

TO: BOARD OF DIRECTORS

FROM: MARIO IGLESIAS
GENERAL MANAGER

DATE: June 18, 2021

**AGENDA ITEM
E-1
JUNE 23, 2021**

**CONDUCT PROTEST HEARING, DETERMINE PROTEST STATUS,
AND IF THERE IS NOT A MAJORITY PROTEST,
CONSIDER ADOPTION OF RESOLUTION INCREASING
DISTRICT SEWER USER FEES**

ITEM

Conduct Protest Hearing, determine protest status, and if there is not a majority protest, consider adoption of Resolution increasing District sewer user fees [RECOMMEND CONDUCT PUBLIC HEARING AND IF THERE IS NO MAJORITY PROTEST, ADOPT RESOLUTION INCREASING SEWER USER FEES].

INTRODUCTION

The information provided in this staff report for your Board's review is sectioned under the following headings. A brief description of each heading is provided for clarity.

- Background – A brief history of prior Board actions
- Public Hearing for Rate Adoption and Rate Schedule
- Use of Sewer Revenue – Definition of how sewer revenue is to be applied
- Strategic Plan – How the item adheres to the District mission and vision.
- Fiscal Impact – Defines the purpose of proposing the item
- Recommendation – Staff's recommendation for the item
- Attachments – Supporting documentation needed to better understand item

In general, the item being heard by your Board discusses the necessity for adjusting the sewer rates and charges. The proposed rate schedule addresses rate adjustments for 5 years, starting January 1, 2021 with the last increase scheduled for January 1, 2025.

Table 1. Proposed Rate Schedule

Description	Current	Date of Increase				
		Aug 1, 2021	July 1, 2022	July 1, 2023	July 1, 2024	July 1, 2025
Residential Bi-monthly Fixed Charges						
Single Family	\$100.87	\$104.54	\$108.51	\$112.64	\$116.92	\$121.36
Multi-family	\$84.14	\$87.15	\$90.46	\$93.90	\$97.47	\$101.17
Non-Residential Bi-monthly Meter Charges by Size						
Up to 1 inch	\$39.83	\$54.88	\$56.97	\$59.13	\$61.38	\$63.71
1.5 inch	\$115.63	\$158.04	\$164.05	\$170.28	\$176.75	\$183.47
2 inch	\$183.84	\$250.88	\$260.41	\$270.31	\$280.58	\$291.24
3 inch	\$343.01	\$467.51	\$485.28	\$503.72	\$522.86	\$542.73
4 inch	\$570.39	\$776.98	\$806.51	\$837.15	\$868.96	\$901.99
6 inch	\$1,138.85	\$1,550.66	\$1,609.58	\$1,670.75	\$1,734.23	\$1,800.13
8 inch	\$1,820.99	\$2,479.07	\$2,573.27	\$2,671.06	\$2,772.56	\$2,877.91
Non-Residential Usage Rates (\$ per HCF)						
Low Strength	\$3.89	\$3.87	\$4.02	\$4.17	\$4.33	\$4.49
Medium Strength	\$4.32	\$4.27	\$4.43	\$4.60	\$4.77	\$4.95
High Strength	\$5.59	\$5.47	\$5.68	\$5.89	\$6.12	\$6.35
Mixed Use Usage Rates (\$ per HCF)						
Standard Comm with 10% High Strength	\$4.08	\$4.03	\$4.18	\$4.34	\$4.51	\$4.68
Standard Comm with 20% High Strength	\$4.25	\$4.19	\$4.35	\$4.51	\$4.69	\$4.86
Standard Comm with 30% High Strength	\$4.42	\$4.35	\$4.52	\$4.69	\$4.86	\$5.05
Standard Comm with 40% High Strength	\$4.61	\$4.51	\$4.68	\$4.86	\$5.04	\$5.24
Standard Comm with 50% High Strength	\$4.78	\$4.67	\$4.85	\$5.03	\$5.22	\$5.42
Standard Comm with 60% High Strength	\$4.96	\$4.83	\$5.01	\$5.20	\$5.40	\$5.61
Standard Comm with 70% High Strength	\$5.13	\$4.99	\$5.18	\$5.38	\$5.58	\$5.79
Standard Comm with 80% High Strength	\$5.30	\$5.15	\$5.35	\$5.55	\$5.76	\$5.98
Standard Comm with 90% High Strength	\$5.48	\$5.31	\$5.51	\$5.72	\$5.94	\$6.16

Table 1. Proposed Rate Schedule, provides an overview of the proposed residential, non-residential, and mixed use sewer rates through July 1, 2025. The April 2021 Town Sewer System Wastewater Rate Study [attached] provides the methodology and details on how these rates were constructed and serves as the District's administrative record.

BACKGROUND

The Nipomo Community Services District ("District") last completed a wastewater rate study for the Town Wastewater Enterprise ("Town Sewer") in August 2015. The last rate adjustment went into effect on January 1, 2020. Rate studies provide assurance to the Board that the financial needs to support the operational viability of each enterprise is defined and a funding plan is constructed. The District regularly completes rate studies for each of the enterprises it manages. In addition, rate studies provide the required administrative record for adjusting rates when and if necessary.

Tuckfield and Associates ("Tuckfield") has provided the District with a proposal to complete a Wastewater Rate Study for the Town Sewer system for a cost of \$26,200. The proposed cost is comparable to the rate studies completed by Tuckfield, including the 2015 Wastewater Rate Study for the Town Sewer system as well as the District's 2010, 2013, 2017 and 2020 Water Rate Studies. The completed work products provided by Tuckfield met the District's cost and content expectations and the District adopted each study and the recommended rate adjustments therein.

As part of the proposal, Tuckfield provided a forward looking 10-year financial evaluation of the revenue recovery needs of the Town Sewer system. The 10-year financial evaluation and a 5-year rate schedule would be presented to the District's Finance and Audit Committee (Committee) for review and consideration. Upon Committee recommendations, the Town Sewer draft rate study was presented to the Board for review and consideration.

On April 14, 2021, the Consultant presented a Draft Rate Study to the District's Board for review and comment. At that meeting the Board received the report, asked questions, and directed the Consultant to prepare a final draft of the Rate Study for the April 28, 2021 Board Meeting.

At your Board's April 28, 2021 Board Meeting, your Board took the following actions:

1. Approved the April 2021 Sewer Rate Study
2. Approved the Sewer Rate Adoption Schedule
3. Approved the Proposition 218 Rate Notice and directed staff to initiate Proposition 218 proceedings
4. Set 9:00 AM Wednesday, June 23, 2021, your Board's Regularly Scheduled Board Meeting, as the date and time for the public hearing.

PUBLIC HEARING FOR RATE ADOPTION

Adoption of new rates and charges requires a public hearing process in compliance with Proposition 218. Following your Board's April 28, 2021 approval of the Rate Study, a Public Notice was mailed to all owners of record and customers of record impacted by the proposed new fees. The sewer enterprise serves approximately 2,627 parcels. By State law, a successful majority protest vote requires 50%+1 or 1,314 of the parcel owners to file a valid written protest.

The schedule to rate adoption is as follows:

Date	Rate Adjustment Implementation Schedule
March 17, 2021	F&A Committee Meeting: Review Financial Needs Report
April 14, 2021	Board Meeting: Receives Rate Study Presentation
April 28, 2021	Board Meeting: Approves Rate Study, Initiate Prop. 218 Process
May 7, 2021	Last day to Mail 45-Day Prop 218 Notice
June 8, 2021	Community Outreach Meeting (Zoom Meeting)
June 21, 2021	45th day after May 7 [date Prop 218 Notice Mailed]
June 23, 2021	Board Meeting: Board Approves Rates – Public Hearing
August 1, 2021	Rate Becomes Effective

As of the date of this staff report, 5 written protests have been received. The written protests will be inspected for validity following the close of the hearing, if required.

USE OF SEWER REVENUES

The District's sewer system is operated as a separate enterprise from all other services it provides to the community. The revenues derived from the sewer rate increase do not exceed the funds required to provide sewer service because the rates are calculated to provide:

- Provide sufficient funds for on-going operation and maintenance for the District Sewer System.
- Rehabilitate, replace and upgrade facilities needed to provide services for the District Sewer System.
- Establish reserves to reduce risk and prudently manage the District's delivery of sewer services.

Sewer revenues collected from customers are deposited into designated accounts and cannot be used for any purpose other than that for which the charge is imposed as outlined above. For further information of the use of sewer revenues, please see the attached 2021 Sewer Rate Study.

STRATEGIC PLAN

The District is committed to operating all enterprise funds to be balanced and financially sound. Specific to reaching this outcome, the District focuses on maintaining reserves that cover unforeseen emergencies, anticipate cash flow variations, and sustain its debt service coverage ratios as required. In order to accomplish this, the rates and charges must reflect the cost of providing services, including the cost of replacing and/or rehabilitating aging facilities, daily operations and maintenance, and financial obligations of the District.

Goal 4. FINANCE. Maintain conservative, long-term financial management to minimize rate impacts on customers while meeting program financial needs.

FISCAL IMPACT

Historically, the District conducts rate studies every 5 years to look forward and determine if sewer rates and charges will meet the cost of service. The 2021 Sewer Rate Study demonstrates the need to adjust rates to maintain a fiscally sound sewer enterprise. If there is no majority protest vote, then the proposed rates will become effective starting August 1, 2021 and then July 1 of the subsequent four years (2022 through 2025).

Without increased rates as proposed, revenues will not meet expenditure demands, reserve levels will not meet District policy levels, and debt coverage requirements would fall below defined bond covenant levels.

RECOMMENDATION

Staff recommends as follows:

1. Conduct Public Hearing, receive Public Comment, and receive Written Protest;
2. Close Public Hearing;
3. Establish number of valid Written Protests that have been submitted per Prop 218 Article XIII D of the California Constitution;
4. If there is no majority protest, adopt Resolution 2021-xxxx Sewer Rate Increase; or
5. If there is a Majority Protest, direct staff to develop alternatives.

ATTACHMENTS

- A. Report on Sewer Rate Study, April 2021
- B. Resolution 2021-xxxx, Setting Bi-Monthly Town Sewer Rates and Charges
- C. Proposition 218 Notice to Owners of Record and Customers of Record
- D. Public Outreach Presentation

JUNE 23, 2021

ITEM E-1

ATTACHMENT A



Report on Town Sewer System

Wastewater Rate Study

For:

Nipomo Community Services

District

148 South Wilson Street

Nipomo, CA 93444

(805) 929-1133

Submitted By:

Tuckfield & Associates

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Newport Beach, CA 92660

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FINANCIAL CONSULTING
**TUCKFIELD &
ASSOCIATES**
MANAGEMENT CONSULTING

April 2021

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Tuckfield & Associates

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April 28, 2021

Mr. Mario Iglesias
General Manager
Nipomo Community Services District
148 South Wilson Street
Nipomo, CA 93444

Dear Mr. Iglesias:

I am pleased to present this report on the Wastewater Rate Study (Study) for the Nipomo Community Services District (District) Town Sewer System. The wastewater rates presented in this report have been developed based on cost of service principles and industry methods that result in fair and equitable rates for the users of the wastewater system in accordance with Proposition 218.

The Study included a review and analysis of the Town wastewater enterprise funds, user classifications, and current rate structure. The major objectives of the Study include the following.

- Generate positive levels of income in the Study period
- Maintain operating and capital reserves at or greater than target levels
- Maintain debt service coverage ratios at or greater than the minimum required
- Meet annual capital replacement spending from the water and wastewater rates and charges

From the analyses, it is recommended that the District implement wastewater rates that achieve overall revenue increases of 3.8 percent annually beginning August 1, 2021 and annually July 1, 2022 through July 1, 2025 to fund future obligations of the wastewater system and meet debt coverage requirements. Tables and figures throughout the report are provided to demonstrate the calculations.

It has been a pleasure to work with District staff during the performance of this Study. If there are any questions, please contact me at (949) 760-9454.

Very Truly Yours,

TUCKFIELD & ASSOCIATES



G. Clayton Tuckfield
President/Project Consultant

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Town Sewer System Wastewater Rate Study

NIPOMO COMMUNITY SERVICES DISTRICT

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Town Sewer System Wastewater Rate Study

NIPOMO COMMUNITY SERVICES DISTRICT

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Town Sewer System Wastewater Rate Study

NIPOMO COMMUNITY SERVICES DISTRICT

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Executive Summary

Introduction

The Nipomo Community Services District (District) engaged Tuckfield & Associates in January of 2021 to conduct a comprehensive Wastewater Rate Study (Study) for the District's Town Wastewater System (System). The District provides wastewater collection, treatment, and disposal service to two separate service areas with independent wastewater systems. The focus of this Wastewater Rate Study (Study) is for the Town Sewer System (System).

The Town collection system consists of 10 lift stations and about 38 miles of gravity sewer pipe ranging in size from 6 to 24 inches and about 5 miles of force main ranging in size between 4 to 8 inches. The wastewater collected is treated at the District owned and operated Southland Wastewater Treatment Facility (Southland WWTF). The treatment facility was upgraded in 2014 with several improvements following a phased implementation plan of upgrades and improvements identified in the NCSO Southland WWTF Master Plan Amendment #1. Improvements related to Phase 1 have been completed and the treatment capacity provided by the plant is currently 0.9 mgd.

The current wastewater rate structure consists of fixed and variable charges to residential, non-residential, and mixed use customers. Residential customers are charged a bi-monthly fixed charge. Non-residential customers are charged a fixed bi-monthly charge by meter size and a volume charge for low, medium, or high wastewater strength of the customer using their metered water sales volume. Mixed use customers are placed into one of nine strength categories and are charged a bi-monthly fixed charge by meter size and a volume charge based on the percentage of high strength of the wastewater discharged. Wastewater rates are listed in Table ES-1.

Customers of the System are predominately residential (single-family and multi-family) representing over 98 percent of the number of accounts. Non-residential customers are separated by strength category (low, medium and high) with low-strength being the largest non-residential group. Mixed use is a new classification created within the last 5 years with customers classified by the percentage of high strength of their wastewater. The number of wastewater single-family residential (SFR) customers are projected to increase at an annual rate of 0.5 percent.

Financial Plan

A forward-looking financial plan was prepared for the wastewater enterprise that projected the revenue and revenue requirements of the System. Annual costs of the System include operation and maintenance expense (O&M), annual routine capital outlay, replacement capital, other major capital improvements, and debt service. Projected O&M expenses include the District's FY 2020-21 Budget expenses for the first year, and projection of future years' expenses through application of inflation factors while recognizing any operational changes. Appendix A presents the historical and projected O&M expense detail of the System.

An analysis was performed that compared the projected revenue using the District's current wastewater rates with projected revenue requirements (costs) of the System. The analysis indicated that the current level of revenue being received should be increased. Revenue increases of 3.8 percent annually are recommended to

adequately meet future obligations, debt coverage requirements, and financial planning criteria. The wastewater financial plan is presented in Table 7.

Proposed Wastewater Rates

The proposed wastewater rates keep the current rate structure for existing customers and are updated to reflect current cost of service. For the first rate increase August 1, 2021, wastewater rates are adjusted to bring user classifications back to cost of service levels. For future rate adjustments, the wastewater rates are increased at 3.8 percent annually, following the increases in the financial plan. Table ES-1 presents the proposed wastewater rates to System customers.

**Table ES-1
Proposed Wastewater Rates**

Description	Current	Date of Increase				
		Aug 1, 2021	July 1, 2022	July 1, 2023	July 1, 2024	July 1, 2025
Residential Bi-monthly Fixed Charges						
Single Family	\$100.87	\$104.54	\$108.51	\$112.64	\$116.92	\$121.36
Multi-family	\$84.14	\$87.15	\$90.46	\$93.90	\$97.47	\$101.17
Non-Residential Bi-monthly Meter Charges by Size						
Up to 1 inch	\$39.83	\$54.88	\$56.97	\$59.13	\$61.38	\$63.71
1.5 inch	\$115.63	\$158.04	\$164.05	\$170.28	\$176.75	\$183.47
2 inch	\$183.84	\$250.88	\$260.41	\$270.31	\$280.58	\$291.24
3 inch	\$343.01	\$467.51	\$485.28	\$503.72	\$522.86	\$542.73
4 inch	\$570.39	\$776.98	\$806.51	\$837.15	\$868.96	\$901.99
6 inch	\$1,138.85	\$1,550.66	\$1,609.58	\$1,670.75	\$1,734.23	\$1,800.13
8 inch	\$1,820.99	\$2,479.07	\$2,573.27	\$2,671.06	\$2,772.56	\$2,877.91
Non-Residential Usage Rates (\$ per HCF)						
Low Strength	\$3.89	\$3.87	\$4.02	\$4.17	\$4.33	\$4.49
Medium Strength	\$4.32	\$4.27	\$4.43	\$4.60	\$4.77	\$4.95
High Strength	\$5.59	\$5.47	\$5.68	\$5.89	\$6.12	\$6.35
Mixed Use Usage Rates (\$ per HCF)						
Standard Comm with 10% High Strength	\$4.08	\$4.03	\$4.18	\$4.34	\$4.51	\$4.68
Standard Comm with 20% High Strength	\$4.25	\$4.19	\$4.35	\$4.51	\$4.69	\$4.86
Standard Comm with 30% High Strength	\$4.42	\$4.35	\$4.52	\$4.69	\$4.86	\$5.05
Standard Comm with 40% High Strength	\$4.61	\$4.51	\$4.68	\$4.86	\$5.04	\$5.24
Standard Comm with 50% High Strength	\$4.78	\$4.67	\$4.85	\$5.03	\$5.22	\$5.42
Standard Comm with 60% High Strength	\$4.96	\$4.83	\$5.01	\$5.20	\$5.40	\$5.61
Standard Comm with 70% High Strength	\$5.13	\$4.99	\$5.18	\$5.38	\$5.58	\$5.79
Standard Comm with 80% High Strength	\$5.30	\$5.15	\$5.35	\$5.55	\$5.76	\$5.98
Standard Comm with 90% High Strength	\$5.48	\$5.31	\$5.51	\$5.72	\$5.94	\$6.16

Customer Bill Impacts

Table ES-2 presents the impacts to residential bills for the proposed August 1, 2021 wastewater rates. The table shows that the single-family residential customer's bi-monthly bill will increase from \$100.87 to \$104.54, an

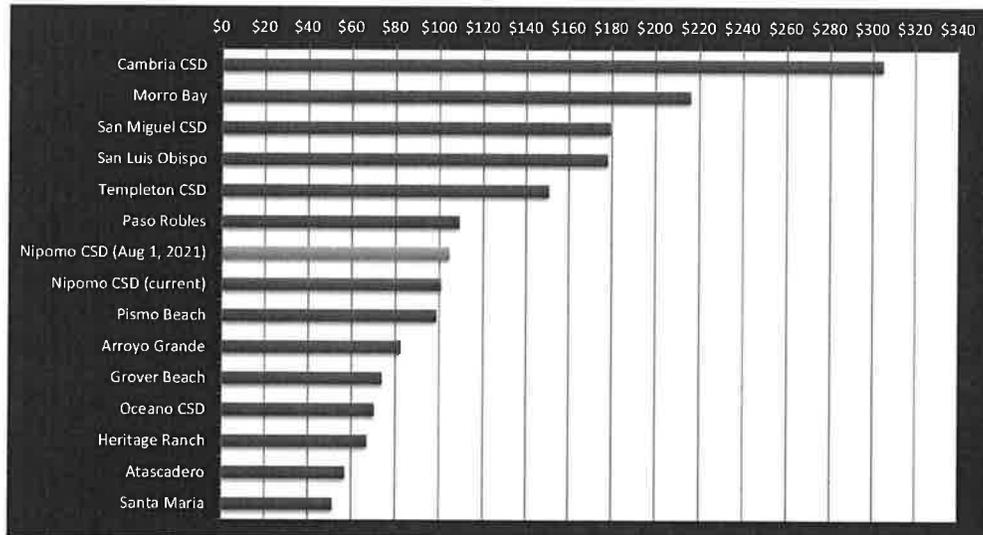
increase of \$3.67, or 3.6 percent. For multi-family residential, the bi-monthly bill will increase from \$84.14 to \$87.15 an increase of \$3.01 or 3.6 percent.

Table ES-2
Bill Impacts with Proposed Wastewater Rates

Classification	Aug 1, 2021		Percent Change
	Current Bill	Proposed Bill	
Residential			
Single Family	\$100.87	\$104.54	3.6%
Multi-family	\$84.14	\$87.15	3.6%

Chart ES-1 has been prepared to compare the District’s SFR wastewater bill with those of other communities at the same consumption. The chart indicates that comparing the District’s August 2021 charges to other communities, a SFR customer will experience a bill that is in the mid-range of the communities listed.

Chart ES-1
Comparison of Single-family Residential Bi-Monthly Wastewater Bills
For Rates in Effect February 2021



Note: Above table uses wastewater rates in effect February 2021. Chart does not include any other charges than those published on each agency’s website. Arroyo Grande, Grover Beach, and Oceano CSD include wastewater treatment charge from South San Luis Obispo County Sanitation District. Arroyo Grande and Cambria CSD assume 40 HCF bi-monthly. San Luis Obispo assumes 16 HCF bi-monthly. Paso Robles assumes 14 HCF bi-monthly. NCS’s August 2021 bill is based on the wastewater service charges in Table ES-1.

Introduction

The Nipomo Community Services District (District) engaged Tuckfield & Associates in January of 2021 to conduct a comprehensive Wastewater Rate Study (Study) for the District's Town Wastewater System (System). This Study includes development of a pro forma statement of revenues and expenses of the Town wastewater enterprise, analyses to determine the cost of service of each customer class, and design of new wastewater rates and charges.

Background

The District was formed in 1965 and covers an area of approximately 4,650 acres. The District is located in the central coastal region of the state of California in San Luis Obispo County, north of Los Angeles by approximately 175 miles. The District provides wastewater service to the Town and Blacklake service areas, each served by independent wastewater systems. Revenues and revenue requirements are accounted for in enterprise funds of the District and each relies upon user charges to meet all financial obligations.

The System consists of wastewater collection, treatment, and disposal facilities to approximately 2,700 service connections. The collection system consists of 10 lift stations and about 38 miles of gravity sewer pipe ranging in size from 6 to 24 inches and about 5 miles of force main ranging in size between 4 to 8 inches. The wastewater collected is treated at the District owned and operated Southland Wastewater Treatment Facility (Southland WWTF). The treatment capacity provided by the plant is currently 0.9 mgd.

Objectives

The objectives of this Study are to (1) review the current and future financial status of the Town wastewater enterprise funds, (2) make any adjustments to the revenue being received to ensure that the financial obligations are being met now and in the future, including adequate reserves and debt service coverage, and (3) design rates that generate the required revenue while being fair and equitable for its customers. Within these broad objectives, the Study further sought to provide the following.

- Revenue sufficiency to fund operating and capital needs
- Appropriate levels of operating, capital, emergency, and rate stabilization reserves
- Cost of service allocations following appropriate standards, regulations, and guidelines
- Rates that are consistent with industry practice
- Stable revenue stream similar to existing rate structure
- Ease of understanding and administration

Scope of the Study

This Study includes the results of analyzing the wastewater enterprise funds related to the System. Historical trends were analyzed from data supplied by the District showing the number of customers, water consumption volumes, revenue, and revenue requirements.

Revenue requirements of the System include operation and maintenance expense, routine capital outlays, replacement transfers, debt service, and additions to reserves. Changing conditions such as additional facilities,

system growth, employee additions/reductions, and non-recurring maintenance expenditures are recognized. Inflation for ongoing expenditures is included to reflect cost escalation.

The financial plan and rates developed herein are based on funding of the capital improvement plan as stated as well as estimates of operation and maintenance expenses developed from information provided by the District. Deviation from the financial plans, construction cost estimates and funding requirements, major operational changes, or other financial policy changes that were not foreseen, may result in the need for lower or higher revenue than anticipated. It is suggested that the District conduct an update to the Study at least every three years for prudent rate planning.

Financial Planning

Financial planning for the wastewater enterprise includes identifying and projecting revenues and revenue requirements of the System for a five-year planning period. Estimates of revenue from various sources are compared with the projected revenue requirements. This comparison allows the review of the adequacy of existing revenue to meet annual System obligations and provide the basis for rate adjustments. New wastewater rates and charges are created to recover all of the District’s annual operating and capital costs associated with the System. This section discusses District reserves, current wastewater rates, user classifications, revenues and revenue requirements, planned capital improvement expenditures and financing sources, and proposed revenue adjustments.

Assumptions

Several assumptions were used to conduct the Study for the period FY 2020-21 to FY 2025-26. The assumptions included growth rates in customer accounts, interest earnings on fund reserves, and expense inflation factors. The financial planning factors are provided in Table 1.

Table 1
Assumptions and Planning Factors

Description	Value
Residential Annual Account & Demand growth [1]	0.5%
Interest earnings on fund reserves (annual)	1.00%
Expense Escalation	
Personnel Services [annual, 2]	3.0%
Electrical Power	3.0%
Chemicals	3.0%
All Other Operations and Maintenance	3.0%

[1] Annualized growth in water accounts is based on historical information provided by staff.

[2] Personnel Services growth in staffing, promotions and inflation are three percent annually.

Reserve Policy

The District's reserve policy goals provide a means to meet unanticipated reductions in revenues, meet changes in the costs of providing services, provide for fixed asset repair and replacement, natural disaster needs, and other issues. The reserves also provide guidelines to maintain the financial health and stability of the wastewater enterprise. The reserve types and the dollar amount of reserves used in this Study are discussed below.

Operating Reserve

The purpose of the Operating Reserve is to provide working capital to meet cash flow needs during normal operations and support the operation, maintenance and administration of the utility. This reserve ensures that operations can continue should there be significant events that impact cash flows. The target balance to be maintained is 180 days (50 percent) of the current annual operating expense budget.

Capital Replacement Reserve

The purpose of the Replacement Capital Reserve is to fund future replacement of assets and CIP projects. The Capital reserves are used to fund the construction of the projects as the projects progress and the funds are expended. A reserve amount equal to the ten-year average of annual CIP spending has been used for this Study.

Rate Stabilization Reserve

The purpose of the Rate Stabilization Reserve is to serve as a buffer to wastewater rates during any period where there are unexpected increases in operating costs or decreases in revenue and absorb revenue losses. The reserve may be drawn into Fund 130 to stabilize wastewater rates and may provide level increases to wastewater rates. The target reserve is established at \$300,000 plus interest that has accrued on the reserves.

All of the reserves listed above are used in developing the financial plan for the wastewater enterprise. The reserve amounts as of June 30, 2020 serve as the initial cash position to meet future obligations of the financial plan.

Current Wastewater Rates

Residential customers are charged a fixed bi-monthly charge while non-residential and mixed-use customers are charged a fixed bi-monthly charge by meter size and volume charges for their respective wastewater strength classification. The current wastewater rates are presented in Table 2.

Table 2
Current Wastewater Rates

Description	Current Jan 2020
Residential Bi-monthly Fixed Charges	
Single Family	\$100.87
Multi-family	\$84.14
Non-Residential Bi-monthly Fixed Meter Charges by Size	
Up to 1 inch	\$39.83
1 1/2	\$115.63
2	\$183.84
3	\$343.01
4	\$570.39
6	\$1,138.85
8	\$1,820.99
Non-Residential Usage Rates (\$ per HCF)	
Low Strength	\$3.89
Medium Strength	\$4.32
High Strength	\$5.59
Mixed Use Usage Rates (\$ per HCF)	
Mixed Use - 0% High Strength	\$3.89
Mixed Use - 10% High Strength	\$4.08
Mixed Use - 20% High Strength	\$4.25
Mixed Use - 30% High Strength	\$4.42
Mixed Use - 40% High Strength	\$4.61
Mixed Use - 50% High Strength	\$4.78
Mixed Use - 60% High Strength	\$4.96
Mixed Use - 70% High Strength	\$5.13
Mixed Use - 80% High Strength	\$5.30
Mixed Use - 90% High Strength	\$5.48

Wastewater User Classification

Existing User Classification

The District currently classifies customers as residential, non-residential, and mixed-use. Residential is further classified as single-family residential (SFR) or multi-family residential (MFR), and non-residential customers are further classified according to their discharge strength of low, medium, and high and mixed-use. Mixed use is classified into one of nine categories that reflect increasing strength of the wastewater. Table 3 shows the current number of dwelling units for SFR and MFR customers and the number of accounts for non-residential customers. For purposes of this Study, one dwelling unit is considered to be one account. The table illustrates that about 98 percent of the District’s customers are residential (SFR and MFR).

Table 3
Historical and Projected Wastewater Accounts by Classification

Customer Class	Historical	Estimated	Projected [1]				
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Residential							
Single Family [2]	2,783	2,797	2,811	2,825	2,839	2,853	2,867
Multi-family [2]	656	659	662	665	668	671	674
Non-Residential							
Commercial - Low Strength	30	30	30	30	30	30	30
Commercial - Medium Strength	8	8	8	8	8	8	8
Commercial - High Strength	11	11	11	11	11	11	11
Mixed Use							
Mixed Use - 0% High Strength	11	11	11	11	11	11	11
Mixed Use - 10% High Strength	1	1	1	1	1	1	1
Mixed Use - 20% High Strength	3	3	3	3	3	3	3
Mixed Use - 30% High Strength	2	2	2	2	2	2	2
Mixed Use - 40% High Strength	2	2	2	2	2	2	2
Mixed Use - 50% High Strength	1	1	1	1	1	1	1
Mixed Use - 60% High Strength	0	0	0	0	0	0	0
Mixed Use - 70% High Strength	1	1	1	1	1	1	1
Mixed Use - 80% High Strength	0	0	0	0	0	0	0
Mixed Use - 90% High Strength	0	0	0	0	0	0	0
Total Accounts/Dwelling Unit	3,508	3,526	3,543	3,560	3,577	3,594	3,611

[1] Accounts and dwelling units are forecast to increase based on the assumed growth rate of 0.5% annually.
[2] Number of dwelling units.

Growth Assumptions

Historical growth in the number of single-family customers between FY 2013-14 to FY 2018-19 indicates an average annual growth rate of about 0.8 percent annually with multifamily growth at about 0.4 percent. Commercial customer growth has had a growth rate of about 0.8 percent annually though has remained constant the last 3 years. Based on the review, the increase in the number of single-family and multifamily residential customers is projected at 0.5 percent annually with no increase in commercial customers.

Wastewater Financial Plan

The District accounts for the revenue and revenue requirements of the System in three funds. Fund 130 accounts for the operations of the System while Fund 710 and Fund 810 relate to capital expansion and replacement respectively.

Wastewater Revenues

The District receives operating and capital revenue from several sources. Operating revenue is received into Fund 130 from rates and charges for wastewater service, interest income, and miscellaneous sources. Capital revenue sources include sewer capacity charges received into Fund 710.

Table 4 presents the projected revenue from current wastewater rates for the System. The revenue is projected by applying the current wastewater rates from Table 3 to the projected number of dwelling units or accounts and commercial volume.

Table 4
Projected Wastewater Revenues Using Current Rates

Customer Classification	Forecast					
	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Residential						
Single Family	\$1,692,800	\$1,701,273	\$1,709,747	\$1,718,220	\$1,726,693	\$1,735,166
Multi-family	\$332,690	\$334,204	\$335,719	\$337,233	\$338,748	\$340,262
Non-Residential						
Commercial - Low Strength	67,302	67,302	67,302	67,302	67,302	67,302
Commercial - Medium Strength	20,499	20,499	20,499	20,499	20,499	20,499
Commercial - High Strength	43,051	43,051	43,051	43,051	43,051	43,051
Mixed Use						
Mixed Use - 0% High Strength	13,408	13,408	13,408	13,408	13,408	13,408
Mixed Use - 10% High Strength	2,821	2,821	2,821	2,821	2,821	2,821
Mixed Use - 20% High Strength	5,974	5,974	5,974	5,974	5,974	5,974
Mixed Use - 30% High Strength	3,607	3,607	3,607	3,607	3,607	3,607
Mixed Use - 40% High Strength	3,883	3,883	3,883	3,883	3,883	3,883
Mixed Use - 50% High Strength	21,017	21,017	21,017	21,017	21,017	21,017
Mixed Use - 60% High Strength	0	0	0	0	0	0
Mixed Use - 70% High Strength	639	639	639	639	639	639
Mixed Use - 80% High Strength	0	0	0	0	0	0
Mixed Use - 90% High Strength	0	0	0	0	0	0
Total Projected Revenue	\$2,207,691	\$2,217,678	\$2,227,666	\$2,237,653	\$2,247,641	\$2,257,629

Wastewater Revenue Requirements

Revenue requirements of the System include operation and maintenance expense and capital outlay, replacement capital, capital improvement program spending, and annual debt service.

Operation and Maintenance Expense

Operation and maintenance expenses (O&M) are an on-going obligation of the wastewater system and such costs are normally met from wastewater service revenue. O&M includes the personnel, operating, and material costs to operate and maintain the wastewater collection, treatment, and disposal facilities. Costs also include technical services, laboratory services, and other general and administrative expenses.

O&M has been projected recognizing the major expense categories of personnel services, electrical power, chemicals, and all other expenses. A review of historical expenses and expectations for future expenses indicates that annual increases of 3 percent in these major categories are reasonable. Table 5 provides the detailed projections of future O&M expense. Appendix A-1 provides additional detail.

Table 5
Historical and Projected Operation and Maintenance Expense

Description	Historical	Budget	Projected				
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
OPERATION AND MAINTENANCE							
Personnel Services	\$579,867	\$688,300	\$708,800	\$730,400	\$752,800	\$775,600	\$799,200
Electricity - Pumps and Blowers	166,131	172,000	177,200	182,500	188,000	193,600	199,400
Chemicals	19,281	19,000	19,600	20,200	20,800	21,400	22,000
Lab Tests and Sampling	27,022	30,000	30,900	31,800	32,800	33,800	34,800
Operating Supplies	66,640	90,000	92,700	95,500	98,400	101,400	104,400
Outside Services	90,912	76,000	78,300	80,600	83,000	85,500	88,100
Permits and Operating Fees	14,362	12,000	12,400	12,800	13,200	13,600	14,000
Repairs and Maintenance	103,495	125,000	128,800	132,700	136,700	140,800	145,000
Other Operations and Maintenance Exp	16,789	16,500	16,900	17,300	17,700	18,100	18,500
Total O&M Expense	\$1,084,500	\$1,228,800	\$1,265,600	\$1,303,800	\$1,343,400	\$1,383,800	\$1,425,400
GENERAL AND ADMINISTRATIVE							
Personnel Services	\$102,866	\$82,130	\$84,800	\$87,300	\$89,800	\$92,500	\$95,200
Computer Expense	23,415	34,000	35,000	36,100	37,200	38,300	39,400
Newsletters and Mailers	0	680	700	700	700	700	700
Postage	5,252	5,500	5,700	5,900	6,100	6,300	6,500
Other General and Administrative	47,893	97,010	100,200	103,300	106,500	109,800	113,100
Transfers - Administration	93,972	124,359	128,100	131,900	135,900	140,000	144,200
Total G&A Expenses	\$273,398	\$343,679	\$354,500	\$365,200	\$376,200	\$387,600	\$399,100
Total O&M Expenses	\$1,357,898	\$1,572,479	\$1,620,100	\$1,669,000	\$1,719,600	\$1,771,400	\$1,824,500

Capital Outlay

The District provides for capital outlay annually for equipment, small hand tools, and other miscellaneous routine capital. The District budgeted capital outlay of about \$25,000 in FY 2020-21. This amount is projected to be the average of the previous 5 years for FY 2021-22 and then increases by 3 percent annually.

Replacement Capital

The District provides for capital replacement annually in the amount of \$395,000. This amount is spent towards capital improvements or is accumulated in Fund 810.

Wastewater Capital Improvement Program

The District has prepared a wastewater capital improvement program (CIP) spending plan for years FY 2020-21 through FY 2025-26 shown in Table 6. The CIP includes those improvements at the Southland WWTF and improvements to lift stations. All of the improvements are funded by District revenues and reserves. The Southland Sewer System Pipeline Replacement project construction is subject to funding and/or contribution in aid of construction by developer(s).

Table 6
Capital Improvement Program

Description	Budget		Fiscal Year			
	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Current Capital Improvement Projects (CIP) [1]						
Nipomo Palms Lift Station-Fund #810	\$0	\$1,250,000	\$0	\$0	\$0	\$0
Southland WWTF Biosolids Dewatering-Fund #810	450,000	801,000	-	-	-	-
Southland WWTF Influent Pump Station-Fund #810	-	150,000	-	-	-	-
Manhole Rehabilitation-Fund #810	-	150,000	154,500	159,135	163,909	168,826
Southland Sewer System Pipeline Replacement [2]	-	200,000	1,600,000	-	-	-
Lift Station Pump Replacements-Fund #810	-	40,000	41,200	42,436	43,709	45,020
Lift Station Rehabilitation - Tejas Fund #810	-	-	-	-	-	250,000
Sewer System Master Plan-Fund #710	-	-	160,000	-	-	-
Southland WWTF Improvements-Fund #710	-	-	-	-	-	300,000
Southland WWTF Blower-Fund #710	300,000	-	-	-	-	-
Total	\$750,000	\$2,591,000	\$1,955,700	\$201,571	\$207,618	\$763,846

[1] CIP Source: FY 2020-21 Budget provided by the District.

[2] Project construction subject to funding and/or contribution in aid of construction by developer(s).

Debt Service Requirements

The District has outstanding debt related to the Series 2012 Certificates of Participation (COPs) debt issue. The COPs issued in 2012 financed upgrades to the Southland WWTF and have a term of 30 years. The 2012 COPs have an annual debt service payment of about \$553,800 in FY 2020-21 and increasing to \$595,000 for years thereafter. The 2012 COPs will be retired in June 2042.

Wastewater Financial Plan

A wastewater financial plan has been prepared that includes revenues and revenue requirements identified for System operations. The financial plan includes all revenue and expenses from Fund 130, Fund 135, Fund 710, and Fund 810. Additionally, the statement incorporates specific financial planning criteria to provide guidance to maintain the health of the fund on an on-going basis. The criteria include maintaining an operating reserve balance and maintaining required debt service coverage ratios required by the Series 2012 COPs debt covenants.

Proposed Revenue Adjustments

To meet the annual obligations and the financial planning criteria set for the financial plan, it is proposed that revenue be increased by 3.8 percent annually beginning August 1, 2021 and then each July 1 of the Study period. The financial plan for the System is presented in Table 7.

Table 7
Wastewater Financial Plan
 Includes Fund 130, Fund 135, Fund, 710, and Fund 810

Description	Projected					
	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Proposed Rate Increase (Aug 1)		3.8%				
Proposed Rate Increase (July 1)			3.8%	3.8%	3.8%	3.8%
Revenues						
Sewer Revenues, Existing Rates [1]	\$2,207,700	\$2,217,700	\$2,227,700	\$2,237,700	\$2,247,600	\$2,257,600
Total Additional Sewer Rate Revenue	0	70,200	165,200	257,300	353,700	454,400
Interest Earnings [2]	54,800	39,100	18,000	25,200	25,700	24,000
Miscellaneous Revenues	500	500	500	500	500	500
Total Revenues	\$2,263,000	\$2,327,500	\$2,411,400	\$2,520,700	\$2,627,500	\$2,736,500
Revenue Requirements						
Operation and Maintenance Expense	\$1,572,479	\$1,620,100	\$1,669,000	\$1,719,600	\$1,771,400	\$1,824,500
Replacement Capital	395,000	395,000	395,000	395,000	395,000	395,000
Capital Outlay	25,410	29,500	30,400	31,300	32,200	33,200
Existing Debt Service [3]	553,800	595,200	594,600	596,400	597,100	596,800
Total Revenue Requirements	\$2,546,689	\$2,639,800	\$2,689,000	\$2,742,300	\$2,795,700	\$2,849,500
Net Funds Available Before Capital	(\$283,689)	(\$312,300)	(\$277,600)	(\$221,600)	(\$168,200)	(\$113,000)
Wastewater Capital						
Capital Sources of Funds						
Replacement Capital	\$395,000	\$395,000	\$395,000	\$395,000	\$395,000	\$395,000
Capacity Charges [4]	0	58,000	1,658,000	58,000	58,000	58,000
Total Uses of Funds	\$395,000	\$453,000	\$2,053,000	\$453,000	\$453,000	\$453,000
Capital Uses of Funds						
Capital Improvement Plan [5]	\$750,000	\$2,591,000	\$1,955,700	\$201,571	\$207,618	\$763,846
Total Uses of Funds	\$750,000	\$2,591,000	\$1,955,700	\$201,571	\$207,618	\$763,846
Net Capital Spending	(\$355,000)	(\$2,138,000)	\$97,300	\$251,429	\$245,382	(\$310,846)
Net Funds Available After Capital	(\$638,689)	(\$2,450,300)	(\$180,300)	\$29,829	\$77,182	(\$423,846)
Available Reserves (including capital funds)						
FY beginning available cash [6]	\$5,803,459	\$5,164,770	\$2,714,470	\$2,534,170	\$2,563,999	\$2,641,181
Additions (reductions)	(\$638,689)	(\$2,450,300)	(\$180,300)	\$29,829	\$77,182	(\$423,846)
FY ending available reserves	\$5,164,770	\$2,714,470	\$2,534,170	\$2,563,999	\$2,641,181	\$2,217,335
Target Reserves [7]	\$2,080,000	\$2,100,000	\$2,140,000	\$2,170,000	\$2,190,000	\$2,230,000
Above (below) Target	\$3,084,770	\$614,470	\$394,170	\$393,999	\$451,181	(\$12,665)
Debt Service Coverage						
Net Revenues [8]	\$665,111	\$735,900	\$2,370,000	\$827,800	\$881,900	\$936,800
Annual Debt Service [9]	\$553,800	\$595,200	\$594,600	\$596,400	\$597,100	\$596,800
Coverage	120%	124%	399%	139%	148%	157%

[1] Projected using the existing rates. Changes in rate based revenues is due to customer and demand growth.

[2] Interest earnings on the average fund balance calculated at 1.00%.

[3] Debt service on the 2012 Certificates of Participation.

[4] Assumes \$1,600,000 in funding or contributions in aid of construction from developer(s) in FY 2022-23.

[5] From Table 6.

[6] The available FY 2020-21 cash balance includes Fund 130, Fund 135, Fund 710, and Fund 810.

[7] Target reserve includes Operating, Capital Replacement, and Rate Stabilization reserves.

[8] Includes capacity charge revenue and interest income on all wastewater funds less O&M and capital outlay.

[9] Includes 2012 COPs.

A graphical depiction of the financial plan is presented in Figure 1 below, expanded for a 10-year period. The figure shows that capital spending exceeds revenue in some years and there is a corresponding draw down in cash as shown in Figure 2. However, with the proposed revenue increases the cash reserves return to their target level at the end of the 10-year period.

Figure 1
Wastewater Financial Plan

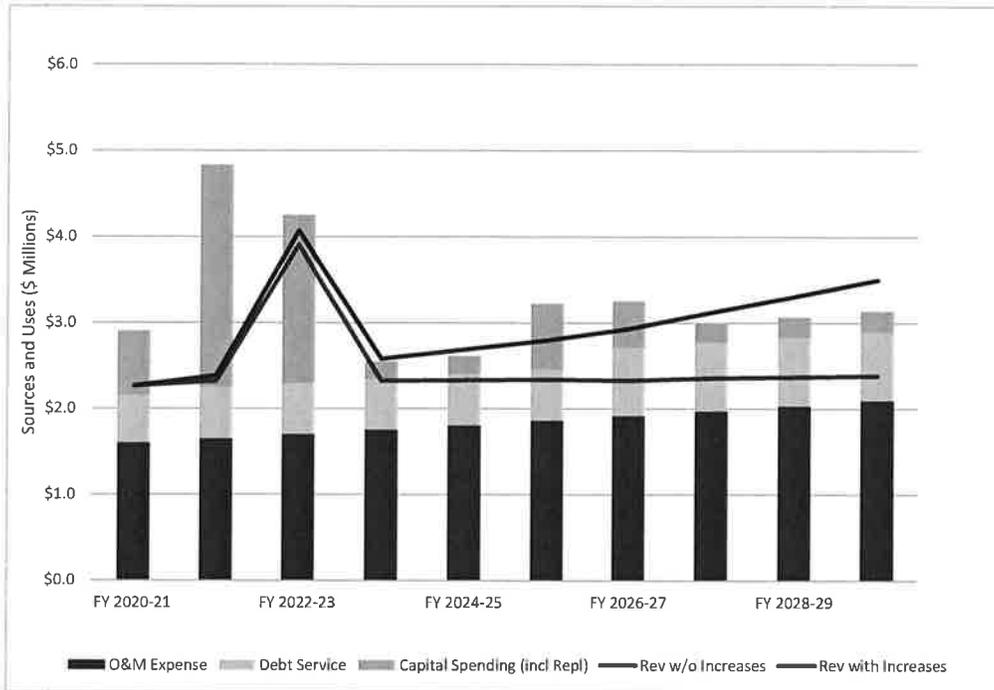
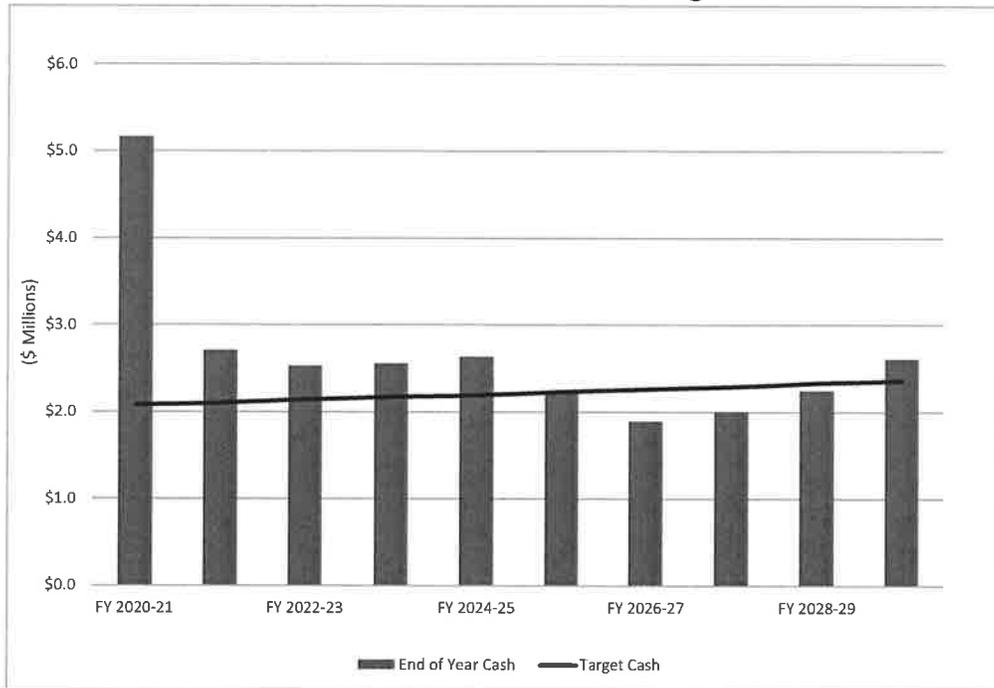


Figure 2
Wastewater Cash Reserves versus Target Reserves



Cost of Service

This section of the report discusses the allocation of the System’s operating and capital costs to the users of the wastewater system. Once cost responsibility is assigned to each customer classification, the current revenue received from each classification can be compared with its cost of service to evaluate any inequities of the current rate structure and rates, which provides the basis for proposed rate adjustments.

Costs of Service to be Allocated

The annual revenue requirement for a representative year in the Study period is called the Test Year, and the annual costs for this year are defined as the cost of providing service. For this Study the Test Year is FY 2021-22, and the annual costs of the wastewater system for this year will be used to evaluate the fairness and equity of the current wastewater rates and will form the basis for the proposed rates.

The cost of service consists of O&M expense, costs associated with annual replacement, and other capital costs. To allocate the costs of providing service to the users of the wastewater system, costs need to first be allocated to wastewater parameters.

Cost Allocation to Wastewater Parameters

The cost allocation parameters for wastewater service are wastewater flow, BOD (bio-chemical oxygen demand), and SS (suspended solids), capacity, customer, and collection costs. Test Year operating and capital costs are assigned to each parameter based on the functional operation and design of the facilities.

The total cost to be recovered in FY 2021-22 from the users of the wastewater system is presented in Table 8. The annual revenue requirement for FY 2021-22 is allocated to each wastewater parameter based on the percentage of annual costs allocated to each parameter from a detailed review of expenses. The allocation of Test Year revenue requirement is used in calculating the unit costs of service. Appendix A-2 provides additional detail for the FY 21-22 total revenue requirement.

Table 8
Summary of Revenue Requirement Allocation

Description	Total	Flow	Strength		Capacity	Customer	Collection
			BOD	SS			
Revenue Requirement Allocation	100.0%	4.7%	4.5%	4.5%	48.6%	3.1%	34.5%
FY 2021-22	\$2,302,000	\$107,900	\$104,726	\$104,726	\$1,119,478	\$70,247	\$794,923

Unit Costs of Service

Each customer classification’s responsibility for a portion of cost of service is established through developing unit costs of service for each of the wastewater parameters identified above. Costs of service are then distributed to

each user classification by identifying how each group uses the wastewater system. Use of the wastewater system by each customer classification is determined by developing units of service.

The units of service for each customer classification are provided in Table 9 below. The units of service for wastewater flow were projected from an analysis of the wastewater treatment plant influent flow information for FY 2019-20. The table does not describe any responsibility for infiltration/inflow (I/I) because the AECOM Southland Wastewater Treatment Master Plan Amendment #1 found that there was no indication of significant I/I influence on the WWTF flows.

**Table 9
FY 2021-22 Units of Service**

Customer Class	Water	Return	Contributed								
	Consumption	Factor	Volume	BOD	SS	BOD	SS	Capacity ^[1]	Customer ^[2]	Collection	
		%	HCF	mg/l	mg/l	lbs	lbs	Eq. Meters	Eq. Bills	HCF/Day	
Residential											
Single Family	688,262	27%	185,708	380	280	430,143	316,948	2,811	16,866	509	
Multi-family	52,217	53%	27,720	380	280	73,548	54,193	662	3,972	76	
Non-Residential											
Commercial - Low Strength	13,728	86%	11,737	380	280	27,842	20,515	60	180	32	
Commercial - Medium Strength	3,892	86%	3,328	600	440	12,463	9,140	16	48	9	
Commercial - High Strength	6,678	86%	5,710	1,500	770	53,463	27,444	25	66	16	
Mixed Use											
Mixed Use - 0% High Strength	2,315	86%	1,979	380	280	4,695	3,460	19	66	5	
Mixed Use - 10% High Strength	421	86%	360	492	329	1,106	739	5	6	1	
Mixed Use - 20% High Strength	1,023	86%	875	604	378	3,298	2,064	7	18	2	
Mixed Use - 30% High Strength	605	86%	517	716	427	2,312	1,379	4	12	1	
Mixed Use - 40% High Strength	640	86%	547	828	476	2,828	1,626	4	12	1	
Mixed Use - 50% High Strength	4,166	86%	3,562	940	525	20,901	11,673	5	6	10	
Mixed Use - 60% High Strength	0	n/a	0	1,052	574	0	0	0	0	0	
Mixed Use - 70% High Strength	78	86%	67	1,164	623	485	259	1	6	0	
Mixed Use - 80% High Strength	0	n/a	0	1,276	672	0	0	0	0	0	
Mixed Use - 90% High Strength	0	n/a	0	1,388	721	0	0	0	0	0	
Total System	774,025		242,111			633,084	449,441	3,617	21,258	663	

[1] Appendix A-3 provides detail on the calculation of Equivalent Meters.

[2] Number of accounts from Table 3 multiplied by 6 bills per year.

Table 10 presents the unit costs of providing service for the System. Unit costs are determined by taking the operating and capital costs allocated to each parameter from Table 8 and dividing those costs by the units of service from Table 9.

**Table 10
FY 2021-22 Development of Unit Costs**

Description	Total	Flow	Strength				Customer	Collection
			BOD	SS	Capacity	Customer		
Total Costs of Service	\$2,302,000	\$107,900	\$104,726	\$104,726	\$1,119,478	\$70,247	\$794,923	
Units of Service		242,111	633,084	449,441	3,617	21,258	663	
Unit Costs of Service		\$0.4457	\$0.1654	\$0.2330	\$309.47	\$3.30	\$1,198.41	
Units of Measure		HCF	lbs	lbs	Eq. Meters	Eq. Bills	HCF/Day	

User Class Costs

The unit costs from Table 10 are applied to each customer classifications' flow, strength, and customer units of service from Table 9 to establish user class costs. The cost responsibility of each class is summarized in Table 11 below. A detailed cost assignment is provided in Appendix A-3.

Table 11
Comparison of FY 2021-22 Cost of Service with
Projected Revenue Using Current Rates

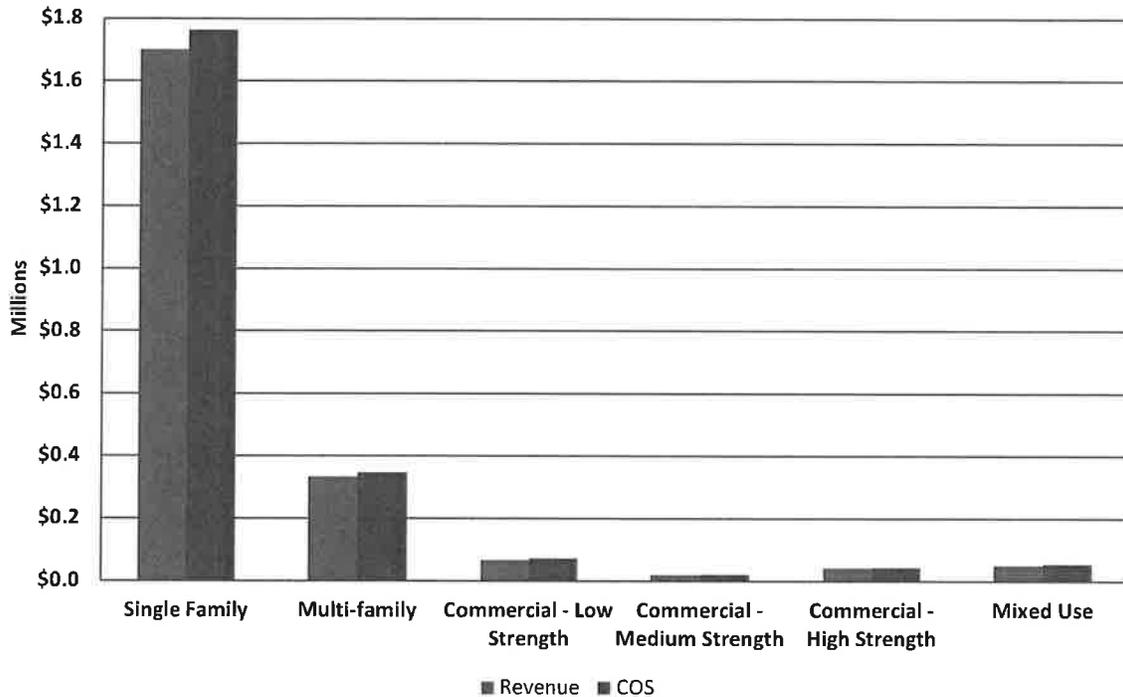
Customer Class	COS Allocation	Projected Revenue ^[1]	Indicated Revenue Increase	Percent Revenue Increase
Residential				
Single Family	\$1,763,164	\$1,701,300	\$61,864	3.6%
Multi-family	\$346,158	\$334,200	\$11,958	3.6%
Non-Residential				
Commercial - Low Strength	\$72,194	\$67,300	\$4,894	7.3%
Commercial - Medium Strength	\$21,648	\$20,500	\$1,148	5.6%
Commercial - High Strength	\$44,361	\$43,100	\$1,261	2.9%
Mixed Use				
Mixed Use - 0% High Strength	\$15,000	\$13,400	\$1,600	11.9%
Mixed Use - 10% High Strength	\$3,203	\$2,800	\$403	14.4%
Mixed Use - 20% High Strength	\$6,514	\$6,000	\$514	8.6%
Mixed Use - 30% High Strength	\$3,910	\$3,600	\$310	8.6%
Mixed Use - 40% High Strength	\$4,165	\$3,900	\$265	6.8%
Mixed Use - 50% High Strength	\$20,965	\$21,000	(\$35)	-0.2%
Mixed Use - 60% High Strength	\$0	\$0	\$0	0.0%
Mixed Use - 70% High Strength	\$719	\$600	\$119	19.8%
Mixed Use - 80% High Strength	\$0	\$0	\$0	0.0%
Mixed Use - 90% High Strength	\$0	\$0	\$0	0.0%
Total System	\$2,302,000	\$2,217,700	\$84,300	3.8%

^[1] Projected revenue using the existing rates.

From inspection of Table 11, the residential classifications have the largest assignment of costs and are responsible for about 92 percent of the total cost of service. Additionally, the table shows the overall increase in revenue required of 3.8 percent, to be derived from the user classes in varying percentages.

Figure 3 compares the current revenue received from each user class with the allocated cost of service from Table 11. As shown in the figure, residential customers dominate the responsibility for the cost of providing service. The difference in the column heights between revenue and cost of service (blue vs. red) indicates how well a user classification's current rates are recovering the cost of service.

Figure 3
Comparison of Projected Revenue Using the Current Rates with
Allocated FY 2021-22 Test Year Cost of Service



Rate Design

The cost of service analyses described in the previous section provides the basis for wastewater rate design. The emphasis on the design of rates is to achieve fairness, and ensuring that each customer class pays its fair share of costs. Rates should be simple to administer, easy to understand, and comply with regulatory requirements.

The inequities in the current wastewater rates, shown in Table 11, are corrected with the design of the proposed wastewater rates. This section describes how wastewater rates and charges are designed and also includes the proposed schedule of wastewater rates for implementation.

Residential Customers

The current rate structure for single-family and multi-family customers is bi-monthly flat charges. This rate structure provides a stable revenue stream for the wastewater enterprise. As noted in the cost of service analyses, the residential classes are responsible for about 92 percent of the cost of service.

The proposed wastewater rates for residential customers maintain the current rate structure and are designed as bi-monthly flat rates charged to each dwelling unit. Table 12 provides the calculations of the bi-monthly fixed

charge for the Test Year cost of service. The total cost of service of each residential class is divided by the number of projected dwelling units for FY 2021-22.

Table 12
Design of Residential Bi-monthly Fixed Charge
 FY 2021-22

Customer Classification	Total Cost of Service	Number of Dwelling Units	Bi-monthly Fixed Charge
Single Family	\$1,763,164	2,811	\$104.54
Multi-family	\$346,158	662	\$87.15

Non-residential Customers

The current non-residential rate structures consists of bi-monthly fixed charges by meter size and uniform volume rates by strength category. The design of proposed non-residential wastewater rates follows similar rate setting practices as the current rate structure.

The proposed fixed charges recover the capacity and customer costs of service. Capacity costs are recovered based on the demand placed on the System from non-residential customers, which is reflected by the meter size installed at the customer location. Customer costs are recovered based on the number of bills issued. Table 13 presents the design of the proposed bi-monthly fixed charges for non-residential customers for FY 2021-22.

Non-residential volume rates are designed to recover the costs of service related to flow, BOD, SS, and collection wastewater parameters. These costs of service are recovered through a uniform volume charge unique to each strength category. The costs are divided by the projected FY 2021-22 water sales volume (billable volume) of each classification to yield a charge per hundred cubic feet (\$/HCF). The volume charges increase with higher strength user classes because the cost to treat wastewater from those customers is greater due to their higher strength loadings, defined in Table 9. The design of the proposed non-residential volume rates for FY 2021-22 are presented in Table 14.

Table 13
Design of Bi-monthly Non-Residential Fixed Charges
 FY 2021-22

Meter Size	Bi-monthly Capacity Charge ^[1]	Meter Capacity Ratio	Bi-monthly Meter Charge	Bi-monthly Customer Charge ^[1]	Total Bi-monthly Charge
inches					
Up to 1 inch	\$51.58	1.0	\$51.58	\$3.30	\$54.88
1.5	\$51.58	3.0	\$154.74	\$3.30	\$158.04
2.0	\$51.58	4.8	\$247.58	\$3.30	\$250.88
3.0	\$51.58	9.0	\$464.21	\$3.30	\$467.51
4.0	\$51.58	15.0	\$773.68	\$3.30	\$776.98
6.0	\$51.58	30.0	\$1,547.35	\$3.30	\$1,550.66
8.0	\$51.58	48.0	\$2,475.76	\$3.30	\$2,479.07

^[1] From Table 10.

Table 14
Design of Non-Residential Volume Rates
 FY 2021-22

Customer Classification	Flow, BOD SS, & Coll Costs	Billable Volume HCF	Commodity Rate \$/HCF
Non-Residential			
Commercial - Low Strength	\$53,155	13,728	\$3.87
Commercial - Medium Strength	\$16,600	3,892	\$4.27
Commercial - High Strength	\$36,530	6,678	\$5.47

Mixed Use Customers

All non-residential users of the System are billed based upon their proportional use of the wastewater system as measured by their metered water use and strength category as determined by the District Engineer. Where residential and commercial users share a water meter and a common sewer connection, the connection is classified as a Mixed Use customer. The Mixed Use customer has wastewater flows and strengths that are a combination of the residential and commercial customers using the common sewer. The Mixed Use rate was developed for the District in the previous rate study to better reflect the cost of serving these mixed use connections.

The wastewater from a Mixed Use customer has strengths that range from standard commercial strength (Low Strength, similar to residential strengths) to strength concentrations reflecting restaurants and bakeries (High

Strength). The Strength Factor accounts for the proportion of the commercial square footage that is occupied by a High Strength customer as a percentage of the total square footage being served by the sewer connection.

Table 15 below presents the proposed Mixed Use customer volume rates. A Mixed Use customer is charged a rate per HCF for the water consumption read through the meter plus the bi-monthly fixed charge based on the meter size.

Table 15
Mixed Use Customer Wastewater Rates FY 2021-22

Mixed Use Customer Classification (Definition)			Mixed Use Strength Factor	Mixed Use Rate per HCF of Water Use \$/HCF
Standard Commercial with	10.0%	High Strength Square Footage	1.15	\$4.03
Standard Commercial with	20.0%	High Strength Square Footage	1.30	\$4.19
Standard Commercial with	30.0%	High Strength Square Footage	1.45	\$4.35
Standard Commercial with	40.0%	High Strength Square Footage	1.60	\$4.51
Standard Commercial with	50.0%	High Strength Square Footage	1.75	\$4.67
Standard Commercial with	60.0%	High Strength Square Footage	1.90	\$4.83
Standard Commercial with	70.0%	High Strength Square Footage	2.05	\$4.99
Standard Commercial with	80.0%	High Strength Square Footage	2.20	\$5.15
Standard Commercial with	90.0%	High Strength Square Footage	2.35	\$5.31

Note: District Engineer to estimate the percentage of square footage that is occupied by the High Strength customer(s).

Example Mixed Use Commercial Calculation

An example calculation of a bi-monthly charge for a 2-inch meter Mixed Use connection is provided below.

Characteristics: Mixed Use Commercial, 2-inch meter, 100 HCF bi-monthly water consumption

Commercial Customer A - Professional Office, 3,000 sf

Commercial Customer B - Bakery, 2,000 sf

Percent High Strength = 2,000 sf / 5,000 sf = 40%

Mixed Use Bi-monthly Charge = 100 HCF * \$4.51/HCF + \$250.88 (2-inch meter charge) = \$701.88 bi-monthly

Strength Factor

Where there are questions regarding the percentage of the commercial square footage that is occupied by a High Strength customer(s), the District Engineer may make a direct calculation of the Strength Factor and the associated Mixed Use rate. However, it is preferred that once the calculation is made that the Mixed Use customer will be assigned to a classification provided in Table 15. Table 16 below provides the method to directly perform the calculation, however the Overall Strength Factor should not be less than 1.0.

Table 16
Example Direct Calculation of Strength Factor and
Mixed Use Customer Wastewater Rate FY 2021-22

Tenant Mix (Description)	Sq. Ft.	Strength	Assigned	Assigned
	Allocation	Factor ^[1]	BOD	SS
			mg/l	mg/l
Multifamily Units	50%	1.00	380	280
Chamber of Commerce	10%	0.61	195	88
Bakery	20%	2.42	1,500	660
General Office	20%	0.61	195	88
Total Building Use	<u>100%</u>			
Standard Strength			380	280
Overall Strength Factor ^[2]		1.17		
		Flow	BOD	SS
Cost Allocation to Parameter ^[3]		<u>34.0%</u>	<u>33.0%</u>	<u>33.0%</u>
	Mixed Use Strength Factor	Standard Rate per HCF of Water Use	Customer Charge	Mixed Use Rate per HCF of Water Use
		\$/HCF ^[4]	\$/HCF ^[5]	\$/HCF ^[6]
Mixed Use Rate	1.17	\$ 1.06	\$ 2.81	\$4.05

[1] Flow % + BOD% * Assigned BOD/Standard BOD + SS% * Assigned SS/Standard SS.

[2] Weighted average of square footage allocation multiplied by Strength Factor.

[3] From Table 8 of Wastewater Rate Study for Flow, BOD, and SS only.

[4] Rate per HCF using standard BOD and SS strengths adjusted to charge on water use.

[5] Unit Customer cost from Table 10 of Wastewater Rate Study adjusted to charge on water use.

[6] Strength Factor * Standard Rate per HCF of Water Use + Customer Charge.

Proposed Wastewater Rates

Table 17 presents the proposed wastewater rates for the System for the next five years. The table presents the current rates, the cost of service rates for implementation August 1, 2021, and future rates that escalate by the percentages identified in Table 7 of 3.8 percent annually.

Table 17
Proposed Wastewater Rates

Description	Current	Date of Increase				
		Aug 1, 2021	July 1, 2022	July 1, 2023	July 1, 2024	July 1, 2025
Residential Bi-monthly Fixed Charges						
Single Family	\$100.87	\$104.54	\$108.51	\$112.64	\$116.92	\$121.36
Multi-family	\$84.14	\$87.15	\$90.46	\$93.90	\$97.47	\$101.17
Non-Residential Bi-monthly Meter Charges by Size						
Up to 1 inch	\$39.83	\$54.88	\$56.97	\$59.13	\$61.38	\$63.71
1.5 inch	\$115.63	\$158.04	\$164.05	\$170.28	\$176.75	\$183.47
2 inch	\$183.84	\$250.88	\$260.41	\$270.31	\$280.58	\$291.24
3 inch	\$343.01	\$467.51	\$485.28	\$503.72	\$522.86	\$542.73
4 inch	\$570.39	\$776.98	\$806.51	\$837.15	\$868.96	\$901.99
6 inch	\$1,138.85	\$1,550.66	\$1,609.58	\$1,670.75	\$1,734.23	\$1,800.13
8 inch	\$1,820.99	\$2,479.07	\$2,573.27	\$2,671.06	\$2,772.56	\$2,877.91
Non-Residential Usage Rates (\$ per HCF)						
Low Strength	\$3.89	\$3.87	\$4.02	\$4.17	\$4.33	\$4.49
Medium Strength	\$4.32	\$4.27	\$4.43	\$4.60	\$4.77	\$4.95
High Strength	\$5.59	\$5.47	\$5.68	\$5.89	\$6.12	\$6.35
Mixed Use Usage Rates (\$ per HCF)						
Standard Comm with 10% High Strength	\$4.08	\$4.03	\$4.18	\$4.34	\$4.51	\$4.68
Standard Comm with 20% High Strength	\$4.25	\$4.19	\$4.35	\$4.51	\$4.69	\$4.86
Standard Comm with 30% High Strength	\$4.42	\$4.35	\$4.52	\$4.69	\$4.86	\$5.05
Standard Comm with 40% High Strength	\$4.61	\$4.51	\$4.68	\$4.86	\$5.04	\$5.24
Standard Comm with 50% High Strength	\$4.78	\$4.67	\$4.85	\$5.03	\$5.22	\$5.42
Standard Comm with 60% High Strength	\$4.96	\$4.83	\$5.01	\$5.20	\$5.40	\$5.61
Standard Comm with 70% High Strength	\$5.13	\$4.99	\$5.18	\$5.38	\$5.58	\$5.79
Standard Comm with 80% High Strength	\$5.30	\$5.15	\$5.35	\$5.55	\$5.76	\$5.98
Standard Comm with 90% High Strength	\$5.48	\$5.31	\$5.51	\$5.72	\$5.94	\$6.16

Table 18 demonstrates that if the proposed rates for FY 2021-22 were applied to the projected number of dwelling units, customers, and water sales volume, that 100 percent cost recovery would be achieved.

Table 18
Comparison of FY 2021-22 Cost of Service with Revenue Using Proposed Rates

Customer Class	COS Allocation	Proposed Rates		Units of Service			Total Revenue	Percent Cost Recovery
		Fixed ⁽¹⁾ Charge	Volume Charge	Dwelling Units	Equiv. Customer	Billable Volume		
Residential			\$/HCF			HCF		
Single Family	\$1,763,164	\$104.54		2,811			\$1,763,164	100.0%
Multi-family	\$346,158	\$87.15		662			\$346,158	100.0%
Non-Residential								
Commercial - Low Strength	\$72,194	\$54.88	\$3.87		346.9	13,728	\$72,194	100.0%
Commercial - Medium Strength	\$21,648	\$54.88	\$4.27		92.0	3,892	\$21,648	100.0%
Commercial - High Strength	\$44,361	\$54.88	\$5.47		142.7	6,678	\$44,361	100.0%
Mixed Use								
Mixed Use - 10% High Strength	\$3,203	\$54.88	\$4.03		27.4	421	\$3,202	100.0%
Mixed Use - 20% High Strength	\$6,514	\$54.88	\$4.19		40.6	1,023	\$6,513	100.0%
Mixed Use - 30% High Strength	\$3,910	\$54.88	\$4.35		23.3	605	\$3,909	100.0%
Mixed Use - 40% High Strength	\$4,165	\$54.88	\$4.51		23.3	640	\$4,164	100.0%
Mixed Use - 50% High Strength	\$20,965	\$54.88	\$4.67		27.4	4,166	\$20,961	100.0%
Mixed Use - 60% High Strength	\$0	\$54.88	\$4.83		0.0	0	\$0	na
Mixed Use - 70% High Strength	\$719	\$54.88	\$4.99		6.0	78	\$719	100.0%
Mixed Use - 80% High Strength	\$0	\$54.88	\$5.15		0.0	0	\$0	na
Mixed Use - 90% High Strength	\$0	\$54.88	\$5.31		0.0	0	\$0	na
Total System	\$2,302,000						\$2,301,988	

⁽¹⁾ Charge is bi-monthly.

Impact Analysis

An impact analysis was performed to evaluate the change in customer bills that would occur from the implementation of the proposed August 1, 2021 wastewater rates. The impact to bills of each customer classification is provided in Table 19. For residential customers, the bills shown in Table 19 are readily identified from the schedule of proposed wastewater rates because they are flat rates. For the first increase of August 1, 2021, both the single-family customer bill and multifamily residential bi-monthly bills will increase by 3.6 percent.

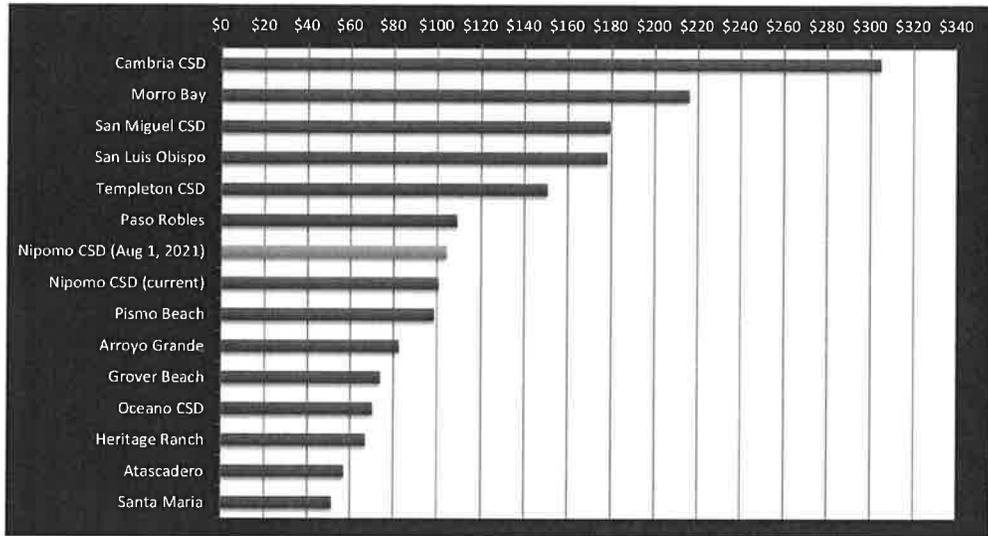
The impact to non-residential bills depends upon the meter size and strength category. Using the average water consumption of each meter size, the bi-monthly bills were calculated as shown in Table 19. For the first increase of August 1, 2021, the change in non-residential customer bills range from an increase of 3.4 percent for a 1 inch meter medium-strength customer to an increase of 10.7 percent for a 3.0 inch low-strength customer. Appendix B provides additional example non-residential bill calculations at various consumption levels for 1 inch and 2 inch meter sizes, with 1 inch being the most common.

Table 19
Bill Impacts with Proposed Wastewater Rates

Classification	Average Bi-monthly Water Use	Current Bill			Aug 1, 2021 Proposed Bill			Percent Change
		Service Charge	Volume Charge	Current Bill	Service Charge	Volume Charge	Proposed Bill	
Residential	HCF							
Single Family				\$100.87			\$104.54	3.6%
Multi-family				\$84.14			\$87.15	3.6%
Non-Residential - 1" Meter								
Commercial - Low Strength	50	\$39.83	\$194.50	\$234.33	\$54.88	\$193.50	\$248.38	6.0%
Commercial - Medium Strength	70	\$39.83	\$302.40	\$342.23	\$54.88	\$298.90	\$353.78	3.4%
Commercial - High Strength	35	\$39.83	\$195.65	\$235.48	\$54.88	\$191.45	\$246.33	4.6%
Non-Residential - 1.5" Meter								
Commercial - Low Strength	80	\$115.63	\$311.20	\$426.83	\$158.04	\$309.60	\$467.64	9.6%
Commercial - Medium Strength	65	\$115.63	\$280.80	\$396.43	\$158.04	\$277.55	\$435.59	9.9%
Commercial - High Strength	200	\$115.63	\$1,118.00	\$1,233.63	\$158.04	\$1,094.00	\$1,252.04	1.5%
Non-Residential - 2" Meter								
Commercial - Low Strength	170	\$183.84	\$661.30	\$845.14	\$250.88	\$657.90	\$908.78	7.5%
Commercial - Medium Strength	100	\$183.84	\$432.00	\$615.84	\$250.88	\$427.00	\$677.88	10.1%
Commercial - High Strength	200	\$183.84	\$1,118.00	\$1,301.84	\$250.88	\$1,094.00	\$1,344.88	3.3%
Non-Residential - 3" Meter								
Commercial - Low Strength	200	\$343.01	\$778.00	\$1,121.01	\$467.51	\$774.00	\$1,241.51	10.7%

Chart 1 has been prepared to compare the District's SFR wastewater bill with those of other communities at the same consumption. The chart indicates that comparing the District's August 2021 charges to other communities, a SFR customer will experience a bill that is in the mid-range of the communities listed.

Chart 1
Comparison of Single-family Residential Bi-Monthly Wastewater Bills
For Rates in Effect February 2021



Note: Above table uses wastewater rates in effect February 2021. Chart does not include any other charges than those published on each agency's website. Arroyo Grande, Grover Beach, and Oceano CSD include wastewater treatment charge from South San Luis Obispo County Sanitation District. Arroyo Grande and Cambria CSD assume 40 HCF bi-monthly. San Luis Obispo assumes 16 HCF bi-monthly. Paso Robles assumes 14 HCF bi-monthly. NCSDD's August 2021 bill is based on the wastewater service charges in Table 17.

Appendix A

Technical Appendix

Detailed O&M projections and Cost of Service Allocation tables are provided in Appendix A.

Appendix A-1

Historical and Projected Operation and Maintenance Expense

Description	Historical	Budget	Projected								
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
OPERATION AND MAINTENANCE											
Personnel Services	\$579,867	\$688,300	\$708,800	\$730,400	\$752,800	\$775,600	\$799,200	\$823,600	\$848,400	\$874,000	\$900,000
Electricity - Pumps and Blowers	166,131	172,000	177,200	182,500	188,000	193,600	199,400	205,400	211,600	217,900	224,400
Chemicals	19,281	19,000	19,600	20,200	20,800	21,400	22,000	22,700	23,400	24,100	24,800
Lab Tests and Sampling	27,022	30,000	30,900	31,800	32,800	33,800	34,800	35,800	36,900	38,000	39,100
Operating Supplies	66,640	90,000	92,700	95,500	98,400	101,400	104,400	107,500	110,700	114,000	117,400
Outside Services	90,912	76,000	78,300	80,600	83,000	85,500	88,100	90,700	93,400	96,200	99,100
Permits and Operating Fees	14,362	12,000	12,400	12,800	13,200	13,600	14,000	14,400	14,800	15,200	15,700
Repairs and Maintenance	103,495	125,000	128,800	132,700	136,700	140,800	145,000	149,400	153,900	158,500	163,300
Other Operations and Maintenance Exp	16,789	16,500	16,900	17,300	17,700	18,100	18,500	18,900	19,500	20,100	20,700
Total O&M Expense	\$1,084,500	\$1,228,800	\$1,265,600	\$1,303,800	\$1,343,400	\$1,383,800	\$1,425,400	\$1,468,400	\$1,512,600	\$1,558,000	\$1,604,500
GENERAL AND ADMINISTRATIVE											
Personnel Services	\$102,866	\$82,130	\$84,800	\$87,300	\$89,800	\$92,500	\$95,200	\$97,900	\$101,000	\$103,900	\$107,200
Computer Expense	23,415	34,000	35,000	36,100	37,200	38,300	39,400	40,600	41,800	43,100	44,400
Newsletters and Mailers	0	680	700	700	700	700	700	700	700	700	700
Postage	5,252	5,500	5,700	5,900	6,100	6,300	6,500	6,700	6,900	7,100	7,300
Other General and Administrative	47,893	97,010	100,200	103,300	106,500	109,800	113,100	116,400	119,900	123,400	126,900
Transfers - Administration	93,972	124,359	128,100	131,900	135,900	140,000	144,200	148,500	153,000	157,600	162,300
Total G&A Expenses	\$273,398	\$343,679	\$354,500	\$365,200	\$376,200	\$387,600	\$399,100	\$410,800	\$423,300	\$435,800	\$448,800
Total O&M Expenses	\$1,357,898	\$1,572,479	\$1,620,100	\$1,669,000	\$1,719,600	\$1,771,400	\$1,824,500	\$1,879,200	\$1,935,900	\$1,993,800	\$2,053,300

Appendix A-2
 Costs to be Recovered From Rates for FY 2021-22

Description	Total Cost
Revenue Requirements	
Operation and Maintenance Expense	\$1,620,100
Replacement Capital	395,000
Existing Debt	595,200
Capital Outlay	29,500
Subtotal	<u>\$2,639,800</u>
Less Revenue Requirements Met From Other Sources	
Interest Earnings	(\$39,100)
Miscellaneous Revenues	(500)
Replacement Capital	(395,000)
Capacity Charges	(58,000)
Subtotal	<u>(\$492,600)</u>
Adjustments	
Adjustments for Annual Cash Balance	(\$2,457,300)
Capital Improvement Funding	2,591,000
Adjustments to Annualize Rate Increase	21,100
Subtotal	<u>\$154,800</u>
Total Costs to be Recovered	<u><u>\$2,302,000</u></u>

Appendix A-3
Calculation of Equivalent Meters

Customer Classification	Meter Size				Total Meters	Equivalent Meters [1]
	1	1 1/2	2	3		
Residential						
Single Family	2,811	-	-	-	2,811	2,811.00
Multi-family	662	-	-	-	662	662.00
Non-Residential						
Commercial - Low Strength	23	3	2	2	30	59.60
Commercial - Medium Strength	5	2	1	-	8	15.80
Commercial - High Strength	6	3	2	-	11	24.60
Mixed Use						
Mixed Use - 0% High Strength	8	2	1	-	11	18.80
Mixed Use - 10% High Strength	-	-	1	-	1	4.80
Mixed Use - 20% High Strength	1	2	-	-	3	7.00
Mixed Use - 30% High Strength	1	1	-	-	2	4.00
Mixed Use - 40% High Strength	1	1	-	-	2	4.00
Mixed Use - 50% High Strength	-	-	1	-	1	4.80
Mixed Use - 60% High Strength	-	-	-	-	-	-
Mixed Use - 70% High Strength	1	-	-	-	1	1.00
Mixed Use - 80% High Strength	-	-	-	-	-	-
Mixed Use - 90% High Strength	-	-	-	-	-	-
Total Accounts/Dwelling Units	3,519	14	8	2	3,543	3,617.40
Meter Capacity Ratios	1.0	3.0	4.8	9.0		

[1] Sum of number of meters by size multiplied by respective meter size capacity ratio.

Appendix A-4

Allocation of FY 2021-22 Costs to Customer Classes

Description	Allocated Total Cost	Flow	Strength			Customer	Collection
			BOD	SS	Capacity		
Unit Costs of Service		\$0.4457	\$0.1654	\$0.2330	\$309.47	\$3.30	\$1,198.41
Units of Measure		HCF	lbs	lbs	Eq. Meters	Eq. Bills	HCF/Day
Residential							
Single Family							
Units of Service		185,708	430,143	316,948	2,811	16,866	509
Allocated Cost of Service	\$1,763,164	\$82,764	\$71,155	\$73,853	\$869,921	\$55,734	\$609,737
Multi-family							
Units of Service		27,720	73,548	54,193	662	3,972	76
Allocated Cost of Service	\$346,158	\$12,354	\$12,166	\$12,628	\$204,869	\$13,125	\$91,015
Non-Residential							
Commercial - Low Strength							
Units of Service		11,737	27,842	20,515	60	180	32
Allocated Cost of Service	\$72,194	\$5,231	\$4,606	\$4,780	\$18,444	\$595	\$38,538
Commercial - Medium Strength							
Units of Service		3,328	12,463	9,140	16	48	9
Allocated Cost of Service	\$21,648	\$1,483	\$2,062	\$2,130	\$4,890	\$159	\$10,926
Commercial - High Strength							
Units of Service		5,710	53,463	27,444	25	66	16
Allocated Cost of Service	\$44,361	\$2,545	\$8,844	\$6,395	\$7,613	\$218	\$18,747
Mixed Use							
Mixed Use - 0% High Strength							
Units of Service		1,979	4,695	3,460	19	66	5
Allocated Cost of Service	\$15,000	\$882	\$777	\$806	\$5,818	\$218	\$6,499
Mixed Use - 10% High Strength							
Units of Service		360	1,106	739	5	6	1
Allocated Cost of Service	\$3,203	\$160	\$183	\$172	\$1,485	\$20	\$1,182
Mixed Use - 20% High Strength							
Units of Service		875	3,298	2,064	7	18	2
Allocated Cost of Service	\$6,514	\$390	\$546	\$481	\$2,166	\$59	\$2,872
Mixed Use - 30% High Strength							
Units of Service		517	2,312	1,379	4	12	1
Allocated Cost of Service	\$3,910	\$231	\$382	\$321	\$1,238	\$40	\$1,698
Mixed Use - 40% High Strength							
Units of Service		547	2,828	1,626	4	12	1
Allocated Cost of Service	\$4,165	\$244	\$468	\$379	\$1,238	\$40	\$1,797
Mixed Use - 50% High Strength							
Units of Service		3,562	20,901	11,673	5	6	10
Allocated Cost of Service	\$20,965	\$1,587	\$3,457	\$2,720	\$1,485	\$20	\$11,695
Mixed Use - 70% High Strength							
Units of Service		67	485	259	1	6	0
Allocated Cost of Service	\$719	\$30	\$80	\$60	\$309	\$20	\$219
Total Costs of Service	\$2,302,000	\$107,900	\$104,726	\$104,726	\$1,119,478	\$70,247	\$794,923

Appendix B

Non-residential Bill Impacts

This section provides additional calculations of Non-residential customer bills at various water volumes.

Appendix B-1

Non-Residential Customer Bill Impacts - 1" Meter

Description	Current	Aug 1, 2021	Percent Increase	July 1, 2022	Percent Increase
Low Strength with 1"meter					
25% of Avg Bill: 10 HCF	\$78.73	\$93.58	18.9%	\$97.17	3.8%
50% of Avg Bill: 30 HCF	\$156.53	\$170.98	9.2%	\$177.57	3.9%
Avg Bill: 50 HCF	\$234.33	\$248.38	6.0%	\$257.97	3.9%
125% of Avg Bill: 60 HCF	\$273.23	\$287.08	5.1%	\$298.17	3.9%
150% of Avg Bill: 80 HCF	\$351.03	\$364.48	3.8%	\$378.57	3.9%
Medium Strength with 1"meter					
25% of Avg Bill: 20 HCF	\$126.23	\$140.28	11.1%	\$145.57	3.8%
50% of Avg Bill: 40 HCF	\$212.63	\$225.68	6.1%	\$234.17	3.8%
Avg Bill: 70 HCF	\$342.23	\$353.78	3.4%	\$367.07	3.8%
125% of Avg Bill: 90 HCF	\$428.63	\$439.18	2.5%	\$455.67	3.8%
150% of Avg Bill: 110 HCF	\$515.03	\$524.58	1.9%	\$544.27	3.8%
High Strength with 1"meter					
25% of Avg Bill: 10 HCF	\$95.73	\$109.58	14.5%	\$113.77	3.8%
50% of Avg Bill: 20 HCF	\$151.63	\$164.28	8.3%	\$170.57	3.8%
Avg Bill: 35 HCF	\$235.48	\$246.33	4.6%	\$255.77	3.8%
125% of Avg Bill: 40 HCF	\$263.43	\$273.68	3.9%	\$284.17	3.8%
150% of Avg Bill: 50 HCF	\$319.33	\$328.38	2.8%	\$340.97	3.8%

Appendix B-2 Non-Residential Customer Bill Impacts - 2" Meter

Description	Current	Aug 1, 2021	Percent Increase	July 1, 2022	Percent Increase
Low Strength with 2"meter					
25% of Avg Bill: 40 HCF	\$339.44	\$405.68	19.5%	\$421.18	3.8%
50% of Avg Bill: 90 HCF	\$533.94	\$599.18	12.2%	\$622.14	3.8%
Avg Bill: 170 HCF	\$845.14	\$908.78	7.5%	\$943.67	3.8%
125% of Avg Bill: 210 HCF	\$1,000.74	\$1,063.58	6.3%	\$1,104.43	3.8%
150% of Avg Bill: 260 HCF	\$1,195.24	\$1,257.08	5.2%	\$1,305.39	3.8%
Medium Strength with 2"meter					
25% of Avg Bill: 30 HCF	\$313.44	\$378.98	20.9%	\$393.31	3.8%
50% of Avg Bill: 50 HCF	\$399.84	\$464.38	16.1%	\$481.91	3.8%
Avg Bill: 100 HCF	\$615.84	\$677.88	10.1%	\$703.41	3.8%
125% of Avg Bill: 130 HCF	\$745.44	\$805.98	8.1%	\$836.31	3.8%
150% of Avg Bill: 150 HCF	\$831.84	\$891.38	7.2%	\$924.91	3.8%
High Strength with 2"meter					
25% of Avg Bill: 50 HCF	\$463.34	\$524.38	13.2%	\$544.41	3.8%
50% of Avg Bill: 100 HCF	\$742.84	\$797.88	7.4%	\$828.41	3.8%
Avg Bill: 200 HCF	\$1,301.84	\$1,344.88	3.3%	\$1,396.41	3.8%
125% of Avg Bill: 250 HCF	\$1,581.34	\$1,618.38	2.3%	\$1,680.41	3.8%
150% of Avg Bill: 300 HCF	\$1,860.84	\$1,891.88	1.7%	\$1,964.41	3.8%

JUNE 23, 2021

ITEM E-1

ATTACHMENT B

**NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2021-XXXX**

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE NIPOMO COMMUNITY SERVICES DISTRICT
SETTING BI-MONTHLY TOWN SEWER RATES AND CHARGES**

WHEREAS, it is a major responsibility of the Nipomo Community Services District ("District") to maintain adequate levels of revenue, equitably and proportionately collected, to meet the District's financial commitments for the operation and maintenance for Town Sewer facilities and the replacement of existing facilities in the future; and

WHEREAS, the District retained Tuckfield & Associates to evaluate Town sewer rates and charges and to develop a five year financial plan. The Financial Plan includes estimated operating and maintenance costs, anticipated debt service obligations, and capital replacement program needs covering a period from FY 21-22 through FY 25-26. The Report on Town Sewer Rate Study dated April 2021 (Town Sewer Rate Study) was approved by the District Board of Directors on April 21, 2021; and is incorporated herein by this reference; and

WHEREAS, Government Code §61115 authorizes the District to adopt rates and charges by resolution; and

WHEREAS, on June 23, 2021, the District conducted a duly noticed public hearing wherein the Board of Directors took public comment and other evidence in support and in opposition to the proposed rate increase, and considered whether a majority protest to the proposed rate increase exists pursuant to Section 6 of Article XIII D of the California Constitution. A total of 2,627 parcels would be subject to the proposed rate increase; therefore, 1,314 protests would be needed to constitute a majority protest. At the conclusion of the public hearing the general manager reported, and the Board found, that _____ written protests were received and that a majority protest did not exist.

WHEREAS, based on facts and analysis presented in and relied on by the Town Sewer Rate Study, written protests received prior to the close of the June 23, 2021 public hearing, the Staff Report, Staff Presentation and public testimony received, to the best of the Board's knowledge the Board of Directors finds:

A. The District identified the parcels upon which the new rates and charges will be imposed, calculated the amount of the rates, and mailed notices to all Owners of Record and Customers of Record of properties responsible for the Town sewer rates and charges, which notices provided information on the proposed rates and charges, the basis for the calculation, the reason for the rates and charges, the means by which a protest could be filed, and the date, time, and location for a public hearing which was not less than 45 days after the date of mailing.

B. The public hearing adopting this Resolution was properly noticed pursuant to the Section 6 of Article XIII D of the California Constitution, the Proposition 218 Omnibus Implementation Act (Government Code §53750, et. seq.), and the Brown Act (Government Code §54950, et seq.).

C. The rates and charges adopted by this Resolution:

NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2021-xxxx

A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE NIPOMO COMMUNITY SERVICES DISTRICT
SETTING TOWN SEWER RATES AND CHARGES

1. Are for the purposes of meeting operation, maintenance, and capital replacement expenses for providing sewer for Town District customers.
 2. Do not exceed the funds required to provide sewer service to Town District customers.
 3. Do not exceed the proportional cost of services attributable to those parcels receiving Town sewer service.
- D. The revenues derived from the Town sewer rates and charges will not be used for any purpose other than that for which the charge is imposed.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED, by the Board of Directors of the District as follows:

Section 1. Incorporation of Recitals

To the best of the Board's knowledge, the Recitals are true and correct and incorporated herein by this reference. The Recitals and referenced reports and studies contained therein constitute and support the findings of the District in support of this Resolution.

Section 2. Town Sewer Rates

The Bi-Monthly Sewer Rates Rates referred to in Section 4.12.150 of the District Code, as the same may be amended in the future, and as set forth in Exhibit A, attached hereto and incorporated herein by reference, are hereby adopted, effective August 1, 2021.

Section 3. Repeal of Prior Resolutions

All prior resolutions and sections of resolutions that are inconsistent with this Resolution are hereby repealed, subject to the effective date identified in Sections 2 above. Any existing rates and charges not specifically amended by this Resolution shall remain in full force and effect.

Section 4. Effect of Repeal on Past Actions and Obligations

This Resolution does not affect prosecutions for violations committed prior to the effective date of this Resolution, does not waive any fee or penalty due and unpaid on the effective date of this Resolution, and does not affect the validity of any bond or cash deposit posted, filed or deposited pursuant to the requirements of any prior resolution or ordinance.

Section 5. CEQA Findings

The Board of Directors of the District finds that to the best of its knowledge the rates and charges adopted by this Resolution are exempt from the California Environmental Quality Act pursuant to Public Resources Code § 21080(b)(8) and CEQA

NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2021-xxxx

A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE NIPOMO COMMUNITY SERVICES DISTRICT
SETTING TOWN SEWER RATES AND CHARGES

Guidelines Section 15273. The District General Manager is directed to prepare and file appropriate notices.

Section 6. Severance Clause

If any section, subsection, sentence, clause or phrase of this Resolution is for any reason held to be unconstitutional, ineffective or in any manner in conflict with the laws of the United States, or the State of California, such decision shall not affect the validity of the remaining portions of this Resolution. The Governing Board of the District hereby declares that it would have adopted this Resolution and each section, subsection, sentence, clause and phrase thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses or phrases be declared unconstitutional, ineffective, or in any manner in conflict with the laws of the United States or the State of California.

Upon the motion of Director _____, seconded by Director _____, and on the following roll call vote, to wit:

AYES:
NOES:
ABSENT:
CONFLICTS:

the foregoing resolution is hereby adopted this 23th day of June 2021.

ED EBY, President
Nipomo Community Services District
Board of Directors

ATTEST:

APPROVED AS TO FORM
AND LEGAL EFFECT:

MARIO IGLESIAS
General Manager and
Secretary to the Board

CRAIG A. STEELE
District Legal Counsel

NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2021-xxxx

A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE NIPOMO COMMUNITY SERVICES DISTRICT
SETTING TOWN SEWER RATES AND CHARGES

EXHIBIT "A"

BI-MONTHLY USER FEES (TOWN SEWER)

Description	Current	Date of Increase				
		Aug 1, 2021	July 1, 2022	July 1, 2023	July 1, 2024	July 1, 2025
Residential Bi-monthly Fixed Charges						
Single Family	\$100.87	\$104.54	\$108.51	\$112.64	\$116.92	\$121.36
Multi-family	\$84.14	\$87.15	\$90.46	\$93.90	\$97.47	\$101.17
Non-Residential Bi-monthly Meter Charges by Size						
Up to 1 inch	\$39.83	\$54.88	\$56.97	\$59.13	\$61.38	\$63.71
1.5 inch	\$115.63	\$158.04	\$164.05	\$170.28	\$176.75	\$183.47
2 inch	\$183.84	\$250.88	\$260.41	\$270.31	\$280.58	\$291.24
3 inch	\$343.01	\$467.51	\$485.28	\$503.72	\$522.86	\$542.73
4 inch	\$570.39	\$776.98	\$806.51	\$837.15	\$868.96	\$901.99
6 inch	\$1,138.85	\$1,550.66	\$1,609.58	\$1,670.75	\$1,734.23	\$1,800.13
8 inch	\$1,820.99	\$2,479.07	\$2,573.27	\$2,671.06	\$2,772.56	\$2,877.91
Non-Residential Usage Rates (\$ per HCF)						
Low Strength	\$3.89	\$3.87	\$4.02	\$4.17	\$4.33	\$4.49
Medium Strength	\$4.32	\$4.27	\$4.43	\$4.60	\$4.77	\$4.95
High Strength	\$5.59	\$5.47	\$5.68	\$5.89	\$6.12	\$6.35
Mixed Use Usage Rates (\$ per HCF)						
Standard Comm with 10% High Strength	\$4.08	\$4.03	\$4.18	\$4.34	\$4.51	\$4.68
Standard Comm with 20% High Strength	\$4.25	\$4.19	\$4.35	\$4.51	\$4.69	\$4.86
Standard Comm with 30% High Strength	\$4.42	\$4.35	\$4.52	\$4.69	\$4.86	\$5.05
Standard Comm with 40% High Strength	\$4.61	\$4.51	\$4.68	\$4.86	\$5.04	\$5.24
Standard Comm with 50% High Strength	\$4.78	\$4.67	\$4.85	\$5.03	\$5.22	\$5.42
Standard Comm with 60% High Strength	\$4.96	\$4.83	\$5.01	\$5.20	\$5.40	\$5.61
Standard Comm with 70% High Strength	\$5.13	\$4.99	\$5.18	\$5.38	\$5.58	\$5.79
Standard Comm with 80% High Strength	\$5.30	\$5.15	\$5.35	\$5.55	\$5.76	\$5.98
Standard Comm with 90% High Strength	\$5.48	\$5.31	\$5.51	\$5.72	\$5.94	\$6.16

JUNE 23, 2021

ITEM E-1

ATTACHMENT C



MAY 2021

Nipomo Community Services District

NOTICE OF PUBLIC HEARING - RATE INCREASE FOR TOWN SEWER

This is a notice to explain proposed increases in Town sewer rates for the Nipomo Community Services District ("NCS D" or the "District") customers, and to advise you of a public hearing and the majority protest procedures. The proposed rate increases will be recommended for adoption by NCS D's Board of Directors after a public hearing on June 23, 2021.

See the back page of this Notice for Public Hearing details.

Dear Owners of Record and Customers of Record,

Nipomo Community Services District (District) depends upon sewer user fees to fund operating and maintenance costs, and to rehabilitate and replace equipment and infrastructure for the Town Division sewer treatment plant and collection system. The District is fully committed to serving existing and future generations of residents in the most efficient manner possible, while protecting both public health and the environment.

About the proposed rates

The proposed Town sewer rate increase is needed to ensure that the District has sufficient revenues to fund operating and capital needs and provide appropriate levels of operating, capital, and emergency reserve funds. Regulatory requirements for wastewater treatment continue to increase cost for sewer services, forcing the District to spend reserve funds to pay for significant and unexpected capital expenditures for disposing of wastewater bio-solids as a result. The District's last rate increase in the Town Sewer Division became effective on January 1, 2020 and was based on a 5-year rate study adopted in August 2015.

The cost of providing sewer service to our customers varies based on the volume and strength characteristics of sewage generated by each customer classification (single-family, multi-family, and commercial). A cost of service analysis was performed to ensure that the proposed rate increases fairly reflect the costs of providing service to customers within each classification.

Multi-year approach to setting rates

By taking a multi-year approach to rate-setting in meeting long-term infrastructure repair and improvement needs as well as delivering day-to-day services, the District can better prepare for the future and avoid significant unexpected rate increases. For this reason, the District is proposing rate increases for the next five years. It is important to note that if subsequent annual reviews of revenues and expenses show that future rate increases are not needed or can be adopted at lower amounts, the Board of Directors can postpone or adopt a smaller increase. However, the Board cannot approve rate increases beyond those proposed in this notice without an additional Proposition 218 notice to all of its customers.

Proposed Town Sewer Rates

Under the proposed rates, Town sewer rates for single-family residential dwellings, which represent over 98% of the customer accounts, will increase \$1.85 monthly or \$3.70 per bi-monthly billing period starting August 1, 2021. Rate increases for other categories of users are shown on the next page.

PLEASE CONTACT US IF YOU HAVE QUESTIONS OR COMMENTS ABOUT THE PROPOSED TOWN SEWER RATE INCREASE

(805) 929-1133 | info@ncsd.ca.gov | P.O. Box 326, Nipomo, CA 93444

THE PROPOSED TOWN SEWER RATES

Description	Date of Increase										
	Current	1-Aug-21	% Incr	July 1, 2022	% Incr	July 1, 2023	% Incr	July 1, 2024	% Incr	July 1, 2025	% Incr
Residential Bi-monthly Fixed Charges											
Single Family	\$100.87	\$104.54	3.6%	\$108.51	3.8%	\$112.64	3.8%	\$116.92	3.8%	\$121.36	3.8%
Multi-family	\$84.14	\$87.15	3.6%	\$90.46	3.8%	\$93.90	3.8%	\$97.47	3.8%	\$101.17	3.8%
Non-Residential Bi-monthly Meter Charges by Size											
Up to 1 inch	\$39.83	\$54.88	37.8%	\$56.97	3.8%	\$59.13	3.8%	\$61.38	3.8%	\$63.71	3.8%
1.5 inch	\$115.63	\$158.04	36.7%	\$164.05	3.8%	\$170.28	3.8%	\$176.75	3.8%	\$183.47	3.8%
2 inch	\$183.84	\$250.88	36.5%	\$260.41	3.8%	\$270.31	3.8%	\$280.58	3.8%	\$291.24	3.8%
3 inch	\$343.01	\$467.51	36.3%	\$485.28	3.8%	\$503.72	3.8%	\$522.86	3.8%	\$542.73	3.8%
4 inch	\$570.39	\$776.98	36.2%	\$806.51	3.8%	\$837.15	3.8%	\$868.96	3.8%	\$901.99	3.8%
6 inch	\$1,138.85	\$1,550.66	36.2%	\$1,609.58	3.8%	\$1,670.75	3.8%	\$1,734.23	3.8%	\$1,800.13	3.8%
8 inch	\$1,820.99	\$2,479.07	36.1%	\$2,573.27	3.8%	\$2,671.06	3.8%	\$2,772.56	3.8%	\$2,877.91	3.8%
Non-Residential Usage Rates (\$ per HCF)											
Low Strength	\$3.89	\$3.87	-0.5%	\$4.02	3.8%	\$4.17	3.8%	\$4.33	3.8%	\$4.49	3.8%
Medium Strength	\$4.32	\$4.27	-1.3%	\$4.43	3.8%	\$4.60	3.8%	\$4.77	3.8%	\$4.95	3.8%
High Strength	\$5.59	\$5.47	-2.1%	\$5.68	3.8%	\$5.89	3.8%	\$6.12	3.8%	\$6.35	3.8%
Mixed Use Usage Rates (\$ per HCF)											
Standard Comm with 10% High Strength	\$4.08	\$4.03	-1.2%	\$4.18	3.8%	\$4.34	3.8%	\$4.51	3.8%	\$4.68	3.8%
Standard Comm with 20% High Strength	\$4.25	\$4.19	-1.4%	\$4.35	3.8%	\$4.51	3.8%	\$4.69	3.8%	\$4.86	3.8%
Standard Comm with 30% High Strength	\$4.42	\$4.35	-1.6%	\$4.52	3.8%	\$4.69	3.8%	\$4.86	3.8%	\$5.05	3.8%
Standard Comm with 40% High Strength	\$4.61	\$4.51	-2.2%	\$4.68	3.8%	\$4.86	3.8%	\$5.04	3.8%	\$5.24	3.8%
Standard Comm with 50% High Strength	\$4.78	\$4.67	-2.3%	\$4.85	3.8%	\$5.03	3.8%	\$5.22	3.8%	\$5.42	3.8%
Standard Comm with 60% High Strength	\$4.96	\$4.83	-2.6%	\$5.01	3.8%	\$5.20	3.8%	\$5.40	3.8%	\$5.61	3.8%
Standard Comm with 70% High Strength	\$5.13	\$4.99	-2.7%	\$5.18	3.8%	\$5.38	3.8%	\$5.58	3.8%	\$5.79	3.8%
Standard Comm with 80% High Strength	\$5.30	\$5.15	-2.8%	\$5.35	3.8%	\$5.55	3.8%	\$5.76	3.8%	\$5.98	3.8%
Standard Comm with 90% High Strength	\$5.48	\$5.31	-3.1%	\$5.51	3.8%	\$5.72	3.8%	\$5.94	3.8%	\$6.16	3.8%

AVAILABILITY OF STUDIES, REPORTS, AND INFORMATION

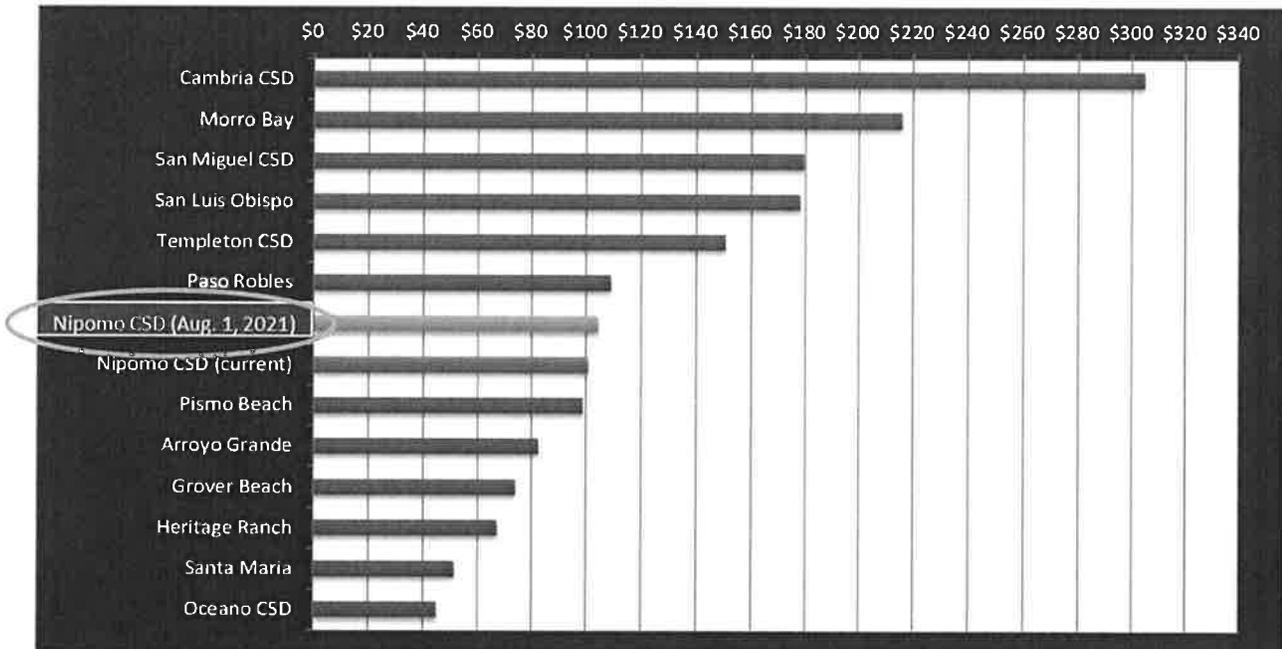
Additional information on the proposed Town sewer rates is available in the Report on Town Sewer System Sewer Rate Study and the Staff Report. These reports are available for review at the District's administrative office located at 148 South Wilson Street, Nipomo, and on the District's website at www.ncsd.ca.gov. In addition, customers may contact the General Manager at (805) 929-1133 for further information about the proposed rates.

EXAMPLE TOWN SEWER BILLS INCLUDING PROPOSED CHARGES

Classification	Average Bi-monthly Water Use	Current Bill			1-Aug-21 Proposed Bill			Percent Change
		Service Charge	Volume Charge	Current Bill	Service Charge	Volume Charge	Proposed Bill	
Residential	HCF							
Single Family				\$100.87			\$104.54	3.6%
Multi-family				\$84.14			\$87.15	3.6%
Non-Residential - 1" Meter								
Commercial - Low Strength	50	\$39.83	\$194.50	\$234.33	\$54.88	\$193.60	\$248.48	6.0%
Commercial - Medium Strength	70	\$39.83	\$302.40	\$342.23	\$54.88	\$298.56	\$353.45	3.3%
Commercial - High Strength	35	\$39.83	\$195.65	\$235.48	\$54.88	\$191.46	\$246.34	4.6%
Non-Residential - 1.5" Meter								
Commercial - Low Strength	80	\$115.63	\$311.20	\$426.83	\$158.04	\$309.76	\$467.80	9.6%
Commercial - Medium Strength	65	\$115.63	\$280.80	\$396.43	\$158.04	\$277.24	\$435.28	9.8%
Commercial - High Strength	200	\$115.63	\$1,118.00	\$1,233.63	\$158.04	\$1,094.04	\$1,252.08	1.5%
Non-Residential - 2" Meter								
Commercial - Low Strength	170	\$183.84	\$661.30	\$845.14	\$250.88	\$658.24	\$909.12	7.6%
Commercial - Medium Strength	100	\$183.84	\$432.00	\$615.84	\$250.88	\$426.52	\$677.40	10.0%
Commercial - High Strength	200	\$183.84	\$1,118.00	\$1,301.84	\$250.88	\$1,094.04	\$1,344.92	3.3%
Non-Residential - 3" Meter								
Commercial - Low Strength	200	\$343.01	\$778.00	\$1,121.01	\$467.51	\$774.40	\$1,241.91	10.8%

HCF = hundred cubic feet (748 gallons)

Comparison of Single-family Residential Bi-Monthly Wastewater Bills



PLEASE CONTACT US IF YOU HAVE QUESTIONS OR COMMENTS ABOUT THE PROPOSED TOWN SEWER RATE INCREASE

(805) 929-1133 | info@ncsd.ca.gov | P.O. Box 326, Nipomo, CA 93444

PUBLIC HEARING

A Public Hearing for the Proposed Town Sewer Rate Increase will be held on: June 23, 2021 at 9 AM

Jon S. Seitz Board Room
Nipomo CSD
148 South Wilson Street, Nipomo

Limited space for in-person participation will be available and divided to enforce social distancing. Members of the public who attend in person must wear an appropriate face-covering. At the public hearing the Nipomo Community Services District Board of Directors will consider all public comment in support and in opposition of the Town Sewer Rate Increase and whether or not a Majority Protest exists. If approved, the Town Sewer Rate Increase would become effective **August 1, 2021**.

HOW TO PROTEST

The following persons may submit a written protest against the Proposed Town Sewer Rate Increase to the District's Clerk before the close of the Public Hearing.

- An owner(s) of property (parcel(s)) ("owner of record") receiving Town sewer service from the NCSD Town Sewer System. If the person(s) signing the protest, as an owner, is not shown on the last equalized assessment roll as the owner of the parcel(s) then the protest must contain or be accompanied by written evidence that such person signing the protest is the owner of the parcel(s) receiving Town sewer service; OR
- A "Customer of record" (Tenant(s)) whose name appears on the District records as the customer of record for the corresponding parcel receiving Town sewer service from the NCSD.

A valid written protest must contain a statement that you protest the increase in Town sewer rates, the address or Assessor's Parcel Number (APN) of the parcel or parcels which receive Town sewer service and must be signed and dated, with original signature, by the owner of record, the customer of record, or a representative of an owner of record or a customer of record, for the parcel or parcels receiving Town sewer service. One written protest per parcel shall be counted in calculating a majority protest. Written protests will not be accepted by email or by facsimile. Verbal protests will not be counted in determining the existence of a majority protest.

Written protests regarding the Town sewer rate increase must be delivered to the NCSD Office located at **148 South Wilson Street, Nipomo** during regular office hours (8 a.m. - 4:30 p.m. Monday - Friday, excluding holidays) or mailed to: **Nipomo Community Services District, Attn: District Clerk, P.O. Box 326, Nipomo, CA 93444-0326**

To be counted, the written protest must be received by the close of the Public Hearing, including those mailed to the District. No postmarks will be considered; therefore, any written protest not actually received by the close of the Public Hearing, whether or not mailed prior to the Public Hearing, will not be counted.

A representative may sign the written protest on behalf of an owner of record or a customer of record provided the representative attaches to the written protest, written documentation/authorization, with original signature, to act in such capacity.

If valid written protests are received from a majority of owners of record and/or customers of record of parcels receiving Town sewer service within the NCSD's Town Sewer System, then the NCSD will not adjust/increase the Town sewer rates.

Mario Iglesias

GENERAL MANAGER

Nipomo Community Services District
148 S. Wilson Street
PO Box 326
Nipomo, CA 93444
(805) 929-1133
www.ncsd.ca.gov



NOTICE OF PROPOSED TOWN SEWER RATE INCREASE

JUNE 23, 2021

ITEM E-1

ATTACHMENT D

TOWN WASTEWATER RATE STUDY

Nipomo Community Services District

Presented By:
Clayton Tuckfield PE
Tuckfield & Associates
March 17, 2021

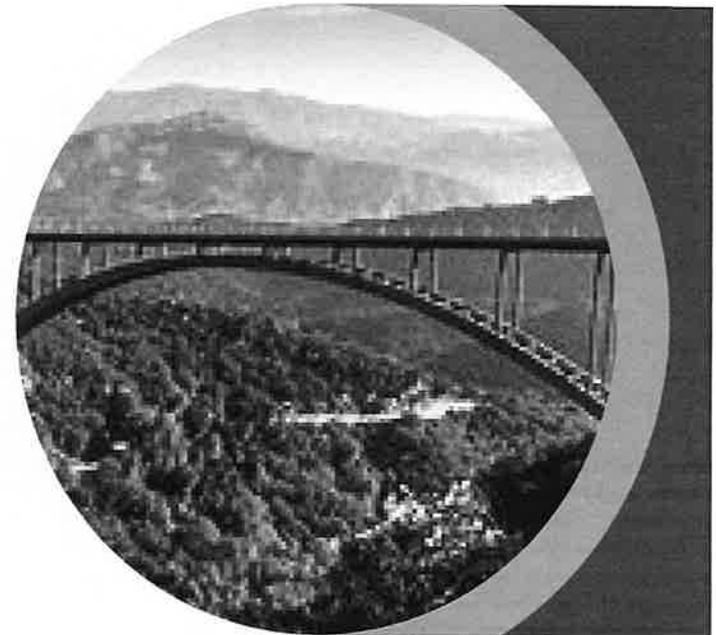


Rate Study Objectives

- Goal is to establish any new rates in accordance with industry practice and legal framework
- Develop five-year financial plans to fund Operation and Maintenance (O&M) expense, the Capital Improvement Program (CIP), new debt service, and reserves
- Create schedule of wastewater rates that
 - Are fair and equitable
 - Provide predictable revenue
 - Comply with Proposition 218 and other Legal Requirements
 - Meet debt service coverage requirements

Assumptions

1. SFR account growth at 0.5%, or about 14 new homes annually.
No other account growth.
2. Interest earnings on cash reserves is 1.0% annually
3. Inflation occurs at an overall 3% annually
4. Proposed date of first increase is September 1, 2021 then on each July 1 thereafter
5. Reserves are funded at current District Policy



Reserve Policy

- Operating Fund Reserve
 - 6 months (50 percent) of O&M expense
- Capital Replacement Reserve
 - Average of 10-year CIP
- Rate Stabilization Reserve
 - Fixed value plus interest earnings

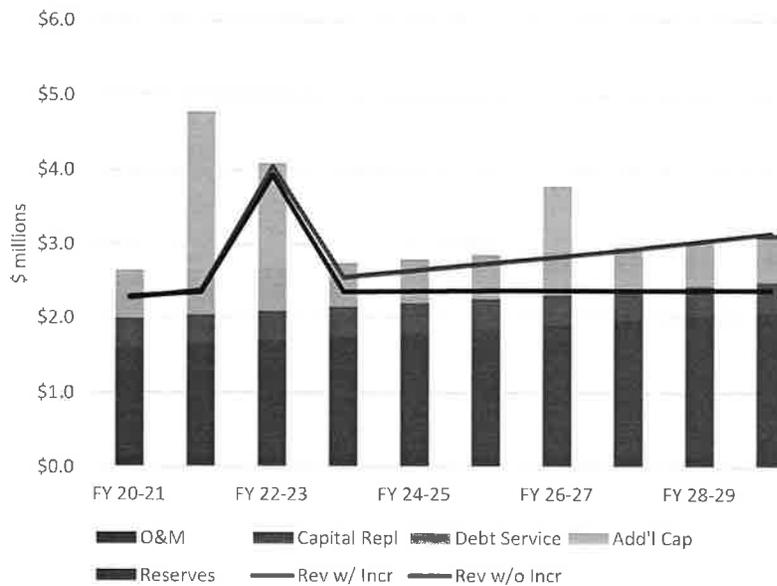
■ Reserves as of June 30, 2020

Reserve Type	Wastewater	
	Reserve Balance	Reserve Target
Operating Fund Reserve	\$300,000	\$800,000
Capital Replacement Reserve	\$4,896,809	\$810,000
Rate Stabilization	\$606,650	\$321,000
Total	\$5,803,459	\$1,931,000

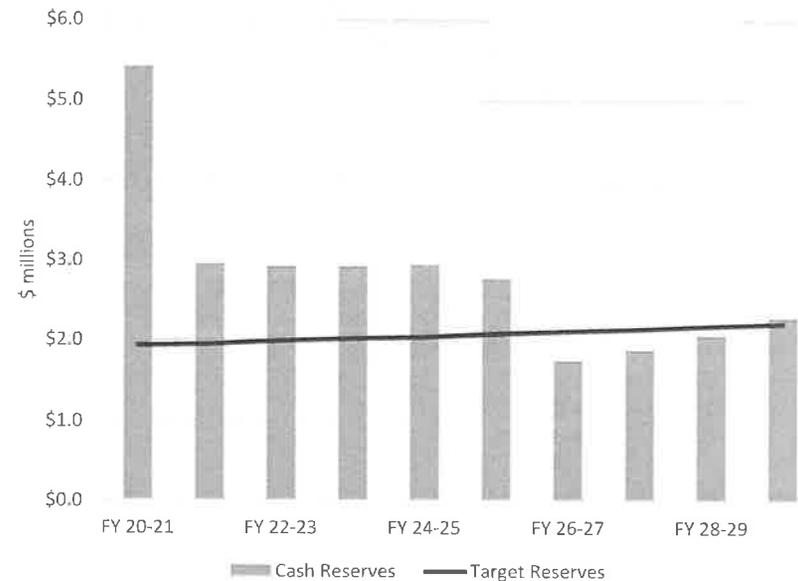
Wastewater Enterprise – 3.3% Annual Increases

First increase Sept 1, then each July 1

Wastewater Financial Plan



Cash Reserves Versus Target Reserves



Cost of Service

- A method to assign utility costs to user classifications based on how they use the wastewater system
 - Water Environment Federation (WEF) for wastewater industry methodology
- Design rates to recover costs assigned to users in proportion to their use of the wastewater system

Wastewater Fixed and Variable Charges

- Fixed Charges

- Includes Capacity and Customer Costs
- Applicable to all customers

Meter Size	Bi-monthly Capacity Charge ^[1]	Meter Capacity Ratio	Bi-monthly Meter Charge	Bi-monthly Customer Charge ^[1]	Total Bi-monthly Charge
inches					
Up to 1 inch	\$51.42	1.0	\$51.42	\$3.28	\$54.70
1.5	\$51.42	3.0	\$154.26	\$3.28	\$157.55
2.0	\$51.42	4.8	\$246.82	\$3.28	\$250.11
3.0	\$51.42	9.0	\$462.79	\$3.28	\$466.07
4.0	\$51.42	15.0	\$771.32	\$3.28	\$774.60
6.0	\$51.42	30.0	\$1,542.64	\$3.28	\$1,545.92
8.0	\$51.42	48.0	\$2,468.22	\$3.28	\$2,471.50

- Variable Charges

- Includes Flow, BOD, SS, and Collection costs
- Costs divided by water volume

Customer Classification	Flow, BOD SS, & Coll Costs	Billable Volume HCF	Commodity Rate \$/HCF
Non-Residential			
Commercial - Low Strength	\$53,722	13,728	\$3.91
Commercial - Medium Strength	\$16,900	3,892	\$4.34
Commercial - High Strength	\$37,770	6,678	\$5.66

Proposed Wastewater Rates

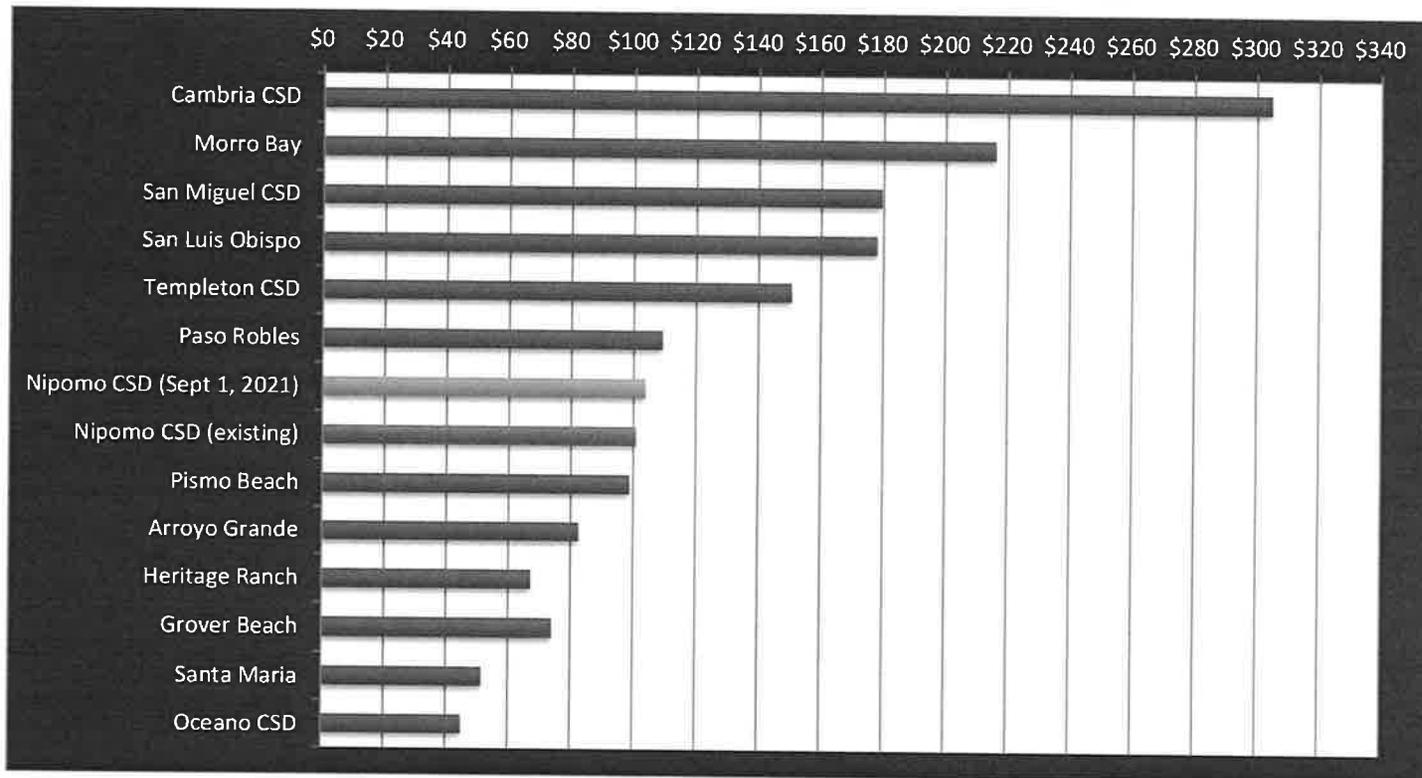
Description	Current	Date of Increase									
		Sep 1, 2021	% Incr	July 1, 2022	% Incr	July 1, 2023	% Incr	July 1, 2024	% Incr	July 1, 2025	% Incr
Residential Fixed Charges											
Single Family	\$100.87	\$103.84	2.9%	\$107.27	3.3%	\$110.81	3.3%	\$114.47	3.3%	\$118.24	3.3%
Multi-family	\$84.14	\$86.62	2.9%	\$89.48	3.3%	\$92.43	3.3%	\$95.48	3.3%	\$98.63	3.3%
Non-Residential Meter Charges											
Up to 1 inch	\$39.83	\$54.70	37.3%	\$56.51	3.3%	\$58.37	3.3%	\$60.30	3.3%	\$62.29	3.3%
1.5	\$115.63	\$157.55	36.3%	\$162.75	3.3%	\$168.12	3.3%	\$173.66	3.3%	\$179.40	3.3%
2	\$183.84	\$250.11	36.0%	\$258.36	3.3%	\$266.88	3.3%	\$275.69	3.3%	\$284.79	3.3%
3	\$343.01	\$466.07	35.9%	\$481.45	3.3%	\$497.34	3.3%	\$513.76	3.3%	\$530.71	3.3%
4	\$570.39	\$774.60	35.8%	\$800.16	3.3%	\$826.57	3.3%	\$853.85	3.3%	\$882.02	3.3%
6	\$1,138.85	\$1,545.92	35.7%	\$1,596.94	3.3%	\$1,649.64	3.3%	\$1,704.07	3.3%	\$1,760.31	3.3%
8	\$1,820.99	\$2,471.50	35.7%	\$2,553.06	3.3%	\$2,637.32	3.3%	\$2,724.35	3.3%	\$2,814.25	3.3%
Non-Residential Usage Rates (\$ per HCF)											
Low Strength	\$3.89	\$3.91	0.6%	\$4.04	3.3%	\$4.18	3.3%	\$4.31	3.3%	\$4.46	3.3%
Medium Strength	\$4.32	\$4.34	0.5%	\$4.49	3.3%	\$4.63	3.3%	\$4.79	3.3%	\$4.94	3.3%
High Strength	\$5.59	\$5.66	1.2%	\$5.84	3.3%	\$6.04	3.3%	\$6.23	3.3%	\$6.44	3.3%
Mixed Use Usage Rates (\$ per HCF)											
Standard Comm with 0% High Strength	\$3.89	\$3.91	0.5%	\$4.04	3.3%	\$4.17	3.3%	\$4.31	3.3%	\$4.45	3.3%
Standard Comm with 10% High Strength	\$4.08	\$4.09	0.2%	\$4.22	3.3%	\$4.36	3.3%	\$4.51	3.3%	\$4.66	3.3%
Standard Comm with 20% High Strength	\$4.25	\$4.26	0.2%	\$4.40	3.3%	\$4.55	3.3%	\$4.70	3.3%	\$4.85	3.3%
Standard Comm with 30% High Strength	\$4.42	\$4.44	0.5%	\$4.59	3.3%	\$4.74	3.3%	\$4.89	3.3%	\$5.06	3.3%
Standard Comm with 40% High Strength	\$4.61	\$4.61	0.0%	\$4.76	3.3%	\$4.92	3.3%	\$5.08	3.3%	\$5.25	3.3%
Standard Comm with 50% High Strength	\$4.78	\$4.78	0.0%	\$4.94	3.3%	\$5.10	3.3%	\$5.27	3.3%	\$5.44	3.3%
Standard Comm with 60% High Strength	\$4.96	\$4.96	0.0%	\$5.12	3.3%	\$5.29	3.3%	\$5.47	3.3%	\$5.65	3.3%
Standard Comm with 70% High Strength	\$5.13	\$5.13	0.0%	\$5.30	3.3%	\$5.47	3.3%	\$5.65	3.3%	\$5.84	3.3%
Standard Comm with 80% High Strength	\$5.30	\$5.31	0.2%	\$5.49	3.3%	\$5.67	3.3%	\$5.85	3.3%	\$6.05	3.3%
Standard Comm with 90% High Strength	\$5.48	\$5.48	0.0%	\$5.66	3.3%	\$5.85	3.3%	\$6.04	3.3%	\$6.24	3.3%
Standard Comm with 100% High Strength	\$5.59	\$5.66	1.3%	\$5.85	3.3%	\$6.04	3.3%	\$6.24	3.3%	\$6.44	3.3%

Monthly Sewer Bill Comparison

Classification	Average Bi-monthly Water Use	Current Bill			Sep 1, 2021 Proposed Bill			Percent Change
		Service Charge	Volume Charge	Current Bill	Service Charge	Volume Charge	Proposed Bill	
Residential	HCF							
Single Family				\$100.87			\$103.84	2.9%
Multi-family				\$84.14			\$86.62	2.9%
Non-Residential - 1" Meter								
Commercial - Low Strength	50	\$39.83	\$194.50	\$234.33	\$54.70	\$195.67	\$250.37	6.8%
Commercial - Medium Strength	70	\$39.83	\$302.40	\$342.23	\$54.70	\$303.96	\$358.66	4.8%
Commercial - High Strength	35	\$39.83	\$195.65	\$235.48	\$54.70	\$197.96	\$252.66	7.3%
Non-Residential - 1.5" Meter								
Commercial - Low Strength	80	\$115.63	\$311.20	\$426.83	\$157.55	\$313.07	\$470.61	10.3%
Commercial - Medium Strength	65	\$115.63	\$280.80	\$396.43	\$157.55	\$282.25	\$439.79	10.9%
Commercial - High Strength	200	\$115.63	\$1,118.00	\$1,233.63	\$157.55	\$1,131.18	\$1,288.72	4.5%
Non-Residential - 2" Meter								
Commercial - Low Strength	170	\$183.84	\$661.30	\$845.14	\$250.11	\$665.27	\$915.37	8.3%
Commercial - Medium Strength	100	\$183.84	\$432.00	\$615.84	\$250.11	\$434.23	\$684.33	11.1%
Commercial - High Strength	200	\$183.84	\$1,118.00	\$1,301.84	\$250.11	\$1,131.18	\$1,381.28	6.1%
Non-Residential - 3" Meter								
Commercial - Low Strength	200	\$343.01	\$778.00	\$1,121.01	\$466.07	\$782.67	\$1,248.74	11.4%

Sewer Bill Comparison with Other Communities

40 HCF per bi-month (SFR average)



QUESTIONS?



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