

BEAR VALLEY COMMUNITY SERVICES DISTRICT

DRAFT WATER SYSTEM RATE STUDY

JANUARY 2019



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1 Introduction

1.1. Introduction

Willdan Financial Services (“Willdan”) was retained by the Bear Valley Community Services District (“CSD”) to conduct a Water Rate Study (“Rate Study”) for the CSD’s Water Utility (“Utility”). This report details the results of the Rate Study analysis for the forecast period fiscal years (FY) 2019 to 2023.

The Rate Study includes a financial plan and rate structure designed to provide revenues sufficient to fund the ongoing operating and estimated capital costs necessary to operate the CSD’s Utility, while meeting the financial requirements and goals set forth by the CSD for the water enterprise fund.

1.2. Goal and Objectives

The primary goal of the Rate Study was to develop cost-based rates that will allow the CSD to meet its ongoing costs (operations & maintenance and capital), and to maintain industry standard financially prudent cash reserves for the Utility. More specifically the Rate Study was undertaken to:

- Conduct the analysis in accordance with industry standards consistent with American Water Works (“AWWA”) guidelines;
- Develop financial plans and rates consistent with industry standards and best practices while recognizing the needs specific to the CSD;
- Recommend rates that will meet the CSD’s revenue requirements based on CSD specific Utility operating and capital costs as well as debt service coverage obligations and reserve requirements; and
- Recommend rates that adhere to Proposition 218 requirements.

1.3. Overview of the Rate Study Process

The Rate Study process consisted of two primary study components. First, a determination of the adequacy of system revenues to meet system expenses during the study forecast period was made. The result of this analysis, known as the Revenue Sufficiency Analysis, is an assessment of the ability of the existing water rate revenue streams to meet the projected

financial requirements of the Utility during the forecast period. This analysis also identifies, to the extent required, the magnitude and timing of any required rate adjustments.

Second, specific rates and charges were developed which when implemented, are projected to provide sufficient revenue, as identified in the Revenue Sufficiency Analysis, to recover costs in a manner consistent with general rate-making practices. This step is known as the Rate Design Analysis.

1.4. Organization of this Report

This Rate Study presents an overview of the rate-making concepts utilized in the development of the analysis outlined in this report. The analysis is followed by a discussion of the data, assumptions and results associated with each component of the analysis. Finally, appendices with detailed schedules are presented for further investigation into the data, assumptions and calculations which drive the results presented in this Rate Study. The report is organized as follows:

- Section 1 – Introduction
- Section 2 – System Information
- Section 3 – Overview of Utility Rate-Making Principles, Processes and Issues
- Section 4 – Rate Study Development and Results
- Section 5 – Rate Design Analysis
- Section 6 – Conclusions and Recommendations
- Appendices
 - Appendix A - Exhibits
 - Historical Operating Results
 - Projected Operating Results
 - Appendix B - Supporting Schedules
 - Budgeted and Projected Expenses
 - Budgeted and Projected Revenues
 - Summary of Historical & Projected Customer Information
 - Development of Incremental Cost of Purchased Water
 - Summary of Existing & Projected Rates
 - Summary of Rate Revenues

1.5. Reliance on Data

During the course of this project, the CSD provided Willdan with a variety of information, including cost and revenue data. Willdan did not independently assess or test for the accuracy of such data – historic or projected. Willdan has relied on this data in the formulation of its findings and subsequent recommendations, as well as in the preparation of this report. As is often the case, there will be differences between actual and projected data, and these differences may be significant. Therefore, Willdan does not take responsibility for the accuracy of data or projections provided by or prepared on behalf of the CSD, nor does Willdan have responsibility for updating this report for events occurring after the date of this report.

1.6. Acknowledgements

We wish to extend our appreciation to the CSD and its staff for their cooperation during the progress of this study. In particular, we would like to thank Mr. Donald M. Davis, General Counsel for the CSD and Mr. Hamed Jones, Administrative Services Director for their guidance and assistance throughout this project.

2 System Information

2.1. Historical and Projected Customer Statistics

Estimated and Projected Number of Accounts

The CSD has provided Willdan with historical water customer billing data summarized by customer class and rate code for FY 2016 through 2018. The billing data was obtained from electronic billing records and other reports provided by CSD staff and contains information regarding customer counts and metered flows for customers in each rate code. An analysis of the billing data was conducted to obtain an understanding of the historical customer growth and usage characteristics.

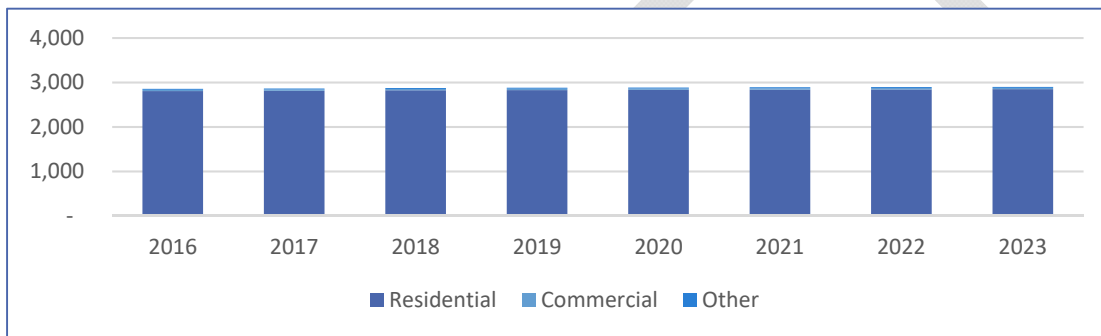
The billing information indicates that the Utility's customer base is almost exclusively residential in composition. Also, historical information indicates that there has been little growth in the number of accounts. The growth assumptions for the Projection Period rely on historical information and utilize information provided by the CSD. The existing and projected customers for the Utility are summarized below in Table 1 as well as in Figure 1. A more detailed summary of the historical and projected number of customers is attached as Schedule B-3.

Table 1 – Historical and Projected Number of Customers

System	Actual			Projected				
	2016	2017	2018	2019	2020	2021	2022	2023
Billed Customers								
Residential	2,805	2,812	2,823	2,828	2,833	2,838	2,843	2,848
Commercial	30	30	30	30	30	30	30	30
Effluent	1	1	1	1	1	1	1	1
Institutional	3	3	3	3	3	3	3	3
Irrigation	7	7	7	7	7	7	7	7
Total Billable Customers	2,846	2,853	2,864	2,869	2,874	2,879	2,884	2,889
No Bill	11	11	11	11	11	11	11	11
Total Customers	2,857	2,864	2,875	2,880	2,885	2,890	2,895	2,900

Note:
 [1] Data for fiscal year 2016 - 2018 provided by the CSD and based on billing system records.

Figure 1 – Estimated and Projected Number of Customers



Estimated and Projected Billed Volumes Statistics

As with the customer account data, historical water volume data was examined and used to derive usage characteristics for each customer group. Specifically, historical flow information was used to develop average annual use profiles for each customer group. The average annual use for each respective customer group was then applied to the projected number of customers to estimate projected water volume sales.

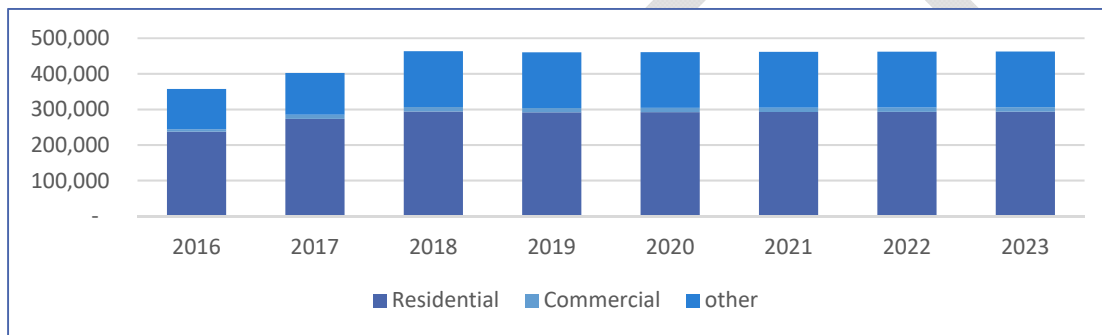
The historical and projected volume statistics for the Utility are provided below in Table 2 as well as in Figure 2. A more detailed summary of the historical and projected billed volumes is attached as Schedule B-3.

Table 2 – Historical and Projected Billed Volumes Sold (hundred cubic feet)

System	Actual			Projected				
	2016	2017	2018	2019	2020	2021	2022	2023
Billed Flows								
Residential	237,302	273,470	294,063	291,495	292,020	292,545	293,070	293,595
Commercial	6,742	11,618	12,340	12,300	12,300	12,300	12,300	12,300
Effluent	12,629	10,646	9,620	10,100	10,100	10,100	10,100	10,100
Institutional	1,177	1,140	2,522	2,520	2,520	2,520	2,520	2,520
Irrigation	71,656	64,676	85,432	85,400	85,400	85,400	85,400	85,400
Total Billable Flows	329,506	361,550	403,977	401,815	402,340	402,865	403,390	403,915
No Bill	27,743	40,947	59,601	58,630	58,630	58,630	58,630	58,630
Total Flows	357,249	402,497	463,578	460,445	460,970	461,495	462,020	462,545

Note:
 [1] Data for fiscal year 2016 - 2018 provided by the CSD and based on billing system records.

Figure 2 – Historical and Projected Billed Volumes Sold (hundred cubic feet)



2.2. Existing Rates

The CSD’s existing water rates recognize five (5) types of service:

1. Residential
2. Commercial
3. Effluent
4. Institutional
5. Irrigation

The Utility’s existing rates for residential and commercial potable water consist of a monthly customer base charge and a volumetric charge comprised of seven tiers or blocks. The volumetric charge is structured as an increasing block rate with the charge for each successive block being higher than the charge for the previous block. This rate structure is generally intended to encourage conservation. The Utility’s existing rates are shown below in Table 3. As shown in Table 3, the charge for the highest block is 5.25 times the charge for the first block and is primarily intended to encourage users to conserve water thereby reducing the demand for higher costing imported water resulting from such higher use.

Table 3 – Existing Water Rates

Description	Rate	Differential
Customer Base Charge	\$25.33	
Potable Water Rates		
<u>Volumetric Rates Per HCF</u>		
1 to 5 HCF	\$2.00	1.000
6 to 10 HCF	\$2.85	1.425
11 to 20 HCF	\$3.25	1.625
21 to 40 HCF	\$4.45	2.225
41 to 60 HCF	\$6.20	3.100
61 to 80 HCF	\$8.45	4.225
Over 80 HCF	\$10.50	5.250
Effluent	\$2.20	
Irrigation	\$2.44	

2.3. Historical Operating Results

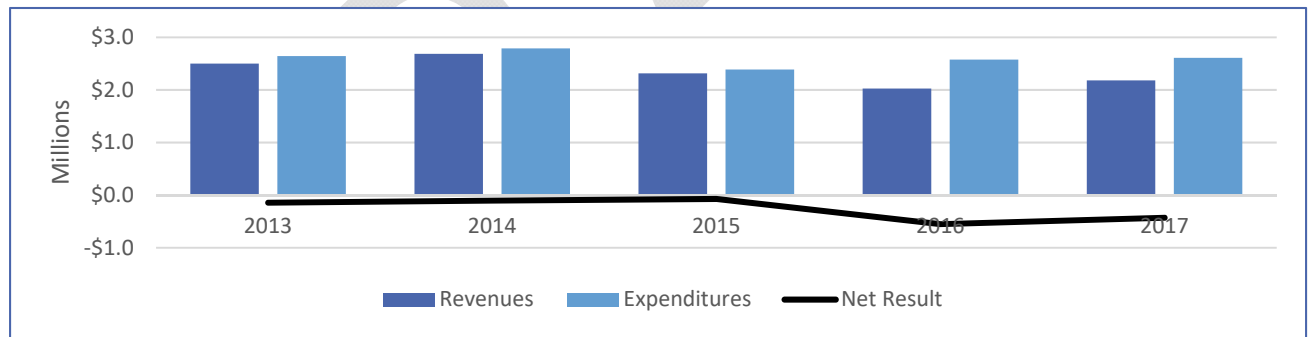
The CSD, as the owner of the Utility, is responsible for the operation, maintenance and expansion of the Utility. In addition, the CSD is responsible for obtaining the necessary financing associated with operating the Utility and any related debt service payments. As such, this report includes a historical review of the Utility's operating results. The historical revenues and expenses of the Utility as presented in the Comprehensive Annual Financial Reports (CAFRs) for fiscal years ended June 30, 2013 through 2017 are summarized in Exhibit 1. The operating expenses exclude depreciation and amortization, which are non-cash expenses. The Utility's historical operating results indicate that the Utility is currently not a financially self-supporting enterprise. Further, as can be seen in Table 4, the Utility did not meet its debt service coverage requirements on the outstanding loan with California Infrastructure and Economic Development Bank (CIEDB).

A summary of the Utility's historical operating results is provided below in Table 4 as well as in Figure 3. The respective debt service coverages shown on Table 4 reflect the estimated historical coverage ratios and are for information purposes only.

Table 4 – Historical Operating Results (\$1,000s)

Description ^[1]	Fiscal Year ending June 30,				
	2013	2014	2015	2016	2017
Operating Revenues	\$2,468	\$2,610	\$2,247	\$1,951	\$2,108
Operating Expenses	2,071	2,223	1,859	2,034	2,034
Net Revenues	\$397	\$387	\$388	\$(83)	\$73
Non-Operating Revenues	31	75	68	74	69
Income Available for Debt Service	\$428	\$462	\$456	\$(9)	\$142
<u>Debt Service</u>					
Interest	\$73	\$70	\$63	\$63	\$60
Principal	84	89	88	94	105
Total Debt Service	\$157	\$158	\$152	\$157	\$165
Net Income After Debt Service	\$271	\$304	\$305	\$(166)	\$(23)
Transfers In (Out)	-	-	-	-	3
Depreciation ^[2]	(412.79)	(408)	(377)	(385)	(409)
Revenues over Expenditures	\$(142)	\$(104)	\$(72)	\$(551)	\$(428)
Debt Service Coverage	2.72	2.92	3.01	-0.06	0.86
Notes:					
[1] Financial information obtained from the CSD's Comprehensive Annual Financial Reports.					
[2] Depreciation Expense has been included to represent an amount the Utility could be reinvesting in the physical assets if funds were available.					

Figure 3 – Historical Operating Results



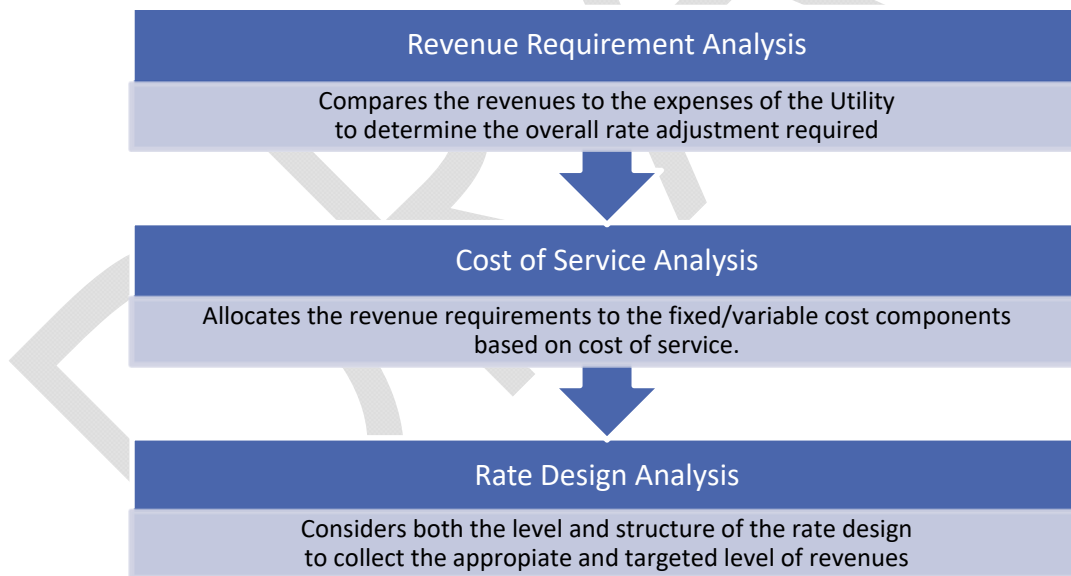
3 Overview of Utility Rate Making Principals, Processes and Issues

3.1. Introduction

The scope of this study included the development of cost-based water user charges through a cost of service and rate design analysis. Utility rates must be set at a level where operating and capital expenses are met with the revenues received from customers. This is a significant point, as failure to achieve this level could lead to insufficient funds being available to

adequately maintain the system. A comprehensive rate study typically consists of following three interrelated analyses:

- **Financial Planning/Revenue Requirement Analysis**: Create a five-year plan to support an orderly, efficient program of on-going maintenance and operating costs, capital improvement and replacement activities, debt financing, and retirement of any outstanding debt. In addition, the long-term plan should fund and maintain reserve balances to adequate levels based on industry standards and the CSD's fiscal policies.
- **Cost of Service Analysis**: Identifies and apportions annual revenue requirements to functional cost components based on the demand placed on the Utility system.
- **Rate Design**: Develops an equitable and proportionate fixed/variable schedule of rates for the CSD's customer base. This is also where other policy objectives can be achieved, such as, promoting the efficient use of water. The policy objectives are harmonized with cost of service objectives to achieve the delicate balance between customer equity, financial stability and resource conservation goals.



The Rate Study utilized generally accepted rate-making principles established by the American Water Works Association (AWWA) in its "M1 Principles of Water Rates Fees and Charges" manual. The principles used resulted in the development of rates and charges which are projected to: 1) generate sufficient revenue to meet the financial requirements of the Utility, and 2) address the need to recover costs from users in a manner which is

proportionate to the cost of providing service on a fair and equitable basis relative to the service provided, and which does not exceed the cost of providing the service. A discussion of some of the key principles of rate-making, and how the processes were employed in this report, is presented below.

3.2. Discussion of General Rate-Making Principles

While the individual rates for the Utility vary based on a variety of factors, the development of rates should, for the most part, be consistent with general rate-making principles set forth in utility rate-making practice and literature, and in compliance with State law (i.e., Proposition 218). State Law requires that property-related fees and charges (including the CSD Utility's water rates) must be based upon the proportionate cost of providing the services, and not exceed the cost of providing the services. The principles by which rate practitioners are guided is that rates designed for any utility should strike a reasonable balance between several key factors. In general, rates designed should:

- Generate a stable rate revenue stream which, when combined with other sources of funds, is sufficient to meet the financial requirements and goals of the utility;
- Be fair and equitable – that is, they should generate revenue from customer classes which is reasonably in proportion to the cost to provide service to that customer class;
- Be easy to understand by customers; and
- Be easy to administer by the utility.

Striking the appropriate balance between the principles of rate-making is the result of a detailed process of evaluation of revenue requirements and cost of service, and how those translate into the rate design alternatives which meet legal requirements and the specific objectives of the utility under the circumstances in which the utility operates.

3.3. The Revenue Sufficiency Process

To develop rates and charges which will generate sufficient revenue to meet the fiscal requirements of the CSD's Utility, a determination of the annual rate revenue required must be completed. The first step in the process is the Revenue Sufficiency Analysis which compares the forecasted revenues of the Utility under its existing rates to its forecasted operations and

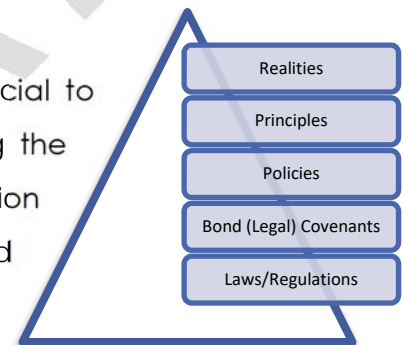
maintenance, capital, and reserve costs to determine the adequacy of the existing rates to recover the Utility's costs.

The process employed in the Revenue Sufficiency Analysis involves a rigorous review of operating, maintenance and capital budgets for the Utility, and results in the identification of revenue requirements of the system, such as operating expenses, capital expenses (minor and major), debt service expense (including a provision for debt service coverage), transfers in and out, and the maintenance of both restricted and unrestricted reserves at appropriate levels. These revenue requirements are then compared to the total sources of funds available during each year of the forecast period to determine the adequacy of projected revenues to meet projected revenue requirements. To the extent that the existing revenue stream is projected to be insufficient to meet the annual revenue requirements of the system during the projection period, a series of rate revenue increases are calculated which would be required to provide revenue sufficient to meet those needs.

Determination of the Revenue Requirements

Considerations in Setting Revenue Requirements

There are a multitude of considerations, ranging from financial to political to legal that must be analyzed or discussed during the revenue requirements process of a rate analysis. This section provides an overview of the considerations that are reviewed during this process.



Capital Budgeting and Financing

The capital improvement program provides a process for identifying and prioritizing major facility needs and identifying fiscal resources to be utilized to implement the various capital projects. A capital improvement plan (CIP) identifies planned improvements, renewals and replacements to the water system. At the time of this Rate Study, the CSD is undertaking a detailed water system condition assessment that will form the basis of a CIP that will inform the CSD as to the timing and cost associated with critical repairs and maintenance. For purposes of these analyses, certain assumptions have been made as discussed elsewhere in this Rate Study. It is important to note that these assumptions will need to be revised and analysis updated based on the final results of the system condition assessment.

Financial Planning

In the development of the revenue requirements, certain parameters are utilized to project future expenditures, growth in customers and consumption, and necessary revenue adjustments. The CSD's budget documents are used as the baseline, which are then projected over a planning horizon to account for fluctuations in costs from year to year as well as any adjustments to debt service payments. Conservative growth assumptions and prudent financial planning are fundamental in ensuring adequate rate revenue to promote financial stability. The financial model developed for this study considers the CSD's existing debt service coverage ratio and operating cash balances (cash on hand). The cost of depreciated infrastructure is collected and used to fund annual repair and replacement. As existing debt is redeemed, additional debt may be utilized to fund additional capital improvements required due to aging infrastructure.

3.4. The Cost Allocation Process

To provide guidance to the CSD as to how to appropriately recover the rate revenue requirements identified in the Revenue Sufficiency Analysis, a Cost of Service Analysis is required. The process employed in the Cost of Service Analysis results in the identification of the cost to provide water service to customers. These water cost allocations are then used as the basis for the assignment of revenue requirements to customer classes, upon which the development of the rates and charges is based.

3.5. The Rate Design Process

With the rate revenue requirements determined in the Revenue Sufficiency Analysis, the development of specific rates and charges can be undertaken. Once the rate revenue requirements have been identified, the manner in which those requirements should be recovered, and the billing units to be used to recover the required revenue determined, specific rates and charges can then be developed.

Utilities consider a variety of factors in establishing rates, including cost allocation, customer impact, conservation of resources and ease of administration. The rate design process seeks to find the balance between the need to recover sufficient revenue in a fair and equitable manner and the need to do so within the constraints of other objectives which are unique to each utility. By understanding the types of customers served by the utility, and the general

usage characteristics of those customers, a system of rates and charges can be developed that balances those many objectives while also generating sufficient revenue.

First, the rate design goals of the utility are reviewed to identify areas the utility wishes to address over the course of the Rate Study. Next, an assessment of the existing rate design is undertaken to identify what has worked well for the utility with regard to their specific goals and objectives, and the general goals and objectives of utility rate-making. This assessment typically also identifies areas for improvement which can provide guidance to the rate practitioner with respect to the design of future rates and charges.

After a review of the existing rates and charges, a dialog of how to build on the positive aspects of the existing structure and how to address deficiencies in the existing structure occurs with utility management and staff. For instance, for a utility with a primary goal of encouraging water conservation, the substitution of a uniform rate structure, which charges the same unit price for water regardless of consumption level, with a conservation/inclining block rate structure, which charges a greater unit price as usage levels increase beyond certain thresholds, would better address that primary goal.

With an evaluation of the strengths and weaknesses of the existing rate structure and the goals of the utility going forward, the development of a new rate structure can begin. Development of a new rate structure which recovers the costs to provide water service in a manner which achieves the goals of the utility in a manner consistent with standard rate-making practice requires an analysis of the projected usage characteristics of the customer base to which the rates will apply. This analysis is typically referred to as a billing frequency analysis.

In the State of California, the CSD Utility's rates must conform to California Constitution Article XIII D, section 6, which was adopted as part of the initiative measure commonly referred to as Proposition 218 (Prop 218). More specifically, Prop 218 requires that property related fees and charges, such as water rates, must not exceed the reasonable cost of providing the service associated with the fee or charge, and may not exceed the proportional cost of the service attributable to the parcel that is subject to the fee or charge.

Besides ensuring compliance with State law, another key principle for a comprehensive Rate Study is found in economic theory, which suggests the price of a commodity must roughly equal its cost or value if equity among customers is to be maintained – i.e., cost-based. In

terms of economic theory, the principle is that the price of a commodity (water service) must be proportionately equal to its cost (the CSD's cost of providing the service).

This Rate Study was performed to allocate the costs of providing service to users to ensure that rates are equitable and in compliance with Proposition 218 requirements.

3.6. Financial Management Goals of the CSD

The establishment of specific financial management goals of a utility is a key step in developing financial plans which will ensure the financial health of the utility remains strong. The financial management goals of the CSD are described below.

Minimum Unrestricted Working Capital Balance

In order to maintain a certain level of liquidity, the financial plans are premised upon a goal of maintaining unrestricted working capital reserves in an amount greater than or equal to approximately 120 days of operating expenses.

Debt Service Coverage

The CSD currently has outstanding water related debt which contains covenants requiring the CSD to maintain rates and charges such that a debt service coverage ratio, defined as Current Year Net Revenues divided by Current Year Debt Service, be maintained at a minimum of 1.10. The coverage requirements of 1.10x is associated with all outstanding debt for each specific year the coverage is being calculated. At the time of the Rate Study, the Utility is anticipating that new debt related to yet unidentified capital improvements may be required during the study period. However, for purposes of the Rate Study, no new debt is considered.

Funding of Capital Improvements

A primary goal of the CSD is to adequately fund the Utility's current capital improvement requirements including some incremental costs associated with eliminating the existing backlog of repair, maintenance and replacement needs.

4 Rate Study Development and Results

4.1. Revenue Sufficiency Analysis

General Methodology

The general methodology utilized in the Revenue Sufficiency Analysis was discussed previously in Section 3.3. In summary, however, the level of revenues generated by rates must be sufficient to recover the fiscal requirements, or projected expenditures of the Utility. To the extent that the projected revenue stream based upon current water rates are not sufficient to meet the annual revenue requirements of the Utility, a series of rate revenue increases were calculated to provide the revenue necessary to meet those expenditure needs, while satisfying the financial goals and objectives of the Utility. From a financial perspective, the CSD's Utility must be self-supporting by meeting its respective financial obligations without assistance from other CSD funds. The financial plan was developed for the period FY 2019 through FY 2023.

Data Items

Key data items reviewed, discussed and incorporated into the Revenue Sufficiency Analysis were:

- Financial management goals of the CSD;
- FY 2018 end-of-year fund balance;
- Estimates of capital expenditures;
- Historical customer billing information; and
- FY 2019 budget.

General assumptions utilized in the analysis include the following:

- Customer growth; and
- Cost escalation factors.

A discussion of the use of each of the above data items and general assumptions is presented below.

FY 2018 End-of-Year Fund Balance

To better understand what funds the CSD will have on hand to start the forecast period, a detailed review of fund balances from the FY 2018 period was conducted with CSD staff. Assumptions were made to estimate the actual unrestricted cash (available cash) balances available at the end of FY 2018, and therefore at the beginning of FY 2019. A summary of the fund balance for the Utility, for the end of FY 2018 and, therefore, the beginning of FY 2019, as adjusted and subsequently used in this analysis, is presented below in Table 5.

Table 5 – Beginning Fund Balance Fiscal Year 2019

Description	Fund No.	Amount
<u>Cash Balances:</u>		
Water Fund	42	\$489,398
Water Development Fund	60	25,067
Water Reserve Fund	70	1,080,959
Total Cash Balance		\$1,595,424
<u>Notes:</u>		
[1] Information provided by CSD staff.		

FY 2019 Budget

CSD staff provided Willdan with the FY 2019 budget, and associated line-item detail, as the basis for the projection of financial needs for FY 2019 (the base year). Historical information for FY 2016 through 2018 was also used as the basis for the projection of future budgetary line-items for the remainder of the forecast period. Cost escalation factors were reviewed by staff and were used to project line-item costs beyond the FY 2019 budget. Those factors were applied based on line-item cost classifications.

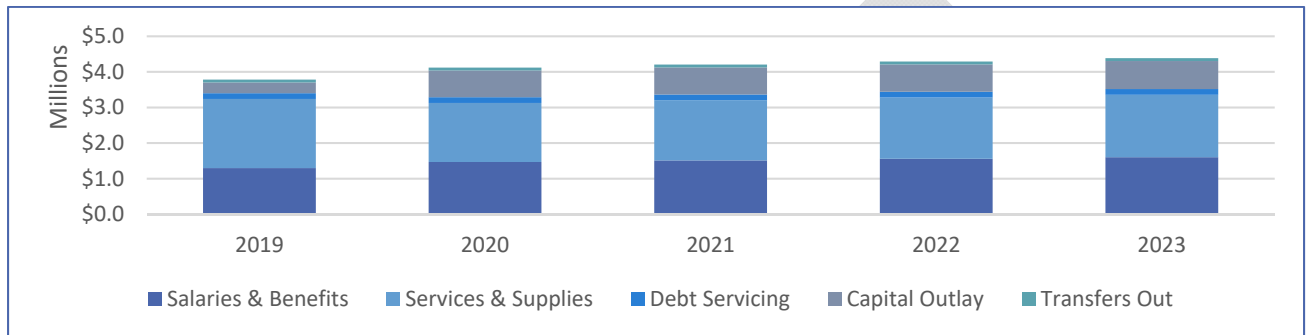
In order to maintain a certain level of liquidity, the financial plans for the Utility have been developed with a goal of maintaining unrestricted working capital reserves in an amount greater than or equal to approximately 120 days of operating expenses.

A summary of operating budgeted and projected expenditures for the Utility through FY 2023 is presented below in Table 6 and Figure 4. A more detailed presentation of the line-item budgeted and projected expenses is presented in Schedule B-1 of Appendix A.

Table 6 – Budgeted and Projected Expenditures

Description	2019	2020	2021	2022	2023
Salaries & Benefits	\$1,295,402	\$1,466,806	\$1,510,810	\$1,556,135	\$1,602,819
Services & Supplies	1,942,262	1,658,074	1,689,292	1,720,504	1,753,214
Debt Servicing	162,446	162,094	161,732	161,359	160,975
Capital Outlay	301,396	750,000	761,124	772,246	783,906
Transfers Out	80,970	80,970	80,970	80,970	80,970
Total Expenses	\$3,782,476	\$4,117,944	\$4,203,928	\$4,291,214	\$4,381,885

Figure 4 – Budgeted and Projected Expenditures



Capital Improvement Plan (CIP)

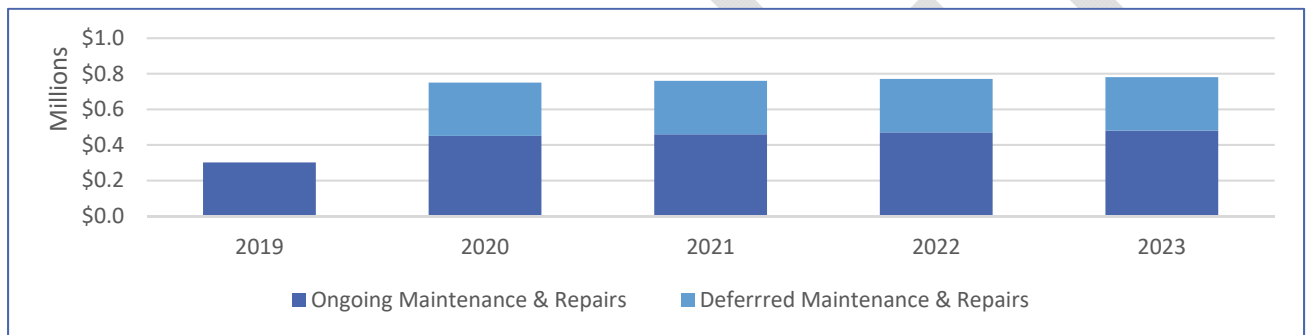
The CSD’s capital improvement program will provide a process for identifying and prioritizing major facility needs and identifying fiscal resources to be utilized to implement the various capital projects. The resulting capital improvement plan (CIP) will identify planned improvements, renewals and replacements to the water system. The rate-setting process typically utilizes a five-year CIP which sets forth planned capital expenditures and projected funding sources.

The CSD is currently conducting a comprehensive condition assessment of the Utility which will serve to develop a CIP for a multi-year planning period. At the time of the Rate Study, this condition assessment is incomplete. For purposes of this analysis, it was determined that the level of capital expenditures included in the current fiscal year’s budget would be escalated through the five-year projection period and serve as a preliminary CIP. Further, it was determined the CSD would need at least an additional \$300,000 per year in FY 2020 through 2023. These funds will be used to address the Utility’s backlog of deferred maintenance and improvements. Willdan has been informed that rates will be reevaluated once the condition assessment is complete. The projected capital expenditures are summarized below in Table 7 as well as in Figure 5.

Table 7 – Projected Capital Improvement Expenditures

Description	2019	2020	2021	2022	2023
Capital Expenditures					
Ongoing Maintenance & Repairs	\$301,396	\$450,000	\$459,789	\$470,122	\$480,345
Deferred Maintenance & Repairs	-	\$300,000	\$300,000	\$300,000	\$300,000
Total Capital Expenditures	\$301,396	\$750,000	\$759,789	\$770,122	\$780,345
Funding Sources					
Operating Reserves	\$301,396	\$750,000	\$759,789	\$770,122	\$780,345
Future Debt	-	-	-	-	-
Total Funding Sources	\$301,396	\$750,000	\$759,789	\$770,122	\$780,345

Figure 5 – Projected Capital Expenditures



General Assumptions

In order to develop the financial and rate projections, certain assumptions were made with regard to elements of the revenue sufficiency analysis. A summary of those assumptions is presented below.

System Growth

Through discussions with CSD staff, it was determined that the Utility will experience little growth in the number of water accounts. The projected annual increases in the number of water accounts is shown below in Table 8.

Table 8 – Projected Increases in Water Accounts

Customer Class	2019	2020	2021	2022	2023
CSD Building	-	-	-	-	-
Commercial	-	-	-	-	-
Effluent	-	-	-	-	-
Golf Course Pump	-	-	-	-	-
Institutional	-	-	-	-	-
Irrigation	-	-	-	-	-
Residential-Cummings	-	-	-	-	-

Customer Class	2019	2020	2021	2022	2023
Residential	5	5	5	5	5
Residential Vacant	-	-	-	-	-
Sewer Credit	-	-	-	-	-
Surplus	-	-	-	-	-
Water Available	-	-	-	-	-
Total	5	5	5	5	5

Operating & Maintenance Expense Escalation Factors

Willdan worked with CSD staff to identify reasonable cost escalation factors to be applied to operations and maintenance expenses in recognition of increasing costs over time. The escalation factors that were applied to the various line item expenses of the FY 2019 budget to determine projected operating expenses are presented below in Table 9. As a note, certain projected personnel expenses (i.e. social security and workers compensation) were calculated based on their respective historical relationship to salaries and wages.

Table 9 – Operating Expense Escalation Factors

Description	2019	2020	2021	2022	2023
General Inflation	2.34%	2.62%	2.47%	2.41%	2.47%
<u>Departmental Expenses</u>					
Wages	3.00%	3.00%	3.00%	3.00%	3.00%
Benefits [2]	14.00%	14.00%	14.00%	14.00%	14.00%
CalPERS - Current [2]	10.00%	10.00%	10.00%	10.00%	10.00%
CalPERS - UAL [2]	4.00%	4.00%	4.00%	4.00%	4.00%
Social Security [2]	8.00%	8.00%	8.00%	8.00%	8.00%
Unemployment [2]	0.40%	0.40%	0.40%	0.40%	0.40%
Workers Comp [2]	4.00%	4.00%	4.00%	4.00%	4.00%
Administration	3.50%	3.50%	3.50%	3.50%	3.50%
Maintenance	3.50%	3.50%	3.50%	3.50%	3.50%
<u>Customer/Flow Related</u>					
Customer Growth	0.17%	0.17%	0.17%	0.17%	0.17%
Metered Flow	-0.68%	0.11%	0.11%	0.11%	0.11%
Inflation/Cust Growth	2.34%	2.62%	2.48%	2.42%	2.47%
Inflation/Metered Flow	2.32%	2.62%	2.47%	2.41%	2.47%
Notes:					
[1]	General inflation is based on the GDP Chain-type Price Index as published in the Energy Information Administration's Annual Energy Outlook 2018.				
[2]	Represents a historical average of percentage of Salaries and Wages which is then applied to projected Salaries and Wages to determine projected expense.				

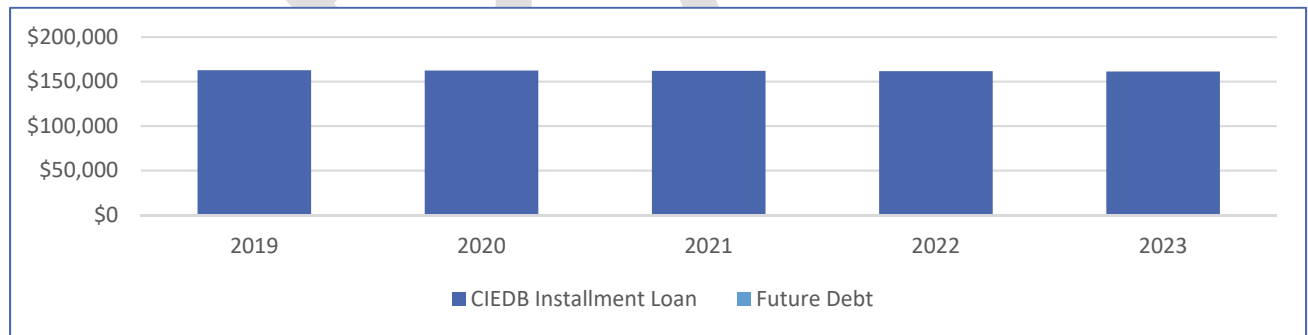
Debt Service

As previously discussed, the CSD currently has outstanding water related debt which requires a 1.10x debt service coverage. At this time, no future debt is being considered in the rate setting process. However, it is possible that the CSD will utilize debt to fund necessary capital expenditures identified as part of the condition assessment currently being conducted by the CSD’s consulting engineers. Debt funding capital projects can serve to minimize rate increases that would need to occur through cash funding the capital needs. It also provides a matching between the cost of the upgrades and the users who will benefit by spreading the cost (through debt service) over the period where existing and future customers pay for the debt service through their rates. If new debt is to be considered, Willdan recommends the CSD work with a certified Financial Advisor to evaluate alternatives. Projected annual debt service requirements are identified below in Table 10.

Table 10 – Projected Annual Debt Service Requirements

Description	2019	2020	2021	2022	2023
Annual Debt Service					
CIEDB Installment Loan	\$162,788	\$162,446	\$162,094	\$161,732	\$161,359
Future Debt	-	-	-	-	-
Total Annual Debt Service	\$162,788	\$162,446	\$162,094	\$161,732	\$161,359

Figure 6 – Projected Annual Debt Service Requirements



Results of the Revenue Sufficiency Analysis

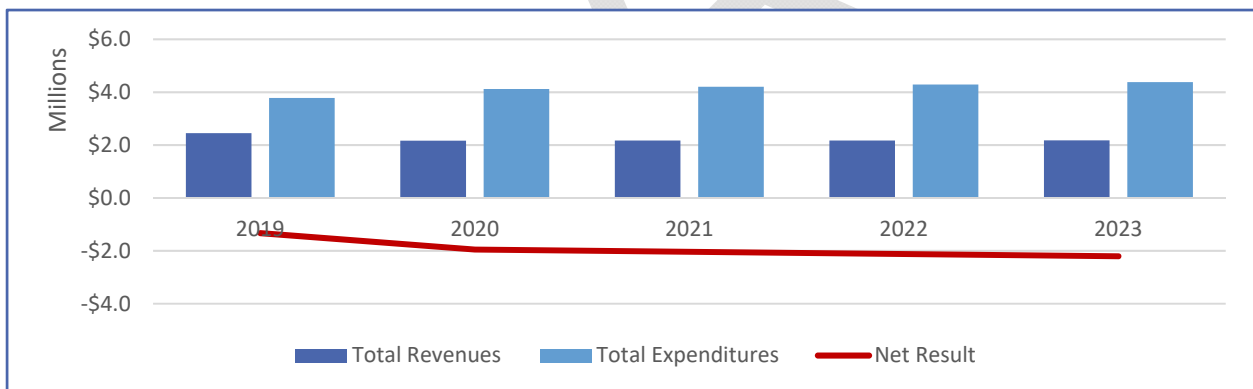
After a thorough review of the above-mentioned data elements, a draft of the Revenue Sufficiency Analysis was developed and reviewed with CSD staff. This draft provided the forum in which various alternative assumptions were discussed, tested and evaluated for both their reasonableness and their impact upon the ultimate financial health of the Utility. Table 11 provides a summary of the projected annual operating results for the Utility incorporating the assumptions in Section 3 of this report. As can be seen, the Utility is projected to operate at a

significant loss and to be unable to meet the 1.10 debt service coverage ratio required by their rate covenant each year of the projection period.

Table 11 – Projected Operating Results with No Rate Adjustments

Description	2019	2020	2021	2022	2023
Revenues	\$2,125	\$2,128	\$2,131	\$2,134	\$2,137
Operating Expenses	3,238	3,125	3,200	3,277	3,356
Net Operating Revenues	\$(1,113)	\$(997)	\$(1,069)	\$(1,142)	\$(1,219)
Non-Operating Revenues	40	38	38	38	38
Net Revenues Available for Debt Service	\$(1,073)	\$(959)	\$(1,031)	\$(1,104)	\$(1,181)
Debt Service					
Current Debt	\$162	\$162	\$162	\$161	\$161
Future Debt	-	-	-	-	-
Total Debt Service	162	162	162	161	161
Net Revenues After Debt Service	\$(1,235)	\$(1,121)	\$(1,193)	\$(1,266)	\$(1,342)
Capital Outlay	(301)	(750)	(761)	(772)	(784)
Transfers	205	(81)	(81)	(81)	(81)
Net Revenues	\$(1,332)	\$(1,952)	\$(2,035)	\$(2,119)	\$(2,206)
Debt Service Coverage ^[1]	-6.60	-5.92	-6.38	-6.84	-7.33
Notes:					
[1] Debt Service Coverage Calculations exclude transfers.					

Figure 7 – Projected Operating Results with No Rate Adjustments

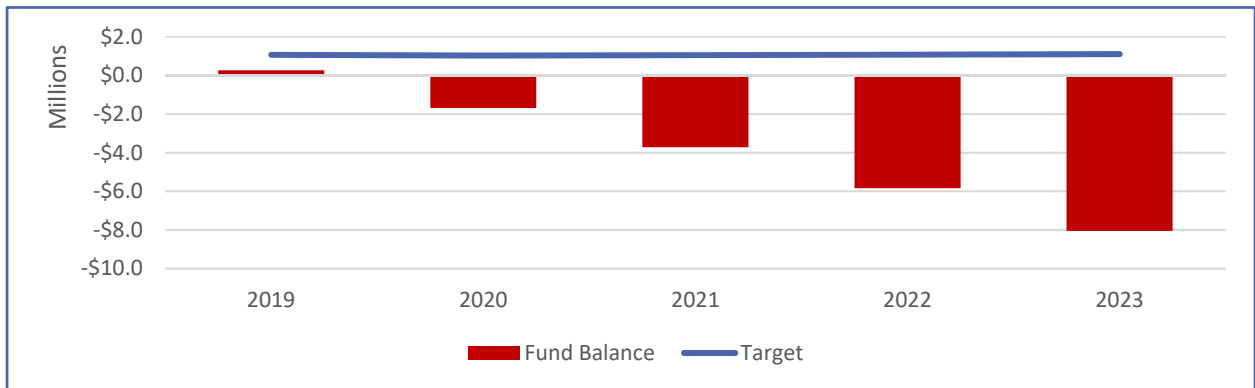


Further and as shown below in Table 12 and Figure 8, if no rate increase action is taken the water system will deplete its cash reserves in FY 2020.

Table 12 – Projected Cash Balances with No Rate Adjustments

Description	2019	2020	2021	2022	2023
Year-end Balance	\$263,290	\$(1,688,965)	\$(3,723,950)	\$(5,842,967)	\$(8,049,401)
Targeted Balance	\$1,064,437	\$1,027,358	\$1,052,088	\$1,077,251	\$1,103,353
Variance	\$(801,148)	\$(2,716,323)	\$(4,776,038)	\$(6,920,218)	\$(9,152,754)

Figure 8 – Projected Cash Balances with No Rate Adjustments



Rate Revenue Increases Required

As discussed above, budgeted increases in operating expenses combined with capital expenditures related to deferred and critical maintenance and repair requirements are anticipated to put significant financial pressures on the Utility. Additionally, the Utility is not anticipating any material growth in customer accounts or volume sales that would generate incremental revenues. Also discussed, is the inability of the Utility to meet its debt service coverage requirements associated with its existing debt. As a result, rate adjustments are required to maintain the operational financial integrity of the Utility.

Revenue Sufficiency Analysis Conclusions

Based on the revenue requirements identified in our analysis:

- Revenue projections based on existing rates are insufficient to meet the revenue requirements for the full FY 2019 through FY 2023 study period; and
- Rate revenue adjustments are needed in order to keep pace with increasing operating expenses, debt service obligations, capital costs and adequate funding of reserves.

5 Rate Design Analysis

5.1. General Methodology

With the rate revenue requirement determined in the Revenue Sufficiency Analysis, the development of specific rates and charges was completed as described below.

First, the rate design goals of the CSD were reviewed to identify areas the CSD wanted to address over the forecast period included in this Rate Study. Next, an assessment of the existing rate design was completed to identify areas which have worked well for the CSD

regarding their specific goals and objectives, and the general goals and objectives of Utility rate-making. In addition to the CSD's goals, rate design should seek to achieve the following industry standard objectives:

- Generate a stable rate revenue stream which, when combined with other sources of funds, is sufficient to meet the financial requirements and goals of the Utility;
- Be fair and equitable – that is, they should generate revenue from customer classes which is reasonably in proportion to the cost to provide service to that customer class;
- Be easy to understand by customers;
- Be easy to administer by the Utility; and
- Be compliant with State law, specifically Proposition 218, whereby the rates must be based upon the proportionate cost of providing water service.

This analysis was conducted consistent with the provisions of Proposition 218.

5.2. Revised Rate Structure

As described in Section 2.2 Existing Rates, the CSD's current water rates are comprised of a monthly base charge and a tiered volume rate per 100 cubic feet (HCF) of monthly use. Through discussions with CSD staff, different rate structure options were considered and centered around the following primary goals:

- Targeting operating reserves equal to 120 days of operating and maintenance expenses;
- Achieving a debt service coverage ratio of 1.10x annual debt service payments as required by the loan agreement;
- Recovering approximately 60% of Utility revenues through the monthly base charge as a means to stabilize revenues by mitigating the effect of potential fluctuations in volumetric sales;
- Replacement of the current seven volumetric tiers with a two tier volumetric structure; and

- o Funding the Utility’s ongoing capital improvement requirements including some incremental costs associated with eliminating the existing backlog of repair and maintenance needs.

In replacing the current rate structure comprised of seven volumetric tiers with a two-tier volumetric structure, it was necessary to establish the basis for the incremental cost of the second tier. The CSD’s own groundwater resources supply the water utilized for consumption in Tier 1 of the proposed rate structure. In order to provide water at consumption levels above the Tier 1 allotment, the CSD must purchase additional water from the Tehachapi-Cummings County Water District (TCCWD). The incremental cost of Tier 2 water was determined using the CSD’s estimated cost of purchased water and water banking from TCCWD. Additionally, this cost was adjusted for annual customer growth. A summary of the calculations used to develop this incremental cost are shown below in Table 13 and in more detail in Schedule B-4.

Table 13 – Incremental Cost of Purchased Water

Description	2019	2020	2021	2022	2023
Cost of Purchased Water and Water Banking	\$326,800	\$327,059	\$327,317	\$327,576	\$327,834
AF of Water ^[1]	482	482	483	484	484
Cost per AF	\$678.08	\$677.84	\$677.61	\$677.37	\$677.14
HCF per AF	435.599	435.599	435.599	435.599	435.599
Cost per HCF	\$1.56	\$1.56	\$1.56	\$1.56	\$1.55

Note:
 [1] Adjusted for assumed water loss of 15% and projected customer growth.

To mitigate the impact to the monthly water bill, the CSD has elected to take a phased approach to achieving the stated rate design and financial goals. Proposed water rates are shown below in Table 14. Note that in the proposed rate structure, the volumetric rates for all usage over five hundred cubic feet (HCF) are the same. Proposed rate adjustments for FY 2019 are assumed take effect in May. In the subsequent fiscal years rate adjustments are assumed to take effect in January.

Table 14 – Current and Proposed Water Rates

Customer Class	Code	Current	2019	2020	2021	2022	2023
Monthly Base Charge							
CSD Building	BV	\$-	\$-	\$-	\$-	\$-	\$-
Commercial	CO	\$25.33	\$43.06	\$73.20	\$76.86	\$80.71	\$84.74
Effluent	EF	\$-	\$-	\$-	\$-	\$-	\$-
Golf Course Pump	GC	\$-	\$-	\$-	\$-	\$-	\$-
Institutional	IN	\$-	\$-	\$-	\$-	\$-	\$-

Customer Class	Code	Current	2019	2020	2021	2022	2023
Irrigation	IR	\$-	\$-	\$-	\$-	\$-	\$-
Residential-Cummings	RC	\$25.33	\$43.06	\$73.20	\$76.86	\$80.71	\$84.74
Residential	RE	\$25.33	\$43.06	\$73.20	\$76.86	\$80.71	\$84.74
Sewer Credit	SC	\$-	\$-	\$-	\$-	\$-	\$-
Surplus	SU	\$-	\$-	\$-	\$-	\$-	\$-
Water Available	WA	\$-	\$-	\$-	\$-	\$-	\$-
<u>Volumetric Charge</u>							
<u>Potable Water Rates</u>							
<u>Volumetric Rates Per HCF</u>							
1 to 5 HCF		\$2.00	\$2.80	\$3.78	\$3.78	\$3.78	\$3.78
6 to 10 HCF		\$2.85	\$4.36	\$5.34	\$5.34	\$5.34	\$5.33
11 to 20 HCF		\$3.25	\$4.36	\$5.34	\$5.34	\$5.34	\$5.33
21 to 40 HCF		\$4.45	\$4.36	\$5.34	\$5.34	\$5.34	\$5.33
41 to 60 HCF		\$6.20	\$4.36	\$5.34	\$5.34	\$5.34	\$5.33
61 to 80 HCF		\$8.45	\$4.36	\$5.34	\$5.34	\$5.34	\$5.33
Over 80 HCF		\$10.50	\$4.36	\$5.34	\$5.34	\$5.34	\$5.33
Effluent		\$2.20	\$3.08	\$4.16	\$4.16	\$4.16	\$4.16
Irrigation		\$2.44	\$3.42	\$4.61	\$4.61	\$4.61	\$4.61

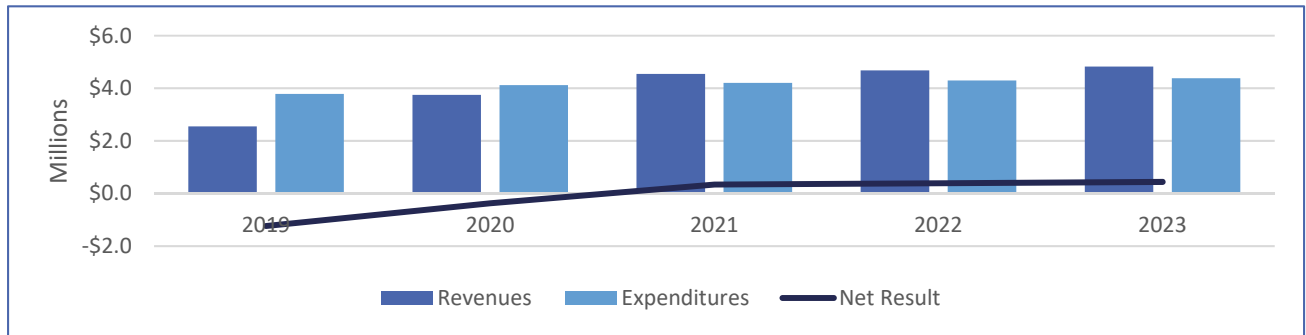
5.3. Projected Operating Results Under Proposed Rates

Based on the budgeted/projected operating expenses and anticipated revenues under the proposed rates and rate structure, Willdan developed projected operating results for FY 2019 through FY 2023 which is summarized below in Table 15 and Figure 9. As can be seen, the Utility is projected to meet the 1.10 debt service coverage ratio required by the rate covenant starting in the second fiscal year of the projection period.

Table 15 – Projected Operating Results

Description	2019	2020	2021	2022	2023
Revenues	\$2,222	\$3,710	\$4,505	\$4,641	\$4,784
Operating Expenses	3,238	3,125	3,200	3,277	3,356
Net Operating Revenues	\$(1,016)	\$585	\$1,305	\$1,364	\$1,428
Non-Operating Revenues	40	38	38	39	40
Net Revenues Available for Debt Service	\$(976)	\$624	\$1,343	\$1,404	\$1,468
<u>Debt Service</u>					
Current Debt	\$162	\$162	\$162	\$161	\$161
Future Debt	-	-	-	-	-
Total Debt Service	162	162	162	161	161
Net Revenues After Debt Service	\$(1,138)	\$461	\$1,181	\$1,242	\$1,307
Capital Outlay	(301)	(750)	(761)	(772)	(784)
Transfers	205	(81)	(81)	(81)	(81)
Net Revenues	\$(1,235)	\$(370)	\$339	\$389	\$443
Debt Service Coverage ^[1]	-6.01	3.85	8.30	8.70	9.12
Notes:					
[1] Debt Service Coverage Calculations exclude transfers.					

Figure 9 – Projected Operating Results



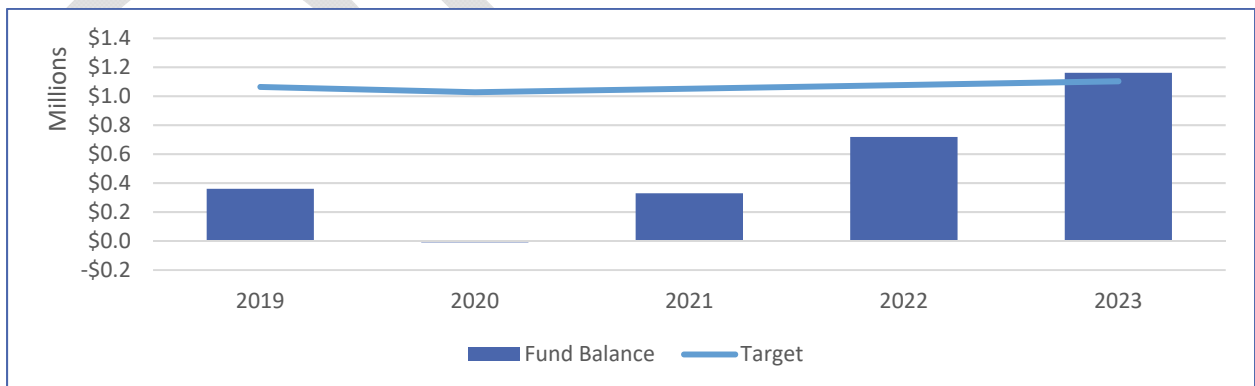
Projected Operating Reserves

As noted, one of the goals of the CSD is to maintain an operating reserve equal to 120 days of annual operating and maintenance expenses. Based on the current assumptions and proposed rate adjustments and structural changes, the Utility is projected to meet this metric starting in FY 2023. While not meeting this goal in FY 2019 through FY 2022, the Utility is still able to fund the capital expenditures as assumed in this Rate Study. As a note, FY 2020 shows a minor deficit and is considered a “break-even” scenario. Should those capital expenditures differ from those assumed, it may have a material effect on operating reserve levels. Projected operating reserves are shown below in Table 16.

Table 16 – Projected Operating Reserves with Rate Adjustments

Description	2019	2020	2021	2022	2023
Year-end Balance	\$360,524	\$(8,999)	\$329,967	\$718,899	\$1,161,468
Targeted Balance	\$1,064,437	\$1,027,358	\$1,052,088	\$1,077,251	\$1,103,353
Variance	\$(703,914)	\$(1,036,357)	\$(722,121)	\$(358,353)	\$58,115

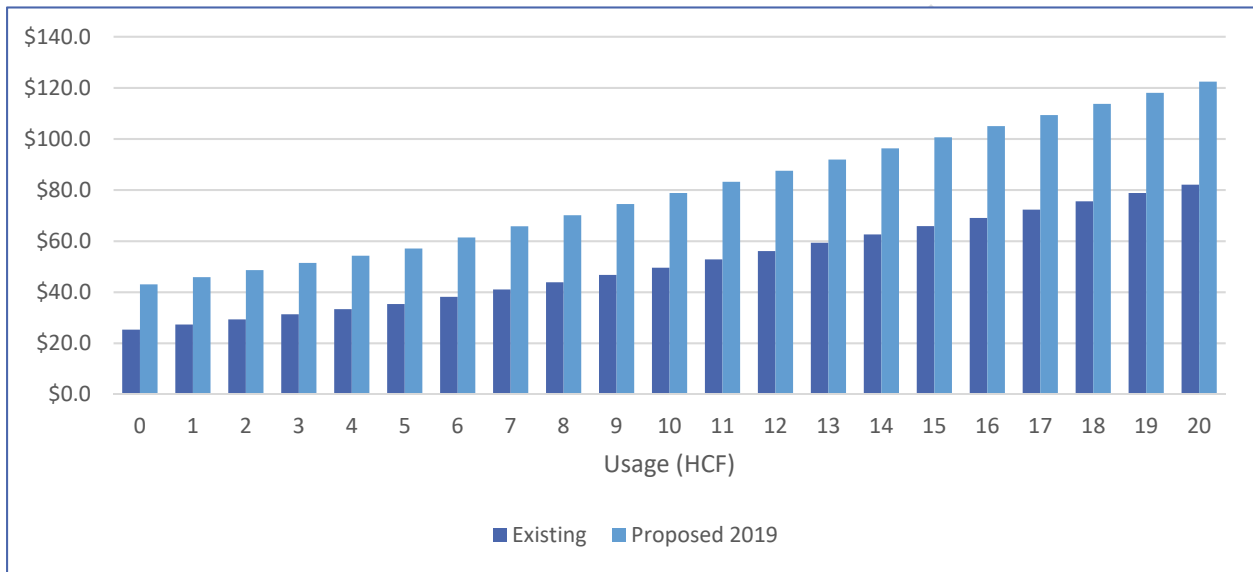
Figure 10 – Projected Operating Reserves with Rate Adjustments



Monthly Bill Comparison

Figure 11 provides an illustration of the current and proposed single family monthly bills from 0 to 20 units of water (100 cubic feet = 1 unit). CSD customers with monthly usage in this range will see an increase in their respective bills of between approximately 50% and 70%.

Figure 11 – Monthly Bill Comparison



Proposed water rates are further presented in Schedule B-5.

Summary of the Rate Study

This Rate Study utilized generally accepted rate-making principles which resulted in the development of rates and charges which are projected to: 1) generate sufficient revenue to meet the financial requirements of the Utility, 2) address the need to recover costs from users in a manner which is fair and equitable relative to service provided, and 3) meet the financial and rate design goals of the CSD.

6 Conclusions and Recommendations

6.1. Conclusions

- Projected operating revenues and operating expenses for the forecast period were developed by, and/or in consultation with, CSD staff and are based upon data and information available at the time of the Rate Study and reasonable assumptions.
- The projected capital project expenses have been developed by CSD staff and its engineers to address the Utility’s anticipated renewal and replacement efforts.

- Based on Conclusions 1 and 2 above, Willdan is of the opinion that the financial projections presented herein demonstrate the Utility's ability to meet its obligations with regard to:
 - Annual operating and maintenance expenses,
 - Annual non-operating expenses including debt service obligations, and
 - Estimated capital improvement expenditures.
- However, with regard to other key financial policies, including targeted operating reserves and required debt service coverage ratio, Willdan finds the following:
 - Targeted Operating Reserves - The Utility is not expected to meet its target of maintaining at least 120 days of operating expenses in reserve until FY 2023; and
 - Debt Service Coverage Ratio - The Utility is not expected to meet its debt service coverage obligation in FY 2019. However, with the proposed rate adjustments, the Utility will meet its required debt service coverage of 1.10x in FY 2020.
- The proposed rates presented herein are in conformance with industry standard rate-making practice, Proposition 218 and the CSD's rate policies with respect to:
 - The fair and equitable recovery of costs through water rates;
 - Water rates based upon the proportionate cost of providing services, and
 - Generation of sufficient revenue to fully recover system revenue requirements and reserve requirements.

6.2. Recommendations

- It is recommended that the CSD implement the proposed rates presented in this Report for the remainder of FY 2019 through FY 2023.
- It is recommended that the CSD update the Revenue Sufficiency Analysis portion of this study each year to ensure projected revenue is sufficient to fund projected expenses going forward as assumptions made during this analysis may change and have a material impact upon the analysis.
- It is recommended that, at a minimum, the CSD consider inflationary rate increases for water rates beyond FY 2023 to help maintain a matching between revenues and increasing operating costs. The CSD should consider using the Consumer Price Index for the Los Angeles region as published by the State of California's Department of Finance or an alternative index.

BEAR VALLEY COMMUNITY SERVICE DISTRICT

Water System Rate Study

Appendix A - Exhibits

1	Historical Operating Results
2	Projected Operating Results

Line	Description	Actual For Fiscal Year Ending June 30				
		2013	2014	2015	2016	2017
REVENUES						
Operating Revenues						
1	Water consumption sales	\$ 2,417,518	\$ 2,536,541	\$ 2,207,138	\$ 1,914,530	\$ 2,075,969
2	Other charges for services	50,248	72,960	39,768	36,276	31,532
3	Total Operating Revenues	\$ 2,467,766	\$ 2,609,501	\$ 2,246,906	\$ 1,950,806	\$ 2,107,501
Operating Expenses						
4	Salaries and benefits	\$ 799,848	\$ 746,007	\$ 532,368	\$ 895,499	\$ 878,739
5	Operations	1,271,358	1,476,734	1,326,260	1,138,481	1,155,509
6	Total Operating Expenses	\$ 2,071,206	\$ 2,222,741	\$ 1,858,628	\$ 2,033,980	\$ 2,034,248
7	Operating income (loss) before depreciation	\$ 396,560	\$ 386,760	\$ 388,278	\$ (83,174)	\$ 73,253
8	Depreciation Expense	(412,792)	(407,953)	(377,221)	(384,767)	(408,876)
9	Operating Income (Loss)	\$ (16,232)	\$ (21,193)	\$ 11,057	\$ (467,941)	\$ (335,623)
Non-operating revenue (expense):						
10	Interest earnings	\$ 8,554	\$ 5,664	\$ 7,779	\$ 13,439	\$ 15,948
11	Interest expense	(73,230)	(69,640)	(63,345)	(62,773)	(59,975)
12	Principal payments on loans payable	(83,763)	(88,821)	(88,426)	(94,102)	(104,842)
13	Total Non-operating revenue (expense):	\$ (148,439)	\$ (152,797)	\$ (143,992)	\$ (143,436)	\$ (148,869)
14	Operating transfers in (out)	\$ -	\$ -	\$ -	\$ -	\$ 3,262
Capital Contributions						
15	Capacity Charges	\$ 22,665	\$ 69,605	\$ 60,440	\$ 60,440	\$ 52,885
16	Total Capital Contributions	\$ 22,665	\$ 69,605	\$ 60,440	\$ 60,440	\$ 52,885
17	Net Results	\$ (142,006)	\$ (104,385)	\$ (72,495)	\$ (550,937)	\$ (428,345)
Debt Service Coverage						
18	Calculated	2.72	2.92	3.01	(0.06)	0.86
19	Required	1.10	1.10	1.10	1.10	1.10

Line	Description	Actual For Fiscal Year Ending June 30				
		2019	2020	2021	2022	2023
User Rate Revenues						
1	Water consumption sales	\$ 2,171,773	\$ 3,660,102	\$ 4,454,462	\$ 4,590,651	\$ 4,733,769
2	Subtotal User Rate Revenues	\$ 2,171,773	\$ 3,660,102	\$ 4,454,462	\$ 4,590,651	\$ 4,733,769
Percentage Rate Adjustment						
3	Variable	40.00%	35.00%	0.00%	0.00%	0.00%
4	Fixed	70.00%	70.00%	5.00%	5.00%	5.00%
5	Water System Growth	0.17%	0.17%	0.17%	0.17%	0.17%
6	Other charges for services	50,000	50,087	50,174	50,260	50,347
7	Total Operating Revenues	\$ 2,221,773	\$ 3,710,189	\$ 4,504,635	\$ 4,640,912	\$ 4,784,117
Operating Expenses						
8	Salaries and benefits	\$ 1,295,402	\$ 1,466,806	\$ 1,510,810	\$ 1,556,135	\$ 1,602,819
9	Operations	1,942,262	1,658,074	1,689,292	1,720,504	1,753,214
10	Total Operating Expenses	\$ 3,237,664	\$ 3,124,880	\$ 3,200,102	\$ 3,276,639	\$ 3,356,033
11	Operating income (loss) before depreciation	\$ (1,015,891)	\$ 585,309	\$ 1,304,533	\$ 1,364,273	\$ 1,428,084
12	Depreciation Expense	-	-	-	-	-
13	Operating Income (Loss)	\$ (1,015,891)	\$ 585,309	\$ 1,304,533	\$ 1,364,273	\$ 1,428,084
Non-operating revenue (expense):						
14	Interest earnings	\$ 2,442	\$ 392	\$ 353	\$ 1,262	\$ 2,300
15	Total Non-operating revenue (expense):	\$ 2,442	\$ 392	\$ 353	\$ 1,262	\$ 2,300
Capital Contributions						
16	Capacity Charges	\$ 37,775	\$ 37,841	\$ 37,906	\$ 37,972	\$ 38,037
17	Total Capital Contributions	\$ 37,775	\$ 37,841	\$ 37,906	\$ 37,972	\$ 38,037
18	Available for Debt Service	\$ (975,674)	\$ 623,541	\$ 1,342,793	\$ 1,403,506	\$ 1,468,421
DEBT SERVICE						
Annual Debt Service						
19	Taxable 2016 GO Refunding Bonds	\$ -	\$ -	\$ -	\$ -	\$ -
20	CIEDB Installment Loan	162,446	162,094	161,732	161,359	160,975
21	Future Debt	-	-	-	-	-
22	Total Debt Service	\$ 162,446	\$ 162,094	\$ 161,732	\$ 161,359	\$ 160,975
23	Net Results of Operations	\$ (1,138,120)	\$ 461,447	\$ 1,181,061	\$ 1,242,147	\$ 1,307,446
Transfers						
24	Transfer In	285,586	-	-	-	-
25	Transfer Out	(80,970)	(80,970)	(80,970)	(80,970)	(80,970)
26	Total Transfers	\$ 204,616	\$ (80,970)	\$ (80,970)	\$ (80,970)	\$ (80,970)
27	Net Results After Transfers	\$ (933,504)	\$ 380,477	\$ 1,100,091	\$ 1,161,177	\$ 1,226,476
DEBT SERVICE COVERAGE						
Income Available for Debt Service						
28	From Operations (excl. transfers)	\$ (975,674)	\$ 623,541	\$ 1,342,793	\$ 1,403,506	\$ 1,468,421
29	From Reserves	-	-	-	-	-
Debt Service Coverage - Total Debt						
30	Income Available for Debt Service	\$ (975,674)	\$ 623,541	\$ 1,342,793	\$ 1,403,506	\$ 1,468,421
31	Calculated	▶ (6.01)	▶ 3.85	▶ 8.30	▶ 8.70	▶ 9.12
32	Required	1.10	1.10	1.10	1.10	1.10

BEAR VALLEY CSD
 PROJECTED OPERATING RESULTS ^[1]
 WATER UTILITY

Exhibit 2

Line	Description	Actual For Fiscal Year Ending June 30				
		2019	2020	2021	2022	2023
FUND BALANCE CALCULATION						
<u>Water Fund</u>						
33	Beginning Fund Balance	\$ 1,595,424	\$ 360,524	\$ (8,999)	\$ 329,967	\$ 718,899
34	Deposit/(Withdrawal) from Operations	(933,504)	380,477	1,100,091	1,161,177	1,226,476
35	Capital Projects Funded with Cash	(301,396)	(750,000)	(761,124)	(772,246)	(783,906)
36	Ending Fund Balance	\$ 360,524	\$ (8,999)	\$ 329,967	\$ 718,899	\$ 1,161,468
37	Targeted Fund Balance	\$ 1,064,437	\$ 1,027,358	\$ 1,052,088	\$ 1,077,251	\$ 1,103,353
38	Variance	\$ (703,914)	\$ (1,036,357)	\$ (722,121)	\$ (358,353)	\$ 58,115

BEAR VALLEY COMMUNITY SERVICE DISTRICT

Water System Rate Study

Appendix B - Supporting Schedules

B-1:	Budgeted and Projected Expenses
B-2:	Budgeted and Projected Revenues
B-3:	Summary of Historical & Projected Customer Information
B-4:	Development of Incremental Cost of Purchased Water
B-5:	Summary of Existing & Projected Rates
B-6:	Summary of Rate Revenues

Line	Description	Escalation Reference	Projected For Fiscal Year Ending June 30				
			2019	2020	2021	2022	2023
EXPENSES BY UNIT							
1	Salaries & Benefits		\$ 1,295,402	\$ 1,466,806	\$ 1,510,810	\$ 1,556,135	\$ 1,602,819
2	Services & Supplies		1,942,262	1,658,074	1,689,292	1,720,504	1,753,214
3	Debt Servicing		162,446	162,094	161,732	161,359	160,975
4	Capital Outlay		301,396	750,000	761,124	772,246	783,906
5	Transfers Out		80,970	80,970	80,970	80,970	80,970
6	Total Expenses By Unit		\$ 3,782,476	\$ 4,117,944	\$ 4,203,928	\$ 4,291,214	\$ 4,381,885
WATER ENTERPRISE FUND (42)							
7	Salaries & Benefits		\$ 1,295,402	\$ 1,466,806	\$ 1,510,810	\$ 1,556,135	\$ 1,602,819
8	Services & Supplies		1,942,262	1,658,074	1,689,292	1,720,504	1,753,214
9	Debt Servicing		-	-	-	-	-
10	Capital Outlay		301,396	750,000	761,124	772,246	783,906
11	Transfers Out		80,970	80,970	80,970	80,970	80,970
WATER DEVELOPMENT FUND (60)							
12	Salaries & Benefits		\$ -	\$ -	\$ -	\$ -	\$ -
13	Services & Supplies		-	-	-	-	-
14	Debt Servicing		162,446	162,094	161,732	161,359	160,975
15	Capital Outlay		-	-	-	-	-
16	Transfers Out		-	-	-	-	-
WATER BOND FUND (64)							
17	Salaries & Benefits		\$ -	\$ -	\$ -	\$ -	\$ -
18	Services & Supplies		-	-	-	-	-
19	Debt Servicing		-	-	-	-	-
20	Capital Outlay		-	-	-	-	-
21	Transfers Out		-	-	-	-	-
WATER RESERVE FUND (70)							
22	Salaries & Benefits		\$ -	\$ -	\$ -	\$ -	\$ -
23	Services & Supplies		-	-	-	-	-
24	Debt Servicing		-	-	-	-	-
25	Capital Outlay		-	-	-	-	-
26	Transfers Out		-	-	-	-	-
27	Total Expenses by Fund		\$ 3,782,476	\$ 4,117,944	\$ 4,203,928	\$ 4,291,214	\$ 4,381,885
DETAIL							
Salaries & Benefits							
28	Wages	Wages	\$ 740,643	\$ 891,612	\$ 918,361	\$ 945,911	\$ 974,289
29	Benefits	Benefits	123,777	124,826	128,570	132,428	136,400
30	CalPERS - Current	CalPERS - Current	62,349	89,161	91,836	94,591	97,429
31	CalPERS - UAL	CalPERS - UAL	48,488	35,664	36,734	37,836	38,972
32	Social Security	Social Security	68,784	71,329	73,469	75,673	77,943
33	Unemployment	Unemployment	3,594	3,566	3,673	3,784	3,897
34	Workers Comp	Workers Comp	39,046	35,664	36,734	37,836	38,972
35	Overtime	Wages	45,000	46,350	47,741	49,173	50,648
36	Admin/ G.S. Reallocation	Wages	163,721	168,633	173,692	178,902	184,269
37	Salaries & Benefits	Wages	-	-	-	-	-
38	Salaries & Benefits	Wages	-	-	-	-	-
39	Salaries & Benefits	Wages	-	-	-	-	-
40	Total Salaries & Benefits		\$ 1,295,402	\$ 1,466,806	\$ 1,510,810	\$ 1,556,135	\$ 1,602,819
Services & Supplies							
41	Public Notices	General Inflation	\$ 2,500	\$ 2,565	\$ 2,629	\$ 2,692	\$ 2,759
42	Memberships & Dues	General Inflation	15,000	15,392	15,773	16,153	16,552
43	Printing	General Inflation	13,500	13,853	14,196	14,538	14,897
44	Postage/Shipping	General Inflation	500	513	526	538	552
45	Office Supplies	General Inflation	10,000	10,262	10,515	10,769	11,035
46	Training/Travel	General Inflation	3,500	3,592	3,680	3,769	3,862
47	Board Workshops	General Inflation	-	-	-	-	-
48	Awards	General Inflation	-	-	-	-	-
49	Radio Infrastructure	General Inflation	-	-	-	-	-
50	Recruitment	General Inflation	5,600	5,746	5,889	6,031	6,179
51	Resale Supplies	General Inflation	-	-	-	-	-
52	Address Signs	General Inflation	-	-	-	-	-
53	Conservation	General Inflation	12,500	12,827	13,144	13,461	13,793
54	Emergency Preparedness	General Inflation	1,000	1,026	1,052	1,077	1,103
55	Business Travel	General Inflation	500	513	526	538	552
56	Personnel/Hearing/Appeal	General Inflation	2,500	2,565	2,629	2,692	2,759
57	Medical Misc.	General Inflation	1,000	1,026	1,052	1,077	1,103
58	Prior Year Adjustment	General Inflation	-	-	-	-	-
59	UNASSIGNED	General Inflation	-	-	-	-	-
60	UNASSIGNED	General Inflation	-	-	-	-	-
61	Electric-Facilities	General Inflation	2,500	2,565	2,629	2,692	2,759
62	Electric-Wells	General Inflation	135,000	138,531	141,955	145,379	148,968
63	Electric-Boosters	General Inflation	180,000	184,707	189,273	193,839	198,625
64	Phone-Cellular	General Inflation	3,149	3,231	3,311	3,391	3,475
65	Phone-Facility	General Inflation	2,000	2,052	2,103	2,154	2,207
66	Phone-Telemetry	General Inflation	-	-	-	-	-

Line	Description	Escalation Reference	Projected For Fiscal Year Ending June 30				
			2019	2020	2021	2022	2023
67	UNASSIGNED	General Inflation	-	-	-	-	-
68	Natural Gas/Propane	General Inflation	1,750	1,796	1,840	1,885	1,931
69	Water- Lakefill	General Inflation	-	-	-	-	-
70	UNASSIGNED	General Inflation	-	-	-	-	-
71	Auto Repair	General Inflation	5,000	5,131	5,258	5,384	5,517
72	Motor Fuel	General Inflation	22,500	23,088	23,659	24,230	24,828
73	Auto Allowance	General Inflation	750	770	789	808	828
74	Equipment Repairs	General Inflation	2,500	2,565	2,629	2,692	2,759
75	Equipment - Lease	General Inflation	1,500	1,539	1,577	1,615	1,655
76	Tires & Batteries	General Inflation	5,000	5,131	5,258	5,384	5,517
77	UNASSIGNED	General Inflation	-	-	-	-	-
78	Equipment	General Inflation	5,500	5,644	5,783	5,923	6,069
79	UNASSIGNED	General Inflation	-	-	-	-	-
80	Striping and Stenciling	General Inflation	-	-	-	-	-
81	Operations	General Inflation	1,500	1,539	1,577	1,615	1,655
82	Road Materials and Repairs	General Inflation	12,500	12,827	13,144	13,461	13,793
83	Drainage	General Inflation	-	-	-	-	-
84	System Repair & Maintenance	General Inflation	65,000	66,700	68,349	69,997	71,726
85	UNASSIGNED	General Inflation	-	-	-	-	-
86	Lake Maintenance	General Inflation	-	-	-	-	-
87	Signs, Reflectors and Markers	General Inflation	1,000	1,026	1,052	1,077	1,103
88	Bus Shelters	General Inflation	-	-	-	-	-
89	Snow Removal	General Inflation	-	-	-	-	-
90	Shop Supplies	General Inflation	750	770	789	808	828
91	Expendable Tools and Equipment	General Inflation	5,000	5,131	5,258	5,384	5,517
92	Well Repair	General Inflation	7,500	7,696	7,886	8,077	8,276
93	Booster Repair	General Inflation	35,000	35,915	36,803	37,691	38,621
94	Contracted Well Maintenance	Constant	76,286	76,286	76,286	76,286	76,286
95	Water Tank Maintenance and Repair	General Inflation	220,000	225,753	231,334	236,914	242,763
96	Water Meters	General Inflation	5,500	5,644	5,783	5,923	6,069
97	Telemetry/SCADA	General Inflation	37,500	10,000	10,247	10,494	10,753
98	Lab & Related Equipment	General Inflation	-	-	-	-	-
99	Chemicals	General Inflation	3,500	3,592	3,680	3,769	3,862
100	Sewer & Septic Repairs	General Inflation	-	-	-	-	-
101	Fire Hydrant	General Inflation	7,500	7,696	7,886	8,077	8,276
102	UNASSIGNED	General Inflation	-	-	-	-	-
103	Electrical/ Lighting	General Inflation	2,500	2,565	2,629	2,692	2,759
104	UNASSIGNED	General Inflation	-	-	-	-	-
105	UNASSIGNED	General Inflation	-	-	-	-	-
106	Building Maintenance	General Inflation	12,400	12,724	13,039	13,353	13,683
107	Guardrail Repair	General Inflation	-	-	-	-	-
108	Mailboxes	General Inflation	-	-	-	-	-
109	Weed Abatement	General Inflation	2,000	2,052	2,103	2,154	2,207
110	Bark Beetle	General Inflation	-	-	-	-	-
111	Grounds Maintenance	General Inflation	-	-	-	-	-
112	UNASSIGNED	General Inflation	-	-	-	-	-
113	Computer Software	General Inflation	8,648	8,874	9,094	9,313	9,543
114	Computer Hardware	General Inflation	6,000	6,157	6,309	6,461	6,621
115	Safety and Protective	General Inflation	3,500	3,592	3,680	3,769	3,862
116	Armory	General Inflation	-	-	-	-	-
117	Custodial Supplies	General Inflation	500	513	526	538	552
118	Custodial Services	General Inflation	3,600	3,694	3,785	3,877	3,972
119	Inspections	General Inflation	1,250	1,283	1,314	1,346	1,379
120	Contract Services	General Inflation	10,000	10,262	10,515	10,769	11,035
121	Legal	General Inflation	25,000	25,654	26,288	26,922	27,587
122	Engineering	General Inflation	1,000	1,026	1,052	1,077	1,103
123	Audit	General Inflation	8,835	9,066	9,290	9,514	9,749
124	Consulting	General Inflation	337,336	50,000	51,236	52,472	53,767
125	Lab Analysis	General Inflation	17,500	17,958	18,402	18,845	19,311
126	District Elections	General Inflation	-	-	-	-	-
127	Outside Service	General Inflation	23,500	24,115	24,711	25,307	25,932
128	Uniforms	General Inflation	2,728	2,799	2,869	2,938	3,010
129	Dispatch Service	General Inflation	-	-	-	-	-
130	State Reimbursement Fee	General Inflation	-	-	-	-	-
131	Admin/ G.S. Reallocation	General Inflation	181,771	186,525	191,136	195,746	200,579
132	State/County Fees	General Inflation	21,000	21,549	22,082	22,615	23,173
133	Insurance Deductibles & Settlements	General Inflation	3,000	3,078	3,155	3,231	3,310
134	Lands & Rights of Way	General Inflation	-	-	-	-	-
135	Solid Waste Processing	General Inflation	-	-	-	-	-
136	Trash Service	General Inflation	600	616	631	646	662
137	Biosolids Disposal	General Inflation	-	-	-	-	-
138	District Insurance	General Inflation	26,509	27,202	27,875	28,547	29,252
<u>Purchased Water & Water Banking</u>							
139	Purchased Water		226,800	227,059	227,317	227,576	227,834
140	Water Banking		100,000	100,000	100,000	100,000	100,000
141	Uncollectable Debt	Customer Growth	2,500	2,504	2,509	2,513	2,517
142	Total Services & Supplies		\$ 1,942,262	\$ 1,658,074	\$ 1,689,292	\$ 1,720,504	\$ 1,753,214
<u>Debt Servicing</u>							
143	Taxable 2016 GO Refunding Bonds		\$ -	\$ -	\$ -	\$ -	\$ -
144	CIEDB Installment Loan		162,446	162,094	161,732	161,359	160,975
145	Future Debt		-	-	-	-	-
146	Total Debt Servicing		\$ 162,446	\$ 162,094	\$ 161,732	\$ 161,359	\$ 160,975

Line	Description	Escalation Reference	Projected For Fiscal Year Ending June 30				
			2019	2020	2021	2022	2023
Capital Outlay							
147	Work Truck (30% of \$45k)	Remove	\$ 45,000	\$ -	\$ -	\$ -	\$ -
148	Booster Pump Rebuilds - (2) CV	Remove	50,000	-	-	-	-
149	Booster Pumps Repair/Replace - (4)	Remove	85,000	-	-	-	-
150	Electrical Panel Replacements - (1)	Remove	52,000	-	-	-	-
151	Well 3 - Wellhead	Remove	12,500	-	-	-	-
152	Well 4 - Wellhead	Remove	7,500	-	-	-	-
153	Well 2 - Pump Replacement	Remove	10,000	-	-	-	-
154	Well 29 - Pump Replacement	Remove	10,000	-	-	-	-
155	Well 30 - Pump Replacement	Remove	10,000	-	-	-	-
156	Well 33 - Pump Replacement	Remove	-	-	-	-	-
157	Lakefill Wells - Repairs	Remove	75,000	-	-	-	-
158	Soft Starter - CV 6	Remove	-	-	-	-	-
159	Dump Truck	Remove	-	-	-	-	-
160	Valve Exercising Trailer	Remove	-	-	-	-	-
161	Well 30 - Pump and Motor	Remove	-	-	-	-	-
162	Access Roads	Remove	40,000	-	-	-	-
163	Entry Gate Project	Remove	54,396	-	-	-	-
164	Rehab Well CV1	Remove	-	-	-	-	-
165	Rehab Well CV2	Remove	-	-	-	-	-
166	BV & Cumberland Rehab Project	Remove	-	-	-	-	-
167	Mainline Replacements	Remove	-	-	-	-	-
168	Goldspike Repairs	Remove	-	-	-	-	-
169	Rehab Well 6	Remove	-	-	-	-	-
170	BV & Cumberland Rehab Project	Remove	-	-	-	-	-
171	Mainline Replacements	Remove	-	-	-	-	-
172	Capital Outlay	General Inflation	(150,000)	450,000	461,124	472,246	483,906
173	Capital Outlay (Additional R&R)	General Inflation	-	300,000	300,000	300,000	300,000
174	Capital Outlay	General Inflation	-	-	-	-	-
175	Total Capital Outlay		\$ 301,396	\$ 750,000	\$ 761,124	\$ 772,246	\$ 783,906
Transfers Out							
176	Transfer to GF- Fuel Station (\$85k)	Constant	\$ 20,774	\$ -	\$ -	\$ -	\$ -
177	Transfer to GF- Vehicle Lift (\$32k)	Constant	7,821	-	-	-	-
178	Transfer to GF- PW Building Upgrade	Constant	8,846	-	-	-	-
179	Transfer to GF- Computer Server	Constant	8,974	-	-	-	-
180	Transfer to GF- Server SW	Constant	-	-	-	-	-
181	Transfer to GF- Finance SW	Constant	34,555	-	-	-	-
182	Transfer to Development Fund	Constant	-	-	-	-	-
183	Transfer to Reserve	Constant	-	-	-	-	-
184	Transfers Out	Constant	-	80,970	80,970	80,970	80,970
185	Transfers Out	Constant	-	-	-	-	-
186	Transfers Out	Remove	-	-	-	-	-
187	Transfers to GF - Repayment of Loan	Remove	-	-	-	-	-
188	Total Transfers Out		\$ 80,970	\$ 80,970	\$ 80,970	\$ 80,970	\$ 80,970
ESCALATION REFERENCES							
189	Constant		0.00%	0.00%	0.00%	0.00%	0.00%
190	Remove		-100.00%	-100.00%	-100.00%	-100.00%	-100.00%
191	General Inflation		2.34%	2.62%	2.47%	2.41%	2.47%
Departmental Expenses							
192	Wages		3.00%	3.00%	3.00%	3.00%	3.00%
193	Benefits		14.00%	14.00%	14.00%	14.00%	14.00%
194	CalPERS - Current		10.00%	10.00%	10.00%	10.00%	10.00%
195	CalPERS - UAL		4.00%	4.00%	4.00%	4.00%	4.00%
196	Social Security		8.00%	8.00%	8.00%	8.00%	8.00%
197	Unemployment		0.40%	0.40%	0.40%	0.40%	0.40%
198	Workers Comp		4.00%	4.00%	4.00%	4.00%	4.00%
199	Administration		3.50%	3.50%	3.50%	3.50%	3.50%
200	Maintenance		3.50%	3.50%	3.50%	3.50%	3.50%
Customer/Flow Related							
201	Customer Growth		0.17%	0.17%	0.17%	0.17%	0.17%
202	Metered Flow		-0.68%	0.11%	0.11%	0.11%	0.11%
203	Inflation/Cust Growth		2.34%	2.62%	2.48%	2.42%	2.47%
204	Inflation/Metered Flow		2.32%	2.62%	2.47%	2.41%	2.47%

Line	Description	Escalation Reference	Projected For Fiscal Year Ending June 30				
			2019	2020	2021	2022	2023
REVENUE BY SOURCE							
1	Sales		\$ 2,171,773	\$ 3,660,102	\$ 4,454,462	\$ 4,590,651	\$ 4,733,769
2	Water Standby Charges		25,000	25,043	25,087	25,130	25,174
3	Capacity Fees		37,775	37,841	37,906	37,972	38,037
4	Rental Income		-	-	-	-	-
5	Water Bond Tax		-	-	-	-	-
6	Interest Income		2,442	392	353	1,262	2,300
7	Miscellaneous		25,000	25,043	25,087	25,130	25,174
8	Transfer In		285,586	-	-	-	-
9	Loan Proceeds		-	-	-	-	-
10	Carryover		-	-	-	-	-
11	TOTAL REVENUE BY SOURCE		\$ 2,547,576	\$ 3,748,421	\$ 4,542,895	\$ 4,680,146	\$ 4,824,454

REVENUE BY TYPE							
12	Carryover		\$ -	\$ -	\$ -	\$ -	\$ -
13	Water consumption sales		2,171,773	3,660,102	4,454,462	4,590,651	4,733,769
14	Other charges for services		50,000	50,087	50,174	50,260	50,347
15	Transfer In		285,586	-	-	-	-
16	Capacity Charges		37,775	37,841	37,906	37,972	38,037
17	Interest earnings		2,442	392	353	1,262	2,300
18	TOTAL REVENUE BY TYPE		\$ 2,547,576	\$ 3,748,421	\$ 4,542,895	\$ 4,680,146	\$ 4,824,454

DETAIL							
REVENUE SOURCES							
19	Carryover	Remove	\$ -	-	-	-	-
20	Residential/ Commercial Sales		2,171,773	3,660,102	4,454,462	4,590,651	4,733,769
21	Other Water Fund Revenues	Customer Growth	25,000	25,043	25,087	25,130	25,174
22	Water Standby Charges	Customer Growth	25,000	25,043	25,087	25,130	25,174
23	Transfer In From General Fund	Constant	285,586	-	-	-	-
24	Transfer In From Parks & Rec	Constant	-	-	-	-	-
25	Transfer In From Wastewater Ent. Fund	Constant	-	-	-	-	-
26	Transfer In From Roads Ent. Fund	Constant	-	-	-	-	-
27	Transfer In From Solid Waste Ent. Fund	Constant	-	-	-	-	-
28	Transfer In From Water Development Fund	Constant	-	-	-	-	-
29	Transfer In From SUI Fund	Constant	-	-	-	-	-
30	Transfer In From Reserve	Remove	-	-	-	-	-
31	Carryover	Remove	-	-	-	-	-
32	Capacity Fees	Customer Growth	37,775	37,841	37,906	37,972	38,037
33	Interfund Loan Transfer In	Constant	-	-	-	-	-
34	Carryover	Remove	-	-	-	-	-
35	Water Bond Tax	Remove	-	-	-	-	-
36	Rental Income	Rental Income	-	-	-	-	-
37	Interest Income	Customer Growth	2,442	392	353	1,262	2,300
38	Carryover	Remove	-	-	-	-	-
39	Interest Revenue	Remove	-	-	-	-	-
40	Transfer In	Customer Growth	-	-	-	-	-
41	TOTAL REVENUE SOURCES		\$ 2,547,576	\$ 3,748,421	\$ 4,542,895	\$ 4,680,146	\$ 4,824,454

ESCALATION REFERENCES							
42	Constant		0.00%	0.00%	0.00%	0.00%	0.00%
43	Remove		-100.00%	-100.00%	-100.00%	-100.00%	-100.00%
44	General Inflation		2.3%	2.6%	2.5%	2.4%	2.5%
Revenue Related							
45	Water Bond Tax		0.0%	0.0%	0.0%	0.0%	0.0%
46	Rental Income		0.0%	0.0%	0.0%	0.0%	0.0%
Customer/Flow Related							
47	Customer Growth		0.2%	0.2%	0.2%	0.2%	0.2%
48	Metered Flow		-0.7%	0.1%	0.1%	0.1%	0.1%
49	Inflation/Cust Growth		2.3%	2.6%	2.5%	2.4%	2.5%
50	Inflation/Metered Flow		2.3%	2.6%	2.5%	2.4%	2.5%

BEAR VALLEY CSD
SUMMARY OF HISTORICAL & PROJECTED CUSTOMER INFORMATION
WATER UTILITY

Schedule B-3

Line	Description	Code	Actual 2016	Actual 2017	Actual 2018	Projected For Fiscal Year Ending June 30				
						2019	2020	2021	2022	2023
WATER SYSTEM										
AVERAGE ANNUAL ACCOUNTS										
1	CSD Building	BV	7	7	7	7	7	7	7	7
2	Commercial	CO	30	30	30	30	30	30	30	30
3	Effluent	EF	1	1	1	1	1	1	1	1
4	Golf Course Pump	GC	1	1	1	1	1	1	1	1
5	Institutional	IN	3	3	3	3	3	3	3	3
6	Irrigation	IR	7	7	7	7	7	7	7	7
7	Residential-Cummings	RC	-	-	-	-	-	-	-	-
8	Residential	RE	2,741	2,758	2,768	2,773	2,778	2,783	2,788	2,793
9	Residential Vacant	RV	64	54	55	55	55	55	55	55
10	Sewer Credit	SC	3	3	3	3	3	3	3	3
11	Surplus	SU	-	-	-	-	-	-	-	-
12	Water Available	WA	-	-	-	-	-	-	-	-
13	Total		2,857	2,864	2,875	2,880	2,885	2,890	2,895	2,900
14	Customer Growth			0.25%	0.38%	0.17%	0.17%	0.17%	0.17%	0.17%
BILLED VOLUMES (HCF)										
15	CSD Building	BV	749	579	634	630	630	630	630	630
Commercial										
16	Tier 1	CO	797	1,008	954	3,014	1,157	1,157	1,157	1,157
17	Tier 2	CO	577	731	711	845	11,143	11,143	11,143	11,143
18	Tier 3	CO	865	1,237	1,178	1,354	-	-	-	-
19	Tier 4	CO	1,185	1,852	1,877	1,998	-	-	-	-
20	Tier 5	CO	874	1,395	1,461	1,509	-	-	-	-
21	Tier 6	CO	604	1,091	1,186	1,146	-	-	-	-
22	Tier 7	CO	1,840	4,304	4,973	4,290	-	-	-	-
23	Total		6,742	11,618	12,340	12,300	12,300	12,300	12,300	12,300
24	Effluent	EF	12,629	10,646	9,620	10,100	10,100	10,100	10,100	10,100
25	Golf Course Pump	GC	26,624	39,914	58,430	58,000	58,000	58,000	58,000	58,000
Institutional										
26	Tier 1	IN	150	150	175	650	276	276	276	276
27	Tier 2	IN	137	128	163	205	2,244	2,244	2,244	2,244
28	Tier 3	IN	186	179	258	292	-	-	-	-
29	Tier 4	IN	238	226	385	387	-	-	-	-
30	Tier 5	IN	162	110	230	228	-	-	-	-
31	Tier 6	IN	137	80	195	185	-	-	-	-
32	Tier 7	IN	167	267	1,116	573	-	-	-	-
33	Total		1,177	1,140	2,522	2,520	2,520	2,520	2,520	2,520
34	Irrigation	IR	71,656	64,676	85,432	85,400	85,400	85,400	85,400	85,400
35	Residential-Cummings	RC	-	-	-	-	-	-	-	-
Residential										
36	Tier 1	RE	114,480	118,396	120,542	155,906	129,087	129,319	129,552	129,784
37	Tier 2	RE	51,686	57,876	61,489	51,735	162,603	162,896	163,188	163,481
38	Tier 3	RE	38,912	49,591	54,220	42,913	-	-	-	-
39	Tier 4	RE	20,465	31,640	36,770	26,488	-	-	-	-
40	Tier 5	RE	5,225	8,796	10,458	7,270	-	-	-	-
41	Tier 6	RE	1,951	3,188	3,991	2,710	-	-	-	-
42	Tier 7	RE	3,837	3,743	6,261	4,144	-	-	-	-
43	Total		236,556	273,230	293,731	291,165	291,690	292,215	292,740	293,265

BEAR VALLEY CSD
SUMMARY OF HISTORICAL & PROJECTED CUSTOMER INFORMATION
WATER UTILITY

Schedule B-3

Line	Description	Code	Actual 2016	Actual 2017	Actual 2018	Projected For Fiscal Year Ending June 30				
						2019	2020	2021	2022	2023
Residential Vacant										
44	Tier 1	RV	488	155	245	242	224	224	224	224
45	Tier 2	RV	167	43	77	58	106	106	106	106
46	Tier 3	RV	65	39	10	26	-	-	-	-
47	Tier 4	RV	20	3	-	4	-	-	-	-
48	Tier 5	RV	6	-	-	1	-	-	-	-
49	Tier 6	RV	-	-	-	-	-	-	-	-
50	Tier 7	RV	-	-	-	-	-	-	-	-
51	Total		746	240	332	330	330	330	330	330
52	Sewer Credit	SC	370	454	537	-	-	-	-	-
53	Surplus	SU	-	-	-	-	-	-	-	-
54	Water Available	WA	-	-	-	-	-	-	-	-
55	Total		357,249	402,497	463,578	460,445	460,970	461,495	462,020	462,545
	Annual Change in Flows			12.67%	15.18%	-0.68%	0.11%	0.11%	0.11%	0.11%
Growth Assumptions										
56	CSD Building	BV	NA	-	-	-	-	-	-	-
57	Commercial	CO	NA	-	-	-	-	-	-	-
58	Effluent	EF	NA	-	-	-	-	-	-	-
59	Golf Course Pump	GC	NA	-	-	-	-	-	-	-
60	Institutional	IN	NA	-	-	-	-	-	-	-
61	Irrigation	IR	NA	-	-	-	-	-	-	-
62	Residential-Cummings	RC	NA	-	-	-	-	-	-	-
63	Residential	RE	NA	17	10	5	5	5	5	5
64	Residential Vacant	RV	NA	(10)	1	-	-	-	-	-
65	Sewer Credit	SC	NA	-	-	-	-	-	-	-
66	Surplus	SU	NA	-	-	-	-	-	-	-
67	Water Available	WA	NA	-	-	-	-	-	-	-
Average Use Assumptions										
68	CSD Building	BV	107.0	82.7	90.6	90.0	90.0	90.0	90.0	90.0
Commercial										
69	Tier 1	CO	11.8%	8.7%	7.7%	9.4%	9.4%	9.4%	9.4%	9.4%
70	Tier 2	CO	8.6%	6.3%	5.8%	6.9%	90.6%	90.6%	90.6%	90.6%
71	Tier 3	CO	12.8%	10.6%	9.5%	11.0%	0.0%	0.0%	0.0%	0.0%
72	Tier 4	CO	17.6%	15.9%	15.2%	16.2%	0.0%	0.0%	0.0%	0.0%
73	Tier 5	CO	13.0%	12.0%	11.8%	12.3%	0.0%	0.0%	0.0%	0.0%
74	Tier 6	CO	9.0%	9.4%	9.6%	9.3%	0.0%	0.0%	0.0%	0.0%
75	Tier 7	CO	27.3%	37.0%	40.3%	34.9%	0.0%	0.0%	0.0%	0.0%
76	Total HCF		100.0%	100.0%	100.0%	410.0	410.0	410.0	410.0	410.0
77	Effluent	EF	12,629.0	10,646.0	9,620.0	10,100.0	10,100.0	10,100.0	10,100.0	10,100.0
78	Golf Course Pump	GC	26,624.0	39,914.0	58,430.0	58,000.0	58,000.0	58,000.0	58,000.0	58,000.0
Institutional										
79	Tier 1	IN	12.7%	13.2%	6.9%	10.9%	10.9%	10.9%	10.9%	10.9%
80	Tier 2	IN	11.6%	11.2%	6.5%	9.8%	89.1%	89.1%	89.1%	89.1%
81	Tier 3	IN	15.8%	15.7%	10.2%	13.9%	0.0%	0.0%	0.0%	0.0%
82	Tier 4	IN	20.2%	19.8%	15.3%	18.4%	0.0%	0.0%	0.0%	0.0%
83	Tier 5	IN	13.8%	9.6%	9.1%	10.8%	0.0%	0.0%	0.0%	0.0%
84	Tier 6	IN	11.6%	7.0%	7.7%	8.8%	0.0%	0.0%	0.0%	0.0%
85	Tier 7	IN	14.2%	23.4%	44.3%	27.3%	0.0%	0.0%	0.0%	0.0%
86	Total HCF		100.0%	100.0%	100.0%	840.0	840.0	840.0	840.0	840.0
87	Irrigation	IR	10,236.6	9,239.4	12,204.6	12,200.0	12,200.0	12,200.0	12,200.0	12,200.0
88	Residential-Cummings	RC	-	-	-	-	-	-	-	-

BEAR VALLEY CSD
 SUMMARY OF HISTORICAL & PROJECTED CUSTOMER INFORMATION
 WATER UTILITY

Schedule B-3

Line	Description	Code	Actual 2016	Actual 2017	Actual 2018	Projected For Fiscal Year Ending June 30				
						2019	2020	2021	2022	2023
Residential										
89	Tier 1	RE	48.4%	43.3%	41.0%	44.3%	44.3%	44.3%	44.3%	44.3%
90	Tier 2	RE	21.8%	21.2%	20.9%	21.3%	55.7%	55.7%	55.7%	55.7%
91	Tier 3	RE	16.4%	18.1%	18.5%	17.7%	0.0%	0.0%	0.0%	0.0%
92	Tier 4	RE	8.7%	11.6%	12.5%	10.9%	0.0%	0.0%	0.0%	0.0%
93	Tier 5	RE	2.2%	3.2%	3.6%	3.0%	0.0%	0.0%	0.0%	0.0%
94	Tier 6	RE	0.8%	1.2%	1.4%	1.1%	0.0%	0.0%	0.0%	0.0%
95	Tier 7	RE	1.6%	1.4%	2.1%	1.7%	0.0%	0.0%	0.0%	0.0%
96	Total HCF		100.0%	100.0%	100.0%	105.0	105.0	105.0	105.0	105.0
Residential Vacant										
97	Tier 1	RV	65.4%	64.6%	73.8%	67.9%	67.9%	67.9%	67.9%	67.9%
98	Tier 2	RV	22.4%	17.9%	23.2%	21.2%	32.1%	32.1%	32.1%	32.1%
99	Tier 3	RV	8.7%	16.3%	3.0%	9.3%	0.0%	0.0%	0.0%	0.0%
100	Tier 4	RV	2.7%	1.3%	0.0%	1.3%	0.0%	0.0%	0.0%	0.0%
101	Tier 5	RV	0.8%	0.0%	0.0%	0.3%	0.0%	0.0%	0.0%	0.0%
102	Tier 6	RV	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
103	Tier 7	RV	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
104	Total HCF		100.0%	100.0%	100.0%	6.0	6.0	6.0	6.0	6.0
105	Sewer Credit	SC	0.0	0.0	0.0	-	-	-	-	-
106	Surplus	SU	-	-	-	-	-	-	-	-
107	Water Available	WA	-	-	-	-	-	-	-	-

BEAR VALLEY CSD
 DEVELOPMENT OF INCREMENTAL COST OF PURCHASED WATER
 WATER UTILITY

Schedule B-4

Line	Description	Purchased Water Incremental Cost				
		2019	2020	2021	2022	2023
<u>Fiscal Year 2019 Costs</u>						
1	<u>O&M</u>					
2	Purchased Water	\$ 226,800	\$ 227,059	\$ 227,317	\$ 227,576	\$ 227,834
<u>Water Banking</u>						
3	Acre Feet	250	250	250	250	250
4	Unit Cost	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00	\$ 400.00
5	Annual Expense	100,000	100,000	100,000	100,000	100,000
6	Debt Service	-	-	-	-	-
7	Capital Outlay	-	-	-	-	-
8	Transfers Out	-	-	-	-	-
9	Total Fiscal Year 2019 Costs	\$ 326,800	\$ 327,059	\$ 327,317	\$ 327,576	\$ 327,834
10	AF of Water	567	568	568	569	570
11	Assumed Water Loss	15.0%	15.0%	15.0%	15.0%	15.0%
12	Adjusted AF of Water	482	482	483	484	484
13	Volume Cost per AF	\$ 678.08	\$ 677.84	\$ 677.61	\$ 677.37	\$ 677.14
14	HCF per AF	435.599	435.599	435.599	435.599	435.599
15	Volume Cost per HCF	\$ 1.56	\$ 1.56	\$ 1.56	\$ 1.56	\$ 1.55

BEAR VALLEY CSD
SUMMARY OF EXISTING & PROJECTED RATES
WATER UTILITY

Schedule B-5

Line	Description	Code	Existing 2019	Projected For Fiscal Year Ending June 30				
				2019	2020	2021	2022	2023
WATER SYSTEM								
Customer Base Charge (\$/Month)								
1	Annual Rate Adjustment			70.0%	70.0%	5.0%	5.0%	5.0%
2	CSD Building	BV	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3	Commercial	CO	\$ 25.33	\$ 43.06	\$ 73.20	\$ 76.86	\$ 80.71	\$ 84.74
4	Effluent	EF	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5	Golf Course Pump	GC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	Institutional	IN	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	Irrigation	IR	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
8	Residential-Cummings	RC	\$ 25.33	\$ 43.06	\$ 73.20	\$ 76.86	\$ 80.71	\$ 84.74
9	Residential	RE	\$ 25.33	\$ 43.06	\$ 73.20	\$ 76.86	\$ 80.71	\$ 84.74
10	Sewer Credit	SC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11	Surplus	SU	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
12	Water Available	WA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Volume Charges (\$/HCF)								
13	Annual Rate Adjustment			40.0%	35.0%	0.0%	0.0%	0.0%
14	CSD Building	BV	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial								
15	Tier 1	CO	\$ 2.00	\$ 2.80	\$ 3.78	\$ 3.78	\$ 3.78	\$ 3.78
16	Tier 2	CO	\$ 2.85	\$ 4.36	\$ 5.34	\$ 5.34	\$ 5.34	\$ 5.33
17	Tier 3	CO	\$ 3.25	\$ 4.36	\$ 5.34	\$ 5.34	\$ 5.34	\$ 5.33
18	Tier 4	CO	\$ 4.45	\$ 4.36	\$ 5.34	\$ 5.34	\$ 5.34	\$ 5.33
19	Tier 5	CO	\$ 6.20	\$ 4.36	\$ 5.34	\$ 5.34	\$ 5.34	\$ 5.33
20	Tier 6	CO	\$ 8.45	\$ 4.36	\$ 5.34	\$ 5.34	\$ 5.34	\$ 5.33
21	Tier 7	CO	\$ 10.50	\$ 4.36	\$ 5.34	\$ 5.34	\$ 5.34	\$ 5.33
22	Effluent	EF	\$ 2.20	\$ 3.08	\$ 4.16	\$ 4.16	\$ 4.16	\$ 4.16
23	Golf Course Pump	GC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Institutional								
24	Tier 1	IN	\$ 2.00	\$ 2.80	\$ 3.78	\$ 3.78	\$ 3.78	\$ 3.78
25	Tier 2	IN	\$ 2.85	\$ 4.36	\$ 5.34	\$ 5.34	\$ 5.34	\$ 5.33
26	Tier 3	IN	\$ 3.25	\$ 4.36	\$ 5.34	\$ 5.34	\$ 5.34	\$ 5.33
27	Tier 4	IN	\$ 4.45	\$ 4.36	\$ 5.34	\$ 5.34	\$ 5.34	\$ 5.33
28	Tier 5	IN	\$ 6.20	\$ 4.36	\$ 5.34	\$ 5.34	\$ 5.34	\$ 5.33
29	Tier 6	IN	\$ 8.45	\$ 4.36	\$ 5.34	\$ 5.34	\$ 5.34	\$ 5.33
30	Tier 7	IN	\$ 10.50	\$ 4.36	\$ 5.34	\$ 5.34	\$ 5.34	\$ 5.33
31	Irrigation	IR	\$ 2.44	\$ 3.42	\$ 4.61	\$ 4.61	\$ 4.61	\$ 4.61
32	Residential-Cummings	RC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Residential								
33	Tier 1	RE	\$ 2.00	\$ 2.80	\$ 3.78	\$ 3.78	\$ 3.78	\$ 3.78
34	Tier 2	RE	\$ 2.85	\$ 4.36	\$ 5.34	\$ 5.34	\$ 5.34	\$ 5.33
35	Tier 3	RE	\$ 3.25	\$ 4.36	\$ 5.34	\$ 5.34	\$ 5.34	\$ 5.33
36	Tier 4	RE	\$ 4.45	\$ 4.36	\$ 5.34	\$ 5.34	\$ 5.34	\$ 5.33
37	Tier 5	RE	\$ 6.20	\$ 4.36	\$ 5.34	\$ 5.34	\$ 5.34	\$ 5.33
38	Tier 6	RE	\$ 8.45	\$ 4.36	\$ 5.34	\$ 5.34	\$ 5.34	\$ 5.33
39	Tier 7	RE	\$ 10.50	\$ 4.36	\$ 5.34	\$ 5.34	\$ 5.34	\$ 5.33

BEAR VALLEY CSD
SUMMARY OF EXISTING & PROJECTED RATES
WATER UTILITY

Schedule B-5

Line	Description	Code	Existing 2019	Projected For Fiscal Year Ending June 30				
				2019	2020	2021	2022	2023
40	Sewer Credit	SC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
41	Surplus	SU	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
42	Water Available	WA	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

BEAR VALLEY CSD
SUMMARY OF PROJECTED RATE REVENUES
WATER UTILITY

Schedule B-6

Line	Description	Code	Projected For Fiscal Year Ending June 30				
			2019	2020	2021	2022	2023
WATER SYSTEM							
1	CSD Building	BV	\$ -	\$ -	\$ -	\$ -	\$ -
2	Commercial	CO	84,343	78,737	90,842	92,187	93,599
3	Effluent	EF	23,701	36,552	41,996	41,996	41,996
4	Golf Course Pump	GC	-	-	-	-	-
5	Institutional	IN	13,883	11,784	13,017	13,016	13,015
6	Irrigation	IR	222,268	342,779	393,831	393,831	393,831
7	Residential-Cummings	RC	-	-	-	-	-
8	Residential	RE	1,808,112	3,150,633	3,863,841	3,996,212	4,135,319
9	Residential Vacant	RV	19,466	39,618	50,934	53,410	56,010
10	Sewer Credit	SC	-	-	-	-	-
11	Surplus	SU	-	-	-	-	-
12	Water Available	WA	-	-	-	-	-
13	Total		\$ 2,171,773	\$ 3,660,102	\$ 4,454,462	\$ 4,590,651	\$ 4,733,769
DETAILS							
Customer Base Charge							
14	CSD Building	BV	\$ -	\$ -	\$ -	\$ -	\$ -
15	Commercial	CO	10,183	20,928	27,012	28,363	29,781
16	Effluent	EF	-	-	-	-	-
17	Golf Course Pump	GC	-	-	-	-	-
18	Institutional	IN	-	-	-	-	-
19	Irrigation	IR	-	-	-	-	-
20	Residential-Cummings	RC	-	-	-	-	-
21	Residential	RE	941,217	1,937,900	2,505,829	2,635,847	2,772,603
22	Residential Vacant	RV	18,668	38,367	49,522	51,998	54,598
23	Sewer Credit	SC	-	-	-	-	-
24	Surplus	SU	-	-	-	-	-
25	Water Available	WA	-	-	-	-	-
26	Total		\$ 970,068	\$ 1,997,195	\$ 2,582,363	\$ 2,716,208	\$ 2,856,982
Volume Charges							
27	CSD Building	BV	\$ -	\$ -	\$ -	\$ -	\$ -
Commercial							
28	Tier 1	CO	\$ 7,669	\$ 3,808	\$ 4,375	\$ 4,375	\$ 4,375
29	Tier 2	CO	2,007	54,001	59,455	59,449	59,443
30	Tier 3	CO	3,667	-	-	-	-
31	Tier 4	CO	7,409	-	-	-	-
32	Tier 5	CO	7,798	-	-	-	-
33	Tier 6	CO	8,072	-	-	-	-
34	Tier 7	CO	37,539	-	-	-	-
35	Effluent	EF	\$ 23,701	\$ 36,552	\$ 41,996	\$ 41,996	\$ 41,996
36	Golf Course Pump	GC	\$ -	\$ -	\$ -	\$ -	\$ -

BEAR VALLEY CSD
SUMMARY OF PROJECTED RATE REVENUES
WATER UTILITY

Schedule B-6

Line	Description	Code	Projected For Fiscal Year Ending June 30				
			2019	2020	2021	2022	2023
<u>Institutional</u>							
37	Tier 1	IN	\$ 1,636	\$ 908	\$ 1,043	\$ 1,043	\$ 1,043
38	Tier 2	IN	585	10,876	11,974	11,973	11,972
39	Tier 3	IN	949	-	-	-	-
40	Tier 4	IN	1,723	-	-	-	-
41	Tier 5	IN	1,412	-	-	-	-
42	Tier 6	IN	1,561	-	-	-	-
43	Tier 7	IN	6,017	-	-	-	-
44	Irrigation	IR	\$ 222,268	\$ 342,779	\$ 393,831	\$ 393,831	\$ 393,831
45	Residential-Cummings	RC	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Residential</u>							
46	Tier 1	RE	\$ 350,635	\$ 424,697	\$ 488,827	\$ 489,706	\$ 490,584
47	Tier 2	RE	147,444	788,037	869,185	870,659	872,132
48	Tier 3	RE	139,468	-	-	-	-
49	Tier 4	RE	117,869	-	-	-	-
50	Tier 5	RE	45,073	-	-	-	-
51	Tier 6	RE	22,897	-	-	-	-
52	Tier 7	RE	43,510	-	-	-	-
<u>Residential Vacant</u>							
53	Tier 1	RV	\$ 528	\$ 738	\$ 847	\$ 847	\$ 847
54	Tier 2	RV	166	513	565	565	565
55	Tier 3	RV	83	-	-	-	-
56	Tier 4	RV	16	-	-	-	-
57	Tier 5	RV	5	-	-	-	-
58	Tier 6	RV	-	-	-	-	-
59	Tier 7	RV	-	-	-	-	-
60	Sewer Credit	SC	\$ -	\$ -	\$ -	\$ -	\$ -
61	Surplus	SU	\$ -	\$ -	\$ -	\$ -	\$ -
62	Water Available	WA	\$ -	\$ -	\$ -	\$ -	\$ -



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