

1/16/20



**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

**Teleconference:**  
Dial-in #: 978-990-5321  
Access Code: 117188

**Meeting Date:**  
Tuesday, December 15, 2020 – 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**

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**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.

2/16/20



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

**REGULAR BOARD MEETING**

**AGENDA**

**Meeting Location:**

**Teleconference:**

Dial-in #: 978-990-5321

Access Code: 117188

Email: info@cabazonwater.org

**Meeting Date:**

Tuesday, December 15, 2020 – 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 on November 17, 2020
- b. Regular Board Meeting Minutes and Warrants of November 17, 2020

**2. Warrants – None**

**3. Awards of Contracts – None**

**UPDATES**

**1. Update: San Geronio Pass Regional Water Alliance Update  
(by Director Israel / Director Morris)**

**2. Update: Manager's Operations Report (by GM Louie)**

**CLOSED SESSION:**

- (1) CONFERENCE WITH LEGAL COUNSEL – Potential Litigation (1 case).

**NEW BUSINESS**

- 1. Discussion/Action: Report of the Audited Financial Statements for Fiscal Year 2019-2020, as Presented by Fedak and Brown, LLP. (by Fedak & Brown – Byerrum)

**OLD BUSINESS**

- 1. Discussion/Action: NBS Water Rate Study Review and Discussion (by NBS)

**NEW BUSINESS**

- 2. Discussion/Action: Reimbursement to Board Directors for taking COVID Test related to District business. (by Director Wargo)
- 3. Discussion/Action: Transfer of funds from the District’s General Account to the District’s LAIF (Savings) Account. (by AGM Lemus)
- 4. Discussion/Action: Non-business Hour Water Emergency Response Fee Review (by GM Louie)

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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 – January 19, 2021, 5:00 pm
- b. Regular Board Meeting – Tuesday – January 19, 2021, 6:00 pm
- c. Personnel Committee – None
- d. San Gorgonio Pass Regional Water Alliance – Alliance Meeting – Wednesday –

ADJOURNMENT

ADA Compliance Issues

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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

**Teleconference:**  
Dial-in #: 978-990-5321  
Access Code: 117188

**Meeting Date:**  
Tuesday, November 17, 2020 – 5:00 PM

CALL TO ORDER,  
PLEDGE OF ALLEGIANCE,  
ROLL CALL

**Director Wargo - Present**  
**Director Sanderson - Present**

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

**\*Note: This meeting was recorded by the District -**

**FINANCE & AUDIT COMMITTEE**

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

Main Reports:

6/10/20

- Balance Sheet – depicts what the District owns and what the District owes.
- Profit & Loss – shows monthly revenue and expenses.
- Profit & Loss Budget Performance – shows how the District is performing against the budget, and the condition of the District fiscal year to date.

Balance Sheet:

The District's combined Cash with Chase and LAIF balance was \$1,222,343 at month end.  
The District's total liabilities were approximately \$893,582 at month end.

Profit and Loss: - Year to date is 33% of the year

- 4. Commodity Sales: This is variable income from water consumption charges. YTD (Year to Date) is trending above budget at 53% due to higher consumption in the summer months.
- 5. DHPO Contract: This the variable charge to the Desert Hills Premium Outlets (DHPO), which is segregated until their contract expires in December 2022. YTD is trending above budget at 41% due to higher consumption in the summer months.
- 9. New Account Fees: This account is the fees to set up a new utility account. These fees are currently at \$20 for residential accounts and \$65 for construction accounts. These fees are hard to predict and can trend under or over budget during the year.
- 32. Workers Compensation: The district makes worker's compensation installment payments in the first part of the fiscal year. By November, workers compensation will be paid in full through 5/1/21. YTD is at 60% due to timing of workers comp payments.
- 46. Engineering Services: This account includes the engineering costs for District activities. YTD trending above target at 45% due to an unexpected amount of new development and the tank recoating project.
- 90. Grant & Loan Processing Fee: This account includes the Loan fee from BNY. YTD is at 0% due to timing of payments.
- 94. Miscellaneous: This account includes other non-operating expenses. YTD is over budget because of Covid testing for employees preformed in October.
- 101. Meter Replacements & Other Capital: Budget in this account includes meter replacements and fire hydrant relocation project. YTD is at 174% due to purchase of new A/C unit (\$20.4K) and for rehabilitation on Well #1 (\$40.5K).

\*Note: The Board asked if the Meter Replacement expenses could be separated out from the "Other Capital" expenses, just for clarity.

As of October 31st, the fiscal year-to-date net income is \$66,417.

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

PUBLIC COMMENT

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7/11/20

**ADJOURNMENT**

Motion to adjourn at 17:16 hr. made by Director Wargo and 2<sup>nd</sup> by Director Sanderson.

Director Wargo - Aye  
Director Sanderson - Aye

Meeting adjourned at 17:16 hr. on Tuesday, November 17, 2020

\_\_\_\_\_  
Robert Lynk, Board Chair  
Board of Directors  
Cabazon Water District

\_\_\_\_\_  
Elizabeth Lemus, Secretary  
Board of Directors  
Cabazon Water District

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14618 Broadway Street • P.O. Box 297  
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**REGULAR BOARD MEETING  
MINUTES**

**Meeting Location:**

**Teleconference:**

Dial-in #: 978-990-5321

Access Code: 117188

Email: info@cabazonwater.org

**Meeting Date:**

Tuesday, November 17, 2020 – 6:00 PM

**CALL TO ORDER**

**PLEDGE OF ALLEGIANCE**

**REMEMBRANCE OF OUR SERVICE MEN AND WOMEN**

**ROLL CALL**

Director Martin Sanderson - Present

Director Diana Morris - Present

Director Sarah Wargo - Present

Director Maxine Israel - Absent

Director Robert Lynk - Present

Calvin Louie, General Manager - Present

Elizabeth Lemus, Board Secretary - Present

Cindy Byerrum, Financial Consultant - Present

Steve Anderson, Best Best & Krieger Law Firm - Absent

Joseph Ortiz, Best Best & Krieger Law Firm - Absent

Note: This meeting was recorded by the District -

**CONSENT CALENDAR**

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9/11/20

1. Approval of:

- a. Finance and Audit Committee Meeting Minutes and Warrants approved by the committee on October 20, 2020
- b. Regular Board Meeting Minutes and Warrants of October 20, 2020

Motion to approve following consent calendar item(s) (a.) Finance and Audit Committee Meeting Minutes/Warrants of October 20, 2020, and (b.) Regular Board Meeting Minutes/ Warrants of October 20, 2020, made by Director Wargo and 2<sup>nd</sup> by Director Sanderson.

Director Sanderson - Aye  
 Director Morris - Aye  
 Director Wargo - Aye  
 Director Israel - Absent  
 Director Lynk - Aye

2. Warrants – None

3. Awards of Contracts –

- a. Well No. 1 Rehabilitation & Re-equipping Project – Legend Pump and Well Service Inc. (per the October 20, 2020 Board Meeting)
- b. Tank No. 1 Rehabilitation & Re-equipping Project – Simpson Sandblasting and Special Coatings Inc. (per the October 20, 2020 Board Meeting)

1. Update: San Gorgonio Pass Regional Water Alliance Update (by Director Israel / Director Morris)

2. Update: Manager's Operations Report (by GM Louie)

- Edison PSPS Event predicted for 10/26-10/27/2020
- Engie Alternative Power meeting with management to be rescheduled.
- Preconstruction meeting held with Krieger and Stewart (engineers), Legend Pump and Well, and Simpson Sandblasting and Special Coatings in regards to upcoming Well 1/Tank 1 rehabilitation projects.
- COVID-19: No changes to the District's current operations (still closed to the public, etc.). City of Banning now closing their lobby to the public.
- Tesla Alternative Power: waiting on a bid from them.
- SCADA failure at Tank #2.
- Public Education Video: some unexpected issues uploading to District website; GM to find alternative method for uploading videos.
- 52396 Esperanza Ave. – District is currently working on serving water to property. Customer signed a payment plan and is making payments towards water service.
- Dolores Ave. – working with customer and engineers regarding installing a new service and fire hydrant(s) that are needed.
- 50100 Main St. Yard – District planning on occupying by the end of March 2021.

- Chick-Fil-A development on Seminole Ave. – K&S supplied their comments regarding the plan drawings to Chick-Fil-A's developers/engineers; awaiting response.
- Accent Computer Solutions – GM authorizing the purchase of an iDrac system (remote control system) for Accent to be able to remotely turn on/off the District's server, etc., to save District staff time from having to drive out to the District every time the server is shut off (due to a power outage, misc. reason, etc.).

### NEW BUSINESS

**1. Discussion/Action: Customer Concern: Elizabeth Miffleton, Development Project on Hattie Ave.**

- Customer explained that she is concerned with the \$30k engineering deposit; it is a lot to pay upfront, in addition to the other estimated District expenses. Looking for some kind of payment plan, pay-as-you-go plan, etc.
- The General Manager offered to arrange a meeting with Ms. Miffleton to see if there was a possibility of the Board approving a lesser deposit upfront.
- The customer agreed to this, and expressed she would like to meet as soon as possible.
- No motions made; the customer is going to meet with the General Manager to see if something can be arranged regarding her property development project.

**2. Discussion/Action: CalMutuals JPRIMA Ballot Selection for Jim Byerrum (only candidate running) - (by GM)**

- The General Manager explained that only one candidate was up for election, and he needed the Board's approval. The Board gave it.

**Motion to approve the CalMutuals JPRIMA Ballot Selection for Jim Byerrum made by Director Sanderson and 2<sup>nd</sup> by Director Wargo.**

Director Sanderson - Aye  
Director Morris - Aye  
Director Wargo - Aye  
Director Israel - Absent  
Director Lynk - Aye

**3. Discussion/Action: Thetford Web Development - (by GM)**

- The GM is currently unhappy with Thetford Web Development's current service, and would like to shop around for another website host.
- Director Lynk explained to the GM that it was an administrative action to shop around for a competitive bidder (the GM was free to do so without Board approval), but if a new contract was obtained, it would then go to the Board for approval.

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- No action was required or taken at this time.

\*No roll call vote made regarding this item; the General Manager just announced that he would like to look for a new vendor.

**OLD BUSINESS**

**1. Discussion/Action: NBS Water Rate Study and Adoption of Rates (Adoption of adjusted monthly meter charges and tiered water rates).**

- A 3% increase over the next five years was planned, with a 30% fixed charge (monthly meter charge), and a 70% variable charge (water usage charge).
- It was explained that the higher water users would pay more, but for residential customers that use approximately 1400 cubic feet or less, there would be a savings compared to the current structure.
- There was some discussion about middle range water users, the increase in cost for higher users, and the fact that lower water users should not subsidize the cost for higher water users.
- Mrs. Kerri Mariner and Miss Kayla Mariner were the only public to call and protest against the proposed 30/70% water rate adjustment.

Motion to approve the 30% fixed 70% variable water rate structure, as presented in the NBS report, made by Director Sanderson and 2<sup>nd</sup> by Director \_\_\_\_\_.

- Director Sanderson - \_\_\_\_\_ (yes / no / abstain)
- Director Morris - \_\_\_\_\_ (yes / no / abstain)
- Director Wargo - \_\_\_\_\_ (yes / no / abstain)
- Director Israel - \_\_\_\_\_ (yes / no / abstain)
- Director Lynk - \_\_\_\_\_ (yes / no / abstain)

No second. Motion failed.

The Board expressed that it would like to review the options again at the December 15<sup>th</sup> Regular Board Meeting and make a decision about moving forward (whether to go through the whole Prop 218 noticing requirements before voting, or to just drop this item entirely). If the Board would like to adopt a new water rate structure, notices will have to be re-distributed, and the Board will have to make a decision after a certain time period from mailing the notices.

**2. Discussion/Action: CUSI UMS Billing System Software Quote to Upgrade - (by AGM)**

- It was explained that while the current billing system will eventually need to be upgraded (which will be rather costly), at this point in time the meter reading machines/capabilities are the most important since one of the meter reading machines is currently broken and the technology has become obsolete.
- A meter reading app for smartphones has been proposed by CUSI, and the cost is \$150 per month for two smart phone meter reading apps (\$75 per phone app).

12/16/20

Motion to approve the CUSI Meter Reading Apps (to be downloaded onto two of the District's work smartphones) made by Director Wargo and 2<sup>nd</sup> by Director Sanderson.

- Director Sanderson - Aye
- Director Morris - Aye
- Director Wargo - Aye
- Director Israel - Absent
- Director Lynk - Aye

3. Discussion/Action: Name the Water Dinosaur contest - (by GM and Director Wargo)

- No response from Dollar General regarding a donation. In-N-Out Burger did, however, sent several meal gift card donations to the District.
- It was decided that the District could move forward with the donations it had. The General Manager requested that the target date for this competition be moved to Easter/Spring Break time, since the weather should be nicer. No objections to this were voiced by either Board or Public.
- No motions were made. It was the consensus of the Board to proceed as discussed.

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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.
  - Rate Study: to review proposals during the December Meeting (Lynk, et al).

2. Management Comments

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**3. Board Member Comments**

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**MISCELLANEOUS**

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

- a. Finance & Audit Workshop – Tuesday – December 15, 2020, 5:00 pm
- b. Regular Board Meeting – Tuesday – December 15, 2020, 6:00 pm
- c. Personnel Committee – None
- d. San Gorgonio Pass Regional Water Alliance – Alliance Meeting – Wednesday – Nov. 25, 2020

**ADJOURNMENT**

Motion to adjourn at 19:58 hr. made by Director Morris and 2<sup>nd</sup> by Director Sanderson.

Director Sanderson - Aye

Director Morris - Aye

Director Wargo - Aye

Director Israel - Absent

Director Lynk - Aye

Meeting adjourned at 19:58 hr. on Tuesday, November 17, 2020

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Robert Lynk, Board Chair  
Board of Directors  
Cabazon Water District

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Elizabeth Lemus, Secretary  
Board of Directors  
Cabazon Water District

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# Cabazon Water District

## Balance Sheet

November 30, 2020

Nov 30, 20

1	<b>ASSETS</b>		
2	Current Assets		
3	Checking/Savings		
4	General Bank Account-Chase	\$	349,551
5	Payroll Bank Account-Chase		35,309
6	Trust Account-Chase (Cust. Deposits)		6,262
7	Local Petty Cash		100
8	Total Checking/Savings		<u>391,223</u>
9	Accounts Receivable		214,517
10	LAIF		843,648
11	Bank of NY Trustee Accounts		56,872
12	Prepaid Expenses		19,313
13	Inventory		94,015
14	Total Current Assets		<u>1,637,990</u>
15	Fixed Assets		
16	Total Fixed Assets		13,130,969
17	Accumulated Depreciation		(5,993,048)
18	Net Fixed Assets		<u>7,137,921</u>
19	<b>TOTAL ASSETS</b>	<b>\$</b>	<b><u><u>8,775,911</u></u></b>
20	<b>LIABILITIES &amp; EQUITY</b>		
21	Liabilities		
22	Current Liabilities		
23	Accounts Payable	\$	29,969
24	Other Current Liabilities		
25	Customer Deposits - Co 1		7,450
26	Customer Deposits - Co 2		4,386
27	Total Customer Deposits		<u>11,836</u>
28	Accrued Vacation Pay		9,437
29	DWR-HS Payable - Current		40,763
30	Current Portion Zion's Bank Loan		82,872
31	Accrued Payroll		11,311
32	Accrued Payroll Taxes		838
33	Accrued Interest		3,647
34	Accrued Expenses		3,000
35	Total Current Liabilities		<u>203,965</u>
36	Long Term Liabilities		
37	DWR-H Loan Payable (2026)		238,187
38	Zion's Bank Long Term (2023)		172,026
39	RCEDA Loan Payable		300,000
40	Total Long Term Liabilities		<u>710,213</u>
41	Total Liabilities		<u>914,178</u>
42	Total Equity		7,861,733
43	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$</b>	<b><u><u>8,775,911</u></u></b>

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# Cabazon Water District

## Profit & Loss

July - November 30, 2020

	Nov-20	Current YTD	FY 20/21 Budget	YTD (42%)
<b>1 REVENUES</b>				
<b>2 OPERATING INCOME</b>				
3 Base Rate - Water Bills	\$ 76,954	\$ 381,715	\$ 939,800	41%
4 Commodity Sales	30,541	205,781	329,700	62%
5 DHPO Contract	15,069	83,199	168,000	50%
6 Fire Sales - Water Bills	461	2,305	5,900	39%
7 Fire Flow Income	-	1,710	-	0%
8 Penalty Fees - Water Bills	243	2,345	31,000	8%
9 New Account Fees - Water Bills	145	1,055	1,600	66%
10 Returned Check Fees	-	60	500	12%
11 Basic Facilities Fee	26,768	40,152	-	0%
12 Stand By Fees - Tax Revenue	-	-	113,600	0%
<b>13 TOTAL OPERATING INCOME</b>	<b>150,180</b>	<b>718,321</b>	<b>1,590,100</b>	<b>45%</b>
<b>14 NON-OPERATING INCOME</b>				
15 Property Taxes	-	787	60,900	1%
16 Cell Tower Lease Income	-	10,645	25,600	42%
17 Miscellaneous Non-Operating Income	-	-	7,300	0%
18 Interest Income	-	1,526	19,600	8%
<b>19 TOTAL NON-OPERATING INCOME</b>	<b>-</b>	<b>12,958</b>	<b>113,400</b>	<b>11%</b>
<b>20 TOTAL REVENUES</b>	<b>150,180</b>	<b>731,279</b>	<b>1,703,500</b>	<b>43%</b>
<b>21 EXPENSES</b>				
<b>22 PAYROLL &amp; BENEFITS</b>				
23 Directors Fees	900	4,600	15,000	31%
24 Management & Customer Service				
25 Customer Accounts	3,924	22,448	54,800	41%
26 Business Admin Manager	5,896	32,343	77,700	42%
27 Office Assistant	779	3,764	7,800	48%
28 General Manager	7,154	38,034	89,200	43%
29 Total Management & Customer Service	17,752	97,765	229,500	43%
30 Field Workers	8,908	53,110	123,000	43%
31 Employee Benefits Expense				
32 Workers Compensation	928	4,636	6,200	75%
33 Employee Health Care	12,088	41,662	94,800	44%
34 Pension	5,041	28,909	77,400	37%
35 Total Employee Benefits Expense	18,057	75,207	178,400	42%
36 Payroll Taxes	2,103	12,458	33,200	38%
<b>37 TOTAL PAYROLL &amp; BENEFITS</b>	<b>47,720</b>	<b>243,139</b>	<b>579,100</b>	<b>42%</b>

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# Cabazon Water District

## Profit & Loss

July - November 30, 2020

	Nov-20	Current YTD	FY 20/21 Budget	YTD (42%)
<b>38 OPERATIONAL EXPENSES</b>				
<b>39 Facilities, Wells, T&amp;D</b>				
40 Lab Fees	153	1,806	8,900	20%
41 Meters	-	50	4,800	1%
42 Utilities - Wells	4,013	38,842	96,600	40%
43 Line R&M Materials	181	4,534	72,500	6%
44 Well Maintenance	1,395	3,544	37,800	9%
45 Security	1,516	7,931	24,800	32%
46 Engineering Services	9,934	35,162	56,300	62%
47 Facilities, Wells, T&D - Other	506	1,865	12,200	15%
<b>48 Total Facilities, Wells, T&amp;D</b>	<b>17,698</b>	<b>93,733</b>	<b>313,900</b>	<b>30%</b>
<b>49 Utilities - Office</b>				
50 Electricity	764	7,583	15,800	48%
51 Gas	46	122	1,100	11%
52 Telephone	842	4,230	10,200	41%
53 Trash Pickup & Office Cleaning	374	2,270	4,600	49%
<b>54 Total Utilities - Office</b>	<b>2,026</b>	<b>14,205</b>	<b>31,700</b>	<b>45%</b>
<b>55 Office Expenses</b>				
56 Water Billing System	177	886	2,100	42%
57 Supplies & Equipment	378	1,335	10,100	13%
58 Copier Lease & Printing Supplies	344	1,552	5,000	31%
59 Dues & Subscriptions	-	-	1,300	0%
60 Postage	785	3,524	8,100	44%
61 Printing & Publications	-	292	6,300	5%
62 Computer Services	3,072	17,746	36,800	48%
63 Office Storage	-	2,500	6,200	40%
64 Air Conditioning Servicing	418	2,090	5,100	41%
65 CA Water Systems Alliance	-	208	2,500	8%
66 Office Expenses - Other	-	136	2,100	6%
<b>67 Total Office Expenses</b>	<b>5,174</b>	<b>30,269</b>	<b>85,600</b>	<b>35%</b>
<b>68 Support Services</b>				
69 Temporary Labor	-	10,563	12,600	84%
70 Financial Audit	5,011	7,641	23,000	33%
71 Accounting	3,000	15,000	35,000	43%
72 Legal Services	7,271	17,485	71,000	25%
73 Bank/Payroll Service	434	2,117	5,200	41%
74 Website Support	-	150	900	17%
75 General Liability Insurance	2,075	10,374	26,100	40%
<b>76 Total Support Services</b>	<b>17,791</b>	<b>63,329</b>	<b>173,800</b>	<b>36%</b>



# Cabazon Water District

## Profit & Loss

July - November 30, 2020

17/11/20

		Nov-20	Current YTD	FY 20/21 Budget	YTD (42%)
77	Training/Travel	12	283	4,500	6%
78	Other Fees/SWRCB	160	1,716	8,900	19%
79	Service Tools & Equipment				
80	Shop Supplies and Small Tools	1,559	3,680	9,300	40%
81	Vehicle Fuel	144	3,788	16,300	23%
82	Employee Uniforms	-	-	1,800	0%
83	Safety	1,290	1,290	500	258%
84	Tractor Expenses	-	-	3,700	0%
85	Equipment Rental	-	1,450	2,000	73%
86	Service Trucks - R&M	1,148	3,544	14,500	24%
87	Water Ops Phone & Internet	294	1,174	4,800	24%
88	Total Service Tools & Equipment	4,435	14,926	52,900	28%
89	<b>NON-OPERATING EXPENSES</b>				
90	Grant & Loan Processing Fee	-	1,325	1,400	95%
91	DWR Interest Expense	-	4,121	7,900	52%
92	DHPO Interest Expense	-	3,167	5,800	55%
93	Bad Debt Expense	-	-	1,200	0%
94	Miscellaneous	115	1,674	1,100	152%
95	<b>TOTAL NON-OPERATING EXPENSES</b>	115	10,288	17,400	59%
96	<b>TOTAL EXPENSES</b>	95,131	471,890	1,267,800	37%
97	<b>TOTAL INCOME BEFORE CAPITAL &amp; GSA</b>	<b>55,049</b>	<b>259,389</b>	<b>435,700</b>	<b>60%</b>
98	DHPO Capacity Credit	(1,750)	(8,750)	(21,000)	42%
99	<b>CAPITAL PROJECTS</b>				
100	Main Street Improvements (Icehouse Imp.)	-	(4,834)	(20,000)	24%
101	Meter Replacements & Other Capital	-	(20,399)	(35,000)	58%
102	Well & Tank Repairs	-	(40,568)	(465,000)	9%
103	<b>TOTAL CAPITAL PROJECTS</b>	-	(65,801)	(520,000)	13%
104	<b>DEBT - PRINCIPAL</b>				
105	Debt Service Principal - DWR	-	(20,224)	(40,800)	50%
106	Debt Service Principal - DHPO (Zion)	-	(41,436)	(82,900)	50%
107	<b>TOTAL DEBT - PRINCIPAL</b>	-	(61,660)	(123,700)	50%
108	<b>SGMA / GSA</b>	(1,928)	(5,390)	(35,000)	15%
109	<b>NET INCOME / (LOSS)</b>	<b>\$ 51,371</b>	<b>\$ 117,788</b>	<b>\$ (264,000)</b>	

*No assurance is provided on these financial statements.*

*The financial statements do not include a statement of cash flows.*

*Substantially all disclosures required by accounting principles generally accepted in the United States are not included.*

18/11/16

## New Business

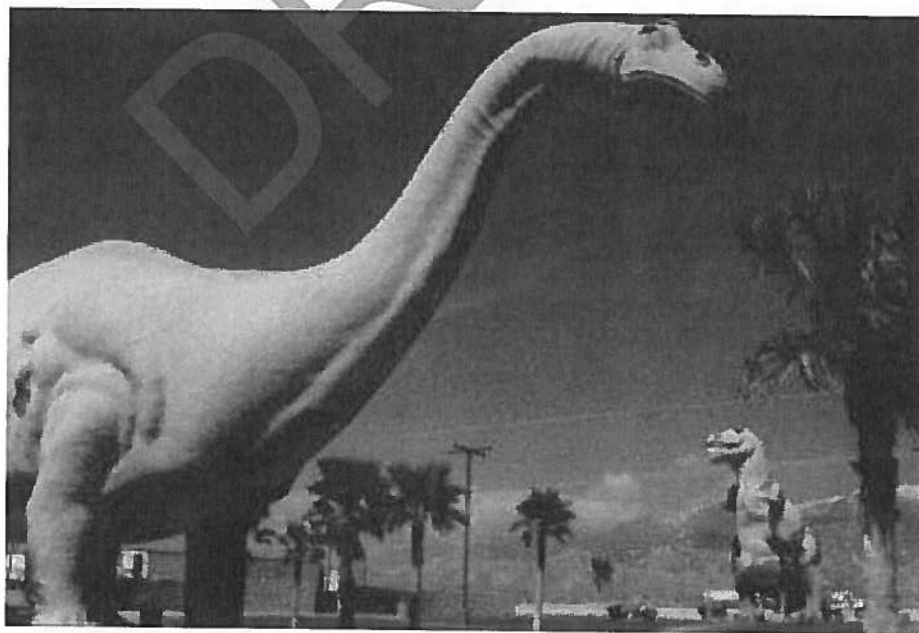
### 1. Discussion/Action Item:

Audited Financial Statements for FY 19-20 as  
presented by Fedak and Brown LLP

19/11/22



**Cabazon Water District  
Annual Financial Report  
For the Fiscal Years Ended June 30, 2020 and 2019**



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**Cabazon Water District**  
**Annual Financial Report**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

**Cabazon Water District**  
**Board of Directors as of June 30, 2020**

<u>Name</u>	<u>Title</u>	<u>Elected/ Appointed</u>	<u>Current Term</u>
Robert Lynk	Chair	Elected	12/2017 - 12/2021
Maxine Israel	Vice Chair	Elected	12/2019 - 12/2023
Diana Morris	Director	Elected	12/2019 - 12/2023
Sarah Wargo	Director	Elected	12/2017 - 12/2021
Martin Sanderson	Director	Elected	12/2017 - 12/2021

**Cabazon Water District**  
**Calvin Louie, General Manager**  
**14618 Broadway Street**  
**P.O. Box 297**  
**Cabazon, California 92230**  
**(951) 849-4442**

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**Cabazon Water District**  
**Annual Financial Report**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

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**Cabazon Water District  
Annual Financial Report  
For the Fiscal Years Ended June 30, 2020 and 2019**

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# Introductory Section

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December 15, 2020

Board of Directors  
Cabazon Water District

**Introduction**

It is our pleasure to submit the Annual Financial Report for the Cabazon Water District for the fiscal years ended June 30, 2020 and 2019, following guidelines set forth by the Governmental Accounting Standards Board. District staff prepared this financial report. The District is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that we believe necessary to enhance your understanding of the District's financial position and activities.

This report is organized into two sections: (1) Introductory and (2) Financial. The Introductory section offers general information about the District's organization and current District activities, and reports on a summary of significant financial results. The Financial section includes the Independent Auditor's Report, Management's Discussion and Analysis of the District's basic financial statements, and the District's audited basic financial statements with accompanying notes.

Generally Accepted Accounting Principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately after the Independent Auditor's Report.

**District Structure and Leadership**

The Cabazon Water District is an independent special district, which operates under the authority of Division 12 of the California Water Code. The District was formed in 1954 and is governed by a five-member Board of Directors, elected at-large from within the District's service area. The General Manager administers the day-to-day operations of the District in accordance with policies and procedures established by the Board of Directors. The District employs six (6) full-time employees organized into two departments. The District's Board of Directors meets each month. Meetings are publicly noticed and citizens are encouraged to attend.

The District provides water service to approximately 1,000 customers within its 7,040 acre service area, located in the eastern portion of Riverside County. The District encompasses the unincorporated town of Cabazon and some of the unincorporated areas of Riverside County, California.

**District Services**

Residential customers are approximately 97% of the District’s customer base and consume approximately 90% of the water produced annually by the District. The District currently has a total of four groundwater wells with a maximum production capacity of 3,160 gallons per minute.

**Economic Condition and Outlook**

The District office is located in the unincorporated town of Cabazon in Riverside County. Regional growth has been slow to recover from the continuing effects of the dissolution of Redevelopment Agencies throughout the State.

**Internal Control Structure**

District management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the District are protected from loss, theft, or misuse. The internal control structure also ensures adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The District’s internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits require estimates and judgments by management.

**Budgetary Control**

The District Board of Directors annually adopts an operating and capital budget prior to the new fiscal year. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the District’s enterprise operations and capital projects. The budget and reporting treatment applied to the District is consistent with the accrual basis of accounting and the financial statement basis.

**Investment Policy**

The Board of Directors has adopted an investment policy that conforms to state law, District ordinance and resolutions, prudent money management, and the “prudent person” standards. The objective of the Investment Policy is safety, liquidity, and yield. District funds are invested in the State Treasurer’s Local Agency Investment Fund, and institutional savings and checking accounts.

**Water Rates and District Revenues**

District policy direction ensures that all revenues from user charges and surcharges generated from District customers must support all District operations including capital project funding. Accordingly, water rates are reviewed on an annual basis. Water rates are user charges imposed on customers for services and are the primary component of the District’s revenue. Water rates are composed of a commodity (usage) charge and a fixed meter standby charge.

**Audit and Financial Reporting**

State Law and debt covenants require the District to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Fedak & Brown LLP has conducted the audit of the District’s financial statements. Their unmodified Independent Auditor’s Report appears in the Financial Section.

**Other References**

More information is contained in the Management's Discussion and Analysis and the Notes to the Basic Financial Statements found in the Financial Section of the report.

**Acknowledgements**

Preparation of this report was accomplished by the combined efforts of District staff. We appreciate the dedicated efforts and professionalism that these staff members contribute to the District. We would also like to thank the members of the Board of Directors for their continued support in planning and implementation of the Cabazon Water District's fiscal policies.

Respectfully submitted,

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Calvin Louie  
General Manager

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# Financial Section

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## Independent Auditor's Report

Board of Directors  
Cabazon Water District  
Cabazon, California

### Report on the Financial Statements

We have audited the accompanying financial statements of the Cabazon Water District (District) as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Controller's Minimum Audit Requirements for California Special Districts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Cabazon Water District, as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## Independent Auditor's Report, continued

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information on pages 6 through 10 be presented to supplement the 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about 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 audits of the basic financial statements. We do 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.

#### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The introductory section on pages 1 through 3, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance, and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance. This report can be found on pages 33 and 34.

**Fedak & Brown LLP**  
Cypress, California  
December 15, 2020



**Cabazon Water District**  
**Management's Discussion and Analysis**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

The following Management's Discussion and Analysis (MD&A) of activities and financial performance of the Cabazon Water District (District) provide an introduction to the financial statements of the District for the fiscal years ended June 30, 2020 and 2019. We encourage readers to consider the information presented here in conjunction with the transmittal letter in the Introductory section and with the basic financial statements and related notes, which follow this section.

**Financial Highlights**

- In fiscal year 2020, the District's net position increased 1.12% or \$86,036 to \$7,743,945. In fiscal year 2019, the District's net position decreased 0.42% or \$32,312 to \$7,657,909.
- In fiscal year 2020, the District's operating revenues increased 6.39% or \$96,066, to \$1,599,446. In fiscal year 2019, the District's operating revenues increased 2.75% or \$40,236, to \$1,503,380.
- In fiscal year 2020, the District's operating expenses decreased 0.83% or \$10,771 to \$1,292,857. In 2019, the District's operating expenses increased 19.24% or \$210,384 to \$1,303,628.

**Required Financial Statements**

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows provide information about the activities and performance of the District using accounting methods similar to those used by private sector companies.

The Statement of Net Position include all of the District's investments in resources (assets), deferred outflows of resources, the obligations to creditors (liabilities), and deferred inflows of resources. They also provide the basis for computing a rate of return, evaluating the capital structure of the District, and assessing the liquidity and financial flexibility of the District. All of the year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the District's operations over the past year and can be used to determine if the District has successfully recovered all of its costs through its rates and other charges. This statement can also be used to evaluate profitability and credit worthiness. The final required financial statements is the Statement of Cash Flows, which provides information about the District's cash receipts and cash payments during the reporting period. The Statement of Cash Flows reports cash receipts, cash payments, and net change in cash resulting from operations, investing, non-capital financing, and capital and related financing activities, as well as providing answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

**Financial Analysis of the District**

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of this year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the District in a way that helps answer this question. These statements include all assets, deferred outflows, liabilities, and deferred inflows using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid.

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**Cabazon Water District**  
*Management's Discussion and Analysis, continued*  
**For the Fiscal Years Ended June 30, 2020 and 2019**

**Financial Analysis of the District, continued**

These two statements report the District's *net position* and changes in it. One can think of the District's net position (the difference between assets and deferred outflows, and liabilities and deferred inflows), as one way to measure the District's financial health, or *financial position*. Over time, *increases or decreases* in the District's net position is one indicator of whether its *financial health* is improving or deteriorating. However, one will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning, and new or changed government legislation, such as changes in Federal and State water quality standards.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found on pages 15 through 32.

**Statement of Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$7,743,945 and \$7,657,909 as of June 30, 2020 and 2019, respectively.

By far the largest portion of the District's net position (83.4% and 83.9% as of June 30, 2020 and 2019, respectively) reflects the District's investment in capital assets (net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to customers within the District's service area; consequently, these assets are *not* available for future spending.

At the end of fiscal years 2020 and 2019, the District showed a positive balance in its unrestricted net position of \$1,378,943 and \$1,169,553, respectively. See note 7 for further discussion.

**Condensed Statements of Net Position**

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>2018</u>	<u>Change</u>
<b>Assets:</b>					
Current assets	\$ 1,532,088	1,325,053	207,035	1,211,877	113,176
Capital assets, net	<u>7,137,922</u>	<u>7,380,775</u>	<u>(242,853)</u>	<u>7,650,546</u>	<u>(269,771)</u>
<b>Total assets</b>	<u>8,670,010</u>	<u>8,705,828</u>	<u>(35,818)</u>	<u>8,862,423</u>	<u>(156,595)</u>
<b>Liabilities:</b>					
Current liabilities	215,852	214,071	1,781	217,957	(3,886)
Non-current liabilities	<u>710,213</u>	<u>833,848</u>	<u>(123,635)</u>	<u>954,245</u>	<u>(120,397)</u>
<b>Total liabilities</b>	<u>926,065</u>	<u>1,047,919</u>	<u>(121,854)</u>	<u>1,172,202</u>	<u>(124,283)</u>
<b>Net position:</b>					
Net investment in capital assets	6,304,074	6,426,530	(122,456)	6,579,006	(152,476)
Restricted for debt service	60,928	61,826	(898)	61,138	688
Unrestricted	<u>1,378,943</u>	<u>1,169,553</u>	<u>209,390</u>	<u>1,050,077</u>	<u>119,476</u>
<b>Total net position</b>	<u>\$ 7,743,945</u>	<u>7,657,909</u>	<u>86,036</u>	<u>7,690,221</u>	<u>(32,312)</u>

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**Cabazon Water District**  
*Management's Discussion and Analysis, continued*  
**For the Fiscal Years Ended June 30, 2020 and 2019**

**Statement of Revenues, Expenses, and Changes in Net Position**

**Condensed Statements of Revenues, Expenses, and Changes in Net Position**

	<u>2020</u>	<u>2019</u>	<u>Change</u>	<u>2018</u>	<u>Change</u>
<b>Revenues:</b>					
Operating revenues	\$ 1,599,446	1,503,380	96,066	1,463,144	40,236
Non-operating revenues	118,108	106,183	11,925	98,792	7,391
<b>Total revenues</b>	<u>1,717,554</u>	<u>1,609,563</u>	<u>107,991</u>	<u>1,561,936</u>	<u>47,627</u>
<b>Expenses:</b>					
Operating expenses	1,292,857	1,303,628	(10,771)	1,093,244	210,384
Depreciation	322,478	318,432	4,046	322,482	(4,050)
Non-operating expenses	16,183	19,815	(3,632)	21,707	(1,892)
<b>Total expenses</b>	<u>1,631,518</u>	<u>1,641,875</u>	<u>(10,357)</u>	<u>1,437,433</u>	<u>204,442</u>
	86,036	(32,312)	118,348	246,698	(279,010)
<b>Net position, beginning of year</b>	<u>7,657,909</u>	<u>7,690,221</u>	<u>(32,312)</u>	<u>7,443,523</u>	<u>246,698</u>
<b>Net position, end of year</b>	<u>\$ 7,743,945</u>	<u>7,657,909</u>	<u>86,036</u>	<u>7,690,221</u>	<u>(32,312)</u>

The statement of revenues, expenses, and changes in net position shows how the District's net position changes during the fiscal year.

A closer examination of the sources of changes in net position reveal that:

In fiscal year 2020, the District's net position increased 1.12% or \$86,036 to \$7,743,945. In fiscal year 2019, the District's net position decreased 0.42% or \$32,312 to \$7,657,909. See note 7 for further discussion.

In fiscal year 2020, the District's operating revenues increased 6.39% or \$96,066, due primarily to increases of \$40,037 in water consumption sales, \$32,100 in facility fees, and \$24,107 in standby fees. In fiscal year 2019, the District's operating revenues increased 2.75% or \$40,236, due primarily to an increase of \$79,594 in water consumption sales; which was offset by a decrease of \$36,738 in facility fees.

In fiscal year 2020, the District's operating expenses decreased 0.83% or \$10,771, due primarily to decreases of \$31,270 in pumping and water treatment and \$29,701 in transmission and distribution; which were offset by an increase of \$49,458 in general and administrative. In 2019, the District's operating expenses increased 19.24% or \$210,384, due primarily to increases of \$127,931 in transmission and distribution and \$94,829 in general and administrative.

**Capital Asset Administration**

At the end of fiscal years 2020 and 2019, the District's investment in capital assets (net of accumulated depreciation) amounted to \$7,137,922 and \$7,380,775, respectively. This investment in capital assets includes land, transmission and distribution systems, wells, tanks, reservoirs, pumps, buildings and structures, equipment, vehicles, and construction-in-process, etc. Major capital assets additions during the years include improvements to the transmission and distribution system, source of supply, and purchase of vehicles.

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**Cabazon Water District**  
**Management's Discussion and Analysis, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

**Capital Asset Administration, continued**

The change in capital assets for 2020 was as follows:

	<u>Balance 2019</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2020</u>
Capital assets:				
Non-depreciable assets	\$ 840,755	89,317	(70,378)	859,694
Depreciable assets	12,210,589	60,686	-	12,271,275
Accumulated depreciation	<u>(5,670,569)</u>	<u>(322,478)</u>	<u>-</u>	<u>(5,993,047)</u>
Total capital assets, net	<u>\$ 7,380,775</u>	<u>(172,475)</u>	<u>(70,378)</u>	<u>7,137,922</u>

The changes in capital assets for 2019 was as follows:

	<u>Balance 2018</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2019</u>
Capital assets:				
Non-depreciable assets	\$ 803,714	49,070	(12,029)	840,755
Depreciable assets	12,198,969	11,620	-	12,210,589
Accumulated depreciation	<u>(5,352,137)</u>	<u>(318,432)</u>	<u>-</u>	<u>(5,670,569)</u>
Total capital assets, net	<u>\$ 7,650,546</u>	<u>(257,742)</u>	<u>(12,029)</u>	<u>7,380,775</u>

**Debt Administration**

Changes in long-term debt in 2020 were as follows:

	<u>Balance 2019</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2020</u>
Long-term debt:				
Loans payable	\$ 954,245	-	(120,397)	833,848
Total loans payable	<u>\$ 954,245</u>	<u>-</u>	<u>(120,397)</u>	<u>833,848</u>

Changes in long-term debt in 2019 were as follows:

	<u>Balance 2018</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 2019</u>
Long-term debt:				
Loans payable	\$ 1,071,540	-	(117,295)	954,245
Total loans payable	<u>\$ 1,071,540</u>	<u>-</u>	<u>(117,295)</u>	<u>954,245</u>

**Cabazon Water District**  
*Management's Discussion and Analysis, continued*  
**For the Fiscal Years Ended June 30, 2020 and 2019**

**Conditions Affecting Current Financial Position**

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the District and the duration cannot be estimated at this time.

Management is unaware of any other conditions which could have a significant impact on the District's current financial position, net position, or operating results in terms of past, present, and future.

**Requests for Information**

This financial report is designed to provide the District's funding sources, customers, stakeholders, and other interested parties with an overview of the District's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional financial information, please contact the District's General Manager at 14618 Broadway Street, P.O. Box 297, Cabazon, California 92230.

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# Basic Financial Statements

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**Cabazon Water District  
Statements of Net Position  
June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Current assets:</b>		
Cash and cash equivalents (note 2)	\$ 1,100,289	910,913
Cash and cash equivalents – restricted (note 2)	60,928	61,826
Accrued interest receivable	2,594	3,957
Accounts receivable – water sales, net (note 3)	223,949	206,521
Property taxes and assessments receivable	14,579	3,722
Materials and supplies inventory	94,015	104,142
Prepaid and other assets	35,734	33,972
<b>Total current assets</b>	<b>1,532,088</b>	<b>1,325,053</b>
<b>Non-current assets:</b>		
Capital assets – non-depreciable assets (note 4)	859,694	840,755
Capital assets – depreciable assets, net (note 4)	6,278,228	6,540,020
<b>Total non-current assets</b>	<b>7,137,922</b>	<b>7,380,775</b>
<b>Total assets</b>	<b>8,670,010</b>	<b>8,705,828</b>
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	47,348	55,976
Accrued wages and related payables	12,149	8,149
Customer advances and deposits	19,636	11,748
Accrued interest payable on long-term debt	3,647	4,449
Long-term liabilities – due within one year:		
Compensated absences (note 5)	9,437	13,352
Loans payable (note 6)	123,635	120,397
<b>Total current liabilities</b>	<b>215,852</b>	<b>214,071</b>
<b>Non-current liabilities:</b>		
Long-term liabilities – due in more than one year:		
Loans payable (note 6)	710,213	833,848
<b>Total non-current liabilities</b>	<b>710,213</b>	<b>833,848</b>
<b>Total liabilities</b>	<b>926,065</b>	<b>1,047,919</b>
<b>Net position: (note 7)</b>		
Net investment in capital assets	6,304,074	6,426,530
Restricted	60,928	61,826
Unrestricted	1,378,943	1,169,553
<b>Total net position</b>	<b>\$ 7,743,945</b>	<b>7,657,909</b>

See accompanying notes to the basic financial statements

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**Cabazon Water District**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

	2020	2019
<b>Operating revenues:</b>		
Water consumption sales	\$ 1,365,963	1,325,926
Connection fees	5,399	3,520
Standby fees	134,104	109,997
Facility fees	49,458	17,358
Other charges	44,522	46,579
<b>Total operating revenues</b>	1,599,446	1,503,380
<b>Operating expenses:</b>		
Pumping and water treatment	96,777	128,047
Transmission and distribution	120,724	150,425
Customer accounts	54,726	53,984
General and administrative	1,020,630	971,172
<b>Total operating expenses</b>	1,292,857	1,303,628
Operating income before depreciation and amortization	306,589	199,752
Depreciation	(322,478)	(318,432)
<b>Operating loss</b>	(15,889)	(118,680)
<b>Non-operating revenue (expense)</b>		
Property taxes	65,350	60,146
Rental income – cellular antennas	25,046	24,555
Investment earnings	22,001	21,839
Interest expense – long-term debt	(16,183)	(19,815)
Other non-operating revenue, net	5,711	(357)
<b>Total non-operating revenues, net</b>	101,925	86,368
<b>Changes in net position</b>	86,036	(32,312)
<b>Net position, beginning of year</b>	7,657,909	7,690,221
<b>Net position, end of year</b>	\$ 7,743,945	7,657,909

See accompanying notes to the basic financial statements



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**Cabazon Water District  
Statements of Cash Flows  
For the Fiscal Years Ended June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
Cash receipts from customers for water sales	\$ 1,455,802	1,389,803
Proceeds from standby fees	134,104	109,997
Cash paid to employees for salaries and wages	(325,505)	(271,329)
Cash paid to vendors and suppliers for materials and services	(961,819)	(1,059,339)
<b>Net cash provided by operating activities</b>	<b>302,582</b>	<b>169,132</b>
<b>Cash flows from non-capital financing activities:</b>		
Proceeds from rental income – cellular antennas	25,046	24,555
Proceeds from property taxes	54,493	72,522
<b>Net cash provided by non-capital financing activities</b>	<b>79,539</b>	<b>97,077</b>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(79,625)	(48,661)
Principal paid on long-term debt	(120,397)	(117,295)
Interest paid on long-term debt	(16,985)	(20,591)
<b>Net cash used in capital and related financing activities</b>	<b>(217,007)</b>	<b>(186,547)</b>
<b>Cash flows from investing activities:</b>		
Interest earnings	23,364	20,339
<b>Net cash provided by investing activities</b>	<b>23,364</b>	<b>20,339</b>
<b>Net increase in cash and cash equivalents</b>	<b>188,478</b>	<b>100,001</b>
Cash and cash equivalents, beginning of year	972,739	872,738
Cash and cash equivalents, end of year	<b>\$ 1,161,217</b>	<b>972,739</b>
<b>Reconciliation of cash and cash equivalents to statements of net position:</b>		
Cash and cash equivalents	\$ 1,100,289	910,913
Cash and cash equivalents – restricted	60,928	61,826
<b>Total cash and cash equivalents</b>	<b>\$ 1,161,217</b>	<b>972,739</b>

Continued on next page

See accompanying notes to the basic financial statements

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**Cabazon Water District**  
**Statements of Cash Flows, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
Operating loss	\$ (15,889)	(118,680)
<b>Adjustments to reconcile operating loss to net cash provided operating activities:</b>		
Depreciation	322,478	318,432
Other non-operating	5,711	(357)
<b>Change in assets and liabilities:</b>		
(Increase)decrease in assets:		
Accounts receivable – water sales and services, net	(17,428)	382
Materials and supplies inventory	10,127	(10,470)
Prepaid and other assets	(1,762)	(13,963)
Increase(decrease) in liabilities:		
Accounts payable and accrued expenses	(8,628)	(5,582)
Accrued wages and related payables	4,000	31
Compensated absences	(3,915)	3,301
Customer advances and deposits	7,888	(3,962)
<b>Total adjustments</b>	<u>318,471</u>	<u>287,812</u>
<b>Net cash provided by operating activities</b>	<u>\$ 302,582</u>	<u>169,132</u>
<b>Non-cash investing, capital, and financing transactions:</b>		
Changes in fair-market value of funds deposited with LAIF	\$ 2,406	2,131
	<u>\$ 2,406</u>	<u>2,131</u>

See accompanying notes to the basic financial statements

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**Cabazon Water District**  
**Notes to the Financial Statements**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

**(1) Reporting Entity and Summary of Significant Accounting Policies**

**A. Organization and Operations of the Reporting Entity**

The Cabazon Water District (District) was formed on May 21, 1954, and provides potable water and water services within a 7,040 acre service area between the cities of Beaumont and Palm Springs within the County of Riverside. The District is governed by a five-member Board of Directors who serves four-year terms.

**B. Basis of Accounting and Measurement Focus**

The District reports its activities as an enterprise fund, which is used to account for operations that are financed and operated in a manner similar to a private business enterprise, where the intent of the District is that the costs of providing water to its service area on a continuing basis be financed or recovered primarily through user charges (water sales), capital grants, and similar funding. Revenues and expenses are recognized on the full-accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of when the related cash flows take place.

Operating revenues and expenses, such as water sales and water purchases, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal value. Management, administration, and depreciation expenses are also considered operating expenses. Other revenues and expenses not included in the above categories are reported as non-operating revenues and expenses.

**C. Financial Reporting**

The District's basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District has adopted the following GASB pronouncement in the current year:

In May 2020, the GASB issued Statement No. 95 – *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position**

**1. Use of Estimates**

The preparation of the basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, and disclosures of contingent assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results could differ from those estimates.

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**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position**

**2. Uncertainty**

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. However, the related financial impact on the District and the duration cannot be estimated at this time.

**3. Cash and Cash Equivalents**

Substantially all of the District's cash is invested in interest bearing accounts. The District considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

**4. Investments**

Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

**5. Accounts Receivable and Allowance for Uncollectible Accounts**

The District extends credit to customers in the normal course of operations. When management deems customer accounts uncollectible, the District uses the allowance method for the reservation and write-off of those accounts.

**6. Property Taxes and Assessments**

The County of Riverside Assessor's Office assesses all real and personal property within the County each year. The County of Riverside Tax Collector's Office bills and collects the District's share of property taxes and assessments. In 1993, the County adopted the alternative method of secured property tax apportionment available under Chapter 3, Part 8, Division 1 (commencing section 4701) of the Revenue and Taxation Code of the State (also known as the "Teeter Plan"). This alternative method provides for funding each taxing entity included in the Teeter Plan with its total secured property taxes during the year the taxes are levied, including any amount uncollected at fiscal year-end. Under this plan, the County assumes an obligation under a debenture or similar demand obligation to advance funds to cover expected delinquencies. By such financing, the District receives the full amount of secured property taxes levied each year and, therefore, no longer experiences delinquent taxes. Property tax in California is levied in accordance with Article 13A of the State Constitution at one percent (1%) of countywide assessed valuations.

Property taxes receivable at year-end are related to property taxes collected by the County of Riverside, which have not been credited to the District's cash balance as of June 30. The property tax calendar is as follows:

Lien date	March 1
Levy date	July 1
Due dates	November 1 and March 1
Collection dates	December 10 and April 10

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued**

**7. Materials and Supplies Inventory**

Materials and supplies inventory consists primarily of water meters, pipes, and pipefittings for construction and repair of the District's water transmission and distribution system. Inventory is valued at cost using a first-in, first-out cost method. Inventory items are charged to expense at the time that individual items are withdrawn from inventory or consumed.

**8. Prepaid Expenses**

Certain payments to vendors reflect costs or deposits applicable to future accounting periods and are recorded as prepaid items in the basic financial statements.

**9. Capital Assets**

Capital assets acquired and/or constructed are capitalized at historical cost. District policy has set the capitalization threshold for reporting capital assets at \$1,000. Donated assets are recorded at estimated fair market value at the date of donation. Upon retirement or other disposition of capital assets, the cost and related accumulated depreciation are removed from the respective balances, and any gains or losses are recognized. Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

- Transmission and distribution mains – 15 to 40 years
- Reservoirs and tanks – 10 to 40 years
- Wells – 10 to 30 years
- Buildings and structures – 5 to 40 years
- Office furniture and equipment – 5 to 10 years
- Tools and equipment – 7 to 20 years
- Vehicles – 5 years

**10. Compensated Absences**

The District's policy is to permit employees to accumulate earned vacation up to a total of 240 hours with amounts exceeding the limit being paid out as part of the employee's regular compensation. Upon termination of employment, employees are paid all unused vacation and 50% of any unused sick time for non-exempt employees.

**11. Net Position**

The District follows the financial reporting requirements of the GASB and reports net position under the following classifications:

- *Net investment in capital assets* – this component of net position consists of capital assets, net of accumulated depreciation, and reduced by any debt outstanding against the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

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**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

**(1) Reporting Entity and Summary of Significant Accounting Policies, continued**

**D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position, continued**

**11. Net Position, continued**

- *Restricted* – this component of net position consists of assets that have restrictions placed upon their use by external constraints imposed either by creditors (debt covenants), grantors, contributors, or laws and regulations of other governments or constraints imposed by law through enabling legislation.
- *Unrestricted* – this component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of the *net investment in capital assets* or *restricted* components of net position.

**12. Water Sales**

Water sales are billed on a monthly cyclical basis. Estimated unbilled water revenue through June 30 has been accrued at year-end.

**13. Budgetary Policies**

The District adopts an annual non-appropriated budget for planning, control, and evaluation purposes. Budgetary control and evaluation are affected by comparisons of actual revenues and expenses with planned revenues and expenses for the period. Encumbrance accounting is not used to account for commitments related to unperformed contracts for construction and services.

**(2) Cash and Investments**

Cash and investments as of June 30, are classified as follows:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 1,100,289	910,913
Cash and cash equivalents – restricted	<u>60,928</u>	<u>61,826</u>
Total	<u>\$ 1,161,217</u>	<u>972,739</u>

Cash and investments as of June 30, consist of the following:

	<u>2020</u>	<u>2019</u>
Cash on hand	\$ 100	100
Deposits with bank	385,659	274,881
Investments	<u>775,458</u>	<u>697,758</u>
Total	<u>\$ 1,161,217</u>	<u>972,739</u>

As of June 30, the District's authorized deposits had the following maturities:

	<u>2020</u>	<u>2019</u>
Deposits in California Local Agency Investment Fund (LAIF)	191 days	173 days

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**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

**(2) Cash and Investments, continued**

***Investments Authorized by the California Government Code and the District's Investment Policy***

The table below identifies the investment types that are authorized by the District in accordance with the California Government Code (or the District's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the District's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury obligations	5 years	None	None
Federal agency and bank obligations	5 years	None	None
Certificates-of-deposit (negotiable or placed)	5 years	30%	10%
Commercial paper (prime)	270 days	10%	10%
Money market mutual funds	N/A	20%	None
State and local bonds, notes, and warrants	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	None	None

***Custodial Credit Risk***

The custodial credit risk for *deposits* is the risk that, in the event of failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as LAIF).

The California Government Code and the District's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by public agencies.

Of the bank balance, up to \$250,000 as of June 30, 2020 and 2019, is federally insured and the remaining balance is collateralized in accordance with the Code; however, the collateralized securities are not held in the District's name.

***Investment in State Investment Pool***

The District is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the District's investment in this pool is reported in the accompanying financial statements at amounts based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

**(2) Cash and Investments, continued**

***Investment in State Investment Pool, continued***

The District's deposit and withdrawal restrictions and limitations are as follows:

- Same day transaction processing occurs for orders received before 10:00 a.m.
- Next day transaction processing occurs for orders received after 10:00 a.m.
- Maximum limit of 15 transactions (combination of deposits and withdrawals) per month.
- Minimum transaction amount requirement of \$5,000, in increments of \$1,000.
- Withdrawals of \$10,000,000 or more require 24 hours advance.
- Prior to funds transfer, an authorized person must call LAIF to do a verbal transaction.

***Interest Rate Risk***

Interest rate risk is the risk that the change in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to the change in market interest rates. One of the ways that the District can manage its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio matures or comes close to maturity evenly over time as necessary to provide for cash flow requirements and liquidity needed for operations.

Information about the sensitivity of fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity date.

Maturities of investments at June 30, 2020, consisted of the following:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining maturity 12 months or less</u>
Local Agency Investment Fund (LAIF) Held by bond trustee:	\$ 714,530	714,530
Money market funds	60,928	60,928
	<u>\$ 775,458</u>	<u>775,458</u>

Maturities of investments at June 30, 2019, consisted of the following:

<u>Investment Type</u>	<u>Total</u>	<u>Remaining maturity 12 months or less</u>
Local Agency Investment Fund (LAIF) Held by bond trustee:	\$ 635,932	635,932
Money market funds	61,826	61,826
	<u>\$ 697,758</u>	<u>697,758</u>



**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

**(2) Cash and Investments, continued**

***Credit Risk***

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code (where applicable), the District's investment policy, or debt agreements, and the actual rating as of year-end for each investment type.

Credit ratings of investments as of June 30, 2020, were as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Minimum legal rating</u>	<u>Rating as of year-end AAA</u>	<u>Not Rated</u>
Local Agency Investment Fund (LAIF)	\$ 714,530	N/A	-	714,530
Held by bond trustee:				
Money market funds	60,928	AAA	60,928	-
	<u>\$ 775,458</u>		<u>60,928</u>	<u>714,530</u>

Credit ratings of investments as of June 30, 2019, were as follows:

<u>Investment Type</u>	<u>Total</u>	<u>Minimum legal rating</u>	<u>Rating as of year-end AAA</u>	<u>Not Rated</u>
Local Agency Investment Fund (LAIF)	\$ 635,932	N/A	-	635,932
Held by bond trustee:				
Money market funds	61,826	AAA	61,826	-
	<u>\$ 697,758</u>		<u>61,826</u>	<u>635,932</u>

***Concentration of Credit Risk***

The District's investment policy contains no limitations on the amounts that can be invested in any one issuer as beyond that stipulated by the California Government Code. There were no investments in any one issuer (other than for U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of the District's total investments as of June 30, 2020 and 2019.

**(3) Accounts Receivable**

The balance at June 30 consists of the following:

	<u>2020</u>	<u>2019</u>
Accounts receivable - water sales and services	\$ 263,772	236,679
Allowance for uncollectible accounts	(39,823)	(30,158)
	<u>\$ 223,949</u>	<u>206,521</u>

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**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

**(4) Capital Assets**

The change in capital assets for 2020 was as follows:

	<u>Balance 2019</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>Balance 2020</u>
<b>Non-depreciable assets:</b>				
Land	\$ 689,548	-	-	689,548
Construction-in-process	151,207	89,317	(70,378)	170,146
<b>Total non-depreciable assets</b>	<u>840,755</u>	<u>89,317</u>	<u>(70,378)</u>	<u>859,694</u>
<b>Depreciable assets:</b>				
Transmission and distribution mains	10,316,396	59,261	-	10,375,657
Source of supply	1,552,225	1,425	-	1,553,650
Water treatment	8,800	-	-	8,800
Tools and equipment	123,319	-	-	123,319
Buildings and structures	12,281	-	-	12,281
Office furniture and equipment	71,808	-	-	71,808
Vehicles	114,728	-	-	114,728
Intangible plant	11,032	-	-	11,032
<b>Total depreciable assets</b>	<u>12,210,589</u>	<u>60,686</u>	<u>-</u>	<u>12,271,275</u>
<b>Accumulated depreciation:</b>				
Transmission and distribution mains	(4,795,490)	(251,154)	-	(5,046,644)
Source of supply	(567,276)	(58,606)	-	(625,882)
Water treatment	(7,333)	(1,467)	-	(8,800)
Tools and equipment	(120,423)	(875)	-	(121,298)
Buildings and structures	(6,114)	(744)	-	(6,858)
Office furniture and equipment	(62,603)	(4,778)	-	(67,381)
Vehicles	(100,298)	(4,854)	-	(105,152)
Intangible plant	(11,032)	-	-	(11,032)
<b>Total accumulated depreciation</b>	<u>(5,670,569)</u>	<u>(322,478)</u>	<u>-</u>	<u>(5,993,047)</u>
<b>Total depreciable assets, net</b>	<u>6,540,020</u>	<u>(261,792)</u>	<u>-</u>	<u>6,278,228</u>
<b>Total capital assets, net</b>	<u>\$ 7,380,775</u>			<u>7,137,922</u>

Major capital assets additions during the year include improvements to the District's transmission and distribution mains.

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**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

**(4) Capital Assets, continued**

The change in capital assets for 2019 was as follows:

	<u>Balance</u> <u>2018</u>	<u>Additions/</u> <u>Transfers</u>	<u>Deletions/</u> <u>Transfers</u>	<u>Balance</u> <u>2019</u>
Non-depreciable assets:				
Land	\$ 689,548	-	-	689,548
Construction-in-process	114,166	49,070	(12,029)	151,207
Total non-depreciable assets	<u>803,714</u>	<u>49,070</u>	<u>(12,029)</u>	<u>840,755</u>
Depreciable assets:				
Transmission and distribution mains	10,313,196	3,200	-	10,316,396
Source of supply	1,552,225	-	-	1,552,225
Water treatment	8,800	-	-	8,800
Tools and equipment	123,319	-	-	123,319
Buildings and structures	12,281	-	-	12,281
Office furniture and equipment	71,808	-	-	71,808
Vehicles	106,308	8,420	-	114,728
Intangible plant	11,032	-	-	11,032
Total depreciable assets	<u>12,198,969</u>	<u>11,620</u>	<u>-</u>	<u>12,210,589</u>
Accumulated depreciation:				
Transmission and distribution mains	(4,548,561)	(246,929)	-	(4,795,490)
Source of supply	(508,670)	(58,606)	-	(567,276)
Water treatment	(5,573)	(1,760)	-	(7,333)
Tools and equipment	(119,548)	(875)	-	(120,423)
Buildings and structures	(5,369)	(745)	-	(6,114)
Office furniture and equipment	(57,379)	(5,224)	-	(62,603)
Vehicles	(96,005)	(4,293)	-	(100,298)
Intangible plant	(11,032)	-	-	(11,032)
Total accumulated depreciation	<u>(5,352,137)</u>	<u>(318,432)</u>	<u>-</u>	<u>(5,670,569)</u>
Total depreciable assets, net	<u>6,846,832</u>	<u>(306,812)</u>	<u>-</u>	<u>6,540,020</u>
Total capital assets, net	<u>\$ 7,650,546</u>			<u>7,380,775</u>

Major capital assets additions during the year include improvements to the District's transmission and distribution mains and purchase of a vehicle.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

**(5) Compensated Absences**

The change in compensated absences at June 30, 2020 was as follows:

	<u>Balance 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2020</u>
\$	13,352	25,513	(29,428)	9,437

The change in compensated absences at June 30, 2019 was as follows:

	<u>Balance 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 2019</u>
\$	10,051	21,846	(18,545)	13,352

**(6) Long-Term Debt**

Changes in long-term debt in 2020 were as follows:

	<u>Balance 2019</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2020</u>
1993 Calif. Dept. of Water Resources Loan - E58416	\$ 318,499	-	(39,550)	278,949
Zions First National Bank	335,746	-	(80,847)	254,899
Riverside County Economic Development Agency	300,000	-	-	300,000
Total long-term debt	954,245	-	(120,397)	833,848
Less current portion	(120,397)			(123,635)
Total non-current	\$ 833,848			710,213

Changes in long-term debt in 2019 were as follows:

	<u>Balance 2018</u>	<u>Additions</u>	<u>Principal Payments</u>	<u>Balance 2019</u>
1993 Calif. Dept. of Water Resources Loan - E58416	\$ 356,924	-	(38,425)	318,499
Zions First National Bank	414,616	-	(78,870)	335,746
Riverside County Economic Development Agency	300,000	-	-	300,000
Total long-term debt	1,071,540	-	(117,295)	954,245
Less current portion	(117,295)			(120,397)
Total non-current	\$ 954,245			833,848

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**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

**(6) Long-Term Debt, continued**

***1993 California Dept. of Water Resources Loan – E58416***

In 1993, the Cabazon Water District contracted with the California Department of Water Resources for a \$979,860, 30-year loan under the 1984 California Safe Drinking Water Bond Law to fund capital improvements in order to comply with the California Safe Drinking Water Standards. Terms of the loan call for monthly debt service deposits by the District with a trustee. Principal and interest payments of \$24,346 are payable semi-annually on October 1<sup>st</sup> and April 1<sup>st</sup> each year at a rate of 2.955%, with the obligation maturing in 2027. Annual debt service requirements on the 1993 California Dept. of Water Resources Loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 40,763	7,928	48,691
2022	41,959	6,732	48,691
2023	43,208	5,483	48,691
2024	44,487	4,204	48,691
2025	45,825	2,866	48,691
2026-2027	62,707	1,738	64,445
Total	278,949	28,951	307,900
Current	(40,763)		
Non-current	\$ 238,186		

***Zions First National Bank***

In 2013, the Cabazon Water District entered into a loan agreement with Zions First National Bank in the amount of \$787,309 to refinance the 1993 California Dept. of Water Resources Loan – E62039, and provide funding for the construction and upgrade of the District's transmission mains. Terms of the loan call for semi-annual debt service payments of principal and interest payable on April 1<sup>st</sup> and October 1<sup>st</sup> of each year at a rate of 2.49%, maturing in 2023. Annual debt service requirements on the loan are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 82,872	5,831	88,703
2022	84,948	3,755	88,703
2023	87,079	1,623	88,702
Total	254,899	11,209	266,108
Current	(82,872)		
Non-current	\$ 172,027		

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**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

**(6) Long-Term Debt, continued**

*Riverside County Economic Development Agency*

In 1997, the Cabazon Water District contracted with the Riverside County Economic Development Agency for a \$300,000 loan to construct water improvements, in conjunction with MKA Cabazon Partnership Construction Agreement. The agreement calls for a zero interest loan with funds to be repaid with connection fees as development occurs. The unpaid balance has been classified as long-term as no connections are anticipated in 2020.

**(7) Net Position**

Calculation of net position as of June 30 was as follows:

	<u>2020</u>	<u>2019</u>
<b>Net investment in capital assets:</b>		
Capital assets, net	\$ 7,137,922	7,380,775
Loans payable – current portion	(123,635)	(120,397)
Loans payable – non-current portion	(710,213)	(833,848)
<b>Total net investment in capital assets</b>	<u>6,304,074</u>	<u>6,426,530</u>
<b>Restricted:</b>		
Cash and cash equivalents – restricted	60,928	61,826
<b>Total restricted</b>	<u>60,928</u>	<u>61,826</u>
<b>Unrestricted:</b>		
Non-spendable unrestricted net position:		
Materials and supplies inventory	94,015	104,142
Prepaid and other assets	35,734	33,972
<b>Total non-spendable unrestricted net position</b>	<u>129,749</u>	<u>138,114</u>
Spendable unrestricted net position:		
Operating reserve	1,249,194	1,031,439
<b>Total spendable unrestricted net position</b>	<u>1,249,194</u>	<u>1,031,439</u>
<b>Total unrestricted</b>	<u>1,378,943</u>	<u>1,169,553</u>
<b>Total net position</b>	<u>\$ 7,743,945</u>	<u>7,657,909</u>

**(8) Defined Benefit Pension Plan**

The District provides pension benefits to all covered employees under the Collective Bargaining Agreement to the Service Employees International Union National Industry Pension Fund. The District's contribution is based on 15% of gross wages. The District's contributions to the Plan were \$77,360 and \$59,895 for the years ended June 30, 2020 and 2019, respectively.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

**(9) Deferred Compensation Savings Plan**

In 2003, as amended in 2008, the District offered a Profit Sharing 401(a) Plan (Plan), to qualified employees. Participation in the Plan is open to employees who do not meet the eligibility requirements for pension benefits under the terms of a separate collective bargaining agreement. At June 30, 2020 and 2019, the Plan included two participants. The market value of all assets held in trust by the District's 401(a) Plan at June 30, 2020 and 2019, amounted to \$237,390 and \$201,163, respectively.

**(10) Risk Management**

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is insured for a variety of potential exposures. The following is a summary of the insurance policies carried by the District as of June 30, 2020:

- Property: Blanket limit of \$6,058,000 with a \$1,000 deductible per incident.
- Property damage: \$1,000,000 per occurrence and \$10,000,000 in the aggregate.
- Personal and advertising injury: \$1,000,000 per person or organization and \$10,000,000 in the aggregate.
- Wrongful acts: \$1,000,000 per claim and \$10,000,000 in the aggregate with a \$1,000 deductible.
- Employment practices liability: \$1,000,000 per claim and \$10,000,000 in the aggregate with a \$1,000 deductible.
- Employee benefits liability: \$1,000,000 per person and \$10,000,000 in the aggregate with a \$1,000 deductible.
- Automobile: \$1,000,000 per occurrence with a \$500 deductible.
- Crime coverage: \$250,000 per occurrence with a \$1,000 deductible.
- Excess liability: \$4,000,000 employer's liability excluded.

**(11) Governmental Accounting Standards Board Statements Issued, Not Yet Effective**

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the issue date, that have effective dates that may impact future financial presentations.

***Governmental Accounting Standards Board Statement No. 84***

In January 2017, the GASB issued Statement No. 84 – *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported.

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

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**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

**(11) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

***Governmental Accounting Standards Board Statement No. 87***

In June 2017, the GASB issued Statement No. 87 – *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by 18 months. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 89***

In June 2018, the GASB issued Statement No. 89 – *Accounting for Interest Cost incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period.

This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2019; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements of this Statement should be applied prospectively.



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**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

**(11) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

***Governmental Accounting Standards Board Statement No. 90***

In August 2018, the GASB issued Statement No. 90 – *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2018; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

***Governmental Accounting Standards Board Statement No. 91***

In May 2019, the GASB issued Statement No. 91 – *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

This Statement also addresses arrangements—often characterized as leases—that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third-party obligors in the course of their activities. Payments from third-party obligors are intended to cover and coincide with debt service payments. During those arrangements, issuers retain the titles to the capital assets. Those titles may or may not pass to the obligors at the end of the arrangements.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

**(11) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

***Governmental Accounting Standards Board Statement No. 91, continued***

This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this Statement were effective for reporting periods beginning after December 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 92***

In January 2020, the GASB issued Statement No. 92 – *Omnibus 2020*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

The requirements of this Statement were as follows: (1) The requirements related to the effective date of Statement 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance; (2) The requirements related to intra-entity transfers of assets and those related to the applicability of Statements 73 and 74 are effective for fiscal years beginning after June 15, 2020; (3) The requirements related to application of Statement 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities are effective for reporting periods beginning after June 15, 2020; and (4) The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition are effective for government acquisitions occurring in reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective date has been postponed by one year. Earlier application is encouraged and is permitted by topic.

***Governmental Accounting Standards Board Statement No. 93***

In March 2020, the GASB issued Statement No. 93 – *Replacement of Interbank Offered Rates*. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an IBOR. This Statement achieves that objective by: (1) Providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment; (2) Clarifying the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; (3) Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable; (4) Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap; (5) Identifying a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap; (6) Clarifying the definition of reference rate, as it is used in Statement 53, as amended; and (7) Providing an exception to the lease modifications guidance in Statement 87, as amended, for certain lease contracts that are amended solely to replace an IBOR as the rate upon which variable payments depend.

**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

**(11) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

***Governmental Accounting Standards Board Statement No. 93, continued***

The requirements of this Statement were effective as follows: (1) The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021; and (2) All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020; however, in light of the COVID-19 pandemic, the effective dates have been postponed by one year. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 94***

In March 2020, the GASB issued Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which the Board defines in this Statement as a PPP in which (1) the operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

***Governmental Accounting Standards Board Statement No. 96***

In May 2020, the GASB issued Statement No. 96 – *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Earlier application is encouraged.

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**Cabazon Water District**  
**Notes to the Financial Statements, continued**  
**For the Fiscal Years Ended June 30, 2020 and 2019**

**(11) Governmental Accounting Standards Board Statements Issued, Not Yet Effective, continued**

***Governmental Accounting Standards Board Statement No. 97***

In June 2020, the GASB issued Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 41 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance.

**(12) Commitments and Contingencies**

***Grant Awards***

Grant funds received by the District are subject to audit by grantor agencies. Such audit could lead to requests for reimbursements to grantor agencies for expenditures disallowed under terms of the grant. Management of the District believes that such disallowances, if any, would not be significant.

***Litigation***

In the ordinary course of operations, the District is subject to claims and litigation from outside parties. After consultation with legal counsel, the District believes the ultimate outcome of such matters, if any, will not materially affect its financial condition.

**(13) Subsequent Events**

Events occurring after June 30, 2020, have been evaluated for possible adjustment to the financial statements or disclosure as of December 15, 2020, which is the date the financial statements were available to be issued.

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# Report on Internal Controls and Compliance

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**Independent Auditor’s Report on Internal Controls Over Financial Reporting  
and on Compliance and Other Matters Based on the Audits of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

Board of Directors  
Cabazon Water District  
Cabazon, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Cabazon Water District (District), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements, and have issued our report thereon dated December 15, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the District’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



**Independent Auditor's Report on Internal Controls Over Financial Reporting  
and on Compliance and Other Matters Based on the Audits of Financial Statements  
Performed in Accordance with *Government Auditing Standards*, continued**

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**Fedak & Brown LLP**  
Cypress, California  
December 15, 2020

DRAFT

## New Business

### 2. Discussion/Action Item:

Reimbursement to Board Directors for taking  
COVID test related to District business.

07/16/20

Covid Clinic



# INVOICE

Receipt  
**Provider Info**  
Dr. Matthew Abinante  
NPI# 1740685387  
9518476749

Invoice Number: 29261  
Invoice Date: October 17, 2020  
Order Number: 36076  
Order Date: October 17, 2020  
Payment Method: Credit Card  
Patient's First Name: Sarah  
Patient's Last Name: Wargo

Product	Quantity	Total
COVID-19 Test	1	\$150.00

Appointment  
Date: October 17, 2020  
Time: 4:30 pm  
Service: \$150 - Rapid COVID-19 Antigen Test - 60 Min Result  
Nasal Test: COVID-19 Testing, Z11.59 CPT: 87426 TIN: 85-0673475

### Other Comments

Covid Clinic encourages every patient to seek reimbursement from their insurance provider(s). This invoice should help with seeking a reimbursement from your insurance provider.  
  
COVID Clinic makes no guarantee or representation that your insurance provider will reimburse you for this test.

<b>Subtotal</b>	<b>\$150.00</b>
<b>Shipping</b>	<b>\$0.00</b>
<b>Paid</b>	<b>\$150.00</b>

**Amount Due**  
\$0.00

68/1166



Covid Clinic  
18800 Delaware St  
STE 800  
Huntington Beach, CA 92648  
(949) 287-8191

# Invoice

DATE: 10/17/2020

TIN: 85-0673475

Anthony Thomas  
Po Box  
Cabazon, CA - 92230

01/05/2011

QTY	Service Delivered	UNIT PRICE	LINE TOTAL
1	Rapid Antigen Test: COVID-19 Testing, Z11.59 CPT: 87426 TIN: 85-0673475	\$150.00	\$150.00

**OTHER COMMENTS**  
 Covid Clinic encourages every patient to seek reimbursement from their insurance provider (s). This invoice should help with the seeking a reimbursement from your insurance provider.

Subtotal:	\$150.00
Paid:	\$150.00
<b>Balance Due:</b>	<b>\$0.00</b>

69/11/20



Covid Clinic  
18800 Delaware St  
STE 800  
Huntington Beach, CA 92648  
(949) 287-8191

## Invoice

DATE: 10/17/2020

TIN: 85-0673475

Eden Thomas  
Po Box  
Cabazon, CA - 92230

05/01/2014

QTY	Service Delivered	UNIT PRICE	LINE TOTAL
1	Rapid Antigen Test: COVID-19 Testing, Z11.59 CPT: 87426 TIN: 85-0673475	\$150.00	\$150.00

**OTHER COMMENTS**  
Covid Clinic encourages every patient to seek reimbursement from their insurance provider (s). This invoice should help with the seeking a reimbursement from your insurance provider.

Subtotal:	\$150.00
Paid:	\$150.00

**Balance Due: \$0.00**

## New Business

### 3. Discussion/Action Item:

Transfer of funds from the District's General Account to the District's LAIF (savings) Account.

## Old Business

### 1. Discussion/Action Item:

NBS Water Rate Study and Review and Discussion.

72, uel



**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, November 17, 2020, 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 January 1, 2021, and will be adjusted each January 1 thereafter beginning January 1, 2021, and through and including, January 1, 2025.

**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 maintain lower 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.

<b>CURRENT AND PROPOSED RATES FOR MONTHLY FIXED SERVICE CHARGE (\$/METER SIZE)</b>						
<b>Meter Size</b>	<b>Current Rates as of 12/1/2020</b>	<b>Proposed Rates and Effective Dates</b>				
		<b>1/1/2021</b>	<b>1/1/2022</b>	<b>1/1/2023</b>	<b>1/1/2024</b>	<b>1/1/2025</b>
5/8 inch	\$68.10	\$25.29	\$26.05	\$26.83	\$27.64	\$28.47
3/4 inch	\$98.24	\$35.20	\$36.25	\$37.34	\$38.46	\$39.62
1 inch	\$158.51	\$55.00	\$56.65	\$58.35	\$60.10	\$61.91
1.5 inch	\$309.21	\$104.52	\$107.66	\$110.89	\$114.21	\$117.64
2 inch	\$490.04	\$163.94	\$168.86	\$173.92	\$179.14	\$184.52
3 inch	\$972.27	\$322.39	\$332.06	\$342.03	\$352.29	\$362.86
4 inch	\$1514.77	\$500.65	\$515.67	\$531.14	\$547.08	\$563.49
Contract (10 inch)	\$2233.06	\$2300.05	\$2369.05	\$4418.51	\$4551.07	\$4687.60
Construction Meters (3 inch)	\$286.73	\$344.40	\$354.73	\$365.38	\$376.34	\$387.63

<b>CURRENT AND PROPOSED RATES FOR MONTHLY FIXED FIRE SERVICE CHARGE (\$/METER SIZE)</b>						
<b>Meter Size</b>	<b>Current Rates</b>	<b>Proposed Rates and Effective Dates</b>				
		<b>1/1/2021</b>	<b>1/1/2022</b>	<b>1/1/2023</b>	<b>1/1/2024</b>	<b>1/1/2025</b>
4 inch	\$61.54	\$34.05	\$35.08	\$36.13	\$37.21	\$38.33
6 inch	\$130.62	\$70.78	\$72.91	\$75.09	\$77.35	\$79.67
8 inch	\$212.11	\$119.76	\$123.35	\$127.05	\$130.86	\$134.79

**Board of Director's Meeting  
September 15, 2020**

# **Cabazon Water District Water Rate Study**



75 | *Vote*

# Overview of the Rate Study



# Components of a Rate Study

**1** FINANCIAL PLAN



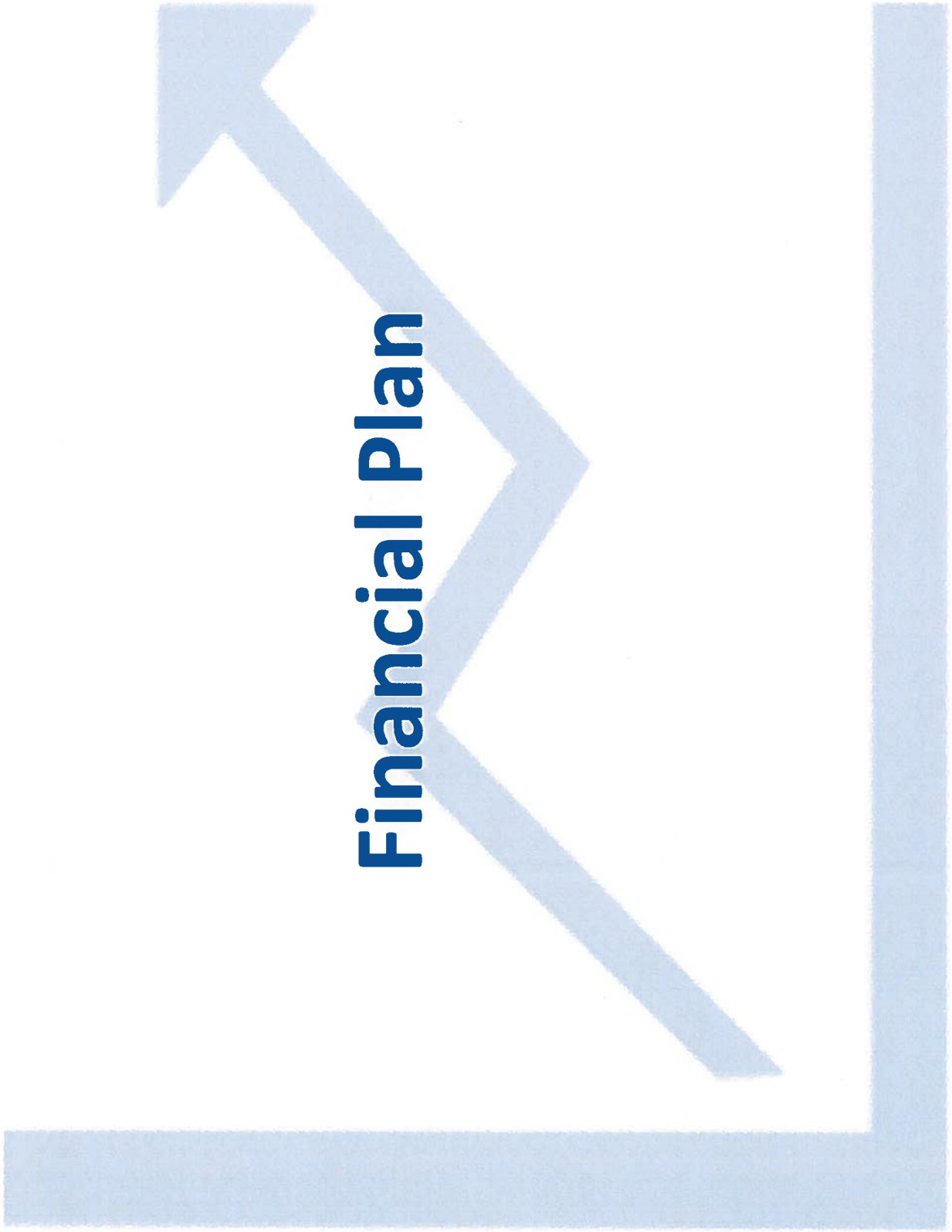
**2** COST-OF-SERVICE ANALYSIS



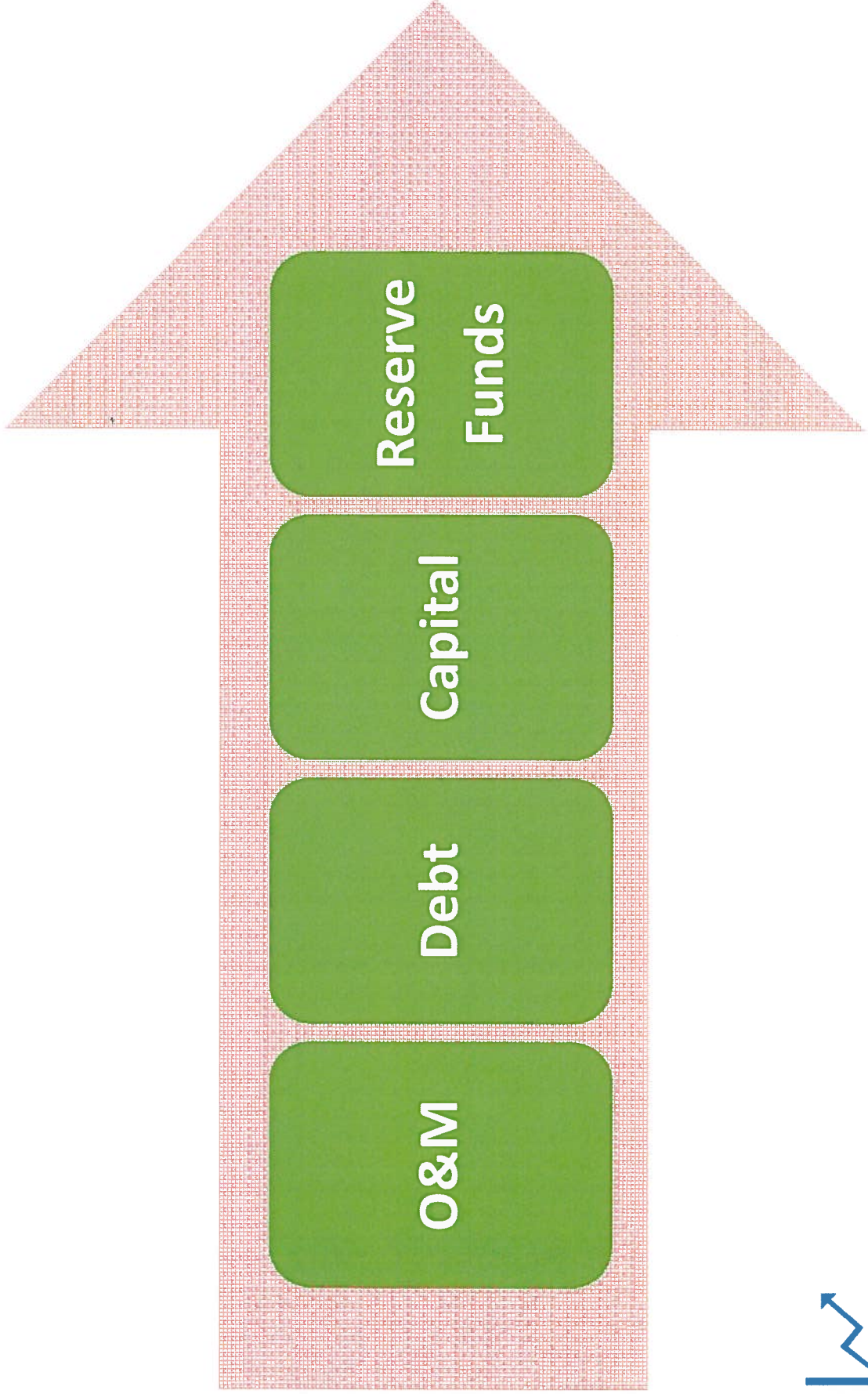
**3** RATE DESIGN



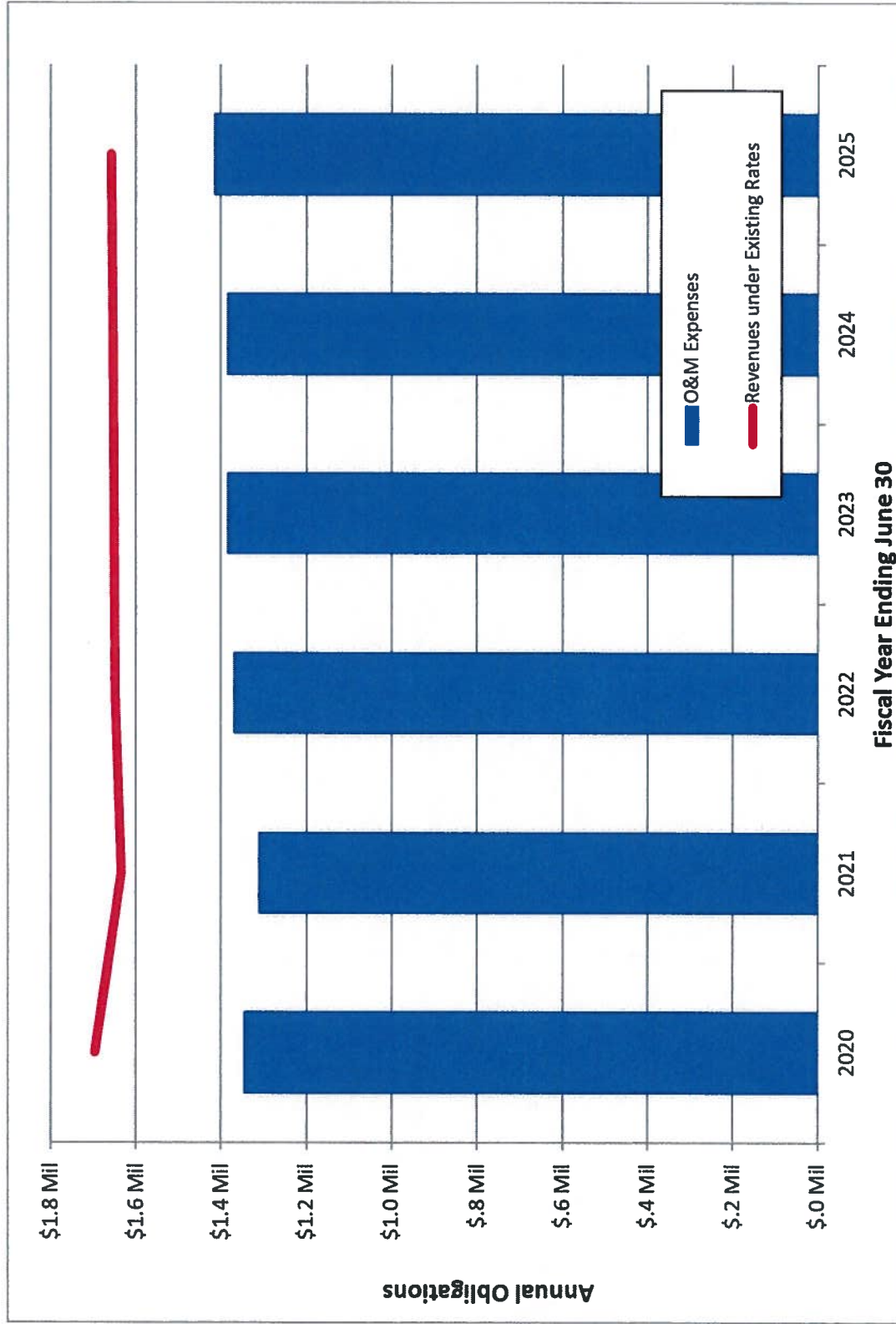
# Financial Plan



# Financial Plan Funding Priorities



# Operations & Maintenance



# Debt Service

Debt	Time Frame	Annual Amount
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DWR Loan	Through FY 2026/27 <sup>1</sup>	\$48,691
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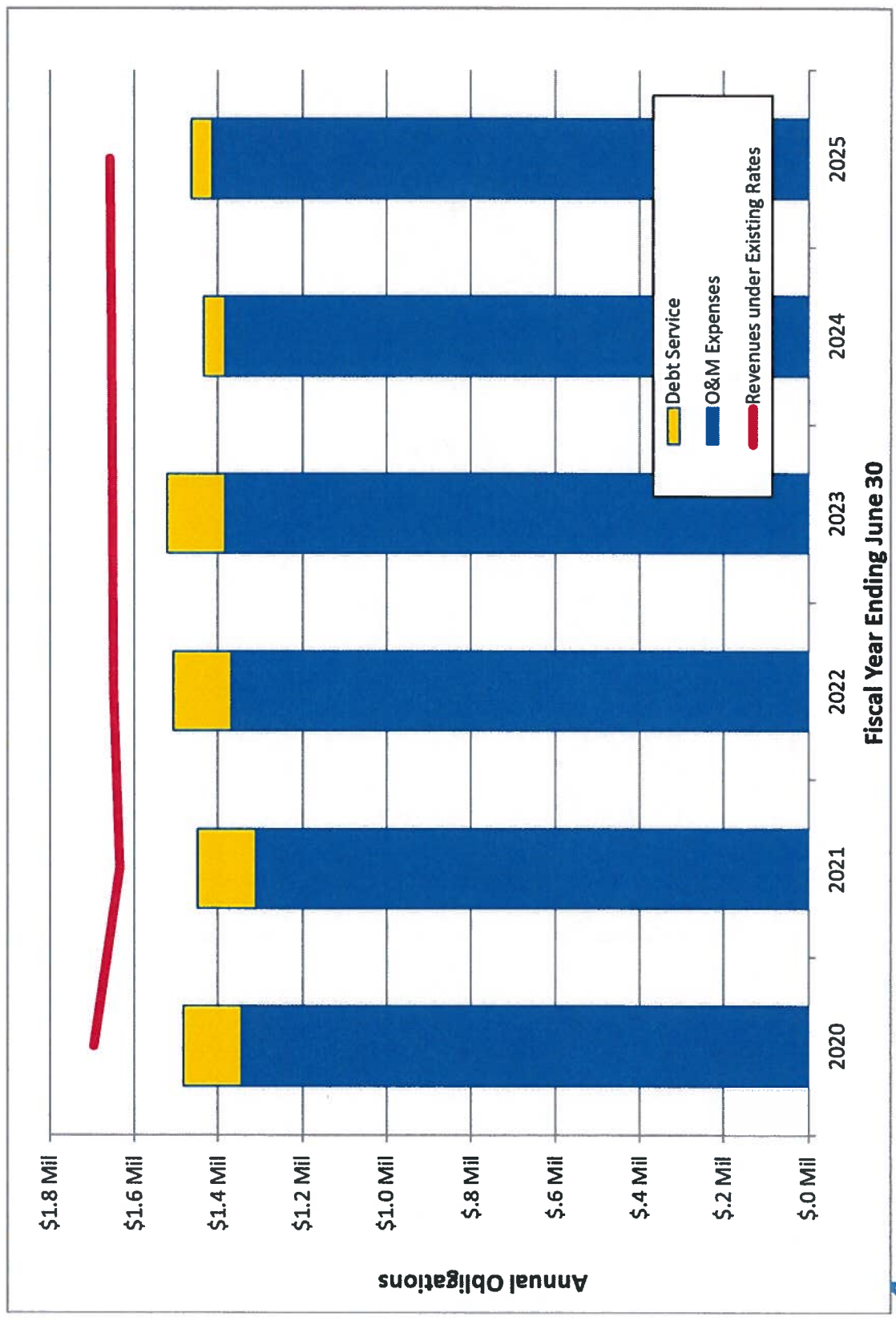
Zion First National	Through FY 2022/23	\$88,703
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1. Final payment for DWR Loan is \$15,754 in 2026/27.





# Debt Service



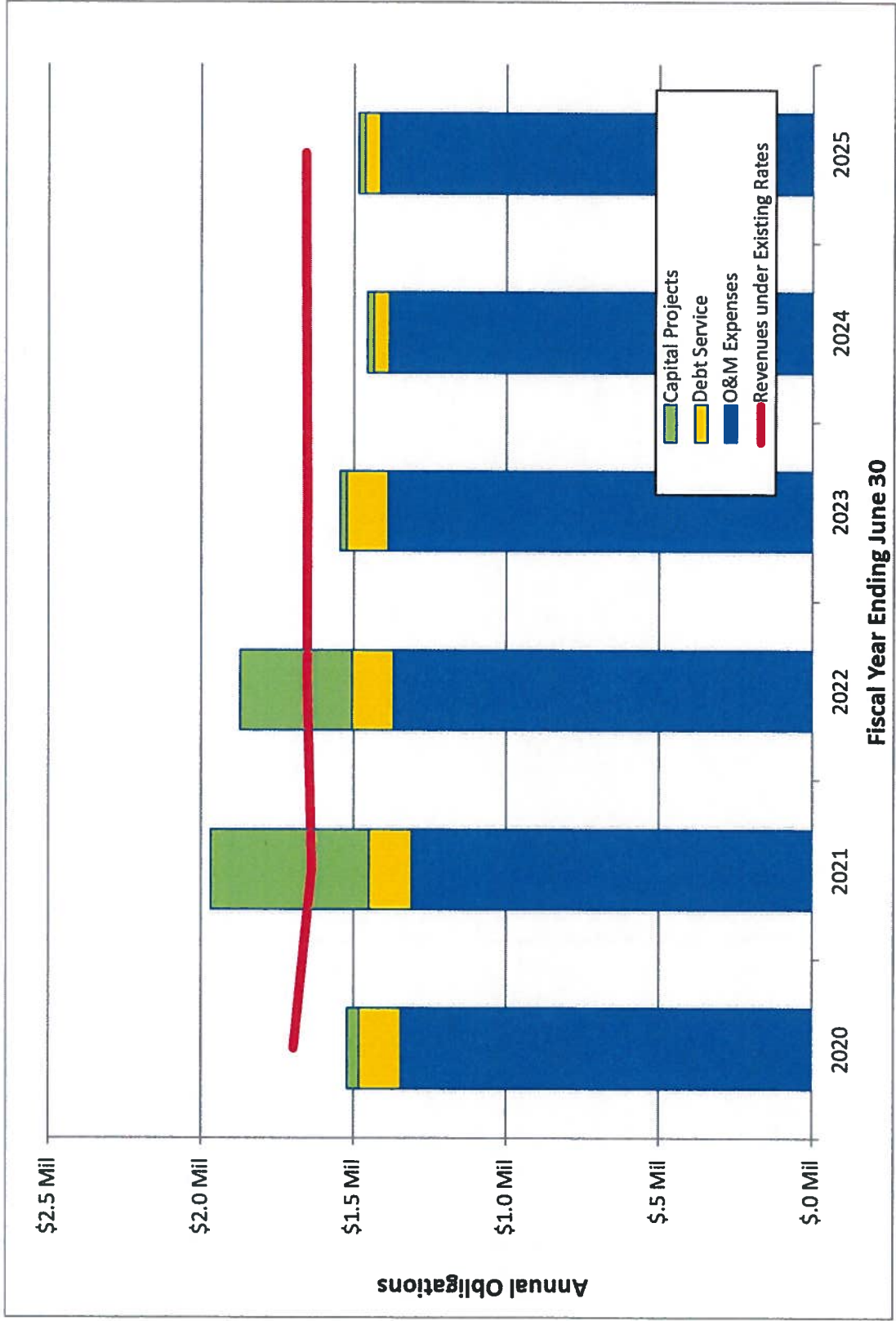
# Capital Improvement Program

Project Description	2021	2022	2023	2024	2025
Main Street Property (Icehouse-Impts)	\$ 20,000	\$ 51,500	\$ -	\$ -	\$ -
Relocate Fire Hydrant at Circle K	15,000	-	-	-	-
Water Meter Replacements	20,000	20,600	21,218	21,855	22,510
Detach Section Land Locked by Tribe	-	30,900	-	-	-
Service Utility Truck	-	108,150	-	-	-
Production We11 #1 Rehab	240,000	-	-	-	-
Tank #1 Rehab	150,000	-	-	-	-
Connection & Transfer Box to W1 & W5 for portable generator	75,000	-	-	-	-
Bonita Vault Rehab	-	154,500	-	-	-
<b>Total: CIP Program Costs<sup>1</sup></b>	<b>\$ 520,000</b>	<b>\$ 365,650</b>	<b>\$ 21,218</b>	<b>\$ 21,855</b>	<b>\$ 22,510</b>

1. Includes inflation of 3% per year applied to original cost estimates (per ENR Construction Cost Inflation Index).



# Capital Improvement Program



# Reserve Funds

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## Reserve Fund Target

Operating Reserve 180 days of O&M Expenses

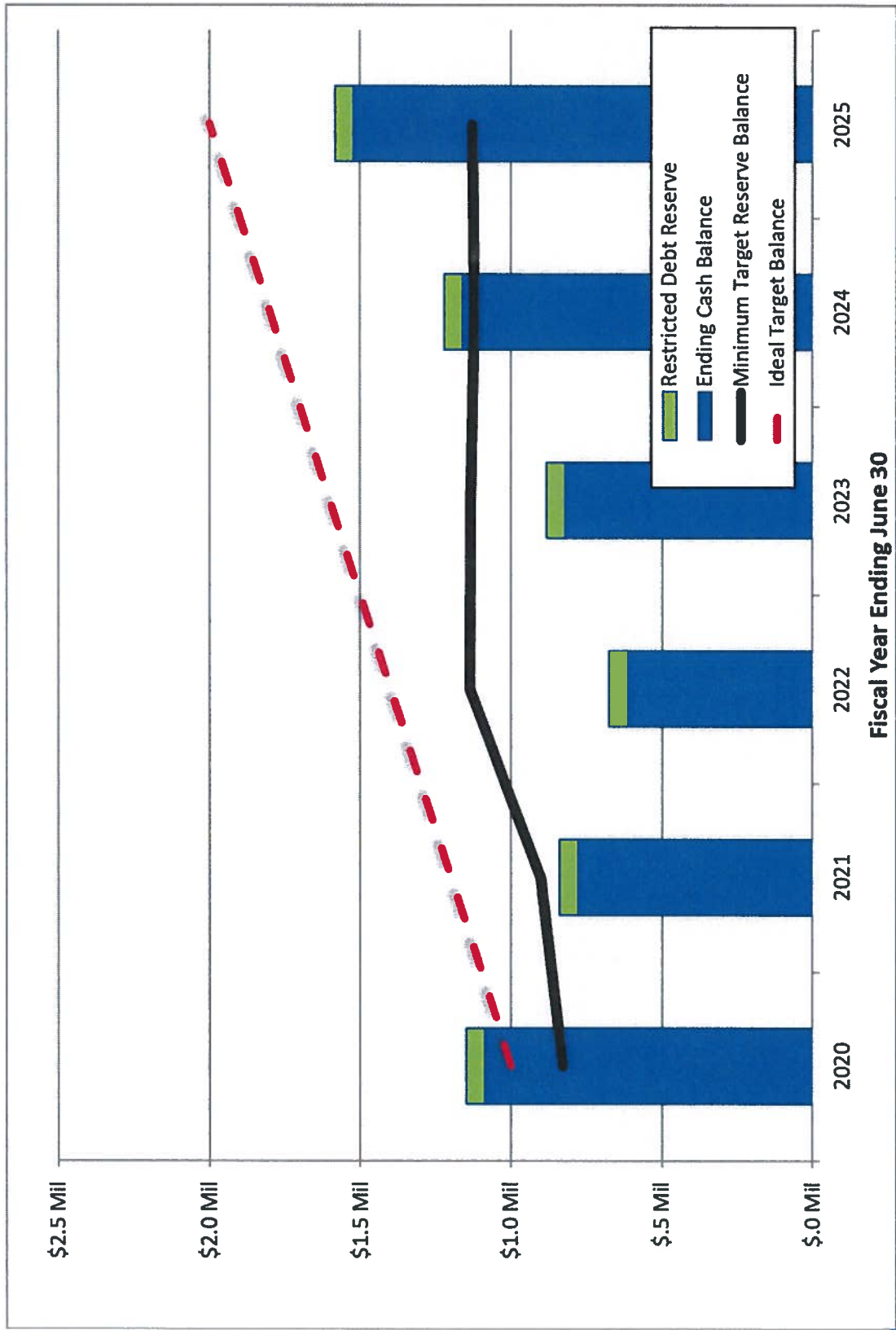
Capital Rehab & Replacement

6% of net assets

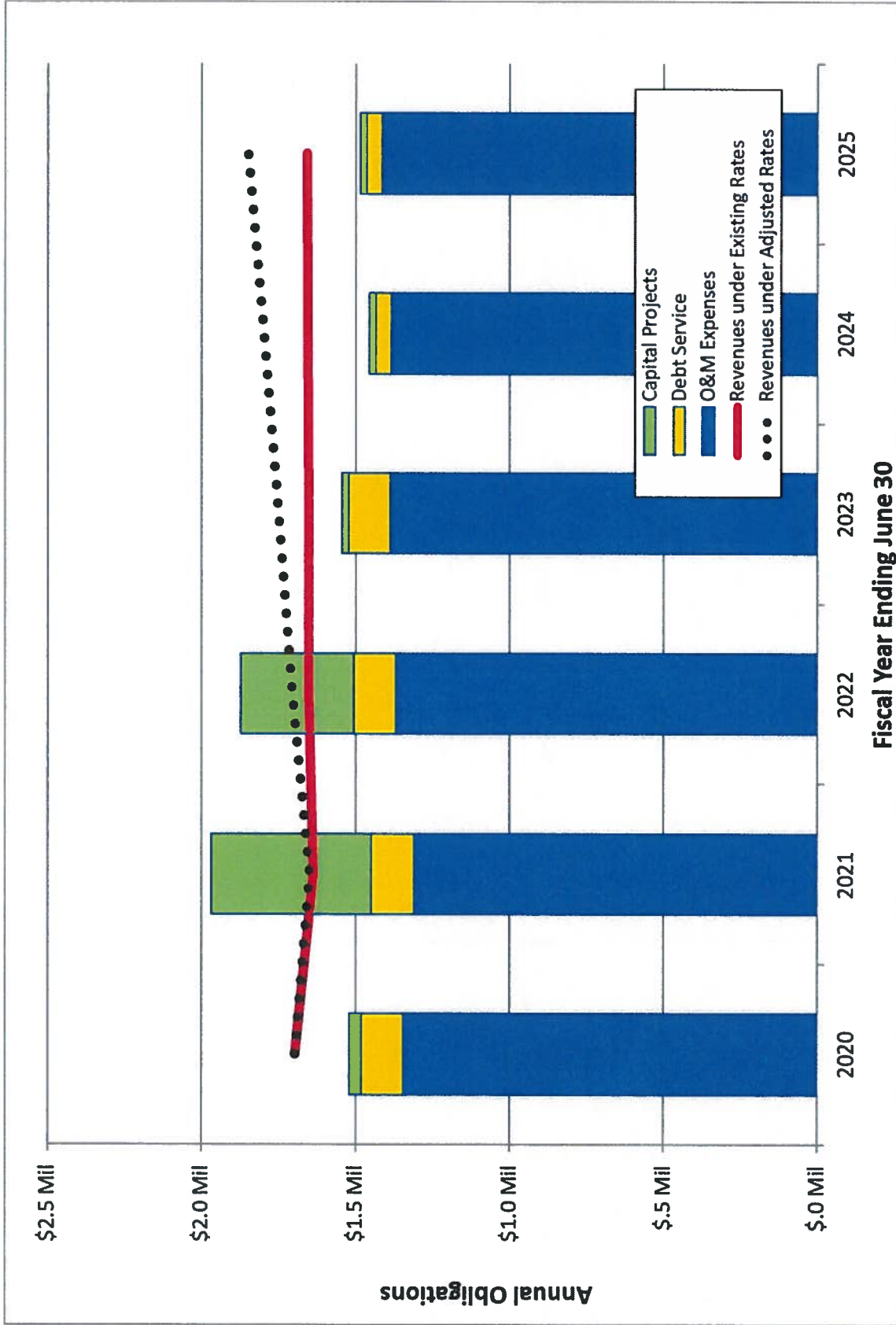
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# Projected Cash Balance vs. Reserve Target Under Adjusted Rates



# Projected Adjustments to Rate Revenue



# Cost of Service Analysis



# Functionalization and Classification

## Revenue Requirements

Fixed

Capacity  
Costs

Customer  
Costs

Fire  
Protection  
Costs

Commodity  
Costs

Variable





# Functionalization and Classification, cont.

Category	Percentage
Capacity Costs	73.2%
Customer Costs	5.0%
Fire Protection	0.4%
Commodity Costs	21.4%

Fixed	78.6%
Variable	21.4%

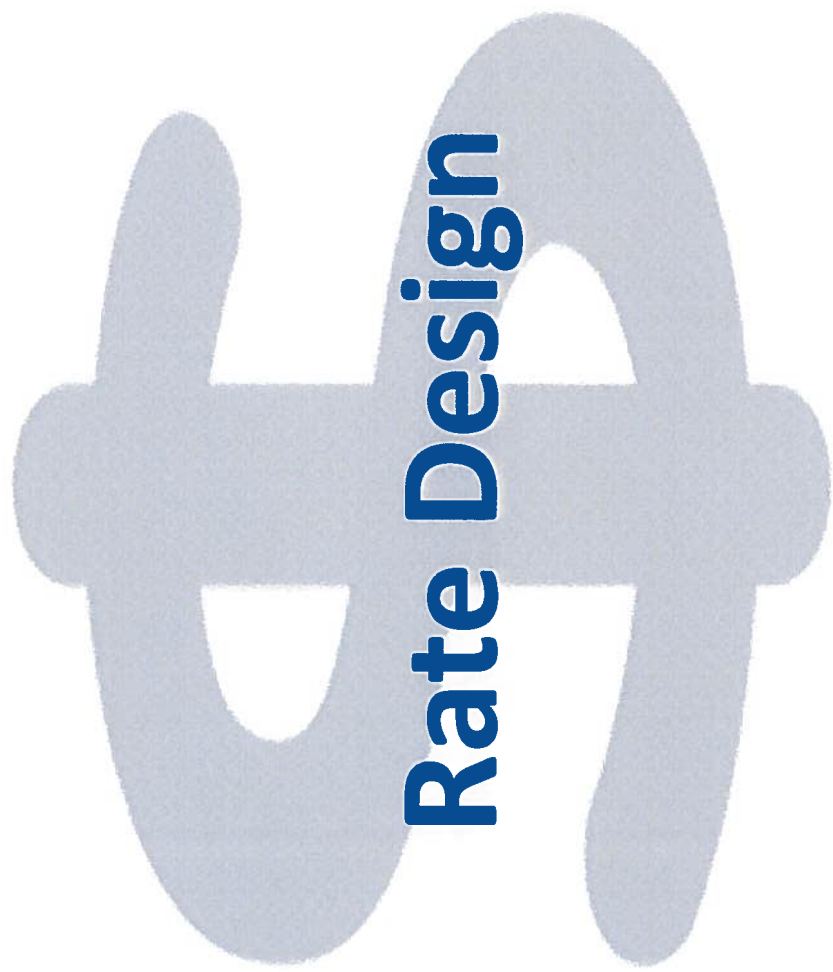


## Customer Classes

1. Single Family Residential (SFR)
2. Commercial/Non-SFR
3. Contract
4. Construction



# Rate Design



# Rate Design Components

Rate Design Components	Basis for Cabazon Water District
# of Customer Classes	Four: SFR, Comm/Non-SFR, Construction & Contract
Allocation of Fixed vs. Variable Charges	3 Alternative Fixed/Variable Rate %'s
Fixed Rate Structure	Meter Hydraulic Capacity
Variable Rate Structure	Flat/Uniform and Tiered



# Rate Design Alternatives

Functional Category	Rate Alternative A		Rate Alternative B		Rate Alternative C	
	Adjusted Net Revenue Requirements (2020-21) 50% Fixed / 50% Variable		Adjusted Net Revenue Requirements (2020-21) 40% Fixed / 60% Variable		Adjusted Net Revenue Requirements (2020-21) 30% Fixed / 70% Variable	
Commodity - Related Costs	\$ 259,786	21.4%	\$ 259,786	21.4%	\$ 259,786	21.4%
Capacity - Related Costs (volumetric share)	\$ 346,751	28.6%	\$ 468,058	38.6%	\$ 589,365	48.6%
Capacity - Related Costs (fixed share)	\$ 541,057	44.6%	\$ 419,750	34.6%	\$ 298,443	24.6%
Customer - Related Costs	\$ 60,386	5.0%	\$ 60,386	5.0%	\$ 60,386	5.0%
Fire Protection - Related Costs	\$ 5,093	0.4%	\$ 5,093	0.4%	\$ 5,093	0.4%
<b>Total</b>	<b>\$ 1,213,074</b>	<b>100%</b>	<b>\$ 1,213,074</b>	<b>100%</b>	<b>\$ 1,213,074</b>	<b>100%</b>
<b>Revenue from Contract Rates</b>	<b>\$ 203,176</b>		<b>\$ 203,176</b>		<b>\$ 203,176</b>	
<b>Net Revenue Requirement</b>	<b>\$ 1,416,250</b>		<b>\$ 1,416,250</b>		<b>\$ 1,416,250</b>	



# Variable Rate

Customer Class	Variable Rate
Single Family Residential	Tiered Tier 1: 7 hcf Tier 2: 14 hcf Tier 3: 15+ hcf
Commercial / Non-SFR / Construction	Uniform
Contract	Uniform



# Proposed Rates – (50% Fixed / 50% Variable)

Water Rate Schedule	Current Rates		Proposed Rates			
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	
<b>Fixed Meter Charges</b>						
<b>Monthly Fixed Service Charges:</b>						
5/8 inch	\$68.10	\$41.40	\$42.64	\$43.92	\$45.23	\$46.59
3/4 inch	\$98.24	\$59.35	\$61.13	\$62.96	\$64.85	\$66.80
1 inch	\$158.51	\$95.26	\$98.12	\$101.06	\$104.09	\$107.21
1.5 inch	\$309.21	\$185.03	\$190.58	\$196.30	\$202.19	\$208.25
2 inch	\$490.04	\$292.75	\$301.53	\$310.58	\$319.90	\$329.50
3 inch	\$972.27	\$580.02	\$597.42	\$615.34	\$633.80	\$652.81
4 inch	\$1,514.77	\$903.19	\$930.29	\$958.19	\$986.94	\$1,016.55
Contract (10 inch)	\$2,233.06	\$2,300.05	\$2,369.05	\$8,005.75	\$8,245.92	\$8,493.30
Construction Meters (3 inch)	\$286.73	\$602.03	\$620.09	\$638.69	\$657.85	\$677.58
<b>Monthly Fire Service Charges:</b>						
4 inch	\$61.54	\$34.05	\$35.08	\$36.13	\$37.21	\$38.33
6 inch	\$130.62	\$70.78	\$72.91	\$75.09	\$77.35	\$79.67
8 inch	\$212.11	\$119.76	\$123.35	\$127.05	\$130.86	\$134.79
<b>Commodity Charges</b>						
<b>Rate per hcf of Water Consumed:</b>						
Uniform Rate (Non-SFR + Construction)	\$2.96	\$5.05	\$5.20	\$4.59	\$4.73	\$4.87
Contract Rate	\$3.83	\$3.94	\$4.06	N/A	N/A	N/A
<b>Tiered Rate (SFR Customers):</b>						
			<b>Proposed Break</b>			
Tier 1	\$1.53	\$1.98	\$2.03	\$2.10	\$2.16	\$2.22
Tier 2	\$3.35	\$5.70	\$5.87	\$6.05	\$6.23	\$6.42
Tier 3	\$5.12	\$10.02	\$10.32	\$10.63	\$10.95	\$11.28



# Proposed Rates – (40% Fixed / 60% Variable)

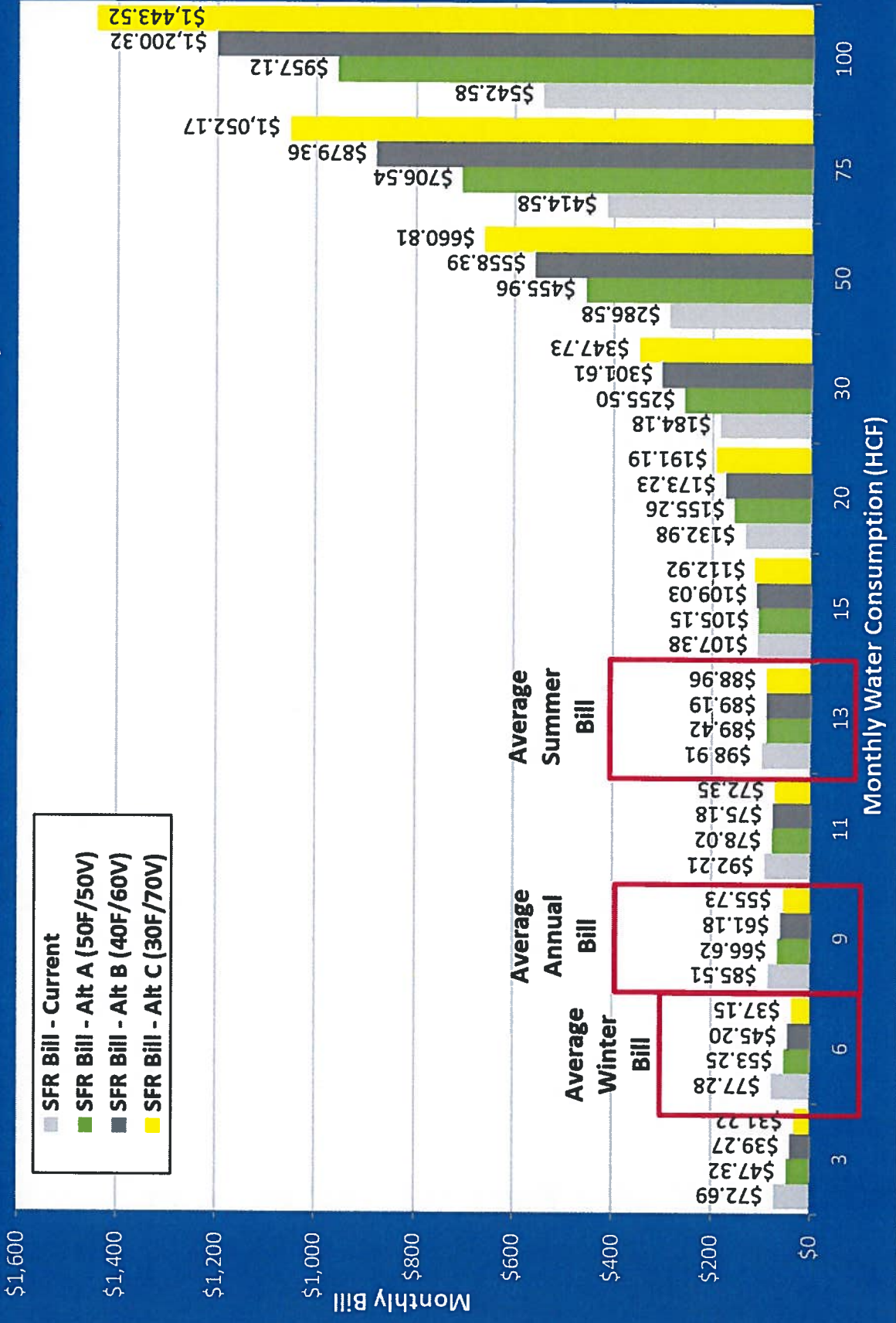
Water Rate Schedule	Current Rates	Proposed Rates				
		FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
<b>Fixed Meter Charges</b>						
<b>Monthly Fixed Service Charges:</b>						
5/8 inch	\$68.10	\$33.34	\$34.35	\$35.38	\$36.44	\$37.53
3/4 inch	\$98.24	\$47.27	\$48.69	\$50.15	\$51.66	\$53.21
1 inch	\$158.51	\$75.13	\$77.38	\$79.71	\$82.10	\$84.56
1.5 inch	\$309.21	\$144.77	\$149.12	\$153.59	\$158.20	\$162.94
2 inch	\$490.04	\$228.35	\$235.20	\$242.25	\$249.52	\$257.01
3 inch	\$972.27	\$451.20	\$464.74	\$478.68	\$493.04	\$507.84
4 inch	\$1,514.77	\$701.92	\$722.98	\$744.67	\$767.01	\$790.02
Contract (10 inch)	\$2,233.06	\$2,300.05	\$2,369.05	\$6,212.13	\$6,398.49	\$6,590.45
Construction Meters (3 inch)	\$286.73	\$473.21	\$487.41	\$502.03	\$517.09	\$532.61
<b>Monthly Fire Service Charges:</b>						
4 inch	\$61.54	\$34.05	\$35.08	\$36.13	\$37.21	\$38.33
6 inch	\$130.62	\$70.78	\$72.91	\$75.09	\$77.35	\$79.67
8 inch	\$212.11	\$119.76	\$123.35	\$127.05	\$130.86	\$134.79
<b>Commodity Charges</b>						
<b>Rate per hcf of Water Consumed:</b>						
Uniform Rate (Non-SFR + Construction)	\$2.96	\$6.12	\$6.31	\$5.06	\$5.21	\$5.37
Contract Rate	\$3.83	\$3.94	\$4.06	N/A	N/A	N/A
<b>Tiered Rate (SFR Customers):</b>						
		<b>Proposed Break</b>				
Tier 1	\$1.53	\$1.98	\$2.03	\$2.10	\$2.16	\$2.22
Tier 2	\$3.35	\$7.00	\$7.21	\$7.43	\$7.65	\$7.88
Tier 3	\$5.12	\$12.84	\$13.22	\$13.62	\$14.03	\$14.45





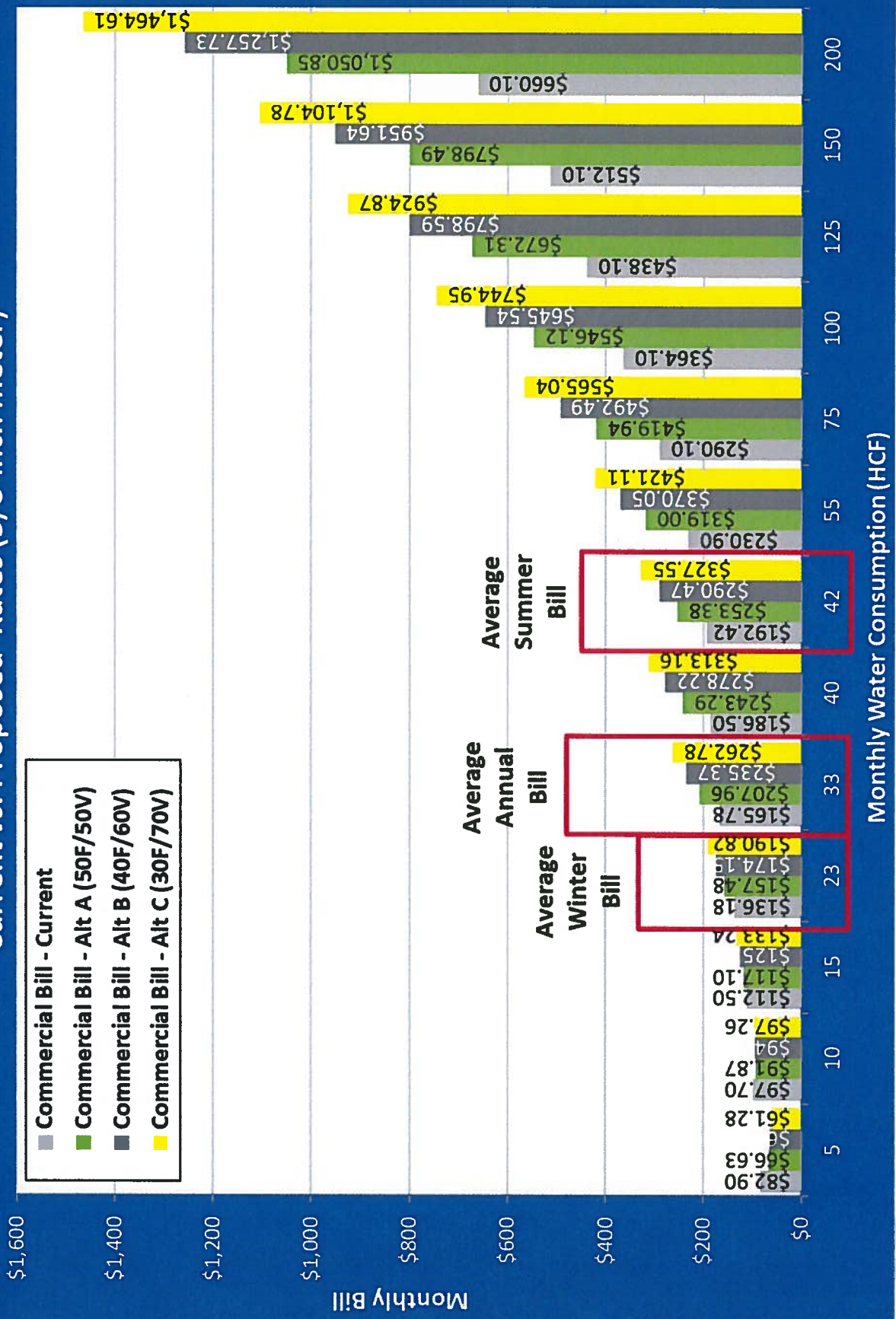


# Residential Water Bill Comparison Current vs. Proposed Rates (5/8" meter)



- SFR Bill - Current
- SFR Bill - Alt A (50F/50V)
- SFR Bill - Alt B (40F/60V)
- SFR Bill - Alt C (30F/70V)

# Commercial Water Bill Comparison Current vs. Proposed Rates (5/8-inch meter)



# Single Family Residential Bill Comparisons

Rate Alternative	Water Consumption					
	3	6	9	11	13	15
Current	\$72.69	\$77.28	\$85.51	\$92.21	\$98.91	\$107.38
Alt A - 50% Fixed / 50% Variable	\$47.32	\$53.25	\$66.62	\$78.02	\$89.42	\$105.15
Alt B - 40% Fixed / 60% Variable	\$39.27	\$45.20	\$61.18	\$75.18	\$89.19	\$109.03
Alt C - 30% Fixed / 70% Variable	\$31.22	\$37.15	\$55.73	\$72.35	\$88.96	\$112.92

Rate Alternative	Water Consumption				
	20	30	50	75	100
Current	\$132.98	\$184.18	\$286.58	\$414.58	\$542.58
Alt A - 50% Fixed / 50% Variable	\$155.26	\$255.50	\$455.96	\$706.54	\$957.12
Alt B - 40% Fixed / 60% Variable	\$173.23	\$301.61	\$558.39	\$879.36	\$1,200.32
Alt C - 30% Fixed / 70% Variable	\$191.19	\$347.73	\$660.81	\$1,052.17	\$1,443.52



10/1/14

# Non-Residential Bill Comparisons

Rate Alternative	Water Consumption						
	5	10	15	23	33	40	42
Current	\$82.90	\$97.70	\$112.50	\$136.18	\$165.78	\$186.50	\$192.42
Alt A - 50% Fixed / 50% Variable	\$66.63	\$91.87	\$117.10	\$157.48	\$207.96	\$243.29	\$253.38
Alt B - 40% Fixed / 60% Variable	\$63.95	\$94.56	\$125.17	\$174.15	\$235.37	\$278.22	\$290.47
Alt C - 30% Fixed / 70% Variable	\$61.28	\$97.26	\$133.24	\$190.82	\$262.78	\$313.16	\$327.55

Rate Alternative	Water Consumption						
	55	75	100	125	150	200	
Current	\$230.90	\$290.10	\$364.10	\$438.10	\$512.10	\$660.10	
Alt A - 50% Fixed / 50% Variable	\$319.00	\$419.94	\$546.12	\$672.31	\$798.49	\$1,050.85	
Alt B - 40% Fixed / 60% Variable	\$370.05	\$492.49	\$645.54	\$798.59	\$951.64	\$1,257.73	
Alt C - 30% Fixed / 70% Variable	\$421.11	\$565.04	\$744.95	\$924.87	\$1,104.78	\$1,464.61	



102 file

# Questions



# Supplementary Material

# Inflation Factors

Cost Type	Inflation Factor
Customer Growth	0%
General Cost Inflation	2%
Salary Inflation	3%
Benefits Inflation	6%
Electricity	3.5%
Fuel	3%
Chemicals	3%
Cell Tower Lease	2%
Capital Cost Inflation	3%

105/1000



# Hydraulic Capacity

Meter Size	Capacity Standard Meters	Capacity Fire Meters
5/8 Inch	20 gpm	20 gpm
3/4 Inch	30 gpm	30 gpm
1 Inch	50 gpm	50 gpm
1.5 Inch	100 gpm	100 gpm
2 Inch	160 gpm	160 gpm
3 Inch	320 gpm	350 gpm
4 Inch	500 gpm	700 gpm
6 Inch	1,000 gpm	1,600 gpm
8 Inch	2,800 gpm	2,800 gpm
10 Inch	4,200 gpm	4,400 gpm

# Water Consumption by Customer Class

Customer Class	Volume (hcf) <sup>1</sup>	Percent of Total Volume
Single Family Residential	93,915	53.4%
Other Non-SFR/Commercial	35,660	20.3%
Contract	44,507	25.3%
Construction	1,934	1.1%
<b>Total</b>	<b>176,016</b>	<b>100%</b>

1. Consumption is from 2019. CWD bills monthly.

Source files: Cabazon\_USAGEREPORT\_CO1CO2\_Manipulated.xlsx

# SFR Tiered Water Consumption

Consumption by Tier			
Tier	Monthly Breakpoint <sup>1</sup>	Expected Consumption <sup>2</sup>	Percentage of Total SFR Consumption
Tier 1	7 hcf	53,666	57%
Tier 2	14 hcf	21,430	23%
Tier 3	--	18,819	20%
<b>Total</b>		<b>93,915</b>	<b>100%</b>

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 2019 customer data.

Source files: *Cabazon\_FINAN ACCTS SUMMARY\_CO1CO2.xlsx and Cabazon\_USAGEREPORT\_CO1CO2\_Manipulated.xlsx*

# Peaking by Customer Class

Customer Class	Average Monthly Use (hcf)	Peak Monthly Use (hcf) <sup>1</sup>	Peak Monthly Factor	Max Month Capacity Factor
Single Family Residential	7,826	11,521	1.47	51.9%
Other Non-SFR/Commercial	2,972	5,034	1.69	22.7%
Construction	161	719	4.46	3.2%
Contract	3,709	4,921	1.33	22.2%
<b>Total</b>	<b>14,668</b>	<b>22,195</b>		<b>100%</b>

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

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# Number of Customers by Class

Customer Class	Number of Meters <sup>1</sup>	Percent of Total
Single Family Residential	854	93.0%
Other Non-SFR/Commercial	52	5.7%
Fire Service Meters	5	0.5%
Construction	6	0.7%
Contract	1	0.1%
<b>Total</b>	<b>918</b>	<b>100.0%</b>

1. Meter Count is from December 2019. CWD bills monthly.

Source files: Cabazon\_USAGEREPORT\_CO1CO2\_Manipulated.xlsx

110.1 use



# CABAZON WATER DISTRICT

Final Report

Water Rate Study  
Update

November 2020

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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 an update of the 2017 water rate study for a number of reasons, including meeting revenue requirements and updating the water rate structure. 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 Charges<sup>1</sup>, 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 providing service for all customers. In terms of the chronology of the study, these three steps represent the

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

order they were performed. 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 five years. The amount of rate revenue required that will allow capital projects to be funded and reserves to be maintained at the approved levels, is known as the *net revenue requirement*. Although current rate revenue covers all the net revenue requirements, rate adjustments -- or more accurately, adjustments in the total revenue collected from water rates -- are recommended in order to fund planned capital improvement projects and keep reserve funds at healthy levels. This report presents an overview of the methodologies, assumptions, and data used, along with the financial plans and proposed rates developed in this study<sup>2</sup>.

## RATE DESIGN ANALYSIS

Rate Design is typically the stage in the study where NBS, staff and the Board must work closely together, to develop rate alternatives that will meet the District's objectives. It is important for the District 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 to consider.

Several criteria are typically considered in setting rates and developing sound rate structures. The fundamentals of this process have been documented in several 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*<sup>3</sup> 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 water 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 Board of Directors, the rates proposed in this report are designed to collect 30 percent of rate revenue from the

<sup>2</sup> The complete financial plan is set forth in the Appendix.

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

fixed meter charges and 70 percent from the variable commodity charges, which is the opposite of the District's current rate structure.

**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 based on meter equivalent capacity factors.

**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 are greater as more water is consumed. Tiered water rates are 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.

## 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.
- Generating additional revenue needed to meet projected funding requirements.
- Adjusting the rate structure to collect a greater share of revenue from variable charges and less revenue from fixed charges.
- Continuing to encourage water conservation with a tiered rate structure.

NBS developed various water rate alternatives as requested by District staff 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 healthy 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 2020/21 through FY 2024/25, 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 \$1.3 million, annually on average. If no rate adjustments are implemented, the District is projected to see a \$280,000 deficit in fiscal year 2020/21.
- **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 \$1,500,000 in reserves by the end of FY 2024/25. These 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, which is \$707,000 at the end of FY 2024/25. 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 at least 6 percent of net capital assets which is approximately \$422,000 in FY 2024/25, 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 \$935,000 (current year dollars) in expected capital expenditures for FY 2020/21 through 2024/25. With the recommended rate adjustments, these expenditures can be funded.
- **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.
  - Electricity cost inflation is 3.5% annually.
  - General cost inflation is 2% annually.
  - Salary cost inflation is 3% annually.
  - Field Salary cost inflation is 2% annually.
  - Benefits cost inflation is 6% annually.
  - Fuel and Chemicals cost inflation is 3% annually.
  - Cell Tower Lease revenue inflation is 2% 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. Rate adjustments proposed in this study will allow the district to continue 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:** In each year of the rate plan, the financial plan modeling assumes that rate adjustments occur starting on the March bill of each year. This means that only five months 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 3 percent adjustment in rate revenue planned for FY 2020/21; meaning, the rates are developed to recover \$1.42 million, which is a 3 percent adjustment over the expected \$1.38 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 \$1.39 million in rate revenue for FY 2020/21.

Rate adjustments of 3 percent annually in FY 2020/21 through FY 2024/25, 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 the end of FY 2024/25<sup>4</sup>. **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.

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<sup>4</sup> 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.

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**Figure 2. Summary of Water Revenue Requirements**

Summary of Sources and Uses of Funds and Net Revenue Requirements	5-Year Prop 218 Rate Period				
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
<b>Sources of Water Funds</b>					
Rate Revenue Under Prevailing Rates	\$ 1,375,000	\$ 1,375,000	\$ 1,375,000	\$ 1,375,000	\$ 1,375,000
<i>Additional Revenue from Rate Increases</i> <sup>1</sup>	13,750	55,413	98,325	142,525	188,050
Non-Rate Revenues	240,500	255,800	257,200	258,600	263,600
Interest Earnings	19,600	19,600	19,600	19,600	19,600
<b>Total Sources of Funds</b>	<b>\$ 1,648,850</b>	<b>\$ 1,705,813</b>	<b>\$ 1,750,125</b>	<b>\$ 1,795,725</b>	<b>\$ 1,846,250</b>
<b>Uses of Water Funds</b>					
Operating Expenses	\$ 1,310,100	\$ 1,368,100	\$ 1,384,600	\$ 1,384,000	\$ 1,413,700
Debt Service	137,394	137,394	137,394	48,739	48,691
Rate-Funded Capital Expenses	467,004	365,650	21,218	9,955	-
<b>Total Use of Funds</b>	<b>\$ 1,914,498</b>	<b>\$ 1,871,144</b>	<b>\$ 1,543,212</b>	<b>\$ 1,442,693</b>	<b>\$ 1,462,391</b>
<b>Surplus (Deficiency) after Rate Increase</b>	<b>\$ (265,648)</b>	<b>\$ (165,332)</b>	<b>\$ 206,912</b>	<b>\$ 353,032</b>	<b>\$ 383,859</b>
<b>Projected Annual Rate Increase</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>
<b>Cumulative Rate Increases</b>	<b>3.00%</b>	<b>6.09%</b>	<b>9.27%</b>	<b>12.55%</b>	<b>15.93%</b>
<b>Surplus (Deficiency) before Rate Increase</b>	<b>\$ (279,398)</b>	<b>\$ (220,744)</b>	<b>\$ 108,588</b>	<b>\$ 210,507</b>	<b>\$ 195,809</b>
<b>Net Revenue Requirement</b> <sup>2</sup>	<b>\$ 1,654,398</b>	<b>\$ 1,595,744</b>	<b>\$ 1,266,412</b>	<b>\$ 1,164,493</b>	<b>\$ 1,179,191</b>

1. Revenue from rate increases assume an implementation date of March 1, 2021 and then March 1st, 2022 through 2025.
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 meet the minimum target by FY 2023/24.

**Figure 3. Summary of Reserve Funds**

Beginning Reserve Fund Balances and Recommended Reserve Targets	5-Year Prop 218 Rate Period				
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
<b>Operating Reserve</b>					
Ending Balance	\$ 334,352	\$ 169,020	\$ 375,932	\$ 692,000	\$ 706,850
<i>Recommended Minimum Target</i>	458,535	684,050	692,300	692,000	706,850
<b>Capital Rehabilitation &amp; Replacement Reserve</b>					
Ending Balance	\$ 443,800	\$ 443,800	\$ 443,800	\$ 468,864	\$ 815,363
<i>Recommended Minimum Target</i>	443,800	453,300	442,400	431,900	421,800
<b>Debt Reserve</b>					
Ending Balance	\$ 60,928	\$ 60,928	\$ 60,928	\$ 60,928	\$ 60,928
<i>Recommended Minimum Target</i>	-	-	-	-	-
<b>Total Ending Balance</b>	<b>\$ 839,080</b>	<b>\$ 673,748</b>	<b>\$ 880,660</b>	<b>\$ 1,221,792</b>	<b>\$ 1,583,141</b>
<b>Total Recommended Minimum Target</b>	<b>\$ 902,335</b>	<b>\$ 1,137,350</b>	<b>\$ 1,134,700</b>	<b>\$ 1,123,900</b>	<b>\$ 1,128,650</b>

**CONTRACT CUSTOMER CHARGES**

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 customers<sup>5</sup>. To account for this restriction, the revenue projected from the contract customer through FY 2021/22 is calculated and netted from the cost of service analysis. The contracted rates end December 31, 2022, in which this customer will switch to the commercial 10-inch meter rates. The calculation through FY 2021/22 is shown in **Figure 4**. The rates for the 10-inch meter past FY 2021/22 will be shown in later sections of this report.

**Figure 4. Contract Charges and Projected Revenue**

Contract	Current <sup>1</sup>	Proposed Rates	
	FY 2019/20	FY 2020/21	FY 2021/22
<i>Projected Increase in Rate Revenue per Financial Plan:</i>		<b>3.00%</b>	<b>3.00%</b>
Fixed Rate	\$2,233.06	\$2,300.05	\$2,369.05
Variable Rate	\$3.83	\$3.94	\$4.06
Estimated Consumption (hcf)	44,507	44,507	44,507
Estimated Fixed Revenue	\$ 26,797	\$ 27,601	\$ 28,429
Estimated Variable Revenue	170,462	175,576	180,843
<b>Estimated Rate Revenue from Contract Customer</b>	<b>\$ 197,259</b>	<b>\$ 203,176</b>	<b>\$ 209,272</b>
<b>Remaining Rate Revenue</b>	<b>\$ 1,177,741</b>	<b>\$ 1,213,074</b>	<b>\$ 1,249,466</b>

1. Current rates found in source file: 10\_Cabazon Water District Water Rate Study (4.13.17) Final.pdf, Page 50.

Contract rates end December 31, 2022 in which this customer then switches to 10 inch billing for commercial users.

### C. Cost of Service Analysis

Once the net revenue requirements are determined, the cost of service analysis proportionately distributes the revenue requirements to each customer class. 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<sup>6</sup>. In accordance with this method, budgeted costs were “classified” into four categories: commodity, capacity, customer and fire protection. The classification process provides

<sup>5</sup> Per Section 5c(i) and (ii).

<sup>6</sup> Principles of Water Rates, Fees, and Charges, Manual of Water Supply Practices, M1, AWWA, seventh edition, 2017, p. 83.

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 20 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.

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 79 percent fixed and 21 percent variable. The District’s current rate structure collects approximately 64 percent of revenue from fixed charges and 36 percent from variable charges. The Board of Directors has chosen to move forward with a rate structure that will collect approximately 30 percent of revenue from fixed charges and 70 percent from variable rates. However, a share of the District’s capacity costs will need to be collected from the variable rates in order to reach this rate structure. 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 Figure 6.



**Figure 6. Allocation of Water Revenue Requirements**

Functional Category	COSA Results		Proposed Rates	
	Unadjusted Net Revenue Requirements (2020-21) 79% Fixed / 21% Variable		Adjusted Net Revenue Requirements (2020-21) 30% Fixed / 70% Variable	
Commodity - Related Costs	\$ 259,786	21.4%	\$ 259,786	21.4%
Capacity - Related Costs (volumetric share)	\$ -	0.0%	\$ 589,365	48.6%
Volumetric Subtotal	\$ 259,786	21.4%	\$ 849,152	70.0%
Capacity - Related Costs (fixed share)	\$ 887,808	73.2%	\$ 298,443	24.6%
Customer - Related Costs	\$ 60,386	5.0%	\$ 60,386	5.0%
Fire Protection - Related Costs	\$ 5,093	0.4%	\$ 5,093	0.4%
Fixed Subtotal	\$ 953,288	78.6%	\$ 363,922	30.0%
<b>Total</b>	<b>\$ 1,213,074</b>	<b>100%</b>	<b>\$ 1,213,074</b>	<b>100%</b>
<b>Revenue from Contract Rates</b>	<b>\$ 203,176</b>		<b>\$ 203,176</b>	
<b>Net Revenue Requirement</b>	<b>\$ 1,416,250</b>		<b>\$ 1,416,250</b>	

**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 analyzed: single-family residential, non-single family residential<sup>7</sup>, private fire and the contract customer<sup>8</sup>. 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.

<sup>7</sup> Non-SFR class consists of multi-family, government, commercial, construction, industrial and irrigation customers.

<sup>8</sup> The development of rates for the contract customer is described in Section 2-B of this report.

**Figure 7. Water Consumption by Customer Class**

Customer Class	Volume (hcf) <sup>1</sup>	Percent of Total Volume
Single Family Residential	93,915	71.4%
Non-SFR	1,338	1.0%
Government Meters	2,201	1.7%
Commercial Meters	11,562	8.8%
Industrial Meters	-	0.0%
Irrigation Meters	20,531	15.6%
Fire Service Meters	28	0.0%
Construction	1,934	1.5%
<b>Total</b>	<b>131,509</b>	<b>100%</b>
Contract	44,507	

1. Consumption is from 2019. CWD bills monthly.

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

**Figure 8. Peaking Factors by Customer Class**

Customer Class	Average Monthly Use (hcf)	Peak Monthly Use (hcf) <sup>1</sup>	Peak Monthly Factor	Max Month Capacity Factor
Single Family Residential	7,826	11,521	1.47	66.7%
Multi-Family Residential	112	158	1.42	0.9%
Government Meters	183	320	1.74	1.9%
Commercial Meters	964	1,209	1.25	7.0%
Industrial Meters	0	0	N/A	0.0%
Irrigation Meters	1,711	3,338	1.95	19.3%
Fire Service Meters	2	9	3.86	0.1%
Construction	161	719	4.46	4.2%
<b>Total</b>	<b>10,959</b>	<b>17,274</b>		<b>100%</b>
Contract	3,709	4,921	1.33	

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

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 <sup>1</sup>	Expected Consumption <sup>2</sup> (hcf)	Percentage of Total SFR Consumption
Tier 1	7 hcf	53,666	57%
Tier 2	14 hcf	21,430	23%
Tier 3	--	18,819	20%
<b>Total</b>		<b>93,915</b>	<b>100%</b>

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 2019 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**

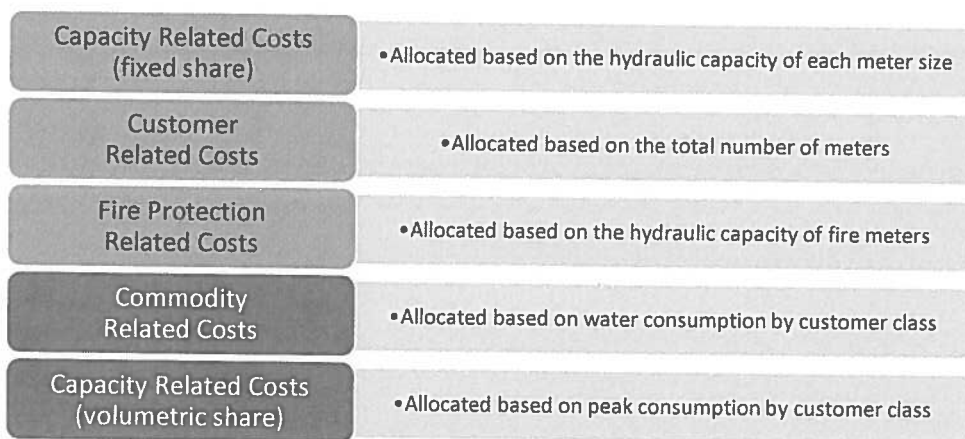
Customer Class	Number of Meters <sup>1</sup>	Percent of Total
Single Family Residential	854	93.0%
Private Fire	5	0.5%
All Other Meters	59	6.4%
<b>Total</b>	<b>918</b>	<b>100.0%</b>

1. Meter Count for December 2019. 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 enough 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 AWWA<sup>9</sup>. 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.

**Figure 12. Capacity Related Costs (fixed share) Allocation**

Meter Size	Meter Capacity (gpm) <sup>1</sup>	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>		
<b>Standard Meters</b>						
5/8 inch	20	1.00	845	845	67%	\$200,839
3/4 inch	30	1.50	21	32	3%	\$7,487
1 inch	50	2.50	13	33	3%	\$7,725
1.5 inch	100	5.00	5	25	2%	\$5,942
2 inch	160	8.00	17	136	11%	\$32,324
3 inch	320	16.00	10	160	13%	\$38,029
4 inch	500	25.00	1	25	2%	\$5,942
<b>Total</b>			<b>912</b>	<b>1,255</b>	<b>100%</b>	<b>\$298,287</b>

1. Per the Principles of Water Rates, Fees, and Charges, Manual of Water Supply Practices, M1 AWWA, 7th edition, 2017, page 338.

<sup>9</sup> 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 <sup>1</sup>	Percent of Total	Allocated Costs
<b>Standard Meters</b>			
5/8 inch	845	92.1%	\$55,645
3/4 inch	21	2.3%	\$1,383
1 inch	13	1.4%	\$856
1.5 inch	5	0.5%	\$329
2 inch	17	1.9%	\$1,119
3 inch	10	1.1%	\$659
4 inch	1	0.1%	\$66
<b>Fire Protection</b>			
6 inch	3	0.3%	\$198
8 inch	2	0.2%	\$132
<b>Total</b>	<b>917</b>	<b>100%</b>	<b>\$60,386</b>

1. Meter Count as of December 2019.

### 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) <sup>1</sup>	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>		
<b>Fire Protection</b>	<i>Fire Service Type I &amp; II</i>					
6 inch	1,600	80.00	3	240	46%	\$2,351
8 inch	2,800	140.00	2	280	54%	\$2,742
<b>Total</b>			<b>5</b>	<b>520</b>	<b>100%</b>	<b>\$5,093</b>

1. Per the Principles of Water Rates, Fees, and Charges, Manual of Water Supply Practices, M1 AWWA, 7th edition, 2017, page 338.

### 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) <sup>1</sup>	Percent of Total Volume	Allocated Costs
Single Family Residential	93,915	71.4%	\$185,522
Other Non-SFR/Commercial	37,594	28.6%	\$74,264
<b>Total</b>	<b>131,509</b>	<b>100%</b>	<b>\$259,786</b>

1. Consumption is from 2019. CWD bills monthly.

### 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) <sup>1</sup>	Percent of Total	Allocated Costs
Single Family Residential	7,826	11,521	67%	\$393,081
Other Non-SFR/Commercial	3,133	5,753	33%	\$196,285
<b>Total</b>	<b>10,959</b>	<b>17,274</b>	<b>100%</b>	<b>\$589,365</b>

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

## D. Rate Design Analysis

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 and the Board of Directors, the proposed rates were developed. The following sections describe this process.

The rates proposed in this study make the following modifications to the water rate structure:

1. Update monthly fixed meter charges to collect 30% of the revenue requirement and update volumetric charges to reflect collecting 70% of revenue.
2. Maintain the volumetric rates for Single Family Residential customers as follows:
  - a. Keep three tier rate structure
  - b. Keep current tier breakpoints
3. Keep all other customers on a uniform volumetric rate, and impose a single charge for all water consumed

**FIXED CHARGES**

The fixed meter charge recognizes that the District incurs fixed costs regardless of whether customers 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 2020/21**

Customer Class	Number of Meters <sup>1</sup>	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>
<b>Standard Meters</b>						
5/8 inch	845	\$200,839	\$55,645	\$0	\$256,484	\$25.29
3/4 inch	21	\$7,487	\$1,383	\$0	\$8,870	\$35.20
1 inch	13	\$7,725	\$856	\$0	\$8,581	\$55.00
1.5 inch	5	\$5,942	\$329	\$0	\$6,271	\$104.52
2 inch	17	\$32,324	\$1,119	\$0	\$33,444	\$163.94
3 inch	10	\$38,029	\$659	\$0	\$38,687	\$322.39
4 inch	1	\$5,942	\$66	\$0	\$6,008	\$500.65
<b>Fire Protection</b>						
6 inch	3	\$0	\$198	\$2,351	\$2,548	\$70.78
8 inch	2	\$0	\$132	\$2,742	\$2,874	\$119.76
<b>Total</b>	<b>917</b>	<b>\$298,287</b>	<b>\$60,386</b>	<b>\$ 5,093</b>	<b>\$ 363,767</b>	

1. Meter Count as of December 2019.

**VARIABLE CHARGES**

The District currently has a three-tiered volumetric rate for single family residential customers, and one uniform rate for non-SFR customers.

Tier breakpoints remain the same as current and were set in the last rate study in 2017. The goals when setting the tier breakpoints were twofold:

1. The breakpoint for the first tier was set to the 7 hcf<sup>10</sup>, 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.
3. The third tier includes anything above 14 hcf.

10 HCF is one hundred cubic feet of water.

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	Tier Breakpoint <sup>1</sup>	Expected Consumption <sup>2</sup> (hcf)	Percentage of Total SFR Consumption	Allocated Costs
Tier 1	7 hcf	53,666	57%	\$106,013
Tier 2	14 hcf	21,430	23%	\$42,333
Tier 3	--	18,819	20%	\$37,176
<b>Total</b>		<b>93,915</b>	<b>100%</b>	<b>\$185,522</b>

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 2019 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.

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

Tier	Description	Monthly Consumption (hcf) <sup>1</sup>	Additional Capacity Required (hcf) <sup>4</sup>	Percent of Total	Allocated Costs
Tier 1	Max Tier 1 Capacity <sup>2</sup>	5,978	0	0.0%	\$0
Tier 2	Peak up to Tier 2 <sup>3</sup>	7,891	1,913	34.5%	\$135,660
Tier 3	Peak up to Tier 3 <sup>3</sup>	11,521	3,630	65.5%	\$257,421
<b>Total</b>			<b>5,543</b>	<b>100.0%</b>	<b>\$393,081</b>

1. Consumption data is based on the CWD 2019 customer data.  
Source files: *Cabazon\_FINAN ACCTS SUMMARY\_CO1CO2.xlsx* and *Cabazon\_USAGEREPORT\_CO1CO2\_Manipulated.xlsx*
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.

Due to the varying consumption characteristics of non-SFR customers will maintain a uniform volumetric rate, because it best 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.



130/1100

Figure 20. Calculated Variable Charges for FY 2020/21

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>e=d/a</i>
<b>Single Family Residential</b>					
Tier 1	53,666	\$ 106,013	\$ -	\$ 106,013	\$1.98
Tier 2	21,430	\$ 42,333	\$ 135,660	\$ 177,993	\$8.31
Tier 3	18,819	\$ 37,176	\$ 257,421	\$ 294,596	\$15.65
<b>All Other Customers</b>	37,594	\$ 74,264	\$ 196,285	\$ 270,549	\$7.20
<b>Total</b>	<b>131,509</b>	<b>\$ 259,786</b>	<b>\$ 589,365</b>	<b>\$ 849,152</b>	

**CONSTRUCTION METER FEES**

NBS also analyzed the District’s construction rates and updated the meter deposit fee, admin fee and the recalibration fee on top of the monthly meter and water charges. **Figure 21** shows the updated construction meter fees. The meter deposit fee is based on the actual cost of the meter. The admin fee was calculated from labor hours needed for application processing, account opening and delivery of the construction meter. Lastly, the meter recalibration fee was also calculated based on labor hours needed to travel and repair the construction meter. These fees are all inflated 3% annually after 2020/21.

Figure 21. Updated Fee Schedule for Construction Customers

Updated Construction Customer Fee Schedule	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	Explanation of Fee
<b>One-Time Fees</b>						
Construction Meter Deposit	\$1,965.14	\$2,024.09	\$2,084.82	\$2,147.36	\$2,211.78	[1]
Administrative Fee	\$152.50	\$157.08	\$161.79	\$166.64	\$171.64	[2]
Meter Recalibration Fee	\$244.00	\$251.32	\$258.86	\$266.63	\$274.62	[3]
<i>Monthly Fees shown in Current &amp; Proposed Rates</i>						

Explanation of Fee:

- [1] Based on cost of replacing the meter in the current year, if it is not returned.
- [2] Based on labor time and cost for: processing application, opening account and installing meter. Assumes 3% inflation per year.
- [3] Based on labor time and cost for repairing a malfunctioning meter. Assumes 3% inflation per year.

**E. Current and Proposed Water Rates**

The Cost of Service analysis is used to establish the rates for FY 2020/21. 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** provides a comparison of the current and proposed rates for FY 2020/21 through FY 2024/25. More detailed tables on the developed of the proposed charges are documented in the Appendix. It is notable to mention that after the Contract rates are over in 2022, this customer will then switch to the 10-inch fixed meter charge and the uniform commodity rate. Since the Contract customer uses a large amount of water, the proportion of the variable rate will decrease when this customer joins the other non-SFR customers in FY 2022/23.

**Figure 22. Current and Proposed Water Rates**

Water Rate Schedule	Current Rates	Proposed Rates					
		FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	
<b>Fixed Meter Charges</b>							
Monthly Fixed Service Charges:							
5/8 inch	\$68.10	\$25.29	\$26.05	\$26.83	\$27.64	\$28.47	
3/4 inch	\$98.24	\$35.20	\$36.25	\$37.34	\$38.46	\$39.62	
1 inch	\$158.51	\$55.00	\$56.65	\$58.35	\$60.10	\$61.91	
1.5 inch	\$309.21	\$104.52	\$107.66	\$110.89	\$114.21	\$117.64	
2 inch	\$490.04	\$163.94	\$168.86	\$173.92	\$179.14	\$184.52	
3 inch	\$972.27	\$322.39	\$332.06	\$342.03	\$352.29	\$362.86	
4 inch	\$1,514.77	\$500.65	\$515.67	\$531.14	\$547.08	\$563.49	
Contract (10 inch)	\$2,233.06	\$2,300.05	\$2,369.05	\$4,418.51	\$4,551.07	\$4,687.60	
Construction Meters (3 inch)	\$286.73	\$344.40	\$354.73	\$365.38	\$376.34	\$387.63	
Monthly Fire Service Charges:							
4 inch	\$61.54	\$34.05	\$35.08	\$36.13	\$37.21	\$38.33	
6 inch	\$130.62	\$70.78	\$72.91	\$75.09	\$77.35	\$79.67	
8 inch	\$212.11	\$119.76	\$123.35	\$127.05	\$130.86	\$134.79	
<b>Commodity Charges</b>							
<b>Rate per hcf of Water Consumed:</b>							
Uniform Rate (Non-SFR + Construction)	\$2.96	\$7.20	\$7.41	\$5.53	\$5.69	\$5.87	
Contract Rate	\$3.83	\$3.94	\$4.06	N/A	N/A	N/A	
Tiered Rate (SFR Customers):							
	<u>Proposed Break</u>						
Tier 1	0-7 hcf	\$1.53	\$1.98	\$2.03	\$2.10	\$2.16	\$2.22
Tier 2	8-14 hcf	\$3.35	\$8.31	\$8.55	\$8.81	\$9.08	\$9.35
Tier 3	14+ hcf	\$5.12	\$15.65	\$16.12	\$16.61	\$17.11	\$17.62

**F. Comparison of Current and Proposed Water Bills**

Figure 3 and Figure 4 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 at various consumption levels.

Figure 23. Monthly Bill Comparison for Single Family Customers

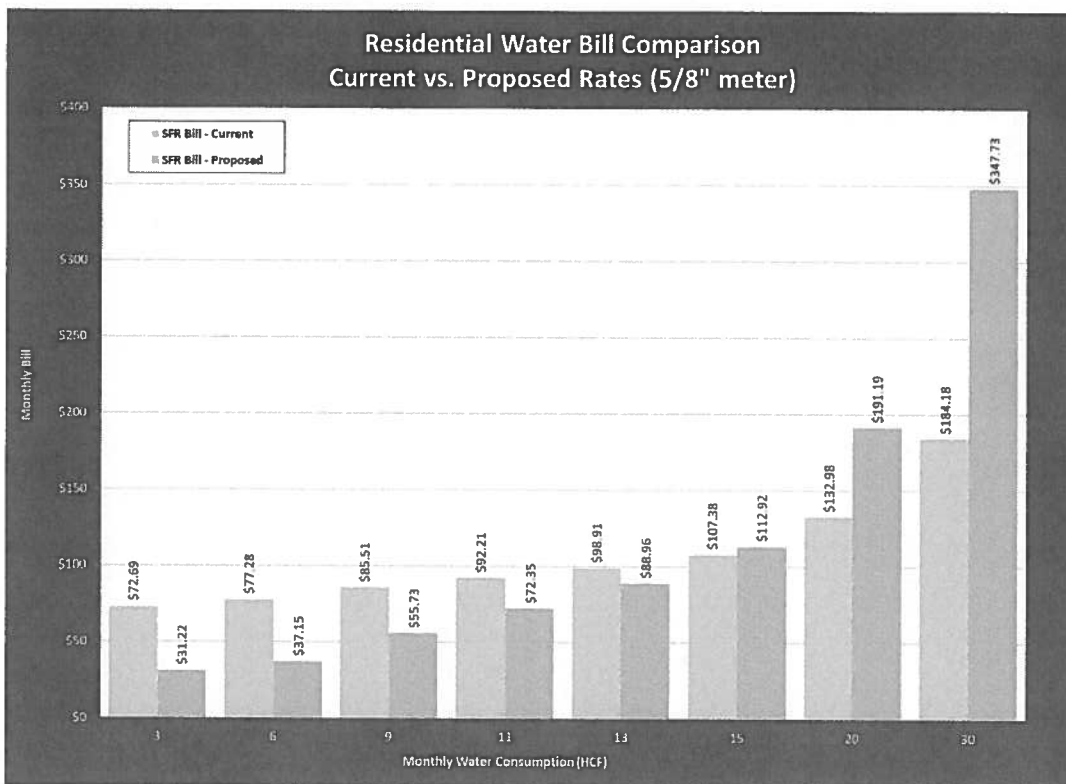
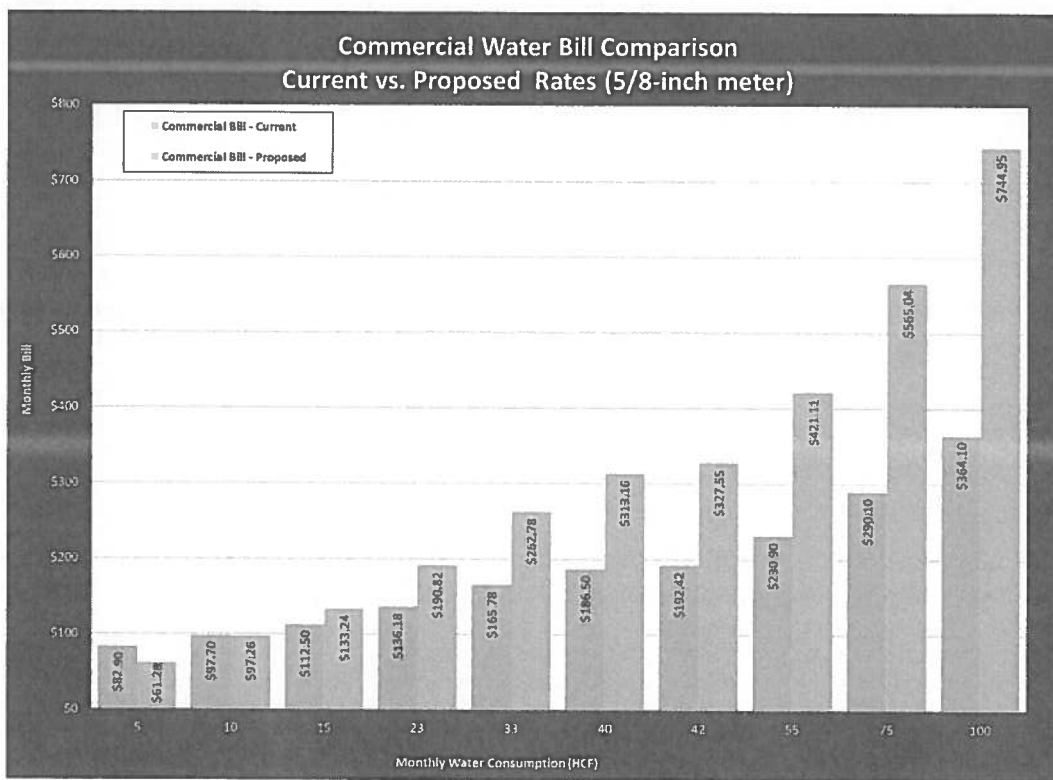


Figure 24. Monthly Water Bill Comparison for Commercial Customers



## 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 should proceed with implementing the 5-year schedule of proposed rates and rate adjustments previously shown in Figure 22. 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

Financial Plan & Reserve Summary

TABLE 1 : FINANCIAL PLAN AND SUMMARY OF REVENUE REQUIREMENTS

RATE REVENUE REQUIREMENTS SUMMARY <sup>1</sup>	5-Year Rate Period				
	Budget FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
<b>Sources of Water Funds</b>					
<i>Rate Revenue:</i>					
Water Sales Revenue Under Current Rates	\$ 1,375,000	\$ 1,375,000	\$ 1,375,000	\$ 1,375,000	\$ 1,375,000
Revenue from Rate Increases <sup>2</sup>	13,750	55,413	98,325	142,525	188,050
Subtotal: Rate Revenue After Rate Increases	1,388,750	1,430,413	1,473,325	1,517,525	1,563,050
<i>Non-Rate Revenue:</i>					
Fee Revenue	\$ 146,700	\$ 161,500	\$ 162,400	\$ 163,300	\$ 166,600
Miscellaneous Revenue	93,800	94,300	94,800	95,300	97,000
Interest Income <sup>3</sup>	19,600	19,600	19,600	19,600	19,600
Subtotal: Non-Rate Revenue	260,100	275,400	276,800	278,200	283,200
<b>Total Sources of Funds</b>	<b>\$ 1,648,850</b>	<b>\$ 1,705,813</b>	<b>\$ 1,750,125</b>	<b>\$ 1,795,725</b>	<b>\$ 1,846,250</b>
<b>Uses of Water Funds</b>					
<i>Operating Expenses<sup>4</sup></i>					
Payroll Expenses	\$ 579,100	\$ 622,700	\$ 638,300	\$ 654,500	\$ 670,900
Facilities, Wells, Transmission, Distribution	313,900	320,100	326,400	332,900	339,600
Utilities - Office	31,700	32,600	33,500	34,400	35,300
Office Expenses	85,600	86,700	79,400	81,300	82,400
Support Expenses	173,800	177,300	187,600	170,800	174,200
Training / Travel	4,500	4,600	4,700	4,800	4,900
Other Fees	8,900	9,000	9,100	9,200	9,300
Service Tools & Equipment	52,900	55,400	56,400	57,400	58,400
Non-Operating Expenses	59,700	59,700	49,200	38,700	38,700
Subtotal: Operating Expenses:	\$ 1,310,100	\$ 1,368,100	\$ 1,384,600	\$ 1,384,000	\$ 1,413,700
<i>Other Expenditures:</i>					
Existing Debt Service	\$ 137,394	\$ 137,394	\$ 137,394	\$ 48,739	\$ 48,691
New Debt Service	-	-	-	-	-
Rate-Funded Capital Expenses	467,004	365,650	21,218	9,955	-
Subtotal: Other Expenditures	\$ 604,398	\$ 503,044	\$ 158,612	\$ 58,693	\$ 48,691
<b>Total Uses of Water Funds</b>	<b>\$ 1,914,498</b>	<b>\$ 1,871,144</b>	<b>\$ 1,543,212</b>	<b>\$ 1,442,693</b>	<b>\$ 1,462,391</b>
<b>Annual Surplus/(Deficit)</b>	<b>\$ (265,648)</b>	<b>\$ (165,332)</b>	<b>\$ 206,912</b>	<b>\$ 353,032</b>	<b>\$ 383,859</b>
<b>Net Revenue Req't. (Total Uses less Non-Rate Revenue)</b>	<b>\$ 1,654,398</b>	<b>\$ 1,595,744</b>	<b>\$ 1,266,412</b>	<b>\$ 1,164,493</b>	<b>\$ 1,179,191</b>
<b>Projected Annual Rate Revenue Adjustment</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>
<b>Cumulative Increase from Annual Revenue Increases</b>	<b>3.00%</b>	<b>6.09%</b>	<b>9.27%</b>	<b>12.55%</b>	<b>15.93%</b>
<b>Debt Coverage After Rate Increase</b>	<b>2.47</b>	<b>2.46</b>	<b>2.66</b>	<b>8.45</b>	<b>8.88</b>

1. Revenue and expenses for FY 2019/20 through FY 2020/21 are from source files: FY 20-21 Adopted Cabazon Budget.xlsx, Cab Budget FY20 tab.  
 FY 2018/19 revenue and expenses are the projected year end figures from file: 16\_Budgets\_V23 FY 19-20 Cabazon Budget to Board 6.18.19.APPROVED.PDF.  
 2. Rate increases assume an implementation date of July 1st each year.  
 3. Interest earnings for FY 2016/17 through FY 2019/20 from District budgets. For all other years, it is calculated based on historical LAIF returns.  
 4. The FY 2016/17 through FY 2019/20 operating expenses are from the budget. Inflationary factors are applied to these expenses to project costs in FY 2020/21 and beyond.  
 5. Under current covenants, Cabazon Water District must maintain a debt coverage ratio of 1.2. Source: Zions Bank, Installment Sale Agreement.pdf, page 12  
 Conditional formatting has been applied to highlight years where a 1.20 debt coverage ratio is not met.

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CABAZON WATER DISTRICT  
 WATER RATE STUDY  
 Financial Plan and Reserve Projections

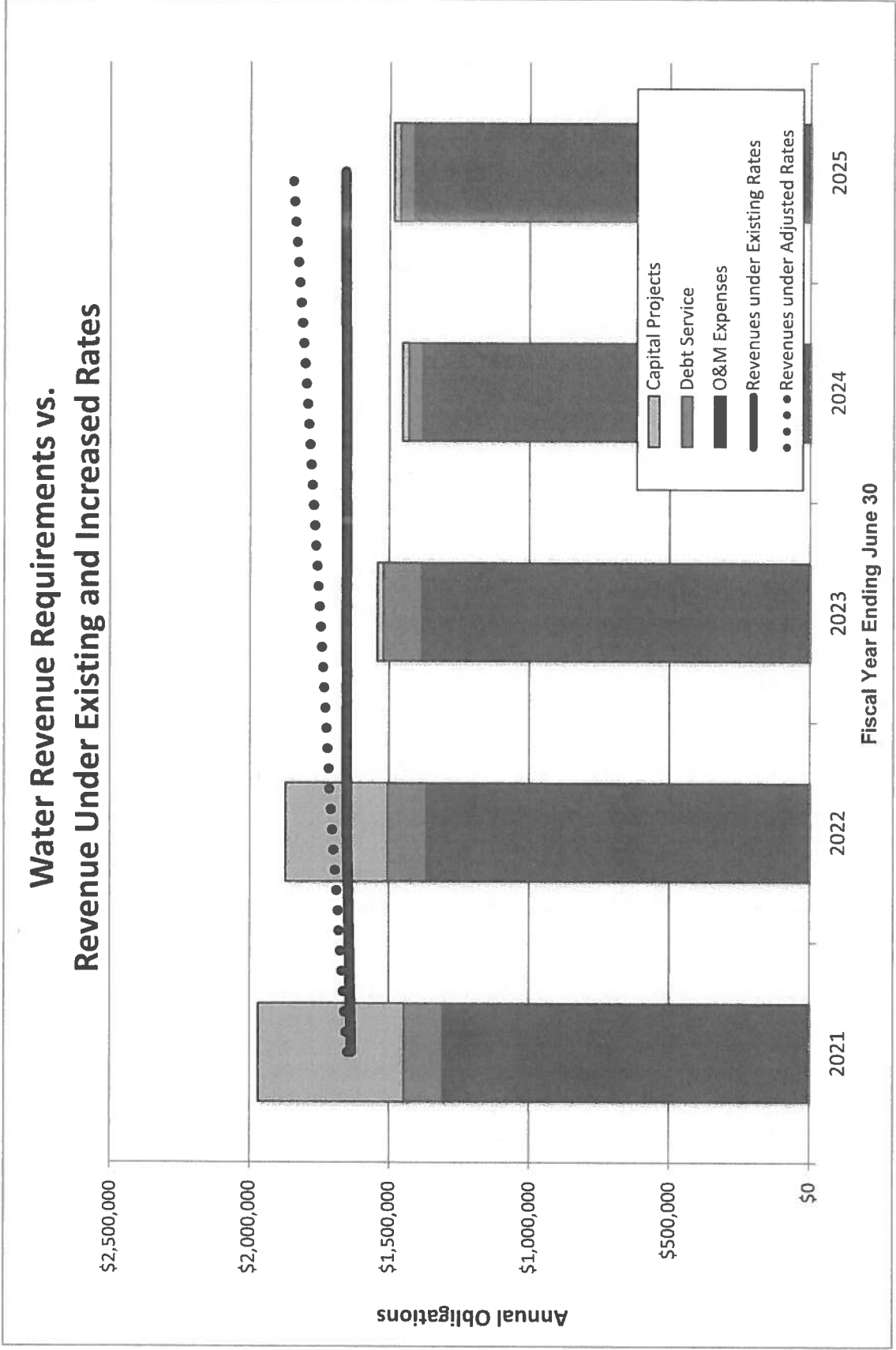
TABLE 2 : RESERVE FUND SUMMARY

SUMMARY OF CASH ACTIVITY	5-Year Rate Period				
	Budget	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
<b>UN-RESTRICTED RESERVES</b>					
<b>Total Beginning Cash</b> <sup>1,2,3</sup>	\$ 1,096,796				
<b>Operating Reserve</b>					
Beginning Reserve Balance <sup>1</sup>	\$ 600,000	\$ 334,352	\$ 169,020	\$ 375,932	\$ 692,000
Plus: Net Cash Flow (After Rate Increases)	(265,648)	(165,332)	206,912	353,032	383,859
Plus: Transfer of Debt Reserve Surplus	-	-	-	-	-
Less: Transfer Out to Capital Replacement Reserve	-	-	-	(36,964)	(369,009)
<b>Ending Operating Reserve Balance</b>	\$ 334,352	\$ 169,020	\$ 375,932	\$ 692,000	\$ 706,850
<b>Target Ending Balance (transition to 180-days of O&amp;M)</b> <sup>4</sup>	\$ 458,535	\$ 684,050	\$ 692,300	\$ 692,000	\$ 706,850
<b>Capital Rehabilitation &amp; Replacement Reserve</b>					
Beginning Reserve Balance	\$ 496,796	\$ 443,800	\$ 443,800	\$ 443,800	\$ 468,864
Plus: Transfer of Operating Reserve Surplus	-	-	-	36,964	369,009
Less: Use of Reserves for Capital Projects	(52,996)	-	-	(11,900)	(22,510)
<b>Ending Capital Rehab &amp; Replacement Reserve Balance</b>	\$ 443,800	\$ 443,800	\$ 443,800	\$ 468,864	\$ 815,363
<b>Capital R&amp;R Reserve (6% of Net Assets)</b>	\$ 443,800	\$ 453,300	\$ 442,400	\$ 431,900	\$ 421,800
<b>Ending Balance</b>	\$ 778,152	\$ 612,820	\$ 819,732	\$ 1,160,864	\$ 1,522,213
<b>Minimum Target Ending Balance</b>	\$ 902,935	\$ 1,137,350	\$ 1,134,700	\$ 1,123,900	\$ 1,128,650
<b>Ending Surplus/(Deficit) Compared to Reserve Targets</b>	\$ (124,783)	\$ (524,530)	\$ (314,968)	\$ 36,964	\$ 393,563
<b>Restricted Reserves:</b>					
<b>Debt Reserve</b>					
Beginning Reserve Balance <sup>2</sup>	\$ 60,928	\$ 60,928	\$ 60,928	\$ 60,928	\$ 60,928
Plus: Reserve Funding from New Debt Obligations	-	-	-	-	-
Less: Transfer of Surplus to Operating Reserve	-	-	-	-	-
<b>Ending Debt Reserve Balance</b>	\$ 60,928	\$ 60,928	\$ 60,928	\$ 60,928	\$ 60,928
<b>Target Ending Balance</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Connection Fee Reserve (provided for informational purposes only)</b>					
Beginning Reserve Balance <sup>3</sup>	\$ -	\$ -	\$ -	\$ -	\$ -
Plus: Capacity Fee Revenue	-	-	-	-	-
Less: Use of Reserves for Capital Projects	-	-	-	-	-
<b>Ending Connection Fee Fund Balance</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Annual Interest Earnings Rate</b> <sup>5</sup>	0.20%	0.20%	0.20%	0.20%	0.20%

1. Beginning cash for FY 2019/20 and FY2020/21 per District, source files: FY 2018-2019 Audited Financial Statements.pdf, page 11, & 6.30.20 updated cash balance.xlsx  
 2. No reserve requirement currently assumed, however, CAFR states these funds are held by the bond trustee.  
 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 by FY 2021/22 at the recommendation of staff.  
 5. Interest earning rates per District budget file: FY 20-21 Cabazon Budget for Rate Study V6.xlsx, Assumptions tab

CABAZON WATER DISTRICT  
 WATER RATE STUDY  
 Rate Adjustment Charts and Report Tables

CHART 1

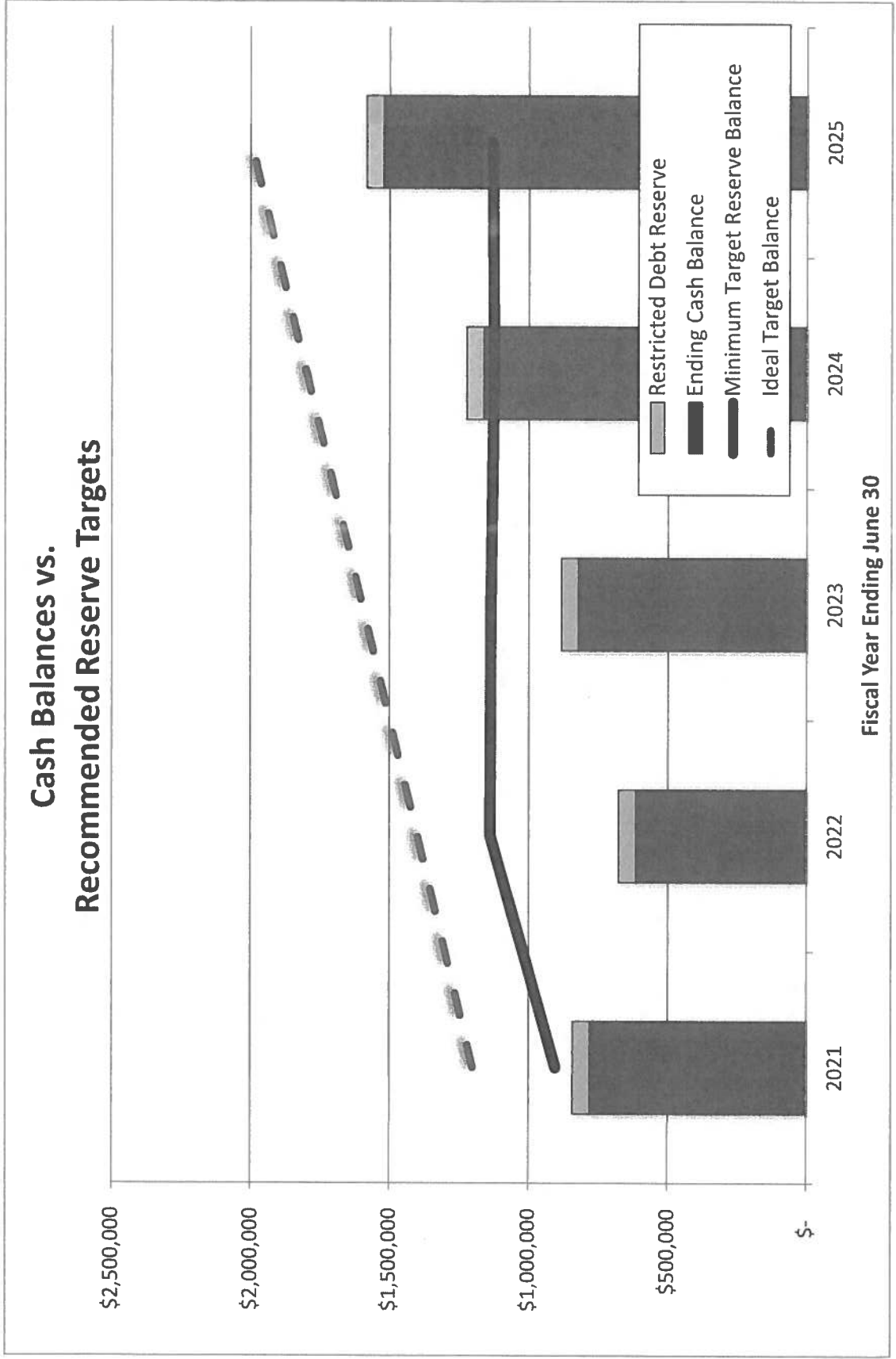


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CABAZON WATER DISTRICT  
 WATER RATE STUDY  
 Rate Adjustment Charts and Report Tables

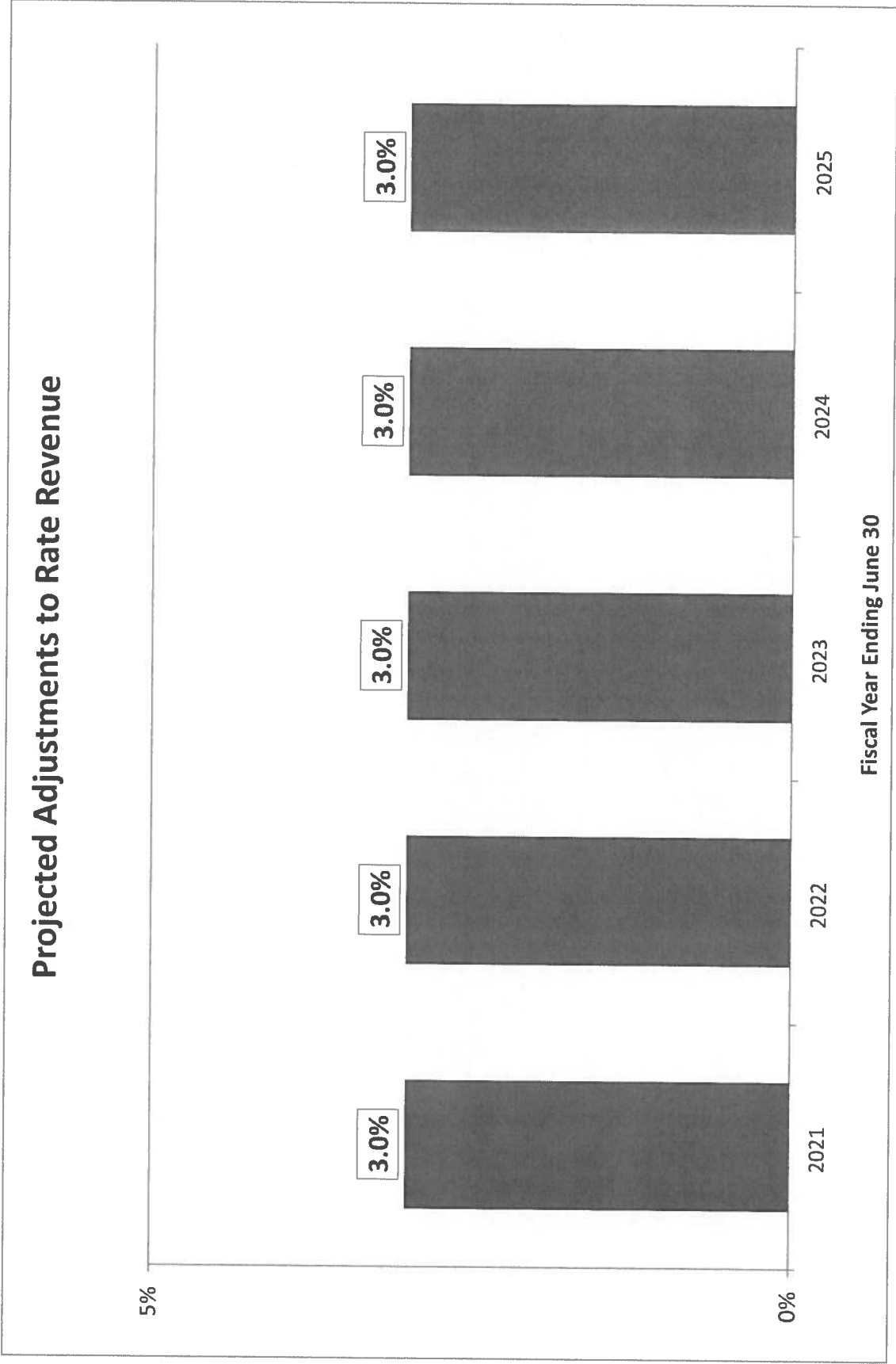
CHART 2



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CABAZON WATER DISTRICT  
WATER RATE STUDY  
Rate Adjustment Charts and Report Tables

CHART 3



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**CABAZON WATER DISTRICT**  
**WATER RATE STUDY**  
 Operating Revenue and Expenses

**EXHIBIT 1**

**TABLE 3 : REVENUE FORECAST <sup>1</sup>**

DESCRIPTION	Inflation Basis	Prop 218 Rate Period							
		Budget	2021	2022	2023	2024	2025		
Water Rate Revenue									
Base Rate Water Bills	1	\$	895,100	\$	895,100	\$	895,100	\$	895,100
Commodity Sales	1		314,000		314,000		314,000		314,000
DPHO Contract	1		160,000		160,000		160,000		160,000
Fire Sales - Water Bills	1		5,900		5,900		5,900		5,900
<b>Fee Revenue</b>									
Penalty Fees - Water Bills	1	\$	31,000	\$	45,800	\$	46,700	\$	47,600
New Account Fees - Water Bill	1		1,600		1,600		1,600		1,600
Returned Check Fees	1		500		500		500		500
Basic Facilities Fee (New Service)	1		-		-		-		-
Stand By Fees - Tax Revenue	5		113,600		113,600		113,600		113,600
<b>Miscellaneous Revenue</b>									
Ad Valorem - Tax Revenue	5	\$	50,700	\$	50,700	\$	50,700	\$	51,700
Teeter Settlement Income	1		10,200		10,200		10,200		10,400
Cell Tower Lease Income	1		25,600		26,100		26,600		27,600
Miscellaneous Non-Operating Income	1		7,300		7,300		7,300		7,300
<b>Interest Income</b>									
Interest Income LAIF	Cal'd	\$	15,800	\$	15,800	\$	15,800	\$	15,800
Interest Income Water Bills	Cal'd		3,100		3,100		3,100		3,100
Interest Income - DWR	Cal'd		700		700		700		700
<b>TOTAL: REVENUE</b>		\$	1,635,100	\$	1,650,400	\$	1,651,800	\$	1,653,200

**TABLE 4 : REVENUE SUMMARY**

RATE REVENUE:	Prop 218 Rate Period					
	Budget	2021	2022	2023	2024	2025
Water Rate Revenue	\$	1,375,000	\$	1,375,000	\$	1,375,000
<b>OTHER REVENUE:</b>						
Fee Revenue	\$	146,700	\$	161,500	\$	162,400
Miscellaneous Revenue		93,800		94,300		94,800
Interest Income		19,600		19,600		19,600
<b>TOTAL: REVENUE</b>	\$	1,635,100	\$	1,650,400	\$	1,651,800

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**CABAZON WATER DISTRICT**  
**WATER RATE STUDY**  
**Operating Revenue and Expenses**

**EXHIBIT 1**

**TABLE 5 : OPERATING EXPENSE FORECAST<sup>1</sup>**

DESCRIPTION	Inflation Basis	Prop 218 Rate Period					
		Budget	2021	2022	2023	2024	2025
<b>Payroll Expenses</b>							
Directors Fees	6	\$	15,000	\$ 15,300	\$ 15,600	\$ 15,900	\$ 16,200
<b>Management &amp; Customers Service</b>							
Customer Accounts	6	\$	54,800	\$ 54,800	\$ 56,400	\$ 58,100	\$ 59,800
Assistant General Manager	6		77,700	77,700	80,000	82,400	84,900
Temp. Admin Assistant	3		7,800	8,000	8,200	8,400	8,600
General Manager	6		89,200	89,200	91,900	94,700	97,500
<b>Field Operations</b>							
Field Workers	7	\$	123,000	\$ 160,200	\$ 163,400	\$ 166,700	\$ 170,000
<b>Employee Benefits Expense</b>							
Workers Comp.	8	\$	6,200	\$ 6,300	\$ 6,400	\$ 6,500	\$ 6,600
Employee Health Care	8		94,800	100,500	102,500	104,600	106,700
Pension	8		77,400	77,400	79,700	82,100	84,600
<b>Payroll Expense - Taxes, etc.</b>							
FICA and Medicare	8	\$	29,800	\$ 29,800	\$ 30,600	\$ 31,400	\$ 32,200
SUI and ETT	8		2,600	2,700	2,800	2,900	3,000
Medical Testing	8		800	800	800	800	800
<b>Facilities, Wells, Transmission, Distribution</b>							
Lab Fees	4	\$	8,900	\$ 9,100	\$ 9,300	\$ 9,500	\$ 9,700
Meters	4		4,800	4,900	5,000	5,100	5,200
Utilities - Wells	4		96,600	98,500	100,500	102,500	104,600
<b>Line Mtn &amp; Repair Contractor</b>							
Line Maint & Repair Materials	4	\$	72,500	\$ 74,000	\$ 75,500	\$ 77,000	\$ 78,500
<b>Well Maintenance</b>							
Chemicals	10	\$	6,600	\$ 6,700	\$ 6,800	\$ 6,900	\$ 7,000
Well Maintenance - Other	4		31,200	31,800	32,400	33,000	33,700
<b>Security</b>							
Crime Prevention	4	\$	20,900	\$ 21,300	\$ 21,700	\$ 22,100	\$ 22,500
Alarms Phones	4		1,100	1,100	1,100	1,100	1,100
Alarms - Other	4		2,800	2,900	3,000	3,100	3,200
<b>Miscellaneous Fac, Wells, Trans &amp; Distribution</b>							
Miscellaneous Fac, Wells, Trans & Distribution	4	\$	56,300	\$ 57,400	\$ 58,500	\$ 59,700	\$ 60,900
Engineering Services	4		12,200	12,400	12,600	12,900	13,200
Other	4						
<b>Sub-Total</b>		\$	<b>893,000</b>	\$ <b>942,800</b>	\$ <b>964,700</b>	\$ <b>987,400</b>	\$ <b>1,010,500</b>

CABAZON WATER DISTRICT  
WATER RATE STUDY  
Operating Revenue and Expenses

EXHIBIT 1

DESCRIPTION	Inflation Basis	Prop 218 Rate Period				
		Budget				
		2021	2022	2023	2024	2025
<b>Utilities - Office</b>						
Electricity	3	\$ 15,800	\$ 16,400	\$ 17,000	\$ 17,600	\$ 18,200
Gas	9	1,100	1,100	1,100	1,100	1,100
Telephone	4	10,200	10,400	10,600	10,800	11,000
Trash Pickup / Office Cleaning	4	4,600	4,700	4,800	4,900	5,000
<b>Office Expenses</b>						
Fire Alarm System Servicing	4	\$ -	\$ -	\$ -	\$ -	\$ -
Water Billing System	4	2,100	2,100	2,100	2,100	2,100
Supplies & Equipment	4	10,100	10,300	10,500	10,700	10,900
Copier and Supplies	4	5,000	5,100	5,200	5,300	5,400
Dues & Subscriptions	4	1,300	900	900	1,300	900
Postage	4	8,100	8,300	8,500	8,700	8,900
Printing & publications	4	6,300	6,400	6,500	6,600	6,700
Computer Services	4	36,800	37,500	38,300	39,100	39,900
Office Storage	4	6,200	6,300	-	-	-
Air Conditioning Servicing	4	5,100	5,200	5,300	5,400	5,500
CA Water Systems Alliance (CWSA)	4	2,500	2,500	-	-	-
Office Expenses - Other	4	2,100	2,100	2,100	2,100	2,100
<b>Support Expenses</b>						
Temporary Labor	7	\$ 12,600	\$ 12,900	\$ 20,000	\$ -	\$ -
Financial Audit	7	23,000	23,500	24,000	24,500	25,000
Accounting	7	35,000	35,700	36,400	37,100	37,800
<b>Legal</b>						
Legal - General	4	\$ 50,400	\$ 51,400	\$ 52,400	\$ 53,400	\$ 54,500
Legal - Water	4	10,800	11,000	11,200	11,400	11,600
Legal - Personnel	4	8,700	8,900	9,100	9,300	9,500
Legal - Fees & Charges	4	1,100	1,100	1,100	1,100	1,100
<b>Miscellaneous Support</b>						
Bank Service Charges	4	\$ -	\$ -	\$ -	\$ -	\$ -
Payroll Service	4	5,200	5,300	5,400	5,500	5,600
Website Support	4	900	900	900	900	900
General Liability Insurance	4	26,100	26,600	27,100	27,600	28,200
<b>Training / Travel</b>						
Seminars / Training	4	\$ 3,500	\$ 3,600	\$ 3,700	\$ 3,800	\$ 3,900
Travel Meals	4	1,000	1,000	1,000	1,000	1,000
<b>Other Fees</b>						
County Lien Release Fees	4	\$ -	\$ -	\$ -	\$ -	\$ -
Riverside County Fees	4	5,900	6,000	6,100	6,200	6,300
State Water fees	4	2,100	2,100	2,100	2,100	2,100
Other Fees - Other	4	900	900	900	900	900
<b>Sub-Total</b>		<b>\$ 304,500</b>	<b>\$ 310,200</b>	<b>\$ 314,300</b>	<b>\$ 300,500</b>	<b>\$ 306,100</b>

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**EXHIBIT 1**  
**CABAZON WATER DISTRICT**  
**WATER RATE STUDY**  
**Operating Revenue and Expenses**

**TABLE 7**

DESCRIPTION	Inflation Basis	Prop 218 Rate Period				
		Budget				
		2021	2022	2023	2024	2025
<b>Service Tools &amp; Equipment</b>						
Shop Supplies & Small Tools	4	\$ 9,300	\$ 9,500	\$ 9,700	\$ 9,900	\$ 10,100
Vehicle Fuel	9	16,300	16,600	16,900	17,200	17,500
Employee Uniforms	4	1,800	1,800	1,800	1,800	1,800
Safety	4	500	2,000	2,000	2,000	2,000
Tractor Expenses	4	3,700	3,800	3,900	4,000	4,100
Equipment Rental	4	2,000	2,000	2,000	2,000	2,000
Service Trucks - Repair & Mtn	4	14,500	14,800	15,100	15,400	15,700
Water Ops Cell Phone / Internet	4	4,800	4,900	5,000	5,100	5,200
Communications	4	-	-	-	-	-
<b>Non-Operating Expenses</b>						
DWR Loan Processing Fee	13	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400	\$ 1,400
Bad Debt Expense	13	1,200	1,200	1,200	1,200	1,200
Miscellaneous	13	1,100	1,100	1,100	1,100	1,100
DHPO Payback <sup>2</sup>	Cal'd	21,000	21,000	10,500	-	-
GSA / SGMA	13	35,000	35,000	35,000	35,000	35,000
<b>Sub-Total</b>		<b>\$ 112,600</b>	<b>\$ 115,100</b>	<b>\$ 105,600</b>	<b>\$ 96,100</b>	<b>\$ 97,100</b>
<b>GRAND TOTAL: OPERATING EXPENSES</b>		<b>\$ 1,250,400</b>	<b>\$ 1,308,400</b>	<b>\$ 1,335,400</b>	<b>\$ 1,345,300</b>	<b>\$ 1,375,000</b>
<b>GRAND TOTAL: OPERATING &amp; NON-OPERATING EXP.</b>		<b>\$ 1,310,100</b>	<b>\$ 1,368,100</b>	<b>\$ 1,384,600</b>	<b>\$ 1,384,000</b>	<b>\$ 1,413,700</b>

**TABLE 8 : ITEMS EXCLUDED FROM ABOVE (SHOWN IN EXHIBIT 3)**

DESCRIPTION	Inflation Basis	2021	2022	2023	2024	2025
DWR Interest Expense	Cal'd	\$ 7,900	\$ 7,900	\$ 6,700	\$ 5,500	\$ 4,200
DHPO Interest Expense	Cal'd	5,800	5,800	3,800	1,600	-
DEPRECIATION	Cal'd	-	-	-	-	-
<b>Total</b>		<b>\$ 1,323,800</b>	<b>\$ 1,381,800</b>	<b>\$ 1,395,100</b>	<b>\$ 1,391,100</b>	<b>\$ 1,417,900</b>

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**EXHIBIT 1**

**CABAZON WATER DISTRICT  
WATER RATE STUDY  
Operating Revenue and Expenses  
TABLE 9 : FORECASTING ASSUMPTIONS**

INFLATION FACTORS <sup>3</sup>		2021	2022	2023	2024	2025
	Inflation Basis					
Water Sales	1	0.00%	0.00%	0.00%	0.00%	0.00%
New Water Rates	2	5.00%	3.00%	3.00%	3.00%	3.00%
Electricity	3	3.50%	3.50%	3.50%	3.50%	3.50%
General Inflation	4	2.00%	2.00%	2.00%	2.00%	2.00%
Property Tax Revenues	5	0.00%	0.00%	0.00%	0.00%	2.00%
Salaries	6	3.00%	3.00%	3.00%	3.00%	3.00%
Field Salaries	7	2.00%	2.00%	2.00%	2.00%	2.00%
Benefits allocations	8	6.00%	6.00%	6.00%	6.00%	6.00%
Fuel	9	3.00%	3.00%	3.00%	3.00%	3.00%
Chemicals	10	3.00%	3.00%	3.00%	3.00%	3.00%
Interest Income	11	0.20%	0.20%	0.20%	0.20%	0.20%
Cell Tower Lease	12	2.00%	2.00%	2.00%	2.00%	2.00%
No Escalation	13	0.00%	0.00%	0.00%	0.00%	0.00%

1. Revenue and expenses for FY 2019/20 through FY 2020/21 are from source files: FY 20-21 Adopted Cabazon Budget.xlsx, Cab BudgetFY20 tab. FY 2018/19 revenue and expenses are the projected year end figures from file: 16\_Budgets\_V23 FY 19-20 Cabazon Budget to Board 6.18.19, APPROVED PDF.
2. DHPO payback due to additional capacity provided when DHPO connected to the system. Last credit will be applied on December 31, 2022.
3. Inflation values provided by staff from source file: FY 20-21 Adopted Cabazon Budget.xlsx, Assumptions tab.

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**CABAZON WATER DISTRICT  
WATER RATE STUDY  
Capital Improvement Plan Expenditures**

**EXHIBIT 2**

**TABLE 10 : CAPITAL FUNDING SUMMARY**

CAPITAL FUNDING FORECAST	Budget		Projected			
	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	
<b>Funding Sources:</b>						
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	-
Use of Capacity Fee Reserves	-	-	-	-	-	-
SRF Loan Funding	-	-	-	-	-	-
Use of New Revenue Bond Proceeds	-	-	-	11,900	22,510	-
Use of Capital Rehabilitation and Replacement Reserve	52,996	-	-	-	-	-
Rate Revenue	467,004	365,650	21,218	9,955	-	-
<b>Total Sources of Capital Funds</b>	<b>\$ 520,000</b>	<b>\$ 365,650</b>	<b>\$ 21,218</b>	<b>\$ 21,855</b>	<b>\$ 22,510</b>	<b>-</b>
<b>Uses of Capital Funds:</b>						
Total Project Costs	\$ 520,000	\$ 365,650	\$ 21,218	\$ 21,855	\$ 22,510	-
<b>Capital Funding Surplus (Deficiency)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>Bank Loan</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>
<b>New Revenue Bond Proceeds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>



CABAZON WATER DISTRICT  
 WATER RATE STUDY  
 Capital Improvement Plan Expenditures

CAPITAL IMPROVEMENT PROGRAM

TABLE 11 : CAPITAL IMPROVEMENT PROGRAM COSTS (IN CURRENT-YEAR DOLLARS) <sup>1</sup>

Project Description	2021	2022	2023	2024	2025
Main Street Property (Icehouse-Impts)	\$ 20,000	\$ 50,000	\$ -	\$ -	\$ -
Relocate Fire Hydrant at Circle K	15,000	-	-	-	-
Water Meter Replacements	20,000	20,000	20,000	20,000	20,000
Detach Section Land Locked by Tribe	-	30,000	-	-	-
Service Utility Truck	-	105,000	-	-	-
Production We11 #1 Rehab	240,000	-	-	-	-
Tank #1 Rehab	150,000	-	-	-	-
Connection & Transfer Box to W1 & W5 for portable generator	75,000	-	-	-	-
Bonita Vault Rehab	-	150,000	-	-	-
Future CIP Costs (Estimated 2021-2026) Average	-	-	-	-	-
<b>Total: CIP Program Costs (Current-Year Dollars)</b>	<b>\$ 520,000</b>	<b>\$ 355,000</b>	<b>\$ 20,000</b>	<b>\$ 20,000</b>	<b>\$ 20,000</b>

TABLE 12 : CAPITAL IMPROVEMENT PROGRAM COSTS (IN FUTURE-YEAR DOLLARS) <sup>1</sup>

Project Description	2021	2022	2023	2024	2025
Main Street Property (Icehouse-Impts)	\$ 20,000	\$ 51,500	\$ -	\$ -	\$ -
Relocate Fire Hydrant at Circle K	15,000	-	-	-	-
Water Meter Replacements	20,000	20,600	21,218	21,855	22,510
Detach Section Land Locked by Tribe	-	30,900	-	-	-
Service Utility Truck	-	108,150	-	-	-
Production We11 #1 Rehab	240,000	-	-	-	-
Tank #1 Rehab	150,000	-	-	-	-
Connection & Transfer Box to W1 & W5 for portable generator	75,000	-	-	-	-
Bonita Vault Rehab	-	154,500	-	-	-
Future CIP Costs (Estimated 2021-2026) Average	-	-	-	-	-
<b>Total: CIP Program Costs (Future-Year Dollars)</b>	<b>\$ 520,000</b>	<b>\$ 365,650</b>	<b>\$ 21,218</b>	<b>\$ 21,855</b>	<b>\$ 22,510</b>

TABLE 13 : FORECASTING ASSUMPTIONS

Economic Variables	2021	2022	2023	2024	2025
Annual Construction Cost Inflation, Per Engineering News Record <sup>2</sup>	0.00%	3.00%	3.00%	3.00%	3.00%
Cumulative Construction Cost Multiplier from 2020	1.00	1.03	1.06	1.09	1.13

1. Estimated capital improvement project costs found in source files: FY 20-21 Adopted Cabazon Budget.xlsx, 5-Year CIP tab (for 2020/21-2025/26) and Cab Budget FY 20 tab (for 2019/20).

2. Construction inflator is based on the most current 10 year average of the Engineering News-Record Construction Cost Index. Source: [www.enr.com/economics](http://www.enr.com/economics)

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**EXHIBIT 3**

**CABAZON WATER DISTRICT  
WATER RATE STUDY  
Debt Service**

**TABLE 14**

<b>ASSESSMENT DISTRICT DEBT OBLIGATIONS</b>						
Annual Repayment Schedules:	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	
<b>DWR Loan No. E58416<sup>1</sup></b>						
Principal Payment	\$ 40,763	\$ 41,959	\$ 43,208	\$ 44,534	\$ 45,825	
Interest Payment	7,928	6,732	5,483	4,204	2,866	
<b>Subtotal: Annual Debt Service</b>	<b>\$ 48,691</b>	<b>\$ 48,691</b>	<b>\$ 48,691</b>	<b>\$ 48,739</b>	<b>\$ 48,691</b>	
Coverage Requirement (\$-Amnt above annual payment) <sup>2</sup>	120%	120%	120%	120%	120%	
Reserve Requirement (total fund balance) <sup>3</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Zion First National Installment Sale Agreement<sup>4</sup></b>						
Principal Payment	\$ 82,872	\$ 84,949	\$ 87,077	\$ -	\$ -	
Interest Payment	5,831	3,755	1,626	-	-	
<b>Subtotal: Annual Debt Service</b>	<b>\$ 88,703</b>	<b>\$ 88,703</b>	<b>\$ 88,703</b>	<b>\$ -</b>	<b>\$ -</b>	
Coverage Requirement (\$-Amnt above annual payment) <sup>2</sup>	120%	120%	120%	0%	0%	
Reserve Requirement (total fund balance) <sup>3</sup>	\$ -	\$ -	\$ -	\$ -	\$ -	

1. Client provided Source File: *DWR Debt Schedule-REVISED.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**

<b>Existing Annual Debt Service</b>	\$ 137,394	\$ 137,394	\$ 137,394	\$ 48,739	\$ 48,691
<b>Existing Annual Coverage Requirement</b>	120%	120%	120%	120%	120%
<b>Existing Debt Reserve Target</b>	\$ -	\$ -	\$ -	\$ -	\$ -

TABLE 16

Budget Categories	Total Revenue Requirements		Commodity		Capacity		Customer		Fire Protection		Basis of Classification			
	FY 2020/21	(COM)	(CAP)	(CA)	(FP)	(COM)	(CAP)	(CA)	(FP)	(COM)	(CAP)	(CA)	(FP)	
<b>Payroll Expenses</b>	\$ 15,000	\$ 1,500	\$ 11,892	\$ 1,500	\$ 108	10.0%	79.3%	10.0%	10.0%	10.0%	0.0%	0.0%	0.7%	
Directors Fees														
<b>Management &amp; Customers Service</b>	\$ 54,800	\$ -	\$ -	\$ 54,407	\$ 393	0.0%	0.0%	99.3%	0.7%	0.0%	0.0%	99.3%	0.7%	
Customer Accounts														
Admin Assistant	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	89.3%	10.0%	0.7%	0.0%	89.3%	10.0%	0.7%	
Assistant General Manager	\$ 77,700	\$ -	\$ 69,372	\$ 7,770	\$ 558	0.0%	89.3%	10.0%	0.7%	0.0%	89.3%	10.0%	0.7%	
Temp. Admin Assistant	\$ 7,800	\$ -	\$ 6,964	\$ 780	\$ 56	0.0%	89.3%	10.0%	0.7%	0.0%	89.3%	10.0%	0.7%	
General Manager	\$ 89,200	\$ -	\$ 79,640	\$ 8,920	\$ 640	0.0%	89.3%	10.0%	0.7%	0.0%	89.3%	10.0%	0.7%	
<b>Water Operations</b>	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%	0.0%	
Meter Reader														
<b>Field Operations</b>	\$ 123,000	\$ 36,900	\$ 85,217	\$ -	\$ 883	30.0%	69.3%	0.0%	0.7%	30.0%	69.3%	0.0%	0.7%	
Field Workers														
<b>Employee Benefits Expense</b>	\$ 6,200	\$ 1,860	\$ 4,295	\$ -	\$ 45	30.0%	69.3%	0.0%	0.7%	30.0%	69.3%	0.0%	0.7%	
Workers Comp.														
Employee Health Care	\$ 94,800	\$ 28,440	\$ 65,679	\$ -	\$ 681	30.0%	69.3%	0.0%	0.7%	30.0%	69.3%	0.0%	0.7%	
Pension	\$ 77,400	\$ 23,220	\$ 53,624	\$ -	\$ 556	30.0%	69.3%	0.0%	0.7%	30.0%	69.3%	0.0%	0.7%	
<b>Payroll Expense - Taxes, etc.</b>	\$ 29,800	\$ 8,940	\$ 20,646	\$ -	\$ 214	30.0%	69.3%	0.0%	0.7%	30.0%	69.3%	0.0%	0.7%	
FICA and Medicare														
SUI and ETT	\$ 2,600	\$ 780	\$ 1,801	\$ -	\$ 19	30.0%	69.3%	0.0%	0.7%	30.0%	69.3%	0.0%	0.7%	
Medical Testing	\$ 800	\$ 240	\$ 554	\$ -	\$ 6	30.0%	69.3%	0.0%	0.7%	30.0%	69.3%	0.0%	0.7%	
<b>Facilities, Wells, Transmission, Distribution</b>	\$ 8,900	\$ 2,670	\$ 6,166	\$ -	\$ 64	30.0%	69.3%	0.0%	0.7%	30.0%	69.3%	0.0%	0.7%	
Lab Fees														
Site Landscaping & Maintenance	\$ -	\$ -	\$ -	\$ -	\$ -	30.0%	69.3%	0.0%	0.7%	30.0%	69.3%	0.0%	0.7%	
Meters	\$ 4,800	\$ 1,440	\$ 3,326	\$ -	\$ 34	30.0%	69.3%	0.0%	0.7%	30.0%	69.3%	0.0%	0.7%	
Generator Service Contractor	\$ -	\$ -	\$ -	\$ -	\$ -	100.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	
Median Landscape & Maintenance	\$ -	\$ -	\$ -	\$ -	\$ -	30.0%	69.3%	0.0%	0.7%	30.0%	69.3%	0.0%	0.7%	
Utilities - Wells	\$ 96,600	\$ 96,600	\$ -	\$ -	\$ -	100.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	
SCADA	\$ -	\$ -	\$ -	\$ -	\$ -	30.0%	69.3%	0.0%	0.7%	30.0%	69.3%	0.0%	0.7%	
<b>Line Mtn &amp; Repair Contractor</b>	\$ -	\$ -	\$ -	\$ -	\$ -	30.0%	69.3%	0.0%	0.7%	30.0%	69.3%	0.0%	0.7%	
Line Mtn & Repair Construction														
Line Mtn & Repair Rent	\$ -	\$ -	\$ -	\$ -	\$ -	30.0%	69.3%	0.0%	0.7%	30.0%	69.3%	0.0%	0.7%	
Line Mtn & Repair Construction Emergency	\$ -	\$ -	\$ -	\$ -	\$ -	30.0%	69.3%	0.0%	0.7%	30.0%	69.3%	0.0%	0.7%	
Line Mtn & Repair Rent Emergency	\$ -	\$ -	\$ -	\$ -	\$ -	30.0%	69.3%	0.0%	0.7%	30.0%	69.3%	0.0%	0.7%	
Line Maint & Repair Materials	\$ 72,500	\$ 21,750	\$ 50,229	\$ -	\$ 521	30.0%	69.3%	0.0%	0.7%	30.0%	69.3%	0.0%	0.7%	
<b>Well Maintenance</b>	\$ 6,600	\$ 6,600	\$ -	\$ -	\$ -	100.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%	0.0%	
Chemicals														
Well Maintenance - Other	\$ 31,200	\$ 9,360	\$ 21,616	\$ -	\$ 224	30.0%	69.3%	0.0%	0.7%	30.0%	69.3%	0.0%	0.7%	
<b>Sub-Total</b>	\$ 799,700	\$ 240,300	\$ 481,023	\$ 73,377	\$ 5,001	30.0%	60.2%	9.2%	0.6%	30.0%	60.2%	9.2%	0.6%	

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*Function & Classification*

CABAZON WATER DISTRICT  
WATER RATE STUDY  
Cost of Service Analysis

TABLE 17

Classification of Expenses, continued												
Budget Categories	Total Revenue Requirements		Commodity		Capacity		Customer		Fire Protection		Basis of Classification	
	FY 2020/21		(COM)	(CAP)	(CA)	(FP)	(COM)	(CAP)	(CA)	(FP)		
<b>Security</b>												
Crime Prevention	\$ 20,900	\$ 6,270	\$ 14,480	\$ -	\$ -	\$ 150	30.0%	69.3%	0.0%	0.7%	0.7%	
Alarms Phones	\$ 1,100	\$ 330	\$ 762	\$ -	\$ -	8	30.0%	69.3%	0.0%	0.7%	0.7%	
Alarms - Other	\$ 2,800	\$ 840	\$ 1,940	\$ -	\$ -	20	30.0%	69.3%	0.0%	0.7%	0.7%	
Training / Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	-	30.0%	69.3%	0.0%	0.7%	0.7%	
Materials	\$ -	\$ -	\$ -	\$ -	\$ -	-	30.0%	69.3%	0.0%	0.7%	0.7%	
Audio Alarm	\$ -	\$ -	\$ -	\$ -	\$ -	-	30.0%	69.3%	0.0%	0.7%	0.7%	
Video Equip Lease	\$ -	\$ -	\$ -	\$ -	\$ -	-	30.0%	69.3%	0.0%	0.7%	0.7%	
<b>Miscellaneous Fac, Wells, Trans &amp; Distribution</b>												
Miscellaneous Services	\$ 56,300	\$ 16,890	\$ 39,006	\$ -	\$ -	404	30.0%	69.3%	0.0%	0.7%	0.7%	
Chlorinators	\$ -	\$ -	\$ -	\$ -	\$ -	-	100.0%	0.0%	0.0%	0.0%	0.0%	
Other	\$ 12,200	\$ 12,200	\$ -	\$ -	\$ -	-	100.0%	0.0%	0.0%	0.0%	0.0%	
<b>Utilities - Office</b>												
Electricity	\$ 15,800	\$ 4,740	\$ 9,367	\$ 1,580	\$ -	113	30.0%	59.3%	10.0%	0.7%	0.7%	
Gas	\$ 1,100	\$ 330	\$ 652	\$ 110	\$ -	8	30.0%	59.3%	10.0%	0.7%	0.7%	
Telephone	\$ 10,200	\$ 3,060	\$ 6,047	\$ 1,020	\$ -	73	30.0%	59.3%	10.0%	0.7%	0.7%	
Trash Pickup / Office Cleaning	\$ 4,600	\$ 1,380	\$ 2,727	\$ 460	\$ -	33	30.0%	59.3%	10.0%	0.7%	0.7%	
<b>Office Expenses</b>												
Fire Alarm System Servicing	\$ -	\$ -	\$ -	\$ -	\$ -	-	30.0%	59.3%	10.0%	0.7%	0.7%	
Water Billing System	\$ 2,100	\$ -	\$ -	\$ 2,100	\$ -	-	0.0%	0.0%	100.0%	0.0%	0.0%	
Supplies & Equipment	\$ 10,100	\$ 3,030	\$ 5,987	\$ 1,010	\$ -	73	30.0%	59.3%	10.0%	0.7%	0.7%	
Copier and Supplies	\$ 5,000	\$ 1,500	\$ 2,964	\$ 500	\$ -	36	30.0%	59.3%	10.0%	0.7%	0.7%	
Dues & Subscriptions	\$ 1,300	\$ 390	\$ 771	\$ 130	\$ -	9	30.0%	59.3%	10.0%	0.7%	0.7%	
Postage	\$ 8,100	\$ 2,430	\$ 4,802	\$ 810	\$ -	58	30.0%	59.3%	10.0%	0.7%	0.7%	
Printing & publications	\$ 6,300	\$ 1,890	\$ 3,735	\$ 630	\$ -	45	30.0%	59.3%	10.0%	0.7%	0.7%	
Leases & Rents	\$ -	\$ -	\$ -	\$ -	\$ -	-	30.0%	59.3%	10.0%	0.7%	0.7%	
Computer Services	\$ 36,800	\$ 11,040	\$ 21,816	\$ 3,680	\$ -	264	30.0%	59.3%	10.0%	0.7%	0.7%	
Office / Road	\$ -	\$ -	\$ -	\$ -	\$ -	-	30.0%	59.3%	10.0%	0.7%	0.7%	
Office Storage	\$ 6,200	\$ 1,860	\$ 3,675	\$ 620	\$ -	45	30.0%	59.3%	10.0%	0.7%	0.7%	
Air Conditioning Servicing	\$ 5,100	\$ 1,530	\$ 3,023	\$ 510	\$ -	37	30.0%	59.3%	10.0%	0.7%	0.7%	
CA Water Systems Alliance (CWSA)	\$ 2,500	\$ 750	\$ 1,482	\$ 250	\$ -	18	30.0%	59.3%	10.0%	0.7%	0.7%	
Office Expenses - Other	\$ 2,100	\$ 630	\$ 1,245	\$ 210	\$ -	15	30.0%	59.3%	10.0%	0.7%	0.7%	
<b>Support Expenses</b>												
Temporary Labor	\$ 12,600	\$ 3,780	\$ 7,470	\$ 1,260	\$ -	90	30.0%	59.3%	10.0%	0.7%	0.7%	
Financial Audit	\$ 23,000	\$ 6,900	\$ 13,635	\$ 2,300	\$ -	165	30.0%	59.3%	10.0%	0.7%	0.7%	
Accounting	\$ 35,000	\$ 10,500	\$ 20,749	\$ 3,500	\$ -	251	30.0%	59.3%	10.0%	0.7%	0.7%	
<b>Sub-Total</b>	<b>\$ 281,200</b>	<b>\$ 92,270</b>	<b>\$ 166,334</b>	<b>\$ 20,680</b>	<b>\$ -</b>	<b>1,916</b>	<b>32.8%</b>	<b>59.2%</b>	<b>7.4%</b>	<b>0.7%</b>	<b>0.7%</b>	

TABLE 18  
Classification of Expenses, continued

Budget Categories	Total Revenue Requirements		Commodity (COM)	Capacity (CAP)	Customer (CA)	Fire Protection		Basis of Classification					
	FY 2020/21					(FP)	(COM)	(CAP)	(CA)	(FP)			
<b>Legal</b>													
Legal - General	\$ 50,400	\$ 15,120	\$ 35,280	\$ -	\$ -	\$ -	30.0%	70.0%	0.0%	0.0%			
Legal - Water	\$ 10,800	\$ 10,800	\$ -	\$ -	\$ -	\$ -	100.0%	0.0%	0.0%	0.0%			
Legal - Brown Act, Public Record	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30.0%	70.0%	0.0%	0.0%			
Legal - Personnel	\$ 8,700	\$ 2,610	\$ 6,090	\$ -	\$ -	\$ -	30.0%	70.0%	0.0%	0.0%			
Legal - Grant / Loan Funding	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30.0%	70.0%	0.0%	0.0%			
Legal - Fees & Charges	\$ 1,100	\$ 330	\$ 715	\$ 55	\$ -	\$ -	30.0%	65.0%	5.0%	0.0%			
<b>Miscellaneous Support</b>													
Bank Service Charges	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30.0%	69.3%	0.0%	0.0%			
Payroll Service	\$ 5,200	\$ 1,560	\$ 3,603	\$ -	\$ -	\$ 37	30.0%	69.3%	0.0%	0.0%			
Website Support	\$ 900	\$ 270	\$ 624	\$ -	\$ -	\$ 6	30.0%	69.3%	0.0%	0.0%			
General Liability Insurance	\$ 26,100	\$ 7,830	\$ 18,083	\$ -	\$ -	\$ 187	30.0%	69.3%	0.0%	0.0%			
Training / Travel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30.0%	69.3%	0.0%	0.0%			
Seminars / Training	\$ 3,500	\$ 1,050	\$ 2,425	\$ -	\$ -	\$ 25	30.0%	69.3%	0.0%	0.0%			
Travel Meals	\$ 1,000	\$ 300	\$ 693	\$ -	\$ -	\$ 7	30.0%	69.3%	0.0%	0.0%			
<b>Other Fees</b>													
County Lien Release Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30.0%	69.3%	0.0%	0.0%			
Riverside County Fees	\$ 5,900	\$ 1,770	\$ 4,088	\$ -	\$ -	\$ 42	30.0%	69.3%	0.0%	0.0%			
State Water fees	\$ 2,100	\$ 2,100	\$ -	\$ -	\$ -	\$ -	100.0%	0.0%	0.0%	0.0%			
Other Fees - Other	\$ 900	\$ 270	\$ 624	\$ -	\$ -	\$ 6	30.0%	69.3%	0.0%	0.0%			
<b>Service Tools &amp; Equipment</b>													
Shop Supplies & Small Tools	\$ 9,300	\$ 2,790	\$ 6,443	\$ -	\$ -	\$ 67	30.0%	69.3%	0.0%	0.0%			
Vehicle Fuel	\$ 16,300	\$ 4,890	\$ 11,293	\$ -	\$ -	\$ 117	30.0%	69.3%	0.0%	0.0%			
Employee Uniforms	\$ 1,800	\$ 540	\$ 1,247	\$ -	\$ -	\$ 13	30.0%	69.3%	0.0%	0.0%			
Safety	\$ 500	\$ 150	\$ 346	\$ -	\$ -	\$ 4	30.0%	69.3%	0.0%	0.0%			
Tractor Expenses	\$ 3,700	\$ 1,110	\$ 2,563	\$ -	\$ -	\$ 27	30.0%	69.3%	0.0%	0.0%			
Backhoe Fuel	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30.0%	69.3%	0.0%	0.0%			
Equipment Rental	\$ 2,000	\$ 600	\$ 1,386	\$ -	\$ -	\$ 14	30.0%	69.3%	0.0%	0.0%			
Service Trucks - Repair & Mtn	\$ 14,500	\$ 4,350	\$ 10,046	\$ -	\$ -	\$ 104	30.0%	69.3%	0.0%	0.0%			
Water Ops Cell Phone / Internet	\$ 4,800	\$ 1,440	\$ 3,326	\$ -	\$ -	\$ 34	30.0%	69.3%	0.0%	0.0%			
Water Ops Computer Internet	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30.0%	69.3%	0.0%	0.0%			
Communications	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30.0%	69.3%	0.0%	0.0%			
Service Tools & Equipment - Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30.0%	69.3%	0.0%	0.0%			
<b>Non-Operating Expenses</b>													
Returned Checks	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	0.0%	99.3%	0.0%			
DWR Loan Processing Fee	\$ 1,400	\$ 420	\$ 970	\$ -	\$ -	\$ 10	30.0%	69.3%	0.0%	0.0%			
Bad Debt Expense	\$ 1,200	\$ -	\$ -	\$ 1,191	\$ -	\$ 9	0.0%	0.0%	99.3%	0.0%			
Miscellaneous	\$ 1,100	\$ 330	\$ 762	\$ -	\$ -	\$ 8	30.0%	69.3%	0.0%	0.0%			
Website Support	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30.0%	59.3%	10.0%	0.0%			
Image Consultant	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	30.0%	69.3%	0.0%	0.0%			
DHPO Payback 2	\$ 21,000	\$ 6,300	\$ 14,549	\$ -	\$ -	\$ 151	30.0%	69.3%	0.0%	0.0%			
GSA / SGMA	\$ 35,000	\$ 10,500	\$ 24,249	\$ -	\$ -	\$ 251	30.0%	69.3%	0.0%	0.0%			
<b>Sub-Total</b>	<b>\$ 229,200</b>	<b>\$ 77,430</b>	<b>\$ 149,403</b>	<b>\$ 1,246</b>	<b>\$ -</b>	<b>\$ 1,121</b>	<b>33.8%</b>	<b>65.2%</b>	<b>0.5%</b>	<b>0.5%</b>			
<b>Total Operating Expense</b>	<b>\$ 1,310,100</b>	<b>\$ 410,000</b>	<b>\$ 796,759</b>	<b>\$ 95,303</b>	<b>\$ -</b>	<b>\$ 8,038</b>	<b>31.3%</b>	<b>60.8%</b>	<b>7.3%</b>	<b>0.6%</b>			

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CABAZON WATER DISTRICT  
 WATER RATE STUDY  
 Cost of Service Analysis

Function & Classification

TABLE 19

Classification of Expenses, continued													
Budget Categories	Total Revenue Requirements		Commodity		Capacity		Customer		Fire Protection		Basis of Classification		
	FY 2020/21	(COM)	(CAP)	(CA)	(FP)	(COM)	(CAP)	(CA)	(FP)	(COM)	(CAP)	(CA)	(FP)
<b>Debt Service Payments</b>													
DWR Loan No E58416	\$ 48,691	\$ -	\$ 48,691	\$ -	\$ -	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%
Zion First National Installment Sale Agreement	\$ 88,703	\$ -	\$ 88,703	\$ -	\$ -	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%
Future Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%
<b>Total Debt Service Payments</b>	<b>\$ 137,394</b>	<b>\$ -</b>	<b>\$ 137,394</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Capital Expenditures</b>													
Rate Funded Capital Expenses	\$ 467,004	\$ -	\$ 467,004	\$ -	\$ -	0.0%	100.0%	0.0%	0.0%	0.0%	100.0%	0.0%	0.0%
<b>TOTAL REVENUE REQUIREMENTS</b>	<b>\$ 1,914,498</b>	<b>\$ 410,000</b>	<b>\$ 1,401,157</b>	<b>\$ 95,303</b>	<b>\$ 8,038</b>	<b>21.4%</b>	<b>73.2%</b>	<b>5.0%</b>	<b>0.4%</b>	<b>21.4%</b>	<b>73.2%</b>	<b>5.0%</b>	<b>0.4%</b>
<b>Less: Non-Rate Revenues</b>													
Water Rate Revenue													
Base Rate Water Bills													
Commodity Sales													
DPHO Contract													
Fire Sales - Water Bills													
<b>Fee Revenue</b>													
Fire Flow Income	\$ -	\$ -	\$ -	\$ -	\$ -	21.4%	73.2%	5.0%	0.4%	21.4%	73.2%	5.0%	0.4%
Meter Install & Removal	\$ -	\$ -	\$ -	\$ -	\$ -	21.4%	73.2%	5.0%	0.4%	21.4%	73.2%	5.0%	0.4%
Penalty Fees - Water Bills	\$ (31,000)	\$ (6,639)	\$ (22,688)	\$ (1,543)	\$ (130)	21.4%	73.2%	5.0%	0.4%	21.4%	73.2%	5.0%	0.4%
Lien Reinstatement Fees	\$ -	\$ -	\$ -	\$ -	\$ -	21.4%	73.2%	5.0%	0.4%	21.4%	73.2%	5.0%	0.4%
New Account Fees - Water Bill	\$ (1,600)	\$ (343)	\$ (1,171)	\$ (80)	\$ (7)	21.4%	73.2%	5.0%	0.4%	21.4%	73.2%	5.0%	0.4%
Incident Fee - Water Bills	\$ -	\$ -	\$ -	\$ -	\$ -	21.4%	73.2%	5.0%	0.4%	21.4%	73.2%	5.0%	0.4%
Returned Check Fees	\$ (500)	\$ (107)	\$ (366)	\$ (25)	\$ (2)	21.4%	73.2%	5.0%	0.4%	21.4%	73.2%	5.0%	0.4%
Basic Facilities Fee (New Service)	\$ -	\$ -	\$ -	\$ -	\$ -	21.4%	73.2%	5.0%	0.4%	21.4%	73.2%	5.0%	0.4%
Stand By Fees - Tax Revenue	\$ (113,600)	\$ (24,328)	\$ (83,140)	\$ (5,655)	\$ (477)	21.4%	73.2%	5.0%	0.4%	21.4%	73.2%	5.0%	0.4%
<b>Miscellaneous Revenue</b>													
Ad Valorem - Tax Revenue	\$ (50,700)	\$ (10,858)	\$ (37,106)	\$ (2,524)	\$ (213)	21.4%	73.2%	5.0%	0.4%	21.4%	73.2%	5.0%	0.4%
Teeter Settlement Income	\$ (10,200)	\$ (2,184)	\$ (7,465)	\$ (508)	\$ (43)	21.4%	73.2%	5.0%	0.4%	21.4%	73.2%	5.0%	0.4%
Cell Tower Lease Income	\$ (25,600)	\$ (5,482)	\$ (18,736)	\$ (1,274)	\$ (107)	21.4%	73.2%	5.0%	0.4%	21.4%	73.2%	5.0%	0.4%
Miscellaneous Non-Operating Income	\$ (7,300)	\$ (1,563)	\$ (5,343)	\$ (363)	\$ (31)	21.4%	73.2%	5.0%	0.4%	21.4%	73.2%	5.0%	0.4%
Interest Income	\$ (19,600)	\$ (4,197)	\$ (14,345)	\$ (976)	\$ (82)	21.4%	73.2%	5.0%	0.4%	21.4%	73.2%	5.0%	0.4%
<b>NET REVENUE REQUIREMENTS</b>	<b>\$ 1,654,398</b>	<b>\$ 354,298</b>	<b>\$ 1,210,799</b>	<b>\$ 82,355</b>	<b>\$ 6,946</b>	<b>21.4%</b>	<b>73.2%</b>	<b>5.0%</b>	<b>0.4%</b>	<b>21.4%</b>	<b>73.2%</b>	<b>5.0%</b>	<b>0.4%</b>
<b>Allocation of Revenue Requirements</b>	<b>100.0%</b>	<b>21.4%</b>	<b>73.2%</b>	<b>5.0%</b>	<b>0.4%</b>								

TABLE 20

Classification of Expenses, continued									
Adjustments to Classification of Expenses									
Adjustment for Current Rate Level:									
Total	(COM)	(CAP)	(CA)	(FP)					
FY 2020/21 Target Rate Rev. After Rate Increases	\$ 1,416,250								
Projected Rate Revenue at Current Rates	\$ 1,375,000								
FY 2020/21 Projected Rate Increase	3.0%								
<b>Adjusted Net Revenue Req'ts</b>	<b>\$ 1,416,250</b>	<b>\$ 303,297</b>	<b>\$ 1,036,506</b>	<b>\$ 70,500</b>	<b>\$ 5,946</b>				
<b>Percent of Revenue</b>	<b>100.0%</b>	<b>21.4%</b>	<b>73.2%</b>	<b>5.0%</b>	<b>0.4%</b>				

**CABAZON WATER DISTRICT  
WATER RATE STUDY  
Water Cost of Service Analysis**

Allocation Factors

**TABLE 21**

Development of the COMMODITY Allocation Factor		
Customer Class	Volume (hcf) <sup>1</sup>	Percent of Total Volume
Single Family Residential	93,915	71.4%
Multi-Family Residential	1,338	1.0%
Government Meters	2,201	1.7%
Commercial Meters	11,562	8.8%
Industrial Meters	-	0.0%
Irrigation Meters	20,531	15.6%
Fire Service Meters	28	0.0%
Construction <sup>2</sup>	1,934	1.5%
<b>Total</b>	<b>131,509</b>	<b>100%</b>
Contract <sup>3</sup>	44,507	

1. Consumption is from 2019. CWD bills monthly.  
Source files: Cabazon\_USAGEREPORT\_CO1CO2\_Manipulated.xlsx
2. Construction customers have a monthly meter rental fee set in another exhibit.
3. Contract customer excluded as rate design is set by contract.

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

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CABAZON WATER DISTRICT  
 WATER RATE STUDY  
 Water Cost of Service Analysis

Allocation Factors

TABLE 22

Development of the CAPACITY (MAX MONTH) Allocation Factor				
Customer Class	Average Monthly Use (hcf)	Peak Monthly Use (hcf) <sup>1</sup>	Peak Monthly Factor	Max Month Capacity Factor
Single Family Residential	7,826	11,521	1.47	66.7%
Multi-Family Residential	112	158	1.42	0.9%
Government Meters	183	320	1.74	1.9%
Commercial Meters	964	1,209	1.25	7.0%
Industrial Meters	0	0	N/A	0.0%
Irrigation Meters	1,711	3,338	1.95	19.3%
Fire Service Meters	2	9	3.86	0.1%
Construction	161	719	4.46	4.2%
<b>Total</b>	<b>10,959</b>	<b>17,274</b>		<b>100%</b>
Contract	3,709	4,921	1.33	

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

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

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CABAZON WATER DISTRICT  
 WATER RATE STUDY  
 Water Cost of Service Analysis

Allocation Factors

TABLE 23

Development of the CUSTOMER Allocation Factor		
Customer Class	Number of Meters <sup>1</sup>	Percent of Total
Single Family Residential	854	93.1%
Multi-Family Residential	4	0.4%
Government Meters	7	0.8%
Commercial Meters	29	3.2%
Industrial Meters	1	0.1%
Irrigation Meters	11	1.2%
Fire Service Meters	5	0.5%
Construction	6	0.7%
<b>Total</b>	<b>917</b>	<b>100.0%</b>
Contract	1	
<b>Total</b>	<b>918</b>	

1. Meter Count is from December 2019. CWD bills monthly.

Source files: Cabazon\_USAGEREPORT\_CO1CO2\_Manipulated.xlsx

**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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**CABAZON WATER DISTRICT  
WATER RATE STUDY**

**Water Cost of Service Analysis/Rate Design**

**DEVELOPMENT OF ADDITIONAL CAPACITY FACTORS FOR  
SINGLE FAMILY RESIDENTIAL CUSTOMERS FY 2020/21**

**TABLE 24**

Consumption by Tier			
Tier	Monthly Breakpoint <sup>1</sup>	Expected Consumption <sup>2</sup>	Percentage of Total SFR Consumption
Tier 1	7 hcf	53,666	57%
Tier 2	14 hcf	21,430	23%
Tier 3	--	18,819	20%
<b>Total</b>		<b>93,915</b>	<b>100%</b>

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 2019 customer data.

Source files: *Cabazon\_FINAN ACCTS SUMMARY\_CO1CO2.xlsx and Cabazon\_USAGEREPORT\_CO1CO2\_Manipulated.xlsx*

**TABLE 25**

Development of the Single Family Residential PEAK CAPACITY (MAX MONTH) Allocation Factors				
Tier	Description	Monthly Consumption (hcf) <sup>1</sup>	Additional Capacity Required (hcf) <sup>4</sup>	Percent of Total
Tier 1	Max Tier 1 Capacity <sup>2</sup>	5,978	0	0.0%
Tier 2	Peak up to Tier 2 <sup>3</sup>	7,891	1,913	34.5%
Tier 3	Peak up to Tier 3 <sup>3</sup>	11,521	3,630	65.5%
<b>Total</b>			<b>5,543</b>	<b>100.0%</b>

1. Consumption data is based on the CWD 2019 customer data.

Source files: *Cabazon\_FINAN ACCTS SUMMARY\_CO1CO2.xlsx and Cabazon\_USAGEREPORT\_CO1CO2\_Manipulated.xlsx*

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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**CABAZON WATER DISTRICT  
WATER RATE STUDY  
Water Cost of Service Analysis/Rate Design**

**DEVELOPMENT OF CONTRACT RATES:**

**TABLE 26**

Contract	Current <sup>1</sup>		Proposed Rates	
	FY 2019/20	FY 2020/21	FY 2020/21	FY 2021/22
<i>Projected Increase in Rate Revenue per Financial Plan:</i>				
Fixed Rate	\$2,233.06	\$2,300.05	\$2,300.05	\$2,369.05
Variable Rate	\$3.83	\$3.94	\$3.94	\$4.06
Estimated Consumption (hcf)	44,507	44,507	44,507	44,507
Estimated Fixed Revenue	\$ 26,797	\$ 27,601	\$ 27,601	\$ 28,429
Estimated Variable Revenue	170,462	175,576	175,576	180,843
Estimated Rate Revenue from Contract Customer	\$ 197,259	\$ 203,176	\$ 203,176	\$ 209,272
Remaining Rate Revenue	\$1,177,741	\$1,213,074	\$1,213,074	\$ 1,249,466

1. Current rates found in source file: 10\_Cabazon Water District Water Rate Study (4.13.17) Final.pdf, Page 50.  
Contract rates end December 31, 2022 in which this customer then switches to 10 inch billing for commercial users.  
See Proposed Fixed Charges and Current & Proposed Rates tabs.

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CABAZON WATER DISTRICT  
 WATER RATE STUDY  
 Construction Rate Analysis

TABLE 27: DEVELOPMENT OF METER ADMINISTRATIVE FEE

Administrative Fee for New Customers	Labor Hours	Labor Cost per hour <sup>1</sup>	Charge to Customer
Application Processing	0.50	\$122.00	\$61.00
Opening Account	0.25	\$122.00	\$30.50
Construction Meter Delivery to Main Office	0.50	\$122.00	\$61.00
<b>Total Administrative Fee</b>			<b>\$152.50</b>

1. Per District's source file: 1\_NBS Fee Study Cabazon\_Final Report\_1\_14\_20\_APPROVED (2).pdf, for 'Metered Account Set up Fee'.

TABLE 28: DEVELOPMENT OF METER RECALIBRATION FEE

Meter Recalibration Fee	Labor Hours	Labor Cost per hour <sup>1</sup>	Charge to Customer
Staff time for travel and meter repair	1.00	\$122.00	\$122.00
Staff time for meter repair	1.00	\$122.00	\$122.00
<b>Total Meter Recalibration Fee</b>			<b>\$244.00</b>

1. Per District's source file: 1\_NBS Fee Study Cabazon\_Final Report\_1\_14\_20\_APPROVED (2).pdf, for 'Metered Account Set up Fee'.

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CABAZON WATER DISTRICT  
 WATER RATE STUDY  
 Construction Rate Analysis

TABLE 29: UPDATED FEE SCHEDULE FOR CONSTRUCTION CUSTOMERS

Updated Construction Customer Fee Schedule	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25	Explanation of Fee
<i>One-Time Fees</i>						
Construction Meter Deposit	\$1,965.14	\$2,024.09	\$2,084.82	\$2,147.36	\$2,211.78	[1]
Administrative Fee	\$152.50	\$157.08	\$161.79	\$166.64	\$171.64	[2]
Meter Recalibration Fee	\$244.00	\$251.32	\$258.86	\$266.63	\$274.62	[3]
<i>Monthly Fees shown in Current &amp; Proposed Rates</i>						

Explanation of Fee:

- [1] Based on cost of replacing the meter in the current year, if it is not returned.
- [2] Based on labor time and cost for: processing application, opening account and installing meter. Assumes 3% inflation per year.
- [3] Based on labor time and cost for repairing a malfunctioning meter. Assumes 3% inflation per year.

CABAZON WATER DISTRICT  
 WATER RATE STUDY  
 Water Cost of Service Analysis/Rate Design

TABLE 30

Meter Size	Standard Meters <sup>1</sup>		Fire Service Meters <sup>2</sup>	
	Meter Capacity (gpm)	Equivalency to 5/8- inch	Meter Capacity (gpm)	Equivalency to 5/8- inch
	<i>Displacement Meters</i>			
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 I 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 II Meters</i>			
8 inch	2,800	140.00	2,800	140.00
10 inch	4,200	210.00	4,400	220.00

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 31 : ALLOCATION OF WATER REVENUE REQUIREMENTS

Functional Category	COSA Results		Proposed Rates	
	Unadjusted Net Revenue Requirements (2020-21) 79% Fixed / 21% Variable	Adjusted Net Revenue Requirements (2020-21) 30% Fixed / 70% Variable	Unadjusted Net Revenue Requirements (2020-21) 79% Fixed / 21% Variable	Adjusted Net Revenue Requirements (2020-21) 30% Fixed / 70% Variable
Commodity - Related Costs	\$ 259,786	\$ 259,786	\$ 259,786	\$ 259,786
Capacity - Related Costs (volumetric share)	\$ -	\$ -	\$ 589,365	\$ 589,365
Capacity - Related Costs (fixed share)	\$ 887,808	\$ 887,808	\$ 298,443	\$ 298,443
Customer - Related Costs	\$ 60,386	\$ 60,386	\$ 60,386	\$ 60,386
Fire Protection - Related Costs	\$ 5,093	\$ 5,093	\$ 5,093	\$ 5,093
<b>Total</b>	<b>\$ 1,213,074</b>	<b>\$ 1,213,074</b>	<b>\$ 1,213,074</b>	<b>\$ 1,213,074</b>
<b>Revenue from Contract Rates</b>	<b>\$ 203,176</b>	<b>\$ 203,176</b>	<b>\$ 203,176</b>	<b>\$ 203,176</b>
<b>Net Revenue Requirement</b>	<b>\$ 1,416,250</b>	<b>\$ 1,416,250</b>	<b>\$ 1,416,250</b>	<b>\$ 1,416,250</b>

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CABAZON WATER DISTRICT  
 WATER RATE STUDY  
 Water Cost of Service Analysis/Rate Design

Proposed Fixed Charges

TABLE 32 : ALLOCATION OF ADJUSTED NET REVENUE REQUIREMENTS - FY 2020/21

Customer Classes	Proposed Rates - Net Revenue Requirements (30% Fixed / 70% Variable)						Cost of Service Net Rev. Req'ts	% of COS Net Revenue Req'ts
	Classification Components							
	Commodity-Related Costs	Capacity-Related Costs Volumetric Share	Capacity-Related Costs Fixed Share	Customer-Related Costs	Fire Protection-Related Costs			
Single Family Residential	\$ 185,522	\$ 393,081	\$ 199,048	\$ 56,238	-	\$ 833,889	68.7%	
Multi-Family Residential	2,643	5,391	2,730	263	-	11,027	0.9%	
Government Meters	4,348	10,918	5,529	461	-	21,255	1.8%	
Commercial Meters	22,840	41,249	20,888	1,910	-	86,887	7.2%	
Industrial Meters	-	-	-	66	-	66	0.0%	
Irrigation Meters	40,557	113,888	57,671	724	-	212,840	17.5%	
Fire Service Meters	55	307	155	329	5,093	5,940	0.5%	
Contract	-	-	-	-	-	-	0.0%	
Construction	3,820	24,531	12,422	395	-	41,169	3.4%	
<b>Total Net Revenue Requirement</b>	<b>\$ 259,786</b>	<b>\$ 589,365</b>	<b>\$ 298,443</b>	<b>\$ 60,386</b>	<b>\$ 5,093</b>	<b>\$ 1,213,074</b>	<b>100.0%</b>	

TABLE 33 : COST-OF-SERVICE SUMMARY OF REVENUE REQUIREMENTS

Customer Class	Rate Revenue - 2019		Proposed Rates		% of 2019 vs. 2020/21
	Rate Revenue	% of Revenue	COS Rev. Req't	% of COS Rev. Req't.	
Single Family Residential	\$ 878,377	64.7%	\$ 833,889	68.7%	4.0%
Multi-Family Residential	\$ 7,888	0.6%	\$ 11,027	0.9%	0.3%
Government Meters	\$ 28,311	2.1%	\$ 21,255	1.8%	-0.3%
Commercial Meters	\$ 116,637	8.6%	\$ 86,887	7.2%	-1.4%
Industrial Meters	\$ 16,487	1.2%	\$ 66	0.0%	-1.2%
Irrigation Meters	\$ 99,164	7.3%	\$ 212,840	17.5%	10.2%
Fire Service Meters	\$ 12,098	0.9%	\$ 5,940	0.5%	-0.4%
Contract	\$ 181,525	13.4%	\$ -	0.0%	-13.4%
Construction	\$ 16,814	1.2%	\$ 41,169	3.4%	2.2%
<b>Total</b>	<b>\$ 1,357,301</b>	<b>100.0%</b>	<b>\$ 1,213,074</b>	<b>100%</b>	<b>0.0%</b>

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Rel./Relo

Proposed Fixed Charges

CABAZON WATER DISTRICT  
 WATER RATE STUDY  
 Water Cost of Service Analysis/Rate Design

TABLE 34 : CALCULATION OF MONTHLY FIXED METER SERVICE CHARGES FOR FY 2020/21

<u>Proposed Rates- Net Revenue Requirements (30% Fixed / 70% Variable)</u>										
Number of Meters by Class and Size <sup>1</sup>	5/8 inch	3/4 inch	1 inch	1 1/2 inch	2 inch	3 inch	4 inch	10 inch	Total	
Single Family Residential	825	20	7	1	-	1	-	-	854	
Multi-Family Residential	3	-	1	-	-	-	-	-	4	
Government Meters	2	-	1	-	3	1	-	-	7	
Commercial Meters	13	1	3	3	7	2	-	-	29	
Industrial Meters	-	-	-	-	-	-	1	-	1	
Irrigation Meters	2	-	1	-	7	-	-	-	11	
Construction	-	-	-	-	-	6	-	-	6	
<b>Total Meters/Accounts</b>	<b>845</b>	<b>21</b>	<b>13</b>	<b>5</b>	<b>17</b>	<b>10</b>	<b>1</b>	<b>-</b>	<b>912</b>	
<i>Hydraulic Capacity Factor</i> <sup>2</sup>	1.00	1.50	2.50	5.00	8.00	16.00	25.00	210.00		
<b>Total Equivalent Meters</b>	<b>845</b>	<b>32</b>	<b>33</b>	<b>25</b>	<b>136</b>	<b>160</b>	<b>25</b>	<b>-</b>	<b>1,255</b>	
<b>Monthly Fixed Service Charges</b>										
Customer Costs (\$/Acct/month) <sup>3</sup>	\$5.49	\$5.49	\$5.49	\$5.49	\$5.49	\$5.49	\$5.49	\$5.49		
Capacity Costs (\$/Acct/month) <sup>4</sup>	\$19.81	\$29.71	\$49.52	\$99.03	\$158.45	\$316.91	\$495.16	\$4,159.38		
<b>Total Monthly Meter Charge</b>	<b>\$25.29</b>	<b>\$35.20</b>	<b>\$55.00</b>	<b>\$104.52</b>	<b>\$163.94</b>	<b>\$322.39</b>	<b>\$500.65</b>	<b>\$4,164.87</b>		
<b>Annual Fixed Costs Allocated to Monthly Meter Charges</b>										
Customer Costs	\$ 60,057									
Capacity Costs	298,287									
<b>Total Fixed Meter Costs</b>	<b>\$ 358,344</b>									
<b>Annual Revenue from Monthly Meter Charges</b>										
Customer Charges	\$ 55,645	\$ 1,383	\$ 856	\$ 329	\$ 1,119	\$ 659	\$ 66	\$ -	\$ 60,057	
Capacity Charges	200,839	7,487	7,725	5,942	32,324	38,029	5,942	-	\$ 298,287	
<b>Total Revenue from Monthly Meter Charges</b>	<b>\$ 256,484</b>	<b>\$ 8,870</b>	<b>\$ 8,581</b>	<b>\$ 6,271</b>	<b>\$ 33,444</b>	<b>\$ 38,687</b>	<b>\$ 6,008</b>	<b>\$ -</b>	<b>\$ 358,344</b>	

1. Number of meters by size and customer class for December 2019. CWD bills monthly  
 Source files: Cabazon\_FINAN ACCTS SUMMARY\_CO1CO2.xlsx and Cabazon\_USAGEREPORT\_CO1CO2\_Manipulated.xlsx  
 2. Source file: AWWA Manual M1, "Principles of Water Rates, Fees, and Charges", Table B-1.  
 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.



**CABAZON WATER DISTRICT**  
**WATER RATE STUDY**  
**Water Cost of Service Analysis/Rate Design**

**Proposed Fixed Charges**

**TABLE 35 : CALCULATION OF MONTHLY FIRE METER SERVICE CHARGES FOR FY 2020/21**

<b>Proposed Rates- Net Revenue Requirements (30% Fixed / 70% Variable)</b>					
<b>Number of Meters by Class and Size <sup>1</sup></b>	<b>4 inch</b>	<b>6 inch</b>	<b>8 inch</b>	<b>Total</b>	
Fire Protection - Related Costs	-	3	2	5	
<b>Total Meters/Accounts</b>	-	3	2	5	
<b>Hydraulic Capacity Factor <sup>2</sup></b>	35.00	80.00	140.00		
<b>Total Equivalent Meters</b>	-	240	280	520	
<b>Monthly Fixed Service Charges</b>					
Customer Costs (\$/Acct/month) <sup>3</sup>	\$5.49	\$5.49	\$5.49		
Capacity Costs (\$/Acct/month) <sup>4</sup>	\$28.57	\$65.30	\$114.27		
<b>Total Monthly Meter Charge</b>	<b>\$34.05</b>	<b>\$70.78</b>	<b>\$119.76</b>		
<b>Annual Fixed Costs Allocated to Monthly Meter Charges</b>					
Customer Costs	\$ 329				
Capacity & Fire Protection Costs	5,093				
<b>Total Fixed Meter Costs</b>	<b>\$ 5,422</b>				
<b>Annual Revenue from Monthly Meter Charges</b>					
Customer Charges	\$ -	\$ 198	\$ 132	\$ 329	
Capacity Charges	-	2,351	2,742	5,093	
<b>Total Revenue from Monthly Meter Charges</b>	<b>\$ -</b>	<b>\$ 2,548</b>	<b>\$ 2,874</b>	<b>\$ 5,422</b>	

1. Number of meters by size and customer class for December 2019. CWD bills monthly.  
 Source files: Cabazon\_FINAN ACCTS SUMMARY\_COICD2.xlsx and Cabazon\_USAGEREPORT\_COICD2\_Manipulated.xlsx  
 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.

PROPOSED VOLUMETRIC CHARGES FOR FY 2020/21

TABLE 36

Proposed Rates- Net Revenue Requirements (30% Fixed / 70% Variable)									
Customer Classes	Number of Meters <sup>1</sup>	Water Consumption (hcf/yr.) <sup>2</sup>	Commodity Assigned Costs	Capacity Assigned Costs	Target Rev. Req't from Vol. Charges	% of Total Rate Revenue	Uniform Commodity Rates (\$/hcf)	Proposed Rate Structure	
Single Family Residential	854	93,915	\$ 185,522	\$ 393,081	\$ 578,603	47.7%	\$6.16	Tiered	
Multi-Family Residential	4	1,338	2,643	5,391	8,034	0.7%		Uniform	
Government Meters	7	2,201	4,348	10,918	15,266	1.3%		Uniform	
Commercial Meters	29	11,562	22,840	41,249	64,089	5.3%		Uniform	
Industrial Meters	1	0	-	-	-	0.0%	\$7.20	Uniform	
Irrigation Meters	11	20,531	40,557	113,888	154,445	12.7%		Uniform	
Fire Service Meters	5	28	55	307	362	0.0%		Uniform	
Construction	6	1,934	3,820	24,531	28,352	2.3%		Uniform	
<b>Total</b>	<b>917</b>	<b>131,509</b>	<b>\$ 259,786</b>	<b>\$ 589,365</b>	<b>\$ 849,152</b>	<b>70%</b>			

1. Number of meters by size and customer class for December 2019. CWD bills monthly.

2. Consumption data is based on the CWD 2019 customer data which are monthly bills.

Source files: Cabazon\_FINAN ACCTS SUMMARY\_CO1CO2.xlsx and Cabazon\_USAGEREPORT\_CO1CO2\_Manipulated.xlsx

TABLE 37

Proposed Rates- Net Revenue Requirements (30% Fixed / 70% Variable)							
Single-Family Residential Tiered Rates	Tier Break	Water Consumption (hcf/yr.) <sup>2</sup>	Commodity Assigned Costs	Capacity Assigned Costs	Total Target Rev. Req't from Vol. Charges	% of Total Volumetric Rate Revenue	Tiered Rates (\$/hcf)
Tier 1	7	53,666	\$ 106,013	\$ -	\$ 106,013	12.5%	\$1.98
Tier 2	14	21,430	42,333	135,660	177,993	21.0%	\$8.31
Tier 3	--	18,819	37,176	257,421	294,596	34.7%	\$15.65
<b>Total</b>		<b>93,915</b>	<b>\$ 185,522</b>	<b>\$ 393,081</b>	<b>\$ 578,603</b>	<b>68%</b>	<b>\$6.16</b>

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**CABAZON WATER DISTRICT**  
**WATER RATE STUDY**  
 Water Cost of Service Analysis/Rate Design

Current & Proposed Rates

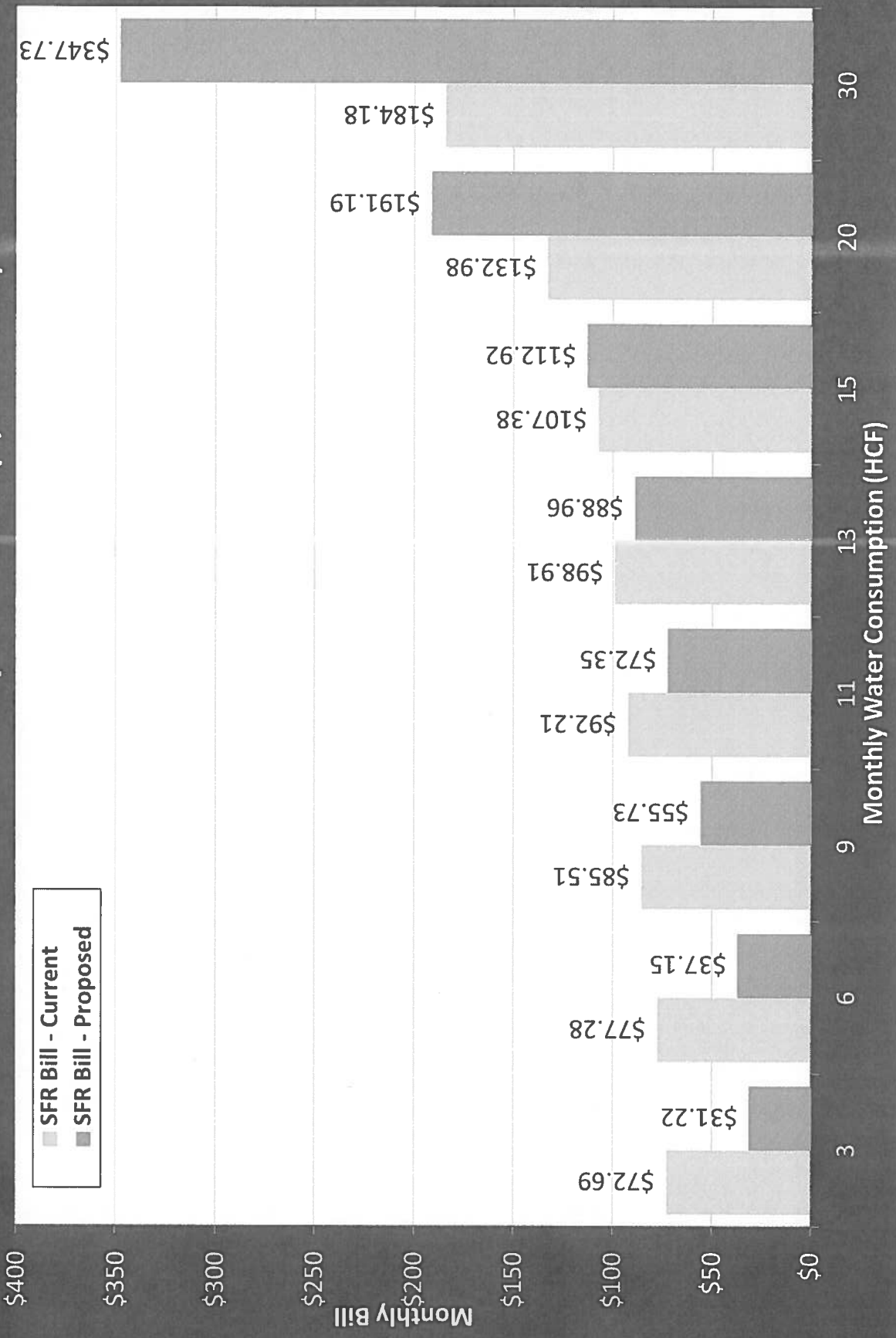
CURRENT VS. PROPOSED WATER RATES:

TABLE 38

<b>Proposed Rates- Net Revenue Requirements (30% Fixed / 70% Variable)</b>						
Water Rate Schedule	Current Rates	Proposed Rates				
		FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
<b>Fixed Meter Charges</b>						
Monthly Fixed Service Charges:						
5/8 inch	\$68.10	\$25.29	\$26.05	\$26.83	\$27.64	\$28.47
3/4 inch	\$98.24	\$35.20	\$36.25	\$37.34	\$38.46	\$39.62
1 inch	\$158.51	\$55.00	\$56.65	\$58.35	\$60.10	\$61.91
1.5 inch	\$309.21	\$104.52	\$107.66	\$110.89	\$114.21	\$117.64
2 inch	\$490.04	\$163.94	\$168.86	\$173.92	\$179.14	\$184.52
3 inch	\$972.27	\$322.39	\$332.06	\$342.03	\$352.29	\$362.86
4 inch	\$1,514.77	\$500.65	\$515.67	\$531.14	\$547.08	\$563.49
Contract (10 inch)	\$2,233.06	\$2,300.05	\$2,369.05	\$4,418.51	\$4,551.07	\$4,687.60
Construction Meters (3 inch)						
Contract (10 inch)	\$286.73	\$344.40	\$354.73	\$365.38	\$376.34	\$387.63
Monthly Fire Service Charges:						
4 inch	\$61.54	\$34.05	\$35.08	\$36.13	\$37.21	\$38.33
6 inch	\$130.62	\$70.78	\$72.91	\$75.09	\$77.35	\$79.67
8 inch	\$212.11	\$119.76	\$123.35	\$127.05	\$130.86	\$134.79
<b>Commodity Charges</b>						
<b>Rate per hcf of Water Consumed:</b>						
Uniform Rate (Non-SFR + Construction)	\$2.96	\$7.20	\$7.41	\$5.53	\$5.69	\$5.87
Contract Rate	\$3.83	\$3.94	\$4.06	N/A	N/A	N/A
Tiered Rate (SFR Customers):						
Proposed Break						
Tier 1	\$1.53	\$1.98	\$2.03	\$2.10	\$2.16	\$2.22
Tier 2	\$3.35	\$8.31	\$8.55	\$8.81	\$9.08	\$9.35
Tier 3	\$5.12	\$15.65	\$16.12	\$16.61	\$17.11	\$17.62

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# Residential Water Bill Comparison Current vs. Proposed Rates (5/8" meter)



10/20/14de

# Commercial Water Bill Comparison Current vs. Proposed Rates (5/8-inch meter)

