

Oceano Community Services District Water Rate Analysis

July 2025

July 2025

Water Rate Analysis - Oceano Community Services District (OCSD)

Purpose

The purpose of this report is to summarize the “Revenue Requirements” needed to fund the operations, maintenance, capital and other costs of the OCSD water system and to determine an increase in water rates needed to generate those revenues. It provides reasons for the proposed rate increase and the basis for the calculations used to develop the proposed rate increase, which include but are not limited to, the following:

- Reasons for the proposed rate increase include the following:
 - To generate revenues necessary to cover the District’s capital improvement program costs in the Water Fund, including recovering from deferred maintenance of the system.
 - To provide sufficient funding to pay for the total costs of providing water service, including anticipated increases to the District’s Lopez and State Water Supply costs to the customers of OCSD, as well as escalating labor and construction costs.
 - To provide sufficient funding to maintain a minimum reserve balance of at least three months (90 days) cash needs, capital reserves, and emergency reserves.
- The basis for calculations includes the following:
 - The current 2024-25 Water Fund budget.
 - A proforma projection of increased water rates in covering system expenses and reserve requirements throughout the five-year rate period.
 - The 2025 Financial and Rate Setting Policies

Background

The OCSD was created in 1981 and provides potable water to the residential, commercial and public customers in the community. Oceano is located in the unincorporated area on the south coast of San Luis Obispo County, adjacent to the cities of Grover Beach and Arroyo Grande. The OCSD encompasses approximately 1,150 acres with elevations ranging from sea level to approximately 100 ft. The OCSD water enterprise serves approximately 2,200 connections with a population of approximately 7,700. The system consists of two water storage and treatment tanks, two active groundwater wells, and twenty-two miles of pipeline that can deliver from both of the District’s surface water supplies.

Sources of Water Supply

The OCSD water supply includes the following three sources.

- 900 acre feet per year of groundwater supply is allocated to OCSD from the Northern Cities Management Area (NCMA) of the Santa Maria Valley Groundwater Basin. The groundwater basin is managed based on stipulations resulting from adjudication of the basin. The NCMA is encouraging reductions in groundwater pumping due to concerns over groundwater levels, and the safe yield may be reduced in the future.
- 303 acre feet per year of surface supply is allocated from Lopez Dam and Reservoir, which is owned and operated by the San Luis Obispo County Flood Control and Water Conservation District (Flood Control District). Actual deliveries can be increased when “surplus water” is available, and they can be decreased during droughts and for other reasons that reduce the supply of available water. Future reductions in availability and increases in supply are anticipated during this rate period as a result of on-going Endangered Species Act litigation.
- 750 acre feet per year of surface water supply is allocated from the State Water Project (SWP). The SWP is owned and operated by the State of California Department of Water Resources (DWR) and delivered based on contracts with the Flood Control District. DWR is delivering 40% of the statewide allocations in 2025. The Flood Control District has been able to provide supplies greater than the DWR allocation, but concerns exist over the reliability of the SWP and its ability to provide supplies on an annual basis. Additionally, the Delta Conveyance Project is anticipated to continue to move forward and add to ongoing State Water procurement costs.

In summary, each of the OCSD water supplies are not reliable on their own, but the entire portfolio is crucial and provides a very reliable water supply to meet the needs of the community.

Current Rate Structure

The current rate structure consists of two components: a bi-monthly base charge and a volume charge that is tiered. The current rates are reflected in the table below:

		<u>Bi-Monthly</u> <u>Rates</u>
Single Family Residential Base Charge		\$77.69
Multi Family Residential Base Charge		\$58.27
Non-Residential Base Charge		
	5/8	\$86.74
	3/4	\$105.62
	1	\$161.59
	1&1/2	\$291.87
	2	\$453.33
	3	\$721.37
	4	\$1,225.44
	6	\$1,910.57
Volume Charges		
	per unit	per unit
	0-6 units	\$4.19
	7+ units	\$8.65
Other:		
	Hydrant Meter	\$8.65
	Out of Area Charge	\$12.34

The current rate structure was established in 2020, without further action, these rates will sunset in July 2025 and this would have a negative effect on revenues as consumption is unlikely to returned to pre-drought levels, and sourcing costs along with labor and construction are all anticipated to increase significantly over the rate period. The following chart shows annual consumption since 2011.

Total Water Use in Acre Feet

<u>Year</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
	852	838	888	807	703	672	718	725	680

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
744	717	645	629	611

Revenue Requirements

A review of the OCSD revenue requirements is a key step in the rate design process. The review includes an analysis of annual operating revenues under the current rates, operation and maintenance expenses, capital expenditures, transfers between funds, and reserve requirements. This section of the report provides a discussion on projected revenues, O&M, capital expenditures, the capital improvement financing plan, the 2025 Financial and Rate Setting Policies, and revenue adjustments required to ensure the fiscal sustainability of the Water Fund.

Revenues from Current Rates

The current water rate structure consists of two components: a bi-monthly base rate (differentiated between residential Single-Family Residence and Multi-Family and non-residential customers) and a volume charge (which is tiered for all customers). The proposed 2025-2030 rates will consist of the same components.

O&M, Source of Supply, and Capital Expenses

The Fiscal Year 2024-25 budget and a list of escalation factors assumed inflation rate of 4% for the study period were used as the basis for projecting O&M costs shown in **Exhibit 1**.

The Source of Supply costs are pass-through wholesale water costs billed directly by the Flood Control District annually for the wholesale costs of supplying Lopez water and State water as shown on **Exhibit 2**. Fiscal Year 2024-25 budget wholesale costs are projected for each year of the study period and provide for future costs, such as the Delta Conveyance Project and the increased costs related to the Lopez Dam litigation are expected during the rate study. Provisions of Government Code 53756 will be utilized to pass-through the actual wholesale costs of the Source of Supply.

The OCSD has a long-term capital improvement plan (CIP) which documents necessary projects over the next ten years. The CIP is attached as **Exhibit 4** to this report. The CIP will be funded through a combination of pay-as-you-go, grant, and debt financed projects. The rates needed to fund the CIP will be phased in over ten fiscal years, beginning with \$230,046 in Fiscal Year 2025-26, \$265,000 in Fiscal Year 2026-27, and \$310,000 in Fiscal Year 2027-28, \$350,000 in Fiscal Year 2028-29, and \$400,000 in Fiscal Year 2029-30 as shown in **Exhibit 3**.

Reserve Requirements

Currently, the OCSD has a reserve balance of \$2,522,776 in the Water Fund. This represents approximately 9 months of total operating expenses. The OCSD hereby establishes a minimum reserve target of 3 months of total expenses to meet cashflow requirements. This reserve requirement only ensures the working capital to support the operation, maintenance, and administration of the Water Fund. Establishing other reserves for emergencies, rate stabilization, capital, or other purposes are being proposed at this time with the 2025 financial and rate setting policies. A good practice for an agency our size, located near active earthquake faults, with level of assets owned and maintained by OCSD, would be to keep two million dollars in emergency reserves.

Proposed Financial Plan

A pro forma projection with the proposed rates is presented in **Exhibit 12**. To ensure that the Water Fund will have adequate revenues to fund operating costs and capital expenditures, it is proposed that the OCSD adjust revenues by implementing a phased increase in the rates to meet the Revenue Requirement for Fiscal Year 2025-26 through 2029-30. The base rate would be increased each year per the following schedule (8%, 8%, 9%, 8%, 8%). Pass-through and escalation costs of the wholesale water supplies are incorporated into the rate structure. These proposed revenue adjustments would occur upon adoption of the rate ordinance and subsequent annual adjustments with each July billing period. The proposed revenue adjustments would enable the OCSD to fund O&M, complete the planned capital projects, and maintain emergency and operating reserves above the minimum reserve levels.

Rate Design

Proposition 218 (California Constitution Article 13D) states that:

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

Proposition 218 ensures that water rates cannot be “arbitrary and capricious”, meaning that the rate setting methodology must be sound and that there must be a nexus between costs and the rate charge. The OCSD ensures that all aspects of Proposition 218 are followed and that it creates rates that charge customers equitably. To keep up with the ever-changing legal requirements related to Proposition 218 and case law, the OCSD is making changes to its rate design to ensure compliance with Proposition 218. These include:

1. The bi-monthly base charge for Single Family Residence, Multi-Family, and Non-Residential.
2. Tying the cost of Tier 1 directly to the wholesale cost of the Lopez water supply.
3. Tying the cost of Tier 2 directly to the wholesale cost of the State water supply.
4. Including all reserve requirements, O/M, labor, and anticipated future capital costs in the rate structure.

For this analysis, consumption and peaking characteristics of customers as well as water supplies of the OCSD were analyzed to appropriately allocate costs between customer classes. O&M expenses and Capital Expenditures are predominantly fixed costs and are the basis for the bi-monthly base charge. To reflect the differing maintenance, peaking, and storage

demands of the customer classes, the bi-monthly base charge is allocated between Residential and Non-Residential customer classes. The Residential customer class is further allocated between Single-family (SFR) and Multi-family (MFR) which is currently 75% of the SFR rate will increase to 80% based on the historical usage since 2021. The Non-Residential customer class is further allocated based on meter size by historical cost ratio allocation percentages.

The cost of the wholesale water supply for Lopez and State water is the basis for consumption or volumetric charge. Tier 1 (0-6 CCF) is tied directly to the wholesale cost of the Lopez water supply. Tier 2 (above 6 CCF) is tied directly to the wholesale cost of the State water supply. These charges are applied equally to all customer classes.

Water Rate Methodology

The following table breaks down the customer classes by accounts, dwelling/non-residential units, and unit equivalents:

	Accounts	Units	Unit Equivalents
SFR	1,890	1,890	1,890
MFR	210	1,234	987
Non-Residential	155	171	539
Total	2,255	3,295	3,416

An annual increase of 0.67% in unit equivalents is assumed as the growth rate. The Multi-family base charge was 75% of the SFR charge and will increase to 80% in the proposed rates and the Non-Residential base charge is set off the SFR charge using the cost ratios for each meter size. Meters that serve multiple residential units from a single meter are charged the Multi-family base charge for each unit. Meters that serve multiple non-residential units from a single meter are charged the non-residential base charge for each unit.

The following table shows the volumetric or consumption charge calculation for Lopez water (Tier 1) and State Water (Tier 2):

	Tier 1 Lopez Water	Tier 2 State Water
	(0-6 CCF)	(above 6 CCF)
Annual Cost in 2023	\$608,933	\$1,222,913
Usage in CCF (unit)	131,987	130,793
Cost per CCF (unit)	\$4.61	\$9.35
FY 2025-26 Rate	\$4.61	\$9.35

OCSD has a water supply contract with the Flood Control District for 303 acre feet annually from Lopez reservoir. This equates to 131,987 CCF which is used every year and provides between 50% and 40% of OCSD total water usage. This allotment provides each customer with up to 6 CCF bi-monthly. OCSD also has a water supply contract with the Flood Control District for up to 750 acre feet annually from the State Water Project. The rate for State Water

is determined by taking the annual cost of State Water and dividing it by the total annual water sales minus the Lopez water sales (131,987 CCF). This rate is then applied to all usage above 6 CCF. The proposed rates are set below the cost of service for FY 2025-26 which incorporate appropriate adjustments throughout the 5 year rate period.

Other charges are included in the table, below:

Description	Charge
Meter Testing Charge	\$150 per test Refunded if meter reads fast
Out of District Administrative Charge	\$11.98 per dwelling/non-residential unit
Hydrant Meter Charges	\$9.35 per unit of water
Backflow Preventer Inspection Charge	Actual costs from the County for the backflow preventer inspection program will be passed through to those properties with backflow preventers

Exhibit 12 shows the combined water rate summary for the five-year period of this Rate Analysis.

Water Rate Comparison

Exhibit 12 provides a comparison of the OCSD current and proposed water rates to other Community Services Districts and Cities in the county. The comparison shows the SFR rates at the current average usage of 12 CCF.

Pass-Through Costs

This Rate Analysis also provides for the following adjustments that are allowable in the future under State Laws¹ governing water rate increases.

- An increase (or decrease) that is based on charges for wholesale water charges.
- Notices of any adjustments will be provided at least 30 days before the increases will go into effect as required by California Government Code Section 53756.

The adjustments shall not cause water system revenues to exceed the cost of providing water service to the community.

¹ Government Code Section 53755

**Oceano CSD
Water Rate Study
Revenue Requirement Summary
Exhibit 1**

	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32	FY 2032/33	FY 2033/34
Revenue										
Rate Revenues	\$3,285,243	\$3,307,254	\$3,329,413	\$3,351,720	\$3,374,176	\$3,396,783	\$3,419,542	\$3,442,453	\$3,465,517	\$3,488,736
Non-Operating Revenues	161,823	136,692	139,142	140,408	143,597	147,271	154,065	160,737	166,100	172,278
Add'l Revenue from Adj.	0	264,580	554,014	909,576	1,258,858	1,640,419	1,879,602	2,105,582	2,343,097	2,592,697
Total Revenues	\$3,447,066	\$3,708,526	\$4,022,569	\$4,401,704	\$4,776,631	\$5,184,473	\$5,453,209	\$5,708,771	\$5,974,714	\$6,253,712
Expenses										
O&M	\$3,122,621	\$3,348,086	\$3,537,250	\$3,938,560	\$4,150,934	\$4,377,154	\$4,373,686	\$4,579,553	\$4,795,200	\$5,021,096
Transfers	56,075	58,598	61,235	63,991	66,551	69,213	71,981	74,860	77,855	80,969
Debt Service	0	0	0	0	0	0	0	0	0	0
Rate Funded Capital	155,000	230,046	265,000	310,000	350,000	400,000	450,000	500,000	575,000	650,000
Reserve Funding	113,370	71,796	159,084	89,153	209,147	338,107	557,542	554,358	526,660	501,647
Total Revenue Requirement	\$3,447,066	\$3,708,526	\$4,022,569	\$4,401,704	\$4,776,631	\$5,184,473	\$5,453,209	\$5,708,771	\$5,974,714	\$6,253,712
Bal. / Def.) of Funds	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Avg Res Bi-Monthly Bill (12 CCF)	\$156.29	\$168.69	\$180.47	\$203.09	\$216.72	\$231.39	\$241.80	\$251.47	\$261.53	\$271.99
Total Ending Balance	\$2,736,745	\$2,550,196	\$2,720,737	\$2,772,310	\$3,015,658	\$3,307,087	\$3,910,022	\$4,500,161	\$4,958,922	\$5,498,698
<i>Total Target</i>	<i>\$769,961</i>	<i>\$825,556</i>	<i>\$872,199</i>	<i>\$971,152</i>	<i>\$1,023,518</i>	<i>\$1,079,298</i>	<i>\$1,078,443</i>	<i>\$1,129,205</i>	<i>\$1,182,378</i>	<i>\$1,238,078</i>

Oceano CSD
 Water Rate Study
 Exhibit 2
 Escalation Factors

		FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32	FY 2032/33	FY 2033/34
Revenues											
Customer Growth			0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%
Misc Revenues			0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%	0.67%
Expenses											
Salaries	Budgeted		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Benefits - Medical	Budgeted		4.5%	4.5%	4.5%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Benefits - Other	Budgeted		4.5%	4.5%	4.5%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Professional Srvc	Budgeted		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Materials & Supplies	Budgeted		4.0%	4.0%	4.0%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
Equipment	Budgeted		4.5%	4.5%	4.5%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Miscellaneous	Budgeted		3.5%	3.5%	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
Utilities	Budgeted		4.5%	4.5%	4.5%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Insurance	Budgeted		9.5%	9.5%	9.5%	7.5%	7.5%	7.5%	4.5%	4.5%	4.5%
Flat	Budgeted		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Rate Revenue Adj	0.0%		8.0%	8.0%	9.0%	8.0%	8.0%	4.5%	4.0%	4.0%	4.0%
Purchased Water - Lopez	Budgeted		10.0%	10.0%	10.0%	10.0%	10.0%	5.0%	5.0%	5.0%	5.0%
Purchased Water - State Water	Budgeted		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
General Expenses	Budgeted		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
CIP Inflation	0.0%		4.0%	4.0%	4.0%	3.5%	3.5%	3.5%	3.0%	3.0%	3.0%
Interest		2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
New Debt Service											
<i>Low Interest Loans</i>											
Term in Years		20	20	20	20	20	20	20	20	20	20
Rate		3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
<i>Revenue Bond</i>											
Term in Years		20	20	20	20	20	20	20	20	20	20
Rate		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

	<i>Budget</i>	<i>Projected</i>									<i>Notes</i>
	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32	FY 2032/33	FY 2033/34	
Revenues											
<i>Rate Revenues</i>											
All Customers	\$3,285,243	\$3,307,254	\$3,329,413	\$3,351,720	\$3,374,176	\$3,396,783	\$3,419,542	\$3,442,453	\$3,465,517	\$3,488,736	As Customer Growth
Total Rate Revenues	\$3,285,243	\$3,307,254	\$3,329,413	\$3,351,720	\$3,374,176	\$3,396,783	\$3,419,542	\$3,442,453	\$3,465,517	\$3,488,736	
<i>Non-Operating Revenues</i>											
Interest	\$51,373	\$25,502	\$27,207	\$27,723	\$30,157	\$33,071	\$39,100	\$45,002	\$49,589	\$54,987	Calculated
Delinquent Fees	70,750	71,224	71,701	72,182	72,665	73,152	73,642	74,136	74,632	75,132	As Misc Revenues
New Account Setup Fees	6,000	6,040	6,081	6,121	6,162	6,204	6,245	6,287	6,329	6,372	As Misc Revenues
Courtesy Notices Fees	3,700	3,725	3,750	3,775	3,800	3,826	3,851	3,877	3,903	3,929	As Misc Revenues
Wheeling Fees	25,000	25,168	25,336	25,506	25,677	25,849	26,022	26,196	26,372	26,549	As Misc Revenues
Other Revenues	5,000	5,034	5,067	5,101	5,135	5,170	5,204	5,239	5,274	5,310	As Misc Revenues
Total Non-Operating Revenues	\$161,823	\$136,692	\$139,142	\$140,408	\$143,597	\$147,271	\$154,065	\$160,737	\$166,100	\$172,278	
Total Revenues	\$3,447,066	\$3,443,946	\$3,468,555	\$3,492,128	\$3,517,773	\$3,544,054	\$3,573,607	\$3,603,190	\$3,631,617	\$3,661,015	
Expenses											
Salaries & Benefits	\$396,370	\$416,189	\$436,998	\$458,848	\$481,790	\$505,880	\$531,174	\$557,732	\$585,619	\$614,900	As Salaries
Admin Allocation	660,921	687,358	714,852	743,446	773,184	804,111	836,276	869,727	904,516	940,697	As General Expenses
Services & Supplies	347,076	362,694	379,016	396,071	411,914	428,391	445,526	463,347	481,881	501,157	As Utilities
Water Supply - Lopez (Pass through)	553,575	608,933	669,826	736,808	810,489	891,538	936,115	982,921	1,032,067	1,083,670	As Purchased Water - Lopez
Water Supply - State (Pass through)	1,164,679	1,222,913	1,284,059	1,348,262	1,415,675	1,486,458	1,560,781	1,638,820	1,720,761	1,806,799	As Purchased Water - State Water
Total Expenses	\$3,122,621	\$3,298,086	\$3,484,750	\$3,683,435	\$3,893,052	\$4,116,378	\$4,309,872	\$4,512,548	\$4,724,845	\$4,947,223	
Future O&M											
Additional FTEs	\$0	\$50,000	\$52,500	\$55,125	\$57,881	\$60,775	\$63,814	\$67,005	\$70,355	\$73,873	As Salaries
Delta Conveyance	0	0	0	200,000	200,000	200,000	0	0	0	0	
Total Future O&M	\$0	\$50,000	\$52,500	\$255,125	\$257,881	\$260,775	\$63,814	\$67,005	\$70,355	\$73,873	
Total Operations & Maintenance	\$3,122,621	\$3,348,086	\$3,537,250	\$3,938,560	\$4,150,934	\$4,377,154	\$4,373,686	\$4,579,553	\$4,795,200	\$5,021,096	

	<i>Budget</i>	<i>Projected</i>									<i>Notes</i>
	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32	FY 2032/33	FY 2033/34	
Transfers											
Equipment Fund	\$56,075	\$58,598	\$61,235	\$63,991	\$66,551	\$69,213	\$71,981	\$74,860	\$77,855	\$80,969	As Equipment
Total Transfers	\$56,075	\$58,598	\$61,235	\$63,991	\$66,551	\$69,213	\$71,981	\$74,860	\$77,855	\$80,969	
Debt Service											
Existing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
New SRF Loans	0	0	0	0	0	0	0	0	0	0	Calc @ 3% for 20 Yrs
New Revenue Bonds	0	0	0	0	0	0	0	0	0	0	Calc @ 5% for 20 Yrs
Total Debt Service	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Rate Funded Capital	\$155,000	\$230,046	\$265,000	\$310,000	\$350,000	\$400,000	\$450,000	\$500,000	\$575,000	\$650,000	
Reserve Funding											
To/(From) Operating Reserve	\$13,370	\$6,796	\$9,084	\$4,153	\$9,147	\$3,107	\$32,542	\$29,358	\$1,660	\$11,647	
To/(From) Capital Reserve	100,000	65,000	150,000	285,000	400,000	535,000	525,000	525,000	525,000	490,000	
Delta Conveyance Funding	0	0	0	(200,000)	(200,000)	(200,000)	0	0	0	0	
Total Reserve Funding	\$113,370	\$71,796	\$159,084	\$89,153	\$209,147	\$338,107	\$557,542	\$554,358	\$526,660	\$501,647	
Total Revenue Requirement	\$3,447,066	\$3,708,526	\$4,022,569	\$4,401,704	\$4,776,631	\$5,184,473	\$5,453,209	\$5,708,771	\$5,974,714	\$6,253,712	
Bal/(Def.) of Funds	\$0	(\$264,580)	(\$554,014)	(\$909,576)	(\$1,258,858)	(\$1,640,419)	(\$1,879,602)	(\$2,105,582)	(\$2,343,097)	(\$2,592,697)	

	<i>Budget</i>	<i>Projected</i>									<i>Notes</i>	
	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32	FY 2032/33	FY 2033/34		
Avg Res Bi-Monthly Bill (12 CCF)	\$156.29											
After Proposed Rate Adjustment	\$156.29	\$168.69	\$180.47	\$203.09	\$216.72	\$231.39	\$241.80	\$251.47	\$261.53	\$271.99		
\$ Change		12.40	11.77	22.63	13.63	14.67	10.41	9.67	10.06	10.46		
Cumulative Change		12.40	24.18	46.80	60.43	75.10	85.51	95.18	105.24	115.70		
Reserve Funds												
Beginning Balance	\$2,532,941	\$2,736,745	\$2,550,196	\$2,720,737	\$2,772,310	\$3,015,658	\$3,307,087	\$3,910,022	\$4,500,161	\$4,958,922		
<i>Operating Reserve</i>												
Beginning Balance	\$1,257,941	\$1,271,311	\$1,278,107	\$1,287,190	\$1,291,343	\$1,300,490	\$1,303,597	\$1,336,139	\$1,365,497	\$1,367,157		
Plus: Additions	13,370	6,796	9,084	4,153	9,147	3,107	32,542	29,358	1,660	11,647		
Less: Uses of Funds	0	0	0	0	0	0	0	0	0	0		
Ending Balance	\$1,271,311	\$1,278,107	\$1,287,190	\$1,291,343	\$1,300,490	\$1,303,597	\$1,336,139	\$1,365,497	\$1,367,157	\$1,378,805		
<i>Target: 90 days of O&M</i>	<i>\$769,961</i>	<i>\$825,556</i>	<i>\$872,199</i>	<i>\$971,152</i>	<i>\$1,023,518</i>	<i>\$1,079,298</i>	<i>\$1,078,443</i>	<i>\$1,129,205</i>	<i>\$1,182,378</i>	<i>\$1,238,078</i>		
<i>Capital Reserve</i>												
Beginning Balance	\$1,275,000	\$1,465,434	\$1,272,090	\$1,433,547	\$1,480,967	\$1,715,168	\$2,003,490	\$2,573,883	\$3,134,664	\$3,591,765		
Plus: System Connection Fees	90,434	91,040	91,650	92,264	92,882	93,504	94,131	94,762	95,396	96,036		As Customer Growth
Plus: Additions	100,000	65,000	150,000	285,000	400,000	535,000	525,000	525,000	525,000	490,000		
Less: Uses of Funds	0	(349,384)	(80,193)	(329,844)	(258,681)	(340,182)	(48,738)	(58,981)	(163,295)	(57,907)		
Ending Balance	\$1,465,434	\$1,272,090	\$1,433,547	\$1,480,967	\$1,715,168	\$2,003,490	\$2,573,883	\$3,134,664	\$3,591,765	\$4,119,894		
Total Ending Balance	\$2,736,745	\$2,550,196	\$2,720,737	\$2,772,310	\$3,015,658	\$3,307,087	\$3,910,022	\$4,500,161	\$4,958,922	\$5,498,698		
<i>Total Target</i>	<i>\$769,961</i>	<i>\$825,556</i>	<i>\$872,199</i>	<i>\$971,152</i>	<i>\$1,023,518</i>	<i>\$1,079,298</i>	<i>\$1,078,443</i>	<i>\$1,129,205</i>	<i>\$1,182,378</i>	<i>\$1,238,078</i>		

Oceano CSD
 Water Rate Study
 Exhibit 4
 Capital Improvement Plan

	Project No.	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32	FY 2032/33	FY 2033/34	Total
Capital Improvements												
Cabrillo Hwy and Front St	1-2	\$135,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$135,000
22nd Street at Paso Robles St	1-3	0	79,430	0	0	0	0	0	0	0	0	79,430
Truman Dr	1-4	85,750	0	0	0	0	0	0	0	0	0	85,750
Railroad St Alley (Truman to Air Park)	1-5	330,010	0	0	0	0	0	0	0	0	0	330,010
Strand Way (South of Utah)	1-7	79,525	0	0	0	0	0	0	0	0	0	79,525
Laguna Dr Alley (South of Utah)	1-8	46,450	0	0	0	0	0	0	0	0	0	46,450
Utah Ave Alley (Between Strand Way and Utah)	1-10	66,925	0	0	0	0	0	0	0	0	0	66,925
Pershing Dr across Hwy 1	1-11	0	0	0	0	139,708	0	0	0	0	0	139,708
Pier Ave (Lakeside to Hwy 1)	2-1	\$0	\$0	\$0	\$439,844	\$0	\$0	\$0	\$0	\$0	\$0	439,844
Norswing Dr Loop (North of Pier)	2-2	0	0	0	0	0	0	0	0	738,295	0	738,295
Railroad Street (Creek to 17th)	2-3	0	0	345,193	0	0	0	0	0	0	0	345,193
Creek Road (Sand Dollar to Railroad)	2-4	0	0	0	0	187,768	0	0	0	0	0	187,768
16th St at Warner St.	2-5	0	0	0	0	0	380,582	0	0	0	0	380,582
14th St at Wilmar Ave.	2-6	0	0	0	0	0	159,600	0	0	0	0	159,600
Vista St (19th to 21st)	2-7	0	0	0	0	0	0	0	210,606	0	0	210,606
Warner St (19th to 21st)	2-8	0	0	0	0	0	0	0	210,606	0	0	210,606
South 4th St Upgrade	2-9	0	0	0	0	81,205	0	0	0	0	0	81,205
Temple St and Halcyon Rd	2-10	0	0	0	0	0	0	498,738	0	0	0	498,738
La Verne Avenue (22nd to 23rd)	3-1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$232,017	232,017
23rd Street at Wilmar Ave.	3-2	0	0	0	0	0	0	0	137,770	0	0	137,770
18th St at Wilmar Ave.	3-3	0	0	0	0	0	0	0	0	0	26,370	26,370
Laguna Dr Alley (Utah to Juanita)	3-4	0	0	0	0	0	0	0	0	0	449,520	449,520
Utah Ave Alley (Between York and Utah)	3-5	0	0	0	0	0	0	0	0	0	0	0
Rochelle Way Loop	3-6	0	0	0	0	0	0	0	0	0	0	0
Security Ct at Sunset Ln	3-7	0	0	0	0	0	0	0	0	0	0	0
21st St at River Ave.	3-8	0	0	0	0	0	0	0	0	0	0	0
La Vista Ct at The Pike	3-9	0	0	0	0	0	0	0	0	0	0	0
Lancaster Dr at The Pike	3-10	0	0	0	0	0	0	0	0	0	0	0
Trinidad Dr at Martinique	3-11	0	0	0	0	0	0	0	0	0	0	0
Tank 2 Rehab		0	500,000	0	0	0	0	0	0	0	0	500,000
Total Capital Improvements		\$743,660	\$579,430	\$345,193	\$439,844	\$408,681	\$540,182	\$498,738	\$558,981	\$738,295	\$707,907	\$5,560,911

<i>Project No.</i>	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30	FY 2030/31	FY 2031/32	FY 2032/33	FY 2033/34	Total
Future Unidentified Projects	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
To Capital Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Capital Improvement Projects	\$743,660	\$579,430	\$345,193	\$439,844	\$408,681	\$540,182	\$498,738	\$558,981	\$738,295	\$707,907	\$5,560,911
Less: Outside Funding Sources											
Operating Reserve	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital Reserve	0	299,384	30,193	79,844	8,681	90,182	0	8,981	113,295	7,907	638,467
System Connection Fees	0	50,000	50,000	50,000	50,000	50,000	48,738	50,000	50,000	50,000	448,738
Grant Funded	588,660	0	0	0	0	0	0	0	0	0	588,660
New SRF Loans	0	0	0	0	0	0	0	0	0	0	0
New Revenue Bonds	0	0	0	0	0	0	0	0	0	0	0
Total Outside Funding Sources	\$588,660	\$349,384	\$80,193	\$129,844	\$58,681	\$140,182	\$48,738	\$58,981	\$163,295	\$57,907	\$1,675,865
Rate Funded Capital	\$155,000	\$230,046	\$265,000	\$310,000	\$350,000	\$400,000	\$450,000	\$500,000	\$575,000	\$650,000	\$3,885,046

DRAFT

Oceano CSD
 Water Rate Study
 Exhibit 5
 Commodity Distribution Factor

	Test Period Consumption (CCF)	4.5% Unaccounted ^[1]	Net Water Delivered (Flow + Losses)	Total Consumption (MGD)	Class Total % of Total
Tier 1	131,987	5,939	137,926	0.28	
Tier 2	130,755	5,884	136,639	0.28	
	262,742	11,823	274,565	0.56	0.0%
			Water Production^[2]	0.56	

Notes

[1] - Estimated

[2] - Water Supply estimated based on the District's 2023 Water Quality Report

Factor

(COM)

Oceano CSD
 Water Rate Study
 Exhibit 6
 Customer Distribution Factor

	<i>Actual Customer</i>		<i>Customer Service & Acctng.</i>	
	Number of Meters	% of Total	Number of Equiv. Units ^[1]	% of Total
Single Family	1,890	83.8%	1,890	55.3%
Multi-Family	210	9.3%	987	28.9%
Non-Residential	155	6.9%	539	15.8%
Total	2,255	100.0%	3,416	100.0%

Notes

[1] - Multi-Family living units adjusted to 80% to reflect the proportion of a average single family unit consumption. Non-Residential adjusted based on equivalency factor.

Factor (AC) (WCA)

Oceano CSD
 Water Rate Study
 Exhibit 7
 Revenue Related Distribution Factor

	Projected FY 2025/26	% of Total
All Customers	\$3,307,254	100.0%
<i>Total Rate Revenues</i>	<i>\$3,307,254</i>	<i>100.0%</i>
<i>Factor</i>		<i>(RR)</i>

DRAFT

	FY 2025/26	Commodity (COM)	Capacity (CAP)	Customer Related		Revenue Related (RR)	Direct Assign. (DA)	Basis of Classification
				Actual Customer (AC)	Cust. Acctg. (WCA)			
Expenses								
Salaries & Benefits	\$416,189	\$0	\$0	\$0	\$416,189	\$0	\$0	0.0% AC 100.0% WCA
Admin Allocation	687,358	0	0	0	687,358	0	0	0.0% AC 100.0% WCA
Services & Supplies	362,694	0	0	0	362,694	0	0	0.0% AC 100.0% WCA
Water Supply - Lopez (Pass through)	608,933	0	0	0	0	0	608,933	100.0% DA
Water Supply - State (Pass through)	1,222,913	0	0	0	0	0	1,222,913	100.0% DA
Total Expenses	\$3,298,086	\$0	\$0	\$0	\$1,466,241	\$0	\$1,831,845	
Future O&M								
Additional FTEs	\$50,000	\$0	\$0	\$0	\$50,000	\$0	\$0	0.0% AC 100.0% WCA
Delta Conveyance	0	0	0	0	0	0	0	100.0% DA
Total Future O&M	\$50,000	\$0	\$0	\$0	\$50,000	\$0	\$0	
Total Operations & Maintenance	\$3,348,086	\$0	\$0	\$0	\$1,516,241	\$0	\$1,831,845	
Transfers								
Equipment Fund	\$58,598	\$0	\$0	\$0	\$58,598	\$0	\$0	0.0% AC 100.0% WCA
Total Transfers	\$58,598	\$0	\$0	\$0	\$58,598	\$0	\$0	
Debt Service								
Existing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0.0% AC 100.0% WCA
New SRF Loans	0	0	0	0	0	0	0	0.0% AC 100.0% WCA
New Revenue Bonds	0	0	0	0	0	0	0	0.0% AC 100.0% WCA
Total Debt Service	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Rate Funded Capital	\$230,046	\$0	\$0	\$0	\$230,046	\$0	\$0	0.0% AC 100.0% WCA
Reserve Funding								
To/(From) Operating Reserve	\$6,796	\$0	\$0	\$0	\$6,796	\$0	\$0	0.0% AC 100.0% WCA
To/(From) Capital Reserve	65,000	0	0	0	65,000	0	0	0.0% AC 100.0% WCA
Delta Conveyance Funding	0	0	0	0	0	0	0	100.0% DA
Total Reserve Funding	\$71,796	\$0	\$0	\$0	\$71,796	\$0	\$0	
Total Revenue Requirement	\$3,708,526	\$0	\$0	\$0	\$1,876,681	\$0	\$1,831,845	
Less: Non-Operating Revenues								
Interest	\$25,502	\$0	\$0	\$0	\$25,502	\$0	\$0	As Total Rev Req less DA
Delinquent Fees	71,224	0	0	0	71,224	0	0	As Total Rev Req less DA
New Account Setup Fees	6,040	0	0	0	6,040	0	0	As Total Rev Req less DA
Courtesy Notices Fees	3,725	0	0	0	3,725	0	0	As Total Rev Req less DA
Wheeling Fees	25,168	0	0	0	25,168	0	0	As Total Rev Req less DA
Other Revenues	5,034	0	0	0	5,034	0	0	As Total Rev Req less DA
Total Non-Operating Revenues	\$136,692	\$0	\$0	\$0	\$136,692	\$0	\$0	
Net Revenue Requirement	\$3,571,834	\$0	\$0	\$0	\$1,739,989	\$0	\$1,831,845	

	FY 2025/26	All Customers		Notes
		Tier 1	Tier 2	
Expenses				
Salaries & Benefits	\$0	\$0	\$0	
Admin Allocation	0	0	0	
Services & Supplies	0	0	0	
Water Supply - Lopez (Pass through)	608,933	608,933	0	
Water Supply - State (Pass through)	1,222,913	0	1,222,913	
Total Expenses	\$1,831,845	\$608,933	\$1,222,913	
Future O&M				
Additional FTEs	\$0	\$0	\$0	
Delta Conveyance	0	0	0	
Total Future O&M	\$0	\$0	\$0	
Total Operations & Maintenance	\$1,831,845	\$608,933	\$1,222,913	
Transfers				
Equipment Fund	\$0	\$0	\$0	
Total Transfers	\$0	\$0	\$0	
Debt Service				
Existing	\$0	\$0	\$0	
New SRF Loans	0	0	0	
New Revenue Bonds	0	0	0	
Total Debt Service	\$0	\$0	\$0	
Rate Funded Capital	\$0	\$0	\$0	
Reserve Funding				
To/(From) Operating Reserve	\$0	\$0	\$0	
To/(From) Capital Reserve	0	0	0	
Delta Conveyance Funding	0	0	0	
Total Reserve Funding	\$0	\$0	\$0	
Total Revenue Requirement	\$1,831,845	\$608,933	\$1,222,913	
Less: Non-Operating Revenues				
Interest	\$0	\$0	\$0	
Delinquent Fees	0	0	0	
New Account Setup Fees	0	0	0	
Courtesy Notices Fees	0	0	0	
Wheeling Fees	0	0	0	
Other Revenues	0	0	0	
Total Non-Operating Revenues	\$0	\$0	\$0	
Net Revenue Requirement	\$1,831,845	\$608,933	\$1,222,913	

Oceano CSD
 Water Rate Study
 Exhibit 9
 Distribution of Revenue Requirement - COM, CAP, & DA

		All Customers		Factor
		Tier 1	Tier 2	
Commodity	\$0	\$0	\$0	COM
Capacity	\$0	\$0	\$0	CAP
Direct Assign.	\$1,831,845	\$608,933	\$1,222,913	
Net Revenue Requirement	\$1,831,845	\$608,933	\$1,222,913	

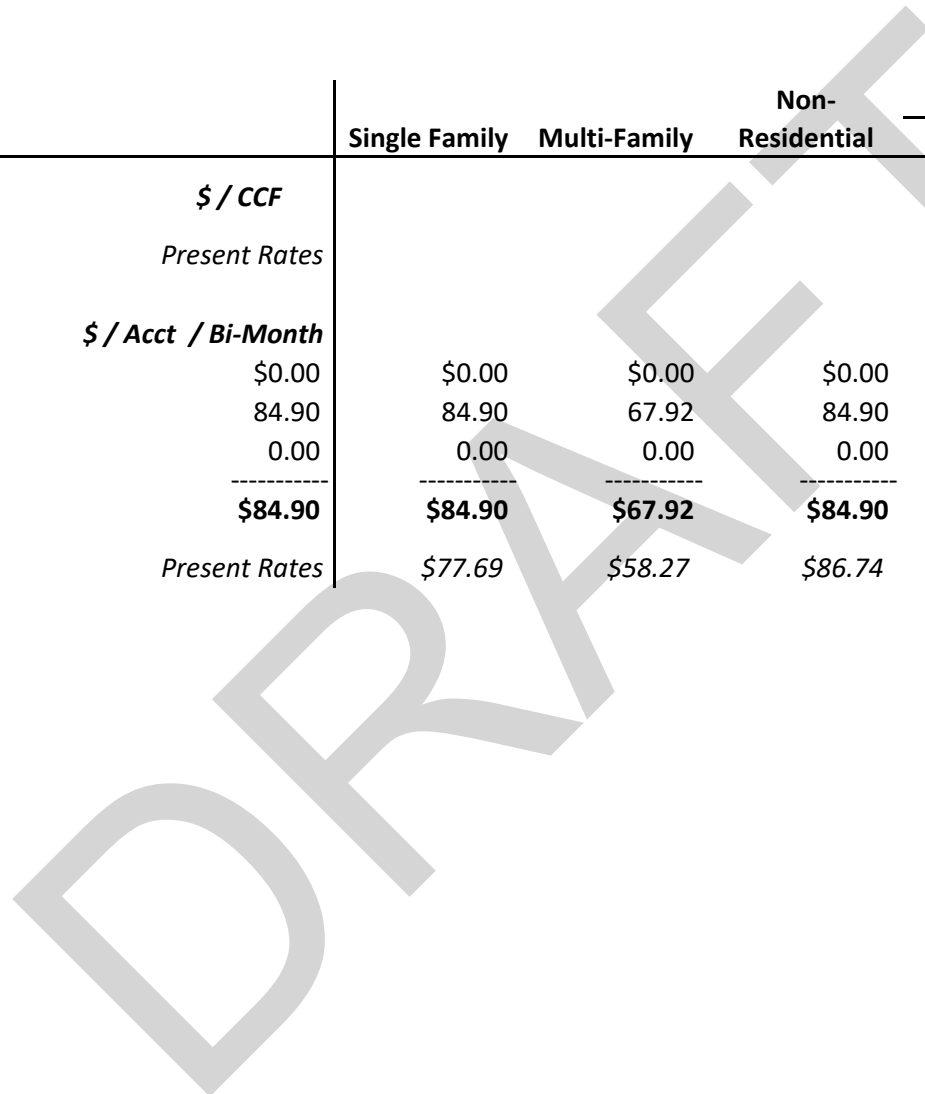
DRAFT

Oceano CSD
 Water Rate Study
 Exhibit 10
 Distribution of Revenue Requirement

	Total	Single Family	Multi-Family	Non-Residential	Water Use		Factor
					Tier 1	Tier 2	
Commodity	\$0	\$0	\$0	\$0	\$0	\$0	From Exhibit 14
Capacity	\$0	\$0	\$0	\$0	\$0	\$0	From Exhibit 14
Customer							
Actual Customer	\$0	\$0	\$0	\$0	\$0	\$0	(AC)
Cust. Acctg.	1,739,989	962,720	502,855	274,414	0	0	(WCA)
Total Customer	\$1,739,989	\$962,720	\$502,855	\$274,414	\$0	\$0	
Revenue Related	\$0	\$0	\$0	\$0	\$0	\$0	(RR)
Direct Assign.	\$1,831,845	\$0	\$0	\$0	\$608,933	\$1,222,913	From Exhibit 14
Net Revenue Requirement	\$3,571,834	\$962,720	\$502,855	\$274,414	\$608,933	\$1,222,913	

Oceano CSD
 Water Rate Study
 Exhibit 11
 Summary of Unit Costs

		Single Family	Multi-Family	Non-Residential	<i>Water Use</i>	
					Tier 1	Tier 2
Consumption Related	\$ / CCF				\$4.61	\$9.35
	<i>Present Rates</i>				<i>\$4.19</i>	<i>\$8.91</i>
Customer Related	\$ / Acct / Bi-Month					
Actual Customer	\$0.00	\$0.00	\$0.00	\$0.00		
Cust. Acctg.	84.90	84.90	67.92	84.90		
RR	0.00	0.00	0.00	0.00		
	\$84.90	\$84.90	\$67.92	\$84.90		
	<i>Present Rates</i>	<i>\$77.69</i>	<i>\$58.27</i>	<i>\$86.74</i>		



	<i>Present</i>	<i>Proposed</i>				
	<i>Rates</i>	<i>FY 2025/26</i>	<i>FY 2026/27</i>	<i>FY 2027/28</i>	<i>FY 2028/29</i>	<i>FY 2029/30</i>
Base Rate	<i>\$ / Bi-Monthly</i>					
Single Family	\$77.69	\$84.90	\$91.69	\$99.94	\$107.94	\$116.58
Multi-Family	58.27	67.92	73.35	79.95	86.35	93.26
Non-Residential						
5/8x3/4"	\$86.74	\$84.90	\$91.69	\$99.94	\$107.94	\$116.58
3/4"	105.62	103.37	111.64	121.69	131.43	141.94
1"	161.59	158.15	170.81	186.18	201.07	217.16
1 1/2"	291.87	285.66	308.52	336.29	363.19	392.25
2"	453.33	443.69	479.19	522.32	564.11	609.24
3"	721.37	706.03	762.52	831.15	897.64	969.45
4"	1,225.44	1,199.39	1,295.34	1,411.92	1,524.87	1,646.86
6"	1,910.57	1,869.95	2,019.55	2,201.31	2,377.41	2,567.60
Water Use	<i>\$ / CCF</i>					
Tier 1 (0 - 6 CCF)	\$4.19	\$4.61	\$5.04	\$5.51	\$6.02	\$6.58
Tier 2 (6 + CCF)	8.91	9.35	9.75	11.68	12.11	12.56



Local Water Rate Comparison – Admin Funding

