

**DRAFT**

# COST OF SERVICE STUDY FOR FISCAL YEARS 2025/26 & 2026/27

BLACK & VEATCH PROJECT NO. 418268

**PREPARED FOR**



**Inland Empire Utilities Agency**

1 APRIL 2025



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## List of Acronyms

AF	Acre-Feet
AFY	Acre-Feet per Year
Agency	Inland Empire Utilities Agency
Black & Veatch	Black & Veatch Corporation
BOD	Biochemical Oxygen Demand
CASA	California Association of Sanitation Agencies
CCRA	Capital Capacity Reimbursement Account
CBWCD	Chino Basin Water Conservation District
CBP	Chino Basin Program
Client	Inland Empire Utilities Agency
CIP	Capital Improvement Plan
Consultant	Black & Veatch Corporation
CVWD	Cucamonga Valley Water District
DSCR	Debt Service Coverage Ratio
EDU	Equivalent Dwelling Unit
FTE	Full-Time Equivalent
FWC	Fontana Water Company
FY	Fiscal Year
GG	General Administrative Fund
IEUA	Inland Empire Utilities Agency
MBR	Membrane Bioreactor
MEU	Meter Equivalent Unit
MGD	Million Gallons per Day
MOU	Memorandum of Understanding
MVWD	Monte Vista Water District
MWD	Metropolitan Water District of Southern California
O&M	Operations and Maintenance
PAYGO	Pay-As-You-Go
Regional Contract	Regional Sewage Service Contract
Retail Agencies	Cities of Chino, Chino Hills, Ontario, Upland, CVWD in the City of Rancho Cucamonga, FWC in the city of Fontana, MVWD in the city of Montclair, San Antonio Water Company in the city of Upland, and WVWD in the city of Rialto
R&R	Replacement and Rehabilitation
RP-5	Regional Water Recycling Plant No. 5
RTS	Readiness-to-Serve Charge
RO	Regional Wastewater Operations Fund
RC	Wastewater Regional Capital Fund
RW	Recycled Water
RW Fund	Recharge Water Fund

SAWCo	San Antonio Water Company
SBCFCD	San Bernardino County Flood Control District
Sewage Collection Agencies	Per Ordinance No. 114, IEUA provides wastewater treatment for the cities of Chino, Chino Hills, Fontana, Montclair, Ontario, Upland, and CVWD in the City of Rancho Cucamonga
SRF	State Revolving Fund Loan
Study	Wastewater, Water, and Recycled Water Rates Study
Study Period	Fiscal Year (FY) 2025/26 through FY 2026/27
TSS	Total Suspended Solids
TYCIP	Ten-Year Capital Improvement Program
TYSCF	Ten-Year Sewer Capital Forecast
Watermaster	Chino Basin Watermaster
WIFIA	Water Infrastructure Finance and Innovation Act Loan
WVWD	West Valley Water District
WC	Recycled Water Fund
WW	Water Resources Fund
YoY	Year-over-Year

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## 1.0 Executive Summary

The Inland Empire Utilities Agency (IEUA or Agency) is a public agency serving the Inland Empire region of Southern California as a regional wastewater agency, as well as a wholesale supplier of imported and recycled water. IEUA commissioned Black & Veatch Corporation (Black & Veatch) to conduct a Cost-of-Service Study (Study). The Study comprises two efforts completed concurrently, the Wastewater Connection Fees and Monthly Wastewater Service Rates Study and a One Water Connection Fees, Monthly Meter Equivalent Unit Rates, and Recycled Water and Groundwater Recharge Service Rates Study.

The Study included the development of a multi-year financial plan and a cost-of-service analysis for the Agency's four core services. The analyses presented in this *Cost-of-Service Study for Fiscal Years 2025/26 & 2026/27* document (Report), include projected revenue and revenue requirements for fiscal year (FY) 2025/26 through FY 2026/27 (the Study Period) and the proposed rate schedules for wastewater, recycled water, and water resource charges for the Study Period, as determined from the cost-of-service analysis.

The forecast consists of implementing annual revenue increases and leveraging available funding sources to support the Agency's revenue requirements. Based on the assumptions detailed herein, the financing plan requires annual revenue increases to current rates and charges ranging from 2.6% to 9.0% depending on the fund and specific rate. No increases are proposed for the Wastewater Connection Fee or the One Water Connection Fee.

As noted above, this Report includes a cost-of-service analysis, conducted using causative cost approaches endorsed by industry-recognized manuals of practices. The proposed rates follow the allocated cost of service results and the Agency's financial policies.

### 1.1 Sources of Revenue

The Agency has three main sources of revenues to fund operations and maintenance (O&M) and capital expenses:

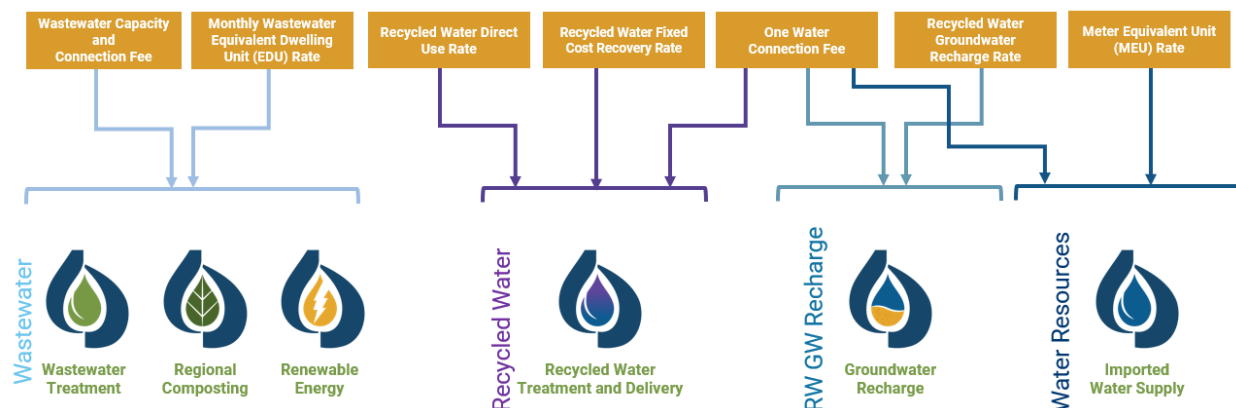
- User Charges, Connection Fees, and Recycled Water sales
- Property Taxes: San Bernardino County Ad Valorem property taxes, pass-through incremental taxes, and Extra-territorial Fees
- Debt Proceeds, Loans, and Grants

#### 1.1.1 User Charges, Connection Fees, and Recycled Water Sales

Seven distinct rates and fees fund the Agency's four core service areas (Figure 1-1). The user charges, fees, and sales finance the day-to-day operations, maintenance of systems and investments in future water security and sustainability.



**Figure 1-1 Rates and Fees Supporting IEUA's Core Services**



Source: IEUA

Table 1-1 summarizes the revenues from rates and fees under existing rates, effective July 1, 2024. In addition to revenues from user charges and connection fees, the Agency also receives contract reimbursements, interest income, and other miscellaneous income. The Agency's anticipated state loans and debt proceeds are additional sources of revenue for capital expenditures.

Wastewater Capital connection fees are shown on Table 1-1; however, these amounts are not included in the total shown. As described later in this Report, the wastewater connection fees are collected by the customer agencies on behalf of IEUA and these monies are held by the customer agencies until called by IEUA.

**Table 1-1 Total Revenues Across All IEUA Funds from All Sources**

Revenues (\$000s)	Estimated FY 2024/25	Revenues (\$000s)	Estimated FY 2024/25
<b>User Fees, Charges, and Other Revenues</b>		<b>Other Financing Sources</b>	
Wastewater System Service Charges	\$89,577.8	Property Taxes (O&M & Debt/Capital)	\$82,073.2
NC Fund System Service Charges	\$16,695.5	Wastewater Capital Connection Fees [1]	\$25,859.5
WW Fund User Charges	\$5,830.7	Water Capital Connection Fees	\$7,226.1
Cost Reimbursement from JPA	\$8,215.8	Debt Proceeds	\$47,763.7
Contract Cost Reimbursement	\$578.0	State Loans	\$19,046.8
Interest	\$6,580.2	Grants & Other Revenues	\$6,353.1
Recycled Water Sales	\$23,967.4	Capital Contact Reimbursement	\$1,409.1
MWD Water Sales & RTS Charge	\$59,820.1	Loan Transfer from Internal Fund [2]	\$9,500.0
<b>Total</b>	<b>\$211,265.5</b>	<b>Total</b>	<b>\$199,231.5</b>

[1] Customer agencies collect and retain Wastewater Connection Fees until IEUA calls the funds. Shown as a revenue source, but not as available on-hand until called.

[2] Reflects \$4M repayment from WC Fund to RC Fund for loan in 2008 and \$5.5M repayment from RW fund to RC Fund for loan in 2023.

### 1.1.2 Property Taxes

IEUA’s Board of Directors has the authority to allocate the use of property tax revenues in accordance with the needs of the Agency. Table 1-2 summarizes the current and proposed tax allocations used in this Study.

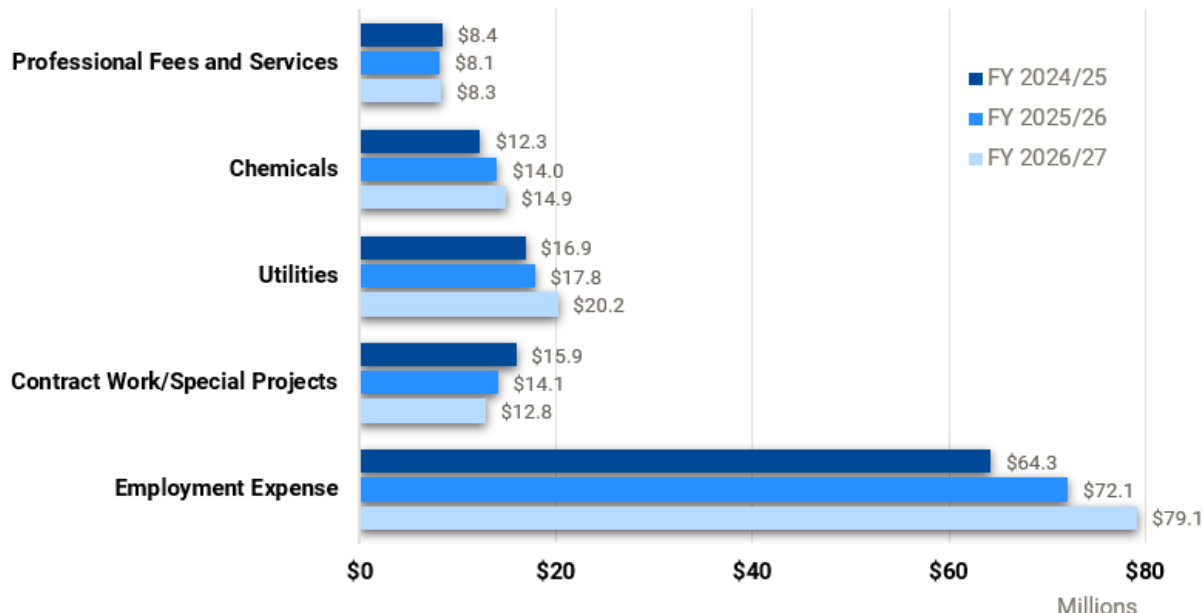
**Table 1-2 Proposed Property Tax Allocation**

Fund	Purpose	Allocation %		Funding (\$Millions)	
		FY 2024/25	FY 2025/26 & FY 2026/27	FY 2025/26	FY 2026/27
Wastewater Capital	Supports debt service costs for acquisition, improvement, replacement, and expansion of regional wastewater facilities.	65.0%	65.0%	\$60.1	\$62.1
Wastewater Operations	Supports capital replacements and rehabilitation cost and any operation costs not fully recovered by rates.	23.0%	23.0%	\$21.3	\$22.0
Recycled Water	Supports debt service costs for acquisition, improvement, replacement, and expansion of regional recycled water facilities.	4.0%	6.5%	\$6.0	\$6.2
Water Resources	Supports regional water supply reliability enhancement strategies.	3.5%	1.0%	\$0.9	\$1.0
Administrative Services	Supports agency-wide costs not allocated to other Agency funds.	4.5%	4.5%	\$4.1	\$4.3
<b>Total</b>		<b>100.0%</b>	<b>100.0%</b>	<b>\$92.4M</b>	<b>\$95.6M</b>

### 1.2 O&M and Capital Needs

Key drivers behind the Agency’s need for revenue increases are increases in O&M costs, routine capital outlays (replacement and rehabilitation [R&R]), the 10-year capital improvement program (TYCIP), and the growth in customer agency demands. Figure 1-2 summarizes the top five cost areas from FY 2024/25 through FY 2026/27 for the RO, RC, WC, RW, and WW Funds. Pass-through costs specific to one fund, such as purchases from the Metropolitan Water District of Southern California (MWD), are not shown in the figure but discussed later in the Report.

**Figure 1-2 Top Five Major Expenses Categories for Funds RO, RC, WW, RW, and WC**



Non-discretionary operating costs include categories such as chemicals, energy, personnel, and materials and supplies. These costs are unavoidable and represent approximately 6.6% in FY 2025/26 and 8% in FY 2026/27 of operation and maintenance (O&M) expenses for wastewater operations and 5.6% to 6.5% in FY 2025/26 and 6.9% to 7.8% in FY 2026/27 for the water resources and recycled water funds. The increases in MWD’s rates and charges drive the increases in the water resources fund of 5.2% in FY 2025/26 and 8.3% in FY 2026/27. These increases are directly passed through to IEUA’s customer agencies and have no impact on the MEU rate. The Agency’s projections reflect recent experience with contract and purchase price increases seen from vendors and suppliers.

### 1.2.1 Employment Expenses

Employment-related expenses (salary, benefits, etc.) are driven by an increase in full-time equivalents (FTEs) and the recently approved compensation adjustments in the labor Memorandums of Understanding (MOUs) with the five bargaining units and two Personnel Manuals. The Agency is proposing to increase staffing by 28 FTEs over the two-year Study Period across the Technical Resources, Administration, and Agency Management Divisions of the organization. The additional staffing supports the following areas:

- Regional Water Recycling Plant Expansion Startup (RP-5 Expansion)
- Operational Efficiency, Project Management and Engineering Support for Capital Improvement Program
- Long Term Water and Wastewater Resources Planning
- Cybersecurity, Emergency Preparedness and Safety
- Workforce Development and Business Continuity

A more detailed description of specific proposed positions by Division for FY 2025/26 and FY 2026/27 is provided in Appendix A.

### 1.2.2 Chemicals and Utilities

Total expenses associated with chemicals and utilities are increasing over the Study Period, not only due to commodity price increases, but also due to higher consumption levels. The Agency is in the final stages of completing work on the expansion of Regional Water Recycling Plant No. 5 (RP-5), which includes a new membrane bioreactor (MBR) process that requires additional resources (staffing, chemicals, and utilities) to support it.

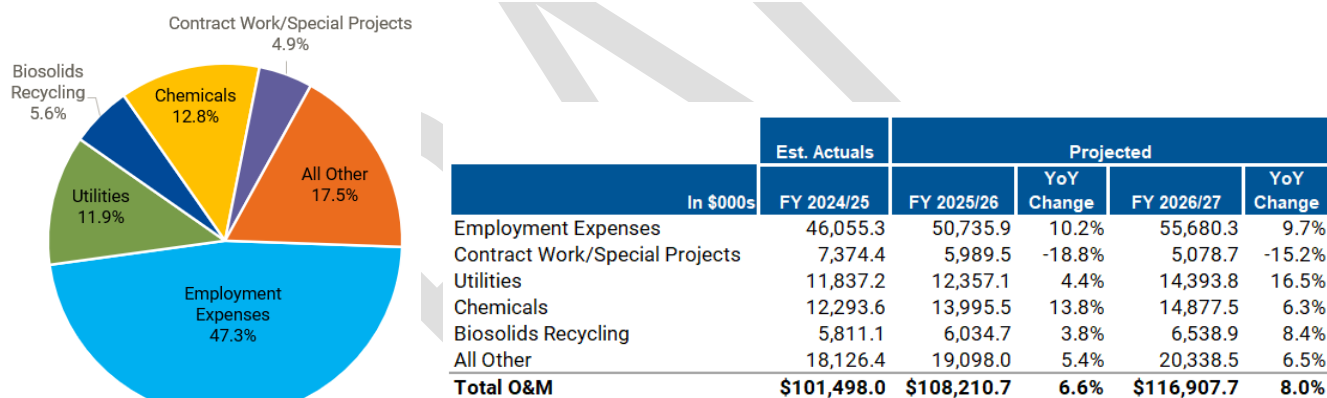
### 1.2.3 Contract Work/Special Projects

Figure 1-2 shows a slight decline in the contract work/special projects category. This cost corresponds to routine capital outlays or R&R-related projects that do not involve capacity expansion. Though total costs are declining, R&R activities do represent a critical expenditure to maintain the Agency’s assets and avoid larger capital expenditures.

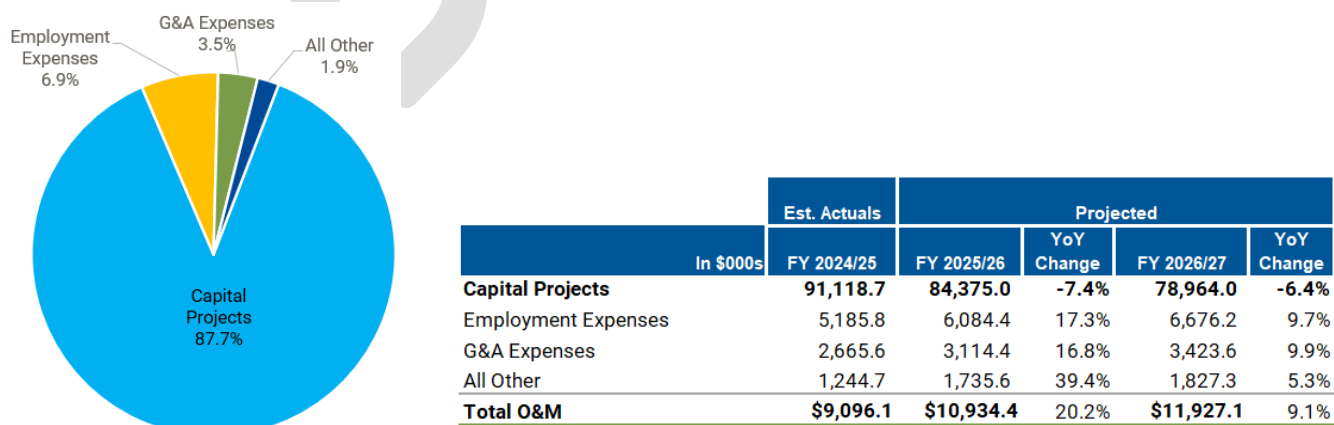
## 1.3 Summary of Cost Drivers by Fund

The following figures summarize the distribution of expenses for the Study Period for each Fund examined in this Report as well as the year-over-year (YoY) change.

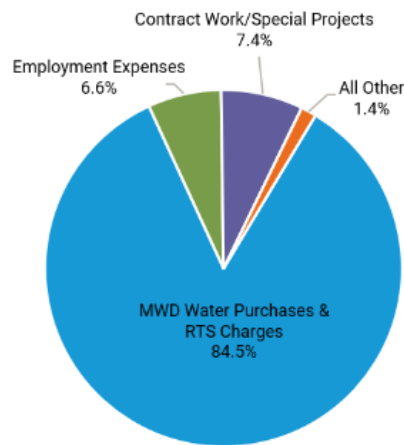
**Figure 1-3 Two-Year Cost Distribution for Regional Wastewater Operations**



**Figure 1-4 Two-Year Cost Distribution for Regional Wastewater Capital**



**Figure 1-5 Two-Year Cost Distribution for Water Resources**

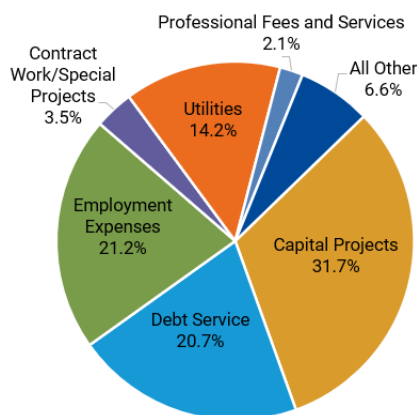


In \$000s	Est. Actuals	Projected			
	FY 2024/25	FY 2025/26	YoY Change	FY 2026/27	YoY Change
MWD Water Purchases (1)	54,504.0	57,312.0	5.2%	62,051.0	8.3%
MWD RTS Charge (1)	5,401.3	5,403.4	0.0%	5,457.4	1.0%
Employment Expenses	4,203.8	4,873.4	15.9%	5,348.3	9.7%
Contract Work/Special Projects	5,226.2	5,863.3	12.2%	5,605.3	-4.4%
All Other (2)	1,183.8	1,023.7	-27.7%	1,131.4	10.5%
<b>Total Operating &amp; Maintenance</b>	<b>\$70,519.1</b>	<b>\$74,475.8</b>	<b>5.6%</b>	<b>\$79,593.4</b>	<b>6.9%</b>

(1) Pass-through Charges

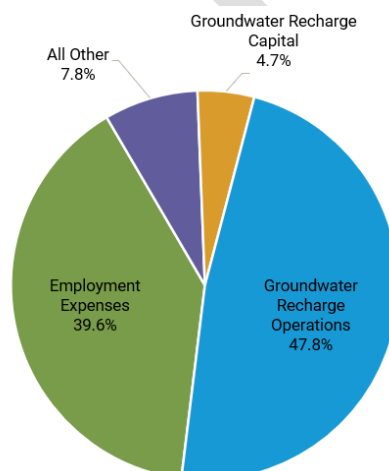
(2) Includes Professional Fees & Services, Office and Administrative, and Utilities

**Figure 1-6 Two-Year Cost Distribution for Direct Use Recycled Water**



In \$000s	Est. Actuals	Projected			
	FY 2024/25	FY 2025/26	YoY Change	FY 2026/27	YoY Change
<b>Capital Projects</b>	\$7,842.9	\$10,815.3	37.9%	\$13,605.3	25.8%
<b>Debt Service</b>	\$14,451.9	\$7,960.7	-44.9%	\$7,964.9	0.1%
<b>O&amp;M Requirements</b>					
Employment Expenses	\$6,367.2	\$7,713.9	21.2%	\$8,598.3	11.5%
Contract Work/Special Projects	\$2,439.0	\$1,406.3	-42.3%	\$1,318.5	-6.2%
Utilities	\$4,878.9	\$5,319.1	9.0%	\$5,603.7	5.4%
Professional Fees and Services	\$934.6	\$772.9	-17.3%	\$840.0	8.7%
All Other	\$1,957.9	\$2,441.7	24.7%	\$2,666.9	9.2%
<b>Total O&amp;M</b>	<b>\$16,577.6</b>	<b>\$17,653.9</b>	<b>6.5%</b>	<b>\$19,027.4</b>	<b>7.8%</b>

**Figure 1-7 Two-Year Cost Distribution for Groundwater Recharge**



In \$000s	Est. Actuals	Projected			
	FY 2024/25	FY 2025/26	YoY Change	FY 2026/27	YoY Change
Employment Expenses	\$1,428.5	\$1,435.6	0.5%	\$1,442.8	0.5%
Professional Fees and Services	\$261.4	\$239.2	-8.5%	\$258.3	8.0%
All Other (1)	\$195.2	\$35.0	-82.1%	\$37.8	8.0%
Groundwater Recharge Operations	\$1,839.4	\$1,714.0	-6.8%	\$1,763.4	2.9%
Groundwater Recharge Capital	\$375.0	\$170.9	-54.4%	\$172.2	0.8%
<b>Total O&amp;M</b>	<b>\$4,099.5</b>	<b>\$3,594.7</b>	<b>-12.3%</b>	<b>\$3,674.5</b>	<b>2.2%</b>

(1) All other includes Office, Administrative, Materials & Supplies, Operating Fees, Allocated Expenses

## 1.4 Proposed Two-Year Rate Increases and Schedule

Based on the analysis conducted herein, a series of revenue adjustments are proposed for several rates and charges across the Wastewater Program, Recycled Water Fund, and Water Resources. Table 1-3 summarizes the proposed revenue increases and rates for each fund considered in the Study.

**Table 1-3 Two-Year Rate Overview**

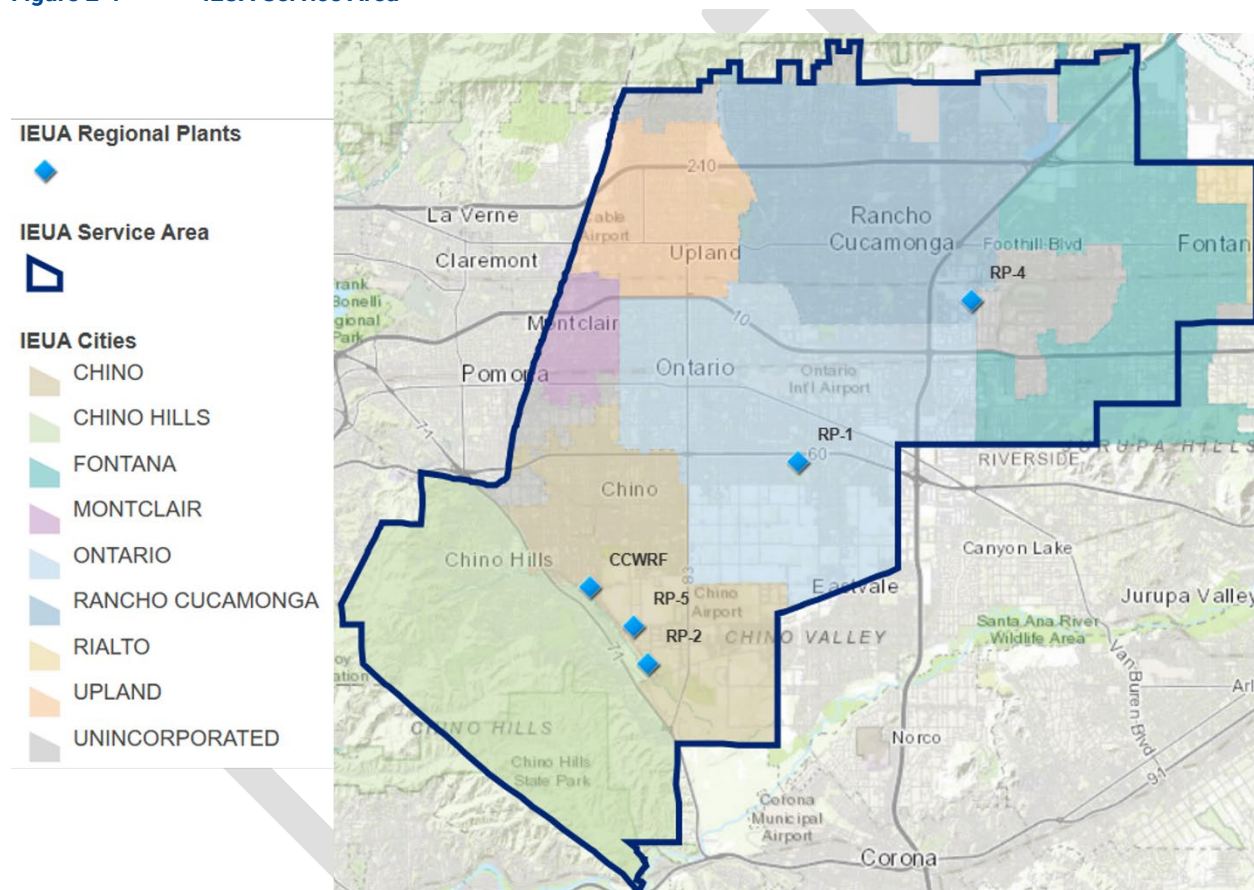
Fund	Rates Effective July 1		
	Existing	Proposed	
	FY 2024/25	FY 2025/26	FY 2026/27
<b>Wastewater Operations</b>			
Monthly Sewer (\$/EDU)	\$24.79	\$27.02	\$29.45
% Increase		9.0%	9.0%
<b>Wastewater Capital</b>			
Connection Fee (\$/EDU)	\$8,620	\$8,620	\$8,620
% Increase		0.0%	0.0%
<b>Recycled Water</b>			
Fixed Cost Recovery (\$M)	\$4.96	\$5.11	\$5.26
% Increase		3.0%	3.0%
Direct Use (\$/AF)	\$465.00	\$506.85	\$552.47
% Increase		9.0%	9.0%
Recycled Water Groundwater Recharge Surcharge (\$/AF)	\$200.0	\$208.00	\$216.32
% Increase		4.0%	4.0%
One Water Connection Fee (\$/EDU)	\$1,953	\$1,953	\$1,953
% Increase		0.0%	0.0%
<b>Water Resources</b>			
Meter Equivalent Unit (\$/MEU)	\$1.14	\$1.17	\$1.20
% Increase		2.6%	2.6%



## 2.0 Introduction

IEUA is a regional wastewater treatment agency and wholesale distributor of imported water. Formed as a special district in 1950 with a mission to supply imported water purchased from the Metropolitan Water District of Southern California (MWD) to municipalities in the Chino Groundwater Basin, IEUA has since expanded its mission to include regional wastewater treatment with domestic and industrial disposal systems and energy production facilities. The Agency has also become a major provider of recycled water via the regional recycled water distribution backbone system, a supplier of biosolids/compost materials, and a steward of water quality management and environmental protection in the Inland Empire. Today, the Agency is responsible for serving approximately 935,000 residents over 242 square miles in western San Bernardino County as shown in Figure 2-1.

Figure 2-1 IEUA Service Area



Source: <https://ieua-gas.maps.arcgis.com>

As a regional wastewater treatment agency, IEUA provides sewage utility services to seven retail sewage collection agencies. These agencies receive service either under a Regional Sewage Service Contract or the Regional Sewage Service Ordinance No. 114. Specifically, the cities of Chino Hills, Upland, Fontana, and the Cucamonga Valley Water District (CVWD) receive sewage service under the Regional Contract, while the cities of Chino, Ontario, and Montclair receive sewage service under Ordinance No. 114. IEUA’s Regional Sewage Service Contract (Regional Contract) and the Regional Sewage Service Ordinance detail the rights and obligations of all parties that deliver sewage to IEUA’s treatment plants, to

comply with all applicable State and Federal laws, including the Clean Water Act, the General Pretreatment Regulations, and the California Water Code as amended. Representatives from the sewage collection agencies provide information on technical and policy issues through Regional Technical and Policy Committees. IEUA also provides direct recycled water service to its customer agencies and operates a groundwater recharge program that is partially supplied by recycled water.

In addition to serving the sewage collection agencies, IEUA provides wholesale untreated imported water from MWD to its retail agencies (retail agencies) composed of the cities of Chino, Chino Hills, Ontario, and Upland as well as CVWD in the City of Rancho Cucamonga, Fontana Water Company (FWC) in the city of Fontana, Monte Vista Water District (MVWD) in the city of Montclair, and West Valley Water District (WVWD) in the city of Rialto. San Antonio Water Company (SAWCo) in the city of Upland does not receive imported water from IEUA but benefits from IEUA's resource planning, recharge operations, and conservation programming. The Agency manages several water resources programs including the management and distribution of imported water supplies, development and implementation of regional water use efficiency initiatives and water resource planning, and support for regional water supply programs including recycled water, groundwater recharge, and stormwater management.

## 2.1 Scope of Services

IEUA utilizes varying rate structures and adoption schedules to recover costs for the numerous services the Agency provides or manages. IEUA has historically worked with its sewage collection agencies and retail agencies to initiate new rate studies. The One Water Connection Fees, Monthly Meter Equivalent Unit (MEU) Rates, Recycled Water and Groundwater Recharge Service Rates, Wastewater Connection Fees, and Monthly Wastewater Service Rates will all expire in FY 2024/25.

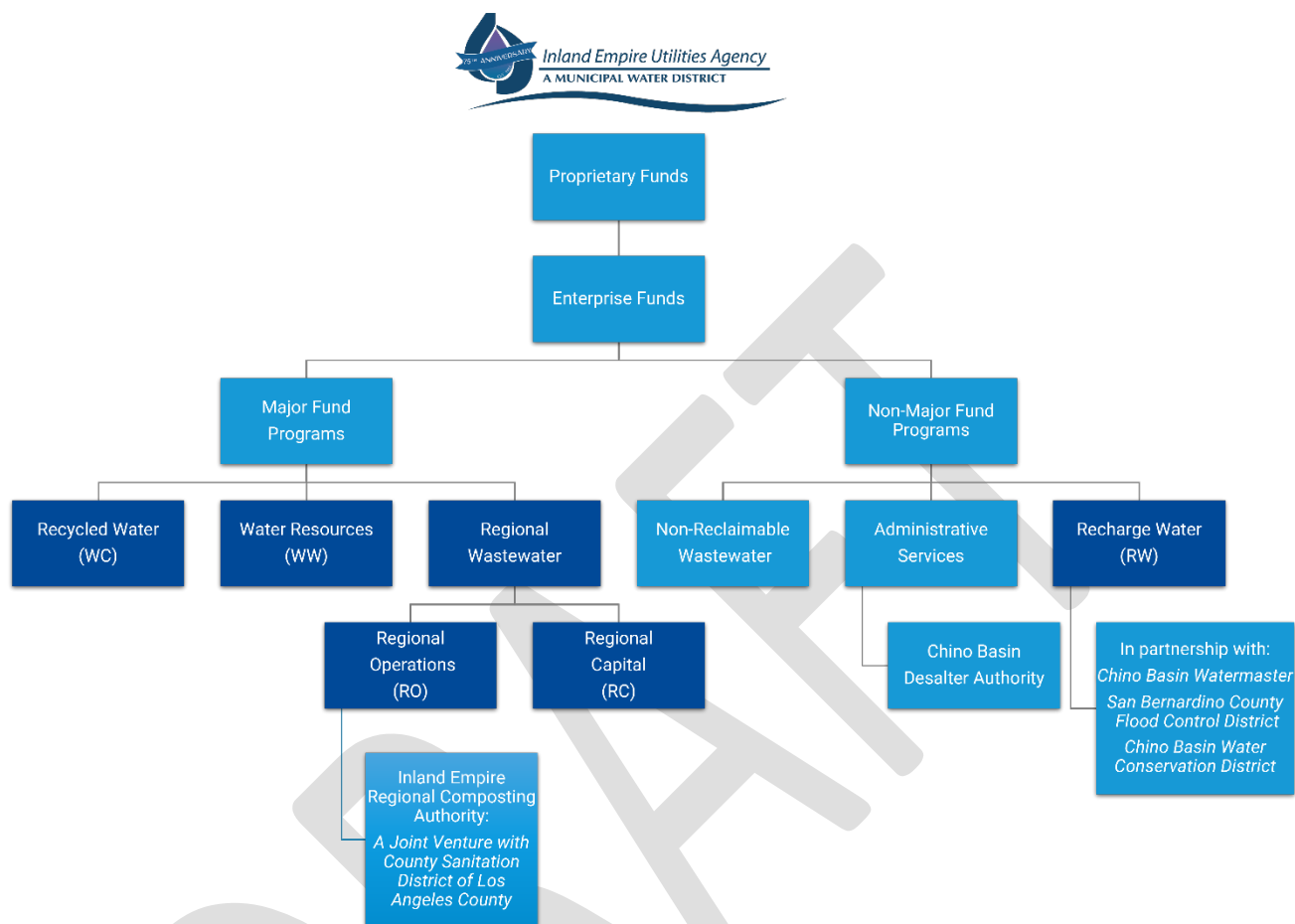
In 2024, IEUA commissioned Black & Veatch Corporation (Black & Veatch) to conduct a Cost-of-Service Study (Study). The Study comprises two efforts completed concurrently, the Wastewater Connection Fees and Monthly Wastewater Service Rates Study and a One Water Connection Fees, Monthly MEU Rates and Recycled Water and Groundwater Recharge Service Rates Study. The results of the cost-of-service (COS) analysis is presented herein as the *Cost of Service and Rates for Fiscal Years 2025/26 & 2026/27* document (Report).

Figure 2-2 illustrates the major and non-major fund programs offered by IEUA. The dark blue boxes represent those that are the focus of this Study. Black & Veatch has been tasked with updating seven rates and fees that support operational and capital activities across five funds:

- Regional Wastewater Operations (RO)
- Regional Wastewater Capital (RC)
- Recycled Water (WC)
- Water Resources (WW)
- Recharge Water (RW)



Figure 2-2 IEUA Major and Non-Major Fund Programs



## Legislative Overview

The following is an overview of certain legislative requirements regarding the establishment of fees and charges in California.<sup>1</sup> Although IEUA is not subject to the requirements of Proposition 218, the Retail Agencies are, and as such, a summary of this legislation is included.

### 2.1.1 Proposition 26

California Proposition 26 was enacted on November 2, 2010, and redefines many fees as taxes, making it more challenging for governments to impose certain charges without voter approval. This proposition applies broadly to various fees and charges, including those imposed by wholesale providers.

For wholesale providers, Proposition 26 may affect how they can set rates and impose charges. Although the proposition casts a very broad definition for “fees and charges,” there is explicit language that states that a fee is not a tax if it is “imposed for a specific benefit conferred or privilege granted directly to the payor” (California Constitution article XIII A, § 3(b)(1) and *id.* art. XIII C, § 1e(1)). Further the

<sup>1</sup> Black & Veatch is not a law firm and does not offer legal advice. The Agency should discuss these views with Counsel.

law states that the fee is not a tax (and therefore, exempt from the 2/3 voter approval requirement) if the government provides that the amount of the fee “is no more than necessary to cover the reasonable costs of the governmental activity,” and “the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity” (California Constitution article XIII A, § 3(d), and *id.* art. XIII C, § 1(e)).

As a wholesale agency, IEUA’s rates need to meet the requirements of Article XIII of the California Constitution as amended by Proposition 26. The rates are considered to be fees for a specific service or benefit conferred and are therefore exempt from the approval requirements of taxes. However, to maintain that status, the rates charged must be proportionally allocated to payors, bearing a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the service provided. To meet these requirements, it is important that the rates appropriately recover costs from each user, establishing a reasonable nexus between the costs of providing the service, the level of service that each user receives, and the fees or rates that they are charged.

### 2.1.2 Proposition 218

Proposition 218, (California Constitution Articles XIII C and D), which was passed by the voters in November 1996 and became an Amendment to the California Constitution, requires that a City or District follow certain procedures with regard to water and sewer rate increases.

Proposition 218 imposes procedural requirements for adopting new or increased rates for property-related fees under Proposition 218. Proposition 218 states that the utility must hold a public hearing to consider the proposed rates and provide written notice to all customers at least 45 days before the hearing. Any property owner or tenant directly liable to the public agency for payment of the property-related fees may submit a written protest to the new or increased rates until the close of the public hearing. The governing body may not adopt the proposed new or increased rates if property owners or tenants directly liable for payment submit written protests on behalf of more than 50% of the properties upon which the proposed rates may be imposed.

With respect to the Retail Agencies, the typical City or District’s sewer rates are based upon 1.) pass-through treatment cost agreements that are set by IEUA, and 2.) expenses incurred by the City to operate and maintain the wastewater collection system that transports the wastewater from the customers’ properties to the IEUA treatment facilities. The proposed rates are calculated based on cost of service and posted in a Notice as part of a Proposition 218 Process conducted by the respective City or District.

Proposition 218 requires that the Retail Agencies provide all properties receiving the service for which the fee is charged with a minimum of 45 days written notice prior to the governing Council or Board holding a public hearing on a proposed rate increase. The Notice states the date of the proposed Public Hearing and contains the schedule of rates being proposed.

Proposition 218 also requires the Notices be mailed by first class mail. The property owners and tenants can “protest” the proposed rate increase until the close of the public hearing. However, only one protest vote per parcel will be accepted. If a majority of the parcels do not protest the proposed increase, the Retail Agency’s Council or Board has the authority to implement the proposed rate increase.

### 2.1.3 Assembly Bill 1600

Connection fees are a method by which local agencies can impose charges to offset the costs of new customers connecting to their water, wastewater, or other utility or infrastructure systems. Connection fees are governed by California Government Code §66000, which provides a legal framework for the applicability, assessment, and imposition of connection fees. There are various methods to calculate connection fees, and the most appropriate method for any system is dictated by the system's specific characteristics. A connection fee is imposed on new connections to recover a fair and equitable share of the costs of capacity within the utility facilities. A key tenet in adopting these connection fees is: "growth pays for growth." This means that the costs associated with building or maintaining excess capacity to serve new customers ultimately should be borne by those new users who benefit from this available capacity characteristics.

A connection fee that is levied on users of a water utility is subject to the requirements of Chapter 13.7 (commencing with Section §54999) of Part 1 of Division 2 of Title 5 of the California Government Code relating to the imposition of charges on customers that are public agencies. Connection fees are also subject to the requirements of Government Code §66013.

- Connection fees are "charges for facilities in existence at the time the charge is imposed or charges for new facilities to be constructed in the future, which are of benefit to the person or property being charged."
- Section §66013 provides that connection fees "shall not exceed the estimated reasonable cost of providing the service for which the fee or charge is imposed." Section §54999.7 establishes a similar cost-of-service requirement.
- As determined by *Richmond v. Shasta Community Services Dist.* (2004) 32 Cal. 4th 409, Connection fees are not subject to the provisions of California Constitution article XIII D (Proposition 218).

## 2.2 Study Considerations

This Study period for the proposed rates and fees is for two years to incorporate adjustments to labor costs and staffing and changes to the capital plan. This Study period does not address long term funding and cost allocations for the Chino Basin Program, which is currently in planning and will be funded through grants and property tax reserves during the Study Period. In addition, it is anticipated that a five-year rates and connection fees study will be conducted by IEUA that incorporates both the Chino Basin Program and information pertaining to wastewater operations from a California Association of Sanitation Agencies (CASA) comprehensive report on flow and loadings.

The Chino Basin Program was created to deliver benefits to both the state of California and the IEUA service area through water exchange, advanced treatment to improve water quality, a new recycled water supply, and new infrastructure and upgrades. New infrastructure and upgrades will provide capital improvement projects identified in long-range plans. These investments will provide advanced treated recycled water for storage and beneficial use in the Chino Groundwater Basin. The program is projected to begin phasing in operations in 2031.

## 3.0 Regional Wastewater Program Revenues & Revenue Requirements

### 3.1 System Overview

The Agency's Wastewater Program provides wastewater-related services to seven sewage collection agencies: cities of Chino, Chino Hills, Fontana, Montclair, Ontario, Upland, and Cucamonga Valley Water District. The Agency owns and maintains the regional sewerage system which includes 89 miles of regional sewage interceptors and five regional water recycling plants. The plants provide tertiary treatment that meet or exceed all California Department of Public Health Services Title 22 regulations and Resources Water Quality Control Board's waste discharge permit requirements.

The regional water recycling plants are located within the service area and consist of the following:

- Regional Water Recycling Plant No. 1 (RP-1): Hydraulic wastewater treatment capacity of 44 million gallons per day (mgd).
- Regional Water Recycling Plant No. 2 (RP-2): Solids are removed from Carbon Canyon Water Recycling Facility and RP-5 and treated at RP-2.
- Regional Water Recycling Plant No. 4 (RP-4): Hydraulic wastewater treatment capacity of 14 mgd.
- Regional Water Recycling Plant No. 5 (RP-5): Hydraulic wastewater treatment capacity of 16.3 mgd.
- Carbon Canyon Water Recycling Facility (CCWRF): Hydraulic wastewater treatment capacity of 11.4 mgd.

### 3.2 Wastewater Revenues

To meet the costs associated with providing wastewater-related services to the sewage collection agencies, the Wastewater Program through the Regional Wastewater Operations Fund (RO Fund) and Regional Wastewater Capital Fund (RC Fund) derive revenue from a variety of sources including the monthly equivalent dwelling unit (EDU) rate, property taxes, connection fees, cost reimbursements, lease revenues, other revenues, and interest earned from the investment of available funds. Black & Veatch has projected the level of future revenue generated in the Study through a combination of an analysis of historical and future system growth in terms of number of EDUs.

#### 3.2.1 EDU Projections

Based on a review of historical growth patterns and projections by the sewage collection agencies, the projected total number of EDUs for the RO Fund are expected to increase an average of 0.5% per year and the RC Fund are expected to increase an average of 4.8% per year for the Study Period. The difference is that RO Fund represents actual EDUs contributing sewage flow, while the RC Fund represents paid connection but not necessarily connected. Each sewage collection agency anticipates different growth patterns within their services area; therefore, each sewage collection agency provides an estimate of EDUs over a 10-year period to the Agency.

Table 3-1 summarizes the projected RO Fund EDUs for the regional sewerage system. Table 3-2 summarizes the projected RC Fund EDUs for the regional sewerage system.

**Table 3-1 RO Fund Number of EDUs**

Line No.	Description	FY 2024/25 (EDUs)	FY 2025/26 (EDUs)	FY 2026/27 (EDUs)
<b>Equivalent Dwelling Units</b>				
1	City of Chino	395,246	397,222	399,208
2	City of Chino Hills	311,019	312,574	314,137
3	City of Fontana	713,905	717,475	721,062
4	City of Montclair	145,540	146,268	146,999
5	City of Ontario	855,904	860,184	864,485
6	City of Upland	328,546	330,189	331,840
7	Cucamonga Valley Water District	844,521	848,744	852,988
<b>8</b>	<b>Total Annual</b>	<b>3,594,681</b>	<b>3,612,656</b>	<b>3,630,719</b>
9	Total Monthly	299,557	301,055	302,560

**Table 3-2 RC Fund Number of EDUs**

Line No.	Description	FY 2024/25 (EDUs)	FY 2025/26 (EDUs)	FY 2026/27 (EDUs)
<b>Equivalent Dwelling Units</b>				
1	Sewage Collection Agencies	3,000	3,296	3,289
<b>2</b>	<b>Total Annual</b>	<b>3,000</b>	<b>3,296</b>	<b>3,289</b>

### 3.2.2 Revenue Under Existing Rates

The regional wastewater system growth and available wastewater capacity are reported in EDUs. Monthly wastewater service charges support the Regional Wastewater Program costs for O&M, capital replacement and rehabilitation (R&R) projects based on the Agency’s capital improvement plan, and related debt service costs.

#### 3.2.2.1 Wastewater Service Rates

Following a review of the Monthly Wastewater Service Rates in 2019, a two-year rate was proposed and approved for FY 2020/21 and FY 2021/22, with a provision to reevaluate the rates again once the California Association of Sanitation Agencies’ (CASA) Flow and Loading study has been completed. Since the Flow and Loading Study is still in development (anticipated completion in mid-2025), a one-year rate was proposed and approved for FY 2022/23 in May 2022 and a subsequent two-year rate was proposed and approved for FY 2023/24 and FY 2024/25 in March 2023. Table 3-3 shows the adopted multi-year monthly wastewater service rates.

**Table 3-3 Historic and Existing Monthly Wastewater Service Rates**

Fund	Rate	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Wastewater Operations	Monthly Wastewater (EDU)	\$20.00	\$21.22	\$21.86	\$23.39	\$24.79

The monthly equivalent dwelling unit rate serves as the primary source of revenue for the RO Fund. Other revenue sources include property taxes, cost reimbursements, lease revenues, and interest earned from the investment of available funds. The level of future rate revenue incorporates the projected system growth multiplying the number of EDUs by the EDU rate. The RO Fund bills the uniform EDU rate to all sewage collection agencies monthly. In turn, the sewage collection agencies bill their customers.

### 3.2.2.2 Wastewater Connection Fees

The Wastewater Connection Fees are a one-time fee on new connections or tenant improvements to the Agency’s regional wastewater system to support timely capacity expansion and improvement to meet future growth and economic development throughout the region. The regional wastewater connection is planned and designed using an EDU, or an average single-family residential unit, as the basis. Connection fees are restricted to finance capital acquisition, construction, equipment, and process improvement costs for the Agency’s regional wastewater system. Pursuant to the Regional Wastewater Ordinance and Regional Sewage Service Contract, new wastewater connection fees are collected by each of the sewage collection agencies and held in trust in a Capital Capacity Reimbursement Account (CCRA) until requested, or “called,” by the Agency. Connection fee payments of CCRA funds, or capital calls, are based on the identified and projected capital needs of the Agency over the ensuing nine months, as calculated and reported by IEUA each quarter. Capital calls are calculated based on the percentage of each sewage collection agency’s CCRA account balance relative to the aggregate amount. Table 3-4 shows the adopted multi-year connection fees from March 2023.

**Table 3-4 Historic and Existing Wastewater Connection Fee**

Fund	Rate	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Wastewater Capital	Wastewater Connection Fee (EDU)	\$6,955	\$7,379	\$7,600	\$8,132	\$8,620

### 3.2.2.3 Revenues Generated

Table 3-5 summarizes the RO Fund projected rate revenue under existing rates. As shown, the revenue generated is anticipated to increase in conjunction with the increase in number of EDUs. The projected annual rate revenue increases from \$89.1M in FY 2024/25 to \$90.0M in FY 2026/27.

**Table 3-5 RO Fund Rate Revenue under Existing EDU Rate**

Line No.	Description	FY 2024/25	FY 2025/26	FY 2026/27
		(\$)	(\$)	(\$)
<b>Revenue</b>				
1	City of Chino	9,798,100	9,847,100	9,896,400
2	City of Chino Hills	7,710,200	7,748,700	7,787,500
3	City of Fontana	17,697,700	17,786,200	17,875,100
4	City of Montclair	3,607,900	3,626,000	3,644,100
5	City of Ontario	21,217,900	21,324,000	21,430,600
6	City of Upland	8,144,700	8,185,400	8,226,300
7	Cucamonga Valley Water District	20,935,700	21,040,400	21,145,600
<b>8</b>	<b>Total</b>	<b>\$89,112,200</b>	<b>\$89,557,800</b>	<b>\$90,005,600</b>



Table 3-6 summarizes the projected connection fee revenue under existing fees. As shown, the revenue generated is anticipated to increase in conjunction with the increase in the number of EDUs. The projected connection fee revenue increases from \$25.9M in FY 2024/25 to \$28.3M in FY 2026/27.

**Table 3-6 RC Fund Rate Revenue under Existing Connection Fee**

Line No.	Description	FY 2024/25	FY 2025/26	FY 2026/27
		(\$)	(\$)	(\$)
<b>Revenue</b>				
1	Sewage Collection Agencies	25,859,500	28,411,300	28,349,100
<b>2</b>	<b>Total</b>	<b>\$25,859,500</b>	<b>\$28,411,300</b>	<b>\$28,349,100</b>

Note: Values may differ due to rounded.

### 3.2.3 Other Revenues

Other revenue sources include property taxes, cost reimbursements, lease revenues, and interest earned from the investment of available funds. The largest non-debt contributor is property taxes. The Agency receives an allocated share of San Bernardino County’s 1% general property tax and “pass-through” taxes. The RO Fund’s share of the total property taxes represents 23%. The RC Fund’s share of the total property taxes represents 65%, resulting in 88% of the Agency’s property tax proceeds being dedicated to wastewater operations and capital programs.

Table 3-7 summarizes the RO Fund projected other revenues and Table 3-8 summarizes the RC Fund projected other revenues. Property taxes are expected to increase in FY 2025/26 based on an increase in assessed values and growth.

**Table 3-7 RO Fund Other Revenue**

Line No.	Description	FY 2024/25	FY 2025/26	FY 2026/27
		(\$)	(\$)	(\$)
<b>Other Operating Revenue</b>				
1	Cost Reimbursement JPA	4,874,700	5,020,900	5,171,500
2	Contract Cost Reimbursement	5,000	5,000	5,000
3	Interest Revenue	1,400,000	2,200,000	2,400,000
4	Property Tax - Debt and Capital	18,876,800	21,262,200	21,989,100
5	Other Revenues	80,000	80,000	80,000
<b>6</b>	<b>Total</b>	<b>\$25,236,500</b>	<b>\$28,568,100</b>	<b>\$29,645,600</b>

**Table 3-8 RC Fund Other Revenue**

Line No.	Description	FY 2024/25	FY 2025/26	FY 2026/27
		(\$)	(\$)	(\$)
<b>Other Operating Revenue</b>				
1	Interest Revenue	3,144,500	2,500,000	2,000,000
2	Property Tax - Debt and Capital	53,347,600	60,088,900	62,143,000
3	Revenue Bonds	47,763,700	264,952,300	31,724,100
4	State Loans	13,450,800	17,028,500	0
5	Other Revenues	1,000	1,000	1,000
6	Loan Transfer from Internal Fund	5,500,000	5,105,000	0
<b>7</b>	<b>Total</b>	<b>\$123,207,600</b>	<b>\$349,675,700</b>	<b>\$95,868,100</b>

### 3.3 Wastewater Revenue Requirements

This section projects the expenses, or revenue requirements, necessary to operate and maintain, invest in capital improvement projects, make debt service payments, and cover other expenses of the regional sewerage system.

#### 3.3.1 Operations and Maintenance Expense

Table 3-9 summarizes the RO Fund’s projected O&M expense for the Study Period. These expenses include costs related to salaries and wages, materials and supplies, contract services, chemicals, biosolids recycling, etc. The RO Fund anticipates that all O&M expenditures will increase on average 7% per year from the FY 2024/25 budget. Black & Veatch used Agency’s staff analysis and knowledge for projecting expenses. The midyear budget in FY 2024/25 is the basis for considering O&M expenses that need to be covered by future rates.

**Table 3-9 RO Fund O&M Expenses**

Line No.	Description	FY 2024/25	FY 2025/26	FY 2026/27
		(\$)	(\$)	(\$)
<b>Operation and Maintenance</b>				
1	Employment Expenses	46,055,300	50,735,900	55,680,300
2	Contract Work/Special Projects	7,374,400	5,989,500	5,078,700
3	Utilities	11,837,200	12,357,100	14,393,800
4	Operating Fees	3,503,500	3,238,200	3,400,200
5	Chemicals	12,293,600	13,995,500	14,877,500
6	Professional Fees and Services	4,490,700	4,502,600	4,624,100
7	Office and Administrative expenses	300	300	300
8	Biosolids Recycling	5,811,100	6,034,700	6,538,900
9	Materials & Supplies	2,822,800	2,971,500	3,098,400
10	Other Expenses	7,309,100	8,385,400	9,215,500
<b>11</b>	<b>Total</b>	<b>\$101,498,000</b>	<b>\$108,210,700</b>	<b>\$116,907,700</b>

As exhibited in Table 3-9, the projected expenses are expected to increase by about \$6.7M in FY 2025/26 and \$8.7M in FY 2026/27 when compared to the previous fiscal year. The cost drivers associated with these increases are summarized as follows:

- Employment expense increases driven by new full-time equivalents (FTEs) for treatment operations support and overall labor cost escalations.
- Utilities increases driven by a new Membrane Bioreactor process at RP-5 and utility cost escalations.
- Chemical cost increases associated with new Membrane Bioreactor at RP-5, chemical cost escalation, and chemical usage increases due to regional growth.

Table 3-10 summarizes the RC Fund’s projected O&M expense for the Study Period. These expenses include costs related to salaries and wages, materials and supplies, contract services, operating fees, etc. The RC Fund anticipates that all O&M expenditures will increase on average 15% per year from the FY 2024/25 budget. Black & Veatch examined historical expenditures, industry indices, and Agency’s staff knowledge for projecting expenses. The midyear budget in FY 2024/25 is the basis for considering O&M expenses that need to be covered by future rates.



**Table 3-10 RC Fund O&M Expenses**

Line No.	Description	FY 2024/25	FY 2025/26	FY 2026/27
		(\$)	(\$)	(\$)
<b>Operation and Maintenance</b>				
1	Employment Expenses	5,185,800	6,084,400	6,676,200
2	Contract Work/Special Projects	306,000	810,000	810,000
3	Operating Fees	282,400	282,200	290,600
4	Professional Fees and Services	656,300	643,400	726,700
5	Other Expenses	2,665,600	3,114,400	3,423,600
<b>6</b>	<b>Total</b>	<b>\$9,096,100</b>	<b>\$10,934,400</b>	<b>\$11,927,100</b>

As exhibited in Table 3-10, the projected expenses are expected to increase by about \$1.8M in FY2025/26 and \$1.0M in FY 2026/27 when compared to the previous fiscal year. The cost drivers associated with these increases are summarized as follows:

- Employment expense increases driven by new FTEs and labor cost escalations.
- General and Administrative expense increases driven by inflationary cost escalations.

### 3.3.2 Debt Service Requirements

Table 3-11 summarizes the RO Fund’s existing debt service obligations and Table 3-12 summarizes the RC Fund’s existing debt service obligations. These tables show both principal and interest requirements on the existing debt over the Study Period. It is common practice for utilities to utilize debt to finance multi-year capital improvement projects, but financing options will depend on the Fund’s financial conditions. By financing the cost of the projects, the RO Fund and RC Fund can finance major projects immediately and spread the payment over a specified time frame.

The RO Fund has two outstanding bonds/loans:

- 2017 A Revenue Bond, and
- State Revolving Fund (SRF) Loan - New Operations Lab.

The calculation of the debt service coverage ratio is calculated as a total Agency and not by individual fund. In the Study Period, the RO Fund anticipates issuing a new Revenue Bond in FY 2026/27 for \$89.25M. The bond receipts will help cover multiple capital projects.

**Table 3-11 RO Fund Debt Service**

Line No.	Description	FY 2024/25	FY 2025/26	FY 2026/27
		(\$)	(\$)	(\$)
<b>Long-Term Debt</b>				
1	Financial Expenses	500	700	500
2	Interest	547,500	521,600	494,700
3	Principal	873,600	899,600	926,600
<b>4</b>	<b>Total</b>	<b>\$1,421,600</b>	<b>\$1,421,900</b>	<b>\$1,421,800</b>

The RC Fund has eight outstanding bonds/loans:

- 2017 A Revenue Bond,
- 202A Revenue Bonds,
- 2020B Revenue Bonds,
- Water Infrastructure Finance and Innovation Act (WIFIA) Loans – RP-5 Expansion,

- WIFIA Loan – Wastewater Improvements,
- SRF – RP-1 Dewatering,
- SRF – RP-5 Expansion, and
- City of Fontana Lift Station and Force Main Improvements Loans.

The calculation of the debt service coverage ratio is calculated as a total Agency and not by individual fund. Table 3-2 shows both principal and interest requirements on the existing debt over the Study Period. In FY 2025/26 the RC Fund will draw \$196.4 million from the RP-5 Expansion WIFIA loan to pay down the 2020B Revenue Bonds. An additional SFR loan for \$17M is also budgeted for FY 2025/26.

**Table 3-12 RC Fund Debt Service**

Line No.	Description	FY 2024/25	FY 2025/26	FY 2026/27
		(\$)	(\$)	(\$)
<b>Long-Term Debt</b>				
1	Financial Expenses	11,200	9,100	8,300
2	Interest	2,781,400	5,438,100	7,234,900
3	Principal	5,149,600	201,756,700	9,923,600
<b>4</b>	<b>Total</b>	<b>\$7,942,200</b>	<b>\$207,203,900</b>	<b>\$17,166,800</b>

### 3.3.3 Capital Improvement Program

The Agency develops a Ten-Year Capital Improvement Plan (TYCIP) on an annual basis to identify system needs including routine inspections, maintenance, replacement and rehabilitation, and expansion requirements. The TYCIP includes the Ten-Year Sewer Capital Forecast (TYSCF) which solely identifies wastewater capital projects as required in the Regional Sewage Service Contract and Ordinance No. 114. The Agency funds the TYCIP through a combination of rate revenue, property taxes, which together represent pay-as-you-go (PAYGO) and debt financing.

These are necessary investments in the regional sewerage system to keep up with regulatory requirements. Staff prioritizes investments each year according to the greatest need and works within these means to maintain a high level of service while containing costs. Deferring capital for long periods of time is not an industry-recognized best management practice. Long-term deferral results in overall higher operating costs due to emergency responses needed to address minor and major failures with an aging system.

Table 3-13 summarizes the RO Fund’s TYCIP for FY 2025/26 and FY 2026/27. The RO Fund is projecting a total \$62.0M over the Study Period, which includes both capital and replacement projects. The staff identified short-term capital facilities needs for the system and developed a schedule and costs for the projects. Key projects identified are SCADA Enterprise System, RP-1 Intermediate Pump Station Electrical, RP-1 Primary Clarifier #1 through #10, and RP-1 Secondary System Rehabilitation.

**Table 3-13 RO Fund Capital Improvement Projects**

Line No.	Description	FY 2025/26	FY 2026/27
		(\$)	(\$)
<b>Capital Improvement Program</b>			
1	SCADA Enterprise System	5,000,000	3,600,000
2	RP-1 Secondary System Rehabilitation	1,000,000	3,000,000
3	RP-1 Energy Recovery	750,000	1,500,000
4	RP-4 Process Improvements Phase II	3,000,000	5,000,000
5	RP-1 Filter Effluent Structure #2 Rehab	700,000	1,000,000
6	RP-1 Evaporative Cooling for Aeration Block	750,000	0
7	RP-1 Repurpose Lab	1,250,000	0
8	RP-1 Intermediate Pump Sta. Electrical	2,000,000	5,000,000
9	RP1 Device Net Replacement	1,000,000	250,000
10	CCWRF Aeration Basins 1-6 Drain Valves	250,000	2,000,000
11	CCWRF RAS Header Replacement	750,000	350,000
12	CWRF HVAC System Upgrade	1,000,000	2,000,000
13	CCWRF Influent Box Rehab at the Primary	2,000,000	1,000,000
14	RP-1 Dewatering Centrate Pumps	600,000	0
15	RP3 Regional Sewer Diversion Structure	800,000	300,000
16	RP-1 Primary Clarifier #1 Through #10 Rehab	2,000,000	3,000,000
17	Chino Hills Trunk-014 Sewer Siphon CIPP	150,000	0
18	SSI Aeration Disk Replace RP1_RP4_RP5	200,000	1,100,000
19	CCWRF Primary Clarifier Coating	1,000,000	200,000
20	Asset Management Software	500,000	150,000
21	CCWRF Electrical Improvements	700,000	500,000
22	Agency Wide VFD Upgrades WW FY2526	50,000	1,000,000
23	Control System Ent Historian Enhancement	250,000	250,000
24	Recurring Regional Sewer Manhole Procurement	100,000	100,000
25	RP-1 Headworks Influent Channel Rehabilitation	300,000	1,500,000
26	SCADA Infrastructure Asset Replacement	550,000	550,000
27	Agency Wide Major Facilities Repair/Replacement	1,000,000	1,000,000
<b>28</b>	<b>Total</b>	<b>\$27,650,000</b>	<b>\$34,350,000</b>

Table 3-14 summarizes the RC Fund’s TYCIP for FY 2025/26 and FY 2026/27. The RC Fund is projecting a total \$180.0M over the Study Period, which includes both capital and replacement projects. The staff identified short-term capital facilities needs for the system and developed a schedule and costs for the projects. Key projects identified are RP-5 Expansion, RP-5 Biosolids Facility, RP-1 Thickening Building, RP-1 Solids Treatment Rehabilitation, and Development & Early Design Compliance Advanced Water Purification Facilities (Chino Basin Program).

**Table 3-14 RC Fund Capital Improvement Projects**

Line No.	Description	FY 2025/26	FY 2026/27
		(\$)	(\$)
<b>Capital Improvement Program</b>			
1	RP-1 Disinfection Pump Improvements	15,000	0
2	CCWRF Asset Management and Improvements	6,000,000	2,900,000
3	RP-1 Flare Improvements	15,000	0
4	RP-5 Expansion to 30 mgd	25,000,000	10,000,000
5	RP-5 Biosolids Facility	10,000,000	5,000,000
6	Regional Force Main Improvements	15,000	0
7	Montclair Force Main Improvements	3,000,000	4,000,000
8	RP-1 Air Compressor Upgrades	2,500,000	2,500,000
9	RP-1 Thickening Building & Acid Phase Digester <sup>1</sup>	25,000,000	35,000,000
10	RP-1 Solids Treatment Rehabilitation	3,000,000	4,000,000
11	Fall Protection and Prevention Solutions	900,000	1,000,000
12	BonView Sewer Jacked Casing Union Pacific	15,000	0
13	REEP Return to Service Capital	500,000	3,000,000
14	Agency Wide Remote Vibration Project	250,000	150,000
15	Caltrans IEUA Collections Sewer I-10 Relocation	300,000	0
16	CCWRF Process Improvements Phase II	0	500,000
17	Development & Early Design Compliance WF	13,200,000	17,000,000
18	Regional Sewer System Critical Manhole Replacement	1,630,000	0
19	RP-5 Emergency Overflow Pond Lining	0	500,000
20	Failure Analysis Equipment Procurement	10,000	10,000
21	Regional Sewer System Manhole Upgrades FY 25/26	500,000	500,000
22	RP-2 Maintenance Trailers and Showers Installation	500,000	1,000,000
23	RP-5 Spare Part Storage Building Improvements	150,000	100,000
24	HQ Solar Photovoltaic Power Plants Ph. 2	0	300,000
<b>25</b>	<b>Total</b>	<b>\$92,500,000</b>	<b>\$87,460,000</b>

### 3.3.4 Transfers

The RO Fund and RC Fund perform various transfers each fiscal year to and from the Funds and to and from the Agency’s other funds. Since such transfers do not represent direct operating expenses, Black & Veatch includes these costs as “below-the-line” (i.e., after the payment of debt service) cash flow items and not included as O&M expenses in the calculation of projected debt service coverage.

Table 3-17, presented in Section 3.5, summarizes the RO Fund transfers on an annual basis through the Study Period. The following provides a brief description of the transfers.

- **Capital Contributions:** These transfers are to the RC Fund to provide support for specific portions of the CIP executed by the RC Fund.
- **Debt Service:** These transfers are for fund-specific portions of debt service costs related to bonds and loans used to support capital projects. Specifically, the RO Fund reimburses the WC Fund for its share of the SCADA Enterprise System project that was included in the Wineville State Revolving Fund.

- **Operations Support:** These transfers are provided to the Administrative Services Fund (GG Fund) for agency-wide non-capital projects. Specifically, the RO Fund covers 93.2% of the GG Fund's operating projects.
- **Capital – Connection Fees:** These transfers are from the RC Fund to support the capital acquisition, construction, and expansion of the regional sewerage system.

Table 3-18 presented in Section 3.5, summarizes the RC Fund transfers on an annual basis through the Study Period. The following provides a brief description of the transfers.

- **Capital Contributions:** These transfers provide support for specific portions of the Agency's CIP. Specifically, the RC Fund covers 93.2% of the GG Fund's capital projects.
- **Debt Service:** These transfers are for fund-specific portions of debt service costs related to the Agency's bonds and loans used to support capital projects. Specifically, the RC Fund reimburses the WC Fund for its share of the 2017A Revenue Bond, the RO Fund for its share of the SRF loan for the Water Quality Laboratory, and the RW Fund for its share of the 2020A Revenue Bond.
- **Capital – Connection Fees:** These transfers are to support the capital acquisition, construction, and expansion of the Agency's regional wastewater system.

### 3.3.5 Reserves

The RO Fund and RC Fund have an established reserve policy. Reserves are important in helping maintain good bond ratings, especially for a regional sewerage system composed of hundreds of millions of dollars of infrastructure to have the ability to secure funding for long-term projects that exceed the capacity of ratepayers to support on a PAYGO basis. The Agency's reserve policy established the following reserves designated for various activities for the RO Fund and RC Fund.

- **Operating Contingency:** Reserve represents funds to cover day-to-day expenses and maintain sufficient funds to cover unforeseen shortfalls in revenues or increases or operating costs. The minimum reserve requirement is to maintain a level equal to four (4) months and a target of six (6) months of total operating expenses.
- **Replacement and Rehabilitation (R&R):** Reserve represents funds used to maintain assets in an operating condition to meet the level of service commitment to provide reliable and high-quality services requires timely and adequate investment in R&R assets. The maximum target level is either equal to ten-year average of R&R costs times three (3) fiscal years or is equal to ten-year average of R&R PAYGO times three (3) fiscal years, as identified in the TYCIP. PAYGO is R&R costs net of bond or loan proceeds. The minimum target will be the total ten-year average R&R costs.
- **Capital Contribution:** Reserve represents funds used to finance capital investments such as planning, permitting, design, construction, improvement, or expansion of facilities and infrastructure, as well as acquisition of major equipment and technology. The target level will be reviewed annually for each program fund and will be equal to the ten-year average of PAYGO times three (3) fiscal years, as identified in the TYCIP. The minimum level is equal to the ten-year average of CIP PAYGO costs.

- Debt Service and Redemption:** Reserve represents funds required by bond covenants and loan agreements, debt service reserves are maintained to support payment of principal and interest on outstanding obligations. The target is equal to the highest annual debt service during the life of the obligation. The minimum level will be funded to meet next fiscal year debt service requirements.
- Sinking Fund:** Reserve represents funds for a specified time frame for the specific purpose of funding major capital projects that cannot be funded by rates/fees or issuance of new debt. The maximum target balance in the Sinking Fund Reserves shall be determined based on the designated capital needs as approved by Agency’s Board of Directors.

Regardless of the type of reserve, appropriate reserve levels help the RO Fund and RC Fund maintain a stable financial position and attain better bond ratings, which in turn leads to lower borrowing costs. Reserve levels are recommended to be funded at or near the fully funded level over the Study Period.

Table 3-15 summarizes the RO Fund reserve levels during the Study Period. Table 3-16 summarizes the RC Fund reserve levels during the Study Period.

**Table 3-15 RO Fund Reserve Balances**

Line No.	Description	FY 2024/25	FY 2025/26	FY 2026/27
		(\$)	(\$)	(\$)
<b>Reserves</b>				
1	Operating Contingency	33,369,200	35,576,100	38,435,400
2	Rehabilitation/Replacement	15,088,900	8,322,000	71,216,700
3	Debt Service & Redemption	1,421,200	1,421,300	6,866,500
4	Sinking Fund	36,415,000	36,415,000	36,415,000
<b>5</b>	<b>Total</b>	<b>\$86,294,300</b>	<b>\$81,734,400</b>	<b>\$152,933,600</b>

**Table 3-16 RC Fund Reserve Balances**

Line No.	Description	FY 2024/25	FY 2025/26	FY 2026/27
		(\$)	(\$)	(\$)
<b>Reserves</b>				
1	Operating Contingency	2,990,500	3,594,900	3,921,200
2	Capital Construction	121,614,800	139,054,900	109,915,300
3	Debt Service & Redemption	10,759,800	17,158,500	23,161,500
<b>4</b>	<b>Total</b>	<b>\$135,365,100</b>	<b>\$159,808,300</b>	<b>\$136,998,000</b>

### 3.4 Wastewater Program Summary of Revenues & Revenue Requirements

The RO Fund’s estimated financial performance during the Study Period is presented in Table 3-17. The RO Fund will need a series of revenue increases, starting at 9.0% in FY 2025/26 and 9.0% in FY 2026/27. These revenue adjustments are necessary to meet O&M, debt service, capital projects, transfers, and reserve requirements. The RC Fund’s estimated financial performance during the Study Period is presented in Table 3-18. The RC Fund will not need revenue increases to meet O&M, debt service, capital projects, transfers, and reserve requirements.



### 3.5 Projected Wastewater Program Operating Results

Table 3-17 summarizes the operating results of the RO Fund for the Study Period. The RO Fund cashflow consists of two parts: (1) Revenue and (2) Revenue Requirements.

#### Revenue

- Line 1 is the revenue under existing rates.
- Line 2 is the additional revenues generated from the required annual revenue increases. The additional revenue generated is a direct reflection of the number of months the increase is effective for, and therefore the amount might calculate at less than that stated amount.
- Line 3 is the total revenue generated from the existing rates and additional revenues.
- Lines 4 to 6 are the other operating revenues which includes cost reimbursements and interest income.
- Lines 8 to 10 are property taxes, leases, and debt financing.
- Line 12 is the total revenue.

#### Revenue Requirements

- Lines 14 and 15 are O&M expenses. Contract Work/Special Projects are the operating costs associated with TYCIP.
- Line 17 is the TYCIP reflecting a 90% execution rate.
- Line 19 is the long-term debt service payments.
- Lines 21 to 24 are the transfers to and from other funds.
- Line 26 is the total revenue requirements.
- Line 27 represents the net annual cash balance for the RO Fund. The annual cash balance is added to the funds available on hand to derive the net cumulative cash balance on Line 29. All the funds that are shown in Line 29 are redistributed to the four reserves shown in Table 3-15.

Table 3-17 RO Fund Financial Plan

Line No.	Description	Est. Actuals	Projected	
		FY 2024/25	FY 2025/26	FY 2026/27
		(\$)	(\$)	(\$)
<b>Revenue</b>				
Rate Revenue				
1	Revenue from Existing Rates	89,112,200	89,557,800	90,005,600
2	Increased Revenue Due to Adj	0	8,060,200	16,930,000
3	Subtotal Rate Revenue	\$89,112,200	\$97,618,000	\$106,935,600
Other Operating Revenue				
4	Cost Reimbursement JPA	4,874,700	5,020,900	5,171,500
5	Contract Cost Reimbursement	5,000	5,000	5,000
6	Interest Revenue	1,400,000	2,200,000	2,400,000
7	Subtotal Other Operating Rev	\$6,279,700	\$7,225,900	\$7,576,500
Other Financing Revenue				
8	Property Tax - Debt and Capital	18,876,800	21,262,200	21,989,100
9	Revenue Bonds	0	0	89,250,000
10	Other Revenues	80,000	80,000	80,000
11	Subtotal Capital Financing	\$18,956,800	\$21,342,200	\$111,319,100
<b>12</b>	<b>Total Revenue</b>	<b>\$114,348,700</b>	<b>\$126,186,100</b>	<b>\$225,831,200</b>
13	Total Rate Revenue less Debt Financing	\$114,348,700	\$126,186,100	\$136,581,200
<b>Revenue Requirements</b>				
Operating & Maintenance				
14	Operating Expenses	94,123,600	102,221,200	111,829,000
15	Contract Work/Special Projects	7,374,400	5,989,500	5,078,700
16	Subtotal Operating & Maintenance	\$101,498,000	\$108,210,700	\$116,907,700
Capital Projects				
17	Capital Improvement Projects	26,855,800	24,885,000	30,915,000
18	Total Capital Projects	\$26,855,800	\$24,885,000	\$30,915,000
Debt Service				
19	Financial Expenses, Principal & Interest	1,421,600	1,421,900	1,421,800
20	Total Debt Service	\$1,421,600	\$1,421,900	\$1,421,800
Transfers				
21	Capital Contribution	2,695,000	938,800	8,731,800
22	Debt Service	(114,300)	(114,300)	(114,300)
23	Operation support	834,000	1,415,900	784,600
24	Capital - Connection Fees Allocation	(4,299,100)	(6,012,000)	(4,014,600)
25	Total Transfers	(\$884,400)	(\$3,771,600)	\$5,387,500
<b>26</b>	<b>Total Revenue Requirements</b>	<b>\$128,891,000</b>	<b>\$130,746,000</b>	<b>\$154,632,000</b>
27	Net Annual Cash Balance	(14,542,300)	(4,559,900)	71,199,200
28	Beginning Fund Balance	100,371,000	85,828,700	81,268,800
29	Cumulative Fund Balance	\$85,828,700	\$81,268,800	\$152,468,000

Note: Capital Improvement Projects on Line 17 reflect a 90% execution rate.



Figure 3-1 presents the proposed RO Fund cash flow. The increase in revenue in FY 2026/27 is associated with the proposed issuance of debt.

**Figure 3-1 RO Fund Financial Plan**

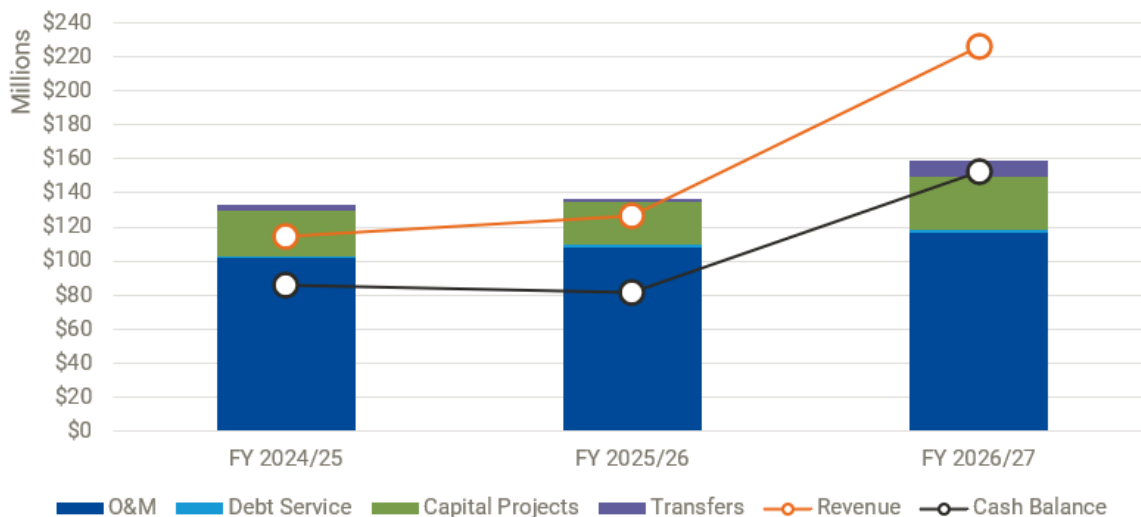


Table 3-18 summarizes the operating results of the RC Fund for the Study Period. The RC Fund cashflow consists of two parts: (1) Revenue and (2) Revenue Requirements.

**Revenue**

- Line 1 is the interest income.
- Line 3 is the property taxes.
- Line 4 is connection fees. In the analysis connection fees are not shown as connection fees need to be called from sewage collection agencies.
- Lines 5 to 9 are debt financing, other revenues, and interfund loans.
- Line 11 is the total revenue.

**Revenue Requirements**

- Lines 13 and 14 are O&M expenses. Contract Work/Special Projects are the operating costs associated with TYCIP.
- Line 16 is CIP associated with the IERCA.
- Line 17 is the TYCIP reflecting a 90% execution rate.
- Line 19 is the long-term debt service payments.
- Lines 21 to 23 are the transfers to and from other funds.
- Line 25 is the total revenue requirements.
- Line 26 represents the net annual cash balance for the RC Fund. The annual cash balance is added to the funds available on hand to derive the net cumulative cash balance on Line 28. All the funds that are shown in Line 28 are redistributed to the three reserves shown in Table 3-16.

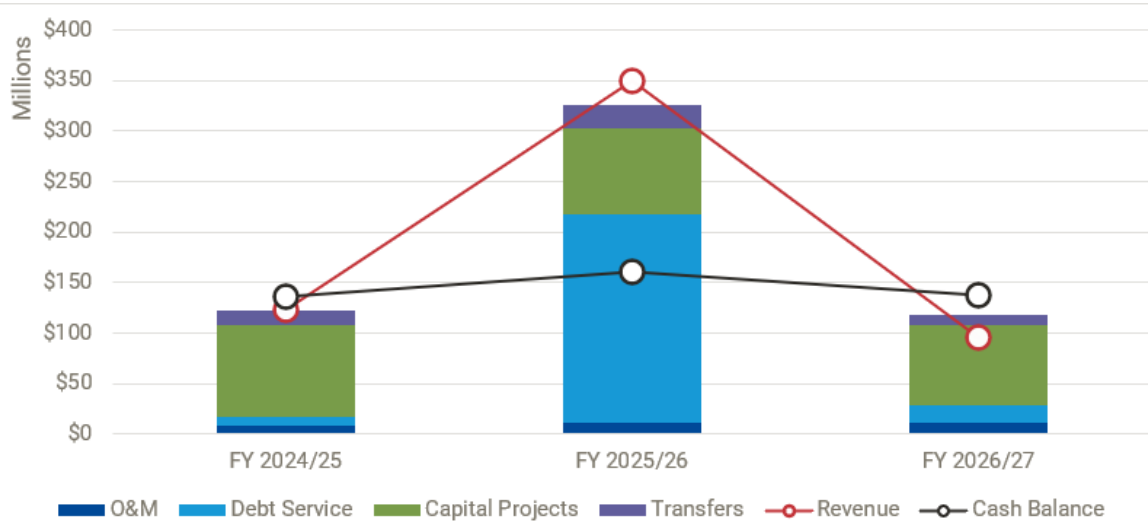
**Table 3-18 RC Fund Financial Plan**

Line No.	Description	Est. Actuals	Projected	
		FY 2024/25	FY 2025/26	FY 2026/27
		(\$)	(\$)	(\$)
<b>Revenue</b>				
Other Operating Revenue				
1	Interest Revenue	3,144,500	2,500,000	2,000,000
2	Subtotal Other Operating Rev	\$3,144,500	\$2,500,000	\$2,000,000
Other Financing Revenue				
3	Property Tax - Debt and Capital	53,347,600	60,088,900	62,143,000
4	Connection Fees	0	0	0
5	Revenue Bonds	47,763,700	264,952,300	31,724,100
6	State Loans	13,450,800	17,028,500	0
7	Grants	0	0	0
8	Other Revenues	1,000	1,000	1,000
9	Loan Transfer from Internal Fund	5,500,000	5,105,000	0
10	Subtotal Capital Financing	\$120,063,100	\$347,175,700	\$93,868,100
<b>11</b>	<b>Total Revenue</b>	<b>\$123,207,600</b>	<b>\$349,675,700</b>	<b>\$95,868,100</b>
12	Total Rate Revenue less Debt Financing	\$61,993,100	\$67,694,900	\$64,144,000
<b>Revenue Requirements</b>				
Operating & Maintenance				
13	Operating Expenses	8,790,100	10,124,400	11,117,100
14	Contract Work/Special Projects	306,000	810,000	810,000
15	Subtotal Operating & Maintenance	\$9,096,100	\$10,934,400	\$11,927,100
Capital Projects				
16	IERCA Investment	1,462,500	1,125,000	250,000
17	Capital Improvement Projects	89,656,200	83,250,000	78,714,000
18	Total Capital Projects	\$91,118,700	\$84,375,000	\$78,964,000
Debt Service				
19	Financial Expenses, Principal & Interest	7,942,200	207,203,900	17,166,800
20	Total Debt Service	\$7,942,200	\$207,203,900	\$17,166,800
Transfers				
21	Capital Contribution	3,138,300	10,009,800	428,000
22	Debt Service	3,281,000	3,265,600	2,711,900
23	Capital - Connection Fees Allocation	7,352,800	9,443,800	7,480,600
24	Total Transfers	\$13,772,100	\$22,719,200	\$10,620,500
<b>25</b>	<b>Total Revenue Requirements</b>	<b>\$121,929,100</b>	<b>\$325,232,500</b>	<b>\$118,678,400</b>
26	Net Annual Cash Balance	1,278,500	24,443,200	(22,810,300)
27	Beginning Fund Balance	134,086,600	135,365,100	159,808,300
28	Cumulative Fund Balance	\$135,365,100	\$159,808,300	\$136,998,000

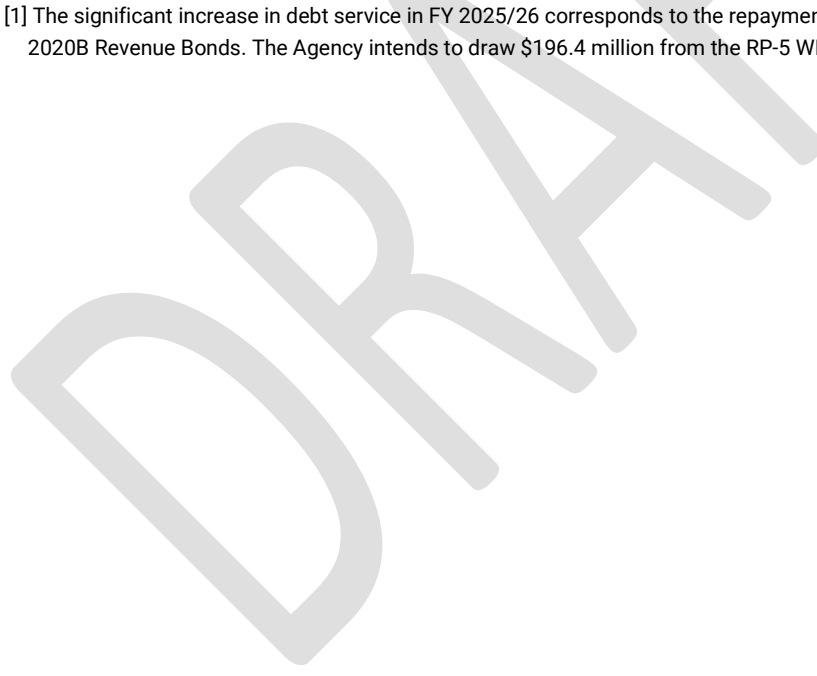
Note: Capital Improvement Projects on Line 17 reflect a 90% execution rate.

Figure 3-2 illustrates the projected cash flow for the RC Fund. The increase in revenue in FY 2025/26 is due to proposed draw from the RP-5 Expansion WIFIA loan to refinance the 2020B Revenue Bonds.

**Figure 3-2 RC Fund Financial Plan**



[1] The significant increase in debt service in FY 2025/26 corresponds to the repayment of the outstanding principal of the 2020B Revenue Bonds. The Agency intends to draw \$196.4 million from the RP-5 WIFIA loan to accomplish this.

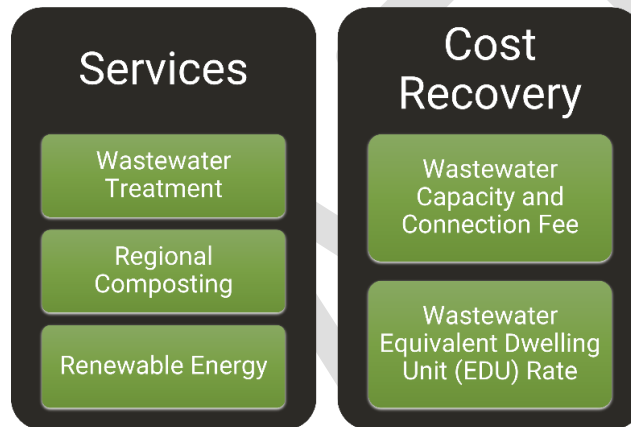


## 4.0 Wastewater Program Cost of Service Allocations

The cost-of-service analysis is the middle step of three that forms the basis for how a utility sets its rates. At the cost-of-service stage, we identify how different customer types are using the wastewater systems. The types of service being provided are cost drivers and the cost-of-service step is where we develop the nexus between how the systems are designed and operated and how customers are using the systems. For the Agency, the different wastewater-related services provided to the sewage collection agencies are categorized into specific funds, and the costs associated with providing those services are allocated to these funds via timecards, direct charges (for expenses), and indirect cost allocations for general and administrative functions.

Figure 4-1 illustrates the relationship between the wastewater services provided by the Wastewater Program and the rates and fees that are developed to recover these costs.

**Figure 4-1 Cost Nexus between Service and Rates and Fees**



## 5.0 Proposed Wastewater Rates and Fees

The initial consideration in the derivation of rate schedules for wastewater-related services is the establishment of equitable rates to the sewage collection agencies that are commensurate with the cost of providing that service. While the cost-of-service allocations should not be construed as literal or exact determinations, they offer a guide to the necessity for, and the extent of, rate adjustments. Practical considerations sometimes modify rate adjustments by considering additional factors such as the extent of bill impacts, existing contracts, and historical local policies and practices.

### 5.1 Existing and Proposed EDU Rate

The RO Fund’s existing rate collected from all retail sewage collection agencies consists of a fixed monthly EDU rate. Table 3-3 presented earlier in this report summarized the existing EDU rate. The proposed rate will retain the same structure but change in value over the Study Period. The EDU rate is designed to recover 100% of the costs identified in the financial plan. Understanding that the rate is solely based on all EDUs, then all costs are incorporated into the EDU rate.

Table 5-1 shows the two-year EDU rate, based on unit costs in future years.

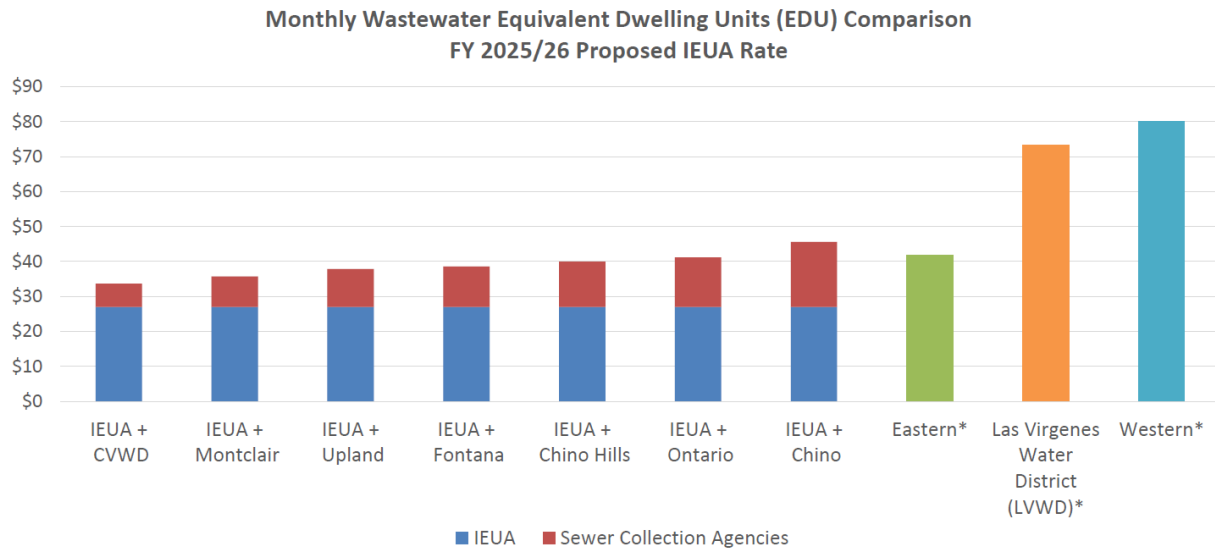
**Table 5-1 Proposed EDU Rate**

Description	FY 2025/26 (\$/EDU)	FY 2026/27 (\$/EDU)
<b>Monthly EDU Rate</b>		
Sewage Collection Agencies	\$27.02	\$29.45

### 5.2 Benchmarking

Presented in Figure 5-1 are the proposed EDU rates compared to rates of similar water, wastewater, and recycled water MWD member agencies in Riverside and Los Angeles counties. The agencies (Eastern MWD, Las Virgenes MWD, and Western MWD) are all retail water and wastewater agencies. As such, to provide an accurate comparison, IEUA’s EDU rate is added to the rates of the sewage collection agencies in its service area to reflect what is paid monthly by the customer at the retail level. As the figure shows, IEUA’s rates appear reasonable compared to similar agencies. All surveyed agencies rates are current as of February 2025.

**Figure 5-1 Comparison of Rates to Neighboring Agencies**



\*Eastern, Las Virgenes, and Western EDU rates include retail and wholesale costs. Rates for Eastern and LVWD are for calendar year 2025 and Western is for fiscal year 2025/26

Source: IEUA

### 5.3 Existing and Proposed Connection Fee

The RC Fund’s existing connection fee for all sewage collection agencies consists of a fixed one-time fee imposed when permits are obtained. Table 3-4 presented earlier in this report summarized the existing connection fee. The Agency is in the process of participating in CASA’s Flow and Loading Study as well as internal Agency sampling of customer classes. Therefore, the connection fee is not being updated as part of this study.

## 6.0 Water Resources Revenues & Revenue Requirements

### 6.1 System Overview

IEUA is a regional wastewater agency, as well as a wholesale supplier of imported and recycled water. IEUA supplies water to retail agencies through both untreated imported water supplied by the Metropolitan Water District of Southern California (MWD) and recycled water. Additionally, IEUA serves as a primary leader of the region's groundwater resources by providing recycled water for groundwater recharge, participating in the Chino Basin Desalter Authority, and managing the Chino I Desalter. Through MWD, IEUA provides wholesale imported water to the cities of Chino, Chino Hills, Ontario, Upland, as well as Cucamonga Valley Water District (CVWD) in the city of Rancho Cucamonga, Fontana Water Company (FWC) in the city of Fontana, Monte Vista Water District (MVWD) in the city of Montclair, and West Valley Water District (WVWD) in the city of Rialto. The San Antonio Water Company (SAWCo) in the city of Upland does not receive imported water but benefits from IEUA's resource planning, recharge operations, and conservation programming.

### 6.2 Water Resources Revenues

To meet the costs associated with providing water to its customers, the Water Resources Fund (WW) derives revenue from a variety of sources including Meter Equivalent Unit (MEU) charges, One Water Connection fees, grants, reimbursement for water purchases, water user charges, and interest earned from the investment of available funds. The WW funds' operating costs are principally funded from the MEU charges, as some of the other sources directly fund capital projects or are pass-through charges billed at cost to the customer agencies. Black & Veatch has projected the level of future revenue generated in the Study through a combination of an analysis of historical and future system growth in terms of number of MEUs. This section also projects the expenses, or revenue requirements, necessary to operate and maintain the system, invest in capital improvements, and cover other expenses of the system.

The Monthly MEU Rates are based on the meter size of average residential units within the service area and are consistent with other water customer agencies' rates. The monthly MEU mainly supports costs associated with providing regional water resources and water use efficiency programs in the Water Resources Fund. These programs include management and distribution of imported water supplies; development and implementation of regional water use efficiency initiatives; water resource planning; and support for regional water supply programs. A portion of the costs associated with supply for future growth is supported by the One Water Connection Fees.

#### 6.2.1 MEU Projections

MEUs are the measure of each connection's capacity requirement. Meter ratios are assigned to each meter size based on the ratio of instantaneous flow to that of an assigned base meter size. For the service area, a 5/8" meter was selected as the base meter size, as this meter size represents most residential meters and 5/8" and 3/4" meters have been assumed to be equivalent to 1 MEU, since both sizes are typical for residential purposes. MEU ratios for each meter size greater than 3/4" is calculated by dividing the flow for each corresponding meter size by the flow rate of a 5/8" meter.

Following a review of historical growth patterns, projected growth factors<sup>2</sup> were applied to each customer agency to project MEUs from FY 2023/24 actuals to FY 2024/25 through FY 2026/27. Table 6-1 summarizes the projected MEUs for FY 2024/25 through FY 2026/27.

**Table 6-1 Number of Meter Equivalent Units**

Line No.	Description	FY 2024/25	FY 2025/26	FY 2026/27
		MEUs	MEUs	MEUs
1	Chino	42,053	42,574	43,095
2	Chino Hills	40,219	40,452	40,685
3	Cucamonga Valley Water District	106,911	107,439	107,967
4	Fontana Water Company	93,746	94,408	95,070
5	Monte Vista Water District	22,227	22,360	22,493
6	Ontario	81,811	82,983	84,155
7	San Antonio Water Company	1,869	1,869	1,869
8	Upland	35,282	35,534	35,786
9	West Valley Water District	3,962	4,018	4,074
<b>10</b>	<b>Total</b>	<b>428,080</b>	<b>431,637</b>	<b>435,194</b>

### 6.2.2 Revenue Under Existing Rates

The monthly MEU rate serves as the primary source of revenue for the Water Resources Fund. After a study of the Monthly MEU Rates in 2019, a five-year rate was proposed and approved for FY 2020/21 through FY 2024/25. Table 6-2 shows the adopted multi-year Monthly MEU Rates.

**Table 6-2 Historic and Existing Monthly Water Charge**

Fund	Rate	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Water Resources	Monthly Water Charge (MEU)	\$1.04	\$1.08	\$1.10	\$1.12	\$1.14

The total revenue generated from the MEU rate is derived by multiplying the existing rate by the number of MEUs by customer agency. Each customer agency provides IEUA with their reported MEUs. Projected system growth is also included as part of the future revenue projections.

Table 6-3 summarizes the projected rate revenue under existing rates. As shown, the revenue generated is anticipated to increase in conjunction with the increase in number of MEUs. The projected rate revenue increases from \$5.8M in FY 2024/25 to \$5.9M in FY 2026/27.

<sup>2</sup> Kennedy Jenks, Technical Memorandum, December 6, 2022



**Table 6-3 Projected Revenue under Existing MEU Rates**

Line No.	Description	FY 2024/25	FY 2025/26	FY 2026/27
		(\$)	(\$)	(\$)
<b>Revenue</b>				
1	All Customers	5,819,600	5,868,000	5,916,100
2	<b>Total</b>	<b>\$5,819,600</b>	<b>\$5,868,000</b>	<b>\$5,916,100</b>

### 6.2.3 Other Revenues

Other sources of funds include Property taxes from the County of San Bernardino. These include general property taxes and the “pass-through” taxes that are applied to the redevelopment areas. The general property taxes are expected to increase at 3% per year and the pass-through taxes at 4% per year. The WW fund currently receives 3.5% of total property taxes, which is budgeted to be \$2.87 million in FY 2024/25. However, a reallocation of the property taxes to this fund is being proposed, which would reduce the current 3.5% of total property taxes down to a 1% allocation. With this proposed adjustment in effect, it is projected that \$924,400 would be available to the WW fund for FY 2025/26 and \$958,000 for FY 2026/27. Property taxes support regional water supply strategies, programs, and administration.

Other sources of funds include:

- Property Taxes – 1% allocated to this fund (reduced from 3.5%).
- Grants/Reimbursements – Support water use efficiency and sustainability projects.
- One-Water Connection Fees – Transfer of fees from the Recycled Water fund to support water use efficiency projects.
- Interest and other reimbursements.
- IEUA charges the retail agencies for water purchased from MWD. MWD has three distinct charges:
  - Untreated Volumetric (Water Purchases)
  - Readiness-to-Serve (RTS Charge)
  - Capacity Charge

The Agency proportionately charges each retail agency the same amount it is charged using the same cost allocation methodology as MWD, therefore the revenues are considered pass-through revenue to MWD.

## 6.3 Water Resources Revenue Requirements

This section projects the expenses, or revenue requirements, necessary to operate and maintain, invest in capital improvement projects, make debt service payments, and cover other expenses of the Water Resources Fund.

### 6.3.1 Operations and Maintenance Expense

Table 6-4 summarizes the Water Resources fund projected O&M expense for the Study Period. These expenses include costs related to salaries and wages, materials and supplies, contract services, purchased water, routine capital outlay, and transfers. Black & Veatch has forecasted expenditures based on staff’s analysis and knowledge of future expenses for the water system.

**Table 6-4 O&M Expenses**

Line No.	Description	FY 2024/25	FY 2025/26	FY 2026/27
			(\$)	(\$)
<b>Operation &amp; Maintenance</b>				
1	Employment Expenses	4,203,800	4,873,400	5,348,300
2	Contract Work/Special Projects	5,226,200	5,863,300	5,605,300
3	Professional Fees & Services	603,600	404,900	456,800
4	Office and Administrative Expense	4,100	4,200	4,300
5	Utilities	1,800	0	0
6	MWD Water Purchases (1)	54,504,000	57,312,000	62,051,000
7	MWD Readiness-to-Serve (1)	5,401,300	5,403,400	5,457,400
8	Other Expenses	574,300	614,600	670,300
<b>9</b>	<b>Total</b>	<b>\$70,519,100</b>	<b>\$74,475,800</b>	<b>\$79,593,400</b>

(1) Pass-through costs

The expenses shown in Table 6-4 represent the mid-year budget for FY 2024/25 and projected expenses for FY 2025/26 and FY 2026/27. IEUA anticipates budgeted expenditures to increase approximately \$4.0M (6.5%) in FY 2025/26 and \$5.1 (6.7%) in FY 2026/27, each compared with the previous year. The Water Resources O&M budget includes three pass-through items that constitute a large portion of the budget. These pass-through costs are identified in lines 6 and 7:

- MWD Water Purchases
- MWD Readiness-to-Serve Fee

Other cost drivers funded by fees and rates are summarized as follows:

- Employment Expenses are driven by new FTEs and increases to labor agreements per the MOUs and Personnel Manuals approved by the Board.
- Contract work/Special Projects associated with renewal and replacement of capital facilities.

### 6.3.2 Capital Improvement Program

The Agency develops a Ten-Year Capital Improvement Plan (TYCIP) on an annual basis to identify system needs including routine inspections, maintenance, and renewal and replacement, and expansion requirements. The Agency funds the TYCIP through a combination of rate revenue, property taxes, which together represent PAYGO and debt financing. In FY 2025/26 and FY 2026/27, while there is capitalized labor, renewal, and replacement activity in the study period, there are no capital projects funded by the Water Resources Fund.

### 6.3.3 Transfers

The Agency performs various transfers throughout the course of the year to and from the Water Resources operating fund and other funds. As part of the Agency’s revenue cascade, transfers between funds routinely occur to facilitate operations, capital funding, and reserve requirements.

One-Water Connection Fees are collected for new water connections and recorded in the Recycled Water fund (WC). A portion of these fees are transferred to the Water Resources fund to support investments in integrated water resource management and water expansion projects. Transfer amounts are based on annual project expenses and reimbursement amounts using a growth factor percentage that is established prior to each project beginning.

A one-time transfer of \$24 million from the Water Resources property tax reserves to the Recycled Water Fund is proposed to cover the planning and Early Design phase of the expansion of the groundwater replenishment portion of IEUA’s Regional Recycled Program portion of the Chino Basin Program.

**6.3.4 Reserves**

The Agency has an established reserve policy. Reserves are important in helping maintain good bond ratings, especially for a regional system comprised of hundreds of millions of dollars of infrastructure to have the ability to secure funding for long-term projects that exceed the capacity of ratepayers to support on a PAYGO basis. The Agency’s reserve policy established the following reserves designated for various activities for the Water Resources Fund.

- **Operating Contingency:** The O&M reserve represents funds to cover day-to-day expenses and maintain sufficient funds to cover unforeseen shortfalls in revenues or increases or operating costs. The minimum reserve requirement is to maintain a level equal to four (4) months and a target of six (6) months of total operating expenses.
- **Capital Contribution:** Represents funds used to finance capital investments such as construction, improvement or expansion of facilities and infrastructure, as well as acquisition of major equipment and technology. The target level will be reviewed annually for each program fund and will be equal to the ten-year average of PAYGO times three (3) fiscal years, as identified in the TYCIP. The minimum level is equal to the ten-year average of CIP PAYGO costs. The current TYCIP does not identify any projects during the Study Period, so its computation is not reflected in the Study.

Regardless of the type of reserve, appropriate reserve levels help the Water Resources Fund maintain a stable financial position and attain better bond ratings, which in turn, leads to lower borrowing costs. Reserve levels are recommended to be funded at or near the fully funded level over the Study Period.

Table 6-5 summarizes the Water Resources Fund reserve levels during the Study Period.

**Table 6-5 Reserve Balances**

Line No.	Description	FY 2024/25	FY 2025/26	FY 2026/27
		(\$)	(\$)	(\$)
<b>Reserves</b>				
1	Operating Contingency	5,234,200	5,799,600	5,959,700
<b>2</b>	<b>Total</b>	<b>\$5,234,200</b>	<b>\$5,799,600</b>	<b>\$5,959,700</b>

**6.4 Water Resources Summary of Revenues & Revenue Requirements**

The Water Resources Fund’s estimated financial performance during the Study Period is presented in Table 6-6 in Section 6.5. As shown in the table below, the Water Resources Fund will need increases in revenue from rates, starting at 2.6% in FY 2025/26, followed by another increase of 2.6%, in FY 2026/27. These revenue adjustments are necessary to meet O&M, and reserve requirements. A one-time transfer of \$24M from the Water Resources property tax reserves is proposed to cover the planning and Early Design phase of the expansion of the groundwater replenishment portion of IEUA’s Regional

Recycled Program portion of the Chino Basin Program. Finally, while the revenues from water purchases will have to increase as well, those are not addressed in this report since they are pass-through costs from MWD.

## 6.5 Projected Water Resources Operating Results

The revenue requirements of the Water Resources Fund consist of system O&M expenses, routine capital expenditures for equipment and improvements, the CIP, transfers, and reserve requirements.

To avoid deficit positions, revenue increases as shown in Table 6-6 are required. The revenue increases represent the revenue adjustment needed to meet revenue requirements. The revenue adjustment represents the adjustment of MEU rates needed to meet the Water Resources Fund obligations. However, pass-through costs are projected to vary during the Study Period, affecting the overall revenues and expenses of the fund.

The suggested revenue increases help the Water Resources Fund to meet the following goals:

- Meets budgeted and projected obligations through FY 2026/27 for investments in operations and maintenance.
- Meets the need to increase the annual level of pay-as-you-go investments in renewal and replacement Capital Improvements during the Study Period.
- Allows the fund to transfer \$24 million in Property Tax to the Recycled Water Fund and operate without using funds from its reserve balance.
- Maintains total O&M reserves described in Section 7.3.

Shown in Table 6-6 is a summary of the proposed operating fund for the Study Period. The operating fund consists of two parts: revenue and revenue requirements.

### Revenue

- Line 1 is the revenue under existing rates.
- Lines 2 is the additional revenue generated from the required annual revenue increases.
- Lines 4 through 8 represent other operating revenues which include pass-through revenues.
- Line 9 shows the total revenues generated from existing rates, revenue from increases and other operating revenue.

### Revenue Requirements

- Line 31 represents the total revenue requirement.
- Line 35 presents the net cumulative working capital residual balance.

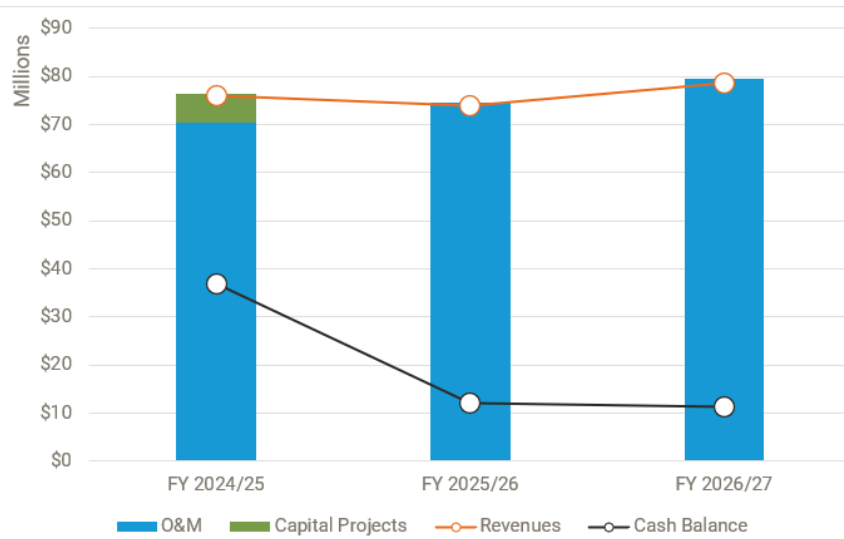
**Table 6-6 Water Resources Fund**

Line No.	Description	Est. Actuals	Projected	
		FY 2024/25	FY 2025/26	FY 2026/27
		(\$)	(\$)	(\$)
<b>Revenue</b>				
Revenues and Other Operating Revenue				
1	Rate Revenue from Existing Rates	5,830,700	5,879,100	5,927,400
2	Increased Revenue Due to Adjustments	0	147,000	300,100
3	Subtotal Rate Revenue from Existing Rates	\$5,830,700	\$6,026,100	\$6,227,500
Revenues and Other Operating Revenue				
4	Water Sales	54,504,000	57,312,000	62,051,000
5	RTS Charge	5,316,100	5,403,400	5,457,400
6	Other Fees	18,400	18,400	18,400
7	Credit for Water Use Efficiency	248,000	248,000	248,000
8	Interest Revenue	540,000	600,000	412,400
9	Subtotal Revenues and Other Operating Revenue	\$60,626,500	\$63,581,800	\$68,187,200
Other Financing Sources				
10	Property Tax - Debt and Capital	2,872,600	924,400	956,000
11	Grants	5,970,100	2,834,800	2,834,800
12	Other Revenues	0	0	0
13	Subtotal Other Financing Sources	\$8,842,700	\$3,759,200	\$3,790,800
14	<b>Total Revenue and Financing Sources</b>	<b>\$75,299,900</b>	<b>\$73,367,100</b>	<b>\$78,205,500</b>
15	Total Revenue (less debt financing)	\$75,299,900	\$73,367,100	\$78,205,500
<b>Revenue Requirements</b>				
Operating & Maintenance				
16	Employment Expenses	4,203,800	4,873,400	5,348,300
17	Contract Work/Special Projects	5,226,200	5,863,300	5,605,300
18	Operating Fees	0	0	0
19	Professional Fees & Services	603,600	404,900	456,800
20	Office and Administrative	4,100	4,200	4,300
21	Utilities	1,800	0	0
22	Materials & Supplies	0	0	0
23	MWD Water Purchases	54,504,000	57,312,000	62,051,000
24	MWD RTS Charge	5,401,300	5,403,400	5,457,400
25	Other Expenses	574,300	614,600	670,300
26	Subtotal Operating & Maintenance	\$70,519,100	\$74,475,800	\$79,593,400
Capital Projects				
27	Capital Construction & Expansion (WIP)	5,960,100	0	0
28	Subtotal Capital Projects	\$5,960,100	\$0	\$0
Transfers (In) / Out				
29	One Water Connection Fees (WC) (a)	(680,900)	(528,500)	(529,000)
30	Subtotal Transfers (In) / Out	(\$680,900)	(\$528,500)	(\$529,000)
31	<b>Total Revenue Requirements</b>	<b>\$75,798,300</b>	<b>\$73,947,300</b>	<b>\$79,064,400</b>
Fund Balance				
32	Net Annual Cash Balance	(498,400)	(580,200)	(858,900)
33	Beginning Fund Balance	37,292,200	36,793,800	12,213,600
34	Balance Transfer to WC	0	(24,000,000)	0
35	Net Cumulative Fund Balance	\$36,793,800	\$12,213,600	\$11,354,700

(a) Reflects current One Water Connection Fee of \$1,953/MEU.

Figure 6-1 presents the proposed operating cash flow.

**Figure 6-1 Proposed Operating Cash Flow**

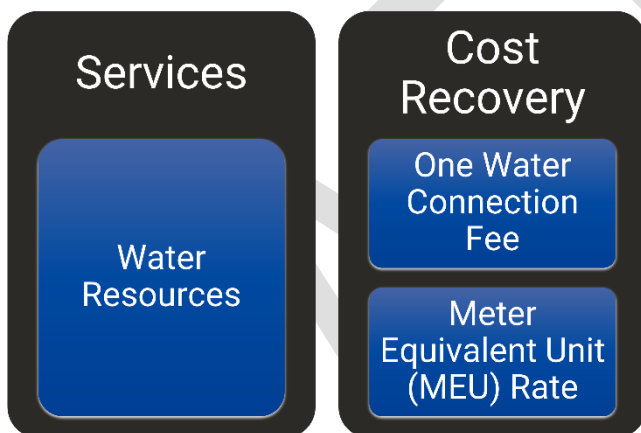


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## 7.0 Water Resources Cost of Service Allocation

The cost-of-service analysis is the middle step of three that forms the basis for how a utility sets its rates and charges. At the cost-of-service stage, we identify how different customer types are using the benefits provided by Water Resources activities. The types of service being provided are cost drivers and the cost-of-service step is where we develop the nexus between how the systems are designed and operated and how customers are using the systems. For IEUA, the different water services provided to the customer agencies are categorized into specific funds, and the costs associated with providing those services are allocated to these funds via timecards, direct charges (for expenses), and indirect cost allocations for general and administrative functions. Figure 7-1 illustrates the relationship between the water resources-related services provided by IEUA and what rates and fees are developed to recover these costs.

**Figure 7-1 Water Resources Fund Cost Nexus Between Services and Rates**





## 8.0 Proposed Water Resources Rates

The initial consideration in the derivation of rate schedules for potable water delivery services is the establishment of equitable charges to the customer agencies commensurate with the cost of providing that service. While the cost-of-service allocations should not be construed as literal or exact determinations, they offer a guide to the necessity for, and the extent of, rate adjustments. Practical considerations sometimes modify rate adjustments by considering additional factors such as the extent of bill impacts, existing contracts, and historical local policies and practices.

### 8.1 Existing MEU Rate

The Meter Equivalent Unit existing rates for all customer agencies consist of a monthly fixed cost on potable water assessed using a meter equivalent unit; based on the average water use of a single-family residence.

The revenue generated from the MEU rate supports O&M costs and a portion of costs associated with water use efficiency projects through the regional conservation program. The MEU rate revenue does not cover capital costs.

Table 6-2 presented earlier in this report summarized the existing MEU rate.

### 8.2 Proposed MEU Rate

The proposed rate will retain the same structure but change in value over the Study Period. The MEU rate is designed to recover 100% of the costs identified in the financial plan, outside of pass-through costs or transfers for specific uses. Understanding that the rate is solely based on all MEUs, then all required costs are incorporated into the MEU rate.

Table 8-1 shows the MEU rates based on unit costs for FY 2025/26 and FY 2026/27. The proposed rates reflect a 2.6% increase each year.

**Table 8-1 Proposed Meter Equivalent Unit (MEU) Rate**

Description	FY 2025/26	FY 2026/27
	\$/MEU	\$/MEU
Monthly Service Charge (All Agencies)	\$1.17	\$1.20

## 9.0 Recycled Water Program Revenues & Revenue Requirements

### 9.1 System Overview

IEUA has been delivering recycled water since the 1970's and began to build out the system to its current configuration starting in 2000. IEUA, in partnership with its customer agencies and Chino Basin Watermaster (Watermaster), invested over \$600 million in water recycling, conservation, recharge improvements, the MWD groundwater storage and recovery projects, the Chino Desalter, and other water management programs, with approximately \$350 million of that total dedicated to recycled water infrastructure. The programs collectively reduce the region's need for imported water, especially during drought or conditions when imported water supplies may not be available. In addition to the region switching large potable water users to recycled water, IEUA and Watermaster obtained a landmark permit in 2005 for groundwater recharge using IEUA's high-quality recycled water. The use of recycled water provides a high-quality alternative water source to the Agency, its seven customer agencies (Cities of Chino, Chino Hills, Ontario, Upland, as well as Cucamonga Valley Water District, Fontana Water Company, and Monte Vista Water District, commercial customers, and recharge basins for groundwater storage which helps to improve the resiliency of the region's water supply. Due to the increasing need for reliable water supplies and for additional supplies to meet the needs of future growth, IEUA will continue to invest in localized water supplies.

In 2000, IEUA and its customer agencies identified recycled water use as a critical component in drought-proofing the region and maintaining its economic growth. With imported water rates increasing and long-term imported supply reliability in decline, the region committed to aggressively and proactively developing local water supplies to offset these impacts. Currently, IEUA supplies recycled water to the customer agencies for direct use by retail customers and provides groundwater recharge to the benefit of the customer agencies via several recharge facilities. In FY 2021/22, IEUA delivered approximately 19,155 acre-feet (AF) for direct use along with 17,050 AF for groundwater recharge.

The proposed recycled water direct use and recycled water groundwater recharge rates reflect the capacity needed to serve each customer, and support IEUA's recycled water direct use and recharge programs. The Recycled Water (WC) fund accounts for revenues and expenses related to operations and maintenance for distributing recycled water from the Agency's four recycling plants to direct users, CIP costs, debt service costs, and a portion of the groundwater recharge activities not covered by the reimbursement agreement with Watermaster. The Recharge Water fund accounts for revenues and expenses associated with recycled water groundwater recharge operations and maintenance. The recharge program is a joint effort between the Watermaster, the Chino Basin Water Conservation District (CBWCD), the San Bernardino County Flood Control District (SBCFCD), and IEUA.

The Recharge Water (RC) Fund does not directly receive revenues from recycled water rates or the recharge surcharge. Operations and capital support transfers to the Recharge Water Fund from the Recycled Water Fund are considered and comprise a portion of the recharge surcharge revenue requirements.

## 9.2 Recycled Water Revenues

A key objective of IEUA’s previous planning efforts was to set rates that fully recovered program costs. The rates implemented for the Recycled Water fund were based on projected demand for recycled direct use and recharge water deliveries. The volume of recycled water delivery of direct use and groundwater recharge can vary seasonally and annually based on a variety of factors (e.g. rainfall intensity, rainfall duration, and recharge basin maintenance activities). Following an extensive rate study of the Recycled Water and Groundwater Recharge Service Rates in 2019, a two-year rate was proposed and approved for FY 2020/21 and FY 2021/22 with a provision to reevaluate rates prior to expiry to develop a more adaptable cost recovery framework. In 2021, an update to the 2019 Recycled Water and Groundwater Recharge Service Rates Study was completed and a three-year rate schedule was proposed and approved for FY 2022/23 through FY 2024/25. Table 9-1 shows the adopted multiyear rates.

**Table 9-1 Historic and Existing Recycled Water and Groundwater Recharge Service Rates**

Fund	Rate	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Recycled Water	Direct Use (\$/AF)	\$490	\$520	\$516	\$510	\$465
	Groundwater Recharge (\$/AF)	\$550	\$580	\$616	\$660	\$665
	Fixed Cost Recovery	N/A	N/A	\$1.11M	\$2.36M	\$4.96M

In addition to the Recycled Water and Groundwater Recharge service rates, the Agency assesses a One Water Connection Fee on new and upsized connections to the regional water system. Similarly, as part of the 2019 study, a five-year rate was proposed and approved for FY 2020/21 through FY 2024/25 for the One Water Connection Fee, which is charged on a per meter equivalent unit (MEU) per residential unit (based on 5/8” and 3/4” meter sizes). Table 9-2 shows the adopted multiyear rates.

**Table 9-2 Historic and Existing One Water Connection Fee**

Fund	Rate	FY 2020/21	FY 2021/22	FY 2022/23	FY 2023/24	FY 2024/25
Recycled Water	One Water Connection Fee (MEU)	\$1,684	\$1,787	\$1,841	\$1,896	\$1,953

### 9.2.1 Recycled Water Direct Use Service

IEUA owns and operates five water recycling treatment facilities, four of which produce recycled water. These facilities receive an average of 52 MGD of wastewater from the sewage collection agencies which is treated to Title 22 regulations set forth by the California Division of Drinking Water and State Water Resources Board. IEUA currently collects rate revenue for recycled water direct use deliveries on a commodity, or volumetric basis. As of July 2024, the direct use rate is \$465 per acre-foot (AF) delivered. IEUA provides service to customer agencies, as well as direct use service to irrigation and industrial customers. Recycled Water Recharge Service.

### 9.2.2 Recycled Water Recharge Service

In addition to the direct use deliveries, IEUA recharges up to 50,000 AF of imported water from northern California, between 15,000 and 25,000 AF of stormwater, and between 10,000 and 16,000 AF of recycled water annually. Annual recharge varies due to weather patterns and the availability of supplemental water supplies (imported and recycled water). In partnership with the Chino Basin Watermaster, CBWCD, SBCFCD, the Agency currently operates 46 recharge basins across 19 recharge basin sites throughout the Chino Basin. The recharge surcharge recovers costs associated with the operation and maintenance of the recharge basins for recycled water recharge, not reimbursable by Chino Basin Watermaster.

### 9.2.3 Recycled Water Usage

Table 9-3 summarizes the projected recycled water demand for direct use in AF for the regional recycled water system. Table 9-4 summarizes the projected demand for recycled water for groundwater recharge use in AF for the regional water system.

**Table 9-3 Existing and Projected Recycled Water Direct Demand**

Line No.	Agency	FY 2024/25 (AF)	FY 2025/26 (AF)	FY 2026/27 (AF)
1	Customer Agencies	18,245	18,245	18,245
<b>2</b>	<b>Total</b>	<b>18,245</b>	<b>18,245</b>	<b>18,245</b>

**Table 9-4 Existing and Projected Groundwater Recharge Demand**

Line No.	Agency	FY 2024/25 (AF)	FY 2025/26 (AF)	FY 2026/27 (AF)
1	Customer Agencies	15,343	15,343	15,343
<b>2</b>	<b>Total</b>	<b>15,343</b>	<b>15,343</b>	<b>15,343</b>

All recycled water is charged a Direct Use Rate, while groundwater recharge is subject to a Recharge Surcharge. Table 9-5 summarizes the projected Three-Year Rolling average for Recycled water, including both Direct Use and Groundwater Recharge use in AF for the regional water system.

**Table 9-5 Existing and Projected Three-Year Rolling Average Recycled and Recharge Water Usage**

Line No.	Agency	3-Year Avg FY 2023/24 (AF)	3-Year Avg FY 2026/27 (AF)
1	Customer Agencies	29,498	34,000
<b>2</b>	<b>Total</b>	<b>29,498</b>	<b>34,000</b>

The Three-Year rolling average of direct use and recharge water demands is used to apportion the Fixed Cost Recovery charge.

### 9.2.4 Revenue Under Existing Rates

Table 9-6 represents a summary of projected revenue under existing rates and charges. As shown, the revenue generated is anticipated to increase in usage volume, increase in the Fixed Recovery

fee and an increase in the Property Tax Allocation. The projected revenue increases from \$35.4M in FY 2024/2025 to \$43.0M in FY 2026/27.

**Table 9-6 Projected Revenue under Existing Rates**

Line No.	Description	FY 2024/25	FY 2025/26	FY 2026/27
		(\$)	(\$)	(\$)
1	Direct Usage	15,608,600	17,013,400	18,544,600
2	Recharge Surcharge	3,401,400	3,537,500	3,679,000
3	Fixed Cost Recovery Fee	4,957,400	5,106,100	5,259,300
4	Property Tax	3,282,900	6,008,900	6,214,200
5	One Water Connection Fee	7,226,100	6,946,800	6,948,800
7	Other Financing Revenues	901,400	1,463,800	2,335,500
8	<b>Total Revenues</b>	<b>\$ 35,377,800</b>	<b>\$ 40,076,500</b>	<b>\$ 42,981,400</b>

### 9.2.5 Other Revenues

Other sources of funds include the Agency’s portion of property taxes from the County of San Bernardino. These include general property taxes and the “pass-through” taxes that are applied to the redevelopment areas. The general property taxes are expected to increase at 3% per year and the pass-through taxes at 4% per year. The Recycled Water fund currently receives 4% of total property taxes, which is budgeted to be \$3.28 million in FY 2024/25. However, a reallocation of the property taxes to this fund is being proposed, which would increase the current 4% of total property taxes to 6.5%. With the proposed allocation increase in effect, it is projected that \$6.0M in total property taxes would be available to the Recycled Water fund for FY 2025/26 and \$6.2M for FY 2026/27.

Other sources of funds include:

- Grants/Reimbursements
- Interest on fund balances

### 9.3 Recycled Water Revenue Requirements

This section projects the expenses, or revenue requirements, necessary to operate and maintain, invest in capital improvement projects, make debt service payments, and cover other expenses of the Recycled Water Fund.

Table 9-7 summarizes the Recycled Water Fund projected O&M expense for the Study Period. These expenses include costs related to salaries and wages, utilities, materials and supplies, contract services, routine capital outlay, and transfers. IEUA anticipates that the Recycled Water Fund O&M expenditures will increase on average between 5% to 7% annually from the FY 2024/25 budget. Black & Veatch has forecasted expenditures based upon historical cost increases, industry indices, and IEUA staff’s knowledge of future expenses for the recycled water system.

**Table 9-7 O&M Expenses**

Line No.	Description	FY 2024/25	FY 2025/26	FY 2026/27
		(\$)	(\$)	(\$)
1	Employment Expenses	7,795,700	9,149,500	10,041,100
2	Contract Work/Special Projects	2,439,000	1,406,300	1,318,500
3	Utilities	4,878,900	5,319,100	5,603,700
4	Operating Fees	10,300	11,100	12,000
5	Professional Fees and Services	1,196,000	1,012,100	1,098,300
6	Office and Administrative expenses	8,400	9,100	9,800
7	Materials & Supplies	142,300	150,000	158,200
8	Other Expenses	1,992,100	2,306,500	2,524,700
<b>9</b>	<b>Total O&amp;M</b>	<b>\$18,462,700</b>	<b>\$19,363,700</b>	<b>\$20,766,300</b>

The expenses shown in Table 9-7 represent the adopted budget in FY 2024/25 and projected expenses for FY 2025/26 and FY 2026/27. IEUA anticipates budgeted expenditures increasing approximately \$0.9M (4.9%) in FY 2025/26 and \$1.4M (7.2%) in FY 2026/27, each compared with the previous year.

For the purposes of cost-of-service recovery, IEUA identifies costs associated specifically with the Direct Use Rate and the Groundwater Recharge Rate. The breakdown of those costs is provided later in this section.

### 9.3.1 Debt Service Requirements

Table 9-8 represents the Recycled Water existing debt service obligations. This table shows both principal and interest requirements on the existing debt over the Study Period. It is common practice for utilities to use debt to finance multi-year capital improvement projects, but financing options will depend on the Agency’s financial conditions. By financing the cost of the projects, the Agency can fund major projects immediately and spread the payment over a specified time frame.

**Table 9-8 Debt Service**

Line No.	Description	FY 2024/25	FY 2025/26	FY 2026/27
		(\$)	(\$)	(\$)
1	Financial Expenses	2,000	2,000	2,000
2	Interest	2,120,500	1,893,300	1,697,900
3	Principal	6,691,900	6,065,400	6,265,000
4	Short-Term Inter-fund Loan	5,637,500	-	-
<b>5</b>	<b>Total Debt Service</b>	<b>\$14,451,900</b>	<b>\$7,960,700</b>	<b>\$7,964,900</b>

### 9.3.2 Capital Improvement Program

The Agency develops a TYCIP on an annual basis to identify system needs including routine inspections, maintenance, and renewal and replacement, and expansion requirements. The Agency funds the TYCIP through a combination of rate revenue, property taxes, which together represent PAYGO and debt financing.

These are necessary investments in the regional recycled water system to keep up with regulatory requirements. Staff prioritizes investments each year according to the greatest need and works within these means to maintain a high level of service while containing costs. Deferring capital for

long periods of time is not an industry-recognized best management practice. Long-term deferral results in overall higher operating costs due to emergency responses needed to address minor and major failures with an aging system.

Table 9-9 summarizes the Recycled Water Fund’s TYCIP for FY 2025/26 and FY 2026/27. The Fund is projecting a total of \$27.1M over the Study Period, which includes both capital and replacement projects. Staff identified short-term capital facilities needs for the system and developed a schedule and costs for the projects. Capital Projects include the planning and Early Design phase of the expansion of the groundwater replenishment portion of IEUA’s Regional Recycled Program portion of the Chino Basin Program. As noted earlier in this Report, the planning and Early Design phase project associated with the Chino Basin Program is being funded via a transfer from the Water Resources Fund property tax reserves.

**Table 9-9 Capital Improvement Projects**

Line No.	Description	FY 2025/26	FY 2026/27
		(\$)	(\$)
<b>Capital Improvement Program</b>			
1	RW SCADA Migration	1,000,000	1,500,000
2	RP-4 Outfall Valve Replacement and Blow	350,000	0
3	1299 RW PS Rehab	500,000	2,500,000
4	Development and Early Design - Compliance for Recycled Water Facilities (1)	10,000,000	10,000,000
5	Agency Wide VFD Upgrades (Recycled Water) FY25/26	50,000	1,000,000
6	Recycled Water SCADA Infrastructure Replacement	42,000	42,000
7	Ground Water Recharge/Recycled Water Valve Actuator Replacement	75,000	75,000
<b>8</b>	<b>Total</b>	<b>\$12,017,000</b>	<b>\$15,117,000</b>

(1) The \$24M transfer from the Water Resources property tax reserves covers \$4M of planning and Early Design costs incurred in FY 2024/25 as well as the two fiscal years shown above.

### 9.3.3 Capital Improvement Program Financing Plan

IEUA funds annual expenditures for the CIP from a combination of available funds on hand, capacity fees, long-term debt, interest earnings, and revenues derived from user rates. As noted, the largest capital investment for the Recycled Water Fund in FY 2025/26 and FY 2026/27 will be the planning and Early Design phase of the expansion of the groundwater replenishment portion of IEUA’s Regional Recycled Program portion of the Chino Basin Program. As shown in Table 9-10, the funding for this phase of the project will be a one-time, \$24.0M transfer of property tax funds from the Water Resources Fund, \$20M of which is reflected in Table 9-10, and \$4M of which is being expended in FY 2024/25. Please note that the CIP financing plan below also reflects a 90% execution rate for the TYCIP.

**Table 9-10 CIP Financing Plan**

Line No.	Description	FY 2025/26	FY 2026/27
		(\$)	(\$)
<b>CIP Financing</b>			
1	PAYGO	815,300	3,605,300
2	Property Tax Transfer	10,000,000	10,000,000
<b>3</b>	<b>Total</b>	<b>\$ 10,815,300</b>	<b>\$ 13,605,300</b>



### 9.3.4 Transfers

The Recycled Water Fund performs various transfers throughout the course of the year to and from the other Agency funds. As part of the Agency's revenue cascade, transfers between funds routinely occur to facilitate operations, capital funding, and reserve requirements.

The following are a brief description of the transfers:

- **Transfer to Recharge Water Fund (RW):** Per Peace I and II agreements with the Chino Basin Watermaster, Recycled Water Fund transfers to the Recharge Water Fund help support IEUA share of O&M costs.
- **Transfer to General and Administrative Fund (GG):** Support of O&M Project costs.
- **Transfer of One Water Fees:** Fees are collected for new water connections and recorded in the Recycled Water Fund. The Recycled Water Fund transfers a portion of these fees to the GG, RW and WW funds to support investments in integrated water resource management and water expansion projects.

### 9.3.5 Reserves

The Recycled Water Fund has an established reserve policy. Reserves are important in helping maintain good bond ratings, especially for a regional system comprised of hundreds of millions of dollars of infrastructure to have the ability to secure funding for long-term projects that exceed the capacity of ratepayers to support on a PAYGO basis. The Agency's reserve policy established the following reserves designated for various activities for the Water Resources Fund.

- **Operating Contingency:** Represents funds to cover day-to-day expenses and maintain sufficient funds to cover unforeseen shortfalls in revenues or increases or operating costs. The minimum reserve requirement is to maintain a level equal to four (4) months and a target of six (6) months of total operating expenses.
- **Replacement and Rehabilitation (R&R):** Reserve represents funds used to maintain assets in an operating condition to meet the level of service commitment to provide reliable and high-quality services requires timely and adequate investment in R&R assets. The maximum target level is either equal to ten-year average of R&R costs times three (3) fiscal years or is equal to ten-year average of R&R PAYGO times three (3) fiscal years, as identified in the TYCIP. PAYGO is R&R costs net of bond or loan proceeds. The minimum target will be the total ten-year average R&R costs.
- **Capital Contribution:** Reserve represents funds used to finance capital investments such as construction, improvement or expansion of facilities and infrastructure, as well as acquisition of major equipment and technology. The target level will be reviewed annually for each program fund and will be equal to the ten-year average of PAYGO times three (3) fiscal years, as identified in the TYCIP. The minimum level is equal to the ten-year average of CIP PAYGO costs.
- **Debt Service and Redemption:** Reserve represents funds required by bond covenants and loan agreements, debt service reserves are maintained to support payment of principal and interest on outstanding obligations. The target is equal to the highest annual debt

service during the life of the obligation. The minimum level will be funded to meet next fiscal year debt service requirements.

Regardless of the type of reserve, appropriate reserve levels help the Recycled Water Fund maintain a stable financial position and attain better bond ratings which leads to lower borrowing costs. Reserve levels are recommended to be funded at or near the fully funded level over the Study Period.

### 9.3.6 Direct Use Recycled Water Rate Requirements

The revenue required to fund direct recycled water consumption is separated from the revenue required by the groundwater recharge rate. IEUA staff keeps separate budgeting and records to support costs to be covered by each rate independently. Table 9-11 shows the costs derived for just the Direct Use of recycled water activities. Line 4 shows the net effect of transfers out to Admin Services for capital and O&M support and vary each year, and transfers in, which include \$2.67M per year from the Wastewater Capital Fund for debt service support.

**Table 9-11 Direct Use Recycled Water Revenue Requirements**

Line No.	Description	FY 2024/25	FY 2025/26	FY 2026/27
		(\$)	(\$)	(\$)
1	O&M	16,577,600	17,653,900	19,027,400
2	Capital Projects	7,842,900	10,815,300	13,605,300
3	Debt Service	14,451,900	7,960,700	7,964,900
4	Transfers	1,039,400	(1,511,800)	(1,598,600)
<b>5</b>	<b>Total Revenue Requirements</b>	<b>\$39,911,800</b>	<b>\$34,918,100</b>	<b>\$38,999,000</b>

The key cost driver for the Direct Use Rate is the increase in utilities costs and FTEs.

### 9.3.7 Groundwater Recharge Surcharge Fee Requirements

The Groundwater Recharge Surcharge is collected by the Recycled Water Fund and covers costs related to recharge activities recorded in the Recycled Water Fund. This surcharge also funds transfers to cover costs of recharge activities recorded in the Recharge Water Fund (RW). As mentioned before, IEUA staff keeps separate budgeting and records to support costs to be covered by each rate independently.

Table 9-12 shows the costs covered by the Groundwater Recharge Surcharge. Lines 7 and 8 show the transfers for Operations and Capital support to the Recharge Water (RW) Fund.

**Table 9-12 Groundwater Recharge Recycled Water Revenue Requirements**

Line No.	Description	FY 2024/25	FY 2025/26	FY 2026/27
		(\$)	(\$)	(\$)
1	Employment	1,428,500	1,435,600	1,442,800
2	Operating Fees	10,300	11,100	12,000
3	Professional Fees and Services	261,400	239,200	258,300
4	Office and Administrative	5,700	6,100	6,600
5	Materials & Supplies, Other	179,200	17,800	19,200
<b>6</b>	<b>Total O&amp;M Requirements</b>	<b>\$1,885,100</b>	<b>\$1,709,800</b>	<b>\$1,738,900</b>
7	Groundwater Recharge Operations Support	1,839,400	1,714,000	1,763,400
8	Groundwater Recharge Capital Support	375,000	170,900	172,200
<b>9</b>	<b>Total Transfers</b>	<b>\$2,214,400</b>	<b>\$1,884,900</b>	<b>\$1,935,600</b>
<b>10</b>	<b>Total Revenue Requirements</b>	<b>\$4,099,500</b>	<b>\$3,594,700</b>	<b>\$3,674,500</b>

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## 9.5 Recycled Water Program Summary of Revenues & Revenue Requirements

The Recycled Water Fund's estimated financial performance during the Study Period is presented in Table 9-13. As shown in the table, the fund will need a series of revenue increases, on the Direct Use Rate (9% each year), the Groundwater Recharge Rate (4% each year) and the Fixed Cost Recovery fee. A one-time transfer of Property Tax reserves from the Water Resources Fund and a reallocation of future Property Tax revenue are also reflected. These revenue adjustments are necessary to meet O&M, debt service, and reserve requirements.

## 9.6 Projected Recycled Water Program Operating Results

The revenue requirements of the Recycled Water Fund consist of system O&M expenses, routine capital expenditures for equipment and improvements, the CIP, debt service requirements on existing debt, transfers, and reserve requirements.

The revenue increases represent the overall total revenue adjustment needed to meet revenue requirements. The revenue adjustment for each rate or fee reflects the level of revenue needed to meet the Recycled Water obligations to fund the specific costs.

The suggested revenue increases help the Agency to meet the following goals:

- Meets budgeted and projected obligations through FY 2026/27 for investments in operations and maintenance.
- Meets the need to fund annual level of PAYGO investments in Capital Improvements.
- Meets the Bond debt coverage ratio target of 2.0x for existing and proposed debt.
- Maintains total reserves described previously.

Shown in Table 9-13 is a summary of the Recycled Water fund for the Study Period. The operating fund consists of two parts: revenue and revenue requirements.

### Revenue

- Lines 1 and 4 show the revenue under existing rates.
- Lines 2 and 5 show additional revenue generated from annual revenue increases.
- Lines 7 through 13 represent other operating revenues which include revenue from the Fixed Cost Recovery Fee.
- Line 14 shows the total revenues generated from existing rates, revenue from increases and other operating revenue.

### Revenue Requirements

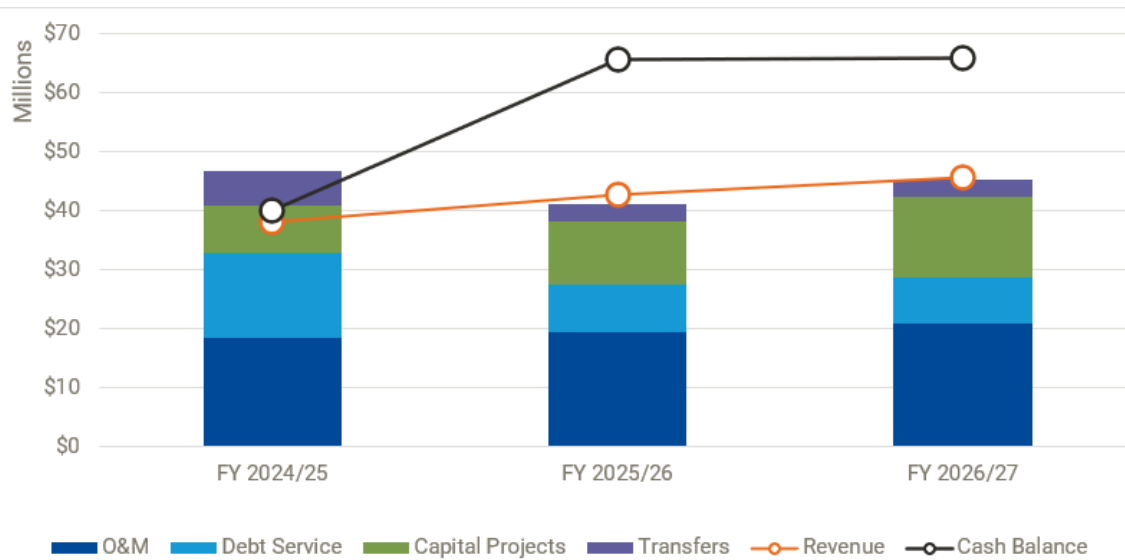
- Line 25 represents Capital Construction and Expansion costs at a 90% execution rate.
- Line 37 represents the total revenue requirement.
- Line 41 presents the net cumulative balance.

**Table 9-13 Recycled Water Fund**

Line No.	Description	Est. Actual	Projected	
		FY 2025/25	FY2025/26	FY 2026/27
<b>Revenue</b>				
Rate Revenue				
1	Direct Use	15,608,600	15,608,600	15,608,600
2	Increased Revenue Due to Adjustments	0	1,404,800	2,936,000
3	Subtotal Direct Use	\$15,608,600	\$ 17,013,400	\$ 18,544,600
4	Recharge Surcharge	3,401,400	3,401,400	3,401,400
5	Increased Revenue Due to Adjustments	0	136,100	277,600
6	Subtotal Recharge Surcharge	\$ 3,401,400	\$ 3,537,500	\$ 3,679,000
Revenues and Other Operating Revenue				
7	Interest Revenue	805,700	1,366,700	2,237,000
8	Subtotal Revenues and Other Operating Revenue	\$ 805,700	\$ 1,366,700	\$ 2,237,000
Other Financing Sources				
9	Fixed Cost Recovery	4,957,400	5,106,100	5,259,300
10	Property Tax - Debt and Capital	3,282,900	6,008,900	6,214,200
11	Connection Fees	7,226,100	6,946,800	6,948,800
12	Capital Cost Reimbursement	95,700	97,100	98,500
13	Subtotal Other Financing Sources	\$15,562,100	\$ 18,158,900	\$ 18,520,800
14	<b>Total Revenue</b>	<b>\$35,377,800</b>	<b>\$ 40,076,500</b>	<b>\$ 42,981,400</b>
15	Total Revenue (less capital financing)	\$35,377,800	\$ 40,076,500	\$ 42,981,400
<b>Revenue Requirements</b>				
Operating & Maintenance				
16	Employment Expenses	7,795,700	9,149,500	10,041,100
17	Contract Work/Special Projects	2,439,000	1,406,300	1,318,500
18	Utilities	4,878,900	5,319,100	5,603,700
19	Operating Fees	10,300	11,100	12,000
20	Professional Fees and Services	1,196,000	1,012,100	1,098,300
21	Office and Administrative expenses	8,400	9,100	9,800
22	Materials & Supplies	142,300	150,000	158,200
23	Other Expenses	1,992,100	2,306,500	2,524,700
24	Total Operating & Maintenance	\$18,462,700	\$ 19,363,700	\$ 20,766,300
Capital Projects				
25	Capital Construction & Expansion (WIP)	7,842,900	10,815,300	13,605,300
26	Subtotal Capital Projects	\$ 7,842,900	\$ 10,815,300	\$ 13,605,300
<b>Debt Service</b>				
27	Financial Expenses	2,000	2,000	2,000
28	Interest	2,120,500	1,893,300	1,697,900
29	Principal	6,691,900	6,065,400	6,265,000
30	Short-Term Inter-fund Loan	5,637,500	0	0
31	Total Debt Service	\$14,451,900	\$ 7,960,700	\$ 7,964,900
Transfers (In) / Out				
32	Capital Contribution	566,500	570,300	506,400
33	Debt Service	(2,673,200)	(2,673,100)	(2,674,200)
34	Operation Support	1,866,800	1,760,900	1,789,400
35	One Water Connection Fees (a)	3,493,700	715,000	715,400
36	Subtotal Transfers (In) / Out	\$ 3,253,800	\$ 373,100	\$ 337,000
37	<b>Total Revenue Requirements</b>	<b>\$44,011,300</b>	<b>\$ 38,512,800</b>	<b>\$ 42,673,500</b>
38	Net Annual Cash Balance	(8,633,500)	1,563,700	307,900
39	Beginning Fund Balance	48,669,800	40,036,300	65,600,000
40	Balance Transfer from WW	0	24,000,000	0
41	Net Cumulative Fund Balance	\$40,036,300	\$ 65,600,000	\$ 65,907,900

Figure 9-1 presents the proposed operating cash flow.

**Figure 9-1 Proposed Cash Flow**

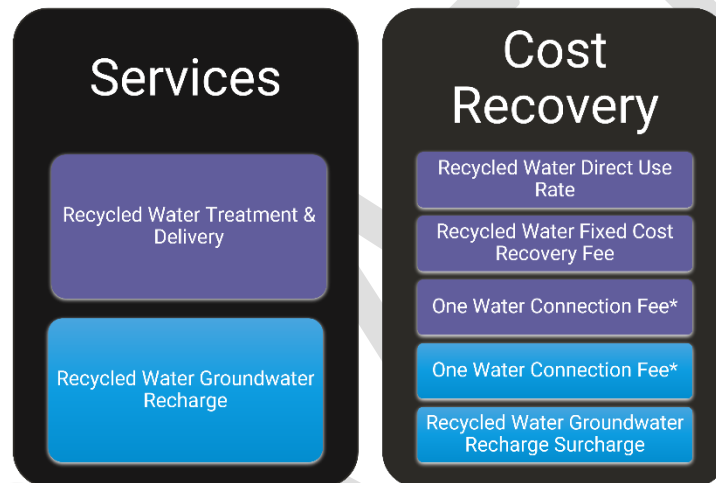


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## 10.0 Recycled Water Cost of Service Allocations

The cost-of-service analysis is the middle step of three that forms the basis for how a utility sets its rates and charges. At the cost-of-service stage, we identify how different customer types are using the benefits provided by Recycled Water activities. The types of service being provided are cost drivers and the cost-of-service step is where we develop the nexus between how the systems are designed and operated and how customers are using the systems. For IEUA, the different water services provided to the customer agencies are categorized into specific funds, and the costs associated with providing those services are allocated to these funds via timecards, direct charges (for expenses), and indirect cost allocations for general and administrative functions. Figure 10-1 illustrates the relationship between the recycled water-related services provided by IEUA and what rates and fees are developed to recover these costs.

**Figure 10-1 Recycled Water Cost Nexus Between Services and Rates and Fees**



\*One Water Connection Fee recovers costs associated with recycled water treatment, delivery, and groundwater recharge.



## 11.0 Proposed Recycled Water Rates and Fees

The initial consideration in the derivation of rate schedules for recycled and groundwater recharge service is the establishment of equitable charges to the customer agencies commensurate with the cost of providing that service. While the cost-of-service allocations to customer classes should not be construed as literal or exact determinations, they offer a guide to the necessity for, and the extent of, rate adjustments. Practical considerations sometimes modify rate adjustments by considering additional factors such as the extent of bill impacts, existing contracts, and historical local policies and practices.

### 11.1 Existing Rates

As presented earlier, Table 9-1 summarized the existing Recycled Water and Groundwater Recharge service rates.

### 11.2 Proposed Rates

Table 11-1 presents the proposed recycled water direct use and groundwater recharge surcharge rates, as well as the proposed fixed cost recovery fee.

**Table 11-1 Proposed Recycled Water Rates for FY 2026 and 2027**

Description	FY 2025/26	FY 2026/27
<b>Variable Charges</b>		
Direct Use (\$/AF)	\$506.85	\$552.47
Recharge (\$/AF)	\$208.00	\$216.32
<b>Fixed Cost Recovery</b>		
Fixed Recovery (\$/year)	\$5,106,100	\$5,259,300

As seen above, the analyses conducted herein show that the variable charges for recycled water direct use and the groundwater recharge surcharge will increase 9% per year and 4% per year, respectively. The Fixed Cost Recovery fee is an element of the fee structure that was designed to provide stability to the revenues of the Recycled Water Fund. While it was originally intended to provide funding to cover debt service requirements, as those are projected to vary over the years, IEUA staff is proposing to continue to increase the fee in an amount close to inflation. For the Study Period, the amount is increasing 3% per year. Black & Veatch notes that IEUA’s TYCIP has large capital projects related to the Recycled Water Fund. As such, IEUA anticipates debt service may increase, and the Agency will continue to use offsetting revenues from property taxes and connection fees to level out the amount of fixed revenue to be collected each year.

### 11.3 Existing and Proposed One Water Connection Fee

The One Water Connection Fees currently provide offsetting revenue supporting capital investment projects that provide for future growth in the Recycled Water, Groundwater Recharge, and Water Resources programs. These may include projects that improve and expand the Agency’s regional recycled water distribution system and groundwater recharge facilities, as well as the continued development of local water supplies and regional water use efficiency projects for enhanced resiliency.

The WC Fund collects this connection fee from the Retail Agencies and consists of a fixed one-time fee per MEU imposed when permits are obtained. The existing connection fee is currently \$1,953.00. The Agency is in the process of further refining its TYCIP, therefore, the connection fee is not being updated as part of this study.

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## 12.0 Combined Utility

Black & Veatch has prepared the following Combined Utility cashflow to validate that the proposed revenue adjustments will generate sufficient revenues to meet not only IEUA's revenue requirements, but the required debt service coverage ratio (DSCR) and days of cash targets set by the Board, under the assumptions described throughout this Report.

### 12.1 Projected Operating Results

The Combined Utility reflects all the Agency's major and non-major programs, including the GG and NC Funds. Black & Veatch has used IEUA's projections for these latter funds to generate the combined cashflow summarized in Table 12-1.

### 12.2 Financial Metrics

IEUA currently has an Aa2- credit rating from Moody's Investment Services. To maintain this strong credit quality and avail itself of low interest rates when borrowing, it is critical that IEUA work to keep its DSCR and days of cash on hand close to the levels recommended by the rating agencies.

The Board's targets are a minimum DSCR of 2.0x and a minimum of 365 days of cash on hand. Moreover, to comply with IEUA's bond covenants, the Agency is required to maintain a legal DSCR of at least 120% for senior bonds and a combined ratio of at least 125% for both senior and subordinate debt. As seen from Table 12-1, IEUA will meet these requirements during the Study Period. The metrics highlighted in Table 12-1, reflect how the rating agencies determine DSCR and days of cash-on-hand, which excludes the Water Resources (WW) Fund.

*[This spacing is intentional]*

**Table 12-1 Combined Utility Projected Operating Results**

Line No.	Description	Est. Actuals	Projected	
		FY 2024/25	FY 2025/26	FY 2026/27
<b>Funds RO,RC,NC,GG,WC,RW</b>				
<b>Revenues</b>				
1	Wastewater System Service Charges	89,112,200	97,618,000	106,935,600
2	Wastewater Capital Connection Fees	0	0	0
3	Water Capital Connection Fees	7,226,100	6,946,800	6,948,800
4	Property Tax	79,200,600	91,111,900	94,157,800
5	NRW System Service Charges	16,695,500	17,438,000	18,363,100
6	Interest	6,040,200	8,452,900	9,234,900
7	Recycled Water Sales	23,967,400	25,657,000	27,482,900
8	Other	8,317,800	8,037,600	8,846,500
9	Total Revenues	\$ 230,559,800	\$ 255,262,200	\$ 271,969,600
<b>Operation and Maintenance</b>				
10	Wastewater Regional O&M	101,498,500	108,211,400	116,908,200
11	Wastewater Regional Capital	9,107,300	10,943,500	11,935,400
12	Non-Reclaimable Wastewater	15,225,400	16,939,200	17,598,900
13	Administrative Services	6,476,800	7,364,000	7,829,300
14	Recycled Water	18,464,700	19,365,700	20,768,300
15	Recharge Water	3,406,000	3,119,800	3,083,800
16	Total Operation and Maintenance	\$ 154,178,700	\$ 165,943,600	\$ 178,123,900
17	Net Revenues	\$ 76,381,100	\$ 89,318,600	\$ 93,845,700
<b>Debt Service</b>				
18	Wastewater Regional O&M	1,421,100	1,421,200	1,421,300
19	Wastewater Regional Capital	7,931,000	10,759,800	17,158,500
20	Non-Reclaimable Wastewater	615,600	615,500	615,800
21	Administrative Services	0	0	0
22	Recycled Water	8,812,400	7,958,700	7,962,900
23	Recharge Water	1,210,000	2,035,300	2,035,300
24	Total Debt Service	\$ 19,990,100	\$ 22,790,500	\$ 29,193,800
25	Remaining Net Revenue after Debt Service	\$ 56,391,000	\$ 66,528,100	\$ 64,651,900
26	Total Debt Service Coverage Ratio	3.82	3.92	3.21

**Table 12-2 Combined Utility Projected Operating Results (continued)**

Line No.	Description	Est. Actuals	Projected	
		FY 2024/25	FY 2025/26	FY 2026/27
<b>Funds RO,RC,NC,GG,WC,RW</b>				
<b>Transfers</b>				
27	Required Transfer to meet Restricted Reserve Targets	(689,700)	6,838,700	10,290,700
28	Total Transfers	\$ (689,700)	\$ 6,838,700	\$ 10,290,700
<b>Ten-Year Capital Improvement Plan</b>				
29	TYCIP Project Costs	128,062,000	123,915,900	122,806,000
30	Total Ten-Year Capital Improvement Plan	\$ 128,062,000	\$ 123,915,900	\$ 122,806,000
<b>Capital Improvement Plan Funding Breakdown</b>				
31	Pay-Go Funded Capital Projects	72,238,000	65,041,900	63,661,300
32	Debt Funded Capital Projects	55,779,000	56,744,300	56,552,500
33	Grant Funded Capital Projects	45,000	2,129,700	2,592,200
34	Total Capital Improvement Plan Funding Breakdown	\$ 128,062,000	\$ 123,915,900	\$ 122,806,000
35	Increase (Decrease) in Cash Flow	\$ (15,847,000)	\$ 1,486,200	\$ 990,600
36	Beginning Balance	\$ 341,561,500	\$ 327,159,000	\$ 382,895,800
37	Ending Balance	\$ 325,714,500	\$ 328,645,200	\$ 383,886,400
<b>Restricted Reserve Balances</b>				
38	Debt Service & Redemption	22,790,500	29,193,800	39,919,900
39	Self Insurance Program	3,000,000	3,435,400	3,000,000
40	Employee Retirement Benefit	6,000,000	6,000,000	6,000,000
41	Total Restricted Reserve Balances	\$ 31,790,500	\$ 38,629,200	\$ 48,919,900
42	Total Unrestricted Reserves	\$ 293,924,000	\$ 290,016,000	\$ 334,966,500
43	Total Days Cash on Hand (Rating Agency)	696	638	686

## Appendix A – IEUA Proposed Staffing Plan

The following table outlines the departments each position falls under, along with the key role each position will play in advancing IEUA.

Division	Department	FY 2025/26	FY 2026/27	Position Details
Agency Management	Board and Administrative Services	2	2	<p><b>Engineering Services Specialist (1):</b> Engineering Services currently relies on a single individual for critical data and reporting. This position will serve as a backup Primavera Administrator to prevent disruptions due to absences or workload surges. This role enhances data quality and consistency, supports department reporting on key metrics, and assists in tracking performance, budgeting coordination, and project setup to ensure proper documentation and compliance.</p> <p><b>Administrative Assistant I-II (3):</b> These positions will optimize resource allocation, address critical support gaps, and strengthen administrative capacity to ensure business continuity and operational efficiency. Allocating administrative tasks to appropriate personnel allows professional staff to focus on their specialized responsibilities ensuring a more responsible and cost-effective use of resources.</p>
	Human Resources	1	0	<p><b>Manager of Safety and Emergency Management (1):</b> This role will focus on managing the Occupational Health and Safety program to ensure a safe work environment and will lead key initiatives including: vulnerability assessments to identify risks, development and execution of comprehensive preparedness, response, and recovery plans, coordination of exercises and training to ensure staff readiness, and facilitation of collaborative efforts for effective emergency response and recovery. By creating this position, the agency will be better equipped to proactively manage risks, reduce service disruptions, and safeguard both business continuity and the safety of the workforce.</p>
Administration	Finance	2	1	<p><b>Accountant I/II (1):</b> This position addresses a single point of failure in the accounting area. The current incumbent is solely responsible for accounts receivable (AR) and is the only individual performing this task. The primary job function is to produce invoices, enabling the</p>

Division	Department	FY 2025/26	FY 2026/27	Position Details
				<p>Agency to collect revenue from customers for services provided. Without this position, we will face delays in promptly collecting revenue for the Agency, including MWD, EDU, RW, compost, and the Non-reclaimable Wastewater System (NRWS). Additionally, this person will assist in the grants area by invoicing grants and working with grantors.</p> <p><b>Senior Financial Analyst (2):</b> These positions will manage financial models, assist with debt service compliance, support Asset Management in determining the appropriate types of capital projects and funding sources, and provide detailed financial reports, trend analysis, and performance metrics while mentoring Financial Analysts I &amp; II.</p>
	Information Technology Department	2	1	<p><b>Cybersecurity Analyst (2):</b> These positions are integral to both project-specific tasks and strategic initiatives. As part of the agency's commitment to safeguarding our assets and facilities from cyberattacks, including threats from local ransomware and nation-state actors such as Russia and China, these roles are essential. The addition of two Cyber Security Analysts will significantly enhance our existing cybersecurity program, enabling us to implement vital protective measures and response capabilities.</p> <p><b>Control Systems Analyst I-II (1):</b> The Agency's current team manages the existing SCADA and process control systems, along with over 68 TYCIP projects that include SCADA and control systems in their scope. The addition of a Control Systems Analyst I-II will be dedicated to supporting both current and future projects, ensuring we can keep pace with the expanding workload and maintain efficient operations.</p>
Technical Resources	Engineering	3	3	<p><b>Engineers (5):</b> The engineering team is essential in advancing projects that align with our strategic objectives. Key initiatives, such as the Repair and Rehabilitation projects at RP-1 and Carbon Canyon, are currently supported through staff augmentation. To ensure sustained continuity, enhanced efficiency, and specialized expertise, we propose adding five full-time engineers to support these and future projects as needs arise.</p> <p><b>Senior Management Analyst (1):</b> As part of the Asset Management Unit this position will</p>



Division	Department	FY 2025/26	FY 2026/27	Position Details
				<p>lead modernization and efficiency initiatives. This analyst will play a key role in analyzing data to pinpoint areas for improvement, identifying trends to boost operational efficiency, and ensuring cost-effective maintenance of our facilities.</p>
	Operations & Maintenance	4	4	<p><b>Recycled Water Distribution Operator (1):</b> The Recycled Water (RW) Program is currently supported by only two RW Distribution Operators, a staffing model that is unsustainable and leads to increased levels of overtime, burnout, and creates operational risks. When one operator is off, the entire system relies on a single FTE, creating coverage gaps and potential service disruptions. Additionally, both operators are on-call every two weeks, further contributing to fatigue. They also provide support to CIP related to the RW program for ongoing projects. Adding a third operator will provide critical redundancy, improving system reliability, work-life balance, and efficiency while reducing overtime costs. This position is essential to maintaining over 100 miles of RW pipeline and 1,000 appurtenances (isolation valves, air reliefs &amp; blow offs), ensuring regulatory compliance, asset longevity, and sustainable operations. Investing in this role now will enhance service reliability and long-term program success.</p> <p><b>Collection System Operator (I-II) (1):</b> This position ensures the safe and efficient transport of wastewater to treatment facilities. Current staffing only allows for two crews when all employees are available, but absences often leave crews short-staffed, limiting our ability to maintain the system. An additional operator will ensure consistent crew availability, support specialized equipment, and help meet performance and regulatory targets. This role also supports the Capital Improvement Program (CIP) and assists the source control program, strengthening system reliability and operational efficiency for the region.</p> <p><b>Wastewater Treatment Plant Operator (OIT-V) (2):</b> This position is vital for supporting the strategic expansion of RP-5. The Wastewater Treatment Plant Operator plays a crucial role in the operation and maintenance of the</p>

Division	Department	FY 2025/26	FY 2026/27	Position Details
				<p>wastewater treatment plant, ensuring that it runs efficiently and meets all regulatory requirements. With the expansion of RP-5, we aim to significantly increase our treatment capacity and enhance the quality of treated wastewater. These operators will be instrumental in achieving these goals by implementing advanced treatment processes, monitoring plant performance, and addressing any operational challenges. Their expertise will help us maintain compliance with stringent environmental regulations, reduce operational risks, and contribute to the overall success of the RP-5 expansion initiative. These two positions will be dedicated to RP-5 facility start-up and process optimization efforts as well as RP-2 decommissioning. Responsibilities will include 24-hour monitoring to support continuous operations, with an emphasis on maintaining safety and regulatory compliance.</p> <p><b>Electrical &amp; Instrumentation Technician (I-III) (2):</b> These two positions are critical for the maintenance, upkeep, and repair of approximately 5,000 new assets that will be commissioned as part of the expansion project. These assets will require daily, weekly, monthly, quarterly, semi-annual, and annual calibrations, inspections, and preventative maintenance to ensure they continue to perform as designed. Additionally, for high-voltage work, a buddy system is mandatory to ensure safety. Due to the risk of injury, technicians cannot perform high-voltage tasks alone. Similarly, confined space work requires a minimum of three personnel for safe execution. These two positions are essential not only for maintaining the increased number of assets but also for supporting our safety initiatives, procedures, and compliance with regulations.</p> <p><b>Facilities Technician (I-III) (1):</b> This role involves the maintenance and repair of facility infrastructure, ensuring that all buildings and equipment are in good working condition. The Facilities Maintenance team has historically been understaffed, relying on support from other fully tasked departments, an unsustainable model that leads to overtime, burnout, and operational risks. With only one</p>

Division	Department	FY 2025/26	FY 2026/27	Position Details
				<p>crew available when fully staffed, absences due to training, leave, or safety requirements often leave the team short-staffed, resulting in delays and maintenance gaps across the Agency’s geographically dispersed facilities. The Agency is responsible for maintaining 54 buildings, over 400 HVAC units, 70 variable frequency drive cooling systems, and Building Automation Controls. Current staffing is insufficient to meet these demands, increasing reliance on costly contract labor. Adding a Facilities Maintenance Technician will ensure a manageable workload, reduce outsourcing costs by bringing more preventive and corrective maintenance in-house, and support essential facility upkeep, including plumbing repairs, office modifications, and parking lot infrastructure maintenance (e.g., EV charging stations). This position will enhance operational efficiency, reduce costs, and improve facility reliability, ensuring the Agency can adequately maintain its infrastructure and meet long-term sustainability goals.</p> <p><b>RW/GW Recharge Ops &amp; Maintenance Specialist (1):</b> The RW/GW Recharge Ops &amp; Maintenance Specialist is vital for maintaining our current system and meeting the future needs of the system. This position focuses on the operation and maintenance of recharge facilities for recycled water (RW) and groundwater (GW). The Groundwater Recharge Program is currently supported by only two RW/GWR operation &amp; maintenance FTEs, making it unsustainable to meet growing operational, maintenance, and regulatory demands. This position is essential for managing 19 locations with recharge basin cells, conducting preventive maintenance, system operations, and compliance monitoring. With expanding PFAS sampling requirements, increasing regulatory oversight, and a geographically dispersed system, the current staffing is insufficient, leading to delays, compliance risks, and gaps in maintenance. Adding a Specialist will provide critical redundancy, ensuring continuous system operation, reliable facility performance, and regulatory compliance. Investing in this position will enhance system reliability, improve efficiency, and ensure the Agency</p>

Division	Department	FY 2025/26	FY 2026/27	Position Details
				meets performance metrics and long-term water sustainability goals.
	Planning & Resources	1	2	<p><b>Senior Engineer/Principal Resources Specialist (1):</b> This senior-level position in the Environmental Services Unit, will assume responsibility for regional wastewater planning, which has not undergone comprehensive updates in over 5 years. In addition, the role encompasses pretreatment and source control administration duties and supports the agency's water and sewer connection fee administration.</p> <p><b>Senior Water Resources Analyst (1):</b> This position in the Water Resources group will be instrumental in developing and updating the agency's foundational planning documents across all water supply sources - including recycled water, imported water, and groundwater resources. The role will support critical regional water planning initiatives and lead updates to essential documents, including the 2025 regional urban water plan and the Integrated Resources Plan (IRP), which has not been comprehensively updated since 2018.</p> <p><b>Laboratory Scientist (1):</b> This position is critical for ensuring compliance with the increasing regulatory requirements. The Laboratory Scientist will be responsible for conducting additional process and compliance testing, which is essential to maintain the integrity and quality of operations. With the heightened scrutiny and more stringent regulations, this role will help the Agency stay ahead of compliance issues, mitigate risks, and ensure that processes meet all necessary standards. Furthermore, the Laboratory Scientist will play a key role in implementing new testing protocols and procedures, thereby enhancing the overall efficiency and reliability of the Lab's services.</p>
<b>Total</b>		<b>15</b>	<b>13</b>	