



**DATE:** March 19th, 2025

**TO:** City of Foster City/Estero Municipal Improvement District

**FROM:** Bartle Wells Associates

**SUBJECT:** Water Rate Study Update Results

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## **SUMMARY OF FINDINGS AND RECOMMENDATIONS**

### **Introduction and Background**

The Estero Municipal Improvement District (District) engaged Bartle Wells Associates (BWA) to develop 10-year financial projections for the District's Water Enterprise and to project water rate adjustments for the next five-year period. BWA last conducted formal rate studies in 2024, which resulted in a one-year rate approval for water rates for FY 2025.

Current and projected water service rates are in the low range compared to other agencies on the Peninsula, however, the District water enterprises face unique infrastructure funding challenges.

### **Water Enterprise Summary**

The primary driver for the proposed rate increases is to smooth District rate increases due to projected increases in the San Francisco Public Utilities Commission (SFPUC) wholesale water rate. The rate increase is due to a variety of factors including debt service on existing and newly issued bonds, continued low water usage, and repayment of the balancing account. Additionally, the District has increased the annual amount of projected capital expenditure transfers from the operating reserve fund to the capital reserve fund from \$1 million to \$2.4 million on average.

SFPUC, the sole source of water supply for the District, released updated projections for their wholesale rate for the next 5 years (FY 2026 to FY 2030). SFPUC is projecting the current rate of \$5.67 in FY 2025 per hundred cubic feet (ccf) will increase 2.1% to \$5.79 in FY 2026, 1% to \$5.85 in FY 2027, 1% to \$5.91 in FY 2028, 5.2% to \$6.22 in FY 2029, and 8% to \$6.72 in FY 2030. Any increases implemented by SFPUC above these values are

recommended to be passed through to District customers via Government Code section 53756, as explained on page 11.

BWA projects the SFPUC rate will increase 3.5% annually beyond FY 2030 based on the average increase projected by SFPUC. 3.5% also corresponds well to BWA's estimate of future cost inflation in the economy.

SFPUC rates were historically held level at \$4.10/ccf for six years (FY 2017 to FY 2022) despite escalating SFPUC debt service and operating costs through use of a balancing account. The balancing account was built up from SFPUC wholesale water sales exceeding projections used in rate setting. In FY 2023, the wholesale rate increased 15.9% to \$4.75/ccf, 9.7% to \$5.21 in FY 2024, and 8.8% to \$5.67 in FY 2025.

During the time that SFPUC wholesale rates were held flat by the balancing account, the District has been gradually increasing its volumetric rates in anticipation of projected wholesale rate increases by SFPUC. While the wholesale rate increases have come to fruition, the District's rates have been phased to ensure sufficient revenues and avoid sharp increases based on a rate smoothing model.

The District will also continue to make annual payments, projected to be \$675,000 annually, to the Bay Area Water Supply and Conservation Agency (BAWSCA) for the Water System Improvement Project (WSIP) that was funded through the issuance of bonds. The water enterprise's single largest cost is water purchases from SFPUC.

WSIP is a multi-year capital initiative with a budget of \$4.8 billion. Its goal is to enhance both the regional and local water systems managed by the SFPUC. The program focuses on repairing, replacing, and seismically upgrading critical parts of the Hetch Hetchy Regional Water System. WSIP encompasses 87 projects, including 35 local projects within San Francisco and 52 regional projects across seven counties, extending from the Sierra foothills to San Francisco. By October 2020, the San Francisco portion of the program had been fully completed. In March 2022, the SFPUC Commission approved updates to the program, including a schedule extension to February 2027.

BWA proposed water rates are designed to maintain the operating fund above target levels (90 days operating expenses in reserves) and cover District operating and capital costs. The District is projected to set aside approximately \$12 million for capital improvements over the next 5 years. The capital improvement set aside amount is based on funding the District's water master plan. Major projects include valve replacements,

water tank lining and structural retrofitting, and an emergency bypass transmission main, among others. BWA projects the District will need to obtain \$4 million of debt financing to fund the capital improvements in FY 2028. The source of the funds is unknown currently and is estimated to be a 30-year loan at 6% interest with 1.5% transaction costs for planning purposes.

Proposed water rates are based on 10% water loss. That is, 90% of the water EMID purchases are sold to retail customers. The losses have decreased over time due to the District's efforts to replace aging meters. Water loss refers to the difference between the amount of water put into the distribution system and the amount of water billed to customers. This loss can be categorized into two main types:

- Real Losses: These are physical losses of water from the system due to leaks, overflows, or breaks in the water mains, service lines, and other infrastructure. Real losses can be caused by aging infrastructure, corrosion, damage, or faulty installation.
- Apparent Losses: These are losses caused by non-infrastructure related incidents such as inaccuracies in metering, data handling errors, or unauthorized consumption (water theft).

The District separates its costs into variable costs (captured by a volumetric rate) and fixed costs (captured by a meter charge rate). (see page 18 and Table 6.) To maintain the operating reserves, fund the capital set aside, and phase in volumetric rates, BWA recommends the District implement a 3% volumetric rate increase and a 8.5% meter charge increase in FY 2026. The average bill for a single family home would increase by 5% or \$4.05 per month.

Detailed water rate calculations are shown in APPENDIX C.

### **Rate Survey**

A survey of communities along the San Francisco Peninsula was conducted to compare the District's typical residential monthly water bills with neighboring communities. The results of the water survey are summarized in APPENDIX B.

The water survey compares a monthly water bill for 8 units (1 unit = 1 ccf) of water which would be a common residential consumption. Including the recommended increase, the District's average monthly water bill proposed for FY 2026 is \$85.70. Since it is unknown what the comparator agencies are proposing for FY 2026, the District compares its FY 2025 monthly residential water bills to the FY 2025 monthly residential water bills for the neighboring agencies. The survey indicates that the District's water rates are among the lowest on the Peninsula. The average monthly water bill for the region based on 8 ccf is \$116.09 per month and the District's average monthly residential water bill is \$81.65 per month, or about 30% less. Since the proposed increase is also less than the FY 2025 average, it is likely that EMID customers will continue to pay lower than average water bills.

## **Water Enterprise Fund**

The District currently provides water service to a population of approximately 36,500. Most of the District's customers are residential. Table 1 shows approximately 8,295 accounts/meters that allow for water service and fire protection service.

Meter ratios reflect the proportionate volume of water that may flow through the various meter sizes. The total 3/4" meter equivalents in the District amounts to 20,229 based on industry standard meter ratios established by the American Water Works Association (AWWA).

Private fire meter ratios are set at 35% of regular meter ratios due to lower usage frequency, as they are primarily for emergency use. Fire meters are often on standby and only used during fire emergencies, resulting in less operational time and reduced maintenance and inspection requirements compared to regular water meters. Fire service lines of 1-1/2" and smaller diameters often have similar flow rates and pressure requirements, making it practical to treat them as a single category for cost and rate purposes.

The water enterprise service area includes Foster City and the Mariner's Island area shown in APPENDIX D.

Table 1  
City of Foster City / Estero Municipal Improvement District  
Water Meters By Size

Data as of: 01/22/25

Meter Size	Accounts	Meter Ratio <sup>1,2</sup>	Est. Meter Equivalents <sup>3</sup>
<b>Water Service</b>			
3/4"	6,832	1.00	6,832
1"	466	1.67	777
1-1/2"	182	4.00	728
2"	379	5.33	2,021
3"	89	11.67	1,038
4"	61	21.00	1,281
6"	39	46.67	1,820
8" or greater	<u>19</u>	80.00	<u>1,520</u>
Subtotal	8,067		16,017
<b>Private Fire Protection Service</b>			
1-1/2" & below	11	1.40	15
2"	0	1.87	0
3"	2	4.08	8
4"	35	7.35	257
6"	95	16.33	1,551
8" or greater	<u>85</u>	28.00	<u>2,380</u>
Subtotal	228		4,212
Total	8,295		20,229

Source: Foster City/Estero Municipal Improvement District water use records

[1] The meter ratios shall be based on meter size in compliance with ratios established by the American Water Works Association (AWWA) Sizing Water Service Lines and Meters M22, Second Edition, 2004 (M22 Manual)

[2] Private fire protection service ratio based on the fire service line; Resolution No. 2715

[3] Equals the number of accounts multiplied by the meter ratio for each meter size.

Table 2 illustrates the current reserves that the District can draw down in case of emergency or to smooth any "rate shocks" to its customers.

The District is meeting its 90-day operating fund reserve target (estimated to be \$4.4 million.) The target is based on the District's long standing reserve policy and is an industry

standard minimum target to maintain adequate short term liquidity in case of emergencies.

Table 2  
City of Foster City / Estero Municipal Improvement District  
Water Enterprise Operating Reserves

Fund Reserve Component	July 1, 2024
	Reserve Balance
Reserved for Maintenance & Operation (401)	<u>\$11,194,614</u>
Total	\$11,194,614

Note: Rate model only includes fund reserve components available to fund ongoing operating expenditures.

Source: City of Foster City/Estero Municipal Improvement District Staff

The wholesale water purchase rates that SFPUC and BWA are projecting through FY 2030 are shown graphically in CHART A. The SFPUC rates are projected to increase from \$5.67/ccf in FY 2025 to \$6.72/ccf in FY 2030.

CHART A

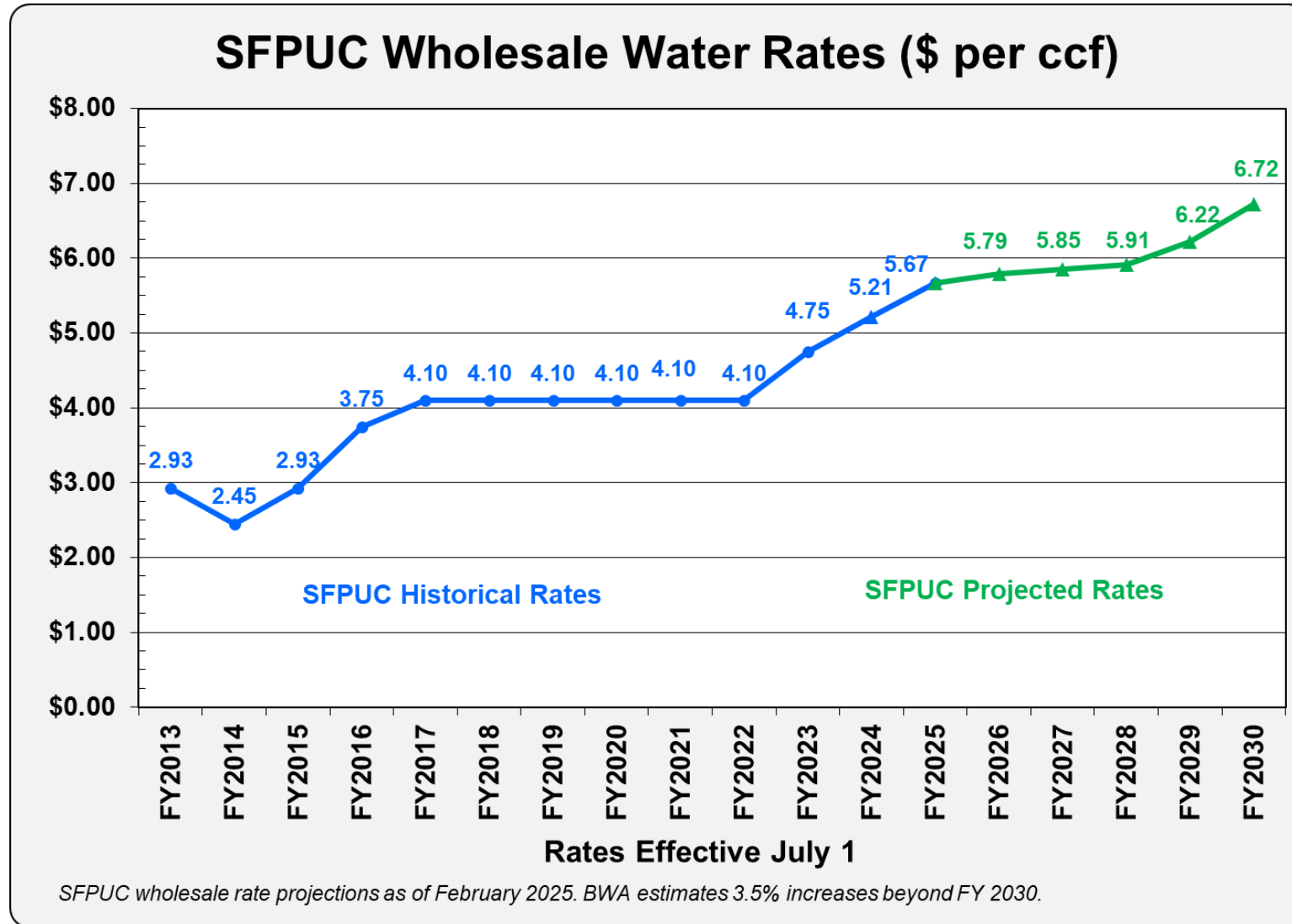




Table 3 summarizes the District's projected operating costs which are anticipated to increase over the next five years between 2.1% and 6.6% annually.

Table 3  
City of Foster City / Estero Municipal Improvement District  
Water Enterprise O&M Projection

Expenditures	Revised Budget	Five Year Projection					Annual % Increase [1]
	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	
Employee Services	2,956,001	3,387,751	3,523,261	3,664,191	3,810,759	3,963,190	4.0%
Additional Cost [2]	-	31,339	303,873	313,542	324,103	335,045	varies
Internal Services - Others	1,244,701	1,449,956	1,486,205	1,523,360	1,561,444	1,600,480	2.5%
Internal Services - Equipment Replacement Fund	456,767	396,971	406,895	417,068	427,494	438,182	2.5%
Services & Supplies	817,062	979,062	1,003,539	1,028,627	1,054,343	1,080,701	2.5%
SFPUC Water Purchases	10,467,000	10,814,000	10,966,000	11,119,000	11,742,000	12,727,000	varies
BAWSCA Bond Repayment	601,416	670,356	675,000	675,000	675,000	675,000	
Reallocation [3]	1,362,521	1,373,045	1,407,371	1,442,555	1,478,619	1,515,585	2.5%
Water Sustainability	250,000	250,000	200,000	200,000	200,000	200,000	
<b>TOTAL O&amp;M Expenditures</b>	<b>18,155,468</b>	<b>19,352,480</b>	<b>19,972,144</b>	<b>20,383,343</b>	<b>21,273,763</b>	<b>22,535,182</b>	
		6.6%	3.2%	2.1%	4.4%	5.9%	

[1] Based on City/District Staff direction

[2] A placeholder for potential additional positions to support the water enterprise

[3] Costs allocated to the water enterprise for the cost of services provided to the enterprise by City departments, as documented in the City's cost allocation study.

Table 4 summarizes the current water rates. The District has variable expenditures which are expenditures that are impacted by the amount of water its customers consume. These costs must be recouped via its volumetric water charge, \$6.60 per ccf in FY 2025. Likewise, the District's meter charges recover fixed expenditures, expenditures that are fixed regardless of amount of water that is consumed, \$28.85 for a ¾" meter in FY 2025.

### **District Tiered Rates Cost Basis**

The District has a two-tiered model for its residential customers where higher levels of water consumption are subject to higher water rates based on a proportionate share of conservation program costs. Commercial customers are charged a uniform rate, which includes commercial customers' proportionate share of conservation program costs.

Water conservation programs for District customers aim to reduce water use in the District service area and help water users save water and money. Conservation efforts include rebates, such as conversion of living grass lawn to more water-wise options, rain barrels to collect rainwater, smart irrigation controllers to minimize excess water use; education, including free landscaping and gardening classes and educational programs for students in local schools and the Foster City Library; self-audit kits for indoor water use and landscape audits for outdoor water use, and more.

Conservation program costs of \$200,000 per year are allocated to each customer class based on the proportionate impact of each customer class on the need for the program and its costs. Residential and irrigation customers pay conservation costs on Tier 2 usage only, while commercial customers pay their share of conservation costs on each unit of water usage.

For its irrigation customers, the District has worked with John Whitcomb of Waterfluence to assign each irrigation customer a water budget. Any water consumed above the irrigation customers allotted amount is subject to a higher Tier 2 rate based on each customer's share of conservation program costs.

APPENDIX A shows the District's historical water use trends from the prior year. BWA's proposed rates are designed to match volumetric expenses (such as water purchases) with volumetric revenue. The rate structure mitigates over or under collecting revenue due to fluctuations in water use.

### **District Residential Tier Allotments**

The tiered rate allotments are designed to align with the state's gallon per capita per day (GPCD) mandate. Low-tier users are already consuming water within the prescribed limits, meaning their consumption does not drive the need for the conservation program. The District is required to incur the costs of the conservation program to offset water overuse by those categories of water users (Tier 2 users) that exceed the state's GPCD threshold. Thus, those Tier 2 users are required to pay their proportionate share of the costs of the conservation program.

While Tier 1 users participate in the program, their conservation efforts are aimed at offsetting the overuse of Tier 2 users. The necessity for Tier 1 conservation arises because of the high consumption in Tier 2.

### **SFPUC Wholesale Rate Passthrough**

SFPUC establishes the wholesale water rate and for each unit of water the District purchases, which accounts for 100% of the District's water supply. If SFPUC increases the wholesale water rate, the District is authorized to pass through the increase to customers in accordance with Government Code section 53756.

The formula for calculating the pass through amount will be: **(Additional SFPUC \$ Amount Per CCF Above Study Projections / 0.9) additional charge for each unit of water usage**, where 0.9 accounts for 10% water loss. The District will provide 30 days' notice before passing through an increase in water rates. The District will not convene another public hearing before passing through any increase in the District's water rates.

For example, if the SFPUC rate in FY 2027 is \$5.94, the pass through would be calculated as the following:  $(\$5.94 - \$5.85) / 0.9 = \$0.10$  per ccf. \$0.10 per ccf would be added to all District volumetric rates. The 0.9 factor is designed to adjust for the fact that the District sells 90% of its water purchases.

To elucidate the pass-through calculation with a simple example: Suppose an individual purchases 10 apples for \$1 and is only able to sell 5 of them. To fully recover the cost, the selling price per apple would need to be \$2. This scenario represents a loss percentage of 50%.

Now, if the purchase price per apple doubles to \$2 and the price increase is only raised by the difference (i.e., \$1), then the total expenditure would be \$20 (10 apples x \$2 per apple). However, only \$15 would be generated in revenue (5 apples x \$3 per apple). Therefore, the price increase must be passed on by dividing the increase by (1 - loss percentage).

The necessary price increase should be calculated as:  $(\$1/0.5) = \$2$

With this adjustment, the expenditure remains \$20 (10 apples x \$2 per apple) and the revenue generated is \$20 (5 apples x \$4 per apple).

Table 4  
City of Foster City / Estero Municipal Improvement District  
Current Rates

Current Rates		2025
<b>Fixed Meter Charge</b>		
<b>Monthly Meter Charge</b>		
<u>Meter Size</u>		
3/4"		\$28.85
1"		\$48.08
1-1/2"		\$115.40
2"		\$153.87
3"		\$336.58
4"		\$605.85
6"		\$1,346.33
8" or greater		\$2,308.00
<b>Bi-Monthly Water Consumption Tiers and Rates</b>		
<u>Single Family Residential</u>		
Tier 1	0-20 per ccf	\$6.60
Tier 2	Over 20 ccf	\$7.33
<u>Multi-Family Residential</u>		
Tier 1	0-10 ccf per living unit	\$6.60
Tier 2	Over 10 ccf per living unit	\$7.36
<u>Irrigation Customers</u>		
Tier 1	<=100% of annual budget	\$6.60
Tier 2	>100% of annual budget	\$7.80
<u>Commercial and Fire Line</u>		
All usage		\$6.72
<b>Monthly Private Fire Protection Charge</b>		
<u>Meter Size</u>		
1-1/2" & below		\$40.39
2"		\$53.95
3"		\$117.71
4"		\$212.05
6"		\$471.12
8" or greater		\$807.80

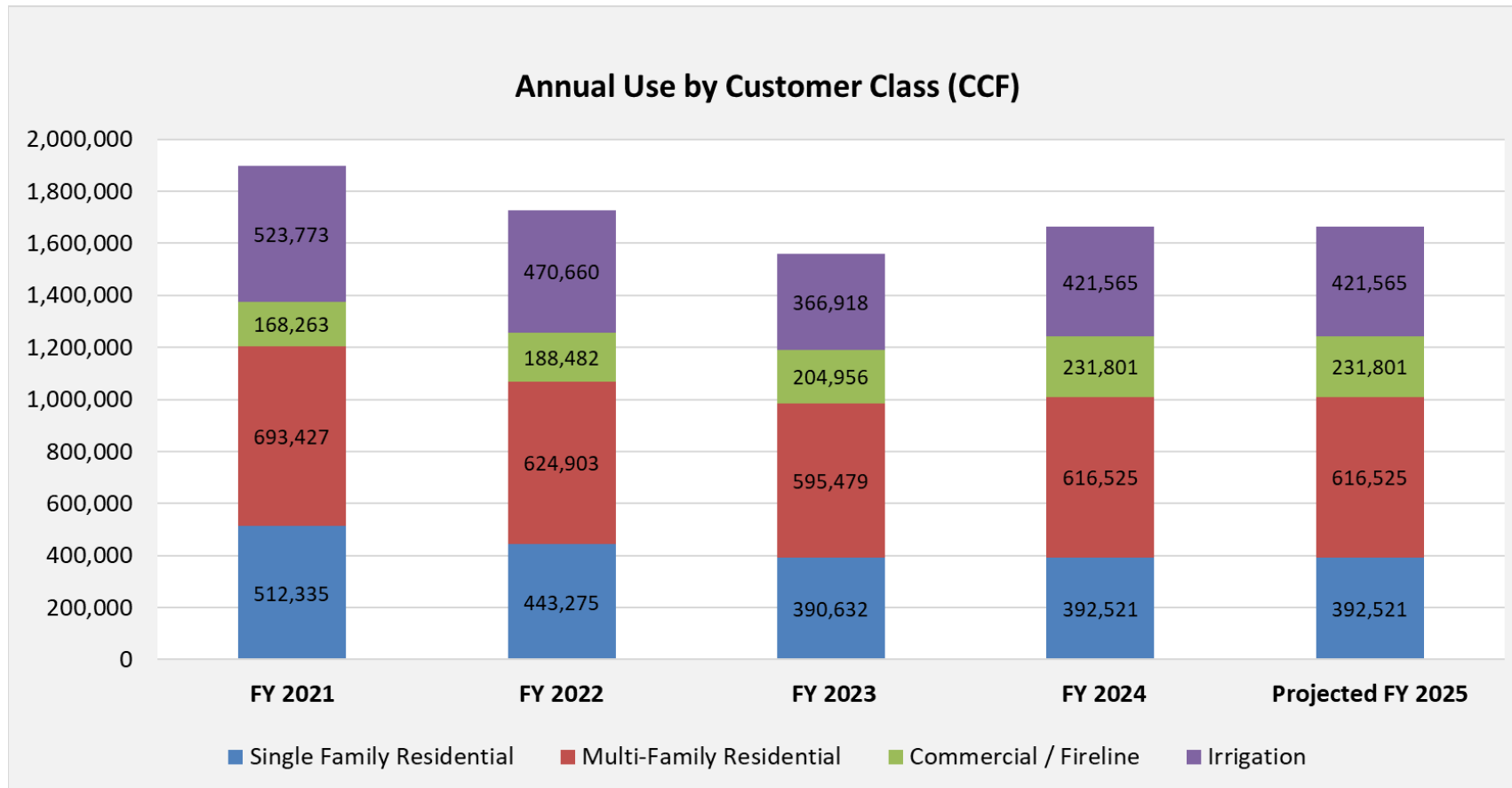
### **Low Income Discount**

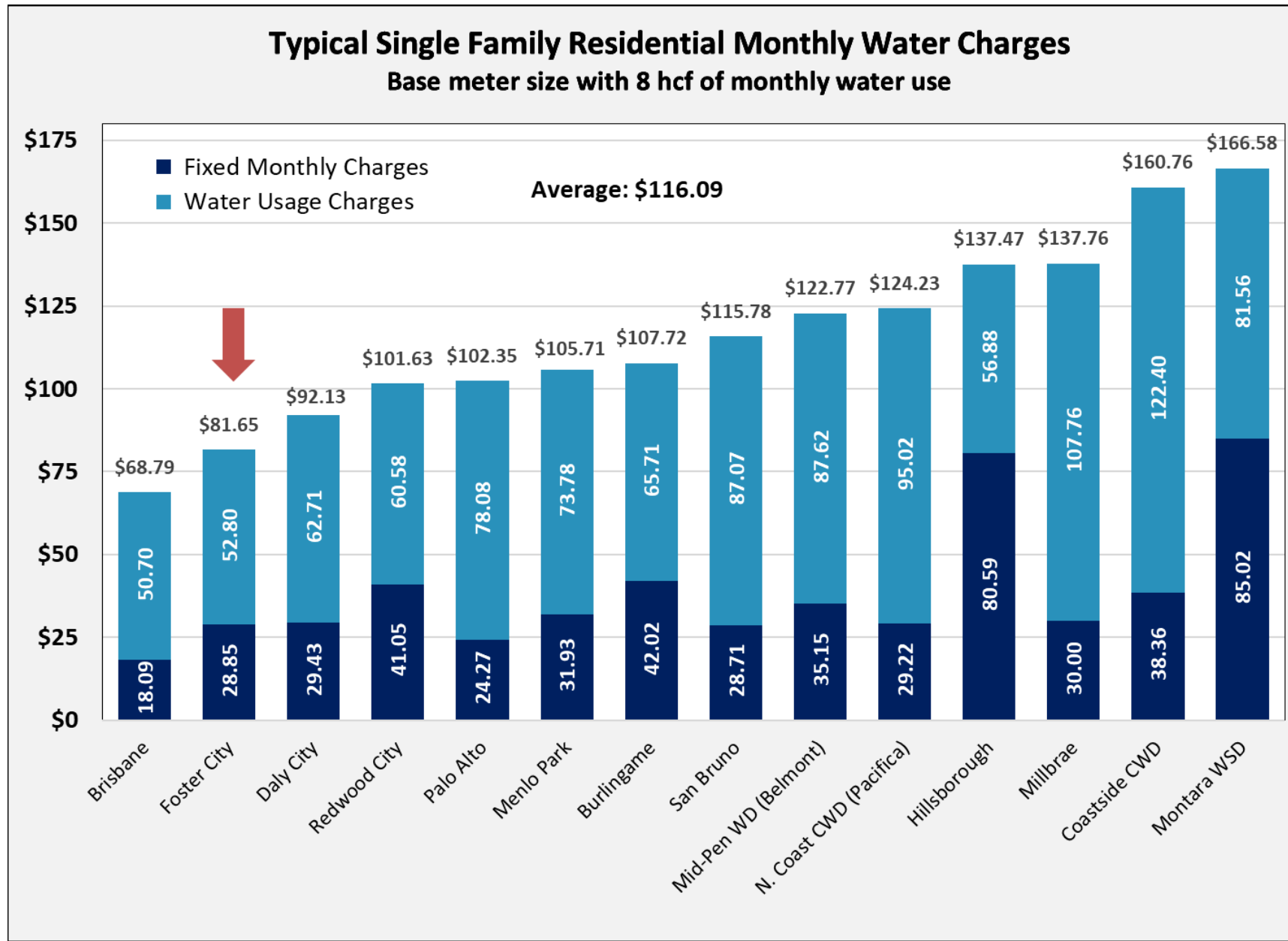
Currently the District has approximately 34 customers enrolled in the Water/Wastewater Rate Assistance Program (WWRAP), which was implemented in 2020. Customers meeting the eligibility and qualification requirements below are granted a discount of up to \$15 per month each on their qualifying Water accounts, not to exceed a \$30 per month discount per customer. To be eligible for the WWRAP, customers must show that they qualify for the PG&E CARE Program or other public assistance program or submit proof of income eligibility.

The estimated maximum potential cost of a \$15/month discount for 34 customers amounts to \$6,120 per year. Since the low income discount revenue sources cannot be funded with rates, rates are unaffected by the decision on the terms of the program and hence are not required to be included in the Proposition 218 notification.

The District funds the current low income discount through non-rate sources of revenue such as fines and penalties, cell tower lease and general fund revenue to maintain compliance with California Proposition 218. The discount is recommended to be provided as funds are available. Late penalties collected year to date for water in FY 2025 amounted to \$27,000, exceeding the cost of the program.

## APPENDIX A







## APPENDIX C

Table 5  
City of Foster City / Estero Municipal Improvement District  
Water Enterprise Cash Flow Projection - Residential Two Tier Rate Structure Hybrid Model

Fiscal Year Ending June 30	Five Year Projection						Extended Year Projection				
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
<b>Assumptions:</b>											
Interest Earnings Rate	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Revenue Increase from Growth [1]		0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%	0.37%
Fixed Charge	\$28.85	\$31.30	\$33.80	\$36.15	\$38.70	\$41.40	\$43.05	\$44.75	\$46.55	\$48.40	\$50.35
Fixed Rate Adjustment		8.5%	8.0%	7.0%	7.1%	7.0%	4.0%	3.9%	4.0%	4.0%	4.0%
SFR Variable Charge	\$6.60	\$6.80	\$7.02	\$7.29	\$7.56	\$7.84	\$8.17	\$8.44	\$8.72	\$9.01	\$9.31
Variable Rate Adjustment		3.0%	3.2%	3.8%	3.7%	3.7%	4.2%	3.3%	3.3%	3.3%	3.3%
Monthly Service Charge Single Family (8 ccf)	\$81.65	\$85.70	\$89.96	\$94.47	\$99.18	\$104.12	\$108.41	\$112.27	\$116.31	\$120.48	\$124.83
Rate Adjustment		5.0%	5.0%	5.0%	5.0%	5.0%	4.1%	3.6%	3.6%	3.6%	3.6%
<b>Beginning Fund Balance</b>	\$11,194,614	\$10,550,000	\$8,088,500	\$5,985,400	\$8,468,600	\$7,154,900	\$6,505,800	\$6,364,800	\$6,383,800	\$6,592,800	\$6,998,800
<b>Revenues</b>											
Water Sales & Service Charges											
Meter Charge Revenue Estimate	7,004,000	7,626,000	8,265,000	8,872,000	9,533,000	10,235,000	10,682,000	11,144,000	11,635,000	12,142,000	12,677,000
Volumetric Revenue Estimate	11,171,000	11,548,000	11,961,000	12,462,000	12,968,000	13,481,000	14,090,000	14,600,000	15,135,000	15,687,000	16,258,000
Debt Issuance / Interfund Loan	0	0	0	4,000,000	0	0	0	0	0	0	0
Connection Fees [1]	0	0	0	0	0	0	0	0	0	0	0
Interest Earnings - Operating Reserve [2]	336,000	317,000	243,000	180,000	254,000	215,000	195,000	191,000	192,000	198,000	210,000
Other	0	0	0	0	0	0	0	0	0	0	0
<b>Operating Revenues</b>	<b>18,511,000</b>	<b>19,491,000</b>	<b>20,469,000</b>	<b>25,514,000</b>	<b>22,755,000</b>	<b>23,931,000</b>	<b>24,967,000</b>	<b>25,935,000</b>	<b>26,962,000</b>	<b>28,027,000</b>	<b>29,145,000</b>
<b>Expenses</b>											
Employee Services	2,956,001	3,387,751	3,523,261	3,664,191	3,810,759	3,963,190	4,122,000	4,287,000	4,458,000	4,636,000	4,821,000
Additional Cost	0	31,339	303,873	313,542	324,103	335,045	348,000	362,000	376,000	391,000	407,000
Internal Services - Others	1,244,701	1,449,956	1,486,205	1,523,360	1,561,444	1,600,480	1,640,000	1,681,000	1,723,000	1,766,000	1,810,000
Internal Services - ERF	456,767	396,971	406,895	417,068	427,494	438,182	449,000	460,000	472,000	484,000	496,000
Services & Supplies	817,062	979,062	1,003,539	1,028,627	1,054,343	1,080,701	1,108,000	1,136,000	1,164,000	1,193,000	1,223,000
SFPUC Water Purchases	10,467,000	10,814,000	10,966,000	11,119,000	11,742,000	12,727,000	13,218,000	13,728,000	14,258,000	14,808,000	15,380,000
BAWSCA Bond Repayment	601,416	670,356	675,000	675,000	675,000	675,000	675,000	675,000	675,000	675,000	675,000
Reallocation	1,362,521	1,373,045	1,407,371	1,442,555	1,478,619	1,515,585	1,553,000	1,592,000	1,632,000	1,673,000	1,715,000
Capital Outlay / Vehicles	0	0	0	0	0	0	0	0	0	0	0
<b>Operating Expenses</b>	<b>17,905,468</b>	<b>19,102,480</b>	<b>19,772,144</b>	<b>20,183,343</b>	<b>21,073,763</b>	<b>22,335,182</b>	<b>23,113,000</b>	<b>23,921,000</b>	<b>24,758,000</b>	<b>25,626,000</b>	<b>26,527,000</b>
<b>Operating Net Revenues</b>	<b>605,532</b>	<b>388,520</b>	<b>696,856</b>	<b>5,330,657</b>	<b>1,681,237</b>	<b>1,595,818</b>	<b>1,854,000</b>	<b>2,014,000</b>	<b>2,204,000</b>	<b>2,401,000</b>	<b>2,618,000</b>
<b>Water Sustainability Fund Transfer</b>	<b>250,000</b>	<b>250,000</b>	<b>200,000</b>	<b>200,000</b>	<b>200,000</b>	<b>200,000</b>	<b>200,000</b>	<b>200,000</b>	<b>200,000</b>	<b>200,000</b>	<b>200,000</b>
<b>Capital Improvement Transfer [3]</b>	<b>1,000,000</b>	<b>2,600,000</b>	<b>2,600,000</b>	<b>2,500,000</b>	<b>2,500,000</b>	<b>1,750,000</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>1,500,000</b>	<b>1,500,000</b>
<b>Proj. Debt Service (6%, 1.5% issuance, 30yr)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>147,477</b>	<b>294,955</b>	<b>294,955</b>	<b>294,955</b>	<b>294,955</b>	<b>294,955</b>	<b>294,955</b>	<b>294,955</b>
Total Expenses	19,155,468	21,952,480	22,572,144	23,030,820	24,068,718	24,580,137	25,107,955	25,915,955	26,752,955	27,620,955	28,521,955
<b>Revenues Less O&amp;M Expenses</b>	<b>605,532</b>	<b>388,520</b>	<b>696,856</b>	<b>5,330,657</b>	<b>1,681,237</b>	<b>1,595,818</b>	<b>1,854,000</b>	<b>2,014,000</b>	<b>2,204,000</b>	<b>2,401,000</b>	<b>2,618,000</b>
<b>Revenues Less Total Expenses</b>	<b>(644,468)</b>	<b>(2,461,480)</b>	<b>(2,103,144)</b>	<b>2,483,180</b>	<b>(1,313,718)</b>	<b>(649,137)</b>	<b>(140,955)</b>	<b>19,045</b>	<b>209,045</b>	<b>406,045</b>	<b>623,045</b>
<b>Ending Fund Balance</b>	<b>10,550,146</b>	<b>8,088,520</b>	<b>5,985,356</b>	<b>8,468,580</b>	<b>7,154,882</b>	<b>6,505,763</b>	<b>6,364,845</b>	<b>6,383,845</b>	<b>6,592,845</b>	<b>6,998,845</b>	<b>7,621,845</b>
<b>Revenue Test:</b> Annual Revenues > O&M Expenses											
Annual Revenues Less O&M Expenses	605,532	388,520	696,856	5,330,657	1,681,237	1,595,818	1,854,000	2,014,000	2,204,000	2,401,000	2,618,000
Pass/fail	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS
<b>Fund Reserve Test:</b> Minimum Fund Balance > 25% O&M Expenses											
Year-end fund balance	10,550,146	8,088,520	5,985,356	8,468,580	7,154,882	6,505,763	6,364,845	6,383,845	6,592,845	6,998,845	7,621,845
25% operating expenses	4,420,000	4,710,000	4,880,000	4,980,000	5,200,000	5,510,000	5,700,000	5,900,000	6,100,000	6,320,000	6,540,000
# of Days O&M in Reserves	215	155	110	153	124	106	101	97	97	100	105
Pass/fail	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS
Debt Service Coverage				9.02	5.70	5.41	6.29	6.83	7.47	8.14	8.88

[1] Connection fees not included in this analysis

[2] Calculated as 3% of the Beginning Fund Balance of the Water Revenue Fund

[3] Capital Improvements are funded through the Long-Term Capital Improvement Project Fund

Table 6  
City of Foster City / Estero Municipal Improvement District  
Water Rate Calculation - Two Tier Hybrid Model

Fiscal Year Ending June 30	Five Year Projection						Extended Year Projection				
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
<b>Fixed Meter Charge Increase</b>		8.50%	8.00%	7.00%	7.00%	7.00%	4.00%	4.00%	4.00%	4.00%	4.00%
<b>Fixed Revenues +/- 6% of Fixed Costs?</b>		YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
<b>Reserves % Above (Below) Reserve Target</b>		171.7%	122.7%	170.1%	137.6%	118.1%	111.7%	108.2%	108.1%	110.7%	116.5%
<b>Reserve Target Met?</b>		YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
<b>Revenue Estimates</b>											
Meter Charge Revenue	\$ 7,004,000	\$ 7,626,000	\$ 8,265,000	\$ 8,872,000	\$ 9,533,000	\$ 10,235,000	\$ 10,682,000	\$ 11,144,000	\$ 11,635,000	\$ 12,142,000	\$ 12,677,000
Other Fixed Revenue	\$ 336,000	\$ 317,000	\$ 243,000	\$ 180,000	\$ 254,000	\$ 215,000	\$ 195,000	\$ 191,000	\$ 192,000	\$ 198,000	\$ 210,000
Volumetric Revenue	\$ 11,171,000	\$ 11,549,000	\$ 11,960,000	\$ 12,456,000	\$ 12,964,000	\$ 13,484,000	\$ 14,093,000	\$ 14,603,000	\$ 15,126,000	\$ 15,677,000	\$ 16,250,000
<b>Total Projected</b>	<b>\$ 18,511,000</b>	<b>\$ 19,492,000</b>	<b>\$ 20,468,000</b>	<b>\$ 21,508,000</b>	<b>\$ 22,751,000</b>	<b>\$ 23,934,000</b>	<b>\$ 24,970,000</b>	<b>\$ 25,938,000</b>	<b>\$ 26,953,000</b>	<b>\$ 28,017,000</b>	<b>\$ 29,137,000</b>
<b>Total Projected Revenue (Rounded '000's)</b>	<b>\$ 18,511,000</b>	<b>\$ 19,492,000</b>	<b>\$ 20,468,000</b>	<b>\$ 21,508,000</b>	<b>\$ 22,751,000</b>	<b>\$ 23,934,000</b>	<b>\$ 24,970,000</b>	<b>\$ 25,938,000</b>	<b>\$ 26,953,000</b>	<b>\$ 28,017,000</b>	<b>\$ 29,137,000</b>
<b>Revenue Allocation</b>											
Fixed	39.7%	40.8%	41.6%	42.1%	43.0%	43.7%	43.6%	43.7%	43.9%	44.0%	44.2%
Variable	60.3%	59.2%	58.4%	57.9%	57.0%	56.3%	56.4%	56.3%	56.1%	56.0%	55.8%
<b>Costs Estimates</b>											
Fixed Costs [1]	\$7,837,052	\$10,218,124	\$10,731,144	\$11,036,820	\$11,451,718	\$10,978,137	\$11,014,955	\$11,312,955	\$11,619,955	\$11,937,955	\$12,266,955
Variable Costs [2]	\$11,318,416	\$11,734,356	\$11,841,000	\$11,994,000	\$12,617,000	\$13,602,000	\$14,093,000	\$14,603,000	\$15,133,000	\$15,683,000	\$16,255,000
<b>Total Projected Costs</b>	<b>\$19,155,468</b>	<b>\$21,952,480</b>	<b>\$22,572,144</b>	<b>\$23,030,820</b>	<b>\$24,068,718</b>	<b>\$24,580,137</b>	<b>\$25,107,955</b>	<b>\$25,915,955</b>	<b>\$26,752,955</b>	<b>\$27,620,955</b>	<b>\$28,521,955</b>
<b>Net Revenue</b>											
Fixed Charges	-\$497,052	-\$2,275,124	-\$2,223,144	-\$1,984,820	-\$1,664,718	-\$528,137	-\$137,955	\$22,045	\$207,045	\$402,045	\$620,045
Volumetric Charges	-\$147,416	-\$185,356	-\$119,000	-\$462,000	-\$347,000	-\$118,000	\$0	\$0	-\$7,000	-\$6,000	-\$5,000
<b>Total</b>	<b>-\$644,468</b>	<b>-\$2,460,480</b>	<b>-\$2,104,144</b>	<b>-\$1,522,820</b>	<b>-\$1,317,718</b>	<b>-\$646,137</b>	<b>-\$137,955</b>	<b>\$22,045</b>	<b>\$200,045</b>	<b>\$396,045</b>	<b>\$615,045</b>
<b>Cost Analysis</b>											
Fixed	40.9%	46.5%	47.5%	47.9%	47.6%	44.7%	43.9%	43.7%	43.4%	43.2%	43.0%
Variable	59.1%	53.5%	52.5%	52.1%	52.4%	55.3%	56.1%	56.3%	56.6%	56.8%	57.0%
<b>Meter Charge Calculation</b>											
Monthly charge per meter equivalent (Rounded to nearest \$0.05)	\$ 28.85	\$ 31.30	\$ 33.80	\$ 36.15	\$ 38.70	\$ 41.40	\$ 43.05	\$ 44.75	\$ 46.55	\$ 48.40	\$ 50.35
Annual charge per meter equivalent	\$ 346.20	\$ 375.60	\$ 405.60	\$ 433.80	\$ 464.40	\$ 496.80	\$ 516.60	\$ 537.00	\$ 558.60	\$ 580.80	\$ 604.20
Meter equivalents [3]	20,229	20,303	20,377	20,452	20,527	20,602	20,677	20,753	20,829	20,905	20,982
<b>Meter Charge Revenue Estimate</b>	<b>\$ 7,004,000</b>	<b>\$ 7,626,000</b>	<b>\$ 8,265,000</b>	<b>\$ 8,872,000</b>	<b>\$ 9,533,000</b>	<b>\$ 10,235,000</b>	<b>\$ 10,682,000</b>	<b>\$ 11,144,000</b>	<b>\$ 11,635,000</b>	<b>\$ 12,142,000</b>	<b>\$ 12,677,000</b>
<b>Volumetric Rate Calculation</b>											
<b>EMID Proposed Uniform Rate</b>	<b>\$6.72</b>	<b>\$ 6.92</b>	<b>\$ 7.14</b>	<b>\$ 7.41</b>	<b>\$ 7.68</b>	<b>\$ 7.96</b>	<b>\$ 8.29</b>	<b>\$ 8.56</b>	<b>\$ 8.83</b>	<b>\$ 9.12</b>	<b>\$ 9.42</b>
Projected annual water sales (ccf) [4]	1,662,412	1,669,000	1,675,000	1,681,000	1,688,000	1,694,000	1,700,000	1,706,000	1,713,000	1,719,000	1,725,000
<b>Variable revenue estimate</b>	<b>\$11,171,000</b>	<b>\$11,549,000</b>	<b>\$11,960,000</b>	<b>\$12,456,000</b>	<b>\$12,964,000</b>	<b>\$13,484,000</b>	<b>\$14,093,000</b>	<b>\$14,603,000</b>	<b>\$15,126,000</b>	<b>\$15,677,000</b>	<b>\$16,250,000</b>
<b>% Spread between EMID and SFPUC</b>											
Surcharge	18.5%	19.5%	22.1%	25.4%	23.5%	18.5%	19.2%	18.9%	18.5%	18.3%	18.0%
<b>SFPUC PROJECTED RATES</b>	<b>\$5.67</b>	<b>\$5.79</b>	<b>\$5.85</b>	<b>\$5.91</b>	<b>\$6.22</b>	<b>\$6.72</b>	<b>\$6.96</b>	<b>\$7.20</b>	<b>\$7.45</b>	<b>\$7.71</b>	<b>\$7.98</b>
Increase (Decrease) %		2.1%	1.0%	1.0%	5.2%	8.0%	3.5%	3.5%	3.5%	3.5%	3.5%
<b>BAWSCA Surcharge</b>	<b>\$0.36</b>	<b>\$0.36</b>	<b>\$0.36</b>	<b>\$0.36</b>	<b>\$0.36</b>	<b>\$0.36</b>	<b>\$0.36</b>	<b>\$0.36</b>	<b>\$0.36</b>	<b>\$0.36</b>	<b>\$0.36</b>
<b>SFPUC Rate + BAWSCA Surcharge</b>	<b>\$6.03</b>	<b>\$6.15</b>	<b>\$6.21</b>	<b>\$6.27</b>	<b>\$6.58</b>	<b>\$7.08</b>	<b>\$7.32</b>	<b>\$7.56</b>	<b>\$7.81</b>	<b>\$8.07</b>	<b>\$8.34</b>
<b>EMID Fixed Meter Charge Increase (Decrease)</b>		8.5%	8.0%	7.0%	7.1%	7.0%	4.0%	3.9%	4.0%	4.0%	4.0%
<b>EMID Volumetric Rate Increase (Decrease)</b>		3.0%	3.2%	3.8%	3.6%	3.6%	4.1%	3.3%	3.2%	3.3%	3.3%

Note:  
[1] Includes: Employee Services, Internal Services - Other, Internal Services - ERF, Services & Supplies, Reallocation, Capital Outlay, Capital Improvement Fund Transfers, Debt Service, and net revenues for the operating fund.  
[2] Includes: SFPUC Water Purchases, BAWSCA Bond Repayment, and Water Sustainability Fund Transfers.  
[3] 0.37% growth estimated for planning purposes  
[4] Includes 10% water loss factor

Table 7

City of Foster City / Estero Municipal Improvement District  
Proposed Water Rates - Two Tier Hybrid Model

## TWO TIER HYBRID MODEL

Recommended Rates	Current Rates	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032	FY2033	FY2034	FY2035
<b>Monthly Meter Charge</b>											
3/4"	\$28.85	\$31.30	\$33.80	\$36.15	\$38.70	\$41.40	\$43.05	\$44.75	\$46.55	\$48.40	\$50.35
1"	48.08	52.17	56.33	60.25	64.50	69.00	71.75	74.58	77.58	80.67	83.92
1-1/2"	115.40	125.20	135.20	144.60	154.80	165.60	172.20	179.00	186.20	193.60	201.40
2"	153.87	166.93	180.27	192.80	206.40	220.80	229.60	238.67	248.27	258.13	268.53
3"	336.58	365.17	394.33	421.75	451.50	483.00	502.25	522.08	543.08	564.67	587.42
4"	605.85	657.30	709.80	759.15	812.70	869.40	904.05	939.75	977.55	1,016.40	1,057.35
6"	1,346.33	1,460.67	1,577.33	1,687.00	1,806.00	1,932.00	2,009.00	2,088.33	2,172.33	2,258.67	2,349.67
8" or greater	2,308.00	2,504.00	2,704.00	2,892.00	3,096.00	3,312.00	3,444.00	3,580.00	3,724.00	3,872.00	4,028.00
<b>Conservation-Based Water Rate Model (based on bi-monthly allotments)*</b>											
<b>Single Family Residential</b>											
Tier 1 0-20 per ccf	6.60	6.80	7.02	7.29	7.56	7.84	8.17	8.44	8.72	9.01	9.31
Tier 2 Over 20 ccf	7.33	7.56	7.79	8.08	8.34	8.59	8.92	9.19	9.46	9.75	10.05
<b>Multi-Family Residential (per living unit)</b>											
Tier 1 0-10 ccf per living unit	6.60	6.80	7.02	7.29	7.56	7.84	8.17	8.44	8.72	9.01	9.31
Tier 2 Over 10 ccf per living unit	7.36	7.54	7.77	8.06	8.32	8.57	8.90	9.17	9.44	9.73	10.03
<b>Irrigation Customers</b>											
Tier 1 <=100% of annual budget	6.60	6.80	7.02	7.29	7.56	7.84	8.17	8.44	8.72	9.01	9.31
Tier 2 >100% of annual budget	7.80	7.76	8.00	8.29	8.55	8.79	9.12	9.39	9.66	9.95	10.24
<b>Commercial and Fire Line Customers</b>											
Base Consumption Rate	6.72	6.92	7.14	7.41	7.68	7.96	8.29	8.56	8.83	9.12	9.42
<b>Monthly Fire Meter Charge</b>											
1-1/2" & below	40.39	43.82	47.32	50.61	54.18	57.96	60.27	62.65	65.17	67.76	70.49
2"	53.95	58.53	63.21	67.60	72.37	77.42	80.50	83.68	87.05	90.51	94.15
3"	117.71	127.70	137.90	147.49	157.90	168.91	175.64	182.58	189.92	197.47	205.43
4"	212.05	230.06	248.43	265.70	284.45	304.29	316.42	328.91	342.14	355.74	370.07
6"	471.12	511.13	551.95	590.33	631.97	676.06	703.01	730.77	760.16	790.37	822.22
8" or greater	807.80	876.40	946.40	1,012.20	1,083.60	1,159.20	1,205.40	1,253.00	1,303.40	1,355.20	1,409.80
(Minimum charge is equivalent to 1-1/2" meter charge)											

\*Recommended SFPUC wholesale rate pass through formula: (Additional SFPUC \$ Amount Per HCF Above Study) / (0.9) added to each volumetric rate.

0.9 Accounts for 10% Water loss

Table 8  
Foster City / Estero Municipal Improvement District  
Projected Water Rate Impacts

		Current	FY2026
		Rates	Two Tier Hybrid Model
Monthly meter charge		\$28.85	\$31.30
% Change			8.5%
<b>Single Family Residential</b>			
<b>Bi-Monthly Tiers</b>			
Tier 1: 0 to 20 ccf		\$6.60	\$6.80
Tier 2: over 20 ccf		\$7.33	\$7.56
<u>Water Use Level</u>	<u>Monthly Use (ccf)</u>		<u>Monthly Bill</u>
<b>Low User</b>	5	\$61.85	\$65.30
\$ Increase			3.45
% Increase			5.6%
<b>Median User</b>	6	\$68.45	\$72.10
\$ Increase			3.65
% Increase			5.3%
<b>Average User</b>	8	\$81.65	\$85.70
\$ Increase			4.05
% Increase			5.0%
<b>High User</b>	10	\$94.85	\$99.30
\$ Increase			4.45
% Increase			4.7%
<b>Very High User</b>	20	\$160.85	\$174.90
\$ Increase			14.05
% Increase			8.7%
<b>Excessive User</b>	50	\$380.75	\$401.70
\$ Increase			20.95
% Increase			5.5%

Table 9  
 Foster City / Estero Municipal Improvement District  
 Projected Water Rate Impacts

Projected Water Bills	Current	Fiscal Year Ending June 30					Extended Year Projection				
	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>	<u>2030</u>	<u>2031</u>	<u>2032</u>	<u>2033</u>	<u>2034</u>	<u>2035</u>

Two Tier Hybrid Model

Single Family Residential Monthly Rate	\$81.65	\$85.70	\$89.96	\$94.47	\$99.18	\$104.12	\$108.41	\$112.27	\$116.31	\$120.48	\$124.83
\$ Increase		4.05	4.26	4.51	4.71	4.94	4.29	3.86	4.04	4.17	4.35
% Increase		5.0%	5.0%	5.0%	5.0%	5.0%	4.1%	3.6%	3.6%	3.6%	3.6%

***Based on Single Family Residential Use of 8 ccf***

# EMID Service Area

