

SPALDING COMMUNITY SERVICES DISTRICT

BOARD OF DIRECTORS

SPECIAL MEETING AGENDA

JULY 31, 2023

12:00 PM

MEETING LOCATION

EAGLE LAKE COMMUNITY CENTER

502-907 MAHOGANY WAY, SUSANVILLE, CA 96130

530-825-3258

MEMBERS OF THE BOARD

MIKE ARNOLD, BOARD CHAIR

LARRY DOSS, BOARD VICE CHAIR

RANDY AUBREY, DIRECTOR

ED LAWSON, DIRECTOR

TED THOMAS, DIRECTOR



WELCOME TO THE SCSD BOARD MEETING - PLEASE SIGN IN

Welcome to the SCSD Board Meeting! Members of the public may provide public comment on any item on the Board's agenda, or on any item that is within the subject matter jurisdiction of this Board. Public comments are limited to five (5) minutes (unless the Chairman of the Board grants a longer period of time). Comments by members of the public on an item that appears on the agenda will only be allowed during consideration of the item by the Board.

1. CALL TO ORDER

2. ROLL CALL

___ Mike Arnold

___ Randy Aubrey

___ Larry Doss

___ Ed Lawson

___ Ted Thomas

3. PLEDGE OF ALLEGIANCE

4. PUBLIC COMMENT - Members of the public may provide public comment on any item on the Board's agenda, or on any item that is within the subject matter jurisdiction of this Board. Public comments are limited to five (5) minutes (unless the Chairman of the Board grants a longer period of time).

5. APPROVAL OF THE AGENDA

6. CONTINUING BUSINESS

A. NorthStar SCSD SEWER RATE STUDY

a. Review by the Board of Directors of NorthStar's submitted Cost of Service Analysis (Sewer Rate Study) regarding adjustments to Sewer Fees and continuing with the Proposition 218 process.

b. Board discussion

7. NEW BUSINESS

- A. Resolution 2023-09 Calling for a Hearing Pursuant to Proposition 218 Regarding Proposed Adjustments to Sewer Fees.
- B. Resolution Invoice from H2O Pro: EMERGENCY – Lift Stations #1 and #2 have pumps that are either not functional or are working at a limited capacity.

8. ADJOURN

NEXT REGULAR MEETING IS SCHEDULED FOR AUGUST 18, 2023 AT 3:00 PM

CONTINUING BUSINESS

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

Prepared for:

**Spalding Community Services District
PO Box 89
Durham, CA 95938**

Prepared by:



**111 Mission Ranch Blvd. Ste. 100
Chico, CA 95926**

July 27, 2023

Prepared by or under the supervision of:

Mark Adams, PE
RCE 34257



Exp 9-30-23

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 SCS D 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 SCS D 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 38.48% 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	\$380,424	\$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.

NEW BUSINESS

SPALDING COMMUNITY SERVICE DISTRICT
Resolution 2023-09

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SPALDING COMMUNITY SERVICES DISTRICT CALLING FOR A HEARING PURSUANT TO PROPOSITION 218 REGARDING PROPOSED ADJUSTMENTS TO SEWER SERVICE FEES

WHEREAS, in 2012, the Board of Directors of the Spalding Community Services District (the "District") previously adopted Resolution 2012-02 which established and imposed fees for sewer services (the "Service Fees") at the rates set forth therein; and

WHEREAS, in 2022 and 2023, the District undertook a rate study to analyze the current and future revenue requirements and the rate structure that should be adopted to proportionately allocate the costs of providing sewer service to its customers (the "2023 Rate Study"); and

WHEREAS, the 2023 Rate Study determined that the existing sewer system revenues are and will be insufficient to cover: (i) current and projected increases in the operations and maintenance costs of the District's sewer systems (the "Systems"); and (ii) the capital infrastructure improvements needed to repair, replace, and update the District's aging Systems, which would include acquisition of materials and supplies; labor and administration, and maintenance of adequate cash reserves; and

WHEREAS, the District must generate revenues in an amount sufficient to cover the District's ongoing costs of the Systems' operations, maintenance, and capital facilities; and

WHEREAS, California Constitution article XIII D, section 6 ("Article XIII D") requires that, prior to imposing any increase to the Service Fees, the District provide written notice of the following information (the "Notice") to the record owner of each parcel upon which the rate increases are proposed: (i) the amount of the rates for the Service Fees proposed to be imposed on each parcel, (ii) the basis upon which the rates for the Service Fees were calculated, (iii) the reason for the rate increases to the Service Fees, and (iv) the date time and location of the public hearing (the "Hearing") on the proposed rate increases; and

WHEREAS, pursuant to Article XIII D, the Notice is required to be provided to the affected property owners not less than forty-five days prior to the Hearing on the proposed rates.

NOW THEREFORE, BE IT RESOLVED, by the Board of Directors of the Spalding Community Services District as follows:

1. The Board of Directors finds and determines that the foregoing Recitals are true and correct and incorporates the Recitals herein by reference.
2. The Board of Directors hereby finds and determines that the rate increases to the Service Fees set forth in Exhibit "A" attached hereto and incorporated herein by reference are to be

proposed and considered pursuant to the requirements of Article XIII D at a public hearing to be held on September 15, 2023 (the "Public Hearing").

3. The Board of Directors hereby directs the District General Manager, or her designee, to mail, no later than August 1, 2023 the Notice pursuant to the requirements set forth in Article XIII D to the record owner of each parcel upon which the rate increases to the Service Fees are proposed for imposition and any known tenant directly liable for payment of the Service Fees.

4. This Resolution shall become effective immediately upon its adoption.

PASSED, APPROVED AND ADOPTED this 31st day of July, 2023 by the following vote:

AYES:

NOES:

ABSTAIN:

Mike Arnold, President
Board of Directors
Spalding Community Services District

Attest:

Secretary of the Board of Directors,
Spalding Community Services District

Spalding Cost of Services Analysis

(RATE STUDY)

07/31/23

EXHIBIT A

It is recommended that a \$10 per month increase be utilized for the Fiscal Year 2023/2024, retroactive from July 1, 2023; and a rate increase of \$6.00 for Fiscal Year 2024/2025. There will be up to a 4% increase based on the Cost of Living Index (Fiscal Years 2024/2025 through 2027/2028).



PROPOSITION 218 NOTICE

Notice of Public Hearing

Regarding Proposed Sewer Service Rate Increases

Hearing Date and Time: September 15, 2023 12:00 PM

Hearing Location: EAGLE LAKE COMMUNITY CENTER
502-907 Mahogany Way, Susanville, CA 96130

Basis of Proposed Rates

A *Cost of Service Analysis for SCSD Sewer Rates (Sewer Rate Study)* was recently conducted on behalf of the Spalding Community Service District (District) by NorthStar Engineering with support from District staff. The Study evaluated the District's 5-year budget projection and analyzed the District's capacity to implement its capital improvement and replacement plan while maintaining debt service and reserve requirements. The Study recommends increasing sewer service rates (O/M fees) to meet the revenue requirements of the District and addresses forecasts for increasing expenditures. The District's Board of Directors formally accepted this Study at a Special Meeting of the Board on July 31, 2023. The Sewer Cost of Service Analysis (Rate Study) can be viewed online at spaldingcsd.org and is also on file and available for public review at the Spalding Community Service District, 502-907 Mahogany Way, Susanville, CA 96130.

Background

The Spalding Community Service District was formed to provide sewer, fire, and recreation services. This study addresses the financing and rates for the sewer fund only. The SCSD sewer system is a STEP/STEG system, comprised of four pumping stations, each with three pumps and a back-up generator. The system operates under permits from the California Regional Water Quality Control Board Lahontan Region. The permits include a Monitoring and Reporting Program. SCSD is comprised of approximately 360 acres and serves a permanent population of approximately 200 residents and a seasonal population of approximately 800 summer residents and visitors. The wastewater system consists of approximately 726 users who are attached to the District's sewer system. ***In 2007 the District implemented a 3.0% increase in sewer fees. This is the only increase the District has had since the system was installed.***

Why is a Rate Adjustment Needed?

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. Wastewater services include system maintenance and repair, permit compliance including water quality monitoring, testing, and reporting, small and large-scale capital improvements, insurance utilities, regulatory fees and legal and accounting services. The District relies on revenues from sewer service rates to support operations and maintenance of the wastewater system while maintaining sufficient operational, improvement, and emergency reserves.

Over the past 10 years, the District has struggled with a steady increase in the cost of operations coupled with a stagnant income. Over the past three years, undue inflationary pressures have greatly impacted nearly every area in the cost of providing service, resulting in the District's inability to continue to provide the sewer services it is mandated to provide. The Cost of Service Analysis (Rate Study) concludes that SCSD requires an immediate rate increase, as well as annual rate increases to mitigate decreasing revenue while funding projected increasing expenditures. The Rate Study recommends that the District update its current sewer service rate structure to reflect the latest cost of service to each customer class (residential and commercial).

Proposed Sewer Rates

Below is the proposed rate for SCSD sewer service for the 2023/2024 fiscal year:

	Current Monthly Service Rate	Proposed Monthly Service Rate
Fixed Sewer Rate*	\$26.00 (\$78.00 quarterly)	\$36.00 (108.00 quarterly)

*Service Rate design is based on a monthly cost of service; however, customer invoicing occurs quarterly.

Rates for the remaining 4 years will follow the following:

Under the proposed rate change, the new sewer service rate for 2023/2024 would be \$108 quarterly (\$432.00 per year), effective retroactively July 1, 2023. For the 2024/2025 fiscal year, the rate would increase by \$6.00 each month: \$42/month, \$126/quarter, \$504/year. Each year thereafter for the following three years, from July 1, 2025 to June 30, 2028, the rates may be adjusted by a percentage increase of not more than 4% annually.

Compliance with Proposition 218

Pursuant to Article XII(D) of the California Constitution, Spalding Community Service District is proposing to increase sewer service rates. If a majority of property owners submit valid written protests against the proposed service rates and cost allocation adjustments, the District Board shall not adopt the proposed sewer rates which are subject to majority protest.

If adopted, the proposed sewer rates will become effective beginning October 1, 2023. Pursuant to California Government Code 53759, challenges to any new, increased, or extended fees or charges are subject to a 120-day statute of limitations.

What is Proposition 218 ?

In 1996, California voters approved Proposition 218, which amended the state constitution as it relates to the passage of property-related fees. "Prop 218" requires that local governments follow a strictly defined process for setting fees such as water or sewer bills.

Generally speaking, the District must (1) inform ratepayers that a proposed rate increase is being considered (this notice), (2) clearly demonstrate the basis on which these fees are calculated (the Wastewater Cost of Service Rate Study Report), and (3) hold a public hearing at least 45 days after noticing property owners, at which time the District hears all protests to the rate increase.

These rates are subject to "majority protest," meaning they cannot be passed if a majority of property owners (or renters/lessees, where the renter/lessee is financially responsible for the bill) impacted by the rate change submit written and signed protests opposing the increase.

To Protest These Changes

Per Proposition 218, all protests must be submitted in writing. If you have questions or comments about the proposed service rate changes or wish to protest, you may:

Address the Board of Directors: Attend the Public Hearing on September 15, 2023 at 12:00 pm at the Spalding Community Center, 502-907 Mahogany Way, Susanville, CA to submit a written protest to the Board.

Write: Written protests against the proposed rate change must be received by the District by the close of the public hearing on September 15, 2023 and must identify the owner(s) of the property, the parcel number (APN) or address of the affected property, and include the original signature(s) of the property owner(s). Renters/lessees may protest if they are financially responsible for the bill.

If the district receives written protests against the proposed rates by a majority of the affected property owners/renters/lessees prior to the end of the hearing, the District cannot approve the change.

Written protests must be brought or mailed to:

SPALDING COMMUNITY SERVICE DISTRICT
502-907 Mahogany Way, Susanville, CA 96130

Received NO LATER THAN:

Friday, September 15 @ close of public hearing

Original signature protests are required. Please note that emails, scans, and photocopies of signed protests will not be accepted.

This notice of Public Hearing provides information on the proposed sewer service rate changes as required by State law. This notice also provides information on how proposed rates have been calculated, the reasons for the required rate changes, and the process to submit a written protest of the proposed rates.

To receive more information or for additional questions about the proposed sewer service rate increases, please contact the District office via phone at (530) 825-3258 or email the District's General Manager at generalmanager@spaldingcsd.org.



PROPOSITION 218
OBJECTION TO PROPOSED RATE INCREASE

Submitted on or before the end of a Public Hearing on September 15, 2023 at 12:00 noon.

FROM: _____
Print Name of Rate Payer(s)

ADDRESS/APN # _____
Print Address of Affected Property or APN #

The ratepayer(s) identified above submits this objection to the proposed rate increase:

Please return to:

SPALDING COMMUNITY SERVICE DISTRICT
502-907 Mahogany Way
Susanville, CA 96130

SIGNATURE(s): _____

#2 _____

DATE: _____

RESOLUTION NO. 2023-11

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE SPALDING COMMUNITY SERVICES DISTRICT APPROPRIATING FUNDS, AND APPROVING THE ESTIMATE INVOICES FROM H2O PRO FOR THE REPAIR AND REPLACEMENT OF NECESSARY PUMPS AT LIFT STATIONS #1 AND #2.

WHEREAS, in Article 3.02 of the District Code Public Works Contracts which states in 3.02.010 (b) Each public project with a value greater than \$10,000 shall, in all instances be let to contract by formal bidding procedure; and

WHEREAS, the pumps at all the stations are old, and have not had proper maintenance. There are three pumps at each Lift Station, each pump acting as a backup if the preceding pump fails. Currently at these two Lift Stations, only one pump is functioning at the required level – the remaining two pumps have either failed, or are working at a limited capacity. If the remaining pumps fail, the entire system will fail at each Lift Station, which would cause a catastrophic emergency in the sewer system; and

WHEREAS, the formal bidding required by section 3.01.060(a) of the District Code does not apply “[...] where an emergency is deemed to exist and it is determined that service involving the public health, safety, or welfare would be interrupted if the normal procedure were followed (District Code, § 3.01.090 (a)(4)); and

WHEREAS, the Board of Directors of the Spalding Community Services District is required by California Government Code Section 61110(f) to annually adopt a budget prior to September 1st of each year; and

WHEREAS, H2O Pro has been a standing contractor with the District and provided the required services to the District in past problems with the Lift Stations;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Spalding Community Services District as follows:

Section 1. Incorporation of Recitals. That the foregoing recitals are true, correct, and constitute a substantive part of this Resolution.

Section 3. Formal Bidding Exemption and Waiver. The Board finds that the Estimate Invoices from H2O Pro for the repair and replacement of pumps at Lift Stations #1 and #2 are unique and, pursuant to section 3.01.090(a)(3) of the District Code, exempt from competitive bidding. The Board further finds that the failure of the Lift Stations constitutes an emergency where failure of this service would interrupt public health, safety, and welfare and so waives the competitive bidding as permitted by section 3.01.110 of the District Code.

Section 4. The Board hereby appropriates \$29,000.00 to line item 3001700 (Maintenance – Equipment) for the repair of pumps at Lift Stations #1 and #2.

Section 5. Severability. The provisions of this Resolution are severable, and it is the legislative intention to confer upon the whole or any part of the Resolution the powers herein

provided. If any provision of this Resolution shall be held unenforceable by any court of competent jurisdiction, the decision of such court shall not affect or impair any remaining provisions of the Resolution. It is hereby declared to be the legislative intent that this Resolution would have been adopted had such unenforceable provision not been included herein.

Section 6. Effective Date. This Resolution shall take effect immediately upon its adoption.

PASSED, APPROVED, and ADOPTED this ____ day of _____, 2023, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

ATTEST:

APPROVED:

Secretary of the Board

Chairman of the Board

Your H2O Pro

Estimate

P. O. Box 233
 Janesville, CA 96114
 (530) 253-3601

DATE	ESTIMATE NO.
6/29/2023	1036

NAME / ADDRESS
SPALDING COMMUNITY SERVICES DISTRICT 502-907 MAHOGANY WAY SUSANVILLE, CA 96130

Ship To
SPALDING CSD EFFLUENT PUMP STATION #1

QTY	DESCRIPTION	EACH	TOTAL
	<p>THE FOLLOWING ESTIMATE HAS BEEN COMPILED BASED ON A SITE INSPECTION AND BASED ON CLIENT SUPPLIED INFORMATION. SHOULD THE DETAILS VARY FROM WHAT HAS BEEN ESTIMATED/ANTICIPATED, THE FINAL BILLING WILL BE ADJUSTED ACCORDINGLY.</p> <p style="text-align: center;">**EFFLUENT PUMP REPLACE**</p> <p>1 TO FURNISH THE LABOR, MATERIAL, & EQUIPMENT NECESSARY TO REMOVE AND REPLACE THE EXISTING EFFLUENT PUMP #1 WITH A NEW 1 1/2 HP 75 GPM PUMP RESTING ON A NEW PITLESS ADAPTOR. UTILIZING OUR GENERATOR & PRESSURE WASHER, SANITIZE MATERIAL & EQUIPMENT AS NECESSARY.</p> <p>MATERIAL:</p> <p>1) 1 1/2 HP 75 GPM EFFLUENT PUMP 1) 2" PITLESS ADAPTOR 1) SPLICE KIT MISC. INSTALL ITEMS</p>	10,047.00	10,047.00

THANK YOU FOR THIS OPPORTUNITY TO SUBMIT AN ESTIMATE FOR YOUR CONSIDERATION!! VALID FOR 30 DAYS.	Subtotal
--	-----------------

	Sales Tax (0.0%)
--	-------------------------

Phone #	Fax #	E-mail	TOTAL
(530) 253-3601	(530) 253-2881	KERRI@YOURH2OPRO.COM	

Your H2O Pro

P. O. Box 233
 Janesville, CA 96114
 (530) 253-3601

Estimate

DATE	ESTIMATE NO.
7/6/2023	1040

NAME / ADDRESS
SPALDING COMMUNITY SERVICES DISTRICT 502-907 MAHOGANY WAY SUSANVILLE, CA 96130

Ship To
EFFLUENT PUMP STATION #2 SUSANVILLE, CA 96130

QTY	DESCRIPTION	EACH	TOTAL
	<p align="center">**REVISED 07/27/23**</p> <p>THE FOLLOWING ESTIMATE HAS BEEN COMPILED BASED ON CLIENT SUPPLIED INFORMATION. SHOULD THE DETAILS VARY FROM WHAT HAS BEEN ESTIMATED/ANTICIPATED, THE FINAL BILLING WILL BE ADJUSTED ACCORDINGLY.</p> <p align="center">**EFFLUENT PUMP #1 REPLACE**</p> <p>1 TO FURNISH THE LABOR, MATERIAL, & EQUIPMENT NECESSARY TO REMOVE AND REPLACE THE EXISTING EFFLUENT PUMP #1, WITH A NEW 1 1/2 HP 75 GPM EFFLUENT PUMPS RESTING ON THE EXISTING PITLESS ADAPTOR. UTILIZING OUR GENERATOR & PRESSURE WASHER, SANITIZE MATERIAL & EQUIPMENT AS NECESSARY. UPON PUMP REMOVAL, SHOULD ANY ADDITIONAL REPAIRS BE REQUIRED, THE COST IS EXCLUDED FROM THIS ESTIMATE.</p> <p>MATERIAL: 1) 1 1/2 HP 75 GPM EFFLUENT PUMP 1) SPLICE KIT MISC. INSTALL ITEMS</p> <p align="center">**EFFLUENT PUMP #2 REPLACE**</p> <p>1 TO FURNISH THE LABOR, MATERIAL, & EQUIPMENT NECESSARY TO REMOVE AND REPLACE THE EXISTING EFFLUENT PUMP #2, WITH A NEW 1 1/2 HP 75 GPM EFFLUENT PUMPS RESTING ON THE EXISTING PITLESS ADAPTOR. UTILIZING OUR GENERATOR & PRESSURE WASHER, SANITIZE MATERIAL & EQUIPMENT AS NECESSARY. UPON PUMP REMOVAL, SHOULD ANY ADDITIONAL REPAIRS BE REQUIRED, THE COST IS EXCLUDED FROM THIS ESTIMATE.</p>	6,049.88	6,049.88
		6,049.88	6,049.88

THANK YOU FOR THIS OPPORTUNITY TO SUBMIT AN ESTIMATE FOR YOUR CONSIDERATION!! VALID FOR 30 DAYS.	Subtotal
--	-----------------

	Sales Tax (0.0%)
--	-------------------------

Phone #	Fax #	E-mail	TOTAL
(530) 253-3601	(530) 253-2881	KERRI@YOURH2OPRO.COM	

Your H2O Pro

P. O. Box 233
 Janesville, CA 96114
 (530) 253-3601

Estimate

DATE	ESTIMATE NO.
7/6/2023	1040

NAME / ADDRESS
SPALDING COMMUNITY SERVICES DISTRICT 502-907 MAHOGANY WAY SUSANVILLE, CA 96130

Ship To
EFFLUENT PUMP STATION #2 SUSANVILLE, CA 96130

QTY	DESCRIPTION	EACH	TOTAL
1	<p>MATERIAL:</p> <p>1) 1 1/2 HP 75 GPM EFFLUENT PUMP 1) SPLICE KIT MISC. INSTALL ITEMS</p> <p style="text-align: center;">**EFFLUENT PUMP #3 REPLACE**</p> <p>TO FURNISH THE LABOR, MATERIAL, & EQUIPMENT NECESSARY TO REMOVE AND REPLACE THE EXISTING EFFLUENT PUMP #3, WITH A NEW 1 1/2 HP 75 GPM EFFLUENT PUMPS RESTING ON THE EXISTING PITLESS ADAPTOR. UTILIZING OUR GENERATOR & PRESSURE WASHER, SANITIZE MATERIAL & EQUIPMENT AS NECESSARY. UPON PUMP REMOVAL, SHOULD ANY ADDITIONAL REPAIRS BE REQUIRED, THE COST IS EXCLUDED FROM THIS ESTIMATE.</p> <p>MATERIAL:</p> <p>1) 1 1/2 HP 75 GPM EFFLUENT PUMP 1) SPLICE KIT MISC. INSTALL ITEMS</p> <p>**DISCLAIMER: PROJECT HAS BEEN ESTIMATED BASED ON ALL THREE (3) PUMPS COMPLETED AT THE SAME TIME, SHOULD CLIENT CHOOSE AN ALTERNATE DAYS FOR PUMP REPLACEMENT, ADDITIONAL LABOR FEES WILL APPLY.</p>	6,049.88	6,049.88

THANK YOU FOR THIS OPPORTUNITY TO SUBMIT AN ESTIMATE FOR YOUR CONSIDERATION!! VALID FOR 30 DAYS.	Subtotal
--	-----------------

	Sales Tax (0.0%)
--	-------------------------

Phone #	Fax #	E-mail	
(530) 253-3601	(530) 253-2881	KERRI@YOURH2OPRO.COM	TOTAL

3.01.040 PURCHASE ORDERS.
Reserved.

3.01.050 ENCUMBRANCE OF FUNDS.
Except in cases of emergency, the General Manager shall not issue any supplies or equipment unless there exists an unencumbered appropriation in the fund account against which the purchase is to be charged.

3.01.060 FORMAL PURCHASE REQUIREMENTS

(a) Except as otherwise provided in this Article, purchases of supplies and equipment of an estimated value greater than \$10,000 shall be awarded to the lowest responsible bidder pursuant to the formal bid procedure prescribed in this section.

(b) Notices inviting formal bids shall include a general description of the article or service desired, shall state where bid documents and specifications may be secured and the time and place for opening bids.

(c) Notices inviting formal bids shall be published at least ten days prior to the date of opening of the bids. Notices shall be published at least once in a newspaper regularly circulated in the District.

(d) The General Manager shall also solicit formal sealed bids from responsible suppliers whose names are on the approved vendor list, or who have made written request that their names be added thereto.

(e) Where deemed necessary by the General Manager, formal bids shall be accompanied by security, either cash, cashier's check, certified check, or surety bond, in a sum equal to ten percent of the total aggregate of the bid, and shall be designated in the notice inviting bids. Bidders shall be entitled to the return of bid security provided, however, that a successful bidder shall forfeit the bid security upon his refusal or failure to execute the contract within ten days after the notice of award of contract has been mailed, unless the District is solely responsible for the delay in executing the contract. The Board or General Manager may, upon refusal or failure of the successful bidder to execute the contract, award it to the next lowest responsible bidder who is willing to execute the contract, or may reject all bids and re-advertise.

(f) The District Board or the General Manager shall have authority, in their discretion, to require a faithful performance bond or other bonds before entering into a contract other than a public project contract. If bonds are required, the form and amount thereof shall be designated in the notice inviting bids.

(g) Sealed bids shall be submitted to the District and shall be identified as bids on the envelope. The General Manger, or designee, shall publicly open all bids at the time and place stated in the public notices. A tabulation of all bids received shall be available for public inspection in the purchasing office during regular business hours for a period of not less than 30 calendar days after the bid opening.

(h) In its discretion, the District Board may reject any and all bids presented and may re-advertise for bids pursuant to the procedure prescribed in this Article. However, when all bids exceed the authorized budgeted amount, the District may authorize rejection of all bids and authorize rebidding based upon the original specifications or as they may be modified, in accordance with procedures prescribed in this Article.

(i) Except as otherwise provided in this Article, formal bid contracts shall be awarded by the District Board to the lowest responsible bidder. The determination of lowest responsible bidder shall be at the discretion of the District Board pursuant to findings and recommendations presented by the General Manager at the time of award of contract.

(j) If two or more formal bids received are for the same total amount or unit price, quality and service being equal and if the public interest will not permit the delay for re-advertising for bids, the District Board may in its discretion accept the one it chooses or accept the lowest bid made by and after negotiation with the tie bidders at the time of the bid opening or award of contract.

3.01.070 ALTERNATIVE PROCEDURES FOR PURCHASES.

When no formal bids or no responsive bids are received, the General Manager is authorized to negotiate for written proposals, and the award, if any, shall be made in accordance with applicable provisions prescribed in this Article.

3.01.080 OPEN MARKET OR INFORMAL PURCHASING PROCEDURE.

(a) Purchases of supplies and equipment of an estimated value in the amount of \$10,000 or less may be made by the General Manager in the open market without observing the procedures prescribed in Section 3.01.060. Open market purchases shall, whenever possible, be based on at least three informal bids and shall be awarded to the bidder offering the most advantageous bid to the District, in the opinion of the General Manager, after consideration of price, quality, durability, servicing, delivery time, standardization, location of vendor, and other factors.

(b) The General Manager shall solicit informal bids by written requests to prospective vendors, or by telephone, or by public notice posted on a public bulletin board at the District offices. The General Manager shall keep a written record of all open market purchases and informal bids for a period of two years. This record, while so kept, shall be open to public inspection.

3.01.090 EXCEPTIONS TO COMPETITIVE PURCHASING REQUIREMENT.

(a) Notwithstanding any provision of this Article to the contrary, the competitive bidding and informal bidding procedures and requirements as described in the Article may be dispensed with in any of the following instances:

- (1) When the estimated amount involved is less than \$500.00;
- (2) When the commodity can be obtained from only one vendor;

(3) When the Board finds that the commodity is unique and not subject to competitive bidding;

(4) Where an emergency is deemed to exist and it is determined that service involving the public health, safety, or welfare would be interrupted if the normal procedure were followed;

(5) For an agreement with another governmental entity involving acquisition of supplies, equipment, or service on behalf of the District.

(b) Contracts for personal services, professional services, and consultant services may be executed without observing the bidding procedures provided in this Article. In the case of professional services, qualifications and experience to the benefit of the District shall receive first consideration. Upon determination of these factors, a price or fee may be negotiated.

3.02.100 REGULATIONS REGARDING SELECTION OF CONTRACT SERVICES.

The General Manager shall, by resolution, prescribe procedures, rules and regulations governing the solicitation, selection and award of proposals or bids for the furnishing of personal services or professional or consulting services or for other contractual services, the contracts for which may be awarded without observing the bidding procedures provided for in this Chapter. Such procedures, rules, and regulations shall have as one purpose the obtaining of contractual services of the highest quality together with cost effectiveness.

3.01.110 WAIVER.

The Board, in an appropriate circumstance as determined by the Board, may waive any provision of this Article when deemed in the best interest of the District.

Article 3.02 PUBLIC WORKS CONTRACTS.

3.02.010 PROCEDURE-TYPE DESIGNATED FOR BIDDING.

(a) Public projects of less than \$10,000 may be let to contract by informal bidding procedures (Public Contracts Code 20682.5)

(b) Each public project with a value greater than \$10,000 shall, in all instances, be let to contract by formal bidding procedure.

3.02.020 PROCEDURE-INFORMAL BIDDING.

(a) The notice inviting informal bids shall be by published notice and may, in addition, be supplemented by mailed notice. The General Manger may cause the notice to be printed as display advertising in such form and style as the General Manager deems appropriate. The notice shall describe in general terms the project to be done and state closing date for submission of such informal bids. Publication of notice pursuant to this section shall be in a newspaper of general circulation printed and published within the jurisdiction of the District. Notice