

Wastewater & Security Fees Study

PAUMA VALLEY COMMUNITY SERVICES DISTRICT

October 18, 2025

Wastewater Rate Study

All figures are DRAFT

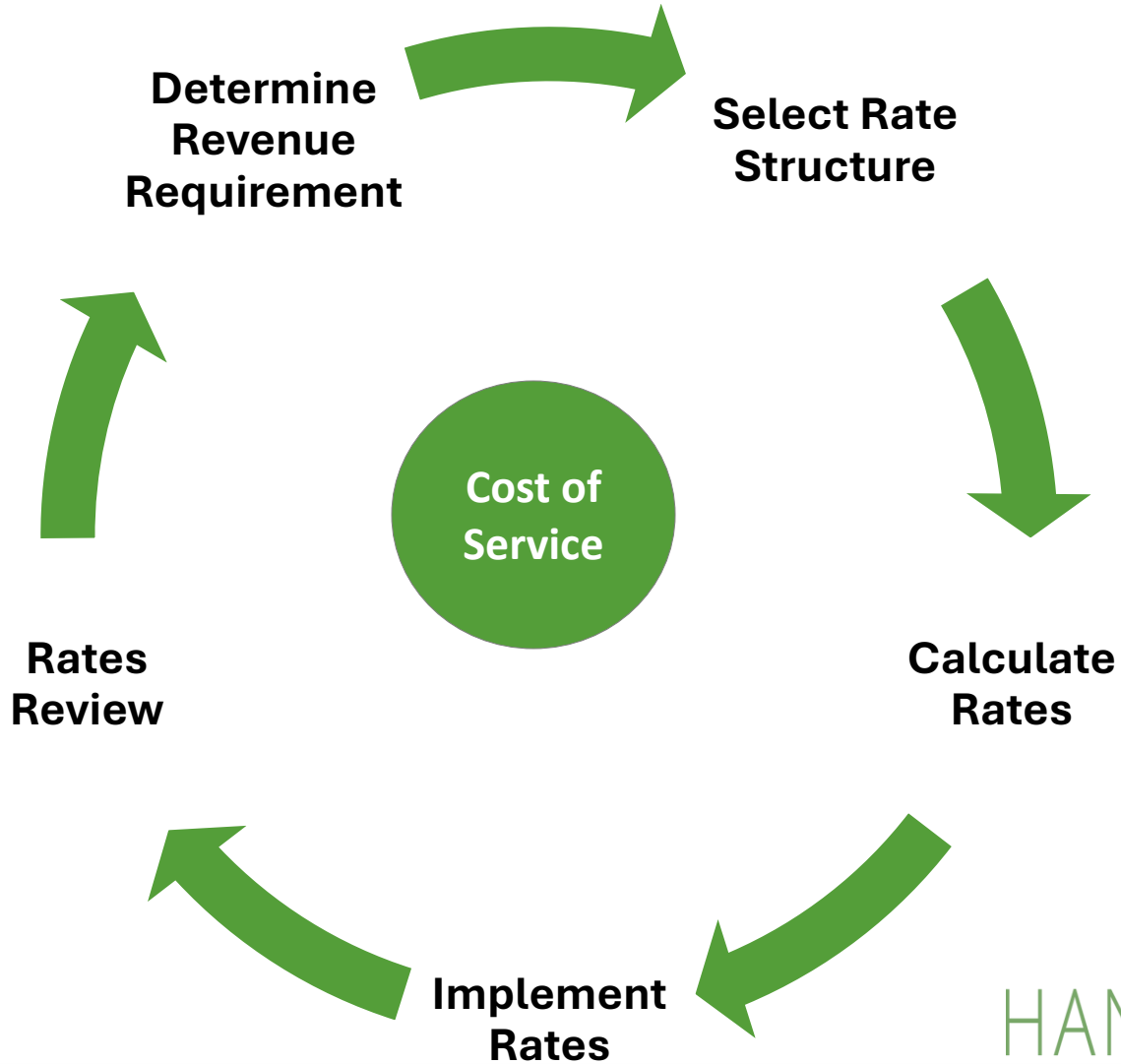
What is the Purpose of a Rate Study?

1. Calculate the amount of money that must be collected from monthly customer bills to support the utility's costs
 - **Revenue Sufficiency** – to operate the wastewater system for the next 5 years, disposing of wastewater safely while meeting all regulatory requirements
 - **Fund the CIP** – fund completion of capital improvements projects (CIP)
 - **Ensure Adequate Reserves** – to ensure sufficient cash flow and to provide funds for the unknown and emergencies
 - **Fulfill Financial Agreement Obligations** – Meet current and potential new loan restricted cash and debt service coverage requirements
2. Demonstrate Cost of Service
 - Evaluate rate design

Proposition 218 Requirements

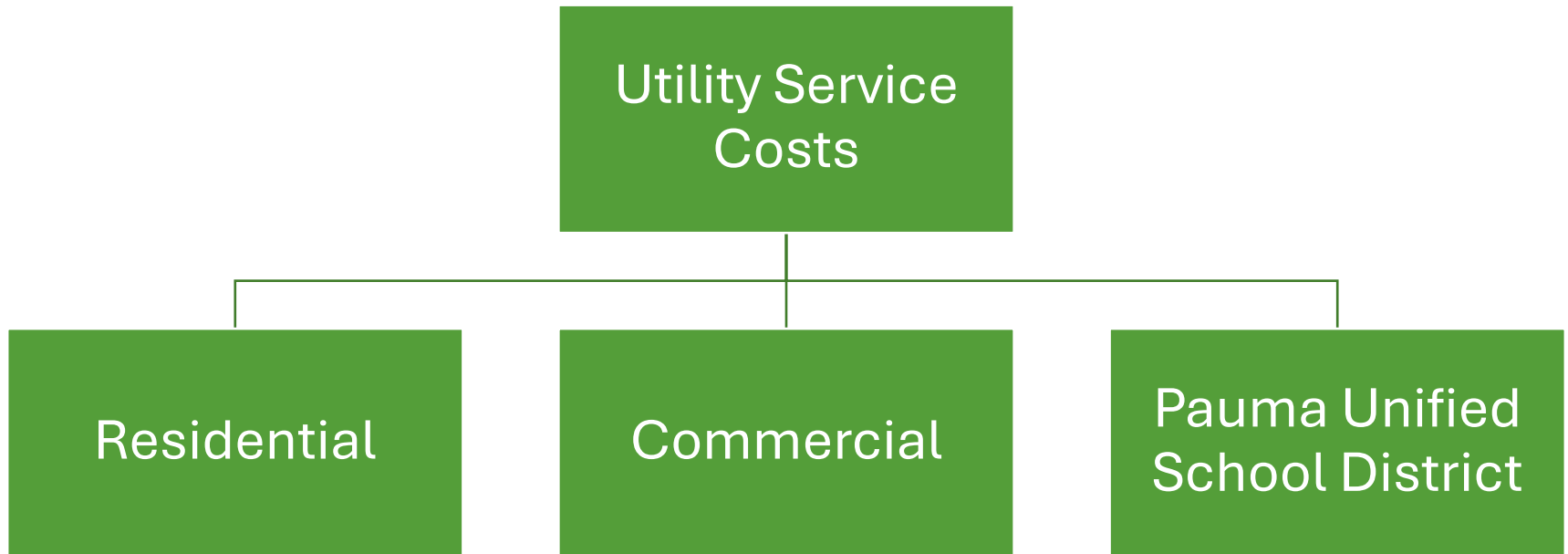
1. Revenues from the fee shall not exceed funds required to provide the service.
2. Revenues from the fee shall not be used for any purpose other than that for which it was imposed.
3. The amount of the fee imposed as an incident of property ownership shall not exceed the proportional **cost of service** to the parcel.
4. No fee may be imposed for service unless the service is used OR is immediately available to the parcel.
5. No fee may be imposed for general governmental services (such as police, fire, library) where the service is available to the public at large in much the same manner as to the parcels charged the fee.

Rate Setting Process



Cost of Service

Each customer class pays for its cost share based on estimated use of the wastewater system

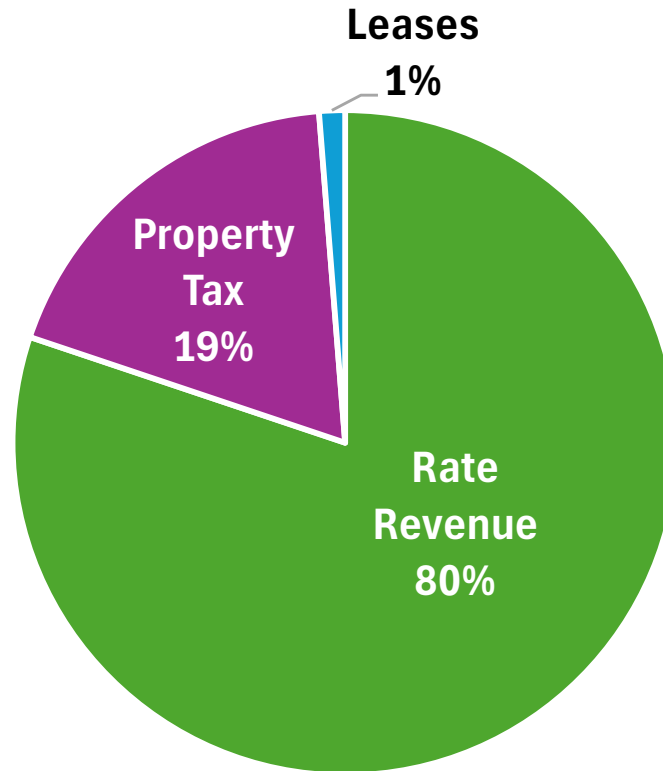


Paying for the Wastewater System

Operations & Capital Costs

- **Operating costs** paid for with rates, a portion of lease revenue, investment income, and miscellaneous other
- **Capital costs** paid for with combination of rates, property taxes, capacity fees, investment income, and loans/grants
 - Rates pay for rehabilitation or replacement of assets providing capacity to service existing customers
 - Capacity fees pay for increased capacity in rehabilitated assets and new assets to service new customers

Wastewater System Revenue Sources



Rate revenue and lease revenue pay for operating costs

Property tax pays for capital costs

Rate Study Methodology Steps

Following the WEF M27 Manual there are 4 Key Steps to conducting a rate study:

1. Determine Revenue Requirement
2. Establish Customer Characteristics
3. Functionalize Costs and Calculate Cost of Service
4. Rate Design and Rate Calculations

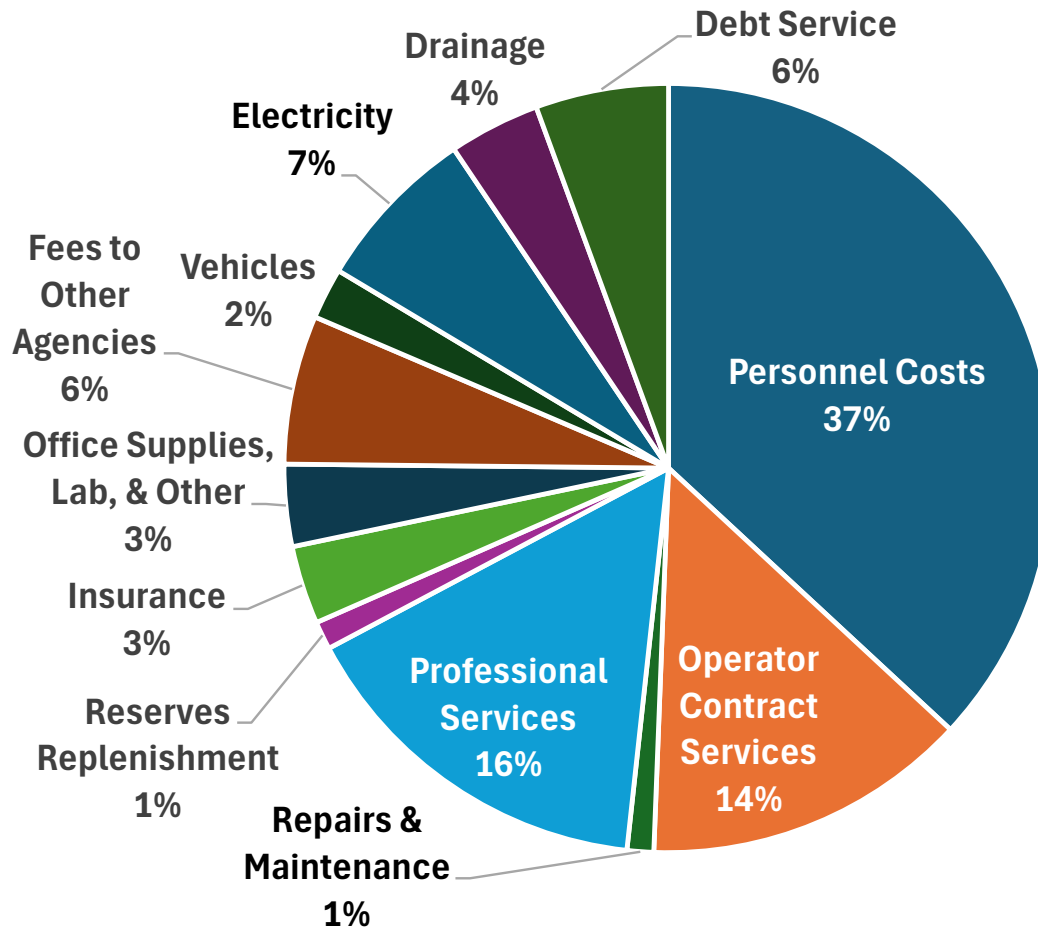
Step 1: Determine Revenue Requirement

Revenue Requirement



- Operations & Maintenance
- Capital Improvements
 - rehabilitation, upgrades, & expansion for capacity deficiencies
- Debt Service
- Prudent Reserves

Wastewater Fund Operating Expenses



38% of Total District Expenses

Projected Share of Costs over the next 6 years

Capital Improvements

Cash, \$590,000, 27%



Project Type	Inflated \$
Critical Improvements	Inflated \$
Water Quality Control Upgrades	\$373,200
Repair & Rehab. 2 nd Treatment Train	\$236,200
Oak Tree Lift Station Rehab.	\$427,000
WWTP Lift Station Improvements	\$170,300
Soft Costs & Contingency	\$405,700
Total Critical Improvements (Loans)	\$1,610,000
Other (Cash)	\$590,000

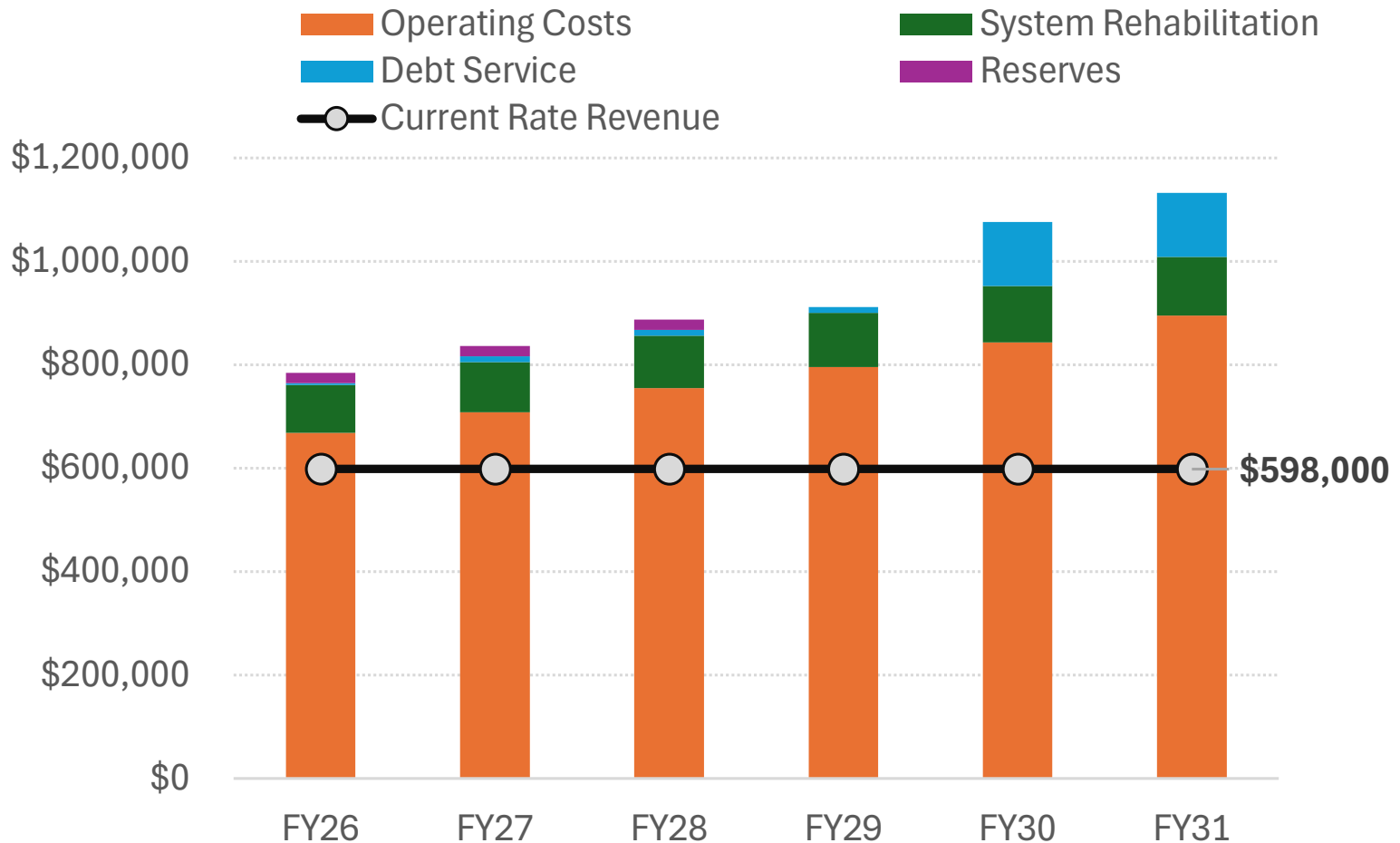
‘Other’ includes VFD air conditioning unit and CCTV push camera in FY26 budget, and an SSMP for the collection system *plus* Plant Repairs and Maintenance.

Financial Health Criteria

Based on guidelines provided by the Government Finance Officers Association and discussion with District staff

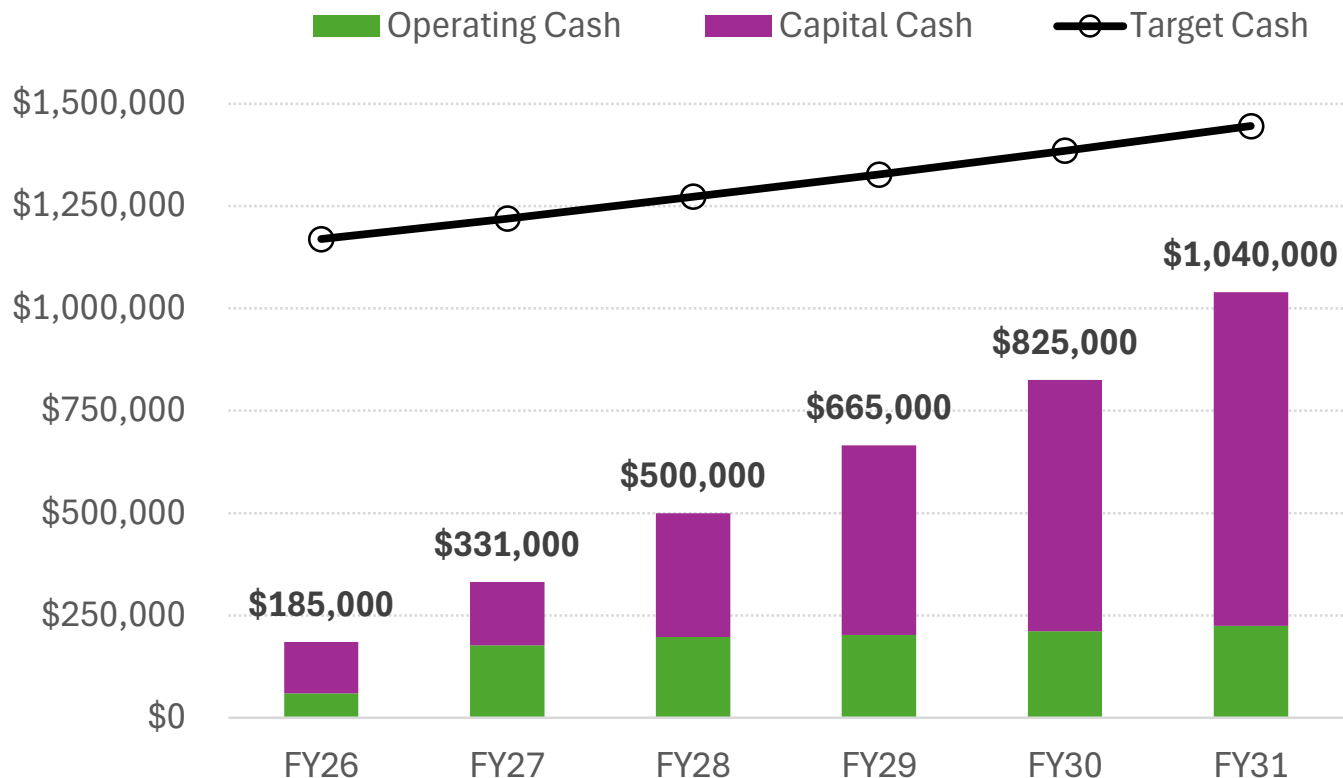
1. General operating cash reserves shall be at least 25% of operating expenses (3 months)
2. Restricted cash reserves will equal loan requirements
3. A minimum \$1 Million shall be kept in designated reserves for capital, equipment, and emergencies expenses
4. Each year, net operating income will exceed debt service by at least 1.20

Projected Revenue Requirement



Projected Cash Balances

Wastewater funds are subject to large cash outflows for capital projects and must maintain strong reserves for repair/rehabilitation and potential emergency events



Consequences of NO Rate Increase

- Financially insolvent within 2 years
- Unable to maintain the sewer system
- No new connections
- Loss of local control
 - County would have to assume facilities and service, and the State Water Boards would levy hefty fees for failure to meet permit requirements -- homes and businesses would be red tagged (must be vacated) until service is resumed

Step 2: Establish Customer Characteristics

EDUs by Account

	Current # EDUs	Rate Study # EDUs
Living Units (Homes)	347.00	359.50
Serrato Automotive	1.00	1.00
Pauma Building	4.75	13.75
Pauma Mutual Water	0.00	1.75
Pauma Valley Country Club	59.30	73.95
Pauma Village	2.50	14.07
Pauma School	11.30	16.48
Pool Areas w/ Restrooms	4.00	2.33
Total	429.85	482.83

Ordinance 50 specifies how EDUs are counted.

2025 updates to Ordinance 50 include how Residential EDUs are counted, how School EDUs are counted, how Laundry Facilities EDUs are counted, and how Pool Area EDUs are counted.

Proposed Changes

- One Living Unit = 1 Equivalent Dwelling Unit (EDU)
 - A Living Unit is a building, or portion of a building on a residential or commercial lot, intended for living or sleeping purposes with cooking and sanitation provisions with 4 bedrooms or less
- A Living Unit with more than 4 bedrooms shall pay 0.25 EDU for each additional bedroom
- Schools pay per student
- Country Club and HOAs pay 0.33 EDUs for each bathroom servicing amenities (golf course, tennis center, pools, etc.)
- Pauma Building pays for all units, per Ordinance
- Pauma Mutual Water pays, per Ordinance
- Country Club pays for the bar area, per Ordinance

EDUs In/Out Tax Areas

PVCSD receives property tax from In Tax Area

Out Tax Area properties (and non-taxable properties) are not contributing property tax to pay for system rehabilitation

	Number of EDUs
In Tax Area	
Developed	455.61
Vacant	32.00
Total In Tax Area	487.61
Total Developed Out Tax Area	27.23
Total Sewer EDUs	514.83

Step 3: Calculate Cost of Service

Functionalize Costs

Split Costs: Personnel, Professional Services, Depreciation

- Split Costs
- Buildings & Other Repairs
- Fees to Agencies
- Vehicles
- Office Expense

Customer-Related

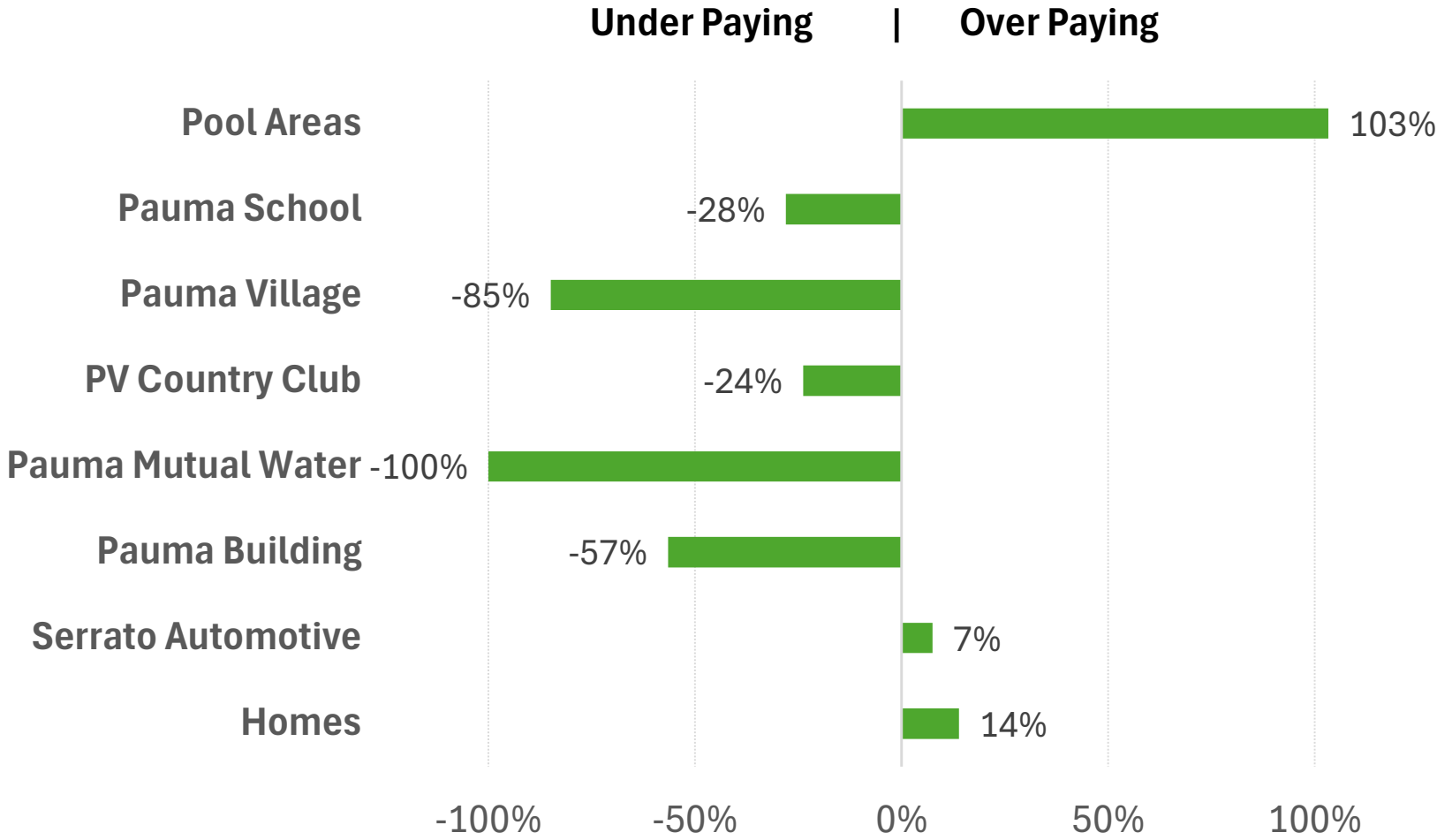
Base Charges
20%

- Split Costs
- Electricity
- Lab Tests & Analysis
- System Repairs & Maintenance

Flow-Related

Use Charges
80%

Cost of Service Findings



Step 4: Rate Design and Rate Calculations

Calculated Base Charges

Out Tax Area EDUs pay a greater base charge because they do not contribute property tax to the District

Item	FY26 Budget	FY27 Yr 1	FY28 Yr 2	FY29 Yr 3	FY30 Yr 4	FY31 Yr 5
Base Charge Allocation	\$156,720	\$166,994	\$177,257	\$182,054	\$215,200	\$226,387
Property Tax Credit	\$138,600	\$141,372	\$144,199	\$147,083	\$150,025	\$153,026
Total Base Charges	\$295,320	\$308,366	\$321,457	\$329,138	\$365,225	\$379,412
Number of Base Units						
Developed EDUs (In Tax Area)	456	456	456	456	456	456
Vacant Lots (In Tax Area)	32	32	32	32	32	32
Subtotal In Tax Area	488	488	488	488	488	488
Developed EDUs (Out Tax Area) [1]	27	27	27	27	27	27
Total Base EDUs	515	515	515	515	515	515
Monthly Base Charge per EDU						
In Tax Area	\$24.11	\$25.75	\$27.39	\$28.14	\$33.48	\$35.26
Out Tax Area	\$47.80	\$49.91	\$52.03	\$53.28	\$59.12	\$61.41

[1] Includes Pauma Mutual Water, which is In Tax Area, but which is non-taxable.

Calculated Use Charges

Customer Category	FY26 Budget	FY27 Yr 1	FY28 Yr 2	FY29 Yr 3	FY30 Yr 4	FY31 Yr 5
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Cost by Customer Category

Low	\$40,454	\$43,106	\$45,755	\$46,993	\$55,549	\$58,437
Domestic	\$469,937	\$500,744	\$531,520	\$545,905	\$645,296	\$678,839
Medium	\$27,328	\$29,119	\$30,909	\$31,745	\$37,525	\$39,476
High	\$89,161	\$95,006	\$100,845	\$103,574	\$122,431	\$128,795
Total	\$626,879	\$667,974	\$709,028	\$728,218	\$860,802	\$905,546

Monthly Use Charge per EDU

Low	\$95.03	\$101.26	\$107.48	\$110.39	\$130.49	\$137.27
Domestic	\$102.38	\$109.09	\$115.80	\$118.93	\$140.59	\$147.90
Medium	\$115.52	\$123.09	\$130.65	\$134.19	\$158.62	\$166.87
High	\$164.59	\$175.38	\$186.16	\$191.20	\$226.01	\$237.76

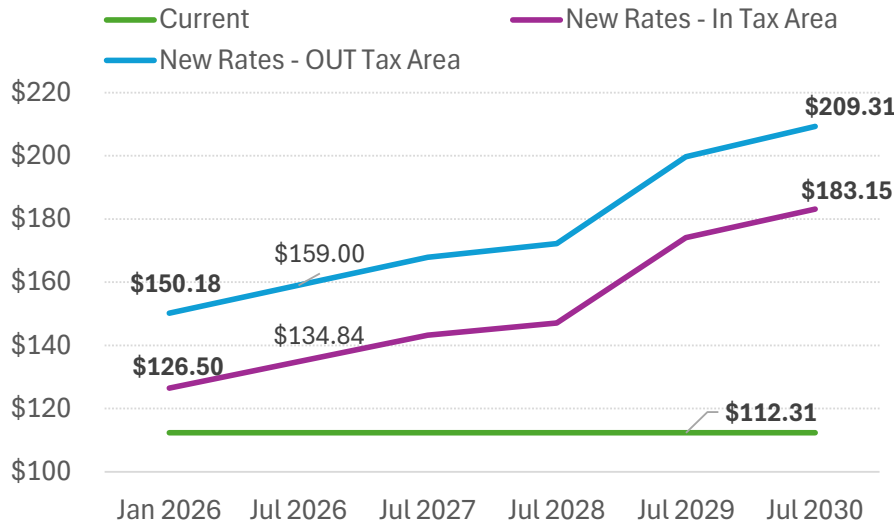
Calculated Rate Schedule

Customer	FY26	FY27	FY28	FY29	FY30	FY31
EDU	1/1/2026	7/1/2026	7/1/2027	7/1/2028	7/1/2029	7/1/2030
Vacant Lot	\$24.11	\$25.75	\$27.39	\$28.14	\$33.48	\$35.26
In Tax Area	Includes Base Charge + Use Charge Components					
Low	\$119.14	\$127.01	\$134.87	\$138.53	\$163.97	\$172.53
Domestic	\$126.50	\$134.84	\$143.19	\$147.08	\$174.07	\$183.15
Medium	\$139.63	\$148.84	\$158.04	\$162.33	\$192.10	\$202.12
High	\$188.70	\$201.13	\$213.54	\$219.34	\$259.49	\$273.01
Out Tax Area	Includes Base Charge + Use Charge Components					
Low	\$142.83	\$151.17	\$159.51	\$163.67	\$189.61	\$198.68
Domestic	\$150.18	\$159.00	\$167.83	\$172.21	\$199.71	\$209.31
Medium	\$163.32	\$173.00	\$182.68	\$187.47	\$217.74	\$228.28
High	\$212.39	\$225.29	\$238.19	\$244.48	\$285.13	\$299.17

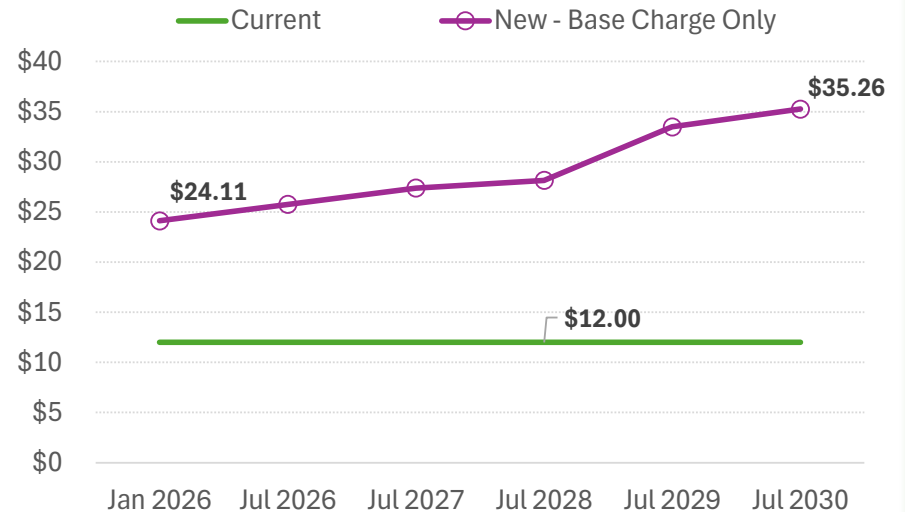
Bill Impacts

Monthly Bill Impacts

Living Unit (Home)



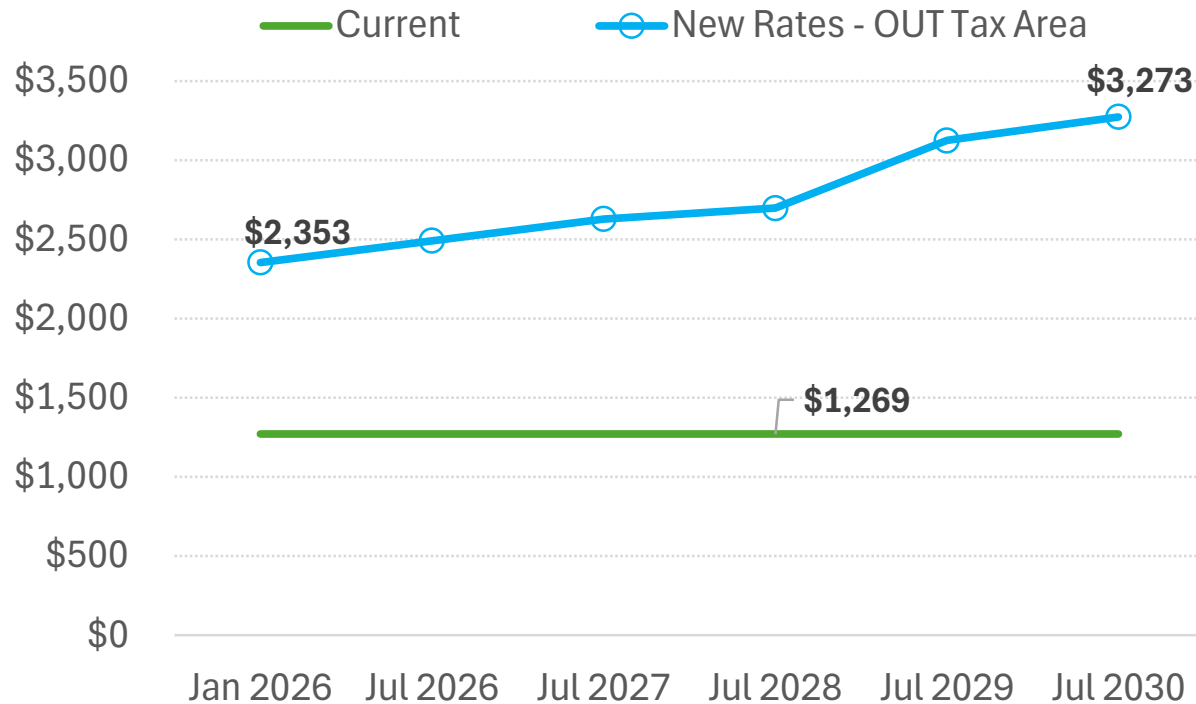
Vacant Lot



Comparison Home Monthly Sewer Bills

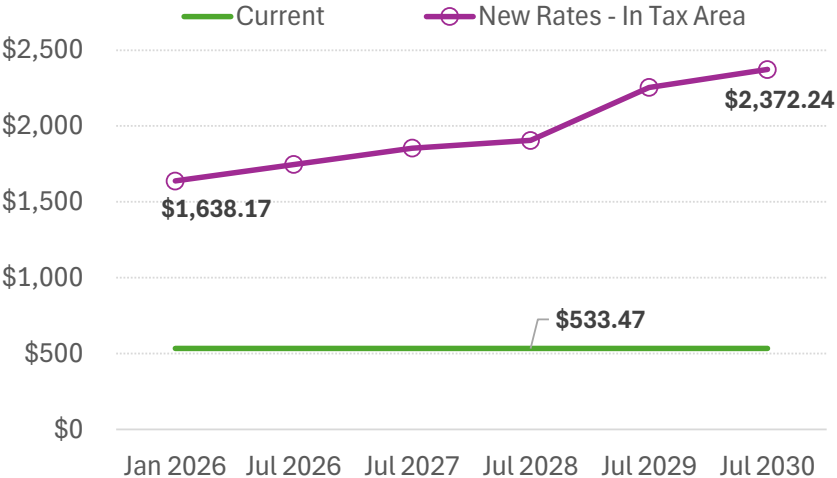


Monthly Bill Impacts: Pauma Unified School District

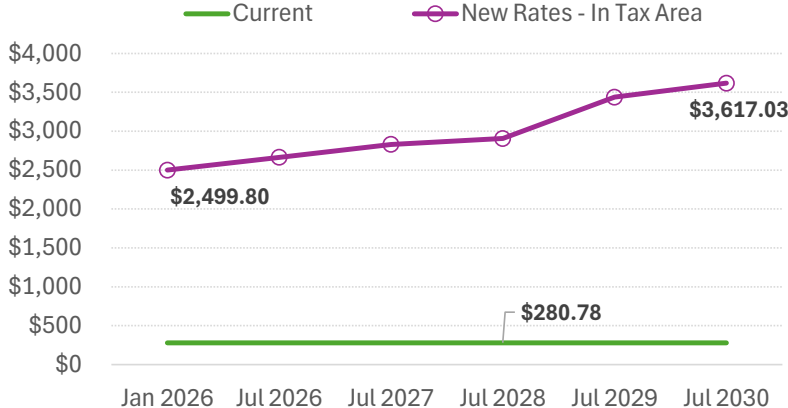


Monthly Bill Impacts: Large Accounts

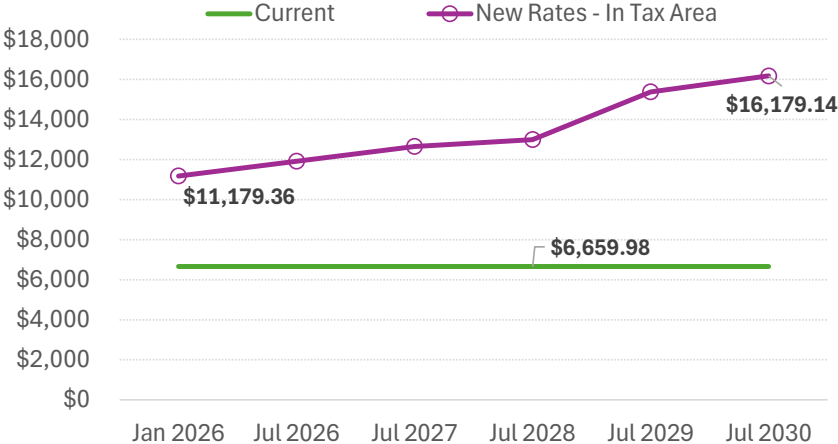
Pauma Building



Pauma Village



Pauma Valley Country Club



Adoption of New Rates

- Upon close of the public hearing November 17, the protests are counted.
- If >50% of the owners of public record protest the District cannot proceed.
- Absent a majority protest, the District can proceed with adoption of maximum rates.
- **At any time in the next 5 years, the District can freeze or reduce the rates shown on the notice** but cannot increase them without another Proposition 218 public noticing process.

Customer's Right to Protest

- Every property owner has the right to protest the proposed rates included in the Proposition 218 notice
- Only one protest per parcel can be counted
- Protest must be mailed or otherwise physically submitted in handwriting to the District – *electronic submittals are invalid*
- A valid protest will be counted if received by close of the public hearing and it includes:
 1. Customer's name (must be legible)
 2. Address or Assessor Parcel Number of the property
 3. A statement of the rates being protested
 4. Signature and Date

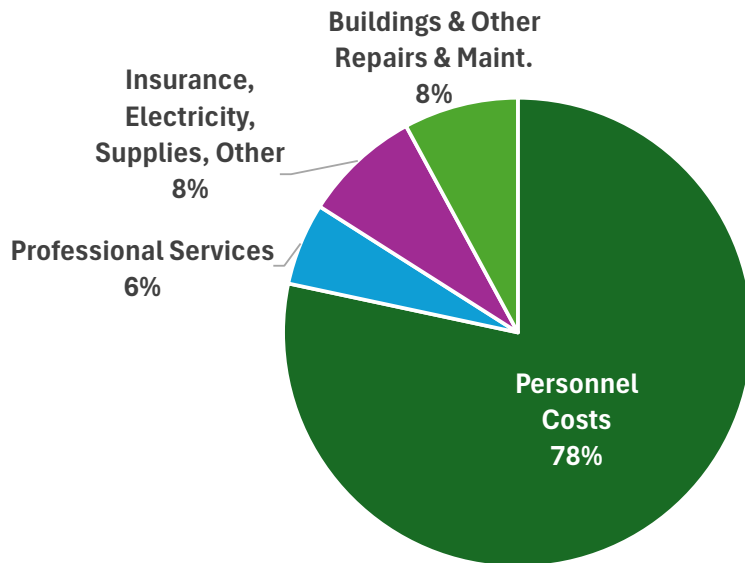
Security Fees Study

All figures are DRAFT

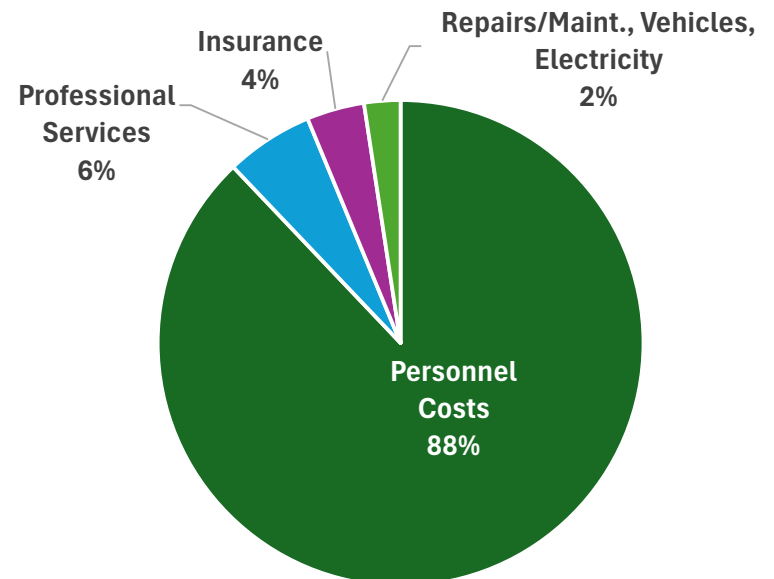
Patrol & Gate Operating Costs (next 6 years)

- Operating costs increase about 7% per year

Gates



Patrol



Security Capital Improvements

Project Type	Estimated Costs (rounded)
Patrol	Inflated \$
Patrol Supplies [1]	\$35,000
Security Vehicles	\$174,000
Subtotal Security	\$209,000
Gates [2]	\$71,000
Total Security	\$279,000

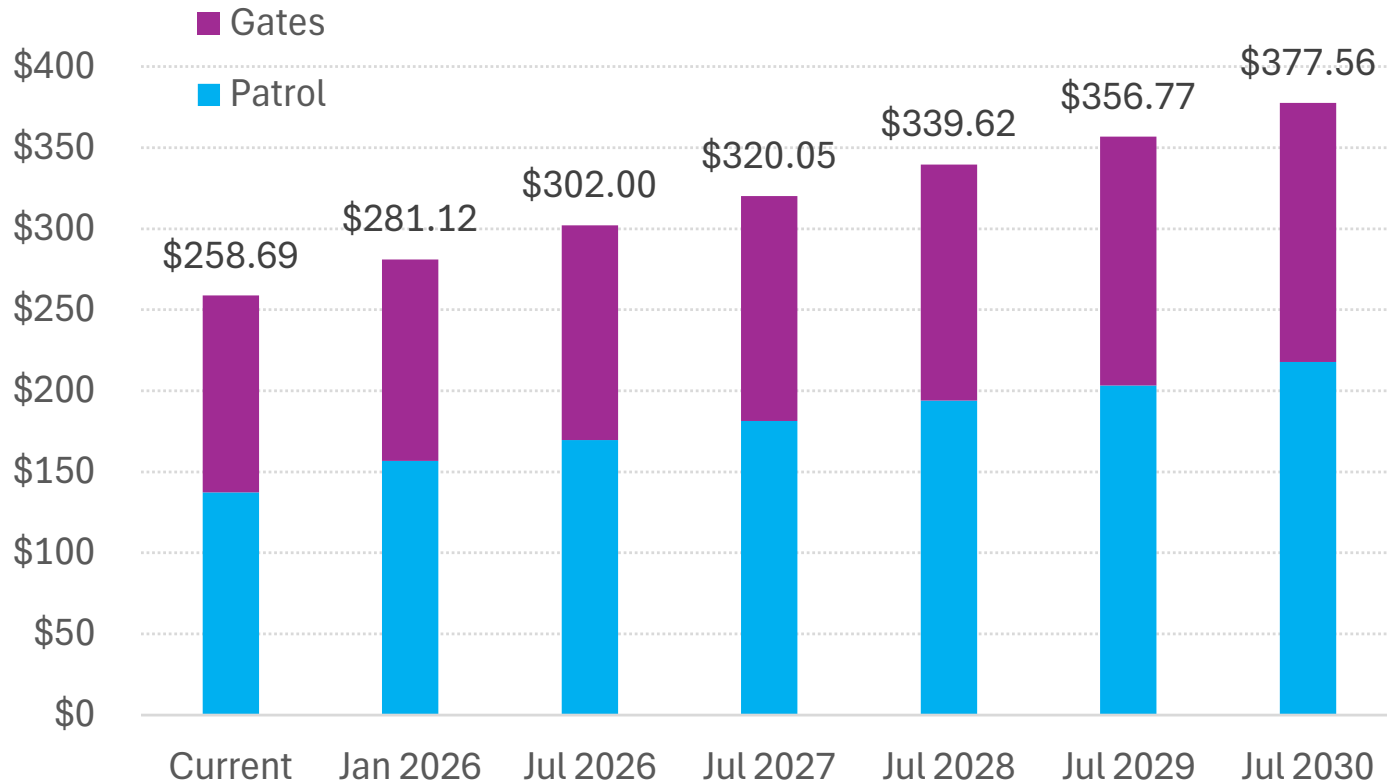
[1] FY26 includes first aid supplies, AED, and 2 laptops (\$6,733); thereafter placeholder annual amount.

[2] FY26 includes new door, new computer, surveillance camera replacements, and equipment (\$14,495); thereafter placeholder annual amount.

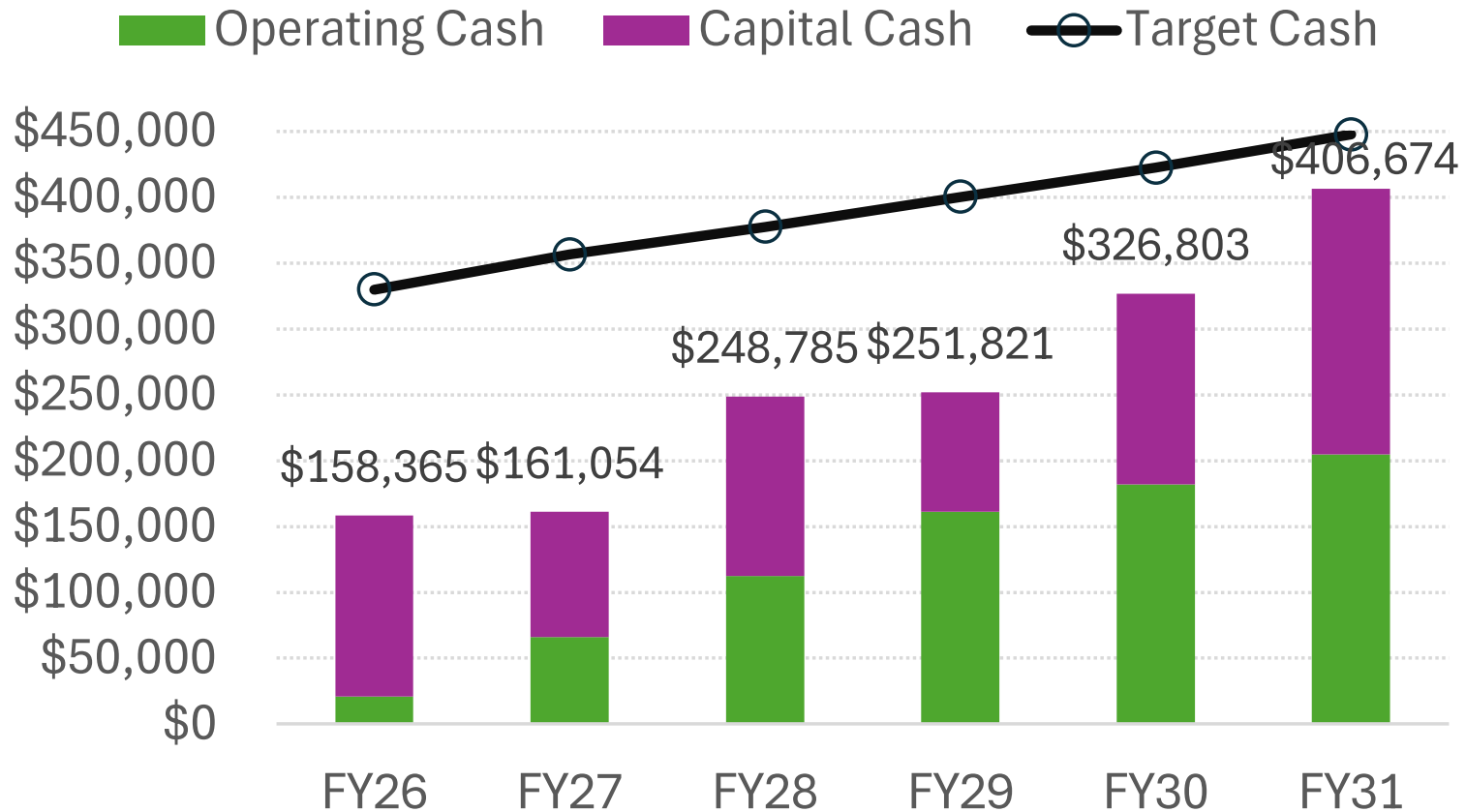
Current and Calculated Security Regulatory Fees

Service	Current	FY26	FY27	FY28	FY29	FY30	FY31
Patrol	\$137.19	\$156.69	\$169.59	\$181.27	\$193.83	\$203.26	\$217.80
Gates	\$121.50	\$124.43	\$132.41	\$138.78	\$145.79	\$153.51	\$159.76

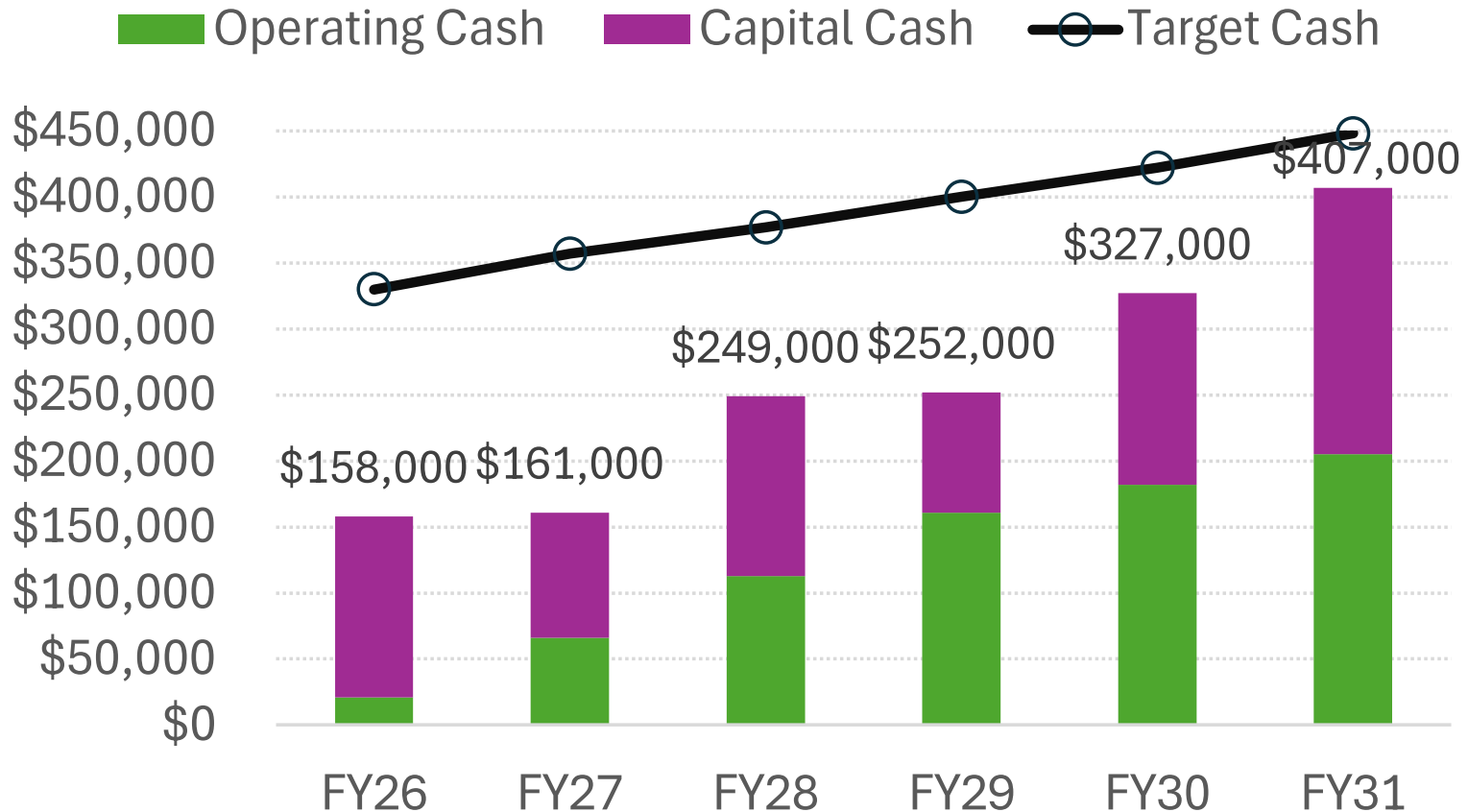
Stacked Monthly Gates and Patrol Fees



Patrol Projected Cash Balances



Gates Projected Cash Balances



Next Steps

**Public Hearings &
New Fee Adoptions
(Sewer and
Security) Nov 17**

Workshops

Oct 18

**Security Fees
Public
Hearing
Notice in
Newspaper**
Oct 30 & Nov 6

**1/1/26
Implement
New Fees**