Final Report

Laguna County Sanitation District

Wastewater Rate Study

March 2026

March 27, 2026

Mr. Kevin Thompson, P.E.
Resident Engineer
Laguna County Sanitation District
620 W Foster Rd
Santa Maria, CA 93455

Subject: Wastewater Final Rate Study Report

Dear Mr. Thompson:

HDR Engineering, Inc. (HDR) is pleased to present to the Laguna County Sanitation District (District) the draft report for the comprehensive wastewater rate study (Study). The District's Study was developed to provide cost-based wastewater rates that generate sufficient revenue to fund the operation and maintenance and capital needs of the wastewater utility. More specifically, the Study was designed to develop proportional rates for the District's customers and specific rate schedules. This report outlines the overall approach used to achieve these objectives, along with the Study findings, conclusions, and recommendations.

The costs associated with providing wastewater services to the District's customers have been developed based on District specific information and are included within the development of the proposed rates. The Study was developed utilizing industry recognized generally accepted rate setting principles and methodologies as outlined in the Water Environment Federation's Financing Charges for Wastewater Systems Manual of Practice No. 27 tailored to the District's specific wastewater system and customer characteristics. This report provides the basis for developing and implementing wastewater rates which are cost-based, proportional, and defensible for the District's customers.

We appreciate the assistance provided by the District's project team in the development of the Study. More importantly, HDR appreciates the opportunity to provide these technical and professional services to Laguna County Sanitation District.

Sincerely yours,
HDR Engineering, Inc.

Josiah Close

Josiah Close
Utility Rates Project Manager

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Executive Summary

Introduction

HDR Engineering, Inc. was retained by the Laguna County Sanitation District to conduct a comprehensive wastewater rate study. The main objectives of the Study were to:

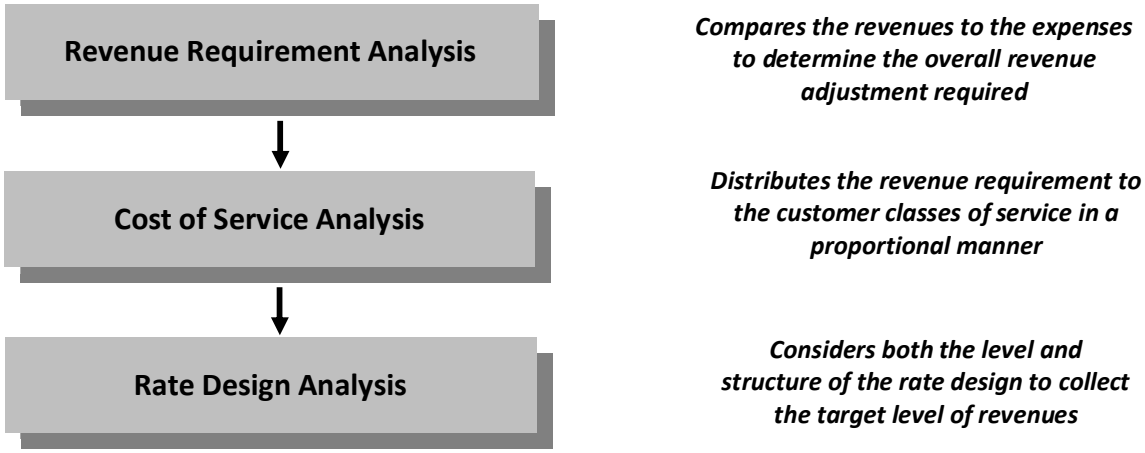
- Develop a projection of wastewater rate revenues to support the District's operating and capital costs
- Proportionately distribute the costs of providing wastewater service to the customers receiving service
- Propose cost-based and proportional wastewater rates for a multi-year time period that are in compliance with State law

The District owns, operates, and maintains the wastewater system, which provides collection and treatment services to customers within the Orcutt area of Santa Barbara County (County). The costs associated with providing wastewater service to the District's customers have been based on the information developed and provided by District staff and are the basis for the proposed wastewater rates.

Overview of the Rate Study Process

A comprehensive rate study uses three interrelated analyses to address the adequacy and proportionality of a utility's rates. These three analyses are a revenue requirement analysis, a cost of service analysis, and a rate design analysis. These three analyses are illustrated below in Figure ES - 1.

Figure ES – 1
Overview of the Comprehensive Wastewater Rate Analysis



The above framework was utilized in the development of the Study for reviewing and evaluating the District's wastewater rates.

Key Wastewater Rate Study Results

The technical analyses completed as part of the Study were developed based on the District's operating and maintenance (O&M) and capital costs necessary to provide wastewater collection, conveyance, treatment, reuse, and discharge services to the District's customers. The wastewater analysis resulted in the following findings, conclusions, and recommendations.

- A revenue requirement analysis was developed for the projected time period of FY 2026-27 through FY 2034-35 for the wastewater utility
- The District's FY 2025-26 wastewater utility adopted budget was used as the starting point of the analysis
- Operation and maintenance expenses are projected to increase at inflationary levels
  - ✓ Additional District staff is assumed in FY 2027-28
- A cost of service analysis was developed to review the proportionality of the existing wastewater rates and to distribute the revenue requirement between the identified wastewater customer classes of service
- The results of the cost of service analyses provided the unit costs (i.e., cost basis), which were used to establish the proposed wastewater rates for each customer class of service
- The Study has developed proposed wastewater rates for the FY 2026-27 – FY 2030-31 time period for each customer class of service
- The proposed wastewater revenue adjustments are 3.0%, annually, from FY 2026-27 through FY 2030-31

Summary of the Revenue Requirement Analysis

The District's wastewater utility revenue requirement analysis is the first analytical step in the comprehensive rate study process. The revenue requirement analysis determines the adequacy of the current wastewater rates to fund current and future O&M and capital expenses. From this comparison, a determination can be made as to the overall level of rate revenue adjustments needed to provide adequate and prudent funding for the wastewater utility.

For the Study, the revenue requirement was developed for the FY 2025-26 budgeted expenses and a projected time period (FY 2026-27 – FY 2034-35). As a practical matter, a multi-year time frame is recommended to identify major expenses that may be on the horizon. By anticipating future financial requirements, the District may begin planning for these changes sooner, thereby minimizing short-term rate impacts and overall long-term rates. While a long-term time period (i.e., 9-years) was developed, the focus of the Study was on the next five-year rate setting period of FY 2026-27 – FY 2030-31.

The revenue requirement analysis was developed using the cash basis approach. The cash basis approach is an industry standard approach and one of the most commonly used approaches by municipal utilities to set their revenue requirement. Under this approach, the revenues of the

utility must be sufficient to recover all cash needs, including O&M expenses, maintaining reserve balances, annual debt service payments, and capital projects funded through rates (pay as you go capital). The financial inputs in the development of the revenue requirement were the District's FY 2024-25 actual expenses, FY 2025-26 budgeted expenses, historical billed customer and consumption data, and the District's wastewater capital improvement plan. Budgeted O&M expenses were projected using inflationary factors for the District's expenses to provide wastewater collection, conveyance, treatment, and disposal services over the projected time period. These inflationary factors were based on historical District specific increases in costs and planned changes based on Laguna County planning and financial projection studies and analyses.

The proper and adequate funding of capital projects is important to help minimize rate increases over time. General financial guidelines state that, at a minimum, a utility should fund an amount equal to, or greater than, the annual depreciation expense through rates. The annual depreciation expense reflects the current investment in plant facilities in service being depreciated or "losing" their useful life. This portion of plant investment needs to be replaced to maintain the existing level of infrastructure (and service levels). However, it must be kept in mind that, in theory, the annual depreciation expense reflects an investment in infrastructure that was placed in service an average of 15 years ago, assuming a 30-year useful, depreciable, life. Simply funding an amount equal to the annual depreciation expense will not be sufficient to fund the replacement of an existing or depreciated facility. Therefore, consideration should be given to funding within rates some amount greater than the annual depreciation expense for renewals and replacements.

As a part of the Study, the District made a concerted effort to maintain and increase the overall level of "pay-as-you-go" (rate) funding as part of the District's capital improvement plan to address aging infrastructure in the wastewater system (e.g., renewal and replacement needs). Provided below in Table ES - 1 is a summary of the wastewater capital funding analysis. This shows the annual level of capital projects identified by the District, the other funding sources (e.g., cash reserves), and the amount of rate funded capital (pay as you go) over the five-year rate setting period. A more detailed discussion of the capital funding plan is included in Section 2.2.4 of this report.

Table ES – 1
Summary of the Capital Funding Analysis ($000)

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Total Capital Improvement Projects	$7,857	$7,324	$6,006	$7,908	$4,000	$4,000
Less: Other Funding	3,207	3,324	2,006	3,908	0	0
Total Rate Funded Capital	**$4,650**	**$4,000**	**$4,000**	**$4,000**	**$4,000**	**$4,000**

As a point of reference, the District's annual depreciation expense is approximately $3.6 million (FY 2025-26). The Study has placed the District's rate funding for capital improvements at $4.7 million in FY 2025-26 and then settles in at $4.0 million annually over the remaining Study time period to prudently fund capital renewal and replacement needs. In developing this funding plan, HDR and the District have attempted to minimize rate impacts while funding the necessary capital improvement projects identified by the District. HDR has worked with the District's financial staff and to develop the proposed financing plan. It is important to note that HDR is not acting in a municipal advisory role to the District and is not producing investment grade reports or opinions.

Given a projection of O&M and capital expenses, a summary of the revenue requirement analysis was developed. Provided below in Table ES - 2 is a summary of the revenue requirement analysis for the District's wastewater utility.

Table ES - 2
Summary of the Wastewater Revenue Requirement Analysis ($000)

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Revenues						
Rate Revenues	$15,855	$15,998	$16,142	$16,287	$16,433	$16,581
Other Revenues	984	1,023	984	940	920	944
Total Revenues	**$16,839**	**$17,021**	**$17,125**	**$17,227**	**$17,354**	**$17,526**
Expenses						
O&M Expenses	$10,996	$12,423	$13,005	$13,489	$13,975	$14,479
Rate Funded Capital	4,650	4,000	4,000	4,000	4,000	4,000
Net Debt Service	1,182	855	849	850	848	843
Reserve Funding	11	222	254	398	593	844
Total Expenses	**$16,839**	**$17,501**	**$18,108**	**$18,737**	**$19,416**	**$20,167**
Bal./(Def.) of Funds	$0	($480)	($983)	($1,510)	($2,063)	($2,641)
Bal. as a % of Rate Rev.	0.0%	3.0%	6.1%	9.3%	12.6%	15.9%
Proposed Revenue Adjustment	**0.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**
Add'l Rev. from Adjustment	$0	$480	$983	$1,510	$2,063	$2,641

Table ES – 2, above, shows the revenue requirement has summed the O&M expense, rate funded capital, net debt service, and reserve funding. The total revenue requirement is then compared to the total revenues, which include the rate revenues, at present rate levels, and other miscellaneous revenues. From this comparison, a balance or deficiency of funds in each year can be determined. This balance or deficiency of funds is then compared to the current level of rate revenues to determine the level of adjustment needed to meet the revenue requirement. It is important to note that the "Bal. / (Def.) of Funds" row is cumulative. That is, any adjustments in the initial years will reduce the deficiency in the later years. Over the Study time period, the total deficiency of rate revenue is 15.9%. As a point of reference, the revenue adjustment for FY 2026-

27, if adopted by the District, would be implemented in July 2026, and every July at the beginning of the fiscal year, thereafter.

Based on the revenue requirement analysis developed herein, HDR has concluded that the District will need to adjust the level of wastewater rate revenues received over the next five fiscal years (FY 2026-27 – FY 2030-31). HDR has reached this conclusion for the following reasons:

- Adjustments are necessary to fund the District's capital needs, of which is driven by completing the annual system renewal and replacement needs and major projects like the Tertiary Process Skid Replacement (TMF) and SM Country Club Main projects.
- Adjustments are necessary to maintain prudent funding of annual inflationary increases to O&M expenses to maintain wastewater services for the District's customers
- The proposed adjustments maintain the District's strong financial health (e.g., debt service coverage ratios) and provide long-term, sustainable funding levels for the District
- Comply with County reserve policies

In reaching this conclusion, HDR would recommend that the District adopt the proposed revenue adjustments for FY 2026-27 through FY 2030-31 to provide sufficient funding for the O&M and capital improvement needs over the Study time period. A more detailed discussion of the development of the revenue requirement is provided in Section 2 of this report.

Summary of the Cost of Service Analysis

The objective of the cost of service analysis is different from determining the revenue requirement. Whereas the revenue requirement analysis determines the utility's overall revenue needs, the cost of service analysis determines the proportional distribution of the revenue requirement to establish proposed wastewater rates for the proposed time period. In this case, the revenue requirement for FY 2026-27, the first year of the proposed rate transition plan, was used for establishing the cost of service analysis (i.e., the test year).

In summary form, the cost of service analysis began by functionalizing the revenue requirement for the wastewater system. As outlined in more detail later in this report, the functionalized revenue requirement is then allocated to the appropriate cost component(s). The individual allocated totals are proportionately distributed to the identified customer classes of service based on each customer class's use of or demand placed on the system. The District's customer classes are based on the current rate schedules which reflects the different types of customers served. This includes single family, multi-family, non-residential, and schools. The distributed expenses for each customer class were then aggregated to determine each customer class's overall revenue responsibility. Table ES - 3 provides the summary of the cost of service analysis completed for the District's wastewater utility customers.

Table ES – 3 Summary of the Wastewater Cost of Service Analysis ($000)				
Class of Service	**Current Rate Revenues**	**Distributed Costs**	**$ Difference**	**% Difference**
Single Family	$11,638	$11,819	($181)	1.6%
Multi-Family	2,951	3,079	(127)	4.3%
Non-Residential	817	932	(115)	14.1%
Schools	590	647	(57)	9.6%
Total	**$15,998**	**$16,478**	**($480)**	**3.0%**

The results of the cost of service analysis indicate minor cost differences between the customer classes of service. Given the requirements of California Constitution Article XIII D, Section 6 (commonly referred to as Proposition 218), the results of the wastewater cost of service analysis are used to establish the proposed rates through the average unit costs. As noted later in the cost of service chapter of this report, the implementation of cost of service adjustments will impact the overall customer bill and revenue generation for the wastewater utility. These results are driven by the District's system, customers characteristics, and specific costs within the test year. Given the development of the cost of service analysis, HDR would recommend the implementation of proposed wastewater rates that reflect the results of the cost of service analysis and average unit costs for the Study. It is important to note that the District has annually set rates to reflect the proportional impact from each customer class based the prior years' volume contribution (water usage). Due to this, the results of the cost of service may differ slightly than the proposed rates for FY 2026-27 as the rates calculation will also include an update of the volume contribution assumptions. However, the District will update the calculation of the rates based on the proportional allocation of the plant in service and the proportion of costs by rate component (i.e., volume, BOD, and TSS) based on the results of the cost of service analysis.

A detailed discussion of the development of the cost of service analysis is provided in Section 3 of this report.

Summary of the Rate Design Analysis

The final step of the comprehensive rate study process is the design of the wastewater rates to collect the desired levels of revenue, based on the results of the revenue requirement and cost of service analyses. The revenue requirement analysis provided a set of recommendations related to annual revenue adjustments, while incorporating the cost of service results and implementing interclass adjustments to reflect the proportionality of each customer class of service.

The District currently has a rate structure for each of the customer classes of service. It is important to understand that each customer class has a separate rate given different customer characteristics, such as assumed wastewater volume contributions, as outlined in the cost of

service analysis. For residential customers, which includes Single-Family and Multi-Family, an annual flat rate is charged on a per dwelling unit basis. Within the Non-Residential customer class, the charge is based on their specific flow and loading characteristics by customer type in order to reflect the discharge into the District's wastewater system. These customers are charged an annual fixed charge that is proportioned between each customers within a sub category based on their volumetric share of wastewater flows. Schools are charged an annual fixed charge on a per capita basis (staff and students).

Given the results of the revenue requirement and cost of service analyses, proposed rates have been developed that reflect the proportional distribution of the costs of providing wastewater service to the different customer classes of service. It is important to note that the structure of the proposed rates has been maintained, and it is not recommended change at this time. Therefore, only the level of rates has been adjusted in order to meet the results of the revenue requirement and cost of service analyses. Furthermore, the rates for FY 2026-27 are based on the average unit costs developed in the cost of service analysis. It is important to note that the District annually updates the proportionality of the rates for all customers based on the most recently available volumetric and loading (strength) assumptions which are calculated based on the results of the asset allocation and cost distribution developed in the District's Study. Therefore, the rates shown below are only representative of the results if the characteristic stay the same from year to year, which is unlikely. The actual implemented wastewater rates each year will reflect the most up to date volume contribution information and will likely differ from the rates shown. Provided in Table ES – 4 is a summary of the current and proposed rates for each customer class.

Table ES – 4
Summary of the Present and Proposed Wastewater Rates

	Present Rates	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Residential	*$ / DU / Yr*					
Single Family	$1,178.21	$1,206.19	$1,242.38	$1,279.65	$1,318.04	$1,357.58
Multi-Family	954.35	977.01	1,006.33	1,036.52	1,067.61	1,099.64
Non-Residential						
Volume (mg)	$6,268.44	$6,587.61	$6,785.24	$6,988.79	$7,198.46	$7,414.41
BOD (lb.)	1.83	2.00	2.06	2.12	2.19	2.25
SS (lb.)	2.18	2.39	2.46	2.53	2.61	2.69
Schools *($ per capita)*	$61.12	$64.64	$66.58	$68.57	$70.63	$72.75

The development of the rate design is outlined in detail in Section 4 of this report.

1 Overview of Rate Setting Principles

HDR was retained by the Laguna County Sanitation District to conduct a comprehensive wastewater rate study. The objective of the Study was to review the District's operating and capital costs to develop a financial plan for the wastewater utility on a standalone basis as well as cost-based and proportional rates that comply with State law. The costs associated with providing wastewater services to customers have been developed based on financial and operating data provided by the District and included within the development of the Study.

This section of the report provides background information about the wastewater rate setting process, including descriptions of generally accepted principles, types of utilities and methods of determining a revenue requirement, cost of service, and rate design. This information is useful for gaining a better understanding of the details presented in Sections 2 through 4 of this report.

1.1 Goals and Objectives

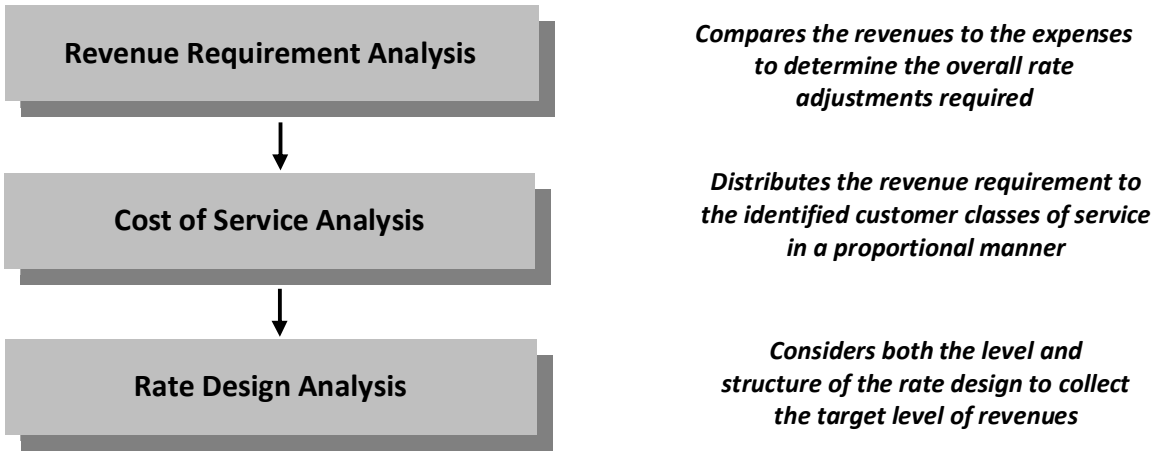
The District had a number of key objectives in developing the wastewater rate study. These key objectives provided a framework for policy decisions in the analyses that followed. The key objectives were:

- Develop the Study in a manner that is consistent with the principles and methodologies established by the Water Environment Federation (WEF) Manual of Practice No. 27, Financing and Charges for Wastewater Systems (WEF MOP #27)
- In financial planning and establishing the District's rates, review and utilize best industry practices, while recognizing and acknowledging the specific and unique characteristics of the District's wastewater system and customers
- Review the District's rates utilizing generally accepted rate making (cost of service) methodologies to determine the adequacy of the utility rates
- Meet the District's financial planning criteria and goals, such as debt service coverage ratios, adequate funding of capital infrastructure replacement, and maintenance of prudent reserve levels
- Develop a financial plan which adequately supports the wastewater utility's funding requirements, while attempting to minimize overall impacts to rates
- Consistent with County Code Sec 29-36
- Provide rates designed to meet the intent and requirements of California Constitution Article XIII D, Section 6 (commonly referred to as Proposition 218)

1.2 Overview of the Rate Study Process

User rates must be set at a level where a utility's O&M and capital expenses are met with the revenues received from customers. This is an important point, as failure to achieve this objective may lead to insufficient funds to maintain system integrity. To evaluate the adequacy of the existing wastewater rates, a comprehensive rate study is often performed. A comprehensive rate study consists of three interrelated analyses. Figure 1 - 1 provides an overview of these analyses.

Figure 1 – 1
Overview of the Comprehensive Wastewater Rate Analyses



The above framework for reviewing and evaluating rates was utilized for the development of the Study. As noted, the wastewater utility was reviewed on a stand-alone basis – that is, no funding from other District funds was assumed – to determine the level of adequate funding needs from the utility's rate revenues.

1.3 Organization of the Study

This report is organized in a sequential manner that first provides an overview of utility rate setting principles, followed by sections that detail the specific steps used to review and develop the District's proposed wastewater rates. The following sections comprise the District's wastewater rate study report:

- **Section 3** –Revenue Requirement Analysis
- **Section 4** –Cost of Service Analysis
- **Section 5** –Rate Design Analysis

Technical Appendices are attached at the end of this report, which detail the technical analyses that were undertaken in the preparation of the Study.

1.4 Generally Accepted Rate Setting Principles

As a practical matter, all utilities should consider setting their rates around generally accepted or global principles and guidelines. Utility rates must be cost-based, proportional, and set at a level that meets the utility's full revenue requirement. As a result of setting these proportional, cost-based rates, utility rates can also be:

- Easy to understand and administer

- Designed to conform to generally accepted rate setting techniques
- Stable in their ability to provide adequate revenues for meeting the utility's financial, O&M, and regulatory requirements
- Established at a level that are stable from year-to-year from a customer's perspective

1.5 Determining the Revenue Requirement

Most public utilities use the cash basis [1] approach for establishing their revenue requirement and setting rates. This approach conforms to most public utility budgetary requirements and the calculation is easy to understand. A public utility totals its cash expenditures for a period of time to determine its required revenues. The revenue requirement for a public utility is usually comprised of the following costs or expenses:

- **Total Operating Expenses:** This includes a utility's operation and maintenance (O&M) expenses, plus applicable taxes or transfer payments. O&M expenses include the materials, electricity, labor, supplies, etc., needed to keep the utility functioning.
- **Total Capital Expenses:** Capital expenses are calculated by adding debt service payments (principal and interest) to capital replacements financed with rate revenues. In lieu of including capital replacements financed with rate revenues, a utility sometimes includes annual depreciation expense to stabilize the annual revenue requirement.

Under the cash basis approach, the sum of the total O&M expenses plus the total capital expenses equals the utility's revenue requirement during any selected period of time (historical or projected).

Note that the two portions of the capital expense component (debt service and rate funded capital) are necessary under the cash basis approach as utilities generally cannot finance all their capital facilities with long-term debt. At the same time, it is often difficult to pay for capital expenditures on a "pay-as-you-go" basis given that some major capital projects may have significant rate impacts on a utility, even when financed with long-term debt. Many utilities have found that some combination of pay-as-you-go funding and long-term financing will often lead to the minimization of rate increases over time.

As noted, public government utilities typically use the cash basis approach to establish their revenue requirements. An exception can occur if a public government utility provides service to a large wholesale or contract customer. In this situation, a public government utility may use the utility basis approach (see Table 2 - 1) regarding earning a reasonable return on its investment.

[1] Cash basis as used in the context of rate setting is not the same as the terminology used for accounting purposes and the recognition of revenues and expenses. As used for rate setting, "cash basis" simply refers to the specific cost components to be included within the revenue requirement analysis.

Table 2 – 1 Cash Basis versus Utility Basis Comparison			
Cash Basis		**Utility Basis (Accrual)**	
+	O&M Expenses	+	O&M Expenses
+	Taxes / Transfer Payments	+	Taxes/Transfer Payments
+	Capital Improv. Funded From Rates (≥ Depreciation Expense)	+	Depreciation Expense
+	Debt Service (Principal + Interest)	+	Return on Investment
=	Total Revenue Requirement	=	Total Revenue Requirement

1.6 Analyzing Cost of Service

After the total revenue requirement is determined, it is proportionately distributed to the users of the service (i.e., customer classes/rate schedules). The distribution of costs, as analyzed through a cost of service analysis, reflects the cost relationships for providing wastewater services. A cost of service analysis requires three analytical steps:

1. Costs are ***functionalized*** or grouped into the different cost categories related to providing service. For a wastewater utility, this typically includes collection/conveyance, pumping, treatment, recycling, and discharge. This step is largely accomplished by the utility's accounting system (chart of accounts).
2. The functionalized costs are then ***allocated*** to specific cost components. Allocation refers to the arrangement of the functionalized data into the appropriate cost component(s). For example, wastewater costs are typically allocated as volume, strength, and customer-related costs.
3. Once the costs are allocated to the appropriate cost component(s), each cost component is then proportionally ***distributed*** to the customer classes of service (e.g., residential, non-residential). The distribution is based on each customer class's relative or proportional contribution to the cost component. For example, customer-related costs are distributed to each class of service based on the total number of customers in each class of service. Once costs are distributed, the total amount of revenues needed from each customer class of service, to achieve cost-based rates, can be determined.

1.7 Designing Utility Rates

Rates that meet the utility's objectives are designed based on the results of the revenue requirement and cost of service analyses. This approach results in rates that are strictly cost-based. While rate-setting can consider factors such as continuity of past rate philosophy, economic development, ease of administration, and customer understanding may be taken into consideration, such factors are incidental to cost-based, proportional rates. The proposed rates must take into consideration each customer class's proportionate share of costs distributed

through the cost of service analysis to meet the requirements of the California Constitution (i.e., Prop 218).

1.8 Economic Theory and Rate Setting

One of the justifications for a comprehensive rate study is founded in economic theory. Economic theory suggests that the price of a commodity must roughly equal its cost if parity among customers is to be maintained. This statement's implications on utility rate designs are significant. For example, a wastewater utility incurs additional costs to treat higher strength wastewater. It follows that the customers who create and discharge higher strength wastewater into the wastewater system create additional operating costs and therefore, should pay for the costs associated with treating higher strength waste and any other maintenance costs associated with their discharges. When costing and pricing techniques are refined, consumers have a more accurate understanding of the service costs to collect and treat wastewater.

1.9 Summary

This section of the report has provided a brief introduction to the general principles, techniques, and approaches used to develop cost-based wastewater rates. This report will review the wastewater rate study prepared for the District. This report has been prepared utilizing generally accepted and industry standard rate setting techniques, the District's specific and unique system and customer characteristics, while taking into consideration requirements for establishing rates pursuant to the California Constitution.

2 Revenue Requirement Analysis

2.1 Introduction

This section of the report details the development of the revenue requirement analysis for the District's Study. The revenue requirement analysis is the first analytical step in the comprehensive rate study process. From this analysis, a determination can be made as to the overall level of rate revenue adjustments needed to provide adequate and prudent funding for both O&M and capital needs of the wastewater utility. The primary objective of the Study was to develop cost-based and proportional wastewater rates that comply with the California Constitution, while attempting to minimize the impacts to the utility's customers. This first step of the Study, the revenue requirement analysis, provides the cost basis for the development of the proposed wastewater rates.

2.2 Determining the Revenue Requirement

In developing the District's revenue requirement for the Study, the objective is that the utility must financially stand on its own and be properly funded. That is, no rate revenues are transferred from other District funds to support the wastewater utility. As a result, the revenue requirement analysis assumes the full and proper funding needed to operate and maintain the wastewater system on a financially sound and prudent basis for the long-term.

2.2.1 Establishing a Time Frame and Approach

To begin calculating the revenue requirement for the District's wastewater utility, a time frame of FY 2025-26 through FY 2034-35 was determined to be an appropriate amount of time for the revenue requirement analysis projected time period. The revenue requirement was based on the District's adopted wastewater budget expenses for FY 2025-26, which were then projected over a multi-year period based on historical escalation factors. Reviewing a multi-year time period is recommended as it attempts to identify any major expenses that may be on the horizon. By anticipating future financial requirements, the District can begin planning for these changes sooner, thereby minimizing short-term rate impacts and overall long-term rates.

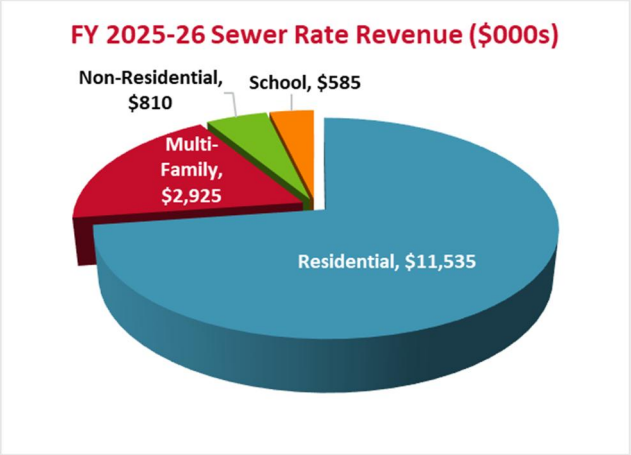
The second step in determining the revenue requirement was to determine the basis for accumulating costs. As discussed in Section 1 of this report, the revenue requirement analysis was developed using the cash basis approach. The cash basis approach is the most commonly used methodology by municipal utilities to set their revenue requirement. This is also the methodology that the District has historically used to establish its revenue requirement.

Given a time period around which to develop the revenue requirement and a method to accumulate the costs, the focus shifts to the development and projection of the revenues and expenses of the District's wastewater utility. The primary financial inputs in the development of the revenue requirement were the District's FY 2025-26 budget documents, recent 12-months of customer billing data, historical financial reports, and the District's capital improvement plan

(CIP). Presented below is a detailed discussion of the steps and key assumptions contained in the development of the projections of the District's wastewater revenue requirement analysis.

2.2.2 Projecting Rate and Other Miscellaneous Revenues

The first step in developing a projection of the wastewater rate revenues, at present rate levels, was to determine the projected billing units for each customer group. The billing units for each customer group were based on the most recent 12-month period of July 2024 to June 2025 to determine the current customer discharge characteristics. These billing units were then multiplied by the applicable current wastewater rates. This method of independently calculating revenues links the projected revenues used within the analysis to the projected billing units. It also helps to confirm that the billing units used within the Study are reasonable for purposes of projecting future revenues, distributing costs and ultimately, establishing proposed rates. The rate revenues are also shown in Exhibit 3 under "Rate Revenues" for FY 2025-26.



Based on the District's current rate schedules, the majority of the rate revenues are derived from single family and multi-family customers. The District also serves a variety of non-residential customers and schools. In total, and at currently adopted rate levels, the District's wastewater system is projected to receive approximately $15.9 million in rate revenue in FY 2025-26. Based on current District planning documents, the Study has assumed a conservative level of customer account growth of 0.9% per year. By FY 2034-35, the rate revenues - assuming no rate adjustments - are projected to be approximately $17.2 million. The detailed calculation of the revenues at present rates is included in Exhibit 6 of the Technical Appendix.

In addition to rate revenues, the District also receives other miscellaneous revenues. These are revenues related to interest income, rental income, etc. In total, the District is projected to average approximately $960,000, annually, in miscellaneous revenues over the time period (FY 2025-26 - FY 2034-35).

On a combined basis, taking into account rate revenues and miscellaneous revenues, the District's wastewater utility has total projected revenues of approximately $16.8 million in FY 2025-26, increasing to approximately $17.5 million by FY 2030-31 as a result of estimated growth as noted above. The assumptions used for projecting growth and increases in miscellaneous revenues can be found in Exhibit 2 of the Technical Appendix. Furthermore, the projection of rate and miscellaneous revenues can be found in Exhibit 3 of the Technical Appendix.

2.2.3 Projecting Operation and Maintenance Expenses

Operation and maintenance (O&M) expenses are incurred by the District to maintain the wastewater collection, conveyance, treatment, recycling and discharge system at a consistent service level. The starting point of the projection of O&M expenses was the District's adopted FY 2025-26 budget expenses. Budgeted O&M expenses were projected over the Study time period based on historical inflationary factors. These factors took into consideration the District's historical cost increases and projected increases. The factors range from 3.5% to 9.5% annually for the various types of expenses (e.g., labor, benefits, materials & supplies). Additionally, in discussion with the District, it is assumed that new staff will be added in FY 2027-28. In total, O&M expenses were projected to increase at an annual inflation rate of approximately 3.7% over the Study time period. The total operation and maintenance expenses budgeted for the wastewater utility are budgeted to be approximately $12.0 million in FY 2025-26. Over the five-year rate setting period, the total O&M expenses are projected to increase to approximately $14.5 million by FY 2030-31. A summary of the O&M expenses is shown as a line item in Table 2 – 2 and Exhibit 3 of the technical appendix.

2.2.4 Projecting Capital Funding Needs

A key component in the development of the revenue requirement is to properly and adequately fund capital improvement needs in the near and long term. One of the major issues facing utilities across the U.S. is the amount of deferred capital projects and the funding pressure from regulatory-related improvements. The proper and adequate funding of capital projects is an important issue for all wastewater utilities and is not just a local issue or concern of the District. To accomplish this, the District has adopted a capital improvement plan to address both the short and long-term needs of the wastewater utility. The District's CIP outlines the infrastructure improvements necessary to provide wastewater service to existing and future customers.

In general, there are three types of capital projects that the District may need to fund. These include the following types:

- Renewal and replacement projects
- Growth/capacity expansion projects
- Regulatory-related projects

A renewal and replacement project is essentially a project to maintain the existing system that is in place today. Existing facilities become worn out, obsolete, etc. The District should continuously be making investments to maintain the integrity of its facilities with renewal and replacement projects to ensure continued, uninterrupted wastewater service. Growth or capacity expansion projects are related to providing service to new customers. This may be through expansion of the existing system or construction of new facilities to provide service to customers within the District's service area. Additionally, certain projects may be a function of a regulatory requirement in which the Federal, State, or local governmental agency mandates the need for an improvement to the system to meet regulatory standards. Understanding these different types of capital projects is important because it may help to explain why costs are increasing and as a result, the cost drivers for any needed rate adjustment.

The way in which projects are funded may vary by the type of capital project. For example, renewal and replacement projects should be funded through annual rates on a "pay-as-you-go basis". In contrast to this, growth or capacity expansion projects may be funded through the collection of connection charges (i.e., growth-related charges) in which new development pays a proportional share of the cost of improvements required as a result of their connection (impact). Finally, regulatory projects may be funded by a variety of different means, which may include one or more sources such as rates, long-term debt, grants, etc.

While the above discussion appears to neatly divide capital projects into three clearly defined categories, the reality of working with specific capital projects may be more complex. For example, a pump may be replaced, but while being replaced, it is up sized to accommodate the need for greater capacity. There are many projects that share these "joint" characteristics. At the same time, projects may not be "replacement" related, but rather "improvement" related. Provided below in Table 2 - 1 is a summary of the capital funding analysis.

Table 2 – 1
Summary of the Capital Funding Analysis ($000)

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Structures / Structural	$6,461	$7,067	$5,618	$6,369	$3,444	$2,336
Equipment	1,396	257	388	1,539	327	996
Future Capital Projects	0	0	0	0	229	669
Transfer to Cash Reserve	0	0	0	0	0	0
Total CIP	**$7,857**	**$7,324**	**$6,006**	**$7,908**	**$4,000**	**$4,000**
Less: Other Funding Sources						
Operating Fund Reserves	$0	$0	$0	$0	$0	$0
Capital Fund Reserves	3,207	3,324	2,006	3,908	0	0
Grants	0	0	0	0	0	0
Expansion	0	0	0	0	0	0
Assumed New Low Interest Loan	0	0	0	0	0	0
Additional Revenue Bonds	0	0	0	0	0	0
Total Other Funding Sources	**$3,207**	**$3,324**	**$2,006**	**$3,908**	**$0**	**$0**
Rate Funded Capital	**$4,650**	**$4,000**	**$4,000**	**$4,000**	**$4,000**	**$4,000**

As shown in Table 2 - 1, the funding of capital is provided through annual rate levels ("Rate Funded Capital") and available cash reserves. In this way, no additional long-term debt is issued to fund the CIP during the review period and the CIP is funded on a pay-as-you-go approach.

While the total amount of a project may vary from year to year, the wastewater capital funding plan has attempted to provide a consistent funding source for the replacement of deteriorating system assets. In this case, the wastewater utility rates will fund $4.7 million in FY 2025-26. As a point of reference, the District's annual depreciation expense is approximately $3.6 million in FY

2025-26. A desirable funding target for rate funded CIP is an amount equal to or greater than annual depreciation expense to approximately keep up with the rate of deterioration of the system assets. To continue this trend, the District is committed to prioritizing this component and the rate funded capital is projected to be flat at $4.0 million annually through FY 2030-31. The District is projected to have significant one-time O&M savings in FY 2025-26 and that is assumed to be used to increase the rate funded capital contribution to fund capital expenses.

It is important to understand that the depreciation expense is not the same as the replacement cost. Thus, funding an amount which exceeds the depreciation expense is both prudent and appropriate. As noted, to help establish a prudent level of annual replacement funding through rates, HDR worked with District staff to develop a funding plan for the CIP. In developing this financial plan, HDR and the District have attempted to minimize rate impacts while funding the planned capital projects of the District.

2.2.5 Projection of Debt Service

The District currently has two outstanding long-term debt issuances. In total, annual debt service payments will be approximately $1.9 million in FY 2025-26. It should be noted that a component of one of the issuances, the Plant Upgrade, was used to maintain the District's wastewater system capacity and reserves it for new customer growth. Given this, annual connection charge revenues are used to fund a portion of this annual debt service payment. The remaining annual debt service payment is funded through annual rate revenues. The total annual debt service is funded through, and supported by, annual rate revenues. As mentioned in the previous capital funding analysis section, no new long-term debt has been assumed for future work for the purposes of the Study.

It is important to note that HDR is not advising the District on the terms of any long-term debt issuances but rather identifying the overall funding needs. HDR is not acting in a municipal advisor role or providing investment grade reports or advice to the District for the issuance of any long-term borrowing.

2.2.6 Reserve Funding

The final component of the revenue requirement analysis is reserve funding. The District adheres to the County's reserve policy for its enterprise funds which was last amended in 2016. This includes reserves for capital replacement and investment, operating reserves, emergencies, restricted accounts, and capital expansion. Reserve funding can be described as additional transfers of revenue to reserve funds to maintain prudent ending fund balances or for future funding of specific needs or unanticipated projects. Additionally, any balance of funds after the expenses are paid is transferred to the operating fund to maintain minimum fund balances. The District has a reserve policy in place to maintain six months of operating expenses in reserves, which is equal to approximately $5.9 million for FY 2025-26. The Study was developed to meet this target minimum over the review period (FY 2026-27 – FY 2030-31). The District also has established an emergency contingency fund with the purpose of lessening the impacts to rate payers should additional expenses be incurred that could significantly increase rates as a result.

As will be shown, even with the recommended rate adjustments, reserves are being used annually through the Study time period to smooth the overall rate revenue increases. During the Study time period, reserve levels are being decreased and end slightly above minimum targets.

2.2.7 Summary of the Revenue Requirement

Given the above projections of revenues and expenses, a summary of the revenue requirement analysis can be developed. In developing the revenue requirement analysis, consideration was given to the financial planning considerations of the District. In particular, emphasis was placed on attempting to minimize rates yet still have adequate funds to support the operational activities and funding of capital projects throughout the Study time period. Presented below in Table 2 - 2 is a summary of the District's projected revenue requirement. Detailed exhibits of this analysis can be found in the Technical Appendix (Exhibits 1 – 6).

Table 2 - 2
Summary of the Revenue Requirement Analysis ($000)

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Revenues						
Rate Revenues	$15,855	$15,998	$16,142	$16,287	$16,433	$16,581
Other Revenues	984	1,023	984	940	920	944
Total Revenues	**$16,839**	**$17,021**	**$17,125**	**$17,227**	**$17,354**	**$17,526**
Expenses						
O&M Expenses	$10,996	$12,423	$13,005	$13,489	$13,975	$14,479
Rate Funded Capital	4,650	4,000	4,000	4,000	4,000	4,000
Net Annual Debt Service	1,182	855	849	850	848	843
To / (From) Reserves	11	222	254	398	593	844
Total Expenses	**$16,839**	**$17,501**	**$18,108**	**$18,737**	**$19,416**	**$20,167**
Bal./(Def.) of Funds	$0	($480)	($983)	($1,510)	($2,063)	($2,641)
Bal. as a % of Rate Rev.	0.0%	3.0%	6.1%	9.3%	12.6%	15.9%
Proposed Revenue Adjustment	**0.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**
Add'l Rev. from Adjustment	$0	$480	$983	$1,510	$2,063	$2,641

As can be seen, the revenue requirement has summed the O&M, annual rate funded capital, net debt service, and reserve funding components. The total revenue requirement is then compared to the total revenues which include both rate revenues – at current rate levels – and other revenues.

From this comparison, a balance or deficiency of funds in each year can be determined. This balance or deficiency of funds is then compared to the projected revenues from current rates to determine the level of rate adjustment needed to meet the revenue requirement. It is important to note the "Bal. / (Def.) of Funds" row is cumulative. That is, any adjustments in the initial years

will reduce the deficiency in later years. Over the Study time period, the total deficiency in revenues is 15.9%.

The revenue requirement in Table 2 - 2 has been developed to meet the financial planning objectives of the District. More specifically, the District desires to adequately and prudently fund its wastewater operating and capital needs. In doing so, rate revenue adjustments should avoid large adjustments in any single year. Table 2 - 2 has also included a set of proposed rate revenue adjustments (blue highlighted band) which are sufficient to meet the total revenue requirement over the projected time period. The proposed revenue adjustments are a function of assumed inflation over the time period, coupled with the need to increase capital improvement funding from rates (renewal and replacement funding), meet minimum reserve levels, fund annual debt service payments, and meet targeted debt service coverage ratios.

Over the five-year rate setting period, annual deficiencies range from $480,000 to $2.6 million. It is important to note that the overall revenue adjustments may not reflect the final rate adjustments, or bill impacts, seen by the District's customers as the cost of service analysis will proportionally distribute the revenue requirement between the identified customer classes. The overall revenue adjustment reflects the revenues needed for the system as a whole. The more detailed revenue requirement analysis is included in Exhibit 3 of the Technical Appendix.

2.3 Consultant's Conclusions

Based on the revenue requirement analysis developed herein, HDR has recommended that the District increase wastewater revenues over the next five-year period (FY 2026-27 – FY 2030-31) by 3.0%, annually. HDR has reached this conclusion for the following reasons:

- The revenue adjustments are necessary to cover the annual inflationary costs related to the O&M expenses of the wastewater utility
- Revenue adjustments are necessary to fund the District's capital funding needs and renewal and replacement investment levels
- The proposed revenue adjustments maintain the District's strong financial health and provide long-term sustainable funding levels for the District

In reaching this conclusion, HDR would recommend that the District adopt the proposed revenue adjustments to provide sufficient funding for annual O&M and capital improvement projects over the next five-year period.

2.4 Summary

This section of the report has provided a discussion of the District's revenue requirement analysis. The revenue requirement analysis developed a revenue transition plan to support the District's O&M and capital needs. The next section will discuss the cost of service analysis developed for the District's wastewater utility.

3 Cost of Service Analysis

In the previous section, the revenue requirement analysis focused on the total sources and applications of the revenues required to adequately fund the District's wastewater utility. This section will provide an overview of the cost of service analysis.

The cost of service analysis provides the proportional distribution of the total revenue requirement between the identified customer classes of service (e.g., Single Family Multi-Family, Non-Residential, and Schools) to meet the requirements of Proposition 218. The previously developed revenue requirement was utilized in the development of the cost of service analysis.

3.1.1 Objectives of a Cost of Service Analysis

There are two primary objectives in conducting a cost of service analysis:

- Distribute the District's revenue requirement among the customer classes of service
- Derive average unit costs for subsequent rate designs by customer class of service

The primary objective of the cost of service analysis is the proportional collection of the revenue requirement from the District's customer classes of service. The second rationale for conducting a cost of service analysis is to allow for the development of proposed wastewater rates that properly reflect the costs incurred by the District and the impacts customers place on the system. For example, a wastewater utility typically incurs costs related to flow (wastewater volumes), strength (constituents in the wastewater), and customer cost components (billings and collections). Each of these types of costs may be collected in a slightly different manner to allow for the development of rates that collect costs in the same manner as they are incurred.

3.2 Determining the Customer Classes of Service

The first step in a cost of service analysis is to determine the customer classes of service. Based on the current rates, and a review of the current customer characteristics, the classes of service used within the cost of service analysis are:

- Single Family
- Multi-Family
- Non-Residential
- Schools

In determining classes of service for cost of service purposes, the objective is to group customers together into similar or homogeneous groups based upon facility requirements and/or flow characteristics. HDR reviewed the current customer characteristics and facility requirements to determine the classes of service. In reviewing the customer classes of service, it was noted that the District's current groupings reflect the differences between customer types and are consistent with typical industry practices. For example, the District differentiates between the residential customers and non-residential. This reflects the differences in customer characteristics, the impacts on the system, and system requirements. These differences revolve around wastewater flow and/or strength as well as the administration effort for serving different customers which become the foundation for developing the unique customer classes of service.

Terminology of a Wastewater Cost of Service Analysis

Functionalization – The arrangement of the cost data by functional category (e.g., collection, pumping, treatment).

Allocation – The assignment of functionalized costs to cost components (e.g., volume, strength, and customer related).

Distribution – Distributing the allocated costs to each class of service based upon each class's proportional contribution to that specific cost component.

Volume Costs – Costs that are allocated as volume related vary with the total flow of wastewater (e.g., power for pumping).

Strength Costs – Costs allocated as strength related refer to the wastewater treatment function. Typically, strength-related costs are further defined as carbonaceous biochemical oxygen demand (CBOD) and suspended solids (SS). Different types of customers may have high wastewater strength characteristics, which costs more to treat. Treatment facilities are designed and sized around meeting these treatment demands.

Customer Costs – Costs allocated as customer related vary with the number of customers on the wastewater system (e.g., billing, collecting and accounting costs).

Direct Assignment – Costs that can be clearly identified as belonging to a specific customer group or group of customers.

3.3 General Cost of Service Procedures

In order to determine the cost to serve each customer class of service on the District's wastewater system, a cost of service analysis is conducted. A cost of service analysis utilizes a three-step approach which is outlined in the Water Environment Federation Manual of Practice No. 27 (WEF MOP #27). These steps take the form of functionalization, allocation, and distribution. Provided below is a detailed discussion of the cost of service analysis conducted for the District, and the specific steps taken within the analysis.

3.3.1 Functionalization of Costs

The first analytical step in the cost of service process is called functionalization. Functionalization is the arrangement of expenses and asset (plant) data by major operating functions (e.g., collection, pumping, treatment). Within this Study, the majority of the costs were functionalized by the District's records. For those that were not, HDR worked with District staff to review and functionalize the costs.

3.3.2 Allocation of Costs

The second analytical task performed in a cost of service analysis is the allocation of the costs. Allocation determines why the expenses were incurred or what type of need is being met. The following cost allocators were used to develop the Study:

- **Volume Related Costs:** Volume related costs are those costs which tend to vary with the total quantity of wastewater collected and treated.
- **Strength Related Costs:** Strength related costs are those costs associated with the additional handling and treatment of higher strength wastewater. Strength is typically measured in biochemical oxygen demand[2] (BOD) and suspended solids[3] (SS). Increased levels of BOD or SS generally equate to increased treatment costs for most wastewater systems.
- **Customer Related Costs:** Customer related costs vary with the addition or deletion of a customer or is a cost which is a function of the number of customers served. Customer related costs typically include the costs of billing, collecting, and accounting.
- **Revenue Related Costs:** Some costs associated with the utility may vary with the amount of revenue received by the utility. An example of a revenue related cost would be a utility tax, which is based on gross utility revenue.

The basis, or methodology, for the allocation process is outlined in the WEF MOP #27. The methodology provided in the manual was then applied to the District's specific circumstances, customers, costs, and operations to develop the appropriate allocation approach.

3.3.3 Development of Distribution Factors

Once the allocation process is complete and the customer groups have been defined, the allocated costs are distributed to each customer class of service. The District's allocated costs were proportionally distributed to the customer classes of service using the following distribution factors.

- **Volume Distribution Factor:** Volume related costs are generally distributed on the basis of contributions to wastewater flows. Wastewater flows are not typically metered and so often, a surrogate must be used in order to estimate a customer class's contribution. For residential customers (Single-Family), the District estimates wastewater flow to be approximately 175 gallons per person per day (gpd). Multi-Family customers are assumed to be 142 gpd, or approximately 81% of single family. The Non-Residential customers' flows were based on a five-day average by customer type. For schools, which are billed per capita, the volume assumptions were based on the equivalent volumes for schools based industry standard volume assumptions for schools. The calculation of the volume distribution factor is shown in Exhibit 7 of the Technical Appendix.
- **Customer Distribution Factor:** Customer costs within the cost of service analysis are distributed to the customer classes of service based on their respective number of customer accounts. Exhibit 8 of the Technical Appendix provides the calculation of the customer distribution factor.

2 BOD is the amount of dissolved oxygen that must be present in water in order for microorganisms to decompose the organic carbon in the wastewater

3 SS is the entire amount of organic and inorganic particles dispersed in wastewater

- **Strength Distribution Factor:** Strength related costs are allocated between BOD and SS. These costs are distributed to each of the classes of service based upon assumed domestic strength levels for Residential of 363 milligrams per liter (mg/l) for BOD and SS at 313 mg/l. Non-Residential customer strength was based on monitoring and assumed strength levels based on industry manuals. The strength levels in total, for each customer class of service, were utilized to calculate the BOD and SS pounds removed. Exhibit 9 in the Technical Appendix shows the strength distribution factor.
- **Revenue Related Distribution Factor:** The revenue related distribution factor was developed from the projected rate revenues for FY 2025-26 for each customer class of service as developed in Exhibit 3. A summary of the revenue distribution factor is provided in Exhibit 10 of the Technical Appendix.

The development of the distribution factors is based on generally accepted principles as outlined in the WEF MOP #27 to meet the proportionality requirements of Proposition 218.

3.4 Summary of the Cost of Service Analysis

In summary form, the cost of service analysis began by functionalizing the District's facility asset records and total revenue requirement. The functionalized facility and revenue requirement were then allocated to the appropriate cost component(s) based on generally accepted methods and the District's specific system operations and costs. Provided below is a summary of the allocation of the District's FY 2026-27 test period revenue requirement using the methodology outlined in the WEF MOP #27 as well as the District's specific facility requirements and operations. Provided in Exhibits 11 and 12 of the Technical Appendix is a detailed summary of the allocation of the District's infrastructure and revenue requirement. The allocation of the individual line items of the revenue requirement are summed to develop the results in Table 3 – 1.

Table 3 – 1
Summary of the Allocation of the FY 2026-267 Revenue Requirement ($000's)

Total	Volume	BOD	SS	Customer	Revenue Related	Direct Assignment
$16,478	$5,832	$5,329	$5,317	$0	$0	$0

As shown in Table 3 – 1, the total revenue requirement for FY 2026-27 has been allocated to the appropriate cost components based on generally accepted methodologies. Next, the individual allocation totals were distributed proportionally to the identified customer groups based on the appropriate distribution factors.

For example, volume-related costs were distributed based on each customer class's proportional share of total wastewater contributions. Provided in Table 3 - 2 is a summary of the volume distribution factor and distribution of the volume related costs.

Table 3 – 2
Summary of the Volume Distribution Factor and Costs

	% of Total	Volume Costs	Annual Flow (mg)	# of Customers	Unit Cost ($ / mg)	Unit Cost ($ / Cust)
Residential						
Single Family	70.7%	$4,123,258		9,799		**$420.78**
Multi-Family	18.4%	1,073,970		3,151		**340.83**
Total Residential	**89.1%**	**$5,197,228**				
Non-Residential	5.0%	$291,170	44.20		**$6,588**	
Schools	5.9%	343,130		10,011		**$34.28**
Total	**100.0%**	**$5,831,528**				

A similar approach is used to distribute the strength related costs, both BOD and SS. Provided in Tables 3 - 3 and 3 - 4 are the strength distribution factors and distribution of strength related costs.

Table 3 – 3
Summary of the BOD Distribution Factor and Costs

	% of Total	BOD Costs	Annual Flow (mg)	# of Customers	Unit Cost ($ / mg)	Unit Cost ($ / Cust)
Residential						
Single Family	71.2%	$3,795,295		9,799		**$387.31**
Multi-Family	18.6%	988,547		3,151		**313.72**
Total Residential	**89.8%**	**$4,783,842**				
Non-Residential	7.1%	$377,942	188,697		**$2.00**	
Schools	3.1%	167,055		10,011		**$16.69**
Total	**100.0%**	**$5,328,839**				

Table 3 – 4 Summary of the SS Distribution Factor and Costs						
	% of Total	SS Costs	Annual Flow (mg)	# of Customers	Unit Cost ($ / mg)	Unit Cost ($ / Cust)
Residential						
Single Family	73.4%	$3,900,914		9,799		**$398.09**
Multi-Family	19.1%	1,016,057		3,151		**322.46**
Total Residential	**92.5%**	**$4,916,971**				
Non-Residential	5.0%	$263,337	110,298		**$2.39**	
Schools	2.6%	136,903		10,011		**$13.68**
Total	**100.0%**	**$5,317,211**				

The total costs allocated to each cost component as outlined above were proportionally distributed between the customer classes using the previously mentioned distribution factors. Provided below in Table 4 - 5 is a summary of the total distribution of costs, by cost component, to the customer classes of service.

Table 3 – 5 Distribution of the FY 2026-27 Revenue Requirement ($000's)						
	Single Family	Multi-Family	Non-Residential	Schools	Total	% of Total
Volume	$4,123	$1,074	$291	$343	**$5,832**	35.4%
BOD	3,795	989	378	167	**5,329**	32.3%
TSS	3,901	1,016	263	137	**5,317**	32.3%
Total	$7,696	$2,005	$641	$304	**$10,646**	

The distributed expenses for each customer class were then aggregated to determine each customer class's overall revenue responsibility. Using the rate revenues plus a year of assumed customer growth as well as the allocated costs from Table 3 - 5, Table 3 -6 summarizes the cost of service analysis.

Table 3 - 6 Summary of the FY 2026-27 Cost of Service Analysis ($000)				
Class of Service	**Current Rate Revenues**	**Distributed Costs**	**$ Difference**	**% Difference**
Single Family	$11,638	$11,819	($181)	1.6%
Multi-Family	2,951	3,079	(127)	4.3%
Non-Residential	817	932	(115)	14.1%
Schools	590	647	(57)	9.6%
Total	**$15,998**	**$16,478**	**($480)**	**3.0%**

The results of the cost of service analysis indicate very minor cost differences between the customer classes of service. When reviewing the results of the cost of service analysis, it is important to understand that the results will not be "exact" each time the District updates its cost of service analysis. This is due to changing customer characteristics, external impacts such as drought conditions, and other changes in how the District incurs costs. However, the analysis above provides the best evidence supporting how to allocate costs on a go-forward basis, and reasonably predicts how customers cause the District to incur cost.

The allocated and distributed costs for each customer class of service are used to develop the proposed rates for the test period, which in this case is FY 2026-27. The total costs are divided by the billing units to develop average unit costs, which are the basis for the rate designs (Table 3 – 2, Table 3 – 4, and Table 3 – 5). Provided in Table 3 – 7 is a summary of the unit costs, which are based on the proposed rate structure for each customer class of service. The development of the cost of service and unit costs are provided in Exhibits 13 through 15 of the Technical Appendix.

Table 3 – 7 Summary of the FY 2026-27 Average Unit Costs				
	Single Family *($ / SFR / Yr)*	**Multi-Family** *($ / Unit /Yr)*	**Non-Residential** *($ / Billing Unit / Yr)*	**Schools** *($ / Capita / Yr)*
Volume	$420.78	$340.83	$6,588 / mg	$34.28
BOD	387.31	313.72	2.00 / lb.	16.69
TSS	398.09	322.46	2.39 / lb.	13.68
Total	**$1,206.19**	**$977.01**		**$64.64**

3.5 Consultant's Conclusions and Recommendations

HDR is recommending that the District implement the cost of service adjustments and realign the rate structures, at this time. This realignment is a natural progression in designing rates as the results of the calculation may change between cost of service analyses based on consumption habits, the manner in which costs are incurred, system design or operation, etc. Given this, the proposed rates reflect the results of the current cost of service analysis. It is important to note that the District has annually set rates to reflect the proportional impact from each customer class based the prior years' volume contribution. Due to this, the results of the cost of service may differ slightly than the proposed rates for FY 2026-27 as the rates calculation will also include an update of the volume contribution assumptions. However, the District will update the calculation of the rates based on the proportional allocation of the plant in service and the proportion of costs by rate component (i.e., volume, BOD, and TSS) based on the results of the cost of service analysis.

Some of the variables that are impacting the cost distributions are the trend of declining per capita water consumption for residential customers, and other customer class characteristics. The results of the cost of service will provide the District with cost-based and proportional rates that reflect current customer characteristics. It should also be noted that a cost of service analysis reflects a single point in time. It is recommended that the District closely follow the results of subsequent cost of service analyses in order to gauge the effects of these outside forces.

3.6 Summary

This section of the Study has provided a summary of the cost of service analysis developed for the District. This analysis was prepared using generally accepted cost of service techniques and principles. The next section of the report will review the present and proposed wastewater rates for the District.

4 Rate Design Analysis

The final step of the District's comprehensive wastewater rate study is the design of rates to collect the desired levels of revenues, based on the results of the revenue requirement and cost of service analyses. In reviewing the District's rates, consideration is given to the level of the rates and the structure of the rates as developed in the prior two analyses.

4.1 Rate Design Criteria and Considerations

Rates must be set in accordance with Proposition 218, and in a manner that proportionally allocates the utility's cost of service to each parcel through their respective rates. A utility may also consider additional criteria, provided they do not result in rates that are not based on the proportional cost of service. Some of these rate design criteria are listed below:

- Rates which are easy to understand from the customer's perspective
- Rates which are easy for the utility to administer
- Continuity, over time, of the rate making philosophy
- Provide revenue stability from month to month and year to year
- Non-discriminatory (cost-based)
- Compliance with State law

The District may consider cost-based rate structures that have incidental benefits of sending proper price signals as to what their usage or volumetric contributions are costing. This goal may be approached through rate level and structure, provided the resulting rates reflect the proportional cost of service. When developing the proposed rate designs, all the above-listed criteria can be taken into consideration. However, it should be noted that it is difficult, if not impossible, to design a rate that meets all the goals and objectives listed above. For example, a rate may be cost-based and proportional but may not be easy. In designing rates, there are always trade-offs between these goals and objectives.

4.2 Development of Cost-Based Wastewater Rates

Calculating cost-based and proportional rates is of paramount importance in developing the District's proposed wastewater rates. While always a key consideration in developing rates, meeting the legal requirements and documenting the steps taken to meet said requirements has been in the forefront with the recent legal challenges in the State of California on utility rates. Given this, the District's proposed wastewater rates have been developed to meet the legal requirements of California Constitution Article XIII D, Section 6 (Article XIII D). A key component of Article XIII D is the development of rates which reflect the cost of providing service and are proportionately allocated among the customer classes of service and the customers within each class. HDR would point out that there is no single methodology for proportionally assigning costs to the customer classes of service. The Water Environment Federation Manual of Practice #27 provides methodologies which may be used to establish cost-based rates. Article XIII D is not prescriptive and does not provide a specific methodology for establishing rates. Given that, HDR

developed the District's proposed wastewater rates based on generally accepted rate setting methodologies to meet the requirements of Article XIII D.

HDR is of the opinion that the proposed wastewater rates meet the legal requirements of Article XIII D. HDR reaches this conclusion based upon the following:

- **The revenue derived from wastewater rates does not exceed the funds required to provide the property related service (i.e., wastewater service).** The proposed rates are designed to collect the overall revenue requirement of the District's wastewater system.
- **The revenues derived from wastewater rates shall not be used for any purpose other than that for which the fee or charge is imposed.** The revenues derived from the District's wastewater rates are used exclusively to operate, maintain, and fund the District's collection, treatment, recycling, and discharge system.
- **The amount of a fee or charge imposed upon a parcel or person as an incident of property ownership shall not exceed the proportional costs of the service attributable to the parcel.** Section 3 of the Study focused exclusively on the issue of proportional distribution of costs to the customer classes of service. The proposed wastewater rates have appropriately grouped customers into customer classes of service (residential, multi-family, non-residential, schools) that reflect the varying consumption patterns and system requirements (i.e., the benefits they receive from and burdens they place on the system) of each customer class of service. The grouping of customers and rates into these classes of service creates the equity and proportionality expected under Proposition 218 by having differing rates by customer classes of service which reflect both the level of revenue to be collected by the utility and the manner in which these costs are incurred and proportionally assigned to customer classes of service and customers within each class of service based upon their proportional impacts.

4.3 Overview of the Proposed Rate Adjustments

As outlined in the revenue requirement analysis, the overall revenue adjustment for the District's wastewater utility is 3.0%, annually in FY 2026-27 through FY 2030-31. This provides the overall revenue needs of the wastewater utility. Next, the cost of service analysis proportionately distributed the total revenue requirement to the customer classes of service. Given the results of these analyses, the overall rate adjustment for each customer class of service can be developed. Provided below in Table 4 – 1 is a summary of the FY 2026-27 revenue adjustments for each customer class of service based on the overall system revenue needs and cost of service results. These cost of service results will be the basis for developing the proposed wastewater rates, and subsequent revenues for each customer class of service.

Table 4 – 1 Summary of the Wastewater FY 2026-27 Revenue Adjustments by Class of Service				
Total System	Single Family	Multi-Family	Non-Residential	Schools
3.0%	1.6%	4.3%	14.1%	9.6%

4.4 Overview of the Current Wastewater Rate Structure

The District currently has a rate structure for each of the customer classes of service, Single Family, Multi-Family, Non-Residential, and Schools. Single Family and Multi-Family are charged a flat annual charge. Non-Residential customers are charged based on their contribution of wastewater as a proportion of the sub-classes costs which are ratioed by the District based on the proportional volume contribution. Each sub-class has an assumed volume, BOD, and SS based on a five-day average and industry-based strength assumptions. Each component is calculated with the current rate and then aggregated to determine the total bill for the sub-class. Each member of the sub-class is then apportioned a share of the bill based on their volume contribution. Finally, Schools are charged per capita based on the number of staff and students.

4.5 Summary of the Proposed Wastewater Rates

In discussion with District staff and reviewing industry standard approaches, no changes to the rate structures of the customer classes are proposed at this time. Provided in the following tables are the proposed rate structures for each customer class of service. It is important to note that the rates for FY 2025-26 are based on the average unit costs developed in the cost of service analysis. It is important to note that these rates were based on volume characteristics from available data and that the District annually updates the customer data when calculating the proposed wastewater rates. Given this, the proposed rates will likely differ slightly from what is shown in the Study, however, the calculation will be updated based on the allocation of the plant in service and the distribution of costs to the specific components (i.e., volume, BOD, and TSS). The proposed wastewater rates, shown below, reflect the cost-based and proportional distribution of the costs of providing service based on the result of the cost of service analysis and shown in Section 3. The rates thereafter are increased by the annual system revenue adjustment. Table 4 – 2 shows wastewater rates that are only an example of what the proposed rates may look like and do not reflect the update customer billing information that the District will include in development of the proposed wastewater rates for FY 2026-27. Table 4 – 2 provides a summary of the current and example proposed wastewater rates.

Table 4 – 2
Summary of the Present and Proposed Wastewater Rates

	Present Rates	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Single Family *($ / DU / Yr)*	$1,178.21	$1,206.19	$1,242.38	$1,279.65	$1,318.04	$1,357.58
Multi-Family *($ / DU / Yr)*	954.35	977.01	1,006.33	1,036.52	1,067.61	1,099.64
Non-Residential	*($ / Unit / Yr)*					
Volume (mg)	$6,268.44	$6,587.61	$6,785.24	$6,988.79	$7,198.46	$7,414.41
BOD (lb.)	1.83	2.00	2.06	2.12	2.19	2.25
SS (lb.)	2.18	2.39	2.46	2.53	2.61	2.69
Schools *($ / Capita / Yr)*	$61.12	$64.64	$66.58	$68.57	$70.63	$72.75

4.6 Summary of the Wastewater Rate Design

The District's present wastewater rate structures are contemporary in design and reflect the rate structures used by other similar utilities in California, both locally and statewide. Based on the District's system and customer characteristics, the proposed wastewater rates appropriately reflect the cost to provide service and are proportionally distributed between the customer classes of service. Full and complete technical appendices of the development of the District's wastewater rate study and the proposed revenue adjustments can be found in the Technical Appendix of this report.

Technical Appendix – Wastewater

Laguna County Sanitation District
Sewer Rate Study
Summary of the Revenue Requirement
Exhibit 1

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35
Revenues										
Rate Revenues	$15,854,954	$15,997,649	$16,141,628	$16,286,902	$16,433,484	$16,581,386	$16,730,618	$16,881,194	$17,033,125	$17,186,423
Miscellaneous Revenues	983,600	1,023,442	983,740	940,194	920,331	944,250	973,580	1,005,491	1,037,059	1,021,967
Total Revenues	**$16,838,554**	**$17,021,091**	**$17,125,368**	**$17,227,096**	**$17,353,815**	**$17,525,636**	**$17,704,199**	**$17,886,684**	**$18,070,183**	**$18,208,390**
Expenses										
Total Salaries and Employee Benefits	$3,173,200	$3,805,305	$3,942,033	$4,083,547	$4,230,013	$4,381,607	$4,538,505	$4,700,896	$4,868,970	$5,042,926
Total Services & Supplies	7,363,500	8,125,527	8,414,397	8,713,557	9,023,373	9,344,227	9,676,512	10,020,636	10,377,023	10,746,110
Total Other Charges	459,200	492,525	528,651	567,834	593,416	620,178	648,176	677,467	708,114	740,179
Total Additional O&M	0	0	120,000	124,200	128,547	133,046	137,703	142,522	147,511	152,674
Total O&M Expenses	**$10,995,900**	**$12,423,356**	**$13,005,081**	**$13,489,137**	**$13,975,349**	**$14,479,057**	**$15,000,896**	**$15,541,522**	**$16,101,617**	**$16,681,888**
Rate Funded Capital	$4,650,000	$4,000,000	$4,000,000	$4,000,000	$4,000,000	$4,000,000	$4,000,000	$4,300,000	$4,600,000	$5,100,000
Net Debt Service	1,181,651	855,300	848,925	849,800	847,925	843,175	840,425	848,200	862,400	860,400
Total To / (From) Reserves	11,003	222,364	254,386	398,394	593,088	844,388	1,109,493	1,077,508	1,050,094	804,063
Total Revenue Requirement	**$16,838,554**	**$17,501,020**	**$18,108,393**	**$18,737,331**	**$19,416,362**	**$20,166,621**	**$20,950,813**	**$21,767,230**	**$22,614,111**	**$23,446,351**
Bal. / (Def.) of Funds	$0	($479,929)	($983,025)	($1,510,236)	($2,062,547)	($2,640,985)	($3,246,615)	($3,880,545)	($4,543,928)	($5,237,961)
Balance a % of Rate Adj. Req'd	0.0%	3.0%	6.1%	9.3%	12.6%	15.9%	19.4%	23.0%	26.7%	30.5%
Proposed Rate Adjustment	**0.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**
Add'l Revenue with Rate Adj.	$0	$479,929	$983,025	$1,510,236	$2,062,547	$2,640,985	$3,246,615	$3,880,545	$4,543,928	$5,237,961
Bal. / (Def.) After Rate Adj.	$0	($0)	($0)	$0	$0	($0)	$0	($0)	($0)	$0
Additional Rate Adjustment Required	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Average Residential Customer Bill	(Current rates; Monthly Charge)									
Customer Bill on Proposed Adjustment	$94.86	$97.71	$100.64	$103.66	$106.77	$109.97	$113.27	$116.67	$120.17	$123.77
Total Ending Balance	**$27,037,615**	**$24,062,307**	**$22,444,787**	**$19,076,633**	**$19,818,896**	**$20,820,327**	**$22,094,800**	**$23,345,298**	**$24,576,465**	**$21,151,796**

Laguna County Sanitation District
Sewer Rate Study
Escalation Factors
Exhibit 2

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35	*Notes*
Revenues											
Customer Growth	0.3%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	
Other Revenues	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	
Water & Sewer Fees	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	
Expenses											
Salaries & Employee Benefits	Budgeted	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	
Services & Supplies	Budgeted	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	
Other Charges	Budgeted	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	3.5%	
Utilities	Budgeted	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	
Insurance	Budgeted	9.5%	9.5%	9.5%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	
Interest	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	
New Debt Service											
Low Interest Loans											
Term in Years	20	20	20	20	20	20	20	20	20	20	
Rate	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	
Revenue Bond											
Term in Years	20	20	20	20	20	20	20	20	20	20	
Rate	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	

Laguna County Sanitation District
Sewer Rate Study
Revenue Requirement
Exhibit 3

	Budgeted	Projected									
	FY 2025-26	**FY 2026-27**	**FY 2027-28**	**FY 2028-29**	**FY 2029-30**	**FY 2030-31**	**FY 2031-32**	**FY 2032-33**	**FY 2033-34**	**FY 2034-35**	***Notes***
Revenues											
Rate Revenues											
Residential	$11,534,676	$11,638,488	$11,743,234	$11,848,923	$11,955,564	$12,063,164	$12,171,732	$12,281,278	$12,391,809	$12,503,336	As Customer Growth
Multi-Family	2,925,083	2,951,408	2,977,971	3,004,773	3,031,816	3,059,102	3,086,634	3,114,414	3,142,444	3,170,726	As Customer Growth
Non-Residential	809,981	817,271	824,626	832,048	839,536	847,092	854,716	862,408	870,170	878,002	As Customer Growth
School	585,215	590,482	595,796	601,158	606,569	612,028	617,536	623,094	628,702	634,360	As Customer Growth
Total Rate Revenues	**$15,854,954**	**$15,997,649**	**$16,141,628**	**$16,286,902**	**$16,433,484**	**$16,581,386**	**$16,730,618**	**$16,881,194**	**$17,033,125**	**$17,186,423**	
Other Revenues											
Interest Income	$464,800	$510,999	$465,071	$415,214	$388,955	$406,392	$429,151	$454,401	$479,218	$457,283	As Other Revenues
Other Rental of Buildings & Land	108,200	109,282	110,375	111,479	112,593	113,719	114,856	116,005	117,165	118,337	As Other Revenues
Federal Subsidy on RZEDB/QECB	12,500	0	0	0	0	0	0	0	0	0	As Other Revenues
Benefit Assessments	118,900	120,089	121,290	122,503	123,728	124,965	126,215	127,477	128,752	130,039	As Other Revenues
Liquid Waste	108,000	110,160	112,363	114,610	116,903	119,241	121,626	124,058	126,539	129,070	As Water & Sewer Fees
Water & Sewer Fee	55,100	55,651	56,208	56,770	57,337	57,911	58,490	59,075	59,665	60,262	As Other Revenues
Admin Revenue	39,500	39,895	40,294	40,697	41,104	41,515	41,930	42,349	42,773	43,201	As Other Revenues
Other Miscellaneous Revenue	76,600	77,366	78,140	78,921	79,710	80,507	81,312	82,126	82,947	83,776	As Other Revenues
Total Other Revenues	**$983,600**	**$1,023,442**	**$983,740**	**$940,194**	**$920,331**	**$944,250**	**$973,580**	**$1,005,491**	**$1,037,059**	**$1,021,967**	
Total Revenues	**$16,838,554**	**$17,021,091**	**$17,125,368**	**$17,227,096**	**$17,353,815**	**$17,525,636**	**$17,704,199**	**$17,886,684**	**$18,070,183**	**$18,208,390**	
Salaries and Employee Benefits											
Regular Salaries	$2,137,972	$2,212,801	$2,290,249	$2,370,408	$2,453,372	$2,539,240	$2,628,113	$2,720,097	$2,815,301	$2,913,836	As Salaries & Employee Benefits
Budgeted Salary Savings	(601,218)	(101,218)	(101,218)	(101,218)	(101,218)	(101,218)	(101,218)	(101,218)	(101,218)	(101,218)	Flat
Compensated Absences	0	0	0	0	0	0	0	0	0	0	As Salaries & Employee Benefits
Extra Help and/or Labor	200,000	207,000	214,245	221,744	229,505	237,537	245,851	254,456	263,362	272,579	As Salaries & Employee Benefits
Stand-by Pay	71,200	73,692	76,271	78,941	81,704	84,563	87,523	90,586	93,757	97,038	As Salaries & Employee Benefits
Overtime	30,400	31,464	32,565	33,705	34,885	36,106	37,369	38,677	40,031	41,432	As Salaries & Employee Benefits
Retirement Contribution	702,208	726,785	752,223	778,551	805,800	834,003	863,193	893,405	924,674	957,037	As Salaries & Employee Benefits
Accrued Pension Expense	125,000	129,375	133,903	138,590	143,440	148,461	153,657	159,035	164,601	170,362	As Salaries & Employee Benefits
EE Pickup Retirement Contribution	(90,328)	(93,489)	(96,762)	(100,148)	(103,653)	(107,281)	(111,036)	(114,922)	(118,945)	(123,108)	As Salaries & Employee Benefits
Supp Retirement Contribution	2,704	2,799	2,897	2,998	3,103	3,212	3,324	3,440	3,561	3,685	As Salaries & Employee Benefits
Retiree Medical OPEB	85,514	88,507	91,605	94,811	98,129	101,564	105,119	108,798	112,606	116,547	As Salaries & Employee Benefits
Accrued OPEB Expense	0	0	0	0	0	0	0	0	0	0	As Salaries & Employee Benefits
FICA Contribution	129,844	134,389	139,092	143,960	148,999	154,214	159,611	165,198	170,980	176,964	As Salaries & Employee Benefits
FICA/Medicare	30,654	31,727	32,837	33,987	35,176	36,407	37,682	39,000	40,365	41,778	As Salaries & Employee Benefits
Social Security Alternative	0	0	0	0	0	0	0	0	0	0	As Salaries & Employee Benefits
Health Insurance Contribution	295,698	306,047	316,759	327,846	339,320	351,196	363,488	376,210	389,378	403,006	As Salaries & Employee Benefits
Employee Health Clinics	6,058	6,270	6,489	6,717	6,952	7,195	7,447	7,707	7,977	8,256	As Salaries & Employee Benefits
Life & Disability Insurance	4,706	4,871	5,041	5,218	5,400	5,589	5,785	5,987	6,197	6,414	As Salaries & Employee Benefits
Unemployment Insurance Contribution	1,800	1,863	1,928	1,996	2,066	2,138	2,213	2,290	2,370	2,453	As Salaries & Employee Benefits
Workers Compensation	28,400	29,394	30,423	31,488	32,590	33,730	34,911	36,133	37,397	38,706	As Salaries & Employee Benefits
Leave Overhead Applied	0	0	0	0	0	0	0	0	0	0	As Salaries & Employee Benefits
Accrued Salaries and Benefits	12,588	13,029	13,485	13,957	14,445	14,951	15,474	16,015	16,576	17,156	As Salaries & Employee Benefits
Total Salaries and Employee Benefits	**$3,173,200**	**$3,805,305**	**$3,942,033**	**$4,083,547**	**$4,230,013**	**$4,381,607**	**$4,538,505**	**$4,700,896**	**$4,868,970**	**$5,042,926**	

	Budgeted	Projected									
	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35	*Notes*
Services & Supplies											
Clothing & Personal	$26,300	$27,221	$28,173	$29,159	$30,180	$31,236	$32,329	$33,461	$34,632	$35,844	As Services & Supplies
Communications	7,500	7,763	8,034	8,315	8,606	8,908	9,219	9,542	9,876	10,222	As Services & Supplies
Telephone Service Local	7,200	7,452	7,713	7,983	8,262	8,551	8,851	9,160	9,481	9,813	As Services & Supplies
Household Supplies	5,800	6,003	6,213	6,431	6,656	6,889	7,130	7,379	7,637	7,905	As Services & Supplies
Equipment Maintenance	1,197,700	1,239,620	1,283,006	1,327,911	1,374,388	1,422,492	1,472,279	1,523,809	1,577,142	1,632,342	As Services & Supplies
Operating Supplies	1,332,800	1,379,448	1,427,729	1,477,699	1,529,419	1,582,948	1,638,351	1,695,694	1,755,043	1,816,470	As Services & Supplies
Equipment Maintenance Contracts	629,700	651,740	674,550	698,160	722,595	747,886	774,062	801,154	829,195	858,216	As Services & Supplies
IT Software Maintenance	95,100	98,429	101,873	105,439	109,129	112,949	116,902	120,994	125,229	129,612	As Services & Supplies
Structure & Ground Maintenance	1,641,500	1,698,953	1,758,416	1,819,960	1,883,659	1,949,587	2,017,823	2,088,446	2,161,542	2,237,196	As Services & Supplies
Other Professional Services	3,000	3,105	3,214	3,326	3,443	3,563	3,688	3,817	3,950	4,089	As Services & Supplies
Instruments & Equip. < $5000	5,000	5,175	5,356	5,544	5,738	5,938	6,146	6,361	6,584	6,814	As Services & Supplies
Memberships	11,600	12,006	12,426	12,861	13,311	13,777	14,259	14,758	15,275	15,810	As Services & Supplies
Office Expense	10,800	11,178	11,569	11,974	12,393	12,827	13,276	13,741	14,222	14,719	As Services & Supplies
Postage	900	932	964	998	1,033	1,069	1,106	1,145	1,185	1,227	As Services & Supplies
Copier Expense	2,000	2,070	2,142	2,217	2,295	2,375	2,459	2,545	2,634	2,726	As Services & Supplies
Books & Subscriptions	1,600	1,656	1,714	1,774	1,836	1,900	1,967	2,036	2,107	2,181	As Services & Supplies
IT Hardware Purchase < $5K	17,300	17,906	18,532	19,181	19,852	20,547	21,266	22,010	22,781	23,578	As Services & Supplies
IT Software Purchase < $100K	8,700	9,005	9,320	9,646	9,983	10,333	10,695	11,069	11,456	11,857	As Services & Supplies
Professional & Special Service	233,900	742,087	768,060	794,942	822,765	851,561	881,366	912,214	944,141	977,186	As Services & Supplies
Admin Expense (SBC)	302,900	313,502	324,474	335,831	347,585	359,750	372,341	385,373	398,861	412,822	As Services & Supplies
Contractual Services	170,000	175,950	182,108	188,482	195,079	201,907	208,973	216,287	223,858	231,693	As Services & Supplies
Publications & Legal Notices	31,100	32,189	33,315	34,481	35,688	36,937	38,230	39,568	40,953	42,386	As Services & Supplies
Rents/Leases-Equipment	11,700	12,110	12,533	12,972	13,426	13,896	14,382	14,886	15,407	15,946	As Services & Supplies
Special Departmental Expense	240,100	248,504	257,201	266,203	275,520	285,163	295,144	305,474	316,166	327,232	As Services & Supplies
Training Fees & Supplies	26,600	27,531	28,495	29,492	30,524	31,592	32,698	33,843	35,027	36,253	As Services & Supplies
Services County Provided	7,100	7,349	7,606	7,872	8,147	8,433	8,728	9,033	9,349	9,677	As Services & Supplies
Cost Allocations	182,900	189,302	195,927	202,784	209,882	217,228	224,831	232,700	240,844	249,274	As Services & Supplies
Projects<$100,000	263,600	272,826	282,375	292,258	302,487	313,074	324,032	335,373	347,111	359,260	As Services & Supplies
Gas-Oil-Fuel	25,900	26,936	28,013	29,134	30,299	31,511	32,772	34,083	35,446	36,864	As Utilities
Training	28,200	29,187	30,209	31,266	32,360	33,493	34,665	35,878	37,134	38,434	As Services & Supplies
Electricity	796,200	828,048	861,170	895,617	931,441	968,699	1,007,447	1,047,745	1,089,655	1,133,241	As Utilities
Natural Gas	8,800	9,152	9,518	9,899	10,295	10,707	11,135	11,580	12,043	12,525	As Utilities
Water	11,200	11,648	12,114	12,598	13,102	13,627	14,172	14,738	15,328	15,941	As Utilities
Refuse	18,800	19,552	20,334	21,147	21,993	22,873	23,788	24,740	25,729	26,758	As Utilities
Total Services & Supplies	**$7,363,500**	**$8,125,527**	**$8,414,397**	**$8,713,557**	**$9,023,373**	**$9,344,227**	**$9,676,512**	**$10,020,636**	**$10,377,023**	**$10,746,110**	
Other Charges											
Electricity	$2,200	$2,288	$2,380	$2,475	$2,574	$2,677	$2,784	$2,895	$3,011	$3,131	As Utilities
Natural Gas	1,500	1,560	1,622	1,687	1,755	1,825	1,898	1,974	2,053	2,135	As Utilities
Water	500	520	541	562	585	608	633	658	684	712	As Utilities
Utilities Services	7,100	7,384	7,679	7,987	8,306	8,638	8,984	9,343	9,717	10,106	As Utilities
Postage	5,500	5,693	5,892	6,098	6,311	6,532	6,761	6,998	7,242	7,496	As Other Charges
Building Security Systems	3,400	3,519	3,642	3,770	3,902	4,038	4,179	4,326	4,477	4,634	As Other Charges
Information Technology Service	57,900	59,927	62,024	64,195	66,442	68,767	71,174	73,665	76,243	78,912	As Other Charges
Motor Pool Charges	83,100	86,009	89,019	92,134	95,359	98,697	102,151	105,726	109,427	113,257	As Other Charges
Liability Insurance	286,600	313,827	343,641	376,286	395,101	414,856	435,599	457,378	480,247	504,260	As Insurance
Telephone Services	6,200	6,417	6,642	6,874	7,115	7,364	7,621	7,888	8,164	8,450	As Other Charges
Telephone Toll Charges	5,200	5,382	5,570	5,765	5,967	6,176	6,392	6,616	6,847	7,087	As Other Charges
Total Other Charges	**$459,200**	**$492,525**	**$528,651**	**$567,834**	**$593,416**	**$620,178**	**$648,176**	**$677,467**	**$708,114**	**$740,179**	

Laguna County Sanitation District
Sewer Rate Study
Revenue Requirement
Exhibit 3

	Budgeted	Projected									
	FY 2025-26	**FY 2026-27**	**FY 2027-28**	**FY 2028-29**	**FY 2029-30**	**FY 2030-31**	**FY 2031-32**	**FY 2032-33**	**FY 2033-34**	**FY 2034-35**	***Notes***
Additional O&M											
Future O&M	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
Future FTEs	0	0	120,000	124,200	128,547	133,046	137,703	142,522	147,511	152,674	As Salaries & Employee Benefits
Total Additional O&M	**$0**	**$0**	**$120,000**	**$124,200**	**$128,547**	**$133,046**	**$137,703**	**$142,522**	**$147,511**	**$152,674**	
Total O&M Expenses	**$10,995,900**	**$12,423,356**	**$13,005,081**	**$13,489,137**	**$13,975,349**	**$14,479,057**	**$15,000,896**	**$15,541,522**	**$16,101,617**	**$16,681,888**	
Rate Funded Capital	**$4,650,000**	**$4,000,000**	**$4,000,000**	**$4,000,000**	**$4,000,000**	**$4,000,000**	**$4,000,000**	**$4,300,000**	**$4,600,000**	**$5,100,000**	$3,340,000 = FY 24-25 Depr Exp $3,625,000 = FY 25-26 Depr Exp
Debt Service											
Solar Project	$327,476	$0	$0	$0	$0	$0	$0	$0	$0	$0	Debt Schedule
Plant Expansion	1,579,175	1,580,300	1,573,925	1,574,800	1,572,925	1,568,175	1,565,425	1,573,200	1,587,400	1,585,400	Debt Schedule
Additional Long-Term Debt	0	0	0	0	0	0	0	0	0	0	Calculated @ 4.46% for 20 yrs
Total Debt Service	$1,906,651	$1,580,300	$1,573,925	$1,574,800	$1,572,925	$1,568,175	$1,565,425	$1,573,200	$1,587,400	$1,585,400	
LESS: Other Funding											
Expansion Reserves	$725,000	$725,000	$725,000	$725,000	$725,000	$725,000	$725,000	$725,000	$725,000	$725,000	
Replacement Reserves	0	0	0	0	0	0	0	0	0	0	
Net Debt Service	**$1,181,651**	**$855,300**	**$848,925**	**$849,800**	**$847,925**	**$843,175**	**$840,425**	**$848,200**	**$862,400**	**$860,400**	
To / (From) Reserves											
To / (From) Operating Reserve	$11,003	$222,364	$254,386	$398,394	$343,088	$419,388	$584,493	$452,508	$425,094	$179,063	
To / (From) Capital Reserve	0	0	0	0	250,000	425,000	525,000	625,000	625,000	625,000	
To / (From) Rate Stabilization Reserve	0	0	0	0	0	0	0	0	0	0	
Total To / (From) Reserves	**$11,003**	**$222,364**	**$254,386**	**$398,394**	**$593,088**	**$844,388**	**$1,109,493**	**$1,077,508**	**$1,050,094**	**$804,063**	
Total Revenue Requirement	**$16,838,554**	**$17,501,020**	**$18,108,393**	**$18,737,331**	**$19,416,362**	**$20,166,621**	**$20,950,813**	**$21,767,230**	**$22,614,111**	**$23,446,351**	
Bal. / (Def.) of Funds	$0	($479,929)	($983,025)	($1,510,236)	($2,062,547)	($2,640,985)	($3,246,615)	($3,880,545)	($4,543,928)	($5,237,961)	
Balance a % of Rate Adj. Req'd	0.0%	3.0%	6.1%	9.3%	12.6%	15.9%	19.4%	23.0%	26.7%	30.5%	
Proposed Rate Adjustment	**0.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	**3.0%**	
Months of Adjustment	*12*	*12*	*12*	*12*	*12*	*12*	*12*	*12*	*12*	*12*	
Add'l Revenue with Rate Adj.	$0	$479,929	$983,025	$1,510,236	$2,062,547	$2,640,985	$3,246,615	$3,880,545	$4,543,928	$5,237,961	
Bal. / (Def.) After Rate Adj.	$0	($0)	($0)	$0	$0	($0)	$0	($0)	($0)	$0	
Add'l Rate Adj. Req'd	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	

	Budgeted	Projected									
	FY 2025-26	**FY 2026-27**	**FY 2027-28**	**FY 2028-29**	**FY 2029-30**	**FY 2030-31**	**FY 2031-32**	**FY 2032-33**	**FY 2033-34**	**FY 2034-35**	***Notes***
Average Residential Customer Bill	*(Current rates; Monthly Charge)*										
Customer Bill on Proposed Adjustment	$94.86	$97.71	$100.64	$103.66	$106.77	$109.97	$113.27	$116.67	$120.17	$123.77	
Bill Difference - Monthly	0.00	2.85	2.93	3.02	3.11	3.20	3.30	3.40	3.50	3.60	
Cumulative Bill Difference	0.00	2.85	5.78	8.80	11.91	15.11	18.41	21.81	25.31	28.91	
Debt Service Coverage Ratio (all debt, not including DIF)											
Before Rate Adjustment	3.06	2.91	2.62	2.37	2.15	1.94	1.73	1.49	1.24	0.96	
After Proposed Rate Adjustment	3.06	3.21	3.24	3.33	3.46	3.63	3.80	3.96	4.10	4.27	
Reserve Funds											
Total Beginning Balance	**$30,115,052**	**$27,037,615**	**$24,062,307**	**$22,444,787**	**$19,076,633**	**$19,818,896**	**$20,820,327**	**$22,094,800**	**$23,345,298**	**$24,576,465**	
Operating Fund											
Beginning Balance	**$6,200,000**	**$6,113,882**	**$6,235,536**	**$6,386,191**	**$6,677,742**	**$6,910,781**	**$7,216,820**	**$7,684,562**	**$8,016,816**	**$8,318,050**	
Plus: Additions	11,003	222,364	254,386	398,394	343,088	419,388	584,493	452,508	425,094	179,063	
Balance for Emergency Contingency	(97,121)	(100,710)	(103,731)	(106,843)	(110,049)	(113,350)	(116,751)	(120,253)	(123,861)	(127,577)	
Less: Uses of Funds	0	0	0	0	0	0	0	0	0	0	
Ending Balance	**$6,113,882**	**$6,235,536**	**$6,386,191**	**$6,677,742**	**$6,910,781**	**$7,216,820**	**$7,684,562**	**$8,016,816**	**$8,318,050**	**$8,369,536**	
Target: 180 days of O&M	*$5,422,636*	*$6,126,587*	*$6,413,465*	*$6,652,177*	*$6,891,953*	*$7,140,357*	*$7,397,702*	*$7,664,312*	*$7,940,523*	*$8,226,685*	
Capital Fund											
Beginning Balance	**$12,007,332**	**$9,173,584**	**$6,226,372**	**$4,600,655**	**$1,075,987**	**$1,712,694**	**$2,527,881**	**$3,446,580**	**$4,468,822**	**$5,494,639**	
Plus: Additions	0	0	0	0	250,000	425,000	525,000	625,000	625,000	625,000	
Plus: LTD Proceeds	0	0	0	0	0	0	0	0	0	0	
Trunk Line Fees	18,300	18,465	18,631	18,799	18,968	19,138	19,311	19,484	19,660	19,837	As Customer Growth
Connection Charge	354,793	357,986	361,208	364,459	367,739	371,049	374,388	377,758	381,157	384,588	As Customer Growth
Less: Capital Project Funding	(3,206,841)	(3,323,663)	(2,005,556)	(3,907,925)	0	0	0	0	0	(4,417,959)	
Ending Balance	**$9,173,584**	**$6,226,372**	**$4,600,655**	**$1,075,987**	**$1,712,694**	**$2,527,881**	**$3,446,580**	**$4,468,822**	**$5,494,639**	**$2,106,105**	
Target - Avg Annual Collection CIP	*$875,000*	*$920,000*	*$1,070,000*	*$1,110,000*	*$1,145,000*	*$1,185,000*	*$1,195,000*	*$1,205,000*	*$1,215,000*	*$1,225,000*	As Customer Growth
Expansion											
Beginning Balance	**$8,647,838**	**$8,393,145**	**$8,142,685**	**$7,896,495**	**$7,654,615**	**$7,417,083**	**$7,183,939**	**$6,955,220**	**$6,730,969**	**$6,511,224**	
Plus: Additions	0	0	0	0	0	0	0	0	0	0	
Connection Fees	470,307	474,540	478,811	483,120	487,468	491,855	496,282	500,748	505,255	509,802	As Customer Growth
Less: Uses	(725,000)	(725,000)	(725,000)	(725,000)	(725,000)	(725,000)	(725,000)	(725,000)	(725,000)	(725,000)	
Ending Balance	**$8,393,145**	**$8,142,685**	**$7,896,495**	**$7,654,615**	**$7,417,083**	**$7,183,939**	**$6,955,220**	**$6,730,969**	**$6,511,224**	**$6,296,027**	
Emergency Contingency											
Beginning Balance	**$3,259,882**	**$3,357,004**	**$3,457,714**	**$3,561,445**	**$3,668,289**	**$3,778,337**	**$3,891,688**	**$4,008,438**	**$4,128,691**	**$4,252,552**	10% of GL of Assets
Plus: Additions	97,121	100,710	103,731	106,843	110,049	113,350	116,751	120,253	123,861	127,577	
Less: Capital Project Funding	0	0	0	0	0	0	0	0	0	0	
Ending Balance	**$3,357,004**	**$3,457,714**	**$3,561,445**	**$3,668,289**	**$3,778,337**	**$3,891,688**	**$4,008,438**	**$4,128,691**	**$4,252,552**	**$4,380,129**	
Total Ending Balance	**$27,037,615**	**$24,062,307**	**$22,444,787**	**$19,076,633**	**$19,818,896**	**$20,820,327**	**$22,094,800**	**$23,345,298**	**$24,576,465**	**$21,151,796**	
Days of O&M	*619*	*468*	*408*	*309*	*324*	*344*	*368*	*390*	*410*	*325*	
Target Minimum	*$6,297,636*	*$7,046,587*	*$7,483,465*	*$7,762,177*	*$8,036,953*	*$8,325,357*	*$8,592,702*	*$8,869,312*	*$9,155,523*	*$9,451,685*	

Laguna County Sanitation District
Sewer Rate Study
Capital Improvement Plan
Exhibit 4

Inflation	3.5%

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35	Total	Notes
Structures/Structural Improvements												
Collection System CIP - SEWREP	$886,685	$382,106	$997,846	$1,032,771	$1,068,918	$1,106,330	$1,145,051	$1,185,128	$1,226,608	$1,269,539	$11,456,981	
Deerfield Lift Station	0	0	0	1,147,523	0	0	0	0	0	0	1,147,523	
Waller/Stubbs Lift Station	0	0	0	4,188,459	0	0	0	0	0	0	4,188,459	
RWDIS2 -- Recycled Water Distr Phase 2	814,545	1,713,960	0	0	0	0	0	0	0	0	2,528,505	
RWDPH5 -- RWDPH5 - SM Country Club	1,242,000	0	0	0	0	0	0	0	0	0	1,342,000	
RESEXP - Reservoir Expansion	10,350	0	0	0	0	0	0	0	0	6,783,569	6,843,919	
STMPN1 - Stormwater Pond Improvements 1	0	0	0	0	0	0	0	0	0	0	220,000	
STMPN2 - Stormwater Pond Improvements 2	0	1,371,168	0	0	0	0	0	0	0	0	1,371,168	
PLEXP1 -- Plant Expansion Phase I	103,500	0	0	0	0	0	0	0	0	0	1,353,500	
PLEXP1 -- Replace Old Huber screen	635,490	0	0	0	0	0	0	0	0	0	677,490	
EV Fleet Charging Station project	0	0	0	0	0	0	0	0	0	0	0	
HTDSB1 - High TDS Aeration System	0	374,929	0	0	0	0	0	0	0	0	374,929	
SOLID3 - New Pad and Structure	0	2,678,063	0	0	0	0	0	0	0	0	2,678,063	
SOLID4 - Sludge Thickener or New Beds	41,400	0	0	0	2,375,373	0	0	0	0	0	2,416,773	
TRTFLT - Tertiary Process Skid Replacement (TMF)	2,117,844	0	0	0	0	0	0	0	0	0	2,467,844	
ELSWG1 - Electrical Switch Gear East/West Replacements	258,750	267,806	4,434,872	0	0	0	0	0	0	0	5,011,428	
NCJAIL - NC Jail Capital Replacement project	0	0	0	0	0	0	0	0	0	1,182,731	1,182,731	
PLEXP2 -- Plant Expansion Phase II	0	0	0	0	0	0	0	0	0	0	0	
DUTRD1 - Plant Paving and Road Improvements	72,500	278,538	184,787	0	0	0	0	0	0	0	535,825	
MBRPR1 - MBR Blowers/Pumps replacements or abandonments	0	0	0	0	0	1,229,255	0	0	0	0	1,229,255	
Redundant Brine Disposal Well	41,400	0	0	0	0	0	0	0	0	0	41,400	
RW Pipline Connection to Cattle	0	0	0	0	0	0	0	0	0	0	0	
Replace Post UV Flow Meter - FIT7000 project	81,430	0	0	0	0	0	0	0	0	0	138,930	
INJWB1 - Injection Well Building Replacement	155,250	0	0	0	0	0	0	0	0	0	155,250	
Solar Array (Micro Grid)	0	0	0	0	0	0	0	0	0	0	0	
Total Structures/Structural Improvements	**$6,461,143**	**$7,066,569**	**$5,617,504**	**$6,368,753**	**$3,444,290**	**$2,335,585**	**$1,145,051**	**$1,185,128**	**$1,226,608**	**$9,235,839**	**$47,361,971**	

Laguna County Sanitation District
Sewer Rate Study
Capital Improvement Plan
Exhibit 4

Inflation	3.5%

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35	Total	Notes
Equipment												
Replace Admin Jeep (Ford EV)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
Plant Operations Equipment	0	0	0	0	0	0	0	0	0	0	0	
Replace VFDs from 2000 upgrade	258,750	214,245	221,744	229,505	237,537	245,851	254,456	263,362	272,579	282,120	2,660,148	
Replace Flow Meters from 2000 upgrade	41,400	0	0	0	0	0	0	0	0	0	61,400	
Vaccon Replacement - 5 year cycle	0	42,849	0	0	0	0	0	0	0	0	42,849	
Maintenance Trucks	693,450	0	0	0	0	0	988,179	0	0	0	1,681,629	
Diesel Standby Generator C15 - RAMI 004151	0	0	166,308	86,064	89,076	0	95,421	0	102,217	0	539,087	
Diesel Standby Generator C32 - RAMI 004152	0	0	0	460,616	0	0	0	0	0	0	460,616	
ZWFPR1 - ZW Feed Pumps - P3800	0	0	0	762,988	0	0	0	0	0	0	762,988	
Storage Basin Vertical Turbine Pump	248,400	0	0	0	0	0	0	0	0	0	248,400	
New Fourth Gator/EV Cart	36,225	0	0	0	0	0	0	0	0	0	36,225	
Trailer mounted steam cleaner	25,875	0	0	0	0	0	0	0	0	0	25,875	
Trailer mounted 6 in Trash Pump	0	0	0	0	0	0	0	0	0	0	15,000	
Trailer mounted Water Buffalo (500 gal)	82,800	0	0	0	0	0	0	0	0	0	82,800	
New Diesel Booster Pump and Trailer	8,798	0	0	0	0	0	0	0	0	0	8,798	
Trailer Jetter	0	0	0	0	0	184,388	0	0	0	0	184,388	
Purple Pumps - RW Pumps	0	0	0	0	0	122,926	0	0	0	0	122,926	
Crane Truck	0	0	0	0	0	442,532	0	0	0	0	442,532	
Total Equipment	**$1,395,698**	**$257,094**	**$388,051**	**$1,539,173**	**$326,614**	**$995,697**	**$1,338,056**	**$263,362**	**$374,797**	**$282,120**	**$7,375,660**	
Unidentified Future Capital Projects	$0	$0	$0	$0	$229,096	$668,718	$1,516,893	$2,851,510	$2,998,596	$0	**$8,264,812**	
Transfer to Cash Reserve	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	**$0**	
Total Capital Improvement Projects	**$7,856,841**	**$7,323,663**	**$6,005,556**	**$7,907,925**	**$4,000,000**	**$4,000,000**	**$4,000,000**	**$4,300,000**	**$4,600,000**	**$9,517,959**	**$63,002,444**	
Less: Outside Funding Sources												
Operating Fund Reserves	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
Capital Fund Reserves	3,206,841	3,323,663	2,005,556	3,907,925	0	0	0	0	0	4,417,959	16,861,944	
Grants	0	0	0	0	0	0	0	0	0	0	0	
Expansion	0	0	0	0	0	0	0	0	0	0	0	
Assumed New Low Interest Loan	0	0	0	0	0	0	0	0	0	0	0	
Additional Revenue Bonds	0	0	0	0	0	0	0	0	0	0	0	
Total Funding Sources	**$3,206,841**	**$3,323,663**	**$2,005,556**	**$3,907,925**	**$0**	**$0**	**$0**	**$0**	**$0**	**$4,417,959**	**$16,861,944**	
Rate Funded Capital	**$4,650,000**	**$4,000,000**	**$4,000,000**	**$4,000,000**	**$4,000,000**	**$4,000,000**	**$4,000,000**	**$4,300,000**	**$4,600,000**	**$5,100,000**	**$46,140,500**	

Laguna County Sanitation District
Sewer Rate Study
Debt Schedule
Exhibit 5

	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31	FY 2031-32	FY 2032-33	FY 2033-34	FY 2034-35	*Total*
Solar Project												
Principal	$310,000	$315,000										
Interest	28,760	12,476										
Payment Amount	$338,760	$327,476										**$666,236**
Plant Expansion												
Principal	$720,675	$674,175	$625,300	$573,925	$519,800	$462,925	$403,175	$340,425	$288,200	$247,400	$205,400	
Interest	865,000	905,000	955,000	1,000,000	1,055,000	1,110,000	1,165,000	1,225,000	1,285,000	1,340,000	1,380,000	
Payment Amount	$1,585,675	$1,579,175	$1,580,300	$1,573,925	$1,574,800	$1,572,925	$1,568,175	$1,565,425	$1,573,200	$1,587,400	$1,585,400	**$17,346,400**
Total Debt Service	**$1,924,435**	**$1,906,651**	**$1,580,300**	**$1,573,925**	**$1,574,800**	**$1,572,925**	**$1,568,175**	**$1,565,425**	**$1,573,200**	**$1,587,400**	**$1,585,400**	**$18,012,636**

		Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Total
Single Family														
	$ / Acct.													
Base Fee	$94.86	9,777	9,777	9,777	9,777	9,777	9,777	9,777	9,777	9,777	9,777	9,777	9,777	9,777
Total Base Fee Revenue		$927,446	$927,446	$927,446	$927,446	$927,446	$927,446	$927,446	$927,446	$927,446	$927,446	$927,446	$927,446	$11,129,355
Total Single Family Revenue		**$927,446**	**$927,446**	**$927,446**	**$927,446**	**$927,446**	**$927,446**	**$927,446**	**$927,446**	**$927,446**	**$927,446**	**$927,446**	**$927,446**	**$11,129,355**
Multi-Family														
	$ / Acct.													
Base Fee	$77.07	3,018	3,018	3,018	3,018	3,018	3,018	3,018	3,018	3,018	3,018	3,018	3,018	3,018
		3,018	3,018	3,018	3,018	3,018	3,018	3,018	3,018	3,018	3,018	3,018	3,018	3,018
Total Base Fee Revenue		$232,597	$232,597	$232,597	$232,597	$232,597	$232,597	$232,597	$232,597	$232,597	$232,597	$232,597	$232,597	$2,791,167
Total Multi-Family Revenue		**$232,597**	**$232,597**	**$232,597**	**$232,597**	**$232,597**	**$232,597**	**$232,597**	**$232,597**	**$232,597**	**$232,597**	**$232,597**	**$232,597**	**$2,791,167**
Non-Residential														
	$ / Acct.													
Base Fee	$173.22	371	371	371	371	371	371	371	371	371	371	371	371	371
		371	**371**	**371**	**371**	**371**	**371**	**371**	**371**	**371**	**371**	**371**	**371**	**371**
Total Base Fee Revenue		$64,265	$64,265	$64,265	$64,265	$64,265	$64,265	$64,265	$64,265	$64,265	$64,265	$64,265	$64,265	$771,178.98
Total Non-Residential Revenue		**$64,265**	**$64,265**	**$64,265**	**$64,265**	**$64,265**	**$64,265**	**$64,265**	**$64,265**	**$64,265**	**$64,265**	**$64,265**	**$64,265**	**$771,179**

		Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Total
School														
	$ / Acct.													
Base Fee	$2,830.80	17	17	17	17	17	17	17	17	17	17	17	17	17
		17	**17**	**17**	**17**	**17**	**17**	**17**	**17**	**17**	**17**	**17**	**17**	**17**
Total Base Fee Revenue		$48,124	$48,124	$48,124	$48,124	$48,124	$48,124	$48,124	$48,124	$48,124	$48,124	$48,124	$48,124	$577,483.04
Total School Revenue		**$48,124**	**$48,124**	**$48,124**	**$48,124**	**$48,124**	**$48,124**	**$48,124**	**$48,124**	**$48,124**	**$48,124**	**$48,124**	**$48,124**	**$577,483**
Summary														
Customers														
Single Family		9,777	9,777	9,777	9,777	9,777	9,777	9,777	9,777	9,777	9,777	9,777	9,777	9,777
Multi-Family		3,018	3,018	3,018	3,018	3,018	3,018	3,018	3,018	3,018	3,018	3,018	3,018	3,018
Non-Residential		371	371	371	371	371	371	371	371	371	371	371	371	371
Schools		17	17	17	17	17	17	17	17	17	17	17	17	17
	Total Number of Customers	**13,183**	**13,183**	**13,183**	**13,183**	**13,183**	**13,183**	**13,183**	**13,183**	**13,183**	**13,183**	**13,183**	**13,183**	**13,183**
Revenues														
Base Fee		$1,272,432	$1,272,432	$1,272,432	$1,272,432	$1,272,432	$1,272,432	$1,272,432	$1,272,432	$1,272,432	$1,272,432	$1,272,432	$1,272,432	$15,269,184
	Total Revenues	**$1,272,432**	**$1,272,432**	**$1,272,432**	**$1,272,432**	**$1,272,432**	**$1,272,432**	**$1,272,432**	**$1,272,432**	**$1,272,432**	**$1,272,432**	**$1,272,432**	**$1,272,432**	**$15,269,184**
													FY 2024-25 Budget	**$15,259,200**
													Difference	*$9,984*
													Percent	*0.1%*

Laguna County Sanitation District
Sewer Rate Study
Exhibit 7
Volume Distribution Factor

	FY 2026-27 Annual Flow (mg)	0.0% Inflow and Infiltration	Total Annual Flow at Plant (mg)	Avg. Daily Flow At Plant (MGD)	% of Total
Residential					**89.1%**
Single Family	625.91	0	625.91	1.71	70.7%
Multi-Family	163.03	0	163.03	0.45	18.4%
Non-Residential	44.20	0	44.20	0.12	**5.0%**
Schools	52.09	0	52.09	0.14	**5.9%**
Total	**885.23**	**0**	**885.23**	**2.43**	**100.0%**
		Actual Flows [1]	*784.92*	*2.15*	
					(VOL)

Notes

[1] - Based on District's data used in FY 2026-27 rates

Laguna County Sanitation District
Sewer Rate Study
Exhibit 8
Customer Distribution Factors

	Actual Customer	
	Number of Accounts [1]	**% of Total**
Residential		**97.1%**
Single Family	9,799	73.5%
Multi-Family	3,151	23.6%
Non-Residential	372	2.8%
Schools	17	0.1%
Total	**13,339**	**100.0%**
		(AC)

Notes

[1] - Based on FY 2024-25 Billing Data

Laguna County Sanitation District
Sewer Rate Study
Exhibit 9
Strength Distribution Factors

	Biological Oxygen Demand				*Suspended Solids*		
	Daily Flow (MGD)	**Avg. Factor (mg/l)**	**Calculated Pounds [1]**	**% of Total**	**Avg. Factor (mg/l) [1]**	**Calculated Pounds [2]**	**% of Total**
Residential				**89.8%**			**92.5%**
Single Family	1.71	363	1,894,896	71.2%	313	1,633,891	73.4%
Multi-Family	0.45	363	493,557	18.6%	313	425,574	19.1%
Non-Residential	0.12		188,697	**7.1%**		110,298	**5.0%**
Schools	0.14	192	83,406	**3.1%**	132	57,342	**2.6%**
Total	**2.43**		**2,660,556**	**100.0%**		**2,227,104**	**100.0%**
				(BOD)			***(SS)***

Notes

[1] - Calculated Pounds = Daily Flow * Factor * 8.34 (Lbs. / MGD)

Laguna County Sanitation District
Sewer Rate Study
Exhibit 10
Revenue Distribution Factor

	Projected FY 2026-27	% of Total
Residential		**91.2%**
Single Family	$11,638,488	72.8%
Multi-Family	2,951,408	18.4%
Non-Residential	817,271	**5.1%**
Schools	590,482	**3.7%**
Total	**$15,997,649**	**100.0%**

(RR)

Laguna County Sanitation District
Sewer Rate Study
Exhibit 11.1
Net Plant in Service

	As of 01/01/24	Volume (VOL)	Strength Related: Bio-oxygen Demand (BOD)	Strength Related: Suspended Solids (SS)	Actual Customer (AC)	Revenue (RR)	Direct (DA)	Basis of Classification
Collection	$9,189,358	$9,189,358	$0	$0	$0	$0	$0	100.0% VOL
Treatment								
Chlorination structure	$0	$0	$0	$0	$0	$0	$0	100.0% Vol
Digester structure	0	0	0	0	0	0	0	50.0% BOD 50.0% SS
Grit removal structure	0	0	0	0	0	0	0	100.0% Vol
OSHA Pipe railing	115	39	38	38	0	0	0	34.0% Vol 33.0% BOD 33.0% SS
Add to Garage&Storage Bldg	0	0	0	0	0	0	0	34.0% Vol 33.0% BOD 33.0% SS
No Cty Tech Services Bdg	0	0	0	0	0	0	0	34.0% Vol 33.0% BOD 33.0% SS
Pump house exit	0	0	0	0	0	0	0	34.0% Vol 33.0% BOD 33.0% SS
Stubbs & SemCo Sta	0	0	0	0	0	0	0	34.0% Vol 33.0% BOD 33.0% SS
Influent station (8307)	0	0	0	0	0	0	0	100.0% Vol
Outfall station (8303)	0	0	0	0	0	0	0	100.0% Vol
Influent station (8307)	0	0	0	0	0	0	0	100.0% Vol
Outfall station (8303)	0	0	0	0	0	0	0	100.0% Vol
Plant expansion	200,074	68,025	66,024	66,024	0	0	0	34.0% Vol 33.0% BOD 33.0% SS
Control House	0	0	0	0	0	0	0	34.0% Vol 33.0% BOD 33.0% SS
Digester	0	0	0	0	0	0	0	50.0% BOD 50.0% SS
Pump House	0	0	0	0	0	0	0	100.0% Vol
Recycled Water Storage	1,247,291	1,247,291	0	0	0	0	0	100.0% Vol
Primary Dome Digester Replacement	249,551	0	124,775	124,775	0	0	0	50.0% BOD 50.0% SS
Recycled Water Distribution System	150,993	150,993	0	0	0	0	0	100.0% Vol
Trickling Bio-Filter	141,791	141,791	0	0	0	0	0	100.0% Vol
Secondary Digester Dome Coat	80,248	0	40,124	40,124	0	0	0	50.0% BOD 50.0% SS
Recycled Water Storage Tank 2	533,540	533,540	0	0	0	0	0	100.0% Vol
Diesel Standby Generator C15	72,013	24,484	23,764	23,764	0	0	0	34.0% Vol 33.0% BOD 33.0% SS
Backup Generator C32	121,108	41,177	39,966	39,966	0	0	0	34.0% Vol 33.0% BOD 33.0% SS
Mixer/Blower Structure Improv LCSD Plant	147,331	0	147,331	0	0	0	0	100.0% BOD
ISPP15 Industrial Storm Water Permit Pro	106,604	36,245	35,179	35,179	0	0	0	34.0% Vol 33.0% BOD 33.0% SS
FLDPRO - Plant Flood Protection Project	1,313,227	446,497	433,365	433,365	0	0	0	34.0% Vol 33.0% BOD 33.0% SS
UV 2020-UV Disinfection Sys Replacement	435,746	435,746	0	0	0	0	0	100.0% Vol
SOLID1 - LCSD Sludge Drying Beds Upgrade	4,054,837	0	2,027,418	2,027,418	0	0	0	50.0% BOD 50.0% SS
SOLID2 - Biosolids Handling Area Proj	103,215	0	51,607	51,607	0	0	0	50.0% BOD 50.0% SS
RWDPH4 - RW Dist Ph 4 - Waller Park	5,742,455	5,742,455	0	0	0	0	0	100.0% Vol
PLANT UPGRADE	5,709,863	1,941,354	1,884,255	1,884,255	0	0	0	34.0% Vol 33.0% BOD 33.0% SS
REVERSE OXMOSIS UNITS	0	0	0	0	0	0	0	100.0% Vol
ZENOGEM BIO TREATMENT SYS	488,948	488,948	0	0	0	0	0	100.0% Vol
ZEEWEED WATER TRTMNT SYS	570,000	570,000	0	0	0	0	0	100.0% Vol
Replacement Clarifier	0	0	0	0	0	0	0	50.0% BOD 50.0% SS
Grit Removal eqmt	0	0	0	0	0	0	0	100.0% Vol
Membrane System	31,856	31,856	0	0	0	0	0	100.0% Vol
Bio Reactors (Zenon)	74,598	0	74,598	0	0	0	0	100.0% BOD
ZEEWEED MEMBRANES	0	0	0	0	0	0	0	100.0% BOD
Zeeweed Membranes	0	0	0	0	0	0	0	100.0% BOD
Headworks Imprvts-Stairstep	0	0	0	0	0	0	0	100.0% Vol
Rotodrum Screen	0	0	0	0	0	0	0	100.0% Vol
Digester & Raw Sewage Pump	1,933	0	967	967	0	0	0	50.0% BOD 50.0% SS
	$21,577,334	**$11,900,439**	**$4,949,412**	**$4,727,483**	**$0**	**$0**	**$0**	
Plant Before General Plant	**$30,766,692**	**$21,089,797**	**$4,949,412**	**$4,727,483**	**$0**	**$0**	**$0**	
% Plant Before General Plant	***100.0%***	***68.5%***	***16.1%***	***15.4%***	***0.0%***	***0.0%***	***0.0%***	*Factor PBGP*
General Plant								
Land	$3,840,511	$2,632,574	$617,820	$590,117	$0	$0	$0	*As Factor PBGP*
Equipment	2,537,289	1,739,248	408,172	389,869	0	0	0	*As Factor PBGP*
Total General Plant	**$6,377,800**	**$4,371,822**	**$1,025,991**	**$979,986**	**$0**	**$0**	**$0**	
Net Plant in Service	**$37,144,492**	**$25,461,619**	**$5,975,404**	**$5,707,469**	**$0**	**$0**	**$0**	

	Test Year FY 2026-27	Volume (VOL)	Strength Related: Bio-oxygen Demand (BOD)	Strength Related: Suspended Solids (SS)	Actual Customer (AC)	Revenue (RR)	Direct (DA)		Basis of Classification
Salaries and Employee Benefits									
Regular Salaries	$2,212,801	$737,600	$737,600	$737,600	$0	$0	$0	33.3%	VOL, BOD, & SS
Budgeted Salary Savings	(101,218)	(33,739)	(33,739)	(33,739)	0	0	0	33.3%	VOL, BOD, & SS
Compensated Absences	0	0	0	0	0	0	0	33.3%	VOL, BOD, & SS
Extra Help and/or Labor	207,000	69,000	69,000	69,000	0	0	0	33.3%	VOL, BOD, & SS
Stand-by Pay	73,692	24,564	24,564	24,564	0	0	0	33.3%	VOL, BOD, & SS
Overtime	31,464	10,488	10,488	10,488	0	0	0	33.3%	VOL, BOD, & SS
Retirement Contribution	726,785	242,262	242,262	242,262	0	0	0	33.3%	VOL, BOD, & SS
Accrued Pension Expense	129,375	43,125	43,125	43,125	0	0	0	33.3%	VOL, BOD, & SS
EE Pickup Retirement Contribution	(93,489)	(31,163)	(31,163)	(31,163)	0	0	0	33.3%	VOL, BOD, & SS
Supp Retirement Contribution	2,799	933	933	933	0	0	0	33.3%	VOL, BOD, & SS
Retiree Medical OPEB	88,507	29,502	29,502	29,502	0	0	0	33.3%	VOL, BOD, & SS
Accrued OPEB Expense	0	0	0	0	0	0	0	33.3%	VOL, BOD, & SS
FICA Contribution	134,389	44,796	44,796	44,796	0	0	0	33.3%	VOL, BOD, & SS
FICA/Medicare	31,727	10,576	10,576	10,576	0	0	0	33.3%	VOL, BOD, & SS
Social Security Alternative	0	0	0	0	0	0	0	33.3%	VOL, BOD, & SS
Health Insurance Contribution	306,047	102,016	102,016	102,016	0	0	0	33.3%	VOL, BOD, & SS
Employee Health Clinics	6,270	2,090	2,090	2,090	0	0	0	33.3%	VOL, BOD, & SS
Life & Disability Insurance	4,871	1,624	1,624	1,624	0	0	0	33.3%	VOL, BOD, & SS
Unemployment Insurance Contribution	1,863	621	621	621	0	0	0	33.3%	VOL, BOD, & SS
Workers Compensation	29,394	9,798	9,798	9,798	0	0	0	33.3%	VOL, BOD, & SS
Leave Overhead Applied	0	0	0	0	0	0	0	33.3%	VOL, BOD, & SS
Accrued Salaries and Benefits	13,029	4,343	4,343	4,343	0	0	0	33.3%	VOL, BOD, & SS
Total Salaries and Employee Benefits	**$3,805,305**	**$1,268,435**	**$1,268,435**	**$1,268,435**	**$0**	**$0**	**$0**		
Services & Supplies									
Clothing & Personal	27,221	$9,074	$9,074	$9,074	$0	$0	$0	33.3%	VOL, BOD, & SS
Communications	7,763	2,588	2,588	2,588	0	0	0	33.3%	VOL, BOD, & SS
Telephone Service Local	7,452	2,484	2,484	2,484	0	0	0	33.3%	VOL, BOD, & SS
Household Supplies	6,003	2,001	2,001	2,001	0	0	0	33.3%	VOL, BOD, & SS
Equipment Maintenance	1,239,620	413,207	413,207	413,207	0	0	0	33.3%	VOL, BOD, & SS
Operating Supplies	1,379,448	459,816	459,816	459,816	0	0	0	33.3%	VOL, BOD, & SS
Equipment Maintenance Contracts	651,740	217,247	217,247	217,247	0	0	0	33.3%	VOL, BOD, & SS
IT Software Maintenance	98,429	32,810	32,810	32,810	0	0	0	33.3%	VOL, BOD, & SS
Structure & Ground Maintenance	1,698,953	566,318	566,318	566,318	0	0	0	33.3%	VOL, BOD, & SS
Other Professional Services	3,105	1,035	1,035	1,035	0	0	0	33.3%	VOL, BOD, & SS
Instruments & Equip. < $5000	5,175	1,725	1,725	1,725	0	0	0	33.3%	VOL, BOD, & SS
Memberships	12,006	4,002	4,002	4,002	0	0	0	33.3%	VOL, BOD, & SS
Office Expense	11,178	3,726	3,726	3,726	0	0	0	33.3%	VOL, BOD, & SS
Postage	932	311	311	311	0	0	0	33.3%	VOL, BOD, & SS
Copier Expense	2,070	690	690	690	0	0	0	33.3%	VOL, BOD, & SS
Books & Subscriptions	1,656	552	552	552	0	0	0	33.3%	VOL, BOD, & SS
Printing Expense	0	0	0	0	0	0	0	33.3%	VOL, BOD, & SS
IT Hardware Purchase < $5K	17,906	5,969	5,969	5,969	0	0	0	33.3%	VOL, BOD, & SS
IT Software Purchase < $100K	9,005	3,002	3,002	3,002	0	0	0	33.3%	VOL, BOD, & SS
Professional & Special Service	742,087	247,362	247,362	247,362	0	0	0	33.3%	VOL, BOD, & SS
Admin Expense (SBC)	313,502	104,501	104,501	104,501	0	0	0	33.3%	VOL, BOD, & SS
Contractual Services	175,950	58,650	58,650	58,650	0	0	0	33.3%	VOL, BOD, & SS
Publications & Legal Notices	32,189	10,730	10,730	10,730	0	0	0	33.3%	VOL, BOD, & SS
Rents/Leases-Equipment	12,110	4,037	4,037	4,037	0	0	0	33.3%	VOL, BOD, & SS
Special Departmental Expense	248,504	82,835	82,835	82,835	0	0	0	33.3%	VOL, BOD, & SS
Training Fees & Supplies	27,531	9,177	9,177	9,177	0	0	0	33.3%	VOL, BOD, & SS
Gift/Prepaid Cards	0	0	0	0	0	0	0	33.3%	VOL, BOD, & SS
Services County Provided	7,349	2,450	2,450	2,450	0	0	0	33.3%	VOL, BOD, & SS
Cost Allocations	189,302	63,101	63,101	63,101	0	0	0	33.3%	VOL, BOD, & SS
Projects<$100,000	272,826	90,942	90,942	90,942	0	0	0	33.3%	VOL, BOD, & SS
Transportation & Travel	0	0	0	0	0	0	0	33.3%	VOL, BOD, & SS
Gas-Oil-Fuel	26,936	8,979	8,979	8,979	0	0	0	33.3%	VOL, BOD, & SS
Training	29,187	9,729	9,729	9,729	0	0	0	33.3%	VOL, BOD, & SS
Electricity	828,048	276,016	276,016	276,016	0	0	0	33.3%	VOL, BOD, & SS
Natural Gas	9,152	3,051	3,051	3,051	0	0	0	33.3%	VOL, BOD, & SS
Water	11,648	3,883	3,883	3,883	0	0	0	33.3%	VOL, BOD, & SS
Refuse	19,552	6,517	6,517	6,517	0	0	0	33.3%	VOL, BOD, & SS
Total Services & Supplies	**$8,125,527**	**$2,708,509**	**$2,708,509**	**$2,708,509**	**$0**	**$0**	**$0**		

	Test Year FY 2026-27	Volume (VOL)	Strength Related: Bio-oxygen Demand (BOD)	Strength Related: Suspended Solids (SS)	Actual Customer (AC)	Revenue (RR)	Direct (DA)	Basis of Classification
Other Charges								
Electricity	2,288	$1,568	$368	$352	$0	$0	$0	As Net Plant
Natural Gas	1,560	1,069	251	240	0	0	0	As Net Plant
Water	520	356	84	80	0	0	0	As Net Plant
Utilities Services	7,384	5,062	1,188	1,135	0	0	0	As Net Plant
Postage	5,693	3,902	916	875	0	0	0	As Net Plant
Building Security Systems	3,519	2,412	566	541	0	0	0	As Net Plant
Information Technology Service	59,927	41,078	9,640	9,208	0	0	0	As Net Plant
Motor Pool Charges	86,009	58,957	13,836	13,216	0	0	0	As Net Plant
Liability Insurance	313,827	215,121	50,485	48,221	0	0	0	As Net Plant
Telephone Services	6,417	4,399	1,032	986	0	0	0	As Net Plant
Telephone Workorders	0	0	0	0	0	0	0	As Net Plant
Telephone Toll Charges	5,382	3,689	866	827	0	0	0	As Net Plant
Total Other Charges	**$492,525**	**$337,613**	**$79,232**	**$75,679**	**$0**	**$0**	**$0**	
Additional O&M								
Future O&M	$0	$0	$0	$0	$0	$0	$0	As Net Plant
Future FTEs	0	0	0	0	0	0	0	As Net Plant
Total Additional O&M	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	
Total O&M Expenses	**$12,423,356**	**$4,314,557**	**$4,056,176**	**$4,052,623**	**$0**	**$0**	**$0**	
Rate Funded Capital	**$4,000,000**	**$1,333,333**	**$1,333,333**	**$1,333,333**	**$0**	**$0**	**$0**	33.3% VOL, BOD, & SS
Debt Service								
Solar Project	$0	$0	$0	$0	$0	$0	$0	As Net Plant
Plant Expansion	1,580,300	871,575	362,489	346,236	0	0	0	As Treatment
Additional Long-Term Debt	0	0	0	0	0	0	0	As Net Plant
Total Debt Service	$1,580,300	$871,575	$362,489	$346,236	$0	$0	$0	
LESS: Other Funding								
Expansion Reserves	$725,000	$399,856	$166,301	$158,844	$0	$0	$0	As Debt Service
Replacement Reserves	0	0	0	0	0	0	0	As Debt Service
Net Debt Service	**$855,300**	**$471,719**	**$196,189**	**$187,392**	**$0**	**$0**	**$0**	
To / (From) Reserves								
To / (From) Operating Reserve	$222,364	$74,121	$74,121	$74,121	$0	$0	$0	33.3% VOL, BOD, & SS
To / (From) Capital Reserve	0	0	0	0	0	0	0	33.3% VOL, BOD, & SS
To / (From) Rate Stabilization Reserve	0	0	0	0	0	0	0	33.3% VOL, BOD, & SS
Total To / (From) Reserves	**$222,364**	**$74,121**	**$74,121**	**$74,121**	**$0**	**$0**	**$0**	
Total Revenue Requirement	**$17,501,020**	**$6,193,731**	**$5,659,820**	**$5,647,470**	**$0**	**$0**	**$0**	
Less: Non-Operating Revenue								
Interest Income	$510,999	$180,846	$165,257	$164,896	$0	$0	$0	As Rev Req
Other Rental of Buildings & Land	109,282	38,676	35,342	35,265	0	0	0	As Rev Req
Federal Subsidy on RZEDB/QECB	0	0	0	0	0	0	0	As Rev Req
Benefit Assessments	120,089	42,500	38,837	38,752	0	0	0	As Rev Req
Liquid Waste	110,160	38,986	35,626	35,548	0	0	0	As Rev Req
Water & Sewer Fee	55,651	19,695	17,998	17,958	0	0	0	As Rev Req
Admin Revenue	39,895	14,119	12,902	12,874	0	0	0	As Rev Req
Other Miscellaneous Revenue	77,366	27,380	25,020	24,966	0	0	0	As Rev Req
Total Other Revenues	**$1,023,442**	**$362,203**	**$330,981**	**$330,258**	**$0**	**$0**	**$0**	
Net Revenue Requirement	**$16,477,578**	**$5,831,528**	**$5,328,839**	**$5,317,211**	**$0**	**$0**	**$0**	

Laguna County Sanitation District
Sewer Rate Study
Exhibit 13
Distribution of Total Revenue Requirement

	FY 2026-27 Expenses	Single Family	Multi-Family	Non-Residential	Schools	*Basis of Allocation*
Volume Related	**$5,831,528**	**$4,123,258**	**$1,073,970**	**$291,170**	**$343,130**	*(VOL)*
Strength Related						
Bio-oxygen Demand	$5,328,839	$3,795,295	$988,547	$377,942	$167,055	*(BOD)*
Suspended Solids	5,317,211	3,900,914	1,016,057	263,337	136,903	*(SS)*
Total Strength Related	**$10,646,050**	**$7,696,210**	**$2,004,604**	**$641,279**	**$303,958**	
Customer Related						
Actual Customer	$0	$0	$0	$0	$0	*(AC)*
Total Customer Related	**$0**	**$0**	**$0**	**$0**	**$0**	
Revenue Related	**$0**	**$0**	**$0**	**$0**	**$0**	*(RR)*
Direct Assignment	**$0**	**$0**	**$0**	**$0**	**$0**	*(DA)*
Total Revenue Requirements	**$16,477,578**	**$11,819,467**	**$3,078,574**	**$932,449**	**$647,088**	

Laguna County Sanitation District
Sewer Rate Study
Exhibit 14
Cost of Service Analysis Summary

	FY 2026-27	Single Family	Multi-Family	Non-Residential	Schools
Revenues at Present Rates	**$15,997,649**	$11,638,488	$2,951,408	$817,271	$590,482
Allocated Revenue Requirement	**$16,477,578**	$11,819,467	$3,078,574	$932,449	$647,088
Balance/(Deficiency) of Funds	**($479,929)**	**($180,980)**	**($127,165)**	**($115,178)**	**($56,606)**
Required % Change in Rates	**3.0%**	**1.6%**	**4.3%**	**14.1%**	**9.6%**

Laguna County Sanitation District
Sewer Rate Study
Exhibit 15
Unit Costs Summary

	System Average	Single Family	Multi-Family	Non-Residential	Schools
Unit Costs					
Volume Costs - $ / mg				**$6,587.61**	
BOD Costs - $ / Lb				**2.00**	
SS Costs - $ / Lb				**2.39**	
Revenue/Direct - $ / mg				**0.00**	
Total		**$100.52**	**$81.42**		**$64.64**
Basic Data					
Annual Flow - mg	885	626	163	44	52
Number of Accounts	13,339	9,799	3,151	372	17
Number of People					10,011
Pounds of BOD	2,660,556	1,894,896	493,557	188,697	83,406
Pounds of SS	2,227,104	1,633,891	425,574	110,298	57,342

Laguna County Sanitation District
Sewer Rate Study
Exhibit 16
Rate Design

	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
Residential	*$ / Mo*					
Single Family Residential	$98.18	$100.52	$103.53	$106.64	$109.84	$113.13
Condos, Apt, Mob Homes	79.53	$81.42	83.86	86.38	88.97	91.64
Non-Residential	*$ / Yr*					
Volume (mg)	$6,268.44	$6,587.61	$6,785.24	$6,988.79	$7,198.46	$7,414.41
BOD (lb)	1.83	2.00	2.06	2.12	2.19	2.25
SS (lb)	2.18	2.39	2.46	2.53	2.61	2.69
	$ / capital / yr					
Schools	$61.12	$64.64	$66.58	$68.57	$70.63	$72.75

FINAL REPORT

Laguna County Sanitation District

Wastewater Connection Charge

March 2025

March 27, 2026

Mr. Kevin Thompson
Resident Engineer
Laguna County Sanitation District
620 W Foster Rd
Santa Maria, CA 93455

Subject: Development of the District's Wastewater Connection Charge

Dear Mr. Thompson:

HDR Engineering, Inc. (HDR) was retained by the Laguna County Sanitation District (District) to conduct a study to develop a cost-based wastewater connection charge (Study). Enclosed please find HDR's final report for the Study. The conclusions and recommendations contained within this report provides the District with the cost basis to implement a wastewater connection charge that meets the District's asset replacement, growth expectations, the District's capital improvement plan, and financial policy objectives.

The report has been prepared using generally accepted financial, connection charge setting, and engineering principles. The District's financial, budgeting, and engineering data were the primary sources for the information contained in the report.

HDR appreciates the opportunity to assist the District again with these services. We look forward to continuing to provide financial and professional services to the District.

Sincerely,
HDR Engineering, Inc.

Josiah Close

Josiah Close
Utility Rates Project Manager

hdrinc.com

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T 425-450-6200

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Executive Summary

HDR Engineering, Inc. was retained by the Laguna County Sanitation District to conduct a comprehensive study to review and update the District's wastewater connection charge. The purpose of a connection charge can include several considerations based on the methodology and approach. The charge can include recovery of the costs of public facilities in existence at the time the fee is imposed which provide service to existing and new customers as well as new public facilities to be acquired or constructed in the future that are of proportional benefit to the new customer impacting the system. These charges are paid by new customers connecting to the system, or by existing customers increasing their demands (i.e., capacity use).

By establishing a cost-based wastewater connection charge, the District will be taking an important step in maintaining existing infrastructure and providing adequate capacity to meet growth-related infrastructure required for new customers in a cost-based and proportional manner. The current wastewater connection charge was last updated in FY 2021-2022. According to industry best practice, it is recommended to update the wastewater connection charge every three to five years. This is increasingly important when comprehensive planning documents for the wastewater system have been updated, or significant wastewater infrastructure projects have been completed. The report provides a summary of the findings, conclusions, and recommendations from HDR's wastewater connection charge study and provides the basis for the District to implement a cost-based wastewater connection charge.

Conclusions

Cost-based and proportional connection charges are calculated in conformance with industry standard and generally accepted rate and fee making practices which are tailored to the District's planning and design criteria. Connection charges must be implemented according to the capacity requirement, or impact, that each new customer has on the utility wastewater system. By doing so, the connection charge is directly related to the impact the customer places on the system, and to the proportional benefit the customer derives from the service provided.

The District's wastewater connection charge is based on the combined approach, or methodology, and has two components, existing and future. The existing component of the charge is based on the replacement value of the District's existing system divided by the number of equivalent dwelling units (EDU's) that the current system capacity can serve. The future component is based on the infrastructure capacity needed to accommodate future growth divided by the number of EDUs the additional capacity can serve. The calculation also takes into account the financing mechanisms of capital improvements through a debt service credit. The sum of the existing and future components determines the net allowable wastewater connection charge. "Net" refers to the calculated "gross" connection charge, less debt service plus cash reserves. "Max allowable" refers to the concept that the calculated connection charge is the District's maximum cost-based connection charge. The District, as a matter of policy, may charge any amount up to the cost-based connection charge, but not in excess of that amount. Charging an amount greater than the max allowable connection charge would not meet the nexus test related to the benefit derived by the customer.

The connection charge is intended to reimburse through capital contributions from connection charge revenues the existing wastewater system customers for their portion of the system use that has been funded through rates over time on a per EDU basis. Additionally, the connection charge is for new public facilities to be constructed in the future in order to provide capacity for new customer connecting to or existing customers wanting to purchase additional capacity in the District's wastewater system. The District currently implements and assesses the wastewater connection charge based on an EDU. A single family residential customer is assumed to be one EDU. The District applies the connection charge to non-residential customers based on a calculation of an equivalent dwelling unit based on the formula below.

$$EDU_{Class} = 69\% \times \frac{Flow_{Class}}{Flow_{SFR}} + 16\% \times \frac{BOD_{Class}}{BOD_{SFR}} + 15\%\% \times \frac{TSS_{Class}}{TSS_{SFR}}$$

As can be seen above, the EDU formula accounts for a customer's flow, BOD, and TSS to determine their specific connection charge.

To calculate the proposed maximum allowable connection charge for the wastewater system, the value of the existing system was reviewed and developed using a replacement cost new less depreciation expenses. In this way, the existing system was valued at today's value and reduced to reflect the depreciated value. In addition to the existing system, future incremental treatment plant improvements related to providing capacity, or service, to new customers connecting to the wastewater system were added. The value of the existing wastewater system was reduced to reflect the contributions from developers, or those projects that were not funded by the District. The connection charge was also reduced to reflect outstanding debt that was used to fund existing system improvements so that customers do not pay twice, once through the connection charge and again through wastewater rates. Finally, the connection charge also includes a credit for the existing reserves that the District's wastewater utility has. Based on this analysis, which is discussed in more detail later in this report, the maximum allowable wastewater connection charge can be developed.

Provided in Table ES - 1 is a summary of the existing connection charge for a typical single family residential customer (i.e., 1 EDU), and the proposed maximum allowable wastewater connection charge calculated in this Study.

Table ES – 1
Existing and Maximum Allowable Wastewater Connection Charge

	Existing Connection charge	Maximum Allowable
Wastewater Connection Charge (1 EDU)	$10,879	$11,860

Table ES – 1 shows the maximum allowable wastewater connection charge for the District. In discussion with the District, it is recommended that the connection charge is unchanged as the calculated max allowable wastewater connection charge is higher than the current connection

charge by $981. The District should continue to monitor the calculation and adjust it in the future if the bases is provided in the calculation. The detailed development of the District's wastewater connection charge is presented in Section 3 as well as in the Technical Appendix included within this report.

Consultant Recommendations

Based on the review and analysis of the District's wastewater connection charge, HDR provides the following recommendations:

- The adopted wastewater connection charge shall not exceed the calculated max allowable wastewater connection charge as set forth in this report. The wastewater connection charge is applicable for new customers connecting to the wastewater system, or an existing customer requesting/requiring additional capacity (e.g., land use change that is more intensive).
- The District should make periodic (annual) adjustments to the wastewater connection charge based on changes in the Engineering News Record Construction Cost Index for Los Angeles.
- The District should update the actual calculations for the wastewater connection charge based on the methodology as approved by the resolution or ordinance setting forth the methodology for wastewater connection charge at such time when a new capital projects, facilities plan, master plan or a comparable plan is approved or updated by the District for the wastewater system.

Summary

This report documents the development of the District's wastewater connection charge. The development of the wastewater connection charge utilized generally accepted engineering and rate and fee principles, while applying District specific planning, asset, and customer information. HDR would recommend that the District have its legal counsel review the wastewater connection charge before adjustments are made to ensure compliance with California law.

1 Overview of a Connection Charge

HDR Engineering, Inc. was retained by the District to review and update its wastewater connection charge. The objective of the Study is to calculate cost-based wastewater connection charge for new customers connecting to the wastewater utility system, or those customers requesting additional capacity. The connection charge provides the means of balancing the cost requirements for utility infrastructure between existing customers and new customers. The portion of existing infrastructure and future capital improvements that will provide service (i.e., capacity) to new customers is included in the calculation of the wastewater connection charge. By establishing a cost-based wastewater connection charge, the District maintains an approach of having "growth pay for growth" and existing utility customers should, to the extent possible, be sheltered from the financial impacts of growth.

An important starting point in establishing a connection charge is to have a basic understanding of the purpose and intent of these charges, along with the criteria and general methodologies that are used to establish a cost-based wastewater connection charge. Presented in this section of the report is an overview of these charges and the criteria and general methodologies that may be used to develop a cost-based wastewater connection charge.

1.1 Organization of Report

This report documents the methodology, approach, and technical analysis undertaken by HDR and the District to develop the District's wastewater connection charge. The report is divided into two sections.

- Section 1 - A general overview of the development of a connection charge and the criteria and general methodology that should be used to calculate and establish cost-based wastewater connection charge. Additionally, Section 1 provides an overview of the requirements under California law for determining the District's wastewater connection charge.
- Section 2 – Review of the District specific calculations of the cost-based wastewater connection charge

1.2 Defining a Connection Charge

The first step in establishing a cost-based wastewater connection charge is to gain a better understanding of the definition of a system development charge (SDC) (i.e., a connection charge). For the purposes of this report, an SDC or connection charge is defined as follows:

"System development charges (connection fees) are one-time charges paid by new development to finance construction of public facilities needed to serve them."[1]

[1] Arthur C. Nelson, System Development Charges for Water, Wastewater, and Stormwater Facilities, Lewis Publishers, New York, 1995, p. 1,

A connection charge is a contribution of capital to reimburse existing customers through capital contributions in the form of connection charge revenues for the available capacity in the existing system, finance the replacement of existing wastewater system assets that benefit growth on the system, and help finance planned future growth-related capacity improvements. At some utilities, connection charges may be referred to as system development charges, impact fees, connection fees, plant investment fees, etc. Regardless of the label used to identify them, their objective is the same. Absent those charges, many utilities would likely be unwilling to build growth-related facilities (i.e., burden existing rate payers with the entire cost of growth-related capacity expansion).

1.3 Economic Theory and a Connection Charge

A connection charge is generally imposed as a condition of service. The objective of a connection charge is not to generate revenues for a utility, but to ensure that all customers seeking to connect to or requiring additional capacity in the utility's system bear a proportional share of the cost of capacity that is invested in both the existing system and future growth-related expansions. Through the implementation of a cost-based and proportional wastewater connection charge, existing customers should not be unduly burdened with the cost of new development.

By establishing a cost-based wastewater connection charge, the District will be taking an important step to maintaining the existing wastewater system assets that benefit new customers and providing adequate funding for wastewater related infrastructure designed to meet growth-related needs in a cost-based and proportional manner.

1.4 Connection Charge Criteria

In the determination and establishment of the wastewater connection charge, a number of different criteria are often utilized. The criteria often used by utilities to establish a connection charge are as follows:

- Customer understanding
- System planning criteria
- Financing criteria, and
- State/local laws

Many states and local communities have enacted laws that govern the calculation and imposition of a wastewater connection charge. These laws must be followed in the development of a connection charge. Most states require a reasonable relationship (or nexus) between the charge or fee assessed and the cost associated with providing service (capacity) to the customer. The charges do not need to be mathematically exact, only a practical basis for the charge is required. The utilization of the planning criteria, the actual costs of construction, and the planned costs of construction provide the practical basis necessary to establish the reasonable relationship requirement. For utilities in California, the requirements have been codified in the California Government Code sections 66013, 66016, and 66022, which are interspersed within the 'Mitigation Fee Act' and further addressed in Health & Safety Code 5474. This will be further discussed in the next chapter, Section 2.

The use of system planning criteria is one of the more important aspects in the determination of a connection charge. System planning criteria provides the rational nexus between the amount of infrastructure necessary to provide service and the charge to the customer. The rational nexus test requires that there be a connection (nexus) established between the burden of new development on the existing or new or expanded facilities required to accommodate new or expanded development, and the appropriate apportionment of the cost to the new or expanded development in relation to benefits reasonably received.

To comply with the rational nexus test the District's calculated wastewater connection charge requires the following:

1. *"A connection be established between new development and the new or expanded facilities required to accommodate such development. This establishes the rational basis of public policy.*
2. *Identification of the cost of these new or expanded facilities needed to accommodate new development. This establishes the burden to the public of providing new facilities to new development and the rational basis on which to hold new development accountable for such costs. This may be determined using the so-called Banberry factors. [Banberry Development Company v. South Jordan City (631 P.2d 899, Utah 1981)].*
3. *Appropriate apportionment of that cost to new development in relation to benefits it reasonably receives. This establishes the nexus between the fees being paid to finance new facilities that accommodate new development and benefit new development receives from such new facilities."*[2]

The first item of the rational nexus test requires the establishment of a rational basis of public policy. This implies the planning and capital improvement studies that are used to establish the need for new facilities to accommodate growth. Adopted capital plans, master plans, or facility plans should firmly meet this first test since these plans assess existing facilities and capacity, project future capacity requirements, and determine the future capital infrastructure and new facilities needed to accommodate growth.

The second portion of the rational nexus test discusses the Banberry Factors. In summary, "*consideration must be given to seven factors to determine the proportionate share of costs to be borne by new development:*

1. *The cost of existing facilities*
2. *The means by which existing facilities have been financed*
3. *The extent to which new development has already contributed to the cost of providing existing excess capacity*
4. *The extent to which existing development will, in the future, contribute to the cost of providing existing facilities used community wide or non-occupants of new development*
5. *The extent to which new development should receive credit for providing, at its cost, facilities the community has provided in the past without charge to other development in the service area.*

[2] Ibid, p. 16 and 17.

6. *Extraordinary costs incurred in serving new development*
7. *The time-price differential inherent in fair comparisons of amount of money paid at different times."*[3]

The final portion of the rational nexus test is the reasonable apportionment of the cost to new development in relation to benefits it reasonably receives. This is accomplished in the methodology to establish the District's wastewater connection charge, which is discussed in more detail within this section.

One of the driving forces behind establishing a cost-based connection charge is that "growth pays for growth". Therefore, these fees are typically established as a means of having new customers, and those requiring additional capacity in the utility system, pay a proportional share of the cost of the required infrastructure. The financing criteria for establishing the connection charge relates to the method used to finance infrastructure on the system and assures that customers are not paying twice for infrastructure – once through the connection charge and again through wastewater service rates (e.g., rates). The double payment can come in through the imposition of growth-related infrastructure debt service within a customer's rates. The financing criteria also reviews the basis under which system extensions were provided so that the customer is not charged for infrastructure that was provided (contributed) by developers.

1.5 Overview of the Connection Charge Methodology

In establishing a connection charge, there are differing methodologies outlined in industry manuals. There are three generally accepted connection charge methods;

- "The *buy-in method* is based on the value of the existing system's capacity. This method is typically used when the existing system has sufficient capacity to serve new development now and into the future.
- The *incremental cost method* is based on the value or cost to expand the existing system's capacity. This method is typically used when the existing system has limited or no capacity to serve new development now and into the future.
- The *combined approach* is based on a blended value of both the existing and expanded system's capacity. This method is typically used where some capacity is available in the existing system, but new or incremental capacity will need to be built to serve new development at some point in the future."[4]

For the development and calculation of the District's wastewater connection charge, the combined method was used since there is some available capacity in the existing system, along with the need for future expansion (capacity) to serve new customers. Accordingly, the value of District assets and future projects are determined and then divided by the total number of existing and future EDUs. The result will be the maximum allowed wastewater connection charge.

Regardless of the overall methodology selected, a common denominator of the technical analyses is the various steps undertaken. These steps are as follows:

[3] Ibid, P. 18 and 19.
[4] AWWA M-1 Manual, 7th Edition, p. 331-337

- Determination of system planning criteria
- Determination of EDUs
- Calculation of existing system costs
- Determination of any credits

The first step in establishing connection charge is the determination of the system planning criteria. This implies calculating the amount of capacity required by a single family residential customer. For the Study, wastewater EDUs were developed based on the total capacity of the existing system, and future capacity available from the system improvements, divided by the assumed flow for one EDU.

Once the number of equivalent dwelling units or capacity components for the District's system is determined, a component-by-component system analysis is undertaken to determine the portion of the wastewater connection charge attributable in dollars per EDU. In this process, the existing assets must be valued. Existing assets may be valued in a number of different ways. These methods may include the following:

- Original Cost (OC)
- Original Cost Less Depreciation (OCLD)
- Replacement Cost New (RCN)
- Replacement Cost New Less Depreciation (RCNLD)

Given these four different methods for valuing the assets, the selection of the valuation method certainly arises. The American Water Works Association M-1 manual notes the following concerning these various generally accepted valuation methods:

> *"Using the OC and OCLD valuations, the [connection charge] reflects the original investment in the existing capacity. The new customer "buys in" to the capacity at the OC or the net book value cost (OCLD) for the facilities and as a result pays an amount similar to what the existing customers paid for the capacity (OC) or the remaining value of the original investment (OCLD).*

Using the RCN and the RCNLD valuations, the [connection charge] reasonably reflects the cost of providing new expansion capacity to customers as if the capacity was added at the time the new customers connected to the wastewater system. It may be also thought of as a valuation method to reasonably compensate the existing customers for the carrying costs of the excess capacity built into the system in advance of when the new customers connect to the system. This is because, up to the point of the new customer connecting to the system, the existing customers have been financially responsible for the carrying costs of that excess capacity that is available to development."[5]

As a point of reference for the Study, the District's wastewater connection charge analysis used a RCNLD methodology for existing infrastructure (assets). The District's assets were valued at replacement cost based on the District's Asset List report. The existing infrastructure was divided by the total equivalent dwelling units to determine the gross existing connection charge. The

[5] Ibid., p. 268

incremental future capital infrastructure needed to accommodate future growth was based on the District's wastewater treatment plant expansion Phase 2 as identified by the District. This cost was then divided by the total number of EDUs that could be served through the additional capacity provided and the definition of one EDU. Based on the sum of the existing and incremental future component costs, the net allowable wastewater connection charge was calculated. "Net" refers to the calculated "gross" connection charge, net of any debt service and reserve credits. "Allowable" refers to the concept that the calculated wastewater connection charge is the District's maximum cost-based charge. The District, as a matter of policy, may charge any amount up to the cost-based wastewater connection charge, but not in excess of that amount. Charging an amount greater than the "allowable" wastewater connection charge would not meet the nexus test of a cost-based wastewater connection charge related to the benefit derived by the customer.

1.6 Legal Considerations for a Connection Charge

An important consideration in developing a connection charge are the legal requirements at the state or local level. The legal requirements often provide the authority to establish the connection charges, and also may provide a general methodology around which a connection charge must be calculated or how the funds must be used. Given that, it is important for the District to understand these legal requirements and develop and adopt a connection charge which complies with those legal requirements. This section of the report provides an overview of the legal requirements for establishing a connection charge under California law. A discussion of the applicability of Proposition 218 and Proposition 26, as it relates to these fees is also provided.

The discussion within this section of the report is intended to be a summary of HDR's understanding of the relevant California law as it relates to establishing a connection charge. It in no way constitutes a legal interpretation of California law by HDR.

1.6.1 Requirements Under California Law

The laws for the enactment of connection charges in California are codified in California Government Code sections 66013, 66016, and 66022, which are interspersed within the 'Mitigation Fee Act.' The Mitigation Fee Act is comprehensive legislation dealing mainly with development impact fees, although the above sections set forth the various requirements for imposition of connection charges in California: calculation of the fees, noticing, accounting and reporting requirements, and processes for judicial review. Although contained within the Mitigation Fee Act, connection charges are not development fees.

A summary of the relevant statutes required in the calculation of a connection charge is as follows:

> *"66013 (a) Notwithstanding any other provision of law, when a local agency imposes fees for water connections or wastewater connections, or imposes capacity charges, those fees or charges shall not exceed the estimated reasonable cost of providing the service for which the fee or charge is imposed, unless a question regarding the amount of the fee or charge imposed in excess of the estimated reasonable cost of providing the services or materials is submitted to, and approved by, a popular vote of two-thirds of those electors voting on the issue."*

"66013 (b) (3) 'Capacity charge' means a charge for facilities in existence at the time a charge is imposed or charges for new facilities to be constructed in the future that are of benefit to the person or property being charged. . . ."

In addition to the determination of "the estimated reasonable cost of providing the service for which the charge is imposed," California law also requires the following:

- That notice (of the time and place of the meeting, including a general explanation of the matter to be considered) and a statement that certain data is available be mailed to those who filed a written request for such notice;
- That certain data (the estimated cost to provide the service and anticipated revenue sources) be made available to the public;
- That the public agency provide an opportunity for public input at an open and public meeting to adopt or modify the fee; and
- That revenue in excess of actual cost be used to reduce the fee creating the excess

The basic principle that needs to be followed under California law is that the connection charge be based on a proportionate share of the costs of the system required to provide service and that the requirements for adoption and accounting be followed in compliance with California law.

1.6.2 Propositions 218 and 26 and Connection Charges

In 1996, the voters of California approved Proposition 218, which required that the imposition of certain fees and assessments by municipal governments require a vote of the people to change or increase the fee or assessment. Of interest in the Study is the applicability of Proposition 218 to the establishment of the wastewater connection charge for the District.

In Richmond v. Shasta Community Services Dist., 32 Cal.4th 409 (2004), the California Supreme Court held that connection charges are not "assessments" under Proposition 218 because they are imposed only on those who are voluntarily seeking service, rather than being charged to particular identified parcels, and therefore such fees are not subject to the procedural or substantive requirements of Proposition 218. Additionally, the court held that a connection charge is not a development fee. The court also held that such fees can properly be enacted by either ordinance or resolution.

In November 2010 the voters of California passed Proposition 26, an initiative based state constitutional amendment, which provided a new definition of the term "tax" in the California Constitution. Under Proposition 26 a fee or charge imposed by a public agency is a tax unless it meets one of seven exceptions. Connection charges fall within exception 2 – i.e., it is a charge imposed for a specific government service. Provided that a connection charge does not charge one fee payor more in order to charge another fee payor less (i.e., a cross-subsidy), and it does not exceed the reasonable costs to the local government of providing the service, then the fee is not a tax within the meaning of Proposition 26. Under Proposition 26, 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 payor bear a

fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

1.7 Summary

This section of the report has provided an overview of a connection charge; the basis for establishing a cost-based connection charge, considerations in establishing a connection charge, the burden development places on the wastewater system, and the technical or analytical steps typically taken in the development of a connection charge. In the development of the District's wastewater connection charge study, the issues identified in this section of the report have been addressed and will be discussed in more detail in the following section of this report.

This section of the report has also provided an overview of the legal requirements under California law for the establishment of connection charges. As was noted above, an important legal requirement is that the fees or charges shall not exceed the estimated reasonable cost of providing the service for which the fee or charge is imposed. By basing the fee on generally accepted methodologies and the District's specific system costs and characteristics, this requirement should be met.

The following section of the report provides the District's calculation of the wastewater connection charge and provides the basis for the establishment of a reasonable, cost based connection charge. HDR, in its calculation of the wastewater connection charge presented in this report, has used "generally accepted" engineering and rate and fee making principles. HDR's summary of the legal requirements in no way constitutes a legal interpretation of California law by HDR. HDR recommends that the District's legal counsel review the development of the proposed wastewater connection charge as set forth in this report to ensure compliance with California law.

2 Wastewater Connection Charge Calculation

This section of the report presents the details and key assumptions in the calculation of the District's wastewater connection charge. The calculation of the District's wastewater connection charge is based on District specific accounting and planning information. As was noted in Section 2 of this report, the District's planning documents and projections of future demands provide the required support for a "rationally based public policy" to support the imposition of cost-based connection charge.

To the extent that the cost and timing of future capital improvements change, then the connection charge presented in this section of the report should be updated to reflect the changes.

2.1 Current Wastewater Connection Charge

The District's current wastewater connection charge per EDU is shown below in Table 2 - 1.

Table 2 – 1
Current Wastewater Connection per EDU

Wastewater Connection charge	$10,879

2.2 Net Allowable Wastewater Connection Charge

In calculating the wastewater connection charge for the District, existing infrastructure costs, debt service for existing facilities, cash reserves, and future capital improvements relating to expansion were included. The methodology used to calculate each of these components is described below.

2.2.1 Equivalent Dwelling Units

The total existing wastewater EDUs were based on the current wastewater system flows divided by the definition of one EDU. One dwelling Exhibit 1 in the Wastewater Technical Appendix provides the assumptions used to develop the wastewater EDU's for the District's Study. Table 2 – 2 shows the development of the existing EDUs.

Table 2 – 2 Existing Wastewater EDUs		
Per Capita Usage [1]	62.5	gallons
People per Household [2]	2.8	
EDU	175	gallons
Assumed Flow (rounded)	175	gallons / EDU
Treatment Capacity	3.7	mgd
Number of EDUs	21,143	

[1] - Based on Wastewater Engineering Treatment and Reuse by Metcalf & Eddy, 4th Edition pages 154 - 159
[2] - Based on American Community Survey 2023
[3] – WWRP current design capacity
[4] – Total number of EDUs = Treatment Capacity / Assumed Flow per EDU

The total EDU's are 21,143 which is shown in Exhibit 1 of the Technical Appendix.

2.2.2 Existing or Buy-In Component

To calculate the value of the existing assets for the buy-in component, the District's methodology considered the replacement cost of each asset as developed in the Asset List. The replacement cost of each asset was then depreciated for the remaining useful life (i.e., replacement cost less depreciation).

The replacement value of the District's existing system was based on costs from the District's Asset List report. Based on the installation date for each asset and an estimated useful life provided by the District, the replacement cost for each asset was developed and depreciated. Existing facilities funded by developers, or not funded by the District, were excluded from the connection charge as these contributions do not reflect the investment made by the District. Table 2 – 3 shows the calculation for the exiting asset value of the District's wastewater utility.

Table 2 – 3 Summary of the Existing Plant Component	
Land – Existing Eligible Costs	$9,589,063
General - Existing Eligible Costs	3,418,691
Treatment - Existing Eligible Costs	101,993,930
Collection - Existing Eligible Costs	14,107,489
Total Existing Eligible Costs	**$130,509,788**
Total EDUs	21,143
Existing Cost Per EDU	**$6,173**

The total existing eligible asset costs were then divided by the total EDUs that can be served based on the current capacity. This results in an existing component of $6,173 per EDU. A more detailed summary of this analysis can be found in the Technical Appendix in Exhibits 2 through 5.

2.2.3 Debt Service Component

This component accounts for the principal outstanding that was issued to fund existing assets. By segregating the debt service costs, the cost can be clearly identified and calculated appropriately. To avoid double-counting of the assets financed with debt, the future principal associated with those assets was deducted from the existing infrastructure value.

The District has two outstanding issues for the wastewater system. They are the Solar Project loan and the Plant Expansion loan. The total debt service eligible is $23.5 million for the wastewater. The eligible debt service and existing EDUs are used to find the existing debt service cost per EDU. Further detail can be seen in Table 2 – 4 below and Exhibit 5 of the Technical Appendix.

Table 2 – 4
Summary of the Debt Service Credit Component

Outstanding Debt Principal	$23,525,000
Total Existing EDUs	21,143
$/Per EDU	**$1,113**

This results in a credit (reduction) to the connection charge of $1,113 per EDU. The detail of this calculation can be found in Exhibit 6 of the Technical Appendix.

2.2.4 Cash Reserves Component

This last component of the wastewater connection charge is for existing cash on hand, or reserve funds, that the District's wastewater utility has. This is included as it can be considered an existing asset that current customers have contributed towards and that new customers need to contribute to the reimbursement of. A summary of the calculation is shown in Table 2 – 5 below.

Table 2 – 5
Summary Reserve Funds Credit Component

Total Reserves	$30,115,052
Less: Expansion Reserves	8,647,838
Net Reserves	**$21,467,214**
Total Existing EDUs	21,143
$/Per EDU	**$1,015**

2.2.5 Future Components

An important requirement for a connection charge study is the connection between the anticipated future growth on the system and the required facilities needed to accommodate that growth. For the District's wastewater connection charge development, the future component provides the value of improvements needed to accommodate capacity requirements from new customers or customers wishing to purchase additional capacity. As part of the Study, there was only one project – the Phase II treatment plant expansion project – that is required to serve anticipate future capacity needs and system demands. The project totaled approximately $43.0 million in 2025 dollars which was then divided by the incremental additional capacity it provides. Table 2 – 6 below and Exhibit 2 of the Technical Appendix contains the details of this portion of the charge.

Table 2 – 6
Summary of the Future Incremental Component

Treatment - Future Eligible Costs[1]	$42,979,484
Total Future Eligible Costs	**$42,979,484**
Capacity (mgd)	1.30
EDU (gallons)	175
Total Additional EDUs	7,429
Total Future Cost Per EDU	**$5,786**

[1] - Phase II Plant Expansion

Based on the development and inclusion of the above components, a summary of the calculation of the District's max allowable wastewater connection charge is shown in Table 2 – 7.

Table 2 – 7
Summary of the Max Allowable Wastewater Connection Charge ($/EDU)

	Existing	Future	Total
Land	$454	$0	$454
General	162	0	162
Treatment	4,890	5,786	10,676
Collection	667	0	667
Less: Debt Principal	(1,113)	0	(1,113)
Plus: Cash Reserves	1,015	0	1,015
Total	**$6,075**	**$5,786**	**$11,861**

Based on the sum of the component costs calculated above, the max allowable wastewater connection charge was determined. "Max allowable" refers to the concept that the calculated

wastewater connection charge shown on Table 2 - 7 are the District's cost-based wastewater connection charge. Details of the calculation are provided in the Wastewater Technical Appendix.

As can be seen in Table 2 - 7, the calculated max allowable wastewater connection charge was determined to be $11,861 per EDU. In discussion with the District, it is recommended to not adjust the connection charge at this time as the difference is minimal. The District should continue to monitor the calculation in the future and adjust the connection charge when the calculated maximum exceeds the current. The application of the wastewater connection charge for a single family residential customer is stated as one (1) EDU. The connection charge applied to non-residential customers is based on the calculation shown below, based on the specific customer type and the assumed level of flow, BOD, and TSS. The calculation has been updated for the Study with a slight change from the current formula based on the plant allocation from the Wastewater Rate Study that was performed in tandem with the wastewater connection charge study. Additionally, the strength factors were also reviewed in light of the Carollo Study and some of the customer classes were revised.

$$EDU_{Class} = 69\% \times \frac{Flow_{Class}}{Flow_{SFR}} + 16\% \times \frac{BOD_{Class}}{BOD_{SFR}} + 15\%\% \times \frac{TSS_{Class}}{TSS_{SFR}}$$

2.3 Key Wastewater Assumptions

In the development of the District's wastewater connection charge, a number of key assumptions were utilized. These are as follows:

- The wastewater connection charge was developed on the basis of the District's planning documents, anticipated future connections and the needed capital improvements to serve those future connections
- The District's asset records were used to determine the existing infrastructure assets and their value. Assets were valued based on the District's 2025 asset records
- Contributions were excluded from the analysis and calculation of the wastewater connection charge
- The future improvements needed to serve additional demands were based on the District's assumptions of costs in 2025 dollars
- The calculation of the debt credit component included current outstanding principal used to fund existing assets

2.4 Implementation of the Wastewater Connection Charge

HDR would recommend that the District adjust the wastewater connection charge on an annual basis using the Engineering News Record Construction Cost Index (ENR-CCI) for Los Angeles to reflect the cost of interest and inflation. This method of escalating the District's wastewater connection charge should be used for no more than a five-year period. After five years, HDR recommends that the District update the wastewater connection charge based on the actual cost of infrastructure, new planned facilities, or an updated master plan.

2.5 Consultant Recommendations

Based on our review and analysis of the District's wastewater connection charge, HDR provides the following recommendations:

- The District should not update its wastewater connection charge at this time. The connection charge is applicable for any new customers connecting to the wastewater system, or existing customer requesting/requiring additional capacity. The adopted wastewater connection charge shall not exceed the calculated fees as set forth in this report.
- The District should make periodic (annual) adjustments to the wastewater connection charge based on changes in the Engineering News Record Construction Cost Index for Los Angeles.
- The District should update the actual calculations for the wastewater connection charge based on the methodology as approved by the resolution or ordinance setting forth the methodology for water connection charge at such time when a new capital plan, facilities plan, master plan or a comparable plan is approved or updated by the District for the wastewater system.

2.6 Summary

The development of the wastewater connection charge by HDR utilized generally accepted engineering and connection charge establishing principles, while applying District specific planning, asset and customer information. HDR would recommend that the District have its legal counsel review the wastewater connection charge and the report before any adjustments are made to ensure compliance with California law.

3 Technical Appendix

Laguna County Sanitation District
Wastewater Connection Charge Analysis
Development of EDUs
Exhibit 1

EDU = Equivalent Dwelling Unit

Per Capita Usage[1]	62.5	gallons
People per Household[2]	2.8	
EDU =	175	gallons

Assumed Flow *(rounded)*	**175**	*gallons / EDU*
Treatment Capacity [3]	**3.7**	*mgd*
Number of EDUs [4]	**21,143**	

Notes

[1] - Based on Wastewater Engineering Treatment and Reuse by Metcalf & Eddy, 4th Edition pages 154 - 159
[2] - Based on American Community Survey 2023
[3] - WWTP current design capacity
[4] - Total number of EDUs = Treatment Capacity / Assumed Flow per EDU

Year	Equipment List	Original Cost	Less Acum. Depreciation	Book Value	ENR Factor	2025 Cost [1]	Depreciation Percent	Fee Eligible (%) [2]	Fee Eligible ($)
Land									
1954	20 ACRES DEED 35843 LAGUNA SAN	$30,184	$0	$30,184	5.06	$152,724	0.0%	100.0%	$152,724
1988	LAGUNA SAN - SUTTI PROPERTY	2,638,518	0	2,638,518	2.77	7,312,688	0.0%	100.0%	7,312,688
2005	Esmt for Bradley/Solomon Trnkl	40,120	0	40,120	1.87	74,897	0.0%	100.0%	74,897
2004	LAND FOR BRINEX PROJECT	90,000	0	90,000	1.95	175,712	0.0%	100.0%	175,712
2014	Betteravia Land	890,000	0	890,000	1.49	1,324,437	0.0%	100.0%	1,324,437
Land Improvements									
1976	Embankment ponds	168,595	165,223	3,372	5.06	17,063	98.0%	100.0%	341
1976	Pump strct storage reservoir	27,526	27,526	0	5.06	0	100.0%	100.0%	0
2010	High / Lo TDS Pond Lining	147,750	55,406	92,344	1.60	147,631	37.5%	100.0%	92,270
2011	Pond B Improvements	139,713	48,900	90,814	1.59	143,969	35.0%	100.0%	93,580
2024	STMPN1 -- Stormwater Pond Phase 1	187,532	2,500	185,032	1.03	189,862	1.3%	100.0%	187,331
2025	PSLIDE -- Pond Slide Gate Project	178,038	1,484	176,554	1.00	176,554	0.8%	100.0%	175,083
	Total Land	**$4,537,976**	**$301,038**	**$4,236,938**		**$9,715,538**			**$9,589,063**
Total Existing Land		**$4,537,976**	**$301,038**	**$4,236,938**		**$9,715,538**			**$9,589,063**
Total Existing ERUs									**21,143**
Existing Land Per ERU									**$454**

Notes

[1] - Based on ENR for Los Angeles

Year	Equipment List	Original Cost	Less Acum. Depreciation	Book Value	ENR Factor	2025 Cost [1]	Depreciation Percent	Fee Eligible (%)	Fee Eligible ($)
General									
2000	Ford Pickup	18,051	17,148	903	2.26	40,847	95.0%	100.0%	2,042
2011	2007 Dump Truck	44,506	44,000	506	1.59	70,556	98.9%	100.0%	802
2012	Cues 20/20 Push Camera	11,787	11,000	787	1.56	18,355	93.3%	100.0%	1,226
2012	Solar Array	2,584,557	1,298,600	1,285,957	1.56	4,024,690	50.2%	100.0%	2,002,501
2013	John Deere Tractor	55,526	53,000	2,526	1.49	82,700	95.5%	100.0%	3,763
2014	4x4 GATOR	12,938	12,000	938	1.49	19,254	92.7%	100.0%	1,396
2014	Flail Mower	164,052	160,000	4,052	1.49	244,131	97.5%	100.0%	6,030
2015	Skiploader	98,982	95,000	3,982	1.44	142,401	96.0%	100.0%	5,729
2015	Strathmore Wheel Disk	14,223	13,000	1,223	1.44	20,461	91.4%	100.0%	1,759
2015	Portable Velocity Meter	5,387	5,207	180	1.44	7,750	96.7%	100.0%	259
2015	Deerfield Lift Station Generator	43,633	28,603	15,029	1.44	62,772	65.6%	100.0%	21,622
2015	International Water Truck	76,528	44,966	31,562	1.44	110,098	58.8%	100.0%	45,407
2016	Pipehunter Easement Machine	43,503	43,000	503	1.38	60,215	98.8%	100.0%	696
2016	Video Van New	124,585	110,700	13,885	1.38	172,445	88.9%	100.0%	19,219
2016	2016 Jeep Renegade	25,000	21,875	3,125	1.38	34,604	87.5%	100.0%	4,326
2016	Deere Backhoe-Loader LCSD	121,994	50,500	71,494	1.38	168,859	41.4%	100.0%	98,959
2017	John Deere Model 344K Front Wheel Loader	124,690	48,837	75,853	1.34	167,084	39.2%	100.0%	101,643
2017	Vaccon V350LHA w/2018 Freightliner 114SD	421,017	329,797	91,220	1.34	564,162	78.3%	100.0%	122,235
2018	LCSD Maintenance Truck	46,490	34,480	12,010	1.33	61,902	74.2%	100.0%	15,991
2018	2018 Chevy LCSD Maintenance Truck	29,463	21,115	8,348	1.33	39,230	71.7%	100.0%	11,116
2019	MCC for Resi Pump Station Retrofit	42,077	17,298	24,779	1.33	55,922	41.1%	100.0%	32,932
2019	LCSD Maintenance Truck - PO08648	32,748	20,195	12,554	1.33	43,524	61.7%	100.0%	16,685
2019	John Deere 2019 4WD Gator Model XUV855E	13,303	10,672	2,631	1.33	17,681	80.2%	100.0%	3,497
2020	2020 Ford F250 4x4, Bid# 150278 - PO0892	28,010	15,172	12,838	1.33	37,121	54.2%	100.0%	17,014
2020	CAT GP33N5 Pneumatic Tire Lift Truck	41,177	21,618	19,559	1.33	54,571	52.5%	100.0%	25,921
2019	John Deere 2019 4WD Gator Model HPX815E	12,865	10,262	2,603	1.33	17,098	79.8%	100.0%	3,460
2020	National 571E2 18 Ton Crane 71' Boom	196,651	98,326	98,325	1.33	260,621	50.0%	100.0%	130,310
2020	Jetscan 2.0 Camera Combo System	14,188	7,094	7,094	1.33	18,803	50.0%	100.0%	9,401
2020	Jetscan 2.0 Camera 6" System	10,381	5,191	5,191	1.33	13,758	50.0%	100.0%	6,879
2021	2021 Ford F250	29,303	12,942	16,361	1.24	36,298	44.2%	100.0%	20,266
2021	Vactor/Freightliner	457,005	194,227	262,778	1.24	566,103	42.5%	100.0%	325,509
2021	2021 Chevy Colorado #6463	32,700	13,898	18,803	1.24	40,506	42.5%	100.0%	23,291
2020	Recycled Water Pump Panels VFD - PO09082	97,883	29,365	68,518	1.33	129,724	30.0%	100.0%	90,807
2020	Boesch Pump #1 - PO08932 - LCSD RWD	37,972	11,392	26,580	1.33	50,324	30.0%	100.0%	35,227
2020	Boesch Pump #2 - PO08932 - LCSD RWD	37,972	11,392	26,580	1.33	50,324	30.0%	100.0%	35,227
2020	Boesch Pump #3 - PO08932 - LCSD RWD	37,972	11,392	26,580	1.33	50,324	30.0%	100.0%	35,227
2022	Boesch Pump RW - PO09773	50,258	10,889	39,369	1.17	58,824	21.7%	100.0%	46,079
2022	Plant Printer - Kyocera Taskalfa 3554ci	5,206	1,345	3,861	1.17	6,094	25.8%	100.0%	4,519
2023	NCJAIL RW Tank- KBK Recycled Water Tank	92,753	9,662	83,091	1.05	97,227	10.4%	100.0%	87,100
2023	NCJAIL RW Tank- KBK RW Tank - SUTAX	2,789	291	2,498	1.05	2,923	10.4%	100.0%	2,619
2025	Variable Frequency Drive RO A PO10269	8,832	110	8,722	1.00	8,832	1.2%	100.0%	8,722
2025	Variable Frequency Drive RO B PO10736	10,774	135	10,640	1.00	10,774	1.2%	100.0%	10,640
2025	VFD RW NCJAIL PO10189	7,398	92	7,306	1.00	7,398	1.3%	100.0%	7,306
2025	Ford F150 Lighting EV Truck PO10183	64,720	485	64,235	1.00	64,720	0.8%	100.0%	64,235
	Total 2025	**$5,734,934**	**$3,259,354**	**$2,475,580**		**$8,351,655**			**$3,418,691**
Total Existing General		**$5,734,934**	**$3,259,354**	**$2,475,580**		**$8,351,655**			**$3,418,691**
Total Existing ERUs									**21,143**
Existing General per ERU									**$162**

Notes

[1] - Based on ENR for Los Angeles

Year	Equipment List	Original Cost	Less Acum. Depreciation	Book Value	ENR Factor	2025 Cost [1]	Depreciation Percent	Fee Eligible (%)	Fee Eligible ($)	*Notes*
Treatment										
1976	Chlorination structure	$34,407	$34,407	$0	5.06	$174,092	100.0%	100.0%	$0	
1976	Digester structure	200,900	200,900	0	5.06	1,016,510	100.0%	100.0%	0	
1976	Grit removal structure	80,247	80,247	0	5.06	406,032	100.0%	100.0%	0	
1976	OSHA Pipe railing	3,800	3,723	77	5.06	19,227	98.0%	100.0%	389	
1977	Add to Garage&Storage Bldg	1,654	1,654	0	5.06	8,368	100.0%	100.0%	0	
1978	No Cty Tech Services Bdg	30,585	30,585	0	4.67	142,979	100.0%	100.0%	0	
1978	Pump house exit	8,186	8,186	0	4.67	38,269	100.0%	100.0%	0	
1979	Stubbs & SemCo Sta	27,121	27,121	0	4.40	119,207	100.0%	100.0%	0	
1982	Influent station (8307)	3,225	3,225	0	3.24	10,452	100.0%	100.0%	0	
1982	Outfall station (8303)	17,764	17,764	0	3.24	57,582	100.0%	100.0%	0	
1983	Influent station (8307)	8,967	8,967	0	3.16	28,323	100.0%	100.0%	0	
1983	Outfall station (8303)	25	25	0	3.16	79	100.0%	100.0%	0	
1988	Plant expansion	2,286,553	2,115,061	171,492	2.77	6,337,212	92.5%	100.0%	475,292	
1961	Control House	65,900	65,900	0	5.06	333,439	100.0%	100.0%	0	
1961	Digester	53,800	53,800	0	5.06	272,216	100.0%	100.0%	0	
1961	Pump House	37,600	37,600	0	5.06	190,248	100.0%	100.0%	0	
2010	Recycled Water Storage	1,756,747	527,024	1,229,723	1.60	2,808,526	30.0%	100.0%	1,965,969	
2011	Primary Dome Digester Replacement	453,729	211,740	241,988	1.59	719,305	46.7%	100.0%	383,629	
2011	Recycled Water Distribution System	274,531	128,113	146,417	1.59	435,218	46.7%	100.0%	232,118	
2012	Trickling Bio-Filter	206,869	67,664	139,205	1.56	322,137	32.7%	100.0%	216,771	
2013	Secondary Digester Dome Coat	190,689	115,208	75,480	1.49	284,008	60.4%	100.0%	112,419	
2013	Recycled Water Storage Tank 2	869,114	350,059	519,055	1.49	1,294,439	40.3%	100.0%	773,069	
2014	Diesel Standby Generator C15	257,596	194,084	63,513	1.49	383,337	75.3%	100.0%	94,515	
2014	Backup Generator C32	426,774	319,666	107,108	1.49	635,096	74.9%	100.0%	159,390	
2017	Mixer/Blower Structure Improv LCSD Plant	197,319	53,276	144,043	1.34	264,407	27.0%	100.0%	193,017	
2016	ISPP15 Industrial Storm Water Permit Pro	169,436	67,068	102,368	1.38	234,526	39.6%	100.0%	141,693	
2020	FLDPRO - Plant Flood Protection Project	1,469,345	174,484	1,294,860	1.33	1,947,316	11.9%	100.0%	1,716,073	
2020	UV 2020-UV Disinfection Sys Replacement	608,018	192,539	415,478	1.33	805,803	31.7%	100.0%	550,632	
2021	SOLID1 - LCSD Sludge Drying Beds Upgrade	4,484,612	485,833	3,998,779	1.24	5,555,189	10.8%	100.0%	4,953,377	
2021	SOLID2 - Biosolids Handling Area Proj	112,343	10,532	101,810	1.24	139,161	9.4%	100.0%	126,115	
2023	RWDPH4 - RW Dist Ph 4 - Waller Park	5,961,026	278,181	5,682,844	1.05	6,248,585	4.7%	100.0%	5,956,984	
2004	PLANT UPGRADE	9,677,735	4,064,649	5,613,086	1.95	18,894,368	42.0%	100.0%	10,958,733	
2004	REVERSE OXMOSIS UNITS	806,969	806,969	0	1.95	1,575,490	100.0%	100.0%	0	
2004	ZENOGEM BIO TREATMENT SYS	1,544,047	1,080,833	463,214	1.95	3,014,527	70.0%	100.0%	904,358	
2004	ZEEWEED WATER TRTMNT SYS	1,800,000	1,260,000	540,000	1.95	3,514,238	70.0%	100.0%	1,054,271	
2004	BRINEX WELL	1,975,621	829,760	1,145,861	1.95	3,857,112	42.0%	100.0%	2,237,126	
1997	Replacement Clarifier	65,943	65,943	0	2.40	158,277	100.0%	100.0%	0	
1976	Grit Removal eqmt	11,432	11,432	0	5.06	57,843	100.0%	100.0%	0	
2001	Membrane System	530,939	509,702	21,237	2.21	1,175,026	96.0%	100.0%	47,000	
2001	Bio Reactors (Zenon)	1,243,322	1,193,590	49,732	2.21	2,751,606	96.0%	100.0%	110,062	
2004	ZEEWEED MEMBRANES	550,000	550,000	0	1.95	1,073,795	100.0%	100.0%	0	
2006	Zeeweed Membranes	32,970	32,970	0	1.80	59,390	100.0%	100.0%	0	
2009	Headworks Imprvts-Stairstep	351,922	351,922	0	1.64	576,486	100.0%	100.0%	0	
2009	Rotodrum Screen	198,376	198,376	0	1.64	324,960	100.0%	100.0%	0	
2010	Digester & Raw Sewage Pump	43,499	43,015	483	1.60	69,542	98.9%	100.0%	773	
2025	Plant Upgrade	70,030,773	0	70,030,773	1.00	70,030,773	0.0%	100.0%	70,030,773	
	Total 2024	**$109,162,427**	**$16,863,800**	**$92,298,627**		**$138,364,722**			**$103,394,545**	

Year	Equipment List	Original Cost	Less Acum. Depreciation	Book Value	ENR Factor	2025 Cost [1]	Depreciation Percent	Fee Eligible (%)	Fee Eligible ($)	*Notes*
Total Existing Treatment		**$109,162,427**	**$16,863,800**	**$92,298,627**		**$138,364,722**			**$103,394,545**	
Total Existing ERUs									**21,143**	
Existing Treatment per ERU									**$4,890**	
Future Treatment										
	Phase II Plant Expansion [2]								**$42,979,484**	
							Capacity		1.30	*mgd*
							ERU		175.00	*gallons*
							Total Additional ERUs		7,429	
Future Treatment per ERU									**$5,786**	
Total Treatment Fee per ERU									**$10,676**	

Notes

[1] - Based on ENR for Los Angeles
[2] - Future cost from 2019 escalated 3% / year to 2025 dollars

Year	Equipment List	Original Cost	Less Acum. Depreciation	Book Value	ENR Factor	2025 Cost [1]	Depreciation Percent	Fee Eligible	Fee Eligible
Collection									
1974	Pump storage outfall line	$39,675	$39,675	$0	5.06	$200,747	100.0%	100.0%	$0
1975	L / S 908	2,600	2,599	1	5.06	13,155	100.0%	100.0%	4
1976	L / S 11641	3,841	3,764	77	5.06	19,436	98.0%	100.0%	391
1976	Tract 12005	50,071	49,069	1,002	5.06	253,348	98.0%	100.0%	5,069
1976	Tract 12099	1,940	1,900	40	5.06	9,816	98.0%	100.0%	201
1976	Tract 12101	1,098	1,076	22	5.06	5,556	98.0%	100.0%	111
1976	Yard piping	219,157	214,773	4,383	5.06	1,108,885	98.0%	100.0%	22,179
1977	Tract 11814	3,800	3,647	153	5.06	19,227	96.0%	100.0%	773
1977	Tract 11832	43,557	41,816	1,741	5.06	220,389	96.0%	100.0%	8,811
1977	Tract 11951	19,356	18,582	774	5.06	97,937	96.0%	100.0%	3,917
1977	Tract 12050	11,962	11,484	478	5.06	60,525	96.0%	100.0%	2,417
1977	Tract 12160	24,255	23,284	971	5.06	122,725	96.0%	100.0%	4,913
1977	Tract 12216	19,000	18,241	759	5.06	96,136	96.0%	100.0%	3,841
1977	Tract 12320	41,748	40,078	1,670	5.06	211,236	96.0%	100.0%	8,449
1978	Bethany Lane	4,165	3,915	250	4.67	19,471	94.0%	100.0%	1,170
1978	Tract 12294	8,650	8,132	518	4.67	40,437	94.0%	100.0%	2,422
1978	Tract 12308	980	920	60	4.67	4,581	93.9%	100.0%	279
1978	Tract 12339	24,881	23,388	1,492	4.67	116,313	94.0%	100.0%	6,976
1978	Tract 12381	18,805	17,676	1,129	4.67	87,909	94.0%	100.0%	5,276
1979	Tract 12012 Unit I	19,801	18,216	1,584	4.40	87,032	92.0%	100.0%	6,964
1979	Tract 12297 Unit I&II	53,879	49,569	4,310	4.40	236,817	92.0%	100.0%	18,943
1979	Tract 12609	33,080	30,433	2,647	4.40	145,397	92.0%	100.0%	11,635
1980	Tract 12297 Unit III	26,665	23,998	2,667	3.90	103,959	90.0%	100.0%	10,398
1980	Tract 12364	36,574	32,918	3,657	3.90	142,593	90.0%	100.0%	14,257
1980	Tract 12386	111,439	100,295	11,144	3.90	434,469	90.0%	100.0%	43,449
1980	Tract 12408	10,368	9,331	1,037	3.90	40,422	90.0%	100.0%	4,042
1980	Tract 12553	29,751	26,775	2,976	3.90	115,991	90.0%	100.0%	11,602
1980	Tract 12554	17,344	15,611	1,734	3.90	67,621	90.0%	100.0%	6,760
1980	Tract 12595	18,968	17,070	1,898	3.90	73,950	90.0%	100.0%	7,398
1980	Tract 12758	7,404	6,664	740	3.90	28,866	90.0%	100.0%	2,887
1981	Stubbs Ln Repair-Waller Park	2,130	1,874	256	3.53	7,519	88.0%	100.0%	902
1981	Tract 12412	40,440	35,587	4,853	3.53	142,750	88.0%	100.0%	17,130
1981	Tract 12414 Unit I	20,806	18,310	2,496	3.53	73,444	88.0%	100.0%	8,810
1981	Tract 12501 Unit I	38,943	34,269	4,674	3.53	137,466	88.0%	100.0%	16,498
1981	Tract 12699	26,276	23,122	3,154	3.53	92,752	88.0%	100.0%	11,133
1981	Tract 12735 Unit I	96,002	84,481	11,521	3.53	338,880	88.0%	100.0%	40,669
1982	Tract 12679 Unit I	31,300	26,919	4,381	3.24	101,459	86.0%	100.0%	14,201
1982	Tract 12749	16,731	14,388	2,343	3.24	54,233	86.0%	100.0%	7,595
1982	Tract 12835	45,177	38,853	6,324	3.24	146,441	86.0%	100.0%	20,499
1983	Tract 12414 Unit II	15,400	12,937	2,463	3.16	48,640	84.0%	100.0%	7,780
1983	Tract 12476 Unit I & II	48,230	40,512	7,718	3.16	152,331	84.0%	100.0%	24,376
1984	Tract 12447	11,746	9,633	2,113	3.04	35,716	82.0%	100.0%	6,426
1984	Tract 12501 Unit II III&IV	71,313	58,475	12,837	3.04	216,842	82.0%	100.0%	39,035
1984	Tract 12679 Unit II	23,349	19,148	4,202	3.04	70,999	82.0%	100.0%	12,777
1984	Tract 13086	63,076	51,723	11,353	3.04	191,796	82.0%	100.0%	34,521
1985	Tract 12266	96,800	77,439	19,361	2.94	284,249	80.0%	100.0%	56,852
1985	Tract 12727	19,500	15,600	3,900	2.94	57,261	80.0%	100.0%	11,452
1985	Tract 12769	112,183	89,746	22,437	2.94	329,420	80.0%	100.0%	65,885
1985	Tract 12851	25,806	20,645	5,161	2.94	75,778	80.0%	100.0%	15,156

Year	Equipment List	Original Cost	Less Acum. Depreciation	Book Value	ENR Factor	2025 Cost [1]	Depreciation Percent	Fee Eligible	Fee Eligible
1985	Tract 13088	15,000	12,000	3,000	2.94	44,047	80.0%	100.0%	8,809
1985	Tract 13090	21,000	16,800	4,200	2.94	61,666	80.0%	100.0%	12,333
1985	Tract 13151	5,500	4,401	1,099	2.94	16,151	80.0%	100.0%	3,228
1985	Tract 13309	20,200	16,161	4,039	2.94	59,316	80.0%	100.0%	11,861
1985	Tract 13345	46,403	37,123	9,280	2.94	136,260	80.0%	100.0%	27,251
1985	Tract 13363	79,688	63,750	15,938	2.94	234,000	80.0%	100.0%	46,803
1985	Tract 13480	8,620	6,897	1,723	2.94	25,312	80.0%	100.0%	5,060
1985	Tract 13540	19,600	15,681	3,919	2.94	57,555	80.0%	100.0%	11,508
1986	Tract 12631	68,349	53,313	15,036	2.93	200,501	78.0%	100.0%	44,107
1986	Tract 12726	37,430	29,195	8,235	2.93	109,800	78.0%	100.0%	24,159
1986	Tract 12971	94,000	73,321	20,679	2.93	275,748	78.0%	100.0%	60,662
1986	Tract 13083 Unit I	38,664	30,158	8,506	2.93	113,420	78.0%	100.0%	24,952
1986	Tract 13083 Unit II	33,146	25,853	7,293	2.93	97,233	78.0%	100.0%	21,394
1986	Tract 13104	25,318	19,749	5,569	2.93	74,270	78.0%	100.0%	16,337
1986	Tract 13444	4,620	3,604	1,016	2.93	13,553	78.0%	100.0%	2,982
1986	Tract 13572	6,986	5,448	1,538	2.93	20,493	78.0%	100.0%	4,511
1987	Tract 12995	6,260	4,757	1,503	2.92	18,290	76.0%	100.0%	4,392
1987	Tract 13083	46,800	35,568	11,232	2.92	136,737	76.0%	100.0%	32,817
1987	Tract 13345 Unit II	8,200	6,233	1,967	2.92	23,958	76.0%	100.0%	5,747
1987	Tract 13408 & 13429	5,680	4,318	1,362	2.92	16,595	76.0%	100.0%	3,980
1987	Tract 13688	19,692	14,966	4,726	2.92	57,535	76.0%	100.0%	13,808
1987	Tract 13689	58,695	44,607	14,088	2.92	171,491	76.0%	100.0%	41,160
1987	Tract 13713	12,558	9,544	3,014	2.92	36,691	76.0%	100.0%	8,806
1988	Tract 13501 Unit I	107,640	79,654	27,986	2.77	298,326	74.0%	100.0%	77,565
1988	Tract 13574	7,413	5,487	1,926	2.77	20,545	74.0%	100.0%	5,339
1988	Tract 13737	5,364	3,969	1,395	2.77	14,866	74.0%	100.0%	3,865
1988	Tract 13753	5,544	4,103	1,441	2.77	15,365	74.0%	100.0%	3,995
1989	Tract 13715	5,227	3,763	1,464	2.76	14,439	72.0%	100.0%	4,044
1989	Tract 13807	128,436	92,474	35,962	2.76	354,798	72.0%	100.0%	99,344
1989	Tract 13894	19,131	13,774	5,357	2.76	52,848	72.0%	100.0%	14,800
1989	Tract 13910	121,716	87,636	34,080	2.76	336,235	72.0%	100.0%	94,146
1989	Tract 13918	27,867	20,064	7,803	2.76	76,981	72.0%	100.0%	21,557
1989	Tract 13963	10,815	7,786	3,029	2.76	29,876	72.0%	100.0%	8,367
1990	Tract 13873	10,752	7,526	3,226	2.67	28,687	70.0%	100.0%	8,606
1990	Tract 13902	11,382	7,967	3,415	2.67	30,368	70.0%	100.0%	9,110
1990	Tract 13930	56,196	39,337	16,859	2.67	149,936	70.0%	100.0%	44,981
1990	Tract 19905	9,594	6,716	2,878	2.67	25,598	70.0%	100.0%	7,679
1991	Tract 13501 Unit II	11,739	7,982	3,757	2.63	30,829	68.0%	100.0%	9,867
1991	Tract 13690	51,954	35,329	16,625	2.63	136,442	68.0%	100.0%	43,662
1991	Tract 14011	18,207	12,380	5,827	2.63	47,815	68.0%	100.0%	15,303
1992	Tract 14082	22,995	15,176	7,819	2.52	57,932	66.0%	100.0%	19,699
1992	Tract 14125	63,855	42,144	21,711	2.52	160,870	66.0%	100.0%	54,698
1993	Tract 14080	96,360	61,670	34,690	2.47	237,915	64.0%	100.0%	85,650
1993	Tract 14120	30,645	19,614	11,031	2.47	75,663	64.0%	100.0%	27,236
1993	Tract 14155	2,250	1,440	810	2.47	5,555	64.0%	100.0%	2,000
1993	Tract 14173	23,940	15,322	8,618	2.47	59,108	64.0%	100.0%	21,279
1994	Tract 14067	56,205	34,848	21,357	2.45	137,601	62.0%	100.0%	52,286
1994	Tract 14177	256,500	159,030	97,470	2.45	627,963	62.0%	100.0%	238,626
1995	Tract 14242	78,660	47,196	31,464	2.45	192,774	60.0%	100.0%	77,110

Year	Equipment List	Original Cost	Less Acum. Depreciation	Book Value	ENR Factor	2025 Cost [1]	Depreciation Percent	Fee Eligible	Fee Eligible
1995	Tract 14282	180,700	108,421	72,279	2.45	442,846	60.0%	100.0%	177,136
1996	Tract 14335	8,100	4,698	3,402	2.44	19,753	58.0%	100.0%	8,296
1998	Tract 14046	71,460	38,588	32,872	2.33	166,803	54.0%	100.0%	76,730
2000	Tract 12414	137,700	68,850	68,850	2.26	311,595	50.0%	100.0%	155,798
2008	Track 14429 Jensen's Xing	37,174	12,640	24,534	1.63	60,526	34.0%	0.0%	0
2008	Track 14303 Mesa Verde	44,520	15,137	29,383	1.63	72,487	34.0%	0.0%	0
2008	Tract 14478 Harp Springs	30,468	10,359	20,109	1.63	49,608	34.0%	0.0%	0
2008	Tract 14430 Rice Ranch	214,227	72,122	142,105	1.63	348,801	33.7%	0.0%	0
2008	Tract 14481 Stonegate Ranch	21,917	7,452	14,465	1.63	35,685	34.0%	0.0%	0
2008	Tract 14532 Old Mill	18,286	6,218	12,068	1.63	29,773	34.0%	0.0%	0
2008	Tract 13046 Suncrest Gardens	14,192	4,825	9,368	1.63	23,108	34.0%	0.0%	0
2008	Tract 14507 George Lane	16,636	5,657	10,979	1.63	27,086	34.0%	0.0%	0
2008	Tract 5763 Foxenwood Gdn Vls	24,670	8,388	16,282	1.63	40,168	34.0%	0.0%	0
2008	Bradley Trunkline	671,940	228,460	443,481	1.63	1,094,042	34.0%	0.0%	0
2008	Huelstien Solomon@Kapalua	45,539	15,484	30,055	1.63	74,145	34.0%	0.0%	0
2008	Halsell-Solomon@Beverly	6,349	2,158	4,191	1.63	10,338	34.0%	0.0%	0
2008	Simmonson Hummel to KS 30	10,881	3,701	7,181	1.63	17,717	34.0%	0.0%	0
2008	Smith Hummel Extension	5,650	1,893	3,757	1.63	9,199	33.5%	0.0%	0
2008	Cedarhurst Extension	6,980	2,373	4,607	1.63	11,365	34.0%	0.0%	0
2004	DISTRIBUTION SYSTEM	766,997	322,139	444,858	1.95	1,497,450	42.0%	100.0%	868,520
2004	PUMP STATION	382,952	160,839	222,113	1.95	747,658	42.0%	100.0%	433,643
2003	Durtard Soloman Trunkline	2,816,458	1,239,242	1,577,216	2.12	5,980,842	44.0%	100.0%	3,349,270
2012	Oak Knolls Sewer Improvements	457,092	119,606	337,486	1.56	711,787	26.2%	100.0%	525,536
2017	Oak Knolls Sewer Improvements #3	108,475	16,994	91,481	1.34	145,356	15.7%	100.0%	122,584
2017	Doverlee Sewer Line Replacement	36,220	5,554	30,666	1.34	48,535	15.3%	100.0%	41,092
2017	Bradley Road Sewer Line Replacement	43,995	6,672	37,323	1.34	58,953	15.2%	100.0%	50,012
2018	Skyway Drive Sewer Replacement - SKYSWR	284,991	41,324	243,667	1.33	379,470	14.5%	100.0%	324,447
2019	Coachman Way Sewer Line Replacement	102,374	12,285	90,089	1.33	136,059	12.0%	100.0%	119,732
2019	KENSWR - Kenneth Ave Sewer Replacement	171,455	18,860	152,595	1.33	227,871	11.0%	100.0%	202,805
2019	STKSWR - Stockton Sewer Main Replacement	129,285	15,298	113,986	1.33	171,825	11.8%	100.0%	151,493
2020	Kapalua Dr Sewer Replacement - DP07479	131,575	13,157	118,418	1.33	174,376	10.0%	100.0%	156,938
2020	N Trunk Line Asbestos Cement Lining 6.20	225,424	22,543	202,881	1.33	298,753	10.0%	100.0%	268,878
2021	NRTUN2 - N Trunk Line Rehab Phase 2 Proj	1,012,257	75,919	936,337	1.24	1,253,905	7.5%	100.0%	1,159,862
2022	NRTUN3 - N Trunk Line Rehab Phase 3 Proj	1,203,847	76,244	1,127,603	1.17	1,409,043	6.3%	100.0%	1,319,803
2022	HUMSWR -- Hummel Drive Sewer Replacement	180,982	10,557	170,425	1.17	211,830	5.8%	100.0%	199,473
2022	SCTSWR - Solomon Creek Sewer Replacement	162,564	8,399	154,165	1.17	190,273	5.2%	100.0%	180,443
2023	NRTUN4 - N Trunk Line Rehab Phase Proj	1,938,329	74,303	1,864,027	1.05	2,031,834	3.8%	100.0%	1,953,947
2024	OBLSWR - Orcutt Bluffs Sewer Replacement	144,790	2,172	142,618	1.03	148,570	1.5%	100.0%	146,341
	Total	**$16,728,509**	**$6,982,161**	**$9,746,348**		**$36,775,819**			**$14,107,489**
Total Existing Collection		**$16,728,509**	**$6,982,161**	**$9,746,348**		**$36,775,819**			**$14,107,489**
Total Existing ERUs									**21,143**
Existing Collection per ERU									**$667**

Notes

[1] - Based on ENR for Los Angeles

Laguna County Sanitation District
Wastewater Connection Charge Analysis
Debt Service
Exhibit 6

Date	Solar Project		Plant Upgrade [1]		Total		Total
	Principal	*Interest*	*Principal*	*Interest*	**Principal**	**Interest**	
2023	$0	$0	$780,000	$807,050	$780,000	$807,050	**$1,587,050**
2024	0	0	820,000	764,925	820,000	764,925	**1,584,925**
2025	310,000	28,760	865,000	720,675	1,175,000	749,435	**1,924,435**
2026	315,000	12,476	905,000	674,175	1,220,000	686,651	**1,906,651**
2027	0	0	955,000	625,300	955,000	625,300	**1,580,300**
2028	0	0	1,000,000	573,925	1,000,000	573,925	**1,573,925**
2029	0	0	1,055,000	519,800	1,055,000	519,800	**1,574,800**
2030	0	0	1,110,000	462,925	1,110,000	462,925	**1,572,925**
2031	0	0	1,165,000	403,175	1,165,000	403,175	**1,568,175**
2032	0	0	1,225,000	340,425	1,225,000	340,425	**1,565,425**
2033	0	0	1,285,000	288,200	1,285,000	288,200	**1,573,200**
2034	0	0	1,340,000	247,400	1,340,000	247,400	**1,587,400**
2035	0	0	1,380,000	205,400	1,380,000	205,400	**1,585,400**
2036	0	0	1,420,000	169,500	1,420,000	169,500	**1,589,500**
2037	0	0	1,460,000	140,050	1,460,000	140,050	**1,600,050**
2038	0	0	1,485,000	110,000	1,485,000	110,000	**1,595,000**
2039	0	0	1,520,000	79,300	1,520,000	79,300	**1,599,300**
2040	0	0	1,550,000	48,000	1,550,000	48,000	**1,598,000**
2041	0	0	1,580,000	0	1,580,000	0	**1,580,000**
	$625,000	**$41,236**	**$22,900,000**	**$7,180,225**	**$23,525,000**	**$7,221,461**	**$30,746,461**

Total Existing ERUs **21,143**

$ / ERU **$1,113**

Notes

[1] - Plant upgrade debt was paid before the asset booked so full debt is included in the credit

Laguna County Sanitation District
Wastewater Connection Charge Analysis
Summary
Exhibit 7

Current Connection Charge per ERU	$10,879	*(FY 2025-26)*	
	$10,879		
Calculated Max Charge	**$11,860**		$10,910
Difference	*$981*		
Percent	*9.0%*		

Calculation Results	**Existing**	**Future**	**Total**
Land	$454	$0	$454
General	162	0	162
Treatment	4,890	5,786	10,676
Collection	667	0	667
Less: Debt Principal	(1,113)	0	(1,113)
Plus: Cash Reserves	1,015	0	1,015
Total	**$6,075**	**$5,786**	**$11,861**
Rounding for Implementation	**$6,075**	**$5,785**	**$11,860**