9.27%	12.55%	15.93%	12.55%	15.93%
Debt Coverage After Rate Increase	2.47	2.51	2.71	2.71	2.71	2.71	2.71

1. Revenue and expenses for FY 2019/20 through FY 2020/21 are from source files: FY 20-21 Adopted Cabazon Budget.xlsx, Cab Budget FY20 tab.
 FY 2018/19 revenue and expenses are the projected year end figures from file: 1.G_Budgets_V23 FY 19-20 Cabazon Budget to Board 6.18.19 APPROVED.PDF.
 2. Rate increases assume an implementation date of July 1st each year.
 3. Interest earnings for FY 2016/17 through FY 2019/20 from District budgets. For all other years, it is calculated based on historical LAIF returns.
 4. The FY 2016/17 through FY 2019/20 operating expenses are from the budget. Inflationary factors are applied to these expenses to project costs in FY 2020/21 and beyond.
 5. Under current covenants, Cabazon Water District must maintain a debt coverage ratio of 1.2. Source: Zions Bank, Installment Sale Agreement.pdf, page 12.
 Conditional formatting has been applied to highlight years where a 1.20 debt coverage ratio is not met.

CABAZON WATER DISTRICT
WATER RATE STUDY
 Financial Plan and Reserve Projections

Financial Plan & Reserve Summary

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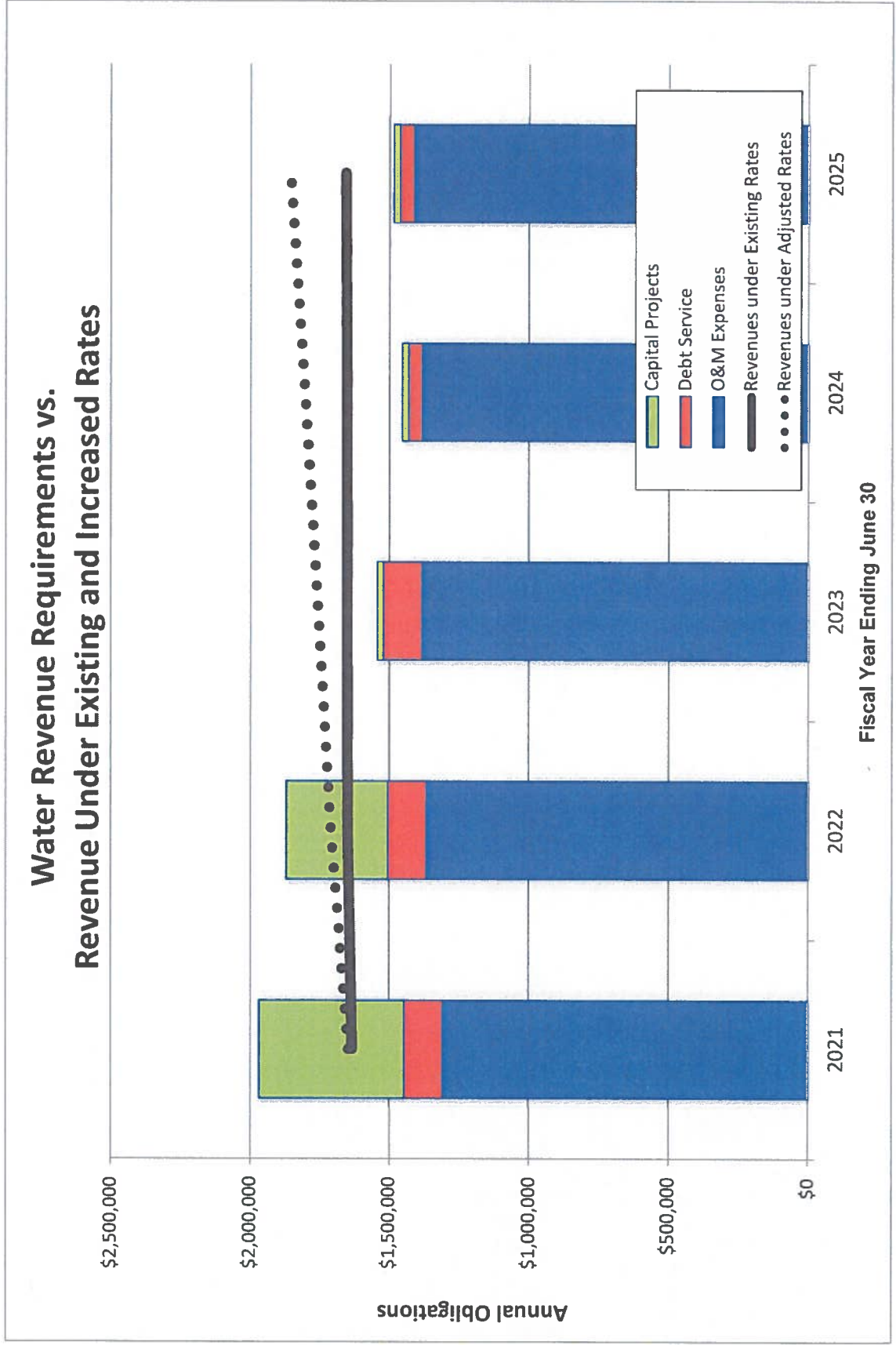
TABLE 2 : RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY	5- Year Rate Period				
	Budget	Projected			
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
UN-RESTRICTED RESERVES					
Total Beginning Cash ^{1, 2, 3}	\$ 1,096,796				
Operating Reserve					
Beginning Reserve Balance ¹	\$ 600,000	\$ 334,352	\$ 176,101	\$ 390,307	\$ 692,000
Plus: Net Cash Flow (After Rate Increases)	(265,648)	(158,251)	214,206	360,544	391,597
Plus: Transfer of Debt Reserve Surplus	-	-	-	-	-
Less: Transfer Out to Capital Replacement Reserve	-	-	-	(58,851)	(376,747)
Ending Operating Reserve Balance	\$ 334,352	\$ 176,101	\$ 390,307	\$ 692,000	\$ 706,850
Target Ending Balance (transition to 180-days of O&M) ⁴	\$ 458,535	\$ 684,050	\$ 692,300	\$ 692,000	\$ 706,850
Capital Rehabilitation & Replacement Reserve					
Beginning Reserve Balance	\$ 496,796	\$ 443,800	\$ 443,800	\$ 443,800	\$ 490,751
Plus: Transfer of Operating Reserve Surplus	-	-	-	58,851	376,747
Less: Use of Reserves for Capital Projects	(52,996)	-	-	(11,900)	(22,510)
Ending Capital Rehab & Replacement Reserve Balance	\$ 443,800	\$ 443,800	\$ 443,800	\$ 490,751	\$ 844,988
Capital R&R Reserve (6% of Net Assets)	\$ 443,800	\$ 453,300	\$ 442,400	\$ 431,900	\$ 421,800
Ending Balance	\$ 778,152	\$ 619,901	\$ 834,107	\$ 1,182,751	\$ 1,551,838
Minimum Target Ending Balance	\$ 902,335	\$ 1,137,350	\$ 1,134,700	\$ 1,123,900	\$ 1,128,650
Ending Surplus/(Deficit) Compared to Reserve Targets	\$ (124,183)	\$ (517,449)	\$ (300,593)	\$ 58,851	\$ 423,188
Restricted Reserves:					
Debt Reserve					
Beginning Reserve Balance ²	\$ 60,928	\$ 60,928	\$ 60,928	\$ 60,928	\$ 60,928
Plus: Reserve Funding from New Debt Obligations	-	-	-	-	-
Less: Transfer of Surplus to Operating Reserve	-	-	-	-	-
Ending Debt Reserve Balance	\$ 60,928	\$ 60,928	\$ 60,928	\$ 60,928	\$ 60,928
Target Ending Balance	\$ -	\$ -	\$ -	\$ -	\$ -
Connection Fee Reserve (provided for informational purposes only)					
Beginning Reserve Balance ³	\$ -	\$ -	\$ -	\$ -	\$ -
Plus: Capacity Fee Revenue	-	-	-	-	-
Less: Use of Reserves for Capital Projects	-	-	-	-	-
Ending Connection Fee Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Interest Earnings Rate ⁵	0.20%	0.20%	0.20%	0.20%	0.20%

1. Beginning cash for FY 2019/20 and FY2020/21 per District, source files: FY 2018-2019 Audited Financial Statements.pdf, page 11, & 6.30.20 updated cash balance.xlsx
 2. No reserve requirement currently assumed, however, CAFR states these funds are held by the bond trustee.
 3. No restricted fund for connection fees currently.
 4. Operating Reserve Target increasing from 90 days of O&M expenses to 180 days of O&M expenses by FY 2021/22 at the recommendation of staff.
 5. Interest earning rates per District budget file: FY 20-21 Cabazon Budget for Rate Study V6.xlsx, Assumptions tab.

CABAZON WATER DISTRICT
 WATER RATE STUDY
 Rate Adjustment Charts and Report Tables

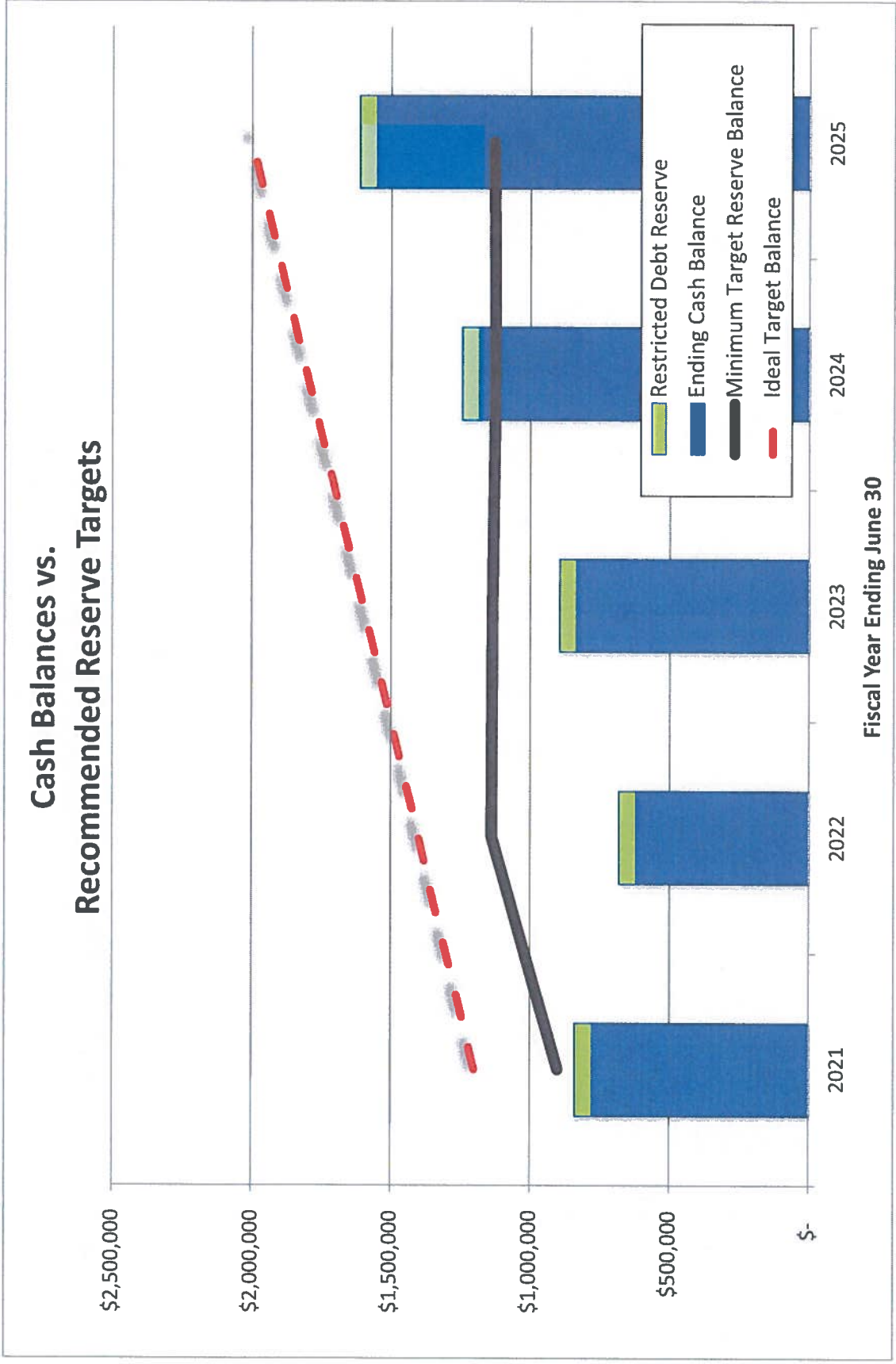
CHART 1



2021

CABAZON WATER DISTRICT
 WATER RATE STUDY
 Rate Adjustment Charts and Report Tables

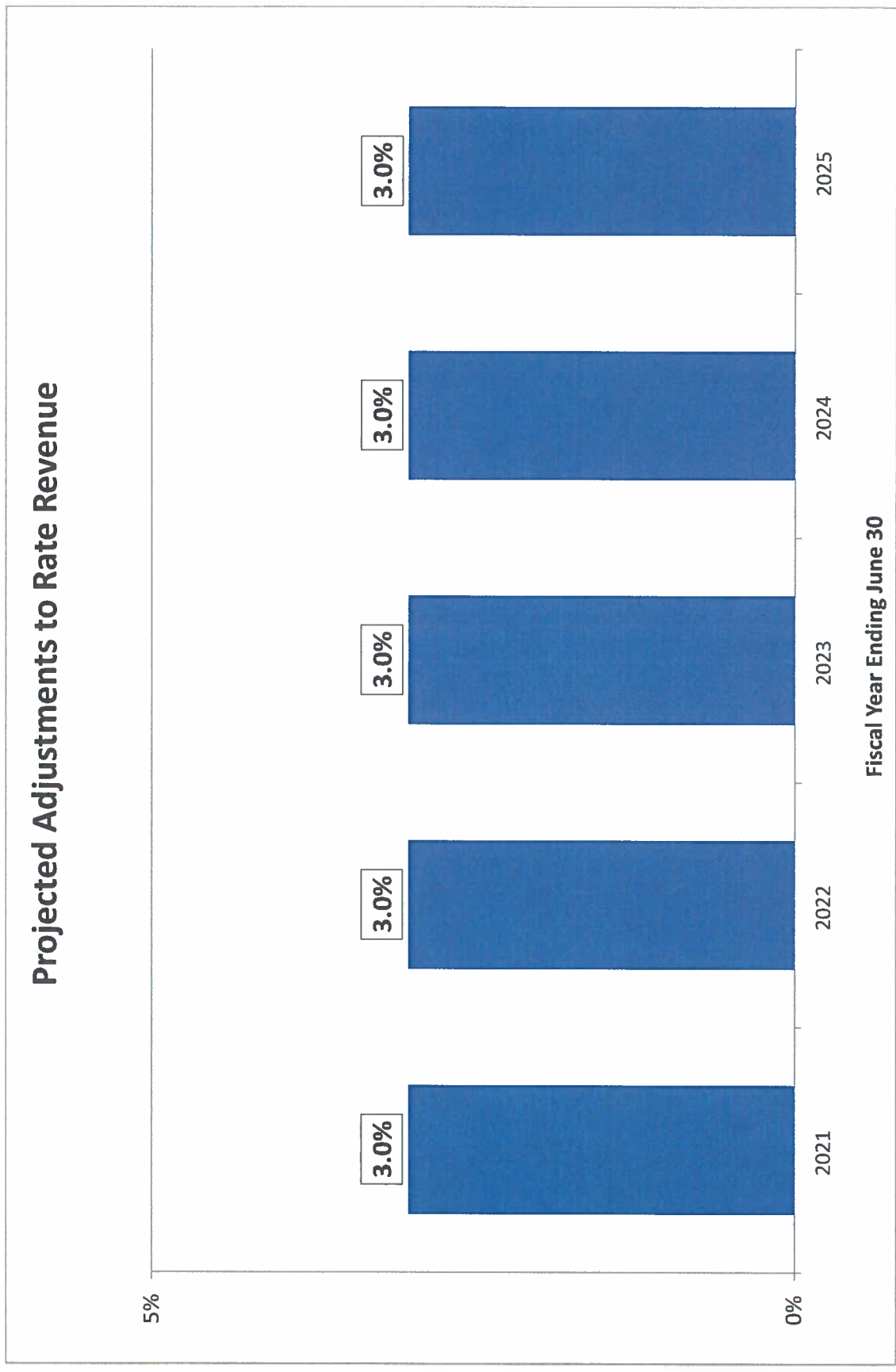
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CABAZON WATER DISTRICT
WATER RATE STUDY
Rate Adjustment Charts and Report Tables

CHART 3



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CABAZON WATER DISTRICT
WATER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1

TABLE 3 : REVENUE FORECAST ¹

		Prop 218 Rate Period				
		Budget				
DESCRIPTION	Inflation Basis	2021	2022	2023	2024	2025
Water Rate Revenue						
Base Rate Water Bills	1	\$ 895,100	\$ 895,100	\$ 895,100	\$ 895,100	\$ 895,100
Commodity Sales	1	314,000	314,000	314,000	314,000	314,000
DPHO Contract	1	160,000	160,000	160,000	160,000	160,000
Fire Sales - Water Bills	1	5,900	5,900	5,900	5,900	5,900
Fee Revenue						
Penalty Fees - Water Bills	1	\$ 31,000	\$ 45,800	\$ 46,700	\$ 47,600	\$ 48,600
New Account Fees - Water Bill	1	1,600	1,600	1,600	1,600	1,600
Returned Check Fees	1	500	500	500	500	500
Basic Facilities Fee (New Service)	1	-	-	-	-	-
Stand By Fees - Tax Revenue	5	113,600	113,600	113,600	113,600	113,600
Miscellaneous Revenue						
Ad Valorem - Tax Revenue	5	\$ 50,700	\$ 50,700	\$ 50,700	\$ 50,700	\$ 51,700
Teeter Settlement Income	1	10,200	10,200	10,200	10,200	10,400
Cell Tower Lease Income	12	25,600	26,100	26,600	27,100	27,600
Miscellaneous Non-Operating Income	1	7,300	7,300	7,300	7,300	7,300
Interest Income						
Interest Income LAIF	Cal'd	\$ 15,800	\$ 15,800	\$ 15,800	\$ 15,800	\$ 15,800
Interest Income Water Bills	Cal'd	3,100	3,100	3,100	3,100	3,100
Interest Income - DWR	Cal'd	700	700	700	700	700
TOTAL: REVENUE		\$ 1,635,100	\$ 1,650,400	\$ 1,651,800	\$ 1,653,200	\$ 1,658,200

TABLE 4 : REVENUE SUMMARY

		Prop 218 Rate Period				
		Budget				
RATE REVENUE:		2021	2022	2023	2024	2025
Water Rate Revenue		\$ 1,375,000	\$ 1,375,000	\$ 1,375,000	\$ 1,375,000	\$ 1,375,000
OTHER REVENUE:						
Fee Revenue		\$ 146,700	\$ 161,500	\$ 162,400	\$ 163,300	\$ 166,600
Miscellaneous Revenue		93,800	94,300	94,800	95,300	97,000
Interest Income		19,600	19,600	19,600	19,600	19,600
TOTAL: REVENUE		\$ 1,635,100	\$ 1,650,400	\$ 1,651,800	\$ 1,653,200	\$ 1,658,200

CABAZON WATER DISTRICT
WATER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1

TABLE 5 : OPERATING EXPENSE FORECAST ¹

DESCRIPTION	Inflation Basis	Prop 218 Rate Period					
		Budget	2021	2022	2023	2024	2025
Payroll Expenses							
Directors Fees	6	\$	15,000	\$ 15,300	\$ 15,600	\$ 15,900	\$ 16,200
Management & Customers Service							
Customer Accounts	6	\$	54,800	\$ 54,800	\$ 56,400	\$ 58,100	\$ 59,800
Assistant General Manager	6		77,700	77,700	80,000	82,400	84,900
Temp. Admin Assistant	3		7,800	8,000	8,200	8,400	8,600
General Manager	6		89,200	89,200	91,900	94,700	97,500
Field Operations							
Field Workers	7	\$	123,000	\$ 160,200	\$ 163,400	\$ 166,700	\$ 170,000
Employee Benefits Expense							
Workers Comp.	8	\$	6,200	\$ 6,300	\$ 6,400	\$ 6,500	\$ 6,600
Employee Health Care	8		94,800	100,500	102,500	104,600	106,700
Pension	8		77,400	77,400	79,700	82,100	84,600
Payroll Expense - Taxes, etc.							
FICA and Medicare	8	\$	29,800	\$ 29,800	\$ 30,600	\$ 31,400	\$ 32,200
SUI and ETT	8		2,600	2,700	2,800	2,900	3,000
Medical Testing	8		800	800	800	800	800
Facilities, Wells, Transmission, Distribution							
Lab Fees	4	\$	8,900	\$ 9,100	\$ 9,300	\$ 9,500	\$ 9,700
Meters	4		4,800	4,900	5,000	5,100	5,200
Utilities - Wells	4		96,600	98,500	100,500	102,500	104,600
Line Mtn & Repair Contractor							
Line Maint & Repair Materials	4	\$	72,500	\$ 74,000	\$ 75,500	\$ 77,000	\$ 78,500
Well Maintenance							
Chemicals	10	\$	6,600	\$ 6,700	\$ 6,800	\$ 6,900	\$ 7,000
Well Maintenance - Other	4		31,200	31,800	32,400	33,000	33,700
Security							
Crime Prevention	4	\$	20,900	\$ 21,300	\$ 21,700	\$ 22,100	\$ 22,500
Alarms Phones	4		1,100	1,100	1,100	1,100	1,100
Alarms - Other	4		2,800	2,900	3,000	3,100	3,200
Miscellaneous Fac, Wells, Trans & Distribution							
Engineering Services	4	\$	56,300	\$ 57,400	\$ 58,500	\$ 59,700	\$ 60,900
Other	4		12,200	12,400	12,600	12,900	13,200
Sub-Total		\$	893,000	\$ 942,800	\$ 964,700	\$ 987,400	\$ 1,010,500

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CABAZON WATER DISTRICT
WATER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1

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TABLE 6 Prop 218 Rate Period

DESCRIPTION	Inflation Basis	Budget				
		2021	2022	2023	2024	2025
Utilities - Office						
Electricity	3	\$ 15,800	\$ 16,400	\$ 17,000	\$ 17,600	\$ 18,200
Gas	9	1,100	1,100	1,100	1,100	1,100
Telephone	4	10,200	10,400	10,600	10,800	11,000
Trash Pickup / Office Cleaning	4	4,600	4,700	4,800	4,900	5,000
Office Expenses						
Fire Alarm System Servicing	4	\$ -	\$ -	\$ -	\$ -	\$ -
Water Billing System	4	2,100	2,100	2,100	2,100	2,100
Supplies & Equipment	4	10,100	10,300	10,500	10,700	10,900
Copier and Supplies	4	5,000	5,100	5,200	5,300	5,400
Dues & Subscriptions	4	1,300	900	900	1,300	900
Postage	4	8,100	8,300	8,500	8,700	8,900
Printing & publications	4	6,300	6,400	6,500	6,600	6,700
Computer Services	4	36,800	37,500	38,300	39,100	39,900
Office Storage	4	6,200	6,300	-	-	-
Air Conditioning Servicing	4	5,100	5,200	5,300	5,400	5,500
CA Water Systems Alliance (CWSA)	4	2,500	2,500	-	-	-
Office Expenses - Other	4	2,100	2,100	2,100	2,100	2,100
Support Expenses						
Temporary Labor	7	\$ 12,600	\$ 12,900	\$ 20,000	\$ -	\$ -
Financial Audit	7	23,000	23,500	24,000	24,500	25,000
Accounting	7	35,000	35,700	36,400	37,100	37,800
Legal						
Legal - General	4	\$ 50,400	\$ 51,400	\$ 52,400	\$ 53,400	\$ 54,500
Legal - Water	4	10,800	11,000	11,200	11,400	11,600
Legal - Personnel	4	8,700	8,900	9,100	9,300	9,500
Legal - Fees & Charges	4	1,100	1,100	1,100	1,100	1,100
Miscellaneous Support						
Bank Service Charges	4	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Service	4	5,200	5,300	5,400	5,500	5,600
Website Support	4	900	900	900	900	900
General Liability Insurance	4	26,100	26,600	27,100	27,600	28,200
Training / Travel						
Seminars / Training	4	\$ 3,500	\$ 3,600	\$ 3,700	\$ 3,800	\$ 3,900
Travel Meals	4	1,000	1,000	1,000	1,000	1,000
Other Fees						
County Lien Release Fees	4	\$ -	\$ -	\$ -	\$ -	\$ -
Riverside County Fees	4	5,900	6,000	6,100	6,200	6,300
State Water fees	4	2,100	2,100	2,100	2,100	2,100
Other Fees - Other	4	900	900	900	900	900
Sub-Total		\$ 304,500	\$ 310,200	\$ 314,300	\$ 300,500	\$ 306,100

CABAZON WATER DISTRICT
WATER RATE STUDY
Operating Revenue and Expenses

EXHIBIT 1

TABLE 7 Prop 218 Rate Period

DESCRIPTION	Inflation Basis	Budget				
		2021	2022	2023	2024	2025
Service Tools & Equipment						
Shop Supplies & Small Tools	4	\$ 9,300	\$ 9,500	\$ 9,700	\$ 9,900	\$ 10,100
Vehicle Fuel	9	16,300	16,600	16,900	17,200	17,500
Employee Uniforms	4	1,800	1,800	1,800	1,800	1,800
Safety	4	500	2,000	2,000	2,000	2,000
Tractor Expenses	4	3,700	3,800	3,900	4,000	4,100
Equipment Rental	4	2,000	2,000	2,000	2,000	2,000
Service Trucks - Repair & Mtn	4	14,500	14,800	15,100	15,400	15,700
Water Ops Cell Phone / Internet	4	4,800	4,900	5,000	5,100	5,200
Communications	4	-	-	-	-	-
Non-Operating Expenses						
DWR Loan Processing Fee	13	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400
Bad Debt Expense	13	1,200	1,200	1,200	1,200	1,200
Miscellaneous	13	1,100	1,100	1,100	1,100	1,100
DHPO Payback ²	Cal'd	21,000	21,000	10,500	-	-
GSA / SGMA	13	35,000	35,000	35,000	35,000	35,000
Sub-Total		\$ 112,600	\$ 115,100	\$ 105,600	\$ 96,100	\$ 97,100
GRAND TOTAL: OPERATING EXPENSES		\$ 1,250,400	\$ 1,308,400	\$ 1,335,400	\$ 1,345,300	\$ 1,375,000
GRAND TOTAL: OPERATING & NON-OPERATING EXP.		\$ 1,310,100	\$ 1,368,100	\$ 1,384,600	\$ 1,384,000	\$ 1,413,700

TABLE 8 : ITEMS EXCLUDED FROM ABOVE (SHOWN IN EXHIBIT 3)

DESCRIPTION	Inflation Basis	2021	2022	2023	2024	2025
DWR Interest Expense	Cal'd	\$ 7,900	\$ 7,900	\$ 6,700	\$ 5,500	\$ 4,200
DHPO Interest Expense	Cal'd	5,800	5,800	3,800	1,600	-
DEPRECIATION	Cal'd	-	-	-	-	-
Total		\$ 1,323,800	\$ 1,381,800	\$ 1,395,100	\$ 1,391,100	\$ 1,417,900

CABAZON WATER DISTRICT
WATER RATE STUDY
Operating Revenue and Expenses
TABLE 9 : FORECASTING ASSUMPTIONS

EXHIBIT 1

INFLATION FACTORS ³		2021	2022	2023	2024	2025
	Inflation Basis					
Water Sales	1	0.00%	0.00%	0.00%	0.00%	0.00%
New Water Rates	2	5.00%	3.00%	3.00%	3.00%	3.00%
Electricity	3	3.50%	3.50%	3.50%	3.50%	3.50%
General Inflation	4	2.00%	2.00%	2.00%	2.00%	2.00%
Property Tax Revenues	5	0.00%	0.00%	0.00%	0.00%	2.00%
Salaries	6	3.00%	3.00%	3.00%	3.00%	3.00%
Field Salaries	7	2.00%	2.00%	2.00%	2.00%	2.00%
Benefits allocations	8	6.00%	6.00%	6.00%	6.00%	6.00%
Fuel	9	3.00%	3.00%	3.00%	3.00%	3.00%
Chemicals	10	3.00%	3.00%	3.00%	3.00%	3.00%
Interest Income	11	0.20%	0.20%	0.20%	0.20%	0.20%
Cell Tower Lease	12	2.00%	2.00%	2.00%	2.00%	2.00%
No Escalation	13	0.00%	0.00%	0.00%	0.00%	0.00%

1. Revenue and expenses for FY 2019/20 through FY 2020/21 are from source files: FY 20-21 Adopted Cabazon Budget.xlsx, Cab Budget FY20 tab. FY 2018/19 revenue and expenses are the projected year end figures from file: 16_Budgets_V23 FY 19-20 Cabazon Budget to Board 6.18.19.APPROVED.PDF.
2. DHPO payback due to additional capacity provided when DHPO connected to the system. Last credit will be applied on December 31, 2022.
3. Inflation values provided by staff from source file: FY 20-21 Adopted Cabazon Budget.xlsx, Assumptions tab.

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CABAZON WATER DISTRICT
WATER RATE STUDY
Capital Improvement Plan Expenditures

EXHIBIT 2

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TABLE 10 : CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST	Budget		Projected		
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Funding Sources:					
Grants	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Capacity Fee Reserves	-	-	-	-	-
SRF Loan Funding	-	-	-	-	-
Use of New Revenue Bond Proceeds	-	-	-	-	-
Use of Capital Rehabilitation and Replacement Reserve	52,996	-	-	11,900	22,510
Rate Revenue	467,004	365,650	21,218	9,955	-
Total Sources of Capital Funds	\$ 520,000	\$ 365,650	\$ 21,218	\$ 21,855	\$ 22,510
Uses of Capital Funds:					
Total Project Costs	\$ 520,000	\$ 365,650	\$ 21,218	\$ 21,855	\$ 22,510
Capital Funding Surplus (Deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -
Bank Loan	\$ -	\$ -	\$ -	\$ -	\$ -
New Revenue Bond Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -

EXHIBIT 2

CABAZON WATER DISTRICT
WATER RATE STUDY
Capital Improvement Plan Expenditures

CAPITAL IMPROVEMENT PROGRAM

TABLE 11 : CAPITAL IMPROVEMENT PROGRAM COSTS (IN CURRENT-YEAR DOLLARS)¹

Project Description	2021	2022	2023	2024	2025
Main Street Property (Icehouse-Impts)	\$ 20,000	\$ 50,000	\$ -	\$ -	\$ -
Relocate Fire Hydrant at Circle K	15,000	-	-	-	-
Water Meter Replacements	20,000	20,000	20,000	20,000	20,000
Detach Section Land Locked by Tribe	-	30,000	-	-	-
Service Utility Truck	-	105,000	-	-	-
Production We11 #1 Rehab	240,000	-	-	-	-
Tank #1 Rehab	150,000	-	-	-	-
Connection & Transfer Box to W1 & W5 for portable generator	75,000	-	-	-	-
Bonita Vault Rehab	-	150,000	-	-	-
Future CIP Costs (Estimated 2021-2026) Average	-	-	-	-	-
Total: CIP Program Costs (Current-Year Dollars)	\$ 520,000	\$ 355,000	\$ 20,000	\$ 20,000	\$ 20,000

TABLE 12 : CAPITAL IMPROVEMENT PROGRAM COSTS (IN FUTURE-YEAR DOLLARS)¹

Project Description	2021	2022	2023	2024	2025
Main Street Property (Icehouse-Impts)	\$ 20,000	\$ 51,500	\$ -	\$ -	\$ -
Relocate Fire Hydrant at Circle K	15,000	-	-	-	-
Water Meter Replacements	20,000	20,600	21,218	21,855	22,510
Detach Section Land Locked by Tribe	-	30,900	-	-	-
Service Utility Truck	-	108,150	-	-	-
Production We11 #1 Rehab	240,000	-	-	-	-
Tank #1 Rehab	150,000	-	-	-	-
Connection & Transfer Box to W1 & W5 for portable generator	75,000	-	-	-	-
Bonita Vault Rehab	-	154,500	-	-	-
Future CIP Costs (Estimated 2021-2026) Average	-	-	-	-	-
Total: CIP Program Costs (Future-Year Dollars)	\$ 520,000	\$ 365,650	\$ 21,218	\$ 21,855	\$ 22,510

TABLE 13 : FORECASTING ASSUMPTIONS

Economic Variables	2021	2022	2023	2024	2025
Annual Construction Cost Inflation, Per Engineering News Record ²	0.00%	3.00%	3.00%	3.00%	3.00%
Cumulative Construction Cost Multiplier from 2020	1.00	1.03	1.06	1.09	1.13

1. Estimated capital improvement project costs found in source files: FY 20-21 Adopted Cabazon Budget.xlsx, 5-Year CIP tab (for 2020/21-2025/26) and Cob Budget FY 20 tab (for 2019/20).

2. Construction inflator is based on the most current 10 year average of the Engineering News-Record Construction Cost Index. Source: www.enr.com/economics

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EXHIBIT 3

**CABAZON WATER DISTRICT
WATER RATE STUDY
Debt Service**

TABLE 14

ASSESSMENT DISTRICT DEBT OBLIGATIONS						
Annual Repayment Schedules:						
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	
DWR Loan No E58416¹						
Principal Payment	\$ 40,763	\$ 41,959	\$ 43,208	\$ 44,534	\$ 45,825	
Interest Payment	7,928	6,732	5,483	4,204	2,866	
Subtotal: Annual Debt Service	\$ 48,691	\$ 48,691	\$ 48,691	\$ 48,739	\$ 48,691	
Coverage Requirement (\$-Amt above annual payment) ²	120%	120%	120%	120%	120%	
Reserve Requirement (total fund balance) ³	\$ -	\$ -	\$ -	\$ -	\$ -	
Zion First National Installment Sale Agreement⁴						
Principal Payment	\$ 82,872	\$ 84,949	\$ 87,077	\$ -	\$ -	
Interest Payment	5,831	3,755	1,626	-	-	
Subtotal: Annual Debt Service	\$ 88,703	\$ 88,703	\$ 88,703	\$ -	\$ -	
Coverage Requirement (\$-Amt above annual payment) ²	120%	120%	120%	0%	0%	
Reserve Requirement (total fund balance) ³	\$ -	\$ -	\$ -	\$ -	\$ -	

1. Client provided Source File: *DWR Debt Schedule-REVISED.pdf*
 2. Coverage requirement set by Zion Bank Installment Agreement and includes all Parity obligations. Source File: *Zions Bank_Installment Sale Agreement.pdf*
 3. No reserve requirements for existing debt confirmed by staff 12/15/16.
 4. Client provided Source File: *Zions Bank_Installment Sale Agreement.pdf*

TABLE 15 : EXISTING ANNUAL DEBT OBLIGATIONS TO BE SATISFIED BY WATER RATES

<i>Existing Annual Debt Service</i>	\$ 137,394	\$ 137,394	\$ 137,394	\$ 48,739	\$ 48,691
<i>Existing Annual Coverage Requirement</i>	120%	120%	120%	120%	120%
<i>Existing Debt Reserve Target</i>	\$ -	\$ -	\$ -	\$ -	\$ -

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Function & Classification

CABAZON WATER DISTRICT
WATER RATE STUDY
Cost of Service Analysis

TABLE 16

Classification of Expenses Budget Categories	Total Revenue Requirements		Commodity		Capacity		Customer		Fire Protection		Basis of Classification		
	FY 2020/21	(COM)	(CAP)	(COM)	(CAP)	(CA)	(FP)	(COM)	(CAP)	(CA)	(CA)	(FP)	
Payroll Expenses	\$ 15,000	\$ 1,500	\$ 11,892	\$ 1,500	\$ 1,500	\$ 108	\$ 108	10.0%	79.3%	10.0%	10.0%	0.7%	
Directors Fees	\$ 54,800	\$ -	\$ -	\$ -	\$ 54,407	\$ 393	\$ 393	0.0%	0.0%	99.3%	99.3%	0.7%	
Management & Customers Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	89.3%	10.0%	10.0%	0.7%	
Customer Accounts	\$ 77,700	\$ -	\$ 69,372	\$ 7,770	\$ 7,770	\$ 558	\$ 558	0.0%	89.3%	10.0%	10.0%	0.7%	
Admin Assistant	\$ 7,800	\$ -	\$ 6,964	\$ 780	\$ 780	\$ 56	\$ 56	0.0%	89.3%	10.0%	10.0%	0.7%	
Assistant General Manager	\$ 89,200	\$ -	\$ 79,640	\$ 8,920	\$ 8,920	\$ 640	\$ 640	0.0%	89.3%	10.0%	10.0%	0.7%	
Temp. Admin Assistant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	0.0%	100.0%	100.0%	0.0%	
General Manager	\$ 123,000	\$ 36,900	\$ 85,217	\$ -	\$ -	\$ 883	\$ 883	30.0%	69.3%	0.0%	0.0%	0.7%	
Field Operations	\$ 6,200	\$ 1,860	\$ 4,295	\$ -	\$ -	\$ 45	\$ 45	30.0%	69.3%	0.0%	0.0%	0.7%	
Field Workers	\$ 94,800	\$ 28,440	\$ 65,679	\$ -	\$ -	\$ 681	\$ 681	30.0%	69.3%	0.0%	0.0%	0.7%	
Employee Benefits Expense	\$ 77,400	\$ 23,220	\$ 53,624	\$ -	\$ -	\$ 556	\$ 556	30.0%	69.3%	0.0%	0.0%	0.7%	
Workers Comp.	\$ 29,800	\$ 8,940	\$ 20,646	\$ -	\$ -	\$ 214	\$ 214	30.0%	69.3%	0.0%	0.0%	0.7%	
Employee Health Care	\$ 2,600	\$ 780	\$ 1,801	\$ -	\$ -	\$ 19	\$ 19	30.0%	69.3%	0.0%	0.0%	0.7%	
Pension	\$ 800	\$ 240	\$ 554	\$ -	\$ -	\$ 6	\$ 6	30.0%	69.3%	0.0%	0.0%	0.7%	
Payroll Expense - Taxes, etc.	\$ 8,900	\$ 2,670	\$ 6,166	\$ -	\$ -	\$ 64	\$ 64	30.0%	69.3%	0.0%	0.0%	0.7%	
FICA and Medicare	\$ 4,800	\$ 1,440	\$ 3,326	\$ -	\$ -	\$ 34	\$ 34	30.0%	69.3%	0.0%	0.0%	0.7%	
SUI and ETT	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	100.0%	0.0%	0.0%	0.0%	0.0%	
Medical Testing	\$ 96,600	\$ 96,600	\$ -	\$ -	\$ -	\$ -	\$ -	100.0%	0.0%	0.0%	0.0%	0.0%	
Facilities, Wells, Transmission, Distribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30.0%	69.3%	0.0%	0.0%	0.7%	
Lab Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30.0%	69.3%	0.0%	0.0%	0.7%	
Site Landscaping & Maintenance	\$ 4,800	\$ 1,440	\$ 3,326	\$ -	\$ -	\$ 34	\$ 34	30.0%	69.3%	0.0%	0.0%	0.7%	
Meters	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	100.0%	0.0%	0.0%	0.0%	0.0%	
Generator Service Contractor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	100.0%	0.0%	0.0%	0.0%	0.0%	
Median Landscape & Maintenance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	100.0%	0.0%	0.0%	0.0%	0.0%	
Utilities - Wells	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30.0%	69.3%	0.0%	0.0%	0.7%	
SCADA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30.0%	69.3%	0.0%	0.0%	0.7%	
Line Mtn & Repair Contractor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30.0%	69.3%	0.0%	0.0%	0.7%	
Line Mtn & Repair Construction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30.0%	69.3%	0.0%	0.0%	0.7%	
Line Mtn & Repair Rent	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30.0%	69.3%	0.0%	0.0%	0.7%	
Line Mtn & Repair Construction Emergency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30.0%	69.3%	0.0%	0.0%	0.7%	
Line Mtn & Repair Rent Emergency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30.0%	69.3%	0.0%	0.0%	0.7%	
Line Maint & Repair Materials	\$ 72,500	\$ 21,750	\$ 50,229	\$ -	\$ -	\$ 521	\$ 521	30.0%	69.3%	0.0%	0.0%	0.7%	
Well Maintenance	\$ 6,600	\$ 6,600	\$ -	\$ -	\$ -	\$ -	\$ -	100.0%	0.0%	0.0%	0.0%	0.0%	
Chemicals	\$ 31,200	\$ 9,360	\$ 21,616	\$ -	\$ -	\$ 224	\$ 224	30.0%	69.3%	0.0%	0.0%	0.7%	
Well Maintenance - Other	\$ 799,700	\$ 240,300	\$ 481,023	\$ 73,377	\$ 5,001	\$ 5,001	\$ 5,001	30.0%	60.2%	9.2%	9.2%	0.6%	
Sub-Total													

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CABAZON WATER DISTRICT
WATER RATE STUDY
Cost of Service Analysis

Function & Classification

TABLE 17

Budget Categories	Total Revenue Requirements		Commodity (COM)	Capacity (CAP)	Customer (CA)	Fire Protection (FP)	Basis of Classification					
	FY 2020/21						(COM)	(CAP)	(CA)	(FP)		
Security												
Crime Prevention	\$ 20,900	\$ 6,270	\$ 14,480	\$ -	\$ -	150	30.0%	69.3%	0.0%	0.7%		
Alarms Phones	\$ 1,100	\$ 330	\$ 762	\$ -	\$ -	8	30.0%	69.3%	0.0%	0.7%		
Alarms - Other	\$ 2,800	\$ 840	\$ 1,940	\$ -	\$ -	20	30.0%	69.3%	0.0%	0.7%		
Training / Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	-	30.0%	69.3%	0.0%	0.7%		
Materials	\$ -	\$ -	\$ -	\$ -	\$ -	-	30.0%	69.3%	0.0%	0.7%		
Audio Alarm	\$ -	\$ -	\$ -	\$ -	\$ -	-	30.0%	69.3%	0.0%	0.7%		
Video Equip Lease	\$ -	\$ -	\$ -	\$ -	\$ -	-	30.0%	69.3%	0.0%	0.7%		
Miscellaneous Fac, Wells, Trans & Distribution												
Engineering Services	\$ 56,300	\$ 16,890	\$ 39,006	\$ -	\$ -	404	30.0%	69.3%	0.0%	0.7%		
Chlorinators	\$ -	\$ -	\$ -	\$ -	\$ -	-	100.0%	0.0%	0.0%	0.0%		
Other	\$ 12,200	\$ 12,200	\$ -	\$ -	\$ -	-	100.0%	0.0%	0.0%	0.0%		
Utilities - Office												
Electricity	\$ 15,800	\$ 4,740	\$ 9,367	\$ 1,580	\$ 113	113	30.0%	59.3%	10.0%	0.7%		
Gas	\$ 1,100	\$ 330	\$ 652	\$ 110	\$ 8	8	30.0%	59.3%	10.0%	0.7%		
Telephone	\$ 10,200	\$ 3,060	\$ 6,047	\$ 1,020	\$ 73	73	30.0%	59.3%	10.0%	0.7%		
Trash Pickup / Office Cleaning	\$ 4,600	\$ 1,380	\$ 2,727	\$ 460	\$ 33	33	30.0%	59.3%	10.0%	0.7%		
Office Expenses												
Fire Alarm System Servicing	\$ -	\$ -	\$ -	\$ -	\$ -	-	30.0%	59.3%	10.0%	0.7%		
Water Billing System	\$ 2,100	\$ -	\$ -	\$ 2,100	\$ -	-	0.0%	0.0%	100.0%	0.0%		
Supplies & Equipment	\$ 10,100	\$ 3,030	\$ 5,987	\$ 1,010	\$ 73	73	30.0%	59.3%	10.0%	0.7%		
Copier and Supplies	\$ 5,000	\$ 1,500	\$ 2,964	\$ 500	\$ 36	36	30.0%	59.3%	10.0%	0.7%		
Dues & Subscriptions	\$ 1,300	\$ 390	\$ 771	\$ 130	\$ 9	9	30.0%	59.3%	10.0%	0.7%		
Postage	\$ 8,100	\$ 2,430	\$ 4,802	\$ 810	\$ 58	58	30.0%	59.3%	10.0%	0.7%		
Printing & publications	\$ 6,300	\$ 1,890	\$ 3,735	\$ 630	\$ 45	45	30.0%	59.3%	10.0%	0.7%		
Leases & Rents	\$ -	\$ -	\$ -	\$ -	\$ -	-	30.0%	59.3%	10.0%	0.7%		
Computer Services	\$ 36,800	\$ 11,040	\$ 21,816	\$ 3,680	\$ 264	264	30.0%	59.3%	10.0%	0.7%		
Office / Road	\$ -	\$ -	\$ -	\$ -	\$ -	-	30.0%	59.3%	10.0%	0.7%		
Office Storage	\$ 6,200	\$ 1,860	\$ 3,675	\$ 620	\$ 45	45	30.0%	59.3%	10.0%	0.7%		
Air Conditioning Servicing	\$ 5,100	\$ 1,530	\$ 3,023	\$ 510	\$ 37	37	30.0%	59.3%	10.0%	0.7%		
CA Water Systems Alliance (CWSA)	\$ 2,500	\$ 750	\$ 1,482	\$ 250	\$ 18	18	30.0%	59.3%	10.0%	0.7%		
Office Expenses - Other	\$ 2,100	\$ 630	\$ 1,245	\$ 210	\$ 15	15	30.0%	59.3%	10.0%	0.7%		
Support Expenses												
Temporary Labor	\$ 12,600	\$ 3,780	\$ 7,470	\$ 1,260	\$ 90	90	30.0%	59.3%	10.0%	0.7%		
Financial Audit	\$ 23,000	\$ 6,900	\$ 13,635	\$ 2,300	\$ 165	165	30.0%	59.3%	10.0%	0.7%		
Accounting	\$ 35,000	\$ 10,500	\$ 20,749	\$ 3,500	\$ 251	251	30.0%	59.3%	10.0%	0.7%		
Sub-Total	\$ 281,200	\$ 92,270	\$ 166,334	\$ 20,680	\$ 1,916	1,916	32.8%	59.2%	7.4%	0.7%		

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CABAZON WATER DISTRICT
WATER RATE STUDY
Cost of Service Analysis

TABLE 18

Classification of Expenses, continued	Budget Categories	Total Revenue Requirements FY 2020/21	Commodity (COM)	Capacity (CAP)	Customer (CA)	Fire Protection (FP)	Basis of Classification					
							(COM)	(CAP)	(CA)	(FP)		
	Legal											
	Legal - General	\$ 50,400	\$ 15,120	\$ 35,280	-	-	30.0%	70.0%	0.0%	0.0%	0.0%	0.0%
	Legal - Water	\$ 10,800	\$ 10,800	-	-	-	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Legal - Brown Act, Public Record	\$ -	\$ -	\$ -	-	-	70.0%	70.0%	0.0%	0.0%	0.0%	0.0%
	Legal - Personnel	\$ 8,700	\$ 2,610	\$ 6,090	-	-	30.0%	30.0%	0.0%	0.0%	0.0%	0.0%
	Legal - Grant / Loan Funding	\$ -	\$ -	\$ -	-	-	30.0%	70.0%	0.0%	0.0%	0.0%	0.0%
	Legal - Fees & Charges	\$ 1,100	\$ 330	\$ 715	55	-	30.0%	65.0%	5.0%	0.0%	0.0%	0.0%
	Miscellaneous Support											
	Bank Service Charges	\$ -	\$ -	\$ -	-	-	30.0%	69.3%	0.0%	0.0%	0.7%	0.7%
	Payroll Service	\$ 5,200	\$ 1,560	\$ 3,603	-	37	30.0%	69.3%	0.0%	0.0%	0.7%	0.7%
	Website Support	\$ 900	\$ 270	\$ 624	-	6	30.0%	69.3%	0.0%	0.0%	0.7%	0.7%
	General Liability Insurance	\$ 26,100	\$ 7,830	\$ 18,083	-	187	30.0%	69.3%	0.0%	0.0%	0.7%	0.7%
	Training / Travel	\$ -	\$ -	\$ -	-	-	30.0%	69.3%	0.0%	0.0%	0.7%	0.7%
	Seminars / Training	\$ 3,500	\$ 1,050	\$ 2,425	-	25	30.0%	69.3%	0.0%	0.0%	0.7%	0.7%
	Travel Meals	\$ 1,000	\$ 300	\$ 693	-	7	30.0%	69.3%	0.0%	0.0%	0.7%	0.7%
	Other Fees											
	County Lien Release Fees	\$ -	\$ -	\$ -	-	-	30.0%	69.3%	0.0%	0.0%	0.7%	0.7%
	Riverside County Fees	\$ 5,900	\$ 1,770	\$ 4,088	-	42	30.0%	69.3%	0.0%	0.0%	0.7%	0.7%
	State Water fees	\$ 2,100	\$ 2,100	\$ -	-	-	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Other Fees - Other	\$ 900	\$ 270	\$ 624	-	6	30.0%	69.3%	0.0%	0.0%	0.7%	0.7%
	Service Tools & Equipment											
	Shop Supplies & Small Tools	\$ 9,300	\$ 2,790	\$ 6,443	-	67	30.0%	69.3%	0.0%	0.0%	0.7%	0.7%
	Vehicle Fuel	\$ 16,300	\$ 4,890	\$ 11,293	-	117	30.0%	69.3%	0.0%	0.0%	0.7%	0.7%
	Employee Uniforms	\$ 1,800	\$ 540	\$ 1,247	-	13	30.0%	69.3%	0.0%	0.0%	0.7%	0.7%
	Safety	\$ 500	\$ 150	\$ 346	-	4	30.0%	69.3%	0.0%	0.0%	0.7%	0.7%
	Tractor Expenses	\$ 3,700	\$ 1,110	\$ 2,563	-	27	30.0%	69.3%	0.0%	0.0%	0.7%	0.7%
	Backhoe Fuel	\$ -	\$ -	\$ -	-	-	30.0%	69.3%	0.0%	0.0%	0.7%	0.7%
	Equipment Rental	\$ 2,000	\$ 600	\$ 1,386	-	14	30.0%	69.3%	0.0%	0.0%	0.7%	0.7%
	Service Trucks - Repair & Mtn	\$ 14,500	\$ 4,350	\$ 10,046	-	104	30.0%	69.3%	0.0%	0.0%	0.7%	0.7%
	Water Ops Cell Phone / Internet	\$ 4,800	\$ 1,440	\$ 3,326	-	34	30.0%	69.3%	0.0%	0.0%	0.7%	0.7%
	Water Ops Computer Internet	\$ -	\$ -	\$ -	-	-	30.0%	69.3%	0.0%	0.0%	0.7%	0.7%
	Communications	\$ -	\$ -	\$ -	-	-	30.0%	69.3%	0.0%	0.0%	0.7%	0.7%
	Service Tools & Equipment - Other	\$ -	\$ -	\$ -	-	-	30.0%	69.3%	0.0%	0.0%	0.7%	0.7%
	Non-Operating Expenses											
	Returned Checks	\$ -	\$ -	\$ -	-	-	0.0%	0.0%	99.3%	0.0%	0.7%	0.7%
	DWR Loan Processing Fee	\$ 1,400	\$ 420	\$ 970	-	10	30.0%	69.3%	0.0%	0.0%	0.7%	0.7%
	Bad Debt Expense	\$ 1,200	\$ -	\$ -	1,191	9	0.0%	0.0%	99.3%	0.0%	0.7%	0.7%
	Miscellaneous	\$ 1,100	\$ 330	\$ 762	-	8	30.0%	69.3%	0.0%	0.0%	0.7%	0.7%
	Website Support	\$ -	\$ -	\$ -	-	-	30.0%	59.3%	10.0%	0.0%	0.7%	0.7%
	Image Consultant	\$ -	\$ -	\$ -	-	-	30.0%	69.3%	0.0%	0.0%	0.7%	0.7%
	DHPO Payback 2	\$ 21,000	\$ 6,300	\$ 14,549	-	151	30.0%	69.3%	0.0%	0.0%	0.7%	0.7%
	GSA / SGMA	\$ 35,000	\$ 10,500	\$ 24,249	-	251	30.0%	69.3%	0.0%	0.0%	0.7%	0.7%
	Sub-Total	\$ 229,200	\$ 77,430	\$ 149,403	\$ 1,246	\$ 1,121	33.8%	65.2%	0.5%	0.5%	0.5%	0.5%
	Total Operating Expense	\$ 1,310,100	\$ 410,000	\$ 796,759	\$ 95,303	\$ 8,038	31.3%	60.8%	7.3%	0.6%	0.6%	0.6%

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CABAZON WATER DISTRICT
WATER RATE STUDY
Cost of Service Analysis

TABLE 19

Classification of Expenses, continued	Total Revenue Requirements		Commodity		Capacity		Customer		Fire Protection		Basis of Classification		
	FY 2020/21	(COM)	(CAP)	(CA)	(FP)	(COM)	(CAP)	(CA)	(FP)	(COM)	(CAP)	(CA)	(FP)
Debt Service Payments													
DWR Loan No E58416	\$ 48,691	\$ -	\$ 48,691	\$ -	\$ -					0.0%	100.0%	0.0%	0.0%
Zion First National Installment Sale Agreement	\$ 88,703	\$ -	\$ 88,703	\$ -	\$ -					0.0%	100.0%	0.0%	0.0%
Future Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -					0.0%	100.0%	0.0%	0.0%
Total Debt Service Payments	\$ 137,394	\$ -	\$ 137,394	\$ -	\$ -					0.0%	100.0%	0.0%	0.0%
Capital Expenditures													
Rate Funded Capital Expenses	\$ 467,004	\$ -	\$ 467,004	\$ -	\$ -					0.0%	100.0%	0.0%	0.0%
TOTAL REVENUE REQUIREMENTS	\$ 1,914,498	\$ 410,000	\$ 1,401,157	\$ 95,303	\$ 8,038					21.4%	73.2%	5.0%	0.4%
<i>Less: Non-Rate Revenues</i>													
Water Rate Revenue													
Base Rate Water Bills													
Commodity Sales													
DPHO Contract													
Fire Sales - Water Bills													
Fee Revenue													
Fire Flow Income	\$ -	\$ -	\$ -	\$ -	\$ -					21.4%	73.2%	5.0%	0.4%
Meter Install & Removal	\$ -	\$ -	\$ -	\$ -	\$ -					21.4%	73.2%	5.0%	0.4%
Penalty Fees - Water Bills	\$ (31,000)	\$ (6,639)	\$ (22,688)	\$ (1,543)	\$ (130)					21.4%	73.2%	5.0%	0.4%
Lien Reinstatement Fees	\$ -	\$ -	\$ -	\$ -	\$ -					21.4%	73.2%	5.0%	0.4%
New Account Fees - Water Bill	\$ (1,600)	\$ (343)	\$ (1,171)	\$ (80)	\$ (7)					21.4%	73.2%	5.0%	0.4%
Incident Fee - Water Bills	\$ (500)	\$ (107)	\$ (366)	\$ (25)	\$ (2)					21.4%	73.2%	5.0%	0.4%
Returned Check Fees	\$ -	\$ -	\$ -	\$ -	\$ -					21.4%	73.2%	5.0%	0.4%
Basic Facilities Fee (New Service)	\$ (113,600)	\$ (24,328)	\$ (83,140)	\$ (5,655)	\$ (477)					21.4%	73.2%	5.0%	0.4%
Stand By Fees - Tax Revenue													
Miscellaneous Revenue													
Ad Valorem - Tax Revenue	\$ (50,700)	\$ (10,858)	\$ (37,106)	\$ (2,524)	\$ (213)					21.4%	73.2%	5.0%	0.4%
Teeter Settlement Income	\$ (10,200)	\$ (2,184)	\$ (7,465)	\$ (508)	\$ (43)					21.4%	73.2%	5.0%	0.4%
Cell Tower Lease Income	\$ (25,600)	\$ (5,482)	\$ (18,736)	\$ (1,274)	\$ (107)					21.4%	73.2%	5.0%	0.4%
Miscellaneous Non-Operating Income	\$ (7,300)	\$ (1,563)	\$ (5,343)	\$ (363)	\$ (31)					21.4%	73.2%	5.0%	0.4%
Interest Income	\$ (19,600)	\$ (4,197)	\$ (14,345)	\$ (976)	\$ (82)					21.4%	73.2%	5.0%	0.4%
NET REVENUE REQUIREMENTS	\$ 1,654,398	\$ 354,298	\$ 1,210,799	\$ 82,355	\$ 6,946					21.4%	73.2%	5.0%	0.4%
<i>Allocation of Revenue Requirements</i>	100.0%	21.4%	73.2%	5.0%	0.4%								
<i>Net Revenue Req't. Check from Financial Plan</i>	\$ -												

TABLE 20

Classification of Expenses, continued	Total	(COM)	(CAP)	(CA)	(FP)
Adjustments to Classification of Expenses					
Adjustment for Current Rate Level:					
FY 2020/21 Target Rate Rev. After Rate Increases	\$ 1,416,250				
Projected Rate Revenue at Current Rates	\$ 1,375,000				
FY 2020/21 Projected Rate Increase	3.0%				
Adjusted Net Revenue Req'ts	\$ 1,416,250	\$ 303,297	\$ 1,036,506	\$ 70,500	\$ 5,946
<i>Percent of Revenue</i>	100.0%	21.4%	73.2%	5.0%	0.4%

**CABAZON WATER DISTRICT
WATER RATE STUDY
Water Cost of Service Analysis**

TABLE 21

Development of the COMMODITY Allocation Factor		
Customer Class	Volume (hcf) ¹	Percent of Total Volume
Single Family Residential	93,915	71.4%
Multi-Family Residential	1,338	1.0%
Government Meters	2,201	1.7%
Commercial Meters	11,562	8.8%
Industrial Meters	-	0.0%
Irrigation Meters	20,531	15.6%
Fire Service Meters	28	0.0%
Construction ²	1,934	1.5%
Total	131,509	100%
Contract ³	44,507	

1. Consumption is from 2019. CWD bills monthly.
Source files: Cabazon_USAGEREPORT_CO1CO2_Manipulated.xlsx
2. Construction customers have a monthly meter rental fee set in another exhibit.
3. Contract customer excluded as rate design is set by contract.

Commodity Related Costs: These costs are associated with the total consumption (flow) of water over a specified period of time (e.g. annual).

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CABAZON WATER DISTRICT
WATER RATE STUDY
Water Cost of Service Analysis

Allocation Factors

TABLE 22

Development of the CAPACITY (MAX MONTH) Allocation Factor				
Customer Class	Average Monthly Use (hcf)	Peak Monthly Use (hcf) ¹	Peak Monthly Factor	Max Month Capacity Factor
Single Family Residential	7,826	11,521	1.47	66.7%
Multi-Family Residential	112	158	1.42	0.9%
Government Meters	183	320	1.74	1.9%
Commercial Meters	964	1,209	1.25	7.0%
Industrial Meters	0	0	N/A	0.0%
Irrigation Meters	1,711	3,338	1.95	19.3%
Fire Service Meters	2	9	3.86	0.1%
Construction	161	719	4.46	4.2%
Total	10,959	17,274		100%
Contract	3,709	4,921	1.33	

1. Based on peak monthly data (peak day data not available).

Capacity Related Costs: Costs associated with the maximum demand required at one point in the maximum size of facilities required to meet this demand.

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**CABAZON WATER DISTRICT
WATER RATE STUDY
Water Cost of Service Analysis**

Allocation Factors

TABLE 23

Development of the CUSTOMER Allocation Factor		
Customer Class	Number of Meters ¹	Percent of Total
Single Family Residential	854	93.1%
Multi-Family Residential	4	0.4%
Government Meters	7	0.8%
Commercial Meters	29	3.2%
Industrial Meters	1	0.1%
Irrigation Meters	11	1.2%
Fire Service Meters	5	0.5%
Construction	6	0.7%
Total	917	100.0%
Contract	1	
Total	918	

1. Meter Count is from December 2019. CWD bills monthly.
Source files: Cabazon_USAGEREPORT_CO1CO2_Manipulated.xlsx

Customer Related Costs : Costs associated with having a customer on the water system. These costs vary with the addition or deletion of customers on the system. Examples: Meter-reading, Postage and billing.

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**CABAZON WATER DISTRICT
WATER RATE STUDY**

Water Cost of Service Analysis/Rate Design

**DEVELOPMENT OF ADDITIONAL CAPACITY FACTORS FOR
SINGLE FAMILY RESIDENTIAL CUSTOMERS FY 2020/21**

TABLE 24

Consumption by Tier			
Tier	Monthly Breakpoint ¹	Expected Consumption ²	Percentage of Total SFR Consumption
Tier 1	7 hcf	53,666	57%
Tier 2	14 hcf	21,430	23%
Tier 3	--	18,819	20%
Total		93,915	100%

1. Tier 1 breakpoint set to average winter consumption, an estimate of average indoor consumption in Cabazon.

Tier 2 breakpoint set to 14 hcf which is average summer consumption.

2. Consumption data is based on the CWD 2019 customer data.

Source files: *Cabazon_FINAN ACCTS SUMMARY_CO1CO2.xlsx and Cabazon_USAGEREPORT_CO1CO2_Manipulated.xlsx*

TABLE 25

Development of the Single Family Residential PEAK CAPACITY (MAX MONTH) Allocation Factors				
Tier	Description	Monthly Consumption (hcf) ¹	Additional Capacity Required (hcf) ⁴	Percent of Total
Tier 1	Max Tier 1 Capacity ²	5,978	0	0.0%
Tier 2	Peak up to Tier 2 ³	7,891	1,913	34.5%
Tier 3	Peak up to Tier 3 ³	11,521	3,630	65.5%
Total			5,543	100.0%

1. Consumption data is based on the CWD 2019 customer data.

Source files: *Cabazon_FINAN ACCTS SUMMARY_CO1CO2.xlsx and Cabazon_USAGEREPORT_CO1CO2_Manipulated.xlsx*

2. Capacity allocated to the first tier represents the tier break multiplied by the number of customers.

3. This is the cumulative peak consumption up to the tier break; it represents capacity required to provide service to a given tier.

4. This is the additional cumulative capacity to meet peak consumption at each tier.

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**CABAZON WATER DISTRICT
WATER RATE STUDY
Water Cost of Service Analysis/Rate Design**

DEVELOPMENT OF CONTRACT RATES:

TABLE 26

Contract	Current ¹		Proposed Rates	
	FY 2019/20	FY 2020/21	FY 2020/21	FY 2021/22
<i>Projected Increase in Rate Revenue per Financial Plan:</i>				
Fixed Rate	\$2,233.06	\$2,300.05	\$2,369.05	3.00%
Variable Rate	\$3.83	\$3.94	\$4.06	
Estimated Consumption (hcf)	44,507	44,507	44,507	
Estimated Fixed Revenue	\$ 26,797	\$ 27,601	\$ 28,429	
Estimated Variable Revenue	170,462	175,576	180,843	
Estimated Rate Revenue from Contract Customer	\$ 197,259	\$ 203,176	\$ 209,272	
Remaining Rate Revenue	\$ 1,177,741	\$ 1,213,074	\$ 1,249,466	

1. Current rates found in source file: 10_Cabazon Water District Water Rate Study (4.13.17) Final.pdf, Page 50.
Contract rates end December 31, 2022 in which this customer then switches to 10 inch billing for commercial users.
See Proposed Fixed Charges and Current & Proposed Rates tabs.

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**CABAZON WATER DISTRICT
WATER RATE STUDY
Construction Rate Analysis**

TABLE 27: DEVELOPMENT OF METER ADMINISTRATIVE FEE

Administrative Fee for New Customers	Labor Hours	Labor Cost per hour ¹	Charge to Customer
Application Processing	0.50	\$122.00	\$61.00
Opening Account	0.25	\$122.00	\$30.50
Construction Meter Delivery to Main Office	0.50	\$122.00	\$61.00
Total Administrative Fee			\$152.50

1. Per District's source file: *1_NBS Fee Study Cabazon_Final Report_1_14_20_APPROVED (2).pdf*, for 'Metered Account Set up Fee'.

TABLE 28: DEVELOPMENT OF METER RECALIBRATION FEE

Meter Recalibration Fee	Labor Hours	Labor Cost per hour ¹	Charge to Customer
Staff time for travel and meter repair	1.00	\$122.00	\$122.00
Staff time for meter repair	1.00	\$122.00	\$122.00
Total Meter Recalibration Fee			\$244.00

1. Per District's source file: *1_NBS Fee Study Cabazon_Final Report_1_14_20_APPROVED (2).pdf*, for 'Metered Account Set up Fee'.

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**CABAZON WATER DISTRICT
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Construction Rate Analysis**

TABLE 29: UPDATED FEE SCHEDULE FOR CONSTRUCTION CUSTOMERS

Updated Construction Customer Fee Schedule	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	Explanation of Fee
One-Time Fees						
Construction Meter Deposit	\$1,965.14	\$2,024.09	\$2,084.82	\$2,147.36	\$2,211.78	[1]
Administrative Fee	\$152.50	\$157.08	\$161.79	\$166.64	\$171.64	[2]
Meter Recalibration Fee	\$244.00	\$251.32	\$258.86	\$266.63	\$274.62	[3]
Monthly Fees shown in Current & Proposed Rates						

Explanation of Fee:
 [1] Based on cost of replacing the meter in the current year, if it is not returned.
 [2] Based on labor time and cost for: processing application, opening account and installing meter. Assumes 3% inflation per year.
 [3] Based on labor time and cost for repairing a malfunctioning meter. Assumes 3% inflation per year.

**CABAZON WATER DISTRICT
WATER RATE STUDY
Water Cost of Service Analysis/Rate Design**

TABLE 30

Meter Size	Standard Meters ¹		Fire Service Meters ²	
	Meter Capacity (gpm)	Equivalency to 5/8- inch	Meter Capacity (gpm)	Equivalency to 5/8- inch
	<i>Displacement Meters</i>			
5/8 inch	20	1.00	20	1.00
3/4 inch	30	1.50	30	1.50
1 inch	50	2.50	50	2.50
1.5 inch	100	5.00	100	5.00
2 inch	160	8.00	160	8.00
	<i>Compound Class I Meters</i>			
3 inch	320	16.00	350	17.50
4 inch	500	25.00	700	35.00
6 inch	1,000	50.00	1,600	80.00
	<i>Turbine Class II Meters</i>			
8 inch	2,800	140.00	2,800	140.00
10 inch	4,200	210.00	4,400	220.00

1. Meter flow rates are from AWWA M-1 Table B-1.

2. Fire Service meter flow rates are from AWWA M-6 Table 5-3.

TABLE 31 : ALLOCATION OF WATER REVENUE REQUIREMENTS

Functional Category	COSA Results		Proposed Rates	
	Unadjusted Net Revenue Requirements (2020-21) 79% Fixed / 21% Variable	Adjusted Net Revenue Requirements (2020-21) 40% Fixed / 60% Variable	Unadjusted Net Revenue Requirements (2020-21) 79% Fixed / 21% Variable	Adjusted Net Revenue Requirements (2020-21) 40% Fixed / 60% Variable
Commodity - Related Costs	\$ 259,786	\$ 259,786	21.4%	21.4%
Capacity - Related Costs (volumetric share)	\$ -	\$ 468,058	0.0%	38.6%
Capacity - Related Costs (fixed share)	\$ 887,808	\$ 419,750	73.2%	34.6%
Customer - Related Costs	\$ 60,386	\$ 60,386	5.0%	5.0%
Fire Protection - Related Costs	\$ 5,093	\$ 5,093	0.4%	0.4%
Total	\$ 1,213,074	\$ 1,213,074	100%	100%
Revenue from Contract Rates	\$ 203,176	\$ 203,176		
Net Revenue Requirement	\$ 1,416,250	\$ 1,416,250		

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TABLE 32 : ALLOCATION OF ADJUSTED NET REVENUE REQUIREMENTS - FY 2020/21

Customer Classes	Classification Components						Cost of Service Net Rev. Req'ts	% of COS Net Revenue Req'ts
	Commodity-Related Costs	Capacity-Related Costs Volumetric Share	Capacity-Related Costs Fixed Share	Customer-Related Costs	Fire Protection-Related Costs			
Single Family Residential	\$ 185,522	\$ 312,174	\$ 279,955	\$ 56,238	\$ -	\$ -	\$ 833,889	68.7%
Multi-Family Residential	2,643	4,281	3,839	263	-	-	11,027	0.9%
Government Meters	4,348	8,671	7,776	461	-	-	21,255	1.8%
Commercial Meters	22,840	32,759	29,378	1,910	-	-	86,887	7.2%
Industrial Meters	-	-	-	66	-	-	66	0.0%
Irrigation Meters	40,557	90,447	81,112	724	-	-	212,840	17.5%
Fire Service Meters	55	244	219	329	5,093	-	5,940	0.5%
Contract	-	-	-	-	-	-	-	0.0%
Construction	3,820	19,482	17,471	395	-	-	41,169	3.4%
Total Net Revenue Requirement	\$ 259,786	\$ 468,058	\$ 419,750	\$ 60,386	\$ 5,093	\$ -	\$ 1,213,074	100%

TABLE 33 : COST-OF-SERVICE SUMMARY OF REVENUE REQUIREMENTS

Customer Class	Rate Revenue - 2019		Proposed Rates		% of 2019 vs. 2020/21
	Rate Revenue	% of Revenue	COS Rev. Req't	% of COS Rev. Req't.	
Single Family Residential	\$ 878,377	64.7%	\$ 833,889	68.7%	4.0%
Multi-Family Residential	\$ 7,888	0.6%	\$ 11,027	0.9%	0.3%
Government Meters	\$ 28,311	2.1%	\$ 21,255	1.8%	-0.3%
Commercial Meters	\$ 116,637	8.6%	\$ 86,887	7.2%	-1.4%
Industrial Meters	\$ 16,487	1.2%	\$ 66	0.0%	-1.2%
Irrigation Meters	\$ 99,164	7.3%	\$ 212,840	17.5%	10.2%
Fire Service Meters	\$ 12,098	0.9%	\$ 5,940	0.5%	-0.4%
Contract	\$ 181,525	13.4%	\$ -	0.0%	-13.4%
Construction	\$ 16,814	1.2%	\$ 41,169	3.4%	2.2%
Total	\$ 1,357,301	100.0%	\$ 1,213,074	100%	0.0%

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Proposed Fixed Charges

**CABAZON WATER DISTRICT
WATER RATE STUDY
Water Cost of Service Analysis/Rate Design**

TABLE 34 : CALCULATION OF MONTHLY FIXED METER SERVICE CHARGES FOR FY 2020/21

Proposed Rates - Net Revenue Requirements (40% Fixed / 60% Variable)										
	5/8 inch	3/4 inch	1 inch	1 1/2 inch	2 inch	3 inch	4 inch	10 inch	Total	
Number of Meters by Class and Size ¹										
Single Family Residential	825	20	7	1	-	1	-	-	854	
Multi-Family Residential	3	-	1	-	-	-	-	-	4	
Government Meters	2	-	1	-	3	1	-	-	7	
Commercial Meters	13	1	3	3	7	2	-	-	29	
Industrial Meters	-	-	-	-	-	-	1	-	1	
Irrigation Meters	2	-	1	1	7	-	-	-	11	
Construction	-	-	-	-	-	6	-	-	6	
Total Meters/Accounts	845	21	13	5	17	10	1	-	912	
Hydraulic Capacity Factor ²	1.00	1.50	2.50	5.00	8.00	16.00	25.00	210.00		
Total Equivalent Meters	845	32	33	25	136	160	25	-	1,255	
Monthly Fixed Service Charges										
Customer Costs (\$/Acct/month) ³	\$5.49	\$5.49	\$5.49	\$5.49	\$5.49	\$5.49	\$5.49	\$5.49		
Capacity Costs (\$/Acct/month) ⁴	\$27.86	\$41.79	\$69.64	\$139.29	\$222.86	\$445.72	\$696.43	\$5,850.04		
Total Monthly Meter Charge	\$33.34	\$47.27	\$75.13	\$144.77	\$228.35	\$451.20	\$701.92	\$5,855.53		
Annual Fixed Costs Allocated to Monthly Meter Charges										
Customer Costs	\$ 60,057									
Capacity Costs	419,531									
Total Fixed Meter Costs	\$ 479,588									
Annual Revenue from Monthly Meter Charges										
Customer Charges	\$ 55,645	\$ 1,383	\$ 856	\$ 329	\$ 1,119	\$ 659	\$ 66	\$ -	\$ 60,057	
Capacity Charges	282,473	10,530	10,864	8,357	45,463	53,486	8,357	-	419,531	
Total Revenue from Monthly Meter Charges	\$ 338,118	\$ 11,913	\$ 11,720	\$ 8,686	\$ 46,583	\$ 54,145	\$ 8,423	\$ -	\$ 479,588	

1. Number of meters by size and customer class for December 2019. CWD bills monthly.
 Source files: Cabazon_FINAN_ACTS_SUMMARY_CO1CO2.xlsx and Cabazon_USAGEREPOR_CO1CO2_Manipulated.xlsx
 2. Source file: AWWWA Manual M1, "Principles of Water Rates, Fees, and Charges", Table B-1.
 3. Customer costs are allocated to each customer by dividing the total customer costs by the total number of customers.
 4. Capacity costs are allocated by meter size and the hydraulic capacity of the meter.

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 Water Cost of Service Analysis/Rate Design

TABLE 35 : CALCULATION OF MONTHLY FIRE METER SERVICE CHARGES FOR FY 2020/21

Proposed Rates - Net Revenue Requirements (40% Fixed / 60% Variable)						
	Number of Meters by Class and Size ¹					Total
	4 inch	6 inch	8 inch	8 inch	5	
Fire Protection - Related Costs	-	3	2	2	5	
Total Meters/Accounts	-	3	2	2	5	
<i>Hydraulic Capacity Factor</i> ²						
Total Equivalent Meters	35.00	80.00	140.00	280	520	
Monthly Fixed Service Charges						
Customer Costs (\$/Acct/month) ³	\$5.49	\$5.49	\$5.49	\$5.49		
Capacity Costs (\$/Acct/month) ⁴	\$28.57	\$65.30	\$114.27			
Total Monthly Meter Charge	\$34.05	\$70.78	\$119.76			
Annual Fixed Costs Allocated to Monthly Meter Charges						
Customer Costs	\$329					
Capacity & Fire Protection Costs	5,093					
Total Fixed Meter Costs	\$5,422					
Annual Revenue from Monthly Meter Charges						
Customer Charges	\$-	\$198	\$132	\$329		
Capacity Charges	-	2,351	2,742	5,093		
Total Revenue from Monthly Meter Charges	\$-	\$2,548	\$2,874	\$5,422		

1. Number of meters by size and customer class for December 2019. CWD bills monthly.
 Source files: Cabazon_FINAN ACCTS SUMMARY_CO1CO2.xlsx and Cabazon_USAGEREPORT_CO1CO2_Manipulated.xlsx
 2. Source file: AWWA Manual M6, "Water Meters - Selection, Installation, Testing and Maintenance", Table 5-3.
 3. Customer costs are allocated to each customer by dividing the total customer costs by the total number of customers.
 4. Capacity costs are allocated by meter size and the hydraulic capacity of the meter.

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**CABAZON WATER DISTRICT
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PROPOSED VOLUMETRIC CHARGES FOR FY 2020/21

TABLE 36

Proposed Rates - Net Revenue Requirements (40% Fixed / 60% Variable)									
Customer Classes	Number of Meters ¹	Water Consumption (hcf/yr.) ²	Commodity Assigned Costs	Capacity Assigned Costs	Target Rev. Req't from Vol. Charges	% of Total Rate Revenue	Uniform Commodity Rates (\$/hcf)	Proposed Rate Structure	
Single Family Residential	854	93,915	\$ 185,522	\$ 312,174	\$ 497,696	41.0%	\$5.30	Tiered	
Multi-Family Residential	4	1,338	2,643	4,281	6,924	0.6%		Uniform	
Government Meters	7	2,201	4,348	8,671	13,019	1.1%		Uniform	
Commercial Meters	29	11,562	22,840	32,759	55,599	4.6%		Uniform	
Industrial Meters	1	0	-	-	-	0.0%	\$6.12	Uniform	
Irrigation Meters	11	20,531	40,557	90,447	131,004	10.8%		Uniform	
Fire Service Meters	5	28	55	244	299	0.0%		Uniform	
Construction	6	1,934	3,820	19,482	23,303	1.9%		Uniform	
Total	917	131,509	\$ 259,786	\$ 468,058	\$ 727,844	60%			

1. Number of meters by size and customer class for December 2019. CWD bills monthly.

2. Consumption data is based on the CWD 2019 customer data which are monthly bills.

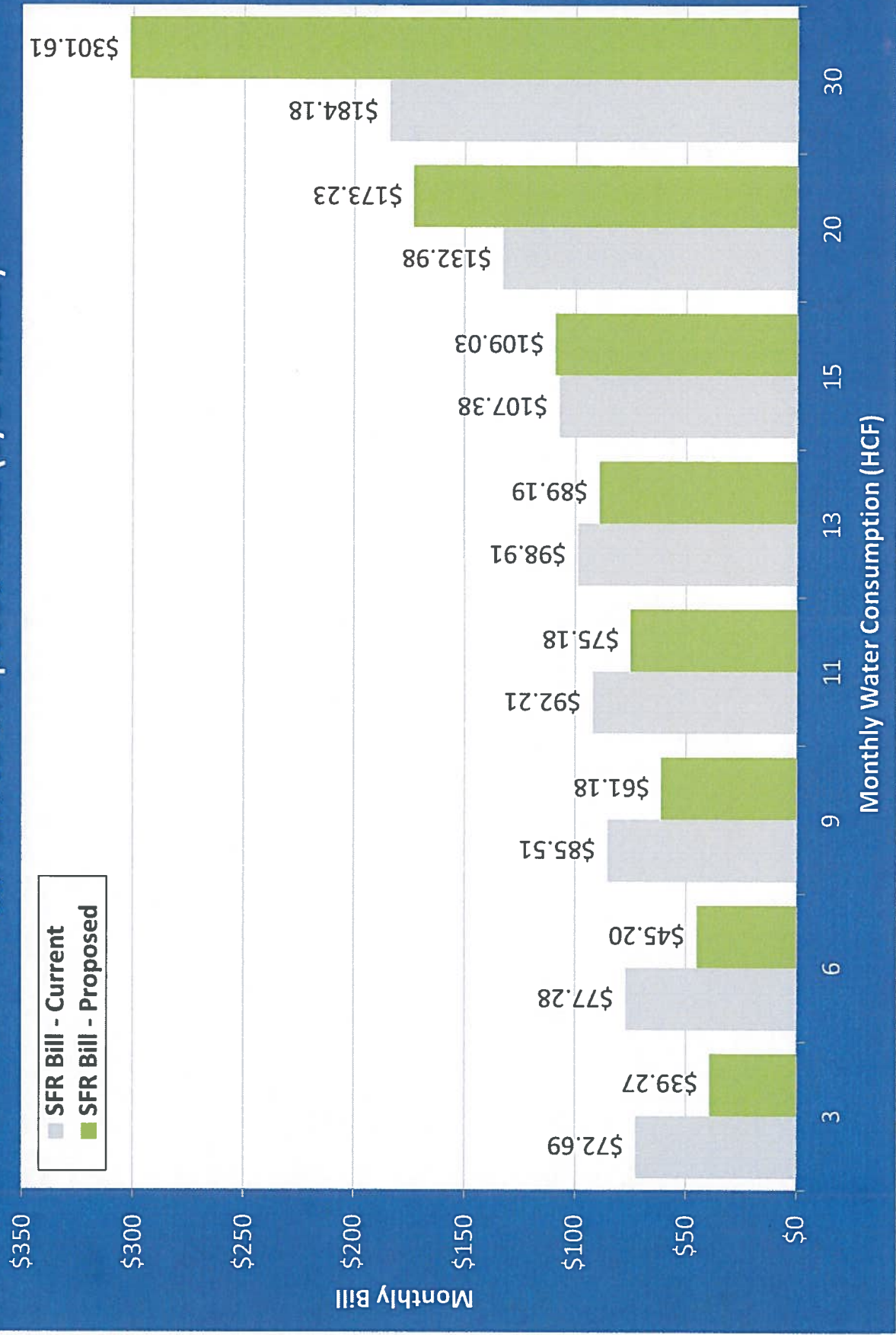
Source files: Cabazon_FINAN ACTS SUMMARY_COIC02.xlsx and Cabazon_USAGEREPOR_COIC02_Manipulated.xlsx

TABLE 37

Proposed Rates - Net Revenue Requirements (40% Fixed / 60% Variable)						
Single-Family Residential Tiered Rates	Tier Break	Water Consumption (hcf/yr.) ²	Commodity Assigned Costs	Capacity Assigned Costs	Total Target Rev. Req't from Vol. Charges	% of Total Volumetric Rate Revenue
Tier 1	7	53,666	\$ 106,013	\$ -	\$ 106,013	14.6%
Tier 2	14	21,430	42,333	107,738	150,071	20.6%
Tier 3	--	18,819	37,176	204,437	241,612	33.2%
Total		93,915	\$ 185,522	\$ 312,174	\$ 497,696	68%
						\$5.30

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Residential Water Bill Comparison Current vs. Proposed Rates (5/8" meter)



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Commercial Water Bill Comparison Current vs. Proposed Rates (5/8-inch meter)

