



NEVADA COUNTY SANITATION DISTRICT No. 1 WASTEWATER FEE STUDY

Board of Supervisors
June 22, 2021



PRESENTATION OUTLINE

TT1

- Rate Background
- Rate-Making Objectives & Considerations
- Proposition 218 Process
- Public Outreach
- Rate Study Process
 - Revenue requirement
 - Cost-of-service analysis
 - Rate design
- Findings and Recommendations by Zone
- Next Steps

Slide 2

TT1 Update to match slides or revise slide titles
Trisha Tillotson, 5/14/2021

RATE BACKGROUND

- Wastewater services provided by the District to unincorporated areas of the County:
 - Collection
 - Treatment
- District currently serves 10 zones
 - 5,600 residential dwelling units
 - 15 commercial connections
 - 703 properties within zones but not yet connected to system (standby charge)

RATE BACKGROUND

- Current Annual Service Charges

Figure I-1. Current Annual Sewer Rates

District Zones	O&M Service Charge/EDU	Capital Service Charge/EDU	Date of Last Service Charge Update
Lake Wildwood	\$712	\$283	FY 2008-09
Lake of the Pines	\$810	\$375	FY 2008-09
North San Juan	\$785	\$0	FY 2008-09
Gold Creek	\$235	\$0	FY 2007-08
Penn Valley	\$880	\$115	FY 2008-09
Mt. Lake Estates	\$565	\$0	FY 2008-09
Cascade Shores	\$2,231	\$214	FY 2009-10
Eden Ranch	\$1,148	\$0	FY 2010-11
Higgins Village	\$1,675	\$0	FY 2003-04
Valley Oak Court	\$2,000	\$0	FY 2008-09

- EDU – Equivalent Dwelling Unit
- 1 Single-Family Residence = 1 EDU
- Commercial customers billed according to use. Assumed 196 gpd of discharge = 1 EDU
- Rates were last adjusted in 2011

RATE-MAKING OBJECTIVES & CONSIDERATIONS

- Provide revenue sufficiency and financial stability to fund the projected capital and operations and maintenance (O&M) costs of the District
- Meet the District's reserve fund targets
- Rate payer equity
 - Each zone pays its direct costs and proportionate share of shared overhead costs
 - Commercial or Multi Family customers pays their proportionate share
- Customers understand and accept rates
- Combine zones where feasible to reduce overhead costs and improve service to customers
- Transition high rate increases, where required, over three years to minimize rate shock

PROPOSITION 218

■ Proposition 218 Process Requirements

- Rates must be based on actual cost of service
 - 10-year financial plan developed by HF&H and County staff
 - 5-year rate adjustment plan developed – maximum allowed by Prop 218
- Notices must be mailed to property owners/rate payers
 - The basis for which rates are calculated must be demonstrated
 - Includes the maximum rates the Board may adopt; Board may adopt something less, just not more
 - Must describe the process for protesting rate changes
- Public Hearing must be held, no sooner than, 45 days after notice
 - Board may adopt rates if less than a majority of rate payers protest

PUBLIC OUTREACH

■ Public Outreach

- Need for rate study discussed for past years w/ budget process
- Need for rate study discussed at Sanitation District Advisory Committee
- Notice sent to property owners/rate payers
- News outlets and social media notifications
- Website <https://www.mynevadacounty.com/3218/NCSD-Rates>
- Video https://www.youtube.com/watch?v=buTe2IWP_yI

RATE STUDY PROCESS

For each Zone:

- **STEP 1: Revenue requirement projections**
 - 10-year projections of expenses, revenues, and reserves
- **STEP 2: Cost of service allocations**
 - Allocate revenue requirements among customers in proportion to the burden placed on the facilities
- **STEP 3: Rate design**
 - Derive rates per Equivalent Dwelling Unit (EDU) so that charges are proportionate to the cost of service
 - Balance rate-making objectives

REVENUE REQUIREMENT PROJECTION ASSUMPTIONS

Assumptions used to model each zone:

	Budget	Projected				
	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
a Annual EDU Growth Rate	Varies by Zone (see Table 3A of the financial planning model in Appendix A)					
b General Inflation	Budgeted	3.0%	3.0%	3.0%	3.0%	3.0%
c Salaries & Wages	Budgeted	3.0%	3.0%	3.0%	3.0%	3.0%
d Benefits	Budgeted	5.0%	3.0%	3.0%	3.0%	3.0%
e Construction Cost Inflation	0.0%	2.6%	2.6%	2.6%	2.6%	2.6%
f Interest on Fund Balance	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
g Utilities	Budgeted	3.0%	3.0%	3.0%	3.0%	3.0%
h Insurance-General Liab & Property	Budgeted	0.0%	0.0%	0.0%	0.0%	0.0%
Other Assumptions						
1. Standby charges included as non-rate revenue, which reduces the revenue needed from annual service charges						
2. Zone Consolidations: Lake Wildwood consolidates with Penn Valley and Valley Oak Court; Lake of the Pines consolidates with Higgins Village.						
3. Shared Costs allocated to each zone using the three-year rolling average of historical O&M expenses, as specified by District staff.						
4. Reserve Targets calculated for each zone = 1 year average CIP + 6 months O&M expenses						

COST ALLOCATIONS

Each Zone responsible for:

- O&M Expenses specific to zone
- Shared O&M Expenses allocated based on past 3 years of historical O&M costs
- Existing debt service (if applicable)
- CIP budgeted over next 10 fiscal years provided by District staff

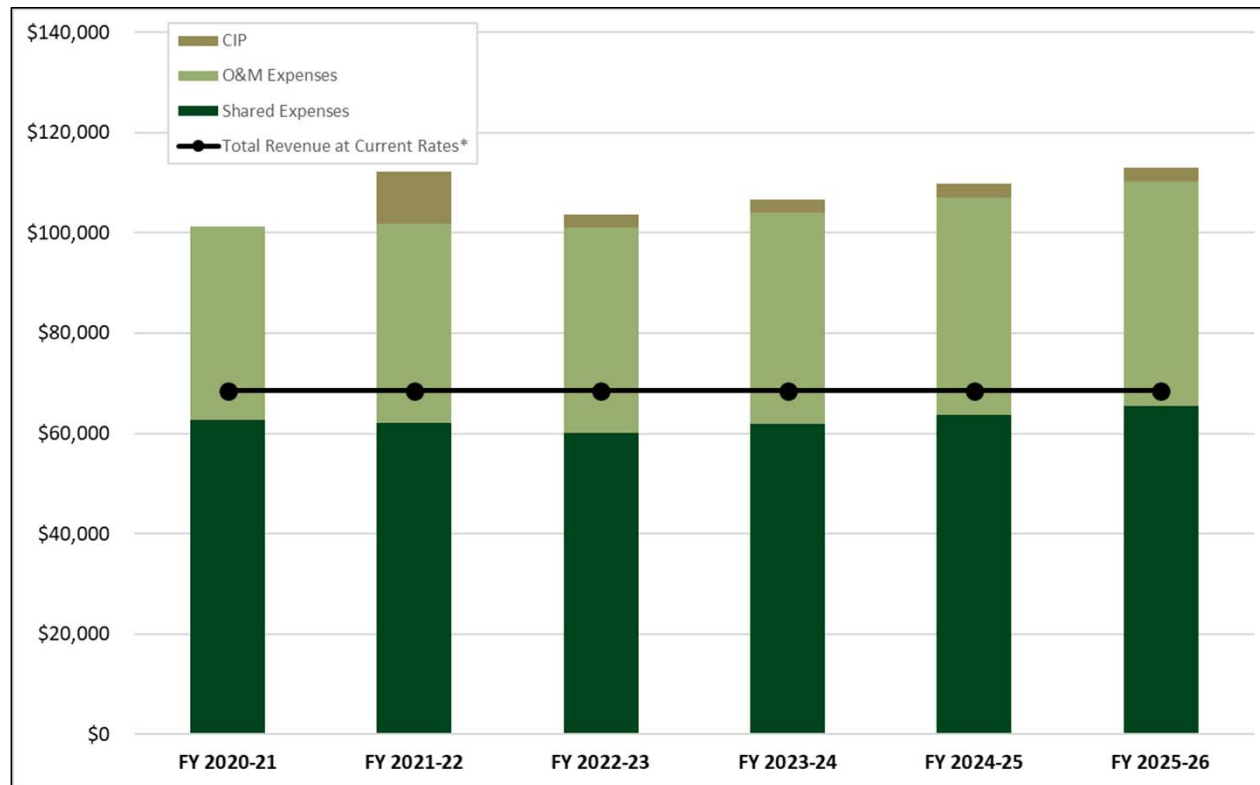
Project Description	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	Total Project Cost
Z1 Lake Wildwood	\$0	\$307,924	\$158,029	\$162,203	\$166,487	\$170,884	\$292,330	\$780,133	\$1,539,882	\$1,707,000	\$5,284,871
Z2 Lake of the Pines	\$0	\$153,962	\$105,352	\$108,135	\$110,991	\$113,923	\$116,932	\$120,020	\$1,971,049	\$1,390,888	\$4,191,253
Z4 North San Juan	\$0	\$10,264	\$2,634	\$2,703	\$2,775	\$2,848	\$2,923	\$3,001	\$3,080	\$3,161	\$33,389
Z5 Gold Creek	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$3,601	\$0	\$18,967	\$22,567
Z6 Penn Valley	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Z7 MLE	\$0	\$0	\$0	\$0	\$0	\$0	\$877	\$900	\$924	\$948	\$3,649
Z8 Cascade Shores	\$10,000	\$5,132	\$5,268	\$5,407	\$5,550	\$5,696	\$52,619	\$30,005	\$36,957	\$31,611	\$188,245
Z9 Eden Ranch	\$0	\$46,189	\$10,535	\$10,814	\$11,099	\$11,392	\$11,693	\$12,002	\$12,319	\$12,644	\$138,687
Z11 Higgins Village	\$0	\$5,132	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,132
Z12 Valley Oak Court	\$0	\$5,132	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,132
Total	\$10,000	\$533,735	\$281,818	\$289,261	\$296,902	\$304,744	\$477,375	\$949,662	\$3,564,211	\$3,165,220	\$9,872,926

RATE DESIGN

1. Rates generate sufficient revenue
 - Operating Expenses
 - Capital Expenditures on a PAYGo basis; no new debt
 - Debt Service
 - Reserves
 - O&M Target: Six months of O&M expenses
 - Capital Target: One-year average annual CIP based on 10-year projection
 - Total Target Reserve = O&M Target PLUS Capital Target
2. Proposed rates to meet, or be approaching, Total Target Reserve by FY 2025-26
3. Zones which require high rate increases, to align with cost-of-service, are transitioned over 3 years to reduce rate shock

NORTH SAN JUAN

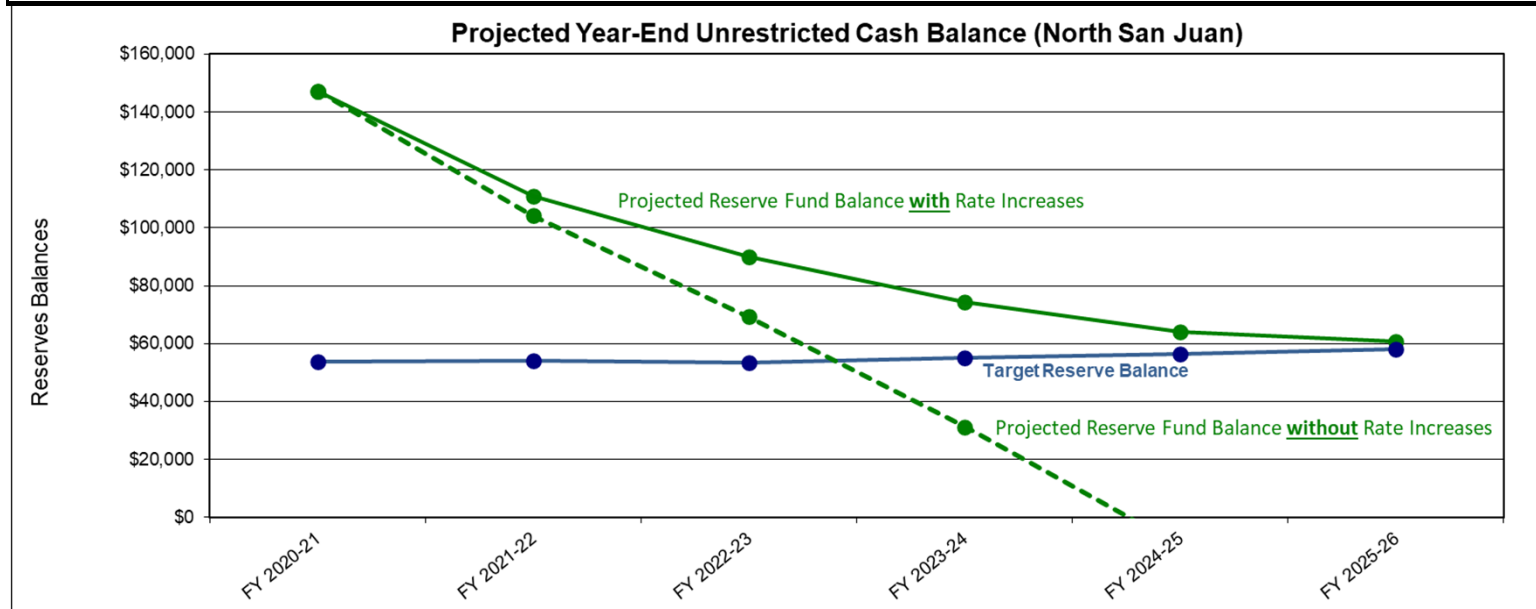
Revenue Requirement Projections:



NORTH SAN JUAN

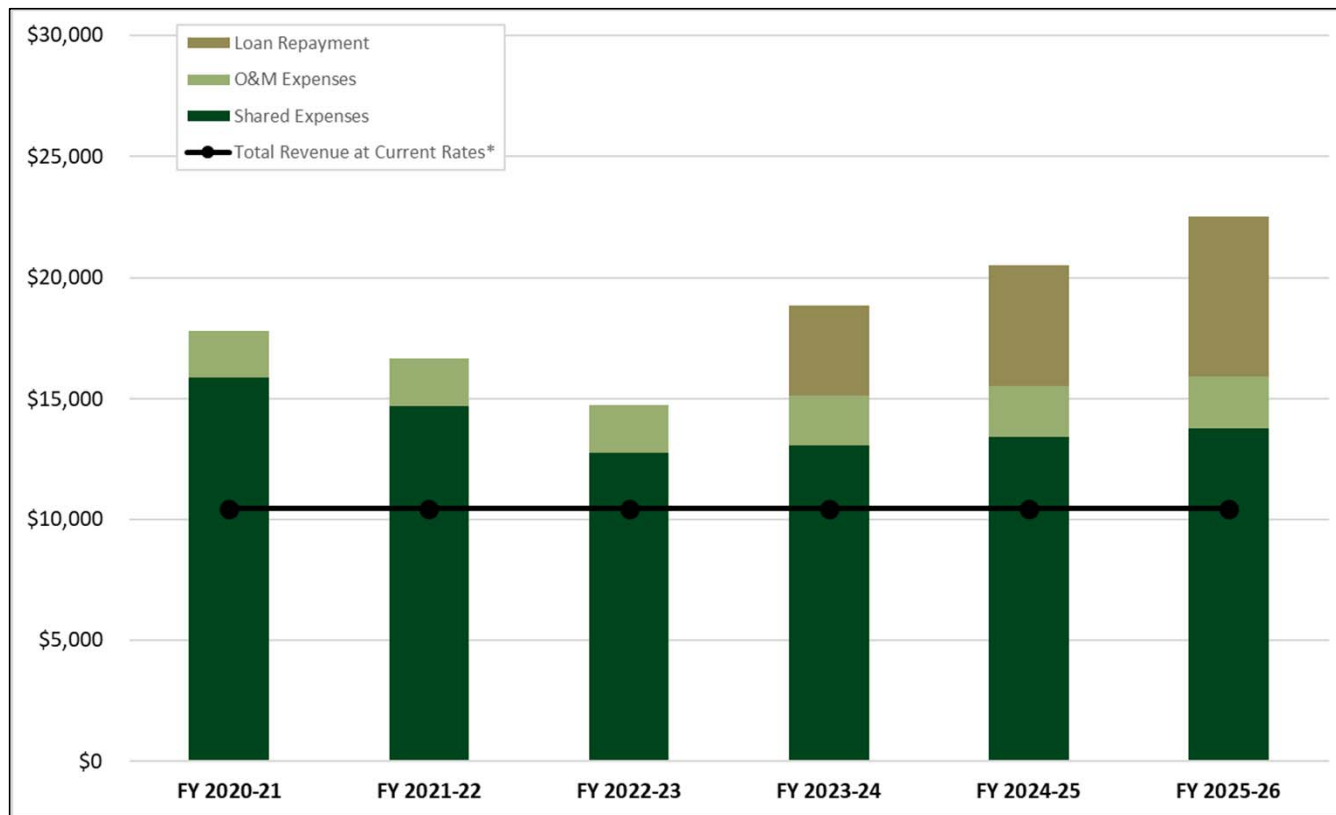
Reserve Fund Balance with Proposed Annual Rate Increases:

	Current	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
North San Juan - O&M (\$/yr)	\$785	\$864	\$950	\$1,045	\$1,149	\$1,264
North San Juan - Capital (\$/yr)	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$785	\$864	\$950	\$1,045	\$1,149	\$1,264
Difference (\$)		\$79	\$86	\$95	\$104	\$115



GOLD CREEK

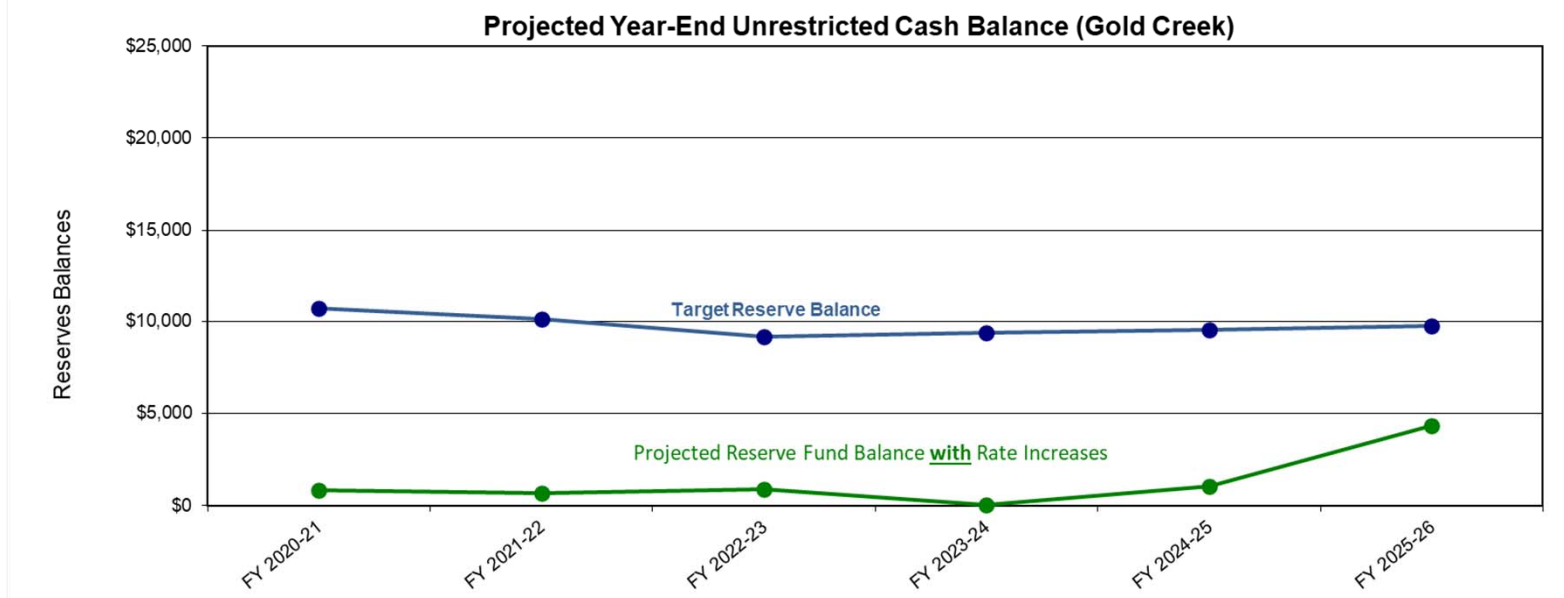
Revenue Requirement Projections:



GOLD CREEK

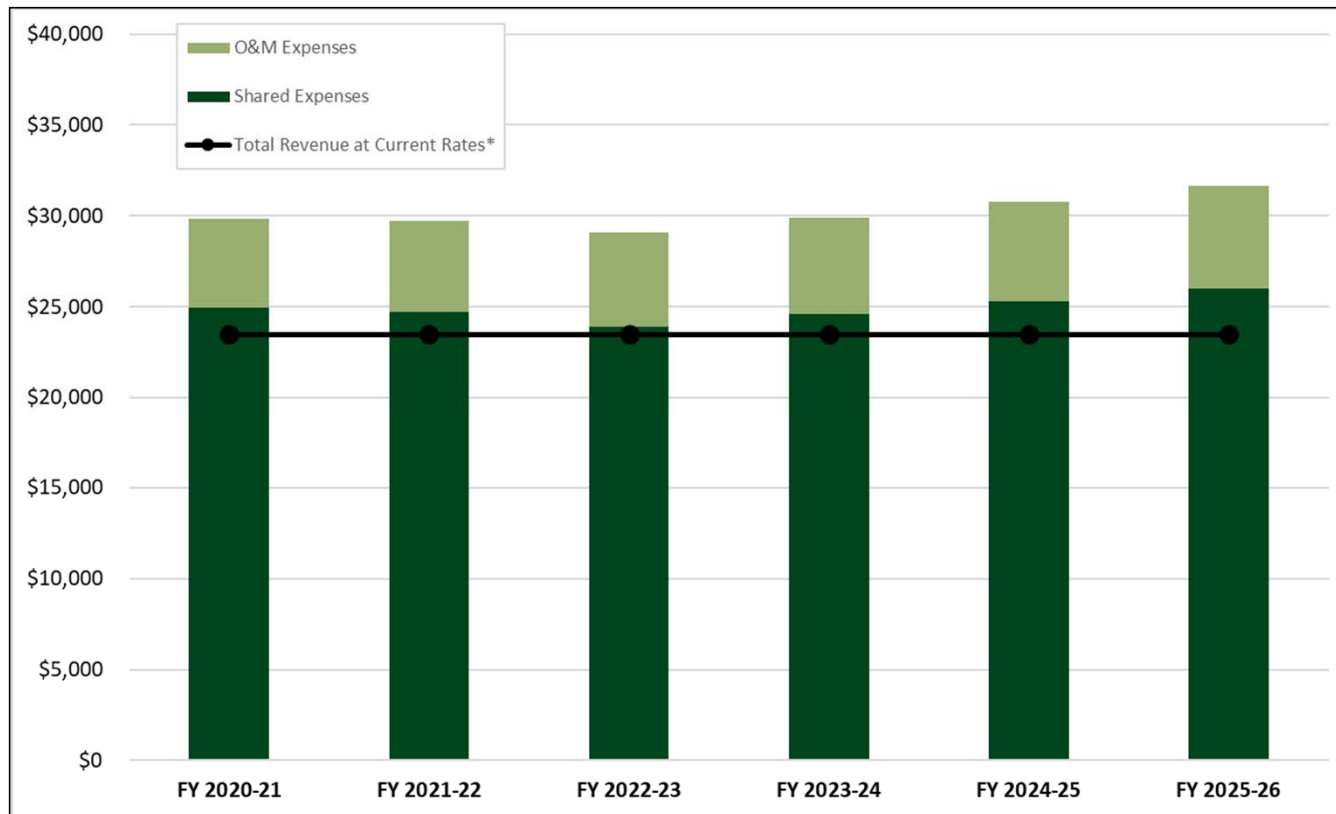
Reserve Fund Balance with Proposed Annual Rate Increases:

	Current	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Gold Creek - O&M (\$/yr)	\$235	\$282	\$338	\$406	\$487	\$585
Gold Creek - Capital (\$/yr)	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$235	\$282	\$338	\$406	\$487	\$585
Difference (\$)		\$47	\$56	\$68	\$81	\$97



MOUNTAIN LAKE ESTATES

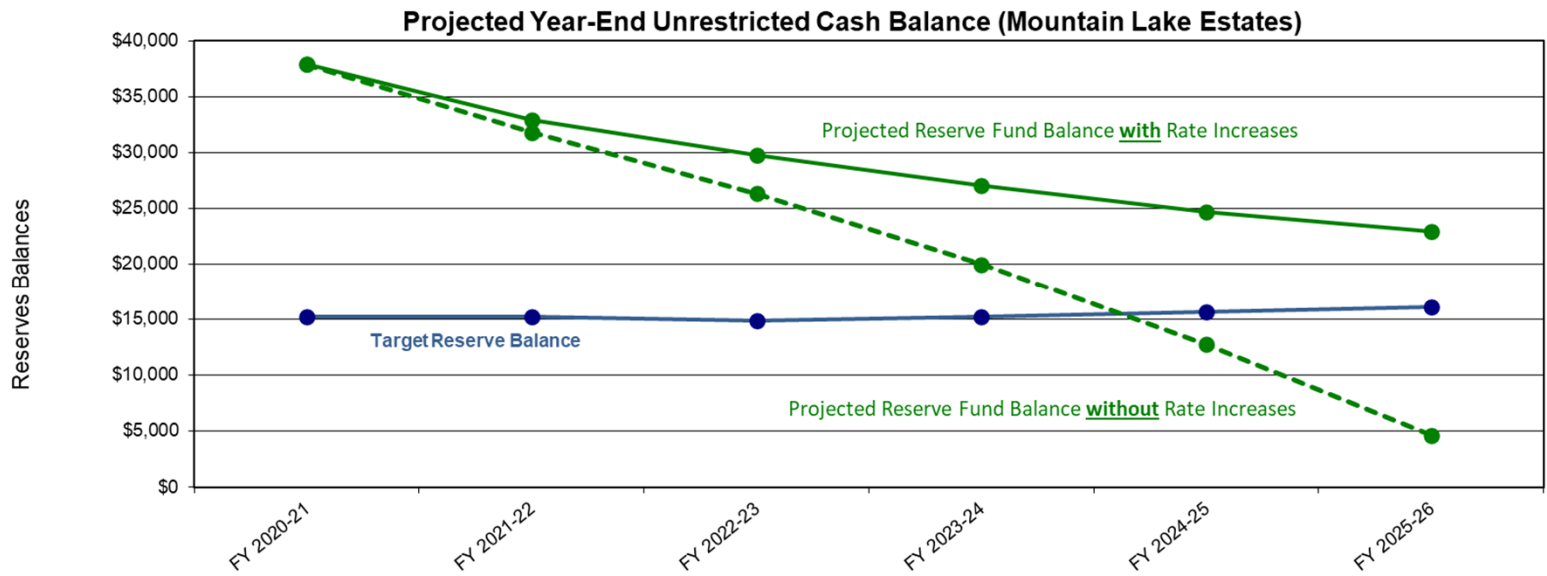
Revenue Requirement Projections:



MOUNTAIN LAKE ESTATES

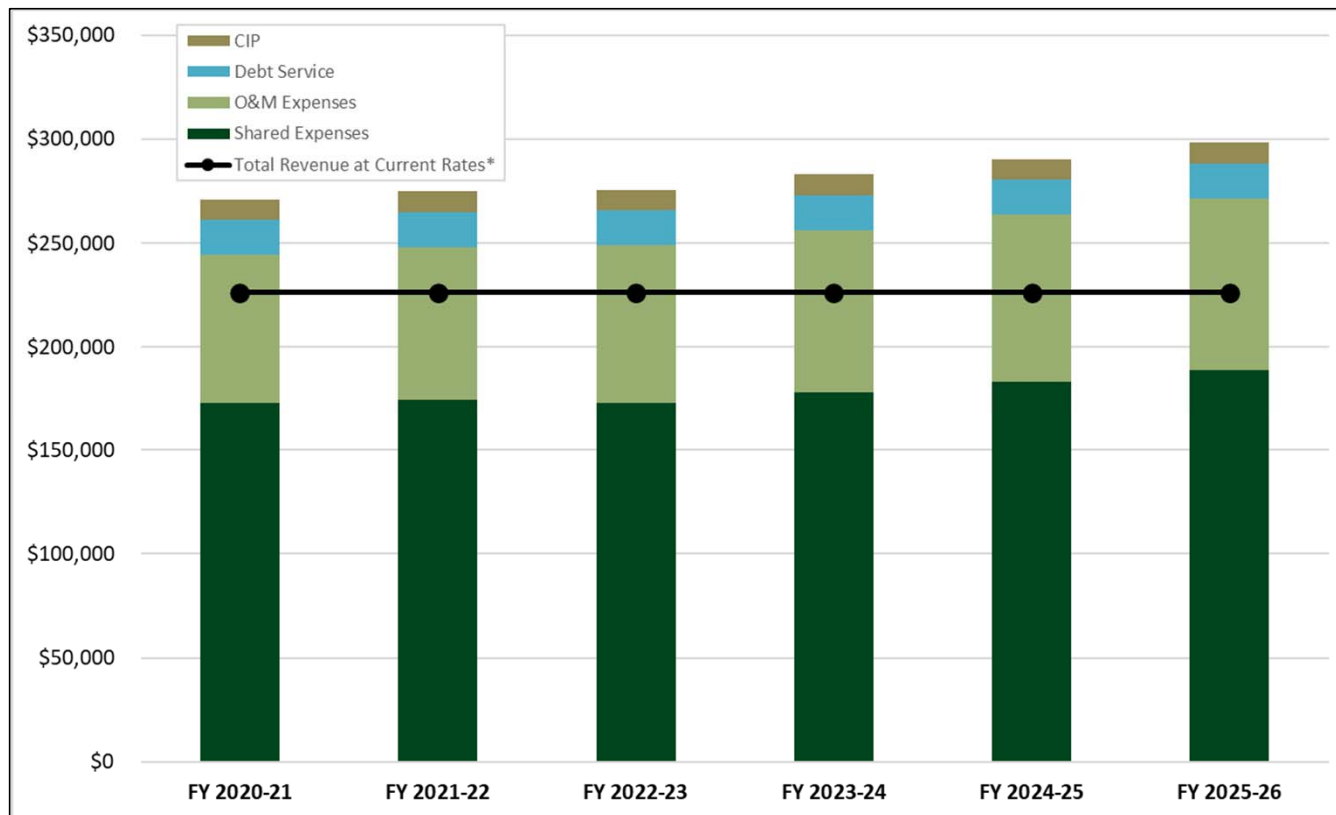
Reserve Fund Balance with Proposed Annual Rate Increases:

	Current	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Mountain Lake Estates - O&M (\$/yr)	\$565	\$593	\$623	\$654	\$687	\$721
Mountain Lake Estates - Capital (\$/yr)	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$565	\$593	\$623	\$654	\$687	\$721
Difference (\$)		\$28	\$30	\$31	\$33	\$34



CASCADE SHORES

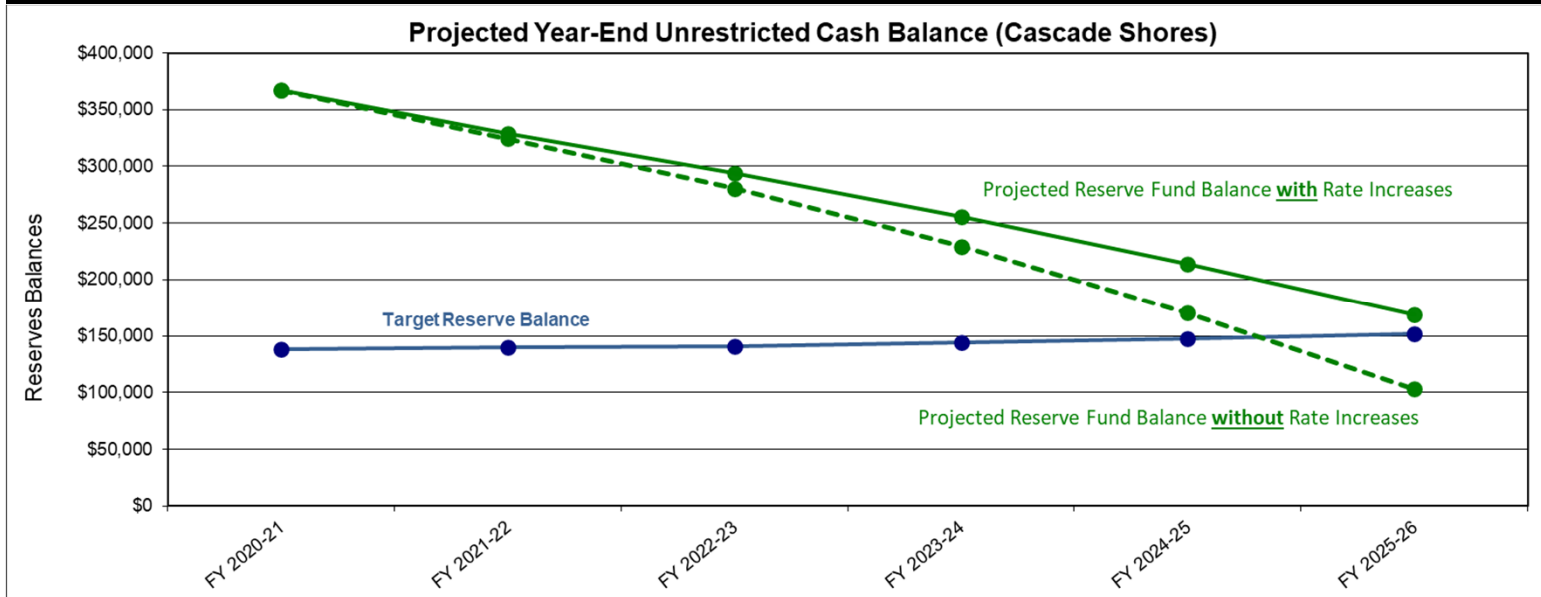
Revenue Requirement Projections:



CASCADE SHORES

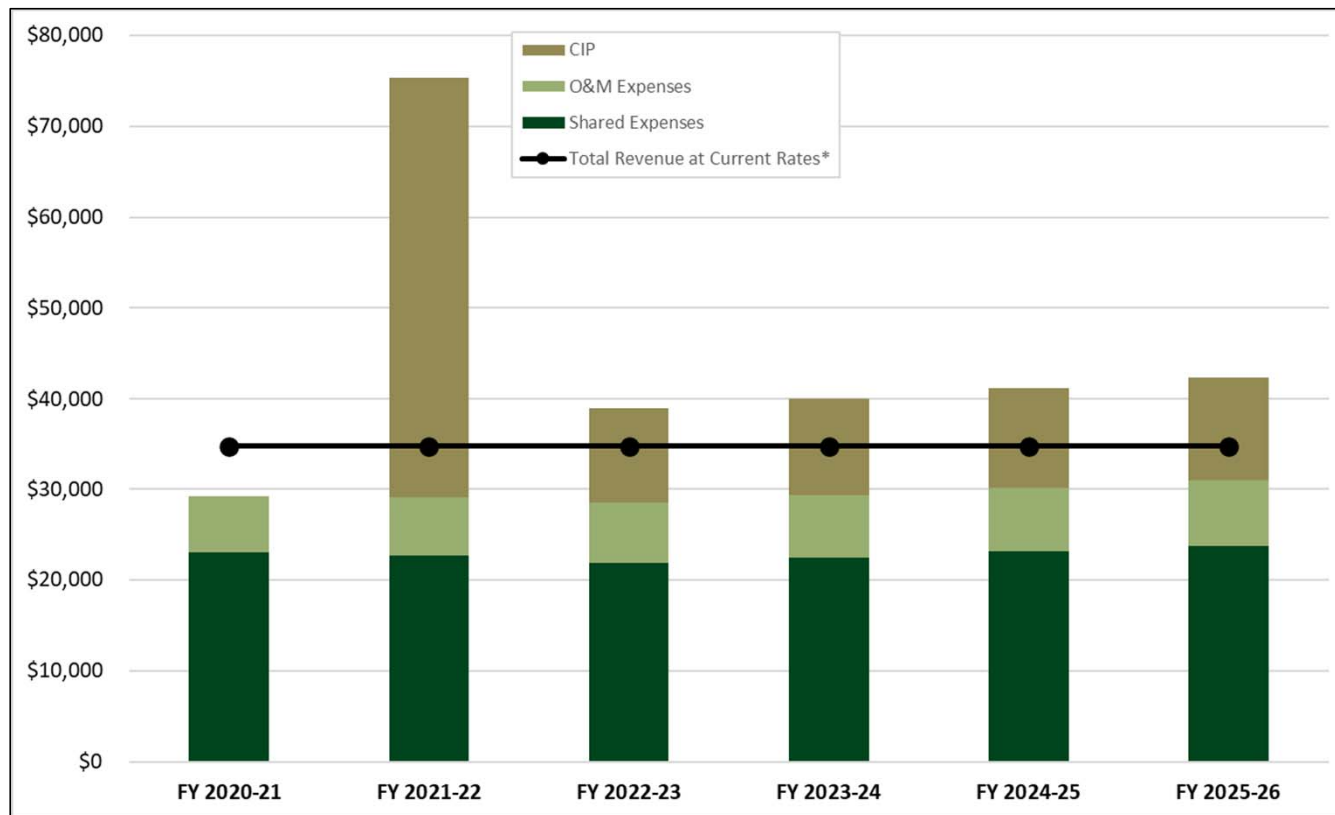
Reserve Fund Balance with Proposed Annual Rate Increases:

	Current	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Cascade Shores - O&M (\$/yr)	\$2,231	\$2,276	\$2,321	\$2,368	\$2,415	\$2,463
Cascade Shores - Capital (\$/yr)	\$214	\$218	\$223	\$227	\$232	\$236
Total	\$2,445	\$2,494	\$2,544	\$2,595	\$2,647	\$2,699
Difference (\$)		\$49	\$50	\$51	\$52	\$53



EDEN RANCH

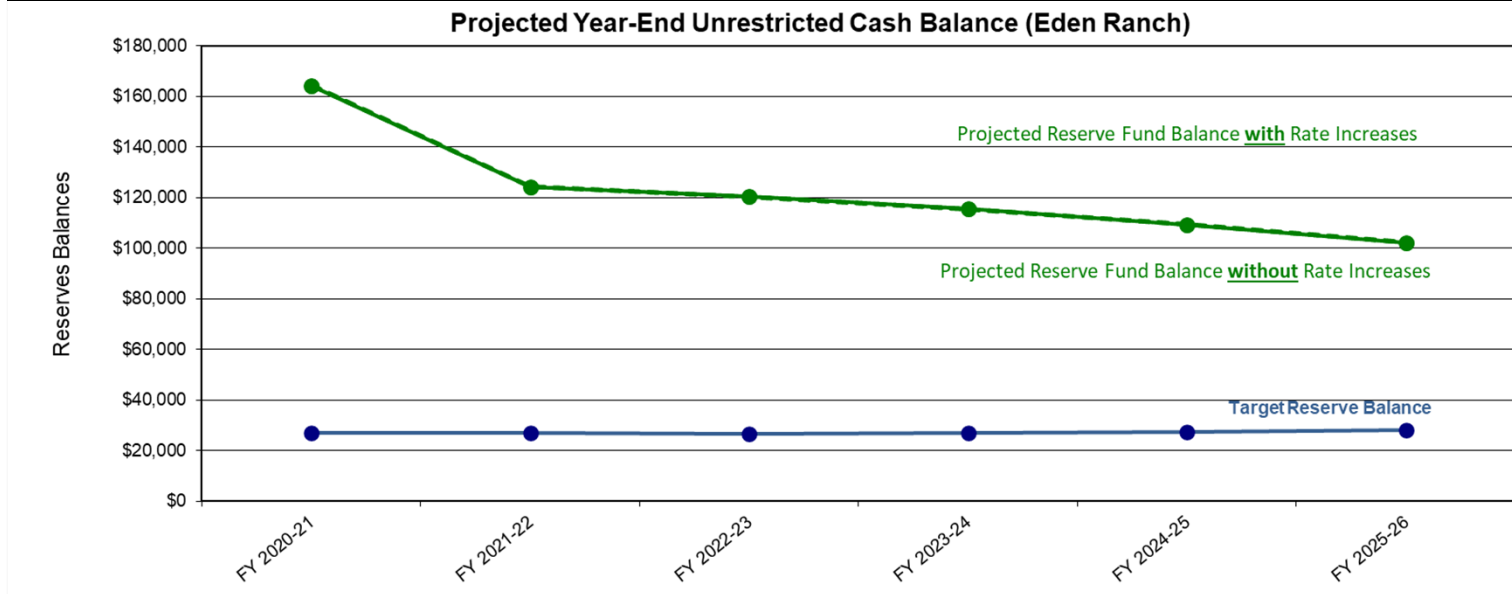
Revenue Requirement Projections:



EDEN RANCH

Reserve Fund Balance with Proposed Annual Rate Increases:

	Current	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Eden Ranch - O&M (\$/yr)	\$1,148	\$1,148	\$1,148	\$1,148	\$1,148	\$1,148
Eden Ranch - Capital (\$/yr)	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$1,148	\$1,148	\$1,148	\$1,148	\$1,148	\$1,148
Difference (\$)		\$0	\$0	\$0	\$0	\$0



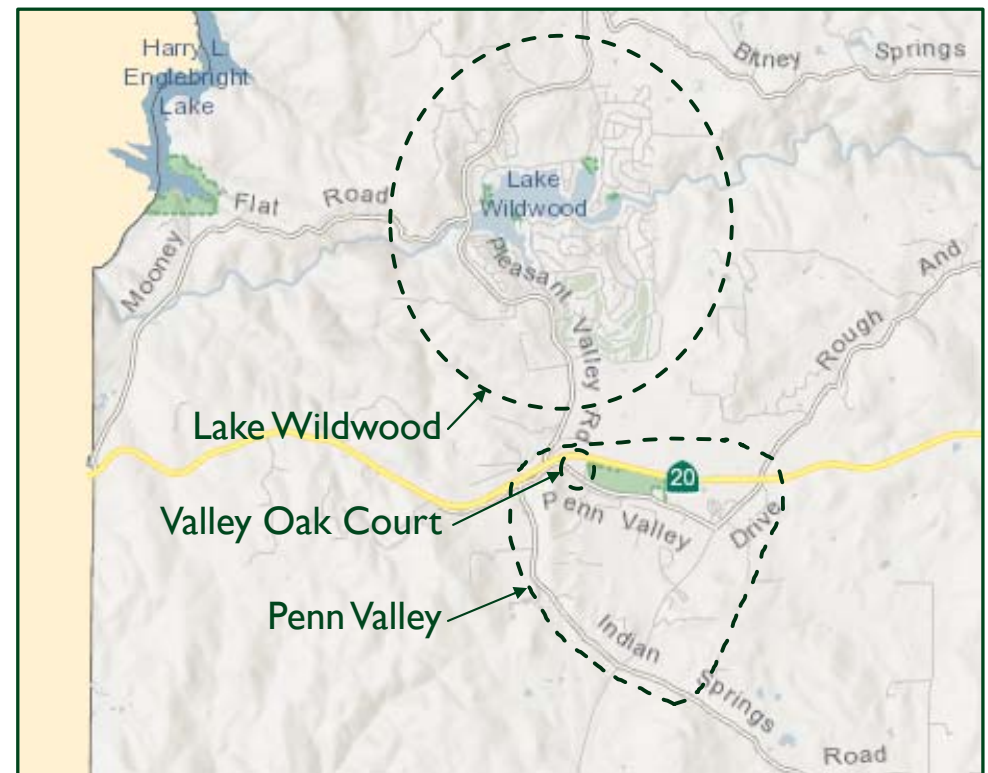
COMBINED ZONE #1

Proposed Consolidation of 3 Zones:

- Lake Wildwood
- Penn Valley
- Valley Oak Court

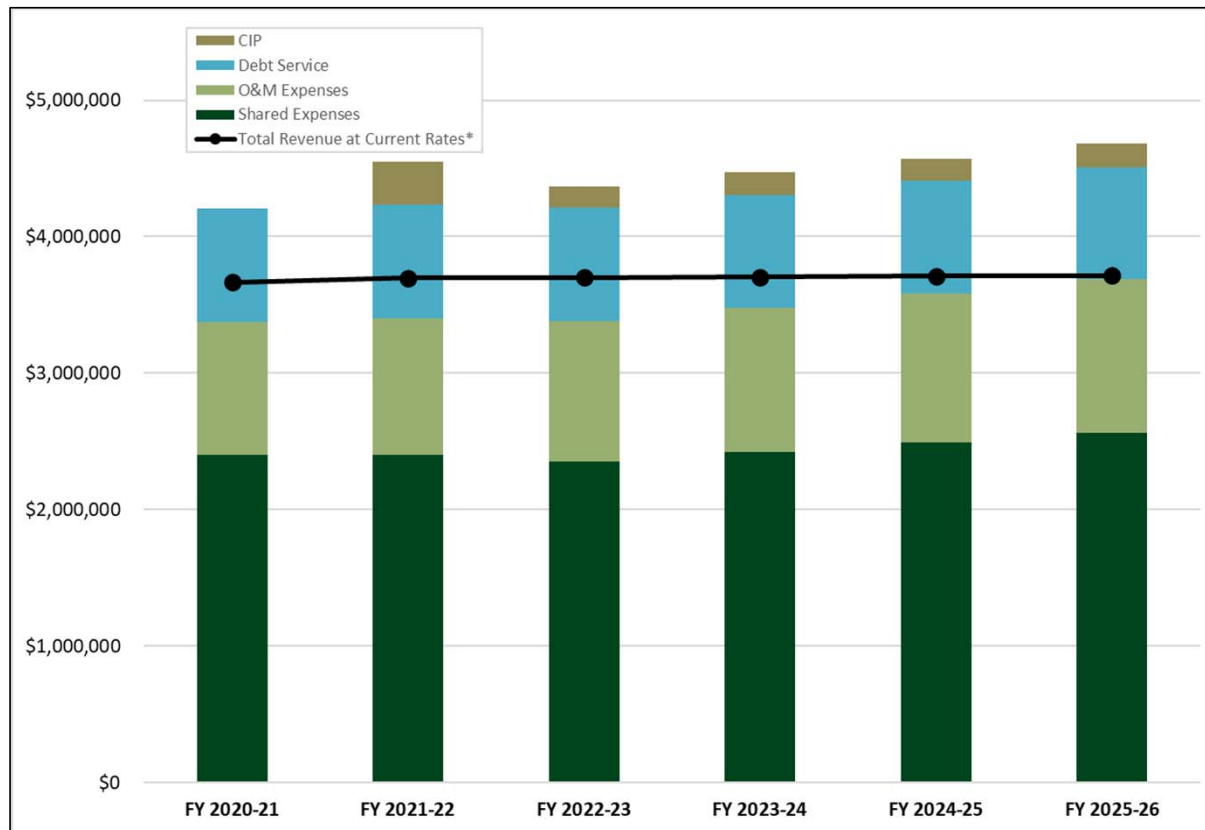
Benefits from Combining:

- Reduced O&M Costs between all three zones
- Elimination of costs due to plant decommissioning



COMBINED ZONE #1

Revenue Requirement Projections:



COMBINED ZONE #1

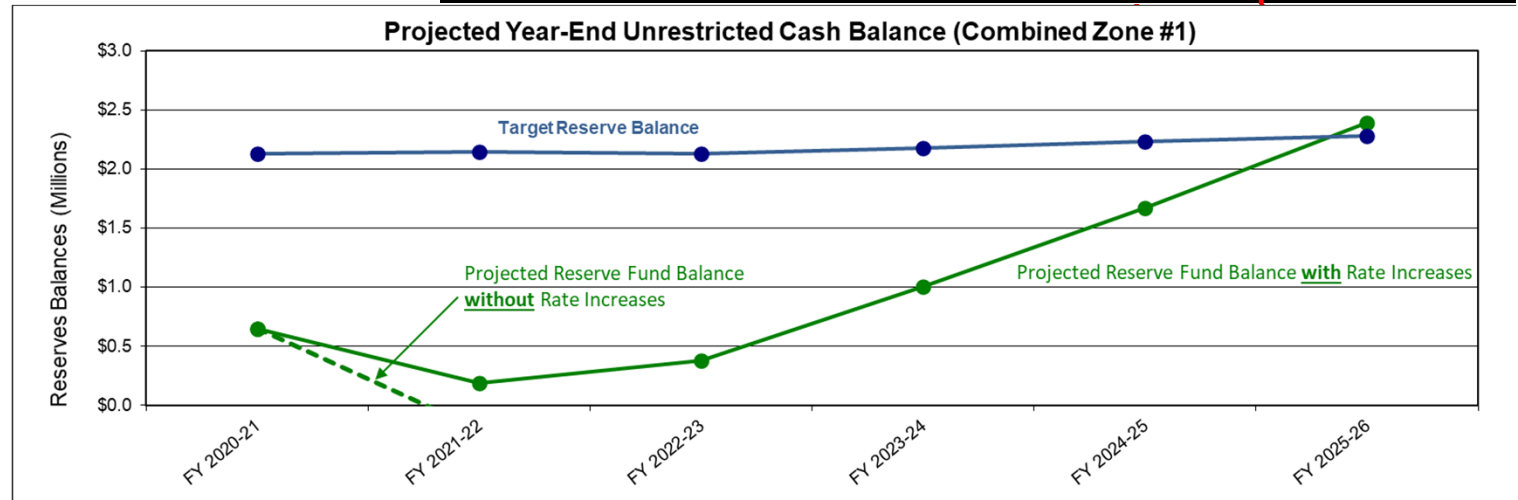
Reserve Fund Balance with Proposed Annual Rates:

- Rates transition over 3 years
- By FY 2023-24 rates for all customers will be equal

	Current	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Lake Wildwood - O&M (\$/yr)	\$712	\$830	\$966	\$1,126	\$1,160	\$1,195
Lake Wildwood - Capital (\$/yr)	\$283	\$282	\$282	\$273	\$281	\$290
Total	\$995	\$1,112	\$1,248	\$1,399	\$1,441	\$1,484
Difference (\$)		\$117	\$137	\$151	\$42	\$43

	Current	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Penn Valley - O&M (\$/yr)	\$880	\$955	\$1,037	\$1,126	\$1,160	\$1,195
Penn Valley - Capital (\$/yr)	\$115	\$155	\$207	\$273	\$281	\$290
Total	\$995	\$1,110	\$1,244	\$1,399	\$1,441	\$1,484
Difference (\$)		\$115	\$134	\$155	\$42	\$43

	Current	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Valley Oak Court - O&M (\$/yr)	\$2,000	\$830	\$966	\$1,126	\$1,160	\$1,195
Valley Oak Court - Capital (\$/yr)	\$0	\$91	\$182	\$273	\$281	\$290
Total	\$2,000	\$921	\$1,148	\$1,399	\$1,441	\$1,484
Difference (\$)		(\$1,079)	\$228	\$251	\$42	\$43



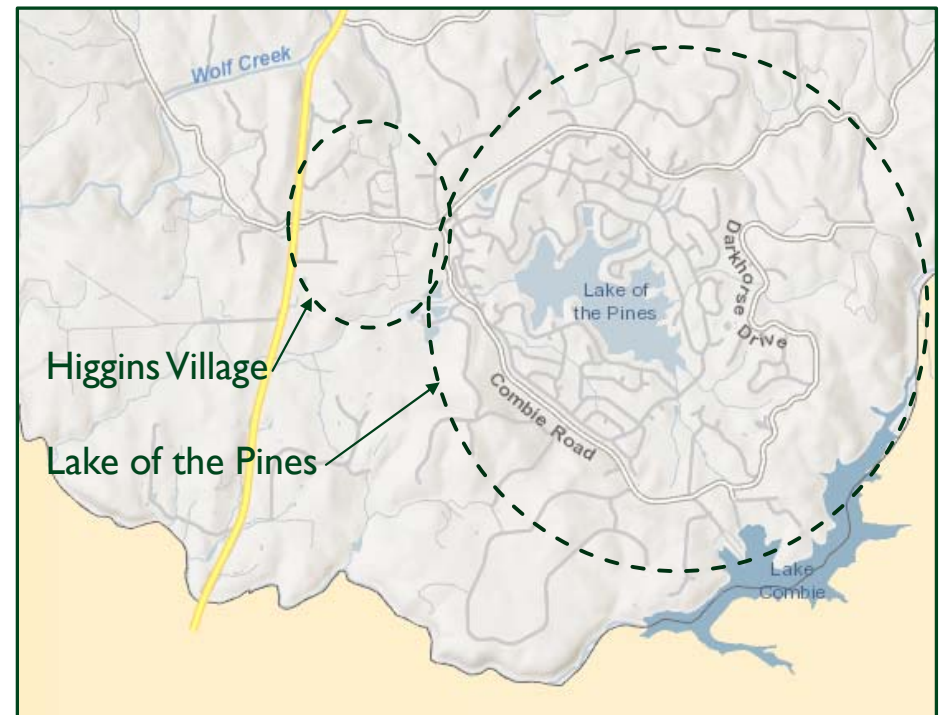
COMBINED ZONE #2

Proposed Consolidation of 2 Zones:

- Lake of the Pines
- Higgins Village

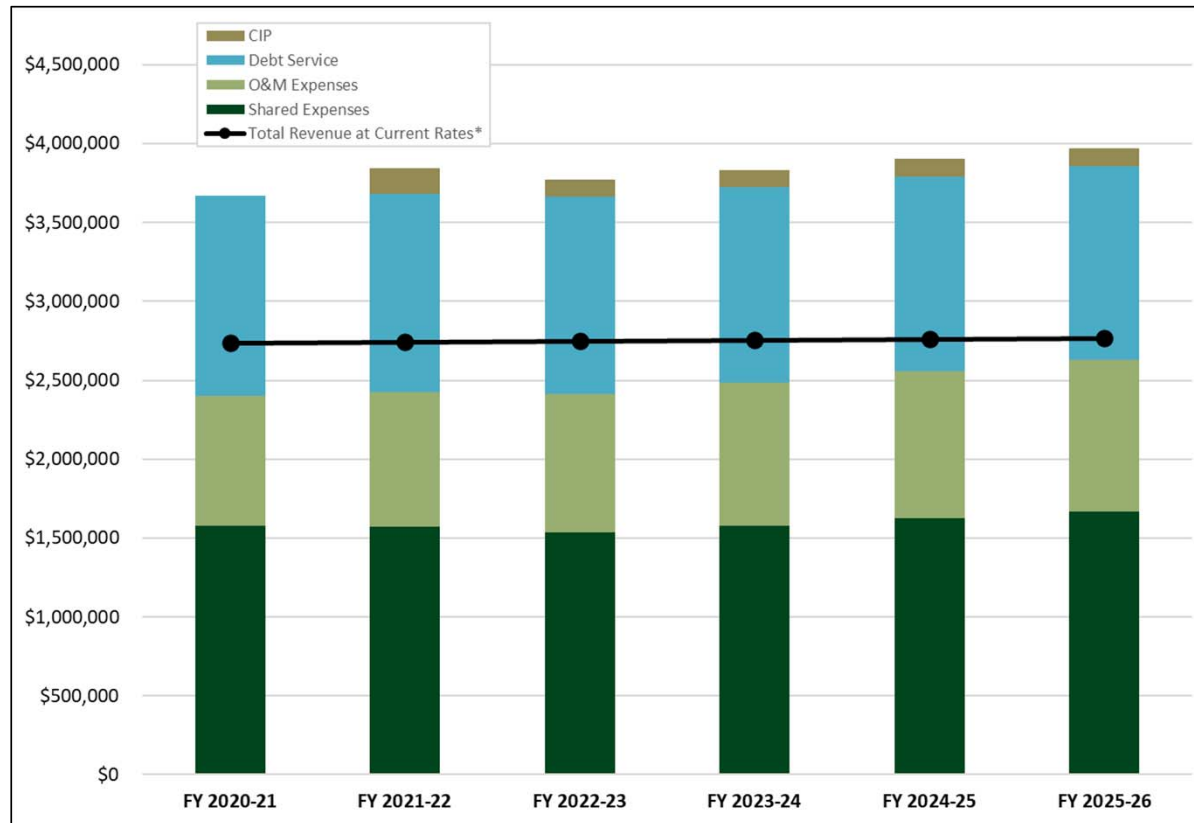
Benefits from Combining:

- Reduced O&M Costs between both zones
- Elimination of costs due to plant decommissioning



COMBINED ZONE #2

Revenue Requirement Projections:



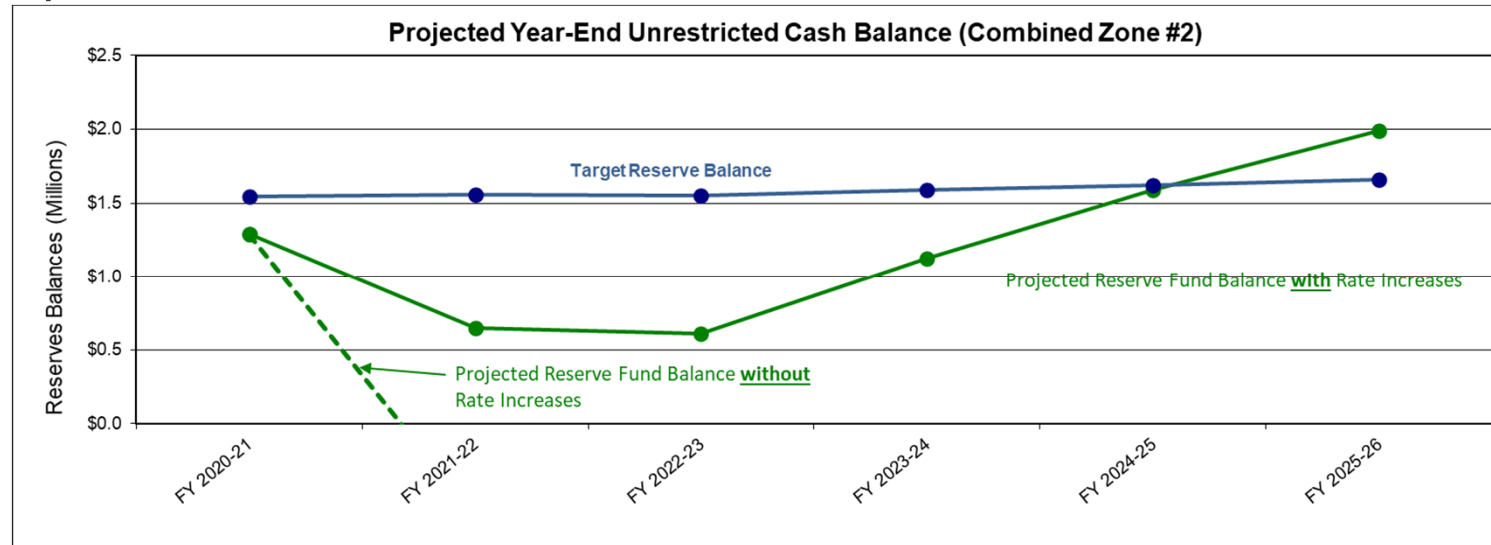
COMBINED ZONE #2

Reserve Fund Balance with Proposed Annual Rates:

- Rates transition over 3 years
- By FY 2023-24 rates for all customers will be equal

	Current	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Lake of the Pines - O&M (\$/yr)	\$810	\$1,017	\$1,251	\$1,525	\$1,525	\$1,525
Lake of the Pines Capital (\$/yr)	\$375	\$367	\$367	\$367	\$367	\$367
Total	\$1,185	\$1,384	\$1,618	\$1,892	\$1,892	\$1,892
Difference (\$)		\$199	\$234	\$274	\$0	\$0

	Current	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Higgins Village - O&M (\$/yr)	\$1,675	\$1,525	\$1,525	\$1,525	\$1,525	\$1,525
Higgins Village - Capital (\$/yr)	\$0	\$367	\$367	\$367	\$367	\$367
Total	\$1,675	\$1,892	\$1,892	\$1,892	\$1,892	\$1,892
Difference (\$)		\$217	\$0	\$0	\$0	\$0



QUESTIONS ON RATE STUDY



PROTEST PROCESS

- Proposition 218 allows for a majority protest (50% + 1 of rate payers) of the proposed rate increases.
- Protests must meet the following requirements:
 - Must be in writing & received in advance or at this meeting before the close of public comment
 - Must state which adjustment is being protested
 - Must identify the associated parcel, name and signature (one per parcel is allowed)

RECOMMENDATIONS

- Open the public hearing, allowing for public comment & submittal of written protests
- Close public hearing
- Determine if a majority protest has been submitted
 - If receive less than 45% written protests from rate payers, proceed to BOS decision
 - If receive 45% or more (~2,615 or more) written protests from rate payers
 - Complete thorough review of submitted protests
 - If 50% or more received, (~2,906 or more), BOS may not adopt increased rates

IF LESS THAN 50% WRITTEN PROTESTS RECEIVED

Make the following findings:

- The County of Nevada Sanitation District No. 1 Wastewater Fee Study – All Zones (Fee Study) dated April 23, 2021, projects expenses, revenues and reserves for a planning period through FY 2029-30 to provide a long-term outlook of the projected fund balances within each of the 10 District zones; and
- The Fee Study proposes annual sewer charges for five fiscal years (FY 2021-22 through FY 2025-26) as allowed per Article XIID, Section 6 of the State Constitution; and
- Pursuant to Section 21080(b)(8) of the California Public Resource Code that the higher sewer service charge rates are derived directly from the cost of providing service, are necessary to meet operating expenses required for maintenance of service; and are therefore exempt from environmental review.

IF LESS THAN 50% WRITTEN PROTESTS RECEIVED

Recommendations:

- Adopt Resolution accepting the County of Nevada Sanitation District No. 1 Wastewater Fee Study – All Zones
- Introduce, waive further reading and adopt Ordinance amending subsections 1.6, 4.3, 4.4 & 4.5 of Title 4 Sanitation District Code
- Approve Resolution Requesting the County of Nevada to Place Sanitation District No. 1 Sewer Service and Standby Charges for Zones 1, 2, 4, 5, 6, 7, 8, 9, 11 and 12 for Fiscal Year 2021/22 on the Nevada County Tax Roll per Exhibit A



IF MORE THAN 50% WRITTEN PROTESTS RECEIVED

Recommendation:

Approve Resolution Requesting the County of Nevada to Place Sanitation District No. 1 Sewer Service and Standby Charges for Zones 1, 2, 4, 5, 6, 7, 8, 9, 11 and 12 for Fiscal Year 2021/22 on the Nevada County Tax Roll per Exhibit B