

COUNTRY CLUB SEWER MAINTENANCE DISTRICT

CCSMD

SEWER RATE STUDY UPDATE

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Prepared for:

William S. Brunet, Public Works Director – County of Imperial
Country Club Sewer Maintenance District

Prepared By:



Dynamic Consulting Engineers, Inc
2415 Imperial Business Park Drive, Suite B
Imperial, CA 92251
(760) 545-0162
www.dynamicconsultingengineers.com



Figure 1 – CCSMD Service Area

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Key Assumptions in the Preparation of this Rate Study Update

The following are the key assumptions that were made for this study. It is important to note that the preparer of the rate study attempts to predict future conditions to the best of his ability and experience. It is anticipated that these assumptions will be accurate, but conditions could change the basis of what the assumptions were made.

1. City of Holtville future rates were based on a draft Sewer Rate Analysis completed by a City of Holtville consultant. These rates have not yet been adopted by the City Council and could change.
2. The number and types of users on the Barbara Worth County Club (BWCC) system were taken from said Sewer Rate Analysis. The number of users varied a small degree from the original rate study completed in 2009. The Equivalent Dwelling Units (EDUs) of the BWCC were calculated based on the City of El Centro policies (0.33 EDU per unit, and 1.0 EDU per 15 seats at the restaurant for a total of 39 EDUs).
3. This rate study has multiple alternatives, because it is unclear at this time what charges will or will not be implemented. They are set up in a matrix.
4. Rates for the various items for the hotel and restaurants were calculated based on the percent difference that an average EDU will pay compared to the proposed standard EDU rate of \$39.09. This difference in percentage was multiplied by the standard rates for the hotel and restaurants to obtain the proposed rates.
5. The repayment to the County of Imperial for costs incurred since 2002 are based on a 10 year payback period with 6% interest (assumed - there was not input from the County in this area). The fund deficit used for this report (\$216,112) is from the *2012 BWCC Auditor's Report*, period ending June 30, 2012. Unofficial reports indicate that the current fund deficit is \$323,568.08.
6. The anticipated annual maintenance costs (with no repairs to the pump station or pipeline replacement) was based on an average of the annual costs from 2009 through 2012 (plus 5%), taken from the *2012 BWCC Auditor's Report*.
7. The anticipated annual maintenance costs with the force main replacement and pump station project are anticipated to be smaller than if not replaced. It is estimated that the new maintenance costs will be 70% of the maintenance costs without said project.
8. The costs for the pump station, manhole rehabilitation and forcemain project were taken from the *Country Club Sewer Maintenance District Draft Facilities Assessment Report* dated November 26, 2012 by Bureau Veritas North America, Inc. It is anticipated that the project will require loan funding. This report assumes that a low-interest loan will be available with an interest rate of 3.0% and a payback period of 40 years, which is typical of a USDA loan.
9. A reserve fund is shown as a part of the alternatives. Every District should have a reserve for replacing critical infrastructure. This reserve is based on the total current value of the infrastructure, 2% inflation and 75 years of service life for the infrastructure. The amount shown is for replacement of the entire infrastructure over a 75 year period. The County may reduce the calculated amount if just to get a small reserve started.

Introduction/Executive Summary

This rate study is an update to the original study dated May 2009.

On June 16, 1970, the Board of Supervisors determined that a Sewer Maintenance District should be formed. The Country Club Sewer Maintenance District (CCSMD) was created to perform the functions authorized under Chapter 4, Part 3, Division 5, of the Health and Safety Code of 1970 to protect public health. Although the County of Imperial oversees it, this Special District is a separate agency. It was created at the request of the property owners to maintain the sewer system for the homes located at the Barbara Worth Country Club. On July 21, 1970 (minute order #7) the Imperial County Board of Supervisors authorized the Department of Public Works to perform the administration of the Country Club Sewer Maintenance District (CCSMD) and to negotiate with the City of Holtville for performance of routine maintenance and operation of the plant.

The City of Holtville assumed the responsibility for the operation and maintenance of the District's sewer system on March 31, 1976, under an agreement between the District and the City of Holtville dated December 19, 1972. This agreement gave the City of Holtville the option to opt out of providing maintenance services by giving six months written notice. The City elected this option by giving written notice in December, 2001. Effective July 1, 2002 the CCSMD was responsible for all maintenance costs associated with the sewer lines and the pump station.

Although expenses are increasing each year, the CCSMD has had no revenue other than a small amount of County Taxes. This report will discuss the expenses of the CCSMD and alternatives to implement an equitable rate structure to keep the CCSMD from collapse. It appears cooperation between the City of Holtville and the CCSMD would be valuable; both in charging and collecting sewer fees. The CCSMD will not have leverage (i.e. shutting off the water) to enforce payment of the sewer fees without City assistance. One method might be to assess the properties with an annual tax. Regardless, the CCSMD will need some revenue to continue to serve the residents in the Barbara Worth area. Sewer fees in the CCSMD will probably be higher than the surrounding areas, partly due to the fact that a reserve account for replacement of infrastructure was not put into place at the time that the CCSMD was formed.

This document includes information from several public sources (see references), including the “Country Club Sewer Maintenance District Informational Report”, prepared by the County of Imperial, Department of Public Works in June of 2006. This information was placed here for convenience of the reader. The following 11 pages are an excerpt from this report, updated and revised with fiscal year 2008 information:

History of the CCSMD

On April 16, 1971 David E. Pierson, Director of Imperial County Public Works Department made the first attempt to negotiate with the City of Holtville for maintenance of the sewer system for the CCSMD. At this point the City of Holtville declined the invitation to take over maintenance of the system.

On December 19, 1972 the CCSMD and the City of Holtville entered into an agreement which stipulated that the City of Holtville would operate and maintain the District’s sewer system and would establish and collect service charges and maintenance fees to operate the district. This agreement provides the ability for either party to terminate the contract effective at the end of any fiscal year provided that six (6) months prior written notice of such intention is first given. In the event of any such termination, CCSMD shall pay the city a reasonable charge for the right to continue its tie-on with city’s sewerage system. If such amount cannot be mutually agreed upon, the charges shall be set through the arbitration process as outlined in paragraph 8 in the 1972 agreement.

On February 15, 1977 the City of Holtville’s representatives expressed concern about the 1972 agreement between the city and the CCSMD. The representatives’ concern was that the contract could be misconstrued and impose certain duties and obligations on the District to operate and maintain, on the basis or terms set forth therein, sewerage improvements installed on lands which are annexed into the CCSMD in the future; and thereby overburden facilities owned in the city.

The CCSMD was willing to amend the contract as follows:

The city’s obligation, under the contract, is to operate and maintain CCSMD’s sewage system and to insure the proper functioning thereof and shall pertain only to the sewage system and works constructed within the district’s current legal description. City shall not, by reason of the contract, be responsible for the operation and maintenance of sewage facilities constructed in any area which

might be annexed to the legal description stipulated in October 3, 1975 agreement. On December 26, 2001 the Holtville City Council took action to officially notify the County of Imperial and the CCSMD that the City of Holtville was invoking Paragraph 10 of the 1972 agreement between the County, the CCSMD, and the city. Paragraph 10 states the following:

“10. City’s agreement to operate and maintain District’s sewerage system and to establish and collect service charges and fees may be terminated by either party effective at the end of any fiscal year provided that six (6) months prior written notice of such intention is first given. In the event of any such termination, District shall pay City a reasonable charge for the right to continue the tie-on with City’s sewerage system. If the amount of charges cannot be mutually agreed upon, the charges shall be set through the arbitration process as outlined in paragraph 8 above”.

In their letter, the Council, City Staff and the City Manager (John A. Jordan), stated their interest in bringing the project to a mutually agreeable resolution. This letter notified the County of Imperial to assume full responsibility for the operation and the maintenance of CCSMD’s facilities which included the pump station and sewer forcemain line no later than June 30, 2002.

On December 26, 2001, the Holtville City Council took action to officially notify the County of Imperial (CCSMD) that the City of Holtville is invoking Paragraph 10 of the agreement between the County CCSMD and the city.

In his letter the City Manager (John A. Jordan) informed the county that the city is only obligated to “maintain the sewer line,” it is the county’s responsibility to provide funds for the replacement, and to accept any liability should the line fail in any way. The City Manager also states that the council and city staff is interested in bringing the project to a mutually agreeable resolution. This letter notified the County of Imperial to assume full responsibility for the operation and the maintenance of the pump station and sewer line no later than June 30, 2002.

Description of the CCSMD Facilities and Cost of System Improvements

Sewer service is provided approximately 1.5 miles outside of the city limits to the Barbara Worth Country Club and surrounding residential community. This development is located south of the Alamo River. Wastewater is conveyed from this development to the city’s wastewater treatment plant through a dedicated sewer pump station and force main system. The Barbara Worth Pump Station,

located off Holton Road, conveys wastewater from the Barbara Worth Country Club and surrounding community. The Barbara Worth Pump Station is a small package type pump station. Wastewater flows from residential sewers to a 10-inch PVC gravity sewer interceptor that flows underneath State Route 115 and the Holton Interurban Railroad to a sub grade manhole type wet well. Duplex end-suction pumps with automatic controls discharge to a 4-inch PVC force main. The force main parallels the Barbara Worth Canal, crosses under the Rositas Canal and the Alamo River and ultimately connects to the city's 15-inch gravity sewer located in Kamm Road near the city's wastewater treatment plant. The total length of the 4-inch force main is approximately 10,400 feet. The Barbara Worth Pump Station is considerably older than the Sixth Street or Ninth Street Pump Stations, and has experienced operational problems prior to 1998. In addition to maintenance related problems, the system has had difficulty handling high peak flows. This may result from slightly undersized pumping facilities or head losses not accounted for in the long length of force main piping. In 1998 the pump station was considered to be at capacity under current service loads. Due to significant additional flows to the Barbara Worth Pump Station it requires upsizing of the pump station and the force main system. Although the lift station does not have a permanent back-up power supply, the city's trailer-mounted generator is available to operate the lift station during extended power outages.

In November 2012, Bureau Veritas North America, Inc.'s (Bureau Veritas') division of Public Works Services was retained by the Imperial County Department of Public Works, acting on behalf of the Country Club Sewer Maintenance District (CCSMD), to evaluate the condition of the wastewater conveyance facilities serving CCSMD. The following are excerpts from the report.

The facilities that were evaluated included gravity sewer mains, sewer manholes, wastewater pump station, and a sewer force main. CCSMD facilities include the following:

- Approximately 8,830 feet of 8-inch vitrified clay pipe (VCP) and 1,450 feet of 10-inch polyvinyl chloride (PVC) gravity sewer main
- 34 manholes
- 9,963 feet of four-inch PVC sewer force main
- Duplex pumps and motors housed in a fiberglass enclosure above the wet well of the pump station

The gravity sewage collection system serving CCSMD was found to be in poor condition due a lack of regular maintenance and large amounts of debris found in the system. Most of the system had to be pumped or cleaned out before being inspected. The pipeline segments that were cleaned and inspected were in generally in good condition with the typical minor issues such as cracked pipes, root intrusions, and offset pipe joints. The original sewer pipelines were installed with slopes and sags that are too flat to be self cleaning; it is not economical to completely remedy this issue and needs to be addressed through a long-term maintenance program. The sewer system also has inherent problems with maintenance access, as most of the manholes are located in the front and back yards of residences. A preliminary estimate of the capital repairs required for the collection system is **\$450,000**, including contingencies.

24 of the 34 total manholes within the CCSMD system were inspected and were found to be in fair to very poor condition, depending on location. The remaining manholes were not found, buried, or otherwise inaccessible when the inspections were performed. The lower, base portions of most manholes were found to be in good condition, with the upper portions suffering from concrete corrosion, damaged grade rings, poorly fitted frames and covers, and obstructions blocking access to the manhole opening. Most of the manholes had concentric cones and steel rungs, features no longer considered acceptable for safety reasons. A total of **\$460,000** in capital improvements is recommended for the CCSMD manholes, including contingencies.

The pump station was last upgraded in 2004, and is considered to be in fair condition. The duplex motors, pumps, controls, wet well, and enclosure were evaluated and found to be in acceptable condition. Relatively minor upgrades to the pump station are recommended, totaling approximately **\$20,000** with contingencies.

The sewer force main from the pump station was evaluated and found to be undersized from a hydraulic perspective, not allowing the pumps to function in their optimum operating range. The existing force main has also ruptured at least three times in the past several years, most likely due to the marginal strength rating of the original pipe, poor quality control during the initial construction, heat degradation of the pipe material, and pressure spikes from the newer, more powerful pumps. A preliminary estimate of **\$740,000** in improvements, including contingencies, are recommended for the sewer force main, the bulk of which is replacement of the existing four-inch force main with a six-inch pipeline.

The total cost of these improvements is **\$1,670,000.00**.

February 8, 2006 The Holt Group, Inc. prepared a report for the County of Imperial named Barbara Worth Wastewater Forcemain Installation and Sanitary Sewer Pump Station Replacement Report. In this report the Holt Group, Inc. concluded that during the last 10-years the existing wastewater pump station has continued to deteriorate and periodically fail. The Holt Group report recommended replacing the pump station with a higher capacity, wet well, and replacing the force main with a 10-inch diameter pipe. These recommendations were not supported by the recent Bureau Veritas report.

According to the Holt Group report: The 10,200 lineal foot wastewater forcemain extending downstream of the Barbara Worth Pump Station has been a source of pipeline ruptures, pipeline clogs, and pump maintenance problems for over 2 decades. During the Fiscal Year 04/05 the CCSMD experienced several incidents during the audit period concerning the sewer line backing up into homeowners' properties located within the boundaries of the CCSMD. The incidents caused property damage to the homes. Five (5) homeowners filed property damage claims with the Clerk of the Board of the County of Imperial for a total of \$41,907.72. The Imperial County Board of Supervisors approved the claims to be paid from the County's Loss Reserve Liability fund, with the understanding that the CCSMD would repay the fund once sufficient funds became available to the CCSMD as a result of a rate increase or special assessment. This information is based on the Report on Examination Country Club Sewer Maintenance District for the Fiscal Year Ending June 30, 2005 from the Imperial County Auditor Controller.

CCSMD Financial Status

The Auditor Controller of Imperial County conducted an audit in accordance with generally accepted auditing standards in conjunction with Section 26909 of the Government Code and included such tests of the accounting records and such other auditing procedures as they considered necessary in the circumstances. The following information regarding the Country Club Sewer District Financial Status was extracted from the most recent audit Imperial County submitted to the Department of Public Works of the revenues, expenditures, and financial position for the fiscal year ending June 30, 2012.

IMPERIAL COUNTY ACCOUNTANT COMMENTS

As noted in the Accountant's Comments, the District is now responsible for all maintenance costs associated with the sewer lines, beginning July 1, 2002. Unless the District immediately initiates measures to increase revenues to fund these maintenance costs and any property damages caused by the sewer line, substantial doubt is raised about its ability to continue as a viable entity. The district has a negative cash balance of **(\$173,734)** and a negative fund balance of **(\$216,112)** as of June 30, 2012.

SUMMARY OF FINDINGS AND RECOMMENDATIONS BY THE IMPERIAL COUNTY AUDITOR CONTROLLERS OFFICE

The Country Club Sewer Maintenance District has had negative working capital since July 2002. During the audit period (FY2012), the district had negative working capital in the amount of (\$10,659). The negative working capital was due to maintenance costs in excess of fees collected by the City of Holtville and taxes collected from district members.

Five claims totaling \$41,907.72 were paid from the County of Imperial Loss Reserve Liability fund, with the understanding that the District would repay the total amount paid for these claims from the fund. Since cash flows have been negative for the past five years and with maintenance charges now the full responsibility of the District, the District will have to provide additional funding to offset these added costs. On April 24, 2006 the Public Works Department conducted an analysis of the Country Club

Sewer Maintenance District and found that only 1.777886% of the total Property Tax Bill goes towards the sewer maintenance funds.

For example:

If the Net Taxable Value of the Property is **\$256,000**

The resident pays \$2,560.00 + Voter approved taxes, taxing agency direct charges and special assessment. In this particular example the charges totaled to **\$263.15**.

Hence, $\$2,560.00 + \$263.15 = \$2,823.15$ this amount is deposited to the Imperial County General Fund.

From the $(\$2,823.15 \times .01777886 = \$50.19)$ goes towards the sewer maintenance fee. This information was verified and approved by The Imperial County Treasurer/Tax Collectors Office. Imperial County DPW concludes that although the CCSMD residents' Property Tax Bill can be raised and allocated towards the maintenance fees, this amount would not suffice.

Funding the Improvements

Imperial County Public Works Department has explored various ways to fund the necessary improvements without having the residents incur the payments. The current engineer's estimate to upgrade the entire sewer system servicing the CCSMD is approximately \$1.7 million dollars. Through extensive research the county has learned that the district does not qualify for any grants to pay for the system upgrade because the median revenue of the residents within the CCSMD is too high. Therefore the county is researching various low interest loans, available to the CCSMD provided by the United States Department of Agriculture (USDA) from the Federal Government and the State Infrastructure Revolving Fund (SIRF) from State of California. If any of these loan mechanisms are considered, the agencies will be dependent on collateral sufficient to pay back the loan. The collateral could come from the landowners, but that would require a fee levied on each parcel in the CCSMD through the Proposition 218 process. The per parcel assessment would have to be supported by a detailed engineer's report, prepared by a registered professional engineer, certified by the State of

California, that outlines the basis upon which the amount of the proposed assessment was calculated. As with the maintenance and operations fee, it is still inconclusive as to whether there will be a flat fee for every landowner or if it will vary on single-family units, undeveloped parcels, and developed parcels. The following is an investigation done by the Kennedy/Jenks 1998 City of Holtville Sewer Master Plan and the Imperial County Public Works Department.

FINANCING PROGRAMS

The following discussion addresses funding mechanisms to provide a method to finance the improvements to the system as outlined in the reports prepared by the consulting engineers.

Internal Financing

Internal financing is a commonly used pay-as-you-go financing method used by many communities to fund capital improvements. The most common forms of internal financing are associated with funding capital projects from the cash proceeds derived from both user charges and capital facility charges (connection fees). Several common methods utilized to support capital project funding are discussed as follows:

User Charges:

These are charges applied to the utility's customer for use of the service provided by the utility, and generally provide most or all of a utility's revenues. Charges are collected through an established set of rate schedules with the charge schedules based on a combination of the costs of providing service on local policies, related financial inducements for water conservation and other community goals.

Property Taxes:

County ad valorem (property) taxes are appropriated by many utilities. Taxes are collected from users in proportion to the assessed property value. Although the assessed property value bears little relationship to the cost of providing basic water and wastewater services to a user's property, property-based taxes may be used to fund capital projects wherein a user's property value may be increased by the improvements. However, no California utilities rely heavily on tax funds to cover utility operating and capital costs, and appropriations are subject to variations by the state

government. The statewide trend is presently to fund utility operations through larger proportions of user charges.

Capital Facility Charges:

These fees, also known as front footage fees, connection fees, line extension fees and contributions in aid of construction, are sources of capital project funds which can be provided by new customers requesting service. These monies cannot be used for operating expenses, and based on applicable state law must be segregated from other fund reserves. Design of appropriate fees and contributions may reflect the cost of providing facilities or may reflect a policy of encouraging service area development. Based on applicable state law, a capital facility fee can compensate the utility for the cost of a new customer's demand on the projected and available system capacity to provide service, but cannot exceed the cost that the new customer places on an existing system. Contributions in aid of construction can be requested from customers or developers causing a large capital investment to be made on-premise or off-premise for their specific benefit. Capital facility fee revenues, like capital project expenditures, are capital asset based and should be treated as changes in asset type rather than utility revenues. As such, these fees are excluded from annual financial reporting revenue and expenditure statements for the same reason that capital expenditures are not shown in the revenue and expenditure statement. However, most utilities prefer to include these revenues in their revenue and expenditure statements.

Capital Reserve Funds and Interest Earnings (Reserve):

Funds for capital improvements are accumulated from user charges or other revenue sources and retained in a reserve fund in advance of construction. This method is commonly called pay-as you-go financing, and is supported by budgeting depreciation as a non-cash expense. Capital reserve funding eliminates interest costs incurred for financing and earns interest on funds deposited.

External Financing

External Financing is a commonly used financing method to fund capital improvements under a pay-as you-use approach is based on the repayment of debt on borrowed capital over the life of the asset. As such, external financing methods employ a pay for it as you use it strategy. The primary benefit of

external financing is that projects need not be pre-funded through a long period of sinking fund-based cash accumulation. The disadvantages are that there are limited grant monies available for utility projects, low interest loans from government agencies require significant and time consuming documentation, and financially insecure projects have high interest rate assessments by the financial market. Some of the options include:

State Infrastructure Revolving Fund:

The Infrastructure State Revolving Fund (ISRF) Program provides low-cost financing to public agencies for a wide variety of infrastructure projects. ISRF Program funding is available in amounts ranging from \$250,000 to \$10,000,000, with loan terms of up to 30 years. Interest rates are set on a monthly basis. Preliminary applications are continuously accepted.

Eligible applicants include any subdivision of a local government, including cities, counties, redevelopment agencies, special districts, assessment districts, joint powers authorities and nonprofit corporations formed on behalf of a local government. Eligible project categories include city streets, county highways, state highways, drainage, water supply and flood control, educational facilities, environmental mitigation measures, parks and recreational facilities, port facilities, public transit, sewage collection and treatment, solid waste collection and disposal, water treatment and distribution, defense conversion, public safety facilities, and power and communications facilities.

USDA Loan:

In the United States Department of Agriculture, Rural Development administers financial and technical assistance programs to help rural communities develop safe and affordable sewage treatment and waste disposal systems. The programs that target wastewater treatment needs are administered by the Water Programs Division of the Rural Utilities Service (RUS). The Water and Waste Disposal Loans and Grants Program provide loans, guaranteed loans, and grants for water, sewer, storm water, and solid waste disposal facilities. Public bodies (e.g., municipalities, counties, Indian tribes, nonprofit organizations) serving rural areas may be eligible for loans or grants from the water and waste disposal program. The program makes assistance available only to rural areas with 10,000 or fewer people. Small communities with wastewater treatment or disposal needs can apply for loans and grants to construct, repair or modify waste collection and waste disposal facilities. To receive loans small communities must show that they:

- 1) Cannot get funds at reasonable rates from commercial sources,
- 2) Have the capacity to borrow and repay loans, and pledge security, and
- 3) Can operate and maintain the affected facilities.

Depending on the economic status of the service area, borrowers may receive one of three interest rates: the poverty rate (median household revenue is below poverty or below 80 percent of the statewide metropolitan median and the project is necessary to meet applicable health or sanitary standards), market rate (where median household revenue exceeds the statewide non-metropolitan household revenue), or the intermediate rate.

Proposition 218:

Limits the authority of local governments to impose taxes and property related assessments, fees, and charges. Requires majority of voters to approve increases in general taxes and reiterates that two-thirds must approve a special tax. Assessments, fees, and charges must be submitted to property owners for approval or rejection, after notice and public hearing. Assessments are limited to the special benefit conferred. Fees and charges are limited to the cost of providing the service and may not be imposed for general governmental services available to the public.

Usage-based sewer rates and the related charges are not incidents of property ownership or fees for a property related service; therefore they are excluded from Proposition 218 under Article XIII D Section 6(c) of the California Constitution. If the rates and charges are imposed as a condition of receiving sewer service from the district (as opposed to being levied solely by virtue of property ownership), then they are not assessments requiring voter approval as defined in Article 13D. As stated by the California Supreme Court: "Taxes, assessments, fees, and charges are subject to the constitutional strictures when they burden landowners as landowners...." The District can raise its rates for maintenance and operation, because it is entitled to recover all of its costs for utility services through user fees.

City of Holtville Rates

<u>City of Holtville - BWCC Monthly Sewer Rates</u>					
	Jul-06	Jul-07	Jul-08	<u>Current</u> Jul-09	<u>Proposed</u> Jul-13
Single Family Residential Units	\$ 37.84	\$ 43.89	\$ 46.53	\$ 49.32	\$ 39.09
<i>Multiple Residential Units</i>					
Triplex (per unit)	\$ 37.84	\$ 43.89	\$ 46.53	\$ 49.32	\$ 39.09
Fourplex (per unit)	\$ 37.84	\$ 43.89	\$ 46.53	\$ 49.32	\$ 39.09
Apartments w/five or more units (per unit)	\$ 37.84	\$ 43.89	\$ 46.53	\$ 49.32	\$ 39.09
Mobile Home Trailer Park (per Space)	\$ 37.84	\$ 43.89	\$ 46.53	\$ 49.32	\$ 39.09
	\$ -				
Hotels (over 30 seats)	\$ 311.53	\$ 361.37	\$ 383.06	\$ 406.04	\$ 321.79
Restaurants (under 30 seats)	No info			\$ 131.69	\$ 104.36
Restaurants (over 30 seats)	No info			\$ 239.69	\$ 189.95
Consumption Factor over 175,000 gallons (per 1,000 gal)	\$ 3.03	\$ 3.51	\$ 3.72	\$ 3.95	\$ 3.95

Figure 2 – City of Holtville Approved and Proposed Sewer Rates

The City of Holtville completed a water and wastewater rate study by Nolte Associates, Inc. in May of 2005. The rates in Figure 1 for July 2006 – July 2012, above, were approved and have been in effect since July 2005. According to the rate study, the sewer rates include fees for treatment and maintenance of the collection system, as well as debt service for the expansion of the wastewater treatment plant. The City charges the sewer rate to each EDU. For example, for a triplex the City charges three times the monthly sewer fee EDU rate (3 EDU).

ITEM No.	ITEM	TOTAL BLDGS/Conn	TOTAL UNITS (EDUs)	Holtville Rate / Unit / Month	Holtville Revenue / Month
Anderholt Area					
1	Single Family Homes	39	39	\$ 39.09	\$ 1,524.51
2	Duplexes	1	2	\$ 39.09	\$ 78.18
3	Triplexes	4	12	\$ 39.09	\$ 469.08
4	Fourplex	1	4	\$ 39.09	\$ 156.36
Barbara Worth Drive Area					
5	Single Family Homes	26	26	\$ 39.09	\$ 1,016.34
6	Duplexes	13	26	\$ 39.09	\$ 1,016.34
7	Triplexes	1	3	\$ 39.09	\$ 117.27
8	Motel Connections Over 30 persons	1	34	\$ 321.79	\$ 321.79
9	Restaurant Under 30 persons	1	2	\$ 104.36	\$ 104.36
	Over 30 persons	1	3	\$ 189.95	\$ 189.95
Totals		88	151		\$ 4,994.18

Figure 3 – City of Holtville Current Estimated Monthly Collected Sewer Fees from Country Club Area

Figure 3 illustrates the total number of connections, equivalent dwelling units (EDU), and the estimated revenue the City of Holtville receives monthly. This will vary depending on the number of active connections. The number of buildings and EDU was taken from the City of Holtville records. The City of Holtville reports that there are 112 residential and 3 commercial accounts, for a total of 115. For this study it was assumed that the Hotel does not use more than the allotted amount of water of 175,000 gallons per month, and that every EDU is active during the study period.

The City's estimated monthly revenue from the reduced rates for CCSMD area is \$4,994.18.

<u>Sewer Treatment</u>	Rate Study
Salaries	\$ 134,284.00
Fringe Benefits	\$ 90,715.00
Personal Expenses	\$ 6,606.00
Materials, Supplies and Services	\$ 257,755.00
Total Sewer Treatment Costs	\$ 489,360.00
<u>Sewer Collection Maintenance Costs</u>	
Salaries	\$ 150,365.00
Fringe Benefits	\$ 82,121.00
Personal Expenses	\$ 3,022.00
Materials, Supplies and Services	\$ 75,939.00
Total Sewer Collection Maintenance Costs	\$ 311,447.00
Total Operating Expense	\$ 800,807.00
Debt Service for Treatment Plant Upgrades	\$ 127,290.00
Total Expense to City of Holtville	\$ 928,097.00
Sewer Collection Maintenance Costs as a percentage of total expense	33.56%

Figure 4 – City of Holtville Sewer Collection Maintenance Costs as a Percentage of Total Expense per the Wastewater Rate Study dated May 2005

The data within the rate study was reviewed, and it was extrapolated that the fees, including the debt service repayment, from the sewer collection represent 33.56% of the total rate, or \$16.55 of the current \$49.32 (see Figure 4). Although the City collects this fee, the service was not provided by the City of Holtville since July 2002. The City has proposed to reduce the rates to the CCSMD by 20%.

Proposed Rates for CCSMD

There are 112 equivalent dwelling units (EDU) within the CCSMD, not including the hotel. The hotel includes two buildings, four existing sewer connections with a total of 104 rooms. Per the City of El Centro calculations, the hotel has 34 EDU and the restaurants have 5 EDU for a total of 39 EDU. Figure 5 illustrates the potential monthly expenses of the CCSMD. These expenses were used to calculate the rates/fees and are further explained in the following pages.

CCSMD Costs		
Monthly Revenue Required	Debt (2012\$)	Monthly Expense
Amortized Monthly Payment from CCSMD to County of Imperial (6% Interest, 10 years)	\$ (216,112.00)	(\$2,399.29)
CCSMD Maintenance Costs (2013), average costs from 2009 to 2012 + 5%	\$ (30,179.89)	(\$2,514.99)
Estimated CCSMD annual Maintenance Costs, including all labor, maintenance and professional fees, <u>after forcemain replacement (70% of current)</u>	\$ (21,125.92)	(\$1,760.49)
Pipeline, Pump Station and Manhole Replacement Fund	\$ (1,887,655.00)	(\$4,067.12)
	Subtotal	(\$10,741.89)
Pump Station, Manhole Rehab and Forcemain Project, 400gpm, 6" pipeline (Amortized at 3.0% low interest loan for 40 years) Based on BV Report	\$ (1,666,575.00)	(\$5,496.00)

Figure 5 – CCSMD Table of Total Estimated Costs

Operation and Maintenance

The costs of operating and maintaining the CCSMD are known or are able to be estimated, and are shown in Figure 5. The cost of operation and maintenance of the CCSMD in FY 2012 was \$10,127 per the FY2012 audit. There has not been any revenue for the CCSMD except for a small amount of District taxes (minus interest paid) in the amount of \$2,597. The total revenue was \$1,322. There was a shortfall of \$10,659 in FY2012. The County of Imperial has been covering the costs of running the CCSMD since July 2002. It is anticipated that the maintenance costs will increase next year to prior year's levels.

It is likely that if the existing pump station and forcemain are replaced that the operation and maintenance cost will decrease. It is estimated that if the pump station is replaced, the operation and maintenance costs will be reduced by 30%.

For the existing system, It has been estimated that rates of \$18.50 per month per EDU for residential rates – including other charges to the hotel and restaurants will be required to cover the existing costs of maintenance, although these costs can vary greatly as maintenance costs are volatile due to the unknown number of call-outs and professional fees.

If the pump station and forcemain are replaced, it is anticipated that the operation and maintenance costs will decrease substantially due to increased efficiency of the new pumps and fewer call-outs and problems. It was estimated that these costs will be cut by 30% if this project is implemented.

Therefore, if the pump station and forcemain are replaced it is estimated that the monthly costs per EDU for operation and maintenance the total annual cost will be \$21,125.92, or \$12.28 per EDU; this is in addition to the existing CCSMD tax revenue of \$2,597 per year.

Reserve for existing infrastructure replacement

The CCSMD should set a reserve for replacement of infrastructure. The operation and maintenance is intended to pay for the day-to-day operation, including electricity, replacement of minor parts, personnel costs, etc. The operation and maintenance fund is not intended to pay for large projects such as pipeline or pump station replacement. Figure 6 shows the replacement costs for infrastructure within the CCSMD in 2012 dollars.

In this study it was assumed that the infrastructure has a life expectancy of 75 years. The total lengths of pipelines were estimated based on existing documents and maps. Estimated unit costs for the replacement were assigned to each item. Total infrastructure replacement cost, including the pump station and forcemain (400gpm) is estimated to be \$2,400,950. The monthly reserve required for this is \$5,173.06. The required monthly reserve was estimated calculating the payment with 2% inflation, amortized over 75 years. This reserve is needed even if the pump station is replaced now.

Cost of Replacement		(\$2013)		
Replacement - 75 Years				
	Quantity	Unit	Cost/unit	
8" Gravity Sewer	8830	LF	\$ 55.00	\$ 485,650.00
Deep 10" Gravity Sewer Pipe	1450	LF	\$ 110.00	\$ 159,500.00
Manholes	34	EA	\$ 5,700.00	\$ 193,800.00
Pump Station (400gpm)	1	LS	\$700,000.00	\$ 700,000.00
Forcemain (6")	9963	LF	\$ 35.00	\$ 348,705.00
				\$1,887,655.00
				(\$2013)
(\$48,805.48)		Yearly Payment, 75 years (2% inflation)		
(\$4,067.12)		Monthly Debt Service		

Figure 6 –CCSMD Costs to Replace Existing Sewer Collection System Infrastructure (Reserve)

ITEM No.	ITEM	TOTAL BLDGS	TOTAL UNITS (EDUs)	Proposed CCSMD Rate	Proposed Monthly CCSMD Revenue	Annual Monthly CCSMD Revenue
Anderholt Area						
1	Single Family Homes	39	39	\$ 18.50	\$ 721.50	\$ 8,658.00
2	Duplexes	1	2	\$ 18.50	\$ 37.00	\$ 444.00
3	Triplexes	4	12	\$ 18.50	\$ 222.00	\$ 2,664.00
4	Fourplex	1	4	\$ 18.50	\$ 74.00	\$ 888.00
Barbara Worth Drive Area						
5	Single Family Homes	26	26	\$ 18.50	\$ 481.00	\$ 5,772.00
6	Duplexes	13	26	\$ 18.50	\$ 481.00	\$ 5,772.00
7	Triplexes	1	3	\$ 18.50	\$ 55.50	\$ 666.00
8	Hotels with > 30 persons	1	34	\$ 152.29	\$ 152.29	\$ 1,827.51
9	Restaurants with <30 persons	1	2	\$ 49.39	\$ 49.39	\$ 592.68
10	Restaurants with >30 persons	1	3	\$ 89.90	\$ 89.90	\$ 1,078.76
Existing CCSMD tax revenue					\$ 154.50	\$ 1,854.00
Totals		88	151		\$2,518.08	\$ 30,216.96

Figure 7 –CCSMD Monthly O&M with no pump station and forcemain project

ITEM No.	ITEM	TOTAL BLDGS	TOTAL UNITS (EDUs)	Proposed CCSMD Rate	Proposed Monthly CCSMD Revenue	Annual Monthly CCSMD Revenue
Anderholt Area						
1	Single Family Homes	39	39	\$ 12.57	\$ 490.23	\$ 5,882.76
2	Duplexes	1	2	\$ 12.57	\$ 25.14	\$ 301.68
3	Triplexes	4	12	\$ 12.57	\$ 150.84	\$ 1,810.08
4	Fourplex	1	4	\$ 12.57	\$ 50.28	\$ 603.36
Barbara Worth Drive Area						
5	Single Family Homes	26	26	\$ 12.57	\$ 326.82	\$ 3,921.84
6	Duplexes	13	26	\$ 12.57	\$ 326.82	\$ 3,921.84
7	Triplexes	1	3	\$ 12.57	\$ 37.71	\$ 452.52
8	Hotels with > 30 persons	1	34	\$ 103.48	\$ 103.48	\$ 1,241.72
9	Restaurants with <30 persons	1	2	\$ 33.56	\$ 33.56	\$ 402.70
10	Restaurants with >30 persons	1	3	\$ 61.08	\$ 61.08	\$ 732.98
Existing CCMSD tax revenue					\$ 154.50	\$ 1,854.00
Totals		88	151		\$ 1,760.46	\$21,125.48

Figure 8 –CCSMD Monthly O&M with new pump station and forcemain project

ITEM No.	ITEM	TOTAL BLDGS	TOTAL UNITS (EDUs)	Proposed CCSMD Rate	Proposed Monthly CCSMD Income	Annual Monthly CCSMD Revenue
Anderholt Area						
1	Single Family Homes	39	39	\$ 31.85	\$ 1,242.15	\$ 14,905.80
2	Duplexes	1	2	\$ 31.85	\$ 63.70	\$ 764.40
3	Triplexes	4	12	\$ 31.85	\$ 382.20	\$ 4,586.40
4	Fourplex	1	4	\$ 31.85	\$ 127.40	\$ 1,528.80
Barbara Worth Drive Area						
5	Single Family Homes	26	26	\$ 31.85	\$ 828.10	\$ 9,937.20
6	Duplexes	13	26	\$ 31.85	\$ 828.10	\$ 9,937.20
7	Triplexes	1	3	\$ 31.85	\$ 95.55	\$ 1,146.60
8	Hotels with > 30 persons	1	34	\$ 262.19	\$ 262.19	\$ 3,146.28
9	Restaurants with <30 persons	1	2	\$ 85.03	\$ 85.03	\$ 1,020.37
10	Restaurants with >30 persons	1	3	\$ 154.77	\$ 154.77	\$ 1,857.22
Totals		88	151		\$ 4,069.19	\$ 48,830.28

Figure 9 –CCSMD Monthly estimate for Reserve Fund

Imperial County Payback

During the Fiscal Year 04/05 the CCSMD experienced several incidents concerning the sewer line backing up into homeowners' properties located within the boundaries of the CCSMD. The incidents caused property damage to the homes.

Five (5) homeowners filed property damage claims with the Clerk of the Board of the County of Imperial for a total of \$41,907.72. The Imperial County Board of Supervisors approved the claims to be paid from the County's Loss Reserve Liability fund, with the understanding that the CCSMD would repay the fund once sufficient funds became available to the CCSMD as a result of a rate increase or special assessment. This information is based on the Report on Examination Country Club Sewer Maintenance District for the Fiscal Year Ending June 30, 2005 from the Imperial County Auditor Controller.

The District currently owes the County of Imperial \$216,112 as of June 30, 2012 – up from \$106,048 in FY 2008. The County has been funding the CCSMD since July 2002 when the City of Holtville opted out of the maintenance agreement. It has been calculated (based on the fund deficit as of June 30, 2012) that to pay the County back over a ten year period, each residential EDU would pay \$17.40 a month, and the Hotel would pay \$154.60 per month for ten years, figuring 6% interest compounded monthly. These costs will increase as of the end of the fiscal year (June 30, 2013) as the County continues to incur expenses.

Unofficial reports indicate that the current (as of the date of this report) fund deficit balance has increased to \$323,568 from the June 30, 2012 balance of \$216,112. To repay the current fund deficit, each EDU would need to pay \$28.12 per month, the hotel would pay \$231.48 per month, the restaurant >30 persons would pay \$136.64 per month and the restaurant <30 persons would pay \$75.07.

ITEM No.	ITEM	TOTAL BLDGS	TOTAL UNITS (EDUs)	Proposed CCSMD Rate	Proposed Monthly CCSMD Revenue	Annual Monthly CCSMD Revenue
Anderholt Area						
1	Single Family Homes	39	39	\$ 18.78	\$ 732.42	\$ 8,789.04
2	Duplexes	1	2	\$ 18.78	\$ 37.56	\$ 450.72
3	Triplexes	4	12	\$ 18.78	\$ 225.36	\$ 2,704.32
4	Fourplex	1	4	\$ 18.78	\$ 75.12	\$ 901.44
Barbara Worth Drive Area						
5	Single Family Homes	26	26	\$ 18.78	\$ 488.28	\$ 5,859.36
6	Duplexes	13	26	\$ 18.78	\$ 488.28	\$ 5,859.36
7	Triplexes	1	3	\$ 18.78	\$ 56.34	\$ 676.08
8	Hotels with > 30 persons	1	34	\$ 154.60	\$ 154.60	\$ 1,855.17
9	Restaurants with <30 persons	1	2	\$ 50.14	\$ 50.14	\$ 601.65
10	Restaurants with >30 persons	1	3	\$ 91.26	\$ 91.26	\$ 1,095.09
Totals		88	151		\$ 2,399.35	\$28,792.23

Figure 10 –CCSMD Monthly estimate for IC payback (10 years @ 6%) – Based on Figures from Auditor’s Report Ending Fiscal Year 2012

Capital Improvements

The possibility of grant funding for the CCSMD is not likely because the Median Household Revenue (MHI) is relatively high. The CCSMD would probably require a low interest loan from the funding agency. The total cost estimate for the capital improvements is \$1,666,575. The monthly cost estimate is \$5,496. Both payments are estimated using a 3.0% interest rate and 40 year payback period (Current USDA guidelines). The capital improvements will require a \$41.56/month commitment from the residents per EDU, and \$342.12/month per connection for the hotel, 110.95. These are estimates; the final costs will depend on the actual overall project costs.

This type of funding would probably be best suited to be a tax assessment. In this regard, the residents would need to approve the assessment per Proposition 218.

ITEM No.	ITEM	TOTAL BLDGS	TOTAL UNITS (EDUs)	Proposed monthly assessment per Unit	Equivalent annual assessment per EDU	Total monthly assessment income	Total annual assessment income
Anderholt Area							
1	Single Family Homes	39	39	\$ 41.56	\$ 498.72	\$ 1,620.84	\$19,450.08
2	Duplexes	1	2	\$ 41.56	\$ 498.72	\$ 83.12	\$ 997.44
3	Triplexes	4	12	\$ 41.56	\$ 498.72	\$ 498.72	\$ 5,984.64
4	Fourplex	1	4	\$ 41.56	\$ 498.72	\$ 166.24	\$ 1,994.88
Barbara Worth Drive Area							
5	Single Family Homes	26	26	\$ 41.56	\$ 498.72	\$ 1,080.56	\$12,966.72
6	Duplexes	13	26	\$ 41.56	\$ 498.72	\$ 1,080.56	\$12,966.72
7	Triplexes	1	3	\$ 41.56	\$ 498.72	\$ 124.68	\$ 1,496.16
8	Hotels with > 30 persons	1	34	\$ 342.12	\$ 4,105.48	\$ 342.12	\$ 342.12
9	Restaurants with <30 persons	1	2	\$ 110.95	\$ 1,331.45	\$ 120.00	\$ 120.00
10	Restaurants with >30 persons	1	3	\$ 201.95	\$ 2,423.43	\$ 180.00	\$ 180.00
Totals		88	151			\$ 5,296.84	\$56,498.76

Figure 11 –CCSMD Monthly estimate for USDA loan – Capital Improvements (40 years @ 3.0%)

Capacity Fee		
Existing EDU	112	
Hotel and Restaurant EDU	39	
Total Existing EDU	151	
1 EDU capacity	396	Gallons per Day
Pumping Capacity	400	Gallons per Minute
Pumping Capacity	288,000	Gallon per Day (50% operation time)
Total EDU Capacity	727	EDU
Existing Improvements	\$1,666,575	
Capacity Fee	\$ 2,291.54	

Figure 12 –CCSMD Capacity Fee Calculation

Capacity Fee Calculation

The estimate above was calculated using 120 gallons per day per capita sewer generated, and 3.3 capita per EDU. The amount above should be charged to new development to defray the cost of the pump station and forcemain.

CCSMD Proposed Rates

Several scenarios are possible, depending on the course determined by the CCSMD, as to what rates/fees will apply. Each scenario will result in a different total cost per EDU and hotel connection. The intention of the matrix is to show the total sewer cost per month per equivalent dwelling unit (EDU) or hotel connection under each scenario. The numbers presented here are estimates based on information available at the time of this report, and are intended to cover the costs of operation only. The following pages show the possible sewer rates to the CCSMD. These can come in the form of assessments or monthly fees, to be determined by the CCSMD. The possible sewer fees/assessments are as follows:

1. *City of Holtville regular sewer rate* – This is the rate that the City currently charges for residential sewer service per EDU. The current rate is \$49.32. The hotel (>30 persons) is charged \$406.05, there is one restaurant (>30 persons) \$131.69, and one restaurant (<30 persons) \$239.69, plus a \$3.72 charge per 1,000 gallons of water used over 175,000 gallons total.
2. *City of Holtville BWCC discounted sewer rate* – The City has proposed to reduce the rates by 20%. This has not yet been approved, but the reduced rates were used in this study because they are anticipated to be approved.
3. *Estimated maintenance costs without pump station and forcemain replacement* –The operation and maintenance costs for fiscal year 2012 were \$11,981. This is unusual; therefore the average was used over the last four years. This has been calculated to be \$30,179.89 annually or \$18.50 per EDU, \$152.29 for the hotel, \$49.39 for the restaurant <30 persons, \$89.90 for the restaurant >30 persons.
4. *Estimated maintenance costs with new pump station and forcemain replacement* – It is estimated that if the new pump station and forcemain are installed that the operation and maintenance costs to the CCSMD would be reduced by 30%. The costs are estimated to be \$21,125.92 annually. This has been calculated to be \$12.57 per EDU,

\$103.48 for the hotel, \$33.56 for the restaurant <30 persons and \$61.08 for the restaurant >30 persons.

5. Monthly payback to County for debt incurred between July 2002 and July 2012 – The CCSMD owes the County of Imperial \$216,112 as of July 2012. In order to pay back this amount the CCSMD will need to pay \$20.93 per EDU, \$321.79 for the hotel, \$55.88 for the restaurant <30 persons and \$101.71 for the restaurant >30 persons. The calculations are based on a 10 year payback at 6% interest.
6. Pipeline, pump station and manhole replacement fund (Reserve) – In order to have a funds to replace existing infrastructure, the CCSMD should have a reserve account. It was estimated that the infrastructure has a 75 year life expectancy. The total replacement cost of the infrastructure was calculated. The total cost is \$1.9 million in 2013 dollars. Assuming 2% inflation, the monthly payment over 75 years is \$4,067.12. This is the amount that should be saved in a reserve account. This spread over the existing 112 EDUs, Hotel and Restaurant connections is almost the cost of an entire sewer charge. The rate to cover the reserve is \$31.85 per EDU per month, \$262.19 for the hotel, \$85.03 for the restaurant <30 persons and \$154.77 for the restaurant >30 persons. The CCSMD may elect to reduce this amount, but a reserve is necessary – as can be seen by the lack of funds to replace the existing pump station and forcemain.
7. Pump Station and Collection System Improvements, and Forcemain Project (Amortized at 3.0% low interest loan for 40 years) – The costs for the pump station, manhole rehabilitation and forcemain project were taken from the Country Club Sewer Maintenance District Draft Facilities Assessment Report dated November 26, 2012 by Bureau Veritas North America, Inc. It is anticipated that the project will require loan funding. This report assumes that a low-interest loan will be available with an interest rate of 3.0% and a payback period of 40 years, which is typical of a USDA loan.

The estimate cost as identified by the Bureau Veritas Report is \$1,666,575. Based on the interest rate and 40 year payback period, the monthly cost per EDU will be \$41.56, \$342.12 for the hotel, \$110.95 for the restaurant <30 persons and \$201.95 for the

restaurant >30 persons. This would most likely occur as a property assessment rather than a sewer rate. If any development occurs, the developers should be required to pay for any upgrades to the pump station and/or forcemain for the additional capacity, or the connection fee per EDU as shown previously.

Scenarios

The total monthly CCSMD sewer rate/fee per EDU or Hotel Connection will depend on a number of circumstances, such as the ability of the City of Holtville to extend a discounted rate, the actual project cost of the pump station and forcemain, the payback period to Imperial County (estimated 10 years for purposes of this report) and whether or not a reserve fund will be established.

CCSMD monthly sewer fees range from \$18.50 to \$106.91 per EDU, depending on the scenario (See Appendix A). The scenario with the lowest short term fees does not equate to the lowest long term fees. The lowest cost per EDU in this report does not include the replacement of the pump station, Imperial County pay-back or any reserve. The infrastructure will need to be replaced – if not now then in the near future. It has been recommended that the pump station be upgraded and the forcemain be replaced as soon as possible.

Conclusion

The purpose of this report is to study and show the estimated revenue required by the CCSMD to continue operations in the future. It has been shown that the existing revenue from the CCSMD tax is insufficient to keep the CCSMD a going concern. The County of Imperial has been supporting the deficits incurred by the CCSMD; at the end of FY 2012, the CCSMD owed the County \$216,112. It is clear that the CCSMD will need to establish fees or assessments in order to continue without County intervention. If the revenue is to be sewer fees, it would be of high value to for the CCSMD to establish an agreement with the City of Holtville for collection and deposition of the fees into a designated CCSMD account. The costs

per EDU, hotel and restaurant connections were calculated. There are several possibilities and combinations. The rates/assessments were calculated with the information available at the time of this report. The total monthly cost per EDU and hotel connection is shown in the Rate Matrix in Appendix A.

Appendix A – Proposed CCSMD Rate Matrix

APPENDIX A - CCSMD RATE MATRIX

Scenario Number	Rate Description	Quantity	City of Holtville discounted rate	Estimated Maintenance Costs without pump station replacement	Estimated Maintenance Costs with pump station replacement	Monthly payback to County for debt between July 2002 and July 2013	Pipeline, Pump Station and Manhole Replacement Reserve Fund	Pump Station, Collection System and Forcemain Project per BV Report, (Amortized at 3.0% low interest loan for 40 years)	Total Proposed Monthly CCSMD Rate Per EDU/Con.	Total monthly Rate Per EDU/Con.	Total City of Holtville Monthly Revenue	Total CCSMD Monthly Revenue
1	Residential Rate per EDU	112	\$ 39.09	\$ 18.50					\$ 18.50	\$ 57.59	\$ 4,378.08	\$ 2,072.00
	Hotel Rate >30 per connection	1	\$ 321.79	\$ 152.29					\$ 152.29	\$ 474.08	\$ 321.79	\$ 152.29
	Restaurant <30 persons	1	\$ 104.36	\$ 49.39					\$ 49.39	\$ 153.75	\$ 104.36	\$ 49.39
	Restaurant >30 persons	1	\$ 189.95	\$ 89.90					\$ 89.90	\$ 279.85	\$ 189.95	\$ 89.90
										Totals:	\$ 4,994.18	\$ 2,363.58
2	Residential Rate per EDU	112	\$ 39.09	\$ 18.50		\$ 18.78			\$ 37.28	\$ 76.37	\$ 4,378.08	\$ 4,175.36
	Hotel Rate >30 per connection	1	\$ 321.79	\$ 152.29		\$ 154.60			\$ 306.89	\$ 628.68	\$ 321.79	\$ 306.89
	Restaurant <30 persons	1	\$ 104.36	\$ 49.39		\$ 50.14			\$ 99.53	\$ 203.89	\$ 104.36	\$ 99.53
	Restaurant >30 persons	1	\$ 189.95	\$ 89.90		\$ 91.26			\$ 181.15	\$ 371.10	\$ 189.95	\$ 181.15
										Totals:	\$ 4,994.18	\$ 4,762.93
3	Residential Rate per EDU	112	\$ 39.09	\$ 18.50			\$ 31.85		\$ 50.35	\$ 89.44	\$ 4,378.08	\$ 5,639.20
	Hotel Rate >30 per connection	1	\$ 321.79	\$ 152.29			\$ 262.19		\$ 414.48	\$ 736.27	\$ 321.79	\$ 414.48
	Restaurant <30 persons	1	\$ 104.36	\$ 49.39			\$ 85.03		\$ 134.42	\$ 238.78	\$ 104.36	\$ 134.42
	Restaurant >30 persons	1	\$ 189.95	\$ 89.90			\$ 154.77		\$ 244.67	\$ 434.62	\$ 189.95	\$ 244.67
										Totals:	\$ 4,994.18	\$ 6,432.77
4	Residential Rate per EDU	112	\$ 39.09	\$ 18.50		\$ 18.78	\$ 31.85		\$ 69.13	\$ 108.22	\$ 4,378.08	\$ 7,742.56
	Hotel Rate >30 per connection	1	\$ 321.79	\$ 152.29		\$ 154.60	\$ 262.19		\$ 569.08	\$ 890.87	\$ 321.79	\$ 569.08
	Restaurant <30 persons	1	\$ 104.36	\$ 49.39		\$ 50.14	\$ 85.03		\$ 184.56	\$ 288.92	\$ 104.36	\$ 184.56
	Restaurant >30 persons	1	\$ 189.95	\$ 89.90		\$ 91.26	\$ 154.77		\$ 335.92	\$ 525.87	\$ 189.95	\$ 335.92
										Totals:	\$ 4,994.18	\$ 8,832.12
5	Residential Rate per EDU	112	\$ 39.09		\$ 12.57			\$ 41.56	\$ 54.13	\$ 93.22	\$ 4,378.08	\$ 6,062.56
	Hotel Rate >30 per connection	1	\$ 321.79		\$ 103.48			\$ 342.12	\$ 445.60	\$ 767.39	\$ 321.79	\$ 445.60
	Restaurant <30 persons	1	\$ 104.36		\$ 33.56			\$ 120.00	\$ 153.56	\$ 257.92	\$ 104.36	\$ 153.56
	Restaurant >30 persons	1	\$ 189.95		\$ 61.08			\$ 180.00	\$ 241.08	\$ 431.03	\$ 189.95	\$ 241.08
										Totals:	\$ 4,994.18	\$ 6,902.80
6	Residential Rate per EDU	112	\$ 39.09		\$ 12.57	\$ 18.78		\$ 41.56	\$ 72.91	\$ 112.00	\$ 4,378.08	\$ 8,165.92
	Hotel Rate >30 per connection	1	\$ 321.79		\$ 103.48	\$ 154.60		\$ 342.12	\$ 600.20	\$ 921.99	\$ 321.79	\$ 600.20
	Restaurant <30 persons	1	\$ 104.36		\$ 33.56	\$ 50.14		\$ 120.00	\$ 203.70	\$ 308.06	\$ 104.36	\$ 203.70
	Restaurant >30 persons	1	\$ 189.95		\$ 61.08	\$ 91.26		\$ 180.00	\$ 332.34	\$ 522.29	\$ 189.95	\$ 332.34
										Totals:	\$ 4,994.18	\$ 9,302.15
7	Residential Rate per EDU	112	\$ 39.09		\$ 12.57		\$ 31.85	\$ 41.56	\$ 85.98	\$ 125.07	\$ 4,378.08	\$ 9,629.76
	Hotel Rate >30 per connection	1	\$ 321.79		\$ 103.48		\$ 262.19	\$ 342.12	\$ 707.79	\$ 1,029.58	\$ 321.79	\$ 707.79
	Restaurant <30 persons	1	\$ 104.36		\$ 33.56		\$ 85.03	\$ 120.00	\$ 238.59	\$ 342.95	\$ 104.36	\$ 238.59
	Restaurant >30 persons	1	\$ 189.95		\$ 61.08		\$ 154.77	\$ 180.00	\$ 395.85	\$ 585.80	\$ 189.95	\$ 395.85
										Totals:	\$ 4,994.18	\$ 10,971.99
8	Residential Rate per EDU	112	\$ 39.09		\$ 12.57	\$ 18.78	\$ 31.85	\$ 41.56	\$ 104.76	\$ 143.85	\$ 4,378.08	\$ 11,733.12
	Hotel Rate >30 per connection	1	\$ 321.79		\$ 103.48	\$ 154.60	\$ 262.19	\$ 342.12	\$ 862.39	\$ 1,184.18	\$ 321.79	\$ 862.39
	Restaurant <30 persons	1	\$ 104.36		\$ 33.56	\$ 50.14	\$ 85.03	\$ 120.00	\$ 288.73	\$ 393.09	\$ 104.36	\$ 288.73
	Restaurant >30 persons	1	\$ 189.95		\$ 61.08	\$ 91.26	\$ 154.77	\$ 180.00	\$ 487.11	\$ 677.06	\$ 189.95	\$ 487.11
										Totals:	\$ 4,994.18	\$ 13,371.34

Appendix B – Country Club Sewer Maintenance District FY 2012 Audit

AUDITOR'S REPORT
COUNTRY CLUB SEWER MAINTENANCE DISTRICT
JULY 1, 2011 TO JUNE 30, 2012



DOUGLAS R. NEWLAND, CPA
IMPERIAL COUNTY AUDITOR-CONTROLLER

**AUDITOR'S REPORT
COUNTRY CLUB SEWER MAINTENANCE DISTRICT
JULY 1, 2011 TO JUNE 30, 2012**

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Douglas R. Newland, CPA
Auditor-Controller
dougnewland@co.imperial.ca.us



County Administration Center
940 Main Street, Suite 108
El Centro, California 92243
Telephone: 760-482-4556
FAX: 760-482-4557

AUDITOR-CONTROLLER

October 18, 2012

Board of Supervisors
County of Imperial
And,
Board of Directors
Country Club Sewer Maintenance District

Subject: Report on the Country Club Sewer Maintenance District

Dear Board Members:

We have audited the comparative balance sheet of the Country Club Sewer Maintenance District as of June 30, 2012 and 2011, and the related comparative statements of revenues, expenditures, and changes in fund balance and changes in financial position for the years then ended. Our audit was made in accordance with generally accepted auditing standards in conjunction with Section 26909 of the Government Code and included such tests of the accounting records and such other auditing procedures, as we considered necessary in the circumstances.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the accompanying statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. As shown in the financial statements for the fiscal year ended June 30, 2012, the District incurred a loss of \$10,659. In the prior fiscal year they also incurred a loss of \$28,049. These factors, including a deficit in their fund balance of \$216,112 may indicate that the District will be unable to continue as a going concern. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In the previous audit we expressed the same concern about the District and recommended that the District immediately initiate measures to increase revenues to fund the maintenance costs. In May 2009, Dynamic Consulting Engineers, Inc. completed for the County Public Works Department and Country Club Sewer Maintenance District a sewer rate study. The sewer rate study report was submitted to the Board of Supervisors acting as the Country Club Sewer Maintenance District for discussion/action on January 12, 2010, at which time the Board gave approval to Public Works to commence with the process to revise the fee schedule in accordance with the rate study. At the date of this audit no action has been taken to implement the fees schedule. County funds continue to be used to support the District's ongoing operations without proper Board of Directors action. In addition, the sewer system continues to deteriorate causing concern over the liability the County could incur including penalties and reparations should the system fail.

In our opinion, the statements referred to above present fairly, in all material respects, the financial position of the Country Club Sewer Maintenance District, for the years ended June 30, 2012 and 2011, in conformity with accounting principles generally accepted in the United States of America.

Respectfully Submitted,



Douglas R. Newland, CPA
Auditor-Controller

Executive Summary

Overview

The Country Club Sewer Maintenance District is a Special District that was established on June 16, 1970, under section 4877 of the Health and Safety Code. This Special District is a separate agency from the County of Imperial. It was created at the request of the property owners to maintain the sewer system for the homes located at the Barbara Worth Country Club. On July 21, 1970 (minute order #7) the Imperial County Board of Supervisors authorized the Department of Public Works to perform the administration of the Country Club Sewer Maintenance District, and to negotiate with the City of Holtville for performance of routine maintenance and operation of the plant.

In December of 2001, the City of Holtville elected to opt out of providing maintenance services to the District's sewer system. Effective July 1, 2002, the Country Club Sewer Maintenance District was responsible for all maintenance costs associated with the sewer lines.

From July 2002 through June 2012, the City of Holtville collected the fees associated with the maintenance of the sewer lines, but continues not to remit these fees to the Country Club Sewer Maintenance District. The Public Works Director sent a letter in November 2009, requesting that Holtville arrange to remit the collected fees to the Country Club Sewer Maintenance District. A response from the City of Holtville was received on June 22, 2010, stating that they did not feel the monies were owed to the district.

The Imperial County Public Works Department contracted with Dynamic Consulting Services, Inc., to perform a sewer rate study for Country Club Sewer Maintenance District, which was completed in May 2009. The rate study was presented to the Board of Directors of the Country Club Sewer Maintenance District at their January 12, 2010 meeting. At that time the Board reviewed the rate study and approved to commence the process to revise the fee schedule in accordance with the rate study.

The Public Works Director has secured a \$2.5 million State Revolving Fund loan to fund the upgrade of the sewer system. However, the Department has not processed the request for the funds. They are waiting until they secure funding needed to repay the loan which would require a Proposition 218 vote of residents of the district.

Overall Objective

Our purpose was to provide the Board of Directors with an independent assessment of the District's ability to continue as a going concern, and to assess the adequacy of internal controls over the District's processes and accounting procedures.

Overall Conclusion

Based upon the results of our audit, we determined the Country Club Sewer Maintenance District did have proper internal controls over the accounting procedures. However, we still have concerns over the following issues:

- The County of Imperial's potential liability should the sewer system have another failure could be quite significant. Public Works is very concerned about the system's deterioration.
- The Country Club Sewer Maintenance District financial difficulties raise substantial doubt as to its ongoing operation. The District currently has a negative fund balance of \$216,112.
- The County of Imperial continues to financially support the District's operations.

Details about our audit methodology, results, findings and recommendations are provided in the body of our report.

Subsequent Event

On April 2012, a Board Action Request was presented during closed session to the Board of Directors for approval. Based on information provided in the rate study conducted by Dynamic Consulting Engineers, the Director of Public Works presented to the Board Members different alternatives for addressing the upgrade and maintenance of the sewer lines, as well as the repayment to the County of Imperial for past services.

The following option, which was requested by some residents of the district to be included in the presentation, was approved by the Board of Directors.

- Direction was given to the Department of Public Works to secure a consultant to conduct an engineering study in order to obtain current information as to the system's status and condition. It is hoped that this study will provide a more accurate condition of the sewer system and will help to determine the necessary repairs.
- The Imperial County Public Works Department contracted with Bureau Veritas to perform the sewer condition study for the Country Club Sewer Maintenance District. It is anticipated that the sewer study will be completed by December 2012 and presented to the Board in 2013.

Objectives

To determine:

- The accuracy of the Country Club Sewer Maintenance District's cash balance in the County's General Ledger.
- The existence of adequate internal controls over cash disbursements.
- Fluctuations of fund balance from prior periods and explain significant variations.

Methodology

To accomplish our objectives, we:

- Performed a financial analysis of the cash balance.
- Performed detailed testing of cash disbursement transactions.
- Analyzed any large fund variances from previous fiscal years to identify the source of any fluctuation.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

Finding 1: Increasing Negative Fund Balance

Condition:

The Country Club Sewer Maintenance District continues to experience difficulties in meeting its financial obligations. County funds continue to be used to support the District's ongoing operations without proper Board of Supervisor action.

Effect:

The CCSMD has had negative working capital for the past twelve years. As of June 30, 2012, the District has a negative cash balance of (\$173,734) and a negative fund balance of (\$216,112).

Cause:

The CCSMD has had no income other than a small amount of County Taxes. This revenue has not been sufficient to offset the maintenance cost of the sewer lines.

Criteria:

Country Club Sewer Maintenance District Informational Report (County of Imperial Department of Public Works, June 2006), Country Club Sewer Maintenance District – Sewer Rate Study (Dynamic Consulting Engineers, Inc., May 2009), and County of Imperial Accounting System (IFAS).

Recommendation:

The Country Club Sewer Maintenance District should immediately initiate measures to increase revenues to fund operation and maintenance costs of the sewer system, as well as the repayment to County of Imperial for past services.

Management Response:

None

COUNTRY CLUB SEWER MAINTENANCE DISTRICT
COMPARATIVE BALANCE SHEET
JUNE 30, 2012 AND 2011

	June 30		Increase (Decrease)
	2012	2011	
ASSETS			
Current:			
Cash	\$0	\$0	\$0
Interest Receivable	\$0	\$0	\$0
Total	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Long Term:			
Structures & Improvements	<u>\$223,523</u>	<u>\$223,523</u>	<u>\$0</u>
Total Assets	<u><u>\$223,523</u></u>	<u><u>\$223,523</u></u>	<u><u>\$0</u></u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Deficit Cash	\$173,734	\$160,201	\$13,533
Accounts Payable	\$288	\$3,344	(\$3,056)
Due to Other Funds	<u>\$42,090</u>	<u>\$41,908</u>	<u>\$182</u>
Total Liabilities	<u>\$216,112</u>	<u>\$205,453</u>	<u>\$10,659</u>
Fund Equity:			
Investment in Fixed Assets	\$223,523	\$223,523	\$0
Fund Balance Unrestricted	<u>(\$216,112)</u>	<u>(\$205,453)</u>	<u>(\$10,659)</u>
Total Fund Equity	<u>\$7,411</u>	<u>\$18,070</u>	<u>(\$10,659)</u>
Total Liabilities and Fund Equity	<u><u>\$223,523</u></u>	<u><u>\$223,523</u></u>	<u><u>\$0</u></u>

**COUNTRY CLUB SEWER MAINTENANCE DISTRICT
COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	Fiscal Year Ended		Increase (Decrease)
	June 30 2012	June 30 2011	
REVENUES			
Interest	(\$1,275)	(\$1,420)	\$145
Current Secured Taxes	\$2,384	\$2,722	(\$338)
Current Unsecured Taxes	\$188	\$209	(\$21)
Homeowners Prop. Tax Relief	\$33	\$38	(\$5)
Supplemental Assessment	(\$8)	(\$6)	(\$2)
	<u>\$1,322</u>	<u>\$1,543</u>	<u>(\$221)</u>
EXPENDITURES			
Maintenance-Equipment	\$10,127	\$8,638	\$1,489
Prof. & Specialized Services	\$0	\$19,858	(\$19,858)
Special Departmental Expense	\$0	\$0	\$0
Utilities	\$1,854	\$1,096	\$758
	<u>\$11,981</u>	<u>\$29,592</u>	<u>(\$17,611)</u>
Excess of Revenues Over (under) Expenditures	<u>(\$10,659)</u>	<u>(\$28,049)</u>	<u>\$17,390</u>
Fund Balance July 1	<u>(\$205,453)</u>	<u>(\$177,404)</u>	<u>(\$28,049)</u>
Fund Balance June 30	<u>(\$216,112)</u>	<u>(\$205,453)</u>	<u>(\$10,659)</u>

**COUNTRY CLUB SEWER MAINTENANCE DISTRICT
COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011**

	Fiscal Year Ended		Increase (Decrease)
	June 30 2012	June 30 2011	
Sources of Working Capital:			
Interest	(\$1,275)	(\$1,420)	\$145
District Taxes	\$2,597	\$2,963	(\$366)
Total Sources of Working Capital	\$1,322	\$1,543	(\$221)
Uses of Working Capital:			
Maintenance-Equipment	\$10,127	\$8,638	\$1,489
Prof. & Specialized Services	\$0	\$19,858	(\$19,858)
Special Departmental Expense	\$0	\$0	\$0
Utilities	\$1,854	\$1,096	\$758
Total Uses of Working Capital	\$11,981	\$29,592	(\$17,611)
Net Increase (Decrease) in Working Capital	(\$10,659)	(\$28,049)	\$17,390
Elements of Increase (Decrease) in Working Capital:			
Cash	\$0	\$0	\$0
Interest Receivable	\$0	\$0	\$0
Deficit Cash	(\$13,533)	(\$35,732)	\$22,199
Accounts Payable	\$3,056	(\$2,986)	\$6,042
Due To Other Funds	(\$182)	\$10,669	(\$10,851)
Adjustment to Fund Balance	\$0	\$0	\$0
Total	(\$10,659)	(\$28,049)	\$17,390

**COUNTRY CLUB SEWER MAINTENANCE DISTRICT
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Interest	(\$1,500)	(\$1,275)	\$225
District Taxes	\$3,320	\$2,564	(\$756)
Special Assessments	\$0	\$33	\$33
Total Revenues	<u>\$1,820</u>	<u>\$1,322</u>	<u>(\$498)</u>
Expenditures			
Maintenance-Equipment	\$9,000	\$10,127	(\$1,127)
Prof. & Specialized Services	\$33,500	\$0	\$33,500
Special Departmental Expense	\$80	\$0	\$80
Utilities	\$1,136	\$1,854	(\$718)
Total Expenditures	<u>\$43,716</u>	<u>\$11,981</u>	<u>\$31,735</u>
Excess of Revenues Over (Under) Expenditures	<u>(\$41,896)</u>	(\$10,659)	<u>\$31,237</u>
Fund Balance July 1		<u>(\$205,453)</u>	
Fund Balance June 30		<u>(\$216,112)</u>	

Exhibit E

**Country Club Sewer Maintenance District
Reconciliation of Fund Balance Activities
For the Fiscal Years Ended June 30, 2001 through 2011**

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>Fiscal Year Ended</u>		<u>2002</u>	<u>2001</u>	<u>Totals</u>
									<u>2004</u>	<u>2003</u>			
Fund Balance July 1	<u>(\$205,453)</u>	<u>(\$177,404)</u>	<u>(\$136,502)</u>	<u>(\$106,048)</u>	<u>(\$84,324)</u>	<u>(\$33,974)</u>	<u>(\$53,590)</u>	<u>(\$32,128)</u>	<u>\$13,493</u>	<u>\$29,894</u>	<u>\$34,967</u>	<u>\$35,811</u>	
Sources of Working Capital:													
Interest	<u>(\$1,275)</u>	<u>(\$1,420)</u>	<u>(\$1,629)</u>	<u>(\$2,647)</u>	<u>(\$1,350)</u>	<u>(\$352)</u>	<u>(\$598)</u>	<u>\$170</u>	<u>\$249</u>	<u>\$673</u>	<u>\$1,223</u>	<u>\$2,039</u>	<u>(\$2,222)</u>
District Taxes	<u>\$2,597</u>	<u>\$2,963</u>	<u>\$3,168</u>	<u>\$3,150</u>	<u>\$3,181</u>	<u>\$2,965</u>	<u>\$2,111</u>	<u>\$2,043</u>	<u>\$2,261</u>	<u>\$2,217</u>	<u>\$2,162</u>	<u>\$2,170</u>	<u>\$25,428</u>
Total Sources of Working Capital	<u>\$1,322</u>	<u>\$1,543</u>	<u>\$1,539</u>	<u>\$503</u>	<u>\$1,831</u>	<u>\$2,613</u>	<u>\$1,513</u>	<u>\$2,213</u>	<u>\$2,510</u>	<u>\$2,890</u>	<u>\$3,385</u>	<u>\$4,209</u>	<u>\$23,206</u>
Uses of Working Capital:													
Maintenance-Equipment	<u>\$10,127</u>	<u>\$8,638</u>	<u>\$19,357</u>	<u>\$1,127</u>									<u>\$20,484</u>
Prof. & Specialized Services	<u>\$0</u>	<u>\$19,858</u>	<u>\$21,996</u>	<u>\$28,754</u>	<u>\$19,290</u>	<u>\$7,035</u>	<u>\$21,772</u>	<u>\$20,221</u>	<u>\$3,769</u>	<u>\$19,291</u>	<u>\$8,458</u>	<u>\$5,053</u>	<u>\$155,639</u>
Special Departmental Expense	<u>\$0</u>	<u>\$0</u>	<u>\$17</u>	<u>\$0</u>	<u>\$600</u>	<u>\$600</u>	<u>\$600</u>	<u>\$0</u>	<u>\$41,908</u>				<u>\$43,725</u>
Utilities	<u>\$1,854</u>	<u>\$1,096</u>	<u>\$1,071</u>	<u>\$1,076</u>	<u>\$3,665</u>	<u>\$3,420</u>	<u>\$1,432</u>	<u>\$3,454</u>	<u>\$2,454</u>				<u>\$16,573</u>
Total Uses of Working Capital	<u>\$11,981</u>	<u>\$29,592</u>	<u>\$42,441</u>	<u>\$30,957</u>	<u>\$23,555</u>	<u>\$11,055</u>	<u>\$23,804</u>	<u>\$23,675</u>	<u>\$48,131</u>	<u>\$19,291</u>	<u>\$8,458</u>	<u>\$5,053</u>	<u>\$236,421</u>
Net Increase (Decrease) in Working Capital	<u>(\$10,659)</u>	<u>(\$28,049)</u>	<u>(\$40,902)</u>	<u>(\$30,454)</u>	<u>(\$21,724)</u>	<u>(\$8,442)</u>	<u>(\$22,292)</u>	<u>(\$21,462)</u>	<u>(\$45,621)</u>	<u>(\$16,401)</u>	<u>(\$5,073)</u>	<u>(\$844)</u>	<u>(\$213,215)</u>
Fund Balance June 30	<u>(\$216,112)</u>	<u>(\$205,453)</u>	<u>(\$177,404)</u>	<u>(\$136,502)</u>	<u>(\$106,048)</u>	<u>(\$42,416)</u>	<u>(\$75,882)</u>	<u>(\$53,590)</u>	<u>(\$32,128)</u>	<u>\$13,493</u>	<u>\$29,894</u>	<u>\$34,967</u>	
Adjustment to Fund Balance (1)						<u>(\$41,908)</u>	<u>\$41,908</u>						
Adjusted Fund Balance						<u>(\$84,324)</u>	<u>(\$33,974)</u>						

(1) On May 8, 2006, an adjustment to the ledger was made to set up a liability due to the County of Imperial from the Country Club Sewer Maintenance District for property damage claims that were paid on July 30, 2004, out of the County of Imperial's Loss Reserve Fund. The journal entry was booked incorrectly, and was subsequently corrected on March 12, 2007.

Appendix C – City of Holtville Wastewater Rate Study

CITY OF HOLTVILLE Sewer Rate Analysis (Budget Projections)

SEWER ENTERPRISE		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7		
Description	2010-11 Actual	2011-12 Actual	2012-13 Budget	2013-14 Estimated	2014-15 Estimated	2015-16 Estimated	2016-17 Estimated	2017-18 Estimated	2018-19 Estimated	2019-20 Estimated
Rate Change / Month										
Per Connection (non-CC)				4.05%	2.03%					
Per CC Connection				-20.75%						
REVENUE										
Current Services										
Sewer Charges	1,202,346	1,198,667	1,200,000	1,194,115	1,217,134	1,217,134	1,217,134	1,217,134	1,217,134	1,217,134
Sewer (Country Club) Charges	39,227	41,538	38,000	59,925	59,925	59,925	59,925	59,925	59,925	59,925
Truck Disposal Services	140,478	78,331	70,000	50,000	50,000	35,000	30,000	25,000	25,000	20,000
Interest Earnings	4,262	5,148	2,000	2,000	2,000	2,000	2,000	2,000	1,000	1,000
Sewer Connections										
Total Sewer Revenue:	1,386,313	1,323,684	1,310,000	1,306,040	1,329,059	1,314,059	1,309,059	1,304,059	1,303,059	1,298,059
AUTHORIZED PERSONNEL	7.83	7.83	3.92	4.92	4.92	4.92	4.92	4.92	4.92	4.92
COLLECTION EXPENDITURES										
Salaries & Benefits	276,152	301,972	147,305	158,170	158,170	158,170	166,078	166,078	166,078	174,382
Supplies & Services	71,723	53,611	254,900	69,900	70,645	73,395	73,500	74,025	76,913	77,063
Utilities & Office	9,799	10,757	6,100	26,100	6,405	6,405	6,405	6,850	6,850	6,850
Transfer Out Allocation				15,000	15,000	15,000	15,000	15,000	15,000	15,000
Total Collection	357,673	366,340	408,305	269,170	250,220	252,970	260,983	261,953	264,841	273,295
TREATMENT EXPENDITURES										
Salaries & Benefits	267,101	251,822	176,844	200,471	200,471	209,397	209,397	209,397	218,736	218,736
Supplies & Services	293,141	422,869	293,700	288,350	291,850	270,925	263,425	263,925	259,950	254,950
Utilities & Office	57,454	60,806	72,800	75,000	125,000	125,300	128,660	128,660	128,925	132,385
Outlay	48,790	16,461	53,000	73,000	25,000	15,000	10,000	10,000	10,000	10,000
Transfer Out Allocation				35,000	35,000	35,000	35,000	35,000	35,000	35,000
Total Treatment	666,486	751,958	596,344	671,821	677,321	655,622	646,482	646,982	652,610	651,071
Transfer Out	118,700	119,300	50,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000
Total Enterprise Activity Expenditures	1,142,859	1,237,598	1,054,648	940,991	927,541	908,592	907,465	908,935	917,451	924,366
Net Income from Enterprise Activity	243,454	86,086	255,352	365,049	401,518	405,468	401,594	395,124	385,608	373,693
Required Debt Service Coverage	130,125	208,793	248,719	241,720	370,879	370,879	370,879	370,879	370,879	370,879
DEBT SERVICE										
2003 Bonds	104,100	167,034	141,225							
USDA Outfall Loan			57,750	193,376	164,501	164,501	164,501	164,501	164,501	164,501
Proposed SRF WWTP Loan					132,202	132,202	132,202	132,202	132,202	132,202
Total Debt Service	104,100	167,034	198,975	193,376	296,703	296,703	296,703	296,703	296,703	296,703
Total Expenditures:	1,246,959	1,404,632	1,253,623	1,134,367	1,224,244	1,205,295	1,204,168	1,205,638	1,214,154	1,221,069
Net Revenue Over Expenditures	139,354	(80,948)	56,377	171,673	104,815	108,765	104,891	98,421	88,905	76,990
Actual Debt Service Ratio	234%	52%	128%	189%	135%	137%	135%	133%	130%	126%
Accumulated Cash Reserve	889,931	1,058,408	589,149	760,822	865,638	974,402	1,079,293	1,177,714	1,266,619	1,343,610

Collection Delivery Costs

Total Activity Expenditures		269,170	250,220	252,970	260,983	261,953	264,841	273,295
Debt Service		120,323	102,356	102,356	102,356	102,356	102,356	102,356
Total Expenditures		389,493	352,576	355,326	363,340	364,310	367,197	375,651
Cost to Deliver Service (1,793 Connections)		18.10	16.39	16.51	16.89	16.93	17.07	17.46
Costs attributable to BWCC (7%)		27,264	24,680	24,873	25,434	25,502	25,704	26,296
		Monthly / Connection	1.19	1.08	1.09	1.11	1.11	1.15

Treatment Delivery Costs

Total Activity Expenditures		671,821	677,321	655,622	646,482	646,982	652,610	651,071
Debt Service (2003 WWTP Upgrade)		73,053	62,145	62,145	62,145	62,145	62,145	62,145
Debt Service (2015 WWTP Upgrade)		-	132,202	132,202	132,202	132,202	132,202	132,202
Total Expenditures		744,874	871,668	849,969	840,829	841,329	846,957	845,418
Cost to Deliver Service (1,908 Connections)		32.53	38.07	37.12	36.72	36.75	36.99	36.92
BWCC Rate		33.72	39.15	38.21	37.83	37.86	38.11	38.07

**CITY OF HOLTVILLE
Sewer Rate Analysis**

City Rates

Line #	Customer Class	Existing		Users		Current Rates / Revenue	4.05% Rate Increase			2.03% Add'l Increase		
		Fixed \$/Month	Consumptn Fee (\$/kgal)	In City	Outside		Increase/New Rate	Revenue	Increase/New Rate	Revenue		
1	Single Family	\$49.32		1,044	51	\$54,005	\$2.00	\$51.32	\$56,031	\$52.32	\$1.00	\$57,111
2	Multifamily (per dwelling unit)	49.32		659	9	32,946	2.00	51.32	34,181	52.32	1.00	34,840
3	Senior Discount	39.44		6		237	1.60	41.04	246	41.84	0.80	250
4	Offices	45.02	3.95	36	2	1,711	1.82	46.84	1,775	47.76	0.91	1,809
5	Churches	45.02	3.95	15		675	1.82	46.84	701	47.76	0.91	714
6	Service Stations	64.93	3.95	10	3	844	2.63	67.56	876	68.88	1.32	893
7	<u>Restaurants</u>											
8	Under 30 persons	131.69	3.95	9		1,185	5.33	137.02	1,230	139.70	2.67	1,253
9	Over 30 persons	239.69	3.95	1		240	9.71	249.40	249	254.26	4.87	253
10	<u>Hotels</u>											
11	Under 30 persons	214.88	3.95	2		430	8.70	223.58	446	227.94	4.36	454
12	Over 30 persons	406.05	3.95	1		406	16.45	422.50	421	430.74	8.24	429
13	Laundromats	225.49	3.95				9.13	234.62	0	239.20	4.58	0
14	Schools	323.42	3.95	3		970	13.10	336.52	1,007	343.08	6.57	1,026
15	Meat Processors, Packing Sheds, coolers, ice plants, etc.	323.42	3.95	7		2,264	13.10	336.52	2,349	343.08	6.57	2,394
City Rate Payers (per month)				1,793		\$95,913			\$99,510			\$101,428
Annualized Amount						\$1,150,954			\$1,194,115			\$1,217,134

Barbara Worth Country Club Rates				BWCC Users		-20.75% (Decrease)		
						Decrease/New Rate	Revenue	
16	Single Family	\$49.32		71		(\$10.23)	\$39.09	\$2,775
17	Multifamily (per dwelling unit)	49.32		41		(10.23)	39.09	1,603
18	Senior Discount	39.44				(39.44)		
19	Offices	45.02	3.95			(45.02)		
20	Churches	45.02	3.95			(45.02)		
21	Service Stations	64.93	3.95			(64.93)		
22	<u>Restaurants</u>							
23	Under 30 persons	131.69	3.95	1		(27.33)	104.36	104
24	Over 30 persons	239.69	3.95	1		(49.74)	189.95	190
25	<u>Hotels</u>							
26	Under 30 persons	214.88	3.95			(214.88)		
27	Over 30 persons	406.05	3.95	1		(84.26)	321.79	322
28	Laundromats	225.49	3.95			(225.49)		
29	Schools	323.42	3.95			(323.42)		
30	Meat Processors, Packing Sheds, coolers, ice plants, etc.	323.42	3.95			(323.42)		
BWCC Rate Payers (per month)				115		\$6,301		\$4,994
Annualized Amount						\$75,615		\$59,925

Effective Rate Changes on Single Family Homes	
City/Non-BWCC Homes	
Current Increase	\$2.00
2013-14 Increase	\$1.00
BWCC Residents	
Current Decrease	(\$10.23)
2013-14 Change	\$0.00

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