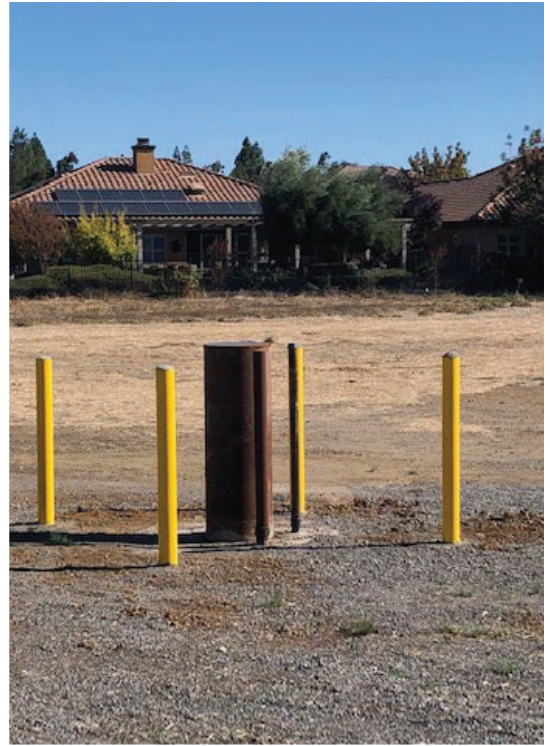


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FY23-24 Wild Wings CSA Water Rate Study Report



NOVEMBER 2023

**Prepared by Luhdorff & Scalmanini Consulting Engineers
Woodland, CA**

FY23-24 Wild Wings CSA

Water and Wastewater Rate Update Project

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LIST OF EXHIBITS

- Exhibit A: Water System Technical Memorandum (TM)
- Exhibit B: Total Charge Information (Water, Wastewater, and Golf Course)
- Exhibit C: Fee Diagram (Wild Wings CSA Map)
- Exhibit D: FY24/25 Fee Roll
- Exhibit E: Proposition 218 Notice

SECTION 1. INTRODUCTION

1.1 Background

The Wild Wings County Service Area (CSA 15) was established in May 2004 to provide water and sewer services to the community. The Wild Wings CSA operates the only County-run Wastewater Treatment Plant which is fully self-sustained and complies with mandatory state regulations. The CSA also operates the corresponding Water System which includes water supply wells, water storage, and water distribution network facilities.

In March 2009, the Wild Wings CSA acquired the Wild Wings Golf Club. The golf course was recently managed for the CSA by KemperSports, a leader in the golf course management industry with over 30 years of experience. Moving forward, Wild Wings will be managing the golf course in coordination with the County.

The CSA is funded by collecting fees for these services. The County bills Wild Wings customers for water and wastewater service through annual charges applied to the property tax bill for these services. Additional annual charges are collected in association with the golf course through Measure O which establishes maximum golf course fees.

The Wild Wings CSA is governed by the Yolo County Board of Supervisors and the policies and procedures of the County of Yolo (which are available upon request) and is advised by the Wild Wings CSA Advisory Committee. The Wild Wings Golf Course Sub-Advisory Committee advises on golf course activities. Those interested in applying to serve on an advisory committee can apply. Services provided in the Wild Wings CSA are coordinated through the Yolo County CSA Administrative Support Team.

The County retained Luhdorff and Scalmanini Consulting Engineers (LSCE) to develop a long-term financial plan and 5-year rate recommendations for the water utility enterprise. The last water rate study was completed in 2018 and the County last increased the water rates in FY23-24 adjusting for inflation. The major objectives of this study include:

- Ensuring continued financial health and stability of the Wild Wings CSA water utility system;
- Developing updated water system operating and capital revenue requirements (2024-2029);
- Recommending updated water rates that meet the updated water revenue requirements;
- Phasing in water rate adjustments, if possible, to minimize the annual impact on ratepayers.
- Calculating water rate and total charge impacts on the CSA utility customers.
- Maintaining user class equity and complying with all legal requirements (e.g. Prop. 218).
- Keeping total water, wastewater and golf course charges during the 2024-2028 period as low as possible with annual increases not exceeding inflation adjustments if possible.

SECTION 1. INTRODUCTION

Exhibit A contains the project Technical Memorandum for the water rate update process which addresses the basis for updated revenue projections and provides a transparent budget based on meeting operational and capital project water system objectives and requirements.

1.2 Summary of Findings

Financial Overview - Overall, the Wild Wings CSA water system revenues need to be updated to reflect the higher costs of providing service for both operational and capital improvement projects experienced since the 2018 Water Rate Study was prepared. Labor costs have increased by about 25% since 2018 and chlorine prices have increased by 100%. In order to keep the Wild Wings CSA water enterprise in good financial condition water rates must be increased in 2024 to cover the increased costs associated with inflationary pressures since 2018. Water enterprise reserves are adequate and will continue to be added to in order to cover the future costs of water system repair and replacement costs. Once water rates are increased in 2024 annual inflation adjustments are expected in years 2 through 5 through FY28/29. The combination of increasing water rates in 2024 to reflect the current costs of service and prudent fiscal management will allow the CSA to cover expenditures and maintain fund reserves, which as of July 1, 2023, totaled approximately \$2.3 million.

Capital Needs - The 5-year water capital improvement program from FY24/25 through FY28/29 includes about \$1,108,547 in potential water system improvements consistent with the County's 2021 Water Reserve Report recommendations. All the proposed capital project costs are projected to be funded through Wild Wing CSA customer water rate charges. The capital improvement budget reflects the application of DWR grant funds approved in 2022 to cover the costs of specified water system improvements during the 2022-2025 period.

Debt - The CSA water utility enterprise has no outstanding loans or bond issues thanks in part to the DWR Small Community Drought Relief grant funds secured by the County for needed water system improvements for investment during the 2022-2025 period.

The financial plan contained in this report assumes that the CSA will not have to issue any new debt to fund any portion of future planned capital improvements. Final updates to the financial plan will account for new bid results and DWR grant funding levels. The County will continue to pursue grant and low interest loan opportunities as needed to keep future water rates as low as possible.

Water Rate Adjustments – Water rate increases are needed to keep rates in line with higher cost inflation for labor, commodities, supplies, materials, equipment, treatment systems, supply-chain issues, and related factors that have increased the costs of service for water utility operations substantially since 2018. Once the initial water rate increase is implemented in 2024, annual inflation adjustments are expected over years two through five to provide sufficient revenues for CSA operating and capital program costs while promoting overall

SECTION 1. INTRODUCTION

conservation. Rate adjustments will take effect on July 1st, 2024, and each July 1st of each following year through FY2028-29.

Attachment 1 contains the Technical Memorandum prepared by LSCE documenting the updated water revenue projections process and captures the cost increases that need to be included in the water rates proposed for the FY24-25 through FY28-29 period.

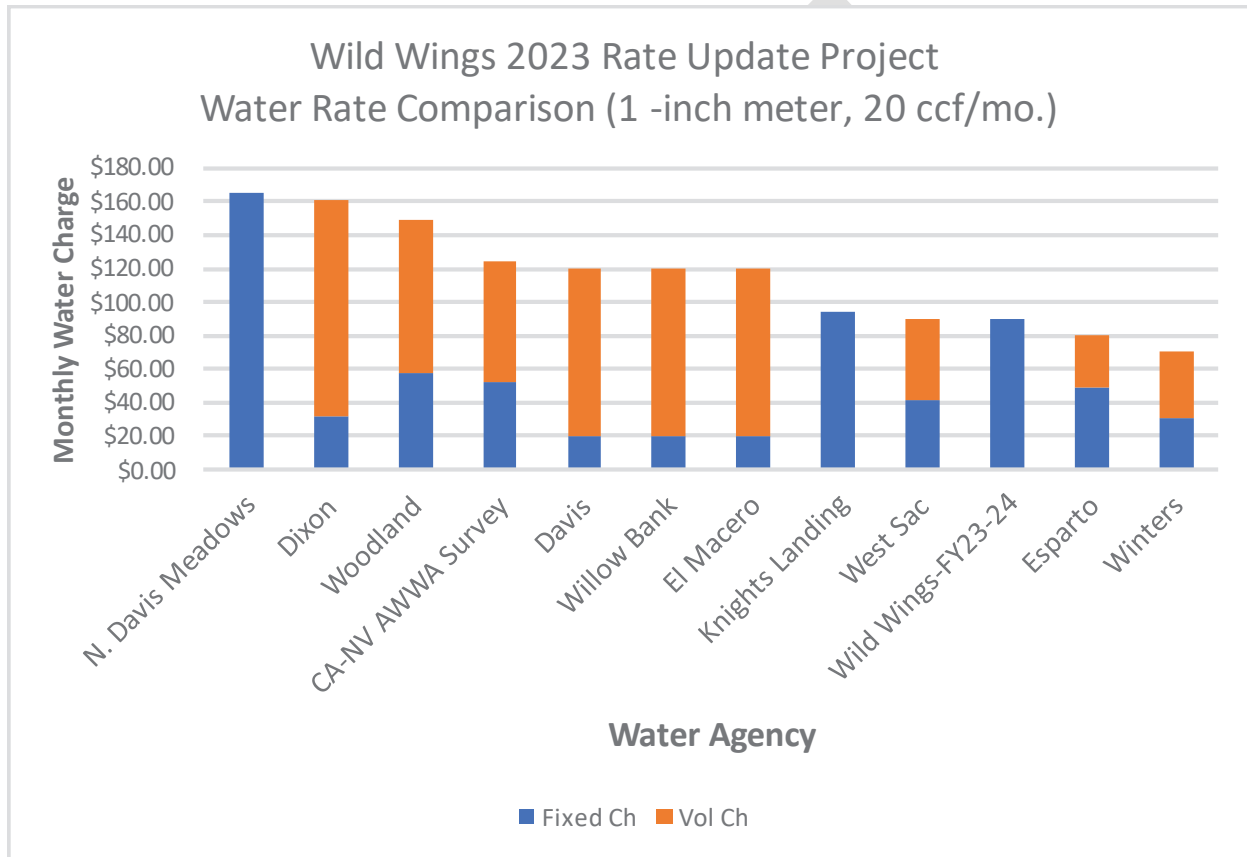
1.3 Proposed Rates

Table 1.3 provides the proposed water rate schedule for FY24-25. Water rates are proposed to increase in accordance with the County’s Water Reserve Report CPI index per year over years 2 through 5 during the FY24/25 to FY28/29 period. The typical Wild Wings single family residential customer receiving water service through the CSA uses on average about 180,000 gallons per year. This is equivalent to about 150 billing units per month (1 billing unit = 100 gallons) and pays an average monthly water bill of \$89.46. Following the proposed July 1, 2024, water rate increase, the typical residential bill will increase to about \$162.70 per month. Keep in mind that total charges for water, wastewater and golf course will only increase slightly compared to FY23-24 as the golf course fee will be reduced.

Table 1.3 Proposed FY24-25 Wild Wings Water Rates	
Water Meter Charge Calculation	Per Account
Fixed Rate Revenue Requirements	\$297,958
Number of Residential Meters (1-inch)	338
Number of Commercial Meters (2-inch)	1
Projected Annual Meter Charge-Residential	\$875.32
Projected Annual Meter Charge-Commercial	\$2,100.76
Projected Meter Charge Revenue	\$297,958
Tier 1 Quantity Rate Calculation	Per 100-gals.
Tier 1 Variable Revenue Requirements	\$300,634
Tier 1 Total Billing Units (100-gals.)	500,360
Projected Tier 1 Charge/100-gallons	\$0.60
Projected Tier 1 Charge Revenue	\$300,634
Tier 2 Quantity Rate Calculation	Per 100-gals.
Tier 2 Variable Revenue Requirements	\$130,895
Tier 2 Total Billing Units (100-gals)	104,533
Projected Tier 2 Charge/100-gallons	\$1.25
Projected Tier 2 Charge Revenue	\$130,895

SECTION 1. INTRODUCTION

For this rate study, a water rate comparison survey was conducted comparing the typical water bills of agencies within the region. Similar factors were considered for the rate comparison only looking at single family customers with a 1-inch meter size and average monthly use of 150 billing units per Wild Wings standard billing unit where 1 unit equals 100-gallons. 150 billing units equals approximately 15,000 gallons/month or 20 ccf/month. The Wild Wings CSA's typical residential bill is currently in the middle range in the region and will increase above the water rate comparison survey monthly average of \$115.35 following the July 1st, 2024, increase. The new 2024 average water rate would be approximately \$162 per month.



SECTION 2. RATE SETTING LEGISLATION AND PRINCIPLES

2.1 Constitutional Rate Requirements

The water rates developed in this Water Rate Study are designed to comply with Article 13C and 13D of the California Constitution. In accordance with the constitutional provisions, the proposed rates are designed to a) recover the County's cost of providing water service, and b) allocate costs in proportion to the cost for serving each customer class.

2.2 Article 13D, Section 6 (Proposition 218)

Proposition 218, adopted by California voters in 1996, added Articles 13C and 13D to the California Constitution. Article 13D, Section 6 governs property-related charges, which the California Supreme Court subsequently ruled includes ongoing utility service charges such as water, sewer, and garbage rates. Article 13D, Section 6 establishes a) procedural requirements for imposing or increasing property-related charges, and b) substantive requirements for those charges. Article 13D also requires voter approval for new or increased property-related charges but exempts from this voting requirement rates for water, sewer, and garbage service.

The County must adhere to the procedural requirements of Proposition 218 for all water rate increases. These requirements include:

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

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

1. *Cost of Service* - Revenues derived from the fee or charge cannot exceed the funds required to provide the service. In essence, fees cannot exceed the "cost of service".
2. *Intended Purpose* - Revenues derived from the fee or charge can only be used for the purpose for which the fee was imposed.

SECTION 2. RATE SETTING LEGISLATION AND PRINCIPLES

3. *Proportional Cost Recovery* - The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership shall not exceed the proportional cost of the service attributable to the parcel.

4. *Availability of Service* - No fee or charge may be imposed for a service unless that service is used by, or immediately available to, the owner of the property.

5. *General Government Services* - No fee or charge may be imposed for general governmental services, such as police or fire services, where the service is available to the public at large in substantially the same manner as it is to property owners.

A subsequent appellate court decision in 2011 further clarified that agencies must demonstrate, satisfactory to a court's independent judgment, that property-related fees and charges meet the substantive requirements of Section 6 (3b). This rate study provides that justification. The water rates derived in this report are based on a cost-of-service methodology that fairly apportions costs to all customers.

2.3 Use of Industry Standard Rate-Making Principles

The rates developed in this Water Rate Study employ a straightforward methodology to establish equitable system charges that recover the cost of providing service and fairly apportion costs to each rate component. In reviewing the County's water rates and finances, LSCE utilized the following criteria in developing our recommendations:

1. *Revenue Sufficiency*: Rates should recover the annual cost of service and provide revenue stability.

2. *Rate Impact*: While rates are calculated to generate sufficient revenue to cover operating and capital costs, they should be designed to minimize, as much as possible, the impacts on ratepayers.

3. *Equitable*: Rates should be fairly allocated among all customer classes based on their estimated demand characteristics. Each user class only pays its proportionate share.

4. *Practical*: Rates should be simple in form and, therefore, adaptable to changing conditions, easy to administer, and easy to understand.

5. *Provide Incentive*: Rates provide price signals which serve as indicators to use water efficiently.

SECTION 3. WATER UTILITY OVERVIEW

3.1 Water System Overview

The water system consists of two water wells, three monitoring wells, wellhead treatment, well pumps, storage tanks, booster pumps, hydro-pneumatic tanks, electrical and telemetry systems, well site improvements, 6-inch, 8-inch and 10-inch water distribution mains, valves, fire hydrants, water meters, and other associated infrastructure. The Pintail well currently serves homeowners and common areas with domestic water. The Canvas Back well was taken off-line for domestic service and shifted to standby status in 2009 due to the detection of arsenic at slightly exceeding the State Maximum Contaminant Level (MCL) threshold of 10 micrograms/l (ppm). The Canvas Back well serves as a backup drinking water supply source for the community; however, it is currently primarily used to supplement the irrigation needs of the golf course. This is due to insufficient treated wastewater supply from the wastewater treatment system to meet the demands of the golf course.

Both the Pintail and Canvas Back wells have historically had arsenic levels that are close to and periodically exceed the Safe Drinking Water Act (SDWA) primary drinking water arsenic MCL of 10 ppm. The Canvas Back well continues to periodically exceed the SDWA MCL standard for arsenic. Planned water system improvements in this study period include a capital improvement project to install wellhead treatment for arsenic removal at the Pintail well. This treatment will ensure a reliable water source for the domestic water system that complies with SDWA requirements. An arsenic treatment facility located at the Pintail well site will be able to treat water from both the Canvas Back well and the new Wood Duck well, in addition to the Pintail well.

The State of California mandates that the Wild Wings community have two potable water wells available for water supply reliability. Consequently, this report includes estimates for arsenic treatment facilities to bring the Canvas Back well back into fully commissioned operations for domestic use. This report also estimates the inclusion of the new Wood Duck to serve as a backup source for the potable water system given that the Canvas Back has periodically gone dry over the past few years. The projected cost for annual maintenance of the arsenic treatment facility has been included in Section 4 (Revenue Requirements) under both the Capital Improvement Plan and Operations budget. The costs to design and construct the Pintail well arsenic treatment system have been covered by DWR grants (approved through the Small Community Drought Relief Funding Program) and arsenic treatment funds set aside for this purpose, collected through the arsenic water charge. A portion of the Canvas Back and Wood Duck well improvements will be covered by DWR grants and water fund reserves, with this project expected to be implemented in phases over the five-year rate period.

3.2 Current Water Rates

The current annual water charges stand at \$1,073.52 (\$89.46 per month) for the first 240,000 gallons of metered water consumption. Customers that use more than 240,000 gallons per year pay an additional \$0.30 per 100 gallons. Most customers do not incur the higher tier

SECTION 3. WATER UTILITY OVERVIEW

consumption charge as their total consumption remains below 240,000 gallons per year. Water rates are billed based on each 100 gallons of water used, with one billing unit equal to 100 gallons for Wild Wings CSA water charges, as opposed to the traditional hundred cubic feet (ccf) billing unit equal to 748 gallons. The higher use charge for those exceeding 240,000 gallons annually was established in 2004 based on average water use at that time. The consumption portion aims to charge higher amounts for water use exceeding 240,000 gallon per year to provide a conservation price signal. Customers are also currently charged a flat rate of \$241/year for the arsenic treatment savings fund.

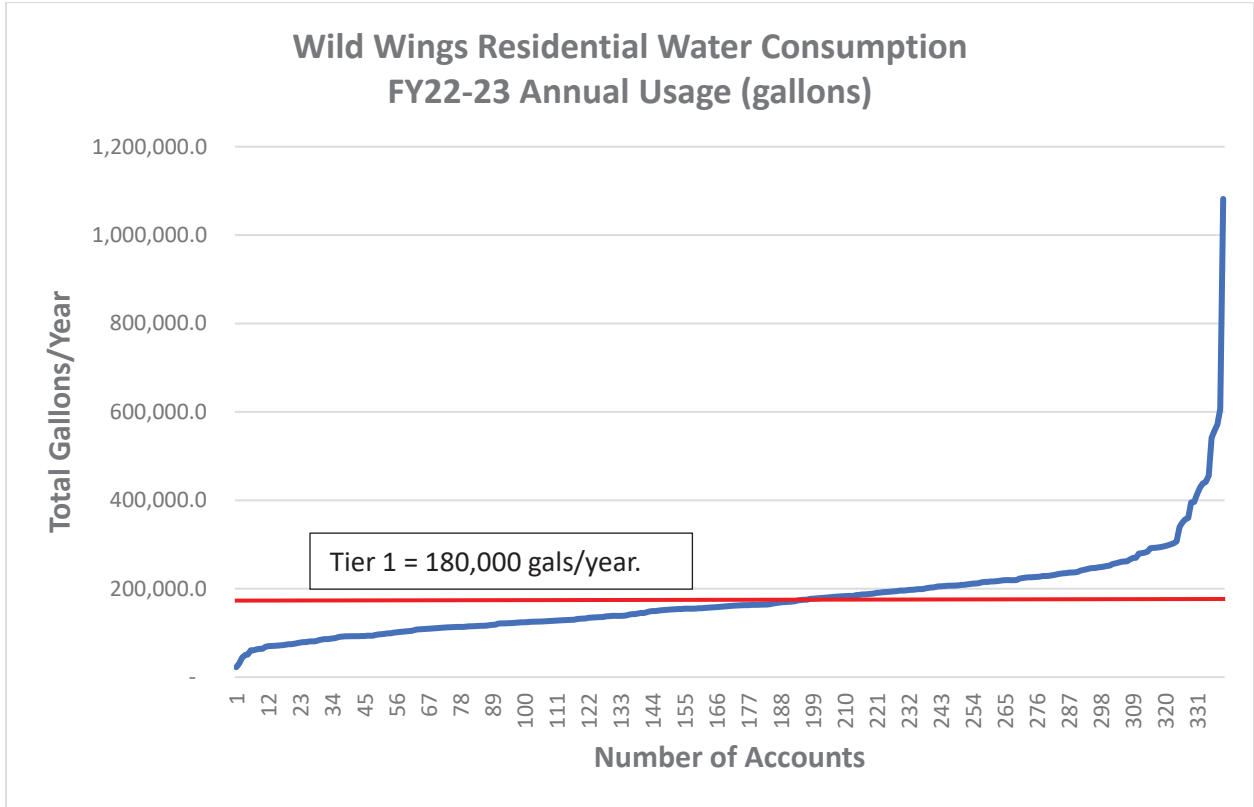
3.3 Water Customers

The Wild Wings CSA currently provides water service to approximately 339 connections plus the Wild Wings golf course. Of the total 339 water services, 338 are residential and 1 is commercial. Residential services are metered with 1-inch meter sizes, while the commercial service is metered with a 2-inch meter size. The Wild Wings CSA is built-out, with no additional services expected to be added to the Wild Wings CSA service area in the future. Over 99% of the Wild Wings CSA service connections are residential, with the majority of total domestic water used for residential purposes.

3.4 Water Use and Tier Structure

Table 3.4 provides water usage data for the most recent fiscal year (FY22/23). Based on an analysis of the Wild Wings CSA metered water use data, LSCE recommends implementing a two-tier rate structure to enhance the conservation pricing signal compared to the current rate structure, which impacts only a small number of customers using more than 240,000 gallons per year. Tiered rate structures are the most common type of water rate structure in place in the water industry. A two-tier rate structure is recommended to achieve the conservation objective while maintaining simplicity in understanding and implementation of water rates. The County is working on providing customers with personalized water use data to help address leaks and reduce overwatering as appropriate. The majority of tier two water use occurs in the May through October period.

SECTION 3. WATER UTILITY OVERVIEW



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SECTION 4. WATER REVENUE REQUIREMENTS

4.1 Updated Revenue Projection Assumptions

LSCE developed cash flow projections to determine annual revenue requirements and required rate adjustments over the 2024-2029 period. The first five years considered in this rate study are shown in **Table 4.1**. Rate adjustments are designed to 1) ensure a balanced budget in which revenues cover expenses; 2) meet operational and capital budget reserve levels; (3) only take on debt service if coverage requirements are met; and 4) meet water fund targets identified in the County's 2021 Water Reserves Report during the rate period.

Future projections incorporate the latest information available as well as a number of reasonable and slightly conservative assumptions. LSCE interviewed County staff, SUSP (the private water system operator), and vendors and suppliers serving the water industry to ensure that updated revenue projections reflected the current and projected costs of service, and the cash flows only include ratepayers' share of capital improvement projects. Key assumptions include:

- Rate increases are effective based on the fiscal year (July 1 through June 30).
- The projections include annual inflation adjustments of 2.5%.
- Interest on fund reserves is estimated to be 1.5% per year.
- The financial projections include no debt financing through FY28/29. The County's actual debt issuances from year to year may vary based on actual financing needs and analysis at the time debt may be issued.
- The financial projections assume a minimum water operating fund reserve target equal to 15% of annual operating and maintenance costs, not including transfers or ongoing capital, plus \$35,000 for professional services for technical and compliance assistance. Maintaining a prudent minimal level of fund reserves provides a financial cushion for dealing with unanticipated expenses, revenue shortfalls, and non-catastrophic emergency capital repairs. The fund reserve target will escalate over time as the water system's expenses gradually increase with aging infrastructure. It is acceptable if reserves fall below the target on a temporary basis, provided action is taken to achieve the target over the longer run. The targets are met in all projected years.

The water industry has experienced above average inflationary pressures since 2018 on the major elements of service, including significant cost increases in wages, salaries, and benefits for utility staffing, chlorine compound supplies, steel products used in water system infrastructure, materials and supplies, and supply chain cost impacts. The updated revenue projections presented in Table 4.1 reflect the additional costs of service that water utilities must account for in future rate adjustments. The annual 2.5% annual inflation adjustment for rates in years 2 through 5 is consistent with the inflation rates used in the 2021 Water Reserves Report. Planners hope that inflation regresses towards to the 2% federal target during the upcoming five-year planning period.

SECTION 4. WATER REVENUE REQUIREMENTS

TABLE 4.1: WILD WINGS WATER SYSTEM - Updated Revenue Projections					
Five-Year DRAFT Water System Operational Budget - With CIP Implementation/SDWA Compliance Costs					
5-Year Revenue Projection Inflation Adjustment		2.5%	2.5%	2.5%	2.5%
Cost Category-Water Operations & Maintenance (O&M) Costs	FY24-25	FY25-26	FY26-27	FY27-28	FY28-29
Personnel/Staffing Costs					
Admin/Mgmt. - County	\$29,500	\$30,238	\$30,975	\$31,713	\$32,450
Operations-SUSP (with Arsenic Treatment)	\$108,132	\$110,835	\$150,289	\$153,867	\$157,445
Personnel/Staffing Costs - Subtotal	\$137,632	\$141,073	\$181,264	\$185,579	\$189,895
Legal Costs					
Legal Services - County Agency costs	\$15,000	\$15,375	\$15,750	\$16,125	\$16,500
Legal Services - Outside Counsel costs	\$0	\$0	\$0	\$0	\$0
Legal Costs - Subtotal	\$15,000	\$15,375	\$15,750	\$16,125	\$16,500
Direct Costs					
State SWRCB Annual Permit Cost (Annual Fee)	\$3,361	\$3,445	\$3,529	\$3,613	\$3,697
Energy Costs (PG&E) - w/15% rate increase projected for 2024	\$75,900	\$77,798	\$79,695	\$81,593	\$83,490
Additional Treatment Costs - Arsenic Treatment (Acid/Caustic)			\$31,980	\$32,780	\$33,599
Chemical Costs (Chlorination, Treatment)	\$5,195	\$5,325	\$5,455	\$5,585	\$5,715
Chemical Costs (Arsenic Filter Media Replacement)					\$70,000
Water Quality Sampling/Analysis	\$9,668	\$9,910	\$10,151	\$10,393	\$10,635
Annual Consumer Confidence Report	\$5,000	\$5,125	\$5,250	\$5,375	\$5,500
Water Facilities Maintenance - ex. meters/valves/hydrants/pipes	\$26,021	\$26,672	\$27,322	\$27,973	\$28,623
Water Meter Reading Costs - reading/billing	\$13,800	\$14,145	\$14,490	\$14,835	\$15,180
Technology - Cell phones/computers/software costs	\$4,465	\$4,577	\$4,688	\$4,800	\$4,912
SCADA/Operations Software-Apps: Maintenance and Upgrades	\$5,000	\$5,125	\$5,250	\$5,375	\$5,500
Insurance (assuming no claims over next five years)	\$0	\$0	\$0	\$0	\$0
Direct Costs - Subtotal	\$148,410	\$152,120	\$187,811	\$192,320	\$266,850
Professional Services					
Planning/Design/Operations/Compliance (Outside Engineering)	\$35,000	\$35,875	\$36,750	\$37,625	\$38,500
Reserve and Contingency					
Water O&M Reserves (2 months of O&M costs, 15%)	\$95,563	\$97,952	\$120,960	\$123,851	\$147,749
Water O&M Costs Sub-total	\$431,605	\$442,395	\$542,534	\$555,501	\$659,494
Cost Category-Water CIP Project Summary					
1000 - Paving					
200 - Slurry Coat the Pintail and Canvas Back Sites	\$3,340			\$3,774	
2000 - Structural Repairs					
100 - Misc Building Repairs				\$5,943	
3000 - Site Facilities					
100 - Concrete Slabs for Key Pads	\$3,975				
200 - Concrete - For Coils	\$4,859				
200 - Coils for Key Pads	\$884				
23000 - Mechanical Equipment					
200 - HVAC - Replacement Units at Pintail and Canvas Back		\$7,354			
400 - Solar - 3 Panels and Batteries - 3 Ponds	\$23,180				
28000 - Water System					
124 - Rebuild Control Valves	\$12,063	\$12,063			
130 - Install 5 Backflow devices	\$13,402	\$13,402	\$13,402		
214 - Install transducers in all three monitoring wells	\$7,500				
214 - Equip all three monitoring wells with sample pumps		\$15,000			
260 - Pintail Well; modify electrical			\$131,250	\$306,250	
262 - Install new Pintail Arsenic Treatment System (Fully funded)	\$1,350,000	\$645,000			
264 - Install new pump and station at Wood Duck (based on DWR grants)	\$541,065	\$451,065	\$0	\$38,500	\$275,000
266 - Efficiency and Performance testing	\$2,000	\$3,000	\$3,075	\$3,152	\$3,231
268 - Replace Packing Seals on Pintail and Canvas Back Pumps		\$4,000			
270 - Replace Jockey Pump at Pintail Pump Station	\$97,500				
272 - Replace four booster pumps		\$62,545	\$62,545	\$62,545	
304 - Water Storage: Recoat the existing storage tank		\$50,000	\$83,091	\$83,091	
308 - Water Storage: Replace Cathodic Protection system at Pintail			\$28,162		
312 - Water Storage: Replace air compressors at Pintail & Canvas Back				\$5,500	
316 - Water Storage: Coating Pintail and Canvas Back Hydro Tanks		\$13,402	\$13,402		
400 - Electrical Panel: Replace 2 Panels		\$243,681	\$243,681	\$487,361	
874 - Water Meters: new meter stand				\$16,500	
880 - Flow Meters: 2 instrumentation, flow meters	\$33,115	\$33,115			
900 - Miscellaneous: Replace 2 MCC Units		\$268,192	\$268,192		
908 - Miscellaneous: Metering Pumps (2)				\$38,500	\$38,500
Water CIP Funding (Services to Obtain Grants & Loans for CIP Projects)	\$25,000	\$20,300	\$25,000	\$13,000	\$0
Water CIP DWR Grant Funding Allocation	(\$1,350,000)	(\$1,400,000)			
Water CIP Reserves (Application of Arsenic Reserves)	(\$470,000)	(\$145,000)	(\$348,000)	\$0	\$0
Water CIP Reserves (Water Only)	\$0	\$0	(\$316,600)	(\$860,000)	(\$214,500)
Water CIP Project Summary Costs Sub-total	\$297,883	\$297,117	\$207,200	\$204,116	\$102,231
Cost Category-Water System Debt Service					
Water System Loan - No current financing	\$0	\$0	\$0	\$0	\$0
Water System Debt Service Sub-total	\$0	\$0	\$0	\$0	\$0
TOTAL WILD WINGS WATER BUDGET (O&M/Capital/Debt Service)	\$729,487	\$739,512	\$749,734	\$759,617	\$761,725

SECTION 5. COST ALLOCATION

5.1 Cost Allocation

Table 5.1 shows an allocation of water system costs to various water rate components, including fixed meter charges, base usage, and peak usage. LSCE recommends recovering 40% of total system costs from fixed meter charges and 60% from volumetric charges. While collecting greater than 70% of costs from volumetric charges is generally recommended to encourage conservation, LSCE believes the 40/60 cost allocation between fixed and variable costs improves the conservation pricing signal compared to the current rate structure. Additionally, LSCE recommends recovering about 30% of variable system costs from peak usage, as peak use incurs significant capital costs for oversizing facilities and additional operations and maintenance expenses.

Water System Facilities Cost Allocation Item	FY24-25 Total Expenses	% Fixed Costs	\$ Fixed Costs		
Expenses Recovered By Base Rate:					
O&M - Staffing and Legal Costs	\$152,632	55%	\$83,947.60		
O&M - Direct Costs	\$148,410	40%	\$59,364		
O&M - Professional Services	\$35,000	50%	\$17,500		
O&M - Reserve & Contingency	\$95,563	50%	\$47,782		
Water CIP Costs - Blg/Equip/Veh/Misc	\$297,882	30%	\$89,365		
Debt Service	\$0	0%	\$0		
Total	\$729,487		\$297,958		
				Variable Cost Allocation:	
Expenses Recovered By Quantity Charge:				% Peaking	\$ Peaking
O&M - Staffing and Legal Costs	\$152,632	45%	\$68,684	0%	\$0
O&M - Direct Costs	\$148,410	60%	\$89,046	25%	\$22,262
O&M - Professional Services	\$35,000	50%	\$17,500	25%	\$4,375
O&M - Reserve & Contingency	\$95,563	50%	\$47,782	0%	\$0
Water CIP Costs - Other Projects	\$297,882	70%	\$208,517	50%	\$104,259
Debt Service	\$0	0%	\$0	0%	\$0
Total	\$729,487		\$431,529		\$130,895

Furthermore, tiered rates are structured based on average water use over the past two fiscal years, which is representative of typical water use patterns in the Wild Wings CSA service area with water conservation mandates in place. Over the past two years, the average annual water use has been about 180,000 gallons. Tier 1 consumption charges collect the average costs of operating the water system, while Tier 2 consumption charges collect the peaking costs associated with operating the water system, imposing additional facility sizing and operational cost factors due to higher-than-average water use.

The Wild Wings CSA has successfully reduced its annual average water use by nearly 30% since 2004 through more efficient water use. The recent drought cycle created awareness that resulted in lower but stable water use patterns that are expected to continue over the upcoming five-year period. The County will continue to monitor water use patterns and provide customers with updated water use information. This proactive approach ensures timely leak repairs and feedback on irrigation efficiency to maintain efficient water use over time.

SECTION 6. PROPOSED WATER RATES

6.1 Fixed Meter and Tiered Rate Water Charges

Table 6.1 shows the updated Wild Wings CSA water service charges for FY24/25 based on the updated revenue projections and cost allocation of water system costs to the various water rate components including fixed meter charges, Tier 1 (base usage), and Tier 2 (peak usage). In years 2 through 5, the water rates would be increased by inflation for the given year.

Table 6.1 Proposed FY24-25 Wild Wings Water Rates	
Water Meter Charge Calculation	Per Account
Fixed Rate Revenue Requirements	\$297,958
Number of Residential Meters (1-inch)	338
Number of Commercial Meters (2-inch)	1
Projected Annual Meter Charge-Residential	\$875.32
Projected Annual Meter Charge-Commercial	\$2,100.76
Projected Meter Charge Revenue	\$297,958
Tier 1 Quantity Rate Calculation	Per 100-gals.
Tier 1 Variable Revenue Requirements	\$300,634
Tier 1 Total Billing Units (100-gals.)	500,360
Projected Tier 1 Charge/100-gallons	\$0.60
Projected Tier 1 Charge Revenue	\$300,634
Tier 2 Quantity Rate Calculation	Per 100-gals.
Tier 2 Variable Revenue Requirements	\$130,895
Tier 2 Total Billing Units (100-gals)	104,533
Projected Tier 2 Charge/100-gallons	\$1.25
Projected Tier 2 Charge Revenue	\$130,895

The derivation of the fixed meter charge was based on establishing the fixed revenue requirements (\$297,958) and dividing by the water equivalent 1 inch & below meters (340.4) to arrive at an annual fixed meter charge of \$875.32 per residential service. Larger meters are recommended to be charged more in proportion to each meter's size based on American Water Works Association (AWWA) standard ratios. The 2-inch fixed meter charge was calculated to be \$2,100.76 annually based on the AWWA standard ratios.

The derivation of the tiered quantity charges was based on the variable cost allocation requirements (\$431,529) with a 70/30 split between Tier 1 (\$300,634) and Tier 2 (\$130,895) charges based on recent Wild Wings CSA water use data and trends. An analysis was conducted to determine how many units of water (100 gallons) can be considered Tier 1 (average usage) and Tier 2 (peak usage) in each tier. Average annual water use was quantified for the FY21/22

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and FY22/23 period to determine the Tier 1 (average) and Tier 2 (peak) billing units (1 billing unit = 100 gallons) with annualized average and peak use to be 500,360 and 104,533 billing units, respectively. Based on this analysis, 30% of peak system costs are recommended to be recovered from Tier 1 use and 70% from Tier 2 use.

Table 6.1 shows the derivation of the fixed meter and Tier 1 and Tier 2 quantity rates based on the recommended cost allocation for the updated water rates. The projected revenues to be collected for the fixed meter and quantity charges are specified, resulting in total water revenues of \$729,487 for FY24/25. This would meet the recommended annual revenue requirements for FY24/25 and is based on current water use practices continuing over the upcoming years. Only those customers using more than 180,000 gallons per year would pay Tier 2 quantity charges.

The proposed water rates include tiered rates, which provide a pricing signal to encourage efficient water based on recent Wild Wings CSA water use patterns. Tiered rates are the most common rate structure utilized in the water industry to collect revenues to cover the costs of providing service while encouraging long-term water use efficiency. The two-tier rate structure was recommended because it is easy to implement and understand while meeting the goals and objectives for the Wild Wings CSA water system. Water rates may be updated in the future based on changes in future revenue needs, CSA water use patterns, or other factors requiring a rate update process.

6.2 Total FY24/25 Water, Wastewater and Golf Course Charges

Table 6.2 shows the updated Wild Wings CSA water, wastewater, and golf course charges for FY24/25 in comparison to the current charges in FY23/24. The service charges for FY24/25 are based on the updated revenue projections and cost allocation of water, wastewater, and golf course charges. The FY24/25 water and wastewater rates are increasing due to higher costs of service, while the golf course rates are declining, resulting in a net 3.61% increase in total charges.

Wild Wings Charge Type	FY23/24	FY24/25
	Annual Charges	Annual Charges
Water	\$1,371.31	\$1,762.14
Wastewater	\$3,268.42	\$3,658.34
Golf Course	\$1,838.00	\$1,300.00
Total Annual Charges	\$6,477.73	\$6,720.48
% Annual Increase		3.61%

Golf course charges can be reduced with adjusted utility rate cost allocations that better represent the costs of service and costs of operations under management by the Wild Wings

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HOA starting in FY23-24. In years 2 through 5, golf course charges will be subject to inflation adjustments for the respective years. **Exhibit “B”** contains preliminary golf course budget information.

6.3 Rate Administration Overview

General Administrative Requirements

Property-related fee levies are calculated for all parcels on the new fiscal year’s Assessor Roll, encompassing all parcels in existence before January 1 of the previous fiscal year. Once calculated, levy data must be filed with the County Auditor by August 10 for inclusion on property tax bills. After submission, final levies are confirmed with the County Auditor before preparing tax bills, typically in October. Fees are collected in two equal installments, due by December 10 and April 10. Alternatively, fees could be collected through direct bills to property owners.

Delinquency Procedure

The CSA participates in the “Teeter Plan” with the County of Yolo, whereby the County pays all delinquent fees to the CSA. In return, the County institutes collection proceedings and retains all collected delinquent payments with interest and penalties. This plan ensures reliable fee revenues for the CSA and reduces collection costs.

FEE Diagram

The existing Boundary Map/Fee Diagram for the Wild Wings County Service Area (CSA), as adopted by Yolo Local Agency Formation Commission (LAFCO) July 28, 2016, is on file with the Yolo County Recorder’s office. **Exhibit “C”** attached to this report provides a copy of the Boundary Map/Fee Diagram. There have been two changes as reflected on the Boundary Map since the original approval in 2004, with no additional service connections anticipated at this time.

2024/2025 FEE ROLL

The fee roll, listing FY24/25 fees for all Assessor’s parcels within the Wild Wings CSA boundaries, is incorporated into this report and attached as **Exhibit “D”**. Fees attributed to each parcel are computed in accordance with the approved fee methodology, confirmed by vote or agreement of the property owners subject to this fee.

2024 Proposition 218 Notice

The draft 2024 Proposition 218 Notice for utility charges within the Wild Wings CSA boundaries, is incorporated into this report and attached as **Exhibit “E”**. The Proposition 218 Notice would be mailed directly to each parcel subject to the water charges and includes a protest form for parcel owners to complete and submit at the public hearing if protesting the proposed water charges.