

---

# Buena Sanitation District

**2026 Wastewater Rate Study**  
Final Report – March 2026

Prepared by: Water Resources Economics, LLC



**Water Resources  
Economics**

PROMOTING THE VALUE AND  
PRICE OF WATER SERVICE

---

This page intentionally left blank



March 16, 2026

Ken Knatz, PE  
Sewer Engineering Manager  
City of Vista | Buena Sanitation District  
200 Civic Center Drive  
Vista, CA 92084

**Subject: Buena Sanitation District Wastewater Rate Study Report**

Dear Mr. Knatz,

Water Resources Economics, LLC (WRE) is pleased to submit this 2026 Wastewater Rate Study Report to the Buena Sanitation District (District). This report documents the results and recommendations of the District's wastewater rate study. The goal of the study was to develop a three-year schedule of wastewater rates that will sufficiently fund the District's wastewater system expenses, allow the District to meet its financial goals within the study period, and comply with cost-of-service principles.

This study utilized industry-standard rate-setting methodology and incorporates guidance provided by the Buena Sanitation District Board. Our project team has a proven track record of developing fair and equitable wastewater rates for numerous public agencies in California over the past 25 years. We are confident in our ability to develop sound wastewater rates that satisfy the requirements of Proposition 218.

It has been a pleasure assisting the District with this engagement, and we appreciate the support provided by yourself, the District Board, and other District staff during this study.

Sincerely,

A handwritten signature in black ink, appearing to read 'Sanjay Gaur'.

Sanjay Gaur  
President

A handwritten signature in black ink, appearing to read 'Hannah Phan'.

Hannah Phan  
Principal Consultant

This page intentionally left blank

## TABLE OF CONTENTS

<b>1. Executive Summary</b>	<b>1</b>
1.1 System Overview	1
1.2 Rate Study Overview	1
1.3 Legal Requirements	1
1.4 Rate-Setting Methodology	1
1.5 Additional Information and Disclaimers	2
1.6 Current Wastewater Rates	2
1.7 Financial Plan	3
1.8 Proposed Wastewater Rates	4
<b>2. Financial Plan</b>	<b>6</b>
2.1 Financial Plan Methodology	6
2.2 Revenues	6
2.3 Operating Expenses	10
2.4 Debt Service	11
2.5 Capital Improvement Plan	11
2.6 Financial Policies	12
2.7 No Revenue Adjustment Financial Plan	12
2.8 Proposed Financial Plan	18
<b>3. COST-OF-SERVICE ANALYSIS</b>	<b>23</b>
3.1 Cost-of-Service Methodology	23
3.2 Revenue Requirement	23
3.3 Mass Balance	24
3.4 Units of Service	26
3.5 Functional Categories	27
3.6 Operating Cost Allocation	28
3.7 Capital Cost Allocation	29
3.8 Revenue Requirement Allocation	29
3.9 Unit Cost Derivation	30
3.10 Cost-of-Service by Customer Class	30
<b>4. Wastewater Rates</b>	<b>32</b>
4.1 Rate Design Methodology	32
4.2 Proposed Changes to the Rate Structure	32
4.3 Revenue Adjustments	33
4.4 wastewater Rate Calculation	33
4.5 Proposed Residential Wastewater Charge	34
4.6 Proposed Commercial Wastewater Charge	34
4.7 Proposed Capacity Rental Charge	35
4.8 Proposed Sanitation Rate Schedule	36

4.9 Customer Impacts..... 37

**5. Appendix ..... 39**

## LIST OF TABLES

Table 1-1: Current Wastewater Rates ..... 3

Table 1-2: Proposed Financial Plan Scenario..... 4

Table 1-3: Proposed Three-Year Wastewater Rate Schedule ..... 5

Table 2-1: Current Wastewater Rates ..... 7

Table 2-2: Projected Customer Accounts/Units ..... 8

Table 2-3: Calculated Rate Revenues at Current Rates ..... 9

Table 2-4: Revenue Summary..... 10

Table 2-5: Operating Expenses Escalation Factors ..... 10

Table 2-6: Operating Expenses ..... 10

Table 2-7: Capital Improvement Projects..... 11

Table 2-8: Capital Financing Plan..... 12

Table 2-9: No Revenue Adjustment Financial Plan Scenario..... 12

Table 2-10: Projected Cash Flows (No Revenue Adjustment Financial Plan)..... 14

Table 2-11: Projected Fund Balances (No Revenue Adjustment Financial Plan) ..... 15

Table 2-12: Forecasted Financial Performance (No Revenue Adjustment Financial Plan) ..... 16

Table 2-13: Proposed Financial Plan Scenario..... 18

Table 2-14: Projected Cash Flows (Proposed Financial Plan) ..... 19

Table 2-15: Projected Fund Balances (Proposed Financial Plan) ..... 20

Table 2-16: Forecasted Financial Performance (Proposed Financial Plan) ..... 21

Table 3-1: FY 2026 Revenue Requirement ..... 24

Table 3-2: Wastewater Flow and Strength Estimates ..... 25

Table 3-3: Mass Balance ..... 26

Table 3-4: Units of Service Summary by Customer Class ..... 27

Table 3-5: Operating Costs by System Function..... 28

Table 3-6: Capital Expenses by System Function..... 28

Table 3-7: Functional Cost Allocation ..... 28

Table 3-8: Operating Cost Allocation..... 29

Table 3-9: Capital Cost Allocation..... 29

Table 3-10: Revenue Requirement Allocation..... 30

Table 3-11: Unit Cost Calculations..... 30

Table 3-12: Cost-of-Service by Customer Class ..... 31

Table 4-1: Proposed Revenue Adjustments ..... 33

Table 4-2: Residential Rates Calculation ..... 33

Table 4-3: Industrial/Commercial Rates Calculation ..... 34

Table 4-4: Proposed Residential Wastewater Charge after Adjustment ..... 34

Table 4-5: Proposed Commercial Wastewater Charge after Adjustment..... 35

Table 4-6: Proposed Capacity Rental Charge Calculation ..... 36

**Buena Sanitation District**  
*2026 Wastewater Rate Study*

Table 4-7: Proposed Sanitation Rates Schedule ..... 37  
Table 4-8: Proposed Residential Customer Impacts..... 38  
Table 5-1: O&M Allocation ..... 39  
Table 5-2: Capital Allocation..... 40  
Table 5-3: Encina Cost Allocation ..... 41

**LIST OF FIGURES**

Figure 2-1: Revenue Requirements vs. Revenues (No Revenue Adjustment Financial Plan) ..... 17  
Figure 2-2: Projected Fund Balances (No Revenue Adjustment Financial Plan) ..... 17  
Figure 2-3: Revenue Requirements vs. Revenues (Proposed Financial Plan) ..... 21  
Figure 2-4: Projected Fund Balances (Proposed Financial Plan) ..... 22

## 1. EXECUTIVE SUMMARY

### 1.1 SYSTEM OVERVIEW

Buena Sanitation District (District) owns and operates approximately 101 miles of sanitary sewer system that collect wastewater from approximately 6,700 residential, commercial, and industrial accounts. The District contracts with Encina Wastewater Authority (Encina) to provide wastewater treatment services and pump station operations.

### 1.2 RATE STUDY OVERVIEW

Public retail wastewater agencies in California typically conduct a cost-of-service study every five years to ensure that customers are appropriately charged for wastewater service and to reestablish the cost-of-service nexus that is required by Proposition 218. The District has engaged Water Resources Economics, LLC (WRE) to conduct a comprehensive wastewater rate study, with the following objectives:

- Evaluate a five-year financial plan scenario to meet financial targets for Fiscal Year (FY) 2027 to FY 2031
- Conduct a cost-of-service analysis based on the most recent data and customer characteristics
- Develop a three-year wastewater rate schedule for FY 2027 through FY 2029

### 1.3 LEGAL REQUIREMENTS

Legal considerations relating to retail wastewater rates in California focus heavily on Proposition 218, which was enacted in 1996 and is now reflected in Article XIII C and Article XIII D of the California Constitution. Proposition 218 states that “property related fees and charges” (which include retail wastewater rates) may not exceed the proportional cost of providing the service to the customer and may not be used for any purpose other than providing said service. The practical implication is that public retail wastewater agencies in California must demonstrate a sufficient nexus between the costs incurred by the agency to provide wastewater service and the rates charged to customers. The primary means by which retail wastewater agencies address this requirement is by conducting a “cost-of-service analysis.”

Proposition 218 also affects the rate adoption process by requiring agencies to hold a public hearing to adopt rates. The agency must mail public hearing notices to all customers no fewer than 45 days prior to the public hearing. The public hearing notices must clearly show all proposed rate changes, provide information on the public hearing date/time/location, and provide instructions on how customers may protest the proposed rate changes. If a majority of customers submit a protest, the proposed rate changes cannot be adopted.

### 1.4 RATE-SETTING METHODOLOGY

This study was conducted using industry-standard methodology and includes the following steps:

## Buena Sanitation District 2026 Wastewater Rate Study

1. **Financial Plan:** Annual revenues and expenses are projected over the rate-setting period to determine the magnitude of rate increases needed to maintain financial sufficiency. Financial policies, such as reserve targets, are also evaluated and updated if necessary.
2. **Cost-of-Service Analysis:** Costs are allocated to customers in proportion to use of and burden on the wastewater system. The overall goal is to establish a robust nexus between the costs incurred by an agency and the rates charged to customers, as required by Proposition 218.
3. **Rate Design:** The existing rate structure is evaluated, and potential changes are identified. A multi-year proposed rate schedule is then calculated directly from the results of the financial plan and cost-of-service analysis.
4. **Rate Study Documentation:** A rate study report is developed to document the proposed rate development process. This provides transparency and enhances compliance with Proposition 218 requirements. This document serves as the report for this rate study.

### 1.5 ADDITIONAL INFORMATION AND DISCLAIMERS

This report summarizes the data, analyses, processes, and results of the District's wastewater rate study. Some important information to keep in mind when reading the report includes the following:

- All study projections are based on the best available data as of December 2025.
- All table values are rounded to the nearest digit shown unless stated otherwise. However, all calculations are based on precise values. Attempting to manually recreate the calculations described in this report from the values displayed in tables may therefore produce slightly different results.
- All current and proposed rates and charges in this report are shown on an annual basis.

### 1.6 CURRENT WASTEWATER RATES

The District's current wastewater rate structure, shown in **Table 1-1**, is charged annually on the San Diego County Property Tax bill and includes the following components:

- Single Family and Multi-Family Residential rates based on number of dwelling units
- Industrial and Commercial rates include a fixed component based on equivalent dwelling units (EDUs), a strength-based component based on hundred cubic feet (hcf) of estimated wastewater flows and strength category, and an extra strength component based on pounds of biochemical oxygen demand (BOD) and suspended solids (SS)
- Capacity rental charges are based on excess EDU usage
- Rates are differentiated between customers within City limits and within the County/San Marcos service area

Table 1-1: Current Wastewater Rates

Line	Current Sewer Rates	Units Charged	City Limits	County/San Marcos
1	Residential			
2	Single Family	per unit/year	\$663	\$621
3	Multi-Family	per unit/year	\$463	\$434
4				
5	Industrial/Commercial			
6	Fixed Portion	per EDU owned	\$200	\$158
7				
8	Strength Portion			
9	Low Strength	per HCF	\$5.83	\$5.83
10	Medium Strength	per HCF	\$6.68	\$6.68
11	High Strength	per HCF	\$9.21	\$9.21
12				
13	Extra Strength			
14	BOD Rate	per LB	\$0.69	\$0.69
15	SS Rate	per LB	\$0.56	\$0.56
16				
17	Capacity Rental Charge	per excess EDU used	\$506	\$464

## 1.7 FINANCIAL PLAN

WRE worked closely with District staff and the District Board to determine the financial plan scenario that best suits the District’s needs. The results and recommendations of the wastewater rate study are driven by the District’s financial performance, input from District staff, and feedback and direction from the District Board.

### FACTORS AFFECTING FINANCIAL PERFORMANCE

The wastewater system’s financial performance is driven by the ability of the current wastewater rates to meet the District’s funding needs. To maintain financial sufficiency, wastewater rates must fully fund operations and maintenance (O&M) costs, capital improvement plan (CIP) expenditures, and any relevant financial policies, which typically include target reserve balances and debt coverage.

The key factors affecting financial performance include:

- **Substantial capital investment needs over the next five years:** The cost of planned capital projects over the next five years (FY 2027 through FY 2031) is approximately \$28.9 million based on the findings of the 2025 Sewer Master Plan.
- **Increases in Encina costs:** Encina charges the District operating and capital costs to treat wastewater flows from the District’s customers. The charges have increased by an average of approximately 10 percent per year for the past 10 years. These increases, in addition to aging infrastructure needs, add pressure to the District’s wastewater rates.

**PROPOSED REVENUE ADJUSTMENTS AND DEBT ISSUANCES**

Overall annual increases in wastewater rate revenues resulting from rate increases are referred to as “revenue adjustments.” WRE worked with the District Board and District staff to determine the most appropriate financial plan scenario, which is shown in **Table 1-2**. The proposed financial plan scenario includes three years of proposed and two years of projected revenue adjustments, which are required to maintain financial sufficiency and resiliency.

**Table 1-2: Proposed Financial Plan Scenario**

Line	Fiscal Year	Revenue Adjustment	Effective Month	
1	FY 2027	4.0%	July	Proposed
2	FY 2028	4.0%	July	Proposed
3	FY 2029	4.0%	July	Proposed
4	FY 2030	5.0%	July	Forecasted
5	FY 2031	5.0%	July	Forecasted

Under this proposed financial plan, the District will meet its reserve targets and meet coverage requirements for all years of the planning period.

**1.8 PROPOSED WASTEWATER RATES**

WRE worked closely with the District Board and District staff to determine the most appropriate wastewater rate structure that meets the District’s needs.

**PROPOSED RATE STRUCTURE CHANGES**

The main objective of the rate study was to conduct a comprehensive cost-of-service analysis while maintaining as much of the current wastewater rate structure as possible to minimize customer impacts. The District’s current wastewater rate structure includes an annual service charge based on customer class and a variable rate for commercial/industrial customers based on annual usage.

After examining current customer classification and discussion with District staff regarding customer usage patterns, WRE recommends the following changes:

- Reducing the gallons per day (gpd) definition from 200 gpd per EDU to 160 gpd due to reductions in wastewater flow.
- Currently, the District provides laundry and car wash discounts to customers who request a variance due to their water recirculation practices. However, upon further investigation, it was found that all discharge from these facilities enters the wastewater system. Thus, no discount should be offered.
- Among the commercial customers, some have separate irrigation meters, and some do not. For customers with separate irrigation meters, the District should bill based on the actual water usage since irrigation is accounted for in a separate meter. For customers without

**Buena Sanitation District**  
**2026 Wastewater Rate Study**

irrigation meters, the District should bill based on the lowest two months of water usage to account for irrigation usage which does not enter the wastewater system.

- During the mass balance process, the District’s BOD readings showed high strength readings. We recommend that the District conduct an audit of residential water use in the District to pinpoint the source of high strength readings.

**PROPOSED THREE-YEAR WASTEWATER RATE SCHEDULE**

The proposed three-year wastewater rate schedule in this section is based on the proposed rate structure and methodology changes, the updated cost-of-service analysis, and the proposed revenue adjustments. The rate schedule shows the proposed wastewater rates to be implemented in July 2026 through July 2028.

**Table 1-3: Proposed Three-Year Wastewater Rate Schedule**

Line			Current Rate	7/1/2026	7/1/2027	7/1/2028
1	<b>City Limits</b>					
2	Residential					
3	Single Family	per unit/year	\$663	\$716	\$745	\$775
4	Multi-Family	per unit/year	\$463	\$501	\$522	\$543
5						
6	Industrial/Commercial					
7	Fixed Portion	per EDU owned	\$200	\$186	\$194	\$202
8						
9	Strength Portion					
10	Low Strength	per HCF	\$5.83	\$5.25	\$5.46	\$5.68
11	Medium Strength	per HCF	\$6.68	\$6.53	\$6.80	\$7.08
12	High Strength	per HCF	\$9.21	\$10.98	\$11.42	\$11.88
13						
14	Capacity Rental Charge	per excess EDU used	\$506	\$613	\$613	\$613
15						
16	<b>County/San Marcos</b>					
17	Residential					
18	Single Family	per unit/year	\$621	\$650	\$676	\$704
19	Multi-Family	per unit/year	\$434	\$455	\$474	\$493
20						
21	Industrial/Commercial					
22	Fixed Portion	per EDU owned	\$158	\$120	\$125	\$130
23						
24	Strength Portion					
25	Low Strength	per HCF	\$5.83	\$5.25	\$5.46	\$5.68
26	Medium Strength	per HCF	\$6.68	\$6.53	\$6.80	\$7.08
27	High Strength	per HCF	\$9.21	\$10.98	\$11.42	\$11.88
28						
29	Capacity Rental Charge	per excess EDU used	\$464	\$613	\$613	\$613

## 2. FINANCIAL PLAN

### 2.1 FINANCIAL PLAN METHODOLOGY

The purpose of a financial plan is to project revenues, expenses, cash flows, reserve balances, and debt coverage over a multi-year period to assess financial sufficiency and performance and to determine the amount of required rate revenue. For this study, the planning period is from FY 2027 through FY 2031. The key steps in developing a financial plan for a wastewater enterprise are below:

- **Revenue projections:** Annual revenues from rates and other miscellaneous sources are projected over the planning period. Rate revenues are projected based on current rates to establish baseline revenues from which the need for additional rate increases can be evaluated.
- **Expense projections:** Annual expenses are projected over the study period, including O&M expenses, debt service, and CIP costs. CIP funding options (grants, debt, etc.) are evaluated.
- **Financial policy evaluation:** Key financial policies include debt coverage requirements and reserve targets. Debt coverage requirements are typically explicitly stated in official agreements on outstanding debt issuances. Reserve targets are typically set by an agency's elected officials and may need to be periodically evaluated and updated.
- **No revenue adjustments financial plan projections:** Cash flow, reserve balances, and debt coverage are projected over the study period in the absence of additional rate increases. Projected reserve balances and debt coverage are then compared to the agency's financial policy requirements and targets. The no revenue adjustments financial plan provides a baseline for evaluating the need for rate increases.
- **Proposed financial plan projections:** The magnitude and timing of annual proposed revenue increases over the study period are evaluated and determined based on the agency's financial policies, financial performance, and policy objectives. Proposed rate increases (referred to as "revenue adjustments") should generate sufficient revenue to recover the agency's expenses, maintain adequate reserves, and meet all debt coverage requirements. The proposed financial plan determines the total annual rate revenue requirement over the study period.

### 2.2 REVENUES

#### CURRENT WASTEWATER RATES

The District's current wastewater rate structure (**Table 2-1**) is charged annually on the San Diego County Property Tax bill and includes the following components:

- Single Family and Multi-Family Residential rates based on number of dwelling units (EDUs)
- Industrial and Commercial rates include a fixed component based on equivalent dwelling units (EDUs), a strength-based component based on hundred cubic feet (hcf) of estimated wastewater flows and strength category, and an extra strength component based on pounds of biochemical oxygen demand (BOD) and suspended solids (SS)
- Capacity rental charges are based on excess EDU usage

**Buena Sanitation District**  
**2026 Wastewater Rate Study**

- Rates are differentiated between customers within City limits and within the County/San Marcos service area

**Table 2-1: Current Wastewater Rates**

Line	Current Sewer Rates	Units Charged	City Limits	County/San Marcos
1	Residential			
2	Single Family	per unit/year	\$663	\$621
3	Multi-Family	per unit/year	\$463	\$434
4				
5	Industrial/Commercial			
6	Fixed Portion	per EDU owned	\$200	\$158
7				
8	Strength Portion			
9	Low Strength	per HCF	\$5.83	\$5.83
10	Medium Strength	per HCF	\$6.68	\$6.68
11	High Strength	per HCF	\$9.21	\$9.21
12				
13	Extra Strength			
14	BOD Rate	per LB	\$0.69	\$0.69
15	SS Rate	per LB	\$0.56	\$0.56
16				
17	Capacity Rental Charge	per excess EDU used	\$506	\$464

**CUSTOMER ACCOUNTS AND USAGE**

This section details the customer accounts for all years of the study, which are referred to as the units of service. Units of service represent the quantity of billing units that are subject to the District’s wastewater rates and charges.

**Table 2-2** shows the projected number of Residential and Industrial/Commercial customer accounts for the study period. District staff provided actual customer data for FY 2025. This study assumes an annual growth rate of 0.5% in customer accounts and usage during the study period, which was the average growth between FY 2020 and FY 2024.

**Buena Sanitation District**  
**2026 Wastewater Rate Study**

**Table 2-2: Projected Customer Accounts/Units**

Line	Customer Data	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	<b>City Limits</b>						
2							
3	<b>Residential EDU</b>						
4	Single Family	3,344	3,362	3,380	3,398	3,417	3,435
5	Multi-Family	2,580	2,594	2,608	2,622	2,636	2,650
6							
7	<b>Industrial/Commercial</b>						
8	Number of EDU	3,951	3,973	3,994	4,016	4,037	4,059
9							
10	Number of HCF						
11	Low Strength	57,566	57,877	58,190	58,504	58,820	59,137
12	Medium Strength	55,110	55,408	55,707	56,008	56,310	56,614
13	High Strength	33,825	34,007	34,191	34,376	34,561	34,748
14							
15	Extra Strength						
16	BOD	0	0	0	0	0	0
17	SS	0	0	0	0	0	0
18							
19	Excess EDU Used	282	282	282	282	282	282
20							
21	<b>County/San Marcos</b>						
22							
23	<b>Residential EDU</b>						
24	Single Family	3,128	3,145	3,162	3,179	3,196	3,213
25	Multi-Family	1,830	1,840	1,850	1,860	1,870	1,880
26							
27	<b>Industrial/Commercial</b>						
28	Number of EDU	492	494	497	500	502	505
29							
30	Number of HCF						
31	Low Strength	25,451	25,588	25,726	25,865	26,005	26,145
32	Medium Strength	5,601	5,631	5,662	5,692	5,723	5,754
33	High Strength	3,629	3,649	3,669	3,689	3,709	3,729
34							
35	Extra Strength						
36	BOD	0	0	0	0	0	0
37	SS	0	0	0	0	0	0
38							
39	Excess EDU Used	158	158	158	158	158	158

**REVENUES FROM CURRENT RATES**

**Table 2-3** shows the calculated wastewater rate revenues for the study period based on the current effective wastewater rates (**Table 2-1**) and the projected customer accounts/units (**Table 2-2**).

**Table 2-3: Calculated Rate Revenues at Current Rates**

Line	Calculated Revenue	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	<b>City Limits</b>						
2							
3	<b>Residential</b>	<b>\$3,411,519</b>	<b>\$3,429,941</b>	<b>\$3,448,463</b>	<b>\$3,467,085</b>	<b>\$3,485,807</b>	<b>\$3,504,630</b>
4	Single Family	\$2,217,046	\$2,229,018	\$2,241,054	\$2,253,156	\$2,265,323	\$2,277,556
5	Multi-Family	\$1,194,474	\$1,200,924	\$1,207,409	\$1,213,929	\$1,220,484	\$1,227,074
6	<b>Industrial/Commercial</b>	<b>\$1,805,515</b>	<b>\$1,815,265</b>	<b>\$1,825,067</b>	<b>\$1,834,923</b>	<b>\$1,844,831</b>	<b>\$1,854,794</b>
7	Fixed Revenue	\$790,244	\$794,512	\$798,802	\$803,116	\$807,452	\$811,813
8	Variable Revenue	\$1,015,271	\$1,020,753	\$1,026,265	\$1,031,807	\$1,037,379	\$1,042,981
9	Extra Strength	\$0	\$0	\$0	\$0	\$0	\$0
10	<b>Total Rate Revenue</b>	<b>\$5,217,035</b>	<b>\$5,245,207</b>	<b>\$5,273,531</b>	<b>\$5,302,008</b>	<b>\$5,330,639</b>	<b>\$5,359,424</b>
11							
12	<b>County/San Marcos</b>						
13							
14	<b>Residential</b>	<b>\$2,736,509</b>	<b>\$2,751,286</b>	<b>\$2,766,143</b>	<b>\$2,781,080</b>	<b>\$2,796,098</b>	<b>\$2,811,197</b>
15	Single Family	\$1,942,363	\$1,952,852	\$1,963,398	\$1,974,000	\$1,984,660	\$1,995,377
16	Multi-Family	\$794,145	\$798,434	\$802,745	\$807,080	\$811,438	\$815,820
17	<b>Industrial/Commercial</b>	<b>\$296,900</b>	<b>\$298,503</b>	<b>\$300,115</b>	<b>\$301,735</b>	<b>\$303,365</b>	<b>\$305,003</b>
18	Fixed Revenue	\$77,679	\$78,099	\$78,520	\$78,944	\$79,371	\$79,799
19	Variable Revenue	\$219,220	\$220,404	\$221,594	\$222,791	\$223,994	\$225,204
20	Extra Strength	\$0	\$0	\$0	\$0	\$0	\$0
21	<b>Total Rate Revenue</b>	<b>\$3,033,408</b>	<b>\$3,049,789</b>	<b>\$3,066,258</b>	<b>\$3,082,815</b>	<b>\$3,099,463</b>	<b>\$3,116,200</b>

**REVENUE SUMMARY**

**Table 2-4** shows the summary of projected revenues for the study period. District staff provided the budgeted revenues for FY 2026 and FY 2027; all other years are projected based on the relevant assumptions or calculations.

Sewer Service Charges, or wastewater rate revenue (Line 1), are equal to the sum of the City Limits Total Rate Revenue from **Table 2-3** (Line 10) and the County/San Marcos Total Rate Revenue (Line 21).

Table 2-4: Revenue Summary

Line	Revenue Summary	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	Sewer Service Charges	\$8,250,443	\$8,294,995	\$8,339,788	\$8,384,823	\$8,430,101	\$8,475,624
2	Capacity Rental Charge Revenue	\$216,004	\$216,004	\$216,004	\$216,004	\$216,004	\$216,004
3	Operating Revenues	\$1,256,146	\$1,369,560	\$481,676	\$268,259	\$220,221	\$200,686
4	Capital Revenues	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
5	<b>Total - Buena Sanitation District</b>	<b>\$10,022,593</b>	<b>\$10,180,559</b>	<b>\$9,337,468</b>	<b>\$9,169,086</b>	<b>\$9,166,327</b>	<b>\$9,192,314</b>

## 2.3 OPERATING EXPENSES

WRE worked with District staff to determine the most appropriate escalation factors for various operating expense categories in the District’s budget. **Table 2-5** shows the expense escalation factors used to inflate O&M expenses from FY 2026 through FY 2031.

Table 2-5: Operating Expenses Escalation Factors

Line	Expense Escalation	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	Salaries & Benefits	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
2	Professional Services	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%
3	Operating Expenses	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
4	Utilities	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
5	Allocated Costs	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
6	Encina	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%
7	Capital	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
8	Transfers Out	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%

**Table 2-6** shows the summary of O&M expenses for the study period. District staff provided the budgeted O&M expenses for FY 2026 and FY 2027. The budgeted values are escalated each year based on the escalation factors in **Table 2-5**.

Table 2-6: Operating Expenses

Line	Operating Expenses	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	Salaries & Benefits	\$1,921,360	\$1,999,114	\$2,109,065	\$2,225,064	\$2,347,442	\$2,476,552
2	Professional Services	\$249,694	\$240,990	\$249,425	\$258,155	\$267,190	\$276,542
3	Encina Treatment Facility	\$2,961,997	\$3,110,097	\$3,390,006	\$3,695,106	\$4,027,666	\$4,390,156
4	Operating Expenses	\$110,760	\$110,502	\$113,817	\$117,232	\$120,749	\$124,371
5	Utilities	\$53,536	\$59,809	\$62,799	\$65,939	\$69,236	\$72,698
6	Allocated Costs	\$920,555	\$929,122	\$956,996	\$985,706	\$1,015,277	\$1,045,735
7	Capital Outlay	\$34,127	\$207,503	\$215,803	\$224,435	\$233,413	\$242,749
8	Transfers to Other Funds	\$2,250,059	\$1,996,087	\$0	\$0	\$0	\$0
9	Stormwater Expenses	\$575,338	\$617,583	\$636,110	\$655,194	\$674,850	\$695,095
10	<b>Total Operating Expenses</b>	<b>\$9,077,426</b>	<b>\$9,270,807</b>	<b>\$7,734,021</b>	<b>\$8,226,830</b>	<b>\$8,755,822</b>	<b>\$9,323,897</b>

## 2.4 DEBT SERVICE

### EXISTING AND PROPOSED DEBT SERVICE

Currently, the District has no existing debt service payments. The proposed financial plan does not recommend any additional debt issuance.

## 2.5 CAPITAL IMPROVEMENT PLAN

### CAPITAL IMPROVEMENT PROJECTS

**Table 2-7** shows the District’s five-year CIP; project costs are inflated by 4% per year (**Table 2-5**, Line 7) starting in FY 2026, except for the pipeline rehabilitation costs.

**Table 2-7: Capital Improvement Projects**

Line	Capital Improvement Projects	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	Buena Outfall Force Main Extension	\$0	\$0	\$0	\$0	\$0	\$0
2	Encina Wastewater Authority Capital Improvement Project	\$1,886,985	\$2,772,004	\$2,873,243	\$1,526,947	\$2,382,295	\$2,500,000
3	B1: Green Oak Road Trunk Sewer Replacement	\$726,200	\$5,100,992	\$0	\$0	\$0	\$0
4	Buena Yard Improvements	\$232,000	\$1,880,320	\$0	\$0	\$0	\$0
5	Buena Sewer Pipeline Rehabilitation	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
6	FOG Abatement Buena Creek Pump Station	\$0	\$0	\$0	\$0	\$0	\$0
7	Sewer Master Plan	\$0	\$0	\$0	\$0	\$0	\$0
8	Buena Creek Pump Station Mechanical Modifications	\$0	\$0	\$0	\$0	\$0	\$0
9	Vallecitos Failsafe Outfall	\$0	\$0	\$0	\$0	\$0	\$0
10	Vallecitos Land Outfall Rehabilitation	\$0	\$0	\$0	\$0	\$0	\$0
11	Public Works Building C Improvements	\$114,000	\$671,840	\$0	\$0	\$0	\$0
12	Buena Outfall CIPP	\$0	\$0	\$0	\$0	\$0	\$0
13	El Valle Opulento Phase 1 - to Creek Crossing	\$1,263,600	\$0	\$0	\$0	\$0	\$0
14	Sycamore Ave. under 78 Freeway	\$259,896	\$1,081,167	\$0	\$0	\$0	\$0
15	Verona Hills Pkwy. and Savona Ct.	\$0	\$251,796	\$1,047,473	\$0	\$0	\$0
16	Buena Outfall Under I-5 Freeway	\$0	\$0	\$1,622,400	\$3,937,024	\$0	\$0
17	<b>Total - Buena SD Capital Replacement</b>	<b>\$4,732,681</b>	<b>\$12,008,120</b>	<b>\$5,793,116</b>	<b>\$5,713,971</b>	<b>\$2,632,295</b>	<b>\$2,750,000</b>

### CAPITAL FINANCING PLAN

**Table 2-8** shows the capital financing plan. All of the CIP for the District will be entirely rate funded (Line 7) for all years of the study period.

**Table 2-8: Capital Financing Plan**

Line	Capital Financing Plan	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	Total CIP	\$4,732,681	\$12,008,120	\$5,793,116	\$5,713,971	\$2,632,295	\$2,750,000
2	CIP Execution Rate	100%	100%	100%	100%	100%	100%
3	Executed CIP	\$4,732,681	\$12,008,120	\$5,793,116	\$5,713,971	\$2,632,295	\$2,750,000
4							
5	<b>Buena SD Capital Replacement</b>						
6	Debt Funded	\$0	\$0	\$0	\$0	\$0	\$0
7	Rate Funded	\$4,732,681	\$12,008,120	\$5,793,116	\$5,713,971	\$2,632,295	\$2,750,000
8	<b>Total - Buena SD Capital Replacement</b>	<b>\$4,732,681</b>	<b>\$12,008,120</b>	<b>\$5,793,116</b>	<b>\$5,713,971</b>	<b>\$2,632,295</b>	<b>\$2,750,000</b>

## 2.6 FINANCIAL POLICIES

### RESERVE POLICY

The District’s current reserve policy maintains cash on hand to meet short-term cash imbalances, to execute CIP projects, and to cover unexpected repairs.

The District currently has an adopted reserve policy that consists of the following components:

- Operating Reserve Target: 50% of annual operating expenses
- Rate Stabilization: 15% of previous 5-year average of Encina wastewater treatment plant costs
- Emergency Capital: \$1 million

The reserve target for the study period ranges from approximately \$5 million (FY 2027) to \$6.2 million (FY 2031) in the District’s reserve funds.

## 2.7 NO REVENUE ADJUSTMENT FINANCIAL PLAN

### NO REVENUE ADJUSTMENT FINANCIAL PLAN SCENARIO

**Table 2-9** shows the no revenue adjustment financial plan, which assumes no revenue adjustments and no debt issuance. This scenario is used to evaluate the ability of the current wastewater rates to meet the District’s financial targets and to determine the need for revenue adjustments.

**Table 2-9: No Revenue Adjustment Financial Plan Scenario**

Line	Fiscal Year	Revenue Adjustment	Effective Month
1	FY 2027	0.0%	July
2	FY 2028	0.0%	July
3	FY 2029	0.0%	July
4	FY 2030	0.0%	July
5	FY 2031	0.0%	July

## NO REVENUE ADJUSTMENT CASH FLOW PROJECTIONS

**Table 2-10** shows the cash flow projections for the no revenue adjustment financial plan. Revenues (Lines 1-7) are from **Table 2-4**. Operating expenses (Lines 9-14) are from **Table 2-6**. Net operating revenue (Line 26) is equal to the difference between total revenues (Line 7) and total operating expenses (Line 14). Rate funded CIP (Line 23) is the total capital projects from **Table 2-8**. The no revenue adjustment scenario assumes no new debt; all CIP is expected to be rate funded. Net cash flow (Line 28) is equal to the net operating revenue (Line 26) less rate funded CIP (Line 23).

The net operating revenue in this scenario is positive for all years except FY 2031, meaning that the District's current revenues are sufficient to fund its operating expenses for four years out of the five in the study period. However, the net cash flow in the no revenue adjustment scenario is negative for all years, meaning that the District's current forecasted revenues are not sufficient to fund its annual CIP.

Table 2-10: Projected Cash Flows (No Revenue Adjustment Financial Plan)

Line	Cash Flow Projections	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	<b>Revenues</b>						
2	Rate Revenues at Existing Rates	\$8,250,443	\$8,294,995	\$8,339,788	\$8,384,823	\$8,430,101	\$8,475,624
3	Revenue Adjustments	\$0	\$0	\$0	\$0	\$0	\$0
4	Capacity Rental Charge Revenue	\$216,004	\$216,004	\$216,004	\$216,004	\$216,004	\$216,004
5	Operating Revenues	\$1,256,146	\$1,369,560	\$461,514	\$237,140	\$162,742	\$106,434
6	Capital Revenues	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
7	<b>Subtotal - Revenues</b>	<b>\$10,022,593</b>	<b>\$10,180,559</b>	<b>\$9,317,306</b>	<b>\$9,137,967</b>	<b>\$9,108,848</b>	<b>\$9,098,062</b>
8							
9	<b>Operating Expenses</b>						
10	Operating Costs	\$2,335,350	\$2,410,415	\$2,535,106	\$2,666,389	\$2,804,617	\$2,950,162
11	Encina Treatment Costs	\$2,961,997	\$3,110,097	\$3,390,006	\$3,695,106	\$4,027,666	\$4,390,156
12	Allocated Costs	\$920,555	\$929,122	\$956,996	\$985,706	\$1,015,277	\$1,045,735
13	All Other Costs, less Transfers	\$609,465	\$825,086	\$851,914	\$879,629	\$908,262	\$937,844
14	<b>Subtotal - Operating Expenses</b>	<b>\$6,827,367</b>	<b>\$7,274,720</b>	<b>\$7,734,021</b>	<b>\$8,226,830</b>	<b>\$8,755,822</b>	<b>\$9,323,897</b>
15							
16	<b>Debt Service</b>						
17	Existing Debt	\$0	\$0	\$0	\$0	\$0	\$0
18	Proposed Debt	\$0	\$0	\$0	\$0	\$0	\$0
19	<b>Subtotal - Debt Service</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
20							
21	<b>Capital Projects</b>						
22	Debt Funded	\$0	\$0	\$0	\$0	\$0	\$0
23	Rate Funded	\$4,732,681	\$12,008,120	\$5,793,116	\$5,713,971	\$2,632,295	\$2,750,000
24	<b>Subtotal - Capital Projects</b>	<b>\$4,732,681</b>	<b>\$12,008,120</b>	<b>\$5,793,116</b>	<b>\$5,713,971</b>	<b>\$2,632,295</b>	<b>\$2,750,000</b>
25							
26	Net Revenue	\$3,195,226	\$2,905,839	\$1,583,285	\$911,137	\$353,026	(\$225,835)
27	Net Revenue Less Debt	\$3,195,226	\$2,905,839	\$1,583,285	\$911,137	\$353,026	(\$225,835)
28	<b>Net Cash Flow</b>	<b>(\$1,537,455)</b>	<b>(\$9,102,280)</b>	<b>(\$4,209,832)</b>	<b>(\$4,802,834)</b>	<b>(\$2,279,269)</b>	<b>(\$2,975,835)</b>

**NO REVENUE ADJUSTMENT FUND BALANCE PROJECTIONS**

Table 2-11 shows the fund balance projections for the no revenue adjustment financial plan. Based on the sources (Lines 3-10) and uses (Lines 12-16) of funds, the District’s fund balances will drop from approximately \$26.7 million in FY 2026 to just under \$500,000 by the end of FY 2031, a loss of approximately \$26.2 million.

**Table 2-11: Projected Fund Balances (No Revenue Adjustment Financial Plan)**

Line	Fund Balance Projections	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	<b>Combined Beginning Fund Balance</b>	<b>\$26,700,050</b>	<b>\$24,946,591</b>	<b>\$15,628,306</b>	<b>\$11,202,471</b>	<b>\$6,183,633</b>	<b>\$3,688,359</b>
2							
3	<b>Sources of Funds</b>						
4	Rate Revenues at Existing Rates	\$8,250,443	\$8,294,995	\$8,339,788	\$8,384,823	\$8,430,101	\$8,475,624
5	Revenue Adjustments	\$0	\$0	\$0	\$0	\$0	\$0
6	Operating Revenues	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000
7	Capital Revenues	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
8	Debt Proceeds	\$0	\$0	\$0	\$0	\$0	\$0
9	Investment Earnings	\$1,191,146	\$1,304,560	\$396,514	\$172,140	\$97,742	\$41,434
10	<b>Subtotal - Sources of Funds</b>	<b>\$9,806,589</b>	<b>\$9,964,555</b>	<b>\$9,101,302</b>	<b>\$8,921,963</b>	<b>\$8,892,844</b>	<b>\$8,882,058</b>
11							
12	<b>Uses of Funds</b>						
13	Operating Expenses	\$6,827,367	\$7,274,720	\$7,734,021	\$8,226,830	\$8,755,822	\$9,323,897
14	Debt Service	\$0	\$0	\$0	\$0	\$0	\$0
15	Capital Projects	\$4,732,681	\$12,008,120	\$5,793,116	\$5,713,971	\$2,632,295	\$2,750,000
16	<b>Subtotal - Uses of Funds</b>	<b>\$11,560,048</b>	<b>\$19,282,840</b>	<b>\$13,527,138</b>	<b>\$13,940,801</b>	<b>\$11,388,117</b>	<b>\$12,073,897</b>
17							
18	<b>Ending Balance</b>	<b>\$24,946,591</b>	<b>\$15,628,306</b>	<b>\$11,202,471</b>	<b>\$6,183,633</b>	<b>\$3,688,359</b>	<b>\$496,520</b>

**NO REVENUE ADJUSTMENT FINANCIAL PERFORMANCE**

The District’s financial performance is evaluated based on the reserve targets and debt coverage requirements, as shown in **Table 2-12**. Under the no revenue adjustment financial plan, the District will not meet its reserve targets for FY 2030 and FY 2031. As indicated in Line 4, the District has no debt coverage requirements.

**Table 2-12: Forecasted Financial Performance (No Revenue Adjustment Financial Plan)**

Line	Financial Performance	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	<b>Debt Coverage Target</b>						
2	Required Debt Coverage	125%	125%	125%	125%	125%	125%
3	Calculated Debt Coverage	N/A	N/A	N/A	N/A	N/A	N/A
4	Meets Coverage?	No Debt	No Debt	No Debt	No Debt	No Debt	No Debt
5							
6	<b>Reserve Target</b>						
7	Operating Cash Flow	\$3,413,684	\$3,637,360	\$3,867,011	\$4,113,415	\$4,377,911	\$4,661,949
8	Rate Stabilization	\$337,859	\$359,147	\$395,780	\$436,384	\$474,738	\$515,546
9	Capital Repairs and Replacement						
10	Emergency Capital Replacement	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
11	Total Reserve Target	\$4,751,543	\$4,996,507	\$5,262,791	\$5,549,799	\$5,852,649	\$6,177,495
12	Total Reserves	\$24,946,591	\$15,628,306	\$11,202,471	\$6,183,633	\$3,688,359	\$496,520
13	Meets Reserve Target?	Yes	Yes	Yes	Yes	No	No

**Figure 2-1** shows the comparison of revenues and the revenue requirement for the no revenue adjustment financial plan. The stacked bars represent the revenue requirements, or costs: blue for O&M expenses, gray for debt service, and green for rate funded CIP. The District will not be adding to its reserves (light blue) in this scenario. The current revenue, shown as a solid line, is lower than the revenue requirements, meaning that revenues are insufficient to fund necessary costs.

Figure 2-1: Revenue Requirements vs. Revenues (No Revenue Adjustment Financial Plan)

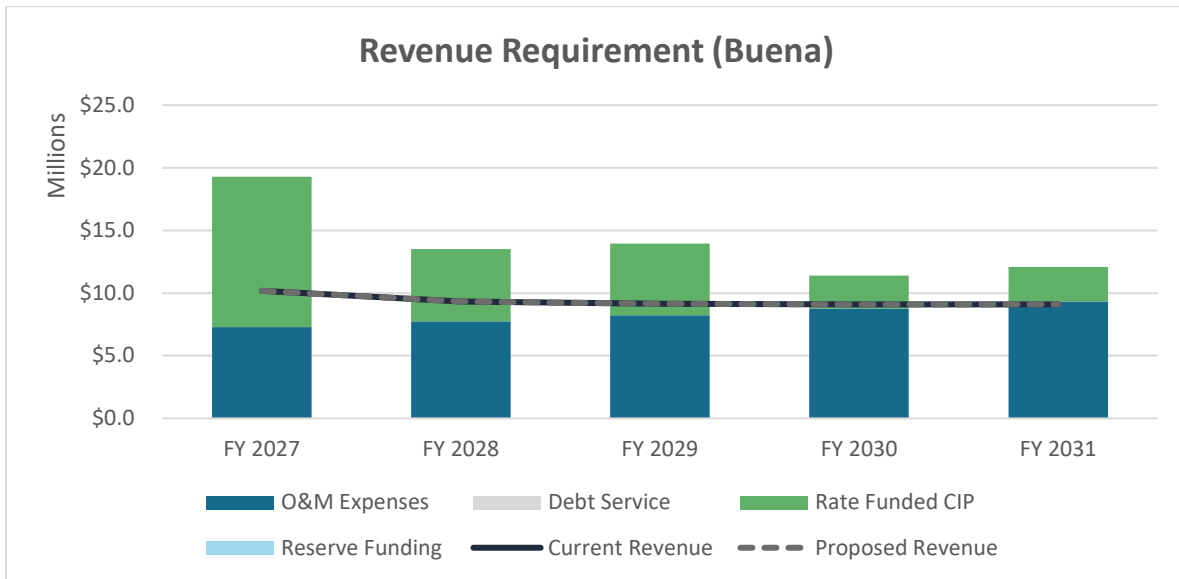
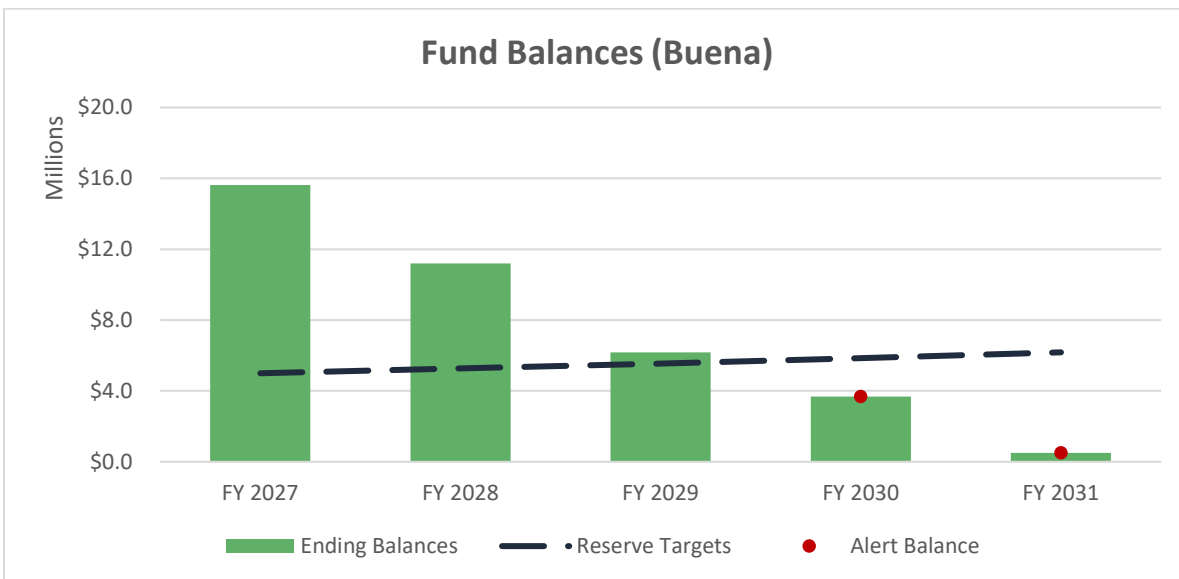


Figure 2-2 shows the fund balance projections in the no revenue adjustment financial plan. The District’s ending balance (green bars) will not meet reserve targets (dashed line) in FY 2030 or FY 2031.

Figure 2-2: Projected Fund Balances (No Revenue Adjustment Financial Plan)



## 2.8 PROPOSED FINANCIAL PLAN

### PROPOSED FINANCIAL PLAN SCENARIO

The proposed financial plan includes three years of proposed revenue adjustments and two years of forecasted adjustments, shown in **Table 2-13**. These adjustments are needed to maintain the District’s financial sufficiency and were developed based on direction from the District Board.

**Table 2-13: Proposed Financial Plan Scenario**

Line	Fiscal Year	Revenue Adjustment	Effective Month	
1	FY 2027	4.0%	July	Proposed
2	FY 2028	4.0%	July	Proposed
3	FY 2029	4.0%	July	Proposed
4	<i>FY 2030</i>	<i>5.0%</i>	<i>July</i>	<i>Forecasted</i>
5	<i>FY 2031</i>	<i>5.0%</i>	<i>July</i>	<i>Forecasted</i>

### PROPOSED CASH FLOW PROJECTIONS

**Table 2-14** shows the cash flow projections for the proposed financial plan. Revenues (Lines 1-7) are from **Table 2-4**. Operating expenses (Lines 9-14) are from **Table 2-6**. Net operating revenue (Line 26) is equal to the difference between total revenues (Line 7) and total operating expenses (Line 14). Rate funded CIP (Line 23) is the total capital projects from **Table 2-8**. All CIP during the study period is expected to be rate funded. Net cash flow (Line 28) is equal to the net operating revenue (Line 26) less debt service (Line 19) and less rate funded CIP (line 23).

Table 2-14: Projected Cash Flows (Proposed Financial Plan)

Line	Cash Flow Projections	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	<b>Revenues</b>						
2	Rate Revenues at Existing Rates	\$8,250,443	\$8,294,995	\$8,339,788	\$8,384,823	\$8,430,101	\$8,475,624
3	Revenue Adjustments	\$0	\$331,800	\$680,527	\$1,046,963	\$1,526,752	\$2,035,528
4	Capacity Rental Charge Revenue	\$216,004	\$216,004	\$216,004	\$216,004	\$216,004	\$216,004
5	Operating Revenues	\$1,256,146	\$1,369,560	\$481,676	\$268,259	\$220,221	\$200,686
6	Capital Revenues	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
7	<b>Total - Revenues</b>	<b>\$10,022,593</b>	<b>\$10,512,359</b>	<b>\$10,017,995</b>	<b>\$10,216,049</b>	<b>\$10,693,079</b>	<b>\$11,227,841</b>
8							
9	<b>Operating Expenses</b>						
10	Operating Costs	\$2,335,350	\$2,410,415	\$2,535,106	\$2,666,389	\$2,804,617	\$2,950,162
11	Encina Treatment Costs	\$2,961,997	\$3,110,097	\$3,390,006	\$3,695,106	\$4,027,666	\$4,390,156
12	Allocated Costs	\$920,555	\$929,122	\$956,996	\$985,706	\$1,015,277	\$1,045,735
13	All Other Costs, less Transfers	\$609,465	\$825,086	\$851,914	\$879,629	\$908,262	\$937,844
14	<b>Total - Operating Expenses</b>	<b>\$6,827,367</b>	<b>\$7,274,720</b>	<b>\$7,734,021</b>	<b>\$8,226,830</b>	<b>\$8,755,822</b>	<b>\$9,323,897</b>
15							
16	<b>Debt Service</b>						
17	Existing Debt	\$0	\$0	\$0	\$0	\$0	\$0
18	Proposed Debt	\$0	\$0	\$0	\$0	\$0	\$0
19	<b>Total - Debt Service</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
20							
21	<b>Capital Projects</b>						
22	Debt Funded	\$0	\$0	\$0	\$0	\$0	\$0
23	Rate Funded	\$4,732,681	\$12,008,120	\$5,793,116	\$5,713,971	\$2,632,295	\$2,750,000
24	<b>Total - Capital Projects</b>	<b>\$4,732,681</b>	<b>\$12,008,120</b>	<b>\$5,793,116</b>	<b>\$5,713,971</b>	<b>\$2,632,295</b>	<b>\$2,750,000</b>
25							
26	Net Revenue	\$3,195,226	\$3,237,639	\$2,283,973	\$1,989,219	\$1,937,257	\$1,903,944
27	Net Revenue Less Debt	\$3,195,226	\$3,237,639	\$2,283,973	\$1,989,219	\$1,937,257	\$1,903,944
28	<b>Net Cash Flow</b>	<b>(\$1,537,455)</b>	<b>(\$8,770,481)</b>	<b>(\$3,509,143)</b>	<b>(\$3,724,752)</b>	<b>(\$695,038)</b>	<b>(\$846,056)</b>

**PROPOSED FUND BALANCE PROJECTIONS**

Table 2-15 shows the fund balance projections for the proposed financial plan. Based on the sources (Lines 3-10) and uses (Lines 12-16) of funds, the District’s fund balances will be approximately \$6.3 million at the end of the study period in FY 2031.

**Table 2-15: Projected Fund Balances (Proposed Financial Plan)**

Line	Fund Balance Projections	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	<b>Combined Beginning Fund Balance</b>	<b>\$26,700,050</b>	<b>\$24,946,591</b>	<b>\$15,960,106</b>	<b>\$12,234,959</b>	<b>\$8,294,203</b>	<b>\$7,383,161</b>
2							
3	<b>Sources of Funds</b>						
4	Rate Revenues at Existing Rates	\$8,250,443	\$8,294,995	\$8,339,788	\$8,384,823	\$8,430,101	\$8,475,624
5	Revenue Adjustments	\$0	\$331,800	\$680,527	\$1,046,963	\$1,526,752	\$2,035,528
6	Operating Revenues	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000	\$65,000
7	Capital Revenues	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
8	Debt Proceeds	\$0	\$0	\$0	\$0	\$0	\$0
9	Investment Earnings	\$1,191,146	\$1,304,560	\$416,676	\$203,259	\$155,221	\$135,686
10	<b>Total - Sources of Funds</b>	<b>\$9,806,589</b>	<b>\$10,296,355</b>	<b>\$9,801,991</b>	<b>\$10,000,045</b>	<b>\$10,477,075</b>	<b>\$11,011,837</b>
11							
12	<b>Uses of Funds</b>						
13	Operating Expenses	\$6,827,367	\$7,274,720	\$7,734,021	\$8,226,830	\$8,755,822	\$9,323,897
14	Debt Service	\$0	\$0	\$0	\$0	\$0	\$0
15	Capital Projects	\$4,732,681	\$12,008,120	\$5,793,116	\$5,713,971	\$2,632,295	\$2,750,000
16	<b>Total - Uses of Funds</b>	<b>\$11,560,048</b>	<b>\$19,282,840</b>	<b>\$13,527,138</b>	<b>\$13,940,801</b>	<b>\$11,388,117</b>	<b>\$12,073,897</b>
17							
18	<b>Ending Balance</b>	<b>\$24,946,591</b>	<b>\$15,960,106</b>	<b>\$12,234,959</b>	<b>\$8,294,203</b>	<b>\$7,383,161</b>	<b>\$6,321,100</b>

**PROPOSED FINANCIAL PERFORMANCE**

**Table 2-16** shows the forecasted financial performance for the proposed financial plan. Under this plan, the District will meet its reserve targets in all years of the planning period. The District has no current debt and is not forecast to issue debt during the study period.

**Table 2-16: Forecasted Financial Performance (Proposed Financial Plan)**

Line	Financial Performance	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
1	<b>Debt Coverage Target</b>						
2	Required Debt Coverage	125%	125%	125%	125%	125%	125%
3	Calculated Debt Coverage	N/A	N/A	N/A	N/A	N/A	N/A
4	Meets Coverage?	No Debt	No Debt	No Debt	No Debt	No Debt	No Debt
5							
6	<b>Reserve Target</b>						
7	Operating Cash Flow	\$3,413,684	\$3,637,360	\$3,867,011	\$4,113,415	\$4,377,911	\$4,661,949
8	Rate Stabilization	\$337,859	\$359,147	\$395,780	\$436,384	\$474,738	\$515,546
9	Capital Repairs and Replacement						
10	Emergency Capital Replacement	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000	\$1,000,000
11	Total Reserve Target	\$4,751,543	\$4,996,507	\$5,262,791	\$5,549,799	\$5,852,649	\$6,177,495
12	Total Reserves	\$24,946,591	\$15,960,106	\$12,234,959	\$8,294,203	\$7,383,161	\$6,321,100
13	Meets Reserve Target?	Yes	Yes	Yes	Yes	Yes	Yes

**Figure 2-3** shows the comparison of revenues and the revenue requirement for the proposed financial plan scenario. The stacked bars represent the revenue requirements, or costs. The proposed revenue (dotted line) remains insufficient to cover the District’s revenue requirement through the period, though it approaches break-even.

**Figure 2-3: Revenue Requirements vs. Revenues (Proposed Financial Plan)**

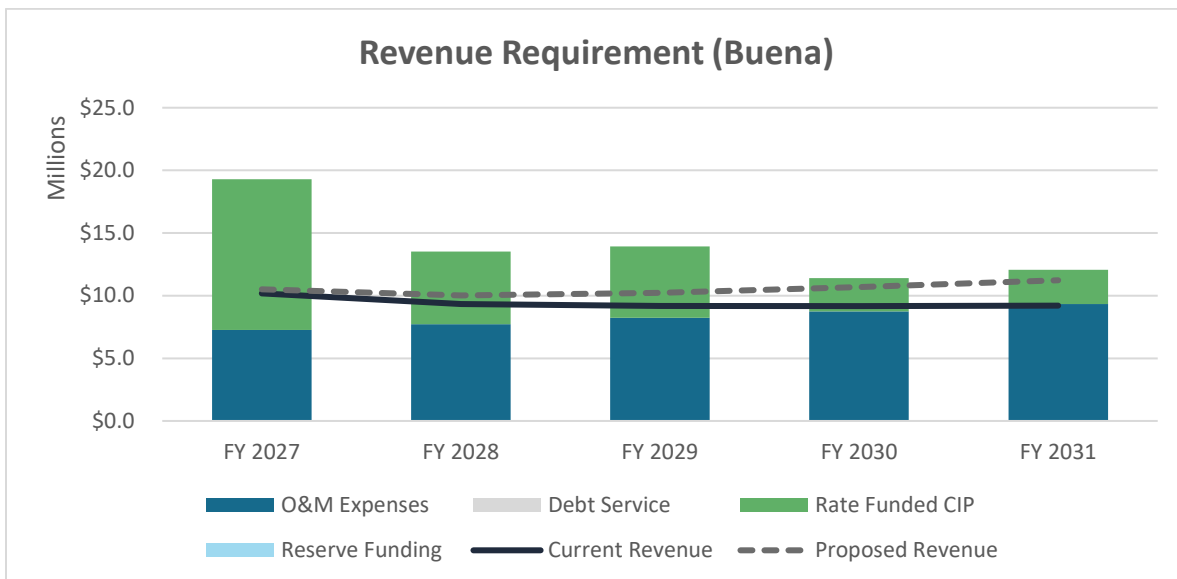
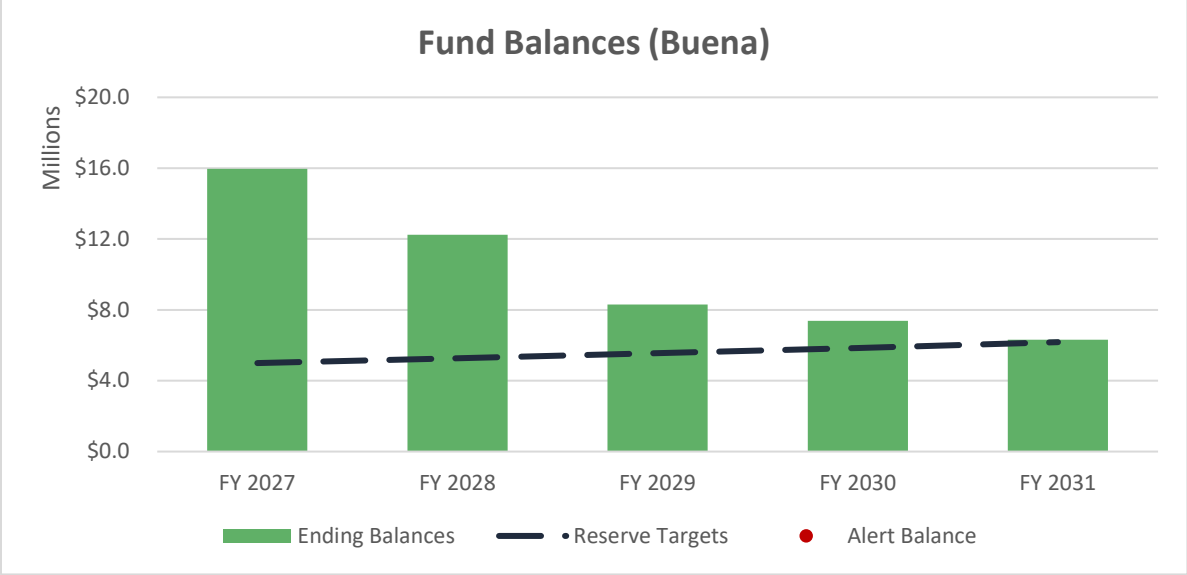


Figure 2-4 shows the fund balance projections in the proposed financial plan. The District’s ending balance (green bars) will meet the reserve target (dashed line) in all five years of the study period.

Figure 2-4: Projected Fund Balances (Proposed Financial Plan)



## 3. COST-OF-SERVICE ANALYSIS

### 3.1 COST-OF-SERVICE METHODOLOGY

A cost-of-service (COS) analysis is a technical process used to determine the cost of providing wastewater service to the District’s customers based on each customer’s use of and burden on the wastewater system. The COS analysis is the basis of the nexus between the costs incurred by the utility to provide wastewater service and the wastewater rates charged to customers, which is a requirement of Proposition 218.

The COS methodology is based on industry standards set forth by the Water Environment Federation (WEF). The overall goal of the cost-of-service analysis is to develop “unit costs,” which provide the basis from which proposed rates are calculated. Note that, although the study period spans multiple years, the cost-of-service analysis is limited to a single representative year referred to as the “test year.” The test year in this study is FY 2026.

The key steps in conducting a cost-of-service analysis are outlined below:

- **Revenue requirement determination:** The revenue requirement for the test year is determined based on the results of the proposed financial plan and divided into primary sub-components (operating, capital, etc.).
- **Cost functionalization:** Operating and capital costs are evaluated and assigned to “functional categories” in the wastewater system (e.g., flow, treatment, billing, etc.). This provides a proportional breakdown of system costs by functional category.
- **Revenue requirement allocation to cost causation components:** Functionalized costs are allocated to “cost causation components” (e.g., flow, BOD, TSS, billing, etc.), which are used to attribute customers’ use of the system to the District’s functional costs.
- **Unit cost development:** The allocation of revenue requirements for each individual cost causation component is divided by the appropriate units of service to establish unit costs for the test year. Unit costs provide the basis from which proposed rates are calculated.

### 3.2 REVENUE REQUIREMENT

The total rate revenue requirement for the test year, FY 2026, is based on the financial plan projections (**Table 2-14**) and is allocated between the Operating, Capital and Revenue Offset components, as shown in **Table 3-1**. The Operating revenue requirement consists of operating expenses (Line 2). The Capital revenue requirement includes debt service (Line 3), rate funded CIP (Line 4), capital revenue (Line 8), capacity rental charge revenue (Line 9), and adjustments for cash from reserves (Line 15; from **Table 2-14**, Line 28). The Revenue Offset includes all other revenues and interest income (Lines 10-11). The total revenue requirement (Line 18) is equal to the amount of rate revenue collected in FY 2026 (**Table 2-14**, Line 2).

Table 3-1: FY 2026 Revenue Requirement

Line	FY 2026 Revenue Requirement	Operating	Capital	Rev. Offset	Total
1	<b>Revenue Requirements</b>				
2	Operating Expenses	\$6,827,367	\$0	\$0	\$6,827,367
3	Debt Service	\$0	\$0	\$0	\$0
4	Rate Funded CIP	\$0	\$4,732,681	\$0	\$4,732,681
5	<b>Subtotal - Revenue Requirements</b>	<b>\$6,827,367</b>	<b>\$4,732,681</b>	<b>\$0</b>	<b>\$11,560,048</b>
6					
7	<b>Revenue Offsets</b>				
8	Capital Revenue	\$0	(\$300,000)	\$0	(\$300,000)
9	Capacity Rental Charge Revenue	\$0	(\$216,004)	\$0	(\$216,004)
10	All Other Revenues	\$0	\$0	(\$65,000)	(\$65,000)
11	Interest Income	\$0	\$0	(\$1,191,146)	(\$1,191,146)
12	<b>Subtotal - Revenue Offsets</b>	<b>\$0</b>	<b>(\$516,004)</b>	<b>(\$1,256,146)</b>	<b>(\$1,772,150)</b>
13					
14	<b>Adjustments</b>				
15	Cash to/(from) Reserves	\$0	(\$1,537,455)	\$0	(\$1,537,455)
16	<b>Subtotal - Adjustments</b>	<b>\$0</b>	<b>(\$1,537,455)</b>	<b>\$0</b>	<b>(\$1,537,455)</b>
17					
18	<b>Total - Revenue Requirement</b>	<b>\$6,827,367</b>	<b>\$2,679,222</b>	<b>(\$1,256,146)</b>	<b>\$8,250,443</b>

### 3.3 MASS BALANCE

The next step in the cost-of-service analysis is to complete a mass balance, which is detailed in this section. Wastewater flow data is not typically metered, which means that a mass balance must be completed in order to estimate the wastewater flow and strength for each customer class.

Wastewater flow and strength estimates are based on known data (such as total flows into the treatment plant, inflow and infiltration, commercial users' water use data and strength factors) and relevant assumptions (residential wastewater use per person). Mass balances are typically used to verify the assumed flow and strength units for each customer class.

**Table 3-2** shows the wastewater flow for industrial and commercial class in FY 2025. The strength estimates are based on the current definition for each customer type in the District.

Table 3-2: Wastewater Flow and Strength Estimates

Line	FY 2025	Flow	BOD	TSS
1		hcf	mg/L	mg/L
2	<b>Industrial/Commercial - City</b>			
3	Low Strength	57,257	200	200
4	Medium Strength	54,814	450	240
5	High Strength	33,643	1,000	600
6				
7	<b>Industrial/Commercial - County/San Marcos</b>			
8	Low Strength	25,314	200	200
9	Medium Strength	5,571	450	240
10	High Strength	3,610	1,000	600

**Table 3-3** shows the mass balance calculations. The total treatment plant influent flow (Line 2) is the total amount of wastewater flow and strength that enters the treatment plant in FY 2025, based on Encina’s records. Based on historical records, the inflow and infiltration (Line 3) is estimated at 4 percent. The total non-residential flow and strength data are from **Table 3-2** (Lines 3-5), converted into lbs per year. The residential flow and strength estimates (Lines 11-13) are calculated by subtracting the total non-residential flow and strength (Lines 7-9) from the net treatment plant flow and strength (Line 4). This calculation is compared with the assumed residential flow and strength from **Table 3-4** (Lines 3-5) to see if the assumptions are consistent with influent data. In this case, the difference is minimal, meaning that the flow and strength assumptions are reasonable.

Table 3-3: Mass Balance

Line	FY 2025	Flow	BOD	TSS
1		MG	lbs/year	lbs/year
2	Total Treatment Plant Influent Flow	717	1,975,110	1,386,104
3	Less Inflow & Infiltration	29	35,902	35,902
4	<b>Net Treatment Plant Influent Flow</b>	<b>688</b>	<b>1,939,207</b>	<b>1,350,202</b>
5				
6	<b>Industrial/Commercial - City</b>	<b>109</b>	<b>435,471</b>	<b>279,611</b>
7	Low Strength	43	71,484	71,484
8	Medium Strength	41	153,976	82,120
9	High Strength	25	210,012	126,007
10				
11	<b>Industrial/Commercial - County/San Marcos</b>	<b>26</b>	<b>69,788</b>	<b>53,471</b>
12	Low Strength	19	31,604	31,604
13	Medium Strength	4	15,649	8,346
14	High Strength	3	22,535	13,521
15				
16	<b>Residential - City</b>	<b>299</b>	<b>774,923</b>	<b>549,664</b>
17	Single Family	194	503,181	356,913
18	Multi-Family	105	271,742	192,750
19				
20	<b>Residential - County/San Marcos</b>	<b>256</b>	<b>663,394</b>	<b>470,555</b>
21	Single Family	182	470,654	333,842
22	Multi-Family	74	192,740	136,713

### 3.4 UNITS OF SERVICE

Table 3-4 shows the units of service by customer class. The industrial and commercial flow and strength is taken from Table 3-3. The residential flow is calculated by multiplying the number of EDUs (from Table 2-2) by 160 gpd. This number is most aligned with the results from the mass balance, indicating that the flow definition per EDU has reduced from the currently assumed 200 gpd per EDU.

Table 3-4: Units of Service Summary by Customer Class

Line	Customer Class	Flow	BOD	TSS	EDUs
1		hcf/year	lbs/year	lbs/year	
2	<b>City Limits</b>				
3	<b>Residential</b>	<b>402,075</b>	<b>779,108</b>	<b>552,632</b>	<b>5,924</b>
4	Single Family	261,079	505,898	358,841	3,344
5	Multi-Family	140,995	273,209	193,791	2,580
6					
7	<b>Industrial/Commercial</b>	<b>146,501</b>	<b>437,823</b>	<b>281,121</b>	<b>3,951</b>
8	Low Strength	57,566	71,870	71,870	
9	Medium Strength	55,110	154,807	82,564	
10	High Strength	33,825	211,146	126,687	
11	Owned EDU				3,951
12					
13	<b>County/San Marcos</b>				
14	<b>Residential</b>	<b>344,207</b>	<b>666,976</b>	<b>473,096</b>	<b>4,958</b>
15	Single Family	244,203	473,196	335,644	3,128
16	Multi-Family	100,005	193,781	137,451	1,830
17					
18	<b>Industrial/Commercial</b>	<b>34,681</b>	<b>70,165</b>	<b>53,760</b>	<b>492</b>
19	Low Strength	25,451	31,774	31,774	
20	Medium Strength	5,601	15,734	8,391	
21	High Strength	3,629	22,657	13,594	

### 3.5 FUNCTIONAL CATEGORIES

After determining the revenue requirement and units of service, the next step in the cost-of-service analysis is to allocate the District’s costs into various functional categories. These categories represent the main functions of the District’s wastewater system and include:

- **Collection:** costs related to the wastewater collection system
- **Treatment:** costs related to treating wastewater
- **Water Quality Protection:** costs related to stormwater services
- **General:** costs that are not directly attributable to any other functional category
- **Revenue Offset:** non-rate revenue that can be used to offset a portion of the rate

WRE evaluated and allocated the operating expenses for FY 2026 (Table 2-6) to the most closely associated functional categories within the wastewater system, as shown in Table 3-5. The detailed allocation of the operating expense budget to the functional categories is included in the Appendix.

**Table 3-5: Operating Costs by System Function**

Line	Cost Function	Operating Expenses	Percent of Total
1	Collection	\$2,335,350	34.2%
2	Treatment	\$2,961,997	43.4%
3	General	\$954,682	14.0%
4	Water Quality Protection	\$575,338	8.4%
5	<b>Total</b>	<b>\$6,827,367</b>	<b>100.0%</b>

WRE evaluated and allocated the District’s CIP (**Table 2-8**) to the most closely associated functional categories within the wastewater system, as shown in **Table 3-6**. The detailed allocation of the capital assets to the functional categories is included in the **Appendix**.

**Table 3-6: Capital Expenses by System Function**

Line	Cost Function	Capital Expenses	Percent of Total
1	Collection	\$16,790,549	49.9%
2	Treatment	\$13,941,474	41.5%
3	General	\$2,898,160	8.6%
4	Water Quality Protection	\$0	0.0%
5	<b>Total</b>	<b>\$33,630,183</b>	<b>100.0%</b>

**Table 3-7** shows the percentage cost allocation for each functional category into the various cost components. The District’s wastewater system has five main functions: flow, BOD, TSS, General, and water quality protection. WRE worked with District staff to determine the cost allocation for each of the system functions. Collection costs (Line 1) are allocated entirely to Flow. Treatment costs (Line 2) are allocated partially to Flow and the remainder is split between BOD and TSS. General costs (Line 3) are entirely allocated to General, and Water Quality Protection costs (Line 4) are allocated entirely to Water Quality Protection.

**Table 3-7: Functional Cost Allocation**

Line	Cost Function	Flow	BOD	TSS	General	Water Quality Protection	Total
1	Collection	100%	0%	0%	0%	0%	100%
2	Treatment	24%	38%	38%	0%	0%	100%
3	General	0%	0%	0%	100%	0%	100%
4	Water Quality Protection	0%	0%	0%	0%	100%	100%

### 3.6 OPERATING COST ALLOCATION

**Table 3-8** shows the operating cost allocation by cost component. The functionalized operating expenses from **Table 3-5** are allocated based on the cost component allocation factors in **Table 3-7**. The operating allocation (Line 6) is derived from the total operating expenses by cost component

(Line 5) and represents the proportion of the Operating revenue requirement that will be allocated to each cost component.

**Table 3-8: Operating Cost Allocation**

Line	Operating Expenses	Flow	BOD	TSS	General	Water Quality Protection	Total
1	Collection	\$2,335,350	\$0	\$0	\$0	\$0	\$2,335,350
2	Treatment	\$699,926	\$1,131,036	\$1,131,036	\$0	\$0	\$2,961,997
3	General	\$0	\$0	\$0	\$954,682	\$0	\$954,682
4	Water Quality Protection	\$0	\$0	\$0	\$0	\$575,338	\$575,338
5	<b>Total</b>	<b>\$3,035,276</b>	<b>\$1,131,036</b>	<b>\$1,131,036</b>	<b>\$954,682</b>	<b>\$575,338</b>	<b>\$6,827,367</b>
6	<b>Operating Cost Allocation</b>	<b>44.5%</b>	<b>16.6%</b>	<b>16.6%</b>	<b>14.0%</b>	<b>8.4%</b>	<b>100.0%</b>

### 3.7 CAPITAL COST ALLOCATION

**Table 3-9** shows the capital cost allocation by cost component. The functionalized capital assets from **Table 3-6** are allocated based on the cost component allocation factors in **Table 3-7**. The capital allocation (Line 6) is derived from the total CIP by cost component (Line 5) and represents the proportion of the Capital revenue requirement that will be allocated to each cost component.

**Table 3-9: Capital Cost Allocation**

Line	Capital Expenses	Flow	BOD	TSS	General	Water Quality Protection	Total
1	Collection	\$16,790,549	\$0	\$0	\$0	\$0	\$16,790,549
2	Treatment	\$3,294,398	\$5,323,538	\$5,323,538	\$0	\$0	\$13,941,474
3	General	\$0	\$0	\$0	\$2,898,160	\$0	\$2,898,160
4	Water Quality Protection	\$0	\$0	\$0	\$0	\$0	\$0
5	<b>Total</b>	<b>\$20,084,947</b>	<b>\$5,323,538</b>	<b>\$5,323,538</b>	<b>\$2,898,160</b>	<b>\$0</b>	<b>\$33,630,183</b>
6	<b>Capital Cost Allocation</b>	<b>59.7%</b>	<b>15.8%</b>	<b>15.8%</b>	<b>8.6%</b>	<b>0.0%</b>	<b>100.0%</b>

### 3.8 REVENUE REQUIREMENT ALLOCATION

**Table 3-10** shows the cost-of-service allocation prior to any adjustments and the adjusted cost-of-service allocations after the General cost reallocation. The Operating costs (Line 1) are equal to the total Operating revenue requirements (**Table 3-1**, Line 18) allocated to each cost component based on the Operating allocation (**Table 3-8**, Line 6). The Capital costs (Line 2) are equal to the total Capital revenue requirements (**Table 3-1**, Line 18) allocated to each cost component based on the Capital allocation (**Table 3-9**, Line 6). The Revenue offset (Line 3) is equal to the total Revenue Offset revenue requirements (**Table 3-1**, Line 18). Note that the total cost-of-service (Line 4) is equal to the total rate revenue requirement for FY 2026 (**Table 3-1**, Line 18).

**Buena Sanitation District**  
**2026 Wastewater Rate Study**

The next step is to reallocate General costs (Line 5) based on the proportion of costs in each cost component (except General and Revenue Offset) in the initial allocation. The total revenue requirement (Line 6) stays the same after the General cost reallocation.

**Table 3-10: Revenue Requirement Allocation**

Line	Revenue Requirement	Flow	BOD	TSS	General	Water Quality Protection	Revenue Offset	Total
1	Operating Costs	\$3,035,276	\$1,131,036	\$1,131,036	\$954,682	\$575,338	\$0	\$6,827,367
2	Capital Costs	\$1,600,111	\$424,111	\$424,111	\$230,888	\$0	\$0	\$2,679,222
3	Revenue Offsets	\$0	\$0	\$0	\$0	\$0	(\$1,256,146)	(\$1,256,146)
4	<b>Total - COS (Initial)</b>	<b>\$4,635,387</b>	<b>\$1,555,147</b>	<b>\$1,555,147</b>	<b>\$1,185,570</b>	<b>\$575,338</b>	<b>(\$1,256,146)</b>	<b>\$8,250,443</b>
5	General Cost Allocation	\$709,502	\$238,034	\$238,034	(\$1,185,570)	\$0	\$0	\$0
6	<b>Total - COS (General)</b>	<b>\$5,344,889</b>	<b>\$1,793,181</b>	<b>\$1,793,181</b>	<b>\$0</b>	<b>\$575,338</b>	<b>(\$1,256,146)</b>	<b>\$8,250,443</b>

### 3.9 UNIT COST DERIVATION

**Table 3-11** shows the unit cost calculations for each cost component based on the revenue requirement allocation results (**Table 3-10**). The Final COS (Line 1) is divided by the units of service for each cost component (Line 3) to arrive at the unit cost per component (Line 6). Units of service are from **Table 3-4**. Flow and revenue offset costs are divided by total hcf of estimated wastewater flow for all classes. BOD costs are divided by total lbs of BOD per year for all classes, and TSS costs are divided by total lbs of TSS per year for all classes.

**Table 3-11: Unit Cost Calculations**

Line	Unit Cost	Flow	BOD	TSS	Water Quality Protection	Revenue Offset
1	Final COS	\$5,344,889	\$1,793,181	\$1,793,181	\$575,338	(\$1,256,146)
2						
3	Units of Service	927,464	1,954,072	1,360,609	9,101	927,464
4	Units	hcf	lbs/yr	lbs/yr	Equiv. EDU - City	hcf
5						
6	Unit Cost	\$5.76	\$0.92	\$1.32	\$63.22	(\$1.35)
7	Units	hcf	lbs/yr	lbs/yr	Equiv. EDU - City	hcf

### 3.10 COST-OF-SERVICE BY CUSTOMER CLASS

**Table 3-12** shows the total COS by customer class and cost component. The unit costs for each cost component (**Table 3-11**) are multiplied by the units of service (**Table 3-4**) to determine the total cost for each class. Note that the total COS (Line 25) is equal to the total rate revenue requirement (**Table 3-1**, Line 18).

Table 3-12: Cost-of-Service by Customer Class

Line	Customer Class	Flow	BOD	TSS	Water Quality Protection	Revenue Offsets	Total
1	<b>City</b>						
2	<b>Residential</b>						
3	Single Family	\$1,504,576	\$464,244	\$472,925	\$211,393	(\$353,603)	\$2,299,536
4	Multi-Family	\$812,543	\$250,714	\$255,402	\$114,163	(\$190,962)	\$1,241,860
5							
6	<b>Industrial/Commercial</b>						
7	Low Strength	\$331,749	\$65,952	\$94,719	\$0	(\$77,967)	\$414,453
8	Medium Strength	\$317,594	\$142,061	\$108,813	\$0	(\$74,640)	\$493,828
9	High Strength	\$194,928	\$193,761	\$166,965	\$0	(\$45,812)	\$509,842
10	Owned EDU	\$0	\$0	\$0	\$249,782	\$0	\$249,782
11							
12	<b>Subtotal - City</b>	<b>\$3,161,390</b>	<b>\$1,116,733</b>	<b>\$1,098,825</b>	<b>\$575,338</b>	<b>(\$742,984)</b>	<b>\$5,209,302</b>
13							
14	<b>County/San Marcos</b>						
15	<b>Residential</b>						
16	Single Family	\$1,407,317	\$434,235	\$442,354	\$0	(\$330,745)	\$1,953,161
17	Multi-Family	\$576,317	\$177,825	\$181,151	\$0	(\$135,445)	\$799,848
18							
19	<b>Industrial/Commercial</b>						
20	Low Strength	\$146,670	\$29,158	\$41,876	\$0	(\$34,470)	\$183,235
21	Medium Strength	\$32,279	\$14,438	\$11,059	\$0	(\$7,586)	\$50,190
22	High Strength	\$20,916	\$20,791	\$17,916	\$0	(\$4,916)	\$54,708
23							
24	<b>Subtotal - County/San Marcos</b>	<b>\$2,183,499</b>	<b>\$676,448</b>	<b>\$694,356</b>	<b>\$0</b>	<b>(\$513,162)</b>	<b>\$3,041,141</b>
25	<b>Total</b>	<b>\$5,344,889</b>	<b>\$1,793,181</b>	<b>\$1,793,181</b>	<b>\$575,338</b>	<b>(\$1,256,146)</b>	<b>\$8,250,443</b>

## 4. WASTEWATER RATES

### 4.1 RATE DESIGN METHODOLOGY

The proposed wastewater rate schedule was developed based on the results of the proposed financial plan and cost-of-service analysis. The key steps in developing the proposed rate schedule are outlined below:

- **Test year rate development:** Rates are calculated under the proposed rate structure for the cost-of-service test year (FY 2026). Rate calculations directly incorporate the unit costs developed in the cost-of-service analysis. The test year rates are first calculated on a revenue-neutral basis and are then increased based on the proposed financial plan revenue adjustments. Although total rate revenues in the first year of adjustments (FY 2027) are designed to increase by the proposed revenue adjustment percentage (4% in FY 2027), the proposed percentage increase to each rate/charge varies due to the updated cost-of-service allocations.
- **Rate schedule development:** Proposed rates for the full study period are calculated by increasing the cost-of-service rates by the proposed annual revenue adjustment percentages from the proposed financial plan.

### 4.2 PROPOSED CHANGES TO THE RATE STRUCTURE

The main objective of the rate study was to conduct a comprehensive cost-of-service analysis while maintaining as much of the current wastewater rate structure as possible to minimize customer impacts. The District's current wastewater rate structure includes an annual service charge based on customer class and a variable rate for commercial/industrial customers based on annual usage.

After examining current customer classification and discussion with District staff regarding customer usage patterns, WRE recommends the following changes:

- Reducing the gallons per day (gpd) definition from 200 gpd per EDU to 160 gpd due to reductions in wastewater flow.
- Currently, the District provides laundry and car wash discounts to customers who request a variance due to their water recirculation practices. However, upon further investigation, it was found that all discharge for these facilities enters the wastewater system. Thus, no discount should be offered.
- Among the commercial customers, some have separate irrigation meters, and some do not. For customers with separate irrigation meters, the District should bill based on the actual water usage since irrigation is accounted for in a separate meter. For customers without irrigation meters, the District should bill based on the lowest two months of water usage to account for irrigation usage which does not enter the wastewater system.
- During the mass balance process, the District's BOD readings showed high strength readings. We recommend that the District conduct an audit of residential water use in the District to pinpoint the source of high strength readings.

### 4.3 REVENUE ADJUSTMENTS

**Table 4-1** shows the annual revenue adjustments based on the proposed financial plan scenario. The revenue-neutral COS charges are increased by the revenue adjustments to determine the proposed wastewater rates.

**Table 4-1: Proposed Revenue Adjustments**

Line	Fiscal Year	Revenue Adjustments	Effective Date	
1	FY 2027	4%	7/1/2026	Proposed
2	FY 2028	4%	7/1/2027	Proposed
3	FY 2029	4%	7/1/2028	Proposed
4	FY 2030	5%	7/1/2029	Forecasted
5	FY 2031	5%	7/1/2030	Forecasted

### 4.4 WASTEWATER RATE CALCULATION

**Table 4-2** shows the revenue-neutral residential annual service charge rate calculation based on the revenue requirement (**Table 3-12**) and the number of EDUs in each customer class (**Table 3-4**).

**Table 4-2: Residential Rates Calculation**

Line	Customer Class	Revenue Requirement	Number of EDUs	Revenue Neutral Rate (\$/EDU)
1	<b>Residential - City</b>			
2	Single Family	\$2,299,536	3,344	\$687.67
3	Multi-Family	\$1,241,860	2,580	\$481.37
4				
5	<b>Residential - County</b>			
6	Single Family	\$1,953,161	3,128	\$624.45
7	Multi-Family	\$799,848	1,830	\$437.12

**Table 4-3** shows the revenue-neutral industrial/commercial annual service charge rate calculation based on the revenue requirement (**Table 3-12**) and the number of EDUs and amount of flow in each customer class (**Table 3-4**). The current fixed charge represents approximately 30 percent of the total rate revenue. To minimize changes, WRE retained the 30 percent allocation for the fixed charge. The variable rate recovers the remaining 70 percent of the revenue requirement.

**Table 4-3: Industrial/Commercial Rates Calculation**

Line	Customer Class	Revenue Requirement	Fixed Charge	Variable Rate	# of EDU	Flow (hcf)	Revenue Neutral Rate
1	Industrial/Commercial	\$1,706,255	\$511,877	\$1,194,379	4,443		\$115.21
2	Low Strength	\$597,688	\$179,306	\$418,381		83,017	\$5.04
3	Medium Strength	\$544,018	\$163,205	\$380,812		60,711	\$6.27
4	High Strength	\$564,550	\$169,365	\$395,185		37,454	\$10.55
5							
6	Water Quality Rate	\$249,782			3,951		\$63.22

#### 4.5 PROPOSED RESIDENTIAL WASTEWATER CHARGE

**Table 4-4** shows the proposed residential annual service charges for FY 2027 based on the results of the proposed financial plan and the COS analysis. The revenue neutral rate (**Table 4-2**) is increased by the FY 2027 revenue adjustment in **Table 4-1** to arrive at the proposed FY 2027 wastewater rate.

**Table 4-4: Proposed Residential Wastewater Charge after Adjustment**

Line	Customer Class	Revenue Neutral Rate (\$/EDU)	FY 2027 Adjustment	Proposed Wastewater Charge (\$/EDU)
1	<b>Residential - City</b>			
2	Single Family	\$688	4%	\$716
3	Multi-Family	\$481	4%	\$501
4				
5	<b>Residential - County</b>			
6	Single Family	\$624	4%	\$650
7	Multi-Family	\$437	4%	\$455

#### 4.6 PROPOSED COMMERCIAL WASTEWATER CHARGE

**Table 4-5** shows the proposed industrial/commercial annual service charges for FY 2027 based on the results of the proposed financial plan and the COS analysis. The revenue neutral rate (**Table 4-3**) is increased by the FY 2027 revenue adjustment in **Table 4-1** to arrive at the proposed FY 2027 wastewater rate.

Table 4-5: Proposed Commercial Wastewater Charge after Adjustment

Line	Industrial/ Commercial	Unit	Revenue Neutral Rate (\$/EDU)	FY 2027 Adjustment	Proposed Wastewater Charge (\$/EDU)
1	Fixed Portion				
2	City Limits	per EDU owned	\$178	4%	\$186
3	County/San Marcos	per EDU owned	\$115	4%	\$120
4					
5	Strength Portion				
6	Low Strength	per HCF	\$5.04	4%	\$5.25
7	Medium Strength	per HCF	\$6.27	4%	\$6.53
8	High Strength	per HCF	\$10.55	4%	\$10.98

#### 4.7 PROPOSED CAPACITY RENTAL CHARGE

Table 4-6 shows the capacity rental charge calculation, which is applied to all commercial/industrial customers who exceeded their owned capacity based on their wastewater flow.

WRE retained the same methodology as the previous rate study as it is based on industry accepted methodology for a capacity rental charge calculation.

Currently, customers who exceed their owned EDU capacity are renting additional capacity from the District. Thus, the capacity rental charge is calculated on the “utility basis approach”, which includes a weighted average cost of capital (WACC).

The Rate of Return (Line 4) is calculated by multiplying the WACC (Line 1) by the total assets owned by the District (Lines 2-3). Annual depreciation of those assets is added to the Rate of Return (Line 4) to arrive at the Total Rate of Return (Line 8).

The Total Rate of Return (Line 8) is divided by the total number of EDUs in the system to arrive at the annual rate of return per EDU (Line 11). Finally, the FY 2025 annual rate of return per EDU is inflated to FY 2027 dollars using the projected ENR annual construction cost index.

**Table 4-6: Proposed Capacity Rental Charge Calculation**

Line	FY 2025 Values	
1	Weighted Average Cost of Capital (WACC)	4.92%
2	Buena Sanitation District Fixed Assets	\$74,569,763
3	Encina Wastewater Authority Assets	\$13,154,475
4	<b>Rate of Return</b>	<b>\$4,316,032</b>
5	Annual Depreciation	
6	Buena Sanitation District	\$3,296,091
7	Encina Wastewater Authority	\$1,082,526
8	<b>Total Rate of Return</b>	<b>\$8,694,650</b>
9		
10	Total Number of EDUs	15,242
11	Annual Rate of Return per EDU	\$570.44
12	Projected ENR Index Increase (2026 - 2027)	107.4%
13	<b>Annual Rate of Return per EDU (FY 2027)</b>	<b>\$613.00</b>

#### 4.8 PROPOSED SANITATION RATE SCHEDULE

The proposed three-year sanitation rate schedule is based on the updated COS analysis and the proposed revenue adjustments in the three-year period. **Table 4-7** shows the proposed wastewater rates to be implemented in July 2026 through July 2028.

Table 4-7: Proposed Sanitation Rates Schedule

Line			Current Rate	7/1/2026	7/1/2027	7/1/2028
1	<b>City Limits</b>					
2	Residential					
3	Single Family	per unit/year	\$663	\$716	\$745	\$775
4	Multi-Family	per unit/year	\$463	\$501	\$522	\$543
5						
6	Industrial/Commercial					
7	Fixed Portion	per EDU owned	\$200	\$186	\$194	\$202
8						
9	Strength Portion					
10	Low Strength	per HCF	\$5.83	\$5.25	\$5.46	\$5.68
11	Medium Strength	per HCF	\$6.68	\$6.53	\$6.80	\$7.08
12	High Strength	per HCF	\$9.21	\$10.98	\$11.42	\$11.88
13						
14	Capacity Rental Charge	per excess EDU used	\$506	\$613	\$613	\$613
15						
16	<b>County/San Marcos</b>					
17	Residential					
18	Single Family	per unit/year	\$621	\$650	\$676	\$704
19	Multi-Family	per unit/year	\$434	\$455	\$474	\$493
20						
21	Industrial/Commercial					
22	Fixed Portion	per EDU owned	\$158	\$120	\$125	\$130
23						
24	Strength Portion					
25	Low Strength	per HCF	\$5.83	\$5.25	\$5.46	\$5.68
26	Medium Strength	per HCF	\$6.68	\$6.53	\$6.80	\$7.08
27	High Strength	per HCF	\$9.21	\$10.98	\$11.42	\$11.88
28						
29	Capacity Rental Charge	per excess EDU used	\$464	\$613	\$613	\$613

#### 4.9 CUSTOMER IMPACTS

Table 4-8 shows the monthly residential customer impacts based on the first year of proposed wastewater rates. Single family customers within the City limits will see an increase of \$53 per year, or \$4.42 per month, and customers in the Buena County/San Marcos area will see an increase of \$29 per year, or \$2.42 per month.

Table 4-8: Proposed Residential Customer Impacts

Line	Customer Class	Current Bill	Proposed Bill	Difference (\$)	Difference (%)
1	<b>Residential - City Limits</b>				
2	Single Family	\$663	\$716	\$53	7.99%
3	Multi-Family	\$463	\$501	\$38	8.21%
4	Weighted Average				8.07%
5	<b>Residential - Buena County/ San Marcos</b>				
6	Single Family	\$621	\$650	\$29	4.67%
7	Multi-Family	\$434	\$455	\$21	4.84%
8	Weighted Average				4.72%

## 5. APPENDIX

Table 5-1: O&M Allocation

Line	O&M Allocation	FY 2026	Collection	Treatment	General	Water Quality Protection
1	<b>Buena Sanitation District Operations &amp; Maintenance</b>					
2	Salaries & Benefits	\$1,921,360	100%			
3	Professional Services	\$249,694	100%			
4	Encina Treatment Facility	\$2,961,997		100%		
5	Operating Expenses	\$110,760	100%			
6	Utilities	\$53,536	100%			
7	Allocated Costs	\$920,555			100%	
8	Capital Outlay	\$34,127			100%	
9	Transfers to Other Funds					
10	Stormwater Expenses	\$575,338				100%
11	<b>Total - Buena Sanitation District Operations &amp; Maintenance</b>	<b>\$6,827,367</b>	<b>\$2,335,350</b>	<b>\$2,961,997</b>	<b>\$954,682</b>	<b>\$575,338</b>

Table 5-2: Capital Allocation

Line	CIP Allocation	6-year Total	Collection	Treatment	General	Water Quality Protection
1	<b>Buena Sanitation District Capital Replacement (Fund 506)</b>					
2	Buena Outfall Force Main Extension	\$0	100%			
3	Encina Wastewater Authority Capital Improvement Project	\$13,941,474		100%		
4	B1: Green Oak Road Trunk Sewer Replacement	\$5,827,192	100%			
5	Buena Yard Improvements	\$2,112,320			100%	
6	Buena Sewer Pipeline Rehabilitation	\$1,500,000	100%			
7	FOG Abatement Buena Creek Pump Station	\$0	100%			
8	Sewer Master Plan	\$0			100%	
9	Buena Creek Pump Station Mechanical Modifications	\$0	100%			
10	Vallecitos Failsafe Outfall	\$0	100%			
11	Vallecitos Land Outfall Rehabilitation	\$0	100%			
12	Public Works Building C Improvements	\$785,840			100%	
13	Buena Outfall CIPP	\$0	100%			
14	El Valle Opulento Phase 1 - to Creek Crossing	\$1,263,600	100%			
15	Sycamore Ave. under 78 Freeway	\$1,341,063	100%			
16	Verona Hills Pkwy. and Savona Ct.	\$1,299,270	100%			
17	Buena Outfall Under I-5 Freeway	\$5,559,424	100%			
18	<b>Total - Buena Sanitation District Capital Replacement</b>	<b>\$33,630,183</b>	<b>\$16,790,549</b>	<b>\$13,941,474</b>	<b>\$2,898,160</b>	<b>\$0</b>

Table 5-3: Encina Cost Allocation

Line	Encina Cost Allocation	FY 2026	Flow	BOD	TSS
<b>1</b>	<b>Vista</b>				
2	Encina Water Pollution Control Facility	\$5,403,604		50%	50%
3	Source Control	\$440,000		50%	50%
4	Agua Hedionda Lift Station	\$505,457	100%		
5	Buena Vista Pump Station	\$930,235	100%		
6	Raceway Basin Pump Station	\$328,328	100%		
<b>7</b>	<b>Total Vista</b>	<b>\$7,607,624</b>	<b>\$1,764,020</b>	<b>\$2,921,802</b>	<b>\$2,921,802</b>
8			23.2%	38.4%	38.4%
<b>9</b>	<b>Buena</b>				
10	Encina Water Pollution Control Facility	\$2,069,694		50%	50%
11	Source Control	\$147,285		50%	50%
12	Buena Creek Pump Station	\$702,898	100%		
<b>13</b>	<b>Total Buena</b>	<b>\$2,919,877</b>	<b>\$702,898</b>	<b>\$1,108,490</b>	<b>\$1,108,490</b>
14			24.1%	38.0%	38.0%
15					
<b>16</b>	<b>Encina Treatment Allocation (Average)</b>		<b>24%</b>	<b>38%</b>	<b>38%</b>

This page intentionally left blank