

ZONE 7 WATER AGENCY

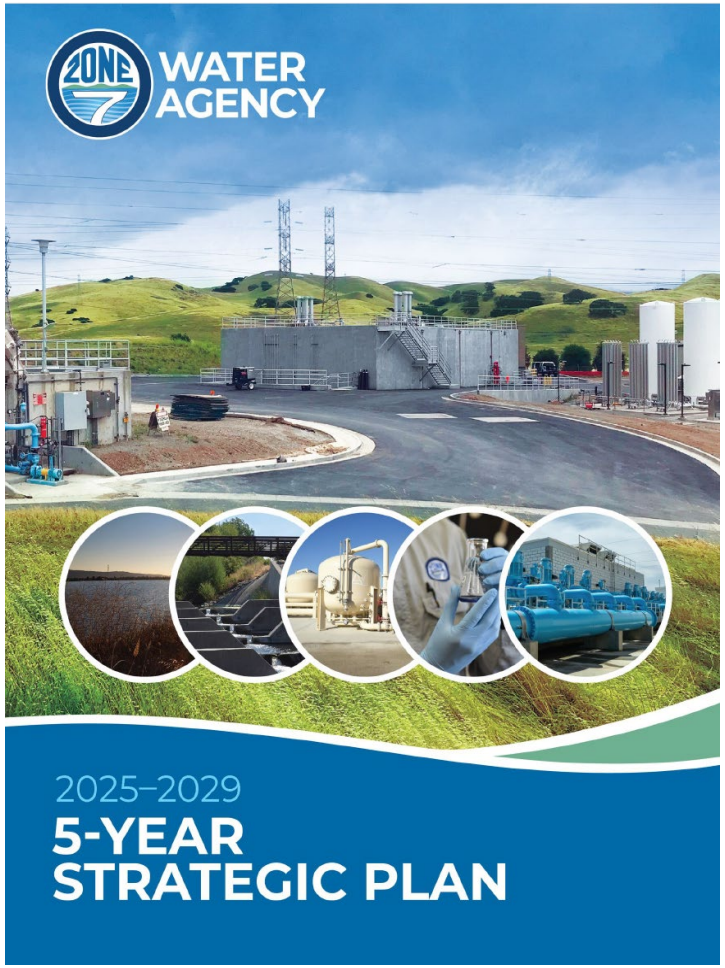
Adoption of Untreated Water Rates

Calendar Years 2027-2030

October 21, 2026

Lizzie Foss, Financial Analyst

Strategic Plan Goals and Initiatives



GOAL H
Fiscal Responsibility

Operate the Agency in a fiscally responsible manner.

Initiative 21

Continue to effectively manage financial resources for the Agency

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2026 Untreated Rate Setting Recap

July 28, 2026

- **Meeting with Untreated Working Group**

Sept. 1, 2026

- **Finance Committee Meeting**
  Reconciliation Update

Sept. 24, 2026

- **Finance Committee Meeting**
  Preliminary Untreated Rates Presentation

Oct. 21, 2026

- **Board Meeting**
  Formal Adoption of Untreated Rates

Untreated Water Program Current Methodology

- Rates set annually based on estimated cost of service and deliveries
- Differences between projected and actual costs addressed through annual reconciliation process



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Challenges with Current Methodology



Reactionary and Volatile

- Limitations to manage significant fluctuations in water supply costs year to year



Timing Mismatch

- Costs incurred versus costs recovered

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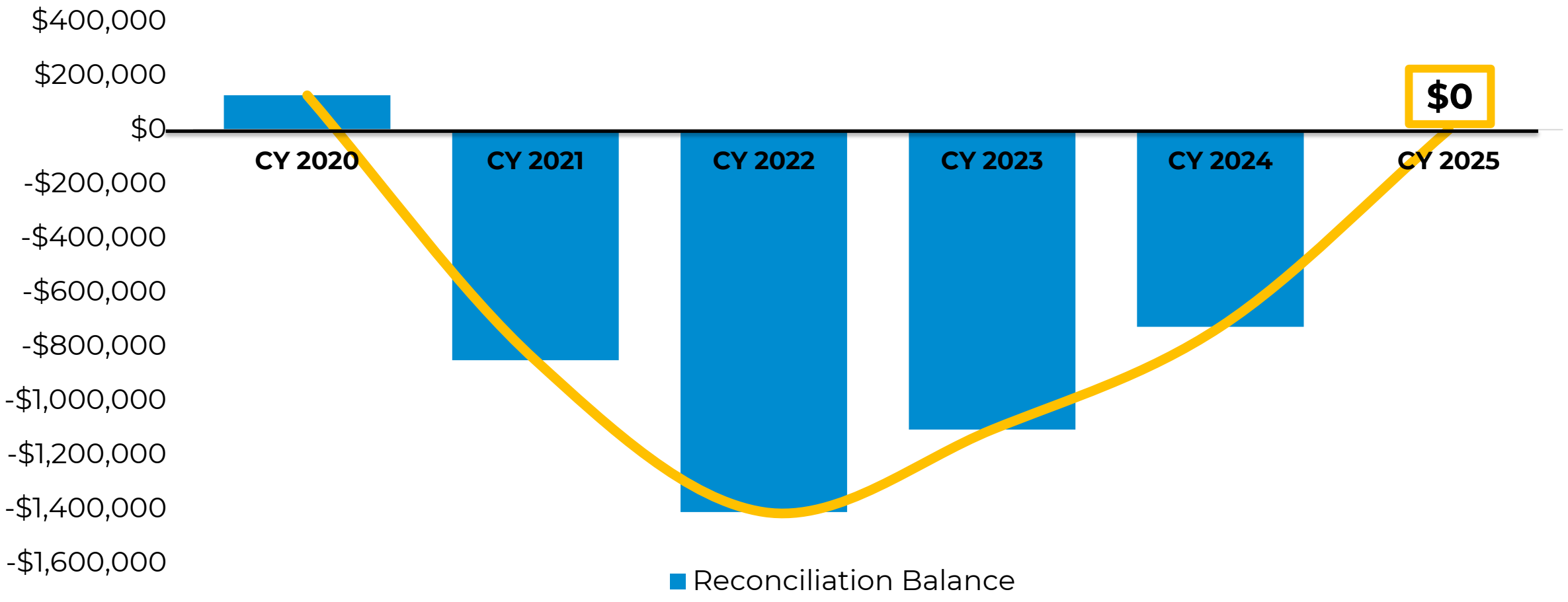
Annual Reconciliation Balances



2026 Untreated Water Rate Study

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Untreated Rate Study Objectives

1. Evaluate Alternative Rate Setting Methodologies

2. Design and Determine Untreated Water Rates

3. Ensure Financial Sufficiency for Program

Long-Term Financial Plan



Cost Analysis



Long-Term Financial Stability



Rate Determination

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Untreated Water Rate Recommendation

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Finance Committee Recommendation



Adopt Four-Year Rate Schedule (2027-2030)



Establish Rate Stabilization Reserve



Perform One-Year Review

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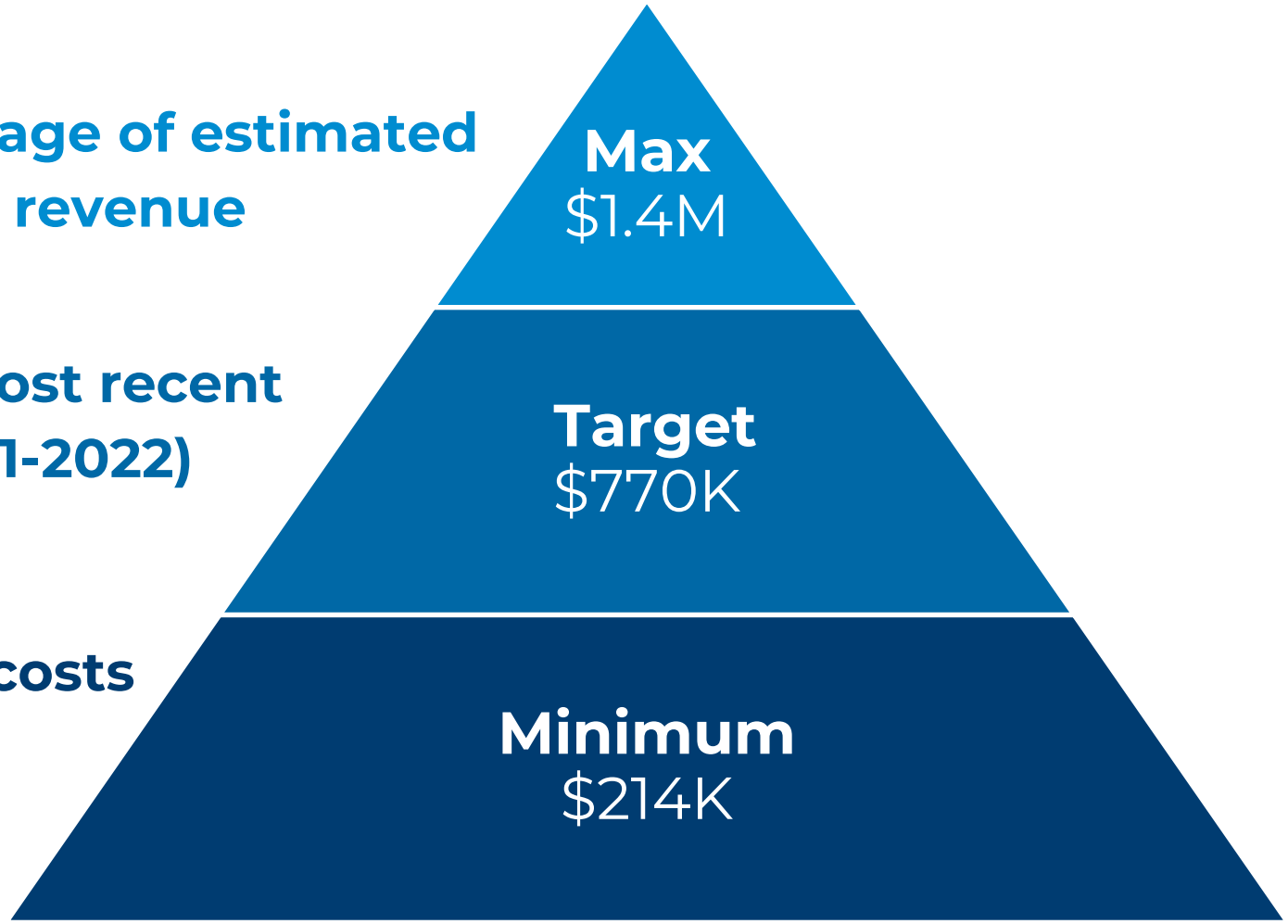
Recommended Rate Stabilization Reserve Levels

Four-year average of estimated untreated rate revenue

Two-year average of most recent drought deficit (CY 2021-2022)

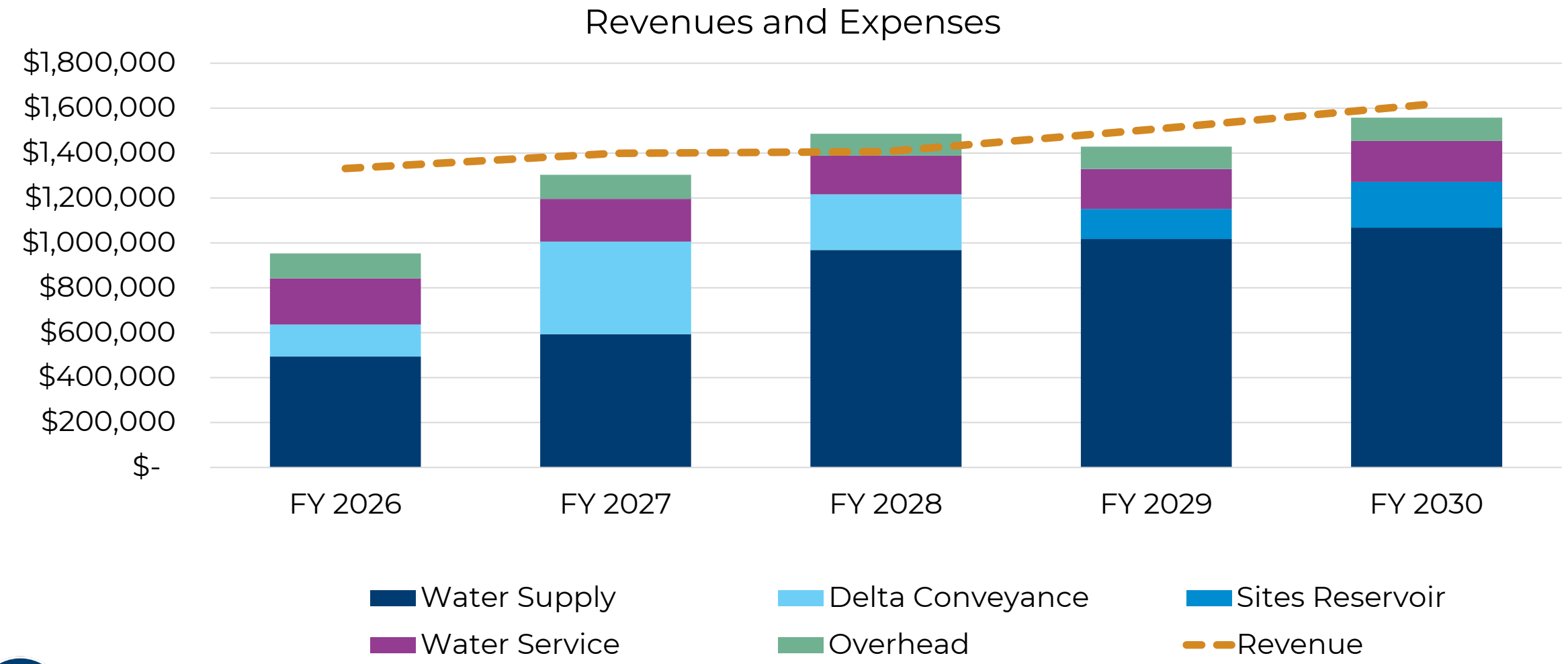
60 days of current year operating costs of the Untreated Water Program



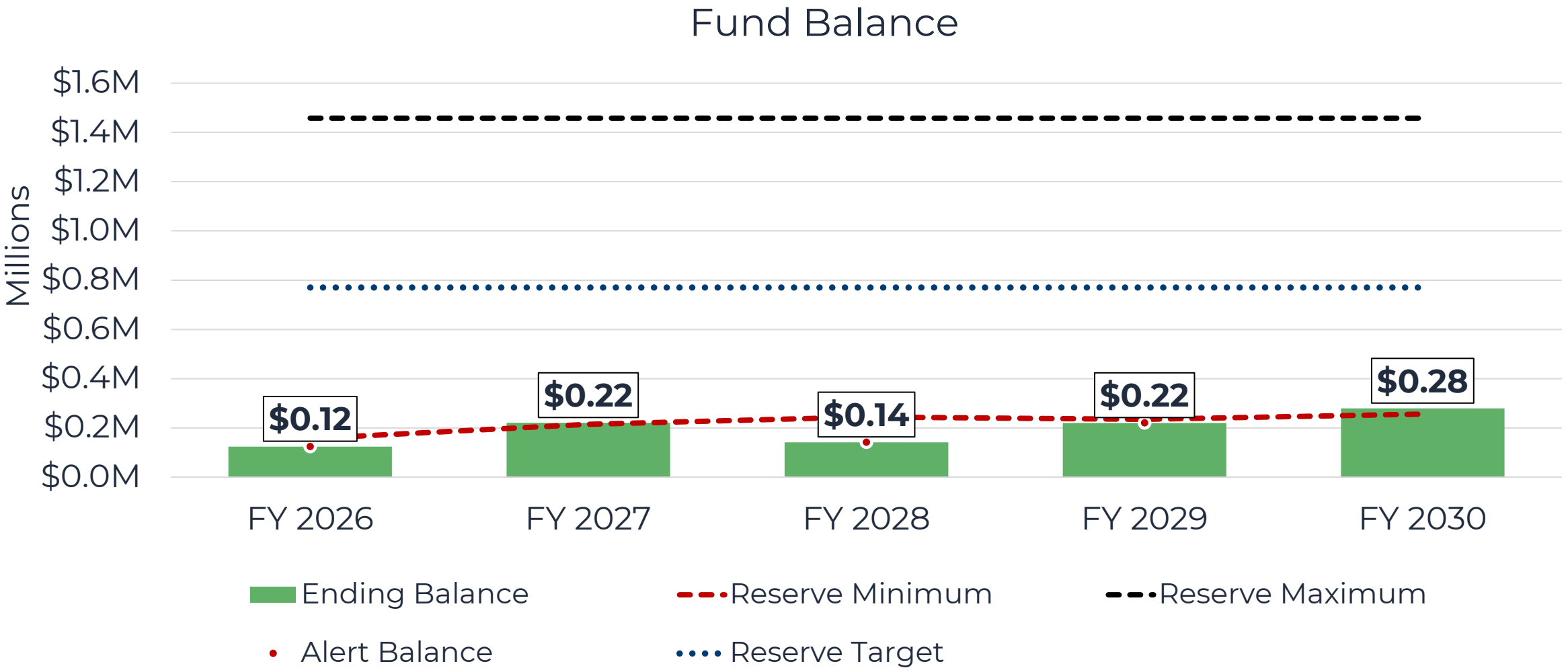
Recommended Untreated Water Rates Calendar Years 2027-2030

	Current Rate	CY 2027	CY 2028	CY 2029	CY 2030
Annual Rate Adjustment	-	6%	7%	7%	7%
Untreated Rate ($/AF)	$255	**$271**	**$290**	**$311**	**$333**
Untreated Rate w/ Reconciliation ($/AF)	$287	-	-	-	-

Cash Flow Projections



Reserve Balance Projections



Other Untreated Water Rates

1. Temporary/Non-Scheduled Untreated Water Service

	CY 2027	CY 2028	CY 2029	CY 2030
$/AF	$1,044	$1,091	$1,136	$1,182

2. Article 21 Water Service

DWR Monthly Variable OMP&R Unit Rate (Month Delivery Occurs) + Zone 7 Administrative Costs

Recommendation

Adopt Resolution to:

1. Set untreated water rates for calendar years 2027, 2028, 2029, and 2030
2. Establish rate stabilization reserve
3. One-year review of untreated water rates



Questions?