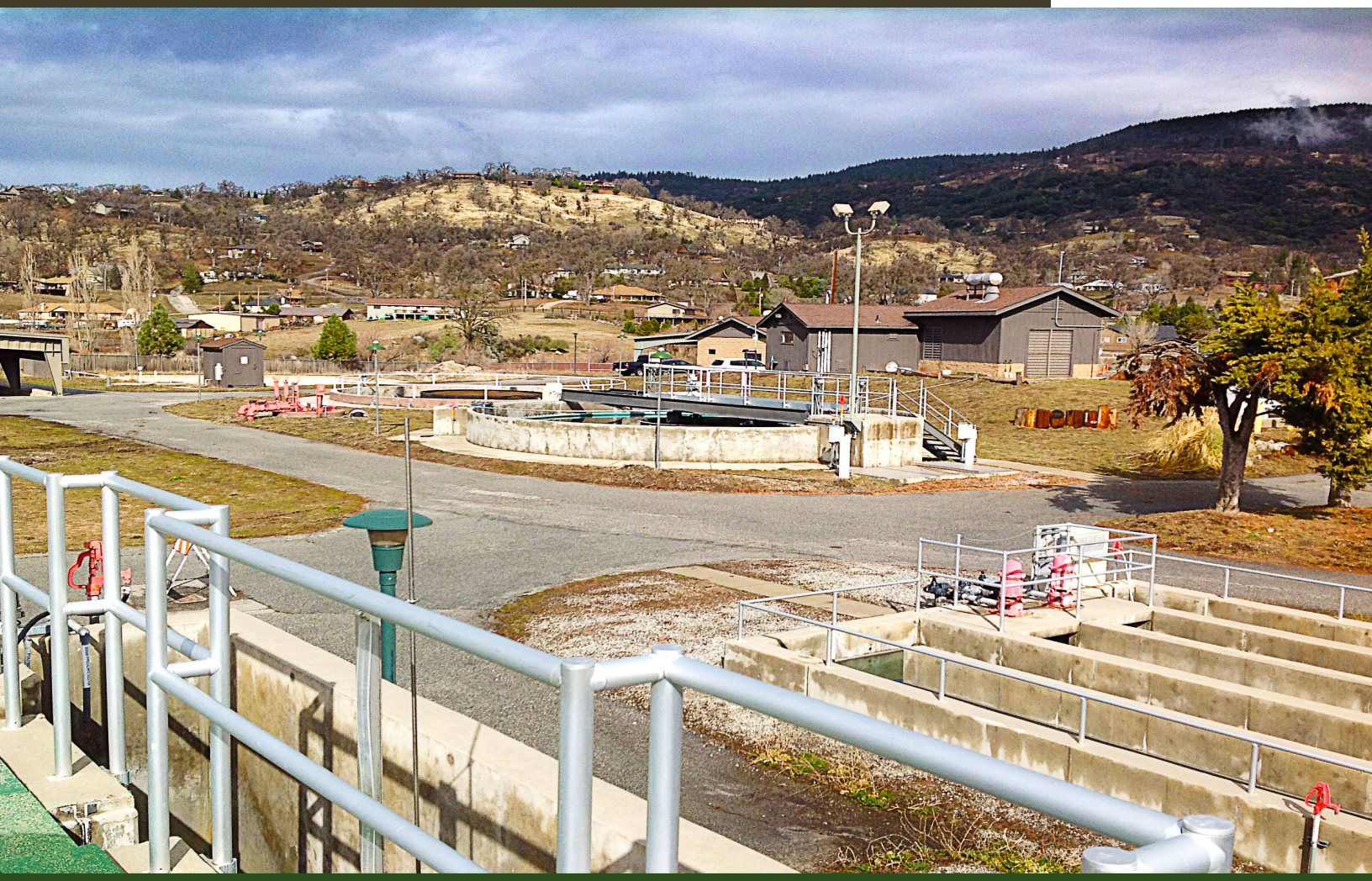
Bear Valley Community Services District



Sewer Rate Study 2020

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This report has been prepared in accordance with Proposition 218 and its implementing procedures.

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ABBREVIATIONS

AFY	Acre feet per year
CPI	Consumer Price Index (used to calculate inflation)
CSD	Community Services District
DU	Dwelling Unit
EDU	Equivalent Dwelling Unit (i.e. single-family home)
FY	Fiscal Year; July 1 to June 30
Gpd	Gallons per day
HCF	Hundred Cubic Feet; 1 HCF = 748 gallons
I&I	Wastewater inflow and infiltration
WWTP	Wastewater Treatment Plant

1 SECTION 1 – INTRODUCTION & SUMMARY

1.1 GENERAL

Bear Valley Springs is a community of approximately 8,000 people located approximately 11 miles west of the City of Tehachapi, in Kern County, California. The community is within an area covering approximately 25,000 acres, much of it open space, and includes primarily single-family homes with a few condominiums, a small commercial area, equestrian facilities, a golf course, parks and other open spaces, and two recreational lakes.

The Bear Valley Community Services District (BVCSD or District) was formed in 1970 for the purpose of providing public services to the community. The BVCSD is responsible for roads, police, water, sewer, solid waste, parks, and recreational facilities within the Bear Valley Springs community.

1.2 PURPOSE

In July 2019, the Board of Directors of the BVCSD directed the General Manager to have a rate study prepared for the District's sewer utility. The BVCSD sewer system serves approximately 500 single family homes, as well as the golf course and related country club facilities.

The District has been experiencing negative financial outcomes for both sewer and water utilities for several years. The BVCSD recently completed a comprehensive water rate study and, following the process outlined by Proposition 218, increased water rates beginning in 2019.

1.3 PROPOSITION 218

In California, utility rates charged by municipal agencies and special districts are governed by rules and procedures adopted and made part of the State Constitution by the passage of Proposition 218 (Prop. 218), known as the "Right to Vote on Taxes Act" in November 1996. Proposition 218 is codified as Articles XIIIC and XIIID of the California Constitution. Since its passage, numerous court decisions have clarified the process for considering the adoption of new fees and charges and increases to existing fees and charges for certain utility services, including water and sewer utilities. With certain exceptions, "fee" or "charge" means any levy imposed by an agency upon a parcel or a person as an incident of property ownership, including a user fee or charge for a property-related service.

"Property-related service" means a public service having a direct relationship to property ownership.

Any local agency, such as a special district, proposing to adopt a new, or increase an existing, property-related fee or charge must comply with both the substantive and procedural requirements of Prop. 218.

1.3.1 Substantive Requirements of Prop. 218

- Under Prop. 218, a property-related fee or charge must meet the following substantive requirements:
- Revenues derived from the fee or charge must not exceed the funds required to provide the service.
- Revenues derived from the fee or charge must not be used for any purpose other than that for which the fee is imposed.
- The amount of a fee or charge imposed must not exceed the proportional cost of the service attributable to the parcel.
- The fee or charge may not be imposed for a service unless the service is used by, or immediately available to, the owner of the property subject to the fee.

1.3.2 Procedural Requirements of Prop. 218

Prop. 218 requires that a public agency proposing a new or increased property-related fee or charge provide written notice by mail to the owner of each parcel upon which the fee or charge will be imposed.

- The notice must contain the following information:
- the proposed amount of the fees or charges.
- the basis upon which the fees or charges were calculated.
- an explanation of the need for the new or increased fees or charges; and
- the date, time, and location of the public hearing at which the agency will consider the new or increased fees or charges.
- The public hearing must be held at least 45 calendar days after the mailing of the notice.

A property-related fee or charge may not be imposed or increased if a majority submit written protests.

The final step in the Prop. 218 process is the public hearing and the determination of whether there is a majority protest against the property-related fee or charge. The public hearing cannot be held until at least 45 days after the notice is mailed. At the end of the public hearing, if written protests against the proposed new or increased fees or charges are not submitted by a majority of affected property owners, the agency may proceed with imposing the fees or charges.

California law simplifies the process for determining whether a majority protest exists by allowing one protest, filed by an owner or, if permitted by local rules, a tenant of an affected parcel, to be counted.

1.4 Summary & Findings

1.4.1 Summary

Section 2 gives a general description of the operations of the BVCSD sewer system.

Section 3 discusses the community sewer flows and current rate structure.

Section 4 summarizes the financial aspects of the sewer system. The data indicate there have been significant increases in the expenses incurred by the Sewer Operating Fund (Fund) in recent years which has created deficit spending and depleted the Fund. This trend leaves the Fund in a very vulnerable financial state, which does not provide reserves for any capital or emergency spending.

Section 5 reviews the cost data used to establish the proposed future rates, and identifies needed operating costs, operational capital and debt service requirements, resulting in recommended rate adjustments to satisfy the basic needs of the Fund.

1.4.2 Findings

Based upon the projections for future expenses, including funding of normal operations, adequate reserve funds, funding of normal operating capital replacements and ensuring satisfaction of borrowing covenants, the current revenue stream is inadequate, and an increase is needed for the Sewer Operating Fund to be solvent.

Although it is a normal practice to charge commercial users for the strength of the constituents in their wastewater, in the District there are only two restaurants with higher than residential wastewater strength. As they are small contributors and the resulting combined wastewater strength at the wastewater treatment plant is within normal residential strength levels, there appears to be no reason to change the current practice that charges by “flow only”.

Based upon existing operational costs indexed for five years, the funding of needed capital expenses, having a 20% of operating expenses Fund Balance to satisfy the Reserve Policy, and satisfying the 110% debt service covenant, the rates should be increased 35% in the first year, 29% in the second year and 5% each of the next three years for residential accounts. Commercial account rates should be increased 37% in the first year, 31% in the second year, 15% in the third year, and 5% each of the next two years.

2 SECTION 2 - BACKGROUND

2.1 GENERAL

The focus of this study is only on the sewer service rates of the Bear Valley Community Services District and does not address sewer capacity fees.

2.2 SYSTEM BACKGROUND

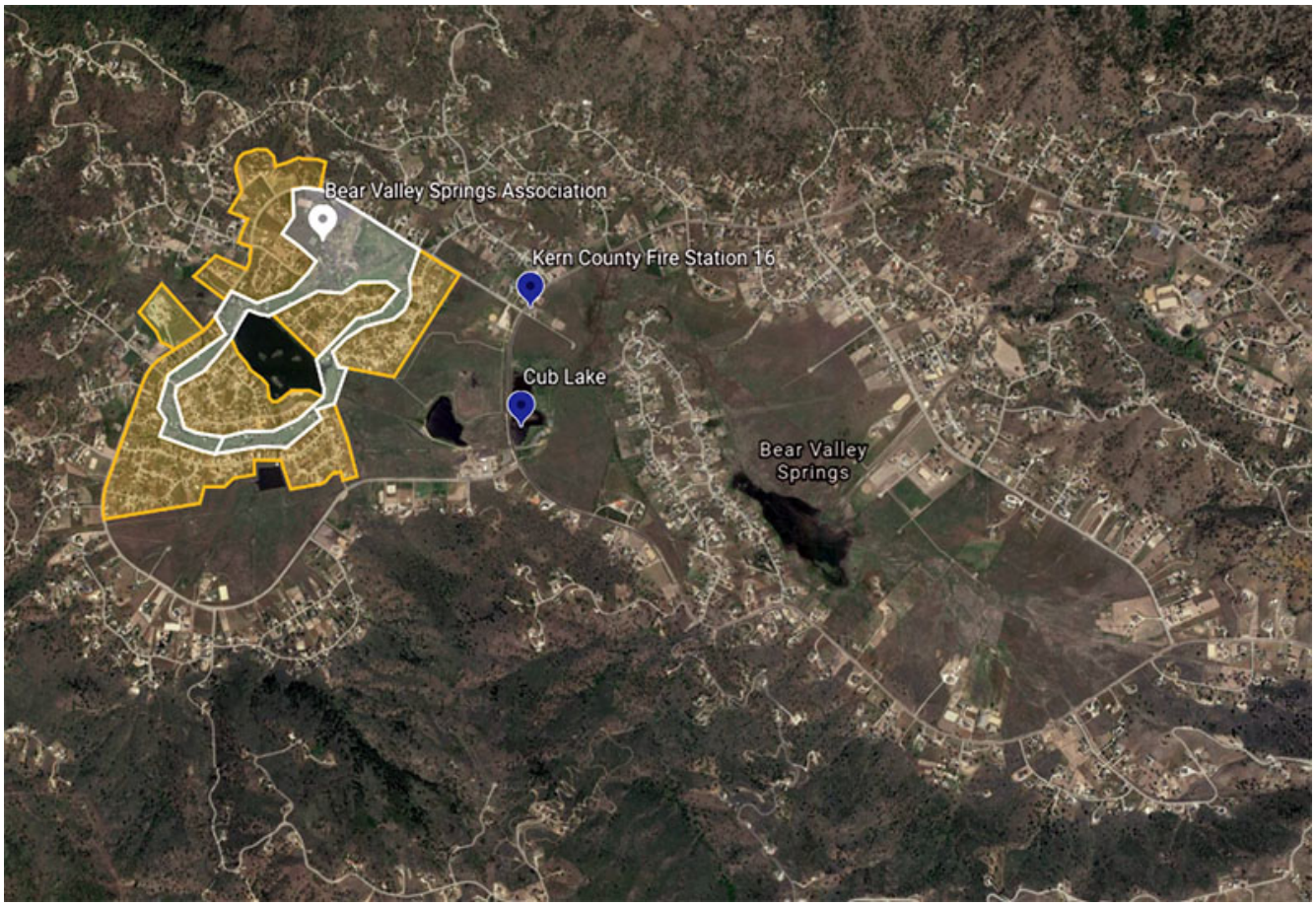

Figure 2-1 Map of areas in Bear Valley Springs on the sewer system. Yellow indicates residential service, white is commercial service area.

The BVCSD provides wastewater collection and treatment service to a portion of the District as shown in Figure 2-1. The area receiving sewer service is generally located in the higher density, lower elevation portions of the District. This Sewer Rate Study applies only to those lots receiving sewer service.

The remaining residential and commercial lots in the District are on septic systems with on-site leach field disposal. The connections to the sewer system presently include 478 residential and four (4) commercial connections, and 22 undeveloped residential lots.

The commercial connections consist of the Oak Tree Country Club, which houses Oak Branch Saloon, the Oaks Restaurant & banquet room, the Bear Valley Springs Association (BVSA) offices, the Mulligan Room restaurant, the Pro Shop, and golf course restrooms.

The wastewater is collected in a series of gravity pipes and pumped from a single lift station to a wastewater treatment plant (WWTP). The WWTP is a 0.25 million gallons per day (MGD) facility consisting of an oxidation ditch followed by sand filters and disinfection. This results in a tertiary treated effluent suitable for discharge into Sycamore Canyon and use on the Oak Tree Country Club golf course.

The system provides effluent supplied directly to the golf course irrigation pumps in the late spring through late fall, and the effluent is discharged into Sycamore Canyon the remainder of the time.

The residential lots are charged a monthly fee for sewer services, and commercial connections are charged based upon metered water usage. The BVSA is charged a fee for the effluent used as golf course irrigation.

3 SECTION 3 – BASE DATA

3.1 GENERAL

Actual revenue and expenses from years 2014 to 2019 (Table 4.1) show the challenges facing the Sewer Operating Fund for the past six years.

3.2 COMMUNITY

Based on data from the District utility billing system, the total number of residential sewer accounts has risen only nominally from 2009 to 2019. This minimal growth in the connections results in a similarly nominal flow increase to the system. There are currently 22 vacant residential lots connected to the system for future development.

The limited commercial connections (4) have remained constant in the recent years, and no expansion of those facilities has occurred or is anticipated.

3.3 TOTAL FLOWS

Figure 3-1 shows the wastewater flows entering the wastewater treatment plant. The data indicates flows have been increasing. However, a malfunctioning inflow meter was replaced in 2017, and prior-year flow data is therefore deemed unreliable. Since the meter has been replaced, flows have been averaging about 90,000 gallons per day. Significant increases occurred during the early months of 2019, which saw much greater precipitation than prior "drought" years, suggesting that inflow and infiltration (I/I) into the sewer lines may be occurring.

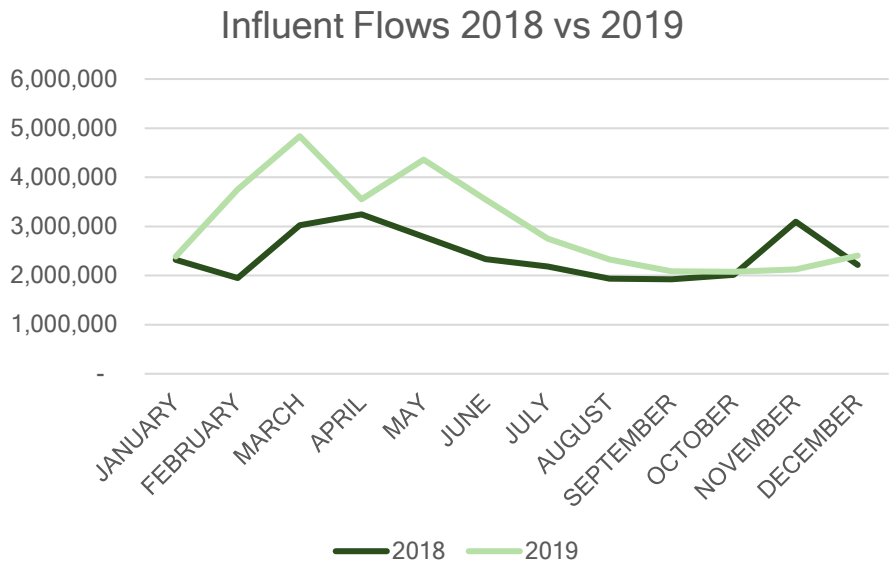

Figure 3-1 Contrast between flows entering the WWTP in 2018 and 2019

Additional investigation via televising of the sewer lines will need to be completed to fully understand if this is the cause of the flow increases. Nonetheless, for the purposes of this study, the daily average inflow of approximately 90,000 gallons per day for the past two years, is expected to remain constant for the next five (5) years.

3.4 Existing Rate Structure

The current rate for a dwelling unit (single family or condominium) or Equivalent Dwelling Unit (EDU) is $76.16 per month. Commercial accounts pay $19.04 per 100 cubic feet of water used (HCF).

The last rate adjustments were in 2008 and 2012. In 2012, the rate was increased by $11.03 per month per Equivalent Dwelling Unit (EDU), an increase meant to satisfy the most recent consumer price index and to generate a positive Fund balance. However, the rate structure did not accommodate any future capital expenses greater than $5,000 per year.

4 Section 4 – Recent Expense & Income Data

4.1 General

Fiscal year 2019-20 information served as the base data used to project future sewer rates. Prior fiscal years 2014-2019 data was reviewed to check for any possible anomalies to take into consideration when projecting future budgets.

4.2 Expenses

The fiscal years 2014-2019 expenses shown in Table 4-1 indicate a marked increase in expenses, mostly in personnel costs. Prior to May 2016, the sewer plant was not operating within compliance of the State Water Quality Control Board (SWQCB) regulations for approximately two years.

Those regulations require at a minimum a Grade 3 Wastewater Certified Operator to assume the role of Chief Plant Operator (CPO). The District is also required to have, at minimum, a Grade 2 certified Operator on staff in case the CPO is unable to perform his/her duties. (This may be as simple as the CPO off for a sick day, vacation, etc.). The Chief Plant Operator who was working only part-time, had the appropriate certifications, however, no other staff at the plant was certified to fulfill compliance standards.

In addition to the minimum plant compliance requirements, for many years the sewer collection system had been neglected. Collection system maintenance requires a good base plan for root control and general cleaning of lines. Under sized equipment and time had led to lines being overly impacted by roots and sludge build up which leads to more plugs in the lines, ultimately increasing the potential for back-ups in the system. Back-ups allow for potential damage to the environment, fines and damage to private property.

With proper equipment, staffing, maintenance plans and procedures, the odds of any potential back-up can be reduced. When working on the sewer collections system, a minimum of 2 people are needed. This allows for proper safety procedures to be followed while on the streets and while operating any equipment that may be needed.

In 2016, the District added a Grade 2 Certified Operator to the staff that consisted of a now full-time Grade 4 Chief Plant Operator and a Grade 1 Certified Operator. By having three operators on staff, all duties can be performed without other duties being neglected, therefore improving everyday productivity for general plant maintenance and collection system maintenance and maintaining full compliance with State regulations.

The above-referenced necessary staffing changes resulted in most of the cost increases to the system operations expenditures. Combined with a relatively flat revenue stream, this resulted in the sewer enterprise having annual deficit spending, averaging over $120,000 per year since 2017, which will continue to increase unless rates are adjusted.

4.3 Income from Existing Rates

The existing rate structure generates approximately $497,000 in revenues per year. There is nominal revenue for other sewer-related services, generally only a few thousand dollars per year.

5 SECTION 5 – PROJECTED EXPENSE, INCOME & RATES

5.1 GENERAL

Sections 2, 3, and 4 have developed the background data necessary to project future rates. Actual expense trends were presented from years 2014-2019. Wherever an obvious anomaly in the expense item for any single year was detected, this was adjusted to represent a normal year. The current 2019-20 FY budget was used as a base for future budget projections and needed capital improvements were included.

For the purposes of determining an escalation rate for expense items, the study uses the same indexing that was used in the most recent Water Rate Study that was adopted in February 2019. Once expenses for the projected year were established, that year's expense total determined the income required to meet that year's budget. The monthly rate charged was then determined based on the existing Equivalent Dwelling Unit (EDU) rate structure.

5.2 EXPENSES

The current operations are deemed to be underfunded, particularly in the area of ongoing repair and maintenance funding. In addition, depreciation funding had not been forecast in prior years, and when subsequently accounted for contributes to an underfunding of expenses.

The current FY 2019-2020 budget is incrementally adjusted annually by the percentages shown in Table 5-2. These indices are the same as those used in the recent Water Rate Study.

5.3 CAPITAL IMPROVEMENT NEEDS

The District has not adopted a formal sewer system capital improvement plan, but for the purposes of this study, District staff identified needed improvements to the system and prioritized and spread the costs of such improvements over the five-year period of this study.

Figure 5-1 shows the proposed sewer system capital improvements identified for the next five (5) years. These represent the cost of ongoing maintenance repairs needed to keep the sewer system functioning within the requirements of the District's operating permit.

ITEM	REASON	COST	YEAR
YEAR 1			
Aeration Tank Gearbox Replacement	Gearbox shaft leaks, critical equipment for operations	$15,000	2020
Mainline Clean & Televise	Needed for CIP, to illustrate attempts to reduce I&I to the regional board	$52,000	2020
Maintenance & Storage Shop	Equipment storage and adequate working space for staff	$80,000	2020
Plant Security: Safety Lighting	Lights in place are not operational	$13,092	2020
YEAR 2	**2020 Total**	**$160,092**	
SCADA	Currently no SCADA system in place at WWTP	$100,000	2021
Lift Station Rehab	Motor replacement (2), pump rebuild (2), purchase spares	$50,000	2021
YEAR 3	**2021 Total**	**$150,000**	
Sand filters	Old filter sand removed, replaced and hauled away (hazmat)	$25,000	2022
Emergency Generator	Automatic Transfer Switch upgrade – parts becoming obsolete	$20,000	2022
Sand Filter Air Compressor	Replacement	$15,000	2022
Pond	Cracks and concrete sealed	$120,000	2022
YEAR 4	**2022 Total**	**$180,000**	
Headworks	Upgrade to mechanical bar screen	$200,000	2023
YEAR 5	**2023 Total**	**$200,000**	
Hydro-jetting unit	Replace high-pressure hose	$2,500	2024
Golf Course Pumps	Motor rebuild (2), pump rehab (2)	$20,000	2024
Underground infrastructure	Sludge bed valve replacement	$6,000	2024
Clarifier trough	Recoating	$11,000	2024
Scum Pit	Replace pumps (2)	$12,000	2024
Aeration Tank	Rotor brush overhaul	$45,000	2024
Tertiary Pumps	Rebuild pumps	$15,000	2024
	2024 Total	**$111,500**	
	Annual Average	$160,318	

Figure 5-1 Capital Improvement Needs

5.4 Income/Revenue Requirements

As a guide to the development of the proposed rates, several goals were identified:

- Rates should adequately fund future operational costs, indexed appropriately.
- Rates should adequately fund the debt service coverage covenants the District has with lending agencies.
- Rates should generate enough revenue to meet the adopted Sewer Operating Fund Balance Policy that calls for 20% of the annual operating costs.
- The rates should provide for adequate annual funding of ongoing, normal capital repair and replacements of equipment for both the collection and treatment components of the sewer system.

For the purposes of rate development, the calculated expenditures for the operations, debt service, and capital are projected and funded by separate rates for residential and commercial accounts.

5.5 Rates

It is recommended that the current rate structure be retained, and that rate increases be applied to both residential and commercial accounts based upon that rate structure. The following is the current rate structure and calculations:

Total Wastewater Budgeted Expenditures for FY 2012-13	$500,007		
Less: Effluent Revenues	$(25,000)		
Less: Miscellaneous Revenues	$(5,156)		
Less: Capacity Fees	$(6,500)		
Net Expenditures	$463,351		
Total EDU's for Commercial=	40		
Total EDU's for Residential =	467		
Total	507		
Residential rate increase calculated at	$463,351 / 507	913.91 / 12 Mo.	=$76.16
Commercial rate increase is calculated at	$76.16 / 4		=$19.04

In preparation of a new proposed rate structure, the first step was to confirm the EDU calculations for use in the formula. To understand the average residential EDU, District billing records for the 478 residential accounts were reviewed to determine their average water use from November 15, 2017 to March 15, 2018. Assuming that during these winter months there is little to no outside water use, it can be determined what amount of sewage is generated.

The billing and calculations for this and other rate calculations is based on a measure of Hundred Cubic Feet (HCF), which is 748 gallons as shown in Figure 5-2. The resultant average is 3.59, rounded up to 3.6 for the purposes of calculations, and is a slight decrease from the 4.0 average used in the 2012 rate adjustment calculations.

Residential accounts sewer use based on water usage

	NOV.	DEC.	JAN.	FEB.	AVERAGE	AVG./USER
Number of accounts						478
Residential usage	1756	1807	1414	1896	1718	3.59

Figure 5-2 EDU Calculations used in calculating rates

The second step in preparation of the new proposed rate structure is identifying the amount of water & sewer use by the commercial accounts and translating that usage into EDUs. To understand the average commercial EDUs, District billing records for the past four years (2016-2019) were used to establish an average annual water consumption and sewage generation.

The District billing system includes “sewer credit” accounts that identify water used for irrigation, which is deducted from the water usage to determine a net sewer use. The four-year average is then converted into EDUs to create an average commercial EDU count, as shown on Figure 5-3.

	2016	2017	2018	2019	AVERAGE
TOTALS (HCF)	2197	2533	2625	2332	2,422
SEWER CREDIT TOTALS (HCF)	411	377	679	383	463
MONTHLY (HCF)	183	211	219	194	202
SEWER CREDIT MONTHLY (HCF)	34	31	57	32	39
NET SEWER USAGE/YEAR	1786	2156	1946	1949	1959
NET SEWER USAGE/MO. AVG.	149	180	162	162	163
EDU (HCF/3.6)	41	50	45	45	45

Figure 5-3 Calculation of commercial account sewer usage

In using the existing rate structure, the estimated expenses, including proposed capital less other revenues, are divided by total EDUs and result in rates for residential and commercial accounts as shown in Figure 5-4.

OPERATIONS	730,439
DEBT	33,807
CAPITAL OUTLAY	160,092
TOTAL EXPENDITURES	924,338
less:	
EFFLUENT SALE REVENUE	41,996
MISC. REVENUE	1,250
INTEREST REVENUE	5,000
NET EXPENDITURES	876,092
TOTAL EDU FOR COMMERCIAL	45
TOTAL EDU FOR RESIDENTIAL	478
TOTAL EDU	523
EXPENDITURE/EDU/YEAR	1,675
MONTHLY NET EXPENDITURE /EDU = MO. RESIDENTIAL RATE	**140**
MO. NET COSTS/EDU DIVIDED BY 3.6 HCF/EDU = COMM. RATE	**39**

Figure 5-4 Calculation of Residential & Commercial Rates

The proposed sewer rates are then developed using estimated expenses for the next five years, as shown in Table 5-1. The amount of the increases during those years were based upon satisfying the four main goals stated in Section 5-4. The model assumes no new connections to the system. This assumption is the most conservative approach, ensuring that there cannot be a financial shortfall due to overestimating this component of overall revenue.

The proposed sewer rates are shown in Figure 5-5 for residential sewer service and commercial sewer services. The rates were developed to achieve the required rates calculated in Figure 5-4 by the third year of the five-year proposed rate adjustments. After the initial implementation of new rates, future increases are modeled to be effective January 1st of subsequent years.

RESIDENTIAL SEWER RATE			
YEAR	**UNIT CHARGE**	**% INC.**	**AMT. INC.**
CURRENT	$76.16		
INITIAL NEW RATE	$103.00	35	$26.84
JAN. 2021	$133.00	29	$30.00
JAN. 2022	$140.00	5	$7.00
JAN. 2023	$147.00	5	$7.00
JAN. 2024	$154.00	5	$7.00
COMMERCIAL SEWER RATE			
YEAR	**UNIT CHARGE (per HCF water)**	**% INC.**	**AMT. INC.**
CURRENT	$19.04		
INITIAL NEW RATE	$26.00	37	$6.96
JAN. 2021	$34.00	31	$8.00
JAN. 2022	$39.00	15	$5.00
JAN. 2023	$41.00	5	$2.00
JAN. 2024	$43.00	5	$2.00

Figure 5-5 Proposed Sewer Rates

5.6 Summary of Sewer Operating Fund and Reserves After Rate Adjustments

As shown on Table 5-3, with the implementation of new rates as proposed there is adequate revenue to fund the operating expenses annually. The debt service coverage ratio requirement will be achieved during FY 20-21. The proposed capital expenditures will be funded during all years as scheduled.

Lastly, the Fund Balance Policy will be satisfied in year 2025. All four goals are achieved during the period of the rate increase implementation. Thereafter, there is capacity for additional operational capital in subsequent years without additional rate increases, the amount of which is determined based upon the annual operational expenses and satisfaction of the Fund Balance being maintained at the 20% level.

6 Section 6 – Recommendations & Implementation Process

6.1 Adjustments to Rate Schedule

Based on this study, it is recommended that the District adjust sewer service rates in 2020 as presented in Figure 5-5. If adopted following the applicable Prop. 218 procedures, the total monthly sewer service bill for a typical single-family residential unit will be $103.00 in 2020.

It is further recommended that the Board review the financial performance of the sewer enterprise fund each subsequent year and, at their discretion, adjust rates as needed to meet increased expenses and to continue to build appropriate reserves. The rates may not exceed those presented in Figure 5-5 for each year. If the full amount of an increase is not imposed in any year, the Board may recapture rate increases in a subsequent year.

6.2 Implementation Process

- The first step of a proposed rate increase is the adoption of a resolution calling for the Public Hearing on the proposed rate increases and directing staff to proceed with the process.
- The second step is to mail a Notice of Public Hearing to affected property owners at least 45 days before Public Hearing. The Notice does not include a ballot but will include a form of protest as pursuant to Proposition 218, those who wish to protest the proposed rates must submit a written protest. Guidelines for the submission of protests will be set forth in the Notice.
- On the appointed date, the Board will hold the Public Hearing and receive testimony on the proposed rate adjustment and allow for the final submission of any written protests.
- Following the Public Hearing, the written protests will be tabulated and if a majority protest has not occurred, the Board will approve of the proposed sewer rate increase schedule.
- Review sewer enterprise revenue and expenses annually to confirm the assumptions and projections in this study. Adjust sewer service rates as appropriate.
- Conduct a Sewer Rate Study update in FY 2024/25.

7 APPENDIX

7.1 LIST OF TABLES

Table 4-1 – Historical Operating Results

Table 5-1 – Budgeted and Projected Expenses

Table 5-2 – Operating Expenses Escalation Factors

Table 5-3 – Projected Operating Results

Description	Actuals for Fiscal Year Ending June 30					
	2014	2015	2016	2017	2018	2019
REVENUES						
Operating Revenues						
Wastewater Service Charges	$494,610	$499,490	$493,367	$497,775	$497,992	$495,007
Other charges for service	$3,473	$40	$134	$438	$849	$466
Total Operating Revenues	**$498,083**	**$499,530**	**$493,501**	**$498,213**	**$498,841**	**$495,473**
Operating Expenses						
Salaries & Benefits	$215,103	$198,494	$217,654	$360,090	$411,384	$429,897
Operations	$170,931	$148,960	$141,185	$137,368	$184,702	$179,787
Total Operating Expenses	**$386,034**	**$347,454**	**$358,839**	**$497,458**	**$596,086**	**$609,684**
Operating Income (loss) before depreciation	**$112,049**	**$152,076**	**$134,662**	**$755**	**$(97,245)**	**$(114,212)**
Depreciation Expense	$(177,929)	$(160,077)	$(97,514)	$(34,781)	$(43,347)	$(41,259)
Operating Income (loss)	**$(65,880)**	**$(8,001)**	**$37,148**	**$(34,026)**	**$(140,592)**	**$(155,471)**
Non-Operating Revenue (expense)						
Interest Earnings	$966	$2,181	$4,429	$6,623	$8,031	$12,713
Interest expense	$(14,242)	$(13,690)	$(13,122)	$(12,537)	$(11,936)	$(11,315)
Principal payments on loans payable	$(18,566)	$(19,110)	$(19,670)	$(20,247)	$(20,840)	$(21,451)
Total Non-Operating Revenue (expense)	$(31,842)	$(30,619)	$(28,363)	$(26,161)	$(24,745)	$(20,053)
Operating Transfers In (out)	$-	$-	$-	$1,309	$5,540	$(402)
CAPITAL CONTRIBUTIONS						
Capacity Charges	$39,174	$-	$6,529	$6,529	$13,058	$13,058
Total Capital Contributions	**$39,174**	**$-**	**$6,529**	**$6,529**	**$13,058**	**$13,058**
Net Results	**$(58,548)**	**$(38,620)**	**$15,314**	**$(52,349)**	**$(146,739)**	**$(162,868)**
Debt Service Coverage	4.64	4.70	4.44	0.42	-2.32	-2.70
Notes: Financial information for fiscal years 2014 through 2019 obtained from the District's annual financial reports						

Table 4-1 Historical operating expenses

Description	Type	Budget 2020	Projected for Fiscal Year Ending June 30				
			2021	2022	2023	2024	2025
Expenses by Unit							
Salaries & Benefits	Salaries	$514,016	$533,904	$549,921	$566,419	$583,412	$600,914
Service & Supplies	Services	286,607	196,534	200,945	205,307	209,529	214,035
Debt Servicing	Debt	33,883	33,807	33,729	33,649	33,567	33,482
Capital Outlay	Capital	-	160,092	150,000	180,000	200,000	111,500
Transfers Out	Transfers	8,071	-	-	-	-	-
TOTAL			**$924,338**	**$934,596**	**$985,376**	**$1,026,507**	**$959,931**

Table 5-1 Sewer utility budgeted and projected expenses

Description	2021	2022	2023	2024	2025
General Inflation	2.18%	2.25%	2.17%	2.06%	2.15%
Departmental Expenses					
Wages CPI	3.00%	3.00%	3.00%	3.00%	3.00%
Benefits (1)	13.02%	13.02%	13.02%	13.02%	13.02%
CalPERS - Current (1)	8.16%	8.16%	8.16%	8.16%	8.16%
CalPERS - UAL (1)	7.82%	7.82%	7.82%	7.82%	7.82%
Social Security (1)	7.74%	7.74%	7.74%	7.74%	7.74%
Unemployment (1)	0.46%	0.46%	0.46%	0.46%	0.46%
Workers Comp (1)	6.78%	6.78%	6.78%	6.78%	6.78%
Administration	3.50%	3.50%	3.50%	3.50%	3.50%
Maintenance	3.50%	3.50%	3.50%	3.50%	3.50%

Note:

(1) Represents a historical average of the percentage of Wages which is then applied to projected Wages to determine the projected expense.

Table 5-2 Operating expense escalation factors

DESCRIPTION	BUDGETED 2020	PROJECTED FOR FISCAL YEAR ENDING JUNE 30				
		2021	2022	2023	2024	2025
Number of Residential Accounts	478	478	478	478	478	478
Fixed Monthly Rate	76.16	103.00	133.00	140.00	147.00	154.00
Monthly Increase		26.84	30.00	7.00	7.00	7.00
Residential Rate Increase %		35%	29%	5%	5%	5%
Commercial Rate	19.04	26.00	34.00	39.00	41.00	43.00
Commercial Usage (4 Year Annual Avg HCF)	1959					
Monthly Increase		6.96	8.00	5.00	2.00	2.00
Commercial Rate Increase %		37%	31%	15%	5%	5%
USER RATE REVENUES						
Residential Service Charges	$449,683	$676,848	$782,964	$823,116	$863,268	$ 883,344
Commercial Service Charges	$38,436	$58,770	$71,504	$78,360	$82,278	$84,237
Effluent	$36,552	$41,996	$41,996	$41,996	$41,996	$41,996
Subtotal User Rate Revenues	**$524,671**	**$777,614**	**$896,464**	**$943,472**	**$987,542**	**$1,009,577**
Wastewater System Growth		0.00%	0.00%	0.00%	0.00%	0.00%
Other charges for services	1,250	1,250	1,250	1,250	1,250	1,250
Total Operating Revenues	**$525,921**	**$778,864**	**$897,714**	**$944,722**	**$988,792**	**$1,010,827**
OPERATING EXPENSES						
Salaries and benefits	$514,016	$533,904	$549,921	$566,419	$583,412	$600,914
Operations	286,607	196,534	200,945	205,307	209,529	214,035
Total Operating Expenses	**$800,623**	**$730,439**	**$750,866**	**$771,727**	**$792,940**	**$814,949**
Operating income (loss) before depreciation	$(274,702)	$48,425	$146,847	$172,995	$195,852	$195,878
Depreciation Expense	-	-	-	-	-	-
Operating Income (Loss)	**$(274,702)**	**$48,425**	**$146,847**	**$172,995**	**$195,852**	**$195,878**

Table 5-3 Projected Operating Results, part 1 of 3

DESCRIPTION	BUDGETED 2020	PROJECTED FOR FISCAL YEAR ENDING JUNE 30				
		2021	2022	2023	2024	2025
Non-operating revenue (expense):						
Interest earnings	$8,750	$5,000	$2,500	$1,500	$1,000	$1,000
Total Non-operating revenue (expense):	**$8,750**	**$5,000**	**$2,500**	**$1,500**	**$1,000**	**$1,000**
Capital Contributions						
Capacity Charges	$6,529	$-	$-	$-	$-	$-
Total Capital Contributions	$6,529	$-	$-	$-	$-	$-
Available for Debt Service	**$(259,423)**	**$53,425**	**$149,347**	**$174,495**	**$196,852**	**$196,878**
DEBT SERVICE						
Annual Debt Service						
AD Debt Service	-	-	-	-	-	-
CIEDB Installment Loan	33,883	33,807	33,729	33,649	33,567	33,482
Future Debt	-	-	-	-	-	-
Total Debt Service	**$33,883**	**$33,807**	**$33,729**	**$33,649**	**$33,567**	**$33,482**
Net Results of Operations	**$(293,306)**	**$19,618**	**$115,618**	**$140,846**	**$163,285**	**$163,396**
Transfers						
Transfer In	79,144					
Transfer Out	(8,071)					
Total Transfers	**$71,073**	**$-**	**$-**	**$-**	**$-**	**$-**
Net Results After Transfers	**$(222,233)**	**$19,618**	**$115,618**	**$140,846**	**$163,285**	**$163,396**
DEBT SERVICE COVERAGE						
Income Available for Debt Service						
From Operations	$(259,423)	$53,425	$149,347	$174,495	$196,852	$196,878
From Reserves	-	-	-	-	-	-

Table 5-3 Projected Operating Results, part 2 of 3

DESCRIPTION	BUDGETED 2020	PROJECTED FOR FISCAL YEAR ENDING JUNE 30				
		2021	2022	2023	2024	2025
Debt Service Coverage - Total Debt						
Income Available for Debt Service	$(259,423)	$53,425	$149,347	$174,495	$196,852	$196,878
Calculated	(7.66)	1.58	4.43	5.19	5.86	5.88
Required	1.10	1.10	1.10	1.10	1.10	1.10
FUND BALANCE CALCULATION						
Fund						
Beginning Fund Balance	$588,084	$365,851	$225,377	$190,995	$151,841	$115,126
Deposit/(Withdrawal) from Operations	(222,233)	19,618	115,618	140,846	163,285	163,396
Capital Projects Funded with Cash	-	(160,092)	(150,000)	(180,000)	(200,000)	(111,500)
Ending Fund Balance	**$365,851**	**$225,377**	**$190,995**	**$151,841**	**$115,126**	**$167,022**
Targeted Fund Balance (20%)	**$160,125**	**$146,088**	**$150,173**	**$154,345**	**$158,588**	**$162,990**
Variance	**$(205,726)**	**$79,289**	**$40,821**	**$(2,504)**	**$(43,462)**	**$4,033**

Table 5-3 Projected Operating Results, part 2

Table 5-3 Projected Operating Results, part 3 of 3