

Public Hearing  
November 12, 2025

*CY 2026 Water  
Cost-of-Service Rate Study*

Citrus Heights  
Water District



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## Executive Summary

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The Citrus Heights Water District (District) reviews its revenue requirements annually to determine if revenue adjustments are needed to continue meeting its operational costs, system improvements, and adequate reserve funding based on adopted reserve policies. The last rate study in 2024 set rates for Calendar Year (CY) 2025. The District hired IB Consulting to develop proposed rates for CY 2026. The proposed rates for CY 2026 capture increases from San Juan Water District (SJWD) and cover the District's revenue requirements, including maintaining healthy reserves.

Updating a utility's long-term financial plan and performing a comprehensive cost-of-service analysis is a prudent business practice to ensure a utility can fully fund its multi-year revenue requirements. As part of reviewing and updating utility rates, the first step is to conduct a thorough review of the utility's financial health. Based on a five-year financial plan (Financial Plan Period), revenues from existing rates are reviewed to determine if current rate revenue sufficiently covers operating expenses, capital spending, and satisfies minimum reserve requirements. With financial planning, it is critical to not only look at the short-term needs but also review the revenue requirements beyond CY 2026. This approach ensures that the District plans for future obligations and clearly understands its current financial position, especially with the start of Project 2030 included within the Financial Plan Period (CY 2030).

### Water Utility

Based on a financial review of the water utility, revenues from existing rates generate positive net operating income through CY 2028. However, by CY 2029, an operating deficit is projected, which grows in CY 2030. Additional revenue would be needed to ensure positive operating net income and cover capital spending needs. Without a rate adjustment, reserves would be the primary funding source for capital replacement, which is not sustainable long-term. The District's Capital Improvement Plan (CIP) is approximately \$59.4M over the Financial Plan Period, including annual mainline repairs of \$2M, which increases to \$5M in CY 2030, well construction, and the Facilities Modernization and Expansion Project (FME). The FME includes the acquisition of property and building(s), facility modernization, an expanded corporation yard, a well relocation, and reassigning staffing to the new facilities once completed. The FME is estimated at \$28M, and the District plans to finance the FME with a debt issuance in CY 2026. Based on our review, the District requires revenue adjustments over the Financial Plan Period of 5.4% in CY 2026, followed by 6.75% for CY 2027 – CY 2030. Over the Financial Plan Period, the utility will continue to generate positive net operating income, fully fund its capital repair and replacement program, fund the FME, meet minimum undesignated reserve targets by CY 2030, and provide \$500k of annual transfers towards the Water Supply Reserve. However, the District adopts rates annually, and the proposed rates derived within this report are only for CY 2026, commencing on January 1, 2026.

# Citrus Heights Water District – *CY 2026 Cost-of-Service Rate Study*

The District’s water rate structure includes a bi-monthly base fixed meter charge, a bi-monthly Project 2030 dedicated charge, and a uniform variable rate per hundred cubic feet (HCF)<sup>1</sup>. The updated cost-of-service captures increased costs from SJWD and recalibrates fixed charges and variable rates, based on the CY 2026 budget. The proposed rate structure identifies which expenses are recovered through the bi-monthly meter charges versus the uniform variable rate.

SJWD charges the District an annual fixed charge and variable rates for purchased water. The SJWD most recent rate study (adopted on December 13, 2023) covers CY 2024 through CY 2028. SJWD updated its rate structure, with 83% of its cost recovered as a fixed charge and the remainder through its variable rate. The allocation of SJWD fixed charges to its member agencies has also been updated. Previously, SJWD’s total fixed costs were allocated based on each member agency’s percentage share of surface water over the last five years (5-Year Rolling Average). The SJWD 2023 study uses a 10-year average of surface water purchases, which will not be updated until the next rate case.

The proposed CY 2026 rates include the increases from SJWD. The proposed increases in CY 2027, CY 2028, and beyond will be captured through the pass-through provisions of *Ca. Gov. Code § 53756*.

Table 1 and Table 2 reflect the proposed bi-monthly base fixed meter charges and Project 2030 dedicated charges, respectively, and Table 3 identifies the variable rate.

*Table 1: Proposed Bi-Monthly Base Fixed Charges*

Base Fixed Meter Charges	
Meter Size	CY 2026
≤3/4"	\$71.57
1"	\$128.00
1 1/2"	\$222.05
2"	\$334.91
3"	\$692.30
4"	\$1,218.98
Combination Meters	
2x4" - Combo	\$334.91
3x6" - Combo	\$692.30
4x8" - Combo	\$1,218.98
10" - Combo	\$3,984.05

<sup>1</sup> 1 HCF = 748.05 gallons

# Citrus Heights Water District – *CY 2026 Cost-of-Service Rate Study*

*Table 2: Proposed Bi-Monthly Project 2030 Dedicated Charges*

Project 2030 Dedicated Charge	
Meter Size	CY 2026
≤3/4"	\$6.90
1"	\$17.25
1 1/2"	\$34.50
2"	\$55.20
3"	\$120.75
4"	\$217.35
Combination Meters	
2x4" - Combo	\$55.20
3x6" - Combo	\$120.75
4x8" - Combo	\$217.35
10" - Combo	\$724.50

*Table 3: Proposed Variable Rates (\$/HCF)*

Variable Rates	
Customer Class	CY 2026
All Customers	\$1.38

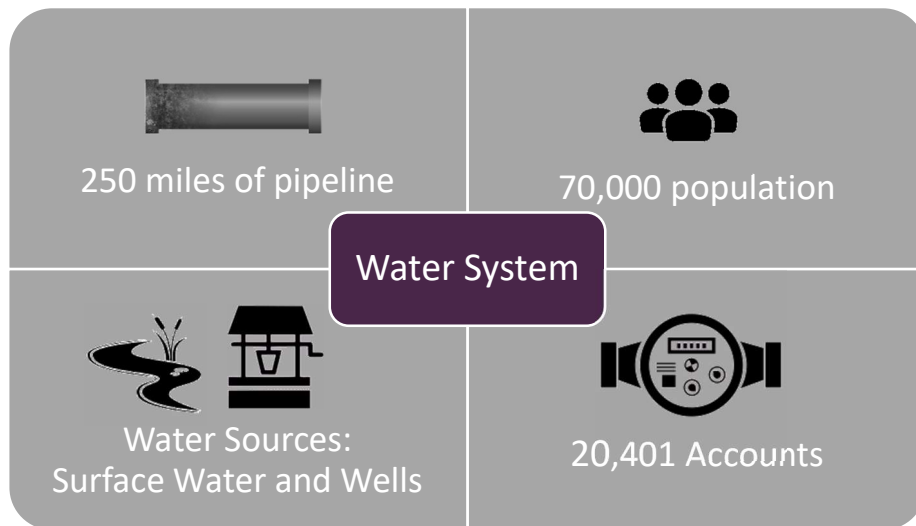
## Background

### Water System

The District is in the northeastern portion of Sacramento County and southern Placer County, California, approximately 15 miles northeast of downtown Sacramento. The District provides water service to portions of Citrus Heights and Roseville and portions of the unincorporated Sacramento communities of Orangevale, Fair Oaks, Carmichael, and a part of unincorporated Placer County. The District’s water supplies include surface water through SJWD and groundwater wells.

The District has approximately 250 miles of distribution and transmission water mains ranging from 4 inches to 42 inches in size, serving a population of approximately 70,000 customers. The larger water mains make up a small percentage of the total system pipelines but convey most of the water from Folsom Lake and distributes it throughout the entire service area. These water mains are considered the backbone of the water system and part of the Project 2030 Study.

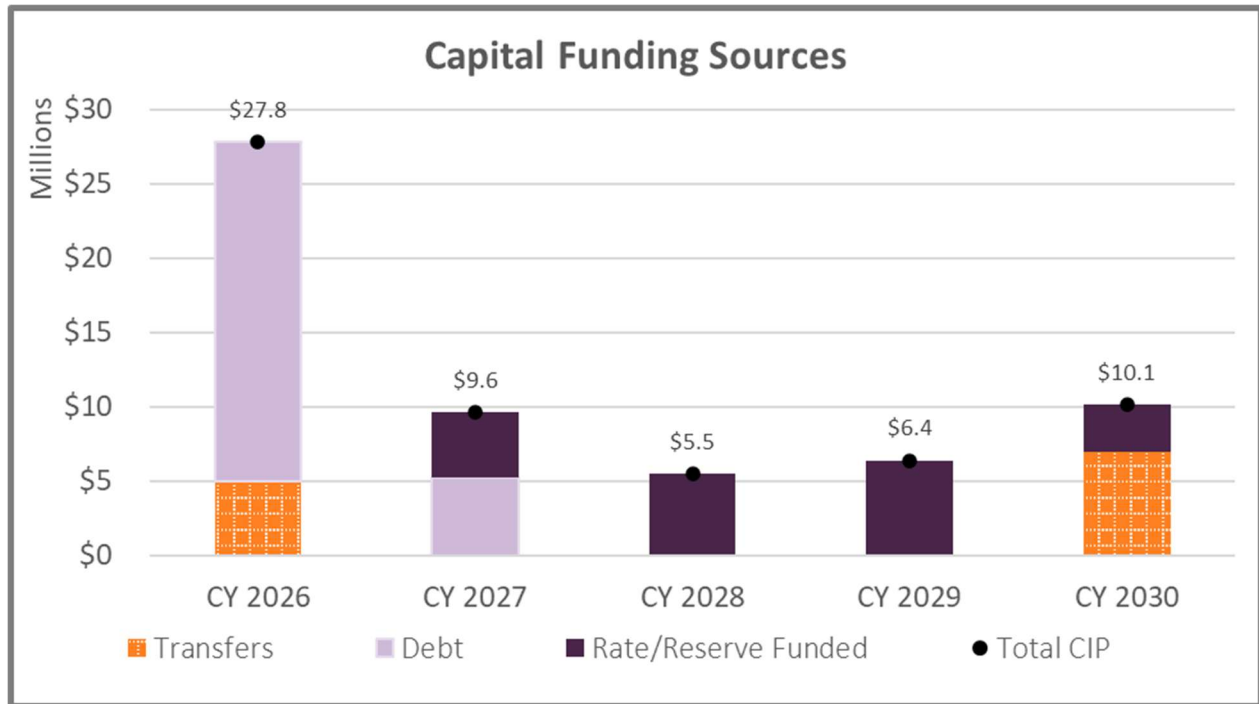
Figure 1: Water System



The capital spending will average approximately \$11.9M annually over the Financial Plan Period . In the current calendar year (CY 2025) and CY 2026, two new wells will be completed (Well #7 - Ella; Well #8 – Highland), with a portion funded by grants (\$6.6M). The final grant reimbursement is expected to come in during CY 2027. In CY 2026 and CY 2027, the District plans to modernize and expand its facilities through the FME project, which will be debt-financed, and the Project 2030 mainline replacement will commence in CY 2030. Figure 2 shows the capital improvement plan through CY 2030 with funding sources. Transfers are monies from dedicated reserves to fund specific capital costs. In CY 2026, funds are transferred from the Water Supply Reserve to cover costs associated with constructing the new Highland well. The Water Supply Reserve has been built over the years with annual transfers based on Board direction and includes the grant reimbursements.

# Citrus Heights Water District – CY 2026 Cost-of-Service Rate Study

Figure 2: Capital Improvement Plan



## Customers

The District serves 20,401 active accounts. Table 4 provides a summary of accounts by meter size. For financial planning purposes, this study does not assume any growth in future years, and new connections will be captured annually.

# Citrus Heights Water District – CY 2026 Cost-of-Service Rate Study

Table 4: Accounts by Meter Size

Accounts by Meter Size	
Meter Size	Number of Accounts
≤3/4"	1,928
1"	17,166
1 1/2"	578
2"	621
3"	63
4"	-
Combination Meters	
2x4" - Combo	22
3x6" - Combo	12
4x8" - Combo	10
10" - Combo	1
<b>Total</b>	<b>20,401</b>

As previously mentioned, the existing rate structure consists of bi-monthly base fixed meter charges and bi-monthly Project 2030 dedicated charges, plus a uniform variable rate for all customers. Existing bi-monthly base fixed meter charges are identified in Table 5 and Table 6 lists the bi-monthly fixed Project 2030 dedicated charges. The existing variable rate is shown in Table 7.

Table 5: CY 2025 Bi-Monthly Base Fixed Charges

Base Fixed Meter Charges	
Meter Size	Existing
≤3/4"	\$72.77
1"	\$120.06
1 1/2"	\$198.85
2"	\$293.41
3"	\$592.86
4"	\$1,034.14
Combination Meters	
2x4" - Combo	\$293.41
3x6" - Combo	\$592.86
4x8" - Combo	\$1,034.14
10" - Combo	\$3,350.85

# Citrus Heights Water District – *CY 2026 Cost-of-Service Rate Study*

Table 6: *CY 2025 Bi-Monthly Project 2030 Dedicated Charges*

Project 2030 Dedicated Charge	
Meter Size	Existing
≤3/4"	\$6.90
1"	\$17.25
1 1/2"	\$34.50
2"	\$55.20
3"	\$120.75
4"	\$217.35
Combination Meters	
2x4" - Combo	\$55.20
3x6" - Combo	\$120.75
4x8" - Combo	\$217.35
10" - Combo	\$724.50

Table 7: *CY 2025 Variable Rate (\$/HCF)*

Variable Rates	
Customer Class	Existing
All Customers	\$1.35

## Financial Plan Overview

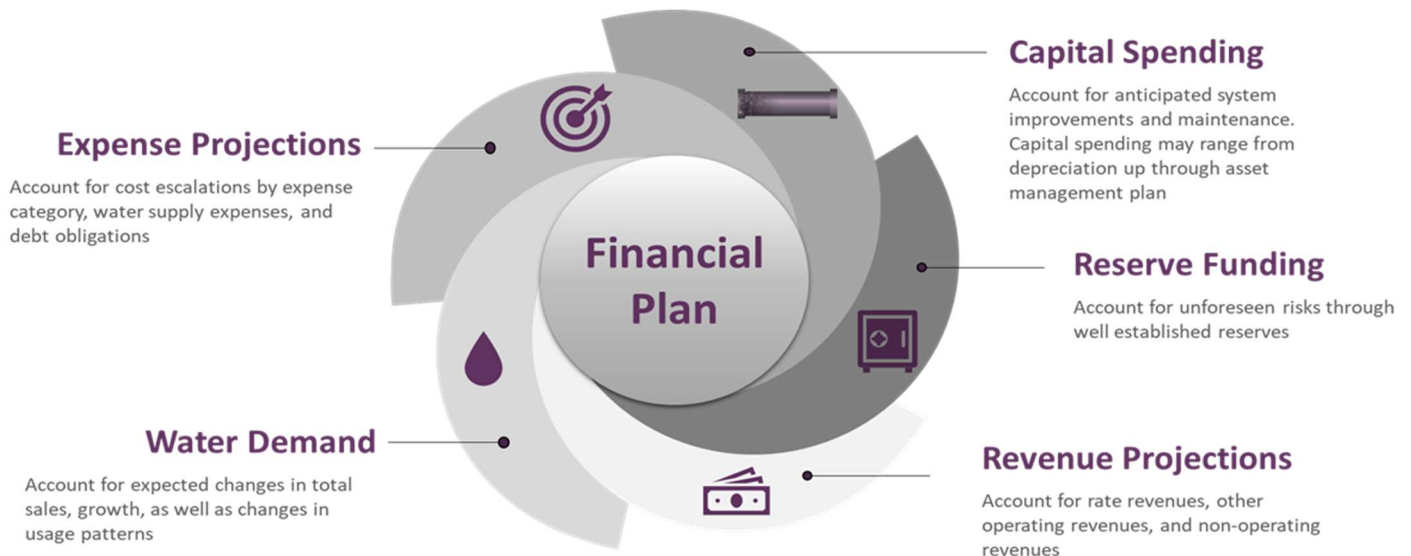
### Financial Planning

Financial planning incorporates numerous considerations, including projecting revenues and forecasting expected costs using various inflationary adjustments. Utilities also need to account for changes in water demand driven by variations in weather, water availability, state mandates, growth, and economic factors. In addition, system maintenance and reinvestment, reserves, and debt compliance all influence the revenues needed in future years. Therefore, a comprehensive financial plan reviews the following:

- 1) Historical water sales and consumption patterns to determine an appropriate level of usage for projecting future water use.
- 2) Operational costs that may change over the planning period as a result of inflation as well as any new expenditures incurred to meet strategic goals, state mandates, or changes in operations.
- 3) Multi-year system improvement needs, and scheduling based on priority. This review also considers available funding sources to complete projects such as pay-as-you-go (PAYGO), grants, loans, and debt financing.
- 4) Reserve funding to meet adopted reserve policies. The goal is to generate adequate cash on hand to mitigate financial risks related to operating cashflow needs, unexpected increases in expenses, shortages in system reinvestment, and mitigating potential system failures.

Figure 3 illustrates the key elements when developing a long-term financial plan.

*Figure 3: Financial Plan Key Elements*



# Citrus Heights Water District – CY 2026 Cost-of-Service Rate Study

## Financial Planning Assumptions

Developing a long-term financial plan requires an understanding of the utility’s financial position by evaluating existing revenue streams, ongoing expenses, how those expenses will change over time, existing debt coverage requirements, and reserve policies. With these considerations, certain assumptions are required for projecting revenues, expenses, and expected ending fund balances. Through discussions with staff and their understanding of historical budget data and future obligations, Table 8 identifies assumptions used for forecasting revenues. Our analysis assumes no growth in accounts or water demand as a conservative assumption, so projected revenues do not rely on development to occur. Water sales for CY 2025 are trending similar to CY 2024, equal to 11,074 Acre Feet (AF) or 4,823,774 HCF. Therefore, 4,823,774 HCF was used as the baseline usage for the Financial Plan Period.

*Table 8: Assumptions for Forecasting Revenues*

Revenue Forecasting					
Key Assumptions	CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
<b>Revenue Escalation</b>					
Non-Rate Revenues	<i>Budget</i>	2.0%	2.0%	2.0%	2.0%
Reserve Interest	<i>Budget</i>	3.5%	3.5%	3.5%	3.5%
<b>Account Growth</b>					
All Customers	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Demand / Usage Adjustments</b>					
All Customers	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Projected Accounts / Water Sales</b>					
Total Meters	20,401	20,401	20,401	20,401	20,401
Total Consumption (HCF)	4,823,774	4,823,774	4,823,774	4,823,774	4,823,774

# Citrus Heights Water District – CY 2026 Cost-of-Service Rate Study

## Current Financial Position

### Revenues

Based on the forecasting assumptions, fixed revenues were calculated using account data by meter size shown in Table 4, multiplied by existing rates shown in Table 5 and Table 6 over six billing periods. Variable revenue was calculated by taking the variable rate in Table 7 multiplied by the projected total water sales shown in Table 8. Table 9 shows the calculated rate revenues through the Financial Plan Period. Table 10 summarizes calculated rate revenues and other non-rate revenues, with future projections rounded to the nearest thousands. Revenues from the Project 2030 dedicated charge are restricted for the purpose of funding Project 2030 capital costs and are transferred to the Project 2030 Reserve. Operating Revenues are constant and are not forecasted to increase, while Other Revenue solely includes interest earnings, which vary based on reserve balances and activity.

Table 9: Calculated Rate Revenues

Calculated Rate Revenue					
Base Revenue	CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
Base Fixed Charge	\$15,378,031	\$15,378,031	\$15,378,031	\$15,378,031	\$15,378,031
Variable Rate	\$6,512,095	\$6,512,095	\$6,512,095	\$6,512,095	\$6,512,095
<b>Subtotal Fixed and Variable Revenue</b>	<b>\$21,890,126</b>	<b>\$21,890,126</b>	<b>\$21,890,126</b>	<b>\$21,890,126</b>	<b>\$21,890,126</b>
Project 2030 Charge	\$2,260,833	\$2,260,833	\$2,260,833	\$2,260,833	\$2,260,833
<b>Total Rate Revenue</b>	<b>\$24,150,959</b>	<b>\$24,150,959</b>	<b>\$24,150,959</b>	<b>\$24,150,959</b>	<b>\$24,150,959</b>

Table 10: Projected Revenues

Projected Revenues					
Revenue Summary	CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
Rate Revenues					
Base Fixed Charge	\$15,378,000	\$15,378,000	\$15,378,000	\$15,378,000	\$15,378,000
Variable Rate	\$6,512,000	\$6,512,000	\$6,512,000	\$6,512,000	\$6,512,000
<b>Subtotal Rate Revenues</b>	<b>\$21,890,000</b>	<b>\$21,890,000</b>	<b>\$21,890,000</b>	<b>\$21,890,000</b>	<b>\$21,890,000</b>
Project 2030 Charge	\$2,261,000	\$2,261,000	\$2,261,000	\$2,261,000	\$2,261,000
Operating Revenues	\$306,000	\$306,000	\$306,000	\$306,000	\$306,000
Other Revenue	\$1,000,000	\$860,000	\$911,000	\$697,000	\$409,000
<b>Total Revenues</b>	<b>\$25,457,000</b>	<b>\$25,317,000</b>	<b>\$25,368,000</b>	<b>\$25,154,000</b>	<b>\$24,866,000</b>

# Citrus Heights Water District – *CY 2026 Cost-of-Service Rate Study*

## Purchased Water

The water supplies available to meet customer demand consist of groundwater and surface water from SJWD. The District owns water rights to the surface water that is treated and conveyed to the District by SJWD. Therefore, most of its water to serve customer demand is through surface water purchased from SJWD. SJWD charges a fixed charge each quarter in addition to a charge for every acre-foot of water purchased. Table 11 provides a summary of projected purchased water costs rounded to the nearest thousandth. The calculations for the cost of purchased water are in Appendix A.

*Table 11: Projected Purchased Water Costs*

<b>Purchased Water Costs</b>					
<b>SJWD Water Expenses</b>	<b>CY 2026</b>	<b>CY 2027</b>	<b>CY 2028</b>	<b>CY 2029</b>	<b>CY 2030</b>
<b>Purchased Water Costs</b>					
SJWD Fixed Charge	\$2,654,000	\$2,654,000	\$2,654,000	\$2,654,000	\$2,654,000
Wholesale Water Purchases	\$630,000	\$630,000	\$630,000	\$630,000	\$630,000
<b>Total Purchased Water Costs</b>	<b>\$3,284,000</b>	<b>\$3,284,000</b>	<b>\$3,284,000</b>	<b>\$3,284,000</b>	<b>\$3,284,000</b>

## Expenses

Table 12 identifies assumptions used for forecasting increases in expenses over the Financial Plan Period. The Capital and General Costs escalation factors reflect the 5-year average of the Engineering News-Record – Construction Cost Index (ENR CCI) and the Consumer Price Index (CPI) respectively, for the San Francisco area. The remaining expense categories are based on the District’s internal review of actual expenses and known increases in personnel-related costs. Increases in purchased water costs (fixed and variable) are not assumed in CY 2027 and beyond, as the District will utilize the pass-through provisions within the Proposition 218 Omnibus Implementation Act for any increases adopted by SJWD (*Ca. Gov. Code § 53756*). The additional staffing is from a Staffing Augmentation Study<sup>2</sup> that was performed by the District in CY 2021. For CY 2026, two new Full-Time Equivalents (FTEs) are included within the CY 2026 budget.

<sup>2</sup> Final Draft 5-12-2021 – Citrus Heights Water District Staffing Analysis

# Citrus Heights Water District – CY 2026 Cost-of-Service Rate Study

Table 12: Assumptions for Forecasting Expenses

Expense Forecasting						
Key Assumptions	Source:	CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
<b>Expenditure Escalation</b>						
Benefits		Budget	5.0%	5.0%	5.0%	5.0%
Capital Construction	ENR - SF 5-Year Average	Budget	3.5%	3.5%	3.5%	3.5%
Energy Costs		Budget	7.0%	7.0%	7.0%	7.0%
General Costs	CPI - SF (BLS) 5-Year Average	Budget	3.4%	3.4%	3.4%	3.4%
Retirement		Budget	5.0%	5.0%	5.0%	5.0%
Salaries		Budget	7.0%	7.0%	7.0%	7.0%
SJWD Service Charge		Pass-through	Pass-through	Pass-through	Pass-through	Pass-through
Wholesale Purchased Water		Pass-through	Pass-through	Pass-through	Pass-through	Pass-through
<b>Additional Staffing (FTEs)</b>						
New FTEs		Budget	1	3	-	3

The CY 2026 budget was used as the utility’s baseline Operational and Maintenance (O&M) expenses and adjusted in subsequent years based on the escalation factors shown in Table 12. Expenses include new FTEs from the Staffing Augmentation Study, with the two FTEs in CY 2026 already embedded within the CY 2026 budget. For future FTEs, the average cost per FTE was derived by taking the District’s total staffing cost for each calendar year, divided by the current FTEs at the District. Table 13 provides the average staffing cost per FTE for each calendar year and the cumulative cost of new FTEs coming online. For financial planning, it is assumed that the new FTE(s) will be online mid-year; therefore, half of the cost is forecasted, with the full cost of the FTE(s) shown in subsequent years.

Table 13: Staff Augmentation Projected Costs

Staffing					
	CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
Staffing Costs	\$9,329,714	\$9,926,375	\$10,561,982	\$11,239,119	\$11,960,546
FTEs	42	42	42	42	42
Cost per FTE	\$222,136	\$236,342	\$251,476	\$267,598	\$284,775
Staffing Augmentation					
	CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
New FTEs	0	1	3	0	3
New FTEs (Cumulative)	0	1	4	4	7
<b>Additional Staffing Costs</b>	<b>\$0</b>	<b>\$118,171</b>	<b>\$628,690</b>	<b>\$1,070,392</b>	<b>\$1,566,263</b>

Table 14 provides projected O&M expenses through the Financial Plan Period, with future projections rounded to the nearest thousand. Each expense category includes detailed line-item expenditures that were discussed with staff to determine the appropriate escalation factor to use for forecasting how costs will increase over time. The District plans to debt finance the \$28M FME project in CY 2026, with the first debt payment commencing in CY 2027. The proposed debt will be amortized over 30 years at an assumed 5% coupon rate. The District’s Financial Advisor will determine the timing of the issuance and final debt terms.

# Citrus Heights Water District – CY 2026 Cost-of-Service Rate Study

Table 14: Projected O&M Expenses

Projected Expenses					
O&M Expenses	CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
<b>Purchased Water Costs</b>					
SJWD Fixed Charge	\$2,654,000	\$2,654,000	\$2,654,000	\$2,654,000	\$2,654,000
Wholesale Water Purchases	\$630,000	\$630,000	\$630,000	\$630,000	\$630,000
Subtotal Purchased Water Costs	\$3,284,000	\$3,284,000	\$3,284,000	\$3,284,000	\$3,284,000
<b>Operating Expenses</b>					
Board	\$64,000	\$67,000	\$70,000	\$74,000	\$77,000
Administrative Services	\$2,011,000	\$2,115,000	\$2,224,000	\$2,340,000	\$2,462,000
Human Resources/Risk Mgmt	\$1,014,000	\$1,056,000	\$1,101,000	\$1,147,000	\$1,195,000
Finance/Customer Service	\$1,919,000	\$2,017,000	\$2,121,000	\$2,231,000	\$2,347,000
IT	\$991,000	\$1,037,000	\$1,084,000	\$1,135,000	\$1,187,000
Public Engagement	\$1,354,000	\$1,419,000	\$1,488,000	\$1,560,000	\$1,636,000
Engineering	\$770,000	\$796,000	\$823,000	\$851,000	\$880,000
Engineering - Personnel	\$1,378,000	\$1,476,000	\$1,581,000	\$1,693,000	\$1,812,000
Operations (T&D)	\$1,123,000	\$1,162,000	\$1,201,000	\$1,242,000	\$1,284,000
Operations (T&D) - Personnel	\$2,513,000	\$2,686,000	\$2,870,000	\$3,067,000	\$3,277,000
Production	\$1,484,000	\$1,570,000	\$1,663,000	\$1,761,000	\$1,865,000
Water Efficiency	\$833,000	\$874,000	\$918,000	\$964,000	\$1,013,000
Staffing Augmentation	\$0	\$119,000	\$629,000	\$1,071,000	\$1,567,000
Subtotal Operating Expenses	\$15,454,000	\$16,394,000	\$17,773,000	\$19,136,000	\$20,602,000
<b>Debt Service</b>					
Existing Debt	\$169,000	\$168,000	\$172,000	\$165,000	\$168,000
New/Proposed Debt	\$0	\$1,859,000	\$1,859,000	\$1,859,000	\$1,859,000
Subtotal Debt Service	\$169,000	\$2,027,000	\$2,031,000	\$2,024,000	\$2,027,000
<b>Total Expenses</b>	<b>\$18,907,000</b>	<b>\$21,705,000</b>	<b>\$23,088,000</b>	<b>\$24,444,000</b>	<b>\$25,913,000</b>

# Citrus Heights Water District – CY 2026 Cost-of-Service Rate Study

## Reserves

Figure 4: District Undesignated Reserves



Existing reserves include Undesignated Reserves and Designated Reserves. The Undesignated Reserves include Operating Reserve, Capital Reserve, and Rate Stabilization Reserve. Designated Reserves are composed of seven separate reserves, as shown below, and are established for specific purposes (including Project 2030). These reserves help mitigate risks to the utility by ensuring sufficient cash is on hand for daily operations and to fund system improvements. In addition, these reserves mitigate rate spikes due to emergencies or above-average system costs. The designated reserves receive funding each year via transfers at the discretion of the Board. The District will also reestablish an internal debt reserve connected to the proposed debt issuance for the FME project. The debt reserve will cover an annual payment, equal to approximately \$1.8M, which will be fully funded over the Financial Plan Period, with \$1M transferred from the District’s Rate Stabilization Reserve. With the debt reserve reestablished, the District Board also adjusted its rate stabilization minimum requirement from \$1M to \$500k, which would be replenished over five years. Table 15 summarizes the minimum reserve requirements and the ideal targets of each reserve, when applicable.

Table 15: Reserve Requirements and Targets

Reserve Requirements and Targets		
Reserve	Minimum Requirement	Reserve Target
Undesignated		
Operating	90 days of operating costs	120 days of operating costs
Capital	5% of Asset Value	2 years of annual CIP expenses
Rate Stabilization	Fixed amount of \$500k	Minimum Only
Designated		
Employment-Related Benefits	Fixed amount of \$500k	Minimum Only
Water Supply	N/A	N/A
Fleet Equipment	10% of Equipment Assets	Minimum Only
Water Efficiency	Fixed amount of \$200k	Minimum Only
Water Meter Replacement	N/A	N/A
Project 2030	No Min Target	N/A
Debt	Annual payment of the proposed 2026 debt issuance	Annual payment of the proposed 2026 debt issuance

The reserve balance as of January 1, 2025, equaled approximately \$34.2M.

# Citrus Heights Water District – *CY 2026 Cost-of-Service Rate Study*

## Financial Outlook at Existing Rates

Calculating revenue using existing rates and projecting expenses helps determine the utility's current financial health. Revenues from existing rates are sufficient to fund O&M through CY 2028, but net operating income (net cash flow) continues to decrease as operating expenses increase over time and is inadequate by CY 2029. Annual net cashflow is insufficient to fund operating revenue requirements and system reinvestment needs while meeting minimum reserve requirements through the entire Financial Plan Period. Table 16 forecasts existing revenues and expenses through CY 2030<sup>3</sup>. Table 17 identifies reserve transfers and reserve activity for the Undesignated Reserves, with projected CY 2026 starting reserve balances shown for each reserve. Table 18 identifies reserve activity for the Designated Reserves.

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<sup>3</sup> The Proposed financial plan assumes water usage does not fall below 11,074 AF for CY 2026 and beyond, and future expenses do not exceed the projected costs identified herein.

# Citrus Heights Water District – CY 2026 Cost-of-Service Rate Study

Table 16: Financial Plan at Existing Rates

Financial Plan at Existing Rates						
Revenue		CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
<b>Rate Revenues</b>						
Base Fixed Charge	Table 10	\$15,378,000	\$15,378,000	\$15,378,000	\$15,378,000	\$15,378,000
Variable Rate		\$6,512,000	\$6,512,000	\$6,512,000	\$6,512,000	\$6,512,000
Subtotal Rate Revenues		\$21,890,000	\$21,890,000	\$21,890,000	\$21,890,000	\$21,890,000
Project 2030 Charge	Table 10	\$2,261,000	\$2,261,000	\$2,261,000	\$2,261,000	\$2,261,000
Operating Revenues		\$306,000	\$306,000	\$306,000	\$306,000	\$306,000
Other Revenue		\$1,000,000	\$860,000	\$911,000	\$697,000	\$409,000
<b>Total Revenues</b>		<b>\$25,457,000</b>	<b>\$25,317,000</b>	<b>\$25,368,000</b>	<b>\$25,154,000</b>	<b>\$24,866,000</b>
O&M Expenses		CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
<b>Purchased Water Costs</b>						
SIWD Fixed Charge	Table 14	\$2,654,000	\$2,654,000	\$2,654,000	\$2,654,000	\$2,654,000
Wholesale Water Purchases		\$630,000	\$630,000	\$630,000	\$630,000	\$630,000
Subtotal Purchased Water Costs		\$3,284,000	\$3,284,000	\$3,284,000	\$3,284,000	\$3,284,000
<b>Operating Expenses</b>						
Board	Table 14	\$64,000	\$67,000	\$70,000	\$74,000	\$77,000
Administrative Services		\$2,011,000	\$2,115,000	\$2,224,000	\$2,340,000	\$2,462,000
Human Resources/Risk Mgmt		\$1,014,000	\$1,056,000	\$1,101,000	\$1,147,000	\$1,195,000
Finance/Customer Service		\$1,919,000	\$2,017,000	\$2,121,000	\$2,231,000	\$2,347,000
IT		\$991,000	\$1,037,000	\$1,084,000	\$1,135,000	\$1,187,000
Public Engagement		\$1,354,000	\$1,419,000	\$1,488,000	\$1,560,000	\$1,636,000
Engineering		\$770,000	\$796,000	\$823,000	\$851,000	\$880,000
Engineering - Personnel		\$1,378,000	\$1,476,000	\$1,581,000	\$1,693,000	\$1,812,000
Operations (T&D)		\$1,123,000	\$1,162,000	\$1,201,000	\$1,242,000	\$1,284,000
Operations (T&D) - Personnel		\$2,513,000	\$2,686,000	\$2,870,000	\$3,067,000	\$3,277,000
Production		\$1,484,000	\$1,570,000	\$1,663,000	\$1,761,000	\$1,865,000
Water Efficiency		\$833,000	\$874,000	\$918,000	\$964,000	\$1,013,000
Staffing Augmentation		\$0	\$119,000	\$629,000	\$1,071,000	\$1,567,000
Subtotal Operating Expenses		\$15,454,000	\$16,394,000	\$17,773,000	\$19,136,000	\$20,602,000
<b>Debt Service</b>						
Existing Debt	Table 14	\$169,000	\$168,000	\$172,000	\$165,000	\$168,000
New/Proposed Debt		\$0	\$1,859,000	\$1,859,000	\$1,859,000	\$1,859,000
Subtotal Debt Service		\$169,000	\$2,027,000	\$2,031,000	\$2,024,000	\$2,027,000
<b>Total Expenses</b>		<b>\$18,907,000</b>	<b>\$21,705,000</b>	<b>\$23,088,000</b>	<b>\$24,444,000</b>	<b>\$25,913,000</b>
<b>Net Operating Income</b>		<b>\$6,550,000</b>	<b>\$3,612,000</b>	<b>\$2,280,000</b>	<b>\$710,000</b>	<b>(\$1,047,000)</b>

# Citrus Heights Water District – CY 2026 Cost-of-Service Rate Study

Table 17: Transfers & Undesignated Reserve Activity at Existing Rates

<b>Transfers and Undesignated Reserves</b>						
Line #	<b>Direct Transfers - (to)/from Reserves</b>	<b>CY 2026</b>	<b>CY 2027</b>	<b>CY 2028</b>	<b>CY 2029</b>	<b>CY 2030</b>
1	Net Operating Income <i>Table 16</i>	\$6,550,000	\$3,612,000	\$2,280,000	\$710,000	(\$1,047,000)
2	Rate Stabilization	\$1,000,000	(\$125,000)	(\$125,000)	(\$125,000)	(\$125,000)
3	Debt Service	(\$1,172,000)	(\$172,000)	(\$172,000)	(\$172,000)	(\$172,000)
4	Project 2030	(\$2,261,000)	(\$2,261,000)	(\$2,261,000)	(\$2,261,000)	(\$2,261,000)
5	<b>Net Operating Income (After Direct Transfers)</b>	<b>\$4,117,000</b>	<b>\$1,054,000</b>	<b>(\$278,000)</b>	<b>(\$1,848,000)</b>	<b>(\$3,605,000)</b>
<b>Operating Fund</b>						
		<b>CY 2026</b>	<b>CY 2027</b>	<b>CY 2028</b>	<b>CY 2029</b>	<b>CY 2030</b>
6	Beginning Balance	\$4,311,616	\$4,662,000	\$5,351,918	\$5,073,918	\$3,225,918
7	Net Operating Income (After Direct Transfers) <i>Line 5</i>	\$4,117,000	\$1,054,000	(\$278,000)	(\$1,848,000)	(\$3,605,000)
8	Transfers from/(to) Capital Improvement	(\$3,766,616)	(\$364,082)	\$0	\$0	\$0
9	<b>Ending Balance</b>	<b>\$4,662,000</b>	<b>\$5,351,918</b>	<b>\$5,073,918</b>	<b>\$3,225,918</b>	<b>(\$379,082)</b>
10	Target					
11	Minimum	\$4,662,000	\$5,351,918	\$5,692,932	\$6,027,288	\$6,389,507
<b>Capital Improvement</b>						
		<b>CY 2026</b>	<b>CY 2027</b>	<b>CY 2028</b>	<b>CY 2029</b>	<b>CY 2030</b>
12	Beginning Balance	\$10,457,695	\$19,427,467	\$10,191,921	\$4,735,232	(\$1,643,514)
13	Transfers from/(to) Operating Fund <i>Line 8</i>	\$3,766,616	\$364,082	\$0	\$0	\$0
14	New Debt Proceeds	\$28,000,000	\$0	\$0	\$0	\$0
15	Transfers (to)/from Water Supply	\$5,000,000	\$0	\$0	\$0	\$0
16	Transfers (to)/from Project 2030	\$0	\$0	\$0	\$0	\$7,000,000
17	Less:					
18	CIP	(\$27,796,844)	(\$9,599,628)	(\$5,456,689)	(\$6,378,745)	(\$10,121,394)
19	<b>Ending Balance</b>	<b>\$19,427,467</b>	<b>\$10,191,921</b>	<b>\$4,735,232</b>	<b>(\$1,643,514)</b>	<b>(\$4,764,908)</b>
20	Target					
21	Minimum	\$3,596,530	\$3,722,744	\$3,853,387	\$3,988,615	\$4,128,588
<b>Rate Stabilization</b>						
		<b>CY 2026</b>	<b>CY 2027</b>	<b>CY 2028</b>	<b>CY 2029</b>	<b>CY 2030</b>
22	Beginning Balance	\$1,000,000	\$0	\$125,000	\$250,000	\$375,000
23	Direct transfers to/(from) Rate Stabilization <i>Line 2</i>	(\$1,000,000)	\$125,000	\$125,000	\$125,000	\$125,000
24	<b>Ending Balance</b>	<b>\$0</b>	<b>\$125,000</b>	<b>\$250,000</b>	<b>\$375,000</b>	<b>\$500,000</b>
25	Target					
26	Minimum	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
27	<b>Ending Balance - Undesignated Reserves</b>	<b>\$24,089,467</b>	<b>\$15,668,839</b>	<b>\$10,059,150</b>	<b>\$1,957,404</b>	<b>(\$4,643,990)</b>

# Citrus Heights Water District – CY 2026 Cost-of-Service Rate Study

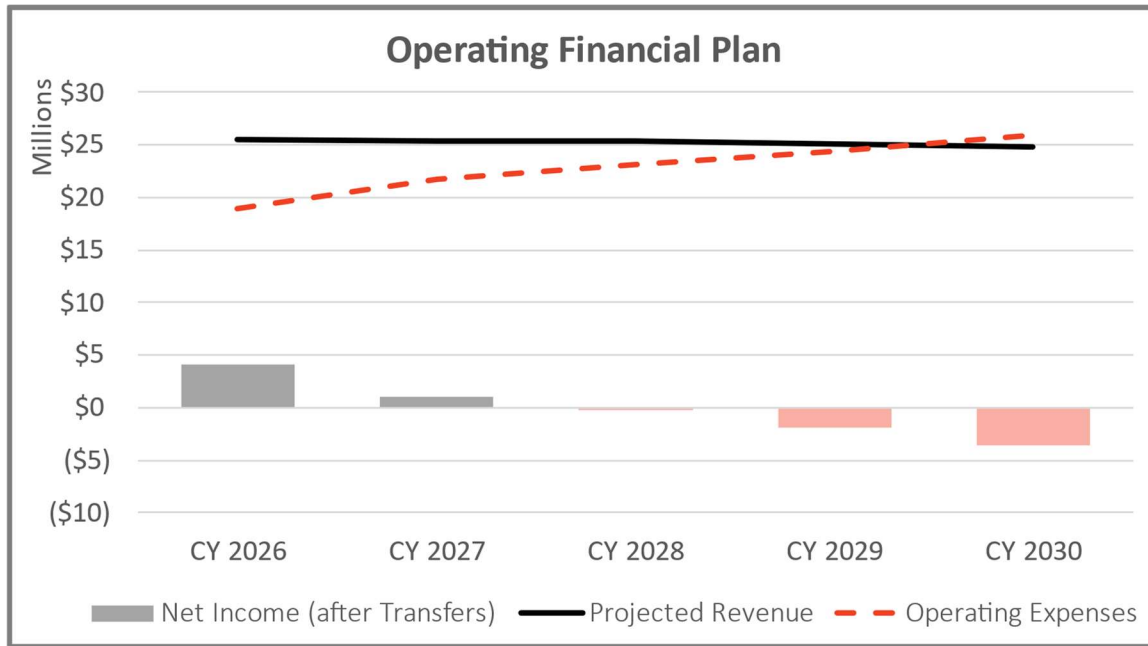
Table 18: Designated Reserve Activity at Existing Rates

Designated Reserves						
Line#		CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
<b>Debt Service</b>						
1	Beginning Balance	\$0	\$1,172,000	\$1,344,000	\$1,516,000	\$1,688,000
2	Direct transfers to/(from) Debt Service	Table 17 - Line 3	\$1,172,000	\$172,000	\$172,000	\$172,000
3	<b>Ending Balance</b>	<b>\$1,172,000</b>	<b>\$1,344,000</b>	<b>\$1,516,000</b>	<b>\$1,688,000</b>	<b>\$1,860,000</b>
4	Target					
5	Minimum	\$1,860,000	\$1,860,000	\$1,860,000	\$1,860,000	\$1,860,000
<b>Employment-Related Benefits</b>						
6	Beginning Balance	\$1,015,536	\$1,015,536	\$1,015,536	\$1,015,536	\$1,015,536
7	Direct transfers to/(from) Employment-Related Benefits	\$0	\$0	\$0	\$0	\$0
8	<b>Ending Balance</b>	<b>\$1,015,536</b>	<b>\$1,015,536</b>	<b>\$1,015,536</b>	<b>\$1,015,536</b>	<b>\$1,015,536</b>
9	Target					
10	Minimum	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
<b>Water Supply</b>						
11	Beginning Balance	\$23,173	\$160,173	\$1,660,173	\$1,660,173	\$1,660,173
12	Ella Grant Funding (Well #7)	\$1,607,000	\$0	\$0	\$0	\$0
13	Highland Grant Funding (Well #8)	\$3,530,000	\$1,500,000	\$0	\$0	\$0
14	Transfers (to)/from Capital Improvement	Table 17 - Line 15	(\$5,000,000)	\$0	\$0	\$0
15	<b>Ending Balance</b>	<b>\$160,173</b>	<b>\$1,660,173</b>	<b>\$1,660,173</b>	<b>\$1,660,173</b>	<b>\$1,660,173</b>
16	Target					
17	Minimum	\$0	\$0	\$0	\$0	\$0
<b>Fleet Equipment</b>						
18	Beginning Balance	\$555,009	\$555,009	\$555,009	\$555,009	\$555,009
19	Direct transfers to/(from) Fleet Equipment	\$0	\$0	\$0	\$0	\$0
20	<b>Ending Balance</b>	<b>\$555,009</b>	<b>\$555,009</b>	<b>\$555,009</b>	<b>\$555,009</b>	<b>\$555,009</b>
21	Target					
22	Minimum	\$574,486	\$594,647	\$615,515	\$637,116	\$659,474
<b>Water Efficiency</b>						
23	Beginning Balance	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
24	Direct transfers to/(from) Water Efficiency	\$0	\$0	\$0	\$0	\$0
25	<b>Ending Balance</b>	<b>\$200,000</b>	<b>\$200,000</b>	<b>\$200,000</b>	<b>\$200,000</b>	<b>\$200,000</b>
26	Target					
27	Minimum	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
<b>Water Meter Replacement</b>						
28	Beginning Balance	\$2,125,000	\$2,125,000	\$2,125,000	\$2,125,000	\$2,125,000
29	Direct transfers to/(from) Water Meter Replacement	\$0	\$0	\$0	\$0	\$0
30	<b>Ending Balance</b>	<b>\$2,125,000</b>	<b>\$2,125,000</b>	<b>\$2,125,000</b>	<b>\$2,125,000</b>	<b>\$2,125,000</b>
31	Target					
32	Minimum	\$0	\$0	\$0	\$0	\$0
<b>Project 2030</b>						
33	Beginning Balance	\$6,482,136	\$9,009,578	\$11,625,481	\$14,332,941	\$17,135,161
34	Direct transfers to/(from) Project 2030	Table 17 - Line 4	\$2,261,000	\$2,261,000	\$2,261,000	\$2,261,000
35	Transfers (to)/from Capital Improvement	Table 17 - Line 16	\$0	\$0	\$0	(\$7,000,000)
36	Subtotal Project 2030	\$8,743,136	\$11,270,578	\$13,886,481	\$16,593,941	\$12,396,161
37	Interest Earnings	\$266,442	\$354,903	\$446,459	\$541,220	\$516,798
38	<b>Ending Balance</b>	<b>\$9,009,578</b>	<b>\$11,625,481</b>	<b>\$14,332,941</b>	<b>\$17,135,161</b>	<b>\$12,912,959</b>
39	Target					
40	Minimum	\$0	\$0	\$0	\$0	\$0
41	<b>Ending Balance - Designated Reserves</b>	<b>\$14,237,296</b>	<b>\$18,525,199</b>	<b>\$21,404,659</b>	<b>\$24,378,879</b>	<b>\$20,328,677</b>

# Citrus Heights Water District – CY 2026 Cost-of-Service Rate Study

Figure 5 illustrates the operating position of the utility, where O&M expenses are identified with the dashed red trendline, and the horizontal black trendline shows total revenues at existing rates. The bars represent the net operating income available for capital spending and reserve funding.

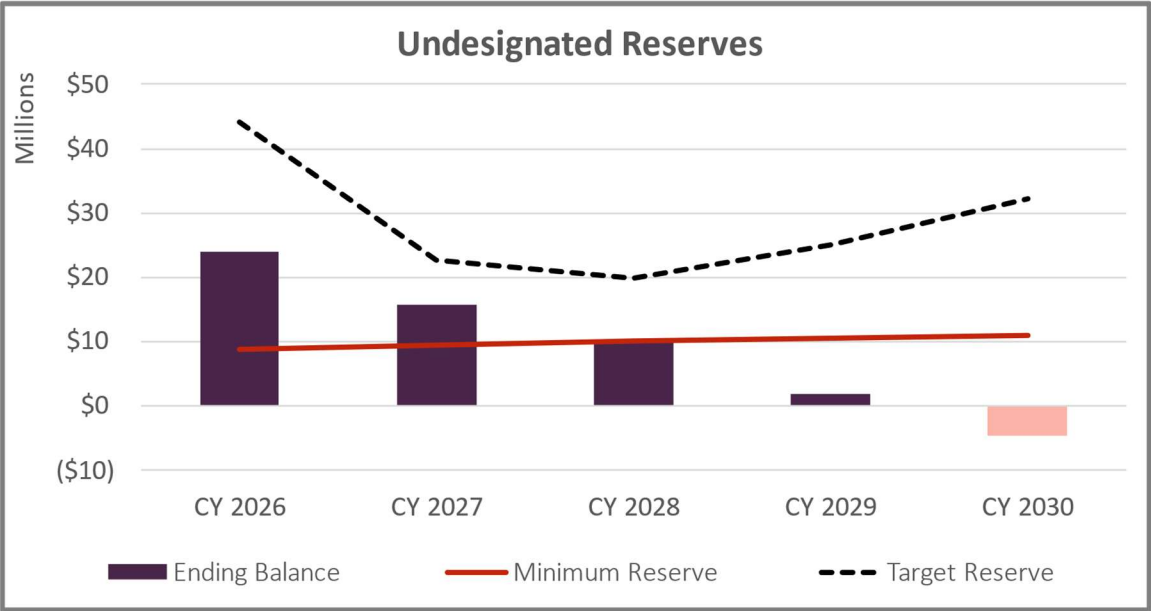
Figure 5: Current Operating Financial Position



The capital improvement plan reflects over \$59.4M in spending through the Financial Plan Period, as shown in Figure 2. A debt issuance is proposed to fund the FME project; and, without rate adjustments, reserves would be used to ensure necessary projects continue as scheduled. Figure 6 reflects the projected ending balances of the Operating, Capital Improvement, and Rate Stabilization reserves after funding operating and capital projects and transfers to establish the debt reserve. The financial outlook at existing rates would deplete Reserves by CY 2030.

# Citrus Heights Water District – *CY 2026 Cost-of-Service Rate Study*

Figure 6: Projected Ending Reserves at Existing Rates



## Proposed Financial Plan

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From the financial outlook at existing rates, a proposed financial plan can be developed to adequately fund the multi-year revenue requirements while meeting reserve requirements each year. Table 19 forecasts projected revenues and expenses through CY 2030, including projected revenue adjustments outside CY 2026 (greyed out and shown in red). Table 20 identifies the projected CY 2026 total starting balances for the Undesignated Reserves, activity within each reserve (including net income transfer from Table 19, transfers between reserves, annual CIP, and debt proceeds), and projected ending balances for each fiscal year. As mentioned previously, the revenue from the Project 2030 dedicated charge is restricted for funding the Project 2030 related expenses. Therefore, these revenues are transferred to the Project 2030 Reserve. Table 21 identifies reserve activity for the designated reserves, with projected CY 2026 starting reserve balances shown for each reserve.

# Citrus Heights Water District – Cost-of-Service Rate Study

Table 19: Proposed Financial Plan

Proposed Financial Plan							
Revenue		CY 2026	CY 2027	CY 2028	CY 2029	CY 2030	
<b>Rate Revenues</b>							
Base Fixed Charge	Table 10	\$15,378,000	\$15,378,000	\$15,378,000	\$15,378,000	\$15,378,000	
Variable Rate		\$6,512,000	\$6,512,000	\$6,512,000	\$6,512,000	\$6,512,000	
Subtotal Rate Revenues		\$21,890,000	\$21,890,000	\$21,890,000	\$21,890,000	\$21,890,000	
<b>Additional Revenue (from revenue adjustments):</b>							
Fiscal Year	Revenue Adjustment	# of Bill Cycles	Grey Cells are NOT a part of the Proposition 218 Notice				
CY 2026	5.40%	6	\$1,182,000	\$1,182,000	\$1,182,000	\$1,182,000	
CY 2027	6.75%	6		\$1,557,000	\$1,557,000	\$1,557,000	
CY 2028	6.75%	6			\$1,662,000	\$1,662,000	
CY 2029	6.75%	6				\$1,774,000	
CY 2030	6.75%	6				\$1,894,000	
Total Additional Revenue			\$1,182,000	\$2,739,000	\$4,401,000	\$6,175,000	\$8,069,000
Project 2030 Charge	Table 10		\$2,261,000	\$2,261,000	\$2,261,000	\$2,261,000	\$2,261,000
Operating Revenues			\$306,000	\$306,000	\$306,000	\$306,000	\$306,000
Other Revenue			\$1,000,000	\$881,000	\$1,000,000	\$914,000	\$870,000
<b>Total Revenues</b>			<b>\$26,639,000</b>	<b>\$28,077,000</b>	<b>\$29,858,000</b>	<b>\$31,546,000</b>	<b>\$33,396,000</b>
O&M Expenses		CY 2026	CY 2027	CY 2028	CY 2029	CY 2030	
<b>Purchased Water Costs</b>							
SJWD Fixed Charge	Table 14	\$2,654,000	\$2,654,000	\$2,654,000	\$2,654,000	\$2,654,000	
Wholesale Water Purchases		\$630,000	\$630,000	\$630,000	\$630,000	\$630,000	
Subtotal Purchased Water Costs		\$3,284,000	\$3,284,000	\$3,284,000	\$3,284,000	\$3,284,000	
<b>Operating Expenses</b>							
Board	Table 14	\$64,000	\$67,000	\$70,000	\$74,000	\$77,000	
Administrative Services		\$2,011,000	\$2,115,000	\$2,224,000	\$2,340,000	\$2,462,000	
Human Resources/Risk Mgmt		\$1,014,000	\$1,056,000	\$1,101,000	\$1,147,000	\$1,195,000	
Finance/Customer Service		\$1,919,000	\$2,017,000	\$2,121,000	\$2,231,000	\$2,347,000	
IT		\$991,000	\$1,037,000	\$1,084,000	\$1,135,000	\$1,187,000	
Public Engagement		\$1,354,000	\$1,419,000	\$1,488,000	\$1,560,000	\$1,636,000	
Engineering		\$770,000	\$796,000	\$823,000	\$851,000	\$880,000	
Engineering - Personnel		\$1,378,000	\$1,476,000	\$1,581,000	\$1,693,000	\$1,812,000	
Operations (T&D)		\$1,123,000	\$1,162,000	\$1,201,000	\$1,242,000	\$1,284,000	
Operations (T&D) - Personnel		\$2,513,000	\$2,686,000	\$2,870,000	\$3,067,000	\$3,277,000	
Production		\$1,484,000	\$1,570,000	\$1,663,000	\$1,761,000	\$1,865,000	
Water Efficiency		\$833,000	\$874,000	\$918,000	\$964,000	\$1,013,000	
Staffing Augmentation		\$0	\$119,000	\$629,000	\$1,071,000	\$1,567,000	
Subtotal Operating Expenses		\$15,454,000	\$16,394,000	\$17,773,000	\$19,136,000	\$20,602,000	
<b>Debt Service</b>							
Existing Debt	Table 14	\$169,000	\$168,000	\$172,000	\$165,000	\$168,000	
New/Proposed Debt		\$0	\$1,859,000	\$1,859,000	\$1,859,000	\$1,859,000	
Subtotal Debt Service		\$169,000	\$2,027,000	\$2,031,000	\$2,024,000	\$2,027,000	
<b>Total Expenses</b>		<b>\$18,907,000</b>	<b>\$21,705,000</b>	<b>\$23,088,000</b>	<b>\$24,444,000</b>	<b>\$25,913,000</b>	
<b>Net Operating Income</b>		<b>\$7,732,000</b>	<b>\$6,372,000</b>	<b>\$6,770,000</b>	<b>\$7,102,000</b>	<b>\$7,483,000</b>	

# Citrus Heights Water District – CY 2026 Cost-of-Service Rate Study

Table 20: Proposed Transfers & Undesignated Reserve Activity

<b>Transfers and Undesignated Reserves</b>							
Line #	<b>Direct Transfers - (to)/from Reserves</b>		<b>CY 2026</b>	<b>CY 2027</b>	<b>CY 2028</b>	<b>CY 2029</b>	<b>CY 2030</b>
1	Net Operating Income	Table 19	\$7,732,000	\$6,372,000	\$6,770,000	\$7,102,000	\$7,483,000
2	Rate Stabilization		\$1,000,000	(\$125,000)	(\$125,000)	(\$125,000)	(\$125,000)
3	Debt Service		(\$1,172,000)	(\$172,000)	(\$172,000)	(\$172,000)	(\$172,000)
4	Water Supply		(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)	(\$500,000)
5	Project 2030		(\$2,261,000)	(\$2,261,000)	(\$2,261,000)	(\$2,261,000)	(\$2,261,000)
6	<b>Net Operating Income (After Direct Transfers)</b>		<b>\$4,799,000</b>	<b>\$3,314,000</b>	<b>\$3,712,000</b>	<b>\$4,044,000</b>	<b>\$4,425,000</b>
<b>Operating Fund</b>							
7	Beginning Balance		\$4,311,616	\$4,662,000	\$5,351,918	\$5,692,932	\$6,027,288
8	Net Operating Income (After Direct Transfers)	Line 6	\$4,799,000	\$3,314,000	\$3,712,000	\$4,044,000	\$4,425,000
9	Transfers from/(to) Capital Improvement		(\$4,448,616)	(\$2,624,082)	(\$3,370,986)	(\$3,709,644)	(\$4,062,781)
10	<b>Ending Balance</b>		<b>\$4,662,000</b>	<b>\$5,351,918</b>	<b>\$5,692,932</b>	<b>\$6,027,288</b>	<b>\$6,389,507</b>
11	Target						
12	Minimum		\$4,662,000	\$5,351,918	\$5,692,932	\$6,027,288	\$6,389,507
<b>Capital Improvement</b>							
13	Beginning Balance		\$10,457,695	\$20,109,467	\$13,133,921	\$11,048,218	\$8,379,117
14	Transfers from/(to) Operating Fund	Line 9	\$4,448,616	\$2,624,082	\$3,370,986	\$3,709,644	\$4,062,781
15	New Debt Proceeds		\$28,000,000	\$0	\$0	\$0	\$0
16	Transfers (to)/from Water Supply		\$5,000,000	\$0	\$0	\$0	\$0
17	Transfers (to)/from Project 2030		\$0	\$0	\$0	\$0	\$7,000,000
18	Less:						
19	CIP		(\$27,796,844)	(\$9,599,628)	(\$5,456,689)	(\$6,378,745)	(\$10,121,394)
20	<b>Ending Balance</b>		<b>\$20,109,467</b>	<b>\$13,133,921</b>	<b>\$11,048,218</b>	<b>\$8,379,117</b>	<b>\$9,320,503</b>
21	Target						
22	Minimum		\$3,596,530	\$3,722,744	\$3,853,387	\$3,988,615	\$4,128,588
<b>Rate Stabilization</b>							
23	Beginning Balance		\$1,000,000	\$0	\$125,000	\$250,000	\$375,000
24	Direct transfers to/(from) Rate Stabilization	Line 2	(\$1,000,000)	\$125,000	\$125,000	\$125,000	\$125,000
25	<b>Ending Balance</b>		<b>\$0</b>	<b>\$125,000</b>	<b>\$250,000</b>	<b>\$375,000</b>	<b>\$500,000</b>
26	Target						
27	Minimum		\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
28	<b>Ending Balance - Undesignated Reserves</b>		<b>\$24,771,467</b>	<b>\$18,610,839</b>	<b>\$16,991,150</b>	<b>\$14,781,404</b>	<b>\$16,210,010</b>

# Citrus Heights Water District – CY 2026 Cost-of-Service Rate Study

Table 21: Proposed Designated Reserve Activity

Designated Reserves						
Line #		CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
<b>Debt Service</b>						
1	Beginning Balance	\$0	\$1,172,000	\$1,344,000	\$1,516,000	\$1,688,000
2	Direct transfers to/(from) Debt Service	Table 20 - Line 3	\$1,172,000	\$172,000	\$172,000	\$172,000
3	<b>Ending Balance</b>	<b>\$1,172,000</b>	<b>\$1,344,000</b>	<b>\$1,516,000</b>	<b>\$1,688,000</b>	<b>\$1,860,000</b>
<b>Target</b>						
5	Minimum	\$1,860,000	\$1,860,000	\$1,860,000	\$1,860,000	\$1,860,000
<b>Employment-Related Benefits</b>						
6	Beginning Balance	\$1,015,536	\$1,015,536	\$1,015,536	\$1,015,536	\$1,015,536
7	Direct transfers to/(from) Employment-Related Benefits	\$0	\$0	\$0	\$0	\$0
8	<b>Ending Balance</b>	<b>\$1,015,536</b>	<b>\$1,015,536</b>	<b>\$1,015,536</b>	<b>\$1,015,536</b>	<b>\$1,015,536</b>
<b>Target</b>						
10	Minimum	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000
<b>Water Supply</b>						
11	Beginning Balance	\$23,173	\$660,173	\$2,660,173	\$3,160,173	\$3,660,173
12	Direct transfers to/(from) Water Supply	Table 20 - Line 4	\$500,000	\$500,000	\$500,000	\$500,000
13	Ella Grant Funding (Well #7)	\$1,607,000	\$0	\$0	\$0	\$0
14	Highland Grant Funding (Well #8)	\$3,530,000	\$1,500,000	\$0	\$0	\$0
15	Transfers (to)/from Capital Improvement	Table 20 - Line 16	(\$5,000,000)	\$0	\$0	\$0
16	<b>Ending Balance</b>	<b>\$660,173</b>	<b>\$2,660,173</b>	<b>\$3,160,173</b>	<b>\$3,660,173</b>	<b>\$4,160,173</b>
<b>Target</b>						
18	Minimum	\$0	\$0	\$0	\$0	\$0
<b>Fleet Equipment</b>						
19	Beginning Balance	\$555,009	\$555,009	\$555,009	\$555,009	\$555,009
20	Direct transfers to/(from) Fleet Equipment	\$0	\$0	\$0	\$0	\$0
21	<b>Ending Balance</b>	<b>\$555,009</b>	<b>\$555,009</b>	<b>\$555,009</b>	<b>\$555,009</b>	<b>\$555,009</b>
<b>Target</b>						
23	Minimum	\$574,486	\$594,647	\$615,515	\$637,116	\$659,474
<b>Water Efficiency</b>						
24	Beginning Balance	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
25	Direct transfers to/(from) Water Efficiency	\$0	\$0	\$0	\$0	\$0
26	<b>Ending Balance</b>	<b>\$200,000</b>	<b>\$200,000</b>	<b>\$200,000</b>	<b>\$200,000</b>	<b>\$200,000</b>
<b>Target</b>						
28	Minimum	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
<b>Water Meter Replacement</b>						
29	Beginning Balance	\$2,125,000	\$2,125,000	\$2,125,000	\$2,125,000	\$2,125,000
30	Direct transfers to/(from) Water Meter Replacement	\$0	\$0	\$0	\$0	\$0
31	<b>Ending Balance</b>	<b>\$2,125,000</b>	<b>\$2,125,000</b>	<b>\$2,125,000</b>	<b>\$2,125,000</b>	<b>\$2,125,000</b>
<b>Target</b>						
33	Minimum	\$0	\$0	\$0	\$0	\$0
<b>Project 2030</b>						
34	Beginning Balance	\$6,482,136	\$9,009,578	\$11,625,481	\$14,332,941	\$17,135,161
35	Direct transfers to/(from) Project 2030	Table 20 - Line 5	\$2,261,000	\$2,261,000	\$2,261,000	\$2,261,000
36	Transfers (to)/from Capital Improvement	Table 20 - Line 17	\$0	\$0	\$0	(\$7,000,000)
37	Subtotal Project 2030	\$8,743,136	\$11,270,578	\$13,886,481	\$16,593,941	\$12,396,161
38	Interest Earnings	\$266,442	\$354,903	\$446,459	\$541,220	\$516,798
39	<b>Ending Balance</b>	<b>\$9,009,578</b>	<b>\$11,625,481</b>	<b>\$14,332,941</b>	<b>\$17,135,161</b>	<b>\$12,912,959</b>
<b>Target</b>						
41	Minimum	\$0	\$0	\$0	\$0	\$0
42	<b>Ending Balance - Designated Reserves</b>	<b>\$14,737,296</b>	<b>\$19,525,199</b>	<b>\$22,904,659</b>	<b>\$26,378,879</b>	<b>\$22,828,677</b>

# Citrus Heights Water District – CY 2026 Cost-of-Service Rate Study

Figure 7 identifies the operating position based on the proposed financial plan and Figure 8 shows the capital plan with funding sources. Figure 9 identifies the ending reserve balances for the Operating, Capital, and Rate Stabilization reserves.

Figure 7: Proposed Operating Financial Position

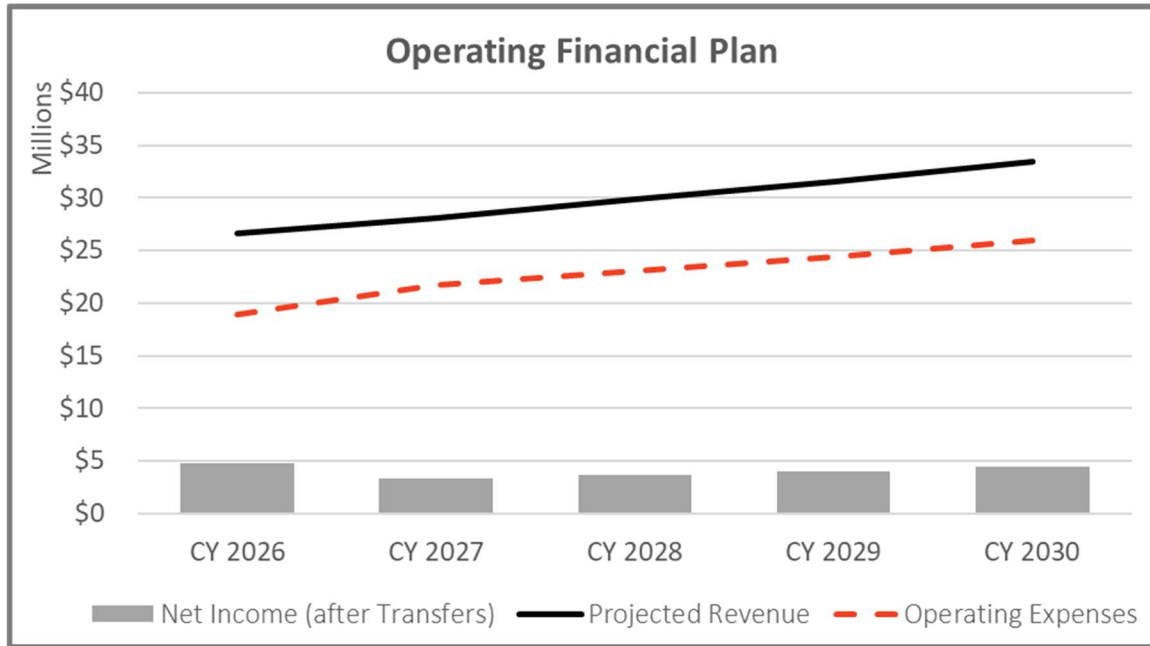
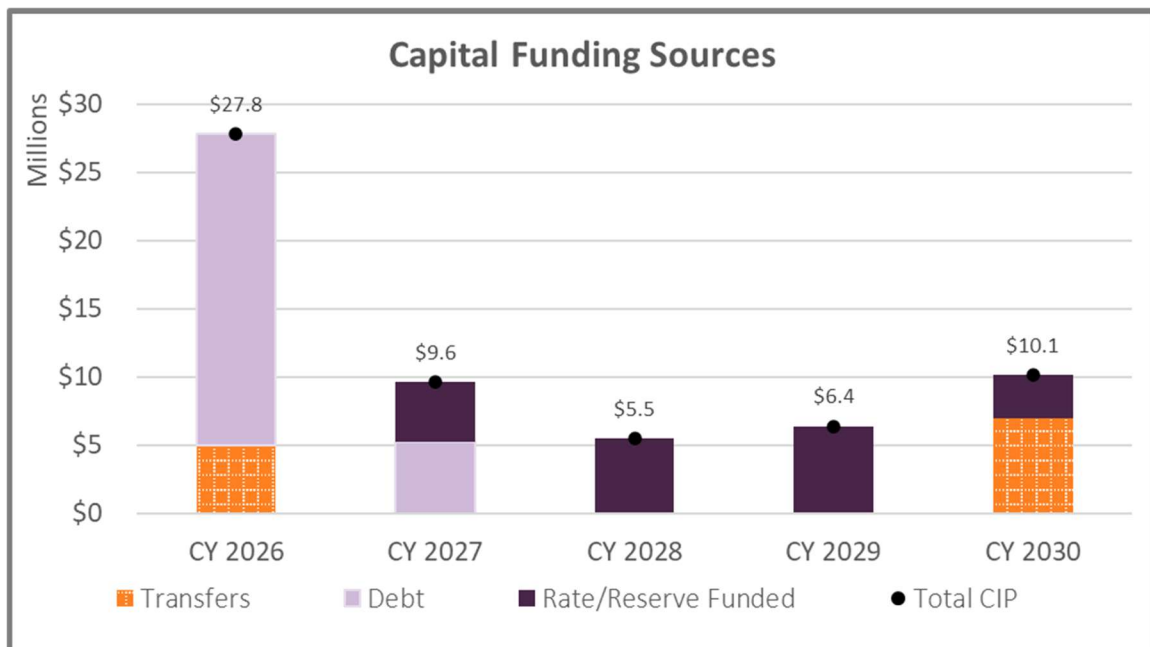
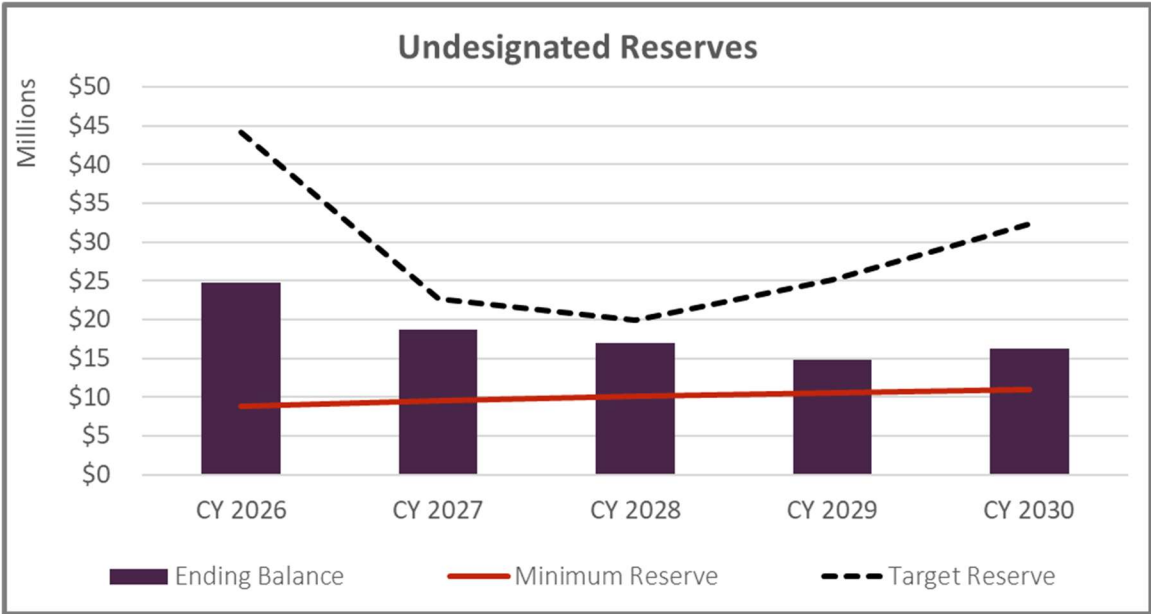


Figure 8: Capital Improvement Plan with Funding Sources



# Citrus Heights Water District – *CY 2026 Cost-of-Service Rate Study*

Figure 9: Proposed Ending Balances of Undesignated Reserves



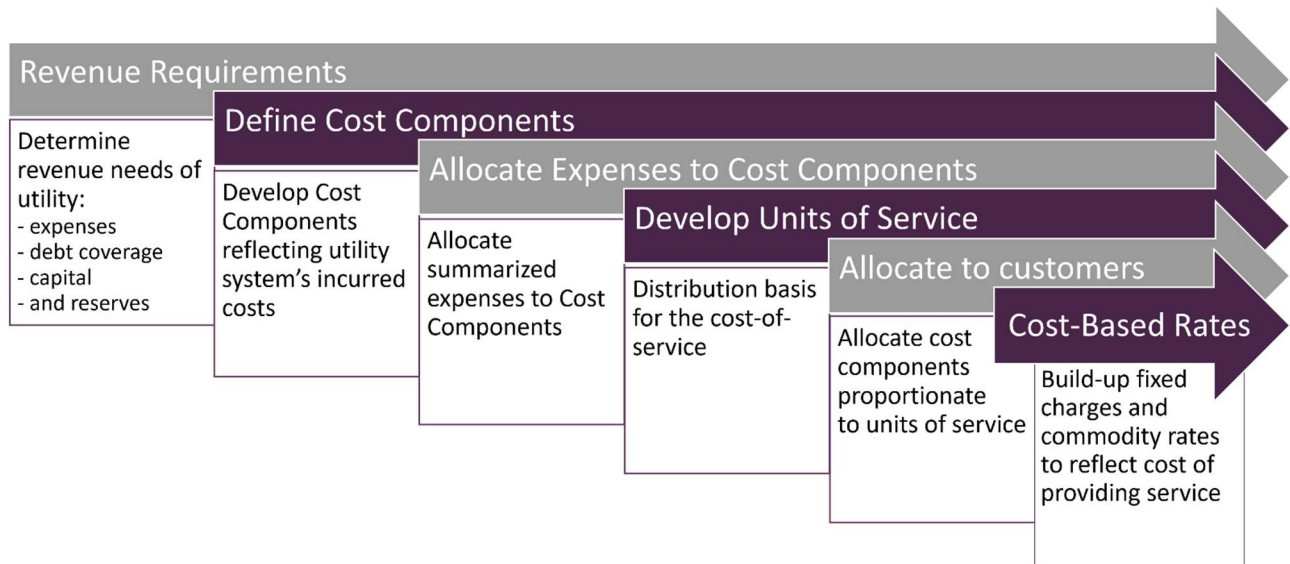
## Cost-of-Service Analysis

### Cost-of-Service Process

The next step in developing rates is to perform a cost-of-service analysis. This step develops proposed water rates that are cost-based and proportional. Proposition 218 does not provide a particular methodology for establishing rates, so long as they reflect the proportional cost-of-service on a parcel basis. This study and analysis herein allocate costs proportionately to each parcel served by the District and derive water rates consistent with Proposition 218.

It is important to understand **how** costs are incurred to determine the most appropriate way to recover these costs. The following graphic summarizes the cost-of-service process. This process allocates costs incurred to customers based on their proportional share. As a result, the proposed rates are cost-based and reflect the costs incurred to provide service to customers.

Figure 10: Cost-of-Service Process



### Revenue Requirements

Revenue requirements are determined for CY 2026 and used for the cost-of-service. Revenue requirements include O&M expenses, fixed and variable purchased water costs, available revenue offsets from other revenues, and reserve funding. Funding the capital plan and maintaining reserves to meet or exceed the minimum reserve requirement is part of the long-term financial plan. However, only rate adjustments for CY 2026 are part of the Proposition 218 Notice. The results of the financial plan analysis for CY 2026 are summarized in Table 22 and represent the revenue required from rates.

# Citrus Heights Water District – CY 2026 Cost-of-Service Rate Study

Table 22: CY 2026 Revenue Requirements

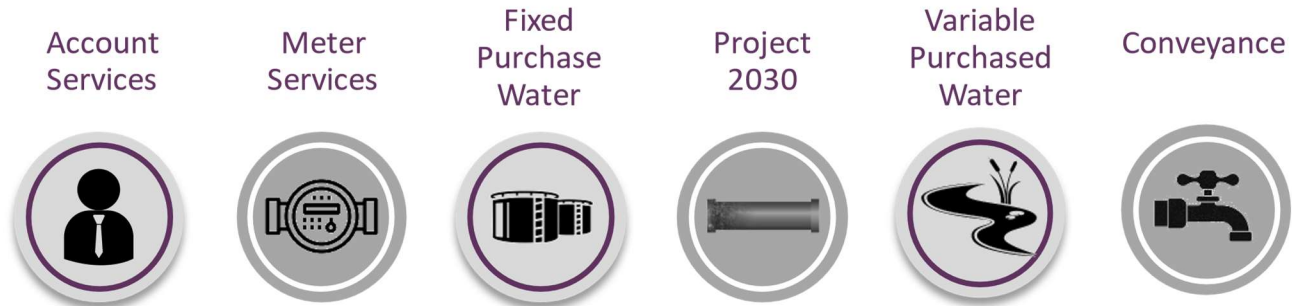
Revenue Requirements	
	CY 2026
<b>Purchased Water Costs</b>	
SJWD Fixed Charge	\$2,654,000
Wholesale Water Purchases	\$630,000
<b>Total Purchased Water Costs</b>	<b>\$3,284,000</b>
<b>Operating Expenses</b>	
Board	\$64,000
Administrative Services	\$2,011,000
Human Resources/Risk Mgmt	\$1,014,000
Finance/Customer Service	\$1,919,000
IT	\$991,000
Public Engagement	\$1,354,000
Engineering	\$770,000
Engineering - Personnel	\$1,378,000
Operations (T&D)	\$1,123,000
Operations (T&D) - Personnel	\$2,513,000
Production	\$1,484,000
Water Efficiency	\$833,000
<b>Total Operating Expenses</b>	<b>\$15,454,000</b>
<b>Debt Service</b>	
Existing Debt	\$169,000
New/Proposed Debt	\$0
<b>Total Debt Service</b>	<b>\$169,000</b>
<b>Other Funding</b>	
<i>Revenue Offsets</i>	
Operating Revenues	(\$306,000)
Other Revenue	(\$1,000,000)
<i>Direct Transfers and Reserve Funding</i>	
Rate Stabilization	(\$1,000,000)
Debt Service	\$1,172,000
Water Supply	\$500,000
Project 2030	\$2,261,000
<i>Adjustments</i>	
Reserve Funding	\$4,799,000
<b>Total Other Funding</b>	<b>\$6,426,000</b>
<b>Revenue Requirement from Rates</b>	<b>\$25,333,000</b>

# Citrus Heights Water District – CY 2026 Cost-of-Service Rate Study

## Define Cost Components

The utility incurs costs to accommodate total water demand that varies throughout the year. Therefore, to determine the most appropriate way to recover the utility's expenses, cost components are identified to allocate expenses based on how they are incurred. The cost components shown in Figure 11 are specific to the District, with four components related to fixed costs and two of the cost components related to variable costs.

Figure 11: Cost Components



*Account Services:* Fixed expenses that do not necessarily fluctuate based on usage and are not a function of meter size.

*Meter Capacity:* Expenses associated with executive staff, Board of Directors, liability insurance, meter reading, Engineering – Personnel, Operations (T&D) – Personnel, debt, and a portion of capital spending and reserve funding.

*Fixed Purchased Water:* Fixed quarterly water supply costs incurred from SJWD.

*Project 2030:* Reserve funding for the Project 2030 mainline replacement program.

*Variable Purchased Water:* Treated water supply from SJWD.

*Conveyance:* Expenses associated with operating and maintaining the water system, groundwater supply expenses, permits, portion of public engagement related to educating customers, transmission and distribution, and water efficiency expenses incurred to deliver water to all customers. These costs tend to vary with the volume of water sold.

## Allocate Expenses to Cost Components

The analysis herein establishes cost components for developing fixed charges and variable rates. When allocating expenses to the defined costs components, it is important to have a sound reason for allocating an expense to a certain fixed cost component versus a variable cost component or split between both fixed and variable. The distribution of expenses to the cost components should be straightforward to ensure the method of apportionment is **understandable** and easily **correlates to how expenses are incurred**.

Table 23 summarizes the percent allocation of purchased water costs to the fixed and variable water supply components and corresponding values in dollars.

# Citrus Heights Water District – CY 2026 Cost-of-Service Rate Study

Table 23: Purchased Water Cost Allocation to Cost Components

Purchased Water Costs	Methodology / Allocation Basis	Cost Components						Total
		Account Services	Meter Capacity	Fixed Purchased Water	Project 2030	Variable Purchased Supply	Conveyance	
SIWD Fixed Charge	Specific	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%
Wholesale Water Purchases	Specific	0.0%	0.0%	0.0%	0.0%	100.0%	0.0%	100.0%

Purchased Water Costs	Methodology / Allocation Basis	Cost Components						Total
		Account Services	Meter Capacity	Fixed Purchased Water	Project 2030	Variable Purchased Supply	Conveyance	
SIWD Fixed Charge	Specific	\$0	\$0	\$2,654,000	\$0	\$0	\$0	\$2,654,000
Wholesale Water Purchases	Specific	\$0	\$0	\$0	\$0	\$630,000	\$0	\$630,000
<b>Total Allocation (\$)</b>		<b>\$0</b>	<b>\$0</b>	<b>\$2,654,000</b>	<b>\$0</b>	<b>\$630,000</b>	<b>\$0</b>	<b>\$3,284,000</b>

Table 24 summarizes the percent allocation of Operating Expenses to the cost components and corresponding values in dollars. Human Resources, Finance/Customer Service, and Public Engagement have costs split between two components. Human Resources includes general liability insurance and legal expenses (37.9% of cost), which are assigned to meter capacity, as liability insurance and legal expenses are connected to potential liabilities of the entire system and the connected meters. Finance/Customer Service includes costs associated with meter reading (11.6% of cost), and those costs are assigned to meter capacity. Public Engagement includes some staffing and printing expenses to educate customers on the District’s strategic objectives and water efficiency, which are assigned to conveyance and spread over all water usage.

Table 24: Operating Expense Allocation to Cost Components

Operating Expenses	Methodology / Allocation Basis	Cost Components						Total
		Account Services	Meter Capacity	Fixed Purchased Water	Project 2030	Variable Purchased Supply	Conveyance	
Board	Specific	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Administrative Services	Specific	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Human Resources/Risk Mgmt	Specific	62.1%	37.9%	0.0%	0.0%	0.0%	0.0%	100.0%
Finance/Customer Service	Specific	88.4%	11.6%	0.0%	0.0%	0.0%	0.0%	100.0%
IT	Specific	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Public Engagement	Specific	88.2%	0.0%	0.0%	0.0%	0.0%	11.8%	100.0%
Engineering	Specific	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
Engineering - Personnel	Specific	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Operations (T&D)	Specific	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
Operations (T&D) - Personnel	Specific	0.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Production	Specific	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%
Water Efficiency	Specific	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%

Operating Expenses	Methodology / Allocation Basis	Cost Components						Total
		Account Services	Meter Capacity	Fixed Purchased Water	Project 2030	Variable Purchased Supply	Conveyance	
Board	Specific	\$0	\$64,000	\$0	\$0	\$0	\$0	\$64,000
Administrative Services	Specific	\$0	\$2,011,000	\$0	\$0	\$0	\$0	\$2,011,000
Human Resources/Risk Mgmt	Specific	\$630,200	\$383,800	\$0	\$0	\$0	\$0	\$1,014,000
Finance/Customer Service	Specific	\$1,697,270	\$221,730	\$0	\$0	\$0	\$0	\$1,919,000
IT	Specific	\$0	\$991,000	\$0	\$0	\$0	\$0	\$991,000
Public Engagement	Specific	\$1,194,770	\$0	\$0	\$0	\$0	\$159,230	\$1,354,000
Engineering	Specific	\$0	\$0	\$0	\$0	\$0	\$770,000	\$770,000
Engineering - Personnel	Specific	\$0	\$1,378,000	\$0	\$0	\$0	\$0	\$1,378,000
Operations (T&D)	Specific	\$0	\$0	\$0	\$0	\$0	\$1,123,000	\$1,123,000
Operations (T&D) - Personnel	Specific	\$0	\$2,513,000	\$0	\$0	\$0	\$0	\$2,513,000
Production	Specific	\$0	\$0	\$0	\$0	\$0	\$1,484,000	\$1,484,000
Water Efficiency	Specific	\$0	\$0	\$0	\$0	\$0	\$833,000	\$833,000
<b>Total Allocation (\$)</b>		<b>\$3,522,240</b>	<b>\$7,562,530</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,369,230</b>	<b>\$15,454,000</b>
<b>O&amp;M Allocation (%)</b>		<b>22.8%</b>	<b>48.9%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>28.3%</b>	<b>100.0%</b>

# Citrus Heights Water District – CY 2026 Cost-of-Service Rate Study

The District’s debt was allocated based on the O&M Allocation percentages, derived in Table 24, to maintain the proportionality in how O&M expenses were allocated. Table 25 summarizes the allocation of existing indebtedness and the corresponding value in dollars.

*Table 25: Debt Service Expense Allocation to Cost Components*

Debt Service	Methodology / Allocation Basis	Cost Components						Total
		Account Services	Meter Capacity	Fixed Purchased Water	Project 2030	Variable Purchased Supply	Conveyance	
Existing Debt	O&M Allocation	22.8%	48.9%	0.0%	0.0%	0.0%	28.3%	100.0%
New/Proposed Debt	Specific	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Debt Service	Methodology / Allocation Basis	Cost Components						Total
		Account Services	Meter Capacity	Fixed Purchased Water	Project 2030	Variable Purchased Supply	Conveyance	
Existing Debt	O&M Allocation	\$38,518	\$82,701	\$0	\$0	\$0	\$47,781	\$169,000
New/Proposed Debt	Specific	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Allocation (\$)</b>		<b>\$38,518</b>	<b>\$82,701</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$47,781</b>	<b>\$169,000</b>

Other Funding includes other operating and non-operating revenues as an offset, direct transfers, and reserve funding. Operating Revenues and Other Revenues were used to evenly reduce costs between the two fixed cost components of Account Services and Meter Capacity to mitigate increases to the District’s fixed charges. All direct transfers, except for the Project 2030, were allocated based on O&M Allocation percentages derived at the bottom of Table 24. All revenues generated from the Project 2030 dedicated charge are deposited into the Project 2030 Reserve and will be used for Project 2030 related expenses. Table 26 summarizes the percent allocation of Other Funding to the cost components and corresponding values in dollars.

*Table 26: Other Funding Allocation to Cost Components*

Other Funding	Methodology / Allocation Basis	Cost Components						Total
		Account Services	Meter Capacity	Fixed Purchased Water	Project 2030	Variable Purchased Supply	Conveyance	
<i>Revenue Offsets</i>								
Operating Revenues	Specific	50.0%	50.0%	0.0%	0.0%	0.0%	0.0%	100.0%
Other Revenue	Specific	50.0%	50.0%	0.0%	0.0%	0.0%	0.0%	100.0%
<i>Direct Transfers and Reserve Funding</i>								
Rate Stabilization	O&M Allocation	22.8%	48.9%	0.0%	0.0%	0.0%	28.3%	100.0%
Debt Service	O&M Allocation	22.8%	48.9%	0.0%	0.0%	0.0%	28.3%	100.0%
Water Supply	O&M Allocation	22.8%	48.9%	0.0%	0.0%	0.0%	28.3%	100.0%
Project 2030	Specific	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	100.0%
<i>Adjustments</i>								
Reserve Funding	O&M Allocation	22.8%	48.9%	0.0%	0.0%	0.0%	28.3%	100.0%

Other Funding	Methodology / Allocation Basis	Cost Components						Total
		Account Services	Meter Capacity	Fixed Purchased Water	Project 2030	Variable Purchased Supply	Conveyance	
<i>Revenue Offsets</i>								
Operating Revenues	Specific	(\$153,000)	(\$153,000)	\$0	\$0	\$0	\$0	(\$306,000)
Other Revenue	Specific	(\$500,000)	(\$500,000)	\$0	\$0	\$0	\$0	(\$1,000,000)
<i>Direct Transfers and Reserve Funding</i>								
Rate Stabilization	O&M Allocation	(\$227,918)	(\$489,357)	\$0	\$0	\$0	(\$282,725)	(\$1,000,000)
Debt Service	O&M Allocation	\$267,120	\$573,527	\$0	\$0	\$0	\$331,354	\$1,172,000
Water Supply	O&M Allocation	\$113,959	\$244,679	\$0	\$0	\$0	\$141,362	\$500,000
Project 2030	Specific	\$0	\$0	\$0	\$2,261,000	\$0	\$0	\$2,261,000
<i>Adjustments</i>								
Reserve Funding	O&M Allocation	\$1,093,777	\$2,348,426	\$0	\$0	\$0	\$1,356,797	\$4,799,000
<b>Total Allocation (\$)</b>		<b>\$593,938</b>	<b>\$2,024,275</b>	<b>\$0</b>	<b>\$2,261,000</b>	<b>\$0</b>	<b>\$1,546,788</b>	<b>\$6,426,000</b>

# Citrus Heights Water District – *CY 2026 Cost-of-Service Rate Study*

Table 27 summarizes the revenue requirement derived in Table 22 by cost component.

*Table 27: CY 2026 Cost-of-Service Requirements by Cost Component*

Revenue Requirement	Fixed Components				Variable Components		Total
	Account Services	Meter Capacity	Fixed Purchased Water	Project 2030	Variable Purchased Supply	Conveyance	
Purchased Water Costs	\$0	\$0	\$2,654,000	\$0	\$630,000	\$0	\$3,284,000
Operating Expenses	\$3,522,240	\$7,562,530	\$0	\$0	\$0	\$4,369,230	\$15,454,000
Debt Service	\$38,518	\$82,701	\$0	\$0	\$0	\$47,781	\$169,000
Other Funding	\$593,938	\$2,024,275	\$0	\$2,261,000	\$0	\$1,546,788	\$6,426,000
<b>COS Requirements</b>	<b>\$4,154,696</b>	<b>\$9,669,506</b>	<b>\$2,654,000</b>	<b>\$2,261,000</b>	<b>\$630,000</b>	<b>\$5,963,798</b>	<b>\$25,333,000</b>

## Rate Design

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### Develop Units of Service

Unit rates for each cost component are derived by spreading the corresponding revenue requirements over appropriate units of service (distribution basis). This approach provides a clear connection between costs incurred and the proportionate share attributable to each parcel. The previous section summarized costs by expense category and then allocated to cost components based on how each cost is incurred. The next step in designing rates is to allocate each cost component to customers in relation to their use of the system and facilities

The method of apportionment considers each customer's share of system costs and is reflected by the units of service used to distribute the cost components to each customer account equitably. The distribution basis varies by cost component and includes total bills, Meter Equivalents (MEs), which reflect demand placed on the system based on meter size, and total water sales. Each meter size was assigned an equivalency factor based on the flow characteristics of meters used by the District. The 5/8" x 3/4" Singlejet meter type was used for meter sizes that are  $\leq 3/4$ ". District staff confirmed the safe maximum operating flow capacities by meter type, as identified in the AWWA M1 Manual, 6th Edition, Table B-2, are reflective of the District's meters. The safe maximum operating flow capacity for each meter was divided by the base meter's safe operating flow capacity of 20 gallons per minute (gpm) to determine the equivalent meter ratio. In other words, the calculations convert all larger-sized meters to an equivalent number of 5/8" x 3/4" meters based on the safe operating flow capacity of 20 gpm.

The capacity ratio represents the potential flow through each meter size compared to the base meter size to establish parity between all meters. Total MEs are determined by multiplying the number of meters by the capacity ratio and then multiplying the result by the number of billing periods in a year. Table 28 summarizes the units of service related to total Accounts, MEs, and projected usage. Annual Bills and Annual MEs account for the District's six bi-monthly billing periods.

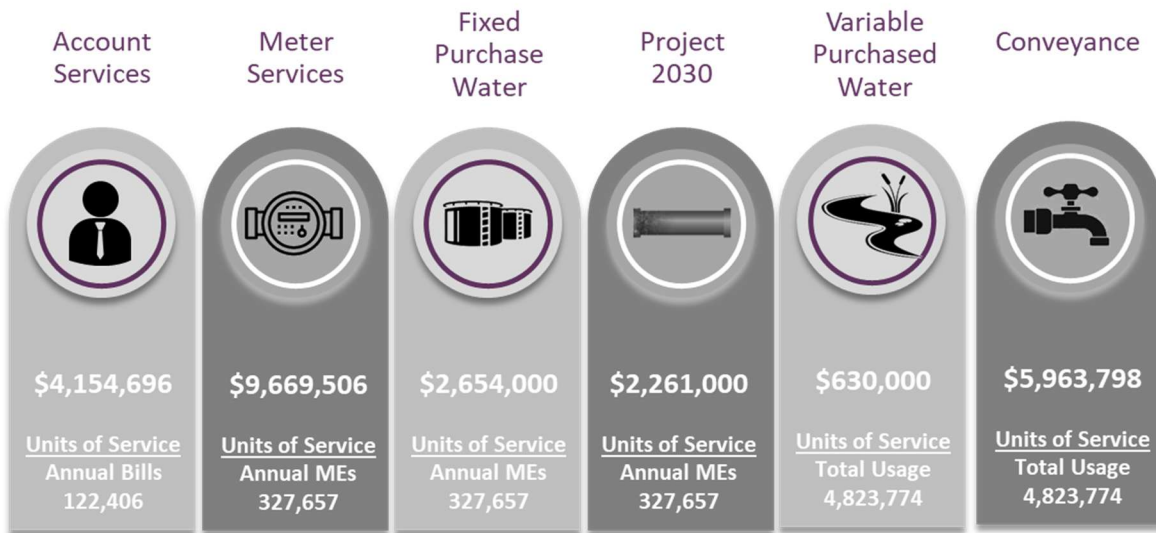
# Citrus Heights Water District – CY 2026 Cost-of-Service Rate Study

Table 28: Fixed and Variable Units of Service

Fixed and Variable Units of Service							
Meter Size	AWWA Capacity (gpm)	Capacity Ratio	Number of Accounts	Meter Equivalents	Annual Bills	Annual ME's	Projected Usage (HCF)
	[A]	[B] = A ÷ 20	[C]	[D] = (B x C)	[E] = (C x 6)	[F] = (D x 6)	[G]
5/8"	20	1.00	-	-	-	-	-
3/4"	20	1.00	1,928	1,928	11,568	11,568	
1"	50	2.50	17,166	42,915	102,996	257,490	
1 1/2"	100	5.00	578	2,890	3,468	17,340	
2"	160	8.00	621	4,968	3,726	29,808	
3"	350	17.50	63	1,103	378	6,615	
4"	630	31.50	-	-	-	-	
Combination Meters							
2x4" - Combo	160	8.00	22	176	132	1,056	
3x6" - Combo	350	17.50	12	210	72	1,260	
4x8" - Combo	630	31.50	10	315	60	1,890	
10" - Combo	2,100	105.00	1	105	6	630	
<b>Total</b>			<b>20,401</b>	<b>54,610</b>	<b>122,406</b>	<b>327,657</b>	<b>4,823,774</b>

With the units of service shown in Table 28, we identified the distribution basis for each cost component. Figure 12 identifies the total revenue requirements by cost component from Table 27 and the corresponding units of service.

Figure 12: Distribution Basis and Units of Service by Cost Component



Using CY 2026 revenue requirements, the cost-of-service allocates expenses to customers based on the service demands that each place on the system (cost causation). This cost causation approach ensures that each customer proportionately shares in the financial obligation of the utility. Unit rates were rounded up to the nearest penny.

# Citrus Heights Water District – *CY 2026 Cost-of-Service Rate Study*

## Fixed Cost Recovery

### Account Services

Each customer incurs Account Services costs regardless of the type of land use, meter size, or total amount of water used in a month. These costs should be spread equally across all accounts. This is achieved by using the distribution basis of Annual Bills. Therefore, the revenue requirement for Account Services is apportioned based on the Annual Bills to determine the bi-monthly unit cost-of-service shown in Table 29.

*Table 29: CY 2026 Account Services Bi-Monthly Unit Rate*

<b>Account Services Component Unit Rate</b>	
Revenue Requirement	\$4,154,696
÷ Annual Bills	122,406
<b>Bi-Monthly Unit Rate</b>	<b>\$33.95</b>

### Meter Capacity

Meter Capacity costs include Administrative Services, Board, Meter Reading, IT, Engineering-Personnel, Operations (T&D) – Personnel, debt, and a portion of capital spending and reserve funding. Administrative Services, Board, Engineering-Personnel, and Operational-Personnel are responsible for system planning, capital improvements, and ensuring total water demand is accommodated. Therefore, these costs, along with capital spending (debt and reserves), are apportioned based on meter size. Larger-sized meters can generate a greater demand on the system from the amount of potential water flow that may pass through the meter. The revenue requirement for Meter Capacity is apportioned based on Annual MEs to determine the bi-monthly unit cost-of-service shown in Table 30.

*Table 30: CY 2026 Meter Capacity Bi-Monthly Unit Rate*

<b>Meter Capacity Component Unit Rate</b>	
Revenue Requirement	\$9,669,506
÷ Annual ME's	327,657
<b>Bi-Monthly Unit Rate</b>	<b>\$29.52</b>

# Citrus Heights Water District – *CY 2026 Cost-of-Service Rate Study*

## Fixed Purchased Water

SJWD fixed costs are incurred by the District based on its share of the 10-year average of water purchases of all member agencies. These fixed costs are recovered as a fixed charge to District customers based on meter size, reflecting the potential water demand placed on SJWD treatment facilities and operations. The revenue requirement for Fixed Purchased Water is apportioned over Annual MEs as shown in Table 31. If SJWD changes the fixed charge, any cost incurred by the District will be captured through pass-throughs.

*Table 31: CY 2026 Fixed Purchased Water Bi-Monthly Unit Rate*

<b>Fixed Purchased Water Component Unit Rate</b>	
Revenue Requirement	\$2,654,000
÷ Annual ME's	327,657
<b>Bi-Monthly Unit Rate</b>	<b>\$8.10</b>

## Project 2030

Project 2030 costs include funding for the Project 2030 related expenses. The project 2030 costs are apportioned based on meter size to reflect the potential demand placed on the District's transmission lines. The revenue requirement for Projected 2030 is apportioned based on Annual MEs as shown in Table 32.

*Table 32: CY 2026 Project 2030 Dedicated Charge Unit Rate*

<b>Project 2030 Component Unit Rate</b>	
Revenue Requirement	\$2,261,000
÷ Annual ME's	327,657
<b>Bi-Monthly Unit Rate</b>	<b>\$6.90</b>

# Citrus Heights Water District – *CY 2026 Cost-of-Service Rate Study*

## Variable Cost Recovery

The remaining cost components of Variable Purchased Water and Conveyance are recovered through a variable rate. The proposed rate structure consists of a uniform rate per HCF.

### Variable Purchased Supply

The District purchases water from SJWD. Table 33 apportions the revenue requirement of Variable Purchased Water over all projected water usage. If SJWD changes the variable rate, any cost incurred by the District will be captured through pass-throughs.

*Table 33: CY 2026 Variable Purchased Supply Unit Rate*

Variable Purchased Supply Component Unit Rate	
Revenue Requirement	\$630,000
÷ Projected Usage (HCF)	4,823,774
<b>Unit Rate</b>	<b>\$0.14</b>

### Conveyance

Conveyance costs are incurred based on the total volume of water produced and delivered to customers throughout the year. Table 34 apportions the revenue requirement for Conveyance over all projected water usage.

*Table 34: CY 2026 Conveyance Unit Rate*

Conveyance Component Unit Rate	
Revenue Requirement	\$5,963,798
÷ Projected Usage (HCF)	4,823,774
<b>Unit Rate</b>	<b>\$1.24</b>

## Water Rate Summary

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### Financial Plan Summary

The financial plan identifies revenue adjustments through CY 2030; however, the District is only setting rates for CY 2026. Based on the review of the current rate revenue and multi-year revenue requirements, rate revenue for CY 2026 needs to recover approximately \$1.2M in additional annual revenue to cover increases in operational costs, fully fund its capital needs, cover annual debt service payments, while maintaining healthy reserves. Forward-looking through CY 2030, revenue adjustments are needed, as shown in Table 19. These recommended revenue adjustments will allow the District to cover its multi-year revenue requirements. The financial plan should be updated annually to review actual revenue recovered, capture new accounts, update changes in water usage, and track capital expenses as estimates change. As the baseline assumptions change, the proposed revenue adjustments may also need to be revised to reflect updated conditions.

### Cost-of-Service and Rate Summary

The proposed rates maintain the same rate structure as existing rates, with bi-monthly fixed charges that vary by meter size and a uniform variable rate for all customers. The District also plans to utilize the pass-through provisions of the Proposition 218 Omnibus Implementation Act (Government Code Section 53756) for increases in purchased water costs from SJWD in subsequent years. There will be two separate pass-throughs, one for increases in fixed charges and the other for increases in variable rates.

The updated cost-of-service analysis identifies the cost components that make up the proposed fixed charges and variable rate. Fixed charges consist of an Account Charge, Meter Capacity Charge, Fixed Purchased Water Charge, and a separate Project 2030 dedicated charge. The variable rate consists of Variable Purchased Supply and Conveyance.

# Citrus Heights Water District – CY 2026 Cost-of-Service Rate Study

## Cost-Based Rates

### Proposed Bi-Monthly Fixed Charges

The District approves rates on an annual basis and the cost-based rates are only for CY 2026. The proposed bi-monthly base fixed charges for CY 2026 are shown in Table 35, reflecting the combined charges of Account Services, Meter Capacity, and Fixed Purchased Water.

*Table 35: CY 2026 Proposed Bi-Monthly Base Fixed Charges*

Base Fixed Charge					CY 2026 Proposed Base Fixed Charge
Meter Size	Capacity Ratio	Account Services	Meter Capacity	Fixed Purchased Water	
	[A]	[B] = \$33.95	[C] = \$29.52 x A	[D] = \$8.10 x A	[E] = B + C + D
≤3/4"	1.00	\$33.95	\$29.52	\$8.10	\$71.57
1"	2.50	\$33.95	\$73.80	\$20.25	\$128.00
1 1/2"	5.00	\$33.95	\$147.60	\$40.50	\$222.05
2"	8.00	\$33.95	\$236.16	\$64.80	\$334.91
3"	17.50	\$33.95	\$516.60	\$141.75	\$692.30
4"	31.50	\$33.95	\$929.88	\$255.15	\$1,218.98
Combination Meters					
2x4" - Combo	8.00	\$33.95	\$236.16	\$64.80	\$334.91
3x6" - Combo	17.50	\$33.95	\$516.60	\$141.75	\$692.30
4x8" - Combo	31.50	\$33.95	\$929.88	\$255.15	\$1,218.98
10" - Combo	105.00	\$33.95	\$3,099.60	\$850.50	\$3,984.05

Table 36 identifies the proposed bi-monthly fixed Project 2030 dedicated charge.

*Table 36: CY 2026 Proposed Bi-Monthly Project 2030 Dedicated Charges*

Project 2030 Dedicated Charge		
Meter Size	Capacity Ratio	CY 2026 Project 2030 Dedicated Charge
	[A]	[B] = \$6.90 x A
5/8"	1.00	\$6.90
3/4"	1.00	\$6.90
1"	2.50	\$17.25
1 1/2"	5.00	\$34.50
2"	8.00	\$55.20
3"	17.50	\$120.75
4"	31.50	\$217.35
Combination Meters		
2x4" - Combo	8.00	\$55.20
3x6" - Combo	17.50	\$120.75
4x8" - Combo	31.50	\$217.35
10" - Combo	105.00	\$724.50

# Citrus Heights Water District – *CY 2026 Cost-of-Service Rate Study*

## Proposed Variable Rate

Table 37 provides the variable rate for CY 2026, reflecting the combined Variable Purchased Supply and Conveyance rates.

*Table 37: CY 2026 Proposed Variable Rate (\$/HCF)*

Variable Rate			
Customer Class	Variable Purchased Supply [A]	Conveyance [B]	CY 2026 Proposed Variable Rate [C] = A + B
All Customers	\$0.14	\$1.24	<b>\$1.38</b>

# Citrus Heights Water District – CY 2026 Cost-of-Service Rate Study

## Appendix A – Purchased Water Cost Analysis

The annual variable water supply costs were calculated through the following analysis. First, the water loss percentage was applied to the water billings/sales to derive the total amount of water needed to meet customer demand. Next, the amount of purchased water needed from SJWD to meet the remaining demand was calculated by subtracting the available groundwater supplies from the total water demand. The variable water supply rates have an effective date of January 1 each year. SJWD costs for CY 2026 and beyond are set to the same costs as CY 2026 because the District will capture any increases by SJWD by utilizing the pass-through provision.

Table 38: Projected Purchased Water Costs (CY 2026 – CY 2030)

Purchased Water Costs						
Line#	Key Inputs / Assumptions	CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
<b>System/Supply Characteristics</b>						
1	Water Loss	4.0%	4.0%	4.0%	4.0%	4.0%
2	Groundwater (AF)	750 AF	750 AF	750 AF	750 AF	750 AF
3	Transfers (AF)	AF	AF	AF	AF	AF
4	Change in GW Production	100.0%	100.0%	100.0%	100.0%	100.0%
<b>Water Supply Rates</b>						
Fixed Water Supply Charges		CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
<b>Quarterly Fixed Costs</b>						
5	SJWD Fixed Charge	\$663,337	\$663,337	\$663,337	\$663,337	\$663,337
Water Supply Rates (\$/AF)		CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
<b>Variable Purchased Water Costs</b>						
6	SJWD	\$58.39	\$58.39	\$58.39	\$58.39	\$58.39
<b>Purchased Water Cost Calculations</b>						
Fixed Purchased Water Costs (Annual)		CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
<b>Fixed Purchased Water Costs</b>						
7	SJWD Fixed Charge <i>Line 5 x 4</i>	\$2,653,347	\$2,653,347	\$2,653,347	\$2,653,347	\$2,653,347
Variable Purchased Water Costs (Annual)		CY 2026	CY 2027	CY 2028	CY 2029	CY 2030
8	Water Billings/Sales (AF)	11,074 AF	11,074 AF	11,074 AF	11,074 AF	11,074 AF
9	Water Loss (%)	4.0%	4.0%	4.0%	4.0%	4.0%
10	Water Demand	11,535 AF	11,535 AF	11,535 AF	11,535 AF	11,535 AF
11	Less Groundwater	750 AF	750 AF	750 AF	750 AF	750 AF
12	Less Groundwater Transfers	AF	AF	AF	AF	AF
13	Water Purchases (Imported Water)	10,785 AF	10,785 AF	10,785 AF	10,785 AF	10,785 AF
14	Water Purchased at Prior Rate	AF	AF	AF	AF	AF
15	Water Purchased at Current Rate	10,785 AF	10,785 AF	10,785 AF	10,785 AF	10,785 AF
<b>Calculated Variable Purchased Water Costs</b>						
16	Water Purchases <i>Line 6 x Line 15</i>	\$629,752	\$629,752	\$629,752	\$629,752	\$629,752
17	<b>Total Water Supply Costs</b> <i>Line 7 + Line 16</i>	<b>\$3,283,099</b>	<b>\$3,283,099</b>	<b>\$3,283,099</b>	<b>\$3,283,099</b>	<b>\$3,283,099</b>

## Appendix B – CY 2026 Water Shortage Surcharges

The District adopted a Water Shortage Contingency Plan (WSCP) with six water shortage stages reflecting reduced water usage. When water shortage stages are enacted, and the water shortage measures realize reductions in water usage, revenues will also decrease, causing the utility not to meet its revenue requirements. As such, the District may implement Water Shortage Surcharges to recover projected lost revenues from each water shortage stage. Stage 1 assumes a 10% reduction, with each subsequent stage projecting an additional 10% reduction in water usage, with Stage 6 being anything over 50%. For stage 6, we used a 60% reduction.

The District Board may enact Water Shortage Surcharges during water shortage events to recover the appropriate revenue to fund water system operations from a reduced volume of water sold. Therefore, Water Shortage Surcharges are higher than the proposed commodity rate identified in Table 37 and increase for each stage.

The proposed Water Shortage Surcharges are developed by stage for CY 2026. Table 39 identifies the total reduction in HCF needed to achieve each conservation stage.

*Table 39: CY 2026 Total Usage Reductions by Water Shortage Stage*

Usage Reduction by Water Shortage Stage		Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Stage 6
Target Reduction Goal	Baseline Usage (HCF)	10.0%	20.0%	30.0%	40.0%	50.0%	60.0%
Potable Usage / Reduction (HCF)	4,823,774	<b>482,377</b>	<b>964,755</b>	<b>1,447,132</b>	<b>1,929,510</b>	<b>2,411,887</b>	<b>2,894,264</b>

With reductions identified in Table 39, the remaining usage is summarized in Table 40. The corresponding reduced revenue for CY 2026 is shown in Table 41 by taking the usage in Table 40 and multiplying it by the proposed CY 2026 variable rate.

# Citrus Heights Water District – CY 2026 Cost-of-Service Rate Study

Table 40: CY 2026 Remaining Usage by Water Shortage Stage

Remaining Usage by Water Shortage Stage							
Customer Class	Baseline Usage (HCF)	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Stage 6
All Customers	4,823,774	4,341,397	3,859,019	3,376,642	2,894,264	2,411,887	1,929,510

Table 41: CY 2026 Projected Revenue & Potential Revenue Loss

Projected Revenue & Potential Revenue Loss	
Customer Class	CY 2026 Selected
All Customers (S/HCF)	\$1.38

Projected Commodity Revenue and Revenue Loss							
Customer Class	Baseline	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Stage 6
All Customers	\$6,656,808	\$5,991,127	\$5,325,446	\$4,659,766	\$3,994,085	\$3,328,404	\$2,662,723
<b>Projected Loss (Baseline Revenue - Stage Revenue)</b>		<b>\$665,681</b>	<b>\$1,331,362</b>	<b>\$1,997,042</b>	<b>\$2,662,723</b>	<b>\$3,328,404</b>	<b>\$3,994,085</b>

In addition to revenue losses, the District will also reduce certain expenses, generating cost savings. Table 42 calculates the cost savings from reduced water loss, and Table 43 reflects the CY 2026 net impact of revenue loss to be recovered from Water Shortage Surcharges for each stage.

# Citrus Heights Water District – CY 2026 Cost-of-Service Rate Study

Table 42: CY 2026 Water Loss Expenses – Cost Savings

Water Loss Expense - Cost Savings	
Variable Water Costs	CY 2026 Selected
Wholesale Water Purchases	\$630,000
Variable Purchased Water Unit Cost	
Variable Purchased Water Cost	\$630,000
÷ Baseline Water Purchases (HCF)	4,698,065
<b>Variable Purchased Water Unit Cost (\$/hcf)</b>	<b>\$0.14</b>

Avoided Costs from Usage Reductions		CY 2026					
Variable Water Cost Savings		Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Stage 6
Reduction in Usage	Table 38	482,377	964,755	1,447,132	1,929,510	2,411,887	2,894,264
x Variable Water Unit Cost		\$0.14	\$0.14	\$0.14	\$0.14	\$0.14	\$0.14
<b>Variable Water Cost Savings</b>		<b>\$67,533</b>	<b>\$135,066</b>	<b>\$202,599</b>	<b>\$270,131</b>	<b>\$337,664</b>	<b>\$405,197</b>

Table 43: CY 2026 Net Impact from Water Shortage Stages

Net Impact from Water Shortage Stages							
Net Impact from WSCP Stages	Source	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Stage 6
Lost Revenue	Table 40	(\$665,681)	(\$1,331,362)	(\$1,997,042)	(\$2,662,723)	(\$3,328,404)	(\$3,994,085)
Plus Cost Savings	Table 41	\$67,533	\$135,066	\$202,599	\$270,131	\$337,664	\$405,197
<b>Net Revenue Loss</b>		<b>(\$598,148)</b>	<b>(\$1,196,296)</b>	<b>(\$1,794,444)</b>	<b>(\$2,392,592)</b>	<b>(\$2,990,740)</b>	<b>(\$3,588,888)</b>

Table 44 takes the net revenue loss in Table 43 and recovers it from the remaining usage from Table 40 as a percent increase surcharge across the commodity rate. The percentage surcharges of each stage for CY 2026 are calculated by taking the revenue loss to recover as a percentage of the Projected Commodity Revenue in Table 41

Table 44: CY 2026 Water Shortage Surcharges

Water Shortage Surcharges CY 2026							
WSCP Stages		Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Stage 6
Net Revenue Loss	[A]	\$598,148	\$1,196,296	\$1,794,444	\$2,392,592	\$2,990,740	\$3,588,888
Projected Commodity Revenue	[B]	\$5,991,127	\$5,325,446	\$4,659,766	\$3,994,085	\$3,328,404	\$2,662,723
<b>Water Surcharge % Increase</b>	[C] = A ÷ B	<b>9.98%</b>	<b>22.46%</b>	<b>38.51%</b>	<b>59.90%</b>	<b>89.86%</b>	<b>134.78%</b>
Customer Class	Baseline	Stage 1	Stage 2	Stage 3	Stage 4	Stage 5	Stage 6
All Customers	\$1.38	\$0.14	\$0.31	\$0.54	\$0.83	\$1.24	\$1.86