

TO: BOARD OF DIRECTORS
FROM: RAY DIENZO, P.E. R.D.
GENERAL MANAGER
DATE: FEBRUARY 6, 2025



REVIEW AND CONSIDER ACTIONS FOR DRAFT TOWN SEWER SYSTEM WASTEWATER RATE STUDY

ITEM

Review and consider actions for draft Town Sewer Wastewater Rate Study ("Rate Study") and direct staff [RECOMMEND REVIEW RATE STUDY, EDIT IF NECESSARY, AND DIRECT STAFF TO PREPARE THE FINAL RATE STUDY]

BACKGROUND

The Town Sewer Enterprise is solely funded by rates and charges collected from users who are connected to and benefit from the use of the Town Sewer System ("System"). Funds collected from users are applied to the operations and maintenances of the System. The cost to operate and maintain the System increases over time due to inflation and system improvements/replacements. To continue a program that ensures uninterrupted operations, compliance with state regulations, and cost recovery to sustain the System, is fair and equitable to all System users, the cost of service is evaluated and determined in the Rate Study.

The last Town Sewer Rate Study was completed in April 2021. It is typical and prudent to conduct rate studies on a regular basis to ensure proper and adequate funding of the enterprise. Evaluating the cost of service in a regularly scheduled rate study and adjusting rates to match an average inflationary factor provides for minimal adjustments on an annual basis. This method of rate management provides a responsible approach in meeting the financial needs of the enterprise, while keeping in mind the financial concerns of users.

Tuckfield & Associates was retained to prepare the Rate Study. The study included a review and analysis of the Town wastewater enterprise funds, user classifications, and current rate structure. Mr. Clayton Tuckfield presented the Wastewater Cost of Service and Rates to the Finance and Audit Committee ("Committee") on January 29, 2025. The Committee received and considered Mr. Tuckfield's presentation and directed him to advance to his efforts to draft the Rate Study for Board consideration.

STRATEGIC PLAN

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

B.1 Evaluate, plan for and maintain finances that are adequate for all needs, stable, and reliable over the long-term.

FISCAL IMPACT

The cost of the Rate Study was included in this year's budget.

RECOMMENDATION

It is recommended that your Board review the draft report and provide direction to staff.

ATTACHMENT

- A. Draft Report: Wastewater Rate Study
- B. Wastewater Rate Study Presentatio

FEBRUARY 12, 2025

ITEM E-1

ATTACHMENT A

Report for:

Nipomo Community Services District

148 South Wilson Street
Nipomo, CA 93444
(805) 929-1133

Report on:

Wastewater Rate Study

Submitted By:

Tuckfield & Associates

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February 2025

FINANCIAL CONSULTING
**TUCKFIELD &
ASSOCIATES**
MANAGEMENT CONSULTING

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February 4, 2025

Mr. Raymond Dienzo
General Manager
Nipomo Community Services District
148 South Wilson Street
Nipomo, CA 93444

Dear Mr. Dienzo:

I am pleased to present this Wastewater Rate Study (Study) report to the Nipomo Community Services District (District) regarding the 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, current rate structure, and District plans to consolidate the Blacklake sewer system into the Town sewer system and the addition of the Dana Reserve development to the Town sewer system. 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 wastewater rates and charges

This report documents the findings and recommendations for the financial plan and rates for the District's wastewater enterprise. 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 July of 2024 to perform a comprehensive Wastewater Rate Study (Study) for the District's Town Sewer System (Town System). The District currently provides wastewater collection, treatment, and disposal services to two separate service areas that operate independently of each other. These systems are known as the Town System and the Blacklake Sewer System (Blacklake System).

The Town System is experiencing changes that will be expanding its operations and size in the next several years. The District is currently constructing the necessary facilities to consolidate the Blacklake System into the Town System such that the Blacklake treatment plant will be decommissioned and its wastewater flows will be conveyed to the Southland Wastewater Treatment Facility (WWTF). The consolidation is planned to be completed July 1, 2025. The Town System will be responsible for the operation and maintenance of the Blacklake System as well as any capital infrastructure required. Any reserves that are currently in the Blacklake funds of the District will be spent on the Blacklake System and will not be transferred to the Town System funds of the District.

In addition to the Blacklake System consolidation, the District is annexing a new development known as Dana Reserve Project (Dana Reserve). Dana Reserve is a multiuse neighborhood consisting of 288 acres that includes 1,270 dwelling units, 18.9 acres of commercial development, and 37.8 acres of landscape area. Dana Reserve will require engineering and construction to modify the Town System to accommodate this growth as well as other facilities necessary to serve the development. The Dana Reserve developer will pay the District's capacity charges which will be used to offset the cost of the facilities that are the responsibility of the District. The Dana Reserve developer is also paying for other facilities. The capacity charges paid are received into the District's Fund #710 and, together with fund reserves and developer contributions, will complete Dana Reserve facilities and other expansion projects only. Therefore, the District will not be impacted financially for Dana Reserve and Fund #710 is not included in this Study other than to include capacity charge revenue into debt coverage ratio calculations.

System Description

The current Town System consists of wastewater collection including 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 and will be upgraded again in 2025 to include the Blacklake System and Dana Reserve flow and loadings. The current capacity of the Southland WWTF is currently 0.9 mgd.

The current Town System wastewater rate structure consists of fixed and variable charges to residential, non-residential, and mixed use customers. Residential customers are charged a monthly fixed charge. Non-residential customers are charged a fixed 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 monthly fixed charge by meter size and a volume charge based on the percentage of high strength of the wastewater discharged. The Blacklake system will be charged the same rates as the Town System on July 1, 2025 and Dana Reserve will be charged the Town System rates as customers connect. Wastewater rates are listed in Table ES-1.

Financial Plan

A forward-looking financial plan was prepared for the wastewater enterprise that projected the revenue and revenue requirements of the Town System. Annual costs of the Town System include operation and maintenance expense (O&M), annual routine capital outlay, replacement capital, major capital improvements, and debt service. Projected O&M expenses include the District’s FY 2024-25 Budget expenses for the first year. Future years’ expenses are projected through application of inflation factors to budget year expenses while also recognizing any operational changes.

An analysis was performed that compared the projected revenue using the District’s current wastewater rates with projected revenue requirements (costs) of the Town System. The analysis indicated that the current level of revenue being received should be increased by 8.4 percent annually for four years to adequately meet financial planning criteria. The wastewater financial plan is presented in Table 7.

Proposed Wastewater Rates

The proposed wastewater rates for the District keep the current rate structure, however the rates are updated to reflect the current cost of service. For the first rate increase July 1, 2025, wastewater rates are adjusted to bring user classifications back to cost of service levels. For rate adjustments after July 1, 2025, the wastewater rates increase by 8.4 percent annually, following the increases in the financial plan in Table 7. Table ES-1 presents the proposed wastewater rates to Town System customers.

Table ES-1
Proposed Wastewater Monthly Fixed and Variable Charges

Description	Current	Date of Increase				
		July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029
Residential Monthly Fixed Charges						
Single Family	\$58.46	\$63.20	\$68.50	\$74.26	\$80.50	\$80.50
Multi-family	\$48.73	\$52.18	\$56.57	\$61.32	\$66.47	\$66.47
Non-Residential Monthly Meter Charges by Size						
Up to 1 inch	\$30.69	\$32.14	\$34.84	\$37.77	\$40.94	\$40.94
1.5 inch	\$88.37	\$94.52	\$102.46	\$111.07	\$120.40	\$120.40
2 inch	\$140.29	\$150.67	\$163.32	\$177.04	\$191.91	\$191.91
3 inch	\$261.43	\$281.67	\$305.33	\$330.98	\$358.78	\$358.78
4 inch	\$434.48	\$468.81	\$508.20	\$550.88	\$597.16	\$597.16
6 inch	\$867.11	\$936.68	\$1,015.36	\$1,100.65	\$1,193.10	\$1,193.10
8 inch	\$1,386.28	\$1,498.11	\$1,623.96	\$1,760.37	\$1,908.24	\$1,908.24
Non-Residential Usage Rates (\$ per HCF)						
Low Strength	\$4.33	\$4.56	\$4.95	\$5.36	\$5.81	\$5.81
Medium Strength	\$4.77	\$5.45	\$5.91	\$6.41	\$6.95	\$6.95
High Strength	\$6.12	\$8.09	\$8.77	\$9.50	\$10.30	\$10.30
Mixed Use Usage Rates (\$ per HCF)						
Standard Comm with 10% High Strength	\$4.51	\$4.92	\$5.33	\$5.78	\$6.27	\$6.27
Standard Comm with 20% High Strength	\$4.69	\$5.27	\$5.71	\$6.19	\$6.71	\$6.71
Standard Comm with 30% High Strength	\$4.86	\$5.62	\$6.09	\$6.60	\$7.16	\$7.16
Standard Comm with 40% High Strength	\$5.04	\$5.97	\$6.47	\$7.02	\$7.60	\$7.60
Standard Comm with 50% High Strength	\$5.22	\$6.33	\$6.86	\$7.44	\$8.06	\$8.06
Standard Comm with 60% High Strength	\$5.40	\$6.68	\$7.24	\$7.85	\$8.51	\$8.51
Standard Comm with 70% High Strength	\$5.58	\$7.03	\$7.62	\$8.26	\$8.95	\$8.95
Standard Comm with 80% High Strength	\$5.76	\$7.39	\$8.01	\$8.68	\$9.41	\$9.41
Standard Comm with 90% High Strength	\$5.94	\$7.74	\$8.39	\$9.09	\$9.86	\$9.86

Customer Bill Impacts

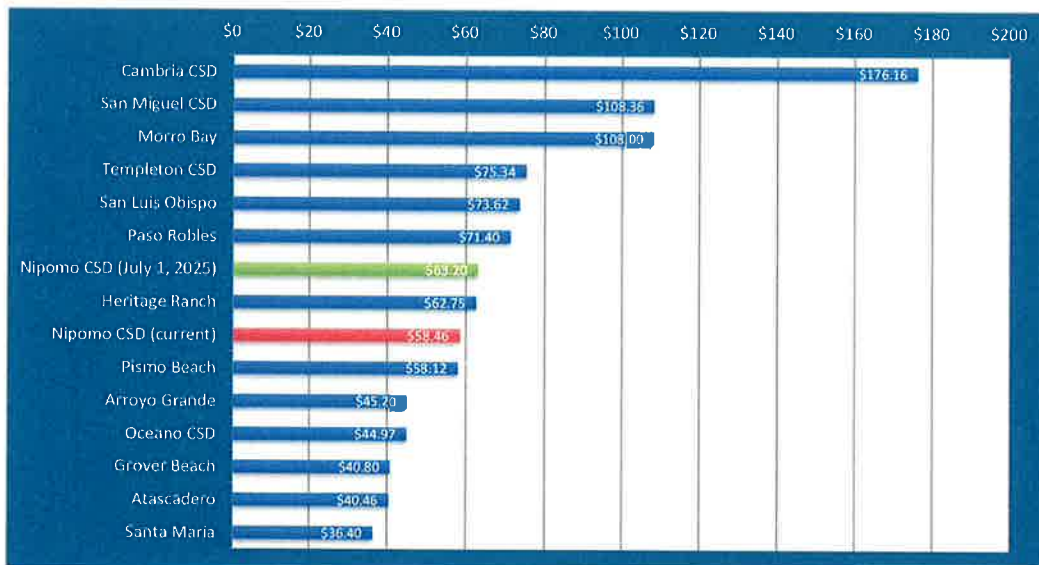
Table ES-2 presents the impacts to residential bills for the proposed July 1, 2025 wastewater rates. The table shows that the single-family residential customer’s monthly bill will increase from \$58.46 to \$63.20, an increase of \$4.74, or 8.1 percent. For multi-family residential, the monthly bill will increase from \$48.73 to \$52.18, an increase of \$3.45 or 7.1 percent.

Table ES-2
Residential Bill Impacts with Proposed July 1, 2025
Wastewater Rates

Classification	Current	July 1, 2025	Percent Change
	Bill	Proposed Bill	
Residential			
Single Family	\$58.46	\$63.20	8.1%
Multi-family	\$48.73	\$52.18	7.1%

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 July 1, 2025 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 Monthly Wastewater Bills
For Rates in Effect January 2025



Note: Above table uses wastewater rates in effect January 2025. Chart does not include any charges other than those published on each agency’s website. Arroyo Grande, Grover Beach, and Oceano CSD include the wastewater treatment charge from South San Luis Obispo County Sanitation District. Arroyo Grande and Cambria CSD assume 18 HCF monthly. San Luis Obispo assumes 5 HCF-monthly. Paso Robles assumes 6 HCF monthly. NCS’s July 2025 bill is based on the wastewater service charges in Table ES-1.

Introduction

The Nipomo Community Services District (District) engaged Tuckfield & Associates in July of 2024 to conduct a comprehensive Wastewater Rate Study (Study) for the District's Town Sewer System. This Study includes the 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 the enterprise funds of the District and each relies upon user charges to meet all financial obligations.

The Town System consists of wastewater collection, treatment, and disposal facilities for approximately 3,700 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 Town 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 Town System include operation and maintenance expenses, 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 to five years for prudent rate planning.

Financial Planning

Financial planning for the wastewater enterprise includes identifying and projecting revenues and revenue requirements of the Town System for a five-year planning period. Estimates of revenue from various sources are compared with the projected revenue requirements. This comparison allows the determination of the adequacy of existing revenue to meet annual Town System costs 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 Town System. This section discusses the Study assumptions, District reserves, current wastewater rates, user classifications, revenues and revenue requirements, planned capital improvement expenditures, financing sources, and proposed revenue adjustments.

Assumptions

Several assumptions were used to conduct the Study for the period FY 2024-25 to FY 2029-30. The assumptions included growth rates in customer accounts, interest earnings on fund reserves, and expense inflation factors. The financial planning factor assumptions are provided in Table 1.

Table 1
Assumptions and Planning Factors

Description	Value
Residential Annual Account & Demand growth [1]	0.25%
Interest earnings on fund reserves (annual)	4.0%
Expense Escalation	
Personnel Services [annual, 2]	5.0%
Benefits	5.0%
Electrical Power (\$/HCF)	8.0%
Chemicals (\$/HCF)	3.0%
All Other Operations and Maintenance	2.0%
Capital	3.0%

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

[2] Personnel Services growth in staffing, promotions and inflation are 5.0% 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 are defined in the Resolution 2018-1489 and are used in this Study and discussed below.

Operating Reserve (Fund #130)

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 flow. The target balance to be maintained is 180 days (50 percent) of the current annual operating expense budget.

Capital Replacement Reserve (Fund #810)

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 spent. A reserve amount equal to the ten-year average of annual CIP spending has been used for this Study though no defined amount is provided in the District's resolution.

Rate Stabilization Reserve (Fund #135)

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.

District Beginning Balances and Reserve Targets

The reserve fund balances discussed above are used in developing the financial plan for the Town System. The District's beginning fund balances are listed in Table 2 below as of July 1, 2024. Target Reserves are also stated in the table.

Table 2
Wastewater Reserves as of July 1, 2024

Reserve Type	Reserve Balance	Reserve Target
Operating Reserve	\$540,000	\$1,110,000
Capital Replacement Reserve	\$1,400,000	\$1,095,000
Rate Stabilization	\$340,000	\$340,000
Total	\$2,280,000	\$2,545,000

Current Wastewater Rates

Residential customers are charged a fixed monthly charge while non-residential and mixed-use customers are charged a fixed monthly charge by meter size and a volume charge for their respective wastewater strength classification. The current wastewater rates are presented in Table 3.

Table 3
Current Wastewater Rates

Description	Current July 1, 2024
Residential Monthly Fixed Charges (\$/month)	
Single Family	\$58.46
Multi-family	\$48.73
Non-Residential Monthly Fixed Meter Charges by Size (\$/month)	
Up to 1 inch	\$30.69
1 1/2	\$88.37
2	\$140.29
3	\$261.43
4	\$434.48
6	\$867.11
8	\$1,386.28
Non-Residential Usage Rates (\$ per HCF)	
Low Strength	\$4.33
Medium Strength	\$4.77
High Strength	\$6.12
Mixed Use Usage Rates (\$ per HCF)	
Mixed Use - 0% High Strength	\$4.33
Mixed Use - 10% High Strength	\$4.51
Mixed Use - 20% High Strength	\$4.69
Mixed Use - 30% High Strength	\$4.86
Mixed Use - 40% High Strength	\$5.04
Mixed Use - 50% High Strength	\$5.22
Mixed Use - 60% High Strength	\$5.40
Mixed Use - 70% High Strength	\$5.58
Mixed Use - 80% High Strength	\$5.76
Mixed Use - 90% High Strength	\$5.94

Wastewater User Classification

Existing Customers

The District currently classifies Town System 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 the increasing strength of the wastewater. Table 4 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 4
Historical and Projected Wastewater Accounts by Classification

Customer Class	Estimated		Projected [1]			
	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Residential						
Single Family [1]	2,866	2,873	2,880	2,887	2,894	2,901
Multi-family [1]	766	768	770	772	774	776
Non-Residential						
Commercial - Low Strength	29	29	29	29	29	29
Commercial - Medium Strength	9	9	9	9	9	9
Commercial - High Strength	16	16	16	16	16	16
Mixed Use						
Mixed Use - 0% High Strength	18	18	18	18	18	18
Mixed Use - 10% High Strength	2	2	2	2	2	2
Mixed Use - 20% High Strength	3	3	3	3	3	3
Mixed Use - 30% High Strength	2	2	2	2	2	2
Mixed Use - 40% High Strength	2	2	2	2	2	2
Mixed Use - 50% High Strength	1	1	1	1	1	1
Blacklake Residential						
Single Family	-	487	487	487	487	487
Multi-family	-	69	69	69	69	69
Blacklake Non-Residential						
Commercial - Low Strength	-	2	2	2	2	2
Commercial - Medium Strength	-	-	-	-	-	-
Commercial - High Strength	-	2	2	2	2	2
Dana Reserve						
Single Family	-	-	-	97	236	429
Multi-family	-	-	-	38	207	260
Dana Reserve Non-Residential						
Commercial - Low Strength	-	-	-	3	8	12
Total Accounts/Dwelling Unit	3,714	4,283	4,292	4,439	4,761	5,020

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

Blacklake and Dana Reserve Customer Additions

This Study assumes that the Blacklake System's customer base will be incorporated into the Town System on July 1, 2025. This Study further assumes that the Dana Reserve residential and commercial development will be annexed to the District and begin to connect to the Town System beginning July 1, 2027. The type of customer and the rate at which the connections occur in Table 4 above are from the Final Dana Reserve Phasing Study Report dated March 5, 2024, although the date when customers first begin to connect has been delayed from fiscal year 2024 to 2027. Table 4 includes both Blacklake and Dana Reserve customers.

Growth Assumptions

Historical growth in the number of Town System single-family customers between FY 2019-20 to FY 2023-24 indicates an average annual growth rate of about 0.68 percent annually with multifamily growth over 3.0 percent. Commercial customer growth has remained relatively constant over the last 4 years. Based on the above, 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 Town System in three funds. Fund #130 accounts for the operations of the Town System, Fund #135 includes rate stabilization funds, and Fund #810 provides for Town System capital replacement. The financial plan includes these three funds together to present a combined statement. Expansion funds of the District (Fund #710) are not included because these funds are restricted to paying for expansion related projects only and are not available to meet operations and maintenance expenses. Any expansion of the Town System to accommodate the Dana Reserve development will be paid for by current District Fund #710 Reserves, capacity charge revenue, and developer contributions.

Wastewater Revenues

The District receives operating and miscellaneous revenue from several sources. Operating revenue is received from rates and charges for wastewater service. Table 5 presents the projected revenue from current wastewater rates for the Town 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. Miscellaneous revenue includes interest income, plan check fees, and other charges.

Table 5
Projected Wastewater Revenues Using Current Rates

Customer Classification	Projected					
	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Residential						
Single Family [1]	\$2,004,423	\$2,015,467	\$2,020,378	\$2,025,288	\$2,030,199	\$2,035,110
Multi-family [1]	\$446,563	\$449,096	\$450,265	\$451,435	\$452,604	\$453,774
Non-Residential						
Commercial - Low Strength	80,130	80,377	80,377	80,377	80,377	80,377
Commercial - Medium Strength	28,491	28,576	28,576	28,576	28,576	28,576
Commercial - High Strength	58,875	59,059	59,059	59,059	59,059	59,059
Mixed Use						
Mixed Use - 0% High Strength	25,857	25,937	25,937	25,937	25,937	25,937
Mixed Use - 10% High Strength	6,643	6,664	6,664	6,664	6,664	6,664
Mixed Use - 20% High Strength	9,812	9,843	9,843	9,843	9,843	9,843
Mixed Use - 30% High Strength	3,629	3,640	3,640	3,640	3,640	3,640
Mixed Use - 40% High Strength	4,449	4,463	4,463	4,463	4,463	4,463
Mixed Use - 50% High Strength	22,896	22,965	22,965	22,965	22,965	22,965
Blacklake Residential						
Single Family	-	341,640	341,640	341,640	341,640	341,640
Multi-family	-	40,348	40,348	40,348	40,348	40,348
Blacklake Non-Residential						
Commercial - Low Strength	-	1,451	1,451	1,451	1,451	1,451
Commercial - Medium Strength	-	-	-	-	-	-
Commercial - High Strength	-	5,693	5,693	5,693	5,693	5,693
Dana Reserve						
Single Family	-	-	-	68,047	165,559	300,952
Multi-family	-	-	-	22,221	121,045	152,038
Dana Reserve Non-Residential						
Commercial - Low Strength	-	-	-	8,072	16,881	64,799
Total Projected Revenue	\$2,691,767	\$3,095,219	\$3,101,299	\$3,205,720	\$3,416,945	\$3,637,328

Wastewater Revenue Requirements

Revenue requirements of the Town 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 (O&M) expenses are an on-going obligation of the Town System and such costs are normally met from wastewater service revenue. O&M expenses include 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 expenses have been projected recognizing the major expense categories of personnel services, electric power expense, chemicals, all other expenses, and capital outlay. O&M expenses have been increased for future years following the inflation factors provided in Table 1. Table 6 provides detailed projections of future O&M expenses.

Table 6
Projected Operation and Maintenance Expense

Description	Budget		Projected			
	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Town Personnel Costs						
Personnel Services [1] [2]	\$884,810	\$929,055	\$975,512	\$1,024,291	\$1,075,512	\$1,129,295
Electricity - Pumps and Blowers	250,000	293,398	317,535	350,798	387,351	440,791
Chemicals	54,000	60,440	62,384	65,728	69,217	75,120
Lab Tests and Sampling	35,000	38,794	39,653	41,373	43,146	46,371
Operating Supplies	80,000	88,671	90,635	94,566	98,619	105,990
Outside Services	142,730	158,201	161,704	168,718	175,948	189,099
Permits and Operating Fees	24,700	27,377	27,983	29,197	30,449	32,724
Repairs and Maintenance	152,000	168,475	172,206	179,676	187,376	201,381
Other Operations and Maintenance Exp	49,300	283,413	296,063	400,887	420,513	443,041
Total O&M Expense	\$1,672,540	\$2,047,824	\$2,143,675	\$2,355,234	\$2,488,131	\$2,663,812
General and Administrative Personnel Costs						
Personnel Services [1]	\$86,490	\$118,663	\$124,656	\$130,844	\$137,440	\$144,262
Computer Expense	52,440	53,489	54,559	55,650	56,763	57,898
Newsletters and Mailers	500	510	520	530	541	552
Postage	10,200	10,404	10,612	10,824	11,040	11,261
Other General and Administrative	154,850	157,947	161,106	164,328	167,614	170,966
Transfers - Administration	134,637	137,330	140,077	142,879	145,737	148,652
Total G&A Expenses	\$439,317	\$478,547	\$491,738	\$505,267	\$519,351	\$533,811
Total O&M Expenses	\$2,111,857	\$2,526,371	\$2,635,413	\$2,860,501	\$3,007,482	\$3,197,623
Replacement Capital Transfer to Fund 810	100,000	395,000	395,000	395,000	395,000	395,000
Capital Outlay	114,000	99,100	101,100	103,100	105,200	107,300
Total O&M and Capital Expenses	\$2,325,857	\$3,020,471	\$3,131,513	\$3,358,601	\$3,507,682	\$3,699,923

[1] Includes budgeted Blacklake personnel costs beginning FY 2025-26.

[2] Includes one new person for the Dna Reserve project in FY 2027-28.

Capital Outlay

The District pays for capital outlay annually for equipment, small hand tools, and other miscellaneous routine capital. The District budgeted capital outlay of about \$114,000 in FY 2024-25. This amount is projected to be the average of the previous 5 years for FY 2025-26 and then increases by 3 percent annually. Capital outlay is shown near the bottom of Table 6.

Replacement Capital

The District plans for capital replacement annually in the amount of \$395,000. This amount is spent on capital improvements or is accumulated in Fund 810 for future capital spending as identified. Replacement Capital spending is shown near the bottom of Table 6.

Debt Service

The District refinanced its Series 2012 Certificates of Participation (COPs) debt issue. The refinancing also provided \$3M in new funds in a new Series 2022 COPs. The additional proceeds of \$3M will be spent on the Southland Sewer Collection System Pipeline Replacement project. The 2022 COPs have annual debt service payments of about \$585,000.

The District also plans to pursue a loan of \$2.9M in May/June of 2025 to finance general improvements listed in Table 7 for fiscal years 2025-26 through 2027-28. Obtaining the loan will assist the District in preserving adequate reserves.

Wastewater Capital Improvement Program

The District has prepared a wastewater capital improvement program (CIP) spending plan for FY 2024-25 through FY 2029-30 shown in Table 7. The CIP includes the Southland Sewer Collection System Pipeline Replacement, improvements to lift stations, manhole rehabilitations, and other projects. The projects are paid for through the \$3 million in proceeds from the refinance of the 2012 COPs, a \$2.9 million new loan, and District reserves.

Table 7
Capital Improvement Program

Description	Budget		Projected			
	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Current Capital Improvement Projects (CIP) [1]						
Replacement Projects (Fund #810)						
Teft Street Nipomo Creek Utility Crossings	\$25,000	\$257,500	\$0	\$0	\$0	\$0
SCADA System Improvements	50,000	51,500	-	-	-	-
Southland Sewer Collection System Pipeline Replacement	4,000,000	-	-	-	-	-
Souhtland WWTF Influent Pump Station Bypass	-	-	265,200	-	-	-
Maria Vista Lift Station Generator Replacement	150,000	-	-	-	-	-
Manhole Rehabilitation	150,000	154,500	159,100	163,900	168,800	173,900
Lift Station Replacement Pumps	40,000	41,200	42,400	43,700	45,000	46,400
Lift Station Rehabilitation - Tejas	-	-	265,200	1,219,500	-	-
Lift Station Rehabilitation - The Oaks - Carryover	-	105,600	-	-	-	-
Lift Station Rehabilitation - The Misty Glen - Carryover	-	-	103,800	-	-	-
Golf Course Trunk Main Replacement - Carryover	-	-	-	-	630,300	-
Touney Hill Sewer Main Replacement - Carryover	-	-	-	-	-	369,800
Augusta Sewer Main Replacement - Carryover	-	-	-	-	-	71,200
Total Capital Improvement Projects	\$4,415,000	\$610,300	\$835,700	\$1,427,100	\$844,100	\$661,300

[1] CIP source: FY 2024-25 Budget and other information provided by the District.

Wastewater Financial Plan

A wastewater financial plan has been prepared that includes revenues and revenue requirements identified for the Town System. The financial plan includes all revenue and expenses from Fund 130, Fund 135, 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 operating, capital, and rate stabilization reserve balances above \$1M or at target reserve levels stated in Table 2 and maintaining minimum debt service coverage ratios required by the Series 2022 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 8.4 percent annually beginning July 1, 2025 and then each July 1 for the next three years of the Study period. The financial plan for the Town System is presented in Table 8.

Table 8
Wastewater Financial Plan

Description	Projected					
	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Proposed Rate Increase (July 1)		8.4%	8.4%	8.4%	8.4%	0.0%
Revenues						
Sewer Revenues, Existing Rates [1]	\$2,691,767	\$3,095,219	\$3,101,299	\$3,205,720	\$3,416,945	\$3,637,328
Additional Rate Revenue from Increases	-	238,300	519,400	851,300	1,270,500	1,384,900
Miscellaneous Revenues	11,000	11,000	11,000	11,000	11,000	11,000
Rate Stabilization Funds [2]	340,000	-	-	-	-	-
Interest Earnings [3]	51,218	41,723	64,433	24,583	12,549	14,350
Total Revenues	\$3,093,985	\$3,386,242	\$3,696,132	\$4,092,603	\$4,710,994	\$5,047,578
Revenue Requirements						
Operation and Maintenance Expense	\$2,111,857	\$2,526,371	\$2,635,413	\$2,860,501	\$3,007,482	\$3,197,623
Capital Outlay	114,000	99,100	101,100	103,100	105,200	107,300
Replacement Capital	100,000	395,000	395,000	395,000	395,000	395,000
2022 Revenue COPs Debt Service	584,750	585,700	584,700	588,300	581,300	584,100
New Bond Debt Service [4]	27,500	245,000	245,000	245,000	245,000	245,000
Total Revenue Requirements	\$3,438,107	\$3,851,171	\$3,961,213	\$4,191,901	\$4,333,982	\$4,529,023
Net Funds Available Before Capital	(\$344,122)	(\$464,929)	(\$265,081)	(\$99,298)	\$377,012	\$518,555
Capital Sources of Funds						
Replacement Capital	\$100,000	\$395,000	\$395,000	\$395,000	\$395,000	\$395,000
Debt Proceeds [5]	3,000,000	2,900,000	-	-	-	-
Total Uses of Funds	\$3,100,000	\$3,295,000	\$395,000	\$395,000	\$395,000	\$395,000
Capital Uses of Funds						
Capital Replacement Projects [6]	\$4,415,000	\$610,300	\$835,700	\$1,427,100	\$844,100	\$661,300
Total Uses of Funds	\$4,415,000	\$610,300	\$835,700	\$1,427,100	\$844,100	\$661,300
Net Capital Spending	(\$1,315,000)	\$2,684,700	(\$440,700)	(\$1,032,100)	(\$449,100)	(\$266,300)
Net Funds Available After Capital	(\$1,659,122)	\$2,219,771	(\$705,781)	(\$1,131,398)	(\$72,088)	\$252,255
Available Reserves						
FY Beginning Available Reserves [7]	\$2,280,000	\$280,878	\$2,500,649	\$1,794,868	\$663,470	\$591,382
Rate Stabilization Funds	(340,000)	-	-	-	-	-
Additions (reductions)	(1,659,122)	2,219,771	(705,781)	(1,131,398)	(72,088)	252,255
FY Ending Available Reserves	\$280,878	\$2,500,649	\$1,794,868	\$663,470	\$591,382	\$843,637
Target Reserves [8]	\$2,545,000	\$2,758,900	\$2,833,300	\$2,958,300	\$3,053,900	\$3,160,200
Above (below) Target	(\$2,264,122)	(\$258,251)	(\$1,038,432)	(\$2,294,830)	(\$2,462,518)	(\$2,316,563)
Debt Service Coverage						
Net Revenues [9]	\$868,128	\$2,884,771	\$4,495,119	\$5,465,702	\$6,477,612	\$5,171,455
Annual Debt Service	612,250	830,700	829,700	833,300	826,300	829,100
Coverage	142%	347%	542%	656%	784%	624%

- [1] Projected using the current July 1, 2024 rates. Changes in rate-based revenues is due to customer and demand growth.
- [2] Rate Stabilization Funds of \$340,000 used to meet coverage requirements in FY 2024-25.
- [3] Interest earnings on the average fund balance calculated at 4.0% for the first year, then declining to 3.0%.
- [4] Debt service on proposed FY 2025-26 \$2,900,000 debt issue using debt schedule provided by District's Municipal Advisor.
- [5] FY 2024-25 remaining debt proceeds on 2022 Revenue COPs. FY 2025-26 \$2,900,000 new debt proceeds net of issuance costs.
- [6] Replacement projects only from Table 6.
- [7] The available FY 2024-25 reserve balance includes Fund 130, Fund 135, and Fund 810 stated in District budget.
- [8] Target reserve includes Operating, Capital Replacement, and Rate Stabilization reserves.
- [9] Includes capacity charge revenue, interest income, and miscellaneous revenue on all wastewater funds less O&M and capital outlay.

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

Figure 1
Wastewater Financial Plan

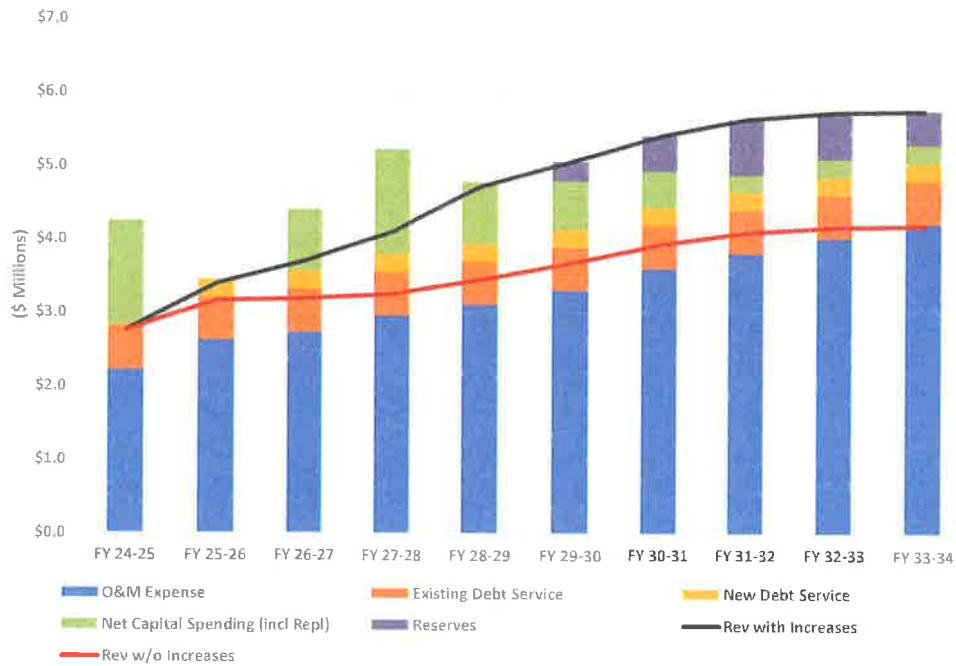
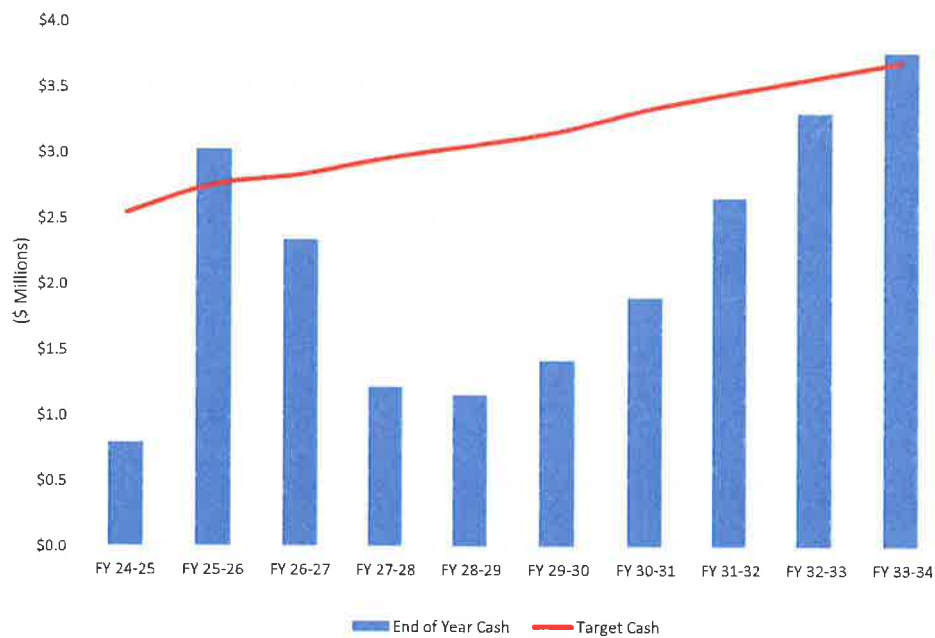


Figure 2
Wastewater Cash Reserves versus Target Reserves



Cost of Service

This section of the report discusses the allocation of the Town 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 inequity of the current rate structure and rates, which will provide 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 an average of the previous 5 years of annual costs of the Town System. The 5-year average is used to determine the percentages of each year’s cost of service to wastewater parameter (flow, BOD, SS, Capacity, Customer, and Collection) which will form the basis for the proposed rates as discussed further below.

The cost of service consists of O&M expenses, costs associated with annual replacement and capital improvements, and other adjustments. To allocate the annual 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 flow, BOD (bio-chemical oxygen demand), and SS (suspended solids), capacity, customer, and collection costs. The Test Year 5-year average of operating and capital costs are assigned to each parameter based on the functional operation and design of the facilities. From this allocation, percentages are calculated that are applicable to each wastewater parameter and are applied to each fiscal year’s total cost of service. Appendix A-1 provides the cost of service allocation.

The total cost of service to be recovered from the users of the Town System for each year of the Study period is summarized in Table 9. The annual revenue requirement (cost of service) for each year is allocated to each wastewater parameter based on the percentage calculation of the 5-year average of annual costs allocated to each parameter from Appendix A-1.

Table 9
Summary of Annual Cost of Service Allocation

	Annual COS	Strength					
		Flow	BOD	SS	Capacity	Customer	Collection
		8.6%	8.4%	8.4%	48.9%	1.5%	24.3%
FY 2025-26	\$3,355,217	\$288,677	\$280,188	\$280,188	\$1,641,864	\$48,900	\$815,400
FY 2026-27	\$3,644,200	\$313,541	\$304,320	\$304,320	\$1,783,277	\$53,112	\$885,630
FY 2027-28	\$4,083,320	\$351,323	\$340,990	\$340,990	\$1,998,159	\$59,511	\$992,347
FY 2028-29	\$4,717,969	\$405,928	\$393,988	\$393,988	\$2,308,722	\$68,761	\$1,146,582
FY 2026-27	\$4,717,969	\$405,928	\$393,988	\$393,988	\$2,308,722	\$68,761	\$1,146,582

Units of Service

The total costs of service of each parameter are distributed to each user classification by identifying how each group uses the wastewater system. This use of the wastewater system by each customer classification is determined by developing their units of service. For example, the SFR classification contributes wastewater flow to the Town System that has a certain wastewater strength, and therefore is charged proportionally to collect and treat its wastewater.

The units of service for each customer classification are provided in Table 10 below for FY 2025-26. The units of service were developed from an analysis of the wastewater treatment plant influent flow information for FY 2023-24. 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 10
FY 2025-26 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	672,603	33%	219,511	310	360	424,783	493,297	3,360	40,320	601
Multi-family	54,114	65%	35,291	310	360	68,292	79,307	837	10,044	97
Non-Residential										
Commercial - Low Strength	12,952	80%	10,362	310	360	20,051	23,285	72	372	28
Commercial - Medium Strength	4,730	80%	3,784	500	580	11,811	13,700	17	108	10
Commercial - High Strength	8,287	80%	6,630	1,250	1,020	51,730	42,212	39	216	18
Mixed Use										
Mixed Use - 0% High Strength	3,372	80%	2,698	310	360	5,220	6,062	32	216	7
Mixed Use - 10% High Strength	731	80%	585	404	426	1,475	1,555	10	24	2
Mixed Use - 20% High Strength	1,568	80%	1,254	498	492	3,900	3,853	7	36	3
Mixed Use - 30% High Strength	455	80%	364	592	558	1,345	1,268	4	24	1
Mixed Use - 40% High Strength	602	80%	482	686	624	2,062	1,876	4	24	1
Mixed Use - 50% High Strength	4,077	80%	3,262	780	690	15,881	14,048	5	12	9
Mixed Use - 60% High Strength	0	n/a	0	874	756	0	0	0	0	0
Mixed Use - 70% High Strength	0	n/a	0	966	822	0	0	0	0	0
Mixed Use - 80% High Strength	0	n/a	0	1,062	888	0	0	0	0	0
Mixed Use - 90% High Strength	0	n/a	0	1,156	954	0	0	0	0	0
Total System	763,491		284,221			606,551	680,464	4,387	51,396	779

[1] Appendix A-2 provides detail on the calculation of Equivalent Meters.

[2] Number of accounts from Table 4 multiplied by 12 bills per year.

Unit Costs of Service

Table 11 presents the unit costs of service for the Town System. Unit costs are determined by taking the annual cost of service for FY 2025-26 allocated to each parameter from Table 9 and dividing those costs by the units of service from Table 10.

Table 11
FY 2025-26 Development of Unit Costs

Description	Total	Flow	Strength			Customer	Collection
			BOD	SS	Capacity		
Total Costs of Service	\$3,355,217	\$288,677	\$280,188	\$280,188	\$1,641,864	\$48,900	\$815,400
Units of Service		284,221	606,551	680,464	4,387	51,396	779
Unit Costs of Service		\$1,0157	\$0,4619	\$0,4118	\$374.29	\$0.95	\$1,047.14
Units of Measure		HCF	lbs	lbs	Eq. Meters	Eq. Bills	HCF/Day

User Class Costs

The unit costs from Table 11 are applied to each customer classifications’ flow, strength, and customer units of service from Table 10 to establish user class costs. The cost responsibility of each class is summarized in Table 12 below. A detailed cost assignment is provided in Appendix A-3.

From inspection of Table 12, 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 8.4 percent, to be derived from the user classes in varying percentages, is the same as the percentage increase required stated in the financial plan.

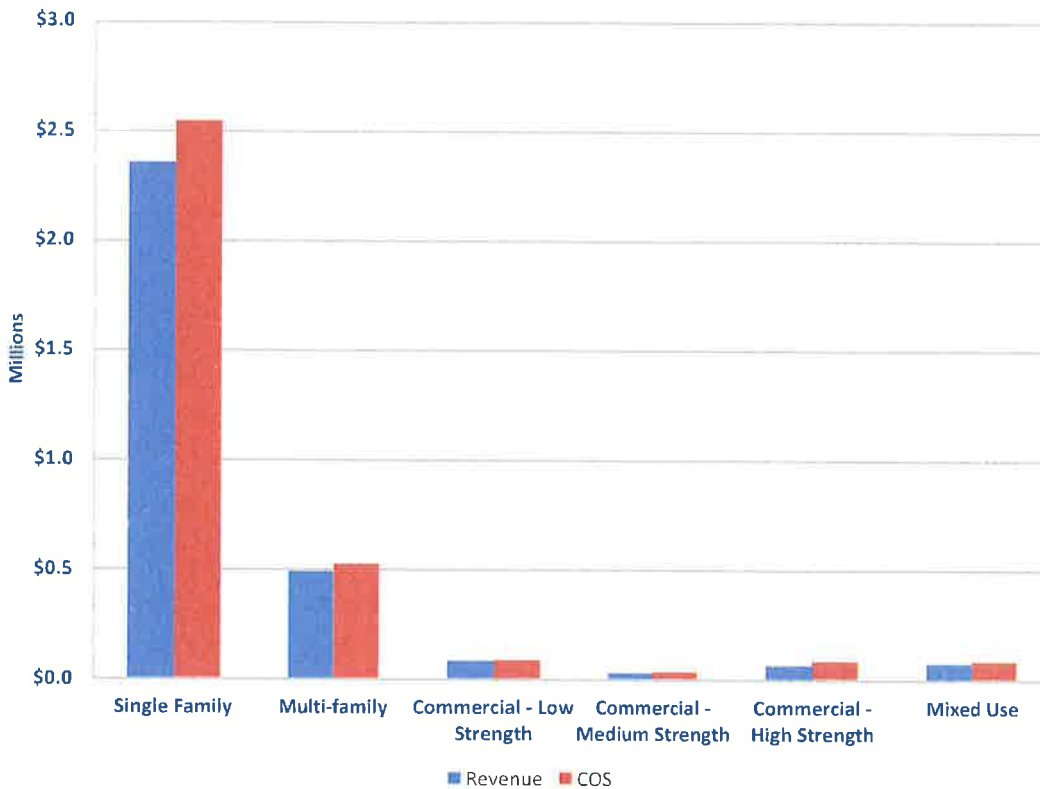
Table 12
Comparison of FY 2025-26 Cost of Service with Projected Revenue
Using Current Rates

Customer Class	COS Allocation	Projected Revenue [1]	Indicated Revenue Increase	Percent Revenue Increase
Residential				
Single Family	\$2,548,029	\$2,357,107	\$190,922	8.1%
Multi-family	\$524,129	\$489,444	\$34,685	7.1%
Non-Residential				
Commercial - Low Strength	\$86,553	\$81,828	\$4,725	5.8%
Commercial - Medium Strength	\$32,187	\$28,576	\$3,611	12.6%
Commercial - High Strength	\$81,983	\$64,752	\$17,231	26.6%
Mixed Use				
Mixed Use - 0% High Strength	\$27,420	\$25,937	\$1,483	5.7%
Mixed Use - 10% High Strength	\$7,209	\$6,664	\$545	8.2%
Mixed Use - 20% High Strength	\$10,915	\$9,843	\$1,072	10.9%
Mixed Use - 30% High Strength	\$4,077	\$3,640	\$437	12.0%
Mixed Use - 40% High Strength	\$5,116	\$4,463	\$653	14.6%
Mixed Use - 50% High Strength	\$27,598	\$22,965	\$4,633	20.2%
Total System	\$3,355,217	\$3,095,219	\$259,998	8.4%

[1] Projected using the current wastewater rates.

Chart 1 compares the current revenue received from each user class with the allocated cost of service from Table 11. As shown in the chart, residential customers dominate the responsibility for the cost of providing service. The difference in the column heights between revenue and the cost of service (blue vs. red) indicates how well a user classification’s current rates are recovering the cost of service.

Chart 1
Comparison of Projected Revenue Using Current Wastewater Rates
With Allocated FY 2025-26 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 ensure 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 12, are improved 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 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 rate structure for residential customers is the current rate structure which is designed as monthly flat charges applicable to each dwelling unit. Table 13 provides calculations for the monthly fixed charge for the FY 2025-26 cost of service. The total cost of service of each residential class is divided by the number of projected dwelling units for FY 2025-26.

Table 13
Design of FY 2025-26 Residential
Monthly Fixed Charges

Classification	Total Cost of Service	Number of Dwelling Units	Monthly Fixed Charge
Single Family	\$2,548,029	3,360	\$63.20
Multi-family	\$524,129	837	\$52.18

Non-residential Customers

The current non-residential rate structure consists of monthly fixed charges by meter size with uniform volume rates by strength category. The design of the 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 Town 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 14 presents the design of the proposed monthly fixed charges for non-residential customers for FY 2025-26 using the monthly capacity and customer unit costs from Table 11.

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 for FY 2025-26 from Appendix A-3 are divided by the projected FY 2025-26 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 10. The design of the proposed non-residential volume rates for FY 2025-26 are presented in Table 15.

Table 14
Design of FY 2025-26 Monthly Non-Residential Fixed Charges

Meter Size	Monthly Capacity Charge ^[1]	Meter Capacity Ratio	Monthly Meter Charge	Monthly Customer Charge ^[1]	Total Monthly Charge
inches					
Up to 1 inch	\$31.19	1.0	\$31.19	\$0.95	\$32.14
1.5	\$31.19	3.0	\$93.57	\$0.95	\$94.52
2.0	\$31.19	4.8	\$149.72	\$0.95	\$150.67
3.0	\$31.19	9.0	\$280.72	\$0.95	\$281.67
4.0	\$31.19	15.0	\$467.86	\$0.95	\$468.81
6.0	\$31.19	30.0	\$935.73	\$0.95	\$936.68
8.0	\$31.19	48.0	\$1,497.16	\$0.95	\$1,498.11

[1] Projected using the current wastewater rates.

Table 15
Design of FY 2025-26 Non-Residential Volume Rates

Customer Classification	Flow, BOD	Billable	Commodity
	SS, & Coll Costs	Volume	Rate
		HCF	\$/HCF
Non-Residential			
Commercial - Low Strength	\$59,101	12,952	\$4.56
Commercial - Medium Strength	\$25,796	4,730	\$5.45
Commercial - High Strength	\$67,031	8,287	\$8.09

Mixed Use Customers

All non-residential users of the Town 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 residential and commercial customers using the common sewer.

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 16 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 monthly fixed charge based on the meter size.

Table 16
Mixed Use Customer Wastewater Rates FY 2025-26

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	1.16	\$4.92
Standard Commercial with	20.0%	High Strength Square Footage	1.31	\$5.27
Standard Commercial with	30.0%	High Strength Square Footage	1.47	\$5.62
Standard Commercial with	40.0%	High Strength Square Footage	1.62	\$5.97
Standard Commercial with	50.0%	High Strength Square Footage	1.78	\$6.33
Standard Commercial with	60.0%	High Strength Square Footage	1.93	\$6.68
Standard Commercial with	70.0%	High Strength Square Footage	2.09	\$7.03
Standard Commercial with	80.0%	High Strength Square Footage	2.24	\$7.39
Standard Commercial with	90.0%	High Strength Square Footage	2.40	\$7.74

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 monthly charge for a 2-inch meter Mixed Use connection is provided below.

Characteristics: Mixed Use Commercial, 2-inch meter, 50 HCF 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 Monthly Charge = 50 HCF * \$5.97/HCF + \$150.67 (2-inch meter charge) = \$449.17 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 16. Table 17 below provides the method to directly perform the calculation, however the Overall Strength Factor should not be less than 1.0.

Table 17
 Example of Direct Calculation of Strength Factor and
 Mixed Use Customer Wastewater Rate FY 2025-26

Tenant Mix (Description)	Sq. Ft. Allocation	Strength Factor ^[1]	Assigned BOD	Assigned SS
			mg/l	mg/l
Multifamily Units	50%	1.00	310	360
Chamber of Commerce	10%	0.62	163	116
Bakery	20%	2.47	1,250	870
General Office	20%	0.62	163	116
Total Building Use	100%			
Standard Strength			310	360
Overall Strength Factor ^[2]		1.18		
Cost Allocation to Parameter ^[3]		Flow	BOD	SS
		34.0%	33.0%	33.0%
	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	1.18	\$ 2.27	\$ 2.30
				\$4.97

[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

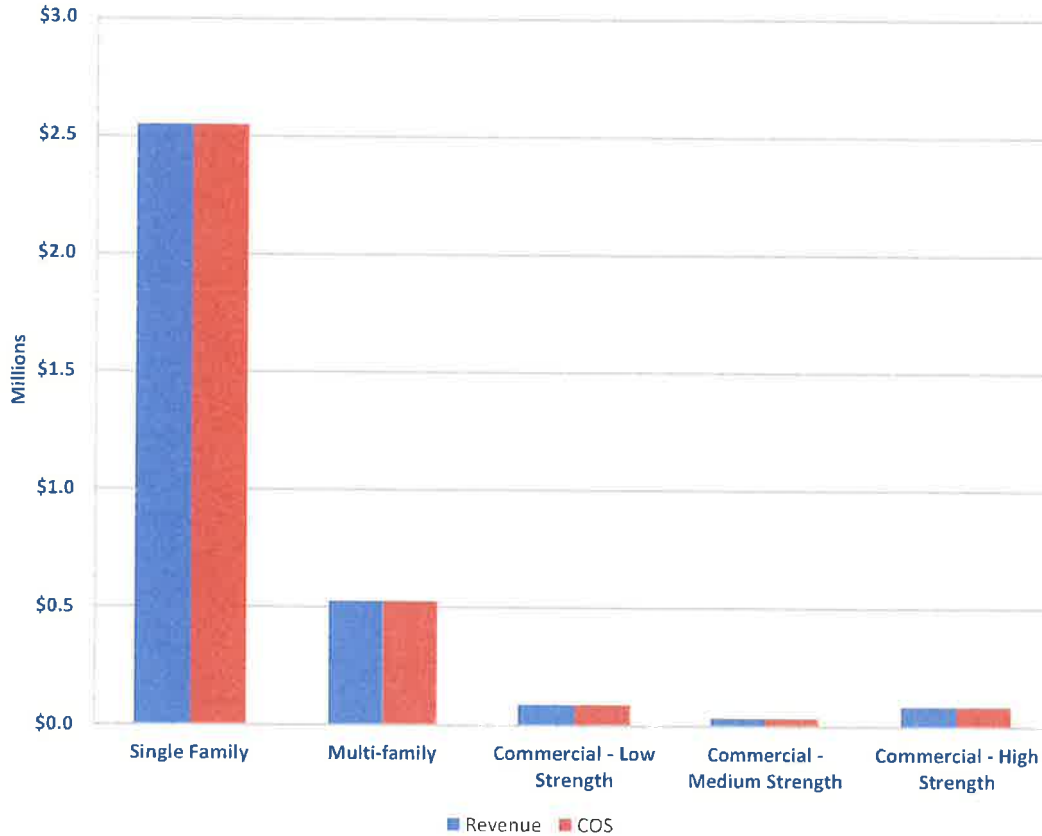
Table 18 presents the proposed wastewater rates for the Town System for the next five years. The table presents the current rates and the cost of service rates for implementation. For the first rate increase July 1, 2025, wastewater rates are adjusted to bring user classifications back to cost of service levels. The proposed wastewater rates beyond FY 2025-26 increase by 8.4 percent annually as identified in Table 7 through July 1, 2028 following the increases in the financial plan. The first year percentage increase July 1, 2025 does not equal the overall increase of 8.4 percent due to cost of service adjustments in this year.

Table 18
Proposed Wastewater Rates

Description	Current	Date of Increase				
		July 1, 2025	July 1, 2026	July 1, 2027	July 1, 2028	July 1, 2029
Residential Monthly Fixed Charges						
Single Family	\$58.46	\$63.20	\$68.50	\$74.26	\$80.50	\$80.50
Multi-family	\$48.73	\$52.18	\$56.57	\$61.32	\$66.47	\$66.47
Non-Residential Monthly Meter Charges by Size						
Up to 1 inch	\$30.69	\$32.14	\$34.84	\$37.77	\$40.94	\$40.94
1.5 inch	\$88.37	\$94.52	\$102.46	\$111.07	\$120.40	\$120.40
2 inch	\$140.29	\$150.67	\$163.32	\$177.04	\$191.91	\$191.91
3 inch	\$261.43	\$281.67	\$305.33	\$330.98	\$358.78	\$358.78
4 inch	\$434.48	\$468.81	\$508.20	\$550.88	\$597.16	\$597.16
6 inch	\$867.11	\$936.68	\$1,015.36	\$1,100.65	\$1,193.10	\$1,193.10
8 inch	\$1,386.28	\$1,498.11	\$1,623.96	\$1,760.37	\$1,908.24	\$1,908.24
Non-Residential Usage Rates (\$ per HCF)						
Low Strength	\$4.33	\$4.56	\$4.95	\$5.36	\$5.81	\$5.81
Medium Strength	\$4.77	\$5.45	\$5.91	\$6.41	\$6.95	\$6.95
High Strength	\$6.12	\$8.09	\$8.77	\$9.50	\$10.30	\$10.30
Mixed Use Usage Rates (\$ per HCF)						
Standard Comm with 10% High Strength	\$4.51	\$4.92	\$5.33	\$5.78	\$6.27	\$6.27
Standard Comm with 20% High Strength	\$4.69	\$5.27	\$5.71	\$6.19	\$6.71	\$6.71
Standard Comm with 30% High Strength	\$4.86	\$5.62	\$6.09	\$6.60	\$7.16	\$7.16
Standard Comm with 40% High Strength	\$5.04	\$5.97	\$6.47	\$7.02	\$7.60	\$7.60
Standard Comm with 50% High Strength	\$5.22	\$6.33	\$6.86	\$7.44	\$8.06	\$8.06
Standard Comm with 60% High Strength	\$5.40	\$6.68	\$7.24	\$7.85	\$8.51	\$8.51
Standard Comm with 70% High Strength	\$5.58	\$7.03	\$7.62	\$8.26	\$8.95	\$8.95
Standard Comm with 80% High Strength	\$5.76	\$7.39	\$8.01	\$8.68	\$9.41	\$9.41
Standard Comm with 90% High Strength	\$5.94	\$7.74	\$8.39	\$9.09	\$9.86	\$9.86

Chart 2 demonstrates that if the proposed rates for July 1, 2025 in Table 18 were applied to the projected number of dwelling units, customers, and water sales volume, that 100 percent cost recovery is achieved.

Chart 2
 Comparison of FY 2025-26 Cost of Service with Revenue
 Using July 1, 2025 Proposed Rates



Impact Analysis

An impact analysis was performed to evaluate the change in customer bills that would occur from the implementation of the proposed July 1, 2025 wastewater rates. The impact to bills of each customer classification is provided in Table 18. 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 July 1, 2025, SFR customer monthly bills will increase by 8.1 percent whereas MFR customer bills will increase by 7.1 percent.

The impact on non-residential bills depends upon the meter size and strength category. Using the average water consumption of each meter size, the monthly bills were calculated as shown in Table 19. For the first increase of July 1, 2025, the change in non-residential customer bills range from an increase of 5.2 percent for a 1 inch meter low-strength customer to an increase of 29.0 percent for a 1.5 inch high-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 from Proposed Wastewater Rates

Classification	Average Monthly Water Use	Current Bill			July 1, 2025			Percent Change
		Service Charge	Volume Charge	Current Bill	Proposed Bill		Proposed Bill	
					Service Charge	Volume Charge		
Residential		HCF						
Single Family				\$58.46			\$63.20	8.1%
Multi-family				\$48.73			\$52.18	7.1%
Non-Residential - 1" Meter								
Commercial - Low Strength	30	\$30.69	\$129.90	\$160.59	\$32.14	\$136.80	\$168.94	5.2%
Commercial - Medium Strength	40	\$30.69	\$190.80	\$221.49	\$32.14	\$218.00	\$250.14	12.9%
Commercial - High Strength	20	\$30.69	\$122.40	\$153.09	\$32.14	\$161.80	\$193.94	26.7%
Non-Residential - 1.5" Meter								
Commercial - Low Strength	40	\$88.37	\$173.20	\$261.57	\$94.52	\$182.40	\$276.92	5.9%
Commercial - Medium Strength	35	\$88.37	\$166.95	\$255.32	\$94.52	\$190.75	\$285.27	11.7%
Commercial - High Strength	100	\$88.37	\$612.00	\$700.37	\$94.52	\$809.00	\$903.52	29.0%
Non-Residential - 2" Meter								
Commercial - Low Strength	85	\$140.29	\$368.05	\$508.34	\$150.67	\$387.60	\$538.27	5.9%
Commercial - Medium Strength	50	\$140.29	\$238.50	\$378.79	\$150.67	\$272.50	\$423.17	11.7%
Commercial - High Strength	100	\$140.29	\$612.00	\$752.29	\$150.67	\$809.00	\$959.67	27.6%
Non-Residential - 3" Meter								
Commercial - Low Strength	100	\$261.43	\$433.00	\$694.43	\$281.67	\$456.00	\$737.67	6.2%

Chart 3 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 July 2025 charges to other communities, a SFR customer will experience a bill that is in the mid-range of the communities listed.

Chart 3
 Comparison of Single-family Residential Monthly Wastewater Bills
 For Rates in Effect January 2025



Note: Above table uses wastewater rates in effect January 2025. 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 18 HCF monthly. San Luis Obispo assumes 5 HCF monthly. Paso Robles assumes 6 HCF monthly. NCSDD's July 2025 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
Cost of Service Allocation

Description	5-Year Avg		Strength		Capacity	Customer	Collection
	Total	Flow	BOD	SS			
Operation and Maintenance Costs							
<u>Operating Costs</u>							
Personnel Services	\$1,212,102	\$247,759	\$240,472	\$240,472			\$483,400
Electricity - Pumps and Blowers	319,816	10,874	10,554	10,554	287,834		
Chemicals	62,354	21,200	20,577	20,577			
Lab Tests and Sampling	39,593	13,462	13,066	13,066			
Operating Supplies	90,498	30,769	29,864	29,864			
Outside Services	161,460				161,460		
Permits and Operating Fees	27,941				27,941		
Repairs and Maintenance	171,947				171,947		
Other Operations and Maintenance Exp	55,769				55,769		
Replacement Capital Transfer to Fund 810	336,000				336,000		
Capital Outlay	104,500				104,500		
Total O&M	\$2,581,980	\$324,064	\$314,532	\$314,532	\$1,145,451	\$0	\$483,400
<u>General and Administrative Personnel Costs</u>							
Personnel Services	\$119,619					\$29,905	\$89,714
Computer Expense	54,580					13,645	\$40,935
Newsletters and Mailers	520					520	0
Postage	10,616					10,616	0
Public Notices	208					208	0
Other General and Administrative	161,169						161,169
Transfers - Administration	140,132						140,132
Total General and Administrative Costs	486,844	0	0	0	0	54,894	431,950
Total Operation and Maint Expense	\$3,068,824	\$324,064	\$314,532	\$314,532	\$1,145,451	\$54,894	\$915,350
Allocation of General		0	0	0	0	0	0
Total Operation and Maintenance Expense	\$3,068,824	\$324,064	\$314,532	\$314,532	\$1,145,451	\$54,894	\$915,350
Less Revenue Met from Other Sources	(1,565,901)				(1,565,901)		
Adjustments	(149,319)				(149,319)		
Total Operating Costs	\$1,353,604	\$324,064	\$314,532	\$314,532	(\$569,769)	\$54,894	\$915,350
Capital Costs							
2022 Revenue COPs Debt Service	\$584,950				\$584,950	\$0	\$0
New Bond Debt Service	201,500				201,500		
Capital Improvements	1,626,440				1,626,440		
Total Capital Costs	\$2,412,890	\$0	\$0	\$0	\$2,412,890	\$0	\$0
Total Cost of Service	\$3,766,494	\$324,064	\$314,532	\$314,532	\$1,843,121	\$54,894	\$915,350
Overall Percent Allocation		8.6%	8.4%	8.4%	48.9%	1.5%	24.3%
Cost of Service Allocation							
FY 2025-26	\$3,355,217	\$288,677	\$280,188	\$280,188	\$1,641,864	\$48,900	\$815,400
FY 2026-27	\$3,644,200	\$313,541	\$304,320	\$304,320	\$1,783,277	\$53,112	\$885,630
FY 2027-28	\$4,083,320	\$351,323	\$340,990	\$340,990	\$1,998,159	\$59,511	\$992,347
FY 2028-29	\$4,717,969	\$405,928	\$393,988	\$393,988	\$2,308,722	\$68,761	\$1,146,582
FY 2026-27	\$4,717,969	\$405,928	\$393,988	\$393,988	\$2,308,722	\$68,761	\$1,146,582

Appendix A-2
Equivalent Meters

Customer Classification	Meter Size				Total Meters	Equivalent Meters [1]
	1	1 1/2	2	3		
FY 2025-26						
Residential						
Single Family	2,873	-	-	-	2,873	2,873.00
Multi-family	768	-	-	-	768	768.00
Non-Residential						
Commercial - Low Strength	20	3	3	3	29	70.40
Commercial - Medium Strength	6	2	1	-	9	16.80
Commercial - High Strength	9	5	2	-	16	33.60
Mixed Use						
Mixed Use - 0% High Strength	13	3	2	-	18	31.60
Mixed Use - 10% High Strength	-	-	2	-	2	9.60
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
Blacklake Residential						
Single Family	487	-	-	-	487	487.00
Multi-family	69	-	-	-	69	69.00
Blacklake Non-Residential						
Commercial - Low Strength	2	-	-	-	2	2.00
Commercial - Medium Strength	-	-	-	-	-	-
Commercial - High Strength	1	-	1	-	2	5.80
Total Accounts/Dwelling Units	4,251	17	12	3	4,283	4,387

Appendix A-3
Allocation of FY 2-25-26 Costs to Customer Classifications

Description	Allocated		Strength				Customer	Collection
	Total Cost	Flow	BOD	SS	Capacity			
Unit Costs of Service		\$1,0157	\$0,4619	\$0,4118	\$374,29	\$0,95	\$1,047,14	
Units of Measure		HCF	lbs	lbs	Eq. Meters	Eq. Bills	HCF/Day	
Residential								
Single Family								
Units of Service		219,511	424,783	493,297	3,360	40,320	601	
Allocated Cost of Service	\$2,548,029	\$222,953	\$196,223	\$203,120	\$1,257,617	\$38,362	\$629,754	
Multi-family								
Units of Service		35,291	68,292	79,307	837	10,044	97	
Allocated Cost of Service	\$524,129	\$35,844	\$31,547	\$32,656	\$313,281	\$9,556	\$101,245	
Non-Residential								
Commercial - Low Strength								
Units of Service		10,362	20,051	23,285	72	372	28	
Allocated Cost of Service	\$86,553	\$10,524	\$9,262	\$9,588	\$27,099	\$354	\$29,726	
Commercial - Medium Strength								
Units of Service		3,784	11,811	13,700	17	108	10	
Allocated Cost of Service	\$32,187	\$3,843	\$5,456	\$5,641	\$6,288	\$103	\$10,856	
Commercial - High Strength								
Units of Service		6,630	51,730	42,212	39	216	18	
Allocated Cost of Service	\$81,983	\$6,734	\$23,896	\$17,381	\$14,747	\$206	\$19,020	
Mixed Use								
Mixed Use - 0% High Strength								
Units of Service		2,698	5,220	6,062	32	216	7	
Allocated Cost of Service	\$27,420	\$2,740	\$2,411	\$2,496	\$11,828	\$206	\$7,739	
Mixed Use - 10% High Strength								
Units of Service		585	1,475	1,555	10	24	2	
Allocated Cost of Service	\$7,209	\$594	\$681	\$640	\$3,593	\$23	\$1,678	
Mixed Use - 20% High Strength								
Units of Service		1,254	3,900	3,853	7	36	3	
Allocated Cost of Service	\$10,915	\$1,274	\$1,801	\$1,586	\$2,620	\$34	\$3,599	
Mixed Use - 30% High Strength								
Units of Service		364	1,345	1,268	4	24	1	
Allocated Cost of Service	\$4,077	\$370	\$621	\$522	\$1,497	\$23	\$1,044	
Mixed Use - 40% High Strength								
Units of Service		482	2,062	1,876	4	24	1	
Allocated Cost of Service	\$5,116	\$489	\$953	\$772	\$1,497	\$23	\$1,382	
Mixed Use - 50% High Strength								
Units of Service		3,262	15,881	14,048	5	12	9	
Allocated Cost of Service	\$27,598	\$3,313	\$7,336	\$5,785	\$1,797	\$11	\$9,357	
Mixed Use - 70% High Strength								
Units of Service		0	0	0	0	0	0	
Allocated Cost of Service	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Costs of Service	\$3,355,217	\$288,677	\$280,188	\$280,188	\$1,641,864	\$48,900	\$815,400	

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	July 1, 2025	Percent Increase	July 1, 2026	Percent Increase
Low Strength with 1"meter					
25% of Avg Bill: 8 HCF	\$65.33	\$68.62	5.0%	\$74.44	8.5%
50% of Avg Bill: 15 HCF	\$95.64	\$100.54	5.1%	\$109.09	8.5%
Avg Bill: 30 HCF	\$160.59	\$168.94	5.2%	\$183.34	8.5%
125% of Avg Bill: 38 HCF	\$195.23	\$205.42	5.2%	\$222.94	8.5%
150% of Avg Bill: 45 HCF	\$225.54	\$237.34	5.2%	\$257.59	8.5%
Medium Strength with 1"meter					
25% of Avg Bill: 10 HCF	\$78.39	\$86.64	10.5%	\$93.94	8.4%
50% of Avg Bill: 20 HCF	\$126.09	\$141.14	11.9%	\$153.04	8.4%
Avg Bill: 40 HCF	\$221.49	\$250.14	12.9%	\$271.24	8.4%
125% of Avg Bill: 50 HCF	\$269.19	\$304.64	13.2%	\$330.34	8.4%
150% of Avg Bill: 60 HCF	\$316.89	\$359.14	13.3%	\$389.44	8.4%
High Strength with 1"meter					
25% of Avg Bill: 5 HCF	\$61.29	\$72.59	18.4%	\$78.69	8.4%
50% of Avg Bill: 10 HCF	\$91.89	\$113.04	23.0%	\$122.54	8.4%
Avg Bill: 20 HCF	\$153.09	\$193.94	26.7%	\$210.24	8.4%
125% of Avg Bill: 25 HCF	\$183.69	\$234.39	27.6%	\$254.09	8.4%
150% of Avg Bill: 30 HCF	\$214.29	\$274.84	28.3%	\$297.94	8.4%

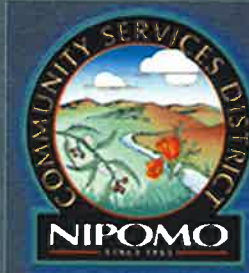
Appendix B-2 Non-Residential Customer Bill Impacts - 2" Meter

Description	Current	July 1, 2025	Percent Increase	July 1, 2026	Percent Increase
Low Strength with 2"meter					
25% of Avg Bill: 20 HCF	\$226.89	\$241.87	6.6%	\$262.25	8.4%
50% of Avg Bill: 40 HCF	\$313.49	\$333.07	6.2%	\$361.18	8.4%
Avg Bill: 80 HCF	\$486.69	\$515.47	5.9%	\$559.03	8.5%
125% of Avg Bill: 100 HCF	\$573.29	\$606.67	5.8%	\$657.96	8.5%
150% of Avg Bill: 120 HCF	\$659.89	\$697.87	5.8%	\$756.88	8.5%
Medium Strength with 2"meter					
25% of Avg Bill: 10 HCF	\$187.99	\$205.17	9.1%	\$222.42	8.4%
50% of Avg Bill: 30 HCF	\$283.39	\$314.17	10.9%	\$340.62	8.4%
Avg Bill: 50 HCF	\$378.79	\$423.17	11.7%	\$458.82	8.4%
125% of Avg Bill: 60 HCF	\$426.49	\$477.67	12.0%	\$517.92	8.4%
150% of Avg Bill: 80 HCF	\$521.89	\$586.67	12.4%	\$636.12	8.4%
High Strength with 2"meter					
25% of Avg Bill: 30 HCF	\$323.89	\$393.37	21.5%	\$426.42	8.4%
50% of Avg Bill: 50 HCF	\$446.29	\$555.17	24.4%	\$601.82	8.4%
Avg Bill: 100 HCF	\$752.29	\$959.67	27.6%	\$1,040.32	8.4%
125% of Avg Bill: 130 HCF	\$935.89	\$1,202.37	28.5%	\$1,303.42	8.4%
150% of Avg Bill: 150 HCF	\$1,058.29	\$1,364.17	28.9%	\$1,478.82	8.4%

FEBRUARY 12, 2025

ITEM E-1

ATTACHMENT B



NIPOMO
Community Services District

Wastewater Rate Study Presentation

Presented By:
Mr. Clayton Tuckfield PE
Tuckfield & Associates

FEBRUARY 12, 2025

Rate Study Objectives

- Goal is to establish rates that follow industry practice and legal framework while providing sufficient revenues.
- Develop a 10-year financial plan that ...
 - Funds O&M expense, capital improvements and debt service payments as well as increase reserves to adequate levels
- Create a schedule of wastewater rates that ...
 - Is fair and equitable to rate payers
 - Provides stable revenue
 - Complies with Proposition 218

Major Assumptions

- Blacklake connects to Town Sewer System July 1, 2025.
 - Assumes any Blacklake reserves are spent on Blacklake and does not carry over to Town Sewer fund. Originally thought to connect March 2024.
- Dana Reserve project expected to begin connecting July 1, 2027.
 - Originally thought to connect July 1, 2024.
- District obtains a loan for certain CIP projects.
 - \$2.9M funding requested July 1, 2025 - this loan will assist to keep rates lower in the first few years than without the loan.
- Inflation in expenses and capital escalate as planned or better.

Assumptions (cont.)

- Use Capital Improvement Program Developed by NCSD
- Provide CIP Financing
 - \$2.9M first year financing of general CIP projects
 - Terms: 20-year debt service payment schedule provided by NCSD's Municipal Advisor

Inflation Assumptions

- Operation and Maintenance Expense and Capital
 - Wages and Salaries – 5% annually
 - Benefits – 5% annually
 - Electricity – 8% annually
 - Chemicals – 3% annually
 - All Other O&M Exp – 2% annually
 - Capital – 3% annually
- Town customer growth – 0.5% annually
- Interest earnings rate – 4% annually

Current Reserves

Reserves as of June 30, 2024. Used for financial planning purposes.

Reserve Type	Reserve Balance	Reserve Target
Operating Reserve	\$540,000	\$1,110,000
Capital Replacement Reserve	\$1,400,000	\$1,095,000
Rate Stabilization	\$340,000	\$340,000
Total	\$2,280,000	\$2,545,000

Target Reserves defined in Resolution No. 2018-1489.

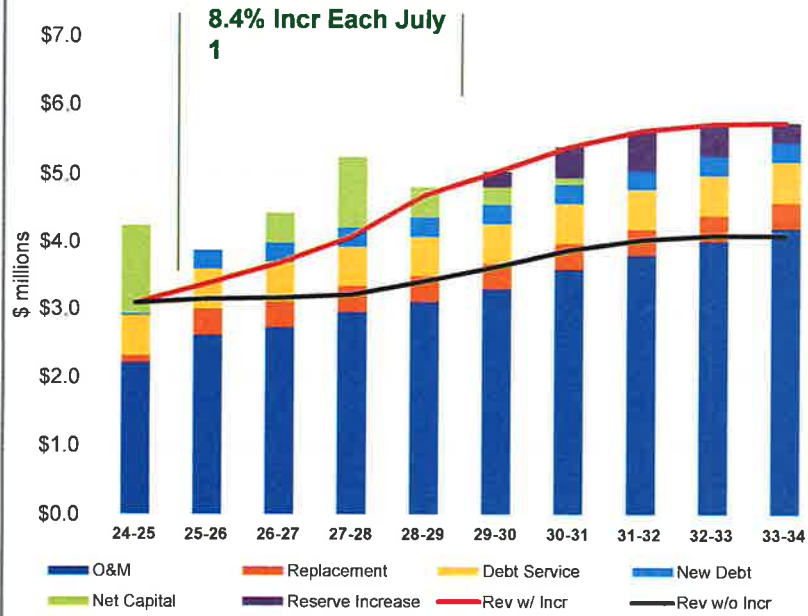
Capital Improvements

Line No	Description	Budget		Fiscal Year							
		FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34
Current Capital Improvement Projects (CIP) [1]											
Replacement Projects (Fund #810)											
1	Teft Street Nipomo Creek Utility Crossings	\$25,000	\$257,500	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2	SCADA System Improvements	50,000	51,500	-	-	-	-	-	-	-	-
3	Southland Sewer Collection System Pipeline Replacement	4,000,000	-	-	-	-	-	-	-	-	-
4	Souhtland WWTF Influent Pump Station Bypass	-	-	265,200	-	-	-	-	-	-	-
5	Maria Vista Lift Station Generator Replacement	150,000	-	-	-	-	-	-	-	-	-
6	Manhole Rehabilitation	150,000	154,500	159,100	163,900	168,800	173,900	179,100	184,500	190,000	195,700
7	Lift Station Replacement Pumps	40,000	41,200	42,400	43,700	45,000	46,400	47,800	49,200	50,700	52,200
8	Lift Station Rehabilitation - Tejas	-	-	265,200	1,219,500	-	-	-	-	-	-
9	Lift Station Rehabilitation - The Oaks - Carryover	-	105,600	-	-	-	-	-	-	-	-
10	Lift Station Rehabilitation - The Misty Glen - Carryover	-	-	103,800	-	-	-	-	-	-	-
11	Golf Course Trunk Main Replacement - Carryover	-	-	-	-	630,300	-	-	-	-	-
12	Touney Hill Sewer Main Replacement - Carryover	-	-	-	-	-	369,800	-	-	-	-
13	Oakmont Sewer Main Replacement - Carryover	-	-	-	-	-	-	234,300	-	-	-
14	Augusta Sewer Main Replacement - Carryover	-	-	-	-	-	71,200	-	-	-	-
15	Repair Off-set Joints - Carryover	-	-	-	-	-	-	36,000	-	-	-
16	Total Capital Improvement Projects	\$4,415,000	\$610,300	\$835,700	\$1,427,100	\$844,100	\$661,300	\$497,200	\$233,700	\$240,700	\$247,900

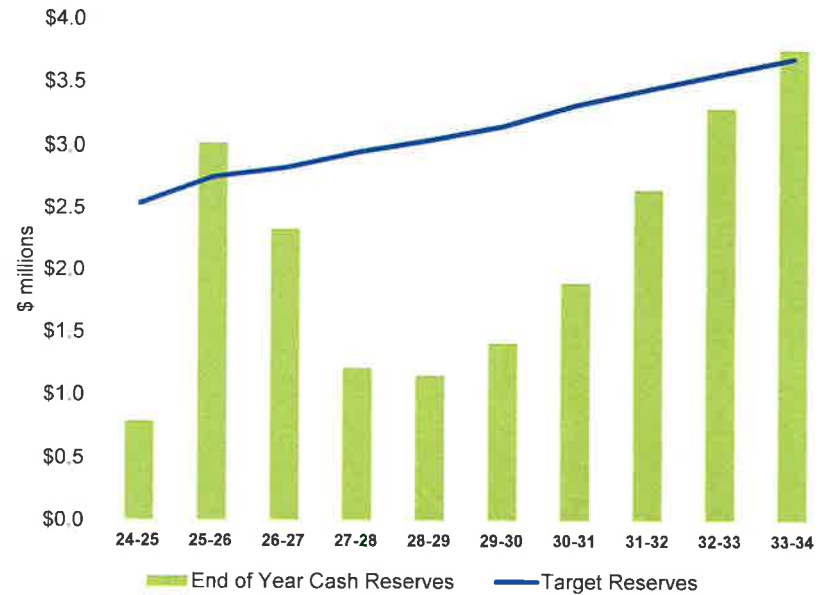
[1] CIP Source: FY 2024-25 Budget provided by the District and District staff.

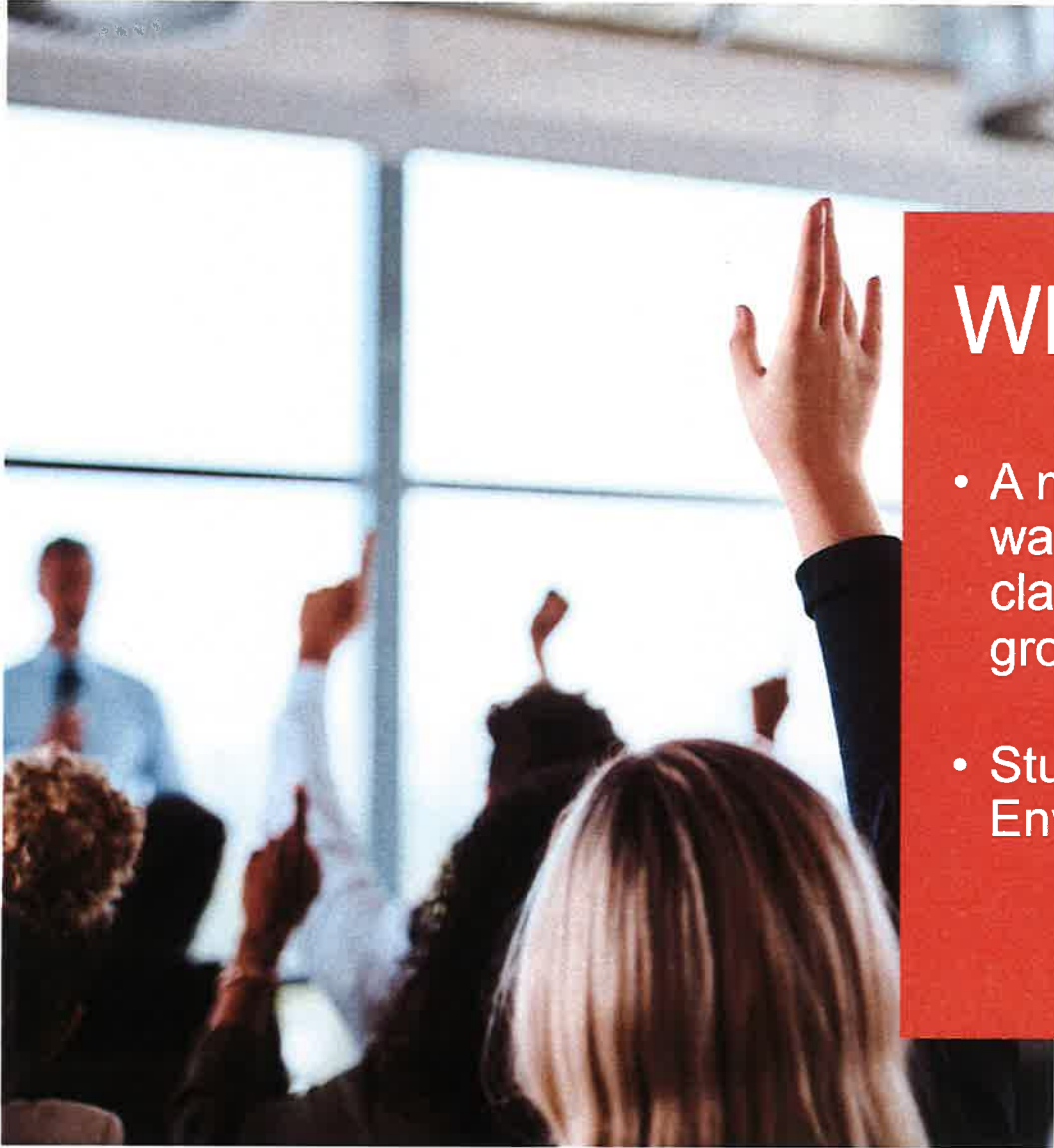
Financial Plan - 8.4% Increases for 4 years

Financial Plan



Reserves vs. Target Reserves





What is Cost of Service?

- A method to assign annual costs of the wastewater system to customer classifications based on how those customer groups use the wastewater system.
- Study uses methodology from Water Environment Federation (WEF).

Annual Cost of Service

FY 2025-26

The Cost of Service is the amount of total revenue that needs to be generated from rates.

Description	Annual Cost
Revenue Requirements	
Operation and Maintenance Expense	\$2,526,371
Capital Outlay	99,100
2022 Revenue COPs Debt Service	585,700
New Bond Debt Service	245,000
Capital Improvements	610,300
Subtotal	\$4,066,471
Less Revenue Requirements Met From Other Sources	
Interest Earnings	(\$41,723)
Miscellaneous Revenues	(11,000)
Debt Proceeds	(2,900,000)
Subtotal	(\$2,952,723)
Adjustments	
Adjustments for Annual Cash Balance	\$2,219,771
Adjustments to Annualize Rate Increase	21,698
Subtotal	\$2,241,469
Total Costs to be Recovered	\$3,355,217

Cost of Service Analysis

- Allocate total annual cost of providing wastewater service to wastewater parameter
 - Parameters are flow, BOD, SS, Capacity, Customer, and Collection
- Allocate the costs by parameter to each customer classification based on their use of the wastewater system, or their contribution to each of the parameters (units of service)

Cost of Service Allocation

Description	Allocated	Flow	Strength		Capacity	Customer	Collection
	Total Cost		BOD	SS			
Total Costs of Service	\$3,355,217	\$288,677	\$280,188	\$280,188	\$1,641,864	\$48,900	\$815,400

- Cost of service has been assigned to each parameter based on the functional operation and design of the wastewater facilities
- Each customer class is responsible for a portion of each parameter's cost, based on how they use the system.

COS vs Current Revenue

FY 2025-26

Cost of service by customer class is compared with projected revenue.

The last two columns show how well the projected revenue recovers the COS of each class, though an 8.4% overall increase is required.

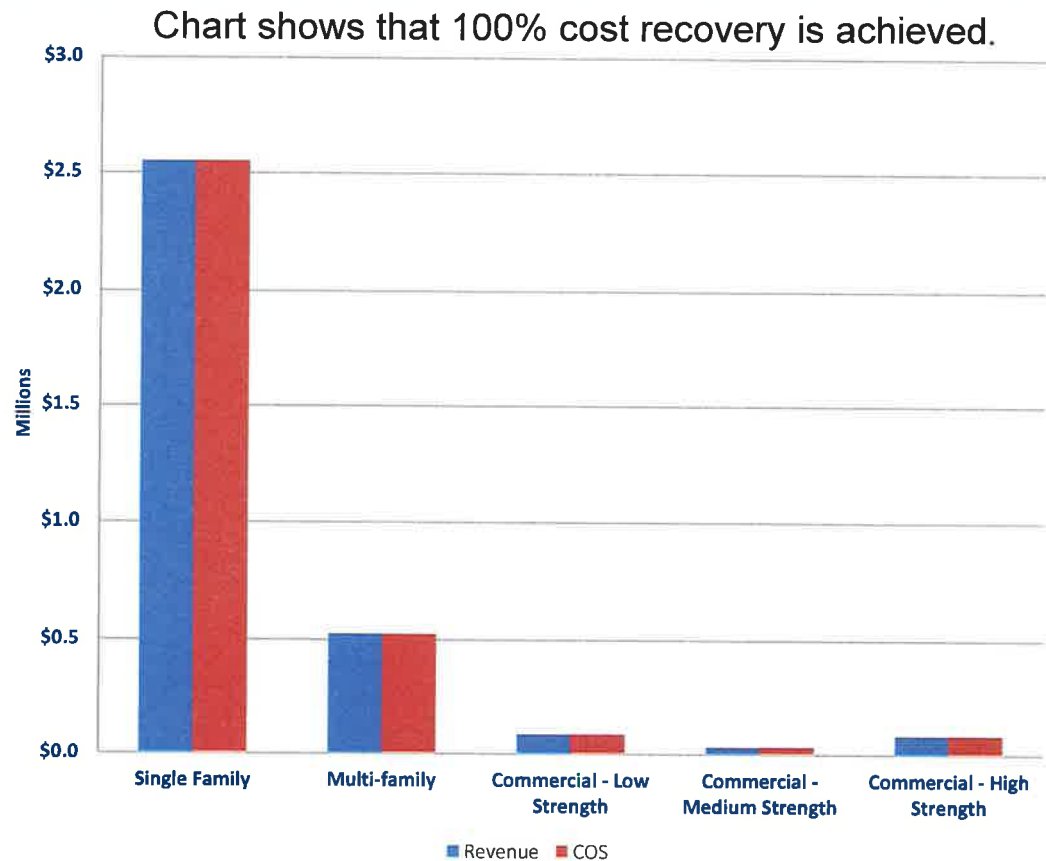
Customer Class	COS Allocation	Projected Revenue	Indicated Revenue Increase	Percent Revenue Increase
Residential				
Single Family	\$2,548,029	\$2,357,107	\$190,922	8.1%
Multi-family	\$524,129	\$489,444	\$34,685	7.1%
Non-Residential				
Commercial - Low Strength	\$86,553	\$81,828	\$4,725	5.8%
Commercial - Medium Strength	\$32,187	\$28,576	\$3,611	12.6%
Commercial - High Strength	\$81,983	\$64,752	\$17,231	26.6%
Mixed Use				
Mixed Use - 0% High Strength	\$27,420	\$25,937	\$1,483	5.7%
Mixed Use - 10% High Strength	\$7,209	\$6,664	\$545	8.2%
Mixed Use - 20% High Strength	\$10,915	\$9,843	\$1,072	10.9%
Mixed Use - 30% High Strength	\$4,077	\$3,640	\$437	12.0%
Mixed Use - 40% High Strength	\$5,116	\$4,463	\$653	14.6%
Mixed Use - 50% High Strength	\$27,598	\$22,965	\$4,633	20.2%
Total System	\$3,355,217	\$3,095,219	\$259,998	8.4%

Proposed Rates

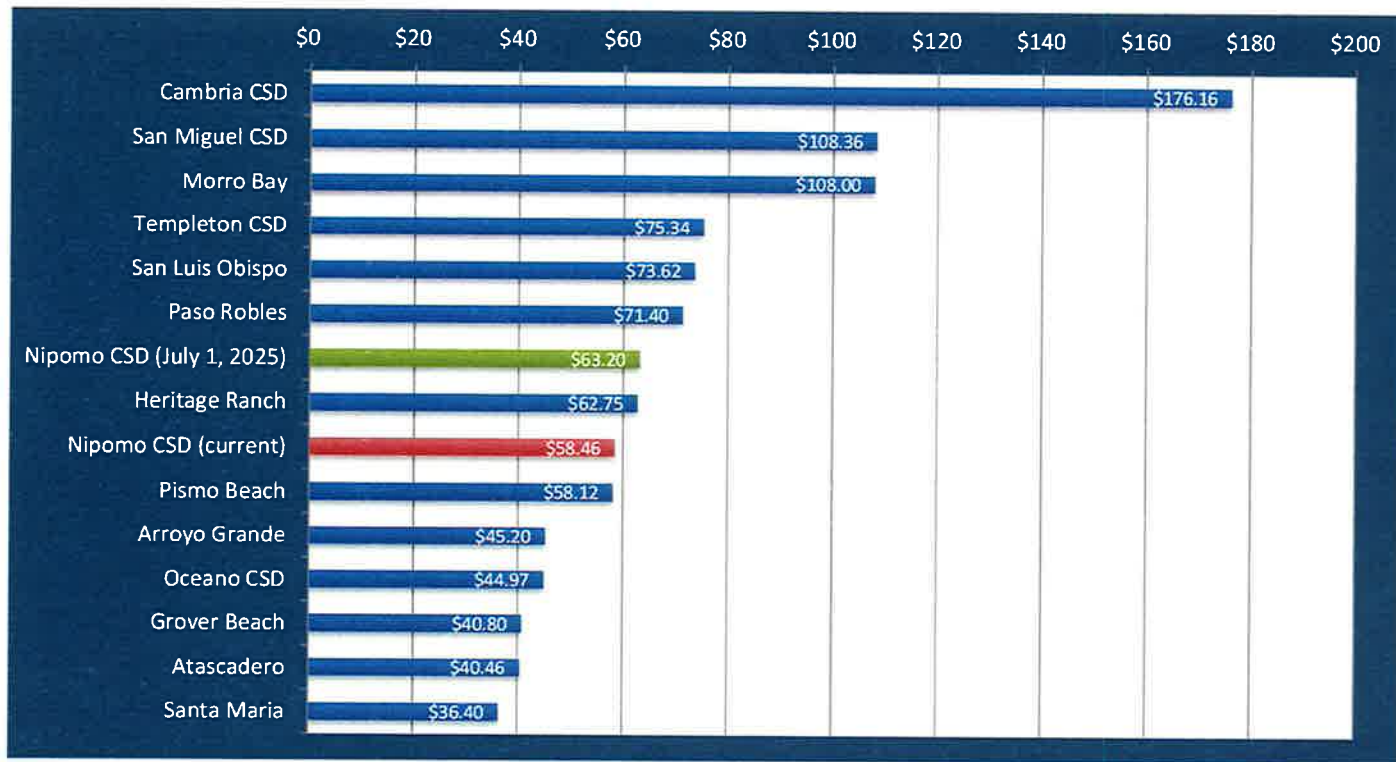
Description	Current	Date of Increase							
		July 1, 2025	% Incr	July 1, 2026	% Incr	July 1, 2027	July 1, 2028	July 1, 2029	
Residential Bi-monthly Fixed Charges									
Single Family	\$58.46	\$63.20	8.1%	\$68.50	8.4%	\$74.26	\$80.50	\$80.50	
Multi-family	\$48.73	\$52.18	7.1%	\$56.57	8.4%	\$61.32	\$66.47	\$66.47	
Non-Residential Bi-monthly Meter Charges by Size									
Up to 1 inch	\$30.69	\$32.14	4.7%	\$34.84	8.4%	\$37.77	\$40.94	\$40.94	
1.5 inch	\$88.37	\$94.52	7.0%	\$102.46	8.4%	\$111.07	\$120.40	\$120.40	
2 inch	\$140.29	\$150.67	7.4%	\$163.32	8.4%	\$177.04	\$191.91	\$191.91	
3 inch	\$261.43	\$281.67	7.7%	\$305.33	8.4%	\$330.98	\$358.78	\$358.78	
4 inch	\$434.48	\$468.81	7.9%	\$508.20	8.4%	\$550.88	\$597.16	\$597.16	
6 inch	\$867.11	\$936.68	8.0%	\$1,015.36	8.4%	\$1,100.65	\$1,193.10	\$1,193.10	
8 inch	\$1,386.28	\$1,498.11	8.1%	\$1,623.96	8.4%	\$1,760.37	\$1,908.24	\$1,908.24	
Non-Residential Usage Rates (\$ per HCF)									
Low Strength	\$4.33	\$4.56	5.4%	\$4.95	8.4%	\$5.36	\$5.81	\$5.81	
Medium Strength	\$4.77	\$5.45	14.3%	\$5.91	8.4%	\$6.41	\$6.95	\$6.95	
High Strength	\$6.12	\$8.09	32.2%	\$8.77	8.4%	\$9.50	\$10.30	\$10.30	
Mixed Use Usage Rates (\$ per HCF)									
Standard Comm with 10% High Strength	\$4.51	\$4.92	9.1%	\$5.33	8.4%	\$5.78	\$6.27	\$6.27	
Standard Comm with 20% High Strength	\$4.69	\$5.27	12.4%	\$5.71	8.4%	\$6.19	\$6.71	\$6.71	
Standard Comm with 30% High Strength	\$4.86	\$5.62	15.6%	\$6.09	8.4%	\$6.60	\$7.16	\$7.16	
Standard Comm with 40% High Strength	\$5.04	\$5.97	18.5%	\$6.47	8.4%	\$7.02	\$7.60	\$7.60	
Standard Comm with 50% High Strength	\$5.22	\$6.33	21.3%	\$6.86	8.4%	\$7.44	\$8.06	\$8.06	
Standard Comm with 60% High Strength	\$5.40	\$6.68	23.7%	\$7.24	8.4%	\$7.85	\$8.51	\$8.51	
Standard Comm with 70% High Strength	\$5.58	\$7.03	26.0%	\$7.62	8.4%	\$8.26	\$8.95	\$8.95	
Standard Comm with 80% High Strength	\$5.76	\$7.39	28.3%	\$8.01	8.4%	\$8.68	\$9.41	\$9.41	
Standard Comm with 90% High Strength	\$5.94	\$7.74	30.3%	\$8.39	8.4%	\$9.09	\$9.86	\$9.86	

COS vs. Revenue from Propose d Rates

FY 2025-26



Rate Comparison – January 2025



All charges are fixed except Cambria, Paso Robles (PR), San Luis Obispo (SLO), and Arroyo Grande (AG).

Cambria and AG use NCS average of 18 HCF/mo. PR uses 6 HCF/mo for average winter water use. SLO uses 5 HCF/mo for water use cap.

Next Steps

Event	Suggested Date
Introduce Study to Board	February 12
Approve Rate Study and prepare Prop 218 Notices	February 26
Last Day to Mail Prop 218 Notices	March 24
Hold Public Hearing – Approve Rates	May 14
Implement Rates	July 1

Questions?

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February 12, 2025