



Salton Community Services District Wastewater Rate Study

**Rural Community
Assistance Corporation**



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Executive Summary

Salton Community Service District [SCSD or District] serves communities that include Salton City and Desert Shores, California, which have a population of approximately 6,250 residents and a Median Household Income (MHI) of **\$34,087** as estimated by the 2015-2019 5-year American Community Survey. Consisting of wastewater collection and treatment facilities owned and operated by the District, SCSD provides wastewater services to approximately twenty-seven hundred active connections.

In January of 2020 RCAC received a technical assistance request from the District to conduct a wastewater rate study to ascertain rates that would meet its existing and future revenue needs. Developing a sustainable, fair, and justifiable rate structure was identified as the key objective of this study. This study is intended to assure compliance with California Proposition 218 as it relates to fee setting. The goal of this rate study, therefore, is to develop a suitable five-year rate structure and annual fee schedule that produces revenues adequate to meet the operating and capital financial needs of SCSD and which complies with Proposition 218. Due to higher than projected inflation increases in 2022, RCAC was asked to update the rate study.

RCAC examined financials, assets, and other data provided by the District. RCAC also consulted with SCSD staff to identify current and future operating and capital needs, community growth, and related reserves. This study's objective is to identify sustainable, equitable and justifiable rates SCSD can charge for their wastewater service area.

Under SCSD's existing rate structure, wastewater rates are based on an annual fee for its service area which includes Salton City, Vista Del Mar, and Desert Shores residential units connected to wastewater service. Salton City (SC) residential units are charged an annual fee of \$640.74 and those with an extra lot are charged an additional \$21.00 standby fee. Salton City Elementary School is charged per student at \$15.53 each. The Salton City High School is charged at \$46.53 per student. Additionally, SCSD charges two standby fees on vacant lots with immediate availability of sewer service. The original standby fee is \$21.00 plus a subsequently adopted maintenance stand by fee which is currently \$16.18.

RCAC recommends, after reviewing several options with SCSD staff, the Local Agency Formation Commission (LAFCO) and SCSD's legal counsel, the following rate adjustments over the course of the next five years:

1. An increase of on all sewer user charges in the first year. The current annual charge of \$640.74 for all residential units should be increased to \$838.41. That is an annual increase of \$197.67 or approximately \$16.47 per month. The commercial use charge should also increase from \$7.70 to \$10.08 per hundred cubic feet of water usage. Water usage data is obtained from the water purveyor Coachella Valley Water District.
2. RCAC recommends incremental increases of 4 percent in subsequent years to the base and usage rates so that the system is financially viable, without causing undue burden on customers. In the first four years, the District will not have sufficient revenue to fully fund reserve accounts. However, shortages will be recovered in the final year, with a five-year total reserve funding

projected at \$2,379,072. It will be necessary for SCSD to rely on non-operating revenue to fully recover all costs for the first four years.

1. Introduction

Rural Community Assistance Corporation

Founded in 1978, RCAC is a 501(c) (3) nonprofit organization that provides training, technical and financial resources, and advocacy so rural communities can achieve their goals and visions. For more than 40 years, our dedicated staff and active board, coupled with our key values: leadership, collaboration, commitment, quality, and integrity, have helped rural communities throughout the West achieve positive change.

RCAC's work includes environmental infrastructure (water, wastewater, solid waste facilities); affordable housing development; economic and leadership development; and community development finance. These services are available to communities with populations of fewer than 50,000, other nonprofit groups, Tribal organizations, farmworkers, Colonias and other specific populations. Headquartered in West Sacramento, California, RCAC's employees serve rural communities in 13 western states and the Pacific islands.

Purpose of this Rate Study

This wastewater rate study was conducted on behalf of Salton Community Services District by RCAC to develop a suitable five-year rate and fee schedule that produces revenue adequate to meet the operating and capital financial needs of SCSD.

Board Responsibilities

The Governing Body has the fiduciary responsibility to set the rates at such a level that the utility will be able to continue to operate now and into the future, including providing funds to replace all parts of the system as they wear out. While this document recommends certain rates, the ultimate decision rests with the Governing Body.

Guiding Principles of This Study

This study is guided by the following principles:

Sustainability: Wastewater rates should cover costs permitting the Salton Community Services District to provide wastewater services now and for the foreseeable future.

Fairness: Wastewater rates should be fair to all ratepayers. No single ratepayer or group of ratepayers should be singled out for different rates. The District should not charge more for wastewater than the cost to provide the wastewater.

Ease of Understanding: Wastewater rates should be easy for staff to understand, implement and explain to customers. The structure should be compatible with current utility billing software.

Justifiability: Wastewater rates must be based on the actual financial needs of the District. Revenue generated from wastewater rates can't be used for anything else but to pay for the costs of collecting and treating wastewater within its service area, plus any administrative costs and reserves.

Disclaimer

The recommendations contained in this rate study are based on financial information provided to RCAC by the District and its representatives. Although every effort was made to assure the reliability of this information, no warranty is expressed or implied as to the correctness, accuracy or completeness of the information contained herein.

Any opinions, findings, and conclusions or recommendations expressed in this material are solely the responsibility of the author and do not necessarily represent the official views of RCAC. For accounting advice, a Certified Public Accountant should be consulted. For legal advice, the District should seek the advice of an attorney.

2. Community and System

Community

Salton Community Services District (SCSD) is located on the west side of the Salton Sea within Imperial County. It was first formed in 1955 and named Desert Shores Community Service District (DSCSD). In 1957, Salton City (SC) was annexed into the DSCSD and renamed to Salton Community Services District. The District provides wastewater services to a population of 6,250 based on the 2019 5-year American Community Survey (ACS) estimates. According to the same survey Salton City has an estimated Median Household Income (MHI) of \$34,087 (+/- \$5,094). This number is below the state average of \$67,169. The SCSD service area includes two areas within the District boundaries: Desert Shores and Salton City. Salton City collections system also covers part of the Community of Vista Del Mar.

Wastewater System

The Salton Community Services District currently consists of approximately 450 miles of wastewater lines with approximately 5,700 manholes with average range of depth between 8'-12', as well as 23 ponds. The Desert Shores wastewater treatment plant is located one mile southwest of the Desert Shores community, west of State Highway 86. This plant utilizes ponds that are six feet deep on approximately 15 acres of land. Salton City wastewater treatment plant is located one mile west of the Salton Sea. The Salton City wastewater plant active services are spread out and, due to the topography, the systems consist of various lift stations. The gravity collection systems primarily consist of 8" vitrified clay pipe (VCP) and concrete manhole structures. The force mains serving the collection system are 8"-12" PVC (C-900) and asbestos-cement pipe (AC) with lift stations feeding them. The District wastewater facilities are routinely cleaned, inspected, repaired and rehabilitated as needed. Primary goals for the District are to operate the sewage system in a safe and efficient manner that meet the needs of the system's customers.

Future Population and Usage Projection

The District provides wastewater services to a population of 6,250 based on the 2019 5-year ACS with approximately 2,780 active wastewater service connections. Pursuant to information discussed and

received by the general manger, this analysis assumes that minimal growth may occur within the service area in the next five years and the growth will have little or no impact on the system cost and rates.

3. Current Rates and Financial Condition

Current Rate Schedule

Salton Community Services District uses one annual base rate of \$640.74 for all customers, regardless of wastewater connection size with an additional flow charge of \$7.70 per one hundred cubic feet (CCF) of water usage for commercial connections. The two Schools connected to SCSD are charged per student at a rate of \$15.53 for SC Elementary School and \$46.53 per student for SC High School. As shown on the table below, the District’s wastewater enterprise’s primary source of revenue s consists of annual wastewater base fees for service, standby fee, and maintenance standby fees. The standby fee cannot be increased at this time for legal and other reasons. However, the maintenance stand-by fee is subject to an annual increase equal to the greater of the Consumer Price Index (CPI) or 5 percent. For purposes of this rate analysis, 5 percent is the assumed annual increase to be applied to the maintenance stand-by fee.

The table shown below identifies the District boundaries (Salton city, Vista Del Mar, Desert Shores) single type of class, units, annual rate, and usage rate.

Salton CSD Current Rates	# Equivalent Dwelling Units	Annual Rate Per EDU
Base Fees		
Single Family Residential	1,823	\$ 640.74
Multi-Family Residential	132	\$ 640.74
SC Elementary School (Per Student	589	\$ 15.53
SC High School (Per Student)	474	\$ 46.53
Total Base Rate Units	3,018	
Extra Lots Stand-By Fee	18,368	\$ 21.00
Mainteance Stand-By Fee	16,958	\$ 16.18
Commodity Charge per CCF	\$ 7.70	

Revenue from existing rates

As shown in the table below, in fiscal year ended 6/30/2019, SCSD's costs exceeded operating revenues by \$36,565.00. While operating revenue exceeded costs in FY20 and FY 21, the excess was not adequate to fully fund recommended reserve accounts. The approved budget for FY 22 and proposed budget FY 23, project further losses from operations. The goal is to generate enough revenue to fund operating costs, debt service, operating reserves, emergency reserves and capital improvement reserves to promote sustainability for the wastewater enterprise. It will be necessary to utilize non-operating revenue to fully fund reserve accounts.

SCSD Profit & Loss	Actual FY19	Actual FY 20	Actual FY 21	Approved Budget FY 2022	Proposed Budget FY 2023
Operating Revenue	\$ 1,821,487	\$ 1,745,729	\$ 2,027,702.65	\$ 1,849,650.90	\$ 1,864,500.00
Operating Costs	\$ 1,789,053	\$ 1,469,679	\$ 1,502,651.69	\$ 1,694,450.00	\$ 1,900,072.00
Debt Repayment	\$ 54,842	\$ 54,842	\$ 43,759.67	\$ 117,000.00	\$ 117,000.00
Capital Expenditures	\$ 14,157.00	\$ 55,787.49	\$ 204,900.58	\$ 178,500.00	\$ 84,000.00
Reserve Account Funding	\$ (36,565.00)	\$ 165,420.84	\$ 276,390.71	\$ (140,299.10)	\$ (236,572.00)

Revenue sufficiency associated with current rates

The table shown below indicates the current rates will not fully support the expenditures. SCSD has been experiencing some operating cost increases as a result of a large number of leaks on their force mains throughout the system due to age. Part of the goal of this rate study is to provide adequate revenue for force main replacements and any unforeseeable expenditures, operations, and maintenance to keep the system in good working order. The table below indicates the system will be operating at a deficit over the next 5 years if rates are not increased. Even with projected non-operating revenue, the wastewater enterprise will fall short of recovering all costs.

Current Rate Revenue Over/(Under) Costs for Five-Year Period	6/30/2024	6/30/2025	6/30/2026	6/30/2027	6/30/2028	5-Year Total
Estimated Annual Revenue from Base Rates at C	\$1,943,958	\$1,943,958	\$1,943,958	\$1,943,958	\$1,943,958	\$9,719,788
Estimated Annual Revenue - Usage Rates	\$155,026	\$155,026	\$155,026	\$155,026	\$155,026	\$775,130
Total Operating Revenue	\$2,098,984	\$2,098,984	\$2,098,984	\$2,098,984	\$2,098,984	\$10,494,918
Operating Costs (assumed annual inflation rate)	\$ 2,036,514	\$ 2,128,157	\$ 2,223,924	\$ 2,324,000	\$ 2,428,580	\$11,141,175
Debt Service	\$ 116,885	\$ 116,885	\$ 116,885	\$ 116,885	\$ 45,500	\$513,038
Operating Reserve	\$ 50,913	\$ 53,204	\$ 55,598	\$ 58,100	\$ 60,715	\$278,529
Emergency Reserve	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$100,000
Capital Improvement Reserve	\$ 398,998	\$ 398,998	\$ 398,998	\$ 398,998	\$ 398,998	\$1,994,992
Total Costs of Operation	\$ 2,623,309	\$ 2,717,244	\$ 2,815,405	\$ 2,917,983	\$ 2,953,793	\$ 14,027,735
Operating Revenue over/(Under) Operating Costs	\$ (524,326)	\$ (618,260)	\$ (716,421)	\$ (819,000)	\$ (854,810)	\$ (3,532,817)
Plus Non-Operating Revenue	\$ 63,007	\$ 63,007	\$ 63,007	\$ 63,007	\$ 63,007	\$ 315,035
Net Income/(Loss)	\$ (461,319)	\$ (555,253)	\$ (653,414)	\$ (755,993)	\$ (791,803)	\$ (3,217,782)

4. Budget

The purpose of the wastewater enterprise budget is to ensure the system's revenues balance with its expenditures and needed reserves. To achieve a balanced budget, the utility should assess the following items with respect to future operational and capital needs, including the impact of inflation, and wastewater use trends:

- Current budget and historical revenues and expenses from the past two to four fiscal years
- Current debt service (if there is any)
- Operating and non-operating revenues and costs
- Uncollectable accounts (as a % of sales)
- Any unplanned "emergency" expenses that occurred within the past several years
- Revenues from customers billings and other source of income for the past several years
- Required "reserve" levels necessary for the coming year
- Transfer to/from financial reserves

Operating Budget	Proposed Budget	Projected	Projected	Projected	Projected	Projected
	FYE 6/30/2023	FYE 6/30/2024	FYE 6/30/2025	FYE 6/30/2026	FYE 6/30/2027	FYE 6/30/2028
Salaries & Benefits	\$ 1,178,222	\$ 1,327,075	\$ 1,386,794	\$ 1,449,200	\$ 1,514,413	\$ 1,582,562
Uniforms Expense	\$ 1,500	\$ 1,568	\$ 1,638	\$ 1,712	\$ 1,789	\$ 1,869
Safety Supplies Expense	\$ 1,500	\$ 1,568	\$ 1,638	\$ 1,712	\$ 1,789	\$ 1,869
Work Boots Expense	\$ 1,000	\$ 1,045	\$ 1,092	\$ 1,141	\$ 1,193	\$ 1,246
Janitorial Supplies Expense	\$ 950	\$ 993	\$ 1,037	\$ 1,084	\$ 1,133	\$ 1,184
Janitorial Cleaning Expense	\$ 3,000	\$ 3,135	\$ 3,276	\$ 3,423	\$ 3,578	\$ 3,739
Bank Charges Expense	\$ 200	\$ 209	\$ 218	\$ 228	\$ 239	\$ 249
SM Check order Expense	\$ 500	\$ 523	\$ 546	\$ 571	\$ 596	\$ 623
Vehicle Maintenance Expense	\$ 10,000	\$ 10,450	\$ 10,920	\$ 11,412	\$ 11,925	\$ 12,462
Equipment Maintenance Expense	\$ 20,000	\$ 20,900	\$ 21,841	\$ 22,823	\$ 23,850	\$ 24,924
Fuel & Oil	\$ 45,000	\$ 49,500	\$ 51,728	\$ 54,055	\$ 56,488	\$ 59,030
Shop Supplies Expense	\$ 2,500	\$ 2,613	\$ 2,730	\$ 2,853	\$ 2,981	\$ 3,115
Other Vehicle Equipment Expense	\$ 1,500	\$ 1,568	\$ 1,638	\$ 1,712	\$ 1,789	\$ 1,869
SM CVWD water Service Expense	\$ 8,000	\$ 8,360	\$ 8,736	\$ 9,129	\$ 9,540	\$ 9,969
Electric Service	\$ 100,000	\$ 104,500	\$ 109,203	\$ 114,117	\$ 119,252	\$ 124,618
Cell Phone Expense	\$ 15,000	\$ 15,675	\$ 16,380	\$ 17,117	\$ 17,888	\$ 18,693
Underground Dig Alerts	\$ 1,500	\$ 1,568	\$ 1,638	\$ 1,712	\$ 1,789	\$ 1,869
Internet Service	\$ 1,500	\$ 1,568	\$ 1,638	\$ 1,712	\$ 1,789	\$ 1,869
Propane	\$ 1,000	\$ 1,045	\$ 1,092	\$ 1,141	\$ 1,193	\$ 1,246
Alarm Security	\$ 1,200	\$ 1,254	\$ 1,310	\$ 1,369	\$ 1,431	\$ 1,495
Solid Waste Disposal	\$ 250	\$ 261	\$ 273	\$ 285	\$ 298	\$ 312
Employees; Licenses	\$ 4,000	\$ 4,180	\$ 4,368	\$ 4,565	\$ 4,770	\$ 4,985
County Permits	\$ 1,500	\$ 1,568	\$ 1,638	\$ 1,712	\$ 1,789	\$ 1,869
State Permits	\$ 100	\$ 105	\$ 109	\$ 114	\$ 119	\$ 125
Memberships/Association Dues	\$ 7,750	\$ 8,099	\$ 8,463	\$ 8,844	\$ 9,242	\$ 9,658
Waste Discharge Permit Fees	\$ 37,000	\$ 38,665	\$ 40,405	\$ 42,223	\$ 44,123	\$ 46,109
Toxic Water Disposal	\$ 2,000	\$ 2,090	\$ 2,184	\$ 2,282	\$ 2,385	\$ 2,492
Sewer Lines Maintenance	\$ 15,000	\$ 15,675	\$ 16,380	\$ 17,117	\$ 17,888	\$ 18,693
Pump Station Maintenance	\$ 50,000	\$ 60,000	\$ 62,700	\$ 65,522	\$ 68,470	\$ 71,551
Sewer Pond Maintenance	\$ 15,000	\$ 25,000	\$ 26,125	\$ 27,301	\$ 28,529	\$ 29,813
Plumbing Supplies	\$ 1,000	\$ 1,045	\$ 1,092	\$ 1,141	\$ 1,193	\$ 1,246
Electrical Supplies	\$ 1,000	\$ 1,045	\$ 1,092	\$ 1,141	\$ 1,193	\$ 1,246
Hardware Supplies	\$ 1,000	\$ 1,045	\$ 1,092	\$ 1,141	\$ 1,193	\$ 1,246
Lab Testing	\$ 15,000	\$ 15,675	\$ 16,380	\$ 17,117	\$ 17,888	\$ 18,693
Professional Services	\$ 42,000	\$ 25,000	\$ 26,125	\$ 27,301	\$ 28,529	\$ 29,813
Professional Services - Koppel & Gruber	\$ 6,500	\$ 6,793	\$ 7,098	\$ 7,418	\$ 7,751	\$ 8,100
Smart Cover Monitoring	\$ 3,500	\$ 3,658	\$ 3,822	\$ 3,994	\$ 4,174	\$ 4,362
Building & Grounds Maintenance	\$ 10,000	\$ 10,450	\$ 10,920	\$ 11,412	\$ 11,925	\$ 12,462
Postage	\$ 1,200	\$ 1,254	\$ 1,310	\$ 1,369	\$ 1,431	\$ 1,495
Office Supplies	\$ 1,500	\$ 1,568	\$ 1,638	\$ 1,712	\$ 1,789	\$ 1,869
Fire Extinguisher	\$ 650	\$ 679	\$ 710	\$ 742	\$ 775	\$ 810
Express Shipping	\$ 200	\$ 209	\$ 218	\$ 228	\$ 239	\$ 249
Advertising	\$ 1,000	\$ 1,045	\$ 1,092	\$ 1,141	\$ 1,193	\$ 1,246
Liability Insurance	\$ 90,000	\$ 94,050	\$ 98,282	\$ 102,705	\$ 107,327	\$ 112,156
Legal Expense	\$ 85,000	\$ 88,825	\$ 92,822	\$ 96,999	\$ 101,364	\$ 105,925
SM Finance, Budgeting & Audit Expense	\$ 75,000	\$ 25,000	\$ 26,125	\$ 27,301	\$ 28,529	\$ 29,813
Technical Support Services	\$ 1,500	\$ 1,568	\$ 1,638	\$ 1,712	\$ 1,789	\$ 1,869
Property Tax Collection Service	\$ 10,000	\$ 10,450	\$ 10,920	\$ 11,412	\$ 11,925	\$ 12,462
GASB 68 Reports	\$ 3,000	\$ 3,135	\$ 3,276	\$ 3,423	\$ 3,578	\$ 3,739
Election Costs	\$ 200	\$ 209	\$ 218	\$ 228	\$ 239	\$ 249
Travel	\$ 2,000	\$ 2,090	\$ 2,184	\$ 2,282	\$ 2,385	\$ 2,492
Training	\$ 4,000	\$ 12,000	\$ 12,540	\$ 13,104	\$ 13,694	\$ 14,310
Physicals	\$ 1,000	\$ 1,045	\$ 1,092	\$ 1,141	\$ 1,193	\$ 1,246
Copies Lease/Maintenance	\$ 5,000	\$ 5,225	\$ 5,460	\$ 5,706	\$ 5,963	\$ 6,231
CA/US Flag	\$ 750	\$ 784	\$ 819	\$ 856	\$ 894	\$ 935
Subscriptions	\$ 200	\$ 209	\$ 218	\$ 228	\$ 239	\$ 249
Drug Testing	\$ 250	\$ 261	\$ 273	\$ 285	\$ 298	\$ 312
Bulk Water	\$ 1,500	\$ 1,568	\$ 1,638	\$ 1,712	\$ 1,789	\$ 1,869
Computer Software	\$ 4,000	\$ 4,180	\$ 4,368	\$ 4,565	\$ 4,770	\$ 4,985
Breakroom	\$ 250	\$ 261	\$ 273	\$ 285	\$ 298	\$ 312
Payroll Processing	\$ 4,500	\$ 4,703	\$ 4,914	\$ 5,135	\$ 5,366	\$ 5,608
Printing/Copying	\$ 500	\$ 523	\$ 546	\$ 571	\$ 596	\$ 623
District Function Expenses	\$ 200	\$ 209	\$ 218	\$ 228	\$ 239	\$ 249
Total Operating Costs	\$ 1,900,072	\$ 2,036,514	\$ 2,128,157	\$ 2,223,924	\$ 2,324,000	\$ 2,428,580

Reserve Funding

The AWWA standards guiding this wastewater rate study recommends a review of three types of reserves. However, if the District incurs debt that requires it, a debt reserve should also be established.

1. **Operating reserves:** Operating reserves are established to provide the utility with the ability to withstand short term cash flow fluctuations. The industry standard calls for 12.5 percent of the annual budget be held in operating reserves. To stabilize rates, the operating reserves are budgeted over the five-year period in this rate analysis.

1. **Emergency Reserves:** Emergency reserve are intended to help utilities deal with short-term emergencies, such as mainline breaks or pump failures. The emergency reserve amount recommendation is based on the cost of the immediate replacement or reconstruction of the system’s single most critical asset. The emergency reserve should be set at the replacement cost of the most expensive part that, if it failed, would be catastrophic to the system. Consultation with SCSD staff identified a target reserve of \$100,000. RCAC recommends that the District fully fund this emergency reserve account over the next five years at \$20,000 per annum.

2. **Capital improvement Reserve (CIP):** This reserve is to be used strictly to fund the portion of long- or short-term capital assets that are worn out or obsolete. Because a full schedule of equipment and infrastructure was not available for calculation of ideal annual reserve contributions, the amount of 2 percent of the wastewater system’s fixed assets of \$19,949,918 was budgeted as the target annual CIP reserve amount. That amount is \$398,998 annually or approximately \$2 million over the five-year period.

The table shown below indicates the target discussed with SCSD:

Type of Reserve	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Operating Reserve	\$ 50,913	\$ 53,204	\$ 55,598	\$ 58,100	\$ 60,715
Emergency Reserve	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
CIP Reserves	\$ 395,291	\$ 391,073	\$ 386,360	\$ 381,119	\$ 446,699
Total Reserves Funding	\$ 466,204	\$ 464,277	\$ 461,958	\$ 459,219	\$ 527,414

SCSD should make periodic transfers from its operating account to the various reserve accounts. In addition, RCAC suggest the District consider establishing separate accounts for each reserve. The benefit of splitting the reserves into four separate accounts are:

1. These reserves have different time horizons, for example operating and emergency reserves should be readily available. Capital improvement reserves funds can be invested in CDs with different maturity dates to coincide with the planned need or capital replacements.

- District policies can be established for each reserve type involving investment, access and use of funds.

5. Recommended Rates

The rate recommendation for SCSD wastewater service follows the same rate structure that is currently employed by SCSD. The table below identifies the class, current rates, and the recommended adjusted rate. The recommended base rate increase for all active residential and commercial customers connections increases from \$640.74 to \$838.41 annually. Rates for the two schools identified and connected with SCSD wastewater service will continue to charge per student at an increased rate of \$20.32 for the elementary school and \$60.88 for the high school. An annual 4 percent increase to base and usage rates and 5 percent for the stand-by fees after the first year will be necessary to offset the impact of inflation.

Recommended Rate Adjustment	#Units	EDUs	Current Annual Rate	Adjustment	Adjusted Rate	Average Annual Base Revenue
Single Family Residential	1,823	1,823	\$640.74	\$197.67	\$838.41	\$1,528,418.31
Multi-Family Residential	132	132	\$640.74	\$197.67	\$838.41	\$110,669.89
SC Elementary School (Per Student)	589	589	\$15.53	\$4.79	\$20.32	\$11,969.07
SC High School (Per Student)	474	474	\$46.53	\$14.35	\$60.88	\$28,859.26
Total Base Rates Revenue	3,018	3,018				\$1,679,916.53
Extra Lots Stand-By Fees	18368	18368	\$ 21.00	\$ -	\$ 21.00	\$ 385,728.00
Maintenance Stand-By Fees	16958	16958	\$16.18	\$0.81	\$16.99	\$288,099.46
Total Stand-By Fees	35,326	35,326				\$ 673,827.46
Commodity Charge	Rate Per ccf	Adjustment	Adjusted Rate	Billable Usage	Total Usage Revenue	
SC Commercial	\$ 7.70	\$ 2.38	\$ 10.08	16,162	\$ 162,835.31	
DS Commercial	\$ 7.70	\$ 2.38	\$ 10.08	3,972	\$ 40,016.23	
Total Usage/Commodity Charges				20,133	\$ 202,851.54	
Total Revenue						\$ 2,556,596

Impact of suggested rates on five-year period

Even with the recommended rate adjustment, non-operating revenue must be utilized to fully recover costs. The District will be unable to fully fund reserve accounts over the first four years. The shortage

will be recovered in year five, for a total capital replacement funding of \$2,000,542.00 over the five-year period.

Budget Assuming 5% Inflation per year	06/30/2024	6/30/2025	6/30/2026	6/30/2027	6/30/2028	5 Year Total
Total Monthly Required Reserves Fund	\$ 38,850	\$ 38,850	\$ 38,850	\$ 38,850	\$ 38,850	
Total yearly required reserve fund	\$ 466,204	\$ 464,277	\$ 461,958	\$ 459,219	\$ 527,414	\$ 2,379,072
Debt Service	\$ 116,885	\$ 116,885	\$ 116,885	\$ 116,885	\$ 45,500	\$ 513,038
Operating Costs	\$ 2,036,514	\$ 2,128,157	\$ 2,223,924	\$ 2,324,000	\$ 2,428,580	\$ 11,141,175
Total Operating Budget	\$ 2,619,603	\$ 2,709,318	\$ 2,802,767	\$ 2,900,104	\$ 3,001,494	\$ 14,033,286
	06/30/2024	6/30/2025 Assumes 4% Increase over Prior Year	6/30/2026 Assumes 4% Increase over Prior Year	6/30/2027 Assumes 4% Increase over Prior Year	6/30/2028 Assumes 4% Increase over Prior Year	
Estimated Annual Revenue From Base Rate	\$ 1,679,917	\$ 1,747,113.20	\$ 1,816,997.72	\$ 1,889,677.63	\$ 1,965,264.74	\$ 9,098,970
Estimated Annual Revenue - Usage Charges	\$ 202,852	\$ 210,965.61	\$ 219,404.23	\$ 228,180.40	\$ 237,307.61	\$ 1,098,709
Estimated Revenue from Maintenance Stand-By Fees (5% annual increase)	\$ 288,099	\$ 302,504.44	\$ 317,629.66	\$ 333,511.14	\$ 350,186.70	\$ 1,591,931
Estimated Revenue Stand-By Fees	\$ 385,728	\$ 385,728.00	\$ 385,728.00	\$ 385,728.00	\$ 385,728.00	\$ 1,928,640
Total Operating Revenue	\$ 2,556,596	\$ 2,646,311	\$ 2,739,760	\$ 2,837,097	\$ 2,938,487	\$ 13,718,251
Net Operating Revenue Over/(under) Operating Cost	\$ (63,007)	\$ (63,007)	\$ (63,007)	\$ (63,007)	\$ (63,007)	\$ (315,035)
Non-Operating Revenue						
Interest & Penalties	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00	\$ 175,000.00
Admin Fees -	\$ 25,032.00	\$ 25,032.00	\$ 25,032.00	\$ 25,032.00	\$ 25,032.00	\$ 125,160.00
Interest Income	\$ 2,975.00	\$ 2,975.00	\$ 2,975.00	\$ 2,975.00	\$ 2,975.00	\$ 14,875.00
Total Non-Operating Revenue	\$ 63,007	\$ 63,007	\$ 63,007	\$ 63,007	\$ 63,007	\$ 315,035
Net Income/Loss	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Adjusted Rate 5 Year Rate Schedule					
Rate Type	Year 1	Year 2	Year 3	Year 4	Year t
Base Rate	\$ 838.41	\$ 871.95	\$ 906.82	\$ 943.10	\$ 980.82
Maintenance Standby Fees	\$ 16.99	\$ 17.84	\$ 18.73	\$ 19.67	\$ 20.65
Standby Fees	\$ 21.00	\$ 21.00	\$ 21.00	\$ 21.00	\$ 21.00
Usage Rate	\$ 10.08	\$ 10.48	\$ 10.90	\$ 11.34	\$ 11.79

6. Conclusion and recommendations

Working closely with SCSD staff and management, RCAC evaluated SCSD rates to develop a sustainable, fair, and justifiable rate and fee structure. The recommended rates should meet the system's financial needs based on current system information and informed estimates of future conditions, but it is important to monitor actual revenue. Rates should be addressed at least annually while setting budgets to verify that they are still sufficient. A complete rate analysis should be completed every five years. When the recommended rate structure has been elected by the District, community outreach, education, and the Proposition 218 process should begin as soon as possible.

RCAC also recommends that SCSD adopts best practices to improve operating efficiency. These practices include developing an asset management plan, conducting an energy audit, and investigating sources of wastewater loss and non-revenue wastewater.

PROPOSITION 218

California approved Proposition 218 in 1996 requiring agencies to adopt property fees and charges in accordance with a defined public process found in article XIII D or by associated court decision. Water and wastewater rates are user fees under the definition and must meet the following requirements:

- Revenues derived from the fee or charge must not exceed the funds required to provide the property-related service.
- Revenue from the fee or charge must not be used for any purpose other than that for which the fee or charge is imposed.
- No fee or charge may be imposed for general governmental services, such as police, fire, ambulance, or libraries, where the service is available to the public in substantially the same manner as it is to property owners.
- The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership must not exceed the proportional cost of the service attributable to the parcel.
- The fee or charge may not be imposed for service, unless the service is actually used by, or immediately available to, the owner of the property in question.

Written notice should be given to both the record owners and customers within the area subject to the fee or charge. The notice shall include the following:

- The formula or schedule of charges by which the property owner or customer can easily calculate their own potential charge.
- The basis upon which the amount of the proposed fee or charge is to be imposed on each parcel. An explanation of the costs which the proposed fee will cover and how the costs are allocated among property owners.
- Date, time and location of a public hearing on the rate adjustment. The public hearing must occur 45 or more days after the mailing of the notice.
- A statement that there is a 120-day statute of limitations for challenging any new, increased or extended fee or charge.

California's Proposition 218 provides that a customer of the District or owner of record of a parcel or parcels subject to the proposed rate increases may submit a protest against any or all of the proposed rate increases by filing a written protest with the District at or before the time the public hearing has concluded. Only one protest per parcel is counted. If written protests are filed by a majority of the affected parcels, the proposed rate increases will not be imposed.