



2025 Water Rate Study

Preliminary Findings

July 30, 2025

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Agenda

1. General utility rate setting
2. Financial Plan
3. Cost of Service & Rate Design
4. Proposed Rates and Survey
5. Project Schedule

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2

Legal Requirements for Setting Water Rates In California

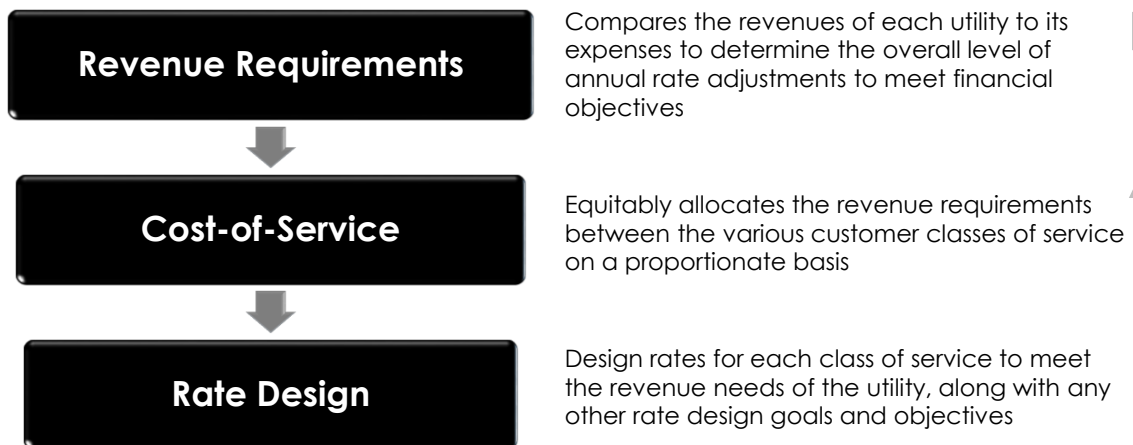
- Proposition 218 (Article XIII D, Section 6 of California Constitution)
 - Revenues shall not exceed funds required to provide service; nor used for another purpose
 - Amount shall not exceed the proportional cost of the service attributable to the parcel
 - Service must be actually used or immediately available
 - Approval process includes 45-day notice, public hearing, and written majority protest. Does not require a voting process (unlike taxes).
- Many court decisions have clarified requirements

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3

The Rate Setting Process

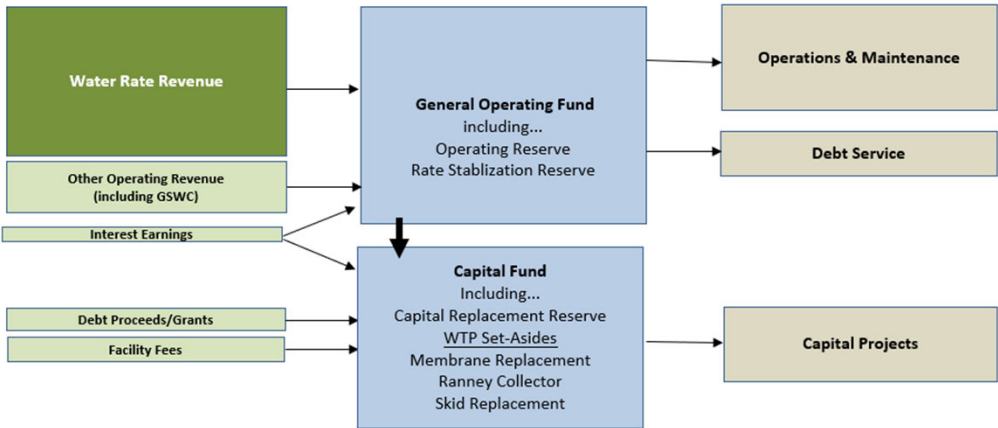


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4

Carmichael Cash Flow Diagram



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Carmichael Water District
Water Rate History

- ✓ **Water metering**
 - 1998 – WRSC recommended aggressive metering
 - 2013 – Metering completed. All customers on metered water rates in 2015
- ✓ **Water rates**
 - 1999 – Initial metered rate structure
 - 2015 – Tiered consumption rates implemented
 - 2017 – Uniform consumption rates implemented
- ✓ **21-year rate increase history (5.9% average):**

FY04/05	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
8%	5%	2%	2%	0%	4.3%	4%	3%	18%	0%	0%	12%	8.5%	5%	5%	5%	9.5%	9.5%	9.5%	9.5%	9.5%

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Preliminary Financial Plan

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Estimated Cash Reserves

For fiscal year beginning July 1, 2024

Operating cash	\$7,442,000
Operating reserve fund	\$5,982,000
Rate stabilization fund	\$500,000
Capital replacement reserve	\$9,797,000
Capital assets	\$8,309,000
Filter skid reserve	\$1,974,000
Membrane replacement fund	\$84,000
Facility fees	\$238,000

Includes remaining
bond proceeds

Total Reserves: \$34,326,000

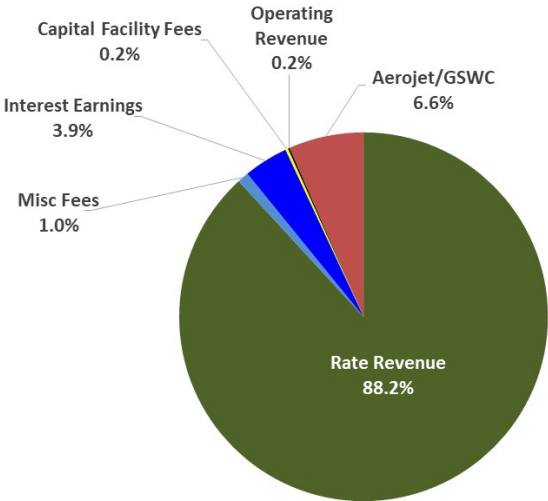
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Revenue

FY2025/26 Budget

Rate Revenue	\$19,480,000 *
Non-Rate Revenue	
Misc Fees	\$219,000
Interest Earnings	\$862,000
Capital Facility Fees	\$51,000
Operating Revenue	\$34,000
Aerojet/GSWC	\$1,452,000
Total:	\$22,098,000



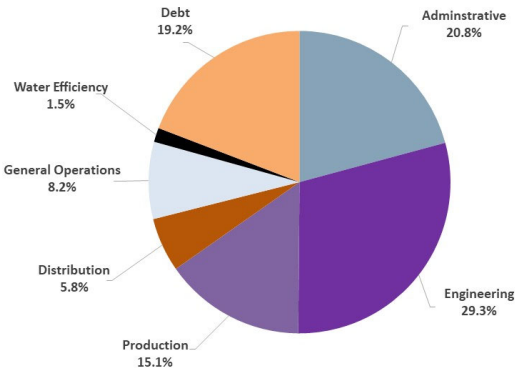
* Does not include proposed Jan 1, 2026 rate increases

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Operating & Debt Service Expenses

FY2025/26 Budget

Administrative	\$2,704,000
Engineering	\$3,810,000
Production	\$1,967,000
Distribution	\$752,000
General Operations	\$1,071,000
Water Efficiency	\$197,000
Debt	\$2,492,000
Total Budget:	\$12,993,000



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Existing Debt Obligations

- New Water Revenue Bond issued in 2019
 - Refunded pre-existing debt (original and current balance)
 - Provided \$16.5 million in new money for La Vista Tank project
- Annual debt service = approximately \$2.5 million through 2035
- Debt service coverage requirement = 1.20

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11

Reserves

The following are established & proposed District reserve policies. In addition to protecting the District against unforeseen circumstances, these policies also contribute towards the District's credit rating.

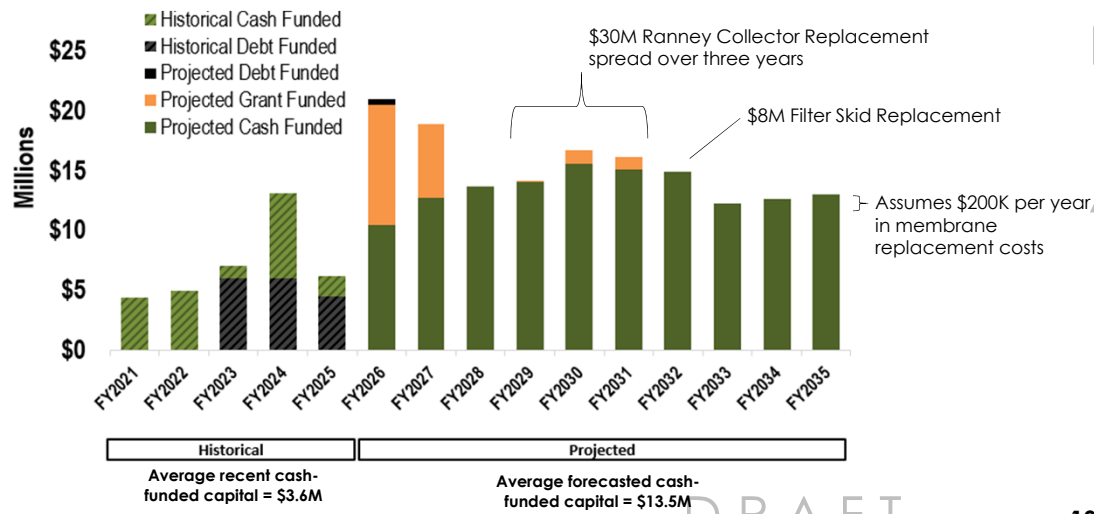
Reserve*	Purpose and Policies	Target Level	FY2024 Level
MINIMUM RESERVES			
Operating Reserve	Purpose: Provides sufficient funds for working capital, cash flow, and funds for continued operation in the event of unplanned operating and maintenance expenditures. Minimum Reserve: 50% of budgeted O&M costs and debt service	\$5.1M	\$5.9M
TARGET RESERVES AND SET-ASIDES			
Rate Stabilization	Purpose: Provides a safeguard to ensure that District meets the debt service coverage requirements Policy: Target \$500K, surplus net revenues may be deposited into the Rate Stabilization Reserve Fund	\$500K	\$500K
Capital Replacement	Purpose: Supports District's ability to support "Pay As You Go" (cash) funding of capital program Proposed Target: 10-year average annual capital budget spending	\$9.7M	\$9.8M
Membrane Replacement	Purpose: Smooths the intermittent cost of replacing membranes Proposed Policy: Set aside \$200K annually	NA	\$83K
Ranney Collector	Purpose: Smooths the intermittent cost of replacing the Ranney Collector Proposed Policy: Set aside \$500K annually	NA	\$0K
Filter Skid Replacement	Purpose: Smooths the intermittent cost of replacing the Filter Skid Proposed Policy: Set aside \$650K annually	NA	\$2.0M
OTHER RESERVES (includes general unrestricted funds, bond proceeds, grant proceeds, facility fee funds, etc.)			
General Fund	Purpose: Cash in excess of target reserves	NA	\$16.0M*
Total:		\$15.3M	\$34.3M

* Includes \$5.8M in bond proceeds and \$2.5M in advanced grant funding for specific capital projects.

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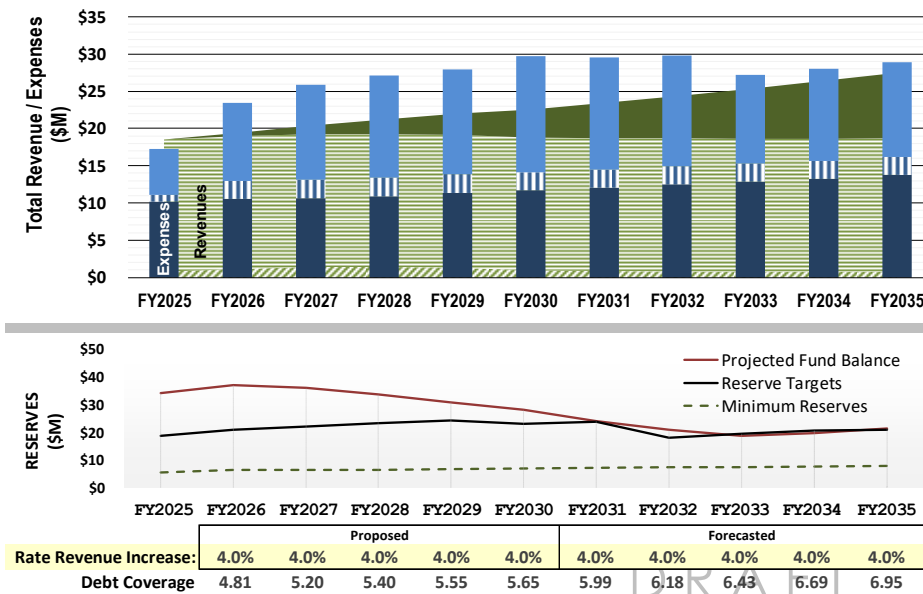
12

Recent and Projected Capital Spending

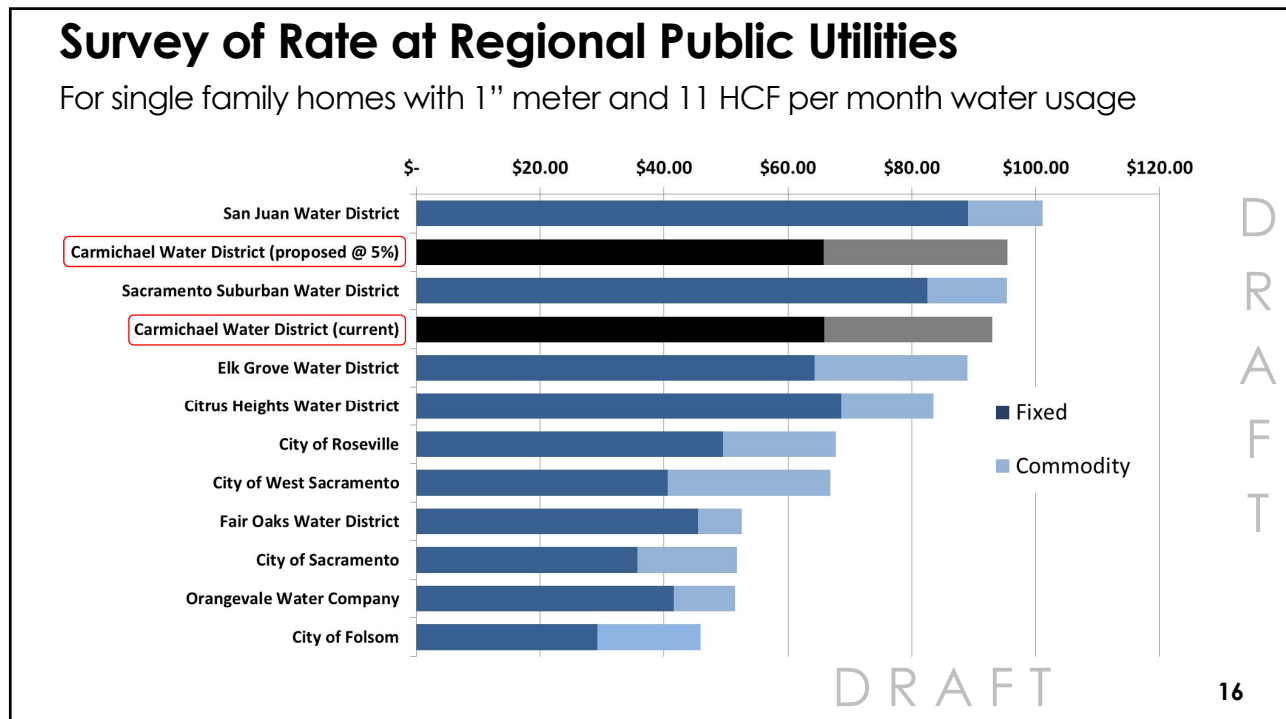
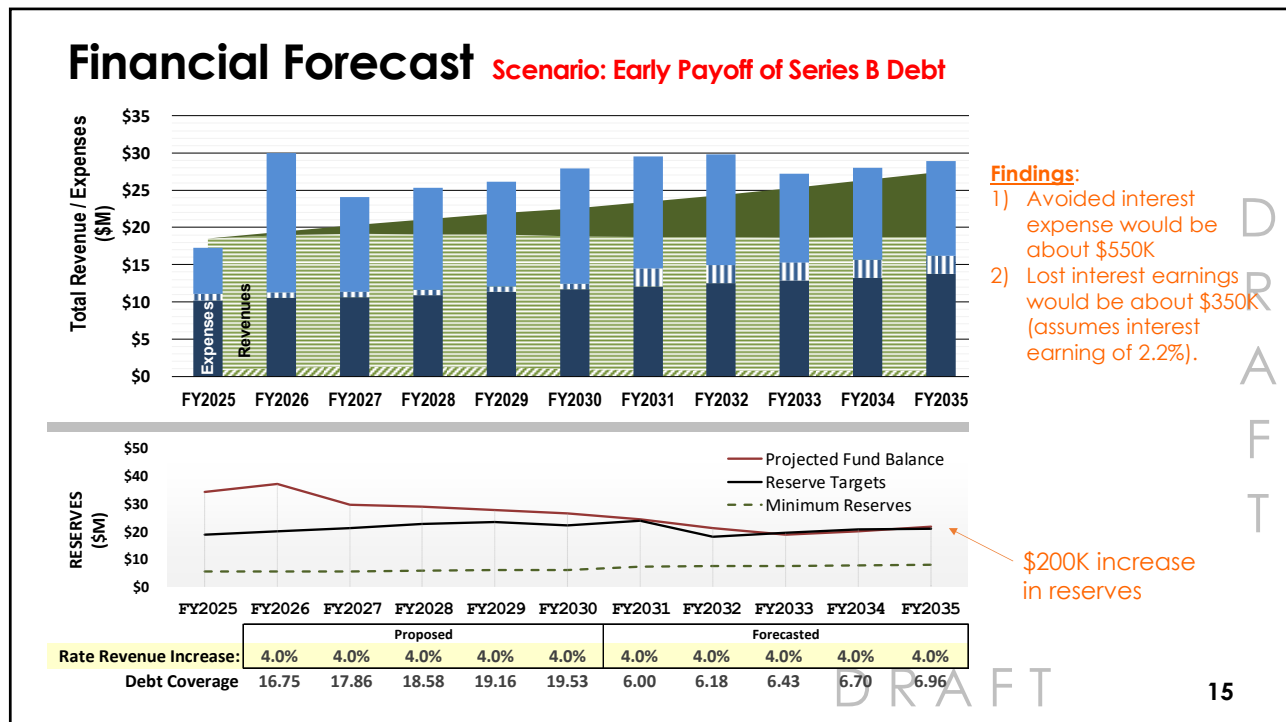


13

Financial Forecast



14



Current Water Rates

Water Usage Rate:	\$2.47 per HCF (748 gallons)	} 43.7% of rate revenue
Monthly Service Charge:		
3/4" meter	\$42.03	} 56.3% of rate revenue
1" meter	\$65.83	
1.5" meter	\$125.33	
2" meter	\$196.73	
3" meter	\$363.33	
4" meter	\$601.33	
6" meter	\$1,196.32	
8" meter	\$1,910.32	

Water Shortage Surcharge Rate applied in the event of a drought

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17

Cost of Service Analysis

		Customer Costs	Capacity Costs	Commodity Costs	Customer Costs	Capacity Costs	Commodity Costs
Administrative Services	\$2,055,500		50%	50%	\$0	\$1,027,750	\$1,027,750
Board Expenses	\$111,300	100%			\$111,300	\$0	\$0
Billing/Customer Service	\$537,700	100%			\$537,700	\$0	\$0
Water Efficiency	\$197,300			100%	\$0	\$0	\$197,300
Production	\$2,193,300		100%		\$0	\$2,193,300	\$0
Power/Chemicals	\$1,616,900			100%	\$0	\$0	\$1,616,900
Distribution	\$1,966,800		100%		\$0	\$1,966,800	\$0
General Operations	\$1,070,700		100%		\$0	\$1,070,700	\$0
Engineering	\$751,900		50%	50%	\$0	\$375,950	\$375,950
Debt Service	\$2,492,000		100%		\$0	\$2,492,000	\$0
Average PayGo Capital	\$12,350,300		50%	50%	\$0	\$6,175,150	\$6,175,150
Change in Fund Balance	-\$2,458,700		100%		\$0	-\$2,458,700	\$0
GSWC Revenue	-\$1,452,000		100%		\$0	-\$1,452,000	\$0
Other Revenue	-\$1,166,000		100%		\$0	-\$1,166,000	\$0
Total Revenue Requirement:	\$20,267,000				\$649,000	\$10,224,950	\$9,393,050

	<u>Fixed</u>	<u>Variable</u>
Proposed:	53.7%	46.3%
Current:	56.3%	43.7%

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18

Proposed Water Rates

	Current	Proposed @ 4% increases Proposed		Change
Water Usage Rates				
All Customer Types (per CCF)	\$2.47	\$2.90	per CCF	17.4%
Monthly Service Charge				
3/4" meter	\$42.03	\$39.03	per meter	-7.1%
1" meter	\$65.83	\$63.59	per meter	-3.4%
1 1/2" meter	\$125.33	\$125.00	per meter	-0.3%
2" meter	\$196.73	\$198.68	per meter	1.0%
3" meter	\$363.33	\$370.62	per meter	2.0%
4" meter	\$601.33	\$616.24	per meter	2.5%
6" meter	\$1,196.32	\$1,230.30	per meter	2.8%
8" meter *	\$1,910.32	\$1,967.17	per meter	3.0%
Condominium Living Units	\$42.03	\$39.03	per living unit	-7.1%
Multi-Family Living Units w/ Separate Meter	\$42.03	\$39.03	per living unit	-7.1%
Monthly Private Fire Service Charges	\$32.91	\$34.22	per inch of diam	4.0%

* Applies to Ancil Hoffman Golf Course

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19

Bill Impacts for monthly bills

	Meter Size	Water Use (CCF)	Current Bill	Proposed Bill*	Change \$	%
Single Family						
Low Use	1"	8	\$85.59	\$86.79	\$1.20	1.4%
Median Use	1"	11	\$93.00	\$95.49	\$2.49	2.7%
High Use	1"	42	\$169.57	\$185.39	\$15.82	9.3%
Very High Use	1"	75	\$251.08	\$281.09	\$30.01	12.0%
Condominium Unit	1"	8	\$61.79	\$62.23	\$0.45	0.7%
Duplex	1"	17	\$126.04	\$127.36	\$1.32	1.0%
Fourplex	1"	30	\$242.20	\$243.12	\$0.92	0.4%
Apartment	1 1/2"	100	\$372.33	\$415.00	\$42.67	11.5%
Apartment	2"	150	\$495.83	\$560.00	\$64.17	12.9%
Apartment	4"	400	\$1,113.33	\$1,285.00	\$171.67	15.4%
Retail Business	1"	17	\$107.82	\$112.89	\$5.07	4.7%
Retail Business	2"	100	\$443.73	\$488.68	\$44.95	10.1%
School	4"	250	\$1,218.83	\$1,341.24	\$122.42	10.0%
Institutional	(multiple)**	250	\$1,076.79	\$1,185.95	\$109.16	10.1%
Irrigation	2"	200	\$690.73	\$778.68	\$87.95	12.7%

* For Year 1 @ 4% rate revenue increases

** Assumes two 2" meters and one 1" meter

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20

Project Schedule

Subcommittee Meeting	July 30 th	✓
Preliminary Recommendation	August 18	
Final Recommendation	September 15	
Mail Prop 218 Notices	Late September	
Public Hearing	November 17 or December 15	
Rate Increase	January 1	

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