

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS' REGULAR MEETING**
Minutes of December 15, 2022

1. 4:00 PM OPEN SESSION / CALL TO ORDER / FLAG SALUTE

Director Barker called the meeting to order at 4:00 pm and led the flag salute.

2. OATH OF OFFICE ELECTED / APPOINTED BOARD MEMBERS

Secretary Gelos administered the Oath to Directors Bill Barker, Michael Camou and Masen Yaffee.

3. ROLL CALL

Secretary Gelos called the roll. All Directors were present.

Staff present: General Manager Scott Duffield, Operations Manager Mike Wilcox, District Engineer Doug Groshart and District Counsel Jeff Minnery.

4. PRESENTATIONS

There were no public comments.

Manager Duffield presented Resolution 22-12 and Resolution 22-13 Expressing Appreciation to Director Reginald Cousineau and Martin Rowley for departing as a board member of the District.

Director Capps made a motion to approve Resolution 22-12 and 22-13. Director Burgess seconded the motion. The motion passed by the following roll call vote:

Ayes: Barker, Burgess, Camou, Capps, Yaffee

5. ELECTION OF BOARD OFFICERS

There were no public comments.

Director Capps made a motion nominating himself for President. Director Yaffee seconded the motion. The motion failed by the following roll call vote:

Ayes: Capps, Yaffee

Noes: Barker, Burgess, Camou

Director Burgess made a motion nominating Director Barker for President and himself for Vice President. Director Barker seconded the motion. The motion passed by the following roll call vote:

Ayes: Barker, Burgess, Camou

Noes: Capps, Yaffee

6. APPOINTMENTS TO DISTRICT COMMITTEES

There were no public comments.

President Barker introduced the item. Manager Duffield provided a brief summary and history of the item.

After discussion amongst the board, Director Burgess made a motion to approve the following committee appointments:

Finance & Audit – Burgess / Yaffee
Operations & Engineering – Capps / Camou
Personnel – Barker / Yaffee
Safety – Capps / Camou
Public Relations – Barker / Burgess
HROA Bike Park Ad-hoc - Capps

7. PUBLIC COMMENT ON ITEMS NOT ON THE AGENDA

CJ Rudolph: Spoke of the need for water for the proposed Heritage Ranch Boat and RV Storage facility.

Sam Poppen: Restated CJ Rudolph's need for water.

The Board reached a consensus and would like to have a discussion item on the next Agenda.

8. CONSENT ITEMS

- a. **Meeting Minutes:** Receive/approve minutes of regular meeting of September 15, 2022.
- b. **Meeting Minutes:** Receive/approve minutes of special meeting of September 29, 2022.
- c. **Warrant Register:** Receive/approve October 2022 warrants.
- d. **Treasurer's Report:** Receive/file October 2022 Report.
- e. **Treasurer's Report:** Receive/file 3rd Quarter 2022 report.
- f. **Fiscal Report:** Receive/file October 2022 status report.
- g. **Office Report:** Receive/file October 2022 report.
- h. **Manager Report:** Receive/file November 2022 report.
- i. **District Engineer Report:** Receive/file November 2022 report.
- j. **Operations Manager Report:** Receive/file November 2022 report.

There were no public comments.

Director Barker pulled items F, G and H and asked a question about item G – Office Report with questions about the code/law in regards to locking off delinquent customers who have sprinkler systems installed. District Engineer Groshart stated he would look into this.

Director Yaffee asked a question about item B - Warrant Register with questions about the DataProse and PitneyBowes expense. Secretary Gelos answered.

Director Burgess made a motion to approve items A, C, D, E and I as presented. Director Yaffee seconded the motion. The motion passed by the following voice vote:

Ayes: Barker, Burgess, Camou, Capps, Yaffee

Director Barker made a motion to approve pulled items, B,F,G and H presented. Director Capps seconded the motion. The motion passed by the following voice vote:

Ayes: Barker, Burgess, Camou, Capps, Yaffee

Director Burgess left the meeting after this item.

9. DISCUSSION ITEMS

- a. Request to approve the Report on Water and Sewer Rate Study prepared by Tuckfield & Associates dated December 9, 2022, and direct staff to proceed with the public notification and hearing process for adoption of new water and sewer rates.**

Manager Duffield provided a brief summary of the item and answered any questions the board had.

Public comment from CJ Rudolph: questioned the capacity of the proposed WRRF system and how many homes it could serve. He also asked, how the District would proceed to fix the current issues if the Rate Study Fails.

The board reached a consensus to table this item to allow the new Directors time to gain more of an understanding of the Rate Study and WRRF project. This item will be brought back at the next meeting.

10. ORAL INFORMATION REPORTS

Director Capps would like to add a discussion item on a future meeting agenda with regards to Hybrid meetings and some form of public broadcasting of the board of directors meetings. The Board reached a consensus and would like to have a discussion item on a future Agenda.

Public comment from CJ Rudolph: asked how a member of the public could get things put onto an agenda. Secretary Gelos answered.

11. ADJOURNMENT

On a motion by Director Camou and seconded by Director Yaffee, the meeting adjourned at 5:59 pm to the next scheduled special meeting on Thursday, January 19, 2023.

APPROVED:

**Bill Barker, President
Board of Directors**

ATTEST:

**Kristen Gelos, Secretary
Board of Directors**

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
DECEMBER 2022
WARRANT REGISTER**

DATE	NAME OF PAYEE	ITEM AMOUNT	WARRANT AMOUNT
12/2/2022	R. ARNOLD NET PAYROLL	3,025.43	\$ 3,025.43
12/2/2022	M. HUMPHREY NET PAYROLL	2,124.61	\$ 2,124.61
12/2/2022	B. VOGEL NET PAYROLL	2,648.10	\$ 2,648.10
12/2/2022	T. SHOGREN NET PAYROLL	2,361.82	\$ 2,361.82
12/2/2022	H. HALL NET PAYROLL	1,686.06	\$ 1,686.06
12/2/2022	K. GELOS NET PAYROLL	2,571.35	\$ 2,571.35
12/2/2022	D. BURGESS NET PAYROLL	92.35	\$ 92.35
12/2/2022	B. BARKER NET PAYROLL	92.35	\$ 92.35
12/2/2022	M. ROWLEY NET PAYROLL	92.35	\$ 92.35
12/2/2022	R. COUSINEAU NET PAYROLL	92.35	\$ 92.35
12/2/2022	S. DUFFIELD NET PAYROLL	3,296.85	\$ 3,296.85
12/2/2022	D. CAPPS NET PAYROLL	92.35	\$ 92.35
12/2/2022	M. WILCOX NET PAYROLL	2,123.85	\$ 2,123.85
12/2/2022	D. GROSHART NET PAYROLL	4,307.46	\$ 4,307.46

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
DECEMBER 2022
WARRANT REGISTER**

DATE	NAME OF PAYEE	ITEM AMOUNT	WARRANT AMOUNT
12/2/2022	CALPERS 457 DEFFERED COMP PROG PERS 457- DEFFERED COMP.	2,258.00	\$ 2,258.00
12/2/2022	INTERNAL REVENUE SERVICE FEDERAL WITHHOLDING TAXES FICA WITHIHOLDING MEDICARE	2,875.66 62.00 1,042.46	\$ 3,980.12
12/2/2022	EMPLOYMENT DEVELOPMENT DEPARTM SDI STATE WITHHOLDING	310.40 1,224.17	\$ 1,534.57
12/2/2022	CALPERS RETIREMENT SYSTEM CALPERS UNIFORM ALLOWANCE PERS RETIREMENT PERS RETIREMENT TIER 2 PERS RETIREMENT PEPRA PERS SERVICE CREDIT PURCHASE SURVIVOR BENEFIT	9.64 1,404.51 1,646.78 2,426.61 981.47 8.37	\$ 6,477.38
12/3/2022	CALPERS HEALTH BENEFITS EMPLOYEE PAID HEALTH BENEFIT EMPLOYEE PAID HEALTH BENEFIT	756.44 756.44	\$ 1,512.88
12/3/2022	CALPERS HEALTH BENEFITS CALPERS HEALTH BENEFITS	14,372.67	\$ 14,372.67
12/5/2022	J.B. DEWAR. INC. FUEL & OIL	2,116.87	\$ 2,116.87
12/5/2022	STAPLES CREDIT PLAN OFFICE SUPPLIES	82.60	\$ 82.60
12/5/2022	GREAT WESTERN ALARM ALARM/ANSWERING SERVICE	288.01	\$ 288.01
12/5/2022	FERGUSON ENTERPRISES INC MAINTENANCE FIXED EQUIPMENT	10.95	\$ 10.95
12/5/2022	AT&T TELEPHONE	80.10	\$ 80.10

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
DECEMBER 2022
WARRANT REGISTER**

DATE	NAME OF PAYEE	ITEM AMOUNT	WARRANT AMOUNT
12/5/2022	USA BLUEBOOK CHEMICALS CHEMICALS	174.28 491.68	\$ 665.96
12/5/2022	BRENNTAG PACIFIC, INC CHEMICALS CHEMICALS	1,274.75 3,766.57	\$ 5,041.32
12/5/2022	CAL COAST IRRIGATION, INC. MAINTENANCE FIXED EQUIPMENT	165.62	\$ 165.62
12/5/2022	STAR DRUG TESTING, INC PROFESSIONAL SERVICES	45.00	\$ 45.00
12/5/2022	ROY ARNOLD CELL PHONE/INTERNET ALLOWANCE	80.00	\$ 80.00
12/5/2022	ANTHONY'S TIRE STORE VEHICLES	82.23	\$ 82.23
12/5/2022	FLUID RESOURCE MANAGEMENT PROFESSIONAL SERVICES MAINTENANCE FIXED EQUIPMENT	760.00 5,948.80	\$ 6,708.80
12/5/2022	KRISTEN GELOS CELL PHONE/INTERNET ALLOWANCE	80.00	\$ 80.00
12/5/2022	TUCKFIELD & ASSOCIATES PROFESSIONAL SERVICES	4,869.64	\$ 4,869.64
12/5/2022	SCOTT DUFFIELD CELL PHONE/INTERNET ALLOWANCE	80.00	\$ 80.00
12/5/2022	WESTERN EXTERMINATOR STRUCTURES & GROUNDS STRUCTURES & GROUNDS	102.15 99.00	\$ 201.15
12/5/2022	MARK HUMPHREY CELL PHONE/INTERNET ALLOWANCE	80.00	\$ 80.00
12/5/2022	BRIAN VOGEL MEDICAL REIMBURSEMENT CELL PHONE/INTERNET ALLOWANCE	141.75 80.00	\$ 221.75

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
DECEMBER 2022
WARRANT REGISTER**

DATE	NAME OF PAYEE	ITEM AMOUNT	WARRANT AMOUNT
12/5/2022	MIKE WILCOX UNIFORM ALLOWANCE CELL PHONE/INTERNET ALLOWANCE	144.75 80.00	\$ 224.75
12/5/2022	TROY SHOGREN MEDICAL REIMBURSEMENT CELL PHONE/INTERNET ALLOWANCE	166.39 80.00	\$ 246.39
12/5/2022	BEEBE'S WATER SYSTEMS, INC WTP FILTERS RENOVATION PROJECT	5,526.00	\$ 5,526.00
12/5/2022	DOUGLAS GROSHART CELL PHONE/INTERNET ALLOWANCE	80.00	\$ 80.00
12/5/2022	JORANDA MARKETING, INC. / JAN- STRUCTURES & GROUNDS	266.60	\$ 266.60
12/5/2022	CUSTOM WORKS WTP FILTERS RENOVATION PROJECT	4,760.00	\$ 4,760.00
12/5/2022	SPEEDY COASTAL MESSENGER, INC. LAB TESTING	400.00	\$ 400.00
12/5/2022	HARTLEY HALL UNIFORM ALLOWANCE CELL PHONE/INTERNET ALLOWANCE	244.68 80.00	\$ 324.68
12/5/2022	SPICE INTEGRATION SCADA UPGRADE WTP FILTER RENO / FIXED EQUIP	8,062.50 6,389.56	\$ 14,452.06
12/5/2022	FAMCON PIPE & SUPPLY, INC SUPPLIES	450.45	\$ 450.45
12/5/2022	AMERICAN WATER COLLEGE, LLC TRAINING & TRAVEL	1,793.00	\$ 1,793.00
12/5/2022	FS CREDIT CARD PURCHASES BLAKES INC STRUCTURES & GROUNDS	9.02	\$ 9.02

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
DECEMBER 2022
WARRANT REGISTER**

DATE	NAME OF PAYEE	ITEM AMOUNT	WARRANT AMOUNT
12/5/2022	FS CREDIT CARD PURCHASES (CONT.) LOWE'S SMALL TOOLS & EQUIPMENT SMALL TOOLS & EQUIPMENT CHEMICALS VEHICLES SUPPLIES	(21.75) 32.60 173.96 21.40 30.41	\$ 236.62
	AUTOMATION DIRECT MAINTENANCE FIXED EQUIPMENT	156.59	\$ 156.59
	RING CENTRAL TELEPHONE	215.70	\$ 215.70
	AMAZON MAINTENANCE FIXED EQUIPMENT	21.78	\$ 21.78
	WALMART OFFICE SUPPLIES	110.78	\$ 110.78
	BURT PROCESS EQUIPMENT MAINTENANCE FIXED EQUIPMENT	2,539.01	\$ 2,539.01
	CHARTER COMMUNICATIONS INTERNET	89.99	\$ 89.99
12/6/2022	PG&E ELECTRICITY	7,333.21	\$ 7,333.21
12/8/2022	SAN MIGUEL GARBAGE DELINQUENT SOLID WASTE FEES	233.00	\$ 233.00
12/15/2022	WATER SYSTEMS CONSULTING, INC. WRRF PROJECT	54,195.19	\$ 54,195.19
12/16/2022	R. ARNOLD NET PAYROLL	2,848.47	\$ 2,848.47
12/16/2022	M. HUMPHREY NET PAYROLL	2,236.86	\$ 2,236.86
12/16/2022	B. VOGEL NET PAYROLL	2,519.23	\$ 2,519.23

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
DECEMBER 2022
WARRANT REGISTER**

DATE	NAME OF PAYEE	ITEM AMOUNT	WARRANT AMOUNT
12/16/2022	T. SHOGREN NET PAYROLL	1,997.82	\$ 1,997.82
12/16/2022	H. HALL NET PAYROLL	1,707.23	\$ 1,707.23
12/16/2022	K. GELOS NET PAYROLL	2,560.78	\$ 2,560.78
12/16/2022	S. DUFFIELD NET PAYROLL	3,195.12	\$ 3,195.12
12/16/2022	M. WILCOX NET PAYROLL	2,115.50	\$ 2,115.50
12/16/2022	D. GROSHART NET PAYROLL	4,298.66	\$ 4,298.66
12/16/2022	CALPERS 457 DEFFERED COMP PROG PERS 457- DEFFERED COMP.	2,258.00	\$ 2,258.00
12/16/2022	INTERNAL REVENUE SERVICE FEDERAL WITHHOLDING TAXES MEDICARE	2,749.80 1,002.50	\$ 3,752.30
12/16/2022	EMPLOYMENT DEVELOPMENT DEPARTM SDI STATE WITHHOLDING CALPERS RETIREMENT SYSTEM PERS RETIREMENT PERS RETIREMENT TIER 2 PERS RETIREMENT PEPRA PERS SERVICE CREDIT PURCHASE SURVIVOR BENEFIT	303.50 1,167.60 1,404.52 1,646.78 2,426.61 981.47 8.37	\$ 1,471.10 \$ 6,467.75
12/17/2022	J.B. DEWAR. INC. FUEL & OIL	282.78	\$ 282.78
12/20/2022	FERGUSON ENTERPRISES INC WTP FILTER RENOVATION PROJECT	18.88	\$ 18.88
12/20/2022	AT&T TELEPHONE	81.00	\$ 81.00

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
DECEMBER 2022
WARRANT REGISTER**

DATE	NAME OF PAYEE	ITEM AMOUNT	WARRANT AMOUNT
12/20/2022	BRENNTAG PACIFIC, INC CHEMICALS	2,066.52	\$ 2,066.52
12/20/2022	THE BLUEPRINTER CONSULTING & ENGINEERING	160.00	\$ 160.00
12/20/2022	SWRCB LICENSES & PERMITS LICENSES & PERMITS LICENSES & PERMITS	3,453.00 5,590.00 794.00	\$ 9,837.00
12/20/2022	CAL COAST IRRIGATION, INC. WTP FILTER RENOVATION	18.38	\$ 18.38
12/20/2022	ROY ARNOLD CELL PHONE/INTERNET ALLOWANCE	80.00	\$ 80.00
12/20/2022	DELTA LIQUID ENERGY PROPANE	295.69	\$ 295.69
12/20/2022	RENTAL DEPOT EQUIPMENT RENT/LEASE EQUIPMENT RENT/LEASE	1,436.40 1,436.40	\$ 2,872.80
12/20/2022	NAPA AUTO PARTS VEHICLES	15.20	\$ 15.20
12/20/2022	ABALONE COAST ANALYTICAL, INC. LAB TESTING	2,224.00	\$ 2,224.00
12/20/2022	KRISTEN GELOS CELL PHONE/INTERNET ALLOWANCE	80.00	\$ 80.00
12/20/2022	WATER SYSTEMS CONSULTING, INC. WRRF PROJECT	52,051.86	\$ 52,051.86
12/20/2022	DATA PROSE LLC PROFESSIONAL SERVICES NOVEMBER BILLING	383.60 1,336.62	\$ 1,720.22
12/20/2022	SCOTT DUFFIELD CELL PHONE/INTERNET ALLOWANCE	80.00	\$ 80.00

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
DECEMBER 2022
WARRANT REGISTER**

DATE	NAME OF PAYEE	ITEM AMOUNT	WARRANT AMOUNT
12/20/2022	BURT INDUSTRIAL SUPPLY WTP FILTER RENOVATION PROJECT	96.50	
	SMALL TOOLS & EQUIPMENT	122.31	
	WTP FILTER RENOVATION PROJECT	34.71	
	GAC SYSTEM	613.12	
	WTP FILTER RENOVATION	194.30	
	SUPPLIES / WTP FILTER RENO	172.28	
	SUPPLIES / MAINT. FIXED EQUIP.	427.97	\$ 1,661.19
12/20/2022	WESTERN EXTERMINATOR STRUCTURES & GROUNDS	102.15	
	STRUCTURES & GROUNDS	99.00	\$ 201.15
12/20/2022	RIVAL TECHNOLOGY INC. PROFESSIONAL SERVICES	816.66	
	COMPUTER/SOFTWARE	130.00	\$ 946.66
12/20/2022	MARK HUMPHREY CELL PHONE/INTERNET ALLOWANCE	80.00	\$ 80.00
12/20/2022	TABORDA SOLUTIONS COMPUTER/SOFTWARE	363.60	\$ 363.60
12/20/2022	BRIAN VOGEL CELL PHONE/INTERNET ALLOWANCE	80.00	\$ 80.00
12/20/2022	MIKE WILCOX CELL PHONE/INTERNET ALLOWANCE	80.00	
	MEDICAL REIMBURSEMENT	397.40	
	TRAINING & TRAVEL	631.28	\$ 1,108.68
12/20/2022	TROY SHOGREN CELL PHONE/INTERNET ALLOWANCE	80.00	\$ 80.00
12/20/2022	DOUGLAS GROSHART CELL PHONE/INTERNET ALLOWANCE	80.00	\$ 80.00
12/20/2022	JORANDA MARKETING, INC. / JAN- STRUCTURES & GROUNDS	266.60	\$ 266.60
12/20/2022	HARTLEY HALL CELL PHONE/INTERNET ALLOWANCE	80.00	\$ 80.00

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
DECEMBER 2022
WARRANT REGISTER**

DATE	NAME OF PAYEE	ITEM AMOUNT	WARRANT AMOUNT
12/20/2022	SPICE INTEGRATION WTP SCADA UPGRADE	9,812.50	\$ 9,812.50
12/20/2022	FARWEST CORROSION CONTROL COMP WTP FILTER RENOVATION PROJECT	3,729.48	\$ 3,729.48
12/22/2022	PITNEY BOWES POSTAGE	200.00	\$ 200.00
12/23/2022	FIRSTNET INTERNET	40.24	\$ 40.24
12/24/2022	FS CREDIT CARD PURCHASES HOME DEPOT CREDIT SERVICES SMALL TOOLS & EQUIPMENT	433.91	\$ 433.91
	EMBASSY TRAINING & TRAVEL	383.22	\$ 383.22
	MATHESON WTP FILTER RENOVATION	118.68	\$ 118.68
	LOWE'S STRUCTURES & GROUNDS WTP FILTER RENOVATION PROJECT	66.40 11.68	\$ 78.08
	AMAZON WATER SYSTEM SCADA UPGRADE WATER SYSTEM SCADA UPGRADE	33.99 391.09	\$ 425.08
	HARBOR FREIGHT VEHICLES	222.89	\$ 222.89
	TNEMEC COMPANY INC WTP FILTER RENOVATION PROJECT	1,971.64	\$ 1,971.64
	INDUCTIVE AUTOMATION WATER SYSTEM SCADA UPGRADE	26,645.40	\$ 26,645.40
	WALMART OFFICE SUPPLIES	52.79	\$ 52.79

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
DECEMBER 2022
WARRANT REGISTER**

DATE	NAME OF PAYEE	ITEM AMOUNT	WARRANT AMOUNT
12/24/2022	CALPERS RETIREMENT SYSTEM PERS UNFUNDED LIABILITY	8,996.83	\$ 8,996.83
12/27/2022	PG&E ELECTRICITY	4,904.59	\$ 4,904.59
12/30/2022	R. ARNOLD NET PAYROLL	2,557.22	\$ 2,557.22
12/30/2022	M. HUMPHREY NET PAYROLL	2,232.38	\$ 2,232.38
12/30/2022	B. VOGEL NET PAYROLL	2,572.69	\$ 2,572.69
12/30/2022	T. SHOGREN NET PAYROLL	2,314.25	\$ 2,314.25
12/30/2022	H. HALL NET PAYROLL	1,696.18	\$ 1,696.18
12/30/2022	K. GELOS NET PAYROLL	2,560.78	\$ 2,560.78
12/30/2022	S. DUFFIELD NET PAYROLL	3,195.12	\$ 3,195.12
12/30/2022	M. WILCOX NET PAYROLL	2,115.50	\$ 2,115.50
12/30/2022	D. GROSHART NET PAYROLL	4,298.66	\$ 4,298.66
12/30/2022	CALPERS 457 DEFFERED COMP PROG PERS 457- DEFFERED COMP.	2,258.00	\$ 2,258.00
12/30/2022	INTERNAL REVENUE SERVICE FEDERAL WITHHOLDING TAXES MEDICARE	2,764.08 1,004.26	\$ 3,768.34
12/30/2022	EMPLOYMENT DEVELOPMENT DEPARTM SDI STATE WITHHOLDING	304.16 1,148.67	\$ 1,452.83

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
DECEMBER 2022
WARRANT REGISTER**

DATE	NAME OF PAYEE	ITEM AMOUNT	WARRANT AMOUNT
12/30/2022	CALPERS RETIREMENT SYSTEM		
	PERS RETIREMENT	1,404.52	
	PERS RETIREMENT TIER 2	1,646.78	
	PERS RETIREMENT PEPRA	2,426.61	
	PERS SERVICE CREDIT PURCHASE	981.47	
	SURVIVOR BENEFIT	8.37	\$ 6,467.75
GRAND TOTAL ALL WARRANTS			\$ 379,073.78

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
TREASURER'S REPORT
DECEMBER 2022**

SUMMARY REPORT OF ALL ACCOUNTS

Beginning Balance:	\$ 4,859,014.46
Ending Balance:	\$ 4,757,511.31
Variance:	\$ (101,503.15)
Interest Earnings for the Month Reported:	\$ 396.46
Interest Earnings Fiscal Year-to-Date:	\$ 25,496.36

ANALYSIS OF REVENUES

Total operating income for water and sewer was:	\$ 163,026.42
Non-operating income was:	\$ 137,923.26
Franchise fees paid to the District by San Miguel Garbage was:	\$ 6,628.75
Interest earnings for the LAIF account was:	\$ -
Interest earnings for the Five Star Bank checking account was:	\$ 15.44
Interest earnings for the Five Star Bank DWR Loan Services account was:	\$ 43.96
Interest earnings for the Five Star Bank DWR Reserve account was:	\$ 191.90
Interest earnings for the Mechanics Bank money market account was:	\$ 0.22

ANALYSIS OF EXPENSES

Five Star Bank checking account total warrants, fees, and Electronic Fund Transfers was:	\$ (382,341.36)
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STATEMENT OF COMPLIANCE

This report was prepared in accordance with the Heritage Ranch Community Services District Statement of Investment Policy. All investment activity was within policy limits. There are sufficient funds to meet the next 30 days obligations. Attached is a status report of all accounts and related bank statements.

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
TREASURER'S REPORT
DECEMBER 2022**

BEGINNING BALANCE ALL ACCOUNTS	\$4,859,014.46
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OPERATING CASH IN DRAWER	\$ 300.00
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FIVE STAR BANK DWR LOAN REPAYMENT (1994-2029):	
BEGINNING BALANCE 11/30/2022	26,165.80
QUARTERLY DEPOSIT	-
INTEREST EARNED	43.96
SEMI-ANNUAL PAYMENT	-
ENDING BALANCE 12/31/2022	\$ 26,209.76
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FIVE STAR BANK DWR RESERVE ACCOUNT	
BEGINNING BALANCE 11/30/2022	114,213.02
INTEREST EARNED	191.90
ENDING BALANCE 12/31/2022	\$ 114,404.92
<hr style="border-top: 1px dashed #000;"/>	
FIVE STAR BANK SDWSRF LOAN SERVICES ACCOUNT	
BEGINNING BALANCE 11/30/2022	29,731.00
QUARTERLY DEPOSIT	-
INTEREST EARNED	32.19
SEMI-ANNUAL PAYMENT	(29,369.28)
ENDING BALANCE 12/31/2022	\$ 393.91
<hr style="border-top: 1px dashed #000;"/>	
FIVE STAR BANK SDWSRF RESERVE ACCOUNT	
BEGINNING BALANCE 11/30/2022	59,103.95
INTEREST EARNED	99.30
REVENUE TRANSFER	-
ENDING BALANCE 12/31/2022	\$ 59,203.25
<hr style="border-top: 1px dashed #000;"/>	
MECHANICS BANK MONEY MARKET ACCOUNT	
BEGINNING BALANCE 11/30/2022	22,924.20
DEPOSIT REVENUE - CASH	2,477.11
INTEREST EARNED	0.22
REVENUE TRANSFER <i>To Five Star Checking</i>	(19,800.00)
ENDING BALANCE 12/31/2022	\$ 5,601.53
<hr style="border-top: 1px dashed #000;"/>	
FIVE STAR BANK - MONEY MARKET	
BEGINNING BALANCE 11/30/2022	8,003.92
INTEREST EARNED	13.45
ENDING BALANCE 12/31/2022	\$ 8,017.37
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**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
TREASURER'S REPORT
DECEMBER 2022**

FIVE STAR BANK - CHECKING		
BEGINNING BALANCE 11/30/2022	143,320.92	
DEPOSIT REVENUE & MISCELLANEOUS INCOME	307,333.92	
INTEREST EARNED	15.44	
TOTAL CHECKS, FEES AND EFT'S	(382,341.36)	
REVENUE TRANSFER <i>From Mechanics Money Market</i>	19,800.00	
ENDING BALANCE 12/31/2022		\$ 88,128.92

LOCAL AGENCY INVESTMENT FUND (LAIF)		
BEGINNING BALANCE 11/30/2022	4,455,251.65	
INTEREST EARNED	-	
ENDING BALANCE 12/31/2022		\$4,455,251.65

ENDING BALANCE ALL ACCOUNTS		\$4,757,511.31
DIFFERENCE FROM LAST MONTH	Decrease	\$ (101,503.15)

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
QUARTERLY TREASURER'S
REPORT FOR THE PERIOD OF
OCTOBER 1, 2022 – DECEMBER 31, 2022**

SUMMARY REPORT OF ALL ACCOUNTS

Beginning Balance	\$ 4,758,106.07
Ending Balance	\$ 4,757,511.31
Variance	\$ (594.76)
Interest Earnings	\$ 16,246.47

STATEMENT OF COMPLIANCE

This report was prepared in accordance with the HRCSD Statement of Investment Policy. All investment activity was within policy limits. There are sufficient funds to meet the next 180 days' obligations. Attached is a status report of all accounts and related bank statements. For more information contact the District Office.

ACCOUNT PROFILE INFORMATION

1. Operating cash in cash drawer: Maintained to make change for cash transactions.
2. Five Star Bank DWR Loan Repayments: Quarterly deposits are made into the account. Semi-annual payments are made from the account by the bank, which functions as our fiscal agent, to DWR for repayment of a \$2 million loan to partially finance our water treatment plant and water pumping facilities. The interest earnings rate at the end of the quarter was 2.00%. Statements are received on a monthly basis.
3. Five Star Bank DWR Reserve: The purpose of the Reserve Account was to build up over ten years an amount equal to debt service for one year, a DWR requirement. The interest earnings rate at the end of the quarter was 2%. Statements are received on a monthly basis.
4. Five Star Bank SDWSRF (Safe Drinking Water State Revolving Fund) Loan Repayments: Quarterly deposits are made into the account. Semi-annual payments are made from the account by the bank, which functions as our fiscal agent, to SDWSRF for repayment of a \$714,000 loan to finance upgrades at the water treatment plant. The fund will provide for a twenty (20) year repayment period at a 1.7875 percent interest rate. The interest earnings rate at the end of the quarter was 1.98%. Statements are received on a monthly basis.
5. Five Star Bank SDWSRF Reserve: The purpose of the Reserve Account was to build up over ten years an amount equal to debt service for one year, a SDWSRF requirement. The interest earnings rate at the end of the quarter was 2.00%. Statements are received on a monthly basis.

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
 QUARTERLY TREASURER'S
 REPORT FOR THE PERIOD OF
 OCTOBER 1, 2022 – DECEMBER 31, 2022**

6. Mechanics Bank Money Market: This account handles all cash transactions as Five Star Bank does not have a local branch. Any amount above the minimum required by the bank will be transferred to Five Star bank checking account. The interest earnings rate at the end of the quarter was 0.02%. Statements are received on a monthly basis.

7. Five Star Bank Money Market: The interest earnings rate at the end of the quarter was 2.00%. Statements are received on a monthly basis. The purpose of this account is to facilitate cashflows and maximize interest within our Five Star Bank accounts.

8. Five Star Bank Checking: Variable interest-bearing checking account currently at 0.10%, at Five Star branch in Roseville used for most of our transactions such as payroll, accounts receivable and accounts payable. Statements are received on a monthly basis.

9. LAIF: Local Agency Investment Fund, a variable interest-bearing investment fund administered by the California State Treasurer. The majority of our funds are retained in this account. LAIF Account interest earnings rate at the end of the quarter was 2.00%. Statements are received on a quarterly basis.

INTEREST EARNINGS: TRENDS & PROJECTIONS

The number of accounts in this report totals NINE. The interest earnings for those accounts are summarized below. The accounts are referenced by number which corresponds with the Account Profile Information.

SUMMARY OF INTEREST EARNINGS

Account Profile by Reference Number

	Beginning Balance	Total Credits	Total Debits	Interest Earnings	Ending Balance
1	300.00	-	-	-	300.00
2	223.14	25,907.00	-	79.62	26,209.76
3	113,907.21	-	-	497.71	114,404.92
4	14,985.90	14,685.00	(29,369.28)	92.29	393.91
5	58,945.69	-	-	257.56	59,203.25
6	5,067.65	20,333.15	(19,800.00)	0.73	5,601.53
7	30,973.85	-	(23,000.00)	43.52	8,017.37
8	53,694.80	872,107.79	(837,704.89)	31.22	88,128.92
9	4,480,007.83	-	(40,000.00)	15,243.82	4,455,251.65
TOTALS	\$4,758,106.07	\$ 933,032.94	\$ (949,874.17)	\$16,246.47	\$ 4,757,511.31

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
QUARTERLY TREASURER'S
REPORT FOR THE PERIOD OF
OCTOBER 1, 2022 – DECEMBER 31, 2022**

MANAGEMENT BY CONTRACTED PARTIES

For the reporting period, only the Local Agency Investment Fund (LAIF) is held under the Management By Contracted Parties.

LAIF is a treasury of pooled money made up of deposits from many of the over 5,000 local agencies within California. More than \$25 billion is vested in a variety of ways with a cumulative net yield of a conservative nature. State law requires, and the LAIF Pooled Money Investment Board requires that pooled money first be invested in such a manner to realize the maximum return consistent with safe and prudent management after which yield is considered. In other words, because these are public moneys invested and managed by others, the investments are low risk, low yield.

HRCSD typically has most of its cash (over 90%) deposited in LAIF. This is common strategy with many local agencies in the state, especially those with cash reserves of less than \$5 million. Complete reports of all investment activity, etc. are received from the LAIF Board on a monthly basis, along with an annual report, which are available for inspection at the District office. In addition, an analysis is provided in our Status Report of All Accounts for our share of LAIF deposits on a monthly basis.

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT - CONSOLIDATED BUDGET
2022/23 Budget**

OPERATING REVENUE	Budget FY 22/23	Actual December	Actual Year to Date	Percentage Year to Date	Variance Explanation
Water Fees	1,107,981	97,929	706,340	64%	
Sewer Fees	704,110	63,038	377,780	54%	
Hook-Up Fees	3,000	0	1,200	40%	
Turn on Fees	3,500	50	1,025	29%	
Late Fees	18,500	2,009	13,833	75%	
Plan Check & Inspection	10,000	0	0	0%	
Miscellaneous Income	500	0	3,271	654%	Delq. W/S Fees
TOTAL OPERATING	\$1,847,591	\$163,026	\$1,103,449	60%	

FRANCHISE REVENUE					
Solid Waste Franchise Fees	82,587	6,629	40,865	49%	
TOTAL FRANCHISE	\$82,587	\$6,629	\$40,865	49%	

TOTAL OPERATING \$1,930,178 \$169,655 \$1,144,314 59%

NON-OPERATING REVENUE					
Standby Charges	242,144	47,104	65,826	27%	
Property Tax	423,381	90,423	137,750	33%	
Interest	15,000	396	25,496	170%	Fluctuates based on activity
Connection Fees	70,580	0	28,232	40%	
TOTAL NON-OPERATING	\$751,105	\$137,923	\$257,303	34%	

RESERVE REVENUE					
Capital Reserves	503,512	37,186	90,941	18%	
Operating Reserves	1,848,143	136,888	238,076	13%	
TOTAL RESERVE	\$2,351,655	\$174,074	\$329,017	14%	

TOTAL NON-OPERATING \$3,102,760 \$311,998 \$586,321 19%

TOTAL ALL INCOME	\$5,032,938	\$481,653	\$1,730,635	34%	
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**HERITAGE RANCH COMMUNITY SERVICES DISTRICT - CONSOLIDATED BUDGET
2022/23 Budget**

OPERATING EXPENSES

SALARIES AND BENEFITS	Budget FY 22/23	Actual December	Actual Year to Date	Percentage Year to Date	Variance Explanation
Salaries	913,750	102,112	469,428	51%	
Health Insurance	159,110	11,240	65,171	41%	
Health Insurance - Retirees	47,600	3,838	23,212	49%	
Pers Retirement	149,871	18,320	98,148	65%	
OPEB Funding/Transfer	28,306	0	0	0%	
Standby	13,200	1,476	6,783	51%	
Overtime	10,812	810	3,291	30%	
Workers Comp. Ins.	23,525	0	21,072	90%	Paid Annually
Directors' Fees	9,000	500	3,400	38%	
Medicare/FICA	13,182	1,556	7,234	55%	
Car Allowance	3,000	250	1,500	50%	
SUI/ETT	1,000	0	0	0%	
Uniforms	5,000	389	1,950	39%	
TOTAL SALARIES & BENEFITS	\$1,377,356	\$140,490	\$701,189	51%	

UTILITIES

Electricity	124,292	12,238	50,570	41%	
Propane	1,466	296	296	20%	
Water Purchase	23,114	0	11,557	50%	Paid Semiannually
Telephone/Internet	11,594	1,857	6,289	54%	
TOTAL UTILITIES	\$160,466	\$14,391	\$68,712	43%	

MAINTENANCE & SUPPLIES

Chemicals	79,000	7,948	42,542	54%	
Computer/Software	33,900	494	5,040	15%	
Equip. Rental/Lease	2,500	2,873	7,387	295%	
Fixed Equip.	187,000	9,811	65,338	35%	
Fuel & Oil	15,000	2,400	8,461	56%	
Lab Testing	59,000	2,624	23,820	40%	
Office Supplies	1,500	246	533	36%	
Parks & Recreation	0	0	0	0%	
Struct./Grnds.	14,940	1,011	7,064	47%	
Small Tools/Equip.	3,000	567	1,971	66%	
Supplies	4,500	714	6,107	136%	
Meters/Equip.	12,000	0	949	8%	
Vehicles	6,000	342	2,535	42%	
TOTAL MAINT. & SUP.	\$418,340	\$29,029	\$171,748	41%	

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT - CONSOLIDATED BUDGET
2022/23 Budget**

GENERAL & ADMINISTRATION	Budget FY 22/23	Actual December	Actual Year to Date	Percentage Year to Date	Variance Explanation
Ads./Advertising	1,500	0	328	22%	
Alarm/Answering Service	4,000	288	1,452	36%	
Audit	10,000	0	3,000	30%	
Bank Charges/Fees	1,000	0	36	4%	
Consulting/Engineering	10,000	160	160	2%	
Dues/Subscription	10,000	0	9,343	93%	
Elections	5,000	0	0	0%	
Insurance	39,330	0	-67	0%	
LAFCO	6,930	0	7,254	105%	Paid Annually
Legal/Attorney	25,000	0	4,823	19%	
Licenses/Permits	29,000	9,837	12,016	41%	
Plan Check & Inspection	10,000	0	0	0%	
Postage/Billing	15,000	1,537	7,291	49%	
Professional Service	89,300	6,875	52,702	59%	
Tax Collection	6,200	0	0	0%	
Staff Training & Travel	12,000	2,808	6,239	52%	
Board Training & Travel	1,000	0	0	0%	
TOTAL G & A	\$275,260	\$21,504	\$104,577	38%	

CAPITAL PROJECTS & EQUIPMENT

Structures/Improvements	1,947,991	174,074	329,018	17%	
Equipment	155,000	0	0	0%	
TOTAL CAPITAL EXPENSE	\$2,102,991	174,074	329,018	16%	

DEBT

State Loan Payment	103,629	0	51,814	50%	
State Loan Payment Phase II	58,740	29,369	29,369	50%	
Western Alliance Lease-PVS	152,638	0	76,227	50%	
TOTAL DEBT	\$315,007	\$29,369	\$157,410		

FUNDED DEPRECIATION	\$288,000	\$24,000	\$144,000	50%	
UNFUNDED DEPRECIATION	\$0	\$0	\$0	0%	

TOTAL EXPENSE	\$4,937,421	\$432,857	\$1,676,655	34%	
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CAPACITY CHARGES TRANSFER \$70,580 \$0 \$28,232 40%

SOLID WASTE FEES TRANSFER \$24,937 \$946 \$7,251 29%

FUND TOTAL	\$1	\$47,849	\$18,497		
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HERITAGE RANCH COMMUNITY SERVICES DISTRICT

Office Report For the Month of December 2022

Utility Billing

- On January 1st, 1,938 bills were processed for a total dollar amount of \$148,317 for water and sewer user fees for the month of December.
- We processed 231 penalties for bills that were due by December 25th.

Customer Service Orders

- Staff completed a total of 19 service orders for the month of December. The breakdown by job code is as follows:

USA	12	LEAK	1
OCCUPANT CHANGE	5	MISC.	1

Administration

- Nothing to report.

San Miguel Garbage Franchise Fees Received

- The total Franchise Fees received for the Month of November was \$ 6,628.75
The breakdown is as follows:

Residential Garbage Collection - \$ 5,531.06
Commercial Garbage Collection - \$ 823.67
Roll-Off Collection - \$ 274.02

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

Manager Report For the Month of January 2023

In addition to normal administrative, engineering, and operations duties, below are updates for several areas of work:

Administration

- Staff has been coordinating with the auditor in preparation of the Fiscal Year 2021/22 audit report. The audit report is anticipated to be presented to the Board at this meeting.
- The Manager had a follow up meeting with LAFCO regarding the District Sphere of Influence and Municipal Service Review updates as previously reported. The Manager is assisting LAFCO with this work effort by providing information, data, and review.
- The Manager had a follow up meeting with the State Central Coast Regional Water Quality Control Board and the State Division of Financial Assistance regarding funding opportunities for small community water/wastewater systems. Based on this meeting the Manager is pursuing District eligibility for grants for the WRRF project. An item will be brought to your Board for action if/when necessary.

Water Resource Recovery Project

- See separate agenda item.

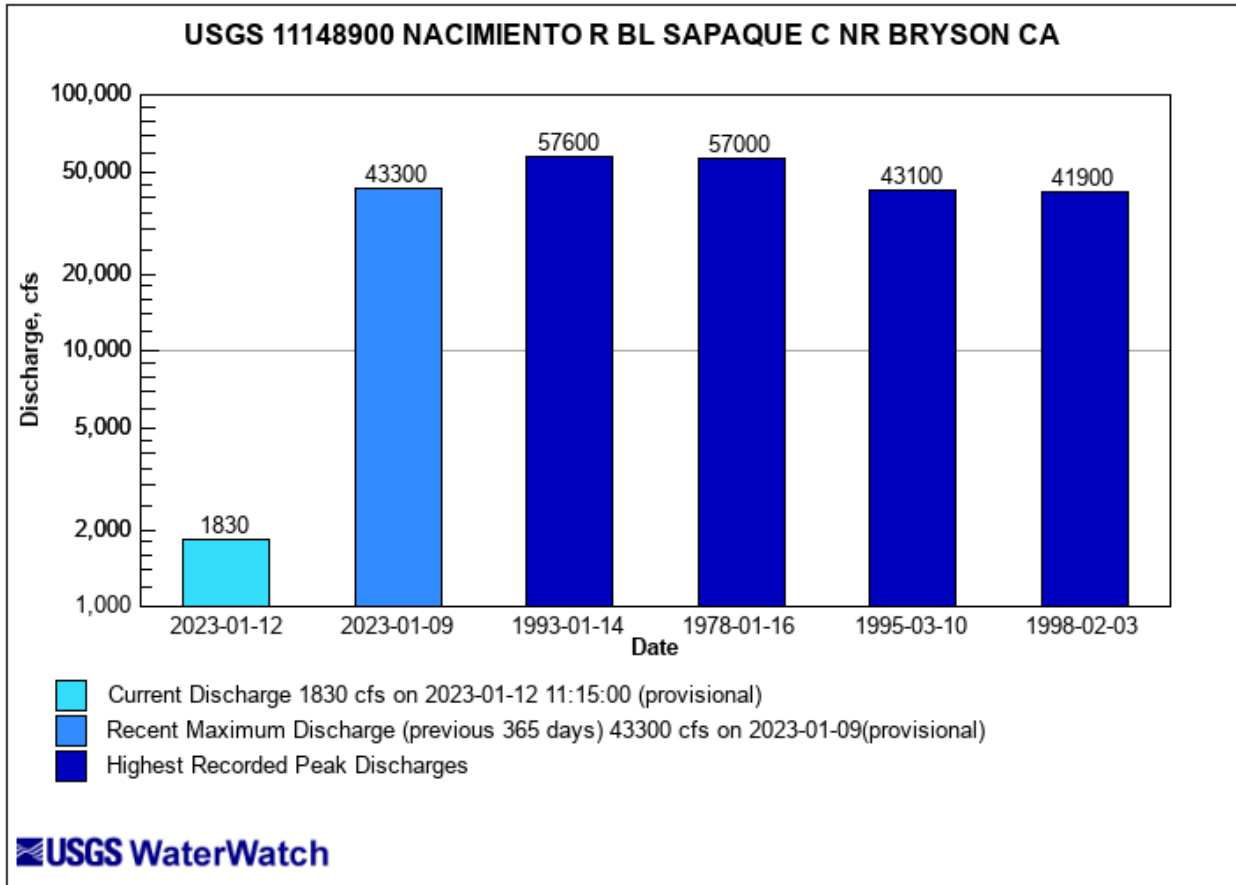
Solid Waste

- Nothing significant to report.

Reservoir Status

- As reported by Monterey County Water Resources Agency (MCWRA), as of January 12 the reservoir was at approximately 782 feet in elevation, 75% of capacity, or 282,355-acre feet of storage. MCWRA water releases were shown as 60 cfs. This is an increase of about 62 feet since the December 8 report.
- The reservoir has risen significantly and quickly since last month and our drought contingency stage plan has been lifted. The following graph shows the maximum

recorded inflow from the most recent event was the third most in the recorded history of this gauge dating back to 1971.



HERITAGE RANCH COMMUNITY SERVICES DISTRICT

District Engineer Report For the Month of January 2023

In addition to normal engineering and administrative duties, below are updates for several areas of work:

Operations Support

- With the large amount of rain through the month of December, there has been a lot of stormwater entering the sewer system. Wet weather flow into the system causes for longer pump run times (increasing both wear and tear and electrical costs) in our lift stations. Additionally, it adds to the flow into our treatment ponds, leading to additional treatment costs as well as taking up pond capacity. This flow of stormwater into the domestic sewer system is known as Infiltration and Inflow (I&I). During the storms, staff worked with operations to optimize system operation in order to avoid compliance-related issues. While a challenge, this wet weather has provided a good opportunity to analyze I&I as it is happening. Staff discussed these issues with Operations at length and has begun planning for system testing to locate and remedy specific I&I issues. Limiting of I&I will aid in preventing inundation of our current and future wastewater treatment facility. Limiting I&I will assist in keeping operational costs and compliance related issues consistent through both wet and dry weather.

Capital Improvement Projects

Projects / equipment replacement planned for this fiscal year and their status include:

- DBP/Compliance:
 - GAC – Working with operations and vendors for procurement of piping and equipment. Delivery of equipment is projected for the month of February, with installation in late February/early March.
 - Alternative treatment options – Continuing to research and discuss potential treatment options with other water plants and vendors.
- SCADA water system: SPICE has continued working on the new SCADA system. New software licensing has been purchased and is in use with SPICE programming. The project is currently approximately 50% complete, on budget and estimated to be complete by March, 2023.
- WTP Filter Media Replacement: Operations is working on this. They have not needed assistance from Engineering on the latest filters, but we are here to help as needed.

- SCADA collection system: Planning to work with SPICE Integration on this project upon completion or (if efficient) in conjunction with the SCADA Water System project and the telemetry survey/upgrade.
- Lift Station 1-5 rehabilitation design phase: Lift Stations 2 and 3 included in 5-year CIP. The design of these projects will begin as soon as the SCADA and DBP projects are sufficiently underway, likely in Q1 2023.
- Wastewater collection system model and infiltration / inflow: With the recent rains, we have been able to review data and get a better idea of where the I&I is most prevalent. Staff is in the planning stages for a bid package for system smoke testing to investigate possible areas of inflow (yard drains and other non-sewer related connections, etc.)

Development Review

- Snug Harbor: Provided the owner and his design team with plan check comments, requested calculations showing proposed water usage and sewer flows. We will also require calculations/analysis showing the proposed development's impacts on Lift Station 5 and Lift Station 2 (LS 5 pumps to LS 2). Awaiting these calculations to provide further conditions for approval.

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

Operations Report For the Month of January 2023

Water treatment

- Filter #1 is back online following the replacement of filter media and other renovations. Updates to the programming/SCADA are being trialed on this filter.
- The backup generator for PS #1 is out of service due to a faulty circuit board. The manufacturer is expected to have a replacement circuit board in 2-3 weeks.
- There is nothing to report on the SCADA upgrade project this month.

Water distribution

- Staff repaired a couple of service line leaks this past month. Probably associated with earth movement due to soil swelling with moisture.

Wastewater collection

- PG&E outages have been an ongoing problem this past month but the generators at our lift stations have performed well.
- A root obstruction caused a manhole on Waterview to backup requiring vacuum and jetting services from North County Septic to help with cleanup.

Wastewater treatment

- Managing the freeboard in ponds #1 & #2 has been challenging with the additional inflows and the repeated interruptions to our power grid. Fluid Resource Management and two rented trash pumps were employed to facilitate the pumping of wastewater from pond to pond.

Facilities

- Nothing significant to report.

Vehicles and equipment

- Nothing significant to report.



BACK WASH RECOVERY BASIN SLUDGE REMOVAL PROCESS





BACK WASH RECOVERY BASIN EMPTY



PAINTED FILTER #1

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

MEMORANDUM

TO: Board of Directors

FROM: Scott Duffield, General Manager

DATE: January 19, 2023

SUBJECT: Accept the Independent Auditor's Report and Financial Statements for the Year Ended June 30, 2022, prepared and to be presented by Moss, Levy & Hartzheim LLP.

Background

Government Code Section 61118 requires that the Board of Directors shall provide for regular audits of the district's accounts and records and shall provide for the annual financial reports to the State Controller.

Discussion

The annual audit was performed by Adam Guise, Certified Public Accountant, with information provided from staff. Mr. Guise will present the audit and answer any questions from your Board.

Fiscal Considerations

The cost for preparation of the audit is included in the FY 2022/23 Budget.

Results

By providing for the annual financial reports to be filed with the State Controller, the District continues to provide municipal services in a fiscally responsible manner and in accordance with applicable law.

File: Audit FY2021/22

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
MEMORANDUM**

TO: Board of Directors

FROM: Scott Duffield, General Manager

DATE: January 19, 2023

SUBJECT: Receive an update on the WRRF Project and provide direction to staff; Approve the Report on Water and Sewer Rate Study prepared by Tuckfield & Associates dated December 9, 2022, and direct staff to proceed with the public notification and hearing process for adoption of new water and sewer rates.

Recommendation

Pursuant to previous Board direction and decisions, staff recommendation is to approve the final Report on Water and Wastewater Rate Study prepared by Tuckfield & Associates dated December 9, 2022, and direct staff to proceed with the public notification and hearing process for adoption of new water and sewer rates.

Background

In regard to the WRRF Project, the District was issued the first Time Schedule Order (TSO) on 5/21/18. Since that time, it has been on nearly every Board meeting agenda in some form or another starting at the June 21, 2018 meeting (49 meetings). The Board has formally made several key decisions over this time:

- 3/18/21 – Received the Preliminary Engineering Memorandum (MKN) and authorized the General Manager to pursue the recommended project, a packaged MBR
- 5/20/21 – Authorized the General Manager to advertise an RFQ for engineering design services and apply for funding
- 8/12/21 – Interviewed several firms and selected WSC to be the engineering design services consultant
- 11/18/21 – Adopted the project Charter
- 5/19/22 – Determined flows and loads methodologies to be input into the design

- 8/18/22 – Received an evaluation of package facility versus site-constructed facility and directed staff to move forward with a site-constructed facility

Discussion

As requested by your Board and moving forward from the above background information, staff is providing the following WRRF Project updates:

Project Scope

- After your Board's direction at the August meeting in favor of a site-built MBR facility, WSC is working on furthering the design. The Preliminary Design Report is complete.
- The Manager and WSC previously met with County Planning about permitting requirements. The County Planning front counter staff indicated a Land Use Permit may be required and suggested we schedule a consultation with a County Planner to review further. The consultation will be scheduled soon.
- The first rough draft of the Preliminary Engineering Report (PER) was informally submitted to the USDA. The PER is the document that USDA will reference for everything related to the project; engineering, environmental, financials, etc.
- The draft Environmental Document is substantially complete. We are working to comply with California (CEQA) and National (NEPA) requirements since we are seeking funding from USDA.
- The extension of the Time Schedule Order (TSO) for our discharge permit was unanimously adopted by the Regional Water Quality Control Board at their October 14, 2022 meeting. Their approval extends the TSO for five years by which time the WRRF will need to meet the current permit requirements.
- Staff and WSC have outlined a project outreach plan. The purpose of the outreach plan is to engage with and inform the public of the upcoming rate increase process. Anticipated efforts include development of bill inserts, direct mailers, and Frequently Asked Question material. We held an open house in December and are planning for a Town Hall style meeting during the rate increase process.

Project Schedule

The Project Design Phase is currently on schedule. There are currently no known unexpected impacts; however, significant changes in Board direction to staff may have schedule implications.

The adopted TSO requires that we meet the various annual milestones as shown in the following excerpt from the TSO.

Complete and submit preliminary design report	December 31, 2022 (milestone completion) January 16, 2023 (report submittal)
Complete and submit 60% design report	October 31, 2023 (milestone completion) November 15, 2023 (report submittal)
Complete and submit final design report	March 31, 2024 (milestone completion) April 15, 2024 (report submittal)
Award Construction Contract and submit report summarizing completion	January 31, 2025 (milestone completion) February 17, 2025 (report submittal)
Complete 30% of construction and submit report summarizing completion	October 31, 2025 (milestone completion) November 17, 2025 (report submittal)
Complete 80% of construction and submit report summarizing completion	October 31, 2026 (milestone completion) November 16, 2026 (report submittal)
Complete construction and submit report summarizing completion	February 28, 2027 (milestone completion) March 15, 2027 (report submittal)
Complete facility commissioning and achieve full compliance with final effluent limitations in WDRs Order No. R3-2017-0026 and submit detailed Project Completion Report and, as a separate	September 30, 2027 (milestone completion) October 13, 2027 (Project Completion Report and Operations and Maintenance Manual submittals)

Project Budget

The Project Design Phase is currently within budget. District staff and WSC are in the process of preparing modifications to be presented to the Board at a future date to capture the addition of an electrical generator, odor control provisions, and other minor changes based on the decision to pursue a site-built MBR.

In regard to the rate study, the Board has made several key decisions:

- 9/29/22 – Approved planning factors and draft financial plans
- 11/17/21 – Received and reviewed the draft Rate Study
- 12/15/22 – Received and considered approval of the final Rate Study

Recommendation

Pursuant to previous Board direction and decisions, staff recommendation for today is to approve the final Report on Water and Wastewater Rate Study prepared by Tuckfield & Associates dated December 9, 2022, and direct staff to proceed with the Proposition 218 process for adoption of new water and sewer rates.

Following approval of the recommended action, a notice would be published pursuant to Proposition 218, which specifies procedures for adjusting the rates.

The WRRF cost is just an estimate at this point. After the rates are in place and the project has progressed, the Board would still have opportunities to review the project cost and determine if the rates can be adjusted downward. This can be done by updating the rate study and approval of the Board, i.e., the 218 process is not required. As the project and cost estimate is refined, we will also learn if we are awarded any grant funding which would reduce the cost further.

Unless there is different direction from your Board, the site-built WRRF design would continue to move forward, and the cost estimate would likewise continue to be refined.

If your Board chooses to provide staff with a different direction and decision, then a motion and vote can be done at this time.

Fiscal Implications

The current water and sewer rates need to be updated to include increased cost of operation and management of the District as well as the costs for the 5-year capital improvement program previously adopted by the Board, including the Water Resource Recovery Facility Project (WRRF).

The State of California Central Coast Regional Water Quality Control Board (CCRWQCB) granted the District an extension of our permit and Time Schedule Order (TSO) so we can develop, fund, and construct the WRRF to bring the plant up standards.

If the District fails to comply with the TSO, then the CCRWQCB has the following means of enforcement:

- \$10,000 per violation, per day, pursuant to the California Water Code, including sections 13350 and 13385 (\$3,650,000 per violation, per year)
- Be subject to issuance of a cease-and-desist order in accordance with California Water Code section 13301
- Refer the matter to the Attorney General for judicial enforcement
- Issue a complaint for administrative civil liability

In addition to the rate discussion in the recommendation above, for the WRRF Project, the USDA and other funding agencies will update loan interest rates and census data soon, which will increase the cost if the District does not meet the timeframe for those things. Inflation is also an unknown.

Results

The recommended action will result in progress of updating the District's water and sewer rates so that the District can maintain operations and complete major capital improvement projects that are required to meet State of California regulatory requirements.

The progression of the WRRF project will be confirmed from the direction of your Board.

Attachment: Report on Water and Wastewater Rate Study dated December 9, 2022

File: Rates, Fees, Charges



Report for:

Heritage Ranch Community Services District

4870 Heritage Ranch Road
Paso Robles, CA 93446
(805) 227-6231



Report on

Water and Wastewater Rate Study

Submitted By:

Tuckfield & Associates

Contact: Mr. Clayton Tuckfield
2549 Eastbluff Dr, #450B
Newport Beach, CA 92660
(949) 760-9454
www.tuckfieldassociates.com



December 2022

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Tuckfield & Associates

2549 Eastbluff Drive, Suite 450B, Newport Beach, CA 92660
Phone (949) 760-9454 Fax (949) 760-2725
Email ctuckfield@tuckfieldassociates.com

December 9, 2022

Mr. Scott B. Duffield
General Manager
Heritage Ranch Community Services District
4870 Heritage Road
Paso Robles, CA 93446

Dear Mr. Duffield:

I am pleased to present this Water and Wastewater Rate Study (Study) report for the Heritage Ranch Community Services District (District). The water and wastewater rates presented in this report have been developed based on cost of service principles following industry methods. The rates are fair and equitable for the users of the water and wastewater systems and have been established in accordance with Proposition 218.

This study included a review and analysis of the water and wastewater enterprise revenue and revenue requirements, number of customers, volumes, and current rate structure. The major objectives of the Study include the following.

- Generate positive levels of income in the study period
- Maintain operating and capital reserves at or greater than target levels
- Maintain debt service coverage ratios at or greater than the minimum required
- Meet annual capital replacement spending from enterprise rate revenue

This report documents the findings and recommendations for the financial plans and rates for the District's water and wastewater enterprises. Tables and figures are provided throughout the report to demonstrate the calculations.

It has been a pleasure to work with District staff during the performance of this study. If there are any questions, please contact me at (949) 760-9454.

Very Truly Yours,

TUCKFIELD & ASSOCIATES



G. Clayton Tuckfield
Principal Consultant

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Water and Wastewater Rate Study
HERITAGE RANCH COMMUNITY SERVICES DISTRICT

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Water and Wastewater Rate Study

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Executive Summary

The Heritage Ranch Community Services District (District) engaged Tuckfield & Associates to conduct a comprehensive Water and Wastewater Rate Study (Study) for its enterprise systems. Major objectives of the Study were to develop pro forma statements of revenues and revenue requirements for each system, perform analyses to determine the costs of providing service, and design water and wastewater rates and charges for implementation.

Water Financial Plan

The revenue and revenue requirements of the water system were identified and projected to create a forward looking financial plan for the water enterprise. Annual costs of the water system include operation and maintenance expense (O&M), annual capital replacement, and debt service. Future O&M expenses include using the District's FY 2022-23 budget expenses for the first year, and then projecting expenses for future years through application of inflation factors to budget year expenses while also accounting for known changes.

Annual capital replacement is included in the financial plan to pay for water system capital improvement plan projects. Outstanding debt of the water system includes two loans including the Department of Water Resources (DWR) and State Water Resources Control Board (SWRCB) with annual payments of about \$103,600 and \$58,700, respectively. The District also makes lease payments of \$114,000 annually for a solar facility.

The District has prepared a five-year Capital Improvement Program (CIP) that includes replacements and capital improvements. The majority of the CIP includes spending on compliance, structures, and improvement projects as well as equipment. The costs of the CIP total about \$2.0 million over the period FY 2022-23 to FY 2026-27 (Study Period). The CIP is expected to be financed through the annual revenue and capital reserves.

An analysis was performed that compared the projected revenue using the District's current water rates with the projected revenue requirements (costs) of the water system. The analysis indicated that the current level of revenue being received is not sufficient to meet future obligations and needs to be increased. Revenue increases of 14.3 percent on April 1, 2023 and on each January 1 thereafter are proposed for Study Period. The revenue increases are recommended to adequately meet future obligations, debt coverage requirements, and other financial planning criteria. The water financial plan is presented in Table 11.

Current Water Rates

The current water rates consist of fixed charges by meter size and a uniform volume variable charge where all water consumption is charged in dollars per hundred cubic feet (HCF). Table ES-1 and Table 3 provide the current water rates charged to water customers of the District.

Proposed Water Rate Structure and Rates

The proposed water rate structure updates the current rate structure pricing to generate the revenues required in the financial plan. Table ES-1 presents the water rates to be adopted April 2023 and for future years.

**Table ES-1
Proposed Water Fixed and Variable Charges**

	Current Rate	April 1, FY 22-23	January 1, FY 23-24	January 1, FY 24-25	January 1, FY 25-26	January 1, FY 26-27
Meter Size		Fixed Charge (\$ per month)				
5/8" and 3/4"	\$27.24	\$31.07	\$35.53	\$40.61	\$46.42	\$53.05
1"	\$37.14	\$43.27	\$49.37	\$56.45	\$64.54	\$73.77
1.5"	\$60.85	\$72.50	\$82.56	\$94.41	\$107.97	\$123.44
2"	\$91.16	\$109.80	\$124.91	\$142.86	\$163.39	\$186.82
3"	\$187.53	\$227.69	\$258.93	\$296.16	\$338.70	\$387.30
Fireline Size		Fixed Charge (\$ per month)				
2.5"	\$6.79	\$5.23	\$6.10	\$6.98	\$7.98	\$9.13
3"	\$10.97	\$8.45	\$9.85	\$11.27	\$12.90	\$14.75
4"	\$23.37	\$18.00	\$21.00	\$24.01	\$27.48	\$31.43
6"	\$67.88	\$52.30	\$60.99	\$69.75	\$79.82	\$91.29
8"	\$144.66	\$111.45	\$129.98	\$148.63	\$170.11	\$194.53
Classification	Current Rate	April 1, FY 22-23	January 1, FY 23-24	January 1, FY 24-25	January 1, FY 25-26	January 1, FY 26-27
Variable Charge (\$ per HCF)						
All Consumption	\$3.56	\$4.07	\$4.65	\$5.31	\$6.07	\$6.94

Water Bill Impacts

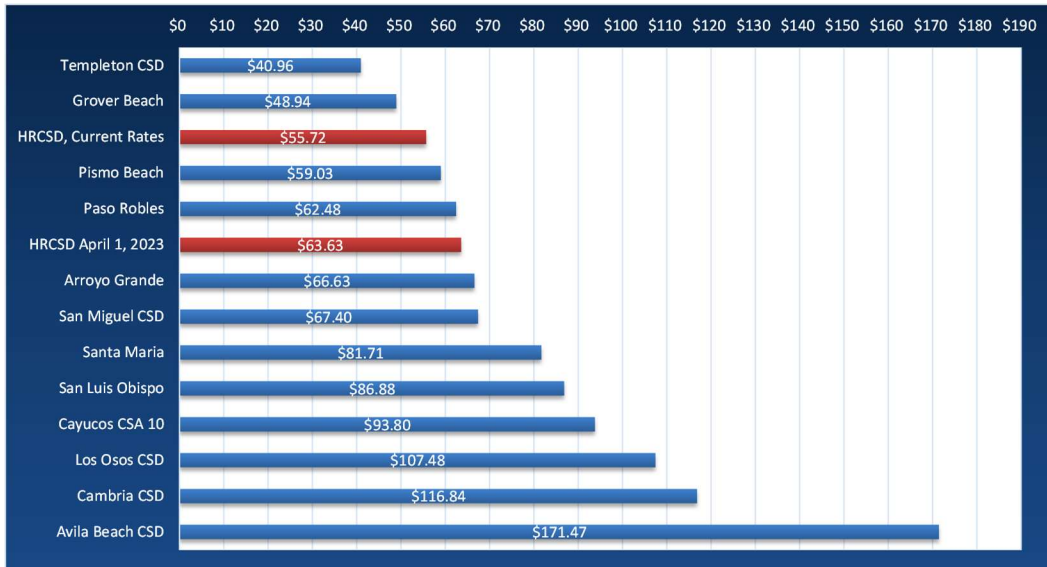
Table ES-2 presents the impacts to single-family residential (SFR) bills from the implementation of the proposed April 1, 2023 water rates. For a SFR customer with a 5/8-inch or 3/4-inch meter using the average consumption of 8 hundred cubic feet (HCF) monthly, the bill will increase from \$55.72 to \$63.63, an increase of \$7.91, or 14.2 percent.

**Table ES-2
Comparison of Current Single-family Residential Monthly Water Bill with 5/8-inch or 3/4 -inch Meter Size with Proposed Monthly Bill Using April 2023 Water Rates**

Description	Use (HCF)	Current Bill			April 1, 2023 Proposed Bill			Dollar Change	Percent Change
		Service Charge	Volume Charge	Current Bill	Service Charge	Volume Charge	Proposed Bill		
	0	\$27.24	\$0.00	\$27.24	\$31.07	\$0.00	\$31.07	\$3.83	14.1%
Very Low	1	\$27.24	\$3.56	\$30.80	\$31.07	\$4.07	\$35.14	\$4.34	14.1%
Low	2	\$27.24	\$7.12	\$34.36	\$31.07	\$8.14	\$39.21	\$4.85	14.1%
Median	7	\$27.24	\$24.92	\$52.16	\$31.07	\$28.49	\$59.56	\$7.40	14.2%
Average	8	\$27.24	\$28.48	\$55.72	\$31.07	\$32.56	\$63.63	\$7.91	14.2%
	10	\$27.24	\$35.60	\$62.84	\$31.07	\$40.70	\$71.77	\$8.93	14.2%
High	15	\$27.24	\$53.40	\$80.64	\$31.07	\$61.05	\$92.12	\$11.48	14.2%
Very High	20	\$27.24	\$71.20	\$98.44	\$31.07	\$81.40	\$112.47	\$14.03	14.3%

Chart ES-1 has been prepared to compare the District’s average SFR water bill with those of other communities at the same consumption. The chart indicates that with the April 2023 rates, a SFR customer with a monthly consumption of 8 HCF will experience a bill that is in the mid-range of the communities listed.

Chart ES-1
Single-family Residential Monthly Water Bills with 3/4-inch or Smaller Meter Using 8 HCF
For Rates in Effect November 2022



Note: Above table uses water rates in effect November 2022. District April 2023 bill is based on the rate structure and rates in Table ES-1.

Wastewater Financial Plan

The revenue and revenue requirements of the wastewater system were identified and projected to create a forward looking financial plan of the wastewater enterprise. Annual costs include operation and maintenance expense (O&M), annual capital replacement, lease payment on a solar facility, and new debt service with a debt service reserve payment. Future O&M expenses include using the District’s FY 2022-23 Budget expenses for the first year of projection, and then projecting expenses for future years through application of inflation factors to budget year expenses. Annual capital replacement is included in the financial plan to assist in paying for wastewater system capital improvement plan expenditures.

Two new interim loans and a United States Department of Agriculture (USDA) take-out loan are proposed to finance the construction costs of a Water Resource Recovery Facility (WRRF) that will provide upgrades to the wastewater treatment plant. The FY 2023-24 interim loan is interest only and is estimated to have annual payments of about \$640,000 followed by a FY 2024-25 interim loan which is also interest only with estimated payments of \$756,000 annually. A USDA loan is proposed in FY 2026-27 to take-out the two interim loans leaving a long-term debt service payment of about \$1,123,500 with a requirement for an additional \$112,350

annually for a reserve for to be accumulated over a ten year period. Additionally, the District makes lease payments of about \$38,500 annually for a solar facility.

This Study assumes that all proceeds and expenses associated with the wastewater treatment plant upgrades are placed into a project fund. The proceeds from the loans fund the construction of the project and provides about a 10 percent contingency. Any funds remaining in the project fund after completion of the WRRF will be used to reduce the size of the USDA take-out loan.

The District has prepared a five-year capital improvement program (CIP) spending plan for the wastewater system. Major projects of the CIP include the design costs of the WRRF, lift station rehabilitations, SCADA upgrades, and other projects. The CIP expenditures total about \$2.4 million for the period FY 2022-23 to FY 2026-27, exclusive of the WRRF construction costs. The CIP is planned to be funded through the annual revenue and capital reserves.

An analysis was performed that compared the projected revenue using the District’s current wastewater rates with the projected revenue requirements (costs) of the wastewater system. The analysis indicated that the current level of revenue being received needs to be increased by 59 percent annually on April 1, 2023 and on each January 1 of 2024 and 2025 while also increasing revenue by 3 percent on January 1 of 2026 and 2027. The revenue increases are required to adequately meet future obligations, debt coverage requirements, and other financial planning criteria. The wastewater financial plan is presented in Table 28.

Current Wastewater Rates

The current wastewater rates consist of monthly fixed charges based on Equivalent Dwelling Unit methodology for all customers. All customers are charged as a certain multiple to the Residential charge. For example, RV spaces are charge 0.8 times the Residential charge. Table ES-3 provides the current wastewater charges by customer classification.

Proposed Wastewater Rate Structure and Rates

The wastewater rates proposed updates the Equivalent Dwelling Unit (EDU) methodology for current estimates of wastewater generated. One EDU is defined as the wastewater flow impact to the wastewater system from a residential dwelling unit. Other customer groups are charged as a multiple of the Residential group based on their wastewater flow impact. EDU ratios have been updated from the current ratios. Table ES-3 presents the proposed wastewater rates for the next five years.

Table ES-3
Proposed Wastewater Monthly Fixed Charges

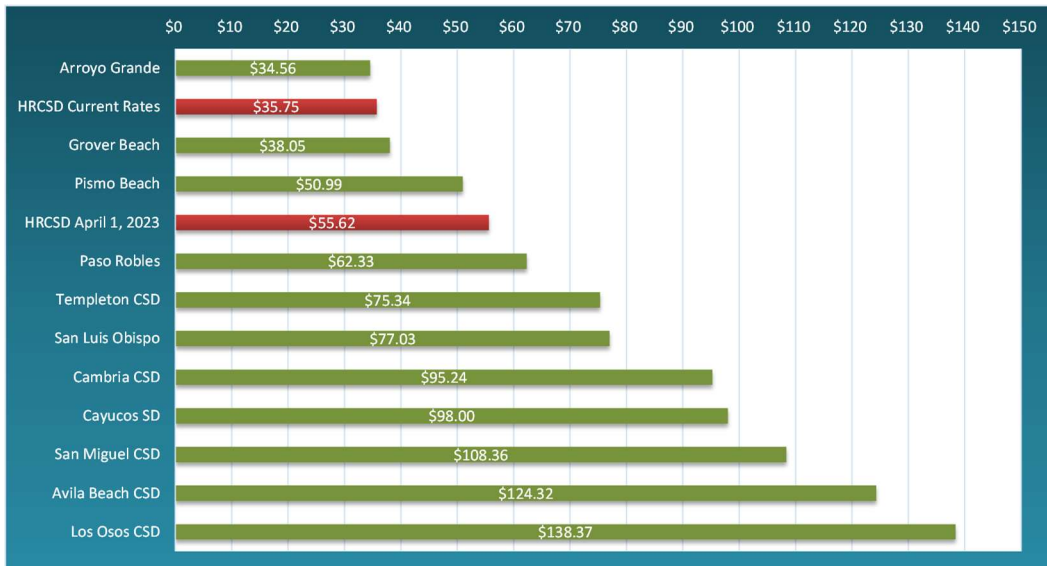
Description	EDU Ratio	Current Charge	April 1, FY 22-23	January 1, FY 23-24	January 1, FY 24-25	January 1, FY 25-26	January 1, FY 26-27
Residential/Condo [2]	1.00	\$35.75	\$55.62	\$88.44	\$140.62	\$144.84	\$149.19
RV Space	0.80	\$28.60	\$44.50	\$70.75	\$112.50	\$115.87	\$119.35
Commercial	2.90	\$35.75	\$161.30	\$256.48	\$407.80	\$420.04	\$432.65
Restrooms	2.30	\$75.86	\$127.93	\$203.41	\$323.43	\$333.13	\$343.14
Dump Station	12.50	\$301.92	\$695.25	\$1,105.50	\$1,757.75	\$1,810.50	\$1,864.88
Holiday Condo	30.00	\$1,072.50	\$1,668.60	\$2,653.20	\$4,218.60	\$4,345.20	\$4,475.70

Wastewater Bill Impacts

The impact to wastewater bills from the proposed rate increases can be determined from inspection of Table ES-3. For a SFR customer, the monthly wastewater bill will increase from \$35.75 to \$55.62, an increase of \$19.87, or 55.6 percent. The 55.6 percent increase is lower than the overall 59.0 percent overall first year revenue increase due to cost of service adjustments to update the EDU ratios to customer classifications.

Chart ES-2 has been prepared to compare District’s SFR wastewater bill with those of other communities. The chart indicates that District’s SFR wastewater bill is in the mid-range of the communities listed.

Chart ES-2
Single-family Residential Monthly Wastewater Bills
For Rates in Effect November 2022



Note: Above table uses wastewater rates in effect November 2022. District April 2023 bill is based on the rate structure and rates in Table ES-3.

Introduction

The Heritage Ranch Community Services District (District) engaged Tuckfield & Associates to conduct a comprehensive Water and Wastewater Rate Study (Study) for its water and wastewater enterprise systems. Major objectives of the Study are to develop a pro forma statement of revenues and revenue requirements for each enterprise, perform analyses to determine the cost of providing service, and design new water and wastewater rates and charges for implementation.

Background

The Heritage Ranch Community Services District is an unincorporated community in San Luis Obispo County, California. The District is located in the north-west portion of San Luis Obispo County approximately 15 miles northwest of the City of Paso Robles. The District was formed in 1990 to provide water and wastewater service for the Heritage Ranch community. The District's customer base consists mostly of residential customers with some commercial, retail, and public facility customers. Water and wastewater service is identified in separate enterprise funds of the District.

The District obtains its water supply from the Gallery Well located in the Nacimiento river which is fed through release of water through the Lake Nacimiento dam. The District has an 1,100 AFY entitlement to Lake Nacimiento water. Water is delivered through a water treatment plant and distribution system consisting of pump stations, storage tanks, pressure reducing valves, and over 27 miles of water pipelines ranging in size from 4 to 12 inches.

The District owns and operates a wastewater collection, treatment, and disposal system. Wastewater is collected through a system of sewer gravity mains and several lift stations. The wastewater treatment plant provides secondary treatment through a lagoon/ponding system with a permitted capacity of 0.4 million gallons per day (MGD). Treated wastewater is discharged into a drainage way that is tributary to the Nacimiento river.

The Central Coast Regional Water Quality Control Board (CCRWQCB) evaluated the District's wastewater discharge and determined that new effluent limitations are necessary as determined in the Waste Discharge Requirements (WDR) Order No. R3-2017-0026. The District requested and received Time Schedule Order (TSO) No. R3-2018-0011 that allows the District time to comply while meeting interim discharge levels. The District has requested an extension of the TSO that will allow construction and commissioning of a new Water Resource Recovery Facility (WRRF) and achieving compliance by October 2027.

Objectives

The objectives of this Study are to (1) develop financial plans of each of the water and wastewater enterprises, (2) make any adjustments to the revenue being received to meet future financial obligations, provide adequate reserves, and debt service coverage, and (3) design water and wastewater rates that generate the required revenue while being fair and equitable for its customers. Specifically, the Study also sought to provide the following.

- Revenue sufficiency to fund operating and capital needs
- Appropriate levels of operating and capital reserves
- Cost of service allocations following appropriate standards, regulations, and guidelines

- Rates that are consistent with industry practice
- Ease of understanding and administration

Scope of the Study

This Study includes the findings and recommendations of analyzing each of the water and wastewater enterprise's financial status and related CIP. Historical trends were analyzed from data supplied by the District showing the number of customers, volumes, revenue, and revenue requirements.

Revenue requirements of each enterprise includes operation and maintenance expense, routine capital outlays, replacement transfers, debt service, and additions to reserves. Changing conditions such as additional facilities, system growth, employee staffing levels, and non-recurring maintenance expenditures are recognized. Inflation for ongoing expenditures is included to reflect cost escalation.

The financial plan and rates developed herein are based on funding of the capital improvement plan and estimates of operation and maintenance expenses developed from information provided by the District. Deviation from the financial plans, construction cost estimates and funding requirements, major operational changes, or other financial policy changes that were not foreseen, may result in the need for lower or higher revenue than anticipated. It is suggested that the District review the adequacy of its revenues to meet obligations annually and consider conducting an update to the rate study at least every three years for prudent rate planning.

Assumptions

Several assumptions were used to conduct the Study for the period FY 2022-23 to FY 2026-27. The assumptions included growth rates in customer accounts, percent increases in property tax revenues, interest earnings rate, expense inflation factors, and other financial assumptions used for projecting revenue and expense. The financial planning assumptions are provided below in Table 1.

Table 1
Planning Factors

Description	Value
Annual Account & Demand growth [1]	
Single-family Residential	0.25%
All Other	0.0%
Property Taxes and Interest Income	
Property Tax Revenue Increase	1.0%
Interest earnings on fund reserves (annual)	1.0%
Cost Escalation	
Personnel Services [2]	4.0%
Benefits	8.0%
Electrical Power	4.0%
Chemicals	4.0%
All Other Operations & Maintenance (annual, [3])	4.0%
Capital	3.0%
Interim Loan - Interest Only	
Interest Rate	5.80%
New USDA Loan	
Interest Rate	3.50%
Repayment Period (Term) - years	40

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

[2] Personnel Services growth in staffing, promotions and inflation are 4 percent annually.

District Reserve Policy

The District has a written reserve policy adopted in Resolution 14-01 on March 20, 2014. The reserve policy sets forth goals for maintaining various reserves for water and wastewater operations and capital spending. The reserve policy provides a basis to deal with unanticipated reductions in revenues, changes in the costs of providing services, fixed asset repair and replacement, natural disaster, and other issues. It also provides guidelines to maintain the financial health and stability of the enterprise funds. The reserve types and the amount of reserves used in this Study are discussed below.

Water/Sewer Operating Reserve – The purpose of the Operating Reserve is to provide working capital to meet cash flow needs during normal operations and support the operation, maintenance and administration of the

utility. This reserve ensures that operations can continue should there be significant events that impact cash flows. The target balance to be maintained is 180 days of annual budgeted expenses.

Maintenance/Repair Equipment Reserve – The Maintenance/Repair Equipment Reserve is used to fund maintenance and repair of water and sewer facilities and is funded by a percentage of Standby/Availability Charges collected annually. The target balance is equal to annual depreciation.

Water/Sewer Capital Facility Replacement Reserve – This reserve is defined in Resolution 14-01 and is funded by Capacity Charges/Fees which are restricted reserves. The Capital Facility Replacement Reserve is used to fund future replacement of assets and capital projects where such funding matches with the purpose for which the fees were collected. The target balance is equal to accumulated depreciation expense.

Water Debt Service Reserve – The Water Debt Reserve is required by the Department of Water Resources Loan and the State Revolving Fund loan agreement that are outstanding with the District. The purpose of the debt reserve is to provide sufficient funds to meet the annual debt service of these two loans and when fully funded will meet the final payment of the loans. The target balance is established at \$250,000.

Rate Stabilization Reserve – This reserve is intended to provide a buffer in order to maintain stability in the water rates during periods of unexpected increases in operating costs or decreases in revenue and absorb the fluctuation in operations. The reserve target is set at \$200,000.

Drought Contingency Reserve – The reserve is established to purchase of additional water supply in the case of a major drought or unforeseen emergency that diminishes the District’s water supply. The reserve may be funded from a percentage of annual Property Tax revenue. The target reserve is established at \$250,000.

Renewable Energy Reserve – The Renewable Energy Reserve is restricted for capital projects that support or create renewable energy. The target reserve is equal to \$250,000 shared equally by the water and sewer systems.

District Beginning Balances and Reserve Targets

The reserve fund balances discussed above are used in developing the financial plans for the water and wastewater utilities. The District’s beginning fund balances are listed in Table 2 below as of June 30, 2022. Target Reserves are also stated in the table.

Table 2
June 30, 2022 Estimated Beginning Cash Balances and Reserve Targets

Reserve Type	Reserve Funded by	Reserve Equal to	Water System		Wastewater System	
			Current Reserve Balance	Current Reserve Target	Current Reserve Balance	Current Reserve Target
Operating Reserve	Rates	6 mo Exp	\$700,000	\$700,000	\$440,000	\$440,000
Maint/Repair Equipment Reserve	Standby	100% Depr	303,000	303,000	167,000	167,000
Capital Facility Replacement Reserve	Capacity	100% Acc Dep	967,000	6,858,000	1,310,000	4,620,000
Debt Service Reserve	Standby	2 * Payment	113,000	250,000	39,000	39,000
Rate Stabilization Reserve	Rates	\$200K	200,000	200,000	-	n/a
Drought Contingency Reserve	Prop Tax	\$250K	250,000	250,000	-	n/a
Renewable Energy Reserve	n/a	\$250K	125,000	125,000	125,000	125,000
Total			\$2,658,000	\$8,686,000	\$2,081,000	\$5,391,000

Water Financial Planning

Financial planning for the water system includes identifying and projecting revenues and revenue requirements for a five-year planning period. Estimates of revenue from various sources are compared with the projected revenue requirements of the water system. The sufficiency of current revenue to meet annual expenses and obligations is evaluated and provides the basis for rate adjustments. Proposed water rates and charges are designed to recover the District's costs of providing service of the water system.

This financial planning section of the report discusses current water rates, current user classifications, water sales volumes, projected revenues and revenue requirements, capital improvement expenditures, and proposed revenue adjustments.

Current Water Rates

The current water rates consist of fixed and variable charges to residential and non-residential customers. All customers are charged a monthly fixed charge by meter size. Additionally, customers are charged for water consumption based on a uniform volume charge in terms of dollars per hundred cubic feet. Table 3 provides the current water rates of the water system which became effective January 1, 2022.

Table 3
Current Water Rates

Charge Description	Meter Size								
	5/8" and 3/4"	1"	1.5"	2"	2.5"	3"	4"	6"	8"
Monthly Fixed Charges (\$/mo)	\$27.24	\$37.14	\$60.85	\$91.16		\$187.53	[1]	[1]	[1]
Variable Charges (\$/HCF)	\$3.56	\$3.56	\$3.56	\$3.56	\$3.56	\$3.56	\$3.56	\$3.56	\$3.56
Private Fireline (\$/mo)		\$0.61	\$1.77	\$3.78	\$6.79	\$10.97	\$23.37	\$67.88	\$144.66

[1] Based on calculation by District Engineer.

Water User Classifications

Number of Customers

The District currently classifies water customers as Residential, RV Space, Commercial, and Irrigation. Residential customers account for more than 94 percent of the total customers served by the water system. Growth is projected to occur only in Residential accounts at a rate of 0.25 percent annually or 4 accounts added each year, following the assumptions listed in Table 1. Table 4 provides the historical and projected number of customers by classification.

Number of Water Meters

Table 5 provides a summary of the number of current and projected meters by size. The majority of customers have 5/8-inch and 3/4-inch meters installed at the service location.

Table 4
Projected Water Customers by Classification

Customer Class	Actual		Projected			
	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Number of Water Accounts						
Residential [1]	1,473	1,477	1,481	1,485	1,489	1,493
RV Space	68	68	68	68	68	68
Commercial	18	18	18	18	18	18
Irrigation	6	6	6	6	6	6
Total Water Accounts	1,565	1,569	1,573	1,577	1,581	1,585
Number of Fire Connections						
Public Fire Protection	235	235	235	235	235	235
Private Fire Protection	6	6	6	6	6	6
Total Fire Connections	241	241	241	241	241	241

[1] Accounts are forecast to increase based on the assumed growth rate of 0.25% annually.

Table 5
Projected Number of Water Accounts by Meter Size

Description	Actual ^[1]		Projected			
	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Average Water Accounts						
5/8 & 3/4 inch	1,381	1,385	1,388	1,392	1,396	1,399
1 inch	140	140	141	141	141	142
1-1/2 inch	32	32	32	32	32	32
2 inch	10	10	10	10	10	10
3 inch	2	2	2	2	2	2
Total Accounts	1,565	1,569	1,573	1,577	1,581	1,585
Annual Increase in Water Accounts		0.26%	0.25%	0.25%	0.25%	0.25%

[1] Historical accounts for FY 21-22 are provided through District billing records.

Water Sales Volumes

Table 6 provides the historical and projected water sales volume by customer classification. Water sales volumes were projected by recognizing the growth in the number of accounts and the FY 2021-22 use per customer. From the table, the largest user of the water system is the Residential customer group. The Commercial customer class is a distant second in terms of total water consumption.

Table 6
Projected Water Consumption (in HCF)

Description	Actual		Projected ^[1]			
	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Residential	158,214	142,779	143,166	143,553	143,939	144,326
RV Space	2,011	2,011	2,011	2,011	2,011	2,011
Commercial	7,988	7,189	7,189	7,189	7,189	7,189
Irrigation	3,844	3,075	3,075	3,075	3,075	3,075
Total Projected Consumption	172,057	155,054	155,441	155,828	156,214	156,601

[1] Forecast assumes that the use per customer from FY 21-22 and applied to the number of customers.

Water Financial Plan

The financial plan provides the means of analyzing the revenue and revenue requirements of the water system, the ability to fund on-going operation and maintenance expense and capital infrastructure requirements, and its impact on reserves. This section of the report discusses the projection of revenue, projection of operation and maintenance expenses, capital improvement needs of the water system, debt service requirements, and revenue adjustments needed to maintain a sustainable water enterprise.

Revenues

The District receives operating and miscellaneous revenue from several sources. Operating revenue is received from rates and charges for water service. Revenue from water rates is projected by applying the current water rates to the projected number of accounts and consumption volume. Table 7 presents the projected revenue from current water rates.

Table 7
Projected Rate-based Water Revenue Using Existing Rates

Description	Projected				
	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Water Service Revenues					
Fixed Charges [1]	\$553,930	\$555,357	\$556,664	\$557,972	\$559,398
Variable Charges [2]	551,992	553,370	554,748	556,122	557,500
Subtotal Revenues From Current Rates	\$1,105,922	\$1,108,727	\$1,111,412	\$1,114,094	\$1,116,898
Private Fireline Revenues	5,651	5,651	5,651	5,651	5,651
Total Revenues From Current Rates	\$1,111,573	\$1,114,378	\$1,117,063	\$1,119,745	\$1,122,549

[1] FY 22-23 and forecast years' revenue calculated by multiplying current water service rate by the number of projected meters.

[2] FY 22-23 and forecast years' revenue calculated by multiplying projected water sales by the current variable rates.

Miscellaneous revenue received includes hook-up fees, water turn on fees, late fees, plan check fees, standby charges, and property tax revenue. Table 8 presents the projected revenue from miscellaneous sources.

Table 8
Projected Miscellaneous Revenue

Description	Budget	Projected			
	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Hook-Up Fees	\$2,500	\$2,000	\$2,000	\$2,000	\$2,000
Turn-On Fees	2,000	2,000	2,000	2,000	2,000
Late Fees	11,100	11,130	11,160	11,190	11,220
Plan Check & Inspection	5,000	800	800	800	800
Standby Charges	202,958	203,000	203,000	203,000	203,000
Property Taxes	232,860	235,200	237,600	240,000	242,400
Total Miscellaneous Revenues	\$456,418	\$454,130	\$456,560	\$458,990	\$461,420

Revenue Requirements

Revenue requirements of the water system include operation and maintenance expense, annual capital replacement, and annual debt service payments. Each of these items are discussed below.

Operation and Maintenance Expense

Operation and maintenance expenses (O&M) are an on-going obligation of the water system and such costs are normally met from water service revenue. O&M includes the cost to operate and maintain the water supply, reservoirs, and distribution system facilities. Costs also include technical services and other general and administrative expenses.

O&M has been projected recognizing the major expense categories of personnel services, electric power expense, chemicals, all other expenses, and capital outlay. Personnel costs consist of salaries and benefits expense of those personnel directly involved with providing water service. Salary costs are projected to increase by 4 percent annually whereas benefits expense is projected to increase at an 8 percent annual rate. Additionally, staffing changes are planned by the District in FY 2026-27 that reflect changes in operations for the water and wastewater systems that impact salary and benefit costs. Electric power and chemicals are both projected to increase annually at 4 percent. All other O&M expense is projected to increase by 4 percent annually whereas capital is projected to increase at 3 percent annually. Table 9 provides a summary of the O&M expenses for the Study period.

Table 9
Projected Water Operation and Maintenance Expenses

Description	Budget		Projected		
	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Salaries and Benefits	\$443,598	\$467,077	\$491,952	\$518,318	\$713,906
Electricity	90,604	94,228	97,997	101,917	105,994
Water Purchase	\$23,114	\$23,114	\$23,114	\$23,114	\$23,114
Chemicals	62,000	64,480	67,059	69,741	72,531
Meters/Equip.	\$12,000	\$12,480	\$12,979	\$13,498	\$14,038
Maintenance and Supplies	196,211	204,059	212,220	220,710	229,539
General and Administration	479,547	498,729	518,679	539,426	561,003
Capital Outlay	93,000	95,790	98,664	101,624	104,673
Total O&M Expense	\$1,400,074	\$1,459,957	\$1,522,664	\$1,588,348	\$1,824,798

Capital Replacement

The District plans for water line and other capital replacements in its capital improvement program (CIP). The amount of annual CIP project spending is included as a revenue requirement and is equal to the annual expense stated in the CIP table described further below.

Annual Debt Service

The District has two outstanding loans on the water system and one equipment lease. The Department of Water Resources (DWR) loan has annual debt service payments of about \$103,600 and will be retired in FY 2029. The State Water Resources Control Board (SWRCB) loan has annual payments of about \$58,700 which will be retired

in FY 2036. Additionally, the District pays \$114,000 annually for an equipment lease for a solar project of the District.

Water Capital Improvement Program

The District has developed a Capital Improvement Program (CIP) provided in Table 10 that lists capital expenditures for FY 2022-23 through FY 2026-27. Over this period the District projects that it would expend slightly over \$2,000,000. The major improvements include the DBP/Compliance project, upgrade of the SCADA system, and pressure reducing valves. The CIP is funded through annual water rate revenue and water system reserves.

Table 10
Water Capital Improvement Program

Description	Projected				
	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Current Capital Improvement Projects (CIP) [1]					
2nd Vertical Intake	\$0	\$52,000	\$186,000	\$0	\$0
Pressure Reducing Valves (Equestrian, Waterview and Meadowlark)	-	-	-	55,000	141,000
Rebuild Treated Water Pumps	-	-	-	55,000	-
Pump Station Covers	-	-	16,000	76,000	-
Media Replacement in WTP Filters	60,000	-	-	-	-
Upgrade SCADA System	225,000	77,000	-	-	-
DBP/Compliance-related Project	200,000	206,000	212,000	219,000	225,000
Electric Gate at Corp Yard (60% of Cost)	-	-	32,000	-	-
Total Water CIP	\$485,000	\$335,000	\$446,000	\$405,000	\$366,000

[1] CIP Source: FY 22-23 CIP.

Water Financial Plan

A financial plan has been prepared that includes the revenues and revenue requirements that were identified for the water system in the tables above and is presented in Table 11. The plan incorporates specific financial planning goals to provide guidance to maintain the health of the water utility on an on-going basis. The goals included the following.

- Generate positive levels of income in each year of the Study period
- Meet annual capital replacement expenditures
- Maintain the operating and capital reserves at or greater than target levels
- Maintain debt service coverage ratios at or greater than the minimum required

The financial plan is developed for a 10-year planning period, however only five years of the plan is presented in Table 11 because utility rates may only be adopted for a five year period.

Proposed Revenue Adjustments

Table 11 provides the annual revenue increases recommended to meet the financial planning criteria for the five-year Study period. The financial plan indicates that 14.3 percent revenue increases are recommended beginning on April 1, 2023 and then each January through FY 2027-28, with increases of 4.0 percent thereafter. The increases are necessary to meet the planning criteria discussed above.

Table 11
Water Financial Plan

Description	Projected				
	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Proposed Revenue Increase (April 1)	14.3%				
Proposed Revenue Increase (January 1)		14.3%	14.3%	14.3%	14.3%
Sources of Funds					
Rate-based Revenues, Existing Rates [1]	\$1,111,573	\$1,114,378	\$1,117,063	\$1,119,745	\$1,122,549
Total Additional Water Sales Revenue [2]	39,739	250,428	446,669	671,892	930,421
General Fund Transfers In	275,696	-	-	-	-
Miscellaneous Income [3]	456,418	454,130	456,560	458,990	461,420
Interest Income	23,931	22,888	20,717	19,696	20,032
Total Sources of Funds	\$1,907,357	\$1,841,824	\$2,041,009	\$2,270,323	\$2,534,422
Uses of Funds					
O&M and Capital Outlay	\$1,400,074	\$1,459,957	\$1,522,664	\$1,588,348	\$1,824,798
Capital Replacement	303,000	351,000	361,000	366,000	342,000
Current Debt Service	276,420	276,924	276,584	276,930	276,420
Total Uses of Funds	\$1,979,494	\$2,087,881	\$2,160,248	\$2,231,278	\$2,443,218
Net Funds Available	(\$72,137)	(\$246,057)	(\$119,239)	\$39,045	\$91,204
Capital Sources of Funds					
Operations Financed Capital	\$303,000	\$351,000	\$361,000	\$366,000	\$342,000
Total Capital Sources of Funds	\$303,000	\$351,000	\$361,000	\$366,000	\$342,000
Capital Uses of Funds					
Capital Improvement Plan [4]	\$485,000	\$335,000	\$446,000	\$405,000	\$366,000
Total Capital Uses of Funds	\$485,000	\$335,000	\$446,000	\$405,000	\$366,000
Net Capital Spending	(\$182,000)	\$16,000	(\$85,000)	(\$39,000)	(\$24,000)
Net Funds After Capital	(\$254,137)	(\$230,057)	(\$204,239)	\$45	\$67,204
Available Reserves					
Beginning available reserves [5]	\$2,658,000	\$2,403,863	\$2,173,806	\$1,969,567	\$1,969,613
Additions (reductions)	(254,137)	(230,057)	(204,239)	45	67,204
Ending available reserves	\$2,403,863	\$2,173,806	\$1,969,567	\$1,969,613	\$2,036,817
Target Reserves [6]	\$2,795,000	\$2,873,000	\$2,914,000	\$2,952,000	\$3,046,000
Above (below) Target	(\$391,137)	(\$699,194)	(\$944,433)	(\$982,387)	(\$1,009,183)
Debt Service Coverage					
Net Revenues [7]	\$626,499	\$472,939	\$622,691	\$801,529	\$846,617
Annual Debt Service	\$276,420	\$276,924	\$276,584	\$276,930	\$276,420
Coverage	227%	171%	225%	289%	306%

[1] Projected using the existing rates.

[2] Additional revenue from proposed rate adjustments.

[3] Includes hookup fees, turn-on fees, late fees, standby charges, property taxes, and other miscellaneous income.

[4] From Table 10.

[5] The available beginning FY 22-23 cash balance provided by the District. Includes operating and capital reserves.

[6] Target reserve includes all reserves per Resolution 14-10 except Capital Facilities Replacement Reserve.

[7] Revenue is adjusted as if the rate increase were effective the full fiscal year.

A graphical depiction of the revenue and revenue requirements from Table 11 are presented in Figure 1. Revenue using the current rates is shown as the black line while revenue with revenue adjustments is shown as the red line. Figure 1 shows that the revenue increases in Table 11 are necessary to meet annual O&M expense, CIP funding, and to meet the Target Reserve level.

The District's cash position at the end of each fiscal year is provided in Figure 2. The green columns represent the end of year cash reserve balance including all funds, except for Capital Facility Replacement Reserve, while the red line indicates the Target level for these reserves. The figure shows that the reserve balance declines in the mid years of the 10-year period and then increases to the Target Reserve by the 10th year.

Figure 1
Water Financial Plan
Comparison of Revenue with Revenue Requirements

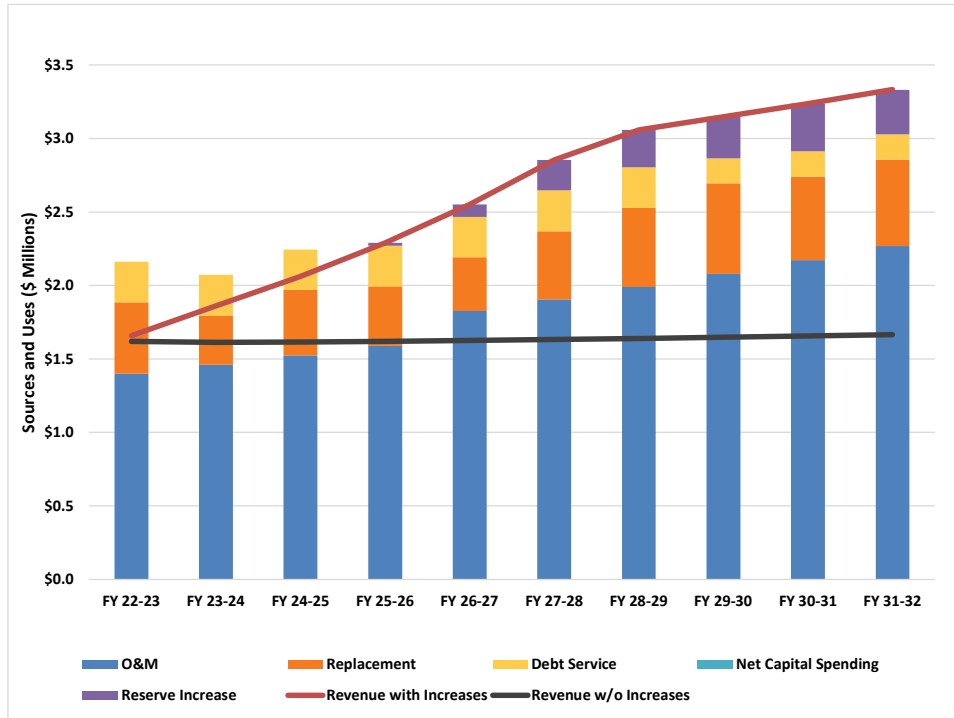
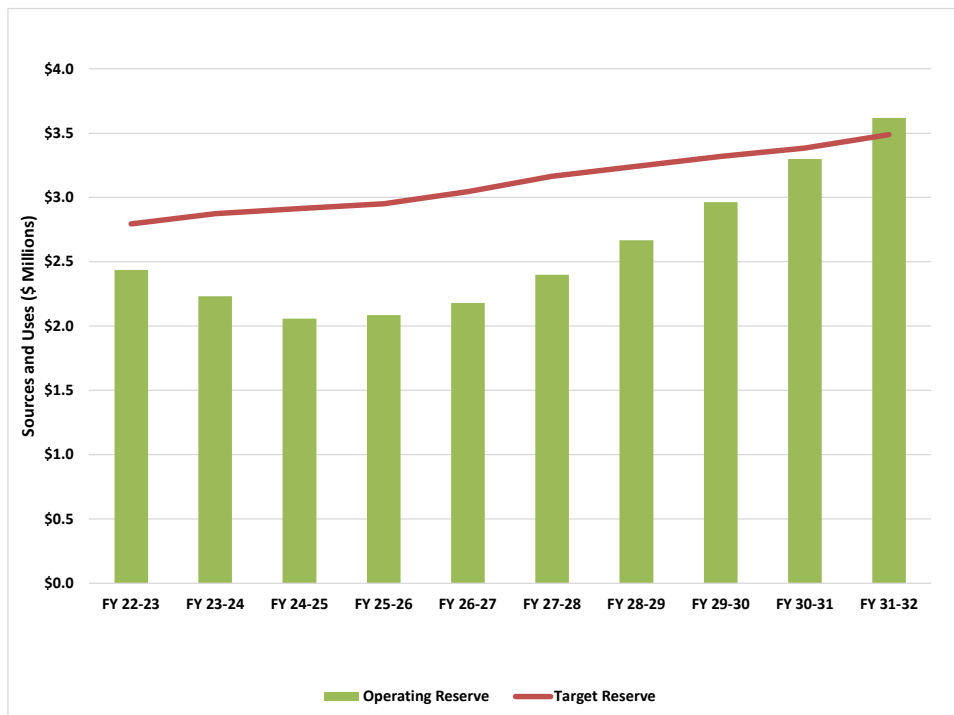


Figure 2
End of Year Water System Reserves versus Target Reserves



Cost of Service

This section of the report discusses how the water system's operating and capital costs are allocated for use in designing rates. Establishing rates in California requires that the agency responsible for imposing property-related fees create a nexus between the cost of providing service and the rates to be imposed.

Industry Methodology

This Study uses methodologies from the American Water Works Association (AWWA) to allocate costs in an appropriate manner. AWWA is an industry trade organization that provides guidance on operations and management of water utilities. General principles are provided to assist agencies with the design of water rates such that the rates may be consistent with local requirements while also recognizing state laws and legal framework. The AWWA guidelines have been used to conduct this Study and have been used in the design of the District's water rates while also following Proposition 218 and the recent San Juan Capistrano court decision.

The annual costs of providing water service from the financial plan are allocated to cost components according to industry standards provided in the American Water Works Association (AWWA) Manual M1. The methodology provides the basis to design rates to generate adequate revenue to meet estimated annual revenue requirements from the financial plan. Costs are then recovered through fixed charges and variable charges.

Costs of Service to be Allocated

The annual cost of service consists of O&M expenses and capital costs of the water system. O&M expenses include costs related to water distribution, maintenance of the facilities, and general and administrative costs. Capital costs include annual capital replacement discussed in the financial plan.

To design rates for the water system, costs are allocated to water system cost components based on the operating characteristics and design of the water system facilities. Cost allocations consider the average quantity of water consumed as well as the peak rate at which water is consumed. The water system is designed to serve average and peak demands, and costs that are related to serving average and peak demands are allocated in a manner such that they may be recovered appropriately.

The cost allocation components for water service are Base, Peaking, Meters and Services, Customer, and Direct Fire Protection. A five-year average of the projected operating and capital costs of the water system are assigned to each of these components. The result is a percentage allocation of the annual costs of service to each cost component which is then applied to the annual revenue requirement. The total cost to be recovered from the users of the water system by cost component for each year of the Study is presented in Table 12 below.

Water Rate Design

The cost of service analyses described in the previous section provides the basis for water rate design. The goal of the design of rates is to achieve fairness while ensuring that each customer class pays its fair share of costs. Rates should be simple to administer, easy to understand, and comply with regulatory requirements. This section describes how water rates and charges are designed and includes the proposed schedule of water rates for implementation.

Table 12
Allocation of Revenue Requirements to Cost Component

Description	5-Year Average	Base	Peaking	Meters/Serv	Customer	Direct Fire Protection	
Average Annual O&M							
Salaries and Benefits	\$526,972	\$276,273	\$216,787	\$31,779	\$0	2,133	
Maintenance and Supplies							
Electricity	98,148	28,042	70,106	-	-	-	
Chemicals	67,162	67,162	-	-	-	-	
Meters/Equip.	12,999	-	-	12,999	-	-	
Telephone/Internet	4,145	414	-	-	3,731	-	
Other Maintenance and Supplies	231,518	132,373	85,734	12,568	-	844	
Total Maintenance and Supplies	\$413,972	\$227,991	\$155,840	\$25,567	\$3,731	\$844	
General and Administration	\$514,282	\$232,552	\$171,984	\$32,601	\$75,453	\$1,692	
Capital Outlay	98,750	49,119	36,326	6,886	6,062	357	
Total Average Annual O&M	\$1,553,976	\$785,935	\$580,936	\$96,833	\$85,246	\$5,027	
Average Annual Capital Costs							
Capital Replacement	\$344,600	\$152,662	\$169,762	\$20,781	\$0	1,395	
Current Debt Service	276,656	145,041	113,811	16,684	-	1,120	
Total Average Capital	\$621,256	\$297,703	\$283,573	\$37,465	\$0	\$2,515	
Revenue Offsets							
	(\$426,157)	(\$215,532)	(\$159,314)	(\$26,555)	(\$23,378)	(\$1,379)	
Total Average Revenue Requirement	\$1,749,075	\$868,106	\$705,195	\$107,742	\$61,869	\$6,163	
Percentage Allocation		49.6%	40.3%	6.2%	3.5%	0.4%	
Cost Allocation Summary							
	Year	Annual Revenue Requirement	Base	Peaking	Meters/Serv	Customer	Direct Fire Protection
	FY 22-23	\$1,270,528	\$630,592	\$512,254	\$78,264	\$44,941	\$4,477
	FY 23-24	1,455,878	722,585	586,984	89,681	51,498	5,130
	FY 24-25	1,668,078	827,904	672,539	102,753	59,004	5,878
	FY 25-26	1,911,191	948,569	770,557	117,728	67,603	6,734
	FY 26-27	\$2,189,962	\$1,086,927	\$882,953	\$134,901	\$77,464	\$7,717

Proposed Rate Structure

The recommended water rate structure is a uniform volume rate structure. Fixed charges are established by meter size and variable rates are established as a uniform volume charge in terms of dollars per hundred cubic feet (\$/HCF) for all water consumed by District customers. The design of the fixed charges and variable charges are discussed below.

Proposed Fixed Charges

The proposed fixed charges recover the Customers, Meters and Services, and Peaking costs of service identified from Table 12 and recovers costs related to public fire protection. Customer and public fire protection costs are recovered based on the number of bills issued. Meters and Services costs are recovered based on meter and service ratios while Peaking costs are recovered on the basis of meter capacity ratios, both provided by AWWA.

Table 13 below presents the design of the proposed monthly fixed charges for water system customers. The current fixed charges generate about 50 percent of revenue from water rates. The proposed fixed charges generate approximately 46 percent of the revenue from water rates.

Table 13
Design of Fixed Charges

Customer Service Cost	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Customer Cost	\$44,941	\$51,498	\$59,004	\$67,603	\$77,464
Public Fire Protection Cost	151,963	177,128	202,563	231,838	265,141
Total Customer Costs	\$196,904	\$228,626	\$261,567	\$299,441	\$342,605
Number of Bills	18,828	18,876	18,924	18,972	19,020
Customer Cost per Unit	\$10.46	\$12.11	\$13.82	\$15.78	\$18.01

Meters and Services Cost	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Meters and Services Cost	\$78,264	\$89,681	\$102,753	\$117,728	\$134,901
Number of Equivalent Meters & Services	19,943	19,994	20,042	20,090	20,141
Meters and Services Cost per Unit	\$3.92	\$4.49	\$5.13	\$5.86	\$6.70

Peaking Cost	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Peaking Costs Less Fire Protection	\$360,414	\$409,909	\$470,048	\$538,808	\$617,929
Number of Equivalent Meters	21,596	21,652	21,700	21,748	21,804
Peaking Cost per Unit	\$16.69	\$18.93	\$21.66	\$24.78	\$28.34

Base Fixed Charge - 5/8" and 3/4"	\$31.07	\$35.53	\$40.61	\$46.42	\$53.05
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Fixed charges for meter sizes greater than 5/8 & 3/4 inch are increased as shown below in Table 14 for FY 2022-23. The Meter and Services charge from Table 13 increases through application of meter and service cost ratios while the Peaking charge from Table 13 increases with meter capacity ratios. Public fire protection and Customer charges are charged per bill and do not increase with meter size. The charges are summed to provide the total monthly charge by meter size as shown in the last column of Table 14.

Table 14
Design of Fixed Charges by Meter Size
FY 22-23

Meter Size	Meter & Service Ratio	Meters & Services Charge	Meter Capacity Ratio	Peaking Charge	Fire Protection Charge	Customer Charge	Total Monthly Charge
inches							
5/8" and 3/4"	1.00	\$3.92	1.00	\$16.69	\$8.07	\$2.39	\$31.07
1"	1.27	\$4.99	1.67	\$27.82	\$8.07	\$2.39	\$43.27
1.5"	1.64	\$6.41	3.33	\$55.63	\$8.07	\$2.39	\$72.50
2"	2.64	\$10.33	5.33	\$89.01	\$8.07	\$2.39	\$109.80
3"	10.00	\$39.20	10.67	\$178.03	\$8.07	\$2.39	\$227.69

The fixed charges for future years beyond FY 2022-23 are designed in the same manner as provided in Table 14 and shown below in Table 15.

Table 15
Proposed Monthly Fixed Charges

Meter Size	April 1, FY 22-23	January 1, FY 23-24	January 1, FY 24-25	January 1, FY 25-26	January 1, FY 26-27
inches					
5/8" and 3/4"	\$31.07	\$35.53	\$40.61	\$46.42	\$53.05
1"	\$43.27	\$49.37	\$56.45	\$64.54	\$73.77
1.5"	\$72.50	\$82.56	\$94.41	\$107.97	\$123.44
2"	\$109.80	\$124.91	\$142.86	\$163.39	\$186.82
3"	\$227.69	\$258.93	\$296.16	\$338.70	\$387.30

Private Fire Protection Fixed Charges. Annual costs allocated to the Fire Protection cost component are separated into Public and Private Fire Protection costs. Public Fire Protection costs are included into the monthly service charges as shown in Table 13 and Table 14. Private Fire Protection costs are recovered from those customers that receive the direct fire protection benefit. The monthly cost by equivalent fireline size is provided in Table 16. Private fire protection monthly charged charges are increases with AWWA fireline ratios as shown in Table 17.

Table 16
Design of Private Fire Protection Charges

Private Fire Protection Cost	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Annual Private Fire Protection Cost	\$4,354	\$5,077	\$5,806	\$6,645	\$7,599
Private Fire Protection Eq. Firelines	83.2	83.2	83.2	83.2	83.2
Private Fire Protection (\$/mo, 6-inch)	\$52.30	\$60.99	\$69.75	\$79.82	\$91.29

Table 17
Proposed Private Fire Protection Charges

Fireline Size	Fireline Ratio	April 1, FY 22-23	January 1, FY 23-24	January 1, FY 24-25	January 1, FY 25-26	January 1, FY 26-27
1"	0.01	\$0.47	\$0.55	\$0.63	\$0.72	\$0.82
1.5"	0.03	\$1.36	\$1.59	\$1.82	\$2.08	\$2.38
2"	0.06	\$2.91	\$3.39	\$3.88	\$4.44	\$5.08
2.5"	0.10	\$5.23	\$6.10	\$6.98	\$7.98	\$9.13
3"	0.16	\$8.45	\$9.85	\$11.27	\$12.90	\$14.75
4"	0.34	\$18.00	\$21.00	\$24.01	\$27.48	\$31.43
6"	1.00	\$52.30	\$60.99	\$69.75	\$79.82	\$91.29
8"	2.13	\$111.45	\$129.98	\$148.63	\$170.11	\$194.53
10"	3.83	\$200.43	\$233.74	\$267.29	\$305.91	\$349.83

Proposed Variable Charges

Variable charges are designed to recover the Base costs for all customers. The proposed variable rate is designed to be a uniform volume charge that applies to all customers. The design of the proposed variable rates for FY 2022-23 and future years are presented in Table 18.

Table 18
Design of Uniform Volume Charge

Base Cost/Uniform Volume Cha	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Base Cost	\$630,592	\$722,585	\$827,904	\$948,569	\$1,086,927
Units of Service (HCF)	155,054	155,441	155,828	156,214	156,601
Uniform Volume Charge (\$/HCF)	\$4.07	\$4.65	\$5.31	\$6.07	\$6.94

Proposed Water Rates

Table 19 presents the current and proposed fixed and variable charges for the water system as well as private fireline charges for the next five years. Current fixed, private fireline, and variable charges are provided in the first column of Table 19. Proposed charges for implementation for April 1, 2023 developed in the tables above and the proposed charges for each January 1 through FY 2026-27 are presented in the subsequent columns of Table 19.

Table 19
Proposed Water Fixed and Variable Charges

	Current Rate	April 1, FY 22-23	January 1, FY 23-24	January 1, FY 24-25	January 1, FY 25-26	January 1, FY 26-27
Meter Size		Fixed Charge (\$ per month)				
5/8" and 3/4"	\$27.24	\$31.07	\$35.53	\$40.61	\$46.42	\$53.05
1"	\$37.14	\$43.27	\$49.37	\$56.45	\$64.54	\$73.77
1.5"	\$60.85	\$72.50	\$82.56	\$94.41	\$107.97	\$123.44
2"	\$91.16	\$109.80	\$124.91	\$142.86	\$163.39	\$186.82
3"	\$187.53	\$227.69	\$258.93	\$296.16	\$338.70	\$387.30
Fireline Size		Fixed Charge (\$ per month)				
2.5"	\$6.79	\$5.23	\$6.10	\$6.98	\$7.98	\$9.13
3"	\$10.97	\$8.45	\$9.85	\$11.27	\$12.90	\$14.75
4"	\$23.37	\$18.00	\$21.00	\$24.01	\$27.48	\$31.43
6"	\$67.88	\$52.30	\$60.99	\$69.75	\$79.82	\$91.29
8"	\$144.66	\$111.45	\$129.98	\$148.63	\$170.11	\$194.53
Classification	Current Rate	April 1, FY 22-23	January 1, FY 23-24	January 1, FY 24-25	January 1, FY 25-26	January 1, FY 26-27
		Variable Charge (\$ per HCF)				
All Consumption	\$3.56	\$4.07	\$4.65	\$5.31	\$6.07	\$6.94

Water Bill Impact Analysis

An impact analysis was performed to evaluate the change in single-family customer bills that would occur from the implementation of the April 2023 proposed water rates from Table 19. The impacts are provided in Table 20 below. For a single-family customer with a 3/4-inch or smaller meter size using the average consumption of 8 hundred cubic feet (HCF) monthly, the bill will increase from \$55.72 to \$63.63, an increase of \$7.91 or 14.2 percent.

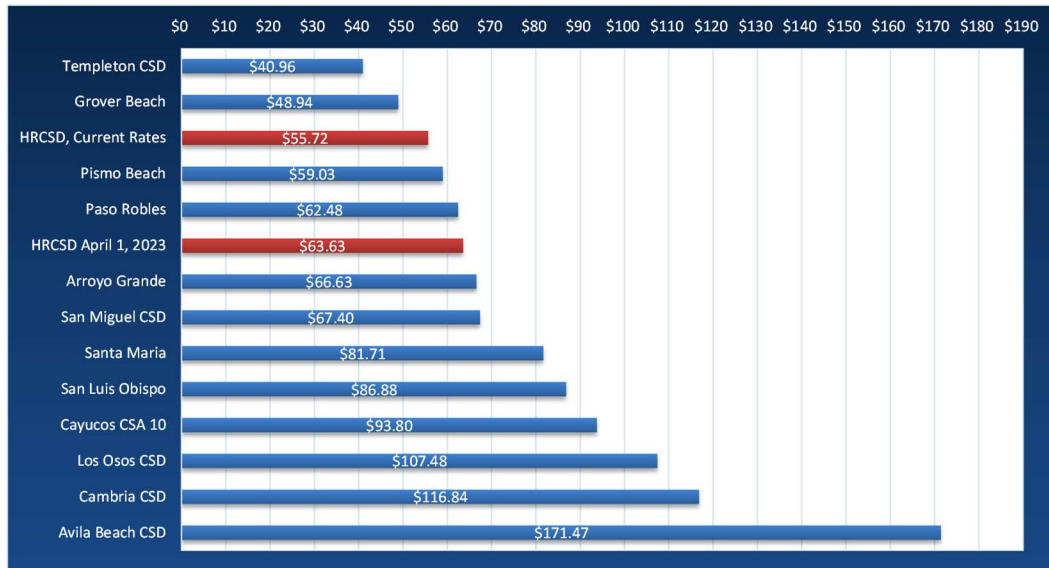
Table 20
Comparison of Current Single-family Residential Monthly Water Bill with 5/8-inch or 3/4-inch Meter Size with Proposed Monthly Bill Using April 2023 Water Rates

Description	Use (HCF)	Current Bill			April 1, 2023 Proposed Bill			Dollar Change	Percent Change
		Service Charge	Volume Charge	Current Bill	Service Charge	Volume Charge	Proposed Bill		
	0	\$27.24	\$0.00	\$27.24	\$31.07	\$0.00	\$31.07	\$3.83	14.1%
Very Low	1	\$27.24	\$3.56	\$30.80	\$31.07	\$4.07	\$35.14	\$4.34	14.1%
Low	2	\$27.24	\$7.12	\$34.36	\$31.07	\$8.14	\$39.21	\$4.85	14.1%
Median	7	\$27.24	\$24.92	\$52.16	\$31.07	\$28.49	\$59.56	\$7.40	14.2%
Average	8	\$27.24	\$28.48	\$55.72	\$31.07	\$32.56	\$63.63	\$7.91	14.2%
	10	\$27.24	\$35.60	\$62.84	\$31.07	\$40.70	\$71.77	\$8.93	14.2%
High	15	\$27.24	\$53.40	\$80.64	\$31.07	\$61.05	\$92.12	\$11.48	14.2%
Very High	20	\$27.24	\$71.20	\$98.44	\$31.07	\$81.40	\$112.47	\$14.03	14.3%

Water Rate Survey

A water rate survey was conducted for neighboring communities to the Heritage Ranch Community Services District. Chart 1 compares the District's single-family residential (SFR) estimated monthly water bill with those of neighboring communities at the same consumption of 8 HCF monthly. The rate survey includes rate schedules in effect November 2022. Water bills for the District are shown using the current rates and the proposed rates for implementation April 1, 2023. The chart indicates that with the April 2023 proposed water rates, a SFR customer using the average monthly consumption of 8 HCF will experience a bill that is in the mid-range of the communities listed.

Chart 1
Single-family Residential Monthly Water Bills with 3/4-inch or Smaller Meter Using 8 HCF
For Rates in Effect November 2022



Note: Above table uses water rates in effect November 2022. District April 2023 bill is based on the rate structure and rates in Table 19.

Wastewater Financial Planning

Financial planning for the wastewater enterprise includes identifying and projecting revenues and revenue requirements of the wastewater system for a six-year planning period. A sixth year is included in the financial plan to show a full year of wastewater operations with the completed WWRF, although only five years of wastewater rates may be adopted.

Projected revenue is compared with the projected revenue requirements allowing the evaluation of the sufficiency of current revenue to meet annual wastewater expenses and obligations, which provides the basis for revenue adjustments. Proposed wastewater rates and charges are created to recover the District's annual operating and capital costs associated with the wastewater system.

This section discusses the current wastewater rates, user classifications, revenues and revenue requirements, debt service, capital improvement expenditures, and proposed revenue adjustments.

Current Wastewater Rates

The current wastewater rates consist of fixed charges to residential and non-residential customers. Customers of the wastewater system are charged a multiple of the Residential fixed charge. For example, RV spaces are charged 0.8 times the Residential charge. The current rates are presented in Table 21.

Table 21
Current Wastewater Service Rates
Effective January 1, 2022

Classification	Effective
	Jan 1, 2022
	\$/month
Residential	\$35.75
RV Space	28.60
Commercial	35.75
Camp Restroom	75.86
Dump Station	301.92
Holiday Condo	\$1,072.50

Wastewater User Classifications

Number of Customers

The District currently classifies wastewater customers as Residential, RV Space, Commercial, Camp Restroom, Dump Station, and Holiday Condo. Residential customers account for about 88 percent of the total customers served by the wastewater system. Growth is projected to occur only in Residential accounts at a rate of 0.25 percent annually following the assumptions listed in Table 1. Table 22 provides the historical and projected number of customers by classification.

Table 22
Projected Wastewater Customers by Classification

Customer Class	Actual		Projected				
	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28
Number of Accounts							
Residential/Condo [1] [2]	1,570	1,574	1,578	1,582	1,586	1,590	1,594
RV Space	192	192	192	192	192	192	192
Commercial	18	18	18	18	18	18	18
Restrooms	3	3	3	3	3	3	3
Dump Station	1	1	1	1	1	1	1
Total Accounts	1,784	1,788	1,792	1,796	1,800	1,804	1,808

[1] Accounts are forecast to increase based on the assumed growth rate of 0.25% annually.

[2] Includes Holiday Condo 30 units.

Wastewater Financial Plan

The financial plan provides the means of analyzing the revenue and revenue requirements of the wastewater system, the ability to fund on-going operation and maintenance expense and capital expenditures, and the impact on reserves. This section of the Report discusses the projection of revenue, projection of operation and maintenance expenses, capital improvement needs of the wastewater system, debt and debt service requirements, and revenue adjustments needed to maintain a sustainable wastewater enterprise.

Revenues

The District receives wastewater operating and miscellaneous revenue from several sources. Operating revenue is received from rates and charges for wastewater service. Operating revenue is projected by applying the current wastewater rates from Table 21 to the projected number of accounts in Table 22. Table 23 presents the projected operating revenues from current fixed charges of the wastewater system.

Table 23
Projected Rate-based Wastewater Revenue Using Existing Rates

Description	Projected					
	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28
Wastewater Service Revenues						
Fixed Charges [1]	\$755,216	\$756,932	\$758,648	\$760,364	\$762,080	\$763,796
Total Revenues From Current Rates	\$755,216	\$756,932	\$758,648	\$760,364	\$762,080	\$763,796

[1] FY 22-23 and forecast years' revenue calculated by multiplying current wastewater service rate by the number of customers.

Miscellaneous revenue received includes hook-up fees, turn on fees, penalties/late fees, plan check and inspection fees, standby charges, and property tax revenue. Table 24 presents the projected revenue from miscellaneous sources.

Table 24
Projected Miscellaneous Revenue

Description	Budget		Projected			
	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28
Hook-up Fees	\$500	\$400	\$400	\$400	\$400	\$400
Turn-On Fees	1,500	1,500	1,500	1,500	1,500	1,500
Late Fees	7,400	7,700	7,700	7,700	7,700	7,700
Plan Check and Inspection	5,000	800	800	800	800	800
Standby Charges	39,186	39,200	39,200	39,200	39,200	39,200
Property Tax	127,014	128,300	129,600	130,900	132,200	133,500
Total Miscellaneous Revenues	\$180,600	\$177,900	\$179,200	\$180,500	\$181,800	\$183,100

Revenue Requirements

Revenue requirements of the wastewater system include operation and maintenance expense, annual capital replacement, certain costs related to upgrade of the wastewater treatment plant, a proposed United States Department of Agriculture (USDA) loan and debt service payments, and USDA loan reserve payment. Each of these items are discussed below.

Operation and Maintenance Expense

Operation and maintenance expenses (O&M) are an on-going obligation of the wastewater system and such costs are normally met from wastewater service revenue. O&M includes the cost to operate and maintain the wastewater collection system, lift stations, and treatment and disposal facilities. Costs also include technical services and other general and administrative expenses.

O&M has been projected recognizing the major expense categories of personnel services, electric power expense, chemicals expense, and other expenses. Personnel costs consist of salaries and benefits expense of those personnel directly involved with providing wastewater service. Future salary costs are projected to increase by 4 percent annually whereas benefits costs are projected to increase at 8 percent annually. Additionally, staffing changes are planned by the District in FY 2026-27 that reflect changes in operations related to the new WWRF that have impacts on salary and benefit costs. Electric power and chemicals expense are projected to increase annually at 4 percent. All other O&M expense is projected to increase by 4 percent annually except capital which is projected at 3 percent annually. Table 25 provides a summary of the wastewater O&M expenses for the Study period.

Table 25
Projected Wastewater Operation and Maintenance Expenses

Description	Budget	Projected				
	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28
Salaries & Benefits	\$295,688	\$311,337	\$327,918	\$345,492	\$678,817	\$715,434
Maintenance and Supply						
Electricity	\$33,478	\$34,817	\$36,210	\$37,658	\$273,136	\$284,061
Chemicals	17,000	17,680	18,387	19,122	31,586	32,849
Other O&M	114,987	119,587	124,371	129,346	221,908	230,784
Subtotal	\$165,465	\$172,084	\$178,968	\$186,126	\$526,630	\$547,694
General & Administration						
General Fund Allocation	\$288,252	\$299,782	\$311,773	\$324,244	\$337,214	\$350,703
Insurance	12,586	13,089	13,613	14,158	29,246	30,416
Other O&M	55,700	57,928	60,246	62,655	65,160	67,767
Subtotal	\$356,538	\$370,799	\$385,632	\$401,057	\$431,620	\$448,886
Capital Outlay	\$62,000	\$63,860	\$65,776	\$67,749	\$69,781	\$71,874
Total O&M Expense	\$879,691	\$918,080	\$958,294	\$1,000,424	\$1,706,848	\$1,783,888

Capital Replacement

The District plans for replacements in the wastewater system that occur from time to time during the fiscal year. The amount of annual wastewater CIP project spending is included as a revenue requirement and is equal to the annual expense stated in the CIP table described further below, excluding the upgrade to the wastewater treatment plant capital construction spending as discussed further below.

Western Alliance Lease

The District makes lease payments on a solar facility constructed several years ago. The lease payments total about \$38,500 annually.

Water Resource Recovery Facility

The Central Coast Regional Water Quality Control Board (CCRWQCB) evaluated the District's wastewater discharge and determined that new effluent limitations are necessary as determined in the Waste Discharge Requirements (WDR) Order No. R3-2017-0026. The District requested and received Time Schedule Order (TSO) No. R3-2018-0011 that allows the District time to comply while meeting interim discharge levels. The District has requested an extension of the TSO that will allow construction and commissioning of a new Water Resource Recovery Facility (WRRF) and achieving compliance by October 2027.

For this Study, a WRRF Project Fund has been created to illustrate the expected costs of the WRRF and its funding sources which is provided in Table 26. Costs of the WRRF include design and construction which are planned to occur over several years. The District plans to use its reserves to pay for the design costs of the WRRF while construction costs will be funded by two interim loans of \$11M and \$13M followed by a \$24M long term take-out loan from the USDA.

Table 26 shows that the District will spend about \$1.5M of its own reserves for design costs while the rest of the project will be funded by loan proceeds. The table also shows that about \$2.1M is available as a contingency for the project. Any funds that are not spent will be used to reduce the take-out loan from the USDA.

Table 26
Water Resource Recovery Facility Project Fund

Description	Projected					
	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28
Sources and Uses of Funds						
Beginning Year Balance	\$0	\$0	\$7,470,996	\$6,876,409	\$2,081,085	\$2,102,000
District Cash Reserves	\$904,800	645,200	-	-	-	-
Interim Loan #1	-	11,000,000	-	-	-	-
Interim Loan #2	-	-	13,000,000	-	-	-
Water Resource Recovery Facility Design and Construction Costs	(904,800)	(4,211,559)	(13,666,324)	(4,840,111)	-	-
Interest Income (1% percent)	-	37,355	71,737	44,787	20,915	21,126
Total Project Fund Balance	\$0	\$7,470,996	\$6,876,409	\$2,081,085	\$2,102,000	\$2,123,126

Debt Service

The District plans to obtain loan proceeds from two interim loans to fund the WRRF project. The first interim loan of \$11M is planned to close December 30, 2023 and includes interest only payments at a rate of 5.8 percent with an annual payment of about \$639,000. A second interim loan of \$13M is planned to close December 30, 2024 and includes interest only payments at the same interest rate of 5.8 percent with an annual payment of about \$756,000.

The District is making application to the USDA for a \$24M long-term loan that will take out the two interim loans. The USDA loan is planned to close on July 1, 2026 with an interest rate of 3.5 percent and a 40 year term. Payments associated with the USDA loan are \$420,000 in FY 2026-27 with estimated annual payments of \$1,123,500 thereafter. This will be the only outstanding loan of the wastewater system after take-out of the interim loans. As part of an agreement for the USDA loan, the District is required to build a reserve over a 10-year period equal to 1/10th of the annual USDA loan payment. This requirement is \$112,350 annually beginning in FY 2027-28.

Wastewater Capital Improvement Program

Table 27 provides the wastewater capital improvement program (CIP) of the District that lists planned capital expenditures for FY 2022-23 through FY 2026-27 excluding the construction costs of the WRRF project. Major projects include design costs of the WRRF, lift station #1 and #2 rehabilitation costs, and SDADA upgrades. The CIP expenditures are funded by wastewater system revenues and reserves.

Table 27
Wastewater Capital Improvement Program

Description	Projected					
	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28
Current Capital Improvement Projects (CIP) [1]						
Water Resource Recovery Facility Design Costs Only	\$904,800	\$645,200	-	-	-	-
Lift Station 3 Rehabilitation	25,000	155,000	-	137,000	141,000	-
Lift Station 2 Rehabilitation	25,000	-	-	55,000	56,000	-
Collection System SCADA	100,000	103,000	-	-	-	-
Wastewater Collection System Model and Infiltration/Inflow Phase II	75,000	-	-	-	-	-
Electric Gate at Corp Yard (40% of Cost)	-	-	21,000	-	-	-
Lift Station 1 Rehabilitation	-	-	-	-	-	29,000
Total Wastewater CIP	\$1,129,800	\$903,200	\$21,000	\$192,000	\$197,000	\$29,000

[1] CIP Source: FY 22-23 District CIP document.

Wastewater Financial Plan

A financial plan has been prepared for the wastewater utility that includes the revenues and revenue requirements that were identified for the wastewater system and is presented in Table 28. The plan incorporates specific financial planning criteria to provide guidance to maintain the health of the wastewater utility on an on-going basis. The criteria included the following.

- Generate positive levels of income in each year of the Study period
- Meet annual capital replacement expenditures
- Maintain the operating and capital reserves at or greater than target levels
- Maintain debt service coverage ratios at or greater than the minimum required

Table 28
Wastewater Financial Plan

Description	Projected					
	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28
Proposed Revenue Increase (April 1)	59.0%					
Proposed Revenue Increase (January 1)		59.0%	59.0%	3.0%	3.0%	3.0%
Sources of Funds						
Rate-based Revenues, Existing Rates [1]	\$755,216	\$756,932	\$758,648	\$760,364	\$762,080	\$763,796
Total Additional Wastewater Service Revenue [2]	111,394	801,629	1,725,082	2,341,901	2,440,465	2,542,253
Miscellaneous Income [3]	180,600	177,900	179,200	180,500	181,800	183,100
Interest Income	15,885	7,179	4,676	9,288	14,323	18,124
Total Sources of Funds	\$1,063,095	\$1,743,640	\$2,667,606	\$3,292,053	\$3,398,668	\$3,507,273
Uses of Funds						
O&M and Capital Outlay	\$879,691	\$918,080	\$958,294	\$1,000,424	\$1,706,848	\$1,783,888
Capital Replacement [4]	167,000	132,000	152,000	149,000	751,000	726,000
Western Alliance Lease	38,587	38,758	38,643	38,759	38,587	38,587
Interim Loan #1	-	639,772	638,000	638,000	319,000	-
Interim Loan #2	-	-	756,094	756,094	377,000	-
USDA Loan	-	-	-	-	420,000	1,123,500
USDA Loan Reserve Fund Payment	-	-	-	-	-	112,350
Total Uses of Funds	\$1,085,278	\$1,728,610	\$2,543,031	\$2,582,277	\$3,612,435	\$3,784,325
Net Funds Available Before Capital	(\$22,183)	\$15,030	\$124,575	\$709,776	(\$213,767)	(\$277,052)
Capital Sources of Funds						
Operations Financed Capital	\$167,000	\$132,000	\$152,000	\$149,000	\$751,000	\$726,000
Total Capital Sources of Funds	\$167,000	\$132,000	\$152,000	\$149,000	\$751,000	\$726,000
Capital Uses of Funds						
Capital Improvement Plan [5]	\$1,129,800	\$903,200	\$21,000	\$192,000	\$197,000	\$29,000
Total Capital Uses of Funds	\$1,129,800	\$903,200	\$21,000	\$192,000	\$197,000	\$29,000
Net Capital Spending	(\$962,800)	(\$771,200)	\$131,000	(\$43,000)	\$554,000	\$697,000
Net Funds After Capital	(\$984,983)	(\$756,170)	\$255,575	\$666,776	\$340,233	\$419,948
Available Reserves						
Beginning available reserves [6]	\$2,081,000	\$1,096,017	\$339,847	\$595,422	\$1,262,198	\$1,602,431
Additions (reductions)	(984,983)	(756,170)	255,575	666,776	340,233	419,948
Ending available reserves	\$1,096,017	\$339,847	\$595,422	\$1,262,198	\$1,602,431	\$2,022,379
Target Reserves [7]	\$2,081,000	\$2,065,000	\$2,105,000	\$2,123,000	\$3,078,000	\$3,092,000
Above (below) Target	(\$984,983)	(\$1,725,153)	(\$1,509,578)	(\$860,802)	(\$1,475,569)	(\$1,069,621)
Debt Service Coverage						
Net Revenues [8]	\$517,588	\$1,180,599	\$2,275,103	\$2,337,476	\$1,739,148	\$1,772,243
Annual Debt Service	-	639,772	1,394,094	1,394,094	1,116,000	1,123,500
Coverage	n/a	185%	163%	168%	156%	158%

[1] Projected using the existing rates.

[2] Additional revenue from proposed rate adjustments.

[3] Miscellaneous income including hookup fees, turn-on fees, late fees, standby charges, property taxes, and other miscellaneous income.

[4] Equal to approximate annual depreciation expense.

[5] From Table 27. Includes Water Resource Recovery Facility (WRRF) design costs only.

[6] The available beginning FY 22-23 cash balance provided by the District. Includes operating and capital reserves.

[7] Target reserve includes operating, equipment, debt service, and solar reserves per Resolution 14-10. Excludes Capital Facility Reserve.

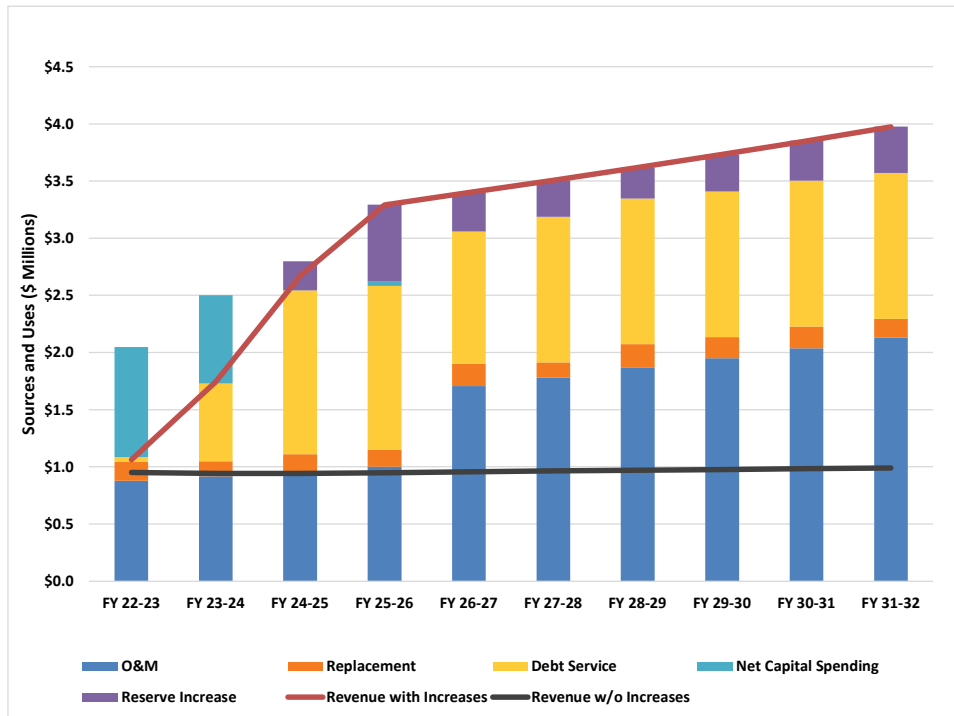
[8] Revenue is adjusted as if the rate increase were effective the full fiscal year.

Proposed Revenue Adjustments

Analysis of the revenues and revenue requirements of the wastewater financial plan indicate that revenue increases are necessary. Revenue increases of 59 percent annually are proposed for three years beginning April 1, 2023 and each January 1 of FY 2023-24 and FY 2024-25. Additionally, revenue increases of 3 percent are proposed beginning FY 2025-26 through FY 2027-28 with 3 percent annual increases assumed thereafter through FY 2031-32. The proposed increases are shown near the top of the wastewater financial plan in Table 28.

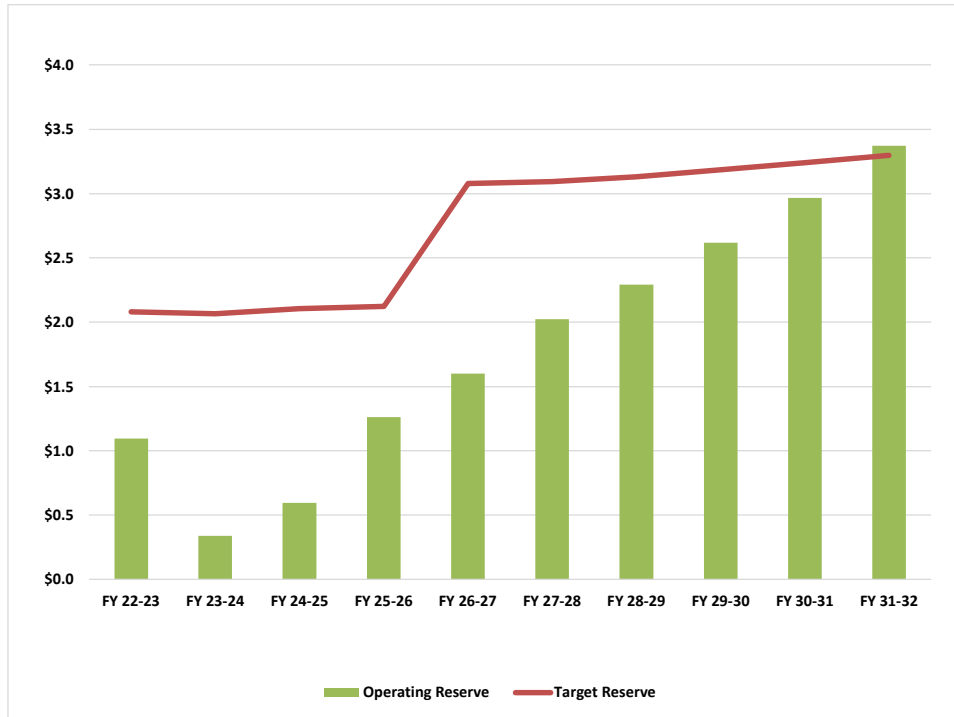
A graphical depiction of the revenue and revenue requirements from Table 28 are presented in Figure 3. Revenue using the current rates is shown as the black line while revenue with revenue adjustments is shown as the red line. Figure 3 shows that the revenue increases from Table 28 are necessary to meet annual O&M expense, CIP funding, and to increase reserves to the Target Reserve level.

Figure 3
Wastewater Financial Plan
Comparison of Revenue with Revenue Requirements



The District’s wastewater cash position at the end of each fiscal year is provided in Figure 4. The green columns represent the end of year cash reserve balance including all funds, except for Capital Facility Replacement Reserve, while the red line indicates the Target level for these reserves. The figure shows the use of District reserves to pay for design costs in the first two years, then the reserve balance increases each year, meeting the Target Reserve in the 10th year.

Figure 4
End of Year Wastewater System Reserves versus Target Reserves



Cost of Service

This section of the report discusses how the wastewater system’s operating and capital costs are allocated for use in designing rates. Establishing rates in California requires that the agency responsible for imposing property-related fees create a nexus between the cost of providing service and the rates to be imposed.

Industry Methodology

Methodology from the Water Environment Federation (WEF) is commonly used to allocate wastewater costs in an appropriate manner. Similar to AWWA, WEF is an industry trade organization that provides guidance on operations, technical training, education, and management of wastewater utilities. General principles are provided to assist agencies with the design of wastewater rates and charges that are consistent with local requirements while also recognizing state laws and legal framework.

Due to the District’s current wastewater system operations, and that the District is pursuing a loan with the USDA, the method used in this Study to allocate costs and to design wastewater rates is an Equivalent Dwelling Unit (EDU) methodology. For this Study, one EDU is defined as the wastewater flow impact on the wastewater system by a Residential customer.

Costs of Service to be Allocated

The annual cost of service consists of O&M expenses and capital costs of the wastewater system. O&M expenses include costs related to wastewater collection, treatment, disposal maintenance of the facilities, and general and administrative costs. Capital costs include annual capital replacement, lease expense, and debt service discussed in the financial plan. The annual costs to be recovered from wastewater rates are provided in Table 29.

Table 29
Costs to be Recovered From Wastewater Rates

Description	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28
Operating Expense						
O&M and Capital Outlay	\$879,691	\$918,080	\$958,294	\$1,000,424	\$1,706,848	\$1,783,888
Subtotal	\$879,691	\$918,080	\$958,294	\$1,000,424	\$1,706,848	\$1,783,888
Capital						
Capital Replacement [4]	167,000	132,000	152,000	149,000	751,000	726,000
Western Alliance Lease	38,587	38,758	38,643	38,759	38,587	38,587
Interim Loan #1	-	639,772	638,000	638,000	319,000	-
Interim Loan #2	-	-	756,094	756,094	377,000	-
USDA Loan	-	-	-	-	420,000	1,123,500
USDA Loan Reserve Fund Payment	-	-	-	-	-	112,350
Subtotal	\$205,587	\$810,530	\$1,584,737	\$1,581,853	\$1,905,587	\$2,000,437
Net Capital Spending						
Capital Replacement [4]	(\$167,000)	(\$132,000)	(\$152,000)	(\$149,000)	(\$751,000)	(\$726,000)
Capital Improvement Plan	1,129,800	903,200	21,000	192,000	197,000	29,000
Subtotal	\$962,800	\$771,200	(\$131,000)	\$43,000	(\$554,000)	(\$697,000)
Met From Other Sources						
Revenue Offsets	(\$196,485)	(\$185,079)	(\$183,876)	(\$189,788)	(\$196,123)	(\$201,224)
Subtotal	(\$196,485)	(\$185,079)	(\$183,876)	(\$189,788)	(\$196,123)	(\$201,224)
Adjustments						
Adjustments for Annual Cash Balance	(\$984,983)	(\$756,170)	\$255,575	\$666,776	\$340,233	\$419,948
Adjustments to Annualize Rate Increase	334,183	355,039	565,791	45,847	47,328	48,858
Subtotal	(\$650,800)	(\$401,131)	\$821,366	\$712,623	\$387,561	\$468,806
Total Costs to be Recovered	\$1,200,793	\$1,913,600	\$3,049,521	\$3,148,112	\$3,249,873	\$3,354,907

Wastewater Rate Design

The goal of the design of rates is to achieve fairness while ensuring that each customer class pays its fair share of costs. Rates should be simple to administer, easy to understand, and comply with regulatory requirements. This section describes how wastewater rates and charges are designed and includes the proposed schedule of wastewater rates for implementation.

Proposed Wastewater Rates

The wastewater charges proposed in this Study reflect an EDU methodology and charges are based on an EDU ratio to a Residential customer. Wastewater charges are calculated by first developing the number of EDU's served by the District and then calculating an EDU ratio for each customer classification that reflects its wastewater flow impact in relation to a Residential customer. This calculation is provided in Table 30. The calculation uses average monthly winter water consumption of each customer classification as described by the USDA to calculate an EDU ratio.

Table 30
Calculation of the EDU Ratio
 FY 21-22

Description	Winter Water Consumption ^[1]	Average Monthly Winter Water Consumption ^[2]	Number of Users	Adjusted Number of Users	Average Monthly Flow per User	Number of EDUs ^[3]	Calculated EDU Ratio
	HCF/3 mos	HCF/mo			col [2] ÷ col [4]		
Residential/Condo [4]	19,708.0	6,569.3	1,570	1,570.0	4.2	1,570.0	1.00
RV Space [5]	295.0	98.3	192	29.0	3.4	23.5	0.80
Commercial	659.0	219.7	18	18.0	12.2	52.5	2.90
Restrooms [6]	29.0	9.7	3	1.0	9.7	2.3	2.30
Dump Station	156.9	52.3	1	1.0	52.3	12.5	12.50
Total	20,847.9	6,949.3	1,784	1,619.0		1,660.8	

[1] Water consumption for the lowest three months of January, February, and March.
 [2] Estimate for total monthly wastewater flow.
 [3] For EDU ratio calculations only.
 [4] Includes Holiday Condo 30 units.
 [5] Adjusted number of users for RV Spaces reflects average occupied spaces during January, February, and March.
 [6] Adjusted number of users reflects seasonal use.

The calculated EDU ratio from Table 30 is applied to the number of customers/units of each customer classification to determine the number of billing units served by the wastewater system. The annual revenue requirements from Table 29 are divided by the number of annual billing units to calculate the monthly wastewater charge per billing unit shown in Table 31.

Table 31
Calculation of Monthly Charge per Billing Unit

Description	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28
Number of Customers/Units [1]						
Residential/Condo [2]	1,574	1,578	1,582	1,586	1,590	1,594
RV Space	192	192	192	192	192	192
Commercial	18	18	18	18	18	18
Restrooms	3	3	3	3	3	3
Dump Station	1	1	1	1	1	1
Total Number of Customers	1,788	1,792	1,796	1,800	1,804	1,808
Number of Billing Units [3]	EDU Ratio [4]					
Residential/Condo [2]	1.00	1,574.00	1,578.00	1,582.00	1,586.00	1,590.00
RV Space	0.80	153.60	153.60	153.60	153.60	153.60
Commercial	2.90	52.20	52.20	52.20	52.20	52.20
Restrooms	2.30	6.90	6.90	6.90	6.90	6.90
Dump Station	12.50	12.50	12.50	12.50	12.50	12.50
Total Number of Billing Units	1,799.20	1,803.20	1,807.20	1,811.20	1,815.20	1,819.20
Revenue Requirement [5]	\$1,200,793	\$1,913,600	\$3,049,521	\$3,148,112	\$3,249,873	\$3,354,907
Monthly Charge per Billing Unit [6]	\$55.62	\$88.44	\$140.62	\$144.84	\$149.19	\$153.68

[1] From Table 22.
 [2] Includes Holiday Condo 30 units.
 [3] Number of customers/units multiplied by EDU ratio.
 [4] From Table 30.
 [5] Revenue Requirement from Table 29.
 [6] Revenue Requirement divided by Number of Billing Units.

Applying the EDU ratio to the proposed wastewater fixed charge per billing unit determines the wastewater charge for the District’s customer classifications. The proposed wastewater monthly fixed charges are shown in Table 32 for the Study period.

Table 32
Proposed Wastewater Monthly Fixed Charges

Description	EDU Ratio	Current Charge	April 1, FY 22-23	January 1, FY 23-24	January 1, FY 24-25	January 1, FY 25-26	January 1, FY 26-27	January 1, FY 27-28
Residential/Condo [2]	1.00	\$35.75	\$55.62	\$88.44	\$140.62	\$144.84	\$149.19	\$153.68
RV Space	0.80	\$28.60	\$44.50	\$70.75	\$112.50	\$115.87	\$119.35	\$122.94
Commercial	2.90	\$35.75	\$161.30	\$256.48	\$407.80	\$420.04	\$432.65	\$445.67
Restrooms	2.30	\$75.86	\$127.93	\$203.41	\$323.43	\$333.13	\$343.14	\$353.46
Dump Station	12.50	\$301.92	\$695.25	\$1,105.50	\$1,757.75	\$1,810.50	\$1,864.88	\$1,921.00
Holiday Condo	30.00	\$1,072.50	\$1,668.60	\$2,653.20	\$4,218.60	\$4,345.20	\$4,475.70	\$4,610.40

Wastewater Bill Impacts

Since the Residential wastewater charge is a fixed charge per month, the impact to wastewater bills can be determined from inspection of Table 32. For a SFR customer, the current monthly wastewater bill will increase from \$35.75 to \$55.62 on April 1, 2023, an increase of \$19.87 or 55.6 percent. The increase of 55.6 percent is lower than the overall increase of 59.0 percent from Table 28 due to cost of service adjustments to update the EDU ratios. For years after the first year, the SFR bill increases by 59.0 percent on January 1 for the next two years and then 3.0 percent each January for years thereafter.

Wastewater Rate Survey

A wastewater rate survey was conducted for neighboring communities to the District. Chart 2 compares the District’s current and proposed SFR monthly wastewater bill with those of neighboring communities. The chart indicates that with the proposed charges, a SFR customer will experience a bill that is in the mid-range of the communities surveyed.

Chart 2
Single-family Residential Monthly Wastewater Bills
For Rates in Effect November 2022



Note: Above table uses wastewater rates in effect November 2022. District April 2023 bill is based on the rate structure and rates in Table 32.

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

MEMORANDUM

TO: Board of Directors

FROM: Scott Duffield, General Manager

DATE: January 19, 2023

SUBJECT: Discussion of the Snug Harbor property and development and provide policy direction to staff.

Background

On or about 6/14/19, Snug Harbor submitted a request for will serve for a storage facility project on the subject property.

On or about 7/18/19, the District returned the submitted plans for corrections.

On 8/15/19, the Board issued a conditional will serve for the storage facility project.

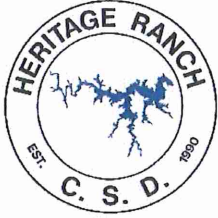
The plan check has gone back and forth several times since then.

Discussion

At the 12/15/22 meeting, your Board requested an item be placed on a future agenda for discussion.

Attachments: Conditional will serve letter dated 8/15/19

File: Development_Snug Harbor



Heritage Ranch Community Services District

4870 Heritage Road, Paso Robles, CA 93446

(805) 227-6230 ~ Fax (805) 227-6231

www.heritageranchcsd.com

August 15, 2019

Snug Harbor, LLC
ATTN: C.J. Rudolph
1428 9th Street
Santa Monica, CA 90401

Subject: Conditional Will Serve for Water & Sewer Service for DRC2019-00099

The Heritage Ranch Community Services District (District) has adequate water and sewer capacity and will serve DRC2019-00099 with water and sewer services, subject to the following conditions:

1. This conditional will serve letter may only be used for this phase of DRC2019-00099.
2. This conditional will serve letter is for water and sewer services only.
3. This conditional will serve letter is valid for one year.
4. A final will serve letter shall not be issued until a yet to be determined number of acre feet per year of water to supply this phase of DRC2019-00099 has been transferred to the District via contract with the San Luis Obispo County Flood Control and Water Conservation District. The District reserves the right to reevaluate the acre feet per year requirement for DRC2019-00099 at the time of any subsequent transfers for further development of new tracts or other projects within the District. Transfers of future water rights may be adjusted upward or downward to account for over or under estimating the actual use of DRC2019-00099.
5. A final will serve shall not be issued if the Board of Directors implements Water Shortage Conservation Stage III – Drought in accordance with the District Code of Ordinances, Section 5.900 – Emergency Water Shortage Regulations and Staged Water Use Reduction Plan. Applications for will serve letters shall be placed on a waiting list.
6. A final will serve letter shall not be issued until the applicant has paid in full any then applicable Gallery Well and Booster Pump Improvement Fee pursuant to District Code of Ordinances, Section 4.700; any then applicable Lift Station 10 Improvement Fee pursuant to District Code of Ordinances, Section 4.800; and 30% of the water and sewer capacity charges and hook-up fees pursuant to Section 4.310.

Snug Harbor, LLC
DRC2019-00099 Conditional Will Serve
August 15, 2019

7. The Applicant shall comply with all other applicable sections of the District Code of Ordinances, Resolutions, and rules and regulations.
8. In order to serve DRC2019-00099, improvements and additions to District facilities must be constructed, including but not limited to; the public water system, mains, hydrants, services, and the public sewer collection and treatment system. The applicant shall construct all such facilities necessary for DRC2019-00099 and provide all easements and property transfers required by the District. The design of the improvements shall be approved by the District Engineer.
9. Prior to recording/final approval of DRC2019-00099, all District improvements required to be constructed shall be constructed and accepted by the District, or the applicant shall enter into an improvement agreement and provide a financial guarantee (bond or letter of credit) to complete the construction. The form of the agreement and the amount of the guarantee shall be approved by the District.
10. The covenants, conditions and restrictions for DRC2019-00099 shall contain a water conservation landscape mandate. The type of landscaping shall be approved by the District before issuance of a final will serve for water.
11. This agreement is non-transferable.

If you have any questions or concerns with the conditions or terms of this letter, please let me know as soon as possible.

Sincerely,



Scott Duffield, PE
General Manager

Cc: Board of Directors
District Engineer

File: DRC2019-00099

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

MEMORANDUM

TO: Board of Directors

FROM: Scott Duffield, General Manager

DATE: January 19, 2023

SUBJECT: Discussion and consider approval of developing and implementing technology for Board of Directors meetings.

Discussion

At the 12/15/22 meeting, your Board requested this subject item be placed on a future agenda for discussion.

File: Board of Directors_Meetings

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

MEMORANDUM

TO: Board of Directors

FROM: Scott Duffield, General Manager

DATE: January 19, 2023

SUBJECT: Discussion and consider approval of establishing and publishing District email accounts for Directors.

Discussion

At the 12/15/22 meeting, your Board requested this subject item be placed on a future agenda for discussion.

The current annual cost for each account is \$106.

File: Board of Directors