



NEVADA COUNTY SANITATION DISTRICT NO. 1
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**NEVADA COUNTY SANITATION DISTRICT NO. 1 BOARD OF
DIRECTORS**
Board Agenda Memo

MEETING DATE: June 22, 2021

TO: Board of Directors

FROM: Trisha Tillotson, Director of Public Works

SUBJECT: Public hearing on proposed sewer service charge rate adjustments for all customers within the District for fiscal years 2021-22 through 2025-26 – All Zones

RECOMMENDATION:

1. Receive a presentation
2. Hold the public hearing
3. Determine if a majority of District customers protest
4. If no majority protest, adopt Resolution accepting the County of Nevada Sanitation District No. 1 Wastewater Fee Study – All Zones.

FUNDING: The Fiscal Year 2021/22 Sanitation District No. 1 Budget shall be amended during first quarter budget amendments based on the approval of this public hearing. No budget amendment is required at this time and there is no impact to the General Fund.

BACKGROUND: Nevada County Sanitation District No. 1 (District) was formed on August 2, 1965, (Nevada County Board of Supervisor's Resolution (BOS Res. 65-135)) to provide for construction, operation, and maintenance of the Glenbrook Sewer Assessment District. The City of Grass Valley now operates, maintains, and administers the Glenbrook zone. The next zone, Lake Wildwood, was annexed into the District on June 23, 1970 (SD Res. 70-1) and was followed by the Lake of the Pines zone of June 13, 1972 (SD Res. 72-3). Over the years, nine more zones (Kingsbury Greens, North San Juan, Gold Creek, Penn Valley, Mountain Lakes Estates, Cascade Shores, Eden Ranch, Higgins Village, and Valley Oak Court) were annexed into the District with Kingsbury Greens being detached from the District in 1995.

An agreement dated March 1, 1972, (SD Res. 72-1) between the District and Nevada County directs County staff to provide operation, maintenance, and administration of all the District's facilities except the Glenbrook zone. This original agreement was supplemented by two subsequent agreements adopted in 1973 (SD Res. 73-12) and 1988 (SD Res. 88-6).

On May 12, 1992, (SD Res. 92-7) the Sanitation District Advisory Committee was formed by the District Board providing a vehicle for District zone customers to formally communicate their recommendations to the District Staff and Board of Directors. The Committee's activities include the annual review and recommendation of the proposed District budgets and sewer charges to the Board. The government of the District operating zones is provided by the Nevada County Board of Supervisors acting in their capacity as the Board of Directors of the Sanitation District. The District's formation and operation is in accordance with California Health and Safety Code Sections 4700 through 4858. District's rate-setting capability is in accordance with Health and Safety Code Section 5470 through 5474.10 and subject to Proposition 218. District policies and procedures have been established by ordinances adopted by the District Board of Directors. These ordinances were compiled into a code format and adopted by the District Board (SD Ordinance 28 effective February 9, 1995); now known as the Nevada County Sanitation District No. 1 Sanitation Code. All subsequent ordinances have been incorporated into this Code. District authority is defined in section 1.2A of the Sanitation Code. A copy of the Sanitation Code is provided in Appendix B. All other District actions are adopted by resolution.

The District's service area currently includes 10 active zones serving approximately 5,600 residential dwelling units and 15 commercial properties. These figures represent currently active connections, in addition, the District is maintaining the collection, treatment, and disposal system for approximately 700 residential and 3 commercial properties which are within the zones but have yet to connect to the system. Such customers are charged an annual standby charge.

The mission of the Sanitation District is, "To administer, operate, and maintain wastewater collection systems, treatment, and disposal facilities in a safe, efficient, and cost-effective manner for Nevada County Sanitation District No. 1 customers in compliance with local, State, and Federal requirements." To this end, the District sought to update its sewer rates so that it could continue to serve its customers in a safe, efficient, and cost-effective manner.

HF&H Consultants, LLC (HF&H), was retained to conduct a wastewater fee study for all 10 zones within the Nevada County Sanitation District No. 1 (District) for FY 2021-22 through FY 2025-26. The cost-of-service analysis will form the basis of the sewer service charges.

STUDY OBJECTIVES

The purpose of the fee study is to update the District's rates to ensure that they generate sufficient revenue to recover the District's costs and that the rate structure reflects the District's current rate-making objectives. The District's rate-making objectives include the following:

1. Rates must comply with Proposition 218 and applicable State codes.
2. Provide revenue sufficiency and financial stability to fund the projected capital and Operation and Maintenance (O&M) costs of each zone within the District.
3. Meet the District's operations and capital reserve targets.
4. Charge rates that are clear and understandable to the customers to meet the following parameters:
 - a. Cover projected costs incurred to maintain the wastewater system within the respective zone. Each zone funds only their respective costs.
 - b. Maximize costs savings by consolidating zones, where practical.
 - c. If a zone is part of a consolidation, achieve uniform rates among all prior independent zones by FY 2024-25 (Year 4).
 - d. Utilize available zone-specific reserve funds to smooth in significant rate increases over time.
 - e. Utilize a low-interest loan if reserve funds alone are not sufficient to allow the smoothing-in of significant rate increases.
 - f. Be approaching or achieve zone-specific reserve fund targets by FY 2025-26 (Year 5).

FINDINGS AND RECOMMENDATIONS

In preparing this sewer rate study, expenses, revenues, and reserves were projected for a planning period through FY 2029-30 to provide a long-term outlook of the projected fund balances within each zone. However, the proposed annual sewer charges cover only the first five fiscal years (FY 2021-22 through FY 2025-26). Article XIID, Section 6 of the State Constitution limits municipalities in adopting rates to a maximum of five years, at any one time. In addition, Proposition 218 established substantive requirements applicable to utility service charge calculations. These requirements include:

- Revenues derived from the fee or charge cannot exceed the costs required to provide the service.
 - Revenues derived from the fee or charge can only be used for the purpose for which the fee or charge is responsible for.
 - The amount of the fee or charge any customer is subject to must not exceed the proportional cost of service attributable to each customer.
1. **Current rates.** Rates are updated annually but have not been studied within the last five years. **Figure I-1** and **Figure I-2** list the current O&M service charge, Capital service charge, and standby service charge per Equivalent Dwelling Unit (EDU) by zone.

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

The District bills a standby charge to parcels that have been allocated sewer capacity previously but are not currently connected to the sewer system. The standby charge is based on the cost of previously acquired capital acquisitions and improvements, as well as the cost of the maintenance to the pertinent capital improvements in proportion to the total sewage capacity allocated to the parcel. The combined standby charge is billed annually via the tax roll. The District is planning to assess the current value of its system as it examines current connection fees. Any updates to the valuation of the system will be reflected in future proposed standby charges.

Figure I-2. Current Annual Standby Charges

District Zones	Current Rate \$/EDU
Lake Wildwood	\$385
Lake of the Pines	\$475
North San Juan	\$48
Gold Creek	\$0
Penn Valley	\$245
Mt. Lake Estates	\$138
Cascade Shores	\$735
Eden Ranch	\$180
Higgins Village	\$0
Valley Oak Court	\$0

2. **Zone consolidations.** Results reflect reducing the number of independent zones from the current 10 to 7. Our analyses and proposed rates assume the consolidation of the Lake Wildwood (Z1), Penn Valley (Z6), and Valley Oak Court (Z12) zones and will be referred to as Consolidated #1 throughout this memorandum and our subsequent analyses. In addition, our analyses and proposed rates assume the consolidation of the Lake of the Pines (Z2) and Higgins Village (Z11) zones and will be referred to as Consolidated #2 throughout this memorandum and our subsequent analyses.
3. **Operating Cost projections.** Operating and Maintenance (O&M) expenses for personnel and utilities are increasing at a rate equal to or less than inflation.
4. **Capital Cost projections.** The District projects overall increases to its capital improvements program (CIP) to upgrade or rehabilitate its aging infrastructure. The District's capital expenses are summarized by zone in **Figure I-3** and include a construction cost inflation factor of 2.64% per year based on the 20-year average change in the Engineering News Record Construction Cost Index (ENR CCI).

Figure I-3. Projected CIP Schedule

Project Description	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Total	Average Annual
Z1 Lake Wildwood	\$307,924	\$158,029	\$162,203	\$166,487	\$170,884	\$965,526	\$193,105
Z2 Lake of the Pines	\$153,962	\$105,352	\$108,135	\$110,991	\$113,923	\$592,364	\$118,473
Z4 North San Juan	\$10,264	\$2,634	\$2,703	\$2,775	\$2,848	\$21,224	\$4,245
Z5 Gold Creek	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Z6 Penn Valley	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Z7 MLE	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Z8 Cascade Shores	\$5,132	\$5,268	\$5,407	\$5,550	\$5,696	\$27,052	\$5,410
Z9 Eden Ranch	\$46,189	\$10,535	\$10,814	\$11,099	\$11,392	\$90,029	\$18,006
Z11 Higgins Village	\$5,132	\$0	\$0	\$0	\$0	\$5,132	\$1,026
Z12 Valley Oak Court	\$5,132	\$0	\$0	\$0	\$0	\$5,132	\$1,026
Total	\$533,735	\$281,818	\$289,261	\$296,902	\$304,744	\$1,706,459	\$341,292

5. **Debt service projections.** The District has previously issued debt to fund large capital projects in various zones. The current debt service payments are summarized in **Figure I-**

4. When debts are paid off, the funds used to pay the current debt service will still be needed to fund necessary capital projects that are purposely being delayed until the current debt is paid off.

Figure I-4. Current Debt Service

Zone	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	Final Payment Due
Cascade Shores SRF Loan							FY 2028-29
Principal	\$16,958	\$16,958	\$16,958	\$16,958	\$16,958	\$16,958	
Interest	\$0	\$0	\$0	\$0	\$0	\$0	
Subtotal	\$16,958	\$16,958	\$16,958	\$16,958	\$16,958	\$16,958	
Lake of the Pines BoA Loan							FY 2026-27
Principal	\$147,059	\$147,059	\$147,059	\$147,059	\$147,059	\$147,059	
Interest	\$32,871	\$27,612	\$22,352	\$17,093	\$11,834	\$6,574	
Subtotal	\$179,930	\$174,670	\$169,411	\$164,152	\$158,892	\$153,633	
Lake of the Pines SRF Loan							FY 2027-28
Principal	\$948,958	\$948,958	\$948,958	\$948,958	\$948,958	\$948,958	
Interest	\$0	\$0	\$0	\$0	\$0	\$0	
Subtotal	\$948,958	\$948,958	\$948,958	\$948,958	\$948,958	\$948,958	
Lake of the Pines Solar							FY 2036-37
Principal	\$87,565	\$88,075	\$88,748	\$89,272	\$89,803	\$90,495	
Interest	\$48,879	\$46,062	\$43,225	\$40,369	\$37,497	\$34,606	
Subtotal	\$136,444	\$134,137	\$131,973	\$129,641	\$127,300	\$125,101	
Lake Wildwood BoA Loan							FY 2026-27
Principal	\$58,824	\$58,824	\$58,824	\$58,824	\$58,824	\$58,824	
Interest	\$13,148	\$11,045	\$8,941	\$6,837	\$4,733	\$2,630	
Subtotal	\$71,972	\$69,868	\$67,764	\$65,661	\$63,557	\$61,453	
Lake Wildwood SRF Loan							FY 2027-28
Principal	\$640,414	\$654,503	\$668,902	\$683,618	\$698,657	\$714,028	
Interest	\$66,428	\$58,743	\$50,889	\$42,862	\$34,659	\$26,275	
Service Charge	\$55,356	\$48,952	\$42,407	\$35,718	\$28,882	\$21,896	
Grant Charge	\$0	\$0	\$0	\$0	\$0	\$0	
Subtotal	\$762,198	\$762,198	\$762,198	\$762,198	\$762,198	\$762,198	
Total Debt Service	\$2,116,459	\$2,106,790	\$2,097,262	\$2,087,568	\$2,077,863	\$2,068,301	

6. **Gold Creek low-interest loan.** In addition to proposed rate increases, a \$14,000 loan to this zone would help keep a positive reserve balance. **Figure I-5** shows the proposed loan and repayment period ending in FY 20205-26.

Figure I-5. Proposed Gold Creek Loan and Repayment Schedule

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Potential Loan Amount	\$10,000	\$4,000	\$0	\$0	\$0	\$0
Beginning Balance	\$10,000	\$14,200	\$14,484	\$14,774	\$11,332	\$6,509
Repayment				(\$3,700)	(\$5,000)	(\$6,573)
Balance Before Interest	\$10,000	\$14,200	\$14,484	\$11,074	\$6,332	(\$64)
Interest Due	\$200	\$284	\$290	\$258	\$177	\$64
Ending Balance	\$10,200	\$14,484	\$14,774	\$11,332	\$6,509	(\$0)

7. **Net Revenue Requirement.** The revenue requirement for each zone is made up of operating costs, capital costs, existing debt service and loan repayments, as described in items 3, 4, 5, and 6, above. **Figure I-6** summarizes the five-year revenue requirements of the 7 zones. Net O&M costs include shared costs, direct operating costs, and non-operating revenues.

Figure I-6. Projected Net Revenue Requirements

Service Area	Revenue Requirement	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Consolidated #1 (LWW, PV, VOC)	Net O&M	\$3,396,943	\$3,377,258	\$3,475,526	\$3,576,743	\$3,680,996
	Capital	\$313,056	\$158,029	\$162,203	\$166,487	\$170,884
	Debt Service	\$832,066	\$829,962	\$827,859	\$825,755	\$823,651
	Loan Repayments	\$0	\$0	\$0	\$0	\$0
	Net Revenue Requirement	\$4,542,065	\$4,365,249	\$4,465,587	\$4,568,984	\$4,675,531
Consolidated #2 (LOP, HV)	Net O&M	\$2,420,144	\$2,408,823	\$2,479,026	\$2,551,336	\$2,625,815
	Capital	\$159,094	\$105,352	\$108,135	\$110,991	\$113,923
	Debt Service	\$1,257,765	\$1,250,342	\$1,242,751	\$1,235,150	\$1,227,692
	Loan Repayments	\$0	\$0	\$0	\$0	\$0
	Net Revenue Requirement	\$3,837,003	\$3,764,517	\$3,829,912	\$3,897,477	\$3,967,429
Z4 North San Juan	Net O&M	\$101,764	\$100,976	\$103,909	\$106,930	\$110,041
	Capital	\$10,264	\$2,634	\$2,703	\$2,775	\$2,848
	Debt Service	\$0	\$0	\$0	\$0	\$0
	Loan Repayments	\$0	\$0	\$0	\$0	\$0
	Net Revenue Requirement	\$112,028	\$103,610	\$106,612	\$109,705	\$112,890
Z5 Gold Creek	Net O&M	\$16,572	\$14,671	\$15,051	\$15,442	\$15,845
	Capital	\$0	\$0	\$0	\$0	\$0
	Debt Service	\$0	\$0	\$0	\$0	\$0
	Loan Repayments	\$0	\$0	\$3,700	\$5,000	\$6,573
	Net Revenue Requirement	\$16,572	\$14,671	\$18,751	\$20,442	\$22,418
Z7 Mountain Lake Estates	Net O&M	\$29,682	\$29,020	\$29,852	\$30,708	\$31,591
	Capital	\$0	\$0	\$0	\$0	\$0
	Debt Service	\$0	\$0	\$0	\$0	\$0
	Loan Repayments	\$0	\$0	\$0	\$0	\$0
	Net Revenue Requirement	\$29,682	\$29,020	\$29,852	\$30,708	\$31,591
Z8 Cascade Shores	Net O&M	\$247,668	\$248,552	\$255,844	\$263,355	\$271,092
	Capital	\$5,132	\$5,268	\$5,407	\$5,550	\$5,696
	Debt Service	\$16,958	\$16,958	\$16,958	\$16,958	\$16,958
	Loan Repayments	\$0	\$0	\$0	\$0	\$0
	Net Revenue Requirement	\$269,758	\$270,777	\$278,209	\$285,863	\$293,746
Z9 Eden Ranch	Net O&M	\$29,068	\$28,394	\$29,208	\$30,045	\$30,908
	Capital	\$46,189	\$10,535	\$10,814	\$11,099	\$11,392
	Debt Service	\$0	\$0	\$0	\$0	\$0
	Loan Repayments	\$0	\$0	\$0	\$0	\$0
	Net Revenue Requirement	\$75,256	\$38,930	\$40,021	\$41,144	\$42,300

8. **Revenue at Current Rates.** Revenues at current rates (including growth projections) do not cover costs. Rate increases are necessary to cover costs that existing reserves cannot help offset. **Figure I-7** summarizes the projected surplus/shortfall of revenue requirement versus the revenue at current O&M, capital, and standby rates for each of the 7 zones.

Figure I-7. Projected Net Revenue at Current Rates

Service Area	Revenue Requirement	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Consolidated #1 (LWW, PV, VOC)	at Current Rates	\$3,691,369	\$3,695,809	\$3,701,129	\$3,705,569	\$3,710,889
	Net Rev. Req.	(\$4,542,065)	(\$4,365,249)	(\$4,465,587)	(\$4,568,984)	(\$4,675,531)
	Surplus/(Shortfall)	(\$850,696)	(\$669,440)	(\$764,458)	(\$863,415)	(\$964,642)
Consolidated #2 (LOP, HV)	at Current Rates	\$2,739,130	\$2,745,055	\$2,750,980	\$2,756,905	\$2,762,830
	Net Rev. Req.	(\$3,837,003)	(\$3,764,517)	(\$3,829,912)	(\$3,897,477)	(\$3,967,429)
	Surplus/(Shortfall)	(\$1,097,873)	(\$1,019,462)	(\$1,078,932)	(\$1,140,572)	(\$1,204,599)
Z4 North San Juan	at Current Rates	\$68,405	\$68,405	\$68,405	\$68,405	\$68,405
	Net Rev. Req.	(\$112,028)	(\$103,610)	(\$106,612)	(\$109,705)	(\$112,890)
	Surplus/(Shortfall)	(\$43,623)	(\$35,205)	(\$38,207)	(\$41,300)	(\$44,485)
Z5 Gold Creek	at Current Rates	\$10,340	\$10,340	\$10,340	\$10,340	\$10,340
	Net Rev. Req.	(\$16,572)	(\$14,671)	(\$18,751)	(\$20,442)	(\$22,418)
	Surplus/(Shortfall)	(\$6,232)	(\$4,331)	(\$8,411)	(\$10,102)	(\$12,078)
Z7 Mountain Lake Estates	at Current Rates	\$23,428	\$23,428	\$23,428	\$23,428	\$23,428
	Net Rev. Req.	(\$29,682)	(\$29,020)	(\$29,852)	(\$30,708)	(\$31,591)
	Surplus/(Shortfall)	(\$6,254)	(\$5,592)	(\$6,424)	(\$7,280)	(\$8,163)
Z8 Cascade Shores	at Current Rates	\$225,945	\$225,945	\$225,945	\$225,945	\$225,945
	Net Rev. Req.	(\$269,758)	(\$270,777)	(\$278,209)	(\$285,863)	(\$293,746)
	Surplus/(Shortfall)	(\$43,813)	(\$44,832)	(\$52,264)	(\$59,918)	(\$67,801)
Z9 Eden Ranch	at Current Rates	\$34,620	\$34,620	\$34,620	\$34,620	\$34,620
	Net Rev. Req.	(\$75,256)	(\$38,930)	(\$40,021)	(\$41,144)	(\$42,300)
	Surplus/(Shortfall)	(\$40,636)	(\$4,310)	(\$5,401)	(\$6,524)	(\$7,680)

9. **Operating Reserve and Capital Reserve Targets.** Operating reserve and capital reserve targets for each zone have been independently calculated based on their projected annual expenses. The operating reserve target for each zone was to achieve the equivalent of six-months of operating expenses. The capital reserve target for each zone was to achieve the equivalent five-year average annual CIP amount.

Not all zones will be able to achieve the reserve balance targets described above, even with proposed rate increases during the five-year period. In these cases, minimal reserves with the proposed increases have been modeled. **Figure I-8** provides a summary by zone of the operating reserve target, capital reserve target and surplus or deficit in reserves (after the proposed rate increases) compared to the fiscal year target.

Figure I-8. Reserve Targets

Service Area	Target	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Consolidated #1 (LWW, PV, VOC)	O&M	\$1,700,507	\$1,690,665	\$1,739,799	\$1,790,407	\$1,842,534
	Capital	\$440,500	\$440,500	\$440,500	\$440,500	\$440,500
	Total Reserve Target	\$2,141,007	\$2,131,165	\$2,180,299	\$2,230,907	\$2,283,034
	Projected Reserve Balance	\$189,661	\$381,012	\$999,746	\$1,669,167	\$2,392,283
	\$ Above/(Below) Target	(\$1,951,346)	(\$1,750,153)	(\$1,180,553)	(\$561,740)	\$109,249
Consolidated #2 (LOP, HV)	O&M	\$1,212,220	\$1,206,559	\$1,241,661	\$1,277,816	\$1,315,055
	Capital	\$345,500	\$345,500	\$345,500	\$345,500	\$345,500
	Total Reserve Target	\$1,557,720	\$1,552,059	\$1,587,161	\$1,623,316	\$1,660,555
	Projected Reserve Balance	\$648,575	\$609,568	\$1,127,697	\$1,589,677	\$1,992,891
	\$ Above/(Below) Target	(\$909,145)	(\$942,492)	(\$459,464)	(\$33,639)	\$332,336
Z4 North San Juan	O&M	\$50,947	\$50,552	\$52,019	\$53,529	\$55,085
	Capital	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
	Total Reserve Target	\$53,947	\$53,552	\$55,019	\$56,529	\$58,085
	Projected Reserve Balance	\$110,832	\$90,041	\$74,247	\$64,191	\$60,692
	\$ Above/(Below) Target	\$56,886	\$36,488	\$19,228	\$7,661	\$2,607
Z5 Gold Creek	O&M	\$8,326	\$7,375	\$7,565	\$7,761	\$7,963
	Capital	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800
	Total Reserve Target	\$10,126	\$9,175	\$9,365	\$9,561	\$9,763
	Projected Reserve Balance	\$678	\$900	\$18	\$1,019	\$4,341
	\$ Above/(Below) Target	(\$9,448)	(\$8,276)	(\$9,347)	(\$8,542)	(\$5,422)
Z7 Mountain Lake Estate	O&M	\$14,867	\$14,536	\$14,952	\$15,380	\$15,821
	Capital	\$300	\$300	\$300	\$300	\$300
	Total Reserve Target	\$15,167	\$14,836	\$15,252	\$15,680	\$16,121
	Projected Reserve Balance	\$32,907	\$29,759	\$27,014	\$24,711	\$22,892
	\$ Above/(Below) Target	\$17,740	\$14,923	\$11,762	\$9,031	\$6,771
Z8 Cascade Shores	O&M	\$123,944	\$124,386	\$128,032	\$131,788	\$135,656
	Capital	\$16,000	\$16,000	\$16,000	\$16,000	\$16,000
	Total Reserve Target	\$139,944	\$140,386	\$144,032	\$147,788	\$151,656
	Projected Reserve Balance	\$328,674	\$293,677	\$255,529	\$214,083	\$169,187
	\$ Above/(Below) Target	\$188,730	\$153,291	\$111,497	\$66,296	\$17,531
Z9 Eden Ranch	O&M	\$14,564	\$14,227	\$14,634	\$15,053	\$15,484
	Capital	\$12,500	\$12,500	\$12,500	\$12,500	\$12,500
	Total Reserve Target	\$27,064	\$26,727	\$27,134	\$27,553	\$27,984
	Projected Reserve Balance	\$124,231	\$120,412	\$115,484	\$109,413	\$102,160
	\$ Above/(Below) Target	\$97,167	\$93,685	\$88,351	\$81,860	\$74,176

While all other zones project to reach their respective total reserve targets before or by the end of FY 2025-26, Gold Creek is an exception. In this case, Gold Creek projects to meet its total reserve target by the end of FY 2026-27.

- Proposed O&M Service Charges and Capital Service Charges.** Figure I-9 summarizes the proposed rates per EDU which would go into effect each fiscal year, beginning July 1, 2021. Uniform rates are achieved for all zones within each consolidation over a multi-year transition period by FY 2023-24. For the other 5 separate zones, proposed rates will allow each zone to reach or approach the target reserve by FY 2025-26.

Figure I-9. Proposed Sewer Rates

Service Area	Current Rate \$/EDU	Proposed Rates (\$/EDU)				
		FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Consolidated #1						
Z1 Lake Wildwood - O&M	\$712	\$830	\$966	\$1,126	\$1,160	\$1,195
Z1 Lake Wildwood - Capital	\$283	\$282	\$282	\$273	\$281	\$290
Z6 Penn Valley - O&M	\$880	\$955	\$1,037	\$1,126	\$1,160	\$1,195
Z6 Penn Valley - Capital	\$115	\$155	\$207	\$273	\$281	\$290
Z12 Valley Oak Court - O&M	\$2,000	\$830	\$966	\$1,126	\$1,160	\$1,195
Z12 Valley Oak Court - Capital	\$0	\$91	\$182	\$273	\$281	\$290
Consolidated #2						
Z2 Lake of the Pines - O&M	\$810	\$1,017	\$1,251	\$1,525	\$1,525	\$1,525
Z2 Lake of the Pines Capital	\$375	\$367	\$367	\$367	\$367	\$367
Z11 Higgins Village - O&M	\$1,675	\$1,525	\$1,525	\$1,525	\$1,525	\$1,525
Z11 Higgins Village - Capital	\$0	\$367	\$367	\$367	\$367	\$367
Z4 North San Juan - O&M	\$785	\$864	\$950	\$1,045	\$1,149	\$1,264
Z5 Gold Creek - O&M	\$235	\$282	\$338	\$406	\$487	\$585
Z7 Mountain Lake Estates - O&M	\$565	\$593	\$623	\$654	\$687	\$721
Z8 Cascade Shores - O&M	\$2,231	\$2,276	\$2,321	\$2,368	\$2,415	\$2,463
Z8 Cascade Shores - Capital	\$214	\$218	\$223	\$227	\$232	\$236
Z9 Eden Ranch - O&M	\$1,148	\$1,148	\$1,148	\$1,148	\$1,148	\$1,148

11. **Standby Service Charges.** In keeping with historical practice, we do not recommend adjusting standby charges at this time. **Figure I-10** summarizes the current and future standby service charges per EDU.

Figure I-10. Proposed Standby Service Charges

Service Area	Current Rate \$/EDU	Proposed Rates (\$/EDU)				
		FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26
Consolidated #1						
Z1 Lake Wildwood	\$385	\$385	\$385	\$385	\$385	\$385
Z6 Penn Valley	\$245	\$245	\$245	\$245	\$245	\$245
Z12 Valley Oak Court	\$0	\$0	\$0	\$0	\$0	\$0
Consolidated #2						
Z2 Lake of the Pines	\$475	\$475	\$475	\$475	\$475	\$475
Z11 Higgins Village	\$0	\$0	\$0	\$0	\$0	\$0
Z4 North San Juan	\$48	\$48	\$48	\$48	\$48	\$48
Z5 Gold Creek	\$0	\$0	\$0	\$0	\$0	\$0
Z7 Mountain Lake Estates	\$138	\$138	\$138	\$138	\$138	\$138
Z8 Cascade Shores	\$735	\$735	\$735	\$735	\$735	\$735
Z9 Eden Ranch	\$180	\$180	\$180	\$180	\$180	\$180

OUTREACH

A lot goes into preparing for a proposed utility rate increase and that preparation begins far in advance of the Public Hearing. Documented are a few key tasks that have taken place to ensure the

District is meeting all of the guidelines under Proposition 218 and providing sufficient justification and documentation for the increase.

- January 28, 2020 - Rate Study request approved by Board of Supervisors
- March 17, 2020 - Project kickoff with Consultant
- July 13, 2020 - Draft Model presented including COVID impacts
- October 8, 2020 - Consolidation scenario's presented
- January 4, 2021 - Updated draft Model presented for comment and review
- January 22, 2021 - Updated draft model presented for comment and review
- April 6, 2021 - Updated ear Final Draft Rate Study presented for final review and comment.
- April 8, 2021 - Rate Study Findings reported to Sanitation District Advisory Commission (SDAC) Members
- April 30, 2021- Mailed Proposition 218 notices, Launch Community Outreach materials via a variety of sources - Web Site (<https://www.mynevadacounty.com/NCSD-Rates>), County Newsletter, Next Door.

A copy of the Notice of Public Hearing is attached as Attachment A.

NEXT STEPS

If there is no majority protest, the Board will be asked under separate items to:

1. Introduce, waive further reading and adopt the attached Ordinance amending subsections 1.6, 4.3, 4.4 and 4.5 of Title 4 Sanitation District Code.
2. Adopt a Resolution adopting parcel charges based on the County of Nevada Sanitation District No. 1 Wastewater Fee Study – All Zones per Exhibit A.

If there is a majority protest or the Board does not accept the Fee Study, the Board will be asked to adopt a Resolution adopting parcel charges based on current rates per Exhibit B.

Item Initiated and Approve by: Trisha Tillotson, Director of Public Works

Submittal Date: June 2, 2021
Revision Date: