
City of Rialto

2025 Water and Wastewater Rate Study Report – October 2025

Prepared by: Water Resources Economics, LLC



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October 21, 2025

Tanya Williams
City Manager
City of Rialto
150 S. Palm Avenue
Rialto, CA 92376

Subject: City of Rialto Water and Wastewater Rate Study Report

Dear Ms. Williams,

Water Resources Economics, LLC (WRE) is pleased to submit this 2025 Water and Wastewater Rate Study Report to the City of Rialto (City). This report documents the results and recommendations of the City's water and wastewater rate study. The goal of the study was to develop a five-year schedule of water and wastewater rates that will sufficiently fund the City's water and wastewater system expenses and allow the City to meet its financial goals within the study period.

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 City's Water Subcommittee and City Council. Our project team has a proven track record of developing fair and equitable water and wastewater rates for numerous public agencies in California over the past 25 years. We are confident in our ability to develop sound water and wastewater rates that satisfy the requirements of Proposition 218.

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

Sincerely,



Sanjay Gaur
Founder / President



Nancy Phan
Principal Consultant



Grace Hunzicker
Project Analyst

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1. EXECUTIVE SUMMARY

1.1 SYSTEM OVERVIEW

The City of Rialto (City) provides potable water service to over 12,000 metered connections, which includes Single Family Residential, Multi-Family Residential, Government, Commercial, and Landscape customer classes. The City's water service area encompasses the central portion of the City with West Valley Water District and Fontana Water Company providing service to other portions of the City. In addition to the City limits, the wastewater service area encompasses portions of Fontana and Bloomington.

In 2001, the City created the Rialto Utility Authority (RUA), a separate entity to provide water and wastewater services. In 2011 the City and RUA, in partnership with Rialto Water Services (RWS) formed a public-private partnership to execute a 30-year water and wastewater concession agreement. RWS is a partnership between TableRock Capital and the Union Labor Life Insurance Company (Ullico).

Under the agreement, RWS is responsible for capital project delivery and the operations of the water and wastewater system. RWS outsources operations to Veolia North America (Veolia) to deliver water and wastewater services, including billing and customer service, as well as oversee the capital improvement program (CIP). While Veolia operates the system, RWS provides financial backing and oversight. Additionally, the City has full ownership of the water and wastewater system and is responsible for setting water and wastewater rates.

1.2 RATE STUDY OVERVIEW

The City's water and wastewater rates were adjusted in January 2018 and were most recently adjusted in January 2025. The City began this rate-setting process by engaging Water Resources Economics, LLC (WRE) in 2025 to conduct a comprehensive water and wastewater rate study, with the following objectives:

- Evaluate a five-year financial plan scenario for the water and wastewater enterprises to meet financial targets for Fiscal Year (FY) 2026¹ to FY 2030
- Develop a five-year water and wastewater rate schedule from FY 2026 through FY 2030

1.3 LEGAL REQUIREMENTS²

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

¹ FY 2026 is the year starting July 1, 2025 and ending June 30, 2026.

² Although this section is named “Legal Requirements” and discusses Proposition 218 and 26, WRE is not a law firm and does not provide legal advice.

City of Rialto 2025 Water and Wastewater Rate Study

the rates charged to customers. The primary means by which retail water and wastewater agencies address this requirement is by conducting a “cost-of-service analysis.” Proposition 218 also affects the rate adoption process by requiring agencies to hold a public hearing to adopt rates. The agency must mail public hearing notices to all customers no fewer than 45 days prior to the public hearing. The public hearing notices must clearly show all proposed rate changes, provide information on the public hearing date/time/location, and provide instructions on how customers may protest the proposed rate changes. If a majority of customers submit a protest, the proposed rate changes cannot be adopted.

1.4 RATE-SETTING METHODOLOGY

This study was conducted using industry-standard methodology 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. **Rate Design:** A multi-year proposed rate schedule is calculated directly from the results of the financial plan analysis.
3. **Rate Study Documentation:** A rate study report is developed to document the proposed rate development process. This provides transparency and enhances legal defensibility in light of 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 City’s water and wastewater rate study. Some important information to keep in mind when reading the report includes the following:

- All study projections are based on the best available data as of July 2025.
- All table values are rounded to the nearest digit shown unless stated otherwise. However, all calculations are based on precise values. Attempting to manually recreate the calculations described in this report from the values displayed in tables may therefore produce slightly different results.
- All current and proposed rates and charges in this report are shown on a monthly basis.
- References to staff include input from RWS staff, RUA/City staff, and Veolia staff.

1.6 CONCESSION AGREEMENT CASH FLOWS

In addition to stating the responsibilities of each party, the Concession Agreement establishes a series of accounts held in trust that specify how revenues and expenses should flow between each party. In each account, water and wastewater revenues and expenses are accounted for separately.

The flow of funds, as defined by the Concession Agreement, is outlined below:

1. All revenues are deposited with the Trustee, in a Master Revenue Account held in trust and transferred to various accounts based on Concession Agreement requirements.

- In addition to rate revenues and other non-rate miscellaneous revenues, revenue stabilization is an additional revenue source, representing payments from RUA reserves and City funds held in trust (referred to as Trustee revenue stabilization), to help meet financial performance requirements and cover City funding needs. The City and RWS collaborate in advance to coordinate revenue stabilization payments if expected to be required.
- 2. From these accounts, operating expenses are covered including payments to RWS, Veolia, and other parties. Operating expenses are paid from these accounts based on a priority system referred to as the “Waterfall” (see **Section 1.8** for detail).
- 3. Funds available after covering Waterfall expenses (see **Section 1.8** for detail) and meeting Concession Agreement financial performance requirements (see **Section 1.7** for requirements) are transferred to RUA in the beginning of the next fiscal year. Available funds represent the amount available for CIP funding.

1.7 FINANCIAL PERFORMANCE REQUIREMENTS

There are several financial performance requirements that influence the ability of water and wastewater rates to meet the City’s funding needs. The requirements below, based on the Concession Agreement and City direction, allow the City to cover operating expenses, meet Concession Agreement requirements, and fund CIP. If applicable, any proposed debt will also have debt coverage requirements determined by each lender. Each financial performance requirement is reviewed below:

- **Trustee Minimum Reserve Balance**
 - The Concession Agreement requires that the minimum balance for both water and wastewater Trustee account balances is 25% of the sum of operating expenses, capital charges, and RUA/City debt service (see **Section 1.8**, Waterfall 1-3).
- **RUA Minimum Reserve Balance**
 - The City does not have specific reserve requirements for its water or wastewater reserves. However, based on direction from staff, RUA reserves should not fall below \$0.
- **Trustee Coverage Requirement**
 - For each enterprise, the Trustee coverage requirement specifies that revenues³, excluding funds designated for CIP and interest, less operating expenses, capital charges, and RUA/City debt service (Waterfall 1-3) must exceed a certain percentage of capital charges and RUA/City debt service (Waterfall 3).
 - For the water enterprise the percentage is 17.7%
 - For the wastewater enterprise the percentage is 15.0%
- **Debt Coverage Requirement (If Applicable)**
 - Though neither the City nor RUA has existing debt for the water and wastewater enterprises, the City is proposing to issue new debt for the wastewater enterprise. Typically, any new debt issuance will have debt coverage requirements explicitly stated in official agreements on outstanding debt issuances. Typical debt coverage is 125% of annual debt service. This means that net operating revenues (revenues⁴ less Waterfall expenses 1-2) must be 125% or more of annual debt service.

³ Including operating revenue stabilization.

⁴ Excluding revenues designated for CIP.

1.8 WATERFALL EXPENSES

Operating expenses are classified based on a priority system referred to as the “Waterfall.” The Waterfall is funded from the Water and Wastewater Master revenue accounts. Below are descriptions of each Waterfall (1-5) and the expenses that are classified in each:

- **Waterfall 1A: RWS Service Fee and Reimbursements**
 - RWS Service Fee = paid to RWS for operating water and wastewater systems. Changes to RWS Service Fee components including fixed, routine R&R (Repair & Replacement), chemical, and labor components are based on the Concession Agreement.
 - RWS Reimbursements = paid to reimburse RWS for its insurance, independent engineer, and maintenance expenses based on the Concession Agreement.
- **Waterfall 1B: Retained RUA Expenses**
 - Retained RUA Expenses = these are operating expenses paid directly by RUA for certain outside services that are its direct obligations, such as electricity.
- **Waterfall 2: Annual Operating R&R Payment**
 - Annual Operating R&R Payment = maintenance expenses that are more expensive than routine R&R (Waterfall 1A), but less expensive than CIP projects.
- **Waterfall 3: RWS Capital Charges and RUA/City Debt**
 - RWS Capital Charges = for the payment and financing of approved capital charges. This information was provided by staff.
 - RUA/City Debt = RUA/City debt service from debt proceeds used for capital projects (if applicable, includes existing and future debt service).
- **Waterfall 4: Reserve Account Deposits**
 - Reserve Account Deposits = payments to meet Trustee minimum reserve balance requirements (25% of Waterfall 1-3) as part of the Concession Agreement financial performance requirements (see **Section 1.7**).
- **Waterfall 5: Surplus Account**
 - Surplus Account = the remaining Master Account revenues, after the preceding waterfalls, are transferred to the Surplus Account. These surplus funds are available for the City’s use in ways that benefit its customers. This information was provided by staff.

1.9 CURRENT WATER RATES

The City’s current water rates include monthly minimum charges based on meter size and volume charges based on units of water in hundred cubic feet (ccf). The City also has fixed monthly fire line charges based on fire line diameter for commercial customers with dedicated fire connections and hydrant charges, including both a volume charge based on units of water in ccf and a daily charge.

Single Family Residential, Multi-Family under 49 units, Government, and Commercial customers volume charges have three tiers⁵. The most recent rate study completed in 2025 reduced the number of tiers from four to three and adjusted the tier widths, as shown below in **Table 1-2** (Lines 1-9). Landscape customers volume charges have two tiers and Multi-Family over 49 units and Mobile Homes have a uniform volume charge.

⁵ These customer classes are included in the “All Customers Except Those Noted Below” rate schedule designation (**Table 1-2**).

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The City also has a Senior and Low-Income discount program for eligible Single Family and Multi-Family under 49 unit customers. Eligible customers receive 20% off monthly minimum charges.

Table 1-1, Table 1-2 , Table 1-3, and

Line	Fire Line Charges	As of	
		2/1/2018	1/1/2025
1	3"	\$83.73	\$21.56
2	4"	\$111.64	\$45.95
3	6"	\$167.46	\$133.47
4	8"	\$223.28	\$284.43
5	10"	\$279.10	\$511.50

Table 1-4 show the current monthly minimum charges, volume charges, fire line charges, and hydrant charges, respectively.

Table 1-1: Current Monthly Minimum Charges

Line	Monthly Minimum Charge	As of	
		2/1/2018	1/1/2025
1	3/4" and smaller	\$30.42	\$34.53
2	1"	\$44.01	\$53.03
3	1 1/2"	\$53.04	\$99.28
4	2"	\$152.54	\$154.79
5	3"	\$324.45	\$302.80
6	4"	\$550.59	\$469.31
7	6"	\$1,138.62	\$931.84
8	8"	\$1,636.17	\$1,486.88

Table 1-2: Current Volume Charges

Line	Volume Charge (\$/ccf)	As of	
		2/1/2018	1/1/2025
1	All Customers Except those Noted Below (Before 1/1/25)		
2	Tier 1 (1-5 units)	\$1.07	N/A
3	Tier 2 (6-30 units)	\$1.69	N/A
4	Tier 3 (31-60 units)	\$2.70	N/A
5	Tier 4 (61+ units)	\$3.32	N/A
6	All Customers Except those Noted Below (After 1/1/25)		
7	Tier 1 (0-9 units)	N/A	\$1.95
8	Tier 2 (10-30 units)	N/A	\$2.19
9	Tier 3 (31+ units)	N/A	\$3.19
10	Multiple Apartments		
11	Over 49 Units and Mobile Homes	\$2.40	\$2.35
12	Landscape		
13	Tier 1 (1-30 units)	\$2.70	\$2.19
14	Tier 2 (31+ units)	\$3.32	\$3.19

Table 1-3: Current Fire Line Charges

Line	Fire Line Charges	As of 2/1/2018	As of 1/1/2025
1	3"	\$83.73	\$21.56
2	4"	\$111.64	\$45.95
3	6"	\$167.46	\$133.47
4	8"	\$223.28	\$284.43
5	10"	\$279.10	\$511.50

Table 1-4: Current Hydrant Charges

Line	Hydrant Charges	As of 2/1/2018	As of 1/1/2025
1	Water Use, \$/ccf	\$3.33	\$2.70
2	Per Day	\$10.81	\$3.43

1.10 WATER FINANCIAL PLAN

WRE worked closely with staff and the City's Water Subcommittee to determine the financial plan scenario that best suits the City's needs. The results and recommendations of the water rate study are driven by the City's financial performance, input from staff, and feedback and direction from the Water Subcommittee.

FACTORS AFFECTING FINANCIAL PERFORMANCE

The water system's financial performance is driven by the ability of the current water rates to meet the City's funding needs. To maintain financial sufficiency, water rates must fully fund operations and maintenance (O&M) costs, CIP expenditures, meet the Concession Agreement financial performance criteria, and meet debt coverage requirements, if applicable.

The key factors affecting financial performance include:

- **Substantial capital investment needs over the next five years:** The cost of planned capital projects to be funded by rates over the next four years (FY 2026 through FY 2030) is approximately \$10.8 million, accounting for inflation of project costs over time. Significant projects include water main and service line improvements and groundwater treatment system upgrades.
- **Trustee coverage requirements:** The City's existing capital charge payment is \$2.9 million each year of the study period, and the City is required to meet an annual coverage requirement of 17.7% each year. This means that the City's water revenues⁶, excluding revenues designated for CIP and interest, less operating expenses, capital charges, and RUA/City debt service (Waterfall 1-3) must be at least 17.7% greater than capital charges and RUA/City debt service (Waterfall 3) each year. Without any revenue adjustments, the City is not expected to meet its Trustee coverage requirements starting in FY 2027.
- **Projected O&M cost increases for Waterfall 1-2 expenses:** O&M expenses are projected to increase by 3.2% on average each year over the next five years due to inflationary pressures.

⁶ Including operating revenue stabilization.

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Without any revenue adjustments, the City is not expected to cover its O&M expenses starting in FY 2028.

- **Trustee and RUA minimum reserve balances:** The Trust Agreement and Concession Agreement establish an operating reserve requirement within the Waterfall to ensure sufficient funds are available for ongoing operations. This reserve is maintained to protect the concessionaire from short-term cash flow shortages, not as a City-managed reserve policy. After meeting Concession Agreement financial performance criteria, available funds are transferred to RUA reserves in the next fiscal year. Keeping RUA reserve balances above \$0 ensures that the City can execute CIP projects. Without any revenue adjustments, the City's RUA reserve balances will be negative starting in FY 2028.

STATUS QUO FINANCIAL PLAN

The first step in evaluating the City's financial performance is to develop a "status quo financial plan," which is the scenario in which the City does not increase its water rate revenues or issue new debt to fund CIP. This exercise is to determine whether the City's current water rates are sufficient to meet key financial performance metrics. This section shows two important metrics: Trustee and RUA fund balances and Trustee coverage.

Figure 1-1 shows the projected Trustee and RUA fund balances under the status quo scenario. The green bars represent the ending fund balance for Trustee reserves, the blue bars represent the ending fund balance for RUA reserves, and the dashed line represents the Trustee minimum reserve balance (25% of Waterfall 1-3). In this scenario, the City's RUA reserves will be negative starting in FY 2028, indicated by the alert balance (red circles). Without additional rate revenues, the City is constrained by its fund balances.

Figure 1-1: Projected Water Trustee and RUA Fund Balances (Status Quo Financial Plan)

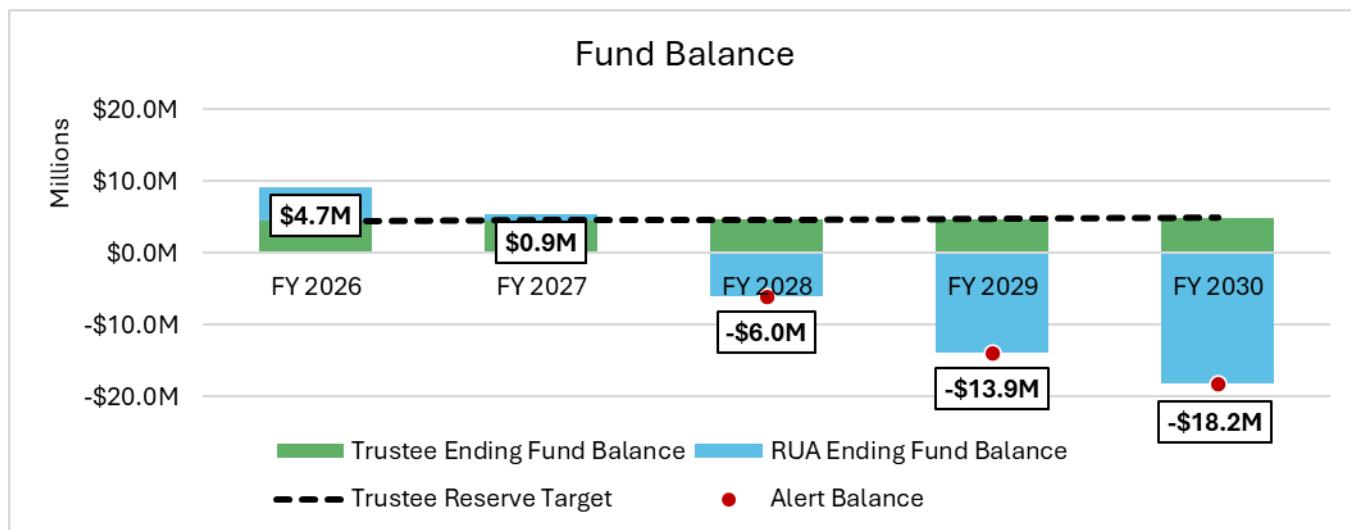


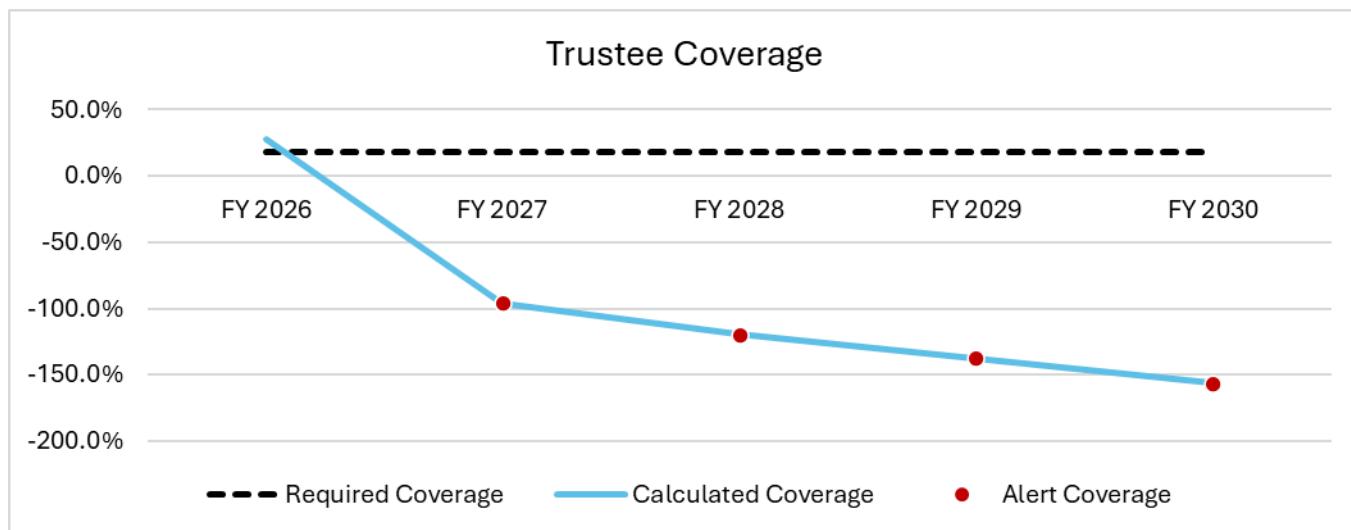
Figure 1-2 shows the projected Trustee coverage under the status quo scenario. The required Trustee coverage (dashed black line) is equal to 17.7%. Trustee coverage (blue line) is calculated by dividing revenues⁷, excluding revenues designated for CIP and interest, less operating expenses, capital charges,

⁷ Including operating revenue stabilization.

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and RUA/City debt service (Waterfall 1-3) by capital charges and RUA/City debt service (Waterfall 3) in each year. The City is expected to fail to meet its Trustee coverage requirements starting in FY 2027, indicated by the alert coverage (red circles).

Figure 1-2: Projected Water Trustee Coverage (Status Quo Financial Plan)



PROPOSED REVENUE ADJUSTMENTS AND DEBT ISSUANCES

Overall annual increases in water rate revenue resulting from rate increases are referred to as “revenue adjustments.” WRE worked with staff and the City’s Water Subcommittee to determine the most appropriate financial plan scenario, which is shown in **Table 1-5**.

The proposed financial plan scenario includes five years of revenue adjustments, which are required to maintain financial sufficiency and resiliency of the City’s water enterprise. No new debt is proposed. The proposed plan does not include any new revenue stabilization contributions from the City. (see **Section 1.6** for details on revenue stabilization)

Table 1-5: Proposed Water Financial Plan Scenario

Line	Fiscal Year	Effective Date	Revenue Adjustments	Proposed Debt Proceeds	Proposed Operating Revenue Stabilization
1	FY 2026	3/1/2026	23%	\$0	\$2,784,000
2	FY 2027	1/1/2026	18%	\$0	\$337,426
3	FY 2028	1/1/2026	17%	\$0	\$0
4	FY 2029	1/1/2026	3%	\$0	\$0
5	FY 2030	1/1/2026	3%	\$0	\$0

PROPOSED FINANCIAL PLAN

The proposed financial plan applies the revenue adjustments, shown in **Table 1-5**, to reevaluate financial performance based on the same two metrics: Trustee and RUA fund balances and Trustee coverage.

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Figure 1-3 shows the projected Trustee and RUA fund balances under the proposed scenario. In this scenario, the City's RUA reserves will be positive in all years. The buildup of reserves by FY 2030 will enable the City to execute CIP in the following years after FY 2030.

Figure 1-3: Projected Water Trustee and RUA Fund Balances (Proposed Financial Plan)

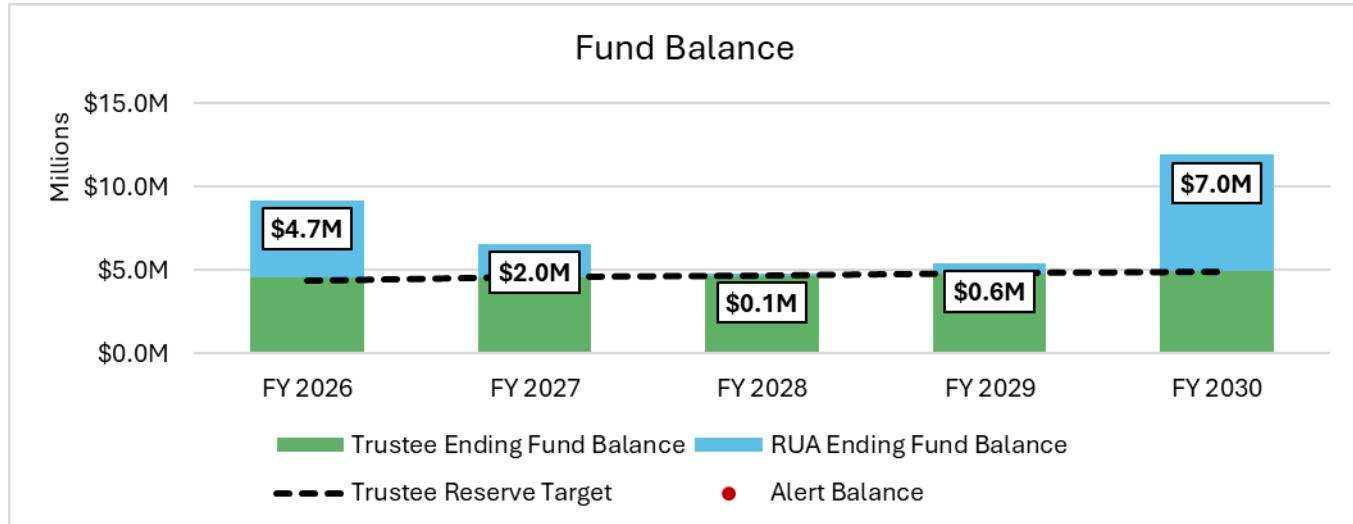
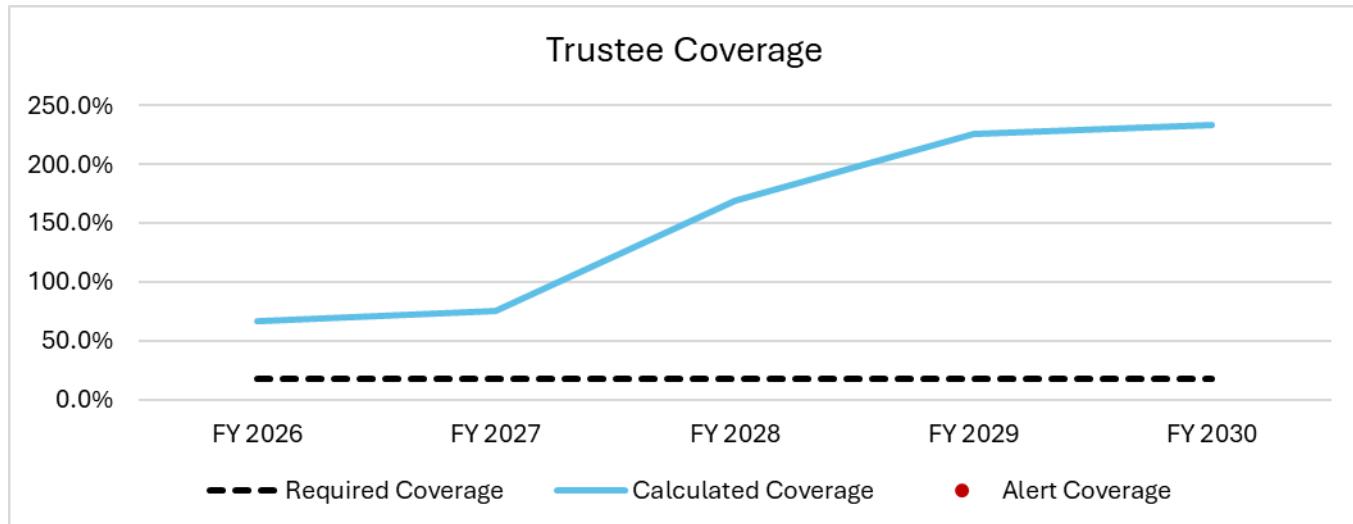


Figure 1-4 shows the projected Trustee coverage under the proposed scenario. The City is expected to meet Trustee coverage requirements for all years. Note that Trustee coverage reflects the City's coverage of operating expenses and capital charges, excluding CIP and no new RUA/City debt is proposed. To fund the City's needs, proposed revenues must cover operating expenses, capital charges, CIP, and meet financial performance requirements. **Figure 1-3** and **Figure 1-4** should be interpreted in conjunction with one another.

Figure 1-4: Projected Water Trustee Coverage (Proposed Financial Plan)



1.11 PROPOSED WATER RATES

PROPOSED FIVE-YEAR WATER RATE SCHEDULE

The proposed five-year water rate schedules in this section are based on the proposed revenue adjustments in the five-year period. The rate schedule shows the proposed water rates to be implemented in March 2026 through January 2030.⁸

Table 1-6, Table 1-7, Table 1-8, and

Line	Fire Line Charges	As of 1/1/25	Effective 3/1/2026	Effective 1/1/2027	Effective 1/1/2028	Effective 1/1/2029	Effective 1/1/2030
1	3"	\$21.56	\$26.52	\$31.30	\$36.63	\$37.73	\$38.87
2	4"	\$45.95	\$56.52	\$66.70	\$78.04	\$80.39	\$82.81
3	6"	\$133.47	\$164.17	\$193.73	\$226.67	\$233.48	\$240.49
4	8"	\$284.43	\$349.85	\$412.83	\$483.02	\$497.52	\$512.45
5	10"	\$511.50	\$629.15	\$742.40	\$868.61	\$894.67	\$921.52

Table 1-9 show the current and proposed monthly minimum charges, volume charges, fire line charges, and hydrant charges, respectively.

Table 1-6: Current and Proposed Monthly Minimum Charges

Line	Monthly Minimum Charge	As of 1/1/25	Effective 3/1/2026	Effective 1/1/2027	Effective 1/1/2028	Effective 1/1/2029	Effective 1/1/2030
1	¾" and smaller	\$34.53	\$42.48	\$50.13	\$58.66	\$60.42	\$62.24
2	1"	\$53.03	\$65.23	\$76.98	\$90.07	\$92.78	\$95.57
3	1 ½"	\$99.28	\$122.12	\$144.11	\$168.61	\$173.67	\$178.89
4	2"	\$154.79	\$190.40	\$224.68	\$262.88	\$270.77	\$278.90
5	3"	\$302.80	\$372.45	\$439.50	\$514.22	\$529.65	\$545.54
6	4"	\$469.31	\$577.26	\$681.17	\$796.97	\$820.88	\$845.51
7	6"	\$931.84	\$1,146.17	\$1,352.49	\$1,582.42	\$1,629.90	\$1,678.80
8	8"	\$1,486.88	\$1,828.87	\$2,158.07	\$2,524.95	\$2,600.70	\$2,678.73

Table 1-7: Current and Proposed Volume Charges

Line	Volume Charge (\$/ccf)	As of 1/1/25	Effective 3/1/2026	Effective 1/1/2027	Effective 1/1/2028	Effective 1/1/2029	Effective 1/1/2030
1	All Customers Except Those Noted Below⁹						
2	Tier 1 (0-9 units)	\$1.95	\$2.40	\$2.84	\$3.33	\$3.43	\$3.54
3	Tier 2 (10-30 units)	\$2.19	\$2.70	\$3.19	\$3.74	\$3.86	\$3.98
4	Tier 3 (31+ units)	\$3.19	\$3.93	\$4.64	\$5.43	\$5.60	\$5.77

⁸ See 2024 Water and Wastewater Rate Study Report, May 2024, prepared on behalf of the City by FG Solutions, which documents the cost-of-service analysis in support of the City's proportionate allocation of costs among customer classes.

⁹ The rate schedule designation includes all customers except for Multiple Apartments over 49 units, Mobile Homes, and Landscape customers. This includes Single Family, Multi-Family under 49 units, Government, and Commercial customers.

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5	Multiple Apartments						
6	Over 49 Units and Mobile Homes	\$2.35	\$2.90	\$3.43	\$4.02	\$4.15	\$4.28
7	Landscape						
8	Tier 1	\$2.19	\$2.70	\$3.19	\$3.74	\$3.86	\$3.98
9	Tier 2	\$3.19	\$3.93	\$4.64	\$5.43	\$5.60	\$5.77

Table 1-8: Current and Proposed Fire Line Charges

Line	Fire Line Charges	As of 1/1/25	Effective 3/1/2026	Effective 1/1/2027	Effective 1/1/2028	Effective 1/1/2029	Effective 1/1/2030
1	3"	\$21.56	\$26.52	\$31.30	\$36.63	\$37.73	\$38.87
2	4"	\$45.95	\$56.52	\$66.70	\$78.04	\$80.39	\$82.81
3	6"	\$133.47	\$164.17	\$193.73	\$226.67	\$233.48	\$240.49
4	8"	\$284.43	\$349.85	\$412.83	\$483.02	\$497.52	\$512.45
5	10"	\$511.50	\$629.15	\$742.40	\$868.61	\$894.67	\$921.52

Table 1-9: Current and Proposed Hydrant Charges

Line	Hydrant Charges	As of 1/1/25	Effective 3/1/2026	Effective 1/1/2027	Effective 1/1/2028	Effective 1/1/2029	Effective 1/1/2030
1	Water Use, \$/ccf	\$2.70	\$3.33	\$3.93	\$4.60	\$4.74	\$4.89
2	Per Day	\$3.43	\$4.22	\$4.98	\$5.83	\$6.01	\$6.20

CUSTOMER IMPACTS

WRE evaluated the impacts to the Single Family customer class based on the first year of proposed water rates for FY 2026.

Table 1-10 shows the proposed impacts for a Single Family customer with a 3/4" or smaller meter (the most common meter size within this class) at various levels of monthly usage. For the average Residential customer that uses 15 ccf of water every month, the monthly impact will be \$15.06 or 23.1%, which reflects the impact of the 23% revenue adjustment applied to FY 2026¹⁰.

Table 1-10: Proposed Single Family Customer Impacts (Year 1)

Line	Usage Level	Usage (ccf)	Current Bill	Proposed Bill	Difference (\$)	Difference (%)
1	Very Low Usage	2	\$38.43	\$47.28	\$8.85	23.0%
2	Low Usage	6	\$46.23	\$56.88	\$10.65	23.0%
3	Median Usage	11	\$56.46	\$69.48	\$13.02	23.1%
4	Average Usage	15	\$65.22	\$80.28	\$15.06	23.1%
5	High Usage	19	\$73.98	\$91.08	\$17.10	23.1%
6	Very High Usage	30	\$98.07	\$120.78	\$22.71	23.2%

¹⁰ Difference (%) between current and proposed bill may differ slightly from the revenue adjustment (23%) due to rounding. Proposed rates are rounded to the nearest cent.

RATE SURVEY

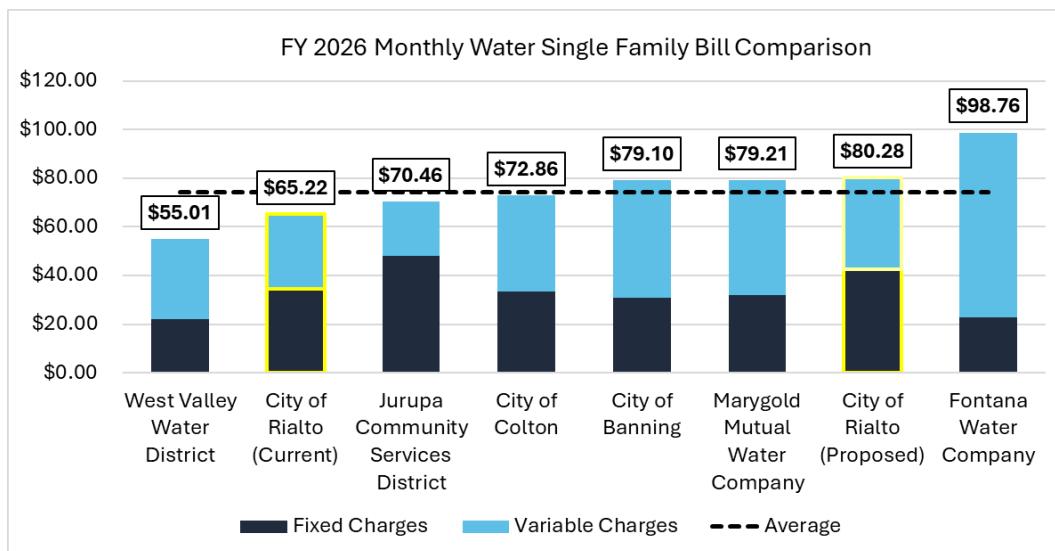
WRE compared the current and proposed water bills for Single Family customers at various levels of monthly usage relative to the current bills of nearby agencies.

Some California agencies, such as West Valley Water District and Jurupa Community Services District¹¹, supplement their water operations with *property tax (ad valorem)* revenues. In certain jurisdictions, Redevelopment Agency (RDA) funds that reverted to local control after dissolution have also been used to support utility operations. These additional revenue sources help offset ratepayer costs and finance CIP, allowing such agencies to maintain or improve infrastructure while reducing direct rate impacts on customers.

By contrast, the City of Rialto does not receive property tax or RDA revenues to subsidize its water utility. All system costs must therefore be recovered directly through service rates, which contribute to rate differences among agencies.

Figure 1-5 shows the current and proposed monthly bills for a Single Family customer at average usage (15 ccf every month) by their fixed and variable components relative to other nearby agencies. The fixed component represents fixed monthly charges, and the variable component represent variable charges based on water consumption. Currently Rialto bills at average usage (15 ccf) are below the average relative to the bills of other agencies, and with the proposed rates, Rialto bills are slightly above the average, close to the City of Banning and Marygold Mutual Water Company bills.

Figure 1-5: Monthly Water Single Family Bills at Average Usage Comparison¹²



¹¹ Based on adopted FY 2026 budgets, property taxes account for approximately 9.5% of total water revenues for West Valley Water District and approximately 5.3% of total water revenues for Jurupa Community Services District.

1.12 CURRENT WASTEWATER RATES

The City's current wastewater rates include a monthly residential charge based on dwelling unit, a non-residential volume charge based on units of water in ccf¹³, and a monthly school charge based on school attendance¹⁴. The rates below are for customers within the Rialto City limits. Customers outside City limits pay 1.3 times the rate of a customer within the City limits.

The City also has a Senior and Low-Income discount program for eligible Single Family and Multi-Family customers. Eligible customers receive 20% off monthly residential charges.

Table 1-11, **Table 1-12**, and **Table 1-13** show the current residential charges, non-residential charges, and school charges, respectively. The current rates are based on the City's most recent 2025 wastewater rate study.

Table 1-11: Current Residential Charge

Line	Group 1 (\$/ month/ residential unit)	As of 2/1/2018	As of 1/1/2025
1	Residential Single Family & Multi-Family	\$62.19	\$67.14

Table 1-12: Current Non-Residential Charge

Line	Non-Residential (\$/ccf)	As of 2/1/2018	As of 1/1/2025
1	Group II - Commercial ¹⁵	\$6.77	\$5.80
2	Group III - Commercial ¹⁶	\$7.96	\$8.32
3	Group IV - Commercial ¹⁷	\$10.17	\$12.06
4	Group VI - Commercial ¹⁸	\$6.77	\$5.80

Table 1-13: Current School Charges

Line	School (\$/ ADA/ month)	As of 2/1/2018	As of 1/1/2025
1	Elementary, Continuing, and Adult Education	\$0.85	\$1.00
2	Junior High and High	\$2.03	\$2.30

¹³ Units of water are based on monthly metered water usage data.

¹⁴ School attendance is based on ADA (Average Daily Attendance) information provided by the School District.

¹⁵ Group II includes Softwater Service, Car Washes, Office Buildings, Cleaners, Department/Retail Stores, Warehouses, Car Lots, Equipment Rental, Storage Units, Hospitals, Manufacturing, Indoor Theaters, Day Cares, Pre Schools, Disabled Care, Nail/Hair Salons, and Churches.

¹⁶ Group III includes Hotels/Motels (no restaurant), Repair and Service Stations, Shopping Centers, Recreation Parks, Nurseries/Florists, Non-Domestic Manufacturing, Lumber Yards, Nightclubs, Bars, and Halls.

¹⁷ Group IV includes Hotels/Motels (with restaurants), Bakeries, Dairy, Supermarkets, Meat Markets, Mom & Pop, Mortuaries, Restaurants, Fast Food, and Catering.

¹⁸ Group VI includes Large Volume customers, Hospitals, and Commercial Buildings.

1.13 WASTEWATER FINANCIAL PLAN

WRE worked closely with staff and the City's Water Subcommittee to determine the financial plan scenario that best suits the City's needs. The results and recommendations of the wastewater rate study are driven by the City's financial performance, input from each entity, and feedback and direction from the Water Subcommittee.

FACTORS AFFECTING FINANCIAL PERFORMANCE

The wastewater system's financial performance is driven by the ability of the current wastewater rates to meet the City's funding needs. To maintain financial sufficiency, wastewater rates must fully fund O&M costs, CIP expenditures, meet the Concession Agreement financial performance criteria, and meet debt coverage requirements, if applicable.

The key factors affecting financial performance include:

- **Substantial capital investment needs over the next five years:** The cost of planned capital projects funded by rates over the next four years (FY 2026 through FY 2030) is approximately \$25.2 million, accounting for inflation of project costs over time. Most projects are necessary to comply with impending regulatory requirements, including significant projects such as sewer main and service line improvements.
- **Debt coverage requirements:** The City is proposing to issue new debt in FY 2027 to fund \$6 million of CIP. Starting in FY 2027, the City will be required to meet an annual debt service requirement of 125% each year. This means that the City's net operating revenues (revenues¹⁹ less Waterfall expenses 1-2) must be 125% or more of annual debt service each year.
- **Trustee coverage requirements:** The City's existing capital charge payment is approximately \$12.7 million each year of the study period, and the City is required to meet an annual coverage requirement of 15.0% each year. This means that the City's wastewater revenues²⁰, excluding revenues designated for CIP and interest, less operating expenses, capital charges, and RUA/City debt service (Waterfall 1-3) must be at least 15.0% greater than capital charges and RUA/City debt service (Waterfall 3) each year. Without any revenue adjustments, the City is not expected to meet its Trustee coverage requirements starting in FY 2027.
- **Trustee and RUA minimum reserve balances:** The Trust Agreement and Concession Agreement establish an operating reserve requirement within the Waterfall to ensure sufficient funds are available for ongoing operations. This reserve is maintained to protect the concessionaire from short-term cash flow shortages, not as a City-managed reserve policy. After meeting Trustee financial performance criteria, available funds are transferred to RUA reserves in the next fiscal year. Keeping RUA reserve balances above \$0 ensures that the City can execute CIP projects. Without any revenue adjustments, the City's RUA reserve balances will be negative starting in FY 2028.

STATUS QUO FINANCIAL PLAN

The first step in evaluating the City's financial performance is to develop a "status quo financial plan," which is the scenario in which the City does not increase its wastewater rate revenues or issue new debt to fund CIP. This exercise is to determine whether the City's current wastewater rates are sufficient to

¹⁹ Excluding revenues designated for CIP.

²⁰ Including operating revenue stabilization.

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meet key financial performance metrics. This section shows two important metrics: Trustee and RUA fund balances and Trustee coverage.

Figure 1-6 shows the projected Trustee and RUA fund balances under the status quo scenario. The green bars represent the ending fund balance for Trustee reserves, the blue bars represent the ending fund balance for RUA reserves, and the dashed line represents the Trustee minimum reserve balance. In this scenario, the City's RUA fund balances will be negative starting in FY 2028 indicated by the alert balance (red circles). Without additional rate revenues, the City is constrained by its fund balances.

Figure 1-6: Projected Wastewater Trustee and RUA Fund Balances (Status Quo Financial Plan)

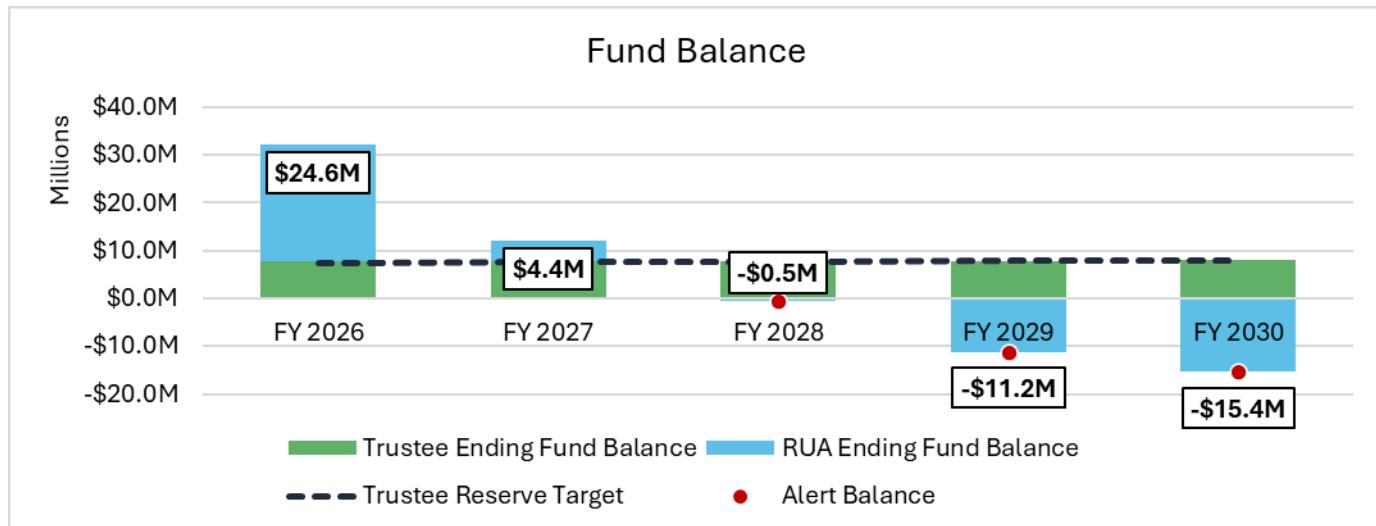
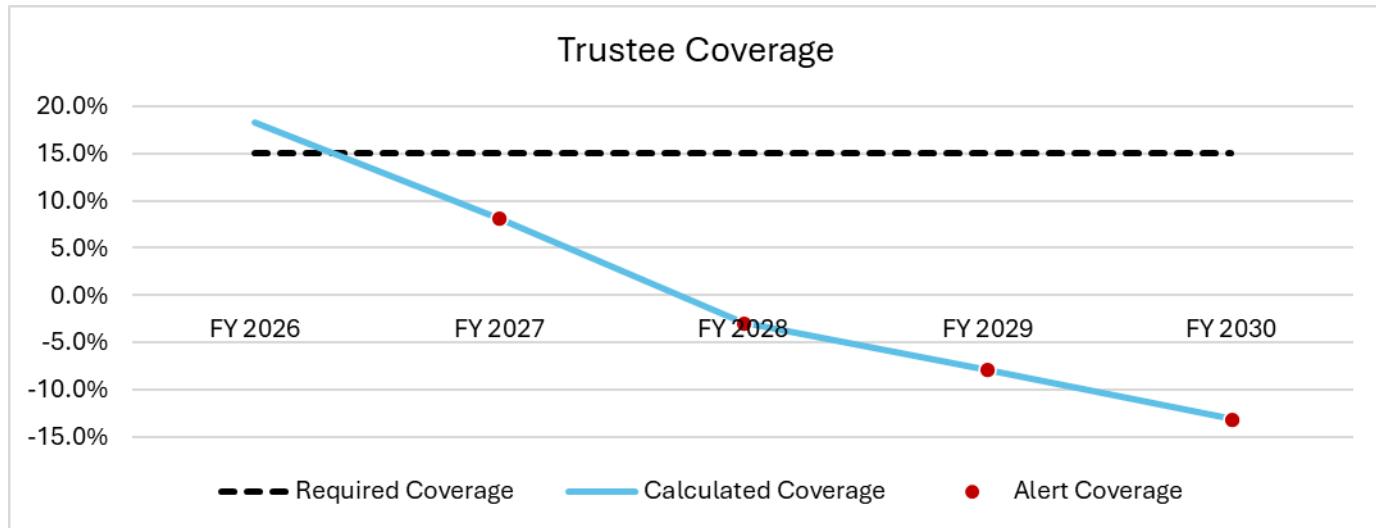


Figure 1-7 shows the projected Trustee coverage under the status quo scenario. The required Trustee coverage (dashed black line) is equal to 15.0%. Trustee coverage (blue line) is calculated by dividing revenues²¹, excluding revenues designated for CIP and interest, less operating expenses, capital charges, and RUA/City debt service (Waterfall 1-3) by capital charges and RUA/City debt service (Waterfall 3) in each year. In this scenario, the City is not able to meet its Trustee coverage requirements starting in FY 2027 without additional rate revenues.

²¹ Including operating revenue stabilization.

Figure 1-7: Projected Wastewater Trustee Coverage (Status Quo Financial Plan)



PROPOSED REVENUE ADJUSTMENTS AND DEBT ISSUANCES

Overall annual increases in wastewater rate revenue resulting from rate increases are referred to as “revenue adjustments.” WRE worked with staff and the City’s Water Subcommittee to determine the most appropriate financial plan scenario, which is shown in **Table 1-14**.

The proposed financial plan scenario includes five years of revenue adjustments and one new debt issuance in FY 2027 which are required to maintain financial sufficiency and resiliency of the City’s wastewater enterprise. The proposed plan does not include any new revenue stabilization contributions from the City (see **Section 1.6** for details on revenue stabilization).

Table 1-14: Proposed Wastewater Financial Plan Scenario

Line	Fiscal Year	Effective Date	Revenue Adjustments	Proposed Debt Proceeds	Proposed Operating Revenue Stabilization
1	FY 2026	3/1/2026	5.0%	\$0	\$1,032,000
2	FY 2027	1/1/2026	5.0%	\$6,000,000	\$946,112
3	FY 2028	1/1/2026	5.0%	\$0	\$0
4	FY 2029	1/1/2026	4.0%	\$0	\$0
5	FY 2030	1/1/2026	4.0%	\$0	\$0

PROPOSED FINANCIAL PLAN

The proposed financial plan applies the revenue adjustments, shown in **Table 1-14**, to reevaluate financial performance based on the same two metrics: Trustee and RUA fund balances and Trustee coverage. Debt coverage is also evaluated in this scenario based on the proposed debt issuance in **Table 1-14**.

Figure 1-8 shows the projected Trustee and RUA fund balances under the proposed scenario. In this scenario, the City’s RUA reserves will be positive in all years.

Figure 1-8: Projected Wastewater Trustee and RUA Fund Balances (Proposed Financial Plan)

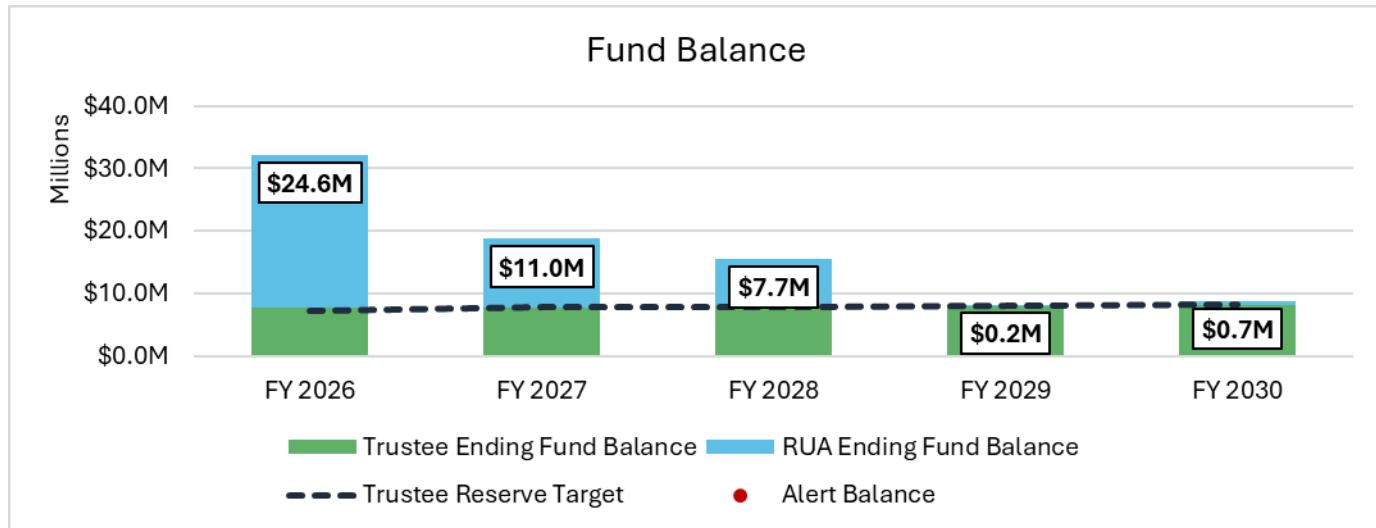


Figure 1-9 shows the projected Trustee coverage under the proposed scenario. The City is expected to meet Trustee coverage requirements for all years.

Figure 1-9: Projected Wastewater Trustee Coverage (Proposed Financial Plan)

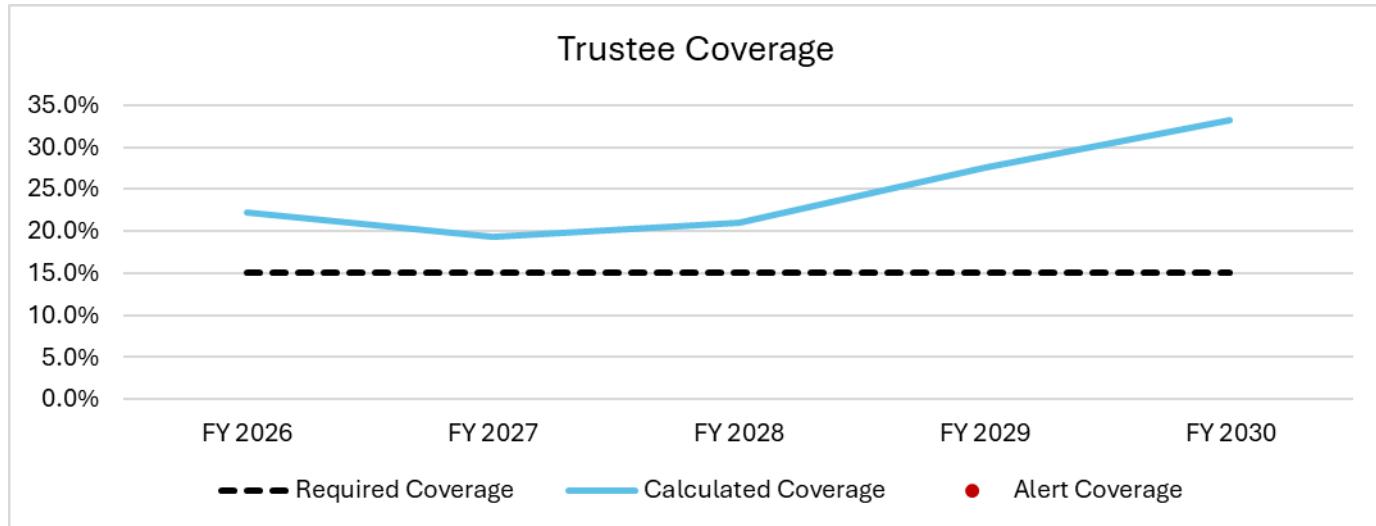


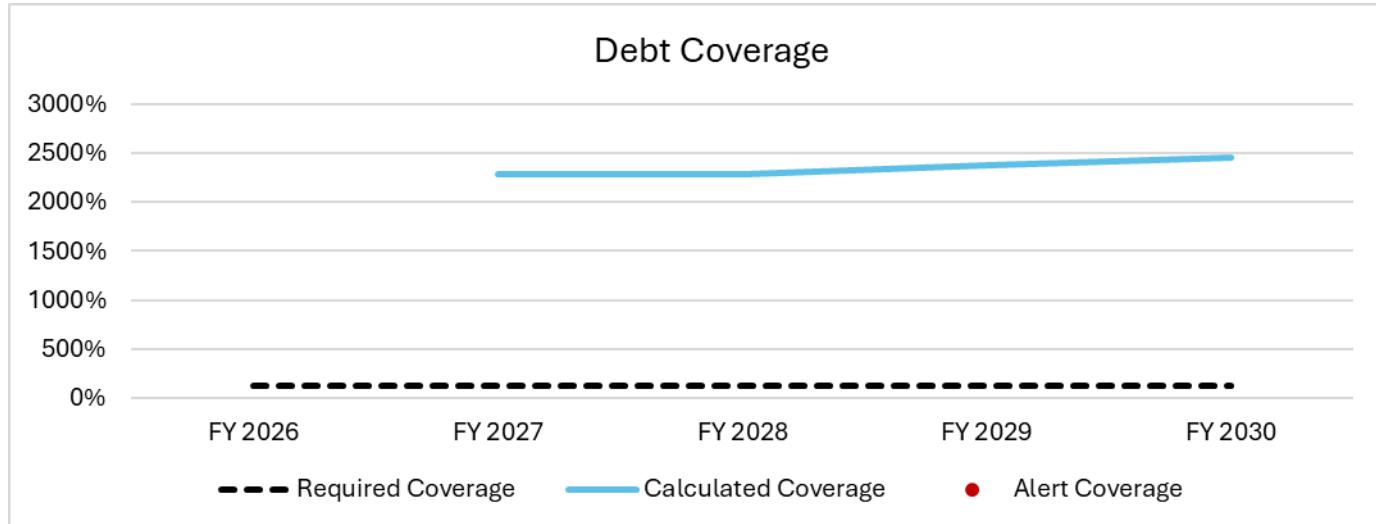
Figure 1-10 shows the projected debt coverage under the proposed scenario. The required debt coverage (dashed black line) is equal to 125%. Debt coverage (blue line) is calculated by dividing net operating revenues (revenues²² less Waterfall expenses 1-2) by projected annual debt service. The City is expected to meet debt coverage requirements starting in FY 2027 for all years. Note that debt coverage reflects the City's coverage of operating expenses, excluding capital charges and CIP. To fund the City's needs, proposed revenues must cover operating expenses, capital charges, CIP, and meet financial

²² Excluding revenues designated for CIP.

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performance requirements. **Figure 1-8**, **Figure 1-9**, and **Figure 1-10** should be interpreted in conjunction with one another.

Figure 1-10: Projected Wastewater Debt Coverage (Proposed Financial Plan)



1.14 PROPOSED WASTEWATER RATES

PROPOSED FIVE-YEAR WASTEWATER RATE SCHEDULE

The proposed five-year wastewater rate schedules in this section are based on the proposed revenue adjustments in the five-year period. The rate schedule shows the proposed wastewater rates to be implemented in March 2026 through January 2030.²³

The rate schedules below are for customers within the Rialto City limits. Customers outside City limits will continue to pay 1.3 times the rate of a customer within the City limits.²⁴

Table 1-15, Table 1-16, and Table 1-17 show the current and proposed residential charges, non-residential charges, and school charges, respectively.

Table 1-15: Current and Proposed Residential Charges

Line	Group 1 (\$/ month/ residential unit)	As of 1/1/2025	Effective 3/1/2026	Effective 1/1/2027	Effective 1/1/2028	Effective 1/1/2029	Effective 1/1/2030
1	Residential Single Family & Multi-Family	\$67.14	\$70.50	\$74.03	\$77.74	\$80.85	\$84.09

Table 1-16: Current and Proposed Non-Residential Charges

Line	Non-Residential (\$/ccf)	As of 1/1/2025	Effective 3/1/2026	Effective 1/1/2027	Effective 1/1/2028	Effective 1/1/2029	Effective 1/1/2030
1	Group II - Commercial	\$5.80	\$6.09	\$6.40	\$6.72	\$6.99	\$7.27
2	Group III - Commercial	\$8.32	\$8.74	\$9.18	\$9.64	\$10.03	\$10.44
3	Group IV - Commercial	\$12.06	\$12.67	\$13.31	\$13.98	\$14.54	\$15.13
4	Group VI - Commercial	\$5.80	\$6.09	\$6.40	\$6.72	\$6.99	\$7.27

Table 1-17: Current and Proposed School Charges

Line	School (\$/ ADA/ month)	As of 1/1/2025	Effective 3/1/2026	Effective 1/1/2027	Effective 1/1/2028	Effective 1/1/2029	Effective 1/1/2030
1	Elementary, Continuing, and Adult Education	\$1.00	\$1.05	\$1.11	\$1.17	\$1.22	\$1.27
2	Junior High and High	\$2.30	\$2.42	\$2.55	\$2.68	\$2.79	\$2.91

CUSTOMER IMPACTS

WRE evaluated the impacts to the Single Family customer class based on the first year of proposed wastewater rates for FY 2026.

²³ See 2024 Water and Wastewater Rate Study Report, May 2024, prepared on behalf of the City by FG Solutions, which documents the cost-of-service analysis in support of the City's proportionate allocation of costs among customer classes.

²⁴ See 2024 Water and Wastewater Rate Study Report, May 2024, prepared on behalf of the City by FG Solutions, which documents the cost-of-service analysis in support of the City's proportionate allocation of costs among customer classes.

City of Rialto 2025 Water and Wastewater Rate Study

Table 1-18 shows the proposed impacts for a Single Family customer. For a Single Family customer, the monthly impact will be \$3.36 or 5.0%, which reflects the impact of the 5% revenue adjustment applied to FY 2026.

Table 1-18: Proposed Single Family Customer Impacts (Year 1)

Line	Monthly Bill Impacts	Current Bill	Proposed Bill	Difference (\$)	Difference (%)
1	Single Family Monthly Bill	\$67.14	\$70.50	\$3.36	5.0%

RATE SURVEY

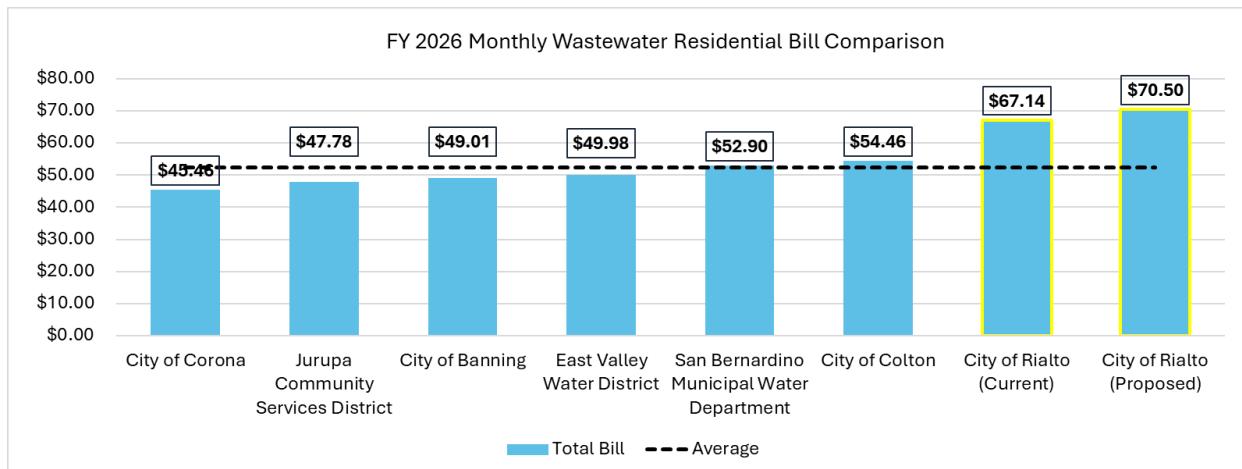
WRE compared the current and proposed wastewater bills for Single Family customers relative to the current bills of nearby agencies.

Some California agencies, such as Jurupa Community Services District²⁵, supplement their wastewater operations with *property tax (ad valorem)* revenues. In certain jurisdictions, RDA funds that reverted to local control after dissolution have also been used to support utility operations. These additional revenue sources help offset ratepayer costs and finance CIP, allowing such agencies to maintain or improve infrastructure while reducing direct rate impacts on customers.

By contrast, the City of Rialto does not receive property tax or RDA revenues to subsidize its wastewater utility. All system costs must therefore be recovered directly through service rates, which contribute to rate differences among agencies.

Figure 1-11 shows the current and proposed monthly wastewater bills for a Single Family customer relative to other nearby agencies. Currently, Rialto bills are higher than average relative to the bills of other agencies and with the proposed rates Rialto bills remain above the average.

Figure 1-11: Monthly Single Family Wastewater Bills Comparison



²⁵ Based on adopted FY 2026 budget, property taxes account for approximately 14.8% of total wastewater revenues for Jurupa Community Services District.

2. 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. The key steps in developing a financial plan for a 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, capital charges, debt service, and CIP costs. CIP funding options (grants, debt, DIF (Development Impact Fees), etc.) are also evaluated as part of the financial plan.
- **Financial performance evaluation:** Key Concession Agreement financial policies include Trustee coverage requirements and minimum reserve balances. Additionally, if the City decides to issue any debt, debt coverage requirements will also be evaluated. Debt coverage requirements are typically explicitly stated in official agreements on outstanding debt issuances.
- **Status quo financial plan projections:** Reserve balances, Trustee coverage, and debt coverage (if applicable) are projected over the study period in the absence of additional rate increases (this scenario is called the “status quo”). Projected reserve balances, Trustee coverage, and debt coverage (if applicable) 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, meet Trustee coverage requirements, and meet debt coverage requirements (if applicable). The proposed financial plan determines the total annual rate revenue requirement over the study period.

2.2 REVENUES

CURRENT WATER RATES

The City’s current water rates include a monthly minimum charge based on meter size and a volume charge based on units of water in ccf. The City also has fixed monthly fire line charges based on fire line diameter for commercial customers with dedicated private fire connections and hydrant charges, including both a volume charge based on units of water in ccf and a daily charge.

Single Family Residential, Multi-Family under 49 units, Government, and Commercial customers volume charges have three tiers²⁶. The most recent rate study, which was completed in 2025, reduced the number of tiers from four to three and adjusted the tier widths, as shown below in **Table 2-2** (Lines 1-9).

²⁶ These customer classes are designated as “All Customers Except Those Noted Below” in the rate schedule (**Table 2-2**).

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Landscape customers volume charges have two tiers (**Table 2-2**, Lines 13-14) and Multi-Family over 49 units and Mobile Homes have a uniform volume charge (**Table 2-2**, Line 11).

The City also has a Senior and Low-Income discount program for eligible Single Family and Multi-Family under 49 unit customers. Eligible customers receive 20% off monthly minimum charges.

Table 2-1, **Table 2-2**, **Table 2-3**, and **Table 2-4** show the current monthly minimum charges, volume charges, fire line charges, and hydrant charges, respectively. The current rates are based on the City's most recent 2025 water rate study.

Table 2-1: Current Monthly Minimum Charge

Line	Monthly Minimum Charge	As of 2/1/2018	As of 1/1/2025
1	¾" and smaller	\$30.42	\$34.53
2	1"	\$44.01	\$53.03
3	1 ½"	\$53.04	\$99.28
4	2"	\$152.54	\$154.79
5	3"	\$324.45	\$302.80
6	4"	\$550.59	\$469.31
7	6"	\$1,138.62	\$931.84
8	8"	\$1,636.17	\$1,486.88

Table 2-2: Current Volume Charge

Line	Volume Charge (\$/ccf)	As of 2/1/2018	As of 1/1/2025
1	All Customers Except those Noted Below (Before 1/1/25)		
2	Tier 1 (1-5 units)	\$1.07	N/A
3	Tier 2 (6-30 units)	\$1.69	N/A
4	Tier 3 (31-60 units)	\$2.70	N/A
5	Tier 4 (61+ units)	\$3.32	N/A
6	All Customers Except those Noted Below (After 1/1/25)		
7	Tier 1 (0-9 units)	N/A	\$1.95
8	Tier 2 (10-30 units)	N/A	\$2.19
9	Tier 3 (31+ units)	N/A	\$3.19
10	Multiple Apartments		
11	Over 49 Units and Mobile Homes	\$2.40	\$2.35
12	Landscape		
13	Tier 1 (1-30 units)	\$2.70	\$2.19
14	Tier 2 (31+ units)	\$3.32	\$3.19

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Table 2-3: Current Fire Line Charges

Line	Fire Line Charges	As of 2/1/2018	As of 1/1/2025
1	3"	\$83.73	\$21.56
2	4"	\$111.64	\$45.95
3	6"	\$167.46	\$133.47
4	8"	\$223.28	\$284.43
5	10"	\$279.10	\$511.50

Table 2-4: Current Hydrant Charges

Line	Hydrant Charges	As of 2/1/2018	As of 1/1/2025
1	Water Use, \$/ccf	\$3.33	\$2.70
2	Per Day	\$10.81	\$3.43

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 City's water rates and charges.

Table 2-5 shows the projected number of meters for each customer class for the study period. Staff provided actual data for FY 2025, which is projected forward until FY 2030. Due to uncertainty regarding future growth, this study assumes no growth in metered connections throughout the study period to ensure that the City recovers sufficient revenue to fund water enterprise costs. The number of metered connections is the unit of service for the City's monthly minimum charges.

Table 2-5: Projected Customer Accounts (Meters)

Line	Customer Accounts (Meters)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Single Family & Multi-Family Under 49 Units²⁷					
2	3/4" and smaller	10,075	10,075	10,075	10,075	10,075
3	1"	970	970	970	970	970
4	1 1/2"	20	20	20	20	20
5	2"	19	19	19	19	19
6	3"	1	1	1	1	1
7	4"	1	1	1	1	1
8	6"	0	0	0	0	0
9	8"	0	0	0	0	0
10	Subtotal	11,086	11,086	11,086	11,086	11,086
11						
12	Multi-Family Over 49 Units & Mobile Homes					
13	3/4" and smaller	0	0	0	0	0

²⁷ Including discount program accounts.

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Line	Customer Accounts (Meters)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
14	1"	0	0	0	0	0
15	1 1/2"	0	0	0	0	0
16	2"	7	7	7	7	7
17	3"	7	7	7	7	7
18	4"	17	17	17	17	17
19	6"	2	2	2	2	2
20	8"	1	1	1	1	1
21	Subtotal	34	34	34	34	34
22						
23	Government					
24	3/4" and smaller	7	7	7	7	7
25	1"	7	7	7	7	7
26	1 1/2"	5	5	5	5	5
27	2"	10	10	10	10	10
28	3"	16	16	16	16	16
29	4"	2	2	2	2	2
30	6"	0	0	0	0	0
31	8"	0	0	0	0	0
32	Subtotal	47	47	47	47	47
33						
34	Commercial					
35	3/4" and smaller	218	218	218	218	218
36	1"	144	144	144	144	144
37	1 1/2"	97	97	97	97	97
38	2"	176	176	176	176	176
39	3"	12	12	12	12	12
40	4"	3	3	3	3	3
41	6"	2	2	2	2	2
42	8"	0	0	0	0	0
43	Subtotal	652	652	652	652	652
44						
45	Landscape					
46	3/4" and smaller	46	46	46	46	46
47	1"	147	147	147	147	147
48	1 1/2"	60	60	60	60	60
49	2"	108	108	108	108	108
50	3"	7	7	7	7	7
51	4"	7	7	7	7	7
52	6"	0	0	0	0	0
53	8"	0	0	0	0	0
54	Subtotal	375	375	375	375	375
55						
56	Total	12,194	12,194	12,194	12,194	12,194

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Table 2-6 shows the projected number of Single Family and Multi-Family accounts under 49 units receiving the Senior and Low-Income discounts. Staff provided actual data for FY 2025; this study assumes no growth in Senior and Low-Income discount programs for the study period. The number of accounts is the unit of service for the City's monthly minimum charge discount revenue.

Table 2-6: Projected Discount Program Accounts

Line	Discount Program Accounts	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Single Family & Multi-Family Under 49 Units					
2	3/4" and smaller	1,059	1,059	1,059	1,059	1,059
3	1"	23	23	23	23	23
4	1 1/2"	0	0	0	0	0
5	2"	0	0	0	0	0
6	3"	0	0	0	0	0
7	4"	0	0	0	0	0
8	6"	0	0	0	0	0
9	8"	0	0	0	0	0
10	Total	1,082	1,082	1,082	1,082	1,082

Table 2-7 shows the projected number of fire and hydrant accounts. Staff provided actual data from FY 2025; this study assumes no growth in fire and hydrant connections for the study period. The number of accounts is the unit of service for the City's fire line and hydrant charges.

Table 2-7: Projected Customer Accounts (Fire and Hydrant)

Line	Customer Accounts (Fire and Hydrant)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Fire					
2	3"	5	5	5	5	5
3	4"	34	34	34	34	34
4	6"	62	62	62	62	62
5	8"	76	76	76	76	76
6	10"	14	14	14	14	14
7	Total	191	191	191	191	191
8						
9	Hydrant	22	22	22	22	22

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Table 2-8 shows the projected water usage for each customer class and tier. Staff provided actual water usage for FY 2025. This study assumes no changes to water usage or demand.

Table 2-8: Projected Customer Water Usage (ccf)

Line	Water Usage (ccf) Based on Rates After 1/1/25	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	All Customers Except Those Noted Below					
2						
3	Single Family & Multi-Family Under 49 Units					
4	Tier 1	968,852	968,852	968,852	968,852	968,852
5	Tier 2	831,575	831,575	831,575	831,575	831,575
6	Tier 3	267,518	267,518	267,518	267,518	267,518
7	Subtotal	2,067,945	2,067,945	2,067,945	2,067,945	2,067,945
8						
9	Government					
10	Tier 1	3,759	3,759	3,759	3,759	3,759
11	Tier 2	6,684	6,684	6,684	6,684	6,684
12	Tier 3	160,083	160,083	160,083	160,083	160,083
13	Subtotal	170,526	170,526	170,526	170,526	170,526
14						
15	Commercial					
16	Tier 1	46,703	46,703	46,703	46,703	46,703
17	Tier 2	62,072	62,072	62,072	62,072	62,072
18	Tier 3	227,494	227,494	227,494	227,494	227,494
19	Subtotal	336,269	336,269	336,269	336,269	336,269
20						
21	Total	2,574,740	2,574,740	2,574,740	2,574,740	2,574,740
22						
23	Multi-Family Over 49 Units & Mobile Homes	252,747	252,747	252,747	252,747	252,747
24						
25	Landscape					
26	Tier 1	76,846	76,846	76,846	76,846	76,846
27	Tier 2	320,000	320,000	320,000	320,000	320,000
28	Total	396,846	396,846	396,846	396,846	396,846
29						
30	Hydrant	17,483	17,483	17,483	17,483	17,483
31						
32	Total Water Usage	3,241,816	3,241,816	3,241,816	3,241,816	3,241,816

REVENUES FROM CURRENT RATES

Table 2-9 shows the calculated water rate revenues for the study period based on the current rates and the projected units of service. The monthly minimum charge revenue for Single Family customers (Line 2) is calculated by multiplying the current monthly minimum charges (**Table 2-1**) by the difference between the projected meter connections (**Table 2-5**, Lines 1-10) and projected discount program accounts (**Table 2-6**) for twelve billing periods. The monthly minimum charge revenue for all other customer classes (Lines 3-6) is calculated by multiplying the current monthly minimum charges (**Table 2-1**) by the

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projected meter connections (**Table 2-5**, Lines 12-54) for twelve billing periods. The monthly minimum charges discount revenue (Line 10) is calculated by multiplying the current monthly minimum charges (**Table 2-1**) by the projected discount program accounts (**Table 2-6**), accounting for the 20% discount percentage for Senior and Low-Income customers for twelve billing periods. The volume charge revenue (Lines 13-24) is calculated by multiplying the current volume charges (**Table 2-2**) by the projected water usage (**Table 2-8**) in each year. The fire line charge revenue (Line 26) is calculated by multiplying the current fire line charges (**Table 2-3**) by the projected fire line accounts (**Table 2-7**, Lines 1-7) for twelve billing periods. Hydrant water use charge revenue (Line 29) is calculated by multiplying the current hydrant water use charges (**Table 2-4**, Line 1) by hydrant water usage in each year (**Table 2-8**, Line 30) and hydrant daily charge revenue (Line 30) is calculated by multiplying the current hydrant daily charges (**Table 2-4**, Line 2) by hydrant accounts (**Table 2-7**, Line 9), accounting for 365 days in a year. The total calculated rate revenue (Line 33) represents the sum of revenues from monthly minimum charges, volume charges, fire line charges, and hydrant charges.

Table 2-9: Calculated Rate Revenues at Current Rates

Line	Calculated Rate Revenues	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Monthly Minimum Charge					
2	Single Family & Multi-Family Under 49 Units ²⁸	\$4,406,887	\$4,406,887	\$4,406,887	\$4,406,887	\$4,406,887
3	Multi-Family Over 49 Units & Mobile Homes	\$174,384	\$174,384	\$174,384	\$174,384	\$174,384
4	Government	\$101,288	\$101,288	\$101,288	\$101,288	\$101,288
5	Commercial	\$707,307	\$707,307	\$707,307	\$707,307	\$707,307
6	Landscape	\$449,552	\$449,552	\$449,552	\$449,552	\$449,552
7	Subtotal	\$5,839,418	\$5,839,418	\$5,839,418	\$5,839,418	\$5,839,418
8						
9	Discount Program²⁹					
10	Single Family & Multi-Family Under 49 Units	\$362,755	\$362,755	\$362,755	\$362,755	\$362,755
11	Subtotal	\$362,755	\$362,755	\$362,755	\$362,755	\$362,755
12						
13	Volume Charge (\$/ccf)					
14						
15	All Customers Except Those Noted Below					
16	Single Family & Multi-Family Under 49 Units	\$4,563,793	\$4,563,793	\$4,563,793	\$4,563,793	\$4,563,793
17	Government	\$532,633	\$532,633	\$532,633	\$532,633	\$532,633
18	Commercial	\$952,714	\$952,714	\$952,714	\$952,714	\$952,714
19	Subtotal	\$6,049,140	\$6,049,140	\$6,049,140	\$6,049,140	\$6,049,140
20						
21	Multi-Family Over 49 Units & Mobile Homes	\$593,955	\$593,955	\$593,955	\$593,955	\$593,955
22	Landscape	\$1,189,093	\$1,189,093	\$1,189,093	\$1,189,093	\$1,189,093
23						
24	Total	\$7,832,188	\$7,832,188	\$7,832,188	\$7,832,188	\$7,832,188
25						
26	Fire Line Charges	\$464,675	\$464,675	\$464,675	\$464,675	\$464,675
27						

²⁸ Excluding Single Family & Multi-Family Under 49 Units accounts eligible for Senior and Low-Income discount programs.

²⁹ Low-Income and Senior discount programs are funded by non-rate revenues.

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Line	Calculated Rate Revenues	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
28	Hydrant Charges					
29	Water Use, \$/ccf	\$47,204	\$47,204	\$47,204	\$47,204	\$47,204
30	Per Day	\$27,543	\$27,543	\$27,543	\$27,543	\$27,543
31	Total	\$74,747	\$74,747	\$74,747	\$74,747	\$74,747
32						
33	Total	\$14,573,783	\$14,573,783	\$14,573,783	\$14,573,783	\$14,573,783

INFLATIONARY ASSUMPTIONS

WRE utilized annual inflationary assumptions from the prior rate study and worked with staff to refine certain assumptions to apply to non-rate revenues. Staff provided budgeted revenues for FY 2026, all other years are projected based on the inflationary assumptions shown in **Table 2-10**.

Table 2-10: Revenue Inflationary Assumptions

Line	Revenue Inflationary Assumptions	FY 2027	FY 2028	FY 2029	FY 2030
1	Interest Income	3.5%	3.0%	2.5%	2.0%
2	Water Rights	5.0%	5.0%	5.0%	5.0%
3	DIF Income	0.0%	2.0%	2.0%	2.0%
4	General Inflation	2.5%	2.5%	2.5%	2.5%

REVENUE SUMMARY

Table 2-11 shows the summary of projected revenues for the study period. Staff provided budgeted revenues for FY 2026; all other years are projected based on the relevant assumptions or calculations. Rate revenues (Line 2) are equal to total calculated rate revenues (**Table 2-9**, Line 33), except for FY 2026 which represents budgeted rate revenues. Interest income (Lines 6 and 7) is calculated based on average fund balances and a declining interest rate as shown in **Table 2-10** (Line 1). Rents and concessions (Line 11) and other charges for current services (Line 15) are inflated based on general inflation (**Table 2-10**, Line 4), and SBCO (San Bernardino County Waste System Division) water orders (Line 12) are inflated based on water rights (**Table 2-10**, Line 2). DIF revenue (Line 19) is expected to start in FY 2027 per staff input and is inflated each year based on DIF income assumptions (**Table 2-10**, Line 3). All other non-rate revenues (Line 13 and 14) are not inflated for future years. Total revenues (Line 22) represent the sum of rate revenues, interest income, non-rate revenues, and construction revenues.

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Table 2-11: Revenue Summary

Line	Revenue Summary	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Rate Revenues					
2	Rate Revenue at Existing Rates	\$15,008,412	\$14,573,783	\$14,573,783	\$14,573,783	\$14,573,783
3	Subtotal	\$15,008,412	\$14,573,783	\$14,573,783	\$14,573,783	\$14,573,783
4						
5	Interest Income					
6	RUA Investment Income	\$97,419	\$98,811	\$26,358	\$7,465	\$56,728
7	Trustee Interest Income	\$144,482	\$163,520	\$174,821	\$157,655	\$121,783
8	Subtotal	\$241,902	\$262,331	\$201,179	\$165,119	\$178,511
9						
10	Non-Rate Revenues					
11	Rents & Concessions	\$75,000	\$76,875	\$78,797	\$80,767	\$82,786
12	County Contract - SBCO Water Order	\$375,000	\$393,750	\$413,438	\$434,109	\$455,815
13	Turn On/Off	\$90,000	\$90,000	\$90,000	\$90,000	\$90,000
14	Delinquent Water Service Fees	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
15	Other Charges for Current Services	\$24,000	\$24,600	\$25,215	\$25,845	\$26,492
16	Subtotal	\$614,000	\$635,225	\$657,449	\$680,722	\$705,092
17						
18	Construction Revenues					
19	Development Impact Fees	\$0	\$650,000	\$663,000	\$676,260	\$689,785
20	Subtotal	\$0	\$650,000	\$663,000	\$676,260	\$689,785
21						
22	Total	\$15,864,313	\$16,121,339	\$16,095,412	\$16,095,884	\$16,147,172

2.3 OPERATING EXPENSES

INFLATIONARY ASSUMPTIONS

WRE utilized annual inflationary assumptions from the prior rate study and worked with staff to refine certain assumptions to apply to the Waterfall expense budget. Staff provided budgeted expenses for FY 2026, and additional expenses expected during the study period; all other years are projected based on the inflationary assumptions shown in **Table 2-12**.

The escalations for some Waterfall 1a expenses including RWS Fixed and Routine R&R, RWS Labor, and Independent Engineer components are defined in the Concession Agreement and calculated based on the annual percentage change of CPI (Consumer Price Index) and ECI (Employment Cost Index).

Projected percentage changes in CPI and ECI (Lines 11 and 12) were determined based on staff input, and inflations for RWS Fixed, R&R, and Labor components are calculated based on the projected index changes and escalation direction provided by the Concession Agreement. Note that the Independent Engineer component includes 100% of the CPI change plus 2% each year. Escalations for other Waterfall 1a expenses that tend to be more variable from year to year, which include Insurance and Operating R&R components, were provided by staff.

Table 2-12: Expense Inflationary Assumptions

Line	Expense Inflationary Assumptions	% of CPI Change	% of ECI Change	FY 2027	FY 2028	FY 2029	FY 2030
1	General			2.5%	2.5%	2.5%	2.5%
2	Electricity			7.0%	7.0%	7.0%	7.0%
3	Insurance			20.0%	3.5%	3.5%	3.5%
4	Operating R&R			10.0%	10.0%	10.0%	10.0%
5	RWS Fixed and R&R	40%	60%	2.8%	2.8%	2.8%	2.8%
6	RWS Chemical			2.5%	2.5%	2.5%	2.5%
7	RWS Labor	100%		3.0%	3.0%	3.0%	3.0%
8	Independent Engineer	100% ³⁰		4.5%	4.5%	4.5%	4.5%
9	Maintenance			2.5%	2.5%	2.5%	2.5%
10							
11	Projected % CPI Change			2.5%	2.5%	2.5%	2.5%
12	Projected % ECI Change			3.0%	3.0%	3.0%	3.0%

WATERFALL EXPENSE SUMMARY

Table 2-13 shows the summary of Waterfall expenses for the study period. Staff provided budgeted expenses for FY 2026; expenses for other years are projections. For some expenses including Maintenance and Annual Operating R&R, staff provided projections for FY 2027 and values for all other years are projections.

Waterfall 1a and Waterfall 2 components are inflated based on the inflationary assumptions in **Table 2-12**. All Waterfall 1b components are inflated based on general inflation (**Table 2-12**, Line 1), except for

³⁰ Inflation for Independent Engineer includes 100% of the projected CPI change plus 2% per the Concession Agreement.

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electricity which is inflated by 7% each year (**Table 2-12**, Line 2) and rebates / water conservation which is non-inflated. Waterfall 3 expenses (Line 18) are set by the Concession Agreement and non-inflated for the study period. Waterfall 4 expenses (Line 19) represent the additional funds required to meet minimum Trustee reserve balances, calculated based on beginning Trustee fund balances and the Trustee minimum ending reserve balance requirement (25% of the sum of Waterfall 1-3) each year.

Detailed Waterfall expense projections by type, excluding Waterfall 4 expenses, are included in the **Appendix (Table 6-1)**.

Table 2-13: Expense Summary

Line	Waterfall Expense Summary	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Waterfall 1a: RWS Service Fee & Reimbursements					
2						
3	RWS Service Fee					
4	Fixed, Routine R&R, and Labor Components ³¹	\$7,302,209	\$7,544,705	\$7,764,141	\$7,989,968	\$8,222,371
5	Chemical Component	\$64,671	\$66,288	\$67,945	\$69,644	\$71,385
6	Subtotal	\$7,366,880	\$7,610,992	\$7,832,086	\$8,059,612	\$8,293,756
7						
8	Reimbursements					
9	Insurance Reimbursement	\$1,054,000	\$1,264,800	\$1,309,068	\$1,354,885	\$1,402,306
10	Independent Engineer	\$130,810	\$136,696	\$142,848	\$149,276	\$155,993
11	Maintenance	\$450,000	\$375,000	\$384,375	\$393,984	\$403,834
12	Subtotal	\$1,634,810	\$1,776,496	\$1,836,291	\$1,898,146	\$1,962,134
13						
14	Total	\$9,001,690	\$9,387,489	\$9,668,377	\$9,957,757	\$10,255,890
15						
16	Waterfall 1b: Retained RUA Expenses³²	\$5,232,690	\$5,585,849	\$5,628,289	\$5,840,553	\$6,063,220
17	Waterfall 2: Annual Operating R&R Payment	\$470,000	\$450,000	\$495,000	\$544,500	\$598,950
18	Waterfall 3: Capital Charges	\$2,900,000	\$2,900,000	\$2,900,000	\$2,900,000	\$2,900,000
19	Waterfall 4: Water Reserve Account Deposits	\$0	\$37,108	\$92,082	\$137,786	\$143,812
20						
21	Total	\$17,604,380	\$18,360,447	\$18,783,748	\$19,380,597	\$19,961,873
22	% Change of Waterfall 1-2		4.9%	2.4%	3.5%	3.5%

³¹ Including additional \$30k for AMI implementation starting in FY 2027 and projected forward based on general inflation per prior rate study.

³² Including additional RUA legal expenses in FY 2027 per staff projections.

2.4 DEBT SERVICE

EXISTING AND PROPOSED DEBT SERVICE

The City currently has no existing outstanding debt issuances and is not proposing to issue any new debt for the water enterprise.

2.5 CAPITAL IMPROVEMENT PLAN

CAPITAL IMPROVEMENT PROJECTS

Table 2-14 shows the City's planned CIP and percentage of each project that is eligible for DIF funding. DIF funding is restricted to capital projects used to support growth. All project costs are inflated from FY 2025 based on 4% inflation per year, except for Security and AMI projects (Lines 4 and 5) which are non-inflated. All projects shown below will be completed each year.

Table 2-14: Capital Project Costs and DIF Eligibility

Line	Capital Projects	DIF Eligibility	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Water Main: Etiwanda (Riverside to Eucalyptus)	20%	\$0	\$5,408,000	\$0	\$0	\$0
2	Pressure Relief Valves (PRVs) Zone 2 to Zone 3	100%	\$0	\$648,960	\$0	\$0	\$0
3	Service line: South Alice, South Palm, West Vodden, Alru St.	0%	\$0	\$778,752	\$809,902	\$0	\$0
4	Security for Water ³³	0%	\$0	\$2,000,000	\$0	\$0	\$0
5	Automatic Meter Infrastructure (AMI) ³⁴	0%	\$4,000,000	\$4,000,000	\$0	\$0	\$0
6	Service line: Bonnie View (Acacia and Eucalyptus)	0%	\$0	\$0	\$3,239,608	\$0	\$0
7	4" S. Oakdale & S. Marcella (E Rialto and Allen)	0%	\$0	\$0	\$0	\$4,211,491	\$0
8	Well "City 3A" Groundwater Treatment System	25%	\$3,744,000	\$3,893,760	\$0	\$0	\$0
9	Total		\$7,744,000	\$16,729,472	\$4,049,510	\$4,211,491	\$0

CAPITAL EXPENSE SUMMARY

Table 2-15 shows the projects eligible for grant and General Fund funding provided by staff.

³³ Security project is non-inflated. Grant funding is expected to cover the full project cost (Error! Reference source not found., Line 3).

³⁴ AMI project is non-inflated. Grant funding is expected to cover the full project cost (Error! Reference source not found., Line 1).

Table 2-15: Water Grant / General Fund Funding Sources

Line	Grant / General Fund Funding	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Automatic Meter Infrastructure (AMI)	\$4,000,000	\$4,000,000	\$0	\$0	\$0
2	Well "City 3A" Groundwater Treatment System	\$4,500,000	\$0	\$0	\$0	\$0
3	Security for Water	\$0	\$2,000,000	\$0	\$0	\$0
4	Total	\$8,500,000	\$6,000,000	\$0	\$0	\$0

Table 2-16 shows the capital expense summary and funding sources including construction funds, grants/General Funds, Trustee revenue stabilization, debt proceeds, and rates. Construction funding (Line 1) includes unrestricted construction funds which can be used for all CIP projects and restricted DIF funds which can only be used for CIP projects that support growth based on the percentages shown in **Table 2-14**. Construction funding is calculated based on the lesser value of CIP eligible for construction funding and construction funds available, calculated based on beginning construction fund balances (

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Table 2-20, Line 1) and projected DIF income each year (**Table 2-11**, Line 19). Grant/General Fund funding (Line 2) is from **Table 2-15** (Line 4). Trustee RS (Revenue Stabilization) funding (Line 3) was provided by staff and represents the portion of revenue stabilization that has been set aside for CIP. The City does not plan to issue new debt to fund CIP during the study period (Line 4).

Lines 6-12 show CIP funding by source. Available construction funds are used first, followed by grant/General Funds, available Trustee revenue stabilization, and debt proceeds. The remainder after utilizing each funding source is expected to be covered through rates (Line 11). The sum of each funding source (Line 12) is equal to total CIP in each year expected to be completed (**Table 2-14**, Line 9).

Table 2-16: Capital Expense Summary

Line	CIP Funding Sources	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Construction Funding	\$1,390,675 ³⁵	\$2,560,728	\$0	\$0	\$0
2	Grant / General Fund Funding	\$8,500,000	\$6,000,000	\$0	\$0	\$0
3	Trustee RS Funding	\$0	\$3,475,000	\$0	\$0	\$0
4	Debt Funding	\$0	\$0	\$0	\$0	\$0
5						
6	CIP Funding by Source					
7	Construction Funded	\$1,390,675	\$2,560,728	\$0	\$0	\$0
8	Grant / General Fund Funded	\$6,353,325	\$8,146,675	\$0	\$0	\$0
9	Trustee RS Funded	\$0	\$3,475,000	\$0	\$0	\$0
10	Debt Funded	\$0	\$0	\$0	\$0	\$0
11	Rate Funded	\$0	\$2,547,070	\$4,049,510	\$4,211,491	\$0
12	Total	\$7,744,000	\$16,729,472	\$4,049,510	\$4,211,491	\$0

2.6 FINANCIAL POLICIES

There are several financial performance requirements that influence the ability of water rates to meet the City's funding needs. The requirements below, based on the Concession Agreement and City direction, allow the City to cover operating expenses, meet Concession Agreement requirements, and fund CIP. If applicable, any proposed debt will also have debt coverage requirements determined by each lender. Each financial performance requirement is reviewed below

TRUSTEE MINIMUM RESERVE BALANCE

The Concession Agreement requires that the minimum balance for ending Trustee account balances is 25% of the sum of operating expenses, capital charges, and RUA/City debt service (see **Section 1.8**, Waterfall 1-3).

³⁵ Including approximately \$455k in unrestricted construction funds that can be used for any CIP project.

RUA MINIMUM RESERVE BALANCE

The City does not have specific reserve requirements for its water reserves. However, based on staff direction, RUA reserves should not fall below \$0.

TRUSTEE COVERAGE REQUIREMENT

The Trustee coverage requirement specifies that water revenues³⁶, excluding funds designated for CIP and interest, less operating expenses, capital charges, and RUA/City debt service (Waterfall 1-3) must exceed 17.7% of capital charges and RUA/City debt service (Waterfall 3).

DEBT COVERAGE REQUIREMENT (IF APPLICABLE)

The City is not proposing to issue any new debt so debt coverage will not be evaluated for the water enterprise. Typically, any new debt issuance will have debt coverage requirements explicitly stated in official agreements on outstanding debt issuances. Typical debt coverage is 125% of annual debt service. This means that net operating revenues (revenues³⁷ less Waterfall expenses 1-2) must be 125% or more of annual debt service.

2.7 STATUS QUO FINANCIAL PLAN

STATUS QUO FINANCIAL PLAN SCENARIO

Table 2-17 shows the status quo financial plan scenario, which assumes no revenue adjustments and no proposed debt issuances. This scenario is used to evaluate the ability of the current water rates to meet the City's financial targets and to determine the need for revenue adjustments.

Revenue stabilization has already been budgeted for FY 2026, and the remaining revenue stabilization based on current revenue stabilization funds is used in FY 2027. No new revenue stabilization is projected for the study period, and proposed revenue stabilization will not change depending on the scenario. (see **Section 1.6** for details on revenue stabilization)

³⁶ Including operating revenue stabilization.

³⁷ Excluding revenues designated for CIP.

Table 2-17: Status Quo Financial Plan Scenario

Line	Fiscal Year	Effective Date	Revenue Adjustments	Proposed Debt Proceeds	Proposed Operating Revenue Stabilization
1	FY 2026	3/1/2026	0%	\$0	\$2,784,000
2	FY 2027	1/1/2026	0%	\$0	\$337,426 ³⁸
3	FY 2028	1/1/2026	0%	\$0	\$0
4	FY 2029	1/1/2026	0%	\$0	\$0
5	FY 2030	1/1/2026	0%	\$0	\$0

STATUS QUO TRUSTEE FUND BALANCES

Table 2-18 shows the Trustee fund balance projections for the status quo financial plan. Rate revenues and non-rate revenues³⁹ (Lines 5-13) are from **Table 2-11** (Lines 2, 7, and 16). Revenue stabilization is from **Table 2-17**. Total sources of funds (Line 20) include rate revenues, revenue adjustments, non-rate revenues, and revenue stabilization. Uses of funds are from **Table 2-13**. The ending fund balance (Line 33) is greater than or equal to the Trustee minimum reserve requirement (25% of Waterfall 1-3 expenses), ensuring that the ending balance never falls below the beginning balance in each year. Available funds after covering Waterfall expenses and meeting Trustee minimum reserve requirements (Line 35) represent funds to be transferred to RUA reserves. Net revenues (Lines 37 and 38) are equal to the difference between total sources of funds (Line 20) and defined Waterfall expense categories (Lines 24-28).

In this scenario, net revenues after covering Waterfall 1-2 expenses (Line 37) are negative starting in FY 2028, meaning that the City's current revenues are not sufficient to fund its operating expenses. Net revenue after covering Waterfall 1-3 expenses (Line 38) is negative starting in FY 2027, meaning that the City's revenues are not sufficient to meet its Concession Agreement requirements. Additionally, in FY 2027 available funds to be transferred to RUA reserves (Line 35) is negative, meaning that the City will not be able to fund annual CIP.

³⁸ Calculated based on current Trustee revenue stabilization fund balances as of 6/30/25 (~\$6.6 Million) less budgeted revenue stabilization for operating (**Table 2-17**, Line 1) and budgeted revenue stabilization for CIP (**Table 2-16**, Line 3).

³⁹ Interest income (Line 11) 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 City has less interest income. **Table 2-11** shows the interest income for the proposed scenario.

Table 2-18: Projected Trustee Fund Balances (Status Quo Financial Plan)

Line	Trustee Fund Balance	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Beginning Fund Balance	\$4,543,726	\$4,543,726	\$4,580,835	\$4,672,917	\$4,810,703
2						
3	Sources of Funds					
4						
5	Rate Revenues					
6	Rate Revenue at Existing Rates	\$15,008,412	\$14,573,783	\$14,573,783	\$14,573,783	\$14,573,783
7	Revenue Adjustments	\$0	\$0	\$0	\$0	\$0
8	Subtotal	\$15,008,412	\$14,573,783	\$14,573,783	\$14,573,783	\$14,573,783
9						
10	Non-Rate Revenues					
11	Trustee Interest Income	\$124,346	\$89,040	\$70,114	\$52,197	\$37,038
12	Miscellaneous Revenues	\$614,000	\$635,225	\$657,449	\$680,722	\$705,092
13	Subtotal	\$738,346	\$724,265	\$727,564	\$732,919	\$742,130
14						
15	Revenue Stabilization					
16	Revenue Stabilization from RUA	\$0	\$0	\$0	\$0	\$0
17	Supplemental Revenue Stabilization from Trustee RS Fund	\$2,784,000	\$337,426	\$0	\$0	\$0
18	Subtotal	\$2,784,000	\$337,426	\$0	\$0	\$0
19						
20	Total	\$18,530,758	\$15,635,475	\$15,301,347	\$15,306,702	\$15,315,914
21						
22	Uses of Funds					
23						
24	Waterfall 1a: Water Service Fee & Reimbursements	\$9,001,690	\$9,387,489	\$9,668,377	\$9,957,757	\$10,255,890
25	Waterfall 1b: Retained RUA Expenses	\$5,232,690	\$5,585,849	\$5,628,289	\$5,840,553	\$6,063,220
26	Waterfall 2: Annual Operating R&R Payment	\$470,000	\$450,000	\$495,000	\$544,500	\$598,950
27	Waterfall 3: Capital Charges	\$2,900,000	\$2,900,000	\$2,900,000	\$2,900,000	\$2,900,000
28	RUA/City Debt Service	\$0	\$0	\$0	\$0	\$0
29	Waterfall 4: Water Reserve Account Deposits	\$0	\$37,108	\$92,082	\$137,786	\$143,812
30						

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Line	Trustee Fund Balance	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
31	Total	\$17,604,380	\$18,360,447	\$18,783,748	\$19,380,597	\$19,961,873
32						
33	Ending Fund Balance	\$4,543,726	\$4,580,835	\$4,672,917	\$4,810,703	\$4,954,515
34						
35	Available Funds from Waterfall⁴⁰	\$802,032	(\$2,851,120)	(\$3,644,598)	(\$4,263,878)	(\$4,826,809)
36						
37	Net Revenue After Waterfall 1-2 Expenses	\$3,826,378	\$212,136	(\$490,319)	(\$1,036,109)	(\$1,602,147)
38	Net Revenue After Waterfall 1-3 Expenses	\$926,378	(\$2,687,864)	(\$3,390,319)	(\$3,936,109)	(\$4,502,147)

⁴⁰ Excluding Trustee interest income which is projected to stay with the Trustee.

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2025 Water and Wastewater Rate Study**

STATUS QUO RUA FUND BALANCE PROJECTIONS

Table 2-19 shows the RUA fund balance projections for the status quo financial plan. Sources of funds include available funds from the Waterfall (Line 6; from **Table 2-18**, Line 35), RUA interest income⁴¹ (Line 10; from **Table 2-11**, Line 6) and CIP funding sources from grants/General Funds, revenue stabilization, and debt (Lines 11-13; from **Table 2-16**, Lines 2-4). Available funds from the Waterfall are transferred from Trustee reserves to RUA reserves in the next fiscal year. For example, the available funds in Trustee reserves in FY 2026 (**Table 2-18**, Line 35) are transferred to RUA reserves as a revenue source in FY 2027 (Line 6). Uses of funds include CIP funded by grants/General Funds, revenue stabilization, debt, and rates (Lines 20-23; from **Table 2-16**, Lines 8-11).

In this scenario, ending RUA fund balances are negative starting in FY 2028. At the end of the study period, the RUA fund balance will be negative by approximately \$18.2 million in FY 2030 from a starting balance of \$1 million in FY 2026. This represents a net loss of approximately \$19.2 million in five years.

⁴¹ Interest income (Line 11) 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 City has less interest income. **Table 2-11** shows the interest income for the proposed scenario.

Table 2-19: Projected RUA Fund Balances (Status Quo Financial Plan)

Line	RUA Fund Balance	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Beginning Fund Balance	\$1,000,000⁴²	\$4,664,235	\$854,074	(\$6,046,557)	(\$13,902,645)
2						
3	Sources of Funds					
4						
5	From Trustee					
6	RUA Additional Funds from Waterfall	\$1,420,141 ⁴³	\$802,032	(\$2,851,120)	(\$3,644,598)	(\$4,263,878)
7	Subtotal	\$1,420,141	\$802,032	(\$2,851,120)	(\$3,644,598)	(\$4,263,878)
8						
9	Other Revenues					
10	RUA Interest Income	\$97,419	\$81,551	\$0	\$0	\$0
11	Grant/General Fund Proceeds	\$8,500,000	\$6,000,000	\$0	\$0	\$0
12	Trustee RS Proceeds	\$0	\$3,475,000	\$0	\$0	\$0
13	Debt Proceeds	\$0	\$0	\$0	\$0	\$0
14	Subtotal	\$8,597,419	\$9,556,551	\$0	\$0	\$0
15						
16	Total	\$10,017,560	\$10,358,583	(\$2,851,120)	(\$3,644,598)	(\$4,263,878)
17						
18	Uses of Funds					
19	Revenue Stabilization for Trustee Reserves	\$0	\$0	\$0	\$0	\$0
20	Grant/General Fund Funded CIP	\$6,353,325	\$8,146,675	\$0	\$0	\$0
21	Trustee RS Funded CIP	\$0	\$3,475,000	\$0	\$0	\$0
22	Debt Funded CIP	\$0	\$0	\$0	\$0	\$0
23	Rate Funded CIP	\$0	\$2,547,070	\$4,049,510	\$4,211,491	\$0
24	Total - Uses of Funds	\$6,353,325	\$14,168,744	\$4,049,510	\$4,211,491	\$0
25						
26	Ending Fund Balance	\$4,664,235	\$854,074	(\$6,046,557)	(\$13,902,645)	(\$18,166,523)

⁴² Beginning fund balance is based on expected combined remedy reimbursement in FY 2026.

⁴³ FY 2025 operating surplus provided by staff to be transferred to RUA reserves in FY 2026.

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**STATUS QUO AND PROPOSED TRUSTEE CONSTRUCTION RESTRICTED AND UNRESTRICTED FUND
BALANCE PROJECTIONS**

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Table 2-20 shows the Trustee Construction Restricted and Unrestricted fund balances for the status quo and proposed financial plan. Construction funds provide funding for CIP independent of rate revenues and therefore will not change based on the scenario. The beginning fund balance in FY 2026 includes both restricted and unrestricted fund balances. Sources of funds include DIF (Line 4; from **Table 2-11**, Line 19) and interest income (Line 5), calculated based on average fund balances and a declining interest rate (**Table 2-10**, Line 1). Uses of funds include construction funded CIP (Line 9; **Table 2-16**, Line 7). Ending fund balances vary each year based on available funds and CIP eligible for DIF funding, ensuring that ending balances stay above \$0.

Table 2-20: Projected Trustee Construction Restricted and Unrestricted Fund Balances (Status Quo and Proposed Financial Plan)

Line	Trustee Construction Restricted and Unrestricted Fund Balances	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Beginning Fund Balance	\$3,213,274⁴⁴	\$1,910,728	\$28,661	\$700,665	\$1,397,701
2						
3	Sources of Funds					
4	Development Impact Fees	\$0	\$650,000	\$663,000	\$676,260	\$689,785
5	Interest Income	\$88,128	\$28,661	\$9,004	\$20,776	\$26,139
6	Subtotal	\$88,128	\$678,661	\$672,004	\$697,036	\$715,924
7						
8	Uses of Funds					
9	Construction Funded CIP	\$1,390,675	\$2,560,728	\$0	\$0	\$0
10	Subtotal	\$1,390,675	\$2,560,728	\$0	\$0	\$0
11						
12	Ending Fund Balance	\$1,910,728	\$28,661	\$700,665	\$1,397,701	\$2,113,625

⁴⁴ Including approximately \$455k in unrestricted construction funds and approximately \$2.8 million in restricted construction funds.

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STATUS QUO FINANCIAL PERFORMANCE

The City's financial performance is evaluated based on the reserve targets and Trustee coverage requirements, as shown in

**City of Rialto
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Table 2-21. Under the status quo financial plan, RUA ending fund balances will be negative starting in FY 2028 and the City will not meet its Trustee coverage requirements starting in FY 2027.

Table 2-21: Forecasted Financial Performance (Status Quo Financial Plan)

Line	Financial Performance	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Trustee Fund Balance					
2	Trustee Ending Fund Balance	\$4,543,726	\$4,580,835	\$4,672,917	\$4,810,703	\$4,954,515
3	Trustee Reserve Target	\$4,401,095	\$4,580,835	\$4,672,917	\$4,810,703	\$4,954,515
4	Trustee Ending Balance Meets Reserve Target?	Yes	Yes	Yes	Yes	Yes
5						
6	RUA Fund Balance					
7	RUA Ending Fund Balance	\$4,664,235	\$854,074	(\$6,046,557)	(\$13,902,645)	(\$18,166,523)
8	RUA Ending Balance is Positive?	Yes	Yes	No	No	No
9						
10	Trustee Coverage Requirement					
11	Revenues (Less restricted funds for CIP and interest)	\$15,622,412	\$15,209,008	\$15,231,233	\$15,254,505	\$15,278,876
12	Plus Operating Revenue Stabilization	\$2,784,000	\$337,426	\$0	\$0	\$0
13	Less Waterfall 1-3	\$17,604,380	\$18,323,338	\$18,691,666	\$19,242,811	\$19,818,060
14	Net Cash Flow	\$802,032	(\$2,776,904)	(\$3,460,434)	(\$3,988,306)	(\$4,539,185)
15	Capital Charges and RUA/City Debt Service	\$2,900,000	\$2,900,000	\$2,900,000	\$2,900,000	\$2,900,000
16	Calculated Trustee Coverage	27.7%	-95.8%	-119.3%	-137.5%	-156.5%
17	Required Trustee Coverage	17.7%	17.7%	17.7%	17.7%	17.7%
18	Meets Target?	Yes	No	No	No	No
19						
20	Debt Coverage Requirement					
21	Required Debt Coverage	125%	125%	125%	125%	125%
22	Calculated Debt Coverage	No Debt				
23	Meets Target?	No Debt				

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Figure 2-1 shows the Trustee and RUA fund balance projections in the status quo financial plan. The green bars represent the ending fund balance for Trustee reserves, the blue bars represent the ending fund balance for RUA reserves, and the dashed line represents the Trustee minimum reserve balance (25% of Waterfall 1-3). In this scenario, the City's RUA reserves will be negative starting in FY 2028, indicated by the alert balance (red circles).

Figure 2-1: Projected Trustee and RUA Fund Balances (Status Quo Financial Plan)

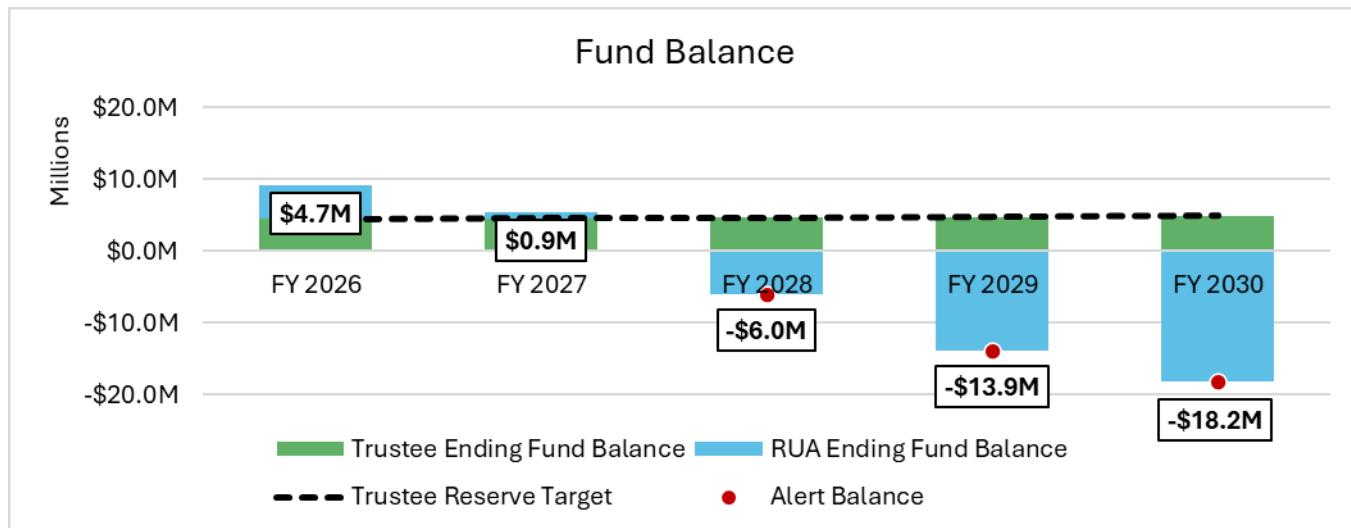
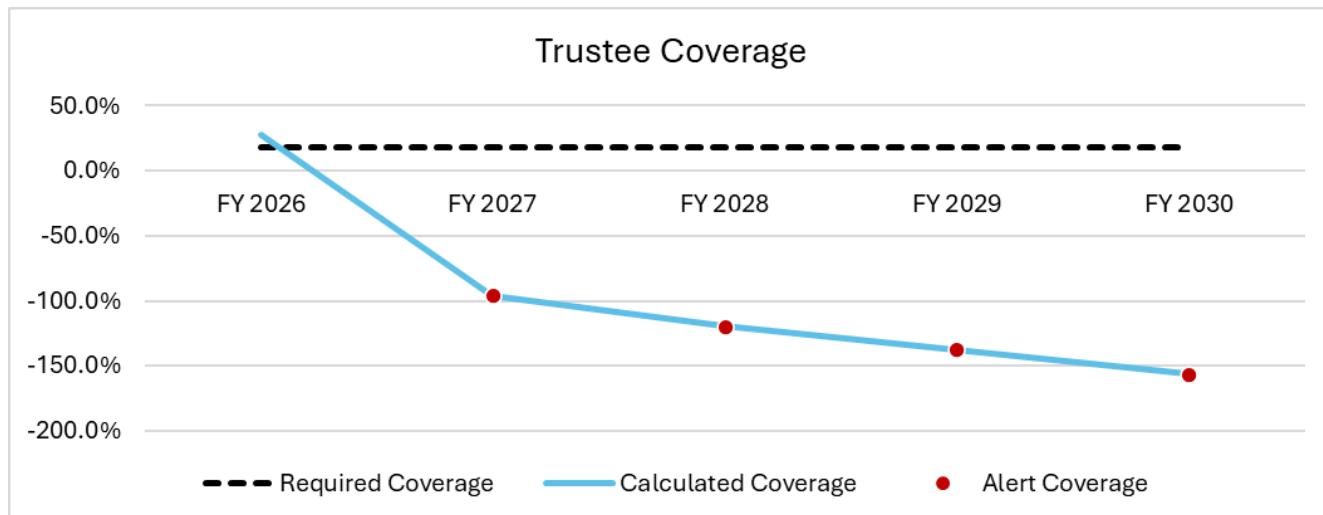


Figure 2-2 shows the Trustee coverage projections in the status quo financial plan. The required Trustee coverage (dashed black line) is equal to 17.7%. The City is expected to fail to meet its Trustee coverage requirements starting in FY 2027, indicated by the alert coverage (red circles).

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



2.8 PROPOSED FINANCIAL PLAN

PROPOSED FINANCIAL PLAN SCENARIO

The proposed financial plan includes five years of revenue adjustments as shown in **Table 2-22**. These adjustments are needed to maintain financial sufficiency of the City's water enterprise and were developed based on input from staff and the City's Water Subcommittee.

Table 2-22: Proposed Financial Plan Scenario

Line	Fiscal Year	Effective Date	Revenue Adjustments	Proposed Debt Proceeds	Proposed Operating Revenue Stabilization
1	FY 2026	3/1/2026	23%	\$0	\$2,784,000
2	FY 2027	1/1/2026	18%	\$0	\$337,426
3	FY 2028	1/1/2026	17%	\$0	\$0
4	FY 2029	1/1/2026	3%	\$0	\$0
5	FY 2030	1/1/2026	3%	\$0	\$0

PROPOSED TRUSTEE FUND BALANCE PROJECTIONS

Table 2-23 shows the Trustee fund balance projections for the proposed financial plan. Rate revenues and non-rate revenues (Lines 5-13) are from **Table 2-11** (Lines 2, 7, and 16). Revenue adjustments (Line 7) are calculated based on the proposed revenue adjustments from **Table 2-22**. Revenue stabilization is from **Table 2-22**. Total sources of funds (Line 20) include rate revenues, revenue adjustments, non-rate revenues, and operating revenue stabilization. Uses of funds are from **Table 2-13**. The ending fund balance (Line 33) is greater than or equal to the Trustee minimum reserve requirement (25% of Waterfall 1-3 expenses), ensuring that the ending balance never falls below the beginning balance in each year. Available funds after covering Waterfall expenses and meeting Trustee minimum reserve requirements (Line 35) represent funds to be transferred to RUA reserves. Net revenues (Lines 37 and 38) are equal to the difference between total sources of funds (Line 20) and defined Waterfall expense categories (Lines 24-28).

In this scenario, net revenue after covering Waterfall 1-3 expenses (Line 38) is positive for all years, which means that the City's revenues are sufficient to fund its operating expenses and meet its Concession Agreement requirements. Additionally, available funds to be transferred to RUA reserves (Line 35) is positive for all years, meaning that the City will be able to fund annual CIP.

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Table 2-23: Projected Trustee Fund Balance (Proposed Financial Plan)

Line	Trustee Fund Balance	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Beginning Fund Balance	\$4,543,726	\$4,543,726	\$4,580,835	\$4,672,917	\$4,810,703
2						
3	Sources of Funds					
4						
5	Rate Revenues					
6	Rate Revenue at Existing Rates	\$15,008,412	\$14,573,783	\$14,573,783	\$14,573,783	\$14,573,783
7	Revenue Adjustments	\$1,150,645	\$4,965,288	\$8,376,559	\$10,545,736	\$11,299,322
8	Subtotal	\$16,159,057	\$19,539,071	\$22,950,342	\$25,119,519	\$25,873,105
9						
10	Non-Rate Revenues					
11	Trustee Interest Income	\$144,482	\$163,520	\$174,821	\$157,655	\$121,783
12	Miscellaneous Revenues	\$614,000	\$635,225	\$657,449	\$680,722	\$705,092
13	Subtotal	\$758,482	\$798,745	\$832,271	\$838,376	\$826,875
14						
15	Revenue Stabilization					
16	Revenue Stabilization from RUA	\$0	\$0	\$0	\$0	\$0
17	Supplemental Revenue Stabilization from Trustee RS Fund	\$2,784,000	\$337,426	\$0	\$0	\$0
18	Subtotal	\$2,784,000	\$337,426	\$0	\$0	\$0
19						
20	Total	\$19,701,539	\$20,675,242	\$23,782,613	\$25,957,896	\$26,699,980
21						
22	Uses of Funds					
23						
24	Waterfall 1a: Water Service Fee & Reimbursements	\$9,001,690	\$9,387,489	\$9,668,377	\$9,957,757	\$10,255,890
25	Waterfall 1b: Retained RUA Expenses	\$5,232,690	\$5,585,849	\$5,628,289	\$5,840,553	\$6,063,220
26	Waterfall 2: Annual Operating R&R Payment	\$470,000	\$450,000	\$495,000	\$544,500	\$598,950
27	Waterfall 3: Capital Charges	\$2,900,000	\$2,900,000	\$2,900,000	\$2,900,000	\$2,900,000
28	RUA/City Debt Service	\$0	\$0	\$0	\$0	\$0
29	Waterfall 4: Water Reserve Account Deposits	\$0	\$37,108	\$92,082	\$137,786	\$143,812
30						

City of Rialto
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Line	Trustee Fund Balance	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
31	Total	\$17,604,380	\$18,360,447	\$18,783,748	\$19,380,597	\$19,961,873
32						
33	Ending Fund Balance	\$4,543,726	\$4,580,835	\$4,672,917	\$4,810,703	\$4,954,515
34						
35	Available Funds from Waterfall⁴⁵	\$1,952,677	\$2,114,168	\$4,731,961	\$6,281,858	\$6,472,512
36						
37	Net Revenue After Waterfall 1-2 Expenses	\$4,997,159	\$5,251,904	\$7,990,946	\$9,615,085	\$9,781,920
38	Net Revenue After Waterfall 1-3 Expenses	\$2,097,159	\$2,351,904	\$5,090,946	\$6,715,085	\$6,881,920

⁴⁵ Excluding Trustee interest income which is projected to stay with the Trustee.

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2025 Water and Wastewater Rate Study**

PROPOSED RUA FUND BALANCE PROJECTIONS

**City of Rialto
2025 Water and Wastewater Rate Study**

Table 2-24 shows the RUA fund balance projections for the proposed financial plan. Sources of funds include available funds from the Waterfall (Line 6; from **Table 2-23**, Line 35), RUA interest income (Line 10; from **Table 2-11**, Line 6) and CIP funding sources from grants/General Funds, revenue stabilization, and debt (Lines 11-13; **Table 2-16**, Lines 2-4). Available funds from the Waterfall are transferred from Trustee reserves to RUA reserves in the next fiscal year. For example, the available funds in Trustee reserves in FY 2026 (**Table 2-23**, Line 35) are transferred to RUA reserves as a revenue source in FY 2027 (Line 6). Uses of funds include CIP funded by grants/General Funds, revenue stabilization, debt, and rates (Lines 20-23; from **Table 2-16**, Lines 8-11).

In this scenario, ending RUA fund balances are positive in all years. At the end of the study period the RUA fund balance will be approximately \$7 million in FY 2030 from a starting balance of \$1 million in FY 2026.

Table 2-24: Projected RUA Fund Balance (Proposed Financial Plan)

Line	RUA Fund Balance	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Beginning Fund Balance	\$1,000,000⁴⁶	\$4,664,235	\$2,021,978	\$112,993	\$640,928
2						
3	Sources of Funds					
4						
5	From Trustee					
6	RUA Additional Funds from Waterfall	\$1,420,141 ⁴⁷	\$1,952,677	\$2,114,168	\$4,731,961	\$6,281,858
7	Subtotal	\$1,420,141	\$1,952,677	\$2,114,168	\$4,731,961	\$6,281,858
8						
9	Other Revenues					
10	RUA Interest Income	\$97,419	\$98,811	\$26,358	\$7,465	\$56,728
11	Grant/General Fund Proceeds	\$8,500,000	\$6,000,000	\$0	\$0	\$0
12	Trustee RS Proceeds	\$0	\$3,475,000	\$0	\$0	\$0
13	Debt Proceeds	\$0	\$0	\$0	\$0	\$0
14	Subtotal	\$8,597,419	\$9,573,811	\$26,358	\$7,465	\$56,728
15						
16	Total	\$10,017,560	\$11,526,488	\$2,140,525	\$4,739,426	\$6,338,586
17						
18	Uses of Funds					
19	Revenue Stabilization for Trustee Reserves	\$0	\$0	\$0	\$0	\$0
20	Grant/General Fund Funded CIP	\$6,353,325	\$8,146,675	\$0	\$0	\$0
21	Trustee RS Funded CIP	\$0	\$3,475,000	\$0	\$0	\$0
22	Debt Funded CIP	\$0	\$0	\$0	\$0	\$0
23	Rate Funded CIP	\$0	\$2,547,070	\$4,049,510	\$4,211,491	\$0
24	Total - Uses of Funds	\$6,353,325	\$14,168,744	\$4,049,510	\$4,211,491	\$0
25						
26	Ending Fund Balance	\$4,664,235	\$2,021,978	\$112,993	\$640,928	\$6,979,514

⁴⁶ Beginning fund balance is based on expected combined remedy reimbursement in FY 2026.

⁴⁷ FY 2025 operating surplus provided by staff to be transferred to RUA reserves in FY 2026.

**City of Rialto
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PROPOSED FINANCIAL PERFORMANCE

The City's financial performance is evaluated based on the reserve targets and Trustee coverage requirements, as shown in

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Table 2-25. Under the proposed financial plan, RUA ending fund balances will be positive and the City will meet its Trustee coverage requirements in all years.

Table 2-25: Forecasted Financial Performance (Proposed Financial Plan)

Line	Financial Performance	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Trustee Fund Balance					
2	Trustee Ending Fund Balance	\$4,543,726	\$4,580,835	\$4,672,917	\$4,810,703	\$4,954,515
3	Trustee Reserve Target	\$4,401,095	\$4,580,835	\$4,672,917	\$4,810,703	\$4,954,515
4	Trustee Ending Balance Meets Reserve Target?	Yes	Yes	Yes	Yes	Yes
5						
6	RUA Fund Balance					
7	RUA Ending Fund Balance	\$4,664,235	\$2,021,978	\$112,993	\$640,928	\$6,979,514
8	RUA Ending Balance is Positive?	Yes	Yes	Yes	Yes	Yes
9						
10	Trustee Coverage Requirement					
11	Revenues (Less restricted funds for CIP and interest)	\$16,773,057	\$20,174,296	\$23,607,791	\$25,800,241	\$26,578,197
12	Plus Revenue Stabilization	\$2,784,000	\$337,426	\$0	\$0	\$0
13	Less Waterfall 1-3	\$17,604,380	\$18,323,338	\$18,691,666	\$19,242,811	\$19,818,060
14	Net Cash Flow	\$1,952,677	\$2,188,384	\$4,916,125	\$6,557,430	\$6,760,137
15	Capital Charges and RUA/City Debt Service	\$2,900,000	\$2,900,000	\$2,900,000	\$2,900,000	\$2,900,000
16	Calculated Trustee Coverage	67.3%	75.5%	169.5%	226.1%	233.1%
17	Required Trustee Coverage	17.7%	17.7%	17.7%	17.7%	17.7%
18	Meets Target?	Yes	Yes	Yes	Yes	Yes
19						
20	Debt Coverage Requirement					
21	Required Debt Coverage	125%	125%	125%	125%	125%
22	Calculated Debt Coverage	No Debt				
23	Meets Target?	No Debt				

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Figure 2-3 shows the Trustee and RUA fund balance projections in the proposed financial plan. The green bars represent the ending fund balance for Trustee reserves, the blue bars represent the ending fund balance for RUA reserves, and the dashed line represents the Trustee minimum reserve balance (25% of Waterfall 1-3). The City's RUA reserves are expected to be positive in all years. The buildup of reserves by FY 2030 will enable the City to execute CIP in the following years after FY 2030.

Figure 2-3: Projected Trustee and RUA Fund Balances (Proposed Financial Plan)

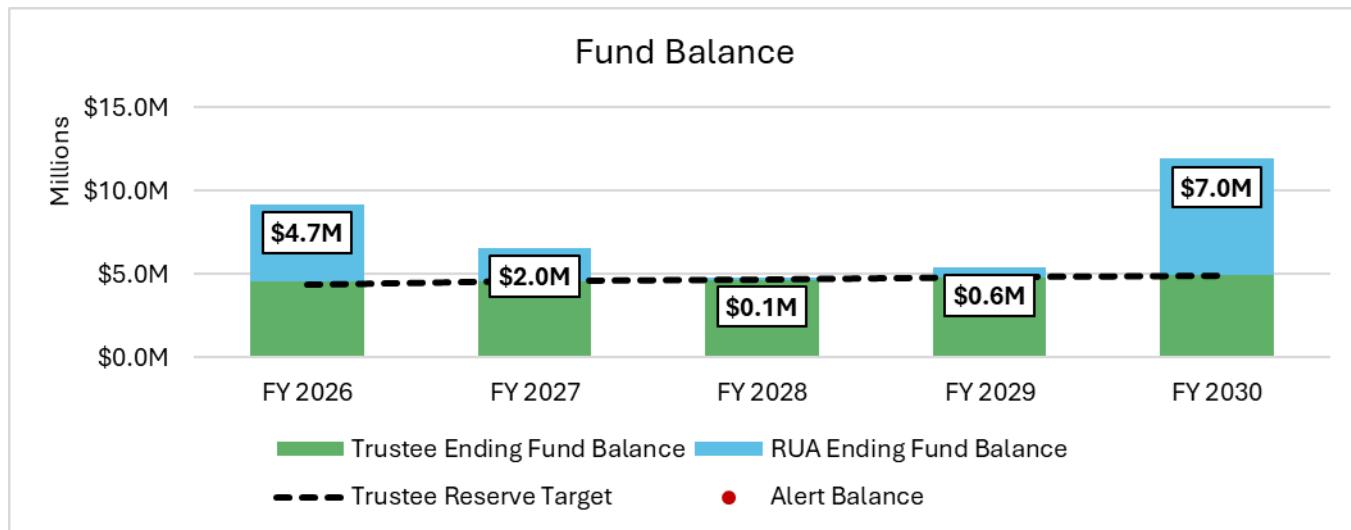
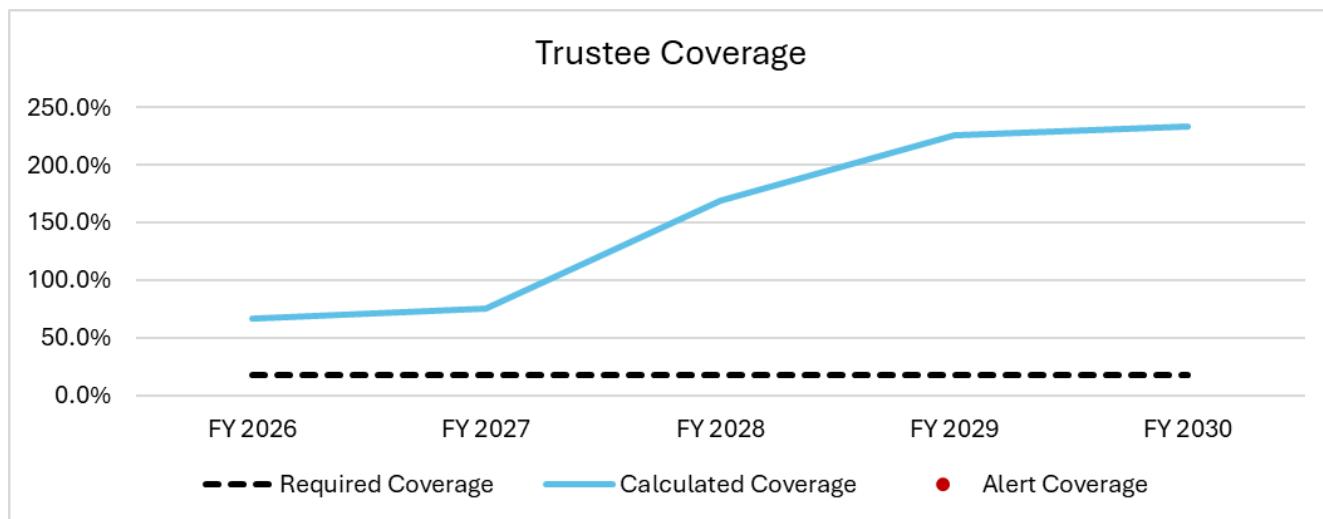


Figure 2-4 shows the Trustee coverage projections in the proposed financial plan. The required Trustee coverage (dashed black line) is equal to 17.7%. The City is expected to meet its Trustee coverage requirements in all years. Note that Trustee coverage reflects the City's coverage of operating expenses and capital charges, excluding CIP and no new RUA/City debt is proposed. To fund the City's needs, proposed revenues must cover operating expenses, capital charges, CIP, and meet financial performance requirements. **Figure 2-3** and **Figure 2-4** should be interpreted in conjunction with one another.

Figure 2-4: Projected Trustee Coverage (Proposed Financial Plan)



3. WATER RATES

3.1 RATE DESIGN METHODOLOGY

A five-year proposed water rate schedule was developed based on the results of the proposed financial plan. Proposed rates for the study period are calculated by increasing the current rates by the proposed annual revenue adjustment percentages from the proposed financial plan.⁴⁸

3.2 PROPOSED WATER RATE SCHEDULE

PROPOSED FIVE-YEAR REVENUE ADJUSTMENTS

Table 3-1 shows the revenue adjustments for the five-year period and their effective date based on the proposed financial plan (**Table 2-22**).

Table 3-1: Proposed Revenue Adjustments

Line	Fiscal Year	Effective Date	Revenue Adjustments
1	FY 2026	3/1/2026	23%
2	FY 2027	1/1/2026	18%
3	FY 2028	1/1/2026	17%
4	FY 2029	1/1/2026	3%
5	FY 2030	1/1/2026	3%

PROPOSED FIVE-YEAR WATER RATE SCHEDULE

The proposed five-year water rate schedules in this section are based on the proposed revenue adjustments in the five-year period. The rate schedule shows the proposed water rates to be implemented in March 2026 through January 2030.

Table 3-2, **Table 3-3**, **Table 3-4**, and **Table 3-5** show the current and proposed monthly minimum charges, volume charges, fire line charges, and hydrant charges, respectively.

Table 3-2: Current and Proposed Monthly Minimum Charges

Line	Monthly Minimum Charge	As of 1/1/25	Effective 3/1/2026	Effective 1/1/2027	Effective 1/1/2028	Effective 1/1/2029	Effective 1/1/2030
1	¾" and smaller	\$34.53	\$42.48	\$50.13	\$58.66	\$60.42	\$62.24
2	1"	\$53.03	\$65.23	\$76.98	\$90.07	\$92.78	\$95.57
3	1 ½"	\$99.28	\$122.12	\$144.11	\$168.61	\$173.67	\$178.89
4	2"	\$154.79	\$190.40	\$224.68	\$262.88	\$270.77	\$278.90
5	3"	\$302.80	\$372.45	\$439.50	\$514.22	\$529.65	\$545.54
6	4"	\$469.31	\$577.26	\$681.17	\$796.97	\$820.88	\$845.51
7	6"	\$931.84	\$1,146.17	\$1,352.49	\$1,582.42	\$1,629.90	\$1,678.80

⁴⁸ See 2024 Water and Wastewater Rate Study Report, May 2024, prepared on behalf of the City by FG Solutions, which documents the cost-of-service analysis in support of the City's proportionate allocation of costs among customer classes.

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8	8"	\$1,486.88	\$1,828.87	\$2,158.07	\$2,524.95	\$2,600.70	\$2,678.73
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Table 3-3: Current and Proposed Volume Charges

Line	Volume Charge (\$/ccf)	As of 1/1/25	Effective 3/1/2026	Effective 1/1/2027	Effective 1/1/2028	Effective 1/1/2029	Effective 1/1/2030
1	All Customers Except Those Noted Below⁴⁹						
2	Tier 1 (0-9 units)	\$1.95	\$2.40	\$2.84	\$3.33	\$3.43	\$3.54
3	Tier 2 (10-30 units)	\$2.19	\$2.70	\$3.19	\$3.74	\$3.86	\$3.98
4	Tier 3 (31+ units)	\$3.19	\$3.93	\$4.64	\$5.43	\$5.60	\$5.77
5	Multiple Apartments						
6	Over 49 Units and Mobile Homes	\$2.35	\$2.90	\$3.43	\$4.02	\$4.15	\$4.28
7	Landscape						
8	Tier 1	\$2.19	\$2.70	\$3.19	\$3.74	\$3.86	\$3.98
9	Tier 2	\$3.19	\$3.93	\$4.64	\$5.43	\$5.60	\$5.77

Table 3-4: Current and Proposed Fire Line Charges

Line	Fire Line Charges	As of 1/1/25	Effective 3/1/2026	Effective 1/1/2027	Effective 1/1/2028	Effective 1/1/2029	Effective 1/1/2030
1	3"	\$21.56	\$26.52	\$31.30	\$36.63	\$37.73	\$38.87
2	4"	\$45.95	\$56.52	\$66.70	\$78.04	\$80.39	\$82.81
3	6"	\$133.47	\$164.17	\$193.73	\$226.67	\$233.48	\$240.49
4	8"	\$284.43	\$349.85	\$412.83	\$483.02	\$497.52	\$512.45
5	10"	\$511.50	\$629.15	\$742.40	\$868.61	\$894.67	\$921.52

Table 3-5: Current and Proposed Hydrant Charges

Line	Hydrant Charges	As of 1/1/25	Effective 3/1/2026	Effective 1/1/2027	Effective 1/1/2028	Effective 1/1/2029	Effective 1/1/2030
1	Water Use, \$/ccf	\$2.70	\$3.33	\$3.93	\$4.60	\$4.74	\$4.89
2	Per Day	\$3.43	\$4.22	\$4.98	\$5.83	\$6.01	\$6.20

CUSTOMER IMPACTS

WRE evaluated the impacts to the Single Family customer class based on the first year of proposed water rates for FY 2026.

Table 3-6 shows the proposed impacts for a Single Family customer with a 3/4" or smaller meter (the most common meter size within this class) at various levels of monthly usage. For the average Residential customer that uses 15 ccf of water every month, the monthly impact will be \$15.06 or 23.1%, which reflects the impact of the 23% revenue adjustment applied to FY 2026⁵⁰.

⁴⁹ The rate schedule designation includes all customers except for Multiple Apartments over 49 units, Mobile Homes, and Landscape customers. This includes Single Family, Multi-Family under 49 units, Government, and Commercial customers.

⁵⁰ Difference (%) between current and proposed bill may differ slightly from the revenue adjustment (23%) due to rounding. Proposed rates are rounded to the nearest cent.

Table 3-6: Proposed Single Family Customer Impacts (Year 1)

Line	Usage Level	Usage (ccf)	Current Bill	Proposed Bill	Difference (\$)	Difference (%)
1	Very Low Usage	2	\$38.43	\$47.28	\$8.85	23.0%
2	Low Usage	6	\$46.23	\$56.88	\$10.65	23.0%
3	Median Usage	11	\$56.46	\$69.48	\$13.02	23.1%
4	Average Usage	15	\$65.22	\$80.28	\$15.06	23.1%
5	High Usage	19	\$73.98	\$91.08	\$17.10	23.1%
6	Very High Usage	30	\$98.07	\$120.78	\$22.71	23.2%

RATE SURVEY

WRE compared the current and proposed water bills for Single Family customers at average monthly usage relative to the current bills of nearby agencies.

Some California agencies, such as West Valley Water District and Jurupa Community Services District⁵¹, supplement their water operations with *property tax (ad valorem)* revenues. In certain jurisdictions, Redevelopment Agency (RDA) funds that reverted to local control after dissolution have also been used to support utility operations. These additional revenue sources help offset ratepayer costs and finance CIPs, allowing such agencies to maintain or improve infrastructure while reducing direct rate impacts on customers.

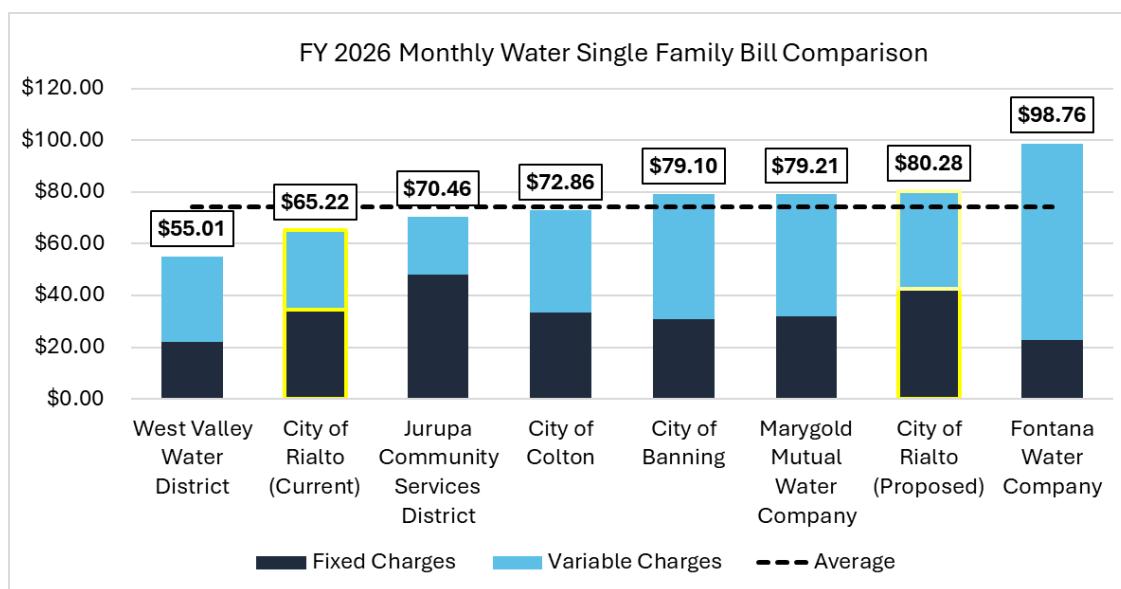
By contrast, the City of Rialto does not receive property tax or RDA revenues to subsidize its water utility. All system costs must therefore be recovered directly through service rates, which contribute to rate differences among agencies.

Figure 3-1 shows the current and proposed monthly bills for a Single Family customer at average usage (15 ccf every month) by their fixed and variable components relative to other nearby agencies. The fixed component represents fixed monthly charges, and the variable component represent variable charges based on water consumption. Currently Rialto bills at average usage (15 ccf) are below the average relative to the bills of other agencies and with the proposed rates Rialto bills are slightly above the average, close to the City of Banning and Marygold Mutual Water Company bills.

⁵¹ Based on adopted FY 2026 budgets, property taxes account for approximately 9.5% of total water revenues for West Valley Water District and approximately 5.3% of total water revenues for Jurupa Community Services District.

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Figure 3-1: Monthly Water Single Family Bills at Average Usage Comparison



4. WASTEWATER FINANCIAL PLAN

4.1 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. 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, capital charges, debt service, and CIP costs. CIP funding options (grants, debt, DIF, etc.) are also evaluated as part of the financial plan.
- **Financial performance evaluation:** Key Concession Agreement financial requirements include Trustee coverage requirements and minimum reserve balances. Additionally, if the City decides to issue any debt, debt coverage requirements will also be evaluated. Debt coverage requirements are typically explicitly stated in official agreements on outstanding debt issuances.
- **Status quo financial plan projections:** Reserve balances, Trustee coverage, and debt coverage (if applicable) are projected over the study period in the absence of additional rate increases (this scenario is called the “status quo”). Projected reserve balances, Trustee coverage, and debt coverage (if applicable) 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, meet Trustee coverage requirements, and meet debt coverage requirements (if applicable). The proposed financial plan determines the total annual rate revenue requirement over the study period.

4.2 REVENUES

CURRENT WASTEWATER RATES

The City’s current wastewater rates include a monthly residential charge based on dwelling unit, a non-residential volume charge based on units of water in ccf⁵², and a monthly school charge based on school attendance⁵³. The rates below are for customers within the Rialto City limits. Customers outside City limits pay 1.3 times the rate of a customer within the City limits.

The City also has a Senior and Low-Income discount program for eligible Single Family and Multi-Family customers. Eligible customers receive 20% off monthly residential charges.

⁵² Units of water are based on monthly metered water usage data.

⁵³ School attendance is based on ADA information provided by the School District.

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Table 4-1, Table 4-2, and Table 4-3 show the current residential charges, non-residential charges, and school charges, respectively. The current rates are based on the City's most recent 2025 wastewater rate study.

Table 4-1: Current Residential Charge

Line	Group 1 (\$/ month/ residential unit)	As of 2/1/2018	As of 1/1/2025
1	Residential Single Family & Multi-Family	\$62.19	\$67.14

Table 4-2: Current Non-Residential Charge

Line	Non-Residential (\$/ccf)	As of 2/1/2018	As of 1/1/2025
1	Group II - Commercial ⁵⁴	\$6.77	\$5.80
2	Group III - Commercial ⁵⁵	\$7.96	\$8.32
3	Group IV - Commercial ⁵⁶	\$10.17	\$12.06
4	Group VI - Commercial ⁵⁷	\$6.77	\$5.80

Table 4-3: Current School Charges

Line	School (\$/ ADA/ month)	As of 2/1/2018	As of 1/1/2025
1	Elementary, Continuing, and Adult Education	\$0.85	\$1.00
2	Junior High and High	\$2.03	\$2.30

CUSTOMER ACCOUNTS AND USAGE

This section details the customer units 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 City's wastewater rates and charges.

Table 4-4 shows the projected number of units for each customer class for the study period. Staff provided actual data for FY 2025, which is projected forward until FY 2030. Residential units are shown based on dwelling units, and school units are shown based on ADA. Due to uncertainty regarding future growth, this study assumes no growth in units throughout the study period to ensure that the City recovers sufficient revenue to fund wastewater enterprise costs. The number of units is the unit of service for the City's monthly residential charges and monthly school charges.

⁵⁴ Group II includes Softwater Service, Car Washes, Office Buildings, Cleaners, Department/Retail Stores, Warehouses, Car Lots, Equipment Rental, Storage Units, Hospitals, Manufacturing, Indoor Theaters, Day Care, Pre Schools, Disabled Care, Nail/Hair Salons, and Churches.

⁵⁵ Group III includes Hotels/Motels (no restaurant), Repair and Service Stations, Shopping Centers, Recreation Parks, Nurseries/Florists, Non-Domestic Manufacturing, Lumber Yards, Nightclubs, Bars, and Halls.

⁵⁶ Group IV includes Hotels/Motels (with restaurants), Bakeries, Dairy, Supermarkets, Meat Markets, Mom & Pop, Mortuaries, Restaurants, Fast Food, and Catering.

⁵⁷ Group VI includes Large Volume customers, Hospitals, and Commercial Buildings.

Table 4-4: Projected Customer Units

Line	Customer Accounts	Units	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Residential Single Family & Multi-Family ⁵⁸	DU	28,587	28,587	28,587	28,587	28,587
2	Residential x 1.3 ⁵⁹	DU	138	138	138	138	138
3							
4	Schools						
5	Elementary, Continuing, and Adult Education	ADA	7,889	7,889	7,889	7,889	7,889
6	Junior High and High	ADA	9,047	9,047	9,047	9,047	9,047
7	Total		16,936	16,936	16,936	16,936	16,936

Table 4-5 shows the projected number of Single Family and Multi-Family units receiving Senior and Low-Income discounts. Staff provided actual data for FY 2025; this study assumes no growth in Senior and Low-Income discount programs for the study period. The number of units is the unit of service for the City's residential charge discount revenue.

Table 4-5: Projected Discount Program Units

Line	Discount Program Accounts	Units	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Residential Single Family & Multi-Family	DU	1,810	1,810	1,810	1,810	1,810
2	Residential x 1.3	DU	1	1	1	1	1
3	Total		1,811	1,811	1,811	1,811	1,811

Table 4-6 shows the projected water usage for each customer class and tier. Staff provided actual water usage for FY 2025. This study assumes no changes to water usage or demand.

Table 4-6: Projected Customer Water Usage (ccf)

Line	Water Usage (ccf)	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Commercial					
2	Group II - Commercial	557,662	557,662	557,662	557,662	557,662
3	Group III - Commercial	68,263	68,263	68,263	68,263	68,263
4	Group IV - Commercial	113,279	113,279	113,279	113,279	113,279
5	Group VI - Commercial	0	0	0	0	0
6	Total	739,204	739,204	739,204	739,204	739,204
7						
8	Commercial x 1.3					
9	Commercial II x 1.3	277	277	277	277	277
10	Commercial III x 1.3	4,140	4,140	4,140	4,140	4,140
11	Commercial IV x 1.3	0	0	0	0	0
12	Commercial VI x 1.3	0	0	0	0	0
13	Total	4,417	4,417	4,417	4,417	4,417

⁵⁸ Including discount program units.

⁵⁹ Including discount program units.

REVENUES FROM CURRENT RATES

Table 4-7 shows the calculated wastewater rate revenues for the study period based on the current rates and the projected units of service. The monthly residential charge revenue for Single Family customers (Lines 2 and 3) is calculated by multiplying the current monthly residential charges (**Table 4-1**) by the difference between the projected dwelling units (

Table 4-4, Lines 1-2) and projected discount program dwelling units (**Table 4-5**) for twelve billing periods. Non-residential revenue (Lines 6-9) is calculated by multiplying the current non-residential charges (**Table 4-2**) by non-residential usage (**Table 4-6**). School revenue (Line 11) is calculated by multiplying the current school charges (**Table 4-3**) by school units (

Table 4-4, Lines 5-6) for twelve billing periods. For customers outside Rialto City limits, the current rate for each customer class is multiplied by 1.3 (Lines 3, 8, and 15). The monthly residential charge discount revenue (Lines 13-16) is calculated by multiplying the current monthly residential charges (**Table 4-1**) by the projected discount program accounts (**Table 4-5**), accounting for the 20% discount percentage for Senior and Low-Income customers for twelve billing periods. The total calculated rate revenue (Line 18) represents the sum of revenues from residential charges, non-residential charges, and school charges.

Table 4-7: Calculated Rate Revenues at Current Rates

Line	Calculated Rate Revenues	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Group 1 (\$/ month/ residential unit)					
2	Residential Single Family & Multi-Family ⁶⁰	\$21,573,693	\$21,573,693	\$21,573,693	\$21,573,693	\$21,573,693
3	Residential x 1.3 ⁶¹	\$143,488	\$143,488	\$143,488	\$143,488	\$143,488
4	Subtotal	\$21,717,182	\$21,717,182	\$21,717,182	\$21,717,182	\$21,717,182
5						
6	Non-Residential (\$/ccf)					
7	Commercial	\$5,168,533	\$5,168,533	\$5,168,533	\$5,168,533	\$5,168,533
8	Commercial x 1.3	\$46,883	\$46,883	\$46,883	\$46,883	\$46,883
9	Subtotal	\$5,215,416	\$5,215,416	\$5,215,416	\$5,215,416	\$5,215,416
10						
11	School (\$/ ADA/ month)	\$344,365	\$344,365	\$344,365	\$344,365	\$344,365
12						
13	Discount Program⁶²					
14	Residential Single Family & Multi-Family	\$1,166,625	\$1,166,625	\$1,166,625	\$1,166,625	\$1,166,625
15	Residential x 1.3	\$838	\$838	\$838	\$838	\$838
16	Subtotal	\$1,167,463	\$1,167,463	\$1,167,463	\$1,167,463	\$1,167,463
17						
18	Total	\$28,444,425	\$28,444,425	\$28,444,425	\$28,444,425	\$28,444,425

⁶⁰ Excluding Residential Single Family & Multi-Family units eligible for Senior and Low-Income discount programs.

⁶¹ Excluding Residential Single Family & Multi-Family units eligible for Senior and Low-Income discount programs.

⁶² Low-Income and Senior discount programs are funded by non-rate revenues.

INFLATIONARY ASSUMPTIONS

WRE utilized annual inflationary assumptions from the prior rate study and worked with staff to refine certain assumptions to apply to non-rate revenues. Staff provided budgeted revenues for FY 2026, all other years are projected based on the inflationary assumptions shown in **Table 4-8**.

Table 4-8: Revenue Inflationary Assumptions

Line	Revenue Inflationary Assumptions	FY 2027	FY 2028	FY 2029	FY 2030
1	Interest Income	3.0%	2.5%	2.0%	1.5%
2	DIF Income	2.0%	2.0%	2.0%	2.0%

REVENUE SUMMARY

Table 4-9 shows the summary of projected revenues for the study period. Staff provided budgeted revenues for FY 2026; all other years are projected based on the relevant assumptions or calculations. Rate revenues (Line 4) are equal to total calculated rate revenues (Line 2; from **Table 4-7**, Line 18)⁶³ and extraterritorial charges⁶⁴ from customers excluded from City billing data (Line 3). Interest income (Lines 7 and 8) is calculated based on average fund balances and a declining interest rate as shown in **Table 4-8** (Line 1). DIF revenue (Line 18) is expected to start in FY 2027 per staff input and is inflated each year after based on DIF income assumptions (**Table 4-8**, Line 2). Effluent Sale to IEUA projections (Line 14) were provided by staff and revenue is expected to start in FY 2030. All other non-rate revenues (Lines 12 and 13) are not inflated for future years. Total revenues (Line 21) represent the sum of rate revenues, interest income, non-rate revenues, and construction revenues.

⁶³ Except for FY 2026 which represents budgeted rate revenues.

⁶⁴ Extraterritorial charges refer to customers outside of Rialto city limits.

Table 4-9: Revenue Summary

Line	Revenue Summary	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Rate Revenues					
2	Rate Revenues at Existing Rates	\$28,564,726	\$28,444,425	\$28,444,425	\$28,444,425	\$28,444,425
3	Extraterritorial Charges	\$1,640,000	\$1,640,000	\$1,640,000	\$1,640,000	\$1,640,000
4	Subtotal	\$30,204,726	\$30,084,425	\$30,084,425	\$30,084,425	\$30,084,425
5						
6	Interest Income					
7	RUA Interest Income	\$595,176	\$612,700	\$321,391	\$115,887	\$10,174
8	Trustee Interest Income	\$316,913	\$310,570	\$319,146	\$289,584	\$268,495
9	Subtotal	\$912,089	\$923,271	\$640,537	\$405,471	\$278,669
10						
11	Non-Rate Revenues					
12	Rents and Concessions (Bioenergy Lease)	\$320,000	\$320,000	\$320,000	\$320,000	\$320,000
13	Delinquent Sewer Service Fees	\$16,000	\$16,000	\$16,000	\$16,000	\$16,000
14	Effluent Sale to IEUA ⁶⁵	\$0	\$0	\$0	\$0	\$1,105,610
15	Subtotal	\$336,000	\$336,000	\$336,000	\$336,000	\$1,441,610
16						
17	Construction Revenues					
18	Developer Impact Fees	\$0	\$1,200,000	\$1,224,000	\$1,248,480	\$1,273,450
19	Subtotal	\$0	\$1,200,000	\$1,224,000	\$1,248,480	\$1,273,450
20						
21	Total	\$31,452,815	\$32,543,696	\$32,284,962	\$32,074,377	\$33,078,154

4.3 OPERATING EXPENSES

INFLATIONARY ASSUMPTIONS

WRE utilized annual inflationary assumptions from the prior rate study and worked with staff to refine certain assumptions to apply to the Waterfall expense budget. Staff provided budgeted expenses for FY 2026, and additional expenses expected during the study period; all other years are projected based on the inflationary assumptions shown in **Table 4-10**.

The escalations for some Waterfall 1a expenses including RWS Fixed and Routine R&R, RWS Labor, and Independent Engineer components are defined in the Concession Agreement and calculated based on the annual percentage change of CPI and ECI. Projected percentage changes in CPI and ECI (Lines 11 and 12) were determined based on staff input, and inflations for RWS Fixed, R&R, and Labor components are calculated based on the projected index changes and escalation direction provided by the Concession Agreement. Note that the Independent Engineer component includes 100% of the CPI change plus 2% each year. Escalations for other Waterfall 1a expenses that tend to be more variable from year to year, which include Insurance and Operating R&R components, were provided by staff.

⁶⁵ Effluent sale to IEUA (Inland Empire Utilities Agency) refers to revenue from recycled water sales to the agency. This revenue is restricted to CIP. Before using funds, the City will determine the best policy for utilizing funding.

Table 4-10: Expense Inflationary Assumptions

Line	Expense Inflationary Assumptions	% of CPI Change	% of ECI Change	FY 2027	FY 2028	FY 2029	FY 2030
1	General			2.5%	2.5%	2.5%	2.5%
2	Electricity			7.0%	7.0%	7.0%	7.0%
3	Insurance			20.0%	3.5%	3.5%	3.5%
4	Operating R&R			10.0%	10.0%	10.0%	10.0%
5	RWS Fixed and R&R	40%	60%	2.8%	2.8%	2.8%	2.8%
6	RWS Chemical			2.5%	2.5%	2.5%	2.5%
7	RWS Labor	100%		3.0%	3.0%	3.0%	3.0%
8	Independent Engineer	100% ⁶⁶		4.5%	4.5%	4.5%	4.5%
9	Maintenance			2.5%	2.5%	2.5%	2.5%
10							
11	Projected % CPI Change			2.5%	2.5%	2.5%	2.5%
12	Projected % ECI Change			3.0%	3.0%	3.0%	3.0%

WATERFALL EXPENSE SUMMARY

Table 4-11 shows the summary of Waterfall expenses for the study period. Staff provided budgeted expenses for FY 2026; expenses for other years are projections. For some expenses including Maintenance and Annual Operating R&R, staff provided projections for FY 2027 and values for all other years are projections.

Waterfall 1a and Waterfall 2 components are inflated based on the inflationary assumptions in **Table 4-10**. All Waterfall 1b components are inflated based on general inflation (**Table 4-10**, Line 1), except for electricity which is inflated by 7% each year (**Table 4-10**, Line 2). Waterfall 3 expenses (Line 18) are set by the Concession Agreement and non-inflated for the study period. Waterfall 4 expenses (Line 19) represent the additional funds required to meet minimum Trustee reserve balances, calculated based on beginning Trustee fund balances and the Trustee minimum ending reserve balance requirement (25% of the sum of Waterfall 1-3 expenses) each year.

Detailed Waterfall expense projections by type, excluding Waterfall 4 expenses, are included in the **Appendix (Table 6-2)**.

⁶⁶ Inflation for Independent Engineer includes 100% of the projected CPI change plus 2% per the Concession Agreement.

Table 4-11: Expense Summary

Line	Waterfall Expense Summary	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Waterfall 1a: RWS Service Fee & Reimbursements					
2						
3	RWS Service Fee					
4	Fixed, Routine R&R, and Labor Components	\$7,574,877	\$7,795,770	\$8,023,113	\$8,257,092	\$8,497,903
5	Chemical Component	\$1,055,679	\$1,082,071	\$1,109,123	\$1,136,851	\$1,165,272
6	Subtotal	\$8,630,556	\$8,877,841	\$9,132,235	\$9,393,943	\$9,663,176
7						
8	Reimbursements					
9	Insurance Reimbursement	\$1,241,000	\$1,489,200	\$1,541,322	\$1,595,268	\$1,651,103
10	Independent Engineer	\$121,540	\$127,009	\$132,725	\$138,697	\$144,939
11	Maintenance	\$450,000	\$600,000	\$615,000	\$630,375	\$646,134
12	Subtotal	\$1,812,540	\$2,216,209	\$2,289,047	\$2,364,341	\$2,442,176
13						
14	Total	\$10,443,096	\$11,094,051	\$11,421,282	\$11,758,284	\$12,105,351
15						
16	Waterfall 1b: Retained RUA Expenses⁶⁷	\$5,409,250	\$5,760,101	\$5,799,617	\$6,008,287	\$6,226,631
17	Waterfall 2: Annual Operating R&R Payment	\$720,000	\$800,000	\$880,000	\$968,000	\$1,064,800
18	Waterfall 3: Capital Charges	\$12,682,000	\$12,682,000	\$12,682,000	\$12,682,000	\$12,682,000
19	Waterfall 4: Water Reserve Account Deposits	\$0	\$94,392	\$111,687	\$158,418	\$165,553
20						
21	Total	\$29,254,346	\$30,430,544	\$30,894,586	\$31,574,989	\$32,244,335
22	% Change of Waterfall 1-2		6.5%	2.5%	3.5%	3.5%

⁶⁷ Including additional RUA legal expenses in FY 2027 per staff projections.

4.4 DEBT SERVICE

EXISTING AND PROPOSED DEBT SERVICE

The City currently has no existing outstanding debt for the wastewater enterprise. **Table 4-12** shows the proposed annual debt service based on the proposed financial plan scenario. The proposed financial plan scenario includes one new debt issuance in FY 2027 (Line 7) assuming a 4% interest rate, 10-year term, and 0% issuance cost each year (Lines 2-5). Proposed debt terms are based on assumptions for an interfund loan; however, this scenario allows for other loan options such as an Ibank loan. This results in approximately \$740k of annual debt service payments each year of the study period and \$6 million in debt proceeds to fund CIP.

Table 4-12: Proposed Debt

Line	Proposed Debt	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1						
2	Proposed Debt Terms					
3	Interest rate	4.0%	4.0%	4.0%	4.0%	4.0%
4	Term (years)	10	10	10	10	10
5	Issuance Cost	0.0%	0.0%	0.0%	0.0%	0.0%
6						
7	Proposed Debt Issuance	\$0	\$6,000,000	\$0	\$0	\$0
8						
9	Proposed Debt Service					
10	Proposed Debt Issuance - FY 2026	\$0	\$0	\$0	\$0	\$0
11	Proposed Debt Issuance - FY 2027		\$739,746	\$739,746	\$739,746	\$739,746
12	Proposed Debt Issuance - FY 2028			\$0	\$0	\$0
13	Proposed Debt Issuance - FY 2029				\$0	\$0
14	Proposed Debt Issuance - FY 2030					\$0
15	Total	\$0	\$739,746	\$739,746	\$739,746	\$739,746

4.5 CAPITAL IMPROVEMENT PLAN

CAPITAL IMPROVEMENT PROJECTS

Table 4-13 shows the City's planned CIP and percentage of each project that is eligible for DIF funding. DIF funding is restricted to capital projects used to support growth. All project costs are inflated from FY 2025 based on 4% inflation per year, except for Solids Handling and Security projects (Lines 1 and 18) which are non-inflated. All projects shown below will be completed each year.

Table 4-13: Capital Project Costs and DIF Eligibility

Line	Capital Projects	DIF Eligibility	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Solids Handling	20%	\$12,000,000	\$24,720,000	\$0	\$0	\$0
2	Upsizing Sewer: Sycamore	20%	\$5,740,800	\$0	\$0	\$0	\$0
3	Agua Mansa Sewer Lift Station	20%	\$0	\$0	\$3,374,592	\$701,915	\$0
4	Ayala Lift Station	20%	\$0	\$0	\$0	\$3,509,576	\$0
5	Upsizing Sewer: Willow Ave (Grove to Foothill)	50%	\$0	\$0	\$674,918	\$0	\$0
6	Secondary EQ Influent Filter Pump	0%	\$0	\$0	\$0	\$3,509,576	\$0
7	Upsizing Sewer (Acacia:Bonnie View to South)	20%	\$0	\$648,960	\$0	\$0	\$0
8	Upsizing Sewer: Merrill Ave (Acacia to Sycamore)	20%	\$0	\$2,595,840	\$0	\$0	\$0
9	Plant 5 Clarifiers	0%	\$0	\$648,960	\$0	\$0	\$0
10	Plant 5 Aeration Basins	0%	\$0	\$0	\$1,349,837	\$0	\$0
11	Upsizing Sewer: Sycamore Ave (Huff to Randall)	20%	\$0	\$0	\$2,024,755	\$0	\$0
12	Overhaul Headworks, Plant 5	20%	\$0	\$0	\$0	\$1,403,830	\$0
13	Spencer Aeration Blowers	0%	\$0	\$0	\$0	\$0	\$1,094,988
14	Barscreen #1 Replacement	0%	\$0	\$0	\$0	\$0	\$364,996
15	Future Sewer Main Replacement 2028	0%	\$0	\$0	\$0	\$1,403,830	\$0
16	Future Sewer Main Replacement 2029	0%	\$0	\$0	\$0	\$0	\$1,459,983
17	4th Disk Filter	100%	\$0	\$0	\$0	\$1,052,873	\$0
18	Security System ⁶⁸	0%	\$2,000,000	\$0	\$0	\$0	\$0
19	Total		\$19,740,800	\$28,613,760	\$7,424,102	\$11,581,600	\$2,919,967

CAPITAL EXPENSE SUMMARY

Table 4-14 shows the capital expense summary and funding sources including construction funds, General Funds, revenue stabilization, debt, and rates. Construction funding (Line 1) includes unrestricted construction funds which can be used for all CIP projects and restricted DIF funds which can only be used for CIP projects that support growth based on the percentages shown in Table 4-13. Construction funding is calculated based on the lesser value of CIP eligible for construction funding and construction funds available, calculated based on beginning construction fund balances (

⁶⁸ Security project is non-inflated. General fund funding is expected to cover the full project cost (Table 4-14, Line 2).

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Table 4-18, Line 1) and projected DIF income each year (**Table 4-9**, Line 18). General Funds (Line 2) for the Security project (**Table 4-13**, Line 18) was provided by staff. Trustee RS funding (Line 3) was provided by staff and represents the portion of revenue stabilization that has been set aside for CIP. Debt funding is from **Table 4-12** (Line 7).

Lines 7-11 show CIP funding by source. Available construction funds are used first, followed by General Funds, available revenue stabilization, and debt proceeds. The remainder after utilizing each funding source is expected to be covered through rates (Line 11). The sum of each funding source (Line 12) is equal to total CIP in each year expected to be completed (**Table 4-13**, Line 19).

Table 4-14: Capital Expense Summary

Line	CIP Funding Sources	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Construction Funding	\$7,302,983 ⁶⁹	\$5,592,960	\$1,417,329	\$1,384,778	\$0
2	General Fund Funding	\$2,000,000	\$0	\$0	\$0	\$0
3	Trustee RS Funding	\$21,333,000	\$0	\$0	\$0	\$0
4	Debt Funding	\$0	\$6,000,000	\$0	\$0	\$0
5						
6	CIP Funding by Source					
7	Construction Funded	\$7,302,983	\$5,592,960	\$1,417,329	\$1,384,778	\$0
8	General Fund Funded	\$2,000,000	\$0	\$0	\$0	\$0
9	Trustee RS Funding	\$10,437,817	\$10,895,183	\$0	\$0	\$0
10	Debt Funded	\$0	\$6,000,000	\$0	\$0	\$0
11	Rate Funded	\$0	\$6,125,617	\$6,006,774	\$10,196,821	\$2,919,967
12	Total	\$19,740,800	\$28,613,760	\$7,424,102	\$11,581,600	\$2,919,967

4.6 FINANCIAL POLICIES

There are several financial performance requirements that influence the ability of wastewater rates to meet the City's funding needs. The requirements below, based on the Concession Agreement and City direction, allow the City to cover operating expenses, meet Concession Agreement requirements, and fund CIP. If applicable, any proposed debt will also have debt coverage requirements determined by each lender. Each financial performance requirement is reviewed below:

TRUSTEE MINIMUM RESERVE BALANCE

The Concession Agreement requires that the minimum balance for ending Trustee account balances is 25% of the sum of operating expenses, capital charges, and RUA/City debt service (see **Section 1.8**, Waterfall 1-3).

RUA MINIMUM RESERVE BALANCE

The City does not have specific reserve requirements for its water reserves. However, based on staff direction, RUA reserves should not fall below \$0.

⁶⁹ Including approximately \$3.8 million in unrestricted construction funds available for any CIP project.

TRUSTEE COVERAGE REQUIREMENT

The Trustee coverage requirement specifies that wastewater revenues⁷⁰, excluding funds designated for CIP and interest, less operating expenses, capital charges, and RUA/City debt service (Waterfall 1-3) must exceed 15.0% of capital charges and RUA/City debt service (Waterfall 3).

DEBT COVERAGE REQUIREMENT (IF APPLICABLE)

The City plans to issue new debt for the wastewater enterprise so debt coverage will be evaluated. Typically, any new debt issuance will have debt coverage requirements explicitly stated in official agreements on outstanding debt issuances. Typical debt coverage is 125% of annual debt service. This means that net operating revenues (revenues⁷¹ less Waterfall expenses 1-2) must be 125% or more of annual debt service.

4.7 STATUS QUO FINANCIAL PLAN

STATUS QUO FINANCIAL PLAN SCENARIO

Table 4-15 shows the status quo financial plan scenario, which assumes no revenue adjustments and no proposed debt issuances. This scenario is used to evaluate the ability of the current wastewater rates to meet the City's financial targets and to determine the need for revenue adjustments.

Revenue stabilization has already been budgeted for FY 2026, and the remaining revenue stabilization based on current revenue stabilization funds is used in FY 2027. No new revenue stabilization is projected for the study period, and proposed revenue stabilization will not change depending on the scenario. (see **Section 1.6** for details on revenue stabilization)

Table 4-15: Status Quo Financial Plan Scenario

Line	Fiscal Year	Effective Date	Revenue Adjustments	Proposed Debt Proceeds	Proposed Operating Revenue Stabilization
1	FY 2026	3/1/2026	0%	\$0	\$1,032,000
2	FY 2027	1/1/2026	0%	\$0	\$946,112 ⁷²
3	FY 2028	1/1/2026	0%	\$0	\$0
4	FY 2029	1/1/2026	0%	\$0	\$0
5	FY 2030	1/1/2026	0%	\$0	\$0

⁷⁰ Including operating revenue stabilization.

⁷¹ Excluding revenues designated for CIP.

⁷² Calculated based on current Trustee rate stabilization fund balances as of 6/30/25 (~\$23.3 million) less budgeted revenue stabilization for operating (**Table 4-15**, Line 1) and budgeted revenue stabilization for CIP (**Table 4-14**, Line 3).

STATUS QUO TRUSTEE FUND BALANCES

Table 4-16 shows the Trustee fund balance projections for the status quo financial plan. Rate revenues and non-rate revenues⁷³ (Lines 5-13) are from **Table 4-9** (Lines 4, 8, and 15). Revenue stabilization is from **Table 4-15**. Total sources of funds (Line 20) include rate revenues, revenue adjustments, non-rate revenues, and operating revenue stabilization. Uses of funds are from **Table 4-11**. The ending fund balance (Line 33) is greater than or equal to the Trustee minimum reserve requirement (25% of Waterfall 1-3 expenses), ensuring that the ending balance never falls below the beginning balance in each year. Available funds after covering Waterfall expenses and meeting Trustee minimum reserve requirements (Line 35) represent funds to be transferred to RUA reserves. Net revenues (Lines 37 and 38) are equal to the difference between total sources of funds (Line 20) and defined Waterfall expense categories (Lines 24-28).

In this scenario, net revenue after covering Waterfall 1-2 expenses (Line 37) is positive for all years, meaning that the City's current revenues are sufficient to fund its operating expenses. Net revenue after covering Waterfall 1-3 expenses (Line 38) is negative starting in FY 2028, meaning that the City's revenues are not sufficient to meet its Concession Agreement requirements. Additionally in FY 2028 available funds to be transferred to RUA reserves (Line 35) is negative, meaning that the City will not be able to fund annual CIP.

⁷³ Interest income (Line 11) 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 City has less interest income. **Table 4-9** shows the interest income for the proposed scenario.

Table 4-16: Projected Trustee Fund Balances (Status Quo Financial Plan)

Line	Trustee Fund Balance	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Beginning Fund Balance	\$7,643,759	\$7,643,759	\$7,643,759	\$7,695,725	\$7,854,143
2						
3	Sources of Funds					
4						
5	Rate Revenues					
6	Rate Revenues at Existing Rates	\$30,204,726	\$30,084,425	\$30,084,425	\$30,084,425	\$30,084,425
7	Revenue Adjustments	\$0	\$0	\$0	\$0	\$0
8	Subtotal	\$30,204,726	\$30,084,425	\$30,084,425	\$30,084,425	\$30,084,425
9						
10	Non-Rate Revenues					
11	Trustee Interest Income	\$308,103	\$285,563	\$260,279	\$213,553	\$187,375
12	Miscellaneous Revenues	\$336,000	\$336,000	\$336,000	\$336,000	\$1,441,610
13	Subtotal	\$644,103	\$621,563	\$596,279	\$549,553	\$1,628,985
14						
15	Revenue Stabilization					
16	Revenue Stabilization from RUA	\$0	\$0	\$0	\$0	\$0
17	Supplemental Revenue Stabilization from Trustee RS Fund	\$1,032,000	\$946,112	\$0	\$0	\$0
18	Subtotal	\$1,032,000	\$946,112	\$0	\$0	\$0
19						
20	Total	\$31,880,830	\$31,652,100	\$30,680,704	\$30,633,979	\$31,713,410
21						
22	Uses of Funds					
23						
24	Waterfall 1a: Water Service Fee & Reimbursements	\$10,443,096	\$11,094,051	\$11,421,282	\$11,758,284	\$12,105,351
25	Waterfall 1b: Retained RUA Expenses	\$5,409,250	\$5,760,101	\$5,799,617	\$6,008,287	\$6,226,631
26	Waterfall 2: Annual Operating R&R Payment	\$720,000	\$800,000	\$880,000	\$968,000	\$1,064,800
27	Waterfall 3: Capital Charges	\$12,682,000	\$12,682,000	\$12,682,000	\$12,682,000	\$12,682,000
28	RUA/City Debt Service	\$0	\$0	\$0	\$0	\$0
29	Waterfall 4: Water Reserve Account Deposits	\$0	\$0	\$51,966	\$158,418	\$165,553
30						

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Line	Trustee Fund Balance	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
31	Total	\$29,254,346	\$30,336,152	\$30,834,865	\$31,574,989	\$32,244,335
32						
33	Ending Fund Balance	\$7,643,759	\$7,643,759	\$7,695,725	\$7,854,143	\$8,019,696
34						
35	Available Funds after Waterfall⁷⁴	\$2,318,380	\$1,030,385	(\$466,405)	(\$1,312,981)	(\$883,853)
36						
37	Net Revenue After Waterfall 1-2 Expenses⁷⁵	\$15,308,484	\$13,997,948	\$12,579,805	\$11,899,408	\$11,211,018
38	Net Revenue After Waterfall 1-3 Expenses⁷⁶	\$2,626,484	\$1,315,948	(\$102,195)	(\$782,592)	(\$1,470,982)

⁷⁴ Excluding Trustee interest income which is projected to stay with the Trustee.

⁷⁵ Excluding effluent sales (Table 4-9, Line 14) since effluent sale revenue is restricted to CIP.

⁷⁶ Excluding effluent sales (Table 4-9, Line 14) since effluent sale revenue is restricted to CIP.

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STATUS QUO RUA FUND BALANCE PROJECTIONS

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Table 4-17 shows the RUA fund balance projections for the status quo financial plan. Sources of funds include available funds from Waterfall (Line 6; from **Table 4-16**, Line 35), RUA interest income⁷⁷ (Line 10; from **Table 4-9**, Line 7) and CIP funding sources from General Funds and revenue stabilization (Lines 11-12; from **Table 4-14**, Lines 2-3). In the status quo financial plan, no new debt is proposed (Line 13). Available funds from Waterfall are transferred from Trustee reserves to RUA reserves in the next fiscal year. For example, the available funds in Trustee reserves in FY 2026 (**Table 4-16**, Line 35) are transferred to RUA reserves as a revenue source in FY 2027 (Line 6). Uses of funds include CIP funded by General Funds and revenue stabilization (Lines 20-21; from **Table 4-14**, Lines 8-9). In absence of new debt, the remainder of CIP not funded by General Funds and revenue stabilization is expected to be funded by rates (Line 23; from **Table 4-14**, sum of Lines 10-11).

In this scenario, ending RUA fund balances are negative starting in FY 2028. At the end of the study period, the RUA fund balance will be approximately negative \$15 million in FY 2030 from a starting balance of \$10 million in FY 2026. This represents a net loss of approximately \$25 million in five years.

⁷⁷ Interest income (Line 10) 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 City has less interest income. **Table 4-9** shows the interest income for the proposed scenario.

Table 4-17: Projected RUA Fund Balances (Status Quo Financial Plan)

Line	RUA Fund Balance	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Beginning Fund Balance	\$10,000,000	\$24,605,230	\$4,401,701	(\$507,715)	(\$11,170,942)
2						
3	Sources of Funds					
4						
5	From Trustee					
6	RUA Additional Funds from Waterfall	\$3,114,871 ⁷⁸	\$2,318,380	\$1,030,385	(\$466,405)	(\$1,312,981)
7	Subtotal	\$3,114,871	\$2,318,380	\$1,030,385	(\$466,405)	(\$1,312,981)
8						
9	Other Revenues					
10	RUA Interest Income	\$595,176	\$498,891	\$66,973	\$0	\$0
11	General Fund Proceeds	\$2,000,000	\$0	\$0	\$0	\$0
12	Trustee RS Proceeds	\$21,333,000	\$0	\$0	\$0	\$0
13	Debt Proceeds	\$0	\$0	\$0	\$0	\$0
14	Subtotal	\$23,928,176	\$498,891	\$66,973	\$0	\$0
15						
16	Total	\$27,043,047	\$2,817,271	\$1,097,358	(\$466,405)	(\$1,312,981)
17						
18	Uses of Funds					
19	Revenue Stabilization for Trustee Reserves	\$0	\$0	\$0	\$0	\$0
20	General Fund Funded CIP	\$2,000,000	\$0	\$0	\$0	\$0
21	Trustee RS Funded CIP	\$10,437,817	\$10,895,183	\$0	\$0	\$0
22	Debt Funded CIP	\$0	\$0	\$0	\$0	\$0
23	Rate Funded CIP	\$0	\$12,125,617	\$6,006,774	\$10,196,821	\$2,919,967
24	Total	\$12,437,817	\$23,020,800	\$6,006,774	\$10,196,821	\$2,919,967
25						
26	Ending Fund Balance	\$24,605,230	\$4,401,701	(\$507,715)	(\$11,170,942)	(\$15,403,890)

⁷⁸ FY 2025 operating surplus provided by staff to be transferred to RUA reserves in FY 2026.

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**STATUS QUO AND PROPOSED TRUSTEE CONSTRUCTION RESTRICTED AND UNRESTRICTED FUND
BALANCE PROJECTIONS**

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Table 4-18 shows the Trustee Construction Restricted and Unrestricted fund balances for the status quo and proposed financial plan. Construction funds provide funding for CIP independent of rate revenues and therefore will not change based on the scenario. The beginning fund balance in FY 2026 includes both restricted and unrestricted fund balances. Sources of funds include DIF (**Table 4-9**, Line 18) and interest income, calculated based on average fund balances and a declining interest rate (**Table 4-8**, Line 1). Uses of funds include construction funded CIP (**Table 4-14**, Line 7). Ending fund balances vary each year based on available funds and CIP eligible for DIF funding, ensuring that ending balances stay above \$0.

Table 4-18: Projected Trustee Construction Restricted and Unrestricted Fund Balances (Status Quo and Proposed Financial Plan)

Line	Trustee Construction Restricted and Unrestricted Fund Balances	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Beginning Fund Balance	\$11,665,971⁷⁹	\$4,643,495	\$323,945	\$136,298	\$1,363
2						
3	Sources of Funds					
4	Developer Impact Fees	\$0	\$1,200,000	\$1,224,000	\$1,248,480	\$1,273,450
5	Interest Income	\$280,507	\$73,410	\$5,682	\$1,363	\$9,571
6	Subtotal	\$280,507	\$1,273,410	\$1,229,682	\$1,249,843	\$1,283,021
7						
8	Uses of Funds					
9	Developer Funded CIP	\$7,302,983	\$5,592,960	\$1,417,329	\$1,384,778	\$0
10	Subtotal	\$7,302,983	\$5,592,960	\$1,417,329	\$1,384,778	\$0
11						
12	Ending Fund Balance	\$4,643,495	\$323,945	\$136,298	\$1,363	\$1,284,384

⁷⁹ Including approximately \$3.8 million in unrestricted funds and \$7.9 in restricted funds.

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STATUS QUO FINANCIAL PERFORMANCE

The City's financial performance is evaluated based on the reserve targets and Trustee coverage requirements, as shown in

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Table 4-19. Under the status quo financial plan, RUA ending fund balances will be negative starting in FY 2028 and the City will not meet its Trustee coverage requirements starting in FY 2027.

Table 4-19: Forecasted Financial Performance (Status Quo Financial Plan)

Line	Financial Performance	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Trustee Fund Balance					
2	Trustee Ending Fund Balance	\$7,643,759	\$7,643,759	\$7,695,725	\$7,854,143	\$8,019,696
3	Trustee Reserve Target	\$7,313,587	\$7,584,038	\$7,695,725	\$7,854,143	\$8,019,696
4	Trustee Ending Balance Meets Reserve Target?	Yes	Yes	Yes	Yes	Yes
5						
6	RUA Fund Balance					
7	RUA Ending Fund Balance	\$24,605,230	\$4,401,701	(\$507,715)	(\$11,170,942)	(\$15,403,890)
8	RUA Ending Balance is Positive?	Yes	Yes	No	No	No
9						
10	Trustee Coverage Requirement					
11	Revenues (Less restricted funds for CIP and interest)	\$30,540,726	\$30,420,425	\$30,420,425	\$30,420,425	\$30,420,425
12	Plus Revenue Stabilization	\$1,032,000	\$946,112	\$0	\$0	\$0
13	Less Waterfall 1-3	\$29,254,346	\$30,336,152	\$30,782,899	\$31,416,571	\$32,078,782
14	Net Cash Flow	\$2,318,380	\$1,030,385	(\$362,474)	(\$996,145)	(\$1,658,357)
15	Capital Charges and RUA/City Debt Service	\$12,682,000	\$12,682,000	\$12,682,000	\$12,682,000	\$12,682,000
16	Calculated Trustee Coverage	18.3%	8.1%	-2.9%	-7.9%	-13.1%
17	Required Trustee Coverage	15.0%	15.0%	15.0%	15.0%	15.0%
18	Meets Target?	Yes	No	No	No	No
19						
20	Debt Coverage Requirement					
21	Required Debt Coverage	125.0%	125.0%	125.0%	125.0%	125.0%
22	Calculated Debt Coverage	No Debt				
23	Meets Target?	No Debt				

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Figure 4-1 shows the Trustee and RUA fund balance projections in the status quo financial plan. The green bars represent the ending fund balance for Trustee reserves, the blue bars represent the ending fund balance for RUA reserves, and the dashed line represents the Trustee minimum reserve balance (25% of Waterfall 1-3). In this scenario, the City's RUA reserves will be negative starting in FY 2028, indicated by the alert balance (red circles).

Figure 4-1: Projected Trustee and RUA Fund Balances (Status Quo Financial Plan)

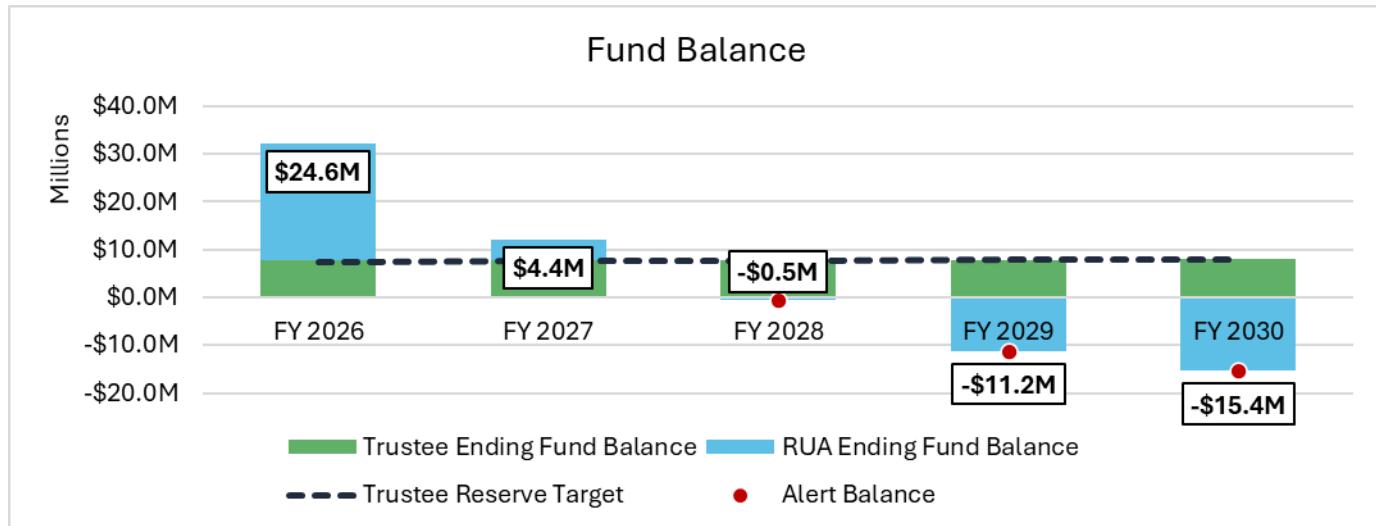
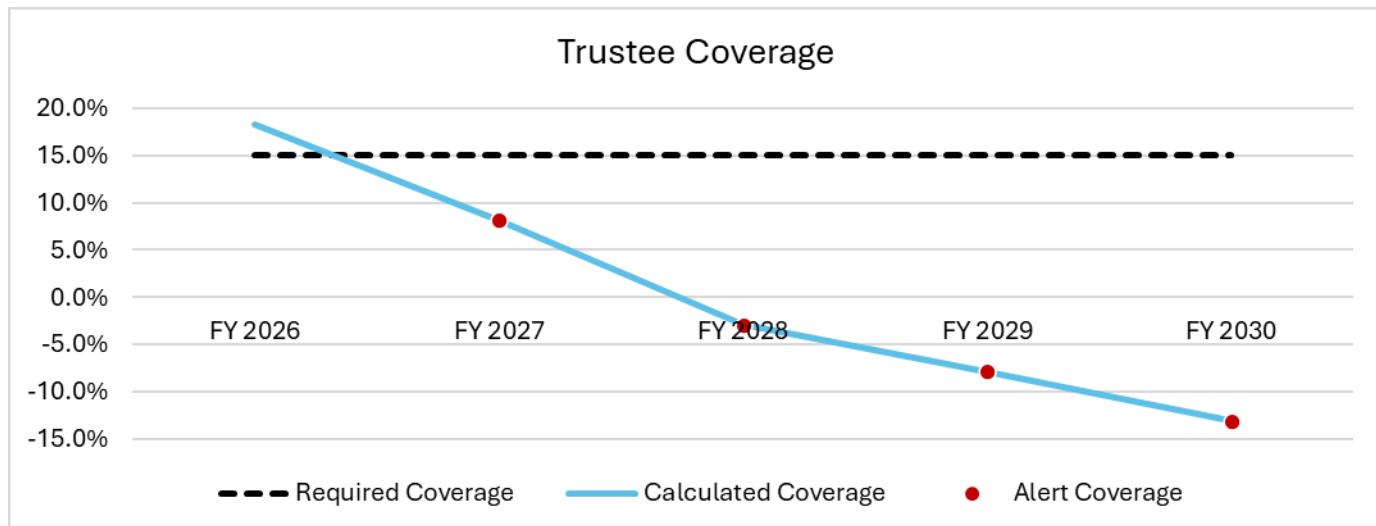


Figure 4-2 shows the Trustee coverage projections in the status quo financial plan. The required Trustee coverage (dashed black line) is equal to 15.0%. The City is expected to fail to meet its Trustee coverage requirements starting in FY 2027, indicated by the alert coverage (red circles).

Figure 4-2: Projected Trustee Coverage (Status Quo Financial Plan)



4.8 PROPOSED FINANCIAL PLAN

PROPOSED FINANCIAL PLAN SCENARIO

The proposed financial plan includes five years of revenue adjustments as shown in **Table 4-20**. These adjustments are needed to maintain the City's financial sufficiency and were developed based on input from staff and the City's Water Subcommittee.

Table 4-20: Proposed Financial Plan Scenario

Line	Fiscal Year	Effective Date	Revenue Adjustments	Proposed Debt Proceeds	Proposed Operating Revenue Stabilization
1	FY 2026	3/1/2026	5%	\$0	\$1,032,000
2	FY 2027	1/1/2026	5%	\$6,000,000	\$946,112
3	FY 2028	1/1/2026	5%	\$0	\$0
4	FY 2029	1/1/2026	4%	\$0	\$0
5	FY 2030	1/1/2026	4%	\$0	\$0

PROPOSED TRUSTEE FUND BALANCE PROJECTIONS

Table 4-21 shows the Trustee fund balance projections for the status quo financial plan. Rate revenues and non-rate revenues (Lines 5-13) are from **Table 4-9** (Lines 4, 8, and 15). Revenue adjustments (Line 7) were determined based on the proposed revenue adjustments in **Table 4-20**. Revenue stabilization is from **Table 4-20**. Total sources of funds (Line 20) include rate revenues, revenue adjustments, non-rate revenues, and operating revenue stabilization. Uses of funds are from **Table 4-11**. The ending fund balance (Line 33) is greater than or equal to the Trustee minimum reserve requirement (25% of Waterfall 1-3 expenses), ensuring that the ending balance never falls below the beginning balance in each year. Available funds after covering Waterfall expenses and meeting Trustee minimum reserve requirements (Line 35) represent funds to be transferred to RUA reserves. Net revenues (Lines 37 and 38) are equal to the difference between total sources of funds (Line 20) and defined Waterfall expense categories (Lines 24-28).

In this scenario, net revenue after covering Waterfall 1-3 expenses (Line 38) is positive for all years, meaning that the City's current revenues are sufficient to fund its operating expenses and meet its Concession Agreement requirements. Additionally, available funds to be transferred to RUA reserves (Line 35) is positive in all years, meaning that the City will be able to fund annual CIP.

Table 4-21: Projected Trustee Fund Balances (Proposed Financial Plan)

Line	Trustee Fund Balance	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Beginning Fund Balance	\$7,643,759	\$7,643,759	\$7,768,974	\$7,880,661	\$8,039,079
2						
3	Sources of Funds					
4						
5	Rate Revenues					
6	Rate Revenues at Existing Rates	\$30,204,726	\$30,084,425	\$30,084,425	\$30,084,425	\$30,084,425
7	Revenue Adjustments	\$503,412	\$2,293,937	\$3,912,856	\$5,438,587	\$6,859,508
8	Subtotal	\$30,708,138	\$32,378,363	\$33,997,281	\$35,523,012	\$36,943,933
9						
10	Non-Rate Revenues					
11	Trustee Interest Income	\$316,913	\$310,570	\$319,146	\$289,584	\$268,495
12	Miscellaneous Revenues	\$336,000	\$336,000	\$336,000	\$336,000	\$1,441,610
13	Subtotal	\$652,913	\$646,570	\$655,146	\$625,584	\$1,710,105
14						
15	Revenue Stabilization					
16	Revenue Stabilization from RUA	\$0	\$0	\$0	\$0	\$0
17	Supplemental Revenue Stabilization from Trustee RS Fund	\$1,032,000	\$946,112	\$0	\$0	\$0
18	Subtotal	\$1,032,000	\$946,112	\$0	\$0	\$0
19						
20	Total	\$32,393,051	\$33,971,045	\$34,652,427	\$36,148,596	\$38,654,038
21						
22	Uses of Funds					
23						
24	Waterfall 1a: Water Service Fee & Reimbursements	\$10,443,096	\$11,094,051	\$11,421,282	\$11,758,284	\$12,105,351
25	Waterfall 1b: Retained RUA Expenses	\$5,409,250	\$5,760,101	\$5,799,617	\$6,008,287	\$6,226,631
26	Waterfall 2: Annual Operating R&R Payment	\$720,000	\$800,000	\$880,000	\$968,000	\$1,064,800
27	Waterfall 3: Capital Charges	\$12,682,000	\$12,682,000	\$12,682,000	\$12,682,000	\$12,682,000
28	RUA/City Debt Service	\$0	\$739,746	\$739,746	\$739,746	\$739,746
29	Waterfall 4: Water Reserve Account Deposits	\$0	\$125,215	\$111,687	\$158,418	\$165,553
30						

City of Rialto
2025 Water and Wastewater Rate Study

Line	Trustee Fund Balance	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
31	Total	\$29,254,346	\$31,201,113	\$31,634,332	\$32,314,734	\$32,984,081
32						
33	Ending Fund Balance	\$7,643,759	\$7,768,974	\$7,880,661	\$8,039,079	\$8,204,632
34						
35	Available Funds after Waterfall⁸⁰	\$2,821,792	\$2,334,147	\$2,587,262	\$3,385,860	\$5,235,909
36						
37	Net Revenue After Waterfall 1-2 Expenses⁸¹	\$15,820,705	\$16,316,893	\$16,551,527	\$17,414,026	\$18,151,646
38	Net Revenue After Waterfall 1-3 Expense⁸²	\$3,138,705	\$2,895,147	\$3,129,782	\$3,992,280	\$4,729,900

⁸⁰ Excluding Trustee interest income which is projected to stay with the Trustee.

⁸¹ Excluding effluent sales (Table 4-9, Line 14) since effluent sale revenue is restricted to CIP.

⁸² Excluding effluent sales (Table 4-9, Line 14) since effluent sale revenue is restricted to CIP.

**City of Rialto
2025 Water and Wastewater Rate Study**

PROPOSED RUA FUND BALANCE PROJECTIONS

**City of Rialto
2025 Water and Wastewater Rate Study**

Table 4-22 shows the RUA fund balance projections for the proposed financial plan. Sources of funds include available funds from the Waterfall (Line 6; from **Table 4-21**, Line 35), RUA interest income (Line 10; from **Table 4-9**, Line 7) and CIP funding sources from General Funds, revenue stabilization, and debt (Lines 11-13; from **Table 4-14**, Lines 2-4). Available funds from the Waterfall are transferred from Trustee reserves to RUA reserves in the next fiscal year. For example, the available funds in Trustee reserves in FY 2026 (**Table 4-21**, Line 35) are transferred to RUA reserves as a revenue source in FY 2027 (Line 6). Uses of funds include CIP funded by General Funds, rate stabilization, debt, and rates (Lines 20-23; from **Table 4-14**, Lines 8-11).

In this scenario, ending RUA fund balances are positive in all years. At the end of the study period the RUA fund balance will be approximately \$650k in FY 2030 from a starting balance of \$10 million in FY 2026 as funds are drawn down to fund CIP.

Table 4-22: Projected RUA Fund Balances (Proposed Financial Plan)

Line	RUA Fund Balance	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Beginning Fund Balance	\$10,000,000	\$24,605,230	\$11,018,922	\$7,667,687	\$174,015
2						
3	Sources of Funds					
4						
5	From Trustee					
6	RUA Additional Funds from Waterfall	\$3,114,871	\$2,821,792	\$2,334,147	\$2,587,262	\$3,385,860
7	Subtotal	\$3,114,871	\$2,821,792	\$2,334,147	\$2,587,262	\$3,385,860
8						
9	Other Revenues					
10	RUA Interest Income	\$595,176	\$612,700	\$321,391	\$115,887	\$10,174
11	General Fund Proceeds	\$2,000,000	\$0	\$0	\$0	\$0
12	Trustee RS Proceeds	\$21,333,000	\$0	\$0	\$0	\$0
13	Debt Proceeds	\$0	\$6,000,000	\$0	\$0	\$0
14	Subtotal	\$23,928,176	\$6,612,700	\$321,391	\$115,887	\$10,174
15						
16	Total	\$27,043,047	\$9,434,493	\$2,655,538	\$2,703,149	\$3,396,034
17						
18	Uses of Funds					
19	Revenue Stabilization for Trustee Reserves	\$0	\$0	\$0	\$0	\$0
20	General Fund Funded CIP	\$2,000,000	\$0	\$0	\$0	\$0
21	Trustee RS Funded CIP	\$10,437,817	\$10,895,183	\$0	\$0	\$0
22	Debt Funded CIP	\$0	\$6,000,000	\$0	\$0	\$0
23	Rate Funded CIP	\$0	\$6,125,617	\$6,006,774	\$10,196,821	\$2,919,967
24	Total	\$12,437,817	\$23,020,800	\$6,006,774	\$10,196,821	\$2,919,967
25						
26	Ending Fund Balance	\$24,605,230	\$11,018,922	\$7,667,687	\$174,015	\$650,082

**City of Rialto
2025 Water and Wastewater Rate Study**

PROPOSED FINANCIAL PERFORMANCE

The City's financial performance is evaluated based on the reserve targets and Trustee coverage requirements, as shown in

**City of Rialto
2025 Water and Wastewater Rate Study**

Table 4-23. Under the proposed financial plan, RUA ending fund balances will be positive and the City will meet its Trustee and debt coverage requirements in all years.

Table 4-23: Forecasted Financial Performance (Proposed Financial Plan)

Line	Financial Performance	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Trustee Fund Balance					
2	Trustee Ending Fund Balance	\$7,643,759	\$7,768,974	\$7,880,661	\$8,039,079	\$8,204,632
3	Trustee Reserve Target	\$7,313,587	\$7,768,974	\$7,880,661	\$8,039,079	\$8,204,632
4	Trustee Ending Balance Meets Reserve Target?	Yes	Yes	Yes	Yes	Yes
5						
6	RUA Fund Balance					
7	RUA Ending Fund Balance	\$24,605,230	\$11,018,922	\$7,667,687	\$174,015	\$650,082
8	RUA Ending Balance is Positive?	Yes	Yes	Yes	Yes	Yes
9						
10	Trustee Coverage Requirement					
11	Revenues (Less restricted funds for CIP and interest)	\$31,044,138	\$32,714,363	\$34,333,281	\$35,859,012	\$37,279,933
12	Plus Revenue Stabilization	\$1,032,000	\$946,112	\$0	\$0	\$0
13	Less Waterfall 1-3	\$29,254,346	\$31,075,898	\$31,522,645	\$32,156,316	\$32,818,528
14	Net Cash Flow	\$2,821,792	\$2,584,577	\$2,810,636	\$3,702,696	\$4,461,405
15	Capital Charges and RUA/City Debt Service	\$12,682,000	\$13,421,746	\$13,421,746	\$13,421,746	\$13,421,746
16	Calculated Trustee Coverage	22.3%	19.3%	20.9%	27.6%	33.2%
17	Required Trustee Coverage	15.0%	15.0%	15.0%	15.0%	15.0%
18	Meets Target?	Yes	Yes	Yes	Yes	Yes
19						
20	Debt Coverage Requirement					
21	Required Debt Coverage	125.0%	125.0%	125.0%	125.0%	125.0%
22	Calculated Debt Coverage	No Debt	2288.6%	2280.9%	2369.7%	2455.1%
23	Meets Target?	No Debt	Yes	Yes	Yes	Yes

City of Rialto
2025 Water and Wastewater Rate Study

Figure 4-3 shows the Trustee and RUA fund balance projections in the proposed financial plan. The green bars represent the ending fund balance for Trustee reserves, the blue bars represent the ending fund balance for RUA reserves, and the dashed line represents the Trustee minimum reserve balance (25% of Waterfall 1-3). In this scenario, the City's RUA reserves will be positive in all years.

Figure 4-3: Projected Trustee and RUA Fund Balances (Proposed Financial Plan)

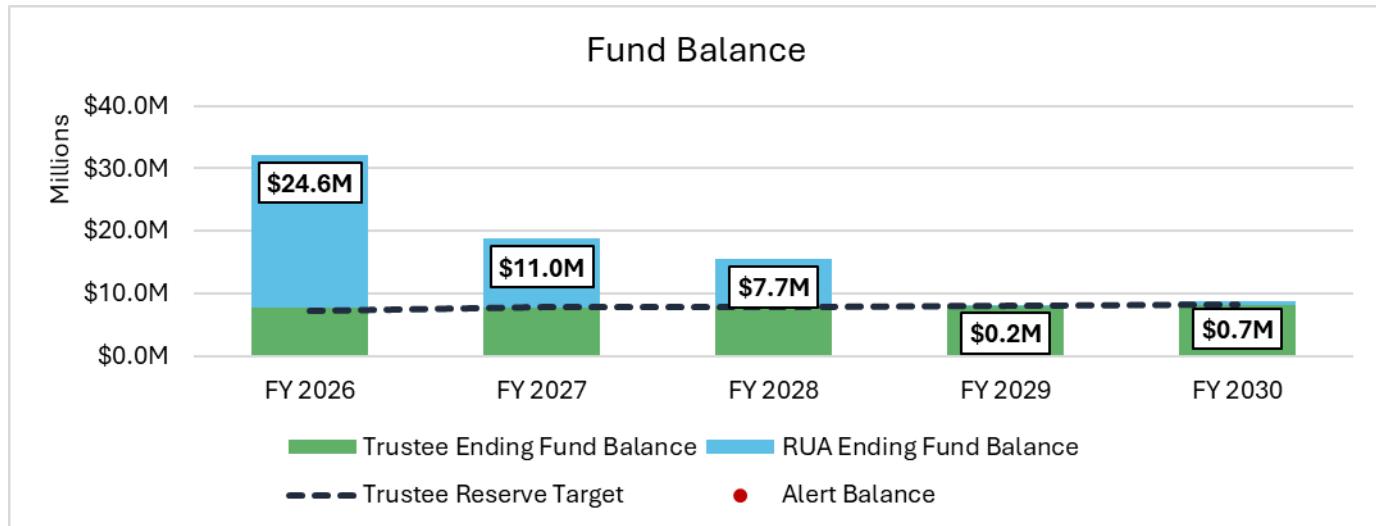
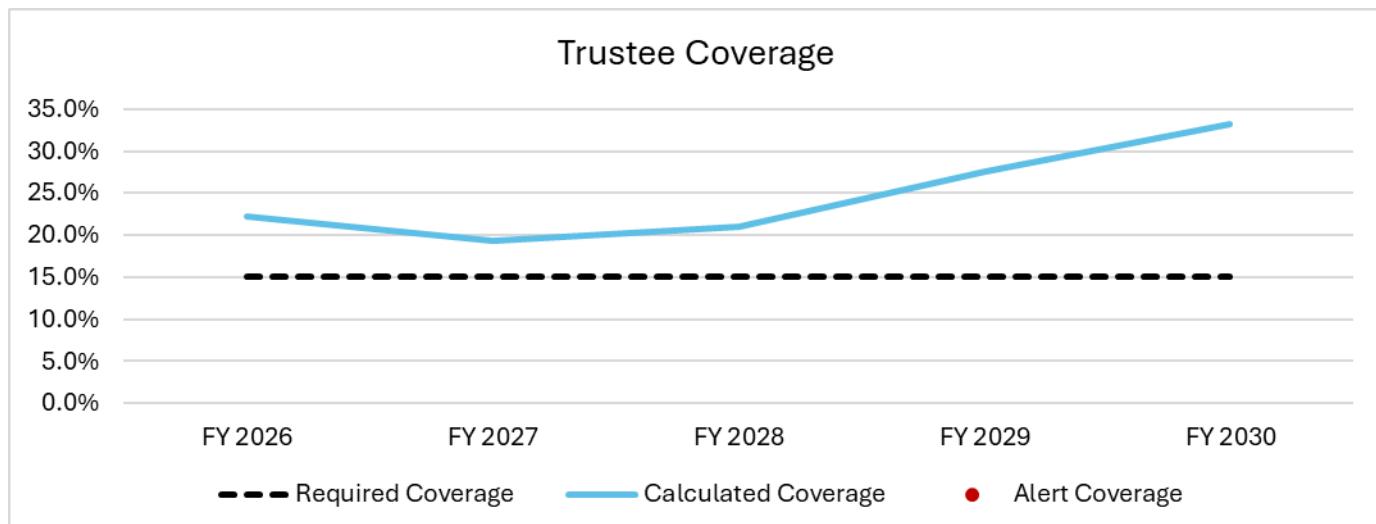


Figure 4-4 shows the Trustee coverage projections in the proposed financial plan. The required Trustee coverage (dashed black line) is equal to 15.0%. The City is expected to meet its Trustee coverage requirements in all years.

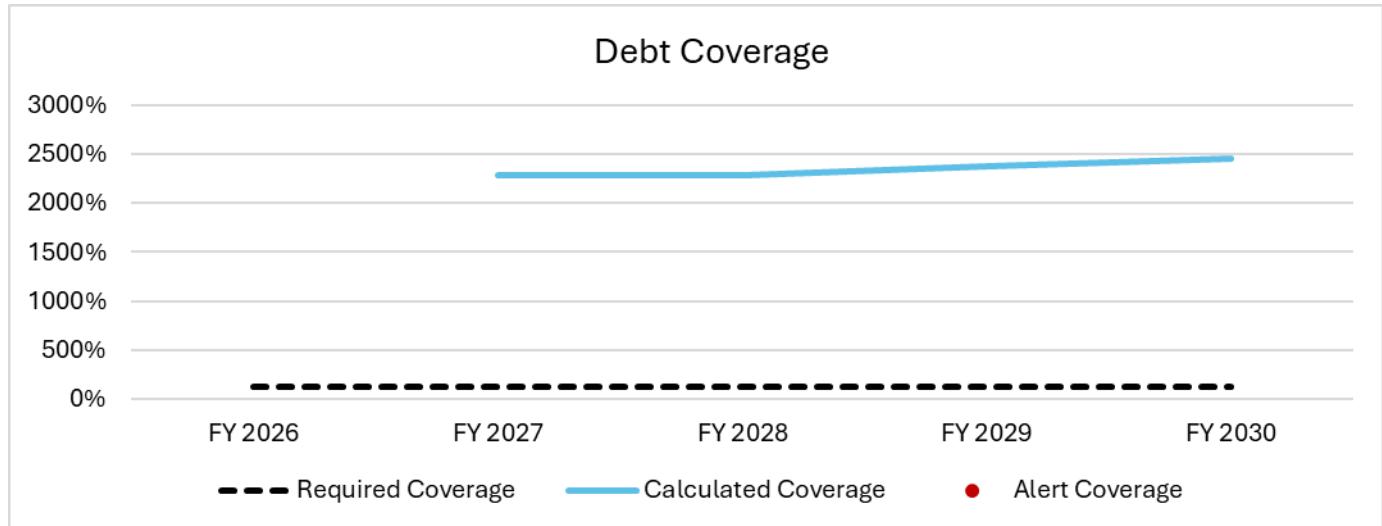
Figure 4-4: Projected Trustee Coverage (Proposed Financial Plan)



City of Rialto
2025 Water and Wastewater Rate Study

Figure 4-5 shows the debt coverage projections based on the proposed financial plan. The required debt coverage (dashed black line) is equal to 125%. The City is expected to meet its debt coverage requirements in all years. Note that debt coverage reflects the City's coverage of operating expenses, excluding capital charges and CIP. To fund the City's needs, proposed revenues must cover operating expenses, capital charges, CIP, and meet financial performance requirements. **Figure 4-3**, **Figure 4-4**, and **Figure 4-5** should be interpreted in conjunction with one another.

Figure 4-5: Projected Debt Coverage (Proposed Financial Plan)



5. WASTEWATER RATES

5.1 RATE DESIGN METHODOLOGY

A five-year proposed wastewater rate schedule was developed based on the results of the proposed financial plan. Proposed rates for the study period are calculated by increasing the current rates by the proposed annual revenue adjustment percentages from the proposed financial plan.⁸³

5.2 PROPOSED WASTEWATER RATE SCHEDULE

PROPOSED FIVE-YEAR REVENUE ADJUSTMENTS

Table 5-1 shows the revenue adjustments for the five-year period and their effective date based on the proposed financial plan (**Table 4-20**).

Table 5-1: Proposed Revenue Adjustments

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

PROPOSED FIVE-YEAR WASTEWATER RATE SCHEDULE

The proposed five-year wastewater rate schedules in this section are based on the proposed revenue adjustments in the five-year period. The rate schedule shows the proposed wastewater rates to be implemented in March 2026 through January 2030.

The rate schedules below are for customers within the Rialto City limits. Customers outside City limits will continue to pay 1.3 times the rate of a customer within the City limits.⁸⁴

Table 5-2, **Table 5-3**, and **Table 5-4** show the current and proposed residential charge, non-residential charge, and school charge, respectively.

Table 5-2: Current and Proposed Residential Charges

Line	Group 1 (\$/ month/ residential unit)	As of 1/1/2025	Effective 3/1/2026	Effective 1/1/2027	Effective 1/1/2028	Effective 1/1/2029	Effective 1/1/2030
1	Residential Single Family & Multi-Family	\$67.14	\$70.50	\$74.03	\$77.74	\$80.85	\$84.09

⁸³ See 2024 Water and Wastewater Rate Study Report, May 2024, prepared on behalf of the City by FG Solutions, which documents the cost-of-service analysis in support of the City's proportionate allocation of costs among customer classes.

⁸⁴ See 2024 Water and Wastewater Rate Study Report, May 2024, prepared on behalf of the City by FG Solutions, which documents the cost-of-service analysis in support of the City's proportionate allocation of costs among customer classes.

Table 5-3: Current and Proposed Non-Residential Charges

Line	Non-Residential (\$/ccf)	As of 1/1/2025	Effective 3/1/2026	Effective 1/1/2027	Effective 1/1/2028	Effective 1/1/2029	Effective 1/1/2030
1	Group II - Commercial	\$5.80	\$6.09	\$6.40	\$6.72	\$6.99	\$7.27
2	Group III - Commercial	\$8.32	\$8.74	\$9.18	\$9.64	\$10.03	\$10.44
3	Group IV - Commercial	\$12.06	\$12.67	\$13.31	\$13.98	\$14.54	\$15.13
4	Group VI - Commercial	\$5.80	\$6.09	\$6.40	\$6.72	\$6.99	\$7.27

Table 5-4: Current and Proposed School Charges

Line	School (\$/ ADA/ month)	As of 1/1/2025	Effective 3/1/2026	Effective 1/1/2027	Effective 1/1/2028	Effective 1/1/2029	Effective 1/1/2030
1	Elementary, Continuing, and Adult Education	\$1.00	\$1.05	\$1.11	\$1.17	\$1.22	\$1.27
2	Junior High and High	\$2.30	\$2.42	\$2.55	\$2.68	\$2.79	\$2.91

CUSTOMER IMPACTS

WRE evaluated the impacts to the Single Family customer class based on the first year of proposed wastewater rates for FY 2026.

Table 5-5 shows the proposed impacts for a Single Family customer. For a Single Family customer, the monthly impact will be \$3.36 or 5.0%, which reflects the impact of the 5% revenue adjustment applied to FY 2026.

Table 5-5: Proposed Single Family Customer Impacts (Year 1)

Line	Monthly Bill Impacts	Current	Proposed	Difference	Difference
		Bill	Bill	(\$)	(%)
1	Single Family Monthly Bill	\$67.14	\$70.50	\$3.36	5.0%

RATE SURVEY

WRE compared the current and proposed wastewater bills for Single Family customers relative to the current bills of nearby agencies.

Some California agencies, such as Jurupa Community Services District⁸⁵, supplement their wastewater operations with *property tax (ad valorem)* revenues. In certain jurisdictions, RDA funds that reverted to local control after dissolution have also been used to support utility operations. These additional revenue sources help offset ratepayer costs and finance CIP, allowing such agencies to maintain or improve infrastructure while reducing direct rate impacts on customers.

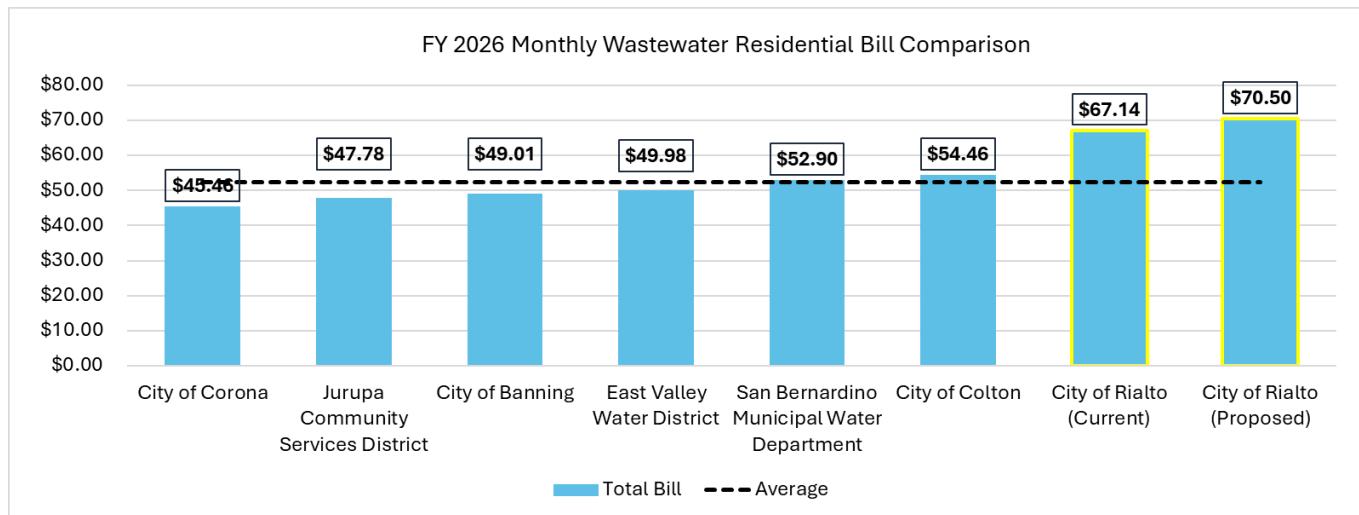
By contrast, the City of Rialto does not receive property tax or RDA revenues to subsidize its wastewater utility. All system costs must therefore be recovered directly through service rates, which contribute to rate differences among agencies.

⁸⁵ Based on adopted FY 2026 budget, property taxes account for approximately 14.8% of total wastewater revenues for Jurupa Community Services District.

City of Rialto
2025 Water and Wastewater Rate Study

Figure 5-1 shows the current and proposed monthly wastewater bills for a Single Family customer relative to other nearby agencies. Currently Rialto bills are higher than average relative to the bills of other agencies and, with the proposed rates, Rialto bills remain above average.

Figure 5-1: Monthly Single Family Wastewater Bills Comparison



6. APPENDICES

6.1 FINANCIAL PLAN APPENDICES

Table 6-1: Water Waterfall Expenses (Detailed)

Line	Expenses	CA Type	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Direct Expenses						
2	Other Services and Supplies (Perchlorate)	R	\$79,170	\$81,149	\$83,178	\$85,257	\$87,389
3	Electricity	R	\$1,413,160	\$1,512,081	\$1,617,927	\$1,731,182	\$1,852,364
4	Capital Charge Payments	W3	\$2,900,000	\$2,900,000	\$2,900,000	\$2,900,000	\$2,900,000
5	Subtotal		\$4,792,330	\$4,893,230	\$5,001,105	\$5,116,439	\$5,239,753
6							
7	Contract Services						
8							
9	RWS Service Fee						
10	Fixed Component	W1	\$2,989,537	\$3,073,244	\$3,159,295	\$3,247,755	\$3,338,692
11	Routine R&R Component	W1	\$295,746	\$304,027	\$312,540	\$321,291	\$330,287
12	Chemical Component	W1	\$64,671	\$66,288	\$67,945	\$69,644	\$71,385
13	Labor Component	W1	\$4,016,926	\$4,137,434	\$4,261,557	\$4,389,403	\$4,521,086
14	Additional Labor Component for AMI	W1	\$0	\$30,000	\$30,750	\$31,519	\$32,307
15	Subtotal		\$7,366,880	\$7,610,992	\$7,832,086	\$8,059,612	\$8,293,756
16							
17	Other Contract Services						
18	City Contract (Transfer to General Fund)	R	\$521,710	\$534,753	\$548,122	\$561,825	\$575,870
19	Water Production, Baseline Feeder	R	\$630,000	\$645,750	\$661,894	\$678,441	\$695,402
20	Water Production, Other	R	\$1,090,000	\$1,117,250	\$1,145,181	\$1,173,811	\$1,203,156
21	IT Services	R	\$83,230	\$85,311	\$87,444	\$89,630	\$91,870
22	Allowance for Maintenance > \$250	W1	\$450,000	\$375,000	\$384,375	\$393,984	\$403,834
23	City Reimbursement (680 Admin)	R	\$840,420	\$861,431	\$882,966	\$905,040	\$927,666
24	Consulting Fees	R	\$95,000	\$97,375	\$99,809	\$102,305	\$104,862
25	CA: Independent Engineer	W1	\$130,810	\$136,696	\$142,848	\$149,276	\$155,993
26	RWS Insurance	W1	\$1,054,000	\$1,264,800	\$1,309,068	\$1,354,885	\$1,402,306

Line	Expenses	CA Type	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
27	Water Operating Repair & Replacement	W2	\$470,000	\$450,000	\$495,000	\$544,500	\$598,950
28	RUA Legal Expenses	R	\$0	\$160,000	\$0	\$0	\$0
29	Subtotal		\$5,365,170	\$5,728,365	\$5,756,707	\$5,953,697	\$6,159,911
30							
31	Other Services and Supplies						
32	Miscellaneous Fees and Permits	R	\$430,000	\$440,750	\$451,769	\$463,063	\$474,640
33	Rebates / Water Conservation	R	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
34	Subtotal - Other Services and Supplies		\$480,000	\$490,750	\$501,769	\$513,063	\$524,640
35							
36	Total		\$17,604,380	\$18,323,338	\$18,691,666	\$19,242,811	\$19,818,060

Table 6-2: Wastewater Waterfall Expenses (Detailed)

Line	Expenses	CA Type	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
1	Direct Expenses						
2	Electricity	R	\$1,236,000	\$1,322,520	\$1,415,096	\$1,514,153	\$1,620,144
3	Gas	R	\$107,120	\$109,798	\$112,543	\$115,357	\$118,240
4	Rialto Habitat Nature Center O&M	R	\$150,000	\$153,750	\$157,594	\$161,534	\$165,572
5	Capital Charge Payments	W3	\$12,682,000	\$12,682,000	\$12,682,000	\$12,682,000	\$12,682,000
6	Subtotal		\$15,775,120	\$15,868,068	\$15,967,233	\$16,073,043	\$16,185,956
7							
8	Contract Services						
9							
10	RWS Service Fees						
11	Fixed Component	W1	\$2,880,722	\$2,961,382	\$3,044,301	\$3,129,541	\$3,217,169
12	Routine R&R Component	W1	\$295,745	\$304,026	\$312,539	\$321,290	\$330,286
13	Chemical Component	W1	\$1,055,679	\$1,082,071	\$1,109,123	\$1,136,851	\$1,165,272
14	Labor Component	W1	\$4,398,410	\$4,530,362	\$4,666,273	\$4,806,261	\$4,950,449
15	Subtotal		\$8,630,556	\$8,877,841	\$9,132,235	\$9,393,943	\$9,663,176
16							
17	Other Contract Services						

Line	Expenses	CA Type	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
18	City Contract (Transfer to General Fund)	R	\$720,650	\$738,666	\$757,133	\$776,061	\$795,463
19	Biosolids	R	\$1,253,700	\$1,285,043	\$1,317,169	\$1,350,098	\$1,383,850
20	City Reimbursement (680 Admin)	R	\$1,128,680	\$1,156,897	\$1,185,819	\$1,215,465	\$1,245,852
21	Consulting Services	R	\$160,000	\$164,000	\$168,100	\$172,303	\$176,610
22	IT Services: Tyler and Paymentus	R	\$140,080	\$143,582	\$147,172	\$150,851	\$154,622
23	Independent Engineer	W1	\$121,540	\$127,009	\$132,725	\$138,697	\$144,939
24	Insurance Reimbursement	W1	\$1,241,000	\$1,489,200	\$1,541,322	\$1,595,268	\$1,651,103
25	Maintenance > \$250	W1	\$450,000	\$600,000	\$615,000	\$630,375	\$646,134
26	Operating Repair and Replacement	W2	\$720,000	\$800,000	\$880,000	\$968,000	\$1,064,800
27	RUA Legal Expenses	R	\$0	\$160,000	\$0	\$0	\$0
28	Subtotal		\$5,935,650	\$6,664,397	\$6,744,439	\$6,997,118	\$7,263,372
29							
30	Other Services and Supplies						
31	Other Retained Services	R	\$311,424	\$319,210	\$327,190	\$335,369	\$343,754
32	Inland Empire Brine Line Fees (SBVMWD)	R	\$57,607	\$59,047	\$60,524	\$62,037	\$63,588
33	Wastewater Services (Colton)	R	\$5,969	\$6,118	\$6,271	\$6,428	\$6,588
34	MIPP Services (Veolia)	R	\$138,020	\$141,471	\$145,007	\$148,632	\$152,348
35	Subtotal		\$513,020	\$525,846	\$538,992	\$552,466	\$566,278
36							
37	Total		\$29,254,346	\$30,336,152	\$30,782,899	\$31,416,571	\$32,078,782