

**COST OF SERVICE ANALYSIS
FOR
SPALDING COMMUNITY SERVICES DISTRICT
SEWER RATES**

Prepared for:

**Spalding Community Services District
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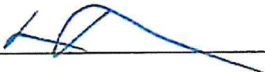


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Executive Summary and Recommendations

The Spalding Community Services District (SCSD) is mandated to be self-sufficient. Self-sufficiency means revenue generated must meet all expenses of the District. All user fees must reflect the actual cost of providing services rendered. The adopted user fee rate structure must proportionally distribute the approximate cost of service to those benefited by the service.

This Cost of Service Analysis (COSA) for Sewer Rates at SCSD reviewed several methods of rate structure. This COSA found the current EDU based rate structure to be equitable and non-discriminatory. ***Continuance with the current EDU based method is preferred and is recommended. Additionally, the current EDU based rate structure provides a very stable rate of annual income since it is not dependent upon variables such as sewer flow rate. Note, payment delinquencies must be addressed as soon as possible.***

This COSA reviewed actual audited financial reports for the past four years. ***Over the past four years the number of O&M users has remained very steady at about 726 so the average annual projected income from Sewer O&M Fees has been approximately \$226,000. Total annual Operating Expenses are increasing due to inflationary demands and are now projected at \$280,101 for Fiscal Year (FY) 2023/2024. This COSA found that Annual Expenses will exceed Annual Income at the rate of approximately \$54,000 for FY 2023/2024. Under the current O&M Fee rate structure SCSD will operate at a loss for FY 2023/2024 and beyond. A rate increase is necessary to fund this shortfall.***

It is important for the District to follow sound financial management practices. This includes maintaining a reasonable operating reserve, funding working capital, and maintaining a good credit rating. ***It is recommended that the District initially target a minimum operating reserve of approximately \$100k. It's not possible to fully fund this in one budget cycle so it is recommended that the District build up (accrue) this reserve amount over the five year period of this proposed rate structure (\$20k per year added to the Operating Reserve for a total of \$100,000).***

In the current SCSD Annual Report, the District Board has stated the following goals relative to facilities:

- Continue making needed repairs to the District's facilities (replace siding, make repairs, paint, etc.)
- Continue making needed deferred maintenance repairs to the District's sewer system.

No funds dedicated to deferred repairs and maintenance have been available for some time due to ongoing budget constraints. ***It is recommended that the District budget the annual amount of \$50k to \$60k to be applied to a Deferred Repairs and Maintenance Fund. Over the 5 years of this proposed series of rate increases this fund has the potential to accrue \$250,000.***

To meet the minimum financial needs of the District, this COSA projected five years of annual budgets beginning with FY 2023/2024 and running through FY 2027/2028. The current Sewer O&M Fee is \$312 per year, or \$26 per month. ***To minimize the financial impact on District customers, this COSA recommends adopting a FY 2023/2024 Sewer O&M Fee rate increase of \$10 per month, taking the monthly Fee from \$26 to \$36. The corresponding annual Fee increase takes it from the current \$312 to \$432 per year. In addition, this COSA recommends adopting a FY 2024/2025 Sewer O&M Fee rate increase of \$6 per month, taking the monthly Fee from \$36 to \$42. The corresponding annual Fee increase takes it from \$432 to \$504 per year. This would***

be followed by an estimated 4% cost-of-living only increase for each of the remaining three years. The increases for these three years would actually be limited to the current Consumer Price Index, a reflection of actual inflation values. The 4% cost-of-living increases included in this study are only an estimate intended to give customers an approximate budget value for rate increases. Note that the current CPI recently dropped below 4% and has been trending down.

Introduction

Spalding Community Services District (District) is committed to providing a safe, affordable, and reliable wastewater collection, treatment, and dispersal system for its customers. To accomplish this, the District currently levies a simple user fee rate for services provided to customers. Sewer rates are required to be set at levels sufficient to cover the costs of: (1) ongoing operations and maintenance; (2) repair of system facilities; (3) acquisition of materials and supplies; (4) labor and administration; (5) capital improvements, and (6) maintenance of adequate cash reserves.

Any rate increase(s) shall be governed by the need to meet actual operating and capital costs, maintain adequate debt coverage, and build reserve funds. It is critical for the District to maintain reasonable reserves in order to handle emergencies, fund working capital, maintain a good credit rating, and generally follow sound financial management practices.

The District is mandated to be self-sufficient. Self-sufficiency means revenues generated from utility sales, services, and other sources must meet all expenses, both operating and nonoperating, of the District.

User charges shall reflect the actual cost of providing services rendered. The rate structure must proportionally distribute the approximate cost of service to those benefited by the service. An equitable rate structure must consider all user classes, and rates must be placed according to benefit and use. There are a number of factors that should be considered when developing or updating a rate structure. The rate structure should :

- Generate sufficient revenue to pay for the actual total cost of providing service, including all operational costs, as well as funding of necessary reserve accounts and debt service.
- Rates must distribute the costs of the system fairly across all user classes,
- Enable the customer accounting to be easily performed, and
- Be easily understood and accepted by the consumer.

Background

Spalding Community Services District (SCSD) is a California community services district. Community service district law was established to allow residents of an unincorporated area local control of governmental functions, including the ability to raise money for those functions by levying fees and taxes. SCSD was formed to provide sewer, fire, and recreation services. This study addresses the financing and rates for the sewer fund only. Funding for the SCSD wastewater system is collected through annual and quarterly user fees.

The SCSD wastewater system is known as a STEP/STEG system. The system starts with individual septic tanks located at each customer. The septic tank provides primary treatment to the wastewater, basically removing of the solid material found in the waste. What's left is liquid and sludge. The nearly clear liquid moves by gravity or is pumped through a screen into a collection

system of pipes. The rest is sludge that stays in the tank until it is necessary to have it pumped out.

The liquid discharge from the septic tanks is called "effluent" and is gravity fed and/or pumped through the pipe system to twenty acres of lined evaporation ponds (three ponds total) located across County Road A1 at Spalding Road. These ponds, nearly odor free, take oxygen from the air and use sunlight to provide a secondary level of treatment removing carbon, nitrogen, phosphorous, and other nutrients from the effluent. There is enough evaporation to keep up with the inflow so that no water is discharged into the ground water. The system is rated to handle 25.8 million gallons annually. Average annual flow since 2010 is 3.98 million gallons. The system operates under Amended Waste Discharge Requirement WDID 6A180506011 from the California Regional Water Quality Control Board Lahonton Region. The permit includes a Monitoring and Reporting Program.

SCSD is comprised of approximately 360 acres and serves a permanent population of less than 200 residents and a seasonal population of approximately 800 summer residents and visitors. The wastewater system consists of approximately 576 "users" representing approximately 726 equivalent dwelling units (EDU's) which are typically billed quarterly for the O&M Fee. Note that approximately 1,306 pay the annual Bond assessment on their property taxes.

The collection system includes four pumping stations, each with a back-up generator. Approximately 62 sewer service locations require pumps at the septic tank. Maintenance of septic tanks and pumps is the responsibility of the owner.

The District was rewarded in 2022 with an exemption from past requirement to utilize a State Certified Wastewater Treatment Operator Grade II to gain compliance. Typically, it has been necessary for the District to contract with a Grade II Operator to gain compliance for operation.

In 2012 the District implemented a 3% increase in sewer fees. This is the only increase the District has had since the system was installed.

Cost of Service Analysis Methodology

The methodology of this Cost of Service Analysis (COSA) is generally consistent with industry standards established by the American Water works Association (AWWA) for water systems, as documented in their *Principles of Water Rates, Fees, and Charges: Manual of Water Supply Practices M1*.

The COSA process typically begins with a revenue analysis by reviewing the current rate structure, reserve funds, and income trends and then comparing to forecasted operating and reserve costs to establish the adequacy of existing rates. Rates may need to be increased if a shortfall exists or is projected to occur.

Typically, the next step in the process is to predict trends in system usage. Some operational expenses are related to expected system usage, power costs at lift stations for example. Actual system use (wastewater flow volume) is influenced by the number of occupants in a home and the amount of occupancy throughout the year. Seasonal users generally discharge less wastewater than full-time residents. Rates are then designed to equitably recover costs from customers.

Operational costs are typically divided into two categories, Fixed Expenses and Variable Expenses. Fixed Expenses are those that are related to the day-to-day operations of the District, irrespective of the amount of wastewater volume actually collected from customers. Fixed Expenses include office staffing, supplies, rent, taxes, etc. Variable Expenses are those that are directly attributable to physically collecting wastewater from the customers on a daily basis. These include electricity for the lift stations, some repairs, etc.

It is important for the District to follow sound financial management practices. This includes maintaining a reasonable operating reserve, funding working capital, and maintaining a good credit rating. The District's approach with regard to these objectives is recommended as follows:

- Meeting Annual Operating and Maintenance Costs: The District's operating budget must identify the District's actual annual expenditures for operating and maintaining the utility. The District should update and adopt a budget each year. Currently, the Total Operating Expenses for SCSD are projected to be approximately \$280k for FY 2023/2024. ***Sewer Rates must be set to cover these actual Operating Expenses.***
- Maintaining a Reasonable Operating Reserve: This is cash on hand to cover unforeseen emergency expenses that exceed budgeted amounts. A typical target value is an operating reserve of twenty-five percent (25%) of the annual Operating and Maintenance expenditures. This represents about three months of normal operating expenses. Total Operating Expenses are projected to be around \$400k annually by FY 2026/2027. ***It is recommended that the District initially target a minimum operating reserve of approximately \$100k. It's not possible to fully fund this in one budget cycle so it is recommended that the District build up (accrue) this reserve amount over the five year period of this proposed rate structure (\$20k per year added to the Operating Reserve for a total of \$100,000).***
- Maintaining Adequate Debt Service Coverage Ratios: The District does not carry any debt other than the original Bond Debt Service. This is covered in annual assessments outside of the Annual Operating and Maintenance Costs covered by this Cost of Service Analysis. ***No Debt Service Coverage Ratio is necessary.***
- Capital Improvement Program Reserve: Typically, the final component of the Revenue Requirements is funding of a Capital Improvement Program (CIP). SCSD does not have a Capital Improvement Program. In their Annual Report, the District Board has stated the following goals relative to facilities:
 - o Continue making needed repairs to the District's facilities (replace siding, make repairs, paint, etc.)
 - o Continue making needed deferred maintenance repairs to the District's sewer system.

No funds dedicated to deferred repairs and maintenance have been available for some time due to ongoing budget constraints. ***It is recommended that the District budget the annual amount of \$50k to \$60k to be applied to a Deferred Repairs and Maintenance Fund. Over the 5 years of this proposed series of rate increases this fund has the potential to accrue \$250,000.***

Rate Design Analysis

Typically, the *rate design analysis* is concerned with the equitable allocation of the total revenue requirements between the various customer classes (e.g., residential, non-residential, etc.). The

revenue analysis, discussed above, determines the utility's overall financial needs, while this rate analysis determines the fair and equitable manner to collect the revenue required.

SCSD is a very simple wastewater collection, treatment, and dispersal system. Wastewater from all customers is collected into the pipe network from individual septic tanks. Four lift stations pressurize the pipeline that runs out to the treatment/dispersal ponds. In effect, there is a single Operational Zone. ***The District does not have special collection zones that might have differing Variable Expenses.***

Similarly, the cost to treat and disperse the wastewater at the ponds is similar for all customer classes. For example, there are no non-residential customers that require an enhanced collection or treatment/dispersal. In essence, the District has one Commodity Block. It is assumed that effluent from all customers is similar in nature and strength. It should be District policy to require that all non-residential customers discharge wastewater in nature and strength similar to typical residential wastewater. This can be achieved at the septic tank, which is a maintenance and financial responsibility of the individual property owner.

Rates must consider how fixed and variable fees are designed to collect the target level of revenues and achieve other District goals such as revenue stability and project financing. The following are types of rate structures common to wastewater systems:

- **Equivalent Dwelling Unit (EDU)** - An EDU is basically a typical single-family residential household. It is the unit of measure by which the user is charged for sewer services. It is calculated and imposed upon each improved property served. A single-family residence is assessed one EDU while an RV Park will be assessed multiple EDU's. Industry standard flow rates for a sewer EDU vary, but a commonly accepted rate is 250 gallons per day.
- **Uniform Flat Rate** – All customers pay the same amount. This is easy to administer but is not considered fair to those producing less waste than others and this rate structure is not considered appropriate for SCSD.
- **Biochemical Oxygen Demand (BOD) or Wastewater Strength** – BOD is a measure of wastewater strength and the resulting effort necessary to treat the wastewater. Dischargers with higher levels of BOD are charged at a higher rate under the assumption that the necessary additional treatment is more costly. As noted above, it is assumed that all SCSD customers discharge wastewater in nature and strength similar to typical residential wastewater. The District does not have any additional treatment demands that would result in higher expenses and rates and this rate structure is not considered appropriate for SCSD.
- **Water Usage** - Sewer fees are sometimes based on actual wastewater discharge flow into the system. With this rate structure a base rate established to recover Fixed Expenses to the District, and a usage rate is charged based on actual metered usage to recover Variable Expenses. Most often the flow rate impact to the system is actually based on water usage since most water supplies are metered. SCSD customers are not on a community water supply system and water flow rates are not metered. Customers that use more water produce more wastewater and have a larger impact on District costs.

Current Rate Structure

Equivalent Dwelling Unit (EDU) - SCSD currently utilizes the EDU rate structure. SCSD charges an annual Operations and Maintenance Fee (O&M) of \$312.00 per Equivalent Dwelling Unit (EDU). SCSD currently has 576 Customers that are listed as **Single O&M Fee Customers (1 EDU)**.

An additional 48 Customers are listed as **Multiple O&M Customers** and represent an equivalent 150 O&M Fees. Commercial and multi-family (duplex, for example) facilities are considered Multiple O&M Customers. Most of the Multiple O&M Customers are equivalent to 2 to 5 EDU's. Two Customers have higher equivalencies of 15 (Hotel) and 35 (RV Park). The total equivalency number of all O&M Fee Service Accounts is currently at 726. Note that this is the value that determines total annual income to the District ($726 \times \$312 = \$226k$).

Note, Customers have the option to pay the \$312 Annual Fee on a quarterly basis. Quarterly payments are currently \$78.00, which totals \$312.00 annually. On a monthly basis the current annual fee of \$312 is \$26 per month.

The District lists a Sewer Connection/Disconnect Fee of \$200 per EDU. The District has an additional fee of \$35.00 per hour for Wastewater Assistance, service calls to customer owned facilities.

Rate Equity

Equivalent Dwelling Unit (EDU) - All SCSD Customers have equal access and opportunity to the use of the sewer system. The entire sewer system must be in place and operational at all times, regardless of actual use. An EDU based rate structure is one option typically used to assess costs to the various users, whether they be residential or commercial, or whether they be full-time versus seasonal. The current EDU based structure does not differentiate between full-time occupancy and part-time seasonal occupancy. It does not differentiate between owner-occupied and rental. It does not differentiate between a 600-square foot single-wide mobile home and a 2,500-square foot home. All single-family residential households are deemed to be one "Equivalent Dwelling Unit".

The current EDU based rate structure *does* differentiate between single-family residential units and multi-family uses or commercial uses. Multi-family uses are easy to quantify in terms of the number of EDU's, one EDU one per each residential unit. Non-residential uses are a little harder to quantify in terms of EDU's. The most typical method to determine an appropriate EDU count for a non-residential use is to complete a "fixture-unit" analysis using values and guidelines from the California Plumbing Code. A secondary method is to monitor actual water and compare to a typical residential use. A third method is to adopt a schedule of EDU values for a variety of land uses. All methods can be used to establish the equivalent dwelling unit value to be used in assessing the sewer fee. It is recommended that SCSD adopt an EDU Schedule of Values to consistently and equitably assess all non-residential customers.

Water Usage - Instead of using an EDU based fee structure, another commonly used method is for the sewer fee to be based on actual wastewater discharge flow into the system, as mentioned above. Flow rate is the method most water suppliers use to assess costs to customers. The customer pays a basic monthly rate plus a fee based on the metered water usage. Fixed Expenses are recovered via the basic monthly fee and Variable Expenses are recovered via the usage fee. The more water you use the more you pay. Typically, a financial nexus analysis is completed that looks at two categories of operational expense, Fixed Expenses that are independent of the water usage (administrative, pipe replacement/repair, etc.) and Variable Expenses that are directly related to providing the water being used (electricity, pump replacement/repair, water source costs, etc.). This financial analysis is used to establish the relationship nexus between the base rate fee and the usage rate fee. As a reminder, fees must reflect the actual cost of providing

services rendered.

For SCSD the costs that would be apportioned to usage are really just the electricity costs to pump the wastewater at the lift stations. Some service and equipment replacement costs can also be attributed to usage. These costs for SCSD represent about 10% of total operational expense of the District. All other District costs are independent of wastewater flow rates so most District expenses would fall to the basic rate with very minor costs directed to individual sewer discharge flow rate. Collecting a usage fee isn't considered a practical option especially when the added cost of individual service flow monitoring is considered.

The EDU based method currently in place is considered equitable and non-discriminatory. Continuance with the EDU based method is preferred and is recommended.

Additionally, the EDU based rate structure provides a very stable rate of annual income since it is not dependent upon variables such as sewer flow rate.

Revenue Analysis

RATES

As stated above, the revenue analysis looks at the District's overall financial needs, basically, income versus expenses. The current Rate Structure is as follows:

<u>Item</u>	<u>Fee</u>
Sewer Connection/Disconnect	\$200.00
Sewer Operations and Maintenance Fee, Annual	\$312.00
Sewer Operations and Maintenance Fee, Quarterly	\$78.00
Wastewater Assistance	\$35.00 per hour

INCOME

Over the past four years the number of O&M users has remained very steady at about 726. Based on the current Rate Structure noted above, the actual total income from the current Annual Sewer Fee Rate of \$312 is projected to be \$226,512 for FY 2023/2024 (726 users x \$312).

EXPENSES

Total annual Operating Expenses are increasing due to inflationary demands and are now projected at \$280,101 for Fiscal Year (FY) 2023/2024.

For Fiscal Year 2023/2024, Annual Expenses are projected to exceed Annual O&M Fee Income at the rate of \$53,589. Under the current O&M Fee rate structure SCSD will operate at a loss for FY 2023/2024, increasing each year beyond, as some rate of inflation causes costs to rise continually. A rate increase is necessary to fund this shortfall and to fund recommended reserve accounts.

Projected Financial Data

To complete the financial analysis, it is necessary to include a five year projection of Income and

Expenses. Income is directly related to the number of users and service connections. This number has remained relatively stable over the past four years as indicated by the consistent annual income amounts reported above. Moving forward for the next five years there are no influencing factors that might suggest any sort of significant increase in the number of users and service connections. Unless Eagle Lake water levels rise back up to the launch ramp, and stay consistently higher, it is most likely that general occupancy at the Spalding community will stay the same. Very little growth or no growth is expected over the next five years. It is likely that the number of service connections and total EDU's will remain the same. Therefore no increase or decrease in users and service connections is projected to occur. It should be noted that treatment/dispersal design capacity of the system is sufficient for full buildout within the District, so funds for system expansion are not necessary.

The primary influencing factor impacting future Operating Expenses for SCSD is inflationary. For a number of years, it has been typical to confidently use an annual inflation factor of 3.0%. The actual long term average for inflation is closer to 3.25%. But we are all aware that actual inflation has recently far exceeded this value. Actual inflation for 2022 was on the order of 8.25%. So far for 2023 it is continuing higher than recent averages at nearly 5.0%. It is hopeful that this rate will continue to slowly moderate. It should be noted that over the sixty year period from 1960 to 2022, the average inflation rate was 3.8%.

Electric power costs have not tracked with inflation. For SCSD power is consumed to pump wastewater and to provide service to the office facilities. Electric power costs have increased at a rate far exceeding overall inflation rates. LMUD rates for April 2023 are approximately 33% higher than November 2022.

It is recommended that an annual inflation rate of 5% be used for the Fiscal Year 2022/2023 and 2023/2024 projections and a rate of 4% thereafter for the remainder of the five year projection (2024/2025 thru 2027/2028).

To minimize the financial impact on District customers, this COSA recommends adopting a FY 2023/2024 Sewer O&M Fee rate increase of \$10 per month, taking the monthly Fee from \$26 to \$36. The corresponding annual Fee increase takes it from the current \$312 to \$432 per year. In addition, this COSA recommends adopting a FY 2024/2025 Sewer O&M Fee rate increase of \$6 per month, taking the monthly Fee from \$36 to \$42. The corresponding annual Fee increase takes it from \$432 to \$504 per year. This would be followed by an estimated 4% cost-of-living only increase for each of the remaining three years. The increases for these three years would actually be limited to the current Consumer Price Index, a reflection of actual inflation values. The 4% cost-of-living increases included in this study are only an estimate intended to give customers an approximate budget value for rate increases. Note that the current CPI recently dropped below 4% and has been trending down.

As stated previously, the District should be budgeting to fund a dedicated Operating Reserve. *It is recommended that the District initially target a minimum operating reserve of approximately \$100k. It's not possible to fully fund this in one budget cycle so it is recommended that the District build up (accrue) this reserve amount over the five year period of this proposed rate structure (\$20k per year added to the Operating Reserve for a total of \$100,000).*

As stated previously the District should be budgeting for Deferred Repairs and Maintenance. *It is recommended that the District budget the annual amount of \$50k to \$60k to be applied to a Deferred Repairs and Maintenance Fund. Over the 5 years of this proposed series of rate increases this fund has the potential to accrue \$250,000.*

The Projected Budget for FY 2023/2024 thru FY 2027/2028 is shown on the **Budget and Rate Worksheet Model**, attached.

Proposed Rate Structure

Budget requirements and proposed rates have been projected for the next five year period beginning with Fiscal Year 2023/2024 and running through Fiscal Year 2027/2028. To meet the minimum financial needs of the District based on these projected budget expenses, a two-step rate increase is proposed. The first step will balance the budget in year one with nominal reserves accrued. The second step will fully fund reserve accounts as recommended above.

BUDGET PROPOSAL

A year one 38.46% rate increase in FY 2023/2024, followed by a 16.67% rate increase in year two, followed by 4% cost-of-living only increases for the following three years.

<u>Fiscal Year</u>	<u>Sewer Operations and Maintenance Fee</u>		
Existing	\$312.00, Annual	\$78.00, Quarterly	\$26.00, Monthly
2023/2024	\$432.00, Annual	\$108.00, Quarterly	\$36.00, Monthly
2024/2025	\$504.00, Annual	\$126.00, Quarterly	\$42.00, Monthly
2025/2026	\$524.00, Annual	\$131.00, Quarterly	\$43.68, Monthly
2026/2027	\$545.16, Annual	\$136.29, Quarterly	\$45.43, Monthly
2027/2028	\$567.00, Annual	\$141.75, Quarterly	\$47.25, Monthly

Projected Financial Data

Based on four years actual past history and using the three proposed alternative rate structures, the total annual revenue from Sewer O&M Fees is projected for FY 2023/2024 through FY 2027/2028, as follows:

PROJECTED BUDGET SUMMARY			
<u>Fiscal Year (FY)</u>	<u>Income</u>	<u>Expenses</u>	<u>Reserves</u>
2023/2024	\$313,632	\$280,101	\$33,531
2024/2025	\$365,904	\$291,305	\$74,599
2025/2026	\$380,540	\$302,958	\$77,582
2026/2027	\$395,786	\$315,076	\$80,710
2027/2028	\$411,642	\$327,679	\$83,963

Policy Decisions

Wastewater Assistance Fee

The District has a published Wastewater Assistance Fee that is currently set at an hourly rate of \$35.00. It should be revised to a fully loaded hourly rate that recovers actual cost to the District. It is recommended that the District establish and adopt a recoverable rate for Field staff and a separate rate for Administrative staff. Note regarding Service Callouts – If it is discovered that the reason for the service callout is on the customer side of the system then the customer should be billed for the Service Callout.

Rate Comparison

Proposed sewer service rates for SCSD are compared to other wastewater districts, as follows:

COMPARISON OF SEWER RATES

NAME		ANNUAL FEE	MONTHLY FEE	APPROXIMATE NUMBER OF SEWER ACCOUNTS
Spalding Community Services District				726
	Existing	\$ 312.00	\$ 26.00	
	Proposed 2023/2024	\$ 432.00	\$ 36.00	
	Proposed 2024/2025	\$ 504.00	\$ 42.00	
	Proposed 2025/2026	\$ 524.16	\$ 43.68	
	Proposed 2026/2027	\$ 545.16	\$ 45.43	
	Proposed 2027/2028	\$ 567.00	\$ 47.25	
Tehama County Sanitation District No. 1 (2023/2024)		\$ 866.88	\$ 72.24	182
Donner Summit PUD (2023/2024)			\$ 95.15	234
Sutter County Waterworks District No. 1 (Robbins)			\$ 103.50	74
Tulare County Resource Management Agency (2023)			\$ 59.61	98
Gualala Community Services District (2023/2024)		\$ 901.11	\$ 75.09	343
City of Portola			\$ 47.25	920
Geyserville Sanitation Zone		\$ 1,310.00	\$ 109.17	212
Sea Ranch Sanitation Zone		\$ 1,400.00	\$ 116.67	750
Penngrove Sanitation Zone		\$ 1,828.00	\$ 152.33	101
Westwood Community Services District (adopted 2019)			\$ 39.31	741
Plumas Eureka Community Services District			\$ 89.56	282
McCloud Community Services District			\$ 56.00	610
American Valley Community Services District (Quincy)			\$ 69.32	690
City of Alturas			\$ 42.79	1028
Jamestown Sanitary District			\$ 81.55	378

After five years of rate increases as proposed, SCSD rates will still be lower than most other districts of relatively similar size and function. This is a testament to the frugal nature of the Board and their commitment of time and expertise to the District.

Summary

Proposition 218 is a constitutional initiative, approved by California voters in November 1996, that significantly restricts local governments' ability to raise revenue. It applies to nearly 7,000 cities, counties, school districts, special districts, and other agencies. In essence, Proposition 218

requires that districts set rates on a cost-of-service basis, provide written notice of proposed changes, and hold at least one public hearing, to ensure compliance with Proposition 218.

Consistent with the cost-of-service principle, a typical Cost of Service Analysis calculates the amount of revenue the district needs to collect through charges to its customers to cover its anticipated costs including operating costs, capital improvement costs, and debt servicing costs. A rate structure is then designed to ensure that all costs are recovered fairly and equitably and that the rates will provide fiscal stability to the district for a set period of time.

Proposition 218 allows adoption of multiple year rate increases at a single public notice process and hearing. It should be noted that a District may adopt multiple year increases, but they are not required to actually follow through and implement the rate increases. Other sources of income (grants) may become available or financial projections (inflation) may be too conservative. The District Board should review actual budget conditions each year and decide if the adopted rate increases are necessary.