<table>
<tr><td colspan="2">AGENDA BILL
Item 6.B</td><td colspan="2">Utility Rate Design
Alternatives Discussion</td></tr>
<tr><td>DATE SUBMITTED:</td><td>June 2, 2026</td><td>MEETING DATE:</td><td>June 10, 2026</td></tr>
<tr><td colspan="2">TO: BOARD OF COMMISSIONERS</td><td colspan="2">FROM: Jenny Signs, Finance Manager</td></tr>
<tr><td colspan="2">GENERAL MANAGER APPROVAL</td><td colspan="2"></td></tr>
<tr><td colspan="2">ATTACHED DOCUMENTS</td><td colspan="2">1. Water Rate Scenario Modeling</td></tr>
<tr><td colspan="2">TYPE OF ACTION REQUESTED</td><td colspan="2">RESOLUTION ☐ | FORMAL ACTION/ MOTION ☐ | INFORMATIONAL/ OTHER ☒</td></tr>
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BACKGROUND / EXPLANATION OF IMPACT

During the regularly scheduled Board meeting on May 27, 2026, the Board requested the evaluation of three rate design scenarios:

- The current 600 cubic foot (cf)/2500 cf/Infinity Tier Design
- A modified 600 cf/1800 cf/Infinity Tier Design
- A 600 cf/1800 cf/Infinity Design with a 40% differential applied to Tier 2 consumption (the current, which is modeled in the second scenario, is 25%)

The scenarios compare how different rate designs affect customer bills, revenue generation, debt service coverage, and the long-term financial sustainability of the Water Utility Fund. All three of these scenarios support the District's operating and capital needs. However, they differ in how revenue is generated from customers. The modified tier designs generate additional revenue, improve debt service coverage, and place a greater share of system costs on higher-volume users while the current model has less impact on the customer's bill.

What has been built into the three designs, as a means of comparing the current rate design to proposed rate designs, is maintaining the contingency reserve fund at $460,000, discontinuing contributions to the capital surplus, and increasing the annual capital program budget to the recommended $639,000. Once a rate design is selected by the Board, we can model multi-year rate structures that implement different policy scenarios.

The attached financial projections and customer bill comparisons are intended to assist the Board in selecting a preferred rate design moving forward.

FISCAL IMPACT
No fiscal impact is anticipated with discussion of the District's rate structure. Should the rate structure be revised, rates will need to be set at levels that support continued financial viability of the District.

APPLICABLE EFFECTIVE UTILITY MANAGEMENT ATTRIBUTE(S)
Financial Viability
Customer Satisfaction

RECOMMENDED BOARD ACTION
None.

PROPOSED MOTION
Not applicable.