



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

FINANCE & AUDIT COMMITTEE MEETING

AGENDA

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

Meeting Date:
Tuesday, April 18, 2017 – 5:00 PM

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

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

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

PUBLIC COMMENT

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

ADJOURNMENT

ADA Compliance Issues

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



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

REGULAR BOARD MEETING

AGENDA

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

Meeting Date:
April 18, 2017 – 6:00 PM

CALL TO ORDER

PLEDGE OF ALLEGIANCE

REMEMBRANCE OF OUR SERVICE MEN AND WOMEN

ROLL CALL

CONSENT CALENDAR

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

1. Approval of:

- a. Finance and Audit Committee Meeting Minutes and warrants approved by the committee of March 21, 2017
- b. Regular Board Meeting Minutes and warrants of March 21, 2017

2. Warrants – None

3. Awards of Contracts – None

UPDATES

1. Update: San Gorgonio Pass Regional Water Alliance Update
(by Director Israel)
2. Update: Manager's Operations Report
(by General Manager Louie)

OLD BUSINESS

1. Discussion: Sustainable Ground Water Update
(by General Manager Louie & Steve Anderson)
2. Discussion/Action: Adoption of 5-year schedule of water rates and charges, which will go in effect for services provided on and after April 19, 2017, and will be adjusted each December 1 thereafter beginning December 1, 2017, and through and including December 1, 2020.
3. Discussion/Action: Review and Approval of Answering Specialists Contract: District to hire a third-party phone answering vendor to monitor and handle incoming emergency line calls during District non-business hours.

NEW BUSINESS

1. Discussion/Action: Adoption of Electronic Communications Policy Post Recent San Jose Case: Personal accounts and devices used for District business shall now be subject to Public Record Act (PRA requests).
2. Discussion/Action: Approval of the Fedak and Brown Engagement Letter to perform the Fiscal Year (FY) 2016-2017 annual District audit.

PUBLIC COMMENTS

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GENERAL MANAGER/BOARD COMMENTS

1. Future Agenda Items

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

- Suggested agenda items from the Public.

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

2. Management Comments

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

3. Board Member Comments

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

MISCELLANEOUS

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

- a. Finance & Audit Workshop – Tuesday – May 16, 2017, 5:00 pm
- b. Regular Board Meeting – Tuesday – May 16, 2017, 6:00 pm
- c. Personnel Committee – None
- d. San Geronio Pass Regional Water Alliance – Alliance Meeting - Wednesday – April 26, 2017 - 5:00 PM to 7:00 PM

ADJOURNMENT

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Cabazon Water District
14618 Broadway Street • P.O. Box 297
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FINANCE & AUDIT COMMITTEE MEETING

MINUTES

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

Meeting Date:
Tuesday, March 21, 2017 – 5:00 PM

CALL TO ORDER,
PLEDGE OF ALLEGIANCE,
ROLL CALL

Director Bui - Present
Director Israel - Present

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

***Note: This meeting was recorded by the District – Yes.**

FINANCE & AUDIT COMMITTEE

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

Balance Sheet:

- The District's combined cash and LAIF balance is about \$530,000. The District's total liabilities are approximately \$1.27 million.

Profit and Loss:

- Line 51 Well Maintenance: YTD is over budget due to repairs on Well 2.
- Line 79 Temporary Labor: YTD is over budget due to unexpected fees related to the rate study.

- Line 81 Accounting (Monthly Contract): YTD is at 95% due to services rendered for audit prep, rate study work, 5-year budget, and CPA transition.

As of February 28th the fiscal year to date net loss is 87.5K which at least is less the loss that is budgeted.

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

PUBLIC COMMENT

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ADJOURNMENT

Motion to adjourn at 17:13 hr. made by Director Israel and 2nd by Director Bui.

Meeting adjourned at 17:13 hr. on March 21, 2017

Robert Lynk, Board Chair
Board of Directors
Cabazon Water District

Elizabeth Lemus, Secretary
Board of Directors
Cabazon Water District

ADA Compliance Issues

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**REGULAR BOARD MEETING
MINUTES**

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

Meeting Date:
March 21, 2017 – 6:00 PM

CALL TO ORDER

PLEDGE OF ALLEGIANCE

REMEMBRANCE OF OUR SERVICE MEN AND WOMEN

ROLL CALL

Director Teresa Bui - Present
Director Maxine Israel - Present
Director Sarah Wargo - Present
Director Alan Davis - Present
Director Robert Lynk - Present

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

Note: This meeting was recorded by the District

CONSENT CALENDAR

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1. Approval of:

- a. Finance and Audit Committee Meeting Minutes and warrants approved by the committee of February 21, 2017
- b. Regular Board Meeting Minutes and warrants of February 21, 2017

Motion to approve consent calendar item(s) a.) Finance and Audit Committee Meeting Minutes and warrants approved by the committee of February 21, 2017 b.) Regular Board Meeting Minutes and warrants of February 21, 2017 made by Director Davis and 2nd by Director Wargo.

Director Bui - Aye
Director Israel - Aye
Director Wargo - Aye
Director Davis - Aye
Director Lynk - Aye

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

UPDATES

1. Update: San Gorgonio Pass Regional Water Alliance Update
(by Director Israel)
2. Update: Manager's Operations Report
(by General Manager Louie)

A hydrant was hit on Maxine St. over the 3/11/17 weekend, and a second hydrant was hit on Main St. over the 3/17/17 weekend. Both hydrants needed repairs.

OLD BUSINESS

1. Discussion: Sustainable Ground Water Update
(by General Manager Louie & Steve Anderson)

NEW BUSINESS

1. Discussion/Action: Approval of RESOLUTION 2017-01 and a Memorandum of Agreement (MOA) to form a groundwater sustainability agency for a portion of the San Gorgonio Pass sub-basin and to coordinate with other groundwater sustainability agencies.

Motion to approve RESOLUTION 2017-01, and to also approve an MOA, both to form a groundwater sustainability agency for a portion of the San Gorgonio Pass sub-basin and to coordinate with other groundwater sustainability agencies made by Director Israel and 2nd by Director Bui.

Director Bui - Aye
Director Israel - Aye
Director Wargo - Aye
Director Davis - Aye
Director Lynk - Aye

2. Discussion/Action: Review and Approval of Answering Specialists Contract: District to hire a third-party phone answering vendor to monitor and handle incoming emergency line calls during District non-business hours.

Motion to table this item until the April 2017 Regular Board Meeting made by Director Lynk and 2nd by Director Bui.

*Note: No roll call vote was made, but it was an unanimous decision by the Board to table this item in order to obtain additional information.

PUBLIC COMMENTS

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MISCELLANEOUS

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

- a. Finance & Audit Workshop – Tuesday – April 18, 2017, 5:00 pm
- b. Regular Board Meeting – Tuesday – April 18, 2017, 6:00 pm
- c. Personnel Committee – None
- d. San Gorgonio Pass Regional Water Alliance – Alliance Meeting - Wednesday – March 22, 2017 - 5:00 PM to 7:00 PM

ADJOURNMENT

Motion to adjourn at 18:55 hr. made by Director Wargo and 2nd by Director Davis.

*Note: No roll call vote was made, but there were no objections voiced by either Board or public to adjourn the meeting.

Meeting adjourned at 18:55 hr. on Tuesday, March 21, 2017

Robert Lynk, Board Chair
Board of Directors
Cabazon Water District

Elizabeth Lemus, Secretary
Board of Directors
Cabazon Water District

ADA Compliance Issues

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Cabazon Water District
Balance Sheet
As of March 31, 2017

	Mar 31, 17
ASSETS	
Current Assets	
Checking/Savings	
11020 · General Bank Account-Chase	34,072
11030 · Payroll Bank Account-Chase	64,465
11040 · Trust Account- Chase - Cus Dep	16,281
11050 · Local Petty Cash	100
Total Checking/Savings	114,918
Accounts Receivable	
12021 · Accounts Rec - Special Invoices	8,564
Total Accounts Receivable	8,564
Other Current Assets	
12000 · Accounts Receivable	
12011 · Accounts Receivable - Co 1	73,613
12012 · Accounts Receivable - Co 2	40,284
12013 · Unbilled UB AR	64,725
12014 · Allow for Doubtful Accts Co 1	(17,643)
12015 · Allow for Doubtful Accts Co 2	(10,993)
12023 · Taxes Receivable	688
12024 · Taxes Receivable - Stand By	12,518
12025 · Miscellaneous Receivable	692
Total 12000 · Accounts Receivable	163,885
13010 · LAIF	
13011 · LAIF	352,121
13012 · LAIF Annual Market Adjustment	268
Total 13010 · LAIF	352,389
13020 · Bank of NY Trustee Accounts	
13021 · Reserve Fund - DWR-HS 528	48,692
13022 · Repayment Fund DWR-HS 525	28,447
Total 13020 · Bank of NY Trustee Accounts	77,139
13040 · Prepaid Expenses	9,608
13060 · Inventory Total	87,079
Total Other Current Assets	690,100
Total Current Assets	813,582
Fixed Assets	
14200 · Construction in Process	
14204 · CIP Cabazon Outlets Expansion	9,692
14209 · CIP Super Map	9,455
14210 · CIP 50100 Main St. Property	69,918
Total 14200 · Construction in Process	89,066
14310 · Tools and Equipment	118,016
14320 · Source of Supply	
14321 · Source of Supply- DHPO Intercon	709,905
14320 · Source of Supply - Other	800,818
Total 14320 · Source of Supply	1,510,723
14330 · Transmission & Distribution	7,853,270
14340 · Buildings & Structures	12,281
14350 · Water Treatment	8,800

Cabazon Water District
Balance Sheet
As of March 31, 2017

	Mar 31, 17
14360 · Office Furniture and Equipment	63,188
14370 · Intangible Plant	11,032
14380 · Vehicles	106,309
14400 · Land	409,331
14500 · Accumulated Depreciation	(4,709,037)
Total Fixed Assets	5,472,978
TOTAL ASSETS	6,286,559
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Accounts Payable	
21100 · *Accounts Payable	(5,863)
Total Accounts Payable	(5,863)
Other Current Liabilities	
21210 · Misc Short Term Liability	75
21300 · Customer Deposits	
21330 · Customer Deposits - Co 1	3,900
21340 · Customer Deposits - Co 2	5,074
Total 21300 · Customer Deposits	8,974
21420 · Accrued Vacation Pay	18,345
21440 · DWR-HS Payable - Current	36,184
21450 · Current Portion Zion's Bank Ln	75,062
21460 · Accrued Payroll	4,827
21470 · Accrued Payroll Taxes	359
21480 · Accrued Interest	3,527
21490 · Accrued Expenses	(170)
21510 · Employee Deductions	(69)
24000 · Payroll Liabilities	80
Total Other Current Liabilities	147,194
Total Current Liabilities	141,331
Long Term Liabilities	
22000 · DWR-H Loan Payable (Payoff '26)	337,174
22100 · Zion's Bank Long Term (2023)	454,027
22200 · RCEDA Loan Payable	300,000
Total Long Term Liabilities	1,091,201
Total Liabilities	1,232,533
Equity	
31010 · Net Investment in Capital Asset	4,091,921
31020 · Restricted for Debt Service	233,447
31030 · Unrestricted Net Assets	
31041 · Reserved for Almond Vault Refur	50,000
31030 · Unrestricted Net Assets - Other	921,430
Total 31030 · Unrestricted Net Assets	971,430
32000 · Retained Earnings	12,062
32001 · Prior Period Adjustment	(127,546)
Net Income	(127,287)
Total Equity	5,054,027
TOTAL LIABILITIES & EQUITY	6,286,559

Cabazon Water District

Profit & Loss

March 2017

	Feb-17	YTD	Budget	YTD 67%
1 Operating Income				
2 Base Rate - Water Bills	70,090	757,855	997,600	76%
3 Fire Sales - Water Bills	180	1,920	3,100	62%
4 Fire Flow Income	-	-	150	0%
5 Meter Install and Removal	-	-	80	0%
6 Penalty Fees - Water Bills	2,455	27,105	40,000	68%
7 Lien Reinstatement Fees	-	-	1,020	0%
8 New Account Fees - Water Bills	100	1,140	1,420	80%
9 Incident Fee - Water Bills	-	-	140	0%
10 Returned Check Fees	30	330	550	60%
11 Basic Facilities Fee	-	8,020	8,020	100%
12 Stand By Fees - Tax Revenue	-	89,345	113,600	79%
13 Total Operating Income:	<u>72,855</u>	<u>885,716</u>	<u>1,165,680</u>	<u>76%</u>
14 Non-Operating Income				
15 Property Taxes	41	27,979	60,700	46%
16 Cell Tower Lease Income	3,934	19,668	23,100	85%
17 Misc. Non-Operating Income	-	30	-	0%
18 Interest Income	308	5,212	8,850	59%
19 Total Non-Operating Income	<u>4,242</u>	<u>24,909</u>	<u>31,950</u>	<u>78%</u>
20 Total Income	<u>77,137</u>	<u>938,603</u>	<u>1,258,330</u>	<u>75%</u>
21 Expense				
22 Payroll				
24 Directors Fees	900	10,300	18,900	54%
23 Management & Cust. Service:				
25 Customer Accounts	3,575	33,583	39,800	84%
26 Admin Assistant	-	24,937	46,900	53%
27 Business Admin Manager	4,050	12,150	24,600	49%
28 Office Assistant	673	4,742	7,600	62%
29 General Manager	6,280	72,865	95,100	77%
30 Total Mgmt. & Cust. Service:	<u>14,578</u>	<u>148,276</u>	<u>214,000</u>	<u>69%</u>
31 Meter Reader	-	5,306	24,300	22%
32 Field Workers	5,222	37,791	104,400	36%
33 Total Payroll	<u>19,801</u>	<u>191,373</u>	<u>342,700</u>	<u>56%</u>
34 Employee Benefits Expense				
35 Workers Comp.	-	11,057	19,900	56%
35 Employee Health Care	4,398	33,033	73,600	45%
36 Pension	3,867	36,447	69,300	53%
37 Total Employee Benefits Expense	<u>8,265</u>	<u>80,537</u>	<u>162,800</u>	<u>49%</u>
38 Payroll Taxes	<u>2,023</u>	<u>21,041</u>	<u>33,300</u>	<u>63%</u>
39 Total Payroll - All Expenses:	<u>30,988</u>	<u>303,252</u>	<u>557,700</u>	<u>54%</u>

Cabazon Water District

Profit & Loss

March 2017

	Feb-17	YTD	Budget	YTD 67%
40 Operational Expenses				
41 Facilities, Wells, T&D				
42 Lab Fees	255	4,675	7,800	60%
43 Site Landscaping & Maint	45	360	1,500	24%
44 Meters	-	3,999	10,000	40%
45 Generator Service Contractor	1,685	2,033	3,500	58%
46 Median Landscape & Maint	-	-	3,000	0%
47 Utilities - Wells	6,180	80,736	107,900	75%
48 SCADA	26	3,142	4,800	65%
49 Line R&M Contractor	-	23,958	80,000	30%
50 Line R&M Materials	1,905	12,153	38,300	32%
51 Well Maintenance	6,594	30,690	21,000	146%
52 Security	2,206	18,521	19,980	93%
53 Engineering Services	3,000	41,409	80,900	51%
54 Chlorinators	-	2,503	2,000	125%
55 Facilities, Wells, T&D - Other	-	16,270	30,000	54%
56 Total Facilities, Wells, T&D	21,896	240,448	410,680	59%
57 Utilities - Office				
58 Electricity	1,302	10,789	13,900	78%
59 Gas	74	547	520	105%
60 Telephone	744	6,845	9,800	70%
61 Trash Pickup & Office Cleaning	355	3,192	4,300	74%
62 Total Utilities - Office	2,474	21,373	28,520	75%
63 Office Expenses				
64 Water Billing System	2,304	15,559	11,500	135%
65 Supplies & Equipment	1,046	6,068	9,540	64%
66 Copier and Supplies	1,180	4,667	7,900	59%
67 Dues & Subscriptions	-	84	1,700	5%
68 Postage	-	6,230	12,600	49%
69 Printing & Publications	361	4,106	6,000	68%
70 Leases & Rents	82	247	340	73%
71 Computer Services	3,594	28,173	34,000	83%
72 Office Radio	-	-	1,500	0%
73 Office Storage	500	4,500	6,100	74%
74 Air Conditioning Servicing	361	3,249	4,300	76%
75 Fire Alarm System Servicing	-	432	600	72%
76 Office Expenses - Other	90	1,093	1,000	109%
77 Total Office Expenses	9,518	74,408	97,080	77%
78 Support Services				
79 Temporary Labor	8,135	23,564	2,000	1178%
80 Financial Audit	-	12,000	21,700	55%
81 Accounting	1,201	29,739	30,000	99%

Cabazon Water District
Profit & Loss
March 2017

	Feb-17	YTD	Budget	YTD 67%	
82	Legal Services	8,006	56,706	130,300	44%
83	Bank Service Charges	36	769	1,700	45%
84	Payroll Service	269	2,813	5,000	56%
85	General Liability Insurance	1,946	17,243	21,500	80%
86	Total Support Services	19,594	142,834	212,200	67%
87	Training/Travel	859	4,932	12,000	41%
88	Other Fees/SWRCB	-	3,256	16,180	20%
89	Service Tools & Equipment				
90	Shop Supplies and Small Tools	501	8,452	6,000	141%
91	Vehicle Fuel	1,427	7,578	15,000	51%
92	Employee Uniforms	-	1,216	2,000	61%
93	Safety	-	3,815	5,000	76%
94	Tractor Expenses	-	3,879	6,900	56%
95	Backhoe Fuel	-	-	1,000	0%
96	Equipment Rental	-	708	1,200	59%
97	Service Trucks - R&M	583	9,194	14,100	65%
98	Water Ops Phone & Internet	84	534	2,200	24%
99	Communications	-	2,288	3,000	76%
100	Service Tools & Equip. - Other	-	-	1,100	0%
101	Total Service Tools & Equipment	2,595	37,665	57,500	66%
102	Non-Operating Expenses				
103	Grant & Loan Processing Fee	-	1,325	2,000	66%
104	DWR Interest on Loans	-	6,899	13,500	51%
105	DHPO Interest Expense	6,587	13,642	12,707	107%
106	Bad Debt Expense	-	-	1,200	0%
107	Miscellaneous	88	4,667	8,000	58%
108	Website Support	110	990	2,820	35%
109	DHPO Capacity Fees	-	10,500	-	0%
110	Total Non-Operating Expenses	6,785	38,023	40,227	95%
111	Depreciation Expense	22,189	199,701	286,800	70%
112	Total Expense	116,899	1,065,891	1,718,887	62%
113	Net Income	(39,762.01)	(127,287.06)	(460,557.00)	28%

ELECTRONIC COMMUNICATIONS POLICY POST SAN JOSE

Background and Purpose

The Cabazon Water District Board of Directors as the legislative body of the Cabazon Water District hereby adopts the following policy regarding the conduct of the Cabazon Water District business via electronic communications by District Council/Board members, commissioners and employees. Specifically, this policy is adopted in light of the City of San Jose case, which held that a city employee's communications related to the conduct of public business do not cease to be public records under the California Public Records Act, simply because they were sent or received using a personal account or personal device.

Existing and emerging electronic communications technologies have become an integral part of the ability of District officials and staff members to efficiently and effectively conduct District business. Such technology has the potential to enhance communications with the public and provide a higher level of service to the citizens of the District. However, with such technology in the work environment, the District must ensure it continues to meet its legal obligations with respect to transparency in the conduct of the people's business, including in the area of public records disclosure and retention requirements. To that end, the following protocol will be followed.

Definitions

For purposes of this policy, the following definitions apply:

"District" means the "Cabazon Water District", and includes all of the District's affiliated entities, including, without limitation, the Housing Authority, the Successor District, and the Fire Protection District.

"District official" shall mean any elected official, commissioner or employee of the District.

"District business" shall be construed broadly to mean information relating to the conduct of the public's business or communications concerning matters within the subject matter of the District's jurisdiction, including, but not limited to, pending or potential District projects, past or prospective District agenda items, or District budgets or expenditures involving District funds. Resolution of the question will involve an examination of several factors, including: (a) the content itself; (b) the context in, or purpose for which, it was written; (c) the audience to whom it was directed; (d) the purpose of the communication; and (e) whether the writing was prepared by an District official acting or purporting to act within the scope of his or her employment.

"Electronic communications" includes any and all electronic transmission, and every other means of recording upon any tangible thing in any form of communication or representation, including letters, words, pictures, sounds, or symbols, or combinations thereof, and any record thereby created, regardless of the manner in which the record has been stored. Without limiting the nature of the foregoing, "electronic communications" include e-mails, texts,

voicemails, and also include communications on or within commercial applications (apps) such as Facebook Messenger, Twitter, WhatsApp, etc.

“Electronic messaging account” means any account that creates, sends, receives or stores electronic communications.

Policy/Protocols

1. All District officials shall be assigned an District electronic messaging account.
2. District accounts shall be used to conduct District business. District officials shall not use personal accounts for the creation, transmission or storage of electronic communications regarding District business.
3. All District officials shall, within 15 days following the adoption of this policy, search all private, nongovernmental electronic messaging accounts to which they have user access and locate any electronic communications that might constitute a “public record”, because it involved “District business”, as set forth above. All such communications shall be forwarded to the District official’s District-provided account. To the extent the District official believes that any part of such communications contain personal matter not related to the conduct of the public’s business, the District official shall provide a declaration, as set forth in paragraphs 10 and 11, below.
4. The District account, along with the attendant access to the District’s account server, are solely for the District and District official’s use to conduct District business and shall not be used for personal business or political activities. Incidental use of District electronic messaging accounts for personal use by District officials is permissible, though not encouraged.
5. If an District official receives an electronic message regarding District business on his/her non-District electronic messaging account, or circumstances require such person to conduct District business on a non-District account, the District official shall either: (a) copy (“cc”) any communication from an District official’s personal electronic messaging account to his/her District electronic messaging account; or (b) forward the associated electronic communication to his/her District account no later than 10 days after the original creation or transmission of the electronic communication.
6. District officials shall endeavor to ask persons sending electronic communications regarding District business to a personal account to instead utilize the District official’s account, and likewise shall endeavor to ask a person sending an electronic communication regarding non-District business to use the District official’s personal or non-District electronic messaging account.
7. District officials understand they have no expectation of privacy in the content of any electronic communication sent or received on an District account or communication utilizing District servers. District provided electronic devices, including devices for

which the District pays a stipend or reimburses the District official, are subject to District review and disclosure of electronic communications regarding District business. District officials understand that electronic communications regarding District business that are created, sent, received or stored on an electronic messaging account, may be subject to the Public Records Act, even if created, sent, received, or stored on a personal account or personal device.

8. In the event a Public Records Act request is received by the District seeking electronic communications of District officials, the District Clerk's office shall promptly transmit the request to the applicable District official(s) whose electronic communications are sought. The District Clerk shall communicate the scope of the information requested to the applicable District official, and an estimate of the time within which the District Clerk intends to provide any responsive electronic communications to the requesting party.
9. It shall be the duty of each District official receiving such a request from the District Clerk to promptly conduct a good faith and diligent search of his/her personal electronic messaging accounts and devices for responsive electronic communications. The District official shall then promptly transmit any responsive electronic communications to the District Clerk. Such transmission shall be provided in sufficient time to enable the District Clerk to adequately review and provide the disclosable electronic communications to the requesting party.
10. In the event an District official does not possess, or cannot with reasonable diligence recover, responsive electronic communications from the District official's electronic messaging account, the District official shall so notify the District Clerk, by way of a written declaration, signed under penalty of perjury. In addition, an District official who withholds any electronic communication identified as potentially responsive must submit a declaration under penalty of perjury with facts sufficient to show the information is "personal business" and not "public business" under the Public Records Act. The form of the declaration is attached hereto as Attachment A.
11. It shall be the duty of the District Clerk, in consultation with the District's Legal Counsel, to determine whether a particular electronic communication, or any portion of that electronic communication, is exempt from disclosure. To that end, the responding District official shall provide the District Clerk with all responsive electronic communications, and, if in doubt, shall err on the side of caution and should "over produce". If an electronic communication involved both public business and a personal communication, the responding District official may redact the personal communication portion of the electronic communication prior to transmitting the electronic communication to the District Clerk. The responding District official shall provide facts sufficient to show that the information is "personal business" and not "public business" by declaration. In the event a question arises as to whether or not a particular communication, or any portion of it, is a public record or purely a personal communication, the District official should consult with the District Clerk or the District's Legal Counsel. The responding District official shall be required to sign a declaration, in a form acceptable to the District's Legal Counsel attesting under penalty of perjury, that a good faith and diligent search was conducted

and that any electronic communication, or portion thereof, not provided in response to the Public Records Act request is not District business.

12. District provided AB 1234 (ethics) training should include a discussion of the impacts of the City of San Jose case and this policy. Such training should include information on how to distinguish between public records and personal records. District officials who receive AB 1234 training from other providers should actively solicit training from the alternative provider on the impacts of the City of San Jose case.
13. District officials understand that electronic communications regarding District business are subject to the District's records retention policy, even if those electronic communications are or were created, sent, received or stored on an District official's personal electronic messaging account. It is a felony offense to destroy, alter or falsify a "public record". As such, unless the District official has cc'd/transmitted electronic communications in accordance with paragraph 5 above, that District official must retain all electronic communications regarding District business, in accordance with the District's adopted records retention policy, regardless of whether such electronic communication is originally sent or received on a personal electronic messaging account.
14. Failure of an District official to abide by this policy, following its adoption, may result in one or more of the following:
 - Disciplinary action, up to and including termination (for employees);
 - Removal from office (for commissioners);
 - Censure (for commissioners or elected officials);
 - Revocation of electronic device privileges (including revocation of stipend or reimbursement);
 - Judicial enforcement against the District official directly, by the requesting party; and
 - If this policy is adopted by way of ordinance, such penalty as is provided for violation of District ordinance.
15. This policy does not waive any exemption to disclosure that may apply under the California Public Records Act.

ATTACHMENT A

DECLARATION

[attached on following page]

In the matter of:

California Public Records Act Request
Pursuant to Gov. Code § 6250 *et seq.*

Re: _____

Insert shorthand name of record request, including
request number, if applicable

Requester: _____
Print or type name of requester

Declaration of:

Print or type name of official

**Regarding Search of Personal Electronic
Messaging Account**

STATE OF CALIFORNIA
COUNTY OF RIVERSIDE
CABAZON WATER DISTRICT

I, _____ declare:
Print name

1. I received notice of a California Public Records Act ("CPRA") request regarding a search of my personal electronic messaging account(s).

2. I understand that the CPRA request seeks:

Insert text of CPRA request.

3. I am the owner or authorized user of the following personal electronic messaging account and have the authority to certify the records:

Insert description of personal electronic messaging account(s).

4. I have made a good faith, diligent, thorough, and complete search of the above mentioned personal electronic messaging account(s) for all electronic communications potentially responsive to the above mentioned CPRA request.

5. Any responsive electronic communications discovered, and referenced below, were prepared or used by me in the ordinary course of business at or near the time of the act, condition or event.

6. Any responsive electronic communications discovered, and referenced below, are true copies of all records described in the above mentioned CPRA request.

Check the applicable box:

- I certify that I do not possess responsive electronic communications.
- I certify that I cannot reasonably recover responsive electronic communications.

Explain efforts to retrieve responsive electronic communications and why you were unable to recover responsive electronic communications.

- I certify that I discovered potentially responsive electronic communications from my personal electronic messaging account, but I am withholding that information because the information is "personal" business. This is for the following reasons:

Describe with sufficient facts why the contested information is personal business and not subject to the CPRA. Attach additional pages, if necessary.

- I certify that I discovered potentially responsive electronic communications from my personal electronic messaging account. I am providing all responsive information. However, some information is nonresponsive and I am withholding that information, because the information is personal business. This is for the following reasons:

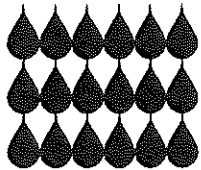
Describe with sufficient facts why the contested information is personal business and not subject to the CPRA. Attach additional pages, if necessary.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct and that I have personal knowledge of the facts set forth above.

Executed this ___ day of _____, 20___, in _____, California.

By: _____

Print Name: _____



Charles Z. Fedak, CPA, MBA
Christopher J. Brown, CPA, CGMA
Jonathan P. Abadesco, CPA

Fedak & Brown LLP

Certified Public Accountants

Cypress Office:
6081 Orange Avenue
Cypress, California 90630
(657) 214-2307
FAX (714) 527-9154

Riverside Office:
4204 Riverwalk Pkwy. Ste. 390
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UNDERSTANDING OF THE ENGAGEMENT

March 13, 2017

Board of Directors
Cabazon Water District
14618 Broadway Street
Cabazon, California 92230

Dear Mr. Calvin Louie, General Manager:

We are pleased to confirm our understanding of the services we are to provide the Cabazon Water District (District) for the year ended June 30, 2017. We will audit the financial statements of the business-type activities, including the related notes to the financial statements, which collectively comprise the basic financial statements of the District as of and for the year ended June 30, 2017. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1) Management's Discussion and Analysis

The following other information accompanying the financial statements will not be subjected to the auditing procedures applied in our audit of the financial statements, and our auditor's report will not provide an opinion or any assurance on that other information.

1) Letter of Transmittal

Audit Objectives

The objective of our audit is the expression of opinions as to whether your financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the District and other procedures we consider necessary to enable us to express such opinions. We will issue a written report upon completion of our audit of the District's financial statements. Our report will be addressed to Board of Directors of the District. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements are other than unmodified, we will discuss the reasons with you in advance. If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will include a paragraph that states (1) that the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control on compliance, and (2) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The paragraph will also state that the report is not suitable for any other purpose. If during our audit we become aware that the District is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

Audit Procedures - General

Government Auditing Standards require that we communicate, during the planning stage of an audit, certain information to officials of the audited entity, and certain other parties. That information follows:

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the government or to acts by management or employees acting on behalf of the government. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Audit Procedures - General, continued

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential, and of any material abuse that comes to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures - Internal Control

Our audit will include obtaining an understanding of the government and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures - Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the District's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Other Services

We will also assist in preparing the financial statements and related notes of the District in conformity with U.S. generally accepted accounting principles based on information provided by you. We will also assist in preparing the District's Annual Financial Transactions Report in conformity with the State Controller's Minimum Audit Requirements for California Special Districts. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards. The other services are limited to the financial statement services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities.

Management Responsibilities

Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the financial statements and all accompanying information in conformity with U.S. generally accepted accounting principles, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence.

Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the written representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the government complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies.

Management Responsibilities, continued

You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements and related notes and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and related notes and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

With regard to using the auditor's report, you understand that you must obtain our prior written consent to reproduce or use our report in bond offering official statements or other documents.

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Engagement Administration, Fees, and Other

We may from time to time, and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

We will schedule the engagement based in part on deadlines, working conditions, and the availability of your key personnel. We will plan the engagement based on the assumption that your personnel will cooperate and provide assistance by performing tasks such as preparing requested schedules, retrieving supporting documents, and preparing confirmations. If for whatever reason your personnel are unavailable to provide the necessary assistance in a timely manner, it may substantially increase the work we have to do to complete the engagement within the established deadlines, resulting in an increase over our original fee estimate.

We will provide copies of our reports to the District; however, management is responsible for distribution of the reports and the financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Fedak & Brown LLP and constitutes confidential information. However, subject to applicable laws and regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to various government agencies or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities.

Engagement Administration, Fees, and Other, continued

We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Fedak & Brown LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years under California State Law after the report release date. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

We expect to begin our audit on approximately May 2017 and to issue our reports no later than December 2017. Christopher Brown is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them.

Our fee for these services will be at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) except that we agree that our gross fee, including expenses, will not exceed \$15,300 (with out-of-pocket expenses not exceeding \$610 and preparation of the State Controller's Report for \$500). Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 30 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Our audit engagement ends on delivery of our audit report. Any follow-up services that might be required will be a separate, new engagement. The terms of and conditions of that new engagement will be governed by a new, specific engagement letter for that service.

The District may request that we perform additional services not addressed in this engagement letter. If this occurs, we will communicate with the District regarding the scope of the additional services and the estimated fees. We also may issue a separate engagement letter covering the additional services. In the absence of any other written communication from us documenting such additional services, our services will continue to be governed by the terms of this engagement letter.

We appreciate the opportunity to be of service to the District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Cabazon Water District
March 13, 2017
Page 7

Very truly yours,

Fedak & Brown LLP

Fedak & Brown LLP

RESPONSE:

This letter correctly sets forth the understanding of Cabazon Water District.

By: _____

Title: _____

Date: _____

Proposed Rates – Alternative C (70%F / 30%V)

Water Rate Schedule	Current Rates	Proposed Rates - Rate Alternative C				
		FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21
Fixed Service Charge						
Monthly Fixed Service Charges:						
5/8 inch	\$44.16	\$51.15	\$58.82	\$61.77	\$64.85	\$68.10
3/4 inch	\$59.47	\$73.79	\$84.86	\$89.10	\$93.56	\$98.24
1 inch	\$88.26	\$119.07	\$136.93	\$143.78	\$150.97	\$158.51
1.5 inch	\$188.97	\$232.27	\$267.11	\$280.46	\$294.48	\$309.21
2 inch	\$286.61	\$368.10	\$423.32	\$444.48	\$466.71	\$490.04
3 inch	\$384.25	\$730.33	\$839.88	\$881.88	\$925.97	\$972.27
4 inch	\$536.82	\$1,137.84	\$1,308.52	\$1,373.94	\$1,442.64	\$1,514.77
6 inch	\$718.63	\$2,269.81	\$2,610.28	\$2,740.80	\$2,877.84	\$3,021.73
10 inch	\$1,458.60	\$1,677.39	\$1,929.00	\$2,025.45	\$2,126.72	\$2,233.06
Monthly Fire Service Charges:						
4 inch	\$60.00	\$46.23	\$53.16	\$55.82	\$58.61	\$61.54
6 inch	\$90.00	\$98.11	\$112.83	\$118.47	\$124.40	\$130.62
Commodity Charges						
Rate per hcf of Water Consumed:						
Uniform Rate (Non-SFR Customers)	N/A	\$2.23	\$2.56	\$2.69	\$2.82	\$2.96
Contract Rate	\$2.50	\$2.88	\$3.31	\$3.47	\$3.65	\$3.83
Tiered Rate (SFR Customers):						
Current Break						
Proposed Break						
Tier 1	\$0.00	\$1.15	\$1.32	\$1.39	\$1.46	\$1.53
Tier 2	\$2.21	\$2.51	\$2.89	\$3.04	\$3.19	\$3.35
Tier 3	\$4.36	\$3.84	\$4.42	\$4.64	\$4.87	\$5.12
Tier 4	\$5.05	N/A	N/A	N/A	N/A	N/A



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

The Cabazon Water District invites the public to attend a public hearing to be held on **Tuesday, April 18, 2017, at 6:00 p.m.**, to consider the adoption of a 5-year schedule of water rates. The public hearing will be held at the District offices located at **14618 Broadway Street, Cabazon, CA 92230**. The purpose of the public hearing is to consider all oral testimony and written protests to, and the adoption of, the proposed rates. If adopted, the new water rates will go into effect for services provided on and after April 19, 2017, and will be adjusted each December 1 thereafter beginning December 1, 2017, and through and including, December 1, 2020.

REASONS FOR THE RATE ADJUSTMENTS AND INCREASES

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

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

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

PROPOSED RATES AND HOW THE RATES ARE CALCULATED

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

The proposed Service Charge is a fixed monthly charge calculated to recover a portion of the District's fixed costs, such as meter reading, billings and collections. The proposed rates for the Service Charge are established on the basis of the size of the meter (in inches) serving a property to recover the incremental costs of sizing facilities to sufficiently deliver water to properties served by larger meters. The Volume Charge is a variable charge imposed per unit of delivered water, with one unit equal to one hundred cubic feet (HCF), or 748 gallons, and is calculated to recover a portion of the District's fixed costs and its variable costs of providing water service. The Fire Service Charge is imposed on Single Family Residential, Non-Single Family Residential, or Commercial customers who are required as a condition of extending or initiating water service to install a private fire suppression system on their property, or where the customer or property owner has requested the delivery of water to the property for the purpose of fire service protection. The Fire Service Charge recovers that District's fixed costs of operating and maintaining infrastructure for private fire service.

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

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

CURRENT AND PROPOSED RATES FOR MONTHLY FIXED SERVICE CHARGE						
(\$/METER SIZE)						
Meter Size	Current Rates	Proposed Rates and Effective Dates				
		4/19/2017	12/1/2017	12/1/2018	12/1/2019	12/1/2020
5/8 inch	\$44.16	\$51.15	\$58.82	\$61.77	\$64.85	\$68.10
3/4 inch	\$59.47	\$73.79	\$84.86	\$89.10	\$93.56	\$98.24
1 inch	\$88.26	\$119.07	\$136.93	\$143.78	\$150.97	\$158.51
1.5 inch	\$188.97	\$232.27	\$267.11	\$280.46	\$294.48	\$309.21
2 inch	\$286.61	\$368.10	\$423.32	\$444.48	\$466.71	\$490.04
3 inch	\$384.25	\$730.33	\$839.88	\$881.88	\$925.97	\$972.27
4 inch	\$536.82	\$1,137.84	\$1,308.52	\$1,373.94	\$1,442.64	\$1,514.77
6 inch	\$718.63	\$2,269.81	\$2,610.28	\$2,740.80	\$2,877.84	\$3,021.73
Contract	\$1,458.60	\$1,677.39	\$1,929.00	\$2,025.45	\$2,126.72	\$2,233.06

CURRENT AND PROPOSED RATES FOR MONTHLY FIXED FIRE SERVICE CHARGE						
(\$/METER SIZE)						
Meter Size	Current Rates	Proposed Rates and Effective Dates				
		4/19/2017	12/1/2017	12/1/2018	12/1/2019	12/1/2020
4 inch	\$60.00	\$46.23	\$53.16	\$55.82	\$58.61	\$61.54
6 inch	\$90.00	\$98.11	\$112.83	\$118.47	\$124.40	\$130.62

CURRENT AND PROPOSED RATES FOR MONTHLY COMMODITY CHARGE (\$/HCF)							
Customer Class		Current Rates	Proposed Rates and Effective Dates				
			4/19/2017	12/1/2017	12/1/2018	12/1/2019	12/1/2020
<i>Non-SFR</i>		—	\$2.23	\$2.56	\$2.69	\$2.82	\$2.96
<i>Contract Customer</i>		\$2.50	\$2.88	\$3.31	\$3.47	\$3.65	\$3.83
<i>SFR</i>							
Current Tiers	Proposed Tiers						
Tier 1: 0-5 HCF	Tier 1: 0-7 HCF	\$0.00	\$1.15	\$1.32	\$1.39	\$1.46	\$1.53
Tier 2: 6-25 HCF	Tier 2: 8-14 HCF	\$2.21	\$2.51	\$2.89	\$3.04	\$3.19	\$3.35
Tier 3: 26-50 HCF	Tier 3: 14+ HCF	\$4.36	\$3.84	\$4.42	\$4.64	\$4.87	\$5.12
Tier 4: 50+ HCF	—	\$5.05	—	—	—	—	—

PUBLIC HEARING AND PROTESTS

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

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



CABAZON WATER DISTRICT

Final Report

Water Rate Study

April 2017

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Prepared by:


 **NBS** helping communities fund tomorrow

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Section 1. PURPOSE AND OVERVIEW OF THE STUDY

A. Purpose

Cabazon Water District (District, CWD) retained NBS to conduct a comprehensive water rate study for a number of reasons, including meeting revenue requirements, providing greater revenue stability in water rates, and complying with certain legal requirements (such as California Constitution article XIII D, section 6, which is commonly referred to as Proposition 218 [Prop 218]). The rates resulting from this study were developed in a manner that is consistent with industry standard cost of service principles. In addition to documenting the rate study methodology, this report is provided with the intent of assisting the District to maintain transparent communications with its residents and businesses.

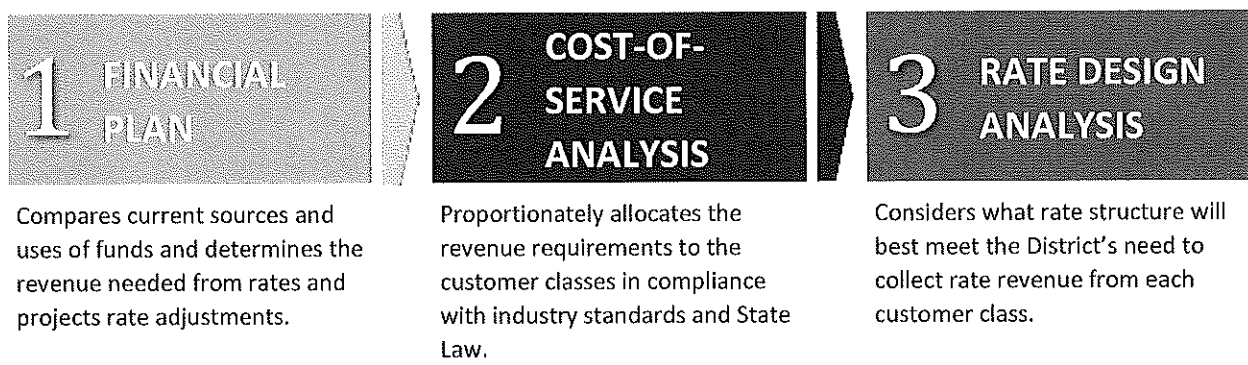
In developing new water rates, NBS worked cooperatively with District staff and the District’s Board of Directors (Board) in selecting appropriate rate alternatives. Based on input from District staff and the Board, the proposed water rates are summarized in this report.

B. Overview of the Study

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

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

Figure 1. Primary Components of a Rate Study



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

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

providing service for all customers. In terms of the chronology of the study, these three steps represent the order they were performed in this Study. Detailed tables and figures documenting the development of the proposed rates are provided in the Appendix.

FINANCIAL PLAN

As a part of this rate study, NBS projected revenues and expenditures on a cash flow basis for the next twenty years. The amount of rate revenue required, that will allow reserves to be maintained at the approved levels, is known as the *net revenue requirement*. As current rate revenue falls short of the net revenue requirement, rate adjustments -- or more accurately, adjustments in the total revenue collected from water rates -- are recommended. This report presents an overview of the methodologies, assumptions, and data used, along with the financial plans and proposed rates developed in this study².

RATE DESIGN ANALYSIS

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

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

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

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

Rate Structure Basics –The vast majority of rate structures contain a fixed or minimum charge in combination with a volumetric charge. The revenue requirements for each customer class are collected from both fixed monthly meter charges and variable commodity charges. Based on direction from the

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

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

Board, the rates proposed in this report are designed to collect 70 percent of rate revenue from the fixed meter charge and 30 percent from the variable commodity charge⁴.

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

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

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

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

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

REGULATORY ISSUES

Drought and Water Conservation - On January 17, 2014, Governor Jerry Brown declared a State of Emergency throughout California due to severe drought conditions. On April 1, 2015, the Governor issued Executive Order B-29-15 mandating statewide water conservation of 25 percent. The specific conservation mandate for each community in California varied from 4 to 36 percent. Due to its size, the District was exempt from a State mandate; however, the District continues to ask customers for voluntarily conservation.

⁴ The California Urban Water Conservation Council recommends recovering at least 70 percent of rate revenue through volume-based rates. However, water utilities are allowed to develop their own allocations that accurately reflect their actual cost allocations.

While the level of conservation the District is achieving is good from a supply standpoint, it places financial pressure on the utility. Consumption has an impact on both revenue and expenses. For this analysis, October 2015 through September 2016 consumption is used as the base consumption, and is assumed to be the “new normal,” with approximately 194,990 hundred cubic feet (hcf) or 448 AF of water consumed. No increase in consumption is assumed over the five-year rate period.

Future Considerations - The District is in the beginning process of forming a Groundwater Sustainability Agency (GSA)⁵ with other local water Districts and Agencies. Once formed, this Agency will act to ensure that the basin from which the District relies upon for all of its water, remains healthy. The impacts of this are unknown at this point; however, the District should review how this would affect the long-term financial plan, to ensure any financial obligations resulting from this will be met in the future.

⁵ As required via Sustainable Groundwater Management Act.

Section 2. WATER RATE STUDY

A. Key Water Rate Study Issues

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

- Avoiding operational deficits and further depletion of reserves.
- Improving revenue stability.
- Generating additional revenue needed to meet projected funding requirements.
- Continuing to encourage water conservation with a tiered rate structure.

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

B. Financial Plan

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

- **Meeting Net Revenue Requirements:** For FY 2016/17 through FY 2020/21, the projected net revenue requirement (that is, total annual expenses plus debt service and rate-funded capital costs, less non-rate revenues) for the District is approximately \$1.2 million, annually. If no rate adjustments are implemented, the District is projected to average a \$260,000 deficit each year.
- **Building and Maintaining Reserve Funds:** Reserve funds provide a basis for a utility to cope with fiscal emergencies such as revenue shortfalls, asset failure, and natural disasters, among other events. Reserve policies provide guidelines for sound financial management, with an overall long-range perspective to maintain financial solvency and mitigate financial risks associated with revenue instability, volatile capital costs, and emergencies. The District plans to accumulate approximately \$900,000 in reserves by the end of FY 2020/21. The reserve funds for the Utility are considered unrestricted reserves and consist of the following:
 - **The Operating Reserve** should equal approximately 180 days of operating expenses (approximately \$695,000 for FY 2020/21). An Operating Reserve is intended to promote financial viability in the event of any short-term fluctuation in revenues and/or expenditures. Fluctuations in revenue can be caused by weather patterns, the natural inflow and outflow of cash during billing cycles, natural variability in demand-based revenue streams (such as volumetric charges), and – particularly in periods of economic distress – changes or trends in age of receivables.
 - **The Capital Rehabilitation and Replacement Reserve** should equal 6 percent of net capital assets (approximately \$316,000 by the end of for FY 2020/21), which is set aside to address long-term capital system replacement and rehabilitation needs.

- **Funding Capital Improvement Projects:** The District must also be able to fund necessary capital improvements in order to maintain current service levels. District staff has identified roughly \$300,000 in expected capital expenditures for FY 2016/17 through 2020/21. With the recommended rate adjustments, these expenditures can be accomplished without draining existing reserves.
- **Inflation and Growth Projections** – Assumptions regarding cost inflation were made in order to project future revenues and expenses for the study period. The following inflation factors were used in the analysis:
 - No Customer growth is expected over the 5-year rate period.
 - General cost inflation is 2 percent annually.
 - Labor cost inflation is 3 percent annually.
 - Benefits cost inflation is 6 percent annually.
 - Energy cost inflation is 5 percent annually.
- **Maintaining Adequate Bond Coverage:** The District is required by its bond covenants to maintain a debt service coverage ratio of at least 1.2. The initial rate adjustments, for FY 2016/17 and FY 2017/18, are driven largely by the need for the District to meet this requirement. Rate adjustments in the following three years will allow the district to exceed this ratio. The benefit of exceeding the minimum debt coverage ratio is that it strengthens District’s credit rating, which can help lower the interest rates for debt-funded capital projects in the future.
- **Impact of Annual Rate Adjustment Date:** Except for FY 2016/17, the financial plan modelling assumes that rate adjustments occur on the January bills of each year. This means that only half of the planned revenue to be collected from the rate adjustment listed for one fiscal year will be collected in that year. For example, there is a 15 percent adjustment in rate revenue planned for FY 2017/18; meaning, the rates are developed to recover \$1.33 million, which is a 15 percent adjustment over the expected \$1.15 million that would be collected without a rate adjustment. However, because of the timing for when the rates will go into effect, the Financial Plan results in only \$1.24 million in rate revenue for FY 2017/18.

Rate adjustments of 15 percent in FY 2016/17 and 2017/18 and 5 percent in FY 2018/19 through FY 2020/21, will be needed in order to fully fund all operating expenses, planned capital projects, debt service obligations and build reserves to the recommended targets by FY 2021/22⁷. **Figure 2** summarizes the sources and uses of funds, net revenue requirements, and the recommended annual percent adjustments in total rate revenue recommended for the next 5 years for the District.

⁶ The first rate adjustment is scheduled for April 19th, 2017 followed by December 1, 2017 and each December 1st thereafter. The first bill that will reflect the planned change would be the May 2017 bill. Similarly, following the December 1st adjustments, the first bills showing the increases will be the following January’s.

⁷ Because of the mid-year adjustment to the rates, the full impact of each year’s adjustment does not affect revenue until the following year.

Figure 2. Summary of Water Revenue Requirements

Summary of Sources and Uses of Funds and Net Revenue Requirements	Budget	Projected			
	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21
Sources of Water Funds					
Rate Revenue Under Prevailing Rates	\$ 1,004,500	\$ 1,004,500	\$ 1,004,500	\$ 1,004,500	\$ 1,004,500
<i>Additional Revenue from Rate Increases</i> ¹	25,113	237,313	357,163	425,246	496,733
Non-Rate Revenues	248,780	251,484	254,241	257,054	259,923
Interest Earnings	6,010	1,034	2,117	3,745	6,626
Total Sources of Funds	\$ 1,284,403	\$ 1,494,330	\$ 1,618,021	\$ 1,690,545	\$ 1,767,782
Uses of Water Funds					
Operating Expenses	\$ 1,253,405	\$ 1,294,070	\$ 1,324,910	\$ 1,366,680	\$ 1,390,760
Debt Service	137,400	137,400	137,401	137,401	137,401
Rate-Funded Capital Expenses	132,000	52,788	79,833	23,220	12,662
Total Use of Funds	\$ 1,522,805	\$ 1,484,258	\$ 1,542,143	\$ 1,527,301	\$ 1,540,823
Surplus (Deficiency) after Rate Increase	\$ (238,403)	\$ 10,072	\$ 75,878	\$ 163,244	\$ 226,959
Projected Annual Rate Increase	15.00%	15.00%	5.00%	5.00%	5.00%
Cumulative Rate Increases	15.00%	32.25%	38.86%	45.81%	53.10%
Surplus (Deficiency) before Rate Increase	\$ (263,515)	\$ (227,241)	\$ (231,285)	\$ (262,002)	\$ (269,774)
Net Revenue Requirement ²	\$ 1,268,015	\$ 1,231,741	\$ 1,285,785	\$ 1,266,502	\$ 1,274,274

1. Revenue from rate increases assumes an implementation date of April 19, 2017 and then January 1 each year thereafter.
2. Total Use of Funds less non-rate revenues and interest earnings. This is the annual amount needed from water rates.

Figure 3 summarizes the projected reserve fund balances and reserve targets. A summary of the utility's proposed 5-year financial plan is included in Tables 1 and 2 of the Appendix. The appendix tables include revenue requirements, reserve funds, revenue sources, proposed rate adjustments, and the District's capital improvement program. As can be seen in Figure 3, given proposed rate adjustments, reserves do not quite meet the minimum target by the end of the five-year rate period; however, it is expected that the District will be well poised to achieve the reserve targets in the following year.

Figure 3. Summary of Reserve Funds

Beginning Reserve Fund Balances and Recommended Reserve Targets	Budget	Projected			
	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21
Operating Reserve					
Ending Balance	\$ 313,426	\$ 323,498	\$ 399,376	\$ 562,620	\$ 695,380
<i>Recommended Minimum Target</i>	376,022	452,925	529,964	615,006	695,380
Capital Rehabilitation & Replacement Reserve					
Ending Balance	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 194,200
<i>Recommended Minimum Target</i>	343,100	336,800	332,200	324,500	316,400
Total Ending Balance	\$ 413,426	\$ 423,498	\$ 499,376	\$ 662,620	\$ 889,580
Total Recommended Minimum Target	\$ 719,122	\$ 789,725	\$ 862,164	\$ 939,506	\$ 1,011,780

CONTRACT CUSTOMER CHARGES

Additionally, In January of 2012, the District entered into a contract agreement which set the initial rates and defined the methodology of future rate adjustments for the Desert Hills Premium Outlets (DHPO). As defined by the terms of the contract, rates can only be adjusted by increasing the current rates (both the fixed meter charge and usage rate) by the percentage adjustment imposed on residential and commercial customers⁸. To account for this restriction, the revenue projected from the contract customer for the next five years is calculated and netted from the cost of service analysis. This calculation is shown in Figure 4.

Figure 4. Contract Charges and Projected Revenue

Contract	Current	Proposed Rates				
		FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21
<i>Projected Adjustment in Rate Revenue:</i>		15.00%	15.00%	5.00%	5.00%	5.00%
Fixed Rate	\$1,458.60	\$1,677.39	\$1,929.00	\$2,025.45	\$2,126.72	\$2,233.06
Variable Rate	\$2.50	\$2.88	\$3.31	\$3.47	\$3.65	\$3.83
Estimated Consumpition (hcf)	58,614	58,614	58,614	58,614	58,614	58,614
Estimated Fixed Revenue	\$ 17,503	\$ 20,129	\$ 23,148	\$ 24,305	\$ 25,521	\$ 26,797
Estimated Variable Revenue	\$ 146,535	\$ 168,515	\$ 193,793	\$ 203,482	\$ 213,656	\$ 224,339
Target Rate Revenue¹	\$ 164,038	\$ 188,644	\$ 216,941	\$ 227,788	\$ 239,177	\$ 251,136

1. Target rate revenue does not take implementation data of rate adjustment into consideration.

Actual revenue will be lower due to the plan for mid-year adjustments and is accounted for in the Financial Plan.

⁸ Per Section 5c(i) and (ii).

C. Cost of Service Analysis

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

CLASSIFICATION OF COSTS

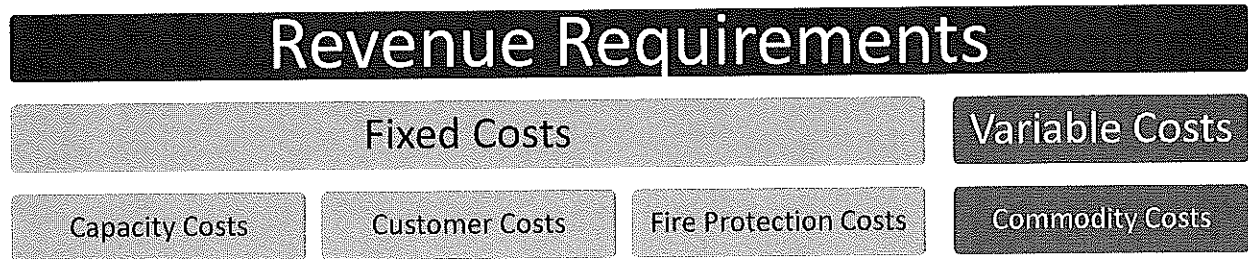
Most costs are not typically allocated 100 percent to fixed or variable categories and, therefore, are allocated to multiple functions of water service. Costs were classified using the commodity-demand method which is found in the AWWA M1 Manual. In accordance with this method, budgeted costs were "classified" into four categories: commodity, capacity, customer and fire protection. The classification process provides the basis for allocating costs to various customer classes based on the cost causation (classification) components described below:

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

The District's budgeted costs were reviewed and allocated to these cost causation components which are used as the basis for establishing new water rates and translate to fixed and variable charges. Tables 16 through 19 in the Appendix show how the District's expenses were classified and allocated to these cost causation components. Additionally, each cost causation component is considered fixed or variable, as summarized in Figure 5.

⁹ *Principles of Water Rates, Fees, and Charges, Manual of Water Supply Practices, M1, AWWA, seventh edition, 2017, p. 83.*

Figure 5. Cost Classification Summary



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

Based on the District’s projected costs, the Cost of Service Analysis (COSA) resulted in a distribution that is approximately 84 percent fixed and 16 percent variable. The District’s current rate structure collects approximately 62 percent of revenue from fixed charges and 38 percent from variable charges. The Board of Directors has decided that revenue stability is a priority in this rate setting process, and has selected a rate structure that will collect 70 percent of revenue from fixed charges and 30 percent from variable rates. This is much closer to the COSA results and will provide more revenue stability for the District. However, a share of the District’s capacity costs, will need to be collected from the variable rates. Thus, capacity related costs (which are normally considered fixed) will be collected from both fixed and variable rates.

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

Figure 6. Allocation of Water Revenue Requirements

Functional Category	Proposed Rates	
	FY 2016/17 Adjusted Net Revenue Requirements	
Variable Costs:		
Commodity - Related Costs	\$ 156,810	16.2%
Capacity - Related Costs (volumetric share)	\$ 133,149	13.8%
Subtotal: Volumetric Costs	\$ 289,959	30.0%
Fixed Costs:		
Capacity - Related Costs (fixed share)	\$ 612,893	63.4%
Customer - Related Costs	\$ 62,087	6.4%
Fire Protection - Related Costs	\$ 1,591	0.2%
Subtotal: Fixed Costs	\$ 676,572	70.0%
Revenue from Contract Customer	\$ 188,644	
Total Net Revenue Requirement	\$1,155,175	

CUSTOMER CLASSES

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

For Cabazon Water District, four customer classes were created: single-family residential, non-single family residential¹⁰, private fire and the contract customer¹¹. All non-SFR customers (excluding the contract customer) were placed in one customer class because these customers include a wide range of usage characteristics:

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

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

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

Figure 7. Water Consumption by Customer Class

Customer Class	Volume (hcf) ¹	Percent of Total Volume
Single Family Residential	104,796	54%
Contract	58,614	30%
All Other Meters	31,580	16%
Total	194,990	100%

1. Consumption for October 2015 - September 2016.

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

¹⁰ Non-SFR class consists of multi-family, government, commercial and industrial customers.

¹¹ The development of rates for the contract customer is described in Section 2-B of this report.

Figure 8. Peaking Factors by Customer Class

Customer Class	Average Monthly Use (hcf)	Peak Monthly Use (hcf)	Peak Monthly Factor	Max Month Capacity Factor
Single Family Residential	8,733	11,683	1.34	51%
Contract	4,885	7,253	1.48	32%
All Other Meters	2,632	4,000	1.52	17%
Total	16,249	22,936	--	100%

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

Figure 9. Single-Family Residential Peak Capacity Allocation Factors

Tier	Tier Breakpoint ¹	Expected Consumption ² (hcf)	Percentage of Total SFR Consumption
Tier 1	7 hcf	55,392	53%
Tier 2	14 hcf	25,489	24%
Tier 3	--	23,915	23%
Total		104,796	100%

1. Tier 1 break point set to average winter consumption, an estimate of average indoor water consumption in Cabazon. The Tier 2 break point is set to 14 hcf which is average summer consumption.

2. Consumption data is based on the CWD Oct. 2015- Sept 2016 customer data.

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

Figure 10. Number of Meters by Customer Class

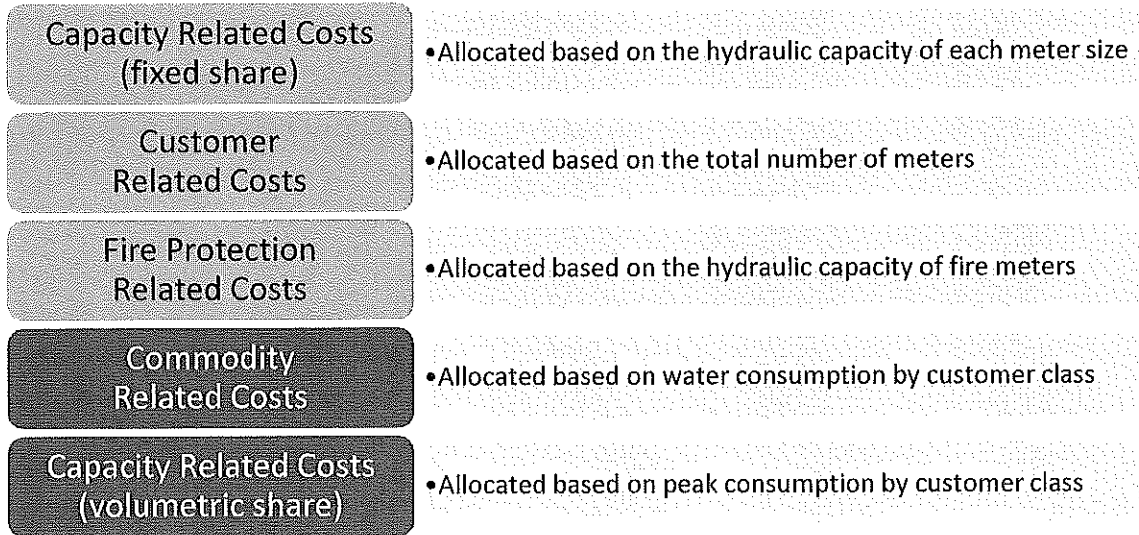
Customer Class	Number of Meters ¹	Percent of Total
Single Family Residential	837	94.9%
Contract	1	0.1%
Private Fire	2	0.2%
All Other Meters	42	4.8%
Total	882	100.0%

1. Meter Count for April 2016. CWD bills monthly.

COSTS ALLOCATED TO CUSTOMER CLASSES

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

Figure 11. Cost Allocation Methodology



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

Capacity Related Costs

The capacity related costs (fixed share) allocation is summarized in **Figure 12**. Capacity related costs are those costs associated with constructing and operating the water system to ensure there is sufficient capacity in the system to meet the demand of each meter connected. Larger meters have the potential to use more of the system’s capacity, compared to smaller meters. The potential capacity demanded is proportional to the maximum safe meter capacity each meter size as established by the AWWA¹². The meter capacity factors used in this study are shown in the second column of Figure 12.

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

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

¹² *Principles of Water Rates, Fees, and Charges, Manual of Water Supply Practices, M1, AWWA, seventh edition, 2017, p. 338.*

Figure 12. Capacity Related Costs (fixed share) Allocation

Meter Size	Meter Capacity (gpm) ¹	Hydraulic Capacity Factor	Number of Meters	Total Equivalent Meters	Percent of Total Hydraulic Capacity	Allocated Costs
		<i>a</i>	<i>b</i>	<i>c = a*b</i>		
Standard Meters						
5/8 inch	20	1.00	816	816	72.3%	\$ 443,370
3/4 inch	30	1.50	23	35	3.1%	18,745
1 inch	50	2.50	13	33	2.9%	17,659
1.5 inch	100	5.00	4	20	1.8%	10,867
2 inch	160	8.00	19	152	13.5%	82,588
3 inch	320	16.00	3	48	4.3%	26,081
4 inch	500	25.00	1	25	2.2%	13,584
Total			879	1,128	100.0%	\$ 612,893

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

Customer Related Costs

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

Figure 13. Customer Related Cost Allocation

Customer Class	Number of Meters ¹	Percent of Total	Allocated Costs
Standard Meters			
5/8 inch	816	92.6%	\$ 57,507
3/4 inch	23	2.6%	1,621
1 inch	13	1.5%	916
1.5 inch	4	0.5%	282
2 inch	19	2.2%	1,339
3 inch	3	0.3%	211
4 inch	1	0.1%	70
Fire Protection			
4 inch	1	0.1%	70
6 inch	1	0.1%	70
Total	881	100%	\$ 62,087

Fire Protection Related Costs

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

Figure 14. Fire Protection Cost Allocation

Meter Size	Meter Capacity (gpm) ¹	Hydraulic Capacity Factor	Number of Meters	Total Equivalent Meters	Percent of Total	Allocated Costs
		<i>a</i>	<i>b</i>	<i>c = a*b</i>		
Fire Protection Meters	<i>Fire Service Type I & II</i>					
4 inch	700	35.00	1	35.0	30.4%	\$ 484
6 inch	1,600	80.00	1	80.0	69.6%	\$ 1,107
Total			2	115	100.0%	\$ 1,591

Commodity Related Costs

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

Figure 15. Commodity Related Costs Allocation

Customer Class	Volume (hcf) ¹	Percent of Total	Allocated Costs
Single Family Residential	104,796	76.8%	\$ 120,499
All Other Customers	31,580	23.2%	36,312
Total	136,376	100%	\$ 156,810

1. Consumption for October 2015 - September 2016.

Capacity Related Costs (variable share)

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

Figure 16. Capacity Related Costs (variable share)

Customer Class	Average Monthly Use (hcf)	Peak Monthly Use (hcf) ¹	Percent of Total	Allocated Costs
Single Family Residential	8,733	11,683	74.5%	\$ 99,189
All Other Customers	2,632	4,000	25.5%	33,960
Total	11,365	15,683	100%	\$ 133,149

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

D. Rate Design Analysis

The process of evaluating the water rate structure provides the opportunity to incorporate a number of rate-design objectives and policies, including revenue stability, equity among customer classes, and water conservation. NBS discussed several water rate alternatives and methodologies with District Staff over the course of this study, such as the percentage of revenue collected from fixed vs. variable charges and differentiating rates by customer class. Based on input provided by District staff, the Board of Directors, and the District's legal counsel, the proposed rates were developed. The following sections describe this process.

NBS recommends that the District make the following modifications to the water rate structure:

1. Update monthly fixed meter charges to be consistent with AWWA standards and use hydraulic capacity factors to develop the fixed charges for each meter size.
2. Update the volumetric rates for Single Family Residential customers as follows:
 - a. Eliminate the five units of Tier 1 water that is provided at no charge
 - b. Reduce the number of tiers from four to three
 - c. Establish new tier breakpoints based on recent consumption statistics
3. Move all other customers to a uniform volumetric rate, and impose a charge for all water consumed

FIXED CHARGES

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

Figure 17. Fixed Meter Charges FY 2016/17

Customer Class	Number of Meters ¹	Allocated Capacity Costs	Allocated Customer Costs	Allocated Fire Protection Costs	Total Costs	Monthly Charge
	<i>a</i>	<i>b</i>	<i>c</i>	<i>d</i>	<i>e = b+c+d</i>	<i>f=e/a/12</i>
Standard Meters						
5/8 inch	816	\$ 443,370	\$ 57,507	\$ -	\$ 500,876	\$51.15
3/4 inch	23	18,745	1,621	-	20,366	\$73.79
1 inch	13	17,659	916	-	18,575	\$119.07
1.5 inch	4	10,867	282	-	11,149	\$232.27
2 inch	19	82,588	1,339	-	83,927	\$368.10
3 inch	3	26,081	211	-	26,292	\$730.33
4 inch	1	13,584	70	-	13,654	\$1,137.84
Fire Protection						
4 inch	1	-	70	484	555	\$46.23
6 inch	1	-	70	1,107	1,177	\$98.11
Total	881	\$ 612,893	\$ 62,087	\$ 1,591	\$ 676,572	

1. Meter Count as of April 2016.

VARIABLE CHARGES

The District currently has a four-tiered volumetric rate for all customers that provides the first five units of water consumed at no charge. NBS' second rate recommendation, was to adjust the tiered rate structure by reducing the number of tiers to three, setting new breakpoints and imposing a charge for all water consumed. In addition to these changes, the proposed tiered volumetric will only apply to single-family residential customers because they are a homogenous customer class, with similar consumption patterns that are used to establish appropriate tier breakpoints.

Tier breakpoints were established and expected consumption in each tier was determined. The goals when setting the tier breakpoints were twofold:

1. The breakpoint for the first tier was set to the 5 hcf¹³, which is the average winter consumption for a typical single-family residential customer. Given the limited irrigation that occurs in the winter, this approximates average indoor use.
2. The breakpoint for the second tier was set to 14 hcf, which is equal to average summer consumption for a single-family residential customer. Average summer consumption is when water consumption is highest for a two-month billing period.

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

Figure 18. Single Family Residential Commodity Related Costs

Tier	Monthly Breakpoint ¹	Expected Consumption (hcf) ²	Percent of Total	Allocated Costs
Tier 1	7 hcf	55,392	53%	\$ 63,692
Tier 2	14 hcf	25,489	24%	29,308
Tier 3	--	23,915	23%	27,498
Total			100%	\$ 120,499

1. Tier 1 break point set to average winter consumption, an estimate of average indoor consumption in Cabazon. Tier 2 break point set to 14 hcf which is average summer consumption.
2. Consumption data is based on the CWD Oct. 2015-Sept 2016 customer data.

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

¹³ HCF is one hundred cubic feet of water.

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

Tier	Description	Monthly Consumption (hcf) ¹	Additional Capacity Required (hcf) ⁴	Percent of Total	Allocated Costs
Tier 1	Max Tier 1 Capacity ²	5,859	0	0.0%	\$ -
Tier 2	Peak up to Tier 2 ³	7,902	2,043	35.1%	34,793
Tier 3	Peak up to Tier 3 ³	11,683	3,781	64.9%	64,396
Total			5,824	100.0%	\$ 99,189

1. Consumption data is based on the CWD Oct. 2015-Sept 2016 customer data.
2. Capacity allocated to the first tier represents the tier break multiplied by the number of customers.
3. This is the cumulative peak consumption up to the tier break; it represents capacity required to provide service to a given tier.
4. This is the additional cumulative capacity to meet peak consumption at each tier.

NBS' final recommendation regarding rate structure, is to move all non-SFR customers to a uniform volumetric rate. This is due to the varying consumption characteristics of these customers; a uniform volumetric rate better represents their cost-of-service.

Using the costs allocated to each customer class in Figure 15 – 16 and Figure 18 – 19, Figure 20 calculates the per unit volumetric charge for each customer class and tier.

Figure 20. Calculated Variable Charges for FY 2016/17

Customer Class	Expected Consumption (hcf)	Allocated Commodity Costs	Allocated Capacity Costs	Total Costs	Charge per Unit Sold (\$/hcf)
	<i>a</i>	<i>b</i>	<i>c</i>	<i>d = b+c</i>	<i>d=c/a</i>
Single Family Residential					
Tier 1	55,392	\$ 63,692	\$ -	\$ 63,692	\$1.15
Tier 2	25,489	29,308	34,793	64,101	\$2.51
Tier 3	23,915	27,498	64,396	91,895	\$3.84
All Other Customers	31,580	36,312	33,960	70,271	\$2.23
Total	136,376	\$ 156,810	\$ 133,149	\$ 289,959	

E. Current and Proposed Water Rates

The Cost of Service analysis is used to establish the rates for FY 2016/17. In the subsequent four years of the rate study, proposed charges are simply adjusted by the proposed adjustment in total rate revenue needed, to meet projected revenue requirements. Figure 21 provides a comparison of the current and proposed rates for FY 2016/17 through FY 2020/21. More detailed tables on the developed of the proposed charges are documented in the Appendix.

Figure 21. Current and Proposed Water Rates

Water Rate Schedule	Current Rates	Proposed Rates						
		FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21		
Fixed Meter Charges								
Monthly Fixed Service Charges:								
5/8 inch	\$44.16	\$51.15	\$58.82	\$61.77	\$64.85	\$68.10		
3/4 inch	\$59.47	\$73.79	\$84.86	\$89.10	\$93.56	\$98.24		
1 inch	\$88.26	\$119.07	\$136.93	\$143.78	\$150.97	\$158.51		
1.5 inch	\$188.97	\$232.27	\$267.11	\$280.46	\$294.48	\$309.21		
2 inch	\$286.61	\$368.10	\$423.32	\$444.48	\$466.71	\$490.04		
3 inch	\$384.25	\$730.33	\$839.88	\$881.88	\$925.97	\$972.27		
4 inch	\$536.82	\$1,137.84	\$1,308.52	\$1,373.94	\$1,442.64	\$1,514.77		
6 inch	\$718.63	\$2,269.81	\$2,610.28	\$2,740.80	\$2,877.84	\$3,021.73		
Contract	\$1,458.60	\$1,677.39	\$1,929.00	\$2,025.45	\$2,126.72	\$2,233.06		
Monthly Fire Service Charges:								
4 inch	\$60.00	\$46.23	\$53.16	\$55.82	\$58.61	\$61.54		
6 inch	\$90.00	\$98.11	\$112.83	\$118.47	\$124.40	\$130.62		
Commodity Charges								
Rate per hcf of Water Consumed:								
Uniform Rate (Non-SFR Customers)	N/A	\$2.23	\$2.56	\$2.69	\$2.82	\$2.96		
Contract Rate	\$2.50	\$2.88	\$3.31	\$3.47	\$3.65	\$3.83		
Tiered Rate (SFR Customers):								
	<u>Current</u>	<u>Proposed</u>						
Tier 1	0-5 hcf	0-7 hcf	\$0.00	\$1.15	\$1.32	\$1.39	\$1.46	\$1.53
Tier 2	6-25 hcf	8-14 hcf	\$2.21	\$2.51	\$2.89	\$3.04	\$3.19	\$3.35
Tier 3	26-50 hcf	14+ hcf	\$4.36	\$3.84	\$4.42	\$4.64	\$4.87	\$5.12
Tier 4	50+ hcf	--	\$5.05	N/A	N/A	N/A	N/A	N/A

F. Comparison of Current and Proposed Water Bills

Figure 22 and Figure 23 compare a range of monthly water bills for the current and proposed water rates as a result of the initial rate adjustment for single-family residential customers (with a 5/8-inch meter) and non-single family residential customers (the bill comparison for a commercial customer also with a 5/8-inch meter). These monthly bills are based on typical meter sizes, and the average consumption levels for each customer class are highlighted.

Figure 22. Monthly Bill Comparison for Single Family Customers

Current vs. Proposed 2016/17 Rate Alternatives (5/8-inch meter)

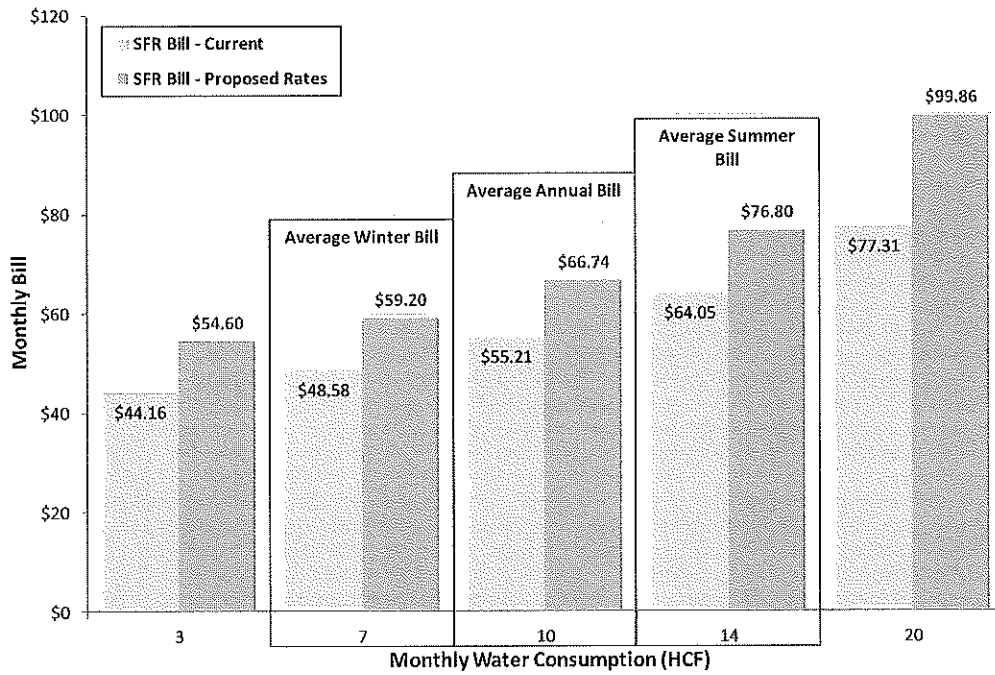
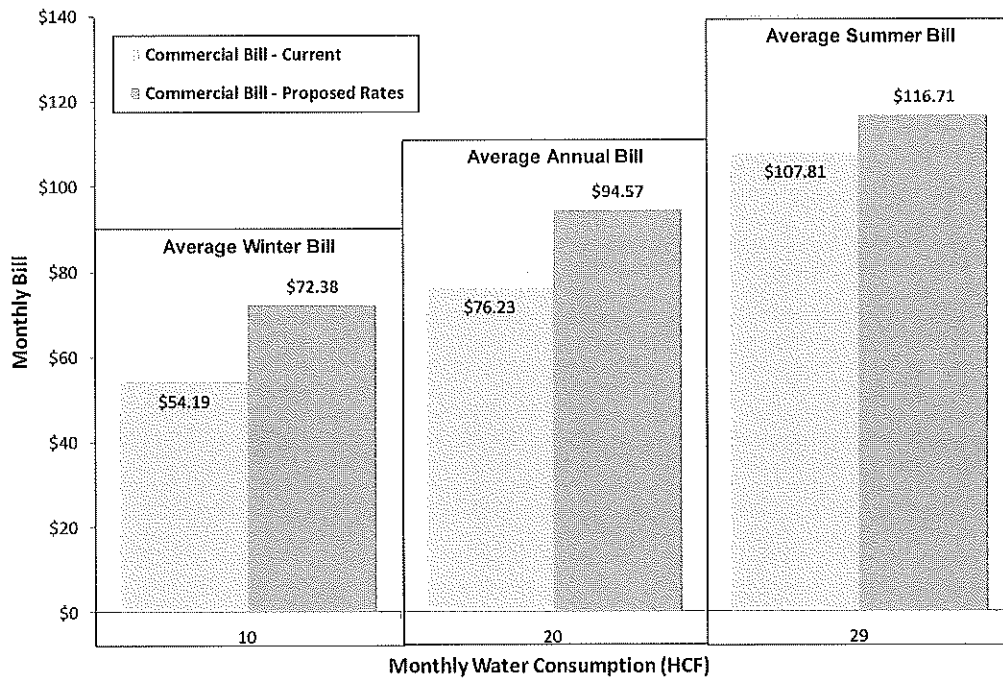


Figure 23. Monthly Water Bill Comparison for Commercial Customers

Current vs. Proposed 2016/17 Rates (5/8-inch meter)



Section 3. RECOMMENDATIONS AND NEXT STEPS

A. Consultant Recommendations

NBS recommends District take the following actions:

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

Implement Recommended Levels of Rate Adjustments and Proposed Rates: Based on successfully meeting the Proposition 218 procedural requirements, the District Board should proceed with implementing the 5-year schedule of proposed rates and rate adjustments previously shown in Figure 21. This will help ensure the continued financial health of District's water utility.

B. Next Steps

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

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

C. NBS' Principal Assumptions and Considerations

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

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

Appendix: Detailed Water Rate Study Tables and Figures

CABAZON WATER DISTRICT
 WATER RATE STUDY
 Financial Plan and Reserve Projections

TABLE 1
 FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

RATE REVENUE REQUIREMENTS SUMMARY (1)	Budget		Projected			
	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	
Sources of Water Funds						
Rate Revenue:						
Water Sales Revenue Under Current Rates	\$ 1,004,500	\$ 1,004,500	\$ 1,004,500	\$ 1,004,500	\$ 1,004,500	\$ 1,004,500
Revenue from Rate Increases (2)	25,113	237,313	357,163	425,246	496,733	496,733
Subtotal: Rate Revenue After Rate Increases	1,029,613	1,241,813	1,361,663	1,429,746	1,501,233	1,501,233
Non-Rate Revenue:						
Fee Revenue	\$ 164,980	\$ 166,008	\$ 167,056	\$ 168,125	\$ 169,215	\$ 169,215
Miscellaneous Revenue	83,800	85,476	87,186	88,929	90,708	90,708
Interest Income (3)	6,010	1,034	2,117	3,745	6,626	6,626
Subtotal: Non-Rate Revenue	254,790	252,517	256,359	260,799	266,549	266,549
Total Sources of Funds	\$ 1,284,403	\$ 1,494,330	\$ 1,618,021	\$ 1,690,545	\$ 1,767,782	\$ 1,767,782
Uses of Water Funds						
Operating Expenses (4):						
Payroll Expenses	\$ 444,200	\$ 494,090	\$ 511,480	\$ 529,680	\$ 548,780	\$ 548,780
Facilities, Wells, Transmission, Distribution	376,880	323,750	329,470	335,210	341,150	341,150
Utilities - Office	28,520	29,530	30,540	31,650	32,760	32,760
Office Expenses	103,580	90,700	92,500	104,300	96,100	96,100
Support Expenses	185,200	187,300	189,400	191,500	194,700	194,700
Training / Travel	6,000	6,100	6,200	6,300	6,400	6,400
Other Fees	16,180	16,580	16,980	17,380	17,780	17,780
Service Tools & Equipment	58,500	51,320	52,140	52,960	53,890	53,890
Miscellaneous Expenses	34,345	94,700	96,200	97,700	99,200	99,200
Subtotal: Operating Expenses:	\$ 1,253,405	\$ 1,294,070	\$ 1,324,910	\$ 1,366,680	\$ 1,390,760	\$ 1,390,760
Other Expenditures:						
Existing Debt Service	\$ 137,400	\$ 137,400	\$ 137,401	\$ 137,401	\$ 137,401	\$ 137,401
New Debt Service	-	-	-	-	-	-
Rate-Funded Capital Expenses	132,000	52,788	79,833	23,220	12,662	12,662
Subtotal: Other Expenditures	\$ 269,400	\$ 190,188	\$ 217,233	\$ 160,621	\$ 150,063	\$ 150,063
Total Uses of Water Funds	\$ 1,522,805	\$ 1,484,258	\$ 1,542,143	\$ 1,527,301	\$ 1,540,823	\$ 1,540,823
Annual Surplus/(Deficit)	\$ (238,403)	\$ 10,072	\$ 75,878	\$ 163,244	\$ 226,959	\$ 226,959
Net Revenue Req't. (Total Uses less Non-Rate Revenue)	\$ 1,268,015	\$ 1,251,741	\$ 1,285,785	\$ 1,266,502	\$ 1,274,274	\$ 1,274,274
Projected Annual Rate Revenue Adjustment	15.00%	15.00%	5.00%	5.00%	5.00%	5.00%
Cumulative Increase from Annual Revenue Increases	15.00%	32.25%	38.86%	45.81%	53.10%	53.10%
Debt Coverage After Rate Increase	0.23	1.46	2.13	2.36	2.74	2.74

1. Revenue and expenses for FY 2016/17 are from source file: Updated FY 16-17 projections With December.xlsx
 2. Rate increases assume an implementation date of April 19, 2017 and each year thereafter (with the first bill showing the increase being the following January).
 3. Interest earning for FY 2016/17 is from the FY 2016/17 budget. For all other years, it is calculated based on historical LAIF returns.
 4. The FY 2016/17 operating expenses are from the budget. Inflationary factors are applied to these expenses to project costs in FY 2017/18 and beyond.
 5. Under current covenants, Cabazon Water District must maintain a debt coverage ratio of 1.2. Source: Zions Bank_Installation Sale Agreement.pdf, page 12
 Conditional formatting has been applied to highlight years where a 1.20 debt coverage ratio is not met.

TABLE 2
 RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY UN-RESTRICTED RESERVES	Budget		Projected			
	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	
Total Beginning Cash (1, 2, 3)	\$ 651,829					
Operating Reserve						
Beginning Reserve Balance (1)	\$ 651,829	\$ 313,426	\$ 323,498	\$ 399,376	\$ 562,620	\$ 562,620
Plus: Net Cash Flow (After Rate Increases)	(238,403)	10,072	75,878	163,244	226,959	226,959
Plus: Transfer of Debt Reserve Surplus	-	-	-	-	-	-
Less: Transfer Out to Capital Replacement Reserve	(100,000)	-	-	-	(94,200)	(94,200)
Ending Operating Reserve Balance	\$ 313,426	\$ 323,498	\$ 399,376	\$ 562,620	\$ 695,380	\$ 695,380
Target Ending Balance (transition to 180-days of O&M) (4)	\$ 376,022	\$ 452,925	\$ 529,964	\$ 615,006	\$ 695,380	\$ 695,380
Capital Rehabilitation & Replacement Reserve						
Beginning Reserve Balance	\$ -	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
Plus: Transfer of Operating Reserve Surplus	100,000	-	-	-	-	94,200
Less: Use of Reserves for Capital Projects	-	-	-	-	-	-
Ending Capital Rehab & Replacement Reserve Balance	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 194,200	\$ 194,200
Capital R&R Reserve (6% of Net Assets)	\$ 343,100	\$ 336,800	\$ 332,200	\$ 324,500	\$ 316,400	\$ 316,400
Ending Balance	\$ 413,426	\$ 423,498	\$ 499,376	\$ 662,620	\$ 889,580	\$ 889,580
Minimum Target Ending Balance	\$ 719,122	\$ 789,725	\$ 862,164	\$ 939,506	\$ 1,011,780	\$ 1,011,780
Ending Surplus/(Deficit) Compared to Reserve Targets	\$ (305,695)	\$ (366,226)	\$ (362,788)	\$ (276,886)	\$ (122,200)	\$ (122,200)
Annual Interest Earnings Rate (5)	0.25%	0.25%	0.50%	0.75%	1.00%	1.00%

1. Beginning cash from source: Cash Balance 6.30.16.xlsx.
 2. No reserve requirement currently assumed.
 3. No restricted fund for connection fees currently.
 4. Operating Reserve Target increasing from 90 days of O&M expenses to 180 days of O&M expenses over the next 5 years at the recommendation of staff.
 5. Interest earning rates were referenced on the CA Treasurer's Office website for funds invested in LAIF. Future years earnings were conservatively estimated.



CHART 1

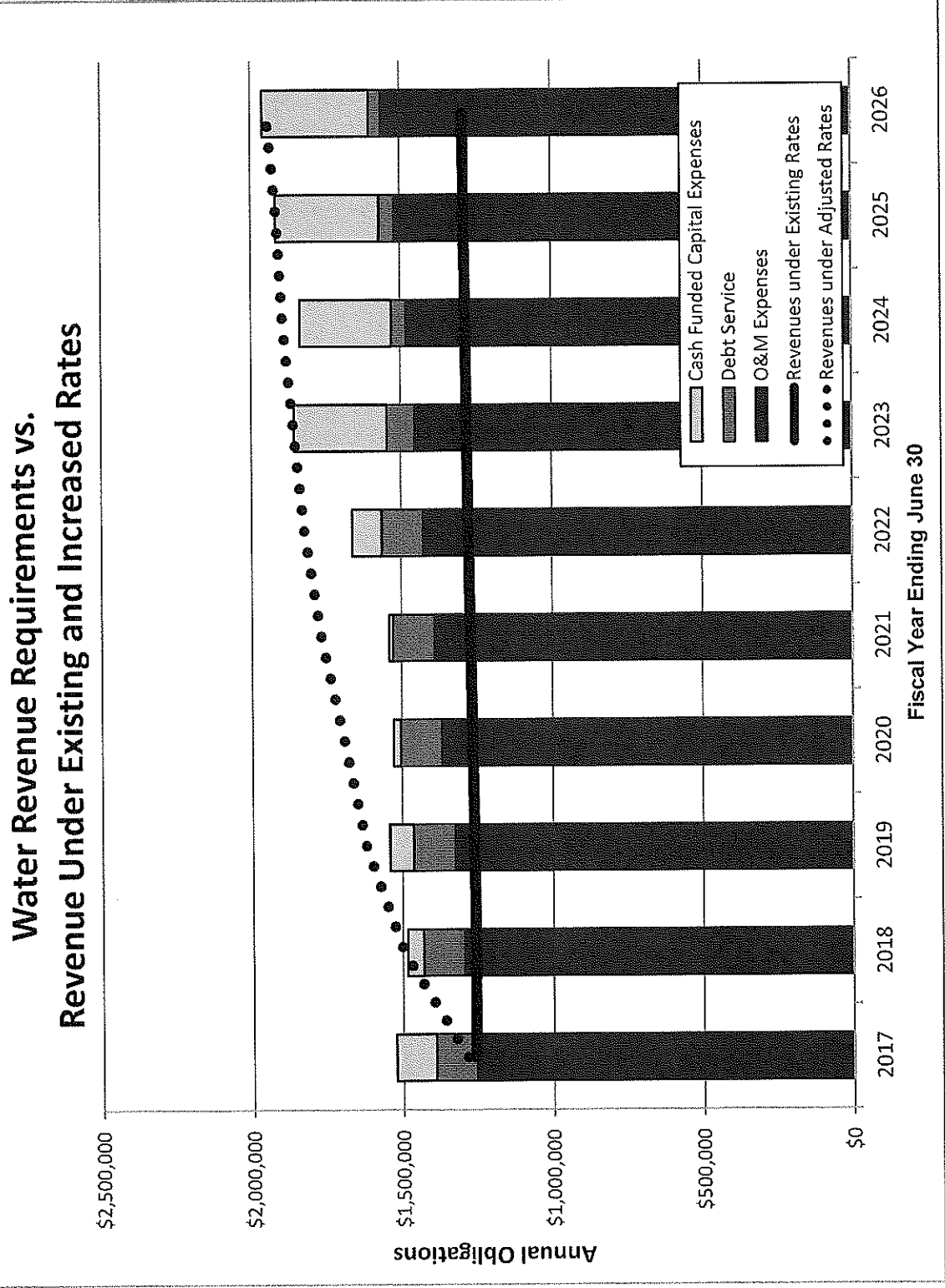




CHART 2

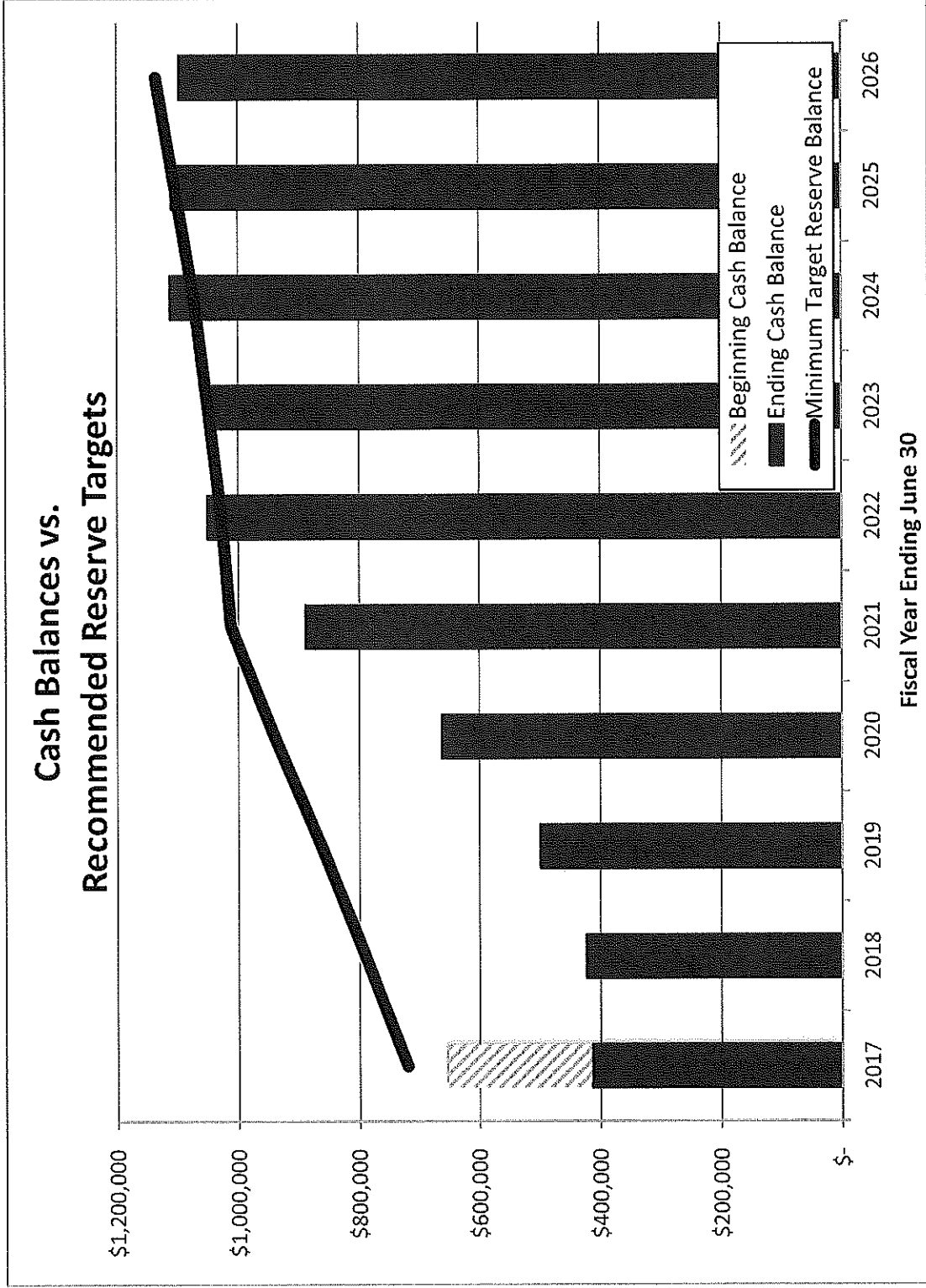


CHART 3

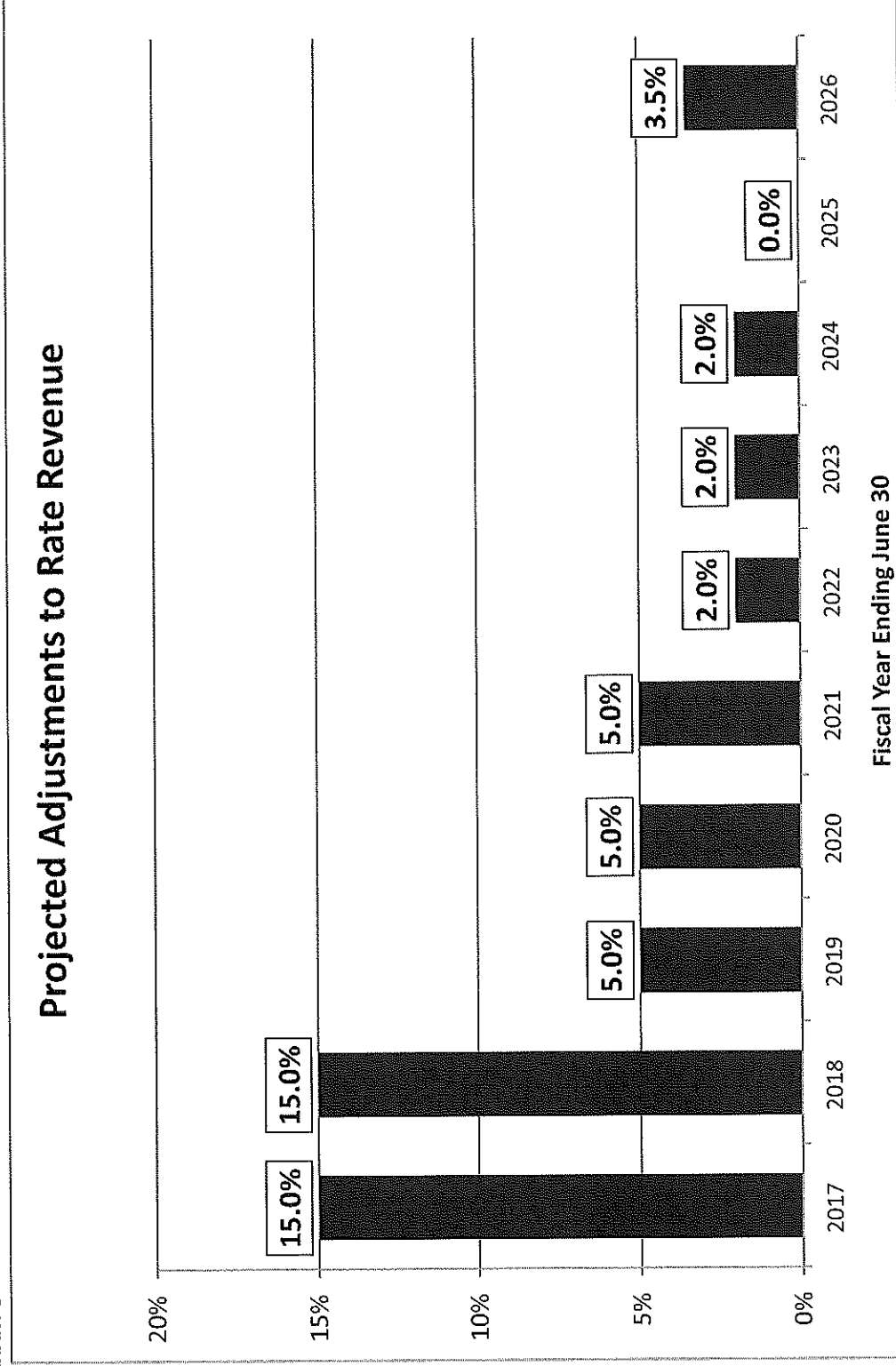


EXHIBIT 1

CABAZON WATER DISTRICT
WATER RATE STUDY
Operating Revenue and Expenses

TABLE 3 - REVENUE FORECAST (1):

DESCRIPTION	Inflation Basis	2017	2018	2019	2020	2021
Water Sales Revenue						
Base Rate Water Bills	1	\$ 1,001,500	\$ 1,001,500	\$ 1,001,500	\$ 1,001,500	\$ 1,001,500
Fire Sales - Water Bills	1	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000
Fee Revenue						
Fire Flow Income	2	\$ 150	\$ 153	\$ 156	\$ 159	\$ 162
Meter Install & Removal	2	\$ 80	\$ 82	\$ 83	\$ 85	\$ 87
Penalty Fees - Water Bills	2	\$ 40,000	\$ 40,800	\$ 41,616	\$ 42,448	\$ 43,297
Lien Reinstatement Fees	2	\$ 1,020	\$ 1,040	\$ 1,061	\$ 1,082	\$ 1,104
New Account Fees - Water Bill	2	\$ 1,420	\$ 1,448	\$ 1,477	\$ 1,507	\$ 1,537
Incident Fee - Water Bills	2	\$ 140	\$ 143	\$ 146	\$ 149	\$ 152
Returned Check Fees	2	\$ 550	\$ 561	\$ 572	\$ 584	\$ 595
Basic Facilities Fee (New Service)	2	\$ 8,020	\$ 8,180	\$ 8,344	\$ 8,511	\$ 8,681
Stand By Fees - Tax Revenue	1	\$ 113,600	\$ 113,600	\$ 113,600	\$ 113,600	\$ 113,600
Miscellaneous Revenue						
Ad Valorem - Tax Revenue	2	\$ 50,700	\$ 51,714	\$ 52,748	\$ 53,803	\$ 54,879
Teeter Settlement Income	2	\$ 10,000	\$ 10,200	\$ 10,404	\$ 10,612	\$ 10,824
Cell Tower Lease Income	2	\$ 23,100	\$ 23,562	\$ 24,033	\$ 24,514	\$ 25,004
Miscellaneous Non-Operating Income	2	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Income						
Interest Inc. - Gen. Trus. Payr	Cal'd	\$ 10	\$ -	\$ -	\$ -	\$ -
Interest Income LAIF	Cal'd	\$ 2,000	\$ -	\$ -	\$ -	\$ -
Interest Income Water Bills	Cal'd	\$ 4,000	\$ -	\$ -	\$ -	\$ -
LAIF FMV Adjustment	Cal'd	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Income - DWR	Cal'd	\$ -	\$ -	\$ -	\$ -	\$ -
Interest Income - Zion's Bank	Cal'd	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL: REVENUE		\$ 1,259,290	\$ 1,255,984	\$ 1,258,741	\$ 1,261,554	\$ 1,264,423

TABLE 4 - REVENUE SUMMARY:

RATE REVENUE:						
Water Sales Revenue	\$ 1,004,500	\$ 1,004,500	\$ 1,004,500	\$ 1,004,500	\$ 1,004,500	
OTHER REVENUE:						
Fee Revenue	\$ 164,980	\$ 166,008	\$ 167,056	\$ 168,125	\$ 169,215	
Miscellaneous Revenue	\$ 83,800	\$ 85,476	\$ 87,186	\$ 88,929	\$ 90,708	
Interest Income	\$ 6,010	\$ -	\$ -	\$ -	\$ -	
TOTAL: REVENUE	\$ 1,259,290	\$ 1,255,984	\$ 1,258,741	\$ 1,261,554	\$ 1,264,423	

CABAZON WATER DISTRICT
WATER RATE STUDY
Operating Revenue and Expenses

TABLE 5 - OPERATING EXPENSE FORECAST (1):

DESCRIPTION	Inflation Basis	2017	2018	2019	2020	2021
Payroll Expenses						
Directors Fees	8	\$ 14,200	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000
Management & Customers Service						
Customer Accounts	3	\$ 44,000	\$ 42,600	\$ 43,900	\$ 45,200	\$ 46,600
Admin Assistant	3	\$ 24,900	\$ -	\$ -	\$ -	\$ -
Business Admin Manager	3	\$ 26,300	\$ 55,100	\$ 56,800	\$ 58,500	\$ 60,300
Office Assistant (Office Assistant)	3	\$ 6,800	\$ 7,700	\$ 7,900	\$ 8,100	\$ 8,300
General Manager	3	\$ 95,100	\$ 84,100	\$ 86,600	\$ 89,200	\$ 91,900
Water Operations						
Meter Reader	3	\$ 24,000	\$ 38,300	\$ 39,400	\$ 40,600	\$ 41,800
Field Operations						
Field Workers	3	\$ 62,600	\$ 73,700	\$ 75,900	\$ 78,200	\$ 80,500
Payroll Ben Expense						
Workers Comp.	4	\$ 15,500	\$ 17,900	\$ 19,000	\$ 20,100	\$ 21,300
Employee Health Care	4	\$ 45,200	\$ 47,100	\$ 49,900	\$ 52,900	\$ 56,100
Pension	4	\$ 55,500	\$ 60,500	\$ 64,100	\$ 67,900	\$ 72,000
Payroll Expense - Taxes, etc.						
FICA and Medicare	3	\$ 22,300	\$ 23,100	\$ 23,800	\$ 24,500	\$ 25,200
SUI and ETT	3	\$ 4,800	\$ 4,900	\$ 5,000	\$ 5,200	\$ 5,400
Medical Testing	3	\$ 3,000	\$ 3,090	\$ 3,180	\$ 3,280	\$ 3,380
Facilities, Wells, Transmission, Distribution						
Lab Fees	2	\$ 7,800	\$ 8,000	\$ 8,200	\$ 8,400	\$ 8,600
Site Landscaping & Maintenance	2	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
Meters	2	\$ 10,000	\$ 10,200	\$ 10,400	\$ 10,600	\$ 10,800
Generator Service Contractor	2	\$ 3,500	\$ 3,600	\$ 3,700	\$ 3,800	\$ 3,900
Median Landscape & Maintenance	2	\$ 3,000	\$ 3,100	\$ 3,200	\$ 3,300	\$ 3,400
Utilities - Wells	2	\$ 107,900	\$ 110,100	\$ 112,300	\$ 114,500	\$ 116,800
SCADA	2	\$ 4,800	\$ 4,900	\$ 5,000	\$ 5,100	\$ 5,200
Line Mtn & Repair Contractor						
Line Mtn & Repair Construction	8	\$ -	\$ -	\$ -	\$ -	\$ -
Line Mtn & Repair Rent	8	\$ -	\$ -	\$ -	\$ -	\$ -
Line Mtn & Repair Construction Emergency	2	\$ 50,000	\$ 11,000	\$ 11,200	\$ 11,400	\$ 11,600
Line Mtn & Repair Rent Emergency	2	\$ -	\$ -	\$ -	\$ -	\$ -
Line Maint & Repair Materials	8	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500	\$ 37,500
Well Maintenance						
Chemicals	2	\$ 6,000	\$ 6,100	\$ 6,200	\$ 6,300	\$ 6,400
Well Maintenance - Other	2	\$ 12,000	\$ 12,200	\$ 12,400	\$ 12,600	\$ 12,900
Security						
Crime Prevention (Psi & Verizon)	2	\$ 1,070	\$ 1,090	\$ 1,110	\$ 1,130	\$ 1,150
Alarms Phones	2	\$ 1,360	\$ 1,390	\$ 1,420	\$ 1,450	\$ 1,480
Alarms - Other	2	\$ 550	\$ 600	\$ 600	\$ 600	\$ 600
Training / Equipment	2	\$ -	\$ -	\$ -	\$ -	\$ -
Materials	2	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500
Audio Alarm	2	\$ 7,000	\$ 7,140	\$ 7,280	\$ 7,430	\$ 7,580
Video Equip Lease	2	\$ 9,500	\$ 9,690	\$ 9,880	\$ 10,080	\$ 10,280
Miscellaneous Fac, Wells, Trans & Distribution						
Engineering Services	2	\$ 80,900	\$ 62,500	\$ 63,800	\$ 65,100	\$ 66,400
Chlorinators	2	\$ 2,000	\$ 2,040	\$ 2,080	\$ 2,120	\$ 2,160
Other	2	\$ 30,000	\$ 30,600	\$ 31,200	\$ 31,800	\$ 32,400
Sub-Total		\$ 821,080	\$ 817,840	\$ 840,950	\$ 864,890	\$ 889,930

CABAZON WATER DISTRICT
WATER RATE STUDY
Operating Revenue and Expenses

TABLE 6

DESCRIPTION	Inflation Basis	2017	2018	2019	2020	2021
Utilities - Office						
Electricity	5	\$ 13,900	\$ 14,600	\$ 15,300	\$ 16,100	\$ 16,900
Gas	2	\$ 520	\$ 530	\$ 540	\$ 550	\$ 560
Telephone	2	\$ 9,800	\$ 10,000	\$ 10,200	\$ 10,400	\$ 10,600
Trash Pickup / Office Cleaning	2	\$ 4,300	\$ 4,400	\$ 4,500	\$ 4,600	\$ 4,700
Office Expenses						
Fire Alarm System Servicing	2	\$ 600	\$ 600	\$ 600	\$ 600	\$ 600
Water Billing System	2	\$ 12,000	\$ 2,500	\$ 2,600	\$ 12,700	\$ 2,800
Supplies & Equipment	2	\$ 9,540	\$ 9,700	\$ 9,900	\$ 10,100	\$ 10,300
Copier and Supplies	2	\$ 7,900	\$ 8,100	\$ 8,300	\$ 8,500	\$ 8,700
Dues & Subscriptions	2	\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,700
Postage	2	\$ 12,600	\$ 12,900	\$ 13,200	\$ 13,500	\$ 13,800
Printing & publications	2	\$ 6,000	\$ 6,100	\$ 6,200	\$ 6,300	\$ 6,400
Leases & Rents	2	\$ 340	\$ -	\$ -	\$ -	\$ -
Computer Services	2	\$ 40,000	\$ 36,000	\$ 36,700	\$ 37,400	\$ 38,100
Office / Road	2	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
Office Storage	2	\$ 6,100	\$ 6,200	\$ 6,300	\$ 6,400	\$ 6,500
Air Conditioning Servicing	2	\$ 4,300	\$ 4,400	\$ 4,500	\$ 4,600	\$ 4,700
Office Expenses - Other	8	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Support Expenses						
Temporary Labor	2	\$ 10,000	\$ 10,200	\$ 10,400	\$ 10,600	\$ 10,800
Financial Audit	2	\$ 21,700	\$ 22,100	\$ 22,500	\$ 23,000	\$ 23,500
Accounting	2	\$ 35,000	\$ 35,700	\$ 36,400	\$ 37,100	\$ 37,800
Legal						
Legal - General	2	\$ 40,000	\$ 40,800	\$ 41,600	\$ 42,400	\$ 43,200
Legal - Water	2	\$ 25,600	\$ 26,100	\$ 26,600	\$ 27,100	\$ 27,600
Legal - Brown Act, Public Record	2	\$ 6,800	\$ 6,900	\$ 7,000	\$ 7,100	\$ 7,200
Legal - Personnel	2	\$ 5,000	\$ 5,100	\$ 5,200	\$ 5,300	\$ 5,400
Legal - Grant / Loan Funding	2	\$ 10,000	\$ 8,700	\$ 7,400	\$ 6,000	\$ 5,600
Legal - Fees & Charges	2	\$ 2,900	\$ 3,000	\$ 3,100	\$ 3,200	\$ 3,300
Miscellaneous Support						
Bank Service Charges	2	\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,700	\$ 1,700
Payroll Service	2	\$ 5,000	\$ 5,100	\$ 5,200	\$ 5,300	\$ 5,400
General Liability Insurance	2	\$ 21,500	\$ 21,900	\$ 22,300	\$ 22,700	\$ 23,200
Fixed Asset Software System	2	\$ -	\$ -	\$ -	\$ -	\$ -
Training / Travel						
Seminars / Training	2	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Travel Meals	2	\$ 4,000	\$ 4,100	\$ 4,200	\$ 4,300	\$ 4,400
Other Fees						
County Lien Release Fees	2	\$ 180	\$ 180	\$ 180	\$ 180	\$ 180
Riverside County Fees	2	\$ 2,500	\$ 2,600	\$ 2,700	\$ 2,800	\$ 2,900
State Water fees	2	\$ 12,500	\$ 12,800	\$ 13,100	\$ 13,400	\$ 13,700
Other Fees - Other	2	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Sub-Total		\$ 339,480	\$ 330,210	\$ 335,620	\$ 351,130	\$ 347,740

CABAZON WATER DISTRICT
WATER RATE STUDY
Operating Revenue and Expenses

TABLE 7

DESCRIPTION	Inflation Basis	2017	2018	2019	2020	2021
Service Tools & Equipment						
Shop Supplies & Small Tools	2	\$ 6,000	\$ 6,100	\$ 6,200	\$ 6,300	\$ 6,400
Vehicle Fuel	2	\$ 12,000	\$ 12,200	\$ 12,400	\$ 12,600	\$ 12,900
Employee Uniforms	2	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000	\$ 2,000
Safety	2	\$ 5,000	\$ -	\$ -	\$ -	\$ -
Tractor Expenses	2	\$ 6,900	\$ 7,000	\$ 7,100	\$ 7,200	\$ 7,300
Backhoe Fuel	2	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000
Equipment Rental	2	\$ 1,200	\$ 1,220	\$ 1,240	\$ 1,260	\$ 1,290
Service Trucks - Repair & Mtn	2	\$ 14,100	\$ 14,400	\$ 14,700	\$ 15,000	\$ 15,300
Water Ops Cell Phone / Internet	2	\$ 2,200	\$ 2,200	\$ 2,200	\$ 2,200	\$ 2,200
Water Ops Computer/Internet	2	\$ 4,000	\$ 4,100	\$ 4,200	\$ 4,300	\$ 4,400
Communications	2	\$ 3,000	\$ -	\$ -	\$ -	\$ -
Service Tools & Equipment - Other	2	\$ 1,100	\$ 1,100	\$ 1,100	\$ 1,100	\$ 1,100
Miscellaneous Expenses						
Returned Checks	2	\$ -	\$ -	\$ -	\$ -	\$ -
Grant / Loan Processing Fee	2	\$ 1,325	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400
Bad Debt Expense	2	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200	\$ 1,200
Miscellaneous	2	\$ 8,000	\$ 8,200	\$ 8,400	\$ 8,600	\$ 8,800
Website Support	2	\$ 2,820	\$ 2,900	\$ 3,000	\$ 3,100	\$ 3,200
Image Consultant	2	\$ -	\$ -	\$ -	\$ -	\$ -
DHPO Payback (2)	Cal'd	\$ 21,000	\$ 21,000	\$ 21,000	\$ 21,000	\$ 21,000
GSA / SGMA	2	\$ -	\$ 60,000	\$ 61,200	\$ 62,400	\$ 63,600
Sub-Total		\$ 92,845	\$ 146,020	\$ 148,340	\$ 150,660	\$ 153,090
GRAND TOTAL: WATER OPERATING EXPENSES		\$ 1,253,405	\$ 1,294,070	\$ 1,324,910	\$ 1,366,680	\$ 1,390,760

TABLE 8 - ITEMS EXCLUDED FROM ABOVE:

DESCRIPTION	Inflation Basis	2017	2018	2019	2020	2021
DWR Interest on Loans	Cal'd	\$ 13,500	\$ 11,236	\$ 10,092	\$ 8,933	\$ 7,687
DHPO Interest Expense Zion	Cal'd	\$ 12,707	\$ 10,802	\$ 8,851	\$ 6,850	\$ 4,799
DEPRECIATION	Cal'd	\$ 281,200	\$ 281,200	\$ 281,200	\$ 281,200	\$ 281,200
Add back for below the line items		\$ (21,000)	\$ (81,000)	\$ (82,200)	\$ (83,400)	\$ (84,600)
Total		\$ 1,539,812	\$ 1,516,308	\$ 1,542,853	\$ 1,580,263	\$ 1,599,846

TABLE 9 - FORECASTING ASSUMPTIONS

INFLATION FACTORS (3)	Inflation Basis	2017	2018	2019	2020	2021
Customer Growth	1	--	0.00%	0.00%	0.00%	0.00%
General Cost Inflation	2	--	2.00%	2.00%	2.00%	2.00%
Salary Inflation	3	--	3.00%	3.00%	3.00%	3.00%
Benefits Inflation	4	--	6.00%	6.00%	6.00%	6.00%
Energy	5	--	5.00%	5.00%	5.00%	5.00%
Chemicals	6	--	3.00%	3.00%	3.00%	3.00%
Fuel	7	--	3.00%	3.00%	3.00%	3.00%
No Escalation	8	--	0.00%	0.00%	0.00%	0.00%

1. Revenue and expenses for FY 2016/17 are from source file: Updated FY 16-17 projections With December.xlsx
 2. DHPO payback due to additional capacity provided when DHPO connected to the system.
 3. Inflation values provided by staff from source file: Adopted Cabazon Budget FY 17, V6.xlsx

CABAZON WATER DISTRICT
 WATER RATE STUDY
 Capital Improvement Plan Expenditures

TABLE 10 - CAPITAL FUNDING SUMMARY

CAPITAL FUNDING FORECAST	Budget		Projected			
	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21	
Funding Sources:						
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Use of Capacity Fee Reserves	-	-	-	-	-	-
SRF Loan Funding	-	-	-	-	-	-
Use of New Revenue Bond Proceeds	-	-	-	-	-	-
Use of Capital Rehabilitation and Replacement Reserve	-	-	-	-	-	-
Rate Revenue	132,000	52,788	79,833	23,220	12,662	
Total Sources of Capital Funds	\$ 132,000	\$ 52,788	\$ 79,833	\$ 23,220	\$ 12,662	
Uses of Capital Funds:						
Total Project Costs	\$ 132,000	\$ 52,788	\$ 79,833	\$ 23,220	\$ 12,662	
Capital Funding Surplus (Deficiency)	\$ -	\$ -	\$ -	\$ -	\$ -	
Bank Loan	\$ -	\$ -	\$ -	\$ -	\$ -	
New Revenue Bond Proceeds	\$ -	\$ -	\$ -	\$ -	\$ -	

CAPITAL IMPROVEMENT PROGRAM

TABLE 11 - Capital Improvement Program Costs (in Current-Year Dollars) (1):

Project Description	2017	2018	2019	2020	2021
Vehicle	\$ 16,000	\$ -	\$ -	\$ -	\$ -
Property Purchase & Prep	\$ 66,000	\$ 30,000	\$ 54,000	\$ -	\$ -
Meter Replacement (2)	\$ -	\$ 11,250	\$ 11,250	\$ 11,250	\$ 11,250
Additional CIP	\$ 50,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
Total: CIP Program Costs (Current-Year Dollars)	\$ 132,000	\$ 51,250	\$ 75,250	\$ 21,250	\$ 11,250

TABLE 12 - Capital Improvement Program Costs (in Future-Year Dollars) (1):

Project Description	2017	2018	2019	2020	2021
Vehicle	\$ 16,000	\$ -	\$ -	\$ -	\$ -
Property Purchase & Prep	\$ 66,000	\$ 30,900	\$ 57,289	\$ -	\$ -
Meter Replacement (2)	\$ -	\$ 11,588	\$ 11,935	\$ 12,293	\$ 12,662
Additional CIP	\$ 50,000	\$ 10,300	\$ 10,609	\$ 10,927	\$ -
Total: CIP Program Costs (Future-Year Dollars)	\$ 132,000	\$ 52,788	\$ 79,833	\$ 23,220	\$ 12,662

TABLE 13 - FORECASTING ASSUMPTIONS:

Economic Variables	2017	2018	2019	2020	2021
Annual Construction Cost Inflation, Per Engineering News Record (3)	0.00%	3.00%	3.00%	3.00%	3.00%
Cumulative Construction Cost Multiplier from 2017	1.00	1.03	1.06	1.09	1.13

1. Capital project costs & equipment purchases; source files: Updated FY 16-17 With December.xlsx
 2. Staff has set a target 150 new meters each year. It is assumed each new meter will cost \$75, including installation.
 3. Construction inflator is based on the most current 10 year average of the Engineering News-Record Construction Cost Index. Source: www.enr.com/economics

CABAZON WATER DISTRICT
WATER RATE STUDY
Debt Service

TABLE 14

ASSESSMENT DISTRICT DEBT OBLIGATIONS	Budget		Projected			
	FY 2016/17		FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21
Annual Repayment Schedules:						
DWR Loan No E58416 (1)						
Principal Payment	\$ 36,780	\$	\$ 37,867	\$ 38,994	\$ 40,148	\$ 41,355
Interest Payment	\$ 11,911	\$	\$ 10,824	\$ 9,697	\$ 8,543	\$ 7,336
Subtotal: Annual Debt Service	\$ 48,691	\$	\$ 48,691	\$ 48,691	\$ 48,691	\$ 48,691
Coverage Requirement (\$-Amt above annual payment) (2)	120%		120%	120%	120%	120%
Reserve Requirement (total fund balance) (3)	-	\$ -	-	-	-	-
Zion First National Installment Sale Agreement (4)						
Principal Payment	\$ 76,002	\$	\$ 77,907	\$ 79,859	\$ 81,859	\$ 83,911
Interest Payment	\$ 12,707	\$	\$ 10,803	\$ 8,851	\$ 6,850	\$ 4,799
Subtotal: Annual Debt Service	\$ 88,709	\$	\$ 88,709	\$ 88,710	\$ 88,710	\$ 88,710
Coverage Requirement (\$-Amt above annual payment) (2)	120%		120%	120%	120%	120%
Reserve Requirement (total fund balance) (3)	-	\$ -	-	-	-	-

1. Client provided Source File: *DWR Loan Schedule_BNY_E58416.pdf*
2. Coverage requirement set by Zion Bank Installment Agreement and includes all Parity obligations. Source File: *Zions Bank_Installment Sale Agreement.pdf*
3. No reserve requirements for existing debt confirmed by staff 12/15/16.
4. Client provided Source File: *Zions Bank_Installment Sale Agreement.pdf*

TABLE 15 - Existing Annual Debt Obligations to be Satisfied by Water Rates:

Existing Annual Debt Service	\$ 137,400	\$	\$ 137,400	\$	\$ 137,401	\$	\$ 137,401
Existing Annual Coverage Requirement	120%		120%	120%	120%	120%	120%
Existing Debt Reserve Target	-	\$ -	-	-	-	-	-

CABAZON WATER DISTRICT
WATER RATE STUDY
Cost of Service Analysis

TABLE 16
Classification of Expenses

Budget Categories	Total Revenue Requirements		Commodity		Capacity		Customer		Fire Protection		Basis of Classification		
	FY 2016/17	(COM)	(CAP)	(COM)	(CAP)	(CA)	(FP)	(COM)	(CA)	(CAP)	(COM)	(CA)	(FP)
Payroll Expenses	\$ 14,200	\$ 1,420	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	10.0%	10.0%	0.0%
Directors Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	100.0%	0.0%
Management & Customers Service	\$ 44,000	\$ -	\$ -	\$ -	\$ -	\$ 44,000	\$ -	\$ -	\$ -	\$ -	0.0%	0.0%	0.0%
Customer Accounts	\$ 24,900	\$ -	\$ 22,410	\$ -	\$ -	\$ 2,490	\$ -	\$ -	\$ -	\$ -	0.0%	90.0%	0.0%
Admin Assistant	\$ 26,300	\$ -	\$ 23,670	\$ -	\$ -	\$ 2,630	\$ -	\$ -	\$ -	\$ -	0.0%	10.0%	0.0%
Business Admin Manager	\$ 6,800	\$ -	\$ 6,120	\$ -	\$ -	\$ 680	\$ -	\$ -	\$ -	\$ -	0.0%	10.0%	0.0%
Office Assistant (Office Assistant)	\$ 95,100	\$ -	\$ 95,100	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	0.0%	0.0%
General Manager	\$ 24,000	\$ -	\$ -	\$ -	\$ -	\$ 24,000	\$ -	\$ -	\$ -	\$ -	0.0%	100.0%	0.0%
Water Operations	\$ 62,600	\$ -	\$ 62,391	\$ -	\$ -	\$ -	\$ 209	\$ -	\$ -	\$ -	0.0%	0.0%	0.3%
Meter Reader	\$ 15,500	\$ -	\$ 15,448	\$ -	\$ -	\$ -	\$ 52	\$ -	\$ -	\$ -	0.0%	0.0%	0.3%
Field Operations	\$ 45,200	\$ -	\$ 45,049	\$ -	\$ -	\$ -	\$ 151	\$ -	\$ -	\$ -	0.0%	0.0%	0.3%
Field Workers	\$ 55,500	\$ -	\$ 55,315	\$ -	\$ -	\$ -	\$ 185	\$ -	\$ -	\$ -	0.0%	0.0%	0.3%
Payroll Ben Expense	\$ 22,300	\$ -	\$ 22,226	\$ -	\$ -	\$ -	\$ 74	\$ -	\$ -	\$ -	0.0%	0.0%	0.3%
Workers Comp.	\$ 4,800	\$ -	\$ 4,784	\$ -	\$ -	\$ -	\$ 16	\$ -	\$ -	\$ -	0.0%	0.0%	0.3%
Employee Health Care	\$ 3,000	\$ -	\$ 2,990	\$ -	\$ -	\$ -	\$ 10	\$ -	\$ -	\$ -	0.0%	0.0%	0.3%
Pension	\$ 7,800	\$ -	\$ 7,774	\$ -	\$ -	\$ -	\$ 26	\$ -	\$ -	\$ -	0.0%	0.0%	0.3%
Payroll Expense - Taxes, etc.	\$ 1,500	\$ -	\$ 1,495	\$ -	\$ -	\$ -	\$ 5	\$ -	\$ -	\$ -	0.0%	0.0%	0.3%
FICA and Medicare	\$ 10,000	\$ -	\$ 9,967	\$ -	\$ -	\$ -	\$ 33	\$ -	\$ -	\$ -	0.0%	0.0%	0.3%
SUI and ETT	\$ 3,500	\$ 3,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	0.0%	0.0%
Medical Testing	\$ 3,000	\$ -	\$ 2,990	\$ -	\$ -	\$ -	\$ 10	\$ -	\$ -	\$ -	0.0%	0.0%	0.3%
Facilities, Wells, Transmission, Distribution	\$ 4,800	\$ -	\$ 4,784	\$ -	\$ -	\$ -	\$ 16	\$ -	\$ -	\$ -	0.0%	0.0%	0.3%
Lab Fees	\$ 7,800	\$ -	\$ 7,774	\$ -	\$ -	\$ -	\$ 26	\$ -	\$ -	\$ -	0.0%	0.0%	0.3%
Site Landscaping & Maintenance	\$ 1,500	\$ -	\$ 1,495	\$ -	\$ -	\$ -	\$ 5	\$ -	\$ -	\$ -	0.0%	0.0%	0.3%
Meters	\$ 10,000	\$ -	\$ 9,967	\$ -	\$ -	\$ -	\$ 33	\$ -	\$ -	\$ -	0.0%	0.0%	0.3%
Generator Service Contractor	\$ 3,500	\$ 3,500	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	0.0%	0.0%
Median Landscape & Maintenance	\$ 3,000	\$ -	\$ 2,990	\$ -	\$ -	\$ -	\$ 10	\$ -	\$ -	\$ -	0.0%	0.0%	0.3%
Utilities - Wells	\$ 107,900	\$ 107,900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	0.0%	0.0%
SCADA	\$ 4,800	\$ -	\$ 4,784	\$ -	\$ -	\$ -	\$ 16	\$ -	\$ -	\$ -	0.0%	0.0%	0.3%
Line Mtn & Repair Contractor	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	0.0%	0.3%
Line Mtn & Repair Construction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	0.0%	0.3%
Line Mtn & Repair Rent	\$ 50,000	\$ 5,000	\$ 44,833	\$ -	\$ -	\$ -	\$ 167	\$ -	\$ -	\$ -	0.0%	0.0%	0.3%
Line Mtn & Repair Construction Emergency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	0.0%	0.3%
Line Mtn & Repair Rent Emergency	\$ 37,500	\$ 3,750	\$ 33,625	\$ -	\$ -	\$ -	\$ 125	\$ -	\$ -	\$ -	0.0%	0.0%	0.3%
Line Maint & Repair Materials	\$ 6,000	\$ 6,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	0.0%	0.0%
Well Maintenance	\$ 12,000	\$ 1,200	\$ 10,760	\$ -	\$ -	\$ -	\$ 40	\$ -	\$ -	\$ -	0.0%	0.0%	0.3%
Chemicals	\$ 688,200	\$ 128,770	\$ 483,091	\$ 75,220	\$ 1,119	\$ 18.7%	\$ 70.2%	\$ 10.9%	\$ 0.2%	\$ -	100.0%	0.0%	0.0%
Well Maintenance - Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	0.0%	0.3%
Sub-Total	\$ 688,200	\$ 128,770	\$ 483,091	\$ 75,220	\$ 1,119	\$ 18.7%	\$ 70.2%	\$ 10.9%	\$ 0.2%	\$ -	100.0%	0.0%	0.0%

CABAZON WATER DISTRICT
WATER RATE STUDY
Cost of Service Analysis

TABLE 17
Classification of Expenses, continued

Budget Categories	Total Revenue Requirements		Commodity (COM)	Capacity (CAP)	Customer (CA)	Fire Protection (FP)	Basis of Classification					
	FY2016/17						(COM)	(CAP)	(CA)	(FP)		
Security												
Crime Prevention (PSI & Verizon)	\$ 1,070	\$ 107	\$ 959			4	10.0%	89.7%	0.0%	0.0%	0.3%	
Alarms Phones	\$ 1,360	\$ 136	\$ 1,219			5	10.0%	89.7%	0.0%	0.0%	0.3%	
Alarms - Other	\$ 550	\$ 55	\$ 493			2	10.0%	89.7%	0.0%	0.0%	0.3%	
Training / Equipment	\$ -	\$ -	\$ -			-	10.0%	89.7%	0.0%	0.0%	0.3%	
Materials	\$ 500	\$ 50	\$ 448			2	10.0%	89.7%	0.0%	0.0%	0.3%	
Audio Alarm	\$ 7,000	\$ 700	\$ 6,277			23	10.0%	89.7%	0.0%	0.0%	0.3%	
Video Equip Lease	\$ 9,500	\$ 950	\$ 8,518			32	10.0%	89.7%	0.0%	0.0%	0.3%	
Miscellaneous Fac, Wells, Trans & Distribution												
Engineering Services	\$ 80,900	\$ 8,090	\$ 72,540			270	10.0%	89.7%	0.0%	0.0%	0.3%	
Chlorinators	\$ 2,000	\$ 2,000	\$ -			-	100.0%	0.0%	0.0%	0.0%	0.0%	
Other	\$ 30,000	\$ 30,000	\$ -			-	100.0%	0.0%	0.0%	0.0%	0.0%	
Utilities - Office												
Electricity	\$ 13,900	\$ 1,390	\$ 12,510			-	10.0%	90.0%	0.0%	0.0%	0.0%	
Gas	\$ 520	\$ 52	\$ 468			-	10.0%	90.0%	0.0%	0.0%	0.0%	
Telephone	\$ 9,800	\$ 980	\$ 8,787			33	10.0%	89.7%	0.0%	0.0%	0.3%	
Trash Pickup / Office Cleaning	\$ 4,300	\$ 430	\$ 3,856			14	10.0%	89.7%	0.0%	0.0%	0.3%	
Office Expenses												
Fire Alarm System Servicing	\$ 600	\$ 60	\$ 538			2	10.0%	89.7%	0.0%	0.0%	0.3%	
Water Billing System	\$ 12,000	\$ -	\$ -	\$ 11,960		40	0.0%	0.0%	99.7%	0.0%	0.3%	
Supplies & Equipment	\$ 9,540	\$ 954	\$ 8,554			32	10.0%	89.7%	0.0%	0.0%	0.3%	
Copier and Supplies	\$ 7,900	\$ 790	\$ 7,084			26	10.0%	89.7%	0.0%	0.0%	0.3%	
Dues & Subscriptions	\$ 1,700	\$ 170	\$ 1,524			6	10.0%	89.7%	0.0%	0.0%	0.3%	
Postage	\$ 12,600	\$ 1,260	\$ 4,998	\$ 6,300		42	10.0%	39.7%	50.0%	50.0%	0.3%	
Printing & publications	\$ 6,000	\$ 600	\$ 2,380	\$ 3,000		20	10.0%	39.7%	50.0%	50.0%	0.3%	
Leases & Rents	\$ 340	\$ 34	\$ 305			1	10.0%	89.7%	0.0%	0.0%	0.3%	
Computer Services	\$ 40,000	\$ 4,000	\$ 35,867			133	10.0%	89.7%	0.0%	0.0%	0.3%	
Office / Road	\$ 1,500	\$ 150	\$ 1,345			5	10.0%	89.7%	0.0%	0.0%	0.3%	
Office Storage	\$ 6,100	\$ 610	\$ 5,470			20	10.0%	89.7%	0.0%	0.0%	0.3%	
Air Conditioning Servicing	\$ 4,300	\$ 430	\$ 3,856			14	10.0%	89.7%	0.0%	0.0%	0.3%	
Office Expenses - Other	\$ 1,000	\$ 100	\$ 897			3	10.0%	89.7%	0.0%	0.0%	0.3%	
Support Expenses												
Temporary Labor	\$ 10,000	\$ 1,000	\$ 8,967			33	10.0%	89.7%	0.0%	0.0%	0.3%	
Financial Audit	\$ 21,700	\$ 2,170	\$ 19,458			72	10.0%	89.7%	0.0%	0.0%	0.3%	
Accounting	\$ 35,000	\$ 3,500	\$ 31,383			117	10.0%	89.7%	0.0%	0.0%	0.3%	
Sub-Total	\$ 331,680	\$ 60,768	\$ 248,700	\$ 21,260	\$ 952	952	18.3%	75.0%	6.4%	0.3%		

CABAZON WATER DISTRICT
WATER RATE STUDY
Cost of Service Analysis

TABLE 18
Classification of Expenses, continued

Budget Categories	Total Revenue Requirements		Commodity (COM)	Capacity (CAP)	Customer (CA)	Fire Protection (FP)	Basis of Classification					
	FY 2016/17						(COM)	(CAP)	(CA)	(FP)		
Legal												
Legal - General	\$ 40,000	\$ 4,000	\$ 36,000	-	-	-	10.0%	90.0%	0.0%	0.0%	0.0%	0.0%
Legal - Water	\$ 25,600	\$ 25,600	-	-	-	-	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Legal - Brown Act, Public Record	\$ 6,800	\$ 680	\$ 6,120	-	-	-	10.0%	90.0%	0.0%	0.0%	0.0%	0.0%
Legal - Personnel	\$ 5,000	\$ 500	\$ 4,500	-	-	-	10.0%	90.0%	0.0%	0.0%	0.0%	0.0%
Legal - Grant / Loan Funding	\$ 10,000	\$ 1,000	\$ 9,000	-	-	-	10.0%	90.0%	0.0%	0.0%	0.0%	0.0%
Legal - Fees & Charges	\$ 2,900	\$ 290	\$ 2,465	145	-	-	10.0%	85.0%	5.0%	0.0%	0.0%	0.0%
Miscellaneous Support												
Bank Service Charges	\$ 1,700	\$ 170	\$ 1,524	-	-	6	10.0%	89.7%	0.0%	0.0%	0.0%	0.3%
Payroll Service	\$ 5,000	\$ 500	\$ 4,483	-	-	17	10.0%	89.7%	0.0%	0.0%	0.0%	0.3%
General Liability Insurance	\$ 21,500	\$ 2,150	\$ 19,278	-	-	72	10.0%	89.7%	0.0%	0.0%	0.0%	0.3%
Fixed Asset Software System	-	-	-	-	-	-	10.0%	89.7%	0.0%	0.0%	0.0%	0.3%
Training / Travel	-	-	-	-	-	-	10.0%	89.7%	0.0%	0.0%	0.0%	0.3%
Seminars / Training	\$ 2,000	\$ 200	\$ 1,793	-	-	7	10.0%	89.7%	0.0%	0.0%	0.0%	0.3%
Travel Meals	\$ 4,000	\$ 400	\$ 3,587	-	-	13	10.0%	89.7%	0.0%	0.0%	0.0%	0.3%
Other Fees												
County Lien Release Fees	\$ 180	\$ 18	\$ 161	-	-	1	10.0%	89.7%	0.0%	0.0%	0.0%	0.3%
Riverside County Fees	\$ 2,500	\$ 250	\$ 2,242	-	-	8	10.0%	89.7%	0.0%	0.0%	0.0%	0.3%
State Water fees	\$ 12,500	\$ 12,500	-	-	-	-	100.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other Fees - Other	\$ 1,000	\$ 100	\$ 897	-	-	3	10.0%	89.7%	0.0%	0.0%	0.0%	0.3%
Service Tools & Equipment												
Shop Supplies & Small Tools	\$ 6,000	\$ 600	\$ 5,380	-	-	20	10.0%	89.7%	0.0%	0.0%	0.0%	0.3%
Vehicle Fuel	\$ 12,000	\$ 1,200	\$ 10,760	-	-	40	10.0%	89.7%	0.0%	0.0%	0.0%	0.3%
Employee Uniforms	\$ 2,000	\$ 200	\$ 1,793	-	-	7	10.0%	89.7%	0.0%	0.0%	0.0%	0.3%
Safety	\$ 5,000	\$ 500	\$ 4,483	-	-	17	10.0%	89.7%	0.0%	0.0%	0.0%	0.3%
Tractor Expenses	\$ 6,900	\$ 690	\$ 6,187	-	-	23	10.0%	89.7%	0.0%	0.0%	0.0%	0.3%
Backhoe Fuel	\$ 1,000	\$ 100	\$ 897	-	-	3	10.0%	89.7%	0.0%	0.0%	0.0%	0.3%
Equipment Rental	\$ 1,200	\$ 120	\$ 1,076	-	-	4	10.0%	89.7%	0.0%	0.0%	0.0%	0.3%
Service Trucks - Repair & Mtn	\$ 14,100	\$ 1,410	\$ 12,643	-	-	47	10.0%	89.7%	0.0%	0.0%	0.0%	0.3%
Water Ops Cell Phone / Internet	\$ 2,200	\$ 220	\$ 1,973	-	-	7	10.0%	89.7%	0.0%	0.0%	0.0%	0.3%
Water Ops Computer Internet	\$ 4,000	\$ 400	\$ 3,587	-	-	13	10.0%	89.7%	0.0%	0.0%	0.0%	0.3%
Communications	\$ 3,000	\$ 300	\$ 2,690	-	-	10	10.0%	89.7%	0.0%	0.0%	0.0%	0.3%
Service Tools & Equipment - Other	\$ 1,100	\$ 110	\$ 986	-	-	4	10.0%	89.7%	0.0%	0.0%	0.0%	0.3%
Miscellaneous Expenses												
Returned Checks	-	-	-	-	-	-	0.0%	0.0%	99.7%	0.0%	0.0%	0.3%
Grant / Loan Processing Fee	\$ 1,325	\$ 133	\$ 1,188	-	-	4	10.0%	89.7%	0.0%	0.0%	0.0%	0.3%
Bad Debt Expense	\$ 1,200	-	-	1,196	-	4	0.0%	0.0%	99.7%	0.0%	0.0%	0.3%
Miscellaneous	\$ 8,000	\$ 800	\$ 7,173	-	-	27	10.0%	89.7%	0.0%	0.0%	0.0%	0.3%
Website Support	\$ 2,820	\$ 282	\$ 2,529	-	-	9	10.0%	89.7%	0.0%	0.0%	0.0%	0.3%
Image Consultant	-	-	-	-	-	-	10.0%	89.7%	0.0%	0.0%	0.0%	0.3%
DHPO Payback (2)	\$ 21,000	\$ 2,100	\$ 18,830	-	-	70	10.0%	89.7%	0.0%	0.0%	0.0%	0.3%
GSA / SGMA	-	-	-	-	-	-	10.0%	89.7%	0.0%	0.0%	0.0%	0.3%
Sub-Total	\$ 233,525	\$ 57,523	\$ 174,225	\$ 1,341	\$ 436	\$ 24.6%	74.6%	72.3%	0.6%	0.2%	0.2%	0.2%
Total Operating Expense	\$ 1,255,405	\$ 247,061	\$ 906,017	\$ 97,821	\$ 2,507	\$ 19.7%	73.3%	7.8%	0.2%	0.2%	0.2%	0.2%

CABAZON WATER DISTRICT
WATER RATE STUDY
Cost of Service Analysis

TABLE 19

Classification of Expenses, continued															
Budget Categories	Total Revenue Requirements			Commodity			Capacity		Customer		Fire Protection		Basis of Classification		
	FY 2016/17			(COM)			(CAP)	(CAP)	(CA)	(FP)	(COM)	(CAP)	(CA)	(FP)	
Debt Service Payments															
DWR Loan No E58416	\$	48,691	\$	-	\$	48,691	\$	-	\$	-	-	-	100.0%	0.0%	0.0%
Zion First National Installment Sale Agreement	\$	88,709	\$	-	\$	88,709	\$	-	\$	-	-	-	100.0%	0.0%	0.0%
Future Debt Service	\$	-	\$	-	\$	-	\$	-	\$	-	-	-	100.0%	0.0%	0.0%
Total Debt Service Payments	\$	137,400	\$	-	\$	137,400	\$	-	\$	-	-	-	100.0%	0.0%	0.0%
Capital Expenditures															
Rate Funded Capital Expenses	\$	132,000	\$	-	\$	132,000	\$	-	\$	-	-	-	100.0%	0.0%	0.0%
TOTAL REVENUE REQUIREMENTS	\$	1,522,805	\$	247,061	\$	1,175,417	\$	97,821	\$	2,507	\$	16,207	77.2%	6.4%	0.2%
Less: Non-Rate Revenues															
Water Sales Revenue	\$	-	\$	-	\$	-	\$	-	\$	-	-	-	-	-	-
Base Rate Water Bills	\$	-	\$	-	\$	-	\$	-	\$	-	-	-	-	-	-
Fire Sales - Water Bills	\$	-	\$	-	\$	-	\$	-	\$	-	-	-	-	-	-
Fee Revenue	\$	(113,600)	\$	(18,431)	\$	(87,685)	\$	(7,297)	\$	(187)	\$	(16.2%)	6.4%	0.2%	
Stand By Fees - Tax Revenue	\$	(150)	\$	(24)	\$	(116)	\$	(10)	\$	(0)	\$	(0)	6.4%	0.2%	
Fire Flow Income	\$	(80)	\$	(13)	\$	(62)	\$	(5)	\$	(0)	\$	(0)	6.4%	0.2%	
Meter Install & Removal	\$	(40,000)	\$	(6,490)	\$	(30,875)	\$	(2,569)	\$	(66)	\$	(6.2%)	6.4%	0.2%	
Penalty Fees - Water Bills	\$	(1,020)	\$	(165)	\$	(787)	\$	(66)	\$	(2)	\$	(16.2%)	6.4%	0.2%	
Lien Reinstatement Fees	\$	(1,420)	\$	(230)	\$	(1,096)	\$	(91)	\$	(2)	\$	(16.2%)	6.4%	0.2%	
New Account Fees - Water Bill	\$	(140)	\$	(23)	\$	(108)	\$	(9)	\$	(0)	\$	(16.2%)	6.4%	0.2%	
Incident Fee - Water Bills	\$	(550)	\$	(89)	\$	(425)	\$	(35)	\$	(1)	\$	(16.2%)	6.4%	0.2%	
Returned Check Fees	\$	(8,020)	\$	(1,301)	\$	(6,190)	\$	(515)	\$	(13)	\$	(16.2%)	6.4%	0.2%	
Basic Facilities Fee (New Service)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	-	-
Miscellaneous Revenue	\$	(50,700)	\$	(8,226)	\$	(39,134)	\$	(3,257)	\$	(83)	\$	(16.2%)	6.4%	0.2%	
Ad Valorem - Tax Revenue	\$	(10,000)	\$	(1,622)	\$	(7,719)	\$	(642)	\$	(16)	\$	(16.2%)	6.4%	0.2%	
Teeter Settlement Income	\$	(23,100)	\$	(3,748)	\$	(17,830)	\$	(1,484)	\$	(38)	\$	(16.2%)	6.4%	0.2%	
Cell Tower Lease Income	\$	(6,010)	\$	(975)	\$	(4,639)	\$	(386)	\$	(10)	\$	(16.2%)	6.4%	0.2%	
Miscellaneous Non-Operating Income	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	-	-
Interest Income	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	-	-	-
NET REVENUE REQUIREMENTS	\$	1,268,015	\$	205,723	\$	978,751	\$	81,454	\$	2,087	\$	16.2%	6.4%	0.2%	
Allocation of Revenue Requirements	100.0%		16.2%		77.2%										

TABLE 20

Classification of Expenses, continued				
Adjustments to Classification of Expenses				
Adjustment for Current Rate Level:				
Total	(COM)	(CAP)	(CA)	(FP)
FY 2016/17 Target Rate Rev. After Rate Increases	\$	1,155,175		
Projected Rate Revenue at Current Rates	\$	1,004,500		
FY 2016/17 Projected Rate Increase	15.0%			
Adjusted Net Revenue Req'ts	\$	1,155,175	\$	1,902
<i>Percent of Revenue</i>	100.0%	16.2%	77.2%	6.4%

CABAZON WATER DISTRICT
 WATER RATE STUDY
 Water Cost of Service Analysis

TABLE 21

Customer Class	Volume (hcf) (1)	Percent of Total Volume
Single Family Residential	104,796	76.8%
Multi-Family Residential	1,011	0.7%
Government Meters	18,715	13.7%
Commercial Meters	11,854	8.7%
Industrial Meters	-	0.0%
Private Fire	-	0.0%
Total	136,376	100%
Contract	58,614	
Construction (3)	23	
Fire Hydrant (3)	-	
District (4)	211	
Grand Total	195,224	

1. Consumption for October 2015 - September 2016. CWD bills monthly.
 Source files: *Jan-Apr 2016 Customer Class Consumption.pdf, Jan-Dec 2015 Customer Class Consumption.pdf*
2. Contract customer excluded as rate design is set by contract.
3. Excluded from consumption as the water used by construction/temporary hydrants is inconsistent.
4. Excluded from consumption as the water used by District is not billable.

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

CABAZON WATER DISTRICT
WATER RATE STUDY
Water Cost of Service Analysis

TABLE 22

Development of the CAPACITY (MAX MONTH) Allocation Factor				
Customer Class	Average Monthly Use (hcf)	Peak Monthly Use (hcf) (1)	Peak Monthly Factor	Max Month Capacity Factor
Single Family Residential	8,733	11,683	1.34	74.5%
Multi-Family Residential	84	202	2.40	1.3%
Government Meters	1,560	2,501	1.60	15.9%
Commercial Meters	988	1,297	1.31	8.3%
Industrial Meters	0	0	N/A	0.0%
Private Fire	0	0	N/A	0.0%
Total	11,365	15,683		100%
Contract	4,885	7,253	1.48	
Construction				
Fire Hydrant District				

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

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

TABLE 23

Development of the CUSTOMER Allocation Factor		
Customer Class	Number of Meters (1)	Percent of Total
Single Family Residential	837	95.0%
Multi-Family Residential	2	0.2%
Government Meters	13	1.5%
Commercial Meters	26	3.0%
Industrial Meters	1	0.1%
Private Fire	2	0.2%
Total	881	100.0%
Contract	1	
Construction	-	
Fire Hydrant District	1	
Grand Total	885	

1. Meter Count for April 2016. CWD bills monthly.

Source files: Jan-Apr 2016 Customer Class Consumption.pdf; Jan-Dec 2015 Customer Class Consumption.pdf

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

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DEVELOPMENT OF ADDITIONAL CAPACITY FACTORS FOR
 SINGLE FAMILY RESIDENTIAL CUSTOMERS FY 2016/17:

TABLE 24

Consumption by Tier			
Tier	Monthly Breakpoint (1)	Expected Consumption (2)	Percentage of Total SFR Consumption
Tier 1	7 hcf	55,392	53%
Tier 2	14 hcf	25,489	24%
Tier 3	--	23,915	23%
Total		104,796	100%

1. Tier 1 breakpoint set to average winter consumption, an estimate of average indoor consumption in Cabazon. Tier 2 breakpoint set to 14 hcf which is average summer consumption.
2. Consumption data is based on the CWD Oct. 2015- Sept. 2016 customer data which are monthly bills.

Source files: Jan-Apr 2016 Customer Class Consumption.pdf; Jan-Dec 2015 Customer Class Consumption.pdf

TABLE 25

Development of the Single-Family Residential PEAK CAPACITY (MAX MONTH) Allocation Factors				
Tier	Description	Monthly Consumption (hcf) (1)	Additional Capacity Required (hcf) (4)	Percent of Total
Tier 1	Max Tier 1 Capacity (2)	5,859	0	0.0%
Tier 2	Peak up to Tier 2 (3)	7,902	2,043	35.1%
Tier 3	Peak up to Tier 3 (3)	11,683	3,781	64.9%
Total			5,824	100.0%

1. Consumption data is based on the CWD Oct. 2015- Sept. 2016 customer data which are monthly bills. Source files: Jan-Apr 2016 Customer Class Consumption.pdf; Jan-Dec 2015 Customer Class Consumption.pdf
2. Capacity allocated to the first tier represents the tier break multiplied by the number of customers.
3. This is the cumulative peak consumption up to the tier break; it represents capacity required to provide service to a given tier.
4. This is the additional cumulative capacity to meet peak consumption at each tier.

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DEVELOPMENT OF CONTRACT RATES:

TABLE 26

Contract	Current (1)	Proposed Rates				
		FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21
<i>Projected Increase in Rate Revenue per Financial Plan:</i>						
Fixed Rate	\$1,458.60	\$1,677.39	\$1,929.00	\$2,025.45	\$2,126.72	\$2,233.06
Variable Rate	\$2.50	\$2.88	\$3.31	\$3.47	\$3.65	\$3.83
Estimated Consumption (hcf)	58,614	58,614	58,614	58,614	58,614	58,614
Estimated Fixed Revenue	\$ 17,503	\$ 20,129	\$ 23,148	\$ 24,305	\$ 25,521	\$ 26,797
Estimated Variable Revenue	146,535	168,515	193,793	203,482	213,656	224,339
Target Revenue	\$ 164,038	\$ 188,644	\$ 216,941	\$ 227,788	\$ 239,177	\$ 251,136
Remaining Rate Revenue	\$ 840,462	\$ 966,531	\$ 1,114,511	\$ 1,167,086	\$ 1,225,441	\$ 1,286,713

1. Current rates provided via email 1/17/17.

CABAZON WATER DISTRICT
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TABLE 27

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

1. Meter flow rates are from AWWA M-1 Table B-1.
2. Fire Service meter flow rates are from AWWA M-6 Table 5-3.

TABLE 28 - ALLOCATION OF WATER REVENUE REQUIREMENTS:

Functional Category	COSA Results		Proposed Rates	
	Unadjusted Net Revenue Requirements (2016-17) 84% Fixed / 16% Variable		Adjusted Net Revenue Requirements (2016-17) 70% Fixed / 30% Variable	
Commodity - Related Costs	\$ 156,810	16.2%	\$ 156,810	16.2%
Capacity - Related Costs (volumetric share)	\$ -	0.0%	\$ 133,149	13.8%
Capacity - Related Costs (fixed share)	\$ 746,042	77.2%	\$ 612,893	63.4%
Customer - Related Costs	\$ 62,087	6.4%	\$ 62,087	6.4%
Fire Protection - Related Costs	\$ 1,591	0.2%	\$ 1,591	0.2%
Total	\$ 966,531	100%	\$ 966,531	100%
Contract	\$ 188,644		\$ 188,644	
Net Revenue Requirement	\$ 1,155,175		\$ 1,155,175	

CABAZON WATER DISTRICT
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TABLE 29 - Allocation of Adjusted Net Revenue Requirements - FY 2016/17:

Customer Classes	Classification Components						Cost of Service Net Rev. Req'ts	% of COS Net Revenue Req'ts
	Commodity-Related Costs	Capacity-Related Costs Volumetric Share	Capacity-Related Costs Fixed Share	Customer-Related Costs	Fire Protection-Related Costs			
Single Family Residential	\$ 120,499	\$ 99,189	\$ 456,575	\$ 58,987	\$ -	\$ 735,250	76.1%	
Multi-Family Residential	1,162	1,715	7,894	141	-	10,912	1.1%	
Government Meters	21,519	21,233	97,738	916	-	141,406	14.6%	
Commercial Meters	13,630	11,011	50,686	1,832	-	77,160	8.0%	
Industrial Meters	-	-	-	70	-	70	0.0%	
Private Fire	-	-	-	141	1,591	1,732	0.2%	
Total Net Revenue Requirement	\$ 156,810	\$ 133,149	\$ 612,893	\$ 62,087	\$ 1,591	\$ 966,531	100%	

TABLE 30 - Cost-of-Service Summary of Revenue Requirements:

Customer Class	Rate Revenue - FY 2014/15		FY '16/17 Proposed Rates	
	Rate Revenue	% of Revenue	COS Rev. Req't	% of 2014/15 vs. 2016/17
Single Family Residential	\$ 618,631	73.8%	\$ 735,250	76.1%
Multi-Family Residential	3,907	0.5%	10,912	1.1%
Government Meters	116,646	13.9%	141,406	14.6%
Commercial Meters	90,103	10.7%	77,160	8.0%
Industrial Meters	6,340	0.8%	70	0.0%
Private Fire	2,880	0.3%	1,732	0.2%
Total	\$ 838,506	100.0%	\$ 966,531	100%

CABAZON WATER DISTRICT
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TABLE 31 - CALCULATION OF MONTHLY FIXED METER SERVICE CHARGES FOR FY 2016/17:

	FY 2016/17										Total
	5/8 inch	3/4 inch	1 inch	1 1/2 inch	2 inch	3 inch	4 inch	6 inch	10 inch		
Number of Meters by Class and Size (1)											
Single Family Residential	799	22	10	2	4	-	-	-	-	-	
Multi-Family Residential	2	-	-	-	-	-	-	-	-	-	
Government Meters	2	-	2	-	8	1	-	-	-	-	
Commercial Meters	13	1	1	2	7	2	-	-	-	-	
Industrial Meters	-	-	-	-	-	-	1	-	-	-	
Total Meters/Accounts	816	23	13	4	19	3	1	-	-	879	
<i>Hydraulic Capacity Factor (2)</i>	1.00	1.50	2.50	5.00	8.00	16.00	25.00	50.00	210.00		
Total Equivalent Meters	816	35	33	20	152	48	25	-	-	1,128	
Monthly Fixed Service Charges											
Customer Costs (\$/Acct/month) (3)	\$5.87	\$5.87	\$5.87	\$5.87	\$5.87	\$5.87	\$5.87	\$5.87	\$5.87	\$5.87	
Capacity Costs (\$/Acct/month) (4)	\$45.28	\$67.92	\$113.20	\$226.39	\$362.23	\$724.46	\$1,131.97	\$2,263.94	\$9,508.54		
Total Monthly Meter Charge	\$51.15	\$73.79	\$119.07	\$232.27	\$368.10	\$730.33	\$1,137.84	\$2,269.81	\$9,514.41		
Annual Fixed Costs Allocated to Monthly Meter Charges											
Customer Costs	\$ 61,946										
Capacity Costs	612,893										
Total Fixed Meter Costs	\$ 674,840										
Annual Revenue from Monthly Meter Charges											
Customer Charges	\$ 57,507	\$ 1,621	\$ 916	\$ 282	\$ 1,339	\$ 211	\$ 70	\$ -	\$ -	\$ 61,946	
Capacity Charges	443,370	18,745	17,659	10,867	82,588	26,081	13,584	-	-	\$ 612,893	
Total Revenue from Monthly Meter	\$ 500,876	\$ 20,366	\$ 18,575	\$ 11,149	\$ 83,927	\$ 26,292	\$ 13,654	\$ -	\$ -	\$ 674,840	

- Number of meters by size and customer class for September 2016. CWD bills monthly.
Source files: Co1_(2014, 2015, 2016) Usage and Meter CSI Report.xls & Co2_(2014, 2015, 2016) Usage and Meter CSI Report.xls
- Source file: AWWA Manual M1, "Principles of Water Rates, Fees, and Charges", Table B-1.
- Customer costs are allocated to each customer by dividing the total customer costs by the total number of customers.
- Capacity costs are allocated by meter size and the hydraulic capacity of the meter.

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TABLE 32 - CALCULATION OF MONTHLY FIRE METER SERVICE CHARGES FOR FY 2016/17:

Proposed Rates - Net Revenue Requirements (70% Fixed / 30% Variable)	Number of Meters by Class and Size (1)			FY 2016/17		Total
	4 inch	6 inch	8 inch	4 inch	6 inch	
Fire Protection - Related Costs	1	1	2	1	2	
Total Meters/Accounts	1	1	2	1	2	
Hydraulic Capacity Factor (2)	35.00	80.00				
Total Equivalent Meters	35	80				115
Monthly Fixed Service Charges						
Customer Costs (\$/Acct/month) (3)	\$5.87	\$5.87				
Capacity Costs (\$/Acct/month) (4)	\$40.36	\$92.24				
Total Monthly Meter Charge	\$46.23	\$98.11				
Annual Fixed Costs Allocated to Monthly Meter Charges						
Customer Costs	\$ 141					
Capacity & Fire Protection Costs	1,591					
Total Fixed Meter Costs	\$ 1,732					
Annual Revenue from Monthly Meter Charges						
Customer Charges	\$ 70	\$ 70		\$ 70	\$ 141	
Capacity Charges	484	1,107		1,107	1,591	
Total Revenue from Monthly Meter	\$ 555	\$ 1,177		\$ 1,732	\$ 1,732	

1. Number of meters by size and customer class provided via email 1/25/17.
2. Source file: AWWA Manual M6, "Water Meters - Selection, Installation, Testing and Maintenance", Table 5-3.
3. Customer costs are allocated to each customer by dividing the total customer costs by the total number of customers.
4. Capacity costs are allocated by meter size and the hydraulic capacity of the meter.

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PROPOSED VOLUMETRIC CHARGES FOR FY 2016/17:

Proposed Rates - Net Revenue Requirements (70% Fixed / 30% Variable)

TABLE 33

Customer Classes	Number of Meters ¹	Water Consumption (hcf/yr) ²	Commodity Assigned Costs	Capacity Assigned Costs	Target Rev. Reqt. from Vol. Charges	% of Total Rate Revenue	Uniform Commodity Rates (\$/hcf)	Proposed Rate Structure
Single Family Residential	837	104,796	\$ 120,499	\$ 99,189	\$ 219,688	22.7%	\$2.10	Tiered
Multi-Family Residential	2	1,011	1,162	1,715	2,877	0.3%		Uniform
Government Meters	13	18,715	21,519	21,233	42,752	4.4%		Uniform
Commercial Meters	26	11,854	13,630	11,011	24,642	2.5%	\$2.23	Uniform
Industrial Meters	1	0	-	-	-	0.0%		Uniform
Private Fire	2	0	-	-	-	0.0%		Uniform
Total	881	136,376	\$ 156,810	\$ 133,149	\$ 289,959	30%		

1. Number of meters by size and customer class for September 2016. CWD bills monthly.
2. Consumption data is based on the CWD Oct. 2015- Sept 2016 customer data which are monthly bills.
 Source files: Co1_(2014, 2015, 2016) Usage and Meter CSI Report.xls & Co2_(2014, 2015, 2016) Usage and Meter CSI Report.xls

TABLE 34

Single-Family Residential Tiered Rates	Tier Break	Water Consumption (hcf/yr) ²	Commodity Assigned Costs	Capacity Assigned Costs	Total Target Rev. Reqt. from Vol. Charges	% of Total Volumetric Rate Revenue	Tiered Rates (\$/hcf)
Tier 1	7	55,392	\$ 63,692.02	\$ -	\$ 63,692	22.0%	\$1.15
Tier 2	14	25,489	29,308	34,793	64,101	22.1%	\$2.51
Tier 3	--	23,915	27,498	64,396	91,895	31.7%	\$3.84
Total		104,796	\$ 120,499	\$ 99,189	\$ 219,688	76%	

CABAZON WATER DISTRICT
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 Water Cost of Service Analysis/Rate Design

CURRENT VS. PROPOSED WATER RATES:

TABLE 35

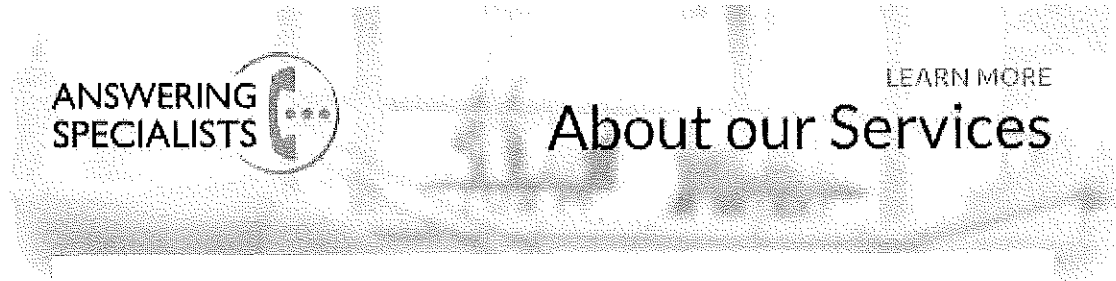
Proposed Rates – Net Revenue Requirements (70% Fixed / 30% Variable)

Water Rate Schedule	Current Rates	Proposed Rates				
		FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	FY 2020/21
Fixed Meter Charges						
Monthly Fixed Service Charges:						
5/8 inch	\$44.16	\$51.15	\$58.82	\$61.77	\$64.85	\$68.10
3/4 inch	\$59.47	\$73.79	\$84.86	\$89.10	\$93.56	\$98.24
1 inch	\$88.26	\$119.07	\$136.93	\$143.78	\$150.97	\$158.51
1.5 inch	\$188.97	\$232.27	\$267.11	\$280.46	\$294.48	\$309.21
2 inch	\$286.61	\$368.10	\$423.32	\$444.48	\$466.71	\$490.04
3 inch	\$384.25	\$730.33	\$839.88	\$881.88	\$925.97	\$972.27
4 inch	\$536.82	\$1,137.84	\$1,308.52	\$1,373.94	\$1,442.64	\$1,514.77
6 inch	\$718.63	\$2,269.81	\$2,610.28	\$2,740.80	\$2,877.84	\$3,021.73
Contract	\$1,458.60	\$1,677.39	\$1,929.00	\$2,025.45	\$2,126.72	\$2,233.06
Monthly Fire Service Charges:						
4 inch	\$60.00	\$46.23	\$53.16	\$55.82	\$58.61	\$61.54
6 inch	\$90.00	\$98.11	\$112.83	\$118.47	\$124.40	\$130.62
Commodity Charges						
Rate per hcf of Water Consumed:						
Uniform Rate (Non-SFR Customers)	N/A	\$2.23	\$2.56	\$2.69	\$2.82	\$2.96
Contract Rate	\$2.50	\$2.88	\$3.31	\$3.47	\$3.65	\$3.83
Tiered Rate (SFR Customers):						
	<u>Current</u>	<u>Proposed</u>				
Tier 1	0-5 hcf	0-7 hcf	\$1.32	\$1.39	\$1.46	\$1.53
Tier 2	6-25 hcf	8-14 hcf	\$2.21	\$3.04	\$3.19	\$3.35
Tier 3	26-50 hcf	14+ hcf	\$4.36	\$4.64	\$4.87	\$5.12
Tier 4	50+ hcf	--	\$5.05	N/A	N/A	N/A

Elizabeth Lemus

From: amy@answeringspecialists.com
Sent: Friday, March 17, 2017 10:17 AM
To: Elizabeth Lemus
Subject: Here's the information you requested!

Follow Up Flag: Follow up
Flag Status: Completed



To: Elizabeth Lemus
Cabazon Water District

March 17, 2017

[View as a webpage](#)

Email: elemus@cabazonwater.org
Phone: (951) 849-4442 x2

From: Amy Cowley
(213) 799-0777
Southern California, CA

Thanks for the call this morning regarding our answering service. I would really like the opportunity to earn your business. I get a lot of companies who transfer from other services - and we make them happy and keep their business. There are several reasons why we are able to serve them successfully when others can't.

1. **We group our operators into small groups.** This means that the number of operators answering your calls is kept to a select few - who answer all of your calls - correctly - to your specifications thereby reducing mistakes. They become overly familiar with your account, how you want your calls handled, what is important to you, and deliver the level of service you were expecting.
2. **We still bill the old fashion way - by the call - not by the minute.** Services that bill by the minute charge upwards of \$1.00 per minute or

more - this translates to \$60.00 per hour. We think this is excessive to say the least. Also - when calls are transferred under this method - you are billed their hourly rate the entire time you are talking to your client - that can get expensive fast. We charge by the call made or received. The price is reasonable and fair and keeps your costs in line with the service provided.

3. **We bill in full month increments - not 25 or 28 day billing cycles.**
You will receive 12 invoices per year as opposed to those who bill you 13 times per year. This can amount to a 10% price savings alone. No games just straight forward pricing.
4. **No long term commitments or contracts.** All of our service agreements can be terminated at any time by simply providing us written notice that our services are no longer required. We believe that we should be earning your business constantly, not locking you into a long term contract where you have to stay because you have a contract. Business plans change and we believe it is our job to be flexible so that we can change with you as your needs dictate.
5. **All of our operators are local.** We NEVER outsource your calls overseas or to other countries. Rather, all of our operators are U.S. citizens speaking very good American English. No accents, hard to understand, etc.—just professional receptionists, speaking clear and proper English will be attending to your clients.
6. **Flexible Call Plans.** We offer a variety of call plans to meet your specific needs. We even offer rollover calls from the prior month to help you spread your calls to a busy month following a slow month. We realize that your needs may change from time to time because of special promotions or because your business experiences seasonal fluctuations and you can easily change plans as your needs require.
7. **Finally, we never use automated equipment to answer your calls.**
We answer all calls with a live operator. We believe that if you are hiring a live answering service to represent your business - you should

receive a live person. Most services in our area have reverted to using automated equipment to answer your calls when they are busy instead of hiring more operators. We believe this is wrong and does not provide you with the service you deserve. We take pride in having live, intelligent and courteous operators answering each call we receive on your behalf.

Below is a brief outline of our current price schedule. Prices quoted are in USD. Additional specialized services are available at an additional fee.

Our Tailored Service Levels	Telephone Answering Services		
	Included in Plan	Overages	Monthly Rate
Emergency Plan	None	\$5.00 / Call	\$24.95
Tier 1	None *	69¢ / Call	\$24.95
Tier 2	100 Calls / Mo.	69¢ / Call	\$69.95
Tier 3	150 Calls / Mo.	65¢ / Call	\$99.95
Tier 4	250 Calls / Mo.	60¢ / Call	\$149.95
Tier 5	500 Calls / Mo.	55¢ / Call	\$279.95
Tier 6	1000 Calls / Mo.	50¢ / Call	\$529.95
Tier 7	2500 Calls / Mo.	49¢ / Call	\$1,279.95
Tier 8	5000 Calls / Mo.	47¢ / Call	\$2,399.95

* Tier 1, our Pay-as-You-Go Plan, has a 25 call monthly minimum.

Fees applicable to all service plans include setup fee of \$35.00 and an Annual Maintenance fee billed \$35.00 Annually

Voice Mail Services

	Monthly
Business Box	\$14.95
Personal Box	\$9.95

Scheduling

Our/Your Program

50¢ / Minute
\$35 Monthly Minimum

Extra Services

On-Call Coordinator Service

\$15.00 / Month

Order Taking

50¢ / Minute
\$35 Monthly Minimum

I know our rates are about the best in the industry, but if you find someone offering a better service package at more aggressive prices, please let me know and I will attempt to meet or beat the competition.

Please feel free to call me and discuss your needs when you have more time. I would like to earn and keep your business and show you that you can get the service you are looking for from a quality answering service.

Amy Cowley
New Account Services

••• Become a Member Today

And find out why our customers are always telling us how "outstanding" and "fantastic" we are.

[Sign Up Now »](#)

Questions? Call us Anytime!
(213) 799-0777



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Service Agreement

The following is the service agreement between you and Answering Specialists, Inc. **Please read it carefully and fully. If you have any questions, please contact us before submitting this form.**

This AGREEMENT is made and entered into by and between ANSWERING SPECIALISTS, Inc. hereinafter known as ASI and you hereinafter known as CLIENT, whereby ASI agrees to provide services to CLIENT as follows:

Terms and Conditions:

1. Service shall commence on the date specified by CLIENT or as soon as possible thereafter. The term of this agreement shall be month to month on a calendar year basis. CLIENT may terminate this agreement at the expiration of the term thereof by simply providing a written notice to ASI. Any amounts due at time of cancellation will be immediately invoiced and processed for payment at time of cancellation. There will be no proration or refunds of any monthly or annual fees or for partial months of service usage. Non usage of the services contracted for under this agreement will not be construed as a cancellation by the CLIENT. CLIENT acknowledges that services contracted for are due and payable without regards to usage. Non usage or low usage of the services contracted for does not reduce the amounts due for contracted services. ASI Terms are Net-10. Interest of 1.5% per month will be charged on all past due balances. Additionally a 10% fee will be assessed for late payments.
2. Monthly charges are based on the current price list and the service options selected by the CLIENT. Services initially indicated during the setup process are subject to change by request of the CLIENT without modifying other terms and conditions of this agreement. Service plans, prices and fees are subject to change with 30 days notice. All funds are payable in U.S. Dollars.
3. Collection/Attorney's Fee. In the event that either party to this contract commences any lawsuit or legal action or engages a collection agency to enforce any rights or remedies which it may have under this contract, the prevailing party in any such action shall be entitled to an award of its reasonable collection fees and/or attorney's fees and costs. Should the CLIENT choose to do a chargeback of ASI fees on the CLIENT'S credit card, and ASI prevails, a fee of \$25.00 for each chargeback will be assessed to the CLIENT'S account.
4. This is a contractually binding agreement, and its provisions shall be binding upon the heirs, successors, and assigns of the parties hereto.
5. The parties agree that the laws of the State of Idaho shall govern any dispute which might arise under this agreement, and that the venue for any lawsuit of legal action brought, or arising out of this

agreement, be exclusively in the Superior Court of Boundary County for the State of Idaho.

6. Guarantee. The individual whose name is entered as accepting this contract (below) on behalf of a business shall be the personal guarantor of subscriber's performance of all monetary obligations which may arise out of this contract.

7. CLIENT acknowledges that the business of ASI is to supply business support services to its clients, including telephone answering service and voice mail service. CLIENT understands that all phone numbers provided by ASI are the property of ASI and will always remain ASI's property even upon and after termination of this agreement. CLIENT further acknowledges that ASI provides these services to clients on a volume basis, and that while every effort is made to carry out such services to the best of ASI's ability there may be instances where mistakes are made. CLIENT further acknowledges that the fees charged by ASI for its services do not contemplate compensation damages to CLIENT caused by the occurrence of such error, mistake or delay, and that if ASI were to charge fees that did contemplate the assumption of such risks, that the amount of such fees would be much greater. Accordingly, it is agreed by the parties as follows:

A. CLIENT agrees that ASI assumes, shall incur and be responsible for no liability in connection with any mistake, error or delay in the performance of the services to be delivered under this contract. CLIENT also waives and holds ASI exempt and free from liability as a result of such mistakes, error or delay in the delivery of such services.

B. It is additionally agreed that should the foregoing waiver of liability be held for any reason Unenforceable, the damages for any such mistake, error or delay in delivery of services shall be limited to and shall not exceed the cost of one month's fees as provided in the Agreement which would have otherwise been payable by CLIENT to ASI for the rendering of the type of service with the regard to which it is claimed that mistake, error or delay was committed or occurred.

8. CLIENT agrees to allow ASI to charge the balance on any invoice(s) outstanding on the CLIENTS account to the Credit Card Number or any other credit card that CLIENT has provided to ASI once the invoice becomes due and payable per the terms on the invoice. By accepting this contract, and/or by using our services (i.e. utilizing the telephone answering services or voice mail box, etc.), CLIENT agrees to all terms and conditions of this contract and acknowledges that matters referred to in paragraph seven (7) have been fully discussed by and between CLIENT and ASI. CLIENT understands the meaning of this paragraph, and understands that this paragraph's effect is to eliminate certain rights and/or claims for damages which CLIENT might otherwise have. CLIENT agrees with the factual statements set forth in this paragraph, and agrees that the waiver of liability for damages contained herein is freely and voluntarily entered into.

By accepting this contract, and/or by using our services (i.e. utilizing the telephone answering services or voice mail box, etc.), CLIENT agrees to all terms and conditions of this contract and acknowledges that matters referred to in paragraph six (6) have been fully discussed by and

between CLIENT and ASI. CLIENT understands the meaning of this paragraph, and understands that this paragraph's effect is to eliminate certain rights and/or claims for damages which CLIENT might otherwise have. CLIENT agrees with the factual statements set forth in this paragraph, and agrees that the waiver of liability for damages contained herein is freely and voluntarily entered into.

[Print Agreement](#)