

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS REGULAR MEETING MINUTES**

January 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. ROLL CALL

Secretary Gelos called the role.

Directors present: Bill Barker, Dan Burgess, Michael Camou, Devin Capps, Masen Yaffee.

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

3. PUBLIC COMMENT ON ITEMS NOT ON THE AGENDA

There were no comments.

Director Burgess arrived at 4:03pm.

4. CONSENT ITEMS

a. Meeting Minutes: Receive/approve minutes of regular meeting of December 15, 2022.

b. Warrant Register: Receive/approve December 2022 warrants.

c. Treasurer's Report: Receive/file December 2022 Report.

d. Treasurer's Report: Receive/file 2nd Quarter 2022 report.

e. Fiscal Report: Receive/file December 2022 status report.

f. Office Report: Receive/file December 2022 report.

g. Manager Report: Receive/file January 2022 report.

h. District Engineer Report: Receive/file January 2023 report.

i. Operations Manager Report: Receive/file January 2023 report.

There were no public comments.

Director Capps pulled items G, H, and I.

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

Ayes: Barker, Burgess, Camou, Capps, Yaffee

Manager Duffield, District Engineer Groshart and Operations Manager Wilcox provided a brief summary of their staff reports and answered any questions the board had.

Director Burgess made a motion to approve items G, H, and I as presented. Director Capps seconded the motion. The motion passed by the following voice vote:

Ayes: Barker, Burgess, Camou, Capps, Yaffee

5. BUSINESS ITEMS

- a. 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.**

There were no public comments.

Manager Duffield introduced the item and turned the floor over to Adam Guise of Moss, Levy, & Hartzheim LLP. Mr. Guise provided a brief summary of the report and answered any questions the board had.

The report was accepted by the board.

- b. 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.**

Public Comment: CJ Rudolph, Shawna Ryder, and Jesse Jensen spoke.

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

Director Burgess made a motion directing staff to revise the Rate Study to exclude the capital costs and financing of the WRRF Project, and bring back to the next meeting. Director Yaffee seconded the motion. The motion passed by the following roll call vote:

Ayes: Barker, Burgess, Camou, Capps, Yaffee

- c. Discussion of the Snug Harbor property and development and provide policy direction to staff.**

Public comment: CJ Rudolph and Sam Poppen spoke.

Manager Duffield provided a brief summary of the item and turned the discussion over to the Board. The Board received a presentation from the property owner, CJ Rudolph.

The Board directed staff to install a temporary water meter on the property at the location of the former deli and fire station in accordance with current policy.

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

There were no public comments.

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

The Board directed staff to put item on next months Agenda to approve the purchase and implementation of video recording equipment.

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

There were no public comments.

Manager Duffield provided the current cost associated with adding District email accounts for Directors.

Directors Capps and Yaffee would like to have District email accounts. All other Directors declined.

6. ORAL INFORMATION REPORTS

There were no public or Director comments.

7. FUTURE AGENDA ITEMS

The determination by the majority of the Board was to add the following items to future agenda: Presentation by Cloacina; Revised Rate Study; Technology for Board of Directors meetings; Confirmation of wastewater project options.

8. ADJOURNMENT

On a motion by Director Burgess and seconded by Director Camou, the meeting adjourned at 7:20 pm to the next scheduled special meeting on Thursday, February 16, 2023.

APPROVED:

Bill Barker, President
Board of Directors

ATTEST:

Kristen Gelos, Secretary
Board of Directors

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
JANUARY 2023
WARRANT REGISTER**

DATE	NAME OF PAYEE	ITEM AMOUNT	WARRANT AMOUNT
1/1/2023	J.B. DEWAR. INC. FUEL & OIL	506.47	\$ 506.47
1/3/2023	CALPERS HEALTH BENEFITS EMPLOYEE PAID HEALTH BENEFIT EMPLOYEE PAID HEALTH BENEFIT EMPLOYEE PAID HEALTH BENEFIT	756.44 746.78 746.78	\$ 2,250.00
1/3/2023	CALPERS HEALTH BENEFITS CALPERS HEALTH BENEFITS	15,988.35	\$ 15,988.35
1/6/2023	PG&E ELECTRICITY	7,015.75	\$ 7,015.75
1/11/2023	STAPLES CREDIT PLAN OFFICE SUPPLIES OFFICE SUPPLIES	62.30 229.46	\$ 291.76
1/11/2023	GREAT WESTERN ALARM ALARM/ANSWERING SERVICE	291.39	\$ 291.39
1/11/2023	ADAMSKI, MOROSKI, MADDEN, CUMB LEGAL & ATTORNEY	2,935.89	\$ 2,935.89
1/11/2023	RELIABLE OFFICE MACHINE REPAIR PROFESSIONAL SERVICES	150.00	\$ 150.00
1/11/2023	TYLER TECHNOLOGIES PROFESSIONAL SERVICES	22.10	\$ 22.10
1/11/2023	FGL ENVIRONMENTAL LAB TESTING	1,133.00	\$ 1,133.00
1/11/2023	COUNTY OF SAN LUIS OBISPO PROFESSIONAL SERVICES-XCONNECT	264.20	\$ 264.20
1/11/2023	SAN MIGUEL ROLL OFF COMPANY, I MAINTENANCE FIXED EQUIPMENT	495.31	\$ 495.31
1/11/2023	FLUID RESOURCE MANAGEMENT PROFESSIONAL SERVICES WTP FILTER RENO/FIXED EQUIP	510.00 23,339.00	\$ 23,849.00

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
JANUARY 2023
WARRANT REGISTER**

DATE	NAME OF PAYEE	ITEM AMOUNT	WARRANT AMOUNT
1/11/2023	ABALONE COAST ANALYTICAL, INC. LAB TESTING	2,500.00	\$ 2,500.00
1/11/2023	ALPHA ELECTRICAL SERVICE MAINTENANCE FIXED EQUIPMENT	304.00	\$ 304.00
1/11/2023	TUCKFIELD & ASSOCIATES PROFESSIONAL SERVICES	1,989.43	\$ 1,989.43
1/11/2023	MASTER METER, INC. COMPUTER/SOFTWARE	1,750.00	\$ 1,750.00
1/11/2023	BURT INDUSTRIAL SUPPLY WTP FILTER RENO PROJECT WTP FILTER RENO PROJECT	27.04 1,066.05	\$ 1,093.09
1/11/2023	DATA PROSE LLC DECEMBER BILLING	1,335.98	\$ 1,335.98
1/11/2023	RIVAL TECHNOLOGY INC. COMPUTER/SOFTWARE PROFESSIONAL SERVICES COMPUTER/SOFTWARE	501.04 816.66 130.00	\$ 1,447.70
1/11/2023	MARK HUMPHREY MEDICAL REIMBURSEMENT TRAINING & TRAVEL - T3 EXAM	740.35 536.55	\$ 1,276.90
1/11/2023	BRIAN VOGEL UNIFORM ALLOWANCE UNIFORM ALLOWANCE MEDICAL REIMBURSEMENT	155.69 101.59 165.00	\$ 422.28
1/11/2023	MIKE WILCOX MEDICAL REIMBURSEMENT TRAINING & TRAVEL - T2 CERT.	35.35 80.00	\$ 115.35
1/11/2023	SPEEDY COASTAL MESSENGER, INC. LAB TESTING	400.00	\$ 400.00
1/11/2023	BASURTO FARM LABOR CONTRACTING STRUCTURES & GRNDS/WTP FILTERS	3,304.00	\$ 3,304.00

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
JANUARY 2023
WARRANT REGISTER**

DATE	NAME OF PAYEE	ITEM AMOUNT	WARRANT AMOUNT
1/11/2023	NORTH COUNTY SEPTIC SERVICE IN MAINTENANCE FIXED EQUIPMENT	892.50	\$ 892.50
1/11/2023	HANK'S WELDING SERVICE, INC. MAINTENANCE FIXED EQUIPMENT WTP FILTER RENOVATION PROJECT	635.30 600.00	\$ 1,235.30
1/11/2023	SLO PARKING TRAINING & TRAVEL	4.50	\$ 4.50
1/11/2023	UBIQUITI WTP FILTER RENO. PJCT	2,412.74	\$ 2,412.74
1/11/2023	SMARTFINAL BOD TRAIN/TRAV	44.16	\$ 44.16
1/11/2023	MICHAELS BOD TRAIN/TRAV	32.60	\$ 32.60
1/11/2023	CSDA BOARD TRAINING & TRAVEL	160.00	\$ 160.00
1/11/2023	LOWE'S WTP FILTER RENOVATION PROJECT STRUCTURES & GROUNDS WTP FILTER RENOVATION PROJECT MAINTENANCE FIXED EQUIPMENT MAINTENANCE FIXED EQUIPMENT	27.08 19.55 232.66 9.44 29.49	\$ 318.22
1/11/2023	AUTOMATION DIRECT MAINTENANCE FIXED EQUIPMENT MAINTENANCE FIXED EQUIPMENT	389.32 32.52	\$ 421.84
1/11/2023	RING CENTRAL TELEPHONE	215.70	\$ 215.70
1/11/2023	AMAZON WTP SCADA PROJECT WTP SCADA PROJECT WTP SCADA PROJECT WTP SCADA PROJECT	328.79 857.57 1,174.39 82.57	\$ 2,443.32

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
JANUARY 2023
WARRANT REGISTER**

DATE	NAME OF PAYEE	ITEM AMOUNT	WARRANT AMOUNT
1/11/2023	OPTO 22 MAINTENANCE FIXED EQUIPMENT	544.57	\$ 544.57
1/13/2023	R. ARNOLD NET PAYROLL	2,765.65	\$ 2,765.65
1/13/2023	M. HUMPHREY NET PAYROLL	2,151.61	\$ 2,151.61
1/13/2023	B. VOGEL NET PAYROLL	2,744.94	\$ 2,744.94
1/13/2023	T. SHOGREN NET PAYROLL	2,114.88	\$ 2,114.88
1/13/2023	H. HALL NET PAYROLL	1,767.12	\$ 1,767.12
1/13/2023	K. GELOS NET PAYROLL	2,567.56	\$ 2,567.56
1/13/2023	D. BURGESS NET PAYROLL	92.35	\$ 92.35
1/13/2023	B. BARKER NET PAYROLL	92.35	\$ 92.35
1/13/2023	S. DUFFIELD NET PAYROLL	3,295.87	\$ 3,295.87
1/13/2023	D. CAPPS NET PAYROLL	92.35	\$ 92.35
1/13/2023	M. WILCOX NET PAYROLL	2,122.98	\$ 2,122.98
1/13/2023	D. GROSHART NET PAYROLL	4,309.72	\$ 4,309.72
1/13/2023	M. CAMOU NET PAYROLL	92.35	\$ 92.35

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
JANUARY 2023
WARRANT REGISTER**

DATE	NAME OF PAYEE	ITEM AMOUNT	WARRANT AMOUNT
1/13/2023	M. YAFFEE NET PAYROLL	92.35	\$ 92.35
1/13/2023	INTERNAL REVENUE SERVICE FEDERAL WITHHOLDING TAXES FICA WITHIOLDING MEDICARE	2,855.80 62.00 1,032.16	\$ 3,949.96
1/13/2023	EMPLOYMENT DEVELOPMENT DEPARTM ETT SDI SUI STATE WITHHOLDING	34.87 315.82 522.96 1,203.05	\$ 2,076.70
1/13/2023	CALPERS RETIREMENT SYSTEM PERS-IRC 457 CONTRIBUTIONS PERS RETIREMENT PERS RETIREMENT TIER 2 PERS RETIREMENT PEPRA PERS SERVICE CREDIT PURCHASE SURVIVOR BENEFIT	2,258.00 1,404.52 1,646.78 2,426.61 981.47 8.37	\$ 8,725.75
1/13/2023	SAN MIGUEL GARBAGE DELINQUENT SOLID WASTE FEES	3,742.50	\$ 3,742.50
1/13/2023	NATIONAL AUTO FLEET GROUP VEHICLE REPLACEMENT-SVC TRUCK	61,586.00	\$ 61,586.00
1/14/2023	J.B. DEWAR. INC. FUEL & OIL	536.42	\$ 536.42
1/23/2023	PG&E ELECTRICITY	7,095.62	\$ 7,095.62
1/24/2023	CALPERS RETIREMENT SYSTEM PERS UNFUNDED LIABILITY	8,996.83	\$ 8,996.83
1/27/2023	R. ARNOLD NET PAYROLL	2,866.32	\$ 2,866.32
1/27/2023	M. HUMPHREY NET PAYROLL	2,177.27	\$ 2,177.27

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
JANUARY 2023
WARRANT REGISTER**

DATE	NAME OF PAYEE	ITEM AMOUNT	WARRANT AMOUNT
1/27/2023	B. VOGEL NET PAYROLL	3,051.80	\$ 3,051.80
1/27/2023	T. SHOGREN NET PAYROLL	2,409.00	\$ 2,409.00
1/27/2023	H. HALL NET PAYROLL	1,730.16	\$ 1,730.16
1/27/2023	K. GELOS NET PAYROLL	2,567.56	\$ 2,567.56
1/27/2023	S. DUFFIELD NET PAYROLL	3,132.31	\$ 3,132.31
1/27/2023	S. DUFFIELD SICK LEAVE CONVERSION / PAYOUT	2,950.56	\$ 2,950.56
1/27/2023	M. WILCOX NET PAYROLL	2,122.98	\$ 2,122.98
1/27/2023	D. GROSHART NET PAYROLL	4,309.72	\$ 4,309.72
1/27/2023	INTERNAL REVENUE SERVICE FEDERAL WITHHOLDING TAXES MEDICARE	3,307.75 1,139.12	\$ 4,446.87
1/27/2023	EMPLOYMENT DEVELOPMENT DEPARTM ETT SDI SUI STATE WITHHOLDING	22.84 353.52 342.84 1,363.83	\$ 2,083.03
1/27/2023	CALPERS RETIREMENT SYSTEM PERS-IRC 457 CONTRIBUTIONS PERS RETIREMENT PERS RETIREMENT TIER 2 PERS RETIREMENT PEPRA PERS SERVICE CREDIT PURCHASE SURVIVOR BENEFIT	2,258.00 1,404.52 1,646.78 2,426.61 981.47 8.37	\$ 8,725.75

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
JANUARY 2023
WARRANT REGISTER**

DATE	NAME OF PAYEE	ITEM AMOUNT	WARRANT AMOUNT
1/30/2023	CSDA-SLO COUNTY CHAPTER TRAINING & TRAVEL	20.00	\$ 20.00
1/31/2023	STAPLES CREDIT PLAN OFFICE SUPPLIES	20.90	\$ 20.90
1/31/2023	GREAT WESTERN ALARM ALARM / ANSWERING SERVICE	338.32	\$ 338.32
1/31/2023	AT&T TELEPHONE	80.71	\$ 80.71
1/31/2023	USA BLUEBOOK SUPPLIES MAINTENANCE FIXED EQUIPMENT	1,754.39 256.02	\$ 2,010.41
1/31/2023	KRITZ EXCAVATING & TRUCKING, I MAINTENANCE FIXED EQUIPMENT	684.32	\$ 684.32
1/31/2023	BRENNTAG PACIFIC, INC CHEMICALS CHEMICALS CHEMICALS CHEMICALS CHEMICALS CHEMICALS	3,382.00 4,293.16 4,350.96 2,481.15 4,252.00 2,681.37	\$ 21,440.64
1/31/2023	FGL ENVIRONMENTAL LAB TESTING	23.00	\$ 23.00
1/31/2023	MGE MAINT. FIXED EQUIPMENT	2,316.66	\$ 2,316.66
1/31/2023	ROY ARNOLD CELL PHONE/INTERNET ALLOWANCE	80.00	\$ 80.00
1/31/2023	DELTA LIQUID ENERGY PROPANE	388.47	\$ 388.47
1/31/2023	RENTAL DEPOT EQUIPMENT RENT/LEASE EQUIPMENT RENT-LEASE EQUIPMENT RENT/LEASE	1,436.40 682.80 168.40	\$ 2,287.60

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
JANUARY 2023
WARRANT REGISTER**

DATE	NAME OF PAYEE	ITEM AMOUNT	WARRANT AMOUNT
1/31/2023	NAPA AUTO PARTS		
	VEHICLES	(15.20)	
	VEHICLES	(29.91)	
	VEHICLES	14.31	
	VEHICLES	220.29	\$ 189.49
1/31/2023	ALPHA ELECTRICAL SERVICE		
	MAINTENANCE FIXED EQUIPMENT	366.50	\$ 366.50
1/31/2023	KRISTEN GELOS		
	CELL PHONE/INTERNET ALLOWANCE	80.00	
	MEDICAL REIMBURSEMENT	228.00	\$ 308.00
1/31/2023	WATER SYSTEMS CONSULTING, INC.		
	WRRF PROJECT	58,862.19	\$ 58,862.19
1/31/2023	BURT INDUSTRIAL SUPPLY		
	STRUCTURES & GROUNDS	271.88	
	MAINTENANCE FIXED EQUIPMENT	8.53	
	SMALL TOOLS & EQUIPMENT	381.58	
	SUPPLIES	206.15	\$ 868.14
1/31/2023	SCOTT DUFFIELD		
	CELL PHONE/INTERNET ALLOWANCE	80.00	\$ 80.00
1/31/2023	WESTERN EXTERMINATOR		
	STRUCTURES & GROUNDS	102.15	
	STRUCTURES & GROUNDS	99.00	\$ 201.15
1/31/2023	RIVAL TECHNOLOGY INC.		
	COMPUTER/SOFTWARE	36.49	\$ 36.49
1/31/2023	MARK HUMPHREY		
	CELL PHONE/INTERNET ALLOWANCE	80.00	\$ 80.00
1/31/2023	COASTLINE EQUIPMENT		
	VEHICLES	1,351.51	\$ 1,351.51
1/31/2023	MID-STATE REPAIR SERVICE		
	MAINTENANCE FIXED EQUIPMENT	1,687.64	\$ 1,687.64
1/31/2023	BRIAN VOGEL		
	CELL PHONE/INTERNET ALLOWANCE	80.00	\$ 80.00

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
JANUARY 2023
WARRANT REGISTER**

DATE	NAME OF PAYEE	ITEM AMOUNT	WARRANT AMOUNT
1/31/2023	ANTHRACITE FILTER MEDIA CO. WTP FILTERS RENO. PROJECT	10,126.79	\$ 10,126.79
1/31/2023	MIKE WILCOX CELL PHONE/INTERNET ALLOWANCE	80.00	\$ 80.00
1/31/2023	TROY SHOGREN CELL PHONE/INTERNET ALLOWANCE UNIFORM ALLOWANCE MEDICAL REIMBURSEMENT UNIFORM ALLOWANCE	80.00 86.91 291.72 85.71	\$ 544.34
1/23/2023	FIRSTNET INTERNET	40.24	\$ 40.24
1/31/2023	DOUGLAS GROSHART CELL PHONE/INTERNET ALLOWANCE	80.00	\$ 80.00
1/31/2023	A.M. PECHE & ASSOCIATES LLC PROFESSIONAL SERVICES	350.00	\$ 350.00
1/31/2023	JORANDA MARKETING, INC. / JAN- STRUCTURES & GROUNDS	266.60	\$ 266.60
1/31/2023	HERC RENTALS INC. PROFESSIONAL SERVICES	27.19	\$ 27.19
1/31/2023	HARTLEY HALL CELL PHONE/INTERNET ALLOWANCE	80.00	\$ 80.00
1/31/2023	SPICE INTEGRATION PRO.SVCS/FIX. EQUIP/SCADA/FLTR	14,612.12	\$ 14,612.12
GRAND TOTAL ALL WARRANTS		\$ 363,452.01	

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
TREASURER'S REPORT
JANUARY 2023**

SUMMARY REPORT OF ALL ACCOUNTS

Beginning Balance:	\$ 4,757,511.31
Ending Balance:	\$ 4,790,144.32
Variance:	\$ 32,633.01
Interest Earnings for the Month Reported:	\$ 23,893.16
Interest Earnings Fiscal Year-to-Date:	\$ 49,389.52

ANALYSIS OF REVENUES

Total operating income for water and sewer was:	\$ 152,770.33
Non-operating income was:	\$ 230,741.33
Franchise fees paid to the District by San Miguel Garbage was:	\$ 6,534.21
Interest earnings for the LAIF account was:	\$ 23,344.43
Interest earnings for the Five Star Bank checking account was:	\$ 15.90
Interest earnings for the Five Star Bank DWR Loan Services account was:	\$ 47.94
Interest earnings for the Five Star Bank DWR Reserve account was:	\$ 209.25
Interest earnings for the Mechanics Bank money market account was:	\$ 0.10

ANALYSIS OF EXPENSES

Five Star Bank checking account total warrants, fees, and Electronic Fund Transfers was:	\$ (364,601.09)
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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	\$4,757,511.31
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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	26,209.76
QUARTERLY DEPOSIT	-
INTEREST EARNED	47.94
SEMI-ANNUAL PAYMENT	-
ENDING BALANCE 12/31/2022	\$ 26,257.70
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FIVE STAR BANK DWR RESERVE ACCOUNT	
BEGINNING BALANCE 11/30/2022	114,404.92
INTEREST EARNED	209.25
ENDING BALANCE 12/31/2022	\$ 114,614.17
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FIVE STAR BANK SDWSRF LOAN SERVICES ACCOUNT	
BEGINNING BALANCE 11/30/2022	393.91
QUARTERLY DEPOSIT	-
INTEREST EARNED	0.72
SEMI-ANNUAL PAYMENT	-
ENDING BALANCE 12/31/2022	\$ 394.63
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FIVE STAR BANK SDWSRF RESERVE ACCOUNT	
BEGINNING BALANCE 11/30/2022	59,203.25
INTEREST EARNED	108.28
REVENUE TRANSFER	-
ENDING BALANCE 12/31/2022	\$ 59,311.53
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MECHANICS BANK MONEY MARKET ACCOUNT	
BEGINNING BALANCE 11/30/2022	5,601.53
DEPOSIT REVENUE - CASH	581.02
INTEREST EARNED	0.10
ENDING BALANCE 12/31/2022	\$ 6,182.65
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FIVE STAR BANK - MONEY MARKET	
BEGINNING BALANCE 11/30/2022	8,017.37
INTEREST EARNED	166.54
REVENUE TRANSFER <i>From LAIF</i>	100,000.00
REVENUE TRANSFER <i>From Five Star Checking</i>	50,000.00
ENDING BALANCE 12/31/2022	\$ 158,183.91
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**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
TREASURER'S REPORT
DECEMBER 2022**

FIVE STAR BANK - CHECKING	
BEGINNING BALANCE 11/30/2022	88,128.92
DEPOSIT REVENUE & MISCELLANEOUS INCOME	372,759.92
INTEREST EARNED	15.90
TOTAL CHECKS, FEES AND EFT'S	(364,601.09)
REVENUE TRANSFER <i>To Five Star Money Market</i>	(50,000.00)
ENDING BALANCE 12/31/2022	\$ 46,303.65

LOCAL AGENCY INVESTMENT FUND (LAIF)	
BEGINNING BALANCE 11/30/2022	4,455,251.65
INTEREST EARNED	23,344.43
REVENUE TRANSFER <i>To Five Star Money Market</i>	(100,000.00)
ENDING BALANCE 12/31/2022	\$4,378,596.08

ENDING BALANCE ALL ACCOUNTS		\$4,790,144.32
DIFFERENCE FROM LAST MONTH	Increase	\$ 32,633.01

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

OPERATING REVENUE	Budget FY 22/23	Actual January	Actual Year to Date	Percentage Year to Date	Variance Explanation
Water Fees	1,107,981	86,051	792,391	72%	
Sewer Fees	704,110	62,983	440,763	63%	
Hook-Up Fees	3,000	0	1,200	40%	
Turn on Fees	3,500	75	1,100	31%	
Late Fees	18,500	2,154	15,988	86%	
Plan Check & Inspection	10,000	0	0	0%	
Miscellaneous Income	500	1,507	4,774	955%	Delq. W/S Fees
TOTAL OPERATING	\$1,847,591	\$152,770	\$1,256,215	68%	

FRANCHISE REVENUE					
Solid Waste Franchise Fees	82,587	6,534	47,399	57%	
TOTAL FRANCHISE	\$82,587	\$6,534	\$47,399	57%	

TOTAL OPERATING \$1,930,178 \$159,305 \$1,303,615 68%

NON-OPERATING REVENUE					
Standby Charges	242,144	74,976	140,801	58%	
Property Tax	423,381	131,873	269,622	64%	
Interest	15,000	23,893	49,390	329%	Fluctuates based on activity
Connection Fees	70,580	0	28,232	40%	
TOTAL NON-OPERATING	\$751,105	\$230,741	\$488,045	65%	

RESERVE REVENUE					
Capital Reserves	503,512	20,602	111,543	22%	
Operating Reserves	1,848,143	137,906	375,981	20%	
TOTAL RESERVE	\$2,351,655	\$158,507	\$487,524	21%	

TOTAL NON-OPERATING \$3,102,760 \$389,249 \$975,569 31%

TOTAL ALL INCOME	\$5,032,938	\$548,553	\$2,279,184	45%	
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**HERITAGE RANCH COMMUNITY SERVICES DISTRICT - CONSOLIDATED BUDGET
2022/23 Budget**

OPERATING EXPENSES

SALARIES AND BENEFITS	Budget FY 22/23	Actual January	Actual Year to Date	Percentage Year to Date	Variance Explanation
Salaries	913,750	72,912	542,340	59%	
Health Insurance	159,110	13,151	78,322	49%	
Health Insurance - Retirees	47,600	4,298	27,511	58%	
Pers Retirement	149,871	15,206	113,354	76%	
OPEB Funding/Transfer	28,306	0	0	0%	
Standby	13,200	973	7,756	59%	
Overtime	10,812	717	4,007	37%	
Workers Comp. Ins.	23,525	0	21,072	90%	Paid Annually
Directors' Fees	9,000	500	3,900	43%	
Medicare/FICA	13,182	1,117	8,351	63%	
Car Allowance	3,000	250	1,750	58%	
SUI/ETT	1,000	445	445	44%	
Uniforms	5,000	430	2,380	48%	
TOTAL SALARIES & BENEFITS	\$1,377,356	\$109,997	\$811,186	59%	

UTILITIES

Electricity	124,292	14,111	64,681	52%	
Propane	1,466	388	684	47%	
Water Purchase	23,114	0	11,557	50%	Paid Semiannually
Telephone/Internet	11,594	1,057	7,436	64%	
TOTAL UTILITIES	\$160,466	\$15,556	\$84,359	53%	

MAINTENANCE & SUPPLIES

Chemicals	79,000	21,441	63,983	81%	
Computer/Software	33,900	2,418	7,457	22%	
Equip. Rental/Lease	2,500	2,288	9,675	387%	
Fixed Equip.	187,000	26,569	91,907	49%	
Fuel & Oil	15,000	1,043	9,504	63%	
Lab Testing	59,000	4,056	27,876	47%	
Office Supplies	1,500	0	533	36%	
Parks & Recreation	0	0	0	0%	
Struct./Grnds.	14,940	2,411	9,475	63%	
Small Tools/Equip.	3,000	382	2,353	78%	
Supplies	4,500	1,961	8,067	179%	
Meters/Equip.	12,000	0	949	8%	
Vehicles	6,000	1,541	4,076	68%	
TOTAL MAINT. & SUP.	\$418,340	\$64,108	\$235,857	56%	

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

GENERAL & ADMINISTRATION	Budget FY 22/23	Actual January	Actual Year to Date	Percentage Year to Date	Variance Explanation
Ads./Advertising	1,500	0	328	22%	
Alarm/Answering Service	4,000	630	2,082	52%	
Audit	10,000	0	3,000	30%	
Bank Charges/Fees	1,000	0	36	4%	
Consulting/Engineering	10,000	0	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	2,936	7,759	31%	
Licenses/Permits	29,000	0	12,016	41%	
Plan Check & Inspection	10,000	0	0	0%	
Postage/Billing	15,000	1,336	8,627	58%	
Professional Service	89,300	5,005	57,707	65%	
Tax Collection	6,200	0	0	0%	
Staff Training & Travel	12,000	641	6,880	57%	
Board Training & Travel	1,000	237	237	24%	
TOTAL G & A	\$275,260	\$10,784	\$115,361	42%	

CAPITAL PROJECTS & EQUIPMENT

Structures/Improvements	1,947,991	96,921	425,939	22%	
Equipment	155,000	61,586	61,586	40%	
TOTAL CAPITAL EXPENSE	\$2,102,991	158,507	487,525	23%	

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	\$166,750	58%	
UNFUNDED DEPRECIATION	\$0	\$0	\$0	0%	

TOTAL EXPENSE	\$4,937,421	\$412,322	\$2,058,448	42%	
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CAPACITY CHARGES TRANSFER \$70,580 \$0 \$28,232 40%

SOLID WASTE FEES TRANSFER \$24,937 \$2,447 \$9,794 39%

FUND TOTAL	\$1	\$133,784	\$182,710		
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HERITAGE RANCH COMMUNITY SERVICES DISTRICT

Office Report For the Month of January 2023

Utility Billing

- On February 1st, 1,938 bills were processed for a total dollar amount of \$144,220 for water and sewer user fees for the month of January.
- We processed 265 penalties for bills that were due by January 25th.
- We mailed out 37 Intent To Disconnect letters to customers that were more than 60 days delinquent.
- We posted 28 48-hour notices and locked off 2 meters for non-payment.

Customer Service Orders

- Staff completed a total of 23 service orders for the month of January. The breakdown by job code is as follows:

OCCUPANT CHANGE	3	UNLOCK	6
USA	2	LOCK	2
TURN OFF	4	MISC	4
LEAK	2		

Administration

- Office Supervisor Gelos and Manager Duffield attended the CSDA SLO Chapter meeting in Los Osos. The district was awarded with the CSDA District Transparency Certificate along with a Certificate of Recognition from the State of California Senate and the California Legislature Assembly, presented by Senator John Laird and Assemblymember Dawn Addis.

San Miguel Garbage Franchise Fees Received

- The total Franchise Fees received for the Month of December was \$ 6,534.21
The breakdown is as follows:

Residential Garbage Collection - \$ 5,685.67
Commercial Garbage Collection - \$ 694.56
Roll-Off Collection - \$ 153.98

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

Manager Report For the Month of February 2023

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

Administration

- The Manager provided comments to the draft LAFCO regarding the District Sphere of Influence and Municipal Service Review (MSR) update being prepared by LAFCO. The public review draft of the document is now live and available on LAFCO's website: [Draft Municipal Service Reviews Available for Public Review - San Luis Obispo Local Agency Formation Commission \(LAFCO\)](#). LAFCO will be soliciting public comment for a total of 30 days, commencing February 7, 2023, through Friday, March 10th. After the conclusion of the 30-day public review period LAFCO will gather comments received and prepare an item to their Commission recommending adoption of the updated MSR.
- The Manager and Office Supervisor/Board Secretary attended the CSDA SLO Chapter quarterly meeting and awards luncheon in Los Osos. The meeting was attended by Senator John Laird, Assemblymember Dawn Addis, and CSDA President Elaine Magner. Senator Laird received the CSDA Legislator of the Year award which was preceded by a roundtable discussion and question and answer session. The District also received a District Transparency Certificate of Excellence from the Special District Leadership Foundation.

Water Resource Recovery Project

- The design work for the project is on hold pending Board direction. An item is anticipated to be on the March agenda for discussion and direction.

Solid Waste

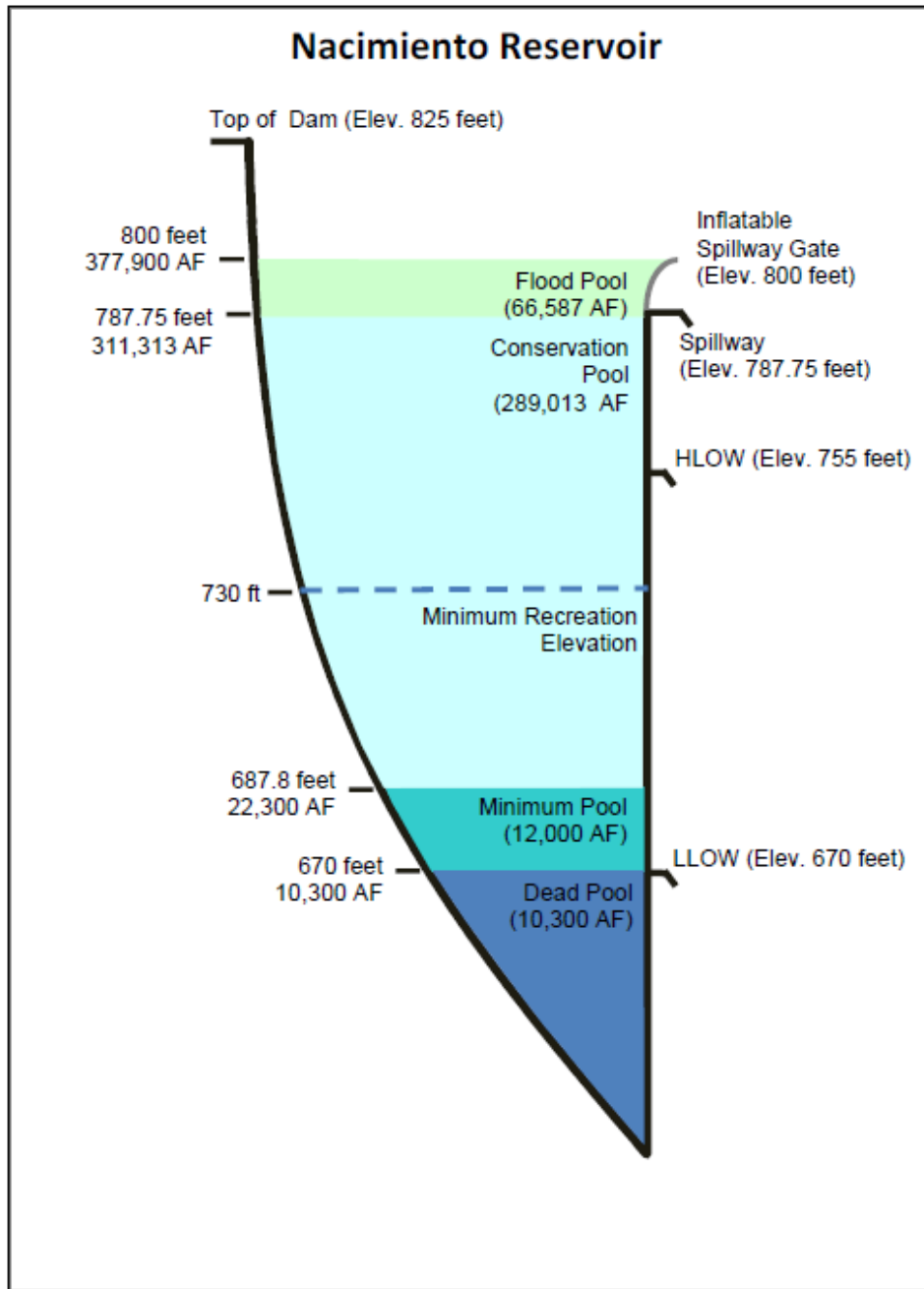
- Nothing significant to report.

Reservoir Status

- As reported by Monterey County Water Resources Agency (MCWRA), as of February 8, 2023 the reservoir was at approximately 790.2 feet in elevation, 86%

of capacity, or 324,110-acre feet of storage. MCWRA water releases were shown as 350 cfs.

- The Manager attended the MCWRA Reservoir Operations Committee meeting. The dominant topic this meeting was the recent rain events and impacts to the reservoirs and river systems. MCWRA is monitoring the weather and performing stormwater releases to manage the reservoir elevation. A graphic of the reservoir elevations is shown below.



HERITAGE RANCH COMMUNITY SERVICES DISTRICT

District Engineer Report For the Month of February 2023

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

Operations Support

- Worked with Staff re: contingency/outage plans for maintaining services during planned or emergency outages in the water system.

Capital Improvement Projects

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

- DBP/Compliance:
 - GAC – Electrical upgrades required for the installation of the GAC equipment have been completed. Piping materials have been received and we are awaiting the delivery of the GAC vessels and booster pump. Installation should take place in the end of February with operation of the pilot study to begin in 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 60% complete, on budget and estimated to be complete by the end of March 2023. Server procurement is in progress but awaiting delivery date. Telemetry survey-related equipment has been received and, should the server delivery delay the completion of the final installation of the SCADA system, we will move on to the telemetry survey in the interim so as to not delay the overall completion of the project.
- 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: Scheduling of an I/I-related smoke test will take place in Q1 2023.
- WRRF Project - Per your Board's request, Engineering Staff is reviewing the original MKN report that detailed four options for treatment. We are in the process of consulting with various sources (engineers, manufacturers and other agencies undergoing wastewater treatment plant upgrades) and will provide a complete report at the March meeting.

Development Review

- Snug Harbor: Received the revised plans from the development team. Reviewed the plans and provided comments back to the team on 2/14/23.

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

Operations Report For the Month of February 2023

Water treatment

- Filter #2 is the third of four filters to be renovated and it is nearly complete. This filter also showed signs of anode failure as it had particularly severe rust/corrosion areas that required welding repairs.
- There is nothing to report on the SCADA/Telemetry project as the programmers are waiting for computer servers to arrive.

Water distribution

- Staff installed a temporary meter on CJ Rudolph's property on Heritage Road.
- Staff is waiting to hear back on pricing for the final repairs to the PRV on lower Waterview that failed a couple of months back.
- Staff is also waiting for pricing to install a fire hydrant and a permanent meter along Heritage Road.

Wastewater collection

- The DO probes are working, and aeration is being control automatically.

Wastewater treatment

- The percolations ponds continue to be problematic due to the compaction of the media beds.

Facilities

- Nothing significant to report.

Vehicles and equipment

- The new Service truck is finally in fabrication at the upfitter shop in Fresno and delivery is expected in 6-8 weeks
- A delivery date for the new Kubota is still not available.
- The current budget has a an allowance of \$35,000 for a replacement truck for operations that will likely have to roll over to next year's budget as no trucks (Chevy, Ford, Dodge, RAM, Nissan, or Toyota) are available for purchase through the government purchase program and this budget is not adequate to purchase from a dealer lot.
- Additional trucks need to be considered for replacement in the upcoming budget as maintenance cost and downtime are beginning to impact productivity, and resale values rapidly depleting.
 - 2009 Ford Ranger w/95,130 miles
 - 2009 Ford Ranger w/95,869 miles
 - 2007 F150 w/105,072 miles
 - 2007 F150 w/127,416 miles
 - 2003 Toyota Tacoma w/121,000 miles

**HERITAGE RANCH COMMUNITY SERVICES DISTRICT
MEMORANDUM**

TO: Board of Directors

FROM: Scott Duffield, General Manager

DATE: February 16, 2023

SUBJECT: Consider approval of the Report on Water and Sewer Rate Study prepared by Tuckfield & Associates dated February 16, 2023, and direct staff to proceed with the public notification and hearing process for adoption of new water and sewer rates.

Recommendation

Staff recommendation is to approve the final Report on Water and Wastewater Rate Study prepared by Tuckfield & Associates dated February 16, 2023, and direct staff to proceed with the public notification and hearing process for adoption of new water and sewer rates.

Background

The Board has made several key decisions in the Rate Study process including:

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

Discussion

At the January meeting, your Board directed the Rate Study consultant to remove estimated capital costs and financing of the Water Resource Recovery Project (WRRF) from Rate Study. The Rate Study does provide for WRRF design and District on-going costs. The District will continue to pursue the best wastewater treatment solution and identify estimated capital costs. When your Board decides on a solution, a new Rate Study will need to be commissioned to include financing of the WRRF.

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, excluding the Water Resource Recovery Facility Project (WRRF).

The Board will need to consider an additional sewer rate increase in the near future to pay for the WRRF.

Recommendation

Staff recommendation is to approve the final Report on Water and Wastewater Rate Study prepared by Tuckfield & Associates dated February 16, 2023, and direct staff to proceed with the Proposition 218 process for adoption of new water and sewer rates.

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 some of the major capital improvement projects that are required to meet State of California regulatory requirements.

Attachment: Report on Water and Wastewater Rate Study dated February 16, 2023

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



February 2023

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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

February 16, 2023

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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Water and Wastewater Rate Study

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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 form 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. Most 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 June 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 June 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		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 June 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 June 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 June 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 June 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, and lease payment on a solar facility. 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.

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 proposed Water Resource Recovery Facility (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 21.5 percent annually on June 1, 2023 and on each January 1 of 2024 through 2027. The revenue increases are required to adequately meet future obligations and other financial planning criteria. The wastewater financial plan is presented in Table 27.

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 and Table 21 provide the current wastewater charges by customer classification.

Proposed Wastewater Rate Structure and Rates

The wastewater rates proposed herein updates the Equivalent Dwelling Unit (EDU) methodology for current estimates of wastewater generation. 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 one EDU 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	June 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	1.00	\$35.75	\$42.50	\$51.64	\$62.75	\$76.24	\$92.63
RV Space	0.80	\$28.60	\$34.00	\$41.31	\$50.20	\$60.99	\$74.10
Commercial	2.90	\$35.75	\$123.25	\$149.76	\$181.98	\$221.10	\$268.63
Restrooms	2.30	\$75.86	\$97.75	\$118.77	\$144.33	\$175.35	\$213.05
Dump Station	12.50	\$301.92	\$531.25	\$645.50	\$784.38	\$953.00	\$1,157.88
Holiday Condo	30.00	\$1,072.50	\$1,275.00	\$1,549.20	\$1,882.50	\$2,287.20	\$2,778.90

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 \$42.50, an increase of \$6.75, or 18.9 percent. The 18.9 percent increase is lower than the overall 21.5 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 June 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 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. Most 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 June 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 (June 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]	13,246	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	23,798	22,621	20,447	19,423	19,756
Total Sources of Funds	\$1,880,731	\$1,841,557	\$2,040,739	\$2,270,050	\$2,534,146
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	(\$98,763)	(\$246,324)	(\$119,509)	\$38,772	\$90,928
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	(\$280,763)	(\$230,324)	(\$204,509)	(\$228)	\$66,928
Available Reserves					
Beginning available reserves [5]	\$2,658,000	\$2,377,237	\$2,146,913	\$1,942,404	\$1,942,177
Additions (reductions)	(280,763)	(230,324)	(204,509)	(228)	66,928
Ending available reserves	\$2,377,237	\$2,146,913	\$1,942,404	\$1,942,177	\$2,009,105
Target Reserves [6]	\$2,795,000	\$2,873,000	\$2,914,000	\$2,952,000	\$3,046,000
Above (below) Target	(\$417,763)	(\$726,087)	(\$971,596)	(\$1,009,823)	(\$1,036,895)
Debt Service Coverage					
Net Revenues [7]	\$626,366	\$472,672	\$622,421	\$801,256	\$846,341
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

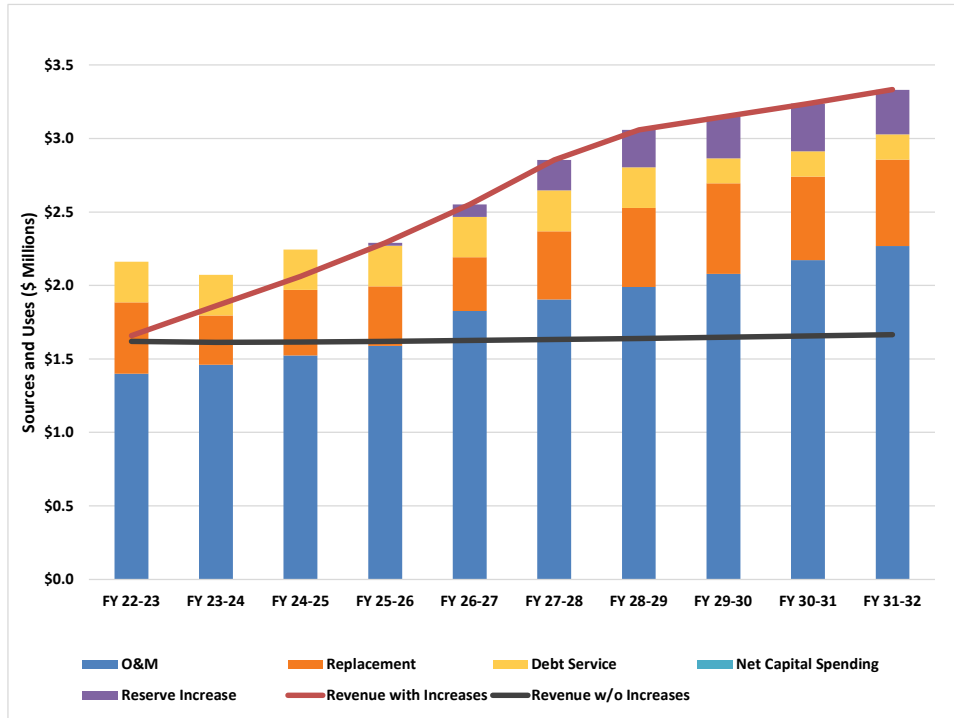


Figure 2
End of Year Water System Reserves versus Target Reserves



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	June 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	June 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 June 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	June 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	June 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 June 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 June 2023 Water Rates

Description	Use (HCF)	Current Bill			June 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 June 1, 2023. The chart indicates that with the June 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 June 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, solar facility lease expense, and certain capital improvement costs related to upgrading the wastewater system. 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 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.

A proposed WRRF project is currently being evaluated by the District. The District plans to use its reserves to pay for the design costs of the WRRF and construction costs will be estimated based on the evaluation and final design of the WRRF. Once construction costs have been determined, this rate study will be updated at a future date to establish new wastewater rates that will provide sufficient revenue to pay for debt service from financing of the WRRF. It is expected that the WRRF may need to be financed by interim loans during construction followed by a long term take-out loan from the USDA.

Wastewater Capital Improvement Program

Table 26 provides the wastewater capital improvement program (CIP) of the District that lists planned capital expenditures for FY 2022-23 through FY 2026-27 excluding construction costs of the proposed WRRF project.

Major projects include design costs of the WRRF, lift station #1 and #2 rehabilitation costs, and SCADA upgrades. The CIP expenditures are funded by wastewater system revenues and reserves.

Table 26
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 27. 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 27
Wastewater Financial Plan

Description	Projected				
	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Proposed Revenue Increase (June 1)	21.5%				
Proposed Revenue Increase (January 1)		21.5%	21.5%	21.5%	21.5%
Sources of Funds					
Rate-based Revenues, Existing Rates [1]	\$755,216	\$756,932	\$758,648	\$760,364	\$762,080
Total Additional Wastewater Service Revenue [2]	13,531	261,605	481,680	750,043	1,077,207
Miscellaneous Income [3]	180,600	177,900	179,200	180,500	181,800
Interest Income	15,393	6,692	5,443	9,826	12,630
Total Sources of Funds	\$964,740	\$1,203,129	\$1,424,971	\$1,700,733	\$2,033,717
Uses of Funds					
O&M and Capital Outlay	\$879,691	\$918,080	\$958,294	\$1,000,424	\$1,706,848
Capital Replacement [4]	167,000	132,000	191,000	189,000	199,000
Western Alliance Lease	38,587	38,758	38,643	38,759	38,587
Total Uses of Funds	\$1,085,278	\$1,088,838	\$1,187,937	\$1,228,183	\$1,944,435
Net Funds Available Before Capital	(\$120,538)	\$114,291	\$237,034	\$472,550	\$89,282
Capital Sources of Funds					
Operations Financed Capital	\$167,000	\$132,000	\$191,000	\$189,000	\$199,000
Total Capital Sources of Funds	\$167,000	\$132,000	\$191,000	\$189,000	\$199,000
Capital Uses of Funds					
Capital Improvement Plan [5]	\$1,129,800	\$903,200	\$21,000	\$192,000	\$197,000
Total Capital Uses of Funds	\$1,129,800	\$903,200	\$21,000	\$192,000	\$197,000
Net Capital Spending	(\$962,800)	(\$771,200)	\$170,000	(\$3,000)	\$2,000
Net Funds After Capital	(\$1,083,338)	(\$656,909)	\$407,034	\$469,550	\$91,282
Available Reserves					
Beginning available reserves [6]	\$2,081,000	\$997,662	\$340,753	\$747,787	\$1,217,337
Additions (reductions)	(1,083,338)	(656,909)	407,034	469,550	91,282
Ending available reserves	\$997,662	\$340,753	\$747,787	\$1,217,337	\$1,308,619
Target Reserves [7]	\$2,081,000	\$2,065,000	\$2,144,000	\$2,163,000	\$2,526,000
Above (below) Target	(\$1,083,338)	(\$1,724,247)	(\$1,396,213)	(\$945,663)	(\$1,217,381)
Debt Service Coverage					
Net Revenues [8]	\$85,049	\$285,049	\$466,677	\$700,309	\$326,869
Annual Debt Service	-	-	-	-	-
Coverage	n/a	n/a	n/a	n/a	n/a

[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 26. 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.

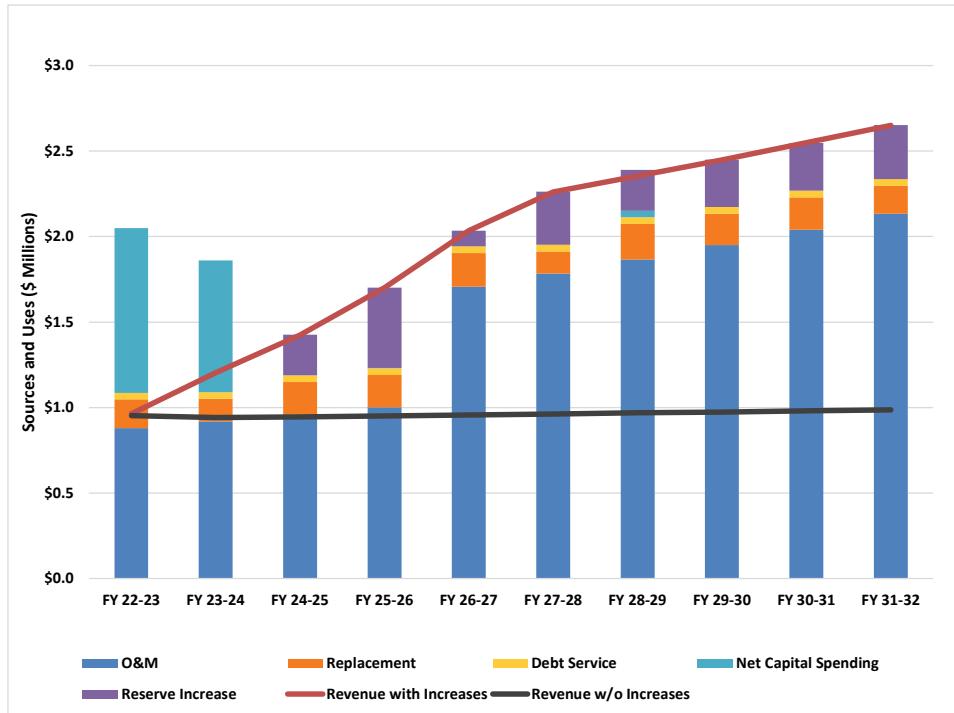
[8] Total Revenue less operation and maintenance expense.

Proposed Revenue Adjustments

Analysis of the revenues and revenue requirements of the wastewater financial plan indicate that revenue increases are necessary. Revenue increases of 21.5 percent annually are proposed for June 1, 2023 and each January 1 of 2024 through 2027. Annual increases of 4 percent are assumed thereafter through FY 2031-32. The proposed increases are shown near the top of the wastewater financial plan in Table 27.

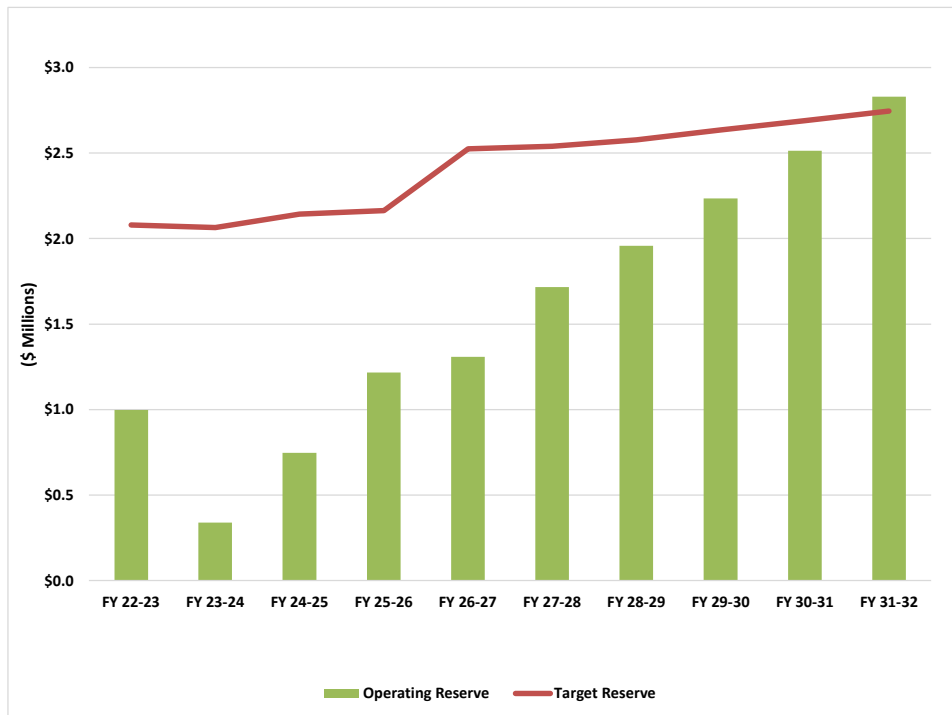
A graphical depiction of the revenue and revenue requirements from Table 27 are presented in Figure 3. Revenue using the current rates is shown as the black line while revenue with revenue adjustments is shown as the red line. Figure 3 shows that the revenue increases from Table 27 are necessary to meet 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 28.

Table 28
Costs to be Recovered From Wastewater Rates

Description	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Operating Expense					
O&M and Capital Outlay	\$879,691	\$918,080	\$958,294	\$1,000,424	\$1,706,848
Subtotal	\$879,691	\$918,080	\$958,294	\$1,000,424	\$1,706,848
Capital					
Capital Replacement [4]	167,000	132,000	191,000	189,000	199,000
Western Alliance Lease	38,587	38,758	38,643	38,759	38,587
Subtotal	\$205,587	\$170,758	\$229,643	\$227,759	\$237,587
Net Capital Spending					
Capital Replacement [4]	(\$167,000)	(\$132,000)	(\$191,000)	(\$189,000)	(\$199,000)
Capital Improvement Plan	1,129,800	903,200	21,000	192,000	197,000
Subtotal	\$962,800	\$771,200	(\$170,000)	\$3,000	(\$2,000)
Met From Other Sources					
Revenue Offsets	(\$195,993)	(\$184,592)	(\$184,643)	(\$190,326)	(\$194,430)
Subtotal	(\$195,993)	(\$184,592)	(\$184,643)	(\$190,326)	(\$194,430)
Adjustments					
Adjustments for Annual Cash Balance	(\$1,083,338)	(\$656,909)	\$407,034	\$469,550	\$91,282
Adjustments to Annualize Rate Increase	148,840	98,865	120,393	146,609	178,531
Subtotal	(\$934,498)	(\$558,044)	\$527,427	\$616,159	\$269,813
Total Costs to be Recovered	\$917,587	\$1,117,402	\$1,360,721	\$1,657,016	\$2,017,818

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 29. The calculation uses average monthly winter water consumption of each customer classification as described by the USDA to calculate an EDU ratio.

Table 29
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 low est 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 28 are divided by the number of annual billing units in Table 30 to calculate the monthly wastewater charge per billing unit, also shown in Table 30.

Table 30
Calculation of Monthly Charge per Billing Unit

Description	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27
Number of Customers/Units [1]					
Residential/Condo [2]	1,574	1,578	1,582	1,586	1,590
RV Space	192	192	192	192	192
Commercial	18	18	18	18	18
Restrooms	3	3	3	3	3
Dump Station	1	1	1	1	1
Total Number of Customers	1,788	1,792	1,796	1,800	1,804
Number of Billing Units [3]					
Residential/Condo [2]	1,574.00	1,578.00	1,582.00	1,586.00	1,590.00
RV Space	153.60	153.60	153.60	153.60	153.60
Commercial	52.20	52.20	52.20	52.20	52.20
Restrooms	6.90	6.90	6.90	6.90	6.90
Dump Station	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
Revenue Requirement [4]	\$917,587	\$1,117,402	\$1,360,721	\$1,657,016	\$2,017,818
Monthly Charge per Billing Unit [5]	\$42.50	\$51.64	\$62.75	\$76.24	\$92.63

[1] From Table 22.
 [2] Includes Holiday Condo 30 units.
 [3] Number of customers/units multiplied by EDU ratio.
 [4] Revenue Requirement from Table 28.
 [5] 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 31 for the Study period.

Table 31
Proposed Wastewater Monthly Fixed Charges

Description	EDU Ratio	Current Charge	June 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	1.00	\$35.75	\$42.50	\$51.64	\$62.75	\$76.24	\$92.63
RV Space	0.80	\$28.60	\$34.00	\$41.31	\$50.20	\$60.99	\$74.10
Commercial	2.90	\$35.75	\$123.25	\$149.76	\$181.98	\$221.10	\$268.63
Restrooms	2.30	\$75.86	\$97.75	\$118.77	\$144.33	\$175.35	\$213.05
Dump Station	12.50	\$301.92	\$531.25	\$645.50	\$784.38	\$953.00	\$1,157.88
Holiday Condo	30.00	\$1,072.50	\$1,275.00	\$1,549.20	\$1,882.50	\$2,287.20	\$2,778.90

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 \$42.50 on June 1, 2023, an increase of \$6.75 or 18.9 percent. The increase of 18.9 percent is lower than the overall increase of 21.5 percent from Table 27 due to cost of service adjustments to update the EDU ratios. For years after the first year, the SFR bill increases by 21.5 percent on January 1 for each January 1 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 June 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
Kristen Gelos, Office Supervisor/Board Secretary

DATE: February 16, 2023

SUBJECT: Consider approval of the purchase, installation, and integration of audio and video equipment for Board of Directors meetings for a cost not to exceed \$5,000.

Recommendation

It is recommended that the Board of Directors approve the purchase, installation, and integration of audio and video equipment for Board of Directors meetings for a cost not to exceed \$5,000.

Discussion

At the January 19, 2023 meeting, your Board directed staff to determine the necessary equipment and costs associated with video and audio technology for future Board Meetings.

Staff acquired pricing for the purchase of (2) Owl Labs Meeting Owl 3 with mounting equipment, (1) 75" wall mounted television, and required video recording software.

Fiscal Considerations

Video recording software is required. Zoom is recommended and requires a monthly subscription. Currently, the cost for the Pro Subscription is \$150 per year.

File: Board of Directors

HERITAGE RANCH COMMUNITY SERVICES DISTRICT

MEMORANDUM

TO: Board of Directors

FROM: Scott Duffield, General Manager

DATE: February 16, 2023

SUBJECT: Receive a presentation from a local vendor of Packaged Membrane Bioreactor Wastewater Treatment Plant technology and provide direction to staff.

Background

The Board selected the Packaged Membrane Bioreactor alternative to upgrade the Wastewater Treatment Plant and directed staff to pursue that project. The Board subsequently hired Water Systems Consulting as the design engineer.

Discussion

At the January 19, 2023 meeting your Board requested this item be placed on a future agenda. A representative of a local vendor that builds Packaged Membrane Bioreactor systems, Cloacina, will provide a presentation.

Fiscal Implications

There are no direct fiscal implications for this item. However, the Board understands that the Packaged Membrane Bioreactor element is a piece of the overall treatment system and cost.

File: Projects_WRRF