EXHIBIT "B"

November 13, 2024
Public Hearing

Capacity Fee Study

IB CONSULTING

IB Consulting, LLC
31938 Temecula Parkway, Suite A #350
Temecula, CA. 92592

TABLE OF CONTENTS

TABLES

FIGURES

Executive Summary

East Valley Water (District) engaged IB Consulting to update its capacity fees. This Capacity Fee Study Report (Report) describes the approach, methodology, and technical analysis used to derive updated capacity fees per California State Government Code, Section 66013 (GC 66013). GC 66013 allows an agency to charge the estimated reasonable infrastructure cost to serve a new connection for which the charge is imposed.

The existing water capacity fee is $8,273 for a 3/4" water meter, with larger meters paying more for the additional capacity/demand they place on the Water Utility. The existing wastewater capacity fee is $9,014 for one Equivalent Dwelling Unit (1 EDU)[1], reflecting the wastewater facility design requirements of 245 daily gallons of flow. Based on our analysis, the updated water capacity fee is **$11,775** for a 3/4" potable meter and the updated wastewater capacity fee is **$6,486** per EDU. The updated fees recover each new connection's proportionate share of facility costs.

Annual Capacity Fee Adjustment

IB Consulting recommends adjusting the capacity fee annually to keep pace with inflation by applying the Engineering News-Record Construction Cost Index (ENR). The District should also review its capacity charges every five years, in conjunction with its master plan updates, to capture any significant changes and ensure capacity fees remain equitable.

[1] 1 EDU = 245 gallons of flow per day

Overview

District Background

Located in the Inland Empire of San Bernardino County (County), the District comprises the entire City of Highland, portions of the City of San Bernardino, and unincorporated areas of the County. The District spans almost 18,000 acres and currently serves a population of around 107,000 through 21,471 meters. Water sources include groundwater, surface water through North Fork water rights, and State Water Project (SWP). All surface water and SWP are treated at Plant 134.

The District provides wastewater collection and treatment to the service area through 213 miles of pipeline, 4,400 manholes, 7 siphons, and 5 diversion structures. The collection system historically conveyed wastewater flows to the City of San Bernardino but has recently transitioned to conveying wastewater flows to the District's new Sterling Natural Resource Center (SNRC).

As part of the District's financial plan and rate update, the capacity fees are being reviewed and updated to ensure new system users or existing users requiring increased system capacity pay their fair share of the costs associated with the water and wastewater facilities required to serve them.

Capacity Fee

A "Capacity Fee" is defined as a charge for public facilities in existence when a charge is imposed or for new facilities to be constructed in the future that benefit the person or property being charged. Capacity fees ensure new development or existing users requiring increased system capacity pay their fair share of the costs associated with the facilities.

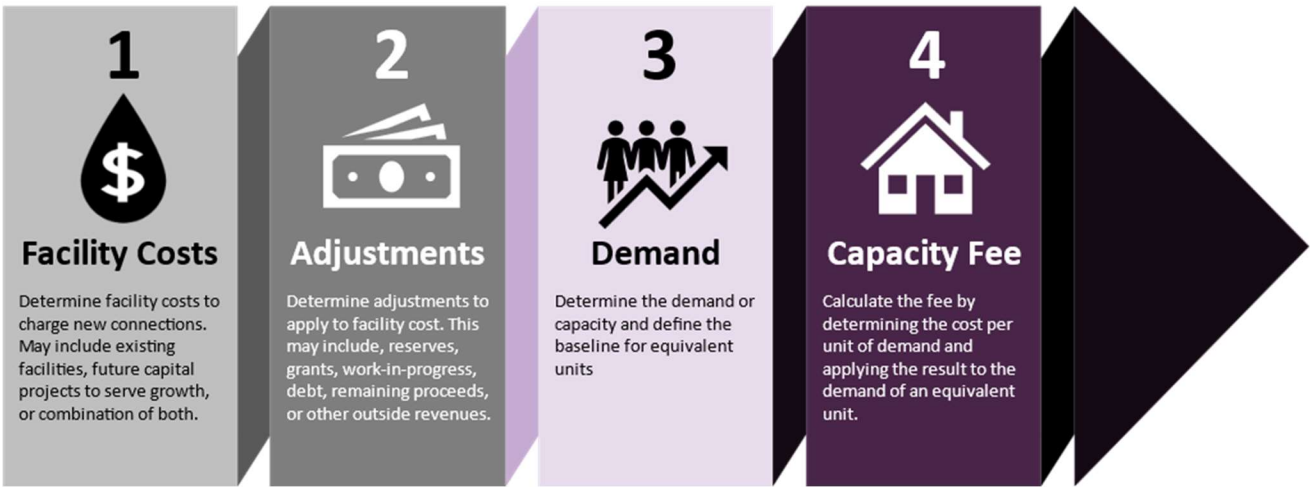
Based on the requirements of GC 66013, capacity fees must be based on the *"reasonable cost"* to accommodate additional demand from new development or the expansion of existing connections. In addition, Proposition 26 amended the State Constitution in 2010, which redefined a "tax" as any levy, charge, or exaction of any kind imposed by a local government. However, there were seven exemptions within Proposition 26, including cost-based charges imposed for providing a service (i.e., capacity fees) so long as such fees do not exceed the cost of providing the service. Therefore, the study summarized in this Report connects the costs of facilities, the capacity of the water, recycled water, and wastewater systems, the increased capacity gained from any expansions, and the updated proposed fees in compliance with the Proposition 26 exemption.

Government Code section 66016.6 requires that, Prior to levying a new fee or capacity charge, the District evaluate the amount of the fee or capacity charge. The evaluation shall include evidence to support that the fee or capacity charge does not exceed the estimated reasonable cost of providing service, in accordance with Section 66013. This Report meets the requirements of Government Code section 66016.6.

Capacity Fee Methodology

There are four primary steps in calculating capacity fees: (1) determine the cost of facilities and assets recoverable through capacity fees, (2) incorporate any credits or adjustments to apply towards the total infrastructure costs such as grants, existing debt obligations, unspent debt proceeds, and available funding through previously collected capacity fees, (3) identify demand or capacity related to the facilities and define the baseline requirements for a connection or equivalent dwelling unit based on planning documents, and (4) apportion the net infrastructure costs equitably to various types of connections based on the demand placed on the utility system.

Figure 1 – Capacity Fee Analysis



In addition to the four steps above, there are two primary approaches for calculating capacity fees: the "Buy-In Method" and "Incremental-Cost Method." Selecting the best method depends on the unique circumstances of the utility, existing facilities funded in advance of development, current and future capacity planned to be built in the system, available funding, whether future facilities will be debt-financed, expected future growth, and access to up-to-date planning documents/master plans. Careful consideration may be required to allocate costs between existing and new customers and ensure no duplication of costs.

Buy-In Method

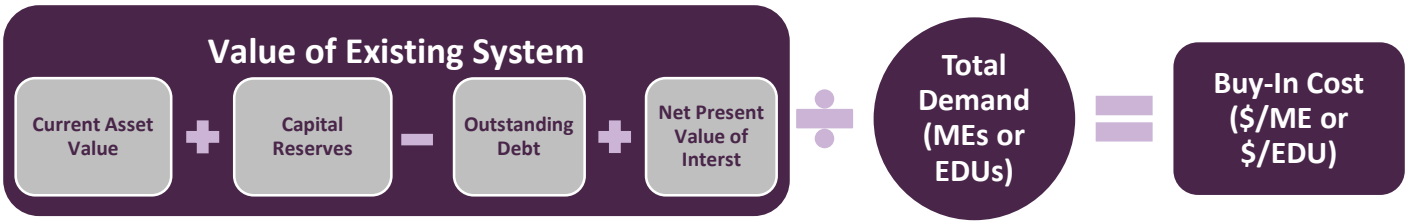
The basis of the Buy-In Method is to pay for existing facilities funded in advance of growth. This approach ensures new development and expanded connections buy into the utility system's existing facilities. The Buy-In method eliminates any potential funding of existing system deficiencies as the District's current asset inventory only reflects improvements to the system today.

Once the system value is determined, dividing the total value by the total demand derives the buy-in cost per Meter Equivalent (ME[2]) for water and per EDU for wastewater. Demand is commonly used for system design

[2] Meter Equivalent represents the average demand of a typical single-family residence within the District, equal to 609 gallons per day, as reflected within the District's most recent Master Plan (Section 3-10). This average daily demand is

and planning. It is a primary driver for the system's current configuration and how it expands in the future. For the wastewater utility, demand is measured in gallons per day (gpd) for the SNRC treatment plant capacity and a cost per gallon of capacity is derived. The cost per gallon is multiplied by the daily flow represented by one EDU (the District utilizes 245 gallons per day for facility design) to determine the amount per EDU. Assignment of EDUs to a developing parcel will vary based on land use type and projected wastewater flows and strength loadings. Figure 2 shows the framework for calculating the amount related to the buy-in component.

Figure 2 – Buy-In Component

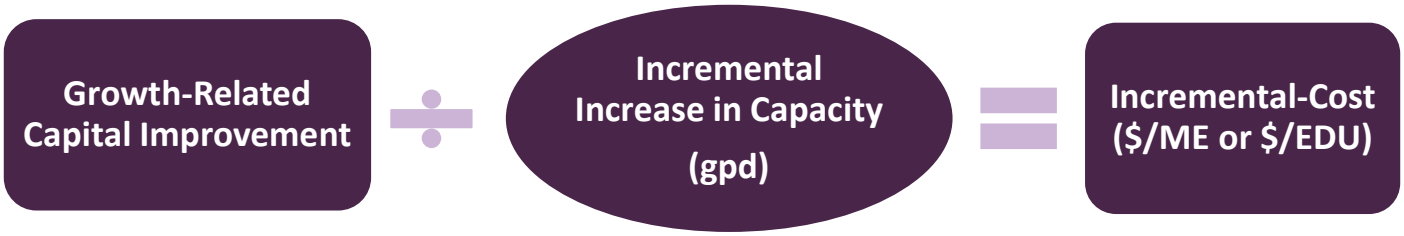


Incremental-Cost Method

The Incremental-Cost Method is based on the principle that new development should pay for improvements required to connect them to the system, including the need for any additional capacity and/or expansions. This approach is typically used when specific capital improvements are identified within planning documents and required for growth. Projects associated with routine repair & replacement and Master Plan improvements required to address existing deficiencies are excluded. Also, specific projects within the Master Plan may benefit existing and new development. In these instances, new development only pays its proportionate share based on the demand or capacity taken from these projects. Under the Incremental-Cost Method, growth-related capital improvements are allocated to new development based on their capacity requirements. For each utility, demand is measured in gpd and a cost per gallon of capacity is derived. For the water utility, the cost per gallon is multiplied by the average daily demand of a single-family residence, equal to 609 gallons per day, which is equated to the baseline demand of an ME. For the wastewater system, the cost per gallon is multiplied by the daily flow represented by one EDU to determine the amount per EDU. Figure 3 shows the framework for calculating capacity fees using the incremental cost component.

assigned to the base 3/4” meter. Larger-sized meters are assigned additional MEs based on the gallons per minute (gpm) for flow when compared to the 3/4" meter at 30 gpm.

Figure 3 – Formula for Incremental-Cost Approach



Hybrid Method

When there is a buy-in component and incremental-cost component used to update capacity fees, the approach is commonly referred to as the Hybrid Method. The Hybrid Approach is utilized when the existing system has available capacity and/or is substantially built while specific capital improvements within planning documents are clearly identified and solely needed to serve new development. ***For this study, the updated water and wastewater capacity fees are based on the Hybrid Method***.

Capacity Fee Analysis - Water

Step 1 – Asset Valuation (RCLD Asset Value)

The first step in determining the capacity fee using the Buy-In Approach is to determine the value of the existing system. System assets may be valued in a few different ways. Options include using: (1) the original cost of the improvements (OC), (2) original cost less depreciation of system assets to account for the time improvements are in service (OCLD), (3) replacement cost of the improvements by bringing the original cost into today's dollars (RC), (4) replacement cost less depreciation which brings both the original cost and the accumulated depreciation value into today's dollars (RCLD), and (5) a physical inventory and appraisal of the system and plant components in terms of their replacement cost valuation. The most accurate valuation would be a physical inventory and appraisal; however, this approach is often very difficult and cost-prohibitive since a significant portion of the assets are located underground. The most common valuation technique is RCLD. Using RCLD generates a reasonable approximation of the system value based on today's cost of the improvements.

This study utilizes the RCLD method of valuing the system. RCLD valuation is the most equitable and reasonable approach since it considers the time value of money and factors in the remaining useful life of each asset. To accomplish this, the District provided fixed asset records containing the original cost of each asset. Replacement costs were estimated by bringing forward the original costs to today's dollars to reflect the estimated cost if a similar asset were constructed today.

The original cost of each asset was indexed by the annual percentage change of the 20-cities CCI, published by the Engineering News-Record. For 2024, the CCI value is 13,358. Accumulated depreciation was also indexed to maintain consistency with 2024 dollars. Subtracting the accumulated depreciation from the replacement cost yields the updated RCLD and reflects service standards in 2024 dollars. Table 1 summarizes the water assets by category and shows the original cost, accumulated depreciation, replacement cost in 2024 dollars, accumulated depreciation in 2024 dollars, and assets adjusted for the 2024 depreciation (RCLD). Land values were not depreciated, and the replacement value is estimated by increasing the original acquisition costs by a 2% inflation limit in-line with Proposition 13 constraints on assessed values. Water Rights were also not depreciated because the water rights are owned in perpetuity by the District. A detailed listing of water assets can be found in Appendix A.

Table 1 – Water Asset Summary

Water Asset Summary					
Asset Categories	Original Cost [A]	Accumulated Depreciation [B]	Replacement Cost (2024 $) [C]	Accumulated Depreciation (2024 $) [D]	RCLD (2024 $) [E] = C-D
General	$19,724,349	$4,667,560	$26,653,423	$6,842,407	$19,811,016
Hydrants	$61,702	$18,293	$112,182	$35,720	$76,462
Land	$3,651,695	$0	$5,085,592	$0	$5,085,592
Meters	$82,951	$23,636	$140,878	$41,663	$99,215
Pumping Facilities	$15,245,781	$5,491,752	$34,284,229	$18,319,650	$15,964,579
Storage	$21,532,022	$7,584,042	$48,433,503	$22,937,676	$25,495,827
Transporation and Distribution	$70,987,217	$29,754,087	$191,712,233	$115,908,235	$75,803,998
Treatment Plant	$33,081,924	$7,486,040	$52,211,190	$14,353,729	$37,857,461
Existing Water Rights	$2,143,455	$0	$3,056,508	$0	$3,056,508
Wells	$16,943,605	$5,678,650	$32,922,858	$14,249,375	$18,673,483
Total Assets	**$183,454,703**	**$60,704,060**	**$394,612,596**	**$192,688,455**	**$201,924,141**

Step 2 - Asset Adjustments

It is also important to identify any adjustments to the RCLD total asset value. Special consideration may be required when assets are acquired through debt financing, contributed by developers, and grant funding. For this study, the adjustments impacting the asset valuation are separated into three components:

***Capital Reserves*:** Includes reserves that provide funding for system improvements, which increases the asset values of the corresponding category. It is reasonable and appropriate to include the balance of the capital-related reserves because they have been built-up over time by existing rate customers and will be used to repair or replace aging infrastructure, thereby contributing to the value of the system's assets. Capital reserves will **increase** the system's value as the cash equivalents are available for capital spending. However, previously collected capacity fees that have not yet been spent are applied as a credit towards the system asset value.

Table 2 identifies the FY 2025 beginning reserve balances for the District.

Table 2 – Water Capital-Related Reserves

Water Capital-Related Reserves	
Description	Included Water Capital-Related Reserves
(+) Capital Replacement Fund	$10,314,000
(-) Capacity Fee Fund	($5,793,420)
Total Water Capital-Related Reserves	**$4,520,580**

Outstanding Principal: Remaining outstanding principal payments of existing bonds and loans

Table 3 identifies the amount of outstanding principal remaining on the water system's existing debt, with FY 2025 as the starting point. Detailed water debt schedules can be found in Appendix C.

Table 3 – Water Outstanding Principal

Water Outstanding Principal	
Description	Included Water Outstanding Principal
2020A Bonds	($14,060,000)
2020B Bonds	($8,575,000)
SRF Plant 134	($5,134,777)
Total Water Outstanding Principal	**($27,769,777)**

The asset adjustments from Table 2 and Table 3 are summarized in Table 4 to show the total asset adjustments.

Table 4 – Water Asset Value Adjustments

Valuation Adjustments	
Adjustments	Value ($)
(+) Water Capital-Related Reserves	$4,520,580
(-) Water Outstanding Principal	($27,769,777)
Total Adjustments	**($23,249,197)**

Step 3 – System Demand/Capacity

For water, existing demand is reflected by total Meter Equivalents (MEs), where 1 ME represents the average demand of a typical single-family residence within the District, equal to 609 gallons per day. This average daily demand is assigned to the base 3/4" meter. Total MEs were determined by multiplying the number of existing meters in the water system by the Capacity Ratio. The Capacity Ratio represents the potential flow through each meter size compared to the flow through a 3/4" meter to establish parity between meter sizes. Table 5 summarizes the total MEs in the water system.

Table 5 – Existing Water System

Water System Information			
Meter Size	Capacity Ratio [A]	Existing Meters [B]	Meter Equivalent (ME) [C] = AxB
5/8"	0.67	3,479	2,319
3/4"	1.00	13,066	13,066
1"	1.67	4,235	7,058
1 1/2"	3.33	276	920
2"	5.33	302	1,611
3"	16.67	63	1,050
4"	41.67	22	917
6"	66.67	12	800
8"	133.33	13	1,733
Units of Service		21,468	29,474

Step 4 – Buy-In Component Calculations

The previous steps identified water assets (infrastructure), capital-related reserves, outstanding debt principal, and system capacity. The buy-in component can be determined by deriving the cost per ME of the water assets and adjustments. The net RCLD asset value (Total System Value) of the water system is divided by the total MEs to derive the asset unit rate, as shown in Table 6.

Table 6 – Water Asset Unit Rate ($ per ME)

Buy-In Asset Unit Rate				
Asset Category	RCLD (2024 $) [A]	Allocation Basis	Units of Service [B]	$ per ME [C] = A÷B
General	$19,811,016	Meter Equivalent (ME)	29,474	$672
Hydrants	$76,462	Meter Equivalent (ME)	29,474	$3
Land	$5,085,592	Meter Equivalent (ME)	29,474	$173
Meters	$99,215	Meter Equivalent (ME)	29,474	$3
Pumping Facilities	$15,964,579	Meter Equivalent (ME)	29,474	$542
Storage	$25,495,827	Meter Equivalent (ME)	29,474	$865
Transporation and Distribution	$75,803,998	Meter Equivalent (ME)	29,474	$2,572
Treatment Plant	$37,857,461	Meter Equivalent (ME)	29,474	$1,284
Existing Water Rights	$3,056,508	Meter Equivalent (ME)	29,474	$104
Wells	$18,673,483	Meter Equivalent (ME)	29,474	$634
	$201,924,141			$6,852

Table 7 summarizes the adjustments for capital-related reserves and outstanding principal with the associated cost per ME.

Table 7 – Water Adjustments ($ per ME)

Valuation Adjustments				
Adjustments	Value ($) [A]	Allocation Basis	Units of Service [B]	$ per ME [C] = A÷B
(+) Water Capital-Related Reserve	$4,520,580	Meter Equivalent (ME)	29,474	$153
(-) Water Outstanding Principal	($27,769,777)	Meter Equivalent (ME)	29,474	($942)
Total Adjustments	**($23,249,197)**			**($789)**

Table 8 summarizes the total buy-in amount per ME rounded to the nearest dollar.

Table 8 – Water Buy-In Calculation ($ per ME)

System Buy-In Components	
Description	$ / ME
Water Infrastructure	$6,852
(+) Water Capital-Related Reserve	$153
(-) Water Outstanding Principal	($942)
System Buy-in per ME	**$6,063**

Step 5: Incremental Costs

The capacity fee includes planned capital projects required to accommodate new development based on the most recent Master Plans. These projects include a new reservoir and two new wells, as shown in Table 9.

Table 9 – Water Incremental Costs

Incremental Costs	
Capital Projects	Projected Cost
Canal 3 Reservoir	$17,717,280
New Wells	$10,000,000
Total	**$27,717,280**

Step 6: Incremental-Cost Component Calculations

The incremental costs are associated with constructing additional capacity to serve new development. Therefore, the project cost of each asset category is spread over the additional capacity added to the water system in gpd. Table 10 summarizes the cost per gallon of incremental capital projects and the associated cost per ME.

Table 10 – Water Incremental-Cost Component ($ per ME)

Incremental-Cost Components						
Capital Projects	Projected Cost	Allocation Basis	Units of Service	Unit Rate	Conversion Factor	$ per ME
	[A]	[B]	[C]	[D] = A÷C	[E]	[F]=DxE
Canal 3 Reservoir	$17,717,280	Reservoir Capacity	3,000,000	$5.91	609	$3,597
New Wells	$10,000,000	2024 New Wells	2,880,000	$3.47	609	$2,115
Total						$5,712

Updated Water Capacity Fees

Table 11 summarizes the updated water capacity fee per ME by combining the buy-in and the incremental-cost component.

Table 11 – Water Capacity Fee Summary

Proposed Water Capacity Fee ($/ME)	
Capacity Fee Components	Total ($ per ME)
System Buy-In Component	
Water Infrastructure	$6,852
(+) Water Capital-Related Reserves	$153
(-) Water Outstanding Principal	($942)
System Buy-in per ME	$6,063
Incremental Component	
Canal 3 Reservoir	$3,597
New Wells	$2,115
Total	$5,712
Total Proposed Water Capacity Fee	**$11,775**

Table 12 summarizes the updated water capacity fee by meter size, with the 3/4" meter set as the base ME. Capacity fees for new connections increase as the size of the meter increases based on the additional capacity taken of the system.

Table 12 – Proposed Water Capacity Fee

Proposed Water Capacity Fee by Meter Size			
Meter Size	Capacity (gpm) [A]	Capacity Ratio [B] = A÷30	Proposed Capacity Fee [C] =$11,775xB
3/4"	30	1.00	$11,775
1"	50	1.67	$19,625
1 1/2"	100	3.33	$39,250
2"	160	5.33	$62,800
3"	500	16.67	$196,250
4"	1250	41.67	$490,625
6"	2000	66.67	$785,000
8"	4000	133.33	$1,570,000
10"	6500	216.67	$2,551,250
12"	8000	266.67	$3,140,000

Annual Capacity Fee Adjustment

In conjunction with adopting the updated water capacity fees, IB Consulting recommends adjusting the capacity fee annually to keep pace with inflation by applying the Engineering News Record Construction Cost Index (ENR). The District should also review its capacity charges every five years, in conjunction with its master plan updates, to capture any significant changes and ensure capacity fees remain equitable.

Capacity Fee Analysis - Wastewater

Step 1 – Asset Valuation (RCLD Asset Value)

This study utilizes the RCLD method of valuing the system. RCLD valuation is the most equitable and reasonable approach since it considers the time value of money and factors in the remaining useful life of each asset. To accomplish this, the District provided fixed asset records containing the original cost of each asset. Replacement costs were estimated by bringing forward the original costs to today's dollars to reflect the estimated cost if a similar asset were constructed today.

The original cost of each asset was indexed by the annual percentage change of the 20-cities CCI, published by the Engineering News-Record. For 2024, the CCI value is 13,358. Accumulated depreciation was also indexed to maintain consistency with 2024 dollars. Subtracting the accumulated depreciation from the replacement cost yields the updated RCLD and reflects service standards in 2024 dollars. Table 13 summarizes the wastewater assets by category and shows the original cost, accumulated depreciation, replacement cost in 2024 dollars, accumulated depreciation in 2024 dollars, and assets adjusted for the 2024 depreciation (RCLD). Land values were not depreciated, and the replacement value is estimated by increasing the original acquisition costs by a 2% inflation limit in-line with Proposition 13 constraints on assessed values. The new SNRC was recently constructed and started accepting wastewater flows in the second quarter of 2024. A detailed listing of wastewater assets can be found in Appendix B.

Table 13 – Wastewater Asset Summary

Wastewater Asset Summary					
Asset Categories	OC	Accumulated Depreciation	Replacement Cost (2024 $)	Accumulated Depreciation (2024 $)	RCLD (2024 $)
	[A]	[B]	[C]	[D]	[E] = C-D
Collection Plant	$27,872,913	$16,428,368	$127,853,552	$105,736,394	$22,117,158
General	$9,033,538	$3,481,760	$12,602,296	$5,243,705	$7,358,591
Land	$2,698,706	$0	$2,976,309	$0	$2,976,309
Treatment	$180,684,888	$0	$180,684,888	$0	$180,684,888
Total Assets	**$220,290,046**	**$19,910,128**	**$324,117,044**	**$110,980,099**	**$213,136,946**

Step 2 - Asset Adjustments

It is also important to identify any adjustments to the RCLD total asset value. Special consideration may be required when assets are acquired through debt financing, contributed by developers, and grant funding. For this study, the adjustments impacting the asset valuation are separated into three components:

***Capital Reserves*:** Includes reserves that provide funding for system improvements, which increases the asset values of the corresponding category. It is reasonable and appropriate to include the balance of the capital related reserves because they have been built-up over time by existing rate customers and will be used to repair or replace aging infrastructure, thereby contributing to the value of the system. Capital reserves

will **increase** the system's value as the cash equivalents are available for capital spending. However, previously collected capacity fees that have not yet been spent are applied as a credit towards the system asset value. Table 14 identifies the FY 2025 beginning reserve balances for the District.

Table 14 – Wastewater Capital-Related Reserves

Wastewater Capital-Related Reserves	
Description	Included Wastewater Capital-Related Reserves
(+) Capital Replacement Fund	$7,500,000
(-) Capacity Fee Fund	($7,320,860)
(+) Debt Service Reserve - Growth	$1,875,000
Total Wastewater Capital-Related Reserves	**$2,054,140**

Outstanding Principal: Remaining outstanding principal payments of existing bonds and loans

Table 15 identifies the amount of outstanding principal remaining for the existing debt for the wastewater system, with FY 2025 as the starting point. Detailed wastewater debt schedules can be found in Appendix C

Table 15 – Wastewater Outstanding Principal

Wastewater Outstanding Principal	
Description	Included Wastewater Outstanding Principal
2020B Bonds	($4,205,000)
SNRC - Rates (75%)	($119,402,163)
Total Wastewater Outstanding Principal	**($123,607,163)**

Outstanding Interest: The SNRC included debt financing as a funding source. The SNRC has a capacity of 8 MGD with 6 MGD operating capacity and 2 MGD associated with accommodating future growth. Therefore, 75% of the debt is secured by rates and 25% of the debt is funded by capacity fees. The 25% of debt secured by capacity fees must account for the future interest payments that must be paid through maturity.

Outstanding Interest associated with the SNRC financing requires an additional step to derive the Net Present Value (NPV) of all future interest payments. The capacity fees are pledged to cover 25% of all future interest payments; however, interest is amortized over multiple years. Paying the total amount of future interest payments in advance, before the interest is incurred, would overcharge new connections. Therefore, the NPV of interest is calculated using a discount factor equal to the average yield since 2000 of the Treasury Securities at a 3-Year Constant Maturity (Treasury Securities), equal to 2.282%. Treasury Securities are a safe and conservative return on investment for public agency investments. The NPV calculation discounts the future interest payments by 2.282%, compounded annually.

Table 16 shows the amount of outstanding interest and the net present value of the outstanding interest using the 2.282% discount factor for the 25% of the SNRC financing.

Table 16 – Wastewater NPV of Outstanding Interest

Wastewater NPV of Outstanding Interest		
Description	Total Interest	Included Wastewater NPV of Outstanding Interest
2020B Bonds	$1,210,550	$0
SNRC - Rates (75%)	$34,910,630	$0
SNRC - Growth (25%)	$11,636,877	$10,188,418
Total Wastewater NPV of Outstanding Interest	**$47,758,056**	**$10,188,418**

The asset adjustments from Table 14 through Table 16 are summarized in Table 17 to show the total asset adjustments.

Table 17 – Wastewater Asset Value Adjustments

Valuation Adjustments	
Adjustments	Value ($)
Reserves	
(+) Capital Replacement Fund	$7,500,000
(-) Capacity Fee Fund	($7,320,860)
(+) Debt Service Reserve - Growth	$1,875,000
Outstanding Principal and Interest	
(-) Wastewater Outstanding Principal	($123,607,163)
(+) Wastewater NPV of Outstanding Interest	$10,188,418
Total Adjustments	**($111,364,605)**

Step 3 – System Demand/Capacity

For wastewater, existing demand is reflected by total Equivalent Dwelling Units (EDUs), reflecting the wastewater facility design requirements of 245 daily gallons of flow. The total design capacity of the wastewater treatment plants does not necessarily reflect the safe operating capacity. Once the plant capacity is close to 80% of total capacity, additional upgrades or expansions are required. Therefore, when deriving capacity-related unit rates, the operating capacity is used. Table 18 summarizes the units of service for the wastewater system.

Table 18 – Existing Wastewater System

Wastewater System Information		
Units of Service		
Existing EDU	(EDU)	29,500
SNRC Operating Capacity	(gpd)	6,400,000
SNRC Operating Capacity - (Growth)	(gpd)	1,600,000
5th Chamber Ops Capacity	(gpd)	1,600,000

Step 4 – Buy-In Component Calculations

The previous steps identified wastewater assets (infrastructure), capital-related reserves, outstanding debt principal, net present value of outstanding interest, and system capacity. The buy-in component can be determined by deriving the cost per EDU of the wastewater assets and adjustments. The net RCLD asset value (Total System Value) of the wastewater system is divided by the total EDUs to derive the asset unit rate, as shown in Table 19.

Table 19 – Wastewater Asset Unit Rate ($ per EDU)

Buy-In Asset Unit Rate						
Asset Category	RCLD (2024 $)	Allocation Basis	Units of Service	Unit Rate	Conversion Factor	$ per EDU
	[A]	[B]	[C]	[D] = A÷C	[E]	[F]=DxE
Collection Plant	$22,117,158	Existing EDU	29,500	$749.73	1	$750
General	$7,358,591	Existing EDU	29,500	$249.44	1	$249
Land	$2,976,309	Existing EDU	29,500	$100.89	1	$101
Treatment	$180,684,888	SNRC Operating Capacity	6,400,000	$28.23	245	$6,917
	$213,136,946					**$8,017**

Table 20 summarizes the adjustments for capital-related reserves, outstanding principal, and the net present value of outstanding interest with the associated cost per EDU.

Table 20 – Wastewater Adjustments ($ per EDU)

Valuation Adjustments						
Adjustments	Value ($) [A]	Allocation Basis [B]	Units of Service [C]	Unit Rate [D] = A÷C	Conversion Factor [E]	$ per EDU [F]=DxE
Reserves						
(+) Capital Replacement Fund	$7,500,000	Existing EDU	29,500	$254.24	1	$254
(-) Capacity Fee Fund	($7,320,860)	Existing EDU	29,500	($248.16)	1	($248)
(+) Debt Service Reserve - Growth	$1,875,000	SNRC Operating Capacity - (Growth)	1,600,000	$1.17	245	$287
Outstanding Principal and Interest						
(-) Wastewater Outstanding Principal	($123,607,163)	SNRC Operating Capacity	6,400,000	($19.31)	245	($4,732)
(+) Wastewater NPV of Outstanding Interest	$10,188,418	SNRC Operating Capacity - (Growth)	1,600,000	$6.37	245	$1,560
Total Adjustments	**($111,364,605)**					**($2,879)**

Table 21 summarizes the total buy-in amount per EDU rounded to the nearest dollar.

Table 21 – Wastewater Buy-In Calculation ($ per EDU)

System Buy-In Components	
Description	$ per EDU
Wastewater Infrastructure	$8,017
(+) Capital Replacement Fund	$254
(-) Capacity Fee Fund	($248)
(+) Debt Service Reserve - Growth	$287
(-) Wastewater Outstanding Principal	($4,732)
(+) Wastewater NPV of Outstanding Interest	$1,560
System Buy-in per EDU	**$5,138**

Step 5: Incremental Costs

The capacity fee includes planned capital projects for the SNRC. These projects include a fifth chamber for the SNRC treatment plant, as shown in Table 22. The new chamber will add an additional 1.6 MGD of capacity.

Table 22 – Wastewater Incremental Costs

Incremental-Cost	
Capital Projects	Projected Cost
5th Chamber for SNRC	$8,800,000
Total Incremental Component	**$8,800,000**

Step 6: Incremental-Cost Component Calculations

The incremental costs are associated with constructing additional capacity. Therefore, the project cost is spread over the additional capacity added to the wastewater system in gpd. Table 23 summarizes the cost per gallon of incremental capital projects and the associated cost per EDU.

Table 23 – Wastewater Incremental-Cost Component ($ per EDU)

Incremental-Cost Components						
Capital Projects	Projected Cost [A]	Allocation Basis [B]	Units of Service [C]	Unit Rate [D] = A÷C	Conversion Factor [E]	$ per EDU [F]=DxE
5th Chamber for SNRC	$8,800,000	5th Chamber Ops Capacity	1,600,000	$5.50	245	$1,348
Total Incremental Component						**$1,348**

Updated Wastewater Capacity Fees

Table 24 summarizes the updated wastewater capacity fee per EDU by combining the buy-in and the incremental-cost component.

Table 24 – Wastewater Capacity Fee Summary

Proposed Wastewater Capacity Fee ($/EDU)	
Capacity Fee Components	Total ($ per EDU)
System Buy-In Component	
Wastewater Infrastructure	$8,017
Reserves	
(+) Capital Replacement Fund	$254
(-) Capacity Fee Fund	($248)
(+) Debt Service Reserve - Growth	$287
Outstanding Principal and Interest	
(-) Wastewater Outstanding Principal	($4,732)
(+) Wastewater NPV of Outstanding Interest	$1,560
System Buy-in per EDU	$5,138
Incremental Component	
5th Chamber for SNRC	$1,348
Total Proposed Wastewater Capacity Fee	**$6,486**

Annual Capacity Fee Adjustment

In conjunction with adopting the updated wastewater capacity fees, IB Consulting recommends adjusting the capacity fee annually to keep pace with inflation by applying the Engineering News Record Construction Cost Index (ENR). The District should also review its capacity charges every five years, in conjunction with its master plan updates, to capture any significant changes and ensure capacity fees remain equitable.

Appendix A – Water Asset Listing

This Page Intentionally Left Blank

Appendix B – Wastewater Asset Listing

This Page Intentionally Left Blank

Appendix C – Debt Schedules

Table 25 – Water Debt Schedules FY 2024 to FY 2034

Financial Information											
Water Outstanding Debt	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
2020A Bonds											
Principal	$990,000	$1,030,000	$575,000	$605,000	$635,000	$665,000	$700,000	$735,000	$770,000	$805,000	$835,000
Interest	$615,600	$565,100	$524,975	$495,475	$464,475	$431,975	$397,850	$361,975	$324,350	$289,000	$256,200
Subtotal 2020A Bonds	$1,605,600	$1,595,100	$1,099,975	$1,100,475	$1,099,475	$1,096,975	$1,097,850	$1,096,975	$1,094,350	$1,094,000	$1,091,200
2020B Bonds											
Principal	$105,000	$100,000	$200,000	$205,000	$210,000	$215,000	$215,000	$215,000	$230,000	$230,000	$235,000
Interest	$224,087	$223,341	$221,996	$219,754	$217,014	$213,716	$209,889	$205,847	$201,380	$196,424	$191,121
Subtotal 2020B Bonds	$329,087	$323,341	$421,996	$424,754	$427,014	$428,716	$424,889	$420,847	$431,380	$426,424	$426,121
US Bank Loan											
Principal	$444,375	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Interest	$7,987	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal US Bank Loan	$452,363	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Eastwood Farms											
Principal	$13,016	$13,016	$13,016	$13,016	$13,016	$13,016	$13,016	$13,016	$13,016	$13,016	$13,016
Interest	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Eastwood Farms	$13,016	$13,016	$13,016	$13,016	$13,016	$13,016	$13,016	$13,016	$13,016	$13,016	$13,016
Arroyo Verde											
Principal	$6,762	$6,762	$6,762	$6,762	$6,762	$6,762	$6,762	$6,762	$3,382	$0	$0
Interest	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Arroyo Verde	$6,762	$6,762	$6,762	$6,762	$6,762	$6,762	$6,762	$6,762	$3,382	$0	$0
SRF Plant 134											
Principal	$233,399	$233,399	$233,399	$233,399	$233,399	$233,399	$233,399	$233,399	$233,399	$233,399	$233,399
Interest	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal SRF Plant 134	$233,399	$233,399	$233,399	$233,399	$233,399	$233,399	$233,399	$233,399	$233,399	$233,399	$233,399

Table 26 – Water Debt Schedules FY 2035 to FY 2046

Financial Information												
Water Outstanding Debt	FY 2035	FY 2036	FY 2037	FY 2038	FY 2039	FY 2040	FY 2041	FY 2042	FY 2043	FY 2044	FY 2045	FY 2046
2020A Bonds												
Principal	$865,000	$900,000	$925,000	$960,000	$985,000	$1,015,000	$1,055,000	$0	$0	$0	$0	$0
Interest	$222,200	$186,900	$155,025	$126,750	$97,575	$62,500	$21,100	$0	$0	$0	$0	$0
Subtotal 2020A Bonds	$1,087,200	$1,086,900	$1,080,025	$1,086,750	$1,082,575	$1,077,500	$1,076,100	$0	$0	$0	$0	$0
2020B Bonds												
Principal	$255,000	$250,000	$270,000	$275,000	$280,000	$295,000	$310,000	$1,410,000	$1,450,000	$1,725,000	$0	$0
Interest	$185,349	$179,277	$172,284	$164,300	$156,169	$147,745	$138,882	$113,684	$71,785	$25,271	$0	$0
Subtotal 2020B Bonds	$440,349	$429,277	$442,284	$439,300	$436,169	$442,745	$448,882	$1,523,684	$1,521,785	$1,750,271	$0	$0
US Bank Loan												
Principal	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Interest	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal US Bank Loan	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Eastwood Farms												
Principal	$13,016	$13,016	$13,016	$13,016	$13,016	$13,016	$13,016	$13,016	$13,017	$0	$0	$0
Interest	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Eastwood Farms	$13,016	$13,016	$13,016	$13,016	$13,016	$13,016	$13,016	$13,016	$13,017	$0	$0	$0
Arroyo Verde												
Principal	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Interest	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Arroyo Verde	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
SRF Plant 134												
Principal	$233,399	$233,399	$233,399	$233,399	$233,399	$233,399	$233,399	$233,399	$233,399	$233,399	$233,399	$233,398
Interest	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal SRF Plant 134	$233,399	$233,399	$233,399	$233,399	$233,399	$233,399	$233,399	$233,399	$233,399	$233,399	$233,399	$233,398

Table 27 – Wastewater Debt Schedules FY 2024 to FY 2034

Financial Information											
Wastewater Oustanding Debt	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032	FY 2033	FY 2034
2020B Bonds											
Principal	$175,000	$175,000	$175,000	$180,000	$180,000	$180,000	$185,000	$190,000	$190,000	$200,000	$200,000
Interest	$98,274	$96,997	$95,466	$93,500	$91,124	$88,334	$85,084	$81,558	$77,749	$73,543	$68,983
Subtotal 2020B Bonds	$273,274	$271,997	$270,466	$273,500	$271,124	$268,334	$270,084	$271,558	$267,749	$273,543	$268,983
SNRC - Rates (75%)											
Principal	$3,121,778	$3,171,892	$3,228,986	$3,287,108	$3,346,276	$3,406,509	$3,467,826	$3,530,247	$3,593,791	$3,658,479	$3,724,332
Interest	$2,199,353	$2,149,239	$2,092,145	$2,034,023	$1,974,855	$1,914,622	$1,853,305	$1,790,884	$1,727,340	$1,662,652	$1,596,799
Subtotal SNRC - Rates (75%)	$5,321,131	$5,321,131	$5,321,131	$5,321,131	$5,321,131	$5,321,131	$5,321,131	$5,321,131	$5,321,131	$5,321,131	$5,321,131
SNRC - Growth (25%)											
Principal	$1,040,593	$1,057,297	$1,076,329	$1,095,703	$1,115,425	$1,135,503	$1,155,942	$1,176,749	$1,197,930	$1,219,493	$1,241,444
Interest	$733,118	$716,413	$697,382	$678,008	$658,285	$638,207	$617,768	$596,961	$575,780	$554,217	$532,266
Subtotal SNRC - Growth (25%)	$1,773,710	$1,773,710	$1,773,710	$1,773,710	$1,773,710	$1,773,710	$1,773,710	$1,773,710	$1,773,710	$1,773,710	$1,773,710
Water Fund 20 Loan - Rates (75%)											
Principal	$0	$0	$0	$0	$281,250	$281,250	$281,250	$281,250	$281,250	$281,250	$281,250
Interest	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Water Fund 20 Loan - Rates (75%	$0	$0	$0	$0	$281,250	$281,250	$281,250	$281,250	$281,250	$281,250	$281,250
Water Fund 20 Loan - Growth (25%)											
Principal	$0	$0	$0	$0	$93,750	$93,750	$93,750	$93,750	$93,750	$93,750	$93,750
Interest	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Water Fund 20 Loan - Growth (25	$0	$0	$0	$0	$93,750	$93,750	$93,750	$93,750	$93,750	$93,750	$93,750

Table 28 – Wastewater Debt Schedules FY 2035 to FY 2046

Financial Information												
Wastewater Oustanding Debt	FY 2035	FY 2036	FY 2037	FY 2038	FY 2039	FY 2040	FY 2041	FY 2042	FY 2043	FY 2044	FY 2045	FY 2046
2020B Bonds												
Principal	$205,000	$215,000	$220,000	$225,000	$230,000	$235,000	$240,000	$250,000	$260,000	$270,000	$0	$0
Interest	$64,213	$59,161	$53,326	$46,807	$40,141	$33,329	$26,370	$19,192	$11,720	$3,956	$0	$0
Subtotal 2020B Bonds	$269,213	$274,161	$273,326	$271,807	$270,141	$268,329	$266,370	$269,192	$271,720	$273,956	$0	$0
SNRC - Rates (75%)												
Principal	$3,791,370	$3,859,614	$3,929,088	$3,999,811	$4,071,808	$4,145,100	$4,219,712	$4,295,667	$4,372,989	$4,451,703	$4,531,833	$4,613,406
Interest	$1,529,761	$1,461,516	$1,392,043	$1,321,320	$1,249,323	$1,176,031	$1,101,419	$1,025,464	$948,142	$869,428	$789,297	$707,724
Subtotal SNRC - Rates (75%)	$5,321,131	$5,321,131	$5,321,131	$5,321,131	$5,321,131	$5,321,131	$5,321,131	$5,321,131	$5,321,131	$5,321,131	$5,321,131	$5,321,131
SNRC - Growth (25%)												
Principal	$1,263,790	$1,286,538	$1,309,696	$1,333,270	$1,357,269	$1,381,700	$1,406,571	$1,431,889	$1,457,663	$1,483,901	$1,510,611	$1,537,802
Interest	$509,920	$487,172	$464,014	$440,440	$416,441	$392,010	$367,140	$341,821	$316,047	$289,809	$263,099	$235,908
Subtotal SNRC - Growth (25%)	$1,773,710	$1,773,710	$1,773,710	$1,773,710	$1,773,710	$1,773,710	$1,773,710	$1,773,710	$1,773,710	$1,773,710	$1,773,710	$1,773,710
Water Fund 20 Loan - Rates (75%)												
Principal	$281,250	$281,250	$281,250	$281,250	$281,250	$281,250	$281,250	$281,250	$281,250	$281,250	$281,250	$281,250
Interest	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Water Fund 20 Loan - Rates (75%	$281,250	$281,250	$281,250	$281,250	$281,250	$281,250	$281,250	$281,250	$281,250	$281,250	$281,250	$281,250
Water Fund 20 Loan - Growth (25%)												
Principal	$93,750	$93,750	$93,750	$93,750	$93,750	$93,750	$93,750	$93,750	$93,750	$93,750	$93,750	$93,750
Interest	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Water Fund 20 Loan - Growth (25	$93,750	$93,750	$93,750	$93,750	$93,750	$93,750	$93,750	$93,750	$93,750	$93,750	$93,750	$93,750

Table 29 – Wastewater Debt Schedules FY 2047 to FY 2053

Financial Information							
Wastewater Oustanding Debt	FY 2047	FY 2048	FY 2049	FY 2050	FY 2051	FY 2052	FY 2053
2020B Bonds							
Principal	$0	$0	$0	$0	$0	$0	$0
Interest	$0	$0	$0	$0	$0	$0	$0
Subtotal 2020B Bonds	$0	$0	$0	$0	$0	$0	$0
SNRC - Rates (75%)							
Principal	$4,696,448	$4,780,984	$4,867,041	$4,954,648	$5,043,832	$5,134,621	$5,227,044
Interest	$624,683	$540,147	$454,089	$366,483	$277,299	$186,510	$94,087
Subtotal SNRC - Rates (75%)	$5,321,131	$5,321,131	$5,321,131	$5,321,131	$5,321,131	$5,321,131	$5,321,131
SNRC - Growth (25%)							
Principal	$1,565,483	$1,593,661	$1,622,347	$1,651,549	$1,681,277	$1,711,540	$1,742,348
Interest	$208,228	$180,049	$151,363	$122,161	$92,433	$62,170	$31,362
Subtotal SNRC - Growth (25%)	$1,773,710	$1,773,710	$1,773,710	$1,773,710	$1,773,710	$1,773,710	$1,773,710
Water Fund 20 Loan - Rates (75%)							
Principal	$281,250	$0	$0	$0	$0	$0	$0
Interest	$0	$0	$0	$0	$0	$0	$0
Subtotal Water Fund 20 Loan - Rates (75%	$281,250	$0	$0	$0	$0	$0	$0
Water Fund 20 Loan - Growth (25%)							
Principal	$93,750	$0	$0	$0	$0	$0	$0
Interest	$0	$0	$0	$0	$0	$0	$0
Subtotal Water Fund 20 Loan - Growth (25	$93,750	$0	$0	$0	$0	$0	$0