



LT MUNICIPAL
CONSULTANTS



Water, Sewer, and Solid Waste Rate Study

Final Draft January 28, 2026

Bear Valley Community Services District

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SECTION 1: INTRODUCTION AND EXECUTIVE SUMMARY

1.1 Background

The Bear Valley Community Services District (BVCS D or District) is located in Kern County about 60 miles west of Bakersfield in the Tehachapi Mountains. BVCS D was founded in 1970 by the Kern County Board of Supervisors and operates under the Government Code governing special districts. The District covers a 38.94 square mile gated community with approximately 6,000 residents. Services provided by the District include law enforcement, parks, recreation, water, road maintenance and snow plowing, wastewater treatment, and solid waste disposal via a transfer station. There are approximately 2,800 water and solid waste customers. BVCS D provides sewer collection, treatment, and disposal to a small subset of customers - about 478 parcels. All other parcels are served by private septic systems. BVCS D's wastewater treatment plant also provides treated recycled effluent to the golf course.

The District last increased water rates in January 2023, solid waste rates in February 2023, and sewer rates in January 2024. Current rate revenues are no longer sufficient to fund the water, sewer, and solid waste cost of service. Increases are needed to keep up with inflationary cost increases, fund capital improvements, pay debt service costs, and maintain prudent reserve balances. In particular, the water utility has an extensive list of deferred maintenance needs that must be addressed to provide a high level of service to District residents.

As described above, one goal of this rate study is to determine a rate plan to cover the District's cost of service for the next five years. A second goal is to simplify and modernize the rate structures to better align with industry standard practices, recent court cases, and to recover costs in a manner that is more proportional to how customers use the utilities. It is proposed that the existing water usage tiers be eliminated and that all potable/drinking water usage be billed a single uniform rate. It is also proposed that the District transition its water base charge into meter fees scaled by the size of the water meter. For sewer service, it is proposed that the District's condominium customers be billed a new multifamily fee and commercial customers be charged new base fees and revised flow rates based on pollutant strength. For solid waste service, it is proposed that the District implement a new horse manure fee to more fairly recover the costs of manure disposal.

1.2 Requirements of Proposition 218

The implementation of public agency utility rates in California is governed by the substantive and procedural requirements of Proposition 218 the "Right to Vote on Taxes Act" which is codified as Articles XIII C and XIII D of the California Constitution. The District must follow the procedural requirements of Proposition 218 for all utility rate increases. These requirements include:

1. **Noticing Requirement** – The District must mail a notice of the proposed rate increases to all affected property owners or ratepayers. The notice must specify the amount of the fees, the basis upon which they were calculated, the reason for the fees, and the date/time/location of a

public rate hearing at which the proposed rates will be considered/adopted.

2. **Public Hearing** – The District must hold a public hearing prior to adopting the proposed rate increases. The public hearing must be held not less than 45 days after the required notices are mailed.
3. **Rate Increases Subject to Majority Protest** – At the public hearing, the proposed rate increases are subject to majority protest. If more than 50% of affected property owners or ratepayers submit written protests against the proposed rate increases, the increases cannot be adopted.

Proposition 218 also established substantive requirements that apply to water, sewer, and solid waste rates and charges, including:

1. **Cost of Service** – Revenues derived from the fee or charge cannot exceed the funds required to provide the service. In essence, fees cannot exceed the “cost of service”.
2. **Intended Purpose** – Revenues derived from the fee or charge can only be used for the purpose for which the fee was imposed.
3. **Proportional Cost Recovery** – The amount of the fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of service attributable to that parcel.
4. **Availability of Service** – No fee or charge may be imposed for a service unless that service is used by, or immediately available to, the owner of the property.
5. **General Government Services** – No fee or charge may be imposed for general governmental services where the service is available to the public at large.

Charges for water, sewer, and solid waste service are exempt from additional voting requirements of Proposition 218, provided the charges do not exceed the cost of providing service and are adopted pursuant to the procedural requirements of Proposition 218.

1.3 Rate Study Process

The following is a brief description of the rate study process:

- **Revenue Requirement** – Revenue requirements are analyzed via a cash flow projection based on the best information currently available such as historical operating results, budgets, audits, and input from District staff. The cash flow serves as a roadmap for funding future operating costs and capital expenditures while maintaining long-term fiscal stability, all of which is calculated in this study to produce rates that will be necessary to recover only the actual cost of the water, sewer, and solid waste service per parcel under these proposed rates.

- **Cost of Service Allocation** - The cost of service process builds on the revenue requirement analysis and assigns water costs based on estimated usage and meter size. Sewer costs are allocated based on sewage flow and pollutant strength. Solid Waste costs are allocated based on the type of waste each customer disposes of at the transfer station.
- **Rate Design** - Rate design involves developing a rate structure that fairly recovers costs from customers but does not exceed the proportional cost of the service attributable to each parcel. Final rate recommendations are designed to fund the District's short- and long-term costs of providing service and fairly allocate costs to all customers.

The rates developed in this report are based on the best available information gathered from District budgets, audits, and input from staff. The proposed rates are based on the reasonable cost of providing service and do not exceed the proportional cost of the service attributable to each parcel.

1.4 Proposed Rates

Current and proposed water, sewer, and solid waste rates are provided Table 1, Table 2, and Table 3 respectively. If adopted by the District's Board of Directors, rate adjustments will take effect each April 1 beginning 2026 to 2030.

1.4.1 Proposed Water Rates

It is proposed that the existing base water fee be transitioned to a schedule of fixed charges scaled by meter size. Currently, all customers, including the District's commercial customers, pay the same base fee. It is proposed that the District implement higher fees for larger meters to better recover costs associated with providing service to larger connections. Currently, most residential customers have either $\frac{3}{4}$ " or 1" meters. The District expects to transition to smart meters within the next few years, during which all residential customers will be given a 1" meter to meet new requirements. The 1" meter size is the California building code standard for new residential construction due to fire flow needs. It is also proposed that the BVCS D transition the existing two-tiered usage rate structure to a uniform rate for all levels of usage. The District does not have cost data to justify a higher rate for higher levels of use. The price of the non-potable lakefill rate is proposed to be updated to reflect the cost of potable water less the cost of treatment. Effluent water is recycled water provided from BVCS D's wastewater treatment to the golf course for irrigation. The proposed effluent water rate reflects updated sewer treatment costs.

1.4.2 Proposed Sewer Rates

It is proposed that residential customers continue to be billed fixed sewer charges with new fixed charges for multifamily customers. It is proposed that the District's condominium sewer customers be charged a fixed fee that is less than the single family fee to reflect lower average sewer flows of condominium customers. The average single family customer has 8 hundred cubic feet (HCF) of monthly sewer flow while the average multifamily customer has 6 HCF of monthly sewer flow.

Currently, commercial sewer customers pay \$43 per HCF of monthly sewer flow and there is no base fee. It is proposed that commercial customers be divided into new classes: low pollutant strength, medium strength, and high strength. Low strength landuses include retail and offices. Medium strength landuses include schools, churches, and hospitals. High strength landuses include bakeries, restaurants and/or restaurants + other landuses in mixed use developments. It is proposed that each commercial customer be billed flow rates that correspond to pollutant strength. Higher strength flows are more costly for BVCS D to treat and thus will be billed at a higher rate.

In addition, it is proposed that commercial customers be billed new base fees that include the first 8 HCF of monthly sewer flows. 8 HCF was determined to be an appropriate threshold for the base fee as that is the typical single family flow and provides equity between single family and commercial customers. Commercial flow over the first 8 HCF will be billed the flow rates described above based on indoor metered water use. Water usage from dedicated irrigation lines is not billed the sewer flow rates.

1.4.3 Proposed Solid Waste Rates

Currently, all District customers pay the same rate of \$31 per month to deposit waste at BVCS D's transfer station. Service includes disposal of refuse (solid waste), green waste, recyclables, and horse manure. To promote equity and more fairly recover costs, it is proposed that the District charge a new horse manure disposal fee for participating customers. Manure disposal will no longer be included in the base fee paid by all customers. Instead, interested customers will opt-in to manure disposal service, pay an additional monthly service charge, and be able to drop off manure at the transfer station. All other customers will be excluded from paying the manure disposal fee or manure disposal costs. The District estimates about 700 customers are likely to participate in the manure disposal program.

Table 1: Current and Proposed Monthly Water Rates

CURRENT		PROPOSED					
FY2025/26		Year	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
		% Increase	Varies	13%	13%	13%	13%
		Effective Date	Apr 1, 2026	Apr 1, 2027	Apr 1, 2028	Apr 1, 2029	Apr 1, 2030
BASE RATE		BASE RATE					
		<u>Meter Size</u>					
All customers	\$84.74	Up to 1" [1]	\$97.18	\$109.81	\$124.09	\$140.22	\$158.45
		1.5"	\$191.38	\$216.26	\$244.37	\$276.14	\$312.04
		2" or Fire Protection Line	\$304.42	\$343.99	\$388.71	\$439.24	\$496.34
		3"	\$605.86	\$684.62	\$773.62	\$874.19	\$987.83
		4"	\$944.98	\$1,067.83	\$1,206.65	\$1,363.51	\$1,540.77
		6"	\$1,886.98	\$2,132.29	\$2,409.49	\$2,722.72	\$3,076.67
CONSUMPTION CHARGE (\$/HCF)		CONSUMPTION CHARGE (\$/HCF)					
Tier 1	\$3.78	All customers	\$5.11	\$5.77	\$6.52	\$7.37	\$8.33
Tier 2	\$5.33						
Non-Potable (Lakefill) [2]	\$4.61	Non-Potable (Lakefill) [2]	\$4.76	\$5.38	\$6.08	\$6.87	\$7.76
Effluent (Recycled Water) [2], [3]	\$4.16	Effluent (Recycled Water) [2], [3]	\$5.38	\$6.19	\$7.12	\$8.19	\$9.42

HCF – hundred cubic feet; 1 HCF = 748 gallons

1 - Includes all single family residential customers

2 - Non-Potable water and effluent customers will be billed by consumption only.

3 - Revenue from effluent sales will be collected by the Sewer Enterprise Fund.

Table 2: Current and Proposed Monthly Sewer Rates

	CURRENT	PROPOSED				
		FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
% Increase		Varies	15%	15%	15%	15%
Effective Date		Apr 1, 2026	Apr 1, 2027	Apr 1, 2028	Apr 1, 2029	Apr 1, 2030
RESIDENTIAL (per dwelling unit)						
Single Family	\$154.00	\$185.49	\$213.31	\$245.31	\$282.11	\$324.43
Multi-Family (condominiums and accessory dwelling units)	\$154.00	\$146.68	\$168.68	\$193.98	\$223.08	\$256.54
COMMERCIAL BASE (up to 8 HCF)						
Low Strength	n/a	\$179.11	\$205.98	\$236.88	\$272.41	\$313.27
Domestic/Medium Strength	n/a	\$185.49	\$213.31	\$245.31	\$282.11	\$324.43
High Strength	n/a	\$320.36	\$368.41	\$423.67	\$487.22	\$560.30
COMMERCIAL FLOW (\$/HCF)	(All units)	(For flow over 8 HCF)				
Low Strength	\$43.00	\$18.61	\$21.40	\$24.61	\$28.30	\$32.55
Domestic/Medium Strength	\$43.00	\$19.40	\$22.31	\$25.66	\$29.51	\$33.94
High Strength	\$43.00	\$36.27	\$41.71	\$47.97	\$55.17	\$63.45

HCF = one hundred cubic feet; 1 HCF = 748 gallons

The amount of sewer flow for commercial customers is based on total metered water use less estimated irrigation use.

Low strength – standalone restrooms, retail, offices

Domestic/medium strength – churches, schools, hospitals

High strength – bakeries, restaurants, and restaurants w/other mixed use development

Table 3: Current and Proposed Monthly Solid Waste Rates

	Current	PROPOSED				
		FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
% Increase		Varies	Varies	5%	5%	5%
Effective Date		Apr 1, 2026	Apr 1, 2027	Apr 1, 2028	Apr 1, 2029	Apr 1, 2030
BASE FEE [1]	\$31.00	\$31.00	\$31.44	\$33.01	\$34.66	\$36.39
MANURE FEE (New) [2]		\$10.55	\$11.08	\$11.63	\$12.21	\$12.82

1 - The proposed base fee shown above includes refuse, recyclables, and green waste disposal at BVCS D’s waste transfer station.

2 - Beginning April 1, 2026, customers will not be permitted to dispose of horse manure at the solid waste transfer station unless they are enrolled in a new manure disposal program and pay the monthly manure fees shown above.

1.5 Bill Impacts

Currently, the average single family customer uses 9 HCF per month and has a water bill of \$124.96. Under the proposed April 1, 2026 rates, the average single family customer will be billed the 1” meter fee plus usage charges equal to a total monthly bill of \$143.17, a 15% increase. Figure 1 provides a survey comparing the District’s current and proposed average single family residential water bill with other local agencies.

Under the proposed April 1, 2026 sewer rates, the single family customer bill will increase from \$154.00 to \$185.49 per month, a 20% increase. The solid waste base rate will stay the same. Figure 2 provides a survey of residential sewer bills and

Figure 3 provides a survey comparing solid waste bills with other agencies. It should be noted that the agencies listed vary in size, complexity, and sewer treatment standards. The level of solid waste service varies across agencies such as tipping at the dump, transfer station drop-off, 2-cart, and 3-cart service, see Table 4. It is also likely that many of these agencies will implement water, sewer, and solid waste rate increases over the next five years.

Figure 1: Monthly Water Bill Survey

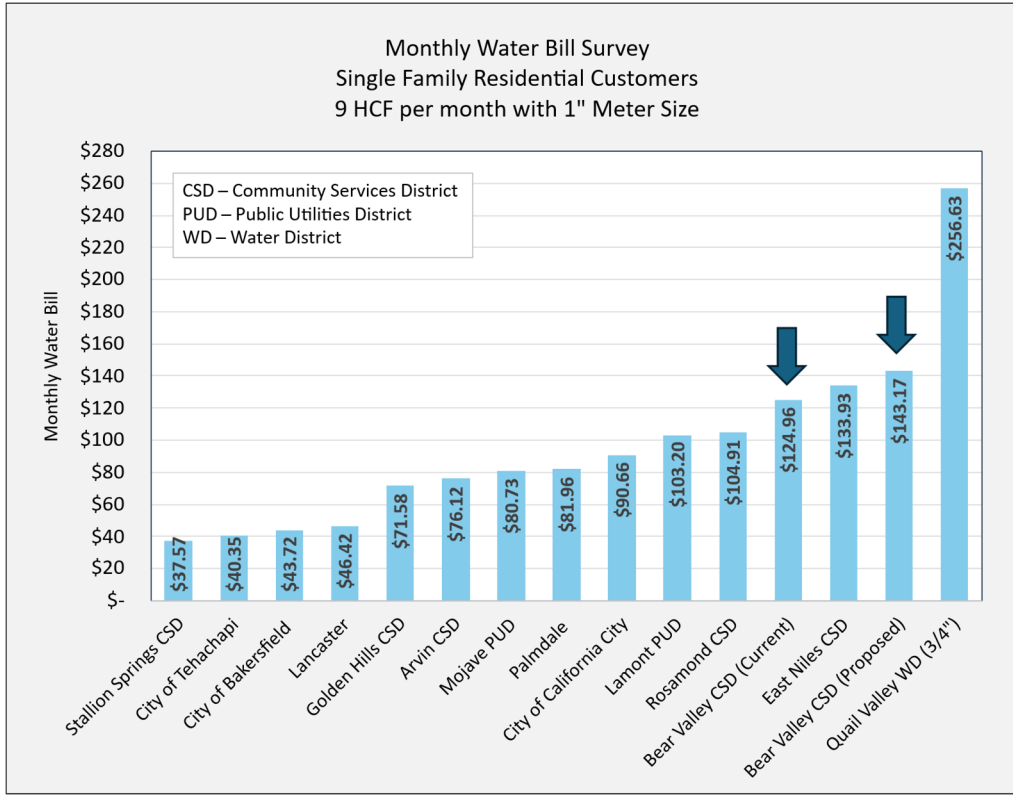


Figure 2: Monthly Sewer Bill Survey

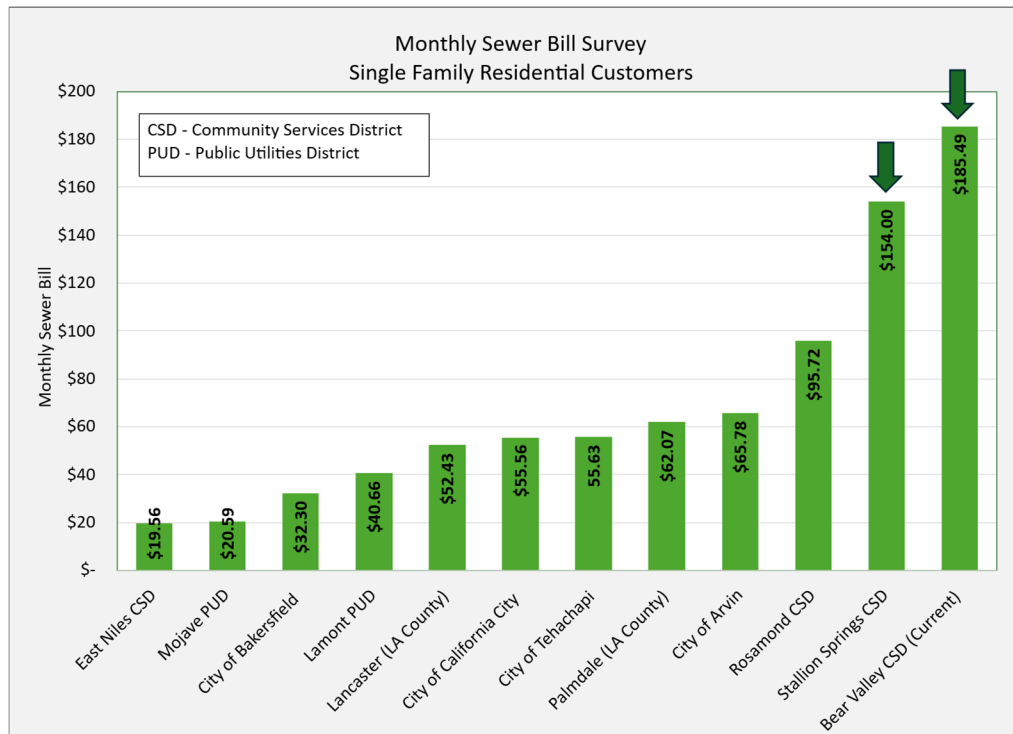


Figure 3: Monthly Solid Waste Bill Survey

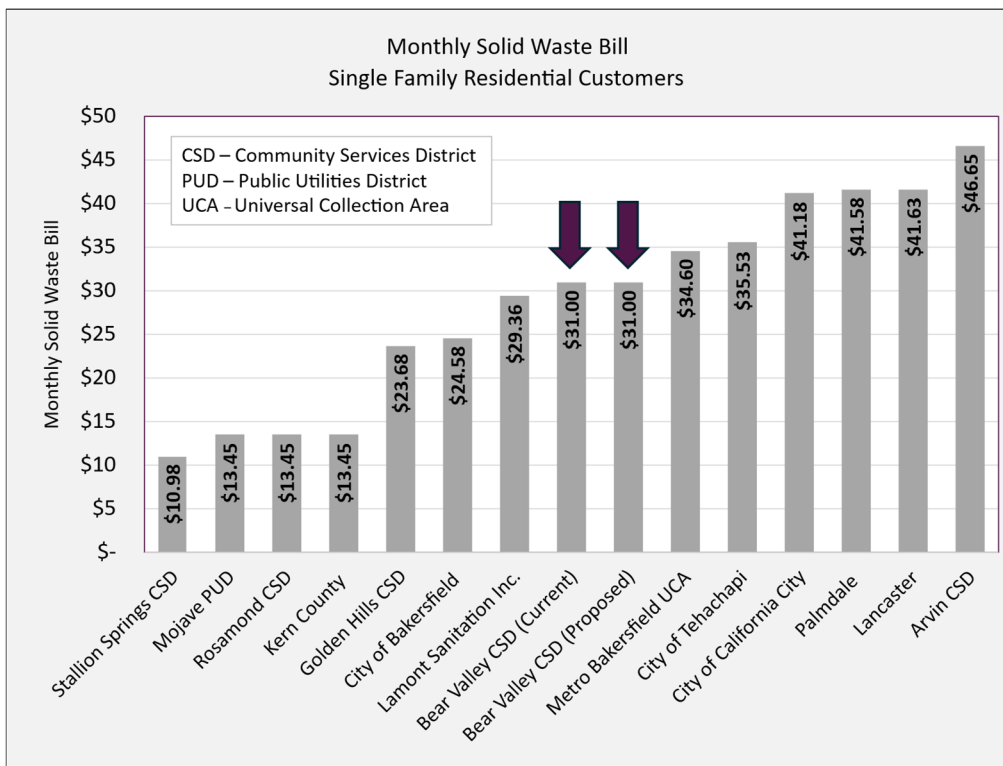


Table 4: Solid Waste Agencies

Agency	Monthly Bill	Notes
Stallion Springs CSD	\$10.98	Transfer station
Mojave PUD*	\$13.45	\$67.25 per ton at Mojave-Rosamond landfill
Rosamond CSD*	\$13.45	\$67.25 per ton at Mojave-Rosamond landfill
Kern County*	\$13.45	Transfer station - \$67.25 per ton
Golden Hills CSD	\$23.68	Pickup service through J. Torres Co.
City of Bakersfield	\$24.58	Includes three cart service
Lamont Sanitation Inc.	\$29.36	Includes one refuse and one green waste cart
Bear Valley CSD	\$31.00	Transfer station
Metro Bakersfield UCA	\$34.60	Includes three cart service
City of Tehachapi	\$35.53	Includes three cart service
City of California City	\$41.18	Includes three cart service
Palmdale	\$41.58	Includes three cart service
Lancaster	\$41.63	Includes three cart service
Arvin CSD	\$46.65	Includes three cart service

*Bills are calculated using an estimate of 0.2 tons of waste per household per month

CSD - Community Services District

PUD - Public Utilities District

UCA - Universal Collection Area

Table 5 provides the combined bill impacts for a single family customer that uses 9 HCF of water per month and receives sewer service from the District. The average customer’s combined water, sewer, and solid waste bill will increase from \$309.96 under the current rates to \$359.66 under the proposed April 1, 2026 rates, an increase of 16%.

Table 6 provides the same bill impact analysis for an average single family customer that receives water and solid waste service from the District but no sewer service. This customer’s current bill is \$155.96 and will increase to \$174.17 under the proposed April 1, 2026 rates, an increase of 12%.

Table 5: Combined Bill Impacts for a Single Family Customer Using 9 HCF of Water per Month

	Current	Proposed				
		April 1, 2026	April 1, 2027	April 1, 2028	April 1, 2029	April 1, 2030
<u>Utility</u>						
Water (9 HCF)	\$124.96	\$143.17	\$161.74	\$182.77	\$206.55	\$233.42
Sewer	\$154.00	\$185.49	\$213.31	\$245.31	\$282.11	\$324.43
<u>Solid Waste</u>	<u>\$31.00</u>	<u>\$31.00</u>	<u>\$31.44</u>	<u>\$33.01</u>	<u>\$34.66</u>	<u>\$36.39</u>
Total Bill	\$309.96	\$359.66	\$406.49	\$461.09	\$523.32	\$594.24
<i>\$ Change</i>		\$49.70	\$46.83	\$54.60	\$62.23	\$70.92
<i>% Change</i>		16%	13%	13%	13%	14%

HCF – hundred cubic feet

The proposed solid waste fee does not include manure disposal

Table 6: Water and Solid Waste Bill Impacts for a Single Family Customer

	Current	Proposed				
		April 1, 2026	April 1, 2027	April 1, 2028	April 1, 2029	April 1, 2030
<u>Utility</u>						
Water (9 HCF)	\$124.96	\$143.17	\$161.74	\$182.77	\$206.55	\$233.42
<u>Solid Waste</u>	<u>\$31.00</u>	<u>\$31.00</u>	<u>\$31.44</u>	<u>\$33.01</u>	<u>\$34.66</u>	<u>\$36.39</u>
Total Bill	\$155.96	\$174.17	\$193.18	\$215.78	\$241.21	\$269.81
<i>\$ Change</i>		\$18.21	\$19.01	\$22.60	\$25.43	\$28.60
<i>% Change</i>		12%	11%	12%	12%	12%

HCF – hundred cubic feet

The proposed solid waste fee does not include manure disposal

SECTION 2: CUSTOMER BASE AND CURRENT RATE REVENUES

Bear Valley Community Services District provides water and solid waste service to a population of about 6,000 residents via approximately 2,800 active utility accounts. Most of the residents have private septic systems and only about 500 customers receive sewer service from the District. BVCS D last increased water rates in January 2023, solid waste rates in February 2023, and sewer rates in January 2024. They were adopted pursuant to Proposition 218 requirements as part of a five-year schedule of rate increases developed in the District's rate studies for each utility.

2.1 Current Water Rates

The water rate structure currently consists of a base fee of \$84.74 per month and tiered rates for potable (drinking) water usage. The first five hundred cubic feet (HCF) is billed \$3.78 per HCF and potable usage beyond the first five units is billed \$5.33 per HCF. The potable water base fee and volume rates are applied to both residential customers as well as larger commercial customers. Separate usage rates are charged to the lakefill (non-potable) customer and effluent (recycled water) customer based on usage only (no base fee). The golf course is the only account which receives effluent and is under an agreement with the Bear Valley Springs Association to use effluent for irrigation before any other water sources. Although the effluent rate is listed as a "water rate" in the District's schedule of fees, effluent rate revenues will be credited to the sewer utility to offset wastewater treatment costs.

The Bear Valley CSD service area is overwhelmingly residential with about 2,800 residential water accounts and only 33 non-residential accounts. Residential customer rate revenues make up about 93% of total water rate revenues of \$4.6M. About 2/3 of total water rate revenues are collected from the base fee and about 1/3 is collected from usage rates. The District has identified about seven additional connections that are not currently being billed for water service. Going forward, these connections will be billed base or fixed charges plus metered water usage estimated at 2,500 HCF annually.

2.2 Current Sewer Rates

The District has a small sewer system and most parcels in Bear Valley Springs are served by private septic systems. About 500 parcels received domestic sewer service from BVCS D, and these parcels tend to be in the more densely populated and lower-elevation areas of the District. The monthly residential sewer rate is a fixed monthly charge of \$154.00. The commercial sewer rate structure consists solely of a flow rate of \$43 per HCF of metered water usage. There are four commercial connections, all of which are associated with different parts of the Oak Tree Country Club.

For this fiscal year, the District will not collect any revenue from effluent rates due to permit compliance issues. It is projected that the District will resolve this issue and generate effluent rate revenues in the future.

2.3 Current Solid Waste Rates

All solid waste customers are billed a fixed fee of \$31 each month. Service consists of customer disposal of refuse, green waste, manure, and recycling at the District's waste transfer station located at 28999 South Lower Valley Road. The District does not provide curbside, 3-cart service.

2.4 Current Rate Revenues

Current rates, customer counts, and revenues are provided in Table 7. The District currently collects about \$4.6 million in water rate revenues, about \$943,500 in sewer rate revenues, and \$1.05 million in solid waste revenues annually.

Table 7: Current Rates, Customer Counts, and Rate Revenue

Customer Class	Charge		# of units	Annual Revenue	% of Revenue
WATER					
<u>Residential</u>	<u>per month</u>		<u>accounts</u>		
Base Fee	\$84.74	x	2,827	\$2,874,720	
<u>Residential Water Usage</u>	<u>per HCF</u>		<u>units</u>		
1-5 HCF	\$3.78	x	113,348	\$428,455	
Over 5 HCF	\$5.33	x	182,131	\$970,758	
Total Residential Water Revenues				\$4,273,933	97%
<u>Non-Residential</u>	<u>per month</u>		<u>accounts</u>		
Base Fee	\$84.74	x	33	\$33,557	
<u>Non-Residential Water Usage</u>	<u>per HCF</u>		<u>units</u>		
1-5 HCF	\$3.78	x	1,111	\$4,200	
Over 5 HCF	\$5.33	x	13,883	\$73,996	
Lakefill & Irrigation	\$4.61	x	49,485	\$228,126	
Total Non-Residential Water Revenues				\$339,879	3%
Total Water Revenues [1]				\$4,613,812	100%
SEWER					
<u>Residential</u>	<u>per month</u>		<u>accounts</u>		
Fixed Fee	\$154.00	x	487	\$899,976	95%
<u>Commercial</u>	<u>per HCF</u>		<u>units</u>		
Flow Charges	\$43.00	x	1,011	\$43,473	5%
Total Sewer Rate Revenues [2]				\$943,449	100%
SOLID WASTE					
<u>Residential</u>	<u>per month</u>		<u>accounts</u>		
Fixed Fee	\$31.00	x	2,829	\$1,052,388	100%
Total Solid Waste Rate Revenues				\$1,052,388	100%

HCF – hundred cubic feet

1 – Does not include seven additional buildings that are currently billed for water usage. Future rate projections include billed water usage from these buildings.

2 – Does not include effluent sales as the District is resolving a permit issue. Once resolved, the District will bill the effluent rate and collect effluent water sales in the future.

SECTION 3: WATER COST OF SERVICE

Proposition 218 requires that utility rates be based on the reasonable cost of providing service to customers. This section provides an analysis of water system revenues and expenses to determine the total cost of service to be recovered via water rates. The cost of service is expressed in a cash flow table that illustrates revenue increases needed to keep up with expenses and maintain financial health. Over the five-year rate study period, rate increases are proposed so that the District can pay for operating costs, fund capital improvements, debt service costs, and maintain reasonable reserves, all of which are calculated in this study to produce rates that will be necessary to recover only the actual cost of the water service per parcel under these proposed water rates. The water utility's cost of service was developed based on the FY2025/26 budget, the District's capital improvement plan, and input from staff.

3.1 Water System Overview

The purpose of the District's water system is to produce and deliver water for consumption, irrigation, and fire suppression in a safe and dependable manner. The water supply in Bear Valley Springs is derived from groundwater production and water purchased from the Tehachapi-Cummings County Water District (TCCWD). Currently, many of the wells in Bear Valley Springs are out of service, leading to a greater amount of water being purchased from TCCWD. Ideally, about 40% of water would be purchased from TCCWD and the remaining 60% would be supplied from the District's groundwater. The District's water system consists of wells, booster stations, storage tanks, booster pumps, and 120 miles of water lines, all of which are in significant need of repairs and maintenance.

3.2 Revenues

The District's revenues consist of water service charges, lakefill sales, interest income, water standby charges, an irrigation lease agreement, and other water revenues. Total projected water system revenues are about \$5.03 million for FY2025/26 which includes a proposed rate increase beginning April 1, 2026. Over the next five years, interest income is projected based on 5% of the District's beginning reserve fund balance each year. Revenues from the irrigation lease agreement with Grimmway Enterprises are projected to increase by 2% per year to account for future Consumer Price Index (CPI) adjustments. Water standby charges and other revenues are projected to remain constant at \$25,700 and \$44,000 each year, respectively.

A series of five annual rate increases are proposed to go into effect beginning on April 1, 2026 to fund the costs described below. Due to mid-year rate adjustments, total rate revenues for each fiscal year will reflect nine months based on one set of rates and three months based on the increased set of rates. The cash flow shown below reflects the pro-rated revenue of the mid-year April 1 rate adjustment.

3.3 Expenses

3.3.1 Operating Costs

Operating costs include salaries, benefits, equipment, facilities & grounds, operations, professional & administrative services, electricity, other utilities, and water banking. In FY2025/26, the District expects to incur about \$4.08 million in expenses to operate and maintain the water system. Operating costs over the next five years are projected in Table 8. Escalation factors were determined based on projected inflation and input from District staff. Health care premiums are expected to increase 10% per year. Electricity expenses are expected to increase 13% in the first year of the rate study per a notice from Southern California Edison. In the following years, it is estimated that electricity will increase at 5% per year along with most other expenses. The District has high electricity costs because large quantities of water purchased from Tehachapi-Cummings County Water District must be pumped to higher elevation to reach Bear Valley Springs. Currently, the District is under a water banking contract with TCCWD, which outlines requirements that must be met by December 31, 2026. The water banking expense projection assumes that 700 acre feet will be purchased this year (FY2025/26), and 559 acre feet will be purchased in FY2026/27 at a cost of \$400 per acre foot. In the following years, it is projected that 5 acre feet will be purchased each year, as this is the minimum amount as stated in the contract.

Table 8: Water Operating Expense Projection

	Budget FY2025/26	Escalation Factor	Projected			
			FY2026/27	FY2027/28	FY2028/29	FY2029/30
Salaries	\$695,800	5%	\$730,600	\$767,100	\$805,500	\$845,800
Health Care Premiums	\$95,300	10%	\$104,800	\$115,300	\$126,800	\$139,500
Other Benefits	\$319,100	5%	\$335,100	\$351,900	\$369,500	\$388,000
Equipment	\$105,600	5%	\$110,900	\$116,400	\$122,200	\$128,300
Facilities & Grounds	\$38,000	5%	\$39,900	\$41,900	\$44,000	\$46,200
Operations & Water Purchased [1]	\$1,023,200	5%	\$1,074,400	\$1,128,100	\$1,184,500	\$1,243,700
Prof & Admin Services	\$899,200	5%	\$944,200	\$991,400	\$1,041,000	\$1,093,100
Electricity [2]	\$619,400	13%	\$699,900	\$734,900	\$771,600	\$810,200
Other Utilities	\$8,000	5%	\$8,400	\$8,800	\$9,200	\$9,700
Water Banking	\$280,000		\$223,600	\$2,000	\$2,000	\$2,000
Total Operating Expenses	\$4,083,600		\$4,271,800	\$4,257,800	\$4,476,300	\$4,706,500

1 - Cost of purchased water excludes any costs associated with water banking.

2 - Electricity increase is 13% in FY2026/27 and 5% per year in the following years.

3.3.2 Water Capital Improvement Plan

Many components of the water system were constructed in the 1970s, have not been upgraded since, are at the end of their useful lives, and need replacement. The District's staff assisted in compiling a list of projects that need to be addressed within the next five years and the estimated cost for each project. BVCS D expects to incur about \$11.43 million in capital improvement costs over the five-year rate study period (FY2025/26 to FY2029/30). Major projects include well rehabilitation and maintenance, a transition to smart meters, water line replacements, fire hydrant flow testing, and more as shown in Table 9.

Table 9: Water Capital Improvement Costs

Assets by Category	Budget	Projected				Total
	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	5-Year CIP
Well rehabs	\$430,000	\$430,000	\$430,000	\$430,000	\$430,000	\$2,150,000
Boosters	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000	\$600,000
Booster Buildings	\$31,400					\$31,400
Pressure Reducing stations	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000	\$100,000
Above ground plumbing	\$6,000	\$6,000	\$6,000	\$6,000	\$6,000	\$30,000
Tanks		\$150,000	\$150,000	\$150,000	\$150,000	\$600,000
Facility Roads/Pads	\$34,000	\$34,000	\$34,000	\$34,000	\$34,000	\$170,000
Vehicles	\$75,000	\$100,000	\$50,000	\$50,000	\$50,000	\$325,000
Security/Fencing	\$50,100	\$50,100	\$50,100	\$50,100	\$50,100	\$250,500
CV1 and CV2 Treatment Facility	\$21,600					\$21,600
Electrical Panels	\$105,000	\$105,000	\$105,000	\$105,000	\$105,000	\$525,000
Well Maintenance	\$78,000	\$195,000	\$160,000	\$120,000	\$120,000	\$673,000
Equipment	\$150,000	\$50,000	\$50,000	\$50,000	\$50,000	\$350,000
Transition to Smart Meters		\$600,000	\$600,000	\$600,000	\$600,000	\$2,400,000
Water Master Plan	\$250,000	\$250,000				\$500,000
Water Line Replacement			\$500,000	\$500,000	\$1,000,000	\$2,000,000
Fire Hydrant Flow Testing	\$140,000	\$140,000	\$140,000	\$140,000	\$140,000	\$700,000
Total	\$1,511,100	\$2,250,100	\$2,415,100	\$2,375,100	\$2,875,100	\$11,426,500

3.3.3 Debt Service

The water fund has existing debt from a water development loan which will be fully paid off in FY2032/33. The actual payment amount varies slightly each year but averages around \$158,900 per year over the five-year rate study period. Most forms of public agency debt require that the issuer maintain a coverage ratio of 1.2 times or greater. This is calculated as net operating revenues divided by the total annual debt service cost. The District currently has ample debt coverage and it is projected that the District will maintain its strong debt coverage position throughout the rate study period. The District does not anticipate issuing any future Water Enterprise debt and all proposed capital improvements will be funded from reserves and future rate revenues.

3.4 Reserves

As of July 1, 2025, the Water Fund reserve balance was about \$4.53 million. It is recommended that the Water Fund maintain a balance equal to 50% of operations and maintenance costs plus the annual debt service cost. Based on this calculation, the recommended fund target for FY2025/26 is about \$2.2 million. The current reserve of about \$4.53 million exceeds the target. It is projected that the Water Fund will spend down reserves to complete capital improvements but will continue to meet fund targets throughout the rate study period.

Adequate fund reserves protect the District when faced with unforeseen financial challenges such as emergency expenses and revenue deficits. Fund reserves are a critical tool that will allow the District to maintain its financial health and positive credit ratings, especially during emergencies. It is acceptable if reserves dip below the target on a temporary basis, provided the District takes action to attain the target over the long run. Over the five-year rate study period, it is proposed that the District spend down reserves to help in funding capital improvements and mitigate the impact to ratepayers, while maintaining a sufficient balance.

3.5 Water Cash Flow Projection

Figure 4 and Table 10 provide the five-year cash flow spanning from FY2025/26 to FY2029/30. Water rate revenues are proposed to increase 13% each April 1 to fund operating costs, capital costs, debt service, and maintain reserves. Since each rate increase is proposed to take place April 1 during the fiscal year, the projected revenues shown in Table 10 are pro-rated reflecting 9 months under one rate schedule and 3 months under the increased rates. Not every customer will receive exactly a 13% increase due to individual water usage patterns and proposed rate structure changes. The proposed rates and rate design are described in more detail in the following section.

Figure 4: Water Cash Flow Chart

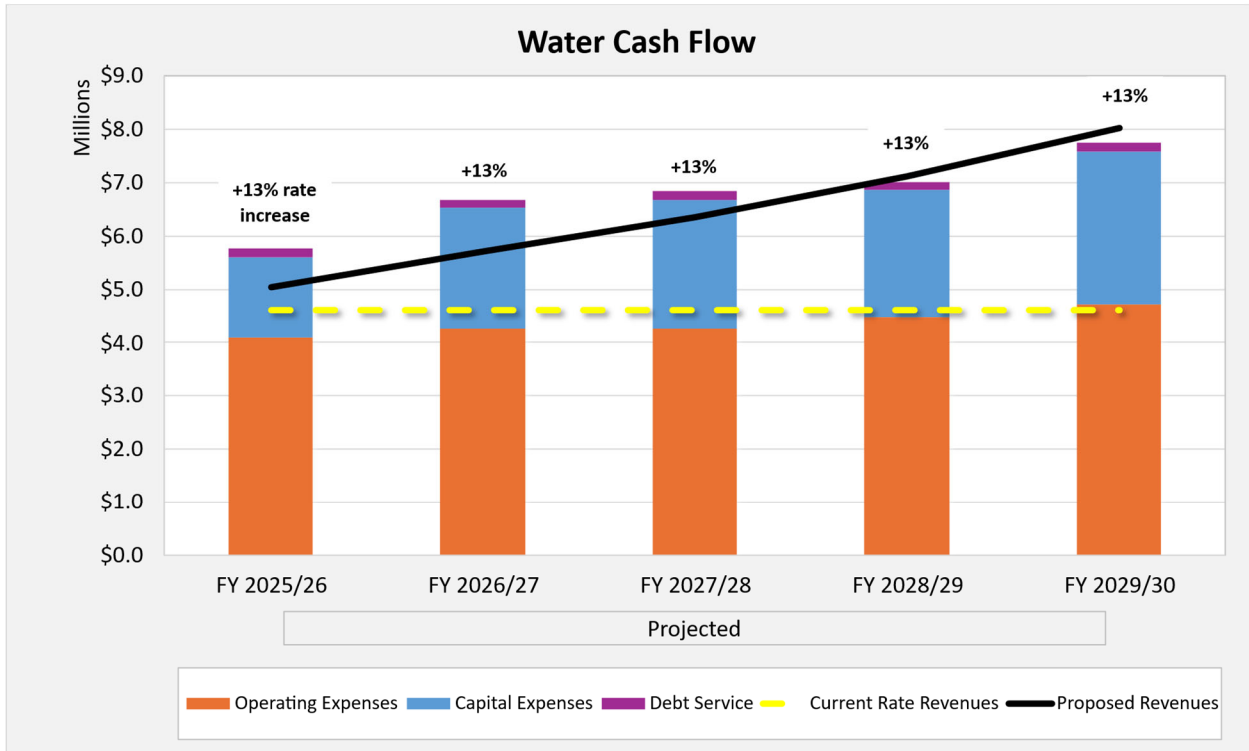


Table 10: Water Cash Flow Projection

	Budget	Projected			
	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
Rate Revenue Increase	13%	13%	13%	13%	13%
Effective Date	April 1, 2026	April 1, 2027	April 1, 2028	April 1, 2029	April 1, 2030
12 months of Rate Revenues with Increase	\$5,213,600	\$5,891,400	\$6,657,300	\$7,522,700	\$8,500,700
Beginning Fund Balance	\$4,534,500	\$3,809,900	\$2,822,400	\$2,335,700	\$2,438,500
REVENUES					
Interest Income	\$147,000	\$190,500	\$141,100	\$116,800	\$121,900
Rate Revenues [1]	\$4,763,800	\$5,383,100	\$6,082,900	\$6,873,700	\$7,767,200
Other Water Revenue	\$44,000	\$44,000	\$44,000	\$44,000	\$44,000
Water Standby Charges	\$25,700	\$25,700	\$25,700	\$25,700	\$25,700
Irrigation Lease Agreement	<u>\$49,400</u>	<u>\$50,400</u>	<u>\$51,400</u>	<u>\$52,400</u>	<u>\$53,400</u>
Total Revenues	\$5,029,900	\$5,693,700	\$6,345,100	\$7,112,600	\$8,012,200
EXPENSES					
Operating & Maintenance					
Salaries	\$695,800	\$730,600	\$767,100	\$805,500	\$845,800
Health Care Premiums	\$95,300	\$104,800	\$115,300	\$126,800	\$139,500
Other Benefits	\$319,100	\$335,100	\$351,900	\$369,500	\$388,000
Equipment	\$105,600	\$110,900	\$116,400	\$122,200	\$128,300
Facilities & Grounds	\$38,000	\$39,900	\$41,900	\$44,000	\$46,200
Operations	\$1,023,200	\$1,074,400	\$1,128,100	\$1,184,500	\$1,243,700
Prof & Admin Services	\$899,200	\$944,200	\$991,400	\$1,041,000	\$1,093,100
Electricity	\$619,400	\$699,900	\$734,900	\$771,600	\$810,200
Other Utilities	\$8,000	\$8,400	\$8,800	\$9,200	\$9,700
Water Banking	<u>\$280,000</u>	<u>\$223,600</u>	<u>\$2,000</u>	<u>\$2,000</u>	<u>\$2,000</u>
Total Operating Expenses	\$4,083,600	\$4,271,800	\$4,257,800	\$4,476,300	\$4,706,500
Net Operating Revenues	\$946,300	\$1,421,900	\$2,087,300	\$2,636,300	\$3,305,700
Non-Operating Expenses					
Debt Service	\$159,800	\$159,300	\$158,900	\$158,400	\$158,000
Capital Projects	<u>\$1,511,100</u>	<u>\$2,250,100</u>	<u>\$2,415,100</u>	<u>\$2,375,100</u>	<u>\$2,875,100</u>
Total Non-Operating Expenses	\$1,670,900	\$2,409,400	\$2,574,000	\$2,533,500	\$3,033,100
Total Expenses	\$5,754,500	\$6,681,200	\$6,831,800	\$7,009,800	\$7,739,600
Net Revenues	(\$724,600)	(\$987,500)	(\$486,700)	\$102,800	\$272,600
Ending Fund Balance	\$3,809,900	\$2,822,400	\$2,335,700	\$2,438,500	\$2,711,100
Reserve Funds [2]					
Proposed Target Reserve	\$2,201,600	\$2,248,200	\$2,261,100	\$2,294,600	\$2,337,600
Target Met?	yes	yes	yes	yes	yes
Debt Service Coverage					
Coverage Ratio (Target = 1.25x)	5.29	8.93	13.14	16.64	20.92
Target Met?	yes	yes	yes	yes	yes

1 – Rate revenues are pro-rated each fiscal year to reflect April 1 rate increases.

2 – Proposed target reserve is equal to 6 months of average operating costs and debt service costs for each fiscal year.

SECTION 4: WATER COST ALLOCATION

Proposition 218 requires that agencies providing “property-related services” (including water utility service) set rates and charges that are based on the cost of providing those services. The prior section determined the total cost of providing water service to customers. In this section, the cost of service is allocated between fixed and consumption rates to fairly recover costs based on how customers use the system, and in any event not to exceed the proportional cost of the water service attributable to each parcel.

4.1 Methodology

The American Water Works Association (AWWA) recommends methods to classify costs among various customers. Using the Base-Extra Capacity Method as recommended by the AWWA, water operating expenses are allocated to the following categories: (a) Base, (b) Extra, (c) Meters and Services, and (d) Customer Service. The Base and Extra categories are intended to recover the costs to deliver water to customers, while the Customer Service and Meters and Services categories are intended to recover expenses related to maintaining infrastructure in the system to supply water at all times under the proposed water service rates in this study. A summary of the cost allocation categories is provided below:

- *Base Usage:* Base costs include the expenses related to providing water under average (“base”) demand conditions.
- *Extra Usage:* The extra category includes costs related to providing water above the system average demand (i.e., related to peak, “extra” usage).
- *Meters and Services:* These include costs related to maintaining infrastructure and operating capacity to provide service at any time under the proposed water service fee rates in this study.
- *Customer Service:* This category contains costs associated with serving customers, such as billing and answering customer inquiries.

4.2 Proposed Cost Allocation

In Table 11, the water utility’s expenses are allocated to each cost category based on how the District incurs each cost. In total, volume related expenses account for about \$1.8 million of costs. Of the remaining expenses, *customer service* costs account for about 3.04% and *meters & services* costs account for about 96.96% of expenses.

The *customer service* and *meters & services* allocations will be used to calculate the fixed fee for all potable water customers. The *base & extra* allocation will be used to calculate volume rates.

Table 11: Detailed Water Cost Allocation (detailed)

	FY2025/26	Cost Allocation		
		Customer Service	Meters & Services	AWWA Base & Extra (Volume)
Operating Expenses				
Salaries	\$695,800	10%	90%	0%
Health Care Premiums	\$95,300	10%	90%	0%
Other Benefits	\$319,100	10%	90%	0%
Equipment	\$105,600	0%	100%	0%
Facilities & Grounds	\$38,000	0%	100%	0%
Operations	\$1,023,200	0%	8.4%	91.6%
Prof & Admin Services	\$899,200	0%	100%	0%
Electricity	\$619,400	0%	0%	100%
Other Utilities	\$8,000	100%	0%	0%
Water Banking	<u>\$280,000</u>	<u>0%</u>	<u>0%</u>	<u>100%</u>
Total Operating Expenses	\$4,083,600	\$119,020	\$2,127,818	\$1,836,762
Debt Service (5-year avg)	\$159,800	<u>0%</u>	<u>100%</u>	<u>0%</u>
		\$0	\$159,800	\$0
Capital Funding (5-year avg)	\$1,511,100	<u>0%</u>	<u>100%</u>	<u>0%</u>
		\$0	\$1,511,100	\$0
Total Expenses	\$5,754,500	\$119,020	\$3,798,718	\$1,836,762
Suballocation of Fixed Costs		3.04%	96.96%	

Table 12 provides a summary of the total proposed FY2025/26 revenue requirement for each of the cost allocation categories. It is proposed that the *base usage & extra usage* category collect a total of \$1,836,762 of rate revenue from volume rates. Based on a detailed review of the District's budget, about \$108,300 in expenses are attributable to treatment. It is proposed that the non-potable lakefill rate exclude treatment costs.

It is proposed that new fixed charges recover the *customer service* and *meters & services* cost categories. The FY2025/26 total rate revenue requirement of \$5,213,600 less the volume rate revenue of about \$1,836,762 leaves about \$3,376,800 to be recovered from fixed charges. It is proposed that

about 3% of fixed charges are attributable to *customer service* costs and about 97% are attributable to the *meters & services* cost category.

Table 12: Summary of Water Cost Allocation

FY2025/26 Rate Revenue Requirement			
Volume Rates	\$1,836,762	<i>Base/Extra Usage</i>	
Fixed Charges [1]	<u>\$3,376,838</u>	<i>Customer Service and Meters & Services</i>	
Total Revenue Requirement	\$5,213,600	See Table 10	
<i>Volume Rates</i>			
Treatment Cost	\$108,300	Treatment costs based on a detailed review of the District's budget	
Non-treatment Operations	<u>\$1,728,462</u>	Total volume rate revenue less treatment	
Total Volume Rates	\$1,836,762	See Table 11	
<i>Fixed Charges</i>			
Customer Service	\$102,588	3.04%	See Table 11
Meters & Services	<u>\$3,274,251</u>	<u>96.96%</u>	See Table 11
Total Fixed Charges	\$3,376,838	100.00%	

1 – Total revenue requirement from Table 10 of \$5,213,600 (12 months with rate increase) less volume rate revenues

SECTION 5: WATER RATE DESIGN

This section develops water rates and charges based on the cost of service described in Section 3 and the cost allocation described in Section 4.

5.1 Billing Units

5.1.1 Meter Equivalents

It is recommended that the District transition its fixed water service fee from the current base fee charged to all customers to a schedule of fees scaled to meter size. American Water Works Association guidelines recommend using meter equivalents to assign demand-related costs to larger meter sizes. The ratio at which the meter charge increases is typically a function of either meter investment (estimated cost) or the meter's safe operating capacity. Larger meters have the ability to place a greater demand on the water system and are therefore charged based on that potential demand. For example, based on the AWWA meter capacity ratios, a customer that has a 2" meter has 3.20 times the capacity equivalency of a customer with a 1" meter—a 2" meter has a safe operating capacity of 160 gallons per minute (gpm) compared to a 1" meter which has a safe operating capacity of 50 gpm.

Table 13 shows the current number of meters in BVCSD's service area and calculates the number of meter equivalents based on AWWA standards. The alignment of the fixed rates with the proposed meter equivalents will ensure that each meter size is charged based on their proportional impact on the system. The 1" meter size will be the District's new base fee for most customers. Although the District currently provides service to some ¾" meters, these meters are proposed to be converted to 1" meters within the next few years during the transition to smart meters. Moreover, the 1" meter size is the California building code standard for new residential construction due to fire flow needs.

It is proposed that large dedicated fire service lines be billed the 2" equivalent meter rate. Typically, large institutional customers like schools, hospitals, or large shopping centers install 4" or 6" service lines solely for fire protection. These lines are not used on an annual basis except for flushing, cleaning or inspections. Customers that can prove their connections are solely intended for fire protection can qualify for the 2" meter rate. 2" lines are the standard size of fire hydrants.

Table 13: Proposed Meter Equivalents

Meter Size	# of Customers [1]	Operating Capacity (gpm)	Meter Ratio	# of Meter Equivalents
Up to 1"	2,855	50	1.00	2,855.0
1.5"	0	100	2.00	0.0
2"/Fire Protection [2]	13	160	3.20	41.6
3"	0	320	6.40	0.0
4"	0	500	10.00	0.0
6"	0	1,000	20.00	0.0
	2,868			2,896.6

1 - Does not include meter sizes for customers receiving non-potable water (lakefill accounts), as they are not charged a base fee.

2 - The school district customer with a 6" meter is included in the fire protection category

5.2 Water Rate Derivation

This subsection describes the calculation of proposed meter fees and volume rates. Table 14 calculates the water utility unit costs by dividing the revenue requirement of each category (from Table 12) by the billing units of each category. For example, the *customer service* revenue requirement of about \$102,600 is divided by the total number of meters in the District and divided by 12 months to calculate the monthly charge. The *meters & services* revenue requirement of about \$3,274,300 is divided by the number of meter equivalents (Table 13) and divided by 12 to calculate the monthly rate. The volume rate revenue requirement of \$1,728,500 is divided by total water use to equal a rate of \$4.76 per HCF. Treatment costs are divided by potable water use to calculate a treatment rate of \$0.35 per HCF. Non-potable water is not treated and thus excluded from the treatment rate calculation.

Table 14: Water Unit Cost Calculation

	Customer Service	Meters & Services	Volume Rates	Treatment Costs	FY2025/26 Full Year's Rate Revenue (12 months)
Revenues	\$102,588	\$3,274,251	\$1,728,462	\$108,300	\$5,213,600
Count	2,868	2,897	362,826	313,341	
Billing Units	# of meters	Meter Equivalents	HCF	HCF	
Rate	\$2.98 \$/month	\$94.20 \$/month	\$4.76 \$/HCF	\$0.35 \$/HCF	

5.2.1 Base Rate Derivation

Table 15 calculates the total proposed April 1, 2026 meter fee for each meter size. The cost per meter equivalent of \$94.20 from Table 14 is multiplied by the meter ratios in Table 13 to calculate the total *meters & services* cost for each meter size. The *customer service* charge of \$2.98 is added to the *meters & services* charge to determine the total monthly fixed fee.

Table 15: Proposed FY2025/26 Meter Fee Calculation

Meter Size	Meter Ratio		\$/meter equivalent	Meter & Services Fee	Customer Service Charge	Total Proposed Meter Fee
Up to 1"	1.00	X	\$94.20	\$94.20	\$2.98	\$97.18
1.5"	2.00	X	\$94.20	\$188.40	\$2.98	\$191.38
2"/Fire Protection	3.20	X	\$94.20	\$301.44	\$2.98	\$304.42
3"	6.40	X	\$94.20	\$602.88	\$2.98	\$605.86
4"	10.00	X	\$94.20	\$942.00	\$2.98	\$944.98
6"	20.00	X	\$94.20	\$1,884.00	\$2.98	\$1,886.98

5.2.2 Consumption Rate Derivation

From Table 14, the non-potable volume rate is \$4.76 per HCF. For potable water customers, the total rate is \$5.11 per HCF which reflects the non-potable volume rate of \$4.76 plus the treatment rate of \$0.35 per HCF.

5.2.3 Effluent Rate Derivation

Effluent water is tertiary treated, recycled water produced from BVCSD’s wastewater treatment plant. It is proposed that all revenues generated from the sale of effluent be collected by the Sewer Enterprise Fund to offset treatment costs. The proposed effluent rate was developed by first determining the cost of wastewater treatment based on FY2025/26 budgeted operating expenses. Capital costs associated with treatment were then included, as these projects are necessary to ensure sewage is properly treated in compliance with Title 22 regulations. The effluent rate was calculated by dividing the treatment costs by the total volume of wastewater (in HCF) processed at the treatment plant each year. This results in an effluent water rate of \$5.38 per HCF as shown in Table 16.

Table 16: Effluent Rate Derivation

Effluent Rate Calculation FY2025/26	
Treatment Costs	\$218,437
HCF/Year	45,437
Effluent (\$/HCF)	\$5.38

5.3 Proposed 5-Year Schedule of Monthly Water Rates

The proposed five-year rate plan is provided in Table 17. As described in the previous sections of this report, the rates have been calculated in this study to produce rates that will be necessary to recover only the actual cost of the water service per parcel under the proposed water rates. The first rate change is proposed to take effect on April 1, 2026, with subsequent increases each April 1 through 2030. For any additional connections built out in the District, the rates for the water service fees will also apply to them.

Table 17: Proposed Monthly Water Rates

CURRENT		PROPOSED					
FY2025/26		Year	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
		% Increase	Varies	13%	13%	13%	13%
		Effective Date	Apr 1, 2026	Apr 1, 2027	Apr 1, 2028	Apr 1, 2029	Apr 1, 2030
BASE RATE		BASE RATE					
		<u>Meter Size</u>					
All customers	\$84.74	Up to 1" [1]	\$97.18	\$109.81	\$124.09	\$140.22	\$158.45
		1.5"	\$191.38	\$216.26	\$244.37	\$276.14	\$312.04
		2" or Fire Protection Line	\$304.42	\$343.99	\$388.71	\$439.24	\$496.34
		3"	\$605.86	\$684.62	\$773.62	\$874.19	\$987.83
		4"	\$944.98	\$1,067.83	\$1,206.65	\$1,363.51	\$1,540.77
		6"	\$1,886.98	\$2,132.29	\$2,409.49	\$2,722.72	\$3,076.67
CONSUMPTION CHARGE (\$/HCF)		CONSUMPTION CHARGE (\$/HCF)					
Tier 1	\$3.78	All Drinking Water Usage	\$5.11	\$5.77	\$6.52	\$7.37	\$8.33
Tier 2	\$5.33						
Non-Potable (Lakefill) [2]	\$4.61	Non-Potable (Lakefill) [2]	\$4.76	\$5.38	\$6.08	\$6.87	\$7.76
Effluent (Recycled Water) [2], [3]	\$4.16	Effluent (Recycled Water) [2], [3]	\$5.38	\$6.19	\$7.12	\$8.19	\$9.42

HCF – hundred cubic feet; 1 HCF = 748 gallons

1 - Includes all single family residential customers

2 - Non-Potable water and effluent customers will be billed by consumption only.

3 - Revenue from effluent sales will be collected by the Sewer Enterprise Fund.

5.4 Water Bill Impacts

Table 18 provides water bill impacts for the average single family residential customer using 9 HCF per month. Under current rates, the average single family customer pays \$124.96 per month. This bill reflects 5 HCF of usage in tier 1 and 4 HCF of usage in tier 2. Under the proposed April 1, 2026 rates, the average customer's water bill will increase to \$143.17, an increase of \$18.21 or 15%. Table 19 provides additional sample bill impacts based on typical single family water use during winter and summer periods.

Figure 5 compares the District's current and proposed average single family residential bill with those of surrounding agencies. The District's current rates are on the high-end of the agencies surveyed and will remain as such following the proposed rate adjustment. The high cost of service in Bear Valley Springs compared to surrounding agencies is due to many different factors, some of which include purchased water costs, the high electricity costs associated with pumping water through the mountainous terrain of the area, and necessary maintenance which has been deferred for many years.

Table 18: Current and Proposed Example Water Bill for a Single Family Residential Customer

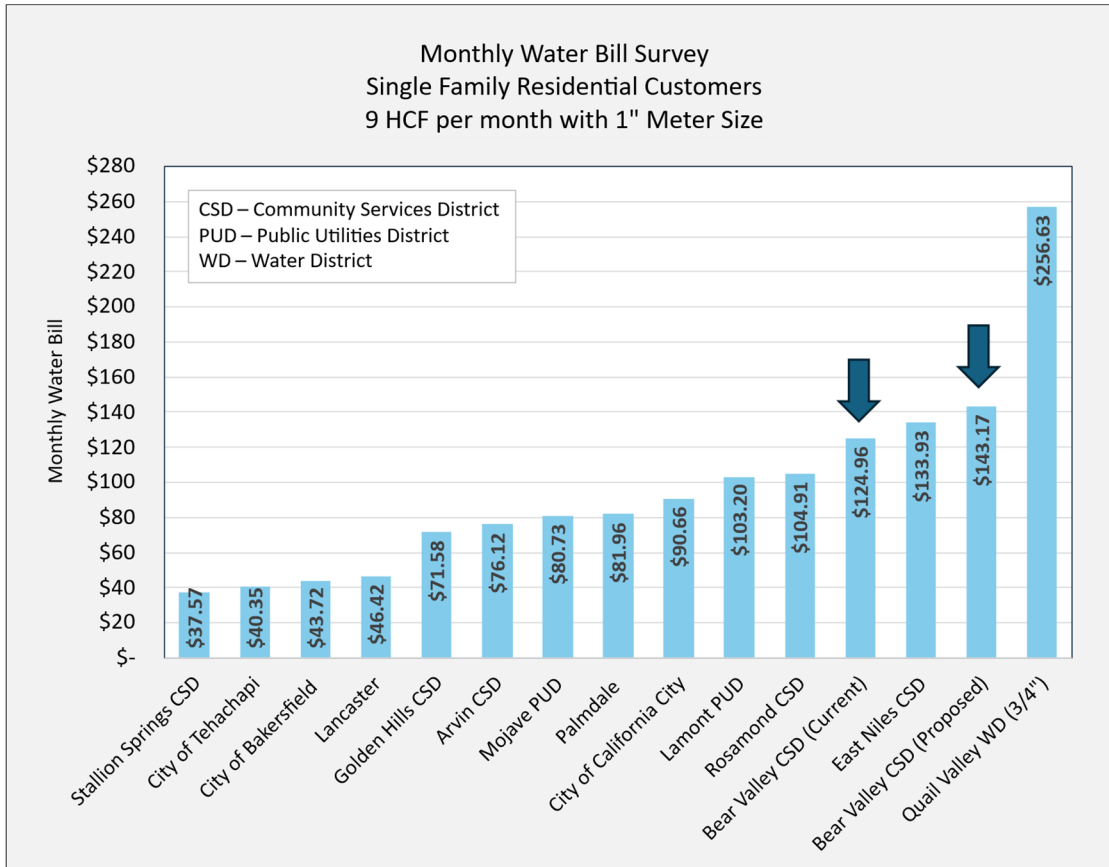
1" meter using 9 HCF per month

Current				Proposed April 1, 2026			
	Rate	# of Units	Total Charges		Rate	# of Units	Total Charges
Base Fee	\$84.74	X 1	\$84.74	Base Fee (1" Meter Charge)	\$97.18	X 1	\$97.18
Consumption (\$/HCF)				Consumption (\$/HCF)			
Tier 1 (1-5 HCF)	\$3.78	X 5	\$18.90	All Usage	\$5.11	X9	<u>\$45.99</u>
Tier 2 (Over 5 HCF)	\$5.33	X 4	<u>\$21.32</u>				
Total Monthly Bill			\$124.96	Total Monthly Bill			\$143.17
				<i>\$ Increase</i>			\$18.21
				<i>% Increase</i>			15%

Table 19: Residential Bill Impacts with Proposed Rates

	Monthly Use (hcf)	Current Bill	Proposed				
			April 1, 2026	April 1, 2027	April 1, 2028	April 1, 2029	April 1, 2030
5 HCF (Winter Bill)							
Base Rate - 1"		\$84.74	\$97.18	\$109.81	\$124.09	\$140.22	\$158.45
<u>Consumption Charge</u>	5	<u>\$18.90</u>	<u>\$25.55</u>	<u>\$28.85</u>	<u>\$32.60</u>	<u>\$36.85</u>	<u>\$41.65</u>
Total Monthly Water Bill		\$103.64	\$122.73	\$138.66	\$156.69	\$177.07	\$200.10
<i>\$ Change</i>			<i>\$19.09</i>	<i>\$15.93</i>	<i>\$18.03</i>	<i>\$20.38</i>	<i>\$23.03</i>
<i>% Change</i>			<i>18.4%</i>	<i>13.0%</i>	<i>13.0%</i>	<i>13.0%</i>	<i>13.0%</i>
9 HCF (Average Bill)							
Base Rate - 1"		\$84.74	\$97.18	\$109.81	\$124.09	\$140.22	\$158.45
<u>Consumption Charge</u>	9	<u>\$40.22</u>	<u>\$45.99</u>	<u>\$51.93</u>	<u>\$58.68</u>	<u>\$66.33</u>	<u>\$74.97</u>
Total Monthly Water Bill		\$124.96	\$143.17	\$161.74	\$182.77	\$206.55	\$233.42
<i>\$ Change</i>			<i>\$18.21</i>	<i>\$18.57</i>	<i>\$21.03</i>	<i>\$23.78</i>	<i>\$26.87</i>
<i>% Change</i>			<i>14.6%</i>	<i>13.0%</i>	<i>13.0%</i>	<i>13.0%</i>	<i>13.0%</i>
13 HCF (Summer Bill)							
Base Rate - 1"		\$84.74	\$97.18	\$109.81	\$124.09	\$140.22	\$158.45
<u>Consumption Charge</u>	13	<u>\$61.54</u>	<u>\$66.43</u>	<u>\$75.01</u>	<u>\$84.76</u>	<u>\$95.81</u>	<u>\$108.29</u>
Total Monthly Water Bill		\$146.28	\$163.61	\$184.82	\$208.85	\$236.03	\$266.74
<i>\$ Change</i>			<i>\$17.33</i>	<i>\$21.21</i>	<i>\$24.03</i>	<i>\$27.18</i>	<i>\$30.71</i>
<i>% Change</i>			<i>11.8%</i>	<i>13.0%</i>	<i>13.0%</i>	<i>13.0%</i>	<i>13.0%</i>

Figure 5: Monthly Water Bill Survey



SECTION 6: SEWER COST OF SERVICE

Following the same process as the analysis of the water system's cost of service, the sewer utility's cost of service is developed in this section based on the FY2025/26 budget, the District's capital improvement plan, and input from staff to produce rates that will be necessary to recover only the actual cost of the sewer service per parcel.

6.1 Sewer System Overview

The sewer utility's purpose is to collect, treat, and dispose of residential and commercial wastewater in an environmentally safe manner. This process is closely monitored by several State of California regulatory agencies to guarantee compliance with Federal and State mandates. The wastewater produced is collected in a series of gravity pipes and pumped from a single lift to the District's wastewater treatment plant (WWTP), which has an operating capacity of 0.25 million gallons per day (MGD). The WWTP consists of an oxidation ditch, sand filters, and disinfection, which produces effluent suitable to be used for golf course irrigation.

6.2 Revenues

The District's revenues consist of sewer service charges, interest income, effluent sales, and other miscellaneous income. Total projected sewer system revenues are about \$983,600 for FY2025/26, which includes a 15% rate increase going into effect April 1, 2026. Over the next five years, interest income is projected based on 5% of the District's beginning reserve fund balance each year. The District is currently working on renewing its California Title 22 permit which allows for the sale of recycled water. In a typical year, the golf course is required to use effluent from the wastewater treatment plant for irrigation before water from any other source. This requirement provides a steady source of income for the District. Revenues from effluent sales are expected to increase each year of the rate study period as the effluent rate increases. Other miscellaneous revenues are expected to remain constant at about \$4,500 each year. 15% rate revenue increases are proposed to go into effect each April 1 from 2026 through 2030 to fund the costs described below.

6.3 Expenses

6.3.1 Operating Costs

Operating costs estimates for the next five years are provided in Table 20. The sewer utility has the same cost categories as the water utility excluding water banking. Beginning in FY2026/27, costs are projected to escalate annually at the same percentages as costs for the water utility.

Table 20: Sewer Operating Expenses Projection

	Budget FY2025/26	Escalation Factor	Projected			
			FY2026/27	FY2027/28	FY2028/29	FY2029/30
Salaries	\$328,700	5%	\$345,100	\$362,400	\$380,500	\$399,500
Health Care Premiums	\$44,800	10%	\$49,300	\$54,200	\$59,600	\$65,600
Other Benefits	\$126,000	5%	\$132,300	\$138,900	\$145,800	\$153,100
Equipment	\$24,500	5%	\$25,700	\$27,000	\$28,400	\$29,800
Facilities & Grounds	\$7,500	5%	\$7,900	\$8,300	\$8,700	\$9,100
Operations	\$113,800	5%	\$119,500	\$125,500	\$131,800	\$138,400
Prof & Admin Services	\$290,500	5%	\$305,000	\$320,300	\$336,300	\$353,100
Electricity [1]	\$38,500	13%	\$43,500	\$45,700	\$48,000	\$50,400
Other Utilities	\$6,700	5%	\$7,000	\$7,400	\$7,800	\$8,200
Total Operating Expenses	\$981,000		\$1,035,300	\$1,089,700	\$1,146,900	\$1,207,200

1 - Electricity increase is 13% in FY2026/27 and 5% per year in the following years.

6.3.2 Sewer Capital Improvement Plan

The District has many necessary capital improvements (see Table 21), some of which have been deferred for many years. Some of the District’s most significant capital improvements in the five-year plan are SCADA, upgrading the headworks, and clarifier and trough recoating. The Sewer Fund obtained a loan from the General Fund for \$150,000 to complete SCADA improvements since the Sewer Fund did not have sufficient funds on hand. The remaining cost of \$100,000 needed for the SCADA improvements were paid by the Sewer Fund.

It is estimated that from FY2025/26 to FY2029/30, the District will incur about \$1.24 million in capital improvement costs. Any emergency repairs may have to be funded through transfers or loans from the District’s other funds since the Sewer Fund is currently operating at a deficit and does not have sufficient reserves to cover unexpected costs.

Table 21: Sewer System Capital Improvement Costs

Asset by Category	Budget	Projected				Total
	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	5-Year CIP
Aeration Tank Gearbox Replacement		\$17,500				\$17,500
Lift Station Rehab				\$30,000		\$30,000
SCADA [1]	\$100,000					\$100,000
Emergency Generator		\$15,000				\$15,000
Sand Filter Air Compressor			\$5,500			\$5,500
Headworks Upgrade to Mechanical Bar Screen					\$300,000	\$300,000
Clarifier / Trough Recoating	\$11,000		\$200,000			\$211,000
Golf Course Pumps	\$20,000				\$20,000	\$40,000
Tertiary Pumps	\$15,000	\$12,000				\$27,000
Underground Infrastructure: Sludge Bed Valves	\$6,000					\$6,000
Scum Pit Pump Replacements	\$12,000					\$12,000
Aeration Tank Rotor Brush	\$45,000					\$45,000
Sewer Mains		\$55,000				\$55,000
Treatment Plant					\$55,000	\$55,000
Flow Meter Replacement				\$40,000		\$40,000
Effluent Meter		\$9,000				\$9,000
Bobcat				\$40,000		\$40,000
Kubota 4x4 Quad		\$22,500				\$22,500
Financial Software	\$12,320					\$12,320
CCTV Camera Inspections		\$50,000			\$50,000	\$100,000
Wastewater master plan		\$100,000				\$100,000
Total	\$221,320	\$281,000	\$205,500	\$110,000	\$425,000	\$1,242,820

1 - SCADA total cost is about \$250,000, of which \$150,000 is being funded by a loan from the general fund.

6.3.3 Debt Service

The Sewer Fund has existing debt for a wastewater treatment plant development loan and a lease-purchase agreement for a Ford F-150 truck. Annual payments for the treatment plant development loan are about \$33,300, and the final payment will be in August 2032. The District has two payments of about \$12,300 and about \$13,400 remaining on the Ford F-150, with the final payment in October 2026. Additionally, the Sewer Fund recently obtained a loan from the General Fund to complete SCADA. The loan from the General Fund is expected to be paid back over five years at 3% interest. The Sewer Fund's total annual debt service payments vary each year but will average around \$64,600 over the five-year rate study period.

6.4 Reserves

The Sewer Fund reserve balance as of July 1, 2025 was about \$318,400. Similar to the Water Fund, it is recommended that the Sewer Fund maintain a balance equal to 50% of operating and maintenance costs plus annual debt service costs. The recommended fund target for FY2025/26 is about \$536,200, meaning existing reserves are below the target.

To mitigate rate impacts, it is proposed that sewer rates gradually increase over time. A consequence of this policy is that the Sewer Fund will operate at a loss in FY2025/26 and FY2026/27 and end FY2026/27 with a negative fund balance. The Sewer Fund will need to temporarily borrow \$135,000 from other District funds to cover costs. By FY2028/29 the inter-fund borrowing is projected to be repaid by the Sewer Fund. It is projected that the Sewer Fund will conclude the 5-year rate study period with about \$295,300 of cash reserves. This amount is less than the proposed target but reflects the improved financial health of the sewer utility.

6.5 Sewer Cash Flow Projection

Figure 6 and Table 22 provide the five-year cash flow spanning from FY2025/26 to FY2029/30. Over the five-year rate study period, 15% annual rate revenue increases are proposed to fund operating costs, capital costs, debt service, and rebuild reserves. Rate increases are proposed to take effect each April 1 from 2026 through 2030. The proposed rates and rate design are described in more detail in the following section.

Figure 6: Sewer Cash Flow Chart

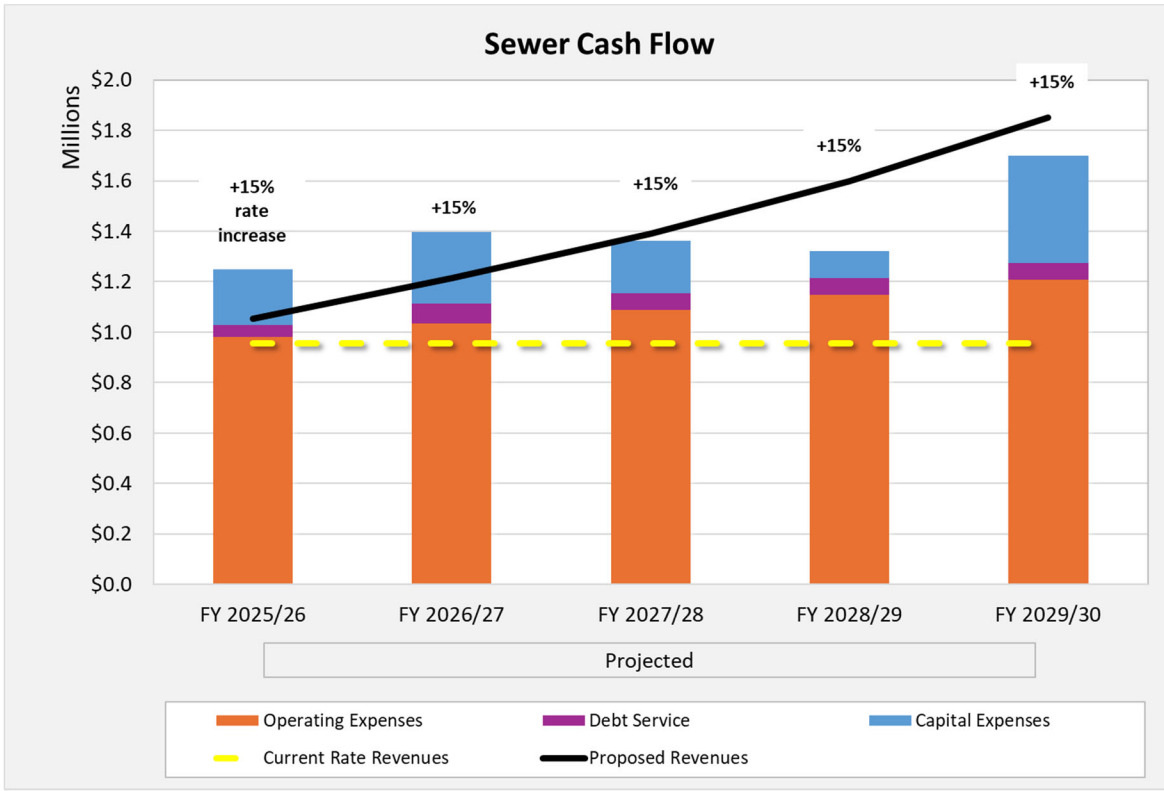


Table 22: Sewer Cash Flow Projection

	Budget	Projected			
	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
Rate Revenue Increase	15%	15%	15%	15%	15%
Effective Date	April 1, 2026	April 1, 2027	April 1, 2028	April 1, 2029	April 1, 2030
12 months of Rate Revenues with Increase	\$1,085,000	\$1,247,800	\$1,435,000	\$1,650,300	\$1,897,800
Beginning Fund Balance	\$318,409	\$54,000	(\$135,000)	(\$112,000)	\$156,300
REVENUES					
Interest Income	\$300	\$2,700	\$0	\$0	\$7,800
Res / Com Rates [1]	\$978,800	\$1,125,700	\$1,294,600	\$1,488,800	\$1,712,200
Effluent Sales [2]	\$0	\$73,900	\$85,100	\$97,800	\$112,500
All Other Revenue	<u>\$4,500</u>	<u>\$4,500</u>	<u>\$4,500</u>	<u>\$4,500</u>	<u>\$4,500</u>
Total Revenues	\$983,600	\$1,206,800	\$1,384,200	\$1,591,100	\$1,837,000
EXPENSES					
Operating & Maintenance					
Salaries	\$328,700	\$345,100	\$362,400	\$380,500	\$399,500
Health Care Premiums	\$44,800	\$49,300	\$54,200	\$59,600	\$65,600
Other Benefits	\$126,000	\$132,300	\$138,900	\$145,800	\$153,100
Equipment	\$24,500	\$25,700	\$27,000	\$28,400	\$29,800
Facilities & Grounds	\$7,500	\$7,900	\$8,300	\$8,700	\$9,100
Operations	\$113,800	\$119,500	\$125,500	\$131,800	\$138,400
Prof & Admin Services	\$290,500	\$305,000	\$320,300	\$336,300	\$353,100
Electricity	\$38,500	\$43,500	\$45,700	\$48,000	\$50,400
Other Utilities	<u>\$6,700</u>	<u>\$7,000</u>	<u>\$7,400</u>	<u>\$7,800</u>	<u>\$8,200</u>
Total Operating Expenses	\$981,000	\$1,035,300	\$1,089,700	\$1,146,900	\$1,207,200
Net Operating Revenues	\$2,600	\$171,500	\$294,500	\$444,200	\$629,800
Non-Operating Expenses					
Capital Projects	\$221,300	\$281,000	\$205,500	\$110,000	\$425,000
Debt Service	<u>\$45,700</u>	<u>\$79,500</u>	<u>\$66,000</u>	<u>\$65,900</u>	<u>\$65,800</u>
Total Non-Operating Expenses	\$267,000	\$360,500	\$271,500	\$175,900	\$490,800
Total Expenses	\$1,248,000	\$1,395,800	\$1,361,200	\$1,322,800	\$1,698,000
Net Revenues	(\$264,400)	(\$189,000)	\$23,000	\$268,300	\$139,000
Ending Fund Balance	\$54,000	(\$135,000)	(\$112,000)	\$156,300	\$295,300
Reserve Funds [3]					
Proposed Target Reserve	\$536,200	\$583,600	\$583,700	\$597,500	\$611,800
Target Met?	no	no	no	no	No
Debt Service Coverage Ratio					
Coverage Ratio (Target =1.25x)	0.06	2.16	4.46	6.74	9.57
Target Met?	yes	yes	yes	yes	yes

1 - Rate revenues are pro-rated each fiscal year to reflect April 1 rate increases.

2 - There are currently no effluent sales while permit is being renewed.

3 - Proposed target reserve is equal to 6 months of average operating costs and debt service costs for each fiscal year.

SECTION 7: SEWER COST ALLOCATION

The prior section determined the total cost of providing sewer service to customers. In this section, the cost of service is allocated to rates to fairly recover costs based on how customers use the system, and in any event not to exceed the proportional cost of the sewer service attributable to each parcel.

7.1 Methodology

The revenue requirements of the Sewer Fund and the determination of the sewer flows and loadings of the wastewater utility provide the basis for performing the cost of service analysis. The concept of proportionate allocation to each customer class indicates that allocations should take into consideration the quantity of effluent a customer contributes in addition to the pollutant strength of that sewer effluent.

The key factors used to assign sewer utility costs are estimated effluent (flow) going to the wastewater treatment plant and effluent strengths, measured in biochemical oxygen demand (BOD) and total suspended solids (TSS). Higher levels of BOD or TSS equate to increased treatment costs. The total revenue requirement shown in the wastewater cash flow projection (Table 22) is the net cost of providing service and is allocated to the following categories: (1) customer service, (2) flow, (3) BOD, and (4) TSS. These allocations are then used as the basis to develop unit rates for each of the four parameters and to assign costs to each customer class in proportion to the sewer services rendered.

7.2 Proposed Cost Allocation

Table 23 provides the results of the cost allocation analysis. Projected sewer operating expenses are allocated to the customer service, flow, BOD, and TSS parameters with FY2025/26 serving as the test year. The customer service category is intended to recover costs associated with general utility management and administration that do not vary significantly with the amount of wastewater discharged into the sewer system. The flow, BOD, and TSS categories are intended to recover costs more closely associated with operations, maintenance, and infrastructure that vary based on the amount and the strength of wastewater discharged into the system. The assignments are based on industry standard estimates. Customer service costs total about \$178,100. Of the remaining costs, 78.1% is allocated to flow, 11.0% to BOD, and 11.0% to TSS.

Table 23: Sewer Cost Allocation

Expenses	Budget FY2025/26	Flow	BOD	TSS	Customer Service
Operating Expenses					
Salaries & Benefits	\$328,700	50%	20%	20%	10%
Equipment	\$24,500	20%	40%	40%	0%
Facilities & Grounds	\$7,500	60%	20%	20%	0%
Operations	\$113,800	60%	20%	20%	0%
Prof & Admin Services	\$290,500	50%	0%	0%	50%
Utilities	<u>\$38,500</u>	<u>100%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Subtotal O&M	\$803,500	\$425,780	\$99,800	\$99,800	\$178,120
Non-Operating Expenses					
Capital Projects (5-year Avg)	\$215,700	<u>100%</u> \$215,700	<u>0%</u> \$0	<u>0%</u> \$0	<u>0%</u> \$0
Debt Service (5-year Avg)	\$68,574	<u>100%</u> \$68,574	<u>0%</u> \$0	<u>0%</u> \$0	<u>0%</u> \$0
Total Sewer Expenses	\$1,087,774	\$710,054	\$99,800	\$99,800	\$178,120
Total Cost Allocation		78.1%	11.0%	11.0%	

SECTION 8: SEWER RATE DESIGN

The cost of service allocation calculated the revenue requirements for the cost parameters of customer service, flow, BOD, and TSS. The next step is rate design which determines how those revenue requirements are collected from each class based on their estimated impact on the sewer system.

8.1 Sewer Rate Design Considerations

Sewer rates in California are typically charged as either a fixed charge per equivalent dwelling unit (EDU), a volume rate charged per unit of wastewater flow, or as a combination of both fixed and volume rates. The District's current rate structure includes a fixed charge for all residential customers and a volume rate for commercial customers. It is proposed that residential customers continue to be billed a fixed charge with a new, separate category for multi-family customers. Commercial customers are proposed to be charged a base fee that includes a base amount of flow in addition to a volume rate for flow above the amount included in the base fee.

For residential customers, fixed sewer charges provide revenue stability, are easy for customers to understand, and are straightforward to bill. Moreover, residential customers are a relatively homogeneous group with no significant variations in sewage strength between different types of homes, and peak water usage by residential customers tends not to affect sewer discharge because it occurs in summer months for irrigation needs. By contrast, commercial sewer flow varies widely based on the type and size of business and strength characteristics vary significantly between different types of businesses (i.e., an office versus a restaurant). Thus, including a variable component per unit of water used is an appropriate rate structure for commercial customers.

8.2 Sewer Rate Design

8.2.1 Proposed Residential Rate Design

Currently, each residential dwelling unit is assigned the same sewer rate regardless of whether it is a single family or multi-family dwelling unit. It is proposed that the residential customer class be subdivided, with single family residential and multi-family residential being split into two separate residential customer classes. The multi-family class will consist of condominium dwelling units but could also include townhouses, apartments, or accessory dwelling units should any connect in the future. The proposed fixed fee per dwelling unit for multi-family customers will be lower, reflecting lower monthly winter water usage for multi-family customers in comparison to single family customers.

8.2.2 Proposed Commercial Rate Design

The District's current commercial sewer rate structure is proposed to be updated to more closely align with how customers use the system. It is proposed that commercial customers be divided into classes based on sewer strength. The proposed classes are low strength, domestic/medium strength, and high strength. Customers that fall into the low strength category include restrooms, offices, and retail while high strength customers include restaurants and mixed-use facilities as seen in Table 24. The District

currently has two commercial customers that are classified as low strength and two that are classified as high strength. The District does not have any commercial customers that would be classified as domestic/medium strength. Domestic/medium strength customers would include landuses such as schools, churches, and hospitals. The proposed commercial rate structure consists of two components – a base fee and a flow rate. The base fee will be a fixed amount each month which will vary based on the estimated wastewater strength of each customer class. The base fee will include flow of up to 8 HCF per month consistent with the average flow of one single family dwelling unit. The proposed flow rates will be billed per HCF to all flows above the first 8 HCF included in the base fee.

Table 24: Commercial Account Classifications

Commercial Sewer Account Classifications	
Description	Flow Class
Golf Course Restroom	Low
Marina Restroom	Low
Mixed use: Golf Pro Shop & Mulligan Room Restaurant	High
Mixed use: BVSA Office, Oak Branch Saloon, Oaks Restaurant & Banquet room	High

8.2.3 Sewer Flow & Loading Estimates

The number of customer accounts and sewer flows are shown on the following page in Table 25. Single family residential flows are estimated as 8 HCF per dwelling unit per month. Multi-family residential flows are estimated as 6 HCF per dwelling unit per month. Residential and commercial flows are estimated based on billed winter water flows to approximate indoor water usage. Pollutant loads consist of biochemical oxygen demand (BOD) and total suspended solids (TSS). The BOD and TSS strength factors, which are expressed as milligrams per liter (mg/L), are based on industry standard estimates.

A reduction is applied to the total estimated commercial flows and pollutant loads based on data from the District’s two sewer credit accounts in its billing system, which are associated with the high strength commercial customers. Sewer credit accounts are used to track irrigation water usage, which does not enter the wastewater treatment plant and should not be billed the sewer flow rates.

Table 25: Sewer Flow & Loading Characteristics

Customer Wastewater Loading Characteristics							
Description	Accounts	Gallons per Day	HCF/year	BOD (mg/L)	TSS (mg/L)	BOD (lbs)	TSS (lbs)
<u>Residential</u>							
Single Family	423	80,370	39,218	154	137	37,677	33,518
Multi Family	64	9,600	4,684	154	137	4,500	4,004
<u>Commercial</u>							
Low	2	105	51	120	110	38	35
Domestic/Medium	0	0	0	154	137	0	0
High	2	5,871	2,865	1,000	600	17,873	10,724
High Strength Credit	NA	(2,832)	(1,382)	1,000	600	(8,621)	(5,173)
Total	491	93,114	45,437			51,467	43,107

8.2.4 Unit Cost Calculation

As noted in the cost allocation, sewer rates are determined based on customer service costs as well as the amount of wastewater flow and pollutants discharged into the sewer system. Table 26 provides the unit cost calculation for the customer service, flow, BOD, and TSS cost categories. The total amount of proposed rate revenue for one full year under the proposed FY2025/26 rates (taken from Table 22) is divided between customer service costs and the flow and strength allocation percentages developed in in Table 23. The revenue requirement for each cost category is then divided by the appropriate billing units to calculate a unit charge. For the customer service category, the number of billing units is equal to the number of residential dwelling units and commercial accounts from Table 7. For the flow, BOD, and TSS categories, the number of billing units is the flows and pollutant loads in Table 25.

Table 26: Unit Cost Calculation

Cost Allocation	Total	Customer Service	Flow	BOD	TSS
Cost Allocation %			78.1%	11.0%	11.0%
FY2025/26 Revenue Requirement	\$1,085,000	\$178,120	\$707,900	\$99,500	\$99,500
Billing Units		491	45,437	51,467	43,107
		Accounts/Dwelling Units	HCF/year	lbs/year	lbs/year
Rate		\$30.23	\$15.58	\$1.93	\$2.31
		\$/month	\$/HCF	\$/lb	\$/lb

8.3 Sewer Rate Derivation

8.3.1 Flow Charge Derivation

The sewer flow for each class are derived in Table 27 based on the flow, BOD, and TSS unit costs shown in Table 26. The strength characteristics shown in Table 25 for each customer class are applied to the BOD and TSS unit costs from Table 26 to calculate a strength charge per HCF. The total proposed flow charge per HCF is the sum of the flow, BOD, and TSS rates for each strength category.

Table 27: FY2025/26 Flow Charge Derivation

	Flow (HCF)	BOD (lbs)	TSS (lbs)	Flow Fee (\$/HCF)
Unit Cost	\$15.58	\$1.93	\$2.31	
Low Strength				
Billing Units		120	110	
Sewer Rate	\$15.58	\$1.44	\$1.59	\$18.61
Domestic/Medium Strength				
Billing Units		154	137	
Sewer Rate	\$15.58	\$1.85	\$1.97	\$19.40
High Strength				
Billing Units		1000	600	
Sewer Rate	\$15.58	\$12.04	\$8.65	\$36.27

8.3.2 Monthly Fixed or Base Fee Derivation

Table 28 details the fixed fee derivation for the first year of the rate study using the customer service unit cost from Table 26 and the flow charges derived in Table 27. It is proposed that customer service costs be recovered through a fixed portion of the monthly bill that is applied to all customer classes equally.

For residential customers, the monthly flow charge is added to the customer service portion of the bill to calculate a proposed fixed monthly charge. The single family flow charge is calculated based on 8 HCF of flow per month, while the multi-family flow charge is calculated based on 6 HCF of flow per month. The rate for both residential customer classes is calculated using the domestic strength flow charges.

For each commercial strength category, the monthly base fee includes the customer service fee and the flow charge for 8 HCF of monthly flow. It is proposed that any additional discharge of sewer flow above 8 HCF per month be billed according to the flow charges calculated above.

Table 28: FY2025/26 Sewer Fixed or Base Fee Derivation

	Customer Service (\$/mo)	Flow (HCF)	BOD (lbs)	TSS (lbs)	Total (\$/mo)
Unit Cost	\$30.23	\$15.58	\$1.93	\$2.31	
Residential (per dwelling unit)					
Single Family					
Billing Units		8	154	137	
Sewer Rate	\$30.23	\$124.64	\$14.83	\$15.79	\$185.49
Multi-Family (Condos)					
Billing Units		6	154	137	
Sewer Rate	\$30.23	\$93.48	\$11.12	\$11.85	\$146.68
Commercial Base Fee (up to 8 HCF)					
Low Strength					
Billing Units		8	120	110	
Sewer Rate	\$30.23	\$124.64	\$11.56	\$12.68	\$179.11
Domestic/Medium Strength					
Billing Units		8	154	137	
Sewer Rate	\$30.23	\$124.64	\$14.83	\$15.79	\$185.49
High Strength					
Billing Units		8	1000	600	
Sewer Rate	\$30.23	\$124.64	\$96.32	\$69.17	\$320.36

8.4 Proposed 5-Year Schedules of Sewer Rates

A summary of the proposed monthly rates for the next five years is provided in Table 29 for all customer classes. As described in the rate derivation provided herein, the proposed rates will be necessary to recover only the actual proportional cost of sewer service attributable to each parcel.

It is proposed that the new rate structure go into effect April 1, 2026, with subsequent increases each April 1 through 2030. If additional connections are built out in the District, then the increased rates for the sewer services fees calculated in this study will also apply to them. For the first rate change, the rate impacts to each customer do not exactly align with the proposed overall revenue percentage increase shown in the cash flow projection (Table 22) due to the updated rate structure design and reconfiguration of the unit cost components used to calculate the rates. Following the first increase in FY2025/26, the percentage change for each customer class for each year will align with the percentage increase shown in the cash flow projection.

Table 29: Proposed Sewer Rates

	CURRENT	PROPOSED				
		FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
<i>% Increase</i>		Varies	15%	15%	15%	15%
Effective Date		Apr 1, 2026	Apr 1, 2027	Apr 1, 2028	Apr 1, 2029	Apr 1, 2030
RESIDENTIAL (per dwelling unit)						
Single Family	\$154.00	\$185.49	\$213.31	\$245.31	\$282.11	\$324.43
Multi-Family (condominiums and accessory dwelling units)	\$154.00	\$146.68	\$168.68	\$193.98	\$223.08	\$256.54
COMMERCIAL (Base Fee up to 8 HCF)						
Low Strength	n/a	\$179.11	\$205.98	\$236.88	\$272.41	\$313.27
Domestic/Medium Strength	n/a	\$185.49	\$213.31	\$245.31	\$282.11	\$324.43
High Strength	n/a	\$320.36	\$368.41	\$423.67	\$487.22	\$560.30
COMMERCIAL (\$/HCF)	(All units)	(For usage over 8 HCF)				
Low Strength	\$43.00	\$18.61	\$21.40	\$24.61	\$28.30	\$32.55
Domestic/Medium Strength	\$43.00	\$19.40	\$22.31	\$25.66	\$29.51	\$33.94
High Strength (restaurant or mixed use)	\$43.00	\$36.27	\$41.71	\$47.97	\$55.17	\$63.45

HCF = one hundred cubic feet; 1 HCF = 748 gallons

The amount of sewer flow for commercial customers is based on total metered water use less estimated irrigation use.

Low strength – standalone restrooms, retail, offices

Domestic/medium strength – churches, schools, hospitals

High strength – bakeries, restaurants, and restaurants w/other mixed use development

8.5 Sewer Bill Impacts

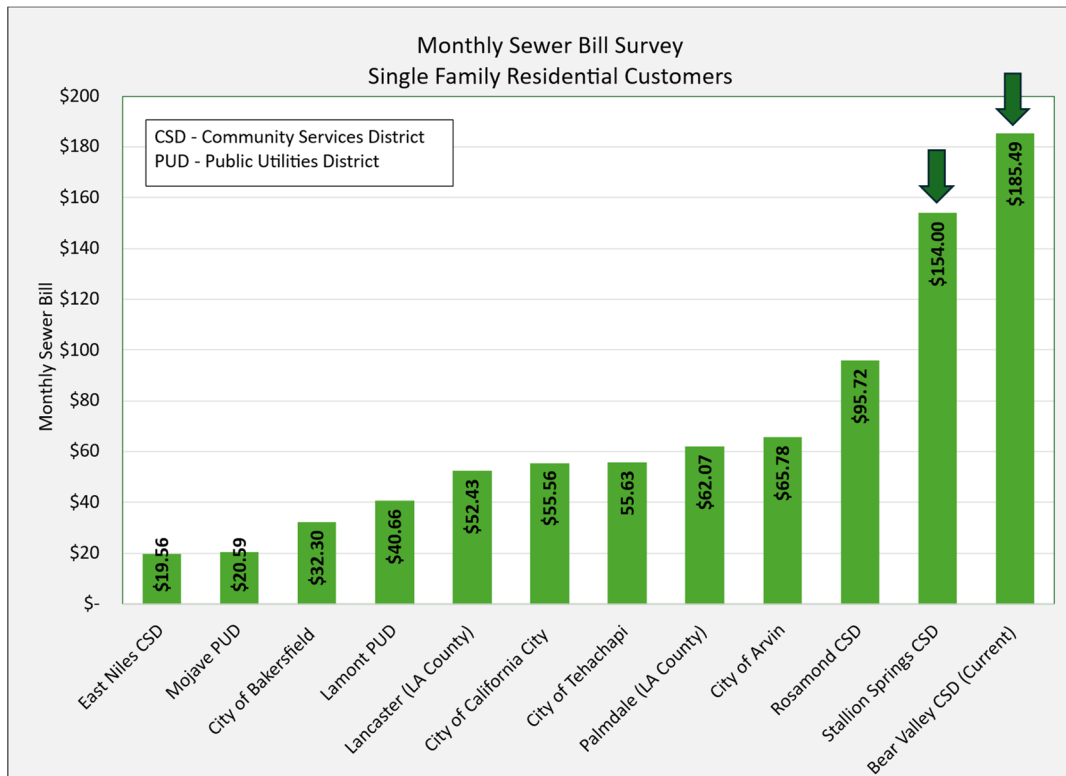
Table 30 provides bill impacts for single family residential customers.

Table 30: Sewer Bill Impacts

	Current	Proposed Monthly Sewer Bill				
		Apr 1, 2026	Apr 1, 2027	Apr 1, 2028	Apr 1, 2029	Apr 1, 2030
Single Family Residence	\$154.00	\$185.49	\$213.31	\$245.31	\$282.11	\$324.43
\$ Change		\$31.49	\$27.82	\$32.00	\$36.80	\$42.32
% Change		20%	15%	15%	15%	15%

Under the proposed rates, the monthly sewer bill for single family residential customers will increase from \$154.00 to \$185.49, an increase of \$31.49 or 20%. Figure 7 compares the District’s current and proposed April 1, 2026 monthly single family residential sewer bill with other local agencies.

Figure 7: Monthly Sewer Bill Survey



SECTION 9: SOLID WASTE COST OF SERVICE

The solid waste utility's cost of service is developed in this section based on the FY2025/26 budget, the District's capital improvement plan, and input from staff to produce rates that will be necessary to recover only the actual cost of the solid waste service per parcel.

9.1 Solid Waste System Overview

BVCSD operates a solid waste transfer station, a facility where municipal waste is collected and temporarily held before being hauled to the landfill. The transfer station provides areas for disposal of refuse, recyclables, green waste, and horse manure. The waste is collected and hauled to the Kern County Solid Waste landfill by USA Waste. Currently, the District operates under a Medium Size Transfer Station permit which allows for 99 tons of waste per day.

9.2 Revenues

Solid Waste Enterprise revenues consist of solid waste service charges, interest income, and other revenues. Total projected revenues are about \$1.07 million for FY2025/26 including a rate increase effective April 1, 2026. Over the next five years, interest income is projected based on 5% of the District's beginning reserve fund balance each year. Rate revenue increases are proposed to go into effect each April 1 from 2026 through 2030 to fund the costs described below.

9.3 Expenses

9.3.1 Operating Costs

Operating cost estimates for the next five years are provided in Table 31. Expenses include salaries and benefits, equipment, facilities & grounds, waste hauling, other operations, professional and administrative services, and utilities. The waste hauling expense is the cost paid to USA Waste for the collection and hauling of the waste collected at the transfer station. The hauling cost is based on the actual number of bins hauled in the 2024/25 fiscal year and the current cost per bin as shown in Table 32. Beginning in FY2026/27, operating costs, with the exception of health care premiums, are expected to increase 5% each year.

Table 31: Solid Waste Operating Expense Projection

	Budget	Escalation	Projected			
	FY2025/26	Factor	FY2026/27	FY2027/28	FY2028/29	FY2029/30
Salaries	\$165,000	5%	\$173,300	\$182,000	\$191,100	\$200,700
Health Care Premiums	\$21,000	10%	\$23,100	\$25,400	\$27,900	\$30,700
Other Benefits	\$57,500	5%	\$60,400	\$63,400	\$66,600	\$69,900
Equipment	\$11,600	5%	\$12,200	\$12,800	\$13,400	\$14,100
Facilities & Grounds	\$400	5%	\$400	\$400	\$400	\$400
Waste Hauling	\$266,100	5%	\$279,400	\$293,400	\$308,100	\$323,500
Manure Hauling	\$88,600	5%	\$93,000	\$97,700	\$102,600	\$107,700
Operations	\$62,400	5%	\$65,500	\$68,800	\$72,200	\$75,800
Prof & Admin Services	\$236,400	5%	\$248,200	\$260,600	\$273,600	\$287,300
Utilities	\$1,600	5%	\$1,700	\$1,800	\$1,900	\$2,000
Total Operating Expenses	\$910,600		\$957,200	\$1,006,300	\$1,057,800	\$1,112,100

Table 32: Solid Waste Hauling Costs

Solid Waste Hauling Costs					
Category	# of bins [1]		Cost per bin [2]	Total Cost per Category	% of total cost
Refuse	350	x	\$248.95	\$87,133	25%
Green Waste	380	x	\$248.95	\$94,601	27%
Manure	356	x	\$248.95	\$88,626	25%
All Recycle	144	x	\$585.55	\$84,319	24%
FY2024/25 Total				\$354,679	

1 – Bin hauling data is based on FY2024/25 hauling data

2 – Cost per bin is the current hauling cost as of FY2025/26

9.3.2 Solid Waste Capital Improvement Plan

As shown in Table 33, the District’s most significant upcoming capital improvement is repaving the transfer station area for storm water diversion. It is expected that 70% of the cost of repaving will be incurred by the Solid Waste Enterprise Fund, while the other 30% will be incurred by the Roads Enterprise Fund due to the location of paving. Other improvements include Stormwater Pollution Prevention Plan Upgrades in the current fiscal year (2025/26), and backhoe and loader equipment costs in FY2029/30.

Table 33: Solid Waste Capital Improvement Plan

Asset by Category	Budget	Proposed				Total
	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30	5-Year CIP
SWWP Upgrades	\$50,000					\$50,000
Backhoe					\$172,000	\$172,000
Loader					\$200,000	\$200,000
Block Wall		\$5,000				\$5,000
Storm Water Diversion Repaving [1]		\$262,220				\$262,220
Total	\$50,000	\$267,220	\$0	\$0	\$372,000	\$689,220

1 – Storm water diversion repaving is estimated based on a quote from Granite Construction. The total cost is expected to be split between the solid waste enterprise fund (70%) and the roads enterprise fund (30%).

9.4 Reserves

As of July 1, 2025, the Solid Waste Enterprise Fund balance was \$55,807. These reserves do not meet the recommended operating reserve target of 6 months of total operating costs which is equal to \$455,300 in FY2025/26. Adequate fund reserves protect the District when faced with unforeseen financial challenges such as emergency expenses and revenue deficits. Fund reserves are a critical tool that will allow the District to maintain its financial health and positive credit ratings, especially during emergencies. Moreover, funding can be drawn from reserves to supplement rate revenues lost during unexpected situations. Over the course of the rate study period, it is projected the solid waste fund will gradually rebuild reserve funds.

9.5 Solid Waste Cash Flow Projection

Figure 8 and Table 34 provide the cash flow projection for the next five years with proposed revenue increases. It is assumed that the first rate adjustment will go into effect April 1, 2026. This is a structural adjustment, introducing a separate manure charge. The rate for all other customers will remain the same at \$31/month. In the second year, rate revenue increases will go into effect for both the standard monthly fee and the manure charge. Revenues for each fiscal year are pro-rated to reflect April 1 rate increases.

Figure 8: Solid Waste Cash Flow Chart

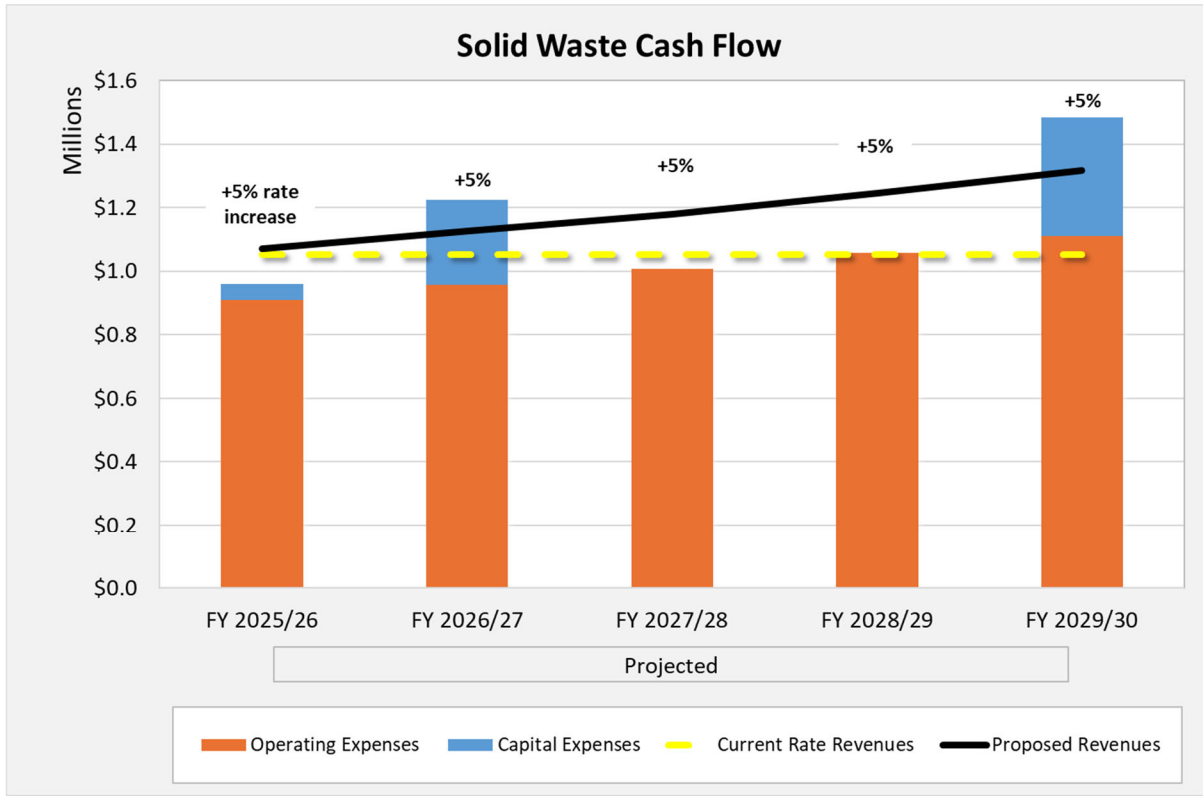


Table 34: Solid Waste Cash Flow Projection

	Budget	Projected			
	FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
Revenue Adjustment Effective Date	5% April 1, 2026	5% April 1, 2027	5% April 1, 2028	5% April 1, 2029	5% April 1, 2030
12 months of Rate Revenues with Increase	\$1,105,000	\$1,160,300	\$1,218,300	\$1,279,200	\$1,343,200
Beginning Fund Balance	\$55,807	\$167,207	\$70,500	\$243,000	\$431,400
REVENUES					
Interest Income	\$6,000	\$8,400	\$3,500	\$12,200	\$21,600
Solid Waste Fee [1]	\$1,065,500	\$1,118,800	\$1,174,800	\$1,233,500	\$1,295,200
All Other Revenue	<u>\$500</u>	<u>\$500</u>	<u>\$500</u>	<u>\$500</u>	<u>\$500</u>
Total Revenues	\$1,072,000	\$1,127,700	\$1,178,800	\$1,246,200	\$1,317,300
EXPENSES					
Operating & Maintenance					
Salaries	\$165,000	\$173,300	\$182,000	\$191,100	\$200,700
Health Care Premiums	\$21,000	\$23,100	\$25,400	\$27,900	\$30,700
Other Benefits	\$57,500	\$60,400	\$63,400	\$66,600	\$69,900
Equipment	\$11,600	\$12,200	\$12,800	\$13,400	\$14,100
Facilities & Grounds	\$400	\$400	\$400	\$400	\$400
Waste Hauling	\$266,100	\$279,400	\$293,400	\$308,100	\$323,500
Manure Hauling	\$88,600	\$93,000	\$97,700	\$102,600	\$107,700
Operations	\$62,400	\$65,500	\$68,800	\$72,200	\$75,800
Prof & Admin Services	\$236,400	\$248,200	\$260,600	\$273,600	\$287,300
Utilities	<u>\$1,600</u>	<u>\$1,700</u>	<u>\$1,800</u>	<u>\$1,900</u>	<u>\$2,000</u>
Total Operating Expenses	\$910,600	\$957,200	\$1,006,300	\$1,057,800	\$1,112,100
Net Operating Revenues	\$161,400	\$170,500	\$172,500	\$188,400	\$205,200
Non-Operating Expenses					
Capital Projects	\$50,000	\$267,220	\$0	\$0	\$372,000
Total Expenses	\$960,600	\$1,224,420	\$1,006,300	\$1,057,800	\$1,484,100
Net Revenues	\$111,400	(\$96,720)	\$172,500	\$188,400	(\$166,800)
Ending Fund Balance	\$167,207	\$70,500	\$243,000	\$431,400	\$264,600
Reserve Funds [2]					
Proposed Target Reserve	\$455,300	\$467,000	\$479,000	\$491,500	\$504,400
Target Met	no	no	no	no	no

1 – Rate revenues are pro-rated each fiscal year to reflect April 1 rate increases.

2 – Proposed target reserve is equal to 6 months of average operating costs.

SECTION 10: SOLID WASTE RATE DESIGN

The revenue requirements detailed in the previous section determine the amount of revenue to be recovered from customers. This section calculates proposed solid waste rates.

10.1 Solid Waste Rate Design

Currently, all customers are billed the same monthly fixed fee for access to the solid waste transfer station and are permitted to dispose of refuse, recycling, green waste, and manure. It is proposed that BVCS D develop a manure disposal program and implement a new manure fee. Participating customers can opt-in to the program, be charged an additional monthly fee, and be given a form of identification, such as a vehicle sticker, to indicate authorization to dispose of manure. BVCS D estimates that about 700 of the District’s 2,800 parcels will likely participate. All other non-participating customers will not be charged the manure disposal fee.

For April 1, 2026, it is proposed that the solid waste base fee remain the same at \$31.00 per month while the District initiates the new manure disposal fee. The proposed April 1, 2026 manure fee is \$10.55 calculated as the disposal cost of about \$88,600 (Table 32) divided by 700 customers divided by 12 months. Table 35 shows the calculation of solid waste rates for FY2026/27 (i.e. implemented April 1, 2027), the test year for the Solid Waste Enterprise ratemaking.

Table 35: Solid Waste Rate Calculation

Category	FY2026/27 Revenue Requirement [1]	# of customers	Monthly Rate
Solid Waste Disposal (base rate for all customers)	\$1,067,300	2,829	\$31.44
Manure Disposal (additional fee for participating customers)	<u>\$93,000</u>	700	\$11.08
Total Revenue Requirement (Table 34)	\$1,160,300		

1 – Revenue requirements for FY2026/27 are shown since this is the first year both the base monthly fee and manure charge will be in effect.

10.2 Proposed 5-Year Schedule of Solid Waste Rates

Table 36 on the following page provides the proposed solid waste rate changes for the next five years.

Table 36: Proposed Monthly Solid Waste Rates

	Current	PROPOSED				
		FY2025/26	FY2026/27	FY2027/28	FY2028/29	FY2029/30
% Increase		Varies	Varies	5%	5%	5%
Effective Date		Apr 1, 2026	Apr 1, 2027	Apr 1, 2028	Apr 1, 2029	Apr 1, 2030
SOLID WASTE BASE FEE	\$31.00	\$31.00	\$31.44	\$33.01	\$34.66	\$36.39
MANURE FEE		\$10.55	\$11.08	\$11.63	\$12.21	\$12.82

10.3 Solid Waste Bill Impacts

Table 37 provides solid waste bill impacts for single family residential customers and manure customers.

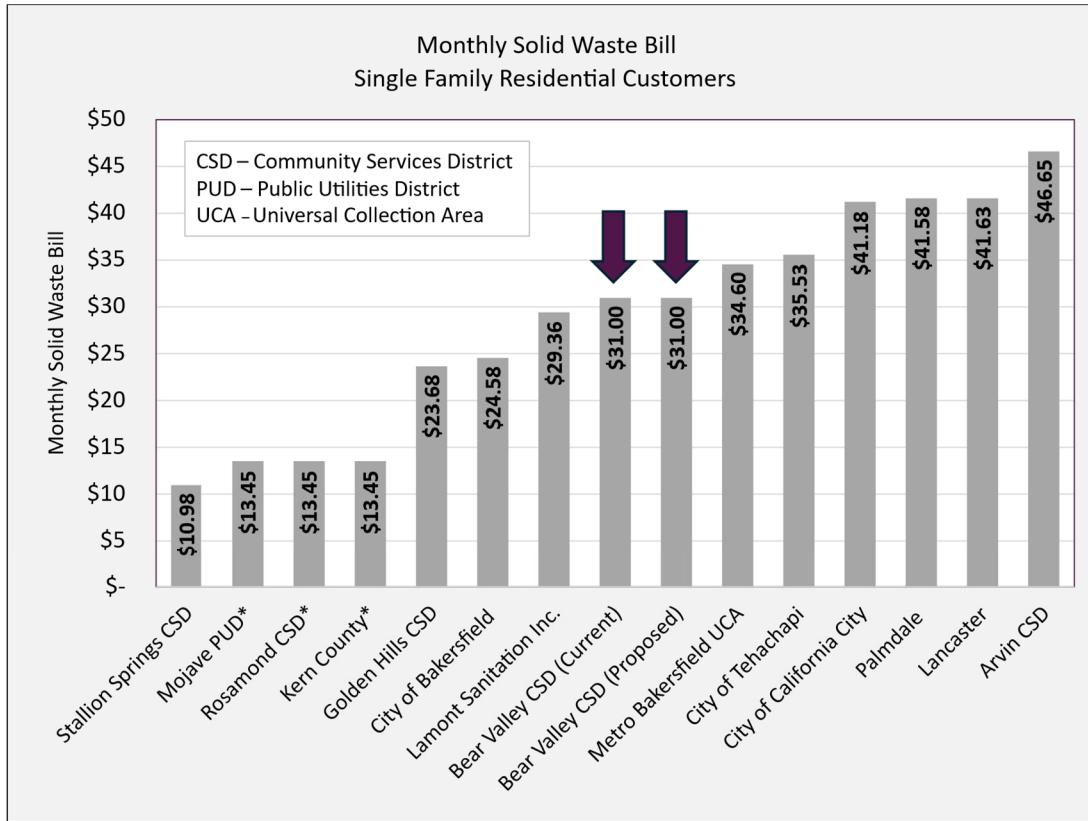
Table 37: Solid Waste Bill Impacts

	Current	Proposed Monthly Solid Waste Bill				
		Apr 1, 2026	Apr 1, 2027	Apr 1, 2028	Apr 1, 2029	Apr 1, 2030
Single Family Residence	\$31.00	\$31.00	\$31.44	\$33.01	\$34.66	\$36.39
\$ Change		\$0.00	\$0.44	\$1.57	\$1.65	\$1.73
% Change		0%	1%	5%	5%	5%
Manure Customers		\$10.55	\$11.08	\$11.63	\$12.21	\$12.82
\$ Change	n/a	\$10.55	\$0.53	\$0.55	\$0.58	\$0.61
% Change		n/a	5%	5%	5%	5%

10.3.1 Residential Solid Waste Rate Survey

Figure 9 compares the District’s current and proposed April 1, 2026 monthly solid waste bill with other local agencies. It should be noted that the agencies surveyed have varying types of solid waste services including three cart pickup and transfer station dumping. See Table 4 for a description of services for surveyed agencies.

Figure 9: Solid Waste Bill Survey



10.4 Combined Bill Impacts

Table 38 provides combined monthly water, sewer, and solid waste single family residential bill impacts over the five-year rate study period. Under the proposed April 1, 2026 rates, the average residential combined bill will increase by \$49.70 or 16%.

Many customers are on a septic system and therefore do not use the sewer system. Table 39 provides the combined bill impacts for water and solid waste single family residential customers. For the average residential customer who does not receive BVCSO sewer service, the combined monthly bill will increase by \$18.21 or about 12% on April 1, 2026 compared to the current bill.

Table 38: Combined Single Family Residential Bill Impacts (Water, Sewer, and Solid Waste)

	Current	Proposed				
		April 1, 2026	April 1, 2027	April 1, 2028	April 1, 2029	April 1, 2030
Utility						
Water (9HCF)	\$124.96	\$143.17	\$161.74	\$182.77	\$206.55	\$233.42
Sewer	\$154.00	\$185.49	\$213.31	\$245.31	\$282.11	\$324.43
<u>Solid Waste</u>	<u>\$31.00</u>	<u>\$31.00</u>	<u>\$31.44</u>	<u>\$33.01</u>	<u>\$34.66</u>	<u>\$36.39</u>
Total Bill	\$309.96	\$359.66	\$406.49	\$461.09	\$523.32	\$594.24
<i>\$ Change</i>		\$49.70	\$46.83	\$54.60	\$62.23	\$70.92
<i>% Change</i>		16%	13%	13%	13%	14%

HCF – hundred cubic feet

The proposed solid waste fee does not include manure disposal.

Table 39: Combined Single Family Residential Bill Impacts (Water and Solid Waste)

	Current	Proposed				
		April 1, 2026	April 1, 2027	April 1, 2028	April 1, 2029	April 1, 2030
Utility						
Water (9HCF)	\$124.96	\$143.17	\$161.74	\$182.77	\$206.55	\$233.42
<u>Solid Waste</u>	<u>\$31.00</u>	<u>\$31.00</u>	<u>\$31.44</u>	<u>\$33.01</u>	<u>\$34.66</u>	<u>\$36.39</u>
Total Bill	\$155.96	\$174.17	\$193.18	\$215.78	\$241.21	\$269.81
<i>\$ Change</i>		\$18.21	\$19.01	\$22.60	\$25.43	\$28.60
<i>% Change</i>		12%	11%	12%	12%	12%

HCF – hundred cubic feet

The proposed solid waste fee does not include manure disposal.