FALL RIVER VALLEY COMMUNITY SERVICES DISTRICT WASTEWATER RATE STUDY

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Executive Summary

Fall River Valley Community Services District (FRVCSD) operates and owns a wastewater treatment plant with 248 connections and serves community members of Fall River Mills, California in Shasta County. Fall River Mills has a population of about 1,464 people. The community's Median Household Income was $29,734 according to Rural Community Assistance Corporation's (RCAC) Median Household Income Survey (MHI) performed in January 2020. The wastewater system facility includes a gravity-fed collection system, six evaporation ponds and land application for discharge location.

FRVCSD requested that RCAC conduct a wastewater enterprise rate analysis. RCAC worked with FRVCSD to develop and present several rate adjustment options. The Board designated the general manager with the authority to determine the rate paying structure type for the wastewater system's connections and it was decided to keep the same rate structure as currently implemented, a flat rate. Several rate adjustment options were presented to the FRVCSD staff and Board for consideration, from which the rate adjustment in this report was selected.

RCAC has conducted this wastewater rate study to evaluate these four primary areas:

- Determine if the current rate structure is adequate to ensure sustainability
- Propose an alternate rate structure if existing structure lacks sustainability
- Analyze affordability of newly proposed rate adjustment(s)
- Recommend reserve requirements for system sustainability and meet any debt covenants

RCAC reviewed FRVCSD's financial documents, including three years of audited financial statements, for the fiscal year ended June 30, 2022 internal income statement and the fiscal year ended June 30, 2023 approved budget. From those documents and with the assistance of the general manager, office manager and operator, five-year cost projections were created assuming a 4.5 percent annual inflation rate. To align cost projections with the anticipated rate adjustment date of April 1 of each year in the five-year period of this analysis, RCAC amended the first-year budget by combining 75 percent of the 2023 budget and 25 percent of the 2024 projections to arrive at costs the rate adjustments on April 1 of each year must recover. In reviewing cost information against revenue at the current rates, it was determined that, while current rates are recovering current operating costs, the rate structure is not providing adequate revenue to fund reserve accounts.

The rate adjustment requires an increase of $42 per month per Equivalent Residential Unit (ERU) to $52.40. Subsequent annual increases of 8 percent will be necessary to fully fund reserves. To keep rates as low as possible, the CIP funding was reduced from the recommended $133,628 annually to $73,400 annually. In the first three years of rate adjustment, operating revenue will not fully fund recommended reserve accounts. The shortage will be recovered in the final two years with excess revenue over costs of $150 over the five-year period.

FRVCSD Wastewater ERU Rate Five Year Schedule						
Rate Adjustment	**Current**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Option #1	$42.00	$52.40	$56.59	$61.12	$66.01	$71.29
Standby	$14.00	$17.47	$18.87	$20.38	$22.01	$23.77

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1. Introduction

Rural Community Assistance Corporation

Founded in 1978, RCAC provides training, technical and financial resources and advocacy so rural communities can achieve their goals. For more than 40 years, our dedicated staff and active board, coupled with our key values: leadership, collaboration, commitment, quality, and integrity, have helped effect positive change in rural communities across the West.

RCAC's work includes environmental infrastructure (water, wastewater and solid waste facilities); affordable housing development; economic and leadership development; and community development finance. These services are available to communities with populations of fewer than 50,000, other nonprofit groups, Tribal organizations, farmworkers, colonies and other specific populations. Headquartered in West Sacramento, California, RCAC's employees serve rural communities in 13 western states and the Pacific islands.

Purpose of the Rate Analysis

The State Water Resources Control Board (SWRCB) requested that Rural Community Assistance Corporation (RCAC) complete a rate analysis, including recommendations for the Fall River Valley Community Services District (FRVCSD) wastewater system. The rate analysis was developed using historical financial records provided by FRVCSD.

An accurate and useful rate analysis not only identifies a utility's annual revenue required to conduct its normal day-to-day operations, but also anticipates and plans for future operating and capital needs. Furthermore, the analysis attempts to determine whether the projected revenue under existing rates will satisfy those needs. The primary objective of this process is to ensure that the utility can obtain sufficient funds to develop, construct, operate, maintain and manage its wastewater system on a continuing basis, in full compliance with federal, state and local requirements.

Guiding Principles of this Rate Study

RCAC has been elected to follow the below guiding principles on all rate analyses:

Sustainability – Wastewater rates should cover the costs to the wastewater utility to allow it to provide wastewater services for the foreseeable future and prepare for system repair and replacement. This will allow the system to continue to provide wastewater services to future generations.

Fair – Wastewater rates should be fair to all rate payers. The utility should not charge more for wastewater costs than the cost to collect and treat the waste. However, the costs should include operations, maintenance, reserves, and all other costs related to the collection and treatment in the foreseeable future. Therefore, the proposed rates are based on the wastewater utility budget, needed capital repair and replacement and historic wastewater enterprise costs.

Justifiability – Rates should be easily justifiable. When determining rate recommendations, RCAC considers if the proposed rate adjustments are necessary and justifiable given the true costs of operating the system safely.

Board Responsibilities

Board responsibilities for the operating of the system include maintaining sufficient revenue and reserves to provide for ongoing maintenance for the foreseeable future. The Board's ultimate responsibility is to ensure public health is preserved and compliance with environmental regulations.

Disclaimer

The findings, recommendations, and conclusions contained in this rate analysis are based on financial information provided to RCAC by FRVCSD. Although reasonable care was made to ensure the reliability of this information, no warranty is expressed or implied as to the correctness, accuracy or completeness of the information contained herein. Any action taken based on such findings, recommendations, or conclusions is undertaken at the discretion of FRVCSD. In no event will RCAC or its partners, employees or agents be liable for any decision made or action taken in reliance on the information contained in this analysis.

2. System Basic Statistics

Community

Fall River Mills, California is a census-designated place located in Shasta County of northern California. The service area population is estimated at 1,464. The residents receive wastewater services through Fall River Community Services District (FRVCSD).

FRVCSD was formed in 1961 to provide collection and treatment of sewage services to the residents and visitors of Fall River Mills. In the 1970s, the district was enlarged to include land adjacent to Highway 299 between Fall River Mills and McArthur as well as the town of McArthur. A well was drilled on land north and east of McArthur that continues to supply water to the residents of the district today.

With a median household income (MHI) of less than 60 percent of the state MHI, Fall River Mills is classified as a severely disadvantaged community.

System Description

The sewer system currently consists of 185 single family residential connections, four multi-family residential connections, 37 commercial connections and 22 other connections. The Fall River Valley CSD service area's generated wastewater is collected and conveyed by gravity to sewer pump stations that Fall River Valley CSD owns and operates.

The existing Fall River Valley wastewater treatment plant is a zero-discharge total evaporation design utilizing only primary treatment. When installed, the plant was classified as an "Innovative Alternative Design." Future design enhancements may include wastewater hydraulic tower aeration to reduce minimal treatment odors.

Future Population and Usage Projections

FRVCSD serves 248 wastewater connections. Pursuant to information received by the general manager, this analysis assumes that minimal growth may occur within the service area over the next five years and the growth will have little or no impact on the system cost and rates.

3. Current Financial Condition and Analysis

Current Budget

FRVCSD's revenue is derived primarily from rates. Additionally, FRVCSD receives approximately $26,000 annually in property taxes. The property tax revenue is utilized to partially recover operating costs, thereby reducing customer rates. While the current rates and property tax revenue adequately recover all operating costs, they are not sufficient to fund reserves for operations during periods of low cash flow, emergencies or future replacement of equipment.

Common Wastewater Rate Structures

The following are types of rate structures common to wastewater systems:

- **Uniform Flat Rate:** All customers pay the same amount. This type of rate is easiest to administer; however, it may not be fair to those producing less waste.
- **Equivalent Dwelling Unit (EDU) or Equivalent Residential Unit (ERU):** In this type of structure, customers are charged by the number of EDUs determined by the type or size of the specific class of connection. An equivalent unit is established based on a single-family dwelling. Each customer is charged based on the number of EDU's that have been assigned to his or her connection. For example, a single-family residence may be assigned one EDU, while a laundromat (by the nature of its business) may be assigned four EDU's.
- **Biochemical Oxygen Demand (BOD):** BOD is the amount of dissolved oxygen that aerobic biological organisms in a body of water need to break down organic material present. In this type of rate structure, the rate is based on waste strength commonly associated with a particular type of connection and the necessary effort to break down the waste.
- **Water Usage:** Wastewater rates are often based on water usage. The assumption in this case is that the more water that a connection uses, the more wastewater that connection will produce. With this type of rate, a base rate is established, and a commodity rate is charged based on water usage.

Current Rate Structure

Currently, customers are charged a monthly rate depending on the type of connection – residential, commercial or school. The current rates are assigned based on Equivalent Residential Units (ERU). Each connection is billed one ERU per residence. Commercial users are charged an additional ERU because it is assumed they produce a higher strength, and the hospital is charged the highest monthly rate of all connections.

Ultimately, the Board of Directors establishes wastewater rates with recommendations and consultation with the general manager and are subject to the opportunity for the public to protest pursuant to California Proposition 218 guidelines.

Table 1: Current Wastewater Rate Structure

Revenue Class	# Connections	# ERU	Rate Per ERU
Single Family Residential	185	185	$42.00
Multi-Family Residential	4	34	$42.00
Commercial	36	59	$42.00
Governmental	4	18	$42.00
Church/Non-Profit	9	9	$42.00
Public School	3	27	$42.00
Restaurant	6	21	$42.00
Hospital	1	50	$42.00
Standby		20	$14.00
Total	**248**	**423**	

Table 2: Total Wastewater Rate Revenue under Current Rates

2022 Rate	Revenue Class	# Connections	# ERUs	ERU Rate	Average Monthly Base Revenue	Average Annual Base Revenue
Single Residential	R	185	185	$ 42.00	$ 7,770	**$ 93,240**
Multi-Family Residential	MF	4	34	$ 42.00	$ 1,428	**$ 17,136**
Commercial	C	36	59	$ 42.00	$ 2,478	**$ 29,736**
Government	G	4	18	$ 42.00	$ 756	**$ 9,072**
Non-Profit	NP	9	9	$ 42.00	$ 378	**$ 4,536**
Public School	PS	3	27	$ 42.00	$ 1,134	**$ 13,608**
Restaurants	RT	6	21	$ 42.00	$ 882	**$ 10,584**
Hospital	C	1	50	$ 42.00	$ 2,100	**$ 25,200**
Standby			20	$ 14.00	$ 280	**$ 3,360**
Totall Operating Revenue		248	423		**$ 17,206**	**$ 206,472**

Current Rate Structure Affordability Index

The affordability index measures the burden of costs passed from the wastewater utility to the users against the median household income (MHI) for the area and is used by funding agencies to determine grant and low interest loan eligibility. The MHI is calculated for residential rates only.

Affordability Index = average annual residential bill for wastewater / annual MHI

Table 3: Affordability Index Current Rates

Current Rates - Active Residential			
FYE	**Monthly Base Fee**	**MHI**	**Affordability Index**
2022	$42.00	$29,734	1.70%

The affordability index for a single-family residential customer is 1.70 percent for wastewater service.

4. Wastewater Reserves

Reserves are an accepted way to stabilize and support a utility financial management. Small systems usually fund the operating expenses but do not often consider putting money aside for a specific upcoming financial need or project, or for an amount that can be used to provide rate stabilization in years when revenues are unusually low, or expenditures are unusually high. The rationale for maintaining adequate reserve levels is two-fold. First, it helps to ensure that the utility will have adequate funds available to meet its financial obligations in times of varying needs. Secondly, it provides a framework around which financial decisions can be made to determine when reserve balances are inadequate or excessive and what specific actions need to be taken to remedy the situation.

Utility reserve levels can be thought of as a savings account. Reserve balances are funds that are set aside for a specific cash flow requirement, financial need, project, task or legal covenant. Common reserve balances are established around the following four areas: operating reserve, capital replacement, emergency, and debt service reserve. These balances are maintained to meet short-term cash flow requirements while also minimizing the risk associated with meeting financial obligations and continued operational needs under adverse conditions.

Debt Reserve

The FRVCSD wastewater enterprise had no debt except pension liability at the time of this analysis. No reserves were required.

Operating Reserve

Operating reserves are established to provide the utility with the ability to withstand short-term cash flow fluctuations. There can be a significant length of time between when a system provides a service and when a customer pays for that service. In addition, weather and seasonal demand patterns can affect a system's cash flow. A 45-day operating reserve is a frequently used industry norm. Because of potential delays in collecting payment, many utilities attempt to keep an amount of cash equal to at least 45 days or one-eighth of their annual cash O&M expenses in an operating reserve to mitigate potential cash flow problems. A five-year budget projection was completed assuming a 4.5 percent annual inflation rate. The budget includes an annual contribution to operating reserves totaling $28,971 over the five-year period.

Emergency Reserve

In addition to operating reserves, emergency reserves are an important tool for financial sustainability. Emergency reserves are intended to help utilities deal with short-term emergencies which arise from time-to-time, such as main breaks or pump failures. The appropriate amount of emergency reserves will vary greatly with the size of the utilities and should depend on major infrastructure assets. An emergency reserve is intended to fund the immediate replacement or reconstruction of the system's single most critical asset, an asset whose failure will result in an immediate threat to public safety. Emergency reserves in the amount of $10,000 annually have been included in the budget.

Capital Improvement Plan Reserves

A capital improvement plan (CIP) reserve, also called a replacement or repair reserve is intended to be used for replacing system assets that have become worn out or obsolete. Annual depreciation is frequently used to estimate the minimum level of funding for this capital reserve. It is important to understand that depreciation expense is an accounting concept for estimating the decline of an asset's useful life and does not represent the current replacement cost of that asset. As an example, a brand-new system with a construction cost of $1 million and a service life of 100 years should, in theory, be setting aside $10,000 per year to fully capitalize the replacement cost of the infrastructure as it wears out. Many smaller systems find this to be impossible because of the effect on rates which explains the large number of small systems that are falling into disrepair.

To initiate a CIP, a small water or wastewater system will start with a list of assets that includes the remaining service life and theoretical replacement costs in today's dollars. It then calculates the monthly and annual reserve that must be collected from each customer to fully capitalize the replacement cost of each asset. In reality, the assets will fail and be replaced gradually, but the replacement cost of wastewater system assets is often a shock to small systems that are struggling to keep rates reasonable.

One alternative method is to set aside an annual amount equal to one-to-two percent of the total original cost asset value of the utility's property. Larger systems often have sufficient non-operating revenue to fund these reserve levels without affecting rates, but smaller systems often do not, leaving them to fund their CIP reserves from rates alone. An alternative method is to set aside sufficient reserve funds to cover 100 percent of the cost of replacing short-lived assets, such as pumps, electronic controls, vehicles, etc.

Based on the equipment list, CIP reserves should be funded at $133,628 annually. To reduce the burden on rate payers, it was determined to reduce the CIP reserve target to $73,400 annually, which is slightly higher than the annual depreciation expense of approximately $56,000.

Table 4: CIP Reserve Calculations

Asset	Year Acquired	Unit Cost (Historic, Current or Future)	Normal Estimated Life	Current Age	Estimated Current Cost	Planned Remaining Life	Estimated Remaining Life	Estimated Future Cost	Fund with Cash	Fund with Grant	Fund with Loan	Existing Reserves	Annual Reserve Required
Plant Contributed	1981	$ 1,294,836	40	41	$ 3,035,779	-1	5	$ 3,783,133	15%	85%	0%	$ 123,963	$ 87,572
Gravity Pipe 5,000 LF, Manholes 20, Pressure Pipe 6,000 LF									0%	0%	100%	$ -	$ -
Plant Purchases	1980	$ 143,219	40	42	$ 342,832	-2	5	$ 427,231	15%	85%	0%	$ 13,999	$ 9,890
Piping									0%	0%	100%	$ -	$ -
Plant-Other	1980	$ 70,000	10	42	$ 167,563	-32	5	$ 208,815	15%	85%	0%	$ 6,842	$ 4,834
Plant	1981	$ 27,023	10	41	$ 63,356	-31	5	$ 78,953	20%	0%	85%	$ 3,449	$ 2,437
Smart Meters	1998	$ 3,158	5	24	$ 5,200	-19	5	$ 6,481	100%	0%	0%	$ 1,416	$ 1,000
Bridge St. Lift Pump	2005	$ 4,964	15	17	$ 7,068	-2	5	$ 8,807	100%	0%	0%	$ 1,924	$ 1,359
Pump	2005	$ 4,975	15	17	$ 7,083	-2	5	$ 8,827	100%	0%	0%	$ 1,928	$ 1,362
Pump	2007	$ 3,674	15	15	$ 5,018	0	5	$ 6,253	100%	0%	0%	$ 1,366	$ 965
Valve	2004	$ 3,674	20	18	$ 5,341	2	5	$ 6,656	100%	0%	0%	$ 1,454	$ 1,027
Hospital Lift Station Repairs	2010	$ 24,876	15	12	$ 31,922	3	5	$ 39,781	20%	0%	80%	$ 1,738	$ 1,228
Sewer System Improvements (MCS)	2010	$ 5,610	10	12	$ 7,199	-2	5	$ 8,971	100%	0%	0%	$ 1,960	$ 1,384
Lift Station Motor Repair	2011	$ 6,429	10	11	$ 8,080	-1	5	$ 10,070	100%	0%	0%	$ 2,200	$ 1,554
4 Gate Valves	2012	$ 4,223	10	10	$ 5,199	0	5	$ 6,479	100%	0%	0%	$ 1,415	$ 1,000
Pump	2014	$ 5,000	15	8	$ 5,904	7	7	$ 8,035	100%	0%	0%	$ 1,607	$ 901
Pump #1 Bridge Street	2022	$ 25,192	15	0	$ 25,192	15	15	$ 48,754	20%	0%	80%	$ 1,372	$ 536
Pump #2 Bridge Street	2022	$ 23,390	15	0	$ 23,390	15	15	$ 45,266	20%	0%	80%	$ 1,273	$ 498
Reynolds Street Lateral	2015	$ 9,800	40	7	$ 11,335	33	33	$ 48,444	20%	0%	80%	$ 617	$ 252
Safety Wall	2017	$ 3,249	10	5	$ 3,604	5	5	$ 4,492	100%	0%	0%	$ 981	Not Cap.
Refurbish lift station pump	2018	$ 3,539	10	4	$ 3,846	6	6	$ 5,008	100%	0%	0%	$ 1,047	$ 650
Lift Station Pump & Controls	2020	$ 17,688	15	2	$ 18,439	13	13	$ 32,677	20%	0%	80%	$ 1,004	$ 411
Hopital Lift Station Pump	2021	$ 10,192	15	1	$ 10,406	14	14	$ 19,271	100%	0%	0%	$ 2,833	$ 1,130
Backup Power Installation- Standby Generator 25% (	2020	$ 9,171	10	2	$ 9,561	8	8	$ 13,596	100%	0%	0%	$ 2,603	$ 1,345
Office Equipment	1996	$ 884	10	26	$ 1,517	-16	5	$ 1,891	100%	0%	0%	$ 413	Not Cap.
Meters	1976	$ 3,875	10	46	$ 10,080	-36	5	$ 12,561	100%	0%	0%	$ 2,744	$ 1,938
Tools	1979	$ 6,559	5	43	$ 16,030	-38	5	$ 19,977	100%	0%	0%	$ 4,364	$ 3,083
Welder	1979	$ 72	5	43	$ 176	-38	5	$ 219	100%	0%	0%	$ 48	Not Cap.
Calculator	1981	$ 170	3	41	$ 399	-38	5	$ 497	100%	0%	0%	$ 109	Not Cap.
1980 Chevy C-20 Truck	2000	$ 1,800	5	22	$ 2,843	-17	5	$ 3,543	100%	0%	0%	$ 774	Not Cap.
Sewer Rodding Machine	2000	$ 600	5	22	$ 948	-17	5	$ 1,181	100%	0%	0%	$ 258	Not Cap.
Trash Pump (Partial remaining in Water)	2009	$ 1,172	10	13	$ 1,536	-3	5	$ 1,914	100%	0%	0%	$ 418	Not Cap.
Backhoe Bucket & Accessories (Partial, remaining in	2009	$ 599	10	13	$ 785	-3	5	$ 978	100%	0%	0%	$ 214	Not Cap.
Continental Utility Solutions & Abila (Software)	2012	$ 5,978	5	10	$ 7,358	-5	5	$ 9,170	100%	0%	0%	$ 2,003	$ 1,415
Safety Wall	2017	$ 9,745	10	5	$ 10,812	5	5	$ 13,474	100%	0%	0%	$ 2,943	$ 2,079
John Deere	2017	$ 31,740	10	5	$ 35,216	5	5	$ 43,885	20%	0%	80%	$ 1,917	$ 1,354
Dodge 2016 Truck	2018	$ 25,993	5	4	$ 28,246	1	5	$ 35,200	20%	0%	80%	$ 1,538	$ 1,086
Iron Bull Dump Trailer - 25%	2018	$ 1,497	10	4	$ 1,627	6	6	$ 2,118	100%	0%	0%	$ 443	Not Cap.
Steel Traffic Plates - 25%	2018	$ 1,191	10	4	$ 1,294	6	6	$ 1,685	100%	0%	0%	$ 352	Not Cap.
Generator - 25%	2019	$ 5,000	10	3	$ 5,322	7	7	$ 7,242	100%	0%	0%	$ 1,449	$ 812
UMS Upgrade	2020	$ 1,133	5	2	$ 1,181	3	5	$ 1,472	100%	0%	0%	$ 322	Not Cap.
Cat Backhoe 415F2 HRC 25%	2020	$ 17,911	10	2	$ 18,671	8	8	$ 26,552	20%	0%	80%	$ 1,017	$ 525
Hoist A Frame -50%	2020	$ 2,500	10	2	$ 2,606	8	8	$ 3,706	100%	0%	0%	$ 709	Not Cap.
F150 Truck - 50%	2021	$ 3,505	5	1	$ 3,579	4	5	$ 4,460	100%	0%	0%	$ 974	Not Cap.
Total		**$ 1,825,806**			**$ 3,953,544**			**$ 5,017,727**				**$ 200,000**	**$ 133,628**

5. Wastewater Rate Study - Budget & Calculation of Alternatives

Budget Five-Year Projection

All expenses shown in TABLE 5 were calculated by using 75 percent of the FRVCSD 2023 approved budget and 25 percent of the 2024 projected costs to arrive at costs for the period of April 1, 2023, through March 31, 2024. This calculation was made to agree costs with the rate adjustment implementation period of April 1 of each year for the five-year period.

1. Operating reserves equal to 12.5 percent of the annual budget will be funded over the five-year period.
2. Emergency reserves in the amount of $10,000 annually will be funded over the five-year period.
3. CIP reserves will be funded at $73,400 annually.
4. Inflation is projected at 4.5 percent annually.

Table 5: Wastewater Budget Five-Year Projection

	2023 Budget	0.75 of 2023	2024 Projections	0.25 of 2024	Budget April/1/2023-March/31/2024	April/1/2024-March/31/2025	April/1/2025-March/31/2026	April/1/2026-March/31/2027	April/1/2027-March/31/2028
Expenses for Sewer		$ -		$ -	$ -				
Salaries and Benfits	$ 117,519.99	$ 88,139.99	$ 122,808.39	$ 30,702.10	$ 118,842.09	$ 124,189.98	$ 129,778.53	$ 135,618.57	$ 141,721.40
Insurancee	$ 4,557.00	$ 3,417.75	$ 4,762.07	$ 1,190.52	$ 4,608.27	$ 4,815.64	$ 5,032.34	$ 5,258.80	$ 5,495.44
Legal & Accounting	$ 6,950.00	$ 5,212.50	$ 7,262.75	$ 1,815.69	$ 7,028.19	$ 7,344.46	$ 7,674.96	$ 8,020.33	$ 8,381.24
Advertising	$ 120.00	$ 90.00	$ 125.40	$ 31.35	$ 121.35	$ 126.81	$ 132.52	$ 138.48	$ 144.71
Permits & Fees	$ 11,630.00	$ 8,722.50	$ 12,153.35	$ 3,038.34	$ 11,760.84	$ 12,290.08	$ 12,843.13	$ 13,421.07	$ 14,025.02
Dues & Subscriptions	$ 2,219.25	$ 1,664.44	$ 2,319.12	$ 579.78	$ 2,244.22	$ 2,345.21	$ 2,450.74	$ 2,561.02	$ 2,676.27
Office Supplies	$ 1,062.50	$ 796.88	$ 1,110.31	$ 277.58	$ 1,074.45	$ 1,122.80	$ 1,173.33	$ 1,226.13	$ 1,281.31
Shop Supplies	$ 1,125.00	$ 843.75	$ 1,175.63	$ 293.91	$ 1,137.66	$ 1,188.85	$ 1,242.35	$ 1,298.25	$ 1,356.68
Postage	$ 810.25	$ 607.69	$ 846.71	$ 211.68	$ 819.37	$ 856.24	$ 894.77	$ 935.03	$ 977.11
Printing	$ 450.00	$ 337.50	$ 470.25	$ 117.56	$ 455.06	$ 475.54	$ 496.94	$ 519.30	$ 542.67
Bank Fees	$ 60.00	$ 45.00	$ 62.70	$ 15.68	$ 60.68	$ 63.41	$ 66.26	$ 69.24	$ 72.36
Petty Cash Short Account	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Equipment Rental	$ 3,360.00	$ 2,520.00	$ 3,511.20	$ 877.80	$ 3,397.80	$ 3,550.70	$ 3,710.48	$ 3,877.45	$ 4,051.94
Equipment Purchase	$ 1,890.00	$ 1,417.50	$ 1,975.05	$ 493.76	$ 1,911.26	$ 1,997.27	$ 2,087.15	$ 2,181.07	$ 2,279.22
Truck Expense	$ 3,600.00	$ 2,700.00	$ 3,762.00	$ 940.50	$ 3,640.50	$ 3,804.32	$ 3,975.52	$ 4,154.42	$ 4,341.36
Repairs & Maintenance	$ 15,885.00	$ 11,913.75	$ 16,599.83	$ 4,149.96	$ 16,063.71	$ 16,786.57	$ 17,541.97	$ 18,331.36	$ 19,156.27
Garbage Fees	$ 202.50	$ 151.88	$ 211.61	$ 52.90	$ 204.78	$ 213.99	$ 223.62	$ 233.69	$ 244.20
Software License & Hardware Maint	$ 2,350.00	$ 1,762.50	$ 2,455.75	$ 613.94	$ 2,376.44	$ 2,483.38	$ 2,595.13	$ 2,711.91	$ 2,833.95
Education	$ 300.00	$ 225.00	$ 313.50	$ 78.38	$ 303.38	$ 317.03	$ 331.29	$ 346.20	$ 361.78
Mileage	$ 750.00	$ 562.50	$ 783.75	$ 195.94	$ 758.44	$ 792.57	$ 828.23	$ 865.50	$ 904.45
Fuel	$ 2,250.00	$ 1,687.50	$ 2,351.25	$ 587.81	$ 2,275.31	$ 2,377.70	$ 2,484.70	$ 2,596.51	$ 2,713.35
Telephone/Internet	$ 1,651.25	$ 1,238.44	$ 1,725.56	$ 431.39	$ 1,669.83	$ 1,744.97	$ 1,823.49	$ 1,905.55	$ 1,991.30
Utilities	$ 13,670.00	$ 10,252.50	$ 14,285.15	$ 3,571.29	$ 13,823.79	$ 14,445.86	$ 15,095.92	$ 15,775.24	$ 16,485.12
Miscellaneous	$ 960.00	$ 720.00	$ 1,003.20	$ 250.80	$ 970.80	$ 1,014.49	$ 1,060.14	$ 1,107.84	$ 1,157.70
Outside Services	$ 16,098.00	$ 12,073.50	$ 16,822.41	$ 4,205.60	$ 16,279.10	$ 17,011.66	$ 17,777.19	$ 18,577.16	$ 19,413.13
Total Operating Costs	**$ 209,470.74**	$ 157,103.06	**$ 218,896.92**	$ 54,724.23	$ 211,827.29	**$ 221,359.51**	**$ 231,320.69**	**$ 241,730.12**	**$ 252,607.98**
Debt Service - Pension Liability	$ 7,419	$ 5,564.25	$ 7,419	$ 1,854.75	$ 7,419.00	$ 7,419	$ 7,419	$ 7,419	$ 7,419
Operating Reserves	$ 5,237	$ 3,927.58	$ 5,472	$ 1,368.11	$ 5,295.68	$ 5,534	$ 5,783	$ 6,043	$ 6,315
Emergency Reserves	$ 10,000	$ 7,500.00	$ 10,000	$ 2,500.00	$ 10,000.00	$ 10,000	$ 10,000	$ 10,000	$ 10,000
Capital Improvments Reserves	$ 100,000.00	$ 75,000.00	$ 100,000.00	$ 25,000.00	$ 74,200.00	$ 74,200.00	$ 74,200.00	$ 74,200.00	$ 74,200.00
TOTAL RESERVES					$ 89,495.68	$ 89,733.99	$ 89,983.02	$ 90,243.25	$ 90,515.20
Total Reserve & Debt Service	$ 122,656	$ 91,991.83	$ 122,891	$ 30,722.86	$ 96,915	$ 97,153	$ 97,402	$ 97,662	$ 97,934
Total Costs	**$ 332,127**	$ 249,094.88	**$ 341,788**	$ 85,447.09	$ 308,741.97	**$ 318,513**	**$ 328,723**	**$ 339,392**	**$ 350,542**

Wastewater Rate Adjustments

In the wastewater enterprise rate adjustment, the ERU rate structure is unrevised. Rates are adjusted from $42 per ERU to $52.40 per ERU in the first year to be followed by annual increases of 8 percent in subsequent years. In the first three years of the rate adjustments, FRVCSD will not fully fund the CIP reserve account. The shortfall will be recovered in subsequent years bringing the total funding of CIP reserves to $371,000 over the five-year period.

Table 6: Wastewater Revenue against Projected Costs after Rate Adjustment

2022 Rate	Revenue Class	# Connections	# ERUs	ERU Rate	Average Monthly Base Revenue	Average Annual Base Revenue
Single Residential	R	185	185	$ 52.40	$ 9,694	**$ 116,328**
Multi-Family Residential	MF	4	34	$ 52.40	$ 1,782	**$ 21,379**
Commercial	C	36	59	$ 52.40	$ 3,092	**$ 37,099**
Government	G	4	18	$ 52.40	$ 943	**$ 11,318**
Non-Profit	NP	9	9	$ 52.40	$ 472	**$ 5,659**
Public School	PS	3	27	$ 52.40	$ 1,415	**$ 16,978**
Restaurants	RT	6	21	$ 52.40	$ 1,100	**$ 13,205**
Hospital	C	1	50	$ 52.40	$ 2,620	**$ 31,440**
Standby			20	$ 17.47	$ 349	**$ 4,192**
Totall Operating Revenue		248	423		**$ 21,467**	**$ 257,598**

Budget Assuming 4.5% Inflation per year	April/1/2023-March/31/2024	April/1/2024-March/31/2025	April/1/2025-March/31/2026	April/1/2026-March/31/2027	April/1/2027-March/31/2028	5 Year Total
Total Monthly Required Reserves Fund	$ 7,391	$ 7,411	$ 7,432	$ 7,454	$ 7,476	
Total yearly required reserve fund	$ 88,696	$ 88,934	$ 89,183	$ 89,443	$ 89,715	$ 445,971
Debt Service (Pension Liability)	$ 7,419	$ 7,419	$ 7,419	$ 7,419	$ 7,419	$ 37,095
Operating Budget	$ 211,827	$ 221,360	$ 231,321	$ 241,730	$ 252,608	$ 1,158,846
Total Budget	**$ 307,942**	**$ 317,713**	**$ 327,923**	**$ 338,592**	**$ 349,742**	**$ 1,641,912**

	April/1/2023-March/31/2024	April/1/2024-March/31/2025	April/1/2025-March/31/2026	April/1/2026-March/31/2027	April/1/2027-March/31/2028	5 Year Total
Estimated Annual Revenue From Base Rate	$ 257,598	$ 278,206	$ 300,462	$ 324,499	$ 350,459	$ 1,511,225
Net Operating Revenue Over/(under) Operating Costs	$ (50,344)	$ (39,507)	$ (27,460)	$ (14,093)	$ 717	$ (130,687)
Non-Operating Revenue						
Property Taxes	$ 26,167.48	$ 26,167.48	$ 26,167.48	$ 26,167.48	$ 26,167.48	$ 130,837.40
Total Non-Operating Income	$ 26,167	$ 26,167	$ 26,167	$ 26,167	$ 26,167	$ 130,837.40
Net Income/Loss	**$ (24,176)**	**$ (13,339)**	**$ (1,293)**	**$ 12,074**	**$ 26,885**	**$ 150**

Table 7: Affordability Index for Recommended Rate

Rate Adjustment			
FYE	**Monthly Base Fee**	**MHI**	**Affordability Index**
2023	$52.40	$ 29,734	2.11%

6. Conclusions and Recommendations

Key points to remember with any rate adjustment:

- Successful utilities are those that strive to be transparent. In day-to-day operations, FRVCSD should strive to promote its services (both the highlights and the low points), and continuously educate residents on why it is necessary to raise and adjust rates.

- The ability of the recommended rate structure to generate adequate revenue will depend on maintaining a vigorous collection and shut-off policy to keep delinquent accounts at a minimum.

- In order to achieve and maintain long-term viability, FRVCSD should review its rates annually, or no less than a minimum of every two years.

- FRVCSD should establish policies for reserve accounts as recommended above.

- FRVCSD should designate reserves on its financial statements.

- CIP reserves should be moved to and maintained in the highest interest bearing accounts available to offset inflation unless the cost of doing so would be more than the interest earned on the account.

7. Proposition 218

California approved Proposition 218 in 1996 requiring agencies to adopt property fees and charges in accordance with a defined public process found in article XIII D or by associated court decision. Water and wastewater rates are user fees under the definition and must meet the following requirements:

- Revenues derived from the fee or charge must not exceed the funds required to provide the property-related service.
- Revenue from the fee or charge must not be used for any purpose other than that for which the fee or charge is imposed.
- No fee or charge may be imposed for general governmental services, such as police, fire, ambulance, or libraries, where the service is available to the public in substantially the same manner as it is to property owners.
- The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership must not exceed the proportional cost of the service attributable to the parcel.
- The fee or charge may not be imposed for service, unless the service is actually used by, or immediately available to, the owner of the property in question.

Written notice should be given to both the record owners and customers within the area subject to the fee or charge. The notice shall include the following:

- The formula or schedule of charges by which the property owner or customer can easily calculate their own potential charge.
- The basis upon which the amount of the proposed fee or charge is to be imposed on each parcel. An explanation of the costs which the proposed fee will cover and how the costs are allocated among property owners.
- Date, time, and location of a public hearing on the rate adjustment. The public hearing must occur 45 or more days after the mailing of the notice.

California's Proposition 218 provides that a customer of FRVCSD or owner of record of a parcel or parcels subject to the proposed rate increases may submit a protest against any or all of the proposed rate increases by filing a written protest with FRVCSD at or before the time the public hearing has concluded. Only one protest per parcel is counted. While community members may be offered the opportunity to speak at the hearing, only written protests will be counted. If written protests are filed by a majority of the affected parcels, the proposed rate increases will not be imposed.