



February 25, 2021

VIA EMAIL: GThompson@lafco.org

Gary Thompson
Executive Officer
RIVERSIDE LAFCO
6216 Brockton Avenue, Suite 111-B
Riverside, CA 92506

SUBJECT: COMMENTS FOR THE PUBLIC REVIEW REPORT – MURRIETA FOCUSED MUNICIPAL SERVICE REVIEW FINAL REPORT, 12-10-2020 PREPARED FOR THE RIVERSIDE LOCAL AGENCY FORMATION COMMISSION

Board of Directors

Carol Lee Gonzales-Brady
President

John V. Rossi
Senior Vice President

Brian J. Brady

Angel Garcia

John E. Hoagland

William E. Plummer

Bill Wilson

Officers

Eva Plajzer, P.E.
Assistant General Manager
Engineering and Operations

Richard R. Aragon, CPFO
Assistant General Manager
CFO/Treasurer

Jason A. Martin
Director of Administration

Eileen Dienzo
Director of Human Resources

Kelli E. Garcia
District Secretary

James B. Gilpin
Best Best & Krieger LLP
General Counsel

Dear Mr. Thompson:

The purpose of this letter is to provide comments from Rancho California Water District (Rancho Water/Rancho/District/RCWD) regarding the *Focused Municipal Service Review for the Murrieta Study Area Final Report, 12-10-2020, LAFCO 2019-11-3 (Final Report)*. Rancho Water appreciates LAFCO's commitment to transparency with the public, and the opportunity to provide its comments.

There has been a significant effort and resources expended among the multiple public entities these last two years to address the primary question of which agency could most effectively service the Murrieta Study Area (MSA) at the most efficient cost. Although the Final Report did not offer a definitive answer to who would *best* serve the MSA as many had hoped, it did shed light on an important conclusion. Primarily, that all three agencies are projected to be able to meet the water service needs of both current and future customers in the MSA with only relatively minor overall cost differences, especially when compared to the significant disparity of the water service cost that exists in the various regions in California. All three agencies are experienced water districts with clear records on their technical, managerial, and financial capacity to ensure clean, reliable, and affordable water service to the area.

Rancho Water's Board has made it clear both from the beginning, and again now in the conclusion of this effort, that the District's intention is to do what is best for both the stakeholders in the MSA, and its own current customers. This commitment was demonstrated recently with Rancho's Board approving an agreement with Western Municipal Water District (Western/WMWD), as part of a mutually beneficial solution leveraging existing Rancho Water infrastructure to transport water on behalf of Western. This agreement lowers costs for the

Sauer Property development project in Western's service area, brings reimbursement revenue back to the benefit of Rancho's customers, and helps to cooperatively address one of the very types of development concerns raised at the beginning of this process, and as addressed in the Final Report. Although we believe the information is clear that there are distinct cost and service advantages to every class of customer if Rancho Water served the MSA, the District appreciates the concerns expressed by the public during the Focused Municipal Service Review (FMSR) process. It also respects if the conclusion of this effort is for the MSA to remain receiving water service from Western.

Rancho Water's principal desire with this letter and its comments to the Final Report is to ensure that the most accurate information is before the public and incorporated into the record, so that any stakeholder relying on this Final Report would have the best information currently available. The District's comments are broken into two main categories: 1) the need for more accurate financial and customer cost projections, and 2) specific edits.

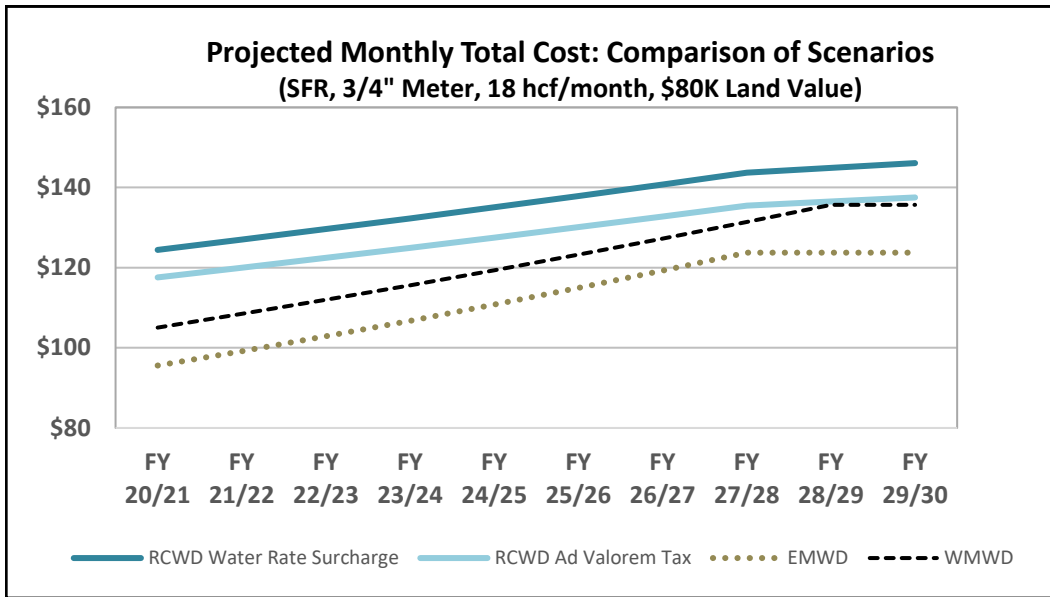
Rancho Water believes the Final Report currently materially misrepresents the projected cost for Rancho to provide service to the MSA, and therefore, materially misrepresents the overall customer cost conclusions of the Final Report. The Final Report included a simplistic assumption in its financial projection that Rancho Water's operation and maintenance expenses (O&M) would be the same as Western's. Although the intent of the FMSR was to show the distinctions in service and cost between the agencies, the study did not investigate into any distinctions in operating cost for Rancho. It does however reflect the relative operating efficiencies of both Western and Eastern Municipal Water District (Eastern/EMWD), as Western's projections are based on its operating history with the service area, and Eastern's approach is based on its current blended-average operating costs extrapolated to the amount of water demand in the MSA.

The District first had its opportunity to begin reviewing the draft financial information in the FMSR in January 2020, and completed its own study of projected O&M costs after reviewing operating, financial, and infrastructure information from Western to see if the study's results revealed whether Rancho's O&M costs would be significantly different than Western's. Rancho provided the results of its own financial analysis on May 5, 2020, revealing that its O&M costs were projected to be approximately \$1.2 million lower in the first year than what was being reflected in the FMSR. To verify the reasonableness of the analysis, these projected O&M costs were within 8 percent of the average operating cost per equivalent meter for Rancho's current customers, reflecting the relatively simpler infrastructure and maintenance requirements in the MSA. Against Rancho's request, LAFCO ultimately decided to use the original simplistic assumption as the basis for Rancho's projected O&M costs in the final report out of a reported concern over potentially delaying the completion of the final report.

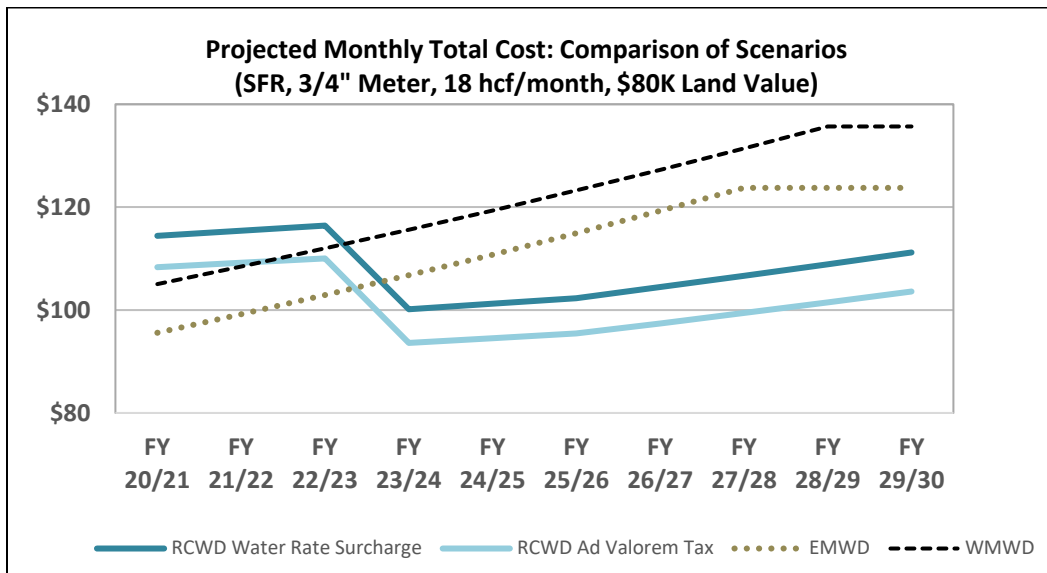
Attached as Exhibit A to this letter are the financial schedules and tables included in the Final Report revised to reflect the use of Rancho Water specific O&M costs, and the correspondingly significantly lower, required water rates for the Rancho Ownership Scenario. The updated FMSR model shows that Rancho would be able to lower average water rates from its current base line Santa Rosa Division water rates by 10 percent in the first year, another 25 percent in the fourth year, and then begin inflationary increases beginning in the seventh year, in order to meet the necessary target reserve levels by year ten. This results in Rancho Water having the lowest projected average total water costs for residential and commercial customers, for both the Ad Valorem and Water Rate Surcharge scenarios. Likewise, the Final Report already concluded that Rancho would have the lowest cost to new customers through development, due to its lower capacity fees. The updated rate projections reflecting Rancho Water specific O&M costs, as compared to what is in the Final Report, are shown on the next two pages.



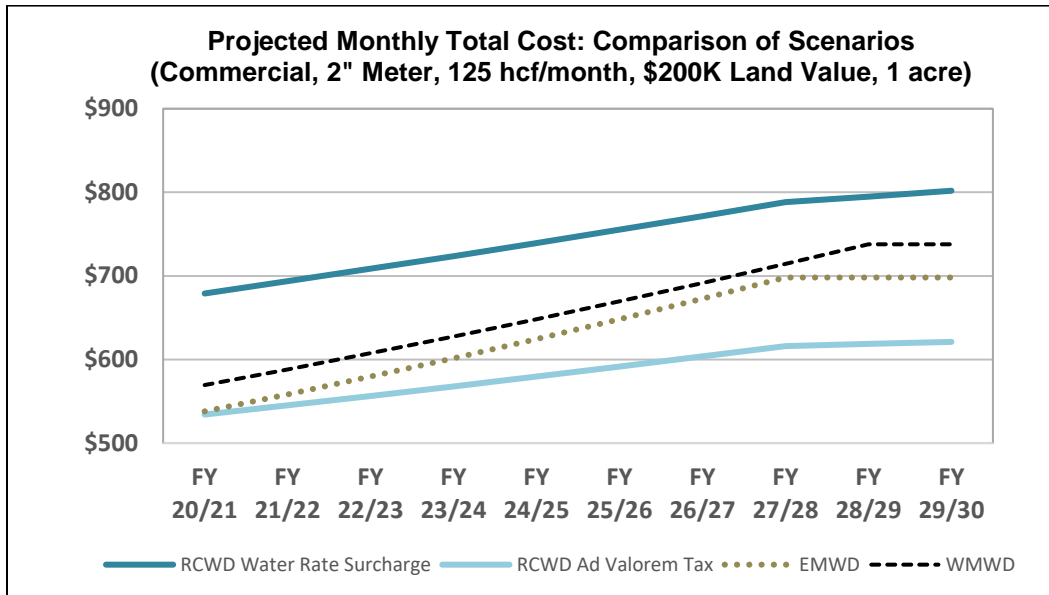
Per LAFCO Final Report – Residential Customers – Average Monthly Costs



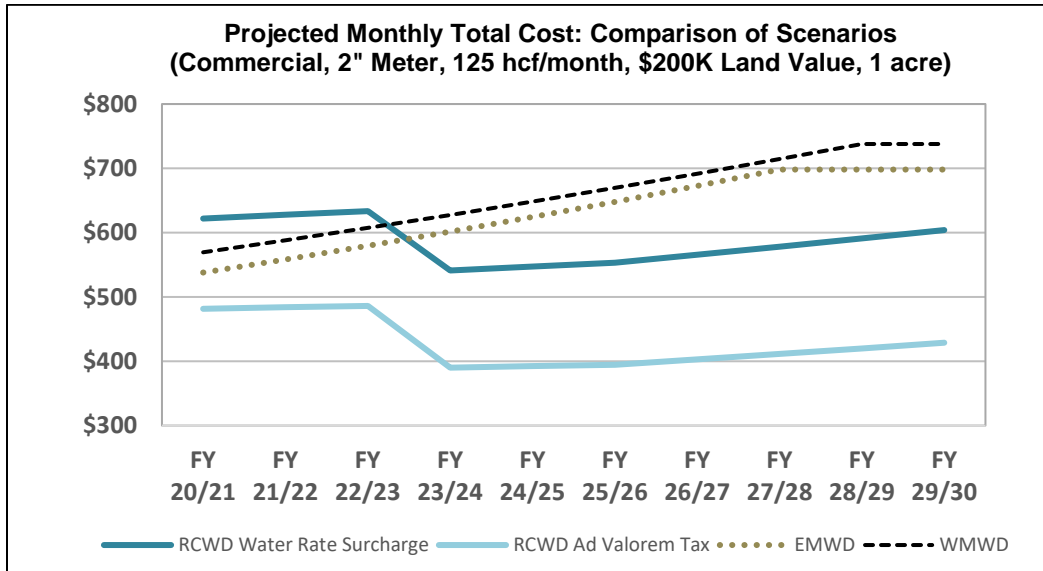
Final Report with RCWD Corrected Projections – Residential Customers – Average Monthly Costs



Per LAFCO Final Report – Commercial Customers – Average Monthly Costs



Final Report with RCWD *Corrected* Projections – Commercial Customers – Average Monthly Costs



This second set of comments focus on specific edits within the Final Report. These comments include the following:

- Figure 1-1 – Please note that there are a number of inaccuracies in this exhibit. This is typical of most of the exhibits. The exhibit shows wholesale/sewer boundaries and not retail boundaries, and is not labeled as such in the legend. A number of other exhibits comingle the two. Retail and wholesale service areas are different for the two agencies providing wholesale water from Metropolitan. Please correct on all exhibits. In addition, areas within the study area that are currently within the Rancho Water service area and sphere of influence should be labeled as such.
- Section 1.0 Introduction and Background – Figure 1-1 and the paragraph describing the figure need to address that only parcels within Western’s service area that paid the Metropolitan connection fee are eligible for service. Figure 1-1 should be adjusted to reflect that.
- Section 1.2.2 Rancho California Water District, last sentence – grammatical error.
- Section 1.2.3 Eastern Municipal Water District, second paragraph – it should be EMWD instead of RCWD in the last sentence.
- Figure 2-1 – please see comment for Figure 1-1. The retail and wholesale/sewer areas for the providers are mixed up. Please only show retail service area. Areas in pink in the southern end should be yellow, as they are in RCWD’s retail area not EMWD’s. The same for some pink areas within the study area.
- Figure 2-3 – the no data areas should be resolved to provide a complete understanding of areas that are within the Metropolitan wholesale delivery.
- Section 7.2.7 Assessment Districts and Community Facility Districts – the proper name is Murrieta Creek, not Murrieta River.
- Section 8.3.3.3 – There is a typo in the reference to repair and replacement costs. The figure should read \$540,000 not \$540,00.
- Section 10.3 Total Cost to Ratepayers – Section references that EMWD existing and future customers would have lower rates; however, Figure 8-17 shows the RCWD Ad Valorem scenario with the lowest rates for commercial customers.

Rancho Water appreciates this opportunity to provide comments on the Final Report. Please contact me at (951) 296-6935 if you should have any questions or need any additional information.

Sincerely,

RANCHO CALIFORNIA WATER DISTRICT



Richard R. Aragon
Interim Co-General Manager &
Assistant General Manager-CFO/Treasurer

cc: Eva Plajzer, Assistant General Manager-Engineering & Operations
Jeff Kirshberg, Water Resources Manager



Table B-4 (Updated per RCWD Specific O&M Analysis)
 RIVERSIDE LAFCO - Murrieta Focused Water Municipal Service Review: Financial Analysis
 RCWD SCENARIO TABLES

Table B-4a (Updated)
 RCWD SCENARIO: Projected Operating Statement: Sources of Funds

Line	Projected										Notes	
	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30		
1	Beginning Reserve Balance											
2	Working Capital	\$1,314,934	\$1,035,894	\$1,064,032	\$1,117,217	\$1,168,997	\$1,219,202	\$1,270,713	\$1,323,611	\$1,379,012	\$1,437,494	
3	Drought Reserve	\$0	\$289,160	\$351,529	\$364,162	\$374,616	\$387,248	\$399,010	\$411,642	\$424,274	\$434,881	
4	Rate Stabilization	\$0	\$0	\$798,024	\$837,913	\$876,748	\$914,402	\$953,035	\$992,708	\$1,034,259	\$1,078,120	
5	Water Replenishment: Not Applicable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
6	Risk Management	\$0	\$0	\$60,004	\$122,349	\$313,184	\$459,412	\$559,537	\$668,125	\$779,267	\$893,606	
7	Unrestricted	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
8												
9	Sources of Funds											
10	Rate Revenues Under Existing Santa Rosa Division Rate Schedule											
11	Monthly Service Charges	\$1,862,904	1,893,067	1,923,719	1,954,867	1,986,520	2,018,867	2,051,741	2,085,151	2,119,104	2,153,610	
12	Commodity Charges	\$2,115,628	2,149,883	2,184,693	2,220,067	2,256,014	2,292,749	2,330,083	2,368,025	2,406,584	2,445,772	
13												
14	Additional Rate Revenues (Rate Increases for Monthly Service Charges and Commodity Charges)											
15	Fiscal Year	% of Water Rate Revenue	Months of Revenue									
16												
17	FY 20/21	-10.0%	12									3
18	FY 21/22	0.0%	12									3
19	FY 22/23	0.0%	12									3
20	FY 23/24	-25.0%	12									3
21	FY 24/25	0.0%	12									3
22	FY 25/26	0.0%	12									3
23	FY 26/27	2.0%	12									3
24	FY 27/28	2.0%	12									3
25	FY 28/29	2.0%	12									3
26	FY 29/30	2.0%	12									3
27	Total Additional Rate Revenue (Monthly Service Charges, Commodity Charges)											3
28												
29	Energy Charges	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
30	Ad Valorem Equivalent Rate Surcharge (assume land values increases with inflation)	\$2,090,450	2,142,711	2,196,279	2,251,186	2,307,466	2,365,152	2,424,281	2,484,888	2,547,010	2,610,686	
31												
32	Subtotal Rate Revenues	\$5,671,128	\$5,781,367	\$5,893,850	\$5,069,267	\$5,171,176	\$5,275,493	\$5,441,167	\$5,612,219	\$5,788,831	\$5,971,186	
33												
34	Non-Rate Revenue											
35	Non-Operating Revenues											
36	Property Tax (1% Share) Assume WMWD's small property tax revenue does not transfer	0	0	0	0	0	0	0	0	0	0	
37	Operating Revenues											
38	Interest Income	26,299	26,501	45,472	48,833	54,671	59,605	63,646	67,922	72,336	76,882	
39	Delinquent Penalties (Assumed Same as WMWD)	53,045	53,045	53,045	53,045	53,045	53,045	53,045	53,045	53,045	53,045	
40	Standby Charge Revenues	462,731	462,731	462,731	462,731	462,731	462,731	462,731	462,731	462,731	462,731	
41	Other - New Service Set Up & Meter Repair	4,244	4,244	4,244	4,244	4,244	4,244	4,244	4,244	4,244	4,244	
42	Other Revenues											
43	Connection Fees	166,322	173,145	177,474	184,711	189,329	197,004	204,945	210,068	218,489	226,127	
44	Total Non-Rate Revenue	\$712,640	\$719,666	\$742,965	\$753,563	\$764,019	\$776,629	\$788,610	\$798,010	\$810,844	\$823,029	
45												
46	Total Revenues	\$6,383,768	\$6,501,032	\$6,636,816	\$5,822,831	\$5,935,195	\$6,052,122	\$6,229,778	\$6,410,229	\$6,599,675	\$6,794,214	
47												
48												

Note- Red text are updated inputs into the FMSR financial model based on RCWD' specific O&M cost projections.

Table B-4 (Updated per RCWD Specific O&M Analysis)
 RIVERSIDE LAFCO - Murrieta Focused Water Municipal Service Review: Financial Analysis
 RCWD SCENARIO TABLES

Table B-4b (Updated)
 RCWD SCENARIO: Projected Operating Statement: Uses of Funds and Financial Performance Criteria

	Projected										Notes
	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30	
49 Uses of Funds											
50 O&M Expenditures											1
51 Water Pumping	61,094	62,621	64,187	65,792	67,436	69,122	70,850	72,622	74,437	76,298	3
52 Transmission & Distribution	489,506	501,744	514,287	527,144	540,323	553,831	567,677	581,869	596,416	611,326	3
53 Customer Accounts	52,975	55,179	57,474	59,865	62,355	64,954	67,662	70,483	73,422	76,483	3
54 G&A Allocation	677,669	694,611	711,976	729,775	748,020	766,720	785,888	805,535	825,674	846,316	3
55 Engineering OH Allocation	112,474	115,286	118,168	121,122	124,150	127,254	130,435	133,696	137,039	140,465	3
56											
57 Other Expenditures											
58 Purchased Water	\$1,136,889	\$1,240,134	\$1,349,234	\$1,452,788	\$1,550,253	\$1,650,218	\$1,752,904	\$1,861,616	\$1,978,049	\$2,106,981	8
59 Source of Supply	400,963	341,297	349,829	358,575	367,539	376,728	386,146	395,800	405,695	415,837	3
60 Treatment	133,284	136,616	140,031	143,532	147,120	150,798	154,568	158,432	162,393	166,453	9
61 Water Use Efficiency	42,828	44,609	46,465	48,398	50,411	52,513	54,702	56,983	59,358	61,833	3
62 Other Non-Operating Expenses	0	0	0	0	0	0	0	0	0	0	3
63											
64 Other Expenditures											
65 WMWD Identified Capital Project Funding (GIS Mapping and Tank Mixing System)	\$500,000	\$350,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
68 WMWD-Identified Capital Project Funding (Reservoir Recoating)	\$0	\$0	\$1,100,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
69 Study Area Repair and Replacement	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	\$500,000	4
70 RCWD "Backbone" Repair and Replacement	407,980	414,587	421,300	428,122	435,054	442,138	449,338	456,654	464,090	471,647	5
71 FMSR Capital Excluding Improvement Districts	\$1,857,986	\$1,095,814	\$1,095,814	\$1,095,814	\$1,095,814	\$1,095,814	\$1,095,814	\$1,095,814	\$1,095,814	\$1,095,814	6
72											
73 Total Uses of Funds	\$6,373,648	\$5,552,497	\$6,468,765	\$5,530,926	\$5,688,475	\$5,850,091	\$6,015,986	\$6,189,504	\$6,372,386	\$6,569,452	
74											
75 End of Year Balance											
76 Working Capital	\$1,035,894	\$1,064,032	\$1,117,217	\$1,168,997	\$1,219,202	\$1,270,713	\$1,323,611	\$1,379,012	\$1,437,494	\$1,500,664	
77 Drought Reserve	\$289,160	\$351,529	\$364,162	\$374,616	\$387,248	\$399,010	\$411,642	\$424,274	\$434,881	\$445,753	
78 Rate Stabilization	\$0	\$798,024	\$837,913	\$876,748	\$914,402	\$953,035	\$992,708	\$1,034,259	\$1,078,120	\$1,125,498	
79 Water Replenishment: Not Applicable	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
80 Risk Management	\$0	\$60,004	\$122,349	\$313,184	\$459,412	\$559,537	\$668,125	\$779,267	\$893,606	\$895,951	
81 Unrestricted	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$100,998	
82 Math Check, should equal \$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
83											
84 Financial Performance Criteria											
85 Working Capital Reserve: Four Months of Operating Budget Within Five Years											
86 Criteria, \$	\$1,035,894	\$1,064,032	\$1,117,217	\$1,168,997	\$1,219,202	\$1,270,713	\$1,323,611	\$1,379,012	\$1,437,494	\$1,500,664	
87 Reserve Criteria Met?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
88 Drought Reserve: 30% of Local Supplies @MWD Tier 1 Untreated Rate Effective at End of FY											7
89 Criteria, \$	\$340,204	\$351,529	\$364,162	\$374,616	\$387,248	\$399,010	\$411,642	\$424,274	\$434,881	\$445,753	
90 Reserve Criteria Met?	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
91 Rate Stabilization Fund: Three Months of Operating Budget Within Ten Years											
92 Criteria, \$	\$776,921	\$798,024	\$837,913	\$876,748	\$914,402	\$953,035	\$992,708	\$1,034,259	\$1,078,120	\$1,125,498	
93 Reserve Criteria Met?	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	
94 Water Replenishment Reserve: not applicable per RWS 1/22/2020											
95 Reserve Criteria Met?											
96 Risk Management Reserve: \$750,000 plus 1% of current gross plant											
97 Criteria, \$	\$895,951	\$895,951	\$895,951	\$895,951	\$895,951	\$895,951	\$895,951	\$895,951	\$895,951	\$895,951	
98 Reserve Criteria Met?	No	No	No	No	No	No	No	No	No	Yes	
99											

Table B-4 (Updated per RCWD Specific O&M Analysis)
RIVERSIDE LAFCO - Murrieta Focused Water Municipal Service Review: Financial Analysis
RCWD SCENARIO TABLES

- 100 Table B-4a and A-5b Notes:
 101 (1) Source: Western Municipal Water District FY 2020 for the expenses in this table except for purchased water.
 102 (2) Debt service payments under a WMWD Scenario will be discontinued under a RCWD scenario because WMWD's outstanding debt will be refunded as part of a service area transfer.
 103 (3) Data revised per focused analysis on RCWD specific Operations & Maintenance (O&M) Expenses. Corresponding rate increases adjusted to reflect lower O&M costs while still meeting reserve target requirements. Analysis based on RCWD specific staffing needs, payroll and benefit costs, and overhead allocations.
 104 (4) Estimated, starting FY 20/21, per WMWD 2/5/2020. FY 20/21 and 21/22 WMWD-identified capital expenses also represent repair/replacement expenditures.
 105 (5) Represents repair/replacement expenditures in RCWD's system that will provide water source, storage, and transmission services to the Study Area. Updated in RCWD specific analysis to reflect O&M and capital replacement rate of \$0.40 per HCF of demand.
 106 (6) See Table B-4d for more details.
 107 (7) Criteria for Drought Reserve per RCWD staff, January 22, 2020.
 108 (8) Purchased Water = MWD Tier 1 Rate * 1.1 * Imported AF/Year. 10% factor for MWD Capacity and RTS Charges, based on review of EMWD's charges to WMWD

Table B-4c (Updated)
RCWD SCENARIO: Revenue Calculations

This Table Contains:

Line Number	Subject
109	Number of Connections per Meter Size (See Table B-2)
118	Comparison of RCWD and WMWD Budget-Based Rate Tiers
137	Projected Water Use by RCWD Tier, ccf/year (See Table B-2), All Customers Except CII (Commercial, Industrial, Institutional)
158	FY 19/20 Rate Revenue Backcalculation Under RCWD's Santa Rosa Rate Schedule
212	RCWD Adopted Water Rates Through FY 19/20, and Projected Rates through FY 29/30. Projected Based on % Increases in Operating Statement Shown Above.
237	Existing Santa Rosa Division Capacity Charge Schedule
253	Projected Capacity Charge Revenues
277	Projected Standby Charge Revenues
287	Projected Ad Valorem Tax Revenues and Projected Revenue-Neutral Rate Surcharge Calculation
337	Projected Reserve Balance Transferred From WMWD to RCWD

		Projected												
		FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30		
109	Number of Connections per Meter Size (See Table B-2)													
110	5/8"	482	490	498	506	514	522	530	538	546	554	563		
111	3/4"	1,968	1,999	2,031	2,063	2,096	2,129	2,163	2,198	2,233	2,269	2,305		
112	1"	172	175	178	181	184	187	190	193	196	199	202		
113	1.5"	77	79	81	83	85	87	89	91	93	95	97		
114	2"	161	164	167	170	173	176	179	182	185	188	191		
115	3"	5	5	5	5	5	5	5	5	5	5	5		
116	4"	2	2	2	2	2	2	2	2	2	2	2		
117														

- 118 **Comparison of RCWD and WMWD Budget-Based Rate Tiers**
 119 - WMWD has five tiers, RCWD has four tiers. For CII, WMWD has five tiers, RCWD has three. Projecting revenues from Santa Rosa Division rates requires estimating water sales by RCWD tiers.
 120 - Over 60% of Murrieta Division Water Use is Single-Family. A comparison of tier definitions is as follows:
 121 - Also, from Table B-2, 91% of Murrieta Division water use is in either Tier 1 or Tier 2

Tier	WMWD		RCWD	
	SFR	SFR	CII	CII
125 Tier 1	100% IWB	100% IWB	43% TWB	100% AWB
126 Tier 2	100% OWB	100% OWB	57% TWB	50% AWB
127 Tier 3	25% TWB	50% TWB	25% TWB	Above Tier 2
128 Tier 4	25% TWB	Above Tier 3	25% TWB	
129 Tier 5	Above Tier 4		Above Tier 4	

- 130
 131 SFR Conclusions:
 132 RCWD Tier 1 Use = WMWD Tier 1 Use
 133 RCWD Tier 2 Use = WMWD Tier 2 Use
 134 RCWD Tier 3 Use = WMWD Tier 3 + Tier 4 Use
 135 RCWD Tier 4 Use = WMWD Tier 4 Use
 136
- CII (Commercial, Industrial, Institutional) Conclusions:
 RCWD Tier 1 Use = WMWD Tier 1 + Tier 2 Use
 RCWD Tier 2 Use = WMWD Tier 3 + Tier 4 Use
 RCWD Tier 3 Use = WMWD Tier 5 Use

Table B-4 (Updated per RCWD Specific O&M Analysis)
 RIVERSIDE LAFCO - Murrieta Focused Water Municipal Service Review: Financial Analysis
 RCWD SCENARIO TABLES

137 Projected Water Use by RCWD Tier, ccf/year (See Table B-2), All Customers Except CII (Commercial, Industrial, Institutional)

		Projected										
		FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30
138	Tier 1	399,486	405,954	412,527	419,206	425,994	432,892	439,941	447,105	454,385	461,784	469,303
140	Tier 2	414,102	420,807	427,621	434,545	441,581	448,731	456,038	463,464	471,011	478,681	486,476
141	Tier 3	52,414	53,263	54,125	55,001	55,892	56,797	57,722	58,662	59,617	60,588	61,575
142	Tier 4	33,598	34,142	34,695	35,257	35,828	36,408	37,001	37,604	38,216	38,838	39,470
143	Total	899,600	914,166	928,968	944,009	959,295	974,828	990,702	1,006,835	1,023,229	1,039,891	1,056,824

147 Projected Water Use by RCWD Tier, ccf/year (See Table B-2), CII

		Projected										
		FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30
148	Tier 1	92,412	93,909	95,430	96,975	98,545	100,141	101,772	103,429	105,113	106,825	108,564
149	Tier 2	7,886	8,013	8,143	8,275	8,409	8,545	8,684	8,825	8,969	9,115	9,263
150	Tier 3	3,802	3,863	3,926	3,990	4,055	4,121	4,188	4,256	4,325	4,395	4,467
151	Total	104,100	105,785	107,499	109,240	111,009	112,807	114,644	116,510	118,407	120,335	122,294

152	Total Murrieta Division Water Use	1,003,700	1,019,951	1,036,467	1,053,249	1,070,304	1,087,635	1,105,346	1,123,345	1,141,636	1,160,226	1,179,118
-----	-----------------------------------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------	-----------

157 FY 19/20 Rate Revenue Backcalculation Under RCWD's Santa Rosa Rate Schedule

Monthly Service Charge	Effective	
158	7/1/2019	
159		
160	5/8" Meter	\$29.51 Per RCWD 1/22/2020: RCWD doesn't have this charge because they don't use 5/8" meters. They would scale the 3/4" charge per their meter equivalent ratio.
161	3/4" Meter	\$44.04
162	1" Meter	\$66.49
163	1.5" Meter	\$117.50
164	2" Meter	\$180.79
165	3" Meter	\$532.49
166	4" Meter	\$1,047.78
167	6" Meter	\$1,669.23
168	8" Meter or Larger	\$2,358.21

169 Source: Rancho California Water District: Customer Guide Rates & Charges 2019-2020

Monthly Service Charge Revenues	FY 19/20
170	
171	
172	
173	
174	\$170,667
175	\$1,040,049
176	\$137,235
177	\$108,570
178	\$349,286
179	\$31,949
180	\$25,147
181	\$1,862,904

182
183

Table B-4 (Updated per RCWD Specific O&M Analysis)
 RIVERSIDE LAFCO - Murrieta Focused Water Municipal Service Review: Financial Analysis
 RCWD SCENARIO TABLES

184 Commodity Charge and Pumping Charges (\$ per HCF, 1 HCF = 748 gallons)
 185 Assume that standard rates apply, as Tier 1 water will be available from MWD via the MWD wholesaler (EMWD)

	Effective 7/1/2019	
	Standard	Pre & Post 2003 Annex
Residential, Multi-Family & Landscape		
Tier 1	\$1.286	\$2.548
Tier 2	\$2.255	\$2.548
Tier 3	\$3.235	\$3.235
Tier 4	\$7.597	\$7.597
Commercial, Industrial, Ag, Domestic, and Other		
Tier 1	\$2.044	\$2.548
Tier 2	\$3.235	\$3.235
Tier 3	\$7.597	\$7.597

199 Energy Rates: Assume Most of System in RCWD 1305 with no energy charge zone

201 Source: Rancho California Water District: Customer Guide Rates & Charges 2019-2020

	FY 19/20 All Customers Except CII	FY 19/20 CII
Commodity Charge Revenues		
Tier 1	\$513,739	\$188,891
Tier 2	933,800	25,510
Tier 3	169,560	28,883
Tier 4	255,245	N/A
Subtotal Commodity Charge Revenues	\$1,872,344	\$243,284

RCWD Adopted Water Rates Through FY 19/20, and Projected Rates through FY 29/30. Projected Based on % Increases in Operating Statement Shown Above.

	Adopted		Projected									
	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30	
Monthly Service Charge												
5/8" Meter	\$29.51	\$26.56	\$26.56	\$26.56	\$19.92	\$19.92	\$19.92	\$20.32	\$20.72	\$21.14	\$21.56	
3/4" Meter	\$44.04	\$39.64	\$39.64	\$39.64	\$29.73	\$29.73	\$29.73	\$30.32	\$30.93	\$31.55	\$32.18	
1" Meter	\$66.49	\$59.84	\$59.84	\$59.84	\$44.88	\$44.88	\$44.88	\$45.78	\$46.69	\$47.63	\$48.58	
1.5" Meter	\$117.50	\$105.75	\$105.75	\$105.75	\$79.31	\$79.31	\$79.31	\$80.90	\$82.52	\$84.17	\$85.85	
2" Meter	\$180.79	\$162.71	\$162.71	\$162.71	\$122.03	\$122.03	\$122.03	\$124.47	\$126.96	\$129.50	\$132.09	
3" Meter	\$532.49	\$479.24	\$479.24	\$479.24	\$359.43	\$359.43	\$359.43	\$366.62	\$373.95	\$381.43	\$389.06	
4" Meter	\$1,047.78	\$943.00	\$943.00	\$943.00	\$707.25	\$707.25	\$707.25	\$721.40	\$735.82	\$750.54	\$765.55	
Commodity Charge												
Residential, Multi-Family & Landscape												
Tier 1	\$1.286	\$1.157	\$1.157	\$1.157	\$0.868	\$0.868	\$0.868	\$0.885	\$0.903	\$0.921	\$0.940	
Tier 2	\$2.255	\$2.030	\$2.030	\$2.030	\$1.522	\$1.522	\$1.522	\$1.553	\$1.584	\$1.615	\$1.648	
Tier 3	\$3.235	\$2.912	\$2.912	\$2.912	\$2.184	\$2.184	\$2.184	\$2.227	\$2.272	\$2.317	\$2.364	
Tier 4	\$7.597	\$6.837	\$6.837	\$6.837	\$5.128	\$5.128	\$5.128	\$5.231	\$5.335	\$5.442	\$5.551	
Commercial, Industrial, Ag, Domestic, and Other												
Tier 1	\$2.044	\$1.840	\$1.840	\$1.840	\$1.380	\$1.380	\$1.380	\$1.407	\$1.435	\$1.464	\$1.493	
Tier 2	\$3.235	\$2.912	\$2.912	\$2.912	\$2.184	\$2.184	\$2.184	\$2.227	\$2.272	\$2.317	\$2.364	
Tier 3	\$7.597	\$6.837	\$6.837	\$6.837	\$5.128	\$5.128	\$5.128	\$5.231	\$5.335	\$5.442	\$5.551	

Table B-4 (Updated per RCWD Specific O&M Analysis)
RIVERSIDE LAFCO - Murrieta Focused Water Municipal Service Review: Financial Analysis
RCWD SCENARIO TABLES

237 Existing Santa Rosa Division Capacity Charge Schedule

238	239	Santa Rosa District 7/1/2019	Projected									
			FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30
240	Capacity Charge		\$1,742.50	\$1,786.06	\$1,830.71	\$1,876.48	\$1,923.39	\$1,971.48	\$2,020.77	\$2,071.28	\$2,123.07	\$2,176.14
241	5/8" Meter	\$1,700	\$2,600.43	\$2,665.44	\$2,732.07	\$2,800.37	\$2,870.38	\$2,942.14	\$3,015.70	\$3,091.09	\$3,168.37	\$3,247.57
242	3/4" Meter	\$2,537	\$4,420.83	\$4,531.35	\$4,644.63	\$4,760.74	\$4,879.76	\$5,001.76	\$5,126.80	\$5,254.97	\$5,386.35	\$5,521.00
243	1" Meter	\$4,313	\$8,581.30	\$8,795.83	\$9,015.73	\$9,241.12	\$9,472.15	\$9,708.95	\$9,951.68	\$10,200.47	\$10,455.48	\$10,716.87
244	1.5" Meter	\$8,372	\$13,781.13	\$14,125.65	\$14,478.79	\$14,840.76	\$15,211.78	\$15,592.08	\$15,981.88	\$16,381.43	\$16,790.96	\$17,210.74
245	2" Meter	\$13,445	\$26,001.18	\$26,651.20	\$27,317.48	\$28,000.42	\$28,700.43	\$29,417.94	\$30,153.39	\$30,907.23	\$31,679.91	\$32,471.90
246	2" Turbine Meter	\$25,367	\$43,422.08	\$44,507.63	\$45,620.32	\$46,760.83	\$47,929.85	\$49,128.09	\$50,356.29	\$51,615.20	\$52,905.58	\$54,228.22
247	3" Meter	\$42,363	\$86,582.78	\$88,747.34	\$90,966.03	\$93,240.18	\$95,571.18	\$97,960.46	\$100,409.47	\$102,919.71	\$105,492.70	\$108,130.02
248	4" Meter	\$84,471	\$138,584.10	\$142,048.70	\$145,599.92	\$149,239.92	\$152,970.92	\$156,795.19	\$160,715.07	\$164,732.95	\$168,851.27	\$173,072.55
249	6" Meter	\$135,204	\$196,305.95	\$201,213.60	\$206,243.94	\$211,400.04	\$216,685.04	\$222,102.16	\$227,654.72	\$233,346.09	\$239,179.74	\$245,159.23
250	8" Meter or Larger	\$191,518										

251
252

253 Projected Capacity Charge Revenues

254	255		Projected									
			FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29
256	Number of New Meters		8	8	8	8	8	8	8	8	8	8
257	5/8"		31	31	32	32	33	33	34	35	35	36
258	3/4"		3	3	3	3	3	3	3	3	3	3
259	1"		2	2	2	2	2	2	2	2	2	2
260	1.5"		3	3	3	3	3	3	3	3	3	3
261	2"		0	0	0	0	0	0	0	0	0	0
262	3"		0	0	0	0	0	0	0	0	0	0
263	4"		0	0	0	0	0	0	0	0	0	0
264	Total		47	47	48	48	49	49	50	51	51	52
265												

266

267 Projected Capacity Charge Revenues

268	5/8"		\$13,940	\$14,289	\$14,646	\$15,012	\$15,387	\$15,772	\$16,166	\$16,570	\$16,985	\$19,585
269	3/4"		\$80,613	\$85,294	\$87,426	\$92,412	\$94,723	\$100,033	\$105,549	\$108,188	\$114,061	\$116,913
270	1"		\$13,262	\$13,594	\$13,934	\$14,282	\$14,639	\$15,005	\$15,380	\$15,765	\$16,159	\$16,563
271	1.5"		\$17,163	\$17,592	\$18,031	\$18,482	\$18,944	\$19,418	\$19,903	\$20,401	\$20,911	\$21,434
272	2"		\$41,343	\$42,377	\$43,436	\$44,522	\$45,635	\$46,776	\$47,946	\$49,144	\$50,373	\$51,632
273	3"		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
274	4"		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
275	Total		\$166,322	\$173,145	\$177,474	\$184,711	\$189,329	\$197,004	\$204,945	\$210,068	\$218,489	\$226,127

276

277 Projected Standby Charge Revenues

278 Methodology: RCWD Standby Charge Revenue = WMWD Standby Charge Revenue * (RCWD Standby Fee / WMWD Standby Fee)

279

280 \$138,978 WMWD Standby Charge Revenue (Source: WMWD CY 2020 Water Rate Model)

281 \$21 WMWD Standby Charge, \$/acre or \$/parcel if less than one acre (Source: 5/15/19 letter from WMWD GM to WMWD Board)

282 \$69.92 RCWD Standby Charge, \$/acre or \$/parcel if less than one acre (Source: RCWD Customer Guide - Rates & Charges)

283

284 \$462,730.56 RCWD Standby Charge Revenue

285

286

Table B-4 (Updated per RCWD Specific O&M Analysis)
 RIVERSIDE LAFCO - Murrieta Focused Water Municipal Service Review: Financial Analysis
 RCWD SCENARIO TABLES

287 **Projected Ad Valorem Tax Revenues and Projected Revenue-Neutral Rate Surcharge Calculation**

288 Methodology: Ad Valorem Tax Revenue = Ad Valorem Rate * Assessed Value of Land. Ad valorem tax applied to entirety of service area, regardless of whether it is served by RCWD or not.

289
 290 \$0.50 Ad Valorem Rate, \$/ \$100 assessed land value (Source: RCWD Customer Guide - Rates & Charges)
 291 \$407,892,695 Assessed Value of Land (Source: City of Murrieta, spreadsheet filename StudyAreaLandValue20190423, analyzed by West Yost to include customers served by WMWD.
 292
 293 \$2,039,463 Annual Ad Valorem Tax Revenue
 294

295 Check of Water Rate Revenues and Ad Valorem Revenues from RCWD (Entire District and Santa Rosa Division) to compare magnitude of Ad Valorem vs water rates

Water Rate Revenue (Santa Rosa Rates Applied to Murrieta Study Area)	FY 19/20 Budget	Entire RCWD District
Monthly Service Charge	\$1,862,904	Water Revenue + Monthly Service Charges \$61,973,719 pdf page 61
Commodity Charge	\$1,717,775	Reclass from Non-Operating \$10,381,868 pdf page 61
Standby Charge	\$462,731	Energy Charges \$3,010,786 pdf page 64
Total	\$4,043,409	Advalorem Assessments \$25,957,000 page 213
		1% Assessments \$17,951,900 District's share of the 1% property tax that is levied by the County based on land value and distributed to agencies
	<u>FY 19/20 Budget</u>	<u>Santa Rosa Division</u>
		Water Revenue + Monthly Service Charges \$27,969,071 page 67
		Reclass from Non-Operating \$3,909,256 page 67
		Energy Charges \$1,735,144 page 67
		Advalorem Assessments \$8,834,000 page 213
		1% Assessments \$2,741,100 District's share of the 1% property tax that is levied by the County based on land value and distributed to agencies

314 Conclusion: in the Murrieta Study Area, ad valorem revenues would be about 87% of monthly service charge + commodity charge revenues.
 315 In RCWD's Santa Rosa Division, ad valorem revenues are ~1/3 of water rate revenues. RCWD district as a whole, ad valorem revenues are ~40% of water rate revenues.
 316 Why for Murrieta Study Area are ad valorem revenues a higher % of water rate revenues than in the RCWD service area? Is there more land value in the Murrieta Study Area that is
 317 not connected to the water system? Thereby subject to an ad valorem fee but not not paying water rates?
 318

319 Calculation of Revenue-Neutral Rate Surcharge

320 Note: In the event an ad valorem tax is not adopted, RCWD staff indicated that RCWD would adopt a revenue-neutral rate surcharge. Any such decision is a policy
 321 decision that must be made by the RCWD Board of Directors, and that decision has not yet been made. For the purposes of this analysis, RCWD staff indicated that a revenue-neutral rate surcharge would be
 322 charged to water system customers.
 323

324
 325 \$0.50 Ad Valorem Rate, \$/ \$100 assessed land value (Source: RCWD Customer Guide - Rates & Charges)
 326 \$407,892,695 Assessed Value of Land by Customers Currently Served by WMWD (Source: City of Murrieta, spreadsheet filename StudyAreaLandValue20190423, as analyzed by West Yost)
 327
 328 \$2,039,463 Annual Ad Valorem Tax Revenue from Customers Currently Served by WMWD
 329

Monthly Service Charge Revenue	\$1,862,904
Commodity Charge Revenues	\$1,717,775
Ad Valorem Tax Revenue as a % of Monthly Service Charge and Commodity Charge Revenue	56.96% this is the percentage that Monthly Service Charges and Commodity Charges would need to go up
Ad Valorem Tax Revenue as a % of Monthly Service Charge Revenue	109.48% this is the percentage that Monthly Service Charges would need to go up (surcharge not applied to Commodity Ch

Table B-4 (Updated per RCWD Specific O&M Analysis)
 RIVERSIDE LAFCO - Murrieta Focused Water Municipal Service Review: Financial Analysis
 RCWD SCENARIO TABLES

337 **Projected Reserve Balance Transferred From WMWD to RCWD**
 338
 339 Methodology: value of projected WMWD reserves as of 7/1/20, less outstanding debt principal.
 340
 341 Projected WMWD Reserves as of 7/1/20
 342 WMWD Fund 230 \$2,493,163
 343 WMWD Fund 231 (\$820,381)
 344 WMWD Fund 233 \$261,943
 345 WMWD Fund 235 \$2,378,668
 346 Less Outstanding Debt (998,460) Source: WMWD
 347 Less Outstanding Interfund Loan (2,000,000) Source: WMWD
 348 Total \$1,314,934
 349
 350

Table B-4d (Updated)
 RCWD SCENARIO: FSMR Capital Improvements and Possible Cost Allocation to Existing Customers or Future Development

Project	Estimated Cost, 2020 \$ (See Note 1)	Benefits Existing Customers or Development?	\$ to Existing Customers	\$ to Future Development Funded by RCWD	Funded by Developers or Imp. District	Basis for Existing/ Development Allocation	Projected Schedule
351 Buy-in to RCWD for Existing Customers (Note 2)	\$9,659,628	Existing Only	\$9,659,628			Note 3	
352 Expansion CIP North of Murrieta Creek	\$17,120,000	Future Only			\$17,120,000	Note 4	Note 4
353 Expansion CIP South of Murrieta Creek	\$20,388,000	Future Only			\$20,388,000	Note 4	Note 4
354 RCWD Hydraulic Improvement	\$2,255,000	Future Only		\$2,255,000		Note 5	Note 8
355 Not Used. Previously Supply Improvements Through RCWD	\$0	Future Only				Note 5	Note 8
356 Legacy (Small Diameter) Improvements	\$4,947,000	Existing Only	\$4,947,000			Note 6	Note 8
357 Meter conversion to AMI	\$1,243,507	Existing Only	\$1,243,507			Note 10	Note 10
358 Total	\$55,613,135		\$15,850,135	\$2,255,000	\$37,508,000		
359 New Well No. 3, Not Included in Infrastructure Review	\$0		\$0	\$0		Note 9	

360
 361
 362
 363
 364 Notes:
 365 (1) Source: West Yost, October 2019
 366 (2) RCWD anticipates requiring existing Murrieta Study Area customers to buy into RCWD facilities, including storage facilities, distribution facilities,
 367 and accessing MWD connections. This buy-in eliminates the need to separately build storage. Calculation of the buy-in is as follows (effective 7/1/19 to 6/30/2020):
 368

Meter Size	Number of Connections	Capacity Fee per Connection	Buy-In Charge
371 5/8"	482	\$1,700	\$819,400
372 3/4"	1,968	\$2,537	\$4,992,816
373 1"	172	\$4,313	\$741,836
374 1.5"	77	\$8,372	\$644,644
375 2"	161	\$13,445	\$2,164,645
376 3"	5	\$25,367	\$126,835
377 4"	4	\$42,363	\$169,452
378 Total			\$9,659,628

379
 380 (3) No cost is assigned to future development. Storage needs for future development will be provided by RCWD and funded via Capacity Fees paid by future development.
 381 (4) Expansion of water system. Project is not needed unless there is development. Schedule depends on when development occurs.
 382 (5) Needed to accommodate future water demands from growth. Project is not needed unless there is development.
 383 (6) These improvements are required even if there is no future development. Assume improvements will be completed between 2020 and 2025.
 384 (7) Schedule depends on development, but assume improvements will be completed between 2020 and 2025.
 385 (8) Assume improvements will be completed between 2020 and 2025.
 386 (9) Project identified by WMWD but RCWD would not complete this project (RCWD, 2/18/2020). However, since the local water production is increased, it is assumed
 387 for the purposes of this analysis that RCWD would in fact include this project.
 (10) Updated per RCWD specific O&M analysis. Additional project to upgrade all meters to remote reading technology to be on par with RCWD current customers and allow for customer access to water usage data on "MyWaterTracker"
 388 and more efficient billing. Assumed would be done in first year.

Table B-4 (Updated per RCWD Specific O&M Analysis)
RIVERSIDE LAFCO - Murrieta Focused Water Municipal Service Review: Financial Analysis
RCWD SCENARIO TABLES

Table B-4e (Updated)
RCWD SCENARIO: Potential Pay-As-You-Go Capital Expenses and Potential Debt Service Expenses

	Potential Funding Method (1)	Projected										Note	
		FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30		
388	Infrastructure Review Projects + RCWD System Buy-In + New Well No. 3 Buy-In to RCWD for Existing Customers	Debt	\$614,479	\$614,479	\$614,479	\$614,479	\$614,479	\$614,479	\$614,479	\$614,479	\$614,479	\$614,479	2
389	Expansion CIP North of Murrieta Creek	Developer or Improvement District											1
390	Expansion CIP South of Murrieta Creek	Developer or Improvement District											1
391	RCWD Hydraulic Improvement	Debt		\$150,710	\$150,710	\$150,710	\$150,710	\$150,710	\$150,710	\$150,710	\$150,710	\$150,710	3
392	Not Used. Previously Supply Improvements Through RCWD	Pay-As-You-Go	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	3
393	Legacy (Small Diameter) Improvements	Debt		\$330,625	\$330,625	\$330,625	\$330,625	\$330,625	\$330,625	\$330,625	\$330,625	\$330,625	4
394	Meter conversion to AMI	Pay-As-You-Go	\$1,243,507			\$0	\$0	\$0	\$0	\$0	\$0	\$0	5
395	Total		\$1,857,986	\$1,095,814	\$1,095,814	\$1,095,814	\$1,095,814	\$1,095,814	\$1,095,814	\$1,095,814	\$1,095,814	\$1,095,814	

- (1) Decisions on how to fund improvement projects would be made by the RCWD Board of Directors. Information is provided here to indicate a potential funding method, and is subject to review and modification by RCWD staff and/or Board. Use of improvement districts is listed as a potential source for Expansion CIP projects based on input from staff.
- (2) Assumes 30 year debt at interest rate of 4%, starting in FY 25/26, with 10% added to project cost to cover capitalized bond reserve and issuance costs. Project cost escalated for inflation from 2019 dollars to 2025 dollars.
- (3) Project cost spread evenly between FY 20/21 and FY 24/25 and adjusted for inflation. Supply Improvements Through RCWD No Longer Proposed, due to RCWD's Opinion that Pipe Velocities Without This Improvement Being Acceptable.
- (4) Assumes 30 year debt at interest rate of 4%, starting in FY 21/22, with 10% added to project cost to cover capitalized bond reserve and issuance costs. Project cost escalated for inflation from 2019 dollars to 2021 dollars, except New Well 3 (FY 23/24 \$)
- (5) Updated per RCWD specific O&M analysis. Additional project to upgrade all meters to remote reading technology to be on par with RCWD current customers and allow for customer access to water usage data on "MyWaterTracker" and more efficient billing.

Table B-4f (Updated)
RCWD SCENARIO: Potential Capital Funding for Facilities That Benefit Future Development

FMSR Capital Projects	How Growth Pays for Growth
396 Expansion CIP North of Murrieta Creek	Developer or Improvement District
397 Expansion CIP South of Murrieta Creek	Developer or Improvement District
398 Hydraulic Improvement, Pipelines	RCWD funds project; cost incorporated into Connection Fee. Future development pays Connection Fees.
399 Hydraulic Improvement, VFD @ Alson BPS	RCWD funds project; cost incorporated into Connection Fee. Future development pays Connection Fees.
400 Supply Improvements Through RCWD	Not Applicable. No Supply Improvements Needed
401 Fireflow Improvements	Not applicable. Not growth related

Table B-4 (Updated per RCWD Specific O&M Analysis)
RIVERSIDE LAFCO - Murrieta Focused Water Municipal Service Review: Financial Analysis
RCWD SCENARIO TABLES

Table B-4g (Updated)
RCWD Scenario: Projected Total Water Cost Calculation

	Projected										Notes	
	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30	1, 2, 3	
402 Single Family Residence (3/4" Meter; 18 ccf/month; \$80,000 land value)												
403 Monthly Service Charge	\$39.64	\$39.64	\$39.64	\$29.73	\$29.73	\$29.73	\$30.32	\$30.93	\$31.55	\$32.18		
404 Tier 1 Commodity Charge, \$/hcf	\$1.16	\$1.16	\$1.16	\$0.87	\$0.87	\$0.87	\$0.89	\$0.90	\$0.92	\$0.94		
405 Tier 2 Commodity Charge, \$/hcf	\$2.03	\$2.03	\$2.03	\$1.52	\$1.52	\$1.52	\$1.55	\$1.58	\$1.62	\$1.65		
406												
407 Monthly Water Bill (Service Charge + 8*Tier 1 Charge + 10*Tier 2 Charge)	\$69.19	\$69.19	\$69.19	\$51.89	\$51.89	\$51.89	\$52.93	\$53.99	\$55.07	\$56.17		
408												
409 Standby Charge, \$/month	\$5.83	\$5.83	\$5.83	\$5.83	\$5.83	\$5.83	\$5.83	\$5.83	\$5.83	\$5.83		
410												
411 Ad Valorem Tax Calculation												
412 Valuation (FY 20/21 Dollars, Adjusted for Inflation in Subsequent Years)	\$80,000	\$82,000	\$84,050	\$86,151	\$88,305	\$90,513	\$92,775	\$95,095	\$97,472	\$99,909		
413 Annual Ad Valorem Rate (\$ per \$100 land value)	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50		
414 Ad Valorem Tax per Month	\$33.33	\$34.17	\$35.02	\$35.90	\$36.79	\$37.71	\$38.66	\$39.62	\$40.61	\$41.63		
415												
416 Revenue Neutral Rate Surcharge												
417 % Rate Surcharge (applied to FY 19/20 Bill)	56.96%											
418 \$ Rate Surcharge (55.42% of FY 19/20 Monthly Bill, Increased for Inflation in Subsequent Yrs)	\$39.41	\$40.39	\$41.40	\$42.44	\$43.50	\$44.59	\$45.70	\$46.84	\$48.02	\$49.22		
419 Inflation is due to projected inflationary increase in property values												
420												
421 Commercial Account (2" Meter; 125 ccf/month; \$200,000 land value, 1 acre)												2, 4, 5
422 Monthly Service Charge, \$/month	\$162.71	\$162.71	\$162.71	\$122.03	\$122.03	\$122.03	\$124.47	\$126.96	\$129.50	\$132.09		
423 Tier 1 Commodity Charge, \$/hcf	\$1.84	\$1.84	\$1.84	\$1.38	\$1.38	\$1.38	\$1.41	\$1.44	\$1.46	\$1.49		
424 Monthly Water Bill (Service Charge + 100*Tier 1 Charge)	\$392.66	\$392.66	\$392.66	\$294.50	\$294.50	\$294.50	\$300.39	\$306.39	\$312.52	\$318.77		
425												
426 Standby Charge, \$/month	\$5.83	\$5.83	\$5.83	\$5.83	\$5.83	\$5.83	\$5.83	\$5.83	\$5.83	\$5.83		
427												
428 Ad Valorem Tax Calculation												
429 Valuation (FY 20/21 Dollars, Adjusted for Inflation in Subsequent Years)	\$200,000	\$205,000	\$210,125	\$215,378	\$220,763	\$226,282	\$231,939	\$237,737	\$243,681	\$249,773		
430 Annual Ad Valorem Rate (\$ per \$100 land value)	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50		
431 Ad Valorem Tax per Month	\$83.33	\$85.42	\$87.55	\$89.74	\$91.98	\$94.28	\$96.64	\$99.06	\$101.53	\$104.07		
432												
433 Revenue Neutral Rate Surcharge												
434 % Rate Surcharge (applied to FY 19/20 Bill)	56.96%											
435 \$ Rate Surcharge (89.32% of FY 19/20 Monthly Bill, Increased for Inflation in Subsequent Yrs)	\$223.65	\$229.24	\$234.97	\$240.85	\$246.87	\$253.04	\$259.37	\$265.85	\$272.50	\$279.31		

Notes:

- (1) Both RCWD and WMWD use budget based rates. For single-family residences, of the 18 ccf/month use, estimate 8 ccf/month in Tier 1 and remainder of water use in Tier 2. No Tier 3 or Tier 4 use.
 For the commercial account example, 1,500 ccf/year (125 ccf/month) is the average water use for WMWD's customers in the Study Area with 2" meters, as reported by WMWD (1/21/2020)
- (2) RCWD adjusts rates on July 1 of each year. The monthly bills shown in this table are for the entire fiscal year.
- (3) \$80,000 is used as an example land value for single-family residences based on qualitative review of assessor data provided by the City of Murrieta.
- (4) WMWD and RCWD have different tier structures for non-residential customers. For RCWD, all water use is projected to be in Tier 1.
- (5) \$200,000 is used as an example land value for commercial property based on qualitative review of assessor data provided by the City of Murrieta.

Table B-6 (Updated)
RIVERSIDE LAFCO - Murrieta Focused Water Municipal Service Review: Financial Analysis
Graph Data and Graphs

RCWD Scenario: Projected Revenues, \$M

	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30
Water Rate Revenues	\$3.58	\$3.64	\$3.70	\$2.82	\$2.86	\$2.91	\$3.02	\$3.13	\$3.24	\$3.36
Ad Valorem or Equivalent Rate Surcharge	2.09	2.14	2.20	2.25	2.31	2.37	2.42	2.48	2.55	2.61
Standby Charges	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46	0.46
Interest Income	0.03	0.03	0.05	0.05	0.05	0.06	0.06	0.07	0.07	0.08
Other Non-Rate Revenues	0.22	0.23	0.23	0.24	0.25	0.25	0.26	0.27	0.28	0.28
Total	\$6.38	\$6.50	\$6.64	\$5.82	\$5.94	\$6.05	\$6.23	\$6.41	\$6.60	\$6.79
% from Ad Valorem	33%	33%	33%	39%	39%	39%	39%	39%	39%	38%
math check, should = \$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

RCWD Scenario: Projected Expenses, \$M

	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30
Purchased Water	\$1.14	\$1.24	\$1.35	\$1.45	\$1.55	\$1.65	\$1.75	\$1.86	\$1.98	\$2.11
Other O&M	1.97	1.95	2.00	2.05	2.11	2.16	2.22	2.28	2.33	2.40
WMWD-Initiated Capital and Repair/Replacen	1.41	1.26	2.02	0.93	0.94	0.94	0.95	0.96	0.96	0.97
FMSR Capital Excluding Improvement Districts	1.86	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Total	\$6.37	\$5.55	\$6.47	\$5.53	\$5.69	\$5.85	\$6.02	\$6.19	\$6.37	\$6.57
math check, should = \$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

RCWD Scenario: Projected Reserves, \$M

	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30
Projected Ending Year Reserve Balance	\$1.33	\$2.27	\$2.44	\$2.73	\$2.98	\$3.18	\$3.40	\$3.62	\$3.84	\$4.07
RCWD's Minimum Reserve Balance	\$3.05	\$3.11	\$3.22	\$3.32	\$3.42	\$3.52	\$3.62	\$3.73	\$3.85	\$3.97

RCWD Scenario: Projected Total Water Cost, SFR, 3/4" Meter, 18 ccf/month, \$80,000 land value

	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30
Total Water Cost										
Revenue Neutral Surcharge	\$114.43	\$115.41	\$116.42	\$100.16	\$101.22	\$102.31	\$104.46	\$106.66	\$108.91	\$111.21
Ad Valorem Tax	\$108.35	\$109.18	\$110.04	\$93.62	\$94.51	\$95.43	\$97.41	\$99.44	\$101.51	\$103.63

RCWD Scenario: Projected Total Water Cost, Commercial, 2" Meter, 125 ccf/month, \$200,000 land value, 1 acre

	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30
Total Water Cost										
Revenue Neutral Surcharge	\$622.14	\$627.73	\$633.46	\$541.17	\$547.19	\$553.36	\$565.58	\$578.07	\$590.84	\$603.91
Ad Valorem Tax	\$481.82	\$483.90	\$486.04	\$390.06	\$392.31	\$394.61	\$402.85	\$411.28	\$419.88	\$428.67

Table B-6 (Updated)
 RIVERSIDE LAFCO - Murrieta Focused Water Municipal Service Review: Financial Analysis
 Graph Data and Graphs

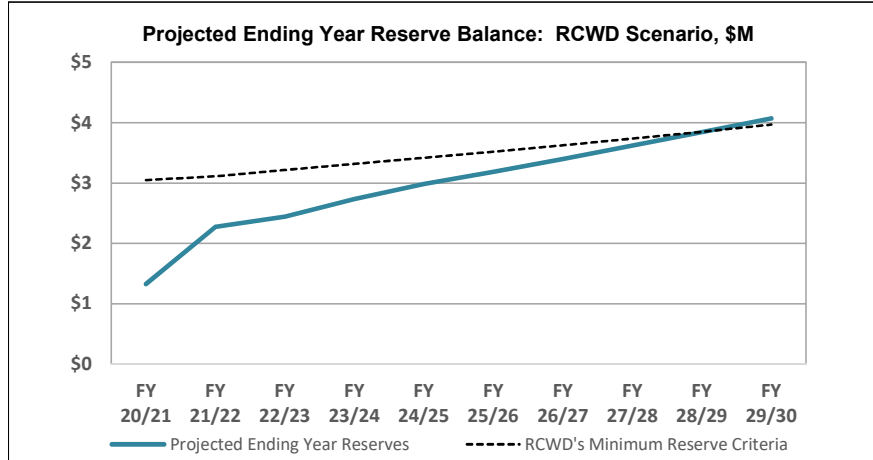
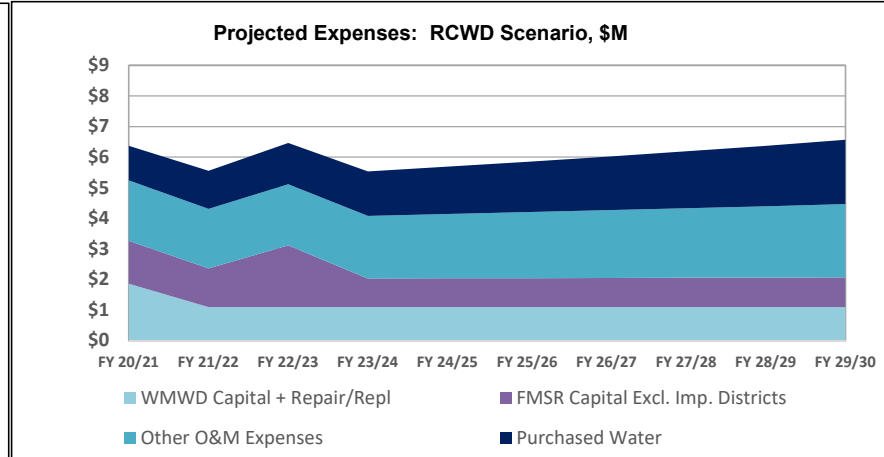
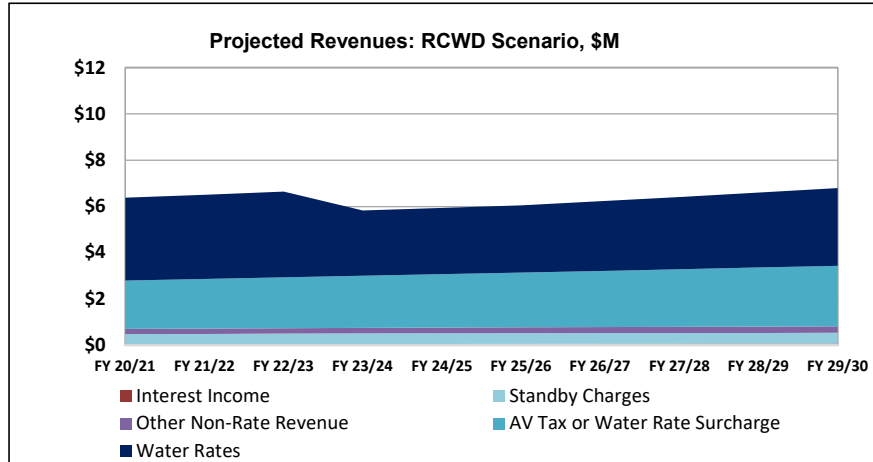


Table B-6 (Updated)
 RIVERSIDE LAFCO - Murrieta Focused Water Municipal Service Review: Financial Analysis
 Graph Data and Graphs

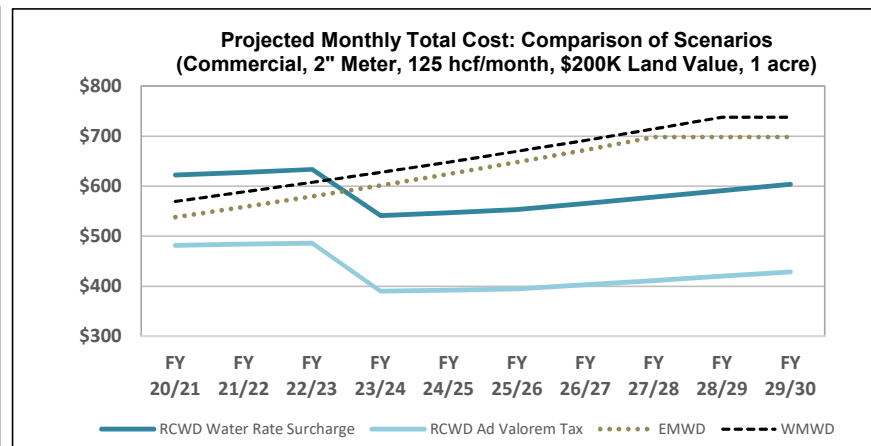
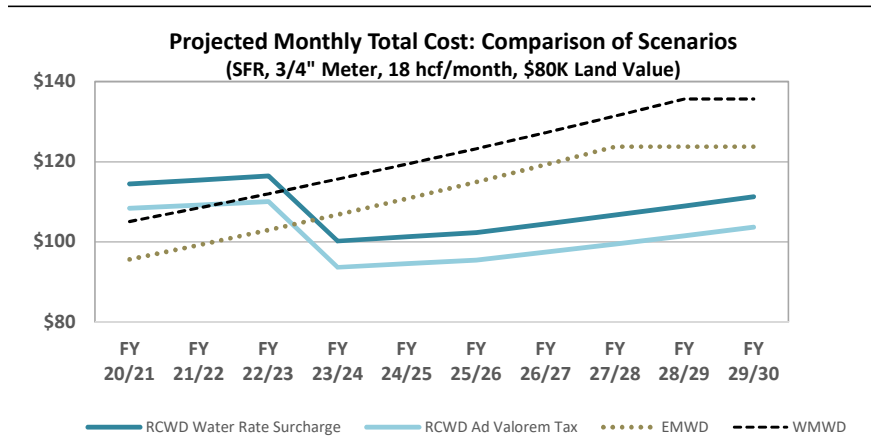
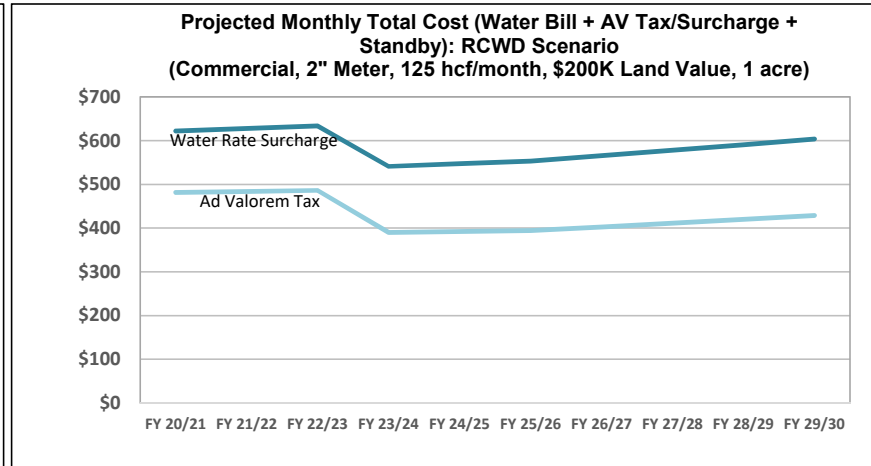
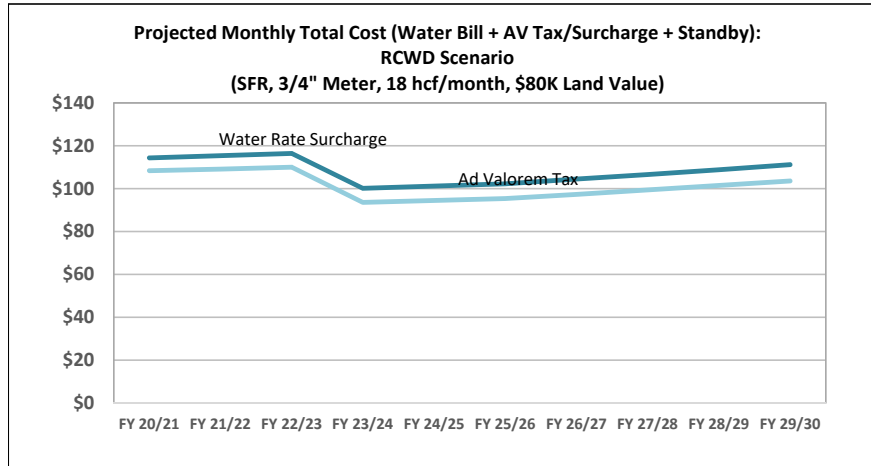


Table B-6 (Updated)
 RIVERSIDE LAFCO - Murrieta Focused Water Municipal Service Review: Financial Analysis
 Graph Data and Graphs

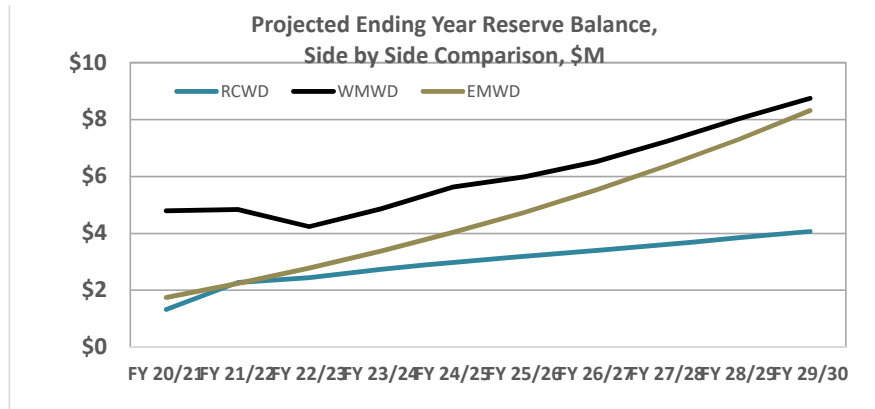


Table 8.12 (Updated). Projected Water Rate Revenue, RCWD Ownership Scenario				
Fiscal Year	% Increase in Water Rate Revenues ^(a)	Projected Water Rate Revenues		
		At FY 19/20 Rates ^(b)	Rate Changes ^(c)	Total
FY 20/21	-10.0%	\$3,978,531	(\$397,853)	\$3,580,678
FY 21/22	0.0%	\$4,042,950	(\$404,295)	\$3,638,655
FY 22/23	0.0%	\$4,108,412	(\$410,841)	\$3,697,571
FY 23/24	-25.0%	\$4,174,934	(\$1,356,853)	\$2,818,081
FY 24/25	0.0%	\$4,242,533	(\$1,378,823)	\$2,863,710
FY 25/26	0.0%	\$4,311,616	(\$1,401,276)	\$2,910,340
FY 26/27	2.0%	\$4,381,824	(\$1,364,938)	\$3,016,886
FY 27/28	2.0%	\$4,453,175	(\$1,325,844)	\$3,127,331
FY 28/29	2.0%	\$4,525,688	(\$1,283,868)	\$3,241,820
FY 29/30	2.0%	\$4,599,382	(\$1,238,882)	\$3,360,500

Notes:

(a) Rate increases presumed effective on July 1 of each year.

(b) Increase in rate revenues at RCWD's FY 19/20 Rates are from system growth.

(c) See Appendix B, Table B-4 for more detail.

Table 8.13 (Updated). Average Annual Revenues, RCWD Ownership Scenario			
Type of Revenue	Projected Average Annual Revenue		
	Amount	Percentage	Note
Water Rates	\$3,225,557	50.9%	1, 2
Ad Valorem Tax or Water Rate Surcharge	\$2,342,011	37.0%	2
Capacity Charges	\$194,761	3.1%	2
Standby Charges	\$462,731	7.3%	2
Interest Income	\$54,217	0.9%	2
Delinquent Penalties	\$53,045	0.8%	2
Other	\$4,244	0.1%	2
Total	\$6,336,566	100.0%	
Notes:			
(1) See Table 8.12.			
(2) See Appendix B, Table B-4 for more detail. Totals may not add up due to rounding.			

Table 8.14 (Updated). Projected O&M Expenses, RCWD Ownership Scenario										
	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30
Water Pumping	61,094	62,621	64,187	65,792	67,436	69,122	70,850	72,622	74,437	76,298
Transmission & Distribution	489,506	501,744	514,287	527,144	540,323	553,831	567,677	581,869	596,416	611,326
Customer Accounts	52,975	55,179	57,474	59,865	62,355	64,954	67,662	70,483	73,422	76,483
G&A Allocation	677,669	694,611	711,976	729,775	748,020	766,720	785,888	805,535	825,674	846,316
Other Operating Expenses	112,474	115,286	118,168	121,122	124,150	127,254	130,435	133,696	137,039	140,465
Purchased Water	1,136,889	1,240,134	1,349,234	1,452,788	1,550,253	1,650,218	1,752,904	1,861,616	1,978,049	2,106,981
Source of Supply	400,963	341,297	349,829	358,575	367,539	376,728	386,146	395,800	405,695	415,837
Treatment	133,284	136,616	140,031	143,532	147,120	150,798	154,568	158,432	162,393	166,453
Water Use Efficiency	42,828	44,609	46,465	48,398	50,411	52,513	54,702	56,983	59,358	61,833
Other Non-Operating Expenses	0	0	0	0	0	0	0	0	0	0
Total	\$3,107,682	\$3,192,096	\$3,351,651	\$3,506,991	\$3,657,607	\$3,812,139	\$3,970,834	\$4,137,036	\$4,312,482	\$4,501,991

Table 8-15 (Updated). Projected Capital Improvement Funding, RCWD Ownership Scenario				
Project	Estimated Cost, 2020 \$	Benefits Existing Customers, RCWD Funded	Benefits Future Development	
			Funded by RCWD	Funded by Developers ID, or CFD
Buy-In to RCWD for Existing Customers	9,659,628	9,659,628		
Expansion CIP North of Murrieta Creek	17,120,000			17,120,000
Expansion CIP South of Murrieta Creek	20,388,000			20,388,000
RCWD Hydraulic Improvements	2,255,000		2,255,000	
Legacy (Small Diameter) Improvements	4,947,000	4,947,000		
Meter conversion to AMI	1,243,507	1,243,507		
Total	\$55,613,135	\$15,850,135	\$2,255,000	\$37,508,000

Notes:

- (1) RCWD anticipates requiring existing Murrieta Study Area customers to buy into RCWD facilities, including storage facilities, distribution facilities, and accessing MWD connections. This buy-in eliminates the need to separately build additional reservoir storage.
- (2) Project benefits future development only and would not be done if there was no future development.
- (3) Under some circumstances, RCWD would accept an improvement district or related type of financing for these improvements. For this analysis, these improvements would be funded either directly by developers or through an improvement district. They would not be funded directly by RCWD.
- (4) For facilities of this magnitude, RCWD would fund the project, and incorporate the cost in its Capacity Charge. Capacity Charge revenues, over time, would pay for the project.