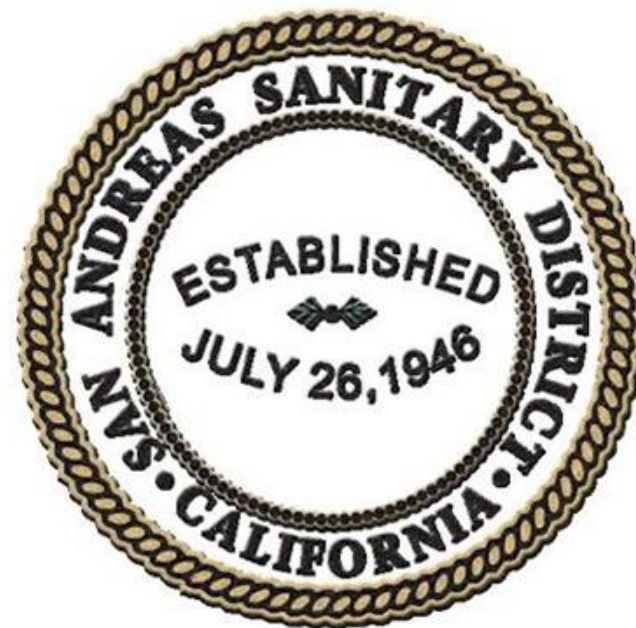




HILDEBRAND
CONSULTING



2024 Sewer Rate Study

Public Hearing

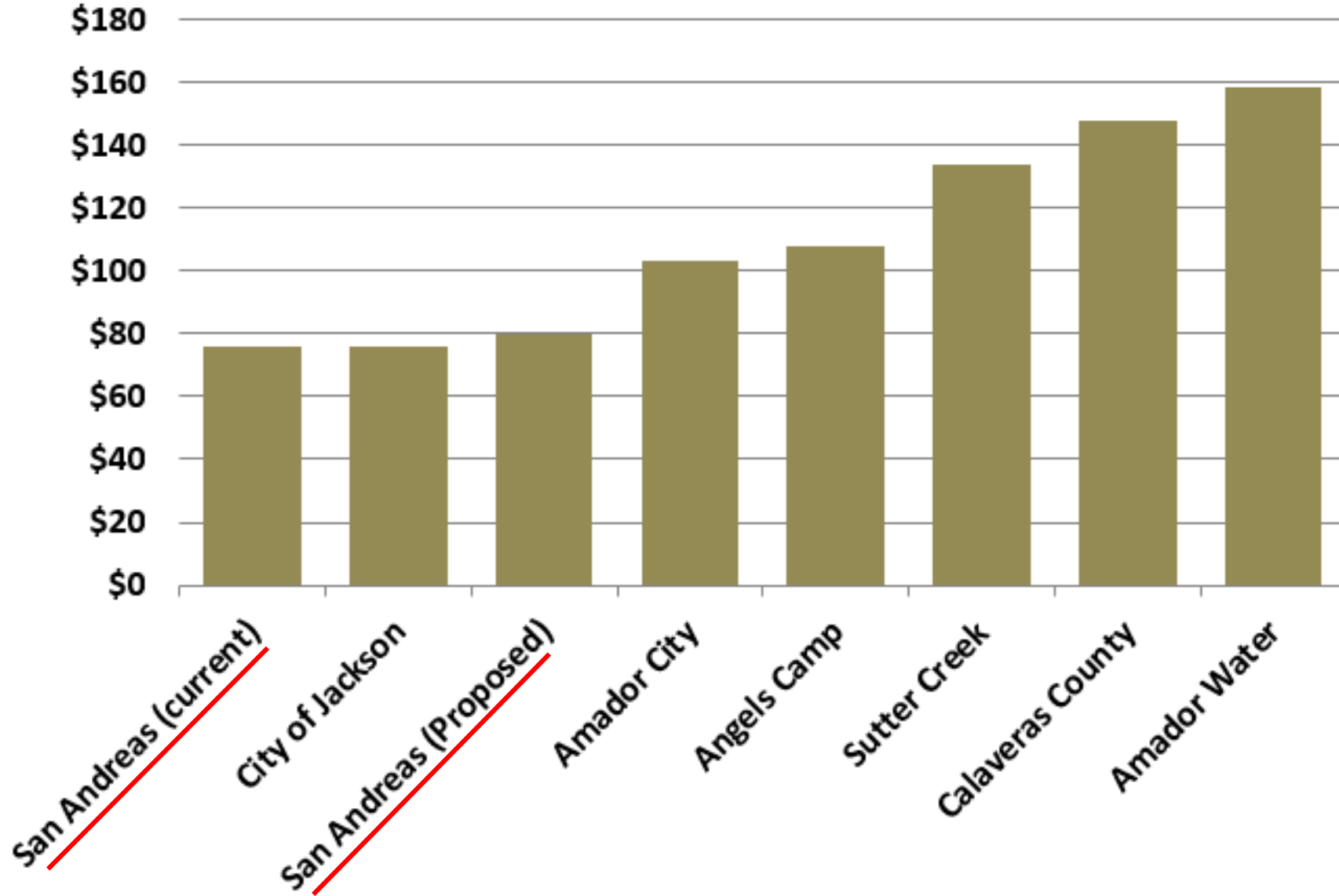
January 16, 2025

Agenda

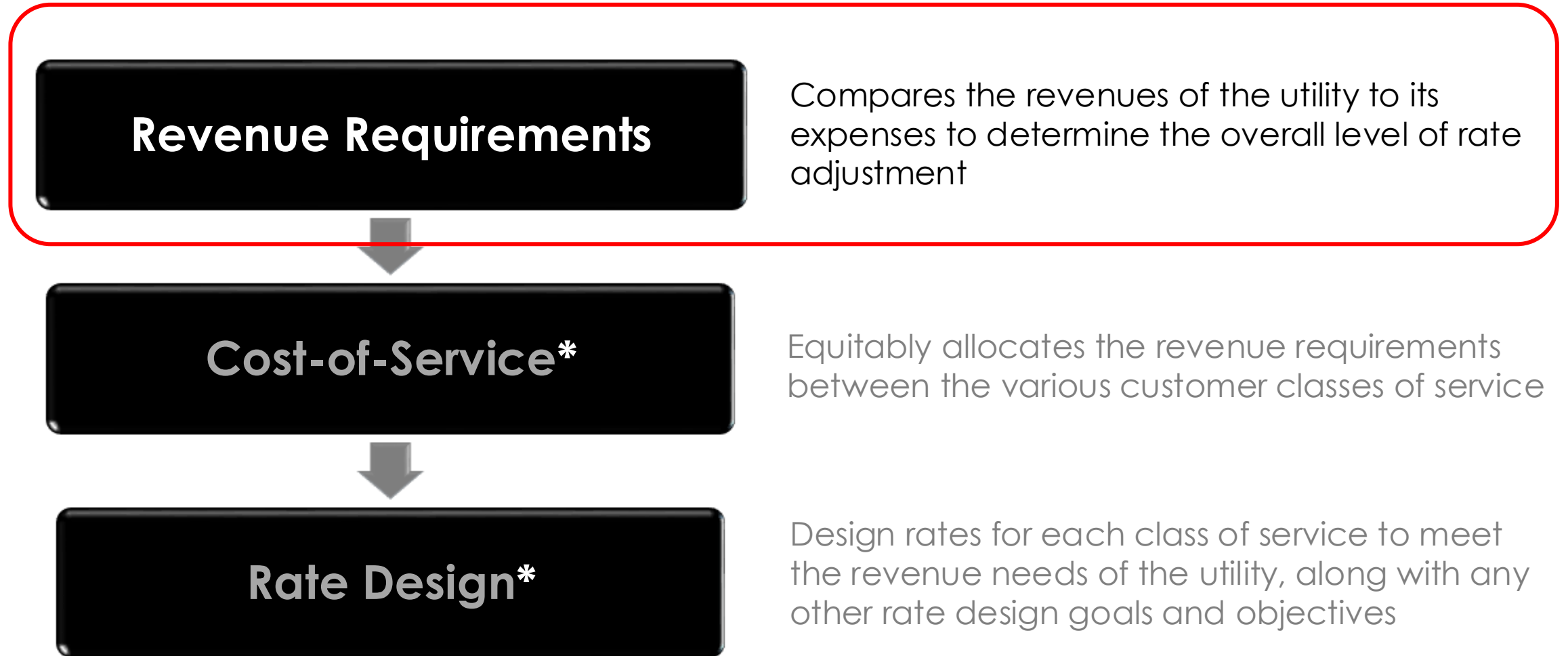
1. Utility Rate Setting 101
2. Scope of Work
3. Sewer Enterprise Financial Plan
4. Project Schedule

Monthly Sewer Bill Comparisons

Typical Single-Family Homes



The Rate Setting Process



* Not included in scope of work because findings from last study are still applicable.

Legal Requirements for Setting Water Rates In California

Proposition 218 (Article XIID, Section 6 of California Constitution)

- Revenues shall not exceed funds required to provide service; nor used for another purpose
- Amount shall not exceed the proportional cost of the service attributable to the parcel
- Service must be actually used or immediately available
- Approval process includes 45-day notice, public hearing, and written majority protest. Does not require a voting process (unlike taxes).

Revenue

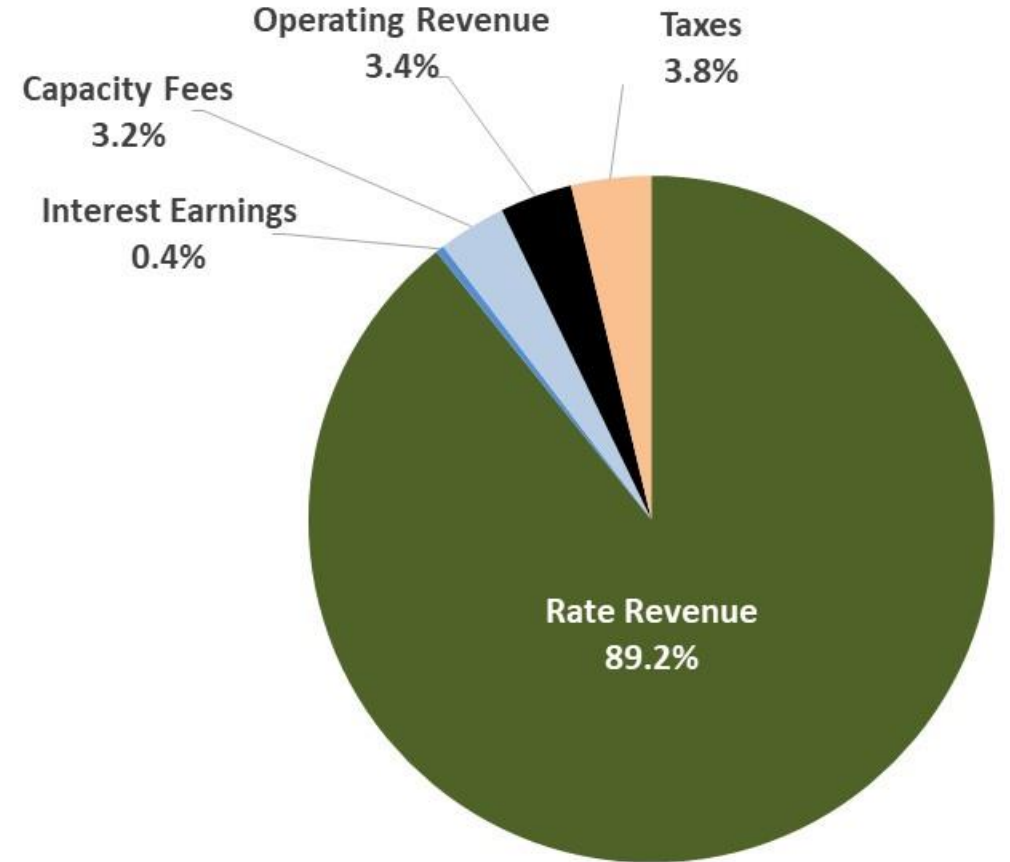
FY2024/25 Budget

Rate Revenue	\$1,753,000
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Non-Rate Revenue

Interest Earnings	\$8,000
Capacity Fees	\$63,000
Operating Revenue	\$67,000
Taxes	\$74,000

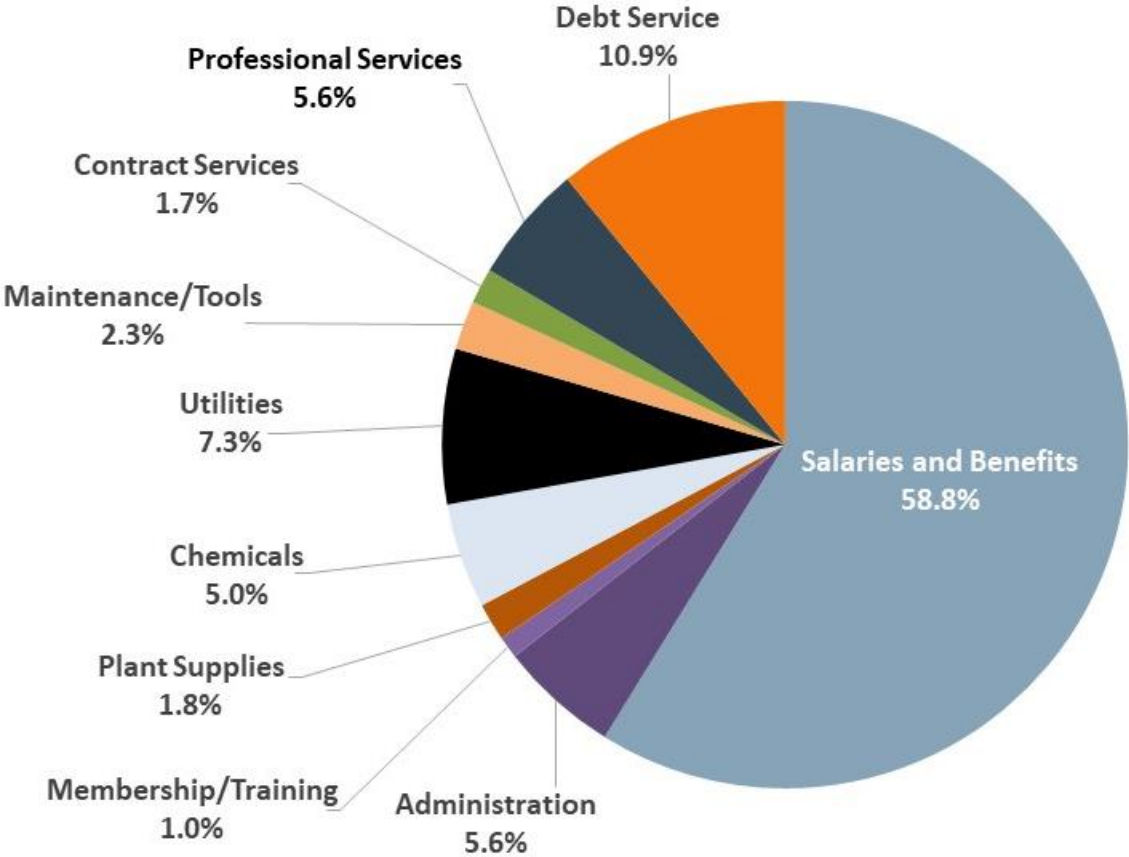
Total:	\$1,965,000
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Operating and Debt Expenses

FY2024/25 Budget

Salaries and Benefits	\$1,128,000
Administration	\$108,000
Membership/Training	\$20,000
Plant Supplies	\$34,000
Chemicals	\$95,000
Utilities	\$140,000
Maintenance/Tools	\$44,000
Contract Services	\$32,000
Professional Services	\$107,000
Debt Service	\$210,000
Total Budget:	\$1,918,000*



* Does not include capital spending. All operating costs are assumed to inflate by 3% per year for the next 10 years.

Recommended Reserve Targets

Strong financial practices/policies are in the interest of rate payers and contribute towards the District's credit rating.

Reserve policies serve to protect the District against unforeseen circumstances:

Operating Reserve: For changes in operating costs or disruption in revenue. Target = 3 months of O&M budget (currently \$477,000)

Emergency Reserve: Ensures timely response to natural disasters and/or other emergencies. Target = 50% depreciation expense (currently \$375,000)

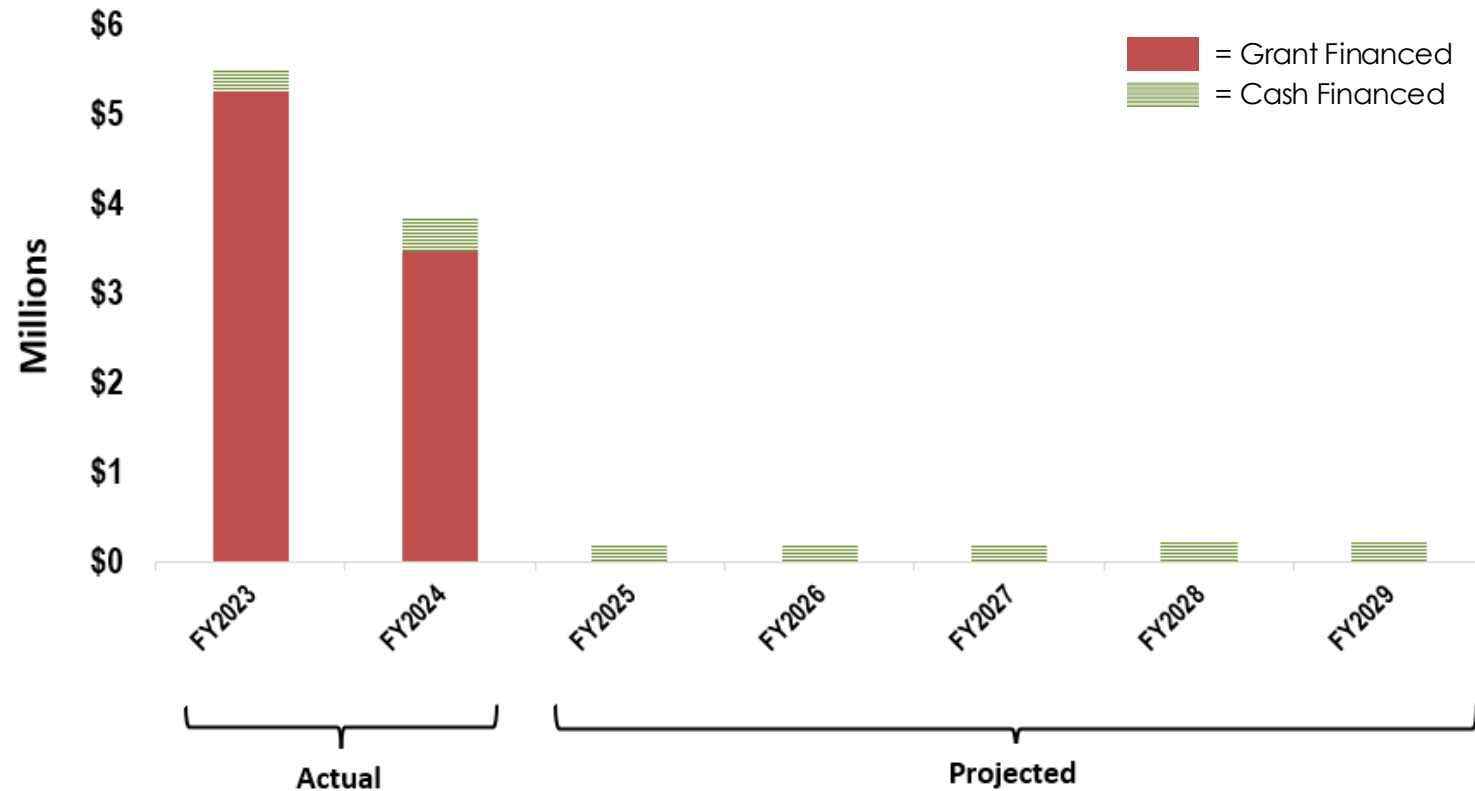
Equipment Replacement Reserve: Ensures timely replacement of District equipment. Target = Following year's budgeted replacement budget (average target = \$100,000)

Capital Reserve: Positions the District to receive grants by funding grant writing, preliminary engineering studies, and environmental documents. Target = \$300,000.

Debt Reserve: Required by most lenders to keep one year of debt service in reserves. Current reserve = \$210 thousand

Total Target = \$1.45 million

Projected Capital Spending



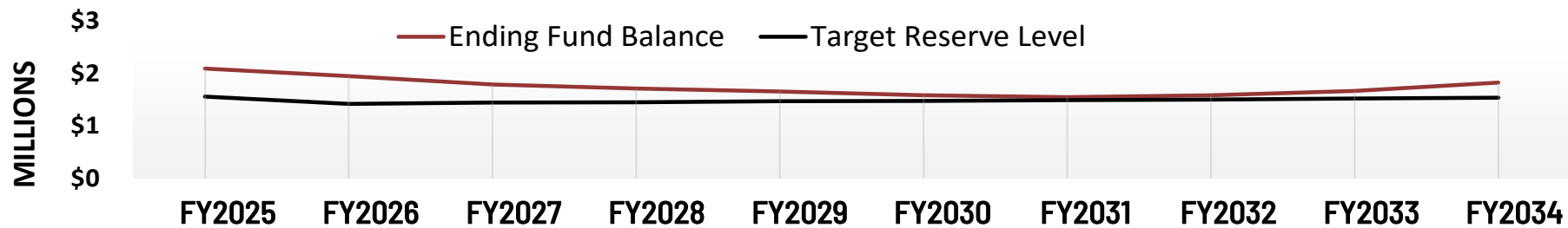
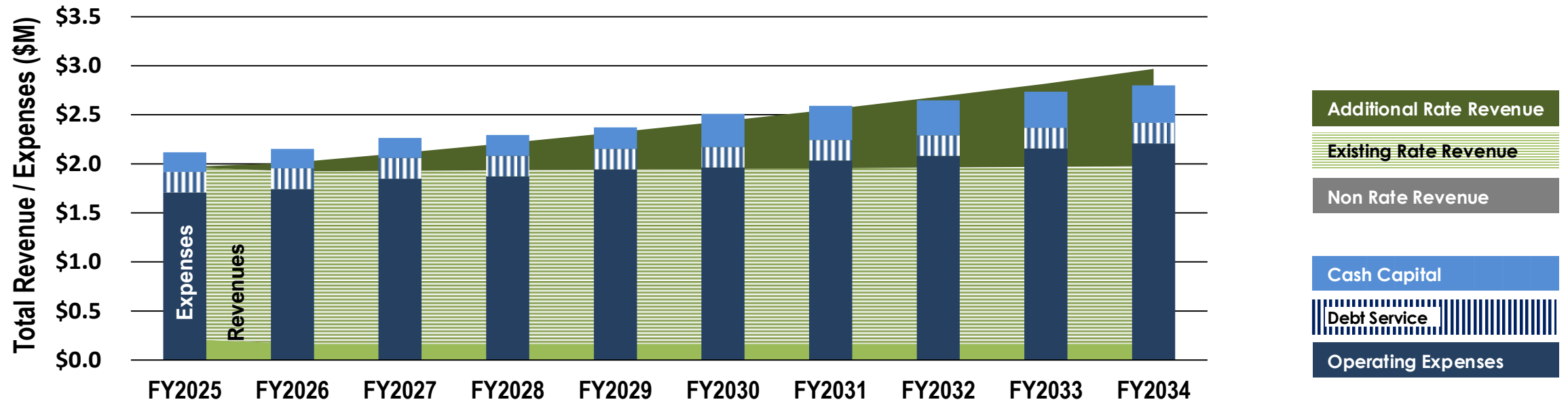
Cash-Funded Capital:

Historical: \$299 thousand per year

Projected: \$200 thousand per year, then increasing to \$300 thousand in FY2030

➤ Annual depreciation expense is \$450 thousand

Financial Forecast & Proposed Rate Revenue Increases



	Proposed					Forecasted				
Rate Revenue Increase:	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Debt Coverage Ratio:*	1.24	1.28	1.24	1.62	1.80	2.25	2.49	2.87	3.14	3.57

* Debt Coverage Ratio measures whether the District can afford its debt obligations. Minimum levels are 1.2 and target levels are 1.5.

Rate Increase Options at Board's Discretion

The Board recognizes that the District's actual future capital spending may be less than assumed by the financial plan (\$200 thousand per year in the near-term and \$300 thousand per year starting in FY2030.)

In the event that the District cash reserves grow more than forecasted because either (1) capital spending is lower than projected or (2) operating costs increase less than projected, the Board intends to implement rate increases that are lower than the maximum annual increase (5 percent per year).

5-Year Rate Schedule (with 5% rate increases)

		CURRENT	PROPOSED				
			July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029
Residential Rates:	Fixed Monthly Charge ¹	\$76.00	\$79.80	\$83.79	\$87.98	\$92.38	\$97.00
Commercial Rates							
Group 1:	Fixed Monthly Charge ^{2,4}	\$82.61	\$86.74	\$91.08	\$95.63	\$100.41	\$105.43
Low Strength, Low Flow	Variable Charge ³	\$5.15	\$5.41	\$5.68	\$5.96	\$6.26	\$6.57
Group 2:	Fixed Monthly Charge ^{2,4}	\$105.35	\$110.62	\$116.15	\$121.96	\$128.06	\$134.46
Medium Strength, Low Flow	Variable Charge ³	\$6.02	\$6.32	\$6.64	\$6.97	\$7.32	\$7.69
Group 3:	Fixed Monthly Charge ^{2,4}	\$444.98	\$467.23	\$490.59	\$515.12	\$540.88	\$567.92
Medium Strength, Medium Flow	Variable Charge ³	\$6.07	\$6.37	\$6.69	\$7.02	\$7.37	\$7.74
Group 4:	Fixed Monthly Charge ^{2,4}	\$1,505.20	\$1,580.46	\$1,659.48	\$1,742.45	\$1,829.57	\$1,921.05
Medium Strength, High Flow	Variable Charge ³	\$6.16	\$6.47	\$6.79	\$7.13	\$7.49	\$7.86
Group 5:	Fixed Monthly Charge ^{2,4}	\$229.27	\$240.73	\$252.77	\$265.41	\$278.68	\$292.61
High Strength, Low Flow	Variable Charge ³	\$7.67	\$8.05	\$8.45	\$8.87	\$9.31	\$9.78
Group 6:	Fixed Monthly Charge ^{2,4}	\$4,889.66	\$5,134.14	\$5,390.85	\$5,660.39	\$5,943.41	\$6,240.58
High Strength, High Flow	Variable Charge ³	\$6.91	\$7.26	\$7.62	\$8.00	\$8.40	\$8.82
Group 7:	Fixed Monthly Charge ^{2,4}	\$1,553.54	\$1,631.22	\$1,712.78	\$1,798.42	\$1,888.34	\$1,982.76
School	Variable Charge ³	\$6.00	\$6.30	\$6.62	\$6.95	\$7.30	\$7.67

¹ Per dwelling unit

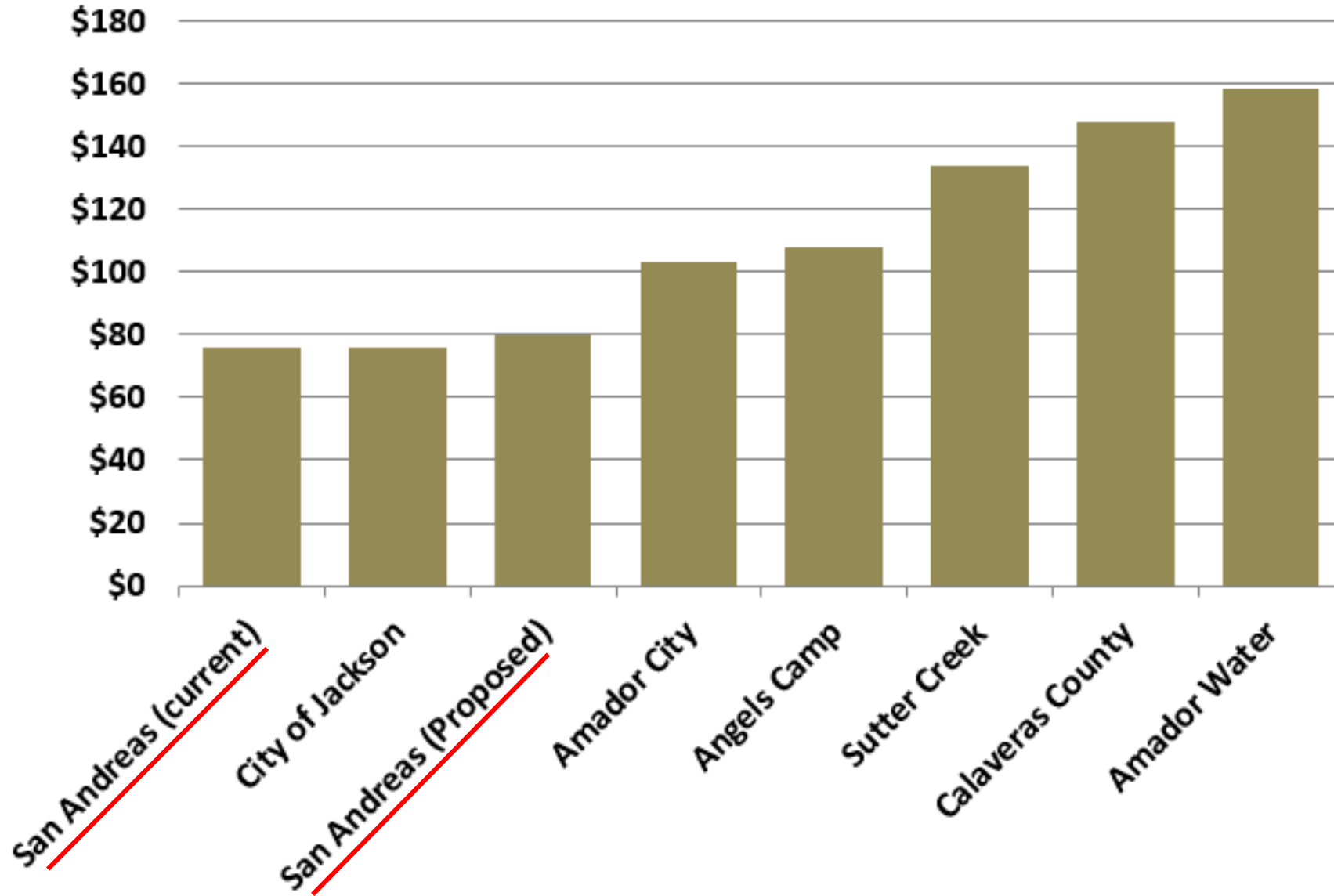
² Per account

³ Per 1,000 gallons

⁴ Includes 1000 gallons of water usage

Monthly Sewer Bill Comparisons

Typical Single-Family Homes



Next Steps

- Receive public comment
- Close Public Hearing
- Board deliberation
- Tally protest votes
- Board vote on proposed rates (only if protest count is below 50 percent)
- If passed, the first rate increase will occur July 1, 2025