

**Board of Directors
San Simeon Community Services District**



**REGULAR BOARD MEETING PACKET
March 06, 2025**

**SAN SIMEON COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS
REGULAR BOARD MEETING AGENDA
Thursday, March 06, 2025
1350 MAIN STREET
(Coast Unified Board Room)
CAMBRIA, CA 93428
6:00 p.m.
SSCSD Zoom Meeting**

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Public Comment: The Board of Directors welcomes and encourages participation in Board meetings. Public comment will be allowed for each individual agenda item. Members of the public wishing to speak may do so when recognized by the Chairperson. **Public Comment is limited to three (3) minutes** or less per person for each agenda item, with additional time at the discretion of the Chair. Public comments should be directed to the Board as a whole and not directed to individual Board members or District staff.

Notice regarding Americans with Disabilities Act:



In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting or if you need the agenda or the documents in the agenda packet provided in an alternative format, please contact District staff at (805) 927-4778 at least 48 hours prior to the meeting to ensure that reasonable arrangements can be made (28CFR 35.102-35.104 ADA TITLE II).

1. CALL TO ORDER

2. ROLL CALL

3. PLEDGE OF ALLEGIANCE

4. PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA:

Any member of the public may address the Board relating to any matter pertaining to District business and within the Board's authority to take action, provided the matter is not on the Board's agenda. **Comments are limited to three (3) minutes** or less with additional time at the discretion of the Chairperson. The public wishing to address the Board on items that do not appear on the agenda may do so; however, the Board will take no action other than referring the item to staff for study and analysis and may place the item on a future agenda.

5. NON-DISTRICT REPORTS:

Public comments at the conclusion of non-district reports are limited to three (3) minutes per person per item.

A. Sheriff's Report - Stated Verbal Report

6. DISTRICT STAFF & COMMITTEE REPORTS:

Public comments at the conclusion of District staff and committee reports are limited to three (3) minutes per person per item.

A. STAFF REPORTS:

- i. FRM Operations Report** – Summary of February Activities.
- ii. Interim General Manager's Report** – Summary of February Activities
- iii. District Financial Summary** – Summary of February Financials.
- iv. District Counsel's Report** – Summary of February Activities.
- v. Reorganization Committee Report-** Summary of February Activities

7. CONSENT CALENDAR ITEMS:

All items are approved by a single action. Any item may be removed from the Consent Calendar for separate discussion upon request from a member of the public, District staff or a Director. Public comment on the Consent Calendar will take place prior to the Board's vote on the Consent Calendar items. Unless an item is pulled for separate consideration by the Board, the following items are recommended for approval without further discussion.

A. REVIEW AND APPROVAL OF MINUTES FOR THE MEETING ON FEBRUARY 20, 2025

B. REVIEW AND APPROVAL OF FEBRUARY DISBURSEMENTS JOURNAL

8. BUSINESS ACTION ITEMS

Public comments at the conclusion of each business action item are limited to three (3) minutes per person per item.

- A. Discussion and Update on Prop 218 process for Water Rate Increase**
- B. Discussion regarding why the 2024 San Simeon CSD 2024 Balance Sheet did not include Accounts Receivable**

9. CLOSED SESSION:

Public comments on the closed session agenda are limited to three (3) minutes per person per item. The Board will adjourn to Closed Session to address the following item(s):

- A. PUBLIC EMPLOYMENT (Gov. Code, § 54957)**
Title: Interim General Manager

B. REPORT UPON CONCLUSION OF CLOSED SESSION

Once a closed session has been completed, the legislative body must convene in an open session. (§ 54957.7(b).) If the legislative body took final action in the closed session, the body may be required to make a report of the action taken and the vote thereon to the public at the open session. (§ 54957.1(a).) The report may be made either orally or in writing. (§ 54957.1(b).) In the case of a contract or settlement of a lawsuit, copies of the document also must be disclosed as soon as possible. (§ 54957.1(b) and (c).)

C. RECONVENE AND REPORT OUT OF CLOSED SESSION

D. BOARD COMMENTS:

This section is intended as an opportunity for Board members to make brief announcements, request information from staff, request future agenda item(s) and/or report on their own activities related to District business. No action is to be taken until an item is placed on a future agenda.

10. ADJOURNMENT TO THE NEXT REGULAR MEETING TO BE HELD ON APRIL 03, 2025.

MINUTES
SAN SIMEON COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS SPECIAL BOARD MEETING
1350 MAIN STREET
CAMBRIA, CA 93428
Thursday, February 20, 2025
6:00 p.m.

1. CALL TO ORDER

The Special Meeting of the San Simeon Community Service District Council was called to order at 6:22 p.m. by Chair Tiwana.

2. ROLL CALL

Present: Chair Karina Tiwana, Director Jacqueline Diamond, Director Holly Le
Director Donahue,

Absent: Director Michael Donahue,

Staff Present: Patrick Faverty, Ed.D., Interim General Manager
Rachel Rappaport, Of Counsel - White Brenner LLP

3. PLEDGE OF ALLEGIANCE

The Pledge of Allegiance was held at 6:23 p.m.

4. PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA

- None

5. NON-DISTRICT REPORTS (6:24 p.m. – 6:26 p.m.):

A. Sheriff's Report – Not in attendance, no report was stated

PUBLIC COMMENT FOR THIS ITEM

- None

6. DISTRICT STAFF & COMMITTEE REPORTS (6:24 p.m. – 6:43, then resumed at 7:15 p.m.):

Public comments at the conclusion of District staff and committee reports are limited to three (3) minutes per person per item.

A. STAFF REPORTS:

- vi. **FRM Operations Report** –Stated a Summary of January 2025 and December 2024 Activities.

FRM Representative reported that testing of the wells for January has shown positive SCS results, with everything running smoothly. The wastewater plant has been proactive in making necessary repairs. While there has been a decline in visitors to the area in recent months, it is expected that the number of tourists will increase. However, with the recent rainfall, the plant may face some challenges. Despite this, both the water and wastewater filtration systems are functioning properly.

Interim General Manager inquired of the FRM representative to explain to the Board the management of wells during the rainy season versus the summer months, and whether there are any differences in their operation.

FRM Representative explained that during the summer, the wastewater treatment plant operates at optimal efficiency, while in the winter months, the biological processes are not as effective and can occasionally be overwhelmed by the increased water influx

Director Diamond asked about the virus inactivation report, specifically regarding the chlorine and Giardia readings. She noted a spike on January 5th and requested an explanation for this anomaly.

FRM Representative clarified that wastewater readings are influenced by the frequency of water flushing, which can lead to unexpected spikes. Both sets of readings are accurate. Additionally, the representative explained that the readings are not solely tied to Pico Creek; however, as the creek flows, its turbidity increases, causing the wells to fill. This process can result in the raw water side picking up materials from the surrounding pasture.

Director Diamond asked whether the readings originated from Well 1.

FRM Representative confirmed that the readings were indeed from Well 1.

Director Diamond asked whether the district should exclusively use Well 2.

FRM Representative responded affirmatively, stating that by law, both wells must be flushed and operated to ensure their readiness in case one fails. It is crucial to maintain both wells in operation, as Well 1 provides essential water supplies, including wet materials necessary for the community.

vii. Interim General Manager's Report – Stated a Summary of January 2025 and December 2024 Activities

Interim General Manager provided an update on several matters. He reported that recent rains have not affected the pipe bridge log jams. After an annual inspection by Micah Rose of the Welding Company, areas of concern were identified, with an estimated repair cost of \$8,000, which would extend the bridge's lifespan. Rose also recommended applying a tar coating to the bridge. Regarding the Pico stairway, the Interim General Manager informed the council that, according to Ellie Oliver from the Coastal Commission, the staff council agreed that the stairway does not fall under the district's general funds, meaning the district is not responsible for its repair. He also suggested to Ellie Oliver that as a solution, the Mouchwar Trust should retain ownership of the stairway, rather than transferring it to State Parks.

Director Tiwana Commented that she does not believe that the state parks should open the stairway as they operate on a different set of rules

Interim General Manager stated that the issue of the stairway is not the responsibility of the district

Chair Tiwana stated that the district is responsible if they were suggesting that the option be pursued

viii. District Financial Summary – Stated a Summary of January and December Financials.

Interim General Manager stated that the representative would not be available to present the report until 6:45 p.m. and requested that the District Financial Summary and Audit Report be presented at that time.

Chair Tiwana agreed that it may be presented at a later time

Financial Representative stated his report summary at **7:22 p.m.** The district's financial summary includes combined statements for the General, Water, and Sanitation funds, compared to figures from June 30, 2023. Key points include a decrease in the cash position from \$1.7 million to \$1.3 million, along with a corresponding decrease in total net assets. Accounts receivable increased slightly, while fixed assets decreased due to construction project additions, which were less than the depreciation of \$888,000. Liabilities decreased due to an approved legal settlement, and the district continued payments on the USDA long-term loan. As a result, total net assets decreased from \$2.7 million to \$2.34 million. The district holds \$1.3 million in cash and investments, with \$77,000 in

mutual funds, and spent \$43,473 on the pipe bridge project. Additionally, unearned revenue includes a large developer deposit currently in the district's possession, awaiting final approval from the county. The balance is recorded as unearned revenue but will be recognized as revenue once the project is approved. A key discussion point is whether the deposit is earning interest. If the county does not approve the project, the amount will need to be returned, either as the initial deposit or the deposit plus interest. Any interest earned will be recognized as capacity fee revenue and included in the restricted balance, while the deposit currently remains in unearned acquisition revenue.

Chair Tiwana asked a question regarding the unearned revenue reported from a pending development, specifically funds that are in the district's possession and earning interest.

Financial Representative responded that, without knowing the specifics of the agreement, he was unsure whether the district would need to return the principal amount or both the principal and the interest if the county denies the project.

Chair Tiwana responded by asking whether this is the advice they should follow or if legal counsel from both entities should be present to discuss the matter at a later date.

Financial Representative replied that they do not have a copy of the agreement, and the interest currently earned is not material to the district. He noted that financial statements would need to be revised if necessary. However, he stated that if the county approves the project, only the original developer deposit would be refunded, and the district would retain the interest, which should be reported. If the county denies the project, both the deposit and the interest would be credited back to the developer.

Chair Tiwana directed staff to review the development agreement, or the lack thereof, concerning the deposit made by the party, and to provide a ruling at a later date. She also stated that, for the purpose of approving the report, she believes it could be approved based on the facts currently available, pending the outcome of the review, with any amendments to be made at a later date.

Financial Representative stated that, according to the balance of the financial audit report as of June 30, 2024, the interest and income earned are not material, and therefore, no revisions to the financial statements would be necessary.

Interim General Manager explained that, after searching, they are not in possession of the report due to its location. He suggested that it would be necessary for District Counsel to identify the appropriate approach regarding the income and how much of it the District must hold as restricted versus unrestricted. He also mentioned that if the Board has the authority to restrict the funds, an ordinance or resolution may be required. He expressed uncertainty about whether the original agreement would ever be located but asked Counsel to clarify the steps the District should take if the agreement exists.

Chair Tiwana commented that if the agreement exists, it should be in a Board package and noted that the previous firm, Adamski, which the District retained as General Counsel, would have been responsible for maintaining the documents.

Interim General Manager requested if District Counsel could assist in locating the agreement with the Adamski Firm.

- ix. **District Counsel's Report** – Stated a Summary of January and December Activities.

District Counsel commented that there is nothing substantial to report

- x. **Reorganization Committee Report**- Stated a Summary of January 2025 and December 2024 Activities.

Director Diamond reported that there is nothing substantive to report as the reorganization committee has not met since December 2024. She mentioned being aware of the RFP for the county's reorganization consultant but has not received any updates from the county.

Chair Tiwana inquired about who is responsible for setting the meetings for the reorganization committee, as they have not met since December 2024.

Director Diamond responded that she, as the chairperson, had previously requested to postpone the meeting due to a lack of new information from the county. She had planned to establish a standing meeting date for the last Friday of every month, but without new updates from the county, there was no need to schedule a meeting.

Chair Tiwana emphasized that, according to government protocols, meetings should be held regardless of the presence of new business or information.

Interim General Manager informed the Board that Rebecca Campbell, the Assistant CAO, is the county representative handling the dissolution process, but no communication has been received from her in some time.

Chair Tiwana requested that, at the next meeting, a report be provided addressing the issues with the county regarding the lack of communication on this matter.

Chair Tiwana requested that a report addressing the lack of communication from the County be provided at the next meeting.

Director Le expressed confusion about the meeting date, as she had understood the meeting to be held on the second Friday of the month, rather than the last Friday.

Director Diamond clarified that the county's reorganization meetings are held on the first Friday of the month. Currently, the District Reorganization Committee meets on the last Friday, but she will propose moving the meeting date to the second Friday of the month, in alignment with the county's schedule.

Chair Tiwana asked District Counsel if the consent calendar items could be addressed next, as the financial representative was not present.

District Counsel confirmed that there are no concerns with proceeding with the consent calendar items and then circling back to the District Financial Report.

PUBLIC COMMENT FOR THESE ITEMS

- Hank Kruzick raised concerns about the financial report, highlighting that the district is legally required to provide an annual report on capacity fees within 180 days of the fiscal year's end. He suggested that the Board instruct the accounting firm to prepare this report, either as part of the audit or separately, and noted that the district may be in violation of California law for failing to do so. The report should include details on capacity fees, interest earned, and expenditures.

7. CONSENT AGENDA ITEMS (6:43 p.m. – 6:45p.m.)

A. REVIEW AND APPROVAL OF MINUTES FOR THE MEETING ON DECEMBER 5, 2024

B. REVIEW AND APPROVAL OF DECEMBER 2024 AND JANUARY 2025

DISBURSEMENTS JOURNAL

PUBLIC COMMENT FOR THIS ITEM

- None

Vote was taken as follows:

AYES: Tiwana, Diamond, Le

NOES:

ABSTAIN:

ABSENT: Donahue

8. BUSINESS ACTION ITEMS (6:46 p.m. - 8: 00p.m.):

A. Review and Approval of the SSCSD FY 2023-2024 Audit Report.

Financial Representative stated his report summary at **7:15 p.m.** It was stated that the final draft of the financial statements for the fiscal year ending June 30, 2024, is presented before the board. The audit opinion letter is unmodified, meaning the auditors were able to complete all required audit procedures, and the supporting documentation was in order. The auditors are comfortable with the numbers presented, and any suggested adjustments were made by the district. The final agreed-upon numbers are reflected in the statements.

PUBLIC COMMENT FOR THESE ITEMS

- None

Director Diamond made a motion to approve the 2023-2024 audit report. Chair Tiwana seconded the motion

Vote was taken as follows:

AYES: Tiwana, Diamond, Le

NOES:

ABSTAIN:

ABSENT: Donahue

B. Presentation and Discussion regarding the Proposed Prop 218 Rate Increase of 12%

Interim General Manger explained that the San Simeon CSD provides water and wastewater services to residents. In 2019, the district adopted Ordinance 121 to authorize water and wastewater rate increases, starting with a 5.8% increase for

the 2019-2020 fiscal year based on CPI, and a 3% increase for the subsequent three years. However, the district has not implemented a rate increase since 2022. The proposed 12% increase accounts for the CPI and aims to cover increased operating expenses. FRM has provided information to support this increase, which must comply with Prop 218's requirements. This includes ensuring that revenues do not exceed the proportional cost of services and notifying residents with all relevant information.

Chair Tiwana commented that the Board should review the resolution to assess if the proposed amount and parameters of the rate increase are acceptable

Director Diamond agreed that a 12% increase should be implemented, citing the impact of inflation. She noted that the district has lost revenue over the years due to the delay in rate increases, and the proposed increase might be the only way to establish a healthy revenue stream and prevent continued net losses.

Director Le inquired about the basis for determining the 12% increase.

Interim General Manager Interim General Manager explained that the 12% increase was based on several factors, including the annual CPI increase in recent years, discussions with FRM about the revenue loss due to broken water meters, the cost to repair them, and their collaborative effort to establish a number that would make the district "whole."

Director Le questioned the lack of direct voter input on the rate increase amount.

Interim General Manager clarified that the Board has the authority to set the rate increase at a different percentage if desired. If the item passes, voters will have a 45-day window to contest or complain about the increase.

Director Le expressed concern that a 12% increase might be too large and requested that more data and information be provided to both the Board and the San Simeon residents to ensure that the increase is sufficient to prevent the district from facing bankruptcy.

Chair Tiwana stated that the CPI is specific to the index being examined, including regional, business, and category-specific factors. She questioned whether the business being considered is included in the CPI increases.

Interim General Manager clarified that the district uses the Southern California Consumer Price Index (CPI) to reflect rate changes.

Chair Tiwana expressed her agreement that an increase is needed but noted that 12% may be too high for citizens to accept. She requested a detailed cost breakdown showing how the 12% figure was determined, along with the data provided by FRM to the Interim General Manager, to be reviewed and considered by the Board.

Director Diamond asked the Interim General Manager if FRM could provide the data and calculations that led to the proposed 12% increase.

Interim General Manager responded that neither he nor FRM has the numbers in writing, as the discussions were conversational. He explained that the increase is tied to the revenue lost due to broken water meters, which impacts the necessary calculations. He also noted that the law requires the increase to be sufficient to cover the necessary costs.

Chair Tiwana requested that an accounting of the necessary costs be provided.

Chair Tiwana commented that no further action will be taken on this matter at this time but asked staff to provide the requested additional information.

PUBLIC COMMENT FOR THIS ITEM

- Hank Kruzick commented that, after reviewing the financial statement from July 2024 to January 2025, the district is operating at a loss of \$189,000, which is lower than previous years. He noted that, in relation to Chair Tiwana's comments on the 12% CPI, the CPI the district uses has been consistent for many years. Kruzick mentioned that while the increase was voted on by the Budget Committee in January 2022, the main concern of the Board is the 12% increase. Despite this, he agreed that a rate increase should be implemented.

Chair Tiwana commented that, after hearing the financial report and public comments, the rate increase has been approved in the past. She noted that the previously approved estimated 8% increase in 2022 was studied and approved by the Board, and she expressed her support for the new proposed increase.

Director Le expressed her support for the rate increase but asked whether the agenda item for the 8% increase, which was approved in 2022/2023, was ever implemented.

Chair Tiwana stated that, although the 8% increase was not implemented, the district would have a basis for the inflation rates to be considered.

Interim General Manager confirmed that he would review the agenda from the spring of 2023, when the Prop 218 increase of 8% was approved.

Chair Tiwana made a motion to approve Prop 218 rate increase of 8%, based on the previously approved rate increase percentage authorized by the 2023 Budget Committee and the Board last year. Director Diamond seconded the motion.

Vote was taken as follows:

AYES: Tiwana, Diamond, Le

NOES:

ABSTAIN:

ABSENT: Donahue

_____ 5-Minute Break _____

C. Review and Discussion of San Luis Obispo County RFP for Reorganization Consultant

Interim General Manager outlined the county's expectations for a reorganization consultant. The consultant will collaborate with the district over the next decade to assess and address key issues, including the wastewater management system, road and lighting needs, and the potential for consolidated services across technical, administrative, and financial areas post-reorganization. This effort aligns with the County's strategic plan for the next 5-10 years, and the timeline for the project is set to 6 months.

Chair Tiwana noted that the deadline for receiving RFPs (Requests for Proposals) for the consultant ended on January 11.

Director Diamond asked whether the Interim General Manager knew how many applications had been submitted for the RFP.

Interim General Manager confirmed that no information had been received by the district regarding the number of applications submitted or the process. However, he is scheduled to meet with the County's Administrative Officer soon to discuss unrelated matters and assure the Board that the issue would be raised with the County.

PUBLIC COMMENT

- Hank Kruzick expressed concerns about the County's responsiveness to the District's reorganization committee. He pointed out that the County had requested a 6-month study, which would cost approximately \$250,000, and he emphasized the need for checkpoints and open communication with LAFCO and the County. Kruzick also raised concerns about the resignation of the Interim General Manager and questioned how the new consultant would coordinate with the district, given the limited number of district staff available to manage the project.

D. Discussion and Approval of the Replacement of the Broken Water Meters

Interim General Manager presented a report regarding broken water meters and the associated costs for their replacement. The estimated total cost for the replacements is \$24,475, with a 5% contingency included. Additionally, he requested an extra 5% contingency to cover any unforeseen incidents that may arise during the process.

Director Diamond agreed that replacing the broken water meters is necessary, as the district is losing out on income due to the inaccuracy of the meters.

PUBLIC COMMENT

- Hank Kruzick expressed support for the water meter replacements. He noted that when he first became involved with the district, it had been losing 17% of water, which was unbilled. The normal margin for unbilled water is between 5-7%. Currently, the district's unbilled water loss stands at 13%. Kruzick emphasized that replacing the meters should help bring the water loss rate down to 7%, which would significantly boost the district's incoming revenue.

Chair Tiwana makes a motion to approve the replacement of the broken water meter items as submitted.

Director Diamond inquired about the additional 5% contingency requested by the Interim General Manager.

Interim General Manager clarified that the requested 5% contingency is based on discussions with FRM and specifically pertains to the cost of replacing the meters, allowing for a 3-5% contingency for unforeseen issues.

Chair Tiwana withdrew her initial motion.

Director Diamond made a motion to approve the replacement of the water meters, with a total cost not to exceed \$26,000 if needed. Chair Tiwana seconded the motion.

Vote was taken as follows:

AYES: Tiwana, Diamond, Le

NOES:

ABSTAIN:

ABSENT: Donahue

11. CLOSED SESSION (8:01 p.m. – 8:17 p.m.):

Public comments on the closed session agenda are limited to three (3) minutes per person per item. The Board will adjourn to Closed Session to address the following item(s):

PUBLIC COMMENT

- None

District Counsel Reported that direction has been provided to staff

9. BOARD COMMENTS:

Director Diamond expressed a desire to comment on the current January financial statements.

Chair Tiwana clarified that Director Diamond would like to provide direction to the Interim General Manager regarding adding items to the next meeting agenda following

the January 2025 financial statements. Additionally, Director Le has requested one item be added to the agenda related to the balance sheet for January 2025.

Chair Tiwana also stated that she has one item to add to the agenda: the implementation of ACH payments to the district.

10. ADJOURNMENT (8:19 p.m.):

The Regular Meeting of the San Simeon Community Service District adjourned at 8:19 p.m.

SAN SIMEON COMMUNITY SERVICES DISTRICT

Disbursements List

February 1-28 2025

Date	Check No.	Vendor or Payee	Amount	Due	Notes
02/06/25	2751	Jacqueline Diamond	92.35	02/06/25	
02/06/25	2752	Michael Donahue	0.00	02/06/25	VOID
02/06/25	2753	Hoa Le	92.35	02/06/25	
02/06/25	2754	Karina Tiwana	92.35	02/06/25	
02/06/25	2755	Lori Mather Video Services	450.00	02/06/25	
01/25/25	2756	AT & T	1,724.32	02/27/25	
01/14/25	2757	County of San Luis Obispo - Environmental Health Services	358.90	02/13/25	
02/13/25	2758	Kathy East	1,611.04	02/13/25	
02/01/25	2759	Great Western Alarm & Communications, Inc.	195.00	02/11/25	
02/01/25	2760	Mission Country Disposal	401.07	02/20/25	
01/28/25	2761	Pacific Gas & Electric Co.	8,224.75	02/14/25	
01/28/25	2762	Pitney Bowes	28.78	02/27/25	Property Tax on Lease
01/30/25	2763	Portable Welding	800.00	01/30/25	
02/01/25	2764	San Simeon Community Cable	105.00	02/25/25	
01/15/25	2765	San Simeon Ranch	15,202.00	02/15/25	
02/04/25	2766	AT & T	93.31	02/27/25	
02/06/25	2767	Brenntag Pacific, Inc.	2,078.18	03/08/25	
02/01/25	2768	CalPERS	1,471.50	02/28/25	
02/27/25	2769	Kathy East	1,658.95	02/27/25	
02/28/25	2770	Patrick Faverty	9,625.00	02/28/25	
02/04/25	2771	Fluid Resource Management	36,967.51	02/28/25	
01/28/25	2772	VOID	0.00		
02/06/25	2773	Pitney Bowes	200.00	03/05/25	
02/03/25	2774	Pitney Bowes Global Financial Services	35.00	02/27/25	
02/03/25	2775	RVS Software	832.00	03/05/25	
02/17/25	ACH	Safeguard Business Systems, Inc.	115.66	03/19/25	Paid via online pymt
01/31/25	2776	Specialized Utilities Services Program	3,500.00	03/02/25	Leak Detection Services
01/31/25	2777	Speed's Oil Tool Service, Inc.	1,567.50	02/28/25	
01/31/25	2778	Speedy Coastal Messenger, Inc.	1,320.00	02/20/25	
01/28/25	2779	Pacific Gas & Electric	809.93	03/10/25	
02/18/25	2780	San Luis Obispo County Clerk-Recorder	405.08	03/01/25	
			90,057.53		

Accounts Summary

 Display Options  Balances

Checking

Balances as of 03/03/2025	Available Balance
Checking Acc***6573 ABA/TRC - 322285781 6573	<u>\$111,836.89</u>
Checking Acc***6603 ABA/TRC - 322285781 6603	<u>\$93,313.73</u>
Total Selected Checking Balance	\$205,150.62
Total of Selected Deposit Accounts	\$205,150.62

San Simeon Community Services District (CA-01-0155)

Total Balance As Of 03/03/25: \$1,053,520.92

[OPEN A NEW SUBACCOUNT](#)

California CLASS

As of 03/03/25

\$1,053,520.92

[Detail →](#)

Subaccounts

Account #	Name	Avail. Balance	Fund Name
CA-01-0155-0001	Water/Wastewater	\$338,497.60	California CLASS
CA-01-0155-0002	Unearned Revenue; Capacity Fees	\$715,023.32	California CLASS

[View →](#)



2022 Financial Planning, Revenue Requirements, and Rate Setting Analysis

Presented by: California Rural Water Association

In Collaboration With:

Robert D. Niehaus, Inc.



**SAN SIMEON COMMUNITY SERVICES DISTRICT
FINANCIAL PLANNING, REVENUE REQUIREMENTS,
COS, AND RATE SETTING ANALYSIS**

FINAL REPORT

Prepared for:

San Simeon Community Services District
111 Pico Avenue
San Simeon, CA 93452

Prepared by:

ROBERT D. NIEHAUS, INC.
140 East Carrillo Street
Santa Barbara, CA 93101
(805) 962-0611

This project is funded by a grant provided to CRWA by
the Clean Water State Revolving Fund.
CRWA Wastewater Specialist, Dan Lafontaine
aided in preparation of this report.

RDN Project Number 272.22

TABLE OF CONTENTS

EXECUTIVE SUMMARY _____	1
Background _____	1
Purpose of Study _____	2
Recommendations and Proposed Rates _____	2
GENERAL METHODOLOGY _____	5
Legal Considerations _____	6
Key Assumptions _____	7
FINANCIAL PLANNING _____	9
Revenues _____	9
Operating and Maintenance Expense _____	9
Capital Expenses _____	9
Target Reserves _____	9
Debt Funding _____	10
Revenue Requirements _____	10
Recommended Financial Plan _____	10
Proposed Reserve Balances _____	12
COST OF SERVICE _____	13
Methodology _____	13
Cost Functionalization _____	13
COS Classification _____	14
RATE SETTING _____	17
Rate Options _____	17
CONCLUSION _____	18

EXECUTIVE SUMMARY

Background

San Simeon Community Services District (SSCSD) serves a small unincorporated community situated within San Luis Obispo County on California's central coast which is located along State Highway 1 approximately halfway between Los Angeles and San Francisco. Originally called San Simeon Acres, the community wastewater system has been developed over many decades based on the originally purchased infrastructure. San Simeon's development occurred primarily in the 1960s and continued in the 1970s. A moratorium on the issuance of new connections within the District's boundaries has been in place since the mid-1990s. **SSCSD serves mostly residential customers, with a small commercial sector, mostly made up of hotels and restaurants. The District also provides wastewater service for Hearst Castle and other neighboring parks.** The sewer system consists of approximately 1.6 miles of gravity fed pipelines and a treatment plant, which will need to be relocated in upcoming years. Figure 1 shows the District's service area in blue.

Figure 1. San Simeon Community Services District



Purpose of Study

The purpose of this analysis is to conduct a rate study which evaluates the District's current rates and financial data and propose new rates, if necessary, that meet the District's financial and strategic goals. In October 2021, the California Rural Water Association (CRWA) retained Robert D. Niehaus, Incorporated (RDN) to develop a comprehensive wastewater rate study (Study) for the San Simeon Community Services District.

The primary objectives of this Study include:

- Projecting revenues and expenses for a five-year study period
- Proposing revenue adjustments to fund the District's projected financial needs
- Proposing rates which do not overly impact customers
- Producing an administrative record which effectively summarizes all findings
- Supporting the District through the Proposition 218 process as necessary

Recommendations and Proposed Rates

Recommendations:

- Build specific reserve funds by making annual contributions from revenue generated from rates
- Adjust revenues by 22.0 percent in FY 2024, 12.0 percent in FY 2025, 10.0 percent in FY 2026 and FY 2027, and 6.5 percent in FY 2028 to ensure funding for the wastewater utility
- Bill Hearst Ranch by the same method used for other customers (per hcf of sewer flow)
- Refine the cost of service allocation to improve overall customer equity

Current Rates

What about mobile home park?

Currently, District sewer customers pay a unit rate per hcf of potable water use based on their customer class. All irrigation is completed using recycled water, so potable water use is a good representation of sewer flows. Residential and general commercial customers pay \$11.42 per hcf, motels pay \$18.55 per hcf, and restaurants pay \$28.72 per hcf of water use. Park customers and the Hearst properties pay an annual fixed rate that was agreed upon when the District was initially formed. The current rates as described are displayed in **Table 1**.

Table 1. Current Rates

Class	Unit	Current
Motels	Per hcf	\$18.55
Residential	Per hcf	\$11.42
Restaurants	Per hcf	\$28.72
Commercial	Per hcf	\$11.42
State Park	Per hcf	N/A

Proposed Rates

The recommendations outlined below are based on two different approaches to rate setting. One option maintains the current rate structure and the **second includes a fixed portion of the rates to increase the revenue stability of the District.** **Table 2** shows the proposed revenue adjustments and **Table 3 and Table 4** show the resulting rates for the study period for each of the options.

Table 2. Proposed Revenue Adjustments FY 2024 to FY 2028

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Revenue Adjustment	22.0%	12.0%	10.0%	10.0%	6.5%

Table 3. Proposed Rates, Option 1, FY 2024 to FY 2028

Class	Unit	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Motels	Per hcf	\$19.98	\$22.38	\$24.62	\$27.08	\$28.84
Residential	Per hcf	\$17.96	\$20.12	\$22.13	\$24.34	\$25.93
Restaurants	Per hcf	\$26.17	\$29.31	\$32.24	\$35.46	\$37.77
Commercial	Per hcf	\$11.12	\$12.45	\$13.70	\$15.07	\$16.04
State Park	Per hcf	\$23.12	\$25.90	\$28.49	\$31.34	\$33.38

Table 4. Proposed Rates, Option 2, FY 2024 to FY 2028

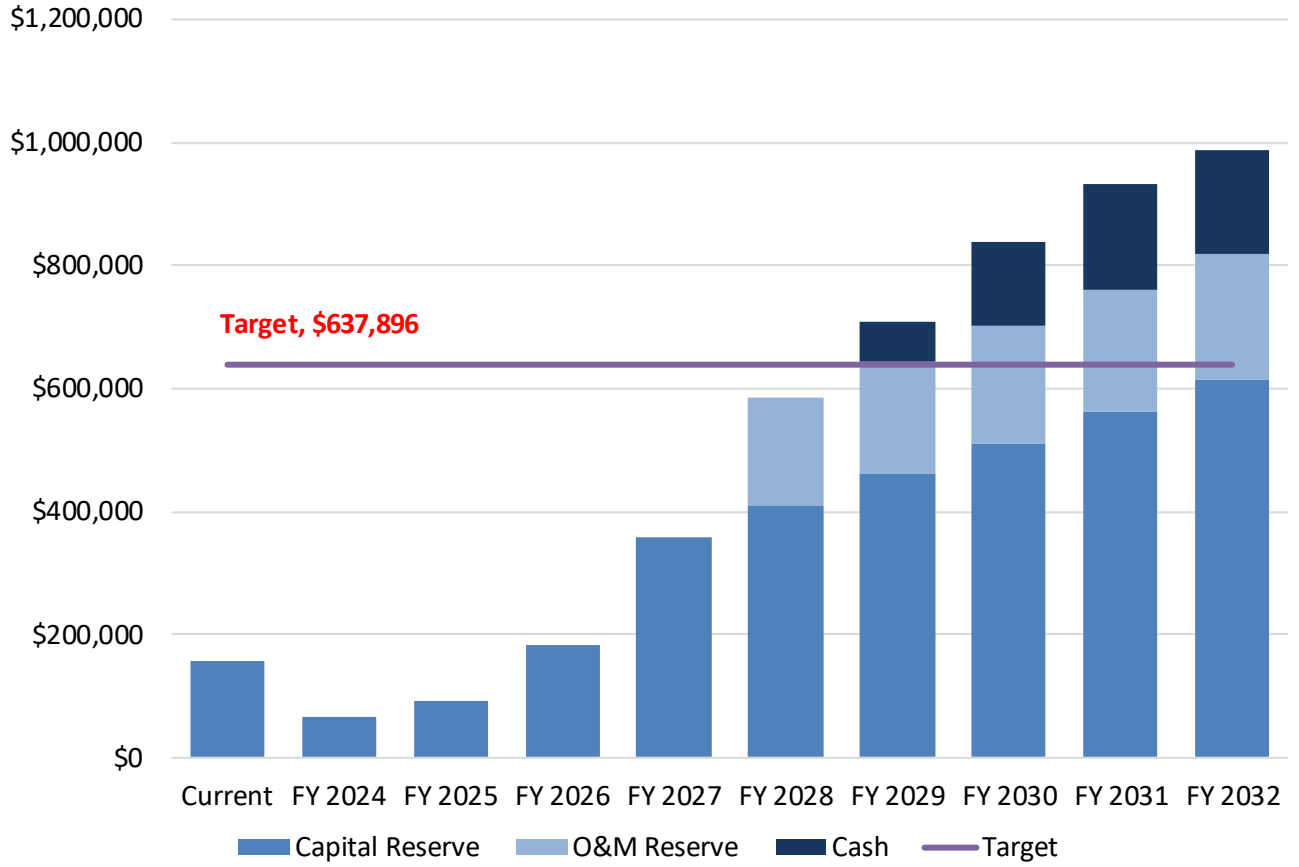
		Monthly Bill				
Class	Unit	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Fixed Charge	Per Month	\$23.15	\$25.93	\$28.52	\$31.37	\$33.41
Motels	Per hcf	\$19.51	\$21.85	\$24.04	\$26.44	\$28.16
Residential	Per hcf	\$10.61	\$11.88	\$13.07	\$14.38	\$15.31
Restaurants	Per hcf	\$25.43	\$28.49	\$31.33	\$34.47	\$36.71
Commercial	Per hcf	\$10.02	\$11.22	\$12.34	\$13.57	\$14.46
State Park	Per hcf	\$23.08	\$25.85	\$28.43	\$31.28	\$33.31

Fund Balances

The proposed financial plan includes capital funding as well as the introduction of the wastewater utility’s reserve balances. In brief, the plan contributes approximately \$80,000 a year to additional reserves as well as \$250,000 in capital PAYGO funding. Additionally, the sewer rates will fund all costs associated with the sewer utility, which includes 55 percent of the overhead allocation which was previously allocated to the general fund.

Figure 2 shows the sewer fund balances under the proposed financial plan through the ten year financial plan.

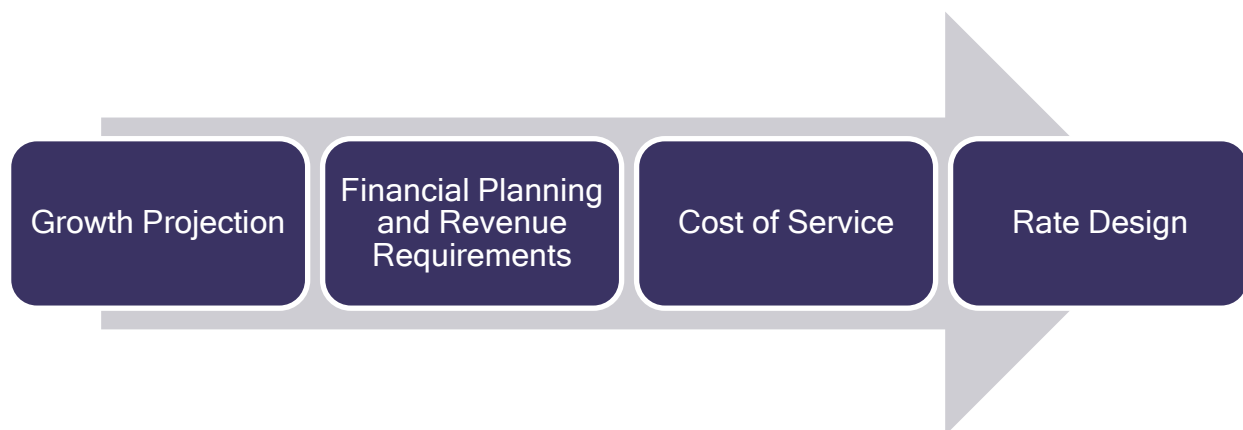
Figure 2. District Fund Balances under the Proposed Financial Plan



GENERAL METHODOLOGY

The wastewater rates formulated in this study were developed using principles set forth by the American Water Works Association (AWWA) and the Water Environment Federation (WEF). RDN rate-making practices incorporate methods described in the AWWA Manual 1 (M1)¹ and the WEF Financing and Charges for Wastewater Systems². **Figure 3** presents the steps taken to develop the District’s proposed rates.

Figure 3. Wastewater Rate Study Process



- **Growth Projection:** project customer growth for the five-year study period, FY 2024 through FY 2028, using the District’s customers’ historical growth data. Forecast revenues for the study period based on the projected customer growth.
- **Financial Planning and Revenue Requirements:** develop a five-year financial plan based on the projected revenues and annual costs which include both operating and capital expenses. The District’s target reserve level should also be considered as part of the financial planning. Based on the financial planning, revenue requirements are determined for each year of the study period.
- **Cost of Service:** evaluate the customer classifications and allocate costs based on their service requirements.
- **Rate Design:** design rates to recover the rate revenue requirements from each customer.

¹ Principles of Water Rates, Fees, and Charges, Seventh Edition, Manual of Water Supply Practices, American Water Works Association

² Financing and Charges for Wastewater Systems, WEF Manual of Practice Number 27, Water Environment Federation

Legal Considerations

This section of the report describes the legal framework that was considered in the development of the rates to ensure that the calculated cost of service rates provide a fair and equitable allocation of costs to the different customer classes.

California Constitution - Article XIII C (Proposition 26)

The voters in the State approved Proposition 26 on November 2, 2010. Proposition 26 amended Article XIII C of the State Constitution to expand the definition of “tax” to include “any levy, charge, or exaction of any kind imposed by a local government” with listed exceptions. By means of these exceptions, Article XIII C classifies several types of charges, in addition to property-related charges, that are not taxes, such as charges for specific services or benefits, regulatory charges and penalties. Article XIII C’s definition of “tax” lists the following exceptions: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payer that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payer that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) a fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIII D.

Proposition 26 also provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payer bear a fair or reasonable relationship to the payer’s burdens on, or benefits received from, the governmental activity. Like the proportionality requirements of Article XIII D, assessment of rates under these requirements, if applicable, would be supported by the cost of service approach.

California Constitution - Article XIII D, Section 6 (Proposition 218)

In November 1996, California voters passed Proposition 218, the “Right to Vote on Taxes Act.” This constitutional amendment protects taxpayers by limiting the methods by which local governments can create or increase taxes, fees and charges without taxpayer consent. Between 2002 and 2017, California courts have ruled that fees associated with providing sewer services are “property-related” and thus under the jurisdiction of Prop 218. The principal requirements for fairness of the fees, as they

relate to public sewer service, are as follows: Revenues derived from the fee or charge shall not exceed the funds required to provide the property related service. Revenues derived by the fee or charge shall not be used for any other purpose other than that for which the charge was imposed. The amount of the fee or charge imposed upon any parcel shall not exceed the proportional cost of service attributable to the parcel. Reliance by an agency on any parcel map, including, but not limited to, an assessor's parcel map, may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership for purposes of this article.

The rates developed in this Report use a methodology to establish an equitable system of charges that recover the cost of providing service and fairly apportion costs to each customer as required by Proposition 218.

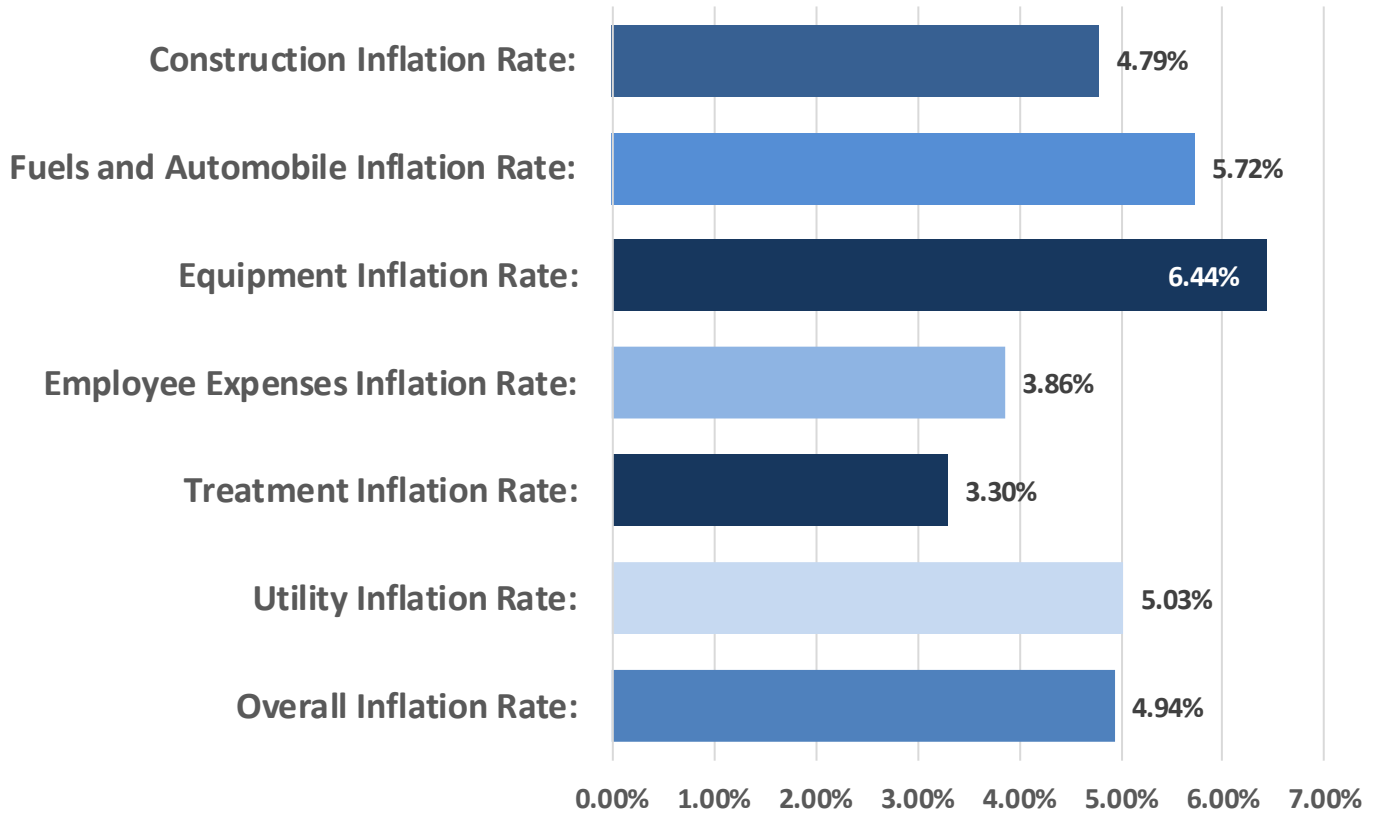
Key Assumptions

A test year, FY 2023-24, was selected for which costs are to be analyzed and rates to be established for this study. The District's fiscal year starts on July 1 and ends on June 30.

Escalation Factors

Escalation Factors were calculated for eight independent variables using historical Consumer Price Index (CPI) data from West Class B/C cities between 2000 and the most current calendar year, and projections by the California Department of Transportation (CADOT), and the California Department of Finance (CADOFF). The analysis for the status quo assumes that Operating Revenues will continue to be stable for the next five years. The escalation factors capture the effects of price inflation for this period. **Figure 4** displays the projected escalation factors for the study period. Due to local contingencies, the Equipment Inflation Rate is expected to rise at the highest rate, representing 6.44 percent per year. The Employee Expenses Inflation Rate, which includes salaries, insurance, and payroll taxes, is expected to rise 3.86 percent per year during the study period. Expenses that are not expected to increase during the study period were not escalated as those costs are fixed.

Figure 4. Escalation Factors



FINANCIAL PLANNING

Revenues

Based on the projected customer levels through the study period, rate revenues under the current rates were calculated for each year of the study. Additionally, non-rate revenues were estimated based on historical values and District input. The current fiscal year, 2023, is the last year of the District's previous rate plan. With no future rate increases, the District is expected to collect between \$632,512 and \$633,806 per year. Additional non-operating revenues total approximately \$42,924 which was allocated from property tax revenues which were previously being posted to the General Fund.

Property taxes should go to roads and lighting

Operating and Maintenance Expense

This District's FY 2023-24 budget anticipated approximately \$606,418 in expenses which were classified as O&M expense. For the rest of the study period, annual inflation is projected to be approximately between 5.6 and 3.7 percent per year. Total O&M expenses are projected to reach \$706,941 by FY 2027-28.

Capital Expenses

In addition to the costs of daily operation and maintenance, the District has significant annual rate funded capital projects planned for the study period. The different levels of capital funding which will be achieved by rates is one of the primary cost drivers in this study. The proposed financial plan will allow the District to fund approximately \$250,000 a year in Pay as you GO (PAYGO) capital projects. Capital projects identified for this study include pipe bridge replacements and Wastewater Treatment Plant design.

Appears only pipe bridge engineering included not replacement. Amount for CHRP?

Target Reserves

As part of the rate study process, the District has developed a detailed reserve policy which includes multiple reserve funds for the wastewater utility. The proposed financial plans include these levels of reserve funding, which include maintaining the current cash balance and accumulating funds for targeted reserve balances. The proposed reserve targets are:

- **Wastewater Operating Reserves:** This fund will mitigate the effects of rate volatility & unexpected events. The majority of the District's revenue is provided by seasonal tourist oriented business that are subject to disruptions by: natural disasters, weather, road

closures, pandemics, etc. The proposed financial plan achieves a target reserve level of \$150,000, three months of operating expenses) at the end of FY 2028 with annual contributions of approximately \$30,000.

- Wastewater Rehabilitation and Replacement Reserve:** The goal is to aid in providing capital funding for the rehabilitation and replacement of the existing wastewater treatment facility and upgrades to the collection system to the greatest extent possible. The proposed financial plan contributes approximately \$50,000 a year to the Rehabilitation and Replacement Reserve, with a target balance of \$410,265 at the end of the study period.
- Cash Balances:** Additional fluid cash balances include any additional revenue beyond the projected reserve targets. This cash can be used to supplement either fund if additional funding is needed.

Debt Funding

The District currently has no debt service planned at this time.

Property Taxes Nono

Revenue Requirements

Revenue requirements were developed based on the financial plan outlined above. Under the recommended rates revenue requirements include the described reserve contributions. The total revenue requirements are offset by the sum of Other Operating Revenues and Non-operating Revenues. The total revenue requirements are used to complete the cost of service analysis. Table 5 shows the total revenue requirements for each year of the study period.

Table 5. Revenue Requirement, FY 2023-24 to FY 2027-28

Description	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Other Operating Revenues	\$0	\$0	\$0	\$0	\$0
O&M Expenses	\$606,418	\$633,215	\$656,828	\$681,390	\$706,941
Non-Operating Revenues	(\$43,709)	(\$44,508)	(\$45,321)	(\$46,149)	(\$46,993)
Other Obligations	PAYGO	\$250,000	\$250,000	\$249,591	\$258,285
Net Balance	(\$41,044)	\$26,146	\$90,481	\$163,067	\$198,540
Revenue Requirements	\$771,665	\$864,854	\$951,988	\$1,047,900	\$1,116,773

Recommended Financial Plan

Based on the revenue requirements outlined, the proposed financial plan includes annual revenue adjustments of 22.0 percent in the test year, 12.0 percent the second year, 10.0 percent in years 3 and 4, and 6.5 percent in the final year of the study period. Under this plan a total of \$500,000 will be contributed to fund balances; additionally, the District will be able to

sufficiently cover their operating expenses and an average of \$250,000 in capital expenditures per year. **Table 6** shows the proposed financial plan and ending reserve balances for the study period. RDN recommends this plan because it best balances the future repair needs of the sewer system with customer impacts. The **COST OF SERVICE** section will use this financial plan as a basis for calculations.

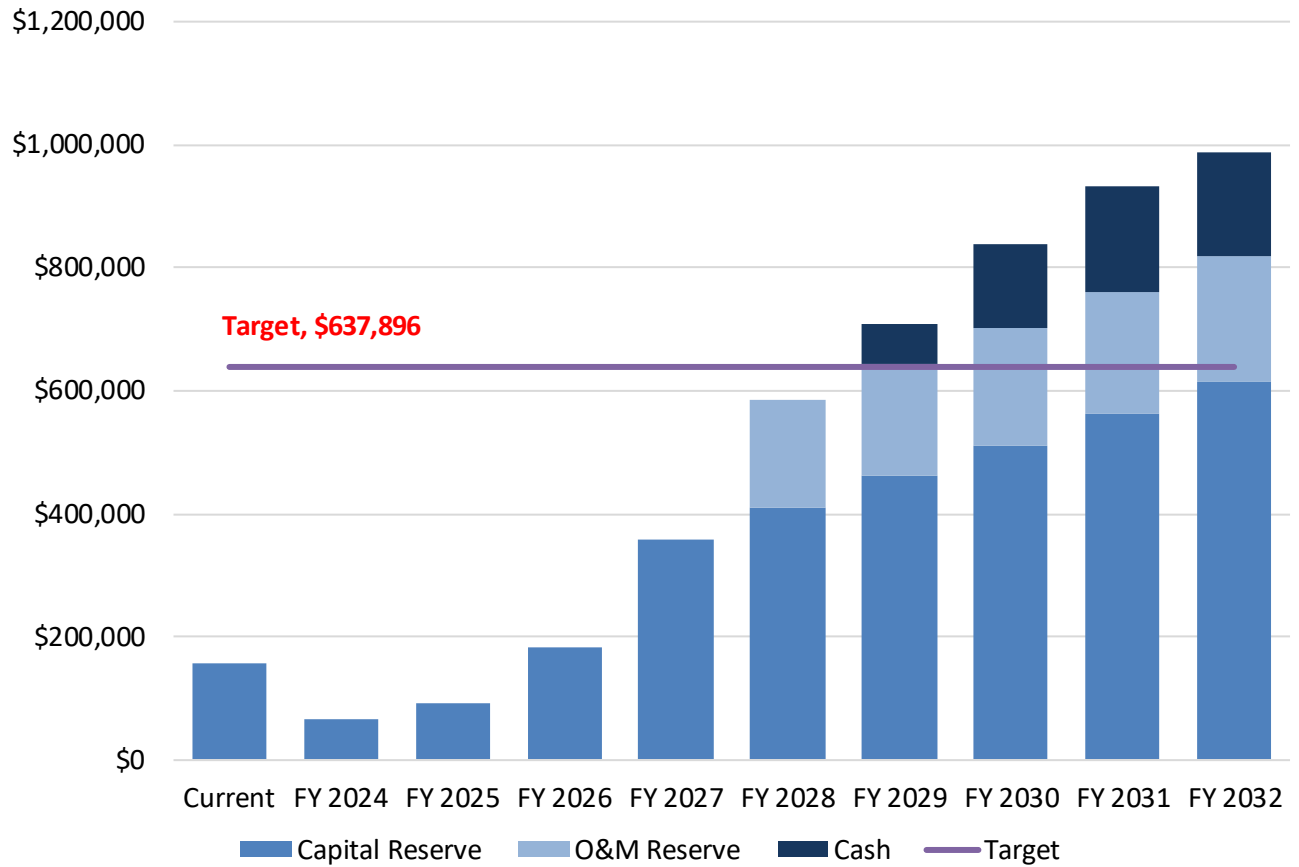
Table 6. Study Period Financial Plan, FY 2023-24 to FY 2027-28

Description	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
	Test Year				
Operating Revenues	\$771,665	\$864,854	\$951,988	\$1,047,900	\$1,116,773
Sewer Charges - Existing	\$632,512	\$632,943	\$633,375	\$633,806	\$634,238
Year 1 - 22 %	\$139,153	\$139,248	\$139,342	\$139,437	\$139,532
Year 2 - 12 %		\$92,663	\$92,726	\$92,789	\$92,852
Year 3 - 10 %			\$86,544	\$86,603	\$86,662
Year 4 - 10 %				\$95,264	\$95,328
Year 5 - 6.5 %					\$68,160
Sewer Charges	\$771,665	\$864,854	\$951,988	\$1,047,900	\$1,116,773
Other Operating Revenues	\$0	\$0	\$0	\$0	\$0
O&M Expenses	(\$606,418)	(\$633,215)	(\$656,828)	(\$681,390)	(\$706,941)
Net Operating Revenues	\$165,247	\$231,639	\$295,160	\$366,509	\$409,831
Non-operating Revenues	\$43,709	\$44,508	\$45,321	\$46,149	\$46,993
Other Obligations	(\$250,000)	(\$250,000)	(\$250,000)	(\$249,591)	(\$258,285)
Net Balance	(\$41,044)	\$26,146	\$90,481	\$163,067	\$198,540
Beginning of the Year Balance	\$106,453	\$65,409	\$91,555	\$182,035	\$345,103
Ending Balance	\$65,409	\$91,555	\$182,035	\$345,103	\$543,642
Total Cash Balance	\$65,409	\$91,555	\$182,035	\$345,103	\$543,642

Proposed Reserve Balances

Figure 5 shows the sewer fund balances under the proposed financial plans through the study period.

Figure 5. District Fund Balances under the Proposed Financial Plan



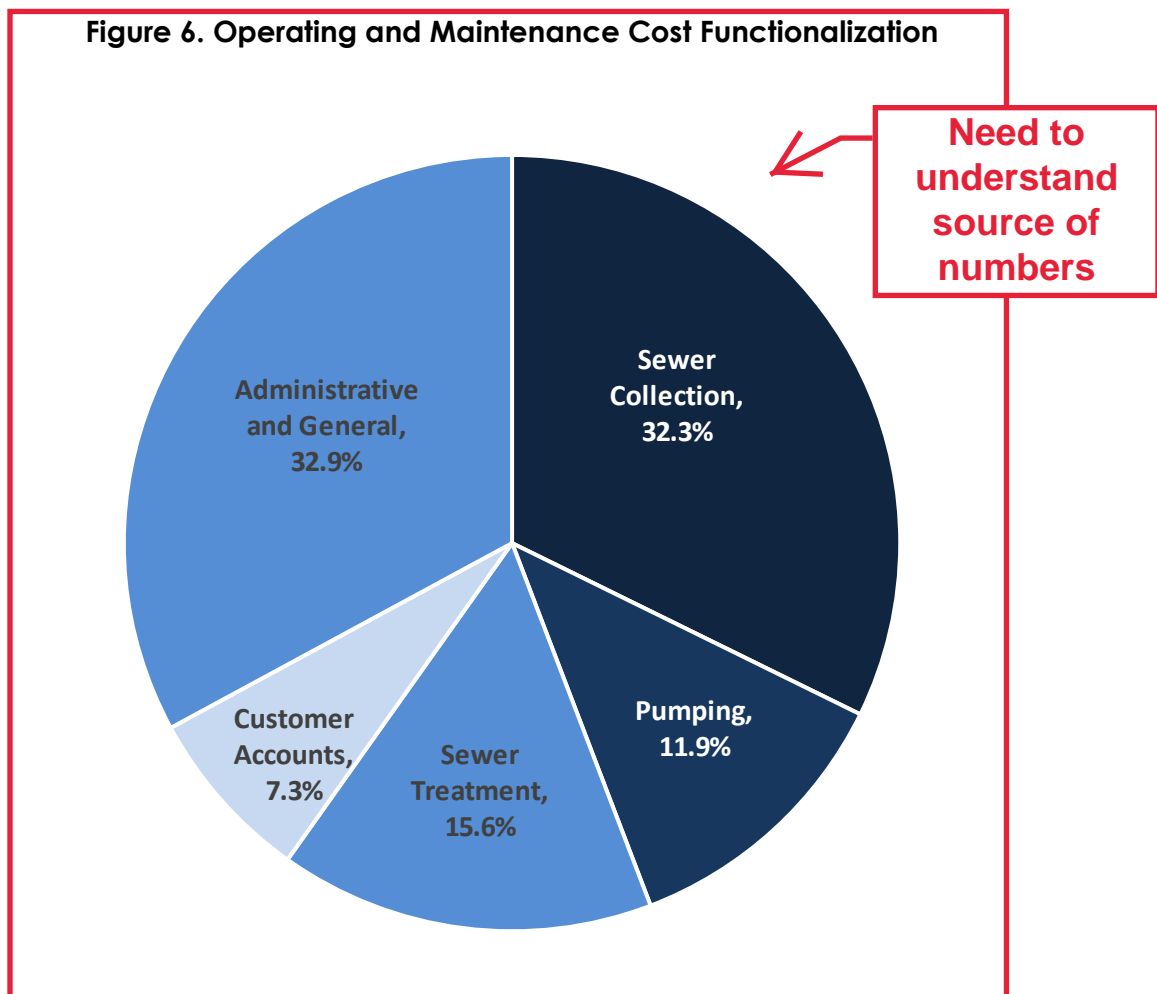
COST OF SERVICE

Methodology

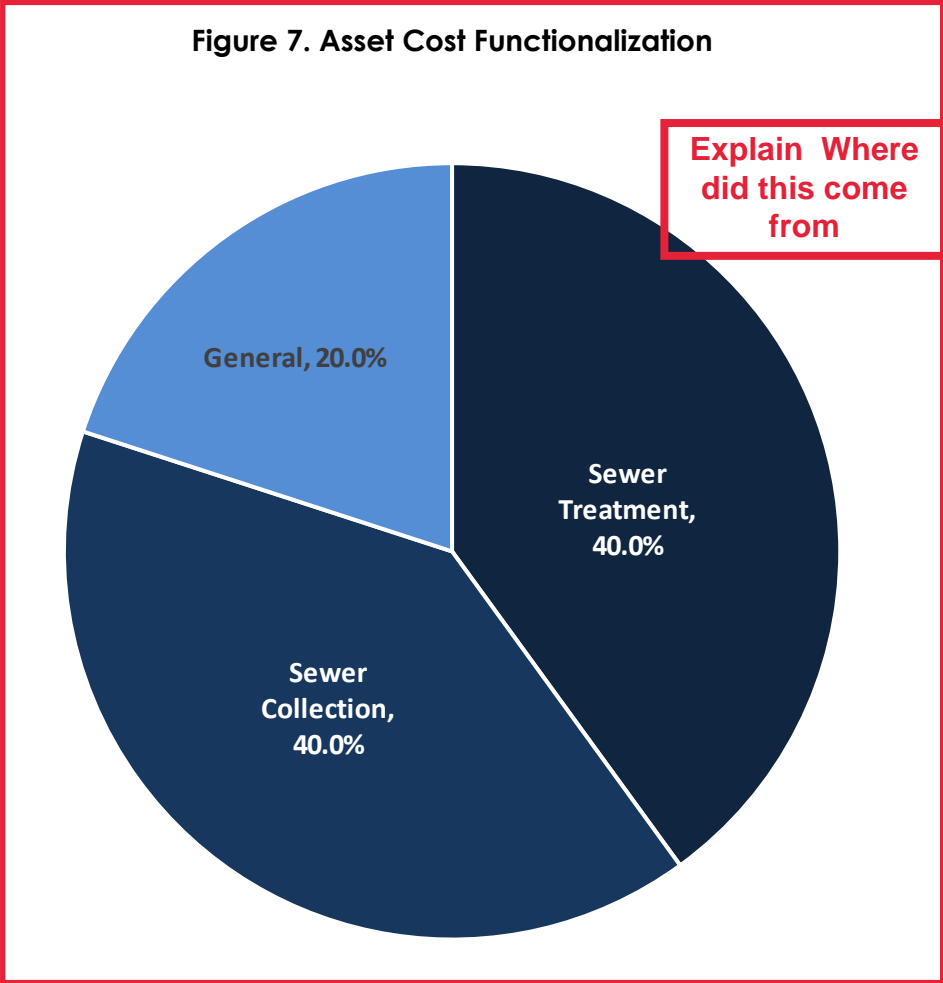
A sewer system's COS analysis utilizes a three-step approach to allocate costs equitably among customers. These steps include 1) functionalization of cost and asset items, 2) cost classification, and 3) cost allocation to customers.

Cost Functionalization

Using the District's operating budget, RDN determined the correct cost functions to allocate line each item to. **Figure 6** displays the percent of the operating budget which is allocated to each functional cost category. Sewer collection makes up the largest functional percentage and includes costs for operations management, professional fees, and excess repairs.



To determine the cost functions for non-operating expenses (CIP, reserve contributions, etc.) a detailed list of system assets was used. **Figure 7** shows the total assets divided into the different cost functions.



COS Classification

Using industry standards, costs were allocated to the appropriate cost causative components, including: the Volume of sewer flow, Biological Oxygen Demand (BOD), Total Suspended Solids (TSS), and Sewer Services. The resulting cost allocations to cost causative components for O&M expenses and Asset Values are show in **Table 7** and **Table 8**. The test year non-operating expenses were allocated based on the percentage of asset cost allocation by component.

Table 7. O&M Cost Allocation

O&M Cost Allocation	Total by Function	Volume	BOD	TSS	Sewer Service
Sewer Collection	\$195,713	\$78,285	\$58,714	\$58,714	\$0
Pumping	\$72,262	\$31,903	\$20,180	\$20,180	\$0
Sewer Treatment	\$94,784	\$4,739	\$42,653	\$47,392	\$0
Customer Accounts	\$44,173	\$0	\$0	\$0	\$44,173
Administrative and General	\$199,485	\$56,339	\$59,584	\$61,907	\$21,655
Total Test Year O&M	\$606,418	\$171,267	\$181,130	\$188,193	\$65,828

Table 8. Asset Value Cost Allocation

Asset Cost Allocation	Total by Function	Volume	BOD	TSS
Sewer Treatment	\$407,039	\$101,760	\$152,640	\$152,640
Collection and Disposal	\$407,039	\$244,223	\$81,408	\$81,408
Sewer General	\$203,519	\$86,496	\$58,512	\$58,512
Total Assets	\$1,017,597	\$432,479	\$292,559	\$292,559

Table 9 summarizes the cost allocation. Total O&M expenses and Other obligations are allocated to each cost causative component. Then non-operating revenues and net balance adjustments are used to offset rate revenue requirements. The resulting cost allocations are then redistributed to each customer class in the COS allocation.

Table 9. Cost Allocation Summary

Cost Allocation Summary	Cost of Service	Volume	BOD	TSS	Sewer Service
O&M Expense	\$606,418	\$171,267	\$181,130	\$188,193	\$65,828
Other Obligations	\$250,000	\$106,250	\$71,875	\$71,875	\$0
Non-Operating Revenues Offset	(\$43,709)	(\$18,576)	(\$12,566)	(\$12,566)	\$0
Total Revenue Requirements	\$812,709	\$258,940	\$240,439	\$247,502	\$65,828
% Distribution		31.9%	29.6%	30.5%	8.1%
Net Balance Adjustment	(\$41,044)	(\$13,077)	(\$12,143)	(\$12,500)	(\$3,325)
Revenue Requirements for Rates	\$771,665	\$245,863	\$228,296	\$235,002	\$62,503

COS Allocation

Units of Service

In order to distribute costs to each customer class, the number units for each cost causative component must be determined, as well as the relative strain each customer class puts on the system. Five customer classes were considered for this allocation, based on the currently billed customer classes: motels, residential, restaurants, commercial, and state parks (which includes the sewer flow and strength of the Hearst Castle). **Table 10** shows the total units of service for each cost causative component by customer class as well as the relative proportion of each by percentage. Sewer strength values were derived from ranges provided in the State Water Resources Control Board Revenue Program Guidelines, Appendix G.

Table 10. Unit of Service by Customer Class

Description	Volume		BOD			
	Annual Flow	% Flow	Strength	Volume	Total BOD	% BOD
	HCF		mg/L	liter	lbs/year	
Motels	22,178	58.2%	600	62,801,056	83,071	69.0%
Residential	6,649	17.5%	175	18,826,981	7,264	6.0%
Restaurants	2,270	6.0%	1,000	6,427,404	14,170	11.8%
Commercial	1,009	2.6%	150	2,858,185	945	0.8%
State Park	5,985	15.7%	400	16,947,605	14,945	12.4%

Description	TSS				WW Service	
	Strength	Volume	Total TSS	% TSS	# of Billing Units	% Billing Units
	mg/L	liter	lbs/year		Billing Units	
Motels	500	62,801,056	69,226	56.2%	456	16.9%
Residential	175	18,826,981	7,264	5.9%	2,112	78.2%
Restaurants	600	6,427,404	8,502	6.9%	72	2.7%
Commercial	150	2,858,185	945	0.8%	48	1.8%
State Park	400	16,947,605	37,320	30.3%	12	0.4%

Cost by Customer Class

RDN allocated costs based on the relative strain each customer class puts on the system as determined by the unit cost analysis. **Table 11** shows the test year revenue requirements (\$771,505) distributed among each customer class.

Table 11. Revenue Requirements by Customer Class

Cost Causitive Component	Motels	Residential	Restaurants	Commercial	State Park
Volume	\$143,151	\$42,915	\$14,651	\$6,515	\$38,631
BOD	\$157,522	\$13,773	\$26,869	\$1,792	\$28,339
TSS	\$131,987	\$13,849	\$16,210	\$1,802	\$71,154
Sewer Service	\$10,556	\$48,892	\$1,667	\$1,111	\$278
Total Revenue Requirements	\$443,216	\$119,429	\$59,397	\$11,221	\$138,402

RATE SETTING

Rate Options

To create the rates outlined in this study, the essential calculation is the revenue requirements, developed in the financial planning analysis, divided by the cost of service units. Each customer was assigned a percentage of the total cost of service based on their individual service requirements. In option 1, the total revenue requirements for each customer class divided by the projected sewer flow. **In option 2, which introduces a fixed monthly charge, the fixed portion of the rates was designed by dividing the total costs to provide billing and customer service by the number of bills in a year and the remaining costs were divided by the projected sewer flow.**

Table 12 shows the proposed rate schedule through the study period for option 1.

Table 12. Proposed Rates FY 2023-24 to FY 2027-28

Monthly Bill						
Class	Unit	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Motels	Per hcf	\$19.98	\$22.38	\$24.62	\$27.08	\$28.84
Residential	Per hcf	\$17.96	\$20.12	\$22.13	\$24.34	\$25.93
Restaurants	Per hcf	\$26.17	\$29.31	\$32.24	\$35.46	\$37.77
Commercial	Per hcf	\$11.12	\$12.45	\$13.70	\$15.07	\$16.04
State Park	Per hcf	\$23.12	\$25.90	\$28.49	\$31.34	\$33.38

Table 13 shows the proposed rate schedule through the study period for option 2.

Table 13. Proposed Rates FY 2023-24 to FY 2027-28

Monthly Bill						
Class	Unit	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Fixed Charge	Per Month	\$23.15	\$25.93	\$28.52	\$31.37	\$33.41
Motels	Per hcf	\$19.51	\$21.85	\$24.04	\$26.44	\$28.16
Residential	Per hcf	\$10.61	\$11.88	\$13.07	\$14.38	\$15.31
Restaurants	Per hcf	\$25.43	\$28.49	\$31.33	\$34.47	\$36.71
Commercial	Per hcf	\$10.02	\$11.22	\$12.34	\$13.57	\$14.46
State Park	Per hcf	\$23.08	\$25.85	\$28.43	\$31.28	\$33.31

CONCLUSION

Recommendations:

RDN recommends the District implement either of the options outlined in this report in the beginning of fiscal year 2023-24. The first option will maintain the current rate design, which will improve customer understanding. The second option will improve revenue stability, as a portion of the total revenue requirements will be collected despite fluctuations in water use. The District needs revenue increases to fund needed capital improvement projects and build reserve levels. The outlined financial plan and COS analysis provides a Proposition 218 compliant rate structure. The proposed revenue requirements include funding for both District reserves and capital expenditures as well as sufficient funding for the daily operations. If the District is able to secure additional funding sources, or if customer growth is allowed, resulting in increased revenues, the District Board can choose to implement lower increases or not implement increases in any year. Specific recommendations include:

- Building specific reserve funds by making annual contributions from revenue generated from rates
- Adjusting revenues by 22 percent in FY 2024, 12 percent in FY 2025, 10 percent in FY 2026 and FY 2027, and 6.5 percent in FY 2028 to ensure funding for the wastewater utility
- Billing Hearst Ranch by the same method used for other customers (per hcf of sewer flow)
- Refining the cost of service allocation to improve overall customer equity

Exhibit 4.10 Present Billing Rates 2022-2023

**San Simeon CSD
RATES
2022 - 2023**

Fiscal Year	09-10	09-10	10-11	11-12	12-13	13-14	14-15	15-16	16-17	17-18	18-19	19-20	20-21	21-22	22-23
Ordinance	#103	#105	#105	#105	#105	#105	#110	#110	#110	#110	#110	#121	#121	#121	#121
Ordinance Adopted	8/9/2007	8/12/2009	8/12/2009	8/12/2009	8/12/2009	8/12/2009	11/11/2011	11/11/2011	11/11/2011	11/11/2011	11/11/2011	8/14/2019	8/14/2019	8/14/2019	8/14/2019
Ordinance Effect	7/1/2009	9/1/2009	7/1/2010	7/1/2011	7/1/2012	7/1/2013	7/1/2014	7/1/2015	7/1/2016	7/1/2017	7/1/2018	9/25/2019	7/1/2020	7/1/2021	7/1/2022
Meter Charge															
Per Month - Per Meter	\$15.36	\$16.74	\$18.28	\$20.44	\$23.04	\$25.80	\$27.37	\$29.10	\$30.82	\$32.33	\$34.20	\$36.18	\$38.03	\$39.78	\$42.49
% increase	4.50%	9.00%	9.20%	11.80%	12.7%	12.0%	6.1%	6.3%	5.9%	4.9%	5.8%	5.8%	5.1%	4.6%	6.8%
Water Rates															
Per 100cf Water Used															
All Users	\$5.49	\$5.98	\$6.53	\$7.30	\$8.23	\$9.22	\$9.78	\$10.40	\$11.01	\$11.55	\$12.22	\$12.93	\$13.59	\$14.22	\$15.19
% increase	4.50%	9.00%	9.20%	11.80%	12.7%	12.0%	6.1%	6.3%	5.9%	4.9%	5.8%	5.8%	5.1%	4.6%	6.8%
Irrigation Meters															
	\$8.80	\$9.59	\$10.95	\$12.24	\$13.79	\$15.44	\$16.38	\$17.41	\$18.44	\$19.34	\$20.47	\$21.65	\$22.76	\$23.81	\$25.43
% increase	4.50%	9.00%	14.20%	11.80%	12.7%	12.0%	6.1%	6.3%	5.9%	4.9%	5.8%	5.8%	5.1%	4.6%	6.8%
Sewer Rates															
Per 100cf Water Used															
Motels															
	\$5.38	\$6.13	\$7.00	\$8.18	\$9.62	\$11.26	\$11.95	\$12.70	\$13.45	\$14.11	\$14.93	\$15.79	\$16.60	\$17.36	\$18.54
% increase	4.50%	14.00%	14.20%	16.80%	17.7%	17.0%	6.1%	6.3%	5.9%	4.9%	5.8%	5.8%	5.1%	4.6%	6.8%
Residences															
	\$3.31	\$3.77	\$4.31	\$5.03	\$5.92	\$6.93	\$7.35	\$7.82	\$8.28	\$8.68	\$9.19	\$9.72	\$10.21	\$10.68	\$11.41
% increase	4.50%	14.00%	14.20%	16.80%	17.6%	17.1%	6.1%	6.3%	5.9%	4.9%	5.8%	5.8%	5.1%	4.6%	6.8%
Restaurants															
	\$8.34	\$9.50	\$10.85	\$12.67	\$14.91	\$17.44	\$18.50	\$19.67	\$20.83	\$21.85	\$23.12	\$24.46	\$25.71	\$26.89	\$28.72
% increase	4.50%	14.00%	14.20%	16.80%	17.7%	17.0%	6.1%	6.3%	5.9%	4.9%	5.8%	5.8%	5.1%	4.6%	6.8%
Commercial															
	\$3.31	\$3.77	\$4.31	\$5.03	\$5.92	\$6.93	\$7.35	\$7.82	\$8.28	\$8.68	\$9.19	\$9.72	\$10.21	\$10.68	\$11.41
% increase	4.50%	14.00%	14.20%	16.80%	17.6%	17.1%	6.1%	6.3%	5.9%	4.9%	5.8%	5.8%	5.1%	4.6%	6.8%
Irrigation															
	none	none	none	none	none	none	none	none	none	none	none	none	none	none	none
% increase															
Recycled Water															
							0.0074	0.0083	0.0088	0.0092	0.0098	0.0103	0.0109	0.0114	0.0122

EXHIBIT "A"

Service Fee	Current Rates	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24
Per Month - Per Meter	\$34.20	\$36.18	\$37.27	\$38.39	\$39.54	\$40.72
**CPI + % increase		5.8%	CPI + 3.0%	CPI + 3.0%	CPI + 3.0%	CPI + 3.0%
Water Rates						
*Per 100cf Water Used						
All Users	\$12.22	\$12.93	\$13.32	\$13.72	\$14.13	\$14.55
**CPI + % increase		5.8%	CPI + 3.0%	CPI + 3.0%	CPI + 3.0%	CPI + 3.0%
Irrigation Meters	\$20.47	\$21.65	\$22.30	\$22.97	\$23.66	\$24.37
**CPI + % increase		5.8%	CPI + 3.0%	CPI + 3.0%	CPI + 3.0%	CPI + 3.0%
Sewer Rates						
*Per 100cf Water Used						
Motels	\$14.93	\$15.79	\$16.27	\$16.75	\$17.26	\$17.77
**CPI + % increase		5.8%	CPI + 3.0%	CPI + 3.0%	CPI + 3.0%	CPI + 3.0%
Residences	\$9.19	\$9.72	\$10.01	\$10.31	\$10.62	\$10.94
**CPI + % increase		5.8%	CPI + 3.0%	CPI + 3.0%	CPI + 3.0%	CPI + 3.0%
Restaurants	\$23.12	\$24.46	\$25.19	\$25.95	\$26.73	\$27.53
**CPI + % increase		5.8%	CPI + 3.0%	CPI + 3.0%	CPI + 3.0%	CPI + 3.0%
Commercial	\$9.19	\$9.72	\$10.01	\$10.31	\$10.62	\$10.94
**CPI + % increase		5.8%	CPI + 3.0%	CPI + 3.0%	CPI + 3.0%	CPI + 3.0%
<p><i>*100cf = 748 gallons = 1 unit of water (accounts are billed in units)</i> <i>**CPI + (The dollar amounts shown above for FY 2021 to 2024 include the proposed percentage increase. CPI is added when the Bureau of Labor Statistics publishes CPI).</i></p>						

12% Increase

Water - All Users

	Current + 12%	NEW total
Meter Charge	$\$42.49 \times .12 = \5.10	\$47.59
Water	$\$15.19 \times .12 = \1.82	\$17.01

Sewer

Residential	$\$11.41 \times .12 = \1.37	\$12.51
Motels	$\$18.54 \times .12 = \2.22	\$20.76
Restaurants	$\$28.72 \times .12 = \3.45	\$32.17

With 12% Total Increase / month - FEES - WATER - SEWER

Residential \$8.29

Motels \$9.14

Restaurants. \$10.37