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**PLEASANT VALLEY COUNTY WATER DISTRICT**PIONEER IN FOX CANYON AQUIFER CONSERVATION
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Mathews & Zirbel, LLP**October 1, 2026, SPECIAL MEETING****TO: Board of Directors****FROM: General Manager****SUBJECT: Ordinance 26-01 Establishing Water Rates and Fees for Fiscal Years 2026-27 and 2027-28****AGENDA ITEM: 6A****Background**

On August 30, 2022, the Board authorized the services of Raftelis Financial Consultants, Inc. to prepare a comprehensive Cost of Service and Rate Study for the District. The study evaluated operating costs, reserve requirements, water supply expenses, capital improvement needs, and anticipated legal and regulatory costs associated with ongoing groundwater management issues.

Throughout 2023, the Board reviewed draft and final rate study findings at a series of public meetings. Following completion of the Proposition 218 noticing process and public hearing, the Board adopted Ordinance 23-01 establishing water rates for Fiscal Years 2023-24 and 2024-25.

The adopted rates reflected the Board's desire to maintain financial stability while minimizing impact on agricultural customers. While the 2023 Rate Study included a multi-year financial plan extending through Fiscal Year 2027-28, the Board elected to implement only the first two years of the recommended rate schedule and revisit future increases at a later date.

In 2024, wholesale water cost increases imposed by United Water Conservation District exceeded those anticipated in the original rate study. To recover these costs, the Board adopted Ordinance 24-01 establishing a wholesale water pass-through charge. Subsequent increases in wholesale water costs resulted in additional pass-through adjustments. As a result, the District's current volumetric rate is approximately **\$440 per acre-foot**.

Updated Financial Analysis

In 2026, the Board authorized staff to retain Water Worth Consultants to update the District's financial model and evaluate future rate requirements. Water Worth reviewed the assumptions, cost allocation methodology, and financial projections contained within the 2023 Rate Study and concluded that the underlying cost of service analysis remains generally valid and representative of current District operations.

As part of the update process, forecasted financial information from the 2023 Rate Study was compared against actual operating results and current budget projections. The updated analysis indicated that the District's financial position is consistent with the findings in the 2023 Rate Study and thus the recommended rate increases for FY 26-27 and FY 27-28 remain advisable.

On August 18, 2026, the Board of Directors received a presentation from staff regarding the updated financial analysis and various rate adjustment alternatives. Following discussion, the Board determined that rates lower than those projected in the original 2023 Rate Study would not maintain adequate revenues, reserves, and operational flexibility.

The Board directed staff to initiate Proposition 218 noticing process utilizing:

- An **8.13% rate increase for Fiscal Year 2026-27**, and
- A **5.00% rate increase for Fiscal Year 2027-28**.

The proposed increases are intended to provide sufficient revenue to fund operating expenses, maintain reserve levels, address anticipated water supply cost increases, and preserve long-term financial stability while minimizing impacts to District customers.

Proposed Rate Adjustments

The District's current volumetric rate is approximately **\$440 per acre-foot**. Based on the updated financial analysis and Board direction provided on August 18, 2026, Ordinance 26-01 proposes the following rate adjustments:

- Fiscal Year 2026-27: **8.13% increase**
- Fiscal Year 2027-28: **5.00% increase**

These adjustments are consistent with those contemplated in the original 2023 Rate Study and reflect the District's current financial position while continuing to support long-term financial sustainability.

The primary risk associated with adopting lower rate increases is the uncertainty associated with future water supply costs, groundwater management requirements, wholesale water pricing, regulatory obligations, and potential litigation expenses.

Proposed Volumetric Water Rates

Implementation of the proposed rate adjustments would result in the following volumetric rates:

Fiscal Year	Rate Increase	Volumetric Rate (\$/AF)
FY 2025-26 (Current)	—	\$440
FY 2026-27	8.13%	\$476
FY 2027-28	5.00%	\$500

Ordinance 26-01

Ordinance 26-01 establishes the rates and fees necessary to support District operations, maintain adequate reserves, recover water supply and administrative costs, and implement the Board-approved financial plan for Fiscal Years 2026-27 and 2027-28.

The proposed ordinance reflects the Board's direction following its review of the updated financial analysis and authorizes implementation of the rates identified through the Proposition 218 noticing process. Adoption of Ordinance 26-01 would establish volumetric rates of approximately **\$476 per acre-foot in Fiscal Year 2026-27** and **\$500 per acre-foot in Fiscal Year 2027-28**.

Fiscal Impact

The proposed rates are expected to generate sufficient revenue to:

- Meet annual operating and maintenance expenses
- Fund anticipated water supply and wholesale water costs
- Maintain prudent operating and emergency reserve balances
- Support ongoing infrastructure and capital improvement needs
- Reduce the likelihood of larger future rate adjustments

Failure to implement the proposed rates could increase the likelihood of future revenue shortfalls, particularly if wholesale water costs, groundwater pumping expenses, or regulatory obligations exceed current projections.

Conclusion

The District's 2023 Cost of Service and Rate Study established a long-term financial framework intended to ensure the District's continued fiscal health and operational reliability. The 2026 update performed by Water Worth Consultants confirmed that the underlying assumptions and methodology remain sound while demonstrating that lower rate increases than originally projected are not advisable.

Following receipt of the financial update on August 18, 2026, the Board directed staff to proceed with Proposition 218 noticing for an **8.13% increase in Fiscal Year 2026-27** and a **5.0% increase in Fiscal Year 2027-28**. These increases would result in a volumetric rate of approximately **\$476 per acre-foot in Fiscal Year 2026-27** and **\$500 per acre-foot in Fiscal Year 2027-28**.

Adoption of Ordinance 26-01 will provide the revenues necessary to maintain reliable water service, preserve financial stability, maintain prudent reserves, and position the District to address future water supply, regulatory, and operational challenges.

Staff Recommendation: Conduct First Reading of Ordinance 26-01 establishing water rates and fees for Fiscal Years 2026-27 and 2027-28.