



South San Luis Obispo County Sanitation District



2025 Wastewater Rate Study



BARTLE WELLS ASSOCIATES
INDEPENDENT PUBLIC FINANCE ADVISORS

South San Luis Obispo County Sanitation District

2025 Wastewater Rate Study

May 2025

Prepared by:



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May 1, 2025

South San Luis Obispo County Sanitation District
1600 Aloha Place
Oceano, CA 93445

Attn: Jeremy Ghent, District Administrator

Re: 2025 Wastewater Rate Study

Bartle Wells Associates is pleased to submit the attached *2025 Wastewater Rate Study*. The study develops ten-year financial projections and recommends rate increases designed to fund the District's operating and capital programs and support future balanced budgets. The proposed rate increases are phased in over the next five years to minimize the annual impact on ratepayers.

The District last adjusted its wastewater treatment rates on July 1, 2019, almost six years ago. The District's regional wastewater treatment rates combined with the local sewer collection system rates levied by Arroyo Grande, Grover Beach and Oceano Community Services District are currently among the lowest in the region.

The proposed rate increases are needed to a) support escalating costs of operating and maintaining the District's regional conveyance pipelines and wastewater treatment facilities, b) provide adequate funding for rehabilitation and replacement of aging infrastructure to support safe and reliable service, and c) support repayment of an approximately \$4.5 million, 1.375% low-interest-rate loan from USDA Rural Development.

I enjoyed working with the District on this study and appreciate the ongoing collaboration, input and assistance received from the District's project team. Please contact me anytime if you have questions about this report or other issues related to utility rates and finance.

BARTLE WELLS ASSOCIATES

Alex Handlers, CIPMA
Principal/President

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1 BACKGROUND, OBJECTIVES & KEY FINDINGS

1.1 Background

The South San Luis Obispo County Sanitation District (SSLOCS D or District) is a special district that provides wastewater treatment services to the communities of Arroyo Grande, Grover Beach, and Oceano. The District is located in southwestern San Luis Obispo County, California approximately 15 miles south of the City of San Luis Obispo. The District serves a population of roughly 39,000 as well as commercial, industrial, and institutional accounts within its service area.

The District was formed in 1963 and is governed by a three-member Board of Directors who are appointed by the governing bodies of its three member agencies: the Cities of Arroyo Grande and Grover Beach, and the Oceano Community Services District. Each Board Member has an equal vote. Each of the member agencies owns and operates its own local sewer collection system.

The District owns and operates a regional wastewater treatment plant with a permitted capacity of 5.0 million gallons per day (mgd) of average dry weather flow, an ocean outfall for disposal of treated effluent, and almost nine miles of wastewater trunk lines that convey sewage from its member agencies to the treatment plant. The District also assists in providing wastewater source control programs and inspection services on behalf of its member agencies.

The District is a financially self-supporting agency that relies primarily on revenues from wastewater treatment rates to fund its costs of providing service. The District has not increased its rates in almost six years. Current rates have been in effect since July 1, 2019.

1.2 Rate Study Objectives

In 2025, the District retained Bartle Wells Associates (BWA) to develop a wastewater rate study and recommend rate increases needed to support the District's operating, debt service, and capital improvement funding needs. Key elements of the rate study include

- Develop updated 10-year financial projections to identify annual funding needs and evaluate rate increases
- Incorporate the latest available financial information as well as reasonable projections of future operating, maintenance and capital improvement expenses
- Develop rate recommendations designed to:
 - Recover the District's costs of providing service and support long-term financial stability
 - Provide adequate funding for capital improvement needs including repair and replacement of aging infrastructure

- Support debt repayment and ongoing compliance with debt service coverage requirements of outstanding debt and an anticipated new low-interest-rate USDA Loan
- Maintain a prudent level of fund reserves
- Comply with Article 13D of the California Constitution established by Proposition 218
- Aim for gradual annual rate increases to help minimize the annual impact on customers

The recommendations presented in this report were developed with input from the District’s project team which included District staff and the District’s independent engineering consultant.

1.3 Summary of Key Findings & Recommendations

Since rates were last adjusted in 2019, the District has faced significant cost increases without any corresponding rate adjustments. Additionally, the District will need to start funding new operating expenses for the recently-completed Redundancy Project and new debt service for an anticipated USDA Loan. Proposed rate increases are needed to:

- **Catch Up & Keep Up with Operating Cost Inflation** – Since the District’s rates were last adjusted in 2019, inflation (CPI) has increased roughly 25% and costs for electricity and chemicals have roughly doubled. Proposed rate increases are needed to support the District’s escalating costs of providing service and fund new operating expenses for the recently-completed Redundancy Project built to address regulatory requirements and improve treatment plant reliability.
- **Fund Capital Improvement Needs of Aging Facilities** – The District’s wastewater treatment plant began operating in 1966 and is now almost 60 years old. Although some major improvements have been completed over the years, additional ongoing capital improvements are needed due the age and condition of District facilities. The District has identified over \$9 million of high-priority capital improvements needed over the next five years to rehabilitate and replace aging equipment and infrastructure, address existing deficiencies, and improve reliability.
- **Support Repayment of a New Low-Interest-Rate USDA Loan** – The District anticipates receiving an approximately \$4.5 million, 1.375% interest rate loan from USDA Rural Development within the next few months. Annual debt service is projected at roughly \$147,000 per year.

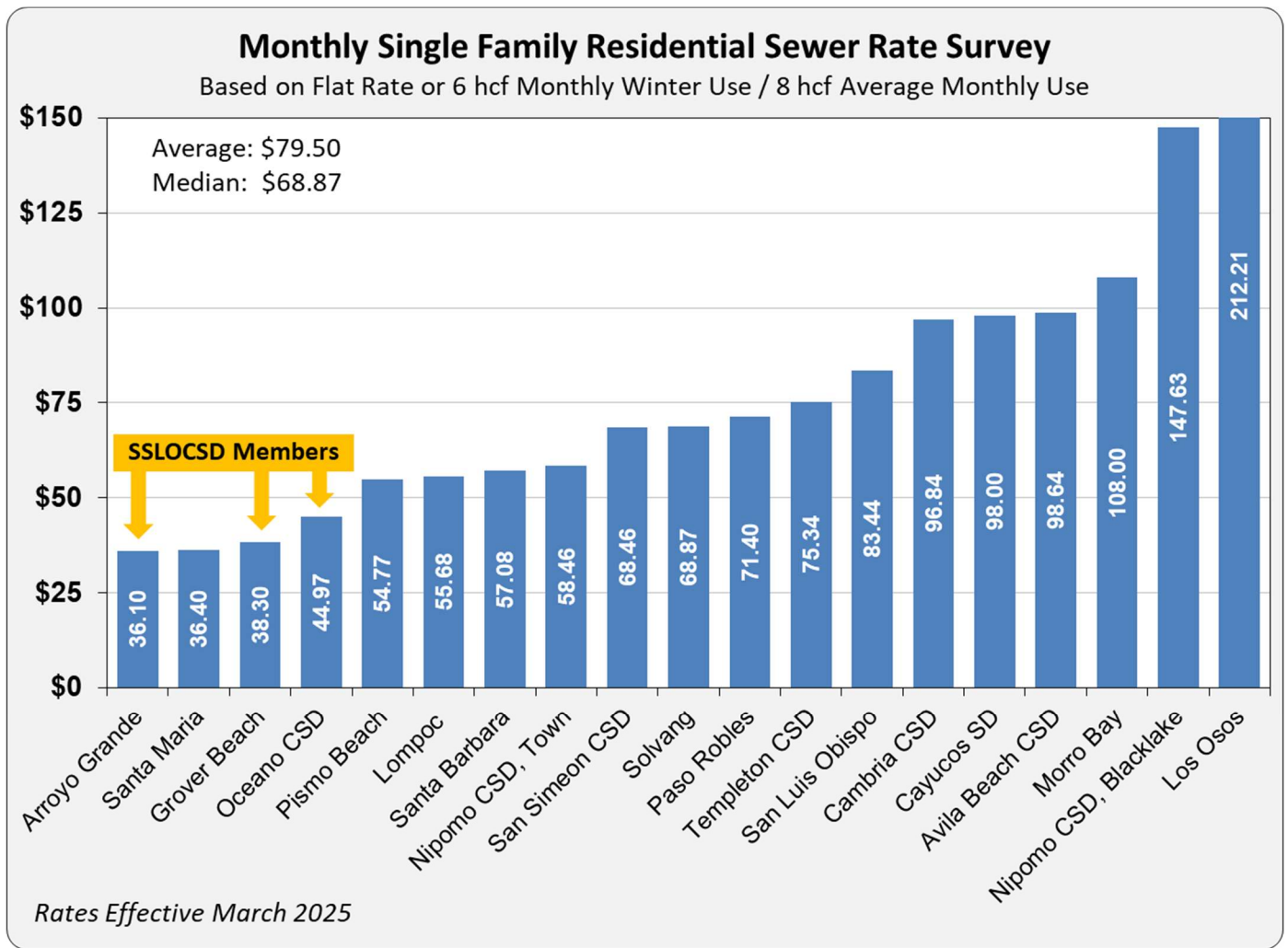
BWA worked with District staff to develop updated financial projections to identify annual funding needs and evaluate rate increases needed to support the District’s projected costs of providing service. The projections indicate the need for 9% annual rate increases for each of the next five years.

These projected 9% rate increases follow a period of no rate increases for six years. From the date of the last increase on July 1, 2019 through full implementation of the proposed rate increases in 5 years, the average annual rate increase will equate to approximately 4.4% per year.

1.4 Regional Sewer Rate Survey

The chart on the following page shows a survey of regional sewer charges for a typical single family home. Charges shown for the District’s member agencies of Arroyo Grande, Grover Beach and Oceano Community Services District include both a) each local agency’s sewer collection system charges, and b) the District’s regional wastewater treatment rates. The combined sewer charges for each of the District’s member agencies are currently among the very lowest in the region.

Figure 1 – Single Family Residential Sewer Rate Survey



2 DISTRICT RATES & FINANCES

2.1 Wastewater Treatment Rates

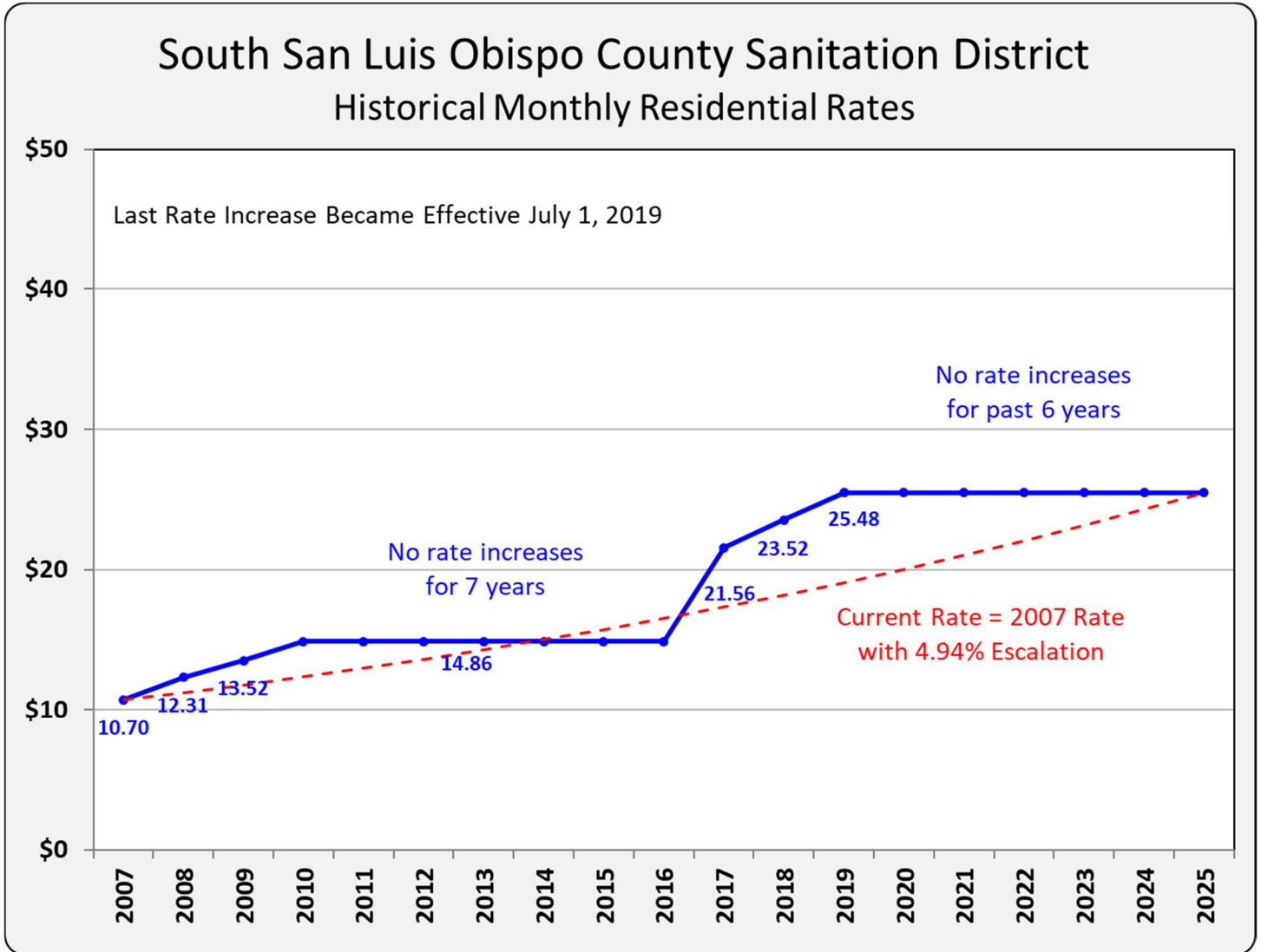
Table 1 shows a history of the District’s wastewater treatment rates. The District has not increased its rates for almost six years. Current rates have been in effect since July 1, 2019. Residential customers are charged a flat monthly rate per dwelling unit. Nonresidential customers pay fixed monthly charges that vary by factors including customer type, number or employees, number of restaurant seats, number of students, and other factors as shown below. The District’s rates are designed to recover each customer’s proportional share of the District’s costs of providing service.

Table 1 – Historical Wastewater Treatment Rates

	Prior Rates	Jan 1 2007	May 1 2007	May 1 2008	May 1 2009	May 1 2010	July 1 2017	July 1 2018	July 1 2019
a. Residences & Apartments	\$6.50	\$8.93	\$10.70	\$12.31	\$13.52	\$14.86	\$21.56	\$23.52	\$25.48
b. Hotel Units with Kitchens	5.20	9.41	11.29	12.98	14.28	15.71	18.85	20.56	22.27
c. Hotel Units without Kitchens	4.40	6.02	7.22	8.30	9.12	10.02	12.12	13.22	14.32
d. Hotel Room	4.55	6.22	7.46	8.58	9.42	10.36	12.12	13.22	14.32
e. Commercial Establishments	6.73	4.59	5.51	6.26	6.97	7.65	9.69	10.57	11.45
Each additional employee above 5	0.44	0.92	1.10	1.25	1.39	1.53	1.95	2.13	2.31
f. Beauty Shops	8.66	8.49	10.19	11.60	12.73	13.97	19.39	21.15	22.91
Each additional operator above 5	0.86	1.41	1.70	1.93	2.12	2.33	2.93	3.20	3.47
g. Eating Establishments w/o Grinders	9.31	9.11	10.92	12.56	13.79	15.16	30.17	32.91	35.65
Each additional 5 seats above 30	1.01	1.52	1.82	2.09	2.30	2.53	4.53	4.94	5.35
h. Restaurants (w/Grinders) less than 30 seats	14.78	17.30	20.67	24.31	28.12	31.07	48.50	52.91	57.32
Restaurants (w/Grinders) over 30 seats	18.29	22.18	26.51	31.17	36.06	39.84	67.89	74.06	80.23
i. Laundromats - per washing machine	2.96	5.83	7.01	7.98	8.85	9.71	13.89	15.15	16.41
Minimum Charge	8.71	17.50	21.03	23.93	26.54	29.14	41.70	45.49	49.28
j. Service Stations - no wash/rack	7.86	23.26	27.91	31.84	34.11	37.41	57.11	62.30	67.49
Service Stations - with wash/rack	12.47	34.18	41.06	46.56	49.65	54.40	81.92	89.37	96.82
k. Factories	12.47	13.34	16.02	18.30	20.08	22.05	32.33	35.27	38.21
Each additional employee above 20	0.38	0.66	0.80	0.91	1.00	1.10	1.62	1.77	1.92
l. Churches	6.71	7.57	9.10	10.34	11.44	12.56	17.89	19.52	21.15
Per ADA with elementary school	0.21	0.21	0.25	0.28	0.31	0.34	0.54	0.59	0.64
Per ADA with other school	0.30	0.30	0.36	0.42	0.46	0.51	0.79	0.86	0.93
m. Bottling Plants	12.47	13.34	16.02	18.30	20.08	22.05	38.81	42.34	45.87
n. Schools (Non-boarding)	3.25	4.27	5.13	5.83	6.44	7.07	10.74	11.72	12.70
Per ADA with elementary school	0.21	0.20	0.24	0.27	0.30	0.33	0.54	0.59	0.64
Per ADA with other school	0.30	0.31	0.36	0.43	0.47	0.52	0.79	0.86	0.93
o. Schools (Boarding)	3.25	4.27	5.13	5.83	6.44	7.07	10.78	11.76	12.74
Per ADA with elementary school	0.38	0.43	0.51	0.59	0.65	0.71	1.08	1.18	1.28
Per ADA with other school	0.48	0.57	0.68	0.78	0.86	0.95	1.52	1.66	1.80
p. Trailer/Mobile Home Space	6.50	2.52	3.02	3.47	3.81	4.19	12.95	14.13	15.31
q. RV Dump Stations - Less than 50 services	21.00	25.22	30.15	35.20	38.75	42.69	100.23	109.34	118.45
r. Brine (per gallon)	0.1125	0.1125	0.1125	0.1125	0.1125	0.1125	0.1125	0.1125	0.1125

The following chart shows a history of the District’s monthly residential rates. Current rates are equivalent to the District’s 2007 charges escalated by 4.94% per year.

Figure 2 – Historical Monthly Residential Rates



2.2 Billing & Collection

The District’s regional wastewater treatment charges are currently collected on the sewer bills of Arroyo Grande and Grover Beach while customers in the Oceano Community Services District are billed via the San Luis Obispo County’s property tax rolls. The District’s wastewater treatment charges are billed as separate charges from each local agency’s rates for sewer collection system services.

2.3 Revenues & Expenses

SSLOCS D is a financially self-supporting agency that relies primarily on revenues from its wastewater treatment rates to funds its costs of providing service. Table 2 shows a breakdown of historical revenues for the past four fiscal years. Over the period shown, service charges and fees have accounted for a little over 90% of total annual revenues on average.

Table 2 – Historical Revenues

	2020/21	2021/22	2022/23	2023/24
Service Charges & Fees				
Arroyo Grande	\$2,665,093	\$2,704,579	\$2,684,934	\$2,692,061
Grover Beach	1,911,505	1,907,909	1,921,446	1,947,301
Oceano CSD	978,627	992,871	999,822	997,802
Schools/Other Service Income	40,492	54,003	50,568	50,898
<i>Subtotal</i>	<u>5,595,717</u>	<u>5,659,363</u>	<u>5,656,769</u>	<u>5,688,062</u>
Connection Fees				
Arroyo Grande	121,273	17,324	26,805	39,737
Grover Beach	14,231	31,555	97,138	188,087
Oceano CSD	48,880	(2,475)	12,375	5,690
<i>Subtotal</i>	<u>184,384</u>	<u>46,404</u>	<u>136,318</u>	<u>233,514</u>
Other Revenues				
Brine Disposal Services	131,904	89,959	130,362	101,696
Interest Earnings: Fund 19	203,677	(52,367)	86,279	658,830
Interest Earnings: Fund 20	14,561	(281,065)	331,859	101,184
Other/Grants	31,323	-	-	-
<i>Subtotal</i>	<u>381,465</u>	<u>(333,432)</u>	<u>418,138</u>	<u>760,013</u>
Total Revenues	6,161,567	5,372,335	6,211,224	6,681,589

Source: South San Luis Obispo County Sanitation District, Profit & Loss Statements

Note: Interest Earnings may include unrealized gains/losses (which are non-cash accounting estimates)

Note: Revenues exclude interfund transfers

Table 3 shows historical operating and maintenance expenses from the prior four fiscal years as well budgeted and estimated expenses for the current fiscal year 2024/25. Compared to the 2024/25 Budget, the Base Year Estimates for 2024/25 are slightly adjusted to more accurately reflect ongoing funding levels used as basis for financial projections. The District experienced a significant increase in operating expenses over the period shown, which includes a period of historically high cost inflation. For example, over the past five years, the District’s costs for electricity purchased from PG&E and chemicals needed for wastewater treatment processing have roughly doubled.

Table 3 – Historical & Estimated Operating Expenses

	2020/21	2021/22	2022/23	2023/24	2024/25	2024/25
OPERATING & MAINTENANCE EXPENSES	Actual	Actual	Actual	Actual	Budget	Base Year Estimates
Salaries & Benefits						
Salaries and Wages	846,584	862,687	896,217	1,088,611	1,126,000	1,126,000
Employee Benefits/Personnel Costs	<u>564,292</u>	<u>767,512</u>	<u>205,446</u>	<u>658,703</u>	<u>708,500</u>	<u>708,000</u>
Subtotal	1,410,876	1,630,199	1,101,663	1,747,314	1,834,500	1,834,000
Utilities	260,849	356,141	354,091	492,506	556,000	580,000
Plant Chemicals	354,687	373,420	665,833	746,867	660,000	660,000
Other Materials, Services and Supplies	57,968	60,851	84,181	216,160	338,500	338,000
Maintenance, Tools & Replacements						
Maintenance, Tools & Replacements	167,278	212,061	237,668	236,385	296,000	296,000
Capital Equipment	<u>0</u>	<u>0</u>	<u>0</u>	<u>42,400</u>	<u>35,000</u>	<u>35,000</u>
Subtotal	167,278	212,061	237,668	278,786	331,000	331,000
Other Operating Expenses						
Permits, Fees and Licenses	54,918	31,301	59,204	64,427	55,500	55,500
Communications	15,258	17,536	15,245	15,861	21,100	21,000
Administrative Costs	144,197	173,838	177,188	212,387	301,800	302,000
Legal Costs	44,633	16,559	30,211	24,038	60,000	50,000
Engineering	8,387	48,792	7,054	5,237	100,000	60,000
Coastal Hazards & Monitoring	83,298	60,699	71,524	87,832	78,000	78,000
LAFCO Budget Share	14,152	15,626	16,535	32,250	18,000	18,000
Zone 1/1A Agreement	32,829	33,810	34,821	35,862	36,000	36,000
Agency Billing	43,656	51,362	58,836	40,141	65,000	65,000
Disposal Services	72,519	64,198	90,610	72,491	91,000	91,000
Training, Education & Memberships	<u>13,525</u>	<u>25,467</u>	<u>21,875</u>	<u>25,790</u>	<u>43,500</u>	<u>43,500</u>
Subtotal	527,371	539,189	583,103	616,314	869,900	820,000
Total	<u>2,779,029</u>	<u>3,171,861</u>	<u>3,026,539</u>	<u>4,097,946</u>	<u>4,589,900</u>	<u>4,563,000</u>

Source: Based on information provided by South San Luis Obispo County Sanitation District; excludes interfund transfers and use of debt proceeds.

2.4 Debt Service

Table 3 shows a schedule of outstanding and projected debt service. The District's outstanding debt service includes 2020 Wastewater Revenue Certificates of Participation (similar to bonds) which were issued to help fund the recently-completed "Redundancy Project", a major upgrade to the District's treatment plant which was required by the Regional Water Quality Control Board to address regulatory requirements and improve treatment plant reliability.

The 2020 Wastewater Certificates include two components:

- Series A – Long-term debt service issued to fund most of the Redundancy Project, and
- Series B – A shorter-term component designed to provide interim financing for a little under \$4.5 million of project costs that will ultimately be funded by a long-term USDA Loan.

The table also shows projected debt service for an anticipated low-interest-rate USDA Loan that the District pursued to help minimize annual debt service expenses. Only a portion of project costs were eligible for USDA Loan financing. Proceeds from the USDA Loan will be used to pay off the Series B interim financing. Debt repayment for the USDA Loan is projected to start in August of 2026 and will result in an increase in annual debt service starting fiscal year 2026/27.

The District was successful in securing financing for its required Redundancy Project at very low interest rates:

- The Series A Certificates were issued with a True Interest Cost (TIC) of approximately 2.1% over a 30-year repayment term.
- The USDA Loan was locked in at an interest rate of 1.375% and has a 40-year repayment term.

Table 4 – Outstanding & Projected Debt Service

Fiscal Year Ending 6/30	2020 Wastewater COPs		USDA Loan Payments ²	Total Payments
	Series A	Series B ¹		
2021	123,811	18,604	-	142,415
2022	955,044	89,300	-	1,044,344
2023	951,169	89,300	-	1,040,469
2024	946,544	89,300	-	1,035,844
2025	955,794	89,300	-	1,045,094
2026	953,794	4,509,650	-	5,463,444
2027	1,082,419		147,000	1,229,419
2028	1,081,419		147,000	1,228,419
2029	1,083,794		147,000	1,230,794
2030	1,081,619		147,000	1,228,619
2031	1,081,794		147,000	1,228,794
2032	1,083,231		147,000	1,230,231
2033	1,084,381		147,000	1,231,381
2034	1,083,994		147,000	1,230,994
2035	1,082,038		147,000	1,229,038
2036	1,083,913		147,000	1,230,913
2037	1,085,044		147,000	1,232,044
2038	1,085,403		147,000	1,232,403
2039	1,084,463		147,000	1,231,463
2040	1,082,713		147,000	1,229,713
2041	1,085,613		147,000	1,232,613
2042	1,083,163		147,000	1,230,163
2043	1,084,800		147,000	1,231,800
2044	1,085,463		147,000	1,232,463
2045	1,085,700		147,000	1,232,700
2046	1,085,513		147,000	1,232,513
2047	1,084,288		147,000	1,231,288
2048	1,082,013		147,000	1,229,013
2049	1,084,231		147,000	1,231,231
2050	1,085,888		147,000	1,232,888
2051	1,082,038		147,000	1,229,038
2052			147,000	147,000
2053			147,000	147,000
2054			147,000	147,000
2055			147,000	147,000
2056			147,000	147,000
2057			147,000	147,000
2058			147,000	147,000
2059			147,000	147,000
2060			147,000	147,000
2061			147,000	147,000
2062			147,000	147,000
2063			147,000	147,000
2064			147,000	147,000
2065			147,000	147,000
2066			147,000	147,000
Total	31,981,083	4,885,454	5,880,000	42,746,537

1 Includes \$4,465,000 of principal that will be repaid by Sept-1, 2025 by an anticipated USDA Loan.

2 USDA Loan assumes \$4,464,000 of principal, 1.375% interest rate, 40-year repayment term.

3 FINANCIAL & RATE PROJECTIONS

3.1 Financial Challenges / Key Drivers of Rate Increases

After six years of no rate increases, the District needs to resume raising rates to support escalating costs of service and provide adequate funding for capital improvements to aging infrastructure. Key drivers of rate increases include:

3.1.1 Capital Improvement Needs of Aging Infrastructure

The District’s conveyance pipelines and wastewater treatment plant began operating in 1966 and are now almost 60 years old. While the District has completed some major upgrades to the treatment plant over the years, ongoing funding is needed to address rehabilitation and replacement of aging equipment and infrastructure to support safe and reliable service.

As shown on Table 5 below, the District has identified over \$9 million of high-priority capital improvements needed over the next five years to rehabilitate and replace aging equipment and infrastructure, address existing deficiencies, and improve reliability. While some funding is included for improvements to the District’s aging trunk mains that convey wastewater from Arroyo Grande, Grover Beach and Ocean to the treatment plant, additional funding needs are expected to be identified from the District’s Trunk Sewer Capacity Study, which is not yet completed.

Table 5 – 5-Year Capital Improvement Plan

	2025/26	2026/27	2027/28	2028/29	2029/30	Total
FFR Rehabilitation	310,000	1,740,000				2,050,000
Structural Inspections	250,000					250,000
Headworks Improvements		233,000	1,320,000			1,553,000
Digester #1 Cleanout & Rehab		90,000	600,000			690,000
Amiad Filter (Plant Water)	28,000					28,000
Emergency Generator				184,000	920,000	1,104,000
MCC Improvements				1,332,000	480,000	1,812,000
SCADA System Improvements	110,000					110,000
Mobile Equipment	70,000					70,000
Laboratory Equipment	50,000					50,000
Truck Main Allowance	200,000	200,000	200,000	250,000	500,000	1,350,000
Total	1,018,000	2,263,000	2,120,000	1,766,000	1,900,000	9,067,000

Note: Trunk Main allowance will be reviewed and refined after the Trunk Sewer Capacity Study is completed.

The District anticipates that future capital funding needs after the next five years will continue at \$1.9 million per year with 3% cost escalation, roughly the same levels included in the 5-Year Capital Improvement Program.

3.1.2 Operating Cost Inflation & New Expenses

Since the District last adjusted its rates on July 1, 2019, it has faced significant operating cost increases without any corresponding rate adjustments. Rate increases are needed to bring revenues back in line with the cost of providing service and support funding for the District's escalating costs of electricity, chemicals, materials, insurance, operations, and professional services, which have increased substantially in recent years and are expected to continue increasing in future years. For planning purposes, future operating and maintenance expenses are projected to escalate at the annual rate of 3.5%. Additionally, the District will need to start funding new expenses for operating the recently-completed Redundancy Project.

3.1.3 New USDA Loan Debt Service & Debt Service Coverage Requirements

As previously noted, the District anticipates obtaining a 1.375% USDA Loan to repay interim financing used to fund a portion of the District's wastewater treatment plant redundancy project. Debt repayment for the USDA Loan is projected to start in August of 2026 and will result in an increase in annual debt service starting fiscal year 2026/27. Additionally, the District is legally obligated to raise rates as needed in future years to ensure compliance with debt service coverage requirements of the 2020 Wastewater Certificates and the new USDA Loan.

3.2 10-Year Financial Projections

Bartle Wells Associates developed 10-year financial projections to identify future funding needs and evaluate rate increases. Cash flow projections are shown on the following page. The projections incorporate the latest information available as well as a number of reasonable and slightly conservative assumptions. Key assumptions include:

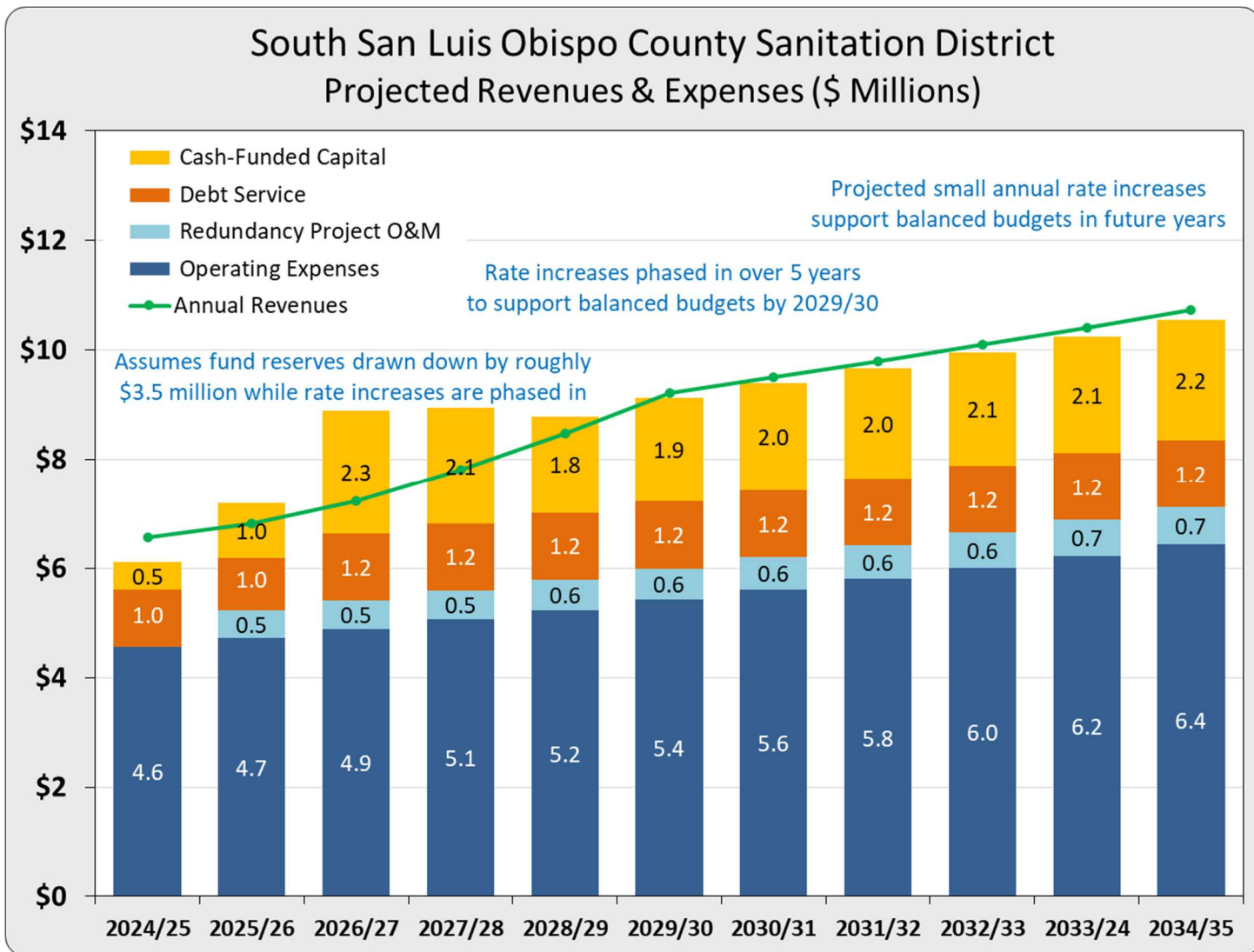
- Operating and maintenance costs are based on the 2024/25 Budget, with a few small adjustments, and escalate at the annual rate of 3.5% to account for future cost inflation.
- Growth from new development and/or redevelopment is conservatively projected at the equivalent of 40 new single family homes per year (a little over 0.20%) for financial planning purposes.
- New operating and maintenance expense for the Redundancy Project are projected at \$500,000 per year plus 3.5% cost escalation starting fiscal year 2025/26.
- Capital improvement costs are based on the District's updated 5-Year Capital Improvement Program with future capital costs projected at \$1.9 million per year escalating by 3% per year.
- The District maintains a healthy level of fund reserves and anticipates drawing down about \$3.5 million of fund reserves over the next five years to help fund the District's capital program while rate increases are gradually phased in.
- The table also calculates annual debt service coverage based on a) total annual revenues less operating and maintenance expenses, divided by b) annual debt service.

Table 6 - 10-Year Cash Flow Projections

South San Luis Obispo CSD Cash Flow Projections											
	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/24	2034/35
Rate Increases	0%	9%	9%	9%	9%	9%	3%	3%	3%	3%	3%
Monthly Residential Treatment Charge Growth (ERUs)	\$25.48	\$27.77	\$30.27	\$32.99	\$35.96	\$39.20	\$40.38	\$41.59	\$42.84	\$44.13	\$45.45
Est. Growth %		40	40	40	40	40	40	40	40	40	40
Interest Earnings Rate	3.5%	0.22%	0.22%	0.22%	0.22%	0.22%	0.22%	0.22%	0.22%	0.22%	0.22%
Beginning Fund Reserves	\$11,687,000	\$14,518,000	\$14,117,000	\$12,430,000	\$11,288,000	\$10,959,000	\$11,033,000	\$11,127,000	\$11,239,000	\$11,369,000	\$11,518,000
REVENUES											
Sewer Treatment Charges	5,660,000	6,183,000	6,754,000	7,378,000	8,060,000	8,805,000	9,089,000	9,382,000	9,685,000	9,997,000	10,319,000
Brine Disposal	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000	90,000
Investment Earnings	409,000	436,000	282,000	249,000	226,000	219,000	221,000	223,000	225,000	227,000	230,000
Connection Fees	400,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Revenues	6,559,000	6,809,000	7,226,000	7,817,000	8,476,000	9,214,000	9,500,000	9,795,000	10,100,000	10,414,000	10,739,000
Repair Reimbursement Owed as of 6/30/24	2,380,000										
EXPENSES											
Operating & Maintenance											
Salaries & Benefits	1,834,000	1,898,000	1,964,000	2,033,000	2,104,000	2,178,000	2,254,000	2,333,000	2,415,000	2,500,000	2,588,000
Utilities	580,000	600,000	621,000	643,000	666,000	689,000	713,000	738,000	764,000	791,000	819,000
Plant Chemicals	660,000	683,000	707,000	732,000	758,000	785,000	812,000	840,000	869,000	899,000	930,000
Other Materials Services & Supplies	338,000	350,000	362,000	375,000	388,000	402,000	416,000	431,000	446,000	462,000	478,000
Maintenance, Tools & Replacements	331,000	343,000	355,000	367,000	380,000	393,000	407,000	421,000	436,000	451,000	467,000
Other Operating Expenses	820,000	849,000	879,000	910,000	942,000	975,000	1,009,000	1,044,000	1,081,000	1,119,000	1,158,000
Redundancy Project O&M Expenses	-	500,000	518,000	536,000	555,000	574,000	594,000	615,000	637,000	659,000	682,000
Subtotal	4,563,000	5,223,000	5,406,000	5,596,000	5,793,000	5,996,000	6,205,000	6,422,000	6,648,000	6,881,000	7,122,000
Debt Service											
2020 Wastewater Revenue COPs	1,045,000	954,000	1,082,000	1,081,000	1,084,000	1,082,000	1,082,000	1,083,000	1,084,000	1,084,000	1,082,000
USDA Loan	-	-	147,000	147,000	147,000	147,000	147,000	147,000	147,000	147,000	147,000
Subtotal	1,045,000	954,000	1,229,000	1,228,000	1,231,000	1,229,000	1,229,000	1,230,000	1,231,000	1,231,000	1,229,000
Capital Improvements	500,000	1,018,000	2,263,000	2,120,000	1,766,000	1,900,000	1,957,000	2,016,000	2,076,000	2,138,000	2,202,000
Total Expenses	6,108,000	7,195,000	8,898,000	8,944,000	8,790,000	9,125,000	9,391,000	9,668,000	9,955,000	10,250,000	10,553,000
Revenues Less Expenses	2,831,000	(386,000)	(1,672,000)	(1,127,000)	(314,000)	89,000	109,000	127,000	145,000	164,000	186,000
Transfer to USDA Debt Service Rsrv Fund	-	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)	(15,000)
Ending Fund Reserves	14,518,000	14,117,000	12,430,000	11,288,000	10,959,000	11,033,000	11,127,000	11,239,000	11,369,000	11,518,000	11,689,000
Ending USDA Debt Svc Reserve Fund	-	15,000	30,000	45,000	60,000	75,000	90,000	105,000	120,000	135,000	150,000
Debt Service Coverage (Min ≥ 1.20)	1.91	1.66	1.48	1.81	2.18	2.62	2.68	2.74	2.80	2.87	2.94

The following chart graphically shows a 10-year projection of District revenues and expenses based on the cash flow projections. The proposed rate increases are designed to put the District on a long-term path toward supporting balanced budgets while providing adequate funding for ongoing rehabilitation and replacement of aging infrastructure. In the near term, the projections assume the District will draw down roughly \$3.5 million of fund reserves over the next five years to support capital improvement needs while rate increases are gradually phased in.

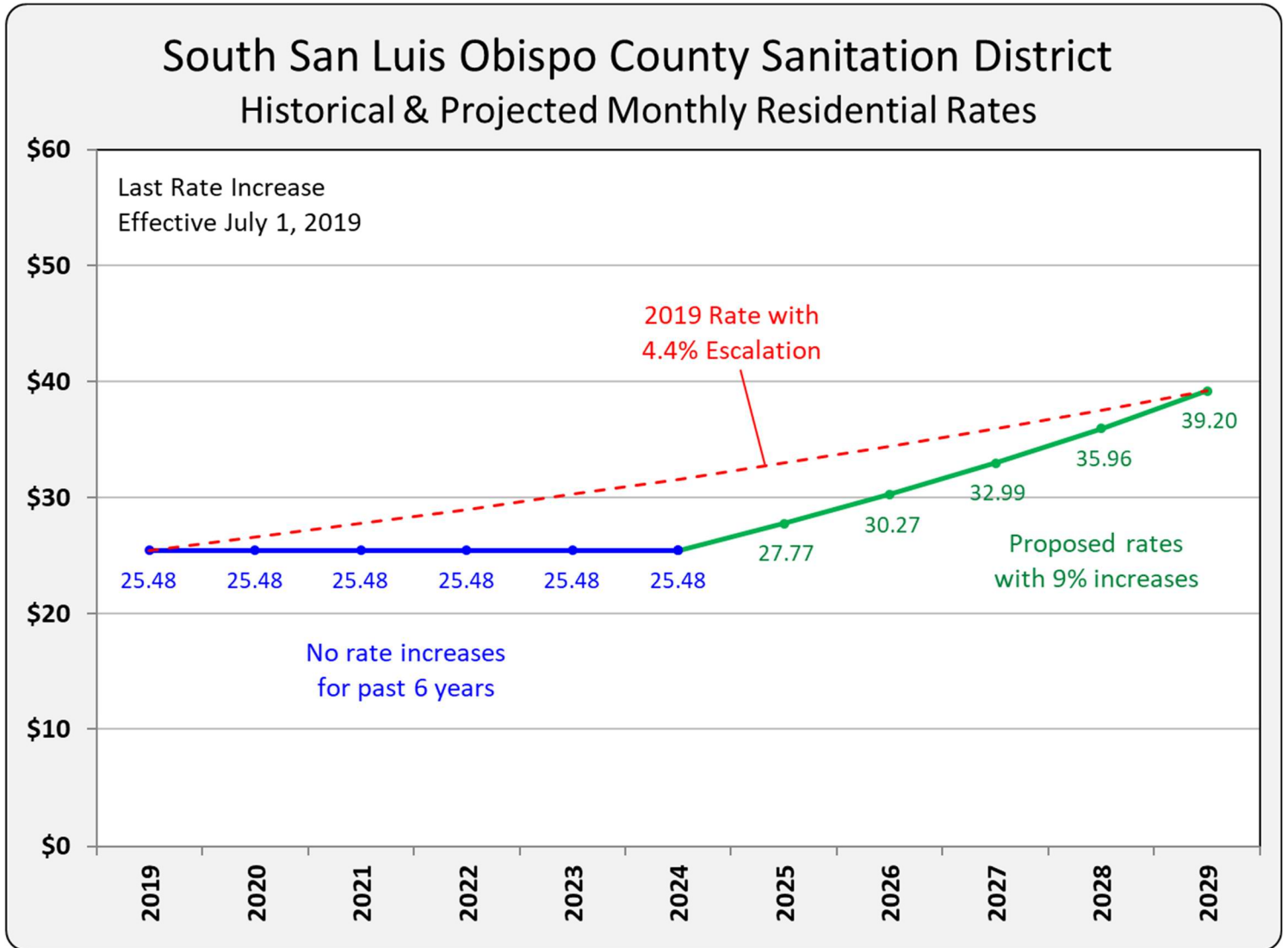
Figure 3 – Water Utility Projected Revenues & Expenses



3.3 Projected Rate Increases

The cash flow projections indicate the need to raise rates by 9% each year for the next five years in order to meet the District’s projected operating, debt service and capital funding needs. These projected rate increases follow a period of no rate increases for six years. With full implementation of the proposed rate increases, the average annual rate increase from July 1, 2019 to 2029 equates to approximately 4.4% per year.

Figure 4 – Historical & Projected Residential Rates



3.4 Proposed Rates

Table 7 shows a schedule of proposed wastewater treatment rates for the next five years. Proposed rates are scheduled to become effective on July 1 at the beginning of each fiscal year except for the first year which assumes an increase effective September 1 to provide adequate time for the District to go through the Proposition 218 rate increase process. The District’s current rates are based on the prior rate study developed by Bartle Wells Associates that realigned rates with the cost of providing service to each customer class. Based on review of rates and expenses, no modifications are proposed to the rate structure at this time. Rate increases are applied on an across-the-board percentage basis to each customer class, maintaining proportionality of cost recovery in the District’s rate structure

Table 7 – Proposed Rates

	Current Rates (Since 2019)	Proposed Rates Effective On or After				
		Sept 1 2025	July 1 2026	July 1 2027	July 1 2028	July 1 2029
% Rate Increases		9%	9%	9%	9%	9%
Residential Rate Increase		\$2.29	\$2.50	\$2.72	\$2.97	\$3.24
a. Residences & Apartments	\$25.48	\$27.77	\$30.27	\$32.99	\$35.96	\$39.20
b. Hotel Units with Kitchens	22.27	24.27	26.45	28.83	31.42	34.25
c. Hotel Units without Kitchens	14.32	15.61	17.01	18.54	20.21	22.03
d. Hotel Room	14.32	15.61	17.01	18.54	20.21	22.03
e. Commercial Establishments	11.45	12.48	13.60	14.82	16.15	17.60
Each additional employee above 5	2.31	2.52	2.75	3.00	3.27	3.56
f. Beauty Shops	22.91	24.97	27.22	29.67	32.34	35.25
Each additional operator above 5	3.47	3.78	4.12	4.49	4.89	5.33
g. Eating Establishments w/o Grinders	35.65	38.86	42.36	46.17	50.33	54.86
Each additional 5 seats above 30	5.35	5.83	6.35	6.92	7.54	8.22
h. Restaurants (w/Grinders) less than 30 seats	57.32	62.48	68.10	74.23	80.91	88.19
Restaurants (w/Grinders) over 30 seats	80.23	87.45	95.32	103.90	113.25	123.44
i. Laundromats - per washing machine	16.41	17.89	19.50	21.26	23.17	25.26
Minimum Charge	49.28	53.72	58.55	63.82	69.56	75.82
j. Service Stations - no wash/rack	67.49	73.56	80.18	87.40	95.27	103.84
Service Stations - with wash/rack	96.82	105.53	115.03	125.38	136.66	148.96
k. Factories	38.21	41.65	45.40	49.49	53.94	58.79
Each additional employee above 20	1.92	2.09	2.28	2.49	2.71	2.95
l. Churches	21.15	23.05	25.12	27.38	29.84	32.53
Per ADA with elementary school	0.64	0.70	0.76	0.83	0.90	0.98
Per ADA with other school	0.93	1.01	1.10	1.20	1.31	1.43
m. Bottling Plants	45.87	50.00	54.50	59.41	64.76	70.59
n. Schools (Non-boarding)	12.70	13.84	15.09	16.45	17.93	19.54
Per ADA with elementary school	0.64	0.70	0.76	0.83	0.90	0.98
Per ADA with other school	0.93	1.01	1.10	1.20	1.31	1.43
o. Schools (Boarding)	12.74	13.89	15.14	16.50	17.99	19.61
Per ADA with elementary school	1.28	1.40	1.53	1.67	1.82	1.98
Per ADA with other school	1.80	1.96	2.14	2.33	2.54	2.77
p. Trailer/Mobile Home Space	15.31	16.69	18.19	19.83	21.61	23.55
q. RV Dump Stations - Less than 50 services	118.45	129.11	140.73	153.40	167.21	182.26
r. Brine (per gallon)	0.1125	0.1226	0.1336	0.1456	0.1587	0.1730

3.5 Rate Survey with Proposed Rates

The following chart shows the regional survey of current single family residential rates, but also includes a) the District’s proposed wastewater treatment rate increase for the upcoming fiscal year and b) projected increases to the local sewer collection system charges for each of the District’s member agencies in the upcoming fiscal year. The projected member agency rate increases are estimates shown for informational purposes only. Each agency anticipates going through its own Proposition 218 rate increase process. Final rates adopted by each agency may differ. As shown, with both the District’s proposed rate increases and estimated member agency rate increases, the total combined sewer charges for customers served by each member agency are projected to remain low compared to other regional agencies. Also note that many other regional agencies have already adopted or are anticipating rate increases in the upcoming fiscal year, which are not reflected on the survey.

Figure 5 – Sewer Rate Survey with Proposed Rates

