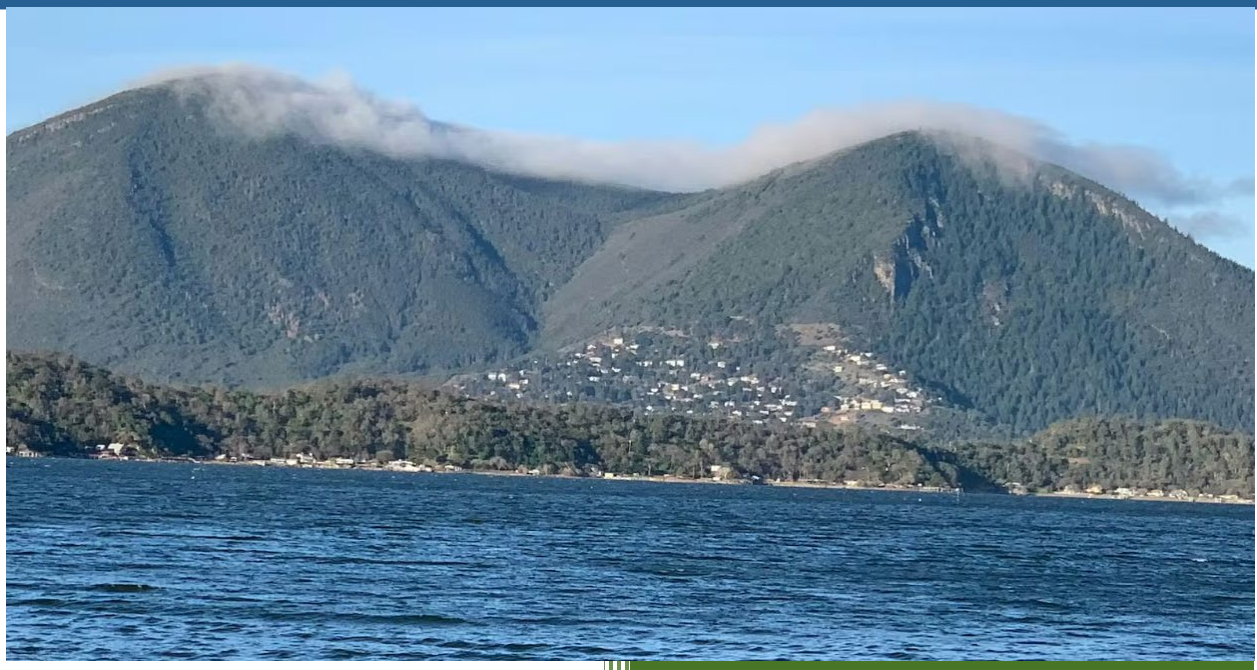
Clearlake Oaks County Water District
Draft Wastewater Financial Plan



RCAC is an equal opportunity provider and employer.

Prepared by: Vida Lopez & Samantha Ryan

April 2026

Rural Community Assistance Corporation
3120 Freeboard Drive, Suite 201
West Sacramento, CA 95691

April 15, 2026

Alison Hanlon
Grants Specialist
US Environmental Protection Agency
1200 Pennsylvania Avenue NW
Washinton, DC 20460-0001

Subject: CLEARLAKE OAKS COUNTY WATER DISTRICT WASTEWATER FINANCIAL PLAN

Dear Alison,

Enclosed please find the final report for the Clearlake Oaks County Water District (CLOCWD) Financial Plan.

The report consists of a discussion of the CLOCWD current financial condition, projected financial condition, and recommended rate option(s).

The financial plan process typically includes the following key milestones, though not all steps may be applicable in every instance:

- Preliminary Rate Discussions – Engaged with CLOCWD staff to review initial findings and discuss potential rate adjustments.
- Initial Rate Findings Presentation – An overview of the preliminary financial plan results is scheduled for March 19, 2026.
- Final Rate Recommendations – If the board has any feedback, final proposed rates, reflecting any revisions from initial discussions will be produced.
- Proposition 218 Hearing – A Proposition 218 hearing is to be held prior to July 1, 2026, to allow for public input and formal consideration of the proposed rates.

If you have additional questions, please feel free to contact me at (720) 471-0363.

Sincerely,

Ty Leydig

Ty Leydig
Regional Field Manager
RCAC Community & Environmental Services

Enclosure: Clearlake Oaks County Water District Wastewater Financial Plan
CC. Dianna Mann , General Manager, CLOCWD
Olivia Mann, Administrative Services Manager/Board Secretary, CLOCWD
Vida Lopez, Small Utility Project Manager I , RCAC – Community & Environmental Services

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Submittal Details

Final Report Date

April 15, 2026

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Executive Summary

The industry standard is to conduct a wastewater rate study every five years to ensure revenues are covering expenses and costs are being applied to customer classes in a fair and equitable manner. As a public entity, Clearlake Oaks County Water District (CLOCWD) must ensure rate structures are consistent with current Proposition 218 case law, which has specific guidance on what is considered fair and equitable ways to distribute costs to customers.

Due to limitations in available system data and funding constraints, a full Cost of Service (COS) analysis was not feasible at this time. As a result, this study has been prepared as a financial plan, focusing on projecting the utility's revenues, expenses, and fund balances over the next several years. The financial plan identifies the total revenue required to maintain system operations, fund necessary capital improvements, and meet reserve policies, and provides a proposed rate schedule to achieve these objectives. While it does not allocate costs to specific customer classes as a full COS would, it provides a practical and transparent framework to ensure rates remain sufficient, sustainable, and compliant with Proposition 218 requirements.

Rural Community Assistance Corporation (RCAC) conducted this wastewater financial plan on behalf of Clearlake Oaks County Water District (CLOCWD) to establish rates that allow CLOCWD to operate and maintain the wastewater system for the next five years and collect the necessary reserves for emergencies and capital improvements. RCAC analyzed data for fiscal year ending 2023 (FYE 2023) and FYE 2024 and budgeted data for FYE 2025 and FYE 2026 to set rates for FYE 2027 through FYE 2031.

CLOCWD requested a wastewater rate analysis to evaluate for these primary areas:

- Current rate study was conducted in 2021 and produced a rate schedule for FYE 2022 – FYE 2026.

- Wastewater reserves have been decreasing in recent years due to a negative operating balance in the sewer fund.

During the financial planning analysis, RCAC found that current sewer fund revenues are not sufficient to cover ongoing expenses and that the projected CRP – Sewer Fund budget is expected to begin operating at a deficit in FYE 2025. This highlights the need for timely rate adjustments to ensure the long-term financial stability of the sewer system.

The proposed rate option is:

CLOCWD Proposed Rates per Building for Single Family Dwellings, Multi-Family Dwellings, and Mobile Home Dwellings						
	2026 (Current Rates)	**2027**	**2028**	**2029**	**2030**	**2031**
Rate per EDU	$74.47	$93.09	$110.18	$115.17	$119.71	$124.44
% Increase	-	25.0%	18.4%	4.5%	3.9%	4.0%

Affordability	2.87%	3.58%	4.24%	4.43%	4.61%	4.79%

CLOCWD Proposed Rates per Customer Unit							
Customer Type	**Customer Unit**	**2026 (Current Rates)**	**2027**	**2028**	**2029**	**2030**	**2031**
School	Per Student	$2.17	$2.79	$3.23	$3.38	$3.51	$3.66
RV/Campsite	Per Space	$22.11	$27.27	$32.63	$34.09	$35.43	$36.82
Hotel/Motel	Per Building	$34.04	$42.77	$50.42	$52.70	$54.78	$56.95
Laundromat	Per Machine	$45.56	$57.72	$67.59	$70.66	$73.46	$76.38
Church	Per Building	$68.75	$87.84	$102.17	$106.82	$111.07	$115.49
Service/Gas Station	Per Restroom	$45.56	$57.72	$67.59	$70.66	$73.46	$76.38
Beauty/Barber Shop	Per Building	$89.00	$117.44	$133.16	$139.27	$144.87	$150.71
Restaurant	Per Building	$102.05	$131.09	$151.82	$158.74	$165.07	$171.66
Restaurant w/Bar 1	Per Building	$170.90	$220.49	$254.50	$266.10	$276.73	$287.78
Restaurant w/Bar 2	Per Building	$170.90	$220.49	$254.50	$266.10	$276.73	$287.78
Bar	Per Building	$98.89	$126.99	$147.12	$153.82	$159.95	$166.33
Service Club	Per Building	$68.78	$87.88	$102.22	$106.87	$111.12	$115.54
Service Club w/Kitchen/Food Service 1	Per Building	$94.91	$122.19	$141.27	$147.71	$153.60	$159.74
Service Club w/Kitchen/Food Service 2	Per Building	$94.91	$122.19	$141.27	$147.71	$153.60	$159.74
Commercial Office Space	Per Building	$68.78	$87.88	$102.22	$106.87	$111.12	$115.54
Community Beach	Per Restroom	$68.78	$87.88	$102.22	$106.87	$111.12	$115.54

This rate option gradually increases rates so that, by the end of the five-year study period, total revenues are projected to fully cover total expenses. In the first year, there is a net operating loss of $226,689, which has been considered to balance rate affordability for customers. Non-

operating revenues have not been applied toward covering operating costs and are available to strengthen fund reserves.

RCAC recommends CLOCWD

- Adopt the proposed rate option to ensure financial sustainability.
- Ensures rates are sustainable for CLOCWD while also assessing the affordability to your customers.
    - The State Water Resources Control Board drinking water needs assessment measures affordability by dividing the annual bill (assuming 600 cubic feet or 4,388 gallons of water usage per month) by the median household income (MHI). Based on the %MHI, water system bills are categorized as no risk, medium risk, or high risk for affordability.

State Water Resources Control Board Needs Assessment: Affordability as %MHI		
No Risk	Medium Risk	High Risk
<1.5%	1.5% - 2.5 %	>2.5%

    - RCAC's rate model calculates affordability by taking the average residential bill for the wastewater system and dividing it by the MHI.
- Review revenues versus expenditures every year to ensure that the rates cover all costs to the system.
- Strive to be transparent. Successful utilities are those that are transparent to their customers regarding their day-to-day operations, including successes and struggles. Promote your services to your customers and continuously educate them on why it is necessary to raise and adjust rates.
- Consider increasing non-operational revenue. For example, CIP reserves could be moved to and maintained in the highest interest-bearing accounts available to offset inflation unless the cost of doing so is more than the interest earned on the account.
- Work with the billing software provider to streamline reports, billing codes, and application of billing charges. Clearer, more consistent data will make future rate studies faster and more accurate.
- For future rate studies, consider conducting a wastewater EDU analysis using up-to-date customer water usage. If technical assistance is used, request the EDU analysis early to ensure enough time and resources for a precise cost-of-service evaluation.

Introduction

About RCAC

Founded in 1978, RCAC provides training, technical, and financial resources, and advocacy so rural communities can achieve their goals. Since 1978, 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, farm workers, colonias and other specific populations. Headquartered in West Sacramento, California, RCAC's employees serve rural communities in 13 western states and the Pacific islands.

This financial plan was funded by Environmental Protection Agency (EPA) Program, for which RCAC is a Technical Assistance Provider. This financial plan was performed under the capacity development program at RCAC (EPA). This study was provided at no cost to the CLOCWD due to their distinction as a disadvantaged community.

Purpose of a Rate Study & Financial Plan

An accurate and useful rate analysis not only identifies the total annual revenue required by a utility to conduct its normal day-to-day operations, but it 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 water system on a continuing basis, in full compliance with federal, state, and local requirements.

When system data is limited or there are time and funding constraints, a full Cost of Service (COS) rate study may not be feasible. In such cases, a financial plan is prepared instead.

A financial plan focuses on projecting the utility's revenues, expenses, and fund balances over the next several years. The financial plan identifies the total revenue required to maintain system operations, fund necessary capital improvements, and meet reserve policies, and provides a proposed rate schedule to achieve these objectives. While it does not allocate costs to specific customer classes as a full COS would, it provides a practical and transparent framework to ensure rates remain sufficient, sustainable, and compliant with Proposition 218 requirements.

Governing Body Responsibilities

Governing body responsibilities for the wastewater system include maintaining sufficient revenue and reserves to provide for ongoing maintenance for the foreseeable future. The ultimate responsibility of the governing body is to ensure preserved public health and compliance with environmental regulations.

All findings and conclusions of this rate study are RCAC's professional assessment and are not a directive for action to the community. Whereas RCAC strongly recommends its finding to the

community, the governing body must act in accordance with the CLOCWD governing documents as well as state and federal laws to enact RCAC recommendations in whole or in part.

Disclaimer

The findings, recommendations and conclusions contained in this rate analysis are based on financial information provided to RCAC by the water system. Although reasonable care was taken 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 on the basis of such findings, recommendations or conclusions is undertaken at the discretion of the water system. 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.

Guiding Principles in a Rate Study & Financial Plan

Rates should be:

- **Sustainable** - Rates should cover the costs of the system to provide safe drinking water into the foreseeable future. This includes operations, repairs, interest, loan principal, capital replacement, and all other costs related to providing safe drinking water.

- **Fair** - Rates should be fair to all rate payers. While the costs should not exceed the costs of providing the service, they do need to capture the true costs of service. Low rates for current customers will require high rates for future customers.

- **Justifiable** - Rates must be based on actual needs of the wastewater enterprise system. The wastewater enterprise system expenses and revenue should be tracked separately from other funds.

- **Water conservation** - Water conservation is a key element of rate studies. Clean and safe water is limited, and inappropriate use of this resource negatively impacts community members.

- **State or funder specific requirements** – Some wastewater systems may have state or funder requirements to maintain certain financial indicators and reserve levels. Regardless of any requirements, the governing body is obligated by its responsibilities to provide for sufficient reserves and long-term sustainability.

Rate Setting & Financial Plan Process

A wastewater rate study typically consists of three to four main components:

- **Revenue Requirement** – This component calculates the total revenue needed to cover the utility's operating costs and debt obligations.

- **Cost of Service Analysis** – This component evaluates the cost allocations associated with providing wastewater services, which may include looking at fixed and variable costs, equivalent dwelling unit (EDU) demands, or other relevant factors. It ensures that rates are aligned with the actual way a wastewater system incurs costs when providing wastewater service.

- **Rate Design and Rate Setting** – This step involves determining how to structure the rates based on the cost-of-service analysis. It considers factors like customer classes (residential, commercial, etc.), water usage patterns, and equity, aiming to create a fair and sustainable rate system. Based on this, the appropriate rates are set to ensure financial stability and regulatory compliance.

- **Proposition 218 Process (applicable for public entities in California)** – This process ensures transparency and public participation in the decision-making surrounding wastewater rate changes.

Together, these components help ensure that a wastewater system can provide reliable service through fair and equitable rates while maintaining financial sustainability.

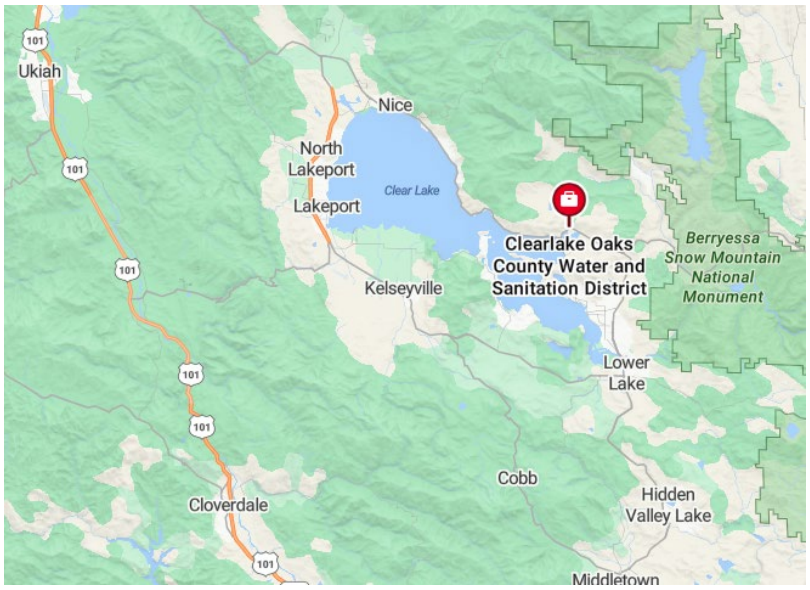
When system data is limited or there are time and funding constraints, a full Cost of Service (COS) rate study may not be feasible. In such cases, a financial plan is prepared instead.

RCAC uses a cash-needs approach to develop revenue requirements to ensure there is sufficient revenue to recover total cash requirements for the 5-year time period of this financial plan. This approach uses a format very similar to how many wastewater systems develop an annual budget. While there are several methods to allocate costs, since RCAC mainly works with small, disadvantaged wastewater systems, it is typical for RCAC to use a fixed vs variable cost allocation or an EDU allocation. The revenue requirement approach and cost allocation methodology used in this financial plan can be found in the section on Cost of Service and Rate Design.

Water System Basic Statistics

Community

The CLOCWD is located in Clearlake Oaks in Lake County, CA . This area is known for being a recreation-oriented community occupying 3 square miles. There are approximately 2,400 residents and sees an increased population during summer months.



According to the SAFER Dashboard, the CLOCWD has an estimated median household income (MHI) of $31,169 and is considered a severely disadvantaged community.

System Description

The CLOCWD is a public wastewater system that operates a wastewater plant featuring an oxidation ditch and clarifier. The wastewater treatment plant currently operates under Waste Discharge Requirement Order No. 98-211 and is at 100% of the permitted capacity. The plant can treat 0.5 MGD per day for the monthly average discharge and up to 2.1 MGD for the maximum daily discharge. The plant typically sees 0.4 – 0.7 MGD but can experience higher flow due to Inflow and Infiltration problems from an aging collection system. Treated wastewater gets pumped 3.5 miles to Lake County Sanitation District (LACOSAN) Southeast Reservoir via Pump Station No. 2 (3, 250hp vertical turbine pumps, surge tank, and electrical equipment building). LACOSAN then injects the treated wastewater into the geothermal steam fields in Geysers approximately 20 miles southwest of the reservoir.

The CLOCWD is working with the State Water Resource Control Board on the CLOCWD Wastewater Infrastructure and Rehabilitation Project, which consists of rehabilitation and improvements to the collection system including existing lift stations, pipelines and manholes; installation of a new force main along a gravity pipeline route that would allow a failing lift station to be bypassed; installation of an access road to an existing lift station for maintenance; and improvements to the Wastewater Treatment Plant (WWTP) including, installation of a groundwater monitoring well and repairing and upgrading various components of the WWTP.

Current Water Rate Structure

The last rate study for the CLOCWD occurred in 2021. The current rate structure for the wastewater system is based on an EDU methodology with 17 different customer types, where one EDU represents a single-family connection and the other customer types are assigned a proportional factor. The current rate structure can be seen in Exhibit A.

The affordability of these rates for the average residential customer is 2.87% percent, as a measure of the percent of the average residential customer's annual income that goes toward paying the average annual residential wastewater bill in the wastewater system.

Customer Wastewater Use Statistics

Wastewater use can vary by month, customer class, and service connection characteristics. The wastewater usage and characteristics were not analyzed as part of this financial plan.

Future Population and Usage Projections

The United States Census shows a decline growth rate in the area as -0,6% percent per year, from 2019-2024.

Financial Condition and Analysis

Current Financial Policies

The financial policies of a public wastewater system play a crucial role in ensuring the system's sustainability and effectiveness. These policies provide a framework for budgeting, revenue generation, expenditure control, debt management, and financial reporting. They help maintain financial stability, promote transparency, and ensure that the wastewater system can meet current and future needs. By adhering to these policies, a public wastewater system can effectively manage its resources, maintain the trust of its stakeholders, and continue to provide reliable and high-quality services to the community.

RCAC did not review the financial policies of CLOCWD as part of this financial plan and instead relied on information provided verbally by the system.

Current Financial Indicators

Wastewater Fund Balance

CLOCWD maintains separate accounts for wastewater operations and the CRP – Sewer fund. The wastewater fund balance as of FYE 2024 was $73,008 while the CRP funds had $331,823. However, the CRP balance includes both water and wastewater funds. For purposes of the financial projections, the wastewater fund balance was assumed to be depleted by the time the rate increase is implemented.

Operating Cash Flow

The cash generated from CLOCWD's routine wastewater operations declined from FYE 2023 to FYE 2024 and is projected to continue decreasing. This trend indicates that operating revenues are not fully covering operating expenses. While the CRP – Sewer fund has historically generated sufficient revenue to cover its expenses, budget projections indicate that this may not continue in FYE 2025 without cost-saving measures. Reliance on underfunding reserves to balance operations is not considered a financially sustainable practice for managing a wastewater system.

Revenue Requirement

A revenue requirement for a wastewater system refers to the total amount of money a utility must collect from its customers to cover all its costs. This includes operating expenses, taxes, debt payments, and costs to replace capital assets.

Current Budget

The objective of a budget is to ensure that the utility generates adequate revenue to cover the anticipated costs as they occur. The basic components of the budget include combined cash balances, operating and non-operating revenue, operation and maintenance expense, debt service (principal and interest payments) on borrowed funds, capital costs, reserves, and other cash payments (such as payments in lieu of taxes). Because debt covenants may impact the cash needs of the utility, it is also important to examine these restrictions as well.

A wastewater system should develop and adopt an annual budget every fiscal year prior to the start of the fiscal year. The CLOCWD was able to provide actuals for FYE 2023 and FYE 2024 and an adopted budget for FYE 2025 and FYE 2026.

Over the past several years revenues have not covered expenses. In FYE 2024, the sewer fund had an operating shortfall of $212,751, which was able to partially recover through non-operating revenue including a cell tower lease and non-sewer revenue from the County Treasury. After including non-operating revenue, the water fund so a shortfall of $80,806. The CRP – sewer fund saw a net increase in FYE 2024 or $63,751 did not complete all budgeted work. Underfunding reserves is not considered a financially sustainable method for managing a wastewater system.

In FYE 2026 the net loss is expected to increase from prior years. Costs have been increasing due to inflation and increases in retirement contribution costs and power costs. The actuals and current budget can be seen as part of the rate study budget projections in Exhibit D.

Current Dedicated Reserves

Reserves are an accepted way to stabilize and support a utility's fiscal management. Small systems usually fund the operating expenses but often do not 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 twofold. First, it helps to ensure that the utility will have adequate funds available to meet its financial obligations in times of varying needs. Second, 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 improvements and replacement, emergency, and debt service reserve. These balances are maintained to meet short-term cash flow requirements, and at the same time, minimize the risk associated with meeting financial obligations and continued operational needs under adverse conditions.

The annual reserve goals can be seen in the general & administrative expenses in Exhibit D.

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, a system's cash flow can be affected by weather and seasonal demand patterns.

The State of California Water Resources Control Board conducted a needs assessment in 2024. The results of their findings are outlined in the table below.

State Water Resources Control Board Needs Assessment: Cash on Hand Valuation		
No Risk	Medium Risk	High Risk
>90 Days	30 – 90 Days	< 30 Days

Because of potential delays in collecting payment, many utilities attempt to keep an amount of cash equal to at least 90 days or 25 percent of their annual cash O&M expenses in an operating reserve to mitigate potential cash flow problems. In discussions with the wastewater system, it was determined the goal would be 45 days cash on hand, this money will be set aside over 5 years.

Emergency Reserve

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 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 wastewater outage or threat to public safety. In discussions with the wastewater system, it was determined that $75,000 would be adequate, and this money will be set aside over 5 years.

Capital Replacement Reserve

A capital replacement reserve (also called a repair and replacement reserve) is intended to be used for replacing system assets that have become worn out or obsolete. Unlike the emergency reserve fund, these reserves are intended to be used for planned replacements and improvements. Annual depreciation is frequently used to estimate the minimum level of funding for this capital reserve. But 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 or future replacement cost of that asset.

To initiate a capital improvement plan, a small water or sewer system will start with a list of assets that includes the remaining service life, theoretical replacement costs in today's dollars and the remaining service life. 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. RCAC did not conduct a capital replacement analysis and relied on the CRP budget developed by CLOCWD.

Debt Payments and Reserve

Wastewater utilities that have issued debt to pay for capital assets will often have required reserves that are specifically defined to meet the legal covenants of the debt. Normally, debt service reserve represents an amount equal to at least one full annual loan payment and can be accumulated to this level over a period of 5 to 10 years.

The CLOCWD has a USDA loan for a prior sewer improvement project. This loan matures in 2057 and requires a payment of approximately $60,000 per year (varies by year). These loan payments were included in this financial plan as needing to be collected through wastewater rates.

Analysis and Recommendations for Financial Condition

A rate increase is recommended to ensure that CLOCWD can cover its operating costs while also providing funding for necessary reserves. Financial projections indicate that a 30% rate increase in FYE 2026 would be required to fully balance the budget. However, the recommended rate option in this report proposes a 25% increase in the first year in order to better consider customer affordability. This approach helps move the system toward financial sustainability while moderating the immediate impact on customers.

Cost of Service and Rate Design

Equivalent Dwelling Units

An EDU (Equivalent Dwelling Unit), defined as one single-family residential household, are often used as a reference point to calculate sewer bills of non-residential customers. Sewer EDUs are calculated by determining the average water use of residential customers during several of the cold weather months. The assumption is this figure represents average sewage discharge. In un-metered systems or systems with limited billing capacity, wastewater EDUs may be calculated using different methodologies.

EDU Methodology

For many small wastewater systems, reliable customer usage data are often not available, and system staff may lack the capacity to perform a detailed consumption analysis. Given these circumstances and the limited consulting hours available, this rate analysis uses the Appendix G methodology from the California State Water Resources Control Board (SWRCB) to estimate Equivalent Dwelling Units (EDUs) by customer type. A typical single-family residential connection is assigned a value of one EDU as the baseline unit of demand, and other customer classes—such as multi-family, commercial, institutional, or other non-residential uses—are assigned EDU factors based on the representative average demand ratios provided in Appendix G. The total number of connections in each category is multiplied by the applicable EDU factor to determine each class's relative demand on the system. These EDUs are then used to allocate costs and establish rates under the current rate structure. While this methodology relies on generalized demand factors rather than system-specific metered usage, it provides a defensible basis for setting rates when system data are limited, with the understanding that rates should be revisited if more detailed usage information becomes available in the future.

A detailed cost-of-service (COS) analysis was not performed as part of this rate study. Development of a COS consistent with guidance from the California State Water Resources Control Board (SWRCB), including the methodologies described in Appendix G, requires additional customer class data or usage analysis. The CLOCWD indicated that sufficient and updated data necessary to perform this analysis was not available at the time of this study. As a result, the system's current EDU allocations were used to establish rates, rather than calculating EDUs based on the SWRCB planning-level factors or updated customer water usage data. Accordingly, this analysis focuses on evaluating overall revenue requirements, operating expenses, capital improvement needs, and reserve targets, and applies recommended revenue adjustments within the framework of the existing rate structure.

While this report provides financial guidance sufficient to support current rate setting, it is recommended that the CLOCWD consider allocating resources in the future to conduct a wastewater EDU analysis based on current customer water usage data during the next rate study to allow for a more precise cost-of-service evaluation. If CLOCWD uses technical assistance (TA) for the next rate study, request an EDU analysis project prior to requesting a rate study project to ensure the TA provider has enough hours to complete both analyses.

Assumptions

In a rate study, assumptions are critical because they help frame the calculations and projections that determine pricing or rates. Assumptions details used in this rate study can be seen in Exhibits B and include:

Financial Assumptions

- **Return on Investment Rates** – Capital improvement reserves are often in a savings account that accrues interest. It is assumed this rate of return can reduce the annual reserve required from wastewater sales for additional capital assets.

- **Past Inflation Rates** - Allows the current cost of assets to be calculated when only historic costs are available.

- **Future Inflation Rates** – Allows the future cost of asset replacement to be calculated as well as helps to project the budget forward.

- **Future Loan Rates and Fees** – Important for calculating the debt service payment that will be required if a wastewater system chooses to fund assets in need of replacement over the next 5 years through loan.

- **Existing Debt** – Annual payment and reserve requirements for current debt.

- **Existing Reserves** – The wastewater fund balance which can be made up of cash, investments, and other liquid assets. Typically, operating reserves are in a checking account and capital reserves are in an interest-bearing savings account.

- **Reserve Targets** – established dollar amounts to maintain in operating, emergency, debt, and capital reserves along with the number of years to build to this amount.

- **Median Household Income** – average income for residential customers, this can come from several sources such as the SAFER Dashboard or U.S. Census.

Usage and Billing Assumptions

- **Conservation Factor** – Accounts for the typical reduction in wastewater use seen after a rate increase. Study by the Department of Interior in California states price elasticity of wastewater is -0.1%. RCAC also sometimes uses from -1.0% up to -5.0% from experience with working rural, disadvantage communities. This factor can also include any wastewater system specific concerns for reduction in water use.

- **Community Growth Factor** – Growth factor to account for an increasing or decreasing population in the area. This data can come from the U.S. Census, the wastewater system's master plan, or other source.

- **Receivable Write-Offs** – RCAC assumes a 0.2% write-off unless otherwise state by the wastewater system. This write-off accounts for non-payment of wastewater bills.

Capital Improvement Plan Assumptions

- **Default Funding Assumptions** – The funding assumptions made to many of the capital assets in the model. While it is always recommended to fund with 100% cash, often times RCAC will adjust these to assist with affordability while giving a roadmap to smaller wastewater systems on next steps in their capital improvement plan. During this current economic climate, it is not advised to assume grants in the budgeting process. Also understand that applying for grants or loans will take staff time and financial resources.

- **Capitalization Threshold** - Any asset purchased below this value is not included in the CIP. It assumed that this purchase was included in the annual maintenance budget. This is usually a policy decision by the water board and varies based on the size of the wastewater system. RCAC will often use $5,000 if the wastewater system has no threshold established.

- **Short-Lived Assets** – Some funders only require wastewater systems to create reserves for short-lived assets (5–15-year useful life). This is not recommended by the SWRCB and is not used in California.

Customized Assumptions

- **Budget projections** – While future inflation is a tool used to project many budget line items forward. A detailed review of each budget was completed and line items that needed further adjustments were changed. Budget line items with custom assumptions are:

    - PERS – Used dollar values listed in the CalPERS 2024 Annual Valuation Report

    - Power – Assumed 7% inflation due to historical and expected values

- **Capital Improvement Plan** – While default funding assumptions can help a small wastewater system see its dependence on obtaining grants and loans and allow it to begin to plan.

    - RCAC will typically create an asset list and determine how much the wastewater system needs to set aside per year to replace all assets at the end of their useful life. This was not done in this financial plan, instead CLOCWD provided its adopted CRP budget.

- **Cost Allocation** – RCAC typically uses the identification of fixed and variable costs to allocate costs to base rates and usage rates. The identification of fixed and variable costs is best left with the wastewater system to identify. RCAC does advise that any debt service be considered a fixed cost and that many of the pumping and chemical costs be assigned to variable.

    - CLOCWD uses an EDU methodology. Due to limitations in available system data and funding constraints, a full Cost of Service (COS) analysis was not feasible at this time. As a result, this study has been prepared as a financial plan, focusing on projecting the utility's revenues, expenses, and fund balances over the next several years.

Recommended Rates

When adopting rates a governing body should take into account not only the immediate financial implications but also the long-term sustainability and fairness of each approach. The following recommendation aims to guide the selection process and ensure that the chosen rate structure supports the community's needs while promoting fiscal responsibility and transparency.

RCAC values affordability when drafting rate options for small wastewater systems. However, governing body responsibilities for the wastewater system include maintaining sufficient revenue and reserves to provide for ongoing maintenance for the foreseeable future. The ultimate responsibility of the governing body is to ensure preserved public health and compliance with environmental regulations.

The recommended rates are designed to recover the system's operations and maintenance (O&M) needs, capital replacement requirements, and debt obligations over a five-year period while phasing in rate increases to minimize impacts on customers. For O&M, costs are projected using a 4% annual inflation assumption for all expenses except PERS contributions and electricity, which are modeled separately based on known or anticipated rates. Capital replacement needs are estimated using a 4% inflation factor applied to currently planned projects, and existing USDA loan payments are included in the projections. To moderate the rate impact in the near term, this option assumes a one-time draw of $226,804 from reserves to partially fund system costs, with the plan to recover the reserve balance over the subsequent five years. Under this approach, rates gradually increase to cover both ongoing operational needs and future capital requirements, ensuring the system remains financially stable while providing a phased adjustment for customers.

CLOCWD Proposed Rates per EDU						
	2026 (Current Rates)	**2027**	**2028**	**2029**	**2030**	**2031**
Rate per EDU	$74.47	$93.09	$110.18	$115.17	$119.71	$124.44
% Increase	-	25.0%	18.4%	4.5%	3.9%	4.0%
Affordability	2.87%	3.58%	4.24%	4.43%	4.61%	4.79%

CLOCWD Proposed Rates per Customer Unit							
Customer Type	**Customer Unit**	**2026 (Current Rates)**	**2027**	**2028**	**2029**	**2030**	**2031**
School	Per Student	$2.17	$2.79	$3.23	$3.38	$3.51	$3.66
RV/Campsite	Per Space	$22.11	$27.27	$32.63	$34.09	$35.43	$36.82
Hotel/Motel	Per Building	$34.04	$42.77	$50.42	$52.70	$54.78	$56.95

CLOCWD Proposed Rates per Customer Unit							
Customer Type	**Customer Unit**	**2026 (Current Rates)**	**2027**	**2028**	**2029**	**2030**	**2031**
Laundromat	Per Machine	$45.56	$57.72	$67.59	$70.66	$73.46	$76.38
Church	Per Building	$68.75	$87.84	$102.17	$106.82	$111.07	$115.49
Service/Gas Station	Per Restroom	$45.56	$57.72	$67.59	$70.66	$73.46	$76.38
Beauty/Barber Shop	Per Building	$89.00	$117.44	$133.16	$139.27	$144.87	$150.71
Restaurant	Per Building	$102.05	$131.09	$151.82	$158.74	$165.07	$171.66
Restaurant w/Bar 1	Per Building	$170.90	$220.49	$254.50	$266.10	$276.73	$287.78
Restaurant w/Bar 2	Per Building	$170.90	$220.49	$254.50	$266.10	$276.73	$287.78
Bar	Per Building	$98.89	$126.99	$147.12	$153.82	$159.95	$166.33
Service Club	Per Building	$68.78	$87.88	$102.22	$106.87	$111.12	$115.54
Service Club w/Kitchen/Food Service 1	Per Building	$94.91	$122.19	$141.27	$147.71	$153.60	$159.74
Service Club w/Kitchen/Food Service 2	Per Building	$94.91	$122.19	$141.27	$147.71	$153.60	$159.74
Commercial Office Space	Per Building	$68.78	$87.88	$102.22	$106.87	$111.12	$115.54
Community Beach	Per Restroom	$68.78	$87.88	$102.22	$106.87	$111.12	$115.54

Implementation Remarks & Conclusion

Recommendations for the current financial condition and rate option selection have been discussed. Below are some additional recommendations for CLOCWD.

General Implementation Advice

Key points to remember with this rate adjustment are:

- Every year revenues versus expenditures should be reviewed to ensure that the rates cover all costs to the system.
- Rates should be reviewed every 5 years or whenever the wastewater system is at risk of expenditures exceeding revenue.
- Successful utilities are those that strive to be transparent. In day-to-day operations, the CLOCWD should strive to promote its services (highlights and the low points) and continuously educate residents on why it is necessary to raise and adjust rates.
- If possible, CIP reserves should be moved to and maintained in the highest interest-bearing accounts available to offset inflation unless the cost of doing so is more than the interest earned on the account.
- Work with the billing software provider to streamline reports, billing codes, and application of billing charges. Clearer, more consistent data will make future rate studies faster and more accurate.
- While this report provides financial guidance sufficient to support current rate setting, it is recommended that the CLOCWD consider allocating resources in the future to conduct a wastewater EDU analysis based on current customer water usage data during the next rate study to allow for a more precise cost-of-service evaluation. If CLOCWD uses technical assistance (TA) for the next rate study, request an EDU analysis project prior to requesting a rate study project to ensure the TA provider has enough hours to complete both analyses.

Proposition 218 Overview

When the governing body selects a rate option, this triggers Proposition 218 process. Proposition 218 is a voter-approved initiative in California that restricts the authority of government agencies to charge certain taxes or fees. This proposition regulates property-related fees and charges that are imposed on a parcel. Following a California Supreme Court decision, water and sewer rates are now also subject to Proposition 218. Therefore, the wastewater system needs to follow Proposition 218 guidelines and related activities to legally pass new rates, which include sending out a public notice and holding a public hearing.

To be in compliance with Proposition 218, the public notice needs to contain certain information. This information includes how and why the rate increase was proposed, the consequences of not raising rates, how charges are allocated among different types of users, and the date, time, and location of the public hearing. Proposition 218 requires that a public hearing be held at least 45

days after the public notice has been sent out. After the public hearing, the governing board can adopt the new rates through a resolution if there is no majority protest (50% plus one) from the property owners/rate payers. All protests are required to be in writing with the protester's name and affected parcel number. Proposition 218 does not apply to connection charges, capacity charges, wholesale rates, groundwater pumping fees and conservation penalties.

Additionally, the letter should include "In accordance with Senate Bill 323, any judicial action or proceeding to attack, review, set aside, void, validate, or annul an ordinance, resolution, or motion adopting a fee or charge for wastewater service, or modifying or amending an existing fee or charge for wastewater service, shall be commenced within 120 days of the effective date or of the date of the final passage, adoption, or approval of the ordinance, resolution, or motion, whichever is later."

Compliance with Assembly bill 2257 may prohibit a person or entity from bringing judicial action or proceeding with Prop 218 unless person/entity has timely submitted to the local agency a written objection that specifies grounds for noncompliance. Part of this compliance is to ensure a written basis for the rate increase is posted on the system's external website and include a link to the public notice.

For full Proposition 218 compliance, always consult with your wastewater system's legal advisor.

Conclusion

In conclusion, this rate study provides a fair and effective approach to maintaining the financial health of the wastewater system, while ensuring equitable access to clean water for all customers. The recommended rates will allow the utility to continue providing high-quality service in a financially sustainable manner, meeting the needs of the community for years to come.

The attached Exhibits A through D provide detailed information and analysis supporting the findings and recommendation of this wastewater rate study.

Exhibit A:
Current Rates

Sewer

Residential

Classification	Rate	Fixed	CRP
This classification will now include all SFD/MFD/MHD	$74.47	50.52	23.95

Commercial

Classification	Rate	Fixed	CRP
School - Per Student	$2.17	1.59	0.58
RV/Campsite - Per Space	$22.11	14.44	7.67
Hotel/Motel	$34.04	23.42	10.62
Laundromat-Per Machine	$45.56	32.08	13.48
Church	$68.75	49.52	19.23
Service/Gas Station- Per Restroom	$45.56	32.08	13.48
Beauty/Barber Shop	$89.00	69.77	19.23
Restaurant	$102.05	74.57	27.48
Restaurant w/Bar	$170.90	126.36	44.54
Bar	$98.89	72.21	26.68
Service Club	$68.78	49.55	19.23
Service Club w/Kitchen/Food Service	$94.91	69.77	25.14
Commercial Office Space	$68.78	49.55	19.23
Community Beach - Per Restroom	$68.78	49.55	19.23

Water

Residential

Classification	Rate	Fixed	CRP
This classification will now include all SFD/MFD/MHD	$51.37	34.34	17.03

Commercial

Classification	Rate	Fixed	CRP
5/8 x 3/4 "	$51.37	34.34	17.03
1	$144.94	107.52	37.42
1 1/2	$285.80	214.92	70.88
2	$456.44	343.75	112.69
3	$853.75	644.56	209.19
4	$1,421.51	1074.31	347.20

No Allowance

Usage Rates

0-999,999,999 CF	**$2.23**

2024-2025 WATER AND SEWER RATES

2025-2026 RATE INCREASE TO TAKE EFFECT ON JULY 1, 2025

7/1/2024 \\Server\clowd\Admin\Customer Service\Base Rates\2024-2025 Rates Breakdown.xlsx

EDU Table by Billing Codes for O&M Sewer Fund				
Customer Category	**Category #**	**Unit**	**EDU**	**Min 1 EDU?**
SFD	1SF	Per Building	1.000	No
MFD	1MF	Per Building	1.000	No
MHD	1SM	Per Building	1.000	No
School - Per Student	1SC	Per Student	0.031	No
RV/Campsite - Per Space	1RV	Per Space	0.286	No
Hotel/Motel	1CH	Per Building	0.464	No
Laundromat-Per Machine	1LD	Per Machine	0.635	No
Church	1CC	Per Building	0.980	No
Service/Gas Station- Per Restroom	1CG	Per Restroom	0.635	No
Beauty/Barber Shop	1CB	Per Building	1.381	No
Restaurant	1FS	Per Building	1.476	No
Restaurant w/Bar 1	1RB	Per Building	2.501	No
Restaurant w/Bar 2	1RF	Per Building	2.501	No
Bar	1BO	Per Building	1.429	No
Service Club	1CS	Per Building	0.981	No
Service Club w/Kitchen/Food Service 1	1CK	Per Building	1.381	No
Service Club w/Kitchen/Food Service 2	1C4	Per Building	1.381	No
Commercial Office Space	1CO	Per Building	0.981	No
Community Beach - Per Restroom	1CR	Per Building	0.981	No
SEWER BAR ONLY 2	2BO	Per Building	1.429	No
SEWER COM BAR W KIT FOOD 2	2C4	Per Building	1.381	No
SEWER BEAUTY BARBER 2	2CB	Per Building	1.381	No
SEWER CHURCH 2	2CC	Per Building	0.980	No
SEWER GAS SVC STAT 2	2CG	Per Restroom	0.635	No
SEWER HOTEL MOTEL 2	2CH	Per Building	0.464	No
SEWER SER CLUB W KIT FOOD 2	2CK	Per Building	1.381	No
SEWER OFFICE SPACE 2	2CO	Per Building	0.981	No
SEWER BEACH RESTROOM 2	2CR	Per Building	0.981	No
SEWER COM SERVICE CLUB 2	2CS	Per Building	0.981	No
SEWER RESTAURANT 2	2FS	Per Building	1.476	No
SEWER LAUNDROMAT 2	2LD	Per Machine	0.635	No
SEWER MULTI FAMILY DWLG 2	2MF	Per Building	1.000	No
SEWER REST W BAR 2	2RB	Per Building	2.501	No
SEWER RV CAMPSITE 2	2RV	Per Space	0.286	No
SEWER SCHOOL 2	2SC	Per Student	0.031	No
SEWER SINGLE FAMILY DWLG 2	2SF	Per Building	1.000	No
SEWER SINGLE MOBILE DWLG 2	2SM	Per Building	1.000	No
SEWER BAR ONLY 3	3BO	Per Building	1.429	No
SEWER COM BAR W KIT FOOD 3	3C4	Per Building	1.381	No
SEWER BEAUTY BARBER 3	3CB	Per Building	1.381	No

EDU Table by Billing Codes for O&M Sewer Fund				
Customer Category	**Category #**	**Unit**	**EDU**	**Min 1 EDU?**
SEWER CHURCH 3	3CC	Per Building	0.980	No
SEWER GAS SVC STAT 3	3CG	Per Restroom	0.635	No
SEWER HOTEL MOTEL 3	3CH	Per Building	0.464	No
SEWER SER CLUB W KIT FOOD 3	3CK	Per Building	1.381	No
SEWER OFFICE SPACE	3CO	Per Building	0.981	No
SEWER BEACH RESTROOM 3	3CR	Per Building	0.981	No
SEWER COM SERVICE CLUB	3CS	Per Building	0.981	No
SEWER RESTAURANT 3	3FS	Per Building	1.476	No
SEWER LAUNDROMAT 3	3LD	Per Machine	0.635	No
SEWER MULTI FAMILY DWLG 3	3MF	Per Building	1.000	No
SEWER REST W BAR 3	3RB	Per Building	2.501	No
SEWER RV CAMPSITE 3	3RV	Per Space	0.286	No
SEWER SCHOOL 3	3SC	Per Student	0.031	No
SEWER SINGLE FAMILY DWLG 3	3SF	Per Building	1.000	No
SEWER SINGLE MOBILE DWLG 3	3SM	Per Building	1.000	No
SEWER COMM BEACH RESTROOM 4	4CR	Per Building	0.981	No
SEWER RV CAMPSITE 4	4RV	Per Space	0.286	No

EDU Table by Billing Codes for CRP - Sewer Fund				
Customer Category	**Category #**	**Unit**	**EDU**	**Min 1 EDU?**
SFD (CRP)	CRS	Per Building	1.000	No
MFD (CRP)	CRS	Per Unit	1.000	No
MHD (CRP)	CRS	Per Unit	1.000	No
School - Per Student (CRP)	CS1	Per Student	0.024	No
RV/Campsite - Per Space (CRP)	CS2	Per Space	0.320	No
Hotel/Motel (CRP)	CS3	Per Building	0.443	No
Laundromat-Per Machine (CRP)	CS4	Per Machine	0.563	No
Church (CRP)	CS5	Per Building	0.803	No
Service/Gas Station- Per Restroom (CRP)	CS6	Per Restroom	0.563	No
Beauty/Barber Shop (CRP)	CS7	Per Building	0.803	No
Restaurant (CRP)	CS8	Per Building	1.147	No
Restaurant w/Bar (CRP)	CS9	Per Building	1.860	No
Bar (CRP)	C10	Per Building	1.114	No
Service Club (CRP)	C12	Per Building	0.803	No
Service Club w/Kitchen/Food Service (CRP)	C13	Per Building	1.050	No
Commercial Office Space (CRP)	C14	Per Building	0.803	No
Community Beach - Per Restroom (CRP)	CRB	Per Restroom	0.803	No
Sewer Bar w Kit Food	C11	Per Building	1.050	No
Sewer Fire Protect	C16			
CRP SEWER 2 BAR	S10	Per Building	1.114	No
CRP SEWER2 BAR W KIT FOOD	S11	Per Building	1.050	No
CRP SEWER2 SVC CLUB	S12	Per Building	0.803	No
CRP SEWER2 SVC CLUB KIT F	S13	Per Building	1.050	No
CRP SEWER 2 OFFICE SPACE	S14	Per Building	0.803	No
CRP SEWER2 BEACH REST	S15	Per Restroom	0.803	No
CRP SEWER2 FIRE PROTECT	S16			
CRP SEWER2 SCHOOL	S21	Per Student	0.024	No
CRP SEWER2 RV CAMPSITE	S22	Per Space	0.320	No
CRP SEWER2 HOTEL MOTEL	S23	Per Building	0.443	No
CRP SEWER2 LAUNDROMAT	S24	Per Machine	0.563	No
CRP SEWER2 CHURCH	S25	Per Building	0.803	No
CRP SEWER2 SVC GAS PER RE	S26	Per Restroom	0.563	No
CRP SEWER2 BEAUTY BARBER	S27	Per Building	0.803	No
CRP SEWER2 RESTAURANT	S28	Per Building	1.147	No
CRP SEWER2 REST W BAR	S29	Per Building	1.860	No
CRP SWR 2 BEAUTY BARBER	S2B	Per Building	0.803	No
CRP SWR 2 SVC CLUB W KIT	S2C	Per Building	1.050	No
CRP SWR 2 OFFICE SPACE	S2O	Per Building	0.803	No

EDU Table by Billing Codes for CRP - Sewer Fund				
Customer Category	**Category #**	**Unit**	**EDU**	**Min 1 EDU?**
CRP SWR 2 SVR CLUB	SCB	Per Building	0.803	No
CRP SWR 2 GAS SVC STATION	SCG	Per Restroom	0.563	No
CRP SWR 2 HOTEL MOTEL	SCH	Per Building	0.443	No
CRP SWR 2 BEACH REST	SCR	Per Restroom	0.803	No
CRP SWR 2 RV CAMPSITE	SRV	Per Space	0.320	No
CRP SWR 2 SINGLE FAM	SSF	Per Building	1.000	No
CRP SEWER3 BAR	S3B	Per Building	1.114	No
CRP SEWER3 BAR W KIT FOOD	S3K	Per Building	1.050	No
CRP SEWER3 SVC CLUB	S3S	Per Building	0.803	No
CRP SEWER3 SVC CLUB KIT F	S3F	Per Building	1.050	No
CRP SEWER3 OFFICE SPACE	S3O	Per Building	0.803	No
CRP SEWER3 BEACH REST	S3R	Per Restroom	0.803	No
CRP SEWER3 FIRE PROTECT	S3P			
CRP SEWER3 SCHOOL	S31	Per Student	0.024	No
CRP SEWER3 RV CAMPSITE	S32	Per Space	0.320	No
CRP SEWER3 HOTEL MOTEL	S33	Per Building	0.443	No
CRP SWR 3 LAUNDROMAT	LD	Per Machine	0.563	No
CRP SEWER 3 CHURCH	S35	Per Building	0.803	No
CRP SEWER3 SVC GAS P REST	S36	Per Restroom	0.563	No

Exhibit B:
Assumptions

Key Assumptions						
Financial Assumptions						
Inflation and Loan Rates						
Return on Invested Funds	1.70	%				
Past Inflation	2.10	%				
Future Inflation	4.00	%				
Future Loan Interest Rate	5.00	%				
Future Loan fees, legal, costs	1.00	%				
Existing Debt						
Description	Annual Payment	Maturity	Reserve Required	Reserve Allocated	Make Up Period	
USDA Loan	Varying	2057	Yes	332,700	-	
Total						
Existing Reserves						
Debt Reserve	$0					
Operating Reserve	$0	As of FYE 2024, $63,488 but assuming $0 due expected depletion				
Emergency Reserve	$0					
Capital Reserve	$0	As of FYE 2024, restricted cash for water and wastewater $331,823, assuming $0 since financial plan is for regular, annual CRP expenses				
Total	$0					

Reserve Targets						
	Amount	Make Up Period	First Year Reserve Addition	Excess funds to be transferred to CIP	Goal	
Debt Reserve	$332,700	-	$0	$0	As per lending agreement(s)	
Operating Reserve	$209,525	5	$29,207	$0	1.5 times the expenses during a billing cycle	
Emergency Reserve	$75,000	5	$15,000	$0	Effluent Pump Cost	
Available for Capital Reserve	$0					
Median Household Income						
MHI	$31,169		MHI Source	SAFER Dashboard		
Usage and Billing Assumptions						
Growth of Consumption over Base year						
		Year 1	Year 2	Year 3	Year 4	Year 5
Conservation Factor		0.0%	0.0%	0.0%	0.0%	0.0%
Community Growth Factor		0.0%	0.0%	0.0%	0.0%	0.0%
Total Consumption Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%
Receivable write off						
Percent of Billing		0.30%	0.30%	0.30%	0.30%	0.30%
Billing Details						
Unit of Service	N/A	N/A				
Billing Cycles	Currently	Proposed				
Billing Cycle	Monthly	Monthly				
Billings per year	12	12				
Capital Improvement Planning Assumptions						

Default Funding of Asset Replacements						
Replacement Value From	To	Cash	Grant	Loan		
$0	$20,000	N/A	N/A	N/A		
$20,001	$100,000	N/A	N/A	N/A		
$100,001	$500,000	N/A	N/A	N/A		
$500,001	$9,999,999	N/A	N/A	N/A		
$10,000,000	$9,999,999	N/A	N/A	N/A		

Capitalization Threshold		
Capitalization Threshold	N/A	

Short-Lived Assets		
If you want to reserve for Short-Lived Asset only, how many years is your definition of a "Short-Lived Asset?"	N/A	(USDA-RD is 5 years. Some states require 15 years.)

Exhibit C:
Rate Study Budget Projections

Key:		Other Notes:	Standard Assumptions	
Line items that vary based on rate options		This Budget is a combination of Sewer Fund and Sewer CIP Fund	Inflation Factor (%)	4.00
Line items that vary from standard assumptions			Loan Interest Rate (%)	5.00

Budget Projections for Clearlake Oaks County Water District

	Actual	Budgeted	Budgeted		Projected	Projected	Projected	Projected	Projected
EXPENSES AND SOURCES OF FUNDS									
OPERATIONS & MAINTENANCE EXPENSES									
	2024	2025	2026	% Belonging to Sewer	2027	2028	2029	2030	2031
Salaries & Wages	$574,395	$597,370	$621,265	100%	$646,116	$671,960	$698,839	$726,792	$755,864
	$0	$0	$0	100%	$0	$0	$0	$0	$0
FICA - District Share	$42,793	$44,505	$46,285	100%	$48,136	$50,062	$52,064	$54,147	$56,313
Medical Ins - District Share	$118,444	$123,182	$128,109	100%	$133,233	$138,563	$144,105	$149,869	$155,864
PERS - District Share	$79,965	$83,163	$112,843	100%	$125,133	$135,000	$146,000	$147,000	$148,000
Unemployment	$0	$0	$0	100%	$0	$0	$0	$0	$0
Workers Comp Ins	$13,651	$14,197	$14,764	100%	$15,355	$15,969	$16,608	$17,272	$17,963
Advertising	$0	$0	$0	100%	$0	$0	$0	$0	$0
Bank Fees	$22,011	$22,891	$23,807	100%	$24,759	$25,750	$26,780	$27,851	$28,965
Communications & Internet	$15,811	$16,443	$17,101	100%	$17,785	$18,497	$19,236	$20,006	$20,806
Board Exp	$2,056	$2,138	$2,224	100%	$2,313	$2,405	$2,501	$2,601	$2,706
Equip - Field ($300-$4999)	$0	$0	$0	100%	$0	$0	$0	$0	$0
Equip - Office	$1,905	$1,981	$2,060	100%	$2,143	$2,229	$2,318	$2,410	$2,507
Fuel & Oil	$6,612	$6,876	$7,152	100%	$7,438	$7,735	$8,045	$8,366	$8,701
Insurance	$43,781	$45,532	$47,354	100%	$49,248	$51,218	$53,266	$55,397	$57,613
Interest	$14	$14	$15	100%	$15	$16	$16	$17	$18
Lab	$23,344	$24,278	$25,249	100%	$26,259	$27,309	$28,402	$29,538	$30,719
Memberships & Subscriptions	$56,674	$58,940	$61,298	100%	$63,750	$66,300	$68,952	$71,710	$74,578
Mileage Reimb	$70	$72	$75	100%	$78	$81	$85	$88	$91
Postage & Shipping	$11,026	$11,467	$11,926	100%	$12,403	$12,899	$13,415	$13,951	$14,509
Professional Services	$32,077	$33,360	$34,694	100%	$36,082	$37,525	$39,026	$40,587	$42,210
Rents	$7,529	$7,830	$8,143	100%	$8,469	$8,807	$9,160	$9,526	$9,907
Safety & Security	$8,955	$9,313	$9,685	100%	$10,073	$10,475	$10,895	$11,330	$11,784
Tools & Instruments	$2,741	$2,851	$2,965	100%	$3,083	$3,207	$3,335	$3,468	$3,607
Supplies - Clothing & Personal	$3,091	$3,215	$3,343	100%	$3,477	$3,616	$3,761	$3,911	$4,068

Supplies - Office	$5,899	$6,135	$6,380	100%	$6,636	$6,901	$7,177	$7,464	$7,763
Treatment Chemicals	$53,105	$55,229	$57,438	100%	$59,736	$62,125	$64,610	$67,195	$69,883
Supplies - Operating - Other	$30,748	$31,978	$33,257	100%	$34,587	$35,971	$37,410	$38,906	$40,462
Taxes - Licenses	$0	$0	$0	100%	$0	$0	$0	$0	$0
Training	$3,114	$3,239	$3,368	100%	$3,503	$3,643	$3,789	$3,940	$4,098
Travel	$339	$352	$366	100%	$381	$396	$412	$428	$445
Utilities	$235,319	$244,732	$261,863	100%	$280,193	$299,807	$320,793	$343,249	$367,276
Waste Disposal	$44,064	$45,827	$47,660	100%	$49,566	$51,549	$53,611	$55,755	$57,985
Yolo Co	$0	$0	$0	100%	$0	$0	$0	$0	$0
Misc	$467	$486	$505	100%	$525	$546	$568	$591	$615
R&R Buildings & Grounds	$5,027	$5,228	$5,437	100%	$5,654	$5,880	$6,116	$6,360	$6,615
R & R Damage Claims	$0	$0	$0	100%	$0	$0	$0	$0	$0
R&R Lift Stations	$0	$0	$0	100%	$0	$0	$0	$0	$0
R&R Equipment	$0	$0	$0	100%	$0	$0	$0	$0	$0
R&R Mains/Service Lines	$0	$0	$0	100%	$0	$0	$0	$0	$0
R&R Vehicles ($2k/vehicle)	$66	$69	$71	100%	$74	$77	$80	$84	$87
Maintenance Reserve Account	$0	$0	$0	100%	$0	$0	$0	$0	$0
Total Refurbishing and Rebuilding Cost	$0	$0	$0		$0	$0	$0	$0	$0
Total Operation and Maintenance Expenses:	$1,445,088	$1,502,891	$1,596,702		$1,676,202	$1,756,518	$1,841,373	$1,919,811	$2,002,021
GENERAL & ADMINISTRATIVE EXPENSES									
	2024	2025	2026	% Belonging to Sewer	2027	2028	2029	2030	2031
Debt Reserve	$0.00	$0.00	$0.00	100%	$0	$0	$0	$0	$0
Operating Reserve	$0.00	$0.00	$0.00	100%	$29,207	$29,207	$29,207	$29,207	$29,207
Emergency Reserve	$0.00	$0.00	$0.00	100%	$15,000	$15,000	$15,000	$15,000	$15,000
Reserves for Existing Capital Assets	$0.00	$0.00	$0.00	100%	$0	$0	$0	$0	$0
Reserves for Funded Project Assets	$0.00	$0.00	$0.00	100%	$0	$0	$0	$0	$0
Reserves for Future Project Assets	$0.00	$0.00	$0.00	100%	$0	$0	$0	$0	$0
SEWER CRP Expenses	$533,028.82	$554,349.97	$582,067.47	100%	$605,350	$629,564	$654,747	$680,937	$708,174
USDA Loan (per the audit)	$0.00	$56,000.00	$56,000.00	100%	$56,000	$56,000	$61,000	$61,333	$61,333
USDA Loan (schedule of installment payments)	$0.00	$0.00	$0.00	100%	$0	$0	$0	$0	$0
Reserve Replenishment	$0.00	$0.00	$0.00	100%	$0	$56,672	$56,672	$56,672	$56,672
Total General and Administrative Expenses:	$533,029	$610,350	$638,067		$705,558	$786,444	$816,626	$843,149	$870,387

TOTAL EXPENSES	$1,978,116	$2,113,241	$2,234,769		$2,542,962	$2,657,999	$2,762,961	$2,872,408	$2,542,962
SOURCE OF FUNDS / REVENUES RECEIVED									
Sales Revenue	$1,731,445	$1,731,445	$1,731,445		$2,127,341	$2,515,357	$2,629,314	$2,733,006	$2,841,043
Penalty and Interest	$33,881	$33,881	$32,800	100%	$34,112	$35,476	$36,896	$38,371	$39,906
Misc	$0	$0	$0	100%	$226,689	$0	$0	$0	$0
Uncollectable Receivables	$0	$0	$0		-$6,382	-$7,546	-$7,888	-$8,199	-$8,523
TOTAL OPERATING REVENUE	$1,765,326	$1,765,326	$1,764,245		$2,381,760	$2,543,288	$2,658,321	$2,763,178	$2,872,426
OPERATING NET LOSS OR GAIN:	-$212,790	-$347,915	-$470,524		$0	$326	$322	$218	$18
DRAW FROM RESERVES	$0	$0	$0		$226,689	$0	$0	$0	$0
NET OPERATING CONTRIBUTION TO RESERVES	-$212,790	-$347,915	-$470,524		-$182,482	$44,533	$44,530	$44,425	$44,225
NON-OPERATING REVENUE	$131,945	$131,945	$131,945		$131,945	$131,945	$131,945	$131,945	$131,945
TOTAL CONTRIBUTION TO RESERVES	-$80,845	-$215,970	-$338,579		-$50,537	$176,478	$176,475	$176,370	$176,170

Exhibit D:
Recommended Rate Detail

CLOCWD Proposed Rates per EDU						
	2026 (Current Rates)	2027	2028	2029	2030	2031
Rate per EDU	$74.47	$93.09	$110.18	$115.17	$119.71	$124.44
% Increase	-	25.0%	18.4%	4.5%	3.9%	4.0%
Affordability	2.87%	3.58%	4.24%	4.43%	4.61%	4.79%

CLOCWD Proposed Rates per Customer Unit								
Customer Type	**Customer Unit**	**Rate Code**	**2026 (Current Rates)**	**2027**	**2028**	**2029**	**2030**	**2031**
Single Family Dwelling	Per Building	SF	$74.47	$93.09	$110.18	$115.16	$119.71	$124.44
Multi Family Dwelling	Per Building	MF	$74.47	$93.09	$110.18	$115.16	$119.71	$124.44
Mobile Home Dwelling	Per Building	SM	$74.47	$93.09	$110.18	$115.16	$119.71	$124.44
School	Per Student	SC	$2.17	$2.79	$3.23	$3.38	$3.51	$3.66
RV/Campsite	Per Space	RV	$22.11	$27.27	$32.63	$34.09	$35.43	$36.82
Hotel/Motel	Per Building	CH	$34.04	$42.77	$50.42	$52.70	$54.78	$56.95
Laundromat	Per Machine	LD	$45.56	$57.72	$67.59	$70.66	$73.46	$76.38
Church	Per Building	CC	$68.75	$87.84	$102.17	$106.82	$111.07	$115.49
Service/Gas Station	Per Restroom	CG	$45.56	$57.72	$67.59	$70.66	$73.46	$76.38
Beauty/Barber Shop	Per Building	CB	$89.00	$117.44	$133.16	$139.27	$144.87	$150.71
Restaurant	Per Building	FS	$102.05	$131.09	$151.82	$158.74	$165.07	$171.66
Restaurant w/Bar 1	Per Building	RB	$170.90	$220.49	$254.50	$266.10	$276.73	$287.78
Restaurant w/Bar 2	Per Building	RF	$170.90	$220.49	$254.50	$266.10	$276.73	$287.78
Bar	Per Building	BO	$98.89	$126.99	$147.12	$153.82	$159.95	$166.33
Service Club	Per Building	CS	$68.78	$87.88	$102.22	$106.87	$111.12	$115.54
Service Club w/Kitchen/Food Service 1	Per Building	CK	$94.91	$122.19	$141.27	$147.71	$153.60	$159.74
Service Club w/Kitchen/Food Service 2	Per Building	C4	$94.91	$122.19	$141.27	$147.71	$153.60	$159.74
Commercial Office Space	Per Building	CO	$68.78	$87.88	$102.22	$106.87	$111.12	$115.54
Community Beach	Per Restroom	CR	$68.78	$87.88	$102.22	$106.87	$111.12	$115.54

CLOCWD Proposed O&M Rates per Customer Unit								
Customer Type	**Customer Unit**	**Rate Code**	**2026 (Current Rates)**	**2027**	**2028**	**2029**	**2030**	**2031**
Single Family Dwelling	Per Building	SF	$50.52	$73.85	$77.31	$80.96	$84.33	$87.86
Multi Family Dwelling	Per Building	MF	$50.52	$73.85	$77.31	$80.96	$84.33	$87.86
Mobile Home Dwelling	Per Building	SM	$50.52	$73.85	$77.31	$80.96	$84.33	$87.86
School	Per Student	SC	$1.59	$2.32	$2.43	$2.55	$2.65	$2.77
RV/Campsite	Per Space	RV	$14.44	$21.11	$22.10	$23.14	$24.10	$25.11
Hotel/Motel	Per Building	CH	$23.42	$34.24	$35.84	$37.53	$39.09	$40.73
Laundromat	Per Machine	LD	$32.08	$46.89	$49.09	$51.41	$53.55	$55.79
Church	Per Building	CC	$49.52	$72.39	$75.78	$79.36	$82.66	$86.12
Service/Gas Station	Per Restroom	CG	$32.08	$46.89	$49.09	$51.41	$53.55	$55.79
Beauty/Barber Shop	Per Building	CB	$69.77	$101.99	$106.77	$111.81	$116.46	$121.34
Restaurant	Per Building	FS	$74.57	$109.01	$114.11	$119.50	$124.48	$129.69
Restaurant w/Bar 1	Per Building	RB	$126.36	$184.71	$193.37	$202.50	$210.93	$219.75
Restaurant w/Bar 2	Per Building	RF	$126.36	$184.71	$193.37	$202.50	$210.93	$219.75
Bar	Per Building	BO	$72.21	$105.56	$110.50	$115.72	$120.54	$125.58
Service Club	Per Building	CS	$49.55	$72.43	$75.83	$79.41	$82.71	$86.17
Service Club w/Kitchen/Food Service 1	Per Building	CK	$69.77	$101.99	$106.77	$111.81	$116.46	$121.34
Service Club w/Kitchen/Food Service 2	Per Building	C4	$69.77	$101.99	$106.77	$111.81	$116.46	$121.34
Commercial Office Space	Per Building	CO	$49.55	$72.43	$75.83	$79.41	$82.71	$86.17
Community Beach	Per Building	CR	$49.55	$72.43	$75.83	$79.41	$82.71	$86.17

CLOCWD Proposed CRP Rates per Customer Unit								
Customer Type	**Customer Unit**	**Rate Code**	**2026 (Current Rates)**	**2027**	**2028**	**2029**	**2030**	**2031**
Single Family Dwelling	Per Building	SF	$23.95	$19.24	$32.87	$34.20	$35.38	$36.58
Multi Family Dwelling	Per Building	MF	$23.95	$19.24	$32.87	$34.20	$35.38	$36.58
Mobile Home Dwelling	Per Building	SM	$23.95	$19.24	$32.87	$34.20	$35.38	$36.58
School	Per Student	SC	$0.58	$0.47	$0.80	$0.83	$0.86	$0.89
RV/Campsite	Per Space	RV	$7.67	$6.16	$10.53	$10.95	$11.33	$11.71
Hotel/Motel	Per Building	CH	$10.62	$8.53	$14.58	$15.17	$15.69	$16.22
Laundromat	Per Machine	LD	$13.48	$10.83	$18.50	$19.25	$19.91	$20.59
Church	Per Building	CC	$19.23	$15.45	$26.39	$27.46	$28.41	$29.37
Service/Gas Station	Per Restroom	CG	$13.48	$10.83	$18.50	$19.25	$19.91	$20.59
Beauty/Barber Shop	Per Building	CB	$19.23	$15.45	$26.39	$27.46	$28.41	$29.37
Restaurant	Per Building	FS	$27.48	$22.08	$37.71	$39.24	$40.59	$41.97
Restaurant w/Bar 1	Per Building	RB	$44.54	$35.78	$61.13	$63.60	$65.80	$68.03
Restaurant w/Bar 2	Per Building	RF	$44.54	$35.78	$61.13	$63.60	$65.80	$68.03
Bar	Per Building	BO	$26.68	$21.43	$36.62	$38.10	$39.41	$40.75
Service Club	Per Building	CS	$19.23	$15.45	$26.39	$27.46	$28.41	$29.37
Service Club w/Kitchen/Food Service 1	Per Building	CK	$25.14	$20.20	$34.50	$35.90	$37.14	$38.40
Service Club w/Kitchen/Food Service 2	Per Building	C4	$25.14	$20.20	$34.50	$35.90	$37.14	$38.40
Commercial Office Space	Per Building	CO	$19.23	$15.45	$26.39	$27.46	$28.41	$29.37
Community Beach	Per Building	CR	$19.23	$15.45	$26.39	$27.46	$28.41	$29.37

New Rate Summary

Year	2026	2027	2028	2029	2030	2031	
Number OM EDUs	1909	1909	1909	1909	1909	1909	
Number of CRP EDUs	1888	1888	1888	1888	1888	1888	
Current Monthly Rate	$74.47						
Expenses		$2,381,760	$2,542,990	$2,658,028	$2,762,990	$2,872,437	
Monthly Rate per EDU, Necessary to Balance the Budget		$93.10	$110.16	$115.15	$119.70	$124.44	$112.51
Rate Increase Needed to Balance		25.01%	18.34%	4.53%	3.95%	3.96%	-9.59%
Rate Selected (per EDU, Monthly)		$93.09	$110.18	$115.16	$119.71	$124.44	
Percentage Increase		25.00%	18.36%	4.52%	3.95%	3.95%	
Income Generated by New Rates		$2,127,341	$2,515,357	$2,629,087	$2,733,006	$2,841,043	
Uncollectables		-$6,382	-$7,546	-$7,887	-$8,199	-$8,523	
Penalty & Interest		$34,112	$35,476	$36,896	$38,371	$39,906	
NET OPERATING LOSS OR GAIN:		**-$226,689**	**$297**	**$68**	**$189**	**-$11**	**-$226,147**
Balanced Budget?		Yes	Yes	Yes	Yes	Yes	
Reserve Draw		$226,689	$0	$0	$0	$0	
NET OPERATING CONTRIBUTION TO RESERVES		**-$182,482**	**$44,505**	**$44,501**	**$44,396**	**$44,422**	**-$4,768**
NON-OPERATING REVENUE		$131,945	$131,945	$131,945	$131,945	$131,945	
TOTAL CONTRIBUTION TO RESERVES		**-$50,537**	**$176,450**	**$176,446**	**$176,341**	**$176,367**	**$654,957**
Target Contribution to Reserves		$44,207	$44,207	$44,207	$44,207	$44,207	
Meet Target Contribution?		No	Yes	Yes	Yes	Yes	
Positive Cashflow?		No	Yes	Yes	Yes	Yes	
Affordability							
Median Household Income	$31,169						
Affordability		3.58%	4.24%	4.43%	4.61%	4.79%	
Affordable? (between 1.5% and 2.5%)		No	No	No	No	No	