

**CLEARLAKE OAKS COUNTY WATER DISTRICT  
AGENDA, CALL AND NOTICE  
SPECIAL MEETING OF THE BOARD OF DIRECTORS**

*Live Oaks Senior Center  
12502 Foothill Blvd, Clearlake Oaks, CA 95423 (707) 998-3322*

**June 22, 2021**

This meeting will be conducted by Roberts Rule of Order.

Where appropriate or deemed necessary, the Board may take action on any item listed on the agenda, including items listed as information items. Public documents relating to any open session item listed on this agenda that are distributed to all or a majority of the members of the Board of Directors less than 72 hours before the meeting are available for public inspection in the customer service area of the District's Administrative Office at the above address.

The public may address the Board concerning an agenda item either before or during the Board's consideration of that agenda item. The President will call for comments at the appropriate time. Comments will be subject to reasonable time limits of three minutes.

In compliance with the Americans with Disabilities Act, if you have a disability, and you need a disability-related modification or accommodation to participate in this meeting, then please contact Clearlake Oaks County Water District Secretary to the Board at 707-998-3322. Requests must be made as early as possible, and at least one full business day before the start of the meeting.

**AGENDA**

**Call to Order – 5:00 p.m.**

**Pledge of Allegiance**

**Roll Call**

- Mrs. Margaret Medeiros, President  Mr. Stanley Archacki, Vice President  Mr. Samuel Boucher, Director,
- Mr. Michael Herman, Director  Mr. James Burton, Director
  
- Mrs. Dianna Mann– General Manager  Mrs. Olivia Mann - Secretary to the Board
- Mr. Francisco Castro, Wastewater  Mr. Kurt Jensen, Water  Mr. Jeremy Backus, Distribution

**Public comment on non-agenda items**

This is the opportunity for the public to comment on non-agenda items within the Board's jurisdiction. Comments are limited to three (3) minutes

**Submission of Prop 218 Public Hearing Notice**

**New Business**

- a. **PUBLIC HEARING:** Approval of Resolution 21-18, "A Resolution of the Board of Directors of Clearlake Oaks County Water District Setting the Water and Sewer Rates"

**Action Taken:** \_\_\_\_\_

**Adjournment** **Time:** \_\_\_\_\_

# **CLEARLAKE OAKS COUNTY WATER DISTRICT**

**P.O. Box 709, 12952 E. HWY. 20**

**CLEARLAKE OAKS, CA 95423**

**(707) 998-3322**

## **RESOLUTION NO. 21-18**

### **A RESOLUTION OF THE BOARD OF DIRECTORS OF CLEARLAKE OAKS COUNTY WATER DISTRICT SETTING WATER AND SEWER RATES**

**WHEREAS**, Clearlake Oaks County Water District ("District") is required to maintain adequate levels of revenue to meet the District's financial commitments for the operation and maintenance for water and sewer facilities and the replacement of existing facilities in the future; and

**WHEREAS**, the District retained Rural Community Assistance Corporation (RCAC) to evaluate water and sewer rates and charges and to develop a five-year financial plan, including estimated operating and maintenance costs, anticipated debt service obligations, and capital replacement program needs covering a period from fiscal 2021-22 through fiscal 2025-26, a copy of which is attached hereto and incorporated herein by this reference ("Rate Study"); and

**WHEREAS**, the County Water District Law authorizes the District to adopt rates and charges for water and sewer service; and

**WHEREAS**, on June 22, 2021, the District conducted a duly noticed public hearing wherein the Board of Directors considered public comment in support and in opposition to the proposed rate increase and whether or not a majority protest to the proposed rate increase exists pursuant to Section 6 of Article XIII D of the California Constitution. A total of 2087 parcels would be subject to the proposed rate increase; therefore, 1045 protests would be needed to constitute a majority protest. At the conclusion of the public hearing, the Board found that \_\_\_ written protests were received and that a majority protest did not exist.

**WHEREAS**, based on facts and analysis presented in and relied on by the Rate Study, written protests received prior to the close of the June 22, 2021, public hearing, the Staff Report, Presentation, and public testimony received, the Board of Directors finds:

- A. The District identified the parcels upon which the new rates and charges will be imposed, calculated the amount of the rates, and mailed notices to all owners of record and customers of record of properties responsible for the water rates and charges, which notices provided information on the proposed rates and charges, the basis for the calculation, the reason for the rates and charges, and the date, time, and location for a public hearing which was not less than 45 days after the date of mailing
- B. The public hearing adopting this Resolution has been properly noticed pursuant to the Section 6 of Article XIII D of the California Constitution, the Proposition 218 Omnibus Implementation Act (Government Code §53750, et. seq.), and the Brown Act (Government Code §54950, et seq.)

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

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

**1. Incorporation of Recitals**

The Recitals are true and correct and incorporated herein by this reference. The Recitals and referenced Rate Study contained therein constitute and support the findings of the District in support of this Resolution.

**2. Water and Sewer Rates**

Section 3-4.201 of the District Water Code is hereby amended to reflect the water service rates in Section 5, Table 8 and Section 6 of the Rate Study and are hereby adopted.

Section 3-3.201 of the District Sewer Code is hereby amended to reflect the sewer service rates in Section 6, Table 6 and Section 7, Table 13 of the Rate Study and are hereby adopted.

The Water Rates and Charges will adjust automatically in the amounts and in accordance with the schedule identified in Section 5, Table 8 of the Rate Study.

The CRP Water Rates and Charges will adjust automatically in the amounts and in accordance with the schedule identified in Section 6 of the Rate Study.

The Sewer Rates and Charges will adjust automatically in the amounts and in accordance with the schedule identified in Section 6, Table 6 of the Rate Study. The CRP Sewer Rates and Charges will adjust automatically in the amounts and in accordance with the schedule identified in Section 7, Table 13 of the Rate Study.

**3. Effective Date**

The effective date of this Resolution shall be July 1, 2021

**4. Repeal of Prior Resolutions**

All resolutions and sections of resolutions that are inconsistent with this Resolution are hereby repealed, subject to the effective date identified in Section 3 above.

**5. Effect of Repeal on Past Actions and Obligations**

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

**6. CEQA Findings**

The Board of Directors of the District finds that the rates and charges adopted by this Resolution are exempt from the California Environmental Quality Act pursuant to Public Resources Code § 21080(b)(8) and CEQA Guidelines Section 15273. The District General Manager is directed to prepare and file appropriate notices.

**7. Severance Clause**

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

**THE ABOVE RESOLUTION** is hereby passed and adopted by the Board of Directors of the Clearlake Oaks County Water District at a regular meeting thereof held on the 22<sup>nd</sup> day of June 2021, by the following vote:

**AYES:**  
**NOES:**  
**ABSTAIN:**  
**ABSENT:**

**CLEARLAKE OAKS COUNTY WATER DISTRICT**

By: \_\_\_\_\_  
Margaret Medeiros, President

Attest: \_\_\_\_\_  
Olivia Mann, Board Secretary

# Clearlake Oaks County Water District

Water System #1710001, Assistance Referral Number 5930

Requested by: California State Water Resources Control Board



Prepared by:  
Mary Fleming  
Rural Community  
Assistance Corporation  
3120 Freeboard Drive, Suite 201  
West Sacramento, CA 95691

March 2021

©2021. This document was prepared using funds under Agreement 18-019-550 with the California State Water Resources Control Board; the total Agreement is for \$3,971,380 and will produce multiple documents and training events over the span of the multi-year contract.

RCAC is an equal opportunity provider and employer.



March 8, 2021

Zoe Wu  
Small Community Technical Assistance  
Division of Financial Assistance  
State Water Resources Control Engineer  
P.O. Box 944212  
Sacramento, CA 95814

Subject: Clearlake Oaks County Water District water rate analysis  
Water System #171001, Assistance Referral Number 5969

Dear Zoe,

Enclosed please find the printed final report for the Clearlake Oaks County Water District water rate analysis.

The report was presented and reviewed by the board of Clearlake Oaks County Water District on Feb. 18, 2021. The Proposition 218 hearing is scheduled for June 22, 2021.

If you have any additional questions, feel free to contact me at (308) 641-2807 or Mary Fleming at (916) 549-6338.

Sincerely,

*Michael Boyd*

Michael Boyd  
Regional Environmental Manager  
Community & Environmental Services

Enclosure: Clearlake Oaks County Water District Rate Study

CC: Dianna Mann, General Manager, Clearlake Oaks County Water District

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## Executive Summary

Clearlake Oaks County Water District (CLOCWD) was established in 1960 and provides water and sewer services throughout the unincorporated area of the Clearlake Oaks community. CLOCWD has secured a commitment from U.S. Department of Agriculture (USDA) for a grant and loan to improve its storage system, infrastructure and meter replacements. The project is expected to cost approximately \$8 million.

CLOCWD has not had a rate analysis in several years. In anticipation of the ensuing loan repayment and near-depletion of existing reserves to partially fund the project, CLOCWD requested and received approval from the State Water Resources Control Board (SWRCB) for technical assistance from RCAC to analyze current rates and propose alternative options. This will include assistance with the Proposition 218 process and hearing. The rate study was originally started in May 2019, and later put on hold until July 2020, when confirmation of the USDA Rural Development funding was received.

The rates are established by CLOCWD's Board of Directors. CLOCWD has requested RCAC to conduct this water rate study to evaluate the following four primary areas:

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

RCAC reviewed CLOCWD's financial documents, including three years of historic costs for the water system and the 2021 board approved budget. Preliminary loan repayment information from USDA Rural Development was also reviewed and included in the projections. From that, and with the assistance of the CLOCWD general manager and administrative services manager/board secretary, five year cost projections were created. In reviewing cost information against revenue at the current rates, it was determined that a rate adjustment is necessary.

The completed rate study offers two rate adjustment options for water service and a recommended rate adjustment for capital replacement program (CRP).

Water Service Rate Adjustment Option #1, the base rate is increased by 2.5 percent. Because we were not able to satisfactorily justify the usage of tiered rates in accordance with Proposition 218, the tiered rates were eliminated and a uniform usage rate of \$2.07 per 100 cubic feet was applied. Because Proposition 218 does not allow utilities to charge different rates for commercial customers using the same meter size as residential customers, those rates were reduced to follow the regulations. This would increase base fee of a customer with a 5/8-inch meter from \$31.11 per month to \$31.89. For a customer using 1,500 cubic feet per month the increase in the usage fee would increase their bill from \$21.30 to \$31.05. The total increased monthly bill for a customer with a 5/8-inch meter using 1,500 cubic feet per month would be \$10.53. Overall, the affordability index indicated Rate Adjustment Option #1 is highly affordable. The equitability is within an acceptable 5 percent variance for each customer code. An annual increase of 2.5 percent to both the base fee and the usage fee to offset inflation is recommended.

Water Service Rate Adjustment Option #2 assumes connections with multiple residential units would pay, as they currently do, the single-family residential rate for each unit. All other connections would be charged according to meter size. This would result in an increase of the base rate for a 5/8-inch meter from \$31.11. to \$36.73. The increase in the base rate would be partially offset by a uniform usage rate of \$1.34 per 100 cubic feet. The total increased monthly bill for a customer with a 5/8-inch meter using 1,500 cubic feet per month would be \$4.42. Again, this is a highly affordable rate. However, those with customer code #WSF (most of CLOCWD's customers) will be paying an unfair proportion of overall revenue in relation to overall water use. An annual increase of 2.5 percent to both the base fee and the usage fee to offset inflation is recommended.

The CRP rate adjustment is a 2.5 percent increase for all customers. This would increase the rate for a customer with a 5/8-inch meter from \$15.41 to \$15.80 per month. An annual increase of 2.5 percent is recommended.

RCAC reviewed affordability and equitability for both rate adjustment options with the CRP rate adjustment. Again, they were affordable but the equitability for Water Service Rate Adjustment Option #2 was not satisfactory.

RCAC recommends CLOCWD monitor rate revenue against costs monthly to manage cash flow and conduct a full rate analysis in five years or if a change in costs, or revenue occurs. If new equipment is put into service, additional capital improvement plan (CIP) reserves should be funded.

# 1. Introduction

## **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, farmworkers, colonias and other specific populations. Headquartered in West Sacramento, California, RCAC's employees serve rural communities in 13 western states and the Pacific islands.

## ***Purpose of Study***

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 has the ability to 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.

## ***Board Responsibilities***

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

## ***Guiding Principles in a Rate Study***

### ***Sustainability***

Water rates should cover the costs to the water utility to allow it to provide water services for the foreseeable future and prepare for system repair and replacement. This will allow the system to continue to provide safe drinking water to future generations.

### ***Fair***

Water rates should be fair to all rate payers. The utility should not charge more for water than the cost to provide the water. However, the costs should include operations, maintenance, reserves, and all other costs related to the production, treatment, and distribution of potable water now and in the foreseeable future. Therefore, the proposed rates are based on the water utility budget, needed capital repair and replacement, and historic water consumption.

*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.

*Justifiability*

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

*State or funder specific requirements*

CLOCWD is currently not under funder requirements for reserves. However, the board is obligated by its responsibilities to provide for sufficient reserves and long-term sustainability.

*Disclaimer*

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

## 2. Clearlake Oaks County Water District

### **Community**

Clearlake Oaks is a census designated place (CDP) in Lake County, California. It is located on the extreme southeast of Clear Lake. The 2014 – 2018 American Community Survey (ACS) estimated Clearlake Oaks had a population of approximately 2,279 in 2018.

CLOCWD was established in 1960 and provides water and sewer services throughout the unincorporated area of the Clearlake Oaks community. CLOCWD is governed by an elected five-member Board of Directors that acts as the authoritative and legislative body of the entity. CLOCWD currently serves slightly over 2,000 water connections.

CLOCWD has not had a rate analysis in several years. At CLOCWD's request, the State Water Resources Control Board (SWRCB) approved technical assistance from RCAC to analyze current rates and propose alternative options. This will include assistance with the Proposition 218 process and hearing. CLOCWD has secured a commitment from USDA for a grant and loan to improve its storage system, infrastructure and meter replacements. The project is expected to cost approximately \$8 million.

Besides water service rate revenue, CLOCWD estimates \$60,000 in miscellaneous, non-operating revenue from tax roll assessments and an ATT cell phone tower lease.

### **System Description**

CLOCWD provides potable water service to residential and commercial metered connections through its distribution pipeline by its Clearlake watershed. The district has seven holding tanks totaling 762,000 gallons of water, with the water plant producing an average of 640,000 gallons of water per day.

The water utility has completed the planning phase and is currently in the beginning stages of six projects that will include:

1. Replacement of the Cerritos tank
2. Water treatment plant clarifiers and clear-well corrosion protection
3. Installation of radio meters district wide
4. Installation of 771 Backflow Prevention Devices
5. Repair of Spring Road (new pipe including services lines down road)
6. Installation of four District digital metered assemblies

The total cost of these projects is expected to be at the amount of \$8,282,430.

### **Customer Water Use**

When analyzing water rates, it is important to understand existing patterns of consumption among the system's customers. A large portion of customers may use a small percentage of water, and a small portion of customers may use a large percentage. Understanding how customers use water is

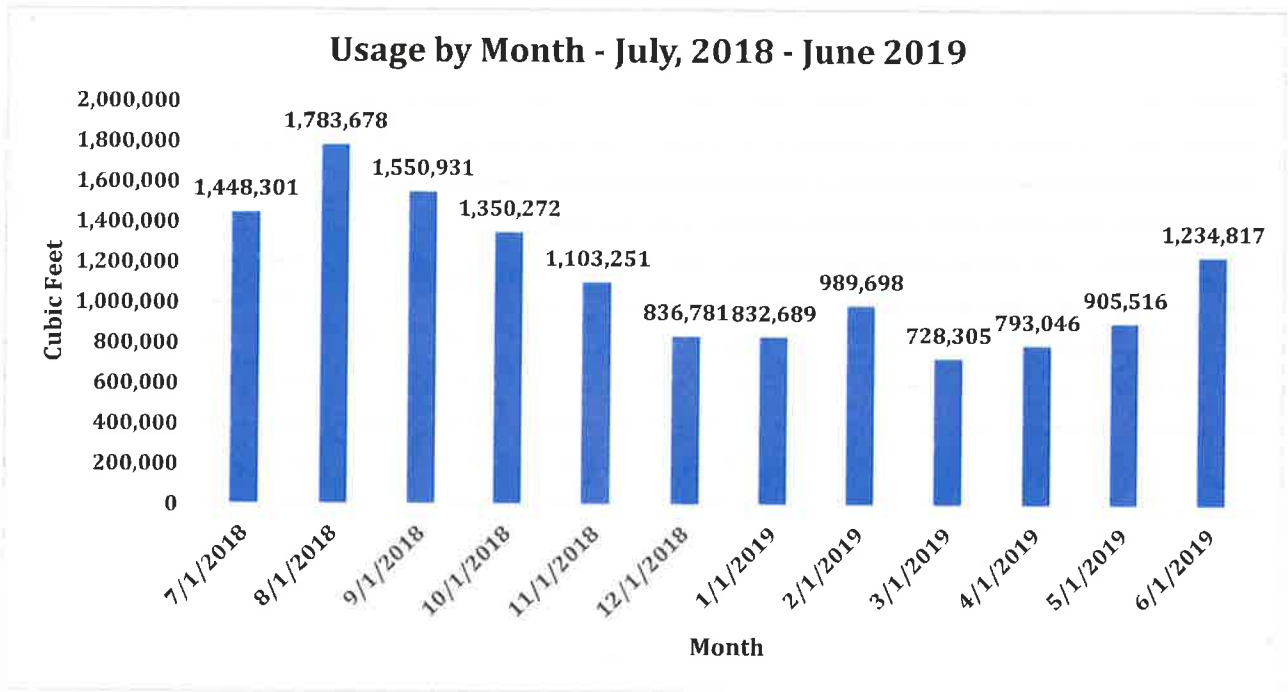
important when you are considering seasonal operational needs, infrastructure replacement and water use efficiency, to name a few considerations.

CLOCWD charges base rates for connections with multiple users according to the number of units. The current connections consist of 2,213 billable units. The units include single family residential, multi-family residential and commercial users. Meter sizes range from 5/8 inch to 6 inch. The basis for water usage was the actual usage, by connection, for the fiscal year ended June 30, 2019.

**Chart 1**

Shown on CHART 1 is the break-down of the water usage according to month for the fiscal year ended June 30, 2019. The x axis indicates the month of usage and the y axis indicates the cubic feet of usage. Seasonal water use is a challenge for any water system. As with most systems, CLOCWD experiences large increases in water consumption during the summer months. The months of June through October are the highest usage months while the usage between November through May drop to nearly one half the average summer usage.

**CHART 1: Usage by Month 2019**



As illustrated in TABLE 1, 93 percent of customers are using 57 percent of the water, 3 percent are using 8 percent of the water and 4 percent are using 35 percent.

**TABLE 1: Customer Usage by Tier (2019)**

	Customer Usage			Total
	Up to 1,500 CF Per Month	1,501 - 2,000 CF Per Month	Over 2,000 CF Per Month	
Average Number of Customers	1,798	57	70	1,925
Average Annual Usage (CF)	7,663,198	1,138,571	4,755,518	13,557,287
% of Customers	93%	3%	4%	100%
% of usage	57%	8%	35%	100%

In the fiscal year ended June 30, 2020, customer water usage increased as indicated in TABLE 2. RCAC did not receive 2020 usage by individual customer. Because the tiered usage rate will be eliminated with the recommended rate adjustments, the 2020 usage is used in the rate adjustment options. A 5 percent reduction in usage is assumed due to the increase in rates.

**TABLE 2: Customer Usage (FYE 2020)**

**CLEARLAKE OAKS COUNTY WATER DISTRICT**

**Consumption History - Summary**

Sort Order: Customer No.

From 7/1/2019 Through 6/30/2020

Meter Size	Count	Revenue	Rate Code	Actual (Gallons)	Adjustment	Billed (Gallons)	Billed (CF)	Charges
5/8"	12	Res SFD	USM	1,239,781	0	1239780.67	165,746	\$ 9,384.80
1"	96	Commercial	WC	2,172,928		2172928.16	290,498	\$ 14,891.71
1.5"	36	Commercial	WC	1,162,609		1162609.46	155,429	\$ 9,773.64
2"	72	Commercial	WC	4,600,237		4600237.38	615,005	\$ 34,645.44
3"	12	Commercial	WC	5,400,323		5400322.56	721,968	\$ 22,661.16
4"	12	Commercial	WC	408,585		408584.91	54,624	\$ 12,774.84
5/8"	578	Commercial	WC	4,167,439		4167438.91	557,144	\$ 33,517.26
2"	12	Multi-Family	WMF	1,095,294		1095294	146,430	\$ 10,665.67
5/8"	338	Multi-Family	WMF	3,591,682		3591682	480,171	\$ 31,498.11
5/8"	26	Res SFD	WMF	130,320		130320	17,422	\$ 1,865.10
5/8"	12	Res SFD	WS1	39,572		39571.86	5,290	\$ 448.44
5/8"	4	Commercial	WSF	142		142	19	\$ 108.12
1"	1011	Res SFD	WSF	3,261,459	-149.2	3261309.8	436,004	\$ 36,489.16
1.5"	12	Res SFD	WSF	45,900		45900	6,136	\$ 460.44
3/4"	167	Res SFD	WSF	1,027,923		1027923	137,423	\$ 5,236.94
5/8"	19124	Res SFD	WSF	76,604,321	-74027	76530294	10,231,323	\$ 745,704.39
1"	12	Res SFD	WSM	2,010,998		2010997.78	268,850	\$ 18,750.48
1.5"	12	Res SFD	WSM	2,309,455		2309454.77	308,751	\$ 14,566.68
3/4"	12	Res SFD	WSM	91,636		91636.13	12,251	\$ 920.61
5/8"	24	Res SFD	WSM	1,219,531		1219530.95	163,039	\$ 13,203.66
6"	12	Res SFD	WSM	4,190,509		4190508.78	560,228	\$ 49,008.01
1.5"	9	Res SFD	WZR	4,741,889		4741888.95	633,942	\$ -
2"	12	Res SFD	WZR	35,981		35981.21	4,810	\$ -
3"	13	Res SFD	WZR	949,350		949350.26	126,918	\$ -
3/4"	2	Res SFD	WZR	12,852		12851.5	1,718	\$ -
4"	12	Res SFD	WZR	2,376,480		2376480.05	317,711	\$ -
5/8"	29	Res SFD	WZR	4,534,335		4534335	606,195	\$ -
4"	12	Res SFD	XZ2	18,791,614		18791614.44	2,512,248	\$ -
6"	11	Res SFD	XZ2	212,835		212835.19	28,454	\$ -
<b>Total</b>				<b>146,425,980</b>	<b>(74,176)</b>	<b>146,351,804</b>	<b>19,565,749</b>	<b>\$ 1,066,574.66</b>

Usage not Billed (4,231,997)

Total Usage Billed 15,333,752

10



### **Future Population and Usage Projections**

CLOCWD serves just over 2,000 connections serving an estimated population of approximately 2,300, according to the 2018 American Community Survey estimates. While the utility has an additional 121 inactive metered connections, this analysis assumes that minimal growth may occur within the service area in the next five years and the growth will have little or no impact on the system cost and rates.

### 3. Current Financial Condition and Analysis

CLOCWD tracks the water and wastewater utilities separately on the Statement of Activities but does not do so on the Statement of Financial Position, which makes it difficult to determine the financial health of either enterprise separately. The combined Statement of Financial Positions indicates an acceptably strong financial position. However, to remain robust and continue to provide clean, safe drinking water to the community in the face of increasing costs, the current rate structure needs to be examined. The water enterprise has been successful in amassing adequate reserves for operations and emergencies. There was no long term debt at the time of this analysis. However, funding of the current project, referenced in section 2, "System Description," at a projected cost of \$8,282,430 will be paid as follows:

1. USDA Rural Development Loan in the amount of \$5 million for 40 years at 1.375 percent interest with an annual payment of \$166,500. The payments are expected to begin in FYE June 30, 2022.
2. USDA Rural Development grant in the amount of \$3,092,430.
3. Payment from cash reserves in the amount of \$258,302.

#### Rate Structures

The following are types of rates structures common to drinking water systems:

- **Uniform Flat Rate:** Customers pay the same amount regardless of the quantity of water used. This type of rate is easiest to administer; however, it is not fair to the lowest water users and can promote high consumption, which then may cost the utility more to provide that water.
- **Single or Uniform Block Rate:** Customers are charged a constant price per volume regardless of the amount of water used. The cost per block of water is often added to a minimum charge for having service available. This rate tends to be more equitable to customers as the cost to customer is in direct proportion to the amount of use.
- **Inclining or Increasing Block Rate:** This rate is designed to promote water use efficiency, as the price of water increases as the amount used increases.

#### *CLOCWD Current Rate Structure*

Water rates are established by the Board of Directors with proposed adjustments subject to the opportunity for the public to protest pursuant to California Proposition 218 guidelines. The current rate structure was implemented on July 1, 2015, which included annual incremental increases through June 30, 2019. CLOCWD's rate structure includes one rate structure for water operations and another rate structure for capital projects and replacement. CLOCWD also creates budgets and Statements of Activity for each of the two separate rate structures. Included in this report are two rate studies, one for each of the rate structures and budgets. For the water service side, the monthly base rate ensures that most of the monthly fixed operating costs are recovered and is based on the customer classification, as well as the size and capacity of the commercial water meters. The tiered water rate structure recovers costs associated with producing and purchasing water and promotes conservation.

**TABLE 3: Current Rate Structure:**

Clearlake Oaks County Water District Current Water Rate Schedule						
Residential included in SFD/MFD/MHD						
	2017/2018			2018/2019		
	Rate	Fixed	CRP	Rate	Fixed	CRP
This classification will now include all SFD/MFD/MHD	\$ 43.61	\$ 30.20	\$ 13.41	\$ 46.52	\$ 31.11	\$ 15.41
					66.90%	33.1%
Commercial						
	Rate	Fixed	CRP	Rate	Fixed	CRP
5/8" & 3/4"	\$ 51.95	\$ 37.77	\$ 14.18	\$ 53.51	\$ 38.90	\$ 14.61
1"	\$ 126.98	\$ 94.56	\$ 32.42	\$ 130.79	\$ 97.40	\$ 33.39
1.5"	\$ 251.77	\$ 189.03	\$ 62.74	\$ 259.32	\$ 194.70	\$ 64.62
2"	\$ 401.47	\$ 302.35	\$ 99.12	\$ 413.51	\$ 311.42	\$ 102.09
3"	\$ 750.98	\$ 566.93	\$ 184.09	\$ 773.51	\$ 583.94	\$ 189.57
4"	\$ 1,250.31	\$ 544.92	\$ 305.39	\$ 1,287.82	\$ 973.27	\$ 314.55
6"	\$ 2,498.44	\$ 1,889.75	\$ 608.69	\$ 2,573.39	\$ 1,946.44	\$ 626.95
<b>Usage - None included in Base Rate</b>						
	2017/2018		2018/2019			
	Per CCF	Per Gallon	Per CCF	Per Gallon		
up to 1,500 CF	\$ 1.38	\$0.001845	\$ 1.42	\$ 0.18984		
1,501 - 2,000 CF	\$ 1.60	\$0.002139	\$ 1.64	\$ 0.21925		
over 2,000 CF	\$ 2.13	\$0.002848	\$ 2.19	\$ 0.29278		

The meters are read during the second week of the month and bills are mailed to the user on the 25<sup>th</sup> of each month. The bills are due and payable upon receipt and become delinquent on the first business day following the due date, and subject to a late fee of the greater of \$10 or 10 percent of the past due balance. Prior to COVID-19 restrictions, an account was subject to "Shut-Off" if the bill and late fee were not paid by the 60<sup>th</sup> day after the date of the bill. CLOCWD adheres to all regulations outlined in California Senate Bill 998 regarding customer Shut-Offs.

**Affordability Index**

The affordability index measures the burden of costs passed from the water utility to the users against the median household income (MHI) for the area and is used by funding agencies to determine grant and low interest loan eligibility. The MHI is calculated for residential rates only. Many funding organizations look for an affordability ratio of at least 1.5 percent before approving grant money to low-income communities. According to 2018 American Community Survey estimates, Clearlake Oaks is a small, disadvantaged community with an MHI of \$45,707, qualifying the utility for grants and low interest loans for capital improvements and replacements.

**Affordability Index** = average annual residential bill for water / annual MHI

**TABLE 4: Affordability Index – Current Rate**

Clearlake Oaks County Water District Current Rates Affordability Index										
FYE	Monthly Water Service Base Fee	Monthly CRP Fee	Usage Fee Assuming 1,500 CFs Monthly	Usage Fee Assuming 2,000 CFs Monthly	Usage Fee Assuming 3,000 CFs Monthly	Usage Fee Assuming 5,000 CFs Monthly	Over 5,000	Total Monthly Bill	MHI	Affordability Index
<b>Residential Connections Customer Code WSF</b>										
Percent of WSF Customers			95.13%	2.82%	1.11%	0.66%	0.28%	100%		
Percent of WSF Usage			73.83%	10.57%	5.91%	5.31%	4.38%	100%		
2021	\$ 31.11	\$ 15.41	\$ 21.30				<b>Depends on Usage</b>	\$ 67.82	\$ 45,707.00	1.78%
2021	\$ 31.11	\$ 15.41	\$ 21.30	\$ 8.20				\$ 76.02	\$ 45,707.00	2.00%
2021	\$ 31.11	\$ 15.41	\$ 21.30	\$ 8.20	\$ 21.90			\$ 97.92	\$ 45,707.00	2.57%
2021	\$ 31.11	\$ 15.41	\$ 21.30	\$ 8.20	\$ 21.90	\$ 43.80		\$ 141.72	\$ 45,707.00	3.72%

## Section I

### Clearlake Oaks County Water District

#### Water Rate Study #1

#### Water Service Rates

## **Rate Study # 1 – Water Service Budget**

To develop the CLOCWD water service budget, actual costs and revenues for the fiscal years ended June 30, 2018, 2019 and 2020 were reviewed and compared to the board approved budget for the fiscal year ended June 30, 2021. When the review confirmed the 2021 budget was appropriate and justifiable, it was used as the basis for projecting out five years. A 2.9 percent inflation rate was applied to fiscal years ended 2022 – 2026. The projected budgets include the assumptions that:

1. The annual debt payment (principal and interest) in the amount of \$166,500 will begin in fiscal year 2022.
2. An amount equal to one annual debt payment must be accumulated in a Debt Reserve Account within 10 years of the loan funding. The budget includes \$16,650 annually for this funding.
3. It is assumed Operating Reserves equal to 12.5 percent of the annual budget are already fully funded.
4. It is assumed Emergency Reserves have already been established in an adequate amount and/or equipment redundancy has been established.

**TABLE 5: Rate Study #1 – Water Service Budget Five Year Projections**

Inflation Factor (%) 2.9%						
Clearlake Oaks County Water District						
	Budget	Projected	Projected	Projected	Projected	Projected
	FYE 6/30/2021	FYE 6/30/2022	FYE 6/30/2023	FYE 6/30/2024	FYE 6/30/2025	FYE 6/30/2026
<b>Operating Costs:</b>						
Salaries & Wages	\$ 318,237	\$ 327,466	\$ 336,962	\$ 346,734	\$ 356,790	\$ 367,136
FICA	\$ 26,341	\$ 27,105	\$ 27,891	\$ 28,700	\$ 29,532	\$ 30,388
Medical Insurance	\$ 111,077	\$ 114,298	\$ 117,613	\$ 121,024	\$ 124,533	\$ 128,145
PERS	\$ 63,193	\$ 65,026	\$ 66,911	\$ 68,852	\$ 70,848	\$ 72,903
Unemployment	\$ 9,000	\$ 9,261	\$ 9,530	\$ 9,806	\$ 10,090	\$ 10,383
Workers Compensation	\$ 20,639	\$ 21,238	\$ 21,853	\$ 22,487	\$ 23,139	\$ 23,810
Advertising	\$ 200	\$ 206	\$ 212	\$ 218	\$ 224	\$ 231
Bank Fees	\$ 10,010	\$ 10,300	\$ 10,599	\$ 10,906	\$ 11,223	\$ 11,548
Communications & Internet	\$ 13,000	\$ 13,377	\$ 13,765	\$ 14,164	\$ 14,575	\$ 14,998
Board Expenses	\$ 3,750	\$ 3,859	\$ 3,971	\$ 4,086	\$ 4,204	\$ 4,326
Equipment - Filed	\$ 2,500	\$ 2,573	\$ 2,647	\$ 2,724	\$ 2,803	\$ 2,884
Equipment - Office	\$ 1,500	\$ 1,544	\$ 1,588	\$ 1,634	\$ 1,682	\$ 1,730
Fuel & Oil	\$ 15,020	\$ 15,456	\$ 15,904	\$ 16,365	\$ 16,840	\$ 17,328
Insurance	\$ 30,000	\$ 30,870	\$ 31,765	\$ 32,686	\$ 33,634	\$ 34,610
Lab	\$ 20,000	\$ 20,580	\$ 21,177	\$ 21,791	\$ 22,423	\$ 23,073
Memberships & Subscriptions	\$ 25,750	\$ 26,497	\$ 27,265	\$ 28,056	\$ 28,869	\$ 29,707
Mileage Reimbursement	\$ 750	\$ 772	\$ 794	\$ 817	\$ 841	\$ 865
Postage & Shipping	\$ 6,000	\$ 6,174	\$ 6,353	\$ 6,537	\$ 6,727	\$ 6,922
Professional Services	\$ 36,000	\$ 37,044	\$ 38,118	\$ 39,224	\$ 40,361	\$ 41,532
Rents	\$ 6,200	\$ 6,380	\$ 6,565	\$ 6,755	\$ 6,951	\$ 7,153
Safety & Security	\$ 2,500	\$ 2,573	\$ 2,647	\$ 2,724	\$ 2,803	\$ 2,884
Tools & Instruments	\$ 2,000	\$ 2,058	\$ 2,118	\$ 2,179	\$ 2,242	\$ 2,307
Supplies - Clothing & Personal	\$ 2,050	\$ 2,109	\$ 2,171	\$ 2,234	\$ 2,298	\$ 2,365
Supplies - Office	\$ 4,750	\$ 4,888	\$ 5,029	\$ 5,175	\$ 5,325	\$ 5,480
Treatment Chemicals	\$ 75,000	\$ 77,175	\$ 79,413	\$ 81,716	\$ 84,086	\$ 86,524
Supplies - Operating - Other	\$ 5,000	\$ 5,145	\$ 5,294	\$ 5,448	\$ 5,606	\$ 5,768
Training	\$ 3,750	\$ 3,859	\$ 3,971	\$ 4,086	\$ 4,204	\$ 4,326
Travel	\$ 1,000	\$ 1,029	\$ 1,059	\$ 1,090	\$ 1,121	\$ 1,154
Utilities	\$ 162,750	\$ 167,470	\$ 172,326	\$ 177,324	\$ 182,466	\$ 187,758
Waste Disposal	\$ 3,050	\$ 3,138	\$ 3,229	\$ 3,323	\$ 3,419	\$ 3,519
Yolo County	\$ 48,000	\$ 49,392	\$ 50,824	\$ 52,298	\$ 53,815	\$ 55,376
Miscellaneous	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
R & R Building & Ground	\$ 7,000	\$ 7,203	\$ 7,412	\$ 7,627	\$ 7,848	\$ 8,076
R&R Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
R & R Mains/Service Lines		\$ -	\$ -	\$ -	\$ -	\$ -
R & R Vehicles	\$ 3,000	\$ 3,087	\$ 3,177	\$ 3,269	\$ 3,363	\$ 3,461
<b>Total Operating Costs</b>	<b>\$ 1,039,017</b>	<b>\$ 1,069,148</b>	<b>\$ 1,100,154</b>	<b>\$ 1,132,058</b>	<b>\$ 1,164,888</b>	<b>\$ 1,198,670</b>
<b>Debt Service &amp; Reserve Funding</b>						
Debt Service		\$ 166,500	\$ 166,500	\$ 166,500	\$ 166,500	\$ 166,500
Reserves - Debt Reserves		\$ 16,650	\$ 16,650	\$ 16,650	\$ 16,650	\$ 16,650
Reserves-Operating						
Emergency Reserves	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reserves-CIP						
<b>Total Debt Service &amp; Reserve Funding</b>	<b>\$ -</b>	<b>\$ 183,150</b>	<b>\$ 183,150</b>	<b>\$ 183,150</b>	<b>\$ 183,150</b>	<b>\$ 183,150</b>
<b>Total Costs</b>	<b>\$ 1,039,017</b>	<b>\$ 1,252,298</b>	<b>\$ 1,283,304</b>	<b>\$ 1,315,208</b>	<b>\$ 1,348,038</b>	<b>\$ 1,381,820</b>

### ***Fixed Versus Variable Expenses***

Water must be available to customers at all times whether the customer is using the water or not. A large share of water system costs are associated with bringing the first drop of water to the customer's meter, regardless of whether any water is used. Fixed costs are those that must be recovered by CLOCWD to ensure that drinking water is available to its customers.

**Fixed costs** are usually recovered from each customer on an equal basis through the use of a minimum fee (a minimum monthly bill). Fixed costs may cover 100 percent of some expenses in a system's budget, but only a portion of other types of expenses. For example, fixed expenses generally include all debt service expenses on construction loans, financial reserves for emergencies or equipment replacement, and overhead costs, like insurance and bonding. Fixed costs should also include a portion of other system operating expenses. For example, a percentage of wages and fringe benefits for time spent in reading each meter and preparing each customer's bill.

The method for identifying all or part of some expenses as fixed costs involves determining to what extent each of the line item expenses in the budget benefits every customer of the system regardless of their level of usage. This is a determination that each utility must make for itself. Fixed costs should generally be recovered in a system's minimum bill, the minimum monthly fee charged equally to each customer within each customer meter size (3/4-inch, 1-inch, etc.).

For small systems with fewer customers, spreading these costs among its customers, the proportion of fixed costs will be higher than larger systems. Many small systems find it impossible to recover all fixed costs in a monthly minimum, so they tend to shift a certain percentage to the variable side. Fixed costs for small systems are usually in the range of one-third to two-thirds of the system's total operating costs and may run even higher for very small systems. After reviewing the costs with CLOCWD general manager it was estimated that the water system's costs are 82 percent fixed, which is not unusual.

**Variable costs** are system expenses that are more directly related to how much water is pumped, treated, stored and distributed. Most costs for electricity, chemicals and repairs can be classified as variable costs because they are directly related to the amount of water customers use. To recover variable expenses, rate structures use a "consumption charge" or "flow charge" per volume, such as per thousand gallons or hundred cubic feet.



**TABLE 6: CLOCWD Estimated Fixed/Variable Costs**

Clearlak Oaks County Water District Fixed/Variable Budget	Projected 2021/2022	Estimated % Fixed Costs	Fixed costs	Variable costs
Salaries & Wages	\$ 327,466	\$ 1	\$ 327,466	\$ -
FICA	\$ 27,105	\$ 1	\$ 27,105	\$ -
Medical Insurance	\$ 114,298	\$ 1	\$ 114,298	\$ -
PERS	\$ 65,026	\$ 1	\$ 65,026	\$ -
Unemployment	\$ 9,261	\$ 1	\$ 9,261	\$ -
Workers Compensation	\$ 21,238	\$ 1	\$ 21,238	\$ -
Advertising	\$ 206	\$ 1	\$ 206	\$ -
Bank Fees	\$ 10,300	\$ 1	\$ 10,300	\$ -
Communications & Internet	\$ 13,377	\$ 1	\$ 13,377	\$ -
Board Expenses	\$ 3,859	\$ 1	\$ 3,859	\$ -
Equipment - Field	\$ 2,573	\$ 1	\$ 2,187	\$ 386
Equipment - Office	\$ 1,544	\$ 1	\$ 1,544	\$ -
Fuel & Oil	\$ 15,456	\$ 1	\$ 15,456	\$ -
Insurance	\$ 30,870	\$ 1	\$ 30,870	\$ -
Lab	\$ 20,580	\$ 1	\$ 20,580	\$ -
Memberships & Subscriptions	\$ 26,497	\$ 1	\$ 26,497	\$ -
Mileage Reimbursement	\$ 772	\$ 1	\$ 772	\$ -
Postage & Shipping	\$ 6,174	\$ 1	\$ 6,174	\$ -
Professional Services	\$ 37,044	\$ 1	\$ 31,487	\$ 5,557
Rents	\$ 6,380	\$ 1	\$ 6,380	\$ -
Safety & Security	\$ 2,573	\$ 1	\$ 2,573	\$ -
Tools & Instruments	\$ 2,058	\$ 1	\$ 1,749	\$ 309
Supplies - Clothing & Personal	\$ 2,109	\$ 1	\$ 2,109	\$ -
Supplies - Office	\$ 4,888	\$ 1	\$ 4,888	\$ -
Treatment Chemicals	\$ 77,175	\$ 1	\$ 50,164	\$ 27,011
Supplies - Operating - Other	\$ 5,145	\$ 1	\$ 3,344	\$ 1,801
Training	\$ 3,859	\$ 1	\$ 3,859	\$ -
Travel	\$ 1,029	\$ 1	\$ 1,029	\$ -
Utilities	\$ 167,470	\$ 0	\$ 8,373	\$ 159,096
Waste Disposal	\$ 3,138	\$ 1	\$ 3,138	\$ -
Yolo County	\$ 49,392	\$ 1	\$ 49,392	\$ -
R & R Building & Ground	\$ 7,203	\$ 1	\$ 7,203	\$ -
R & R Vehicles	\$ 3,087	\$ 1	\$ 3,087	\$ -
<b>Total Operating Costs</b>	<b>\$ 1,069,148</b>		<b>\$ 874,989</b>	<b>\$ 194,159</b>
<b>Debt Service</b>	<b>\$ 166,500</b>			
Total Operating Costs Plus Debt Service	\$ 1,235,648			
Debt Reserves	\$ 16,650			
Total Reserves	\$ 16,650			
Total Budget	\$ 1,252,298			

## 4. Water System Reserves

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

Utility reserve levels can be thought of as a savings account. Reserve balances are funds that are set aside for a specific cash flow requirement, financial need, project, task or legal covenant. Common reserve balances are established around the following four areas: operating reserve, capital improvement, emergency and debt service reserve. These balances are maintained in order 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.

### **Debt Service Reserve**

Water 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 one full annual loan payment and can be accumulated to this level over a period of five to 10 years. The CLOCWD has received approval from USDA Rural Development for a construction loan in the amount of \$5 million for a term of 40 years at an interest rate of 1.375 percent. The interest rate may change at loan closing. The estimated annual payments are \$166,500. To fund the debt reserve over a 10-year period will require funding \$16,650 annually.

### **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. A 45-day operating reserve is a frequently used industry norm. Because of potential delays in collecting payment many utilities attempt to keep an amount of cash equal to at least 45 days or one-eighth of their annual cash operation and maintenance expenses in an operating reserve to mitigate potential cash flow problems. A five-year budget projection was completed assuming a 2.5 percent annual inflation rate. This analysis assumes operating reserves have already been funded.

### **Emergency Reserve**

In addition to operating reserves, emergency reserves are an important tool for financial sustainability. Emergency reserves are intended to help utilities deal with short-term emergencies that arise from time-to-time, such as main breaks or pump failures. The appropriate amount of emergency reserves will vary greatly with the size of the utilities and should depend on major

infrastructure assets. An emergency reserve is intended to fund the immediate replacement or reconstruction of the system's single most critical asset; an asset whose failure will result in an immediate water outage or threat to public safety. Discussion with the CLOCWD general manager indicated the enterprise has enough reserve funds to cover emergencies.

### **Capital Improvement Reserve**

A capital improvement reserve (also called a repair and replacement reserve) is intended to be used for replacing system assets that have become worn out or obsolete. Annual depreciation is frequently used to estimate the minimum level of funding for this capital reserve. 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 replacement cost of that asset. As an example, a brand new system with a construction cost of \$1 million and a service life of 100 years should, in theory, be setting aside \$10,000 per year to fully capitalize the replacement cost of the infrastructure as it wears out. Many smaller systems find this to be impossible because of the effect on rates, which explains the large number of small systems that are falling into disrepair.

To initiate a capital improvement plan (CIP), 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 water system assets is often a shock to small systems that are struggling to keep rates reasonable.

One alternative method is to set-aside an annual amount equal to 1 to 2 percent of the total original cost asset value of the utility's property. Larger systems often have sufficient non-operating revenue to fund these reserve levels without affecting rates, but smaller systems often do not, leaving them to fund their CIP reserves from rates alone. An alternative method is to set-aside sufficient reserve funds to cover 100 percent of the cost of replacing short-lived assets, such as well pumps, electronic controls, vehicles, etc.

RCAC and the CLOCWD general manager reviewed the water system equipment list with the assumption that the current replacement costs had increased by 3 percent and future replacement cost would increase by 2.5 percent, and the further assumption that CLOCWD would be required to provide 20 percent in matching funds if loans and/or grants were acquired to calculate the annual amount to be reserved for eventual replacement of the equipment. A summary of the CIP results of the calculations is in TABLE 5. The CIP reserve funding is included in the Rate Study #2 – CRP Budget.

**TABLE 7: CLOCWD Annual CIP Reserve Funding**

Clearlake Oaks County Water District Capital Improvement Plan Summary					
		Current	Future	Amount	Annual
		Estimated	Estimated	To Be	CIP
		Replacement Cost	Replacement Cost	Reserved	Reserves
Item	Original Cost	Past Inflation (3%)	Future Inflation (2.5%)	%	Required
Water Treatment Plant	\$ 4,571,162	\$ 14,066,014	\$ 24,276,765	20%	\$ 227,407.00
Water Transmission	\$ 2,686,975	\$ 6,846,874	\$ 11,799,794	20%	\$ 108,738
Water - General	\$ 534,301	\$ 757,748	\$ 1,241,658	20%	\$ 12,417
<b>Total</b>	<b>\$ 7,792,438</b>	<b>\$ 21,670,636</b>	<b>\$ 37,318,217</b>		<b>\$ 348,562</b>

## 5. Proposed Rate Adjustment - Water Service Rates

### Current Rates against Projected Costs

RCAC and CLOCWD's general manager and administrative services manager reviewed each line item in the budget in an effort to determine if some costs could be reduced while maintaining reasonable assurance of the sustainability of the water system. The budget contained in this document is the result of that review. Under the current rate structure, revenues will be significantly short of recovering projected costs and rates must be increased. Alternative rate options will be examined in the following pages.

**TABLE 8: CLOCWD Total Water Service Revenue under Current Rates**

Clearlake Oaks County Water District							
Water Enterprise - Water Service Revenue under Current Rates							
Meter Size (2018/2019 Rates)	Meter Size	# Connections	Fee Per Unit (Current Rate)	Units Billed	Average Monthly Revenue	Average Annual Base Revenue	
<b>WSF</b>							
USM - 5/8" 9850 E HWY 20 - 16 Units	3/4" & 5/8"	1	\$ 31.11	16	\$ 498	\$ 5,973	
USM - 5/8"	3/4" & 5/8"	1	\$ 31.11	1	\$ 31	\$ 373	
WSM - 5.8"	3/4" & 5/8"	1	\$ 31.11	1	\$ 31	\$ 373	
WSF - 5/8"	3/4" & 5/8"	1870	\$ 31.11	1870	\$ 58,176	\$ 698,108	
WSF - 3/4"	3/4" & 5/8"	5	\$ 31.11	5	\$ 156	\$ 1,867	
WMF - 5/8"	3/4" & 5/8"	32	\$ 31.11	32	\$ 996	\$ 11,946	
WS1 - 5/8"	3/4" & 5/8"	1	\$ 31.11	1	\$ 31	\$ 373	
WSM - 3/4"	3/4" & 5/8"	2	\$ 31.11	2	\$ 62	\$ 747	
WSM - 12700 Island Drive (9 Units)	3/4" & 5/8"	1	\$ 31.11	9	\$ 280	\$ 3,360	
WSF - 1"	1"	6	\$ 31.11	6	\$ 187	\$ 2,240	
WSM - 1" 12840 Island Dr., 40 Units	1"	1	\$ 31.11	40	\$ 1,244	\$ 14,933	
WSF - 1 1/2 "	1 1/2"	1	\$ 31.11	1	\$ 31	\$ 373	
WSM - 1 1/2" 13050 Island Dr. - 28 Units	1 1/2"	1	\$ 31.11	28	\$ 871	\$ 10,453	
WZR - 5/8"	5/8"	3	\$ 31.11	3	\$ 93	\$ 1,120	
WSM - 6" - 400 Sulphur Bank Dr. - 112 Units	6"	1	\$ 31.11	112	\$ 3,484	\$ 41,812	
<b>WC</b>							
WC 5/8" 12695 e HWY 20 - 7 Units	5/8"	1	\$ 38.90	7	\$ 272	\$ 3,268	
WC 5/8"	5/8"	53	\$ 38.90	53	\$ 2,062	\$ 24,740	
WC 1"	1"	8	\$ 97.40	8	\$ 779	\$ 9,350	
WSM - 1"	1"	1	\$ 97.40	1	\$ 97	\$ 1,169	
WZR - 1 1/2"	1 1/2"	1	\$ 194.70	1	\$ 195	\$ 2,336	
WC 1-1/2"	1 1/2"	3	\$ 194.70	3	\$ 584	\$ 7,009	
WMF - 2"	2"	1	\$ 311.42	1	\$ 311	\$ 3,737	
WC 2"	2"	6	\$ 311.42	6	\$ 1,869	\$ 22,422	
WZR - 2"	2"	1	\$ 311.42	1	\$ 311	\$ 3,737	
WZR - 3"	3"	1	\$ 583.94	1	\$ 584	\$ 7,007	
WC 3"	3"	1	\$ 583.94	1	\$ 584	\$ 7,007	
WZR - 4"	4"	1	\$ 973.27	1	\$ 973	\$ 11,679	
VZX - 4"	4"	1	\$ 973.27	1	\$ 973	\$ 11,679	
WC - 4"	4"	1	\$ 973.27	1	\$ 973	\$ 11,679	
<b>Total Billable</b>		<b>2007</b>		<b>2213</b>	<b>\$ 76,739.42</b>	<b>\$ 920,873.04</b>	
<b>Non-Billable</b>		<b>9</b>		<b>9</b>			
<b>Total Base Rate Billable</b>		<b>2016</b>		<b>2222</b>	<b>\$ 76,739.42</b>	<b>\$ 920,873.04</b>	
<b>Commodity Charge (2018/2019 Rates)</b>		<b>Rate Per CCF</b>	<b>Total Usage</b>	<b>Adjustment</b>	<b>Adjusted Usage</b>	<b>Billable Usate</b>	<b>Total Usage Revenue</b>
up to 1,500 CF		\$ 1	\$ 9,949,111		\$ 9,949,111	\$ 99,491	\$ 141,277
1,501 - 2,000 CF		\$ 2	\$ 532,658		\$ 532,658	\$ 5,327	\$ 8,736
Over 2,000 CF		\$ 2	\$ 3,075,516		\$ 3,075,516	\$ 30,755	\$ 67,354
Adjusted Usage on Billing Report			\$14,522,369	\$ (14,522,369)	\$ -	\$ -	\$ -
Non-Billable Usage		\$ -	\$ 1,006,826	\$ (1,006,826)	\$ -	\$ -	\$ -
<b>Total Usage/Commodity Charges</b>			<b>\$29,086,480</b>	<b>\$ (15,529,195)</b>	<b>\$13,557,285</b>	<b>\$ 135,573</b>	<b>\$ 217,367</b>
<b>Total Water Service Rates Revenue</b>							<b>\$ 1,138,240</b>

**TABLE 9: CLOCWD Current Water Service Revenue against Projected Costs**

Budget Assuming 2.9% Inflation per year	6/30/2022	6/30/2023	6/30/2024	6/30/2025	6/30/2026	Five Year Total
Total Monthly Required Reserves Fund	\$ 1,388	\$ 1,388	\$ 1,388	\$ 1,388	\$ 1,388	
Total yearly required reserve fund	\$ 16,650	\$ 16,650	\$ 16,650	\$ 16,650	\$ 16,650	\$ 83,250
Debt Service	\$ 166,500	\$ 166,500	\$ 166,500	\$ 166,500	\$ 166,500	\$ 832,500
Fixed Budget	\$ 874,989	\$ 900,364	\$ 926,474	\$ 953,342	\$ 980,989	\$ 4,636,158
Variable Budget	\$ 194,159	\$ 199,790	\$ 205,584	\$ 211,546	\$ 217,681	\$ 1,028,760
<b>Total Operating Budget</b>	<b>\$ 1,252,298</b>	<b>\$ 1,283,304</b>	<b>\$ 1,315,208</b>	<b>\$ 1,348,038</b>	<b>\$ 1,381,820</b>	<b>\$ 6,580,668</b>
	6/30/2022	6/30/2023	6/30/2024	6/30/2025	6/30/2026	Five Year Total
Estimated Annual Revenue From Base Rate	\$ 920,873	\$ 920,873	\$ 920,873	\$ 920,873	\$ 920,873	\$ 4,604,365
Estimated Annual Revenue - Usage Charges	\$ 217,367	\$ 217,367	\$ 217,367	\$ 217,367	\$ 217,367	\$ 1,086,834
Total Operating Revenue	\$ 1,138,240	\$ 1,138,240	\$ 1,138,240	\$ 1,138,240	\$ 1,138,240	\$ 5,691,199
Net Operating Revenue Over/(under) Operating Costs	\$ (114,059)	\$ (145,064)	\$ (176,968)	\$ (209,798)	\$ (243,580)	\$ (889,469)
<b>Non-Operating Revenue:</b>						
Penalty and Interest	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 150,000
Bulk Water/ATT Lease	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 150,000
<b>Total Non-Operating Revenue</b>	<b>\$ 60,000</b>	<b>\$ 60,000</b>	<b>\$ 60,000</b>	<b>\$ 60,000</b>	<b>\$ 60,000</b>	<b>\$ 300,000</b>
<b>Net Income/(Loss)</b>	<b>\$ (54,059)</b>	<b>\$ (85,064)</b>	<b>\$ (116,968)</b>	<b>\$ (149,798)</b>	<b>\$ (183,580)</b>	<b>\$ (589,469)</b>

**Water Service Rate Adjustment Option #1**

In water service rate adjustment option #1, (TABLE 9) the base rate is increased by 2.5 percent and the water usage rate is set at a uniform rate of \$2.07 per 100 cubic feet or \$0.0028 per gallon. Subsequent years will require a 2.5 percent increase to both the base and usage rates. While this rate will still rely on non-operating revenue to fully recover operating costs, the amount of reliance is reduced to an amount CLOCWD feels comfortable they will receive. .

**TABLE 10: Water Service Rate Adjustment Option #1**

Clearlake Oaks County Water District									
Water Enterprise - Rate Adjustment Option #1									
	Meter Size	# Connections	Fee Per Unit	Adjustment	Adjusted Rate	Units Billed	Average Monthly Revenue	Average Annual Base Revenue	
			2018/2019 Rate	2.5%					
USM - 5/8" 9850 E HWY 20 - 16 Units	3/4" & 5/8"	1	\$ 31.11	\$ 0.78	\$ 31.89	16	\$ 510	\$ 6,123	
USM - 5/8"	3/4" & 5/8"	1	\$ 31.11	\$ 0.78	\$ 31.89	1	\$ 32	\$ 383	
WSM - 5/8"	3/4" & 5/8"	1	\$ 31.11	\$ 0.78	\$ 31.89	1	\$ 32	\$ 383	
WSF - 5/8"	3/4" & 5/8"	1870	\$ 31.11	\$ 0.78	\$ 31.89	1870	\$ 59,634	\$ 715,612	
WSF - 3/4"	3/4" & 5/8"	5	\$ 31.11	\$ 0.78	\$ 31.89	5	\$ 159	\$ 1,913	
WMF - 5/8"	3/4" & 5/8"	32	\$ 31.11	\$ 0.78	\$ 31.89	32	\$ 1,020	\$ 12,246	
WS1 - 5/8"	3/4" & 5/8"	1	\$ 31.11	\$ 0.78	\$ 31.89	1	\$ 32	\$ 383	
WSM - 3/4"	3/4" & 5/8"	2	\$ 31.11	\$ 0.78	\$ 31.89	2	\$ 64	\$ 765	
WSM - 12700 Island Drive (9 Units)	3/4" & 5/8"	1	\$ 31.11	\$ 0.78	\$ 31.89	9	\$ 287	\$ 3,444	
WSF - 1"	1"	6	\$ 31.11	\$ 0.78	\$ 31.89	6	\$ 191	\$ 2,296	
WSM - 1" 12840 Island Dr., 40 Units	1"	1	\$ 31.11	\$ 0.78	\$ 31.89	40	\$ 1,276	\$ 15,307	
WSF - 1 1/2"	1 1/2"	1	\$ 31.11	\$ 0.78	\$ 31.89	1	\$ 32	\$ 383	
WSM - 1 1/2" 13050 Island Dr. - 28 Units	1 1/2"	1	\$ 31.11	\$ 0.78	\$ 31.89	28	\$ 893	\$ 10,715	
WZR - 5/8"	5/8"	3	\$ 31.11	\$ 0.78	\$ 31.89	3	\$ 96	\$ 1,148	
WSM - 6" - 400 Sulphur Bank Dr. - 112 Units	6"	1	\$ 31.11	\$ 0.78	\$ 31.89	112	\$ 3,572	\$ 42,860	
WC				\$ -	\$ -		\$ -		
WC 5/8" 12695 e HWY 20 - 7 Units	5/8"	1	\$ 38.90	\$ (7.01)	\$ 31.89	7	\$ 223	\$ 2,679	
WC 5/8"	5/8"	53	\$ 38.90	\$ (7.01)	\$ 31.89	53	\$ 1,690	\$ 20,282	
						2187			
WC 1"	1"	8	\$ 97.40	\$ 2.44	\$ 99.84	8	\$ 799	\$ 9,585	
WSM - 1"	1"	1	\$ 97.40	\$ 2.44	\$ 99.84	1	\$ 100	\$ 1,198	
						9			
WZR - 1 1/2"	1 1/2"	1	\$ 194.70	\$ 4.87	\$ 199.57	1	\$ 200	\$ 2,395	
WC 1-1/2"	1 1/2"	3	\$ 194.70	\$ 4.87	\$ 199.57	3	\$ 599	\$ 7,185	
						4			
WMF - 2"	2"	1	\$ 311.42	\$ 7.79	\$ 319.21	1	\$ 319	\$ 3,831	
WC 2"	2"	6	\$ 311.42	\$ 7.79	\$ 319.21	6	\$ 1,915	\$ 22,983	
WZR - 2"	2"	1	\$ 311.42	\$ 7.79	\$ 319.21	1	\$ 319	\$ 3,831	
						8			
WZR - 3"	3"	1	\$ 583.94	\$ 14.60	\$ 598.54	1	\$ 599	\$ 7,182	
WC 3"	3"	1	\$ 583.94	\$ 14.60	\$ 598.54	1	\$ 599	\$ 7,182	
						2			
WZR - 4"	4"	1	\$ 973.27	\$ 24.33	\$ 997.60	1	\$ 998	\$ 11,971	
VZX - 4"	4"	1	\$ 973.27	\$ 24.33	\$ 997.60	1	\$ 998	\$ 11,971	
WC - 4"	4"	1	\$ 973.27	\$ 24.33	\$ 997.60	1	\$ 998	\$ 11,971	
						3			
<b>Total Billable</b>		<b>2007</b>				<b>2213</b>	<b>\$ 78,183.83</b>	<b>\$ 938,205.96</b>	
<b>Non-Billable</b>		<b>9</b>				<b>9</b>			
<b>Total</b>		<b>2016</b>				<b>2222</b>	<b>\$ 78,183.83</b>	<b>\$ 938,205.96</b>	
<b>Commodity Charge</b>		<b>Rate Per CCF</b>	<b>Total Usage 2019/2020</b>	<b>Less Usage Not Billed</b>	<b>Adjusted Usage</b>	<b>Less Assumed Reduced Usage due to Rate Increase 5%</b>	<b>Total Cubic Feet Billed</b>	<b>Billable Usage total CFS/100</b>	<b>Total Usage Revenue</b>
All usage		\$ 2.07	19,565,749.00	-4,231,997.00	15,333,752.00	(766,688)	14,567,064.40	145,671	\$ 301,538.23
<b>Total Water Service Revenue</b>									<b>\$ 1,239,744</b>

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**TABLE 11: Water Service Rate Adjustment Option #1 against Projected Costs**

Budget Assuming 2.9% Inflation per year	6/30/2022	6/30/2023	6/30/2024	6/30/2025	6/30/2026	Five Year Total
Total Monthly Required Reserves Fund	\$ 1,388	\$ 1,388	\$ 1,388	\$ 1,388	\$ 1,388	
Total yearly required reserve fund	\$ 16,650	\$ 16,650	\$ 16,650	\$ 16,650	\$ 16,650	\$ 83,250
Debt Service	\$ 166,500	\$ 166,500	\$ 166,500	\$ 166,500	\$ 166,500	\$ 832,500
Fixed Budget	\$ 874,989	\$ 900,364	\$ 926,474	\$ 953,342	\$ 980,989	\$ 4,636,158
Variable Budget	\$ 194,159	\$ 199,790	\$ 205,584	\$ 211,546	\$ 217,681	\$ 1,028,760
<b>Total Operating Budget</b>	<b>\$ 1,252,298</b>	<b>\$ 1,283,304</b>	<b>\$ 1,315,208</b>	<b>\$ 1,348,038</b>	<b>\$ 1,381,820</b>	<b>\$ 6,580,668</b>
	6/30/2022 2.5% Increase	6/30/2023 2.5% Increase over Prior Year	6/30/2024 2.5% Increase over Prior Year	6/30/2025 2.5% Increase over Prior Year	6/30/2026 2.5% Increase over Prior Year	Five Year Total
Estimated Annual Revenue From Base Rate	\$ 938,206	\$ 961,661	\$ 985,703	\$ 1,010,345	\$ 1,035,604	\$ 4,931,519
Estimated Annual Revenue - Usage Charges	\$ 301,538	\$ 309,077	\$ 316,804	\$ 324,724	\$ 332,842	\$ 1,584,984
Total Operating Revenue	\$ 1,239,744	\$ 1,270,738	\$ 1,302,506	\$ 1,335,069	\$ 1,368,446	\$ 6,516,503
Net Operating Revenue Over/(under) Operating Costs	\$ (12,554)	\$ (12,566)	\$ (12,702)	\$ (12,969)	\$ (13,374)	\$ (64,165)
<b>Non-Operating Revenue:</b>						
Penalty and Interest	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 150,000
Bulk Water/ATT Lease	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 150,000
Total Non-Operating Revenue	\$ 60,000.00	\$ 60,000.00	\$ 60,000.00	\$ 60,000.00	\$ 60,000.00	\$ 300,000
Net Income/(Loss)	\$ 47,445.70	\$ 47,434.00	\$ 47,297.98	\$ 47,030.95	\$ 46,625.92	\$ 235,835

**Water Service Rate Adjustment Option #2**

In water service rate adjustment option #2, (TABLE 11) the water service base rates are calculated by meter size. The theoretical base rate is calculated by determining the maximum demand for each meter according to the AWWA Safe Maximum Operating Capacity, multiplying by the number of meters by that size in the system, and determining the percentage of total fixed costs that are allocated by meter size. In water service rate adjustment option #2, all fixed costs, debt service and

debt reserve requirements are recovered in the water service base rate. The usage rate is set at \$1.34 per 100 cubic feet. To put that into perspective that would equal \$0.0018 per gallon. In water service adjustment option #2, all water service operating costs are recovered through water service operating revenue. Annual increases of 2.5 percent to both the water service base rate and usage rates are necessary to offset inflation. The calculation results in the water service base rates are illustrated in TABLE 11.

**TABLE 12: Water Service Rate Adjustment Option #2**

Meter Size	# Connections	Monthly Rate	Average Monthly Revenue	Average Annual Base Revenue					
Total 5/8"	2187	\$ 36.73	\$ 80,336	\$ 964,028					
Total 3/4"	0	\$ -	\$ -	\$ -					
Total 1"	9	\$ 91.83	\$ 826	\$ 9,918					
Total 1.5"	4	\$ 183.67	\$ 735	\$ 8,816					
Total 2"	8	\$ 293.87	\$ 2,351	\$ 28,211					
Total 3"	2	\$ 587.73	\$ 1,175	\$ 14,106					
Total 4"	3	\$ 918.33	\$ 2,755	\$ 33,060					
<b>Total Billable</b>	<b>2213</b>		<b>\$ 88,178.25</b>	<b>\$ 1,058,139.06</b>					
Commodity Charge		Rate Per CCF	Total Usage 2019/2020	Less Usage Not Billed	Adjusted Usage	Less Assumed Reduced Usage due to Rate Increase	Total Cubic Feet Billed	Billable Usage total CFs/100	Total Usage Revenue
						5%			
All usage		\$ 1.34	19,565,749.00	(4,231,997)	15,333,752.00	(766,688)	14,567,064.40	145,671	\$ 195,198.66
<b>Total Base Rate and Usage Fees</b>			<b>19,565,749</b>	<b>(4,231,997)</b>	<b>15,333,752</b>		<b>14,567,064</b>		<b>\$ 1,253,337.72</b>

**TABLE 13: Water Service Rate Adjustment Option #2 against Projected Costs**

Budget Assuming 2.9% Inflation per year	6/30/2022	6/30/2023	6/30/2024	6/30/2025	6/30/2026	Five Year Total
Total Monthly Required Reserves Fund	\$ 1,388	\$ 1,388	\$ 1,388	\$ 1,388	\$ 1,388	
Total yearly required reserve fund	\$ 16,650	\$ 16,650	\$ 16,650	\$ 16,650	\$ 16,650	\$ 83,250
Debt Service	\$ 166,500	\$ 166,500	\$ 166,500	\$ 166,500	\$ 166,500	\$ 832,500
Fixed Budget	\$ 874,989	\$ 900,364	\$ 926,474	\$ 953,342	\$ 980,989	\$ 4,636,158
Variable Budget	\$ 194,159	\$ 199,790	\$ 205,584	\$ 211,546	\$ 217,681	\$ 1,028,760
<b>Total Operating Budget</b>	<b>\$ 1,252,298</b>	<b>\$ 1,283,304</b>	<b>\$ 1,315,208</b>	<b>\$ 1,348,038</b>	<b>\$ 1,381,820</b>	<b>\$ 6,580,668</b>
	6/30/2022	6/30/2023	6/30/2024	6/30/2025	6/30/2026	
Estimated Annual Revenue From Base Rate	\$ 1,058,139	\$ 1,084,593	\$ 1,111,707	\$ 1,139,500	\$ 1,167,988	\$ 5,561,927
Estimated Annual Revenue - Usage Charges	\$ 195,199	\$ 200,079	\$ 205,081	\$ 210,208	\$ 215,463	\$ 1,026,028
<b>Total Operating Revenue</b>	<b>\$ 1,253,338</b>	<b>\$ 1,284,671</b>	<b>\$ 1,316,788</b>	<b>\$ 1,349,708</b>	<b>\$ 1,383,450</b>	<b>\$ 6,587,955</b>
Net Operating Revenue Over/(under) Operating Cos	\$ 1,039	\$ 1,367	\$ 1,580	\$ 1,670	\$ 1,631	\$ 7,287
<b>Non-Operating Revenue:</b>						
Penalty and Interest	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 150,000
Bulk Water/ATT Lease	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 150,000
Other Revenue Non S/W Revenue	\$ -					
<b>Total Non-Operating Revenue</b>	<b>\$ 60,000</b>	<b>\$ 60,000</b>	<b>\$ 60,000</b>	<b>\$ 60,000</b>	<b>\$ 60,000</b>	<b>\$ 300,000</b>
<b>Net Income/(Loss)</b>	<b>\$ 61,039</b>	<b>\$ 61,367</b>	<b>\$ 61,580</b>	<b>\$ 61,670</b>	<b>\$ 61,631</b>	<b>\$ 307,287</b>

## Section II

### Clearlake Oaks County Water District

#### Water Rate Study #2

#### Capital Replacement Program (CPR) Rates

## 6. Rate Study # 2 – Capital Replacement Program (CRP) Budget

CLOCWD maintains a separate enterprise for capital replacement projects. This enterprise has employees whose work is limited to capital replacements and improvements. Projects are determined each year when the budget is developed. To develop the CLOCWD capital replacement projects budget, actual costs and revenues for the fiscal years ended June 30, 2018, 2019 and 2020 were reviewed and compared to the board approved budget for the fiscal year ended June 30, 2021. When the review confirmed the 2021 budget was appropriate and justifiable, it was used as the basis for projecting out five years. A 2.9 percent inflation rate was applied to fiscal years ended 2022 – 2026. The budget assumes funding 20 percent of capital replacement costs less \$25,000 annually.

**TABLE 14: CRP Five Year Budget**

		Inflation Factor (%)		2.9%	
Clearlake Oaks County Water District					
	Projected	Projected	Projected	Projected	Projected
	FYE 6/30/2022	FYE 6/30/2023	FYE 6/30/2024	FYE 6/30/2025	FYE 6/30/2026
<b>Capital Replacement Program Costs:</b>					
Salaries & Wages	\$ 45,225	\$ 46,536	\$ 47,886	\$ 49,275	\$ 50,704
FICA	\$ 3,700	\$ 3,807	\$ 3,918	\$ 4,031	\$ 4,148
Medical Insurance	\$ 11,518	\$ 11,852	\$ 12,195	\$ 12,549	\$ 12,913
PERS	\$ 2,535	\$ 2,609	\$ 2,685	\$ 2,762	\$ 2,843
Workers Compensation	\$ 4,478	\$ 4,608	\$ 4,742	\$ 4,879	\$ 5,021
Communications & Internet	\$ 5,448	\$ 5,606	\$ 5,768	\$ 5,936	\$ 6,108
Equipment - Field	\$ 2,724	\$ 2,803	\$ 2,884	\$ 2,968	\$ 3,054
Equipment - Office	\$ 2,724	\$ 2,803	\$ 2,884	\$ 2,968	\$ 3,054
Fuel & Oil	\$ 5,448	\$ 5,606	\$ 5,768	\$ 5,936	\$ 6,108
Postage & Shipping	\$ -	\$ -	\$ -	\$ -	\$ -
Professional Services - Leak Check	\$ 10,895	\$ 11,211	\$ 11,537	\$ 11,871	\$ 12,215
Supplies - Operating - Other	\$ 9,261	\$ 9,530	\$ 9,806	\$ 10,090	\$ 10,383
<b>Total CRP Operating Costs</b>	<b>\$ 103,956</b>	<b>\$ 106,971</b>	<b>\$ 110,073</b>	<b>\$ 113,265</b>	<b>\$ 116,550</b>
<b>Total CIP Reserve Funding</b>	<b>\$ 323,562</b>	<b>\$ 323,562</b>	<b>\$ 323,562</b>	<b>\$ 323,562</b>	<b>\$ 323,562</b>
<b>Total Costs</b>	<b>\$ 427,518</b>	<b>\$ 430,532</b>	<b>\$ 433,634</b>	<b>\$ 436,826</b>	<b>\$ 440,111</b>

### CRP Current Rates Against Projected Costs

In reviewing the current CRP rates against the projected costs, it was determined the rates need to increase to be able to continuously provide sustained improvements and replacements to the water system as necessary as well as plan for future replacements. The CRP enterprise is wholly reliant on customer rates to recover all costs..

**TABLE 15: CRP Current Rates Against Projected Costs**

Meter Size (2018/2019 Rates)	# Units	Monthly Rate	Average Monthly Revenue	Average Annual Base Revenue		
5/8"						
CRW	1985	\$ 15.41	\$ 30,589	\$ 367,066		
C58	58	\$ 14.61	\$ 847	\$ 10,169		
CRP PC - Paradise Cove	77	\$ 22.00	\$ 1,694	\$ 20,328		
1"						
C1 - CRP Commercial	9	\$ 33.90	\$ 305	\$ 3,661		
1 1/5"						
C15 - CRP Commercial	4	\$ 64.20	\$ 257	\$ 3,082		
2"						
C2 - Commercial	7	\$ 102.09	\$ 715	\$ 8,576		
3"						
C3 CRP - Commercial	1	\$ 189.51	\$ 190	\$ 2,274		
4"						
C4 - CRP Commercial	1	\$ 314.55	\$ 315	\$ 3,775		
6"						
WSM - 6" - 400 Sulphur Bank Dr. - 112 Units	0	\$ 626.95	\$ -	\$ -		
<b>Total Billable</b>	<b>2142</b>		<b>\$ 34,910.82</b>	<b>\$ 418,929.84</b>		
<b>Budget Assuming 2.5% Inflation per year</b>	<b>6/30/2022</b>	<b>6/30/2023</b>	<b>6/30/2024</b>	<b>6/30/2025</b>	<b>6/30/2026</b>	<b>Five Year Total</b>
Total Monthly Required Reserves Fund	\$ 26,963	\$ 26,963	\$ 26,963	\$ 26,963	\$ 26,963	
Total yearly required reserve fund	\$ 323,562	\$ 323,562	\$ 323,562	\$ 323,562	\$ 323,562	\$ 1,617,808
Total Budget	\$ 103,956	\$ 106,971	\$ 110,073	\$ 113,265	\$ 116,550	\$ 550,814
Total Operating Budget	\$ 427,518	\$ 430,532	\$ 433,634	\$ 436,826	\$ 440,111	\$ 2,168,622
	<b>6/30/2022</b>	<b>6/30/2023</b>	<b>6/30/2024</b>	<b>6/30/2025</b>	<b>6/30/2026</b>	
Estimated Annual Revenue From Base Rate	\$ 418,930	\$ 418,930	\$ 418,930	\$ 418,930	\$ 418,930	\$ 2,094,649
Total Operating Revenue	\$ 418,930	\$ 418,930	\$ 418,930	\$ 418,930	\$ 418,930	\$ 2,094,649
Net Operating Revenue Over/(under) Operating Cos	\$ (8,588)	\$ (11,602)	\$ (14,705)	\$ (17,897)	\$ (21,181)	\$ (73,973)

## CRP Recommended Rate Adjustment

An annual 2.5 percent increase to the CRP rates will enable CLOCWD to maintain its current level of capital improvements and replacements as well as fund a reserve account for future replacements.

**TABLE 16: CRP Recommended Rate Adjustment**

Meter Size	# Units	2018/2019 Monthly Rate	Recommended Adjustment	Recommended Adjusted Rate	Average Monthly Revenue	Average Annual Base Revenue
			2.50%			
5/8"						
CRW	1985	\$ 15.41	\$ 0.39	\$ 15.80	\$ 31,354	\$ 376,243
C58	58	\$ 14.61	\$ 1.19	\$ 15.80	\$ 916	\$ 10,993
CRP PC - Paradise Cove (Contract - cannot increase)	77	\$ 22.00		\$ 22.00	\$ 1,694	\$ 20,328
1"			\$ -	\$ -		
C1 - CRP Commercial	9	\$ 33.90	\$ 0.85	\$ 34.75	\$ 313	\$ 3,753
1 1/5"			\$ -	\$ -		
C15 - CRP Commercial	4	\$ 64.20	\$ 1.61	\$ 65.81	\$ 263	\$ 3,159
2"			\$ -	\$ -		
C2 - Commercial	7	\$ 102.09	\$ 2.55	\$ 104.64	\$ 732	\$ 8,790
3"			\$ -	\$ -		
C3 CRP - Commercial	1	\$ 189.51	\$ 4.74	\$ 194.25	\$ 194	\$ 2,331
4"			\$ -	\$ -		
C4 - CRP Commercial	1	\$ 314.55	\$ 7.86	\$ 322.41	\$ 322	\$ 3,869
6"			\$ -	\$ -		
WSM - 6" - 400 Sulphur Bank Dr. - 112 Units	0	\$ 626.95	\$ 15.67	\$ 642.62	\$ -	\$ -
<b>Total Billable</b>	<b>2142</b>				<b>\$ 35,788.80</b>	<b>\$ 429,465.61</b>
<b>Budget Assuming 2.5% Inflation per year</b>	<b>6/30/2022</b>	<b>6/30/2023</b>	<b>6/30/2024</b>	<b>6/30/2025</b>	<b>6/30/2026</b>	<b>Five Year Total</b>
Total Monthly Required Reserves Fund	\$ 26,963	\$ 26,963	\$ 26,963	\$ 26,963	\$ 26,963	
Total yearly required reserve fund	\$ 323,562	\$ 323,562	\$ 323,562	\$ 323,562	\$ 323,562	\$ 1,617,808
Total Budget	\$ 103,956	\$ 106,971	\$ 110,073	\$ 113,265	\$ 116,550	\$ 550,814
Total Operating Budget	\$ 427,518	\$ 430,532	\$ 433,634	\$ 436,826	\$ 440,111	\$ 2,168,622
	<b>6/30/2022</b>	<b>6/30/2023</b>	<b>6/30/2024</b>	<b>6/30/2025</b>	<b>6/30/2026</b>	
Estimated Annual Revenue From Base Rate	\$ 429,466	\$ 432,687	\$ 435,932	\$ 439,201	\$ 442,495	\$ 2,179,780
Total Operating Revenue	\$ 429,466	\$ 432,687	\$ 435,932	\$ 439,201	\$ 442,495	\$ 2,179,780
Net Operating Revenue Over/(under) Operating Costs	\$ 1,948	\$ 2,154	\$ 2,297	\$ 2,375	\$ 2,384	\$ 11,159

## Section III

### Clearlake Oaks County Water District

#### Water Rate Study

#### Combined Water Service and

#### Capital Replacement Program Rates

## 7. Combined Water Service and CRP Rate Adjustments Information

The following tables contain information regarding the combined water service and CPR rate adjustments.

### Affordability Index

Table 17 indicates the affordability index of the current rate, each of the two recommended rate adjustments options and the CRP recommended rate adjustment. Each of the rates are within an acceptable range to be considered affordable. Rate adjustment option #2 will encourage customers to be less wasteful in their water use.

**TABLE 17: Affordability Index Comparison of Rate Adjustment Options**

Clearlak Oaks County Water District Current Rates Affordability Index										
FYE	Monthly Water Service Base Fee	Monthly CRP Fee	Usage Fee Assuming 1,500 CFs Monthly	Usage Fee Assuming 2,000 CFs Monthly	Usage Fee Assuming 3,000 CFs Monthly	Usage Fee Assuming 5,000 CFs Monthly	Over 5,000	Total Monthly Bill	MHI	Affordability Index
Residential Connections Customer Code WSF										
Percent of WSF Customers			95.13%	2.82%	1.11%	0.66%	0.28%	100%		
Percent of WSF Usage			73.83%	10.57%	5.91%	5.31%	4.38%	100%		
2021	\$ 31.11	\$ 15.41	\$ 21.30				Depends on Usage	\$ 67.82	\$ 45,707.00	1.78%
2021	\$ 31.11	\$ 15.41	\$ 21.30	\$ 8.20				\$ 76.02	\$ 45,707.00	2.00%
2021	\$ 31.11	\$ 15.41	\$ 21.30	\$ 8.20	\$ 21.90			\$ 97.92	\$ 45,707.00	2.57%
2021	\$ 31.11	\$ 15.41	\$ 21.30	\$ 8.20	\$ 21.90	\$ 43.80		\$ 141.72	\$ 45,707.00	3.72%
Clearlak Oaks County Water District Rate Adjustment Option #1 Affordability Index										
FYE	Monthly Water Service Base Fee	Monthly CRP Fee	Usage Fee Assuming 1,500 CFs Monthly	Usage Fee Assuming 2,000 CFs Monthly	Usage Fee Assuming 3,000 CFs Monthly	Usage Fee Assuming 5,000 CFs Monthly	Over 5,000	Total Monthly Bill	MHI	Affordability Index
Residential Connections Customer Code WSF										
2022	\$ 31.89	\$ 15.80	\$ 31.05				Depends on Usage	\$ 78.74	\$ 45,707.00	2.07%
2022	\$ 31.89	\$ 15.80	\$ 31.05	\$ 10.35				\$ 89.09	\$ 45,707.00	2.34%
2022	\$ 31.89	\$ 15.80	\$ 31.05	\$ 10.35	\$ 20.70			\$ 109.79	\$ 45,707.00	2.88%
2022	\$ 31.89	\$ 15.80	\$ 31.05	\$ 10.35	\$ 20.70	\$ 43.80		\$ 153.59	\$ 45,707.00	4.03%
Clearlak Oaks County Water District Rate Adjustment Option #2 Affordability Index										
FYE	Monthly Water Service Base Fee	Monthly CRP Fee	Usage Fee Assuming 1,500 CFs Monthly	Usage Fee Assuming 2,000 CFs Monthly	Usage Fee Assuming 3,000 CFs Monthly	Usage Fee Assuming 5,000 CFs Monthly	Over 5,000	Total Monthly Bill	MHI	Affordability Index
Residential Connections Customer Code WSF										
2022	\$ 38.47	\$ 15.80	\$ 20.10				Depends on Usage	\$ 74.37	\$ 45,707.00	1.95%
2022	\$ 38.47	\$ 15.80	\$ 20.10	\$ 6.70				\$ 81.07	\$ 45,707.00	2.13%
2022	\$ 38.47	\$ 15.80	\$ 20.10	\$ 6.70	\$ 13.40			\$ 94.47	\$ 45,707.00	2.48%
2022	\$ 38.47	\$ 15.80	\$ 20.10	\$ 6.70	\$ 13.40	\$ 26.80		\$ 121.27	\$ 45,707.00	3.18%



**Equitability of Rates**

TABLE 18 indicates the equitability of the current rates and each of the two recommended rate adjustments options. Equitability measures the percentage of usage versus the percent of revenue for each customer code. A positive percentage indicates the customers within a specific customer code have a lower percentage of overall usage to their percentage of overall revenue. A negative percentage indicates the customers within a specific customer code have a higher percentage of overall usage to their percentage of overall revenue. The only way a water system will have absolute equitability is if no base rate is charged and all usage is charged at the same rate per unit of usage. This is not practical because a large percentage of a water systems costs are fixed, meaning they are incurred even if a single drop of water is not delivered to the customers' taps. An equitability percentage that is within 5 percent is considered reasonable. In option #2, the equitability for customer code WSF 5/8 inch and 3/4 inch is 6.11 percent. Those customers would be paying an unfair percentage of the water system's costs compared to the amount of water they use.

**TABLE 18: Equitability of Current Rate and Both Rate Adjustment Options**

Customer Code	Current Rate	Adjustment #1	Adjustment #2
USM 5/8"	-0.17%	-0.20%	-0.20%
WMF 5/8"	-1.85%	-1.73%	-1.89%
WSF 5/8" & 3/4"	3.02%	4.26%	6.11%
WSF 1"	1.36%	1.31%	1.48%
WSF 1 1/2"	-0.04%	-0.04%	-0.04%
WS1 5/8"	0.01%	0.01%	0.01%
WSM 5/8"	0.03%	0.03%	0.04%
WSM 5/8" & 3/4"	-0.09%	-0.09%	-0.09%
WSM 1 1/2"	0.55%	0.51%	0.58%
WSM 6"	0.95%	0.69%	0.85%
WZR 5/8"	0.10%	-1.84%	-1.99%
WC 5/8"	-1.41%	0.09%	0.11%
WSM 1"	-2.56%	-2.64%	-2.95%
WC 1"	-1.30%	-1.34%	-1.65%
WC 1 1/2"	-0.03%	-0.05%	-0.17%
WZR 1 1/2"	0.21%	0.20%	0.18%
WMF 2"	0.00%	-0.01%	-0.07%
WC 2"	0.13%	0.31%	-0.33%
WZR 2"	0.33%	0.05%	0.28%
WZR 3"	0.62%	-3.02%	-3.44%
WC 3"	-2.87%	0.59%	0.57%
WC 4"	0.98%	0.94%	0.84%
WZR - 4"	1.03%	0.98%	0.89%
VZX - 4"	1.03%	0.98%	0.89%



**Five Year Rate Schedules**

**TABLE 19: Five Year Rate Schedule Rate Adjustment Option #1**

Rate Adjustment Option #1								
Rate Code	No. of Connections	No of Units Billed	Current Rate	Year 1 Adjusted Rate	Year 2 Adjusted Rate	Year 3 Adjusted Rate	Year 4 Adjusted Rate	Year 5 Adjusted Rate
USM 5/8"	2	17	\$ 31.11	\$ 31.89	\$ 32.69	\$ 33.50	\$ 34.34	\$ 35.20
WMF 5/8"	1	32	\$ 31.11	\$ 31.89	\$ 32.69	\$ 33.50	\$ 34.34	\$ 35.20
WSF 5/8" & 3/4"	1875	1875	\$ 31.11	\$ 31.89	\$ 32.69	\$ 33.50	\$ 34.34	\$ 35.20
WSF 1"	1	46	\$ 31.11	\$ 31.89	\$ 32.69	\$ 33.50	\$ 34.34	\$ 35.20
WSF 1 1/2"	1	1	\$ 31.11	\$ 31.89	\$ 32.69	\$ 33.50	\$ 34.34	\$ 35.20
WS1 5/8"	1	1	\$ 31.11	\$ 31.89	\$ 32.69	\$ 33.50	\$ 34.34	\$ 35.20
WSM 5/8"	1	1	\$ 31.11	\$ 31.89	\$ 32.69	\$ 33.50	\$ 34.34	\$ 35.20
WSM 5/8" & 3/4"	3	11	\$ 31.11	\$ 31.89	\$ 32.69	\$ 33.50	\$ 34.34	\$ 35.20
WSM 1 1/2"	1	28	\$ 31.11	\$ 31.89	\$ 32.69	\$ 33.50	\$ 34.34	\$ 35.20
WSM 6"	1	112	\$ 31.11	\$ 31.89	\$ 32.69	\$ 33.50	\$ 34.34	\$ 35.20
WC 5/8"	1	60	\$ 38.90	\$ 31.89	\$ 32.69	\$ 33.50	\$ 34.34	\$ 35.20
WZR 5/8"	3	3	\$ 38.90	\$ 31.89	\$ 32.69	\$ 33.50	\$ 34.34	\$ 35.20
WSM 1"	1	1	\$ 97.40	\$ 99.84	\$ 102.34	\$ 104.89	\$ 107.52	\$ 110.20
WC 1"	1	8	\$ 97.40	\$ 99.84	\$ 102.34	\$ 104.89	\$ 107.52	\$ 110.20
WC 1 1/2"	1	3	\$ 194.70	\$ 199.57	\$ 204.56	\$ 209.67	\$ 214.92	\$ 220.29
WZR 1 1/2"	1	1	\$ 194.70	\$ 199.57	\$ 204.56	\$ 209.67	\$ 214.92	\$ 220.29
WMF 2"	1	1	\$ 311.42	\$ 319.21	\$ 327.19	\$ 335.37	\$ 343.75	\$ 352.35
WZR 2"	1	1	\$ 311.42	\$ 319.21	\$ 327.19	\$ 335.37	\$ 343.75	\$ 352.35
WC 2"	6	6	\$ 311.42	\$ 319.21	\$ 327.19	\$ 335.37	\$ 343.75	\$ 352.35
WC 3"	1	1	\$ 583.94	\$ 598.54	\$ 613.50	\$ 628.84	\$ 644.56	\$ 660.68
WZR 3"	1	1	\$ 283.94	\$ 598.54	\$ 613.50	\$ 628.84	\$ 644.56	\$ 660.68
WC 4"	1	1	\$ 973.27	\$ 997.60	\$ 1,022.54	\$ 1,048.10	\$ 1,074.31	\$ 1,101.16
WZR - 4"	1	1	\$ 973.27	\$ 997.60	\$ 1,022.54	\$ 1,048.10	\$ 1,074.31	\$ 1,101.16
VZX - 4"	1	1	\$ 973.27	\$ 997.60	\$ 1,022.54	\$ 1,048.10	\$ 1,074.31	\$ 1,101.16
<b>Usage Rate</b>				\$ 2.07	\$ 2.12	\$ 2.17	\$ 2.23	\$ 2.28

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**TABLE 20: Five Year Rate Schedule Rate Adjustment Option #2**

Rate Adjustment Option #2								
Rate Code	No. of Connections	No of Units Billed	Current Rate	Year 1 Adjusted Rate	Year 2 Adjusted Rate	Year 3 Adjusted Rate	Year 4 Adjusted Rate	Year 5 Adjusted Rate
USM 5/8"	2	17	\$ 31.11	\$ 36.73	\$ 37.65	\$ 38.59	\$ 39.56	\$ 40.55
WMF 5/8"	1	32	\$ 31.11	\$ 36.73	\$ 37.65	\$ 38.59	\$ 39.56	\$ 40.55
WSF 5/8" & 3/4"	1875	1875	\$ 31.11	\$ 36.73	\$ 37.65	\$ 38.59	\$ 39.56	\$ 40.55
WSF 1"	1	46	\$ 31.11	\$ 36.73	\$ 37.65	\$ 38.59	\$ 39.56	\$ 40.55
WSF 1 1/2"	1	1	\$ 31.11	\$ 36.73	\$ 37.65	\$ 38.59	\$ 39.56	\$ 40.55
WS1 5/8"	1	1	\$ 31.11	\$ 36.73	\$ 37.65	\$ 38.59	\$ 39.56	\$ 40.55
WSM 5/8"	1	1	\$ 31.11	\$ 36.73	\$ 37.65	\$ 38.59	\$ 39.56	\$ 40.55
WSM 5/8" & 3/4"	3	11	\$ 31.11	\$ 36.73	\$ 37.65	\$ 38.59	\$ 39.56	\$ 40.55
WSM 1 1/2"	1	28	\$ 31.11	\$ 36.73	\$ 37.65	\$ 38.59	\$ 39.56	\$ 40.55
WSM 6"	1	112	\$ 31.11	\$ 36.73	\$ 37.65	\$ 38.59	\$ 39.56	\$ 40.55
WC 5/8"	1	60	\$ 38.90	\$ 36.73	\$ 37.65	\$ 38.59	\$ 39.56	\$ 40.55
WZR 5/8"	3	3	\$ 38.90	\$ 36.73	\$ 37.65	\$ 38.59	\$ 39.56	\$ 40.55
WSM 1"	1	1	\$ 97.40	\$ 91.83	\$ 94.13	\$ 96.48	\$ 98.89	\$ 101.37
WC 1"	1	8	\$ 97.40	\$ 91.83	\$ 94.13	\$ 96.48	\$ 98.89	\$ 101.37
WC 1 1/2"	1	3	\$ 194.70	\$ 183.67	\$ 188.26	\$ 192.96	\$ 197.79	\$ 202.73
WZR 1 1/2"	1	1	\$ 194.70	\$ 183.67	\$ 188.26	\$ 192.96	\$ 197.79	\$ 202.73
WMF 2"	1	1	\$ 311.42	\$ 293.87	\$ 301.21	\$ 308.74	\$ 316.46	\$ 324.37
WC 2"	6	6	\$ 311.42	\$ 293.87	\$ 301.21	\$ 308.74	\$ 316.46	\$ 324.37
WZR 2"	1	1	\$ 311.42	\$ 293.87	\$ 301.21	\$ 308.74	\$ 316.46	\$ 324.37
WC 3"	1	1	\$ 583.94	\$ 587.73	\$ 602.43	\$ 617.49	\$ 632.92	\$ 648.75
WZR 3"	1	1	\$ 283.94	\$ 587.73	\$ 602.43	\$ 617.49	\$ 632.92	\$ 648.75
WC 4"	1	1	\$ 973.27	\$ 918.33	\$ 941.29	\$ 964.82	\$ 988.94	\$ 1,013.67
WZR - 4"	1	1	\$ 973.27	\$ 918.33	\$ 941.29	\$ 964.82	\$ 988.94	\$ 1,013.67
VZX - 4"	1	1	\$ 973.27	\$ 918.33	\$ 941.29	\$ 964.82	\$ 988.94	\$ 1,013.67
Usage Rate				\$ 1.34	\$ 1.37	\$ 1.41	\$ 1.44	\$ 1.48

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## 8. Conclusions and Recommendations

### Key points to remember with any rate adjustment:

- Successful utilities are those that strive to be transparent. In day-to-day operations, 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.
- The ability of the recommended rate structure to generate adequate revenue will depend on maintaining a vigorous collection and shut-off policy to keep delinquent accounts at a minimum.
- In order to achieve and maintain long-term viability, CLOCWD should review its rates annually, or no less than a minimum of every two years. Keeping track of customer seasonal and annual water demands will help determine operational needs, budget forecasts and rate adjustments.
- CLOCWD should implement the first year rate adjustment on July 1, 2021, and subsequent annual adjustments on July 1 to provide sufficient revenues for funding future operations and to adequately fund reserves.
- CLOCWD should establish policies for reserve accounts as recommended above.
- CLOCWD should designate reserves on its financial statements.
- CLOCWD should maintain and report balance sheet activities according to individual enterprise.
- CIP reserves should be moved to and maintained in the highest interest bearing accounts available to offset inflation unless the cost of doing so would be more than the interest earned on the account.

## 9. Proposition 218

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

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

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

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

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



# Sewer Financial Analysis Prepared for the Clearlake Oaks County Water District

**Rural Community  
Assistance Corporation**



Prepared by:  
Sarah Bixler

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March 2021

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prepared using funds under Prop 1.  
TA Work Plan Number: AR 6198-A



March 1, 2021

Emma Blankenship  
State Water Resources Control City Council - Division of Financial Assistance  
1001 I St. 16th Floor  
Sacramento, CA 95814

Subject: Clearlake Oaks County Water District Sewer Rate Analysis  
Sewer Rate Study, Assistance Referral Number 6198-A

Dear Emma,

Enclosed please find the printed final report for Clearlake Oaks County Water District (CLOCWD) sewer rate analysis.

The report was presented and reviewed by the Board of Clearlake Oaks County Water District on February 18, 2021. The Proposition 218 hearing is scheduled for June 22, 2021. RCAC will continue to support the district through the Proposition 218 process.

If you have any additional questions, feel free to contact Sarah Bixler at (916) 926-1468 or Mary Fleming at (916) 549-6338.

Sincerely,

*Ari Neumann*

Ari Neumann  
RCAC, Director  
Community & Environmental Services

Enclosure: Clearlake Oaks County Water District – Sewer Rate Study  
CC: Dianna Mann, General Manager, Clearlake Oaks County Water District

## Executive Summary

Clearlake Oaks County Water District (CLOCWD) was established in 1960 and provides water and sewer services throughout the unincorporated area of the Clearlake Oaks community. In 2017, CLOCWD secured a commitment from U.S. Department of Agriculture (USDA) for a grant and loan to improve its storage system and infrastructure. The district was awarded a loan of \$2,831,000 and a grant amount of \$1,060,203 for its project. The purpose of the loan/grant was to install a new clarifier at the waste plant. In addition, the district received a \$5,450,000 grant to upgrade the lift stations with new electrical panels and pumps, and to install a force main from lift station 7 to the waste plant. This allowed the district to pump higher volumes to the waste plant during high flows such as flood conditions. A new drying bed and fail-safe actuating valve were included for the secondary effluent pump station, which diverts the effluent to the clarifier in the case of power outages. Therefore, the secondary effluent pump station does not overflow. This rate study is required to ensure the district will be able to sustain the USDA loan payments from the sewer projects described above.

CLOCWD has not had a rate analysis in several years. To ensure its ability to continue repayment of the loan, replenish the nearly depleted reserves and conduct on-going infrastructure repairs, improvements and replacements, CLOCWD requested and received approval from the State Water Resources Control Board (SWRCB) for technical assistance from RCAC to analyze current rates and propose alternative options. This will include assistance with the Proposition 218 process and hearing. The sewer rate study originally started August 11, 2020, during CLOCWD's water rate study with RCAC.

The rates are established by CLOCWD's Board of Directors. CLOCWD has requested RCAC to conduct this sewer rate study to evaluate four primary areas which are:

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

RCAC reviewed CLOCWD's financial documents, including three years of historic costs for the sewer system and the 2021 board approved budget. Loan repayment information from USDA Rural Development was also reviewed and included in the projections. From that, and with the assistance of the CLOCWD General Manager and administrative services Manager/Board Secretary, five-year cost projections were created. In reviewing cost information against revenue at the current rates, it was determined that a rate adjustment is necessary.

The completed rate study offers two rate adjustment options for sewer service and two recommended rate adjustment options for the sewer Capital Replacement Program (CRP).

Sewer Service Rate Adjustment Option #1, each EDU rate is increased by 2.5 percent. Sewer Service Rate Adjustment Option #2, each EDU rate is increased by 11.75 percent. CRP Rate Adjustment Option #1, each EDU rate is increased by 23 percent. CRP Rate Adjustment Option #2, each EDU rate is increased by 25.75 percent.



**The CLOCWD Board of Directors chose to implement Sewer Service Rate Adjustment Option #1 and CRP Rate Adjustment Option #2 on the district's March 18, 2021, board meeting.**

RCAC reviewed affordability and equitability for both rate adjustment options with the CRP rate adjustment.

RCAC recommends CLOCWD monitor rate revenue against costs monthly to manage cash flow and conduct a full rate analysis in five years or if a change in costs, or revenue occurs. If new equipment is put into service, additional CRP reserves should be funded.

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# 1. Introduction

## Rural Community Assistance Corporation

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

## Purpose of the Rate Analysis

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 has the ability to obtain sufficient funds to develop, construct, operate, maintain, and manage its sewer system on a continuing basis, in full compliance with federal, state and local requirements.

## Guiding Principles of this Rate Study

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

- **Sustainability** – Sewer rates should cover the costs to the sewer utility to allow it to provide sewer services for the foreseeable future and prepare for system repair and replacement. This will allow the system to continue to provide sewer services to future generations.
- **Fair** – Sewer rates should be fair to all ratepayers. The utility should not charge more for sewer costs than the cost to collect and treat the waste. However, the costs should include operations, maintenance, reserves, and all other costs related to the collection and treatment, in the foreseeable future. Therefore, the proposed rates are based on the sewer utility budget, needed capital repair and replacement, and historic sewer enterprise costs.
- **Justifiability** – Rates should be easily justifiable. When determining rate recommendations, RCAC considers if the proposed rate adjustments are necessary and justifiable given the true costs of operating the system safely.

## State or Funder Specific Requirements

CLOCWD is not under funder requirements for reserves and rates. However, the Board is obligated by its responsibilities to provide for sufficient reserves and long-term sustainability.

## Board Responsibilities

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

Disclaimer

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

## 2. Rate Study Process

The figure<sup>1</sup> below explains the process of setting rates.

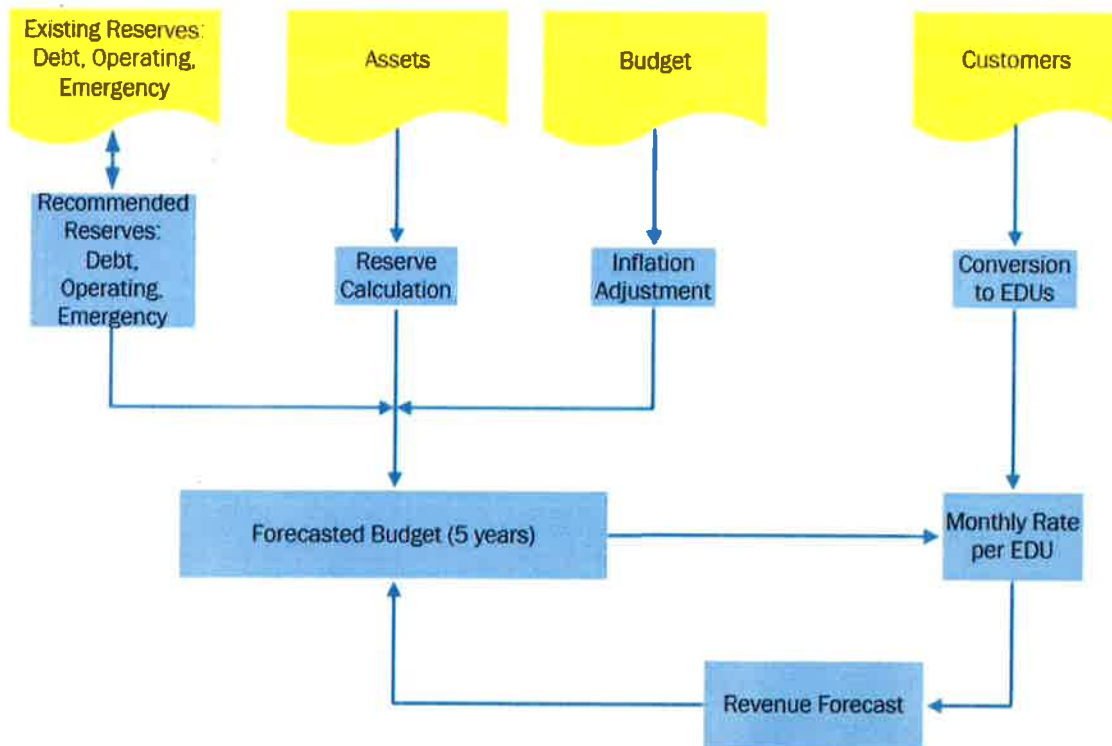
We begin with the list of all existing reserves, capitalized assets, the current budget, and the current sales history as provided by district staff.

From the assets list the required reserves are calculated and fed into a five-year budget projection.

The budget is adjusted for inflation, estimated to be 2.3 percent per year.

With input from staff and RCAC, this process was repeated several times to arrive at an acceptable rate that would balance the forecasted budget.

### Rate Setting with EDUs



Note: EDUs (Equivalent Dwelling Units) is a method of calculating rates of systems without meters. In this case, a sewer system. RCAC used a table provided by CLOCWD that converts different commercial uses into corresponding units, similar to EDUs. EDUs are synonymous with ERUs (Equivalent Residential Unit). CLOCWD requested no change in its rate structure, except an adjustment to the existing rates, if necessary.

<sup>1</sup> All yellow fields and cells in the figures and tables of this report are based on external data. All blue fields or cells are calculated.

### 3. System Basic Statistics

#### Community

Clearlake Oaks is a census designated place (CDP) in Lake County, California. It is located on the far southeast side of Clear Lake. The 2014 – 2018 American Community Survey (ACS) estimated Clearlake Oaks had a population of approximately 2,279 in 2018.

CLOCWD was established in 1960 and provides water and sewer services throughout the unincorporated area of the Clearlake Oaks community. CLOCWD is governed by an elected five-member Board of Directors that acts as the authoritative and legislative body of the entity. CLOCWD currently serves 2,289 equivalent dwelling units.

CLOCWD has not had a rate analysis in several years. At CLOCWD's request, the State Water Resources Control Board (SWRCB) approved technical assistance from RCAC to analyze current rates and propose alternative options. This will include assistance with the Proposition 218 process and hearing.

Besides wastewater service rate revenue, CLOCWD estimates \$110,000 in miscellaneous, non-operating revenue from tax role assessments and an AT&T cell phone tower lease.

#### System Description

The district operates a public wastewater collection system that feeds into a wastewater treatment facility; this facility has a design capacity of 2.1 MGD and 590 pounds per day (PPD) of Biochemical Oxygen Demand (BOD). There are approximately 1,680 connections within district boundaries to serve the population. The treatment facility was updated in 2018, including a new clarifier, drying bed and a force main that gives the district the ability to go into emergency beds or stabilization ponds with diverted influent. The district also has the ability to go directly into its chlorine contact chamber (CCC) from its secondary effluent pump (SEPS). CLOCWD will continue to update the facility with a new chlorine room and a new SEPS valve, configured in 2021.

#### Future Population and Usage Projections

CLOCWD serves just over 1,600 wastewater connections serving an estimated population of approximately 2,300, according to the 2018 ACS estimates. Pursuant to information received by the General Manager, this analysis assumes that minimal growth may occur within the service area in the next five years and the growth will have little or no impact on the system cost and rates.

## 4. Current Financial Condition and Analysis

### Current Budget

CLOCWD tracks the water and wastewater utilities separately on the Statement of Activities but does not do so on the Statement of Financial Position, which makes it difficult to determine the financial health of either enterprise separately. The combined Statement of Financial Positions indicates an acceptably strong financial position. However, to remain robust and continue to provide sewer services to the community in the face of increasing costs, the current rate structure needs to be examined. Funding of the 2017 USDA project is paid as follows under the CRP rate:

1. USDA Rural Development Loan requires an annual principal and interest payment of \$105,280. The payment began on December 1, 2017 and will continue to mature until 2057. This payment is reflected in the CRP rate section of this report.

### Common Sewer Rate Structures

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

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

### Current Rate Structure

Currently, customers are charged a monthly rate for the sewer enterprise per unit and customer category. CLOCWD's current rate structure is comparable to EDUs. The district requested the pre-existing structure to remain as-is. Therefore, RCAC's recommended adjustments are percentage increases to CLOCWD's current rate structure.

Sewer rates are established by the Board of Directors with proposed adjustments subject to the opportunity for the public to protest pursuant to California Proposition 218 guidelines. The current rates were implemented on June 1, 2018. CLOCWD's rate structure includes one rate structure for sewer operations and another rate structure for capital projects and replacement. CLOCWD also creates budgets and Statements of Activity for each of the two separate rate structures. Included in this report are two rate studies, one for each of the rate structures and budgets.

Current customer categories were evaluated in the discussion of the new rates. The district determined in the process of this study the categories of “Bar w/Kitchen/Food Service,” and “Fire Protection” were no longer applicable and therefore removed. Below are the following rates from the 2018 and 2019 fiscal years.

Table 1: Current Sewer and CRP Rate Structure

Clearlake Oaks County Water District Current Sewer Rate Schedule

	2017/2018			2018/2019		
<b>Residential</b>				<b>Rate</b>	<b>Fixed</b>	<b>CRP</b>
This classification will now include all SFD/MFD/MHD	\$ 59.85	\$ 44.43	\$ 15.42	\$ 63.19	\$ 45.77	\$ 17.42
<b>Commercial</b>						
	2017/2018			2018/2019		
	Rate	Fixed	CRP	Rate	Fixed	CRP
School - Per Student	\$ 1.81	\$ 1.40	\$ 0.41	\$ 1.86	\$ 1.44	\$ 0.42
RV/Campsite - Per Space	\$ 18.12	\$ 12.70	\$ 5.42	\$ 18.66	\$ 13.08	\$ 5.58
Hotel/Motel	\$ 28.11	\$ 20.60	\$ 7.51	\$ 28.95	\$ 21.22	\$ 7.73
Laundromat - Per Machine	\$ 37.74	\$ 28.21	\$ 9.53	\$ 38.87	\$ 29.06	\$ 9.81
Church	\$ 57.18	\$ 43.58	\$ 13.60	\$ 58.86	\$ 44.86	\$ 14.00
Service/Gas Station - Per Restroom	\$ 37.74	\$ 28.21	\$ 9.53	\$ 38.87	\$ 29.06	\$ 9.81
Beauty/Barber Shop	\$ 57.18	\$ 43.54	\$ 13.60	\$ 58.89	\$ 44.89	\$ 14.00
Restaurant	\$ 85.02	\$ 65.59	\$ 19.43	\$ 87.56	\$ 67.56	\$ 20.00
Restaurant w/Bar	\$ 142.64	\$ 111.15	\$ 31.49	\$ 146.89	\$ 114.48	\$ 32.41
Bar	\$ 82.38	\$ 63.51	\$ 18.87	\$ 84.84	\$ 65.42	\$ 19.42
Bar w/Kitchen/Food Service	\$ 79.67	\$ 61.37	\$ 18.87	\$ 82.04	\$ 63.21	\$ 18.83
Service Club	\$ 57.18	\$ 43.58	\$ 13.60	\$ 58.89	\$ 44.89	\$ 14.00
Service Club w/Kitchen/Food Service	\$ 79.67	\$ 61.37	\$ 18.30	\$ 82.04	\$ 63.21	\$ 18.83
Commercial Office Space	\$ 57.18	\$ 43.58	\$ 13.60	\$ 58.89	\$ 44.89	\$ 14.00
Community Beach - Per Restroom	\$ 57.18	\$ 43.58	\$ 13.60	\$ 58.89	\$ 44.89	\$ 14.00
Fire Protection	\$ 57.18	\$ 43.58	\$ 13.60	\$ 58.89	\$ 44.89	\$ 14.00

CLOCWD’s current rate structure shows each commercial category’s total rate, and the portion of the cost allocated to the fixed sewer rate, and the CRP rate. For example, in fiscal year 2018 a hotel customer fixed sewer rate was \$20.60, and the CRP rate was \$7.51. In total a hotel customer was charged \$28.11 monthly.



Table 2: Total Sewer Rate Revenue under Current Fixed Sewer Rates

2020 Rate	# Units	Current Monthly Rate	Average Monthly Base Revenue	Average Annual Base Revenue		
Bar	1	\$ 65.42	\$ 65.42	\$ 785.04		
Beauty/Barber Shop	1	\$ 44.89	\$ 44.89	\$ 538.68		
Church	2	\$ 44.86	\$ 89.72	\$ 1,076.64		
Office Space	49	\$ 44.89	\$ 2,199.61	\$ 26,395.32		
Community Beach - Per Restroom	7	\$ 44.89	\$ 314.23	\$ 3,770.76		
Fire Protection	0	\$ 44.89	\$ -	\$ -		
Hotel/Motel	77	\$ 21.22	\$ 1,633.94	\$ 19,607.28		
Laundromat - Per Machine	10	\$ 29.06	\$ 290.60	\$ 3,487.20		
Multi-Family Residential	86	\$ 45.77	\$ 3,936.22	\$ 47,234.64		
Restaurant w/Bar	5	\$ 114.48	\$ 572.40	\$ 6,868.80		
Restaurant	6	\$ 67.56	\$ 405.36	\$ 4,864.32		
RV/Campsite - Per Space	29	\$ 13.08	\$ 379.32	\$ 4,551.84		
School - Per Student	208	\$ 1.44	\$ 299.52	\$ 3,594.24		
Service Club	0	\$ 44.89	\$ -	\$ -		
Service Club w/Kitchen/Food Service	4	\$ 63.21	\$ 252.84	\$ 3,034.08		
Service/Gas Station - Per Restroom	4	\$ 29.06	\$ 116.24	\$ 1,394.88		
Single Family - Mobile	163	\$ 45.77	\$ 7,460.51	\$ 89,526.12		
Single Family Residential	1637	\$ 45.77	\$ 74,925.49	\$ 899,105.88		
<b>Total Base Revenue</b>	<b>2,289</b>		<b>\$ 92,986.31</b>	<b>\$ 1,115,835.72</b>		
<b>Budget Assuming 2.3% Inflation per year</b>	<b>FYE 6/30/2022</b>	<b>FYE 6/30/2023</b>	<b>FYE 6/30/2024</b>	<b>FYE 6/30/2025</b>	<b>FYE 6/30/2026</b>	<b>5 Year Total</b>
Total Monthly Required Reserves Fund	\$ 2,543	\$ 2,602	\$ 2,662	\$ 2,723	\$ 2,785	
Total Yearly Required Reserve Fund	\$ 30,520	\$ 31,222	\$ 31,940	\$ 32,674	\$ 33,426	\$ 159,781
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Budget	\$ 1,220,783	\$ 1,248,861	\$ 1,277,585	\$ 1,306,969	\$ 1,337,029	\$ 6,391,226
<b>Total Budget</b>	<b>\$ 1,251,302</b>	<b>\$ 1,280,082</b>	<b>\$ 1,309,524</b>	<b>\$ 1,339,643</b>	<b>\$ 1,370,455</b>	<b>\$ 6,551,007</b>
	<b>FYE 6/30/2022</b>	<b>FYE 6/30/2023</b>	<b>FYE 6/30/2024</b>	<b>FYE 6/30/2025</b>	<b>FYE 6/30/2026</b>	<b>5 Year Total</b>
Estimated Annual Revenue From Base Rate	\$ 1,115,836	\$ 1,115,836	\$ 1,115,836	\$ 1,115,836	\$ 1,115,836	\$ 5,579,179
Net Operating Revenue Over/(under) Operating	\$ (135,467)	\$ (164,247)	\$ (193,688)	\$ (223,807)	\$ (254,619)	\$ (971,828)
<b>Non-Operating Revenue</b>						
Penalties/Late Fees	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 50,000.00
AT&T Lease	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 100,000.00	\$ 500,000.00
Total Other Income	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 550,000.00
<b>Net Income/Loss</b>	<b>\$ (25,467)</b>	<b>\$ (54,247)</b>	<b>\$ (83,688)</b>	<b>\$ (113,807)</b>	<b>\$ (144,619)</b>	<b>\$ (421,828)</b>

The table above calculates how much revenue each customer category's sewer rate produces and demonstrates the net loss in income according to the difference between total income and total costs. If rates are not increased as soon as possible, the district will experience a net loss from sewer service revenue in the amount of \$421,828 over the five-year period.

Table 3: Total CRP Rate Revenue under Current CRP Rates

2020 Rate	# Units	Monthly Rate	Average Monthly Base Revenue	Average Annual Base Revenue		
Bar	1	\$ 19.42	\$ 19.42	\$ 233.04		
Beauty/Barber Shop		\$ 14.00	\$ -	\$ -		
Church	2	\$ 14.00	\$ 28.00	\$ 336.00		
Office Space	32	\$ 14.00	\$ 448.00	\$ 5,376.00		
Community Beach - Per Restroom	2	\$ 14.00	\$ 28.00	\$ 336.00		
Fire Protection		\$ 14.00	\$ -	\$ -		
Hotel/Motel		\$ 7.73	\$ -	\$ -		
Laundromat - Per Machine	8	\$ 9.81	\$ 78.48	\$ 941.76		
Multi-Family Residential			\$ -	\$ -		
Restaurant w/Bar	2	\$ 32.41	\$ 64.82	\$ 777.84		
Restaurant	6	\$ 20.00	\$ 120.00	\$ 1,440.00		
RV/Campsite - Per Space		\$ 5.58	\$ -	\$ -		
School - Per Student	208	\$ 0.42	\$ 87.36	\$ 1,048.32		
Service Club		\$ 14.00	\$ -	\$ -		
Service Club w/Kitchen/Food Service	4	\$ 18.83	\$ 75.32	\$ 903.84		
Service/Gas Station - Per Restroom	3	\$ 9.81	\$ 29.43	\$ 353.16		
Single Family - Mobile			\$ -	\$ -		
Single Family Residential	2023	\$ 17.42	\$ 35,240.66	\$ 422,887.92		
<b>Total CRP Revenue</b>	<b>2,291</b>		<b>\$ 36,219.49</b>	<b>\$ 434,633.88</b>		
<b>Budget Assuming 3% Inflation per year</b>	<b>FYE 6/30/2022</b>	<b>FYE 6/30/2023</b>	<b>FYE 6/30/2024</b>	<b>FYE 6/30/2025</b>	<b>FYE 6/30/2026</b>	<b>5 Year Total</b>
Total Monthly Required Reserves Fund	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Yearly Required Reserve Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service	\$ 105,280	\$ 105,280	\$ 105,280	\$ 105,280	\$ 105,280	\$ 526,400
Operating Budget	\$ 440,628	\$ 450,762	\$ 461,130	\$ 471,736	\$ 482,585	\$ 2,306,840
<b>Total Budget</b>	<b>\$ 545,908</b>	<b>\$ 556,042</b>	<b>\$ 566,410</b>	<b>\$ 577,016</b>	<b>\$ 587,865</b>	<b>\$ 2,833,240</b>
	<b>FYE 6/30/2022</b>	<b>FYE 6/30/2023</b>	<b>FYE 6/30/2024</b>	<b>FYE 6/30/2025</b>	<b>FYE 6/30/2026</b>	<b>5 Year Total</b>
Estimated Annual Revenue From CRP Rate	\$ 434,634	\$ 434,634	\$ 434,634	\$ 434,634	\$ 434,634	\$ 2,173,169
Net Operating Revenue Over/(under) Operating	\$ (111,274)	\$ (121,408)	\$ (131,776)	\$ (142,382)	\$ (153,232)	\$ (660,071)

The table above calculates how much revenue each customer category's CRP rate produces and demonstrates the net loss from CRP revenue in the amount of \$660,071 over the five-year period.

#### Current Rate Structure Affordability Index

The affordability index measures the burden of costs passed from the sewer utility to the users against the median household income (MHI) for the area and is used by funding agencies to determine grant and low interest loan eligibility. The MHI is calculated for residential rates only. Many funding organizations look for an affordability ratio of at least 1.5 percent before approving grant money to low-income communities. According to the 2018 ACS estimates, Clearlake Oaks is a small, disadvantaged community with an MHI of \$45,707, qualifying the utility for grants and low interest loans for capital improvements and replacements.

**Affordability Index** = average annual residential bill for sewer / annual MHI

Table 4: Affordability Index Current Rates

Single Family Residential - Current Sewer Rate					
	Sewer Rate	CRP Rate	Total Bill	MHI	Index
2021	\$ 45.77	\$ 17.42	\$ 63.19	\$ 45,707.00	1.66%

Combined under the current sewer and CRP rates, the affordability index for a single-family residential customer is 1.20 percent for service and 0.46 percent for CRP for a combined affordability index of 1.66 percent. Although the rates have recently increased, they still do not produce enough revenue to cover all of CLOCWD's sewer enterprise costs.

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## 5. Sewer Reserves

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

Utility reserve levels can be thought of as a savings account. Reserve balances are funds that are set aside for a specific cash flow requirement, financial need, project, task, or legal covenant. Common reserve balances are established around the following four areas: operating reserve, capital replacement, emergency, and debt service reserve. These balances are maintained in order 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.

### Debt Reserve

The district acquired a USDA Rural Development loan-grant combination for their sewer project (see section 1 for more information). The loan was in the amount of \$2,831,000 and the grant amount was \$1,060,203. The USDA Rural Development loan requires an annual principal and interest payment of \$105,280. The payment began on Dec. 1, 2017 and will continue to mature until 2057. The General Manager indicated that the debt reserve requirement has been met.

### 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. A 45-day operating reserve is a frequently used industry norm. Because of potential delays in collecting payment, many utilities attempt to keep an amount of cash equal to at least 45 days or one-eighth of their annual cash operation and maintenance expenses in an operating reserve to mitigate potential cash flow problems. A five-year budget projection was completed assuming a 2.3 percent annual inflation rate. This analysis assumes operating reserves have already been funded.

### Emergency Reserve

In addition to operating reserves, emergency reserves are an important tool for financial sustainability. Emergency reserves are intended to help utilities deal with short-term emergencies that arise from time-to-time, such as main breaks or pump failures. The appropriate amount of emergency reserves will vary greatly with the size of the utilities and should depend on major infrastructure assets. An emergency reserve is intended to fund the immediate replacement or reconstruction of the system's single most critical asset; an asset whose failure will result in an immediate threat to public safety. Discussion with the CLOCWD General Manager indicated the enterprise has enough reserve funds to cover emergencies.

### Capital Replacement Reserves (CRP)

A capital replacement reserve (also called an improvement or repair reserve) is intended to be used for replacing system assets that have become worn out or obsolete. Annual depreciation is frequently used

to estimate the minimum level of funding for this capital reserve. It is important to understand that a depreciation expense is an accounting concept for estimating the decline of an asset's useful life and does not represent the current replacement cost of that asset. As an example, a brand-new system with a construction cost of \$1 million and a service life of 100 years should, in theory, be setting aside \$10,000 per year to fully capitalize the replacement cost of the infrastructure as it wears out. Many smaller systems find this to be impossible because of the effect on rates, which explains the large number of small systems that are falling into disrepair. CLOCWD uses the CRP fund for replacements and improvements on an ongoing basis. The annual budget includes projects planned for the upcoming year.

To initiate a CRP, 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 sewer system assets is often a shock to small systems that are struggling to keep rates reasonable.

One alternative method is to set-aside an annual amount equal to 1 to 2 percent of the total original cost asset value of the utility's property. Larger systems often have sufficient non-operating revenue to fund these reserve levels without affecting rates, but smaller systems often do not, leaving them to fund their CRP reserves from rates alone. An alternative method is to set-aside sufficient reserve funds to cover 100 percent of the cost of replacing short-lived assets, such as pumps, electronic controls, vehicles, etc.

## 6. Sewer Rate Study – Budget and Calculation of Alternatives

### Budget Five-Year Projection

To develop the CLOCWD sewer service budget, actual costs and revenues for the fiscal years that ended June 30, 2018, 2019 and 2020 were reviewed and compared to the board approved budget for the fiscal year ending June 30, 2021. When the review confirmed the 2021 budget was appropriate and justifiable, it was used as the basis for projecting out five years. A 2.3 percent inflation rate was applied to fiscal years ending 2022 – 2026. The projected budgets include the assumptions that:

1. It is assumed Debt Reserves are covered by the CRP rates.
2. It is assumed Operating Reserves for Sewer Service equal to 12.5 percent of the annual budget will be funded over the five-year period.
3. It is assumed Emergency Reserves have already been established in an adequate amount and/or equipment redundancy has been established.
4. It is assumed Capital Reserves are covered by the CRP rates.

Out of the alternatives presented, CLOCWD chose to implement Sewer Service Rate Adjustment Option #1, adjusting the current rates by 2.5 percent.

Table 5: Sewer Budget Five-Year Projection

	Inflation					2.3%
	2021 Budget	2022 Projections	2023 Projections	2024 Projections	2025 Projections	2026 Projections
<b>Expenses for Sewer</b>						
Salaries and Waters	\$ 455,678	\$ 466,158.59	\$ 476,880.24	\$ 487,848.49	\$ 499,069.00	\$ 510,547.59
FICA - District Share	\$ 37,773	\$ 38,641.78	\$ 39,530.54	\$ 40,439.74	\$ 41,369.86	\$ 42,321.36
Medical Insurance - District Share	\$ 166,616	\$ 170,448.17	\$ 174,368.48	\$ 178,378.95	\$ 182,481.67	\$ 186,678.75
PERS - District Share	\$ 73,976	\$ 75,677.45	\$ 77,418.03	\$ 79,198.64	\$ 81,020.21	\$ 82,883.68
Unemployment	\$ 9,000	\$ 9,207.00	\$ 9,418.76	\$ 9,635.39	\$ 9,857.01	\$ 10,083.72
Workers Comp Insurance	\$ 26,543	\$ 27,153.49	\$ 27,778.02	\$ 28,416.91	\$ 29,070.50	\$ 29,739.12
Advertising	\$ 200	\$ 204.60	\$ 209.31	\$ 214.12	\$ 219.04	\$ 224.08
Bank Fees	\$ 10,000	\$ 10,230.00	\$ 10,465.29	\$ 10,705.99	\$ 10,952.23	\$ 11,204.13
Communications & Internet	\$ 10,000	\$ 10,230.00	\$ 10,465.29	\$ 10,705.99	\$ 10,952.23	\$ 11,204.13
Board Expense	\$ 3,750	\$ 3,836.25	\$ 3,924.48	\$ 4,014.75	\$ 4,107.09	\$ 4,201.55
Equipment - Field	\$ 4,000	\$ 4,092.00	\$ 4,186.12	\$ 4,282.40	\$ 4,380.89	\$ 4,481.65
Equipment - Office	\$ 2,000	\$ 2,046.00	\$ 2,093.06	\$ 2,141.20	\$ 2,190.45	\$ 2,240.83
Fuel & Oil	\$ 16,300	\$ 16,674.90	\$ 17,058.42	\$ 17,450.77	\$ 17,852.13	\$ 18,262.73
Insurance	\$ 26,250	\$ 26,853.75	\$ 27,471.39	\$ 28,103.23	\$ 28,749.60	\$ 29,410.84
Lab	\$ 15,000	\$ 15,345.00	\$ 15,697.94	\$ 16,058.99	\$ 16,428.34	\$ 16,806.20
Memberships & Subscriptions	\$ 29,750	\$ 30,434.25	\$ 31,134.24	\$ 31,850.33	\$ 32,582.88	\$ 33,332.29
Mileage Reimbursements	\$ 500	\$ 511.50	\$ 523.26	\$ 535.30	\$ 547.61	\$ 560.21
Postage & Shipping	\$ 6,000	\$ 6,138.00	\$ 6,279.17	\$ 6,423.60	\$ 6,571.34	\$ 6,722.48
Professional Services	\$ 19,000	\$ 19,437.00	\$ 19,884.05	\$ 20,341.38	\$ 20,809.24	\$ 21,287.85
Rents	\$ 6,200	\$ 6,342.60	\$ 6,488.48	\$ 6,637.71	\$ 6,790.38	\$ 6,946.56
Safety & Security	\$ 5,500	\$ 5,626.50	\$ 5,755.91	\$ 5,888.30	\$ 6,023.73	\$ 6,162.27
Tools & Instruments	\$ 2,500	\$ 2,557.50	\$ 2,616.32	\$ 2,676.50	\$ 2,738.06	\$ 2,801.03
Supplies - Clothing & Personal	\$ 2,300	\$ 2,352.90	\$ 2,407.02	\$ 2,462.38	\$ 2,519.01	\$ 2,576.95
Supplies - Office	\$ 5,250	\$ 5,370.75	\$ 5,494.28	\$ 5,620.65	\$ 5,749.92	\$ 5,882.17
Treatment - Chemicals	\$ 48,000	\$ 49,104.00	\$ 50,233.39	\$ 51,388.76	\$ 52,570.70	\$ 53,779.83
Supplies - Operating - Other	\$ 22,000	\$ 22,506.00	\$ 23,023.64	\$ 23,553.18	\$ 24,094.90	\$ 24,649.09
Training	\$ 3,250	\$ 3,324.75	\$ 3,401.22	\$ 3,479.45	\$ 3,559.47	\$ 3,641.34
Travel	\$ 1,000	\$ 1,023.00	\$ 1,046.53	\$ 1,070.60	\$ 1,095.22	\$ 1,120.41
Utilities	\$ 125,750	\$ 128,642.25	\$ 131,601.02	\$ 134,627.85	\$ 137,724.29	\$ 140,891.94
Waste Disposal	\$ 52,250	\$ 53,451.75	\$ 54,681.14	\$ 55,938.81	\$ 57,225.40	\$ 58,541.58
R & R - Building Grounds	\$ 4,500	\$ 4,603.50	\$ 4,709.38	\$ 4,817.70	\$ 4,928.50	\$ 5,041.86
R & R - Equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
R & R - Vehicles	\$ 2,500	\$ 2,557.50	\$ 2,616.32	\$ 2,676.50	\$ 2,738.06	\$ 2,801.03
<b>Total Operating Costs</b>	<b>\$ 1,193,336</b>	<b>\$ 1,220,782.73</b>	<b>\$ 1,248,860.73</b>	<b>\$ 1,277,584.53</b>	<b>\$ 1,306,968.97</b>	<b>\$ 1,337,029.26</b>
Operating Reserves	\$ -	\$ 30,519.57	\$ 31,221.52	\$ 31,939.61	\$ 32,674.22	\$ 33,425.73
<b>Total Reserve &amp; Debt Service</b>	<b>\$ -</b>	<b>\$ 30,519.57</b>	<b>\$ 31,221.52</b>	<b>\$ 31,939.61</b>	<b>\$ 32,674.22</b>	<b>\$ 33,425.73</b>
<b>Total Operations, Debt Service and Reserve Funding</b>	<b>\$ 1,193,336</b>	<b>\$ 1,251,302.30</b>	<b>\$ 1,280,082.25</b>	<b>\$ 1,309,524.14</b>	<b>\$ 1,339,643.20</b>	<b>\$ 1,370,454.99</b>
<b>Total Income from Operations</b>	<b>\$ (60,536)</b>					
<b>Other Income/(Expense)</b>						
Penalty & Interest	\$ 25,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000	\$ 10,000
Other Revenue - Non S/W Revenue	\$ 110,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000
<b>Total Other Income/(Expense)</b>	<b>\$ 145,000</b>	<b>\$ 110,000.00</b>	<b>\$ 110,000.00</b>	<b>\$ 110,000.00</b>	<b>\$ 110,000.00</b>	<b>\$ 110,000.00</b>
<b>Net Change in Financial Position</b>	<b>\$ 84,464</b>					

Sewer Rate Adjustment Option #1

In sewer service rate adjustment option #1, the EDU rate is increased by 2.5 percent. To maintain appropriate revenue, subsequent years will require annual 2.5 percent increases to the sewer rates. While this rate will still rely on non-operating revenue to fully recover operating costs, the amount of reliance is reduced to an amount CLOCWD feels comfortable it will receive. Sewer service rate adjustment option #1 was chosen as the preferred rate by the CLOCWD.

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Table 6: Sewer Rate Adjustment #1

Sewer Base Rate Adjustment Option #1							
5 Year Rate Schedule							
		Current Rate	Year 1 Rate	Year 2 Rate	Year 3 Rate	Year 4 Rate	Year 5 Rate
Bar	1	\$ 65.42	\$ 67.06	\$ 68.73	\$ 70.45	\$ 72.21	\$ 74.02
Bar w/Kitchen/Food Service	0	\$ 63.21	\$ 64.79	\$ 66.41	\$ 68.07	\$ 69.77	\$ 71.52
Beauty/Barber Shop	1	\$ 44.89	\$ 46.01	\$ 47.16	\$ 48.34	\$ 49.55	\$ 50.79
Church	2	\$ 44.86	\$ 45.98	\$ 47.13	\$ 48.31	\$ 49.52	\$ 50.75
Office Space	49	\$ 44.89	\$ 46.01	\$ 47.16	\$ 48.34	\$ 49.55	\$ 50.79
Community Beach - Per Restroom	7	\$ 44.89	\$ 46.01	\$ 47.16	\$ 48.34	\$ 49.55	\$ 50.79
Fire Protection	0	\$ 44.89	\$ 46.01	\$ 47.16	\$ 48.34	\$ 49.55	\$ 50.79
Hotel/Motel	77	\$ 21.22	\$ 21.75	\$ 22.29	\$ 22.85	\$ 23.42	\$ 24.01
Laundromat - Per Machine	10	\$ 29.06	\$ 29.79	\$ 30.53	\$ 31.29	\$ 32.08	\$ 32.88
Multi-Family Residential	86	\$ 45.77	\$ 46.91	\$ 48.09	\$ 49.29	\$ 50.52	\$ 51.78
Restaurant w/Bar	5	\$ 114.48	\$ 117.34	\$ 120.28	\$ 123.28	\$ 126.36	\$ 129.52
Restaurant	6	\$ 67.56	\$ 69.25	\$ 70.98	\$ 72.75	\$ 74.57	\$ 76.44
RV/Campsite - Per Space	29	\$ 13.08	\$ 13.41	\$ 13.74	\$ 14.09	\$ 14.44	\$ 14.80
School - Per Student	208	\$ 1.44	\$ 1.48	\$ 1.51	\$ 1.55	\$ 1.59	\$ 1.63
Service Club	0	\$ 44.89	\$ 46.01	\$ 47.16	\$ 48.34	\$ 49.55	\$ 50.79
Service Club w/Kitchen/Food Service	4	\$ 63.21	\$ 64.79	\$ 66.41	\$ 68.07	\$ 69.77	\$ 71.52
Service/Gas Station - Per Restroom	4	\$ 29.06	\$ 29.79	\$ 30.53	\$ 31.29	\$ 32.08	\$ 32.88
Single Family - Mobile	163	\$ 45.77	\$ 46.91	\$ 48.09	\$ 49.29	\$ 50.52	\$ 51.78
Single Family Residential	1637	\$ 45.77	\$ 46.91	\$ 48.09	\$ 49.29	\$ 50.52	\$ 51.78

Table 7: Sewer Rate Adjustment #1 – Budget

Budget Assuming 2.3% Inflation per year	FYE 6/30/2022	FYE 6/30/2023	FYE 6/30/2024	FYE 6/30/2025	FYE 6/30/2026	5 Year Total
Total Monthly Required Reserves Fund	\$ 2,543	\$ 2,543	\$ 2,543	\$ 2,543	\$ 2,543	
Total Yearly Required Reserve Fund	\$ 30,520	\$ 31,222	\$ 31,940	\$ 32,674	\$ 33,426	\$ 159,781
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Budget	\$ 1,220,783	\$ 1,248,861	\$ 1,277,585	\$ 1,306,969	\$ 1,337,029	\$ 6,391,226
<b>Total Budget</b>	<b>\$ 1,251,302</b>	<b>\$ 1,280,082</b>	<b>\$ 1,309,524</b>	<b>\$ 1,339,643</b>	<b>\$ 1,370,455</b>	<b>\$ 6,551,007</b>
	FYE 6/30/2022	FYE 6/30/2023	FYE 6/30/2024	FYE 6/30/2025	FYE 6/30/2026	5 Year Total
Estimated Annual Revenue From Base Rate	\$ 1,143,732	\$ 1,172,325	\$ 1,201,633	\$ 1,231,674	\$ 1,262,466	\$ 6,011,829
<b>Net Operating Revenue Over/(under) Operating Costs</b>	<b>\$ (107,571)</b>	<b>\$ (107,757)</b>	<b>\$ (107,891)</b>	<b>\$ (107,969)</b>	<b>\$ (107,989)</b>	<b>\$ (539,178)</b>
<b>Non-Operating Revenue</b>						
Penalties/Late Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
AT&T Lease	\$ 110,000.00	\$ 110,000.00	\$ 110,000.00	\$ 110,000.00	\$ 110,000.00	\$ 550,000.00
Total Other Income	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 550,000.00
<b>Net Income/Loss</b>	<b>\$ 2,429</b>	<b>\$ 2,243</b>	<b>\$ 2,109</b>	<b>\$ 2,031</b>	<b>\$ 2,011</b>	<b>\$ 10,822</b>

Sewer Rate Adjustment Option #2

In sewer service rate adjustment option #2, the EDU rate is increased by 11.75 percent. Subsequent years will require 2.5 percent annual increases to the EDU sewer rates. Rate adjustment #2 will not recover all operating costs from operating revenue during the first two years. Beginning with year three, all operating costs will be recovered through rates. Over the five-year period, net operating revenue will exceed operating costs in the amount of \$3,353.

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Table 8: Sewer Rate Adjustment #2

Sewer Base Rate Adjustment Option #2  
5 Year Rate Schedule

		Current Rate	Year 1 Rate	Year 2 Rate	Year 3 Rate	Year 4 Rate	Year 5 Rate
Bar	1	\$ 65.42	\$ 73.11	\$ 74.93	\$ 76.81	\$ 78.73	\$ 80.70
Bar w/Kitchen/Food Service	0	\$ 63.21	\$ 70.64	\$ 72.40	\$ 74.21	\$ 76.07	\$ 77.97
Beauty/Barber Shop	1	\$ 44.89	\$ 50.16	\$ 51.42	\$ 52.70	\$ 54.02	\$ 55.37
Church	2	\$ 44.86	\$ 50.13	\$ 51.38	\$ 52.67	\$ 53.99	\$ 55.34
Office Space	49	\$ 44.89	\$ 50.16	\$ 51.42	\$ 52.70	\$ 54.02	\$ 55.37
Community Beach - Per Restroom	7	\$ 44.89	\$ 50.16	\$ 51.42	\$ 52.70	\$ 54.02	\$ 55.37
Fire Protection	0	\$ 44.89	\$ 50.16	\$ 51.42	\$ 52.70	\$ 54.02	\$ 55.37
Hotel/Motel	77	\$ 21.22	\$ 23.71	\$ 24.31	\$ 24.91	\$ 25.54	\$ 26.18
Laundromat - Per Machine	10	\$ 29.06	\$ 32.47	\$ 33.29	\$ 34.12	\$ 34.97	\$ 35.85
Multi-Family Residential	86	\$ 45.77	\$ 51.15	\$ 52.43	\$ 53.74	\$ 55.08	\$ 56.46
Restaurant w/Bar	5	\$ 114.48	\$ 127.93	\$ 131.13	\$ 134.41	\$ 137.77	\$ 141.21
Restaurant	6	\$ 67.56	\$ 75.50	\$ 77.39	\$ 79.32	\$ 81.30	\$ 83.34
RV/Campsite - Per Space	29	\$ 13.08	\$ 14.62	\$ 14.98	\$ 15.36	\$ 15.74	\$ 16.13
School - Per Student	208	\$ 1.44	\$ 1.61	\$ 1.65	\$ 1.69	\$ 1.73	\$ 1.78
Service Club	0	\$ 44.89	\$ 50.16	\$ 51.42	\$ 52.70	\$ 54.02	\$ 55.37
Service Club w/Kitchen/Food Service	4	\$ 63.21	\$ 70.64	\$ 72.40	\$ 74.21	\$ 76.07	\$ 77.97
Service/Gas Station - Per Restroom	4	\$ 29.06	\$ 32.47	\$ 33.29	\$ 34.12	\$ 34.97	\$ 35.85
Single Family - Mobile	163	\$ 45.77	\$ 51.15	\$ 52.43	\$ 53.74	\$ 55.08	\$ 56.46
Single Family Residential	1637	\$ 45.77	\$ 51.15	\$ 52.43	\$ 53.74	\$ 55.08	\$ 56.46

Table 9: Sewer Rate Adjustment #2- Budget

Budget Assuming 2.3% Inflation per year	FYE 6/30/2022	FYE 6/30/2023	FYE 6/30/2024	FYE 6/30/2025	FYE 6/30/2026	5 Year Total
Total Monthly Required Reserves Fund	\$ 2,543	\$ 2,543	\$ 2,543	\$ 2,543	\$ 2,543	
Total Yearly Required Reserve Fund	\$ 30,520	\$ 31,222	\$ 31,940	\$ 32,674	\$ 33,426	\$ 159,781
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Budget	\$ 1,220,783	\$ 1,248,861	\$ 1,277,585	\$ 1,306,969	\$ 1,337,029	\$ 6,391,226
<b>Total Budget</b>	<b>\$ 1,251,302</b>	<b>\$ 1,280,082</b>	<b>\$ 1,309,524</b>	<b>\$ 1,339,643</b>	<b>\$ 1,370,455</b>	<b>\$ 6,551,007</b>
	FYE 6/30/2022	FYE 6/30/2023	FYE 6/30/2024	FYE 6/30/2025	FYE 6/30/2026	5 Year Total
Estimated Annual Revenue From Base Rate	\$ 1,246,946	\$ 1,278,120	\$ 1,310,073	\$ 1,342,825	\$ 1,376,396	\$ 6,554,360
<b>Net Operating Revenue Over/(under) Ope</b>	<b>\$ (4,356)</b>	<b>\$ (1,962)</b>	<b>\$ 549</b>	<b>\$ 3,182</b>	<b>\$ 5,941</b>	<b>\$ 3,353</b>
<b>Non-Operating Revenue</b>						
Penalties/Late Fees	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
AT&T Lease	\$ 110,000.00	\$ 110,000.00	\$ 110,000.00	\$ 110,000.00	\$ 110,000.00	\$ 550,000.00
Total Other Income	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 110,000	\$ 550,000.00
<b>Net Income/Loss</b>	<b>\$ 105,644</b>	<b>\$ 108,038</b>	<b>\$ 110,549</b>	<b>\$ 113,182</b>	<b>\$ 115,941</b>	<b>\$ 553,353</b>

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## 7. CRP Rate Study – Budget and Calculation of Alternatives

### Budget Five-Year Projection

To develop the CLOCWD CRP service budget, actual costs and revenues for the fiscal years that ended June 30, 2018, 2019 and 2020 were reviewed and compared to the board approved budget for the fiscal year ending June 30, 2021. When the review confirmed the 2021 budget was appropriate and justifiable, it was used as the basis for projecting out five years. A 2.3 percent inflation rate was applied to fiscal years ending 2022 – 2026. The projected budgets include the assumptions that:

1. It is assumed the debt payment (principal and interest) in the amount of \$105,280.
2. It is assumed Emergency Reserves have already been established in an adequate amount and/or equipment redundancy has been established.
3. It is assumed Capital Reserve is being funded in the district’s budget under “Repairs and Replacements.”

Out of the alternatives presented, CLOCWD chose to implement CRP Rate Adjustment Option #2, adjusting the current rates by 25.75 percent.

### Capital Reserves

RCAC and the CLOCWD General Manager reviewed the sewer system equipment list with the assumption future replacement costs would increase by inflation, by about 2.3%. RCAC prepared a capital replacement program for CLOCWD, with the assumptions of future costs, possible funding with combinations of cash, grants, and loans. RCAC included all assets and their normal life expectancy, estimated remaining life, and historical cost. Once the expected funding was calculated, the annual amount required to be set aside for capital replacements was approximately \$97,000.

Currently, CLOCWD budgets for the repair and replacement of their assets. The table below shows a total of \$101,000 allocated for repairs and replacements. CLOCWD’s current capital reserve is very close to RCAC’s recommended amount. Therefore, the 2021 budget allocated amounts will be included in the five-year budget projection, which includes annual inflation.

<b>Repairs &amp; Replacement Projects:</b>	
R & R - Building Grounds	\$ 10,000
R & R - Lift Stations	\$ 20,000
R&R - Equipment	\$ 35,000
R&R - Mains/Laterals	\$ 25,000
R & R - Vehicles	\$ 11,000

Table 10: CRP Budget Five-Year Projection

<b>Expenses for Sewer</b>						
Salaries and Waters	\$ 210,135	\$ 214,968.11	\$ 219,912.37	\$ 224,970.36	\$ 230,144.67	\$ 235,438.00
FICA - District Share	\$ 17,317	\$ 17,715.29	\$ 18,122.74	\$ 18,539.57	\$ 18,965.98	\$ 19,402.19
Medical Insurance - District Share	\$ 59,719	\$ 61,092.54	\$ 62,497.67	\$ 63,935.11	\$ 65,405.62	\$ 66,909.95
PERS - District Share	\$ 7,884	\$ 8,065.33	\$ 8,250.83	\$ 8,440.60	\$ 8,634.74	\$ 8,833.34
Unemployment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Workers Comp Insurance	\$ 20,716	\$ 21,192.47	\$ 21,679.89	\$ 22,178.53	\$ 22,688.64	\$ 23,210.48
Communications & Internet	\$ 5,000	\$ 5,115.00	\$ 5,232.65	\$ 5,353.00	\$ 5,476.11	\$ 5,602.07
Equipment - Field	\$ 1,250	\$ 1,278.75	\$ 1,308.16	\$ 1,338.25	\$ 1,369.03	\$ 1,400.52
Fuel & Oil	\$ 6,500	\$ 6,649.50	\$ 6,802.44	\$ 6,958.89	\$ 7,118.95	\$ 7,282.68
Safety & Security	\$ 1,500	\$ 1,534.50	\$ 1,569.79	\$ 1,605.90	\$ 1,642.83	\$ 1,680.62
Tools & Instruments	\$ 200	\$ 204.60	\$ 209.31	\$ 214.12	\$ 219.04	\$ 224.08
Supplies - Clothing & Personal	\$ 300	\$ 306.90	\$ 313.96	\$ 321.18	\$ 328.57	\$ 336.12
Supplies - Office	\$ 100	\$ 102.30	\$ 104.65	\$ 107.06	\$ 109.52	\$ 112.04
Treatment - Chemicals		\$ -	\$ -	\$ -	\$ -	\$ -
Supplies - Operating - Other	\$ 7,500	\$ 7,672.50	\$ 7,848.97	\$ 8,029.49	\$ 8,214.17	\$ 8,403.10
Training	\$ 1,200	\$ 1,227.60	\$ 1,255.83	\$ 1,284.72	\$ 1,314.27	\$ 1,344.50
Travel	\$ 400	\$ 409.20	\$ 418.61	\$ 428.24	\$ 438.09	\$ 448.17
<b>Repairs &amp; Replacement Projects:</b>						
R & R - Building Grounds	\$ 10,000	\$ 10,230.00	\$ 10,465.29	\$ 10,705.99	\$ 10,952.23	\$ 11,204.13
R & R - Lift Stations	\$ 20,000	\$ 20,460.00	\$ 20,930.58	\$ 21,411.98	\$ 21,904.46	\$ 22,408.26
R&R - Equipment	\$ 25,000	\$ 25,575.00	\$ 26,163.23	\$ 26,764.98	\$ 27,380.57	\$ 28,010.33
R&R - Mains/Laterals	\$ 25,000	\$ 25,575.00	\$ 26,163.23	\$ 26,764.98	\$ 27,380.57	\$ 28,010.33
R & R - Vehicles	\$ 11,000	\$ 11,253.00	\$ 11,511.82	\$ 11,776.59	\$ 12,047.45	\$ 12,324.54
<b>Total Operating Costs</b>	<b>\$ 430,721</b>	<b>\$ 440,628</b>	<b>\$ 450,762</b>	<b>\$ 461,130</b>	<b>\$ 471,736</b>	<b>\$ 482,585</b>
Debt Service	\$ 105,280	\$ 105,280.00	\$ 105,280.00	\$ 105,280.00	\$ 105,280.00	\$ 105,280.00
<b>Total Reserves Funding</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Reserve &amp; Debt Service</b>	<b>\$ 105,280</b>	<b>\$ 105,280.00</b>	<b>\$ 105,280.00</b>	<b>\$ 105,280.00</b>	<b>\$ 105,280.00</b>	<b>\$ 105,280.00</b>

CRP Rate Adjustment Option #1

In CRP sewer rate adjustment option #1, the EDU rate is increased by 23 percent. Subsequent years will require annual increases of 3 percent to the EDU CRP rates.

Table 11: CRP Rate Adjustment #1

**Sewer CRP Rate Adjustment Option #1  
5 Year Rate Schedule**

		Current Rate	Year 1 Rate	Year 2 Rate	Year 3 Rate	Year 4 Rate	Year 5 Rate
Bar	1	\$ 19.42	\$ 23.89	\$ 24.60	\$ 25.34	\$ 26.10	\$ 26.88
Bar w/Kitchen/Food Service	0		\$ -	\$ -	\$ -	\$ -	\$ -
Beauty/Barber Shop	1	\$ 14.00	\$ 17.22	\$ 17.74	\$ 18.27	\$ 18.82	\$ 19.38
Church	2	\$ 14.00	\$ 17.22	\$ 17.74	\$ 18.27	\$ 18.82	\$ 19.38
Office Space	49	\$ 14.00	\$ 17.22	\$ 17.74	\$ 18.27	\$ 18.82	\$ 19.38
Community Beach - Per Restroom	7	\$ 14.00	\$ 17.22	\$ 17.74	\$ 18.27	\$ 18.82	\$ 19.38
Fire Protection	0		\$ -	\$ -	\$ -	\$ -	\$ -
Hotel/Motel	77	\$ 7.73	\$ 9.51	\$ 9.79	\$ 10.09	\$ 10.39	\$ 10.70
Laundromat - Per Machine	10	\$ 9.81	\$ 12.07	\$ 12.43	\$ 12.80	\$ 13.19	\$ 13.58
Multi-Family Residential	86		\$ -	\$ -	\$ -	\$ -	\$ -
Restaurant w/Bar	5	\$ 32.41	\$ 39.86	\$ 41.06	\$ 42.29	\$ 43.56	\$ 44.87
Restaurant	6	\$ 20.00	\$ 24.60	\$ 25.34	\$ 26.10	\$ 26.88	\$ 27.69
RV/Campsite - Per Space	29	\$ 5.58	\$ 6.86	\$ 7.07	\$ 7.28	\$ 7.50	\$ 7.72
School - Per Student	208	\$ 0.42	\$ 0.52	\$ 0.53	\$ 0.55	\$ 0.56	\$ 0.58
Service Club	0	\$ 14.00	\$ 17.22	\$ 17.74	\$ 18.27	\$ 18.82	\$ 19.38
Service Club w/Kitchen/Food Service	4	\$ 18.30	\$ 22.51	\$ 23.18	\$ 23.88	\$ 24.60	\$ 25.33
Service/Gas Station - Per Restroom	4	\$ 9.81	\$ 12.07	\$ 12.43	\$ 12.80	\$ 13.19	\$ 13.58
Single Family - Mobile	163		\$ -	\$ -	\$ -	\$ -	\$ -
Single Family Residential	1637	\$ 17.42	\$ 21.43	\$ 22.07	\$ 22.73	\$ 23.41	\$ 24.12

Table 12: CRP Rate Adjustment #1 - Budget

Budget Assuming 2.3% Inflation per year	FYE 6/30/2022	FYE 6/30/2023	FYE 6/30/2024	FYE 6/30/2025	FYE 6/30/2026	5 Year Total
Total Monthly Required Reserves Fund	\$ -	\$ -	\$ -	\$ -	\$ -	
Total Yearly Required Reserve Fund	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt Service	\$ 105,280	\$ 105,280	\$ 105,280	\$ 105,280	\$ 105,280	\$ 526,400
Operating Budget	\$ 440,628	\$ 450,762	\$ 461,130	\$ 471,736	\$ 482,585	\$ 2,306,840
Total Budget	\$ 545,908	\$ 556,042	\$ 566,410	\$ 577,016	\$ 587,865	\$ 2,833,240
		FYE 6/30/2023 Assumes 3% Increase over Prior Year	FYE 6/30/2024 Assumes 3% Increase over Prior Year	FYE 6/30/2025 Assumes 3% Increase over Prior Year	FYE 6/30/2026 Assumes 3% Increase over Prior Year	5 Year Total
Estimated Annual Revenue From CRP Rate	\$ 534,568	\$ 550,605	\$ 567,124	\$ 584,137	\$ 601,661	\$ 2,838,096
Net Operating Revenue Over/(under) Operati	\$ (11,339)	\$ (5,437)	\$ 714	\$ 7,122	\$ 13,796	\$ 4,856

**CRP Rate Adjustment Option #2**

In CRP sewer rate adjustment option #2, the EDU rate is increased by 25.75 percent. Subsequent years will require annual increases of 3 percent to the EDU sewer rates. CRP sewer rate adjustment option #2 was chosen as the preferred rate by the CLOCWD. It will provide for complete recovery of costs through rates as well as the ability to set a small amount aside for CRP reserves.



Table 13: CRP Rate Adjustment #2

**Sewer CRP Rate Adjustment Option #2**  
**5 Year Rate Schedule**

	Current Rate	Year 1 Rate	Year 2 Rate	Year 3 Rate	Year 4 Rate	Year 5 Rate
Bar	\$ 19.42	\$ 24.42	\$ 25.15	\$ 25.90	\$ 26.68	\$ 27.48
Beauty/Barber Shop	\$ 14.00	\$ 17.61	\$ 18.13	\$ 18.67	\$ 19.23	\$ 19.81
Church	\$ 14.00	\$ 17.61	\$ 18.13	\$ 18.67	\$ 19.23	\$ 19.81
Office Space	\$ 14.00	\$ 17.61	\$ 18.13	\$ 18.67	\$ 19.23	\$ 19.81
Community Beach - Per Restroom	\$ 14.00	\$ 17.61	\$ 18.13	\$ 18.67	\$ 19.23	\$ 19.81
Hotel/Motel	\$ 7.73	\$ 9.72	\$ 10.01	\$ 10.31	\$ 10.62	\$ 10.94
Laundromat - Per Machine	\$ 9.81	\$ 12.34	\$ 12.71	\$ 13.09	\$ 13.48	\$ 13.88
Reastaurant w/Bar	\$ 32.41	\$ 40.76	\$ 41.98	\$ 43.24	\$ 44.54	\$ 45.88
Restaurant	\$ 20.00	\$ 25.15	\$ 25.90	\$ 26.68	\$ 27.48	\$ 28.30
RV/Campsite - Per Space	\$ 5.58	\$ 7.02	\$ 7.23	\$ 7.45	\$ 7.67	\$ 7.90
School - Per Student	\$ 0.42	\$ 0.53	\$ 0.54	\$ 0.56	\$ 0.58	\$ 0.60
Service Club	\$ 14.00	\$ 17.61	\$ 18.13	\$ 18.67	\$ 19.23	\$ 19.81
Service Club w/Kitchen/Food Service	\$ 18.30	\$ 23.01	\$ 23.70	\$ 24.41	\$ 25.14	\$ 25.89
Service/Gas Station - Per Restroom	\$ 9.81	\$ 12.34	\$ 12.71	\$ 13.09	\$ 13.48	\$ 13.88
Single Family Residential	\$ 17.42	\$ 21.91	\$ 22.57	\$ 23.25	\$ 23.95	\$ 24.67

Table 14: CRP Rate Adjustment #2 – Budget

	FYE 6/30/2022	FYE 6/30/2023 Assumes 3% Increase over Prior Year	FYE 6/30/2024 Assumes 3% Increase over Prior Year	FYE 6/30/2025 Assumes 3% Increase over Prior Year	FYE 6/30/2026 Assumes 3% Increase over Prior Year	5 Year Total
Estimated Annual Revenue From CRP Rate	\$ 546,520	\$ 562,916	\$ 579,803	\$ 597,197	\$ 615,113	\$ 2,901,550
Net Operating Revenue Over/(under) Operating	\$ 613	\$ 6,874	\$ 13,394	\$ 20,182	\$ 27,248	\$ 68,309

## 8. Combined Sewer Service and CRP Rate Adjustment Information

The following tables contain information regarding the combined sewer service and CRP rate adjustments.

### Affordability Index

Tables 15 and 16 indicate the affordability index of sewer rate #1, with each of the two recommended CRP rate adjustment options. Ultimately, CLOCWD chose CRP rate #2 seen in Table 16. Each of the rates are within an acceptable range to be considered affordable. Rate adjustment option #2 will provide enough revenue to sustain the sewer enterprise.

Table 15: Affordability Index of CRP Rate #1

Single Family Residential - Sewer Rate Adjustment Option #1					
	Sewer Rate	CRP Rate	Total Bill	MHI	Index
2022	\$ 46.91	\$ 21.43	\$ 68.34	\$ 45,707.00	1.79%

Table 16: Affordability Index of CRP Rate #2

Single Family Residential - Sewer Rate Adjustment Option #1					
	Sewer Rate	CRP Rate	Total Bill	MHI	Index
2022	\$ 46.91	\$ 21.91	\$ 68.82	\$ 45,707.00	1.81%

## 9. Conclusions and Recommendations

### **Key points to remember with any rate adjustment:**

- Successful utilities are those that strive to be transparent. In day-to-day operations, 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.
- The ability of the recommended rate structure to generate adequate revenue will depend on maintaining a vigorous collection and shut-off policy to keep delinquent accounts at a minimum.
- In order to achieve and maintain long-term viability, CLOCWD should review its rates annually, or no less than a minimum of every two years.
- CLOCWD should implement the first-year rate adjustment on July 1, 2021, and subsequent annual adjustments on July 1 to provide sufficient revenues for funding future operations and to adequately fund reserves.
- CLOCWD should establish policies for reserve accounts as recommended above.
- CLOCWD should designate reserves on its financial statements.
- CLOCWD should maintain and report balance sheet activities according to individual enterprise.
- CRP reserves should be moved to and maintained in the highest interest-bearing accounts available to offset inflation unless the cost of doing so would be more than the interest earned on the account.



# Clearlake Oaks County Water District

P.O. Box 709 / 12952 East Highway 20  
Clearlake Oaks, CA 95423  
(707) 998-3322 Phone (707) 998-1245 Fax  
[www.clocwd.org](http://www.clocwd.org) (Website)

## PROPOSITION 218 NOTIFICATION NOTICE OF PUBLIC NOTICE

Dear Valued CLOCWD Customer,

This letter is to advise you that the Clearlake Oaks County Water District intends to adopt Water and Sewer rate increases to sufficiently fund current and future costs of operating, maintaining and administering the existing Water and Sewer facilities as well as fund the capital improvements and infrastructure replacement program. Operation and maintenance of these two facilities are financially independent from each other. These increases are to ensure continued community health and safety, and are listed below on the Proposed Monthly Rate Schedules.

The rate increase hearing before the Board of Directors will be held on Tuesday, June 22, 2021 at 5:00 PM. At that time, the Board of Directors will hold a public hearing to consider public comments on the Rate Schedule as set forth below. The rate increases are intended to be effective July 1, 2021. All property owners and other interested persons are invited to attend the hearing and present written and/or oral comments on or protest against the proposed rate adjustment. The hearing will be held at the Live Oaks Senior Center located at 12502 Foothill Boulevard, Clearlake Oaks, CA 95423.

A separate Water and Sewer Rate Study has been prepared by Rural Community Assistance Corporation (RCAC) which provides a more detailed explanation of the projected inflationary impact on operating costs and is available for review by the public at the Clearlake Oaks County Water District, Administration Building, located at 12952 E. Highway 20, Clearlake Oaks, CA 95423.

### Rate Adjustment Hearing Procedure

All persons wishing to be heard on this matter may be present at the public hearing. If you cannot be present at the hearing, you may communicate your protests on the proposed rate adjustment by sending them to the Clearlake Oaks County Water District, Administration Building, located at 12952 E. Highway 20, Clearlake Oaks, CA 95423 or by delivering them in person at the hearing. Each protest must include:

- Your signature and date
- Your typed or printed name under the signature
- The address of the property; and
- The rate and reason you are protesting that rate
- An affirmation that you are the owner of the property

*Only written protests with the aforementioned information will be accepted*

---

Margaret Medeiros  
President

Stanley Archacki  
Vice President

Samuel Boucher  
Director

Michael Herman  
Director

James Burton  
Director

If written protests against the proposed rate adjustment are presented by a majority of the owners of property that is subject to the rate or charge, the District cannot impose the increase. Protests must be received prior to the close of the public hearing. The Board of Directors, after the close of the public hearing, will vote on the new rates. The rates will not exceed the increases set forth herein. The vote on the new rates may not take place at the June 22<sup>nd</sup> meeting if time is needed to verify and count the letters of protest.

### PROPOSED MONTHLY RATE SCHEDULE

The sewer base rate will be increased by 2.5% annually with the final adjustment under this schedule to be implemented no later than July 1, 2026.

#### *Sewer Base Rate*

#### 5 Year Rate Schedule

		Current Rate	Year 1 Rate	Year 2 Rate	Year 3 Rate	Year 4 Rate	Year 5 Rate
Bar	1	\$ 65.42	\$ 67.06	\$ 68.73	\$ 70.45	\$ 72.21	\$ 74.02
Bar w/Kitchen/Food Service	0	\$ 63.21	\$ 64.79	\$ 66.41	\$ 68.07	\$ 69.77	\$ 71.52
Beauty/Barber Shop	1	\$ 44.89	\$ 46.01	\$ 47.16	\$ 48.34	\$ 49.55	\$ 50.79
Church	2	\$ 44.86	\$ 45.98	\$ 47.13	\$ 48.31	\$ 49.52	\$ 50.75
Office Space	49	\$ 44.89	\$ 46.01	\$ 47.16	\$ 48.34	\$ 49.55	\$ 50.79
Community Beach - Per Restroom	7	\$ 44.89	\$ 46.01	\$ 47.16	\$ 48.34	\$ 49.55	\$ 50.79
Fire Protection	0	\$ 44.89	\$ 46.01	\$ 47.16	\$ 48.34	\$ 49.55	\$ 50.79
Hotel/Motel	77	\$ 21.22	\$ 21.75	\$ 22.29	\$ 22.85	\$ 23.42	\$ 24.01
Laundromat - Per Machine	10	\$ 29.06	\$ 29.79	\$ 30.53	\$ 31.29	\$ 32.08	\$ 32.88
Multi-Family Residential	86	\$ 45.77	\$ 46.91	\$ 48.09	\$ 49.29	\$ 50.52	\$ 51.78
Restaurant w/Bar	5	\$ 114.48	\$ 117.34	\$ 120.28	\$ 123.28	\$ 126.36	\$ 129.52
Restaurant	6	\$ 67.56	\$ 69.25	\$ 70.98	\$ 72.75	\$ 74.57	\$ 76.44
RV/Campsite - Per Space	29	\$ 13.08	\$ 13.41	\$ 13.74	\$ 14.09	\$ 14.44	\$ 14.80
School - Per Student	208	\$ 1.44	\$ 1.48	\$ 1.51	\$ 1.55	\$ 1.59	\$ 1.63
Service Club	0	\$ 44.89	\$ 46.01	\$ 47.16	\$ 48.34	\$ 49.55	\$ 50.79
Service Club w/Kitchen/Food Service	4	\$ 63.21	\$ 64.79	\$ 66.41	\$ 68.07	\$ 69.77	\$ 71.52
Service/Gas Station - Per Restroom	4	\$ 29.06	\$ 29.79	\$ 30.53	\$ 31.29	\$ 32.08	\$ 32.88
Single Family - Mobile	163	\$ 45.77	\$ 46.91	\$ 48.09	\$ 49.29	\$ 50.52	\$ 51.78
Single Family Residential	1637	\$ 45.77	\$ 46.91	\$ 48.09	\$ 49.29	\$ 50.52	\$ 51.78

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*CRP-Sewer Base Rate*

CRP 5 Year Rate Schedule							
		Current Rate	Year 1 Rate	Year 2 Rate	Year 3 Rate	Year 4 Rate	Year 5 Rate
Bar	1	\$ 19.42	\$ 24.42	\$ 25.15	\$ 25.90	\$ 26.68	\$ 27.48
Church	2	\$ 14.00	\$ 17.61	\$ 18.13	\$ 18.67	\$ 19.23	\$ 19.81
Office Space	32	\$ 14.00	\$ 17.61	\$ 18.13	\$ 18.67	\$ 19.23	\$ 19.81
Community Beach - Per Restroom	2	\$ 14.00	\$ 17.61	\$ 18.13	\$ 18.67	\$ 19.23	\$ 19.81
Laundromat - Per Machine	8	\$ 9.81	\$ 12.34	\$ 12.71	\$ 13.09	\$ 13.48	\$ 13.88
Reastaurant w/Bar	2	\$ 32.41	\$ 40.76	\$ 41.98	\$ 43.24	\$ 44.54	\$ 45.88
Restaurant	6	\$ 20.00	\$ 25.15	\$ 25.90	\$ 26.68	\$ 27.48	\$ 28.30
School - Per Student	208	\$ 0.42	\$ 0.53	\$ 0.54	\$ 0.56	\$ 0.58	\$ 0.60
Service Club w/Kitchen/Food Service	4	\$ 18.30	\$ 23.01	\$ 23.70	\$ 24.41	\$ 25.14	\$ 25.89
Service/Gas Station - Per Restroom	3	\$ 9.81	\$ 12.34	\$ 12.71	\$ 13.09	\$ 13.48	\$ 13.88
Single Family Residential	2023	\$ 17.42	\$ 21.91	\$ 22.57	\$ 23.25	\$ 23.95	\$ 24.67

Capital Replacement Projects (CRP) is a fundamental cause for raising water and sewer rates. A majority of the District's wastewater collection system is nearly 60 years old. Many sewer lines are partially blocked with tree roots and/or have cracks and holes that allow excessive amounts of groundwater and storm water runoff to seep into the collection system that can occasionally exceed the maximum design capacity of the District's sewer collection system and wastewater treatment plant. If the District does not continue to repair and replace our aging infrastructure, the collection system will result in additional sewage spills and expensive regulatory fines. The Capital Replacement Project sewer rate will be increased by 25.75% initially. Subsequent years will require annual increases of 3% with the final adjustment under this schedule to be implemented no later than July 1, 2026.



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Water Base Rate

5 Year Schedule

Rate Code	No. of Connections	No of Units Billed	Current Rate	Year 1 Adjusted Rate	Year 2 Adjusted Rate	Year 3 Adjusted Rate	Year 4 Adjusted Rate	Year 5 Adjusted Rate
USM 5/8"	2	17	\$ 31.11	\$ 31.89	\$ 32.69	\$ 33.50	\$ 34.34	\$ 35.20
WMP 5/8"	1	32	\$ 31.11	\$ 31.89	\$ 32.69	\$ 33.50	\$ 34.34	\$ 35.20
WSF 5/8" & 3/4"	1875	1875	\$ 31.11	\$ 31.89	\$ 32.69	\$ 33.50	\$ 34.34	\$ 35.20
WSF 1"	1	46	\$ 31.11	\$ 31.89	\$ 32.69	\$ 33.50	\$ 34.34	\$ 35.20
WSF 1 1/2"	1	1	\$ 31.11	\$ 31.89	\$ 32.69	\$ 33.50	\$ 34.34	\$ 35.20
WS1 5/8"	1	1	\$ 31.11	\$ 31.89	\$ 32.69	\$ 33.50	\$ 34.34	\$ 35.20
WSM 5/8"	1	1	\$ 31.11	\$ 31.89	\$ 32.69	\$ 33.50	\$ 34.34	\$ 35.20
WSM 5/8" & 3/4"	3	11	\$ 31.11	\$ 31.89	\$ 32.69	\$ 33.50	\$ 34.34	\$ 35.20
WSM 1 1/2"	1	28	\$ 31.11	\$ 31.89	\$ 32.69	\$ 33.50	\$ 34.34	\$ 35.20
WSM 6"	1	112	\$ 31.11	\$ 31.89	\$ 32.69	\$ 33.50	\$ 34.34	\$ 35.20
WC 5/8"	1	60	\$ 38.90	\$ 31.89	\$ 32.69	\$ 33.50	\$ 34.34	\$ 35.20
WZR 5/8"	3	3	\$ 38.90	\$ 31.89	\$ 32.69	\$ 33.50	\$ 34.34	\$ 35.20
WSM 1"	1	1	\$ 97.40	\$ 99.84	\$ 102.34	\$ 104.89	\$ 107.52	\$ 110.20
WC 1"	1	8	\$ 97.40	\$ 99.84	\$ 102.34	\$ 104.89	\$ 107.52	\$ 110.20
WC 1 1/2"	1	3	\$ 194.70	\$ 199.57	\$ 204.56	\$ 209.67	\$ 214.92	\$ 220.29
WZR 1 1/2"	1	1	\$ 194.70	\$ 199.57	\$ 204.56	\$ 209.67	\$ 214.92	\$ 220.29
WMP 2"	1	1	\$ 311.42	\$ 319.21	\$ 327.19	\$ 335.37	\$ 343.75	\$ 352.35
WZR 2"	1	1	\$ 311.42	\$ 319.21	\$ 327.19	\$ 335.37	\$ 343.75	\$ 352.35
WC 2"	6	6	\$ 311.42	\$ 319.21	\$ 327.19	\$ 335.37	\$ 343.75	\$ 352.35
WC 3"	1	1	\$ 583.94	\$ 598.54	\$ 613.50	\$ 628.84	\$ 644.56	\$ 660.68
WZR 3"	1	1	\$ 283.94	\$ 598.54	\$ 613.50	\$ 628.84	\$ 644.56	\$ 660.68
WC 4"	1	1	\$ 973.27	\$ 997.60	\$ 1,022.54	\$ 1,048.10	\$ 1,074.31	\$ 1,101.16
WZR - 4"	1	1	\$ 973.27	\$ 997.60	\$ 1,022.54	\$ 1,048.10	\$ 1,074.31	\$ 1,101.16
VZX - 4"	1	1	\$ 973.27	\$ 997.60	\$ 1,022.54	\$ 1,048.10	\$ 1,074.31	\$ 1,101.16
<b>Usage Rate</b>				\$ 2.07	\$ 2.12	\$ 2.17	\$ 2.23	\$ 2.28

In addition, the District's water distribution system is nearly 60 years old which is evident by the number of main breaks experienced in recent years. Furthermore, there are long standing deficiencies within the water distribution system that need correction.

The water base rate will be increased by 2.5% annually with the final adjustment under this schedule to be implemented no later than July 1, 2026.

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*CRP-Water Base Rate*

CRP Water 5 Year Rate Schedule							
5/8"		Current Rate	Year 1	Year 2	Year 3	Year 4	Year 5
CRW'	1985	\$ 15.41	\$ 15.80	\$ 16.20	\$ 16.61	\$ 17.03	\$ 17.46
C58	58	\$ 14.61	\$ 15.80	\$ 16.20	\$ 16.61	\$ 17.03	\$ 17.46
<b>CRP PC - Paradise Cove Contract</b>	<b>77</b>	<b>\$ 22.00</b>	<b>\$ 22.00</b>	<b>\$ 22.00</b>	<b>\$ 22.00</b>	<b>\$ 22.00</b>	<b>\$ 22.00</b>
<b>1"</b>							
C1 - CRP Commercial	9	\$ 33.90	\$ 34.75	\$ 35.62	\$ 36.51	\$ 37.42	\$ 38.36
<b>1 1/5"</b>							
C15 - CRP Commercial	4	\$ 64.20	\$ 65.81	\$ 67.46	\$ 69.15	\$ 70.88	\$ 72.65
<b>2"</b>							
C2 - Commercial	7	\$ 102.09	\$ 104.64	\$ 107.26	\$ 109.94	\$ 112.69	\$ 115.51
<b>3"</b>							
C3 CRP - Commercial	1	\$ 189.51	\$ 194.25	\$ 199.11	\$ 204.09	\$ 209.19	\$ 214.42
<b>4"</b>							
C4 - CRP Commercial	1	\$ 314.55	\$ 322.41	\$ 330.47	\$ 338.73	\$ 347.20	\$ 355.88
<b>6"</b>							
<b>WSM - 6" - 400 Sulphur Bank Dr. - 112 Units</b>	<b>0</b>	<b>\$ 626.95</b>	<b>\$ 642.62</b>	<b>\$ 658.69</b>	<b>\$ 675.16</b>	<b>\$ 692.04</b>	<b>\$ 709.34</b>

The CRP water rate will be increased by 2.5% annually with the final adjustment under this schedule be implemented no later than July 1, 2026.

In an effort to provide transparency, information will be available on our website at [www.clocwd.org](http://www.clocwd.org), or as noted at 12952 E. Highway 20, Clearlake Oaks, CA 95423. Furthermore, questions can be directed to our office by calling (707) 998-3322 or emailing [customerservice@clocwd.org](mailto:customerservice@clocwd.org).

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