



JAMESTOWN SANITARY DISTRICT

Sewer Rate Study

FINAL REPORT
October 2024



LECHOWICZ + TSENG
MUNICIPAL CONSULTANTS

909 Marina Village Parkway #135

Alameda, CA 94501

(510) 545-3182

www.LTmuniconsultants.com

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SECTION 1: EXECUTIVE SUMMARY

1.1 Background

Jamestown is a small historical town of approximately 3 square miles and a population of roughly 3,500 residents that is located in Tuolumne County in the foothills of the Sierra Nevada Mountains. The Jamestown Sanitary District (JSD or District) was established in 1940 and provides sewer service and wastewater treatment for the Jamestown community and nearby areas in Tuolumne County currently consisting of 718 residential and 117 commercial active service connections. The JSD wastewater treatment plant (WWTP) provides secondary treatment with chlorination disinfection and contracts with Tuolumne Utilities District (TUD) for effluent disposal.

The Board of Directors approved the most recent formal rate study in 2016 and the last rate adjustment, which was an increase of about 11%, went into effect July 1, 2022. JSD has not raised rates in over two years. The District's rate structure consists of a fixed monthly charge for all customers. All customers are assigned a number of equivalent single family residential (ESFR) units based on the volume and pollutant loading of wastewater generated. Single family residences are assigned one ESFR, and commercial customers are assigned multiple ESFRs to reflect their higher use of the sewer system.

The District engaged Lechowicz & Tseng Municipal Consultants to complete a comprehensive sewer rate study to recommend sewer rates that will generate sufficient revenues to recover the full cost of providing service including operating and maintenance costs, infrastructure improvements, debt service payments, and maintaining adequate reserves. This rate study covers the five-year period beginning in fiscal year (FY) 2024/25 through FY2028/29.

1.2 Current Financial Status

Absent a rate adjustment, the District will spend down its reserves and become financially insolvent in four years. Currently, the District does not have enough annual revenues to cover costs and is operating at a deficit. In 2018, the District issued debt to pay for secondary treatment upgrades. Debt payments are currently funded by drawing from JSD's limited reserves but should be covered by rate revenues. Absent a rate increase, the District will continue to draw down its reserves until they are depleted. Rates must increase to fund inflationary cost increases, repairs to the sewer system, current debt service, and future anticipated debt payments for additional treatment improvements. Rates will not fund any capacity expansion costs. Rate revenues will only be used to fund the actual costs of providing service to existing customers.

Over the next five years, the District expects to cash-fund \$2.3 million in sewer line and vehicle replacements. Moreover, JSD is contemplating financing up to \$15.1 million in treatment upgrades including tertiary retrofits that are required by the Tuolumne Utilities District to continue providing disposal. It is expected that construction of treatment upgrades would occur over the next four years and debt service payments would begin in the fifth year of the rate study period (FY2028/29). The new debt service costs are proposed to be funded via an additional monthly debt fee. If outside funding such

as grants become available for a portion of the treatment upgrades, the debt fee could be reduced or not implemented. At this time, no outside funding has been secured.

1.3 Requirements of Proposition 218

The implementation of utility rates in California is governed by the substantive and procedural requirements of Proposition 218 the “Right to Vote on Taxes Act” which is codified as Articles XIII C and XIII D of the California Constitution. The District must follow the procedural requirements of Proposition 218 for all utility rate increases. These requirements include:

1. **Noticing Requirement** – The District must mail a notice of the proposed rate increases to all affected property owners or ratepayers. The notice must specify the amount of the fee, the basis upon which it was calculated, the reason for the fee, and the date/time/location of a public rate hearing at which the proposed rates will be considered/adopted.
2. **Public Hearing** – The District must hold a public hearing prior to adopting the proposed rate increases. The public hearing must be held not less than 45 days after the required notices are mailed.
3. **Rate Increases are Subject to Majority Protest** – At the public hearing, the proposed rate increases are subject to majority protest. If more than 50% of affected property owners or ratepayers submit written protests against the proposed rate increases, the increases cannot be adopted.

Proposition 218 also established substantive requirements that apply to sewer rates and charges, including:

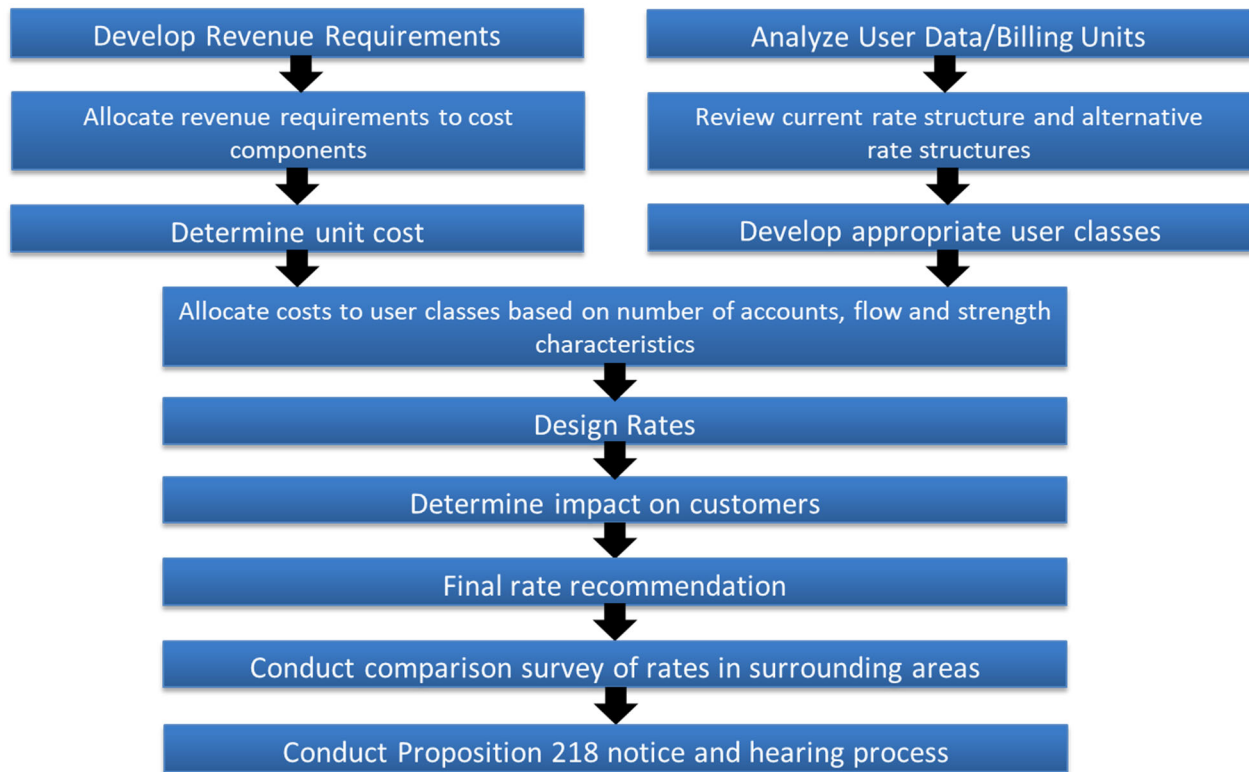
1. **Cost of Service** - Revenues derived from the fee or charge cannot exceed the funds required to provide the service. In essence, fees cannot exceed the “cost of service”.
2. **Intended Purpose** - Revenues derived from the fee or charge can only be used for the purpose for which the fee was imposed.
3. **Proportional Cost Recovery** - The amount of the fee or charge levied on any customer shall not exceed the proportional cost of service attributable to that customer.
4. **Availability of Service** - No fee or charge may be imposed for a service unless that service is used by, or immediately available to, the owner of the property.
5. **General Government Services** - No fee or charge may be imposed for general governmental services where the service is available to the public at large.

Charges for sewer service are exempt from additional voting requirements of Proposition 218, provided the charges do not exceed the cost of providing service and are adopted pursuant to procedural requirements of Proposition 218.

1.4 Rate Study Process

This section details the development of the District’s sewer rates via the Proposition 218 process as shown in the following figure.

Figure 1: Comprehensive Cost of Service Study Process



The following is a brief description of the rate study process:

- **Revenue Requirements** - Revenue requirements are analyzed via a financial plan developed from the District’s historical operating results, budgets, audits, and input from District staff. Based on the best information currently available, the financial plan incorporates projected operations and maintenance costs and capital expenditures to estimate annual revenue requirements via a cash flow projection. The cash flow serves as a roadmap for funding the system’s future operating and capital programs while maintaining long-term fiscal stability.
- **Cost of Service Allocation** - The cost of service process builds on the revenue requirement analysis and assigns sewer system costs to functional cost components: flow and wastewater pollutant strength. The District’s current assignment of ESFRs to various customer types based

on their flow and loading characteristics is reasonable and is not proposed to be adjusted in this study.

- **Rate Design** - Rate design involves developing a rate structure that proportionately recovers costs from customers but does not exceed the proportional cost of the service attributable to the parcel. It is proposed that all customers continue to be billed fixed monthly charges based on ESFRs. Final rate recommendations are designed to (a) fund the utility’s short- and long-term costs of providing service; (b) proportionately allocate costs to all customers and customer classes; and (c) comply with the substantive requirements of Proposition 218.

The rates developed in this report were based on the best available information gathered from District budgets, audits, and input from staff. The proposed rates are based on the reasonable cost of providing service and do not exceed the proportional cost of the service attributable to each parcel.

1.5 Summary of Proposed Rates

Current and proposed monthly sewer rates are provided below in Table 1. The first rate increase is proposed to go into effect January 1, 2025. Subsequent rate changes are proposed to be implemented on July 1 of 2026, 2027, and 2028 to correspond with the District’s fiscal year.

The District’s current monthly sewer service charge for single family residential customers is \$81.55. After the first proposed increase, the service charge per ESFR would increase to \$134.56 per month, an increase of 65%. This rate is proposed to remain the same through June 30, 2026. July 1, 2026, July 1, 2027, and July 1, 2028, the base rate is proposed to further increase by 10% annually. In addition, a new debt service fee is proposed to be implemented July 1, 2028 to fund debt payments associated with treatment upgrades. If adopted by JSD’s Board of Directors through the Proposition 218 process, these rates represent the legal maximum rates that the District can implement. If costs are not as high as predicted or outside funding such as grants becomes available, the Board can lower the rates.

Table 1: Proposed Monthly Rates

	Current Monthly Rate	PROPOSED MONTHLY RATES				
		Effective Date				
		FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29
		Jan 1, 2025	Jul 1, 2025	Jul 1, 2026	Jul 1, 2027	Jul 1, 2028
% increase to Base Rate		65%	0%	10%	10%	10%
Base Rate per ESFR	\$81.55	\$134.56	\$134.56	\$148.02	\$162.82	\$179.10
+Debt Fee	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>\$49.22</u>
Total Rate per ESFR	\$81.55	\$134.56	\$134.56	\$148.02	\$162.82	\$228.32

ESFR – equivalent single family residential customer.

SECTION 2: CURRENT RATES AND CUSTOMER BASE

This section provides an overview of the District’s sewer rates, customer base, and current rate revenues. The District bills customers for sewer service on a monthly basis such that each billing period covers one month of service. JSD last conducted a rate study in 2016 at which time a five-year schedule of sewer rates was adopted. JSD adopted two postponements to the five-year plan effective July 1 of 2020 and 2021 in consideration of the COVID-19 pandemic. July 1, 2022, the final increase from the rate plan went into effect. The current monthly charge per equivalent single family residential (ESFR) customer is \$81.55, see Table 2.

The District provides service to 718 residential and 117 commercial active service connections. JSD does not bill customers for individualized sewer flows (i.e. volume rates) and instead bills fixed fees based on ESFR units. Each customer is assigned a number of ESFRs based on their estimated volume of wastewater generated, with one ESFR equating to the volume of wastewater generated by a typical single family home. The District budgets \$1.575 million in rate revenue annually which equates to about 1,609 ESFRs.

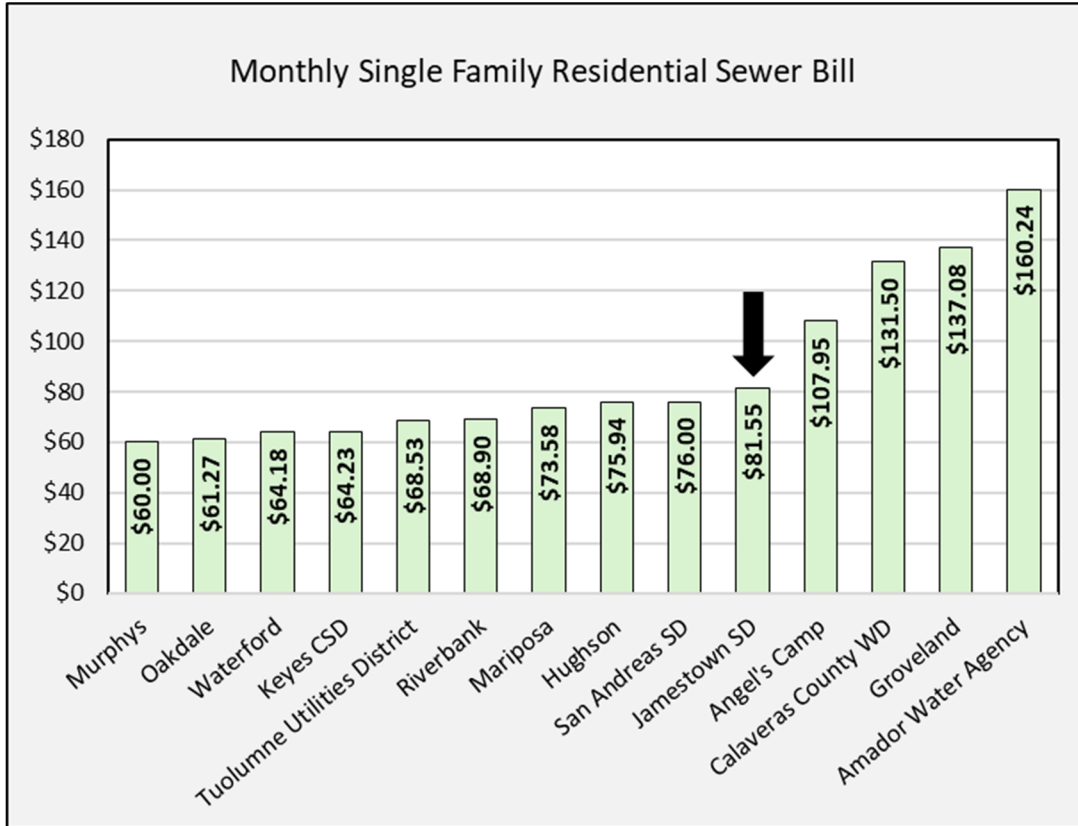
Table 2: Historical Monthly Rates

	Effective Date				
	July 1, 2016	July 1, 2017	July 1, 2018	July 1, 2019 through 2021	July 1, 2022
Base Rate per ESFR	\$49.15	16% \$57.25	14% \$65.35	12% \$73.45	11% \$81.55

ESFR – equivalent single family residential customer.

The following figure compares the District's current monthly single family residential bill with those of surrounding agencies.

Figure 2: Monthly Single Family Residential Sewer Bill Survey



SECTION 3: REVENUE REQUIREMENT

Proposition 218 requires that utility rates be based on the reasonable cost of providing service to customers. The cost of service includes annual operating expenses, debt service payments, capital projects, and the accumulation of appropriate reserves. JSD’s cost of service was developed based on the FY2024/25 adopted budget, capital project list developed by staff and engineering consultants, and reserve recommendations.

3.1 Existing Reserves

At the beginning of this fiscal year (July 1, 2024), the District’s total reserve fund balance was about \$3.23 million. Reserves consist of an account with the Local Agency Investment Fund (LAIF), the District’s 2nd reserve, and a debt service reserve fund. The LAIF reserve consists of the District’s long-term investments, and the District prefers not to draw upon the LAIF fund except in emergency circumstances. The 2nd reserve provides the District’s working capital via which the District funds annual operating costs and replenishes the debt service reserve. The District is required to maintain a debt service reserve fund as a condition of its outstanding State Revolving Fund (SRF) loan. The debt service reserve is a restricted fund that can only be used to make debt payments and must maintain a balance equal to or greater than the annual payment.

Table 3: District Reserves as of July 1, 2024

Reserve	Cash Balance
Local Agency Investment Fund (LAIF)	\$1,921,000
2nd Reserve	\$758,400
Debt Service Reserve (restricted)	<u>\$551,100</u>
Total	\$3,230,500

3.2 Proposed Reserves

One goal of the proposed rate adjustment is to maintain reasonable reserves to protect the financial health of the utility. It is proposed that the District adopt a reserve target equal to the sum of: 1) 50% of annual operating expenses, 2) a \$500,000 emergency capital project reserve, and 3) annual debt service payments. This is in-line with industry standards and provides a financial runway for the District in an emergency. For FY2024/25, this equates to a reserve target of \$1.88 million meaning the District is currently meeting its reserve target.

3.3 Revenues

Under the existing rates, total revenues for the District are estimated at \$1.78 million. Rate revenues are estimated at \$1.575 million. Net of projected delinquencies of 1.5%, total rate revenue is estimated as at about \$1.55 million. Additional revenues include about \$157,000 of property taxes which are projected to increase by \$2,000 annually, miscellaneous fees, and interest earnings which are estimated as 3.5% of the LAIF fund balance. Interest earnings are reinvested in the LAIF account.

3.4 Operating Expenses

In FY2024/25, sewer operating expenses total approximately \$1.77 million. Major line-items include staffing, treatment O&M, engineering and legal, and outfall/disposal expenses. Beyond FY2024/25, operating expenses are projected to increase by the percentages shown in Table 4. The operating cost projection was based on interviews with agency staff and the District's recent cost increases.

This rate study includes operating and capital costs associated with sewer treatment upgrades. The District expects to debt finance \$15.1 million in secondary treatment improvements as well as an upgrade to tertiary treatment to comply with the updated treated effluent disposal agreement between the District and the Tuolumne Utilities District (TUD) adopted on May 19, 2019. It is assumed that the new tertiary treatment system will come online in the fifth year of this rate study (FY2028/29). As shown in Table 4, tertiary treatment is expected to add \$250,000 in annual operating costs.

Table 4: Operating Cost Projection

	Year 1	Year 2	Year 3	Year 4	Year 5
	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29
Operating Expenses	Current Expenses	Jul 1, 2025 to Jun 30, 2026	Jul 1, 2026 to Jun 30, 2027	Jul 1, 2027 to Jun 30, 2028	Jul 1, 2028 to Jun 30, 2029
Treatment O&M		10%	5%	5%	5%
Collections O&M		10%	5%	5%	5%
District Operations		5%	5%	5%	5%
Insurance		20%	5%	5%	5%
Board of Directors		5%	5%	5%	5%
Staffing		10%	10%	10%	5%
Engineering and Legal		5%	5%	5%	5%
Audit & Reporting		5%	5%	5%	5%
Outfall/disposal		5%	5%	5%	5%
	Budget	Projected	Projected	Projected	Projected
Treatment O&M	370,000	407,000	427,400	448,800	471,200
Collections O&M	51,900	57,100	60,000	63,000	66,200
District Operations	112,700	118,300	124,200	130,400	136,900
Insurance	77,300	92,800	97,400	102,300	107,400
Board of Directors	10,000	10,500	11,000	11,600	12,200
Staffing	823,200	905,500	996,100	1,095,700	1,150,500
Engineering and Legal	180,000	189,000	198,500	208,400	218,800
Audit & Reporting	15,000	15,800	16,600	17,400	18,300
Outfall/disposal	125,000	131,300	137,900	144,800	152,000
Add'l Tertiary O&M	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>250,000</u>
Total Operating Expenses	\$1,765,100	\$1,927,300	\$2,069,100	\$2,222,400	\$2,583,500

3.5 Capital Improvement Plan

Table 5 provides a five-year projection of capital improvement needs prepared by Black Water Consulting Engineers, Inc. It is anticipated that JSD will need to fund \$15.1 million of treatment improvements. About 40% of costs are needed to improve the existing facilities including electrical upgrades and a new effluent storage pond. About 60% of costs are needed to bring JSD’s effluent up to tertiary standards to be accepted by Tuolumne Utilities District. More information is available in the *Jamestown Sanitary District Wastewater Facility Upgrades No. 1 Project Report* dated May 2024 by Black Water Consulting Engineers, Inc.

The District also expects to cash-fund about \$2.37 million of pipeline planning, design, repairs, replacements, and improvements as well as replace about five vehicles that are over 20 years old. The District received a REAP grant of \$2.7 million to fund condition assessments and pipeline repairs – these projects are excluded from Table 5. Absent these needed repairs and replacements, the District’s customers could face more frequent sewer spills and costly mainline repairs.

Table 5: Capital Improvement Projects

Project No.	Project Title	Project Description	PROPOSITION 218 PERIOD				5-Year Total	Funding Source	
			Year 1 & 2		Year 3	Year 4			Year 5
			FY 2024/25 & FY 2025/26		FY 2026/27	FY 2027/28			FY 2028/29
			Jan 1, 2025 to Jun 30, 2026		Jul 1, 2026 to Jun 30, 2027	Jul 1, 2027 to Jun 30, 2028			Jul 1, 2028 to Jun 30, 2029
WWTP-1	Wastewater Facility Upgrades No. 1	Refer to CWSRF application and Project Report	\$767,653	\$767,653	\$3,627,573	\$6,626,748	\$3,341,938	\$15,131,565	Loan
S-1	6th Avenue Alley Collection System Improvements	Pipe replacement along 6th Avenue Alley.	\$0	\$0	\$275,654	\$0	\$0	\$275,654	Rates
S-2	Hwy 108 Collection System Improvements	Cleanout replacements in Hwy 108 between Wigwam Road and Chabroullian Road.	\$0	\$0	\$0	\$46,000	\$0	\$46,000	Rates
S-3	Shady Dawn Lane Collection System Improvements	Pipe replacement and install new manholes along Shady Dawn Lane.	\$0	\$0	\$0	\$0	\$434,925	\$434,925	Rates
S-5	Existing Force Main Replacement (planning and preliminary design)	Replace approximately 4,000 linear feet of existing force main with a new 8-inch force main.				\$129,608	\$129,608	\$259,216	Rates
W-1	Water Service Replacement	Replace the water service at the 108 plant.	\$0	\$30,000	\$0	\$0	\$0	\$30,000	Rates
G-1	Vehicle Replacement	Replace five (5) vehicles with new vehicles.	\$0	\$131,845	\$124,998	\$312,436	\$750,000	\$1,319,279	Rates
Total			\$767,653	\$929,498	\$4,028,225	\$7,114,792	\$4,656,470	\$17,496,639	
Total w/o WWTP-1			\$0	\$161,845	\$400,652	\$488,044	\$1,314,533	\$2,365,074	

3.6 Debt Service

The District currently has one outstanding debt obligation. In January 2018, JSD entered into an installment loan agreement with the California State Water Resources Control Board (CSWRCB) via the State Revolving Fund (SRF) program to finance the District’s Wastewater Treatment Facility Improvement Project. The loan will be paid back over 30 years with the final payment anticipated in FY2051/52. Annual debt service for the loan totals about \$501,000.

A chief covenant for the District to secure loans, grants, or revenue bonds/Certificates of Participation (COPs) is to maintain a specific debt service coverage ratio. A debt service coverage ratio is a financial measure of an agency’s ability to repay outstanding debt. The debt service coverage ratio means that annual net revenues (gross revenues less operating and maintenance expenses) must be at least 1.20 times the combined annual debt service payments on all parity obligations. Failure to meet the debt service coverage ratio on an annual basis is considered to be technical default, thereby making the debt callable or payable upon demand. Thus, rates and fees must be set to meet this legal requirement. It is projected that the District will miss debt service coverage in FY2024/25 but will meet its requirements in FY2025/26 with proposed rate increases.

The District will pursue all no-cost or low-cost funding sources such as grants for its treatment upgrades. However, these funding sources have not been secured as of the writing of this report. For financial planning and ratemaking purposes, it is assumed that the District will debt finance the full cost of the treatment upgrades (\$15.1 million) through CSWRCB’s SRF loan program. Based on typical terms and conditions, annual debt service is estimated at about \$720,000. Accounting for service charge delinquencies, a debt coverage ratio of 1.2X the annual payment, and the need to increase the debt service reserve fund to match the District’s increased debt burden, the total estimated annual cost to JSD is about \$950,300. Divided by 12 months and about 1,609 ESFRs, the monthly cost is \$49.22, see Table 6. Typically, SRF debt service payments begin one year after construction is complete. For financial planning purposes, the first debt payment is budgeted for FY2028/29.

Table 6: Wastewater Facility Upgrades No. 1 Debt Service Estimate

Debt Proceeds (project cost)	\$15,131,565
Interest Rate	2.50%
Term (years)	30
Annual Payment	\$720,000
Total Cost (Delinquency of 1.5% & 1.2X coverage & 1/10th Reserve)	\$950,300
Monthly Cost per ESFR	\$49.22

Assumptions: State Revolving Fund loan with typical terms
 Monthly cost based on 1,609 ESFRs

3.7 Recommended Cash Flow Projection: Years 1 to 5

Table 7 provides the District’s cash flow projection. The projection includes the five-year Proposition 218 period of Fiscal Year 2024/25 to Fiscal Year 2028/29. Proposition 218 allows public agencies to adopt a five-year rate plan via a single public outreach process. Agencies may not increase their rates beyond the fifth-year maximum rate unless they conduct a new Proposition 218 outreach process. The sixth year (FY2029/30) is provided in the cash flows for financial planning purposes.

It is proposed that JSD adopt a series of rate increases to cover inflationary operating cost increases, existing and future anticipated debt service payments, capital project costs, and to maintain reserves. The first rate increase of 65% is proposed to go into effect January 1, 2025 and remain the same through June 30, 2026 (i.e. remaining in place for 18 months and covering FY2024/25 through FY2025/26). The rate revenues in FY2024/25 reflect six months at the current rates and six months at the proposed rates. Subsequent annual rate increases of 10% are proposed to go into effect July 1 of 2026, 2027, and 2028. A new debt service fee is also proposed to go into effect on July 1, 2028 to fund loan payments for the treatment upgrades.

Table 8 provides the debt coverage calculation and reserve balances based on the cash flow. It is projected that JSD will meet its debt coverage target of 1.2 times the annual debt payment in FY2025/26 through FY2028/29 (i.e. Years 2 to 5 of the rate plan). At the end of the fifth year of the recommended rate plan (FY2028/29), total reserves are projected to equal about \$3.12 million which exceeds the target of about \$3.0 million. However, the \$3.12 million combined reserve reflects two issues of note: 1) a zero balance from the 2nd reserve which is projected to be fully expended by the end of FY2028/29 as well as 2) a slight draw down of the LAIF account. This is due to the large capital funding needs in FY2028/29. In the past, the District has preferred not to draw from the LAIF account and instead leave funds to earn interest. Absent a withdrawal from the LAIF account, a further rate increase would be needed to fund capital project costs. A chart summarizing the cash flow and reserve balance over the next five years is provided in Figure 3.

3.8 Illustrative Cash Flow Projection: Year 6

Table 7 and Table 8 provide a cash flow analysis through FY2029/30 (i.e. Year 6) for illustrative purposes. Although Year 6 is outside the five-year Proposition 218 planning horizon, Year 6 was modeled with no assumed rate increase to assist JSD with financial planning. In Year 6, the District plans to cash fund about \$796,000 of pipeline and manhole replacements. Due to this expense, combined reserves are expected to drop to about \$2.97 million which is slightly below the recommended target of \$3.08 million for that year.

Table 7: Cash Flow Projection

Rate Effective	PROPOSITION 218 PERIOD					Illustrative
	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
	Jan 1, 2025 to Jun 30, 2026		Jul 1, 2026 to Jun 30, 2027	Jul 1, 2027 to Jun 30, 2028	Jul 1, 2028 to Jun 30, 2029	Jul 1, 2029 to Jun 30, 2030
% Increase on Base Fee	65.00%	0%	10.0%	10.0%	10.0%	0%
Base Rate per ESFR	\$134.56	\$134.56	\$148.02	\$162.82	\$179.10	\$179.10
+Debt Fee					<u>\$49.22</u>	<u>\$49.22</u>
Total Monthly Fee					\$228.32	\$228.32
Base Rate Rev with July 1 Increase	2,598,800	2,598,800	2,858,700	3,144,600	3,459,100	3,459,100
Beginning Cash Balance	\$3,230,400 [1]	\$3,245,900	\$3,446,000	\$3,525,800	\$3,651,100	\$3,119,300
Operating Revenues						
Service Fees (Rates)	2,086,900	2,598,800	2,858,700	3,144,600	3,459,100	3,459,100
Less Delinquency (1.5%)	(31,300)	(39,000)	(42,900)	(47,200)	(51,900)	(51,900)
New Debt Fee	0	0	0	0	950,300	950,300
Less Delinquency (1.5%)	0	0	0	0	(14,300)	(14,300)
Property Taxes (\$2K/yr)	156,800	158,800	160,800	162,800	164,800	166,800
Misc Fees	2,000	2,000	2,000	2,000	2,000	2,000
LAIF Interest (3.5%)	<u>67,200</u>	<u>69,600</u>	<u>72,000</u>	<u>74,500</u>	<u>77,200</u>	<u>64,700</u>
Total Operating Revenues	2,281,600	2,790,200	3,050,600	3,336,700	4,587,200	4,576,700
Operating Expenses						
Treatment O&M	370,000	407,000	427,400	448,800	471,200	494,800
Collections O&M	51,900	57,100	60,000	63,000	66,200	69,500
District Operations	112,700	118,300	124,200	130,400	136,900	143,700
Insurance	77,300	92,800	97,400	102,300	107,400	112,800
Board of Directors	10,000	10,500	11,000	11,600	12,200	12,800
Staffing	823,200	905,500	996,100	1,095,700	1,150,500	1,208,000
Engineering and Legal	180,000	189,000	198,500	208,400	218,800	229,700
Audit & Reporting	15,000	15,800	16,600	17,400	18,300	19,200
Outfall/disposal	125,000	131,300	137,900	144,800	152,000	159,600
Addit'l Tertiary O&M	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>250,000</u>	<u>262,500</u>
Total Operating Expenses	1,765,100	1,927,300	2,069,100	2,222,400	2,583,500	2,712,600
Net Operations	516,500	862,900	981,500	1,114,300	2,003,700	1,864,100
Debt Service						
2018 SRF	501,000	501,000	501,000	501,000	501,000	501,000
New debt	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>720,000</u>	<u>720,000</u>
Total Debt Service	501,000	501,000	501,000	501,000	1,221,000	1,221,000
Capital Costs (Rate Funded)						[2]
Collection System	0	0	275,700	175,600	564,500	795,600
Water Service Line	0	30,000	0	0	0	0
Vehicles	<u>0</u>	<u>131,800</u>	<u>125,000</u>	<u>312,400</u>	<u>750,000</u>	<u>0</u>
Total Capital Costs	0	161,800	400,700	488,000	1,314,500	795,600
Total Expenses	2,266,100	2,590,100	2,970,800	3,211,400	5,119,000	4,729,200
Net Revenues	15,500	200,100	79,800	125,300	(531,800)	(152,500)
Ending Balance	\$3,245,900	\$3,446,000	\$3,525,800	\$3,651,100	\$3,119,300	\$2,966,800

1 - June 30, 2024 combined balance of the LAIF fund, 2nd reserve, and restricted debt service reserve

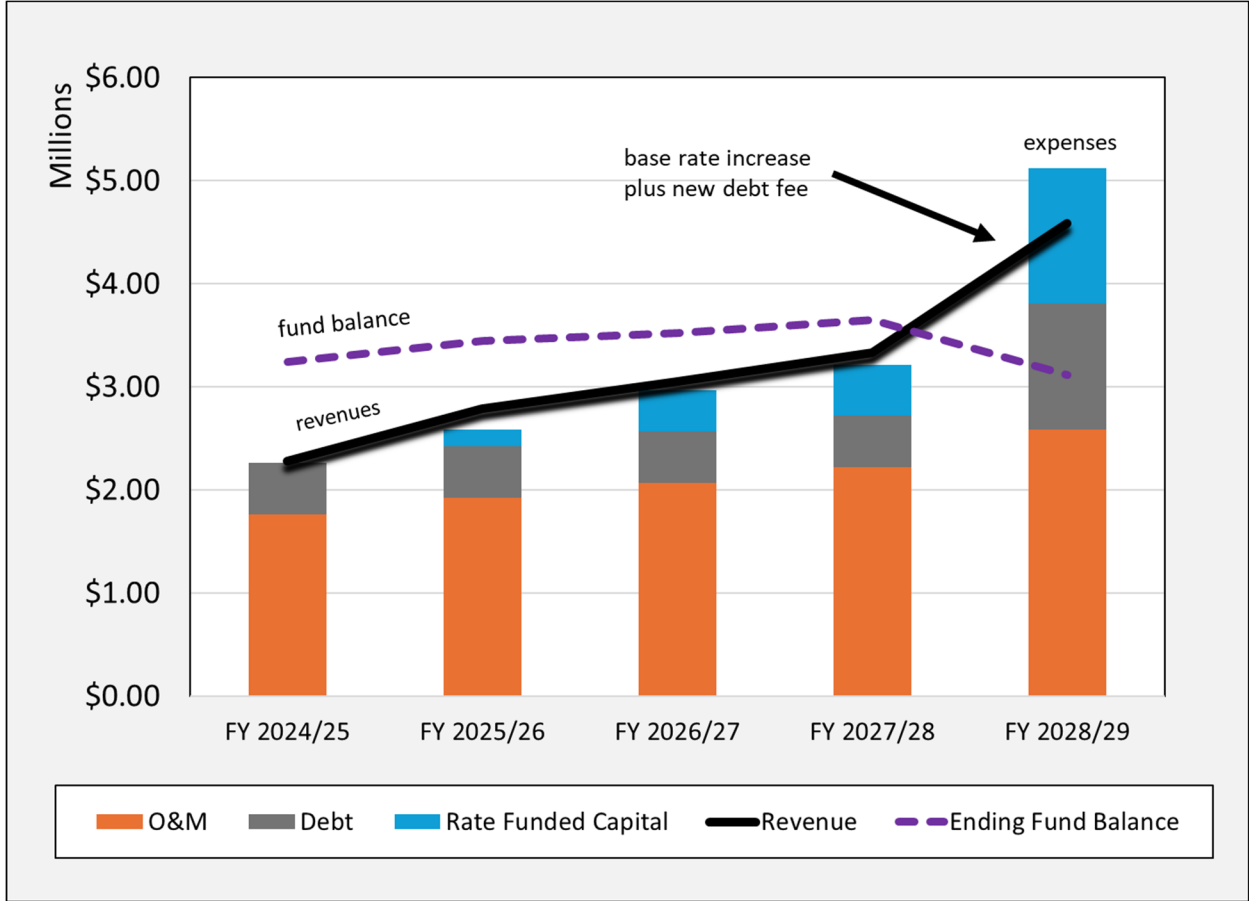
2 - Project S-4: Pipe replacement and install new manholes along Jamestown Road along Wigwan Rd and Gold Links Rd.

Table 8: Debt Coverage and Reserve Projection

	PROPOSITION 218 PERIOD					Illustrative
	FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29	FY 2029/30
	Jan 1, 2025 to Jun 30, 2026	Jul 1, 2026 to Jun 30, 2027	Jul 1, 2027 to Jun 30, 2028	Jul 1, 2028 to Jun 30, 2029	Jul 1, 2029 to Jun 30, 2030	
Debt Coverage Ratio	1.03	1.72	1.96	2.22	1.64	1.53
Reserve Fund Target [1]	1,883,600	1,964,700	2,035,600	2,112,200	3,012,800	3,077,300
Reserve Target Met?	yes	yes	yes	yes	yes	no
Combined Beginning Balance	\$3,230,400	\$3,245,900	\$3,446,000	\$3,525,800	\$3,651,100	\$3,119,300
LAIF Beginning Balance	\$1,921,000	\$1,988,200	\$2,057,800	\$2,129,800	\$2,204,300	\$1,848,300
Interest Earnings	67,200	69,600	72,000	74,500	77,200	64,700
Rate Funded Capital Costs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(433,200)</u>	<u>(217,200)</u>
LAIF Ending Fund Balance	\$1,988,200	\$2,057,800	\$2,129,800	\$2,204,300	\$1,848,300	\$1,695,800
2nd Reserve Beginning Balance	\$758,400	\$706,700	\$837,200	\$845,000	\$895,800	\$0
Net Operations Less Interest	449,300	793,300	909,500	1,039,800	1,926,500	1,799,400
Debt Reserve Replenishment	(501,000)	(501,000)	(501,000)	(501,000)	(1,941,000)	(1,221,000)
Rate Funded Capital Costs	<u>0</u>	<u>(161,800)</u>	<u>(400,700)</u>	<u>(488,000)</u>	<u>(881,300)</u>	<u>(578,400)</u>
2nd Reserve Ending Balance	\$706,700	\$837,200	\$845,000	\$895,800	\$0	\$0
Debt Service Beginning Balance	\$551,000	\$551,000	\$551,000	\$551,000	\$551,000	\$1,271,000
Transfer In	\$501,000	\$501,000	\$501,000	\$501,000	\$1,941,000	\$1,221,000
Payment	<u>(\$501,000)</u>	<u>(\$501,000)</u>	<u>(\$501,000)</u>	<u>(\$501,000)</u>	<u>(\$1,221,000)</u>	<u>(\$1,221,000)</u>
Debt Service Ending Balance	\$551,000	\$551,000	\$551,000	\$551,000	\$1,271,000	\$1,271,000
Combined Ending Balance	\$3,245,900	\$3,446,000	\$3,525,800	\$3,651,100	\$3,119,300	\$2,966,800

1 - 6 months of O&M + \$500,000 emergency reserve + annual debt service payment

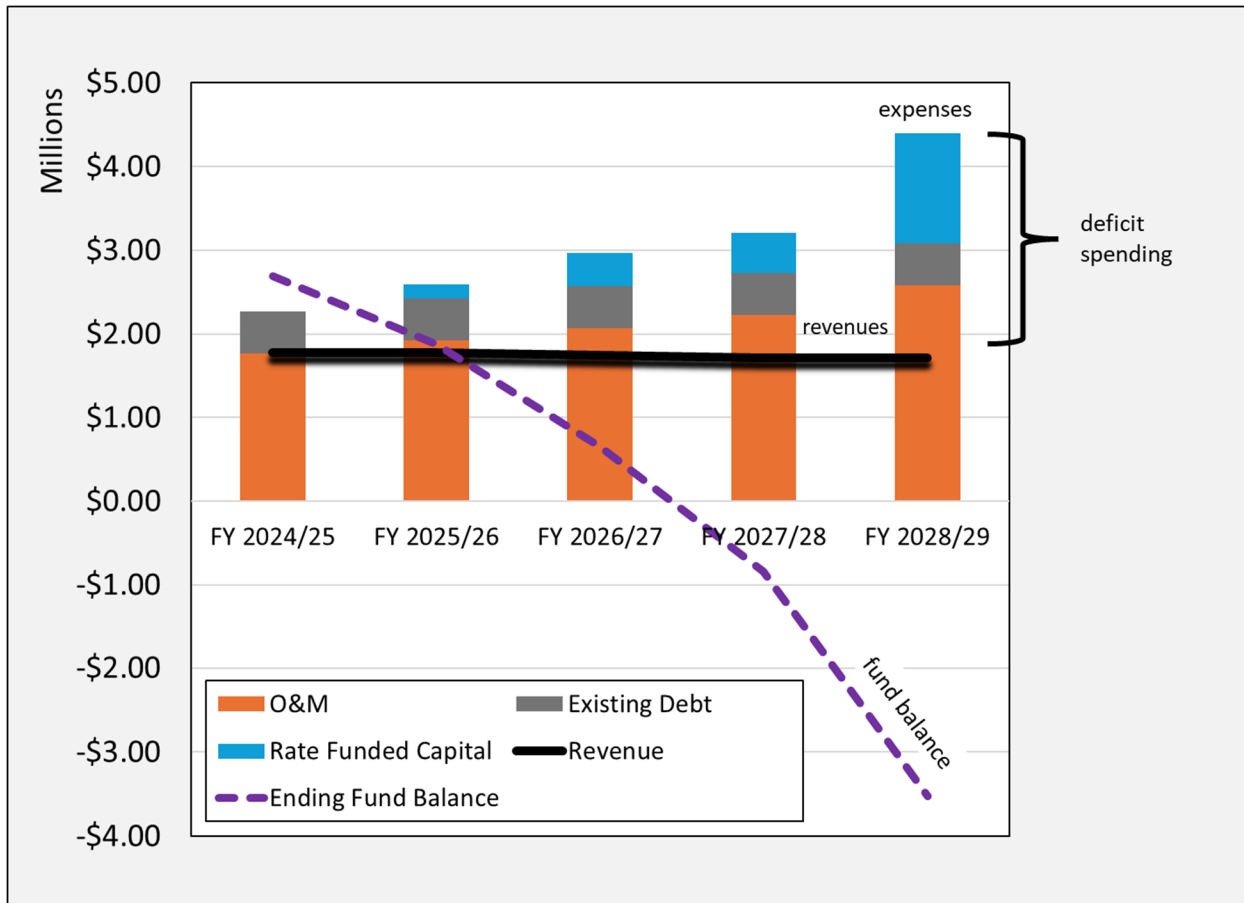
Figure 3: Recommended Cash Flow



3.9 Impacts of No Rate Increase

Figure 4 is a chart illustrating the impact of no rate increase on the District’s financial standing. As described, total revenues under current rates are about \$1.78 million which do not cover current operating and debt service costs of about \$2.27 million. As operating costs increase annually and the District funds needed capital projects, reserves would continue to be drawn down over the next four years and JSD would become insolvent in FY2027/28 without a rate increase.

Figure 4: Impacts of No Rate Increase



SECTION 4: RECOMMENDED RATES

The revenue requirements detailed in the previous section determine the amount of revenue to be recovered from sewer rates each year. Proposition 218 requires that agencies providing “property-related services” (including sewer service) set rates and charges that are based on the cost of providing those services and are proportional to how customers take service. The concept of proportionate allocation to each customer class indicates that allocations should take into consideration the quantity of effluent a customer contributes in addition to the strength of sewer effluent.

JSD’s base rate is assigned to each equivalent single family residence (ESFR). One ESFR equals the volume of wastewater generated by a typical single family home. Customers with larger flows are assigned multiple ESFRs by JSD. Flow generation rates were not evaluated as part of this study. JSD uses industry standard estimates to assign ESFRs.

The District’s current monthly sewer service charge for single family residential customers is \$81.55. After the first proposed increase, the service charge per ESFR would increase to \$134.56 per month, an increase of 65%. This rate is proposed to remain the same through June 30, 2026. July 1, 2026, July 1, 2027, and July 1, 2028 the base rate is proposed to further increase by 10% annually. In addition, a new debt service fee is proposed to be implemented July 1, 2028 to fund debt payments associated with treatment upgrades. Absent these rate increases, JSD would not be able to fund the cost of providing sewer service and would become insolvent in four years (by FY2027/28).

Table 9: Proposed Monthly Rates

	Current Monthly Rate	PROPOSED MONTHLY RATES				
		Effective Date				
		FY 2024/25	FY 2025/26	FY 2026/27	FY 2027/28	FY 2028/29
		Jan 1, 2025	Jul 1, 2025	Jul 1, 2026	Jul 1, 2027	Jul 1, 2028
% increase to Base Rate		65%	0%	10%	10%	10%
Base Rate per ESFR	\$81.55	\$134.56	\$134.56	\$148.02	\$162.82	\$179.10
+Debt Fee	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>NA</u>	<u>\$49.22</u>
Total Rate per ESFR	\$81.55	\$134.56	\$134.56	\$148.02	\$162.82	\$228.32

ESFR – equivalent single family residential customer.