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# Triunfo Water and Sanitation District

**2025 Potable Water, Recycled Water, and Wastewater Cost of Service and Rate Study**  
Final Report – March 19, 2025

Prepared by: Water Resources Economics, LLC



**Water Resources  
Economics**

PROMOTING THE VALUE AND PRICE OF  
WATER SERVICE

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March 19, 2025

Vickie Dragan  
Director of Finance  
Triunfo Water and Sanitation District  
370 N. Westlake Blvd, Suite 100  
Westlake Village, CA 91362

**Subject: Triunfo Water and Sanitation District Potable Water, Recycled Water, and Wastewater Cost of Service and Rate Study Report**

Dear Ms. Dragan,

Water Resources Economics, LLC (WRE) is pleased to submit this 2025 Potable Water, Recycled Water, and Wastewater Cost of Service and Rate Study Report to Triunfo Water and Sanitation District (District). This report documents the results and recommendations of the District’s potable water, recycled water, and wastewater cost of service and rate study. The goal of the study was to develop a five-year schedule of potable water, recycled water, and wastewater rates that will sufficiently fund the District’s system expenses, allow the District to meet its financial goals within the study period, and comply with cost-of-service principles and Proposition 218 requirements.

This study utilized industry-standard rate-setting methodology in accordance with guidelines developed by the American Water Works Association and incorporates guidance provided by the District’s Board of Directors. Our project team has a proven track record of developing fair and equitable rates for numerous public water agencies in California over the past 25 years. We are confident in our ability to develop sound rates that satisfy the requirements of Proposition 218.

It has been a pleasure assisting the District, and we appreciate the support provided by yourself, Mr. Mark Norris, the Board of Directors, and other District staff during this study.

Sincerely,

Sanjay Gaur  
President

Hannah Phan  
Principal Consultant

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## 1. EXECUTIVE SUMMARY

### 1.1 SYSTEM OVERVIEW

The Triunfo Water and Sanitation District (District) provides potable water, recycled water and wastewater service to a service area of approximately 50 square miles covering Oak Park, Lake Sherwood, Bell Canyon, Westlake Village and North Ranch portions of Thousand Oaks.

The water system provides water service to over 14,000 people in Oak Park. The District's only water supply source is purchased from Calleguas Municipal Water District, a wholesaler. The District also operates four storage reservoirs, five pump stations, and 54 miles of pipelines.

The recycled water system provides about 2 million gallons of recycled water per day for irrigation use within the District's service area. The recycled water is produced at the Tapia Water Reclamation Facility (TWRP), which is jointly owned by the Las Virgenes-Triunfo Joint Powers Authority (JPA). The recycled water system also includes one reservoir, one pump station, and 10 miles of pipelines.

The wastewater system provides service to over 10,800 customer connections via 120 miles of pipelines, six pump stations and four miles of pressurized pipelines. Recycled water produced at the TWRP is used for irrigation and surplus recycled water is discharged into Malibu Creek during the winter months. However, given new discharge standards established by the State Water Resources Control Board, excess recycled water can no longer be discharged into Malibu Creek. Thus, the JPA proposes to establish the Pure Water Project (PWP) to divert this excess recycled water to another treatment facility for indirect potable reuse before discharging to the Las Virgenes Reservoir. The PWP is currently under construction and is estimated to be online in 2029.

### 1.2 RATE STUDY OVERVIEW

Public retail water agencies in California typically conduct a cost-of-service study every five years to ensure that customers are appropriately charged for water 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 potable water, recycled water, and wastewater cost of service and rate study, with the following objectives:

- Evaluate a five-year financial plan scenario to meet financial targets for Fiscal Year (FY) 2026<sup>1</sup> to FY 2030
- Conduct a cost-of-service analysis for each utility based on the most recent data and customer use characteristics
- Develop a five-year potable water, recycled water, and wastewater rate schedule for FY 2026 through FY 2030

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<sup>1</sup> FY 2026 is the year starting July 1, 2025 and ending June 30, 2026

### 1.3 LEGAL REQUIREMENTS

Legal considerations relating to retail water 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 water 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 water agencies in California must demonstrate a sufficient nexus between the costs incurred by the agency to provide water service and the rates charged to customers. The primary means by which retail water 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 outlined by the American Water Works Association (AWWA) in its *Manual of Water Supply Practices M1: Principles of Water Rates, Fees and Charges, Seventh Edition* (M1 Manual). The rate study process includes the following steps:

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 potable water, recycled water, and 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 potable water, recycled water, and wastewater cost of service and rate study. Some important information to keep in mind when reading the report includes the following:

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- All study projections are based on the best available data as of November 2024.
- 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 a monthly basis.

**1.6 CURRENT RATES**

The District’s current potable water rate structure includes a fixed monthly service charge based on meter size and a three-tier quantity rate per hundred cubic feet (hcf) of water usage. The water rates apply to all customers. **Table 1-1** shows the current water rates as of 1/1/2025.

**Table 1-1: Current Potable Water Rates**

Line		As of 1/1/25
1	<b>Monthly Service Charges</b>	
2	3/4"	\$38.34
3	1"	\$60.49
4	1-1/2"	\$115.13
5	2"	\$179.91
6	3"	\$384.99
7	4"	\$687.25
8	6"	\$1,518.45
9		
10	<b>Quantity Rate (\$/hcf)</b>	
11	Tier 1 – 0 to 7 hcf	\$9.31
12	Tier 2 – 7 to 28 hcf	\$10.41
13	Tier 3 – over 28 hcf	\$12.51

Similarly, the District’s current recycled water rate structure includes a fixed monthly service charge based on meter size and a uniform quantity rate per hcf of recycled water usage. **Table 1-2** shows the current recycled water rates as of 1/1/2025.

**Table 1-2: Current Recycled Water Rates**

Line		As of 1/1/25
1	<b>Monthly Service Charges</b>	
2	2"	\$167.11
3	3"	\$313.31
4	4"	\$522.16
5	6"	\$1,044.22
6	8"	\$1,826.43
7	10"	\$2,738.91

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8		
9	<b>Quantity Rate (\$/hcf)</b>	
10	Retail	\$7.31

The District’s current wastewater rate structure includes a monthly service charge per equivalent residential unit (ERU) based on customer classification. **Table 1-3** shows the current wastewater rates as of 7/1/2024.

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

Line			As of 7/1/24
1	<b>Monthly Service Charges</b>		
2	Single Family		\$112.25
3	Multiple Residential	per unit	\$112.25
4	Apartment	per unit	\$89.78
5	Commercial/ Hotels/ Institutional/ Recreational	per ERU	\$112.25
6	Shopping Centers	per ERU	\$199.33
7	Restaurants/ Markets/ Mortuaries	per ERU	\$258.22

**1.7 FINANCIAL PLAN**

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

**FACTORS AFFECTING FINANCIAL PERFORMANCE**

The utilities’ financial performance is driven by the ability of the current rates to meet the District’s funding needs. To maintain financial sufficiency, potable water, recycled water, and 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:

- **Debt Coverage Ratio:** A majority of the PWP funding is through debt, which has coverage requirements. The PWP plans to issue State Revolving Fund (SRF) debt to finance a portion of the project costs. The SRF coverage requirement is 120% of the 5-year maximum annual debt service (5-year MADS). This stringent requirement has a major impact on the wastewater utility, which is responsible for the PWP debt service.
- **Substantial Capital Improvement Projects:** The District has significant capital improvement projects (CIP) budgeted for the next five years in each of the utilities, totaling \$27.8 million during the study period. The proposed rates must be sufficient to fund these necessary projects.

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- **Reserve policy targets:** The District’s current reserve policy includes targets for operating, rate stabilization, capital improvement and replacement needs, and debt service. The reserve policy in place allows the District to maintain cash on hand to meet short-term cash flow requirements, to cover unexpected repairs, and to execute CIP projects.

**PROPOSED REVENUE ADJUSTMENTS**

Overall annual increases in rate revenues resulting from rate increases are referred to as “revenue adjustments.” WRE worked with the Board and District staff to determine the most appropriate financial plan scenario, which is shown in **Table 1-4**. The proposed financial plan for each utility includes five years of revenue adjustments, which are required to maintain financial sufficiency and resiliency, meet required coverage ratios, and fund \$27.8 million worth of potable, recycled, and wastewater CIP projects over the study period.

**Table 1-4: Proposed Financial Plan**

Line	Utility	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Potable Water	0%	2%	2%	2%	2%
2	Recycled Water	3.5%	3.5%	3.5%	3.5%	3.5%
3	Wastewater	7%	7%	7%	7%	7%

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

**1.8 COST-OF-SERVICE ANALYSIS**

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

**COST-OF-SERVICE METHODOLOGY**

The cost-of-service methodology is based on industry standards set forth by AWWA in its M1 Manual; this rate study utilizes the base-extra capacity method. The overall goal of the cost-of-service analysis is to develop “unit costs,” which provide the basis from which proposed rates are directly calculated. Note that although the study period spans three 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 2025. The key steps in conducting a water cost-of-service analysis are outlined below:

- **Revenue requirement determination:** The total rate 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.).

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- **Cost functionalization:** Operating and capital costs are evaluated and assigned to “functional categories” in the water system (e.g., customer service, water supply, distribution, 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., water supply, base delivery, max day delivery, etc.), which is used to attribute customers’ use of the system to the costs incurred by the District.
- **Unit cost development:** The rate revenue requirement allocation 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.

## 1.9 PROPOSED RATES

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

### PROPOSED RATE STRUCTURE CHANGES

The main objective was to conduct a comprehensive cost-of-service analysis while maintaining as much of the current rate structures as possible to minimize customer impacts.

The District’s current water rate structure includes a monthly service charge based on meter size and three-tier quantity charge for all customers. After examining the existing rate methodology, given the District’s water supply profile, WRE recommends the District reduces the number of tiers from three to two tiers to be more consistent with cost-of-service principles.

WRE proposes no changes to the recycled water rate structure.

The District’s current wastewater rate structure includes a monthly service charge per ERU for various customer classes. After examining the existing rate methodology, given the customer profile, WRE recommends that the District combines all residential customers, which currently includes single family, multiple family, and apartments, into a residential classification.

### PROPOSED FIVE-YEAR RATE SCHEDULES

The proposed five-year water rate schedules in this section are based on the proposed rate structures and methodology changes, the updated cost-of-service analysis, and the proposed revenue adjustments. The rate schedules show the proposed potable water, recycled water, and wastewater rates to be implemented in July 2025 through July 2029. Please note that the proposed potable water and recycled water rates do not include any potential pass-through costs from Calleguas Municipal Water District starting 1/1/26.

**Table 1-5** shows the current and proposed potable water rates for the next five years.

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**Table 1-5: Proposed Potable Water Rates Schedule**

Line		As of 1/1/25	Effective 7/1/25	Effective 7/1/26	Effective 7/1/27	Effective 7/1/28	Effective 7/1/29
1	<b>Monthly Service Charges</b>						
2	3/4"	\$38.34	\$41.82	\$42.66	\$43.52	\$44.40	\$45.29
3	1"	\$60.49	\$65.41	\$66.72	\$68.06	\$69.43	\$70.82
4	1-1/2"	\$115.13	\$124.40	\$126.89	\$129.43	\$132.02	\$134.67
5	2"	\$179.91	\$195.17	\$199.08	\$203.07	\$207.14	\$211.29
6	3"	\$384.99	\$419.30	\$427.69	\$436.25	\$444.98	\$453.88
7	4"	\$687.25	\$749.59	\$764.59	\$779.89	\$795.49	\$811.40
8	6"	\$1,518.45	\$1,598.92	\$1,630.90	\$1,663.52	\$1,696.80	\$1,730.74
9							
10	<b>Quantity Rate (\$/hcf)</b>						
11	Tier 1 – 0 to 7 hcf	\$9.31	\$9.12	\$9.31	\$9.50	\$9.69	\$9.89
12	Tier 2 – over 7 hcf	\$10.41	\$10.12	\$10.33	\$10.54	\$10.76	\$10.98

Table 1-6 shows the current and proposed recycled water rates for the next five years.

**Table 1-6: Proposed Recycled Water Rates Schedule**

Line		As of 1/1/25	Effective 7/1/25	Effective 7/1/26	Effective 7/1/27	Effective 7/1/28	Effective 7/1/29
1	<b>Monthly Service Charges</b>						
2	2"	\$167.11	\$172.36	\$180.12	\$188.15	\$196.46	\$205.06
3	3"	\$313.31	\$375.41	\$392.30	\$409.78	\$427.87	\$446.60
4	4"	\$522.16	\$674.63	\$704.98	\$736.39	\$768.90	\$802.55
5	6"	\$1,044.22	\$1,444.08	\$1,509.04	\$1,576.28	\$1,645.87	\$1,717.90
6	8"	\$1,826.43	\$1,711.25	\$1,788.23	\$1,867.91	\$1,950.37	\$2,035.72
7	10"	\$2,738.91	\$4,489.80	\$4,691.77	\$4,900.81	\$5,117.16	\$5,341.09
8							
9	<b>Quantity Rate (\$/hcf)</b>						
10	Retail	\$7.31	\$7.09	\$7.41	\$7.75	\$8.10	\$8.46

Table 1-7 shows the current and proposed wastewater rates for the next five years.

**Table 1-7: Proposed Wastewater Rates Schedule**

Line			As of 7/1/24	Effective 7/1/25	Effective 7/1/26	Effective 7/1/27	Effective 7/1/28	Effective 7/1/29
1	<b>Monthly Service Charges</b>							
2	Residential	per unit	\$112.25	\$117.97	\$126.23	\$135.07	\$144.53	\$154.65
3	Commercial/ Hotels/ Institutional/ Recreational	per ERU	\$112.25	\$117.97	\$126.23	\$135.07	\$144.53	\$154.65
4	Shopping Centers	per ERU	\$199.33	\$209.49	\$224.16	\$239.86	\$256.66	\$274.63

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5	Restaurants/ Markets/ Mortuaries	per ERU	\$258.22	\$271.38	\$290.38	\$310.71	\$332.46	\$355.74
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## 2. POTABLE WATER 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 2026 through FY 2030; data for FY 2025 are shown when needed to represent actual or budgeted data inputs. The key steps in developing a financial plan for a potable water 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.
- **Status quo financial plan projections:** Cash flow, reserve balances, and debt coverage are projected over the study period in the absence of additional rate increases (this scenario is called the “status quo”). Projected reserve balances and debt coverage are then compared to the agency’s financial policy requirements and targets. The status quo financial plan provides a baseline to evaluate 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 POTABLE WATER RATES

The District’s current water rate structure includes a fixed monthly service charge based on meter size, and a three-tier quantity rate per hundred cubic feet (hcf) of water usage. The water rates apply to all customers.

**Table 2-1** shows the current potable water rates for FY 2025.

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Table 2-1: Current Potable Water Rates

Line		As of 7/1/24	As of 1/1/25	Effective FY 2025 Rates
1	<b>Monthly Service Charges</b>			
2	3/4"	\$38.34	\$38.34	\$38.34
3	1"	\$60.49	\$60.49	\$60.49
4	1-1/2"	\$115.13	\$115.13	\$115.13
5	2"	\$179.91	\$179.91	\$179.91
6	3"	\$384.99	\$384.99	\$384.99
7	4"	\$687.25	\$687.25	\$687.25
8	6"	\$1,518.45	\$1,518.45	\$1,518.45
9				
10	<b>Quantity Rate (\$/hcf)</b>			
11	Tier 1 – 0 to 7 hcf	\$8.93	\$9.31	\$9.12
12	Tier 2 – 7 to 28 hcf	\$10.03	\$10.41	\$10.22
13	Tier 3 – over 28 hcf	\$12.13	\$12.51	\$12.32

**CUSTOMER ACCOUNTS AND USAGE**

This section details the customer accounts and water usage 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 water rates and charges.

**Table 2-2** shows the projected number of meters for the study period. District staff provided actual data for FY 2025; this study assumes no growth in metered connections throughout the period. The number of metered connections by meter size is the unit of service for the District’s monthly service charge.

Table 2-2: Projected Customer Accounts by Meter Size

Line	Meter Size	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	3/4"	4,326	4,326	4,326	4,326	4,326	4,326
2	1"	67	67	67	67	67	67
3	1-1/2"	18	18	18	18	18	18
4	2"	187	187	187	187	187	187
5	3"	6	6	6	6	6	6
6	4"	2	2	2	2	2	2
7	6"	0	0	0	0	0	0

**Table 2-3** shows the water demand growth assumptions for the study period. WRE worked with District staff to determine the most appropriate estimates for annual water usage. Given that the District is experiencing almost no growth, it is anticipated that the water usage will remain at FY 2024 levels.

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**Table 2-3: Water Demand Growth Assumptions**

Line	Water Demand Growth	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	All Customers	0%	0%	0%	0%	0%	0%

**Table 2-4** shows the projected water usage for each year based on the water demand growth assumptions (**Table 2-3**). District staff provided actual water usage for FY 2024, which stays the same for all subsequent years.

**Table 2-4: Projected Customer Water Usage (hcf)**

Line	Water Usage (hcf)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Tier 1 – 0 to 7 hcf	312,515	312,515	312,515	312,515	312,515	312,515
2	Tier 2 – 8 to 28 hcf	275,635	275,635	275,635	275,635	275,635	275,635
3	Tier 3 – 28+ hcf	88,028	88,028	88,028	88,028	88,028	88,028
4	<b>Total Water Usage</b>	<b>676,178</b>	<b>676,178</b>	<b>676,178</b>	<b>676,178</b>	<b>676,178</b>	<b>676,178</b>

**REVENUES FROM CURRENT RATES**

**Table 2-5** shows the calculated water rate revenues for the study period based on the current effective water rates and the projected units of service. The service charge revenue (Line 2) is calculated by multiplying the effective monthly service charge (**Table 2-1**) by the projected meter connections (**Table 2-2**) for a period of 12 months. The usage charge revenue (Line 3) is calculated by multiplying the effective water usage charge (**Table 2-1**) by the projected water usage in each tier (**Table 2-4**) in each year.

**Table 2-5: Calculated Rate Revenues at Current Rates**

Line	Calculated Rate Revenues	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Rate Revenue</b>						
2	Service Charge	\$2,511,739	\$2,511,739	\$2,511,739	\$2,511,739	\$2,511,739	\$2,511,739
3	Usage Charge	\$6,751,635	\$6,751,635	\$6,751,635	\$6,751,635	\$6,751,635	\$6,751,635
4	<b>Total – Rate Revenue</b>	<b>\$9,263,374</b>	<b>\$9,263,374</b>	<b>\$9,263,374</b>	<b>\$9,263,374</b>	<b>\$9,263,374</b>	<b>\$9,263,374</b>

**REVENUE SUMMARY**

**Table 2-6** shows the summary of projected revenues for the study period. District staff provided the budgeted revenues for FY 2025; all other years are projected based on the relevant assumptions or calculations. Water rate revenues (Lines 1 and 4) are from Lines 3 and 2 of **Table 2-5**, respectively. Miscellaneous revenue (Lines 3, 5, 6, and 7) are calculated based on a 2% escalation rate. Interest Income - LAIF (Line 8) is calculated based on ending fund balances and a 2% interest rate for FY 2026 through FY 2030.

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Table 2-6: Revenue Summary

Line	Revenues	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Revenue Trade	\$6,751,635	\$6,751,635	\$6,751,635	\$6,751,635	\$6,751,635	\$6,751,635
2	Revenue Trade Discounts	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)	(\$15,000)
3	Revenue - Other	\$11,903	\$12,141	\$12,383	\$12,631	\$12,884	\$13,141
4	Revenue-Meter Service Charge	\$2,511,739	\$2,511,739	\$2,511,739	\$2,511,739	\$2,511,739	\$2,511,739
5	Revenue - Cell Site Lease	\$214,760	\$219,056	\$223,437	\$227,906	\$232,464	\$237,113
6	Revenue Penalties and Late Fees	\$102,005	\$104,045	\$106,126	\$108,248	\$110,413	\$112,622
7	Revenue - Violations	\$0	\$0	\$0	\$0	\$0	\$0
8	Interest Income - LAIF	\$0	\$311,743	\$296,867	\$284,295	\$282,748	\$293,862
9	Other Non Operating Revenue	\$0	\$0	\$0	\$0	\$0	\$0
10	<b>TOTAL REVENUES</b>	<b>\$9,577,042</b>	<b>\$9,895,359</b>	<b>\$9,887,187</b>	<b>\$9,881,454</b>	<b>\$9,886,883</b>	<b>\$9,905,112</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 2-7** shows the expense escalation factors used to inflate O&M expenses in FY 2026 through FY 2030.

Table 2-7: Expense Escalation Factors

Line	Escalation Factors	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	General	4.0%	4.0%	4.0%	4.0%	4.0%
2	Salaries	5.0%	5.0%	5.0%	5.0%	5.0%
3	Benefits	8.0%	8.0%	8.0%	8.0%	8.0%
4	Chemicals	5.0%	5.0%	5.0%	5.0%	5.0%
5	Energy/Utilities	10.0%	10.0%	10.0%	10.0%	10.0%
6	Capital	4.0%	4.0%	4.0%	4.0%	4.0%
7	Water Supply	5.0%	5.0%	5.0%	5.0%	5.0%
8	Non-Inflated/ Passthrough	0.0%	0.0%	0.0%	0.0%	0.0%
9	Non-Recurring	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%

Water purchase costs are a major expense incurred by the District, representing approximately 48% of the total annual O&M expenses. **Table 2-8** shows the purchased water expenses projection for FY 2025 through FY 2030. Calleguas Municipal Water District rates are on a calendar year basis. The rates shown in Lines 4 through 11 are recalculated on a fiscal year basis, taking into account the water usage split for July through December (Line 1) and January through June (Line 2). The total water purchase costs (Line 18) are calculated by multiplying the combined rate (Line 11) by the total water purchases (Line 16). Since future water purchase increases beyond 1/1/2025 will be passed through to customers as they occur, the projection assumes that the water purchase rates in the future will remain at the current rates. When the PWP is operational in FY 2029, the District will be

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able to purchase 617 AF per year (Line 15), thus offsetting the amount needed from Calleguas Municipal Water District (Line 16).

**Table 2-8: Purchased Water Expenses Calculation**

Line		FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	July through December Usage Split	55.8%	55.8%	55.8%	55.8%	55.8%	55.8%
2	January through June Usage Split	44.2%	44.2%	44.2%	44.2%	44.2%	44.2%
3							
4	MWD Tier 1 Rate	\$1,317	\$1,395	\$1,395	\$1,395	\$1,395	\$1,395
5	MWD Capacity Charge	\$31	\$34	\$34	\$34	\$34	\$34
6	MWD RTS	\$119	\$125	\$125	\$125	\$125	\$125
7							
8	Calleguas Tier 1 Rate	\$485	\$500	\$500	\$500	\$500	\$500
9	Calleguas Capacity Charge	\$76	\$75	\$75	\$75	\$75	\$75
10							
11	<b>Total Combined Rate (\$/AF)</b>	<b>\$2,029</b>	<b>\$2,129</b>	<b>\$2,129</b>	<b>\$2,129</b>	<b>\$2,129</b>	<b>\$2,129</b>
12							
13	Water Sales (AF)	1,552	1,552	1,552	1,552	1,552	1,552
14	Water Loss	2.7%	2.7%	2.7%	2.7%	2.7%	2.7%
15	Pure Water Offset (AF)	0	0	0	0	617	617
16	Water Purchases (AF)	1,595	1,595	1,595	1,595	978	978
17							
18	<b>Purchased Water Costs</b>	<b>\$3,237,205</b>	<b>\$3,396,078</b>	<b>\$3,396,078</b>	<b>\$3,396,078</b>	<b>\$2,081,633</b>	<b>\$2,081,633</b>

The PWP is expected to become operational in FY 2029. **Table 2-9** shows the projected O&M costs and associated credits from Metropolitan Water District (MWD).

**Table 2-9: Pure Water Project (PWP) Operating Costs**

Line		FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Operating Expenses	\$0	\$0	\$0	\$0	\$2,052,047	\$2,097,008
2	MWD LRP Credit	\$0	\$0	\$0	\$0	(\$499,800)	(\$499,800)
3	<b>Pure Water Project O&amp;M Costs</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,552,247</b>	<b>\$1,597,208</b>

**Table 2-10** shows the projected O&M expenses for the study period. District staff provided the budgeted O&M expenses for FY 2025. The budgeted values are escalated each year based on the escalation factors in **Table 2-7**. As shown, most of the District’s O&M expenses are fixed, meaning that the costs do not fluctuate based on the amount of water sold. The only true variable expense is the costs of water purchased from Calleguas Municipal Water District (Line 51).

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Table 2-10: Operating Expenses

Line	Operating Expenses	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Wages - Board Member Fees	\$0	\$0	\$0	\$0	\$0	\$0
2	Wages - Regular	\$660,303	\$693,318	\$727,984	\$764,383	\$802,602	\$842,732
3	Wages - Standby	\$11,657	\$12,240	\$12,852	\$13,494	\$14,169	\$14,878
4	Wages - Overtime	\$10,764	\$11,302	\$11,867	\$12,461	\$13,084	\$13,738
5	Wages - Straight Overtime	\$0	\$0	\$0	\$0	\$0	\$0
6	Wages - Admin Leave	\$0	\$0	\$0	\$0	\$0	\$0
7	Wages - Annual Leave	\$0	\$0	\$0	\$0	\$0	\$0
8	Wages - Bereavement Leave	\$0	\$0	\$0	\$0	\$0	\$0
9	Wages - Jury Duty	\$0	\$0	\$0	\$0	\$0	\$0
10	Wages - Holiday Leave	\$0	\$0	\$0	\$0	\$0	\$0
11	FICA/MCARE-Board Member	\$153	\$165	\$178	\$193	\$208	\$225
12	FICA/MCARE	\$57,697	\$62,313	\$67,298	\$72,681	\$78,496	\$84,776
13	EMPLOYEE ASSISTANCE PROG	\$219	\$236	\$255	\$276	\$298	\$322
14	STD/LTD	\$4,132	\$4,463	\$4,820	\$5,205	\$5,622	\$6,072
15	Life Insurance	\$3,438	\$3,713	\$4,010	\$4,331	\$4,677	\$5,051
16	FUTA/SUTA	\$0	\$0	\$0	\$0	\$0	\$0
17	CA Disability-ER Exp	\$0	\$0	\$0	\$0	\$0	\$0
18	Cafeteria Plan	\$0	\$0	\$0	\$0	\$0	\$0
19	Cafeteria/Medical/Opt Out	\$0	\$0	\$0	\$0	\$0	\$0
20	Medical Exp- (Sec 125 Supl)	\$153,098	\$165,346	\$178,573	\$192,859	\$208,288	\$224,951
21	Dental Insurance	\$0	\$0	\$0	\$0	\$0	\$0
22	Vision Insurance	\$0	\$0	\$0	\$0	\$0	\$0
23	401(a) Plan - ER Exp	\$107,330	\$115,916	\$125,189	\$135,205	\$146,021	\$157,703
24	Board Member Fees	\$1,320	\$1,373	\$1,428	\$1,485	\$1,544	\$1,606
25	Membership and Dues	\$30,855	\$32,089	\$33,372	\$34,707	\$36,095	\$37,539
26	Insurance	\$323,400	\$336,336	\$349,789	\$363,781	\$378,332	\$393,466
27	Postage/Shipping	\$25,500	\$26,520	\$27,581	\$28,684	\$29,831	\$31,025
28	Printing and Binding	\$35,000	\$36,400	\$37,856	\$39,370	\$40,945	\$42,583
29	Printing - Billing Inserts	\$14,200	\$14,768	\$15,359	\$15,973	\$16,612	\$17,276
30	Personal Vehicle Mileage	\$0	\$0	\$0	\$0	\$0	\$0
31	Board-Conference and Seminar Expenses	\$16,608	\$17,272	\$17,963	\$18,682	\$19,429	\$20,206
32	Staff-Conference and Seminar Expenses	\$2,800	\$2,912	\$3,028	\$3,150	\$3,276	\$3,407
33	General Administrative Expenses	\$4,500	\$4,680	\$4,867	\$5,062	\$5,264	\$5,475
34	Misc Expense	\$3,312	\$3,444	\$3,582	\$3,726	\$3,875	\$4,030
35	Attorney Services	\$0	\$0	\$0	\$0	\$0	\$0
36	IT Maint/Short term subscription	\$102,703	\$106,811	\$111,084	\$115,527	\$120,148	\$124,954
37	Subscription based IT agreement	\$4,500	\$4,680	\$4,867	\$5,062	\$5,264	\$5,475
38	Marketing and Advertising	\$0	\$0	\$0	\$0	\$0	\$0
39	VRSD Contract Services	\$0	\$0	\$0	\$0	\$0	\$0
40	Outside Contracted Services	\$101,176	\$105,223	\$109,432	\$113,809	\$118,362	\$123,096

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41	Contract Services - TWSD site	\$0	\$0	\$0	\$0	\$0	\$0
42	Other Professional Services	\$0	\$0	\$0	\$0	\$0	\$0
43	Employee Safety Supplies	\$0	\$0	\$0	\$0	\$0	\$0
44	Employee Uniforms/Supplies	\$0	\$0	\$0	\$0	\$0	\$0
45	Permits Licenses & Fees	\$44,500	\$46,280	\$48,131	\$50,056	\$52,059	\$54,141
46	Variable Subscription Exp	\$65,000	\$67,600	\$70,304	\$73,116	\$76,041	\$79,082
47	Lab Services & Supplies	\$17,000	\$17,680	\$18,387	\$19,123	\$19,888	\$20,683
48	Gas/Diesel/Fuel	\$12,000	\$13,200	\$14,520	\$15,972	\$17,569	\$19,326
49	Materials & Supplies	\$44,800	\$46,592	\$48,456	\$50,394	\$52,410	\$54,506
50	Operating Services	\$120,520	\$125,341	\$130,354	\$135,569	\$140,991	\$146,631
51	Potable Water Purchases	\$3,315,316	\$3,396,078	\$3,396,078	\$3,396,078	\$2,081,633	\$2,081,633
52	Utilities-Telephone	\$17,800	\$18,512	\$19,252	\$20,023	\$20,823	\$21,656
53	Utilities-Electric,Trash,Other	\$123,000	\$127,920	\$133,037	\$138,358	\$143,893	\$149,648
54	Office Supplies/Equipment	\$0	\$0	\$0	\$0	\$0	\$0
55	Equipment Repairs/Maintenance	\$48,000	\$49,920	\$51,917	\$53,993	\$56,153	\$58,399
56	Rents and Leases Equipment	\$0	\$0	\$0	\$0	\$0	\$0
57	Small Tools & Equipment	\$0	\$0	\$0	\$0	\$0	\$0
58	Minor Equipment	\$0	\$0	\$0	\$0	\$0	\$0
59	Computer Equipment <5000	\$0	\$0	\$0	\$0	\$0	\$0
60	Claims Settlement	\$0	\$0	\$0	\$0	\$0	\$0
61	Bad Debt Expense	\$0	\$0	\$0	\$0	\$0	\$0
62	Other Machinery & Equipment	\$0	\$0	\$0	\$0	\$0	\$0
63	Enterprise Fund-PW Ops and Mainte-Overhead Cost Al	\$934,936	\$1,028,491	\$1,082,719	\$1,140,011	\$1,200,553	\$1,264,544
64							
65	<b>Total - Expenses</b>	<b>\$6,417,536</b>	<b>\$6,699,134</b>	<b>\$6,866,391</b>	<b>\$7,042,798</b>	<b>\$5,914,456</b>	<b>\$6,110,835</b>

**2.4 DEBT SERVICE**

Table 2-11 shows the District’s existing annual debt service for the study period, provided by District staff.

**Table 2-11: Existing Debt Service**

Line	Debt Service	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	BoA Conifer Tank	\$540,669	\$540,330	\$539,824	\$540,132	\$540,244	\$540,159
2	BoA AMR	\$200,136	\$199,919	\$199,645	\$199,329	\$199,932	\$0
3	<b>Total Debt Service</b>	<b>\$740,805</b>	<b>\$740,249</b>	<b>\$739,469</b>	<b>\$739,460</b>	<b>\$740,175</b>	<b>\$540,159</b>

**2.5 CAPITAL IMPROVEMENT PLAN**

**CAPITAL IMPROVEMENT PROJECTS**

The District provided a 10-year CIP plan, the relevant six years costs are shown in Table 2-12.

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Table 2-12: Capital Project Costs

Line	Capital Improvement Projects	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	PWP Intertie Pumping System (Study, Design, Construction)	\$130,000	\$1,333,000	\$1,333,000	\$1,333,000	\$0	\$0
2	Pump Station pump upgrades/replacements	\$0	\$0	\$25,000	\$0	\$25,000	\$0
3	Design and Construction Savoy Reservoir Recoating	\$0	\$200,000	\$200,000	\$200,000	\$200,000	\$0
4	Design and Construction Kilburn Reservoir Recoating	\$0	\$0	\$0	\$0	\$0	\$200,000
5	PW Pipeline Rehabilitation (Cash for years 1-11, 35% for 1-20) [4% CCI - 50 years]	\$150,000	\$1,516,000	\$1,516,000	\$1,516,000	\$1,516,000	\$1,516,000
6	Reservoirs Rehabilitation/Replacement	\$0	\$0	\$0	\$0	\$0	\$0
7	1"+ OMNI Meter Replacements	\$0	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000
8	Fleet vehicle replacement (5 utility trucks, 31% share)	\$0	\$15,500	\$0	\$16,740	\$0	\$17,980
9	Lindero PS Generator	\$0	\$75,000	\$0	\$0	\$0	\$0
10							
11	<b>Shared Assets</b>						
12	Deerhill Operations Center Upgrades (31% cost allocation)	\$141,591	\$141,591	\$0	\$0	\$0	\$0
13	New District Office Complex (31% cost allocation)	\$0	\$0	\$0	\$0	\$0	\$0
14							
15	<b>Total Capital Improvement Projects</b>	<b>\$421,591</b>	<b>\$3,316,091</b>	<b>\$3,109,000</b>	<b>\$3,100,740</b>	<b>\$1,776,000</b>	<b>\$1,768,980</b>

**CAPITAL FINANCING PLAN**

Table 2-13 shows the capital financing plan. All capital projects costs will be funded by water rates or reserves (Line 2).

Table 2-13: Capital Financing Plan

Line	Capital Financing Plan	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Debt Funded CIP	\$0	\$0	\$0	\$0	\$0	\$0
2	Rate Funded CIP	\$421,591	\$3,316,091	\$3,109,000	\$3,100,740	\$1,776,000	\$1,768,980
3	<b>Total - Capital Financing Plan</b>	<b>\$421,591</b>	<b>\$3,316,091</b>	<b>\$3,109,000</b>	<b>\$3,100,740</b>	<b>\$1,776,000</b>	<b>\$1,768,980</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.

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

- Operating Fund Target: a minimum of 3 months and a maximum of 6 months of annual operating expenses, excluding depreciation
- Capital Improvement and Capital Replacement Target: 5-year rolling average of the capital improvement projects
- Rate Stabilization Target: a minimum of 3 months and a maximum of 6 months of annual operating revenues, excluding connection fees
- Debt Service Reserve Target: 1-year of debt service payment

The reserve target for the study period ranges from approximately \$7.1 to \$11.6 million in the District's reserve funds.

### DEBT COVERAGE REQUIREMENT

The District's debt coverage requirement is 110% of annual debt service. To meet coverage requirements, net revenues (revenues less operating expenses) must be 110% or more of annual debt service. However, the District's desired debt coverage requirement is 130%. A higher coverage ratio would typically result in higher credit rating and lower interest rates.

## 2.7 STATUS QUO FINANCIAL PLAN

### STATUS QUO CASH FLOW PROJECTIONS

**Table 2-14** shows the cash flow projections for the no revenue adjustment financial plan. Revenues<sup>2</sup> (Lines 1-8) are from **Table 2-6**. Operating expenses (Lines 10-14) are from **Table 2-9** and **Table 2-10**. Net operating revenue (Line 16) is equal to the difference between total revenues (Line 8) and total expenses (Line 14). Debt service (Lines 18-22) is from **Table 2-11**. Rate funded CIP (Line 25) is the total capital projects from **Table 2-13**. Net cash flow (Line 29) is equal to the net operating revenue (Line 16) less debt service (Line 22) and rate funded CIP (Line 27). Debt proceeds and debt funded CIP are not included in the cash flow projections.

The net operating revenue in this scenario is positive for all years, meaning that the District's current revenues are sufficient to fund its operating expenses in the near future. However, the net cash flow in the status quo scenario is negative for FY 2026 through FY 2030, meaning that the District's current revenues are not sufficient to fund its debt service and annual CIP.

---

<sup>2</sup> Interest income (Line 7) is different in the status quo financial plan scenario because it is based on projected fund balances. The status quo scenario results in lower fund balances; therefore, the District has less interest income. **Table 2-6** shows the interest income for the proposed financial plan scenario.

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

Line	Cash Flow Projections	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Revenues</b>						
2	Rate Revenues at Existing Rates	\$9,263,374	\$9,263,374	\$9,263,374	\$9,263,374	\$9,263,374	\$9,263,374
3	Revenue Adjustments	\$0	\$0	\$0	\$0	\$0	\$0
4	Connection Fees	\$0	\$0	\$0	\$0	\$0	\$0
5	Miscellaneous Revenues	\$313,668	\$320,241	\$326,946	\$333,785	\$340,761	\$347,876
6	All Other Revenues	\$0	\$0	\$0	\$0	\$0	\$0
7	Interest Income	\$0	\$311,743	\$295,014	\$276,811	\$265,701	\$263,168
8	<b>Subtotal - Revenues</b>	<b>\$9,577,042</b>	<b>\$9,895,359</b>	<b>\$9,885,334</b>	<b>\$9,873,970</b>	<b>\$9,869,836</b>	<b>\$9,874,418</b>
9							
10	<b>Operating Expenses</b>						
11	Operating Cost	\$3,102,220	\$3,303,056	\$3,470,314	\$3,646,721	\$3,832,823	\$4,029,202
12	Potable Water Purchases	\$3,315,316	\$3,396,078	\$3,396,078	\$3,396,078	\$2,081,633	\$2,081,633
13	Pure Water Projected Operating	\$0	\$0	\$0	\$0	\$1,552,247	\$1,597,208
14	<b>Subtotal - Operating Expenses</b>	<b>\$6,417,536</b>	<b>\$6,699,134</b>	<b>\$6,866,391</b>	<b>\$7,042,798</b>	<b>\$7,466,703</b>	<b>\$7,708,043</b>
15							
16	<b>Net Revenue</b>	<b>\$3,159,506</b>	<b>\$3,196,224</b>	<b>\$3,018,943</b>	<b>\$2,831,171</b>	<b>\$2,403,132</b>	<b>\$2,166,376</b>
17							
18	<b>Debt Service</b>						
19	Existing Debt	\$740,805	\$740,249	\$739,469	\$739,460	\$740,175	\$540,159
20	Pure Water Debt Service	\$0	\$0	\$0	\$0	\$0	\$0
21	Proposed Debt	\$0	\$0	\$0	\$0	\$0	\$0
22	<b>Subtotal - Debt Service</b>	<b>\$740,805</b>	<b>\$740,249</b>	<b>\$739,469</b>	<b>\$739,460</b>	<b>\$740,175</b>	<b>\$540,159</b>
23							
24	<b>Capital Projects</b>						
25	Rate Funded CIP	\$421,591	\$3,316,091	\$3,109,000	\$3,100,740	\$1,776,000	\$1,768,980
26	Pure Water Project - Rate Funded	\$0	\$0	\$0	\$0	\$0	\$0
27	<b>Subtotal - Capital Projects</b>	<b>\$421,591</b>	<b>\$3,316,091</b>	<b>\$3,109,000</b>	<b>\$3,100,740</b>	<b>\$1,776,000</b>	<b>\$1,768,980</b>
28							
29	<b>Net Cash Flow</b>	<b>\$1,997,110</b>	<b>(\$860,116)</b>	<b>(\$829,526)</b>	<b>(\$1,009,029)</b>	<b>(\$113,043)</b>	<b>(\$142,764)</b>

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**STATUS QUO FUND BALANCE PROJECTIONS**

**Table 2-15** shows the fund balance projections for the status quo financial plan, including the operating, capital improvement and capital replacement, rate stabilization, and debt service funds. Based on the sources (revenues) and uses (operating expenses, debt service, and CIP) of funds, the District’s total fund balances will be approximately \$13.2 million at the end of the study in FY 2030.

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

Line	Fund Balance Projections	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Operating Fund</b>						
2	<b>Beginning Balance</b>	<b>\$3,912,562</b>	<b>\$6,331,263</b>	<b>\$5,725,914</b>	<b>\$4,947,088</b>	<b>\$3,981,431</b>	<b>\$3,584,640</b>
3							
4	<b>Sources of Funds</b>						
5	Rate Revenues	\$9,263,374	\$9,263,374	\$9,263,374	\$9,263,374	\$9,263,374	\$9,263,374
6	Revenue Adjustments	\$0	\$0	\$0	\$0	\$0	\$0
7	Non-Rate Revenues	\$313,668	\$320,241	\$326,946	\$333,785	\$340,761	\$347,876
8	Interest Income	\$0	\$250,419	\$236,714	\$219,442	\$205,953	\$197,675
9	<b>Subtotal - Sources of Funds</b>	<b>\$9,577,042</b>	<b>\$9,834,035</b>	<b>\$9,827,035</b>	<b>\$9,816,601</b>	<b>\$9,810,088</b>	<b>\$9,808,925</b>
10							
11	<b>Uses of Funds</b>						
12	Operating Expenses	\$6,417,536	\$6,699,134	\$6,866,391	\$7,042,798	\$7,466,703	\$7,708,043
13	Transfers to/(from) Capital Reserves	\$0	\$3,000,000	\$3,000,000	\$3,000,000	\$2,000,000	\$2,000,000
14	Debt Service	\$740,805	\$740,249	\$739,469	\$739,460	\$740,175	\$540,159
15	Transfers to/(from) Debt Service Reserve	\$0	\$0	\$0	\$0	\$0	\$0
16	<b>Subtotal - Uses of Funds</b>	<b>\$7,158,341</b>	<b>\$10,439,384</b>	<b>\$10,605,860</b>	<b>\$10,782,259</b>	<b>\$10,206,879</b>	<b>\$10,248,202</b>
17							
18	<b>Ending Balance</b>	<b>\$6,331,263</b>	<b>\$5,725,914</b>	<b>\$4,947,088</b>	<b>\$3,981,431</b>	<b>\$3,584,640</b>	<b>\$3,145,363</b>
19							
20	<b>Capital Improvement and Capital Replacement Reserves Fund</b>						
21	<b>Beginning Balance</b>	<b>\$3,645,837</b>	<b>\$3,224,246</b>	<b>\$2,969,479</b>	<b>\$2,918,779</b>	<b>\$2,875,407</b>	<b>\$3,159,155</b>
22							

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23	<b>Sources of Funds</b>						
24	Connection Fees	\$0	\$0	\$0	\$0	\$0	\$0
25	Transfers from/(to) Operating Fund	\$0	\$3,000,000	\$3,000,000	\$3,000,000	\$2,000,000	\$2,000,000
26	Debt Proceeds	\$0	\$0	\$0	\$0	\$0	\$0
27	Interest Income	\$0	\$61,324	\$58,300	\$57,368	\$59,748	\$65,493
28	<b>Subtotal - Sources of Funds</b>	<b>\$0</b>	<b>\$3,061,324</b>	<b>\$3,058,300</b>	<b>\$3,057,368</b>	<b>\$2,059,748</b>	<b>\$2,065,493</b>
29							
30	<b>Uses of Funds</b>						
31	Debt Funded CIP	\$0	\$0	\$0	\$0	\$0	\$0
32	Rate Funded CIP	\$421,591	\$3,316,091	\$3,109,000	\$3,100,740	\$1,776,000	\$1,768,980
33	Pure Water Project - Rate Funded	\$0	\$0	\$0	\$0	\$0	\$0
34	<b>Subtotal - Uses of Funds</b>	<b>\$421,591</b>	<b>\$3,316,091</b>	<b>\$3,109,000</b>	<b>\$3,100,740</b>	<b>\$1,776,000</b>	<b>\$1,768,980</b>
35							
36	<b>Ending Balance</b>	<b>\$3,224,246</b>	<b>\$2,969,479</b>	<b>\$2,918,779</b>	<b>\$2,875,407</b>	<b>\$3,159,155</b>	<b>\$3,455,669</b>
37							
38	<b>Rate Stabilization Fund</b>						
39	<b>Beginning Balance</b>	<b>\$5,878,443</b>	<b>\$5,878,443</b>	<b>\$5,878,443</b>	<b>\$5,878,443</b>	<b>\$5,878,443</b>	<b>\$5,878,443</b>
40							
41	Transfers In/(Out)	\$0	\$0	\$0	\$0	\$0	\$0
42							
43	<b>Ending Balance</b>	<b>\$5,878,443</b>	<b>\$5,878,443</b>	<b>\$5,878,443</b>	<b>\$5,878,443</b>	<b>\$5,878,443</b>	<b>\$5,878,443</b>
44							
45	<b>Debt Service Reserve Fund</b>						
46	<b>Beginning Balance</b>	<b>\$739,138</b>	<b>\$739,138</b>	<b>\$739,138</b>	<b>\$739,138</b>	<b>\$739,138</b>	<b>\$739,138</b>
47							
48	Transfers In/(Out)	\$0	\$0	\$0	\$0	\$0	\$0
49							
50	<b>Ending Balance</b>	<b>\$739,138</b>	<b>\$739,138</b>	<b>\$739,138</b>	<b>\$739,138</b>	<b>\$739,138</b>	<b>\$739,138</b>

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**STATUS QUO FINANCIAL PERFORMANCE**

The District’s financial performance is evaluated based on the reserve targets and debt coverage requirements, as shown in **Table 2-16**. Under the status quo financial plan, the District will meet its reserve targets and debt coverage in all years from FY 2025 to FY 2030.

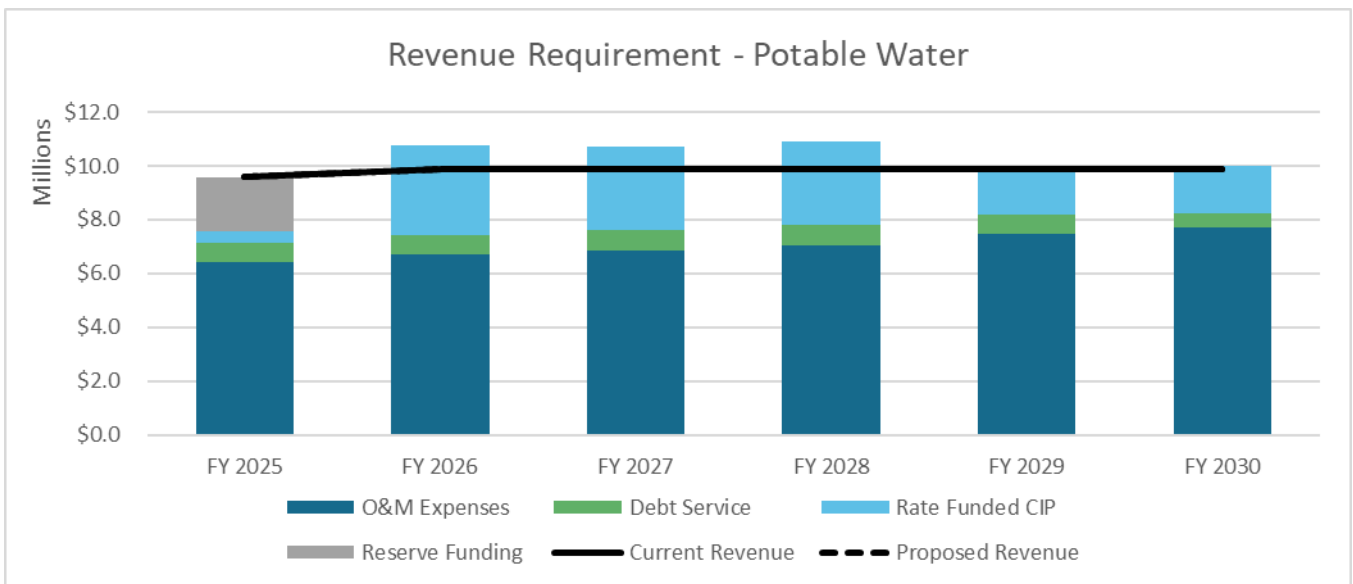
**Table 2-16: Forecasted Financial Performance (Status Quo Financial Plan)**

Line	Financial Performance	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Existing Reserve Targets</b>						
2	Operating Fund	\$1,604,384	\$1,674,784	\$1,716,598	\$1,760,700	\$1,866,676	\$1,927,011
3	Capital Improvement and Capital Replacement Reserves Fund	\$2,344,684	\$2,614,162	\$2,299,144	\$2,024,264	\$1,904,122	\$2,007,771
4	Rate Stabilization	\$2,394,261	\$2,395,904	\$2,397,580	\$2,399,290	\$2,401,034	\$2,402,813
5	Debt Service Reserve	\$740,805	\$740,249	\$739,469	\$739,460	\$740,175	\$540,159
6	<b>Total Minimum Target</b>	<b>\$7,084,134</b>	<b>\$7,425,099</b>	<b>\$7,152,791</b>	<b>\$6,923,714</b>	<b>\$6,912,006</b>	<b>\$6,877,754</b>
7	<b>Total Maximum Target</b>	<b>\$11,082,779</b>	<b>\$11,495,786</b>	<b>\$11,266,969</b>	<b>\$11,083,703</b>	<b>\$11,179,716</b>	<b>\$11,207,577</b>
8	Total Fund Balances	\$16,173,090	\$15,312,974	\$14,483,448	\$13,474,419	\$13,361,376	\$13,218,612
9	Meets Target?	Yes	Yes	Yes	Yes	Yes	Yes
10							
11	<b>Debt Coverage Calculation</b>						
12	Required Debt Coverage	110%	110%	110%	110%	110%	110%
13	Desired Debt Coverage	130%	130%	130%	130%	130%	130%
14	Calculated Debt Coverage	426%	432%	408%	383%	325%	401%
15	Meets Target?	Yes	Yes	Yes	Yes	Yes	Yes

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**Figure 2-1** shows the comparison of revenues and the revenue requirement for the status quo scenario. The stacked bars represent the revenue requirements, or costs: teal for O&M expenses, green for debt service, and blue for rate funded CIP. The District will not be adding to its reserves (grey bars) in this scenario, except for FY 2025. The current revenue, shown as a solid line, is lower than the revenue requirements (except in FY 2029 and FY 2030), meaning that revenues are insufficient to fund necessary costs.

**Figure 2-1: Revenue Requirements vs. Revenues (Status Quo Financial Plan)**



**Figure 2-2** shows the debt coverage projections in the status quo financial plan. The required debt coverage (solid black line) is equal to 110%. The desired coverage (dashed dark blue line) is equal to 130%. The District will meet both its debt coverage requirements and desired coverage in this scenario.

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Figure 2-2: Projected Debt Coverage (Status Quo Financial Plan)

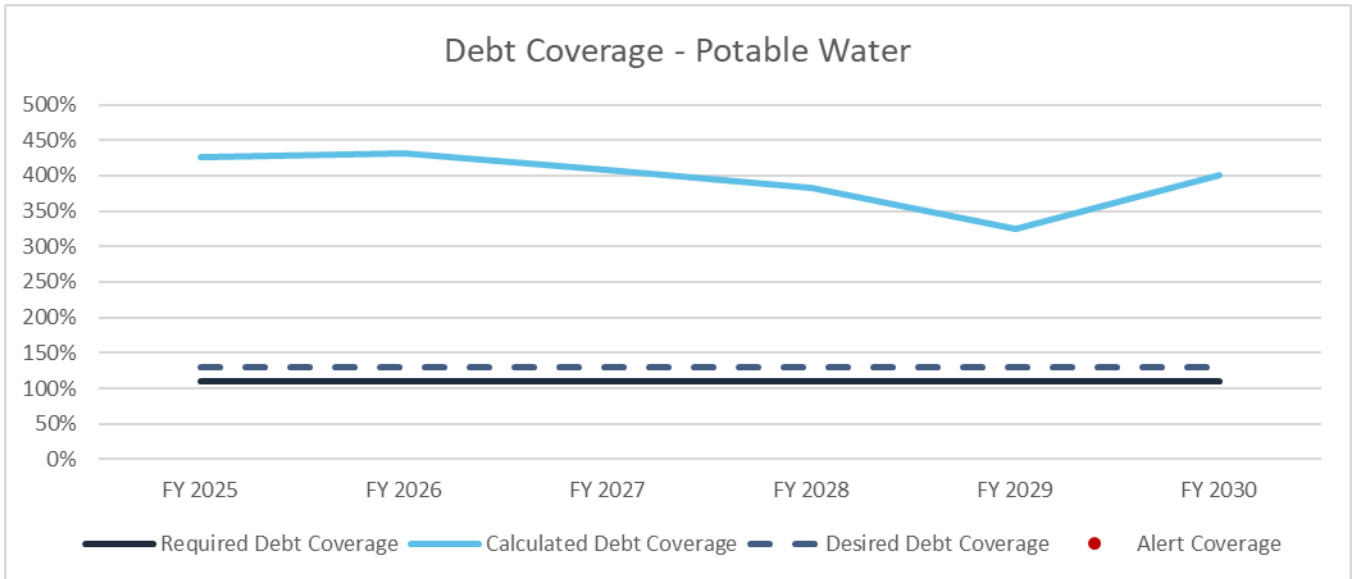
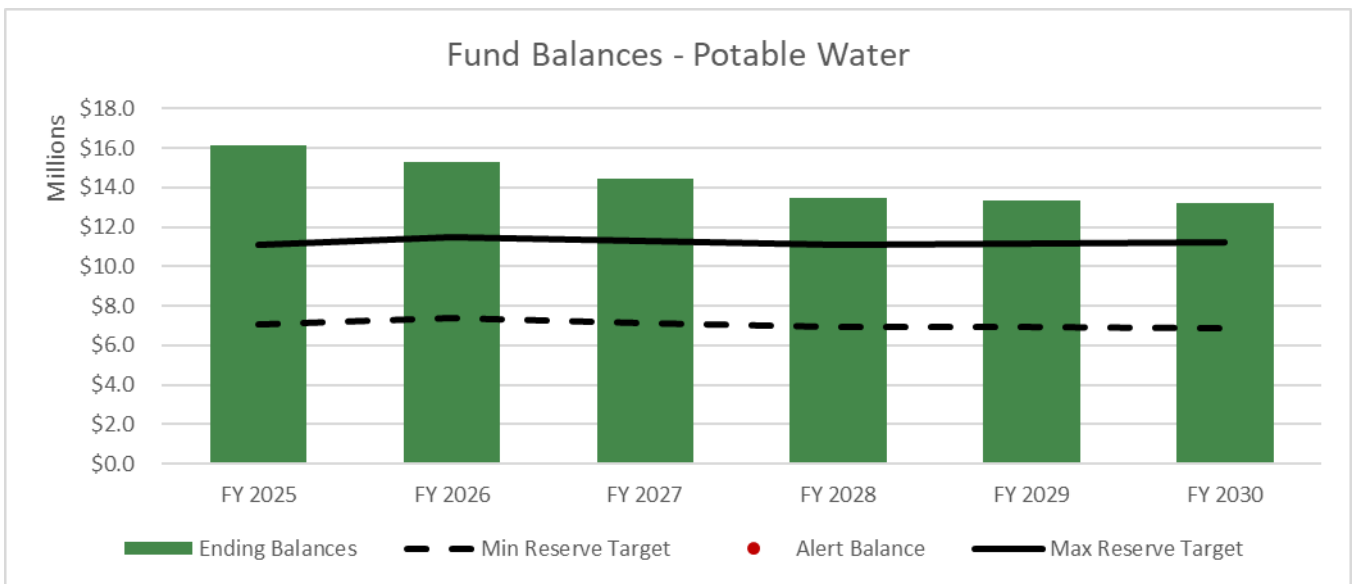


Figure 2-3 shows the fund balance projections in the status quo financial plan. The District’s ending balance (green bars) will meet the reserve targets (solid and dashed lines) from FY 2025 through FY 2030.

Figure 2-3: Projected Fund Balances (Status Quo Financial Plan)



## 2.8 PROPOSED FINANCIAL PLAN

### PROPOSED FINANCIAL PLAN

The proposed financial plan includes five years of revenue adjustments, shown in **Table 2-17**. Although the financial plan shows that the District is meeting its debt coverage requirements and

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reserve targets, WRE is proposing a 2% revenue adjustments each year starting in FY 2027 to keep up with inflation and reducing the needs for a higher increase in the future due to unforeseen expenses.

**Table 2-17: Proposed Financial Plan**

Line	Fiscal Year	Revenue Adjustments	Effective Month
1	FY 2026	0%	July
2	FY 2027	2%	July
3	FY 2028	2%	July
4	FY 2029	2%	July
5	FY 2030	2%	July

**PROPOSED CASH FLOW PROJECTIONS**

**Table 2-18** shows the cash flow projections for the proposed financial plan. Revenues (Lines 1-8) are from **Table 2-6**, with the exception of revenue adjustments (Line 3), which are based on the adjustments shown in **Table 2-17**. Operating expenses (Lines 10-14) are from **Table 2-9** and **Table 2-10**. Net operating revenue (Line 16) is equal to the difference between total revenues (Line 8) and total expenses (Line 14). Debt service (Lines 18-22) is from **Table 2-11**. Rate funded CIP (Line 25) is from **Table 2-13**. Net cash flow (Line 29) is equal to the net operating revenue (Line 16) less debt service (Line 22) and rate funded CIP (Line 27). Debt proceeds and debt funded CIP are not included in the cash flow projections, since they are accounted for in the rate funded CIP projection numbers.

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Table 2-18: Projected Cash Flows (Proposed Financial Plan)

Line	Cash Flow Projections	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Revenues</b>						
2	Rate Revenues at Existing Rates	\$9,263,374	\$9,263,374	\$9,263,374	\$9,263,374	\$9,263,374	\$9,263,374
3	Revenue Adjustments	\$0	\$0	\$0	\$0	\$0	\$0
4	Connection Fees	\$0	\$0	\$0	\$0	\$0	\$0
5	Miscellaneous Revenues	\$313,668	\$320,241	\$326,946	\$333,785	\$340,761	\$347,876
6	All Other Revenues	\$0	\$0	\$0	\$0	\$0	\$0
7	Interest Income	\$0	\$311,743	\$295,014	\$276,811	\$265,701	\$263,168
8	<b>Subtotal - Revenues</b>	<b>\$9,577,042</b>	<b>\$9,895,359</b>	<b>\$9,885,334</b>	<b>\$9,873,970</b>	<b>\$9,869,836</b>	<b>\$9,874,418</b>
9							
10	<b>Operating Expenses</b>						
11	Operating Cost	\$3,102,220	\$3,303,056	\$3,470,314	\$3,646,721	\$3,832,823	\$4,029,202
12	Potable Water Purchases	\$3,315,316	\$3,396,078	\$3,396,078	\$3,396,078	\$2,081,633	\$2,081,633
13	Pure Water Projected Operating	\$0	\$0	\$0	\$0	\$1,552,247	\$1,597,208
14	<b>Subtotal - Operating Expenses</b>	<b>\$6,417,536</b>	<b>\$6,699,134</b>	<b>\$6,866,391</b>	<b>\$7,042,798</b>	<b>\$7,466,703</b>	<b>\$7,708,043</b>
15							
16	<b>Net Revenue</b>	<b>\$3,159,506</b>	<b>\$3,196,224</b>	<b>\$3,018,943</b>	<b>\$2,831,171</b>	<b>\$2,403,132</b>	<b>\$2,166,376</b>
17							
18	<b>Debt Service</b>						
19	Existing Debt	\$740,805	\$740,249	\$739,469	\$739,460	\$740,175	\$540,159
20	Pure Water Debt Service	\$0	\$0	\$0	\$0	\$0	\$0
21	Proposed Debt	\$0	\$0	\$0	\$0	\$0	\$0
22	<b>Subtotal - Debt Service</b>	<b>\$740,805</b>	<b>\$740,249</b>	<b>\$739,469</b>	<b>\$739,460</b>	<b>\$740,175</b>	<b>\$540,159</b>
23							
24	<b>Capital Projects</b>						
25	Rate Funded CIP	\$421,591	\$3,316,091	\$3,109,000	\$3,100,740	\$1,776,000	\$1,768,980
26	Pure Water Project - Rate Funded	\$0	\$0	\$0	\$0	\$0	\$0
27	<b>Subtotal - Capital Projects</b>	<b>\$421,591</b>	<b>\$3,316,091</b>	<b>\$3,109,000</b>	<b>\$3,100,740</b>	<b>\$1,776,000</b>	<b>\$1,768,980</b>
28							
29	<b>Net Cash Flow</b>	<b>\$1,997,110</b>	<b>(\$860,116)</b>	<b>(\$829,526)</b>	<b>(\$1,009,029)</b>	<b>(\$113,043)</b>	<b>(\$142,764)</b>

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**PROPOSED FUND BALANCE PROJECTIONS**

**Table 2-19** shows the fund balance projections for the proposed financial plan. Based on the sources (revenues, revenue adjustments, debt proceeds) and uses (operating expenses, debt service, and CIP) of funds, the District’s total fund balances will be approximately \$15.2 million at the end of the study in FY 2030.

**Table 2-19: Projected Fund Balances (Proposed Financial Plan)**

Line	Fund Balance Projections	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Operating Fund</b>						
2	<b>Beginning Balance</b>	<b>\$3,912,562</b>	<b>\$6,331,263</b>	<b>\$5,725,914</b>	<b>\$5,134,208</b>	<b>\$4,550,276</b>	<b>\$4,737,525</b>
3							
4	<b>Sources of Funds</b>						
5	Rate Revenues	\$9,263,374	\$9,263,374	\$9,263,374	\$9,263,374	\$9,263,374	\$9,263,374
6	Revenue Adjustments	\$0	\$0	\$185,267	\$374,240	\$566,993	\$763,600
7	Non-Rate Revenues	\$313,668	\$320,241	\$326,946	\$333,785	\$340,761	\$347,876
8	Interest Income	\$0	\$250,419	\$238,567	\$226,927	\$223,000	\$228,369
9	<b>Subtotal - Sources of Funds</b>	<b>\$9,577,042</b>	<b>\$9,834,035</b>	<b>\$10,014,155</b>	<b>\$10,198,327</b>	<b>\$10,394,127</b>	<b>\$10,603,219</b>
10							
11	<b>Uses of Funds</b>						
12	Operating Expenses	\$6,417,536	\$6,699,134	\$6,866,391	\$7,042,798	\$7,466,703	\$7,708,043
13	Transfers to/(from) Capital Reserves	\$0	\$3,000,000	\$3,000,000	\$3,000,000	\$2,000,000	\$2,000,000
14	Debt Service	\$740,805	\$740,249	\$739,469	\$739,460	\$740,175	\$540,159
15	Transfers to/(from) Debt Service Reserve	\$0	\$0	\$0	\$0	\$0	\$0
16	<b>Subtotal - Uses of Funds</b>	<b>\$7,158,341</b>	<b>\$10,439,384</b>	<b>\$10,605,860</b>	<b>\$10,782,259</b>	<b>\$10,206,879</b>	<b>\$10,248,202</b>
17							
18	<b>Ending Balance</b>	<b>\$6,331,263</b>	<b>\$5,725,914</b>	<b>\$5,134,208</b>	<b>\$4,550,276</b>	<b>\$4,737,525</b>	<b>\$5,092,541</b>
19							
20	<b>Capital Improvement and Capital Replacement Reserves Fund</b>						
21	<b>Beginning Balance</b>	<b>\$3,645,837</b>	<b>\$3,224,246</b>	<b>\$2,969,479</b>	<b>\$2,918,779</b>	<b>\$2,875,407</b>	<b>\$3,159,155</b>
22							

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23	<b>Sources of Funds</b>						
24	Connection Fees	\$0	\$0	\$0	\$0	\$0	\$0
25	Transfers from/(to) Operating Fund	\$0	\$3,000,000	\$3,000,000	\$3,000,000	\$2,000,000	\$2,000,000
26	Debt Proceeds	\$0	\$0	\$0	\$0	\$0	\$0
27	Interest Income	\$0	\$61,324	\$58,300	\$57,368	\$59,748	\$65,493
28	<b>Subtotal - Sources of Funds</b>	<b>\$0</b>	<b>\$3,061,324</b>	<b>\$3,058,300</b>	<b>\$3,057,368</b>	<b>\$2,059,748</b>	<b>\$2,065,493</b>
29							
30	<b>Uses of Funds</b>						
31	Debt Funded CIP	\$0	\$0	\$0	\$0	\$0	\$0
32	Rate Funded CIP	\$421,591	\$3,316,091	\$3,109,000	\$3,100,740	\$1,776,000	\$1,768,980
33	Pure Water Project - Rate Funded	\$0	\$0	\$0	\$0	\$0	\$0
34	<b>Subtotal - Uses of Funds</b>	<b>\$421,591</b>	<b>\$3,316,091</b>	<b>\$3,109,000</b>	<b>\$3,100,740</b>	<b>\$1,776,000</b>	<b>\$1,768,980</b>
35							
36	<b>Ending Balance</b>	<b>\$3,224,246</b>	<b>\$2,969,479</b>	<b>\$2,918,779</b>	<b>\$2,875,407</b>	<b>\$3,159,155</b>	<b>\$3,455,669</b>
37							
38	<b>Rate Stabilization Fund</b>						
39	<b>Beginning Balance</b>	<b>\$5,878,443</b>	<b>\$5,878,443</b>	<b>\$5,878,443</b>	<b>\$5,878,443</b>	<b>\$5,878,443</b>	<b>\$5,878,443</b>
40							
41	Transfers In/(Out)	\$0	\$0	\$0	\$0	\$0	\$0
42							
43	<b>Ending Balance</b>	<b>\$5,878,443</b>	<b>\$5,878,443</b>	<b>\$5,878,443</b>	<b>\$5,878,443</b>	<b>\$5,878,443</b>	<b>\$5,878,443</b>
44							
45	<b>Debt Service Reserve Fund</b>						
46	<b>Beginning Balance</b>	<b>\$739,138</b>	<b>\$739,138</b>	<b>\$739,138</b>	<b>\$739,138</b>	<b>\$739,138</b>	<b>\$739,138</b>
47							
48	Transfers In/(Out)	\$0	\$0	\$0	\$0	\$0	\$0
49							
50	<b>Ending Balance</b>	<b>\$739,138</b>	<b>\$739,138</b>	<b>\$739,138</b>	<b>\$739,138</b>	<b>\$739,138</b>	<b>\$739,138</b>

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**PROPOSED FINANCIAL PERFORMANCE**

**Table 2-20** shows the forecasted financial performance for the proposed financial plan. Under this plan, the District will meet its reserve targets and debt coverage requirements in all years with the proposed revenue adjustments.

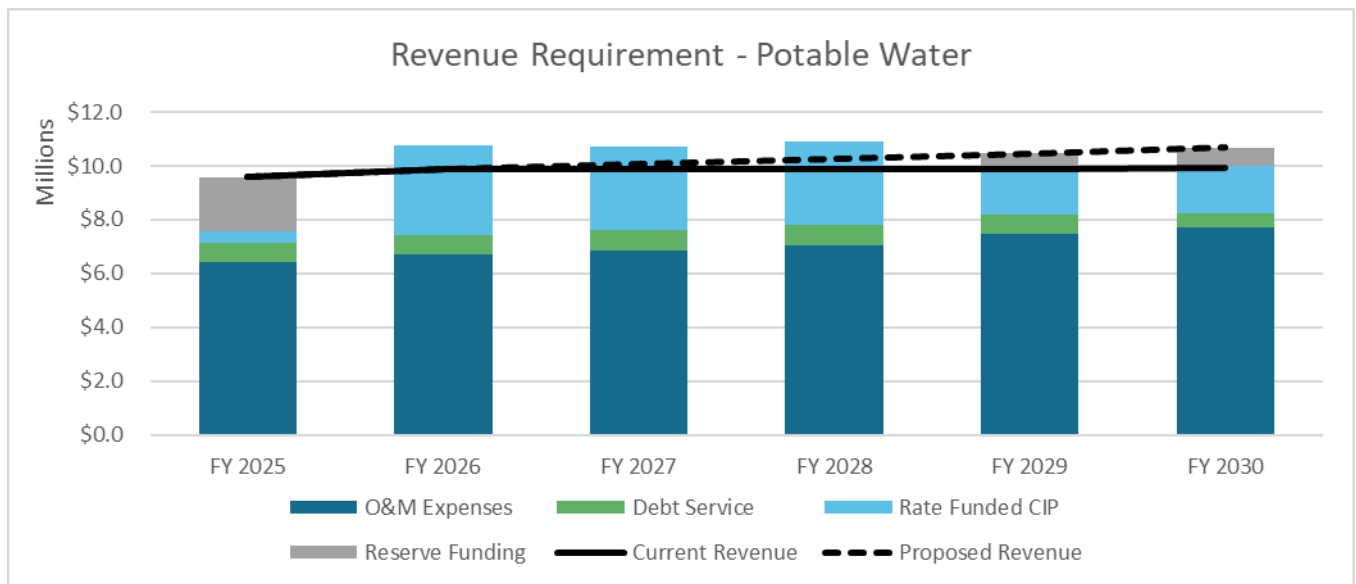
**Table 2-20: Forecasted Financial Performance (Proposed Financial Plan)**

Line	Financial Performance	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Existing Reserve Targets</b>						
2	Operating Fund	\$1,604,384	\$1,674,784	\$1,716,598	\$1,760,700	\$1,866,676	\$1,927,011
3	Capital Improvement and Capital Replacement Reserves Fund	\$2,344,684	\$2,614,162	\$2,299,144	\$2,024,264	\$1,904,122	\$2,007,771
4	Rate Stabilization	\$2,394,261	\$2,395,904	\$2,443,897	\$2,492,850	\$2,542,782	\$2,593,712
5	Debt Service Reserve	\$740,805	\$740,249	\$739,469	\$739,460	\$740,175	\$540,159
6	<b>Total Minimum Target</b>	<b>\$7,084,134</b>	<b>\$7,425,099</b>	<b>\$7,199,108</b>	<b>\$7,017,274</b>	<b>\$7,053,754</b>	<b>\$7,068,654</b>
7	<b>Total Maximum Target</b>	<b>\$11,082,779</b>	<b>\$11,495,786</b>	<b>\$11,359,602</b>	<b>\$11,270,823</b>	<b>\$11,463,212</b>	<b>\$11,589,377</b>
8	Total Fund Balances	\$16,173,090	\$15,312,974	\$14,670,568	\$14,043,264	\$14,514,261	\$15,165,791
9	Meets Target?	Yes	Yes	Yes	Yes	Yes	Yes
10							
11	<b>Debt Coverage Calculation</b>						
12	Required Debt Coverage	110%	110%	110%	110%	110%	110%
13	Desired Debt Coverage	130%	130%	130%	130%	130%	130%
14	Calculated Debt Coverage	426%	432%	434%	434%	404%	548%
15	Meets Target?	Yes	Yes	Yes	Yes	Yes	Yes

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**Figure 2-4** shows the comparison of revenues and the revenue requirement for the proposed scenario. The stacked bars represent the revenue requirements, or costs. The District will add to its reserves (grey bars) in this scenario in FY 2025, FY 2029, and FY 2030. The current revenue, shown as a solid line, is lower than the revenue requirements. The proposed revenue, shown as a dotted line, is greater than the revenue requirements (except for FY 2026 through FY 2028), meaning that the District’s revenues are able to sufficiently fund its expenses.

**Figure 2-4: Revenue Requirements vs. Revenues (Proposed Financial Plan)**



**Figure 2-5** shows the debt coverage projections in the proposed financial plan. The required debt coverage (solid black line) is equal to 110%. The desired coverage (dashed dark blue line) is equal to 130%. The District will meet both its debt coverage requirements and desired coverage in this scenario.

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Figure 2-5: Projected Debt Coverage (Proposed Financial Plan)

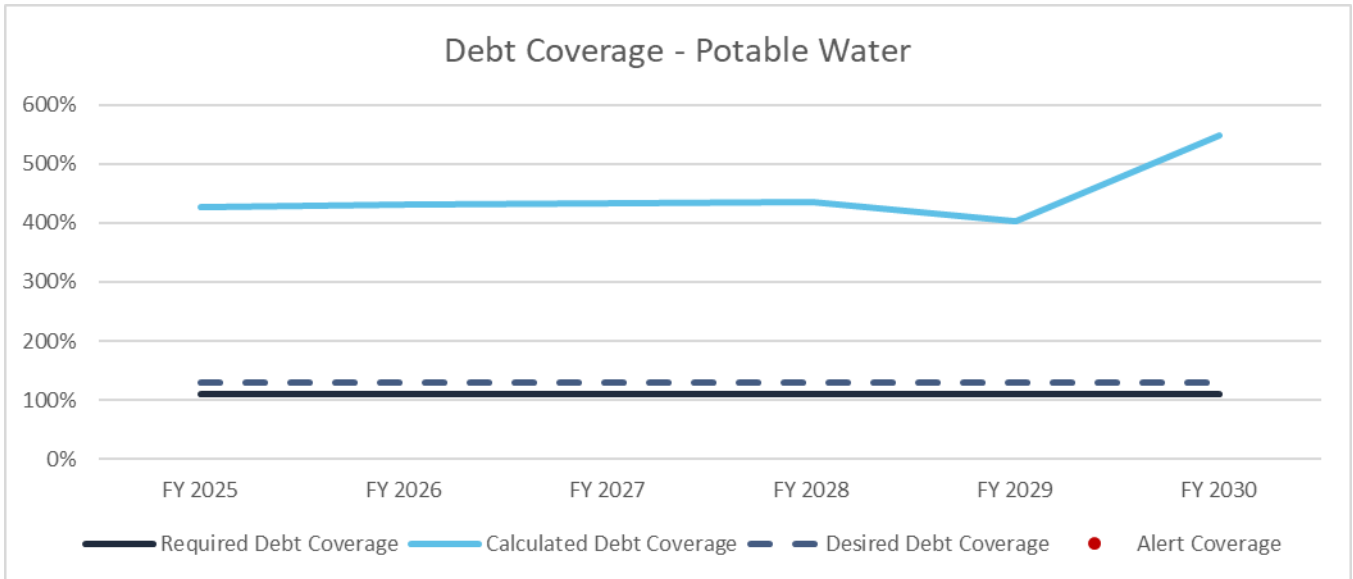
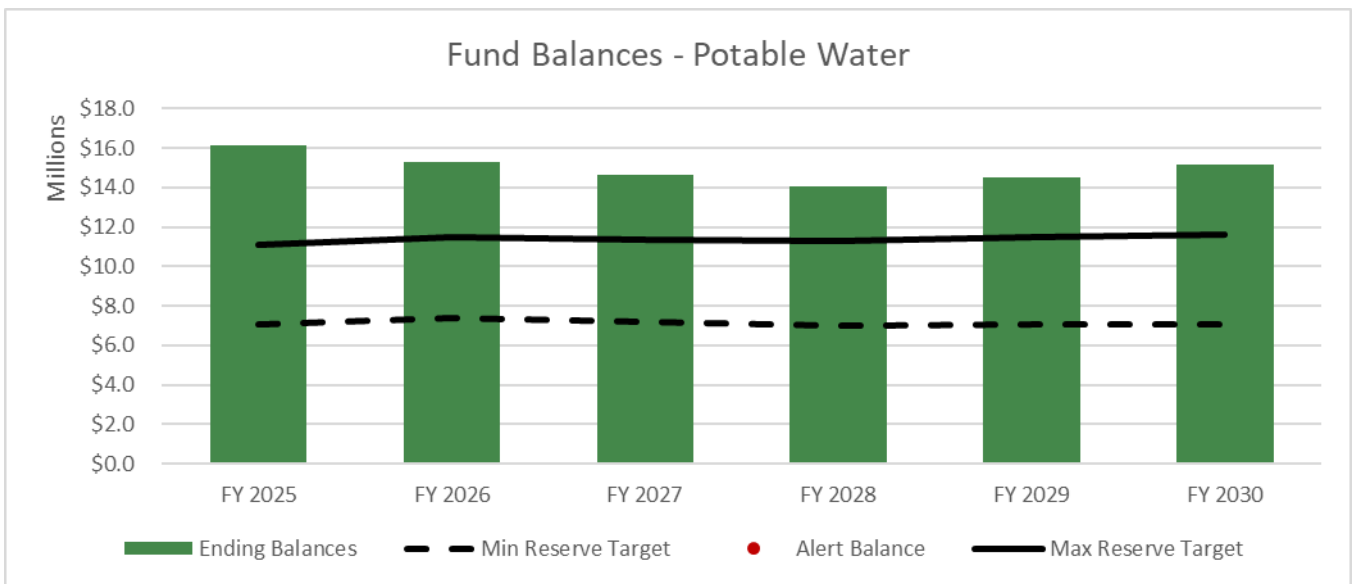


Figure 2-6 shows the fund balance projections in the proposed financial plan. The District’s ending balance (green bars) will meet the reserve targets (solid and dashed lines) in all years of the financial plan.

Figure 2-6: Projected Fund Balances (Proposed Financial Plan)



## 3. COST-OF-SERVICE ANALYSIS

### 3.1 COST-OF-SERVICE METHODOLOGY

A cost-of-service analysis was conducted to allocate FY 2025 rate revenue requirement to customers in proportion to use of and burden on the District’s water system. The overall goal of the cost-of-service analysis is to develop “unit costs,” which provide the basis from which proposed rates are directly calculated from. Note that although the study period spans five 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 2025.

The cost-of-service analysis is “revenue neutral,” meaning that the resulting cost-of-service based rates collect the same amount of revenue as the District expects to collect in FY 2025. The revenue neutral unit costs determine revenue neutral rates, which are then adjusted based on the proposed financial plan increases to arrive at the proposed water rates for five years. All values presented in this section pertain to FY 2025 and are revenue neutral unless stated otherwise.

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

- **Revenue requirement determination:** The total rate 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 water system (e.g., customer service, water supply, distribution, 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., water supply, base delivery, max day delivery, etc.), which is used to attribute customers’ use of the system to the costs incurred by the District.
- **Unit cost development:** The rate revenue requirement allocation 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

#### REVENUE REQUIREMENT DETERMINATION

The total rate revenue requirement for the test year, FY 2025, is based on the District’s budget (**Table 2-18**) and is allocated between the Operating and Capital, as shown in **Table 3-1**. The Operating revenue requirement consists of operating expenses (Line 2) and adjustments for cash from reserves (Line 15; from **Table 2-18**, Line 29). The Capital revenue requirement includes debt service (Line 3) and rate funded CIP (Line 4). The Revenue Offset includes miscellaneous revenues (Line 9). The total

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revenue requirement (Line 18) is equal to the amount of rate revenue collected in FY 2025 (Table 2-18, Line 2).

**Table 3-1: FY 2025 Revenue Requirement**

Line	FY 2025 Revenue Requirement	Operating	Capital	Rev. Offset	Total
1	<b>Revenue Requirements</b>				
2	Operating Expenses	\$6,417,536			\$6,417,536
3	Debt Service		\$740,805		\$740,805
4	Rate Funded CIP		\$421,591		\$421,591
5	<b>Subtotal</b>	<b>\$6,417,536</b>	<b>\$1,162,396</b>	<b>\$0</b>	<b>\$7,579,932</b>
6					
7	<b>Revenue Offsets</b>				
8	Connection Fees			\$0	\$0
9	Miscellaneous Revenues			(\$313,668)	(\$313,668)
10	All Other Revenues			\$0	\$0
11	Interest Income			\$0	\$0
12	<b>Subtotal</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$313,668)</b>	<b>(\$313,668)</b>
13					
14	<b>Adjustments</b>				
15	Cash to/(from) Reserves	\$1,997,110			\$1,997,110
16	<b>Subtotal</b>	<b>\$1,997,110</b>	<b>\$0</b>	<b>\$0</b>	<b>\$1,997,110</b>
17					
18	<b>Total - Revenue Requirement</b>	<b>\$8,414,646</b>	<b>\$1,162,396</b>	<b>(\$313,668)</b>	<b>\$9,263,374</b>

**3.3 COST FUNCTIONALIZATION**  
**FUNCTIONAL CATEGORY DEFINITIONS**

After determining the revenue requirement, 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 water system and include:

- **Meters:** costs of meter maintenance and replacement
- **Customer:** costs related to customer service and billing
- **Fire Service:** costs related to providing fire protection services
- **Water Supply:** costs of buying water from Calleguas Municipal Water District to serve the District’s customers
- **Pumping:** costs relating to pumping water to higher elevations
- **Storage:** costs related to water storage facilities (such as reservoirs and tanks)
- **T&D:** costs related to the transmission and distribution of water through the District’s water system
- **Maintenance:** costs related to maintenance of the system
- **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

**OPERATING COST FUNCTIONALIZATION**

WRE evaluated and allocated the operating expenses for FY 2025 (Table 2-10) to the most closely associated functional categories within the water system, as shown in Table 3-2. The detailed allocation of the operating expense budget to the functional categories is included in the Appendix (Table 10-1).

**Table 3-2: Operating Costs by System Functions**

Line	Cost Functions	Operating Expenses	Percent of Total
1	Meters	\$3,529	0.1%
2	Customer	\$74,700	1.2%
3	Fire	\$872	0.0%
4	Supply	\$3,315,316	51.7%
5	Pumping	\$494	0.0%
6	Storage	\$28,014	0.4%
7	T&D	\$150,191	2.3%
8	Maintenance	\$0	0.0%
9	General	\$2,844,420	44.3%
10	Revenue Offset	\$0	0.0%
11	<b>Total</b>	<b>\$6,417,536</b>	<b>100.0%</b>

**CAPITAL ASSET FUNCTIONALIZATION**

WRE evaluated and allocated the District’s current capital assets to the most closely associated functional categories within the water system, as shown in Table 3-3. The detailed allocation of the current capital assets to the functional categories is included in the Appendix (Table 10-2).

It is standard practice in most water cost-of-service studies to functionalize current capital assets rather than planned CIP costs, since the latter can fluctuate more significantly from year to year. The current capital asset base provides a more stable representation of long-term capital needs and their associated costs. The asset valuation methodology used in this study is Replacement Cost less Depreciation.

**Table 3-3: Capital Assets by System Functions**

Line	Cost Functions	Capital Assets (Replacement Cost less Depreciation)	Percent of Total
1	Meters	\$1,803,661	7.4%
2	Customer	\$0	0.0%
3	Fire	\$445,380	1.8%
4	Supply	\$0	0.0%
5	Pumping	\$252,270	1.0%
6	Storage	\$14,316,504	58.4%
7	T&D	\$6,475,652	26.4%
8	Maintenance	\$0	0.0%
9	General	\$1,236,870	5.0%

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10	Revenue Offset	\$0	0.0%
11	<b>Total</b>	<b>\$24,530,337</b>	<b>100.0%</b>

### 3.4 COST CAUSATION COMPONENTS

#### COST COMPONENT DEFINITIONS

While the functional categories represent the costs of system functions, cost causation components represent the reasons for why and how those costs are incurred within the system (thus, cost causation). Cost causation components will be referred to as cost components in this report. The next step of the cost-of-service analysis is to allocate the Operating, Capital, and Revenue Offsets in the functional categories between the cost components, most of which directly correspond to a single functional category.

The cost components in this study include the following:

- **Meter:** directly corresponds to the Meter functional category
- **Customer:** directly corresponds to the Customer functional category
- **Fire Service:** directly corresponds to the Fire functional category
- **Water Supply:** directly corresponds to the Supply functional category
- **Average Day Demand (Base):** costs associated with delivering water to customers during average water demand conditions (average daily use)
- **Maximum Day Demand (Max Day):** costs associated with delivering water to customers during maximum day demand conditions (water usage during highest day of year)
- **Maximum Hour Demand (Max Hour):** costs associated with delivering water to customer during maximum hour demand conditions (water usage during highest hour of highest day)
- **General:** directly corresponds to the General functional category
- **Revenue Offset:** directly corresponds to the Revenue Offset functional category

#### SYSTEM-WIDE MAXIMUM CAPACITY FACTORS

System-wide maximum capacity factors for the District’s water system, shown in **Table 3-4**, are used to allocate costs associated with the Pumping, Storage, and Distribution functional categories to the Base, Max Day, and Max Hour cost components. Maximum capacity factors represent the ratio of maximum to average water demand over the course of one year for the entire system. This provides a basis to identify costs incurred to provide water service during average demand conditions and to provide additional capacity during maximum demand conditions.

District staff provided the average day, maximum day, and maximum hour demand capacity factors, which are normalized based on average day demand (meaning that the average day demand is always equal to 1.00).

The percentage allocations to the Base, Max Day, and Max Hour cost components based on the average day, maximum day, and maximum demand capacity factors are calculated as follows:

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- Average day demand is allocated entirely to Base
- Max day demand is allocated proportionately to Base<sup>3</sup> and Max Day<sup>4</sup>
- Max hour demand is allocated proportionately to Base<sup>5</sup>, Max Day<sup>6</sup>, and Max Hour<sup>7</sup>

**Table 3-4: System-Wide Maximum Capacity Allocation**

Line	System-Wide Maximum Capacity	Factor	Base	Max Day	Max Hour	Total
1	Average Day Demand	1.00	100.0%	0.0%	0.0%	100.0%
2	Max Day Demand	1.59	63.0%	37.0%	0.0%	100.0%
3	Max Hour Demand	2.38	42.0%	24.6%	33.3%	100.0%

---

<sup>3</sup>  $1.00/1.59 = 63.0\%$

<sup>4</sup>  $(1.59-1.00)/1.59 = 37.0\%$

<sup>5</sup>  $1.00/2.38 = 42.0\%$

<sup>6</sup>  $(1.59-1.00)/2.38 = 24.6\%$

<sup>7</sup>  $(2.38-1.59)/2.38 = 33.3\%$

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**COST COMPONENT ALLOCATION FACTORS**

**Table 3-5** shows the factors used to allocate the functionalized costs to the cost components. For the cost components that directly correlate to a functional category (Meter, Customer, Fire Service, Supply, General, and Revenue Offset), the functionalized costs are allocated entirely to the matching cost component. Pumping and Storage facilities (Lines 5-6) are sized based on maximum day demand and are allocated based on the Max Day maximum capacity factor (**Table 3-4**, Line 2). Distribution facilities (Line 7) are sized based on maximum hour demand and are allocated based on the Max Hour maximum capacity factors (**Table 3-4**, Line 3).

**Table 3-5: System Function Allocation to Cost Components**

Line	Cost Functions	Meter	Customer	Fire	Water Supply	Base	Max Day	Max Hour	Rev. Offset	General	Total
1	Meters	100%									100%
2	Customer		100%								100%
3	Fire			100%							100%
4	Supply				100%						100%
5	Pumping					63%	37%				100%
6	Storage					63%	37%				100%
7	T&D					42%	25%	33%			100%
8	Maintenance									100%	100%
9	General									100%	100%
10	Revenue Offset								100%		100%

**OPERATING COST COMPONENT ALLOCATION**

**Table 3-6** shows the operating cost allocation by cost component. The functionalized operating expenses from **Table 3-2** are allocated based on the cost component allocation factors in **Table 3-5**. The operating allocation (Line 12) is derived from the total operating expenses by cost component (Line 11) and represents the proportion of the Operating revenue requirement that will be allocated to each cost component.

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Table 3-6: Operating Allocation by Cost Component

Line	Operating Expenses	Meter	Customer	Fire	Water Supply	Base	Max Day	Max Hour	Rev. Offset	General	Total
1	Meters	\$3,529	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,529
2	Customer	\$0	\$74,700	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$74,700
3	Fire	\$0	\$0	\$872	\$0	\$0	\$0	\$0	\$0	\$0	\$872
4	Supply	\$0	\$0	\$0	\$3,315,316	\$0	\$0	\$0	\$0	\$0	\$3,315,316
5	Pumping	\$0	\$0	\$0	\$0	\$311	\$182	\$0	\$0	\$0	\$494
6	Storage	\$0	\$0	\$0	\$0	\$17,661	\$10,353	\$0	\$0	\$0	\$28,014
7	T&D	\$0	\$0	\$0	\$0	\$63,152	\$37,020	\$50,020	\$0	\$0	\$150,191
8	Maintenance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9	General	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,844,420	\$2,844,420
10	Revenue Offset	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11	<b>Total - Operating Expenses</b>	<b>\$3,529</b>	<b>\$74,700</b>	<b>\$872</b>	<b>\$3,315,316</b>	<b>\$81,124</b>	<b>\$47,555</b>	<b>\$50,020</b>	<b>\$0</b>	<b>\$2,844,420</b>	<b>\$6,417,536</b>
12	<b>Operating Cost Allocation</b>	<b>0.1%</b>	<b>1.2%</b>	<b>0.0%</b>	<b>51.7%</b>	<b>1.3%</b>	<b>0.7%</b>	<b>0.8%</b>	<b>0.0%</b>	<b>44.3%</b>	<b>100.0%</b>

**CAPITAL COST COMPONENT ALLOCATION**

Table 3-7 shows the capital cost allocation by cost component. The functionalized capital assets from Table 3-3 are allocated based on the cost component allocation factors in Table 3-5. The capital allocation (Line 12) is derived from the total capital asset value by cost component (Line 11) and represents the proportion of the Capital revenue requirement that will be allocated to each cost component.

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Table 3-7: Capital Allocation by Cost Component

Line	Capital Assets (RCLD)	Meter	Customer	Fire	Water Supply	Base	Max Day	Max Hour	Rev. Offset	General	Total
1	Meters	\$1,803,661	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,803,661
2	Customer	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
3	Fire	\$0	\$0	\$445,380	\$0	\$0	\$0	\$0	\$0	\$0	\$445,380
4	Supply	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5	Pumping	\$0	\$0	\$0	\$0	\$159,040	\$93,230	\$0	\$0	\$0	\$252,270
6	Storage	\$0	\$0	\$0	\$0	\$9,025,622	\$5,290,882	\$0	\$0	\$0	\$14,316,504
7	T&D	\$0	\$0	\$0	\$0	\$2,722,852	\$1,596,154	\$2,156,646	\$0	\$0	\$6,475,652
8	Maintenance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
9	General	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,236,870	\$1,236,870
10	Revenue Offset	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
11	<b>Total - Capital Assets</b>	<b>\$1,803,661</b>	<b>\$0</b>	<b>\$445,380</b>	<b>\$0</b>	<b>\$11,907,514</b>	<b>\$6,980,267</b>	<b>\$2,156,646</b>	<b>\$0</b>	<b>\$1,236,870</b>	<b>\$24,530,337</b>
12	<b>Capital Cost Allocation</b>	<b>7.4%</b>	<b>0.0%</b>	<b>1.8%</b>	<b>0.0%</b>	<b>48.5%</b>	<b>28.5%</b>	<b>8.8%</b>	<b>0.0%</b>	<b>5.0%</b>	<b>100.0%</b>

### 3.5 SYSTEM CAPACITY ALLOCATIONS

The costs for certain system functions are based on the capacity requirements related to that function. For example, meter-related costs are allocated based on meter capacity, which is defined by the safe maximum operating capacity of each meter size. This section describes and defines capacity requirements and allocations relating to water meters.

#### EQUIVALENT METER UNITS

Costs related to meter capacity increase based on meter size. Therefore, equivalent meter units are calculated to provide a basis from which to allocate costs in proportion to meter size. Equivalent meter calculations are shown in **Table 3-8**.

Equivalent meters are calculated based on meter capacity ratios, which represent the safe operating capacity of a water meter relative to the base meter size. For this study, the base meter size is a 3/4" meter, which is the most common meter size in the District's system. Capacity in gallons per minute (gpm) is derived from the AWWA M1 Manual. The meter ratio for a 1" meter is 1.67 which means that the capacity of a 1" meter is 1.67 times that of a 3/4" meter.

The number of meters is from **Table 2-2**. Equivalent meters are calculated by multiplying the meter counts by the meter ratio in each size.

**Table 3-8: Equivalent Meter Units**

Line	Meter Size	Safe Operating Capacity (gpm)	Meter Ratio	Meter Counts	Meter Equivalents
1	3/4"	30	1.00	4,326	4,326
2	1"	50	1.67	67	112
3	1-1/2"	100	3.33	18	60
4	2"	160	5.33	187	997
5	3"	350	11.67	6	70
6	4"	630	21.00	2	42
7	6"	1,350	45.00	0	0
8	<b>Total</b>			<b>4,606</b>	<b>5,607</b>

### 3.6 ALLOCATION TO COST COMPONENTS

#### PRELIMINARY COST-OF-SERVICE ALLOCATION AND GENERAL REALLOCATION

**Table 3-9** shows the preliminary 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 3-6**, Line 12). 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 3-7**, Line 12). Note that the total cost-of-service (Line 3) is equal to the total rate revenue requirement for FY 2025 (**Table 3-1**, Line 18).

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

**Table 3-9: Cost-of-Service Allocation by Cost Component (Preliminary, General)**

Line	Revenue Requirement	Meter	Customer	Fire	Water Supply	Base	Max Day	Max Hour	Rev. Offset	General	Total
1	Operating Costs	\$4,628	\$97,946	\$1,143	\$4,347,028	\$106,369	\$62,354	\$65,585	\$0	\$3,729,592	\$8,414,646
2	Capital Costs	\$85,468	\$0	\$21,105	\$0	\$564,250	\$330,767	\$102,195	\$0	\$58,610	\$1,162,396
3	Revenue Offsets								(\$313,668)		(\$313,668)
4	<b>Total - Revenue Requirement</b>	<b>\$90,096</b>	<b>\$97,946</b>	<b>\$22,248</b>	<b>\$4,347,028</b>	<b>\$670,620</b>	<b>\$393,122</b>	<b>\$167,780</b>	<b>(\$313,668)</b>	<b>\$3,788,202</b>	<b>\$9,263,374</b>
5	General Cost Allocation	\$236,717	\$257,343	\$58,453		\$1,761,979	\$1,032,885	\$440,825		(\$3,788,202)	\$0
6	<b>Total - Requirement after General Allocation</b>	<b>\$326,813</b>	<b>\$355,290</b>	<b>\$80,700</b>	<b>\$4,347,028</b>	<b>\$2,432,599</b>	<b>\$1,426,006</b>	<b>\$608,605</b>	<b>(\$313,668)</b>	<b>\$0</b>	<b>\$9,263,374</b>

#### FIRE PROTECTION AND MAXIMUM CAPACITY REALLOCATION

**Table 3-10** shows the cost-of-service in each cost component after reallocating fire protection and maximum capacity-related costs. The cost-of-service after General cost reallocation (Line 1) is from **Table 3-9** (Line 6). Public Fire costs (Line 2) are reallocated to the Meter component, since public fire protection is a safety benefit shared by all District customers. Finally, the maximum capacity reallocation (Line 4) adjusts the costs in Max Day and Max Hour to recover maximum capacity costs in the Meter cost component. This allocation is to increase the percentage of fixed revenue recovery, which will provide a higher level of financial and rate stability for the District. Currently, the District recovers approximately 27% of its total rate revenue from fixed charges. However, based on an analysis of the District's O&M

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expenses, approximately 48% of the District’s costs are fixed. Thus, WRE recommends that the District increases its fixed costs recovery to be more in line with its cost structure and to increase revenue stability. To minimize rate shock to the District’s customers, the proposed plan is set to collect 30% of the total rate revenue from fixed charges. To achieve this objective, WRE reallocated 97% of the maximum capacity costs (Max Day and Max Hour) costs to the Meter component to achieve a higher percentage of fixed revenues.

**Table 3-10: Cost-of-Service Allocation by Cost Component (Fire Protection, Maximum Capacity)**

Line	Revenue Requirement	Meter	Customer	Fire	Water Supply	Base	Max Day	Max Hour	Rev. Offset	Total
1	<b>Adjusted for General</b>	<b>\$326,813</b>	<b>\$355,290</b>	<b>\$80,700</b>	<b>\$4,347,028</b>	<b>\$2,432,599</b>	<b>\$1,426,006</b>	<b>\$608,605</b>	<b>(\$313,668)</b>	<b>\$9,263,374</b>
2	Public Fire Allocation	\$80,700		(\$80,700)						\$0
3	<b>Adjusted for Fire</b>	<b>\$407,514</b>	<b>\$355,290</b>	<b>\$0</b>	<b>\$4,347,028</b>	<b>\$2,432,599</b>	<b>\$1,426,006</b>	<b>\$608,605</b>	<b>(\$313,668)</b>	<b>\$9,263,374</b>
4	Maximum Capacity Reallocation	\$1,973,573					(\$1,383,226)	(\$590,347)		\$0
5	<b>Adjusted for Max. Capacity</b>	<b>\$2,381,087</b>	<b>\$355,290</b>	<b>\$0</b>	<b>\$4,347,028</b>	<b>\$2,432,599</b>	<b>\$42,780</b>	<b>\$18,258</b>	<b>(\$313,668)</b>	<b>\$9,263,374</b>

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**FINAL COST-OF-SERVICE ALLOCATION**

**Table 3-11** shows the final cost-of-service allocation based on the adjustments for General, Fire, and Maximum Capacity from the prior report tables. The Meter and Customer components add up to approximately 30% of the total costs.

**Table 3-11: Cost-of-Service Allocation by Cost Component (Final)**

Line	Cost Components	Final Cost Allocation
1	Meter	\$2,381,087
2	Customer	\$355,290
3	Water Supply	\$4,347,028
4	Base	\$2,432,599
5	Max Day	\$42,780
6	Max Hour	\$18,258
7	Revenue Offset	(\$313,668)
8	<b>Total</b>	<b>\$9,263,374</b>

**3.7 UNIT COST CALCULATION**

**UNITS OF SERVICE DEFINITIONS**

The appropriate units of service are then established for each cost component based on cost causation, which is shown in **Table 3-12**. Cost components to be recovered by the fixed charges are assigned units of service based on the number of equivalent meters and meter counts (**Table 3-8**). Cost components to be recovered by the quantity charges are assigned units based on annual usage in hcf (**Table 2-4**).

**Table 3-12: Units of Service Definitions**

Line	Cost Components	Units of Service Definition	Units of Service	Units
1	Meter	<i>Equivalent meters x 12 months</i>	67,284	equiv. meters/year
2	Customer	<i>Meter counts x 12 months</i>	55,272	billings/year
3	Water Supply	<i>Annual usage in hcf</i>	676,178	hcf/year
4	Base	<i>Annual usage in hcf</i>	676,178	hcf/year
5	Max Day	<i>Annual usage in hcf</i>	676,178	hcf/year
6	Max Hour	<i>Annual usage in hcf</i>	676,178	hcf/year
7	Revenue Offset	<i>Tier 1 annual usage in hcf</i>	312,515	hcf/year

**UNIT COST BY COST COMPONENT**

**Table 3-13** shows the calculation of unit costs by each cost component. The final cost-of-service allocation (**Table 3-11**) is divided by the units of service (**Table 3-12**) for each cost component to derive the unit cost. These unit costs will determine the rates in Section 4.

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**Table 3-13: Unit Cost by Cost Component**

Line	Cost Components	Final Cost Allocation	Units of Service	Unit Cost	Units
1	Meter	\$2,381,087	67,284	\$35.39	per equiv. meter per month
2	Customer	\$355,290	55,272	\$6.43	per bill per month
3	Water Supply	\$4,347,028	676,178	\$6.43	per hcf
4	Base	\$2,432,599	676,178	\$3.60	per hcf
5	Max Day	\$42,780	676,178	\$0.06	per hcf
6	Max Hour	\$18,258	676,178	\$0.03	per hcf
7	Revenue Offset	(\$313,668)	312,515	(\$1.00)	per hcf

## 4. POTABLE WATER RATES

### 4.1 RATE DESIGN METHODOLOGY

A five-year proposed water 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:

- **Rate structure evaluation:** The existing rate structure is evaluated, and any proposed changes are identified. Proposed rate structure changes are typically intended to address specific policy objectives or to allocate costs based on the cost-of-service analysis.
- **Test year rate development:** Rates are calculated for the proposed rate structure for the cost-of-service test year (FY 2025). Rate calculations directly incorporate the unit costs developed in the cost-of-service analysis. The test year rates are revenue neutral, then are increased based on the proposed financial plan revenue adjustments.
- **Five-year rate schedule development:** Proposed rates for the five-year 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 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 water rate structure as possible to minimize customer impacts. The District's current water rate structure includes a monthly service charge based on meter size and three-tier quantity charge for all customers.

After examining the existing rate methodology and given the District's water supply profile, WRE recommends the District reduces the number of tiers from three to two tiers to be more consistent with cost-of-service principles. Currently, the District has only one source of water from Calleguas Municipal Water District that serves all its customers. Thus, the water supply cost is the same regardless of how much water the customer uses. The only differentiation that could support a two-tier rate structure would be from revenue offsets, which are any revenues that are non-rate related. WRE analyzed the consumption pattern of the District's customers over the past five years, from FY 2019 through FY 2024. The data showed that the minimum amount of water used per month during those five years is 7 ccf per month. Thus, this level of usage can be used to establish the Tier 1 usage level. Any consumption above 7 ccf per month would be in Tier 2. There will no longer be a Tier 3.

### 4.3 PROPOSED MONTHLY SERVICE CHARGE REVENUE NEUTRAL RATES

The revenue neutral rate represents the cost-of-service analysis for FY 2025. **Table 4-1** shows the revenue neutral monthly service charge calculations. The Meter and Customer unit costs are from

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**Table 3-13** (Lines 1-2). Meter unit cost is multiplied by the meter capacity ratio; Customer unit cost does not vary based on meter size and thus is the same for all meter sizes.

**Table 4-1: Revenue Neutral Monthly Service Charge**

Line	Meter Size	Meter Ratio	Number of Accounts	Meter Cost	Customer Cost	Revenue Neutral Rate
1	3/4"	1.00	4,326	\$35.39	\$6.43	\$41.82
2	1"	1.67	67	\$58.98	\$6.43	\$65.41
3	1-1/2"	3.33	18	\$117.96	\$6.43	\$124.39
4	2"	5.33	187	\$188.74	\$6.43	\$195.17
5	3"	11.67	6	\$412.87	\$6.43	\$419.30
6	4"	21.00	2	\$743.16	\$6.43	\$749.59
7	6"	45.00	0	\$1,592.49	\$6.43	\$1,598.92

**PROPOSED RATES WITH ADJUSTMENT**

**Table 4-2** shows the proposed daily service charge for FY 2026 based on the revenue neutral rate (**Table 4-1**) adjusted by the proposed revenue adjustment of 0% in the first year (**Table 2-17**) and rounded up to the nearest cent.

**Table 4-2: Proposed Monthly Service Charge after Adjustment**

Line	Meter Size	Revenue Neutral Rate	FY 2026 Rate	Current Rate	Difference (\$)	Difference (%)
1	3/4"	\$41.82	\$41.82	\$38.34	\$3.48	9.1%
2	1"	\$65.41	\$65.41	\$60.49	\$4.92	8.1%
3	1-1/2"	\$124.39	\$124.40	\$115.13	\$9.26	8.0%
4	2"	\$195.17	\$195.17	\$179.91	\$15.26	8.5%
5	3"	\$419.30	\$419.30	\$384.99	\$34.31	8.9%
6	4"	\$749.59	\$749.59	\$687.25	\$62.34	9.1%
7	6"	\$1,598.92	\$1,598.92	\$1,518.45	\$80.47	5.3%

**4.4 PROPOSED QUANTITY RATE**

**REVENUE NEUTRAL RATES**

The revenue neutral rate represents the cost-of-service analysis for FY 2025 but does not include the proposed revenue adjustments for the first year of rates in FY 2026. **Table 4-3** shows the revenue neutral water usage charge for all customers, based on the Water Supply, Base, Capacity (Max Day and Max Hour), and Revenue Offset unit costs from **Table 3-13**.

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Table 4-3: Revenue Neutral Quantity Rate

Line	Customer Class	Tiers	Annual Usage (hcf)	Water Supply Cost	Base Cost	Capacity Cost	Revenue Offset	Revenue Neutral Rate
1	All Customers							
2	Tier 1	7 hcf	312,515	\$6.43	\$3.60	\$0.09	(\$1.00)	\$9.11
3	Tier 2	7+ hcf	363,663	\$6.43	\$3.60	\$0.09	\$0.00	\$10.12

**PROPOSED RATES WITH ADJUSTMENT**

Table 4-4 shows the proposed water usage charge for FY 2026 based on the revenue neutral rate (Table 4-3) adjusted by the proposed revenue adjustment of 0% in the first year (Table 2-17) and rounded up to the nearest cent.

Table 4-4: Proposed Quantity Rate after Adjustment

Line	Customer Class	Revenue Neutral Rate	FY 2026	Current Rate	Difference (\$)	Difference (%)
1	All Customers					
2	Tier 1	\$9.11	\$9.12	\$9.31	(\$0.19)	-2.0%
3	Tier 2	\$10.12	\$10.12	\$10.41	(\$0.29)	-2.8%

**4.5 PROPOSED WATER RATE SCHEDULE**

**PROPOSED FIVE-YEAR REVENUE ADJUSTMENTS**

Table 4-5 shows the revenue adjustments for the five-year period and their effective date based on the proposed financial plan (Table 2-17).

Table 4-5: Proposed Revenue Adjustments

Line	Fiscal Year	Revenue Adjustments	Effective Date
1	FY 2026	0%	7/1/2025
2	FY 2027	2%	7/1/2026
3	FY 2028	2%	7/1/2027
4	FY 2029	2%	7/1/2028
5	FY 2030	2%	7/1/2029

**PROPOSED FIVE-YEAR WATER RATE SCHEDULE**

The proposed five-year water rate schedules are based on the proposed rate structure changes, the cost-of-service analysis, and the proposed revenue adjustments (Table 4-5) in the five-year period. The proposed rates for FY 2026 through FY 2030 were calculated by increasing the FY 2025 rates by the revenue adjustments, rounded up to the nearest cent. Table 4-6 shows the current and proposed monthly service charges and quantity rate by tier. Please note that the proposed potable water rates do not include any potential pass-through costs from Calleguas Municipal Water District starting 1/1/26.

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**Table 4-6: Proposed Potable Water Rates Schedule**

Line		As of 1/1/25	Effective 7/1/25	Effective 7/1/26	Effective 7/1/27	Effective 7/1/28	Effective 7/1/29
1	<b>Monthly Service Charges</b>						
2	3/4"	\$38.34	\$41.82	\$42.66	\$43.52	\$44.40	\$45.29
3	1"	\$60.49	\$65.41	\$66.72	\$68.06	\$69.43	\$70.82
4	1-1/2"	\$115.13	\$124.40	\$126.89	\$129.43	\$132.02	\$134.67
5	2"	\$179.91	\$195.17	\$199.08	\$203.07	\$207.14	\$211.29
6	3"	\$384.99	\$419.30	\$427.69	\$436.25	\$444.98	\$453.88
7	4"	\$687.25	\$749.59	\$764.59	\$779.89	\$795.49	\$811.40
8	6"	\$1,518.45	\$1,598.92	\$1,630.90	\$1,663.52	\$1,696.80	\$1,730.74
9							
10	<b>Quantity Rate (\$/hcf)</b>						
11	Tier 1 – 0 to 7 hcf	\$9.31	\$9.12	\$9.31	\$9.50	\$9.69	\$9.89
12	Tier 2 – over 7 hcf	\$10.41	\$10.12	\$10.33	\$10.54	\$10.76	\$10.98

#### 4.6 CUSTOMER IMPACTS

**Table 4-7** shows the proposed monthly bill impacts for a customer with a 3/4" meter, which is the most common meter size, at various levels of monthly usage. For the average customer with this meter size that uses 12 hcf of water a month, the monthly impact will be \$0.70 or 0.4% for bills in FY 2026.

**Table 4-7: Proposed Customer Impacts (3/4 inch meters)**

Line	Usage Level	Monthly Usage (hcf)	Current Bill	Proposed Bill	Difference (\$)	Difference (%)
1	Very Low Use	3	\$66.27	\$69.18	\$2.91	4.4%
2	Low Use	7	\$103.51	\$105.66	\$2.15	2.1%
3	Average Use	12	\$155.56	\$156.26	\$0.70	0.4%
4	High Use	20	\$238.84	\$237.22	(\$1.62)	-0.7%
5	Very High Use	30	\$347.14	\$338.42	(\$8.72)	-2.5%

## 5. RECYCLED WATER FINANCIAL PLAN

### 5.1 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 2026 through FY 2030; data for FY 2025 are shown when needed to represent actual or budgeted data inputs. The key steps in developing a financial plan for a recycled water 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.
- **Status quo financial plan projections:** Cash flow, reserve balances, and debt coverage are projected over the study period in the absence of additional rate increases (this scenario is called the "status quo"). Projected reserve balances and debt coverage are then compared to the agency's financial policy requirements and targets. The status quo financial plan provides a baseline to evaluate 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.

### 5.2 REVENUES

#### CURRENT RECYCLED WATER RATES

The District's current recycled water rate structure includes a fixed monthly service charge based on meter size, and a uniform quantity rate per hundred cubic feet (hcf) of water usage. **Table 5-1** shows the current recycled water rates for FY 2025.

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**Table 5-1: Current Recycled Water Rates**

Line		As of 7/1/24	As of 1/1/25	Effective FY 2025 Rates
1	<b>Monthly Service Charges</b>			
2	2"	\$167.11	\$167.11	\$167.11
3	3"	\$313.31	\$313.31	\$313.31
4	4"	\$522.16	\$522.16	\$522.16
5	6"	\$1,044.22	\$1,044.22	\$1,044.22
6	8"	\$1,826.43	\$1,826.43	\$1,826.43
7	10"	\$2,738.91	\$2,738.91	\$2,738.91
8				
9	<b>Quantity Rate (\$/hcf)</b>			
10	Retail	\$6.67	\$7.31	\$6.99

**CUSTOMER ACCOUNTS AND USAGE**

This section details the customer accounts and recycled water usage 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 recycled water rates and charges.

**Table 5-2** shows the projected number of meters for the study period. District staff provided actual data for FY 2025; this study assumes no growth in metered connections throughout the period. The number of metered connections by meter size is the unit of service for the District’s monthly service charge.

**Table 5-2: Projected Customer Accounts by Meter Size**

Line	Meter Size	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	2"	99	99	99	99	99	99
2	3"	2	2	2	2	2	2
3	4"	4	4	4	4	4	4
4	6"	1	1	1	1	1	1
5	8"	0	0	0	0	0	0
6	10"	1	1	1	1	1	1
7	<b>Total</b>	<b>107</b>	<b>107</b>	<b>107</b>	<b>107</b>	<b>107</b>	<b>107</b>

**Table 5-3** shows the recycled water demand growth assumptions for the study period. WRE worked with District staff to determine the most appropriate estimates for annual water usage. Based on the District’s adopted FY 2025 budget, the District is projected a 13.6% recycled water usage increase in FY 2025 compared to FY 2024. Consumption for FY 2026 through FY 2030 is assumed to be the same as FY 2025.

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**Table 5-3: Recycled Water Demand Growth Assumptions**

Line	Water Demand Growth	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	All Customers	13.6%	0%	0%	0%	0%	0%

**Table 5-4** shows the projected recycled water usage for each year based on the water demand growth assumptions (**Table 5-3**). District staff provided actual water usage for FY 2024.

**Table 5-4: Projected Customer Recycled Water Usage (hcf)**

Line	Water Usage (hcf)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Retail Customers	256,621	256,621	256,621	256,621	256,621	256,621
2	Wholesale Customers	175,101	175,101	175,101	175,101	175,101	175,101
3	<b>Total Water Usage</b>	<b>431,721</b>	<b>431,721</b>	<b>431,721</b>	<b>431,721</b>	<b>431,721</b>	<b>431,721</b>

**REVENUES FROM CURRENT RATES**

**Table 5-5** shows the calculated recycled water rate revenues for the study period based on the current effective recycled water rates and the projected units of service. The service charge revenue (Line 2) is calculated by multiplying the effective monthly service charge (**Table 5-1**) by the projected meter connections (**Table 5-2**) for a period of 12 months. The usage charge revenue (Line 3) is calculated by multiplying the effective water usage charge (**Table 5-1**) by the projected water usage (**Table 5-4**) in each year. Wholesale customers are charged 80% of the Calleguas Tier 1 water rate, per their contract with the District<sup>8</sup>.

**Table 5-5: Calculated Rate Revenues at Current Rates**

Line	Calculated Rate Revenues	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Rate Revenue</b>						
2	Service Charge	\$276,507	\$276,507	\$276,507	\$276,507	\$276,507	\$276,507
3	Usage Charge	\$2,376,644	\$2,376,644	\$2,376,644	\$2,376,644	\$2,376,644	\$2,376,644
4	<b>Total – Rate Revenue</b>	<b>\$2,653,151</b>	<b>\$2,653,151</b>	<b>\$2,653,151</b>	<b>\$2,653,151</b>	<b>\$2,653,151</b>	<b>\$2,653,151</b>

**REVENUE SUMMARY**

**Table 5-6** shows the summary of projected revenues for the study period. District staff provided the budgeted revenues for FY 2025; all other years are projected based on the relevant assumptions or calculations. Recycled water rate revenues (Lines 1 and 3) are from Lines 3 and 2 of **Table 5-5**, respectively. Miscellaneous revenue (Lines 2 and 4) are calculated based on a 2% escalation rate. Interest Income (Lines 5 and 6) is calculated based on ending fund balances and a 2% interest rate for FY 2026 through FY 2030.

<sup>8</sup> The District provided the effective wholesale water rate for FY 2025, which is \$1,450 per acre-foot (AF).

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Table 5-6: Revenue Summary

Line	Revenues	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Revenue Trade	\$2,376,644	\$2,376,644	\$2,376,644	\$2,376,644	\$2,376,644	\$2,376,644
2	Revenue - Other	\$0	\$0	\$0	\$0	\$0	\$0
3	Revenue-Meter Service Charge	\$276,507	\$276,507	\$276,507	\$276,507	\$276,507	\$276,507
4	Revenue Penalties and Late Fees	\$12,152	\$12,395	\$12,643	\$12,896	\$13,154	\$13,417
5	Interest Income - LAIF	\$0	\$68,391	\$69,228	\$66,399	\$63,810	\$62,489
6	Interest Income - County Investments	\$0	\$21,953	\$12,586	\$9,313	\$8,285	\$6,529
7	Other Non Operating Revenue	\$0	\$0	\$0	\$0	\$0	\$0
8	<b>TOTAL REVENUES</b>	<b>\$2,665,303</b>	<b>\$2,755,890</b>	<b>\$2,747,607</b>	<b>\$2,741,759</b>	<b>\$2,738,399</b>	<b>\$2,735,586</b>

### 5.3 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 5-7** shows the expense escalation factors used to inflate O&M expenses in FY 2026 through FY 2030.

Table 5-7: Expense Escalation Factors

Line	Escalation Factors	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	General	4.0%	4.0%	4.0%	4.0%	4.0%
2	Salaries	5.0%	5.0%	5.0%	5.0%	5.0%
3	Benefits	8.0%	8.0%	8.0%	8.0%	8.0%
4	Chemicals	5.0%	5.0%	5.0%	5.0%	5.0%
5	Energy/Utilities	10.0%	10.0%	10.0%	10.0%	10.0%
6	Capital	4.0%	4.0%	4.0%	4.0%	4.0%
7	Water Supply	5.0%	5.0%	5.0%	5.0%	5.0%
8	Non-Inflated/ Passthrough	0.0%	0.0%	0.0%	0.0%	0.0%
9	Non-Recurring	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%

**Table 5-8** shows the projected O&M expenses for the study period. District staff provided the budgeted O&M expenses for FY 2025. The budgeted values are escalated each year based on the escalation factors in **Table 5-7**. As shown, most of the District’s O&M expenses are fixed, meaning that the costs do not fluctuate based on the amount of water sold. The only true variable expense is the costs of water purchased from the Joint Power Authority (JPA) (Line 44).

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Table 5-8: Operating Expenses

Line	Operating Expenses	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Wages - Board Member Fees	\$0	\$0	\$0	\$0	\$0	\$0
2	Wages - Regular	\$130,871	\$137,414	\$144,285	\$151,499	\$159,074	\$167,028
3	Wages - Standby	\$2,657	\$2,790	\$2,929	\$3,076	\$3,230	\$3,391
4	Wages - Overtime	\$2,454	\$2,577	\$2,706	\$2,841	\$2,983	\$3,132
5	Wages - Admin Leave	\$0	\$0	\$0	\$0	\$0	\$0
6	Wages - Annual Leave	\$0	\$0	\$0	\$0	\$0	\$0
7	Wages - Bereavement Leave	\$0	\$0	\$0	\$0	\$0	\$0
8	Wages - Jury Duty	\$0	\$0	\$0	\$0	\$0	\$0
9	Wages - Holiday Leave	\$0	\$0	\$0	\$0	\$0	\$0
10	FICA/MCARE-Board Member	\$0	\$0	\$0	\$0	\$0	\$0
11	FICA/MCARE	\$11,215	\$12,112	\$13,081	\$14,128	\$15,258	\$16,478
12	EMPLOYEE ASSISTANCE PROG	\$43	\$46	\$50	\$54	\$58	\$63
13	STD/LTD	\$854	\$923	\$996	\$1,076	\$1,162	\$1,255
14	Life Insurance	\$568	\$613	\$662	\$715	\$772	\$834
15	FUTA/SUTA	\$0	\$0	\$0	\$0	\$0	\$0
16	CA Disability-ER Exp	\$0	\$0	\$0	\$0	\$0	\$0
17	Cafeteria Plan	\$0	\$0	\$0	\$0	\$0	\$0
18	Cafeteria/Medical/Opt Out	\$0	\$0	\$0	\$0	\$0	\$0
19	Medical Exp- (Sec 125 Supl)	\$29,800	\$32,184	\$34,758	\$37,539	\$40,542	\$43,786
20	Dental Insurance	\$0	\$0	\$0	\$0	\$0	\$0
21	Vision Insurance	\$0	\$0	\$0	\$0	\$0	\$0
22	401(a) Plan - ER Exp	\$21,124	\$22,814	\$24,639	\$26,611	\$28,739	\$31,039
23	Membership and Dues	\$1,700	\$1,768	\$1,839	\$1,912	\$1,989	\$2,068
24	Insurance	\$67,200	\$69,888	\$72,684	\$75,591	\$78,614	\$81,759
25	Postage/Shipping	\$0	\$0	\$0	\$0	\$0	\$0
26	Printing and Binding	\$1,500	\$1,560	\$1,622	\$1,687	\$1,755	\$1,825
27	Printing - Billing Inserts	\$0	\$0	\$0	\$0	\$0	\$0
28	Personal Vehicle Mileage	\$0	\$0	\$0	\$0	\$0	\$0
29	Board-Conference and Seminar Expenses	\$0	\$0	\$0	\$0	\$0	\$0
30	Staff-Conference and Seminar Expenses	\$700	\$728	\$757	\$787	\$819	\$852
31	General Administrative Expenses	\$0	\$0	\$0	\$0	\$0	\$0
32	Attorney Services	\$0	\$0	\$0	\$0	\$0	\$0
33	IT Maint/Short term subscription	\$2,447	\$2,545	\$2,647	\$2,753	\$2,863	\$2,977
34	Subscription based IT agreement	\$1,070	\$1,113	\$1,157	\$1,204	\$1,252	\$1,302
35	Outside Contracted Services	\$40,294	\$41,906	\$43,582	\$45,325	\$47,138	\$49,024
36	Contract Services - TWSD site	\$0	\$0	\$0	\$0	\$0	\$0
37	Other Professional Services	\$0	\$0	\$0	\$0	\$0	\$0
38	Employee Safety Supplies	\$0	\$0	\$0	\$0	\$0	\$0
39	Employee Uniforms/Supplies	\$0	\$0	\$0	\$0	\$0	\$0
40	Permits, Licenses & Fees	\$0	\$0	\$0	\$0	\$0	\$0

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41	Gas/Diesel/Fuel	\$3,000	\$3,300	\$3,630	\$3,993	\$4,392	\$4,832
42	Materials & Supplies	\$11,200	\$11,648	\$12,114	\$12,598	\$13,102	\$13,627
43	Operating Services	\$2,080	\$2,163	\$2,250	\$2,340	\$2,433	\$2,531
44	Recycled Water Purchases	\$792,274	\$831,888	\$873,482	\$917,156	\$963,014	\$1,011,165
45	Utilities-Telephone	\$1,050	\$1,092	\$1,136	\$1,181	\$1,228	\$1,277
46	Utilities-Electric,Trash,Other	\$97,000	\$100,880	\$104,915	\$109,112	\$113,476	\$118,015
47	Office Supplies/Equipment	\$0	\$0	\$0	\$0	\$0	\$0
48	Equipment Repairs/Maintenance	\$13,700	\$14,248	\$14,818	\$15,411	\$16,027	\$16,668
49	Rents and Leases Equipment	\$0	\$0	\$0	\$0	\$0	\$0
50	Small Tools & Equipment	\$0	\$0	\$0	\$0	\$0	\$0
51	Minor Equipment	\$0	\$0	\$0	\$0	\$0	\$0
52	Computer Equipment <5000	\$0	\$0	\$0	\$0	\$0	\$0
53	Other Machinery & Equipment	\$0	\$0	\$0	\$0	\$0	\$0
54	Enterprise Fund-RW Ops and Mainte-Overhead Cost Al	\$262,635	\$301,101	\$316,977	\$333,749	\$351,474	\$370,208
55							
56	<b>Total - Expenses</b>	<b>\$1,497,436</b>	<b>\$1,597,300</b>	<b>\$1,677,716</b>	<b>\$1,762,338</b>	<b>\$1,851,396</b>	<b>\$1,945,135</b>

**5.4 DEBT SERVICE**

**Table 5-9** shows the District’s existing annual debt service for the study period, provided by District staff.

**Table 5-9: Existing Debt Service**

Line	Debt Service	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	BoA AMR	\$4,649	\$4,644	\$4,637	\$4,630	\$4,644	\$0
2	PPB - Taxable	\$390,792	\$391,238	\$391,230	\$390,768	\$390,792	\$391,303
3	PPB - Tax Exempt	\$599,909	\$600,261	\$599,281	\$599,983	\$599,341	\$599,354
4	<b>Total Debt Service</b>	<b>\$995,349</b>	<b>\$996,142</b>	<b>\$995,148</b>	<b>\$995,380</b>	<b>\$994,776</b>	<b>\$990,656</b>

**5.5 CAPITAL IMPROVEMENT PLAN**

**CAPITAL IMPROVEMENT PROJECTS**

The District provided a 10-year CIP plan, the relevant six years costs are shown in **Table 5-10**.

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Table 5-10: Capital Project Costs

Line	Capital Improvement Projects	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	JPA Recycled Water Capital Program	\$169,697	\$469,224	\$434,755	\$340,746	\$340,746	\$311,346
2	Mae Boyer Pump Station Rehabilitation	\$0	\$0	\$0	\$0	\$0	\$0
3	Recycled Water Reservoir Security Improvements (Savoy)	\$0	\$58,670	\$136,896	\$0	\$0	\$0
4	Recycled Water Storage & Distribution System	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
5	1"+ OMNI Meter Replacements	\$0	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
6							
7	Shared Assets						
8	Deerhill Operations Center Upgrades (9% cost allocation)	\$41,107	\$41,107	\$0	\$0	\$0	\$0
9	New District Office Complex (9% cost allocation)	\$0	\$0	\$0	\$0	\$0	\$0
14							
15	<b>Total Capital Improvement Projects</b>	<b>\$310,804</b>	<b>\$689,001</b>	<b>\$691,651</b>	<b>\$460,746</b>	<b>\$460,746</b>	<b>\$431,346</b>

**CAPITAL FINANCING PLAN**

Table 5-11 shows the capital financing plan. All capital projects costs will be funded by recycled water rates or reserves (Line 2).

Table 5-11: Capital Financing Plan

Line	Capital Financing Plan	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Debt Funded CIP	\$0	\$0	\$0	\$0	\$0	\$0
2	Rate Funded CIP	\$310,804	\$689,001	\$691,651	\$460,746	\$460,746	\$431,346
3	<b>Total - Capital Financing Plan</b>	<b>\$310,804</b>	<b>\$689,001</b>	<b>\$691,651</b>	<b>\$460,746</b>	<b>\$460,746</b>	<b>\$431,346</b>

**5.6 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 Fund Target: a minimum of 3 months and a maximum of 6 months of annual operating expenses, excluding depreciation
- Capital Improvement and Capital Replacement Target: 5-year rolling average of the capital improvement projects
- Rate Stabilization Target: a minimum of 3 months and a maximum of 6 months of annual operating revenues, excluding connection fees

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- Debt Service Reserve Target: 1-year of debt service payments

The reserve target for the study period ranges from approximately \$2.6 to \$4.0 million in the District's reserve funds.

### DEBT COVERAGE REQUIREMENT

The District's debt coverage requirement is 110% of annual debt service. To meet coverage requirements, net revenues (revenues less operating expenses) must be 110% or more of annual debt service. However, the District's desired debt coverage requirement is 130%. A higher coverage ratio would typically result in a higher credit rating and lower interest rates.

## 5.7 STATUS QUO FINANCIAL PLAN

### STATUS QUO CASH FLOW PROJECTIONS

**Table 5-12** shows the cash flow projections for the status quo financial plan. Revenues<sup>9</sup> (Lines 1-8) are from **Table 5-6**. Operating expenses (Lines 10-14) are from **Table 5-8**. Net operating revenue (Line 16) is equal to the difference between total revenues (Line 8) and total expenses (Line 14). Debt service (Lines 18-22) is from **Table 5-9**. Rate funded CIP (Line 25) is the total capital projects from **Table 5-11**. Net cash flow (Line 29) is equal to the net operating revenue (Line 16) less debt service (Line 22) and rate funded CIP (Line 27). Debt proceeds and debt funded CIP are not included in the cash flow projections.

The net operating revenue in this scenario is positive for all years, meaning that the District's current revenues are sufficient to fund its operating expenses in the near future. However, the net cash flow in the status quo scenario is negative for FY 2025 through FY 2030, meaning that the District's current revenues are not sufficient to fund its debt service and annual CIP.

---

<sup>9</sup> Interest income (Line 7) is different in the status quo financial plan scenario because it is based on projected fund balances. The status quo scenario results in lower fund balances; therefore, the District has less interest income. **Table 5-6** shows the interest income for the proposed financial plan scenario.

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Table 5-12: Projected Cash Flows (Status Quo Financial Plan)

Line	Cash Flow Projections	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Revenues</b>						
2	Rate Revenues at Existing Rates	\$2,653,151	\$2,653,151	\$2,653,151	\$2,653,151	\$2,653,151	\$2,653,151
3	Revenue Adjustments	\$0	\$0	\$0	\$0	\$0	\$0
4	Connection Fees	\$0	\$0	\$0	\$0	\$0	\$0
5	Miscellaneous Revenues	\$12,152	\$12,395	\$12,643	\$12,896	\$13,154	\$13,417
6	All Other Revenues	\$0	\$0	\$0	\$0	\$0	\$0
7	Interest Income	\$0	\$89,416	\$78,048	\$67,098	\$56,509	\$44,228
8	<b>Subtotal - Revenues</b>	<b>\$2,665,303</b>	<b>\$2,754,962</b>	<b>\$2,743,842</b>	<b>\$2,733,144</b>	<b>\$2,722,814</b>	<b>\$2,710,795</b>
9							
10	<b>Operating Expenses</b>						
11	Operating Cost	\$705,161	\$765,412	\$804,234	\$845,181	\$888,381	\$933,970
12	Potable Water Purchases	\$792,274	\$831,888	\$873,482	\$917,156	\$963,014	\$1,011,165
13	Pure Water Projected Operating	\$0	\$0	\$0	\$0	\$0	\$0
14	<b>Subtotal - Operating Expenses</b>	<b>\$1,497,436</b>	<b>\$1,597,300</b>	<b>\$1,677,716</b>	<b>\$1,762,338</b>	<b>\$1,851,396</b>	<b>\$1,945,135</b>
15							
16	<b>Net Revenue</b>	<b>\$1,167,867</b>	<b>\$1,157,662</b>	<b>\$1,066,126</b>	<b>\$970,807</b>	<b>\$871,418</b>	<b>\$765,661</b>
17							
18	<b>Debt Service</b>						
19	Existing Debt	\$995,349	\$996,142	\$995,148	\$995,380	\$994,776	\$990,656
20	Pure Water Debt Service	\$0	\$0	\$0	\$0	\$0	\$0
21	Proposed Debt	\$0	\$0	\$0	\$0	\$0	\$0
22	<b>Subtotal - Debt Service</b>	<b>\$995,349</b>	<b>\$996,142</b>	<b>\$995,148</b>	<b>\$995,380</b>	<b>\$994,776</b>	<b>\$990,656</b>
23							
24	<b>Capital Projects</b>						
25	Rate Funded CIP	\$310,804	\$689,001	\$691,651	\$460,746	\$460,746	\$431,346
26	Pure Water Project - Rate Funded	\$0	\$0	\$0	\$0	\$0	\$0
27	<b>Subtotal - Capital Projects</b>	<b>\$310,804</b>	<b>\$689,001</b>	<b>\$691,651</b>	<b>\$460,746</b>	<b>\$460,746</b>	<b>\$431,346</b>
28							
29	<b>Net Cash Flow</b>	<b>(\$138,286)</b>	<b>(\$527,481)</b>	<b>(\$620,674)</b>	<b>(\$485,320)</b>	<b>(\$584,104)</b>	<b>(\$656,342)</b>

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**STATUS QUO FUND BALANCE PROJECTIONS**

**Table 5-13** shows the fund balance projections for the status quo financial plan, including operating, capital improvement and replacement, rate stabilization, and debt service funds. Based on the sources (revenues) and uses (operating expenses, debt service, and CIP) of funds, the District’s total fund balances will be approximately \$1.9 million at the end of the study in FY 2030, with the operating fund being in the negative.

**Table 5-13: Projected Fund Balances (Status Quo Financial Plan)**

Line	Fund Balance Projections	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Operating Fund</b>						
2	<b>Beginning Balance</b>	<b>\$727,790</b>	<b>\$900,308</b>	<b>\$1,039,875</b>	<b>\$698,267</b>	<b>\$264,380</b>	<b>(\$267,263)</b>
3							
4	<b>Sources of Funds</b>						
5	Rate Revenues	\$2,653,151	\$2,653,151	\$2,653,151	\$2,653,151	\$2,653,151	\$2,653,151
6	Revenue Adjustments	\$0	\$0	\$0	\$0	\$0	\$0
7	Non-Rate Revenues	\$12,152	\$12,395	\$12,643	\$12,896	\$13,154	\$13,417
8	Interest Income	\$0	\$67,463	\$65,462	\$57,784	\$48,225	\$37,698
9	<b>Subtotal - Sources of Funds</b>	<b>\$2,665,303</b>	<b>\$2,733,009</b>	<b>\$2,731,256</b>	<b>\$2,723,831</b>	<b>\$2,714,529</b>	<b>\$2,704,266</b>
10							
11	<b>Uses of Funds</b>						
12	Operating Expenses	\$1,497,436	\$1,597,300	\$1,677,716	\$1,762,338	\$1,851,396	\$1,945,135
13	Transfers to/(from) Capital Reserves	\$0	\$0	\$400,000	\$400,000	\$400,000	\$300,000
14	Debt Service	\$995,349	\$996,142	\$995,148	\$995,380	\$994,776	\$990,656
15	Transfers to/(from) Debt Service Reserve	\$0	\$0	\$0	\$0	\$0	\$0
16	<b>Subtotal - Uses of Funds</b>	<b>\$2,492,784</b>	<b>\$2,593,442</b>	<b>\$3,072,864</b>	<b>\$3,157,718</b>	<b>\$3,246,172</b>	<b>\$3,235,791</b>
17							
18	<b>Ending Balance</b>	<b>\$900,308</b>	<b>\$1,039,875</b>	<b>\$698,267</b>	<b>\$264,380</b>	<b>(\$267,263)</b>	<b>(\$798,788)</b>
19							
20	<b>Capital Improvement and Capital Replacement Reserves Fund</b>						
21	<b>Beginning Balance</b>	<b>\$1,752,954</b>	<b>\$1,442,150</b>	<b>\$775,102</b>	<b>\$496,036</b>	<b>\$444,604</b>	<b>\$392,142</b>

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22							
23	<b>Sources of Funds</b>						
24	Connection Fees	\$0	\$0	\$0	\$0	\$0	\$0
25	Transfers from/(to) Operating Fund	\$0	\$0	\$400,000	\$400,000	\$400,000	\$300,000
26	Debt Proceeds	\$0	\$0	\$0	\$0	\$0	\$0
27	Interest Income	\$0	\$21,953	\$12,586	\$9,313	\$8,285	\$6,529
28	<b>Subtotal - Sources of Funds</b>	<b>\$0</b>	<b>\$21,953</b>	<b>\$412,586</b>	<b>\$409,313</b>	<b>\$408,285</b>	<b>\$306,529</b>
29							
30	<b>Uses of Funds</b>						
31	Debt Funded CIP	\$0	\$0	\$0	\$0	\$0	\$0
32	Rate Funded CIP	\$310,804	\$689,001	\$691,651	\$460,746	\$460,746	\$431,346
33	Pure Water Project - Rate Funded	\$0	\$0	\$0	\$0	\$0	\$0
34	<b>Subtotal - Uses of Funds</b>	<b>\$310,804</b>	<b>\$689,001</b>	<b>\$691,651</b>	<b>\$460,746</b>	<b>\$460,746</b>	<b>\$431,346</b>
35							
36	<b>Ending Balance</b>	<b>\$1,442,150</b>	<b>\$775,102</b>	<b>\$496,036</b>	<b>\$444,604</b>	<b>\$392,142</b>	<b>\$267,326</b>
37							
38	<b>Rate Stabilization Fund</b>						
39	<b>Beginning Balance</b>	<b>\$1,441,031</b>	<b>\$1,441,031</b>	<b>\$1,441,031</b>	<b>\$1,441,031</b>	<b>\$1,441,031</b>	<b>\$1,441,031</b>
40							
41	Transfers In/(Out)	\$0	\$0	\$0	\$0	\$0	\$0
42							
43	<b>Ending Balance</b>	<b>\$1,441,031</b>	<b>\$1,441,031</b>	<b>\$1,441,031</b>	<b>\$1,441,031</b>	<b>\$1,441,031</b>	<b>\$1,441,031</b>
44							
45	<b>Debt Service Reserve Fund</b>						
46	<b>Beginning Balance</b>	<b>\$995,752</b>	<b>\$995,752</b>	<b>\$995,752</b>	<b>\$995,752</b>	<b>\$995,752</b>	<b>\$995,752</b>
47							
48	Transfers In/(Out)	\$0	\$0	\$0	\$0	\$0	\$0
49							
50	<b>Ending Balance</b>	<b>\$995,752</b>	<b>\$995,752</b>	<b>\$995,752</b>	<b>\$995,752</b>	<b>\$995,752</b>	<b>\$995,752</b>

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**STATUS QUO FINANCIAL PERFORMANCE**

The District’s financial performance is evaluated based on the reserve targets and debt coverage requirements, as shown in **Table 5-14**. Under the status quo financial plan, the District will not meet its reserve targets starting in FY 2029 and will not meet its required debt coverage starting in FY 2027, which will result in a technical default.

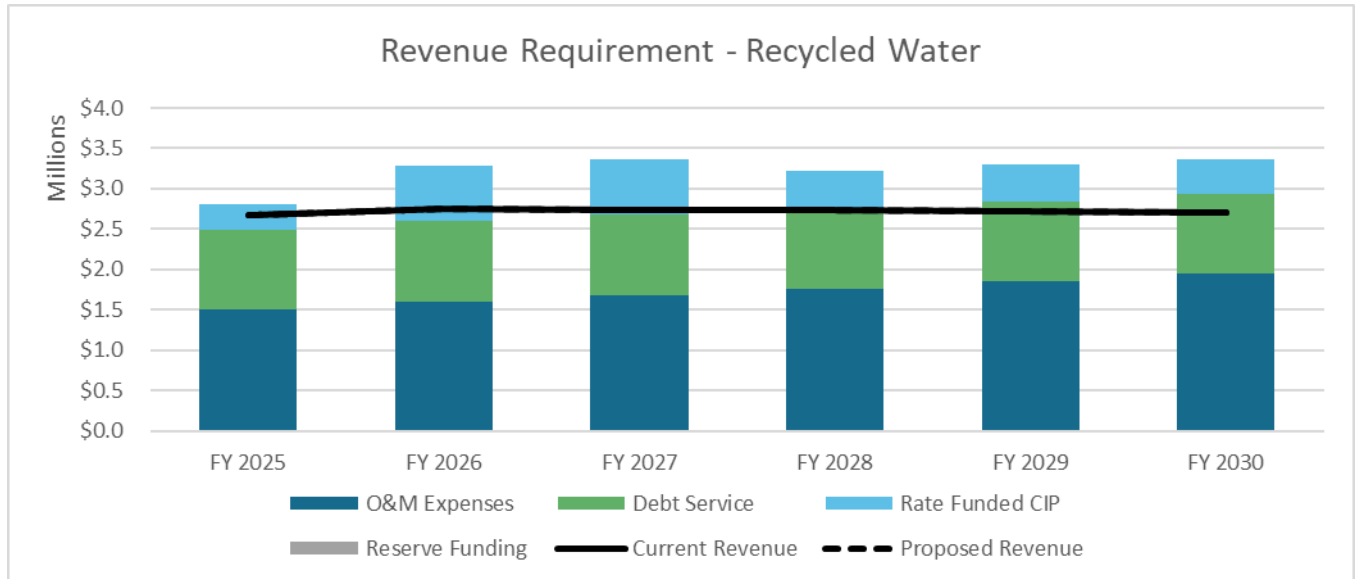
**Table 5-14: Forecasted Financial Performance (Status Quo Financial Plan)**

Line	Financial Performance	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Existing Reserve Targets</b>						
2	Operating Fund	\$374,359	\$399,325	\$419,429	\$440,584	\$462,849	\$486,284
3	Capital Improvement and Capital Replacement Reserves Fund	\$522,590	\$546,698	\$491,167	\$435,106	\$469,299	\$503,491
4	Rate Stabilization	\$666,326	\$666,386	\$666,448	\$666,512	\$666,576	\$666,642
5	Debt Service Reserve	\$995,349	\$996,142	\$995,148	\$995,380	\$994,776	\$990,656
6	<b>Total Minimum Target</b>	<b>\$2,558,623</b>	<b>\$2,608,552</b>	<b>\$2,572,193</b>	<b>\$2,537,582</b>	<b>\$2,593,500</b>	<b>\$2,647,073</b>
7	<b>Total Maximum Target</b>	<b>\$3,599,308</b>	<b>\$3,674,263</b>	<b>\$3,658,070</b>	<b>\$3,644,679</b>	<b>\$3,722,925</b>	<b>\$3,799,998</b>
8	Total Fund Balances	\$4,779,241	\$4,251,760	\$3,631,086	\$3,145,766	\$2,561,662	\$1,905,321
9	Meets Target?	Yes	Yes	Yes	Yes	No	No
10							
11	<b>Debt Coverage Calculation</b>						
12	Required Debt Coverage	110%	110%	110%	110%	110%	110%
13	Desired Debt Coverage	130%	130%	130%	130%	130%	130%
14	Calculated Debt Coverage	117%	116%	107%	98%	88%	77%
15	Meets Target?	Yes	Yes	No	No	No	No

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**Figure 5-1** shows the comparison of revenues and the revenue requirement for the status quo scenario. The stacked bars represent the revenue requirements, or costs: teal for O&M expenses, green for debt service, and blue for rate funded CIP. The District will not be adding to its reserves (grey bars) 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 5-1: Revenue Requirements vs. Revenues (Status Quo Financial Plan)**



**Figure 5-2** shows the debt coverage projections in the status quo financial plan. The required debt coverage (solid black line) is equal to 110%. The desired coverage (dashed dark blue line) is equal to 130%. The District will not meet its debt coverage requirements starting in FY 2027 in this scenario, indicated by the alert coverage (red circles).

Figure 5-2: Projected Debt Coverage (Status Quo Financial Plan)

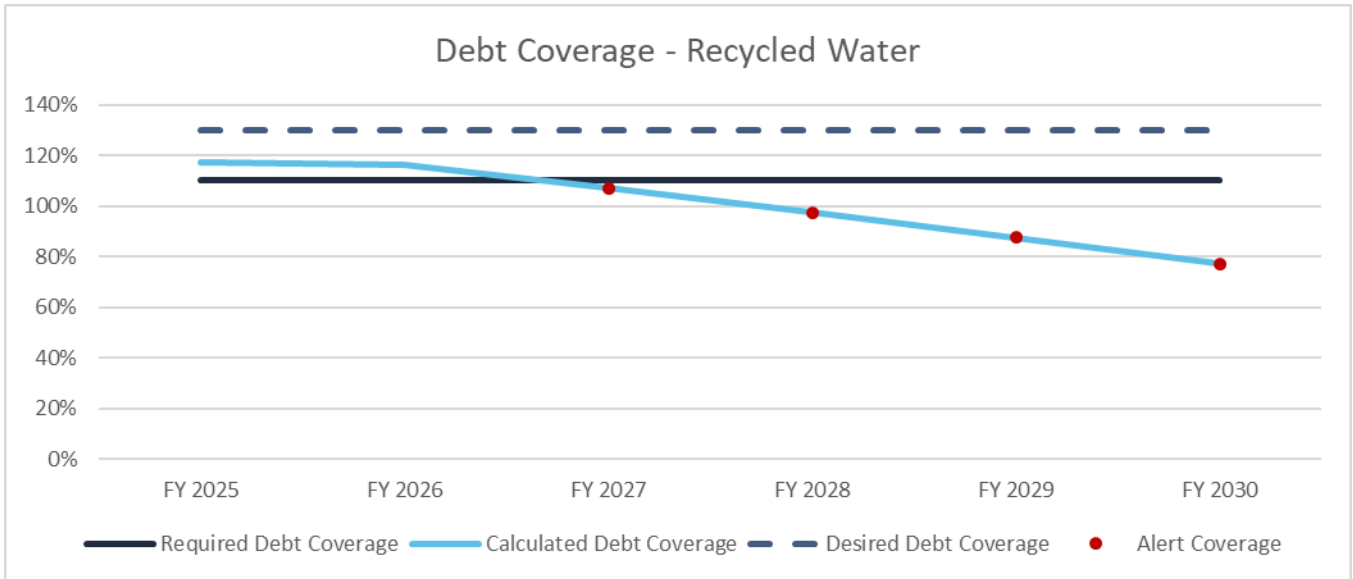
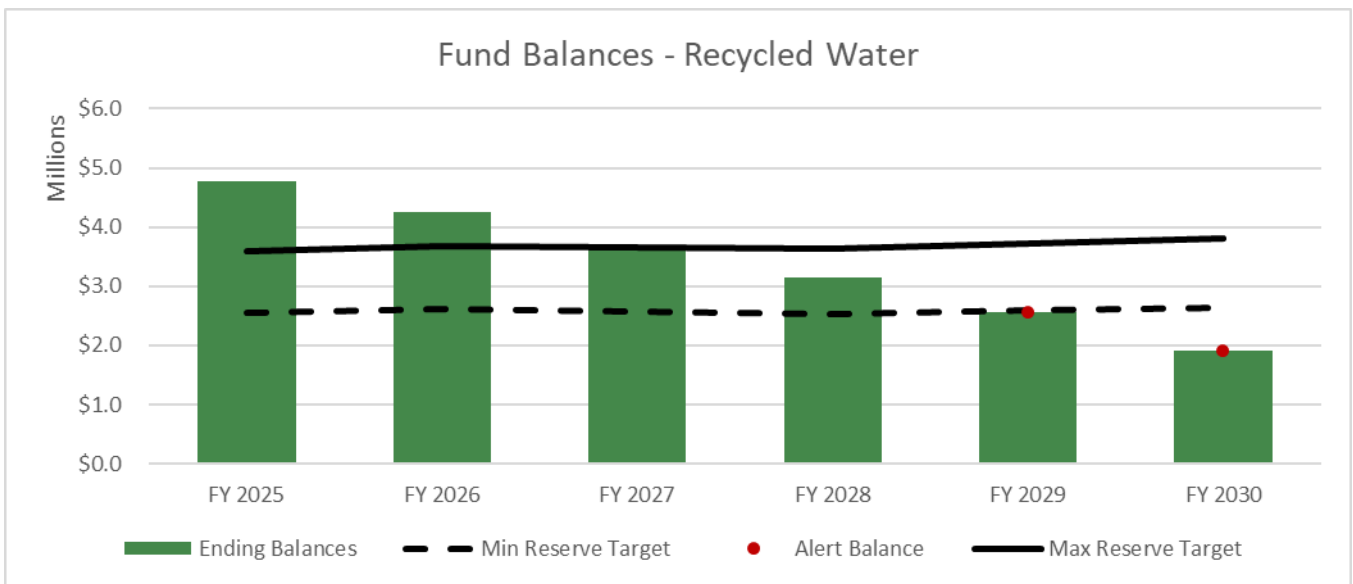


Figure 5-3 shows the fund balance projections in the status quo financial plan. The District’s ending balance (green bars) will not meet the reserve targets (solid and dashed lines) starting in FY 2029, indicated by the alert coverage (red circles).

Figure 5-3: Projected Fund Balances (Status Quo Financial Plan)



## 5.8 PROPOSED FINANCIAL PLAN

### PROPOSED FINANCIAL PLAN

The proposed financial plan includes five years of revenue adjustments, shown in Table 5-15.

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**Table 5-15: Proposed Financial Plan**

Line	Fiscal Year	Revenue Adjustments	Effective Month
1	FY 2026	3.5%	July
2	FY 2027	3.5%	July
3	FY 2028	3.5%	July
4	FY 2029	3.5%	July
5	FY 2030	3.5%	July

**PROPOSED CASH FLOW PROJECTIONS**

**Table 5-16** shows the cash flow projections for the proposed financial plan. Revenues (Lines 1-8) are from **Table 5-6**, with the exception of revenue adjustments (Line 3), which are based on the adjustments shown in **Table 5-15**. Operating expenses (Lines 10-14) are from **Table 5-8**. Net operating revenue (Line 16) is equal to the difference between total revenues (Line 8) and total expenses (Line 14). Debt service (Lines 18-22) is from **Table 5-9**. Rate funded CIP (Line 25) is from **Table 5-11**. Net cash flow (Line 29) is equal to the net operating revenue (Line 16) less debt service (Line 22) and rate funded CIP (Line 27). Debt proceeds and debt funded CIP are not included in the cash flow projections, since they are accounted for in the rate funded CIP projection numbers.

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Table 5-16: Projected Cash Flows (Proposed Financial Plan)

Line	Cash Flow Projections	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Revenues</b>						
2	Rate Revenues at Existing Rates	\$2,653,151	\$2,653,151	\$2,653,151	\$2,653,151	\$2,653,151	\$2,653,151
3	Revenue Adjustments	\$0	\$92,860	\$188,971	\$288,445	\$391,401	\$497,960
4	Connection Fees	\$0	\$0	\$0	\$0	\$0	\$0
5	Miscellaneous Revenues	\$12,152	\$12,395	\$12,643	\$12,896	\$13,154	\$13,417
6	All Other Revenues	\$0	\$0	\$0	\$0	\$0	\$0
7	Interest Income	\$0	\$90,344	\$81,813	\$75,712	\$72,095	\$69,019
8	<b>Subtotal - Revenues</b>	<b>\$2,665,303</b>	<b>\$2,848,751</b>	<b>\$2,936,578</b>	<b>\$3,030,204</b>	<b>\$3,129,800</b>	<b>\$3,233,546</b>
9							
10	<b>Operating Expenses</b>						
11	Operating Cost	\$705,161	\$765,412	\$804,234	\$845,181	\$888,381	\$933,970
12	Potable Water Purchases	\$792,274	\$831,888	\$873,482	\$917,156	\$963,014	\$1,011,165
13	Pure Water Projected Operating	\$0	\$0	\$0	\$0	\$0	\$0
14	<b>Subtotal - Operating Expenses</b>	<b>\$1,497,436</b>	<b>\$1,597,300</b>	<b>\$1,677,716</b>	<b>\$1,762,338</b>	<b>\$1,851,396</b>	<b>\$1,945,135</b>
15							
16	<b>Net Revenue</b>	<b>\$1,167,867</b>	<b>\$1,251,451</b>	<b>\$1,258,862</b>	<b>\$1,267,866</b>	<b>\$1,278,405</b>	<b>\$1,288,412</b>
17							
18	<b>Debt Service</b>						
19	Existing Debt	\$995,349	\$996,142	\$995,148	\$995,380	\$994,776	\$990,656
20	Pure Water Debt Service	\$0	\$0	\$0	\$0	\$0	\$0
21	Proposed Debt	\$0	\$0	\$0	\$0	\$0	\$0
22	<b>Subtotal - Debt Service</b>	<b>\$995,349</b>	<b>\$996,142</b>	<b>\$995,148</b>	<b>\$995,380</b>	<b>\$994,776</b>	<b>\$990,656</b>
23							
24	<b>Capital Projects</b>						
25	Rate Funded CIP	\$310,804	\$689,001	\$691,651	\$460,746	\$460,746	\$431,346
26	Pure Water Project - Rate Funded	\$0	\$0	\$0	\$0	\$0	\$0
27	<b>Subtotal - Capital Projects</b>	<b>\$310,804</b>	<b>\$689,001</b>	<b>\$691,651</b>	<b>\$460,746</b>	<b>\$460,746</b>	<b>\$431,346</b>
28							
29	<b>Net Cash Flow</b>	<b>(\$138,286)</b>	<b>(\$433,692)</b>	<b>(\$427,938)</b>	<b>(\$188,260)</b>	<b>(\$177,118)</b>	<b>(\$133,590)</b>

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**PROPOSED FUND BALANCE PROJECTIONS**

**Table 5-17** shows the fund balance projections for the proposed financial plan, including operating, capital improvement and capital replacement, rate stabilization, and debt service funds. Based on the sources (revenues, revenue adjustments, debt proceeds) and uses (operating expenses, debt service, and CIP) of funds, the District’s total fund balances will be approximately \$3.4 million at the end of the study in FY 2030.

**Table 5-17: Projected Fund Balances (Proposed Financial Plan)**

Line	Fund Balance Projections	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Operating Fund</b>						
2	<b>Beginning Balance</b>	<b>\$727,790</b>	<b>\$900,308</b>	<b>\$1,133,664</b>	<b>\$984,792</b>	<b>\$847,965</b>	<b>\$723,309</b>
3							
4	<b>Sources of Funds</b>						
5	Rate Revenues	\$2,653,151	\$2,653,151	\$2,653,151	\$2,653,151	\$2,653,151	\$2,653,151
6	Revenue Adjustments	\$0	\$92,860	\$188,971	\$288,445	\$391,401	\$497,960
7	Non-Rate Revenues	\$12,152	\$12,395	\$12,643	\$12,896	\$13,154	\$13,417
8	Interest Income	\$0	\$68,391	\$69,228	\$66,399	\$63,810	\$62,489
9	<b>Subtotal - Sources of Funds</b>	<b>\$2,665,303</b>	<b>\$2,826,798</b>	<b>\$2,923,992</b>	<b>\$3,020,891</b>	<b>\$3,121,516</b>	<b>\$3,227,017</b>
10							
11	<b>Uses of Funds</b>						
12	Operating Expenses	\$1,497,436	\$1,597,300	\$1,677,716	\$1,762,338	\$1,851,396	\$1,945,135
13	Transfers to/(from) Capital Reserves	\$0	\$0	\$400,000	\$400,000	\$400,000	\$300,000
14	Debt Service	\$995,349	\$996,142	\$995,148	\$995,380	\$994,776	\$990,656
15	Transfers to/(from) Debt Service Reserve	\$0	\$0	\$0	\$0	\$0	\$0
16	<b>Subtotal - Uses of Funds</b>	<b>\$2,492,784</b>	<b>\$2,593,442</b>	<b>\$3,072,864</b>	<b>\$3,157,718</b>	<b>\$3,246,172</b>	<b>\$3,235,791</b>
17							
18	<b>Ending Balance</b>	<b>\$900,308</b>	<b>\$1,133,664</b>	<b>\$984,792</b>	<b>\$847,965</b>	<b>\$723,309</b>	<b>\$714,535</b>
19							
20	<b>Capital Improvement and Capital Replacement Reserves Fund</b>						
21	<b>Beginning Balance</b>	<b>\$1,752,954</b>	<b>\$1,442,150</b>	<b>\$775,102</b>	<b>\$496,036</b>	<b>\$444,604</b>	<b>\$392,142</b>

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22							
23	<b>Sources of Funds</b>						
24	Connection Fees	\$0	\$0	\$0	\$0	\$0	\$0
25	Transfers from/(to) Operating Fund	\$0	\$0	\$400,000	\$400,000	\$400,000	\$300,000
26	Debt Proceeds	\$0	\$0	\$0	\$0	\$0	\$0
27	Interest Income	\$0	\$21,953	\$12,586	\$9,313	\$8,285	\$6,529
28	<b>Subtotal - Sources of Funds</b>	<b>\$0</b>	<b>\$21,953</b>	<b>\$412,586</b>	<b>\$409,313</b>	<b>\$408,285</b>	<b>\$306,529</b>
29							
30	<b>Uses of Funds</b>						
31	Debt Funded CIP	\$0	\$0	\$0	\$0	\$0	\$0
32	Rate Funded CIP	\$310,804	\$689,001	\$691,651	\$460,746	\$460,746	\$431,346
33	Pure Water Project - Rate Funded	\$0	\$0	\$0	\$0	\$0	\$0
34	<b>Subtotal - Uses of Funds</b>	<b>\$310,804</b>	<b>\$689,001</b>	<b>\$691,651</b>	<b>\$460,746</b>	<b>\$460,746</b>	<b>\$431,346</b>
35							
36	<b>Ending Balance</b>	<b>\$1,442,150</b>	<b>\$775,102</b>	<b>\$496,036</b>	<b>\$444,604</b>	<b>\$392,142</b>	<b>\$267,326</b>
37							
38	<b>Rate Stabilization Fund</b>						
39	<b>Beginning Balance</b>	<b>\$1,441,031</b>	<b>\$1,441,031</b>	<b>\$1,441,031</b>	<b>\$1,441,031</b>	<b>\$1,441,031</b>	<b>\$1,441,031</b>
40							
41	Transfers In/(Out)	\$0	\$0	\$0	\$0	\$0	\$0
42							
43	<b>Ending Balance</b>	<b>\$1,441,031</b>	<b>\$1,441,031</b>	<b>\$1,441,031</b>	<b>\$1,441,031</b>	<b>\$1,441,031</b>	<b>\$1,441,031</b>
44							
45	<b>Debt Service Reserve Fund</b>						
46	<b>Beginning Balance</b>	<b>\$995,752</b>	<b>\$995,752</b>	<b>\$995,752</b>	<b>\$995,752</b>	<b>\$995,752</b>	<b>\$995,752</b>
47							
48	Transfers In/(Out)	\$0	\$0	\$0	\$0	\$0	\$0
49							
50	<b>Ending Balance</b>	<b>\$995,752</b>	<b>\$995,752</b>	<b>\$995,752</b>	<b>\$995,752</b>	<b>\$995,752</b>	<b>\$995,752</b>

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**PROPOSED FINANCIAL PERFORMANCE**

**Table 5-18** shows the forecasted financial performance for the proposed financial plan. Under this plan, the District will meet its reserve targets and its debt coverage requirements in all years with the proposed revenue adjustments.

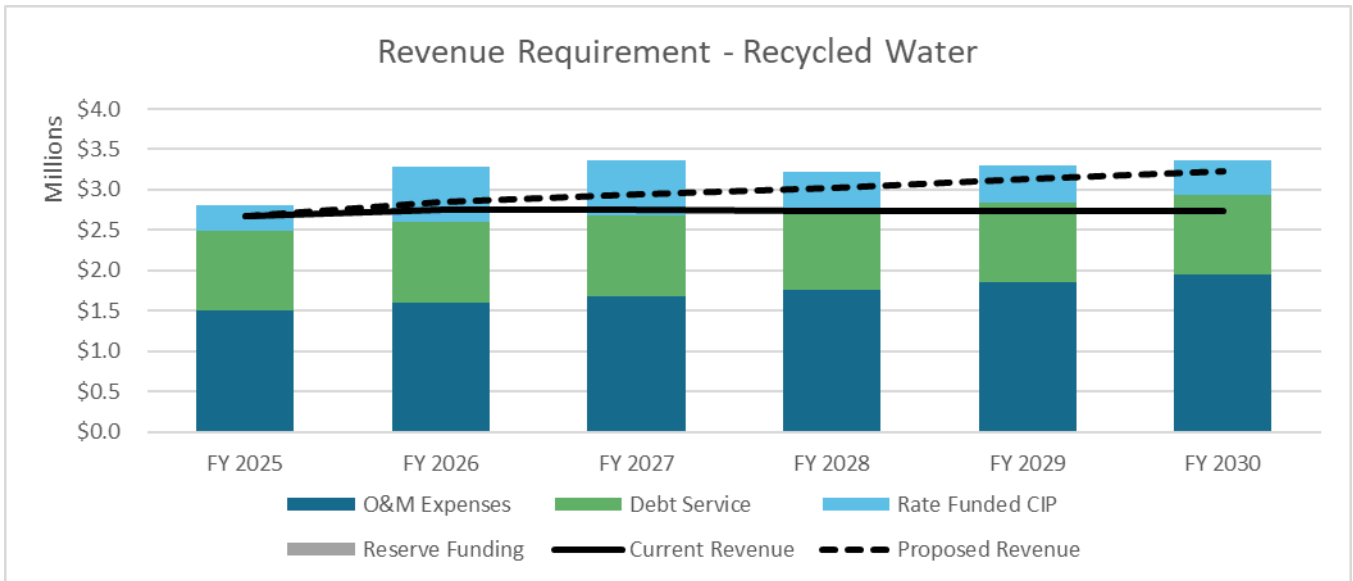
**Table 5-18: Forecasted Financial Performance (Proposed Financial Plan)**

Line	Financial Performance	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Existing Reserve Targets</b>						
2	Operating Fund	\$374,359	\$399,325	\$419,429	\$440,584	\$462,849	\$486,284
3	Capital Improvement and Capital Replacement Reserves Fund	\$522,590	\$546,698	\$491,167	\$435,106	\$469,299	\$503,491
4	Rate Stabilization	\$666,326	\$689,602	\$713,691	\$738,623	\$764,426	\$791,132
5	Debt Service Reserve	\$995,349	\$996,142	\$995,148	\$995,380	\$994,776	\$990,656
6	<b>Total Minimum Target</b>	<b>\$2,558,623</b>	<b>\$2,631,767</b>	<b>\$2,619,435</b>	<b>\$2,609,694</b>	<b>\$2,691,350</b>	<b>\$2,771,563</b>
7	<b>Total Maximum Target</b>	<b>\$3,599,308</b>	<b>\$3,720,693</b>	<b>\$3,752,556</b>	<b>\$3,788,901</b>	<b>\$3,918,625</b>	<b>\$4,048,979</b>
8	Total Fund Balances	\$4,779,241	\$4,345,549	\$3,917,611	\$3,729,351	\$3,552,234	\$3,418,643
9	Meets Target?	Yes	Yes	Yes	Yes	Yes	Yes
10							
11	<b>Debt Coverage Calculation</b>						
12	Required Debt Coverage	110%	110%	110%	110%	110%	110%
13	Desired Debt Coverage	130%	130%	130%	130%	130%	130%
14	Calculated Debt Coverage	117%	126%	126%	127%	129%	130%
15	Meets Target?	Yes	Yes	Yes	Yes	Yes	Yes

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**Figure 5-4** shows the comparison of revenues and the revenue requirement for the proposed scenario. The stacked bars represent the revenue requirements, or costs. The District will add to its reserves (grey bars) in this scenario. The current revenue, shown as a solid line, is significantly lower than the revenue requirements. The proposed revenue, shown as a dotted line, although still lower than the revenue requirements, the funding gap is decreasing each year, meaning that the District will eventually be able to sufficiently fund its expenses in the future years at the current trajectory.

**Figure 5-4: Revenue Requirements vs. Revenues (Proposed Financial Plan)**



**Figure 5-5** shows the debt coverage projections in the proposed financial plan. The required debt coverage (solid black line) is equal to 110%. The desired coverage (dashed dark blue line) is equal to 130%. The District will meet its debt coverage requirements in this scenario.

Figure 5-5: Projected Debt Coverage (Proposed Financial Plan)

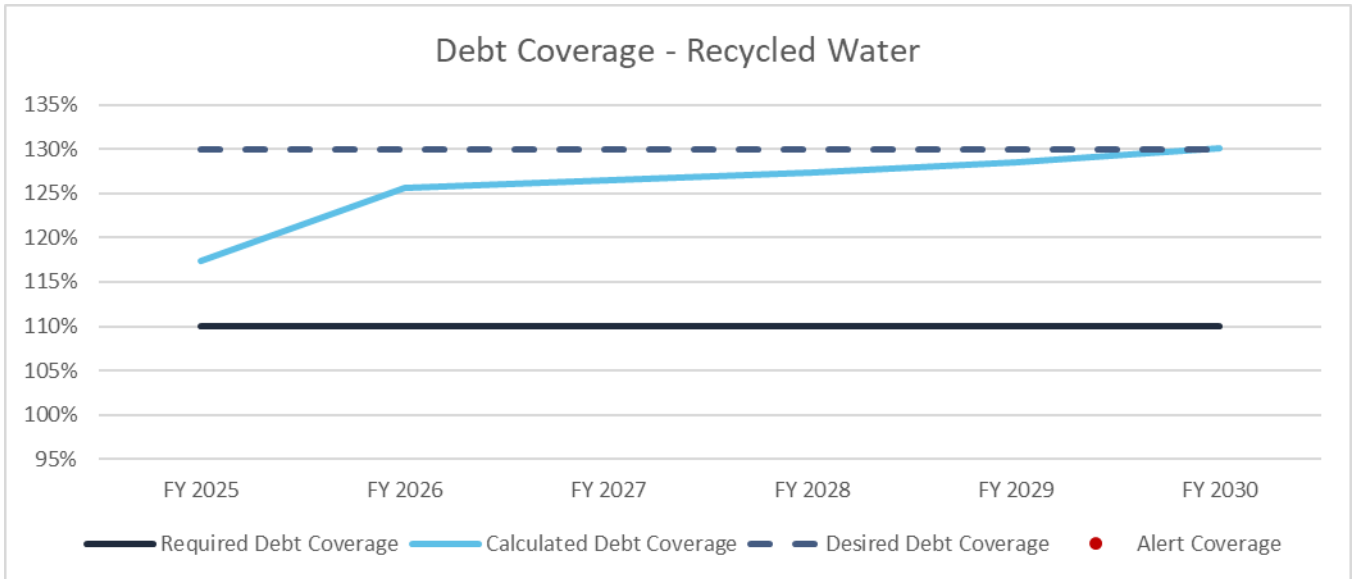
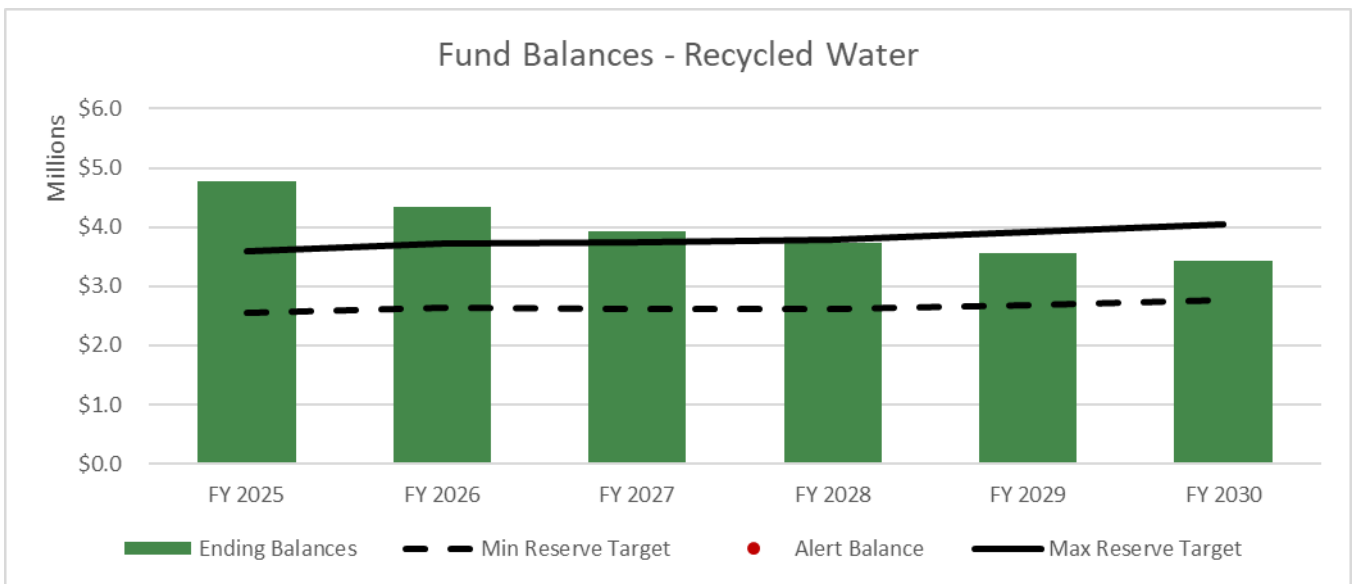


Figure 5-6 shows the fund balance projections in the proposed financial plan. The District’s ending balance (green bars) will meet the reserve targets (solid and dashed lines) in all years of the financial plan.

Figure 5-6: Projected Fund Balances (Proposed Financial Plan)



## 6. COST-OF-SERVICE ANALYSIS

### 6.1 COST-OF-SERVICE METHODOLOGY

A cost-of-service analysis was conducted to allocate FY 2025 rate revenue requirement to customers in proportion to use of and burden on the District’s recycled water system. The overall goal of the cost-of-service analysis is to develop “unit costs,” which provide the basis from which proposed rates are directly calculated from. Note that although the study period spans five 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 2025.

The cost-of-service analysis is “revenue neutral,” meaning that the resulting cost-of-service based rates collect the same amount of revenue as the District expects to collect in FY 2025. The revenue neutral unit costs determine revenue neutral rates, which are then adjusted based on the proposed financial plan increases to arrive at the proposed recycled water rates for five years. All values presented in this section pertain to FY 2025 and are revenue neutral unless stated otherwise.

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

- **Revenue requirement determination:** The total rate 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 recycled water system (e.g., customer service, water supply, distribution, 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., water supply, base delivery, max day delivery, etc.), which is used to attribute customers’ use of the system to the costs incurred by the District.
- **Unit cost development:** The rate revenue requirement allocation 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.

### 6.2 REVENUE REQUIREMENT

#### REVENUE REQUIREMENT DETERMINATION

The total rate revenue requirement for the test year, FY 2025, is based on the District’s budget (**Table 5-16**) and is allocated between the Operating and Capital, as shown in **Table 6-1**. The Operating revenue requirement consists of operating expenses (Line 2) and adjustments for cash from reserves (Line 15; from **Table 5-16**, Line 29). The Capital revenue requirement includes debt service (Line 3) and rate funded CIP (Line 4). The Revenue Offset includes miscellaneous revenues (Line 9). The total

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revenue requirement (Line 18) is equal to the amount of rate revenue collected in FY 2025 (Table 5-16, Line 2).

Table 6-1: FY 2025 Revenue Requirement

Line	FY 2025 Revenue Requirement	Operating	Capital	Rev. Offset	Total
1	<b>Revenue Requirements</b>				
2	Operating Expenses	\$1,497,436			\$1,497,436
3	Debt Service		\$995,349		\$995,349
4	Rate Funded CIP		\$310,804		\$310,804
5	<b>Subtotal</b>	<b>\$1,497,436</b>	<b>\$1,306,153</b>	<b>\$0</b>	<b>\$2,803,588</b>
6					
7	<b>Revenue Offsets</b>				
8	Connection Fees			\$0	\$0
9	Miscellaneous Revenues			(\$12,152)	(\$12,152)
10	All Other Revenues			\$0	\$0
11	Interest Income			\$0	\$0
12	<b>Subtotal</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$12,152)</b>	<b>(\$12,152)</b>
13					
14	<b>Adjustments</b>				
15	Cash to/(from) Reserves	(\$138,286)			(\$138,286)
16	<b>Subtotal</b>	<b>(\$138,286)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$138,286)</b>
17					
18	<b>Total - Revenue Requirement</b>	<b>\$1,359,150</b>	<b>\$1,306,153</b>	<b>(\$12,152)</b>	<b>\$2,653,151</b>

6.3 COST FUNCTIONALIZATION  
 FUNCTIONAL CATEGORY DEFINITIONS

After determining the revenue requirement, 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 recycled water system and include:

- **Meters:** costs of meter maintenance and replacement
- **Customer:** costs related to customer service and billing
- **Water Supply:** costs of buying recycled water from Joint Powers Authority (JPA)
- **Pumping:** costs relating to pumping water to higher elevations
- **Storage:** costs related to water storage facilities (such as reservoirs and tanks)
- **T&D:** costs related to the transmission and distribution of water through the District’s recycled water system
- **Maintenance:** costs related to maintenance of the system
- **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

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**OPERATING COST FUNCTIONALIZATION**

WRE evaluated and allocated the operating expenses for FY 2025 (Table 5-8) to the most closely associated functional categories within the water system, as shown in Table 6-2. The detailed allocation of the operating expense budget to the functional categories is included in the Appendix (Table 10-3).

**Table 6-2: Operating Costs by System Functions**

Line	Cost Functions	Operating Expenses	Percent of Total
1	Meters	\$0	0.0%
2	Customer	\$1,500	0.1%
3	Supply	\$792,274	52.9%
4	Pumping	\$0	0.0%
5	Storage	\$0	0.0%
6	T&D	\$276,335	18.5%
7	Maintenance	\$0	0.0%
8	General	\$427,326	28.5%
9	Revenue Offset	\$0	0.0%
10	<b>Total</b>	<b>\$1,497,436</b>	<b>100%</b>

**CAPITAL ASSET FUNCTIONALIZATION**

WRE evaluated and allocated the District’s current capital assets to the most closely associated functional categories within the water system, as shown in Table 6-3.

It is standard practice in most water cost-of-service studies to functionalize current capital assets rather than planned CIP costs, since the latter can fluctuate more significantly from year to year. The current capital asset base provides a more stable representation of long-term capital needs and their associated costs. The asset valuation methodology used in this study is Replacement Cost less Depreciation (RCLD).

**Table 6-3: Capital Assets by System Functions**

Line	Cost Functions	Capital Assets (Replacement Cost less Depreciation)	Percent of Total
1	Meters		
2	Customer		
3	Fire		
4	Supply		
5	Pumping		
6	Storage	\$12,595,475	100%
7	T&D		
8	Maintenance		
9	General		
10	<b>Total</b>	<b>\$12,595,475</b>	<b>100%</b>

## 6.4 COST CAUSATION COMPONENTS

### COST COMPONENT DEFINITIONS

While the functional categories represent the costs of system functions, cost causation components represent the reasons for why and how those costs are incurred within the system (thus, cost causation). Cost causation components will be referred to as cost components in this report. The next step of the cost-of-service analysis is to allocate the Operating, Capital, and Revenue Offsets in the functional categories between the cost components, most of which directly correspond to a single functional category.

The cost components in this study include the following:

- **Meter:** directly corresponds to the Meter functional category
- **Customer:** directly corresponds to the Customer functional category
- **Water Supply:** directly corresponds to the Supply functional category
- **Average Day Demand (Base):** costs associated with delivering water to customers during average water demand conditions (average daily use)
- **Maximum Day Demand (Max Day):** costs associated with delivering water to customers during maximum day demand conditions (water usage during highest day of year)
- **General:** directly corresponds to the General functional category
- **Revenue Offset:** directly corresponds to the Revenue Offset functional category

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**COST COMPONENT ALLOCATION FACTORS**

**Table 6-4** shows the factors used to allocate the functionalized costs to the cost components. For the cost components that directly correlate to a functional category (Meter, Customer, Fire Service, Supply, Revenue Offsets, and General), the functionalized costs are allocated entirely to the matching cost component. Pumping, Storage, and distribution facilities (Lines 4-6) are sized based on maximum day demand and are allocated to Base and Max Day cost components.

**Table 6-4: System Function Allocation to Cost Components**

Line	Cost Functions	Meter	Customer	Water Supply	Base	Max Day	Rev. Offset	General	Total
1	Meters	100%							100%
2	Customer		100%						100%
3	Supply			100%					100%
4	Pumping				50%	50%			100%
5	Storage				50%	50%			100%
6	T&D				50%	50%			100%
7	Maintenance							100%	100%
8	General							100%	100%
9	Revenue Offset						100%		100%

**OPERATING COST COMPONENT ALLOCATION**

**Table 6-5** shows the operating cost allocation by cost component. The functionalized operating expenses from **Table 6-2** are allocated based on the cost component allocation factors in **Table 6-4**. The operating allocation (Line 11) is derived from the total operating expenses by cost component (Line 10) and represents the proportion of the Operating revenue requirement that will be allocated to each cost component.

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**Table 6-5: Operating Allocation by Cost Component**

Line	Operating Expenses	Meter	Customer	Water Supply	Base	Max Day	Rev. Offset	General	Total
1	Meters	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	Customer	\$0	\$1,500	\$0	\$0	\$0	\$0	\$0	\$1,500
3	Supply	\$0	\$0	\$792,274	\$0	\$0	\$0	\$0	\$792,274
4	Pumping	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
5	Storage	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6	T&D	\$0	\$0	\$0	\$138,168	\$138,168	\$0	\$0	\$276,335
7	Maintenance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8	General	\$0	\$0	\$0	\$0	\$0	\$0	\$427,326	\$427,326
9	Revenue Offset	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10	<b>Total - Operating Expenses</b>	<b>\$0</b>	<b>\$1,500</b>	<b>\$792,274</b>	<b>\$138,168</b>	<b>\$138,168</b>	<b>\$0</b>	<b>\$427,326</b>	<b>\$1,497,436</b>
11	<b>Operating Cost Allocation</b>	<b>0.0%</b>	<b>0.1%</b>	<b>52.9%</b>	<b>9.2%</b>	<b>9.2%</b>	<b>0.0%</b>	<b>28.5%</b>	<b>100.0%</b>

**CAPITAL COST COMPONENT ALLOCATION**

**Table 6-6** shows the capital cost allocation by cost component. The functionalized capital assets from **Table 6-3** are allocated based on the cost component allocation factors in **Table 6-4**. The capital allocation (Line 3) is derived from the total capital asset value by cost component (Line 2) and represents the proportion of the Capital revenue requirement that will be allocated to each cost component.

**Table 6-6: Capital Allocation by Cost Component**

Line	Capital Assets (RCLD)	Meter	Customer	Water Supply	Base	Max Day	Rev. Offset	General	Total
1	T&D	\$0	\$0	\$0	\$6,297,738	\$6,297,738	\$0	\$0	\$12,595,475
2	<b>Total - Capital Assets</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$6,297,738</b>	<b>\$6,297,738</b>	<b>\$0</b>	<b>\$0</b>	<b>\$12,595,475</b>
3	<b>Capital Cost Allocation</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>50.0%</b>	<b>50.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>100.0%</b>

## 6.5 SYSTEM CAPACITY ALLOCATIONS

The costs for certain system functions are based on the capacity requirements related to that function. For example, meter-related costs are allocated based on meter capacity, which is defined by the safe maximum operating capacity of each meter size. This section describes and defines capacity requirements and allocations relating to water meters.

### EQUIVALENT METER UNITS

Costs related to meter capacity increase based on meter size. Therefore, equivalent meter units are calculated to provide a basis from which to allocate costs in proportion to meter size. Equivalent meter calculations are shown in **Table 6-7**.

Equivalent meters are calculated based on meter capacity ratios, which represent the safe operating capacity of a water meter relative to the base meter size. For this study, the base meter size is a 2" meter, which is the most common meter size in the District's recycled water system. Capacity in gallons per minute (gpm) is derived from the *AWWA M1 Manual*. The meter ratio for a 3" meter is 2.19 which means that the capacity of a 3" meter is more than twice that of a 2" meter.

The number of meters is from **Table 5-2**. Equivalent meters are calculated by multiplying the meter counts by the meter ratio in each size.

**Table 6-7: Equivalent Meter Units**

Line	Meter Size	Safe Operating Capacity (gpm)	Meter Ratio	Meter Counts	Meter Equivalents
1	2"	160	1.00	99	99
2	3"	350	2.19	2	4
3	4"	630	3.94	4	16
4	6"	1,350	8.44	1	8
5	8"	1,600	10.00	0	0
6	10"	4,200	26.25	1	26
7					
8	<b>Total</b>			<b>107</b>	<b>154</b>

## 6.6 ALLOCATION TO COST COMPONENTS

### PRELIMINARY COST-OF-SERVICE ALLOCATION AND GENERAL REALLOCATION

**Table 6-8** shows the preliminary 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 6-1**, Line 18) allocated to each cost component based on the Operating allocation (**Table 6-5**, Line 11). The Capital costs (Line 2) are equal to the total Capital revenue requirements (**Table 6-1**, Line 18) allocated to each cost component based on the Capital allocation (**Table 6-6**, Line 3). Note that the total cost-of-service (Line 3) is equal to the total rate revenue requirement for FY 2025 (**Table 6-1**, Line 18).

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

**Table 6-8: Cost-of-Service Allocation by Cost Component (Preliminary, General)**

Line	Revenue Requirement	Meter	Customer	Water Supply	Base	Max Day	Rev. Offset	General	Total
1	Operating Costs	\$0	\$1,361	\$719,109	\$125,408	\$125,408	\$0	\$387,863	\$1,359,150
2	Capital Costs	\$0	\$0	\$0	\$653,076	\$653,076	\$0	\$0	\$1,306,153
3	Revenue Offsets						(\$12,152)		(\$12,152)
4	<b>Total - Revenue Requirement</b>	<b>\$0</b>	<b>\$1,361</b>	<b>\$719,109</b>	<b>\$778,484</b>	<b>\$778,484</b>	<b>(\$12,152)</b>	<b>\$387,863</b>	<b>\$2,653,151</b>
5	General Cost Allocation	\$0	\$339		\$193,762	\$193,762		(\$387,863)	\$0
6	<b>Total - Requirement after General Allocation</b>	<b>\$0</b>	<b>\$1,700</b>	<b>\$719,109</b>	<b>\$972,247</b>	<b>\$972,247</b>	<b>(\$12,152)</b>	<b>\$0</b>	<b>\$2,653,151</b>

### MAXIMUM CAPACITY REALLOCATION

**Table 6-9** shows the cost-of-service in each cost component after reallocating maximum capacity-related costs. The cost-of-service after General cost reallocation (Line 1) is from **Table 6-8** (Line 6). The maximum capacity reallocation (Line 2) adjusts the costs in Max Day to recover maximum capacity costs in the Meter cost component. This reallocation is to maintain the current fixed cost recovery, which is approximately 12% of total rate revenue. WRE reallocated 32% of the maximum capacity costs (Max Day and Max Hour) costs to the Meter component.

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**Table 6-9: Cost-of-Service Allocation by Cost Component (Maximum Capacity)**

Line	Revenue Requirement	Meter	Customer	Water Supply	Base	Max Day	Rev. Offset	Total
1	<b>Adjusted for General</b>	\$0	\$1,700	\$719,109	\$972,247	\$972,247	(\$12,152)	\$2,653,151
2	Maximum Capacity Reallocation	\$306,258				(\$306,258)		\$0
3	<b>Adjusted for Max. Capacity</b>	\$306,258	\$1,700	\$719,109	\$972,247	\$665,989	(\$12,152)	\$2,653,151

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**FINAL COST-OF-SERVICE ALLOCATION**

**Table 6-10** shows the final cost-of-service allocation based on the adjustments for General and Maximum Capacity from the prior report tables. The Meter and Customer components add up to approximately 12% of the total costs, which is the current revenue from fixed charges.

**Table 6-10: Cost-of-Service Allocation by Cost Component (Final)**

Line	Cost Components	Final Cost Allocation
1	Meter	\$306,258
2	Customer	\$1,700
3	Water Supply	\$719,109
4	Base	\$972,247
5	Max Day	\$665,989
7	Revenue Offset	(\$12,152)
8	<b>Total</b>	<b>\$2,653,151</b>

**6.7 UNIT COST CALCULATION**

**UNITS OF SERVICE DEFINITIONS**

The appropriate units of service are then established for each cost component based on cost causation, which is shown in **Table 6-11**. Cost components to be recovered by the fixed charges are assigned units of service based on the number of equivalent meters and meter counts (**Table 6-7**).

**Table 6-11: Units of Service Definitions**

Line	Cost Components	Units of Service Definition	Units of Service	Units
1	Meter	<i>Equivalent meters x 12 months</i>	1,846	equiv. meters/year
2	Customer	<i>Meter counts x 12 months</i>	1,284	bills/year

**UNIT COST BY COST COMPONENT**

**Table 6-12** shows the calculation of unit costs by each cost component. The final cost-of-service allocation (**Table 6-10**) is divided by the units of service (**Table 6-11**) for each cost component to derive the unit cost. These unit costs will determine the rates in Section 7.

**Table 6-12: Unit Cost by Cost Component**

Line	Cost Components	Final Cost Allocation	Units of Service	Unit Cost	Units
1	Meter	\$306,258	1,846	\$165.93	per equiv. meter per month
2	Customer	\$1,700	1,284	\$1.32	per bill per month

## 7. RECYCLED WATER RATES

### 7.1 RATE DESIGN METHODOLOGY

A five-year proposed recycled water 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:

- **Rate structure evaluation:** The existing rate structure is evaluated, and any proposed changes are identified. Proposed rate structure changes are typically intended to address specific policy objectives or to allocate costs based on the cost-of-service analysis.
- **Test year rate development:** Rates are calculated for the proposed rate structure for the cost-of-service test year (FY 2025). Rate calculations directly incorporate the unit costs developed in the cost-of-service analysis. The test year rates are revenue neutral, then are increased based on the proposed financial plan revenue adjustments.
- **Five-year rate schedule development:** Proposed rates for the five-year period are calculated by increasing the cost-of-service rates by the proposed annual revenue adjustment percentages from the proposed financial plan.

### 7.2 PROPOSED CHANGES TO 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 recycled water rate structure as possible to minimize customer impacts. The District’s current recycled water rate structure includes a monthly service charge based on meter size and uniform quantity charge for retail customers. WRE does not propose any changes to the existing rate structure.

### 7.3 RETAIL CUSTOMER RATE CALCULATION

Since wholesale recycled customer rates are determined via contract and not through cost of service, wholesale projected revenues need to be subtracted from the total revenue requirement to determine the retail customers portion of the revenue requirement. **Table 7-1** shows the projected whole sale revenue based on the projected recycled water usage (from **Table 5-4**) and the contracted rate (from **Table 2-8**).

**Table 7-1: Wholesale Revenue Projection**

Line		FY 2025	FY 2026	FY 2027	FY 2028	FY 2028	FY 2030
1	Wholesale Water Usage (hcf)	175,101	175,101	175,101	175,101	175,101	175,101
2	Wholesale Water Usage (AF)	402	402	402	402	402	402
3	Wholesale Contract Rates @ 80% of Calleguas Tier 1 Rate	\$1,442.34	\$1,516.00	\$1,516.00	\$1,516.00	\$1,516.00	\$1,516.00
4	<b>Wholesale Revenues</b>	<b>\$579,787</b>	<b>\$609,395</b>	<b>\$609,395</b>	<b>\$609,395</b>	<b>\$609,395</b>	<b>\$609,395</b>

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**Table 7-2** shows the retail revenue requirement calculation (Line 3), which subtracts the wholesale revenues (**Table 7-1**) from the total revenue requirement (FY 2025 from **Table 6-1**). FY 2026 onward is escalated based on the total revenue requirement from **Table 5-16**). Line 4 shows the total retail adjustments based on Line 3. The fixed revenue (Line 5) is from **Table 6-10** Lines 1 and 2. The variable revenue (Line 6) is the net amount after subtracting the fixed revenue from the net revenue requirement.

**Table 7-2: Retail Revenue Requirement**

Line		FY 2025	FY 2026	FY 2027	FY 2028	FY 2028	FY 2030
1	Total Revenue Requirement	\$2,653,151	\$2,746,011	\$2,842,122	\$2,941,596	\$3,044,552	\$3,151,111
2	Wholesale Revenues	\$579,787	\$609,395	\$609,395	\$609,395	\$609,395	\$609,395
3	<b>Net Revenue Requirement</b>	<b>\$2,073,364</b>	<b>\$2,136,616</b>	<b>\$2,232,726</b>	<b>\$2,332,201</b>	<b>\$2,435,156</b>	<b>\$2,541,716</b>
4	Total Retail Adjustments		3.1%	4.5%	4.5%	4.4%	4.4%
5	Fixed Revenue	\$307,958					
6	Variable Revenue	\$1,765,405					

## 7.4 PROPOSED MONTHLY SERVICE CHARGE

### REVENUE NEUTRAL RATES

The revenue neutral rate represents the cost-of-service analysis for FY 2025. **Table 7-3** shows the revenue neutral monthly service charge calculations. The Meter and Customer unit costs are from **Table 6-12** (Lines 1-2). Meter unit cost is multiplied by the meter capacity ratio; Customer unit cost does not vary based on meter size and thus is the same for all meter sizes.

**Table 7-3: Revenue Neutral Monthly Service Charge**

Line	Meter Size	Meter Ratio	Number of Accounts	Meter Cost	Customer Cost	Revenue Neutral Rate
1	2"	1.00	99	\$165.93	\$1.32	\$167.25
2	3"	2.19	2	\$362.96	\$1.32	\$364.29
3	4"	3.94	4	\$653.33	\$1.32	\$654.66
4	6"	8.44	1	\$1,400.00	\$1.32	\$1,401.32
5	8"	10.00	0	\$1,659.26	\$1.32	\$1,660.58
6	10"	26.25	1	\$4,355.55	\$1.32	\$4,356.88

### PROPOSED RATES WITH ADJUSTMENT

**Table 7-4** shows the proposed daily service charge for FY 2026 based on the revenue neutral rate (**Table 7-3**) adjusted by the proposed revenue adjustment of 3.1% in the first year (**Table 7-2**) and rounded up to the nearest cent.

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**Table 7-4: Proposed Monthly Service Charge after Adjustment**

Line	Meter Size	Revenue Neutral Rate	FY 2026 Rate	Current Rate	Difference (\$)	Difference (%)
1	2"	\$167.25	\$172.36	\$167.11	\$5.25	3.1%
2	3"	\$364.29	\$375.41	\$313.31	\$62.10	19.8%
3	4"	\$654.66	\$674.63	\$522.16	\$152.47	29.2%
4	6"	\$1,401.32	\$1,444.08	\$1,044.22	\$399.86	38.3%
5	8"	\$1,660.58	\$1,711.25	\$1,826.43	(\$115.18)	-6.3%
6	10"	\$4,356.88	\$4,489.80	\$2,738.91	\$1,750.89	63.9%

**7.5 PROPOSED QUANTITY RATE**

**REVENUE NEUTRAL RATES**

The revenue neutral rate represents the cost-of-service analysis for FY 2025 but does not include the proposed revenue adjustments for the first year of rates in FY 2026. **Table 7-5** shows the revenue neutral water usage charge for all customers, based on variable revenue requirement determined in **Table 7-2**.

**Table 7-5: Revenue Neutral Quantity Rate**

Line	Customer Class	Annual Usage (hcf)	Variable Revenue Requirement	Revenue Neutral Rate
1	Retail Customers	256,621	\$1,765,405	\$6.88

**PROPOSED RATES WITH ADJUSTMENT**

**Table 7-6** shows the proposed water usage charge for FY 2026 based on the revenue neutral rate (**Table 7-5**) adjusted by the proposed revenue adjustment of 3.1% in the first year (**Table 7-2**) and rounded up to the nearest cent.

**Table 7-6: Proposed Quantity Rate after Adjustment**

Line	Customer Class	Revenue Neutral Rate	FY 2026	Current Rate	Difference (\$)	Difference (%)
1	Retail Customers	\$6.88	\$7.09	\$7.31	(\$0.22)	-3%

**7.6 PROPOSED RECYCLED WATER RATE SCHEDULE**

**PROPOSED FIVE-YEAR REVENUE ADJUSTMENTS**

**Table 7-7** shows the revenue adjustments for the five-year period and their effective date based on the proposed financial plan (**Table 5-15**) and the retail only revenue adjustments (**Table 7-2**).

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**Table 7-7: Proposed Revenue Adjustments**

Line	Fiscal Year	Revenue Adjustments	Retail Only	Effective Date
1	FY 2026	3.5%	3.1%	7/1/2025
2	FY 2027	3.5%	4.5%	7/1/2026
3	FY 2028	3.5%	4.5%	7/1/2027
4	FY 2029	3.5%	4.4%	7/1/2028
5	FY 2030	3.5%	4.4%	7/1/2029

**PROPOSED FIVE-YEAR RECYCLED WATER RATE SCHEDULE**

The proposed five-year recycled water rate schedules are based on the cost-of-service analysis and the proposed revenue adjustments (**Table 7-7**, Retail Only column) in the five-year period. The proposed rates for FY 2026 through FY 2030 were calculated by increasing the FY 2025 rates by the revenue adjustments, rounded up to the nearest cent. **Table 7-8** shows the current and proposed monthly service charges and quantity rate. Please note that the proposed recycled water rates do not include any potential pass-through costs from Calleguas Municipal Water District starting 1/1/26.

**Table 7-8: Proposed Recycled Water Rates Schedule**

Line		As of 1/1/25	Effective 7/1/25	Effective 7/1/26	Effective 7/1/27	Effective 7/1/28	Effective 7/1/29
1	<b>Monthly Service Charges</b>						
2	2"	\$167.11	\$172.36	\$180.12	\$188.15	\$196.46	\$205.06
3	3"	\$313.31	\$375.41	\$392.30	\$409.78	\$427.87	\$446.60
4	4"	\$522.16	\$674.63	\$704.98	\$736.39	\$768.90	\$802.55
5	6"	\$1,044.22	\$1,444.08	\$1,509.04	\$1,576.28	\$1,645.87	\$1,717.90
6	8"	\$1,826.43	\$1,711.25	\$1,788.23	\$1,867.91	\$1,950.37	\$2,035.72
7	10"	\$2,738.91	\$4,489.80	\$4,691.77	\$4,900.81	\$5,117.16	\$5,341.09
8							
9	<b>Quantity Rate (\$/hcf)</b>						
10	Retail	\$7.31	\$7.09	\$7.41	\$7.75	\$8.10	\$8.46

## 8. WASTEWATER FINANCIAL PLAN

### 8.1 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 2026 through FY 2030; data for FY 2025 are shown when needed to represent actual or budgeted data inputs. 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.
- **Status quo financial plan projections:** Cash flow, reserve balances, and debt coverage are projected over the study period in the absence of additional rate increases (this scenario is called the "status quo"). Projected reserve balances and debt coverage are then compared to the agency's financial policy requirements and targets. The status quo financial plan provides a baseline to evaluate 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.

### 8.2 REVENUES

#### CURRENT WASTEWATER RATES

The District's current wastewater rate structure includes a fixed monthly service charge based on customer class. Residential customer charges are based on a per unit basis. Commercial customers are based on an equivalent residential unit (ERU) basis that is determined based on the number of fixture units, per the District's rate ordinance. **Table 8-1** shows the current wastewater rates for FY 2025.

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**Table 8-1: Current Wastewater Rates**

Line			As of 7/1/24
1	<b>Monthly Service Charges</b>		
2	Single Family		\$112.25
3	Multiple Residential	per unit	\$112.25
4	Apartment	per unit	\$89.78
5	Commercial/ Hotels/ Institutional/ Recreational	per ERU	\$112.25
6	Shopping Centers	per ERU	\$199.33
7	Restaurants/ Markets/ Mortuaries	per ERU	\$258.22

**CUSTOMER ACCOUNTS**

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 8-2** shows the projected number of units for each customer class for the study period. District staff provided actual data for FY 2025; this study assumes no growth in customer accounts throughout the study period.

**Table 8-2: Projected Customer Units by Customer Class**

Line	Customer Class	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Single Family	8,212	8,212	8,212	8,212	8,212	8,212
2	Multiple Residential	2,425	2,425	2,425	2,425	2,425	2,425
3	Apartment	1,217	1,217	1,217	1,217	1,217	1,217
4	Commercial/ Hotels/ Institutional/ Recreational	662	662	662	662	662	662
5	Shopping Centers	102	102	102	102	102	102
6	Restaurants/ Markets/ Mortuaries	205	205	205	205	205	205
7	Institutional Schools/ Government Manually Billed	268	268	268	268	268	268
8	Water Flow Commercial Rate ERU	225	225	225	225	225	225
9	Water Flow Restaurant Rate ERU	8	8	8	8	8	8
10	<b>Total Customer Units</b>	<b>13,325</b>	<b>13,325</b>	<b>13,325</b>	<b>13,325</b>	<b>13,325</b>	<b>13,325</b>

**REVENUES FROM CURRENT RATES**

**Table 8-3** shows the calculated wastewater rate revenues for the study period based on the current effective wastewater rates and the projected units of service. The residential revenue (Line 2) is calculated by multiplying the effective monthly service charge (**Table 8-1**) by the projected residential ERU (**Table 8-2**) for a period of 12 months. The commercial revenue (Line 3) is calculated by

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multiplying the effective monthly service charge (**Table 8-1**) by the projected commercial ERU (**Table 8-2**) for a period of 12 months.

**Table 8-3: Calculated Rate Revenues at Current Rates**

Line	Calculated Rate Revenues	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Rate Revenue</b>						
2	Residential Revenue	\$15,640,001	\$15,640,001	\$15,640,001	\$15,640,001	\$15,640,001	\$15,640,001
3	Commercial Revenue	\$2,460,352	\$2,460,352	\$2,460,352	\$2,460,352	\$2,460,352	\$2,460,352
4	<b>Total – Rate Revenue</b>	<b>\$18,100,353</b>	<b>\$18,100,353</b>	<b>\$18,100,353</b>	<b>\$18,100,353</b>	<b>\$18,100,353</b>	<b>\$18,100,353</b>

**REVENUE SUMMARY**

**Table 8-4** shows the summary of projected revenues for the study period. District staff provided the budgeted revenues for FY 2025; all other years are projected based on the relevant assumptions or calculations. Wastewater rate revenues (Line 1) are from Line 4 of **Table 8-3**. Miscellaneous revenue (Lines 4 and 5) are calculated based on a 2% escalation rate. Interest Income (Lines 6 and 7) is calculated based on ending fund balances and a 2% interest rate for FY 2026 through FY 2030.

**Table 8-4: Revenue Summary**

Line	Revenues	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Revenue Trade	\$18,100,353	\$18,100,353	\$18,100,353	\$18,100,353	\$18,100,353	\$18,100,353
2	Revenue-Bell Canyon Connection Fees	\$0	\$0	\$0	\$0	\$0	\$0
3	Revenue-Connection Fees	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000
4	Revenue-Permits, Inspection, Engineering	\$55,000	\$56,100	\$57,222	\$58,366	\$59,534	\$60,724
5	Revenue Penalties and Late Fees	\$17,000	\$17,340	\$17,687	\$18,041	\$18,401	\$18,769
6	Interest Income - LAIF	\$445,000	\$227,519	\$279,008	\$380,521	\$424,718	\$460,009
7	Interest Income - County Investments	\$0	\$51,752	\$42,772	\$29,229	\$40,359	\$41,796
8	Other Non Operating Revenue	\$0	\$0	\$0	\$0	\$0	\$0
9	<b>TOTAL REVENUES</b>	<b>\$18,702,353</b>	<b>\$18,538,065</b>	<b>\$18,582,042</b>	<b>\$18,671,510</b>	<b>\$18,728,365</b>	<b>\$18,766,651</b>

**8.3 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 8-5** shows the expense escalation factors used to inflate O&M expenses in FY 2026 through FY 2030.

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**Table 8-5: Expense Escalation Factors**

Line	Escalation Factors	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	General	4.0%	4.0%	4.0%	4.0%	4.0%
2	Salaries	5.0%	5.0%	5.0%	5.0%	5.0%
3	Benefits	8.0%	8.0%	8.0%	8.0%	8.0%
4	Chemicals	5.0%	5.0%	5.0%	5.0%	5.0%
5	Energy/Utilities	10.0%	10.0%	10.0%	10.0%	10.0%
6	Capital	4.0%	4.0%	4.0%	4.0%	4.0%
7	Water Supply	5.0%	5.0%	5.0%	5.0%	5.0%
8	Non-Inflated/ Passthrough	0.0%	0.0%	0.0%	0.0%	0.0%
9	Non-Recurring	-100.0%	-100.0%	-100.0%	-100.0%	-100.0%

**Table 8-6** shows the projected O&M expenses for the study period. District staff provided the budgeted O&M expenses for FY 2025. The budgeted values are escalated each year based on the escalation factors in **Table 8-5**.

**Table 8-6: Operating Expenses**

Line	Operating Expenses	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Wages - Board Member Fees	\$0	\$0	\$0	\$0	\$0	\$0
2	Wages - Regular	\$424,321	\$445,537	\$467,814	\$491,204	\$515,765	\$541,553
3	Wages - Standby	\$7,991	\$8,391	\$8,810	\$9,251	\$9,713	\$10,199
4	Wages - Overtime	\$7,379	\$7,748	\$8,135	\$8,542	\$8,969	\$9,418
5	Wages - Straight Overtime	\$0	\$0	\$0	\$0	\$0	\$0
6	Wages - Admin Leave	\$0	\$0	\$0	\$0	\$0	\$0
7	Wages - Annual Leave	\$0	\$0	\$0	\$0	\$0	\$0
8	Wages - Bereavement Leave	\$0	\$0	\$0	\$0	\$0	\$0
9	Wages - Jury Duty	\$0	\$0	\$0	\$0	\$0	\$0
10	Wages - Floating Holiday Leave	\$0	\$0	\$0	\$0	\$0	\$0
11	Wages - Holiday Leave	\$0	\$0	\$0	\$0	\$0	\$0
12	FICA/MCARE-Board Member	\$918	\$991	\$1,071	\$1,156	\$1,249	\$1,349
13	FICA/MCARE	\$35,653	\$38,505	\$41,585	\$44,912	\$48,505	\$52,385
14	EMPLOYEE ASSISTANCE PROG	\$388	\$419	\$452	\$489	\$528	\$570
15	STD/LTD	\$4,227	\$4,565	\$4,930	\$5,324	\$5,750	\$6,210
16	Life Insurance	\$456	\$492	\$531	\$574	\$620	\$669
17	FUTA/SUTA	\$0	\$0	\$0	\$0	\$0	\$0
18	CA Disability-ER Exp	\$0	\$0	\$0	\$0	\$0	\$0
19	Cafeteria Plan	\$0	\$0	\$0	\$0	\$0	\$0
20	Cafeteria/Medical/Opt Out	\$0	\$0	\$0	\$0	\$0	\$0
21	Medical Exp- (Sec 125 Supl)	\$112,982	\$122,020	\$131,782	\$142,324	\$153,710	\$166,007
22	Dental Insurance	\$0	\$0	\$0	\$0	\$0	\$0
23	Vision Insurance	\$0	\$0	\$0	\$0	\$0	\$0
24	401(a) Plan - ER Exp	\$83,818	\$90,523	\$97,765	\$105,587	\$114,033	\$123,156
25	Board Member Fees	\$6,600	\$6,864	\$7,139	\$7,424	\$7,721	\$8,030

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26	Membership and Dues	\$19,000	\$19,760	\$20,550	\$21,372	\$22,227	\$23,116
27	Insurance	\$29,400	\$30,576	\$31,799	\$33,071	\$34,394	\$35,770
28	Postage/Shipping	\$1,200	\$1,248	\$1,298	\$1,350	\$1,404	\$1,460
29	Printing and Binding	\$5,000	\$5,200	\$5,408	\$5,624	\$5,849	\$6,083
30	Personal Vehicle Mileage	\$0	\$0	\$0	\$0	\$0	\$0
31	Board-Conference and Seminar Expenses	\$34,902	\$36,298	\$37,750	\$39,260	\$40,830	\$42,464
32	Staff-Conference and Seminar Expenses	\$3,500	\$3,640	\$3,786	\$3,937	\$4,095	\$4,258
33	General Administrative Expenses	\$0	\$0	\$0	\$0	\$0	\$0
34	Misc Fees - Tax Collector	\$52,374	\$54,469	\$56,648	\$58,914	\$61,270	\$63,721
35	VRSD Contract Services-Labor	\$50,000	\$52,000	\$54,080	\$56,243	\$58,493	\$60,833
36	Attorney Services	\$0	\$0	\$0	\$0	\$0	\$0
37	IT Maint/Short term subscription	\$0	\$0	\$0	\$0	\$0	\$0
38	Subscription based IT agreement	\$7,350	\$7,644	\$7,950	\$8,268	\$8,598	\$8,942
39	Engineering Services	\$0	\$0	\$0	\$0	\$0	\$0
40	VRSD Contract Services	\$0	\$0	\$0	\$0	\$0	\$0
41	Outside Contracted Services	\$66,470	\$69,129	\$71,894	\$74,770	\$77,761	\$80,871
42	Contract Services - TWSD site	\$0	\$0	\$0	\$0	\$0	\$0
43	Other Professional Services	\$0	\$0	\$0	\$0	\$0	\$0
44	Employee Safety Supplies	\$0	\$0	\$0	\$0	\$0	\$0
45	Employee Uniforms/Supplies	\$0	\$0	\$0	\$0	\$0	\$0
46	Permits Licenses & Fees	\$217,300	\$225,992	\$235,032	\$244,433	\$254,210	\$264,379
47	Lab Services & Supplies	\$3,000	\$3,120	\$3,245	\$3,375	\$3,510	\$3,650
48	Gas/Diesel/Fuel	\$15,000	\$16,500	\$18,150	\$19,965	\$21,962	\$24,158
49	Materials & Supplies	\$56,000	\$58,240	\$60,570	\$62,992	\$65,512	\$68,133
50	Operating Services	\$221,900	\$230,776	\$240,007	\$249,607	\$259,592	\$269,975
51	Utilities-Water	\$0	\$0	\$0	\$0	\$0	\$0
52	Utilities-Telephone	\$16,250	\$16,900	\$17,576	\$18,279	\$19,010	\$19,771
53	Utilities-Electric,Trash,Other	\$45,000	\$46,800	\$48,672	\$50,619	\$52,644	\$54,749
54	Office Supplies/Equipment	\$0	\$0	\$0	\$0	\$0	\$0
55	Equipment Repairs/Maintenance	\$50,500	\$52,520	\$54,621	\$56,806	\$59,078	\$61,441
56	Rents and Leases Equipment	\$0	\$0	\$0	\$0	\$0	\$0
57	Small Tools & Equipment	\$0	\$0	\$0	\$0	\$0	\$0
58	Minor Equipment	\$0	\$0	\$0	\$0	\$0	\$0
59	Computer Equipment <5000	\$0	\$0	\$0	\$0	\$0	\$0
60	PWP Demo Project	\$0	\$0	\$0	\$0	\$0	\$0
61	JV Advances Paid	\$0	\$0	\$0	\$0	\$0	\$0
62	Sewage Treatment LVMWD	\$7,277,915	\$8,005,707	\$8,806,277	\$9,686,905	\$10,655,595	\$11,721,155
63	Other Machinery & Equipment	\$0	\$0	\$0	\$0	\$0	\$0
64	Enterprise Fund-Central Administr-Overhead Cost AI	\$1,794,003	\$1,757,059	\$1,849,702	\$1,947,578	\$2,051,008	\$2,160,329
65							
66	<b>Total Operating Expense</b>	<b>\$10,650,796</b>	<b>\$11,419,633</b>	<b>\$12,395,028</b>	<b>\$13,460,155</b>	<b>\$14,623,604</b>	<b>\$15,894,804</b>

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**8.4 DEBT SERVICE**

**Table 8-7** shows the District’s projected annual debt service for the study period for the PWP costs, provided by District staff.

**Table 8-7: Pure Water Project Projected Debt Service**

Line	Debt Service	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Pure Water Project Debt Service	\$0	\$280,599	\$1,449,751	\$3,649,859	\$5,161,662	\$5,910,287

**8.5 CAPITAL IMPROVEMENT PLAN**

**CAPITAL IMPROVEMENT PROJECTS**

The District provided a 10-year CIP plan, the relevant six years costs are shown in **Table 8-8**. The CIP does not include capital expenses for the PWP, which will be funded primarily through debt.

**Table 8-8: Capital Project Costs**

Line	Capital Improvement Projects	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	JPA Wastewater Capital Program	\$4,031,616	\$2,349,413	\$2,148,046	\$1,561,846	\$2,653,644	\$1,665,804
2	Design and Construction of Improvements for the Bell Canyon Lift System (R&R)	\$0	\$0	\$0	\$0	\$0	\$387,563
3	Design and Construction of Improvements for the North Shore Gravity System	\$0	\$0	\$0	\$0	\$0	\$0
4	WW Collection System Repair/Rehabilitation	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
5							
6	Shared Assets						
7	Deerhill Operations Center Upgrades (60% cost allocation)	\$274,047	\$274,047	\$0	\$0	\$0	\$0
8	New District Office Complex (60% cost allocation)	\$0	\$0	\$0	\$0	\$0	\$0
9							
15	<b>Total Capital Improvement Projects</b>	<b>\$4,505,663</b>	<b>\$2,823,460</b>	<b>\$2,348,046</b>	<b>\$1,761,846</b>	<b>\$2,853,644</b>	<b>\$2,253,367</b>

**CAPITAL FINANCING PLAN**

**Table 8-9** shows the capital financing plan. All capital projects costs will be funded by wastewater rates or reserves (Line 2).

Table 8-9: Capital Financing Plan

Line	Capital Financing Plan	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Debt Funded CIP	\$0	\$0	\$0	\$0	\$0	\$0
2	Rate Funded CIP	\$4,505,663	\$2,823,460	\$2,348,046	\$1,761,846	\$2,853,644	\$2,253,367
3	<b>Total - Capital Financing Plan</b>	<b>\$4,505,663</b>	<b>\$2,823,460</b>	<b>\$2,348,046</b>	<b>\$1,761,846</b>	<b>\$2,853,644</b>	<b>\$2,253,367</b>

## 8.6 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 cover unexpected repairs.

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

- Operating Fund Target: a minimum of 3 months and a maximum of 6 months of annual operating expenses, excluding depreciation
- Capital Improvement and Capital Replacement Target: 5-year rolling average of the capital improvement projects
- Rate Stabilization Target: a minimum of 3 months and a maximum of 6 months of annual operating revenues, excluding connection fees
- Debt Service Reserve Target: 1-year of debt service payments

The reserve target for the study period ranges from approximately \$10.1 to \$28.3 million in the District’s reserve funds.

### DEBT COVERAGE REQUIREMENT

The District’s debt coverage requirement is 120% of the 5-year maximum annual debt service (MADS). To meet coverage requirements, net revenues (revenues less operating expenses) must be 120% or more of maximum annual debt service within the next 5-year period. However, the District’s desired debt coverage requirement is 150%. A higher coverage ratio would typically result in higher credit rating and lower interest rates.

## 8.7 STATUS QUO FINANCIAL PLAN

### STATUS QUO CASH FLOW PROJECTIONS

**Table 8-10** shows the cash flow projections for the status quo financial plan. Revenues<sup>10</sup> (Lines 1-8) are from **Table 8-4**. Operating expenses (Lines 10-14) are from **Table 8-6**. Net operating revenue (Line 16) is equal to the difference between total revenues (Line 8) and total expenses (Line 14). Debt

<sup>10</sup> Interest income (Line 7) is different in the status quo financial plan scenario because it is based on projected fund balances. The status quo scenario results in lower fund balances; therefore, the District has less interest income. **Table 8-4** shows the interest income for the proposed financial plan scenario.

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service (Lines 18-22) is from **Table 8-7**. Rate funded CIP (Line 25) is the total capital projects from **Table 8-9**. Net cash flow (Line 29) is equal to the net operating revenue (Line 16) less debt service (Line 22) and rate funded CIP (Line 27). Debt proceeds and debt funded CIP are not included in the cash flow projections.

The net operating revenue in this scenario is positive for all years, meaning that the District's current revenues are sufficient to fund its operating expenses in the near future. However, the net cash flow in the status quo scenario is negative for FY 2025 through FY 2030, except for FY 2027, meaning that the District's current revenues are not sufficient to fund its debt service and annual CIP.

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Table 8-10: Projected Cash Flows (Status Quo Financial Plan)

Line	Cash Flow Projections	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Revenues</b>						
2	Rate Revenues at Existing Rates	\$18,100,353	\$18,100,353	\$18,100,353	\$18,100,353	\$18,100,353	\$18,100,353
3	Revenue Adjustments	\$0	\$0	\$0	\$0	\$0	\$0
4	Connection Fees	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000
5	Miscellaneous Revenues	\$72,000	\$73,440	\$74,909	\$76,407	\$77,935	\$79,494
6	All Other Revenues	\$0	\$0	\$0	\$0	\$0	\$0
7	Interest Income	\$445,000	\$266,602	\$269,959	\$289,932	\$245,873	\$149,098
8	<b>Subtotal - Revenues</b>	<b>\$18,702,353</b>	<b>\$18,525,395</b>	<b>\$18,530,221</b>	<b>\$18,551,692</b>	<b>\$18,509,161</b>	<b>\$18,413,945</b>
9							
10	<b>Operating Expenses</b>						
11	Operating Cost	\$3,372,881	\$3,413,926	\$3,588,750	\$3,773,250	\$3,968,009	\$4,173,649
12	Potable Water Purchases	\$7,277,915	\$8,005,707	\$8,806,277	\$9,686,905	\$10,655,595	\$11,721,155
13	Pure Water Projected Operating	\$0	\$0	\$0	\$0	\$0	\$0
14	<b>Subtotal - Operating Expenses</b>	<b>\$10,650,796</b>	<b>\$11,419,633</b>	<b>\$12,395,028</b>	<b>\$13,460,155</b>	<b>\$14,623,604</b>	<b>\$15,894,804</b>
15							
16	<b>Net Revenue</b>	<b>\$8,051,557</b>	<b>\$7,105,762</b>	<b>\$6,135,193</b>	<b>\$5,091,536</b>	<b>\$3,885,557</b>	<b>\$2,519,141</b>
17							
18	<b>Debt Service</b>						
19	Existing Debt	\$0	\$0	\$0	\$0	\$0	\$0
20	Pure Water Debt Service	\$0	\$280,599	\$1,449,751	\$3,649,859	\$5,161,662	\$5,910,287
21	Proposed Debt	\$0	\$0	\$0	\$0	\$0	\$0
22	<b>Subtotal - Debt Service</b>	<b>\$0</b>	<b>\$280,599</b>	<b>\$1,449,751</b>	<b>\$3,649,859</b>	<b>\$5,161,662</b>	<b>\$5,910,287</b>
23							
24	<b>Capital Projects</b>						
25	Rate Funded CIP	\$4,505,663	\$2,823,460	\$2,348,046	\$1,761,846	\$2,853,644	\$2,253,367
26	Pure Water Project - Rate Funded	\$10,000,000	\$6,000,000	\$0	\$0	\$0	\$0
27	<b>Subtotal - Capital Projects</b>	<b>\$14,505,663</b>	<b>\$8,823,460</b>	<b>\$2,348,046</b>	<b>\$1,761,846</b>	<b>\$2,853,644</b>	<b>\$2,253,367</b>
28							
29	<b>Net Cash Flow</b>	<b>(\$6,454,106)</b>	<b>(\$1,998,296)</b>	<b>\$2,337,396</b>	<b>(\$320,168)</b>	<b>(\$4,129,750)</b>	<b>(\$5,644,513)</b>

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**STATUS QUO FUND BALANCE PROJECTIONS**

Table 8-11 shows the fund balance projections for the status quo financial plan, including the operating, capital improvement and capital replacement, rate stabilization, and debt service funds. Based on the sources (revenues) and uses (operating expenses, debt service, and CIP) of funds, the District’s total fund balances will be approximately \$4.7 million at the end of the study in FY 2030, with the operating fund being in the negative.

**Table 8-11: Projected Fund Balances (Status Quo Financial Plan)**

Line	Fund Balance Projections	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Operating Fund</b>						
2	<b>Beginning Balance</b>	<b>\$3,947,456</b>	<b>\$6,914,013</b>	<b>\$3,352,424</b>	<b>\$6,910,094</b>	<b>\$3,487,543</b>	<b>(\$2,913,921)</b>
3							
4	<b>Sources of Funds</b>						
5	Rate Revenues	\$18,100,353	\$18,100,353	\$18,100,353	\$18,100,353	\$18,100,353	\$18,100,353
6	Revenue Adjustments	\$0	\$0	\$0	\$0	\$0	\$0
7	Non-Rate Revenues	\$72,000	\$73,440	\$74,909	\$76,407	\$77,935	\$79,494
8	Interest Income	\$445,000	\$214,849	\$227,187	\$260,703	\$205,514	\$107,302
9	<b>Subtotal - Sources of Funds</b>	<b>\$18,617,353</b>	<b>\$18,388,642</b>	<b>\$18,402,448</b>	<b>\$18,437,463</b>	<b>\$18,383,802</b>	<b>\$18,287,149</b>
10							
11	<b>Uses of Funds</b>						
12	Operating Expenses	\$10,650,796	\$11,419,633	\$12,395,028	\$13,460,155	\$14,623,604	\$15,894,804
13	Transfers to/(from) Capital Reserves	\$5,000,000	\$10,000,000	\$0	\$2,500,000	\$3,000,000	\$2,000,000
14	Debt Service	\$0	\$280,599	\$1,449,751	\$3,649,859	\$5,161,662	\$5,910,287
15	Transfers to/(from) Debt Service Reserve	\$0	\$250,000	\$1,000,000	\$2,250,000	\$2,000,000	\$300,000
16	<b>Subtotal - Uses of Funds</b>	<b>\$15,650,796</b>	<b>\$21,950,231</b>	<b>\$14,844,778</b>	<b>\$21,860,014</b>	<b>\$24,785,267</b>	<b>\$24,105,091</b>
17							
18	<b>Ending Balance</b>	<b>\$6,914,013</b>	<b>\$3,352,424</b>	<b>\$6,910,094</b>	<b>\$3,487,543</b>	<b>(\$2,913,921)</b>	<b>(\$8,731,863)</b>
19							
20	<b>Capital Improvement and Capital Replacement Reserves Fund</b>						
21	<b>Beginning Balance</b>	<b>\$11,377,515</b>	<b>\$1,956,852</b>	<b>\$3,270,144</b>	<b>\$1,049,870</b>	<b>\$1,902,254</b>	<b>\$2,173,968</b>

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22							
23	<b>Sources of Funds</b>						
24	Connection Fees	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000
25	Transfers from/(to) Operating Fund	\$5,000,000	\$10,000,000	\$0	\$2,500,000	\$3,000,000	\$2,000,000
26	Debt Proceeds	\$0	\$0	\$0	\$0	\$0	\$0
27	Interest Income	\$0	\$51,752	\$42,772	\$29,229	\$40,359	\$41,796
28	<b>Subtotal - Sources of Funds</b>	<b>\$5,085,000</b>	<b>\$10,136,752</b>	<b>\$127,772</b>	<b>\$2,614,229</b>	<b>\$3,125,359</b>	<b>\$2,126,796</b>
29							
30	<b>Uses of Funds</b>						
31	Debt Funded CIP	\$0	\$0	\$0	\$0	\$0	\$0
32	Rate Funded CIP	\$4,505,663	\$2,823,460	\$2,348,046	\$1,761,846	\$2,853,644	\$2,253,367
33	Pure Water Project - Rate Funded	\$10,000,000	\$6,000,000	\$0	\$0	\$0	\$0
34	<b>Subtotal - Uses of Funds</b>	<b>\$14,505,663</b>	<b>\$8,823,460</b>	<b>\$2,348,046</b>	<b>\$1,761,846</b>	<b>\$2,853,644</b>	<b>\$2,253,367</b>
35							
36	<b>Ending Balance</b>	<b>\$1,956,852</b>	<b>\$3,270,144</b>	<b>\$1,049,870</b>	<b>\$1,902,254</b>	<b>\$2,173,968</b>	<b>\$2,047,397</b>
37							
38	<b>Rate Stabilization Fund</b>						
39	<b>Beginning Balance</b>	<b>\$5,591,666</b>	<b>\$5,591,666</b>	<b>\$5,591,666</b>	<b>\$5,591,666</b>	<b>\$5,591,666</b>	<b>\$5,591,666</b>
40							
41	Transfers In/(Out)	\$0	\$0	\$0	\$0	\$0	\$0
42							
43	<b>Ending Balance</b>	<b>\$5,591,666</b>	<b>\$5,591,666</b>	<b>\$5,591,666</b>	<b>\$5,591,666</b>	<b>\$5,591,666</b>	<b>\$5,591,666</b>
44							
45	<b>Debt Service Reserve Fund</b>						
46	<b>Beginning Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$250,000</b>	<b>\$1,250,000</b>	<b>\$3,500,000</b>	<b>\$5,500,000</b>
47							
48	Transfers In/(Out)	\$0	\$250,000	\$1,000,000	\$2,250,000	\$2,000,000	\$300,000
49							
50	<b>Ending Balance</b>	<b>\$0</b>	<b>\$250,000</b>	<b>\$1,250,000</b>	<b>\$3,500,000</b>	<b>\$5,500,000</b>	<b>\$5,800,000</b>

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**STATUS QUO FINANCIAL PERFORMANCE**

The District’s financial performance is evaluated based on the reserve targets and debt coverage requirements, as shown in **Table 8-12**. Under the status quo financial plan, the District will not meet its reserve targets starting in FY 2029 and will not meet its required debt coverage starting in FY 2027, which will result in a technical default.

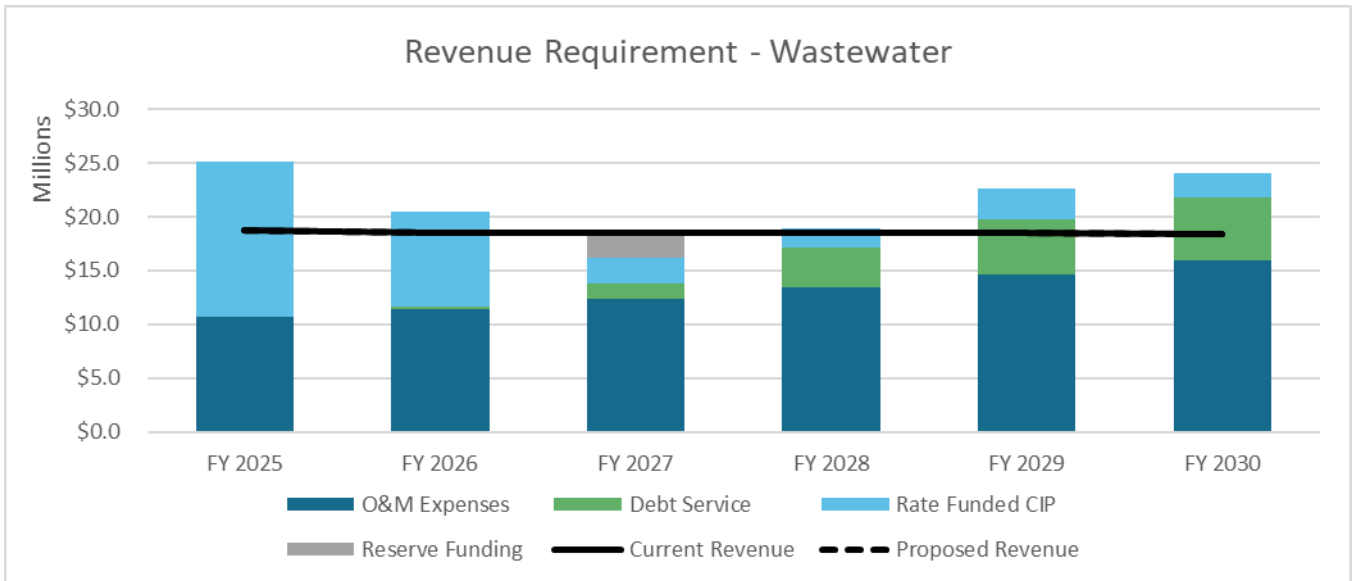
**Table 8-12: Forecasted Financial Performance (Status Quo Financial Plan)**

Line	Financial Performance	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Existing Reserve Targets</b>						
2	Operating Fund	\$2,662,699	\$2,854,908	\$3,098,757	\$3,365,039	\$3,655,901	\$3,973,701
3	Capital Improvement and Capital Replacement Reserves Fund	\$2,858,532	\$2,408,073	\$2,132,150	\$1,844,432	\$1,906,672	\$1,750,551
4	Rate Stabilization	\$4,543,088	\$4,543,448	\$4,543,815	\$4,544,190	\$4,544,572	\$4,544,962
5	Debt Service Reserve	\$0	\$280,599	\$1,449,751	\$3,649,859	\$5,161,662	\$5,910,287
6	<b>Total Minimum Target</b>	<b>\$10,064,319</b>	<b>\$10,087,028</b>	<b>\$11,224,473</b>	<b>\$13,403,520</b>	<b>\$15,268,807</b>	<b>\$16,179,501</b>
7	<b>Total Maximum Target</b>	<b>\$17,270,106</b>	<b>\$17,485,384</b>	<b>\$18,867,046</b>	<b>\$21,312,749</b>	<b>\$23,469,280</b>	<b>\$24,698,164</b>
8	Total Fund Balances	\$14,462,531	\$12,464,234	\$14,801,630	\$14,481,463	\$10,351,713	\$4,707,200
9	Meets Target?	Yes	Yes	Yes	Yes	No	No
10							
11	<b>Debt Coverage Calculation</b>						
12	Required Debt Coverage	120%	120%	120%	120%	120%	120%
13	Desired Debt Coverage	150%	150%	150%	150%	150%	150%
14	Calculated Debt Coverage	#N/A	120%	97%	75%	58%	37%
15	Meets Target?	#N/A	Yes	No	No	No	No

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**Figure 8-1** shows the comparison of revenues and the revenue requirement for the status quo scenario. The stacked bars represent the revenue requirements, or costs: teal for O&M expenses, green for debt service, and blue for rate funded CIP. The District will not be adding to its reserves (grey bars) in this scenario, except for FY 2027. The current revenue, shown as a solid line, is lower than the revenue requirements, meaning that revenues are insufficient to fund necessary costs in all years except FY 2027.

**Figure 8-1: Revenue Requirements vs. Revenues (Status Quo Financial Plan)**



**Figure 8-2** shows the debt coverage projections in the status quo financial plan. The required debt coverage (solid black line) is equal to 120%. The desired coverage (dashed dark blue line) is equal to 150%. The District will not meet its debt coverage requirements starting in FY 2027 in this scenario, indicated by the alert coverage (red circles).

Figure 8-2: Projected Debt Coverage (Status Quo Financial Plan)

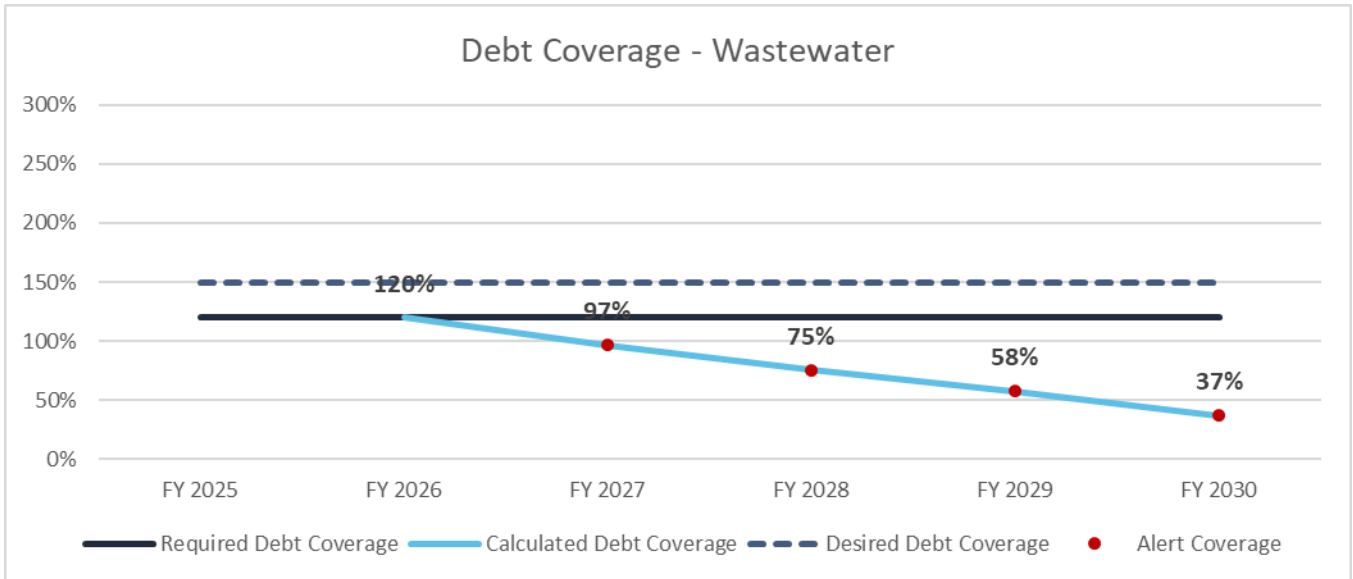
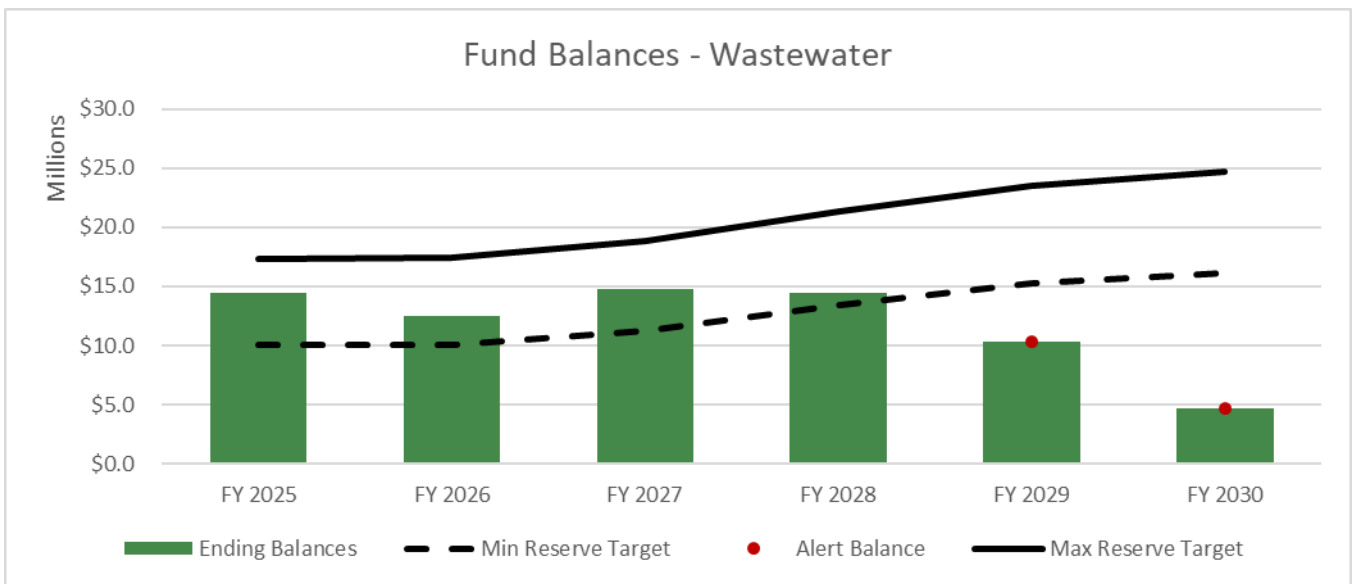


Figure 8-3 shows the fund balance projections in the status quo financial plan. The District’s ending balance (green bars) will not meet the reserve targets (solid and dashed lines) starting in FY 2029, indicated by the alert coverage (red circles).

Figure 8-3: Projected Fund Balances (Status Quo Financial Plan)



## 8.8 PROPOSED FINANCIAL PLAN

### PROPOSED FINANCIAL PLAN

The proposed financial plan includes five years of revenue adjustments, shown in **Table 8-13**.

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Table 8-13: Proposed Financial Plan

Line	Fiscal Year	Revenue Adjustments	Effective Month
1	FY 2026	7%	July
2	FY 2027	7%	July
3	FY 2028	7%	July
4	FY 2029	7%	July
5	FY 2030	7%	July

**PROPOSED CASH FLOW PROJECTIONS**

Table 8-14 shows the cash flow projections for the proposed financial plan. Revenues (Lines 1-8) are from Table 8-4, with the exception of revenue adjustments (Line 3), which are based on the adjustments shown in Table 8-13. Operating expenses (Lines 10-14) are from Table 8-6. Net operating revenue (Line 16) is equal to the difference between total revenues (Line 8) and total expenses (Line 14). Debt service (Lines 18-22) is from Table 8-7. Rate funded CIP (Line 25) is from Table 8-9. Net cash flow (Line 29) is equal to the net operating revenue (Line 16) less debt service (Line 22) and rate funded CIP (Line 27). Debt proceeds and debt funded CIP are not included in the cash flow projections, since they are accounted for in the rate funded CIP projection numbers.

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Table 8-14: Projected Cash Flows (Proposed Financial Plan)

Line	Cash Flow Projections	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Revenues</b>						
2	Rate Revenues at Existing Rates	\$18,100,353	\$18,100,353	\$18,100,353	\$18,100,353	\$18,100,353	\$18,100,353
3	Revenue Adjustments	\$0	\$1,267,025	\$2,622,741	\$4,073,358	\$5,625,517	\$7,286,328
4	Connection Fees	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000
5	Miscellaneous Revenues	\$72,000	\$73,440	\$74,909	\$76,407	\$77,935	\$79,494
6	All Other Revenues	\$0	\$0	\$0	\$0	\$0	\$0
7	Interest Income	\$445,000	\$279,272	\$321,780	\$409,750	\$465,077	\$501,805
8	<b>Subtotal - Revenues</b>	<b>\$18,702,353</b>	<b>\$19,805,090</b>	<b>\$21,204,783</b>	<b>\$22,744,868</b>	<b>\$24,353,882</b>	<b>\$26,052,980</b>
9							
10	<b>Operating Expenses</b>						
11	Operating Cost	\$3,372,881	\$3,413,926	\$3,588,750	\$3,773,250	\$3,968,009	\$4,173,649
12	Potable Water Purchases	\$7,277,915	\$8,005,707	\$8,806,277	\$9,686,905	\$10,655,595	\$11,721,155
13	Pure Water Projected Operating	\$0	\$0	\$0	\$0	\$0	\$0
14	<b>Subtotal - Operating Expenses</b>	<b>\$10,650,796</b>	<b>\$11,419,633</b>	<b>\$12,395,028</b>	<b>\$13,460,155</b>	<b>\$14,623,604</b>	<b>\$15,894,804</b>
15							
16	<b>Net Revenue</b>	<b>\$8,051,557</b>	<b>\$8,385,457</b>	<b>\$8,809,756</b>	<b>\$9,284,713</b>	<b>\$9,730,278</b>	<b>\$10,158,176</b>
17							
18	<b>Debt Service</b>						
19	Existing Debt	\$0	\$0	\$0	\$0	\$0	\$0
20	Pure Water Debt Service	\$0	\$280,599	\$1,449,751	\$3,649,859	\$5,161,662	\$5,910,287
21	Proposed Debt	\$0	\$0	\$0	\$0	\$0	\$0
22	<b>Subtotal - Debt Service</b>	<b>\$0</b>	<b>\$280,599</b>	<b>\$1,449,751</b>	<b>\$3,649,859</b>	<b>\$5,161,662</b>	<b>\$5,910,287</b>
23							
24	<b>Capital Projects</b>						
25	Rate Funded CIP	\$4,505,663	\$2,823,460	\$2,348,046	\$1,761,846	\$2,853,644	\$2,253,367
26	Pure Water Project - Rate Funded	\$10,000,000	\$6,000,000	\$0	\$0	\$0	\$0
27	<b>Subtotal - Capital Projects</b>	<b>\$14,505,663</b>	<b>\$8,823,460</b>	<b>\$2,348,046</b>	<b>\$1,761,846</b>	<b>\$2,853,644</b>	<b>\$2,253,367</b>
28							
29	<b>Net Cash Flow</b>	<b>(\$6,454,106)</b>	<b>(\$718,601)</b>	<b>\$5,011,959</b>	<b>\$3,873,009</b>	<b>\$1,714,972</b>	<b>\$1,994,522</b>

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**PROPOSED FUND BALANCE PROJECTIONS**

**Table 8-15** shows the fund balance projections for the proposed financial plan, including the operating, capital improvement and capital replacement, rate stabilization, and debt service funds. Based on the sources (revenues, revenue adjustments, debt proceeds) and uses (operating expenses, debt service, and CIP) of funds, the District’s total fund balances will be approximately \$26.3 million at the end of the study in FY 2030.

**Table 8-15: Projected Fund Balances (Proposed Financial Plan)**

Line	Fund Balance Projections	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Operating Fund</b>						
2	<b>Beginning Balance</b>	<b>\$3,947,456</b>	<b>\$6,914,013</b>	<b>\$4,632,119</b>	<b>\$10,864,352</b>	<b>\$11,634,977</b>	<b>\$11,078,234</b>
3							
4	<b>Sources of Funds</b>						
5	Rate Revenues	\$18,100,353	\$18,100,353	\$18,100,353	\$18,100,353	\$18,100,353	\$18,100,353
6	Revenue Adjustments	\$0	\$1,267,025	\$2,622,741	\$4,073,358	\$5,625,517	\$7,286,328
7	Non-Rate Revenues	\$72,000	\$73,440	\$74,909	\$76,407	\$77,935	\$79,494
8	Interest Income	\$445,000	\$227,519	\$279,008	\$380,521	\$424,718	\$460,009
9	<b>Subtotal - Sources of Funds</b>	<b>\$18,617,353</b>	<b>\$19,668,337</b>	<b>\$21,077,011</b>	<b>\$22,630,639</b>	<b>\$24,228,524</b>	<b>\$25,926,184</b>
10							
11	<b>Uses of Funds</b>						
12	Operating Expenses	\$10,650,796	\$11,419,633	\$12,395,028	\$13,460,155	\$14,623,604	\$15,894,804
13	Transfers to/(from) Capital Reserves	\$5,000,000	\$10,000,000	\$0	\$2,500,000	\$3,000,000	\$2,000,000
14	Debt Service	\$0	\$280,599	\$1,449,751	\$3,649,859	\$5,161,662	\$5,910,287
15	Transfers to/(from) Debt Service Reserve	\$0	\$250,000	\$1,000,000	\$2,250,000	\$2,000,000	\$300,000
16	<b>Subtotal - Uses of Funds</b>	<b>\$15,650,796</b>	<b>\$21,950,231</b>	<b>\$14,844,778</b>	<b>\$21,860,014</b>	<b>\$24,785,267</b>	<b>\$24,105,091</b>
17							
18	<b>Ending Balance</b>	<b>\$6,914,013</b>	<b>\$4,632,119</b>	<b>\$10,864,352</b>	<b>\$11,634,977</b>	<b>\$11,078,234</b>	<b>\$12,899,327</b>
19							
20	<b>Capital Improvement and Capital Replacement Reserves Fund</b>						
21	<b>Beginning Balance</b>	<b>\$11,377,515</b>	<b>\$1,956,852</b>	<b>\$3,270,144</b>	<b>\$1,049,870</b>	<b>\$1,902,254</b>	<b>\$2,173,968</b>

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22							
23	<b>Sources of Funds</b>						
24	Connection Fees	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000
25	Transfers from/(to) Operating Fund	\$5,000,000	\$10,000,000	\$0	\$2,500,000	\$3,000,000	\$2,000,000
26	Debt Proceeds	\$0	\$0	\$0	\$0	\$0	\$0
27	Interest Income	\$0	\$51,752	\$42,772	\$29,229	\$40,359	\$41,796
28	<b>Subtotal - Sources of Funds</b>	<b>\$5,085,000</b>	<b>\$10,136,752</b>	<b>\$127,772</b>	<b>\$2,614,229</b>	<b>\$3,125,359</b>	<b>\$2,126,796</b>
29							
30	<b>Uses of Funds</b>						
31	Debt Funded CIP	\$0	\$0	\$0	\$0	\$0	\$0
32	Rate Funded CIP	\$4,505,663	\$2,823,460	\$2,348,046	\$1,761,846	\$2,853,644	\$2,253,367
33	Pure Water Project - Rate Funded	\$10,000,000	\$6,000,000	\$0	\$0	\$0	\$0
34	<b>Subtotal - Uses of Funds</b>	<b>\$14,505,663</b>	<b>\$8,823,460</b>	<b>\$2,348,046</b>	<b>\$1,761,846</b>	<b>\$2,853,644</b>	<b>\$2,253,367</b>
35							
36	<b>Ending Balance</b>	<b>\$1,956,852</b>	<b>\$3,270,144</b>	<b>\$1,049,870</b>	<b>\$1,902,254</b>	<b>\$2,173,968</b>	<b>\$2,047,397</b>
37							
38	<b>Rate Stabilization Fund</b>						
39	<b>Beginning Balance</b>	<b>\$5,591,666</b>	<b>\$5,591,666</b>	<b>\$5,591,666</b>	<b>\$5,591,666</b>	<b>\$5,591,666</b>	<b>\$5,591,666</b>
40							
41	Transfers In/(Out)	\$0	\$0	\$0	\$0	\$0	\$0
42							
43	<b>Ending Balance</b>	<b>\$5,591,666</b>	<b>\$5,591,666</b>	<b>\$5,591,666</b>	<b>\$5,591,666</b>	<b>\$5,591,666</b>	<b>\$5,591,666</b>
44							
45	<b>Debt Service Reserve Fund</b>						
46	<b>Beginning Balance</b>	<b>\$0</b>	<b>\$0</b>	<b>\$250,000</b>	<b>\$1,250,000</b>	<b>\$3,500,000</b>	<b>\$5,500,000</b>
47							
48	Transfers In/(Out)	\$0	\$250,000	\$1,000,000	\$2,250,000	\$2,000,000	\$300,000
49							
50	<b>Ending Balance</b>	<b>\$0</b>	<b>\$250,000</b>	<b>\$1,250,000</b>	<b>\$3,500,000</b>	<b>\$5,500,000</b>	<b>\$5,800,000</b>

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**PROPOSED FINANCIAL PERFORMANCE**

**Table 8-16** shows the forecasted financial performance for the proposed financial plan. Under this plan, the District will meet its reserve targets and its debt coverage requirements in all years with the proposed revenue adjustments.

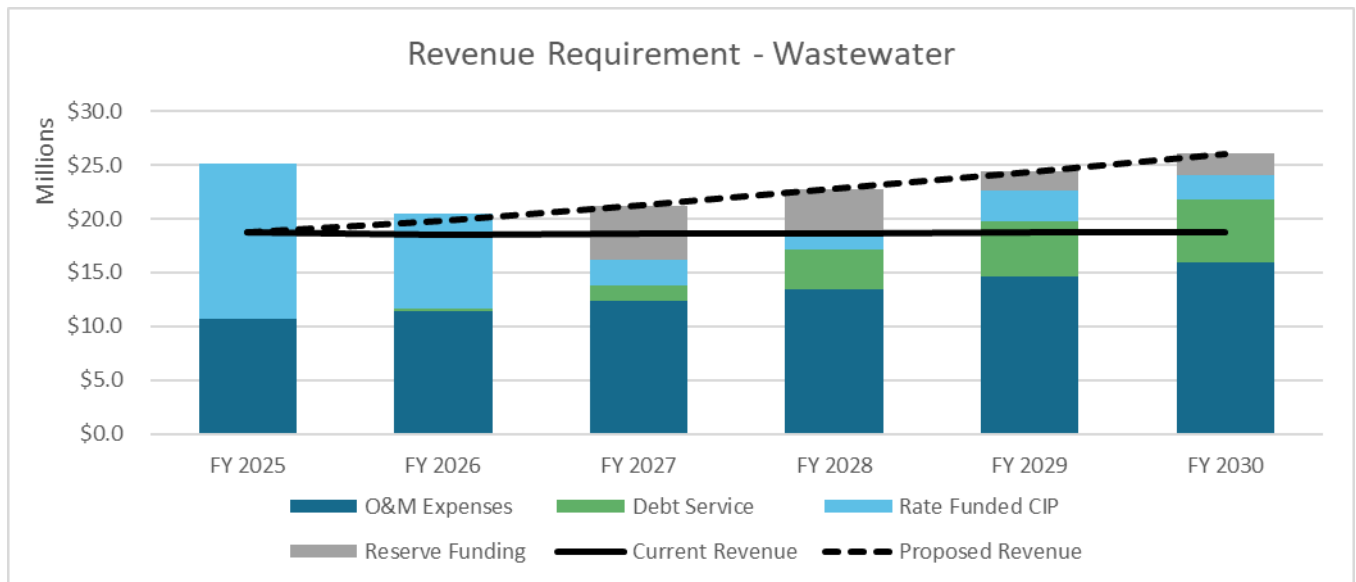
**Table 8-16: Forecasted Financial Performance (Proposed Financial Plan)**

Line	Financial Performance	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	<b>Existing Reserve Targets</b>						
2	Operating Fund	\$2,662,699	\$2,854,908	\$3,098,757	\$3,365,039	\$3,655,901	\$3,973,701
3	Capital Improvement and Capital Replacement Reserves Fund	\$2,858,532	\$2,408,073	\$2,132,150	\$1,844,432	\$1,906,672	\$1,750,551
4	Rate Stabilization	\$4,543,088	\$4,860,204	\$5,199,501	\$5,562,529	\$5,950,951	\$6,366,544
5	Debt Service Reserve	\$0	\$280,599	\$1,449,751	\$3,649,859	\$5,161,662	\$5,910,287
6	<b>Total Minimum Target</b>	<b>\$10,064,319</b>	<b>\$10,403,784</b>	<b>\$11,880,159</b>	<b>\$14,421,859</b>	<b>\$16,675,186</b>	<b>\$18,001,083</b>
7	<b>Total Maximum Target</b>	<b>\$17,270,106</b>	<b>\$18,118,896</b>	<b>\$20,178,416</b>	<b>\$23,349,427</b>	<b>\$26,282,039</b>	<b>\$28,341,328</b>
8	Total Fund Balances	\$14,462,531	\$13,743,929	\$18,755,888	\$22,628,896	\$24,343,868	\$26,338,390
9	Meets Target?	Yes	Yes	Yes	Yes	Yes	Yes
10							
11	<b>Debt Coverage Calculation</b>						
12	Required Debt Coverage	120%	120%	120%	120%	120%	120%
13	Desired Debt Coverage	150%	150%	150%	150%	150%	150%
14	Calculated Debt Coverage	#N/A	142%	139%	138%	144%	150%
15	Meets Target?	#N/A	Yes	Yes	Yes	Yes	Yes

## Triunfo Water and Sanitation District 2025 Potable Water, Recycled Water, and Wastewater Cost of Service and Rate Study

**Figure 8-4** shows the comparison of revenues and the revenue requirement for the proposed scenario. The stacked bars represent the revenue requirements, or costs. The District will add to its reserves (grey bars) in this scenario. The current revenue, shown as a solid line, is significantly lower than the revenue requirements. The proposed revenue, shown as a dotted line, is lower than the revenue requirements in FY 2026, however from FY 2027 to FY 2030 the proposed revenue exceeds the revenue requirements indicating that the District will be able to sufficiently fund its expenses in the near future and contribute to reserves.

**Figure 8-4: Revenue Requirements vs. Revenues (Proposed Financial Plan)**



**Figure 8-5** shows the debt coverage projections in the proposed financial plan. The required debt coverage (solid black line) is equal to 120%. The desired coverage (dashed dark blue line) is equal to 150%. The District will meet its debt coverage requirements in this scenario.

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**Figure 8-5: Projected Debt Coverage (Proposed Financial Plan)**

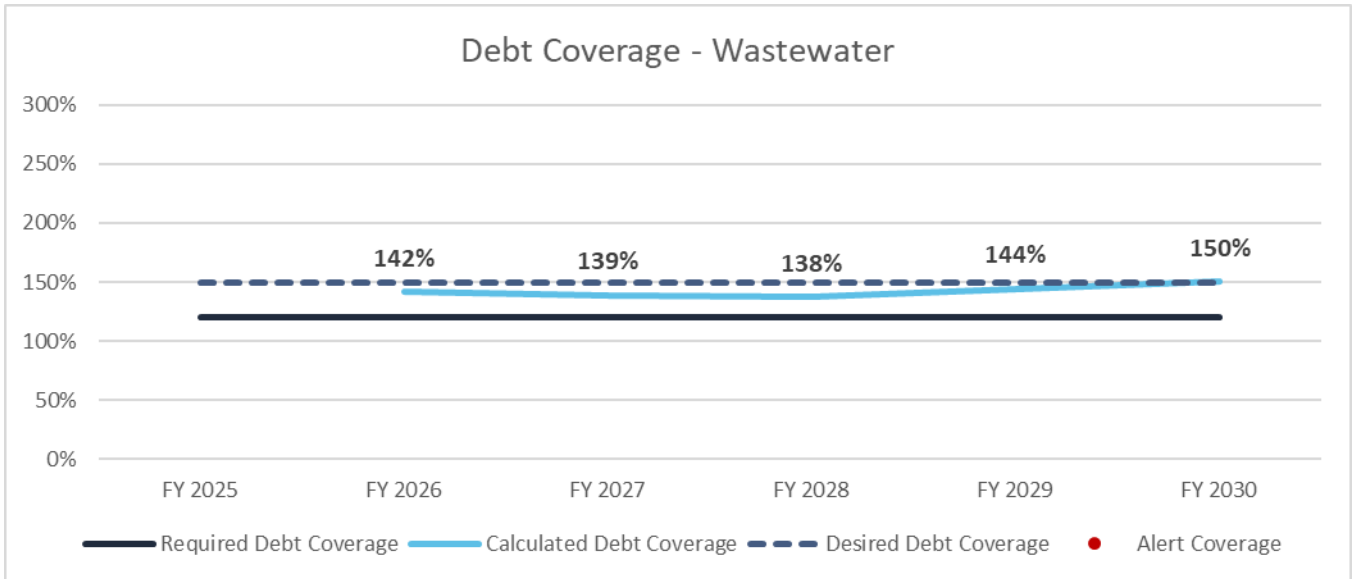
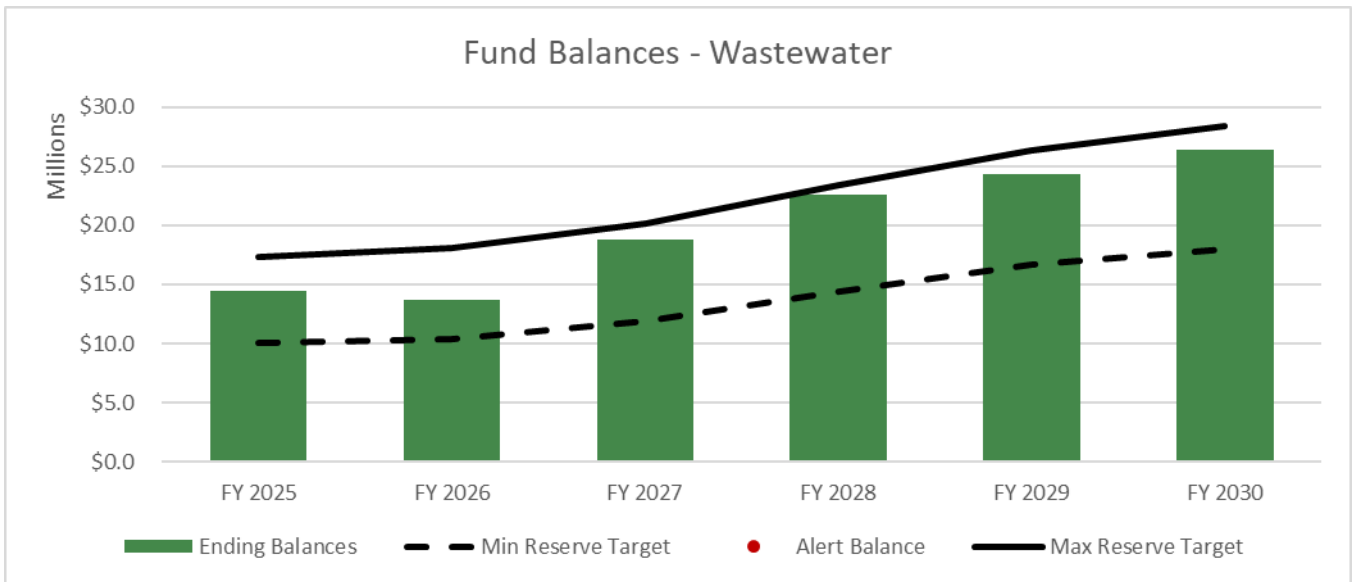


Figure 8-6 shows the fund balance projections in the proposed financial plan. The District’s ending balance (green bars) will meet the minimum reserve targets (dashed lines) in all years of the financial plan.

**Figure 8-6: Projected Fund Balances (Proposed Financial Plan)**



## 9. WASTEWATER RATES

### 9.1 RATE DESIGN METHODOLOGY

A five-year 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:

- **Rate structure evaluation:** The existing rate structure is evaluated, and any proposed changes are identified. Proposed rate structure changes are typically intended to address specific policy objectives or to allocate costs based on the cost-of-service analysis.
- **Test year rate development:** Rates are calculated for the proposed rate structure for the cost-of-service test year (FY 2025). Rate calculations directly incorporate the unit costs developed in the cost-of-service analysis. The test year rates are revenue neutral, then are increased based on the proposed financial plan revenue adjustments.
- **Five-year rate schedule development:** Proposed rates for the five-year period are calculated by increasing the cost-of-service rates by the proposed annual revenue adjustment percentages from the proposed financial plan.

### 9.2 PROPOSED CHANGES TO 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 a monthly service charge based on customer class.

After examining the existing rate methodology, given the customer profile, WRE recommends that the District combines all residential customers, which currently includes single family, multiple family, and apartments, into a residential classification.

### 9.3 REVENUE REQUIREMENT

The total rate revenue requirement for the test year, FY 2025, is based on the financial plan projections (**Table 8-14**) and is allocated between the Operating and Capital, as shown in **Table 9-1**. The Operating revenue requirement consists of operating expenses (Line 2) and adjustments for cash from reserves (Line 15; from **Table 8-14**, Line 29). The Capital revenue requirement includes debt service (Line 3) and rate funded CIP (Line 4). The Revenue Offset includes miscellaneous revenues (Line 9). The total revenue requirement (Line 18) is equal to the amount of rate revenue collected in FY 2025 (**Table 8-14**, Line 2).

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**Table 9-1: FY 2025 Revenue Requirement**

Line	FY 2025 Revenue Requirement	Operating	Capital	Rev. Offset	Total
1	<b>Revenue Requirements</b>				
2	Operating Expenses	\$10,650,796			\$10,650,796
3	Debt Service		\$0		\$0
4	Rate Funded CIP		\$14,505,663		\$14,505,663
5	<b>Subtotal</b>	<b>\$10,650,796</b>	<b>\$14,505,663</b>	<b>\$0</b>	<b>\$25,156,459</b>
6					
7	<b>Revenue Offsets</b>				
8	Connection Fees			(\$85,000)	(\$85,000)
9	Miscellaneous Revenues			(\$72,000)	(\$72,000)
10	All Other Revenues			\$0	\$0
11	Interest Income			(\$445,000)	(\$445,000)
12	<b>Subtotal</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$602,000)</b>	<b>(\$602,000)</b>
13					
14	<b>Adjustments</b>				
15	Cash to/(from) Reserves	(\$6,454,106)			(\$6,454,106)
16	<b>Subtotal</b>	<b>(\$6,454,106)</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$6,454,106)</b>
17					
18	<b>Total - Revenue Requirement</b>	<b>\$4,196,690</b>	<b>\$14,505,663</b>	<b>(\$602,000)</b>	<b>\$18,100,353</b>

## 9.4 UNIT COST CALCULATION

To calculate the unit cost per ERU in the wastewater system, the equivalent ERU must be determined since each customer class has a different ERU factor. **Table 9-2** shows the equivalent ERU calculation. The number of ERU per customer class is from **Table 8-2**.

**Table 9-2: Equivalent ERU**

Line	Customer Class	Number of ERU	ERU Factor	Equivalent ERU
1	Single Family	8,212	1.00	8,212
2	Multiple Residential	2,425	1.00	2,425
3	Apartment	1,217	1.00	1,217
4	Commercial/ Hotels/ Institutional/ Recreational	662	1.00	662
5	Shopping Centers	102	1.78	181
6	Restaurants/ Markets/ Mortuaries	205	2.30	472
7	Institutional Schools/ Government Manually Billed	268	1.00	268
8	Water Flow Commercial Rate ERU	225	1.00	225
9	Water Flow Restaurant Rate ERU	8	2.30	19
10	<b>Total Customer Units</b>	<b>13,325</b>		<b>13,681</b>

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**Table 9-3** shows the unit cost calculation per ERU for FY 2025. The cost per ERU is determined by dividing the total equivalent ERU (**Table 9-2**) by the total revenue requirement (**Table 9-1**) and by 12 billing periods per year.

**Table 9-3: Unit Cost Calculation**

Line		FY 2025
1	Total Revenue Requirement	\$18,100,353
2	Equivalent ERU	13,681
3	Cost per ERU per billing period	\$110.25

**9.5 PROPOSED MONTHLY SERVICE CHARGE**  
**REVENUE NEUTRAL RATES**

**Table 9-4** shows the revenue neutral monthly service charge calculations for FY 2025.

**Table 9-4: Revenue Neutral Monthly Service Charge**

Line	Customer Class	Cost per ERU	ERU Factor	Revenue Neutral Rate
1	Residential	\$110.25	1.00	\$110.25
2	Commercial/ Hotels/ Institutional/ Recreational	\$110.25	1.00	\$110.25
3	Shopping Centers	\$110.25	1.78	\$195.78
4	Restaurants/ Markets/ Mortuaries	\$110.25	2.30	\$253.62

**PROPOSED RATES WITH ADJUSTMENT**

**Table 9-5** shows the proposed daily service charge for FY 2026 based on the revenue neutral rate (**Table 9-4**) adjusted by the proposed revenue adjustment of 7% in the first year (**Table 8-13**) and rounded up to the nearest cent.

**Table 9-5: Proposed Monthly Service Charge after Adjustment**

Line	Customer Class	Revenue Neutral Rate	FY 2026 Rate	Current Rate	Difference (\$)	Difference (%)
1	Residential	\$110.25	\$117.97	\$112.25	\$5.72	5.1%
2	Commercial/ Hotels/ Institutional/ Recreational	\$110.25	\$117.97	\$112.25	\$5.72	5.1%
3	Shopping Centers	\$195.78	\$209.49	\$199.33	\$10.16	5.1%
4	Restaurants/ Markets/ Mortuaries	\$253.62	\$271.38	\$258.22	\$13.16	5.1%



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**Table 9-8: Proposed Customer Impacts**

Line	Customer Class (per ERU)	Current Bill	Proposed Bill	Difference %	Difference \$
1	Single Family	\$112.25	\$117.97	5.1%	\$5.72
2	Apartment	\$89.80	\$117.97	31.4%	\$28.17
3	Commercial/ Hotels/ Institutional/ Recreational	\$112.25	\$117.97	5.1%	\$5.72
4	Shopping Centers	\$199.33	\$209.49	5.1%	\$10.16
5	Restaurants/ Markets/ Mortuaries	\$258.22	\$271.38	5.1%	\$13.16







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Table 10-2: Potable Water Capital Assets by System Functions (Detail)

Water Capital Assets	FY 2025	Meters	Customer	Fire	Supply	Pumping	Storage	T&D	Maintenance	General	Revenue Offset	Total
Land And Easements	\$3,145									100.0%		100%
Misc	\$50,047									100.0%		100%
Pump Station	\$38,492					100.0%						100%
Equipment	\$64,351									100.0%		100%
Reservoir	\$1,534,028						100.0%					100%
Transfer Tank	\$0						100.0%					100%
Improvements	\$57,527									100.0%		100%
Tank	\$12,782,476						100.0%					100%
Trans And Dist Mains	\$3,402,505							100.0%				100%
Hydrant	\$445,380			100.0%								100%
Pumps	\$0					100.0%						100%
Meter Maint Facility	\$0	100.0%										100%
Service Boxes	(\$0)	100.0%										100%
Main Meter	\$0	100.0%										100%
Improvement	\$398,998									100.0%		100%
Sampling Stations	(\$0)									100.0%		100%
Potable Water Tract	\$304,369									100.0%		100%
Scada	\$0									100.0%		100%
Automated Meters	\$1,803,661	100.0%										100%
PW System	\$165,777							100.0%				100%
Central Admin	\$25,581									100.0%		100%
PW Software	\$21,436									100.0%		100%
Ca-Equipment	\$117,474									100.0%		100%
Other Equipment	\$87,429									100.0%		100%
Office Leased	\$30,518									100.0%		100%
Ca-Office Equipment	\$75,996									100.0%		100%
Rewater Line Sys	\$2,907,370							100.0%				100%

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Rewater Booster Pump	\$213,778					100.0%						100%
RW System	\$12,595,475							0.0%				0%
<b>Total</b>	<b>\$37,125,812</b>	<b>\$1,803,661</b>	<b>\$0</b>	<b>\$445,380</b>	<b>\$0</b>	<b>\$252,270</b>	<b>\$14,316,504</b>	<b>\$6,475,652</b>	<b>\$0</b>	<b>\$1,236,870</b>	<b>\$0</b>	<b>\$24,530,337</b>





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