

SERRANO WATER DISTRICT 2026 WATER RATE STUDY

Rate Study Workshop – May 14, 2026



**Water Resources
Economics**

**Promoting the Value
and Price of Water Service**



Agenda

- Rate study overview
- Proposed results
- Next steps



Rate Study Process

Policy Framework

Identify Key Policy Objectives (Revenue Stability, Customer Affordability, etc.)

What are our priorities and values?

Financial Plan

Develop Multi-year Cash Flow Projections to Determine Annual Rate Revenue Requirement

How much revenue do we need?

Cost-of-Service Analysis

Allocate the Rate Revenue Requirement to Customers in Proportion to Use of and Burden on the Water System

Who should pay for what?

Rate Design

Identify Appropriate Rate Structure Changes and Calculate Proposed Rates

What are the impacts of the proposed rates?

Documentation

Develop a Study Report to Provide Transparency and Defensibility

Is there documentation showing that rates are proportional?



Proposition 218 (Article XIII C and XIII D of California Constitution)

- Applies to Property-related Fees for Service Including Retail Water Rates
- Rate Implications:
 - Rates must be proportional to and may not exceed the cost of providing service
 - One customer class (residential, commercial, etc.) may not subsidize another customer class
 - Retail agencies typically conduct a “cost-of-service analysis” at least once every 5 years to ensure a sufficient nexus between rates and costs
- Procedural Requirements



Rate Study Goal

- Currently adopted five-year rate schedule:
 - Spans FY 2021/22 - FY 2025/26
 - The final year of adopted rate increases was not implemented in FY 2025/26
 - Rates have remained unchanged since July 2024
- 2025 Water Rate Study:
 - Goal: Develop a proposed five-year rate schedule for FY 2026/27 - FY 2030/31 that:
 - Meets Prop 218 legal requirements
 - Meets the District's funding needs
 - Is consistent with industry standards established by AWWA



Financial Plan



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Capital Improvement Plan

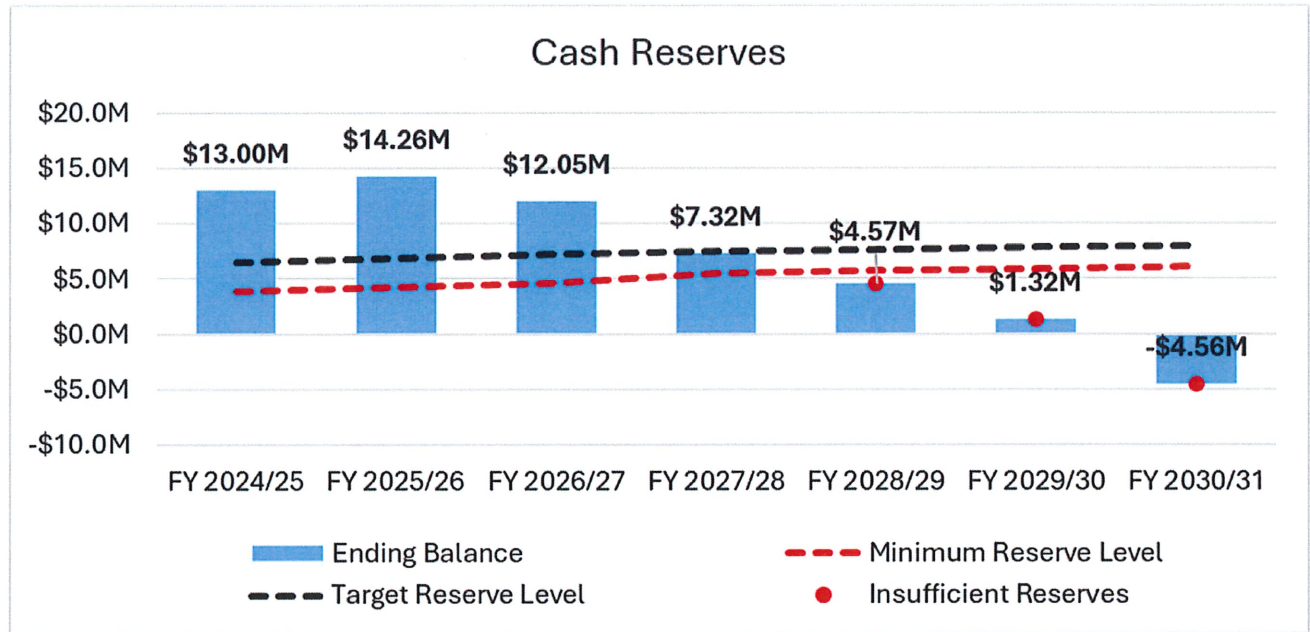
- New well 100% funded by OCWD loan
- \$26M of Smith Reservoir costs assumed to be funded by new bond issue

CIP Projects	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	Total
New Well	\$800,000	\$7,200,000	\$0	\$0	\$0	\$0	\$8,000,000
Smith Reservoir	\$0	\$13,500,000	\$13,500,000	\$0	\$0	\$0	\$27,000,000
Lockett Reservoir Coating & Corrosion	\$0	\$0	\$2,000,000	\$0	\$0	\$0	\$2,000,000
Main Line Replacement	\$500,000	\$2,000,000	\$2,060,000	\$2,121,800	\$2,185,454	\$2,251,018	\$11,118,272
Misc. Capital Replacements	\$140,000	\$200,000	\$206,000	\$212,180	\$218,545	\$225,102	\$1,201,827
Total	\$1,440,000	\$22,900,000	\$17,766,000	\$2,333,980	\$2,403,999	\$2,476,119	\$49,320,099



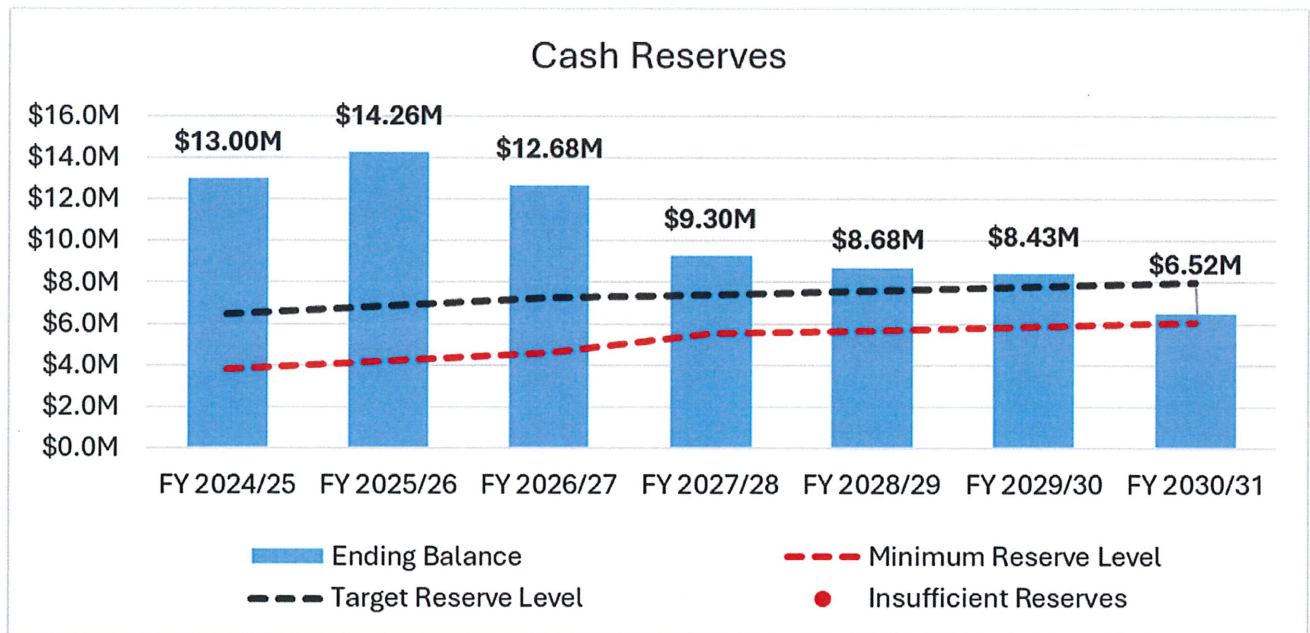
Status Quo Financial Plan (NO REVENUE ADJUSTMENTS)

Fiscal Year	Effective Month	Revenue Adjustment
FY 2026/27	July 2026	0%
FY 2027/28	July 2027	0%
FY 2028/29	July 2028	0%
FY 2029/30	July 2029	0%
FY 2030/31	July 2030	0%



Proposed Financial Plan (9% REVENUE ADJUSTMENTS)

Fiscal Year	Effective Month	Revenue Adjustment
FY 2026/27	July 2026	9%
FY 2027/28	July 2027	9%
FY 2028/29	July 2028	9%
FY 2029/30	July 2029	9%
FY 2030/31	July 2030	9%



Rate Design



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Proposed Five-Year Rate Schedule

Water Rates	Current	Proposed FY 2026/27 (July 2026)	Proposed FY 2027/28 (July 2027)	Proposed FY 2028/29 (July 2028)	Proposed FY 2029/30 (July 2029)	Proposed FY 2030/31 (July 2030)
Readiness to Serve Charge (monthly)						
1-inch and under	\$45.23	\$47.72	\$52.02	\$56.71	\$61.82	\$67.39
1.5-inch	\$50.12	\$74.03	\$80.70	\$87.97	\$95.89	\$104.53
2-inch	\$54.94	\$105.60	\$115.11	\$125.47	\$136.77	\$149.08
3-inch	\$64.61	\$189.79	\$206.88	\$225.50	\$245.80	\$267.93
4-inch	\$74.32	\$284.50	\$310.11	\$338.02	\$368.45	\$401.62
6-inch	\$132.33	\$547.59	\$596.88	\$650.60	\$709.16	\$772.99
Volumetric Rate (per HCF)						
All water use exceeding one HCF per month	\$5.58	\$6.08	\$6.63	\$7.23	\$7.89	\$8.61

Customer Bill Impacts



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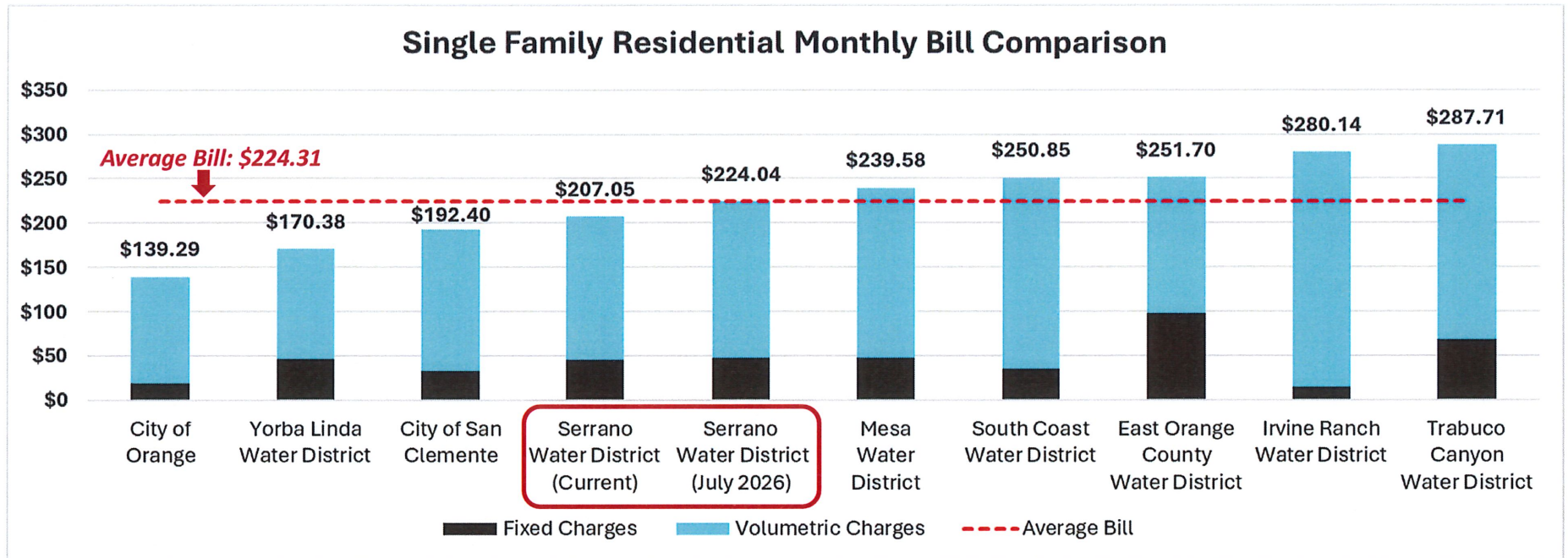
Sample Residential Bills - FY 2026/27



Note: all bills are for a 1-inch or smaller meter



Residential Bill Comparison



Note: All bills are for a single family residential customer with the smallest available meter, monthly water use of 30 HCF, and rates effective in March 2026.

Next Steps

- Public hearing to adopt rates at 5pm on May 27th
- New rates effective July 1st





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