

ASSET EVALUATION, RATE STUDY, AND REVENUE STRATEGIES FOR THE MENDOCINO COUNTY WATER DISTRICT NO. 2 (REPRESENTING THE COMMUNITY OF ANCHOR BAY, CALIFORNIA)

Mendocino County Waterworks District No. 2 (District) provides sewer collection and treatment services to approximately 100 customers (residential, commercial and campground) along the costal corridor within the town of Anchor Bay.

In conjunction with the request by the District Board of Directors, the District's General Manager, Gualala Community Services District (GCSD), Rural Community Assistance Corporation (RCAC), and MC Engineering (Engineer) have conducted a system-wide infrastructure evaluation that included the past and present cost for operations, including the general condition assessment of all the District system-wide wastewater facilities. The report provides detailed documentation along with recommendations on current rates, rate structure, along with recommended capital improvements and rate modifications with focus on both State and Federal regulations.

This report includes the following evaluations and recommendations:

- Reviewed all ordinances and resolutions that pertain to the cost of operation and establishment of equitable rates, including Operations and Maintenance (O&M) repair and replacement along with capital improvements and to assure that District meets current waste discharge and National Pollutant Discharge Elimination System (NPDES) requirements, as imposed, and regulated by the California State Water Resources Control Board (SWRCB).
- Provided records search and reviewed all past ordinances, resolutions, and plans and specifications as they relate to the both the original construction and upgraded Reviewed with the District's yearly budgets over the last five years, including the past three years of financial audits.
- Reviewed the existing rate structure and provided recommendations for better budget management.
- Evaluated recommendations with respect to the current equivalent dwelling units as assigned to each parcel within the district along with calculating the average wastewater flows from District customers as generated on a daily basis.
- Provided recommendations for rate modifications to balance the budget and provide necessary capital for repairs and replacement of old and deteriorated facilities.
- Acquired guidance from the District's attorney to assure that all wastewater rate modifications adhere to California Proposition 218 requirements.
- Conducted a preliminary engineering condition assessment and evaluation of all the District's wastewater facilities, including two (2) raw sewage lift stations, pipelines and appurtenances, wastewater treatment facilities (primary and secondary), ocean outfall facilities, solids storage and handling, utility, and control buildings.
- Evaluated, with recommendations, portions of the existing wastewater facilities to address old and deteriorated facilities posing a threat to the local environment, resulting from

uncontrolled sewer overflows, both in the short-term (emergency) and long-term, including providing preliminary design and construction costs for facility replacements.

1 INTRODUCTION AND OBJECTIVES

The major objectives of this study include the following:

1. Conducted a cost of services analysis for all the wastewater facilities.
2. Developed a revenue and financial plan for all wastewater enterprises to ensure financial sufficiency, meet current and proposed operation and maintenance (O&M) costs, ensure that there is sufficient funding for capital repair and replacement (R&R) needs.
3. Provided the definition of an ESD or EDU (equivalent dwelling unit) that provides a calculated average daily wastewater flow from a single-family residence. For the purposes of this report the EDU/ESDs and EDUs will be used interchangeably.
4. Develop (draft) wastewater rates for a five (5) year period/plan (FYs 2024/25 – 2028/29) to ensure fairness and equity and enhance revenue stability for recovering both fixed and variable costs.
5. Outlined a new rate structure that complies with Proposition 218 requirements.
6. Provided a list of system-wide facility assets (large components) including pipelines, pump stations (large), wastewater treatment and outfall facilities (pumps, motors, treatment facility structures, electric panels and SCADA, operations buildings, and other appurtenances.
7. Developed a draft asset list to be used for a 5,10, 25, and 50-year (or longer) capital replacement program that will allow for sufficient revenue to be collected to avoid catastrophic system-wide failures by identifying required future emergency and capital improvement funding.
8. Reviewed with recommendations for all future revenue sources and rates for fairness, equity, and benefit including current rate structure and methods of billing to customers,
9. Provide recommended improvements to the current residential and commercial billing rate structure to improve and provide for better management of the yearly budgets.

Other objectives and considerations for rate setting and revenue generation include revenue sufficiency, cost-based charges, revenue sources and stability, economic and equitable rates, understandable rate structure(s), rate continuity, ordinances, compliance with State and Federal Requirements (Prior Audit Reports), and legal defensibility.

Five (5) major budget and rate components that were evaluated as part of this study, which will be addresses separately and they included the following:

1. Operation and Maintenance Costs (manpower, energy, chemical, lab/testing, part supplies, and other)
2. Capital Replacement Costs (Short-term/emergency reserve funds)
3. Capital Improvement Costs (Long-term replacement-capital replacement reserves CRP)
4. Short-term small asset replacement lists (optional)
5. Current inflationary factors for cost of services.

The current operation and maintenance costs were evaluated by reviewing existing budgets and the annual audit reports. To truly capture asset depreciation and associated cost and life expectancy, an abbreviated (draft) "Asset Management List" was prepared with significant input from the District staff and is presented as a guide for future District capital replacement budgeting. Additional follow-up discussions, meetings, and decisions will be necessary to formalize both short and long-term financing strategies.

This overall study was prepared from an operations, accounting, and civil engineering perspective and includes rate recommendations that consider operational costs, capital replacement costs (emergency and planned), current and future debt service, inflationary costs, and relevant changes to the current rate structure.

Final note: This study only analyzes the budgeting requirements and year-end net operating balance. It does not address the required month-to-month cash flow requirements associated with the payroll, accounts receivable and other fiscal responsibilities that are directly related to cash flow. Its sole purpose is to evaluate the District's year-end balance, proposed yearly budgets, and revenue required to meet yearly budget expenses over the next five years.

1.1 LEGAL REQUIREMENTS

PROPOSITION 218, REFLECTED IN THE CALIFORNIA CONSTITUTION AS ARTICLE XIII D, WAS ENACTED IN 1996 TO ENSURE THAT RATES AND FEES ARE REASONABLE AND PROPORTIONAL TO THE COST OF PROVIDING SERVICE. THE PRINCIPAL REQUIREMENTS FOR FAIRNESS OF THE FEES, AS THEY RELATE TO PUBLIC WATER SERVICE, ARE AS FOLLOWS:

1. A property-related charge (such as water and wastewater rates) imposed by a public agency on a parcel shall not exceed the costs required to provide the property-related service.
2. Revenues derived by the charge shall not be used for any purpose other than that for which the charge was imposed.
3. The amount of the charge imposed upon any parcel shall not exceed the proportional cost of service attributable to the parcel.
4. No charge may be imposed for a service unless that service is used or immediately available to the owner of property.
5. A written notice of the proposed charge shall be mailed to the record owner of each parcel at least 45 days prior to the public hearing, when the agency considers all written protests against the charge.

" Proposition 218 requires that rates cannot be arbitrary and capricious, meaning that the rate-setting methodology must be sound and that there must be a nexus between the costs and the rates charged". This study follows industry standard rate setting methodologies set forth by the M1 Manual, adhering to Proposition 218 requirements by developing rates that do not exceed the proportionate cost of providing water services.

1.2 RATE SETTING METHODOLOGY

This report was prepared in part by using the principles established by the Water Environment Federation's (WEF) Manual No. 27. which establishes commonly accepted professional standards for cost-of-service studies along with using the current rate structure approved by ordinance(s).

The first step in ratemaking analysis is to determine the adequate and appropriate funding of a utility. This is referred to as the "revenue requirements" analysis. This analysis considers the short-term and long-term service objectives of the utility over a given planning horizon, including capital facilities and system operations and maintenance, to determine the adequacy of a utility's existing rates to recover its costs. Several factors may affect these projections, including the number of customers served, water-use trends (applied to wastewater rates), weather, conservation, use restrictions, inflation, interest rates, wholesale contracts, capital finance needs, and other changes in operating and economic conditions.

After determining a utility's revenue requirements, a utility's next step is determining the cost of service. Utilizing a public agency's approved budget, financial reports, operating data, and capital improvement plans, a rate study generally categorizes (functionalizes) the costs, such as treatment, disposal, collection, and miscellaneous other expenses, and assets of the utility system among major operating functions to assist in determining the cost of service.

After establishing the assets, the costs of operating those assets are properly categorized by function, the rate study allocates those assumed "functionalized variable and fixed costs" to the various customer classes (e.g., single-family residential, multi-family residential and commercial) by determining, if necessary, the characteristics of those classes and the contribution of each to incurred costs based on service characteristics and demand patterns. Our study provides recommendations to establish a flow-based cost of service (wastewater collection, treatment, and disposal).

All wastewater customers typically contribute both hydraulic and organic loadings (Bio-oxygen Chemical Demand (BOD) and Suspended Solids (SS) to the waste stream, which are quantified and measured to provide the level of treatment as required to meet all State and Federal waste discharge requirements. For purposes of this study and to truly reflect each customer's impact on the facilities, we have determined that due to the lack thereof of major commercial and industrial wastes flows, which can significantly contribute to organic waste strength(s), it was recommended that all existing and future rate calculations be flow based (hydraulic loading-flows), with the assumption that the strength of the waste from each user is fairly equal. The hydraulic loadings or waste flows will be used to establish an average daily flow for equivalent family dwelling units. This equivalent dwelling unit for waste flow (average daily) is defined by either an equivalent single-family dwelling (ESD) or equivalent dwelling unit (EDU), both of which will be calculated from past raw sewage flows and recordings, including water meter records as collected from the North Gualala Water Company (NGWC).

1.3 ORDINANCES AND AGREEMENTS BACKGROUND

Ordinances

Prior approved District ordinances and agreements are required for the approval and implementation of all fees and charges to provide the necessary revenue to adequately fund the District operations on a yearly basis. It is important to note that during the record search, conducted by the MC Engineering team and District staff, it was found that some of the older administration records were missing and not available. Certain files were found that assisted the team in making some decisions and accurate recommendations. There is still missing data, however, it is recommended that over time the District may be able to find and replicate those missing files.

The following is a list of the ordinances, agreements and policies that affect the current rate setting and revenue programs implemented by the District:

- Ordinance No. 89-01
- Ordinance No. 91-01
- Ordinance No. 92-02
- Ordinance No. 93-01
- Engineers Report for System Improvements (1988)

1.4 RATE SETTING PROCESS OVERVIEW

Sewer rates were originally adopted in 1989 with Ordinance No.89-01 There have changes to the rate system over the last 35 years with most recent rate adjustment and hearing being conducted in 1993 by Ordinance No. 93-01. Mendocino County established an independent Board of Directors and approved as per Mendocino County Resolution No. 93-201 on November 2, 1993.

1.5 NEARBY UTILITY RATES

The SWRCB has provided an overall California Agency rate comparison spreadsheet that evaluates all utilities from 100 connections to 100,000 connections. This rate study also defines the cost/rates associated with secondary and tertiary level facilities. It was found that District is in the 90th percentile (approximated) of the highest rates per customer in California, based on surveys conducted by the SWRCB. The reason for the higher utility costs per customer include and are not limited to the following factors, limited number of customers, cost of wastewater treatment and both on-site and ocean outfall disposal, energy required to operate facilities, and the operation of two (2) wastewater lift stations.

2.0 DISTRICT SHORT AND LONG-TERM FIANACIAL PLAN

A review of the District's revenue requirements is a key first step in the rate study process. This section of the report provides a discussion of the projected revenues, O&M expenses, and other reserve funding, with revenue adjustments estimated, as required, to ensure the fiscal sustainability and solvency of the District's Wastewater Enterprise. Numbers shown in all the tables of this section are rounded; therefore, hand calculations based on the displayed numbers, such as summing or multiplying, may not equal the

exact results shown. The most recent FY audits used were for June 30, 2022, and 2023. **(Can be provided upon request).**

2.1 WASTEWATER BUDGET ASSUMPTION (PAST AND PRESENT)

The study period primarily will evaluate existing and proposed budgets for Fiscal Years 2023/24 through 2028/29. Rural Community Assistance Corporation (RCAC) provided assistance in preparing the cost-of-service analyses for this report and also recommended possible rate adjustments by providing additional revenue to meet the full cost-of-service year to begin in FY 2024/25. It is important to note that in the past, the District applied minimal inflationary/cost of living factors to build into their yearly budgets.

2.1.1 INFLATION FOR EXPENSES AND REVENUE

Various types of assumptions and inputs were incorporated into the study based on discussions with, and/or at the direction of District staff. These include the projected number of accounts and annual growth rates in consumption for different customer classes, inflation factors, and other assumptions. The inflation factor assumptions are presented in **Table 2-1.1.1.**

Projected Inflation and Escalation- Expense						
Inflationary Factors	FY 2023/2024 (1)	FY 2024/2025	FY 2025/2026	FY 2026/2027	FY 2027/2028	FY 2028/2029
General Expenses	na	5%	5%	5%	5%	5%
Salaries	na	16%	7%	7%	7%	7%
Payroll Benefits	na	5%	5%	5%	5%	5%
Capital Investment	na	na	2%	2%	2%	2%
Electric/Telephone	na	25%	25%	25%	25%	25%

Note: (1) No escalation/inflationary factors used

The following expense inflationary percentages for FY 2024/25 to FY 2028/29 were based on final year ending budget totals with additional expenses calculated for next fiscal year. Past budgets were calculated by the District utilizing and applying the prior year water usage to acquire the number of ESD/EDUs and then dividing the number of ESD/EDUs into the projected total expenses for the upcoming year. To significantly improve on this method for rate adjustment the District prepared a five-year budget expense plan that included cost-of living and inflationary factors, as noted in **Table 2-1.1.** above. After adding the yearly inflationary factors to expenses for upcoming FY 2024/25, FY 2025/26, FY 2026/27, FY 2027/28, and FY 2028/29 budgets the District then recalculated their total number of ESD/EDUs as found in **Section 2.2.**

2.1.2 PROJECTED DEMAND GROWTH, COMMITTED FUTURE CUSTOMERS AND ASSOCIATED REVENUE

The projected demand growth within the District service area is considered negligible over the next 5 years since there is currently a water connection moratorium. It is important to note that certain parcels located within the District were assigned ESD/EDUs that were directly associated with the 1913/15 Act Assessment District, as created, and defined within the 1987 Assessment District Engineer’s Report. This report was used as a basis of funding and financing major infrastructure improvements constructed in 1993. These improvements included sewer transmission mains, manholes, two (2) wastewater pumpstation, new wastewater treatment plant (secondary), land irrigation and ocean outfall disposal of treated wastes. The

total cost for these facilities was approximately \$566,779.66. To fund these improvements the District under the direction of the assessment District Engineer and Bond Counsel allocated available EDU/ESDs to all lots (parcels) that could benefit from the new improvements. Some of the lots/parcels were assigned additional EDU/ESDs, possibly through a process by which the landowners affirmatively agreed to receiving those additional EDU/ESDs. It is not clear what commitments were codified as it relates to the cost/ESD for future connection fees, future available system capacity and the District's commitment to serve these future EDU/ESDs. The assessment District bonds had an early payoff in 2005, as a result of available bond reserves, and there are no yearly assessments currently on the tax rolls for the District's customers.

Currently, in the District's budget(s), all parcels are assigned at least one (1) ESD per parcel that funds both the Operations and Maintenance costs along with future Capital Replacement Costs (CRP). Those additional EDU/ESDs that were assigned to various parcels are now **only** paying for future capital replacements. There will be a need for future evaluation(s) of what was committed to the additional parcels having extra EDU/ESDs as assigned, specifically as it relates to a connection fee to be paid when connecting to the system upon completion of new dwelling units and will there be available capacity when that time comes.

It is important to note that connection fees, as established by other wastewater agencies throughout the State, provide certain requirements to assure that all new and future customers pay a connection fee and associated administrative fees (administrative, design and inspection review) with the primary intent of the connection fee to pay for future and required expansion of facilities in order to provide system capacity for future customers.

2.1.3 RESERVE POLICY

A reserve policy typically is a written document that provides a basis for a utility to cope with unanticipated reductions in revenues, offset fluctuations in costs of providing services, and fiscal emergencies such as revenue shortfalls, asset failure, and natural disaster. It also provides guidelines for sound financial management with an overall long-range perspective to maintain financial solvency and to mitigate financial risks associated with revenue instability, volatile capital costs, and emergencies. It also sets funds aside for replacement of capital assets as they age and for new capital projects. Additionally, adopting and adhering to a sustainable reserve policy enhances financial management transparency and helps achieve or maintain a certain credit rating for future debt issues. The District adopted a reserve policy in November 2023 (Resolution 23-24-10), to set up the basis under which the District will maintain prudent fiscal reserves.

The appropriate amount of reserves and reserve types are determined by a variety of factors, such as the size of the operating budget, the amount of debt, the type of rate structure, frequency of customer billing, and risk of natural disaster. With this being said, most reserves tend to fall into the following categories: O&M cash flow, capital repair/replacement, and emergency.

2.1.4 OPERATIONS AND MAINTENANCE EMERGENCY RESERVES

The purpose of an O&M reserve is to provide working capital to support the operation, maintenance, and administration of the District's wastewater facilities. The O&M reserve supports the District cash flow needs during normal operations and ensures that operations can continue should there be significant events that impact cash flows. As it is unlikely for a utility to precisely predict the revenues and revenue requirements for each billing period, a reserve set aside to hedge the risk of monthly negative cash positions is prudent financial planning. Another factor to consider when creating a cash flow reserve is the

frequency of billing. A utility that bills once a month would require fewer minimum reserves than a utility that bills bi-monthly or yearly. An appropriate amount of annual operational reserves will have to be established by the staff and Board of the District taking into consideration the current rates and affordability of its customers.

The purpose of an emergency fund is to provide uninterrupted service considering a fiscal emergency, natural disaster, or facility failure. Emergency related events such as storms, fire, and earthquakes provide a high-level probability that some amount of reserve is required. An emergency reserve decreases risk by recognizing the high capital costs of the facilities and setting aside adequate funds to restart the system after an unanticipated event or to replace an essential facility. Discussions with the District staff regarding their capital needs and critical asset considerations form the basis for the emergency reserve. An emergency reserve should be established by the staff and Board of the District. It is highly recommended that a minimum of \$10,000 to \$50,000 be set aside each year during the budget process. A minimum of 10% of the overall operating budget reserve should be provided on a yearly basis. It is also intended that the District may use capital replacement reserves for emergencies that may occur from time to time.

2.1.6 CAPITAL RESERVES

Capital Replacement Program (CRP) reserves are used to fund future obligations that are necessary for maintaining a reliable infrastructure. This future capital replacement reserve will be based upon the preliminary draft asset management plan/list as provided for by MC Engineering. The amount of yearly reserves will provide for the necessary revenue at an estimated “target-date” to replace certain large facility components that are critical to the overall system-wide cost-effective operations.

Some Agencies, as a rule-of-thumb, use a capital replacement reserve equaling 1% of net asset value. In FY 2023/24, the District staff did adopt a reserve policy designed to set aside some funding for operational reserves. The District has a capital replacement reserve account that as of Fiscal Year 2023/24 ending will have an approximate \$234,838, balance. This assumes that the District has not received emergency grant funding from the USDA Rural Development for the replacement/bypassing of Manhole No. 7, which is pending application review.

MC Engineering and District staff along with assistance from RCAC, have developed a very preliminary draft asset management plan for major wastewater facilities, which includes established timelines for the life-expectancy of the assets with required costs to replace (amortized). The list is based upon information gathered from the system operators, field evaluations, and past documentation. It is also important to stress that the level and time of replacement for certain facilities can be influenced by environmental factors such as high corrosion and weather-related impacts in combination with the installed material quality, along with other factors. This stresses the need to have operating/emergency and capital replacement reserves. A key factor in the replacement of facilities, which is overlooked, is the design standards used in the past for all above and below ground facilities. Evaluations and studies on the life expectancy of infrastructure materials have emphasized the need for manufactures to improve the long-term durability and quality of its materials.

2.1.7 PROPOSED CAPITAL REPLACEMENTS

Below is a summary of all proposed capital improvements and system-wide upgrades for the wastewater facilities based on current system-wide evaluation of all the District facilities, and includes priorities on the replacements of certain facility components including and not limited to:

- Collection System Improvements – The primary consideration is the replacement of the existing Orangeburg pipe, which is over 60 years old and has not been used as a pipeline material since the early 1960s. Orangeburg pipe is tar and cardboard. The District has over liner feet of this outlawed sewer pipe still within the District.
- Large Lift Stations 1 and 2 (old and deteriorated with premature corrosion)
- Wastewater Treatment and Outfall Facilities (old and deteriorated with lack of monitoring capabilities)

The above-listed short-term emergency projects totaling **\$265,997** over the next five years were developed based on preliminary cost estimates as provide by the Engineer. These short-term emergency capital replacement projects are high priority.

Preliminary condition evaluations and cost-estimates of system-wide wastewater facilities were prepared and are subject to revision(s) once a more formal evaluation is conducted by the Team. It is important to note that the District has limited funding for both emergency short-term and long-term planned system-wide improvements over the next five years. In the future it is recommended that the District acquire other sources of funding from State and Federal agencies to augment capital replacement project shortfalls. The funding for both the short-term emergency and long-term capital replacements should be through grant and/or loan funding that is currently available to small and income level qualified agencies in California. A more thorough evaluation with recommendation(s) will need to be conducted of the system-wide assets and replacement costs. The cost to provide these evaluations could be provided by either the SWRCB SRF Program or through the USDA Rural Development.

Until the rates become stabilized the long-term capital replacement, 1% set-aside value would most likely place a significant burden on the District customers if implemented immediately, so a proposed starting position would be to gradually, over time, increase this CRP reserve. It is recommended that the District’s reserve funds be limited in use until such time the short-term emergency projects are completed.

2.2 CURRENT WASTEWATER RATE REVENUE

Table 2-2.1 and Table 2-2.2 show the current proposed rates for residential and commercial users. The current EDU/ESDs have a calculated average daily wastewater flow of 150 gallons per day per residential customer (GPD/Customer). The new proposed ESD is calculated to be 100 GPD/Customer. This new ESD/EDU was calculated by taking the average daily water usage over the last three (3) full year for all residential users and dividing it by the current total number of single-family residential users. It is recommended that 100 gpd per ESD/EDU be used, which takes into account that the fact that the daily flows from a typical residential user classification fall within a range of 50 to 150 gpd/resident. The water usage was collected from the North Gualala Water Company water meter records from the prior fiscal years.

All District customers are billed on the County Tax Roll, with revenues collected by the County sent to the District in three (3) tranches, typically Dec, April, and August of each year, respectively.

Table 2-2.1 Existing Wastewater Service Charge (Residential)

	Based on Water Usage				
Residential	Annual Sewer Fee + CRP Fee 2024/25	Annual Sewer Fee + CRP Fee 2025/26	Annual Sewer Fee + CRP Fee 2026/27	Annual Sewer Fee + CRP Fee 2027/28	Annual Sewer Fee + CRP Fee 2028/29
Minimum Flat Rate Sewer Fee	\$1817.13	\$1835.30	\$1853.65	\$1872.18	\$1890.90
CRP Fee	\$110.00	\$110.00	\$110.00	\$110.00	\$110.00
Increase %	Sewer Fee (1% Increase) CRP FEE (0% Increase)	Sewer Fee (1% Increase) CRP FEE (0% Increase)	Sewer Fee (1% Increase) CRP FEE (0% Increase)	Sewer Fee (1% Increase) CRP FEE (0% Increase)	Sewer Fee (1% Increase) CRP FEE (0% Increase)
Total Annual Sewer Bill:	\$1927.13	\$1945.30	\$1963.65	\$1982.18	\$2000.90

Table 2-2.2 Existing Wastewater Service Charge (Commercial)

	Based on Water Usage				
Commercial	Annual Sewer Fee + CRP Fee 2024/25	Annual Sewer Fee + CRP Fee 2025/26	Annual Sewer Fee + CRP Fee 2026/27	Annual Sewer Fee + CRP Fee 2027/28	Annual Sewer Fee + CRP Fee 2028/29
Minimum Flat Rate Sewer Fee	\$1817.13	\$1835.30	\$1853.65	\$1872.18	\$1890.90
CRP Fee	\$110.00	\$110.00	\$110.00	\$110.00	\$110.00
Increase %	Sewer Fee (1% Increase) CRP FEE (0% Increase)	Sewer Fee (1% Increase) CRP FEE (0% Increase)	Sewer Fee (1% Increase) CRP FEE (0% Increase)	Sewer Fee (1% Increase) CRP FEE (0% Increase)	Sewer Fee (1% Increase) CRP FEE (0% Increase)
Total Annual Sewer Bill:	\$1927.13	\$1945.30	\$1963.65	\$1982.18	\$2000.90

As mentioned previously, some residential customers who have vacant unimproved lots/parcels have been assigned and billed for an assigned amount of EDU/ESDs based on past agreements with the District which are based upon a fee of \$110 per EDU/ESD for a Capital Replacement Fund. This fee will remain the same and will be changed to a “Standby Fee”, and it is also assumed that this fee will not guarantee that wastewater capacity will be available in the future when the vacant lot is improved with a structure. In the future and as proposed by this Rate Study the Standby fee on unimproved parcels or those improved

parcels with additional EDU/ESDs will remain a “Standby Charge,” while all existing improved lots with one or more EDU/ESDs as assigned per flat rate, less additional EDU/ESDs, will be considered a Standby Fee.

The District should consider establishing a future connection charge (capital expansion fee) with the intent of having funding available in the future to expand the wastewater facilities as vacant lots/parcels are improved. There does not seem to be a correlation between the current charged capital replacement fee and a future facilities capital expansion fee. It is anticipated that the District will pursue future planning grant funding to prepare more detailed, both short and long-term strategies, as it relates to the District’s future facility upgrades and facility expansion(s) once the current NGWC water moratorium is lifted.

The current Capital Replacement Charge (CRP) for improved parcels is \$110 / year per EDU/ESD and is based on the number of assigned ESD/EDUs as applied to each District parcel/customer. The new proposed CRP fund is to be **\$132/year/ESD** per improved units with at least one ESD. The standby fee of **\$110/year/ESD** unimproved vacant lots with additional EDU/ESDs remains unchanged. .

2.3 CURRENT AND PROJECTED WASTEWATER O&M EXPENSES

The following information is the FY 2023/24 Budget (not yet audited) and is shown on **Table 2-3.1** and reflects the year-end calculated operation and maintenance (O & M) expenses (actual). The current FY 2023/24 Budget has been provided by the staff of the District and is also as noted on **Table 2-3.1**. The proposed year ending budget shows a deficit, which will be addressed in the FY 2024/25 budget through budget augmentation from available reserve funds. These reserves may play an important part in future rate calculations.

Table 2-3.1 Current FY 2023/24 Budget (non-audited)

Income		
	O and M Increase	2023/24 Current Budget
	CRP Increase	
Capital Reserve Income		\$24,420
Sewer Fee Residential Income	Recalculate new EDU/ESD Value	\$140,004
Sewer Fee Commercial Income	Based on 100 GPD per ESD/EDU	
Sewer Fee Campground Income	60% water consumption rule (1ST YEAR ONLY)	
Total Income		\$164,424
Expenses		
Collection & Wastewater Treatment		
Collection System		
Collection System — Supplies		
Collection System — Repair & Maintenance		

Lift Station Repair & Maintenance		
Lift Station #1		
Lift Station #2		
Total Collection System Total Expense		\$0
Wastewater Treatment Plant		
Chemicals & Nutrients		
Chlorine		\$4,596
Dechlor		
Enzymes		
Total Chemicals & Nutrients		\$4,596
Operational Cost		
County Trash Fees		
Electrical Supplies		
Equipment Rental		
Freight & Shipping		
Meter Calibration		
Operations Repair & Maintenance (Includes scheduled maintenance and any repairs)		\$9,996
Lab Testing		\$7,860
Lab Supplies		
Operations Supplies		\$3,396
Training — Operations		
Dues/Subscriptions/Memberships		\$1,862
Permits/Fees/Licenses/Prop Tax		\$14,803
Engineering Fees		
Drinking Water		
Internet and Website		
Bioassay- Per NPDES Permit (Once per permit renewal)		\$4,572
Biologist Inspection - Per NPDES (Once per permit renewal)		\$2,748
Depreciation		
Total Wastewater Treatment Plant Expense		\$45,237

Utilities		
Utilities — Electric & Telephone — LS#1		
Utilities — Electric & Telephone — LS#2		
Utilities — Electric & Telephone— T Plant		\$10,075
Total Utilities — Electricity Expense		\$10,075
Capital Reserves & Replacement		
Emergency Reserve/ Capital Reserve		
Capital Replacement		
Total Capital Replacement and Reserves		\$0
Wastewater Plant & Operations Total Expense		\$59,908
Admin/Overhead Expenses/Labor		
Audit		\$5,496
Bank Fees/ Finance Charges		
Bookkeeping		\$1,920
Legal Fees		\$60,000
LAFCO Fees		
Board of Directors Meeting Expense		
Dues and Subscriptions (Software)		
Office Supplies		\$1,056
Phones		
Rent		\$3,000
Printing & Copying		
Public Notices		
Board of Directors- Training, Travel, Other Expenses		
Liability Insurance		\$8,496
Total Admin/Overhead Expenses		\$71,472
Payroll Benefits		
Workers Comp Insurance		\$1,620
Total Payroll Benefits		\$1,620

Payroll		
Direct Deposit Charge		
FUTA tax expense		
Medicare Tax Expense		
Social Security Tax Expense		
SUI Tax Expense		\$5,762
CA Training Tax Expense		
Total Payroll Tax Expense		\$5,762
Payroll Adjustments Audit		
Other Audit Accruals		
Payroll		\$0
Wages and Salaries		
GCSO Contract		\$36,000
GCSO Contractor License Fee		\$725
Operator		\$28,500
Administrator		
Total Wages and Salaries		\$65,225
Total Admin/ Overhead Expenses		\$144,079
Total Expense		\$203,987
Total Expense w/ Emergency Operating Reserve (5-10% of Annual Expenses)		\$0
Net Ordinary Income	-	\$203,987
Other Income	-	
Interest on Savings Account		\$0
Money Market Savings Account		\$0
Total Other Income		\$0
	We Have no Debt Service	
Other Expense		\$0
Interest — Loans		\$0
Interest and finance charge expense		\$0
Noncash Income for Depreciation		
Total Other Expense	-	
Net Income		-\$39,563

Net Projected Balance w/out Reserves per Preliminary Bookkeeping	Amount currently remaining in Reserves not including MH7 reimbursement. (3-25-24)	-\$39,563
Bank Reserve/ CRP Fund Transfer (Estimated - Requires Audit to Confirm)	\$274,401	-\$39,563
Remaining Carryover Capital Replacement Fund Prior Year + Current Year CRP Income		\$234,838
Remaining Net Income w/ Bank Reserves (Estimated - Requires Audit to Confirm)		\$234,838
Carryover Prior Year Applied for CRP Fund Account with Annual CRP Revenue Applied		
Annual Projected CRP Reserves Each FY/ Available to be applied to future projects		\$234,838
Emergency/Short-Term CRP Projects (money used from Reserves for Capital Projects)		\$0
Total CRP Remaining (Estimated - Requires Audit to Confirm)		\$234,838

The new proposed budget as recommended in this report includes the restructuring of the overall budget format, which includes additional budgetary line items to properly monitor and track all expenditures and revenues.

2.4 PROJECTED CAPITAL IMPROVEMENTS

A preliminary Asset List was provided by the Engineer that included a detailed inventory of all of the District's assets and wastewater collection, treatment, and disposal facilities. It was calculated that the true value of these facilities, if they were updated and replaced, their value would be approximately **\$4,306,450**. Some of the listed facilities/assets, as per **EXHIBIT A**, have reached their useful life. It is highly recommended that the District establish a 5-, 10-, 25-, and 50-year capital replacement plan to accrue capital replacement reserves to provide for the design, construction, and construction management for planned improvements and upgrades in the future.

Over the next five years the District is proposing the design and construction of two (2) capital replacement projects that will provide overall benefits to the District. **Table 2-4.1** below are approximate (planning level) estimates to complete one of the emergency short-term CRP projects (example).

Table 2-4.1 Emergency Replacement Project No. 1

PROJECT 1 - COST ESTIMATE - Ocean View Way						
Description	Construction				Soft Costs	Total
	Quantity	Unit	Cost/Unit	Sub-total	30% Design, CM, & Envir.	
6-inch PVC (SDR 26) Install	481	LF	\$120	\$57,720	\$17,316.0	\$75,036.0
4-inch PVC House Services	6	EA	\$3,800	\$22,800	\$6,840.0	\$29,640.0
Remove (E) 6-inch Ornageburg	1	LS	\$5,000	\$5,000	\$1,500.0	\$6,500.0
Manhole Connections Modifications	2	EA	\$4,500	\$9,000	\$2,700.0	\$11,700.0
			Sub-total	\$94,520	\$28,356.0	\$122,876.0
					Mobilization/Insurance (8%)	\$9,830.08
					SUB-TOTAL	\$132,706.08
					Contingency (10%)	\$13,270.61
					TOTAL	\$145,976.69

In the future the District should attempt to generate additional CRP revenue through the rate structure, along with funding assistance from the USDA Rural Development, State Water Resources Control Board SRF DFA Program, Community Development Block Grants, and others.

Other capital improvements and replacements that will be needed and should be budgeted for are as noted within the draft asset management list as shown in **EXHIBIT A**. These future projects will be ranked by the staff of the District and will require an updated Capital Replacement Program (CRP) with the intent to set-aside a certain amount of reserve funds to withdraw from the CRP account at a later date, as determined by prioritization. The future projects can be scheduled in 5 or 10-year increments.

Again, it is highly recommended that the District apply for both SWRCB Planning Grants and USDA Planning Report Grants, to “jump-start” the needed repair and replacement of those noted facilities shown on **EXHIBIT A**.

2.5 EMERGENCY AND SMALL AND SHORT-TERM REPLACEMENTS RESERVES

The Capital Replacement Fund (CRP) should be broken into two (2) separate budget line item (accounts), with one providing for short-term/emergency capital replacement projects and the second to more long-term capital replacement projects. Historically the District has spent an average of \$10,000 to \$120,000 per year for various emergency replacements. These emergency replacements and repairs are typically planned 6 months to 1-year in advance or are immediate or unplanned. Periodic emergency and unpredictable system-wide failures may include and are not limited to catastrophic repairs and replacements to wastewater pumps and motors, interceptor tank repairs, WTP small system pumps, chemical feed facilities, pond embankments, access road failures, panels, electrical, structures, and other identified system failures.

A more recent project was just completed in December of 2023, that included the replacement of Manhole No. 7, which was considered non-operational as it was on the verge of following into the Pacific Ocean, as a result of erosion due to extreme storm events. Manhole No. 7 is extremely strategic since it serves as a flow-through of all raw sewage collected within the District. The total project cost for bypassing Manhole No. 7 was approximately \$120,000 and the District is currently awaiting funding approval from the USDA Rural Development, as a part of the “Emergency Funding” for damage as created by the winter storms 2022.

It is recommended that the District immediately replace portions of its collection system and appurtenances that are old and deteriorated, including the use of the no-longer legal “Orangeburg” pipe which is still present throughout most of the District’s collection system. These replacements do not include replacing the service laterals from the main to the house. The Engineer is recommending that two sewer line replacement projects be scheduled over the next 5 years to replace the “Orangeburg” pipe within the collection system either through trenching or trenchless methods.

2.6 DEBT SERVICE

The DISTRICT currently has **no** existing debt service and retired assessment bonds in 2005, that were paid through a 1913/15 Act Assessment District to fund various capital improvements including the Wastewater Treatment Facility, various sewer pipelines and two (2) new wastewater lift stations, and new ocean outfall. The cost for the new facilities was \$566,799.66.

2.6.1 EXISTING DEBT SERVICE (NOT INCLUDING THE 1913/15 ACT ASSESSMENT DISTRICT PROPERTY ASSESSMENTS)

The District has no current and outstanding debt service.

2.6.2 PROPOSED DEBT SERVICE

The goal of the District is to limit any borrowing over the coming years and establish both an emergency and capital replacement fund account(s). Other factors that will minimize the District's financial liability (borrowing) is as noted below:

- Acquire grant funding to repair and replace all those system-wide facilities that have the potential to create water quality violations which could ultimately affect the public health of the community and environment. The District is in the process of applying for a \$450,000 funded by a 100% SWRCB SRF DFA Planning Grant to fund a Project Report with accompanying Environmental Documents (NEPA/CEQA). The District has also requested that MC Engineering apply for a 30% Planning Grant through the USDA Rural Development with the maximum available grant amount of \$30,000. These two project reports, if approved, will evaluate the existing condition of the facilities, and provide cost-effective alternatives to replace, upgrade, and/or improve all wastewater facilities. A component of this study will be to provide other cost-effective alternatives for long-term operation including possible regionalization with the GCSD facilities.
- Every five years, update the proposed asset management plan list that clearly identifies the estimated life of each facility component with a projected future cost to replace those items as identified in **EXHIBIT A**. Plan and design new upgraded facilities with existing reserves, and if necessary, augment with none grant sources of loan funding. The capital replacement list should be categorized and ranked, with immediate and emergency type projects as the highest priority.

2.7 EXISTING WASTEWATER FINANCIAL PLAN AND BUDGET (REVENUE STAUS QUO)

This existing financial plan includes proposed inflationary cost increases as described in **Table 2-1.1.1**, above. The current revenue increase is based on the current Ordinances (status quo) and is shown on **Table 2-8.1**, below and it assumes 1% rate increase each year. **Table 2-7.1** below assumes only expenses for the next four (5) years and includes the following assumptions:

Table 2-7.1 Proposed 5-Year Budget (Projections) w/ Inflation and Status Quo Rate Increase Revenue at 1% with Assumptions as Noted:

- No capital replacement projects.
- No emergency reserve funds set aside.
- Assumes and applies those inflationary factors as shown in **Table 2-1-1**

This proposed 5-year Budget Projection does not have any capital replacement projects yet seriously depletes the existing District's reserves to be used for emergencies, budget augmentation, and future long-term capital replacements.

Table 2-7.1 Proposed 5-Year Budget w/ Inflation and Status Quo Rate Increase Revenue at 1%

Proposed Budget and Forecast - (1% Status Quo 5-year Average) w 5% Inflation

Main Categories		Current and Projected Future Budget (FY)					
Customer Revenue/ Income							
Income			FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29
	O and M Increase	2023/24 Current Budget	1% Status Quo	1% Status Quo	1% Status Quo	1% Status Quo	1% Status Quo
	CRP Increase		0% Status Quo	0% Status Quo	0% Status Quo	0% Status Quo	0% Status Quo
Capital Reserve Income		\$24,420	\$24,420	\$24,420	\$24,420	\$24,420	\$24,420
Sewer Fee Residential Income		\$140,004	\$141,404	\$142,818	\$144,246	\$145,689	\$147,146
Sewer Fee Commercial Income							
Sewer Fee Campground Income							
			\$141,404				
Total Income		\$164,424	\$165,824	\$167,238	\$168,666	\$170,109	\$171,566
Expenses							
			FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29
Collection & Wastewater Treatment							
Collection System				5% Inflation	5% Inflation	5% Inflation	5% Inflation
Collection System — Supplies			\$500	\$525	\$551	\$579	\$608
Collection System — Repair & Maintenance			\$500	\$525	\$551	\$568	\$585
Lift Station Repair & Maintenance							
Lift Station #1			\$500	\$525	\$551	\$568	\$585
Lift Station #2			\$500	\$525	\$551	\$568	\$585
Total Collection System Total Expense		\$0	\$2,000	\$2,100	\$2,205	\$2,282	\$2,362
Wastewater Treatment Plant			5% Inflation	5% Inflation	5% Inflation	5% Inflation	5% Inflation

Chemicals & Nutrients							
Chlorine		\$4,596	\$2,413	\$2,534	\$2,660	\$2,740	\$2,822
Dechlor			\$2,413	\$2,534	\$2,660	\$2,740	\$2,822
Enzymes			\$0	\$0	\$0	\$0	\$0
Total Chemicals & Nutrients		\$4,596	\$4,826	\$5,067	\$5,321	\$5,480	\$5,645
Operational Cost			5% Inflation	5% Inflation	5% Inflation	5% Inflation	5% Inflation
County Trash Fees			\$200	\$210	\$221	\$234	\$248
Electrical Supplies			\$500	\$525	\$551	\$584	\$619
Equipment Rental			\$500	\$525	\$551	\$584	\$619
Freight & Shipping			\$500	\$525	\$551	\$584	\$619
Meter Calibration			\$2,000	\$2,100	\$2,205	\$2,337	\$2,478
Operations Repair & Maintenance (Includes scheduled maintenance and any repairs)		\$9,996	\$8,496	\$8,921	\$9,367	\$9,929	\$10,525
Lab Testing		\$7,860	\$8,253	\$8,666	\$9,099	\$9,645	\$10,224
Lab Supplies			\$0	\$0	\$0	\$0	\$0
Operations Supplies		\$3,396	\$3,566	\$3,744	\$3,931	\$4,167	\$4,417
Training — Operations			\$250	\$263	\$276	\$292	\$310
Dues/Subscriptions/Memberships		\$1,862	\$1,955	\$2,053	\$2,155	\$2,285	\$2,422
Permits/Fees/Licenses/Prop Tax		\$14,803	\$15,543	\$16,320	\$17,136	\$18,164	\$19,254
Engineering Fees			\$6,000	\$6,300	\$6,615	\$7,012	\$7,433
Drinking Water			\$2,000	\$2,100	\$2,205	\$2,337	\$2,478
Internet and Website			\$1,776	\$1,865	\$1,958	\$2,076	\$2,200
Bioassay- Per NPDES Permit (Once per permit renewal)		\$4,572					\$5,486
Biologist Inspection - Per NPDES (Once per permit renewal)		\$2,748					\$3,298
Depreciation							
Total Wastewater Treatment Plant Expense		\$45,237	\$56,365	\$59,183	\$62,142	\$65,711	\$78,273
			25% Utilities Increase	25% Utilities Increase	25% Utilities Increase	25% Utilities Increase	25% Utilities Increase
Utilities							
Utilities — Electric & Telephone — LS#1			\$1,080	\$1,350	\$1,688	\$2,109	\$2,637
Utilities — Electric & Telephone — LS#2			\$1,440	\$1,800	\$2,250	\$2,813	\$3,516

Utilities — Electric & Telephone— T Plant		\$10,075	\$10,179	\$12,724	\$15,904	\$19,880	\$24,851
Total Utilities — Electricity Expense		\$10,075	\$12,699	\$15,874	\$19,842	\$24,802	\$31,003
Capital Reserves & Replacement							
Emergency Reserve/ Capital Reserve							
Capital Replacement							
Total Capital Replacement and Reserves		\$0	\$0	\$0	\$0	\$0	\$0
Wastewater Plant & Operations Total Expense		\$59,908	\$71,064	\$77,157	\$84,189	\$92,796	\$111,639
Admin/Overhead Expenses/Labor							
			5% Inflation	5% Inflation	5% Inflation	5% Inflation	5% Inflation
Audit		\$5,496	\$5,771	\$6,059	\$6,362	\$6,744	\$7,149
Bank Fees/ Finance Charges			\$0	\$0	\$0	\$0	\$0
Bookkeeping		\$1,920	\$2,016	\$2,117	\$2,223	\$2,356	\$2,497
Legal Fees		\$60,000	\$35,000	\$36,750	\$38,588	\$40,903	\$43,357
LAFCO Fees			\$2,000	\$2,100	\$2,205	\$2,337	\$2,478
Board of Directors Meeting Expense			\$500	\$525	\$551	\$584	\$619
Dues and Subscriptions (Software)			\$1,861	\$1,954	\$2,052	\$2,175	\$2,305
Office Supplies		\$1,056	\$1,109	\$1,164	\$1,222	\$1,296	\$1,374
Phones	Included in utilities		\$0	\$0	\$0	\$0	\$0
Rent		\$3,000	\$3,150	\$3,308	\$3,473	\$3,681	\$3,902
Printing & Copying			\$250	\$263	\$276	\$292	\$310
Public Notices			\$250	\$263	\$276	\$292	\$310
Board of Directors- Training, Travel, Other Expenses			\$1,500	\$1,575	\$1,654	\$1,753	\$1,858
Liability Insurance		\$8,496	\$9,015	\$9,466	\$9,939	\$10,535	\$11,168
Total Admin/Overhead Expenses		\$71,472	\$53,407	\$56,077	\$58,881	\$62,414	\$66,158
Payroll Benefits							
Workers Comp Insurance		\$1,620	\$2,200	\$2,310	\$2,426	\$2,571	\$2,725
Total Payroll Benefits		\$1,620	\$2,200	\$2,310	\$2,426	\$2,571	\$2,725
			5% Inflation	5% Inflation	5% Inflation	5% Inflation	5% Inflation

Payroll							
Direct Deposit Charge			\$150	\$158	\$165	\$174	\$177
FUTA tax expense	Included in the SUI tax		\$0	\$0	\$0	\$0	\$0
Medicare Tax Expense	Included in the SUI tax		\$250	\$263	\$276	\$289	\$304
Social Security Tax Expense	Included in the SUI tax		\$900	\$945	\$992	\$1,042	\$1,094
SUI Tax Expense		\$5,762	\$6,050	\$6,353	\$6,670	\$7,004	\$7,354
CA Training Tax Expense			\$0	\$0	\$0	\$0	\$0
Total Payroll Tax Expense		\$5,762	\$7,350	\$7,718	\$8,103	\$8,509	\$8,929
Payroll Adjustments Audit			\$0	\$0	\$0	\$0	\$0
Other Audit Accruals			\$0	\$0	\$0	\$0	\$0
Payroll		\$0	\$0	\$0	\$0	\$0	\$0
Wages and Salaries			16% Salary Increase	7% Salary Increase	7% Salary Increase	7% Salary Increase	7% Salary Increase
GCSD Contract		\$36,000	\$37,800	\$39,690	\$41,675	\$43,758	\$45,946
GCSD Contractor License Fee		\$725	\$725	\$725	\$725	\$725	\$725
Operator		\$28,500	\$32,280	\$32,926	\$33,584	\$34,256	\$34,941
Administrator			\$0	\$0	\$0	\$0	\$0
Total Wages and Salaries		\$65,225	\$70,805	\$73,341	\$75,984	\$78,739	\$81,612
Total Admin/ Overhead Expenses		\$144,079	\$133,762	\$139,445	\$145,393	\$152,232	\$159,425
Total Expense		\$203,987	\$204,825	\$216,602	\$229,582	\$245,028	\$271,063
Total Expense w/ Emergency Operating Reserve (5-10% of Annual Expenses)		\$0	\$0	\$0	\$0	\$0	\$0
Net Ordinary Income		\$203,987	\$204,825	\$216,602	\$229,582	\$245,028	\$271,063
Other Income				2% Interest Yield	2% Interest Yield	2% Interest Yield	2% Interest Yield
Interest on Savings Account		\$0	\$0	\$0	\$0	\$0	\$0
Money Market Savings Account		\$0	\$3,000	\$3,060	\$3,121	\$3,308	\$3,507
Total Other Income		\$0	\$3,000	\$3,060	\$3,121	\$3,308	\$3,507
	We Have no Debt Service						
Other Expense		\$0	\$0	\$0	\$0	\$0	\$0

Interest — Loans		\$0	\$0	\$0	\$0	\$0	\$0
Interest and finance charge expense		\$0	\$0	\$0	\$0	\$0	\$0
Noncash Income for Depreciation							
Total Other Expense	-						
Net Income		-\$39,563	-\$36,001	-\$46,304	-\$57,795	-\$71,611	-\$95,991
Net Projected Balance w/out Reserves per Preliminary Bookkeeping	Amount currently remaining in Reserves not including MH7 reimbursement. (3-25-24)	-\$39,563	-\$36,001	-\$46,304	-\$57,795	-\$71,611	-\$95,991
Bank Reserve/ CRP Fund Transfer (Estimated - Requires Audit to Confirm)	\$274,401	-\$39,563	\$0	\$0	\$0	\$0	\$0
Remaining Carryover Capital Replacement Fund Prior Year + Current Year CRP Income		\$234,838	\$259,258	\$247,677	\$225,793	\$192,418	\$145,227
Remaining Net Income w/ Bank Reserves (Estimated - Requires Audit to Confirm)		\$234,838	\$223,257	\$201,373	\$167,998	\$120,807	\$145,227
Carryover Prior Year Applied for CRP Fund Account with Annual CRP Revenue Applied							
Annual Projected CRP Reserves Each FY/ Available to be applied to future projects		\$234,838	\$223,257	\$201,373	\$167,998	\$120,807	\$145,227
Emergency/Short-Term CRP Projects (money used from Reserves for Capital Projects)		\$0	\$0	\$0	\$0	\$0	\$0
Total CRP Remaining (Estimated - Requires Audit to Confirm)		\$234,838	\$223,257	\$201,373	\$167,998	\$120,807	\$145,227

23/24 24/25 25/26 26/27 27/28 28/29

PROJECT 1 (DESIGN)	PROJECT 1 (CONST)	PROJECT 2 (DESIGN)	PROJECT 2 (CONST)	Project 3 (Design)
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2.8 PROPOSED WASTEWATER FINANCIAL PLAN AND BUDGET WITH PROPOSED RATE INCREASES TO FUND CAPITAL REPLACEMENTS

This Section of the report illustrates the recommended rate increase and applying various assumptions and factors as it relates to inflationary cost increases, as shown within **Table 2-8.1**, below:

Table 2-8.1 Actual (Status Quo) and Projected Rate Increase (Required)

Customer Classifications	FY 2023/2024	FY 2024/2025		FY 2025/2026		FY 2026/2027		FY 2027/2028		FY 2028/2029	
	Status Quo (2)(3)	Status Quo (3)	Projected	Status Quo (3)	Projected	Status Quo (3)	Projected	Status Quo (3)	Projected	Status Quo (3)	Projected
Residential	1%	na	8%	1%	5%	1%	5%	1%	5%	1%	5%
Commercial	1%	na	25%	1%	5%	1%	5%	1%	5%	1%	5%
RV Park/Campground	1%	na	35%	1%	5%	1%	5%	1%	5%	1%	5%
Miscellaneous Revenue ⁽¹⁾	1%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Capital Reserve	1%	na	20%	1%	20%	1%	5%	1%	5%	1%	5%

Notes: (1) District projects a 2% interest rate on all investment funds
 (2) There was no actual percentage used for projecting revenue. The projected revenues were based on prior year water usage and applied to estimated expenses for upcoming FY
 (3) The average yearly increase in revenue was not calculated but a 1% increase will be used for comparison

This proposed financial plan includes proposed inflationary cost increases as describe in **Table 2-1.1.1**, above. The proposed rate increase and rate adjustment as shown on **Table 2-8.2**, below will require Ordinance revisions along with the public to participate through the 218 Public Hearing Process, as described in prior sections of this report. Revenue increases will be required to establish a working and viable capital replacement program and it also assumes that the recommended rate increase will be required from 5% - 35%, per customer classifications. **Table 2-8.2** below assumes adequate funding of all required operating and maintenance expenses, along with providing capital replacement funds to repair portions of the existing sewer collection system. Other assumptions and recommendations for this proposed recommended budget for the next 5 years includes the following:

Table 2-8.2 Proposed 5-Year Budget (Projections) w/ Inflation and Recommended Rate Increase with Assumptions as Noted:

- Allocates and provides for capital replacement projects over the next five years
- Revises the rate structure and definition of an ESD/EDU to be 100 GPD/EDU (residential equivalent)
- Assumes and applies those inflationary factors as shown in **Table 2-1-1**
- Revises commercial customer classifications EDU allocations.
- Revises and proposes updated methods to measure waste flow from the campground/RV Park
- Revise the method in which the capital replacement fund account acquires revenue, including the establishment of a standby charge to those parcels having two (2) or more ESD/EDUs with a reduced yearly rate.
- Water surcharges will not be applied to the residential customers, assuming their flow contribution stays between 50 GPD to 150 GPD.

Table 2-8.2 below is the recommended 5-year budget including all of and not limited to the assumptions above:

Table 2-8.2_Proposed 5-Year Budget (Projections) w/ Inflation and Recommended Rate Increase(s)

Proposed Budget and 5-Year FY Forecast -(w/ Rate Increases)

Main Categories		Current and Projected Future Budget (FY)					
Customer Revenue/ Income							
Income			FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29
	O and M Increase	2023/24 Current Budget	(8% O&M Increase)	(5% O&M Increase)	(5% O&M Increase)	(5% O&M Increase)	(5% O&M Increase)
	CRP Increase		(20% CRP Increase)	(20% CRP Increase)	(5% CRP Increase)	(5% CRP Increase)	(5% CRP Increase)
Capital Reserve Income		\$24,420	\$27,588	\$33,106	\$34,761	\$36,499	\$38,324
Sewer Fee Residential Income	Recalculate new EDU/ESD Value	\$140,004	\$125,901	\$132,196	\$138,806	\$145,746	\$153,034
Sewer Fee Commercial Income	Based on 100 GPD per ESD/EDU		\$38,130	\$40,037	\$42,039	\$44,141	\$46,348
Sewer Fee Campground Income	60% water consumption rule (1ST YEAR ONLY)		\$20,296	\$21,311	\$22,376	\$23,495	\$24,670
			\$184,327				
Total Income		\$164,424	\$211,915	\$226,649	\$237,982	\$249,881	\$262,375
Expenses							
			FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29
Collection & Wastewater Treatment							
Collection System				5% Inflation	5% Inflation	5% Inflation	5% Inflation
Collection System — Supplies			\$500	\$525	\$551	\$579	\$608
Collection System — Repair & Maintenance			\$500	\$525	\$551	\$568	\$585
Lift Station Repair & Maintenance							
Lift Station #1			\$500	\$525	\$551	\$568	\$585

Lift Station #2			\$500	\$525	\$551	\$568	\$585
Total Collection System Total Expense		\$0	\$2,000	\$2,100	\$2,205	\$2,282	\$2,362
Wastewater Treatment Plant			5% Inflation	5% Inflation	5% Inflation	5% Inflation	5% Inflation
Chemicals & Nutrients							
Chlorine		\$4,596	\$2,413	\$2,534	\$2,660	\$2,740	\$2,822
Dechlor			\$2,413	\$2,534	\$2,660	\$2,740	\$2,822
Enzymes			\$0	\$0	\$0	\$0	\$0
Total Chemicals & Nutrients		\$4,596	\$4,826	\$5,067	\$5,321	\$5,480	\$5,645
Operational Cost			5% Inflation	5% Inflation	5% Inflation	5% Inflation	5% Inflation
County Trash Fees			\$200	\$210	\$221	\$234	\$248
Electrical Supplies			\$500	\$525	\$551	\$584	\$619
Equipment Rental			\$500	\$525	\$551	\$584	\$619
Freight & Shipping			\$500	\$525	\$551	\$584	\$619
Meter Calibration			\$2,000	\$2,100	\$2,205	\$2,337	\$2,478
Operations Repair & Maintenance (Includes scheduled maintenance and any repairs)		\$9,996	\$8,496	\$8,921	\$9,367	\$9,929	\$10,525
Lab Testing		\$7,860	\$8,253	\$8,666	\$9,099	\$9,645	\$10,224
Lab Supplies			\$0	\$0	\$0	\$0	\$0
Operations Supplies		\$3,396	\$3,566	\$3,744	\$3,931	\$4,167	\$4,417
Training — Operations			\$250	\$263	\$276	\$292	\$310
Dues/Subscriptions/Memberships		\$1,862	\$1,955	\$2,053	\$2,155	\$2,285	\$2,422
Permits/Fees/Licenses/Prop Tax		\$14,803	\$15,543	\$16,320	\$17,136	\$18,164	\$19,254
Engineering Fees			\$6,000	\$6,300	\$6,615	\$7,012	\$7,433
Drinking Water			\$2,000	\$2,100	\$2,205	\$2,337	\$2,478
Internet and Website			\$1,776	\$1,865	\$1,958	\$2,076	\$2,200

Bioassay- Per NPDES Permit (Once per permit renewal)		\$4,572					\$5,486
Biologist Inspection - Per NPDES (Once per permit renewal)		\$2,748					\$3,298
Depreciation							
Total Wastewater Treatment Plant Expense		\$45,237	\$56,365	\$59,183	\$62,142	\$65,711	\$78,273
			25% Utilities Increase	25% Utilities Increase	25% Utilities Increase	25% Utilities Increase	25% Utilities Increase
Utilities							
Utilities — Electric & Telephone — LS#1			\$1,080	\$1,350	\$1,688	\$2,109	\$2,637
Utilities — Electric & Telephone — LS#2			\$1,440	\$1,800	\$2,250	\$2,813	\$3,516
Utilities — Electric & Telephone— T Plant		\$10,075	\$10,179	\$12,724	\$15,904	\$19,880	\$24,851
Total Utilities — Electricity Expense		\$10,075	\$12,699	\$15,874	\$19,842	\$24,802	\$31,003
Capital Reserves & Replacement							
Emergency Reserve/ Capital Reserve							
Capital Replacement							
Total Capital Replacement and Reserves		\$0	\$0	\$0	\$0	\$0	\$0
Wastewater Plant & Operations Total Expense		\$59,908	\$71,064	\$77,157	\$84,189	\$92,796	\$111,639
Admin/Overhead Expenses/Labor							
			5% Inflation	5% Inflation	5% Inflation	5% Inflation	5% Inflation
Audit		\$5,496	\$5,771	\$6,059	\$6,362	\$6,744	\$7,149

Bank Fees/ Finance Charges			\$0	\$0	\$0	\$0	\$0
Bookkeeping		\$1,920	\$2,016	\$2,117	\$2,223	\$2,356	\$2,497
Legal Fees		\$60,000	\$35,000	\$36,750	\$38,588	\$40,903	\$43,357
LAFCO Fees			\$2,000	\$2,100	\$2,205	\$2,337	\$2,478
Board of Directors Meeting Expense			\$500	\$525	\$551	\$584	\$619
Dues and Subscriptions (Software)			\$1,861	\$1,954	\$2,052	\$2,175	\$2,305
Office Supplies		\$1,056	\$1,109	\$1,164	\$1,222	\$1,296	\$1,374
Phones			\$0	\$0	\$0	\$0	\$0
Rent		\$3,000	\$3,150	\$3,308	\$3,473	\$3,681	\$3,902
Printing & Copying			\$250	\$263	\$276	\$292	\$310
Public Notices			\$250	\$263	\$276	\$292	\$310
Board of Directors- Training, Travel, Other Expenses			\$1,500	\$1,575	\$1,654	\$1,753	\$1,858
Liability Insurance		\$8,496	\$9,015	\$9,466	\$9,939	\$10,535	\$11,168
Total Admin/Overhead Expenses		\$71,472	\$53,407	\$56,077	\$58,881	\$62,414	\$66,158
Payroll Benefits							
Workers Comp Insurance		\$1,620	\$2,200	\$2,310	\$2,426	\$2,571	\$2,725
Total Payroll Benefits		\$1,620	\$2,200	\$2,310	\$2,426	\$2,571	\$2,725
			5% Inflation	5% Inflation	5% Inflation	5% Inflation	5% Inflation
Payroll							
Direct Deposit Charge			\$150	\$158	\$165	\$174	\$177
FUTA tax expense			\$0	\$0	\$0	\$0	\$0
Medicare Tax Expense			\$250	\$263	\$276	\$289	\$304
Social Security Tax Expense			\$900	\$945	\$992	\$1,042	\$1,094
SUI Tax Expense		\$5,762	\$6,050	\$6,353	\$6,670	\$7,004	\$7,354
CA Training Tax Expense			\$0	\$0	\$0	\$0	\$0

Total Payroll Tax Expense		\$5,762	\$7,350	\$7,718	\$8,103	\$8,509	\$8,929
Payroll Adjustments Audit			\$0	\$0	\$0	\$0	\$0
Other Audit Accruals			\$0	\$0	\$0	\$0	\$0
Payroll		\$0	\$0	\$0	\$0	\$0	\$0
Wages and Salaries			16% Salary Increase	7% Salary Increase	7% Salary Increase	7% Salary Increase	7% Salary Increase
GCSO Contract		\$36,000	\$37,800	\$39,690	\$41,675	\$43,758	\$45,946
GCSO Contractor License Fee		\$725	\$725	\$725	\$725	\$725	\$725
Operator		\$28,500	\$32,280	\$32,926	\$33,584	\$34,256	\$34,941
Administrator			\$0	\$0	\$0	\$0	\$0
Total Wages and Salaries		\$65,225	\$70,805	\$73,341	\$75,984	\$78,739	\$81,612
Total Admin/Overhead Expenses		\$144,079	\$133,762	\$139,445	\$145,393	\$152,232	\$159,425
Total Expense		\$203,987	\$204,825	\$216,602	\$229,582	\$245,028	\$271,063
Total Expense w/ Emergency Operating Reserve (5-10% of Annual Expenses)		\$0	\$0	\$0	\$0	\$0	\$0
Net Ordinary Income	-	\$203,987	\$204,825	\$216,602	\$229,582	\$245,028	\$271,063
Other Income	-			2% Interest Yield	2% Interest Yield	2% Interest Yield	2% Interest Yield
Interest on Savings Account		\$0	\$0	\$0	\$0	\$0	\$0
Money Market Savings Account		\$0	\$3,000	\$3,060	\$3,121	\$3,308	\$3,507
Total Other Income		\$0	\$3,000	\$3,060	\$3,121	\$3,308	\$3,507
	We Have no Debt Service						
Other Expense		\$0	\$0	\$0	\$0	\$0	\$0
Interest — Loans		\$0	\$0	\$0	\$0	\$0	\$0

Interest and finance charge expense		\$0	\$0	\$0	\$0	\$0	\$0
Noncash Income for Depreciation							
Total Other Expense	-						
Net Income		-\$39,563	\$10,090	\$13,107	\$11,520	\$8,161	-\$5,182
Net Projected Balance w/out Reserves per Preliminary Bookkeeping	Amount currently remaining in Reserves not including MH7 reimbursement . (3-25-24)	-\$39,563	\$10,090	\$13,107	\$11,520	\$8,161	-\$5,182
Bank Reserve/ CRP Fund Transfer (Estimated - Requires Audit to Confirm)	\$274,401	-\$39,563	\$0	\$0	\$0	\$0	-\$5,182
Remaining Carryover Capital Replacement Fund Prior Year + Current Year CRP Income		\$234,838	\$262,426	\$265,621	\$207,513	\$235,532	\$156,835
Remaining Net Income w/ Bank Reserves (Estimated - Requires Audit to Confirm)		\$234,838	\$272,516	\$278,729	\$219,033	\$243,693	\$151,653
Carryover Prior Year Applied for CRP Fund Account with Annual CRP Revenue Applied							
Annual Projected CRP Reserves Each FY/ Available to be applied to future projects		\$234,838	\$272,516	\$278,729	\$219,033	\$243,693	\$151,653
Emergency/Short-Term CRP Projects (money used from Reserves for Capital Projects)		\$0	-\$40,000	-\$105,977	-\$20,000	-\$120,000	\$0
Total CRP Remaining (Estimated - Requires Audit to Confirm)		\$234,838	\$232,516	\$172,752	\$199,033	\$123,693	\$151,653

23/24 24/25 25/26 26/27 27/28 28/29

PROJECT 1 (DESIGN)	PROJECT 1 (CONST)	PROJECT 2 (DESIGN)	PROJECT 2 (CONST)	Project 3 (Design)
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3.0 COSTS OF SERVICE PROPOSED RATE INCREASE

This section of the report details the cost-of-service analysis and rate calculation process to determine the proposed wastewater rates. The goal of this process is to determine the cost of providing wastewater service to each of the District's wastewater customer classes. It assumes the existing rate structure as noted in **Section 2.2 (Tables 2-2.1 and 2-2.2)** will be modified or revised to reflect a change in the definition of an ESD/EDU from 150 GPD/residential customer to 100 GPD/residential customer. Various budget line-item increases are recommended on an annual basis and including the application of inflationary factors ranging from 5%-25% on the flat rate for the next five (5) years and the usage surcharge to be eliminated. For FY 2024/25 the RV Park's/Campground's sewer rate will be calculated using 60% of the historical water usage (divided by the calculated District's ESD value of 100 gallons per day per dwelling unit) and in future years the RV Park/Campground will be billed based on a master meter with prior year sewer flows being used to calculate EDUs based at the 100 GPD rate. For commercial properties with multiple rental spaces will be billed a minimum of 0.5 (1/2) EDU/ESD's per rental space or the EDU Equivalent based on water usage of 100 GPD, whichever is greater. **Section 3.3.1** of this report recommends changes to the rate structure to both simplify and provide for a more stable revenue for "cash-flow" purposes. These rate structure changes will be approved by Ordinance.

3.1 APPROACH

The cost-of-service analysis was utilized to develop the wastewater rates and acquire sufficient revenues and generally follows the guidelines for allocating costs outlined in the WEF's Manual No. 27. The cost-of-service analysis and rate design process consists of five major steps, as outlined below:

1. Determine the revenue requirement, equal to the revenue to be recovered from rates.
2. Functionalize O&M expenses, revenue sources, and capital assets into functional categories such as flow, customer, general, treatment and collection, other revenue sources, and other general expensed and revenues.
3. Develop customer class characteristics that include the residential customers' average daily wastewater flows without **organic loading** as a criterion. Based on the total number of nonresidential users it is assumed that TSS and BOD loadings range between 80 mg/l to 200 mg/l. There are a small number of commercial users that affect the WWTP's ability to treat the organic loadings (energy/chemicals/manpower). This current rate structure is primarily a flow-based system that includes the organic loadings within the O&M expenses.
4. Calculate the cost for each customer class by the following methods (current ordinance and/or future ordinances):
 - Apply one (1) single flat rate (ESD/EDU), as calculated, to each customer (residential).
 - Calculate the EDU Equivalent based on the residential rate of 100 GPD or charge at a minimum 0.5 (1/2) EDU/ESD per occupied rental space (Commercial).
 - Provide historic water usage for the RV Park/Campground for FY 2024/25 and in the future FY 2025/26 budget use actual sewer flow records taken directly from the newly installed flow meter at the RV Park/ Campground pump station and apply 100 GPD/EDU to the flow to calculate the EDU Equivalent after FY 2024/25.
 - Continue to charge "Charge Capital Replacement Fees" (CRP) to each improved lot.
 - The charge for unimproved lots that are not providing waste flows to the District's facilities remains the same; this report uses the term "standby fee" in place of the CPR fee.

- Establish the new ESD/EDU value of 100 Gallons Per Day (GPD) per each single-family resident equivalent. It is also assumed that the flow per day per ESD is an average and can typically range from 50 to 150 gallons per day per single family unit.

3.2 COST OF SERVICE ANALYSIS

3.2.1 DETERMINING REVENUE REQUIREMENT AND RATES

This section has attempted to predict the revenue requirements for FY 2024/2025, FY 2025/26, FY 2026/27, FY 2027/28, and FY 2028/29 for the District and will include various and additional rate components, including and not limited to:

- Inclusion of an Emergency Reserve Fund, Capital Replacement Fund (short and long-term) with a minimal amount of funds allocated within the initial years (refer to **Table 2-1.2.1**)
- Assumes that inflationary factors will be allocated to O&M budget line items projected over the next five (5) years on a year-to-year basis. These inflationary increases are found in **Table 2-1.1.1**, above.

The revenue requirements for future “balanced budgets” over the next six (5) fiscal years are found in **Table 3-2.1**. These revenue requirements also include the amount of yearly rate increase, as required to meet the target year-ending budget amount(s), including the establishment of both emergency and CRP fund(s). This is just a rate recommendation that assumes a non-audited year-end-reserves amount at the end of FY 2023/24.

Table 3-2.1 Proposed Recommended 5-Year Budget w/ Revenues and Rate Increase

Main Categories		Current and Projected Future Budget (FY)					
Customer Revenue/ Income							
Income			FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29
	O and M Increase	2023/24 Current Budget	(8% O&M Increase)	(5% O&M Increase)	(5% O&M Increase)	(5% O&M Increase)	(5% O&M Increase)
	CRP Increase		(20% CRP Increase)	(20% CRP Increase)	(5% CRP Increase)	(5% CRP Increase)	(5% CRP Increase)
Capital Reserve Income		\$24,420	\$27,588	\$33,106	\$34,761	\$36,499	\$38,324
Sewer Fee Residential Income	Recalculate new EDU/ESD Value	\$140,004	\$125,901	\$132,196	\$138,806	\$145,746	\$153,034
Sewer Fee Commercial Income	Based on 100 GPD per ESD/EDU		\$38,130	\$40,037	\$42,039	\$44,141	\$46,348
Sewer Fee Campground Income	60% water consumption		\$20,296	\$21,311	\$22,376	\$23,495	\$24,670

	rule (1ST YEAR ONLY)						
			\$184,327				
Total Income		\$164,424	\$211,915	\$226,649	\$237,982	\$249,881	\$262,375
Expenses							
			FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29
Collection & Wastewater Treatment							
Collection System				5% Inflation	5% Inflation	5% Inflation	5% Inflation
Collection System — Supplies			\$500	\$525	\$551	\$579	\$608
Collection System — Repair & Maintenance			\$500	\$525	\$551	\$568	\$585
Lift Station Repair & Maintenance							
Lift Station #1			\$500	\$525	\$551	\$568	\$585
Lift Station #2			\$500	\$525	\$551	\$568	\$585
Total Collection System Total Expense		\$0	\$2,000	\$2,100	\$2,205	\$2,282	\$2,362
Wastewater Treatment Plant				5% Inflation	5% Inflation	5% Inflation	5% Inflation
Chemicals & Nutrients							
Chlorine		\$4,596	\$2,413	\$2,534	\$2,660	\$2,740	\$2,822
Dechlor			\$2,413	\$2,534	\$2,660	\$2,740	\$2,822
Enzymes			\$0	\$0	\$0	\$0	\$0
Total Chemicals & Nutrients		\$4,596	\$4,826	\$5,067	\$5,321	\$5,480	\$5,645
Operational Cost				5% Inflation	5% Inflation	5% Inflation	5% Inflation
County Trash Fees			\$200	\$210	\$221	\$234	\$248
Electrical Supplies			\$500	\$525	\$551	\$584	\$619

Equipment Rental			\$500	\$525	\$551	\$584	\$619
Freight & Shipping			\$500	\$525	\$551	\$584	\$619
Meter Calibration			\$2,000	\$2,100	\$2,205	\$2,337	\$2,478
Operations Repair & Maintenance (Includes scheduled maintenance and any repairs)		\$9,996	\$8,496	\$8,921	\$9,367	\$9,929	\$10,525
Lab Testing		\$7,860	\$8,253	\$8,666	\$9,099	\$9,645	\$10,224
Lab Supplies			\$0	\$0	\$0	\$0	\$0
Operations Supplies		\$3,396	\$3,566	\$3,744	\$3,931	\$4,167	\$4,417
Training — Operations			\$250	\$263	\$276	\$292	\$310
Dues/Subscriptions/Memberships		\$1,862	\$1,955	\$2,053	\$2,155	\$2,285	\$2,422
Permits/Fees/Licenses/Prop Tax		\$14,803	\$15,543	\$16,320	\$17,136	\$18,164	\$19,254
Engineering Fees			\$6,000	\$6,300	\$6,615	\$7,012	\$7,433
Drinking Water			\$2,000	\$2,100	\$2,205	\$2,337	\$2,478
Internet and Website			\$1,776	\$1,865	\$1,958	\$2,076	\$2,200
Bioassay- Per NPDES Permit (Once per permit renewal)		\$4,572					\$5,486
Biologist Inspection - Per NPDES (Once per permit renewal)		\$2,748					\$3,298
Depreciation							
Total Wastewater Treatment Plant Expense		\$45,237	\$56,365	\$59,183	\$62,142	\$65,711	\$78,273
			25% Utilities Increase	25% Utilities Increase	25% Utilities Increase	25% Utilities Increase	25% Utilities Increase
Utilities							
Utilities — Electric & Telephone — LS#1			\$1,080	\$1,350	\$1,688	\$2,109	\$2,637
Utilities — Electric & Telephone — LS#2			\$1,440	\$1,800	\$2,250	\$2,813	\$3,516

Utilities — Electric & Telephone— T Plant		\$10,075	\$10,179	\$12,724	\$15,904	\$19,880	\$24,851
Total Utilities — Electricity Expense		\$10,075	\$12,699	\$15,874	\$19,842	\$24,802	\$31,003
Capital Reserves & Replacement							
Emergency Reserve/ Capital Reserve							
Capital Replacement							
Total Capital Replacement and Reserves		\$0	\$0	\$0	\$0	\$0	\$0
Wastewater Plant & Operations Total Expense		\$59,908	\$71,064	\$77,157	\$84,189	\$92,796	\$111,639
Admin/Overhead Expenses/Labor							
			5% Inflation	5% Inflation	5% Inflation	5% Inflation	5% Inflation
Audit		\$5,496	\$5,771	\$6,059	\$6,362	\$6,744	\$7,149
Bank Fees/ Finance Charges			\$0	\$0	\$0	\$0	\$0
Bookkeeping		\$1,920	\$2,016	\$2,117	\$2,223	\$2,356	\$2,497
Legal Fees		\$60,000	\$35,000	\$36,750	\$38,588	\$40,903	\$43,357
LAFCO Fees			\$2,000	\$2,100	\$2,205	\$2,337	\$2,478
Board of Directors Meeting Expense			\$500	\$525	\$551	\$584	\$619
Dues and Subscriptions (Software)			\$1,861	\$1,954	\$2,052	\$2,175	\$2,305
Office Supplies		\$1,056	\$1,109	\$1,164	\$1,222	\$1,296	\$1,374
Phones			\$0	\$0	\$0	\$0	\$0
Rent		\$3,000	\$3,150	\$3,308	\$3,473	\$3,681	\$3,902
Printing & Copying			\$250	\$263	\$276	\$292	\$310
Public Notices			\$250	\$263	\$276	\$292	\$310
Board of Directors- Training, Travel, Other Expenses			\$1,500	\$1,575	\$1,654	\$1,753	\$1,858

Liability Insurance		\$8,496	\$9,015	\$9,466	\$9,939	\$10,535	\$11,168
Total Admin/Overhead Expenses		\$71,472	\$53,407	\$56,077	\$58,881	\$62,414	\$66,158
Payroll Benefits							
Workers Comp Insurance		\$1,620	\$2,200	\$2,310	\$2,426	\$2,571	\$2,725
Total Payroll Benefits		\$1,620	\$2,200	\$2,310	\$2,426	\$2,571	\$2,725
			5% Inflation	5% Inflation	5% Inflation	5% Inflation	5% Inflation
Payroll							
Direct Deposit Charge			\$150	\$158	\$165	\$174	\$177
FUTA tax expense			\$0	\$0	\$0	\$0	\$0
Medicare Tax Expense			\$250	\$263	\$276	\$289	\$304
Social Security Tax Expense			\$900	\$945	\$992	\$1,042	\$1,094
SUI Tax Expense		\$5,762	\$6,050	\$6,353	\$6,670	\$7,004	\$7,354
CA Training Tax Expense			\$0	\$0	\$0	\$0	\$0
Total Payroll Tax Expense		\$5,762	\$7,350	\$7,718	\$8,103	\$8,509	\$8,929
Payroll Adjustments Audit			\$0	\$0	\$0	\$0	\$0
Other Audit Accruals			\$0	\$0	\$0	\$0	\$0
Payroll		\$0	\$0	\$0	\$0	\$0	\$0
Wages and Salaries			16% Salary Increase	7% Salary Increase	7% Salary Increase	7% Salary Increase	7% Salary Increase
GCS D Contract		\$36,000	\$37,800	\$39,690	\$41,675	\$43,758	\$45,946
GCS D Contractor License Fee		\$725	\$725	\$725	\$725	\$725	\$725
Operator		\$28,500	\$32,280	\$32,926	\$33,584	\$34,256	\$34,941
Administrator			\$0	\$0	\$0	\$0	\$0
Total Wages and Salaries		\$65,225	\$70,805	\$73,341	\$75,984	\$78,739	\$81,612

Total Admin/ Overhead Expenses		\$144,079	\$133,762	\$139,445	\$145,393	\$152,232	\$159,425
Total Expense		\$203,987	\$204,825	\$216,602	\$229,582	\$245,028	\$271,063
Total Expense w/ Emergency Operating Reserve (5-10% of Annual Expenses)		\$0	\$0	\$0	\$0	\$0	\$0
Net Ordinary Income	-	\$203,987	\$204,825	\$216,602	\$229,582	\$245,028	\$271,063
Other Income	-			2% Interest Yield	2% Interest Yield	2% Interest Yield	2% Interest Yield
Interest on Savings Account		\$0	\$0	\$0	\$0	\$0	\$0
Money Market Savings Account		\$0	\$3,000	\$3,060	\$3,121	\$3,308	\$3,507
Total Other Income		\$0	\$3,000	\$3,060	\$3,121	\$3,308	\$3,507
	We Have no Debt Service						
Other Expense		\$0	\$0	\$0	\$0	\$0	\$0
Interest — Loans		\$0	\$0	\$0	\$0	\$0	\$0
Interest and finance charge expense		\$0	\$0	\$0	\$0	\$0	\$0
Noncash Income for Depreciation							
Total Other Expense	-						
Net Income		-\$39,563	\$10,090	\$13,107	\$11,520	\$8,161	-\$5,182
Net Projected Balance w/out Reserves per Preliminary Bookkeeping	Amount currently remaining in Reserves not including MH7 reimbursement . (3-25-24)	-\$39,563	\$10,090	\$13,107	\$11,520	\$8,161	-\$5,182
Bank Reserve/ CRP Fund Transfer (Estimated - Requires Audit to Confirm)	\$274,401	-\$39,563	\$0	\$0	\$0	\$0	-\$5,182
Remaining Carryover Capital Replacement Fund Prior Year + Current Year CRP Income		\$234,838	\$262,426	\$265,621	\$207,513	\$235,532	\$156,835

Remaining Net Income w/ Bank Reserves (Estimated - Requires Audit to Confirm)		\$234,838	\$272,516	\$278,729	\$219,033	\$243,693	\$151,653
Carryover Prior Year Applied for CRP Fund Account with Annual CRP Revenue Applied							
Annual Projected CRP Reserves Each FY/ Available to be applied to future projects		\$234,838	\$272,516	\$278,729	\$219,033	\$243,693	\$151,653
Emergency/Short-Term CRP Projects (money used from Reserves for Capital Projects)		\$0	-\$40,000	-\$105,977	-\$20,000	-\$120,000	\$0
Total CRP Remaining (Estimated - Requires Audit to Confirm)		\$234,838	\$232,516	\$172,752	\$199,033	\$123,693	\$151,653
		23/24	24/25	25/26	26/27	27/28	28/29

PROJECT 1 (DESIGN)	PROJECT 1 (CONST)	PROJECT 2 (DESIGN)	PROJECT 2 (CONST)	Project 3 (Design)
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3.3 RECOMMENDED IMPROVEMENTS TO THE CURRENT DISTRICT RATE

The District staff is recommending substantial changes to the existing rate structure. . Equivalent Dwelling Units (EDUs) or Equivalent Single-Family Dwelling (ESD) for each connection will be the platform for each customer class. The water use records are important and will be used periodically to confirm that the ESD/EDUs are based on an average single family home water usage of 100 GPD. The EDU calculations water records should also be validated every five years for the commercial establishments.

It is highly recommended that the District prepares a “truly” zero based budgeting system that analyzes its facilities on a yearly basis looking for trending and establishes work orders and planned repairs versus the current unpredictable system for the system-wide operation and maintenance. Other important budgeting strategies include the following recommendations:

1. Set-up bank accounts that provide specific are to be used for specific functions, such as emergency and capital replacement reserves, cash flow reserves (maintenance, utility, and repair) in anticipation of County tax payments (tranches), and payroll reserves, also in anticipation of County tax payments. This also includes limiting the number of bank accounts.
2. When preparing fiscal year budgets, it is important to consider the reserve funds that are remaining and are independent of reserves required for cash flow due to a lengthy period (6-months) between beginning of the fiscal year and when the first County tax payments arrives.

3. At the end of each fiscal year quantify all costs and revenues that are specific to the current fiscal year budget and develop a new year balance that includes all cost and expenditures for the wastewater operations and the revenue remaining that is not to be used for the next anticipated County tax payment.
4. Establish an emergency fund account along with a capital replacement account, both of which are not restricted. Good judgement should be used when necessity requires that these fund accounts should be tapped. This would also require that an operational reserve be established to avoid the unnecessary tapping of the accounts.
5. Apply for both grant and loan funding for both State and Federal agencies to financially assist in the replacement of old and deteriorated facilities, including possible regionalization of facilities.

3.4 PROPOSED RATE SUMMARY

This proposed rate study evaluates and provides the District with options on establishing a year-end positive ending balance. The District currently does not calculate inflationary increases into yearly budgets but has increased its yearly operating expenses “line item by line item.” And for the sake of comparison, we have provided for a proposed status quo (minor rate increase) and a recommended 5-year budget that includes recommended rate increases. For the new proposed five (5) year budgets, future inflationary costs were used and were based on current inflationary trends. It was also assumed that over the next five years the salary and benefit increases will vary with the electric and utility expenses increasing significantly.

Table 3-3.2.1 and **Table 3-3.2.2**, below, is a rate increase summary that identifies the recommended rate increase(s) to meet the projected budget predictions and recommendation. This proposed rate increase is only an approximate with ranges varying year to year with District budget adjustments and the completion of the FY 2023/24 Audit.

Table 3-3.2.1

	Based on Water Usage				
Residential	Annual Sewer Fee + CRP Fee per EDU 2024/25	Annual Sewer Fee + CRP Fee per EDU 2025/26	Annual Sewer Fee + CRP Fee per EDU 2026/27	Annual Sewer Fee + CRP Fee per EDU 2024/25	Annual Sewer Fee + CRP Fee per EDU 2024/25
Minimum Flat Rate Sewer Fee	\$1,959.07	\$2,057.02	\$2,159.87	\$2,267.87	\$2,381.26
CRP Fee	\$132.00	\$158.40	\$166.32	\$174.64	\$183.37
Increase %	Sewer Fee (8% Increase) CRP FEE (20% Increase)	Sewer Fee (5% Increase) CRP FEE (20% Increase)	Sewer Fee (5% Increase) CRP FEE (5% Increase)	Sewer Fee (5% Increase) CRP FEE (5% Increase)	Sewer Fee (5% Increase) CRP FEE (5% Increase)
Total Annual Sewer Bill:	\$2,091.07	\$2,215.42	\$2,326.19	\$2,442.50	\$2,564.63

Table 3-3.2.2

	Based on Water Usage				
Commercial	Annual Sewer Fee + CRP Fee per EDU 2024/25	Annual Sewer Fee + CRP Fee per EDU 2025/26	Annual Sewer Fee + CRP Fee per EDU 2026/27	Annual Sewer Fee + CRP Fee per EDU 2024/25	Annual Sewer Fee + CRP Fee per EDU 2024/25
Minimum Flat Rate Sewer Fee	\$1,959.07	\$2,057.02	\$2,159.87	\$2,267.87	\$2,381.26
CRP Fee	\$132.00	\$158.40	\$166.32	\$174.64	\$183.37
Increase %	Sewer Fee (8% Increase) CRP FEE (20% Increase)	Sewer Fee (5% Increase) CRP FEE (20% Increase)	Sewer Fee (5% Increase) CRP FEE (5% Increase)	Sewer Fee (5% Increase) CRP FEE (5% Increase)	Sewer Fee (5% Increase) CRP FEE (5% Increase)
Total Annual Sewer Bill:	\$2,091.07	\$2,215.42	\$2,326.19	\$2,442.50	\$2,564.63

EXHIBIT A

PRELIMINARY ASSET LIST WITH REMAINING LIFE AND COST TO REPLACE									
Inventory No. Identification or Description (Need to Verify ID)	Put in Service (Approx. Date)	Description	Size-Type	Quantity (LS,E A,SF, LF)	Unit	Cost /Unit	Value to Replace (2024 Dollars)	Life Expectancy (Years)	Remaining Life ⁽¹⁾
LAND (GL #1211-20)									
	8/10/1988	Land					\$250,000		
	1/1/1960	Collection System Old Section	6-inch	4000	LF				
		Ocean View Ct - Orangeburg Pipe	6-inch	568	LF	\$120	\$68,160	20	0
		Ocean View Way-Orangeburg Pipe	6-inch	481	LF	\$120	\$57,720	20	0
		Ocean View Street - Orangeburg Pipe	6-inch	652	LF	\$120	\$78,240	20	0
		Ocean View Drive - Orangeburg Pipe	6-inch	1050	LF	\$120	\$126,000	20	0
		Ocean View Ave. - Orangeburg Pipe	6-inch	1232	LF	\$120	\$147,840	20	0
	6/1/1993	Collection System (New - 1990)	6-inch	2000	LF	\$120	\$240,000	75	44
	6/1/1993	Collection System (New - 1990)	3-inch	1300	LF	\$120	\$156,000	75	44
	1/1/1960	Sewer Manholes Old Section	48-inch	8	EA	\$14,000	\$112,000	75	11
	6/1/1993	Sewer Manholes (1990)	48-inch	10	EA	\$14,000	\$140,000	75	44
	1/1/1960	Cleanouts Old Section	4-inch	10	EA	\$1,750	\$17,500	75	11
	6/3/1993	Cleanouts (new-1990)	4-inch	2	EA	\$1,750	\$3,500	75	44
	1/1/1960	Laterals/Services Old Section	4-inch	58	EA	\$4,500	\$261,000	75	0
	6/1/1993	Laterals/Services (New-1990)	4-inch	12	EA	\$2,500	\$30,000	75	44
	6/1/1993	Highway One Crossing (New-1990)-12" Casing	6-inch	3	EA	\$65,000	\$195,000	75	44
		SUB TOTAL (GL #1211-70)					\$1,632,960		
TREATMENT PLANT, BLGS, IMPROVE (GL #1211-80)									
	6/1/1993	Sprinkler System (Sprinklers/pipe/controllers/valves)	1-3-inch	4.4	AC	\$15,000	\$66,000	25	0
	9/15/1993	480' Yard Piping	2-8-inch	480	LF	\$90	\$43,200	50	19
	10/25/2001	Storm Drain Inlet/Outlet Structures	8-12-inch	4	EA	\$15,000	\$60,000	45	22
	12/31/2001	Effluent Pumps		2	EA	\$25,000	\$50,000	15	0
	1/1/2002	Disinfection System	EA	1	LS	\$80,000	\$80,000	15	0
	10/31/05	Headworks	EA	1	LS	\$40,000	\$40,000	75	57
	6/1/2008	Metering	2-inch	2	EA	\$20,000	\$40,000	10	new
	6/1/1993	Control Building	Build	144	SF	\$200	\$28,800	40	9
	11/1/2009	Roof Improvements	Build	200	SF	\$40	\$8,000	20	4

	9/1/2011	Aerator w/ motor	Pond	1	E	\$45,000	\$45,000	20	7
	6/1/1993	Electrical and Control	Panel	1	E	\$110,000	\$110,000	20	0
	6/2/1993	Access Roads Rocked		12000	SF	\$5	\$60,000	20	0
	6/3/1993	Fencing	Chain Piping	900	LF	\$25	\$22,500	75	44
	6/4/1993	Injection well		1	LS	\$45,000	\$45,000	50	19
	6/5/1993	Concrete Aeration Basin (Gunite)	Basin	700	SF	\$150	\$105,000	75	44
	6/6/1993	Earthen Basin w/ Rip/rap	4000 sf	40	Tons	\$60	\$2,400	40	9
		1211-80 TOTAL					\$805,900		
EQUIPMENT (GL #1211-81)									
3100 PUMP STATION #1:									
3102	1/1/2000	Pump #2 (2hp Heavy Duty Submersible)	2 hp	1	E	\$15,000	\$15,000	20	0
	1/1/2000	Pump #3 (Heavy duty submersible)	2 hp	1	E	\$15,000	\$15,000	20	0
3103	1/1/2000	Float Controls	PS	1	E	\$10,000	\$10,000	20	0
3106	6/27/2005	E/C w/ Panel	PS	1	E	\$110,000	\$110,000	20	2
3108	1993	Outlet Piping	PS	60	LF	\$200	\$12,000	50	19
3200 PUMP STATION #2:									
3201	1/1/2023	Pump #1 (prog cavity)	PS	1	E	\$25,000	\$25,000	20	19
3201A	6/2/1993	Motor - 10 hp	PS	1	E	\$12,000	\$12,000	20	0
3202	1/1/2010	Pump #2 (prog cavity)	PS	1	E	\$25,000	\$25,000	20	6
3202A	6/4/1993	Motor - 10 hp	PS	1	E	\$12,000	\$12,000	20	0
3206	6/5/1993	Submersible Pump (primer)	1 hp	1	E	\$18,000	\$18,000	20	0
3207	6/6/1993	E/C w/ Panel	PS	1	E	\$110,000	\$110,000	20	0
	6/7/1993	Pump Control Building 25x20	Build	500	SF	\$200	\$100,000	40	9
	6/8/1993	Roof	Build	600	SF	\$40	\$24,000	20	0
	6/9/1993	Outlet Piping	PS	60	LF	\$200	\$12,000	50	19
	1/1/2000	Access Road Rocked	WW TP	500	SF	\$5	\$2,500	20	0
3208	5/4/2000	Transducer	Wet well	1	E	\$10,000	\$10,000	20	0
		Pump Station Sub-Total					\$512,500		
1400 EMERGENCY EQUIPMENT (Influent Pump Station):									
1402	1/1/2020	Generator (LPG) - LS No. 2	50 KW	1	E	\$75,000	\$75,000	35	31
1404	1/1/2020	Automatic Transfer Switch LS No. 2		1	E	\$30,000	\$30,000	25	20
1408	12/1/2023	Generator	75 KW	1	E	\$800	\$800	35	34
3300 SPRINKLER PUMP STATION:									
3301	5/4/1993	Pump #1 (vert turbine)		1	E	\$30,000	\$30,000	10	0

3301A	5/4/1993	Motor - 10 hp		1	E A	\$15,000	\$15,000	15	0
3302	5/5/1993	Pump #2 (vert turbine)		1	E A	\$30,000	\$30,000	10	0
3302A	5/6/1993	Motor - 10 hp	10 hp	1	E A	\$15,000	\$15,000	15	0
3303	1/1/2024	Flow Meter (2") Mag meter		1	E A	\$8,000	\$8,000	15	14
3400		TRANSFER PUMP STATION:							
3401	5/4/1993	Pump #1 (3/4 hp submerse)		1	E A	\$10,000	\$10,000	10	0
3402	5/4/1993	Pump #2 (3/4 hp submerse)		1	E A	\$10,000	\$10,000	10	0
4100		AERATED POND:							
4102	5/4/1993	See above					\$0		
4102A	5/4/1993	See above					\$0		
5100		CHLORINATORS:							
5101	1/1/2010	CL2 Tablet Line Feeder		1	N A	\$10,000	\$10,000	15	2
5102	1/2/2010	De-chlorinator tablet feeder		1	N A	\$10,000	\$10,000	15	2
6100		SULFINATORS:							
5800		SELF CONTAINED BREATHING APPARATUS (SCBA'S):							
5801	5/4/1993	SCBA #1			E A		NA		
9200		OCEAN OUTFALL (DISPOSAL)							
				1200	LF	\$200			
10000		LAB EQUIPMENT:							
10003	1/1/2023	PH Meter		1	E A E A	\$2,200	\$0	10	9
10004	3/13/2007	Turbidity Water Analysis Mtr			E A	\$3,000	\$0	10	0
		Miscellaneous Equipment Total					\$243,800		
OTHER PROPERTY (GL #1240)									
		GRAND TOTAL					\$3,445,160		
		Soft Costs 25%					\$861,290		
							\$4,306,450		

Notes (1) Remaining life is based on both date of construction and possible improvements and replacements. Data was lacking to verify recent upgrades, improvements and replacements